

# Sing Investments & Finance Limited

A Stellar Performance



StocksBnB.com

## SINGAPORE | BANKING | 3Q17 RESULTS

- 3Q17 PATMI of S\$5.164mn exceeded our estimate by 28.6%.
- The surprise came from a sharp increase in interest income and hiring charges after two quarters of decline. We raised our earnings forecast by 10%.
- Allowances for bad loans declined 45.6% YoY.
- Maintain "Accumulate" with a higher target price of S\$1.725 (previous TP S\$1.67) based on 0.8x FY18e P/BV as we roll over to FY18e valuations.**

### Results at a glance

(SGD '000)	3Q17	3Q16	y-o-y (%)	2Q17	QoQ (%)	Comments
Net II	11,306	9,606	18%	10,662	6%	Lower deposit costs and higher LDR YoY
Fee & Comm	205	263	-22%	218	-6%	
Other Non II	930	1,117	-17%	3,532	-74%	S\$2.4mn gain from SGS portfolio in 2Q17
<b>Inc before Op Ex</b>	<b>12,440</b>	<b>10,986</b>	13%	<b>14,412</b>	-14%	
Op Ex	-5,829	-5,444	7%	-5,766	1%	Higher staff costs
Allowances	-340	-625	-46%	-1,515	NM	Lower SP
<b>Net Profit</b>	<b>5,164</b>	<b>4,102</b>	26%	<b>6,013</b>	-14%	

Source: Company, PSR

### The Positives

**+ Strong NII growth from NIM expansion.** SIF expanded its Loan-to-Deposit Ratio (LDR) from a low base of 82% in 2016 to 85.7% by 3Q17 by cutting high-cost deposits. NII was also stronger QoQ as SIF passed through higher rates to clients. This is a pleasant surprise because we saw customer loans interest rates declined QoQ in 2Q17 and we thought that NII growth for the rest of the year will be driven by interest expense reduction rather than higher customer loans interest rates. Despite the increase in customer loans interest rates, the QoQ decline in customer loans volume was marginal at -0.5%. In 3Q17, we estimate customer loan interest rates have increased at an annualised rate of c.30bps QoQ. We estimate deposit costs have declined at an annualised rate of 2bps QoQ. Put together, we estimate that SIF could have expanded its NIM from 1.72% in 2Q17 to 1.92% in 3Q17.

**+ Provision expense improves as expected.** The improving economic condition and low macro volatility in Singapore in 3Q17 had kept NPL formation stable. Therefore 3Q17 provision expense was lower YoY and QoQ as net specific provisions declined. We continue to expect low provision expense in 4Q17.

### Outlook

We are revising our FY17e NIM forecast upwards to 1.88% from the previous estimate of 1.77% because of continued deposit cost management and positive loans volume and rate dynamics. On the back of sustainable economic improvement, we are particularly encouraged that the loans volume held up even with a c.30bps annualised rate increase in customer loans interest rates QoQ. FY17e Net interest income growth is projected to improve 14.5% (previous estimate was 7%) as we revise our customer loans rate higher for 4Q17 estimates. Our FY17e PATMI estimate has also improved 10% from previous S\$20mn to current S\$22mn.

### Investment Actions

**Maintain "Accumulate" with a higher target price of S\$1.725 (previous TP S\$1.67) based on 0.8x FY18e P/BV as we roll over to FY18e valuations. We expect upside in dividends following the stellar operating performance.**

26 October 2017

### Accumulate (Maintain)

LAST TRADED PRICE	SGD 1.580
FORECAST DIV	SGD 0.079
TARGET PRICE	SGD 1.725
<b>TOTAL RETURN</b>	<b>14.18%</b>

### COMPANY DATA

BLOOMBERG TICKER	SIF SP
O/S SHARES (MN) :	158
MARKET CAP (USD mn / SGD mn) :	183 / 249
52 - WK HI/LO (SGD) :	16 / 1.4
3M Average Daily T/O (mn) :	0.03

