



myland[®]
IPO

Initial Public Offering of
MYLAND DEVELOPMENTS LIMITED

Information Memorandum



Manager to the Issue



OVERVIEW OF THE COMPANY

EMERGING AND NOTABLE CONFIDANT IN THE REAL ESTATE INDUSTRY

Myland Developments Limited (Herein after mentioned as 'MDL') was incorporated as a limited liability company in Sri Lanka in March 2017, with the noble objective to support every Sri Lankan individual living within the country or outside the country to purchase a land plot and build their dream home, or purchase a land for investment purposes. The initial focus of the Company has revolved around the objective of supporting and assisting the buyer community with fair and reasonable price ranges, and operations have been predominantly focused within the Western region of Sri Lanka.

MDL at present is considered as an emerging and a notable player in the real estate sector in Sri Lanka (especially within the Western Province), most importantly a company that has successfully identified the gap amongst young individuals who aspire to become land owners, either to build their future homes or to hold such properties as investment assets. MDL was created to meet this gap by mainly focusing on the said market segment.

The Company was founded by Mr. Nalin Perera, who commands decades of proven experience in key real estate sector companies in Sri Lanka (both listed and unlisted), whilst demonstrating vast knowledge on the prevailing land sales market and its dynamics within the Western Province.

20+

Sizeable
projects
completed

3

Ongoing
Projects

300+

Plots
Sold

4 years+

Combined
Experience

15%

Net Profit
Margin

36%

4 Year Revenue
CAGR

KEY INVESTMENT HIGHLIGHTS



Growing target audience

- Mainly targeting the first-time land buyers who seek affordable real estate assets
- Growth has been exponential, backed by the general need / confidence for real estate as a means of investment, backed by increasing per capital GDP



Location specific demand

- Growing demand for real estate (especially lands) within close proximity to Expressway exits (Central and Airport)



Economy to support the real estate industry

- Relatively low and less-attractive market interest rates to divert funds towards real estate investments



Strong Financial performance

- A 4 year revenue CAGR of c.36%
- Gross Profit of 30% in FY 2021
- Low-cost operational model supporting stable performance growth



Low size [perches] projects with quick turnaround time hence limited cash tied up in a given project at a given time



Easy payment scheme for customers to boost scales



Experience and talent within the firm to secure and develop quality real estate projects at strategic locations

KEY IPO HIGHLIGHTS;

VALUED AT AN IMPLIED PER OF 7.9X ON FY22E EARNINGS



Offer Size of LKR
75 Mn



17.2% Stake
Offered



LKR 12.00
IPO Price



6,250,000
of Shares



Proceeds for
Future Growth



LKR 435 Mn
Market Cap

With an IPO price per share of LKR 12.00, the raise offers and immediate upside of 15.8% towards the IPO level investor in relation to the LKR 13.90 Value derived through the DCF calculation

Attractively valued at an implied forward PER Based on FY22E earnings; to be lower than the sector (i.e. 16.03x – 30/09/2021) and market PER

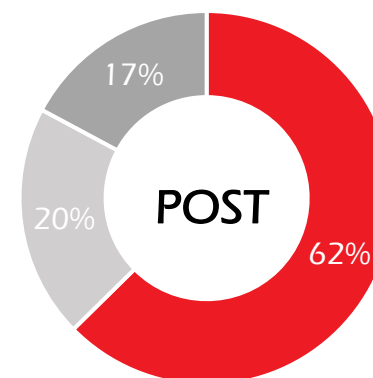
From FY24E, company expects to maintain a minimum dividend pay out ratio of 20%.

15.8%
Upside

7.9x
Implied PER FY22E

20%
Dividend Yield from FY24E

Pre and Post IPO shareholder movement



The promoters have committed to continue their holding, showing the confidence in the future business growth.

