PhillipCapital

Phillip 2018 Singapore Strategy

From liquidity to a business cycle

StocksBnB.com

18 December 2017

SINGAPORE | STRATEGY

I guess QE did work. With interest rates at near zero, Act 1 of QE was to shift investor preference up the liquidity curve into higher yielding and riskier assets. We did get asset reflation in equities, bonds and real estate. The problem was, the wealthy have a lower inclination to spend and would rather store their gains. Corporates preferred the liquidity for share buybacks. And households were de-leveraging post-GFC and in no mood to consume. So despite the surge in liquidity, the use (or velocity) of money globally was at record lows. It took the real economy several years to heal through wealth effect and lower cost of capital.

Act 2 has finally arrived. It is the transmission of this liquidity to stimulate aggregate demand. Global economies are back to a growth mode not seen in five years, according to IMF. To keep this recovery on a self-sustaining path, we need a positive feedback loop of higher sales that spur further employment and capital investment. This then feeds into higher aggregate demand and sales. As corporate profits recover, peppered with the usual dash of executive optimism, we have finally seen a revival in investments. Employment has recovered to multi-year highs but lacking has been wage growth. It has been creeping up but not robust. Higher wages is critical. Money can then be placed in the hands of those with a higher propensity to spend and more liquidity will flow into the real economy. In summary, we expect the rally in global growth to continue in 2018. Wage growth will be the final cog to sustain an above-trend growth, even in the face of rising interest rate.

Strategy: Under such a macro scenario that we construct our playbook for 2018. The sector we favour the most is banks. Banks will be surfing the wave of rising interest rates, recovery in asset quality and higher loan volumes. The concoction could not get any better. Property stocks we believe can perform until at least the 1H18. We still view them as a trade because of high vacancy rates, stretched affordability and fluid demand. We fear these could be roadblocks to any secular story. Our other Overweight is consumer. With wage growth improving (personal wish too), consumers in Singapore should open up their wallets again. This is our laggard Overweight as data has not revealed itself yet.

STI Target: We raise our STI target from 3450 to 3900. This a bottoms-up target, based on a culmination consensus and our target prices. At 3900, PE for STI will be around 17x.

Recommendation: In our absolute return portfolio for 2018, our top 10 picks are: a) Asian PayTV and Ascendas REIT, for those with an appetite for only dividend yield; b) Chip Eng Seng, Dairy Farm, DBS Group, Geo Energy and Micro-Mechanics, for earnings growth; c) ComfortDelGro, Banyan Tree and CapitaLand are our re-rating plays.

Paul Chew (DID: 6212 1851)
Head of Research
paulchewkl@phillip.com.sg

The Phillip Absolute 10

Company	Rating	Target Price (S$)	Last Close Price (S$)	DPS (S$)	Upside to TP (%)
YIELD					
Asian Pay TV Trust	Accumulate	0.64	0.58	0.065	21.55
Ascendas REIT	Accumulate	2.86	2.68	0.159	12.65
GROWTH TRADE					
Chip Eng Seng Corporation	Buy	1.21	0.93	0.040	34.41
Dairy Farm International (USD)	Buy	9.89	8.05	0.220	25.59
DBS Group Holdings	Buy	29.30	24.58	0.660	21.89
Geo Energy Resources	Buy	0.44	0.26	0.010	76.47
Micro-Mechanics Holdings	Buy	2.50	2.00	0.080	29.00
RE-RATING BETS					
Banyan Tree Holdings	Accumulate	0.71	0.55	0.000	29.09
CapitaLand Ltd	Accumulate	4.19	3.51	0.100	22.22
ComfortDelGro Corporation	Buy	2.63	1.91	0.103	43.09

MCI (P) 74/10/2017
Ref. No.: SG2017_0305

2017 REVIEW

2017 kicked off with exuberance over the Trump reflation trade, matched by angst over the EU's with looming elections and the populist wave. The Trump reflation trade was a head fake. US Treasury yields and US dollar reversed their ascent, and any planned infrastructure stimulus fizzled out. Macron's overwhelming parliament majority in France ended the debate on EU disintegration. Instead, it rekindled hopes of some fiscal union in the future.

3 hopes of Trump Reflation Trade

- ✓ Tax amnesty on corporate cash overseas
- ✓ Lower corporate tax and regulations
- ✓ Infrastructure spending to kick-start a capex cycle

Over in Singapore, the outlook was tepid, at best. Consensus expectations for GDP in 2017 was a sombre 1% - 2%. This was warranted as most indicators were languishing. Loans growth were only growing at 1%, consistent with industrial production paltry 1% climb. And exports moving sideways.

However, as the year progress, it became more evident an economic recovery underway, trending far better than expected. Global economic growth breached several years' high, accompanied by low inflation. Such conditions ignited the performance of cyclicals, in particular electronics. Another notable event in Singapore was the relaxation of property measures in March. Initial market response was lukewarm, but as the months ploughed on, pent-up demand started to fuel primary and secondary private residential sales. Sales surged to four-year highs and averaging 2300 units per month, up 36% from a year ago.

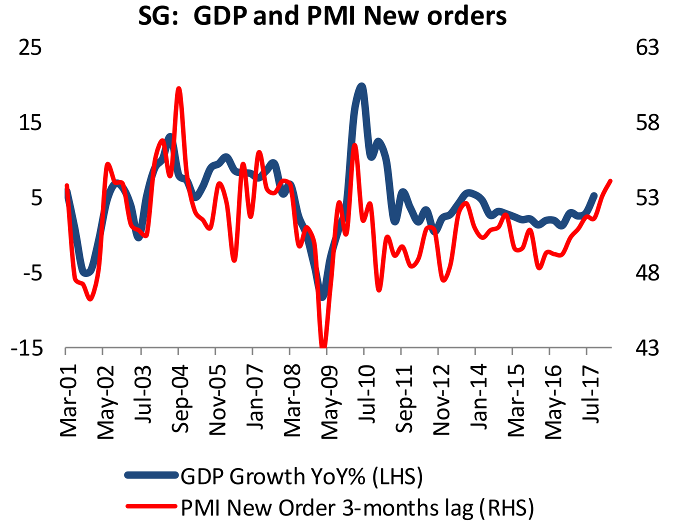
Our 2H17 strategy reports

July 2017: Focus is on inflation
August 2017: Macro nirvana
September 2017: Synchronous global recovery
October 2017: Trump trade redux
November 2017: A new era in interest rates
December 2017: 4Q17 still looking good

OUTLOOK

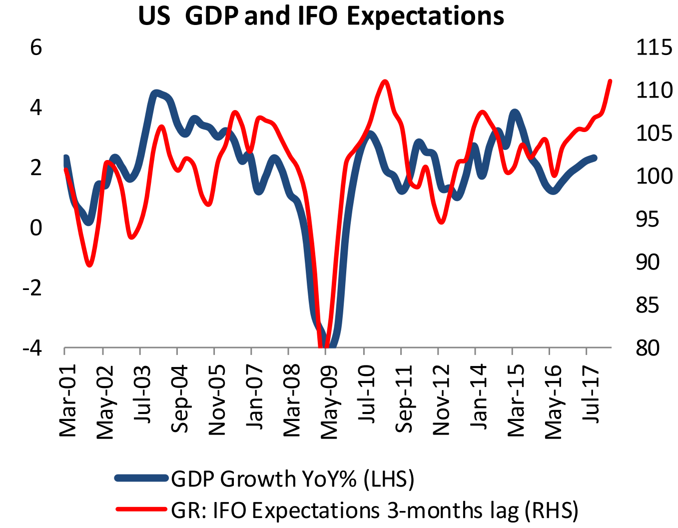
The cyclical uplift for Singapore is well and underway. We are enjoying the best growth rates in five years. For investors, the crucial question is the longevity of this expansion. We used several indicators to give us a peek into the near-term. Singapore new orders PMI suggest economic vibrancy at least till 1Q18 (Figure 1). Another gauge, IFO business expectations, similarly points to sustainable strength in 1Q18 (Figure 2).

Figure 1: PMI new orders suggest a vibrant 1Q18



Source: PSR, Bloomberg

Figure 2: IFO similarly point to resilient 1Q1 GDP

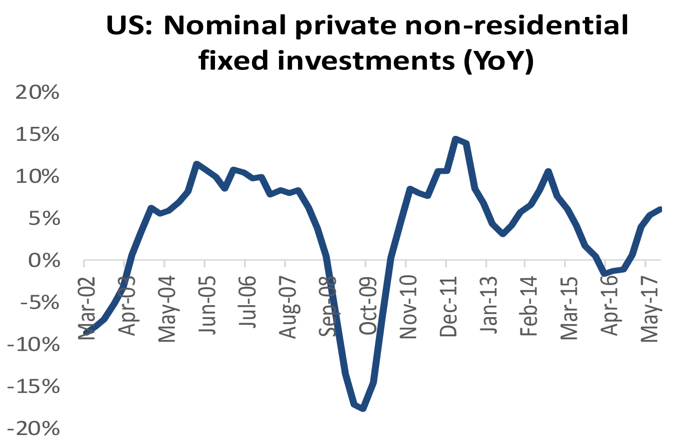


Source: PSR, Bloomberg

Sustainability, we think, would require a positive feedback loop. Rising sales need to be followed up with employment or wage growth and further capital investment. This will keep an economy on a self-sustaining path. Therefore, two sources of demand need to be trending upwards in 2018, namely wages and capital spending. Capital investment has started its recovery. Employment is at a multi-year high. Only wage growth has been below trend.

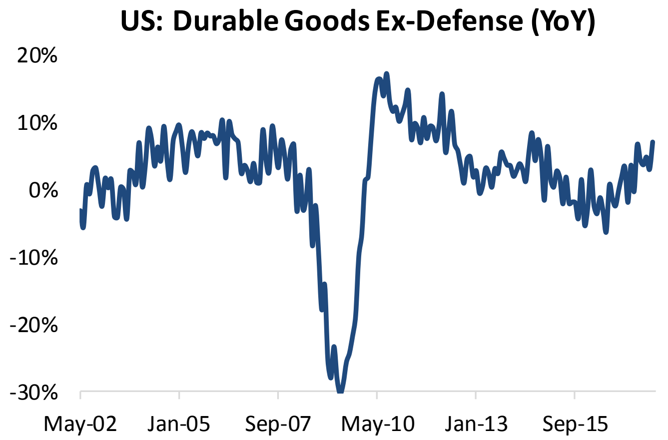
Capital Investment: Going by the US proxy, global investment cycle recovered early this year, after drifting for almost three years. We see this in both nominal private fixed investments (Figure 3) and spending on durable goods (Figure 4).

Figure 3: Investment cycle underway in the US



Source: PSR, Bloomberg

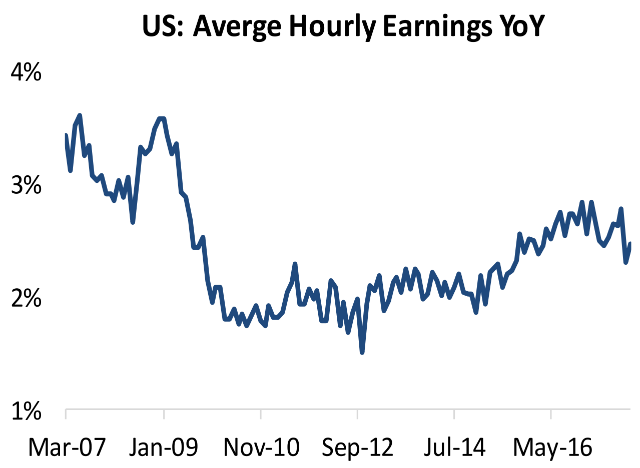
Figure 4: Durable goods recovery



Source: PSR, Bloomberg

Wages: Wage growth has been sanguine in most parts of the world. As Figure 5 illustrates, US wage growth after GFC has been stuck in a 2% to 2.9% range the past eight years. Singapore's has averaged 3% p.a. for the past three years. It historically lags GDP by three quarters (Figure 6). We are upbeat, holding the view that wage growth will recover, albeit after a longer lag. We feel there are two secular reasons for the longer lag in wages, notably (i) the build-up of automation in both manufacturing and services sector; (ii) expansion of the global pool of labour with the opening of several developing countries to globalization.

Figure 5: US wage growth still sluggish



Source: PSR, Bloomberg

Figure 6: 3-Quarter lag of wages to GDP

Source: PSR, Bloomberg

In summary, we expect a continuation of the global growth in 2018. Forward indicators point to at least a healthy 1Q18. For growth to be sustainable, we would need investments and wage improvements. So far, only capital investment has recovered. We believe wage growth will return after a lag. This can bolster growth, even in the face of rising interest rates.

RECOMMENDATION

In Singapore, our Overweights are in Commodities (Coal), Consumer, Finance, Industrial (Electronics) and Property. All these sectors are riding on a healthy sales moment. Only consumer is less apparent as any improvement will be lagging.

For 2018 absolute return portfolio, our top 10 picks (The Phillip Absolute 10) are:

a) Asian PayTV and Ascendas REIT: These are not cyclical bets but they provide attractive dividend yields with healthy capital appreciation.

b) Chip Eng Seng, Dairy Farm, DBS Group, GEO Energy and Micro-Mechanics: These are stocks that will register earnings growth at attractive valuations.

c) Banyan Tree, CapitaLand and ComfortDelGro: We believe these companies will benefit from a market re-rating in 2018.

Figure 7: The Phillip Absolute 10

Company	Rating	Target Price (S$)	Last Close Price (S$)	DPS (S$)	Upside to TP (%)
YIELD					
Asian Pay TV Trust	Accumulate	0.64	0.58	0.065	21.55
Ascendas REIT	Accumulate	2.86	2.68	0.159	12.65
GROWTH TRADE					
Chip Eng Seng Corporation	Buy	1.21	0.93	0.040	34.41
Dairy Farm International (USD)	Buy	9.89	8.05	0.220	25.59
DBS Group Holdings	Buy	29.30	24.58	0.660	21.89
Geo Energy Resources	Buy	0.44	0.26	0.010	76.47
Micro-Mechanics Holdings	Buy	2.50	2.00	0.080	29.00
RE-RATING BETS					
Banyan Tree Holdings	Accumulate	0.71	0.55	0.000	29.09
CapitaLand Ltd	Accumulate	4.19	3.51	0.100	22.22
ComfortDelGro Corporation	Buy	2.63	1.91	0.103	43.09

Figure 8: Phillip Sector Universe

	Phillip Singapore Sectors (106 companies)	1 Mth Perf.	3 Mth Perf.	YTD Perf.	PSR Recomm	Target % change	Mkt Cap (US$ m)	FY16	PE FY17e
1	Commodities - Plant./Others	-3.1%	-2.1%	-7.2%	Overweight	10.8%	28,778	14.3	16.5
2	Conglomerate/Utilities	-2.9%	-3.3%	16.0%	Neutral	11.9%	118,003	26.4	23.8
3	Consumer - F&B/Gaming/Media	-0.2%	6.7%	20.4%	Overweight	17.0%	48,625	15.6	21.7
4	Finance	4.8%	15.8%	35.0%	Overweight	10.0%	123,186	14.9	13.6
5	Healthcare	1.1%	-2.8%	-13.9%	Neutral	11.5%	13,888	59.2	55.4
6	Industrial - Electronics/Others	-3.2%	4.0%	58.6%	Overweight	19.0%	14,581	22.5	17.9
7	Property	0.4%	0.6%	29.7%	Overweight	12.8%	64,613	14.6	18.6
8	REIT - Hospitality	1.8%	3.8%	20.8%	N/A	-0.2%	7,308	22.1	20.4
9	REIT - Industrial	1.8%	3.8%	20.0%	Neutral	1.9%	17,127	22.4	17.0
10	REIT - Office	4.4%	10.8%	25.4%	Neutral	-5.7%	13,971	20.1	24.8
11	REIT - Retail	2.8%	3.8%	14.9%	Neutral	0.3%	17,431	13.5	18.4
12	REIT - Others/Foreign/Biz Trust	-1.3%	-2.9%	9.8%	Overweight	2.7%	7,790	17.4	21.9
13	Shipping - Yards/Vessel owners	-4.8%	11.9%	62.3%	Neutral	6.0%	7,831	-163.0	22.0
14	Telecommunications	1.7%	2.9%	2.6%	N/A	11.5%	49,984	15.5	15.6
15	Transportation	-1.4%	1.5%	1.5%	Neutral	7.4%	19,204	20.4	20.4
		0.6%	4.4%	20.6%		10.5%	552,320	17.9	18.3

N/A – no coverage
Source: Bloomberg, PSR

STI target. Our STI target for end 2018 is 3900, an upside of 14%. This a bottoms-up target, based on consensus and our target prices. At 3900, PE for STI will be around 17x. As Figure 9 illustrates, the largest index contributors to STI in 2018 will be finance, telecommunications, conglomerates, and property. In terms of percentage upside, the largest comes from industrial (+38%), commodities (+35%) and shipping (+33%). REITs' performance is expected to be mixed.

Figure 9: STI range is 3500 to 3900

	Sectors @ 15Dec 2017		STI Sector % Gains			STI Sector % Gain Weight		
			Low	Median	High	Low	Median	High
1	Commodities - Plant./Others		-13%	11%	35%	-0.3%	0%	0.9%
2	Conglomerate/Utilities		3%	12%	16%	0.5%	2%	2.5%
3	Consumer - F&B/Gaming/Media		1%	12%	21%	0.1%	1%	1.2%
4	Finance		10%	10%	10%	3.8%	4%	3.8%
5	Healthcare							
6	Industrial - Electronics/Others		0%	20%	38%	0.0%	0%	0.6%
7	Property		2%	10%	12%	0.2%	1%	1.6%
8	REIT - Hospitality							
9	REIT - Industrial		7%	7%	7%	0.2%	0%	0.2%
10	REIT - Office		-4%	-4%	-4%	-0.1%	0%	-0.1%
11	REIT - Retail		-5%	-5%	-5%	-0.1%	0%	-0.1%
12	REIT - Others/Foreign/Biz Trust		-4%	1%	20%	0.0%	0%	0.2%
13	Shipping - Yards/Vessel owners		-31%	9%	33%	-0.4%	0%	0.5%
14	Telecommunications		-10%	12%	27%	-0.9%	1%	2.7%
15	Transportation		4%	11%	21%	0.2%	0%	0.9%
	Total Gains					3.0%	10.2%	14.8%
	STI Index	3417				3522	3764	3923

My Sector Narratives

1. **Commodities – Coal:** High production, the best in the region, gives us confidence of strong earnings growth even when we assume coal prices will moderate in 2018. Paying dividends will give investors confidence but some have a habit of using excess cash for non-core reasons.
2. **Conglomerate/Utilities:** Apart from water utilities in China, this sector will be challenged especially in a rising interest rate environment and every country seem to have their own unique challenge. Singapore faces huge excess power with reserve margin of 90%.
3. **Consumer:** Probably our least consensus recommendation as we are betting on a turnaround in consumer spending. More evident signs of consumer spending likely in 2H18.
4. **Finance:** A genie could not have granted Singapore banks as many wishes. The 5 wishes are rising margins as interest rates improve, better asset quality, loan volumes rebound, possible special dividend and new revenue stream from wealth management.
5. **Healthcare:** Facing headwind of weaker patient load as foreigners move to perhaps Malaysia and new public hospitals take market share. A further problem could be "fee guidance" from the authorities.
6. **Industrial:** Electronic stocks was the best performer in 2017. Rightly so, some of the companies have not seen such earnings growth since dot-com days. Latest data points suggest there is still legs to this rally. Anyway, the recovery is not just cyclical reasons. Successful companies have transitioned away from PC era to autos, medical and IOT.
7. **Property:** Market will focus on headline take-up rates of new launches next year. This will give another rally in the stocks. However, not much comfort how sustainable this bounce as we face demographics, affordability and vacancy wall.
8. 8-12: **REITs:** More selective and we prefer sectors that have favourable demand-supply conditions (hospitality, office) or favourable tenancy and leverage features (long WALE, low gearing). This can help these REITs cope with rising interest rates.
13. **Shipping – Yard:** Potential trading opportunity by navigating from one news cycle to another. We are still nervous over the fundamentals of this sector.
14. **Telecommunications:** We have no coverage but any announcement of price plans in middle 2018 could be the bottom of this sector. Arrival of 4th telco has been well flagged and incumbents have already responded by lowering prices and sacrificing margins.
15. **Transportation:** We view ComfortDelgro as a BUY. We think the bus and rail sectors can hold earnings and keep overall fundamental intact despite the onslaught of ride-sharing services.

Paul Chew (+65 6212 1851)
Head of Research
paulchewkl@phillip.com.sg

The 5 Flashpoint to watch

1. **President Trump** Investigation: A Special counsel, led by ex-FBI head Robert Mueller was setup in 2017 to investigate the Russian interference in the 2016 U.S. presidential election. The impeachment of Trump is highly unlikely as The Republicans hold the majority of the Senate and a two-thirds vote is required for impeachment. Apart from impeachment, President Trump may still face criminal charges if a case was built against him.

2. **Italian election**: Italy's next election will most probably be in March just before the current parliamentary term end. Although they have till late May to poll. Populist revolt had risen in Europe, as seen in the electoral results of others European nations. Five Star Movement is the strongest populist party in Europe and they are currently leading the opinion poll. The outcome of the election will most probably affect Italy's ambivalent of the single Euro currency, its towering debts and their troubled banking system.

3. **North Korea**: The country has made great advances in their ICBM and bombs. It tested the most powerful Hydrogen-Bomb in September and followed up in November by longest range ICBM test capable of reaching New York and Washington. National security adviser H.R McMaster said chances of war with North Korea were increasing every day. Tensions will remain elevated throughout the year.

4. **Fed rate hikes**: Three more rate hikes are expected in 2018 according to the FED's dot plot projection, bringing the Fed Funds Rate to 2.25% at the end of 2018. Further tightening of the monetary policy signals confidence in the growth of the economy. However, with three rate hikes in 2018, the yield curve could very well invert, signalling to an imminent recession.

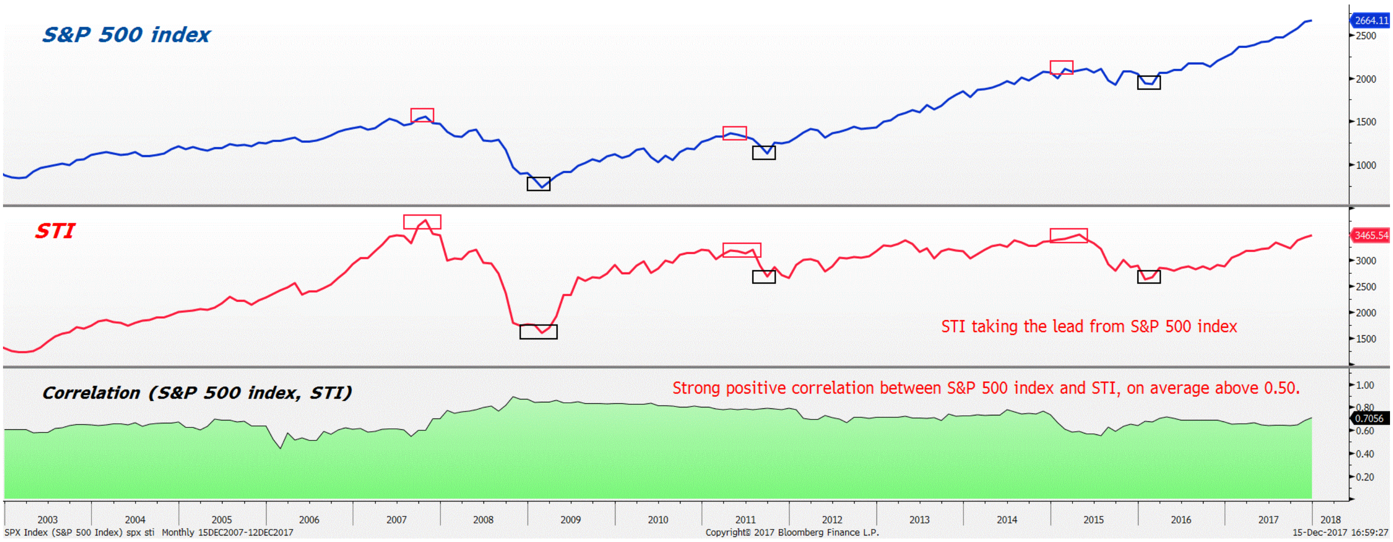
5. **China Credit**: The financial risk associated with China's credit quality have been at the centre of attention for most investors in 2017. The Chinese government will need to strike a right balance between a slowing economy and reining in on the financial risk. Tightening the monetary conditions too fast and they might find themselves heading for a hard-landing. Inversely, keeping the monetary condition too loose and they will welcome back moral-hazard and mal-investment. PBOC has already started tightening by pushing up the 7-day market repo rate, which we consider to be "de facto" policy rate. The tighter monetary conditions should lead to a slowdown in credit expansion in the near future. However, an acute economic slowdown might cut short this tightening cycle and pressure the PBOC to reverse its policies.

Pei Sai Teng (+65 6212 1856)
Investment Analyst
peist@phillip.com.sg

Technical Analysis: Straits Times Index – Bulls targeting the 3906 all-time high in 2018

With the overall sentiment from the US still going healthy at a multi-year high, we should see a flow over effect into the rest of the world including the Singapore market. Based on our Phillip Recession Tracker that monitors the general strength of the US equity market, all remains well with multiple economic indicators such as consumer confidence and employment numbers expanding at a record pace. Our base case scenario for any signs of weakness is earliest June 2018. In other words, the current euphoria and blow-off phase in the US equity market should continue to ride high for at least six more months.

Figure 10. S&P 500 index vs STI – Strong positive correlation



Source: Bloomberg, PSR

As the US is the largest economy in the world, it tends to dictate the overall sentiment of the rest of the world. The long-term correlation study on the S&P 500 index and Straits Times Index (STI) showed strong positive correlation. On average, the correlation coefficient is at least 0.50 since 2002. Notice how the major turning points in the S&P 500 index also coincides with inflection points in the STI shown by the highlighted boxes in Figure 10.

Put differently, as the sentiment in the US continues to stay upbeat for at least another six more months, we can expect the STI to follow suit directionally. The outlook of the STI to a certain degree takes the lead from the performance of the US equity market, as the movement in the US equity market will determine if the market stays in a risk-on or risk-off mode.

Hence, with at least six more months of upside left, the longer-term target on the STI should be the 2007 all-time high of 3906 points. After which, there will be a major hurdle at the psychological area of 4000 points.

Figure 11. STI Daily chart – Dip buying roadmap

Source: Bloomberg, PSR

Red line = 20 period moving average, Blue line = 60-period moving average, Green line = 200 period moving average

On the Daily Timeframe, the uptrend only kicked into gear since the start of 2017 after the index broke the 2964 resistance area. Since then, the uptrend has made good progress. The 20 and 60-day moving average shown by the orange highlight in Figure 11 halted every correction that appeared. In other words, the 20 and 60-day moving average is acting as a springboard for propelling the uptrend higher. The general rule of thumb for an uptrend to stay valid is to have the 20-day moving average be above the 60-day moving average and vice versa. The only exception was in September when the 20 and 60-day moving average failed to hold the index up. Thus, we have the 200-day moving average to act as last line of defence for keeping the uptrend intact, which it did in September. Since then, the 20 and 60-day moving average supported the uptrend on two more occasions in November and December proving the significance of these areas.

Moving forward, this dip buying pattern around the 20 and 60-day moving average should continue to hold true for at least six more months for the bulls to target the 2007 all-time high of 3906 points. The price action of the STI should continue to move in this stair-stepping motion higher as the 20 and 60-day moving average act as a springboard. Immediate obstacle ahead is the 2015 high of 3549 points.

Jeremy Ng (+65 6212 1857)
Investment Analyst
jeremyngch@phillip.com.sg

Commodities – Coal Mining OVERWEIGHT

- Ongoing supply-side reform in China has been balancing supply and demand in the domestic coal market, aiming to subdue volatility of coal price.
- 35GW power capacity programme in Indonesia is behind schedule
- Singapore listed coal miners to grow their production by 40% in 2018.

2017 Review

Incentivised by coal imports from China and India as well as the domestic thermal power needs, Indonesia coal miners set higher production targets in 2017. Coal imports by China from Indonesia rose by almost 15% YTD. However, the prolonged monsoon season interrupted the mining plans, and hence some miners revised down the sales target accordingly. Miners are expected to deliver higher production and sales volume than what they did in 2016. Coal price (HBA as a proxy) was trading within a range of between US$80/tonne and US$85/tonne in 1H17. Since the bottom in Jun-17(US$75/tonne), coal prices had recorded five consecutive months of increase. It is now at the year high of US$95/tonne in Nov-17, see Figure 16. Coal miners listed in either Singapore or Indonesia ramped up their production drastically in 2017, see Figure 12. Therefore, the sector rides on the tailwind of both high volume and selling price in 2017.

Outlook

Look ahead into 2018 we expect China to curb capacity in coal in accordance with the guidelines of the 13th Five Year Plan. Coal production will be capped at 3.9bn tonne by 2020 (2017e: 3.5bn tonnes). Total coal consumption is expected to decrease as well. However, demand for imported coal is expected to stay stable (from 250mn to 300mn tonnes) since it is much cheaper for the coastal cities in China to source externally. Measures such as term contracts between coal sellers and buyers and price alert mechanism, together with the maximum and minimum inventory system are expected to be implemented in 2018. Such measures will help in stabilising coal price moving forward. We expect the Singapore listed coal miners to grow their production by 40% in 2018. Ongoing electrification in Indonesia will drive up the demand for thermal coal domestically.

Recommendation

Our top pick in coal mining sector is Geo Energy Resources. The sales target for 2018 will double to 12-15mn tonnes compared to 7-8mn tonnes in 2017. The ramp-up of production will be mainly from recently acquired TBR mine, which will commence operation in 1Q18. The successful refinancing of its US$100mn MTN due in Jan-18 cleared a major overhang in the share price. A new senior note of US$300mn replaced it. The net proceeds together with the advances from potential new offtakes could amount to more than US$250mn. Such a large war chest will improve Geo's ability to acquire new assets. As of now, the PER of Geo is c.5.0x which is lower than the average regional peers of c.10x. Besides, the company is trading at a dividend yield of 8% based on the price of S$0.25. Thus, we feel the stock is deeply undervalued.