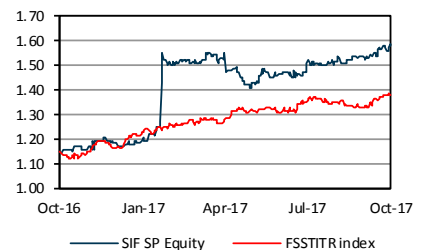
### MAJOR SHAREHOLDERS (%)

F H LEE HOLDINGS PTE LTD	25.84%
SING HOLDINGS LIMITED	180%
Sze Siong Lee	0.41%
Sze Hao Lee	0.41%

### PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	2.9	5.0	43.7
STIRETURN	3.59	2.07	20.68

### PRICE VS. STI



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Dec	FY 15	FY 16	FY 17e	FY 18e
Total Inc (SGDmn)	40	44	51	53
Op Profit (SGDmn)	19	22	28	28
NPAT (SGDmn)	13	14	22	22
EPS (SGD)	0.081	0.088	0.139	0.138
PER, x	15.0	13.3	119	12.9
P/BV, x	0.6	0.6	0.7	0.7
DPS (SGD)	0.05	0.05	0.079	0.079
ROE, (%)	4.1%	4.3%	6.5%	6.1%

Source: Bloomberg

Valuation Method: 0.8x PB; Gordon Growth Model

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## Financials

### Income Statement

Y/E Dec, SGD'000	FY14	FY15	FY16	FY17e	FY18e
Int Income & hiring changes	51,619	63,518	75,557	71,589	75,382
Int Expense	(19,021)	(28,302)	(36,942)	(27,387)	(27,119)
<b>NII &amp; hiring charges</b>	<b>32,598</b>	<b>35,216</b>	<b>38,615</b>	<b>44,202</b>	<b>48,263</b>
Fees and commissions	466	627	876	865	875
Dividends	131	153	148	155	147
Rental income	3,495	3,507	3,436	3,365	3,537
PPE written off	0	0	0	0	0
Other income	430	746	751	2,815	212
<b>Income before Op exp</b>	<b>37,120</b>	<b>40,249</b>	<b>43,826</b>	<b>51,402</b>	<b>53,035</b>
Staff costs	(12,652)	(13,626)	(14,226)	(14,728)	(15,884)
Depreciation of PPE	(708)	(702)	(756)	(685)	(760)
Dep of Invest Prop	(378)	(377)	(377)	(376)	(376)
Other Op exp	(7,215)	(6,472)	(6,690)	(7,282)	(7,927)
<b>Profit from Ops</b>	<b>16,167</b>	<b>19,072</b>	<b>21,777</b>	<b>28,330</b>	<b>28,087</b>
Allowances	(1,252)	(3,975)	(5,137)	(1,978)	(2,000)
<b>PBT</b>	<b>14,915</b>	<b>15,097</b>	<b>16,640</b>	<b>26,352</b>	<b>26,087</b>
Income tax expense	(2,257)	(2,283)	(2,772)	(4,391)	(4,377)
<b>PATMI</b>	<b>12,658</b>	<b>12,814</b>	<b>13,868</b>	<b>21,960</b>	<b>21,710</b>

### Per share data

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
EPS, reported (SG Cents)	8.03	8.13	8.80	13.93	13.77
EPS, diluted (SG Cents)	8.03	8.13	8.80	13.93	13.77
DPS (SG Cents)	6.00	5.00	5.00	7.90	7.90
BVPS (\$)	1.99	1.98	2.03	2.13	2.27

