



Source: Unsplash

# Singapore 4Q20 Equity Strategy

*Bottomed but a slow grind*

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# Agenda

- ✓ Review of 3Q20 performance
- ✓ Economic conditions
- ✓ Macro drivers
- ✓ Sector views
- ✓ All our BUYs
- ✓ Conclusion





## Review of 3Q20 Performance

# Another painful underperforming quarter

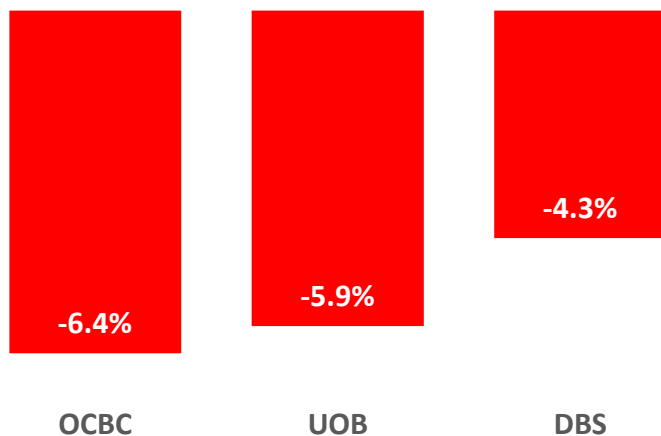
Even bonds beat the STI (USD terms)

% in USD	STI	S-REIT	MSCI APxJ	S&P 500	BONDS	GOLD
3Q20	-2.7%	4.7	7.8	8.5	0.2	5.8
YTD	-24.6	-10.6	0.1	4.1	5.3	23.9
2019	6.5	20.4	15.8	28.9	13.4	17.9

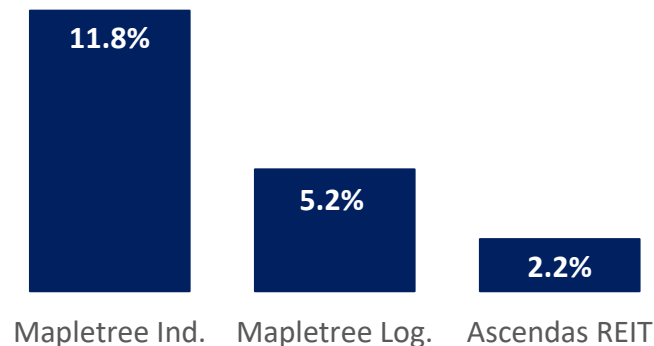
Source: Bloomberg, PSR, Bond returns based on investment grade bond iShares LQD ETF, Gold based on SPDR Gold ETF

# Only one-third of STI registered any gains

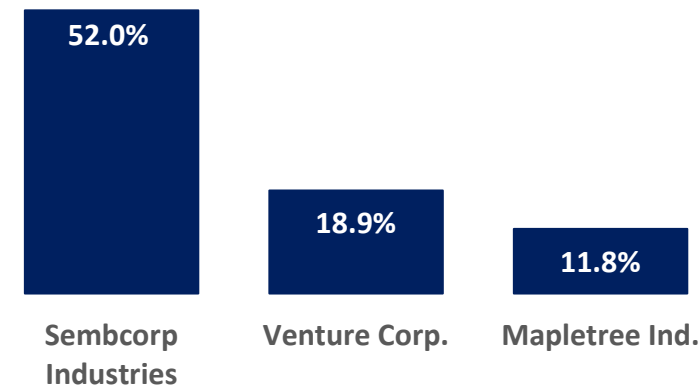
*Dividends got kneecapped*



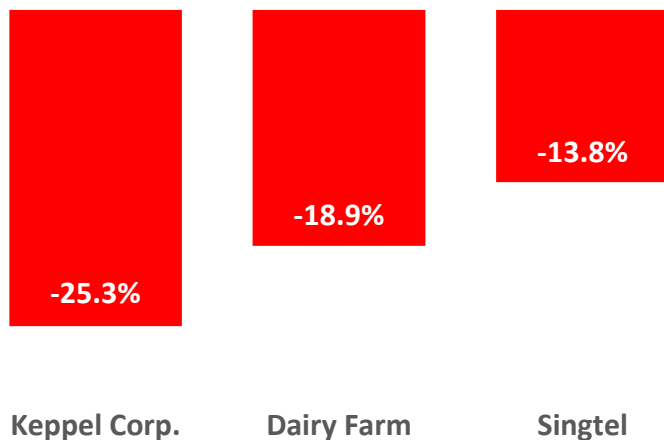
*REITS impressive again*



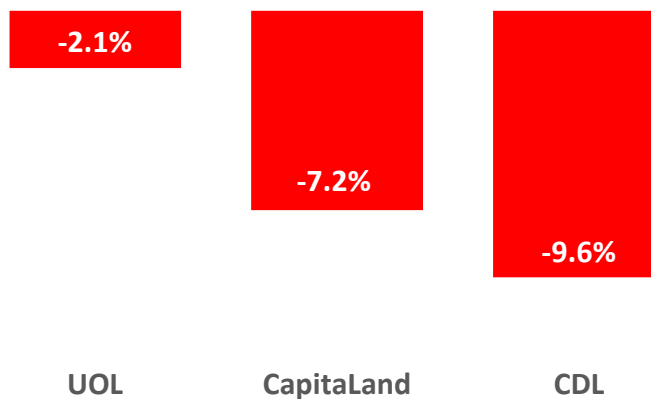
*Restructuring and resilience*



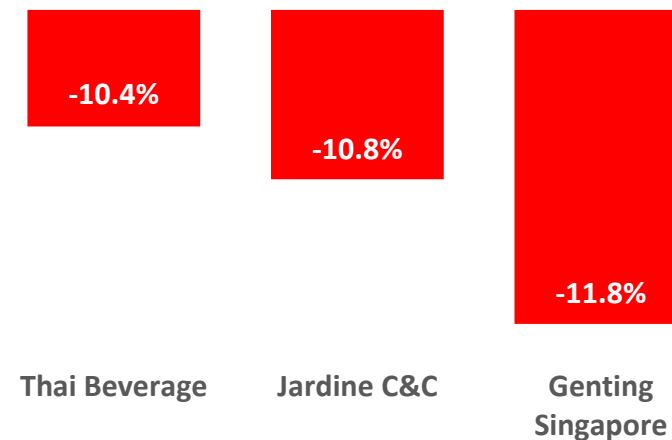
*Pandemic-related weakness*



*Retail and hospitality exposure hurts*



*Lockdowns affected demand*



Source: Bloomberg, PSR, as at 30Sep20

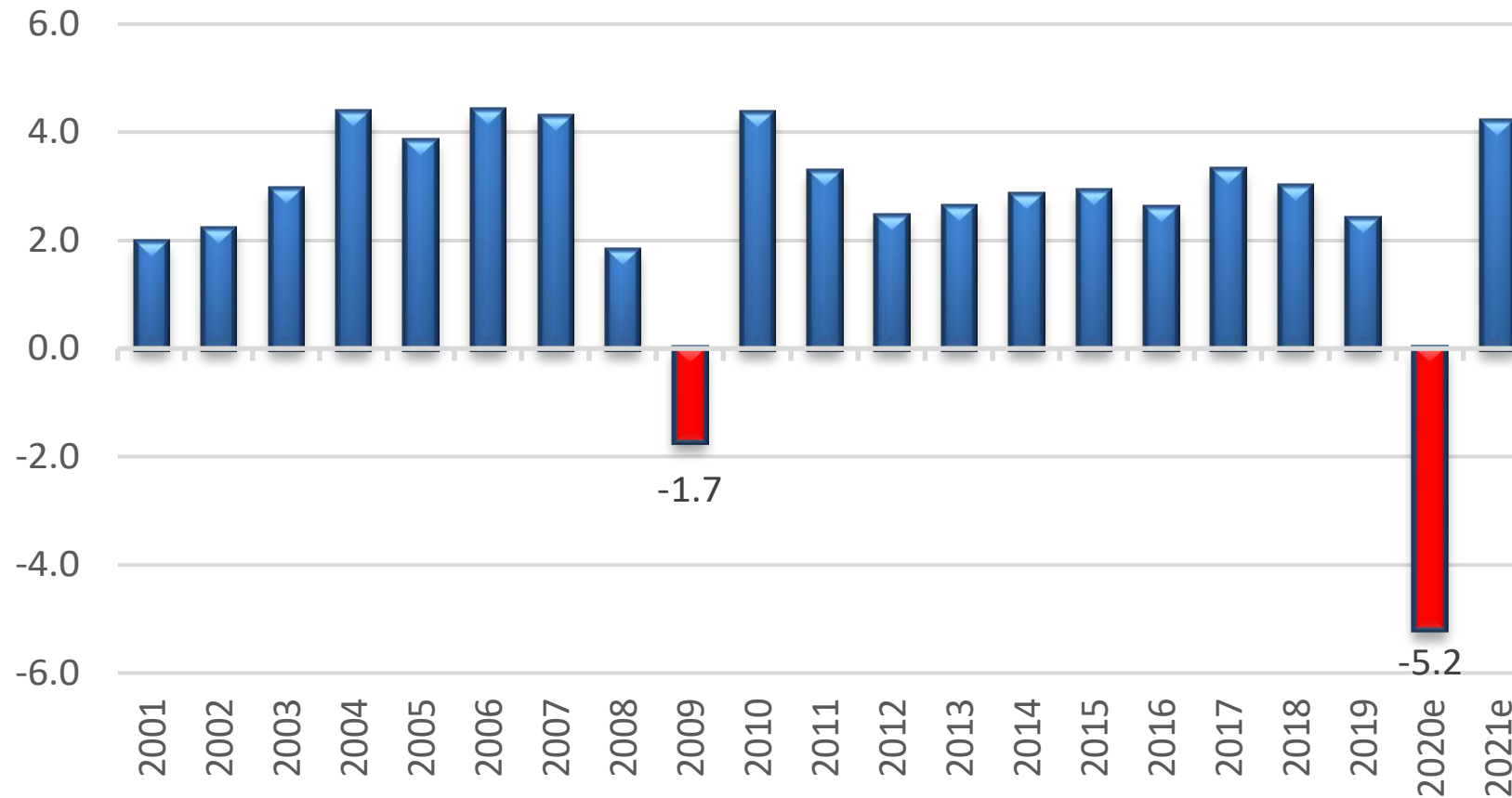




# Economic Conditions

# Decline in global economic growth worse than GFC

World Bank Global GDP (%)

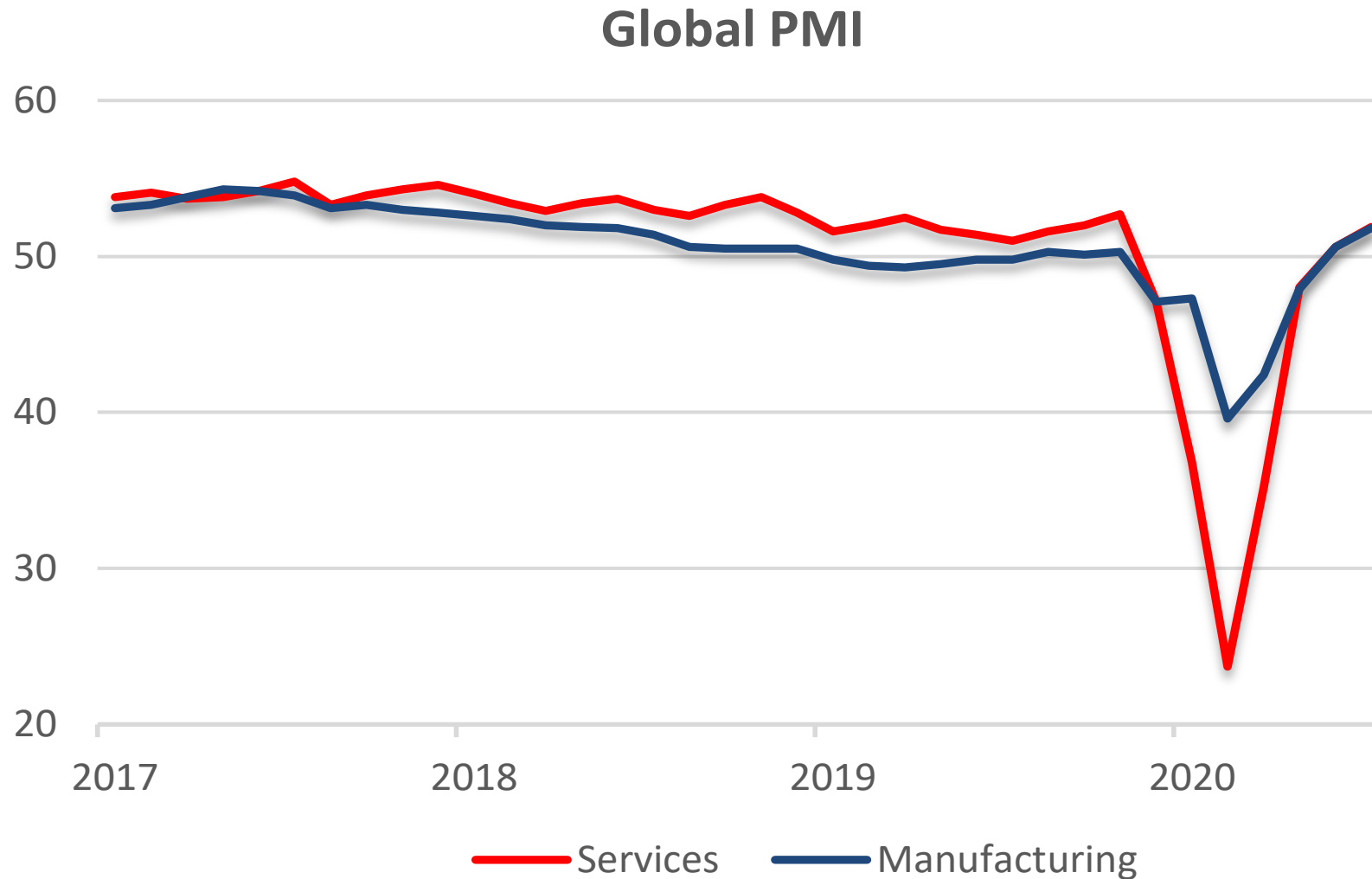


**2021 forecast  
looks optimistic  
with fiscal  
stimulus  
waning**

Source: PSR CEIC, World Bank



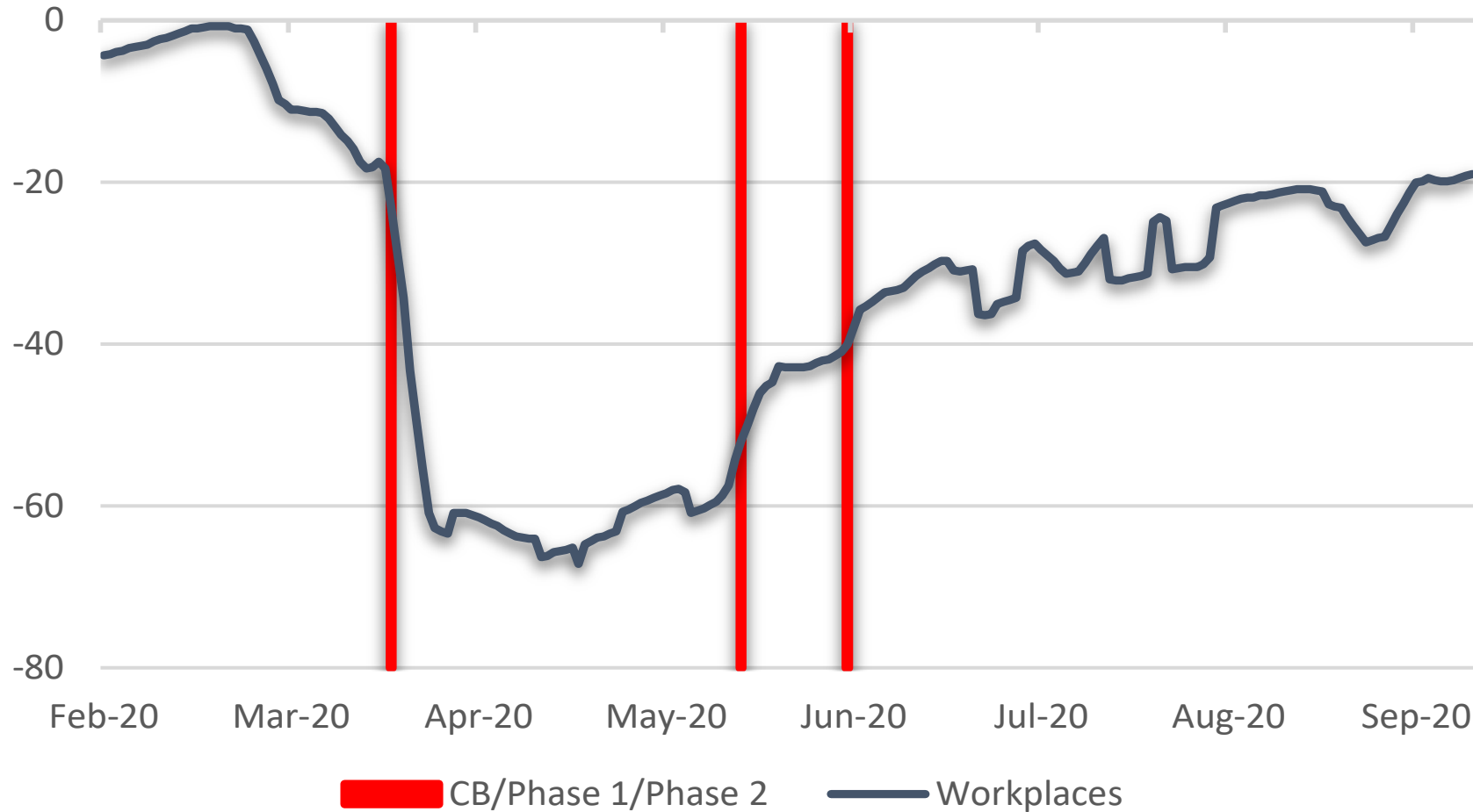
# That sharp rebound from lockdown



Source: PSR CEIC, Markit

# Activity not fully returned to Singapore

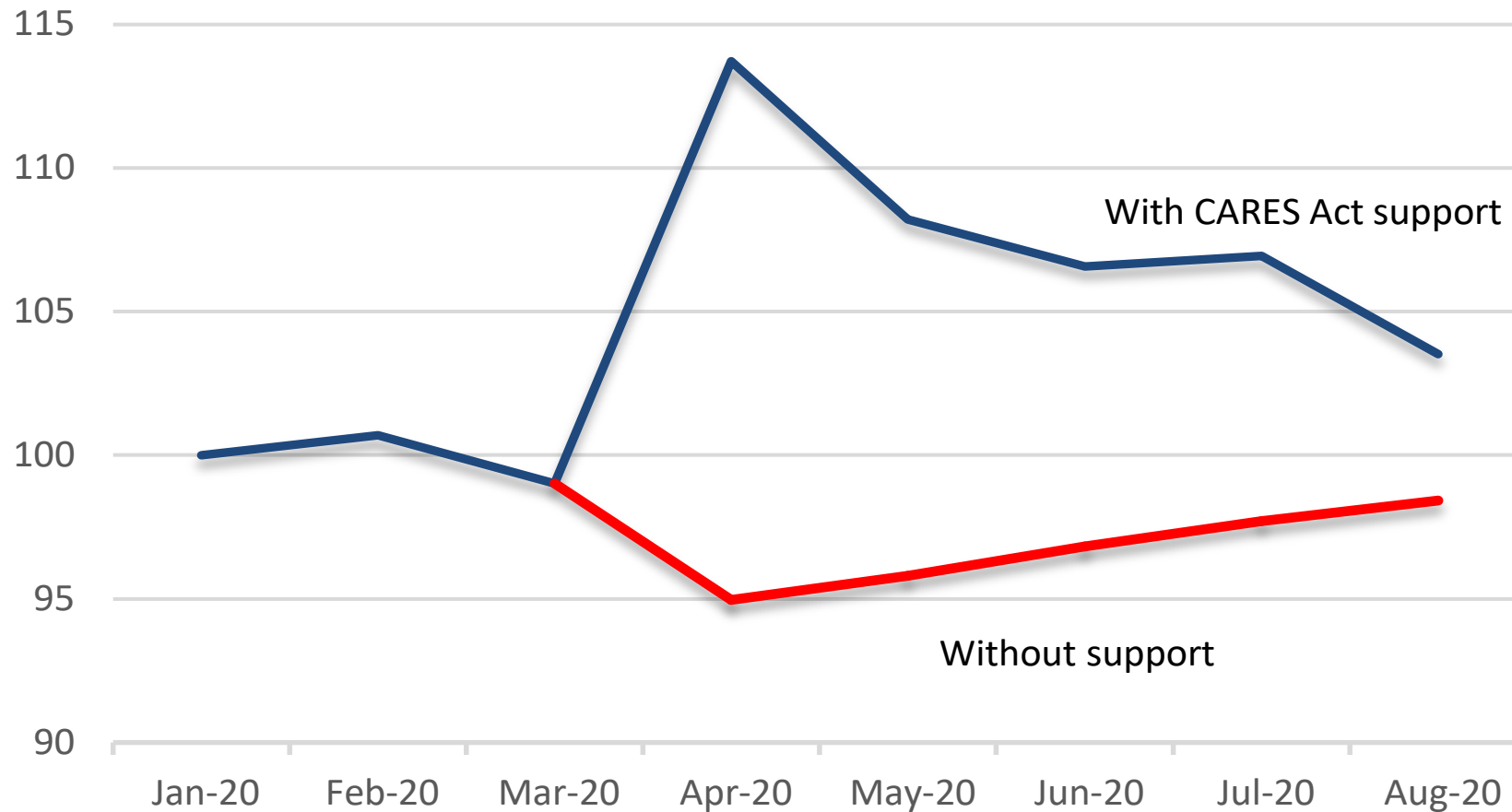
SG: Google Mobility Trend (7DMA)



Source: PSR, <https://www.google.com/covid19/mobility/> (27Sep20)

