

Edge Weekly

Little-known SBC Corp attracts heavyweight investors

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SBC Corp Bhd may not be a heavyweight property developer in terms of size and profitability but it has several recognisable and prominent names listed as its minority shareholders.

It is worth noting that Morisem Consolidated Sdn Bhd — a wholly-owned subsidiary of Tan Sri Lee Shin Cheng's IOI Corp Bhd — emerged as a substantial shareholder of SBC Corp on Aug 27 with 11.74 million shares or a 5% stake.

Filings with Bursa Malaysia show that Morisem, an investment holding company, bought 49,000 shares on the open market on June 12.

Morisem's shareholding in SBC Corp is second only to that of the Sia family, which collectively owns at least 32%. The group is currently helmed by Datuk Sia Teong Heng — who is managing director and CEO — and his brother, Sia Teong Leng, who is an executive director.

Interestingly, according to the list of top 30 shareholders listed in SBC Corp's latest annual report, Datuk Seri Tan Han Chuan and Datin Tan Ching Ching hold 4.35% and 3.69% stakes in the company respectively.

Han Chuan and Ching Ching, who sit on the boards of JKG Land Bhd and Jasa Kita Bhd, are the children of elusive tycoon Tan Sri Robert Tan Hua Choon, who is known as the "Casio King".

Meanwhile, Peter Yu Kok Ann, president of The Raintree Club of Kuala Lumpur, has a 0.85% stake in SBC Corp. He is also the managing director of Golden Donuts Sdn Bhd, the master franchisee of Dunkin' Donuts in Malaysia.

Datuk Meer Sadik — the only son of Datuk Habib Mohamed Abdul Latif, the founder of Habib Jewels — also owns a 0.54% stake in SBC Corp.

So, what do these notable individuals see in SBC Corp, which has a market capitalisation of merely RM116 million, based on its closing price of 49.5 sen last Thursday.

It is interesting to note that SBC Corp has not been doing well in recent years. Its net profit slumped from RM33.3 million in financial year ended March 31, 2014 (FY2014), to RM17.7 million in FY2015, before declining further to RM13.4 million in FY2016.

It eventually slipped into the red in FY2017 with a net loss of RM3.04 million as revenue more than halved to RM64.6 million from RM139.5 million a year ago.

While SBC Corp has turned around in FY2018 — registering a net profit of RM2.1 million on revenue of RM52 million — its overall weak financial performance over the years was mostly reflective of the gap between the commencement of projects and the completion of earlier ones.

For perspective, SBC Corp's two projects in Kuala Lumpur — DEX Suites Kiara East in North KL and Cantonment Exchange in Jalan Ipoh — were completed, whereas its Jesselton Quay project in Kota Kinabalu, Sabah, was delayed.

However, given its unbilled sales of RM250 million and progress of works well underway, SBC Corp says in the annual report that it remains confident of a better future financial performance.

As at March 31, SBC Corp's net gearing stood at a low 0.19 times. With total borrowings of RM89.5 million and cash of RM14.5 million, the company was in a net debt position of RM75.1 million.

SBC Corp did not respond to The Edge's interview request.

Meanwhile, when contacted, IOI Corp explains that Morisem is its investment vehicle that undertakes non-core investments in listed companies' shares utilising the group's surplus funds.

"The acquisition of shares in SBC Corp was first made in 2014, around the time when IOI Properties Group Bhd was demerged from IOI Corp," it says in an email exchange with The Edge.

IOI Corp explains its policy of keeping non-core investment in shares to below the substantial shareholding threshold of 5%, but it does not say why it invested in SBC Corp.

A minority shareholder, who is one of the top 30 shareholders of SBC Corp, acknowledges that he feels more confident investing in the company, given the fact that IOI's Morisem and Robert Tan's children have also made the same investments, albeit passively, as he did.

"Yes, they appear to be passive investors. But the market cap of SBC Corp is so small, why would they buy into the company? Surely they see value in the shares? I hope they see what I see, or more precisely, I hope I see what they see," he tells The Edge.

The minority shareholder highlights that in 2009, Robert Tan had undertaken a surprise takeover of sanitaryware maker Goh Ban Huat Bhd, buying out the founding Goh family after a fierce shareholder tussle.

"Robert Tan has a track record of hostile takeovers. If you do not manage the company well, he might step in and manage it himself. Note that the Sia family does not have a controlling stake in SBC Corp. Anything is possible," he analyses.

Robert Tan is often called the "small cap king" because of the substantial stakes he has built up in small listed companies, including Marco Holdings Bhd, Jasa Kita, JKG Land, FCW Holdings Bhd, Goh Ban Huat, GPA Holdings Bhd and Computer Forms (M) Bhd.

Founded in 1954, SBC Corp is a property and construction firm. Its jewel in the crown is the Jesselton Quay project in Tanjung Lipat, Kota Kinabalu — a joint venture with locally listed Suria Capital Holdings Bhd.

Suria Capital owns the 16.25-acre tract on which Jesselton Quay will be developed. It is not directly involved in its development, but it will be entitled to 18% of the project's gross development value (GDV) of RM1.8 billion.

Similar to Asiatique in Bangkok, Thailand, and Clarke Quay in Singapore, Jesselton Quay is the only integrated seafront project in Sabah.

"If we look at SBC Corp's market cap of RM116 million against Jesselton Quay's GDV of RM1.8 billion, the ratio is more than 15 times," says a property analyst who follows the group in his personal capacity.

Since the JV was announced in 2013, Jesselton Quay has been facing significantly longer-than-expected delays in obtaining approvals from the authorities.

Fortunately, as at end-September 2016, the subdivision of the master land title for project was completed. This essentially means that after more than three years of waiting, SBC Corp could finally open sales of the 10-year mega project.

Jesselton Quay's main commercial section — JQ Central — will consist of an office tower, two blocks of commercial condominium towers, showroom galleries, shops and a commercial recreation club at the podium rooftop.

It is learnt that foundation works have been completed and tower structure works are well underway.

"I believe this project will be self-sustaining. Earnings are expected to pick up slowly in FY2019," says the analyst.

In its annual report, SBC Corp says in spite of abated market sentiment, the group is excited about the new tourism-related opportunities it sees with the encouraging success of the strong international arrival numbers in Sabah, particularly for its Jesselton Quay project.

“The project is expected to generate good prospects and activity for the group and will feature strongly in the coming years, given its international quality offering as a tourism destination, prominence on the waterfront and growing direct air links to nearly all major countries, especially China and East Asia,” it says.

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