### Cashflow Statements (SGD mn)

Y/E Dec, SGD'000	FY14	FY15	FY16	FY17e	FY18e
<b>CFO</b>					
<b>PBT</b>	14,915	15,097	16,640	26,352	26,087
Accrual of Int Inc	106	41	(979)	2,902	0
Accrual of Int Exp	1,527	5,801	6,518	(57)	0
Dep & Amor	1,086	1,079	1,133	1,061	1,136
Allowance	1,252	3,975	5,137	1,977	2,000
Others	(131)	(242)	(240)	(205)	(264)
WC changes	30,662	99,524	67,769	(107,088)	19,261
<b>Cash generated from ops</b>	<b>49,417</b>	<b>125,275</b>	<b>95,978</b>	<b>(77,482)</b>	<b>48,220</b>
Taxes paid, net	(2,034)	(2,195)	(2,362)	(3,695)	(4,203)
<b>Cashflow from operations</b>	<b>47,383</b>	<b>123,080</b>	<b>93,616</b>	<b>(81,177)</b>	<b>44,018</b>
<b>CFI</b>					
CAPEX, net	(19,431)	(49,861)	10,321	33,423	(1,189)
Div and Int received	42	63	92	144	147
<b>Cashflow from investments</b>	<b>(19,389)</b>	<b>(49,798)</b>	<b>10,413</b>	<b>33,566</b>	<b>(1,042)</b>
<b>CFF</b>					
Div paid	(7,881)	(9,458)	(7,881)	(7,881)	(12,452)
Loans	0	0	0	0	0
<b>Cashflow from financing</b>	<b>(7,881)</b>	<b>(9,458)</b>	<b>(7,881)</b>	<b>(7,881)</b>	<b>(12,452)</b>
Net change in cash	20,113	63,824	96,148	(55,492)	30,523
<b>CCE, end</b>	<b>245,781</b>	<b>309,605</b>	<b>405,753</b>	<b>350,263</b>	<b>380,785</b>

Source: Phillip Securities Research (Singapore) Estimates

\*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

### Balance Sheet

Y/E Dec, SGD'000	FY14	FY15	FY16	FY17e	FY18e
PPE	16,763	16,736	16,410	15,825	15,240
Invest Prop	24,452	24,075	23,698	23,322	22,946
Subsidiary	0	0	0	0	0
Loans and advances due >12 mths	1,062,086	1,295,774	1,455,307	1,435,426	1,555,124
<b>Non-current assets</b>	<b>1,103,301</b>	<b>1,336,585</b>	<b>1,495,415</b>	<b>1,474,573</b>	<b>1,593,310</b>
Cash	245,781	309,605	405,753	350,044	379,803
Other assets	5,271	6,426	7,725	6,422	6,204
Investments	231,004	274,590	265,653	238,320	251,470
Loans and advances due <12 mths	628,084	673,640	450,149	439,876	476,557
Statutory deposits with MAS	50,538	59,302	58,281	56,417	60,954
<b>Current assets</b>	<b>1,160,678</b>	<b>1,323,563</b>	<b>1,187,561</b>	<b>1,091,078</b>	<b>1,174,988</b>
<b>Total Assets</b>	<b>2,263,979</b>	<b>2,660,148</b>	<b>2,682,976</b>	<b>2,565,651</b>	<b>2,768,298</b>
Share Capital	180,008	180,008	180,008	180,008	180,008
Statutory reserve	92,619	95,823	99,289	99,288	99,288
Fair value reserve	9,524	5,353	6,736	9,308	9,292
Retained Profits	31,208	31,360	33,881	47,961	69,671
<b>Shareholder Equity</b>	<b>313,359</b>	<b>312,544</b>	<b>319,914</b>	<b>336,565</b>	<b>358,259</b>
Non-controlling interests	0	0	0	0	0
<b>Total equity</b>	<b>313,359</b>	<b>312,544</b>	<b>319,914</b>	<b>336,565</b>	<b>358,259</b>
Customer Deposits	1,921,428	2,313,861	2,319,272	2,188,373	2,370,859
Other liabilities	20,473	27,863	36,776	31,618	30,391
Interest bearing borrowings	0	0	0	0	0
SPRING loans	2,242	1,491	1,203	1,373	1,423
Provision for employee benefits	252	238	260	260	260
Current tax payable	2,343	2,455	2,917	3,624	3,729
<b>Current liabilities</b>	<b>1,946,738</b>	<b>2,345,908</b>	<b>2,360,428</b>	<b>2,225,247</b>	<b>2,406,663</b>
SPRING loans	1,861	553	1,260	2,167	2,401
Deferred tax liabilities	2,021	1,143	1,374	1,890	1,958
<b>Non-current liabilities</b>	<b>3,882</b>	<b>1,696</b>	<b>2,634</b>	<b>4,057</b>	<b>4,359</b>
<b>Total Liabilities</b>	<b>1,950,620</b>	<b>2,347,604</b>	<b>2,363,062</b>	<b>2,229,304</b>	<b>2,411,022</b>

