

Company Note

I Singapore

NON RATED

Current price:	S\$0.64
Target price:	N/A
Previous target:	N/A
Up/downside:	N/A
Reuters:	ACCO.SI
Bloomberg:	AGT SP
Market cap:	US\$517.4m S\$697.9m
Average daily turnover:	US\$0.86m S\$1.17m
Current shares o/s:	1,099m
Free float:	71.2%

Key changes in this note

► N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5	5	-3.8
Relative (%)	3.1	2.6	8.5

Major shareholders	% held
Accordia Golf Co Ltd	28.9
Goldman Sachs Group Inc	15.0
Morgan Stanley	7.7

Analyst(s)



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Accordia Golf Trust

Tailwind from stronger yen

- AGT's sponsor is the top golf course operator in Japan and has injected 89 golf courses into AGT.
- Bloomberg consensus puts forward dividend yield at 11.6% and forward P/BV at 0.64x.
- Loan-to-valuation ratio of 28.8%. Management targeting accretive acquisitions from sponsor.
- Targeting ¥50bn worth of acquisitions by end-Mar 17.
- Dividends are derived in yen and paid in S\$. Company does not hedge exchange rate.

Ended FY3/16 on a high note

We visited AGT recently for an update post its first full-year results (IPO was in July 2014). AGT's full year DPU was 6.63 Scts. A warmer winter and favourable weather conditions offset the lower visitorship to its golf courses in 2Q due to the longer rainy season. Demand from its senior customer base was steady. Utilisation rate for its golf courses was around 78% in FY3/16. Visitorship at 5.81m was also the highest in 6 years.

Attractive yield, trades below book value

Based on Bloomberg consensus expectations, AGT trades at a forward dividend yield of 11.6% and a forward P/BV of 0.64x. Dividend payouts are in yen and are converted into S\$ at the exchange rate on the payment date. After due consideration, AGT opines that it is better not to hedge the exchange rate exposure at this point in time. Naturally, the strengthening Yen provides some translation upside.

Catalyst – accretive acquisitions

AGT's sponsor is the number one golf operator in Japan and has a stabilised portfolio of some 26 golf courses available for acquisition. AGT's target is to acquire 50bn yen worth of golf courses by end-Mar 17. Its loan-to-valuation (LTV) ratio currently stands at 28.8%. The maximum LTV ratio that AGT can leverage up to is 60.0%. AGT has been in ongoing negotiations with its sponsor and the company believes that its ability to conclude some accretive acquisitions could re-rate its share price.

Operates only in Japan

AGT derives all its revenue and expenses in Japan in JPY. Its debts are also entirely denominated in yen. About 77% of its debts have been swapped into fixed rates. AGT's weighted average interest rate is 1.94% per annum. There are three term loans maturing in Aug 17, Aug 18 and Aug 19, respectively.

Risks

Other than the exchange rate translation risk from yen into S\$ for the dividend distributions, other key risks highlighted by AGT include 1) poor weather which affects revenue, 2) ownership, registration and land-related issues, and 3) lack of organic growth opportunities. We note that there has been some progress on risk number 2 (see page 3).

Financial Summary	Mar-11	Mar-12	Mar-13	Mar-15**	Mar-16
(JPY, m)					
Gross revenue	55,953	53,930	53,594	33,163	52,537
Operating income	56,415	54,298	54,220	33,425	53,175
Net Profit	5,310	5,775	6,001	2,590	6,517
Distributable profit	0	0	10,000	5,673	6,041
Core EPS*	4.83	5.25	5.46	3.14	5.93
Core EPS growth (%)	na	8.8	3.9	nm	nm
FD core P/E (x)	9.8	9.0	8.7	15.1	8.0
DPS*	0.00	0.00	9.10	5.16	5.50
Dividend yield (%)	0.00	0.00	19.18	10.88	11.60
Loan-to-valuation (%)	31.0	30.6	30.5	30.3	28.9
BVPS*	75.07	75.07	75.07	75.87	74.53
P/BV (x)	0.63	0.63	0.63	0.63	0.64
ROE (%)	6.4	7.0	7.3	5.5	8.0

* based on post IPO issued capital, ** 1st Aug 14 to 31 Mar 15
*** Annualised basis for P/E, P/BV, ROE and dividend yield

SOURCE: COMPANY DATA, CIMB

BACKGROUND

Brief description ▶

Accordia Golf Trust (“AGT”) is the first business trust comprising investments in golf course assets in Japan listed on the SGX. AGT was listed on SGX’s Main Board on 1 August 2014 and has a March financial year-end.

