

# Equity Screen

## Jewels in the defensive sectors

### Report type: Update

- Screen out stocks with sustainable/positive EPS growth, high dividend growth/yield in the defensive sectors
- Starhub and Sheng Siong look attractive with FY1 dividend yield of 6.5% and 5.9% respectively
- Dairy Farm, Raffles Medical Group and Techcomp Holdings score on all fronts from EPS growth to dividend yield

### Investment theme – Defensive sectors

Global financial markets are getting more and more unpredictable these days, experiencing volatile ups and downs arising from external shocks. Globalization has led to higher correlation between international bourses especially during the downturn. Nevertheless, “evergreen” industries such as healthcare, telecommunication services and consumer staple tend to be more resilient and outperformed the broader market in the wake of market turmoil.

Generally, companies in these industries produce recurrent and stable incomes with some even pay out sustainable dividends regardless of the market condition. In this regard, 5-yr average EPS growth rate, T12M and FY1 (current fiscal year) dividend yield, and 3-yr dividend compound growth rate are the bases employed for this screening and analysis.

### Telecommunication services

- Sustainable earnings despite the three telcos registered negative 5-yr average EPS growth
- **Starhub** – FY1 dividend yield of 6.5% based on consensus estimates
- Positive DPS growth enables the dividend yield to keep up with inflation and support price appreciation

### Consumer staple

- **Sheng Siong Group** – FY1 dividend yield of 5.9% based on consensus estimates
- **Diary Farm** stock price is poised to continue its trajectory growth should it able to maintain its past EPS and DPS growth pace
- Investors with mid- to long- term view may adopt buy-and-hold strategy on **Diary Farm** though the current P/E of 29.1 is on the high side compared to its historical

### Healthcare

- **Raffles Medical Group** and **Techcomp Holdings** score on all fronts from EPS growth to dividend yield
- **Eu Yan Sang Intl** and **Riverstone Holdings** could be potential cash cows with 3yr dividend growth rate of 9.7% and 14.5% and FY1 dividend yield of 3.5% and 5.4% respectively

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Generally, companies in these industries produce recurrent and stable incomes with some even pay out sustainable dividends regardless of the market condition. In this regard, 5-yr average EPS growth rate, T12M and FY1 (current fiscal year) dividend yield, and 3-yr dividend compound growth rate are the bases employed for this screening and analysis.

### Methodology

The equity screen will only involve SGX listed companies. Chinese companies listed on SGX known as S-chips are however excluded from the screening.

Industry classification benchmark (ICB) is used to filter out companies that fall under the specific industry. Listed companies with negative P/E ratio are also out of the list to exclude loss-making companies. Analysis will revolve around parameters such as positive 5-yr average EPS growth rate, T12M and FY1 dividend yield and 3-yr dividend compound growth rate.

**Note that the screening is based on historical data and consensus estimates which may not be reflective of future earnings growth and dividend yield.**

### Telecommunication services

Three telecommunication service providers – Singtel, Starhub Ltd, M1 Ltd – are filtered out under the mobile telecommunication industry. All of them registered negative 5-yr average EPS growth but were capped within 2% contraction with the exception of Starhub (-6.7%), suggesting sustainable earnings despite global financial crisis in 2008/09 period.

Telcos are commonly regarded as high-yielding dividend stocks. Starhub stands out amongst the three in terms of consensus FY1 dividend yield estimates of 6.5%, thanks to the clear dividend policy of paying out 5 cents per share every quarter. The three telcos registered positive DPS growth for the past three years, enabling the dividend yield to keep up with the inflation and support price appreciation.

### Consumer staples

Dairy Farm, Sheng Siong Group, BreadTalk Group and Old Chang Kee Ltd are the four companies closely associated to consumer staples trade. Over the past 5 years, Dairy Farm recorded 22.3% EPS growth while Old Chang Kee Ltd saw a modest dip in EPS of 0.6%, signifying growing and stable incomes in the wake of Lehman Brother collapse.

Sheng Siong Group's FY1 dividend yield of 5.9% based on consensus estimates looks attractive though there is no

dividend history. Parallel to the telcos, Dairy Farm and BreadTalk Group have been distributing higher dividends for the past three years. Should Dairy Farm is able to maintain its growth pace in EPS and DPS going forward, the stock price is poised to continue its trajectory growth. Investors with mid- to long- term view may adopt buy and hold strategy on Dairy Farm though the current P/E of 29.1 is on the high side compared to its historical.

### Healthcare

A total of 11 counters are screened out under the healthcare industry excluding those with negative P/E ratio. Both Raffles Medical Group and Techcomp Holdings rise above the industry peers for scoring well on all fronts from EPS growth to dividend yield. These two companies posted 5-yr EPS growth rate above 20%, not only reflecting their ability to maintain profitable but they also expand their businesses in the period of tumultuous market climate. On the other hand, Medtecs Intl Corp tops the list for the highest average 5-yr EPS growth of 68.7%.