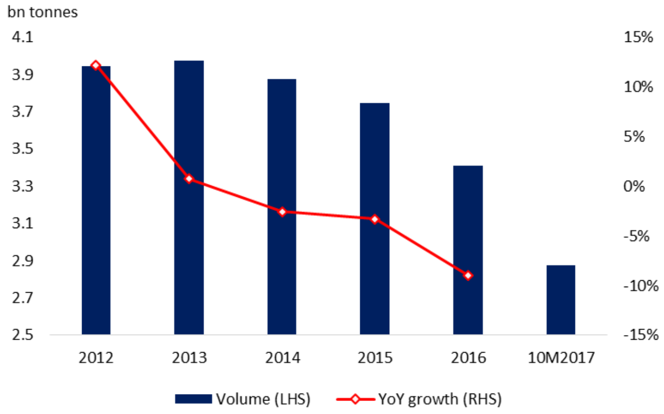
Figure 12: Peer comparison

COMPANY	BLOOMBERG TICKER	PSR RATING	TARGET PRICE (SGD)	1M RETURN (%)	3M RETURN (%)	YTD RETURN (%)	PRODUCTION (MN TONNES) FY16	PRODUCTION (MN TONNES) FY17e	MKT CAP (SGD mn)	EV (SGD mn)	EV/EBITDA TTM	RESERVE (MN TONNES)	EV/RESERVE (SGD/TONNE)	FY18 P/E	FY17 P/E	FY17 P/B	NET D/E (%)	ROA (%)	ROE (%)
Singapore																			
Golden Energy & Resources	GER SP	**BUY**	**0.59**	(16.4)	(23.3)	(19.2)	9.5	14.0	906	987	5.5	780	1.3	9.2	18.4	2.0	Net Cash	9.6	21.0
Geo Energy Resources	GERL SP	**BUY**	**0.44**	(10.8)	1.7	16.5	5.5	7.0 - 8.0	326	369	3.2	100	3.7	4.6	4.7	1.5	0.8	16.5	35.8
BlackGold Natural Resources	BHR SP	**TRADING BUY**	**0.16**	(35.0)	(33.3)	14.7	0.3	0.5	76	78	N/A	147	0.5	N/A	N/A	4.8	39.1	(20.8)	(31.6)
Indoneisa																			
Adaro Energy	ADRO IJ			(5.8)	(10.0)	2.0	52.5	52.0-54.0	5,486	6,098	4.0	1,200	5.1	8.5	8.2	1.2	9.4	7.7	15.3
Bukit Asam	PTBA IJ			(8.0)	(11.5)	(10.6)	19.6	21.9	2,516	2,247	3.6	3,300	0.7	7.1	6.3	1.8	Net Cash	19.5	32.2
Indo Tambangraya Megah	ITMG IJ			(3.4)	7.7	37.9	25.6	22.6	2,335	1,791	2.7	198	9.0	7.5	7.2	1.7	Net Cash	18.5	25.1
Harum Energy	HRUM IJ			(11.2)	(13.1)	(7.0)	4.0	4.0-4.5	547	328	3.4	113	2.9	9.4	11.1	1.3	Net Cash	8.5	12.0
Baramulti Suksessarana	BSSR IJ			(22.1)	(6.5)	63.3	7.9	10.0	524	496	4.0	114	4.3	6.0	5.2	2.5	9.2	38.6	55.2
Market-cap Weighted Average				**(6.8)**	**(6.7)**	**6.0**					**3.6**		**4.8**	**7.9**	**7.6**	**1.5**		**14.0**	**22.7**

Source: Bloomberg, Company, PSR

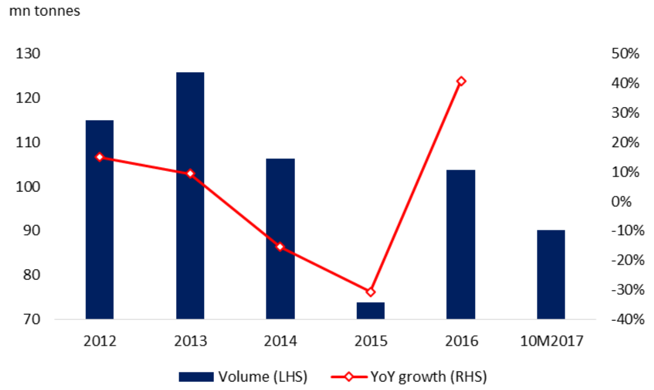
Chen Guangzhi (+65 6212 1859)
Investment Analyst
chengz@phillip.com.sg

Figure 13: Annual coal production in PRC slowing down



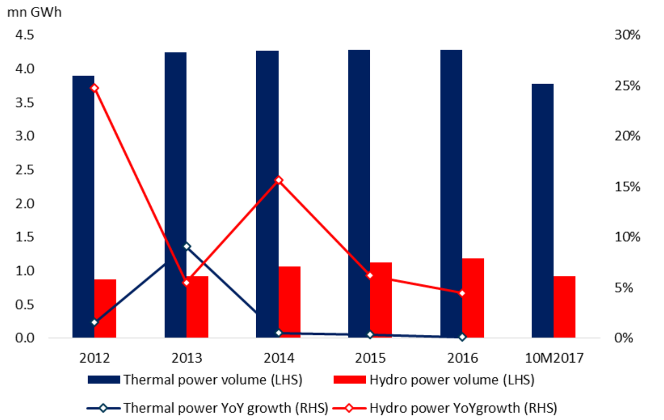
Source: National Bureau Statistics of PRC, PSR

Figure 14: Coal import from Indonesia by China rebounds



Source: General Administration of Customers of PRC, PSR

Figure 15: Annual power demand YoY still healthy in PRC

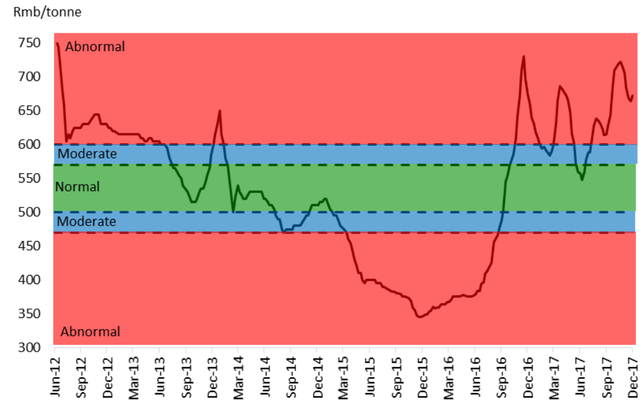


Source: National Bureau Statistics of PRC, PSR

Figure 16: Indonesia coal price reference (HBA) climbing up

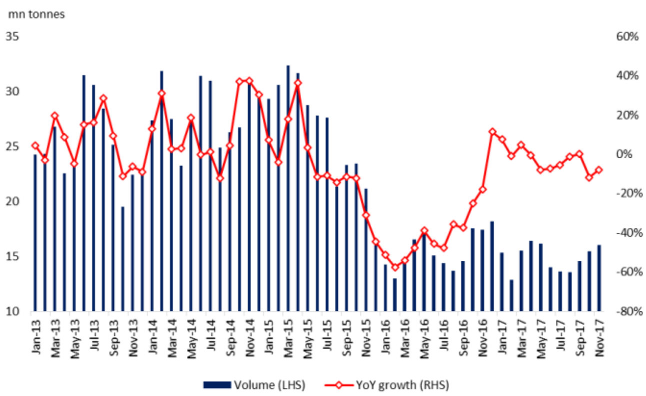
Source: Coalspot.com, PSR

Figure 17: Qinghuangdao 5,500 GAR weekly FOB spot price



Source: Bloomberg, PSR, NDRC price zones (red/blue/green)

Figure 18: Total port coal inventory declining



**Source: Bloomberg, PSR*

**The total port coal inventory includes coal stockpile at Qinghuangdao Port, Tianjin Port, Caofeidian Port, Guangzhou Port, Jingzhou Port, Lianyungang Port, Dandong Port, Jingtang Port, Yinkou Port, Qingdao Port, and Huanghuagang Port.*

Conglomerate – Utilities NEUTRAL

- Power generation is moderating while environmental protection policies still in full swing in China.
- India implements the nationwide electrification plan unsatisfactorily, and the market expects further improvements in the future.
- Singapore power market is suffering from excess competition and high reserve margin.

2017 Review

China has entered into the new era where economic development will be focused quality rather than quantity. Therefore, power generation as one of the key economic indicators has moderated to 7% YoY growth in 2017. Meanwhile, the authorities remain vigilant in enforcing their environmental protection policies. The Chinese government has clamped down on the discharge and emission of pollutants. It is encouraging the development of waste treatment by promoting PPP mode in the utilities sector. Accordingly, the treatment plants benefit from the higher tariffs and capacities in 2017.

India still faces steady demand for electricity, which drove the rollout of more power projects nationwide. However, due to the relatively poor coordination of power supply and infrastructure development, some regions encountered power shortage and outage, and some newly built power plants suffered from lower or even negative spark spread in 2017.

Singapore utilities sector face the challenge of a flat-line in demand for power and excess supply. The reserve margin in Singapore is around 90% (i.e. capacity installed is almost double peak demand), far above the minimum 30%. The take-or-pay LNG gas contracts exacerbate the supply situation. Though the ASP of electricity has recovered due to higher gas and coal prices, the average spark spread is still low, resulting in thin margin in 2017.

Outlook

As we look ahead into 2018, we expect the Chinese authorities to launch more favourable guidelines and policies to advocate PPP projects. Sector consolidation, project upgrading and tariff hike will the key domestic policies. Expectations are for power and water tariff hike in Jan-18. In India, 'Power for all' programme continues, and state governments are urged to improve the coordination and infrastructure. The start-up issues persist on those power producers who fail to lock in long-term power purchase agreement. Therefore, the power price volatility in the spot market will continue.

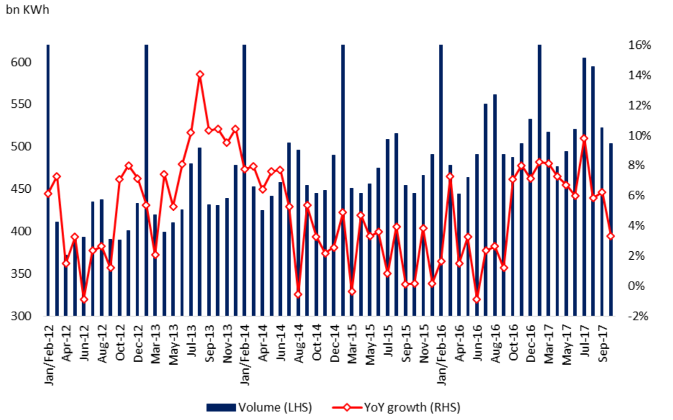
From 2H2018, the retail power market will be fully liberalised in Singapore. It is expected that the rest of 1.3mn consumers are eligible to purchase power directly from any providers in the retail market. It will be a challenge for retailers whether they can operate efficiently and effectively. However, we do not think a price war will occur since the gradual liberalisation of retail power market over the past few years had been buffering the impact and perception of market competition.

Recommendation

Our top pick in utilities sector is China Everbright Water (CEWL). In Oct-17, The 19th National Congress of the Communist Party reinforced the establishment of ecological civilization and environmental protection, which was in accord with the guidelines stated in the 13th Five Year Plan. We believe that the macro conditions in the next five year will continue to favour CEWL. As of 3Q17, the group's daily designed capacity reach 5mn+ tonnes, and it expects to achieve the target of 10mn of which within the period of the 13th Five Year Plan. The ongoing upgrading projects and water tariff hike will enhance profit margin. Meanwhile, it will strengthen the technology development and tap into WWT market in rural areas in the near future.

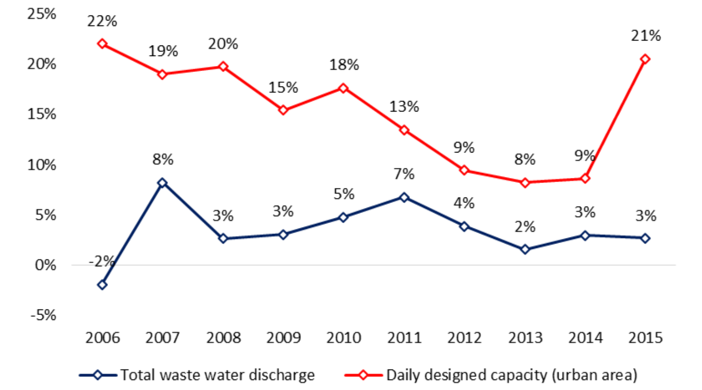
Chen Guangzhi (+65 6212 1859)
Investment Analyst
chengz@phillip.com.sg

Figure 19: Power generation growth is slowing down in China



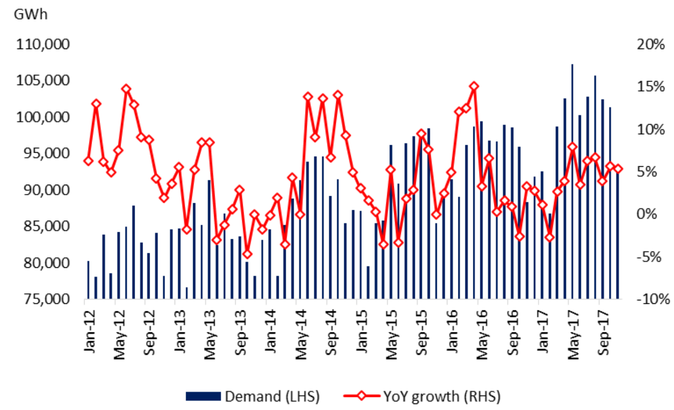
Source: National Bureau Statistics of PRC, PSR

Figure 20: Capacity growth outpaced discharge volume in China



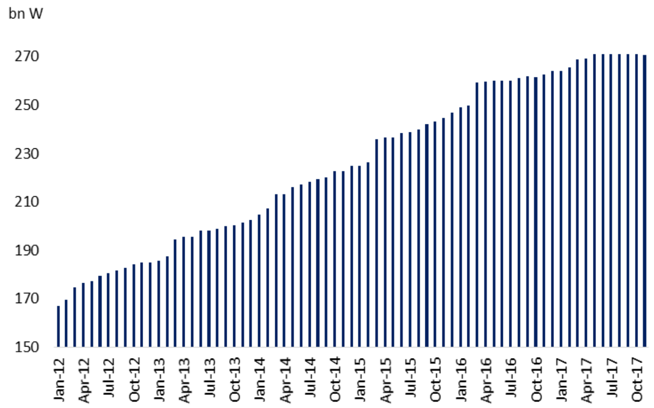
Source: Ministry of Environmental Protection of the PRC, PSR

Figure 21: Increasing power demand in India



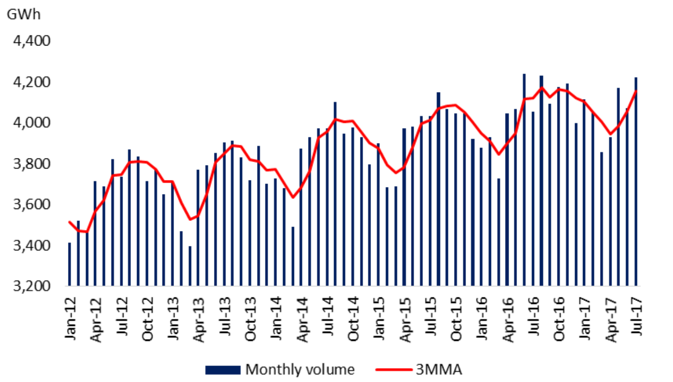
Source: Central Electricity Authority, PSR

Figure 22: Growing electricity capacity (installed plant) in India



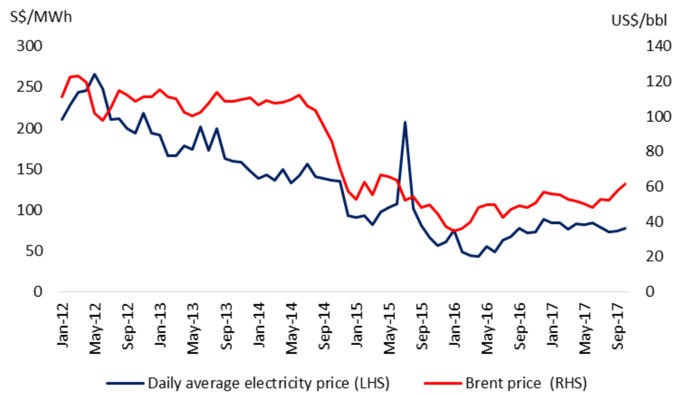
Source: Central Electricity Authority, PSR

Figure 23: Stable growth of power consumption in Singapore



Source: Energy Market Company, PSR

Figure 24: Higher raw material costs drives power price upward



Source: Energy Market Company, Bloomberg, PSR

Consumer OVERWEIGHT

- Retail Sales Index ex-Motor Vehicles accelerated to +3.0% YoY in 3Q17 from +2.2% in 2Q17 and -0.7% in 1Q17
- Food & Beverage Index accelerated to +3.6% YoY in 3Q17 from -0.6% in 2Q17 and -0.5% in 1Q17
- Consumer spending picks up pace in 3Q17 as economic growth fundamentals remain robust; Momentum to continue, translating into higher earnings to drive share price in 2018
- We maintained our **Overweight** view on Singapore Consumer Sector

2017 Review

Consumer sector was weighed down by weak 1H17 results. Nevertheless, a recovery in 3Q17 results revived market optimism. As we had advocated in our SG Consumer report: *Loosening purse string* in Apr-17, retail sales* has turnaround and have been improving since then.

** We exclude car sales in measuring retail sales. Car sales is affected by the supply of certificates of entitlement (COE) and government policies.*

Trailing 12M average retail sales ex-motor vehicles +0.8% YoY in Oct-17, as compared to -3.8% a year ago. Meanwhile, trailing 12M food & beverage sales index -2.1% YoY in Oct-17, as compared to -2.8% a year ago.

Both FTSE Straits Times Consumer Goods Index and FTSE Straits Times Consumer Services Index underperformed the Straits Times Index over the past 1-year.

Outlook

With Singapore economy growth gaining momentum, it will lend support to the labour market, wage growth and consumer confidence. This in turn will fuel consumer spending.

Rosier outlook for Singapore economy:

a. The upswing in global trade has led to increasing manufacturing activity, followed by a broadening of the recovery across industries.

b. The Ministry of Trade and Industry (MTI) of Singapore expects 2017 economic growth to come in at 3.0-3.5% range, and expansion to remain steady at 1.5-3.5% in 2018.

All stars aligned for Consumers sector to take earnings and stock prices higher. **Bright spots in retail space:** (a) Supermarkets; and (b) Luxury goods

Recommendations

We remained our Overweight view on Singapore Consumer Sector, in anticipation of brighter Singapore economy outlook to spur broad expansion across sectors, lift job and wage growth, thus fuelling consumer spending.

Consumer Staples

Recovery in domestic demand to provide drive earnings.

- Both supermarket operators **Sheng Siong (Buy/TP: S$1.13) and Dairy Farm (Buy/TP: US$9.89)** are expanding their store counts to drive the topline. Margins should continue to improve from better economies scale, improved operating efficiencies from central warehouse, and ramping up fresh product offerings. Fresh products have higher margins compared to groceries and the least vulnerable to Amazon's threat.

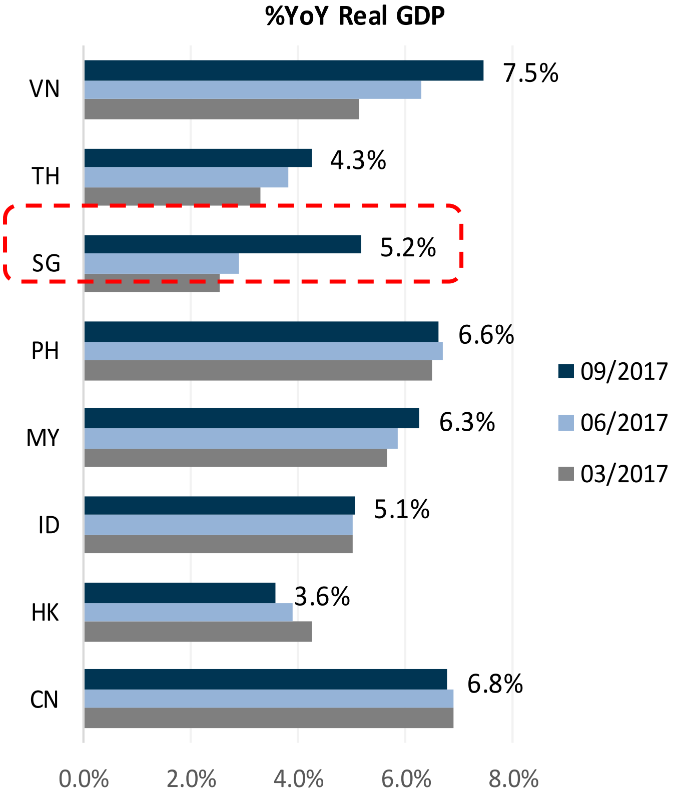
- We also like **Old Chang Kee (Buy/TP: S$0.98)**. The homegrown curry-puff producer will be completing its transformation by Dec-17. Successful integration with the new factory would be an inflection point for OCK. Its new factory will yield manufacturing efficiencies and increase capacity to fuel its expansion domestically and regionally.

- **Thai Beverage (Buy/TP: S$1.18)** and **FNN (Accumulate/TP: S$2.83)** are tapping onto the fast-growing emerging markets such as Cambodia, Myanmar, Laos and Vietnam. Both beverage giants are on an acquisition spree.

Soh Lin Sin (+65 6212 1847)
Investment Analyst
sohls@phillip.com.sg

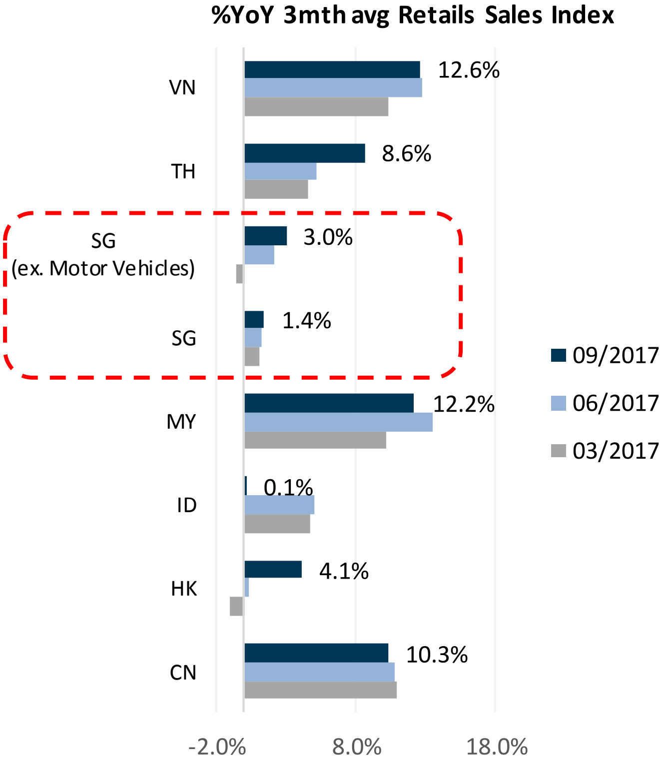
Consumer landscape in China, Hong Kong and ASEAN

Figure 25: Robust economic growth within the region



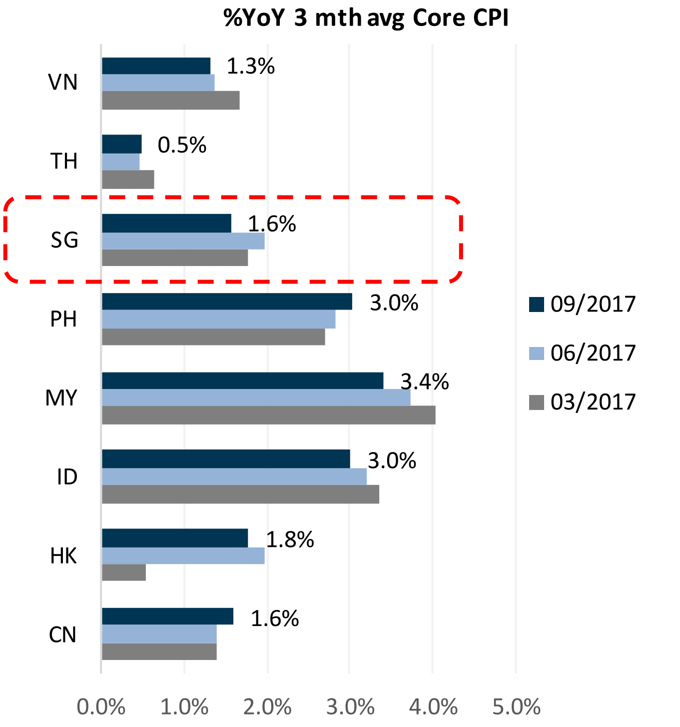
Source, CEIC, PSR

Figure 26: Higher household spending since 2Q17 in most countries, except Indonesia



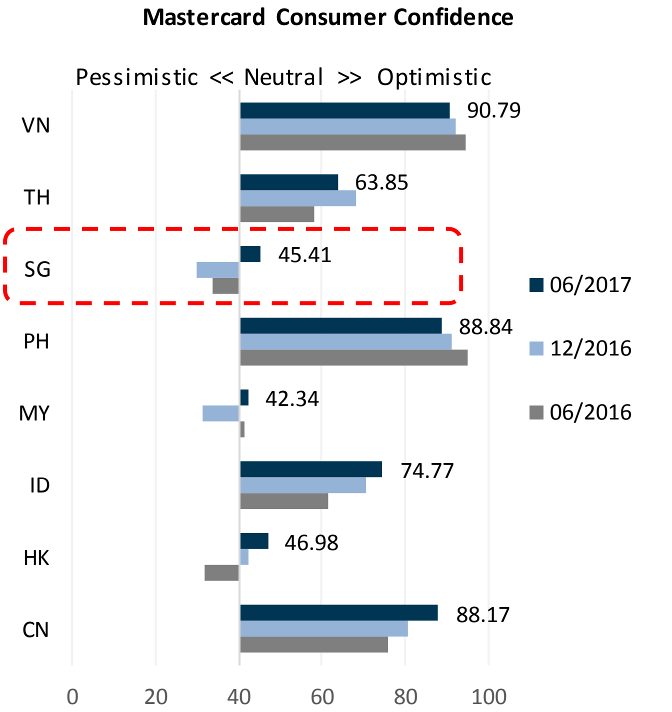
Source, CEIC, PSR

Figure 27: Modest inflation except in the Philippines, Malaysia and Indonesia



Source, CEIC, PSR

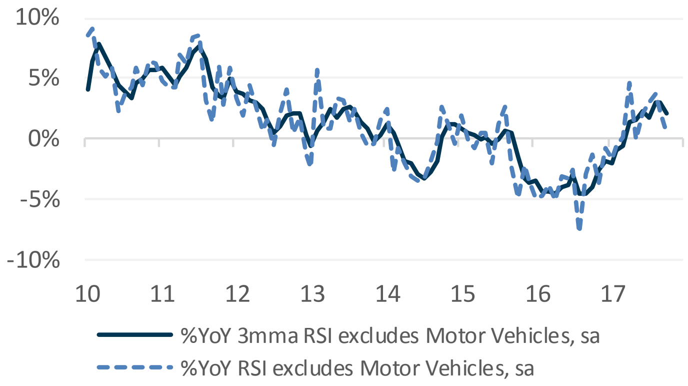
Figure 28: Consumers are optimistic in all countries within the region



Source, CEIC, PSR

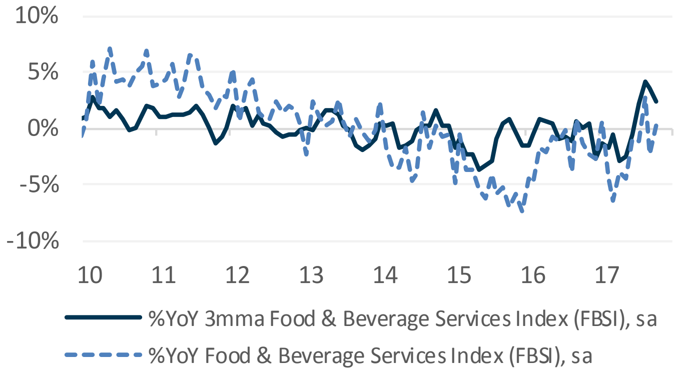
Singapore Consumer Tracker

Figure 29: Recovery in retail sales



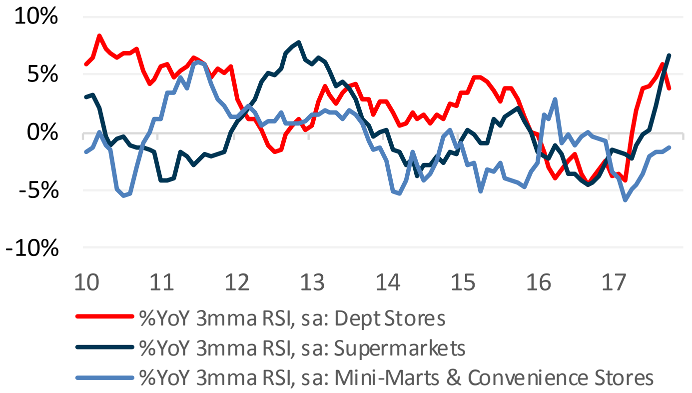
Source, CEIC, PSR

Figure 30: Dining out more often



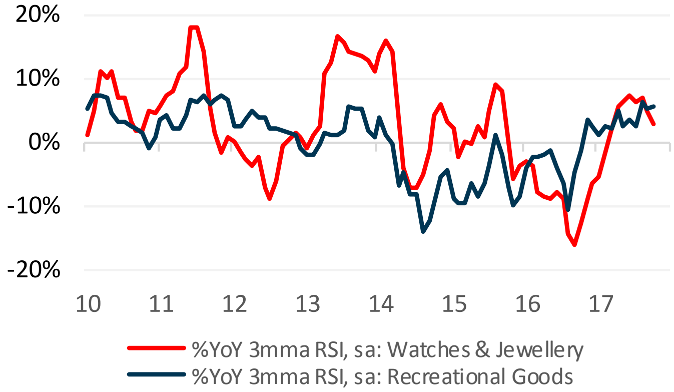
Source, CEIC, PSR

Figure 31: Supermarkets coming back strong



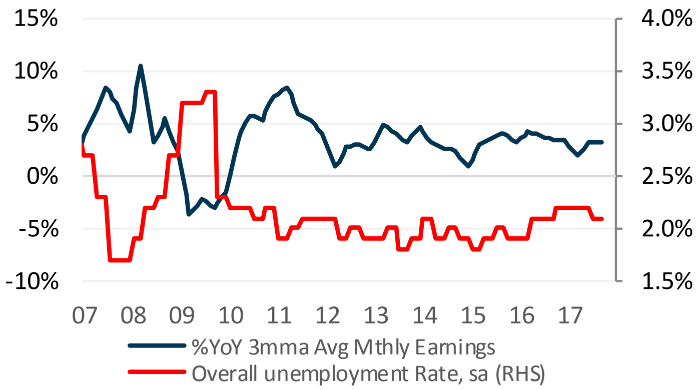
Source, CEIC, PSR

Figure 32: Renewed interest in discretionary goods



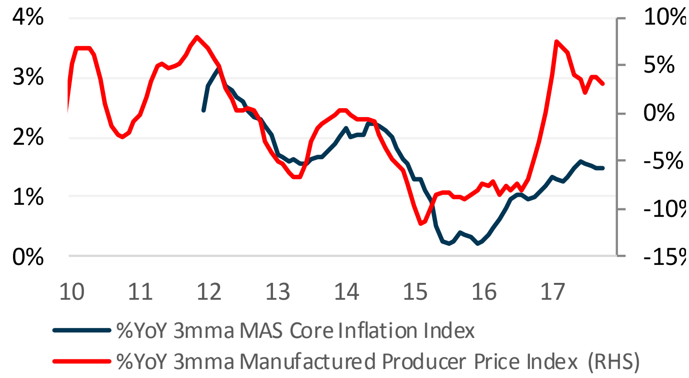
Source, CEIC, PSR

Figure 33: Unemployment rate to steady at c.2.1%; Supporting a c.3% wage growth



Source, CEIC, PSR

Figure 34: Rising costs at factory gate may translate to higher retailing price



Source, CEIC, PSR

Finance **OVERWEIGHT**

- NIMs will expand between 10bps to 20bps in 2018 led by rates rising benchmark rates.
- Digital capabilities will facilitate an increase in client-initiated transactions in the current upturn in economic cycle compared to past cycles.
- Singapore banks will comfortably achieve ROE of more than 10% in 2018 from higher volumes, better spreads and normalisation of credit cost.

2017 Review

The 1H2017 saw improved market sentiments driven by the revival of "Animal Spirits" post Trump elections at the end of 2016. Singapore's manufacturing PMI was picking up, but business expectations with the exception of the electronics sector remained subdued. Loans growth in Singapore was led mainly by mortgage loans. Competition was stiff as the banks were clamouring for higher quality loans amid continued weaknesses in quality within offshore oil and gas and SME loans. All in, NIMs growth was poorer in 1H2017 as pass-through of higher interest rates continued to be weak.

However, 2H2017 saw a broad-based pickup of business expectations in the Singapore's Services and Manufacturing Sector. The stronger business expectations were well supported by a synchronous pickup in economic activity across the globe. GDP growth of Singapore banks' key markets in Singapore and Hong Kong also beat expectations in October. The stronger economy is critical for a firmer pass-through of higher interest rates and higher customer transaction activities. Evidently, the share price of the Singapore banks tracked the rise in benchmark interest rates in 2017 in contrast to the period in late 2015 when interest rates were rising amid poor economic sentiments.

Despite the strengthening economy, the offshore oil and gas sector continues to be marred by low day rates as the travails of the oil and gas sector looks more structural than cyclical. The Singapore banks' specific provisions remained elevated in all three quarters of 2017 as there is no visible improvement to day rates. DBS initiated a spring clean of its oil and gas exposure in 3Q17 to eliminate as much uncertainty as possible in its balance sheet. We expect UOB and OCBC to follow on with some spring cleaning in 4Q17.

Outlook

We expect stronger NIMs because of firmer pass-through of higher interest rates. We expect strong pick up in client-initiated transaction volumes in corporate banking, SME banking and Wealth banking as the stronger economy encourages more business and investment activities. And we expect broad-based loans growth, in contrast with the mortgage loans led growth we saw in 2017.

The stronger NIMs outlook in 2018 is shift from our expectations in 2017 as we expect strong contribution from rising of benchmark rates (ie SIBOR, HIBOR and LIBOR) which was largely absent in 2017. We also expect an increase in client-initiated transaction activities in this upturn in economic cycle compared to past cycles because of the availability of comprehensive digital platforms. Therefore we can expect better operating leverage as revenues from increased client activity rise faster than operating costs.

We see the positive macro environment and availability of digital capabilities will push Singapore banks' ROE comfortably above 10%.