AGT is managed by Accordia Golf Trust Management Pte. Ltd. (trustee-manager), which is 49% held by Accordia Golf Co., Ltd (sponsor) and 51% held by Daiwa Real Estate Asset Management Co., Ltd (TM partner), a wholly owned subsidiary of Daiwa Securities Group Inc.

The principal investment strategy of AGT is to invest, directly or indirectly, in the business of owning a portfolio of stabilised, income-generating golf courses, driving ranges and golf courses related assets worldwide, with an initial focus on Japan.

According to management, the Trustee-Manager’s key objectives are to invest in golf courses, driving ranges and golf course related assets that are able to generate long-term, stable cash flows, while paying continuous distributions to unitholders of AGT and maximising long-term investment returns of unitholders by generating long-term capital value growth through future acquisitions.

AGT’s initial portfolio comprises 89 golf courses located across Japan, with 86.1% of the initial portfolio golf courses (appraised values as at 31 December 2014) located in the country’s three largest metropolitan areas. On the listing date, AGT acquired the Initial Portfolio from the Sponsor.

The initial portfolio is valued at approximately JPY 150.3bn, with a majority of the initial portfolio golf courses situated in major cities that are accessible via Japan’s major modes of transportation and expressways. This makes AGT’s golf courses easily accessible by customers.

Roughly 76% of the land on which the golf courses are owned by AGT. Of the remaining 24% of leased land, most are leased from individuals or corporates while one is leased from the government. The standard lease term is 10-20 years.

