

## Gallant Venture Ltd

21 Feb 2007

*Earnings within expectations*

Snapshot		P&L				Key ratios (FY07F)	
Recommendation	Buy	(Y/E Mar)	FY2006	FY2007F	FY2008F	PER	66.4x
Current Price	S\$1.31	Sales (S\$m)	259.0	403.8	463.7	P/BV	2.5x
Target Price	S\$1.53	EBITDA	81.2	124.1	145.7	Div yield	-
No of Shares	2,410.4m	Earnings	21.1	47.2	63.0	ROE	3.8%
Market Cap	S\$3,133.6m	EPS (Scts)	0.9	2.0	2.6	Gearing	2.7%
Year Hi/Lo	S\$1.56/0.30	EPS growth (%)	246.2	123.3	33.5	Cur ratio	7.4x

Source: SIAS Research

### Company Update - FY06 Results

was due to a higher than expected gross profit being offset by higher taxes.

Figure 1: Results Snapshot

S\$million	FY06	FY05
Revenue	259.0	227.1
EBITDA	81.2	78.0
Earnings to shareholders	21.1	6.1
EBITDA Margins	31.4%	34.4%
Net Margins	8.2%	2.7%

Source: Company, SIAS Research

- FY06 revenue up 14%:** For the financial year ended Dec 2006 (FY06), Gallant's revenue was up 14% to S\$259.0m from S\$227.1m in FY05. Higher revenue was due to higher sales from the Utilities and Resorts business segment and the recognition of S\$19.9m for part of the sale of 343 ha of land at Bintan Treasure Bay. Utilities revenue gained 10% to S\$154.5m for FY06 while revenue from resort operations increased 18% to S\$23.3m.
- Improvement in margins:** Gross profit margin and operating profit margins improved partly with the recognition of the Bintan land sale in the financial year. Gross profit margin increased from 25.3% in FY05 to 31.7% in FY06. Operating profit margin was up 5.1%-pts from 12.6% in FY05 to 17.6% in FY06.
- Earnings in-line with forecast:** Revenue for FY06 fell short of our forecast by 6%, but earnings to shareholders of S\$21.1m was relatively in-line with our forecast of S\$21.5m. This

### Outlook

- Positive outlook on Bintan's tourist industry:** We maintain our positive sentiments on the tourist industry of Bintan. Singapore tourist arrivals reached 9.7m in 2006, an increase of 9% from 2005. A target of 10.2m visitors is set by the Singapore Tourism Board for 2007. We believe the number of tourists extending a visit to Bintan from Singapore is set to increase.
- Further, with the developments of the Bintan Treasure Bay and the project in Nirwana Gardens, the profile of Bintan as a tropical beach resort will be raised. We retain our belief that the Bintan tourist industry is set to boom in the next five years, unlocking the value in Gallant's vast land bank through more resort developments.

### Valuation/ Recommendation

- Gallant's share price has receded from a high of S\$1.56 in the past two weeks to its current price of S\$1.31.
- We have adjusted up our forecasts for FY07 operating profits and earnings as we believe better margins are achievable with land sales likely contributing to a larger portion of group revenue. We have increased our gross margin estimate from

- 27.5% to 32% and operating margin estimate from 15.6% to 18.5%.
- We have also provided a forecast of FY08 earnings, estimating revenue growth of 14.8%, bringing FY08 revenue to S\$462.8m, with land sales revenue taking approximately 25%.
  - We have retained our sum-of-parts valuation of Gallant's landbank and its utilities, resort and industrial park operations, and maintain our target price of S\$1.53.
  - This represents a potential upside of 16.8% from Gallant's current share price of S\$1.31. We maintain our 'buy' recommendation. **(Chan Chiong Kong)**
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### About the Company

Listed on SGX Sesdaq in June of 2006, Gallant Venture is a holding company with investments in four main businesses - ownership and management of industrial parks, utilities, resort operations and property development. Gallant Venture currently operates and maintains two industrial parks located in Batam and Bintan and provides support services to Bintan Resorts. Gallant is also the provider of utility services to the industrial parks and resort. In addition, Gallant has a land bank of approximately 18,200 ha in Bintan which are designated for industrial, commercial, residential and resort developments.

