

# Singapore 3Q20 Equity Strategy



*Responding with  
overwhelming force*

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4Jul20

Source: Unsplash

\*Responding to overwhelming (or decisive) force refers to terminating conflicts swiftly with minimum loss of life  
<https://www.stocksbnb.com/reports/phillip-3q20-singapore-strategy-responding-with-overwhelming-force/>

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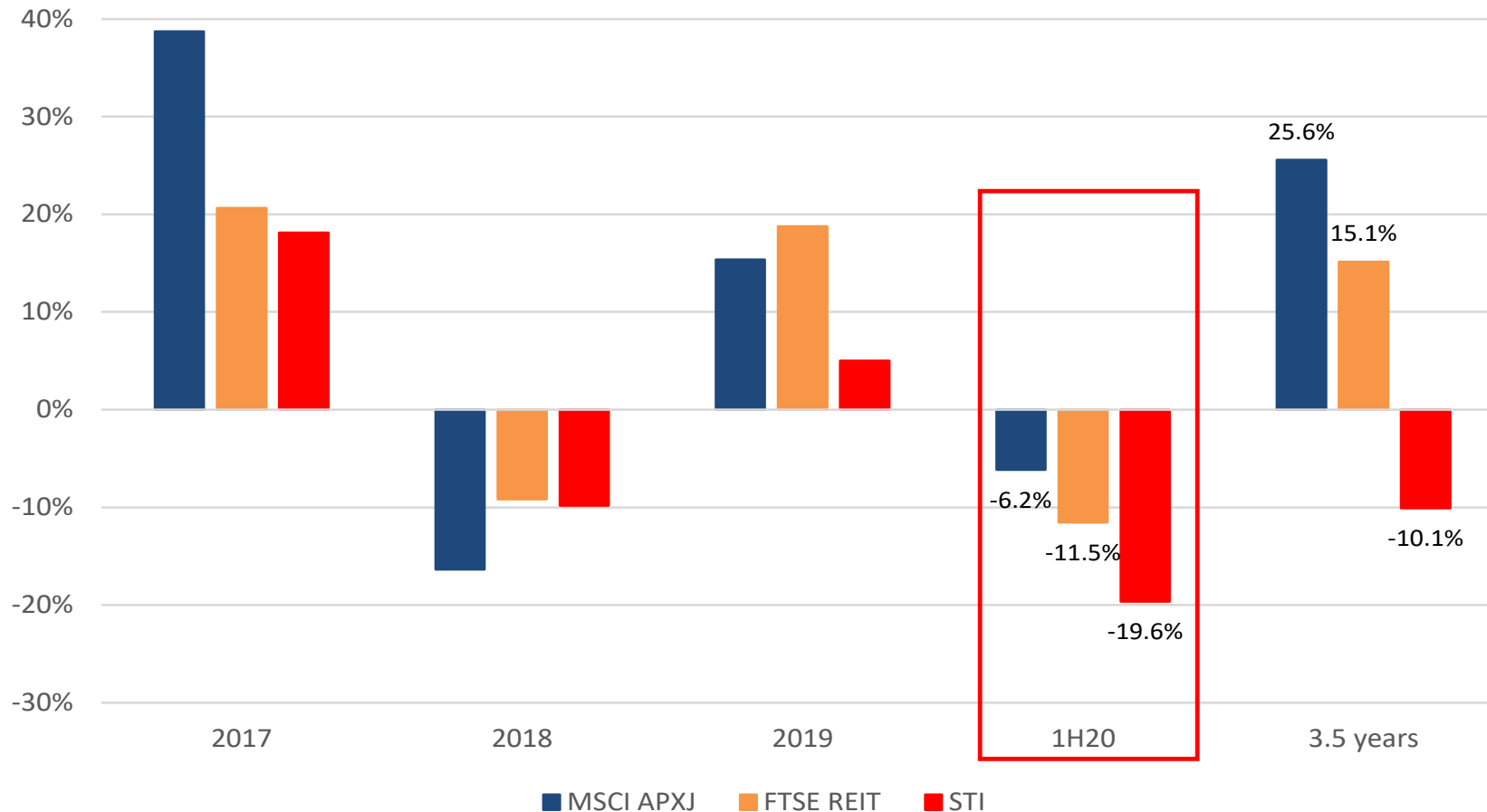
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# Agenda

- ✓ Review of 2Q20 performance
- ✓ Economic conditions
- ✓ The plus and minus
- ✓ Technical update
- ✓ Sector views
- ✓ Stock Picks
- ✓ Conclusion

# STI consistently underperform REITs

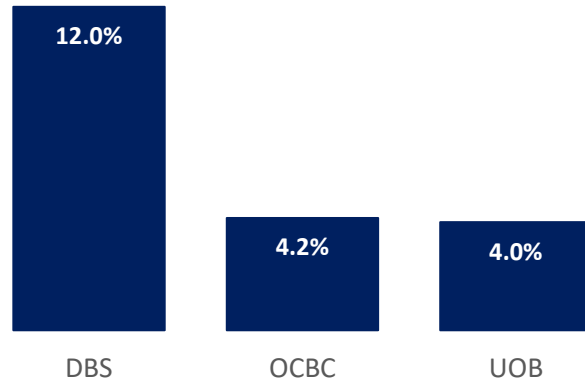
STI vs MSCI AXJ vs FTSE REIT



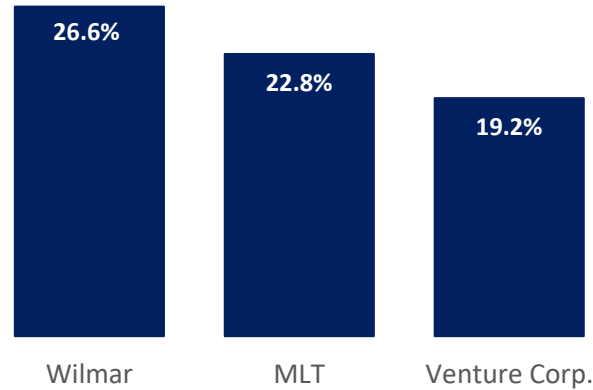
Source: Bloomberg, PSR. MSCI APXJ = MSCI Asia Ex-Japan (Top 5 holdings are Alibaba, Tencent, TSMC, Samsung, AIA)

# 2Q20 STI components performance

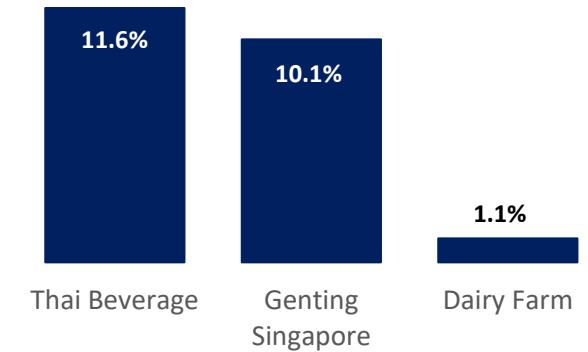
*DBS take the clear lead*



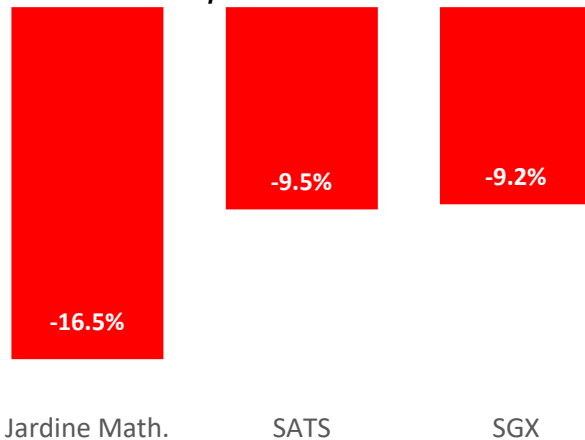
*Cyclicals perform well*



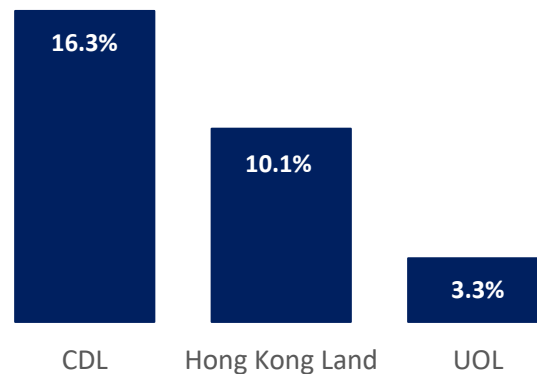
*Consumer recovered some ground*



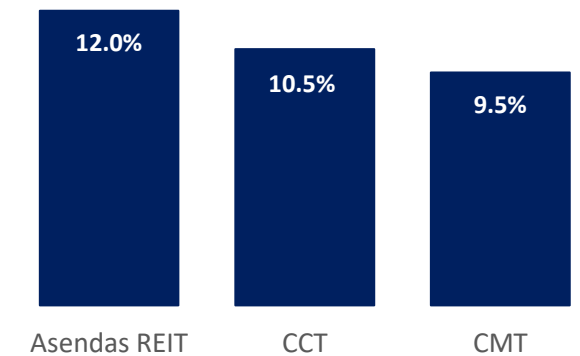
*Worst performers*



*Property recovered some losses*

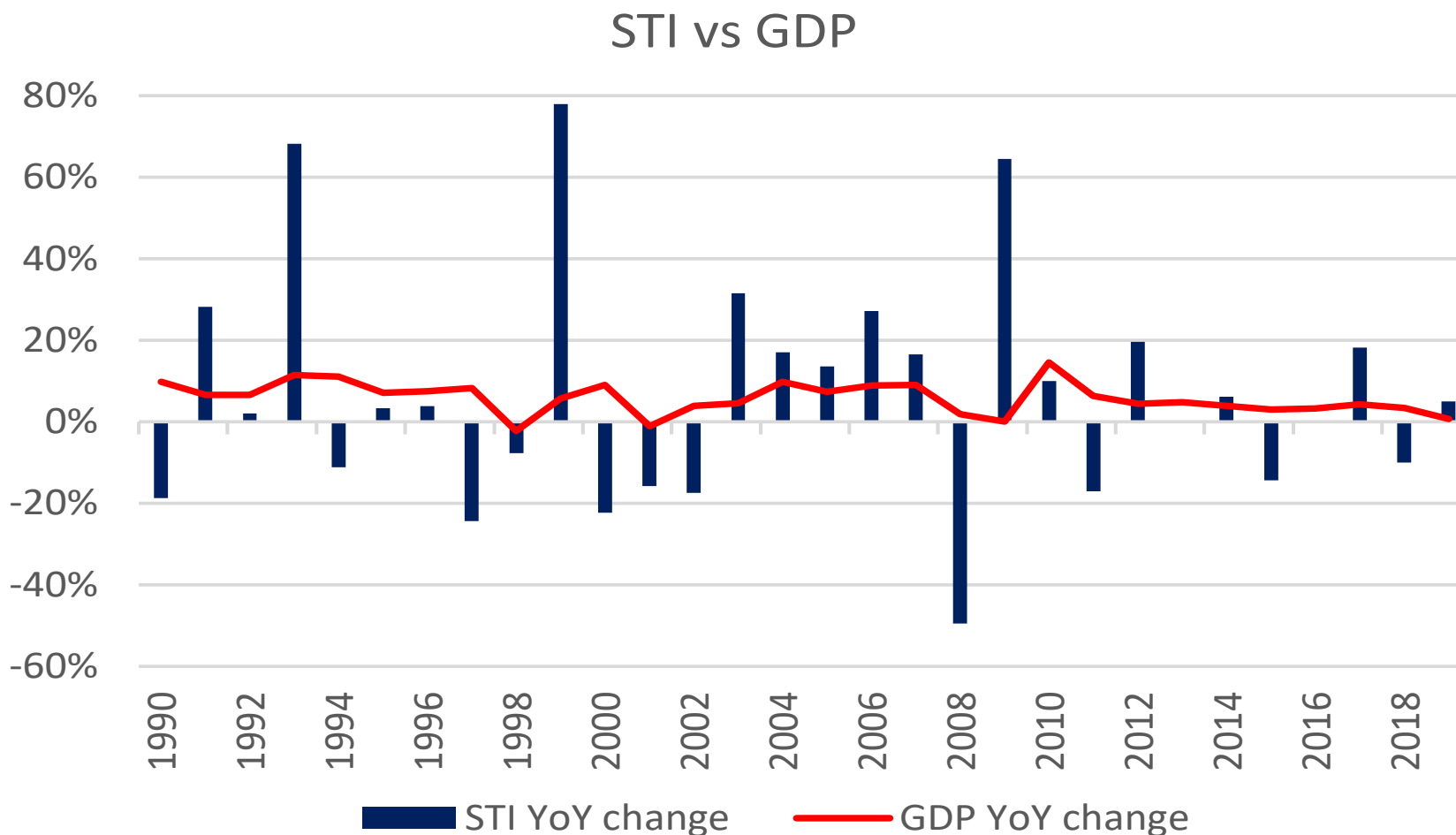


*REIT outperformed*



Source: Bloomberg, PSR, as at 30Jun20

# GDP not tightly linked to STI



	STI	GDP
1990	-18.7%	9.8%
1991	28.2%	6.7%
1992	2.1%	6.6%
1993	68.2%	11.5%
1994	-11.2%	11.1%
1995	3.4%	7.2%
1996	3.9%	7.5%
1997	-24.3%	8.3%
1998	-7.6%	-2.2%
1999	78.0%	5.7%
2000	-22.3%	9.0%
2001	-15.7%	-1.1%
2002	-17.4%	3.9%
2003	31.6%	4.5%
2004	17.1%	9.8%
2005	13.6%	7.4%
2006	27.2%	9.0%
2007	16.6%	9.0%
2008	-49.4%	1.9%
2009	64.5%	0.1%
2010	10.1%	14.5%
2011	-17.0%	6.3%
2012	19.7%	4.5%
2013	0.0%	4.8%
2014	6.2%	3.9%
2015	-14.3%	3.0%
2016	-0.1%	3.2%
2017	18.3%	4.3%
2018	-9.9%	3.4%
2019	5.0%	0.7%

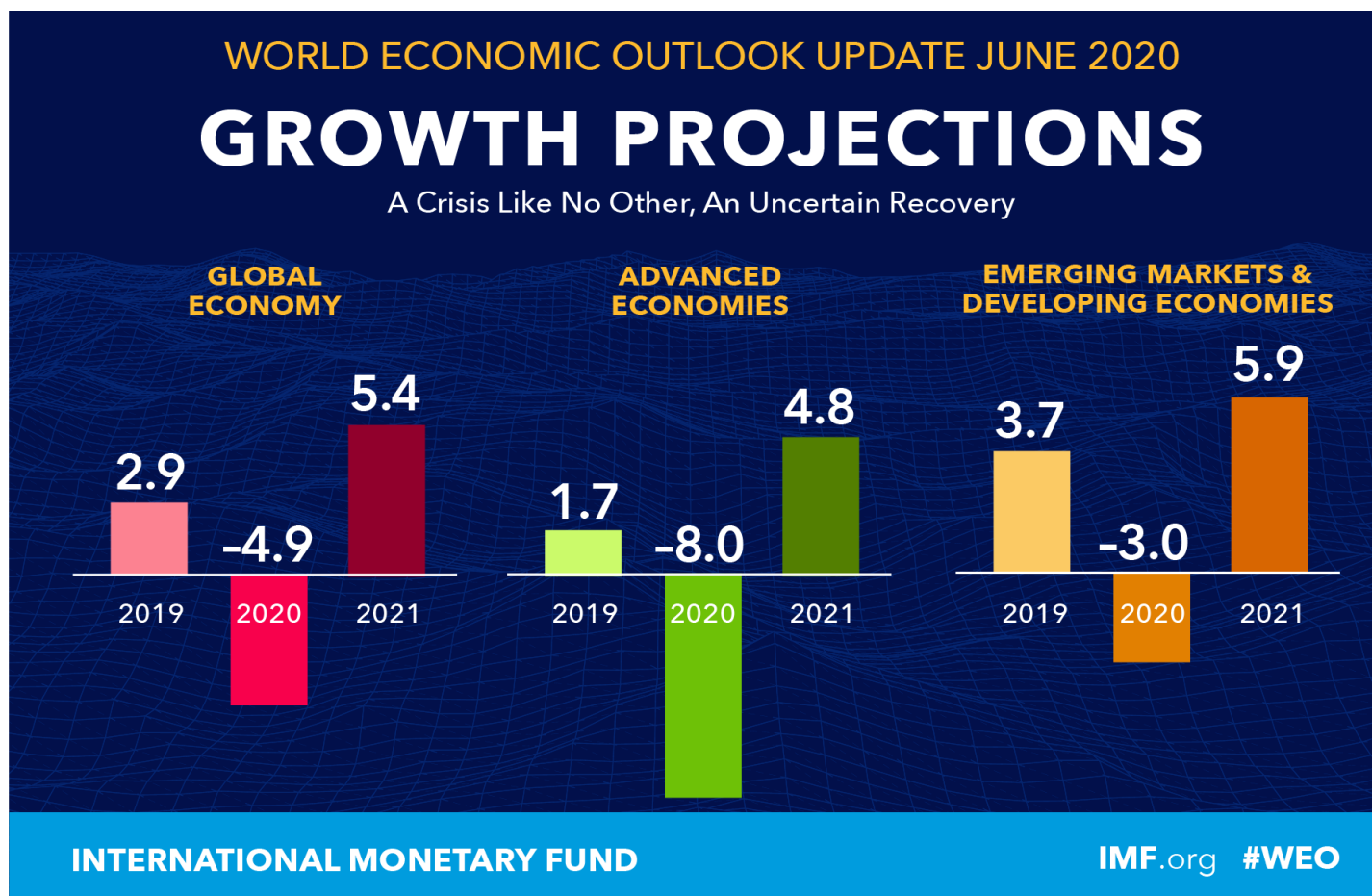
Source: CEIC, PSR

# Economic Conditions





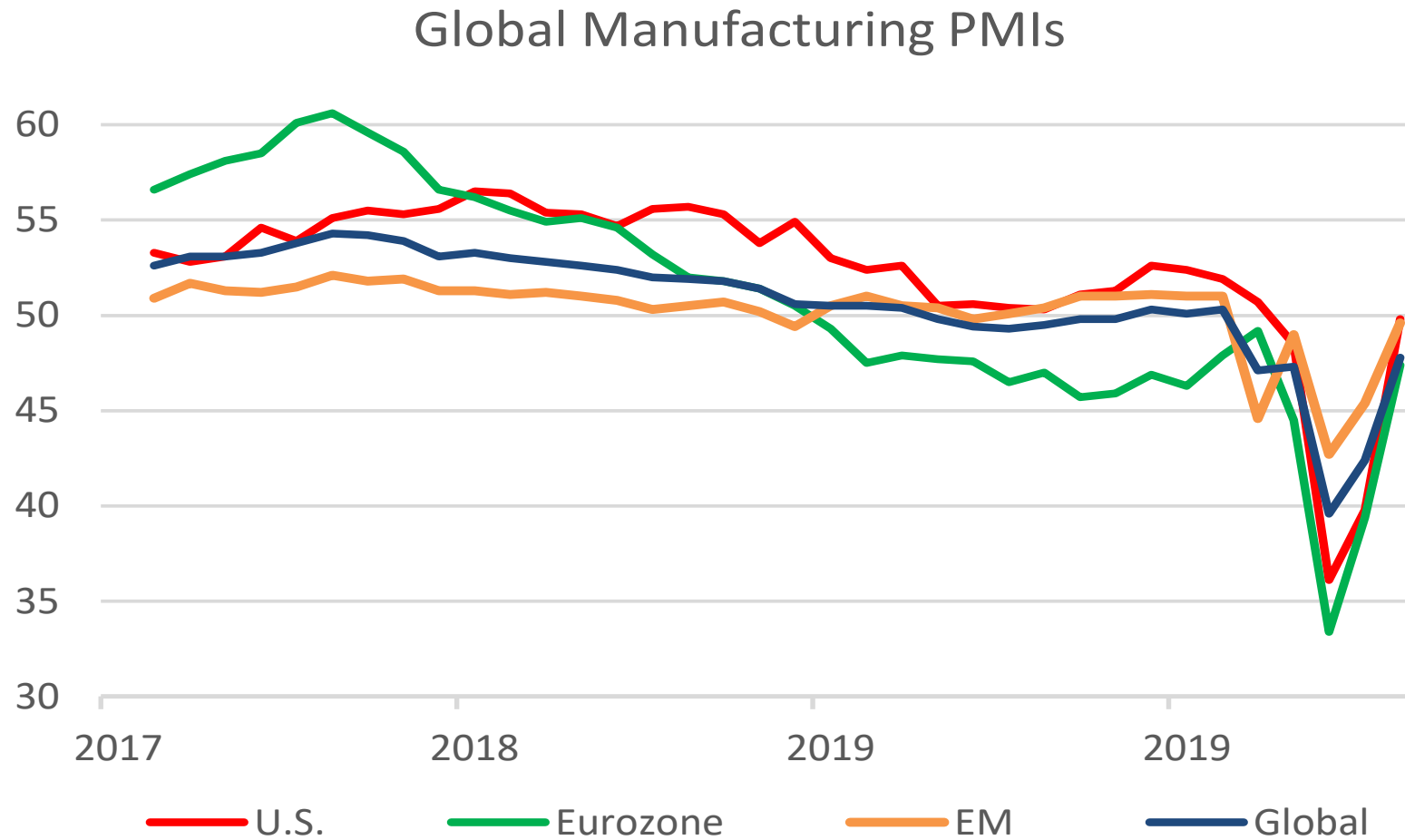
# Bad news: we in a recession....Good news: priced in



Source: PSR, IMF Jun20 <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>

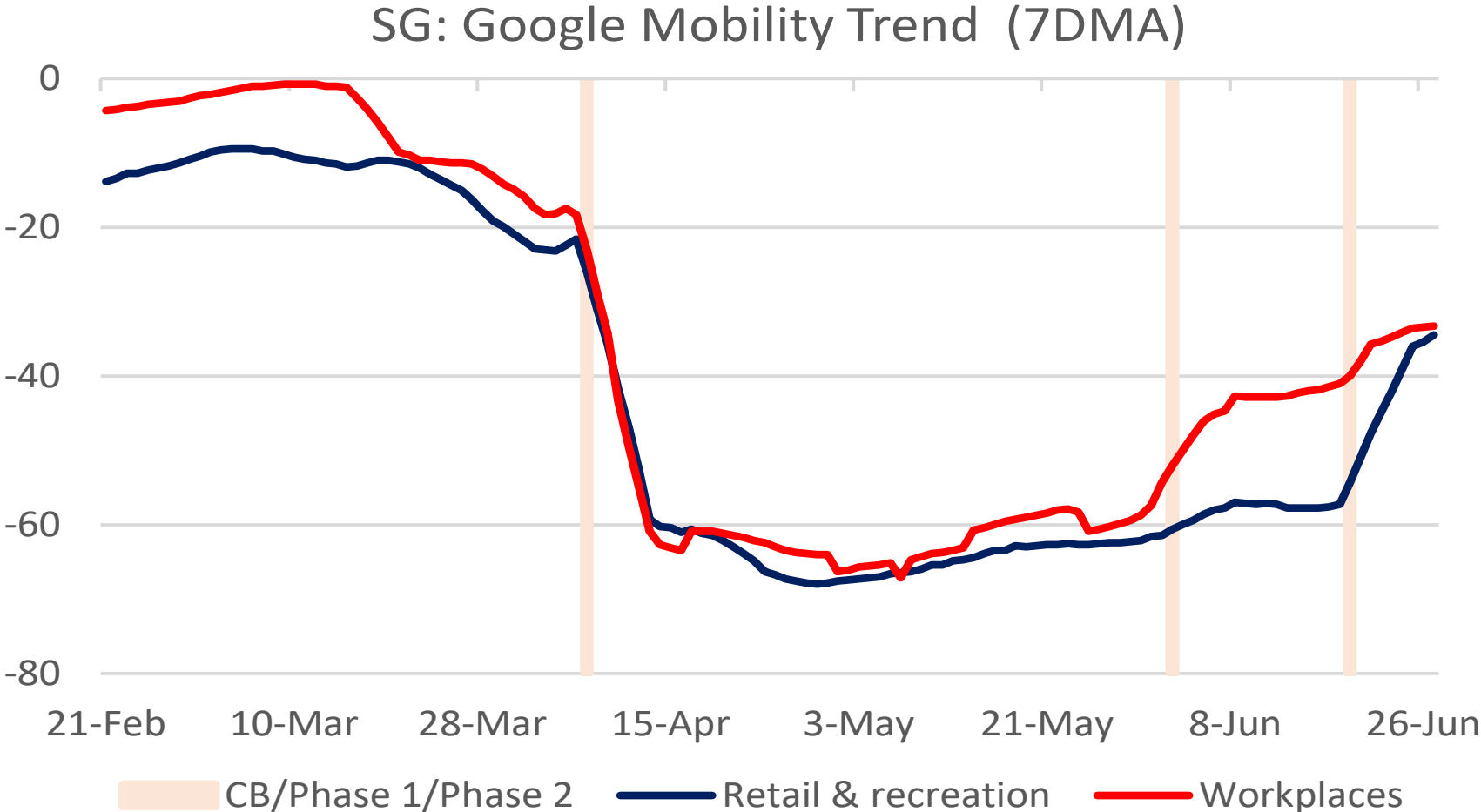


# Manufacturing is recovering albeit in contraction mode



Source: PSR CEIC, Markit

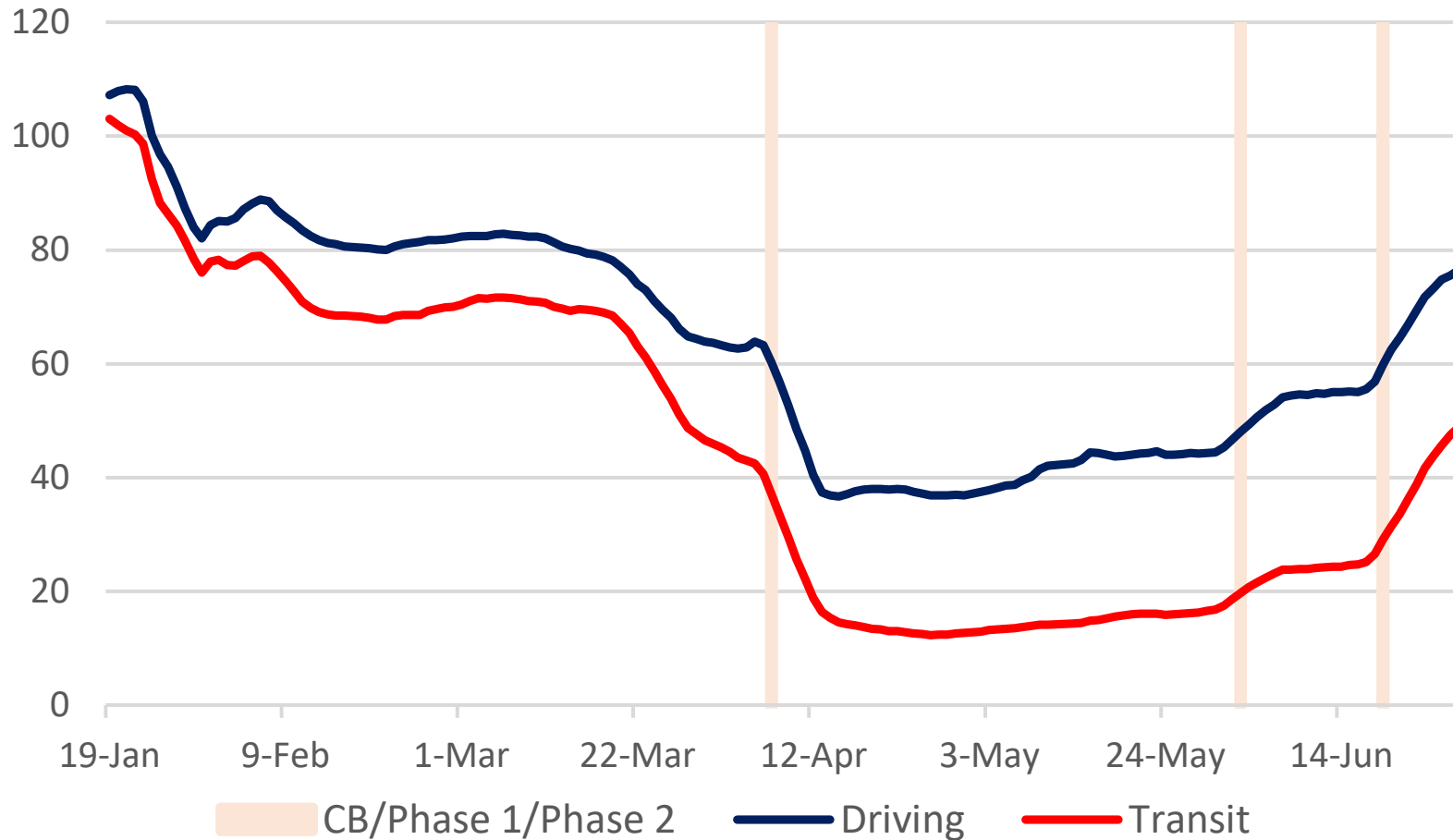
# Activity returning to Singapore



Source: PSR, <https://www.google.com/covid19/mobility/> (27Jun20)

