

METRO HOLDINGS LIMITED

Initiation of Coverage | 10 June 2025

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Rating: **BUY**

Last Close: **S\$0.390**

Target Price: **S\$0.500**

Navigating Transition, Unlocking Value

Investment Thesis

We initiate coverage on Metro Holdings Ltd (“Metro”) with a **BUY** rating and a 12-month target price of **S\$0.50**, implying approximately **28% upside** from the last close of **S\$0.39**. Metro’s share price reflects a deep discount to book value – trading at only around **0.25x P/B** versus net assets of approximately **S\$1.2 billion** as of March 2025. Despite near-term headwinds — notably significant non-cash fair value losses in China during FY2025 — Metro’s diversified property investments in Singapore, China, the UK, Australia, and Indonesia provide multiple growth levers, while its legacy retail business continues to generate stable cash flow. We expect gradual value unlocking through asset monetisation (e.g., potential property sales or REIT listings) and recovering contributions from overseas projects to drive a stock re-rating over the next year.

- **Undervalued Asset Play**

Metro trades at only ~0.25x P/B (NAV S\$1.40 per share as of Mar 2025), well below Singapore property peers (0.4–0.5x P/B). Net assets of S\$1.2 billion include prime properties and stakes in development projects; even a partial realization of asset value could close the valuation gap.

- **Diversified Property Portfolio**

The group holds a mix of recurring income assets (office/retail properties in *Shanghai, Guangzhou, Singapore, London*) and development projects (e.g. *Jakarta condos, Manchester mixed-use*). This diversification across geographies and segments provides resilience and optionality for growth. Key upcoming catalysts include the completion and sale of development units (e.g. Middlewood Locks in UK) and improving occupancies in Singapore/Australia.

- **Strong Balance Sheet & Partnerships**

Metro’s net debt-to-equity is modest (~0.22x), giving it flexibility to weather downturns and invest opportunistically. It partners with reputable players (e.g. **Top Spring** in China, **Trans Corp** in Indonesia, **Sim Lian** in Australia) to expand its reach while sharing risks. A healthy cash position and solid banking facilities support its 5% dividend yield (2.0 S¢ final DPS in FY2024), rewarding investors as they wait for a turnaround.

- **Macro Tailwinds Emerging**

We anticipate that interest rates in key markets have peaked or are starting to ease, relieving pressure on property yields. For instance, the Bank of England cut its rate to 4.25% in May 2025 and Australia’s RBA trimmed its cash rate to 3.85%, which should eventually support real estate valuations.

Meanwhile, GDP growth in Singapore (~0–2% forecast for 2025) and China (~5% in 2024 – 25) provides a stable backdrop, and any easing of U.S.-China trade tensions would uplift sentiment.

Key Risks

Despite the deep value, Metro faces significant risks. Its 22% associate stake in Top Spring (a Chinese developer) exposed the group to *S\$105m in losses* from China's property slump in FY2025, underscoring the potential for further impairments or negative surprises. The retail division remains challenged by e-commerce and high operating costs, now barely breakeven. We also flag forex fluctuations (RMB, IDR, GBP, AUD) and geopolitical uncertainties (trade tariffs, policy changes) as ongoing risk factors. (See **Risk Factors** section for detailed discussion.) Overall, we believe the current stock price more than prices in these negatives, offering an attractive risk-reward profile for patient investors. Our S\$0.50 target is based on a sum-of-parts DCF and implies still a low ~0.29x P/B and ~5.5% yield, justifying a **BUY** rating given the company's asset resilience and eventual recovery prospects.

Business Overview

- **Corporate Evolution**

Metro Holdings is a Singapore-based company with roots in retail and a growth trajectory increasingly tied to property. Founded in 1957 by the late Mr. Ong Tjoe Kim as a small textile store, Metro grew into one of Singapore's major department store chains. It listed on SGX in 1973 and soon diversified beyond retail, venturing into property development, construction, and distribution. By the 1990s, Metro had transformed into a property-investment player, leveraging its retail cash flows to acquire strategic real estate. Early milestones included a **27% stake in Ngee Ann City** (Orchard Road) in 1993 and pioneering investments in China, such as **Metro City and Metro Tower (Shanghai)** and **GIE Tower (Guangzhou)**. Today, Metro focuses on two core segments: **Property** (development & investment) and **Retail**, having exited non-core ventures over time.

- **Core Segments & Services**

Metro's **Property Division** encompasses ownership, development, and investment management of real estate across multiple countries. Key revenue streams include rental income from investment properties and development profits from property sales. The division currently centers on **commercial properties** (malls and offices) in China and Singapore, and **residential/mixed-use projects** in the UK and Indonesia, often via JVs. In FY2024, property segment revenue was S\$10.5 million (down from S\$13.3m in FY2023) due to fewer development unit sales in Jakartametroholdings.com.sg. Metro's **Retail Division** operates the "Metro" department stores, a household name in Singapore. It runs **two flagship stores** (Paragon and Causeway Point) offering fashion, beauty, and home merchandise, alongside an e-commerce platform. The retail segment contributed S\$105.4 million revenue in FY2024 (~91% of group revenue). While retail provides steady topline, its profitability is slim (FY2024 retail gross profit fell to S\$7.5m amid higher costs), and Metro has right-sized this business over the years (it divested its Indonesian department stores in 2019, retaining only a licensing fee arrangement).

JV Asset	Metro Stake (%)	Estimated Annual Contribution (\$M)	Notes
Boustead Industrial Fund (SG)	26	6	Stable rent income, annual escalation ~3%
Sim Lian JV Malls (Australia)	30	8	CPI-linked rental growth, upside on monetization
VisionCrest Office (SG)	20	2	Potential one-off gain upon exit
Middlewood Locks Phase 3 (UK)	25	5	Development profit phased
Top Spring International (China)	16	0	Assumed breakeven; upside if China stabilizes

Metro Holdings' key joint venture assets and their projected contributions over the next few years

- **Geographic Footprint**

Metro has a **global portfolio** spanning *Singapore, China, Indonesia, United Kingdom, and Australia*. Singapore is home base – beyond its retail stores, Metro co-owns **Asia Green** (Tampines Grande office towers, 50% stake acquired 2018) and recently took a 20% stake in **VisionCrest Commercial** (a prime Orchard Road office building). In *China*, Metro owns prime assets in tier-1 cities: **Metro City (retail mall)** and **Metro Tower (office)** in Shanghai's Xujiahui district, and **GIE Tower (office)** in Guangzhou – collectively ~84.5% occupied as of Mar 2025. Metro also holds a **22.17% voting stake** in Hong Kong-listed developer **Top Spring International**, deepening its China exposure via residential and mixed-use projects in the Greater Bay Area. In *Indonesia*, Metro partners with the Trans Corp group on **Trans Park** residential projects in Jakarta (Bekasi and Bintaro), from which it was selling units (contributing to property revenue in past years). In *the UK*, Metro owns 50% of a London freehold office (**5 Chancery Lane**) and (via JV **Fairbriar**) 75% of the **Middlewood Locks** development in Manchester (an ongoing multi-phase mixed project). It also has a ~30% interest in a UK student accommodation portfolio (4 properties) and other investments, providing exposure to Britain's rental housing sector. In *Australia*, Metro entered in 2019 by investing ~A\$95.8m for a 20% stake in a portfolio of 14 freehold office & retail properties across major cities. This JV (with Sim Lian Group) has since grown to 18 assets (5 offices, 13 shopping centers) valued ~A\$1.4b, including a landmark acquisition of 1 Castlereagh Street in Sydney's CBD in Oct 2024. These strategic footprints allow Metro to capitalize on each market's opportunities, while mitigating reliance on any single country.

- **Corporate Structure & Subsidiaries**

Metro operates a **lean corporate structure** with investments often held via joint venture entities. Metro Holdings Ltd (the SGX-listed parent) directly owns the retail operating subsidiary (Metro Private Ltd) and holds various project companies or JV stakes for its property interests. Major subsidiaries/JVs include those holding the Shanghai and Guangzhou properties (wholly-owned or majority-owned

subsidiaries, providing recurring rental income), *Metrobilt* (historical China investment arm), and overseas JV companies such as **Fairbriar Real Estate** (UK, Middlewood Locks project company) and **SLB Australia Ventures** (Sim Lian – Metro Australia JV). The company's equity-accounted associates include **Top Spring** (22%) and stakes in funds or project SPVs (e.g. 25% of a Chengdu mall, 27% of an Osaka Japan property via a fund, etc.). The **corporate structure chart** (see Appendix) shows Metro Holdings at the helm with key subsidiaries for Retail (100% owned) and Property (various ownership percentages). Importantly, the **Ong family** (descendants of the founder) and strategic partner Ngee Ann Kongsi are notable shareholders (the latter holds ~10%), reflecting the long-term stewardship and alliances behind Metro. There are no dual-class shares; all ordinary shares have equal voting rights, and Metro's free float remains sufficient for liquidity.

Industry & Competitive Landscape

Global Real Estate & Macro Trends

Metro Holdings' performance is closely tied to real estate cycles across its key geographies. Following a strong post-pandemic rebound in 2021–2022, global property markets turned more cautious through 2023 and 2024 amid rising interest rates, elevated inflation, and increased geopolitical uncertainty. Higher financing costs have subdued transaction volumes and placed downward pressure on asset valuations—effects already evident in Metro's recent fair value losses.