Recommendation

Our top pick is DBS because of its sizable exposure to Hong Kong (c.15% of on balance sheet loans). DBS will benefit from an increasingly vibrant capital market and a fast-growing wealth management business in that region.

In DBS' India digibank, we had previously proposed that the conditions are extremely favourable for DBS. And as key banking products are slated to be rolled out in 2018, the India digibank provides high visibility to DBS' long-term growth prospects.

Having a wide exposure to Greater China and India also means being exposed to fast-growing affluent and tech-savvy markets. DBS' comprehensive digital capabilities will position it well to capture higher volumes of client-initiated transactions in these markets.

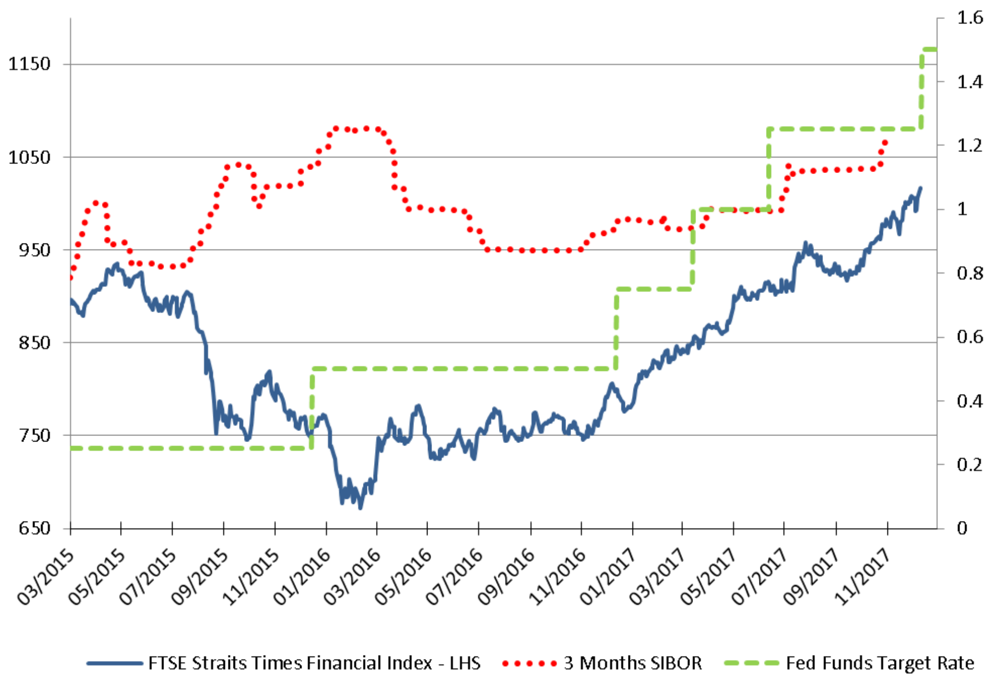
Jeremy Teong (+65 6212 1853)
Investment Analyst
jeremyteongfh@phillip.com.sg

Figure 35: A snapshot of consensus on FY18 estimates

	Phillip Securities Research estimates			Consensus estimates			Commentary
	DBS	OCBC	UOB	DBS	OCBC	UOB	
Loans growth (YoY)	c.7%	c.6%	c.6%	c.7%	c.6.6%	c.6.3%	Loans growth is expected to remain robust while interest rate hikes become the dominant earnings driver in 2018.
NIM	c.1.9%	c.1.8%	c.1.85%	1.81%	1.73%	1.83%	Our expectations for NIM is higher than consensus as we expect the strong economy in FY18 to support the pass-through of higher interest rates. We see NIMs expand by 10bps to 20bps in 2018.
Allowances	c.S$800mn	c.S$600mn	S$686mn (28 bps)	S$1.016bn	S$689mn	S$721mn (c.29 bps)	We expect DBS' allowance to be significantly lower after a major spring cleaning in 3Q17
PATMI	c.S$6.2bn	c.S$4.9bn	S$4.1bn	S$5.55bn	S$4.47bn	S$3.77bn	Our PATMI growth outlook is due to stronger NII growth and lower provisions.
NPA	c.1.7%	c.0.8%	c.1.3%	c.1.8%	N.A	c.1.6%	Expect NPL ratios for the Singapore banks to decline as new NPA formation in 2018 decelerates. We expect a robust economy to support the banks' asset quality.

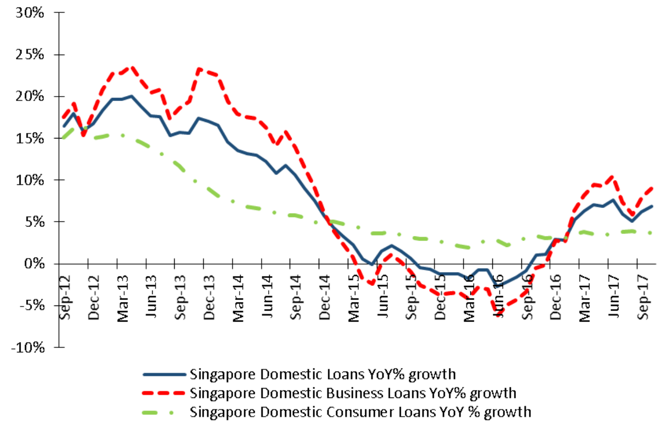
Source: Bloomberg, PSR estimates

Figure 36: Singapore banks' share price are tracking the rise in benchmark interest rates as economic activities in key markets improve.



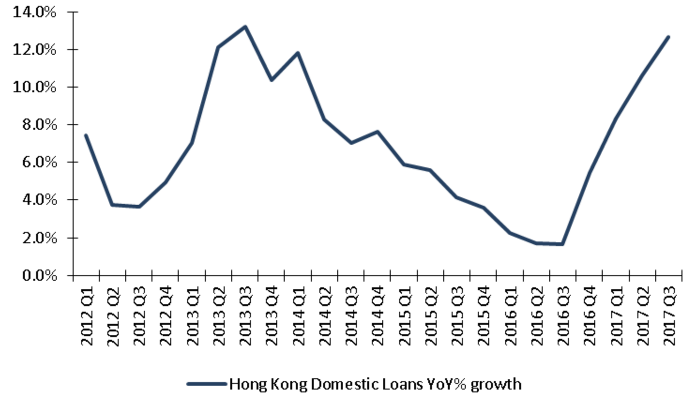
Source: Bloomberg, PSR estimates

Figure 37: Singapore domestic business loans continue to lead the growth as 3Q GDP YoY growth surpassed expectations.



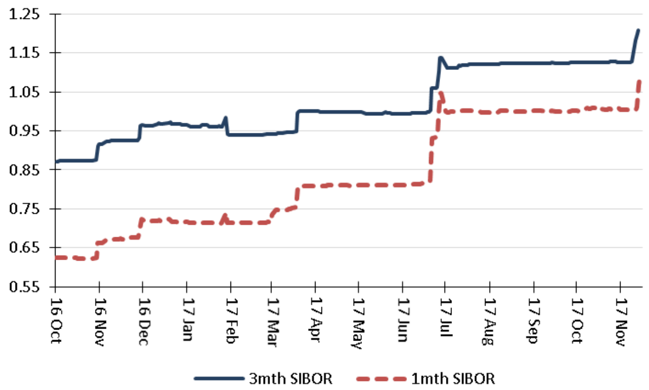
Source: MAS, PSR estimates

Figure 38: Unprecedented demand for Hong Kong IPO loans boosted stronger loans growth in late October and early November.



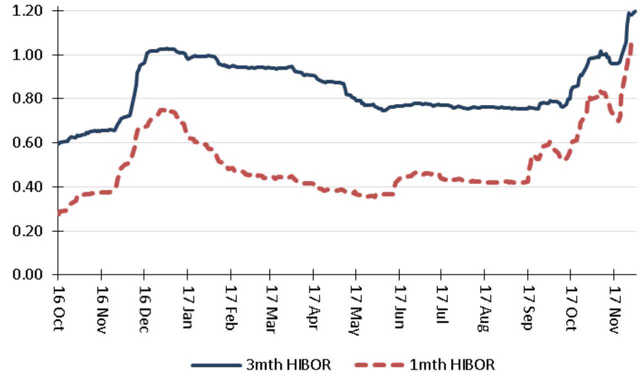
Source: HKMA, PSR estimates

Figure 39: 3-month SIBOR and 1-month SIBOR have risen by c.8bps at the end of November.



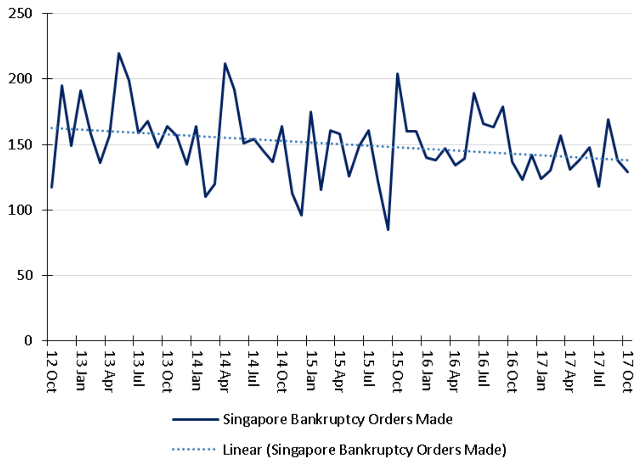
Source: MAS, PSR estimates

Figure 40: DBS' and OCBC's Hong Kong NIMs are expected improve as the spread between the 1-month HIBOR and 3-month HIBOR continues to narrow.



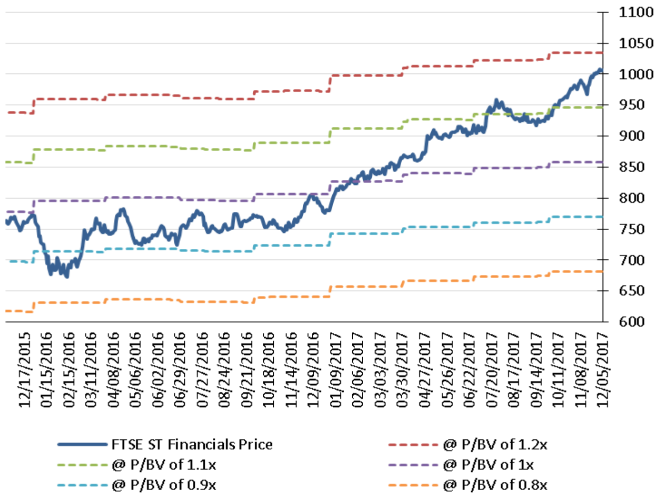
Source: MAS, PSR estimates

Figure 41: Singapore's bankruptcy orders are on a declining trend.



Source: Singstats, PSR estimates

Figure 42: Singapore banks' valuation is undemanding at between 1.1x and 1.2x P/BV.



Source: Bloomberg, PSR estimates

Healthcare NEUTRAL

- Near-term challenges but long-term prospects intact
- Private healthcare providers' growth strategy: (a) tapping on overseas to sustain long-term growth, and (b) focusing on speciality treatments, which the public sector lacks.
- We downgraded Singapore Healthcare Sector to **Neutral**

2017 Review

Private hospitals were hit by double whammy – cautious local patients and slower foreign patient load. Lingering global economic uncertainty shunned both local and foreign patients from private healthcare services. Singaporeans shifted from private healthcare services to public. We then had foreign patients moving from inpatient to outpatient care. These factor crippled volumes in the private healthcare. FTSE Straits Times Healthcare Index underperformed the Straits Times Index over the past 1-year.

Outlook

Short-medium term challenges:

Slowdown in Singapore's medical tourism. Strengthening medical capabilities and increasing availability of quality healthcare from regional rivals and stronger Singapore dollar eroded Singapore's competitive edge.

Increasing supply in public sector would increase competition. Two new polyclinics and two new family medicine clinics opened in 2017. More public beds to come online in 2018, including the 1,400-bed Sengkang General and Community Hospitals as well as the 330-bed National Centre for Infectious Diseases.

Potential margins compression arising from government-backed fee benchmarks in 2018. The recommended fees are not mandatory, but the guidelines could cap any price hikes amidst rising operating costs.

Notwithstanding the above, brighter global economic prospects should uplift consumer's sentiment and thus encourage patients to seek quality healthcare services. Long-term structural drivers such as rising affluence and ageing Singapore population remain intact.

Recommendation

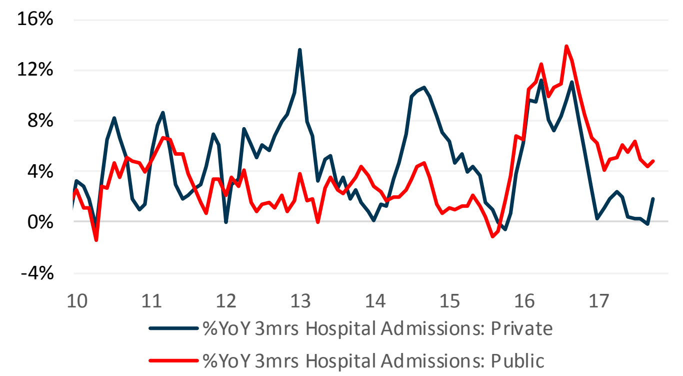
We downgrade Singapore Healthcare Sector to Neutral on near-term headwinds in Singapore. Our top pick for healthcare stocks is **Health Management International (Buy/TP: S$0.83)**, which is a proxy to Malaysia's growing private healthcare demand and medical tourism. It has two hospitals in Malaysia – Mahkota Medical Centre in Melaka and Regency Specialist Hospital in Johor.

The upgrading and expansion plans for Mahkota and Regency are on track to meet the increasing medical demand in the region. Both hospitals will add 34 operational beds each (or +15.7%), leading to a total bed capacity of 500 by end-FY2018. Next stage in its expansion pipeline is the hospital extension block at Regency, which will start construction in FY2018 and slated to commission in FY2021. The Group's aggregate bed capacity is expected to reach 840.

Soh Lin Sin (+65 6212 1847)
Investment Analyst
sohls@phillip.com.sg

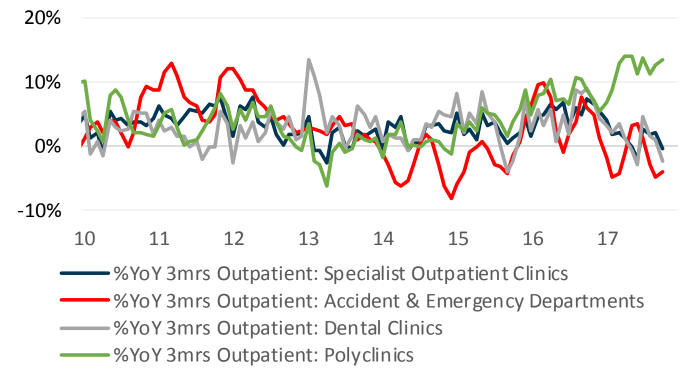
Singapore Healthcare Tracker

Figure 43: Pressures on private hospital admissions



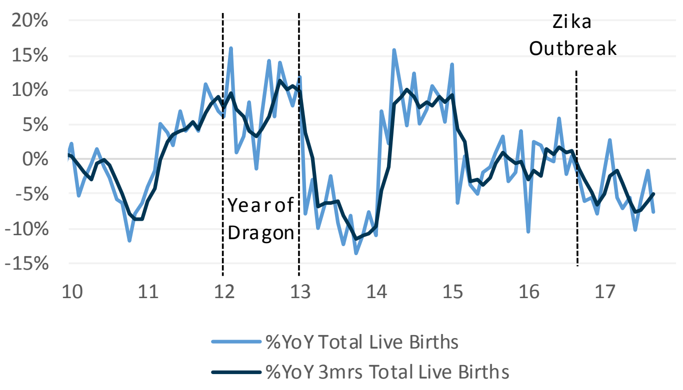
Source, CEIC, PSR

Figure 44: Cautious consumers shifting to Polyclinics



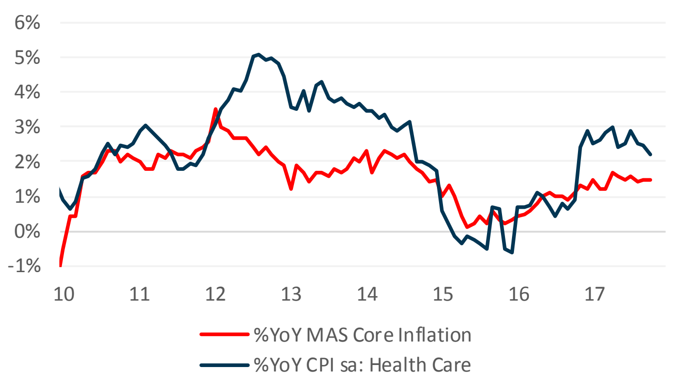
Source, CEIC, PSR

Figure 45: Recovering birth rate post-Zika fear



Source, CEIC, PSR

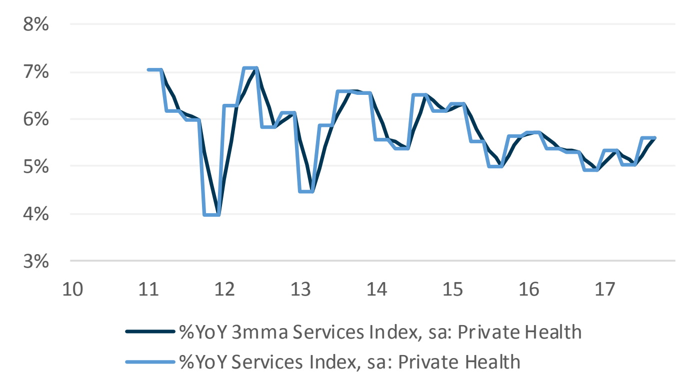
Figure 46: Healthcare costs remain elevated in Singapore



Source, CEIC, PSR

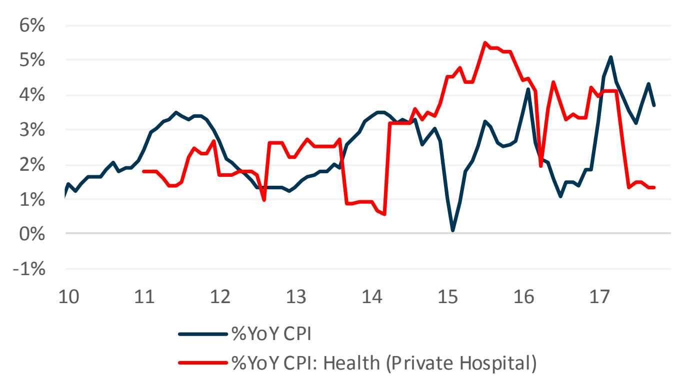
Malaysia Healthcare Tracker

Figure 47: Demand for private healthcare remains robust



Source, CEIC, PSR

Figure 48: Regulated private healthcare costs in Malaysia



Source, CEIC, PSR

Property Developers OVERWEIGHT

- Singapore developers returned a strong 30.4% (inclusive of dividends) as at end November 2017, making it the third-best performing sector.
- We expect transaction volumes to continue the strong momentum into 2018, led by a higher number of launches. Our expectations are for private residential prices to rise between 5%-10% in in 2018.
- We remain **Overweight** on the SG Property Developer sector. Our key picks within the property developer sector include Chip Eng Seng, CapitaLand and Banyan Tree.

2017 Review

Singapore developers returned a strong 30.4% (inclusive of dividends) as at end November 2017, making it the third-best performing. Sentiment was lifted when the government announced in March 2017 the easing of certain cooling measures such as the reduction of Sellers' Stamp Duty. Improved sentiment, together with strengthening economic conditions, drove transaction volumes higher by 35% YoY to 25,770 units by end Nov 2017 (Figures 51 and 52), the best performance since 2013. The competitive banking landscape saw more banks such as HSBC and UOB join in the fray with attractive 3-year fixed rate mortgages at 1.68%. Ironically, these fixed rates are now lower than 3 years ago when the Fed started hiking rates. Home prices rose 0.5% in 3Q17, the first rise after 15 consecutive quarters of decline (Figure 50). 2017 also saw a series of record high prices for land tenders (GLS/en blocs). For office, Guocoland paid a record land price of S$1,706/psf for Beach Road GLS site, while City Developments' S$907mn en bloc of Amber Park was Singapore's largest freehold collective sale by dollar value. En bloc transactions reached S$6.8bn, highest since 2007 (S$12bn).

Outlook

We expect transaction volumes to maintain their strong momentum into 2018, led by a higher number of new launches. In tandem with higher transaction volumes, we expect private residential prices to rise between 5%-10% in 2018. This will be driven by:

Rising affordability as unit sizes shrink (which offsets the impact of higher selling prices $/psf). Average size of all condominium units sold in 2016 shrank c.40% to 100sqm from a decade ago (Figure 54).

Along with better demand from improved sentiment and affordability, total supply in pipeline dropped to lowest since 1991, at c.43,054 units (Figure 49). Comparing this to the average annual demand over the last 7 years since post-GFC of c.28,000, existing pipeline supply could be sold out in just 1.5 years. Total en bloc sales since 2016 could add a further 12,000 units of supply.

Improved household balance sheet built up from rising equity as a result of strong price appreciation of HDBs in the past decade. Total household mortgage to total asset value dropped from 32% in 2005 to the current c.27%.

We expect forward population growth to improve over the 0% growth in FY17 as SG economy improves, and demand for workers rise amidst the low unemployment rate. However, we do not expect this figure to surpass the average +1.2% from 2014-16.

Improving rental market over the next couple of years because of low completion numbers and improving demand, (Figure 53) could be further catalyst for home prices.

Recommendation

We remain Overweight on SG Property Developer sector. Our top picks within the property developer sector include Chip Eng Seng, CapitaLand and Banyan Tree.

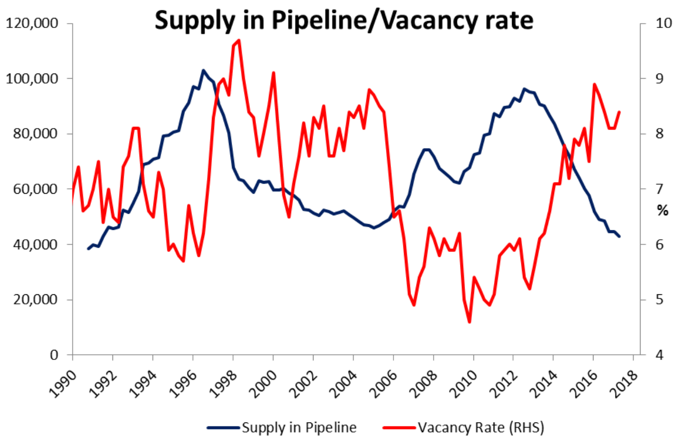
1) **Chip Eng Seng (BUY, TP S$1.21).** We like Chip Eng Seng for its track record in the Singapore residential market. CES remains a good proxy to the upcycle in the Singapore residential market and price catalyst could come from good take-up rates at the Woodleigh GLS site launch in 2H18. Our target price is pegged to a substantial 40% discount to RNAV.

2) **CapitaLand (ACCUMULATE, TP $4.19).** We like CapitaLand for its strong base of recurring income, with 85% of assets contributing to stable recurring income (predominantly in Singapore and China). RMB13.8bn worth of China residential sales are expected to be handed over and recognised mostly from 4Q17 to FY18 which will provide further support to earnings over the next FY.

3) **Banyan Tree (ACCUMULATE, $0.71).** We like Banyan Tree as the strategic partnerships with property giants Vanke and AccorHotels will open up a pipeline of new management contracts for BTH to scale up, without the intensive capital requirements. Our target price translates to 0.7x FY18e P/NAV.

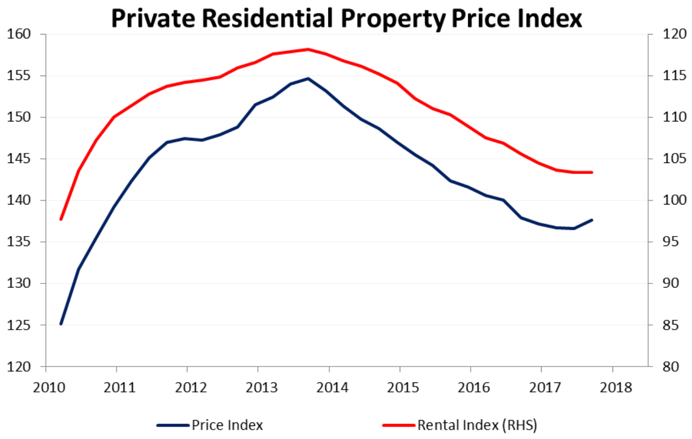
Tan Dehong (+65 6212 1849)
Investment Analyst
tandh@phillip.com.sg

Figure 49: Supply in pipeline lowest since 1991



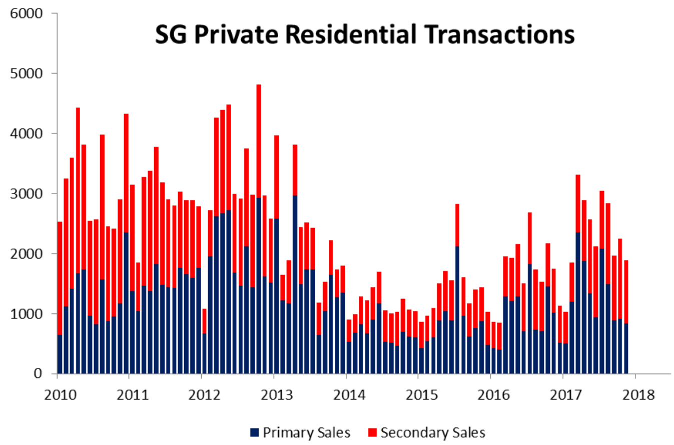
Source: CEIC, PSR

Figure 50: First rebound in private residential price index after 15 quarters of decline



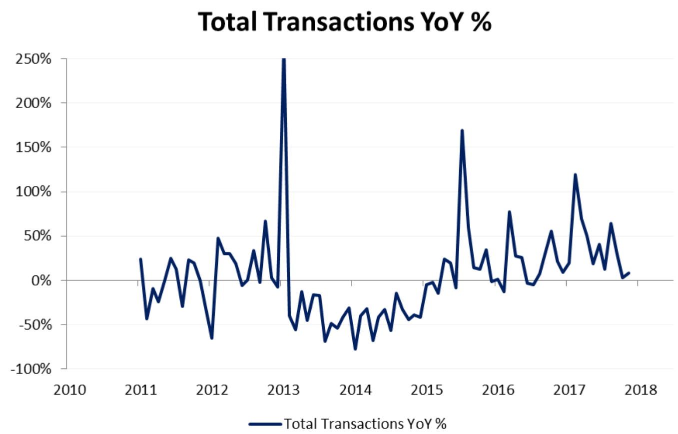
Source: CEIC, PSR

Figure 51: Improvements in both primary and secondary transactions this year led by better sentiment, especially after the easing of some cooling measures in March 2017



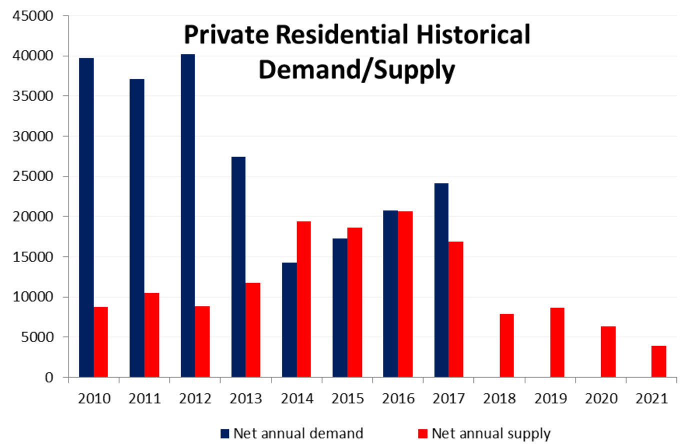
Source: CEIC, PSR

Figure 52: YoY Total Transactions until November up 35%



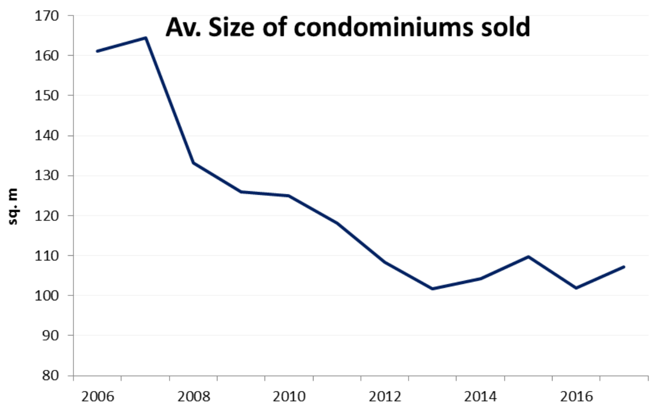
Source: CEIC, PSR

Figure 53: Completions over the next few years will taper off



Source: CEIC, PSR

Figure 54: Shrinking average size of sold condominiums increases affordability. Average size sold shrank 40% from a decade ago



Source: CEIC, REALIS, PSR

REIT – Office / Retail / Hospitality NEUTRAL

- Low inflation and tepid interest rate increases ensured that S-REITs continued their strong performance post-GFC. 2017 gains was 25.2% (inclusive of dividends) at end November, led by hospitality (29%) and office (23%) sectors.
- Market consensus now expects 3 interest rate hikes in 2018 and we believe further upward pressure on bond yields will come from intensifying Fed balance sheet tapering in 2018.
- Current sector yield spreads have dropped below post-GFC average. We maintain our **Neutral** rating.

2017 Review

S-REITs put in a strong performance in 2017, gaining 25.2% (inclusive of dividends) as at end November, led by hospitality (29%) and office (23%) sectors. Worries at the start of the year about more rapid interest rate increases by the Fed crimping the performance of REITs proved unfounded. Low inflation and tepid interest rate increases ensured that S-REITs' strong performance post-GFC continued. Furthermore, the SGD strength kept SOR rise in check for large parts of the year (Figure 55), while the competitive banking landscape resulted in thinning bank spreads. These kept borrowing costs for REITs at depressed levels despite three Fed rate hikes in 2017.

Retail – Retail sales at malls continue to be sluggish (9M17 slightly negative to flat YoY), dragging down rental reversions to the near weakest levels post-GFC. Brick and mortar retail sales have generally not kept pace with the recovery in general retail sales index (9M17 +1.8% excl. Motor), suggesting some of the strength could be from non-brick and mortar related sales, e.g. petrol services, or online sales. Occupancy costs generally crept up with CMT (19%) and FCT (18%) looking at record high occupancy costs.

Office – Peak supply in 2017 was the primary concern at the start of 2017, but we are experiencing a gradual absorption. Marina One pre-committed occupancy 70+%. As new supply was taken up, Grade A office rents have stabilised and rebounded in 3Q17 after falling 17% in nine consecutive quarters since 1Q15. 2017 also saw a record land price bid by Guocoland at S$1706/psf for Beach Road GLS commercial site.

Hospitality – YTD17 saw tourist arrivals increase c.4%, much weaker than 2016's 7.7%. Despite slower growth YoY vs 2016 (c.7.7%), hotel RevPAR managed to stabilise and clocked in four consecutive months of growth in September after 13 quarters of decline (Figure 60). Industry RevPAR at $215 is almost two-year highs.

Outlook

Inflation and interest rate hikes remain our key concerns for 2018. Market consensus now expects 2-3 interest rate hikes in 2018 and we believe further upward pressure on bond yields will come from intensifying Fed balance sheet tapering in 2018. As such, we remain cautious on the sector with a NEUTRAL rating. Sector yield spreads have dropped below post-GFC average (Figure 56). We remain selectively optimistic on the hospitality sector as we expect continued RevPAR strength on the back of various drivers elaborated below.

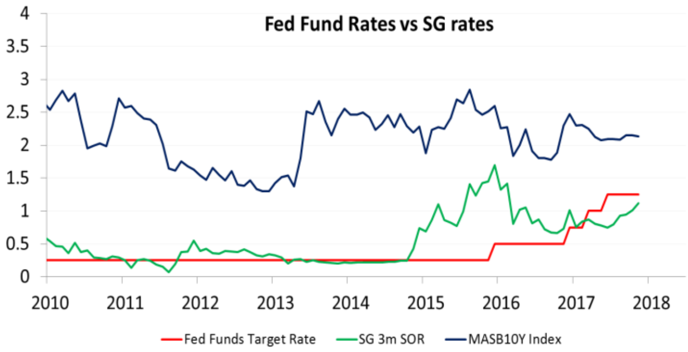
Retail (Neutral) – Operating environment in malls to remain challenging as we expect Amazon and other e-commerce players to continue gaining popularity and acceptance, despite the possibility of an online sales tax which could level the playing field between online and offline retailers. The potential increase in GST as mooted by the government, if materialised, will be add a further headwind and dent consumption. High occupancy costs will impede landlords' ability to raise rents. We expect retail rents to bottom only by 1H18 (Figure 57).