# Shape of recovery not clear, but bottom has formed

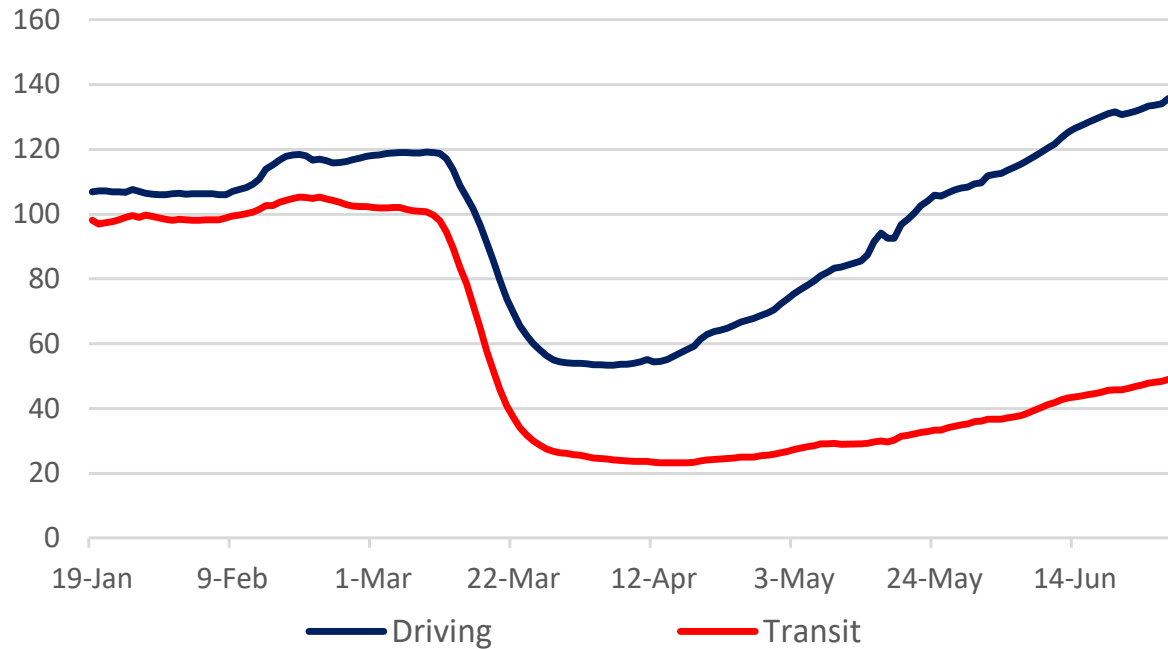
SG: Apple Mobility Trends (7DMA)



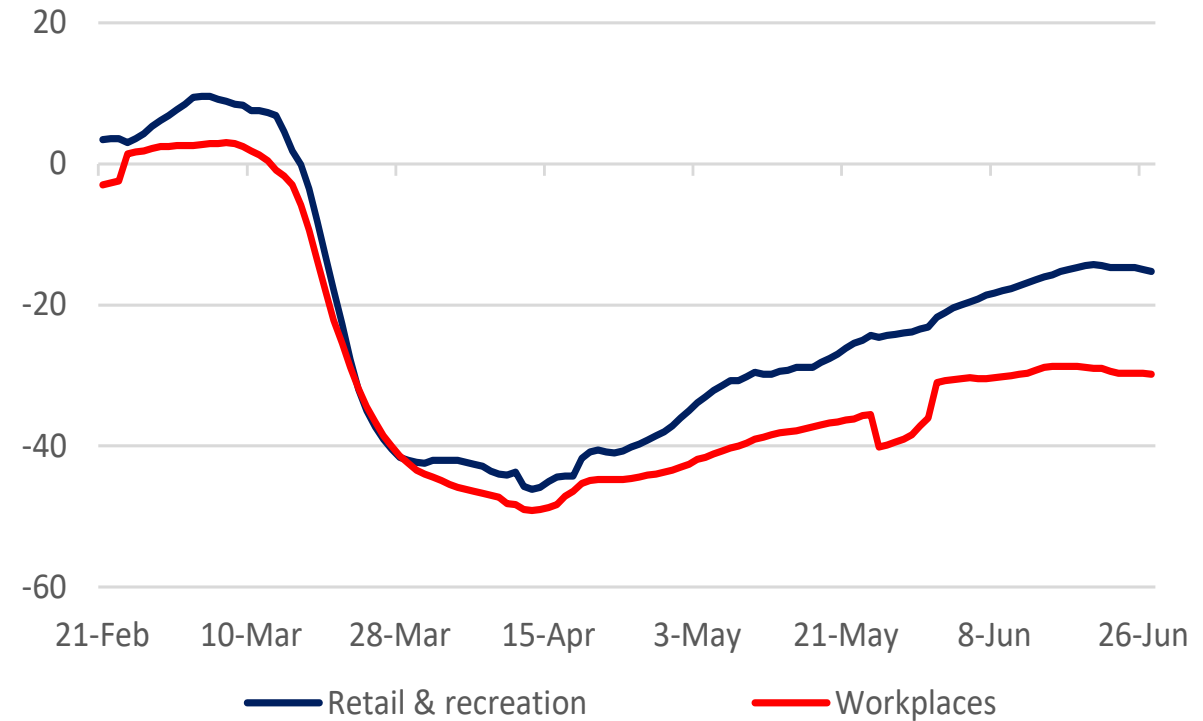
Source: PSR, <https://www.apple.com/covid19/mobility> (29Jun20)

# And a recovery is underway

US: Apple Mobility Trends (7DMA)



US: Google Mobility Trend (7DMA)



Source: PSR, <https://www.apple.com/covid19/mobility> (29Jun20)

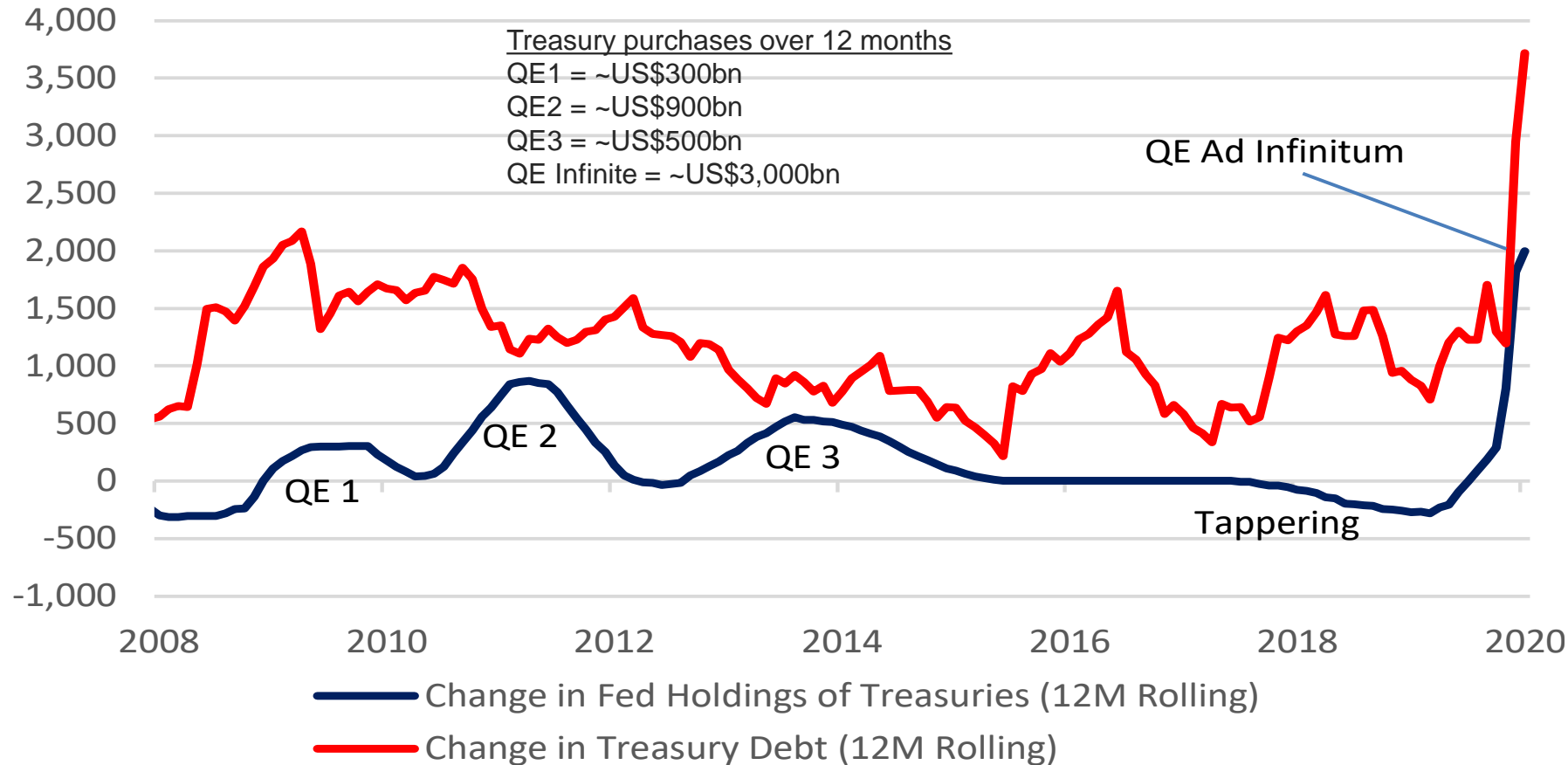
# The plus and minus



Source: unsplash.com

# Plus no. 1: Largest monetary stimulus

## QE to infinity and beyond (US\$bn)

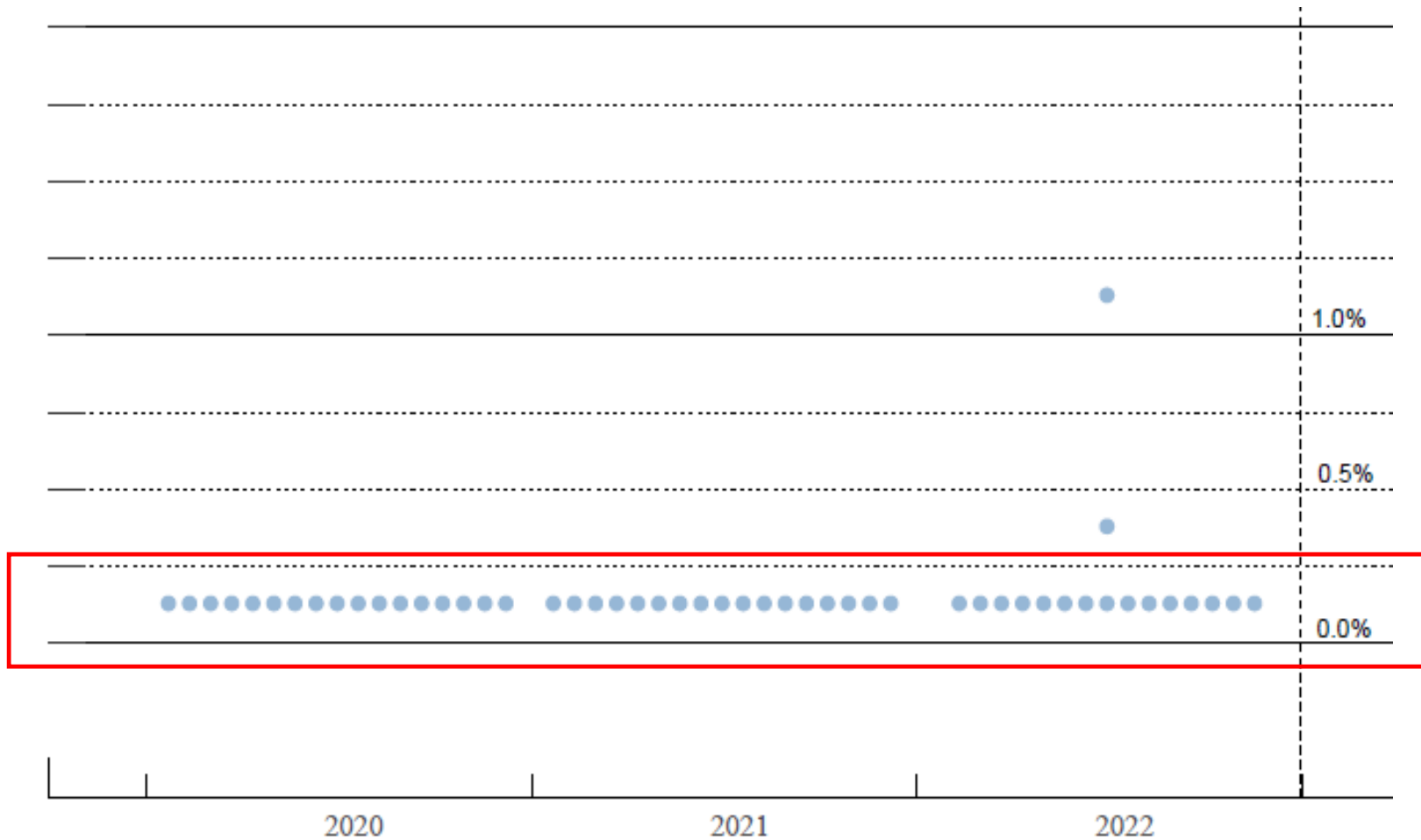


“will purchase Treasuries and MBS in the amounts needed”

- Fed press release 23Mar20

Source: CEIC, PSR

# .... And guiding no rate changes next 2.5 years



“We-re not even thinking about thinking about raising (interest) rates“

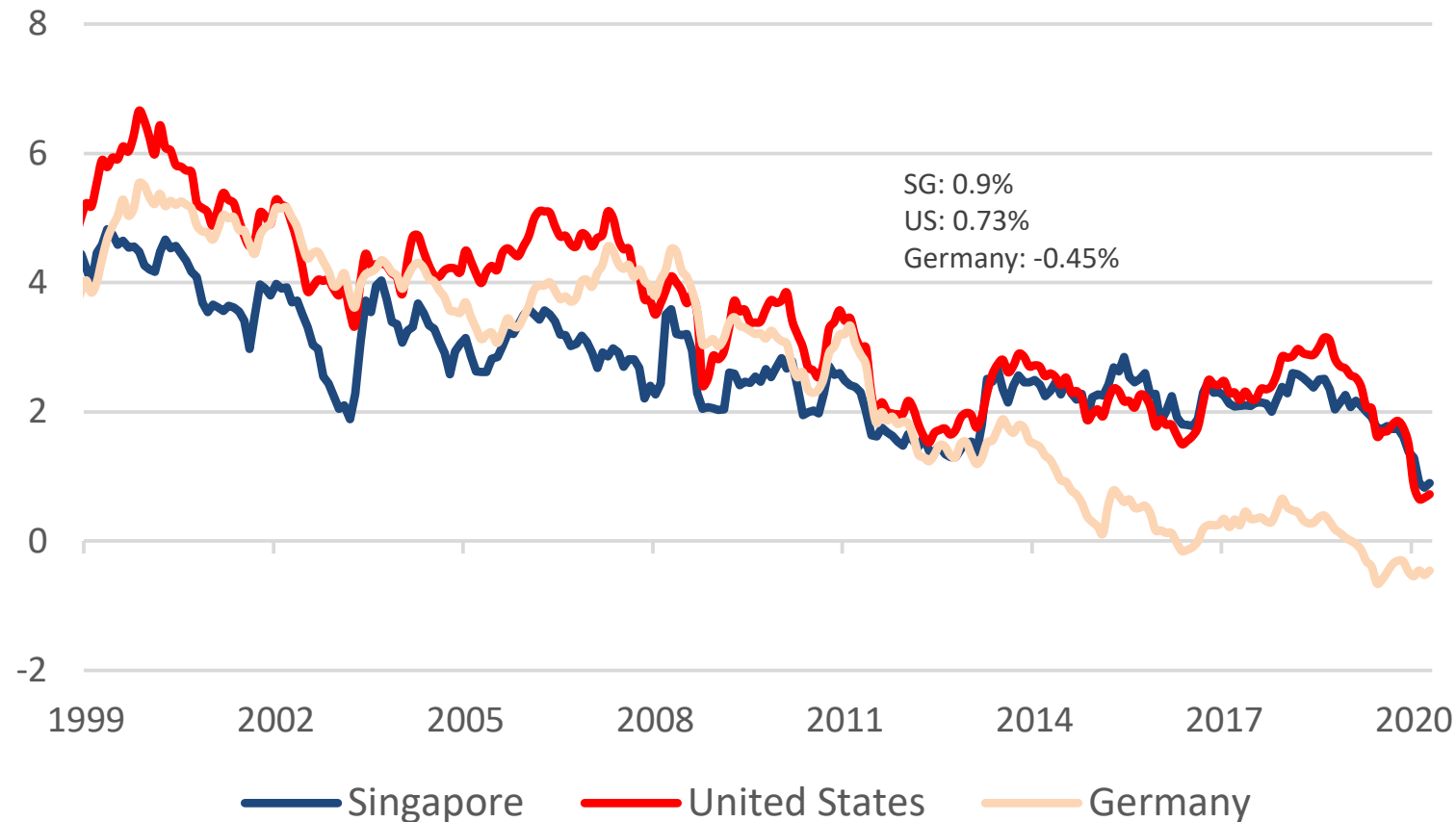
- Fed Chairman Jerome Powell on 10June 20 press conference

Source: FOMC Meeting 10June, PSR



# Record low interest rates will remain

## 10Y Govt Bond Yields - SG, US, Germany



“we find no intrinsic value in government bonds except as a hedge against market routs”

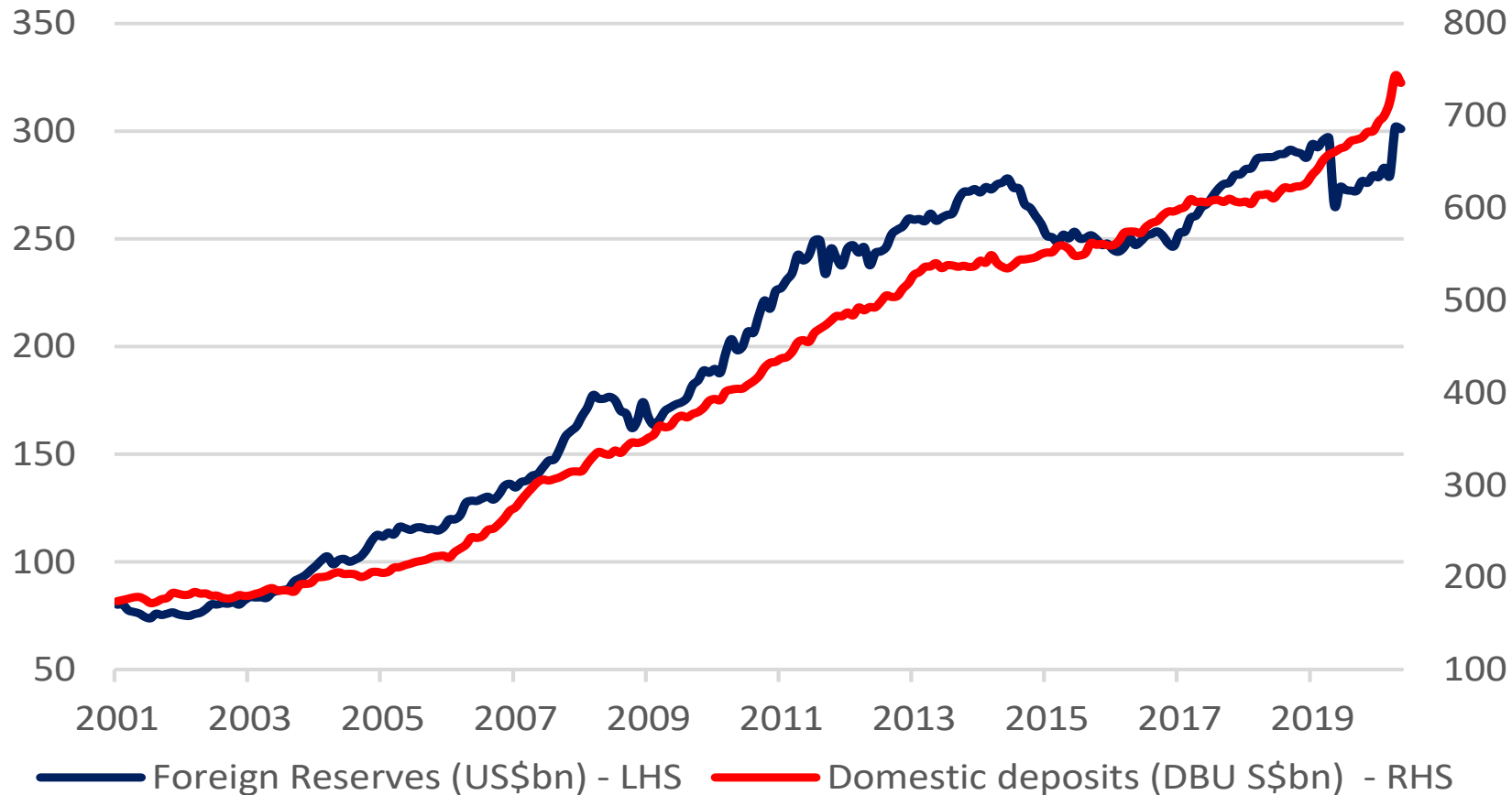
- 3Q20 Strategy report

- ✓ Growth Stimulus
- ✓ Positive for asset prices
- ✓ Equity relative attractive
- ✓ Yield the most valuable

