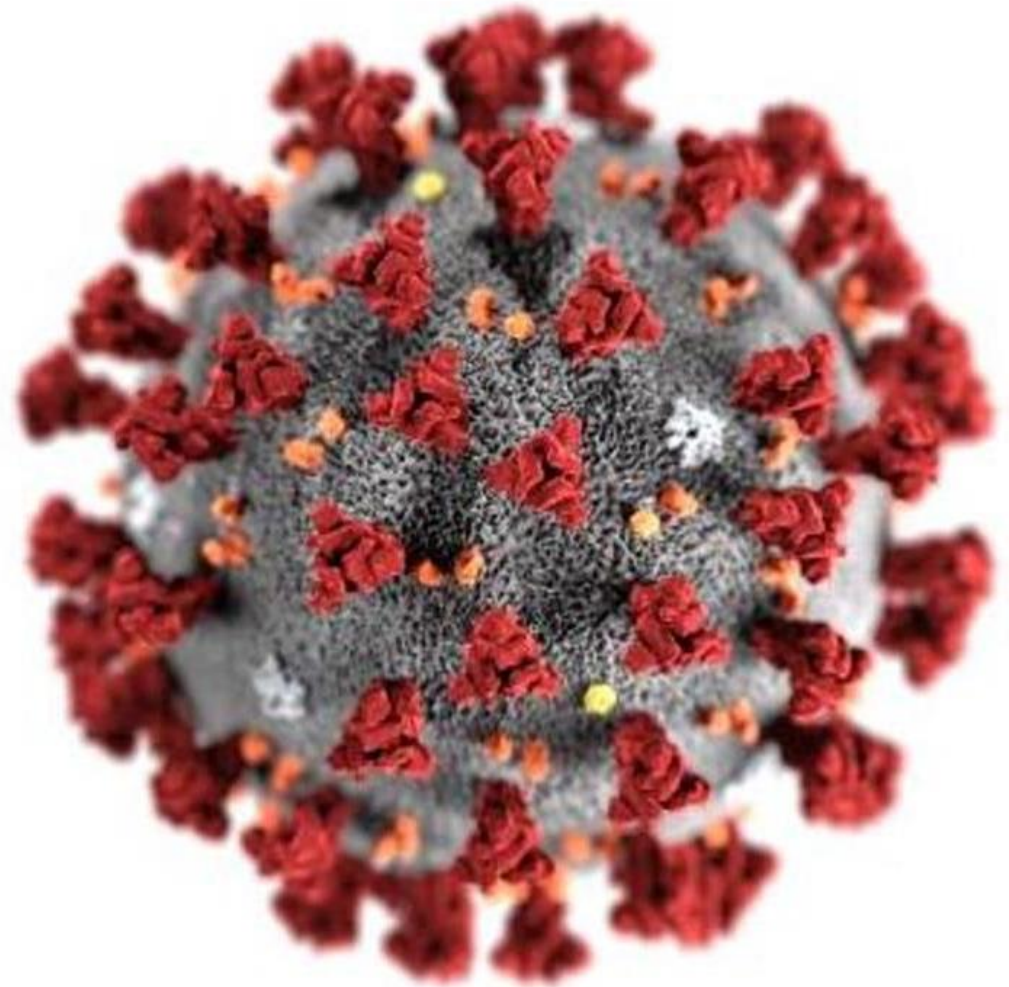
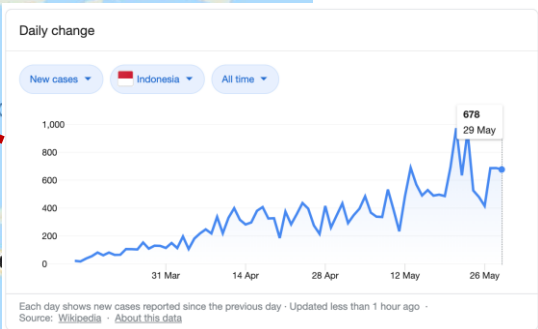
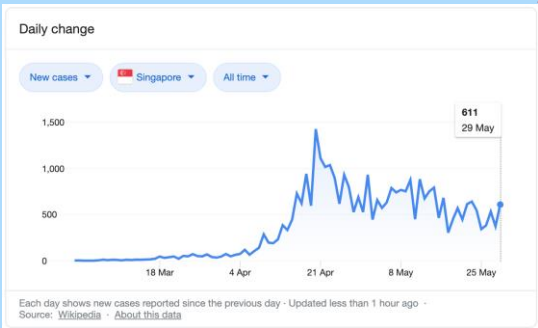
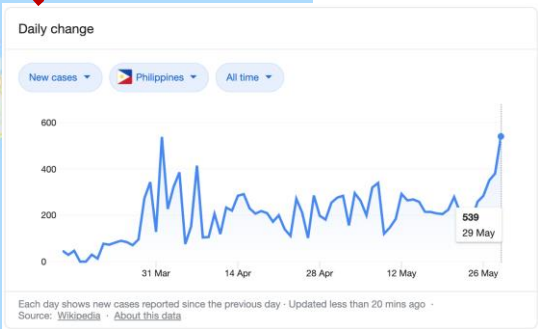
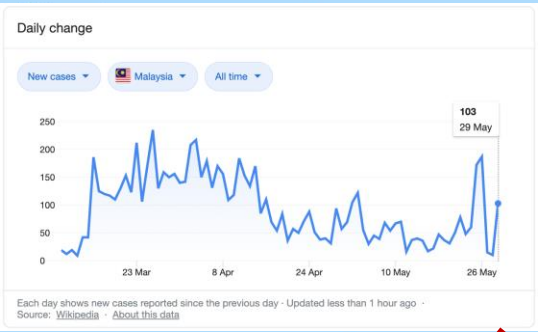
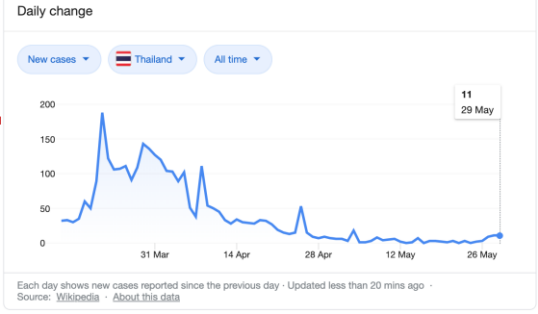
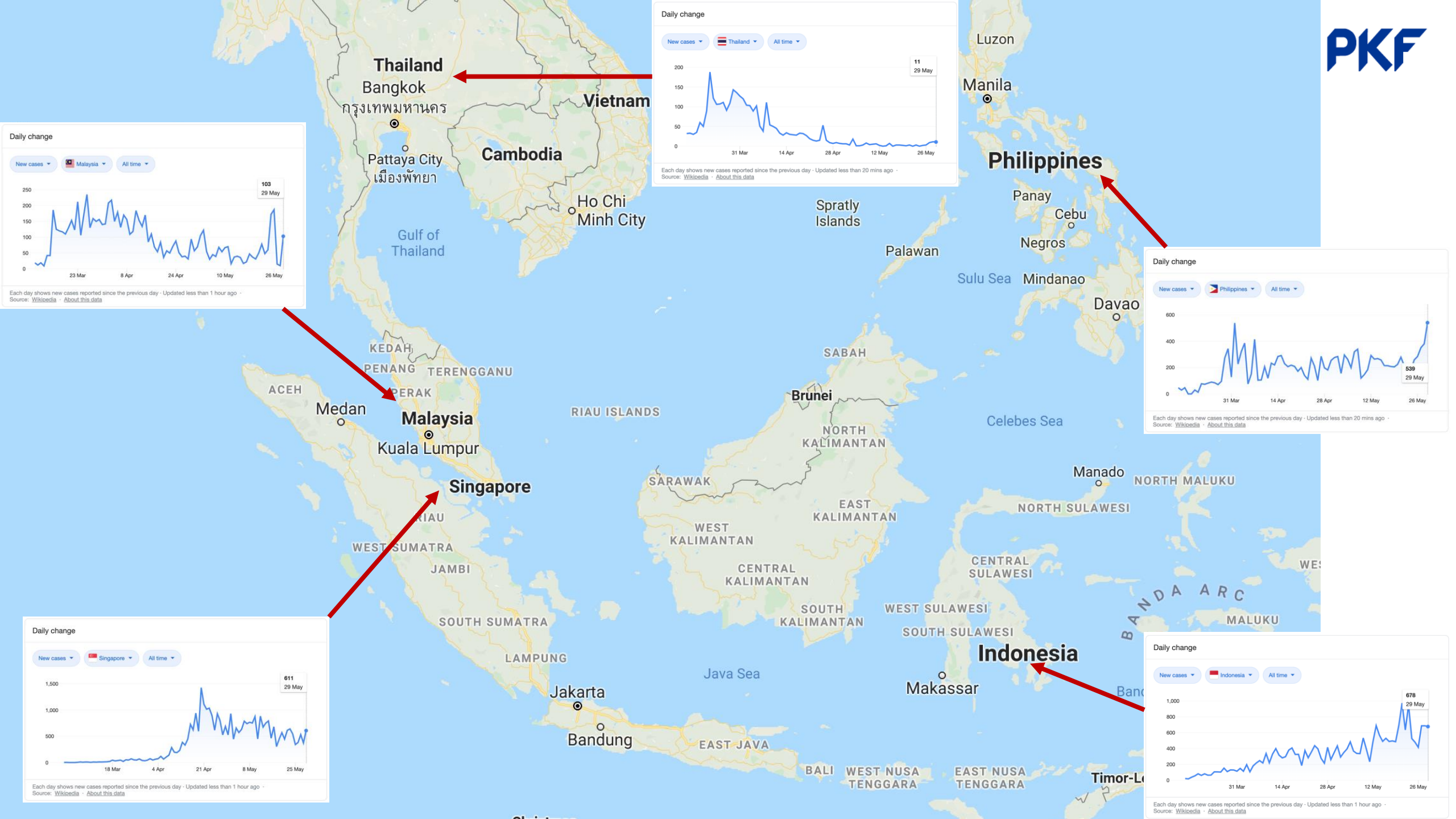