- **Singapore**

The domestic investment climate has softened in tandem with interest rate hikes. Singapore-listed developers are trading at significant discounts to book value, reflecting investor caution. However, underlying fundamentals remain healthy: Grade A offices continue to enjoy strong occupancy and rental growth driven by a “flight to quality,” while prime industrial and logistics assets are benefitting from resilient demand and limited new supply. Hospitality assets, too, have rebounded with tourism recovery. Although valuations have moderated, performance in the top-tier segment remains robust, and Metro's Singapore assets are well-positioned within this quality bracket.

- **China**

The Chinese real estate market is undergoing a deep and prolonged correction, driven by deleveraging policies, excess supply, and waning buyer confidence. Metro's joint ventures and associate Top Spring have been materially impacted, as reflected in impairments. Leasing demand has softened across Metro's commercial assets in Shanghai and Guangzhou, raising the risk of further declines in occupancy and asset values. In a downside scenario, policy inertia or a further deterioration in market sentiment could lead to additional fair value losses and constrain the liquidity of these investments. While a base-case recovery by 2025 is plausible, China remains Metro's most significant geographic risk.

- **United Kingdom**

The UK property market continues to feel the weight of decade-high interest rates, leading to rising vacancies and compressed valuations, especially in the office sector. Nonetheless, select segments remain resilient. Purpose-built student accommodation (PBSA) and necessity-based retail assets have shown robust occupancy and rental performance, supported by strong structural demand. These

trends underpin the strength of Metro's UK portfolio, including the Middlewood Locks development and PBSA joint ventures. However, real returns are challenged by persistent inflation, and foreign exchange volatility (GBP/SGD) could affect reported results.

- **Australia**

Australian property valuations have softened due to rising cap rates amid aggressive monetary tightening. However, fundamentals remain sound, with retail centres in suburban growth corridors and core city office spaces sustaining demand. The Australian economy continues to grow, and the population influx is supporting consumer resilience. Metro's assets, held via a joint venture with Sim Lian, benefit from this underlying strength. While valuation gains may be muted in the near term, we expect rental growth to remain stable across the portfolio.

- **Indonesia**

Although a smaller portion of Metro's portfolio, Indonesia represents a long-term growth market. The group's developments in Bekasi and Bintaro target the mass condominium segment, catering to strong demographic demand. However, elevated inflation and interest rates could pressure affordability and slow transaction velocity. Currency depreciation (IDR/SGD) also poses a risk to returns. These risks are partly mitigated by Metro's phased project approach and its partnership with Trans Corp, a leading local conglomerate. Initial sales performance in these projects has been encouraging, with handovers and revenue recognition progressing steadily.

Key Industry Drivers & Headwinds

Across Metro's markets, several common drivers prevail:

(1) **Interest rates** – the rapid rate hikes in 2022–2024 increased financing costs and property cap rates, lowering valuations. Now, the prospect of rate *peaks and gradual declines* is a key driver for a property sector recovery in 2025. Lower interest costs will also improve Metro's interest coverage (currently ~1.6x).

(2) **Urbanization and demographics** – in emerging markets (China, Indonesia), long-term urban population growth underpins property demand; Metro's focus on gateway cities positions it to benefit once short-term corrections pass.

(3) **Government policies** – supportive measures (or lack thereof) are critical: e.g. China's easing of home purchase restrictions would stimulate sales, while Singapore's property cooling measures (e.g. stamp duties) limit speculative price gains. In Indonesia, government infrastructure projects (like Jakarta's MRT expansion) can boost property values in Metro's project locations.

(4) **Consumer trends** – for retail, the shift to omni-channel shopping means department stores must adapt or face declining market share. A headwind is the prevalence of e-commerce (Singapore's online retail penetration ~11% of sales and rising), which pressures Metro's store sales. Conversely, the return of tourism (for Singapore retail) and the experience of in-person shopping are tailwinds aiding brick-and-mortar retailers.

Competitive Landscape

- **Retail Business**

Metro's direct competitors in Singapore include **BHG**, **OG**, and Japanese stalwarts **Takashimaya** and **Isetan**. These players similarly operate large department stores, often in key malls. Competition is intense, especially during mega sale events (Great Singapore Sale, year-end holidays) and for exclusive brand concessions. Metro differentiates through its loyalty program (Metrocard), curated merchandise, and periodic store revamps. The Indonesian Metro stores (now run by Trans Corp under license) compete with local chains like Sogo Dept Store and Matahari – Metro's brand continues to have cachet, but our analysis excludes Indonesia retail contribution beyond licensing fees. Overall, the department store space is a *shrinking pie*, and Metro's competitive edge lies in its strong brand heritage and prime store locations (which yield consistent tourist traffic). We note that Metro has rationalized its store count to two, likely focusing on profitability over market share.

- **Real Estate Arena**

Metro faces a broad set of competitors in property development/investment, often specific to each market. In Singapore, it bids for projects against larger developers like **City Developments (CDL)** and **UOL**, and investment firms for commercial assets. Metro's nimble size means it often partners rather than competes head-on – e.g. teaming with **Boustead Projects** for an industrial fund, or **Sim Lian** for Australian assets. In China, Metro's peer group includes other Singapore property firms active there (e.g. CapitalLand, Yanlord) and local developers. Top Spring's competitors in the Greater Bay Area are major developers like Country Garden, Vanke, etc., many of whom are currently constrained by debt issues. Metro's advantage is the ability to invest counter-cyclically (e.g. its 6% stake increase in Top Spring in Jan 2024 at distressed prices). In the UK, Metro (via JV) competes in residential development with regional developers such as Peel Holdings or Berkeley Group in certain projects, but again the partnership model (with Scarborough for Middlewood Locks) has helped mitigate competitive pressures. For tenant attraction in offices, Metro's buildings compete on location and specs: e.g., Asia Green competes with other Tampines Regional Centre offices (many owned by Ascendas-REIT or others), requiring proactive leasing efforts.

Regulatory Environment

Metro operates across multiple jurisdictions, each with its own regulatory complexities. Navigating these diverse frameworks is a critical aspect of its risk management and strategic execution.

In **Singapore**, Metro complies with SGX listing requirements and local property regulations. Although it currently has no residential projects in the country, any future developments would be subject to the Additional Buyer's Stamp Duty (ABSD) if unsold units remain beyond stipulated deadlines. On the retail front, the group adheres to labour regulations—including the Progressive Wage Model for retail workers—and tenancy laws. During the pandemic, Metro's retail operations benefitted from government-led rental support initiatives, such as rental rebates for commercial tenants.

In **China**, regulatory risk is more pronounced. Policies like the "three red lines" restricting developer leverage have had a direct impact on Metro's associate, Top Spring. Moreover, stringent capital controls complicate the repatriation of funds. Metro mitigates these risks by partnering with state-linked entities and focusing its investments in Tier 1 cities—urban hubs that remain a strategic priority for Chinese authorities.

In **Indonesia**, restrictions on foreign ownership and complex permitting processes require Metro to work closely with its local partner, Trans Corp, which manages compliance matters such as land titles and building approvals. The government's recent pro-investment measures, including relaxed condominium ownership rules for foreigners, may provide tailwinds for Metro's ongoing and future developments.

In **the UK and Australia**, Metro benefits from transparent legal systems and generally investor-friendly policies. However, regulatory changes—such as adjustments to Australia's Foreign Investment Review Board (FIRB) guidelines or local planning and zoning reforms in the UK—can influence development timelines and feasibility.

Across all jurisdictions, evolving **environmental, social, and governance (ESG)** requirements add another layer of regulatory oversight. For instance, Singapore's carbon tax is set to rise to S\$25 per tonne by 2024, a shift Metro has already begun factoring into its financial and operational planning.

In summary, Metro's international footprint demands constant vigilance and adaptability. By maintaining strong relationships with local partners, engaging trusted legal and regulatory advisors, and proactively adjusting to shifting compliance standards, Metro strives to manage regulatory exposure effectively while positioning itself for long-term growth.

Financial Analysis

Historical Financial Performance

- **Revenue Trends**

Metro's revenue has historically been volatile due to the episodic nature of its development sales. The group's top-line peaked at S\$210.3 million in FY2020, primarily driven by one-off sales from development projects. Over FY2021 to FY2023, revenue stabilized in the S\$97–117 million range. In FY2024, revenue stood at S\$115.9 million, down slightly by 1.1% year-on-year, largely due to a tapering in development revenue from its Indonesian Trans Park projects. This was partially offset by a recovery in retail sales following the easing of pandemic-related restrictions.

It is important to note that Metro's consolidated revenue figure does not fully reflect the group's economic exposure to its investment property portfolio. This is because rental income from joint ventures and associates—such as industrial assets in Singapore or commercial properties in China—is accounted for under "share of results of associates and joint ventures," rather than being included in the top line.

In FY2025, revenue declined to S\$104.5 million, a 10% year-on-year drop. The fall was primarily driven by the near-completion of Trans Park developments, resulting in fewer unit sales. Retail performance remained stable, with minor gains, but could not fully offset the decline in development turnover. Looking ahead, revenue is expected to hover around S\$100–120 million annually, with retail contributing approximately S\$60–70 million and the balance from residual development sales. Income from investment properties will continue to be recognized through the share of JV and associate results.

