

ACCORDIA GOLF TRUST

BUY

Share Price:	\$0.77
Target Price:	\$0.85
Upside:	10.4%

COMPANY DESCRIPTION

Accordia Golf Trust (AGT) is the first business trust comprising investments in golf course assets in Japan that is listed on the SGX. Its sponsor, Accordia Golf, is the top golf course operator in Japan with the largest market share at 132 golf courses.

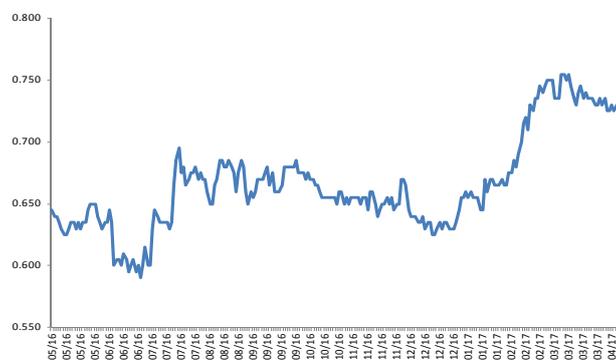
AGT's initial portfolio comprises 89 golf courses located across Japan, mostly situated in the three largest metropolitan areas in Japan, namely, the Greater Tokyo Region, the Greater Nagoya Region and the Greater Osaka Region.

Name	ACCORDIA GOLF TRUST
Bloomberg Code	AGT SP Equity
3M Avg Daily Trading Vol (k)	1.33
3M Avg Daily Trading Val (\$S'000)	931
Major Shareholder / Holdings	Accordia Golf / 28.85%
Shares Outstanding (m)	1,099.10
Market Capitalisation (\$M)	851.8
52 week Share Price High/Low	\$0.775 / \$0.59

STOCK PRICE PERFORMANCE

Absolute Return (%)	1M	3M	12M
	6.9	14.8	20.2

PRICE CHART



Source : Bloomberg

A POTENTIAL TAKEOVER TARGET

During our site visit to AGT's six golf courses in Tokyo during Apr-17, the analysts and investors present were most interested in hearing management's view over the possibility of a takeover by Seoul-based private equity firm MBK Partners, after the latter had recently privatised AGT's parent company and sponsor, Accordia Golf. While the management of AGT remained tight-lipped and had declined to comment on this issue, we nonetheless opine that such a possibility remains highly likely. As we believe that the broader market may also hypothesize on such a probable acquisition by MBK Partners and where such speculation would result in a valuation boost for AGT, our target price is now pegged to 0.9x P/B at S\$0.85 (previous TP: S\$0.77). Nevertheless, we opine that should a takeover truly occur, the offer price by MBK Partners would be at least S\$0.93, which is the net asset value of AGT.

Valuations more attractive than its parent company. The sponsor of Accordia Golf Trust (AGT), Accordia Golf, was recently acquired by MBK Partners at an offer price of 1,210 yen. This thus values Accordia Golf at 1.6x P/B, 15.7x P/E and a distribution yield of 3%. Comparatively, AGT is now trading at 0.8x P/B, 10.6x FY16 P/E and a FY16 distribution yield of 8.6%, valuations which make it a more attractive takeover target relative to Accordia Golf. Moreover, when the latter was bought over by MBK Partners, its elevated debt level with net gearing at 111% is also much higher than AGT's present net gearing at 46%.

Privatise for ease in business expansion plans. As with the modus operandi of private equity firms where the delisting of their respective acquirees could be for the purpose to aid in its business expansion plans, MBK Partners had indicated that by privatising Accordia Golf, it can channel resources on longer-term projects such as the acquisition of golf courses at home and overseas. Should MBK Partners also choose to buyout AGT which currently manages 89 of Accordia Golf's 132 golf courses, MBK Partners can then wholly focus on its golf course acquisition plans without any regulatory restrictions that may arise from being affiliated to a listed entity.

Even in the absence of a takeover offer, current valuations for AGT also seem attractive relative to the broader market. AGT presently trades at a low 0.8x P/B and a high distribution yield of 7.9% for FY17E, comparatively more favourable than the FTSE Straits Times REIT Index which is currently priced at 1.0x P/B and 5.9% distribution yield. We thus maintain our BUY recommendation on AGT.