# Valuation & Impairment Considerations Post COVID-19 Era

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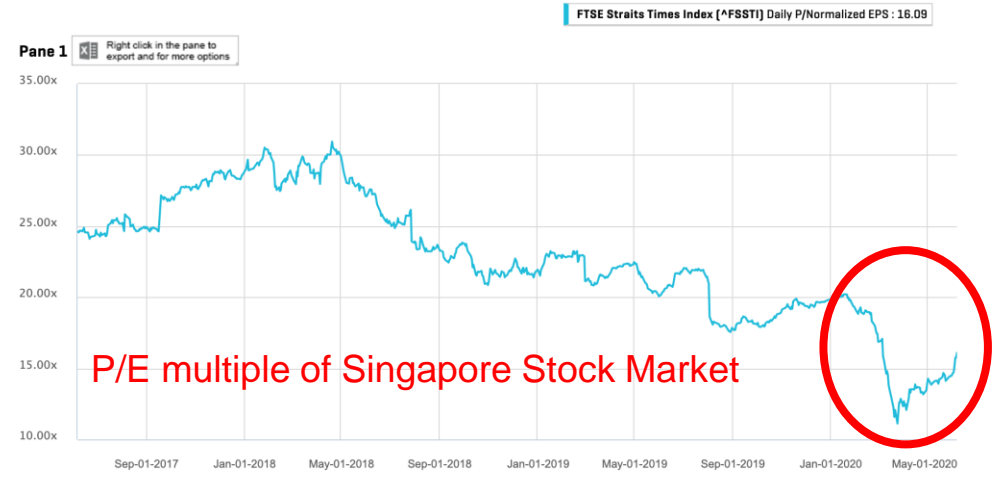
# Impact of COVID-19

