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Boardroom to buy Malaysian peer Symphony, plans to sell additional services to new clients

Boardroom, which provides corporate and advisory services such as managing listed companies' shareholder registers and helping them run annual general meetings, has signed a deal to grow its presence in Malaysia. The acquisition would potentially enlarge its earnings base by 5.5%, and group CEO Kim Teo sees it as an opportunity to expand into new market segments and acquire new customers.

On July 16, Boardroom announced that it will pay RM164.1 million or \$55.6 million for three companies: Symphony Corporatehouse, Symphony Share Registrars and Malaysian Issuing House. SCH provides corporate secretarial, accounting, payroll and human resource services. It also owns Sky Corporate Services, which provides corporate secretarial services for smaller companies. SSR provides share registration services, employee share option scheme management, dividend distribution infrastructure, shareholders' general meeting management, shareholders' helpdesk and shareholders' voting services. MIH provides services for IPOs such as advising, distributing prospectuses and liaising with banks and regulatory authorities.

"What Symphony does basically dovetails into what we do," says Teo. For instance, the Symphony group's registry business has many mid- to large-cap companies among its clients.

Boardroom, which only started registry operations about four years ago, has mostly small-cap companies. "Therefore, the combining of the entities allows us to serve the large-cap, mid-cap and small-cap space," he says.

Teo says the acquisition will allow Boardroom to bring more types of services to the Symphony group's clients. "For example, in Singapore, we were the pioneers of electronic voting. And we are probably the leaders in the technology used for electronic voting. These are services that we can bring to other parts of our business," Teo adds. "Another example [of a service] we brought into the market is the electronic share plan administration... These are the services that we have, and we try to build the client base so that we can sell enhanced services to the client base."

The acquisition should also provide an immediate boost to Boardroom's earnings. Collectively, the three companies reported earnings of RM8.9 million for FY2018 ended March 31. Assuming that the acquisition had been completed on Jan 1, 2017, it would have taken Boardroom's earnings from \$10.6 million to \$11.2 million.



Teo: The combining of the entities allows us to serve the large-cap, mid-cap and small-cap space

However, Boardroom's earnings would have declined on a per-share basis: from 5.46 cents to 5.32 cents. That is because Boardroom intends to pay only 75% of the purchase consideration in cash. The remaining 25% will be satisfied through the issue of 16 million new shares at 86.5 cents per share. The issue price represents a 15% premium to Boardroom's weighted average price for the three months to July 12, and a 103.7% premium to Boardroom's net asset value per share as at March 31.

Following the issue, Symphony House will become the second-largest shareholder of Boardroom with a 7.6% stake. Boardroom's parent, **G K Goh Holdings**, will own 80.7%. Symphony House is indirectly owned by two Malaysians: Mohamed Azman bin Yahya and Abdul Hamid bin Sheikh Mohamed. The former is a well-known corporate figure whose current positions include chairman of M+S, the Malaysia-Singapore joint venture that is the developer of several land parcels here. The latter was previously chief finan-

cial officer of the Kuala Lumpur Stock Exchange, now known as **Bursa Malaysia**.

Goh Yew Lin, alternate director to Boardroom's non-executive and non-independent chairman Goh Geok Khim, and managing director of GK Goh, says he welcomes "new shareholders who understand the business and can contribute to its future growth". Asked if Symphony House will be awarded a board seat at Boardroom, Goh says this was not discussed in negotiations. "From GK Goh's perspective, we would be open to having another independent director with extensive business experience in Malaysia, given the significant increase in Boardroom's Malaysian footprint resulting from this transaction, but this is a matter for Boardroom's board to decide," he says.

Goh adds that GK Goh continues to be confident in Boardroom's long-term prospects, pointing out that the former has from time to time bought additional Boardroom shares in the market.

Boardroom



Boardroom's limited free float means the stock is fairly illiquid. There was trading on just 10 of the last 40 trading days. It has performed well, though, rising 16.7% on a year-to-date basis versus a 4.5% decline in the Straits Times Index. Over a five-year period, the stock has returned 65.6% on a dividends reinvested basis versus 18.8% for the STI.

The outperformance will come as no surprise to those familiar with the stock. Boardroom has been slowly but steadily growing its revenue and earnings through a combination of both organic and inorganic growth. It has introduced electronic solutions to its clients

and pushed into Australia, China, Hong Kong and Malaysia. The business also generates plenty of free cash flow, has been paying a steady dividend and has very little debt.

For FY2017 ended December, Boardroom's revenue increased 4.8% y-o-y to \$71.3 million, on the back of a vibrant IPO market in Hong Kong and an upswing in corporate activities in the region. Earnings increased 45.9% to \$10.6 million, thanks to a focus on productivity improvement and product innovation. Boardroom generated five cents of free cash flow per share and declared a dividend of 2.5 cents per share, a 25% increase y-o-y. Its debt-to-equity ratio as at end-December was 0.1 times.

Despite the increase in its share price, Boardroom trades at a reasonable 9.5 times historical earnings and has a dividend yield of 3.1%. If its results for 1QFY2018 are any indication, this year could be even better than last. Revenue increased 15.1% y-o-y to \$19.1 million, while earnings increased 125.2% to \$1.9 million. Boardroom's net margin increased from 5.2% to 10.1%, as it benefited from economies of scale. ■