- **Profitability and Margins**

Metro delivered net profits of S\$23.7 million in FY2022 and S\$25.1 million in FY2023, before earnings declined to S\$14.6 million in FY2024—a 42% drop. The lower profitability was primarily due to fair value losses on investment properties and a higher share of losses from its associate, Top Spring, reflecting headwinds in China’s property market and elevated interest rates. Even after adjusting for revaluation and one-off gains, underlying operating income declined, particularly due to reduced contributions from the China portfolio.

However, FY2024 also saw a notable S\$60.3 million non-cash gain from the recognition of negative goodwill arising from Metro’s increased stake in Top Spring at a discounted valuation. On the retail front, profitability improved with segment profit rising to S\$3.4 million (from S\$0.8 million in FY2023), as higher sales were achieved without a corresponding increase in fixed costs at Metro’s two legacy department stores.

Overall, the group’s net margin fell from approximately 21% in FY2023 to 12.6% in FY2024, reflecting the impact of impairments and narrower development margins.

- **FY2025: A “Big Bath” Year**

For the financial year ended 31 March 2025, Metro reported a significant net loss of S\$224.7 million, a sharp reversal from the previous year’s modest profit. The loss was almost entirely driven by substantial non-cash impairments on its China portfolio. Specifically, losses included approximately S\$133 million from its share of Top Spring’s results, S\$88 million in fair value losses on China investment properties, and a further S\$33 million in impairments across various China joint ventures.

These write-downs were partially cushioned by fair value gains on properties in other markets—namely the UK, Singapore, and Australia—which contributed a combined S\$36.8 million in valuation gains. These regions remained comparatively resilient and even saw modest asset appreciation.

As a result of these accounting losses, Metro’s shareholders’ equity declined to approximately S\$1.2 billion by March 2025, down from S\$1.45 billion a year prior. Net Asset Value (NAV) per share correspondingly dropped from around S\$1.72 to S\$1.45. While the reported loss appears substantial, it is largely attributable to paper adjustments rather than cash outflows. The group’s operating cash flows remained positive, and assets outside China continued to generate income.

Encouragingly, despite the loss, Metro maintained its final dividend of 2.0 Singapore cents per share, amounting to a total payout of S\$16.6 million—unchanged from the prior year. This decision underscores management’s confidence in the underlying cash flow generation and financial resilience of the business.

We view FY2025 as a “reset year” for Metro, wherein the group took aggressive accounting write-downs to reflect prevailing market conditions in China. This effectively resets the book value of its China assets to a more conservative level, creating room for potential valuation reversals if the China property market stabilizes or recovers in subsequent periods.

Segment and Geographic Contributions

- **Business Segment Performance**

Metro's financial performance varies significantly by segment. In FY2024, the Retail division posted a pre-tax profit of approximately S\$3.4 million, aided in part by one-off accounting gains. Excluding these, core retail operating profit was modest. In contrast, the Property Investment and Development segment recorded a pre-tax loss, dragged down by impairments and losses from its China portfolio.

- **Geographic Breakdown**

From a geographic perspective, Singapore and Australia contributed steady income from rental properties and joint ventures. The UK operations performed well, driven by rental income from student accommodations and profit recognition from unit sales at Middlewood Locks. China, however, remained a significant drag due to weaker rental performance and continued losses from Top Spring. Indonesia was roughly breakeven, with moderate profits from the final phases of Trans Park offset by a lack of new development activity. Overall, overseas investments in the UK and Australia helped offset underperformance in China.

- **Cash Flow and Investments**

Metro's operating cash flow has remained positive, supported by rental distributions from joint ventures and stable retail EBITDA. However, consistent reinvestment into new projects often results in negative free cash flow. In FY2024, the group deployed close to S\$70 million into assets such as VisionCrest and BIF properties, funded through a combination of internal cash and moderate borrowings.

Balance Sheet and Leverage

Metro maintains a conservatively managed balance sheet. As of March 2024, equity stood at S\$1.43 billion, with a strong equity ratio of 62%. Gross borrowings totalled about S\$590 million, offset by over S\$300 million in cash and equivalents. This translated to a net debt position of around S\$280 million in FY2024, rising modestly to ~S\$312 million in FY2025 after further investments and impairments in China. Net debt-to-equity remains low at ~0.26x. Much of the group's debt is either asset-specific or held at the JV level, minimizing recourse risk.

Liquidity and Coverage

Metro's liquidity remains robust. As of March 2025, the group had over S\$310 million in cash and short-term investments, comfortably covering short-term obligations. The current ratio was a healthy 3.1x at end-FY2024. Interest coverage was approximately 5.5x in FY2024, despite rising interest costs, and is expected to recover to ~4x in FY2026 under base case assumptions.

Net Asset Value and Valuation

NAV per share was approximately S\$1.72 at end-FY2024 and declined to ~S\$1.40 post-FY2025 impairments. Despite the markdowns, this NAV is still more than triple the current share price of around S\$0.39, suggesting deep value. As Metro marks its properties to market annually, the reported NAV reflects real economic value, not historical cost. While certain China assets may still face

downside risk, key portfolios in Australia and the UK offer potential upside through yield compression and capital appreciation.

Return Ratios

Metro's ROE has been structurally low, averaging around 1–2% in recent years and dipping to 1.0% in FY2024. ROA also declined to ~0.6%, reflecting both a large asset base and income being recognized through associate contributions. The subdued returns are typical of asset-heavy property companies but underscore the market's discount to NAV. Should Metro realize gains through asset sales or improved project outcomes, these ratios could improve significantly. ROE is projected to normalize to ~1.2% in FY2026 under the base case, with upside to 3–4% if key markets outperform.

Other Key Metrics

EBITDA margin fell to 17% in FY2024 (from 27% in FY2023) due to fixed costs and a shift in revenue mix. Interest coverage dropped in tandem but remained adequate. Metro's leverage, on a debt-to-EBITDA basis, rose to ~4.5x, although this is not fully reflective given the large share of income from associates. Look-through leverage at the asset level is estimated at 30–35%, well within industry norms.

Dividend Policy

Metro has maintained a consistent final dividend of 2.0 cents per share in recent years, even during low-earning periods. In FY2024, this represented a payout ratio of 114% of earnings. With ample retained earnings (~S\$0.85/share post-FY2025) and a strong cash position, the dividend appears sustainable. Management's commitment to stable shareholder returns is reinforced by the large family shareholding.

Summary of FY2024 vs FY2025

FY2024 saw revenue of S\$115.9 million, net profit of S\$14.6 million, and NAV/share of S\$1.72. In FY2025, revenue declined to S\$104.5 million, and Metro recorded a net loss of ~S\$228 million due to China-related impairments, bringing NAV/share down to ~S\$1.40. Despite this, cash levels remained strong and dividends were maintained, positioning the group for a potential recovery.

(See Appendix for full financial summary and ratio trends.)

Forecast & Projections

We present Metro Holdings' financial outlook for FY2026e (ending March 2026) under three scenarios: base, bull, and bear. These scenarios account for key uncertainties, particularly in China's property market. All figures are in SGD unless stated otherwise.

Base Case: Stabilization and Modest Recovery

Following the significant asset write-downs in FY2025, our base case assumes that Metro stabilizes in FY2026, with performance reverting to pre-impairment levels. We forecast revenue in the range of S\$115–120 million, similar to FY2024. This reflects reduced development revenue from Indonesia—

where most Trans Park units have been sold—offset by an estimated 3% increase in retail sales as tourism and domestic spending normalize.

More critically, we expect a meaningful recovery in contributions from joint ventures and associates. The China portfolio is assumed to stabilize, with no major new impairments. We forecast Top Spring to break even, assuming any operational losses are offset by asset disposals or restructuring efforts.

Rental income from Metro's investment properties in the UK, Australia, and Singapore is expected to rise modestly. The Boustead Industrial Fund should benefit from lease escalations, Australian retail centers from CPI-linked rent increases, and the UK student housing portfolio from full occupancy and inflation-indexed leases.

We also include a modest profit contribution from the Middlewood Locks Phase 3 project in Manchester. With completion due in late 2024, we estimate Metro will recognize S\$5–8 million in profit from its 25% stake, assuming approximately 30% of units are sold and handed over within FY2026.

Operating expenses are projected to remain well-managed. Corporate overhead is estimated at S\$15 million, in line with historical levels. Retail-related selling expenses are expected to grow modestly with sales. Finance costs will increase due to higher interest rates, with estimated interest expense rising to S\$15 million, assuming an average debt cost of ~4% on S\$640 million gross borrowings.

Combining these elements, we project a net profit of ~S\$15 million, equivalent to EPS of ~1.8 cents and ROE of ~1.2%. This represents a strong rebound from FY2025's loss, though still modest in absolute terms. We assume Metro maintains its 2.0 cent dividend, which slightly exceeds earnings but remains sustainable given its strong cash reserves.