Real GDP Growth (%Y-O-Y)



	2017	2018	2019	2020	2021	2022
Malaysia	5.74	4.74	4.33	-2.79	5.68	4.58
Indonesia	5.08	5.17	5.01	-1.34	4.69	4.74
Philippines	6.68	6.24	5.91	-1.96	7.43	6.11
Singapore	4.21	3.32	0.70	-2.83	2.59	2.67
Thailand	4.07	4.15	2.37	-4.05	3.64	3.04

**i** Sources: Bank Indonesia, Central bank of Malaysia, National Statistical Coordination Board, Statistics Singapore, Bank of Thailand, Fitch Solutions



Source: S&P Capital IQ

# Varying impact of COVID-19

Sheng Siong staff to get extra month of salary as Q1 profit soars



The Sheng Siong supermarket at Junction 10. When the pandemic situation normalises, the group expects revenue to taper off from the current elevated levels as buffer stocks kept by households are consumed. ST PHOTO: KELVIN CHNG



**Net profit jumped by 50% in Q1/2020**

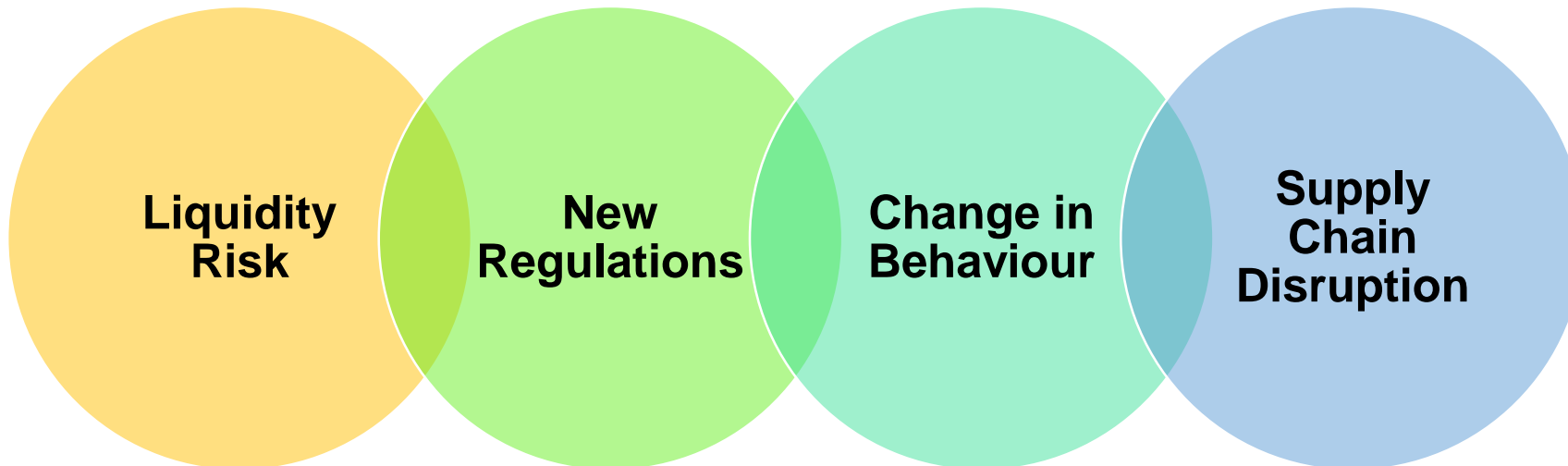


**EV/EBITDA = 15x**  
(pre and post COVID-10)

# Industries MOST impacted by COVID-19

Industry	Median PD as of March 1, 2020	Median PD as of March 31, 2020
Airlines	9.84%	23.16%
Casinos & Gaming	6.41%	16.46%
Leisure Facilities	5.64%	19.74%
Auto Parts & Equipment	8.57%	18.81%
Oil & Gas Drilling	9.1%	22.5%

Source: S&P Global Market Intelligence



**Business Risks**

# Dealing with risks

**Market Approach**

**Multiples**

(1) Risk  
(2) Growth

## Multiples of Quoted Companies

			Pre-COVID	Post-COVID	
<b>Company Name</b>	<b>Geographic Locations</b>	<b>Industry Classifications</b>	<b>P/BV [LTM as of 12/31/2019] (x)</b>	<b>P/BV [LTM as of 5/31/2020] (x)</b>	<b>% Change</b>
Singapore Airlines Limited (SGX:C6L)	Singapore (Primary)	Airlines (Primary)	0.908	0.486	-46%
Thai Airways International Public Company Limited (SET:THAI)	Thailand (Primary)	Airlines (Primary)	1.21	0.768	-37%
PT. Garuda Indonesia (Persero) Tbk (IDX:GIAA)	Indonesia (Primary)	Airlines (Primary)	1.05	0.641	-39%
AirAsia Group Berhad (KLSE:AIRASIA)	Malaysia (Primary)	Airlines (Primary)	1.24	0.519	-58%
Cebu Air, Inc. (PSE:CEB)	Philippines (Primary)	Airlines (Primary)	1.26	0.516	-59%
AirAsia X Berhad (KLSE:AAX)	Malaysia (Primary)	Airlines (Primary)	3.01	1.76	-42%

## Multiples of Comparable Transactions



**PermataBank**

Date = 11 Dec 2019 (Pre-COVID)

