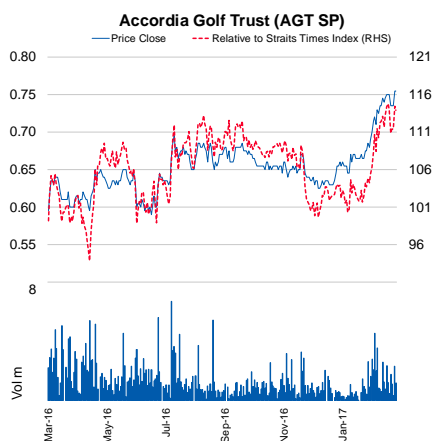


## It's Tee-Off Time!



Source: Bloomberg

### Stock Profile

Bloomberg Ticker	AGT SP
Avg Turnover (SGD/USD)	0.74m/0.52m
Net Gearing (%)	28%
Market Cap (SGDm)	m
Beta (x)	0.70
BVPS (JPY)	0.93
52-wk Price low/high (SGD)	0.59 - 0.76
Free float (%)	71

### Major Shareholders (%)

Accordia Golf Co Ltd	28.9
Goldman Sachs Group Inc	15.0
Morgan Stanley	9.5

### Share Performance (%)

	1m	3m	6m	12m
Absolute	11.0	18.9	11.9	26.9
Relative	8.9	13.1	3.7	14.2

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## Investment Merits

- ◆ One of the largest golf course owners in Japan
- ◆ Rising popularity of golf as a leisure activity
- ◆ Resilient cash flow generation reflected by stable EBITDA
- ◆ Low gearing provides headroom for growth via acquisitions
- ◆ Attractive dividend yield of c.8%

## Company Profile

Accordia Golf Trust (AGT) is a SGX-listed business trust owning golf course assets in Japan. AGT's principal investment strategy is to invest in a portfolio of stabilized, income generating golf courses, driving ranges and golf courses related assets worldwide, with an initial focus on Japan. Its sponsor Accordia Golf Co. is the leading golf operator in Japan with a market shares of 5.7%. The trustee manager is 49% held by Accordia Golf co and 51% held by Daiwa Securities. Accordia Golf Trust (Accordia) is an SGX-listed business trust, which owns golf course assets in Japan. Accordia's principal investment strategy is to invest in a portfolio of stabilised, income-generating golf courses, driving ranges and golf course related assets worldwide, with an initial focus on Japan. Its sponsor, Accordia Golf Co, is the leading golf operator in Japan with a market share of 5.7%. The trustee manager is 49% held by Accordia Golf Co and 51% held by Daiwa Securities.

## Highlights

**One of the largest golf course owners in Japan.** Accordia's initial portfolio comprises 89 golf courses located across Japan, mostly situated in the three largest metropolitan areas in Japan – Greater Tokyo region, Greater Nagoya region and Greater Osaka region. As of 31 Dec 2015, the total appraised value of Accordia's golf courses stood at JPY151bn.

**Growing demand for golf.** In Japan, golf continues to be a popular leisure activity among baby boomers who have money and more time for leisure. Longer healthy life expectancy of seniors is also driving rising golf playtime as players are able to enjoy golf well into their advanced years. Another driver is the increasing population in urban areas where there is higher demand for golf compared to rural areas, highlighting a two-tiered market. 70% of Accordia's golf courses are strategically located in the three largest metropolitan areas.

**Acquisitions to drive growth.** Accordia has a right of first refusal for all golf course related assets owned by its sponsor, Accordia Golf. Comprising an estimated 44 golf courses with an appraised value of c.JPY50bn, this pipeline allows Accordia to grow inorganically via yield-accretive purchases. The trust has also been active on enhancement

initiatives for its assets, including reconditioning of golf cart paths, construction of new ladies' tee, and improvements to golf carts to enable driving onto fairways. Flexible job rotation schemes were also introduced to manage labour expense.

## Company Report Card

**Latest results.** For 3QFY17, Accordia's EBITDA declined 11% to JPY4.5bn due to a high base in 3QFY16. Operating income saw a 1.7% YoY dip due to an earthquake in the Kyushu area, as well as bad weather. Despite challenging weather conditions, EBITDA margin was above the average of 28%. For 9MFY17, DPU was stable at SGD0.044.

**Balance sheet / cash flow.** Accordia continues to operate with moderate gearing, with its loan-to-value ratio at 28.9% - the lower end of its peer group. The group therefore has ample debt headroom to fund yield-accretive acquisitions, and has a credit rating of BBB+.

**ROE.** Accordia's net property income (NPI) yield measured against asset values ranged from 7-8%. Coupled with gearing, the group is able to deliver double-digit returns, in our view.

**Dividend.** Its dividend policy is to distribute at least 90% of its distributable income on a semi-annual basis. At the current share price, the trust is generating an attractive 8% yield based on our FY17 DPU estimate of SGD0.06.

**Management.** Accordia is led by Mr Yoshihiko Machida, the CEO since 2014, after having worked with Accordia Group for nearly 10 years.

## Recommendation

We like Accordia for its resilient cash flow profile, with stable EBITDA over the years as well as a stable number of golf players year-in and year-out, notwithstanding unstable weather conditions. This suits the nature of the business trust as a vehicle providing regular and stable income, in our view.

We see scope for Accordia to increase its DPU via acquisitions and leverage off the increasing popularity of golf among seniors in Japan. At the current share price, the trust is trading at a DPU yield of 8% and P/BV of 0.8x.

We do not have rating on Accordia at the moment.

<b>Profit &amp; Loss</b>	<b>Mar-14</b>	<b>Mar-15</b>	<b>Mar-16</b>
Total turnover (JPYm)	-	33,425	53,175
Reported net profit (JPYm)	-	2,648	6,662
Recurring net profit (JPYm)	-	2,648	6,662
Recurring net profit growth (%)	(100.0)	-	151.6
Recurring EPS (JPY)	-	2.41	6.06
DPS (JPY)	6.00	6.00	6.50
Recurring P/E (x)	na		
Return on average equity (%)	-	6.4	8.1
P/B (x)	na		
P/CF (x)	na		

Source: Company data, RHB

<b>Balance Sheet (JPYm)</b>	<b>Mar-14</b>	<b>Mar-15</b>	<b>Mar-16</b>
Total current assets	-	16,438	15,092
Total assets	-	184,254	181,620
Total current liabilities	-	21,318	21,834
Total non-current liabilities	-	79,485	77,669
Total liabilities	-	100,803	99,503
Shareholders' equity	-	83,393	81,914
Minority interests	-	58	203
Total equity	-	83,451	82,117
Total liabilities & equity	-	184,254	181,620
Total debt	-	42,766	42,943
Net debt	-	30,449	31,705

Source: Company data, RHB

<b>Cash flow (JPYm)</b>	<b>Mar-14</b>	<b>Mar-15</b>	<b>Mar-16</b>
Cash flow from operations	-	4,174	10,336
Cash flow from investing activities	-	(51,251)	(1,567)
Cash flow from financing activities	-	59,332	(10,259)
Cash at beginning of period	4,500	-	12,317
Net change in cash	-	12,255	(1,490)
Forex effects	-	13	(27)
Ending balance cash	4,500	12,268	10,800

Source: Company data, RHB