■ Promoter 1

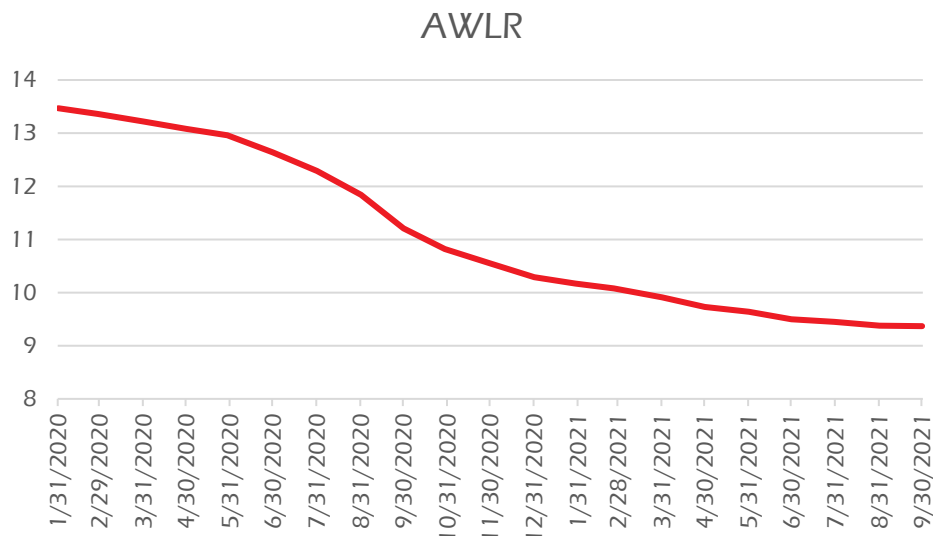
■ Promoter 2

■ Public Shareholding

SRI LANKA ECONOMIC RECOVERY AND THE INFRASTRUCTURE DEVELOPMENT TO SUPPORT FUTURE BUSINESS GROWTH

Central Bank outlined the intention of maintaining a low single digit interest rate to boost the economic activity and to maintain a sustainable growth trajectory

Prevailing low-cost financing environment fueled by low interest rate environment will magnifies the borrowing preference and capacity through the younger generation, which in turn will support elevated demand over the leading medium term.



Investments in Infrastructure despite the pandemic

In 2020, the Road development authority incurred LKR 226.1 billion [Source: CBSL annual report 2020] for the maintenance and development of expressways and highways, widening and improvement of roads, construction of bridges and flyovers and also rehabilitation of roads affected by natural disasters, which was 49% higher compared to 2019.

In addition, the development towards an efficient expressway network is continuing. Investments in other transport related sectors have increased during the year as well.

This will boost the land prices of outer Colombo regions



Legend

- Cities
- ⊙ Interchanges
- Expressway Network**
 - ▬ Completed
 - ▬ Under Construction
 - ▬ Preliminary work in progress
- National Road Network**
 - A Class Roads
 - B Class Roads
 - District Boundary

POSITIVE CONSUMER BEHAVIOR; INVESTMENTS IN LAND AND PROPERTY AS A POPULAR MEANS OF LOW RISK INVESTMENT

Continuous land price growth; a better hedge for inflation and prevailing other financial instruments

Sri Lanka has witnessed a continuous upsurge in the land prices during the past decade. Land Valuation Indicator (LVI) for Colombo District increased to 155.1 during the first half of 2021.

Land Valuation Indicator for Colombo District (Base period: 2017 H1)	Indicator Value					Annual Percentage Change			Semi-Annual ² Percentage Change		
	2019 H1	2019 H2	2020 H1	2020 H2	2021 H1	2020 H1	2020 H2	2021 H1	2020 H1	2020 H2	2021 H1
Residential LVI	131.4	137.9	140.7	144.4	154.2	7.1	4.7	9.6	2.0	2.6	6.8
Commercial LVI	132.2	138.8	141.6	145.1	154.0	7.1	4.5	8.8	2.0	2.5	6.1
Industrial LVI	133.0	139.6	142.5	146.1	157.0	7.2	4.6	10.1	2.1	2.5	7.4
LVI	132.2	138.8	141.6	145.2	155.1	7.1	4.6	9.5	2.0	2.5	6.8

Given the steady increase in price of the land value, many have considered real estate as a long-term investment. In this regard, many would consider funding the purchase through a borrowing, a common phenomenon at present due to the prevailing low interest rate regime in the country.