Buyer = Bangkok Bank Public

Consideration = IDR 34 trillion

Implied P/E multiple = 33.6x

Implied P/B multiple = 1.6x

# Industries LEAST impacted by COVID-19

Industry	Median PD as of March 1, 2020	Median PD as of March 31, 2020
Property & Casualty Insurance	0.59%	1.06%
Health Care REITs	0.55%	0.52%
Multi-line Insurance	0.59%	0.92%
Life & Health Insurance	0.62%	1.00%
Industrial REITs	0.08%	0.55%

EV / EBITDA (Growth)



**34x (26%)**



**63x (28%)**



**1,460x (78%)**

Source: S&P Global Market Intelligence

## Low Touch Economy

Ecommerce Marketplace



Pharmaceuticals



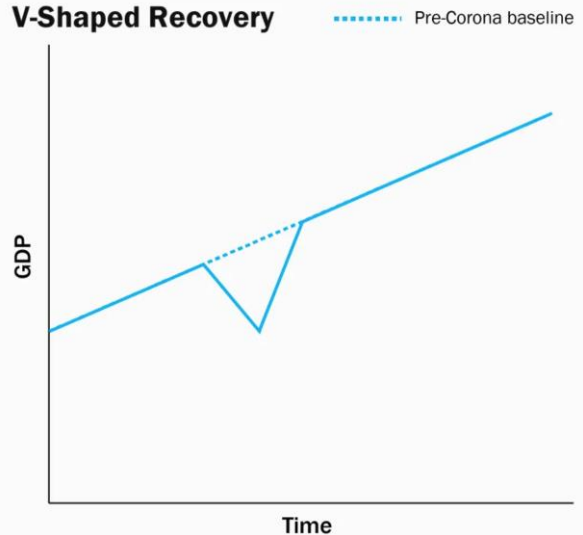
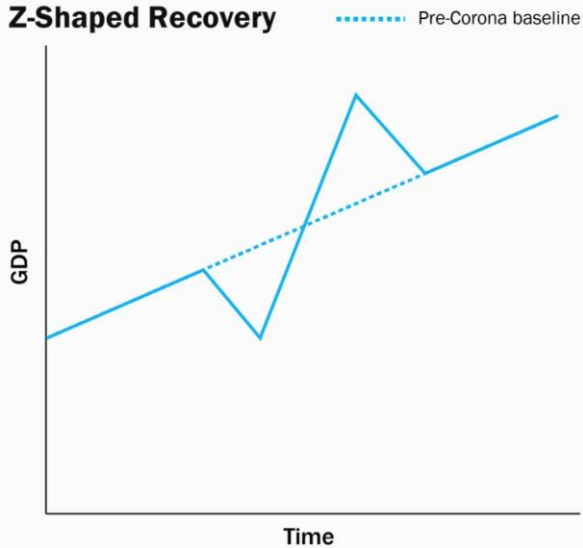
Video Conferencing



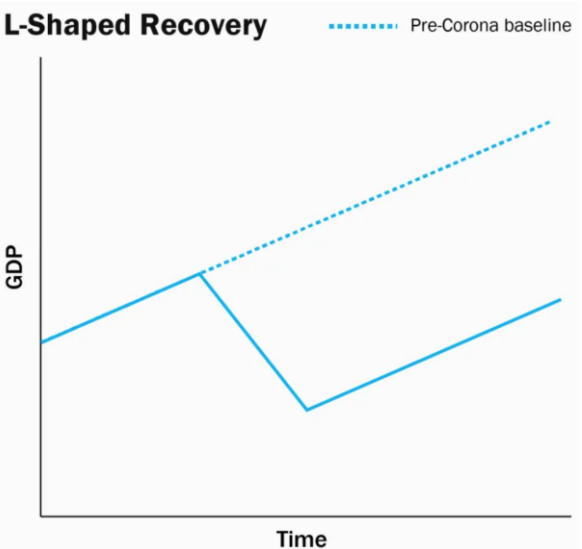
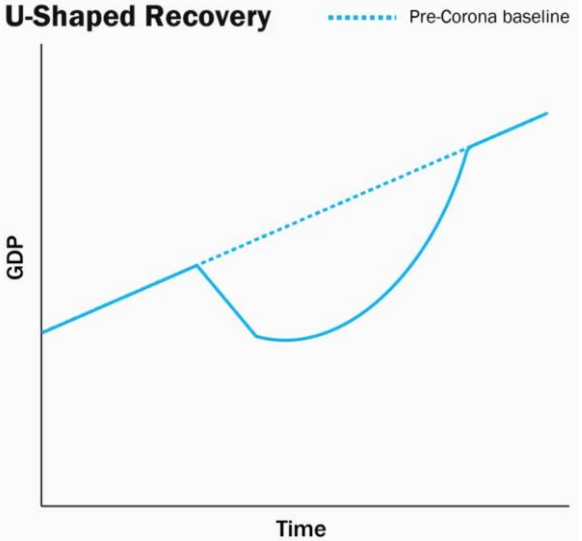
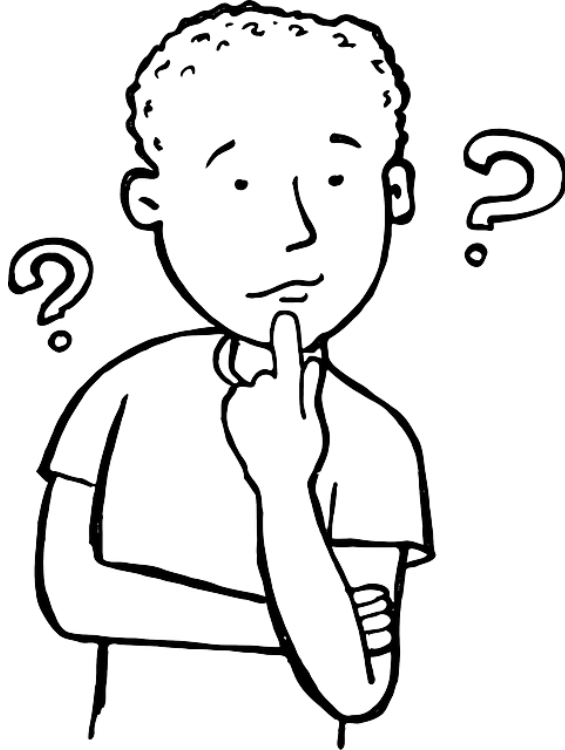
Entertainment Streaming