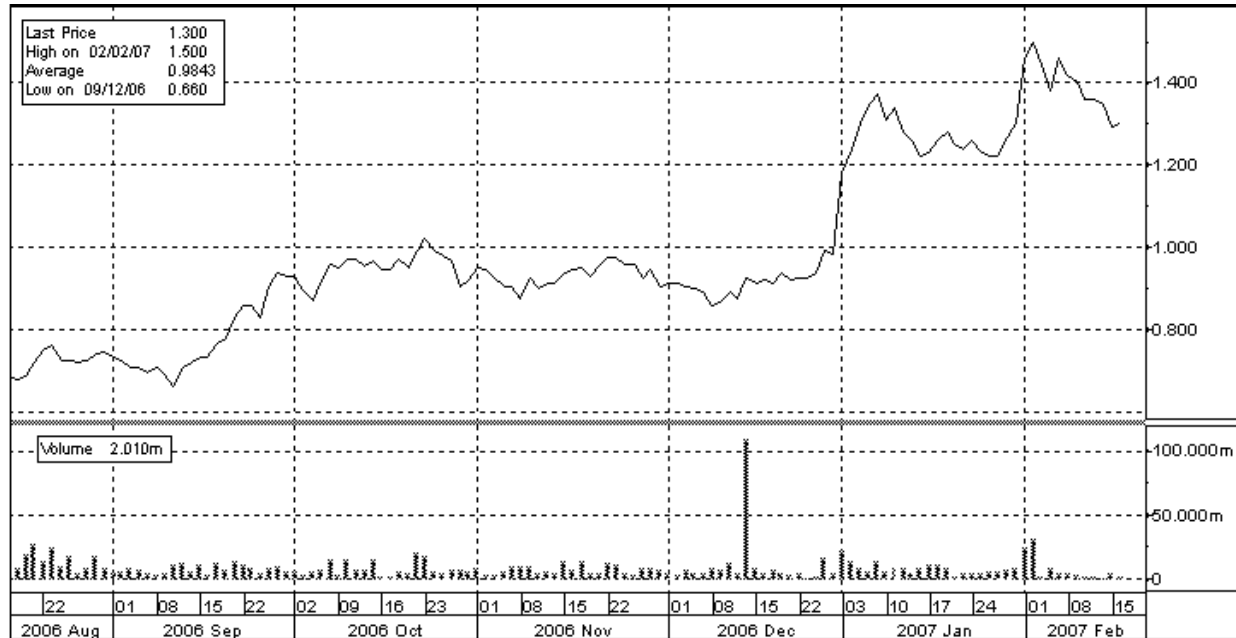
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## FINANCIAL TABLES AND RATIOS

Year End Mar				
<b>Profit &amp; Loss (\$m)</b>				
	<b>FY05</b>	<b>FY06</b>	<b>FY07F</b>	<b>FY08F</b>
Turnover	227.1	259.0	403.8	463.7
EBITDA	78.0	81.2	124.1	145.7
EBIT	28.7	45.7	74.7	97.4
Pretax	22.2	38.4	68.6	91.1
Earnings to shareholders	6.1	21.1	47.2	63.0
EPS (fully diluted -Scts)	0.3	0.9	2.0	2.6
<b>Balance Sheet (\$m)</b>				
Long Term Assets	796.0	797.7	783.1	769.8
Current Assets	700.6	703.5	728.3	785.5
Current Liabilities	120.3	82.5	98.5	114.4
Long Term Liabilities	149.0	155.3	149.7	142.7
Total Equity	1227.4	1263.3	1263.2	1298.1
<b>Cash Flow (\$m)</b>				
Operating Cash Flow	34.7	16.8	75.9	103.1
Investing Cash Flow	-31.3	-215.8	-34.7	-35.1
Financing Cash Flow	-12.7	265.5	-5.0	-7.0
Net Cash Increase / (Decrease)	-9.3	66.5	36.2	61.0
Cash at year end	0.3	66.9	104.0	165.0
<b>Financial Ratios</b>				
	<b>FY05</b>	<b>FY06</b>	<b>FY07F</b>	<b>FY08F</b>
Revenue Growth (%)	12.4	14.0	55.9	14.8
EBITDA Growth (%)	-5.8	4.1	52.7	17.5
Earnings Growth (%)	-51.9	246.2	123.3	33.5
EPS Growth (%)	-51.9	246.2	123.3	33.5
EBITDA Margin (%)	12.6	17.7	18.5	21.0
Net Margin (%)	2.7	8.2	11.7	13.6
Current Ratio (x)	5.8	8.5	7.4	6.9
Book value per share (Scts)	0.5	0.5	0.5	0.5
Net Debt/(Cash) per share (Scts)	3.0	3.1	1.4	Cash
Gearing (net) (%)	6.0	6.1	2.7	Cash
Gearing (gross) (%)	13.0	11.6	11.2	10.3
Return on Equity (%)	0.5	1.7	3.8	5.0
Return on Asset (%)	0.4	1.4	3.1	4.1
<b>Valuations</b>				
	<b>FY05</b>	<b>FY06</b>	<b>FY07F</b>	<b>FY08F</b>
Price to sales (x)	13.8	12.1	7.8	6.8
PER (x)	513.3	148.3	66.4	49.7
Price to Book (x)	2.6	2.5	2.5	2.5

Source: SIAS Research

**Price Chart**



Source: Bloomberg

**DISCLAIMER**

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As of the date of the report, the analyst and his immediate family do not hold positions in the securities recommended in this report.

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