Source: CEIC, PSR

# Record levels of cash being hoarded

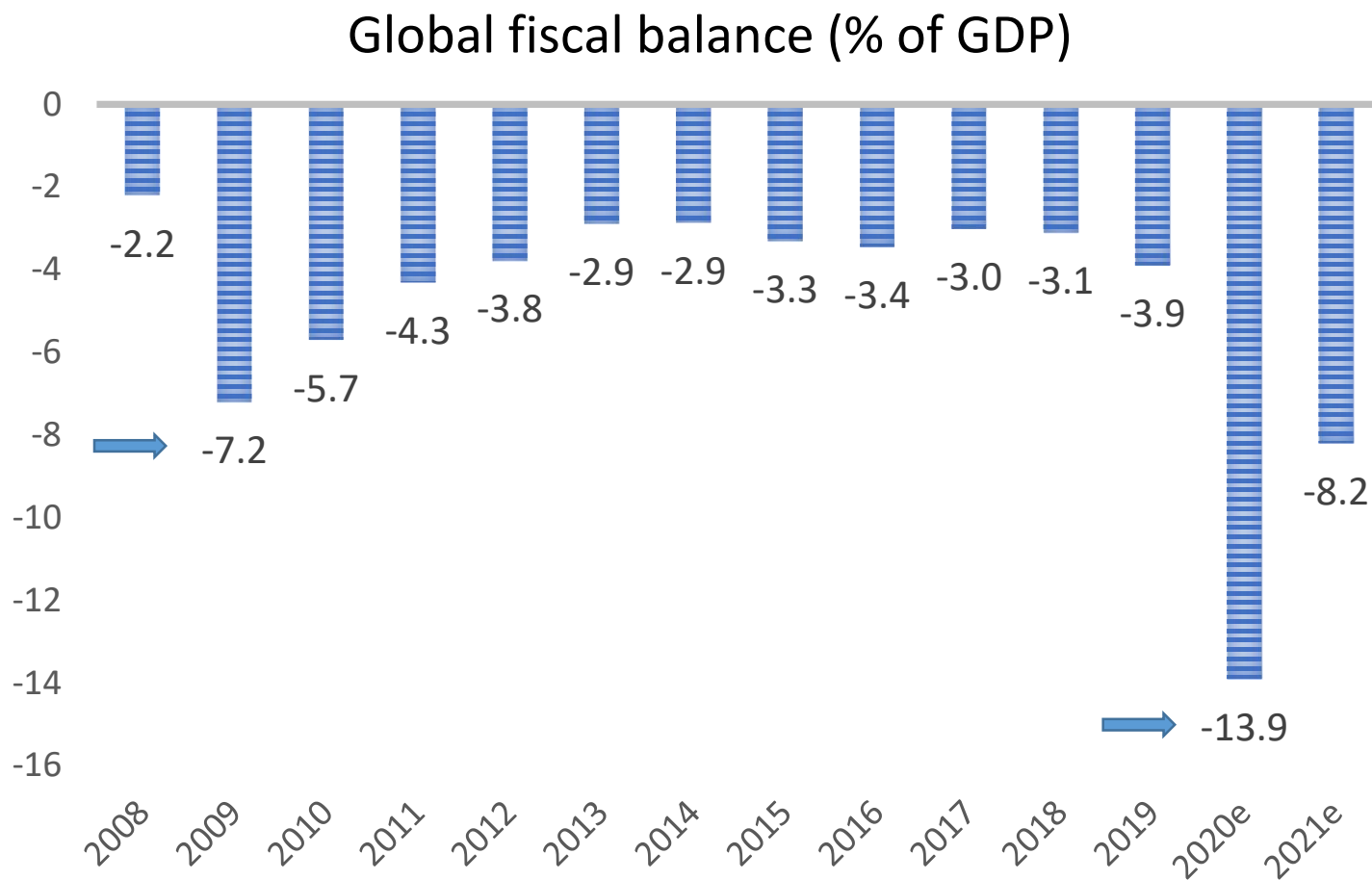
SG: Liquidity conditions



Year	FX Reserves (US\$bn)	Deposits (S\$bn)
2016	-1.1	+36.6
2017	+33.3	+9.7
2018	+7.7	+21.3
2019	-8.2	+55.7
YTD5/20	+21.5	+52.2

Source: CEIC, PSR

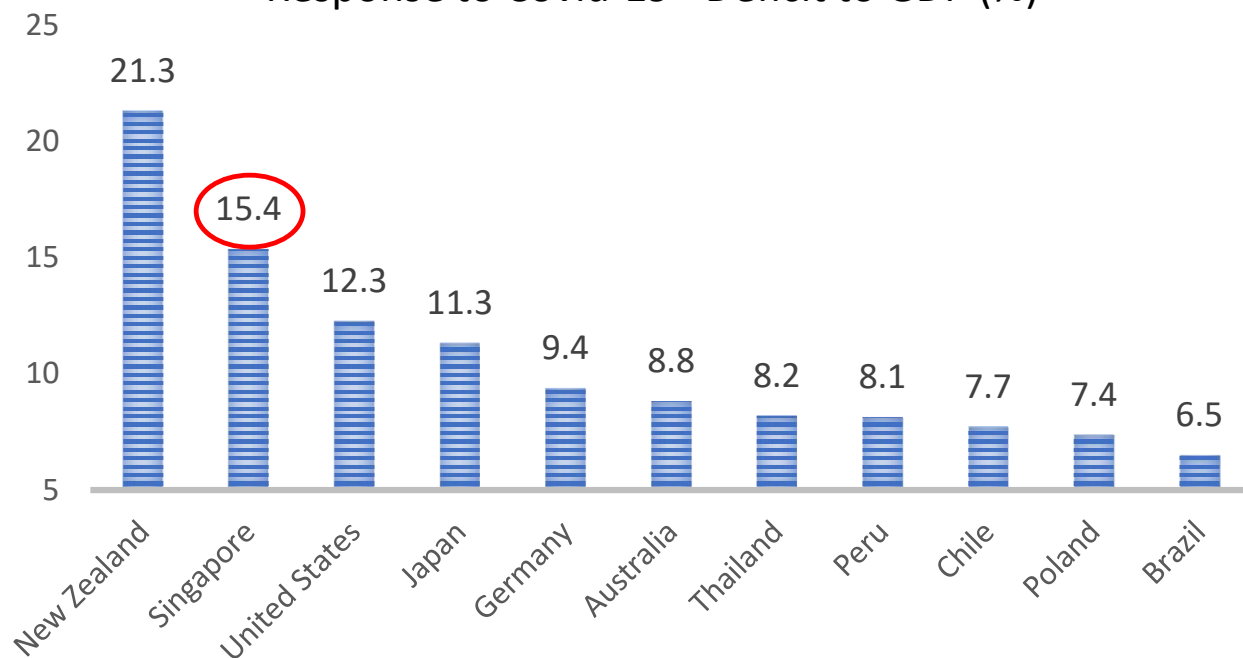
# Plus No.2: Fiscal stimulus double the GFC worth US\$11tr



Source: IMF, PSR

# Singapore fiscal response is one of the largest globally

Top 10 Countries  
Response to Covid-19 - Deficit to GDP (%)

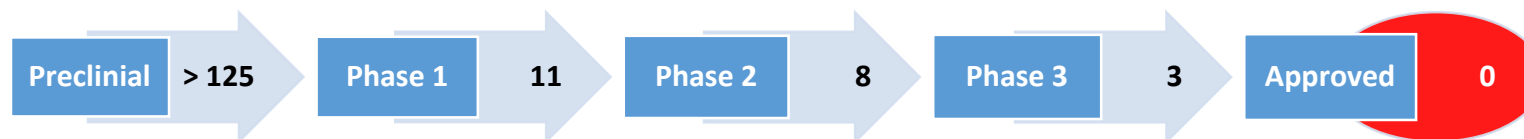


	Date	Budget Spend S\$bn	Total Exp. S\$bn	Special Transfers S\$bn	Overall Deficit S\$bn	Overall Deficit % of GDP	Reserves Draw S\$bn
Unity	18-Feb-20	6.8	83.6	22.0	10.9	2.1%	
Resilience	26-Mar-20	48.0	89.1	39.6	39.2	7.9%	17
Solidarity	6-Apr-20	5.1	89.8	43.6	44.3	8.9%	4
Fortitude	26-May-20	33.0	110.5	51.2	74.3	15.4%	31
Total		92.9					52
2019 Budget			78.2	15.3	1.65	0.3%	

Source: PSR, IMF Fiscal Monitor, MOF, singaporebudget.gov.sg

# Plus No.3: Global effort for vaccine, > 140 companies

Vaccine Test Stage and number of companies

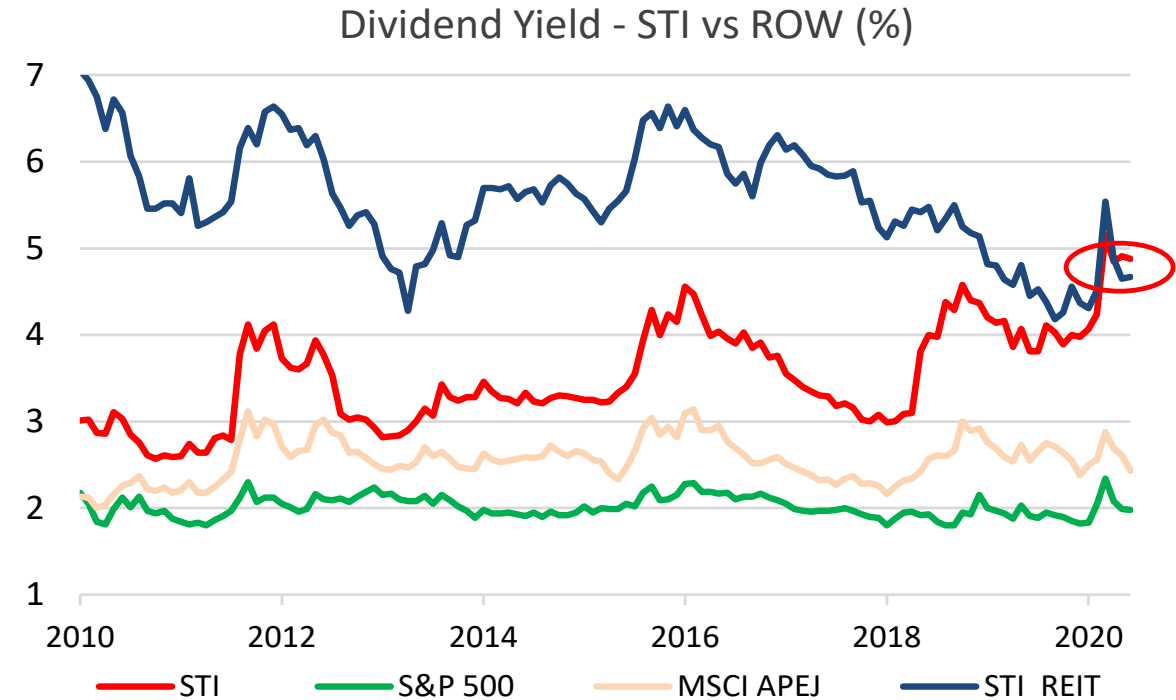
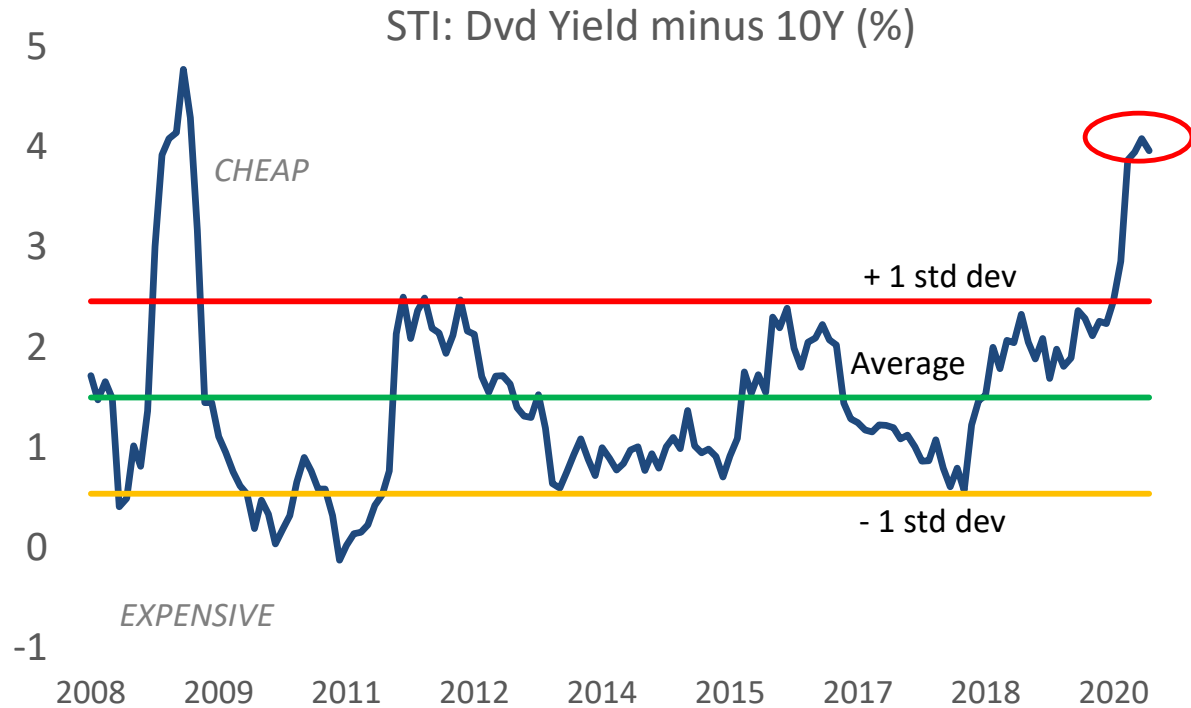


Stage	Number	Companies
Preclinical	> 125	Merck, Novartis, J&J, Sanofi, Vaxart
Phase 1	11	Genexine, Anhui Zhifei, Clover Biopharmaceutical, Inovio, CureVac, Genexine, ASV*, GRI*
Phase 2	8	Moderna, Sinovac, IMB*, BPF*, Novavax, CanSino Biologics, Imperial College London, CanSino Biologics
Phase 3	3	Sinopharm, Murdoch Children's Research Institute, AstraZeneca
Approval	0	

News of a vaccine can cause a rally in the market

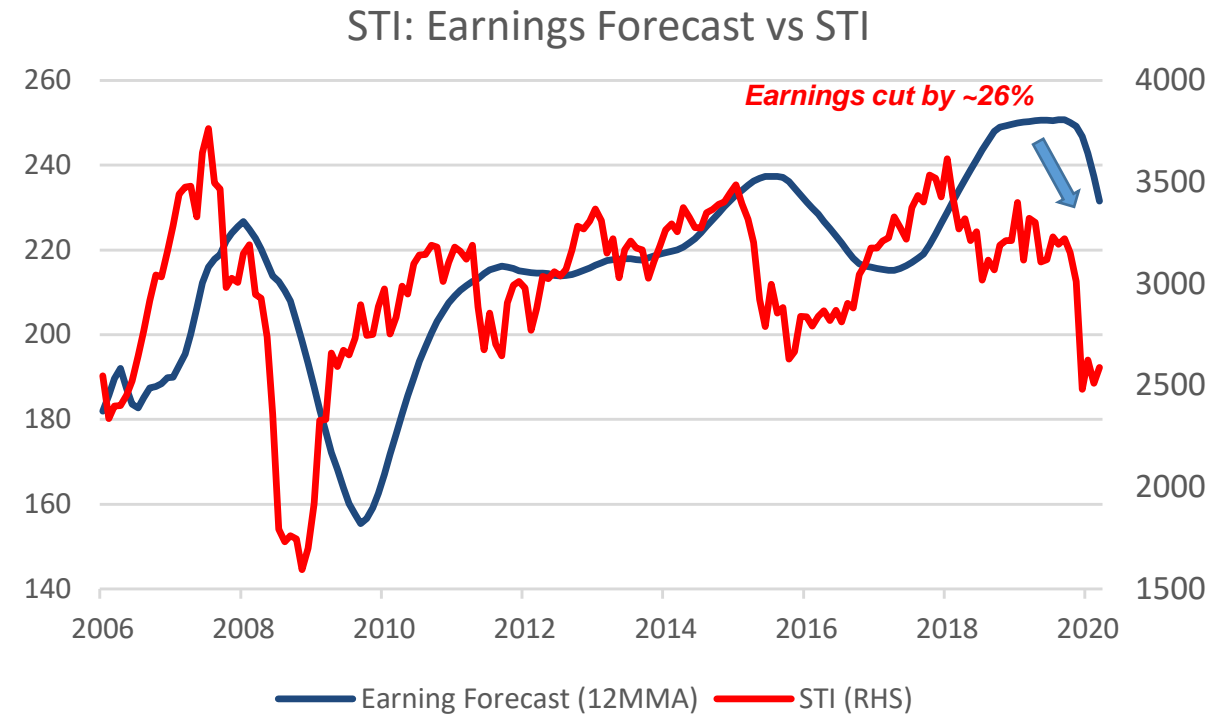
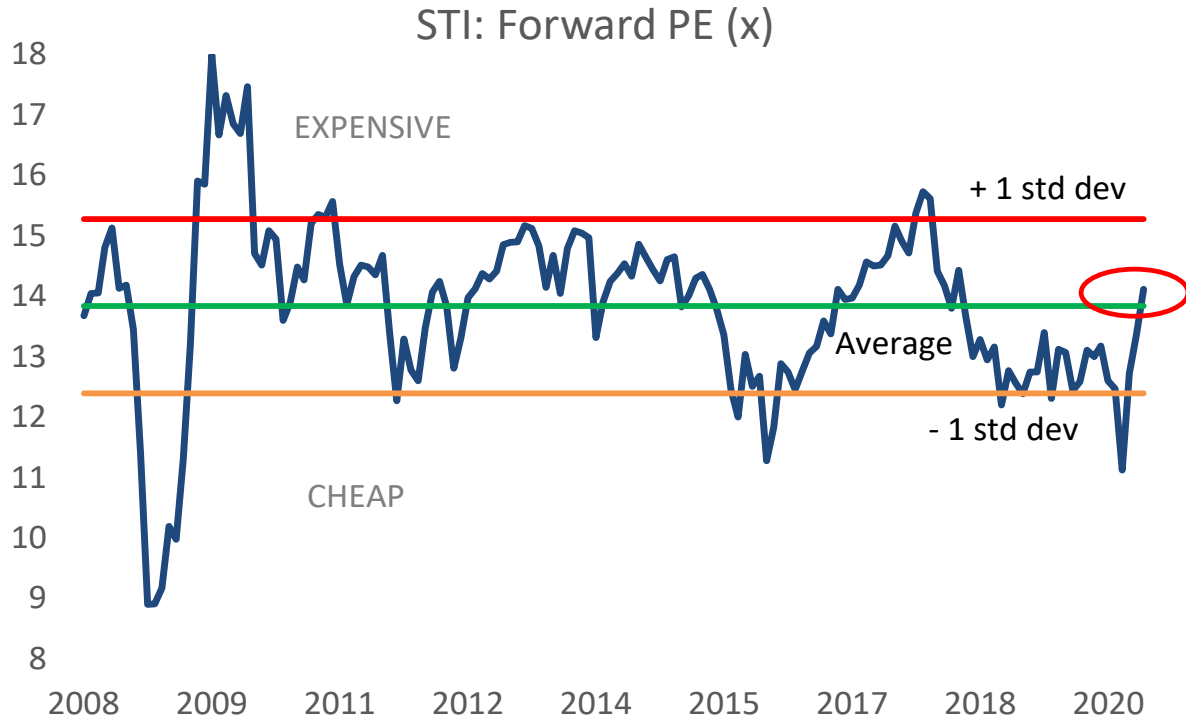
Source: New York Times, PSR, <https://www.nytimes.com/interactive/2020/science/coronavirus-vaccine-tracker.html>

# Valuations remain attractive on dividend yield.....



Source: PSR, Bloomberg

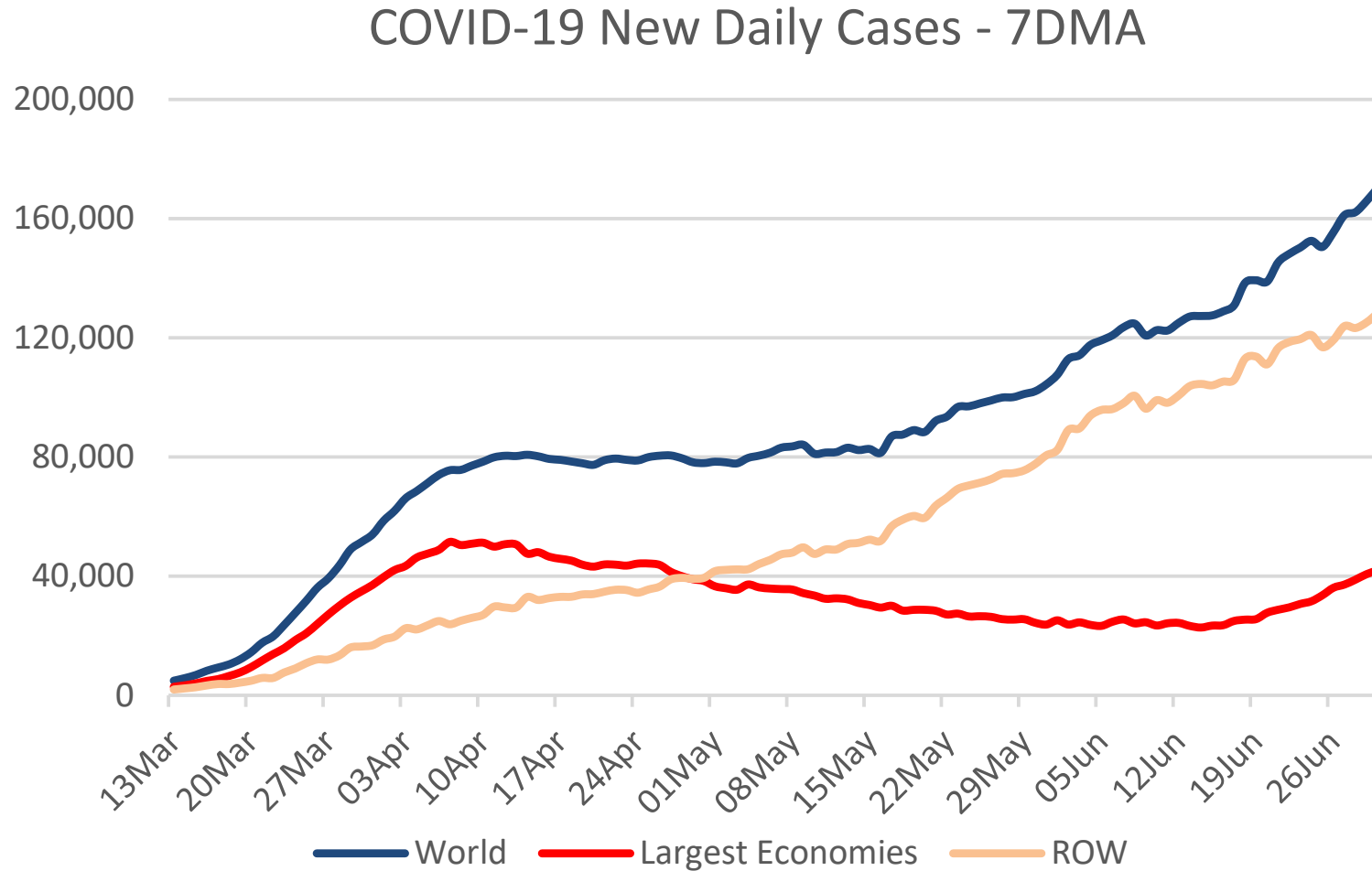
# .... even on PE after 27% cut in earnings this year



Source: PSR, Bloomberg



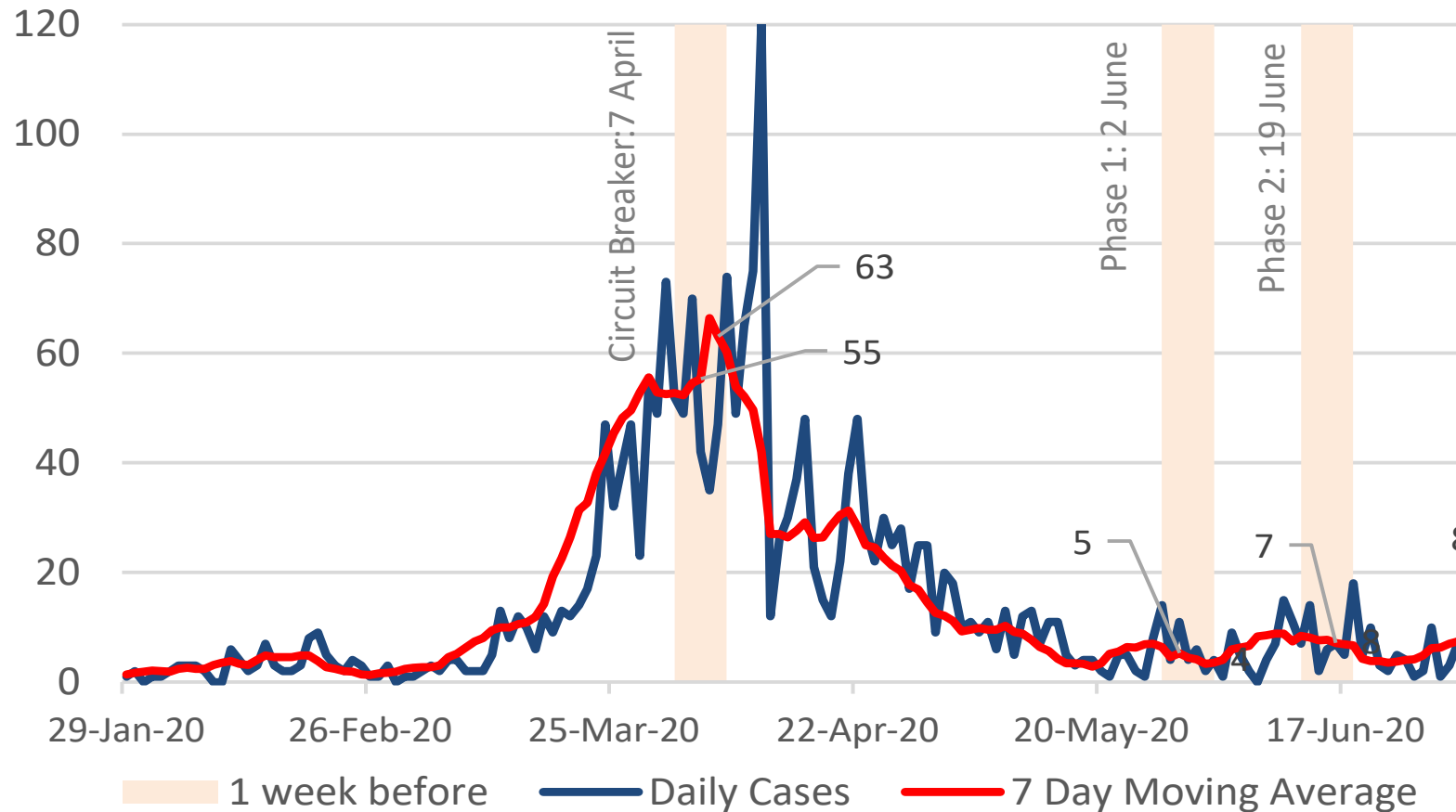
# The minus ....Covid-19 cases stubbornly high



Source: CEIC, WHO, CDC, PSR, \*Largest economies - US, China, Germany, UK, Spain, Italy, France, Japan, S Korea