Office (Neutral) – Supply of Grade A office space will taper off sharply after 2017, with an expected c.800k sqft coming on in 2018, lower than average net annual demand of 1170k sqft post-GFC. Along with improved demand for office space driven by recovering global economies, we expect continued strength in office rents. We expect Grade A office rents to grow 5-7% in 2018 (Figure 58).

Hospitality (Overweight) – New room supply growth will wind down after 2017 with a 1.7% increase forecasted for 2018. We expect 2018 RevPAR to continue to improve because of 1) STB's continued push to boost tourism in Singapore; 2) Return of biennial events in 2018 such as the Singapore Air Show; 3) Tapering hotel supply.

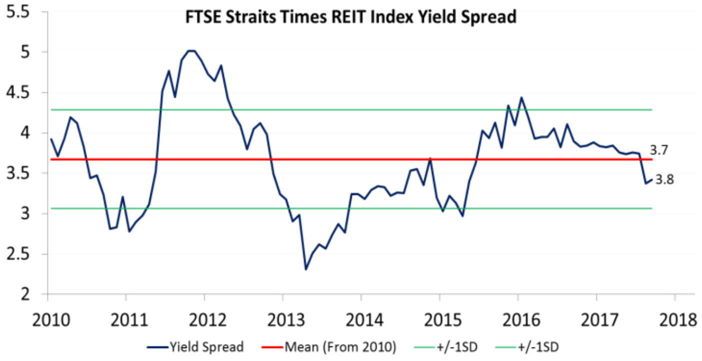
Tan Dehong (+65 6212 1849)
Investment Analyst
tandh@phillip.com.sg

Figure 55: SG rates have not kept pace with rate of increase in Fed Fund rates



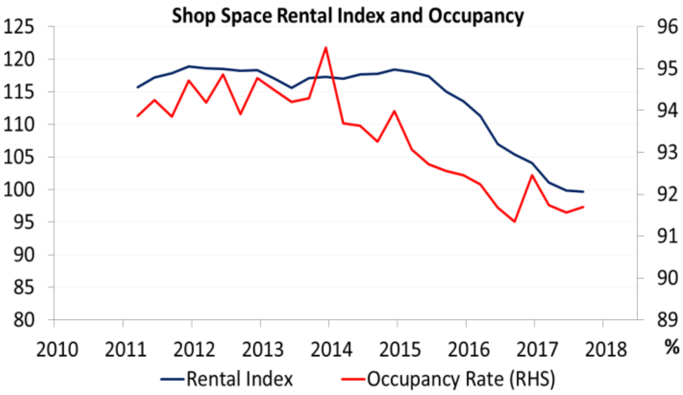
Source: Bloomberg, PSR

Figure 56: FSTE REIT Index Yield Spread below post GFC average



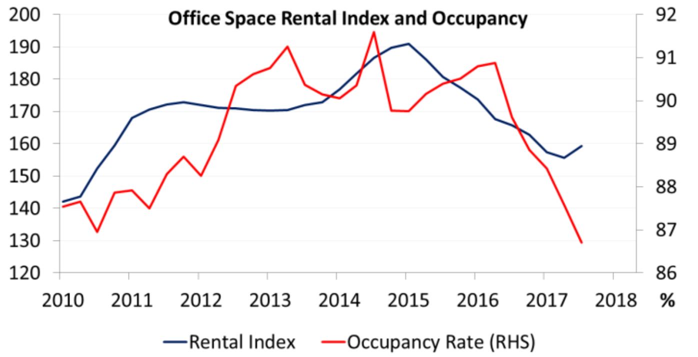
Source: Bloomberg, PSR

Figure 57: We expect retail rents to bottom in 1H2018



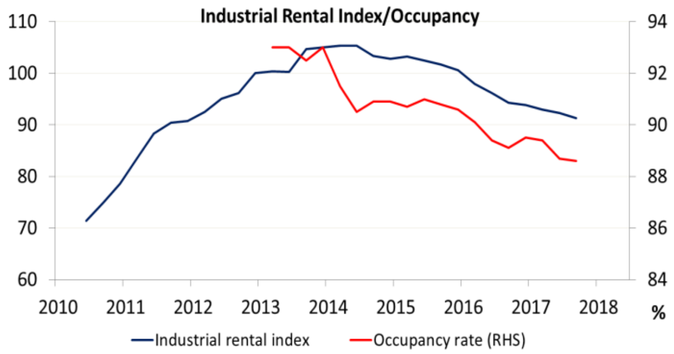
Source: CEIC, PSR

Figure 58: Notwithstanding falling occupancy, Grade A office rents rebounded in 3Q17 after 9 quarters of decline



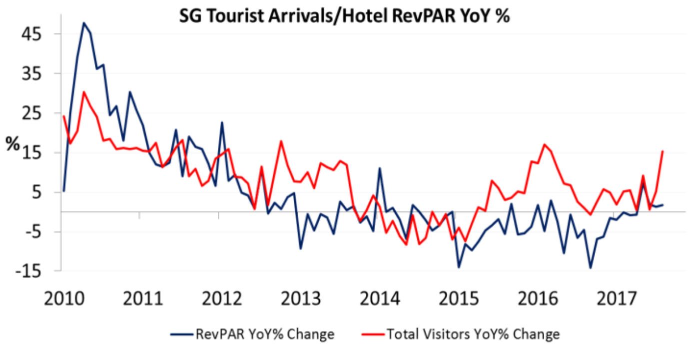
Source: CEIC, PSR

Figure 59: We expect Industrial rents and occupancy to bottom by 2018



Source: CEIC, PSR

Figure 60: Hotel RevPARs up for 4th consecutive month after 13 quarters of decline



Source: CEIC, PSR

REIT – Industrial NEUTRAL

- Sector occupancy and Rental Index still searching for a bottom
- Maintain **Neutral** view on the sector
- Improvement in occupancy would lead us to upgrade our sector view

2017 Review

Sector average valuation has crept up during the year, and yields correspondingly compressed. Performance of individual names has been mixed, with winners driven by inorganic growth backed by strong balance sheets; and losers dragged by lower net property income (mainly from conversions or tenant defaults).

JTC data for the sector shows that occupancy and rents moderated during the year, due to overwhelming new supply coming on stream to the market. Both occupancy and rents for the overall industrial sector have not bottomed, despite robust industrial activity.

Business Park remained the most resilient within the sector, due to better building specifications and little new supply.

Outlook

New supply is tapering off in 2018, but will need strong demand to absorb the new supply and the vacancies carried over from 2017. We expect negative reversions to persist into 2018, and rents to bottom by the end of 2018.

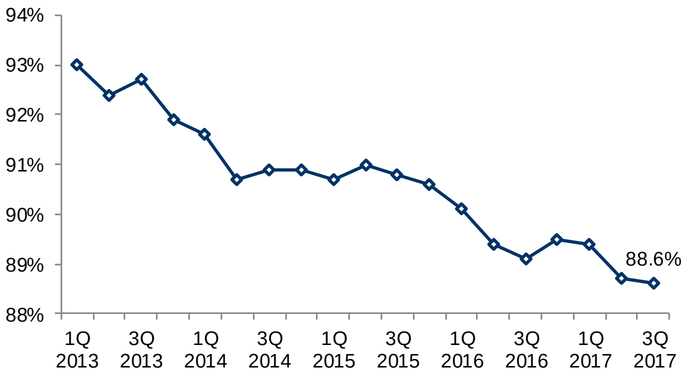
Recommendation

Our top pick is A-REIT. We like A-REIT because of its track record for growth through asset re-balancing, and stability from its diversified portfolio. A-REIT has exposure to higher value-added manufacturing, through its Business & Science Park properties.

Other REITs that we think investors should keep on their radars and accumulate on price weakness are Mapletree Industrial Trust and Keppel DC REIT.

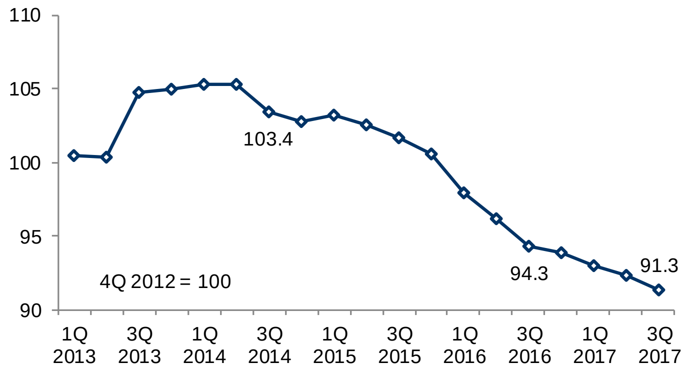
Richard Leow (+65 6212 1848)
Investment Analyst
richardleowwt@phillip.com.sg

Figure 61: JTC market data, Industrial sector occupancy



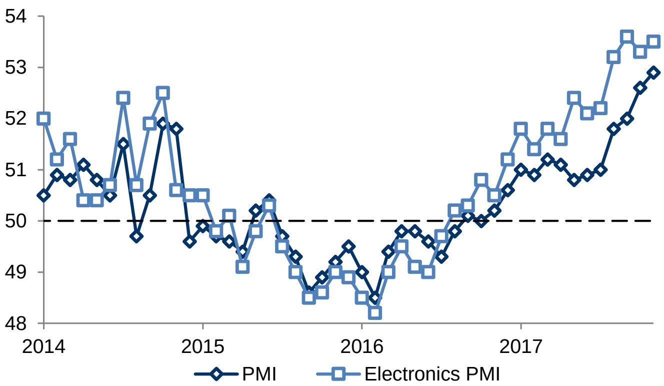
Source: JTC, PSR

Figure 62: JTC market data, Industrial Rental Index



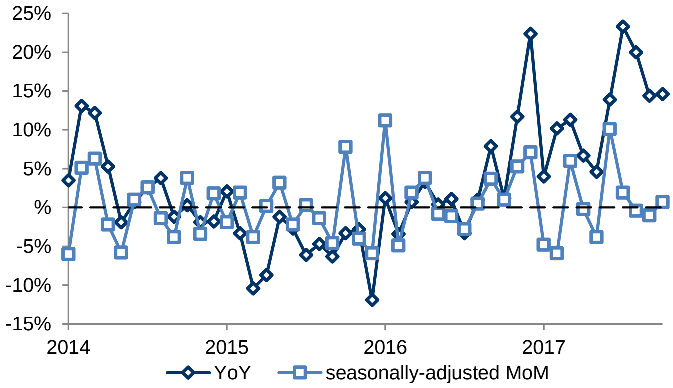
Source: JTC, PSR

Figure 63: Purchasing Managers' Index (PMI), November 2017



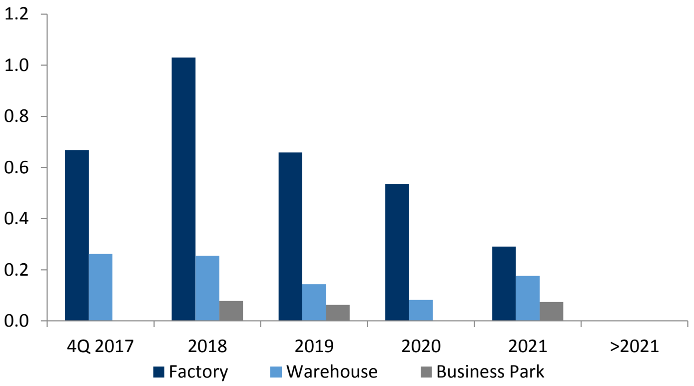
Source: Bloomberg, SIPMM, PSR

Figure 64: Industrial Production Index, October 2017



Source: Bloomberg, EDB, PSR

Figure 65: Tapering supply pipeline profile, as at 3Q 2017 (million sqm)



Source: JTC, PSR

Shipping – Offshore & Marine NEUTRAL

- Oil price is on the course of a recovery, but the upstream sector experience only modest improvement.
- Capex and Opex remain tight within the sector.
- Gas sector sees momentum as the demand gradually grows.

2017 Review

Crude oil (Brent as a proxy) has been hovering between US$45/bbl and US$55/bbl for the past three quarters. It broke out from this range to trade above the US$60/bbl in Nov-17. This was based on the expectation of an extension in output cuts by OPEC. Upstream drilling and production activities recovered modestly. The global rig count has bottomed out since Jun-17 with an improving utilisation rate. However, day rates remain status quo at lower levels, and it only started to pick up slightly in Sep-17. The global offshore exploration and production spending is expected to be less than 10% YoY growth in 2017.

Outlook

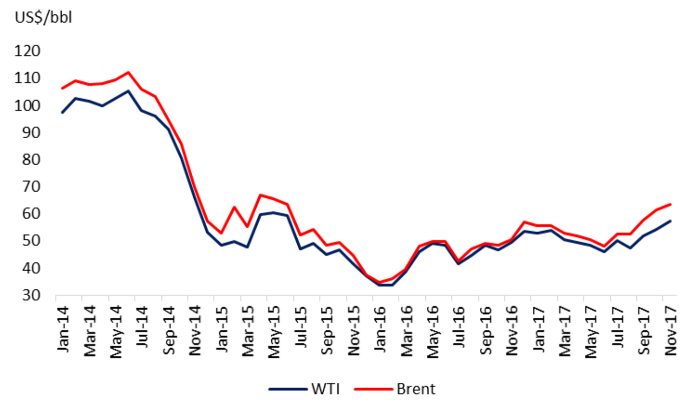
Look ahead in 2018, with the improvement in the global economy and higher inflation expectations; we think oil prices will further creep up from the current base of US$60/bbl. Nonetheless, the recovery of the offshore and marine sector will be slower, especially the oilfield exploration and production related sector. Major oil players remain tight on their capex budgets for 2018. A bright spot is the demand for gas. It will continue to grow, consistent with the worldwide trend of switching to cleaner fuel. We could see more gas-related projects such as FPSO and FLNG to be awarded in the coming years. We have already factored in some contracts into our forecast.

Recommendation

Our only coverage in the offshore and marine sector is Sembcorp Marine. It managed to ride through the downturn the past two years. As of 3Q17, the total order book was S$7.97bn, out of which S$2.04bn worth of contracts were already booked in this year. Entering 4Q17, the group announced a new contract worth of US$490mn besides the reselling of nine jack-up rigs valued at US$1.3bn. We have modelled in the total contracts secured in 2018 to be S$2.5bn, comparable to the amount in 2017. The bulk of the orders will come from FPSO and FLNG.

Chen Guangzhi (+65 6212 1859)
Investment Analyst
chengz@phillip.com.sg

Figure 66: Crude oil price reached 2-year high above US$60/bbl

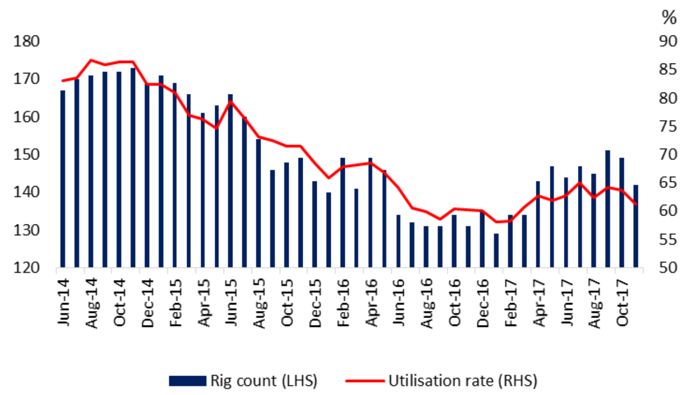


Source: Bloomberg, PSR

Figure 67: Recovering natural gas price

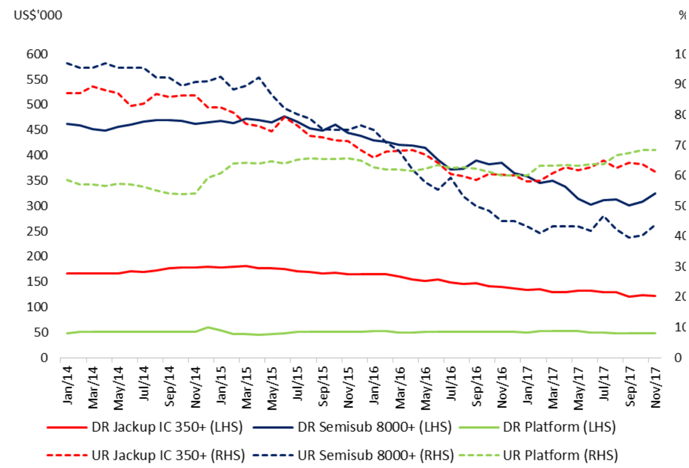
Source: Bloomberg, PSR

Figure 68: Rig count and utilisation rate bottomed out



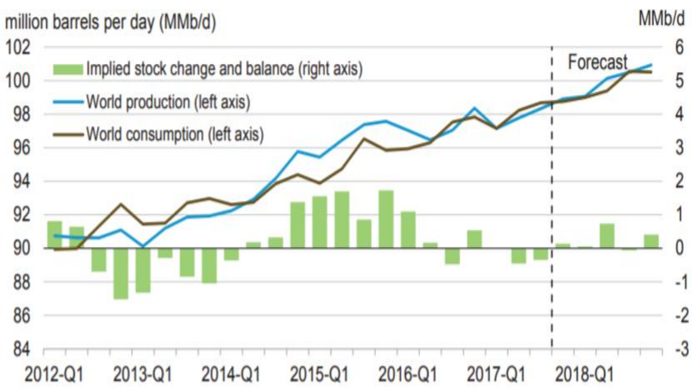
Source: Bloomberg, PSR

Figure 69: Day rate and utilisation at depressed levels



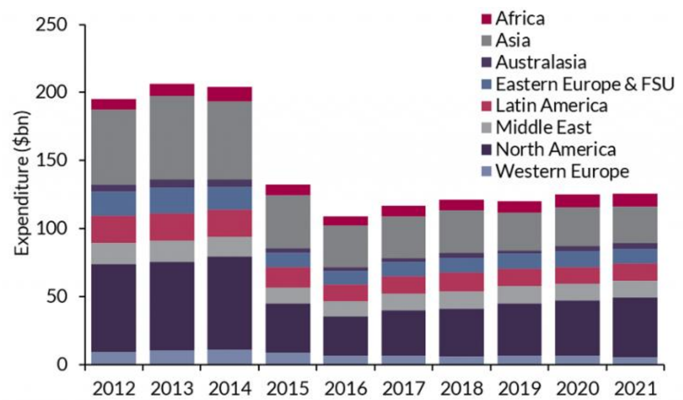
Source: Bloomberg, PSR

Figure 70: World liquid fuels supply glut is subduing



Source: STEO November, EIA

Figure 71: Slow recovery of global oilfield equipment expenditure



Source: Douglas-Westwood

Transportation – Land OVERWEIGHT

- Positive effect of scheduled public bus services restructured under the government contracting model
- DTL losses to narrow in 2018, as Stage 3 commenced operations on 21 October 2017
- ComfortDelGro's partnership with Uber should mitigate some of the pressure faced by Taxi segment from PHVs
- Rental cars population growth has moderated, and equilibrium with Taxi could be near

2017 Review

The sector's financial performance was bolstered by the Public Transport Services segment, with SMRT Buses, a subsidiary of SMRT Corp (not listed) and SBS Transit being beneficiaries of the transition to the government-contracting model for scheduled public bus services. For illustration, SBS Transit’s Public Transport Services (combination of Bus and Rail) reported $17.16mn segment profit for 9M FY17, compared to $152,000 segment profit a year ago.

Average daily ridership for Downtown Line (DTL) was 258,000 in 3Q 2017, and the preliminary estimate for 4Q 2017 following the commencement of revenue service for Stage 3 (DTL3) is 420,000. LTA projects a steady-state average daily ridership of 500,000.

Taxi business model remains under threat by competition from ride-hailing apps. Comparison against total taxi population indicates that Comfort & CityCab has lost market share on a YoY and YTD basis. Rental cars population growth rate has peaked and stagnated from mid-2016 to mid-2017, and has since moderated downwards, refer Figure 72.

Figure 72: Rental cars taking share from taxis

Vehicle popluations

('000)	Oct-16	Dec-16	Oct-17	YoY	YTD
Total taxi population	27,532	27,534	23,944	-13.0%	-13.0%
Comfort & CityCab	16,722	16,821	14,306	-14.4%	-15.0%
Rental cars	48,150	51,336	66,001	37.1%	28.6%

Source: LTA, PSR

Outlook

SBS Transit’s Public Transport Services segment to see YoY growth in 2018, with full-year revenue recognition from DTL3 (higher ridership and narrowing of DTL losses) and take-over of the Seletar bus package in 1Q 2018. These positives are offset by an equivalent 2.2% fare reduction effective 27 December 2017 and higher maintenance expense for North East Line. (Fare reduction only affects Rail segment; Bus segment is unaffected.)

ComfortDelGro announced that it would be partnering Uber by taking a 51% stake in Lion City Rentals. This should be a net positive, with access to the private hire vehicle (PHV) business model through vehicle rental, and the contribution to its Engineering Maintenance segment. ComfortDelGro will be making further announcements when more details of the partnership are finalised.

With the moderating of Rental cars population growth, we would be looking to see if the population starts to stabilise, and equilibrium between Taxis and Rental cars is achieved.

Recommendation

We have a BUY call on ComfortDelGro. We see earnings for ComfortDelGro bottoming in FY17, primarily driven by the Public Transport Services segment.

Richard Leow (+65 6212 1848)
Investment Analyst
richardleowwt@phillip.com.sg

Transportation – Aviation NEUTRAL

- Passenger yields across SIA parent airline, SilkAir and Scoot remain under pressure; bright spot from cargo yield as freight volumes increase
- SATS expanding inorganically through partnerships
- Margins continue to compress for SIA Engineering

2017 Review

SIA Ltd reported 32% YoY higher PATMI for 1HFY18, but management commented that passenger yield (which is a measure of passenger fares) remains under pressure. In terms of costs, the average price of jet fuel for 9M 2017 rose 23% YoY, albeit still far lower than the historical highs that were in excess of US$100/bbl. Fuel cost remains as SIA Group's largest cost component (~25% of 1H FY18 revenue). Interim dividend of 10 cents declared, higher than previous year's 9 cents.

SATS Ltd also highlighted the competitive pressures in the sector stemming from passenger yield. This results in airlines being selective in their menus, and the inability for SATS to raise prices. Nonetheless, 1H FY18 underlying net profit for SATS Ltd grew 4.2% YoY, which was driven by 41.4% YoY higher contribution from associates/JVs. Interim dividend of 6 cents declared, unchanged from previous year.

Operating margin for SIA Engineering Company compressed, on higher staff costs and subcontract costs. Group operating profit has contracted to the extent that associates/JVs contributed more than half of earnings in 2Q FY18. Interim dividend of 4 cents declared, unchanged from previous year.

Outlook

The key cost factor for airlines is fuel price. SIA has benefited from the lower jet fuel price, and management expects it to remain volatile. Apart from pressure on passenger yield, fuel price also has a direct impact on profitability. SIA Group will be taking delivery of modern and fuel-efficient aircraft. This should be a mitigating factor on fuel costs, but with the offsetting effect of higher depreciation charge.

SIAEC management guided for a challenging outlook, as new-generation aircraft and engines require less frequent maintenance and lighter work content. Cash flow remains positive and balance sheet is in a net cash position, but the lack of a major catalyst would keep the share price muted.

Unlike SIA and SIAEC, SATS is not entirely dependent on the aviation sector, due to its 87:13 revenue mix between aviation and non-aviation. SATS has been making investments in new ventures, which should contribute positively after their respective gestation periods.

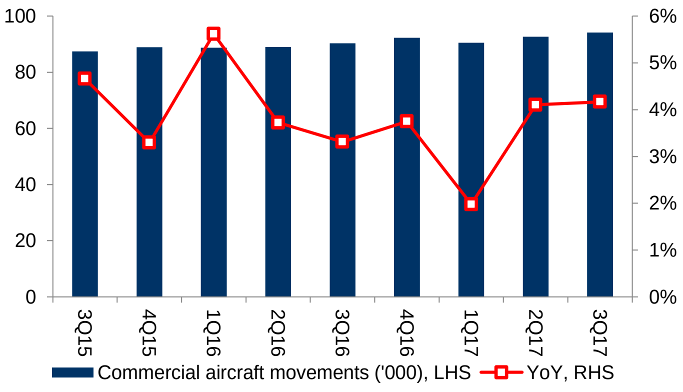
Domestically, two projects are in place to expand passenger capacity at Changi Airport. The opening of Terminal 4 expanded Changi Airport's passenger handling capacity by 16mn to 82mn and subsequently Project Jewel (4Q 2018), which is expected to bring an additional 3mn capacity by connecting Terminals 1, 2 and 3 together.

Recommendation

Out top pick is SATS. We see credible earnings growth as SATS continues to make investments in new associates/JVs. SATS also recently entered into a Ground Handling and Food Solutions JV with AirAsia and Turkish Airlines, respectively. We view this positively. It gives SATS exposure to markets far larger than the domestic volumes at Changi Airport. There is scope for our estimates for SATS to be revised upwards, as clarity emerges when the various JVs begin contributing.

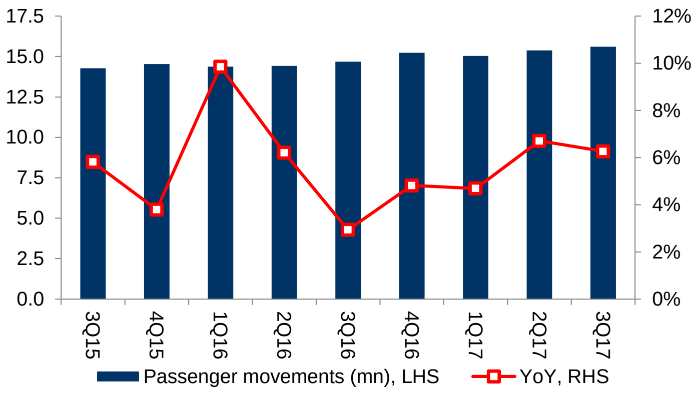
Richard Leow (+65 6212 1848)
Investment Analyst
richardleowwt@phillip.com.sg

Figure 73: Quarterly Commercial Aircraft Movements



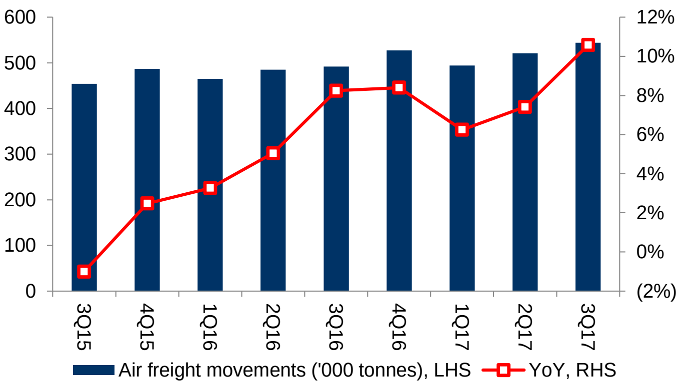
Source: CEIC, Changi Airport Group, PSR

Figure 74: Quarterly Passenger Movement



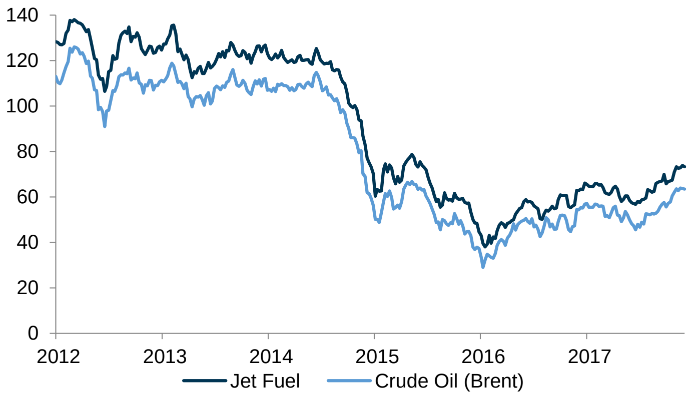
Source: CEIC, Changi Airport Group, PSR

Figure 75: Quarterly Air Freight Movements



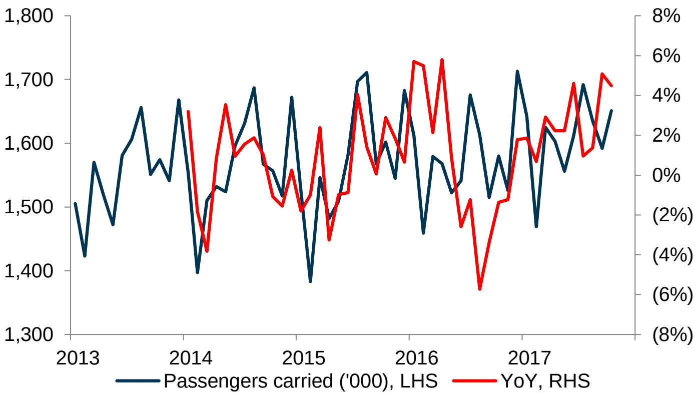
Source: CEIC, Changi Airport Group, PSR

Figure 76: Fuel Prices (USD/barrel)



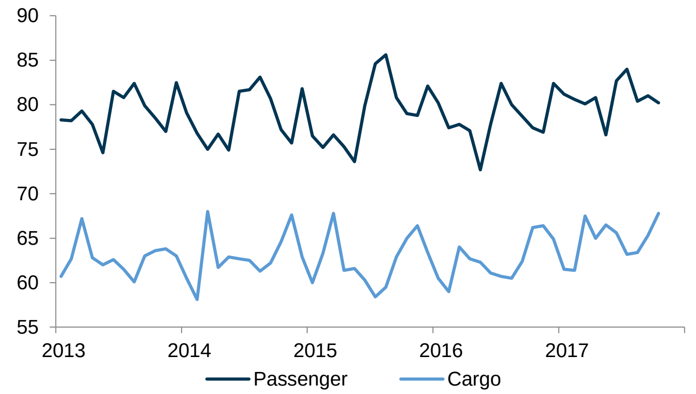
Source: Bloomberg, PSR

Figure 77: Monthly Singapore Airlines Passengers Carried ('000)



Source: Bloomberg, SIA, PSR

Figure 78: Monthly Singapore Airlines Load Factors (%)



Source: Bloomberg, SIA, PSR

Ascendas REIT

The stable giant

18 December 2017

SINGAPORE | REAL ESTATE (REIT) | UPDATE

- Track record of DPU growth through strategy of portfolio rebalancing and stability through diversification
- Portfolio is positioned to capture opportunities as Singapore evolves towards higher value-added manufacturing
- ACCUMULATE with DDM-derived target price of S$2.86

Background

Ascendas Real Estate Investment Trust (A-REIT) is the largest REIT in the S-REIT universe by market capitalisation, and it was the first Industrial REIT to be listed. The REIT's Sponsor, Ascendas-Singbridge Group, is 51:49 jointly-owned by Temasek Holdings and JTC Corporation. The asset values of the Singapore and Australia portfolios stood at S$8.6 bn and S$1.4 bn respectively, as at 30 September 2017.

Investment Merits/Outlook

1. **Largest industrial REIT with an improving outlook for Industrial rents.** The current oversupply of industrial space is a concern, but supply is tapering in 2018. Taking the tapering supply in context with the uptick in Industrial activity leads us to believe that rents to bottom by the end of 2018.

2. **Exposure to Business & Science Park properties and Hi-Tech/Hi-Specification buildings.** A-REIT boasts a portfolio that has "low exposure to manufacturing". The manager's strategy has been to reposition the portfolio to cater to higher-value manufacturing activities and non-manufacturing activities. 55% of A-REIT's net property income is derived from Business & Science Park and Hi-Specs properties in Singapore. Its Sponsor's pipeline of over S$1 bn of Business & Science Park properties offers growth opportunities.

3. **Relatively low gearing affords debt headroom for inorganic growth.** A-REIT's 2.9% cost of debt is lower than the median of 3.3% among peers. Aggregate leverage of 33.1% affords ample debt headroom to acquire and grow inorganically.

Recommendation

Maintain ACCUMULATE with DDM-derived target price of S$2.86. A-REIT has a track-record of growing DPU through rebalancing, and stability through its highly diversified portfolio. We expect yield of ~5.8% to be reliable.

