

18th March 2019

789 Holdings Ltd

Aiming to grow Sydney property services

789 is a real estate sales and property management company specialising in multi-dwelling sales and management. The company has a strong book of property under management representing a stable revenue stream and a successful project marketing business. 789 Holdings acquired Home 789 (property sales) and Great Fortune Investment (property management) from the controlling shareholder, Kai (Walton) Zhu in 2018 and listed on the NSX on 4th March 2019 raising \$2.5m. 25% of the group is now owned by non-affiliated shareholders. The board plans to use the capital raised to expand into property and asset management and broaden the group's property sales agent network.

Business model

789 Holdings managed 375 properties in Sydney at February 2019, an increase from 50 properties in FY12. The balance of revenues was earned through the network of 43 affiliated agents. The sales business focuses on selling new apartments in aligned projects to consumers, off-the-plan. 789 highlights one of its competitive advantages is that it has established a team of agents from multicultural backgrounds, with 20% of the group's agents capable of marketing properties to and communicating with buyers in China. 789 noted that investors based in SE Asia and China have been a source of business for the group both directly and through cooperative relationships offshore.

FY 18 result

The business reported a net profit of \$2.79m for the year, down from \$4.37m earned in an exceptionally strong year for property sales in FY17. Indications are that the first half of FY19 has remained weak. EBITDA margin was relatively high at 34% however this also declined relative to FY17. The company has no debt. The company's proforma NPAT for FY18, after taking into account the cost of being a listed entity, was \$1.8m versus a proforma NPAT of \$3.4m in FY17.

HY 19 result

The half year to December 2018 was sound with revenue rising 28% relative to the HY 18 result. EBITDA margin improved to 50% leaving the Group with a strong result for their debut on the NSX. The group reported a profit for the half of \$1.7m, a 42% increase on the pcp. There were no management comments on the outlook for the rest of the fiscal year.

Earnings history (A\$m)

Year ended	Revenue	EBITDA [^]	NPAT Reported	NPAT Proforma [^]	EPU (c)	DPU (c)	P/E (x) [^]
Jun-16	7.53	2.42	2.34	1.37			
Jun-17	11.82	5.32	4.37	3.40			
Jun-18	8.73	3.00	2.79	1.82	4.27	0.00	5.49
Half Year ended							
Dec-17	3.78	1.75	1.21	n/a	n/a	0.00	n/a
Dec-18	4.82	2.40	1.71	n/a	1.54	0.00	n/a

Source: Company data [^]Pro-forma

Shares Summary

Share Code	789
Share Price	\$0.25
Market Capitalisation	\$10M
Number of Shares	40M
Net Cash (Debt) at 30 Jun 18	\$2.5M
Share Registry	Registry Direct Ltd

RaaS 5-Point Score* = 2/5

Revenue increasing (0); EPS increasing (0), Return on Capital Employed [ROCE] (0); EBIT interest cover >3x (1) Gross Operating cash flow/EBITDA >90%(1)

Upside Case

- NSW property market bottoming in 2019 but with marginal increase
- Demand for apartments stabilising
- Property management business remains strong

Downside Case

- Continuing reduction of activity levels in the multi-dwelling property development sector
- Longer selling periods for existing stock
- Potential restructuring costs associated with downsizing real estate sales division

Board of Directors

Executive Chairman	Kai (Walton) Zhu
Non-executive Director	John Huntley Knox
Non-Executive Director	John Nakhoul

Catalysts

- Easing of bank lending restrictions (following RBA commentary regarding activity levels)
- Strong population growth in Sydney
- Continuing low interest rates

Comparable Companies

VP7.AX, SPG.NZ

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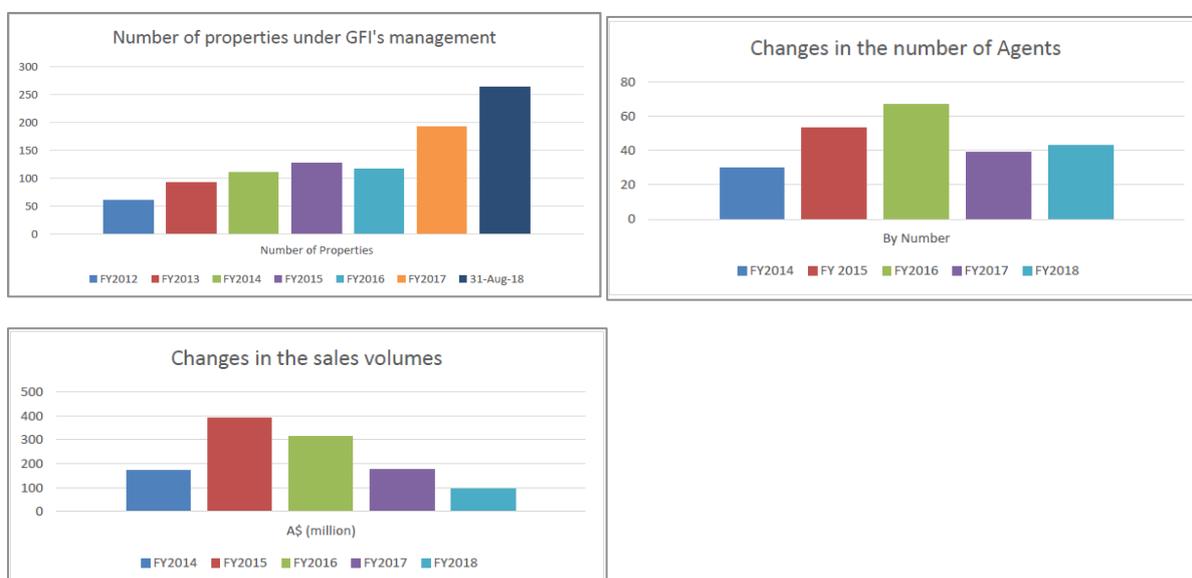
* The RaaS 5-Point score is based on the company's performance in its last reported full year. Past performance is not a reflection of future performance.

History of the 789 Group

Date	Events
22 November 2007	Incorporation of GFI and commencement of property management business
17 November 2011	Incorporation of HOME789
January 2012	Commencement of property sales business
September 2013	Properties under GFI's management exceeded 100
January 2016	Property sales volumes of the Group exceeded \$400 million
October 2017	Properties under GFI's management exceeded 200
13 August 2018	Incorporation of the Company
24 September 2018	Signing of agreements for the Acquisition of GFI and HOME789 by the Company

Source: 789 Holdings Prospectus dated 27/09/2018

Major business variables



Source: 789 Holdings Prospectus dated 27/09/2018

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FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 26th November 2018



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- our services
- how we transact with you
- how we are paid, and
- complaint processes

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