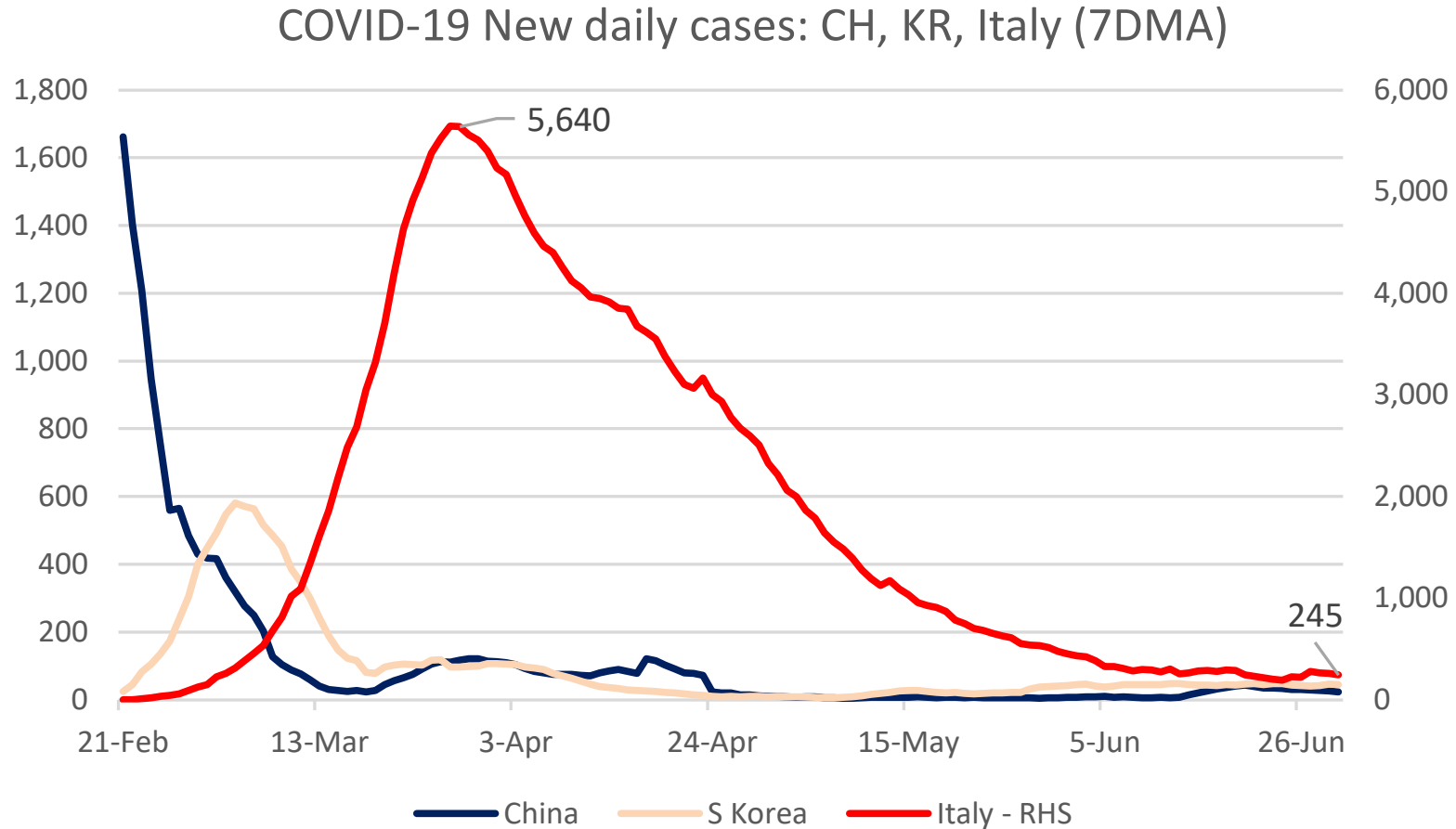
# Singapore cases are contained

## SG: Daily new Community + Imported Cases



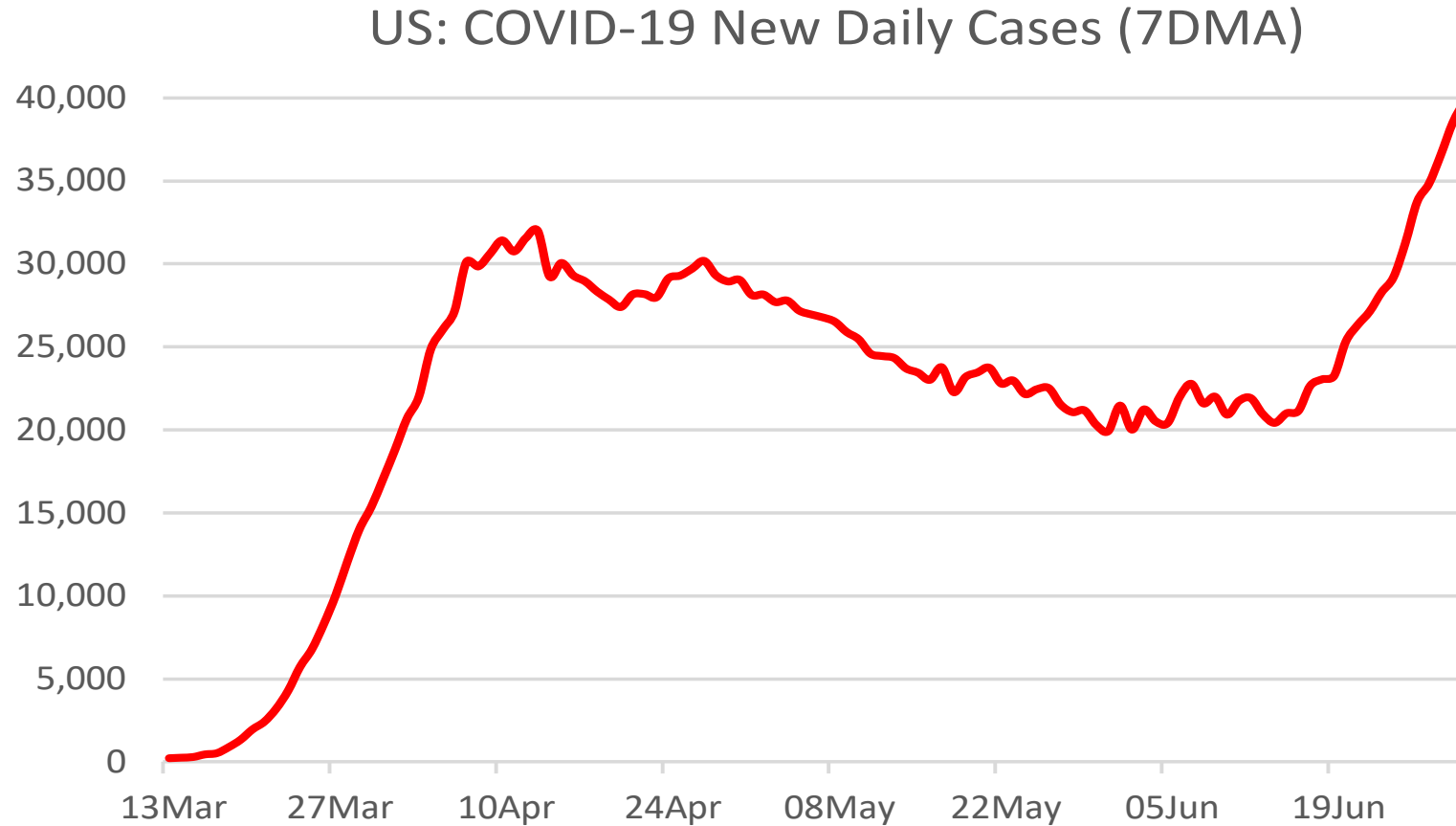
Source: MOH, PSR

# ..... similarly contained in worst hit countries



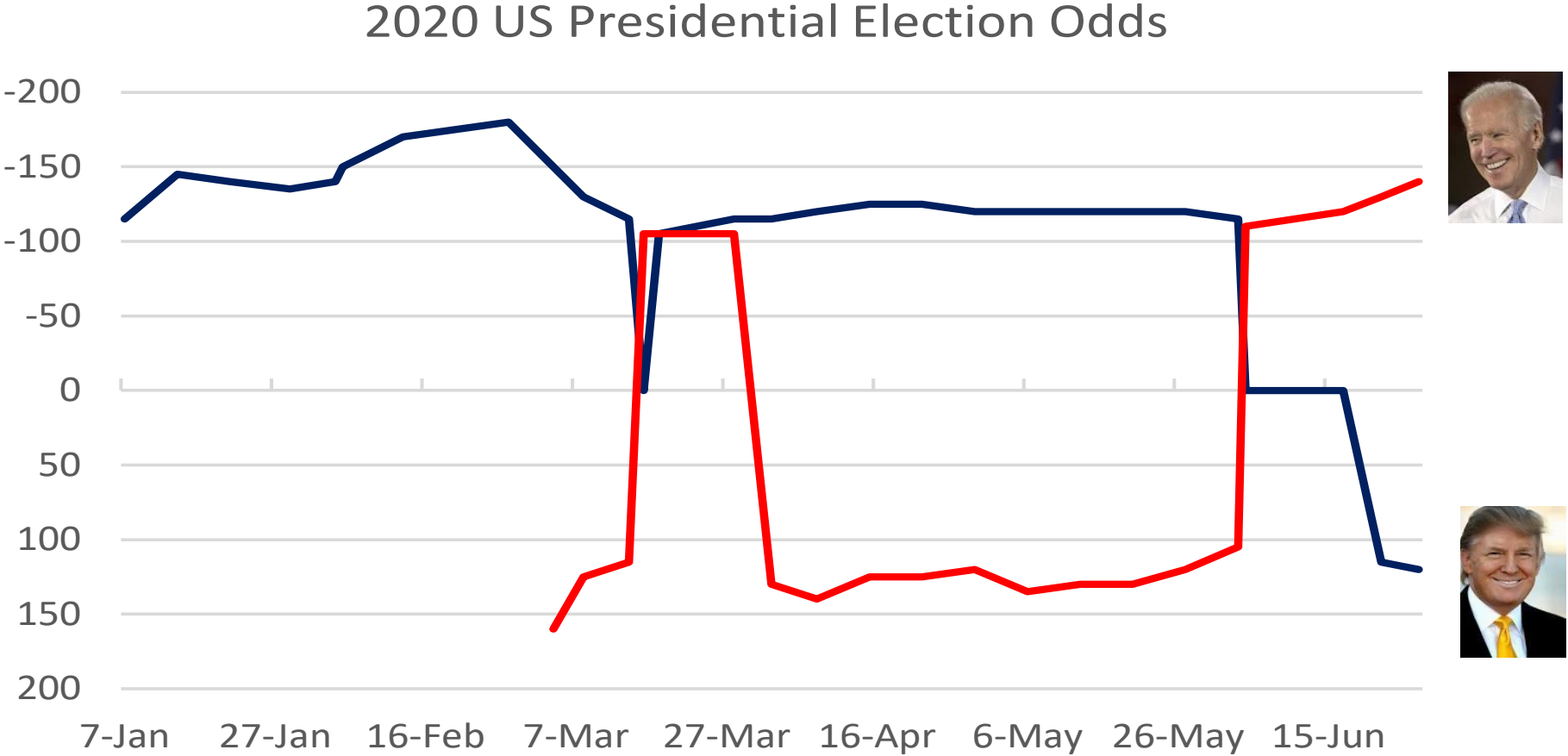
Source: CEIC, CDC, PSR

# U.S. please-lah wear mask...otherwise more lockdowns



Source: CEIC, CDC, PSR

# Another minus .... U.S. elections rhetoric



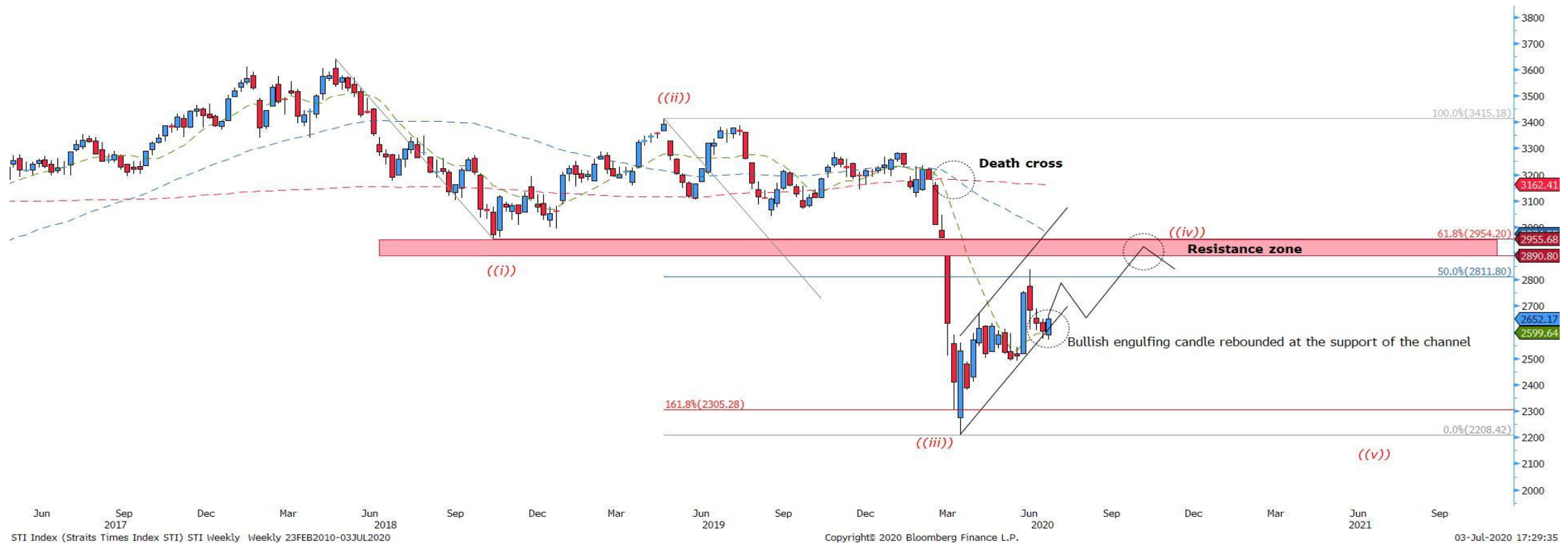
Source: PSR, oddsshark, Trump +120 or win \$120 for \$100 bet; Biden -150 or bet \$150 to win \$100, 27Jun20

# Singapore Market Outlook: Through the lens of Technical

Chua Wei Ren  
Technical Analyst

# STI seen some uptick but prices is still below key levels

- Prices had a strong sell-down below 50.0% of wave ((iii)) in early June.
- Rebound was seen at the start of July at the support of the channel.
- High probability of STI testing the resistance zone between 2,900 and 2,954.20. once the 50% level is broken.
- As long as STI remains below 3,000-3,045, the index is still in the bearish territory.



Source: Bloomberg, PSR



# Daily Chart wave analysis indicate a clearer short term run

- 2,636.05-2,598.40, Straits time Index will likely test the new resistance level at 2,900
- True enough, STI broke out of the falling wedge and Thursday saw the strongest rebound in 2 weeks.
- However, immediate resistance at 2,962 remain a strong immediate resistance to clear.



Source: Bloomberg, PSR

# DBS- Risk reward is rewarding

- DBS rebounded from 161.8% extension level of wave C at \$17.40.
- Rebound remain corrective in nature. However, as long as DBS stays above \$20.00 immediate support and breaks the resistance at \$22.50, DBS will likely test \$25.00.
- However, should DBS remains below \$22.50 while staying above \$20.00, then the possibility of a complex corrective flat will occur, which see prices testing the lower low in the long run.

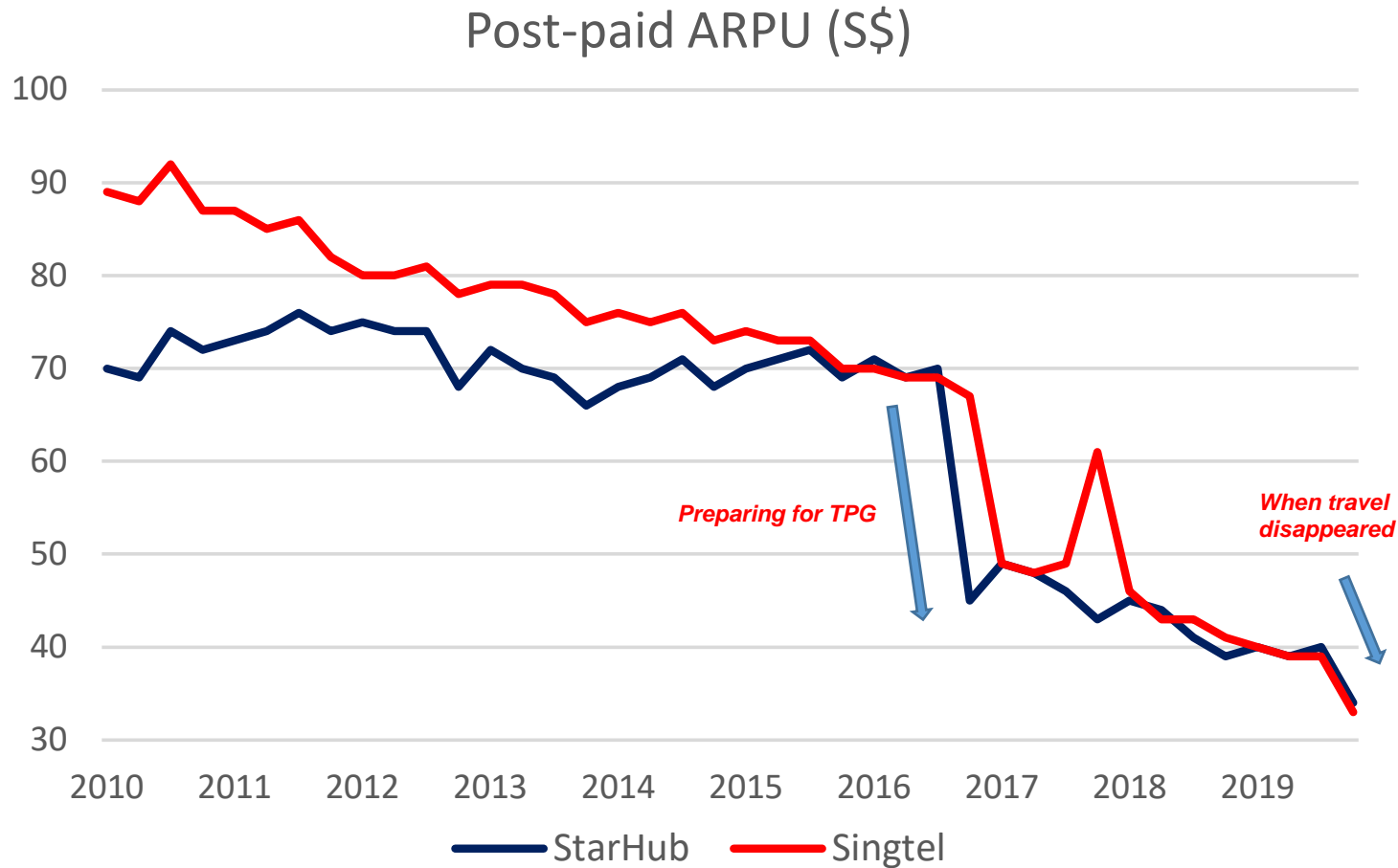


Source: Bloomberg, PSR

# Sector Views



# Telecommunications: No roaming will bite

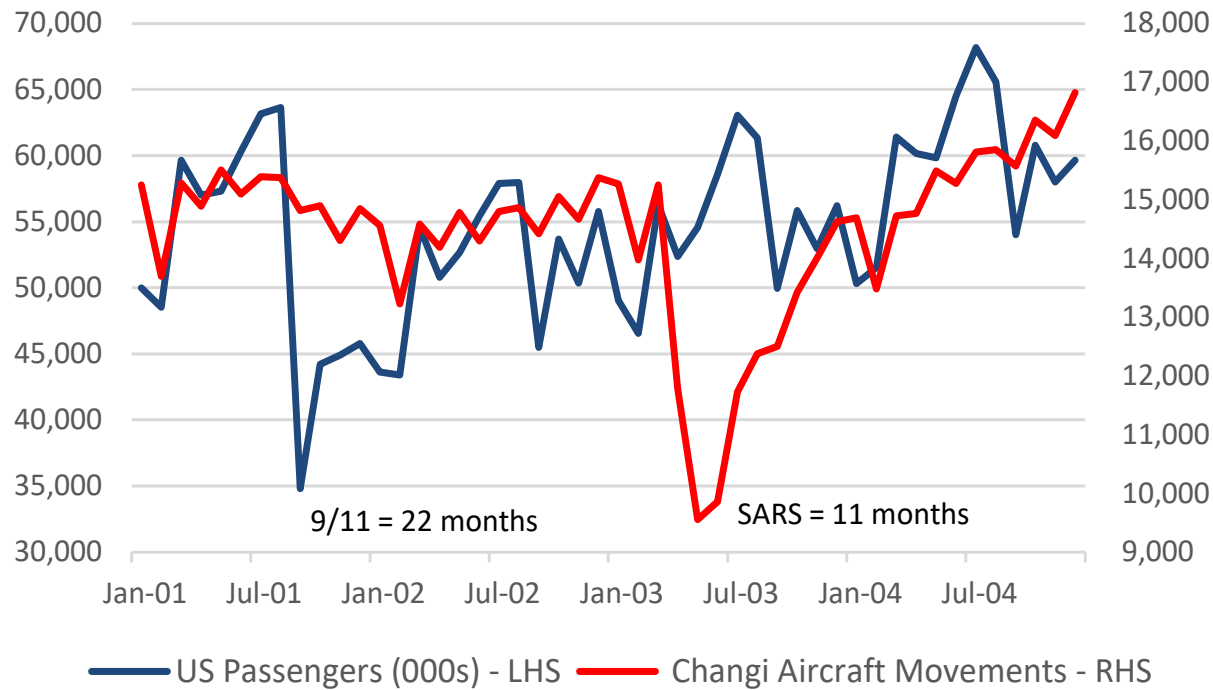


- **High margin roaming business:** Estimated 10-15% of revenue; 748 Apr20 vs 1.59mn Apr19
- **Optus:** Loss of NBN hurt fixed broadband consumer and corporate business for several quarters
- **Associates:** Bharti performing well as competition subsidies
- **Weak emerging market :** Less spend on prepaid services
- **No guidance:** Both telcos not providing any guidance on their outlook
- Rating: **NEUTRAL**

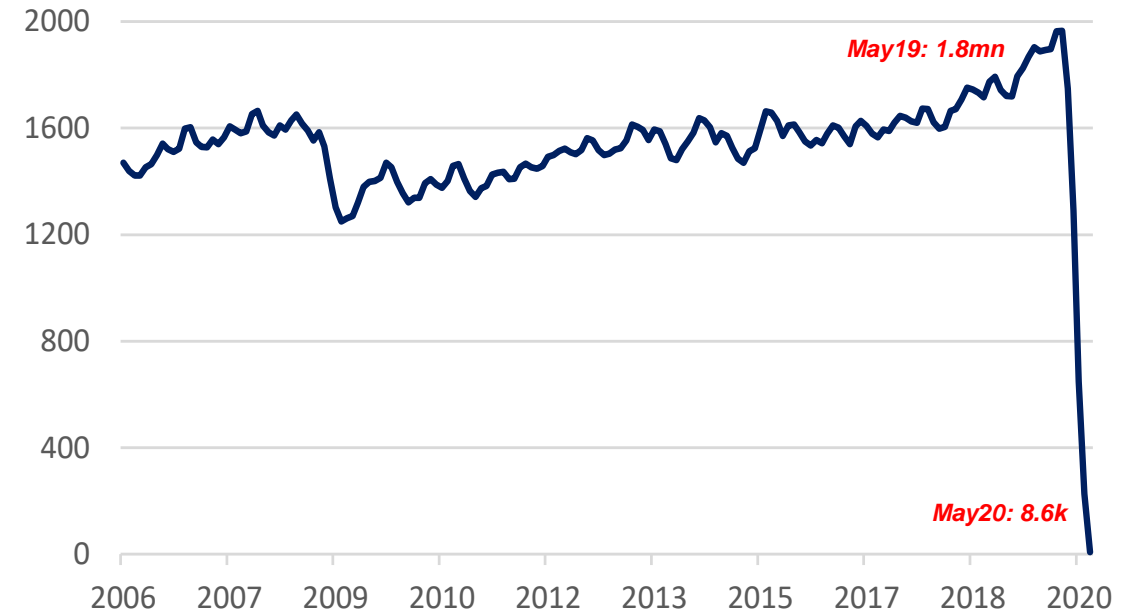
Source: Bloomberg, PSR, TPG awarded 4<sup>th</sup> mobile licence 14Dec16