ACCUMULATE (Maintained)

LAST CLOSE PRICE	SGD 2.680
FORECAST DIV	SGD 0.159
TARGET PRICE	SGD 2.860
TOTAL RETURN	**12.6%**

COMPANY DATA

BLOOMBERG CODE:	AREIT SP
O/S SHARES (MN) :	2,886
MARKET CAP (USD mn / SGD mn) :	5744 / 7734
52 - WK HI/LO (SGD) :	2.76 / 2.23
3M Average Daily T/O (mn) :	8.07

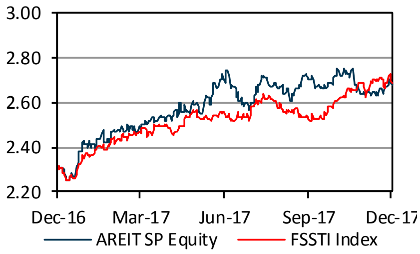
MAJOR SHAREHOLDERS (%)

ASCENDAS PTE LTD	20.2%
MONDRIAN INVESTMENT PARTNERS LTD	8.1%
BLACKROCK	6.1%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	15	2.6	23.3
STI RETURN	11	6.9	20.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar	FY16	FY17	FY18e	FY19e
Gross Rev. (SGD mn)	761	831	866	887
NPI (SGD mn)	534	611	632	649
Dist. Inc. (SGD mn)	378	446	458	470
P/E (x)	17.2	17.2	16.5	16.6
P/NAV (x)	12	12	13	13
DPU (cents)	15.36	15.74	15.88	15.99
Distribution Yield (%)	6.3	6.2	5.9	6.0

Source: Company, PSR

VALUATION METHOD

DDM (Cost of Equity: 6.9%; Terminal g: 1.5%)

Richard Leow, CFA, CFTe, FRM (+65 6212 1848)
Investment Analyst
richardleowwt@phillip.com.sg

PhillipCapital

Financials

Statement of Total Return and Distribution Statement

Y/E Mar, SGD mn	FY15	FY16	FY17	FY18e	FY19e
Gross revenue	**673**	**761**	**831**	**866**	**887**
Property expenses	(211)	(227)	(220)	(234)	(238)
Net property income	**463**	**534**	**611**	**632**	**649**
Net Finance (Expense)/Inc.	(105)	(77)	(111)	(103)	(105)
Manager's fees	(38)	(60)	(50)	(50)	(49)
Other items	(51)	(23)	(12)	19	(9)
Net income	**268**	**373**	**438**	**498**	**485**
FV change, derivatives & ppties	136	8	(30)	(16)	-
Share of JV's results	-	0.04	0.48	0.25	-
Total Return Before Tax	**404**	**381**	**408**	**483**	**485**
Taxation	(7)	(25)	19	(6)	(11)
Total Return After Tax	**398**	**356**	**427**	**476**	**474**
Distribution adjustments	(46)	23	19	(18)	(4)
Income available for distribution	**351**	**378**	**446**	**458**	**470**

Per share data (cents)

Y/E Mar	FY15	FY16	FY17	FY18e	FY19e
NAV	208.0	206.0	206.0	211.9	211.7
EPU	16.54	14.21	14.83	16.28	16.16
DPU	14.60	15.36	15.74	15.88	15.99

*Forward EPU does not include change in Fair Value of Investment Properties

Cash Flow

Y/E Mar, SGD mn	FY15	FY16	FY17	FY18e	FY19e
CFO					
Total return	404	381	408	483	485
Adjustments	(29)	94	151	85	115
WC changes	(10)	11	(24)	(11)	0
Cash generated from ops	365	486	536	557	600
Others	(2)	(4)	(7)	(6)	(11)
Cashflow from ops	**362**	**482**	**529**	**551**	**589**
CFI					
CAPEX, net	(102)	(158)	(103)	(95)	(12)
Purchase of Inv. Propty., net	(541)	(1,339)	(89)	(8)	-
Others	6	4	54	5	2
Cashflow from investments	**(638)**	**(1,492)**	**(138)**	**(97)**	**(10)**
CFF					
Share issuance, net	-	645	155	-	-
Loans, net of repayments	577	920	50	(50)	-
Distributions	(261)	(442)	(515)	(309)	(475)
Others	(68)	(96)	(116)	(108)	(107)
Cashflow from financing	**249**	**1,027**	**(426)**	**(467)**	**(583)**
Net change in cash	**(27)**	**16**	**(35)**	**(13)**	**(4)**
Beginning cash	67	42	56	22	9
Effects of exchange rate	0.8	(1.7)	0.3	-	-
Ending cash	**42**	**56**	**22**	**9**	**5**

Balance Sheet

Y/E Mar, SGD mn	FY15	FY16	FY17	FY18e	FY19e
ASSETS					
Investment properties	7,868	9,599	9,874	10,102	10,114
Inv. Propty. Under Devmnt.	-	-	125	-	-
Associates/JVs	-	0.04	0.13	0.13	0.13
PPE	0.26	0.07	-	-	-
Others	135	90	72	72	72
Total non-current assets	**8,003**	**9,689**	**10,071**	**10,173**	**10,185**
Trade receivables	90	89	63	95	90
Cash	42	56	22	9	5
Others	26	36	14	14	14
Total current assets	**157**	**181**	**100**	**117**	**109**
Total Assets	**8,160**	**9,870**	**10,171**	**10,291**	**10,294**
LIABILITIES					
Borrowings	286	1,180	824	774	774
Trade payables	189	172	193	213	208
Others	33	44	105	105	105
Total current liabilities	**507**	**1,396**	**1,122**	**1,092**	**1,087**
Borrowings	2,442	2,484	2,576	2,576	2,576
Others	198	205	138	138	138
Total non-current liabilities	**2,640**	**2,689**	**2,714**	**2,714**	**2,714**
Total Liabilities	**3,147**	**4,085**	**3,836**	**3,806**	**3,801**
Net assets	**5,014**	**5,785**	**6,335**	**6,485**	**6,493**
Represented by:					
Unitholders' funds	5,014	5,481	6,031	6,208	6,217
Perp. securities holders	-	304	304	304	304
Non-controlling interests	0.04	0.02	0.03	0.03	0.03

Valuation Ratios

Y/E Mar	FY15	FY16	FY17	FY18e	FY19e
P/E (x)	15.8	17.2	17.2	16.5	16.6
P/NAV (x)	1.3	1.2	1.2	1.3	1.3
P/DPU (x)	17.9	16.0	16.2	16.9	16.8
Distribution Yield (%)	5.6	6.3	6.2	5.9	6.0
NPI yield (%)	6.3	6.1	6.2	6.3	6.4
Growth & Margins (%)					
Growth					
Revenue	9.8%	13.0%	9.1%	4.3%	2.4%
Net property income (NPI)	6.1%	15.3%	14.5%	3.4%	2.6%
Distributable income	2.7%	7.7%	18.0%	2.7%	2.5%
DPU	2.5%	5.2%	2.5%	0.9%	0.7%
Margins					
NPI margin	68.7%	70.1%	73.6%	73.0%	73.1%
Key Ratios					
Net Debt or (Net Cash)	2,686	3,608	3,378	3,341	3,345
Gearing (%)	33.4%	37.1%	33.4%	32.6%	32.5%

Source: Company, Phillip Securities Research (Singapore) Estimates

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

Asian Pay Television Trust

An 11% payout in 2018

SINGAPORE | TELECOMMUNICATION| UPDATE

- APTV generates stable and recurrent monthly subscription fees from its monopolistic cable TV business.
- Management has guided 2018 DPU of 6.5 cents (11% dividend yield), unchanged from 2017.
- Maintain ACCUMULATE rating with a target price of S$0.64.

Company Background

Asian Pay Television Trust (APTV) is a business trust that operates cable pay-tv and broadband services in Taiwan. It owns all the fibre and cable connections to customers' homes. This "last-mile" access to homes is cost-prohibitive and extremely difficult to replicate. The company has a stable customer base of 760,000.

Investment Merits/Outlook

1. **Attractive yield paid quarterly.** APTV has guided for a 6.5-cent DPU for FY18. In addition, the dividends are paid on a quarterly basis.

2. **Revenue is recurrent with high barriers.** Cable TV is an entrenched form of viewing TV in Taiwan. Cable has an 80% share of the TV market. Internet TV has not gained any footing due to a lack of local content. Revenue is recurrent for APTV. It collects an annuity-like S$220m revenue p.a. from its 760,000 customers who are paying a S$24 subscription fee every month.

3. **The outlook remains stable.** As we enter 2018, cash flows should improve as capital expenditure for premium digital rollout expires. Capital expenditure is expected to decline from S$80mn to S45mn.

Recommendation

We maintain our ACCUMULATE rating with a target price of S$0.64. APTV dividend yield is attractive and sustainable. Recurrent monthly cable TV subscription fees support operating cash flows, and APTV operates in a monopolistic environment.

18 December 2017

ACCUMULATE (Maintained)

LAST TRADED PRICE	SGD 0.580
FORECAST DIV	SGD 0.065
TARGET PRICE	SGD 0.640
TOTAL RETURN	21.6%

COMPANY DATA

BLOOMBERG	APTT SP
O/S UNITS (MN) :	1,437
MARKET CAP (USD mn / SGD mn) :	619 / 833
52 - WK HI/LO (SGD) :	0.61 / 0.37
3M Average Daily T/O (mn) :	2.17

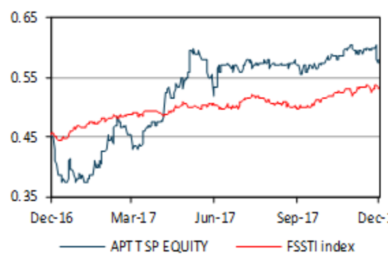
MAJOR SHAREHOLDERS

Temasek Holdings	7.93%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(2.3)	6.7	38.4
STI RETURN	1.1	6.9	20.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS (APTT SP)

SGD mn	FY15	FY16	FY17e	FY18e
Revenue	332	319	337	340
EBITDA	194	189	202	205
NPAT	45	60	48	55
EPS (SGD)	0.03	0.04	0.03	0.04
PER, x	18.5	14.0	17.4	15.0
P/BV, x	0.7	0.7	0.7	0.8
DPU (SGD)	0.083	0.065	0.065	0.065
DVD YIELD (%)	14.2	11.2	11.2	11.2
ROE (%)	3.6	4.9	4.0	4.8

Source: Bloomberg, PSR

Paul Chew (+65 6212 1851)
Head Of Research
paulchewkl@phillip.com.sg

Financials

Income Statement

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
Revenue	**319**	**332**	**319**	**337**	**340**
EBITDA	**194**	**201**	**189**	**202**	**205**
Depreciation & Amortisation	(49)	(45)	(56)	(62)	(61)
EBIT	**142**	**147**	**144**	**132**	**144**
Net Finance Inc/(Exp)	(40)	(50)	(54)	(57)	(59)
Profit before tax	**98**	**71**	**84**	**67**	**77**
Taxation	(17)	(26)	(24)	(19)	(22)
Net profit before NCI	**81**	**45**	**60**	**48**	**55**
Non-controlling interest	(0)	(0)	(0)	(0)	(0)
Net profit, reported	**81**	**45**	**60**	**48**	**55**

Per share data (SGD)

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
EPS, reported	0.06	0.03	0.04	0.03	0.04
DPU	0.083	0.083	0.065	0.065	0.065
BVPU	0.89	0.86	0.86	0.82	0.79

Cash Flow

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
CFO					
Profit before tax	**98**	**71**	**84**	**67**	**77**
Depreciation & Amortisation	49	45	56	62	61
WC changes	(0)	(1)	8	(0)	0
Net finance inc/(exp)	(40)	(50)	(54)	(57)	(59)
Tax paid	(55)	(27)	(13)	(19)	(22)
Others	7	31	(3)	18	8
Cashflow from ops	**98**	**119**	**131**	**127**	**125**
CFI					
CAPEX, net	(69)	(88)	(99)	(80)	(45)
Others	(13)	(6)	(3)	0	0
Cashflow from investments	**(83)**	**(94)**	**(101)**	**(80)**	**(45)**
Share issuance, net	0	0	0	0	0
Loans, net of repayments	111	82	69	40	20
Dividends	(147)	(117)	(102)	(103)	(103)
Others	(0)	(3)	1	0	0
Cashflow from financing	**(37)**	**(38)**	**(32)**	**(63)**	**(83)**
Net change in cash	**(13)**	**(2)**	**(16)**	**(3)**	**(3)**
CCE, end	**61**	**59**	**43**	**40**	**38**

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
ASSETS					
PPE	176	243	291	312	297
Others	2,223	2,283	2,368	2,366	2,365
Total non-current assets	**2,399**	**2,526**	**2,659**	**2,677**	**2,661**
Accounts receivables	12	18	15	14	14
Cash	75	61	59	43	40
Inventories	0	0	0	0	0
Others	2	2	1	1	1
Total current assets	**88**	**81**	**75**	**58**	**55**
Total Assets	**2,489**	**2,608**	**2,737**	**2,739**	**2,720**
LIABILITIES					
Accounts payables	20	21	21	20	20
Short term loans	18	9	12	12	12
Others	66	75	76	76	76
Total current liabilities	**104**	**104**	**109**	**108**	**108**
Long term loans	1,036	1,183	1,295	1,352	1,380
Others	74	89	103	103	103
Total non-current liabilitie	**1,110**	**1,273**	**1,398**	**1,455**	**1,483**
Total Liabilities	**1,213**	**1,377**	**1,507**	**1,563**	**1,591**
EQUITY					
Non-controlling interests	2	2	2	3	3
Shareholder Equity	**1,276**	**1,231**	**1,231**	**1,176**	**1,129**

Valuation Ratios

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
P/E (X), adj.	10.3	18.5	14.0	17.4	15.0
P/B (X)	0.7	0.7	0.7	0.7	0.7
EV/EBITDA (X), adj.	9.3	9.8	11.0	10.7	10.7
Dividend Yield	14.2%	14.2%	11.2%	11.2%	11.2%
Growth & Margins					
Growth					
Revenue	1.9%	4.2%	-3.9%	5.5%	1.1%
EBITDA	3.3%	3.4%	-5.8%	6.9%	1.2%
EBIT	-4.5%	3.6%	-2.4%	-8.3%	9.4%
Net profit, adj.	5.3%	-44.0%	32.4%	-19.9%	15.8%
Margins					
EBITDA margin	61.0%	60.5%	59.3%	60.1%	60.1%
EBIT margin	44.5%	44.3%	45.0%	39.1%	42.3%
Net profit margin	25.3%	13.6%	18.7%	14.2%	16.3%
Key Ratios					
ROE	6.2%	3.6%	4.9%	4.0%	4.8%
ROA	3.2%	1.8%	2.2%	1.7%	2.0%
Net Debt / (Cash)	979	1,131	1,248	1,321	1,352
Net Gearing (X)	0.8	0.9	1.0	1.1	1.2

PhillipCapital

Banyan Tree Holdings Limited

Patience as partnerships bear fruit

Bull and Bear StocksBnB.com

SINGAPORE | REAL ESTATE | UPDATE

- Partnerships with Vanke and AccorHotels will provide BTH with a pipeline of management contracts and scale up at a much faster pace than before.
- Sustained improvements in RevPARs for BTH's biggest market Thailand (61% of FY16 revenue for Group-owned hotels). We expect RevPAR strength for Thailand to sustain and Maldives (23% of FY16 revenue for Group-owned hotels) to improve in FY18.
- Maintain ACCUMULATE with a target price of S$0.71.

Company Background

Banyan Tree Holdings Limited (BTH) is a developer and operator of premium resorts, hotels, residences and spas with a presence in 25 countries. The group's properties include 40 hotels and resorts (with equity interest: 19, without equity interest: 21), 64 spas, 77 retail galleries and three golf courses as of FY16. The group's primary business is centred on four brands, namely Banyan Tree, Angsana, Cassia and Dhawa. Additionally, the Group operates three integrated resorts in Asia, in particular, Laguna Phuket via its 65.8% owned subsidiary, Laguna Resorts & Hotels.

Investment Merits/Outlook

1. **Partnerships with Vanke and AccorHotels will enable BTH to take on management contracts and scale up at a much faster pace than before**. Vanke and Accor will have the option to subscribe for up to 10% stake each in BTH and co-develop hotels across the world with BTH. The partnerships with one of the world's largest hotel operator and China's largest developer mark the start of a new era of growth globally for BTH.
2. **Sustained improvements in RevPARs YTD17 for BTH's biggest market Thailand (61% of FY16 revenue for Group-owned hotels).** YTD17 RevPAR for Thailand grew 11% YoY, with growth sustained across all 3 quarters. We expect RevPAR strength for Thailand to sustain in FY18 given the low base caused by weak tourism numbers in the quarters following the King's passing in Oct 2016.
3. **Maldives a key drag in FY17 but expected to stabilise and improve from FY18.** Maldives, 2nd largest market for BTH accounting for 23% of FY16 Group-owned hotel revenue, continue to be plagued by an oversupply of rooms with RevPAR dropping 18% YTD17. Recovery in tourist numbers for the Maldives was unable to offset the 14.7% growth in industry operational hotel beds in MYTD. We expect conditions in the Maldives to improve in 2H18 as new supply tapers off after 2018. (8.2% expected new supply in 2018 vs 1% in FY19).

Recommendation

Maintain ACCUMULATE with target price of S$0.71. We expect growth in earnings to be driven by sustained strength in the Group's largest market in Thailand and less challenging conditions in the Maldives in FY18. The new partnerships with Accor and Vanke offer opportunities for BTH to scale up at a much faster pace than before. As the Group takes on more management contracts under these partnerships, improving EBIT margins should further drive earnings going forward. Our target price translates to 0.7x FY18e P/NAV.

18 December 2017

ACCUMULATE (Maintained)

LAST CLOSE PRICE	SGD 0.55
FORECAST DIV	SGD 0.00
TARGET PRICE	SGD 0.71
TOTAL RETURN	29.1%

COMPANY DATA

BLOOMBERG CODE:	BTH SP
O/S SHARES (MN) :	801
MARKET CAP (USD mn / SGD mn) :	327 / 441
52 - WK HI/LO (SGD) :	0.68 / 0.46
3M Average Daily T/O (mn) :	142

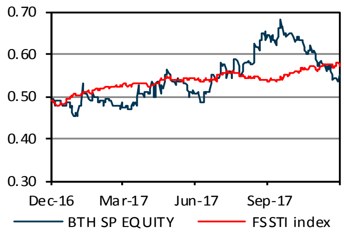
MAJOR SHAREHOLDERS (%)

BIBACE INVESTMENT LTD	35.8%
QATAR INVESTMENT AUTHORITY	25.7%
PLATINUM ENTERPRISE LTD	3.9%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(8.3)	(14.1)	8.9
STI RETURN	11	6.9	20.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

SGD MN	FY15	FY16	FY17e	FY18e
Revenue	377	339	340	348
EBITDA	31	52	66	61
EBIT	6	27	42	36
PATMI	-28	-16	12	9
EPS (S'cents)	-3.6	-2.1	1.5	1.2
PER, x (adj.)	-	-	39.6	48.5
P/BV, x	0.8	0.7	0.8	0.7
ROA, %	-1.7%	-1.0%	0.8%	0.6%
ROE, %	-3.9%	-2.2%	1.5%	1.2%

Source: Company, PSR

Valuation Method
SOTP

Dehong Tan (+65 6212 1849)
Investment Analyst
tandh@phillip.com.sg

Financials

Income Statement

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
Revenue	**377**	**339**	**340**	**348**	**372**
Total cost and expenses	(346)	(288)	(283)	(287)	(307)
EBITDA	**31**	**52**	**66**	**61**	**64**
Depreciation & amortisation	(25)	(25)	(24)	(25)	(26)
EBIT	**6**	**27**	**42**	**36**	**39**
Net finance (expense)/income	(26)	(26)	(26)	(23)	(22)
Profit before taxes	**(19)**	**1**	**16**	**13**	**16**
Taxes	(6)	(8)	(3)	(2)	(3)
Profit after tax	**(26)**	**(7)**	**13**	**11**	**14**
Non-controlling interest	2	9	(2)	(2)	(2)
PATMI	**(28)**	**(16)**	**12**	**9**	**12**
PATMI, adj	**(28)**	**(38)**	**(27)**	**9**	**12**

Per share data (SGD)

Y/E Dec, SGD	FY15	FY16	FY17e	FY18e	FY19e
EPS, reported	-0.04	-0.02	0.02	0.01	0.02
DPS (S'cents)	0.13	0.00	0.00	0.00	0.00
BVPS	0.72	0.74	0.80	0.84	0.89

Cash Flows

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
CFO					
Profit for the year	(19)	1	16	13	16
Adjustments	69	36	50	47	48
WC changes	(126)	(6)	(38)	(12)	20
Taxes paid, others	(35)	(37)	(42)	(27)	(27)
Cashflow from ops	(111)	(6)	(14)	22	57
CFI					
CAPEX, net	(23)	(16)	(19)	(20)	(20)
Others	(7)	(4)	62	(0)	(0)
Cashflow from investments	(31)	(20)	43	(20)	(20)
CFF					
Increase (decrease) in loans, notes	139	(24)	(114)	-	-
Others	(1)	(1)	19	(1)	(1)
Cashflow from financing	138	(25)	(95)	(1)	(1)
Net change in cash	(4)	(52)	(66)	1	36
Effects of exchange rates	1	0	-	-	-
CCE, end	165	114	48	49	85

Balance Sheet

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
ASSETS					
PP&E	657	658	677	697	716
Associates & JVs	107	109	109	109	109
Investment properties	68	71	71	71	72
Others	127	119	219	218	216
Total non-current assets	**959**	**956**	**1,076**	**1,094**	**1,113**
Development property	336	252	266	279	258
Accounts receivables	80	52	78	74	75
Cash balance	166	109	48	49	85
Others	53	240	53	55	57
Total current assets	**634**	**652**	**445**	**457**	**476**
Total Assets	**1,593**	**1,608**	**1,520**	**1,551**	**1,589**
LIABILITIES					
Short term loans	90	98	98	98	98
Notes payables	-	49	49	49	49
Accounts payables	9	7	7	7	7
Others	117	176	155	155	157
Total current liabilities	**215**	**281**	**260**	**260**	**262**
Long term loans	171	126	12	12	12
Notes payables	392	344	344	344	344
Others	116	125	125	126	126
Total non-current liabilities	**679**	**594**	**481**	**481**	**481**
Total Liabilities	**894**	**875**	**741**	**741**	**744**
EQUITY					
Shareholder Equity	549	564	611	643	678
Non-controlling interest	151	168	168	167	166
Total Equity	**699**	**733**	**779**	**810**	**845**

Valuation Ratios

Y/E Dec	FY15	FY16	FY17e	FY18e	FY19e
P/E (X), adj.	-	-	39.6	48.5	38.5
P/B (X)	0.83	0.81	0.75	0.71	0.67
Dividend Yield	0.2%	0.0%	0.0%	0.0%	0.0%
Growth & Margins					
Growth					
Revenue	12.0%	-10.0%	0.4%	2.2%	6.8%
EBIT	-78.4%	322.6%	59.1%	-14.7%	7.6%
Net Income, adj.	13.2%	-16.5%	8.7%	2.2%	6.9%
Margins					
EBIT margin	1.7%	7.9%	12.5%	10.4%	10.5%
Net Profit Margin	-7.0%	-2.2%	3.9%	3.2%	3.7%
Key Ratios					
ROE (%)	-3.9%	-2.2%	1.5%	1.2%	1.4%
ROA (%)	-1.7%	-1.0%	0.8%	0.6%	0.7%
Net cash (debt) (S$mn)	(487)	(508)	(455)	(454)	(418)
Gearing (X)	0.41	0.38	0.33	0.32	0.32

Source: Company, Phillip Securities Research (Singapore) Estimates

**Forward multiples and yields are based on current market price; historical multiples and yields are based on historical market price.*

CapitaLand Limited

Stable base of recurring income

SINGAPORE | REAL ESTATE | UPDATE

- Building up a base of quality recurrent income at a CAGR of c.16% (Operating EBIT growth 2013-16). Around 85% of CAPL's total assets are now earmarked for recurrent income.
- Office markets in Singapore and China are showing signs of improvement, while RevPAUs for serviced residences experience recovery in key markets.
- Maintain ACCUMULATE with a target price of S$4.19.

Background

CapitaLand (CAPL) is one of Asia's largest real estate companies. Headquartered and listed in Singapore, it is an owner and manager of a global portfolio worth more than S$85bn as at 30 September 2017, comprising integrated developments, shopping malls, serviced residences, offices, homes, real estate investment trusts (REITs) and funds. Present across more than 150 cities in over 30 countries, the Group focuses on Singapore and China as core markets, while it continues to expand in markets such as Vietnam and Indonesia.

Investment Merits/Outlook

1. **Stable base of recurring income built up over the years provides income stability.** With 85% of CAPL's assets being investment properties (predominantly in Singapore and China) contributing to recurring income, CAPL's earnings outlook remains stable. A record one million square metres of retail GFA opened in 2017, which will be CAPL's largest-ever retail GFA offering in a single year, is expected to boost recurring income growth in FY18e onwards as occupancy and tenant sales ramp up. RMB13.8bn worth of China residential sales are expected to be handed over and recognised mostly from 4Q17 to FY18 (vs FY17YTD: RMB9.3bn), which will provide further support to earnings over the next FY.
2. **Office markets in Singapore and China show signs of improvement, while RevPAUs for serviced residences are seeing recovery in key markets.** With the exception of the 2 Raffles City office components which started operations last year (Shenzhen and Hangzhou), average occupancy for CAPL's entire office portfolio stand at c.98%, a marked improvement especially in China where occupancy averaged c.90% as at FY16. Ascott's three largest markets (by total units) - Southeast Asia/Australia (ex-Singapore), China, Europe rebounded and grew 2-4% in YTD17 in local currency terms. China and Europe, in particular, are showing strong rebounds in RevPAUs after YoY declines for FY16.
3. **Tapping on key competitive advantage to evolve into Asset-Light Model for more sustainable future growth.** CAPL's new asset-light management contract model for retail acts as a kicker for ROE, allows CAPL to expand network and brand visibility without huge capital expenditure, and paves the way for future acquisition as they take on management contract roles for third-party malls with a right of first refusal.

Recommendation

Maintain ACCUMULATE with target price of S$4.19. There are signs of recovery for CAPL's main markets for office and serviced apartment segments in respective key markets. We expect this recovery to sustain as global economies recover. With a strong base of stable recurring income, CAPL's asset-light management contract strategies for its retail and serviced residence segments also enables it to accelerate network and fee revenue growth. We like CAPL's quality of earnings that have become more recurrent in nature.

18 December 2017

ACCUMULATE (Maintained)

LAST CLOSE PRICE	SGD 3.51
FORECAST DIV	SGD 0.10
TARGET PRICE	SGD 4.19
TOTAL RETURN	22.2%

COMPANY DATA

BLOOMBERG CODE	CAPL SG
O/S SHARES (MN) :	4,247
MARKET CAP (USD mn / SGD mn) :	11070 / 14907
52 - WK HI/LO (SGD) :	3.88 / 2.96
3M Average Daily T/O (mn) :	9.55

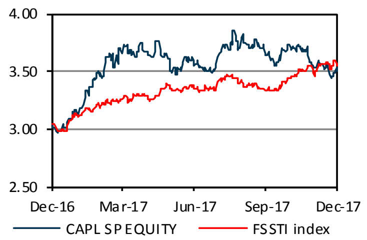
MAJOR SHAREHOLDERS (%)

TEMASEK HOLDINGS	40.0%
BLACKROCK	6.0%
VANGUARD GRP	178%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(0.6)	(3.6)	17.7
STI RETURN	11	6.9	20.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

SGD MN	FY15	FY16	FY17e	FY18e
Revenue	4762	5252	5307	4245
Gross Profit	1475	1598	1698	1401
EBIT	1590	1652	1797	1476
EPS (SGD)	0.25	0.28	0.30	0.25
PER, x (adj.)	13.4	10.8	12.0	14.7
P/BV, x	0.9	0.7	0.9	0.8
DPS (SGD)	0.09	0.10	0.10	0.10
Div Yield, %	2.7%	3.3%	2.8%	2.8%
ROE, %	6.0%	6.8%	6.8%	5.3%

Source: Company Data, PSR est.

Valuation Method
RNAV

Dehong Tan (+65 6212 1849)
Investment Analyst
tandh@phillip.com.sg

Financials

Income Statement

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
Revenue	**4,762**	**5,252**	**5,307**	**4,245**	**3,554**
Gross Profit	1,475	1,598	1,698	1,401	1,208
Depreciation & Amortisation	3	3	4	3	3
EBIT	1,590	1,652	1,797	1,476	1,264
Net Finance (Expense)/Inc	(477)	(453)	(453)	(520)	(594)
Associates & JVs	726	708	792	745	756
Profit Before Tax	1,839	1,907	2,137	1,701	1,426
Taxation	(344)	(403)	(363)	(289)	(242)
Profit After Tax	1,495	1,504	1,774	1,412	1,183
Non-Controlling Interest	430	314	494	365	294
Net Income, reported	1,066	1,190	1,279	1,047	889

Per share data (SGD)

Y/E Dec, SGD	FY15	FY16	FY17e	FY18e	FY19e
EPS, reported	0.25	0.28	0.30	0.25	0.21
DPS	0.09	0.10	0.10	0.10	0.10
BVPS	3.94	4.22	4.15	4.43	4.64

Cash Flows

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
CFO					
Profit for the year	1,495	1,504	1,774	1,412	1,183
Adjustments	(1,081)	(902)	(1,090)	(1,036)	(1,051)
WC changes	1,548	2,250	924	640	906
Cash generated from ops	2,727	3,655	2,364	1,756	1,805
Taxes paid, others	(261)	(350)	(363)	(289)	(242)
Cashflow from ops	2,467	3,305	2,000	1,467	1,563
CFI					
CAPEX, net	(62)	(75)	(88)	(75)	(79)
Cashflow from investments	154	(71)	0	(115)	(41)
CFF					
Dividends paid	247	-	-	-	-
Cashflow from financing	(1,213)	(2,462)	(1,267)	(1,279)	(1,255)
Net change in cash	1,408	772	733	73	266
Effects of exchange rates	40	(129)	-	-	-
CCE, end	4,153	4,778	5,511	5,584	5,850

Balance Sheet

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
ASSETS					
PPE	808	781	623	494	370
Associates & JVs	12,858	12,617	12,791	12,887	12,996
Investment Properties	19,428	18,998	20,189	21,321	22,406
Others	1,332	1,578	1,472	1,449	1,493
Total non-current assets	**34,426**	**33,976**	**35,075**	**36,151**	**37,265**
Development properties	6,936	4,837	3,968	2,760	1,468
Accounts Receivables	1,424	1,859	1,589	1,348	1,150
Cash balance	4,173	4,793	5,511	5,584	5,850
Others	92	277	279	281	283
Total current assets	**12,627**	**11,765**	**11,348**	**9,973**	**8,751**
Total Assets	**47,053**	**45,741**	**46,423**	**46,124**	**46,016**
LIABILITIES					
Short term loans	2,246	2,373	2,373	2,373	2,373
Accounts Payables	4,063	4,685	4,471	3,661	3,077
Others	620	670	651	651	651
Total current liabilities	**6,930**	**7,728**	**7,495**	**6,685**	**6,101**
Long term loans	13,812	12,479	12,479	12,479	12,479
Others	1,373	1,233	1,331	1,312	1,292
Total non-current liabilities	**15,185**	**13,712**	**13,810**	**13,791**	**13,771**
Total Liabilities	**22,115**	**21,440**	**21,305**	**20,476**	**19,872**
EQUITY					
Shareholder Equity	17,905	17,605	18,778	19,643	20,458
Non-controlling interest	7,032	6,696	6,341	6,005	5,686
Total Equity	**24,938**	**24,300**	**25,118**	**25,647**	**26,145**

Valuation Ratios

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
P/E (X), adj.	13.4	10.8	12.0	14.7	17.3
P/B (X)	0.9	0.7	0.9	0.8	0.8
Dividend Yield (%)	2.7%	3.3%	2.8%	2.8%	2.8%
Growth & Margins (%)					
Growth					
Revenue	21.3%	10.3%	1.0%	-20.0%	-16.3%
EBIT	8.4%	3.9%	8.8%	-17.9%	-14.4%
Net Income, adj.	-15.0%	0.6%	17.9%	-20.4%	-16.2%
Margins					
EBIT margin	33.4%	31.4%	33.9%	34.8%	35.6%
Net Profit Margin	31.4%	28.6%	33.4%	33.3%	33.3%
Key Ratios					
ROE (%)	6.0%	6.8%	6.8%	5.3%	4.3%
ROA (%)	2.3%	2.6%	2.8%	2.3%	1.9%
Gearing (X)	0.34	0.32	0.32	0.32	0.32

Source: Company, Phillip Securities Research (Singapore) Estimates

**Forward multiples and yields are based on current market price; historical multiples and yields are based on historical market price.*

Chip Eng Seng Corporation Ltd

Riding the SG property cycle well

StocksBnB.com

SINGAPORE | REAL ESTATE | UPDATE

- Leveraged to the upcycle in Singapore residential property market with available inventory and a replenished land bank.
- Close to S$200mn (33% of market cap) worth of unbilled development profits to be recognized over the next 3 years from Singapore residential projects already sold.
- Maintain BUY. We raise our target price to S$1.21, as we narrow the discount to RNAV from 50% to 40% and incorporated construction business into our target price.

