13 Feb 17, 8.15am/11.15am Morning Call/Webinar

PhillipCapital
Your Partner In Finance

SATS Ltd

ComfortDelGro Corp Ltd

800 Super Holdings Ltd

Global Logistic Properties Ltd

Fraser and Neave, Ltd

Trading Notes: Monthly Performance

Trading Notes: GNC Holdings Inc

SATS Ltd

Regional expansions on track

Richard Leow

Phillip Securities Research Pte Ltd

13 February 2017

SATS Ltd

(Neutral, FY17e DPS: 16.0 cts, TP: S$4.73, Last close: S$4.97)

Results at a glance

(SGD mn)	3Q17	3Q16	yoy (%)	Comments
Food Solutions	246.4	251.0	(1.8)	Lower Food Solutions due to timing difference of a large scale Non-Aviation event that was held in 2Q17 compared to 3Q16 in the prior FY
Gateway Services	193.0	188.9	2.2	Higher cargo volumes, as the bankruptcy of Hanjin Shipping pushed sea-freight to air-freight
Corporate	1.5	1.1	N.M.	
Revenue	**440.9**	**441.0**	**0.0**	**Flat yoy**
EBIT	66.7	61.8	7.9	1.3% yoy lower expenditure, resulting in 1.1 ppt margin expansion to 15.1%
Associates & JVs	12.7	11.6	9.5	9.9% yoy higher contribution from Gateway Services due to same reason above
PATMI, reported	**65.1**	**60.6**	**7.4**	**1.1 ppt margin expansion to 14.8%**

Source: Company, Phillip Securities Research (Singapore)

Aviation to remain under pressure, but building networks to enhance connectivity

- Airlines under pressure → difficult for SATS to raise prices
- TFK Corp: lower volume, positive offset from appreciation of JPY
- Recent acquisitions within Asia: Brahim's Catering in Malaysia & MacroAsia Catering in the Philippines
- Expanding to adjacent continent of the Middle East: 2 cargo handling JVs in Muscat, Oman and in Dammam, Saudi Arabia

SATS Ltd

(Neutral, FY17e DPS: 16.0 cts, TP: S$4.73, Last close: S$4.97)

PhillipCapital
Your Partner In Finance

Diversifying to Non-Aviation: DFASS-SATS JV & SATS Yihai Kerry JV

- DFASS-SATS: profitable and expanding in Singapore
- SATS/Wilmar: ready to prepare food; now undergoing hygiene and customer audits; expected revenue by end of FY17

Reinvesting in capex to harness technology, improve productivity and drive growth

- SATS Airfreight Terminal 1: handle e-commerce and airmail sortation for SingPost; facility able to handle 4x more mail, but with less manpower
- Group's long-term goal to improve productivity and keep headcount flat through investments in automation

ComfortDelGro Corp Ltd

Taxi in decline, Public Transport Services to mitigate

Richard Leow

Phillip Securities Research Pte Ltd

13 February 2017

ComfortDelGro Corp Ltd

(Accumulate, TP: S$2.94, FY17e DPS: 10.4 cts; Last close: S$2.51)

PhillipCapital
Your Partner In Finance

Final dividend of 6.05 cents, higher than last year's 5.0 cents

- Full year 10.3 cents (70.1% payout), higher than FY15: 9.0 cents (64.1% payout)

Results at a glance

(SGD mn)	FY16	FY15	yoy (%)	Comments
Public Transport Services	2307.3	2332.5	(1.1)	Actual increase of $75.4mn completely eroded by unfavourable foreign currency translation of S$100.8mn from weaker GBP and AUD
Taxi	1340.8	1326.8	1.1	Actual increase of $35.2mn partially eroded by unfavourable foreign currency translation of S$21.2mn from weaker GBP, RMB, AUD and VND
Bus Station	26.9	29.0	(7.2)	Lower passenger volumes due to competition from expanding rail network
Automotive Engineering Services	204.8	238.5	(14.1)	Lower selling prices and volume of diesel sold
Inspection & Testing Services	103.7	107.5	(3.5)	
Car Rental & Leasing	36.3	38.3	(5.2)	
Driving Centre	39.7	38.9	2.1	
Revenue	**4,060**	**4,112**	**(1.3)**	**Acutal increase of $72.4mn eroded by unfavourable foreign currency translation of $124.4mn**
EBIT	462.2	450.7	2.6	S$48.4mn increase in OpEx fully offset by favourable foreign currency translation of S$111.9mn; Actual EBIT increased by 5.3% in local currency terms
PATMI	**317.1**	**301.9**	**5.0**	**Higher EBIT and lower financing cost, resulted in better net margin of 7.8% from 7.3%**