# US needs the proposed \$1t to \$2t stimulus

## US: Disposable personal income (SAAR)



**Income for US workers and small businesses rose due to the CARES Act \$3t stimulus**

Source: PSR, BEA, CEIC

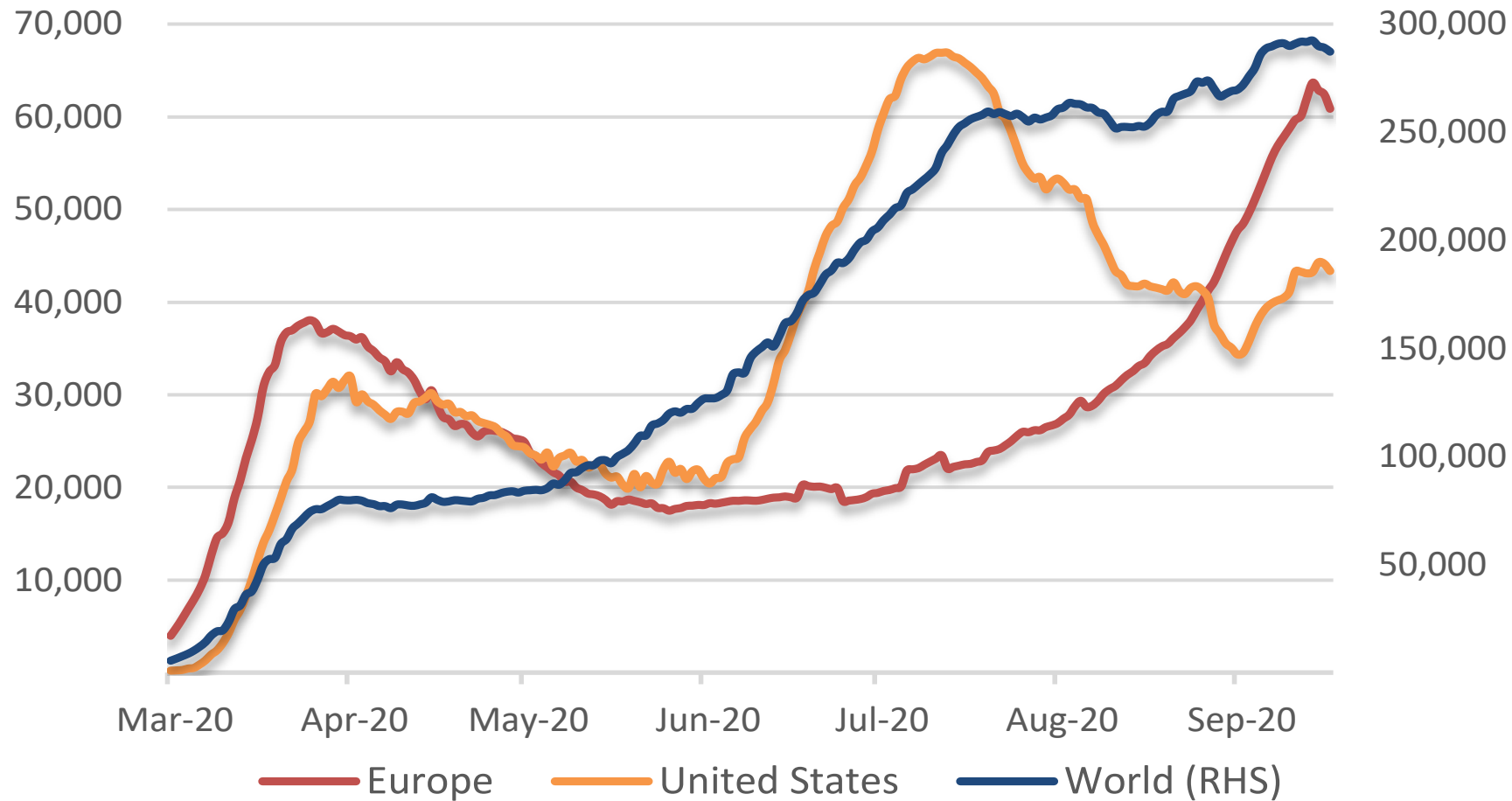


## Macro Themes



# Theme 1: Struggling to contain the pandemic

## COVID-19 New Daily Cases (7DMA)

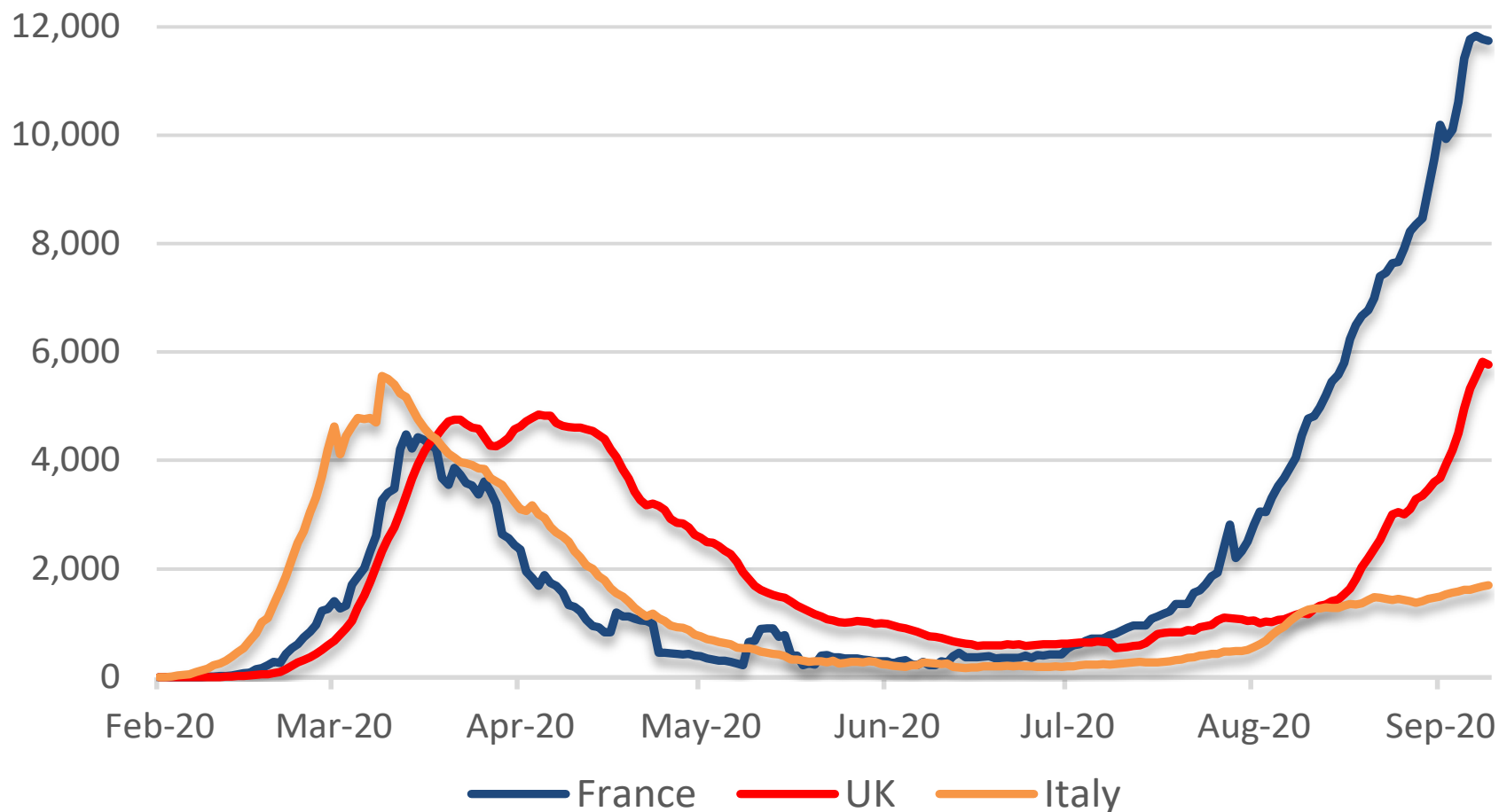


**Global infection rates still at record level, new peak in Europe**

Source: CEIC, PSR, WHO

# 2<sup>nd</sup> Waves do occur.... Wear mask please

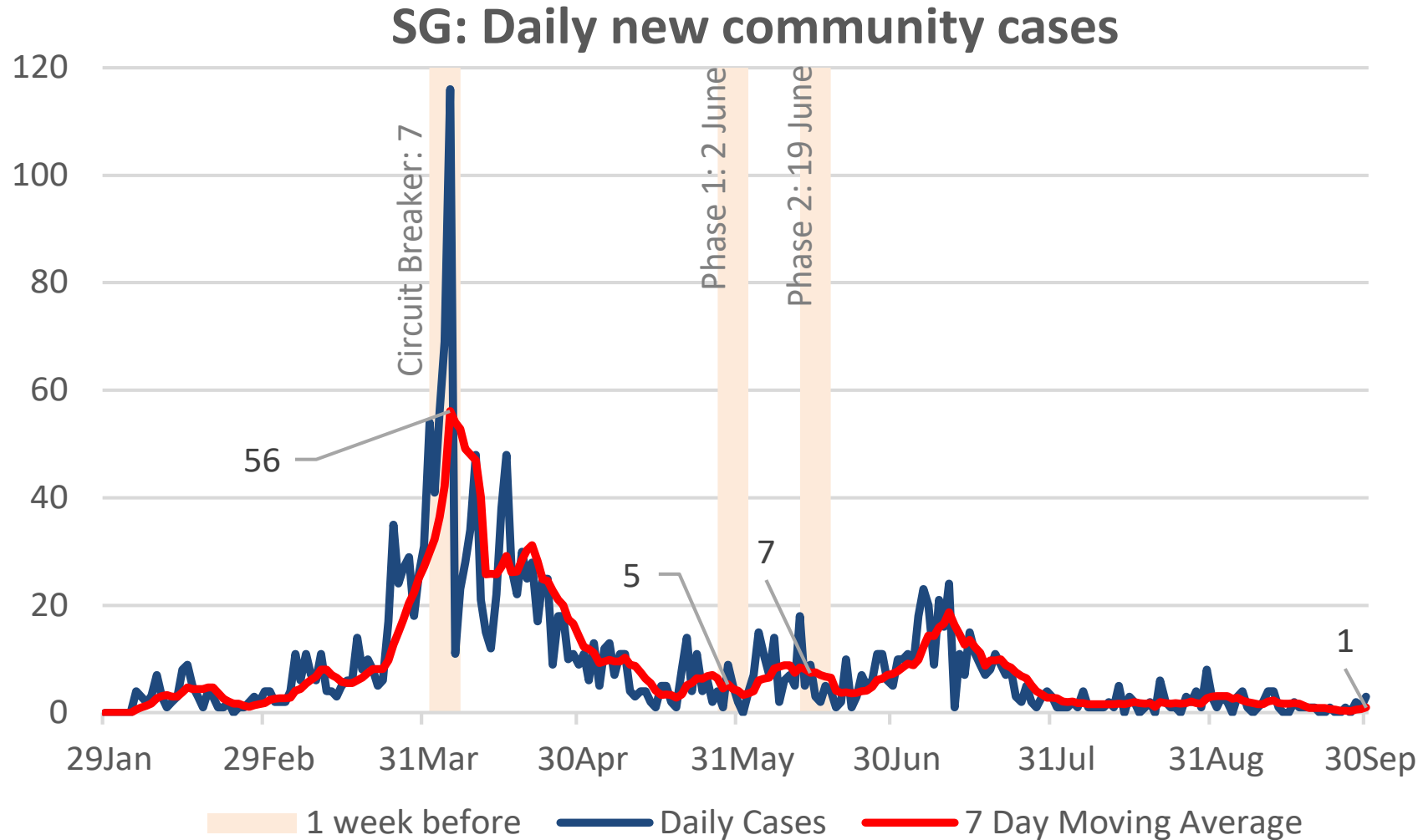
COVID-19 New daily cases: FR, UK, Italy (7DMA)



An even larger  
2nd wave  
underway in  
Europe

Source: CEIC, PSR, WHO

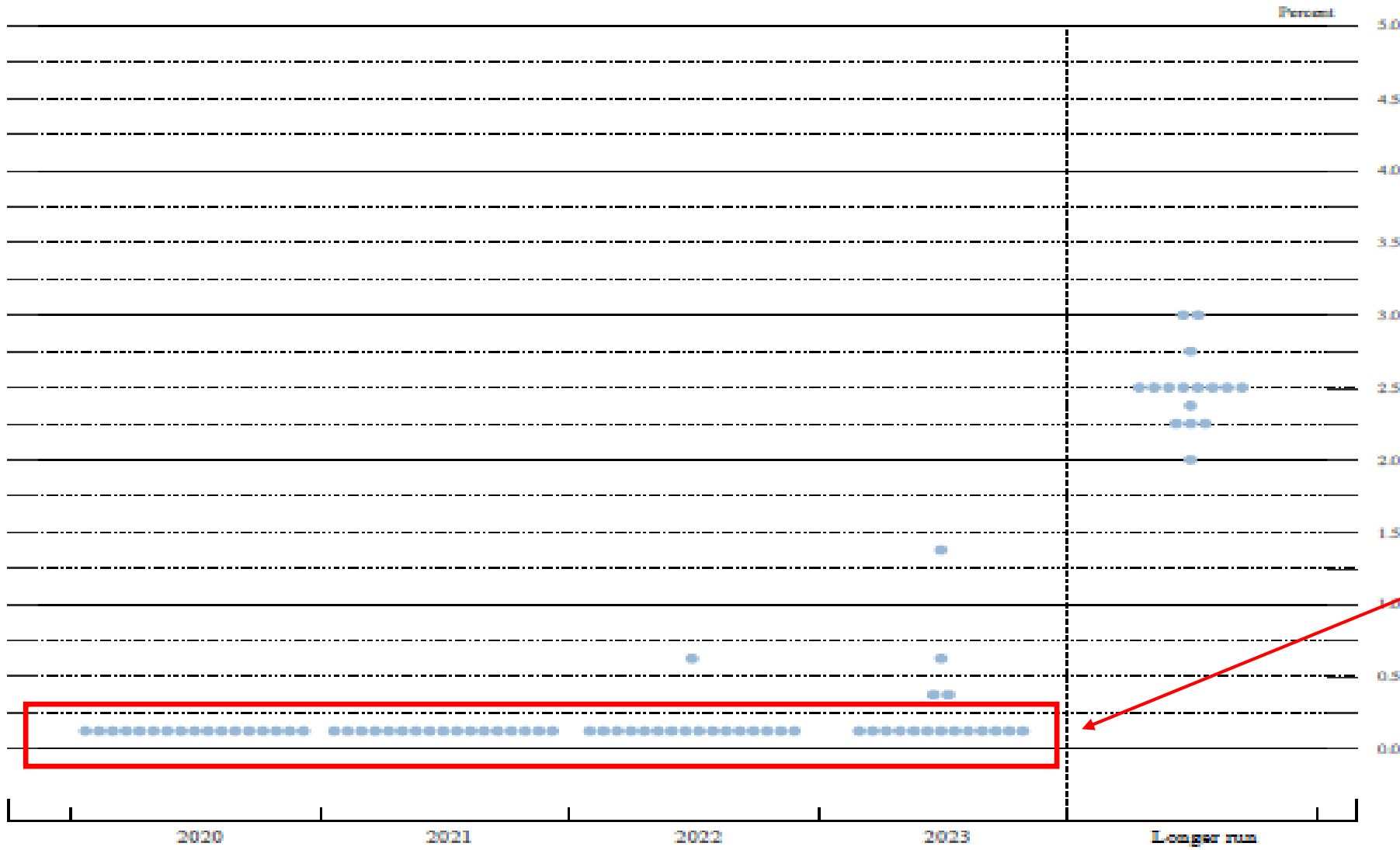
# Singapore is managing well and lockdown easing



**We should expect more easing, community cases 0 to 1 on average, and back to pre-Covid**

Source: CEIC, PSR

# Theme 2: Fed promise low interest rates until 2023

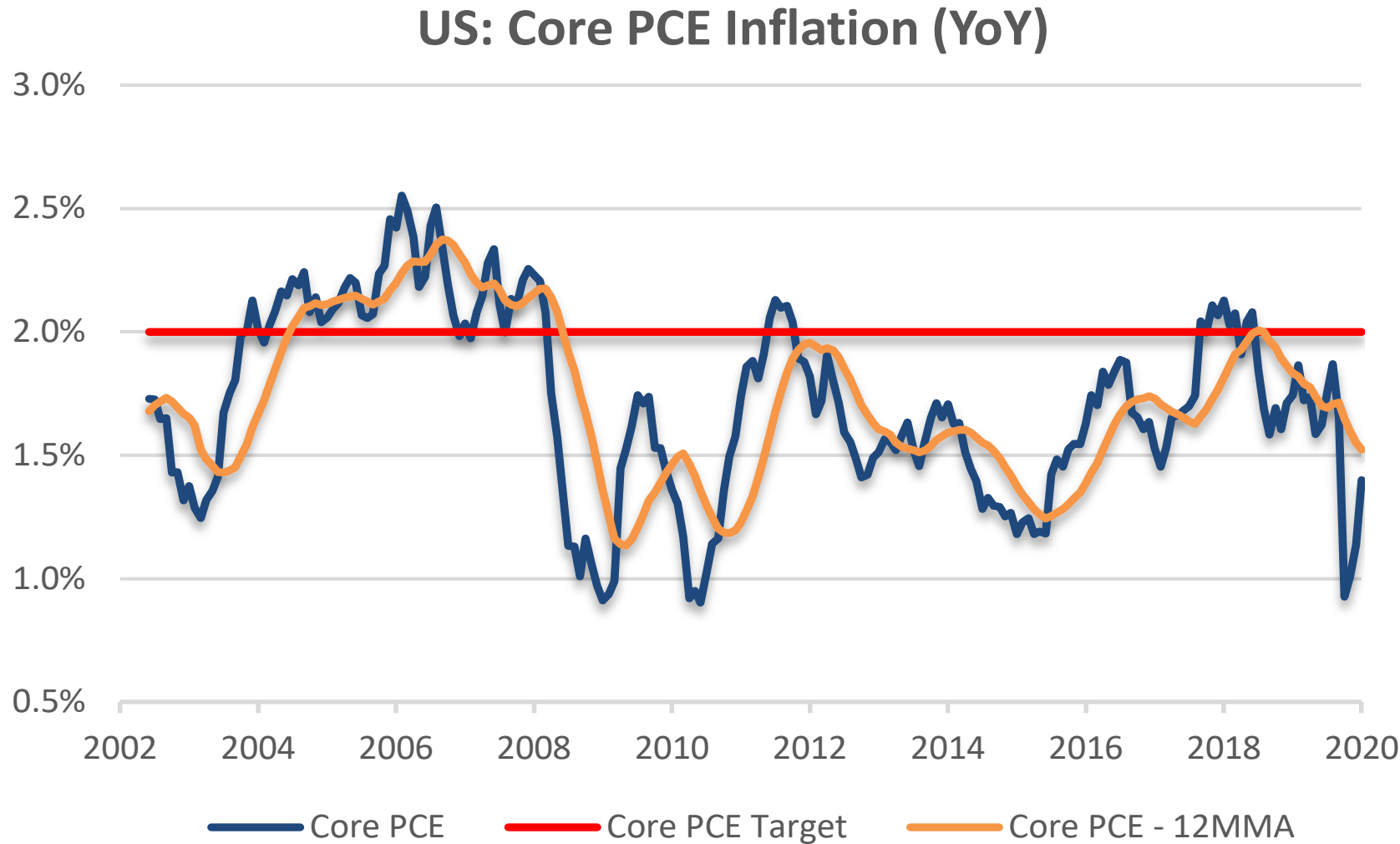


**No rate hike  
until after  
2023**

Source: PSR, FOMC 16Sep20



# Most important indicator of future interest rates



**Moderately  
above 2%  
inflation for  
some time (2.25-  
2.5%)**

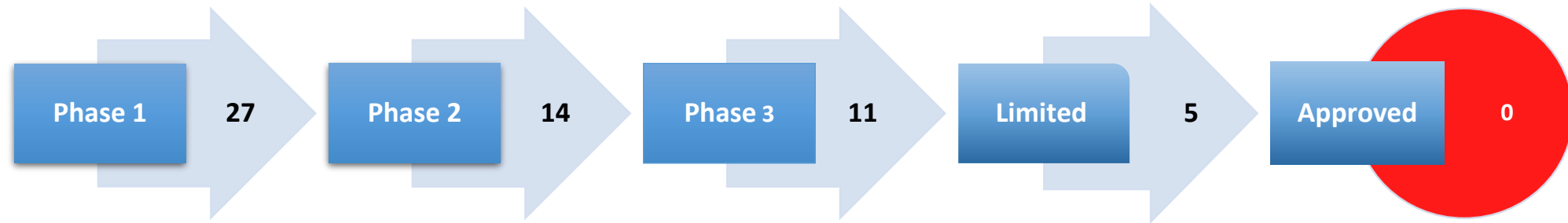
**+**

**Maximum  
employment  
(4%)**

Source: CEIC, PSR

# Theme 3: Vaccine is likely coming soon

## Getting ever closer to an approval



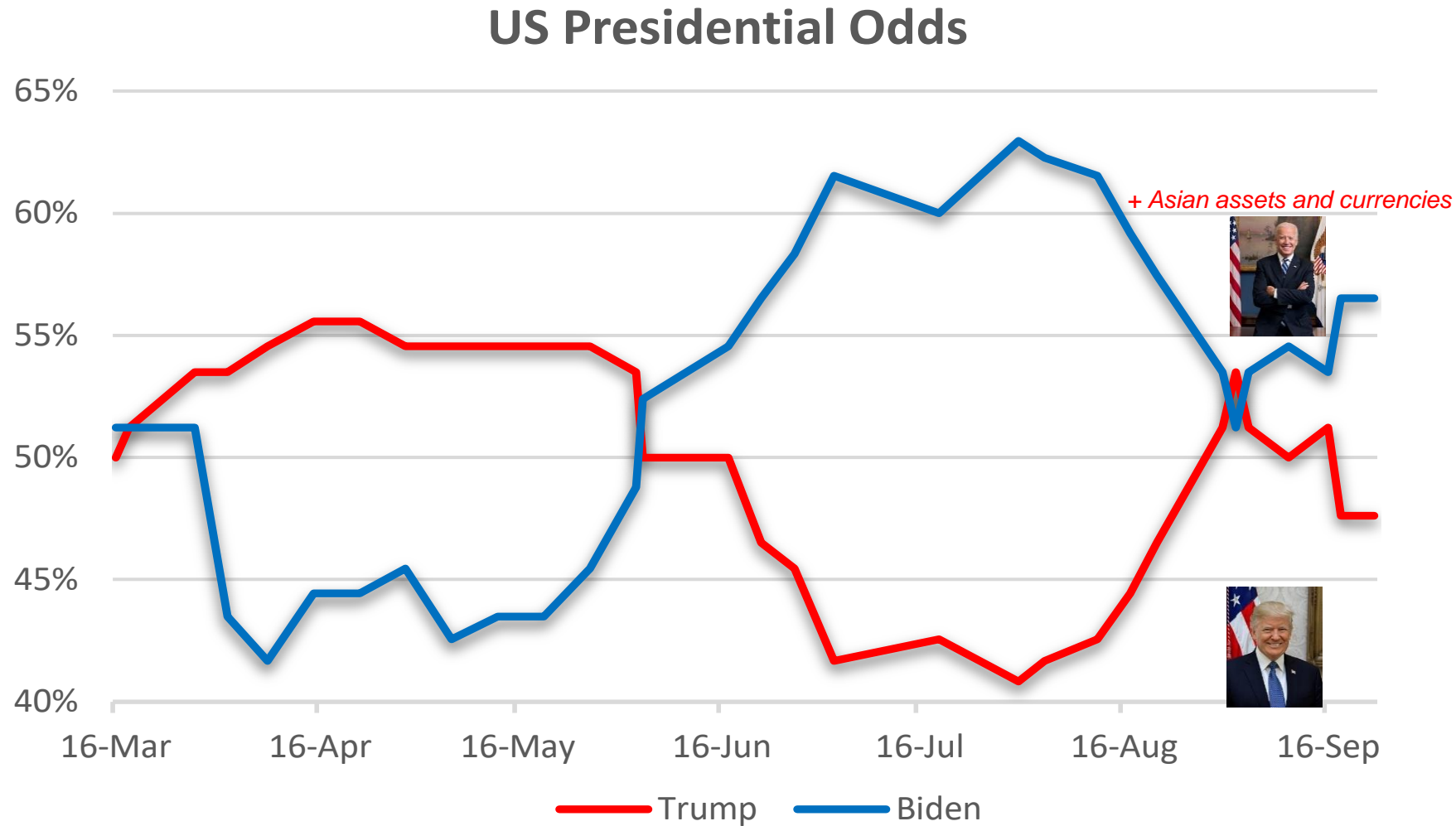
- ✓ Typical vaccine route: 5 to 10 years, US\$500mn to US\$1.5bn, 93% failure rate discovery to license
- ✓ Odds are positive for vaccine but unclear of vaccination
  - Operation warp speed US\$10.8bn
  - >180 companies undertaking research

*Moderna  
BioNTech  
CanSinoBio  
Gamaleya  
Johnson & Johnson  
AstraZeneca  
Novavax  
Sinovac  
Wuhan Institute  
Sinopharm  
MCRI*

*CanSinoBio  
Gamaleya  
Sinovac  
Wuhan Institute  
Sinopharm*

Source: New York Times, PSR, <https://www.nytimes.com/interactive/2020/science/coronavirus-vaccine-tracker.html>, as at 25Sep20