Background

Chip Eng Seng (CES) is one of Singapore's leading main contractors and property developers, listed on the SGX Mainboard since 1999. It started as a subcontractor firm for conventional landed properties in the 1960s, and has since built up a good reputation for quality and reliability. In 1982, CES won its first HDB project as a main contractor, which eventually paved the way to it being awarded the contract for the iconic Pinnacle @ Duxton, which has since been completed. CES is principally engaged in the following business segments, namely real estate development, construction, hospitality and property investment.

Investment Merits/Outlook

1. **Leveraged proxy to current upcycle in Singapore residential property market.** CES Is poised to capture upswing in Singapore residential property prices with a well-stocked land bank and available inventory. Close to S$200mn (33% of market cap) worth of unbilled development profits will be recognized over the next 3 years from already sold Singapore residential projects. This excludes any potential gains from the Woodleigh Lane GLS land site and Changi Garden en-bloc won this year. Further catalyst could come from healthy take-up rates at the Woodleigh site due for launch in 2H18, with potential estimated development profits of S$127mn (CES' 60% stake).
2. **Construction business equipped with two years revenue visibility and with a private sector demand picking up.** With an order book of S$458mn, CES' construction segment provides two years of income visibility. With 17,000 new built-to-order HDB flats (stable YoY) slated for launch in 2018 and private sector demand picking up, opportunities abound for CES to replenish and build on its order book in the coming year.
3. **Cancellation of Melbourne Tower purchase contracts could enable Group to move on with other exit options.** Management is exploring other viable exit options with regard to this property and any materialized profits will be accretive to our RNAV. Assuming 24% development margins, development profits could add 12c to our RNAV. In view of the uncertainties surrounding the project, we will not factor in any contributions from Tower Melbourne until we get further clarity.

Recommendation

Our RNAV has incorporated the valuation of the Group's construction arm, as we believe we are approaching sector cycle bottom. In view of the current upcycle in the property market, we have narrowed the discount to RNAV from the previous 50% to 40% for mid-cap developers under our coverage. CES remains a good proxy to the upcycle in the Singapore residential market with its proven track record in execution and well-stocked land bank, in particular, the Woodleigh site due for launch in 2H18, with an estimated GDV of S$720mn (60% stake). Good take-up rates at the launch would be a potential price catalyst.

18 December 2017

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.93
FORECAST DIV	SGD 0.04
TARGET PRICE	SGD 1.21
TOTAL RETURN	35.1%

COMPANY DATA

BLOOMBERG CODE	CHIP SP
O/S SHARES (MN) :	621
MARKET CAP (USD mn / SGD mn) :	427 / 574
52 - WK HI/LO (SGD) :	1 / 0.62
3M Average Daily T/O (mn) :	3.14

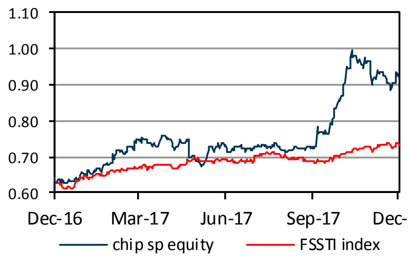
MAJOR SHAREHOLDERS (%)

LIM TIAM SENG	12.5%
LIM CHUAN TIANG	7.1%
CHIA LEE MENG	4.1%
DIMENSIONAL FUND ADVISORS LP	2.7%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(1.1)	26.9	54.4
STI RETURN	1.1	6.9	20.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar S$mn	FY15	FY16	FY17E	FY18E
Gross Rev.	676	748	809	740
Gross Profit	161	146	154	142
Net Income	63	36	45	44
ROE (%)	8.5	4.6	5.7	4.1
P/B (x)	0.60	0.59	0.58	0.58
DPS (Cents)	4.0	4.0	4.0	4.0
Dividend Yield (%)	5.7	5.6	5.5	5.5

Source: Company Data, PSR est.

Tan Dehong (+65 6212 1849)
Investment Analyst
tandh@phillip.com.sg

Financials

Income Statement

Y/E Dec, SGD'mn	FY15	FY16	FY17E	FY18E	FY19E
Revenue	**676**	**748**	**809**	**745**	**690**
Cost of Sales	-515	-602	-656	-603	-559
Other Items of Income					
Int & Div Income	5	13	10	9	11
Other Income	5	13	10	9	11
Other Items of Expense					
Marketing & Distribution	-28	-7	-8	-7	-7
Administrative Expenses	-57	-60	-69	-63	-59
Finance Costs	-16	-20	-18	-14	-12
Share of Results of Associates	**1**	**-1**	**1**	**1**	**1**
Profit Before Tax	68	76	72	70	69
Income Tax Expense	**-10**	**-24**	**-11**	**-10**	**-10**
Net Income	63	36	45	44	45

Cash Flow

Y/E Dec, SGD'mn	FY15	FY16	FY17E	FY18E	FY19E
Profit Before Tax	68	76	72	70	69
Depreciation & Amortization	6	7	7	7	7
Other Non-cash items	-10	64	0	0	0
OCF Before Changes in WC	**64**	**147**	**79**	**77**	**76**
Trade & Other Receivables	-27	170	-100	7	44
Trade & Other Payabes	16	-13	45	-10	-9
Inventories	288	-506	236	10	-85
Net interest expense	-14	-16	-16	-12	-9
Income Taxes Paid	-16	-20	-18	-14	-12
Other Items Combined	-74	-161	-99	-112	-122
Cashflow from Operations	**300**	**-251**	**204**	**23**	**-42**
PPE & Investment Properties	-21	-4	-10	-14	-14
Other Items Combined	3	7	0	0	0
Cashflow from Investing	**-18**	**3**	**-10**	**-14**	**-14**
Loans & Borrowings	-82	312	0	0	0
Dividends Paid	-37	-25	-25	-25	-25
Other Items Combined	-5	0	0	0	0
Cashflow from Financing	**-124**	**287**	**-25**	**-25**	**-25**
Increase in Cash & Equivalents	157	39	169	-15	-81
Cash & Equivalents (Beginning)	285	442	482	651	635
Cash & Equivalents (Ending)	**442**	**482**	**651**	**635**	**554**

Balance Sheet

Y/E Dec, SGD'mn	FY15	FY16	FY17E	FY18E	FY19E
Property, Plant & Equipment	225	220	223	230	237
Investment Properties	287	296	301	311	321
Other Non-current Assets	23	12	10	3	-4
Non-Current Assets	**536**	**528**	**534**	**544**	**554**
Development Properties	625	1,128	892	882	967
Completed ppties held-for-sale	39	0	0	0	0
Trade & Other Receivables	249	81	182	174	130
Cash & Short-Term Deposits	442	482	651	635	554
Other Current Assets	15	14	14	14	14
Current Assets	**1,371**	**1,704**	**1,738**	**1,705**	**1,665**
Total Assets	**1,907**	**2,232**	**2,272**	**2,249**	**2,219**
Loans & Borrowings	120	234	146	127	117
Trade & Other Payables	117	86	131	121	112
Other Liabilities	**80**	**82**	**93**	**102**	**110**
Current Liabilities	**317**	**402**	**369**	**349**	**339**
Loans & Borrowings	738	937	1,052	820	690
Deferred Tax Liabilities	16	10	10	10	10
Non-Current Liabilities	**754**	**947**	**1,062**	**830**	**700**
Total Liabilities	**1,164**	**1,456**	**1,485**	**1,179**	**1,039**
Non-Controlling Interests	-5	11	27	42	56
Shareholder Equity	743	777	787	1,070	1,180

Valuations and Key Ratios

Y/E Dec	FY15	FY16	FY17E	FY18E	FY19E
Valuations					
P/B (X)	0.60	0.59	0.58	0.58	0.43
Dividend Yield (%)	5.7%	5.6%	5.5%	5.5%	5.5%
Growth					
Revenue	-39%	11%	8%	-8%	-7%
Net Income	-78%	-43%	25%	-1%	1%
Shareholder Equity	1%	5%	1%	36%	10%
Margins					
Gross Profit Margin	30%	24%	20%	21%	21%
Net Profit Margin	24%	9%	5%	5%	6%
Key Ratios					
ROE(%)	8.5%	4.6%	5.7%	4.1%	3.8%
ROA(%)	3.3%	1.6%	2.0%	2.0%	2.0%
Gearing (X)	45.0%	52.5%	52.7%	42.1%	36.4%

Source: Company, Phillip Securities Research (Singapore) Estimates

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

PhillipCapital

ComfortDelGro Corp Ltd

Earnings bottom, dividend level sustainable

Bull and Bear StocksBnB.com

18 December 2017

SINGAPORE | TRANSPORT SERVICES | UPDATE

- Earnings to bottom in FY17; from three main factors of 1.) Recognition of higher bus revenue, 2.) Narrowing of DTL losses and 3.) Strategic alliance with Uber, driving FY18 earnings higher
- Dividend is sustainable, underpinned by strong balance sheet and positive cash flow
- Maintain BUY; lower target price of $2.63 (previously $2.69)

Background

ComfortDelGro Corp Ltd (CD) is a global multi-modal land transport operator. Its major business segments include Public transport services, Taxi, Automotive engineering and Inspection and testing. CD operates across seven countries. Its 75%-owned listed subsidiary, SBS Transit Ltd, operates Public transport services in Singapore of Rail and Buses. Its 67%-owned listed subsidiary, VICOM Ltd, provides inspection and testing services.

Investment Merits/Outlook

1. **Earnings bottom in FY17, higher earnings in FY18 driven by Public Transport Services segment.** This is from recognition of higher bus revenue from quality incentives for services performed in 2017 under the new government contracting model, commencement of Seletar bus package (assumed 1Q 2018) and narrowing of Downtown Line (DTL) losses with the commencement of Stage 3 on 21 October 2017.

2. **Strategic alliance with Uber through LCR partially offsetting decline in Taxi business.** CD and Uber Technologies (Uber) recently made a joint announcement on the intention to form a joint venture. CD is to take a 51% stake in Lion City Holdings Pte Ltd., which in turn owns 100% of Lion City Rental Pte Ltd (LCR). The most immediate positive to come out from this is that LCR is a profitable business. However, vehicle rental is the asset-heavy aspect of the private hire vehicle (PHV) business model. This is in contrast to the asset-light, albeit currently loss-making app-based platform.

3. **Dividend level is sustainable.** CD has a dividend policy of paying at least 50% payout ratio. CD has paid out an increasing trend from 54% in FY12 to 70% in FY16 over the most recent five years. 1H FY17 interim dividend was 4.35 cents, higher than 1H FY16's 4.25 cents. We believe that absolute dividend is sustainable as supported by a strong balance sheet that is in a net cash position (cash: S$538.1 mn, total debt: S$350.1 mn) and positive cash flow. Estimated FY17e full-year dividend of 10.30 cents gives ~5.4% yield based on current price.

Recommendation

Maintain BUY with lower DCF-derived target price of $2.63 (previously $2.69). Our forecast does not include the impact of the CD/Uber strategic alliance.

BUY (Maintained)

LAST CLOSE PRICE	SGD 1.91
FORECAST DIV	SGD 0.103
TARGET PRICE	SGD 2.63
TOTAL RETURN	43.1%

COMPANY DATA

BLOOMBERG CODE:	CD SP
O/S SHARES (MN) :	2,163
MARKET CAP (USD mn / SGD mn) :	3069 / 4132
52 - WK HI/LO (SGD) :	2.8 / 1.9
3M Average Daily T/O (mn) :	11.35

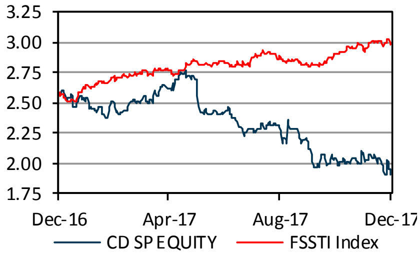
MAJOR SHAREHOLDERS (%)

BLACKROCK	6.0%
SCHRODERS PLC	5.0%
VANGUARD GROUP INC	2.4%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(6.2)	(10.6)	(21.2)
STI RETURN	1.1	6.9	20.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY15	FY16	FY17e	FY18e
Revenue (SGD mn)	4,112	4,060	3,940	3,892
NPAT, adj (SGD mn)	302	317	304	313
EPS, adj. (cents)	14.1	14.7	14.6	14.5
P/E, adj. (x)	20.6	19.7	13.6	13.2
BVPS (cents)	140	148	153	159
P/B (x)	2.1	2.0	1.2	1.2
DPS (cents)	9.00	10.30	10.30	10.40
Div. Yield (%)	3.1	3.6	5.4	5.4

Source: Company Data, PSR est.

VALUATION METHOD

DCF (WACC: 8.4%; Terminal g: 1.0%)

Richard Leow, CFA, CFTe, FRM (+65 6212 1848)
Investment Analyst
richardleowwt@phillip.com.sg

Financials

Income Statement

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
Revenue	**4,051**	**4,112**	**4,060**	**3,940**	**3,892**
EBITDA	**796**	**840**	**858**	**835**	**819**
Depreciation & Amortisation	(354)	(389)	(396)	(410)	(380)
EBIT	**442**	**451**	**462**	**425**	**439**
Net Finance (Expense)/Inc	(10)	(3)	(1)	9	7
Associates & JVs	4	5	5	5	6
Profit Before Tax	**436**	**452**	**467**	**439**	**452**
Taxation	(92)	(88)	(88)	(78)	(81)
Profit After Tax	**344**	**364**	**378**	**361**	**372**
- Non-controlling interest	61	62	61	46	59
PATMI, reported	**284**	**302**	**317**	**315**	**313**
PATMI, adj.	**284**	**302**	**317**	**304**	**313**

Per share data (cents)

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
EPS, reported	13.29	14.07	14.72	14.61	14.51
EPS, adj.	13.29	14.07	14.72	14.10	14.51
DPS	8.25	9.00	10.30	10.30	10.40
BVPS	132.7	140.1	148.0	153.3	158.9

Cash Flow

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
CFO					
PBT	436	452	467	439	452
Adjustments	262	253	291	396	367
WC changes	24	(23)	9	(9)	(4)
Cash generated from ops	722	682	766	825	816
Others	(83)	(82)	(63)	(78)	(82)
Cashflow from ops	**639**	**600**	**703**	**748**	**734**
CFI					
CAPEX, net	(471)	(388)	(388)	(198)	(203)
Divd from associates & JVs	3	3	3	4	4
Others	(16)	13	14	18	11
Cashflow from investments	**(485)**	**(372)**	**(371)**	**(177)**	**(188)**
CFF					
Share issuance, net	23	18	13	-	-
Loans, net of repayments	(62)	(190)	(209)	(169)	(80)
Dividends	(198)	(214)	(230)	(246)	(252)
Others	74	117	106	(11)	(6)
Cashflow from financing	**(163)**	**(269)**	**(321)**	**(426)**	**(338)**
Net change in cash	**(8)**	**(41)**	**10**	**145**	**208**
Effects of exchange rates	3	3	(19)	-	-
CCE, end	**826**	**788**	**779**	**925**	**1,133**

Balance Sheet

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
ASSETS					
PPE	2,895	2,909	2,887	2,675	2,498
Intangibles	686	673	645	648	649
Receivables	307	268	241	241	241
Associates & JVs	8	10	11	13	15
Investments	74	52	63	63	63
Others	22	25	24	24	24
Total non-current assets	**3,991**	**3,937**	**3,871**	**3,663**	**3,489**
Inventories	72	75	82	79	78
Accounts Receivables	117	139	237	230	228
Prepayments	197	277	153	148	146
Cash	826	788	779	925	1,133
Others	27	1	-	-	-
Total current assets	**1,239**	**1,280**	**1,251**	**1,382**	**1,585**
Total Assets	**5,231**	**5,216**	**5,122**	**5,045**	**5,074**
LIABILITIES					
Short term loans	243	126	169	80	80
Accounts Payables	837	833	771	749	740
Others	178	177	171	170	169
Total current liabilities	**1,258**	**1,137**	**1,112**	**999**	**989**
Long term loans	494	432	176	96	16
Others	640	635	643	643	643
Total non-current liabilities	**1,134**	**1,067**	**818**	**738**	**658**
Total Liabilities	**2,392**	**2,204**	**1,930**	**1,738**	**1,647**
EQUITY					
Non-controlling interest	649	678	717	739	768
Shareholder Equity	**2,190**	**2,335**	**2,476**	**2,568**	**2,659**

Valuation Ratios

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
P/E (X), adj.	20.0	20.6	19.7	13.6	13.2
P/B (X)	2.0	2.1	2.0	1.2	1.2
EV/EBITDA (X), adj.	7.0	7.1	6.8	4.0	3.8
Dividend Yield (%)	3.1%	3.1%	3.6%	5.4%	5.4%
Growth & Margins (%)					
Growth					
Revenue	8.1%	1.5%	-1.3%	-3.0%	-1.2%
EBITDA	4.2%	5.6%	2.2%	-2.7%	-1.8%
EBIT	3.7%	1.9%	2.6%	-8.1%	3.5%
Net Income, adj.	7.7%	6.5%	5.0%	-4.1%	3.0%
Margins					
EBITDA margin	19.6%	20.4%	21.1%	21.2%	21.1%
EBIT margin	10.9%	11.0%	11.4%	10.8%	11.3%
PBT margin	10.8%	11.0%	11.5%	11.1%	11.6%
Net Profit Margin	7.0%	7.3%	7.8%	7.7%	8.0%
Key Ratios					
ROE (%)	13.1%	13.3%	13.2%	12.1%	12.0%
ROA (%)	5.5%	5.8%	6.1%	6.0%	6.2%
Net Debt or (Net Cash)	(89)	(229)	(434)	(748)	(1,036)
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company Data, PSR est.

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

PhillipCapital

Dairy Farm International

Staging a comeback

StocksBnB.com

SINGAPORE | CONSUMER | UPDATE

- Stronger performance from Health & Beauty, Home Furnishings and Yonghui should mitigate slower sales from Food businesses in Malaysia and Indonesia
- Improving macro fundamentals, new store and margin gains should underpin growth
- BUY with a SOTP-derived target price of US$9.89

Background

Dairy Farm International Holdings Limited (Dairy Farm) is a leading Pan-Asian retailer. The Group, together with its associates and joint ventures, operated over 6,600 outlets across 12 markets. Its four divisions include Food; Health and Beauty; Home Furnishings; and Restaurants.

Investment Merits/Outlook

1. **Food to turnaround.** Weakness in the hypermarket and supermarket operations in Southeast Asia, in particular Malaysia and Indonesia ahead of their elections in 2018. However, we have seen signs of the market turning around in Singapore. Dairy Farm has also returned to the Singapore store-bidding scene. Meanwhile, in Guangdong, China, it is ramping up its 7-Eleven store count (target to reach 1,000 stores by end-FY18). It has also acquired the remaining 34% interest in Rustan's in the Philippines, in line with its strategy to move upscale.

2. **Stronger Health and Beauty performances.** Return of mainland tourists to Hong Kong and Macau to boosts retail sales. Meanwhile, Indonesia continues to benefit from the store rationalization in 2016, and its shift of sales mix towards more beauty offerings.

3. **New stores to drive growth in Home Furnishings.** The fourth IKEA store in Tsuen Wan, Hong Kong opened in Oct-17 and a site for a second store in Jakarta had been secured.

4. **Multiple margin drives.** (a) Scale enhanced in three distribution centres – Singapore (opened in May-16), Philippines (opened in May-17) and Malaysia (to open in 2H17). (b) Better sales mix of higher margin products**:** (i) higher Fresh food; (ii) more Corporate Brand (private label) items; (iii) upscale market expansion; and (iv) increase Ready-to-Eat products.

5. **Fast growing associates to boost earnings –** Yonghui and Maxim's contribute over US$100mn or 20% to the Group's EBIT. **Yonghui:** Strong 9M17 Revenue/Profit of 17.0%/70.7% YoY. **Maxim's:** Strong 3Q17 Revenue/Profit on record mooncake sales; Acquired Starbucks franchise stores in Singapore, with over 130 stores currently in operation.

Recommendation

Maintain BUY with SOTP-derived TP of US$9.89. Higher FY17/18e earnings driven by store openings, improving macro fundamentals in key markets, better stores performance post-rationalization exercise, margin gains and higher contributions from associates.

18 December 2017

BUY (Maintained)

LAST CLOSE PRICE	USD 8.05
FORECAST DIV	USD 0.22
TARGET PRICE	USD 9.89
TOTAL RETURN	25.6%

COMPANY DATA

BLOOMBERG CODE	DFI SP
O/S SHARES (MN) :	1,352
MARKET CAP (USD mn / SGD mn) :	10887 / 14660
52 - WK HI/LO (USD) :	9.25 / 6.92
3M Average Daily T/O (mn) :	0.61

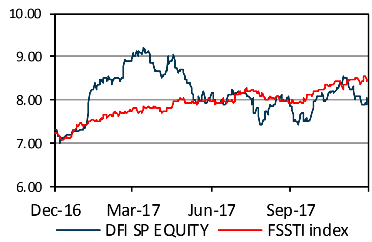
MAJOR SHAREHOLDERS (%)

JARDINE MATHESON HOLDINGS	77.61%
FIRST STATE INVESTMENTS	5.94%
FRANKLIN ADVISERS	1.92%
MATTHEWS INTL CAPITAL MGMT	1.66%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(6.4)	(2.3)	11.3
STI RETURN	1.14	6.89	20.17

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY15	FY16	FY17e	FY18e
Revenue (USD bn)	11.1	11.2	11.4	11.7
Core EBITDA (USD bn)	0.65	0.67	0.68	0.75
Core EBIT (USD bn)	0.44	0.45	0.47	0.53
PATMI, adj. (USD bn)	0.43	0.46	0.50	0.56
EPS, adj. (USD)	0.32	0.34	0.37	0.41
PER, adj. (x)	19.2	22.2	21.8	19.4
P/BV, (x)	5.7	6.5	6.1	5.3
DPS (USD)	0.20	0.21	0.22	0.25
Div Yield (%)	2.5%	2.6%	2.7%	3.1%
ROE (%)	31.1%	30.6%	29.2%	28.4%

Source: Company Data, PSR est.

Valuation Method

Sum-of-parts

Soh Lin Sin (+65 6212 1847)
Investment Analyst
sohls@phillip.com.sg

Financials

Income Statement

Y/E Dec, USD mn	FY14	FY15	FY16	FY17e	FY18e
Revenue	**11,008**	**11,137**	**11,201**	**11,407**	**11,719**
Gross profit	3,291	3,285	3,386	3,456	3,574
Core EBITDA	**727**	**647**	**665**	**684**	**750**
Depreciation & Amortisation	203	212	213	217	223
Core EBIT	**524**	**435**	**453**	**467**	**527**
Associates & JVs	69	85	115	146	158
Other items	10	(4)	10	0	0
Net Finance Inc/(Exp)	(2)	(14)	(22)	(21)	(22)
Profit Before Tax	**601**	**502**	**555**	**592**	**663**
Taxation	(93)	(84)	(85)	(92)	(103)
Profit After Tax	**508**	**418**	**470**	**500**	**560**
- Non-controlling interest	(2)	(6)	0	0	0
PATMI, reported	**509**	**424**	**469**	**500**	**560**
PATMI, adj.	**500**	**428**	**460**	**500**	**560**

Per share data (USD)

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
EPS, reported	0.38	0.31	0.35	0.37	0.41
EPS, adj.	0.37	0.32	0.34	0.37	0.41
DPS	0.23	0.20	0.21	0.22	0.25
BVPS	1.13	1.08	1.17	1.32	1.51

Cash Flow

Y/E Dec, USD mn	FY14	FY15	FY16	FY17e	FY18e
CFO					
Operating Profit	534	431	459	467	527
Adjustments	207	237	221	217	223
WC changes	(17)	73	(97)	99	24
Net finance expense	(1)	(13)	(21)	(21)	(22)
Tax paid	(94)	(90)	(85)	(92)	(103)
Dividends from Assoc/JV	48	62	66	86	94
Others	0	0	0	0	0
Cashflow from ops	**676**	**700**	**543**	**755**	**743**
CFI					
CAPEX, net	(367)	(449)	(243)	(308)	(316)
Others	(65)	(917)	(185)	0	0
Cashflow from investments	**(433)**	**(1,365)**	**(428)**	**(308)**	**(316)**
CFF					
Loans, net of repayments	21	573	238	(114)	(117)
Dividends	(311)	(311)	(270)	(284)	(298)
Others	(2)	16	(10)	0	0
Cashflow from financing	**(293)**	**278**	**(42)**	**(398)**	**(415)**
Net change in cash	(50)	(388)	72	49	12
Effects of exchange rates	(5)	(12)	(7)	(7)	(7)
CCE, end	**657**	**257**	**323**	**365**	**371**

Balance Sheet

Y/E Dec, USD mn	FY14	FY15	FY16	FY17e	FY18e
ASSETS					
PPE	1,219	1,141	1,100	1,134	1,169
Intangibles	566	744	765	822	881
Investments in Assoc/JV	388	1,292	1,462	1,522	1,586
Others	213	203	186	186	186
Total non-current assets	**2,386**	**3,381**	**3,512**	**3,664**	**3,822**
Accounts receivables	252	234	291	250	257
Cash	662	259	324	366	372
Inventories	(1,011)	(937)	(983)	(1,002)	(1,026)
Others	2,027	1,885	1,986	2,023	2,072
Total current assets	**1,930**	**1,440**	**1,617**	**1,638**	**1,674**
Total Assets	**4,316**	**4,821**	**5,129**	**5,302**	**5,496**
LIABILITIES					
Accounts payables	2,413	2,355	2,328	2,405	2,460
Short term loans	93	730	370	425	220
Others	59	67	73	73	73
Total current liabilities	**2,566**	**3,151**	**2,771**	**2,903**	**2,754**
Long term loans	94	11	595	425	513
Others	135	204	184	184	184
Total non-current liabilities	**228**	**215**	**779**	**609**	**697**
Total Liabilities	**2,794**	**3,366**	**3,550**	**3,512**	**3,451**
EQUITY					
Non-controlling interests	94	79	74	74	74
Shareholder Equity	**1,429**	**1,376**	**1,505**	**1,715**	**1,971**

Valuation Ratios

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
P/E (X), adj.	24.3	19.2	22.2	21.8	19.4
P/B (X)	8.0	5.7	6.5	6.1	5.3
EV/EBITDA (X), adj.	16.2	13.6	16.4	16.7	15.1
Dividend Yield (%)	2.9%	2.5%	2.6%	2.7%	3.1%
Growth & Margins (%)					
Growth					
Revenue	6.3%	1.2%	0.6%	1.8%	2.7%
EBITDA	1.2%	-11.0%	2.8%	2.8%	9.6%
EBIT	0.4%	-17.0%	4.0%	3.2%	12.8%
Net profit, adj.	4.2%	-14.4%	7.5%	8.7%	11.9%
Margins					
Gross margin	29.9%	29.5%	30.2%	30.3%	30.5%
EBITDA margin	6.6%	5.8%	5.9%	6.0%	6.4%
EBIT margin	4.8%	3.9%	4.0%	4.1%	4.5%
Net profit margin	4.5%	3.8%	4.1%	4.4%	4.8%
Key Ratios					
ROE (%)	35.0%	31.1%	30.6%	29.2%	28.4%
ROA (%)	11.6%	8.9%	9.0%	9.4%	10.2%
Net Debt/(Cash)	(475)	482	641	484	362
Net Gearing (X)	Net Cash	33.1%	40.6%	27.1%	17.7%

Source: Company, Phillip Securities Research (Singapore) Estimates
*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

PhillipCapital

DBS Group Holdings Ltd

Poised to Outperform

BULL AND BEAR™ StocksBnB.com

18 December 2017

SINGAPORE | BANKING | UPDATE

- NIM will likely expand 15bps to 20bps to reach c.1.9% in FY18 as benchmark rates rise in its key markets.
- Digital capabilities will significantly reduce cost to income ratios compared to past performance in previous economic cycles.
- Expect DBS' FY18 ROE to reach c.13% on the back of higher loans volume, better lending spreads and normalisation of credit costs.
- Maintain BUY rating with target price of S$29.30.

Investment Merits/Outlook

1. **Rising benchmark rates and robust loans growth in Hong Kong and Singapore will drive DBS' NII in FY18.** In December, the Hong Kong Monetary Authority increased the base lending rate by 25bps to 1.75% following a 25bps increase in the Fed Funds rate. The Federal Reserve is expected raise the Fed Funds rate 3 times in FY18. HIBOR is expected to track the rise of base lending rates closely and will lead to upward pressure on margin DBS's Hong Kong-based loans. SIBOR demonstrated stronger correlation to Fed Funds rate in 2H17, we expect the correlation to continue with the assumption that the synchronous global economic growth continues, and macro volatility remains low. Singapore and Hong Kong-based loans account for c.63% of DBS' gross loans therefore sensitive to the rates growth in these locations.

2. **Digitally enabled clients are more profitable and are more cost-efficient to maintain.** In our DBS 2017 Investor Day report, we described how digitally engaged clients are more profitable. The digital enablement has raised DBS' operating leverage and will drive more incremental returns as client activities ramp up amid improving investment sentiments.

3. **India's domestic conditions are highly favourable for India digibank operations as it rolls out key banking products in FY18.** The conditions are particularly favourable for digital push into India because of the mandatory Aadhaar system to all the residents of India and the ongoing banknote de-monetisation. In addition, DBS has the appropriate leadership in place and has the first mover advantage into a large Indian population that is young and IT savvy. We believe that the rollout of key banking products (unsecured loans, remittance, insurance and credit cards) in FY18 will gain further traction in this market.

4. **Major clean up in 3Q17 paves the way for credit cost to normalise in FY18.** By 3Q17, 57% (c.S$3bn) of the DBS' S$5.3bn offshore Oil & Gas exposure has been recognised as non-performing assets (NPA). In addition, 50% of that S$3bn NPA has been provided for through the aggressive specific provision expense in 3Q17. Given that the collateral values of the offshore assets are already beaten down to 25% of its original valuation, we believe that further downside is limited and the provision cover of 50% of offshore oil and gas NPA provides sufficient buffer.

Recommendation

Maintain BUY rating with a target price of S$29.30 based on Gordon Growth Model.