KEY FINANCIALS

March YE	FY13	FP15 *	FY16	FY17 (E)	FY18 (E)
Revenue (JPY, mln)	54220	33425	53175	51900	51700
EBIT (JPY, mln)	9399	4063	9012	8110	8080
Net Profit (JPY, mln)	6001	2590	6517	6150	6050
EPU (JPY)	5.46	2.36	5.93	5.60	5.51
EPU Growth (%)	3.8	-56.7	151.3	-5.6	-1.6
P/E (x)	11.4	N.M.	10.6	11.2	11.4
P/B (x)	0.8	0.8	0.8	0.8	0.8
ROE (%)	7.2	N.M.	7.8	7.6	7.5
Distribution Per Unit (SGD)	0	5.710	6.630	6.050	6.000
Dividend yield (%)	0	7.4	8.6	7.9	7.8

* Aug-14 to Mar-15

Source : Company, Lim & Tan Research

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VISITING ITS GOLF COURSES

▶ We recently visited six of AGT's golf courses in the Greater Tokyo Region and came back with the impression that they were generally well-run. We also note that the appraisal values of these six golf courses, as appraised by independent valuers CBRE K.K. or Tanizawa Sogo Appraisal (dependant on region), had either stayed flat or registered growth. On the whole, the appraisal value of all of AGT's 35 golf courses in the Greater Tokyo Region had increased by 0.4% to JPY 73.98bln as at 31-Dec-16.

Exhibit 1: AGT's 35 Golf Courses In The Greater Tokyo Region

No.	Name of golf course	Appraisal value as at 31-Dec-15 (JPY, mln)	Appraisal value as at 31-Dec-16 (JPY, mln)	Variance
1	Chichibu Kokusai Country Club	626	641	2.4%
2	Sainomori Country Club	1,430	1,460	2.1%
3	Tamagawa Country Club	1,570	1,580	0.6%
4	Midono Country Club	1,070	1,070	0.0%
5	Myogi Country Club	1,300	1,300	0.0%
6	Yorii Country Club	2,690	2,690	0.0%
Remaining 29 golf courses		64,972	65,243	0.4%
Total of 35 golf courses		73,658	73,984	0.4%

Source: Company

Exhibit 2: Chichibu Kokusai Country Club



Source: Company

The Chichibu Kokusai Country Club as depicted in Exhibit 2 saw its appraisal value increase 2.4% to JPY 641mln as at 31-Dec-16. While this is one of the smaller golf courses in terms of land area relative to all the other golf courses in the Greater Tokyo region owned by AGT, the increase in appraisal value was the highest as compared to the other five golf courses that we had visited. Although the play fee for this golf course had been reduced slightly, the increase in the number of visitors had more than mitigated for this shortfall.

Exhibit 3: Sainomori Country Club



Source: Company

The Sainomori Country Club as depicted in Exhibit 3 was affected by adverse weather conditions in 2015 and this resulted in a lower number of golf players. Owing to this, the appraisal value of 1,430mln as at 31-Dec-15 thus represented a low base. Coupled with a decrease in play fee to attract more visitors, the appraisal value of this golf course eventually rebounded 2.1% to JPY 1,460mln as at 31-Dec-16.

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Exhibit 4: Tamagawa Country Club



Source: Company

The Tamagawa Country Club as depicted in Exhibit 4 had also experienced an increase in the number of golf players, although this was again mainly due to AGT's strategy of reducing its play fee to attract more visitors. The appraisal value of this golf course had inched up by 0.6% to JPY 1,580mln as at 31-Dec-16.

Exhibit 5: Midono Country Club



Source: Company

The remaining three golf courses that we visited, namely Midono Country Club, Myogi Country Club and Yorii Country Club, all saw their appraisal values remain unchanged from 31-Dec-15 to 31-Dec-16. In this case, AGT's strategy of reducing the play fees in these three golf courses to attract more golf players had not resulted in an increase for their respective appraisal values.

Exhibit 6: Myogi Country Club



Source: Company

Exhibit 7: Yorii Country Club



Source: Company

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