# Aviation: Much patience needed

Impact of 9/11 and SARS



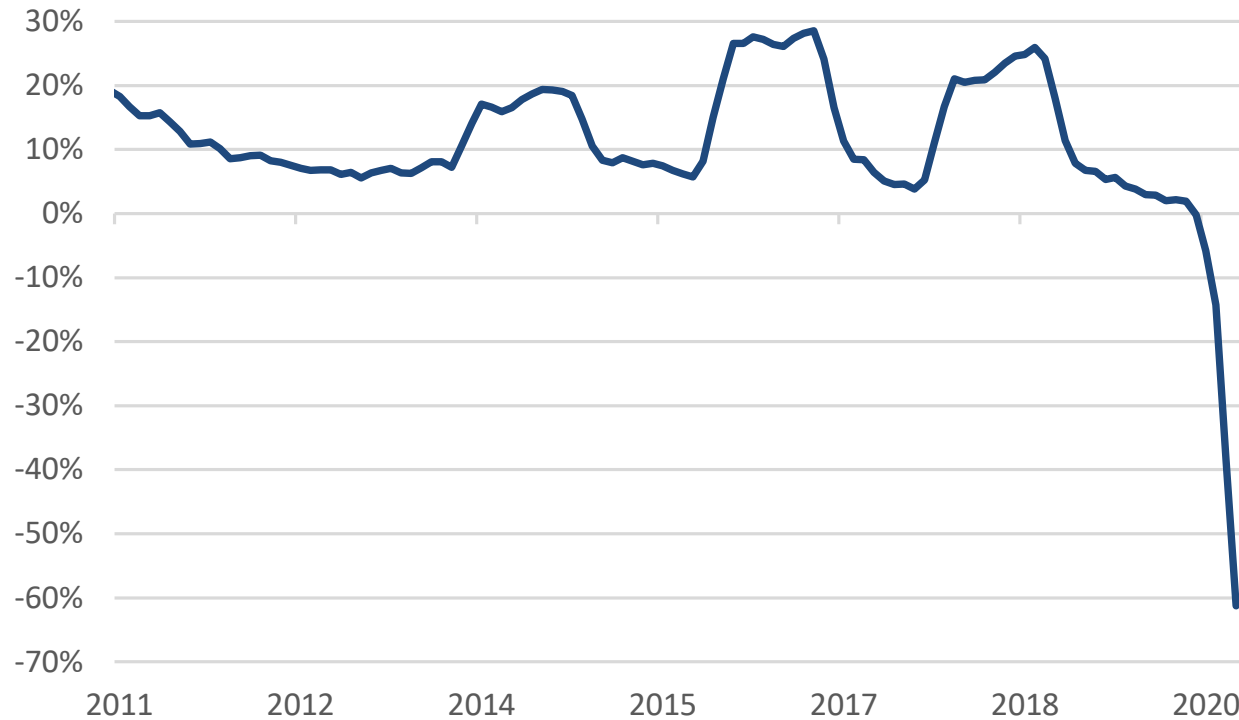
SIA: Passengers Carried (000s - 3MMA)



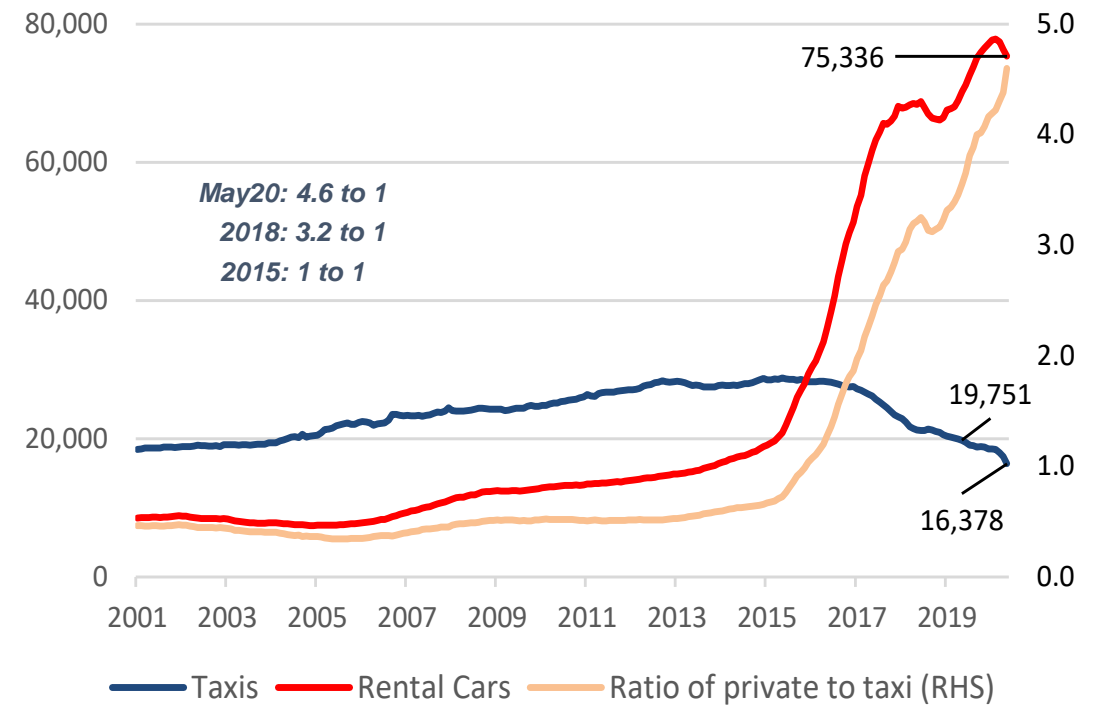
Source: Bloomberg, PSR, Green Lane rules <https://www.youtube.com/watch?v=ag5K4vEiuSo>

# Land Transportation: Too intense the competition

SBS: Rail Ridership Growth (YoY - 3MMA)



Taxi vs Private-Hire (units)



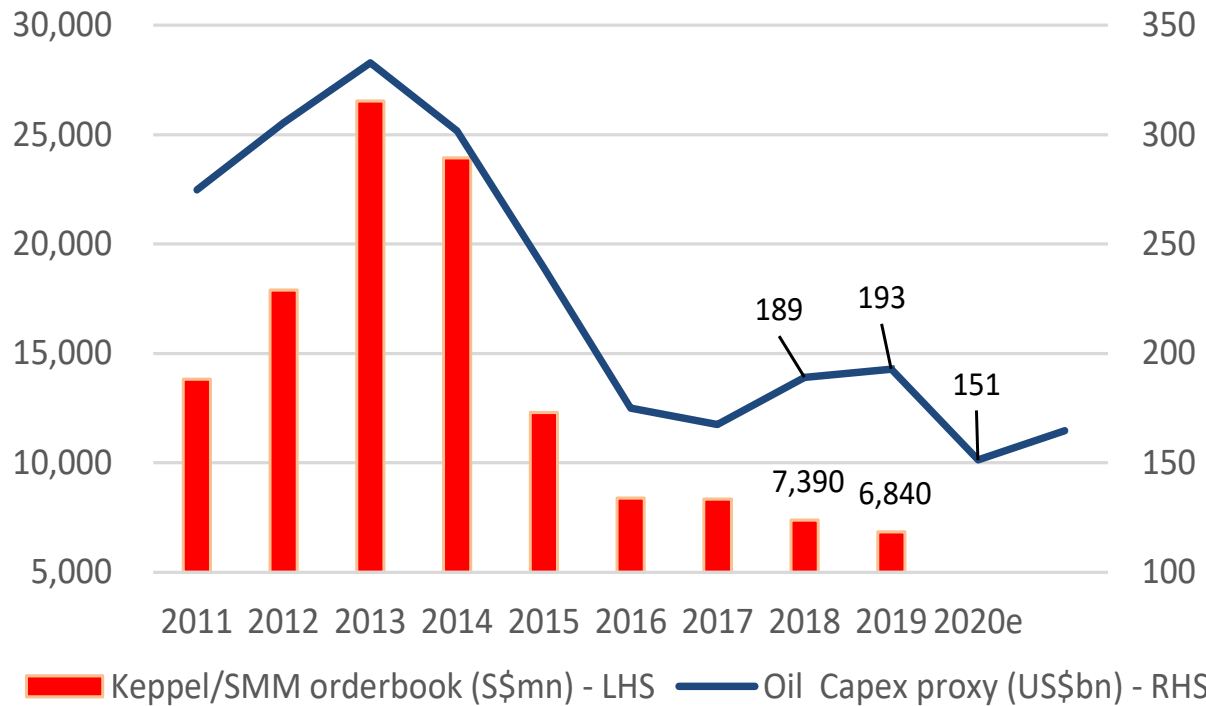
**Taxi supply down 3.3k (or -17%) from 1 year ago**

Source: CEIC, PSR, Rail is NEL, DTL & LRT



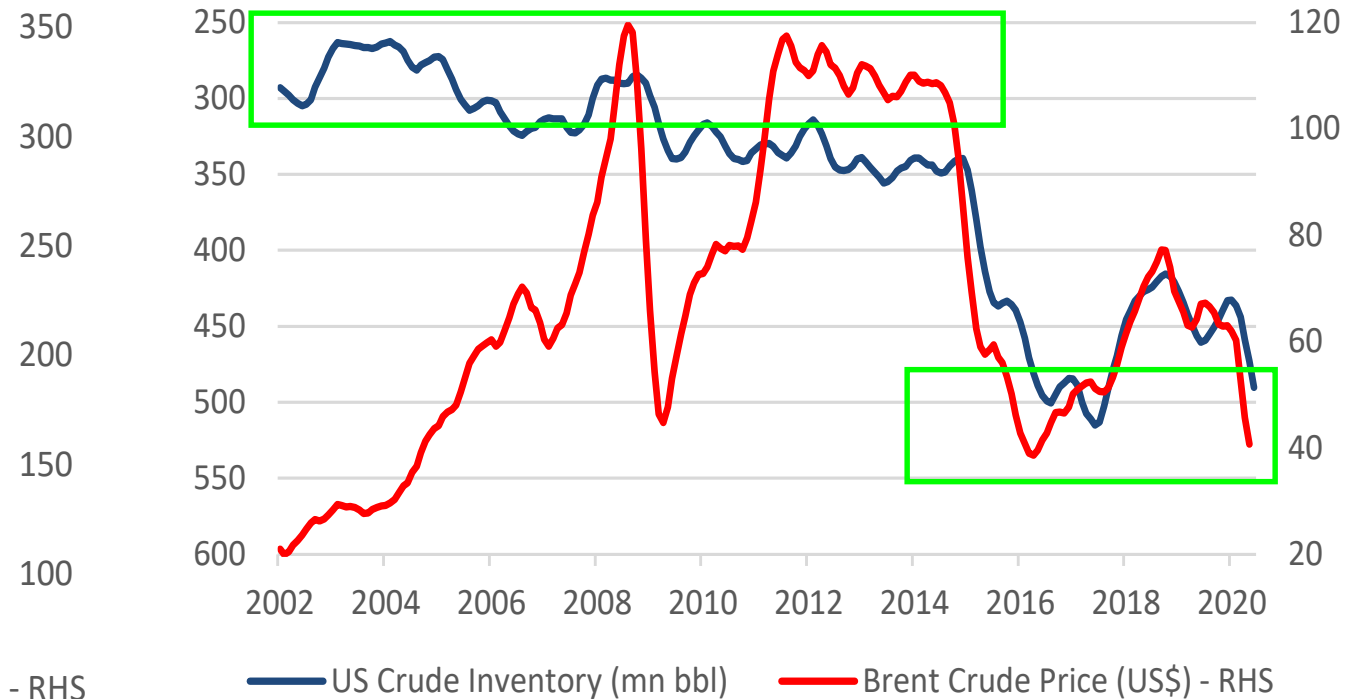
# Marine Sector: Exploration is game over

Singapore Marine



**Order books fell before recent oil price drop... now oil capex to cut ~20% in 2020**

Crude Price Vs Inventory (6MMA)



**Inventory still too high at >500mn, exclude hidden storage at SPR**

Source: CEIC, Bloomberg, PSR



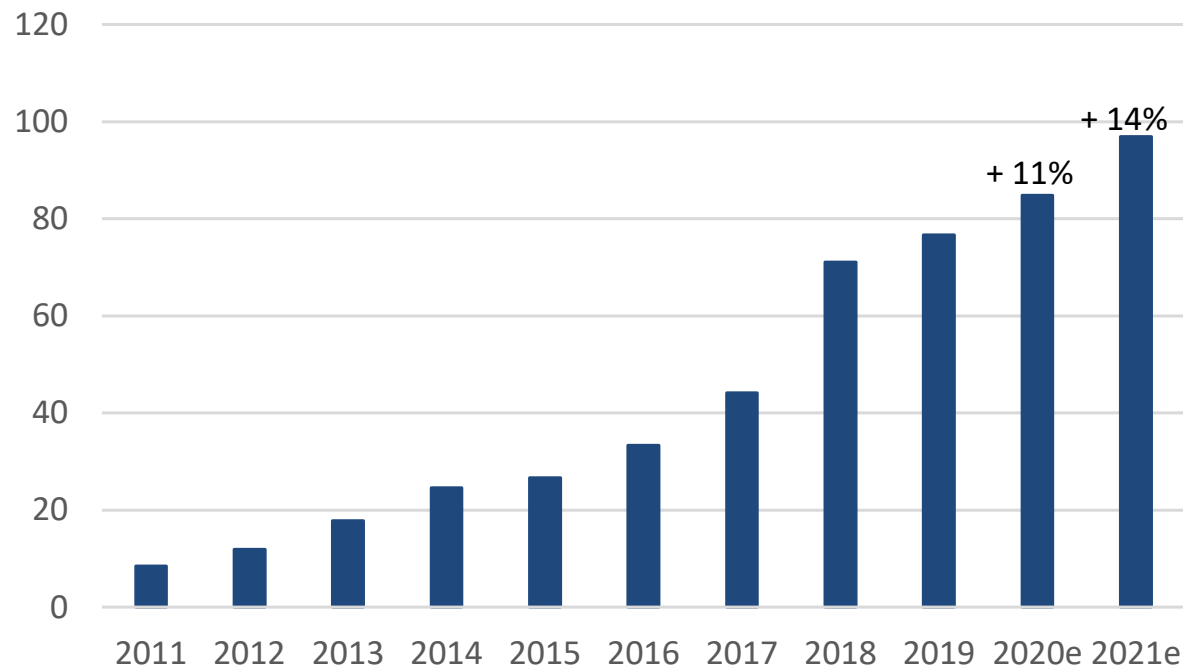
# Technology (Hardware): Demand relatively resilient

US: Non-store retail sales



1) Spending shifts online; 2) Consumer budgets move from experiences to goods

Cloud Capex Proxy (US\$bn)



Work + Game + Spend from home

Source: CEIC, PSR

# Rubber gloves: Order today get (middle) next year

MY: Glove Exports (MT - 3MMA YoY)

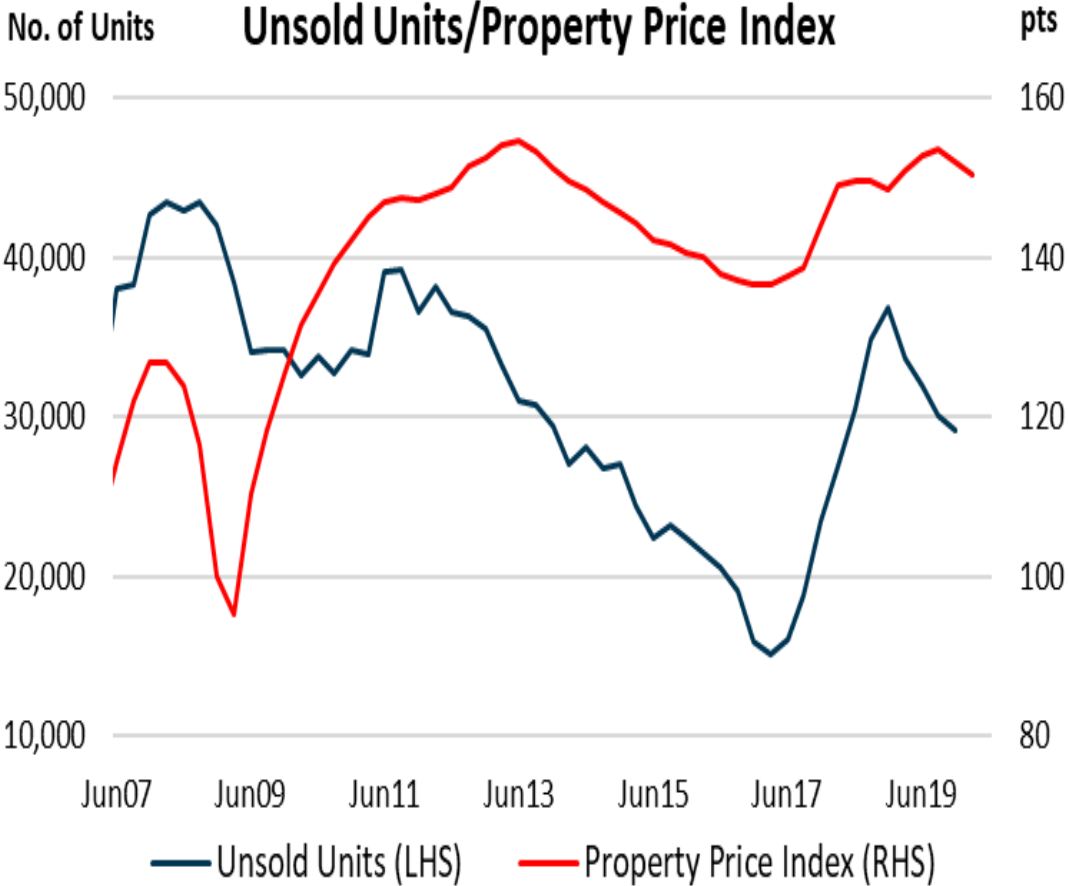


Lead time (Days)

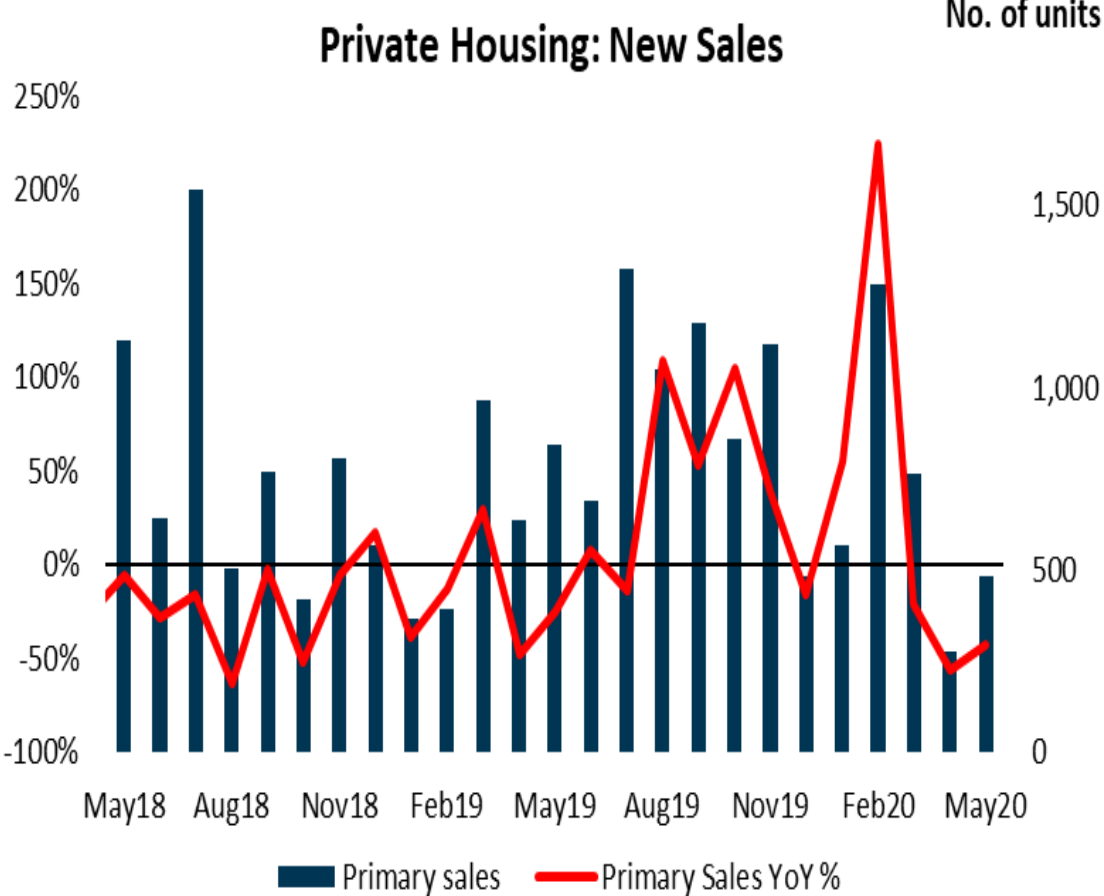
	Before Covid-19	April20	June20
Latex	30 - 40	300	400
Nitrile	30 - 40	300	420
Vinyl	30 - 40	200	190
Surgical	30 - 40	190	160

Source: PSR, CEIC, Top Glove, 3Q20 results 11Jun20

# Private Residential: 29k units unsold, down 20% YoY

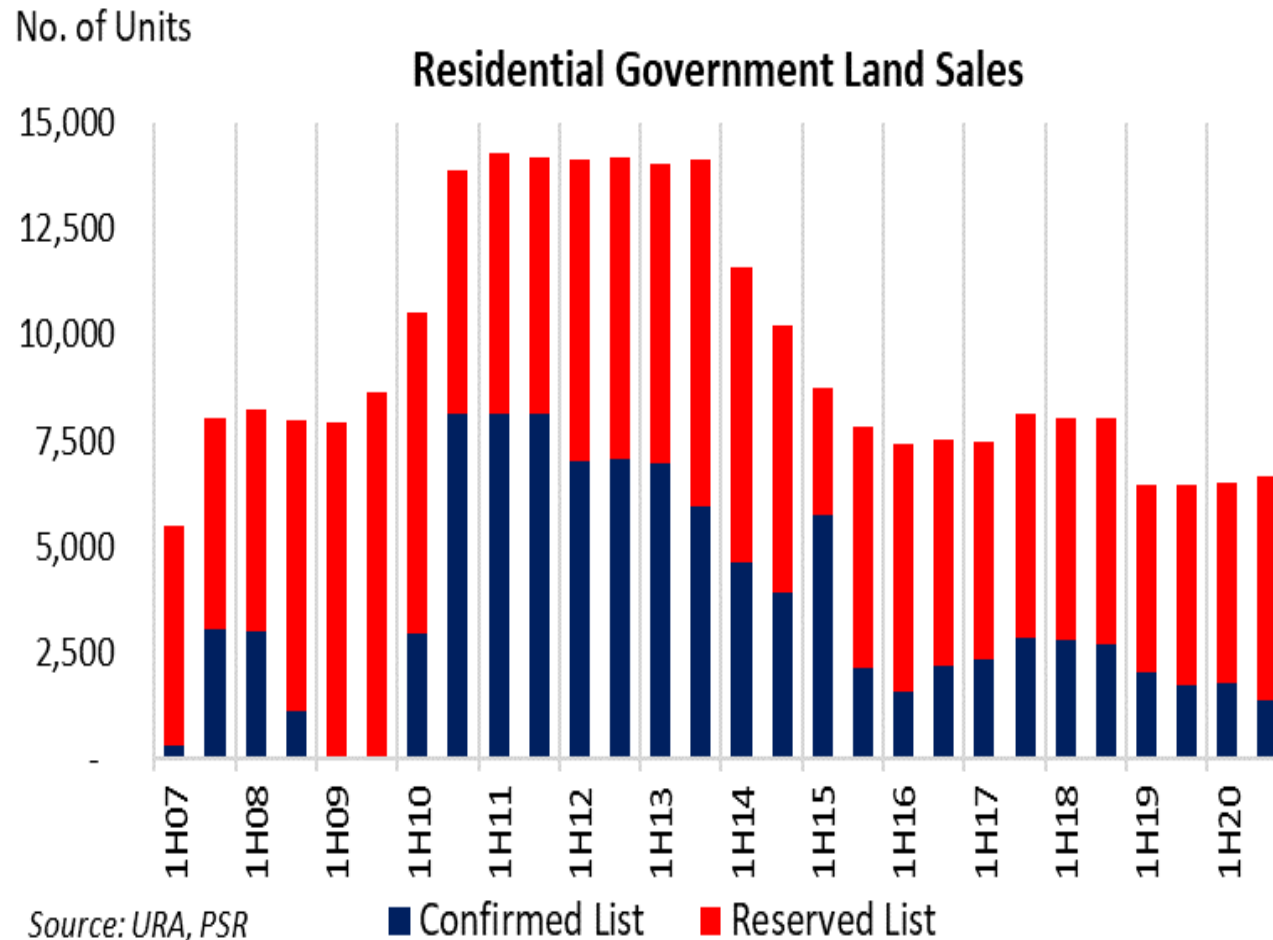


Source: URA, CEIC, PSR



Source: URA, PSR

# Prices mildly negative (c.-5%), volumes to come at 5-yr average (c.8k)

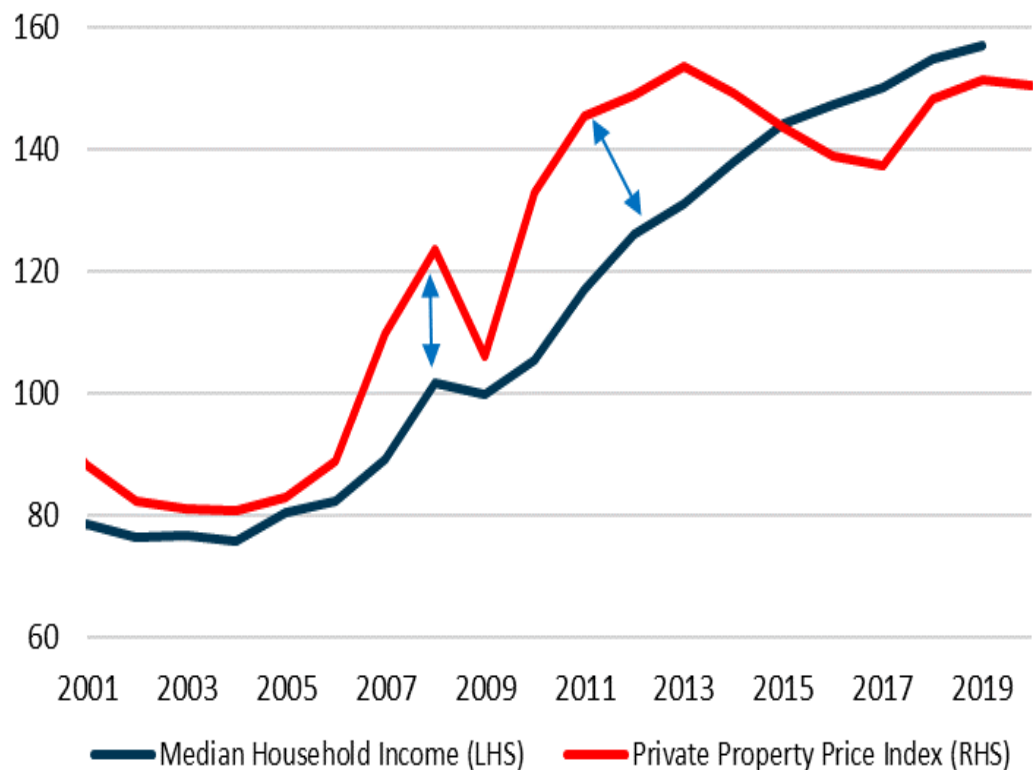


## Supporting property prices:

1. GLS - **20%** on the Confirmed List
2. Low interest rate and prices may spur sales
3. Stabilising policies - deferment of loan payment, extension of ABSD
4. Higher land prices prevent deep discounts
5. Strong household balance sheet pre-COVID – LTV fell from 53% to 49% over 2 years

