

**Overweight**

<b>Current Price</b>	<b>S\$0.145</b>
Fair Value	S\$0.315
Up / (downside)	117.2%

**Stock Statistics**

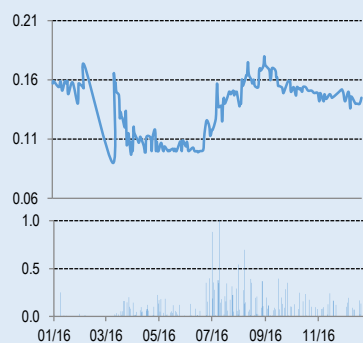
<b>Market cap</b>	S\$29.0m
<b>52-low</b>	S\$0.078
<b>52-high</b>	S\$0.188
<b>Avg daily vol</b>	86,555
<b>No of share</b>	200.1m
<b>Free float</b>	32.2%

**Key Indicators**

<b>ROE 17F</b>	6.0%
<b>ROA 17F</b>	1.4%
<b>RNAV</b>	RM304.5m
<b>P/BK</b>	1.49
<b>Net gearing</b>	50%

**Major Shareholders**

<b>Su Chung Jye</b>	69.72%
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**Historical Chart**

Source: Bloomberg

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**Recent Strategic Partnerships Strike Even Closer to Home**

- Partnering with local cooperatives to boost sales.** On 3 January, Regal announced that it has entered into a conditional off-take agreement with MyAngkasa Bina Sdn. Bhd. (ANGKASA) for the marketing and “underwriting” of the residential units of Airtrollis Phase 3. Under the agreement, ANGKASA will market and sell the 276 units on behalf of Regal or otherwise purchase all unsold units upon project completion for an aggregate value of about RM90m. On 12 January, Regal further announced that its subsidiary has successfully raised RM15m of investment from Malaysian cooperative Koperasi Jayadiri Malaysia Berhad (KOJADI) via the issue of 8% redeemable preference shares (RPS) of 3.5 years’ tenure.
- Deals enhance financial certainty of group.** The “underwriting” agreement with ANGKASA provides Regal with the financial leverage to fund the construction of this project. The average selling price implied by the aggregate sales value of RM90m for the 276 residential units is actually higher than that represented by our GDV estimate of RM92.4m for 288 residential and commercial units in Phase 3. The RPS issue also reduces the balance sheet risk of the company and significantly enhance Regal’s working capital position.
- Potential for more deals to come.** ANGKASA is a subsidiary of an apex cooperative with over 7.5m cooperative members. KOJADI is a cooperative that disburses educational loans, business and SME loans in Malaysia that also invests in shares, properties and other assets, and has more than 62,000 members and assets of more than RM156m. We reckon that Regal may try to strike more of similar deals with ANGKASA and other large scale cooperatives that have the requisite financial capacity.
- Share price has yet to reflect upside.** In total, both deals have a value of about RM105m or S\$33.65m. We have previously calculated that Regal’s projects have a GDV of at least RM1.5 billion or about S\$490m and have valued Regal at S\$0.315 per share or S\$63m. In contrast, Regal currently only has a market capitalisation of S\$29.0m. These deals actually increase the certainty of Regal delivering on its RM1.5 billion GDV of projects and should be a positive for Regal’s share price.
- Executive directors personally guarantee RM15m of RPS.** We also highlight that the two executive directors of Regal have each provided a personal guarantee in favour of KOJADI to secure the investment from KOJADI for the Group. Their decision is commendable and shows their commitment in Regal. In this update, we keep our forecasts, valuation and rating unchanged, but highlight that financial risks have been substantially reduced with these deals. Hence, we reclassify Regal from high return / high risk to high return / high-average risk.

<b>Key Financial Data</b> (RM m, FYE Dec)	<b>2014</b>	<b>2015</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>
Sales	95.3	120.7	160.1	209.8	254.8
Gross Profit	32.2	20.8	32.8	42.0	51.0
Net Profit	-17.9	-72.4	(21.3)*	3.7	11.0
EPS (sen)	-12.6	-36.2	(10.7)	1.8	5.5
EPS growth (%)	nm	187.8	(70.5)	nm	199.9
PER (x)	nm	nm	nm	24.7	8.2
NTA/share (sen)	71.8	40.3	29.6	30.5	34.6
DPS (sen)	NA	0.0	0.0	0.5	0.9
Div Yield (%)	NA	0.0	0.0	1.0	2.0

\*includes loss on disposal of discontinued operation. Source: Company, NRA Capital forecasts

