

Yoma grows on property but works to diversify

By Jeremy Mullins | Monday, 01 September 2014

Although Myanmar does not have a modern stock market, it does boast a firm which has actively traded on a modern exchange for nearly a decade.



Yoma Strategic Holdings CEO Andrew Rickards. Photo: Zarni Phyio

Yoma Strategic Holdings has been listed on the Singapore Exchange since 2006, though for much of this period its shares were not particularly active. Only since early 2012, following the reforms of the U Thein Sein administration, have share prices reached their current heights and trading volumes.

Yoma Strategic CEO Andrew Rickards said the firm is in a fortunate position to own assets in a market where prices are going up.

“There is no doubt that in a rising tide, all boats rise,” he said in an interview with The Myanmar Times. While Yoma Strategic has clearly benefited from being in a growing market, he said he credits the firm’s employees with its success.

“Timing – as is often the case – is everything,” he said, though adding a strong management team is also crucial. “You need to overlay that with a management team that is able to execute. Because it would be

possible to rise a certain amount only to find your boat has a few holes in it, and then you don't continue to rise."

Real estate – notably its two largest projects Pun Hlaing Golf Estate and Star City – currently make up about 90 percent of the firm's revenues, according to its 2014 annual report. The firm turned a profit of S\$23 million (US\$18 million) on revenues of S\$100 million in the 2014 fiscal year, from a profit of S\$14 million on revenues of S\$60 million the previous year.

Yet Mr Rickards said the firm is planning to increasingly move into other sectors, pointing to a number of deals inked in the last three years.

"Our desire to have a much more balanced profile of businesses," he said.

Mr Rickards himself joined Yoma Strategic in 2011, after a career primarily in investment banking in Asian emerging markets.

Several years ago he visited both Cuba and Myanmar, taking the view that both could be quite interesting. The ingredients that previously made Myanmar a leading Asian economy a century ago – location, population, size, resource wealth, agricultural capability, English-speaking ability – were still there, he said. "I took the view that if you changed the way the country was managed, then all these attributes could yet again come into play and the country could be very successful."

After discussions with Yoma Strategic chair and prominent Myanmar businessman Serge Pun, Mr Rickards took the reins as CEO of Yoma in November 2011. The firm had been created by Mr Pun, who in 2006 injected assets into and renamed an already listed shell company, Sea View Hotel Limited.

Mr Rickards said apart from a blip when Yoma first listed, its stock price had been relatively subdued.

"Myanmar was going through some difficult years and that was obviously reflected in Yoma's stock price. It trotted along at 6 ½ and 7 [Singapore] cents for quite a long time," he said.

Yet the share price skyrocketed after the reforms began and Mr Rickards joined the company, reaching a high of near S\$1 (US\$0.79) mid-2013, and trading at S\$0.71 (US\$0.57) at close last week.

Mr Rickards said listing provides several advantages. It creates a benchmark for the assets, which is otherwise tough to do in a country with no stock or bond market, as well as providing wider access to the capital markets and attracting a wider array of employees and potential partners than it might otherwise have done.

Although Yoma's boat may be rising on growing real estate prices, some speak of the potential for a property bubble. Mr Rickards however said there are very high prices being paid in the centre of Yangon, but there has been less indication of a bubble away from downtown where Yoma's two largest current projects – Star City and Pun Hlaing Golf Estate – are located.

Many developers have also announced projects that will not end up being built, he said.

"If you took all the noise in town, all the people who say they're going to do projects, if they are all to come off, then okay maybe we will have a problem," he said. "But there's a big gap between what's actually happening, who's actually broken ground, and those who aspire to do projects."

The firm also has one real estate project outside of Myanmar, with a shopping mall in Dalian, China. It was acquired a few years ago, though it currently looks a bit odd given the Myanmar focus of Yoma, and may be divested in the future, he said.

Yoma has drawn headlines over its proposed US\$400 million Landmark project at the former Burma Railway offices on Bogyoke Aung San Road in downtown Yangon, which is currently secured with leases with 24 and 26 years left.

The leases were held by Serge Pun-chaired private firm SPA, but in a deal announced in 2012, Yoma was to acquire the site to develop the project by leveraging its access to capital. Transferring the site to Yoma was initially based on securing a lease extension to 70 years, but in June 2014 the firm decided to proceed anyway with the acquisition, expecting to receive the longer lease at a later date.