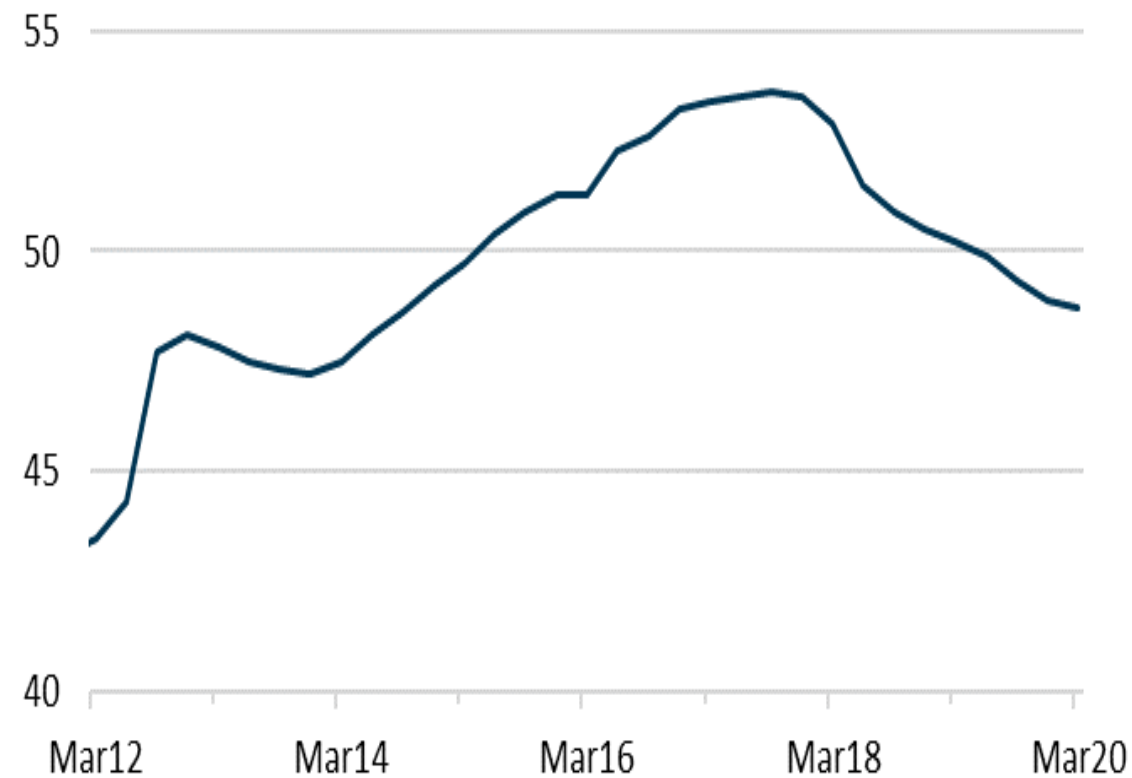
# Favorable conditions and growing financial resilience

Private Residential Price Index vs Median Household Income (2009=100)



Source: CEIC, PSR

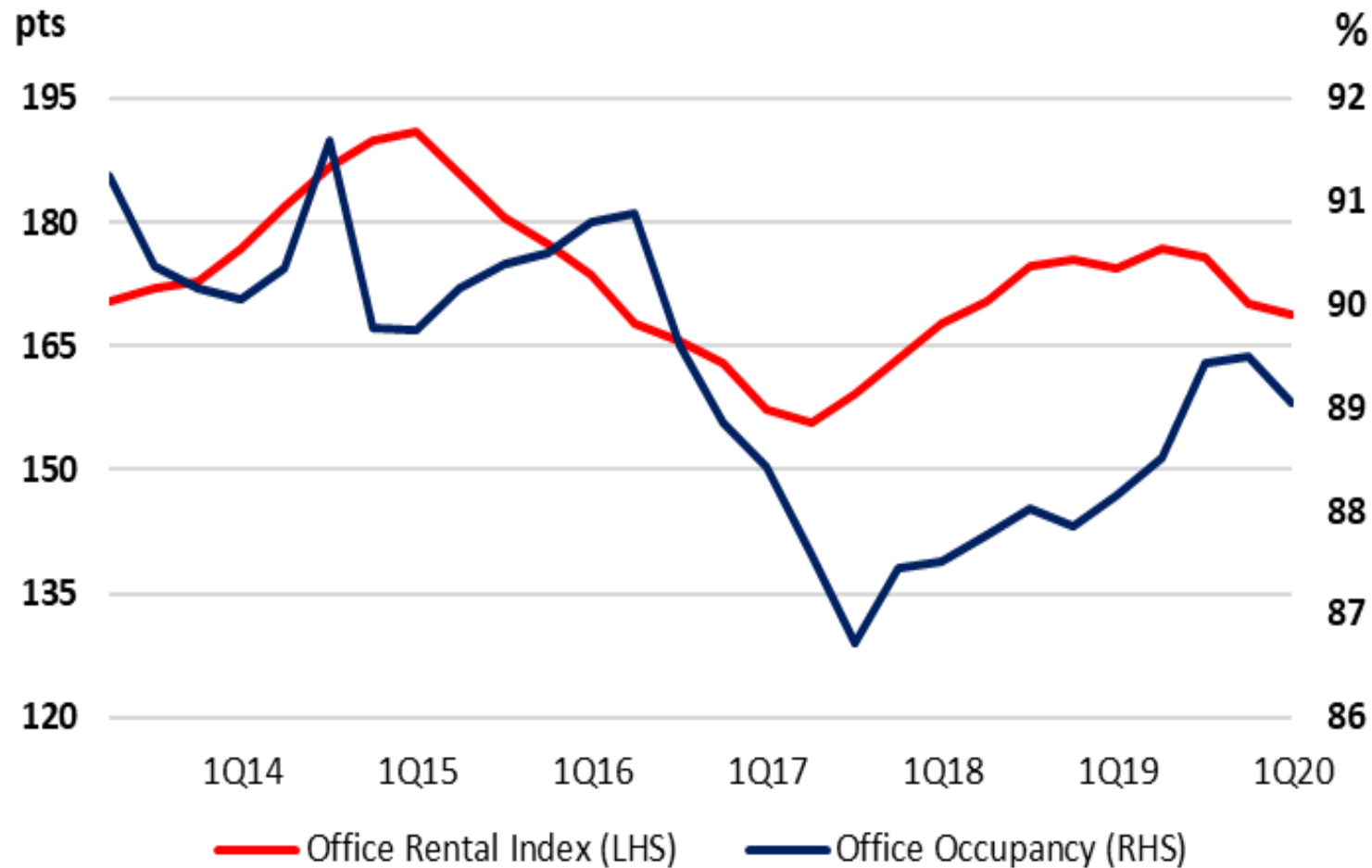
LTV on outstanding home loans



Source: MAS, PSR

# Office – Awaiting more clarity from counteracting leasing strategies

## Office Rental Index and Occupancy

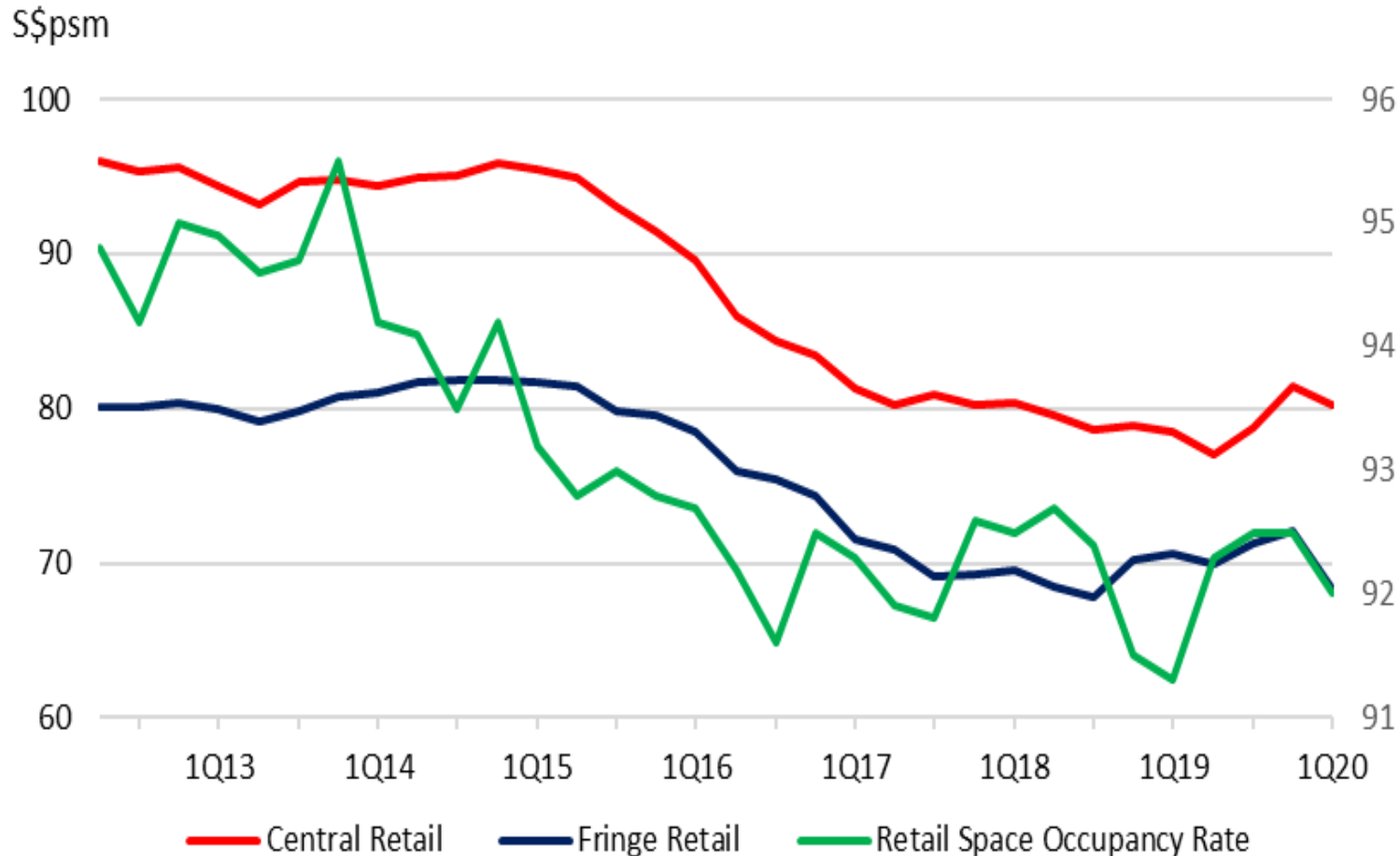


- Occupancy dipped 0.5ppts in 1Q20 to 89.0%, albeit being 0.8ppts higher YoY
- The rental index fell 1.3pts QoQ to 168.7pts
- Office prices also showed some weakness, falling 4.0% QoQ
- **Potential positives:** Lower desk-density and split office may increase demand, demand for flex-space
- **Potential negatives:** Risk of rightsizing due to adoption of telecommuting

Source: CEIC, PSR

# Retail – Entering of Phase 2 will lift malls

## Retail Rental Index and Occupancy

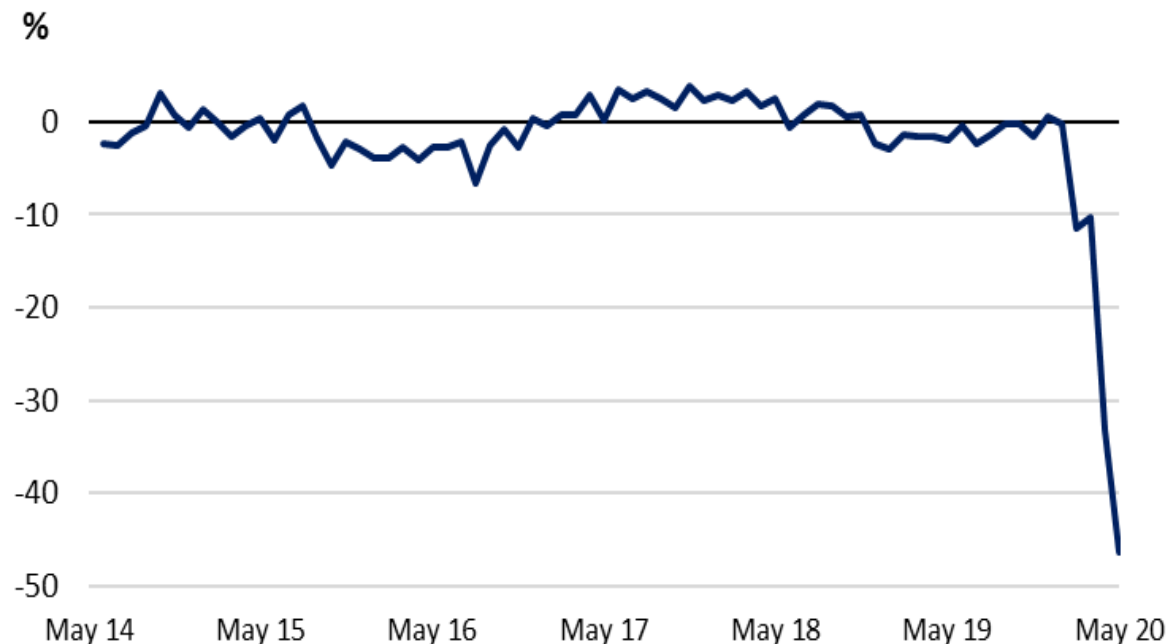


- Occupancy dipped by 0.5ppts while the rental index fell by 2.3pts
- **High** reliance on premise to generate revenue
- Highest amount of rental rebates offered (2 to 3 months)
- Rise in vacancy rates, lower rental reversions
- Silver linings: Landlords creating food ordering/e-commerce platforms; flexible leasing strategies
- Customer and tenant stickiness

Source: CEIC, PSR

# Retail – Entering of Phase 2 to lift malls

## SG Retail Sales YoY % (excl. Motor Vehicle Sales)



Source: CEIC, PSR

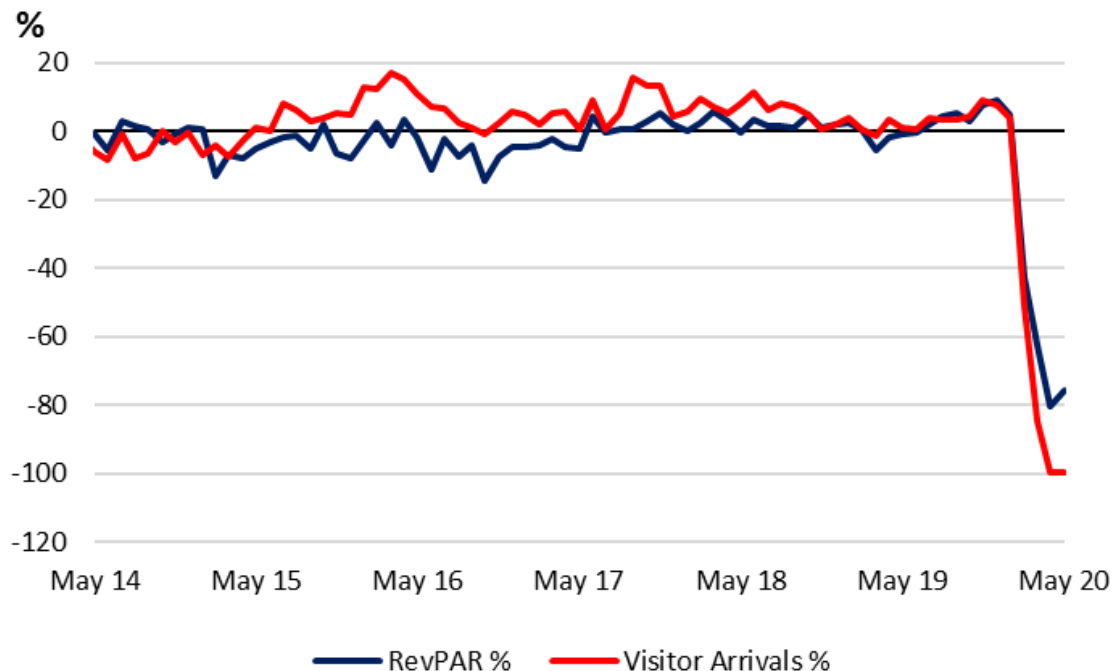
	RSI (excl. motor vehicles)	RSI (Dept stores)	RSI (Supermarkets)	RSI (Fashion)	F&B Index
May-20	-46.4	-93.7	50.9	-89.2	-50.8
May-19	-2.0	-4.6	-0.7	-1.5	2.5

- RSI (ex. MV) was weighed down by discretionary trade sectors
- Only positives were the FMCG segments, supermarket (+50.9%) and mini-marts and convenience stores (+8.6%)
- Within the F&B Index, the Fast Food Outlet Segment fell the least (-25.7%) compared to Restaurants (-69.2%), Caterers (-45.6%) and other food outlets (-41.3%)
- Entering Phase 2 is a positive for retail malls. All trade segments to benefit, fashion sales will be lackluster



# Hospitality – Lingering fears will impede recovery

## Hospitality Sector Indicators



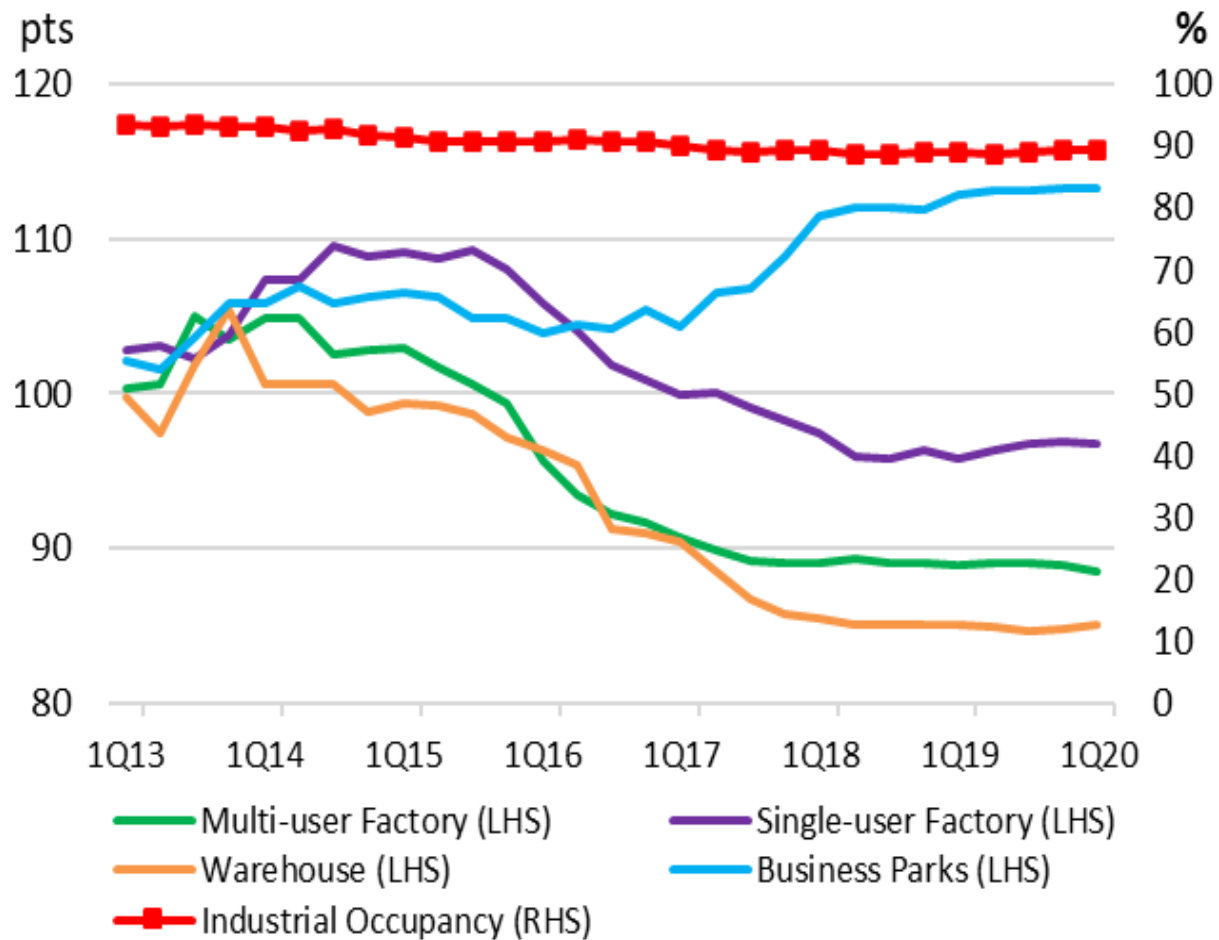
Source: CEIC, PSR

	Visitor Arrivals	Hotel RevPAR (S\$)	Hotel Occupancy (%)	Hotel Average Room Rate (S\$)
May-20	880	41	57.0	72
May-19	1,487,758	169	82.0	207
YoY%	-99.94%	-75.84%		-65.26%

- Hotel RevPAR fell by 76% (April: -80%) YoY in May, average occupancy at 57% (April: 41%)
- Visitor arrivals fell by almost 100%, registering only 880 international arrivals in April
- Lower price points were less affected
- Fast lane arrangements for essential travel
- Lingering fear and caution even if international travel bans are lifted, domestic demand to supplement demand

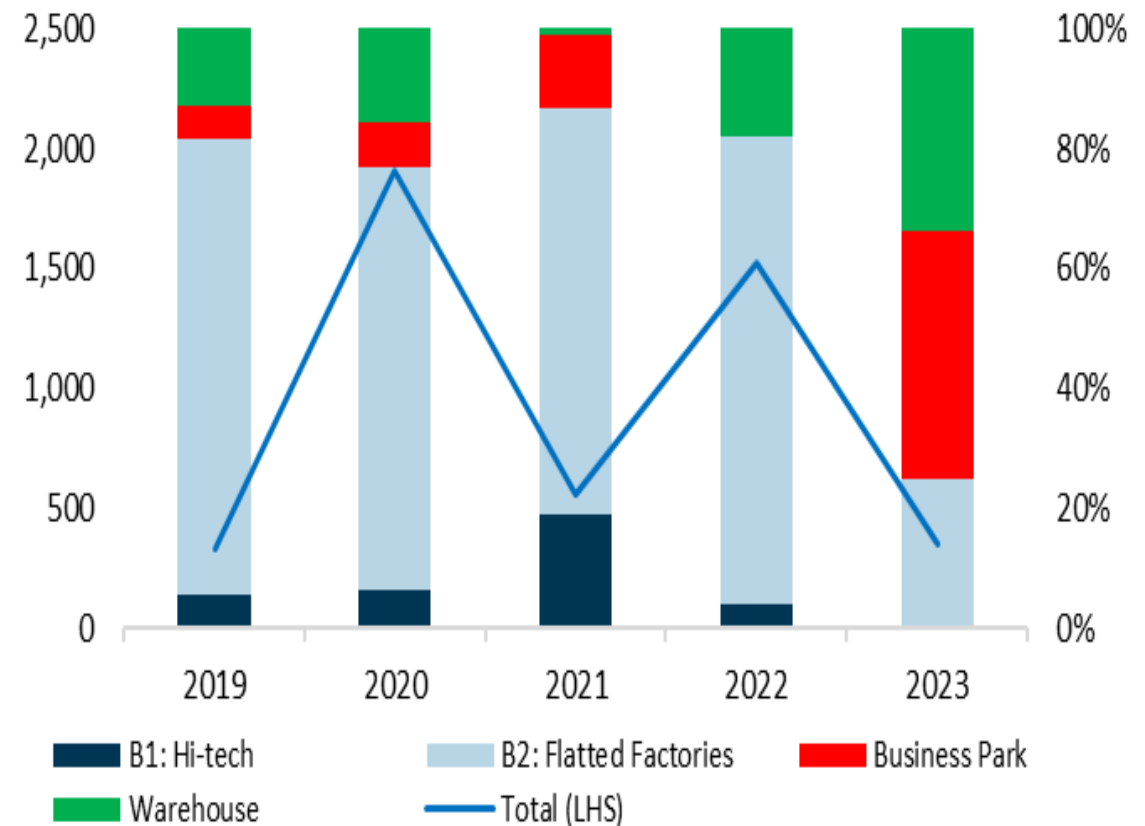
# Industrial – Resilient, for now

## Industrial Rental Index and Occupancy



Source: CEIC, PSR

## Breakdown of Industrial Supply

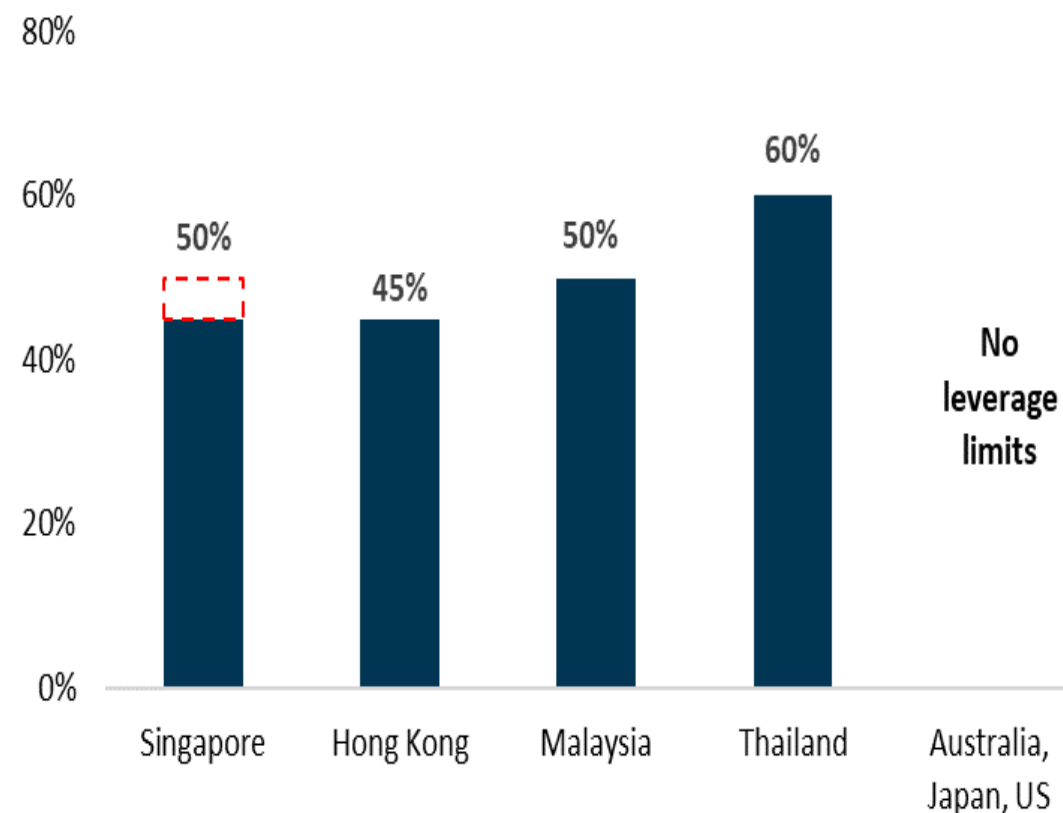


Source: CEIC, PSR

# Re-rating for SREITs – Maintain OVERWEIGHT

1. Acceptance of higher gearing levels will benefit REITs
2. COVID-19 accelerated phasing-in of future trends, creating opportunities for landlords
3. Tried and tested – REITs remain an attractive yield play
4. A better entry price - S-REIT yield spread at the +.0.19 s.d. Level
5. Recovery in share prices and low interest rates presents conducive environment for acquisition