Source: Company, Phillip Securities Research (Singapore)

ComfortDelGro Corp Ltd

(Accumulate, TP: S$2.94, FY17e DPS: 10.4 cts; Last close: S$2.51)

PhillipCapital
Your Partner In Finance

Bus: Benefitting from the government BCM

- FY17 full year contribution, versus FY16 4M contribution
- Australia more services
- UK foreign exchange weakness, cutback in services

Taxi: SG business to continue facing pressure from Rail and PHC

- Overall global FY17 Taxi lower, due to fx
- SG FY16 idle rate 1.6%, lower diesel volume sold
- Slow fleet renewal, extend lifespan, keep rental low, retain hirers

Rail: DTL still a drag, but will be next source of earnings growth once normalised

- Start up and hiring costs to taper off
- Full DTL ridership of 500,000 – more than double of current 220,000
- Potential catalyst: TEL tender

PhillipCapital
Your Partner In Finance

800 Super Holdings Ltd

Steady pipeline of projects

Richard Leow

Phillip Securities Research Pte Ltd

13 February 2017

800 Super Holdings Ltd

(Buy, TP: S$1.42, Last close: S$1.09)

PhillipCapital
Your Partner In Finance

Results at a glance

(SGD mn)	2Q17	2Q16	yoy (%)	Comments
Revenue	**39.39**	**38.19**	**↑3.2**	**Projects that were re-awarded with revised pricing and new contracts awarded**
EBIT	4.47	2.41	↑85.5	2.4% yoy lower opex, resulting in better operating margin of 11.4% from 6.3%
Net income	**3.63**	**1.72**	**↑111**	**Above effects resulted in better net margin of 9.2% from 4.5%**

Source: Company, Phillip Securities Research (Singapore)

Margin expansion due to strict cost control; sustainable margins going forward

- Lower staff costs and lower purchases of supplies and disposal charges

Treatment and disposal of sludge contract not contributing yet; details in next quarter

- Announced on 27 Oct 2016
- Construction commence in 2Q CY18

Introduced maiden interim dividend of 1.0 cent; kept our payout ratio forecast intact

- Better interest and liquidity

Target price implied 15.4x P/E, STI implied 14.4x P/E

Global Logistic Properties Ltd.

Upside expectations mostly priced in

Peter Ng

Phillip Securities Research Pte Ltd

13 February 2017

Global Logistic Properties Ltd.
(Neutral, TP:S$2.60, Last:S$2.76)

PhillipCapital
Your Partner In Finance

Results at a glance

(US$'mn)	3Q17	3Q16	y-y (%)	Comments
Revenue	**232.5**	**198.9**	**17%**	Completion and stabilisation of development projects in China, revenue from financial services in China and higher fund management fee income
EBIT excl. reval	154.7	210.4	-26%	Absence of one-time gain from syndication of 45% interest in US Income Partners I
PATMI excl. reval	41.8	82.9	-50%	Higher net finance costs
PATMI	**170.7**	**184.2**	**-7%**	

Source: PSR (Singapore) & Company Data

9M17 revenue/profit after taxation and minority interests (PATMI) met 74%/75.5% of our full-year FY17 forecast

Operating performance remains stable and expected to stay resilient

- US$294m of new developments started in stronger markets in China with an average lease ratio of 89% in 3Q17

Cap rate compressions in China assets further fuels potential for asset monetisation

- 11 BPS QoQ cap rate compression to 6.3% on China assets
- Further cap rate compressions to benefit asset values amid a potential monetisation of China assets

Likely to look beyond existing core markets for growth

- Fund management platform's AUM grew by 7.7% to US$37.7 billion; lowest since FY12.
- Likely to consider other mature markets for growth i.e. Europe

Fraser and Neave, Ltd.