Mr Rickards said that while the firm still expects to receive the extension, if it does not, some parts of the projects such as office space and retail are still viable. The firm has also been raising capital on the Singapore stock exchange, attracting S\$94.5 million last month, with 50 to 70pc earmarked for real estate. The funds are part of about S\$294.5 million it has raised over the last two and a half years, with plans announced for another S\$166 million.

Although property constitutes 90pc of Yoma Strategic's revenues in the 2014 fiscal year, it has entered into a number of deals in different industries over the last two years. It purchased a majority stake in the operator of Balloons over Bagan in March 2013, joined mobile operator Digicell in a mobile tower company in December 2013, and has inked agreements in areas as diverse as importing Mitsubishi vehicles, to a coffee plantation in Ayeyarwady Region, to a dairy industry, cold storage and retail with Malaysian chain Parkson's.

Currently dominated by property, Yoma would like to have a more balanced profile of businesses, said Mr Rickards.

"What we're saying is that in five years' time we hope to be about 50pc property, 50pc other," he said. "Now that is a tougher goal to get to than it might seem, because property is going to grow so quickly which means my other businesses are going to need to grow even quicker while starting from a smaller base."

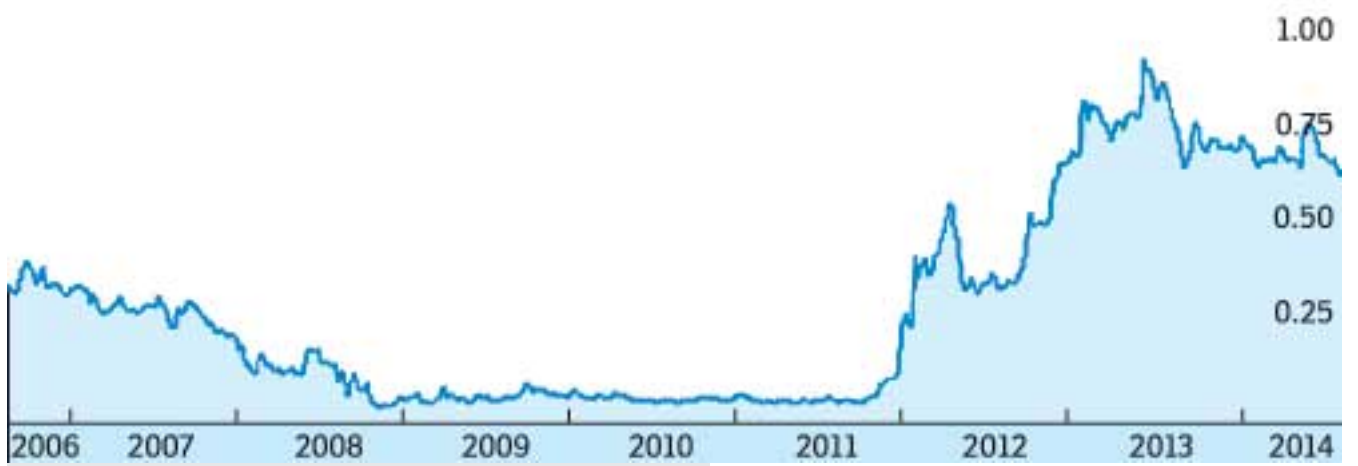
Mr Rickards has also stated the firm's longer-term ambitions to be the Jardine Matheson of Myanmar.

"Jardine Matheson is a group that has longevity. It's been around for over 150 years. Okay, it may have had a slightly bumpy start, being an opium trader, but that's a long time ago and that's not what we aspire to by the way," he said jokingly.

"If you look at Hongkong Land, Astra, Jardine Cycle and Carriage, these are very well run businesses that are all linked via the 48th floor of Jardine House in Hong Kong, which I think keeps a fairly good grip other than letting people run their businesses," he said. "But when it comes to raising capital, I think head office has a certain say over that."

Although Yoma has big ambitions, all this will not happen overnight.

"In their [Jardine's] case they've been at it a long time, and for me to aspire to be that is a bit cheeky; I mean I'm a long way off," said Mr Rickards.



Yoma Strategic Holding's historical share price. Source: Google Finance