# Shape of recovery?

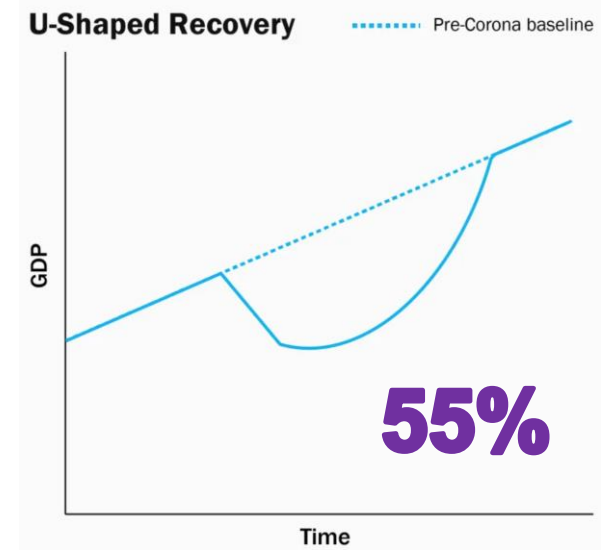
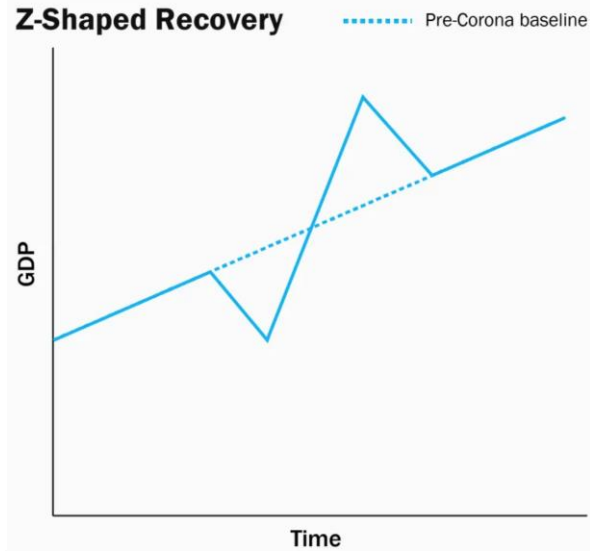


Uncertainties

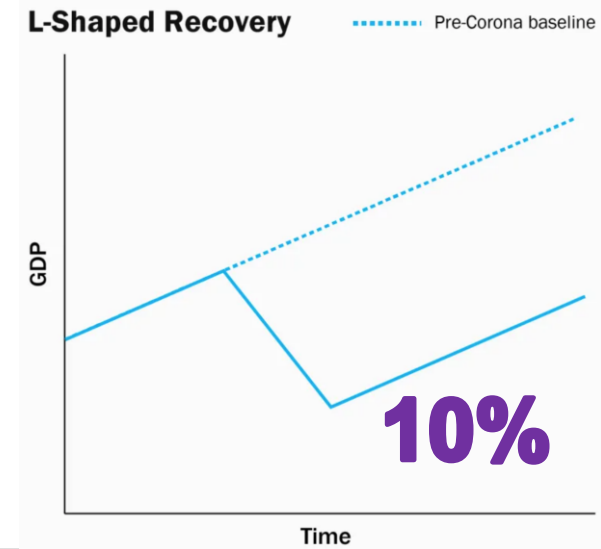
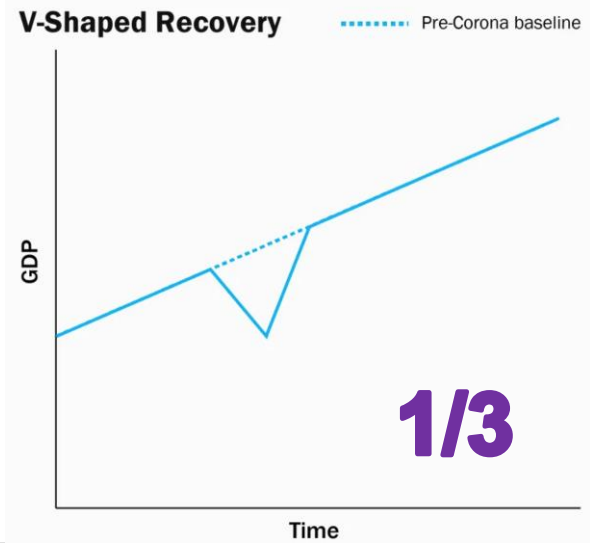