REIT Leverage Limits by Country



Source: PSR

# A better entry price - S-REIT yield spread at the +0.19 s.d. level

FTSE Straits Times REIT Index Yield Spread over 10YSGS



**Dividend yield: 4.5%**  
2019 Ave: 4.6%

**Div. yield spread: 3.6%**  
2019 Ave: 2.6%

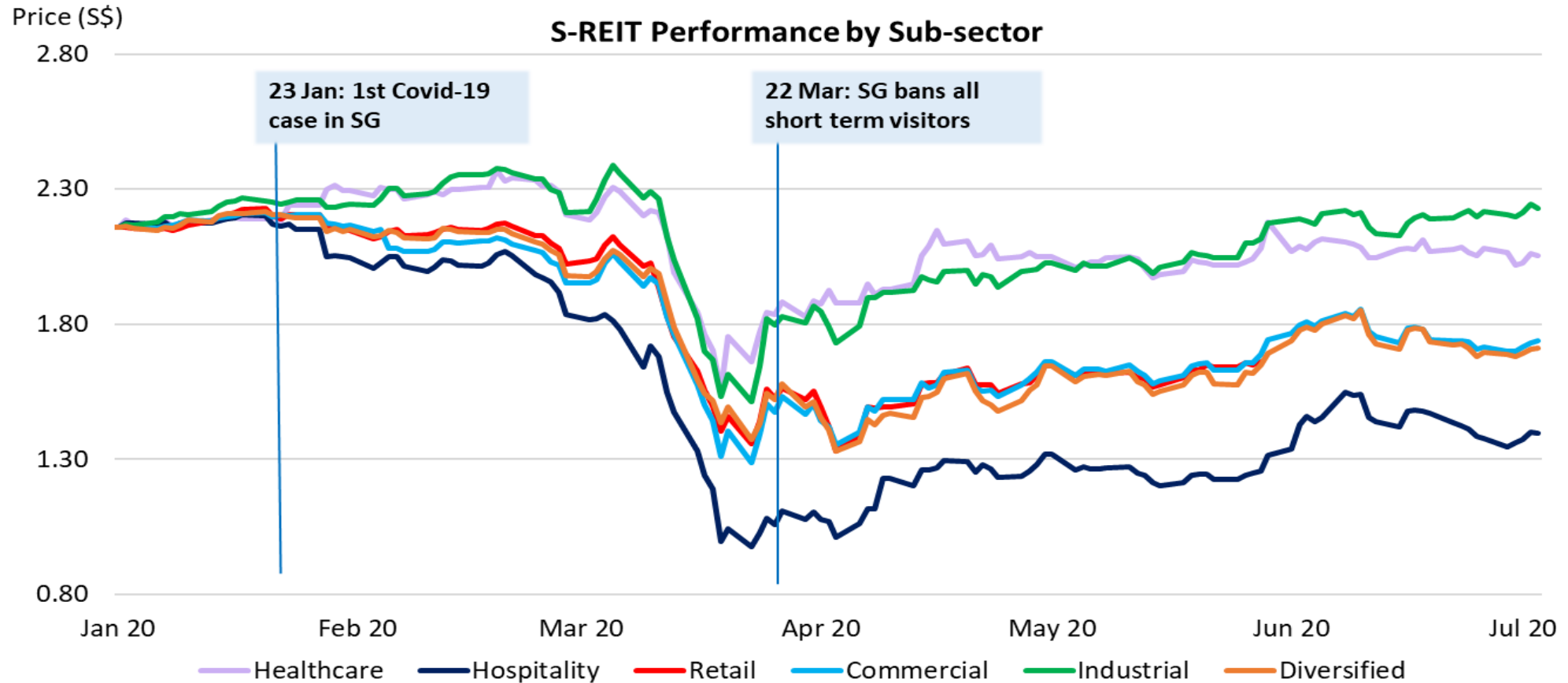
**FED rate: 0% - 0.25%,**  
after 150bps cut

**3M SOR: 0.18%**  
(YoY: -175bps, -90.9%)

**10YSGS: 1.04%**  
(YoY: -100bps, -49.1%)

Source: Bloomberg, PSR

# Recovery in prices, catalyst for acquisitions

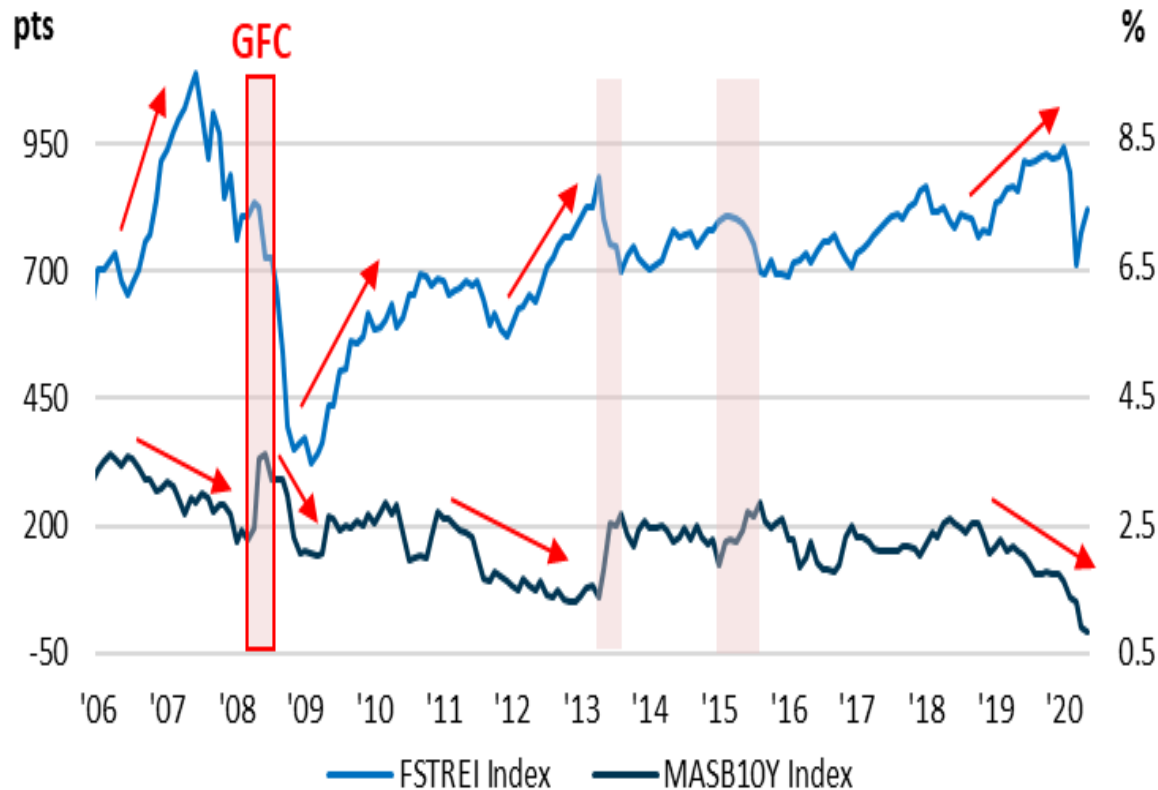


Source: Bloomberg, updated 3 July 2020

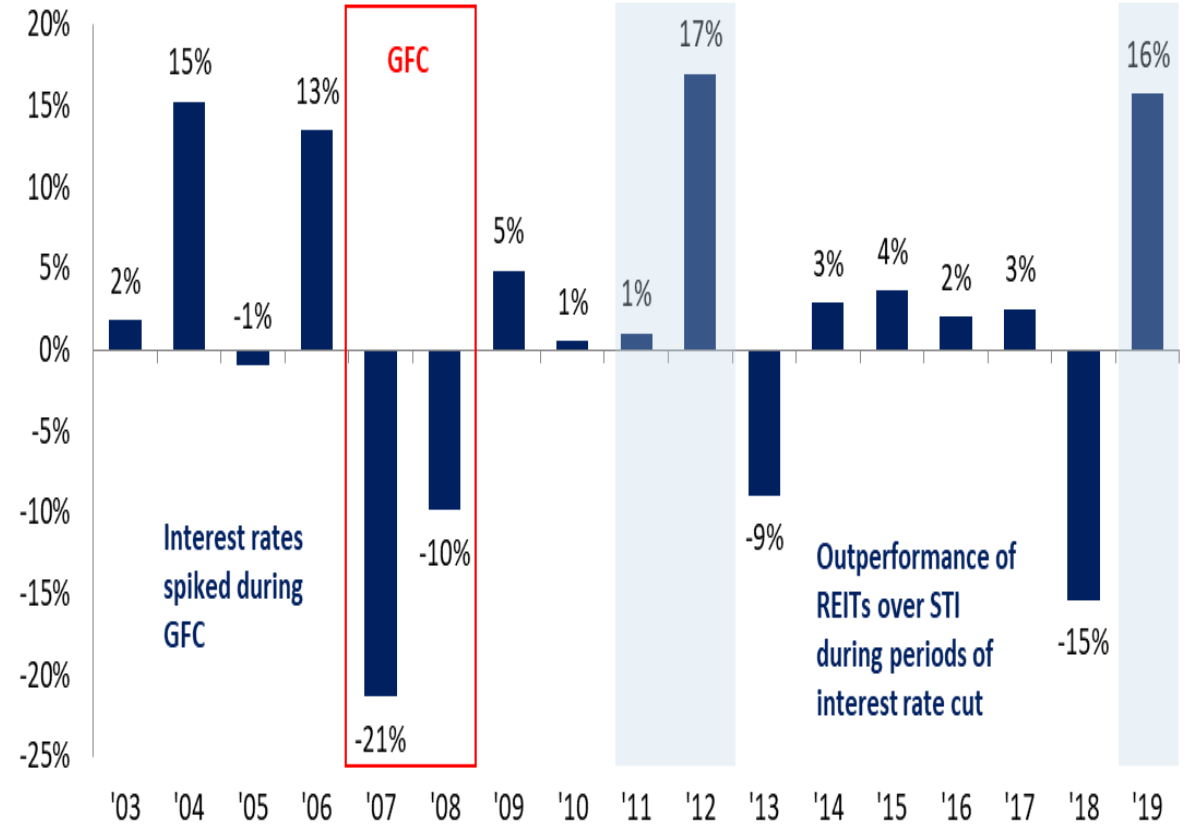
	Healthcare	Hospitality	Retail	Commercial	Industrial	Diversified
<b>Change YTD</b>	-4.8%	-35.3%	-20.4%	-19.4%	3.4%	-20.7%

# Low interest rates conducive for REITs

## Inverse relationship between 10YSGS and FTSE REIT Index



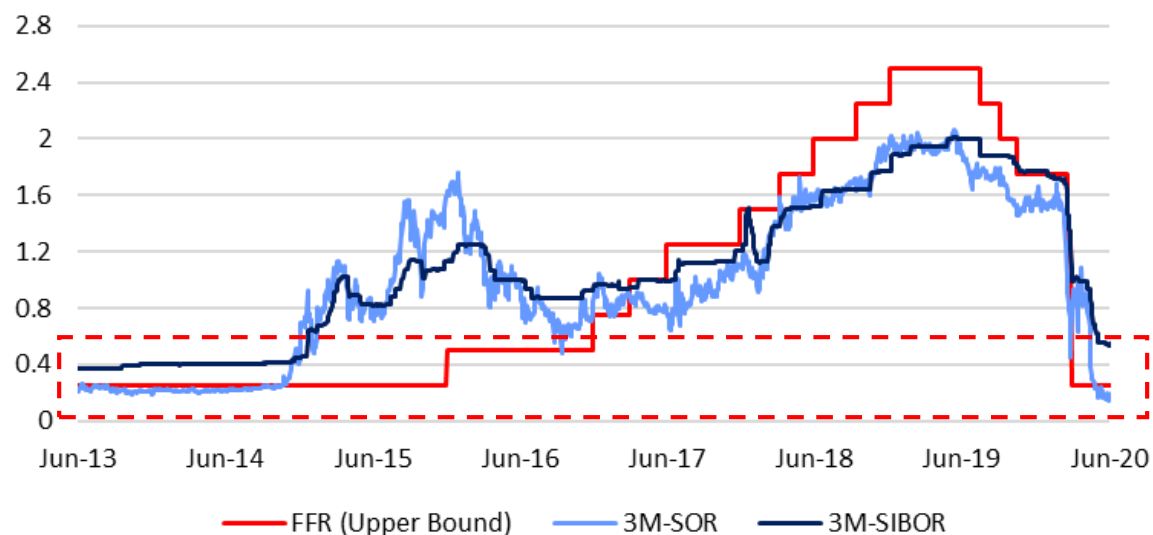
## Absolute % Outperformance (REITs-STI)



Source: Bloomberg, PSR

# Banks - Interest rates to stay lower for longer

Fed Fund Rates (FFR) vs. 3M-SIBOR vs. 3M-SOR



Source: Bloomberg, PSR

Interest Rates (%)	3M-SIBOR	3M-SOR
Current	0.56	0.20
2Q20 Average	0.72	0.42
1Q20 Average	1.55	1.29
13/14 Average	0.39	0.25

## Resilience in April tapered off in May and June

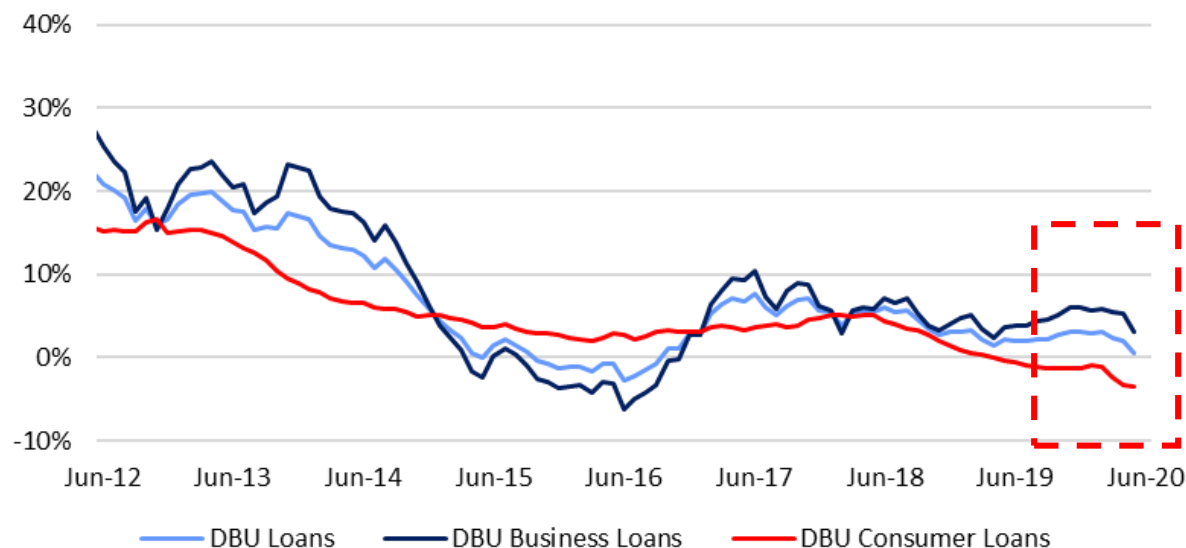
- NIM likely to fall to 2013 levels during period of comparable interest rates
- Interest rate should stabilise at current levels
- NII be impacted as a result of lower asset yield and increased deposits



NIM (%)	DBS	OCBC	UOB
1Q20	1.86	1.76	1.71
FY13	1.62	1.64	1.71
2Q20e	1.66		
Expected NII Impact	-11%	-6%	-3%

# Banks - Loans outlook weighed down by Circuit Breaker

DBU Loans Growth (YoY %)



Source: MAS, PSR

YoY	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Growth Rate	2.97%	3.05%	2.41%	1.98%	0.51%

## Business and Consumer loans weaken in 2Q

May-20	Outstanding DBU Loans	YoY Growth (%)
Business	\$430,610	+3.02
Consumer	\$254,653	-3.48

### Business loans:




- Grew at slowest pace in 13 months as businesses defer investments during Circuit Breaker
- Likely to face short-term headwinds

### Consumer loans:

- Shrank 3.48% in May, with housing, car and credit card loans shrinking across the board
- Reopening of retail malls in Phase 2 will boost consumer spending, but big-ticket item spending likely to continue experiencing weakness



# Banks - Fee income to salvage any growth

1Q20 Highlights			
<b>Net Fee and Commission Income</b>	<b>\$832mn (+14% YoY)</b>	<b>\$546mn (+10% YoY)</b>	<b>\$515mn (+8% YoY)</b>
- Brokerage	-	+27% YoY	-
- Investment Banking	+ 64% YoY	- 8% YoY	-
- Transactions services	-	-18% YoY	-
- Loan-related	+ 17% YoY		-16% YoY
- Cards	- 8% YoY	-6% YoY	-
- Wealth Management	+ 28% YoY	+ 32% YoY	+48% YoY

Source: Company, PSR

# Phillip Absolute 10 Model Portfolio


Company	1M	3M	YTD	Rating	Target Px (S\$)	Share Px (S\$)	Upside	Mkt Cap (US\$m)	Dvd. Yield
<b>Yield</b>									
Ascott REIT	4.2%	26.6%	-24.8%	Accumulate	1.25	1.00	25%	2,220	7.6%
Asian PayTV (New)	0.8%	5.8%	-24.9%	Buy	0.15	0.127	18%	164	7.9%
NetLink	-5.8%	7.2%	2.6%	Accumulate	1.03	0.97	6%	2,705	5.4%
<b>Dividend Growth</b>									
Frasers Centrepoint Tr.	-4.9%	3.1%	-17.8%	Accumulate	2.61	2.31	13%	1,851	5.2%
DBS (New)	6.8%	12.0%	-19.6%	Accumulate	20.60	20.80	-1%	37,799	5.9%
<b>Growth</b>									
PropNex	5.8%	19.8%	5.8%	Buy	0.59	0.55	8%	144	6.4%
Thai Beverage	7.1%	11.6%	-24.2%	Buy	0.82	0.68	21%	12,134	3.2%
Venture Corp.	5.8%	19.2%	-0.1%	Accumulate	16.60	16.18	3%	3,350	4.3%
<b>Re-rating Plays</b>									
CapitaLand	1.0%	2.5%	-22.1%	Buy	3.94	2.92	35%	10,559	4.1%
Yoma (New)	23.5%	68.4%	-10.0%	Buy	0.46	0.32	46%	503	0.0%
Average	4.4%	17.6%	-13.5%				17%	71,429	5.0%

	Absolute 10	STI
Jan20	-0.5%	-2.1%
Feb20	-1.6%	-4.5%
Mar20	-16.4%	-17.6%
Apr20	10.1%	5.8%
May20	1.0%	-4.3%
Jun20	1.8%	3.2%
Jul20		
Aug20		
Sep20		
Oct20		
Nov20		
Dec20		
YTD	-7.4%	-19.6%
Out/(Under)perf.		12.2%

# Removed - Sheng Siong, Starhub and UOB

Source: Bloomberg, PSR, Performance is for illustration only and excludes brokerage, dividends and monthly rebalancing cost.

# DBS: Earnings resilience with attractive yield

1Q20 Highlights (S\$mn)	
Net Interest Income	2,482 (+7.4%)
Net Fees & Commission	832 (+14.0%)
Other Non-Interest Income	712 (+39.3%)
<b>Total Income</b>	<b>4,026 (+13.4%)</b>
Expenses	1,556 (+3.9%)
<b>Pre-Provision Operating Profit</b>	<b>2,470 (+20.3%)</b>
Allowance	1,086 (n.m.)
<b>PATMI</b>	<b>1,165 (-29.4%)</b>

## Strong business momentum in 1Q20

- Robust growth across segments
- Buffer for slower growth subsequently

## Net Fees & Commission poised for recovery

- (Recap) Wealth Management and brokerage-related fees to benefit
- Stronger Investment Banking franchise

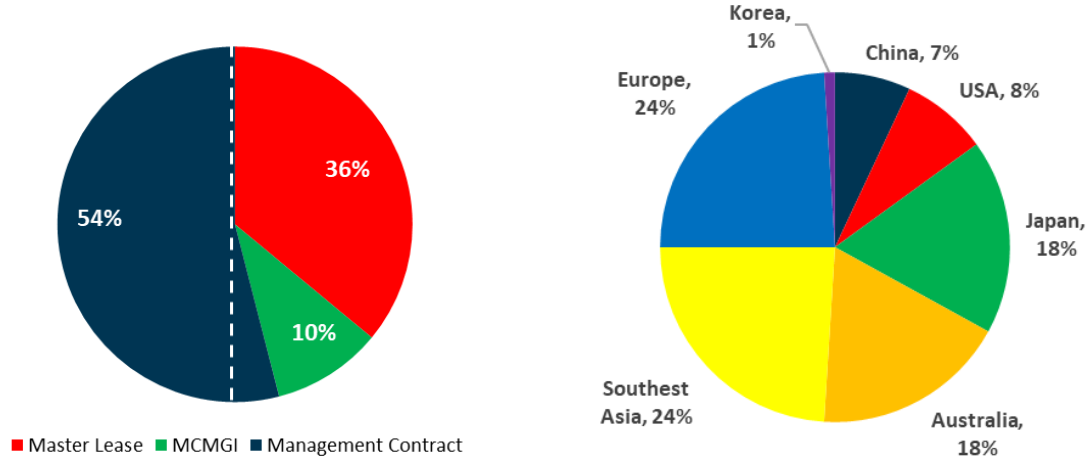
## Attractive quarterly dividend

- \$0.33 of quarterly dividend represents c.6% annualised yield

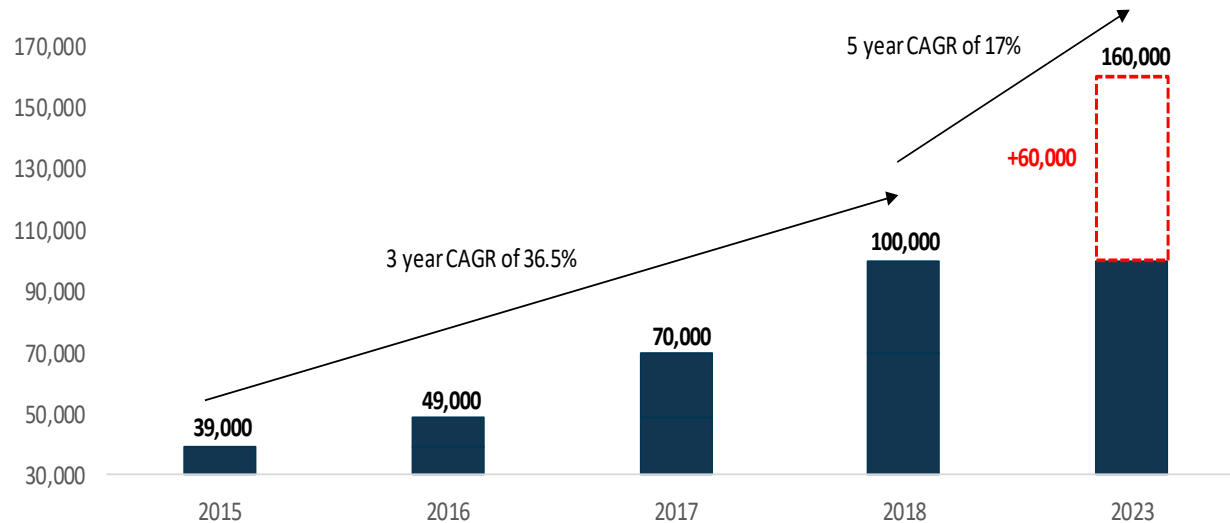
**Rating: NEUTRAL; TP: S\$20.60**

Source: Company, PSR

# Ascott REIT: Stability and outperformance of select service



## Sponsor's growth in no. of keys under management

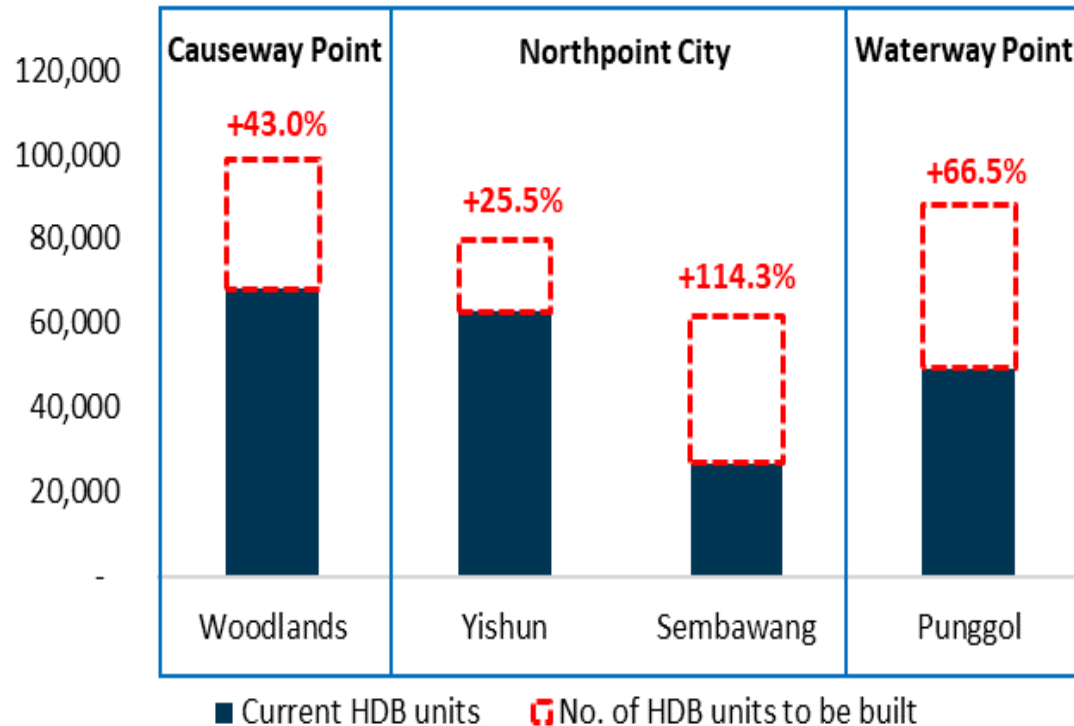


Source: Company, PSR

- 88 properties, across 15 countries - low concentration risk per asset
- Corporate 41% : Leisure 59%
- Stability from geographical and lease structure diversification
- 20 ROFR properties, S\$2.1bn debt headroom (assuming gearing of 50%)
- Global footprint and increased brand recognition and loyalty programs
- Popularity of select-service accommodation – preference for value, lower price point
- Rating: **BUY**; TP: **S\$1.25** ; FY20e dividend yield: **6.7%**