# Theme 4: U.S. elections will cause nervousness

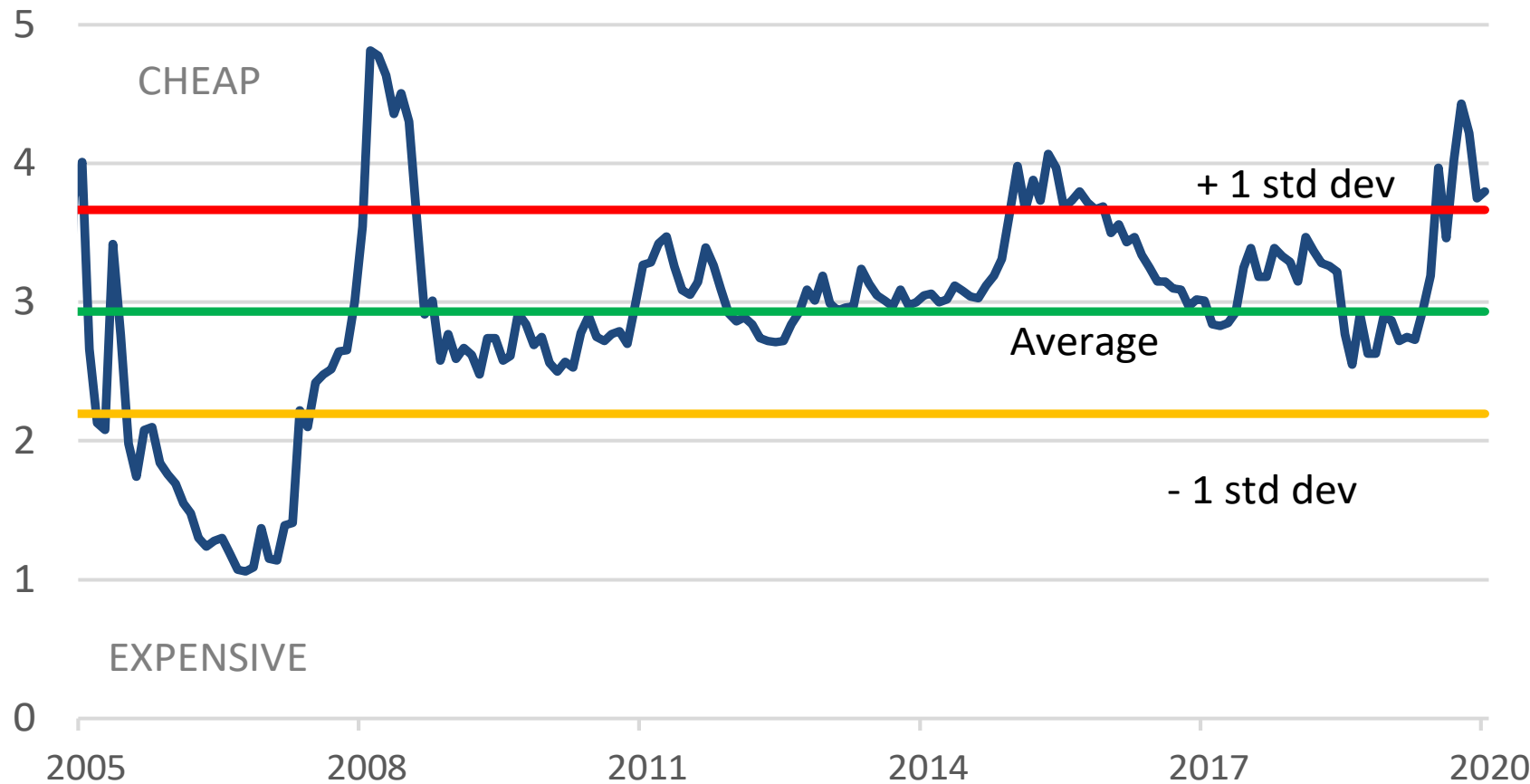


**Winner likely  
Biden but  
contested  
election a  
worry**

Source: PSR, oddsshark

# Theme 5: Equities is still the best option

STI: Dividend yield less deposit rates



**Dividend yield over deposits highest since GFC and dividend yield not stuck but can grow (ROE : 8%) with 55% earnings retained**

Source: CEIC, PSR, DBS 12 month time deposit



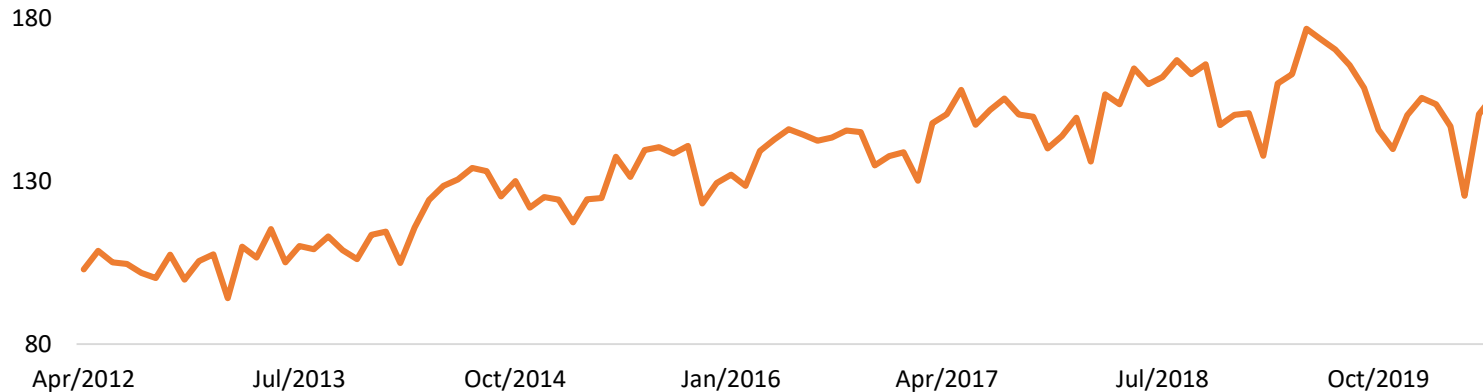


## Sector Views

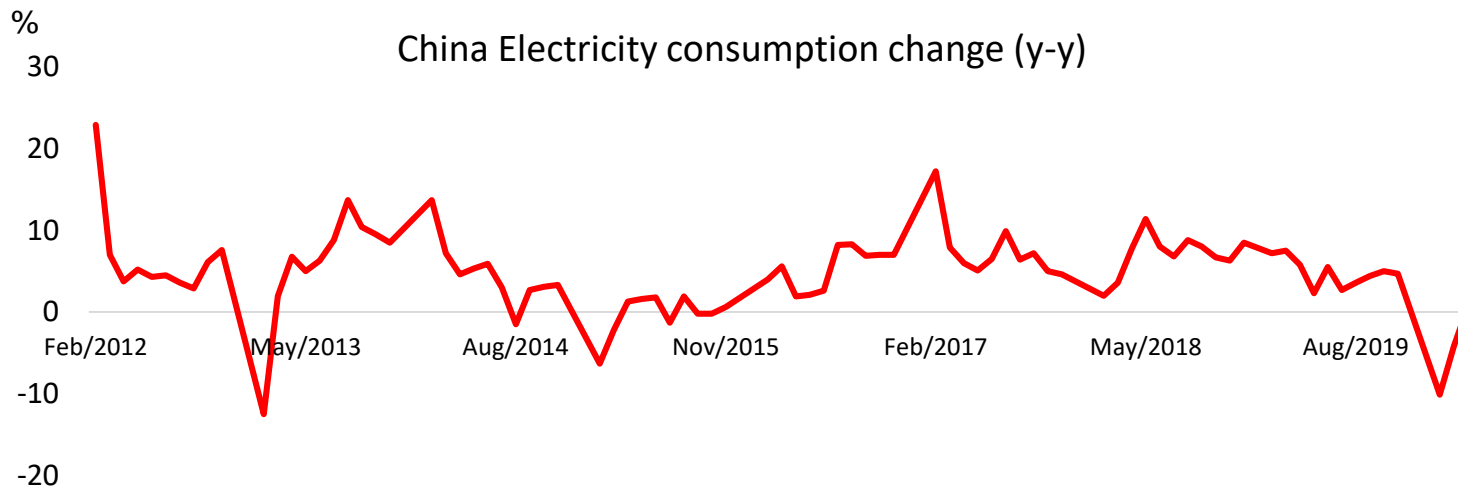


# Utilities: Pick up happening faster than expected

India Industrial Production Electricity Index



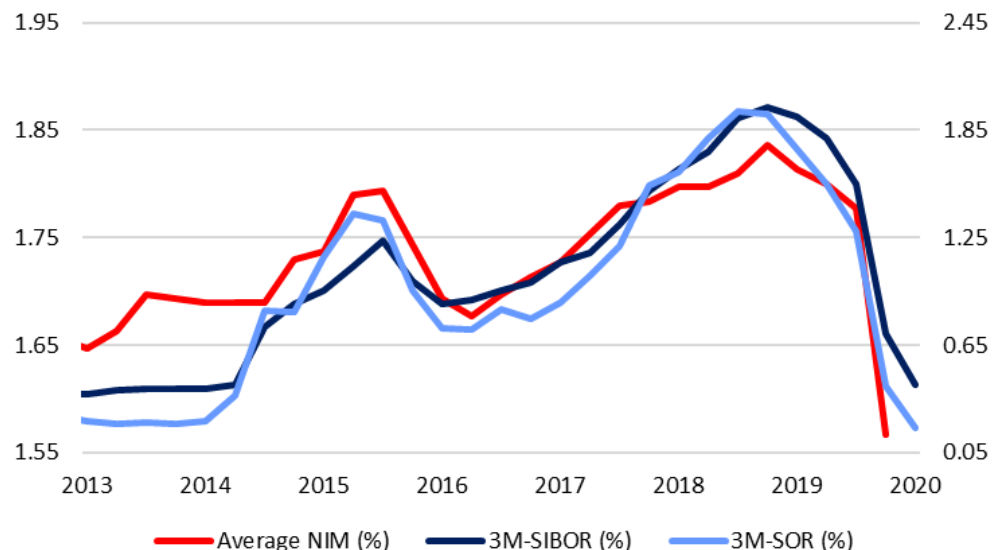
China Electricity consumption change (y-y)



- Economic activity picks up in India and China from June / July 2020
- Recovery in electricity tariff price but demand not yet recovered
- Average plant load factors at 60 – 65% capacity in India and China vs. pre-COVID 19: 75%
- PMI in India and China jumped to 56.8 and 51.5 respectively in September from 52.0 and 51.0 respectively in August
- Rating: **OVERWEIGHT, Sembcorp Industries**

# Banking: weak macro to take a toll on recovery

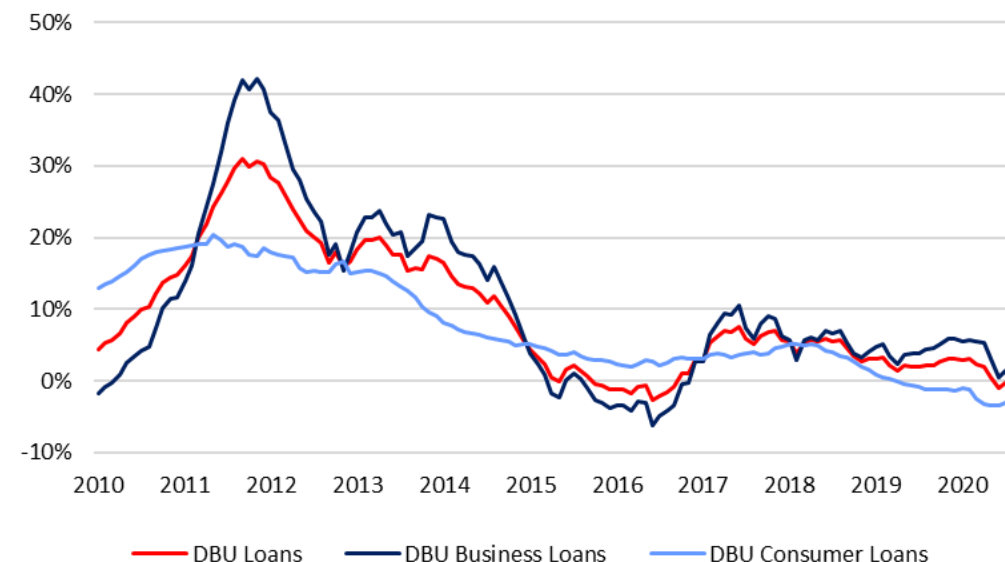
Average NIM (%) vs. Benchmark Rates (%)



Source: Bloomberg, PSR

Average	3M-SIBOR	3M-SOR	NIM
3Q20	0.19%	0.43%	-
1H20	0.87%	1.13%	1.67%
Remarks	Downward pressure on NIMs to persist		

DBU Loans Growth (YoY %)

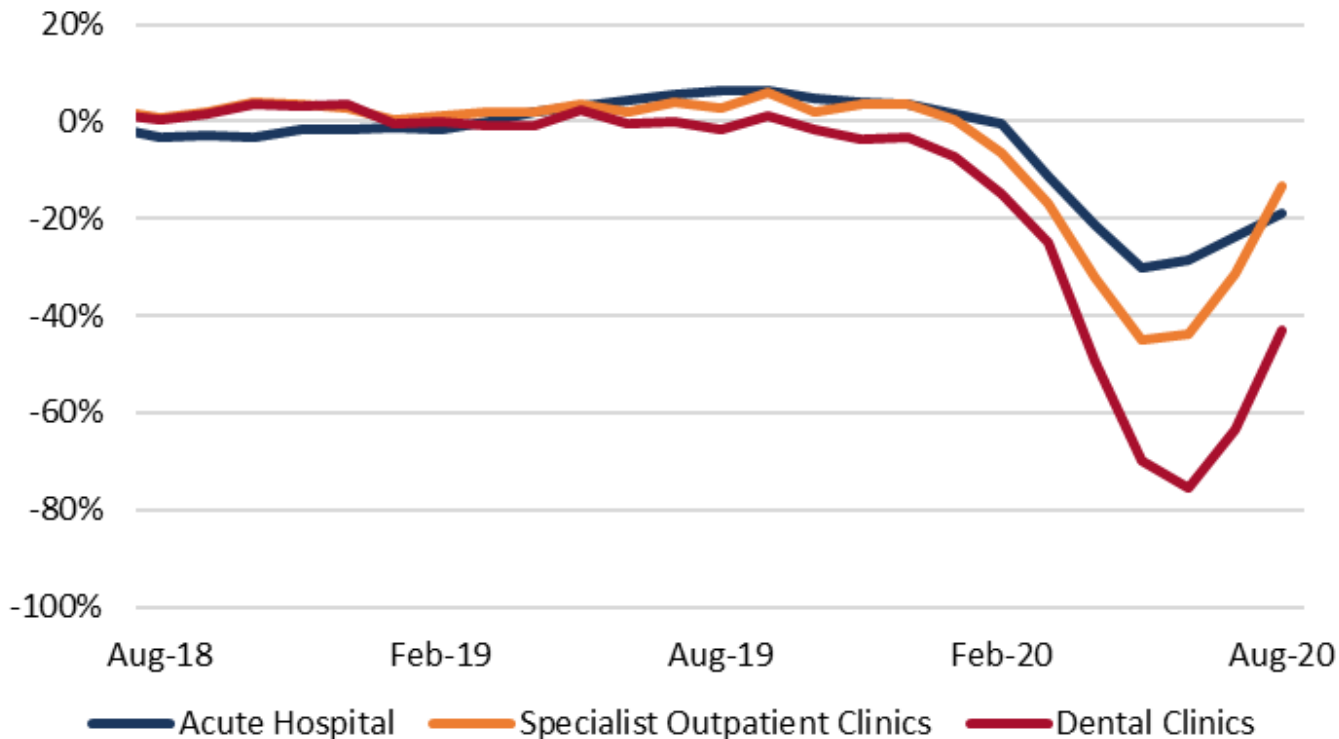


Source: MAS, PSR

Aug-20	YoY	MoM	Remarks
Business	-0.04%	-0.39%	Building and construction, business services, transport and communications up YoY
Consumer	-2.61%	+0.33%	Housing down, but rest recovered MoM
Total	-1.03%	-0.12%	

# Healthcare: travel restriction dampen patient load

Private Healthcare Visitations  
3MMA YoY Growth



Source: CEIC, PSR

## Private healthcare visitations show signs of recovery post Circuit Breaker

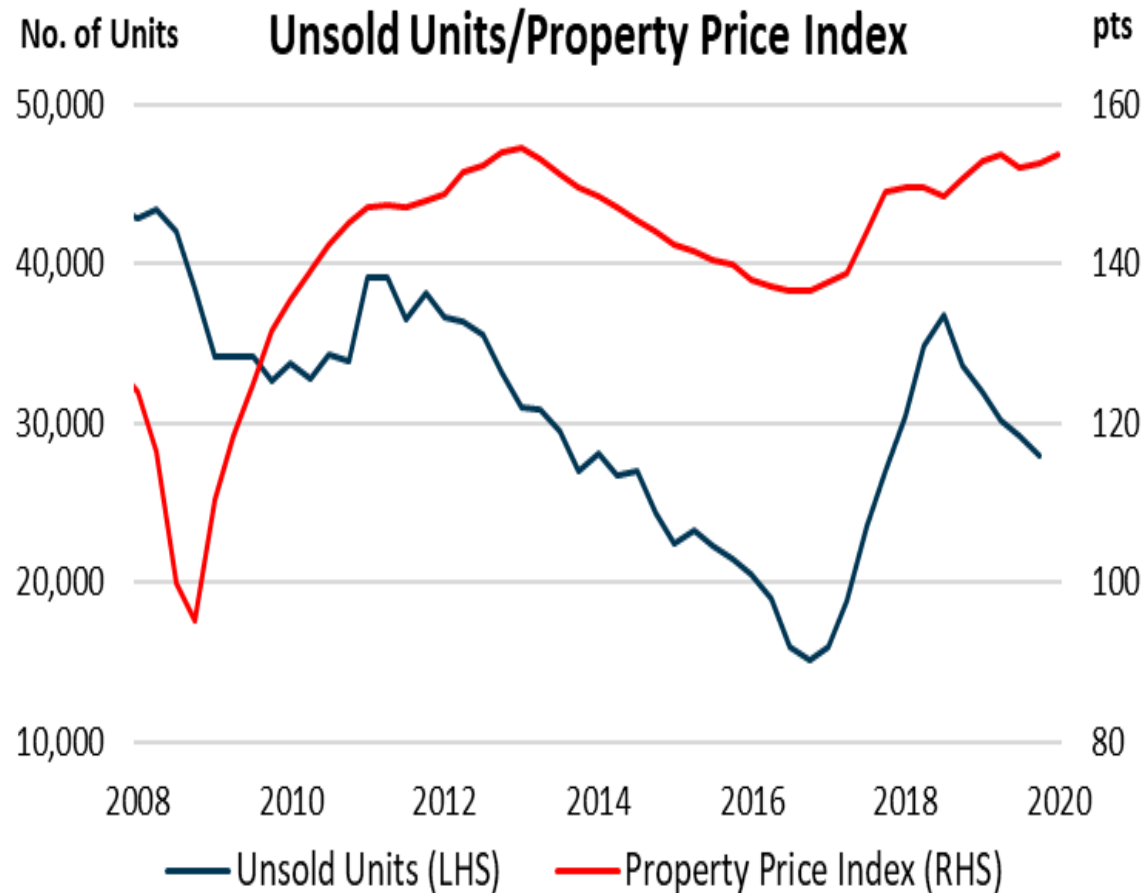
- Still below pre-COVID levels
- Private hospitals back to 80% of pre-COVID levels
  - Foreign patients typically take up 20% of total patients visitations; hurt by travel restrictions
  - More local visitations compared to a year ago
    - Pent up demand
  - Diagnostics business benefit from COVID-19

## Development of Telemedicine to complement current business

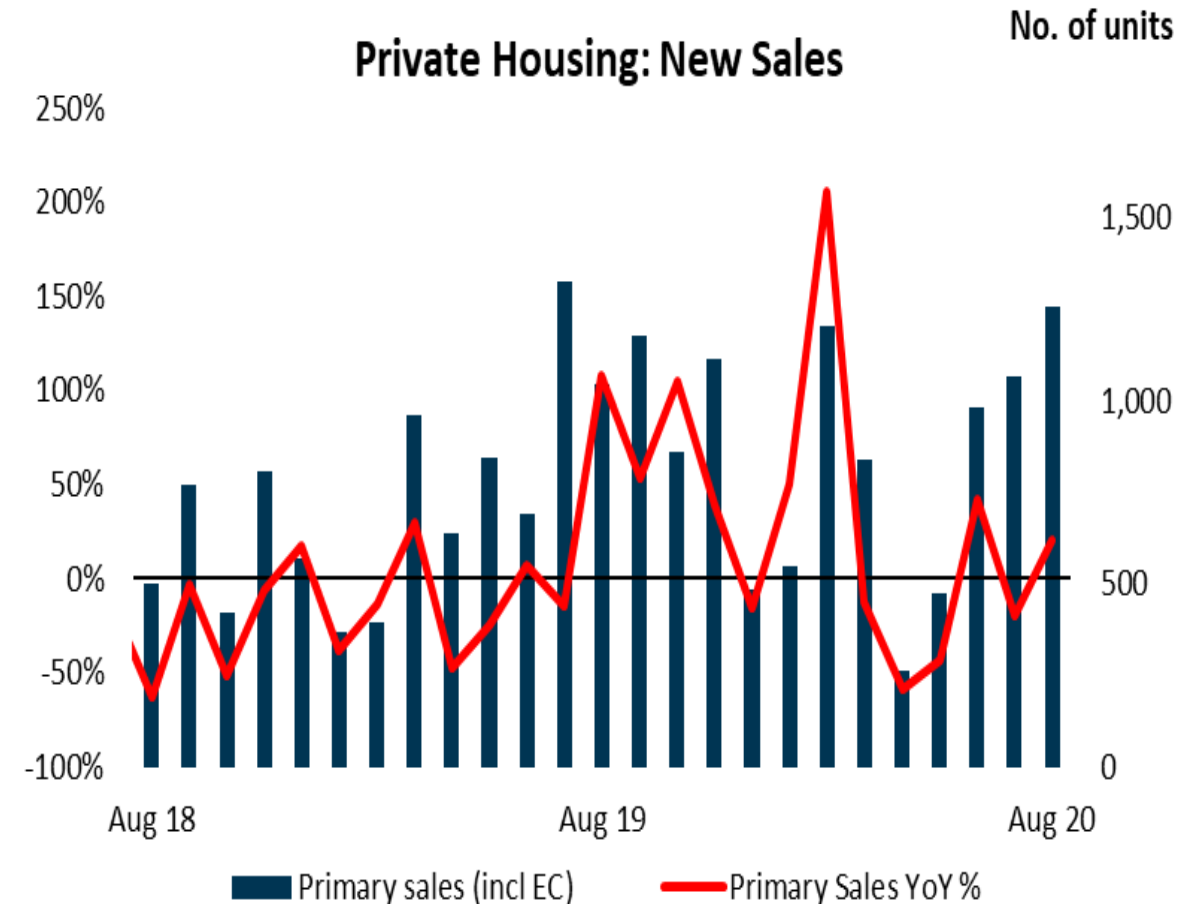
- Resource management, i.e. queuing, waiting times, claims processing etc.