BUY (Maintained)

LAST TRADED PRICE	SGD 24.58
FORECAST DIV	SGD 0.66
TARGET PRICE	SGD 29.30
TOTAL RETURN	**21.89%**

COMPANY DATA

BLOOMBERG TICKER	DBS SP
O/S SHARES (MN) :	2,558
MARKET CAP (USD mn / SGD mn) :	46689 / 62867
52 - WK HI/LO (SGD) :	25.36 / 17.15
3M Average Daily T/O (mn) :	4.56

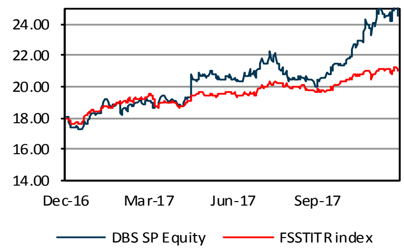
MAJOR SHAREHOLDERS (%)

Temasek Holdings Pte Ltd	29.35%
Vanguard Group	2.12%
Norges Bank Investment Management	2.02%
JP Morgan Chase & Co	136%

PRICE PERFORMANCE (%)

	1M TH	3 M TH	1Y R
COMPANY	5.1	22.8	43.4
STI RETURN	117	6.92	20.23

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY 15	FY 16	FY 17e	FY 18 e
Total Inc (SGD mn)	10,923	11,489	12,200	13,544
Op Profit (SGD mn)	5,280	5,083	5,151	7,383
NPAT (SGD mn)	4,567	4,360	4,504	6,375
EPS (SGD)	171	173	152	2.42
PER, (X)	117	10.3	15.8	10.3
P/BV, (X)	13	10	14	13
DPS (SGD)	0.60	0.60	0.66	0.68
ROE, (%)	114%	10.4%	9.1%	13.1%

Source: Bloomberg, Company, PSR

Valuation Method:

Gordon Growth Model (ERP: 6.7%, g: 2%)

Jeremy Teong (+65 6212 1863)
Investment Analyst
jeremyteongfh@phillip.com.sg

Financials

Income Statement

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
Net Interest Income	6,321	7,100	7,305	7,715	8,975
Fees and Commission	2,027	2,144	2,331	2,533	2,898
Other Non interest income	1,468	1,679	1,853	1,952	1,671
Total income	**9,816**	**10,923**	**11,489**	**12,200**	**13,544**
Operating expenses	4,330	4,900	4,972	5,084	5,317
Provisions	667	743	1,434	1,965	845
Operating profit	**4,819**	**5,280**	**5,083**	**5,151**	**7,383**
Associates & JVs	79	14	0	0	0
Profit Before Tax	**4,898**	**5,294**	**5,083**	**5,151**	**7,383**
Taxation	713	727	723	647	1,008
Profit After Tax	**4,185**	**4,567**	**4,360**	**4,504**	**6,375**
Non-controlling Interest	139	113	122	136	137
Net Income, reported	**4,046**	**4,454**	**4,238**	**4,368**	**6,238**
Net Income, adj.	**3,848**	**4,318**	**4,238**	**4,018**	**6,238**

Per share data (SGD)

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
EPS, reported	1.63	1.71	1.73	1.52	2.42
DPS	0.58	0.60	0.60	0.66	0.68
BVPS	14.44	15.49	16.61	17.69	19.40

Balance Sheet

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
Cash and bal with central banks	19,517	18,829	26,840	22,661	20,332
Due from banks	42,263	38,285	30,018	33,020	33,020
Govt, Bank & Corp Sec & T Bills	67,457	74,574	78,818	98,936	105,955
Derivatives	16,995	23,631	25,757	16,651	11,082
Goodwill and intangibles	5,117	5,117	5,117	5,166	5,166
Property and other fixed assets	1,485	1,547	1,572	1,263	1,758
Loans to non-bank customers	275,588	283,289	301,516	319,701	343,151
JV and Associates	995	1,000	890	882	919
Other assets	11,249	11,562	11,042	12,268	11,135
Total Assets	**440,666**	**457,834**	**481,570**	**510,548**	**532,518**
Due to banks	16,176	18,251	15,915	22,920	22,920
Deposits from customers	317,173	320,134	347,446	365,132	387,848
Derivatives	18,755	22,145	24,497	16,651	11,082
Other liabilities	11,728	12,404	15,895	19,753	19,829
Other debt securities	31,963	38,078	27,745	35,514	35,514
Subordinated term debts	4,665	4,026	3,102	1,147	1,147
Total liabilities	**400,460**	**415,038**	**434,600**	**461,117**	**478,340**
Shareholder's equity	37,708	40,374	44,609	47,056	51,816
Non-controlling interest	2,498	2,422	2,361	2,375	2,362
Total Equity	**40,206**	**42,796**	**46,970**	**49,431**	**54,178**

Supplementary items

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
CET1 CAR (%)	13.1%	13.5%	14.1%	13.6%	13.7%
Tier 1 CAR (%)	13.1%	13.5%	14.7%	14.1%	14.2%
Total CAR (%)	15.3%	15.4%	16.2%	15.5%	15.6%

Valuation Ratios

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
P/E (X), avg	11.8	11.7	10.3	15.8	10.3
P/B (X), avg	1.3	1.3	1.0	1.4	1.3
Dividend Yield (%)	3.3%	3.1%	3.5%	2.6%	2.7%
Growth & Margins (%)					
Growth					
Net interest income	13.5%	12.3%	2.9%	5.6%	16.3%
Net Fee and Comm Inc	7.5%	5.8%	8.7%	8.7%	14.4%
Total income	7.9%	11.3%	5.2%	6.2%	11.0%
Profit before tax	9.3%	9.6%	-3.7%	1.3%	43.3%
Net income, reported	10.2%	10.1%	-4.8%	3.1%	42.8%
Net income, adj.	9.9%	12.2%	-1.9%	-5.2%	55.2%
Margins					
Net interest margin	1.71%	1.84%	1.71%	1.77%	1.93%
Key Ratios (%)					
ROE	10.9%	11.3%	10.4%	9.1%	13.1%
ROA	0.9%	1.0%	0.9%	0.8%	1.2%
RORWA	1.5%	1.6%	1.5%	1.4%	1.9%
Non-interest/total income ratio	35.6%	35.0%	36.4%	36.8%	33.7%
Cost/income ratio	44.1%	44.9%	43.3%	41.7%	39.3%
Loan/deposit ratio	86.9%	88.5%	86.8%	87.6%	88.5%
NPL ratio	0.87	0.91	1.45	1.71	1.53

Source: Company, PSR

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

PhillipCapital

Geo Energy Resources Ltd

High growth with 4% yield

StocksBnB.com

SINGAPORE | MINING | UPDATE

- Production is expected to surge 41.8% YoY in FY17. We expect volumes to continue to grow by 41% YoY to 11mn tonnes in FY18.
- Removed financing overhang with new $300mn senior note facility.
- Attractive dividend yield of 4%. Maintain BUY with target price of S$0.44

Background

Geo Energy Resources Ltd (GEO) is an Indonesian coal producer. Its main business segments comprise of coal mining, coal trading, and related mining services. As of Sep-17, the group has six mining concessions with more than 90mn tonnes coal reserves.

Investment Merits/Outlook

1. **Substantial growth in production.** 9M17 sales volume at grew 76.6% YoY to 5.6mn tonnes. During the period, the realised average selling price rose by 37.8% YoY to US$39.5/tonne. The coal price (ICI 4,200 GAR) remains on an uptrend, touching year highs of c.US$50/tonne in Nov-17. Management revised down the sales target to 7mn to 8mn tonnes from 10mn tonnes set previously due to the disruption of prolonged monsoon season in 2Q and 3Q17; this is still a growth of 41.8%.

2. **Issuance of the new note enhanced solvency and liquidity.** GEO issued a new senior note of US$300mn in early Oct-17 at an interest rate of 8%. The proceeds were used to partially redeem the S$100mn (US$72mn) MTN which will be due in Jan-18 and repay the advances from ECTP. The balance of roughly US$200mn, together with the cash on hand of US$36mn as of Sep-17, will fund working capital or to fund potential acquisitions of coal mining assets.

3. **Attractive dividend yield in the sector.** We expected GEO to maintain dividends of 1 SG cents (4% dividend yield). We think there is upside on the dividends.

4. **GEO guiding production target** will range from 12mn to 15mn tonnes in FY18. For FY18, we expect volumes to be 11mn tonnes with 41% YoY growth and ASP to be US$39/tonne (US$41/tonne FY17e). At present, the group is offered three proposals of offtake agreements for TBR mine, and the prepayment price of which will be at least US$4/tonne, comparable to the offer for SDJ mine in FY16. If it pans out, the new offtake will provide more visibility to production volume and further improve the cash position.

Recommendation

Maintain BUY with a target price of $0.44. We expect earnings to surge in FY17e from coal sales volume of 7.8mn tonnes (+41.8% YoY) and ASP of US$41/tonne (+24.2%). Based on the forward PER of 10.0x (the average of regional peers), we maintain our BUY call with a target price of S$0.44.

18 December 2017

BUY (Maintained)

CLOSING PRICE	SGD 0.255
FORECAST DIV	SGD 0.010
TARGET PRICE	SGD 0.440
TOTAL RETURN	76.5%

COMPANY DATA

Bloomberg Code	GERL SP
O/S SHARES (MN) :	1329
MARKET CAP (USD mn / SGD mn) :	252 / 339
52 - WK HI/LO (SGD) :	0.36 / 0.22
3M Average Daily T/O (mn) :	4.999

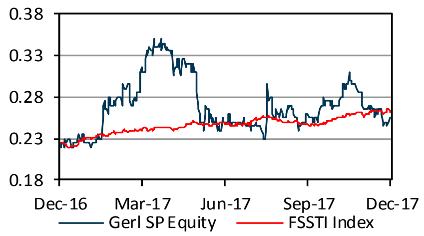
MAJOR SHAREHOLDERS (%)

MASTER RESOURCES	25.8%
MELATI CHARLES ANTONN	14.6%
INTERNATIONAL RES IL	8.8%
SURYA DHAMMA	7.7%
THEARE HAWHEAH	5.7%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(2.0)	18	24.0
STI RETURN	11	6.9	20.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY15	FY16	FY17e	FY18e
Revenue (US$ mn)	22.3	182	316	421
EBITDA (US$ mn)	(5.8)	53	86	120
PATMI (US$ mn)	(16.3)	22	44	58
P/E (x)	N.M.	9.0	5.7	4.3
P/B (x)	2.4	16	15	11
Dividend yield (%)	0%	4%	4%	4%
ROE (%)	N.M.	18%	26%	25%
ROA (%)	N.M.	7%	7%	9%

Source: Company, PSR

VALUATION METHOD

P/E Multiple (PER:10.0x)

Chen Guangzhi (+65 6212 1859)
Investment Analyst
chengz@phillip.com.sg

PhillipCapital

Financials

Income Statement

Y/E Dec, US mn	FY14	FY15	FY16	FY17e	FY18e
Revenue	**53**	**22**	**182**	**316**	**421**
Gross profit	(2)	0	42	82	118
EBITDA	**(4)**	**(6)**	**53**	**86**	**120**
Depreciation & amortisation	7	5	13	17	18
EBIT	**(11)**	**(10)**	**40**	**69**	**102**
Net Finance (Expense)/Inc	(5)	(8)	(6)	(6)	(19)
PBT	**(16)**	**(18)**	**34**	**63**	**84**
Taxation	3	(10)	(10)	(19)	(25)
PAT	**(13)**	**(28)**	**24**	**44**	**58**
Loss from discotinued operation	0	0	(1)	0	0
Non-controlling interests	(0)	(12)	(0)	0	0
PATMI	**(13)**	**(16)**	**22**	**44**	**58**

Per share data

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
EPS, basic (Cents)	(1)	(1)	1.8	3.3	4.4
EPS, diluted (Cebts)	(1)	(1)	1.8	3.3	4.4
DPS (SG cents)	0	0	1	1	1
BVPS, basic (Cents)	9	8	10	13	17
BCPS, diluted (Cents)	9	8	10	13	17

Cash Flow

Y/E Dec, US mn	FY14	FY15	FY16	FY17e	FY18e
CFO					
PBT	(16)	(18)	32	63	84
Adjustments	10	16	18	26	39
WC changes	(8)	23	20	(50)	(16)
Cash generated from ops	(14)	21	70	39	107
Others	(3)	2	(0)	(8)	(9)
Cashflow from ops	**(17)**	**23**	**70**	**31**	**97**
CFI					
CAPEX, net	(49)	(17)	2	(31)	(30)
Others	0	(0)	(9)	2	5
Cashflow from investments	**(49)**	**(17)**	**(6)**	**(29)**	**(25)**
CFF					
Loans, net of repayments	68	(6)	(2)	291	(73)
Others	(9)	(2)	(6)	(15)	(19)
Cashflow from financing	**59**	**(8)**	**(8)**	**276**	**(92)**
Net change in cash	**(7)**	**(3)**	**55**	**278**	**(20)**
Effects of exchange rate	(1)	(1)	0	0	0
Ending cash	**11**	**7**	**63**	**341**	**321**

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, US mn	FY14	FY15	FY16	FY17e	FY18e
ASSETS					
PP&E	115	132	103	181	163
Deferred stripping costs	0	1	10	8	4
Others	17	13	9	11	13
Total non-current assets	**132**	**146**	**122**	**201**	**180**
Cash	13	12	68	341	321
Trade receivables	32	33	103	32	64
Others	35	24	16	48	57
Total current assets	**80**	**69**	**188**	**421**	**442**
Total Assets	**212**	**215**	**309**	**621**	**622**
LIABILITIES					
Borrowings	75	72	69	290	290
Others	5	3	1	4	4
Total non-current liabilities	**80**	**75**	**70**	**294**	**294**
Trade payables	13	40	107	75	86
Borrowings	10	7	0	73	0
Others	0	0	7	11	11
Total current liabilities	**23**	**46**	**114**	**159**	**97**
Total Liabilities	**104**	**121**	**184**	**453**	**391**
Shareholder Equity	**108**	**94**	**124**	**167**	**230**
Non-controlling interests	0.4	0.2	0.2	1.3	1.3

Valuation Ratios

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
P/E (x)	N.M.	N.M.	9.0	5.7	4.3
P/B (x)	2.1	2.4	1.6	1.5	1.1
EV/EBITDA	N.M	N.M	4	4	3
Growth & Margins (%)					
Growth					
Revenue	-51%	-58%	715%	73%	33%
EBITDA	N.M.	40%	N.M.	64%	40%
EBIT	N.M.	-4%	N.M.	73%	49%
PATMI	N.M.	51%	N.M.	98%	33%
Margins					
EBITDA margin	N.M.	-26%	29%	27%	29%
EBIT margin	N.M.	-46%	22%	22%	24%
PATMI margin	N.M.	-73%	12%	14%	14%
Key Ratios					
Dividend yield (%)	0	0	4%	4%	4%
ROE (%)	N.M.	N.M.	18%	26%	25%
ROA (%)	N.M.	N.M.	7%	7%	9%
Net Debt or (Net Cash)	72	66	1	23	(31)
Gearing (%)	40%	37%	22%	58%	47%

N.M.: not meaningful

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

PhillipCapital

Health Management International

Hotspot for medical tourism

StocksBnB.com

SINGAPORE | HEALTHCARE | UPDATE

- A proxy to Malaysia's booming medical tourism industry
- Expanding capacity to cope with increasing demand and enhance the range of services to drive revenue intensity
- Maintain Buy with unchanged DCF-derived TP of S$0.83

Background

Health Management International Ltd (HMI) has two tertiary hospitals in Malaysia, the 288-bed capacity Mahkota Medical Centre in Malacca and the 218-bed capacity Regency Specialist Hospital in Johor. The Group also owns and operates the HMI Institute of Health Sciences in Singapore.

Investment Merits/Outlook

1. **Enhance range of specialist and sub-specialists, facilities and services to boost demand and revenue intensity.** Continue to expand its team of specialists and sub-specialists in Mahkota, as well as establish new COEs (Centres of Excellence) in Regency. Currently, Mahkota and Regency have 10 and 5 COEs respectively.

2. **Introducing new technologies and being ahead of the game.** Introduction of the first and only PET-CT Scan in Melaka (in Mahkota, Nov-16), and the first ECMO (Extracorporeal Membrane Oxygenation) Therapy in Southern region of Malaysia (in Regency, Oct-17). The Group also shared that it has launched the first EUS (Endoscopic Ultrasound Scan) in Melaka and plans to bring the service to Regency.

3. **Expansion plans on track to meet the increasing medical demand in the region.** Both Mahkota and Regency will add 34 operational beds each (or +15.7%), leading to a total bed capacity of 500 by end-FY2018. Meanwhile, the new hospital extension block at Regency will transform it from a 218-bed tertiary hospital to a 380-bed hospital. Construction is expected to commence in FY18 after obtaining necessary approvals and is slated to commission in FY21. The Group targets to reach 840 aggregate bed capacity eventually – Mahkota (340 beds) and Regency (500 beds).

4. **Beneficiary from Malaysia's healthy medical tourism.** Malaysia has competitive pricing edge as compared to its regional peers. In 2016, Malaysia's medical tourism growth jumped by 23%, as compared to its average growth rate of 15% in 2011-2015. In addition, Malaysia's 2018 Budget allocated RM30mn to further spur the growth of medical tourism industry. More flights and the proposed upgrading of the Malacca International Airport will provide a leg up for medical tourism in Melaka. Recall that ***foreign patients are revenue booster***. The average hospital bill size of a foreign patient is historically 1.4-1.5x of a local patient's. With the additional capacity, Mahkota is well-positioned to capture growth opportunities for medical tourism.

5. **Healthy financials to support its growth strategy.** On track to pare down 50% of acquisition debt by Dec-17. Management is committed to its aggressive debt repayment schedule: (a) it has already paid down c.35% of its acquisition debt as at end Sep-17; (b) the remaining RM25mn repayment in Dec-17 should be supported by its strong operating cash flows (RM31mn net operating cash flow in 1Q18).

Recommendation

Maintain BUY with DCF-derived target price of S$0.83. Favorable socioeconomic tailwinds arising from (i) public and private initiatives to improve infrastructure and regional connectivity; (ii) increasing domestic insurance take-up rate; (iii) ageing population; and (iv) cost competitive pricing compared to regional peers, should underpin HMI's long-term growth.

18 December 2017

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.670
FORECAST DIV	SGD 0.005
TARGET PRICE	SGD 0.83
TOTAL RETURN	24.3%

COMPANY DATA

BLOOMBERG CODE	HMI SP
O/S SHARES (MN) :	838
MARKET CAP (USD mn / SGD mn) :	416 / 561
52 - WK HI/LO (SGD) :	0.73 / 0.57
3M Average Daily T/O (mn) :	0.62

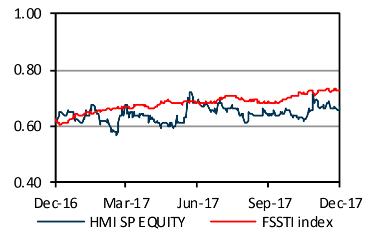
MAJOR SHAREHOLDERS (%)

Nam See Investment Pte Ltd	35.5%
Maju Medik (Malaysia) Sdn Bhd	18.4%
Kabouter Management LLC	5.9%
Gan See Khem	13%
Chin Wei Jia	12%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(5.5)	(5.8)	87.7
STI RETURN	3.90	6.67	23.82

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Jun	FY16	FY17	FY18e	FY19e
Revenue (RM mn)	398	436	480	551
EBITDA (RM mn)	85	96	103	119
NPAT (RM mn)	20	21	60	69
EPS (RM cts)	3.45	3.18	7.31	8.43
EPS (S cts)	1.15	1.01	2.38	2.74
PER, adj. (x)	29.3	65.7	28.2	24.4
P/BV, x	3.4	8.0	7.2	5.3
DPS (S cts)	0.25	0.32	0.49	0.55
Div Yield (%)	0.4%	0.5%	0.7%	0.8%
ROE (%)	12.6%	12.1%	29.7%	25.1%

Source: Bloomberg

VALUATION METHOD

DCF (WACC: 7.0%; terminal g: 1.0%)

Soh Lin Sin (+65 6212 1847)
Investment Analyst
sohls@phillip.com.sg

Financials

Income Statement

Y/E Jun, MYR mn	FY15	FY16	FY17	FY18e	FY19e
Revenue	**345**	**398**	**436**	**480**	**551**
EBITDA	**73**	**85**	**96**	**103**	**119**
Depreciation & Amortisation	(16)	(18)	(20)	(23)	(26)
EBIT	**53**	**63**	**65**	**80**	**92**
Share of results of assoc.	3	2	1	0	0
Net Finance Inc/(Exp)	(2)	(2)	(4)	(5)	(6)
Profit before tax	**55**	**63**	**62**	**80**	**92**
Taxation	(1)	(18)	(20)	(20)	(23)
NPAT before NCI, reported	**53**	**45**	**42**	**60**	**69**
NPAT before NCI, adjusted	**57**	**48**	**54**	**60**	**69**
Non-controlling interest	(26)	(26)	(22)	0	0
PATMI, reported	**28**	**20**	**21**	**60**	**69**
PATMI, adjusted	**31**	**23**	**32**	**60**	**69**

Per share data (MYR Cents)

Y/E Jun	FY15	FY16	FY17	FY18e	FY19e
EPS, reported	4.79	3.45	3.18	7.31	8.43
DPS	0.00	0.75	1.00	1.50	1.70
BVPS	25.02	29.58	26.06	28.65	38.59

Per share data (SGD Cents)

Y/E Jun	FY15	FY16	FY17	FY18e	FY19e
FX rate (SGD/MYR)	0.34	0.33	0.32	0.33	0.33
EPS, reported	1.65	1.15	1.01	2.38	2.74
DPS	0.00	0.25	0.32	0.49	0.55
BVPS	8.62	9.90	8.28	9.32	12.56

Balance Sheet

Y/E Jun, MYR mn	FY15	FY16	FY17	FY18e	FY19e
ASSETS					
PPE	180	178	279	320	362
Others	48	50	0	0	0
Total non-current assets	**228**	**228**	**279**	**321**	**362**
Accounts receivables	88	57	45	78	85
Cash	39	79	77	36	117
Inventories	13	14	14	14	16
Others	4	4	3	3	3
Total current assets	**144**	**155**	**138**	**132**	**222**
Total Assets	**372**	**383**	**418**	**453**	**584**
LIABILITIES					
Accounts payables	66	79	68	100	114
Short term loans	29	27	72	42	42
Others	2	6	8	7	7
Total current liabilities	**97**	**113**	**148**	**149**	**164**
Long term loans	12	14	92	59	94
Others	58	24	9	9	9
Total non-current liabilities	**69**	**38**	**101**	**68**	**103**
Total Liabilities	**167**	**151**	**249**	**217**	**267**
EQUITY					
Non-controlling interests	61	62	0	0	0
Shareholder Equity	**144**	**171**	**169**	**235**	**317**

Cash Flow

Y/E Jun, MYR mn	FY15	FY16	FY17	FY18e	FY19e
CFO					
Profit before tax	55	63	62	80	92
Adjustments	21	27	33	28	33
WC changes	17	(4)	1	(2)	5
Cash generated from ops	92	86	97	107	130
Others	(11)	(13)	(20)	(27)	(31)
Cashflow from ops	**82**	**73**	**77**	**80**	**99**
CFI					
CAPEX, net	(10)	(11)	(11)	(65)	(68)
Others	3	(11)	(216)	2	2
Cashflow from investments	**(7)**	**(22)**	**(227)**	**(63)**	**(65)**
CFF					
Share issuance, net	0	(1)	61	0	0
Loans, net of repayments	(15)	1	122	(63)	35
Dividends	0	0	(4)	(7)	(12)
Others	(9)	(25)	(26)	0	0
Cashflow from financing	**(24)**	**(25)**	**153**	**(69)**	**22**
Net change in cash	**50**	**26**	**4**	**(53)**	**56**
Effect of FX	0	1	1	1	1
CCE, end	**80**	**111**	**111**	**68**	**160**

Valuation Ratios

Y/E Jun	FY15	FY16	FY17	FY18e	FY19e
P/E (X), adj.	21.5	29.3	65.7	27.5	23.9
P/B (X)	4.1	3.4	8.0	7.0	5.2
EV/EBITDA (X), adj.	8.1	6.9	17.9	16.0	13.9
Dividend Yield (%)	0.0%	0.4%	0.5%	0.7%	0.8%
Growth & Margins (%)					
Growth					
Revenue	17.9%	15.2%	9.5%	10.2%	14.8%
EBITDA	26.3%	15.4%	13.7%	7.3%	15.2%
EBIT	25.8%	18.7%	2.0%	24.1%	15.3%
Net profit, adj.	77.7%	-27.1%	40.3%	87.2%	15.3%
Margins					
EBITDA margin	21.2%	21.2%	22.1%	21.5%	21.5%
EBIT margin	15.4%	15.9%	14.8%	16.7%	16.7%
Net profit, adj. margin	9.1%	5.7%	7.4%	12.5%	12.6%
Key Ratios					
ROE (%)	21.7%	12.6%	12.1%	29.7%	25.1%
ROA (%)	8.4%	5.3%	5.1%	13.8%	13.4%
Net Debt / (Cash)	2	(37)	87	64	19
Net Gearing (X)	0.7%	Net Cash	51.6%	27.4%	5.9%

Source: Company, Phillip Securities Research (Singapore) Estimates

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

PhillipCapital

Micro-Mechanics (Holdings) Ltd

A Turbocharged 2018

Bull and Bear™ StocksBnB.com

SINGAPORE | TECHNOLOGY | UPDATE

- 1Q18 earnings rose 53%, this is double the growth rate we modelled. Based on the recent industry semiconductors sales, we expect at least another stellar quarter of earnings.
- MMH enjoys a 15-year track record of 20% earnings CAGR with gross margins averaging 55%.
- Maintain BUY. Our target price of S$2.50 is 16x PE FY18e. This is in-line with back-end semiconductor valuations.

Company Background

Micro-Mechanics (MMH) produces consumable tools and parts used in the back-end semiconductor process, in particular, die attach and wire bonding. These include rubber tips that pick up tiny bare semiconductors (called dies) that have been cut from a wafer and then placed onto a metal pad (called leadframe that connects to outside world or circuit board). This die will then be encapsulated into the ubiquitous semiconductor chips we see everywhere. Another major product is tools used in the wire-bonding process. An example is a clamp to hold the lead frame during the wire-bonding process of the die. It is also building up capabilities to serve the front-end of the semiconductor industry through its US operations.

Investment Merits / Outlook

1. **Enviable track record.** MMH has an impressive 15-year track record of growing earnings by 20% CAGR. This has been accomplished together with strong operating cash flows and an unlevered balance sheet. ROE has averaged 27% over the past three years. We expect ROE to cross 30% this year as earnings accelerate.
2. **High margins from intellectual property and execution.** MMH enjoys huge gross margins of almost 60%. This is the highest amongst its listed global peers in semiconductor back-end supply chain. We believe its high margins is a culmination of its intellectual property in material science and strong execution in customising products that require extreme micrometre precision.
3. **Making headway into front-end precision parts.** Sales from US division surged 58% YoY in 1Q18 and it represented the second consecutive quarter of profits.
4. **The semiconductor industry is still robust.** MMH revenue growth is closely tied to the industry semiconductor sales cycle. We expect the current momentum in sales to sustain, October semiconductor sales is up 22% YoY. Visibility is never perfect for the semiconductor cycle. But we take comfort that the current double-digit surge in semiconductor sales began in earnest only in Dec16. So we at least have another quarter ahead of easier comps. Furthermore, in the last two semiconductor cycles, the positive YoY growth ran for 20 and 26 months. The current cycle is only 15 months.

Recommendation

We maintain our BUY recommendation with a target price to S$2.50 and PE ratio of 16x. Our PE ratio is tied to the sector valuations for the semiconductor back-end.

The report is produced by Phillip Securities Research under the 'SGX StockFacts Research Programme' (administered by SGX) and has received monetary compensation for the production of the report from the entity mentioned in the report.

18 December 2017

BUY (Maintained)

LAST TRADED PRICE	SGD 2.00
FORECAST DIV	SGD 0.08
TARGET PRICE	SGD 2.50
TOTAL RETURN	29.0%

COMPANY DATA

BLOOMBERG	MMH SP
O/S UNITS (MN) :	139
MARKET CAP (USD mn / SGD mn) :	206 / 278
52 - WK HI/LO (SGD) :	2.23 / 0.83
3M Average Daily T/O (mn) :	0.09

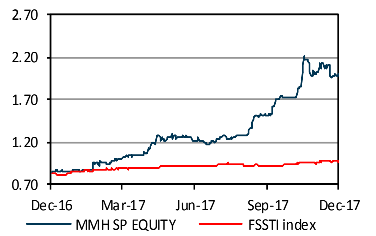
MAJOR SHAREHOLDERS

SARCADIA LLC	27.1%
CHRIS BORCH	25.4%
LOW MING WAH	5.1%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(2.5)	32.4	143.1
STI RETURN	1.1	6.9	20.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS (MMH SP)

SGD mn	FY16	FY17	FY18e	FY19e
Revenue	51.3	57.2	71.5	80.1
EBITDA	20.1	22.5	32.2	37.3
NPAT	11.9	14.8	21.7	25.5
EPS (SGD)	0.09	0.11	0.16	0.18
PER, x	23.4	18.8	12.8	10.9
P/BV, x	4.3	3.9	4.4	3.7
DPU (SGD)	0.06	0.07	0.08	0.08
DVD YIELD (%	3.0	3.5	4.0	4.0
ROE (%)	24.5	28.2	36.5	36.3

Source: Bloomberg, PSR

Paul Chew (+65 6212 1851)
Head Of Research
paulchewkl@phillip.com.sg

Financials

Income Statement

Y/E Jun, SGD mn	FY15	FY16	FY17	FY18e	FY19e
Revenue	**52.1**	**51.2**	**57.2**	**71.5**	**80.1**
EBITDA	**18.5**	**19.5**	**22.1**	**32.2**	**37.3**
Depreciation & Amortisation	(4.6)	(4.4)	(4.3)	(4.9)	(5.0)
EBIT	**13.9**	**15.1**	**17.8**	**27.3**	**32.2**
Net Finance Inc/(Exp)	0.0	0.0	0.0	0.0	0.0
Profit before tax	**15.3**	**15.7**	**18.5**	**27.8**	**32.7**
Taxation	**(3.3)**	**(3.8)**	**(3.7)**	**(6.1)**	**(7.2)**
Net profit before NCI	**12.0**	**11.9**	**14.8**	**21.7**	**25.5**
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Net profit, reported	**12.0**	**11.9**	**14.8**	**21.7**	**25.5**

Per share data (SGD)

Y/E Jun	FY15	FY16	FY17	FY18e	FY19e
EPS, reported	0.086	0.086	0.106	0.156	0.184
DPU	0.05	0.06	0.08	0.08	0.08
BVPS	0.34	0.36	0.39	0.46	0.55

Cash Flow

Y/E Jun, SGD mn	FY15	FY16	FY17	FY18e	FY19e
CFO					
Profit before tax	**15.3**	**15.7**	**18.5**	**27.8**	**32.7**
Depreciation & Amortisation	4.6	4.4	4.3	4.9	5.0
WC changes	(3.0)	(0.6)	(0.6)	(2.4)	0.6
Net finance inc/(exp)	(0.1)	(0.1)	(0.1)	0.0	0.0
Tax paid	(2.3)	(3.2)	(3.9)	(6.1)	(7.2)
Others	(0.5)	0.0	(0.2)	0.0	0.0
Cashflow from ops	**14.1**	**16.3**	**18.1**	**24.1**	**31.2**
CFI					
CAPEX, net	(4.9)	(4.1)	(5.1)	(10.0)	(5.0)
Others	0.6	1.2	0.4	0.2	0.0
Cashflow from investments	**(4.3)**	**(2.9)**	**(4.7)**	**(9.8)**	**(5.0)**
CFF					
Share issuance, net	0.0	0.0	0.0	0.0	0.0
Loans, net of repayments	0.0	0.0	0.0	0.0	0.0
Dividends	(5.5)	(6.9)	(9.7)	(12.5)	(12.5)
Others	0.0	0.0	0.0	0.0	0.0
Cashflow from financing	**(5.5)**	**(6.9)**	**(9.7)**	**(12.5)**	**(12.5)**
Net change in cash	**4.9**	**5.7**	**3.5**	**1.6**	**13.7**
CCE, end	**15.9**	**20.8**	**23.5**	**25.0**	**38.7**

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Jun, SGD mn	FY15	FY16	FY17	FY18e	FY19e
ASSETS					
PPE	26.6	25.5	26.1	27.2	27.1
Others	0.3	0.1	0.4	0.4	0.4
Total non-current assets	**26.9**	**25.6**	**26.5**	**27.6**	**27.5**
Accounts receivables	10.1	10.3	11.9	12.9	14.9
Cash	15.1	20.0	23.4	25.0	38.7
Inventories	3.5	3.2	3.6	4.9	5.0
Others	0.1	0.2	0.0	0.0	0.0
Total current assets	**28.8**	**33.7**	**38.9**	**42.9**	**58.6**
Total Assets	**55.7**	**59.3**	**65.4**	**70.4**	**86.1**
LIABILITIES					
Accounts payables	6.0	5.9	7.8	7.7	10.3
Short term loans	0.0	0.0	0.0	0.0	0.0
Others	1.5	1.6	1.3	1.3	1.3
Total current liabilities	**7.5**	**7.5**	**9.1**	**9.0**	**11.6**
Long term loans	0.0	0.0	0.0	0.0	0.0
Others	1.3	1.5	1.7	1.7	1.7
Total non-current liabilitie	**1.3**	**1.5**	**1.7**	**1.7**	**1.7**
Total Liabilities	**8.8**	**9.0**	**10.8**	**10.7**	**13.3**
EQUITY					
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Shareholder Equity	**46.8**	**50.2**	**54.7**	**63.8**	**76.9**

Valuation Ratios

Y/E Jun	FY15	FY16	FY17	FY18e	FY19e
P/E (X)	23.2	23.4	18.8	12.8	10.9
P/B (X)	5.9	5.5	5.1	4.4	3.6
EV/EBITDA (X)	154.5	146.3	129.0	88.5	76.0
Dividend Yield	2.5%	3.0%	4.0%	4.0%	4.0%
Growth & Margins					
Growth					
Revenue	18.9%	-1.7%	11.7%	25.0%	12.0%
EBITDA	42.3%	5.4%	13.3%	45.7%	15.8%
EBIT	59.8%	8.6%	17.9%	53.1%	18.3%
Net profit, adj.	55.8%	-0.8%	24.4%	46.3%	18.0%
Margins					
EBITDA margin	35.5%	38.1%	38.6%	45.0%	46.6%
EBIT margin	26.7%	29.5%	31.1%	38.1%	40.3%
Net profit margin	23.0%	23.2%	25.9%	30.3%	31.9%
Key Ratios					
ROE (%)	1.8%	24.5%	28.2%	36.5%	36.3%
ROA (%)	0.9%	20.7%	23.7%	31.9%	32.6%
Net Debt / (Cash)	(15)	(20)	(23)	(25)	(39)
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

PhillipCapital

Old Chang Kee Ltd.