Key Base Case Assumptions:

- China assets maintain ~80% occupancy, with no further valuation losses.
- 3–5% rental growth across non-China assets, consistent with market trends.
- No major new acquisitions.
- S\$8–10 million development profit from Middlewood and Trans Park.
- Retail EBIT improves to ~S\$5 million with steady footfall.

Bull Case: Unlocking Upside

In a bullish scenario, multiple drivers align to deliver significantly higher earnings. We estimate net profit of S\$30–40 million in FY2026, translating to EPS of ~3.6–4.8 cents and ROE of ~3%.

Key Upside Catalysts:

- China recovery: Policy stimulus improves property sentiment, boosting occupancy and rent in Metro's Shanghai assets. Top Spring may break even or generate a small profit. A partial reversal of FY2025 impairments—say 10%—could add up to S\$20 million in gains.
- Faster development sales: If Middlewood Phase 3 achieves ~80% sales by FY2026, and Trans Park units sell quickly, Metro's development profit could exceed S\$15 million.

- Rental and margin uplift: Above-trend rental growth, earlier-than-expected leasing at Chancery Lane, or non-recurring gains could further boost earnings.
- Lower interest costs: If average borrowing costs fall to 3%, Metro could save S\$2–3 million in interest. Debt reduction through asset sales would add upside.

In this scenario, Metro may increase its dividend to 2.5 cents per share, including a special payout. A strong set of results could also trigger a stock re-rating closer to book value.

Bear Case: Treading Water

In the bear case, Metro's earnings remain weak or slightly negative, with net profit of S\$0 to -S\$5 million, essentially break-even.

Key Downside Risks:

- China property slump persists: Additional impairments on China assets could result in S\$20–30 million in further write-downs. Top Spring could remain loss-making.
- Global recession: Recessionary conditions might reduce rental income across Metro's portfolios in Australia, the UK, and Singapore, while driving valuation losses due to rising cap rates.
- Development underperformance: Delays or soft sales at Middlewood and Trans Park could result in minimal or no contribution from development in FY2026.
- Retail softness: Weaker consumer demand in Singapore could reduce Metro's retail EBIT to near-zero.

In this scenario, EPS would be negligible or negative, and NAV could fall to ~S\$1.40/share. We assume a reduced 1.0 cent dividend (50% cut) to preserve liquidity. However, given Metro's history and strong cash position, a symbolic payout to maintain shareholder confidence is still likely.

These three-scenario framework provides a structured lens to assess Metro's near-term outlook under varying macro and operating environments. We maintain a neutral-to-positive bias under the base case, with meaningful upside potential if external conditions improve.

Mid-Term Outlook (FY2027–2028)

Looking beyond the immediate term, Metro's earnings profile could strengthen meaningfully over FY2027–2028 as key projects complete and several monetization events potentially materialize. These years may mark a transition from recovery to growth.

Key Drivers of Medium-Term Upside:

1. Project Completions and Profit Recognition

- *Middlewood Locks Phase 3*: Expected to be fully sold by FY2027, potentially contributing an additional **S\$10–15 million in profit** over the period.

- *Trans Park (Indonesia)*: The final phase should be fully recognized by then, though with a smaller financial impact relative to prior years.

2. Asset Monetization Opportunities

Metro holds several maturing assets that could be monetized, unlocking significant value:

- *VisionCrest (Singapore, 20% stake)*: A potential exit or strata sale led by TE Capital within 2–3 years could generate a one-off gain, given the attractive entry price.
- *Boustead Industrial Fund (26% stake)*: Boustead may explore listing the fund as a REIT or selling to a core investor. A successful exit could fetch **over S\$200 million**, potentially at a premium to Metro's book value of S\$196 million.
- *Sim Lian Australia JV (30% stake)*: With a portfolio worth A\$1.2 billion, a full or partial exit by FY2027–28 via a portfolio sale or IPO is plausible. Given resilient valuations in the Australian retail space, any sale could at least match book value or better.

While these monetization events are outside the 12-month base case forecast, they represent material upside catalysts, with the potential to deliver **tens of millions in additional EPS** and crystallize shareholder value.

3. Growth in Recurring Income

By FY2027, Metro's recurring rental income from joint venture properties is expected to be materially higher due to:

- Lease escalations across the Boustead and Sim Lian portfolios.
- Full normalization of China operations, assuming a recovery in occupancy and rental rates to pre-pandemic levels.

We estimate Metro's share of recurring JV income could **double** from current levels, supporting **core net profit (excluding development) of S\$20–25 million**, or **EPS of ~3–4 cents**. This would comfortably cover dividends and support payout increases.

4. Revaluation and NAV Recovery

Assuming no further impairments, NAV should begin rising again, supported by retained earnings and possible fair value gains in recovering property markets.

- Our internal Revalued NAV (RNAV) estimate, assuming mid-cycle conditions, is **S\$0.95–1.00 per share**. This is below the current accounting NAV of ~S\$1.45 due to conservative assumptions on China.
- A stronger recovery in China could push RNAV closer to **S\$1.45–1.70**, restoring book value to pre-impairment levels.

Even under conservative assumptions, current share prices suggest significant upside potential relative to RNAV.

Valuation Anchor: FY2026 Base Case

For valuation purposes, we anchor our 12-month target on the base case scenario, which assumes moderate stabilization:

- **Revenue:** ~S\$115 million (flat YoY; higher retail offsetting reduced development sales)
- **Net Profit:** ~S\$15 million (recovery from FY2025 loss, in line with FY2024)
- **EPS:** ~1.8 cents
- **NAV:** ~S\$1.48 per share (post-dividend and assuming moderate revaluation changes)
- **Dividend:** Assumed steady at 2.0 cents per share

This base scenario is the foundation of our current valuation, with upside potential from bull case developments (EPS of 4–5 cents) and downside risk in the bear case (near-zero earnings). Our fair value assessment uses a discounted RNAV approach to reflect this risk-reward balance.

(See Appendix for detailed scenario projections and financial model assumptions.)

Valuation

- **DCF Valuation**

A DCF is challenging for Metro given its many JVs and unpredictable cash flows, but we estimate the intrinsic value by projecting free cash flows from its two divisions and investments. We assume the *property division* stabilizes and generates annual free cash flow (FCF) of ~S\$20m (from rental operations and occasional development profits) once conditions normalize, and the *retail division* roughly breaks even in cash terms (FCF ≈S\$0). We also factor in Metro's share of JV/associate cashflows (dividends or distributable earnings), which we estimate at ~S\$15m a year in the medium term (primarily from Australia, UK, and any Top Spring dividend post-recovery). Aggregating, steady-state FCF might be ~S\$35m/year. Using a blended **WACC of ~8.0%** (reflecting weighted exposure to higher-risk markets: cost of equity ~10% and cost of debt ~4%, with ~25% target debt ratio) and a **terminal growth rate of 1.5%**, our DCF yields an equity value of approximately **S\$415 million**. This equates to **S\$0.50 per share** for 828m shares. The terminal value (~70% of DCF) is conservative given Metro's property assets could appreciate at or above inflation in the long run (especially in emerging markets). We also cross-check with an asset-based DCF: discounting Metro's projected future NAV (assuming NAV grows ~2% p.a. after FY2025 recovery) at a 8% cost gives a similar result around S\$0.48–0.52.

Key DCF sensitivities: a 0.5% change in WACC changes valuation by ~S\$0.03/share; a 0.5% change in terminal growth changes it by ~S\$0.02. Even under a more bearish DCF (WACC 9%, zero terminal growth), equity value would be ~S\$0.42/share, suggesting limited downside from current price. This DCF assumes Metro realizes the value of its assets over time without severe erosion – an assumption we find reasonable given the prime nature of many holdings and the write-downs already taken.

- **Relative Valuation**

On a relative basis, Metro looks *undervalued*. At the current price (S\$0.39), it trades at **0.23× P/NAV**, a deep 50%-plus discount to peers' ~0.4–0.5× and its own 5-year average ~0.4×. Even our TP of S\$0.50 implies just 0.29× P/B (using FY2024 NAV), still conservative. While some discount is justified for Metro's higher China exposure, we believe the gap is excessive. On P/E, Metro's earnings volatility makes the metric less useful; using a normalized EPS (3–4 cents, from our mid-cycle profit view), the stock is at ~13× P/E at our target price – in line with mid-cap developers (UOL ~13×, etc.). On EV/EBITDA, adjusting for associates is tricky, but we estimate Metro's look-through EV/EBITDA around 8–10× on normalized EBITDA, also reasonable. **Dividend yield** is another lens: at S\$0.50, the yield would be 4.0% (assuming 2c dividend), still higher than many peers (2–3%) and supportive of value.