# Private Residential: 28k units unsold, down 17% YoY



Source: URA, CEIC, PSR

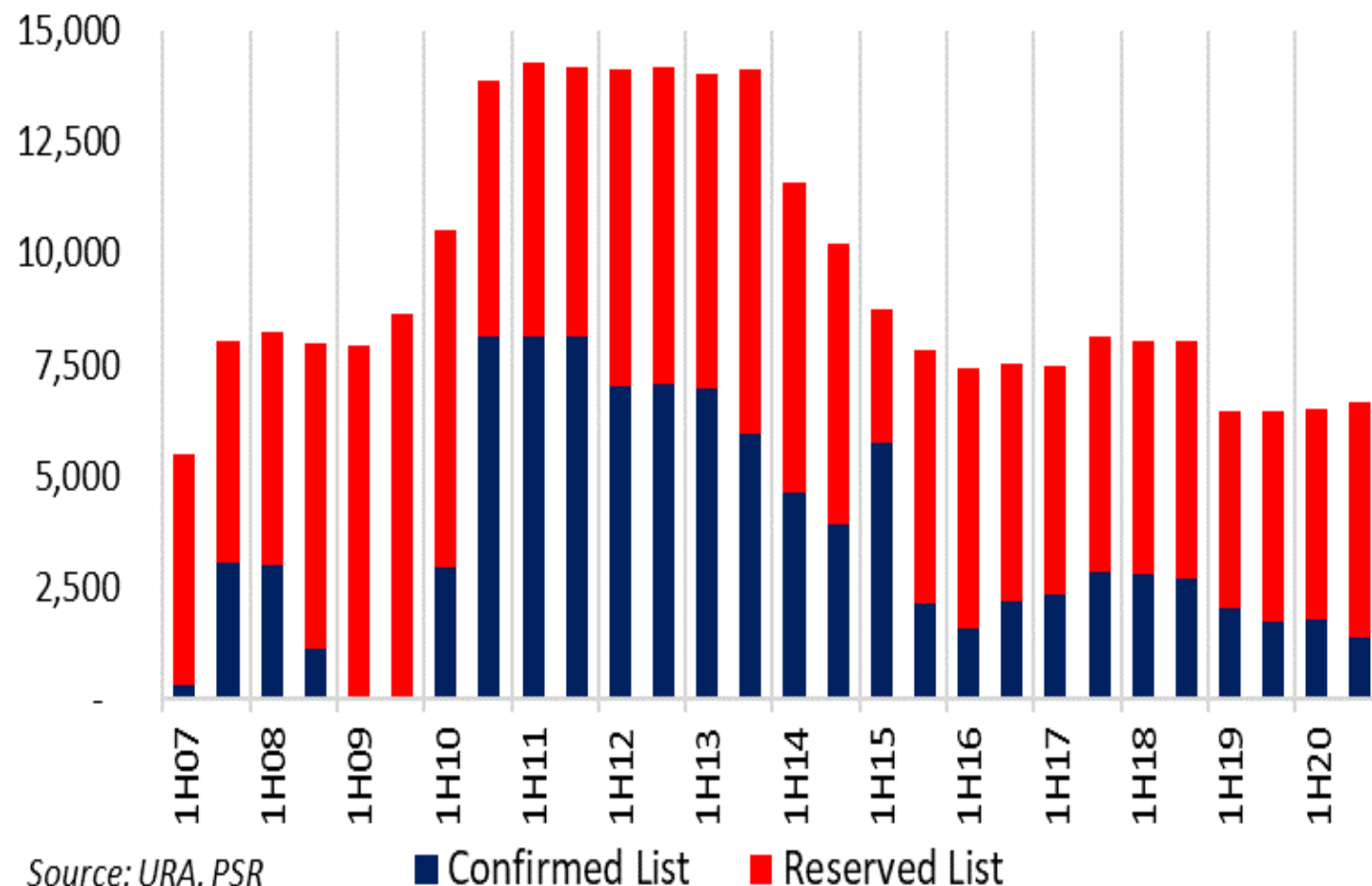


Source: URA, PSR

# Prices mildly positive, volumes above 5-yr average (c.9k)

No. of Units

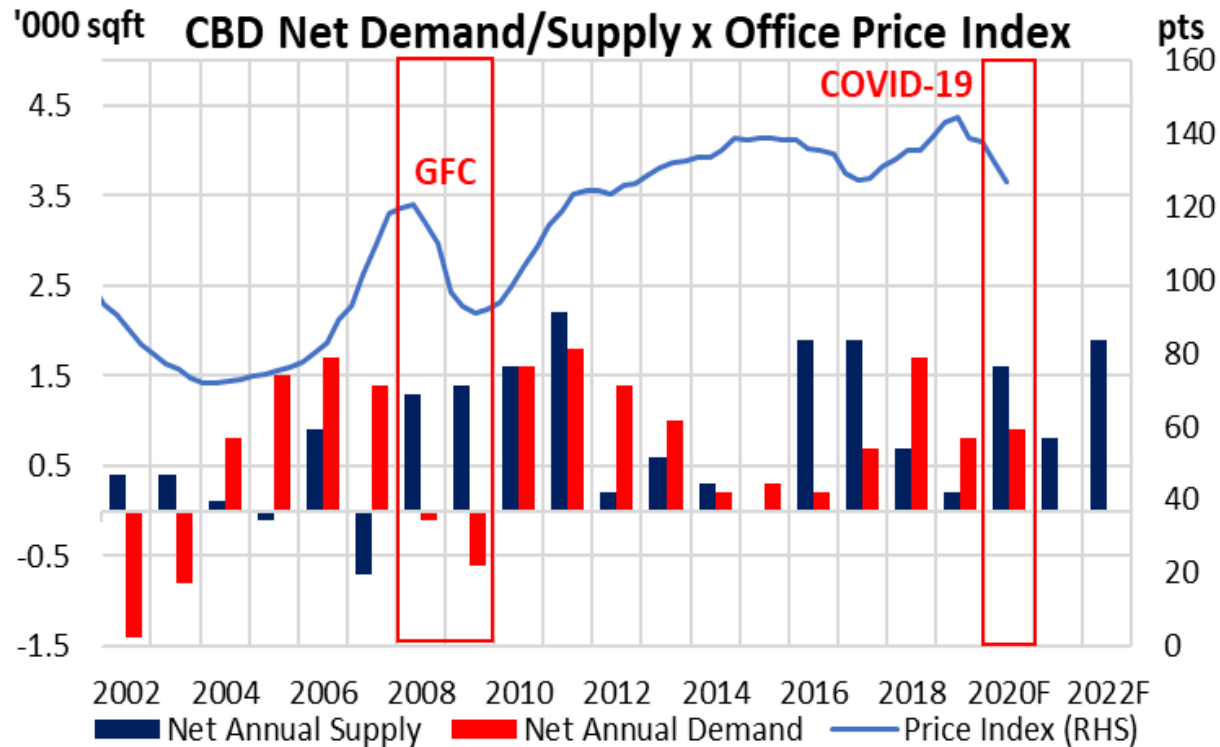
## Residential Government Land Sales



## 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

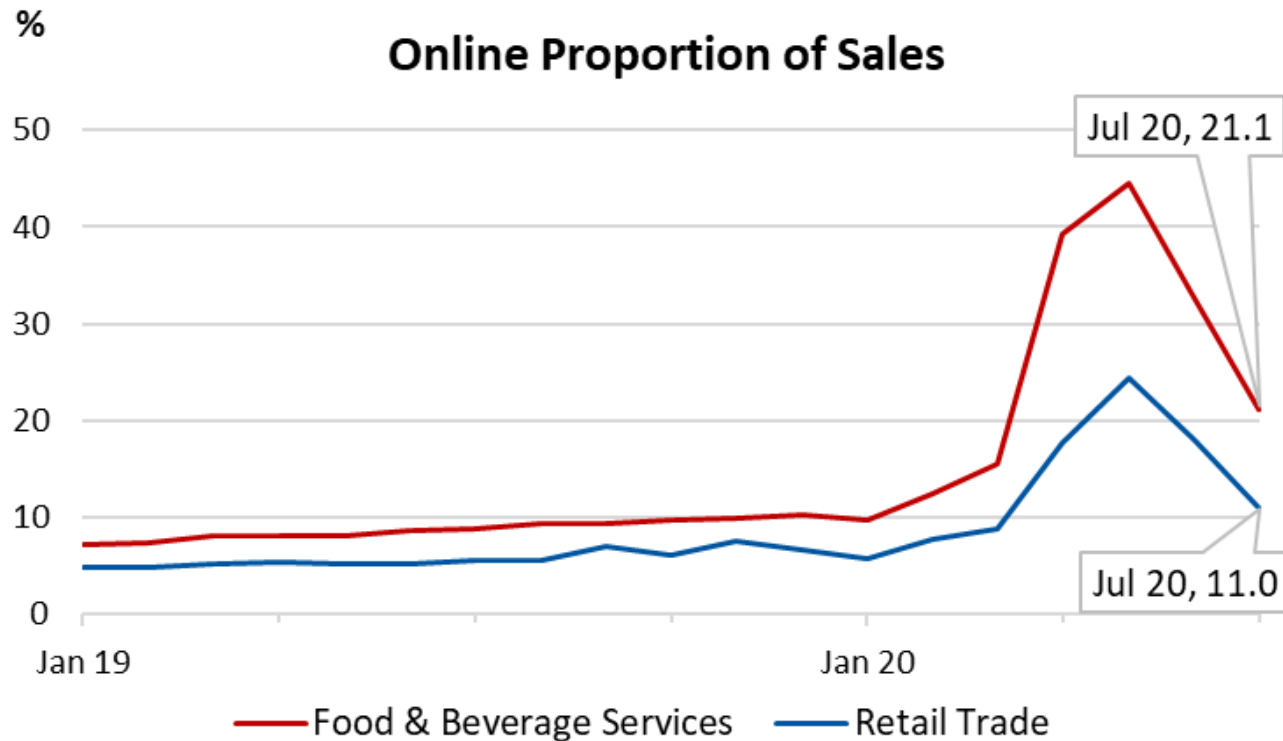
# Office – In the sweet spot



Source: URA, CEIC, PSR

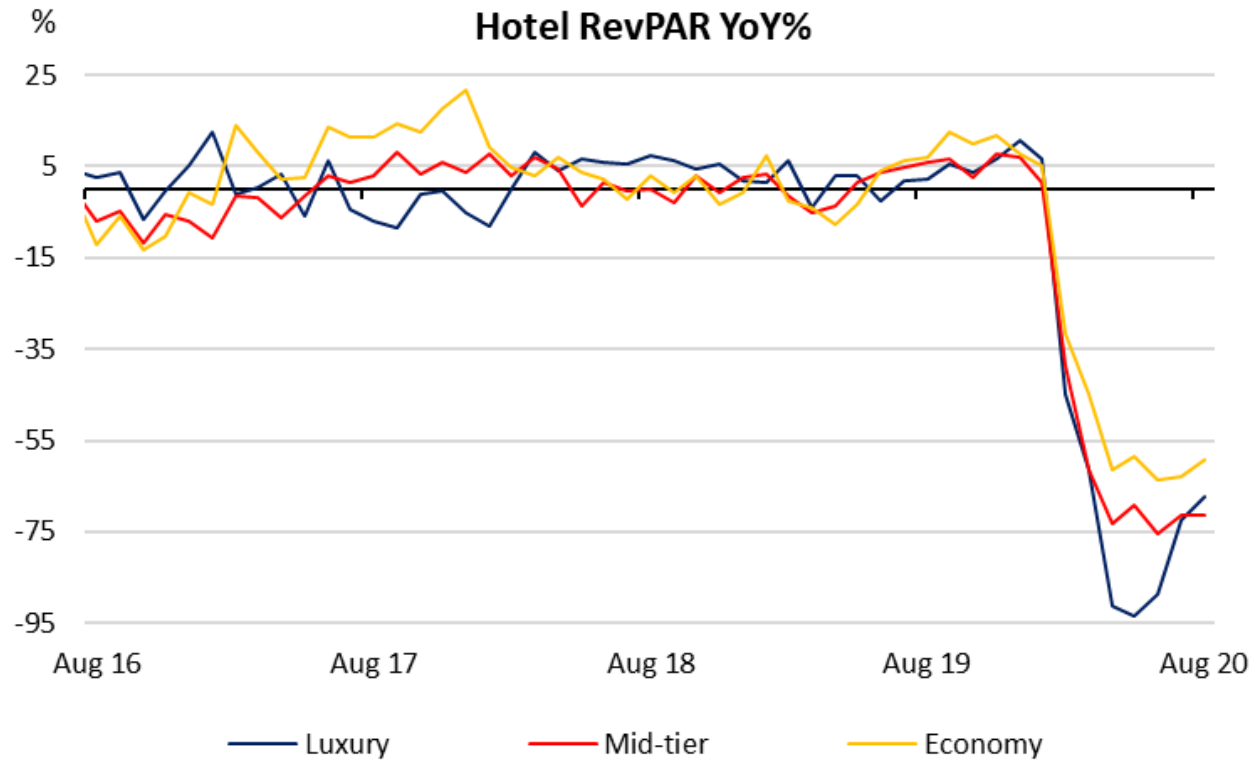
- Resilience of office-using tenants
- Office synonymous with mentoring, collaboration, innovation and corporate culture
- **Demand from**
  - ✓ Social distancing: Lower desk-density and split office
  - ✓ China tech companies setting up headquarters
  - ✓ Firms will need to maintain the same footprint despite flexible work arrangements
- **Supply support from**
  - ✓ Muted supply at 0.9mn sqft (below 5-yr average)
  - ✓ Office assets decommissioned for redevelopment
- CBD Incentive Scheme (Redevelopment 2021/22)
  - ❖ AXA Tower (700K sq ft)
  - ❖ Fuji Xerox Tower (354K sq ft)
  - ❖ Central Mall (131K sq ft)

# Retail – Evolution not apocalypse



- Occupancy dipped by 1.9ppts while the rental index fell by 1.3pts YoY
- E-commerce penetration double since 2019 –
  - ✓ Price comparison, non-urgent, discretionary, “good-to-have”
- Brick-and-mortar important to drive **loyalty**
  - ✓ Branding
  - ✓ Differentiation & Experiential
  - ✓ Awareness & Visibility
  - ✓ Quality-confirmation
- Operators focusing on driving customer and tenant stickiness
  - ✓ Digital ecosystem: Loyalty programmes, food ordering and e-commerce platforms
  - ✓ Encourages consolidation of purchase – fighting back against e-commerce platforms

# Hospitality – Waiting on a vaccine

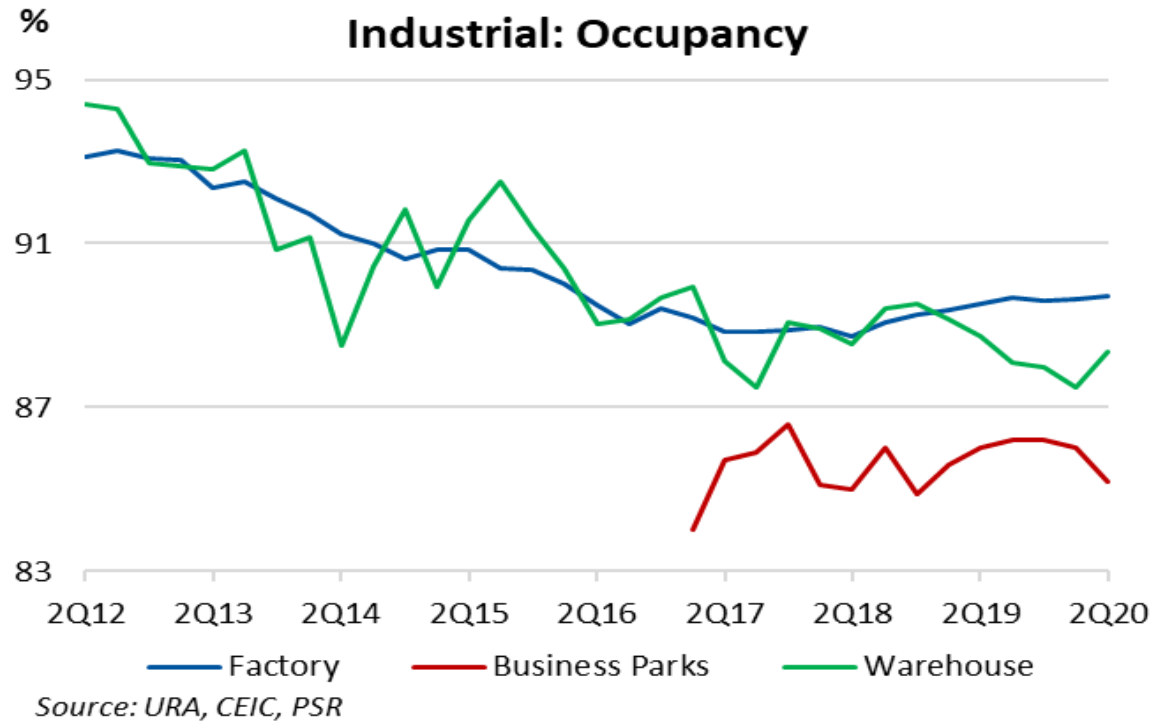


Source: CEIC, PSR

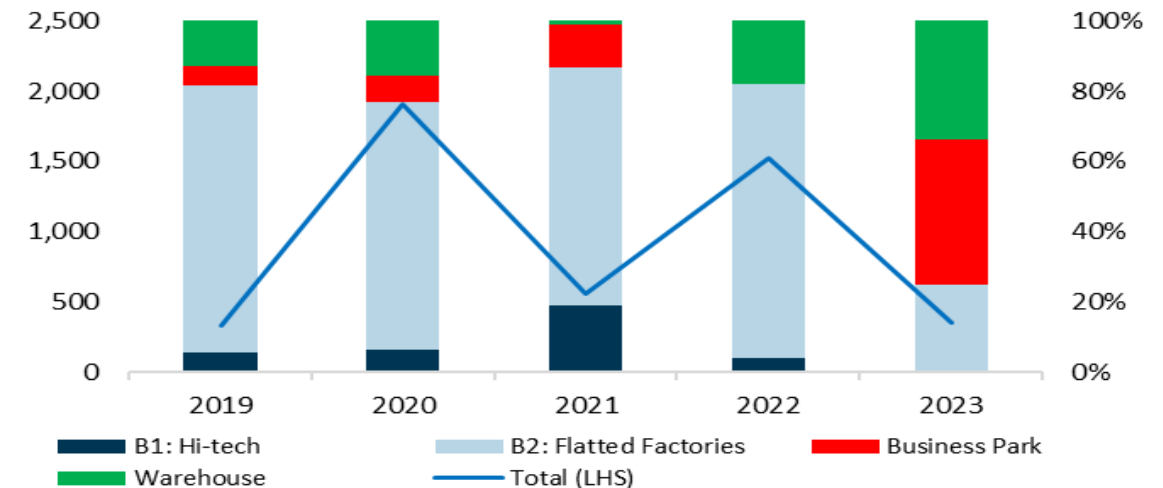
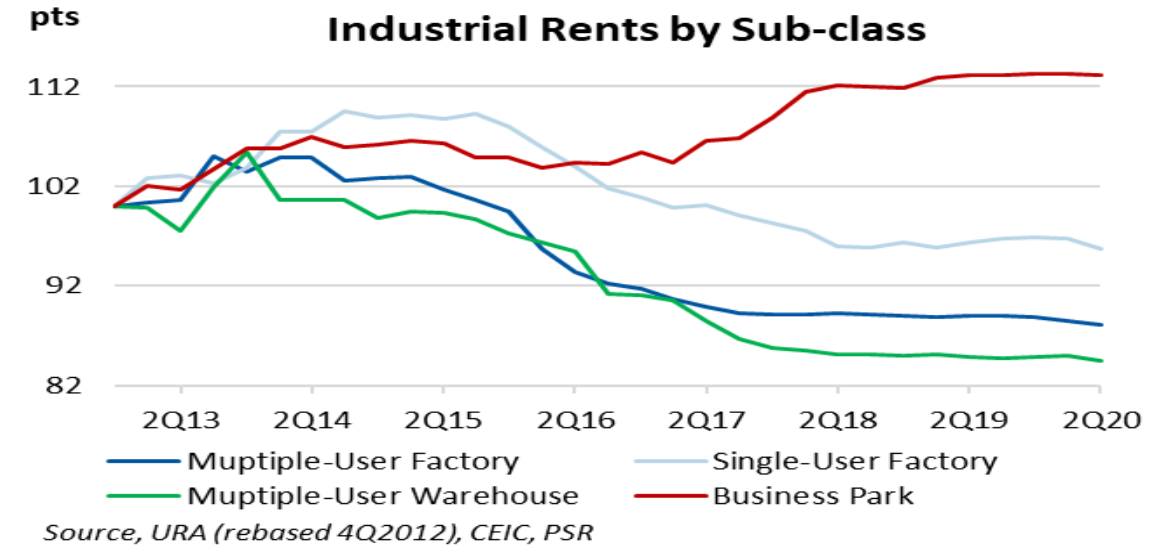
- Recovery to pre-COVID levels in 2021
- Quarantine business falling off
- Fast lane arrangements for essential travel
- Luxury/upscale and resort-styled hotels to benefit from staycation demand
- Singapore likely one of the first countries to welcome leisure travel
- Master leases propping up revenues in FY20

RevPAR per room/night	Average	Luxury	Upscale	Mid-tier	Economy
Aug-20	72	144	44	46	41
Aug-19	208	440	246	161	100
YoY%	-65.5%	-67.3%	-81.9%	-71.5%	-59.2%

# Industrial – Still resilient



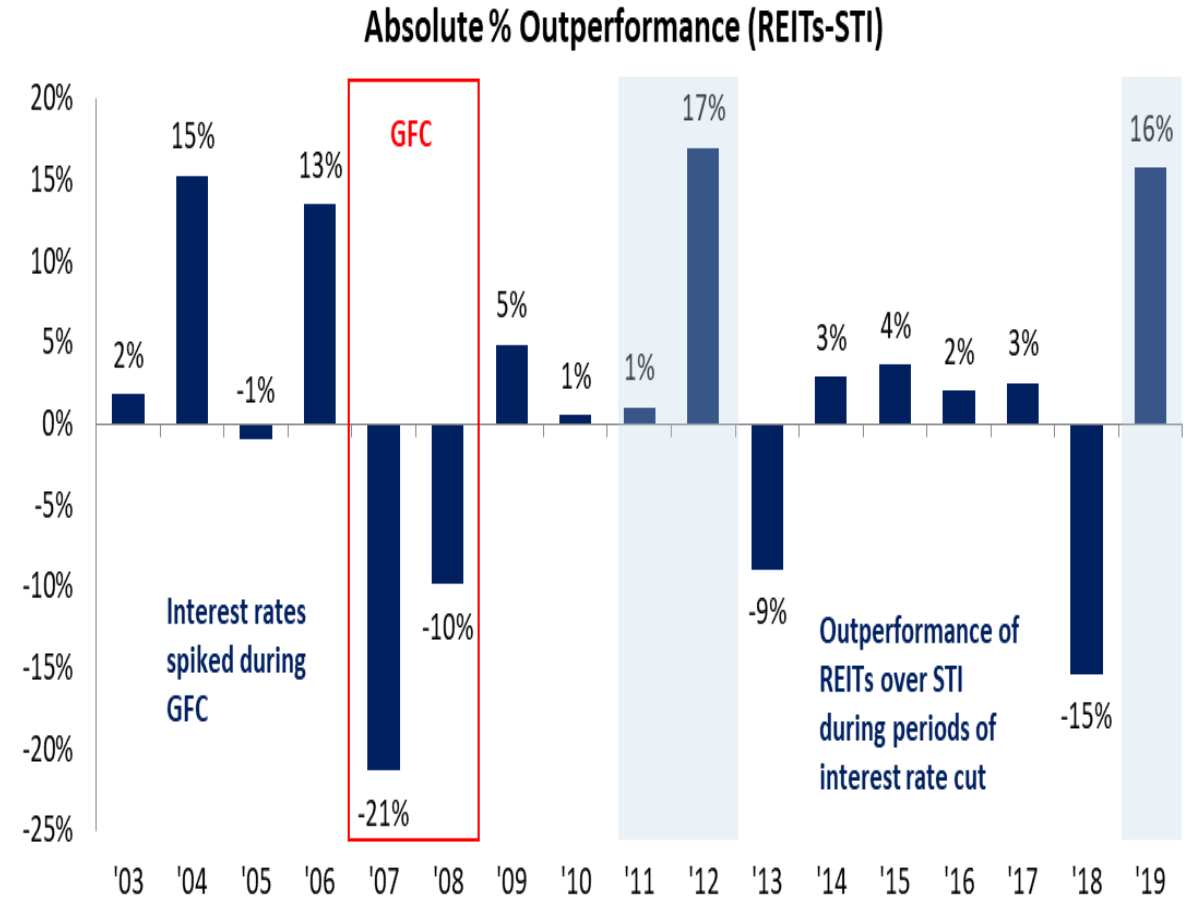
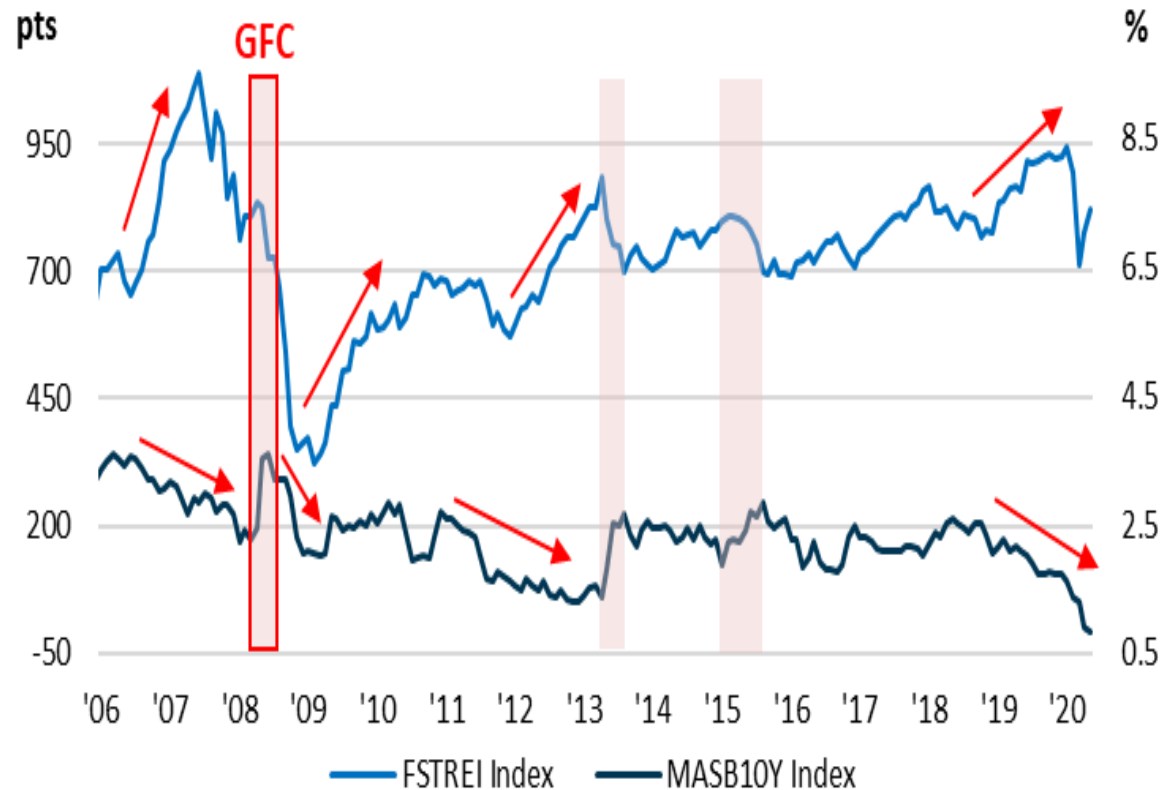
Industrial Occupancy (%)	Industry	Biz Park	Factory	Warehouse
2Q20	89.4	85.2	89.7	88.3
QoQ (%)	0.2 ppts	-0.8 ppts	0.1 ppts	0.9 ppts
YoY (%)	0.1 ppts	-0.8 ppts	0.2 ppts	-0.4 ppts