Prices of the lands that are located near the expressway entrances have increased at a higher rate compared to the rest of the country.

Increase of retirement age from 55 years to 62 years

Avg annual population growth of 0.6%

Average size of a household was dropped from 4.10 persons to 3.80 persons during the time period 2007 to 2016

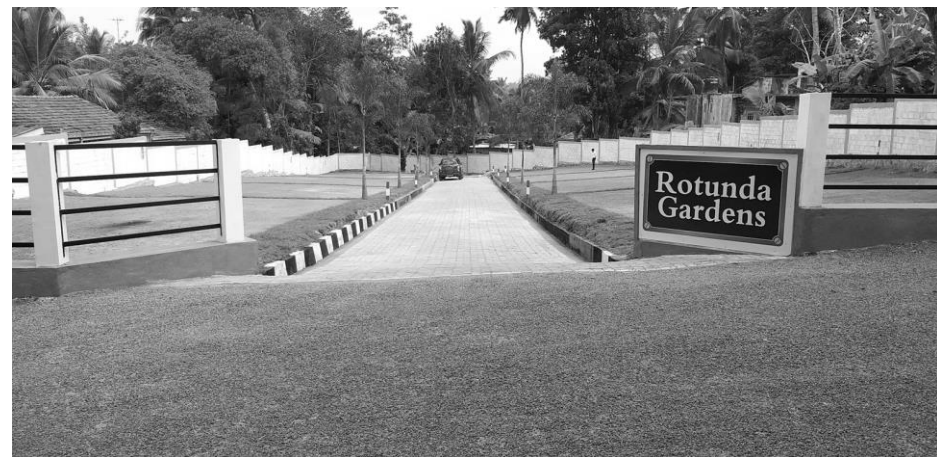
Accelerated concepts of Working from Home



Boosting the Demand

WITHIN A SHORT PERIOD OF OPERATION, THE COMPANY HAS BECOME A TRUSTED NAME IN THE WESTERN PROVINCE

- 2017 – Incorporation of the company
- 2017 – Commencement of first land project
- 2017 – Complete sale of first land project
- 2021 – Highest Net Profit of Rs. 25 Mn
- 2021 – 1H 21/22 reporting 380% increase in PBT
- 2021 – Listing of the company



OPERATION FOCUSED ON THE FIRST TIME LAND BUYERS

Land Development – Core Operation

The Company's principal business activity at present is to develop and sell land plots for residential or commercial purposes and business operations are carried out predominantly in the Western province of Sri Lanka.

Myland selects suitable lands for development giving due consideration to several factors and relying on past experience. These factors include

- Land size,
- Geographical conditions
- Ease of accessibility
- Availability of utility services in the vicinity,
- p\Potential for infrastructure development in the area and current market prices etc.

Once the properties are selected after required evaluations, MDL carry out necessary development activities in the land by clearing and levelling to bring the property to a saleable condition.

From the inception in March 2017, the Company has completed 23 land development projects up to 30th September 2021 where all the land plots have been sold successfully. At present, there are 3 ongoing projects that will generate revenues for the Company.

Leverage for underserved segment

The company provides leverage facility for the clientele who wishes to have installment plans for the purchased lands.

The company will provide a maximum of 70% of the entire sale value. Given the fact that the deed of the land will be transferred at the end of the payment period there will be no risk.

In an event of a default, company will discuss with the potential party to rearrange the payment scheme, or the company will sell the land at the current market cost to recover its cost and direct the remaining to the defaulter.