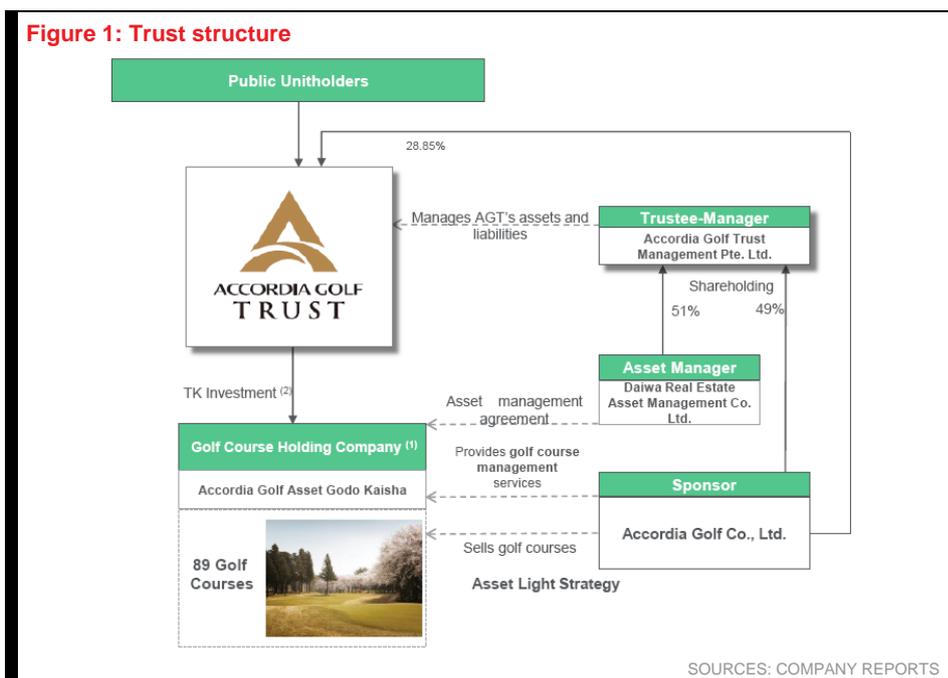


Figure 2: Management fee structure

Trustee-Manager Fees	<ul style="list-style-type: none"> • Base fee: 0.11% per annum of the value of the total assets • Performance fee: 0.25% per annum of Adjusted NOI⁽²⁾ • Acquisition fee: 0.6% of appraisal value • Divestment fee: 0.15% of divestment value • Initial set-up fees: JPY400 million or 0.232% of Trust Property as at 31 December 2013
Asset Management Fees	<ul style="list-style-type: none"> • Base fee: 0.066% per annum of the appraisal value of New SPC's golf courses⁽³⁾ • Acquisition fee: 0.75% of appraisal value • Disposal fee: 0.15% of divestment value • Initial set-up fees: JPY400 million or 0.265% of total appraisal value of the Initial Portfolio as at 30 September 2013
Golf Course Management Fee	<ul style="list-style-type: none"> • Fixed fee: JPY2.75 million per 18 holes per month and JPY1 million per driving range • Variable fee: 3.0% of the net sales and 5.0% of incremental operating profits per month • Integral Purchase System Usage fee: JPY15,000 per course per month • New Membership fee: 60% of admission fee

SOURCES: COMPANY REPORTS

FINANCIALS

FY16 results ▶

Operating income for FY3/16 was JPY 53.2bn. The number of visitors to AGT's golf courses grew 2.1% yoy. Although the number of visitors in 2Q was 2.5% lower yoy due to the longer rainy season and the torrential downpours, favourable weather conditions in 1Q, 3Q and 4Q increased the number of visitors by 2.6%, 5.6% and 3.2% respectively, underpinned by the overall steady demand for golf, especially by Seniors.

A DPU of 4.31 Scts was declared in respect of 2H16 results and was paid on 21 June 2016. Note that there is a 20% withholding tax for Japanese investors.

Figure 3: Results summary

FY 15/16 & 4Q Key Financials

	Full Year (Apr to Mar)		4 th Quarter (Jan to Mar)		
	FY15/16	FY14/15 (from 1 Aug 2014, 8 months) ⁽¹⁾	FY15/16	FY14/15	YoY change (%)
Operating Income	53,175	33,425	10,446	9,811	+6.5%
Operating Profit / (Loss)	8,828	4,063	(622)	(1,131)	-45.0% (Improved)
Profit / (Loss) after income tax	6,662	2,648	(744)	(931)	-20.1% (Improved)
Total Distributable Income Available	6,041	5,673	1,550 ⁽²⁾	1,776	-12.7%
Available Distribution Per Unit (Singapore cents)	6.63	5.71	1.76 ⁽²⁾	1.79	-1.7%
	As at 31 Mar 2016	As at 31 Dec 2015	As at 31 Mar 2015		
NAV per unit (SGD)	0.89	0.89	0.87		
Price/NAV per unit	0.67	0.60	0.87		
Loan-to-Value Ratio ⁽³⁾	28.8%	28.9%	28.8%		
JPY/SGD Exchange Rate	83.37	85.06	87.04		
Unit Price	0.60	0.535	0.755		

SOURCES: COMPANY REPORTS

Figure 4: Operating performance of golf courses

FY15/16	Number of Visitors (thousands)		Utilization Rate ⁽¹⁾	
	Actual	YoY Change ⁽²⁾	Actual	YoY Change(ppt) ⁽³⁾
1Q	1,607	+2.6%	83.8%	+2.2 ppt
2Q	1,489	-2.5%	77.2%	-1.6 ppt
3Q	1,538	+5.6%	80.2%	+3.4 ppt
4Q	1,173	+3.2%	69.5%	+2.1 ppt
TOTAL	5,807	+2.1%	77.9%	+1.2 ppt