# Low interest rates conducive for REITs

## Inverse relationship between 10YSGS and FTSE REIT Index

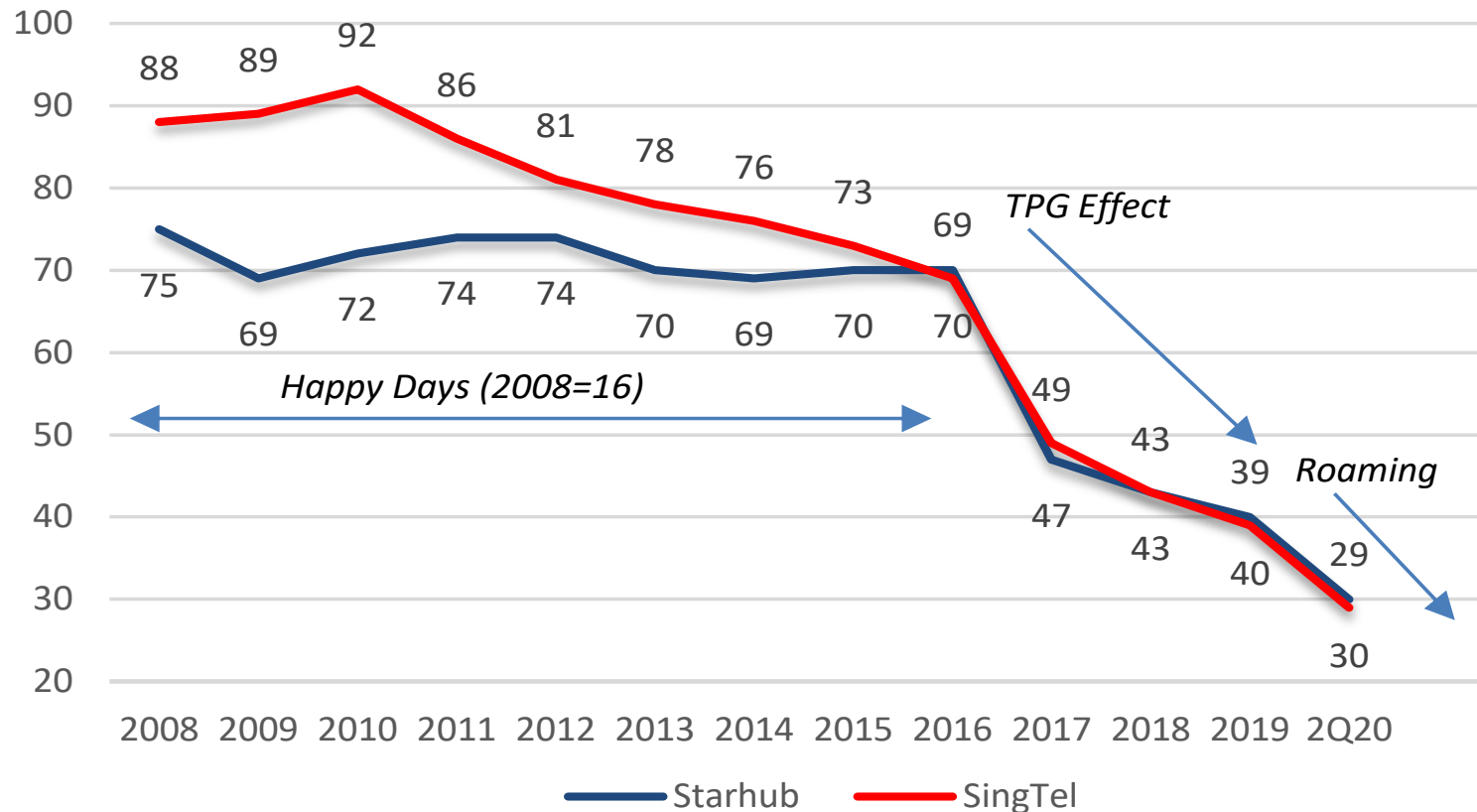


Source: Bloomberg, PSR

# Telecommunications: Weak until borders reopen

Since 2017, prices on freefall

Post paid ARPU (S\$/month)



- **~20% of revenue disappeared:** Majority of roaming revenue is outbound and SE Asia and China are critical markets
- **Optus:** NBN is troubling with loss of operating leverage and additional cost of network losing customers
- **Associates:** Bharti performing well as competition subsidies
- **Weak emerging market :** Pay as you use prepaid will decline
- **5G:** Slow rollout and niche offering; opportunity to consolidate competition
- Rating: **NEUTRAL**

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

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# Aviation: Staying alive till 2023

SIA: Passengers Carried (000s - 3MMA)



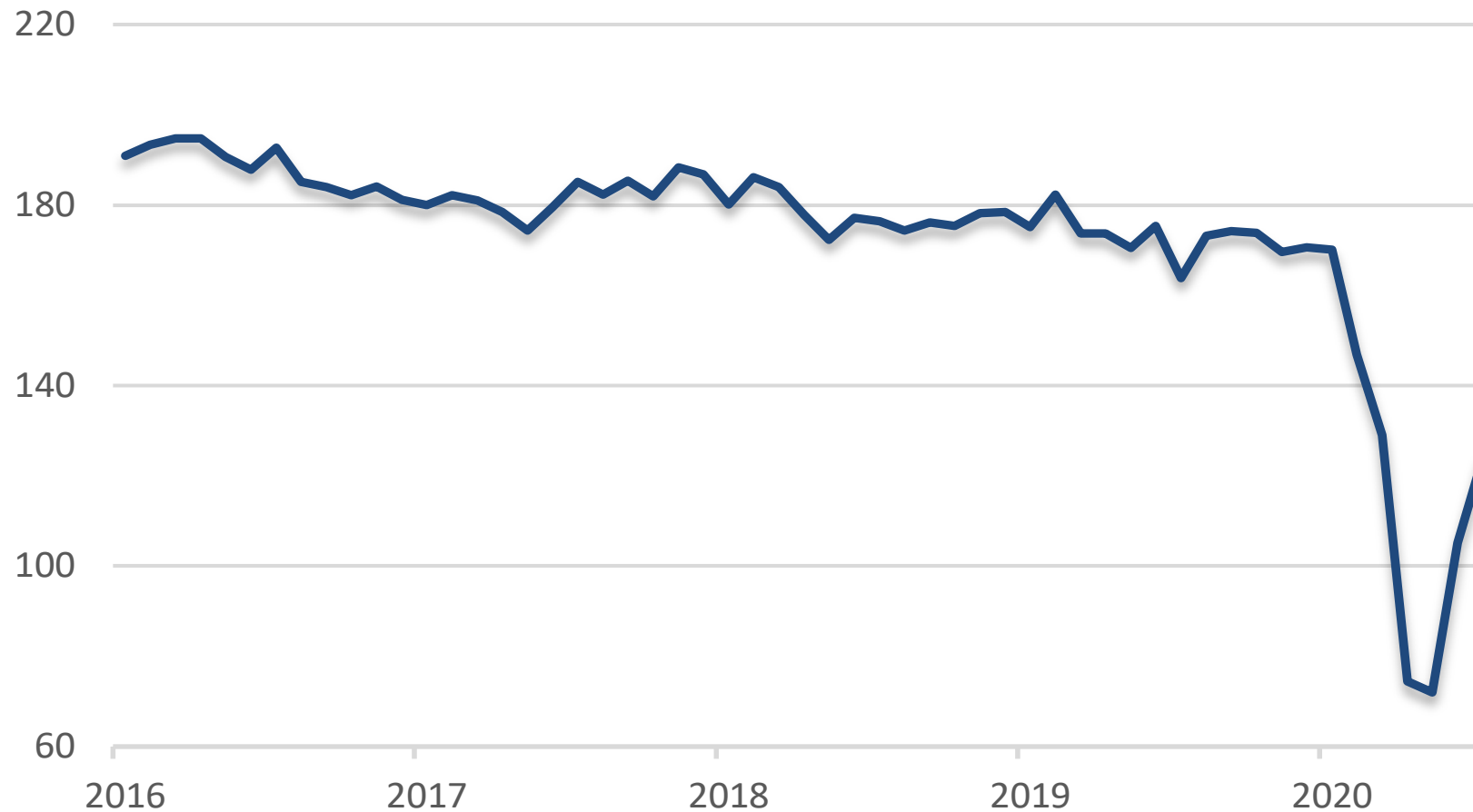
No green or bean sprouts here ...

Source: CEIC, PSR, SIA

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# Land Transportation: Immediate beneficiary of easing

SG: Taxi average monthly travel (km)

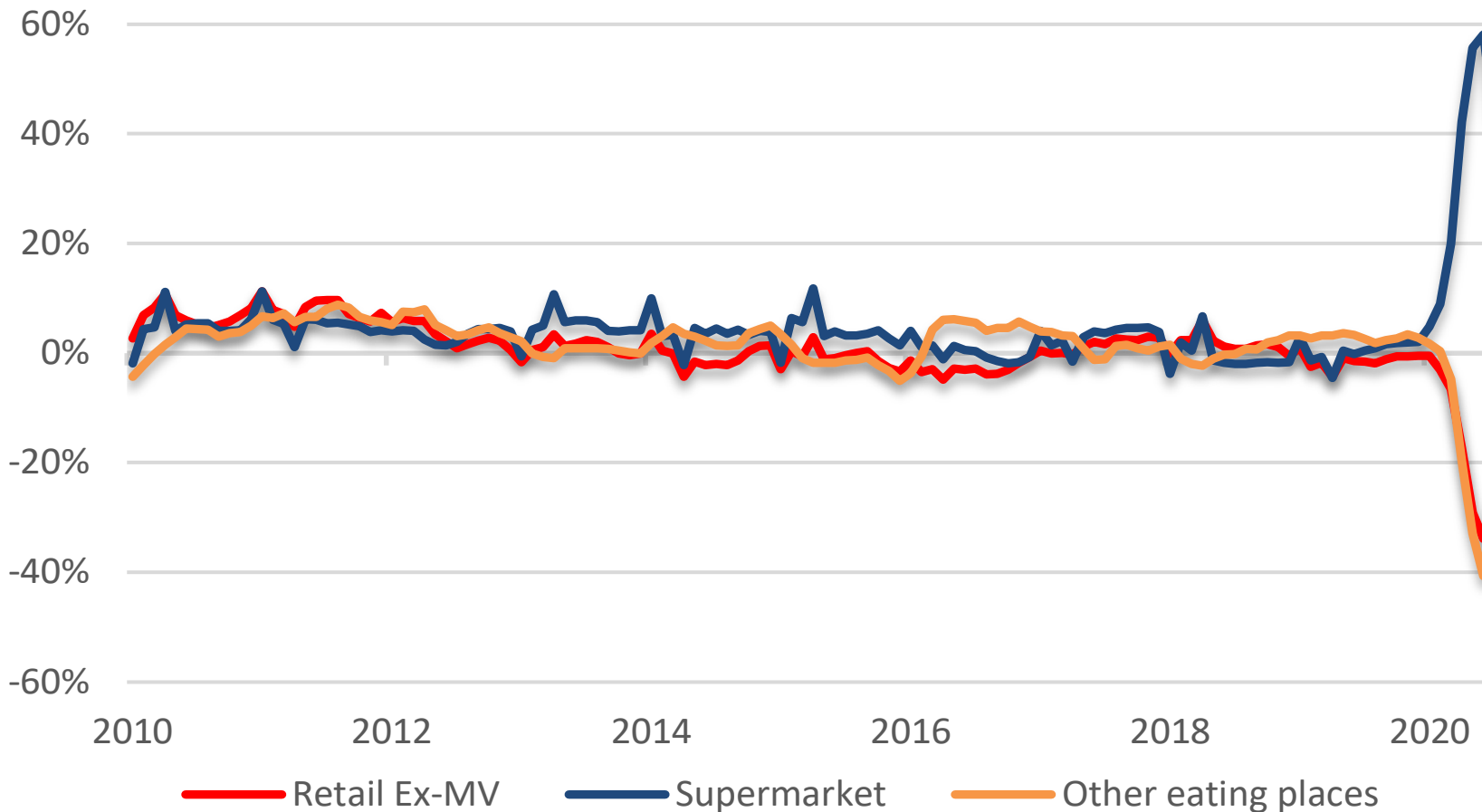


**More travel to  
work,  
meetings,  
prayers,  
classes,  
events, etc**

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

# Consumer: Just buying the necessities

SG: Supermarket Vs Industry Retail Sales (3MMA YoY)

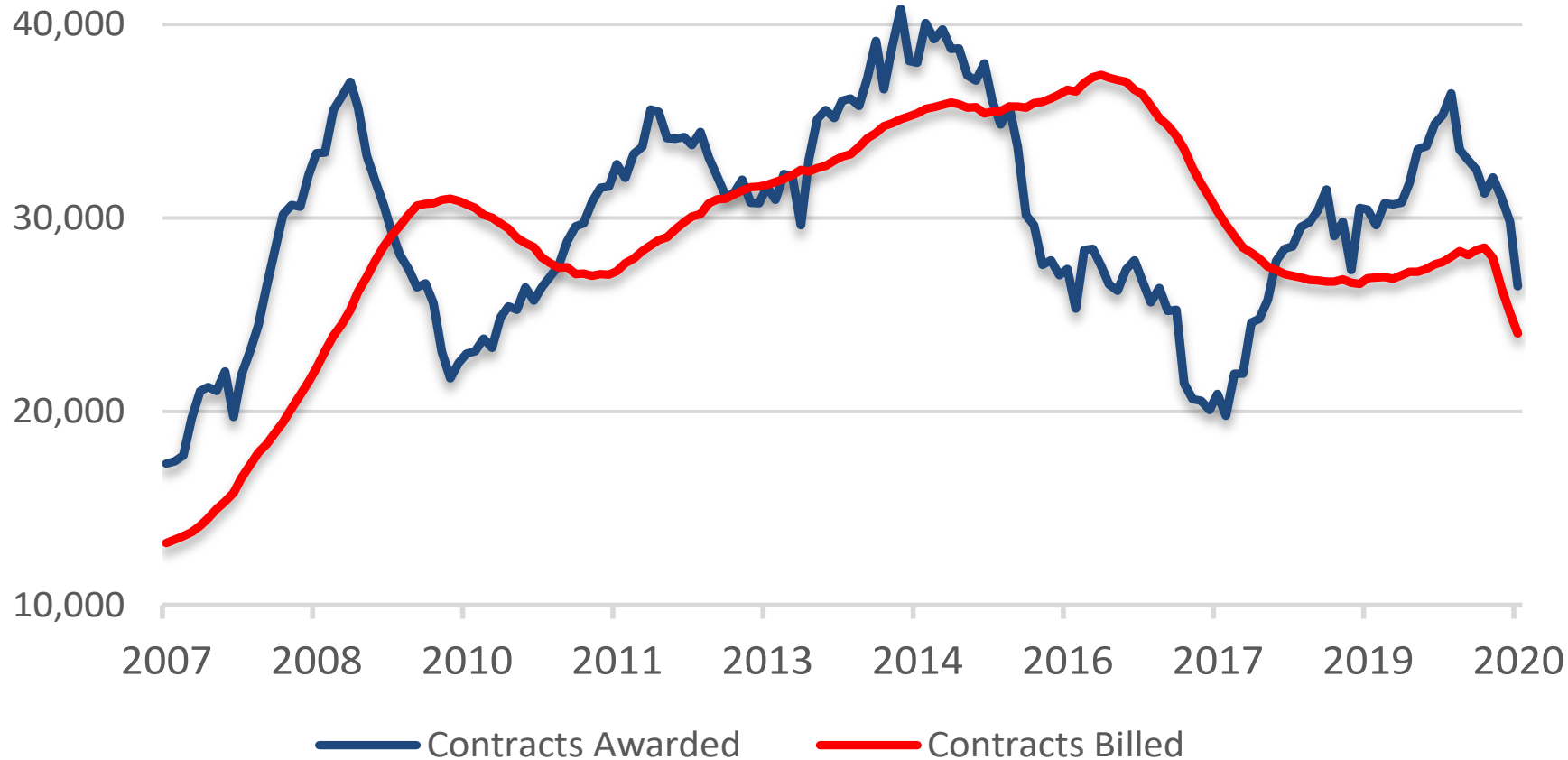


**Tremendous growth in supermarket sales and Sheng Siong typically grows faster than industry**

Source: CEIC, PSR, DOS

# Construction: Deferred but not cancelled

SG: Construction demand & work (S\$mn - T12M)



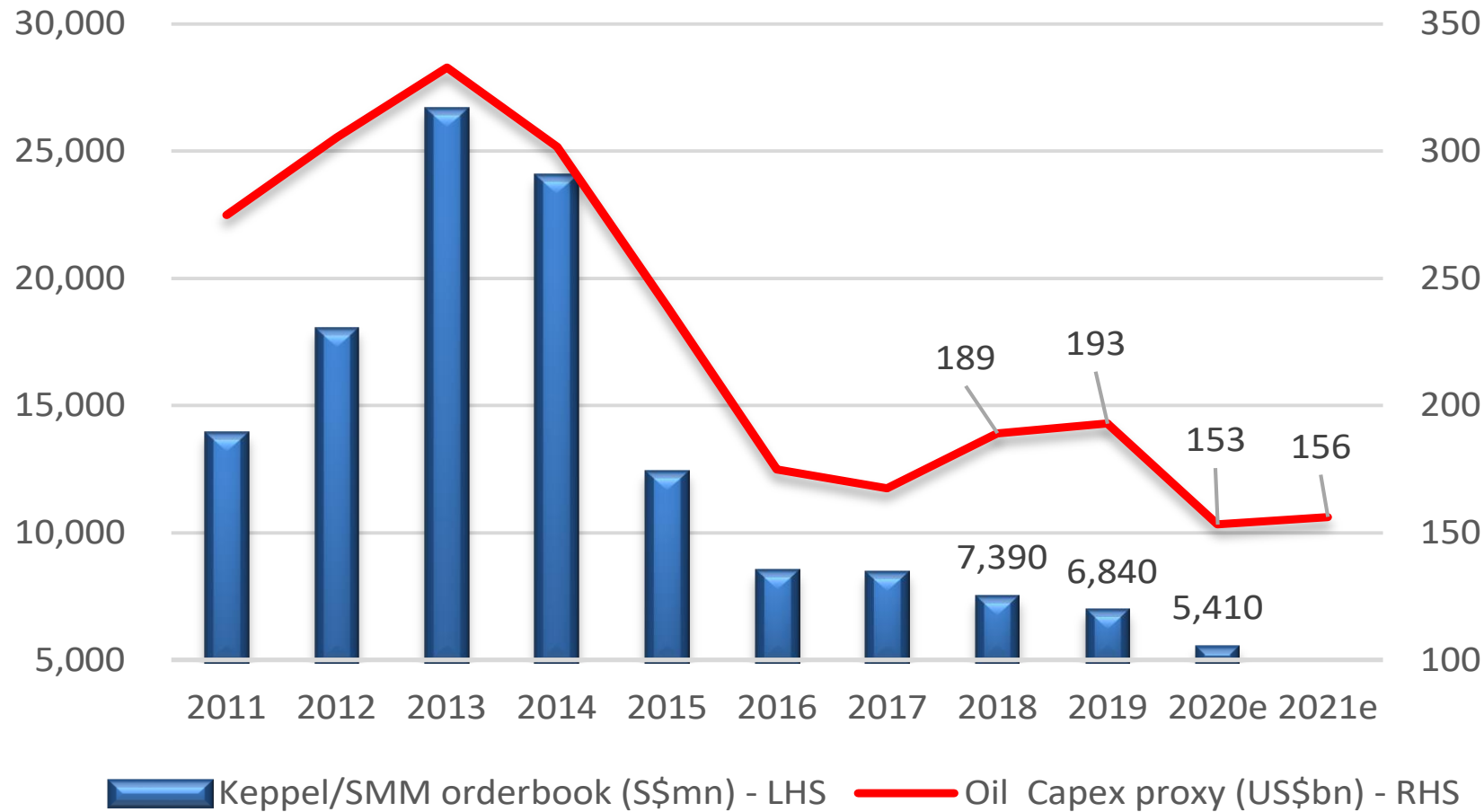
**Building material players the better proxy to this sector due to large market share**

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



# Marine Sector: Stay liquid and hibernate

## Singapore Marine



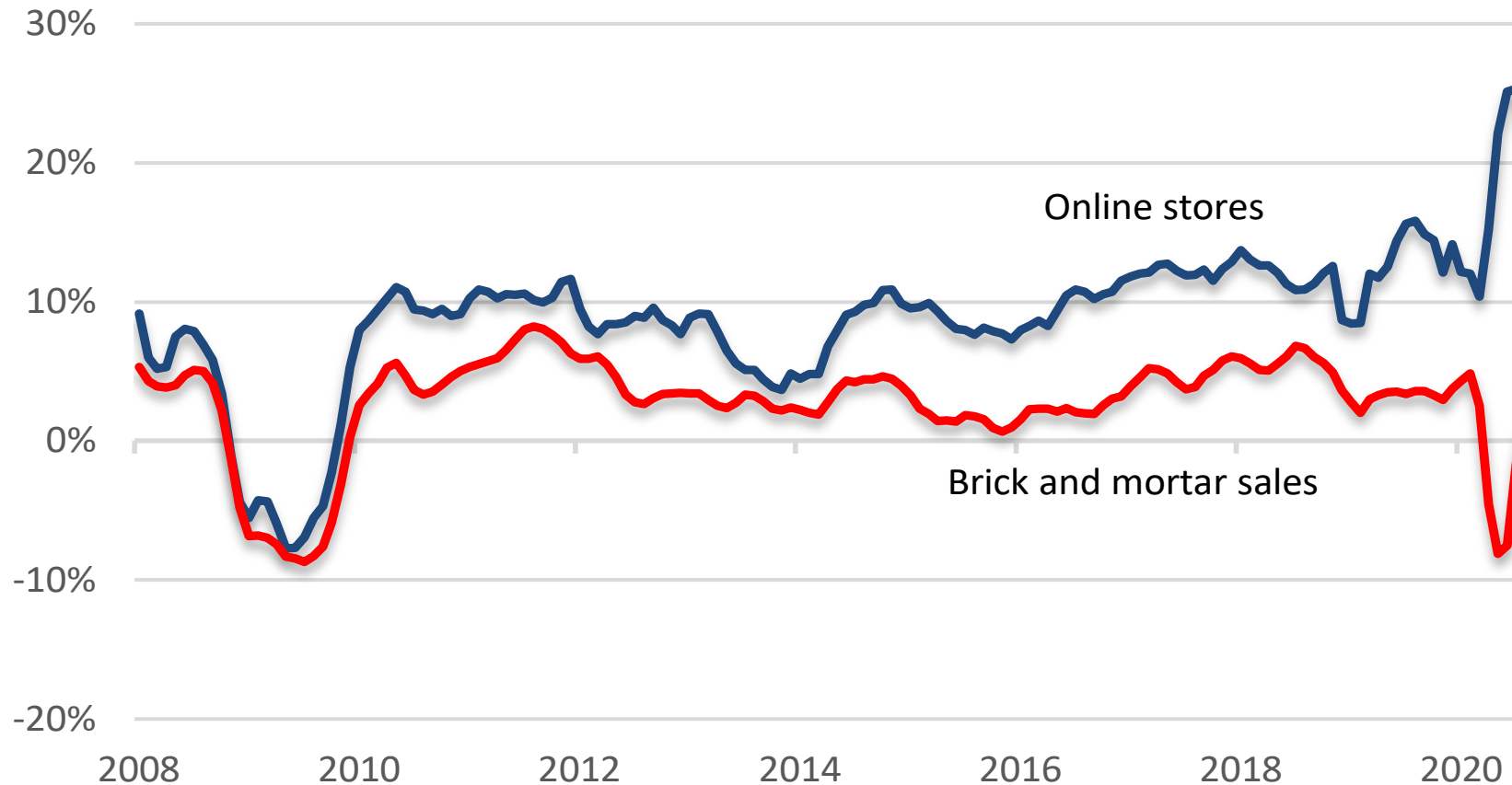
***Order-book declining even before recent collapse in oil price; oil capex declining by 21% this year and up 2% next year***

Source: CEIC, Bloomberg, PSR

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# Technology (Hardware): Multiple structural tailwinds

US: Online vs Offline retail sales (YoY %)



- ✓ Work / Game / Spend from home
- ✓ Budget on goods not services
- ✓ Cloud / edge / mobile computing
- ✓ 5G ramp up
- ✓ Automation / electrification of cars
- ✓ Increased data storage
- ✓ Supply move from CH to SE Asia