# Frasers Centrepoint Trust: Powered by resilient growth

Projected increase in catchment population

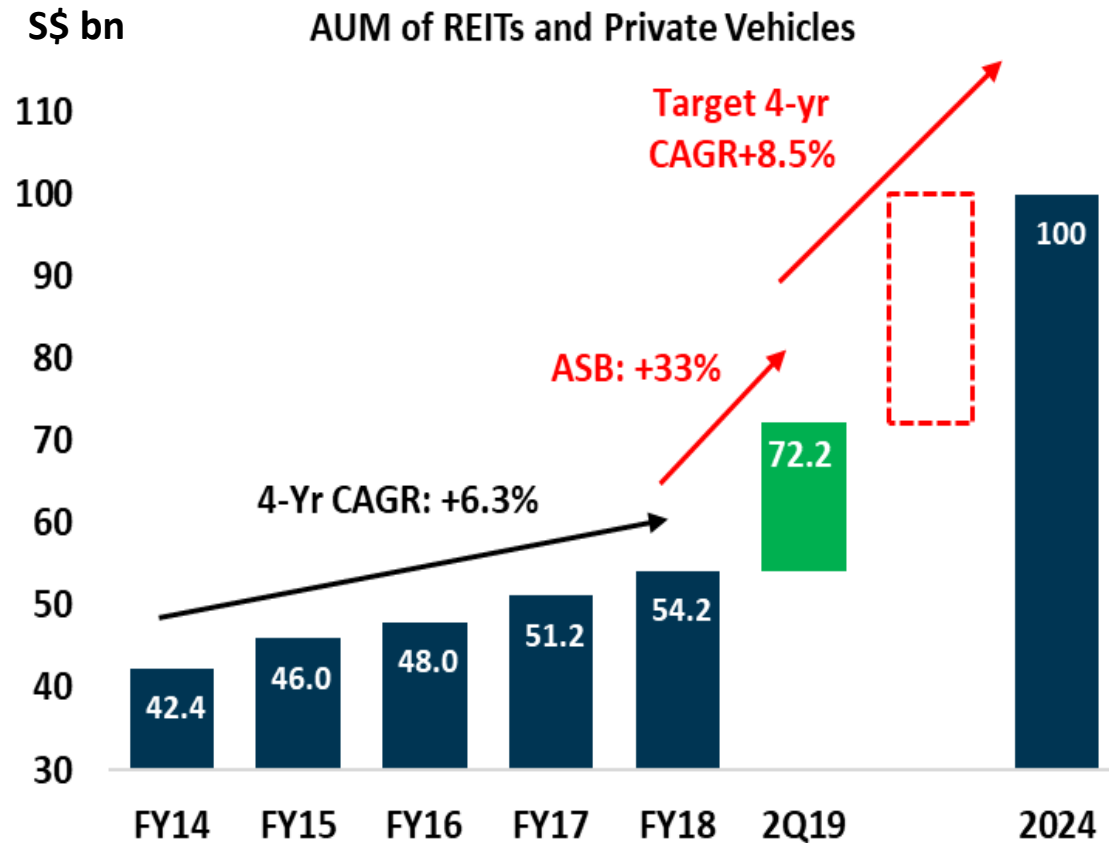


- Resilient necessity spending and outperformance of fringe rents
- Organic growth: Projected 67.7% jump in HDB units surrounding three largest malls
- Inorganic Growth: 3 Pipeline assets from Sponsor and 6 PGIM's SG assets
- Rating: **ACCUMULATE**; TP: **S\$2.61**; FY20e dividend yield: **4.2%**

**FRASERS** EXPERIENCE



# CapitaLand: Building recurring income and unlocking value

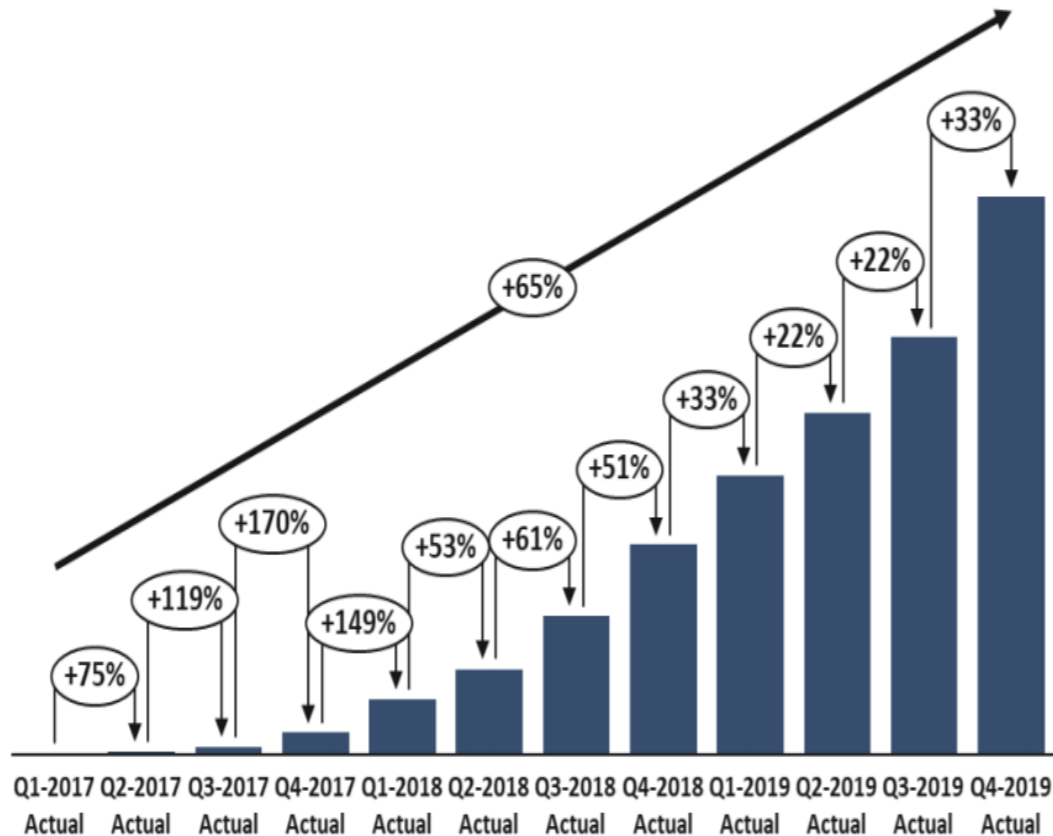


Source: Company, PSR

- Quality recurrent income growing – 1/3 of FY19 revenues are recurring
- Capital-efficient – disciplined asset recycling and tapping on external capital providers
- Unlocking value in new geographies (India) and asset classes (business parks)
- 10% ROE in 2019
- Rating: **BUY**; TP: **S\$3.94**

# Yoma Strategic: Structural growth at a cheap price

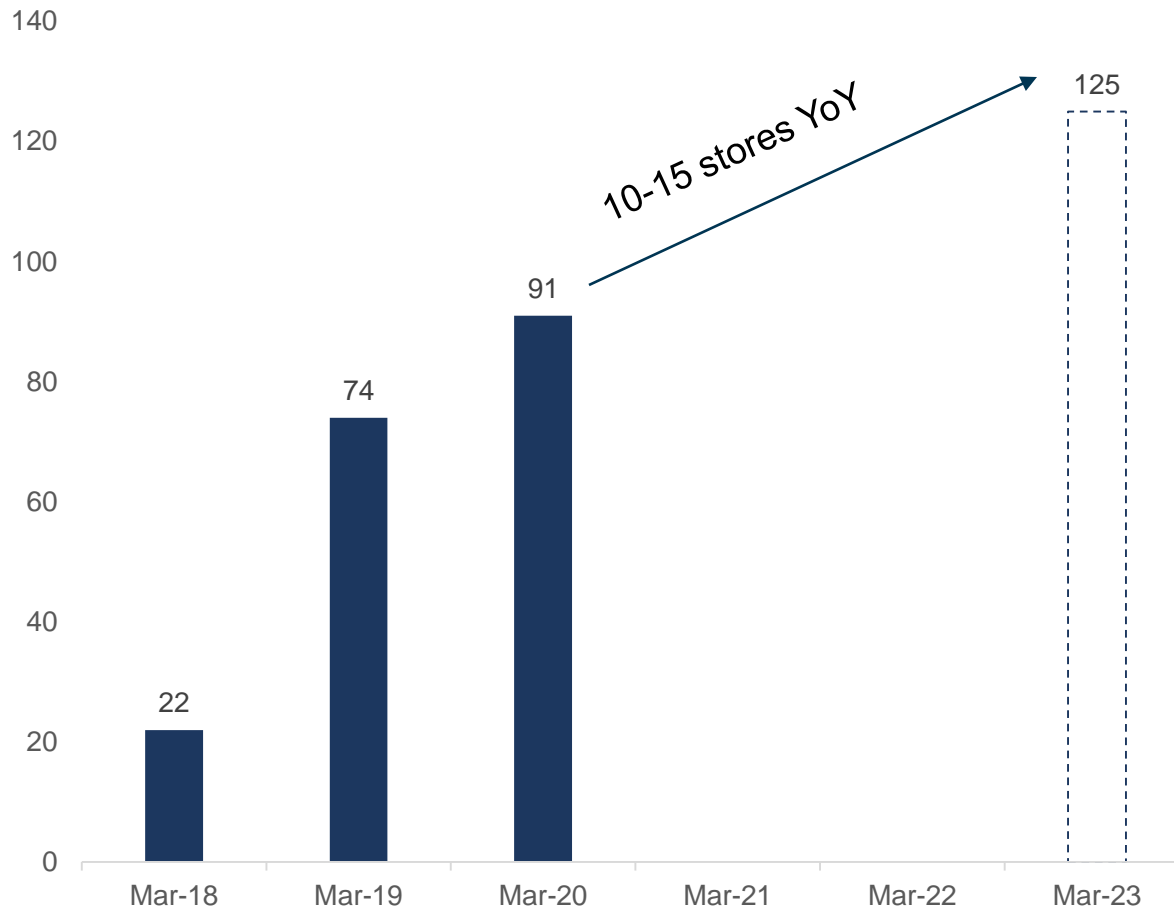
Wave Money's transfer volumes grew by 65% CAGR since 1Q17



- Conglomerate with entrenched foothold in Myanmar's fast-growing and most attractive consumer segments
- Large property land bank equivalent to 10-15 years of sale – Yoma Central / Star City / Peninsula Yangon
- Financial services poised for stellar growth on the back of a 5x YoY revenue leap in Wave Money

# Yoma Strategic Holdings (con't)

Total number of F&B stores

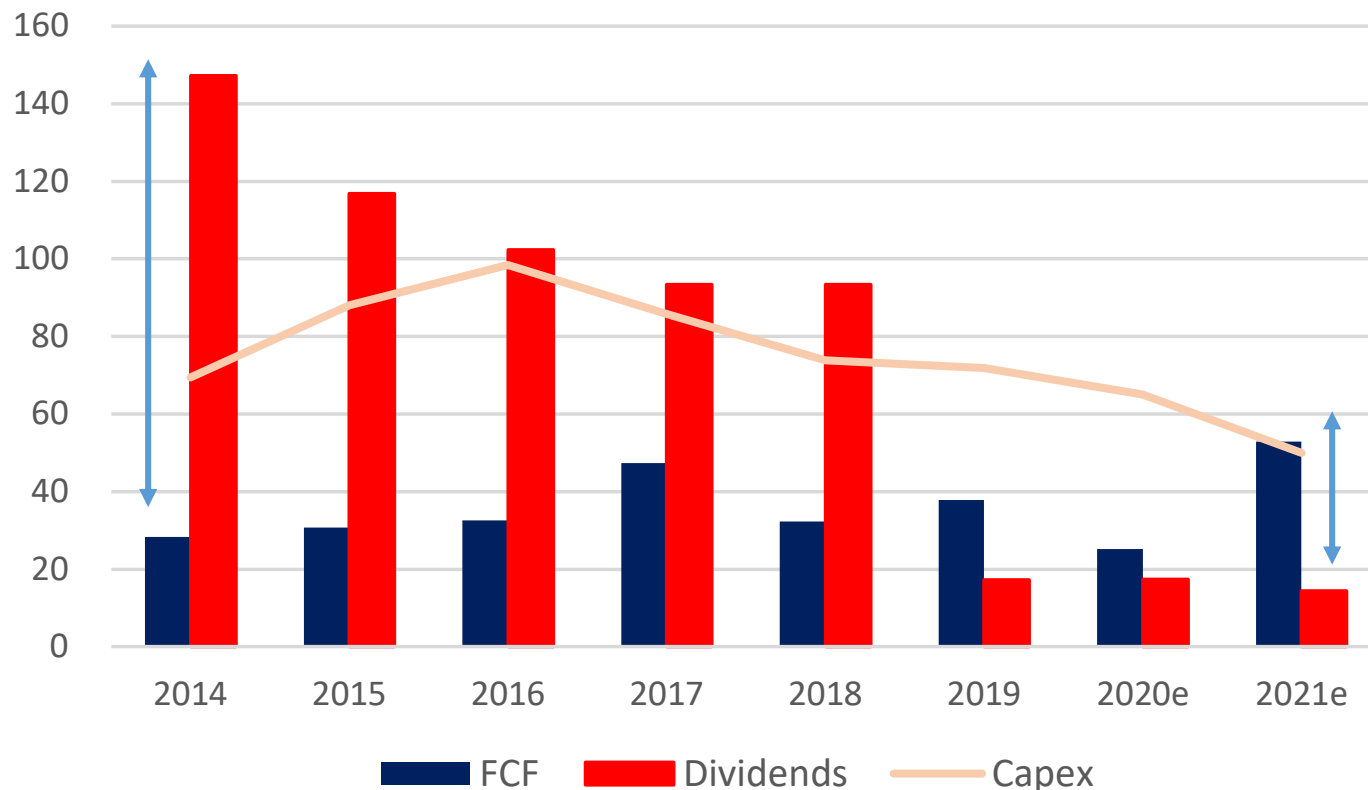


- F&B growth underpinned by at least 60% growth in KFC stores over the next three years (45 → 75)
- Current valuations depressed in view of structural growth prospects.
- Rating: **BUY**; TP: **\$0.46**



# Asian PayTV: Mr Unpopular

Asian Pay TV (S\$mn)

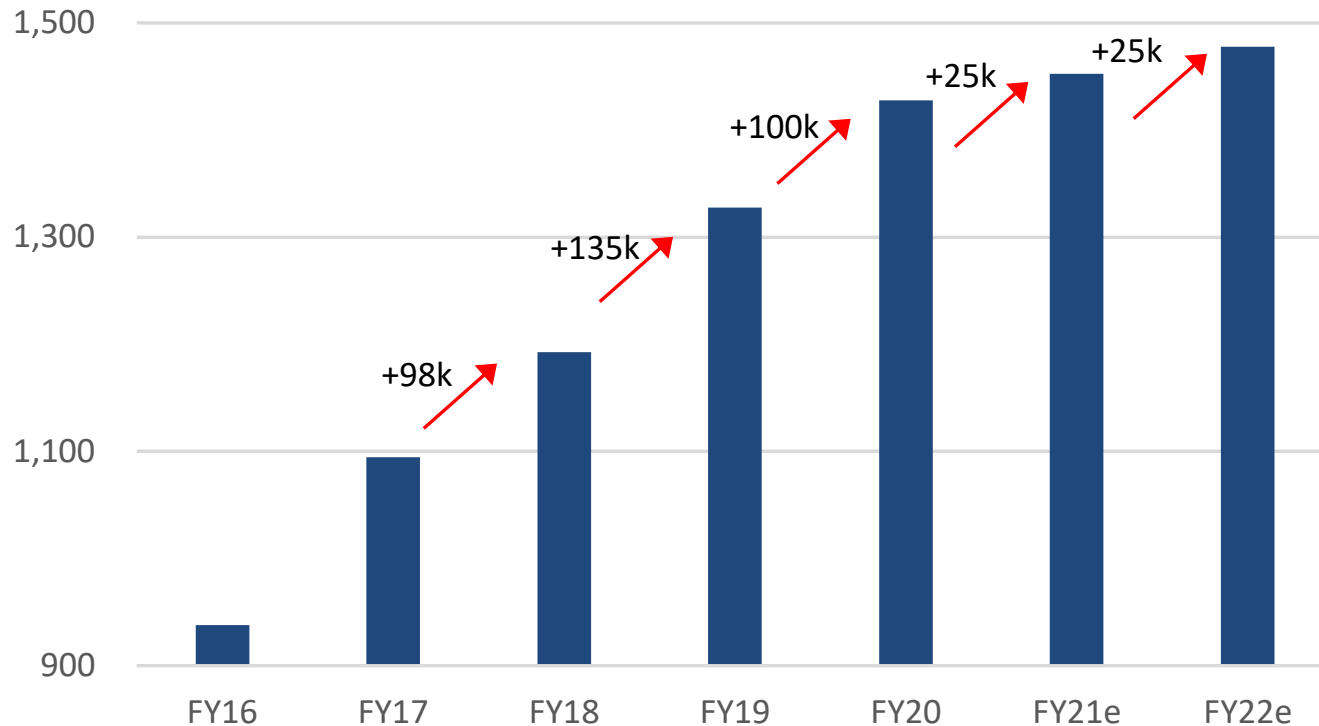


- Monopoly fibre provider for cable TV and broadband in Taiwan
- 2 reason to be positive
  - a. Dividend is sustainable: \$50mn FCF vs S\$18mn dividend
  - b. Optionality of high margin 5G back-haul service for mobile operators
- Dividend payout is after capex; S\$200mn dividend vs S\$250mn operating cash-flow
- Rating: **BUY**; Target price **S\$0.15**; Distribution yield: ~7.8%

Source: Company,, PSR

# Netlink NBN Trust: Slow and stable

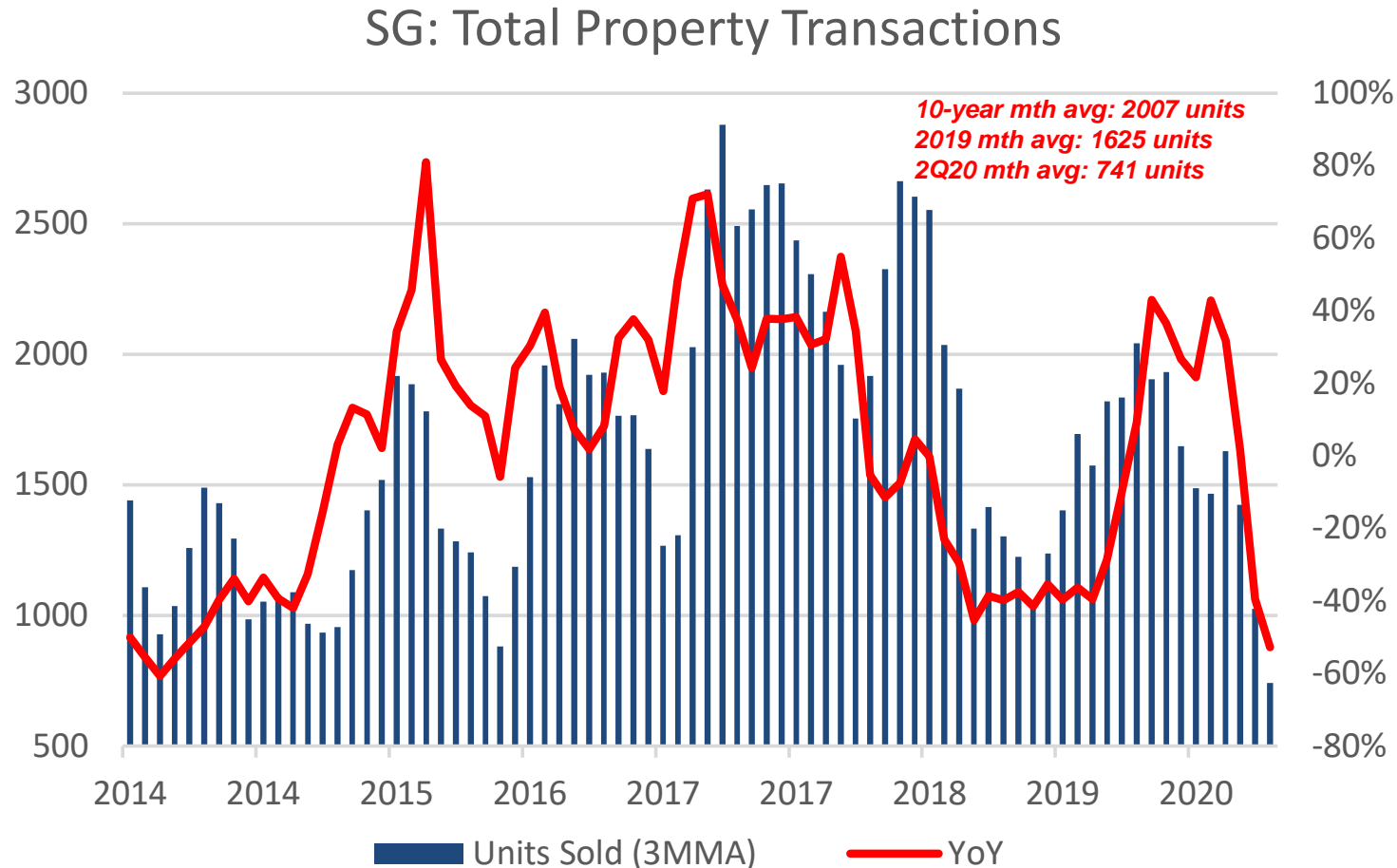
NetLink Fibre residential subscribers (000s)



Source: Company,, PSR

- Monopoly fibre provider that cannot be replaced and regulatory protected return (pretax IRR 7%)
- Recurrent S\$13.80 per month from 1.427mn households = ~S\$236mn
- Impact from Covid-19 is minimal
- Household formation and capex will ensure growth
- Stable dividend yield 5.3%
- Rating: **ACCUMULATE**; TP: **S\$1.03**;

# PropNex: Best financial metrics but cyclical



- Dominant:
  - a. Largest real estate agency in Singapore
  - b. Market share: private residential new launch 48%, private resale 45%, HDB resale 51%
- 2H20 results will fell Covid-19 impact
- Attractive metrics: ROE 24% on fixed assets of S\$3.5mn
- Sustainable yield of 6.7% (S\$13mn p.a. vs S\$89.8mn cash)
- Rating: **BUY**; TP: **S\$0.60**.

Source: URA Realis, PSR

# Thai Beverage: Buying the dominance

TH: Liquor Sales - 3MMA (YoY)



- ~90% of earnings from spirits business
- Dominant market share: 95% spirits (Thailand) / 70% (Myanmar) / 40% beer (Thailand and VN)
- 3-week alcohol ban in Thailand: April -51% YoY and May +32% YoY
- Sabeco problematic in medium term due to decree 100 to driving penalties and advertising limits + Covid-19 + Interest expenses
- Valuations attractive at 14x PE on Covid-19 depressed earnings
- Rating: **BUY**; TP: **S\$0.82**.

# Venture: SE Asia outsourcing winner

MY: Electronics Exports (3MMA YoY)



- Supply chain shifts to SE Asia from China
- Production disruption spill into 2Q20
- Grabbing profit share from global contract manufacturers
- 15x PE FY20e + Net cash of S\$852mn + Dividend yield 4.2% + ROE 12%
- Rating: **ACCUMULATE**; TP: **S\$16.60**;

Source: CEIC, PSR

# Conclusion

1. Gradual recovery + aggressive easing almost perfect for equities
2. Economic trajectory will track the outbreak
3. Unclear shape of rebound but bottom has formed
4. Equity strategy will be centred around dividend yield
5. STI target (12 months) is 3000

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