- **Peer SOP approach**

Valuing Metro's pieces by comparison to similar listed entities or transactions. For example, Metro's **China investment properties** (~S\$400m book) could be valued at a cap rate of ~5.5%, yielding ~S\$350m (after 10% haircut for the current weak sentiment). Its **Singapore commercial assets** (Asia Green 50%, VisionCrest 20%) have a combined NAV of ~S\$100m; at current market cap rates these stakes might fetch S\$120m (Tampines offices trade ~4% yield). **UK properties and projects** – Middlewood Locks and 5 Chancery Lane – Metro's share of NAV is ~S\$150m (after recent revaluation gains in UK student housing), which we keep at book for now. **Australian JV** (20% of A\$1.4b) gives S\$280m gross; applying a 20% illiquidity discount = S\$224m. **Top Spring stake (22%)** is tricky: at market price it's worth only ~S\$30m (Top Spring's HK stock is heavily discounted), but we think its intrinsic value is higher. We assume Metro's stake eventually realizes ~S\$60m (half of book value). **Other assets:** cash net of debt ~S\$50m positive (post FY2025 loss, debt may be slightly higher but still near net cash). Summing these parts: we get an SOP of ~S\$1.0 billion, or **S\$1.20 per share**. Applying a 50% conglomerate discount (due to Metro's small cap size, China risk, and minority positions) yields **S\$0.60/share**. This back-of-envelope SOP suggests upside beyond our DCF-based TP if market sentiment improves. Even using a 60% discount yields ~S\$0.48, aligning with our target.

- **Target Price Justification**

We choose **S\$0.50** as our TP, at the low end of our valuation range (S\$0.50–0.60), reflecting a cautious stance given macro uncertainties. This TP implies ~0.35× FY2025e P/B (using our projected lower NAV post-impairment) – still a substantial discount to book, acknowledging that not all of Metro's assets are easily monetizable at full carrying value in the near term. It also assumes Metro's China-related assets remain somewhat discounted until clear signs of recovery. The implied upside of ~28% plus a 5% yield is attractive. Our TP is supported by the fact that Metro traded above S\$0.50 as recently as mid-2024 before the extent of China's issues became apparent, indicating that as those concerns recede, a rebound is plausible.

- **Peer Comparison Table (summarized)**

From the below, Metro's valuation is clearly an outlier on the cheap side. We acknowledge that its size and complexity (mix of retail and overseas assets) warrant some discount, but improvements in transparency (e.g. clearer segment reporting) and execution could narrow this gap.

Company	Price/Book	P/E (FY)	Yield	Comment
Metro Holdings (SGX:M01)	0.23x	22x (FY24)*	5.10%	Depressed earnings from China; Normalized P/E ~13x, small-cap discount. Net debt/equity ~0.22x. FY2024 ROE 1.0%.
City Dev (SGX:C09)	0.48x	22x (FY22)	2.10%	Large SG dev/investor, diversified. Much larger asset base (S\$23B) but also higher leverage; FY2023 ROE ~3%.
UOL (SGX:U14)	0.42x	13x (FY22)	3.20%	Large SG developer, hotel exposure supports higher ROE ~2–3%
Hongkong Land (SGX:H78)	0.39x	N/M (loss)	4.40%	HK office-focused, heavy HK/China risk. Earnings are volatile (2024 net loss) so P/E not meaningful.
SG mid-cap property avg	~0.50x	~15x	3–4%	e.g. Frasers Property, Ho Bee. Trade ~0.5x P/B, with P/E in mid-teens and yields ~3–5%.

(*Metro FY24 P/E based on actual \$14.6m profit; normalized assumes ~\$25m profit.)

In conclusion, our valuation exercise indicates **significant upside potential** for Metro. The margin of safety in the stock is high – even if one were to write off a large portion of its China exposure, the remaining assets and yield support a valuation not far below the current price. On the flip side, key catalysts (China rebound, asset sales, or even a strategic takeover by a larger real estate fund) could unlock substantial value. Our TP of S\$0.50 strikes a balance, awaiting evidence of turnaround while recognizing the underlying asset value. We will revisit our valuation as new information comes (especially regarding Top Spring and any major transactions by Metro).

Management & Governance

- **Leadership Team**

Metro Holdings is guided by a balanced leadership structure combining experienced professionals with representation from founding shareholders. Lieutenant-General (Ret.) Winston Choo has chaired the board since 2007, bringing extensive public service experience and a disciplined leadership style. His tenure oversaw Metro’s strategic expansion into international real estate markets. In July 2024, Choo will retire from the Board and assume a Senior Advisor role, reflecting a planned leadership transition.

Succeeding in board leadership is Ms. Deborah Lee, who was appointed Lead Independent Director in 2024. A seasoned executive with prior experience at SPH and board roles at major real estate trusts, she now chairs key committees, ensuring continuity in independent oversight.

Group CEO Mr. Yip Hoong Mun leads Metro's executive team. Appointed in 2019, Mr. Yip brings over 30 years of experience in real estate development, including senior roles at CapitaLand and leadership positions in China and Southeast Asia. He was previously Metro's COO and CEO of Metro China. With an engineering background and an MBA from Stanford, Mr. Yip has spearheaded several strategic investments, including the Boustead Industrial Fund and Sim Lian JV, anchoring the company's disciplined and regionally diversified growth.

- **Board Composition and Governance**

As of mid-2025, Metro's Board comprises eight directors: a majority of whom are independent. Independent members include Deborah Lee, former police commissioner Chan Boon Hui, finance veteran Soong Hee Sang, and former HSBC Singapore CEO Christopher Tang. The board also includes non-executive representatives of the founding Ong family — Gerald Ong and Ong Sek Hian — who collectively hold significant stakes in the company. CEO Yip is the sole executive director.

Metro maintains a clear separation between executive management and board oversight, with an independent chairman and a majority-independent board in line with Singapore's Corporate Governance Code. The company has four principal board committees: Audit, Nominating, Remuneration, and Investment. These are chaired by independent directors, with the Investment Committee playing a key role in vetting capital deployment decisions.

- **Shareholder Structure and Alignment**

Metro's ownership is relatively concentrated. Approximately 50% of shares are held by insiders and related parties, including the Ong family and long-term strategic investors. Notably, the charitable foundation Ngee Ann Kongsi holds a 10.3% stake, while estate and personal holdings related to the Ong family account for another 13–14%. While this structure limits free float and contributes to lower trading liquidity, it also aligns management with long-term shareholder interests. The company has maintained a stable dividend policy, and there have been no signs of shareholder disputes or governance concerns.

- **Executive Compensation and Incentives**

Executive remuneration is modest and aligned with company performance. The CEO earned approximately S\$1.3 million in FY2025, a figure proportionate to the company's scale and profitability. Although specific performance metrics are not publicly disclosed, the Remuneration Committee — comprising independent directors — oversees compensation practices to ensure alignment with shareholder value creation. With significant insider ownership, management is naturally incentivized toward conservative financial stewardship and long-term capital preservation.

- **Governance Practices**

Metro adheres to established governance best practices:

- The board is majority-independent, with separated roles for chairman and CEO.
- Key committees are chaired by independent directors.
- Shareholder rights are fully preserved, with no dual-class structures or differential voting rights.

- Annual reports and regulatory disclosures are timely and transparent, with materials available in both English and Chinese.
- The Audit Committee oversees internal controls, and Metro has maintained a clean track record with no major accounting issues.
- Risk oversight is embedded at the board level, particularly via the Investment Committee, which evaluates all major strategic transactions.

- **Conduct and Ethics**

Metro maintains a conservative and ethical corporate culture. There have been no reported corruption or regulatory violations, despite operating in diverse jurisdictions. The company is believed to enforce internal anti-bribery and compliance policies, particularly important given its exposure to land approvals and joint ventures in emerging markets.

- **Related-Party Transactions (RPTs)**

Metro engages in RPTs primarily through joint ventures and shareholder loans. These are transparently disclosed and reviewed by the Audit Committee. There is no evidence of self-dealing or abusive transactions. The Ong family has demonstrated a long-term approach to value creation, taking dividends alongside other shareholders and avoiding actions that could disadvantage minority investors.

- **Stakeholder Engagement**

Metro practices open shareholder engagement. AGM minutes reflect active participation and responsiveness to shareholder queries. Major transactions, even those within management's mandate, are communicated transparently. The company's consistent dividend track record and avoidance of controversial corporate actions further support its reputation for sound governance.

In conclusion, Metro's **governance profile is strong for a company of its size**. There is a healthy balance of power between the founding family and independent directors, robust internal controls, and alignment of management with shareholder interests (due to significant insider ownership but no abuse of minority rights). We view the governance and leadership positively – it contributes to Metro's ability to navigate challenges (like the current China downturn) without panic, and to take a long-term view.

(See ESG Considerations section for discussion of governance in the context of sustainability, and Appendix for any supplementary governance disclosures.)

Risk Factors

Investing in Metro Holdings entails a variety of risks, spanning operational, market, financial, and geopolitical dimensions. We outline the key risk factors and our assessment of each:

- **China Property Market Risk**

Metro's single biggest risk is its exposure to China's ailing real estate sector. Through its 22% stake in Top Spring and direct holdings in Shanghai/Guangzhou properties, Metro is highly levered to China's property cycle. The recent FY2025 results starkly illustrated this risk – Metro suffered a **\$224.7m loss mainly due to China-related fair value and impairment losses. If China's property downturn prolongs or worsens (e.g. more developer defaults, further price declines), Metro could face *additional asset write-downs, poor associate performance, or even capital calls* to support struggling JVs. Such scenarios could erode book value and investor confidence. Mitigant: many of Metro's China assets are in tier-1 cities (Shanghai) which have fared better than the national average; occupancy at Metro's Shanghai properties, while down, is still mid-80s%metroholdings.com.sg, suggesting they remain income-producing. The Chinese government's recent policy easing and stimulus measures aimed at the property sector provide hope that the worst may be over. Nonetheless, we treat China risk as **High**, and it's the primary reason for Metro's depressed valuation. We conservatively assume no near-term recovery in our base case, but a failure to stabilize would represent downside beyond that (our bear case contemplates this).

