

Company Name : PRG Holdings Berhad
Date : 03 July 2017
Source : The Edge Weekly

Busy year ahead for PRG Holdings with focus on affordable housing projects

BY BILLY TOH

As PRG Holdings Bhd's maiden development, Picasso Residence, is set for completion, the group is preparing to take on a number of projects with its latest venture into affordable housing development. This follows the signing of a memorandum of understanding (MoU) with Syarikat Perumahan Negara Bhd.

Under the MoU, PRG Holdings will conduct feasibility studies and due diligence on several of the projects, which have a total gross development value (GDV) of RM5 billion. As the company has a market capitalisation of RM307 million currently, sceptics question whether it has the capacity to take on such huge projects.

Managing director Datuk Lua Choon Hann, however, is confident that PRG Holdings has the ability to tackle such projects and



that financing will not be an issue despite the company's size.

"Of course, our intention is to take on the entire RM5 billion [worth of] affordable housing projects but first, we need to do our work to ensure that they are suitable and viable. In terms of financing, it will not be a prob-

lem for us as the completion of the Picasso project will give us more room in our balance sheet," Lua tells *The Edge*.

For the financial year ended Dec 31, 2016 (FY2016), PRG Holdings reported total borrowings of RM51 million, translating into a net gearing of 0.25 times. This

indicates that there is some room for the group to tap the debt market.

A person familiar with the matter tells *The Edge* that PRG Holdings has started conducting feasibility studies on several projects, and one of them — which has a GDV of between RM40 million and RM50 million — has met its requirements.

"A joint venture will be formed to undertake the project and there will be a signing for it very soon," he says.

He reveals that part of the reason for PRG Holdings' confidence in its financing capability is its likely collaboration with Chinese construction company Jiangsu Provincial Construction Group, which is involved in the Picasso Residence project in Kuala Lumpur.

Besides that, there is the planned listing of PRG Holdings' manufacturing division on the Growth Enterprise Market of The Stock Exchange of Hong Kong Ltd by this year, which could help to strengthen the group's balance sheet. The division produces elastic yarn, elastic fabric and webbing for the apparel manufacturing, healthcare, food packaging, furniture and automotive industries.

For FY2016, the division was the group's only profit-making segment.

PRG Holdings expects to see double-digit growth for FY2017 despite underperforming in the first quarter of the year (1QFY2017), when its net profit fell 43.3% year on year to RM891,000, says Lua.

"With about 60% of the Picasso project (which has a total GDV of RM720 million) having been sold, we are quite optimistic that we will see a rebound in the second half," he adds.

Lua, however, reveals that PRG Holdings' bottom-line growth may not be as strong as its revenue growth as the cost of listing its manufacturing division will be booked in the current financial year.

As for its construction division, the segment has a tender book of close to RM800 million, he says.

PRG Holdings



"Moving forward, we will focus on affordable housing projects. The RM5 billion [worth of] projects will keep us busy enough but we are always on the lookout for other opportunities."

While PRG Holdings may be a new player in the property development industry — its maiden project was only launched last year — Lua says "the group has a management team with a proven track record". The CEO of the group's property and construction division, Datuk Steven Hooi Kok Hoe, was formerly the CEO of Encorp Construct Sdn Bhd for four years.

A fund manager with an asset management firm believes that the MoU is still at an early stage and that PRG Holdings may only be able to work on only some of the RM5 billion worth of projects announced.

"The [group's] share price has definitely run up and looks expensive at the moment. If the management can deliver, then it's a different story. Nonetheless, with the size of the affordable housing projects that the group intends to take on, this will likely lead to a cash call," he says.

He adds that another development he is following is the progress of the listing of the company's manufacturing division.

PRG Holdings has seen its share price surge 86.5% from a year ago to RM1.03. At this level, the counter is trading at a trailing price-earnings ratio of 84.8 times.

It is noteworthy that Hua Yang Bhd, one of the country's leading property developers in the affordable housing segment, has seen its share price fall 19% from a year ago to RM1.05 and has a trailing PER of 6.1 times.

PRG Holdings was formerly known as Furniweb Industrial Products Bhd. It changed its name in February 2015 when it diversified into the property development business. This came about after Datuk Seri Yeoh Soo Ann acquired a 17.4% stake in Furniweb in August 2014. He was subsequently appointed to the board as executive director.

Yeoh is known for his tenure as the CEO of property company Encorp Bhd, where he undertook a management buyout in 2013. He sold his holding in 2014 when Felda Investment Corp Sdn Bhd bought over Encorp.

In December 2015, Yeoh exited PRG Holdings when he sold all his shares and resigned as executive director, leaving Lua as the largest shareholder.

As at March 31, Lua — who was a public prosecutor in Singapore before venturing into business — remains the largest shareholder with a direct stake of 17.25%. He was appointed to his current position on Nov 1, 2013. Lua is also the Kelantan MCA state liaison committee secretary. ■