Purely assessing the dividend alone, Eu Yan Sang Intl and Riverstone Holdings posted robust compound dividend growth rate of 9.7% and 14.5%, and coupled with FY1 dividend yield of 3.5% and 5.4% respectively. As these two stocks are trading below a dollar, both could be potential cash cows for retail investors by adding them to their portfolio to smoothen out and attain better risk-adjusted returns especially when the market is still fraught with uncertainty.

**Fig. 1. Financial metrics sorted by market capitalization (Telecommunication services)**

Weighted Average Industry P/E = 13.92

Company	Mkt. Cap. (USD'mn)	Last Price	EPS T12M bef XO	Item	P/E	Diluted EPS 5yr avg. growth (%)	Dividend T12M	Dividend Yield T12M (%)	FY1 Dividend Yield (%)	3yr DPS compound growth rate (%)
1 SINGAP TELECOMM	39959.9	SGD 3.150	SGD 0.2317		13.60	-1.03	SGD 0.258	8.2	4.9	27.3
2 STARHUB LTD	4224.8	SGD 3.100	SGD 0.1839		16.86	-6.68	SGD 0.200	6.5	6.5	3.6
3 M1 LTD	1840.7	SGD 2.540	SGD 0.1800		14.11	-1.56	SGD 0.178	7.0	5.9	7.1
<b>Total</b>	<b>46025.5</b>									

N.A. denotes not available

Source: Bloomberg, PSR

**Fig. 2. Financial metrics sorted by market capitalization (Consumer staples)**

Weighted Average Industry P/E = 28.69

Company	Mkt. Cap. (USD'mn)	Last Price	EPS T12M bef XO	Item	P/E	Diluted EPS 5yr avg. growth (%)	Dividend T12M	Dividend Yield T12M (%)	FY1 Dividend Yield (%)	3yr DPS compound growth rate (%)
1 DAIRY FARM-900	14096.1	USD 10.440	USD 0.3587		29.11	22.31	USD 0.210	2.0	2.1	14.5
2 SHENG SIONG GROU	539.5	SGD 0.490	SGD 0.0221		22.17	N.A.	SGD N.A.	N.A.	5.9	N.A.
3 BREADTALK GROUP	129.6	SGD 0.580	SGD 0.0412		14.08	N.A.	SGD 0.010	1.7	1.7	29.7
4 OLD CHANG KEE LT	24.7	SGD 0.325	SGD 0.0305		10.66	-0.59	SGD 0.015	4.6	N.A.	N.A.
<b>Total</b>	<b>14765.1</b>									

N.A. denotes not available

Source: Bloomberg, PSR

**Fig. 3. Financial metrics sorted by market capitalization (Healthcare)**

Weighted Average Industry P/E = 15.31

Company	Mkt. Cap. (USD'mn)	Last Price	EPS T12M bef XO	Item	P/E	Diluted EPS 5yr avg. growth (%)	Dividend T12M	Dividend Yield T12M (%)	FY1 Dividend Yield (%)	3yr DPS compound growth rate (%)
1 BIOSENSORS INTL	2059.4	SGD 1.505	USD 0.228		5.248	N.A.	N.A.	N.A.	0	N.A.
2 RAFFLES MEDICAL	988.7	SGD 2.320	SGD 0.095		24.42	20.42	SGD 0.035	1.51	1.77	11.87
3 HAW PAR CORP LTD	948.6	SGD 6.020	SGD 0.385		15.64	-16.84	SGD 0.200	3.32	N.A.	-7.17
4 EU YAN SANG INTL	241.1	SGD 0.685	SGD 0.045		15.19	N.A.	SGD 0.022	3.19	3.50	9.70
5 Q&M DENTAL GROU	167.5	SGD 0.765	SGD 0.017		45.81	-0.71	SGD 0.012	1.57	1.83	N.A.
6 HEALTHWAY MEDIC	155.0	SGD 0.093	SGD 0.002		46.68	N.A.	SGD N.A.	N.A.	N.A.	N.A.
7 RIVERSTONE HLDGS	110.8	SGD 0.435	MYR 0.122		8.689	N.A.	MYR 0.059	5.55	5.38	14.46
8 TECHCOMP HOLDING	79.6	SGD 0.430	USD 0.036		9.478	27.38	HKD 0.063	2.33	4.38	7.72
9 MEDI-FLEX LTD	66.5	SGD 0.090	MYR 0.006		39.88	N.A.	SGD 0.001	1.11	N.A.	N.A.
10 HEALTH MGMT INTL	48.2	SGD 0.105	MYR 0.007		35.54	N.A.	SGD N.A.	N.A.	N.A.	N.A.
11 MEDTECS INTL COR	24.2	SGD 0.070	USD 0.003		16.49	68.73	USD N.A.	N.A.	N.A.	N.A.
<b>Total</b>	<b>4889.8</b>									

N.A. denotes not available

Source: Bloomberg, PSR

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