Hatten Land aiming for rapid growth

Liew Jia Teng / The Edge Malaysia
December 13, 2017 17:00 pm +08

This article first appeared in The Edge Malaysia Weekly, on December 4, 2017 - December 10, 2017.

SINGAPORE-listed Hatten Land Ltd — one of the largest property developers in Melaka — is aiming for rapid growth in the coming years, aided by mergers and acquisitions as well as land acquisition and possible asset injection.

Managing director Datuk Colin Tan June Teng says the management is striving to achieve a market capitalisation of S$350 million (RM1.06 billion), followed by S$1 billion in the next few years. Year to date, the stock has risen 12% to close at S$0.19 last Monday, giving it a market capitalisation of S$258 million.

"We foresee that we will be a big growth company within a short period of time, especially in the next one to two years. We are looking at acquiring some good companies, quality assets and strategic land bank," he tells The Edge in an interview.

The 34-year-old Singaporean was appointed executive chairman and managing director of Hatten Land in January. He is also the property firm's head of marketing and sales.

Tan and his elder brother — Datuk Edwin Tan Ping Huang, who is the company's deputy managing director and executive director — co-founded Hatten Group Sdn Bhd in 2006.

Headquartered in the historical city of Melaka, Hatten Land is the property development arm of Hatten Group, whose core businesses include property investment, hospitality, retail and education.

Hatten Land began trading on the Catalist board of the Singapore Exchange (SGX) on Feb 28 after completing a reverse takeover (RTO) of Sky Win Management Consultancy Pte Ltd on Jan 24.

“Hatten” means “growth and development” in Japanese.

Today, Hatten Land is a property developer specialising in integrated residential, hotel and commercial developments. Its current portfolio comprises five integrated mixed-use developments and one retail mall in Melaka with an aggregate gross floor area of 9.6 million sq ft.

Its flagship project is Hatten City. Phase 1, with an estimated gross development value (GDV) of RM2.05 billion, comprises four distinct projects — Elements Mall, SilverScape Residences, Hatten Suites and a tower block, which will be managed by Hilton Worldwide under the DoubleTree brand.

Phase 2, with a GDV of RM1.16 billion, consists of Imperio Mall and Imperio Residence.

Hatten Land is also developing Harbour City, which comprises Harbour City Mall, a water theme park and three hotel blocks. It has a GDV of RM1.8 billion.

The retail mall it is developing, known as Vedro by the River, is valued at RM240 million while Satori — which will be Melaka’s first wellness-themed integrated development comprising a mall, hotel and serviced residences — has a GDV of RM300 million.

Going forward, Hatten Land could tap into the strengths of Hatten Group and its comprehensive and vertically integrated business, says Tan.

For instance, Hatten Land conducts periodic reviews of land owned by the group to see if any are suitable for development. It has the right of first refusal and call options to acquire 20 extensive land and development rights in high-growth locations nationwide.

“This arrangement places Hatten Land in a near-unrivalled position, with priority access to many parcels of prime land,” Tan points out.

Outside the group, Hatten Land is on the lookout for more land in Pahang and Kuala Lumpur, he says.

When asked about possible asset injection, Tan stresses that Hatten Land will remain a pure property developer for now, but eventually, “we might put everything into the listed company”.

Hatten Land has plans to become a regional property player with a presence in Vietnam, Laos and Indonesia.

“There is a possibility that we will venture overseas with our joint-venture partners. These are the up-and-coming growth countries. I don’t want to do the same thing as the other players — investing in London and Australia. Why should I join the crowd? I would rather go somewhere else and try to achieve something there,” Tan remarks.

Closer to home, he says Hatten Land will continue to bank on Melaka’s growth potential, as the state is anticipated to become a new economic and tourism hub.

“The mainland Chinese want a slice of the action here, while some local developers are also eyeing this market. The bad news for them, which is good news for us, is that there are not many good land bank available anymore in Melaka, whereas we own plenty of prime sites.”

Tan adds that the major infrastructure works in Melaka will support tourism and investment in the area and, in turn, bolster the value of Hatten Land’s properties and underpin demand for its projects.

“The upcoming Kuala Lumpur-Singapore high-speed rail has a stop at Ayer Keroh. We also have weekly scheduled flights to and from Guangdong, China, and then there’s the construction of Melaka Gateway in the Straits of Malacca.”

Eyeing transfer to Main Board, dual listing

Tan reveals that Hatten Land is planning to transfer to the Main Board of the SGX. It is also considering listing on Bursa Malaysia in the future.

“We did an RTO on the Main Board and then we put it on Catalist as we wanted to retain an about 85% stake in the company. In the Main Board, you need to have a free float of 30%,” he explains.

According to Tan, Hatten Land prefers to be "a big fish in a small pond", being one of the top five companies listed on Catalist.

"If we were to go to the Main Board, we would be competing against the 'big brothers' with a market cap of billions. Right now, it makes more sense for us to stay on Catalist. But one day, we hope to go back to the Main Board."

When asked about the possibility of a dual listing, Tan replies, "We have been thinking about it. If there's an opportunity, we might do it in the future, but there's no specific time frame. I think transferring to the Main Board will come first; dual listing will come later."

On Hatten Land's share price performance, Tan acknowledges that it has been lacklustre but he urges investors not to worry as the major shareholders remain committed to the company.

"Our focus is on getting the company to perform better. Of course, we have our own measurement [for the target price], and I think the analyst calls are quite close to what we are looking at. However, we hope to exceed their expectations."

A quick check on Bloomberg shows that CIMB Research has an "add" call on the company, with a target price of S$0.38, while NRA Capital has an "overweight" rating with a target price of S$0.46.

In the first quarter ended Sept 30, 2017 (1QFY2018), Hatten Land saw its revenue increase 5% to RM56.5 million, thanks to the progress of construction at Harbour City, whose last phase — Harbour City Luxury Hotel — will be launched in FY2018.

The group's profit after tax grew 63% to RM2.97 million in 1QFY2018, up from RM1.82 million a year ago. Strong sales from the first phase of Satori lifted unrecognised revenue to RM760 million as at Sept 30.