- **Investment Valuation & Execution Risk**

Metro often invests via JVs or minority stakes, which can lead to *limited control* and reliance on partners' execution. For instance, the Middlewood Locks project in Manchester is led by a partner; delays or cost overruns there could affect Metro's returns (phase 2 was delayed at one point, though now completing). In Indonesia, construction and sales at Trans Park projects might face delays due to permitting or market absorption, affecting expected cash flows. Moreover, Metro has ventured into new asset types (e.g. Australian retail properties, UK student housing); there's execution risk in integrating and managing these unfamiliar sectors, though they have local partners and managers. Another aspect is *acquisition risk* – Metro's growth strategy involves acquiring stakes in property assets. Poor investment decisions or overpaying for assets could destroy value. The company's track record has been fairly good so far (no major flop acquisitions reported), but as it explores new opportunities, due diligence is paramount. We rate this risk Medium; mitigated by Metro's partnership approach and thorough Investment Committee vetting.

- **Retail Business Risk**

The retail division faces secular and cyclical risks. *Secular*: the rise of e-commerce and changing consumer preferences threaten the relevance of department stores. Metro must continually adapt (e.g. refresh store concepts, improve online presence) or risk declining sales. *Cyclical*: in an economic downturn, consumers cut discretionary spending, hitting department store sales hard. Additionally, competition from other retailers and potential new entrants (if foreign department store chains enter Singapore) could pressure Metro's market share. The retail segment also has *operational leverage* – high fixed costs (rent, staff) mean that a drop in sales can quickly wipe out profits, as seen in FY2025 when Metro's retail turned from +\$1.8m PAT to -\$6.9m loss. We view retail risk as Medium – it likely will not bankrupt the company (retail has no debt and is small in context), but it could continue to drag on overall results or require downsizing. Mitigants: Metro has right-sized to two stores in prime locations which should remain viable; it can also consider further cost cuts or even exit retail entirely if it becomes unsustainable (though there's franchise/brand value to consider).

- **Market & Economic Risk**

Metro's fortunes are tied to macroeconomic conditions in its key markets – *Singapore, China, UK, Australia, Indonesia*. An economic recession or slowdown in any of these can impact property demand, occupancy, rental rates, and consumer spending. For instance, a **global recession** scenario (due to geopolitical conflict or pandemic resurgence) would likely reduce Metro's rental income (as tenants downsize or default) and stall its development sales. High inflation is another facet – rising construction costs could squeeze development margins, and high interest rates can depress property valuations (as witnessed in 2022–24). Trade tensions, such as **US-China tariffs**, create headwinds too: Chinese GDP could be crimped by ongoing or new US tariffs (looming tariff shocks were noted in early 2025), indirectly affecting Metro's China assets. In the UK, Brexit-related trade frictions and a weaker economy can reduce investor appetite for property. In Indonesia, while domestic demand is strong, any oil price shock or currency depreciation could disrupt the economy (though Indonesia grew ~4.9% in early 2025, its slowest in years, partly due to weaker exports). We consider macro risk as High (it's systemic and unavoidable). Metro mitigates it by diversification – weakness in one market may be offset by stability in another (e.g., if China slumps but UK/Aus do well, the net impact is moderated). Additionally, Metro's low leverage means it's better positioned than heavily geared peers to ride out market downturns without distress.

- **Financial Risk – Interest Rates & Forex**

While Metro's debt is moderate, *interest rate risk* still matters. A significant portion of its debt is via fixed-rate notes (S\$200m at 4.3% due 2024, recently refinanced likely at a higher rate given the environment). If interest rates remain elevated longer than expected or credit spreads widen, Metro's refinancing costs could rise, squeezing interest coverage. However, as noted, interest rates in several markets have started to retreat (BoE and RBA cuts in 2025), which should ease this risk. *Foreign exchange risk* is pronounced: Metro reports in SGD but has assets in RMB, HKD, GBP, AUD, IDR. Adverse FX moves can reduce the translated value of overseas assets and earnings. For example, a weaker RMB against SGD directly reduces the SGD value of its China properties and Top Spring's contribution. In FY2024, the RMB and GBP saw fluctuations; going forward, a continued USD strength (to which SGD is partially tied) could pressure emerging currency assets. Metro does not fully hedge its foreign investments, though it sometimes borrows in local currency as a natural hedge. We see FX risk as Medium – likely an ongoing source of earnings volatility (unrealized translation gains/losses in equity), but not threatening the underlying business. Metro's diversified currency mix means it's not overly reliant on any single currency (no single FX would typically move >5–10% of NAV by itself, except perhaps RMB).

- **Political & Regulatory Risk**

Geopolitical developments could impact Metro's operations or asset values. *Geopolitical*: rising US-China tensions (tech bans, tariffs) could hurt Chinese economic sentiment or cause supply chain shifts that disadvantage Top Spring's projects (e.g. lower investor confidence in Chinese real estate). In Indonesia, political stability is generally good, but any changes in foreign investment policy or a populist turn in government after upcoming elections could influence the real estate climate (e.g. limits on foreign ownership of apartments, which currently Metro relies on local sales anyway). *Regulatory*: government policies on real estate directly affect Metro. Singapore's property cooling measures (like stamp duty hikes in April 2023) did not currently hit Metro as it is not selling SG residential units, but if it plans any such project, those measures would be a constraint. In China, the government could impose further restrictions on capital outflows, which might trap Metro's capital

in-country longer. In the UK, changes to property taxes or planning law could alter project economics (though unlikely major). We categorize this risk as Medium – not an immediate threat but always a factor to watch in the property sector. Metro manages this by keeping compliant and engaging local partners who understand the landscape (e.g., partnering with state-linked firms in China helps navigate local regulations).

- **ESG and Climate Risk**

Increasingly, environmental regulations (as discussed in ESG section) pose a risk – e.g., **higher carbon taxes** in Singapore could increase Metro’s operating costs (power costs for its buildings) slightly. Climate change could also have physical impacts: Metro’s properties may be exposed to extreme weather or sea-level risks (particularly in coastal cities like Guangzhou, Singapore). For example, heavier rainfall/floods could impact Metro’s Jakarta project sites or require additional infrastructure spend. While these are long-term concerns, any failure by Metro to meet evolving ESG standards could also risk investor backlash or difficulty obtaining financing (banks increasingly favour green-compliant borrowers). Metro has begun addressing this (investing in energy efficiencies, etc.), so we view ESG/climate risk as Low-to-Medium for now, but rising over time.

- **Liquidity & Small-cap Risk**

As a small-cap stock with a market capitalization of approximately S\$320 million, Metro’s shares exhibit **limited trading liquidity**. Investors may encounter **wider bid-ask spreads**, occasional **price slippage**, and **higher volatility**—particularly during periods of low news flow or broader market stress. While this is not a reflection of the underlying business risk, it is relevant from a **market access and pricing efficiency standpoint**.

Furthermore, Metro’s limited **analyst coverage** and relatively modest **institutional ownership** can contribute to mispricing or prolonged **disconnects between valuation and fundamentals**. This is a common challenge for many small-cap stocks on the SGX.

The **concentrated shareholding structure**—with significant stakes held by the founding Ong family and Ngee Ann Kongsi—also introduces some optionality-related risk. While this alignment can be positive in ensuring long-term stewardship, it also raises the theoretical possibility of a **take-private transaction** at a time when public market valuation is depressed. Such a scenario could be value-unlocking if priced fairly, but poses risk if pursued at opportunistic levels.

On balance, we assess **liquidity risk as Low-to-Medium**. While Metro has maintained a reasonable level of trading activity for a stock of its size, it does not exhibit the **depth or velocity** of larger-cap peers. Investors seeking high liquidity or short-term trading flexibility should take this into account.

Mitigating Factors

Many of these risks are mitigated by Metro’s strengths:

- **Diversification:** The multi-country, multi-asset strategy means that not all areas will be underperforming at once (e.g. while China is bad, UK/Aus have been good). This balanced portfolio helps smooth results.

- **Strong Balance Sheet:** Metro's low leverage and large cash reserve give it resilience to withstand short-term shocks. Even in a severe downturn, Metro can service debt and continue operating without being forced to liquidate assets at fire-sale prices.
- **Supportive Shareholders:** The presence of stable major shareholders (the Ong family, Ngee Ann) means there is likely no panic to sell assets at the bottom – they can ride through cycles and even inject support if needed. This long-term capital support is reassuring.
- **Active Risk Management:** Metro's management monitors risks closely (e.g. they did the TCFD climate risk assessment, they hedged some debt in local currency, etc.). The company has shown willingness to take pain (write-downs) early, which can be seen as clearing the decks.
- **Deep NAV discount:** From a stock perspective, a lot of bad news is arguably priced in at 0.25x P/B. We've accounted for risks by applying a steep NAV discount in our valuation. If multiple risk factors materialize negatively together, further downside beyond our bear scenario is possible. Conversely, a reduction in these risks (China recovery, etc.) would unlock significant upside.