BOARD MEMBERS

DIVERSIFIED AND EXPERIENCED BOARD & SENIOR MANAGEMENT TO PROPEL THE COMPANY FOR NEXT LEVEL



**Mr. W. D. Premachandra -
Chairman, Non-Executive
Independent Director**

Mr. Premachandra counts over 40 years of professional experience in Management & Development Banking, specialized in SME finance. He was the former Head of SME at Sanasa Development Bank PLC and National Development Bank PLC (NDB). Mr. Premachandra holds a Bachelor of Commerce Special Degree from the University of Sri Jayawardhanapura and obtained Master's Degree in Business Administration (MBA) from the Postgraduate Institute of Management of the University of Sri Jayawardhanapura.



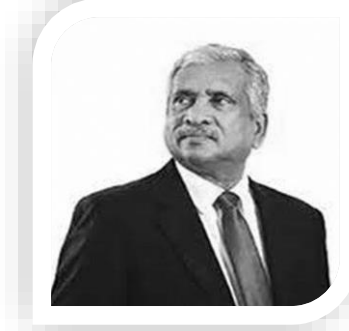
**Mr. P. D. Nalin Perera - Managing
Director, Executive Non-Independent
Director**

Mr. Nalin Perera is the Founder, Managing Director of Myland Developments Limited. He has over 22 years of extensive experience in real estate and construction industry. Mr. Perera holds a Diploma in Civil Engineering and an Advance Diploma in Quantity Surveying (UK). He is a member of the Institute of Drafting Technologist of Sri Lanka and a member of Sri Lanka Institute of Marketing (SLIM).



**Mrs. D. I. Tharanganee Dissanayake
- Executive Non-Independent
Director**

Mrs. Tharanganee Dissanayake has over 17 years' experience primarily in the field of accounting and finance, in both private and government sector organizations. Mrs. Dissanayake holds a Bachelor of Business Management (Accountancy) Special Degree with Second Class Hons. from the University of Kelaniya and holds Master's Degree in Economics from the same University.



**Mr. Ajith Alahakoon – Non-Executive
Independent Director**

Mr. Alahakoon is a well-experienced professional in banking and finance fields with a career spanning over 40 years across both public and private sectors. Mr. Alahakoon holds a Bachelor of Commerce Special Degree from the University of Sri Jayawardhanapura. He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and Associate member of Institute of Bankers in Sri Lanka.

SENIOR MANAGEMENT

DIVERSIFIED AND EXPERIENCED BOARD & SENIOR MANAGEMENT TO PROPEL THE COMPANY FOR NEXT LEVEL



Mr. M. A. C. P. Munasinghe - Assistant General Manager - Operations

Mr. Munasinghe is well conversant with all aspects of real estate industry including identification of suitable properties, development activities, legal aspects of properties, marketing etc. He has over 17 years of hands-on experience in the real estate industry, gathered by working for several major companies.



Mr. S. W. S. Wasantha - Head of Sales and Marketing

Mr. Wasantha joined the Company as the Head of Sales and Marketing and he possess over nine years managerial experience in real estate business concentrating on Sales and Marketing aspects in several real estate companies namely Millennium Housing Developers PLC, Opel Lands & Opel Housing (Pvt) Ltd, and Happy Homes (Pvt.) Ltd.



Mrs. P. A. S. Sewmini Perera – Accountant

Mrs. Perera is a Certified Business Accountant, who is in charge of the accounting and finance function of the Company. She has working experience as an Assistant Accountant in a Company engaged in Tourism and Hospitality industry and as an Accountant for a manufacturing and export company.