Source: CEIC, PSR





# Stock Picks – our BUYS

# 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>									
Asian PayTV	-4.6%	-2.4%	-26.6%	Buy	0.15	0.124	21%	164	8.1%
Manulife US REIT (New)	-0.7%	-2.0%	-26.0%	Buy	0.90	0.74	22%	1,171	8.6%
NetLink	0.5%	0.5%	3.2%	Accumulate	1.03	0.98	6%	2,776	5.3%
<b>Dividend Growth</b>									
Frasers Centrepoint Tr.	-5.2%	3.5%	-14.9%	Accumulate	2.79	2.39	17%	1,958	5.1%
SGX (New)	6.3%	9.7%	3.3%	Buy	9.45	9.15	3%	7,160	6.2%
<b>Growth</b>									
PropNex	2.6%	9.2%	15.5%	Buy	0.70	0.60	18%	161	5.9%
Thai Beverage	-1.6%	-10.4%	-32.0%	Buy	0.82	0.61	36%	11,101	3.4%
<b>Re-rating Plays</b>									
CapitaLand	-2.2%	-7.2%	-27.7%	Buy	3.94	2.71	45%	10,281	4.4%
ComfortDelgro (New)	-4.7%	-2.8%	-40.8%	Accumulate	1.65	1.41	17%	2,232	2.0%
Yoma	-1.7%	-9.5%	-18.6%	Buy	0.46	0.29	61%	466	0.0%
Average							25%	37,470	4.9%

# Removed – Ascott REIT, DBS, Venture Corp.

	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	-2.4%	-2.3%
Aug20	3.2%	0.1%
Sep20	-2.1%	-2.6%
Oct20		
Nov20		
Dec20		
YTD	-8.7%	-23.4%
Out/(Under)perf.		14.7%

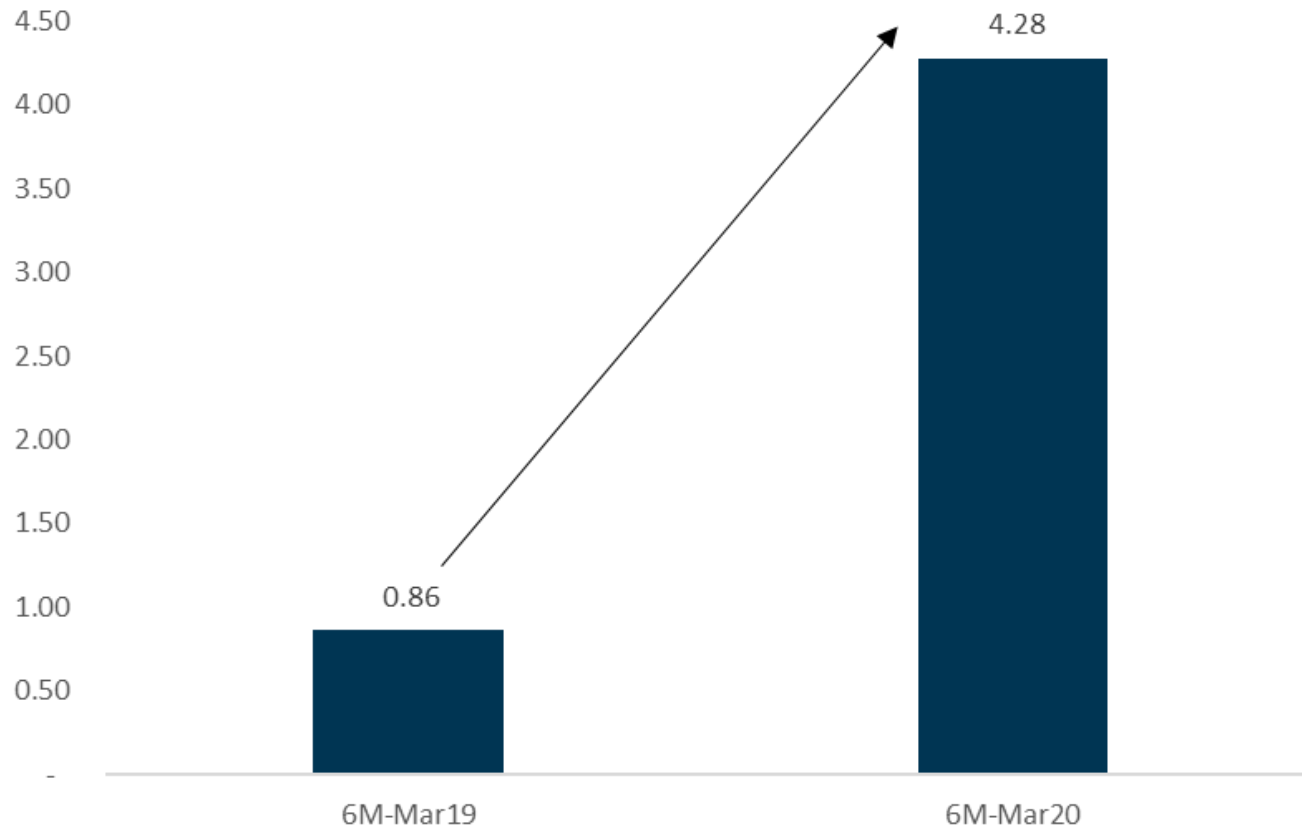
... we outperformed but it does not pay the bills

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



# Yoma Strategic Holdings – Structural growth at a cheap price

Wave Money's revenue grew c.5x YoY (US\$ mn)



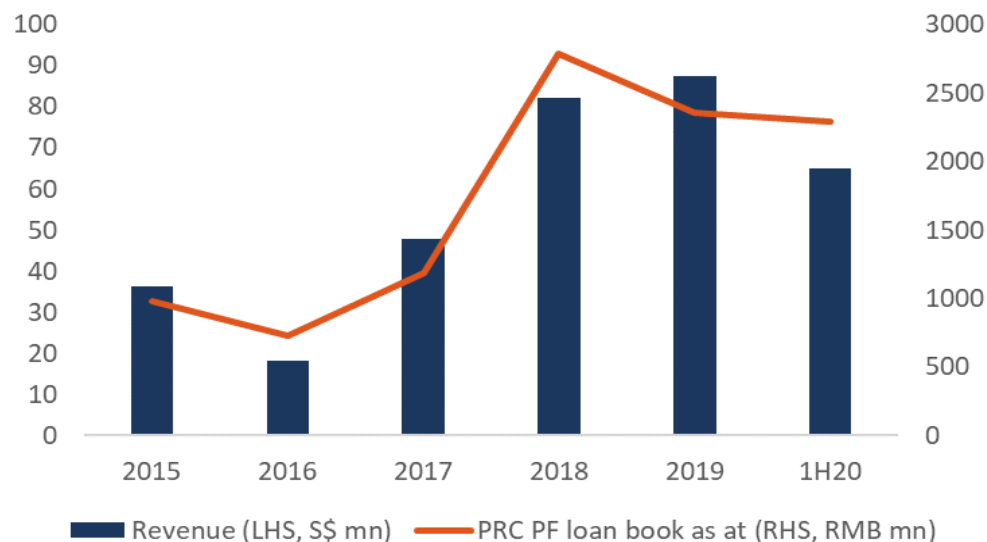
- Large property land bank equivalent to 10-15 years of sale.
  - Star City, Pun Hlaing Estate, Yoma Central
- Financial services poised for stellar growth on the back of a 5x YoY revenue leap in Wave Money.
- F&B growth underpinned by at least 60% growth in KFC stores over the next three years (45 → 75)
- Current valuations depressed in view of structural growth prospects.

**Rating: BUY; TP: S\$0.46**

# First Sponsor Group – Your Financier, Developer & Landlord



From 2015-2019, PF loan book grew at a 19% CAGR; Loan book grew 12% YoY as at 1H20

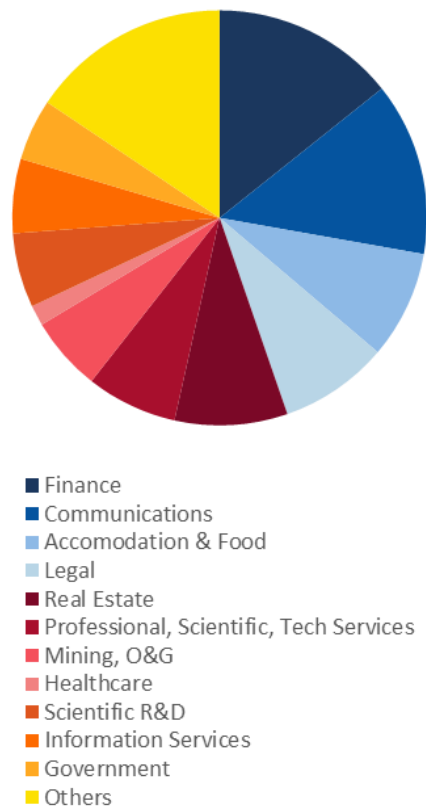
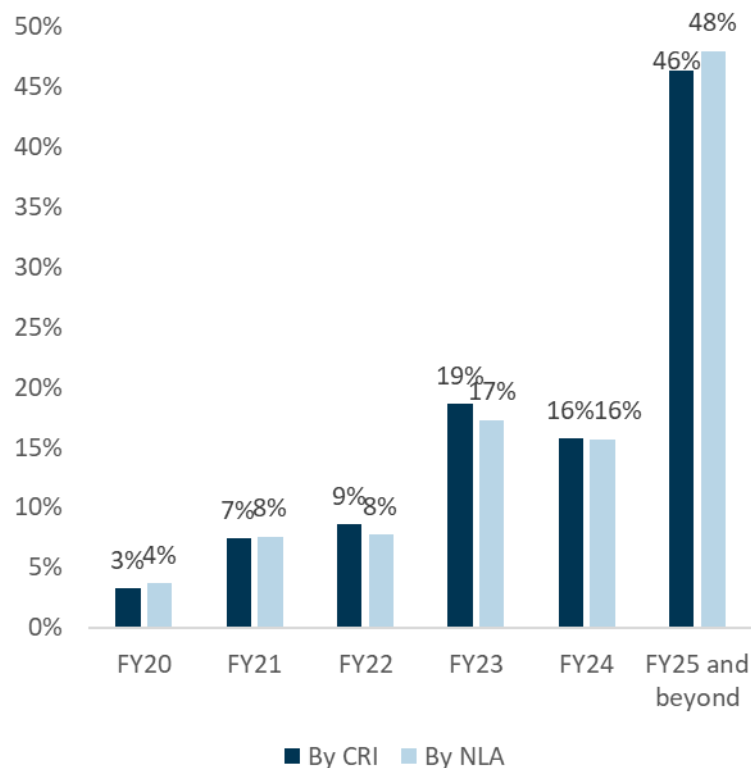


- Unrecognised revenue of S\$586mn as of 1H20; S\$1.95bn of GDV yet to be unlocked for existing projects equivalent to 5-6 years of sale.
- Newly bid Humen Transit Oriented Development project (GDV: S\$808mn) to become one of FSG's largest development projects to date.
- Property financing loan book in China grew at 19% CAGR in the past 5 years. These securitised loans offer recurring income at low to mid-teens interest rate.
- Worst may not be over for their European hotel portfolio; stunted recovery is expected.

**Rating: BUY; TP: S\$1.65**



# Prime US REIT – To thrive and not just weather



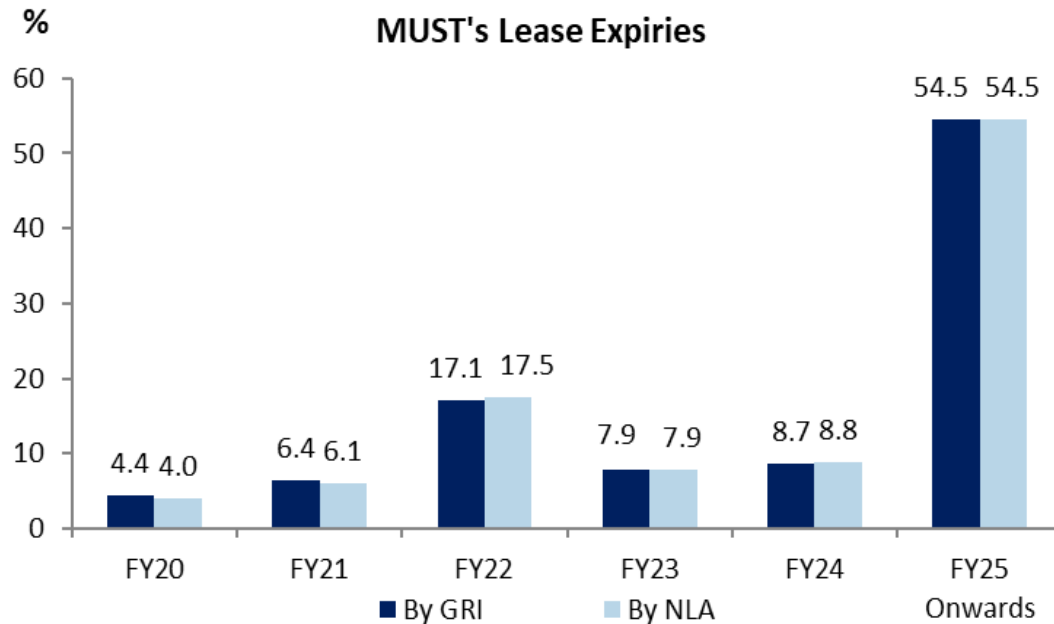
- High income stability supported by minimal expiries
  - Average portfolio occupancy: 93%; WALE: 4.8 years.
  - Only 3.3% and 7.4% of the leases by GRI are due to expire in FY20 and FY21.
- No property contributes more than 15.3% to NPI. Largest sector is finance at 14.3%
- Organic growth: built-in rental escalations of c.2%
- Inorganic growth: low gearing of 33%
- High levels of rent collection amidst COVID-19.
  - 99% of 2Q20's rents were collected
  - Rent deferrals to 0.2% to their cash rental income.

**Rating: BUY; TP: US\$0.94; Div Yield: 8.5%**

# Manulife US REIT: Portfolio bulwarked against s/term uncertainty

## 1. Defensive portfolio attributes

- ✓ Low expiries due to long WALE of 5.7yrs
- ✓ Rent escalation of 2% p.a.
- ✓ Occupancy of 96.5%

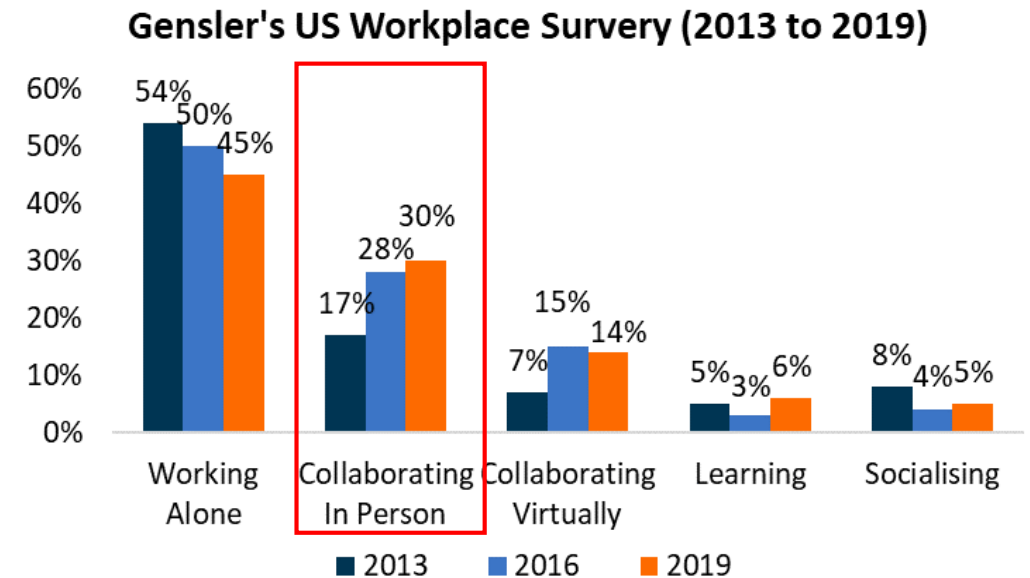


## 2. Office-using sectors remain resilient

- ✓ Comparatively lower unemployment rate
- ✓ Loan delinquencies low at 2.2%

## 3. Continued relevance of office space

- ✓ Physical interaction viewed as the **most effective** mode for **mentoring, collaboration, innovation** and **corporate culture**



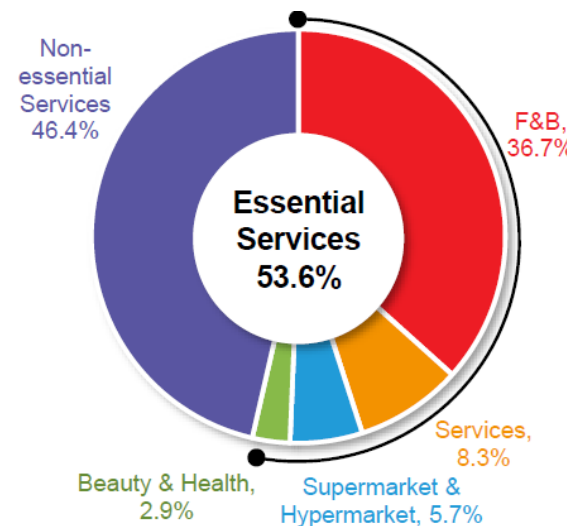
Rating: **BUY**; TP: **US\$0.90**.

FY20e dividend yield: **8.7%**, Total return: **31.1%**

# Frasers Centrepoint Trust: Powered by necessity spending

1. 53.6% of tenants operating in essential services trades
2. Projected 67.7% jump in HDB units surrounding three largest malls
3. Beneficiary of URA Master Plan (Woodlands and Punggol)
4. Attained unitholder approval for acquisition of remaining 63.1% stake in AsiaRetail Fund, **boosting suburban NLA by 80%**
5. Digitalisation efforts to build tenant and customer stickiness – 800K members on the Fraser Experience loyalty programme

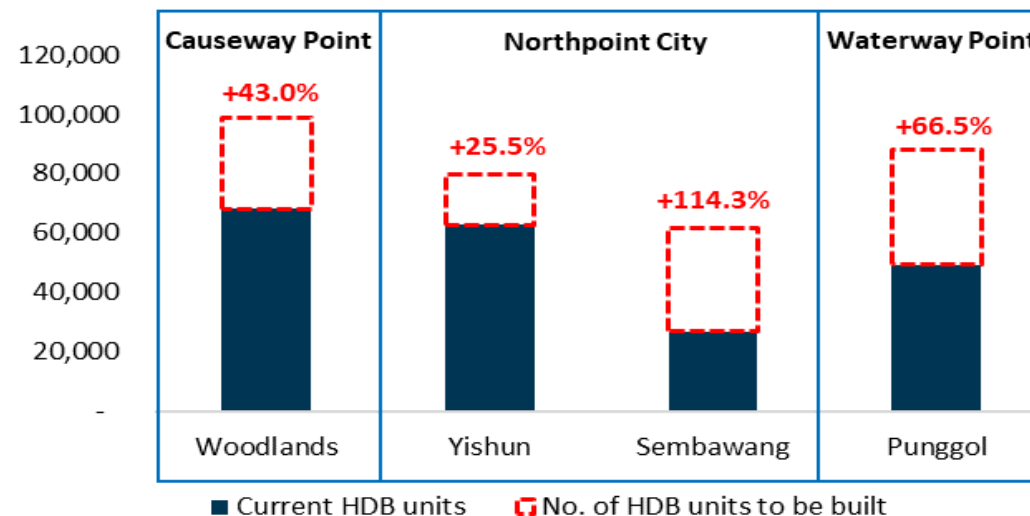
- Rating: **ACCUMULATE**; TP: **S\$2.79** FY20e dividend yield: **4.6%**



**FRASERS** ~~EX~~PERIENCE



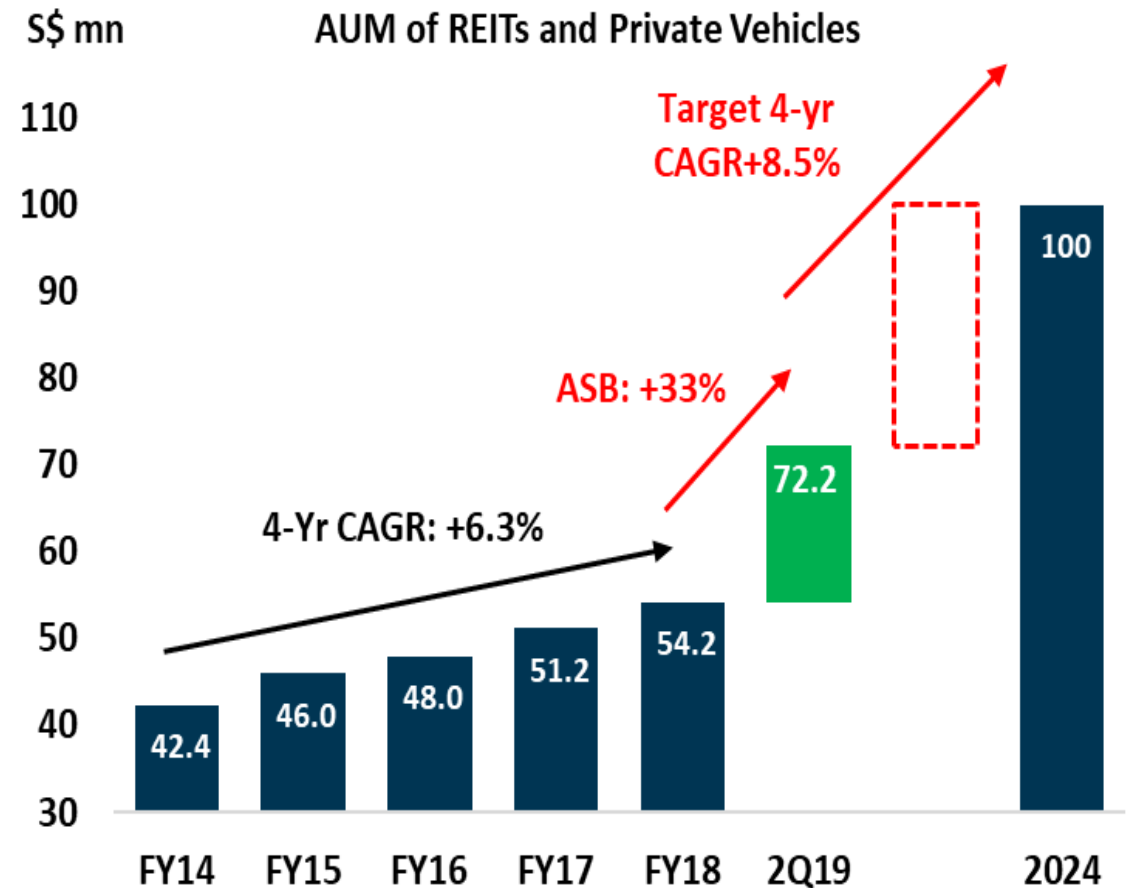
**Projected increase in catchment population**



# CapitaLand: Experience & diversification as sword and shield

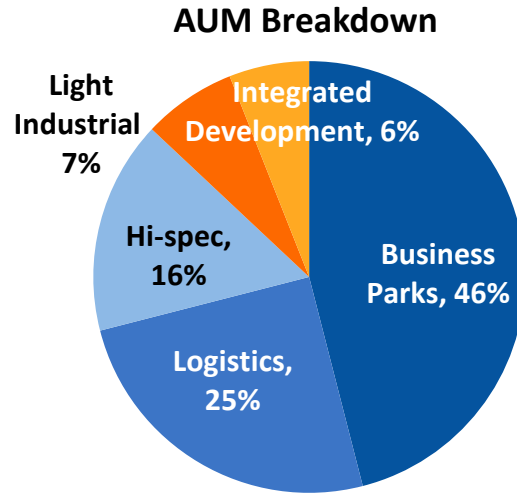
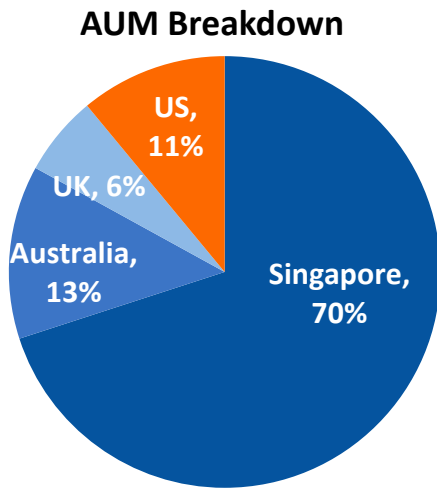
1. Diversified real estate portfolio to mitigate economic cycles
2. Quality recurrent income: 68.7% of 1H20 EBIT (1H19: 90.2%) from **investment properties** and **fee income**
3. Healthy recovery in Residential development sales in China selling – maintained pre-COVID prices
4. Quick to pivot:
  - ✓ Digitalisation of Retail business
  - ✓ Office and business park workspace offering able to capture changing office trends (right-sizing, Core+Flex)