Thirsty for acquisitions

Soh Lin Sin

Phillip Securities Research Pte Ltd

13 February 2017

Fraser and Neave, Ltd

(◀▶Reduce, ▲TP:S$1.80 (prev. S$1.70), Last:S$2.11)

PhillipCapital
Your Partner In Finance

SGD mn	1Q17	1Q16	y-y (%)	Comments
Beverages	139	132	5.2%	Higher contributions from SG and New Markets; partially offset by weaker MYR; -1% overall volume growth
Dairies	279	277	0.5%	Weaker MYR, competitive pricing in MY; +1% overall volume growth
Printing & Publishing ("P&P")	77	84	-8.3%	Lower demand from both *Publishing and Printing* and *Retail and Distribution* divisions
Revenue	**495**	**494**	**0.2%**	Expanded vending network and growth in New Markets
Gross profit	182	176	3.4%	Lower milk-based commodity prices
EBITDA	64	69	-7.7%	Higher operating expenses (+7.9% yoy)
PBIT	46	54	-13.7%	Negative currency translation effects (weaker MYR)
PATMI (continuing operations ex. exceptional items)	**22**	**26**	**-12.1%**	

Source: Company, PSR

Operating environment in core markets remain challenging; Subdued topline growth and margin compression as expected

- Flat overall sales and volume growth
- PBIT margin fell (1Q16: 10.9%; 1Q17: 9.4%) on weaker MYR, competitive pricing and higher OPEX (OPEX % of Sales increased 2.1pp to 29%; higher marketing and distribution expenses)

Fraser and Neave, Ltd

(◀▶Reduce, ▲TP:S$1.80 (prev. S$1.70), Last:S$2.11)

PhillipCapital
Your Partner In Finance

Margin compression to continue

- Higher operating expenses, intensified competition and increasing raw material costs (particularly sugar)
- Possibility of a sugar "sin tax" implementation this year in Malaysia

Dairies Thailand to continue bolstering earnings with stable contribution

- Driven by favourable milk-based commodity prices and improvement in operational efficiencies
- Dairies Malaysia would feel the pinch from higher sugar prices

Higher market penetration in New Markets, but proceeds will be reinvested for continuous brand building efforts

- Beverages sales from *Other Markets* (includes ID, TH, MM and VN) registered 240% yoy growth in 1Q FY2017, which was mainly driven by the latter two New Markets, as a result of distribution expansion, marketing initiatives and promotions.
- Expect marketing costs to remain elevated as FNN continues to reinvest the proceeds into Vietnam and Myanmar for marketing activities.

Fraser and Neave, Ltd

(◀▶Reduce, ▲TP:S$1.80 (prev. S$1.70), Last:S$2.11)

PhillipCapital
Your Partner In Finance

Bite-sized acquisitions

1. **Proposed acquisition of Penguin Random House Pte. Ltd. and Penguin Books Malaysia Sdn. Bhd.**
   - to scale up the distribution business
   - currently under review by the Competition Commission of Singapore (CCS)
   - should the deal went through, we do not expect a strong earnings turnaround for its P&P business in FY17 (15.5% of Revenue and -2.9% of EBIT in FY16) due to highly competitive market for book distribution

PENGUIN RANDOM HOUSE

2. **Acquisition of additional shares of Vinamilk** *(Group's interest increased from c.10.95% to 17.5%)*
   - allow FNN to reap greater streams of dividend income and increase its foothold in Vietnam
   - will buy more shares in Vinamilk if opportunities arise