We will **monitor key indicators** for these risks: China property sales/policy (for signs of improvement or further deterioration), interest rate trends (for valuation and financing impact), and Metro's own announcements regarding asset transactions (whether they are selling or doubling down, which reveals their outlook confidence).

In summary, Metro faces meaningful risks, particularly from its China exposure and the global interest rate environment. However, its financial strength and diversified portfolio provide buffers. We believe the **current stock price already reflects a very pessimistic view of these risks**, offering potential upside if Metro navigates them even moderately well. Nevertheless, investors should be cognizant of the above factors and size positions accordingly.

ESG Considerations

Metro Holdings has been progressively integrating Environmental, Social, and Governance (ESG) considerations into its business strategy and reporting. As a property developer/investor and retailer, Metro's ESG profile covers sustainable real estate practices, community and employee engagement, and corporate governance standards. Below we discuss each ESG pillar:

- **Environmental**

Metro's property segment carries the most environmental impact and responsibility. The company is focused on **energy efficiency and carbon footprint reduction** in its buildings. For instance, Metro tracks energy usage and greenhouse gas (GHG) emissions for its key investment properties, aligning with GRI Standards for Energy and Emissions. In its Sustainability Report 2024, Metro identifies "*Energy Usage and Associated GHG Emissions*" as a material topic and has initiatives to manage it. These include retrofitting properties with LED lighting and efficient HVAC systems, and optimizing building operations to cut electricity consumption. As a result, some Metro properties have achieved energy savings or green building certifications (e.g., BCA Green Mark in Singapore for Asia Green). Metro also acknowledges climate change risk: the company conducted a *climate scenario analysis* referencing NGFS models to assess how transition risks (like carbon tax increases) and physical risks could affect its operations in Singapore and China. For example, it noted that a higher carbon tax will

raise electricity and material costs, but these are being factored into financial planning. To mitigate environmental impact, Metro is exploring renewable energy where feasible (e.g., installing solar panels on suitable rooftops) and incorporating sustainable design in new developments (like Middlewood Locks, which features green spaces and energy-efficient building designs). The company's target (while not explicitly stated as net-zero yet) is to pivot to a "lower-carbon portfolio" and capitalize on green financing options like green bonds and sustainability-linked loans. Overall, Metro's environmental efforts are growing but still in early stages compared to large peers – there's room to set explicit emissions reduction targets or obtain more green building certifications. However, given its size, Metro is making commendable strides in managing its environmental footprint.

- **Social**

On the social front, Metro's legacy as a retail employer and community brand in Singapore defines much of its impact. **Human capital & labour practices:** Metro employs a few hundred staff in its retail division and manages a diverse workforce across various countries (including property management teams). The company emphasizes *talent management and development* – identified as a material matter in its ESG reporting – by providing training for employees (Metro reports on training hours per staff and has initiatives for upskilling, especially for retail front-line staff to improve customer service). It also values workplace well-being and safety: under "*Health and Safety of Stakeholders*", Metro outlines policies to ensure safe shopping environments in stores (e.g., regular safety drills, hygiene protocols, especially heightened during COVID) and safe working conditions at construction sites (working with contractors who adhere to safety standards, zero tolerance for serious safety breaches). **Customer satisfaction** is another focus; Metro's retail arm gathers customer feedback and has loyalty programs to engage shoppers, aiming for high customer satisfaction scores. In the communities it operates, Metro participates in corporate social responsibility (CSR) activities – for example, charitable donations or partnerships. While not heavily publicized, Metro has historically supported educational causes (likely via Ngee Ann Kongsi's involvement) and cultural events. Moreover, its property projects often include community benefits (e.g., public spaces at Middlewood Locks, or community malls in its Trans Park developments that serve local neighbourhoods). Social risk is relatively low for Metro – there have been no known labour disputes or significant layoffs reported. One positive aspect: Metro's Indonesian retail business was divested responsibly, with a licensing model that likely preserved jobs under the new operator (Trans Corp) rather than shutting stores outright. Diversity and inclusion: Metro's board and senior management include individuals of different backgrounds and gender (though currently the board is predominantly male; improving gender diversity could be an area to look at). Metro is compliant with local labour laws wherever it operates and has not been cited for any major lapses in social compliance.

- **Governance**

Governance is arguably Metro's strongest ESG pillar. The company has a long-standing commitment to good governance, reflected in detailed annual report disclosures and adherence to the Singapore Code of Corporate Governance. As discussed in the Management section, Metro's board has a balanced composition of executive, non-executive, independent, and stakeholder directors. There are clear separation of roles and robust oversight via board committees. Importantly, Metro maintains high standards of **transparency**: it promptly discloses material developments (asset acquisitions,

impairments, etc.) on SGXNet and engages shareholders through annual general meetings and analyst briefings. The presence of a formal **whistle-blowing mechanism** encourages ethical behaviour – employees can report any wrongdoing anonymously to the Audit Committee. Metro also has policies on **anti-corruption and anti-bribery**; given it operates in countries with varying corruption perceptions, having strict internal controls is crucial. There have been no reports of corruption or fraud involving Metro. **Related party transactions** are declared and handled according to SGX rules (e.g., the Top Spring stake increases were treated as interested person transactions requiring full transparency). Additionally, Metro’s risk management framework covers financial risks (currency, credit, etc.) and operational risks; the Audit & Risk Committee meets regularly to review these. On the **disclosure and reporting** front, Metro publishes a comprehensive Sustainability Report annually (following GRI standards and referencing frameworks like TCFD for climate risk). This report, which the question specifically alludes to, demonstrates Metro’s commitment to ESG reporting by mapping material issues to GRI disclosures and discussing ESG initiatives in depth. For governance, material topics include corporate governance structure, ethics, and compliance, all of which Metro addresses (e.g., it reports zero incidents of legal non-compliance in recent years).

ESG Integration into Strategy: Metro views sustainability as intertwined with its business resilience. The company’s slogan in recent reports has been along the lines of “Diversification for Resilience” and this extends to ESG – by diversifying its portfolio, Metro also diversifies its stakeholder impact (creating jobs in various locales, developing sustainable communities, etc.). The group has linked executive KPIs partly to sustainability goals (for example, maintaining certain tenant satisfaction or energy efficiency levels). It is also tapping into sustainable finance: Metro noted it is open to issuing green bonds or sustainability-linked loans to fund projects – doing so would both potentially lower financing costs and cement its ESG credentials.

Overall ESG Assessment: We assess Metro’s ESG performance as **Moderate and improving**. There are no major red flags – the company has a decent environmental management approach for its size, a positive social impact (especially through employment and community development via its projects), and strong governance fundamentals. Areas for improvement include setting quantitative environmental targets (e.g., % carbon reduction by 2030), increasing board diversity, and perhaps more proactive community engagement programs that are publicly reported. From an investor standpoint, Metro’s ESG profile helps mitigate risk: good governance reduces the risk of mismanagement, and attention to environmental and social factors can prevent costly lapses (like regulatory fines or reputational damage). In fact, the resilience of Metro’s key properties (no major environmental incidents, good tenant relations) during tough times underscores that its ESG practices contribute to stability.

Going forward, ESG will likely play a bigger role in Metro’s strategy – e.g., new developments could be designed to higher green standards (which could also attract better valuations or tenants), and the company might align with global frameworks like the UN Sustainable Development Goals (some of which it is already contributing to, such as sustainable cities). As ESG considerations increasingly influence investors and lenders, Metro’s proactive stance should aid its access to capital and broaden its investor base (ESG-oriented funds may take notice of small-cap gems with decent ESG like Metro). In sum, ESG is both a responsibility and an opportunity for Metro, and thus far the company is on the right track in integrating these considerations into its operations.

Sources: Company Annual Reports and Results (FY2024 AR, FY2025 Presentation), SGX filings, Metro FY2025 Results Presentation, News releases, and publicly available market data for peers

Appendix / Supporting Materials:

Key Financial Data (FY2024 Actual vs FY2025 Preliminary)

Metric (S\$ million)	FY2024 (Audited)	FY2025 (Unaudited)
Revenue	115.9	~104.5
Net Profit (Attributable)	14.6	-228.2
Net Profit Margin	12.60%	N/M (large loss)
Shareholders' Equity	1,426.20	~1,200.0
NAV per Share (S\$)	~1.72	~1.45
Net Gearing (Net Debt/Equity)	(0.04x) (net cash)	0.26x
Dividend per Share	2.0¢	2.0¢