▪ Rating: **BUY**; TP: **S\$3.82**, FY20e dividend yield: **4.5%**



Source: Company, PSR

# Ascendas REIT – Protection from the storm

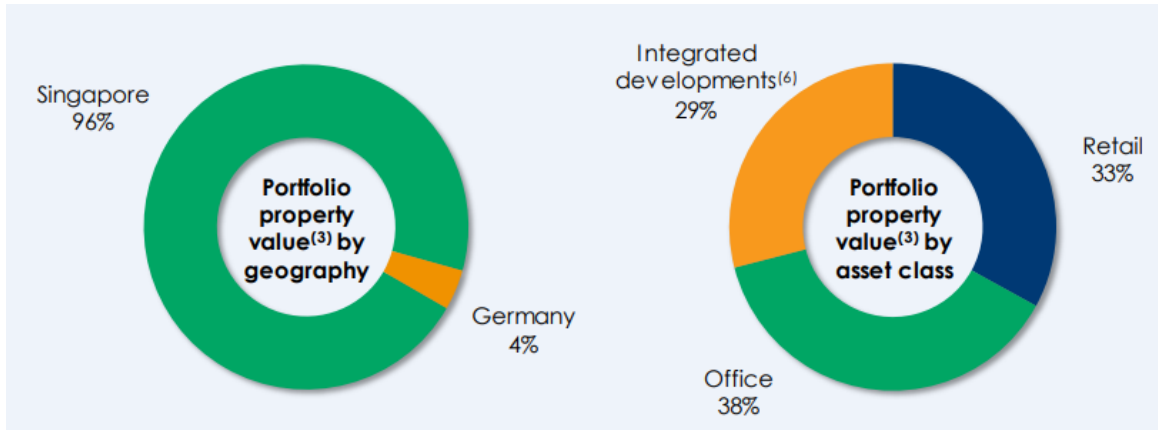


1. Diversification in tenant mix provides protection from economic uncertainty
  2. 64% of assets in more resilient asset sub-type
  3. 1,490 tenants, largest tenant accounts for 4% of revenue
  4. Active redevelopment and repositioning of assets
  5. Willingness and ability to take position in promising markets in a meaningful (sizable) manner
- **Rating: ACCUMULATE; TP: S\$3.63; Dividend Yield: 4.9%**

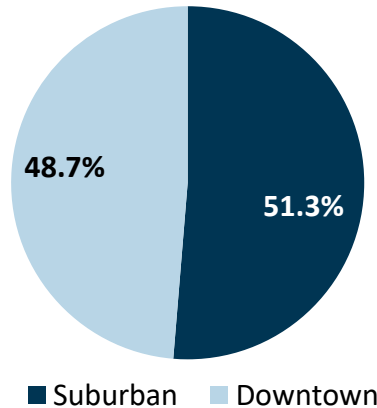
Source: Company, PSR



# CapitaLand Mall Trust: Better together



Asset Valuation as at 31Dec19



## 24 Assets - AUM \$22.4bn

- 5 Integrated Developments
- 12 Retail Malls
- 7 Offices

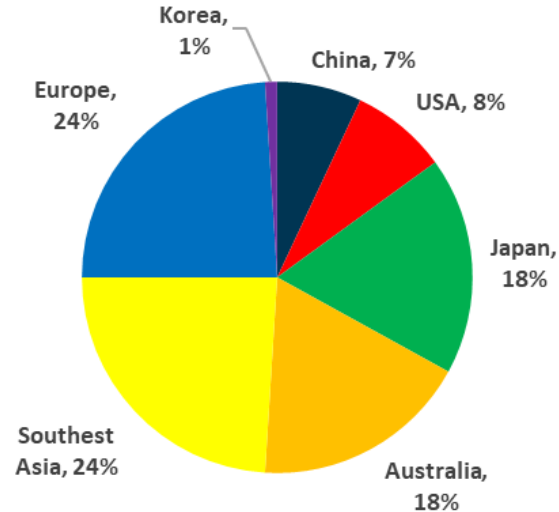
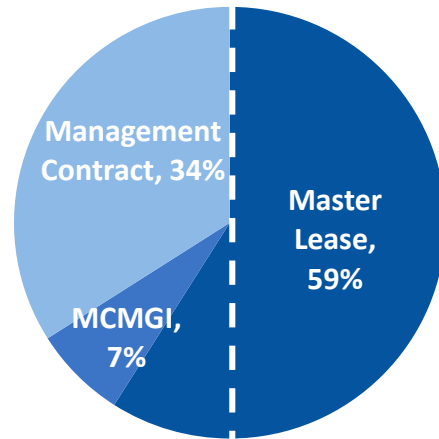
1. Diversification from enlarged portfolio provides stability throughout economic cycles
2. Potential for higher trading liquidity, positive re-rating and more competitive cost of capital
3. Potential synergies
  - A. Cross-selling
  - B. Enhanced digital platform and data analytics
  - C. Cost optimisation (bulk procurement, supply chain optimisation and elimination of frictional costs)

- **Rating: BUY; TP: S\$2.33; FY20e dividend yield: 5.3%**

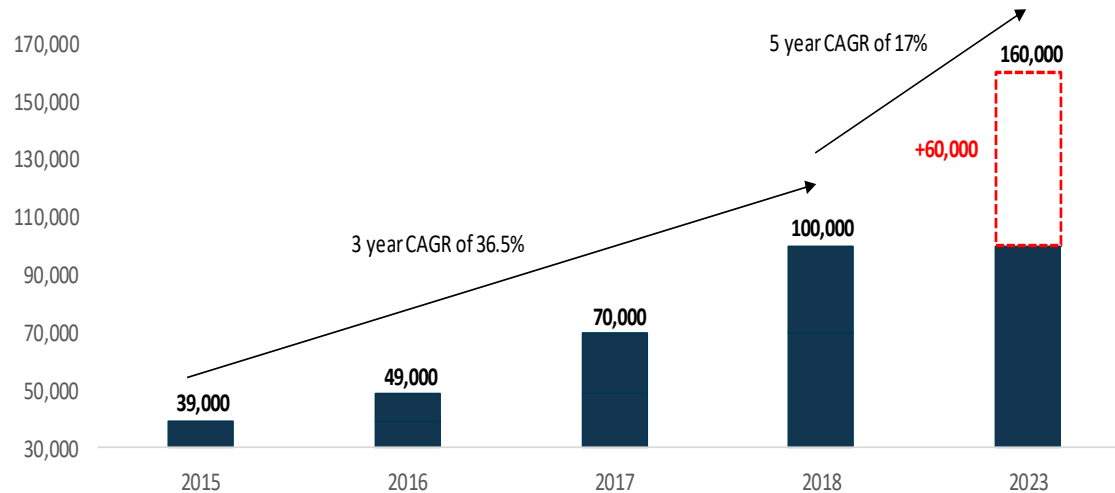


# Ascott Residence Trust: Defensive mechanisms kicking in

1H20 Gross Profit Breakdown



Sponsor's growth in No. of keys under management



Source: Company, PSR

1. Stability from geographical and lease structure diversification
2. Protection from master leases and long-stay customers
3. Assets locations prime to benefit from pent-up leisure travel demand
4. ART to ride on Sponsor's global footprint, increased brand recognition and loyalty programmes

- Rating: BUY; TP: S\$1.08 ; FY20e dividend yield: 6.0%

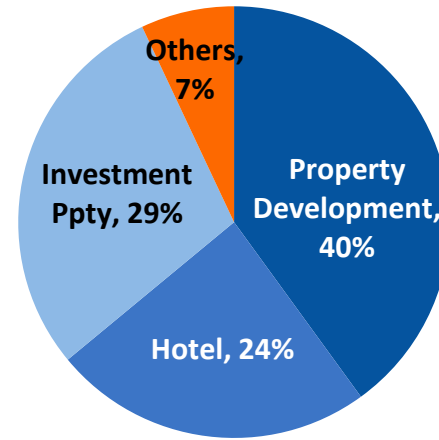
# City Developments Limited – Strengthening the foundation

## Redevelopment of Fuji Xerox Towers

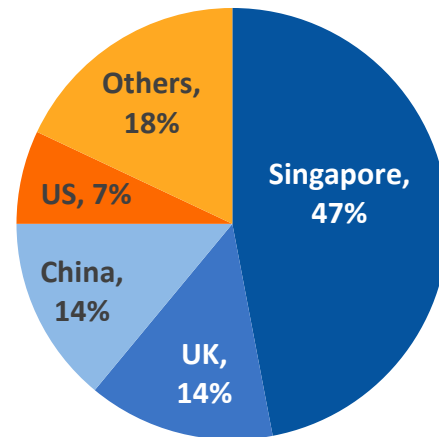


Source: Company, PSR

AUM Breakdown



AUM Breakdown



1. Healthy take-up in residential sales, replenished SG land bank
  2. 60% of AUM recurring in nature, largely in hotels
  3. Growing recurring revenue
    - ✓ Private rental sector (UK, Japan)
    - ✓ Fund management platform
  4. Unlocking value through
    - ✓ Strategic developments (Fuji Xerox, Central Mall)
    - ✓ Restructuring of Millennium & Corpthorne and Sincere Property Group
- **Rating: BUY; TP: S\$10.68 ; FY20e dividend yield: 2.6%**

# Koufu Group: Beneficiary of consumption recovery

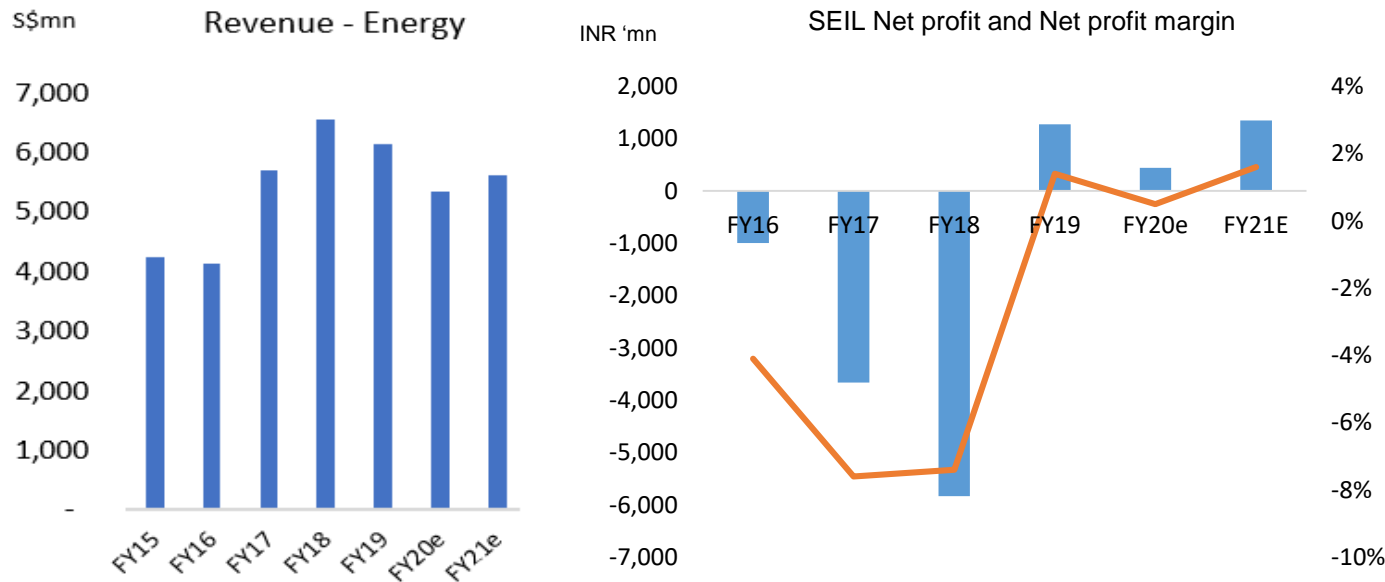
## F&B services index (%)

Y-Y change / m-m change (%)	Apr20	May20	Jun20	Jul20
Cafes, Food courts & other eating places	-52.7% -36.1%	-50.1% 1.2%	-32.7% 16.0%	-19.6% 21.8%
Restaurants	-69.3% -53.6%	-68.7% 0.1%	-59.0% 43.4%	-29.9% 61.0%
Food caterers	-59.6% -59.8%	-45.1% 36.2%	-48.1% -6.3%	-45.2% 5.2%
Fast food outlets	-28.6% -26.0%	-20.5% 0.0%	-20.5% 11.0%	-11.5% 7.2%
<b>Total F&amp;B sales</b>	<b>-53.0%</b> <b>-38.8%</b>	<b>-50.1%</b> <b>4.1%</b>	<b>-43.5%</b> <b>18.9%</b>	<b>-25.4%</b> <b>29.2%</b>

Source: Singstat, PSR

- Marked improvement in footfall in Phase 2 of Singapore's reopening after the circuit breaker with takings improving to ~70% pre-COVID levels. Business operations in Macau have also resumed operations albeit at significantly lower footfall
- TOP of Group's integrated facility expected in 4Q2020
- Potential special dividend of 4 Singapore cents expected from the sale of their existing central kitchen
- New store openings resumed. Openings postponed in 1H20 will resume in 2H20 (2 food courts, 1 QSR and 3 new R&B tea kiosks)
- We like Koufu for their strong cash flow generation, defensive balance sheet and high ROE of 20.6% for FY21e
- **Rating: BUY; TP: S\$0.77**

# Sembcorp Industries: Charting a new course



Source: Company, PSR

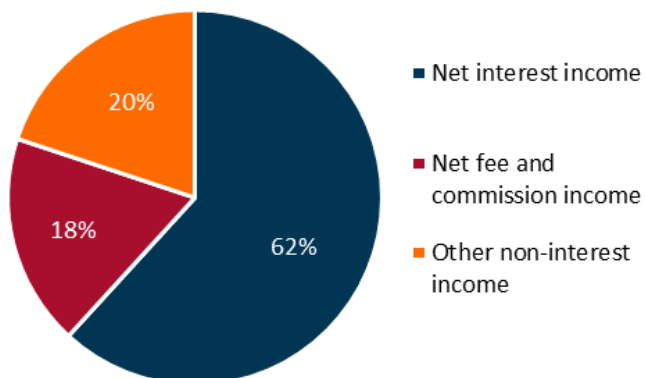
	FY19 (reported)	Pro forma FY19	FY20e	FY21e
Return on equity	3.5%	7.9%	-1.5%	7.6%
Return on asset	3.5%	5.6%	-0.5%	2.1%
Debt levels	S\$11.6bn	S\$8.7bn	S\$8.5bn	S\$8.4bn
Profit attributable to owners of the Company	211	257	-147	326
Net tangible assets per share (S\$)	3.49	2.05	2.30	2.49

Source: Company, PSR

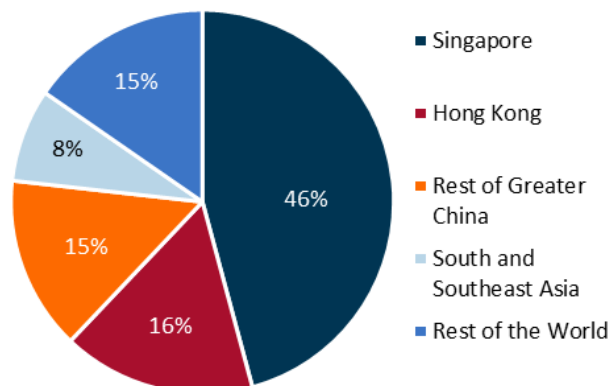
- Potential positive re-rating of SCI following the demerger of Sembcorp Marine as profitability and return on equity improves from FY21e
- IPO of Sembcorp Energy India Limited (SEIL) to crystallise value of SCI's India business unit, which we estimate to have a value of about INR98bn or S\$1.8bn
- An SCI focused on Energy and Urban should see more stable earnings: S\$326mn for FY21e (15 cents per share)
- We peg SCI to a P/BV of 0.7x FY21e, which is a slight discount to their 10-year historical average equity value (ex. SCM).
- **Rating: BUY; TP: S\$1.75**

# DBS: Interest wearing thin

2Q20 Revenue breakdown



Loans (by geography)



Key financial ratios (%)

	2Q20	1H20
Net loans	S\$374,784mn	
Net interest margin	1.62	1.74
Cost/income ratio	39.8	39.2
NPL ratio	1.5	1.5
CET-1 ratio	13.7	13.7

## Compressed NIMs to stay for long

- Income recover from lows but to remain lower than pre-COVID levels

## Provisions will continue to be earnings drag

- Continue to provide allowances over next 2 years at credit cost guidance of 80 – 130 bps
- Possible extension in loan moratorium makes tapering unlikely due to uncertainty

## Watered down dividend attractiveness

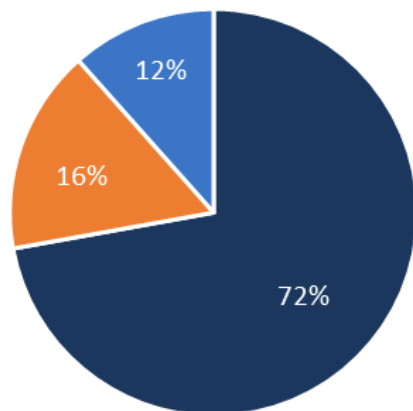
- Regulatory cap at 60% of FY19 dividends to last till 1Q21

**Rating: ACCUMULATE; TP: S\$21.00**



# SGX: Plans to grow set in stone

FY20 Revenue Breakdown



■ Equities ■ FICC ■ DCI

S\$m	FY20 (YoY)
Equities	760.0 (+14%)
FICC	171.4 (+23%)
DCI	121.6 (+19%)

	SDAV (YoY)	DDAV (YoY)
Jul-20	1,213 (+15%)	1.05 (+27%)
Aug-20	1,407 (+18%)	1.05 (-15%)
Sep-20	1,088 (+16%)	N.A.
1Q21	1,236	N.A.

Source: Bloomberg, Company, PSR

## Strong trading volumes underpins stability

- CY20 saw trading volumes up 40%
- 1Q21 SDAV up 16%, DDAV positive (equity derivatives up 8% YoY in September)

## Growth with acquisitions and licensing agreement

- Earnings expected to grow 10% on BidFX and Scientific Beta acquisition
- FTSE licensing agreement to replace MSCI contracts

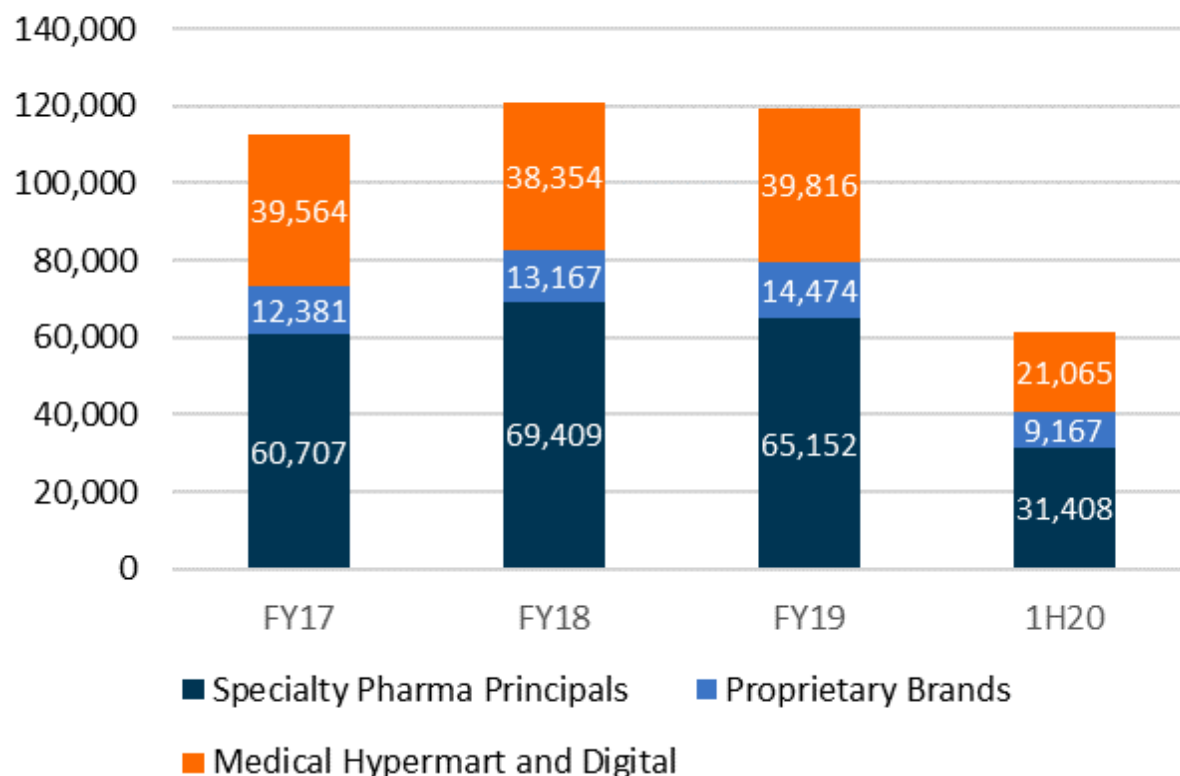
## Dividend stable and growing

- Quarterly dividend increased to 8.0 cents per quarter, up from 7.5 cents, representing yield of 3.5%

**Rating: ACCUMULATE; TP: S\$9.45**

# Hyphens Pharma: Expanding channels

Revenue by Segment (S\$'000)



Source: Company, PSR

## Actively seeking to expand product portfolio and sales channels

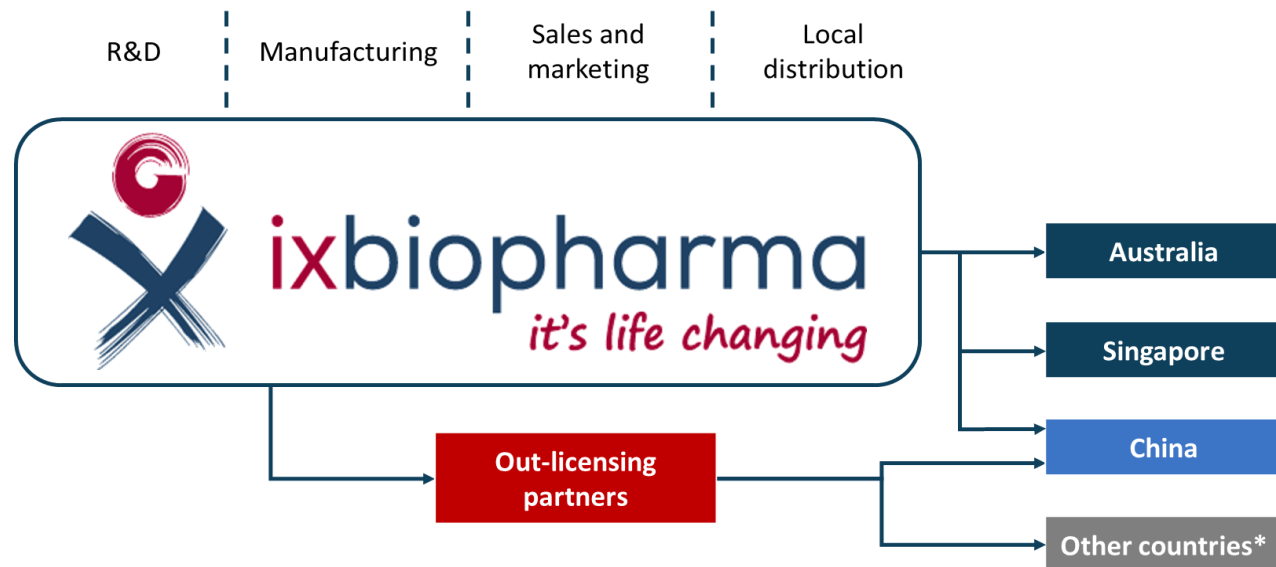
- Acquisition of CG210® hair care product into Proprietary Brands portfolio
- Sales agreement with SUTL for sales and distribution into Hong Kong, Macau and China duty-free will represent new market of growth
- Support revenue growth of 10% in FY21e

## Specialty Pharma Principals product weaker due to Circuit Breaker but expected to recover

- Closure of specialist clinics during Circuit Breaker period hurt sales (1H20: +6.6% YoY)
- Re-opening bodes well for segment

**Rating: BUY; TP: S\$0.495**

# iX Biopharma: Cusp of profitability



## Wafermine, ketamine wafer, ready for Phase 3 development trials

- Successful out-licensing will grant upfront and other milestone fee income of S\$8mn in FY21e
- Staggered fees subsequently upon completion and marketing approval and sales milestones
- Can see iX Biopharma break into profitability in FY21e (FY20: loss of S\$10mn)