SOURCES: COMPANY REPORTS

LAND AND BUILDING ISSUES

Figure 5: Some progress in land and building issues

	No. of golf courses affected / % of total number of golf courses in Accordia Golf Trust's portfolio		Total area affected (square metres) / % of total area in Accordia Golf Trust's portfolio		Aggregate net operating income (mil JPY) / (% of total NOI ⁽¹⁾)		Sponsor's support
Issue 1 Issues related to the agricultural land act ("ALA")**	1 course	1.1%	61,126	0.1%	7.0 ⁽¹⁾	0.0% ⁽¹⁾	Indemnity and put option
Issue 2⁽²⁾ Issues related to the Building Standards Act of Japan	3 courses	3.4%			430	3.2%	Indemnity
Issue 3⁽²⁾ No title in respect of lands	4 courses	4.5%	94,367	0.1%	564	4.2%	Indemnity and put option
Issue 4A Non-registration of ownership rights	8 courses	9.0%	36,914	0.04%	2,018	15.1%	Indemnity
Issue 4B Non-registration of leasehold interest	75 courses	84.3%	22,656,912	24.6%	11,959	89.6%	Indemnity
Issue 5 Not all the boundaries are delineated	Not counted						Indemnity
Issue 6⁽²⁾ Not all the land owners of leased lands are known	Issue resolved						Indemnity
Issue 7⁽²⁾ Not all the leased lands have leases executed in writing	Without original agreement in writing		Without original agreement in writing		Without original agreement in writing		Indemnity
	4 courses	4.5%	82,926	0.09%	699	5.2%	
	Without renewal agreement in writing		Without renewal agreement in writing		Without renewal agreement in writing		Indemnity
	25 courses	28.1%	1,896,921	2.1%	4,155	31.1%	

SOURCES: COMPANY REPORTS

OUTLOOK

Given the gradual recovery of the Japanese economy, the number of golf plays has been stable, especially among those golf courses located in the metropolitan areas. AGT expects this trend to be stable. Despite the declining trend in Japan's population size, the number of plays per golfer has been increasing due to 1) decline of cost per play as compared to previous years, 2) increase in frequency of plays by seniors and 3) increasing population of large cities due to urbanization in Japan. With the improving health conditions of seniors in Japan, health life expectancy has been increasing. This has led to increasing demand from senior players.

AGT also highlights that Japanese baby boomers who have been retiring have more money and time to play golf and have contributed to the increase in senior plays. According to the Statistics Bureau of Japan, approximately 27.0% of the population are more than 65 years old as at 1 April 2016.

AGT hopes that the inclusion of golf as an Olympic sport in 2016 Rio de Janeiro Olympics and the 2020 Tokyo Olympics will enhance the popularity of golf in Japan and attract the younger generation.

VALUATION

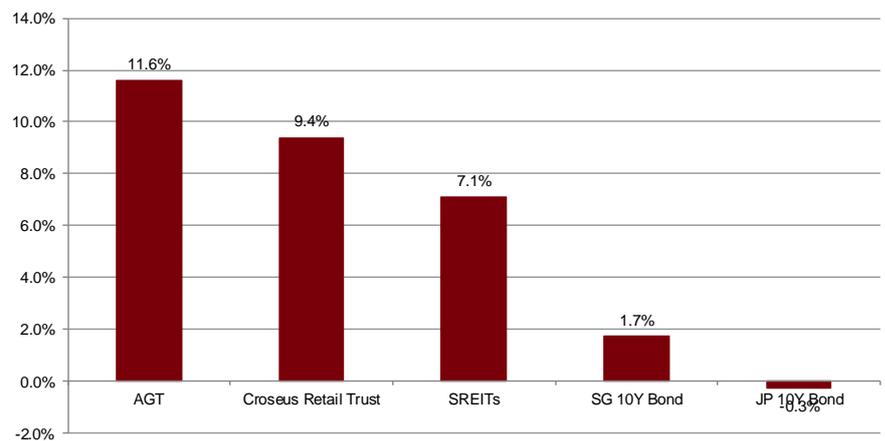
Management target 90% payout ▶

AGT's policy is to distribute at least 90% of its distributable income on a semi-annual basis. The trust currently does not employ any currency hedging. As such, the final yield received by unitholders will depend on the JPY/SGD exchange rate used on the date of translation of the JPY denominated dividends into SGD terms.