# Regal International Group Ltd.

Figure 1: GDV Estimates of Airtrollis

Airtrollis	No of Units	Built-up Area (sq. ft./unit)	ASP/ sq. ft. (RM)	ASP/unit (RM m)	GDV (RM m)
Phase 1	360	917	350	0.32	115.5
Phase 2	400	917	350	0.32	128.4
Phase 3	288	917	350	0.32	92.4
Shophouses	16	1,923	400	0.77	12.3
Mall	NA	33,857	400	13.54	13.5
<b>Total</b>	<b>1064.0</b>	<b>1,025,641</b>	<b>353</b>	<b>0.34</b>	<b>362.2</b>

Source: NRA Capital

We understand that Phase 1 of Airtrollis is already substantially sold and construction has commenced. The deal with ANGKASA means that construction of Phase 3 will commence in 2017 for completion by 2020 latest. Phase 2 construction and sales will commence after Phase 3 construction has started. The construction plan of the different phases takes into consideration ground conditions. Phase 2 is located on higher ground and the management has deemed it more efficient to construct Phase 3 first.

Figure 2: Summary of Major Projects and Estimates

Major Ongoing Projects	Est. GDV	Gross Profit	PAT	
Regal Corporate Park Phase 1	49.4	16.24	8.47	COC, 1Q17 100% recognition
72 Residences Block 1	36.9	8.19	3.38	COC, 4Q16 100% recognition
Airtrollis Phase 1 (est. to be recognized)	46.2	6.60	1.23	POC, substantially recognized in 2015, full GDV = 115.5m
Treetops@Kerena	202.2	44.93	18.53	Completion in 2018, still in early stage of construction
Tropics City SOHO and apartments	198.9	68.09	35.50	Completion in 2019, GDV less est. 3% completed
Other Projects	Est. GDV	Gross Profit	PAT	
Ashraf Avenue 2	26.51	4.58	1.45	COC, completion in 4Q16
Tondong Heights Phase 2	22.97	5.91	2.71	COC, completion in 2017
72 Residences Block 2	28.9	8.67	4.34	COC, completion in 2017
Airtrollis Phases 2 and 3	220.8	31.54	7.1	POC, completion in 2018, 2019
Airtrollis shophouse and malls	25.8	4.77	1.63	COC, completion in 2019 or later
Tropics City Mall	110.64	55.32	33.19	COC, completion in 2019
Regal Corporate Park Phase 2 and 3	328.1	173.93	105.83	COC, completion in 2020 onwards
Minor projects				
- COC in 2017	114.12	19.87	6.34	
- POC, completion in 2017	6.88	1.45	0.57	
- COC in 2018	36.31	15.52	8.91	
- POC, completion in 2018	64.77	14.65	6.13	
-POC, completion in 2019	22.78	3.31	0.78	
Less other revenue recognized	-10.00	-2.24	-1.51	Revenue of RM37m, less RM27m removed from above list
<b>Total net development value (RM m)</b>			<b>244.6</b>	Previously RM247.9m
Book value of Regal as of 30 Sep 2016 (RM m)			59.9	
RNAV (RM m)			304.5	
Discount (based on 15% discount rate per annum)			35.1%	
Discounted RNAV (RM m)			197.6	
Number of shares (m)			200.11	
Value per share (RM)			0.987	
<b>Value per share (S\$)</b>			<b>0.316</b>	<b>Rounded to S\$0.315, based on SGDRM rate of 3.1225</b>

Source: Company, NRA Capital \*Key costs and ASP assumptions are provided in report dated 14 July 2016