## New demand of specialty pharmaceuticals and nutraceuticals

- Uptick in demand as business shift towards commercialisation; revenue up CAGR of 100% over past 2 years
- Six-fold in manufacturing capacity by 2H21 to benefit sales; FY21e expected to see 250% increase in sales

## Long term potential with WaferiX technology

- Incorporation of old drugs with WaferiX to come up with new drugs

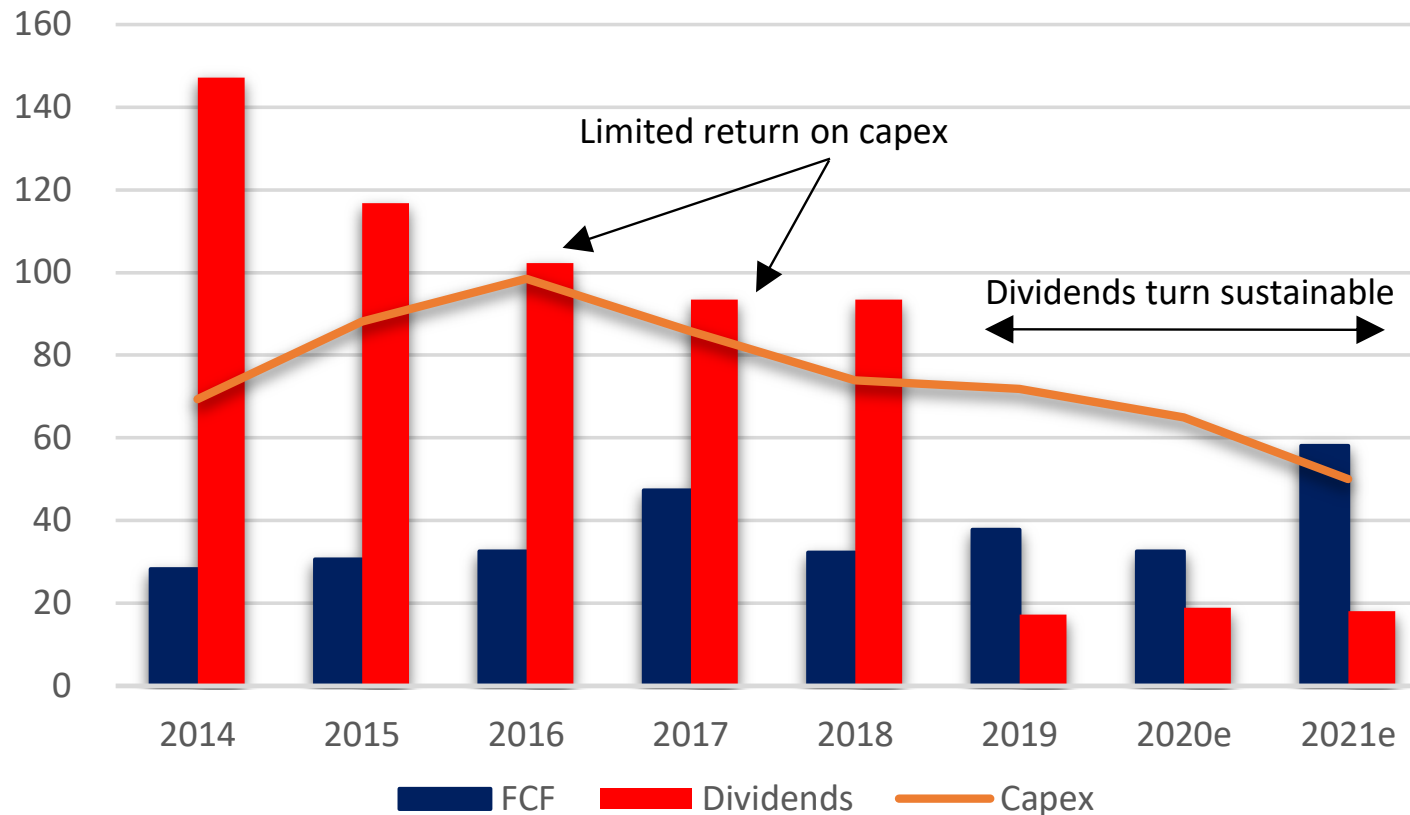
**Rating: BUY; TP: S\$0.455**

Specialty Pharma Drugs	Active Compound	Treatment
BnoX	Buprenorphine	Pain
Wafermine	Ketamine	Pain
Xativa	Cannabidiol	Various
Wafesil	Sildenafil	MED
Silcap	Sildenafil	MED



# Asian PayTV: Optionality on 5G

Asian Pay TV - Cash-flows (\$\$mn)

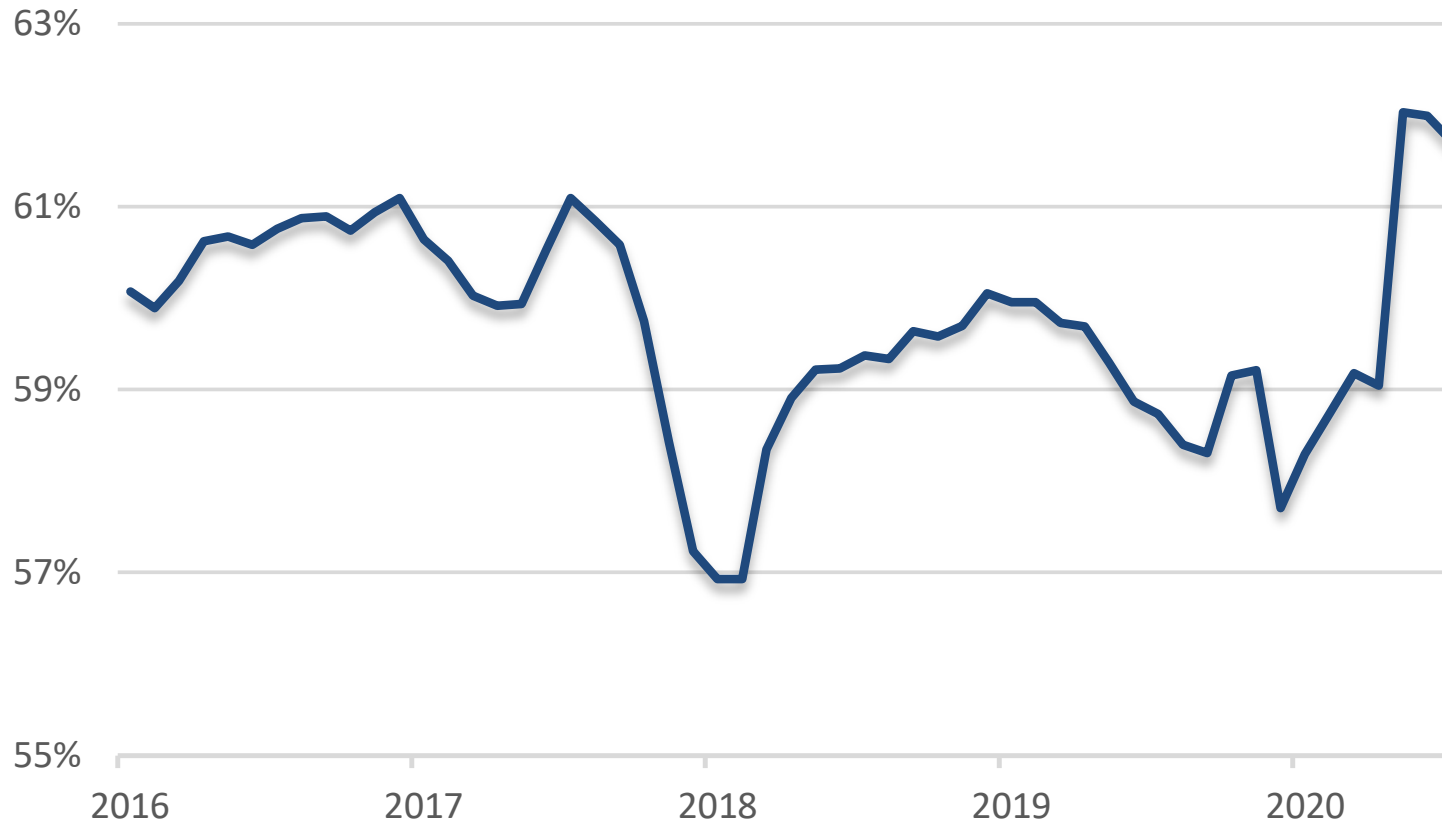


- Monopoly cable TV provider in four counties
- Cable TV subscribers decline offset by rise in broadband subscribers
- 2 reason to be positive
  - a. Sustainable dividends: \$50mn FCF vs S\$18mn dividend
  - b. Optionality of high margin 5G back-haul service for mobile operators
- **Rating: BUY; Target price S\$0.15; Distribution yield: 8.1%**

Source: Company, PSR

# ComfortDelgro: Recovering and taking share

## ComfortDelgro: Taxi Market Share

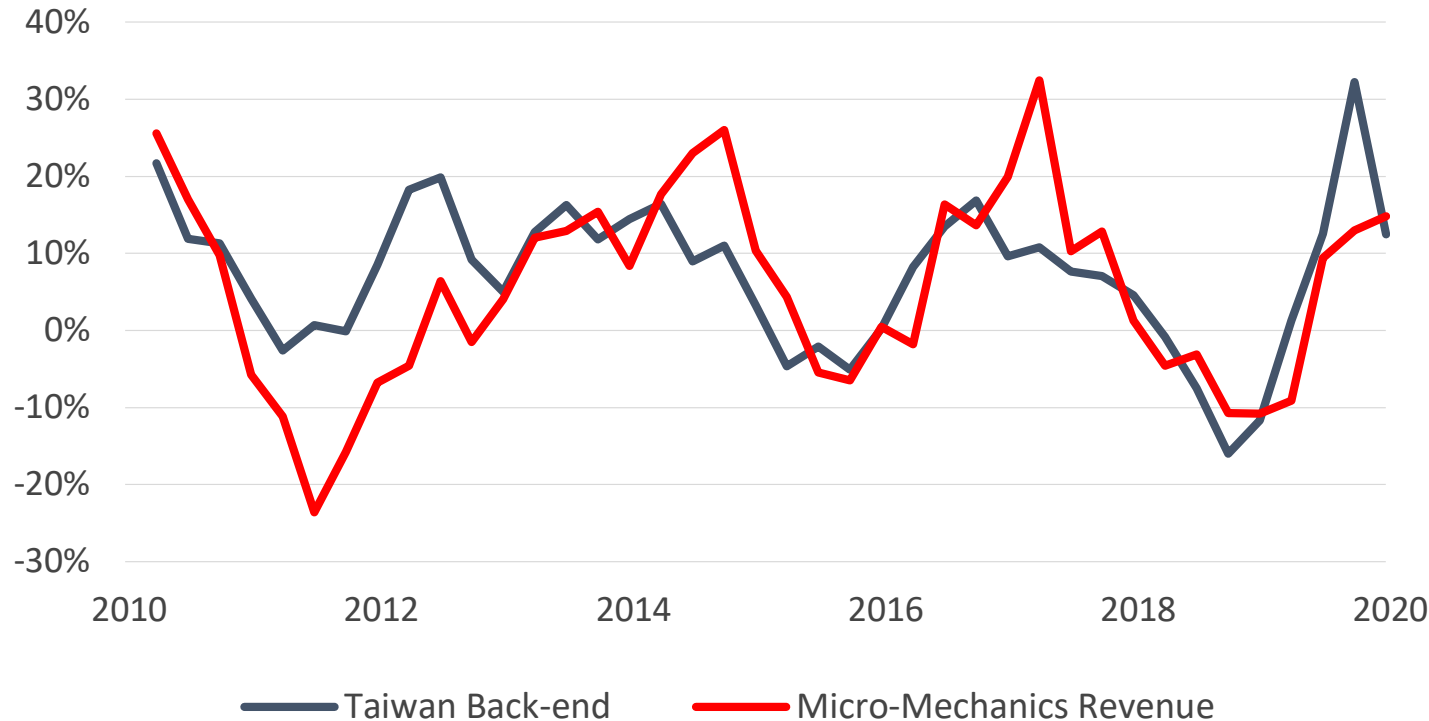


- Immediate beneficiary of lockdown easing and stock already down 40%
- Grabbing market share to 60% and private hire competition falling
- Less rental relief and new revenue opportunity for taxi driver
- New rail contracting model
- Taxi fleet for industry contracting
- **Rating: ACCUMULATE; TP: S\$1.65**

Source: LTA, PSR

# Micro-Mechanics: New growth driver

Micro-Mechanics sales growth vs Taiwan IC packaging volume growth (Quarterly YoY)



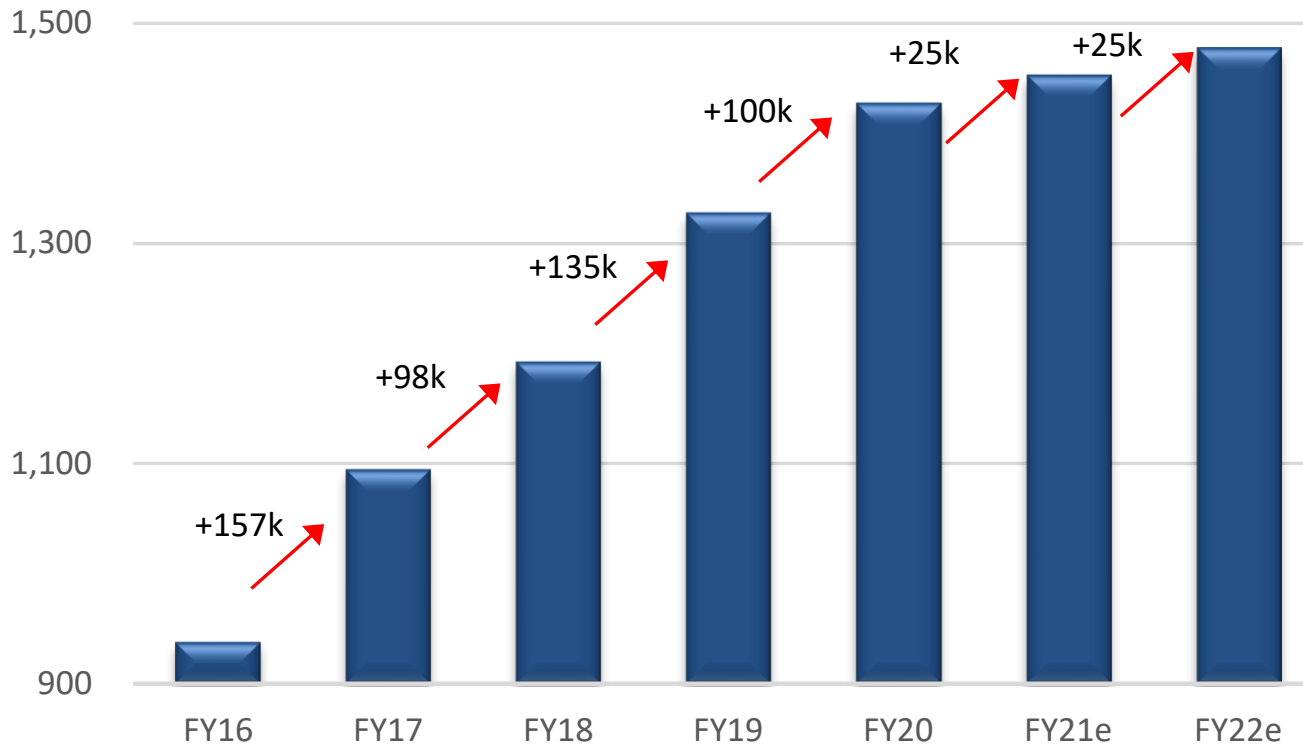
Source: CEIC, PSR

- Consumables for pick and placing of wafer dies
- Semiconductor recovery is underway, typical growth cycle is 33 months vs current 11 months
- New growth driver in front end business
- FY20 dividends raised 20% and yield at 5%; net cash and 25% ROE with 55% gross margin
- **Rating: BUY; TP: S\$2.50**



# Netlink NBN Trust: Slow and stable

NetLink Fibre residential subscribers (000s)

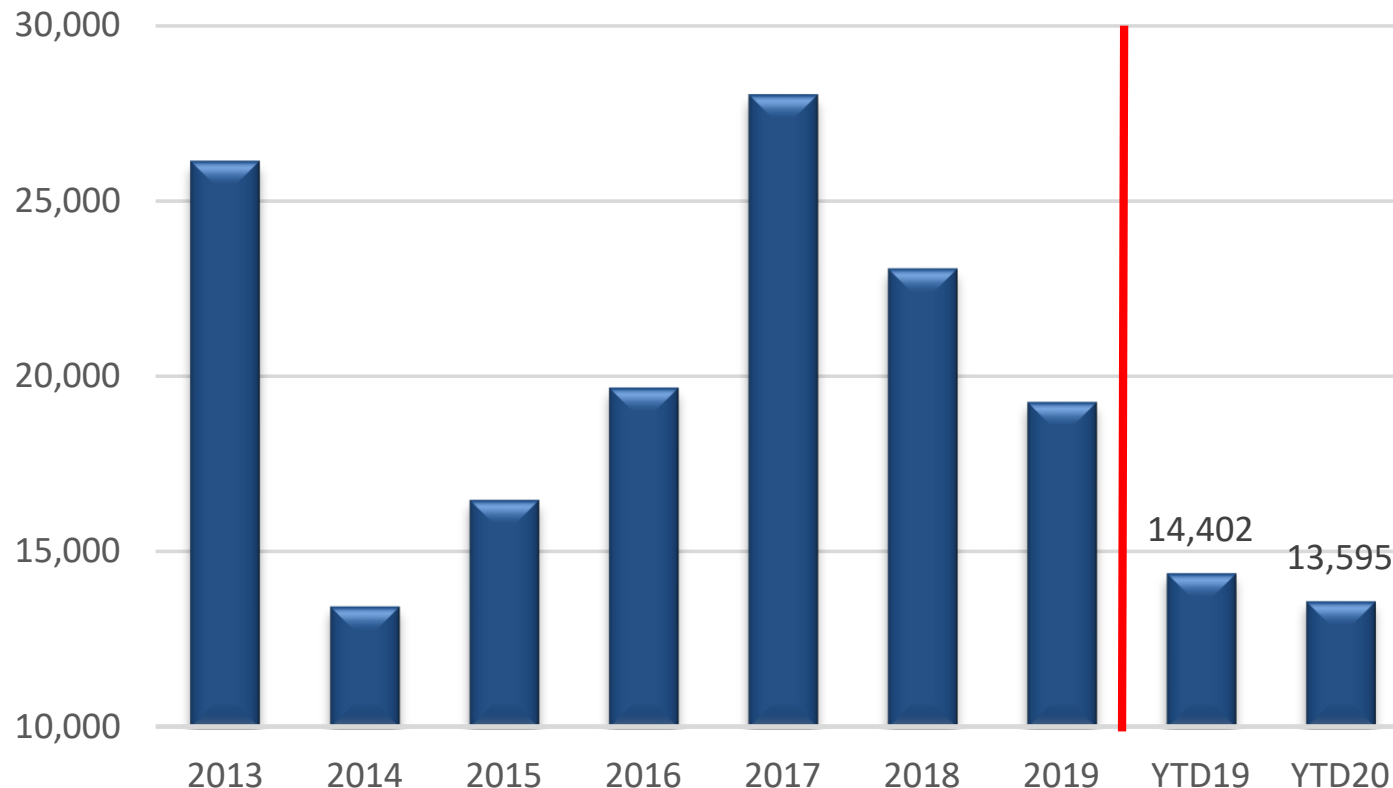


Source: Company, PSR

- Monopoly fibre provider that cannot be replaced and regulatory protected return (pretax IRR 7%)
- Recurrent S\$13.80 per month from 1.428mn 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: Demand surprisingly resilient

Total Property Transactions (units)

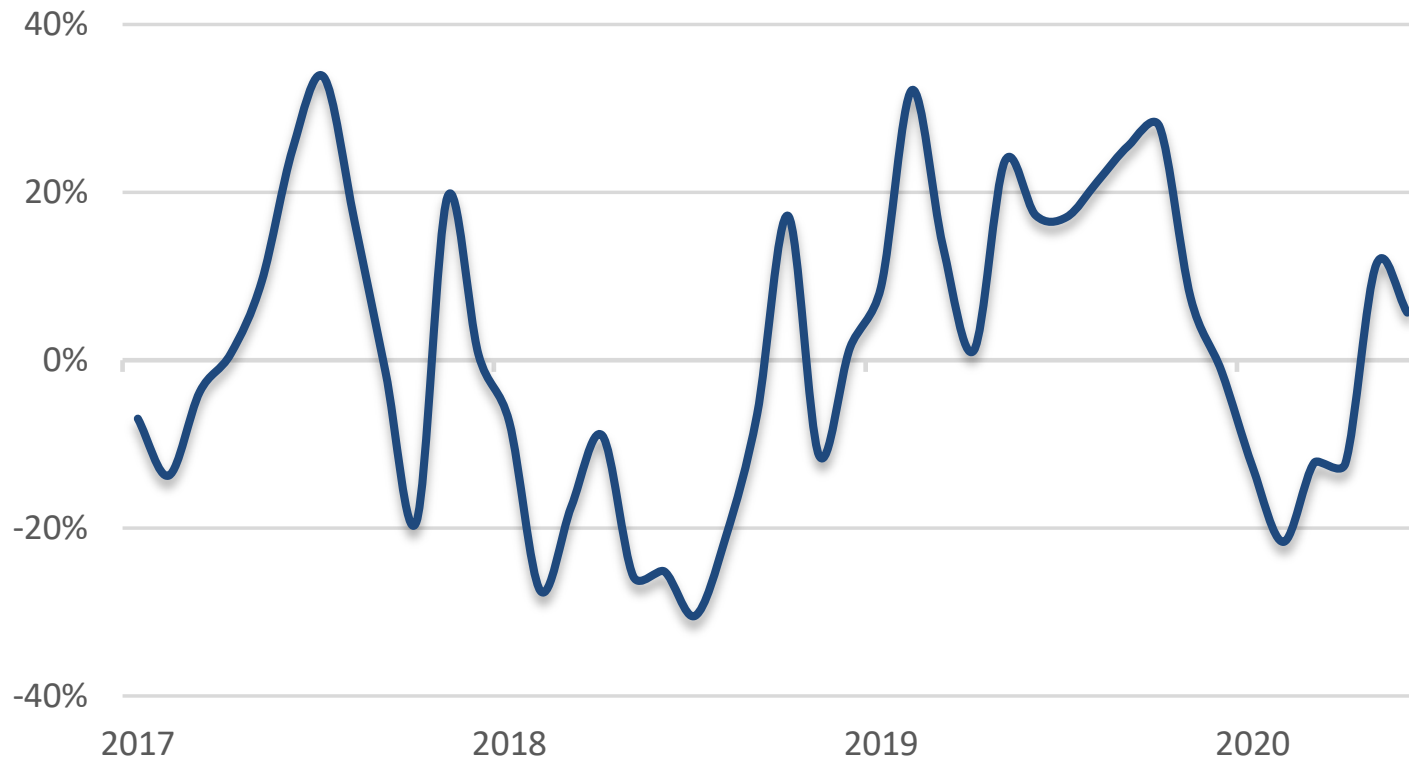


Source: URA Realis, PSR

- Dominant with around 50% market share in resale and new home sales
- Volumes this year down ~6% (new homes +1%, resale -12%) and 3Q20 down 1%
- 2H20 results will feel Covid-19 impact
- Attractive model and metrics: ROE 25% on fixed assets of S\$4mn
- 1H20 dividend increased by 20%; Sustainable yield of 6.8% (S\$15mn p.a. vs S\$99mn cash)
- **Rating: BUY; TP: S\$0.60**

# Thai Beverage: Buy the dominance

TH: Liquor Sales - 3MMA (YoY)



Source: CEIC, PSR

- 3-week alcohol ban in Thailand: April -51% YoY; Jun/July +17%/13% YoY
- Sabeco problematic in medium term due to decree 100 to driving penalties + Covid-19 + high interest expenses
- Valuations attractive at 14x PE on vs 18x historical
- Government stimulus of cash handouts and salary subsidies
- Protest confined to young and not organised enough
- **Rating: BUY; TP: S\$0.82**

# UG Healthcare: Turbo charged earnings

MY: Glove Exports (MT - 3MMA YoY)



- YTDJul20, exports up 30%
- Branded and focused on EM
- FY21e earnings to jump >5x supported by surge in selling price and 60% rise in capacity
- EPF becomes a substantial shareholder
- Post vaccine: demand will not peak because non-traditional user of gloves + increased spending and awareness
- **Rating: BUY; TP: S\$1.33**

Source: CEIC, PSR

# Conclusion

1. After the snapback, slow climb upwards and limited earnings momentum
2. Low interest rates means equities is the rational choice
3. Equity strategy will be centred around dividend yield
4. STI target (12 months) is 3000

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