Based on Bloomberg consensus, AGT trades at forward yield/PBV of 11.6% and 0.64x, respectively, with leverage ratio of 28.8%. SGX-listed Japan focused REITs, Croesus Retail Trust sports forward yields of 9.4% and P/BV of 0.76x.

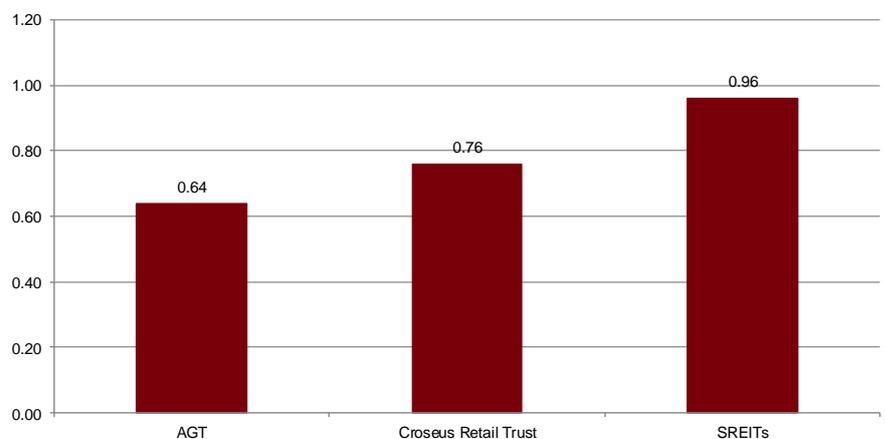
For Japanese unitholders, AGT offers 11.6% yield on a gross basis or 9.3% on a net basis. Currently Japanese 10 year bond yields are -0.279%.

Figure 6: Yield comparison



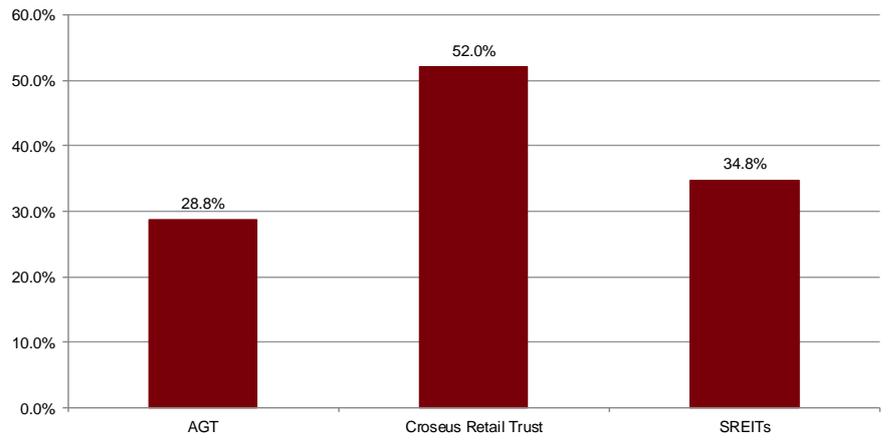
SOURCES: CIMB, COMPANY REPORTS, BLOOMBERG

Figure 7: P/BV comparison



SOURCES: CIMB, COMPANY REPORTS, BLOOMBERG

Figure 8: Leverage comparison



SOURCES: CIMB, COMPANY REPORTS, BLOOMBERG

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Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2016		
1574 companies under coverage for quarter ended on 30 June 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	56.5%	7.1%
Hold	32.2%	2.9%
Reduce	9.8%	0.6%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2015, Anti-Corruption Progress Indicator 2015.