GROWTH IN LAND PRICES SUPPORTED THE POSITIVE MOMENTUM IN THE FINANCIAL PERFORMANCE

	2020	2021	2022	2023	2024	2025	2026
Revenue	121,463,836	167,883,163	247,236,275	336,282,750	456,894,484	545,758,797	648,209,662
Profit from Operating Activities	11,152,682	38,073,179	73,339,905	60,624,216	82,299,548	100,286,231	118,874,891
Profit/(Loss) After Income Tax	3,280,108	25,741,091	54,909,442	36,976,504	52,501,302	56,430,564	65,997,128
Total Assets	101,485,205	169,942,073	295,864,775	346,847,476	395,551,265	448,929,835	511,813,362
Total Equity	26,745,308	61,134,584	201,705,026	238,681,530	280,682,571	325,859,449	378,657,451
Total Liabilities	74,739,897	108,807,489	94,159,750	108,165,947	114,868,693	123,101,874	133,156,211
Gross Profit Margin	24%	30%	38%	26%	25%	25%	25%
EBIT Margin	9%	23%	30%	18%	18%	18%	18%
NP Margin	3%	15%	22%	11%	11%	10%	10%
Revenue YoY	-24%	38%	47%	36%	36%	19%	19%
EBIT YoY	-39%	241%	93%	-17%	36%	22%	19%
ROE	12%	42%	27%	15%	19%	17%	17%
ROA	3%	15%	19%	11%	13%	13%	13%
Effective Tax rate	24%	10%	7%	14%	14%	24%	24%

The management has been able to secure c.50% of the 2022 Expected revenue and over c.60% of expected Net Income as of 30th September 2021

GROWTH STRATEGY AND USE OF PROCEEDS

Identify lands/projects and to be executed soon after the IPO

The funds to be raised through the Initial Public Offer will be deployed to finance acquisition of new land stocks for development in the ordinary course of business. Suitable properties (ie: lands) for acquisition will be identified and finalized during the period between December 2021 – to January 2022. It is targeted to acquire 3 properties that will enable Myland to commence 3 new development projects.

Depending on the values of the identified properties, the Company will use bank borrowings to bridge any funding gaps at the interest rates prevailing at such times.

The total funds raised will be fully utilized by 31st March 2022, where the Company expects to complete the purchase of lands that will be identified.

New vertical focused on highly-demanded affordable housing market

The long term plan is to develop another vertical inside the business focused on developing affordable houses for middle income market. The focused is to be a long term strategy which will initiate in 2-3 years. However, neither revenue nor profit has been taken from this segment in deriving the DCF value for MDL and the yield from this segment has kept as an upside for the IPO investor.

Disclaimer

This document has been prepared by Atarah Capital Partners (Pvt) Limited for the purpose of disseminating selected information with regard to the Company and the IPO to external parties.

This document does not constitute a part of an offer or an invitation to the public to subscribe for any shares. Information set out herein are not a representation or guarantee on the merits of the business or its future performances.

ACP's independent verifications were limited to analysis of historical financial statements of the Company, present operational structure and use of professional judgement as regard to the assumptions disclosed under section of 'Discounted cash flows'. Forecasted results and assumptions have been discussed with the management of MDL and assumptions used has been compared with the past trends and macro-economic factors to the extent of availability of such information. ACP has made inquiries with the management on future plans in place to achieve the expected results .

ACP assumes no responsibility over the omission of information furnished by the Company. The industry information included in this report is based on external information sources mentioned therein and ACP has not independently verified such information.

Accordingly, the information and results should not be considered as a representation made by ACP and does not by any mean is a guarantee of future achievements of the Company. ACP does not accept any liability of a loss incurred by any person by acting or not acting based on the information presented in this Report. The recipients of this report are expected to make their own analysis and judgments considering the historical financial information and macro-economic factors that could affect the present and future operations of the Company.

The value recommendation provided in this report is valid for a period of 3 months from the date of the prospectus, provided no material changes are taking place in the Company's operating environment during the aforesaid period.

We also confirm that we are neither a related party of MDL as defined in Sri Lanka Accounting Standards, nor has a significant interest or financial connection with the Company.

Recipients of this document should make their own judgments and due diligence and ACP or its directors, employees or consultants assume no responsibility on claims made by any party regarding losses, damages or costs directly or indirectly incurred by them by relying on the information set out herein. All parties are advised to refer the Prospectus hosted on www.cse.lk and www.atarahcapital.com for more information.

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