### Valuation Ratios

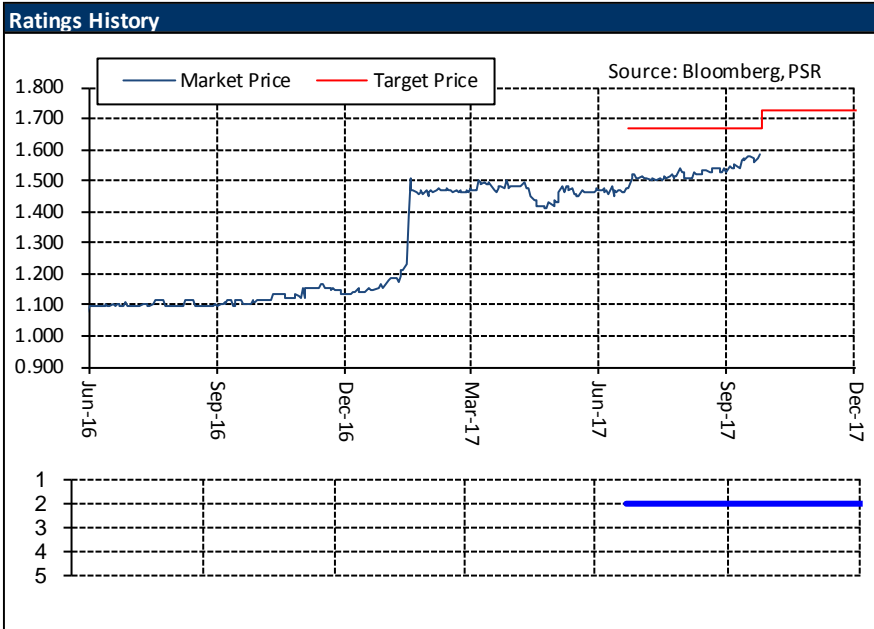
Y/E Dec, SGD'000	FY14	FY15	FY16	FY17e	FY18e
P/E (X)	16.4	15.0	13.3	11.3	11.5
P/B (X)	0.7	0.6	0.6	0.7	0.7

### Growth & Margins (%)

	FY14	FY15	FY16	FY17e	FY18e
<b>Growth</b>					
Customer Loans	9.2%	16.5%	-3.2%	-2.6%	6.2%
NII & hiring charges	8.4%	8.0%	9.7%	14.5%	9.2%
PATMI	10.4%	1.2%	8.2%	58.3%	-1.1%
<b>Margins</b>					
Net Interest Margin (%)	1.60%	1.50%	1.50%	1.88%	1.92%
PATMI margin	38.8%	36.4%	35.9%	49.7%	45.0%
Operating profit margin	49.6%	54.2%	56.4%	64.1%	58.2%

### Key Ratios

	FY14	FY15	FY16	FY17e	FY18e
ROE	4.0%	4.1%	4.3%	6.5%	6.1%
ROA	0.6%	0.5%	0.5%	0.9%	0.8%
Dividend Payout ratio	74.7%	61.5%	56.8%	56.7%	57.4%
Dividend Yield	4.5%	4.1%	4.3%	5.0%	5.0%



**PSR Rating System**

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

**Remarks**  
 We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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