AAV – Very Good, 3B, ADVANC – Excellent, 3A, AEONTS – Good, 1, AMATA – Very Good, 2, ANAN – Very Good, 3A, AOT – Very Good, 2, AP – Good, 3A, ASK – Very Good, 3B, ASP – Very Good, 4, BANPU – Very Good, 4, BAY – Very Good, 4, BBL – Very Good, 4, BCH – not available, no progress, BCP - Excellent, 5, BEM – not available, no progress, BDMS – Very Good, 3B, BEAUTY – Good, 2, BEC - Good, 3B, BH - Good, 2, BIGC - Excellent, 3A, BJC – Good, 1, BLA – Very Good, 4, 1, BTS - Excellent, 3A, CBG – Good, 1, CCET – not available, 1, CENTEL – Very Good, 3A, CHG – Good, 3B, CK – Excellent, 3B, COL – Very Good, 3A, CPALL – Good, 3A, CPF – Very Good, 3A, CPN - Excellent, 5, DELTA - Very Good, 3A, DEMCO – Very Good, 3A, DTAC – Excellent, 3A, EA – not available, 3A, ECL – Good, 4, EGCO - Excellent, 4, EPG – not available, 3B, GFPT - Very Good, 3A, GLOBAL – Very Good, 2, GLOW - Good, 3A, GPSC – not available, 3B, GRAMMY - Excellent, 3B, GUNKUL – Very Good, 1, HANA - Excellent, 4, HMPRO - Excellent, 3A, ICHI – Very Good, 3A, INTUCH - Excellent, 4, ITD – Good, 1, IVL - Excellent, 4, JAS – not available, 3A, JASIF – not available, no progress, JUBILE – Good, 3A, KAMART – not available, no progress, KBANK - Excellent, 4, KCE - Excellent, 4, KGI – Good, 4, KKP – Excellent, 4, KSL – Very Good, 2, KTB - Excellent, 4, KTC – Very Good, 3A, LH - Very Good, 3B, LPN – Excellent, 3A, M - Good, 2, MAJOR - Good, 1, MAKRO – Good, 3A, MALEE – not available, 2, MBKET – Good, 2, MC – Very Good, 3A, MCOT – Excellent, 3A, MEGA – Very Good, 2, MINT - Excellent, 3A, MTLN – Good, 2, NYT – Good, no progress, OISHI – Very Good, 3B, PLANB – Good, 3B, PS – Excellent, 3A, PSL - Excellent, 4, PTT - Excellent, 5, PTTEP - Excellent, 4, PTTGC - Excellent, 5, QH – Very Good, 2, RATCH – Excellent, 3A, ROBINS – Excellent, 3A, RS – Very Good, 1, SAMART - Excellent, 3B, SAPPE - Good, 3B, SAT – Excellent, 5, SAWAD – Good, 1, SC – Excellent, 3B, SCB - Excellent, 4, SCBLIF – not available, no progress, SCC – Excellent, 5, SCN – Good, 1, SCCC - Good, 3A, SIM - Excellent, 3B, SIRI - Good, 1, SPALI - Excellent, 3A, SPRC – not available, no progress, STA – Very Good, 1, STEC – Very Good, 3B, SVI – Very Good, 3A, TASCO – Very Good, 3A, TCAP – Very Good, 4, THAI – Very Good, 3A, THANI – Very Good, 5, THCOM – Excellent, 4, THRE – Very Good, 3A, THREL – Very Good, 3A, TICON – Very Good, 3A, TISCO - Excellent, 4, TK – Very Good, 3B, TKN – not available, no progress, TMB - Excellent, 4, TPCH – Good, 3B, TOP - Excellent, 5, TRUE – Very Good, 2, TTW – Very Good, 2, TU – Very Good, 3A, UNIQ – not available, 2, VGI – Excellent, 3A, WHA – Good, 3A, WORK – not available, no progress.

Comprises level 1 to 5 as follows:

Level 1: Committed

Level 2: Declared

Level 3: Established (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)

Level 4: Certified

Level 5: Extended.

CIMB Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.