# Dealing with uncertainties



## Method 1: Expected Cash Flow Approach



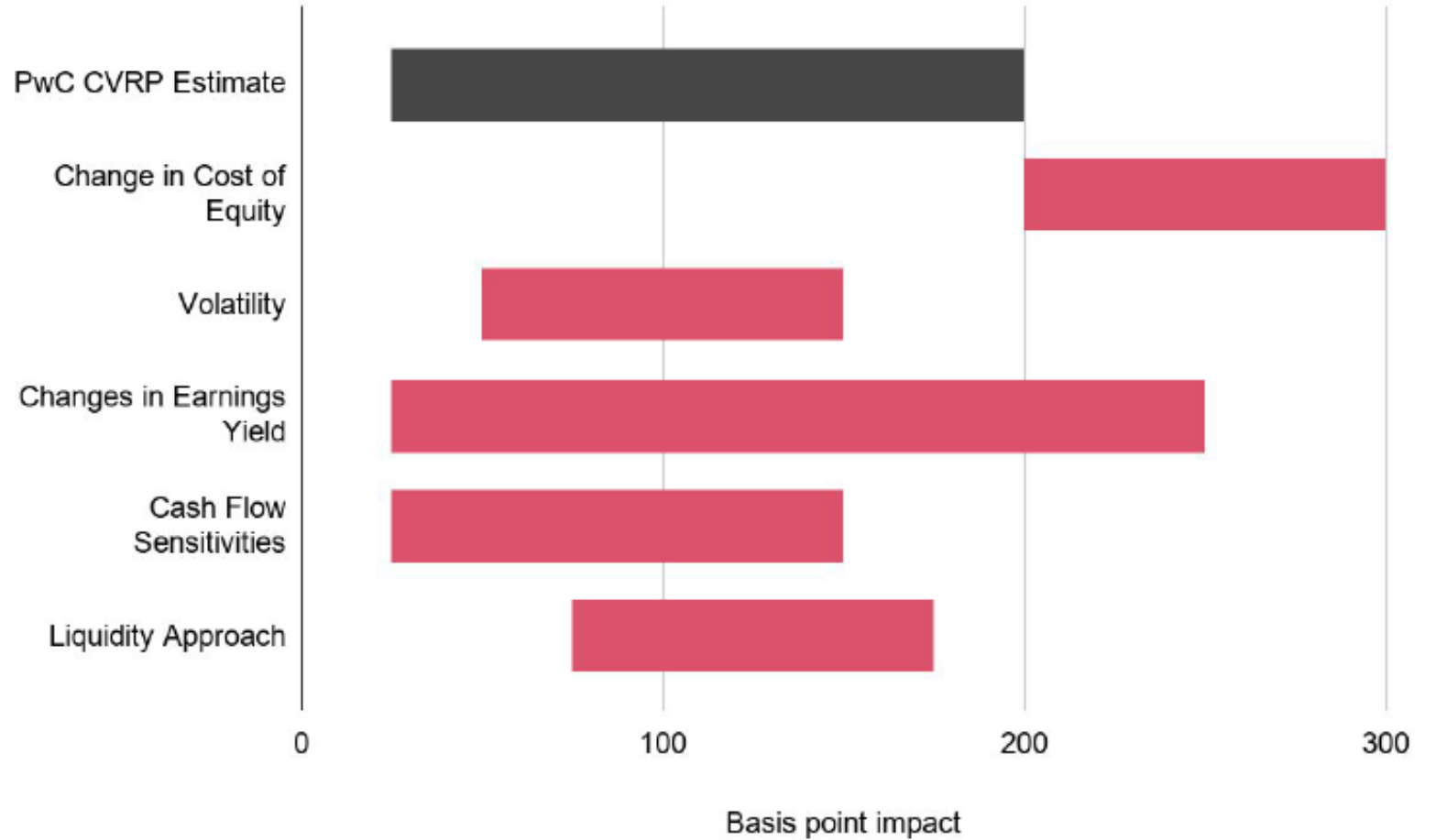
# Dealing with uncertainties

Method 2:

**Traditional Approach**



**Equity Risk Premium  
0.5% - 2.0%**

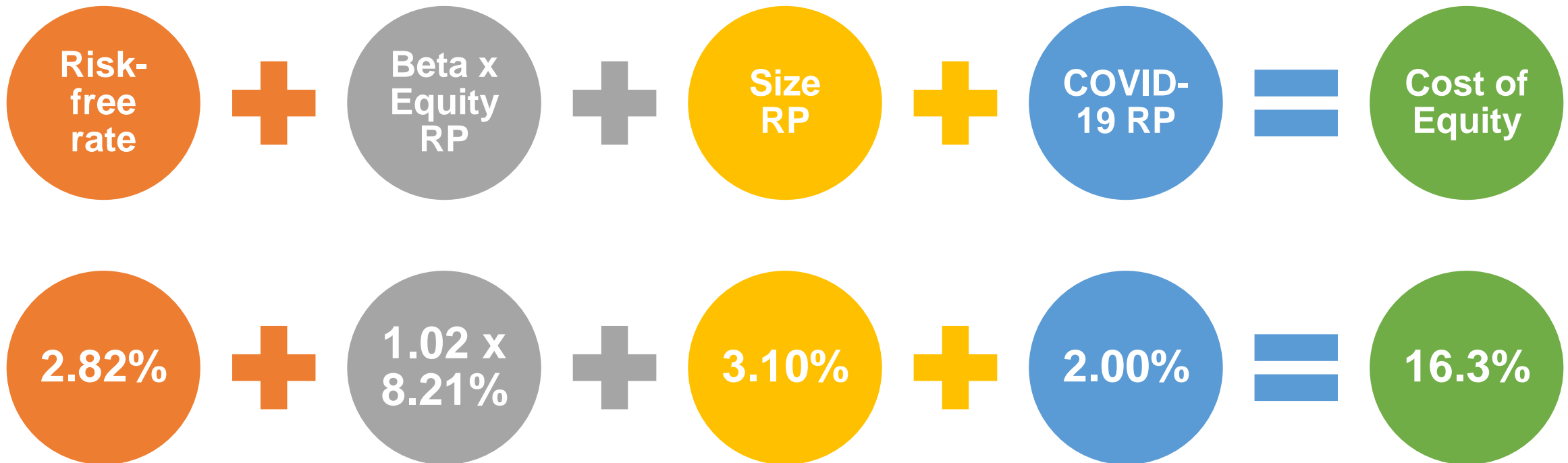


Source: PWC, Adjusting for COVID-19 in Valuations, 31 Mar 2020

# Estimate Cost of Equity

- A small chain of restaurants operating in Malaysia.
- Valuation date is 31 May 2020.
- Assume the traditional approach is used.

