

BUY S\$1.24 STI : 3,373.59

Price Target : 12-Month S\$ 1.71

Reason for Report : Company Update

Potential Catalyst: Sale of its land bank e.g. Lagoi Bay.

ANALYST

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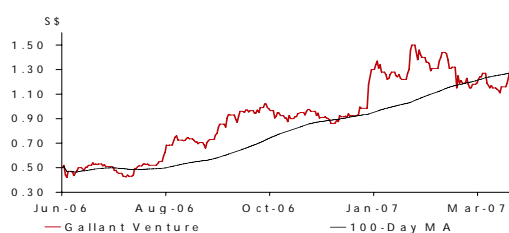
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FORECASTS AND VALUATION

FY Dec (\$\$ m)	2005A	2006A	2007F	2008F
Turnover	227.1	259.0	459.8	499.5
EBITDA	74.0	94.0	266.7	298.8
Pre-tax Profit	22.2	38.4	203.2	229.5
Net Profit	6.1	21.1	152.4	160.6
Net Pft (Pre Ex.)	6.1	21.1	152.4	160.6
EPS (S cts)	0.8	0.9	6.3	6.7
EPS Gth (%)	(58)	10	621	5
Diluted EPS (S cts)	0.8	0.9	6.3	6.7
Net DPS (S cts)	0.0	0.0	0.0	0.0
BV Per Share (S cts)	49.6	51.0	57.4	64.0
PE (X)	155.3	141.4	19.6	18.6
P/Cash Flow (X)	17.2	39.6	14.2	13.1
EV/EBITDA (X)	15.0	32.9	11.3	9.5
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	2.5	2.4	2.2	1.9
Net Debt/Equity (X)	0.1	0.1	CASH	CASH
ROAE (%)	0.5	1.7	11.7	11.0
RNAV per shr (S cts)	0.0	0.0	0.0	N/A

SHARE PRICE CHAT**Market Data**

Issued Capital (m shrs)	2,410
Mkt. Cap (\$m/US\$m)	2,989 / 1,971
Major Shareholders	
Salim Group (%)	40.3
SembCorp Industries (%)	26.8
Ascendas (%)	7.3
Free Float (%)	25.6
Avg. Daily Vol. ('000)	6,363

Earnings Rev :	2007: -	2008: -
Consensus EPS :	2007: 3.1 S cts	2008: 4.8 S cts
Variance vs Cons :	2007: 103.2%	2008: 43.9%

Sector : Real Estate

Bloomberg/Reuters Code: GALV SP EQUITY/GLVT.SI

Principal Business: Runs industrial parks and provides Resorts and Utilities operation services in Batam and Bintan. Also involved in land sales in Bintan

Gallant Venture**Launches Lagoi Bay Phase 1**

➤ **Story:** Gallant Venture launched Phase 1 of its Lagoi Bay project in Bintan at the Cityscape Exhibition Asia held in Singapore from 10-12 April at Suntec Singapore.

➤ **Point:** We are optimistic that the Group will chalk up significant land sales over the next few months with the unveiling of its master plan for Lagoi Bay as well as the launch of Phase 1 of this development. This should help act as a catalyst for its share price to re-rate. Another possible positive development could be the approval of an airport on Bintan in the second half of 2007.

➤ **Relevance:** We continue to like Gallant Venture as a unique proxy for Bintan's potential as an island resort destination, as well as a beneficiary of the spillover from higher visitor arrivals into Singapore. Maintain BUY, TP S\$1.71.

Unveiling of Lagoi Bay master plan. Gallant Venture unveiled its master plan for Lagoi Bay at the Cityscape Asia Exhibition. On the northern part of Bintan Island, Lagoi Bay is a 1,300 hectare mixed development that is a 15-minute drive from the international ferry terminal. The master plan features a range of international-standard resorts and hotels, residences, shopping, restaurants, entertainment and sea-sports facilities. The Group targets to sell the entire development over a three-year period.

Official launch of Lagoi Bay Phase 1. In the first phase of land sales available to investors, Gallant Venture has put up 33 sites ranging from 2,000sqm to 19 hectares, which can be developed into residential, resort or commercial facilities. All these sites are close to the beach, have road access and will be fully served by power, potable water, telecommunications, sewer and waste collection services. At the Cityscape Exhibition, five sites ranging from 2.4 hectares to 14.8 hectares were made available for resort hotel development, while a further 11 smaller plots of 1 to 1.5 hectare were made available for hotel/mixed use development. Other sites for development as residential villas, boutique hotels, retirement homes, a golf course, marina, F&B outlets, spas and retail outlets were also available.

Bintan airport approval also a potential catalyst. We believe that approval for an airport on Bintan could be obtained by the second half of the year. The establishment of an airport on the island would help bring in more visitors and further enhance the feasibility of Bintan's development as an island resort. This would thus improve the value of Gallant Venture's land bank.

Maintain BUY, TP S\$1.71. Our target price of S\$1.71 for GV is based on our RNAV calculation for the Group, largely due to the S\$3.25bn value we assign to the Group's land bank, which has a book value of S\$543m. A positive take-up of the Lagoi Bay development could act as a positive catalyst for future land sales as well as share price.