# Regal International Group Ltd.

<b>Profit &amp; Loss (RM m, FYE Dec)</b>	<b>2014</b>	<b>2015</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>
Revenue	95.3	120.7	160.1	209.8	254.8
Operating expenses	-81.1	-142.6	(152.5)	(193.8)	(230.7)
EBITDA	14.2	-21.9	7.6	15.9	24.1
Depreciation & amortisation	-1.6	-4.7	(4.7)	(4.7)	(4.7)
EBIT	12.6	-26.6	2.8	11.2	19.4
Non-operating income/(expenses)	-4.4	-44.2	(1.3)	(1.7)	(1.8)
Associates' contribution	8.9	-1.5	0.9	0.0	0.0
Exceptional items	-30.1	0.0	(21.0)	0.0	0.0
<b>Pretax profit</b>	<b>-12.9</b>	<b>-72.3</b>	<b>(18.6)</b>	<b>9.5</b>	<b>17.6</b>
Tax	-5.0	0.1	(1.9)	(4.7)	(5.3)
Minority interests	0.0	-0.2	(0.8)	(1.0)	(1.3)
<b>Net profit</b>	<b>-17.9</b>	<b>-72.4</b>	<b>(21.3)</b>	<b>3.7</b>	<b>11.0</b>
Shares at year-end (m)	200.1	200.1	200.1	200.1	200.1
<b>Balance Sheet (RM m, as at Dec)</b>	<b>2014</b>	<b>2015</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>
Fixed assets	16.6	22.7	0.3	2.3	4.4
Goodwill and intangible assets	39.3	0.0	0.0	0.0	0.0
Other long-term assets	23.7	17.7	17.7	17.7	17.7
<b>Total non-current assets</b>	<b>79.6</b>	<b>40.4</b>	<b>18.0</b>	<b>20.0</b>	<b>22.1</b>
Cash and equivalents	27.7	22.5	3.2	14.0	33.0
Stocks	30.3	36.7	38.2	47.0	51.0
Trade and other debtors	78.9	73.6	59.5	70.6	78.5
Development properties and others	54.0	113.5	129.8	136.0	142.5
<b>Total current assets</b>	<b>190.9</b>	<b>246.3</b>	<b>230.7</b>	<b>267.7</b>	<b>305.0</b>
Trade and other creditors	55.5	61.1	76.3	100.7	122.3
Short-term borrowings	16.5	31.3	11.2	21.0	25.5
Other current liabilities	39.8	96.5	81.9	84.7	90.0
<b>Total current liabilities</b>	<b>111.8</b>	<b>188.9</b>	<b>169.4</b>	<b>206.4</b>	<b>237.8</b>
Long-term borrowings	13.7	15.7	17.6	16.8	15.3
Other long-term liabilities	1.4	1.3	1.3	1.3	1.3
<b>Total long-term liabilities</b>	<b>15.0</b>	<b>16.9</b>	<b>18.9</b>	<b>18.0</b>	<b>16.5</b>
<b>Shareholders' funds</b>	<b>143.6</b>	<b>80.5</b>	<b>59.2</b>	<b>61.0</b>	<b>69.3</b>
Minority interests	0.1	0.4	1.2	2.2	3.5
NTA/share (RM)	0.72	0.40	0.30	0.31	0.35
<b>Total Assets</b>	<b>270.6</b>	<b>286.7</b>	<b>248.7</b>	<b>287.7</b>	<b>327.1</b>
<b>Total Liabilities + S'holders' funds</b>	<b>270.6</b>	<b>286.7</b>	<b>248.7</b>	<b>287.7</b>	<b>327.1</b>
<b>Cash Flow (RM m, FYE Dec)</b>	<b>2014</b>	<b>2015</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>
Pretax profit (w/o exceptional items)	-12.9	-72.3	2.4	9.5	17.6
Depreciation & non-cash adjustments	22.4	53.5	(0.5)	(2.3)	2.4
Working capital changes	-23.5	7.2	13.2	0.4	5.5
Cash tax paid	0.3	-0.6	(16.5)	(1.9)	(4.7)
<b>Cash flow from operations</b>	<b>-13.7</b>	<b>-12.2</b>	<b>(1.4)</b>	<b>5.6</b>	<b>20.8</b>
Capex	-1.4	-3.2	21.5	(3.0)	(3.0)
Net investments & sale of FA	26.3	-1.4	0.0	0.0	0.0
Others	-2.2	3.2	0.0	0.0	0.0
<b>Cash flow from investing</b>	<b>22.7</b>	<b>-1.4</b>	<b>21.5</b>	<b>(3.0)</b>	<b>(3.0)</b>
Debt raised/(repaid)	19.0	6.5	(18.1)	9.0	3.0
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	(0.9)
Cash interest & others	-6.0	-3.9	(0.2)	(0.7)	(0.9)
<b>Cash flow from financing</b>	<b>13.0</b>	<b>2.6</b>	<b>(18.3)</b>	<b>8.2</b>	<b>1.2</b>
<b>Change in cash</b>	<b>21.9</b>	<b>-11.0</b>	<b>1.7</b>	<b>10.8</b>	<b>19.0</b>
<b>Change in net cash/(debt)</b>	<b>0.5</b>	<b>-22.0</b>	<b>19.9</b>	<b>1.9</b>	<b>16.0</b>
<b>Ending net cash/(debt)</b>	<b>-2.4</b>	<b>-24.5</b>	<b>(4.6)</b>	<b>(2.7)</b>	<b>13.3</b>
<b>KEY RATIOS (FYE Dec)</b>	<b>2014</b>	<b>2015</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>
Revenue growth (%)	-24.2	26.7	32.6	31.1	21.5
EBITDA growth (%)	-55.2	NM	134.6	110.3	51.4
Pretax margins (%)	-13.5	-59.9	(11.6)	4.5	6.9
Net profit margins (%)	-18.7	-60.0	(13.3)	1.8	4.3
Effective tax rates (%)	NM	NM	(10.2)	50.0	30.0
Net dividend payout (%)	0.0	0.0	0.0	(75.6)	(50.4)
ROE (%)	-20.6	-64.6	(0.6)	6.0	15.9
Free cash flow yield (%)	(52.0)	(53.8)	(3.3)	8.8	61.3

Source: Company, NRA Capital forecasts

# Regal International Group Ltd.

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