VINAMILK
VƯƠN CAO VIỆT NAM

PhillipCapital
Your Partner In Finance

Trading Note

Monthly Performance

Ho Kang Wei

Phillip Securities Research Pte Ltd

13 February 2017

Monthly Performance

Name	Trade Position	Entry	Price at 31/01/17	Target Price	Take Profit Price	Stop Loss	Performance
Alibaba Group Holdings Ltd	Open	94.91	101.31	109.00	n/a	85.9	**6.74%**
Facebook Inc	**Closed**	124.90	130.32	140.00	**130.98**	113.45	**4.87%**
Medtronic plc	Open	75.09	76.02	84.28	n/a	69.25	**1.24%**
S&P500 INDEX			2,278.87				1.79%
DOW JONES INDEX			19,864.09				0.51%
NASDAQ INDEX			5,614.79				4.30%

- **BABA**
  - Better than expected earnings
  - Positive meeting with President Trump
  - Technical views remain unchanged
- **FB**
  - Good earnings
  - Guided flat
  - Possible saturation
  - Closed @ US$130.32
- **MDT**
  - Rocky start due to ACA executive action
  - Potential deal to sell medical supplies unit, valued at US$5 bn
  - Technical Views unchanged

Trading Note

GNC Holdings Inc

Ho Kang Wei
Phillip Securities Research Pte Ltd
10 February 2017

GNC Holdings Inc

(TP: US$14, Stop Loss: US$7.62, Last close: US$8.52)

Counter	Sector	Ticker	Currency	Last Price	Time Horizon	Entry	Stop Loss	Target	Bloomberg Consensus T/P
GNC Holdings Inc	Consumer Non-Durables	GNC	USD	8.47	9-12 Month	8.47	7.62	14	12.06

- **GNC price is down 78.8% from 52 week high to 52 week low**
  - Revenue flat for the past 3 years, estimated to be down 3.7% when GNC reports 2016 results
  - GAAP net income fell 14.3% in 2015, expected to fall 22% in 2016
- **Current Valuation**
  - GNC trading at about 4 PER, 9.4% dividend yield
  - Net income (9 months of 2016 reported) US$147.2 mn
  - OCF US$169.75 mn
  - Div payout ratio 28%
- **Large Debt**
  - US$1.54bn
  - Majority due 2019 @ low interest rate of 3.75%
  - Annual interest exp US$46 mn

GNC Holdings Inc

(TP: US$14, Stop Loss: US$7.62, Last close: US$8.52)

PhillipCapital
Your Partner In Finance

- **New GNC**
  - New business plan
    - Lowering product cost
    - New products
    - New loyalty program
    - New technologies to improve shopping experience
- **Under Valued**
  - GNC oversold and priced for failure
  - As of Q3 2016, GNC has operating margin of 10.27% and net profit margin of 5.15%
  - Closest competitor, Vitamin Shoppe Inc, trades at 12.5 PER
- **Buy Trade**
  - Target Price: US$14
  - Stop Loss: US$7.62
  - Watch for Q4 2016 Results on 16th February

Disclaimer

The information contained in this presentation has been obtained from public sources which Phillip Securities Pte Ltd ("PSPL") has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this presentation are based on such information and are expressions of belief only. PSPL has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this presentation is subject to change, and PSPL shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will PSPL be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

This presentation 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.

You should seek advice from a financial adviser regarding the suitability of the investment product, taking into account your specific investment objectives, financial situation or particular needs, before making a commitment to invest in such products.

Ask Questions!

Archived Webinar videos can be accessed at
https://www.poems.com.sg/education/webinars/

Analysts

Pei Sai Teng, Macro

Jeremy Ng, Technical Analysis

Jeremy Teong, Banking & Finance

Soh Lin Sin, Consumer | Healthcare

Richard Leow, Transport | REITs (Industrial)

Dehong Tan, REITs (Commercial, Retail, Healthcare) | Property

Peter Ng, Property | Infrastructure

Ho Kang Wei, US Equity

Chen Guangzhi, Oil and Gas | Energy

By Phillip Securities Research

Mohamed Amiruddin, Operations Exec