## Capital Asset Pricing Model (CAPM)



# How to preserve business value?

**Strengthen  
Liquidity  
Management**

**Anticipating  
Customer  
Behaviour**

**Accelerate Agility**

**Enhance Supply  
Chain Continuity**

# When is COVID-19 a trigger event?

FTSE Thailand Index Index Value : -18.22%

Kuala Lumpur Composite Index [^FBMKLCI] Index Value : -8.92%

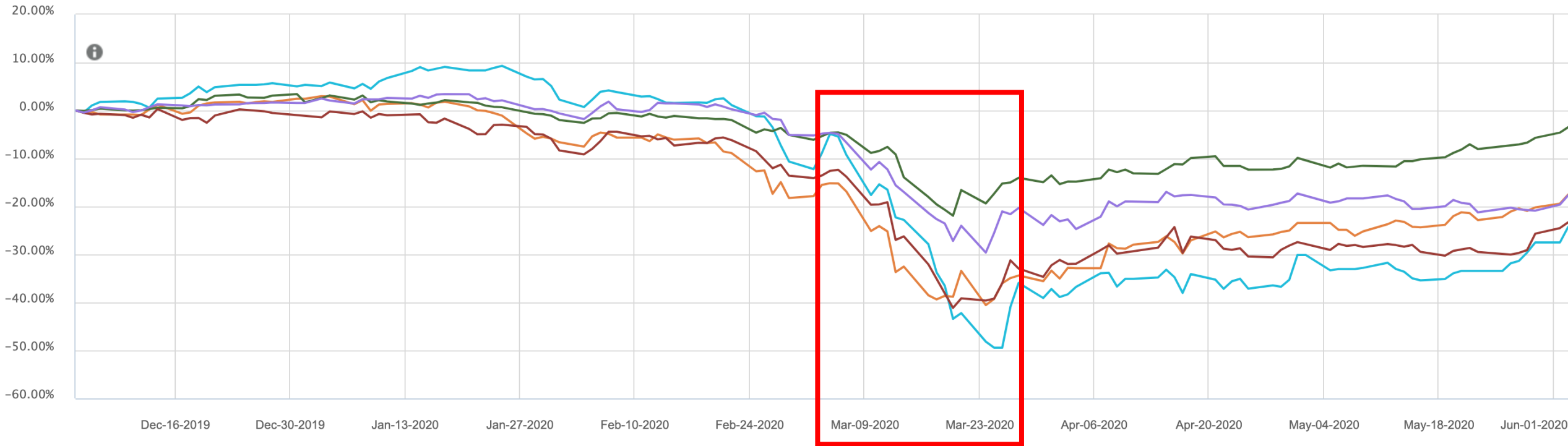
Philippines PSE Composite Inde... [^PSEI] Index Value : -25.48%

FTSE Straits Times Index [^FSSTI] Index Value : -16.39%

FTSE Indonesia Index Index Value : -23.08%

Pane 1

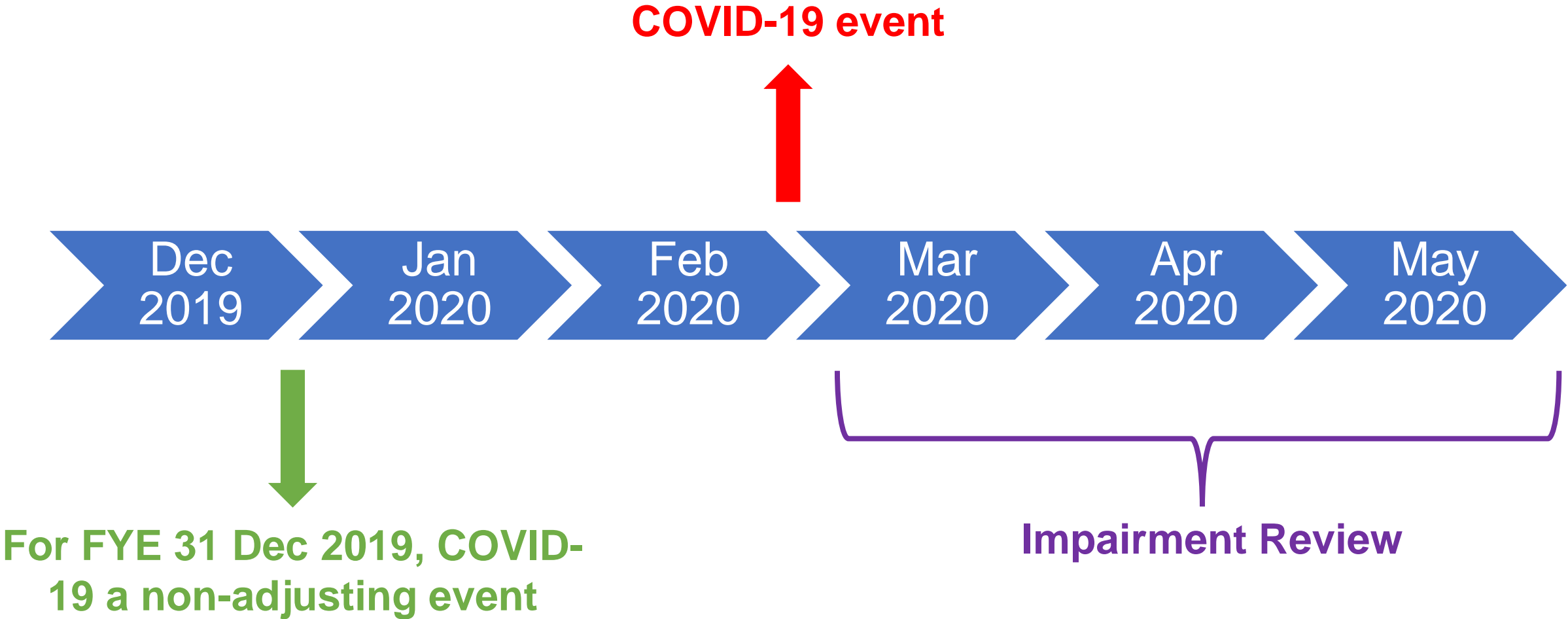
Right click in the pane to export and for more options