Highlight

Prime Resort Sites available for Sale at Cityscape Asia

Site Number	Indicative Area Hectares	Proposed Max Keys	Land Use
B3	14.8	518	Resort Hotel
B4	10.6	371	Resort Hotel
B5	8.1	284	Resort Hotel
B6	10.5	368	Resort Hotel
B12	2.4	288	Resort Hotel
T1 - T5	1	100	Hotel/Mixed Use
T24 - T29	1.5	150	Hotel/Mixed Use

Source: Gallant Venture

Lagoi Bay Master Plan



Source: Gallant Venture

Company Focus

Gallant Venture

Income Statement (\$\$ m)

FY Dec	2005A	2006A	2007F	2008F
Turnover	227.1	259.0	459.8	499.5
Cost of Goods Sold	(169.6)	(176.8)	(204.6)	(216.1)
Gross Profit	57.4	82.2	255.2	283.4
Other Operating	(32.8)	(42.2)	(46.4)	(51.0)
EBIT	24.6	40.0	208.8	232.4
Other Non Opg (Exp)/Inc	0.5	0.8	0.0	0.0
Associates & JV Inc	0.3	(0.4)	(0.4)	(0.4)
Net Interest (Exp)/Inc	(3.2)	(1.9)	(5.1)	(2.4)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0
Pre-tax Profit	22.2	38.4	203.2	229.5
Tax	(16.9)	(17.1)	(50.8)	(68.8)
Minority Interest	0.9	(0.2)	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0
Net Profit	6.1	21.1	152.4	160.6
Net Profit before Except.	6.1	21.1	152.4	160.6
EBITDA	74.0	94.0	266.7	298.8
Sales Gth (%)	12.4	14.0	77.6	8.6
EBITDA Gth (%)	(4.4)	27.0	183.7	12.1
EBIT Gth (%)	(5.9)	62.5	421.9	11.3
Effective Tax Rate (%)	76.3	44.5	25.0	30.0

Balance Sheet (\$\$ m)

FY Dec	2005A	2006A	2007F	2008F
Net Fixed Assets	367.6	388.6	523.2	581.8
Invts in Associates & JVs	1.0	1.2	0.7	0.3
Invnt & Devt Properties	353.3	336.9	315.5	N/A
Other LT Assets	427.4	407.9	386.5	366.3
Cash & ST Invts	83.6	67.8	156.3	330.2
Dev Props held for sale	0.0	0.0	0.0	N/A
Other Current Assets	75.6	84.7	144.9	N/A
Total Assets	1,496.6	1,501.2	1,730.0	1,915.2
ST Debt	50.0	32.5	32.5	32.5
Other Current Liab	70.2	50.0	126.4	151.0
LT Debt	105.2	110.1	110.1	110.1
Other LT Liabilities	43.8	45.3	45.3	45.3
Shareholder's Equity	1,195.0	1,230.4	1,382.9	1,543.5
Minority Interests	32.4	32.9	32.9	32.9
Total Cap. & Liab.	1,496.6	1,501.2	1,730.0	1,915.2
Non-Cash Wkg. Capital	601.1	585.7	537.0	485.6
Net Cash/(Debt)	(125.9)	(74.8)	13.7	187.6

Cash Flow Statement (\$\$ m)

FY Dec	2005A	2006A	2007F	2008F
Pre-Tax Profit	22.2	38.4	203.2	229.5
Dep. & Amort.	49.3	54.0	57.9	66.5
Tax Paid	(16.1)	(11.3)	(1.6)	(50.8)
Associates & JV Inc/(Loss)	(0.3)	0.4	0.4	0.4
Chg in Wkg.Cap.	(19.0)	(40.3)	(0.5)	33.3
Other Operating CF	(1.3)	(24.5)	0.0	0.0
Net Operatina CF	34.7	16.8	259.5	278.9
Capital Expenditure (net)	(31.1)	(23.0)	(171.0)	(105.0)
Other Invts (net)	0.0	(192.2)	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.3	0.1	0.0	0.0
Other Investing CF	(54.7)	(0.5)	0.0	0.0
Net Investina CF	(85.6)	(215.6)	(171.0)	(105.0)
Div Paid	0.0	0.0	0.0	0.0
Chg in Gross Debt	(12.3)	(7.3)	0.0	0.0
Capital Issues	0.0	243.9	0.0	0.0
Other Financing CF	(0.4)	0.8	0.0	0.0
Net Financina CF	(12.7)	237.4	0.0	0.0
Net Cashflow	(63.6)	38.6	88.5	173.9

Rates & Ratio

FY Dec	2005A	2006A	2007F	2008F
Gross Margins (%)	25.3	31.7	55.5	56.7
EBITDA Margin (%)	32.6	36.3	58.0	59.8
EBIT Margin (%)	10.8	15.4	45.4	46.5
Net Profit Margin (%)	2.7	8.2	33.2	32.2
ROAE (%)	0.5	1.7	11.7	11.0
ROA (%)	1.9	3.0	13.0	13.0
ROCE (%)	0.8	1.9	11.5	11.0
Div Payout Ratio (%)	0.0	0.0	0.0	0.0
Interest Cover (x)	7.6	20.8	41.0	95.2
Debtors Turn (days)	75.9	93.2	78.6	96.0
Creditors Turn (days)	105.7	128.5	117.2	143.4
Inventory Turn (days)	25.2	28.9	28.2	29.8
Current Ratio (x)	5.8	8.5	5.2	5.3
Quick Ratio (x)	5.7	8.4	5.0	5.2
Net Debt/Equity (X)	0.1	0.1	CASH	CASH
Capex to Debt (%)	20.1	16.1	119.9	73.6
N. Cash/(Debt)PS (S cts)	(5.2)	(3.1)	0.6	7.8
Operatina CFPS (S cts)	7.0	2.4	10.8	10.2
Free CFPS (S cts)	0.5	(0.3)	3.7	7.2

PE Chart (x)



Source: Company, DBS Vickers

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