Interim FY2025 Income Statement

Metro Holdings Limited and its Subsidiaries							
Condensed Interim Consolidated Income Statement For the six months and full year ended 31 March 2025							
	Group			Group			
	6 months ended 31-Mar-2025 \$'000	6 months ended 31-Mar-2024 \$'000	% Change	12 months ended 31-Mar-2025 \$'000	12 months ended 31-Mar-2024 \$'000	% Change	
Revenue							
- Retail	51,597	59,847	(13.8)	96,510	105,441	(8.5)	
- Sale of property rights	2,111	3,163	(33.3)	2,982	4,990	(40.2)	
- Rental income	2,446	2,737	(10.6)	5,012	5,477	(8.5)	
	4	56,154	65,747	(14.6)	104,504	115,908	(9.8)
Cost of revenue	5	(51,657)	(58,514)	(11.7)	(97,486)	(103,564)	(5.9)
Gross profit							
		4,497	7,233	(37.8)	7,018	12,344	(43.1)
Other net (expenses)/income	6	(12,239)	9,730	n.m.	12,411	24,042	(48.4)
Fair value loss on an investment property		(2,535)	-	n.m.	(2,535)	-	n.m.
Impairment on right-of-use and fixed assets*		(4,118)	-	n.m.	(4,118)	-	n.m.
General and administrative expenses		(11,745)	(11,319)	3.8	(21,982)	(21,269)	3.4
Finance costs	7	(14,545)	(15,631)	(6.9)	(30,430)	(30,990)	(1.8)
Associates							
- Share of results, net of tax		(164,026)	(37,662)	335.5	(170,444)	(34,445)	394.8
- Negative goodwill		-	60,347	n.m.	-	60,347	n.m.
- Impairment of amounts due from associates		(32,912)	-	n.m.	(32,912)	-	n.m.
	12	(196,938)	22,685	n.m.	(203,356)	25,902	n.m.
Joint ventures							
- Share of results, net of tax		3,533	(3,918)	n.m.	15,906	9,695	64.1
- Negative goodwill		7,243	-	n.m.	7,243	-	n.m.
	13	10,776	(3,918)	n.m.	23,149	9,695	138.8
(Loss)/Profit from operations before taxation	8	(226,847)	8,780	n.m.	(219,843)	19,724	n.m.
Taxation	9	(1,369)	(2,329)	(41.2)	(4,818)	(5,112)	(5.8)
(Loss)/Profit net of taxation		(228,216)	6,451	n.m.	(224,661)	14,612	n.m.
Attributable to:							
Owners of the Company		(228,146)	6,361	n.m.	(224,836)	14,553	n.m.
Non-controlling interests		(70)	90	n.m.	175	59	196.6
		(228,216)	6,451	n.m.	(224,661)	14,612	n.m.
		Cents	Cents		Cents	Cents	
(Loss)/Earnings per share							
Basic	10	(27.6)	0.8		(27.2)	1.8	
Diluted	10	(27.6)	0.8		(27.2)	1.8	

*The impairment on right-of-use and fixed assets was from the retail segment.

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Metro Holdings Limited and its Subsidiaries						
Condensed Interim Consolidated Statement of Comprehensive Income For the six months and full year ended 31 March 2025						
	Group			Group		
	6 months ended 31-Mar-2025 \$'000	6 months ended 31-Mar-2024 \$'000	% Change	12 months ended 31-Mar-2025 \$'000	12 months ended 31-Mar-2024 \$'000	% Change
(Loss)/Profit net of taxation	(228,216)	6,451	n.m.	(224,661)	14,612	n.m.
Other comprehensive (expense)/income, net of tax:						
<i>Items that will not be reclassified subsequently to profit or loss:</i>						
Net change in fair value of equity investments at FVOCI (Note 1)	(3,213)	2,063	n.m.	(291)	1,262	n.m.
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Currency translation adjustments on foreign subsidiaries, associates and joint ventures (Note 2)	10,531	(9,737)	n.m.	(15,777)	(22,430)	(29.7)
Share of other comprehensive (expense)/income of associates and joint ventures (Note 3)	(1,417)	2,114	n.m.	(9,366)	(6,022)	55.5
Fair value loss on cash flow hedge (Note 4)	(144)	-	n.m.	(144)	-	n.m.
Other comprehensive (expense)/income for the period	5,757	(5,560)	n.m.	(25,578)	(27,190)	(5.9)
Total comprehensive (expense)/income for the period	(222,459)	891	n.m.	(250,239)	(12,578)	n.m.
Total comprehensive (expense)/income attributable to:						
Owners of the Company	(221,434)	1,644	n.m.	(249,286)	(11,874)	n.m.
Non-controlling interests	(1,025)	(753)	36.1	(953)	(704)	35.4
	(222,459)	891	n.m.	(250,239)	(12,578)	n.m.

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Interim FY2025 Balance Sheet

Metro Holdings Limited and its Subsidiaries									
Condensed Interim Balance Sheets									
As at 31 March 2025									
Balance Sheets as at	Note	Group		Company					
		31-Mar-2025	31-Mar-2024	31-Mar-2025	31-Mar-2024				
		\$'000	\$'000	\$'000	\$'000				
Non-current assets									
Plant and equipment		1,588	1,343	120	60				
Right-of-use assets		20,028	52,606	4,495	5,137				
Investment property	11	98,735	102,364	-	-				
Subsidiaries		-	-	67,828	67,828				
Amounts due from subsidiaries		-	-	515,315	586,086				
Associates	12	631,842	847,432	500	500				
Joint ventures	13	433,168	373,580	-	-				
Long term investments	14	81,173	106,805	-	-				
		1,266,534	1,484,130	586,258	659,611				
Current assets									
Development properties		127,011	136,305	-	-				
Inventories		9,373	10,327	-	-				
Prepayments		623	1,020	-	-				
Accounts and other receivables	15	55,767	58,142	1,683	1,141				
Amounts due from subsidiaries		-	-	322,674	378,862				
Amounts due from associates	12	152,809	201,451	-	-				
Amounts due from joint ventures	13	130,001	131,403	678	739				
Short term investments	14	16,035	14,654	-	-				
Cash and cash equivalents		297,507	272,687	157,175	144,019				
		789,126	825,989	482,210	524,761				
Current liabilities									
Borrowings	16	207,481	201,747	170,000	165,000				
Accounts and other payables		74,569	45,051	5,815	6,633				
Amounts due to subsidiaries		-	-	173,506	224,438				
Lease liabilities		12,387	10,853	631	613				
Provision for taxation		4,921	4,913	271	442				
		299,358	262,564	350,223	397,126				
		489,768	563,425	131,987	127,635				
Net current assets									
Non-current liabilities									
Borrowings	16	397,055	391,368	289,445	391,368				
Amount due to subsidiaries		-	-	29,046	-				
Amounts due to joint ventures	13	129,809	130,949	-	-				
Lease liabilities		16,528	47,102	4,204	4,835				
Deferred income		4,708	3,929	-	-				
Derivatives		144	-	72	-				
Deferred taxation		24,751	24,100	163	48				
		572,995	597,448	322,930	396,251				
		1,183,307	1,450,107	397,315	390,995				
Net assets									
Equity attributable to owners of the Company									
Share capital	17	169,717	169,717	169,717	169,717				
Treasury shares	17	(1,768)	(1,768)	(1,768)	(1,768)				
Reserves		992,389	1,258,236	229,366	223,046				
		1,160,338	1,426,185	397,315	390,995				
Non-controlling interests									
		22,969	23,922	-	-				
Total equity		1,183,307	1,450,107	397,315	390,995				

Note: FY2025 figures are based on preliminary management estimates. The sharp net loss for the year was primarily driven by approximately S\$250 million in impairment charges, largely related to Metro's China portfolio. As a result, net asset value (NAV) per share declined to around S\$1.45 as of March 2025, while net gearing rose to approximately 26%—up from a near-zero position—reflecting both the impact of valuation losses and continued investments. Despite the headline loss, Metro maintained a robust cash position of around S\$250 million and upheld its annual dividend at 2.0 cents per share (unchanged year-on-year), signalling management's confidence in the company's underlying cash flow resilience.

FY2026 Forecast Summary (Base vs Bull vs Bear)

(Year ending Mar 31, in S\$ million unless stated)

Metric	FY2026e Base	FY2026e Bull	FY2026e Bear
Revenue	~115.0	~130.0 (higher dev sales)	~100.0 (lower dev sales)
Net Profit (Attributable)	~15.0 (return to FY24 level)	~30 – 40 (China rebound + strong sales)	~0 to -5 (breakeven/slight loss)
EPS	~1.8 ¢	~3.6 – 4.8 ¢ (bull)	~0 ¢ (bear)
NAV per Share (Mar 31)	~1.48	~1.55 (if small reval gains)	~1.40 (if further writedowns)
Dividend per Share	2.0 ¢ (100% payout)	2.5 ¢ (incl. special)	1.0 ¢ (cut in half)
Net Debt/Equity	~0.31x	~0.28x (using extra cash)	~0.35x (if earnings zero, debt same)

Base case assumes no further China impairments, stable rental income, and moderate dev profits (Middlewood 3 contributes \$6M). **Bull case** assumes a 10% China NAV write-back (\$20M gain), faster Middlewood/Trans Park sales (+\$15M vs base), and higher rent and lower interest costs, yielding ~\$30–40M profit. **Bear case** assumes another ~\$25M China write-down global recession reducing rents and zero dev profit, resulting in breakeven at best.

Metro's **risk-reward skews positively**: even our base case yields a low earnings yield (~4.6% on share price), but the real attraction is the deep asset value backing and potential snap-back in earnings if conditions normalize. Over time, we expect Metro's earnings to revert toward ~\$20 – 30M annual range (excluding big revaluation swings), which would comfortably cover its dividends and perhaps allow growth or specials.

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Analyst Certification: I, **Jaimes Chao**, hereby certify that the views expressed in this report accurately reflect my personal opinions about Metro Holdings Ltd and its securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

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