Source: S&P Capital IQ

1<sup>st</sup> coronavirus disease in Singapore on 29 Feb 2020

# Is COVID-19 an adjusting event?



# Must an impairment review be carried out?



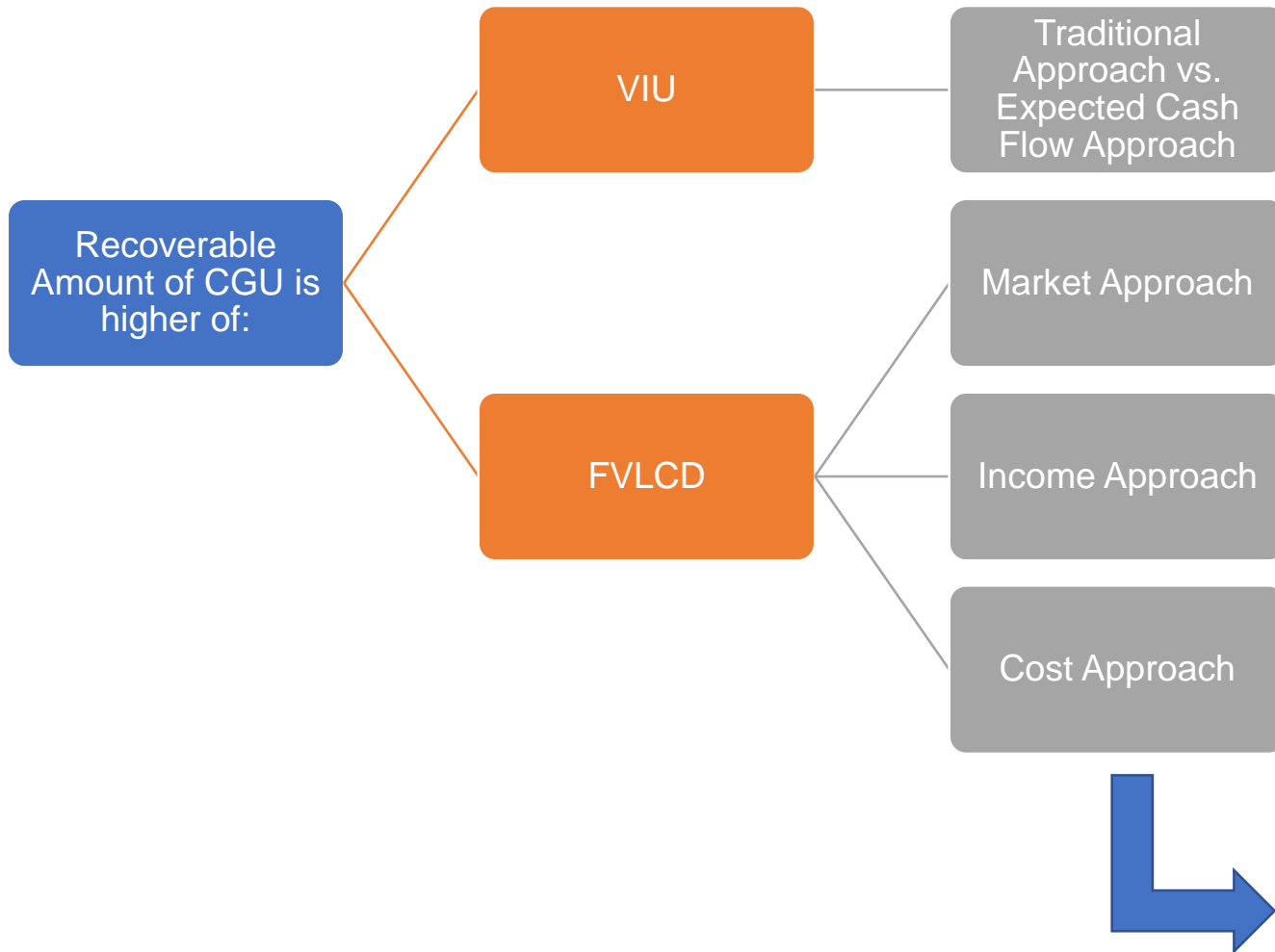
**P/B multiple < 1**

Source: S&P Capital IQ



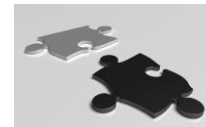
**Review the need for impairment on a case-by-case basis**

# Estimating recoverable amount



$WACC_{\text{post-COVID}} > WACC_{\text{pre-COVID}}$

**Earnings multiple currently trading at lower level**



No

**(1) DLOM (2) Costs of Disposal**



# How to boil a frog?



# Impairment Testing in COVID-19 Environment

**ONLINE WORKSHOP**

- To equip participants with technical knowledge and develop skills to compute value in use and fair value at a practical level
- Practical Online Training

## Programme Outline

- Objective, scope and basic principles
- Identifying assets that may be impaired
- Measuring recoverable amount
- Identifying CGUs and impairment decision tree
- Calculating value in use
  - Estimating future cash flows
  - Discount rate (i.e. WACC)
  - Establishing the carrying amount of CGUs
- Measuring fair value less cost of disposal
- Recognition and reversal of impairment losses



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**1.30pm – 5.00pm (SG Time)**  
**3 CPD units**

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