Spicing up growth

StocksBnB.com

SINGAPORE | CONSUMER | UPDATE

18 December 2017

- New factory and equipment to boost product innovations and margins from 3QFY18 onwards.
- Near-term headwinds of integration costs and higher input costs in FY18e.
- Potentially increase dividend payout post-CapEx in FY19e.
- Maintain BUY with DCF-derived target price of S$0.98.

Background

Old Chang Kee Ltd (OCK) manufactures and sells Halal- certified food products under the brand name "Old Chang Kee", including its signature Old Chang Kee curry puff. The Company also owns other subsidiary brands such as Take 5, Curry Times, Bun Times, Mushroom Cafe, and Dip 'n' Go.

Investment Merits/Outlook

1. **Three-pronged growth strategy:**

   (a) Continues to expand its store network locally. Contribution from new outlets and higher same-store sales growth should underpin topline growth. As at 30 Sep-17, it has 87 outlets, 10 net new stores as compared to Nov-16. We expect 5 net new stores by 2H FY18 (Oct-17 to Mar-18), bringing total store count to reach 92 by end-FY18.

   (b) Puff innovations to spur sales and change of sales mix to drive margin. Puff products are the major revenue contributor (c.30% of sales), and new puff flavours are the key revenue growth driver. Introduction of new flavours could translate into 1-3% of revenue growth. Meanwhile, OCK Ready Meals (e.g. Curry Chicken Rice/Loaf/Bee Hoon or Sambal Fish Cutlet Rice) yield higher margins compared to the other products. The new factory provides new c.60% additional production area to boost product innovations and enables change of product mix.

   (c) Enhance productivity and operating efficiency. The new factory is equipped with advanced machinery and additional capacity. Following the commissioning of new factory equipment in 2Q FY18, production has now stabilized with a higher production capacity and efficiency. Majority of the factory integration is completed and is on track for full integration by 3Q18.

2. **Near-term headwinds but positive on the long-term outlook.** Integration costs, coupled with higher raw material costs eroded FY18e gross margin. The Group is currently reviewing its pricing and promotional strategies. We are cautiously optimistic that a more favourable pricing, coupled with the margin gains from its new factory, should mitigate the increasing cost pressures. We expect lower gross margin at 62.5% in FY18e, compared to its 63% level in FY16-17.

3. **Possibility of higher dividend payout, after CapEx tapers off.** We do not expect any significant CapEx in near-term after the reconstruction work in its new factory. Hence, we believe the growing free cash flow post FY18e could potentially lead to higher dividend payout. We estimated a 5.2% dividend yield in FY19e.

Recommendation

Maintain BUY with DCF-derived target price of S$0.98. New store openings and product innovations will continue to drive topline growth. Successful integration of the new factory by 3Q18 would be the inflection point for OCK. We remain upbeat that its new factory facilities will increase capacity to fuel their expansion domestically and regionally.

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.77
FORECAST DIV	SGD 0.03
TARGET PRICE	SGD 0.98
TOTAL RETURN	32.0%

COMPANY DATA

BLOOMBERG CODE:	OCK SP
O/S SHARES (MN) :	121
MARKET CAP (USD mn / SGD mn) :	69 / 93
52 - WK HI/LO (SGD) :	0.88 / 0.75
3M Average Daily T/O (mn) :	0.02

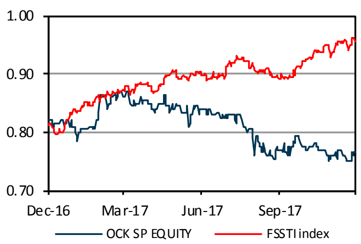
MAJOR SHAREHOLDERS (%)

HAN KEEN JUAN	58.6%
GOODVIEW PROPERTIES PTE LTD	11.7%
LIM TAO-E WILLIAM	7.3%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	4.0	0.7	(13)
STI RETURN	1.14	6.89	20.17

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar	FY16	FY17	FY18e	FY19e
Revenue (SGD mn)	73.9	78.3	82.0	85.4
Gross (SGD mn)	46.6	49.6	51.3	54.2
EBITDA (SGD mn)	10.4	10.3	10.1	11.3
NPAT, adj.	5.0	1.7	4.2	5.2
EPS (Cents)	4.10	1.44	3.43	4.25
PER, adj. (x)	16.2	59.1	22.3	18.0
P/B (x)	2.3	3.8	3.3	3.2
DPS (Cents)	6.0	3.0	3.0	4.0
Div Yield (%)	8%	4%	4%	5%
ROE (%)	15%	6%	15%	18%

Source: Company Data, PSR est.

Valuation Method

DCF (WACC:6.7%; Terminal g: 1.0%)

Soh Lin Sin (+65 6212 1847)
Investment Analyst
sohls@phillip.com.sg

PhillipCapital

Financials

Income Statement

Y/E Mar, SGD mn	FY15	FY16	FY17	FY18e	FY19e
Revenue	**71.6**	**73.9**	**78.3**	**82.0**	**85.4**
Gross Profit	**44.7**	**46.6**	**49.6**	**51.3**	**54.2**
EBITDA	**10.7**	**10.4**	**10.3**	**10.1**	**11.3**
Depreciation & Amortisation	3.8	4.1	4.6	4.8	5.0
EBIT	**6.8**	**6.3**	**2.5**	**5.2**	**6.3**
Net Finance Inc/(Exp)	(0.1)	(0.2)	(0.1)	(0.1)	(0.0)
Associates & JVs	-	-	-	(0.1)	(0.1)
Profit before tax	**6.7**	**6.1**	**2.4**	**5.0**	**6.2**
Taxation	(1.4)	(1.1)	(0.7)	(0.9)	(1.1)
Net profit, reported	**5.3**	**5.0**	**1.7**	**4.2**	**5.2**
Net profit, adj.	**5.4**	**5.0**	**4.9**	**4.2**	**5.2**

Per share data (SGD Cents)

Y/E Mar	FY15	FY16	FY17	FY18e	FY19e
EPS, reported	4.35	4.10	1.44	3.43	4.25
DPS	3.00	6.00	3.00	3.00	4.00
BVPS	27.43	28.52	22.55	22.98	24.23

Cash Flow

Y/E Mar, SGD mn	FY15	FY16	FY17	FY18e	FY19e
CFO					
Profit before tax	**6.7**	**6.1**	**2.4**	**5.0**	**6.2**
Adjustments	4.2	4.5	8.1	5.1	5.1
WC changes	(1.8)	1.4	(0.5)	(0.0)	0.1
Cash generated from ops	9.1	12.0	10.0	10.1	11.4
Others	(1.6)	(1.4)	(0.5)	(0.9)	(1.1)
Cashflow from ops	**7.5**	**10.6**	**9.6**	**9.2**	**10.4**
CFI					
CAPEX, net	(8.3)	(7.1)	(8.3)	(5.4)	(5.6)
Others	0.0	0.0	0.1	(0.5)	0.0
Cashflow from investments	**(8.2)**	**(7.1)**	**(8.2)**	**(5.8)**	**(5.5)**
CFF					
Loans, net of repayments	4.3	(0.4)	2.2	0.0	(2.1)
Dividends	(3.6)	(3.6)	(7.3)	(3.6)	(3.6)
Others	(0.1)	(0.2)	(0.2)	(0.2)	(0.1)
Cashflow from financing	**0.5**	**(4.3)**	**(5.2)**	**(3.8)**	**(5.8)**
Net change in cash	**(0.2)**	**(0.7)**	**(3.9)**	**(0.4)**	**(0.9)**
CCE, end	**20.1**	**19.4**	**15.6**	**15.1**	**14.2**

Balance Sheet

Y/E Mar, SGD mn	FY15	FY16	FY17	FY18e	FY19e
ASSETS					
PPE	26.4	28.9	27.6	28.1	28.7
Associates & JVs	-	-	-	0.4	0.3
Others	-	-	-	-	-
Total non-current assets	**28.4**	**31.3**	**30.2**	**31.2**	**31.7**
Accounts receivables	0.1	0.2	0.3	0.2	0.2
Cash	20.1	19.4	15.6	15.1	14.2
Inventories	0.5	0.7	0.7	0.8	0.8
Others	-	2.9	4.0	4.0	4.0
Total current assets	**23.6**	**23.1**	**20.5**	**20.1**	**19.2**
Total Assets	**52.1**	**54.5**	**50.7**	**51.3**	**50.8**
LIABILITIES					
Accounts payables	5.4	7.1	8.3	8.3	8.4
Short term loans	1.0	1.1	4.3	4.3	4.3
Others	-	2.8	3.6	3.6	3.6
Total current liabilities	**10.0**	**10.9**	**16.2**	**16.2**	**16.3**
Long term loans	7.7	7.3	6.2	6.2	4.2
Others	-	1.7	1.0	1.0	1.0
Total non-current liabilities	**8.8**	**8.9**	**7.2**	**7.2**	**5.1**
Total Liabilities	**18.8**	**19.9**	**23.3**	**23.4**	**21.4**
EQUITY					
Shareholder Equity	**33.3**	**34.6**	**27.4**	**27.9**	**29.4**

Valuation Ratios

Y/E Mar	FY15	FY16	FY17	FY18e	FY19e
P/E (X), adj.	18.4	16.2	59.1	22.3	18.0
P/B (X)	2.9	2.3	3.8	3.3	3.2
EV/EBITDA (X), adj.	9.1	7.7	10.1	9.2	8.2
Dividend Yield (%)	3.8%	7.8%	3.9%	3.9%	5.2%
Growth & Margins (%)					
Growth					
Revenue	4.0%	3.1%	6.1%	4.7%	4.1%
EBITDA	-4.7%	-2.7%	-1.6%	-1.7%	12.5%
EBIT	-6.6%	-7.9%	-59.6%	108.0%	20.3%
Net profit, adj.	-12.2%	-7.1%	-1.7%	-15.3%	23.9%
Margins					
EBITDA margin	15.0%	14.1%	13.1%	12.3%	13.3%
EBIT margin	9.5%	8.5%	3.2%	6.4%	7.4%
Net profit, adj. margin	7.4%	6.8%	6.3%	5.1%	6.0%
Key Ratios					
ROE (%)	16.3%	14.6%	5.6%	15.1%	18.0%
ROA (%)	10.7%	9.3%	3.3%	8.2%	10.1%
Net Debt/(Cash)	(11.4)	(11.1)	(5.0)	(4.6)	(5.7)
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Phillip Securities Research (Singapore) Estimates

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

PhillipCapital

Sheng Siong Group

Still a bargain buy

StocksBnB.com

SINGAPORE | CONSUMER | UPDATE

- Expanding retail footprint coupled with a recovery in trading environment.
- Sustainable margins with upside potential from improving scale, favourable input prices and better product mix ,
- Maintain BUY with target price at S$1.13 based on 4.93 cents FY18e EPS and 23x forward PER.

Background

Sheng Siong Group Ltd (SSG) is the third largest supermarket chain in Singapore. It provides low-cost essential products to mass-market consumers through its no-frills approach. As of 30 Sep-17, SSG has 43 outlets located in Singapore's heartlands spanning over 430,000 sqft.

Investment Merits/Outlook

1. **Five new stores continue to drive FY18e growth and on-track to its short-medium term 50-stores target.** SSG has consistently delivered growth over the years. Its top line growth hinges on the number of new store openings. It has opened a new store in Sep-17, and has recently secured four new HDB stores (gained from the recent bidding exercise). These will bring SSG's store count to 46 by 1Q18.
2. **More stores up for bidding from government's rejuvenation projects.** There are seven new supermarkets units pending completion by Mar-18 and 18 more in 2Q18 to 4Q21, according to data on HDB HBiz website. We remain cognizant of competition and potential cannibalization from these new bidding units, due to the proximity of these stores with each other as well as with existing supermarkets.
3. **New capacity at its distribution centre** (+50k sqft by 3Q18) bodes well with its strategy to grow its store count and to ramp up fresh product offerings.
4. **Sustainable gross margin at c.26%.** Margin gains from enhanced efficiency from the central distribution centre, favourable input prices (still a buyer's market for groceries), and higher fresh participation.
5. **Proven track record of ramping up fresh offerings.** Fresh products are least vulnerable to Amazon Prime's threat and yields higher margin compared to non-perishable groceries. Currently, fresh products contribute a high 43% to grocery sales, an improvement from 41.5% a year ago.
6. **Zero-debt and strong operating cash flows to support 70% dividend payout and expansion.** Net cash position of S$64.5mn to support the construction of the central warehouse, new stores' fitting costs and maintenance CapEx. We expect a 3.7% FY18e dividend yield.

Recommendation

Maintain BUY with target price at S$1.13 based on 4.93 cents FY18e EPS and 23x forward PE multiple. We expect the five new stores opened in 2017/18 coupled with the improving consumer's sentiment and margin gains to lift FY18e Revenue and PATMI by 6.9%.
Re-rating catalysts: (i) Successful bidding of new stores; and (ii) Improvement of product mix.

18 December 2017

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.93
FORECAST DIV	SGD 0.03
TARGET PRICE	SGD 1.13
TOTAL RETURN	25.9%

COMPANY DATA

BLOOMBERG CODE	SSG SP
O/S SHARES (MN) :	1,504
MARKET CAP (USD mn / SGD mn) :	1031/ 1391
52 - WK HI/LO (SGD) :	102 / 0.9
3M Average Daily T/O (mn) :	197

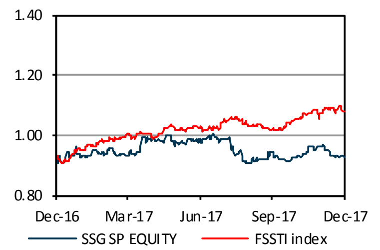
MAJOR SHAREHOLDERS (%)

SS HOLDINGS	29.85%
LIM HOCK CHEE	11.33%
LIM HOCK LENG	11.33%
LIM HOCK ENG	11.33%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(3.1)	(16)	14
STI RETURN	149	6.68	20.46

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY15	FY16	FY17e	FY18e
Revenue (SGD mn)	764	797	841	883
EBITDA (SGD mn)	73	82	90	98
NPAT (adj.)	57	63	69	74
EPS (adj.)	3.78	4.17	4.61	4.93
PER, x (adj.)	21.9	22.4	20.1	18.8
P/BV, x	5.1	5.6	5.1	4.7
DPS (SGD cents)	3.50	3.75	3.25	3.45
Div Yield, %	3.8%	4.1%	3.5%	3.7%
ROE, %	23.6%	25.2%	26.4%	26.1%

Source: Company Data, PSR est.

Valuation Method

P/E Multiple @ 23x

Soh Lin Sin (+65 6212 1847)
Investment Analyst
sohls@phillip.com.sg

Financials

Income Statement

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
Revenue	**726**	**764**	**797**	**841**	**883**
Gross profit	176	189	205	219	231
EBITDA	**65**	**73**	**82**	**90**	**98**
Depreciation & Amortisation	11	13	15	16	16
EBIT	**57**	**66**	**76**	**83**	**88**
Net Finance Inc/(Exp)	1	1	1	1	1
Profit Before Tax	**58**	**68**	**76**	**84**	**89**
Taxation	(10)	(11)	(13)	(14)	(15)
Net profit, reported	**48**	**57**	**63**	**69**	**74**
Net profit, adj.	**48**	**57**	**63**	**69**	**74**

Per share data (SGD Cents)

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
EPS, reported	3.34	3.78	4.17	4.61	4.93
EPS, adj.	3.34	3.78	4.17	4.61	4.93
DPS	3.00	3.50	3.75	3.25	3.45
BVPS	16.60	16.24	16.76	18.12	19.60

Cash Flow

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
CFO					
Profit before tax	58	68	76	84	89
Adjustments	10	12	14	15	15
WC changes	12	3	1	8	2
Cash generated from ops	79	82	91	106	107
Others	(7)	(9)	(13)	(14)	(15)
Cashflow from ops	72	73	78	92	92
CFI					
CAPEX, net	(81)	(30)	(89)	(17)	(31)
Others	1	1	1	1	1
Cashflow from investments	(80)	(29)	(89)	(16)	(30)
CFF					
Share issuance, net	79	0	0	0	0
Loans, net of repayments	0	0	0	0	0
Dividends	(40)	(49)	(55)	(49)	(52)
Others	0	0	0	0	0
Cashflow from financing	39	(49)	(55)	(49)	(52)
Net change in cash	31	(5)	(66)	27	10
Effects of exchange rates	0	0	0	0	0
CCE, end	**130**	**126**	**64**	**90**	**100**

Balance Sheet

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
ASSETS					
PPE	161	178	252	253	268
Others	0	0	0	0	0
Total non-current assets	**161**	**178**	**252**	**253**	**268**
Accounts receivables	11	12	10	13	13
Cash	130	126	64	90	100
Inventories	43	52	62	52	54
Others	0	0	0	0	0
Total current assets	**184**	**190**	**136**	**155**	**168**
Total Assets	**345**	**368**	**388**	**408**	**436**
LIABILITIES					
Accounts payables	96	109	118	118	123
Short term loans	0	0	0	0	0
Others	11	13	13	13	13
Total current liabilities	**107**	**121**	**131**	**131**	**136**
Long term loans	0	0	0	0	0
Others	2	2	2	2	2
Total non-current liabilities	**2**	**2**	**2**	**2**	**2**
Total Liabilities	**109**	**124**	**133**	**133**	**139**
EQUITY					
Non-controlling interests	0	0	3	3	3
Shareholder Equity	**236**	**244**	**252**	**273**	**295**

Valuation Ratios

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
P/E (X), adj.	21.0	21.9	22.4	20.2	18.9
P/B (X)	4.2	5.1	5.6	5.1	4.7
EV/EBITDA (X), adj.	13.4	15.4	16.4	14.5	13.3
Dividend Yield (%)	3.2%	3.8%	4.0%	3.5%	3.7%
Growth & Margins (%)					
Growth					
Revenue	5.6%	5.3%	4.2%	5.5%	5.0%
EBITDA	22.4%	11.8%	12.6%	10.5%	8.4%
EBIT	22.2%	17.0%	13.7%	9.7%	6.7%
Net profit, adj.	22.3%	19.3%	10.3%	10.6%	6.9%
Margins					
Gross margin	24.2%	24.7%	25.7%	26.0%	26.2%
EBITDA margin	8.9%	9.5%	10.3%	10.8%	11.1%
EBIT margin	7.8%	8.7%	9.5%	9.9%	10.0%
Net profit margin	6.6%	7.4%	7.9%	8.2%	8.4%
Key Ratios					
ROE (%)	24.7%	23.6%	25.2%	26.4%	26.1%
ROA (%)	16.0%	15.9%	16.6%	17.4%	17.5%
Net Debt/(Cash)	(130)	(126)	(64)	(90)	(100)
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Phillip Securities Research (Singapore) Estimates

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

PhillipCapital

Thai Beverage

Booze boosts

BULL AND BEAR™ StocksBnB.com

SINGAPORE | CONSUMER | UPDATE

- Recovery in Thai consumer sentiment and margin expansion via better pricing should underpin the Group's growth in FY18
- Recent corporate actions to expand its footprint and business in Southeast Asia, as well as adding new revenue streams to the Group
- BUY with SOTP-derived TP of S$1.18

Background

Thai Beverage Public Company Limited (ThaiBev) is a leading beverage producer in Thailand as well as one of Asia's largest beverage producer. Its business consists of four segments – Spirits, Beer, Non-alcoholic Beverages (NAB), and Food.

Investment Merits/Outlook

1. **Improving consumer sentiment keeps alcohol pouring.** 3Q17 beer sales in Thailand grew 15.2% YoY compared to 11.0% in 2Q17 and -5.7% in 1Q17. We remain positive that on-trade consumption to improve further after the end of a mourning period in Oct-17, and as a broader economic recovery takes effect in Thailand. The Thai economy is expected to grow 4% in 2017 and 3.6-4.6% in 2018, supported by higher government spending and FDI. Although it had adjusted its product prices to cover the increased excise tax costs, ThaiBev plans to review its pricing strategy, which could further expand its margin in FY18e.

2. **On acquisition spree: (a) Direct access to Myanmar's growing spirits market via the acquisition of 75% stake in Grand Royal Group.** The deal provides the Group direct access to over 60% share of whisky market, two production facilities, as well as pervasive distribution network in Myanmar.

   (b) Continue to grow its Food & Beverage range in Thailand via the acquisition of 76% shareholding interest in Spice of Asia Co., Ltd and 252 KFC stores in Thailand. These additions diversified its Food & Beverage portfolio and completed the suite of food service market offerings.

   (c) Expanding its distribution network overseas via the acquisition of 49% shareholding interest in Vietnam F&B Alliance Investment JSC. It will also act as the vehicle for ThaiBev to bid for Sabeco as a domestic player, giving it an advantage over international rivals. Currently, ThaiBev is the only prospective bidder who has registered their interest for at least 25% of Sabeco.

3. **Next deal on the table is the much-hyped Sabeco.** Sabeco is Vietnam's largest brewer, with nearly 41% beer market share, followed by Heineken (21.6%) and Habeco (19.8%). It reported VND4.48tn (c.US$196.6mn) NPAT in 2016. However, it comes with a hefty price tag: 25% stakes in Sabeco will costs over THB36.15bn (VND1,000 = THB1.44) and translates into associate contributions of THB0.8mn to ThaiBev (based on trailing-12M earnings) – implies a trailing PER of 47.5x, which is higher than ThaiBev's 16.7x and the regional peer's market cap average of 41.3x.

Recommendation

Maintain BUY with SOTP-derived target price of S$1.18. Any acquisition navigating the Group closer towards realizing Vision 2020 of becoming a stable and sustainable ASEAN leader in beverage could be a re-rating catalyst.

Its strong cash generation of over THB20bn p.a. would support the Group's growth and development strategy through acquisitions and reinvestment in existing businesses.

18 December 2017

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.670
FORECAST DIV	SGD 0.005
TARGET PRICE	SGD 0.83
TOTAL RETURN	24.3%

COMPANY DATA

BLOOMBERG CODE	HMI SP
O/S SHARES (MN) :	838
MARKET CAP (USD mn / SGD mn) :	416 / 561
52 - WK HI/LO (SGD) :	0.73 / 0.57
3M Average Daily T/O (mn) :	0.62

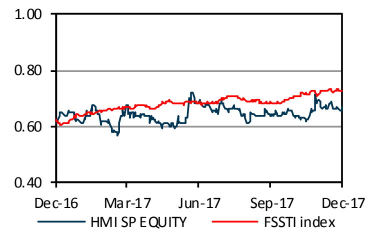
MAJOR SHAREHOLDERS (%)

Nam See Investment Pte Ltd	35.5%
Maju Medik (Malaysia) Sdn Bhd	18.4%
Kabouter Management LLC	5.9%
Gan See Khem	13%
Chin Wei Jia	12%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(5.5)	(5.8)	87.7
STI RETURN	3.90	6.67	23.82

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Jun	FY16	FY17	FY18e	FY19e
Revenue (RM mn)	398	436	480	551
EBITDA (RM mn)	85	96	103	119
NPAT (RM mn)	20	21	60	69
EPS (RM cts)	3.45	3.18	7.31	8.43
EPS (S cts)	1.15	1.01	2.38	2.74
PER, adj. (x)	29.3	65.7	28.2	24.4
P/BV, x	3.4	8.0	7.2	5.3
DPS (S cts)	0.25	0.32	0.49	0.55
Div Yield (%)	0.4%	0.5%	0.7%	0.8%
ROE (%)	12.6%	12.1%	29.7%	25.1%

Source: Bloomberg

VALUATION METHOD

DCF (WACC: 7.0%; terminal g: 1.0%)

Soh Lin Sin (+65 6212 1847)
Investment Analyst
sohls@phillip.com.sg

Financials

Income Statement

Y/E Sep, THB mn	FY15	9M16	FY17	FY18e	FY19e
Revenue	**172,049**	**139,153**	**189,997**	**203,362**	**209,920**
Gross profit	50,219	41,562	58,099	63,110	65,435
EBITDA	**29,070**	**23,516**	**32,675**	**36,780**	**39,140**
Depreciation & Amortisation	(4,400)	(3,293)	(4,308)	(4,587)	(4,718)
Associates & JVs	3,926	3,375	4,073	4,271	4,408
Other items	3,720	(143)	8,311	449	(1,659)
EBIT	**24,670**	**20,223**	**28,367**	**32,194**	**34,422**
Net Finance Inc/(Exp)	(1,344)	(776)	(939)	(1,284)	(1,207)
Profit Before Tax	**30,972**	**22,679**	**39,812**	**35,629**	**35,965**
Taxation	(4,508)	(3,643)	(5,132)	(6,057)	(6,114)
Profit After Tax	**26,464**	**19,036**	**34,681**	**29,572**	**29,851**
- Non-controlling interest	0	117	171	148	149
Net profit, reported	**26,463**	**18,920**	**34,510**	**29,425**	**29,701**
Net profit, adj.	**26,463**	**18,920**	**26,013**	**29,425**	**29,701**

Per share data (THB)

Y/E Sep	FY15	9M16	FY17	FY18e	FY19e
EPS, reported	1.05	0.75	1.37	1.17	1.18
EPS, adj.	0.85	0.73	1.01	1.14	1.15
DPS	0.61	0.60	0.67	0.70	0.71
BVPS	4.62	4.78	5.13	5.60	6.07

Per share data (SGD Cents)*

Y/E Sep	FY15	9M16	FY17	FY18e	FY19e
EPS, reported	4.15	2.97	5.60	4.81	4.86
EPS, adj.	3.36	2.87	4.12	4.68	4.72
DPS	2.40	2.36	2.73	2.89	2.92
BVPS	18.16	18.84	20.89	23.00	24.94
**Exchange rate (THB/SGD)*	*25.42*	*25.38*	*24.55*	*24.34*	*24.34*

Cash Flow

Y/E Sep, THB mn	FY15	9M16	FY17	FY18e	FY19e
CFO					
EBIT	24,670	20,223	28,367	32,194	34,422
Depreciation & Amortisation	(4,400)	(3,293)	(4,308)	(4,587)	(4,718)
WC changes	(1,236)	(743)	99	(2,729)	(977)
Tax paid	(5,003)	(4,314)	(3,635)	(6,057)	(6,114)
Others	(348)	29	434	449	(1,659)
Cashflow from ops	22,484	18,488	29,573	28,444	30,391
CFI					
CAPEX, net	(3,999)	(2,877)	(5,399)	(5,145)	(5,311)
Others	(348)	29	434	449	(1,659)
Cashflow from investments	(118)	(446)	(3,053)	(40,711)	(5,240)
CFF					
Share issuance, net	0	0	0	0	0
Loans, net of repayments	(5,106)	1,067	(6,407)	27,131	(6,518)
Dividends	(15,378)	(16,670)	(15,162)	(17,655)	(17,821)
Others	(348)	29	434	449	(1,659)
Cashflow from financing	(20,484)	(15,603)	(21,568)	9,477	(24,339)
Net change in cash	1,882	2,439	4,952	(2,790)	813
Effects of exchange rates	(622)	(870)	(82)	0	0
CCE, end	**3,490**	**5,059**	**9,929**	**7,139**	**7,952**

Balance Sheet

Y/E Sep, THB mn	FY15	9M16	FY17	FY18e	FY19e
ASSETS					
PPE	**46,921**	**47,871**	**48,532**	**84,948**	**85,541**
Intangibles	7,228	7,237	7,157	6,964	6,964
Investments in Assoc/JV	75,737	78,463	78,373	82,643	87,052
Others	4,003	3,978	4,258	4,258	4,258
Total non-current assets	**133,889**	**137,549**	**138,319**	**178,813**	**183,814**
Accounts receivables	4,501	3,309	3,248	3,963	4,071
Cash	3,490	5,059	9,929	7,139	7,952
Inventories	35,204	38,145	37,761	40,346	41,564
Others	4,933	3,590	4,983	4,983	4,983
Total current assets	**48,128**	**50,104**	**55,921**	**56,432**	**58,570**
Total Assets	**182,017**	**187,653**	**194,240**	**235,245**	**242,384**
LIABILITIES					
Accounts payables	9,854	9,831	11,265	11,837	12,186
Short term loans	18,678	19,330	31,058	23,573	18,334
Others	4,558	3,658	5,347	5,347	5,347
Total current liabilities	**33,090**	**32,819**	**47,671**	**40,758**	**35,867**
Long term loans	25,883	27,089	10,000	46,000	46,000
Others	3,778	4,033	4,056	4,056	4,056
Total non-current liabilities	**29,661**	**31,122**	**14,057**	**50,057**	**50,057**
Total Liabilities	**62,751**	**63,941**	**61,727**	**90,814**	**85,924**
EQUITY					
Non-controlling interests	3,380	3,642	3,733	3,881	4,030
Shareholder Equity	**115,885**	**120,070**	**128,780**	**140,550**	**152,430**

Valuation Ratios

Y/E Sep	FY15	9M16	FY17	FY18e	FY19e
P/E (X), adj.	20.3	33.6	22.9	20.7	20.5
P/B (X)	3.8	5.1	4.5	4.2	3.9
EV/EBITDA (X), adj.	16.5	28.1	18.9	17.9	16.7
Dividend Yield (%)	2.5%	2.5%	2.9%	3.0%	3.0%
Growth & Margins (%)					
Growth					
Revenue	6.2%	-19.1%	36.5%	7.0%	3.2%
EBITDA	2.8%	-19.1%	38.9%	12.6%	6.4%
EBIT	1.6%	-18.0%	40.3%	13.5%	6.9%
Net profit, adj.	22.0%	-28.5%	37.5%	13.1%	0.9%
Margins					
Gross margin	29.2%	29.9%	30.6%	31.0%	31.2%
EBITDA margin	16.9%	16.9%	17.2%	18.1%	18.6%
EBIT margin	14.3%	14.5%	14.9%	15.8%	16.4%
Net profit margin	15.4%	13.6%	13.7%	14.5%	14.1%
Key Ratios					
ROE (%)	24.4%	16.0%	20.9%	21.9%	20.3%
ROA (%)	15.0%	10.2%	13.6%	13.7%	12.4%
Net Debt/(Cash)	41,071	41,361	31,129	62,434	56,382
Net Gearing (X)	34.4%	33.4%	23.5%	43.2%	36.0%

Source: Company, Phillip Securities Research (Singapore) Estimates

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

Contact Information (Singapore Research Team)

Head of Research
Paul Chew – paulchewkl@phillip.com.sg

Research Operations Officer
Mohamed Amiruddin - amiruddin@phillip.com.sg

Consumer | Healthcare
Soh Lin Sin - sohls@phillip.com.sg

Oil & Gas | Energy
Chen Guangzhi - chengz@phillip.com.sg

Macro
Pei Sai Teng - peist@phillip.com.sg

Transport | REITs (Industrial)
Richard Leow - richardleowwt@phillip.com.sg

REITs (Commercial, Retail, Healthcare) | Property
Dehong Tan - tandh@phillip.com.sg

Technical Analysis
Jeremy Ng - jeremyngch@phillip.com.sg

Banking and Finance
Jeremy Teong - jeremyteongfh@phillip.com.sg

US Equity
Ho Kang Wei - hokw@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE
Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

MALAYSIA
Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

HONG KONG
Phillip Securities (HK) Ltd
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

JAPAN
Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

INDONESIA
PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

CHINA
Phillip Financial Advisory (Shanghai) Co Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

THAILAND
Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

FRANCE
King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

UNITED KINGDOM
King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

UNITED STATES
Phillip Capital Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

AUSTRALIA
Phillip Capital Limited
Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 9629 8288
Fax +61-03 9629 8882
Website: www.phillipcapital.com.au

SRI LANKA
Asha Phillip Securities Limited
2nd Floor, Lakshmans Building,
No. 321, Galle Road,
Colombo 03, Sri Lanka
Tel: (94) 11 2429 100
Fax: (94) 11 2429 199
Website: www.ashaphillip.net

INDIA
PhillipCapital (India) Private Limited
No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

TURKEY
PhillipCapital Menkul Degerler
Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

DUBAI
Phillip Futures DMCC
Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

CAMBODIA
Phillip Bank Plc
Ground Floor of B-Office Centre,#61-64,
Norodom Blvd Corner Street 306,Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

(i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and

(ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.