Yoma's Myanmar focus pays off

Firm's stock has surged on back of country's real estate growth potential

At a recent Yoma sales exhibition here, Myanmar nationals showed keen interest in apartments in Star City, the company's biggest project to date. Its development and sales pipeline will last six to eight years and involve the building of 9,000 homes, as well as shopping and commercial developments. PHOTO: YOMA STRATEGIC

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IT IS becoming extremely hard to ignore investor favourite Yoma Strategic Holdings on the back of growing interest in all things Myanmar these days.

The stock has surged 130 per cent this year despite some intermittent bouts of selling, since Myanmar became the decade's biggest emerging market story.

"Few other companies can claim to have such a focused exposure to the emerging market of Myanmar and its potential in real estate market growth," said Maybank Kim Eng analyst Bernard Chin in a recent report.

Yoma, which derives more than 90 per cent of its revenue from its property involvement in Myanmar, is now exploring other businesses under the umbrella of its parent company, Serge Pun and Associates (SPA Group).

These include hospitality – hotels and serviced apartments – and financial services, as well as expanding its auto business.

"There's a huge demand in Yangon, with tourist numbers expected to go through the roof," Yoma chief executive Andrew Rickards told The Straits Times.

Yoma's auto business, which currently involves importing China's Dongfeng light trucks into Myanmar, also offers plenty of scope for expansion.

"We want to expand into the broader auto business which the SPA Group is involved in, such as cars and motorcycles, as import barriers come down and wealth goes up," he said.

The firm is also tweaking its strategy in Myanmar to sell more finished products such as villas, apartments and townhouses, rather than plots of land.

Currently, its real estate dealings involve selling houses and land development rights (LDRs).

In the financial year to March 2012, it sold 222 plots of land, up from 35 a year earlier, while revenue from house sales was $11.3 million, up from $2.4 million.

"It's a strategic move from the past to slightly tweak our business model to sell fewer plots of land and focus more on building the finished products as this is more profitable," he said.

The group's much improved financial resources make this easier. Cash and bank balances have risen to $20.1 million from a meagre $2.5 million a year ago, thanks to proceeds from LDR sales.

Shareholders recently approved the firm's acquisition of 70 per cent of the economic interests in the remaining LDRs of the Star City real estate project in Yangon for $91 million, and rights issue to part fund the exercise.

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> **– Yoma chief executive Andrew Rickards, on the shift towards selling finished real estate products in Myanmar**

The development and sales pipeline of this project, which will last six to eight years, involves building 9,000 homes as well as shopping and commercial developments.

This is, by far, the firm's biggest project to date.

"What we plan to do is quite dramatic. It's a completely new township about four times bigger than our previous largest project," said Mr Rickards.

Still, look beyond the current round of hype and Myanmar, like other emerging markets, holds risks for businesses.

These include the lack of infrastructure, a sound or developed financial system, and a skilled workforce.

"Our concern is that the political reforms precede economic reforms, which means the economic benefits may not flow immediately to the people," said Mr Rickards.

For the moment, things have picked up for the firm.

Earnings for financial year 2012 came in substantially higher at $6 million, from $2.8 million a year earlier.

"I would say that this is the first year of the 'new year' since political reforms started, so we should compare the current year's performance to 2012," Mr Rickards added.

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