

## **Company Results**

Health Management International

Q & M Dental Group

City Developments Ltd.

Hock Lian Seng Holdings Ltd.

Ezion Holdings Limited

China Everbright Water Limited.

Oversea-Chinese Banking Corp

# Health Management International

## Affected by one-offs; Growth drivers remain intact

Soh Lin Sin

Phillip Securities Research Pte Ltd

15 May 2017

# Health Management International

(Buy, TP:S\$0.83, Last:S\$0.60)



(MYR mn)	3Q17	3Q16	y-y (%)	Comments
Revenue	107.7	100.9	6.7%	Hospital (+5.3% yoy); Education (+1.4% yoy)
Gross profit	34.3	34.0	0.9%	Margin -1.8pp to 31.9% on higher staff costs
EBITDA	22.3	22.3	-0.2%	
PATMI, reported	-1.6	8.7	n.m.	
PATMI, adj.	7.1	6.4	11.6%	Ex. FX impact, professional fees and other costs relating to the consolidation transaction

Source: Company, PSR

## Growth drivers remain intact; Expansion pipeline on track

- Higher patient load and Higher average bill size in 3Q FY17
- Expect continue growth in patient volume and average bill sizes with: (i) 14% additional new bed capacity by 1H FY18; (ii) new hospital extension block at Regency which will more than double Regency's capacity by end-FY20

## Fundamentals remain strong; Reiterate "Buy"

- Cash position of RM120.9 mn, net debt to T12M EBITDA of 1.0x, and gearing ratio of 0.6x as at 31 March 2017
- The consolidation debt of SGD53 mn (c.RM168mn) to be pared down by half by end-2017
- Next major CapEx: c.RM160 mn construction cost for the new hospital extension block at Regency (will be funded by internal cash resources and bank loans)

# Q & M Dental Group

## Muted organic growth from clinics; No new clinics yet

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15 May 2017

# Q & M Dental Group

(Reduce, TP:S\$0.65, Last:S\$0.70)

S\$' mn	1Q17	1Q16	y-y (%)	Comments
Clinics	28.9	28.3	2.4%	Higher revenue from inorganic growth in SG
Distribution	3.1	2.4	28.6%	Higher revenue in both SG and CN
Manufacturing	0.0	3.7	n.m.	Aidite was deconsolidated in Dec-16; now an associate of the Group
<b>Revenue</b>	<b>32.0</b>	<b>34.4</b>	<b>-6.9%</b>	Due to deconsolidation of Aidite; ex. Manufacturing, Revenue +4.5% yoy
Gross	27.9	29.6	-5.6%	Change in accounting treatment for dental instruments in Clinics, offset higher cost of sales in Distribution. Pro-rate gross margin increased 1.2pp to 87.4%; ex. Manufacturing, increased 9.6pp.
EBITDA	5.9	7.1	-16.3%	Higher operating costs, in particular staff costs and rental expense
EBIT	5.0	6.0	-16.9%	
<b>PATMI</b>	<b>3.8</b>	<b>3.7</b>	<b>3.6%</b>	

Source: Company, PSR est.

## Muted Clinics business growth, awaiting new clinics to lift top line

### Deconsolidation of Aoxin in Apr-17; Will be reclassified as associate moving forward

- Aidite and Aoxin as Q&M's associates post spin-offs with lesser share of profits; estimate c.26% loss of combined recurring profits from Aidite and Aoxin
- Aidite contributed S\$7.88mn to FY16 PBT (51.5% of Group's PBT); Its first quarterly contribution post spin-off as share of profit from equity-accounted associate was S\$0.5mn

# City Developments Ltd.

## Recovery in CCR segment in sight

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15 May 2017

# City Developments Ltd.

(Accumulate, TP:S\$11.07, Last:S\$10.58)



## Results at a glance

(S\$ mn)	1Q17	1Q16	y-y (%)	Comments
Revenue	784	723	↑ 8%	Due to improved performance from property development segment
Gross Profit	366	358	↑ 2%	
EBIT	133	143	↓ -7%	Mainly due to higher operating expenses relating to a net exchange loss incurred in the quarter
Profit before tax	115	138	↓ -17%	Attributable to higher net finance costs and absence of contribution from joint ventures as projects were handed over in 1Q16
PATMI	85	105	↓ -19%	

Source: Company Data

## Strong take up rate at Gramercy Park suggests recovery in CCR market segment

- Sold 90 out of 174 units; 16 units from soft launch sold at S\$2,800 PSF vs S\$2,600 PSF for previous 74 units
- Prelude for price bottoming in CCR segment; opportunity to launch two new CCR developments, South Beach Residences and New Futura

## Lack of new launches in CCR will benefit New Futura's Launch

- Intends to launch New Futura in 2H17
- Expect S\$0.11 to be added RNAV estimates and take up to be reasonably strong from scarcity of new launches in CCR

## Recent residential land site tender at Tampines Avenue 10

- Estimated break even cost of c.S\$940 PSF; ASP of S\$1,100; Adds S\$0.10 to RNAV estimates
- Expect take up to be strong from lower quantum
- Timely for launch in CY18 as nearby developments The Alps Residences and The Santorini are substantially sold

# City Developments Ltd.

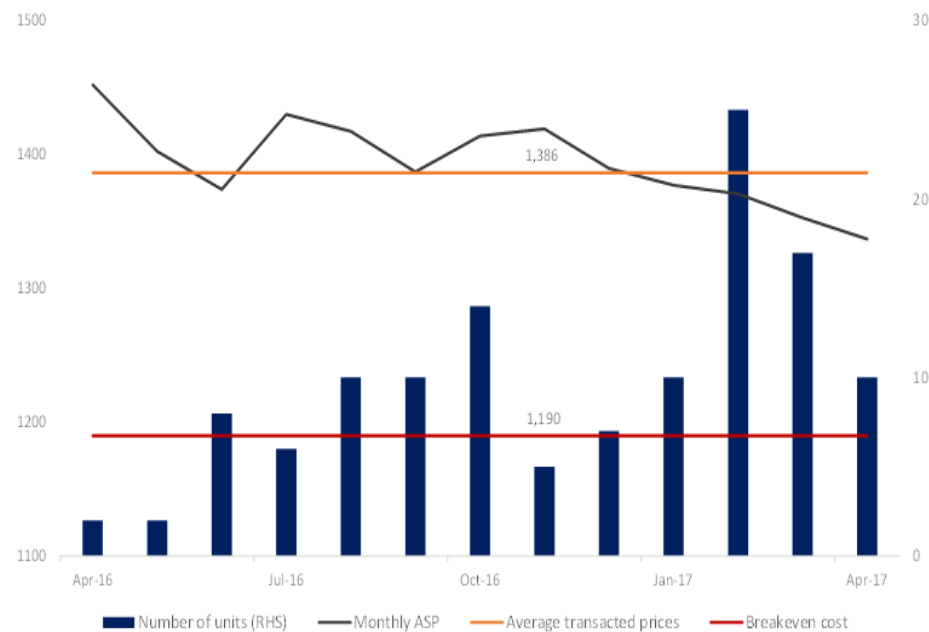
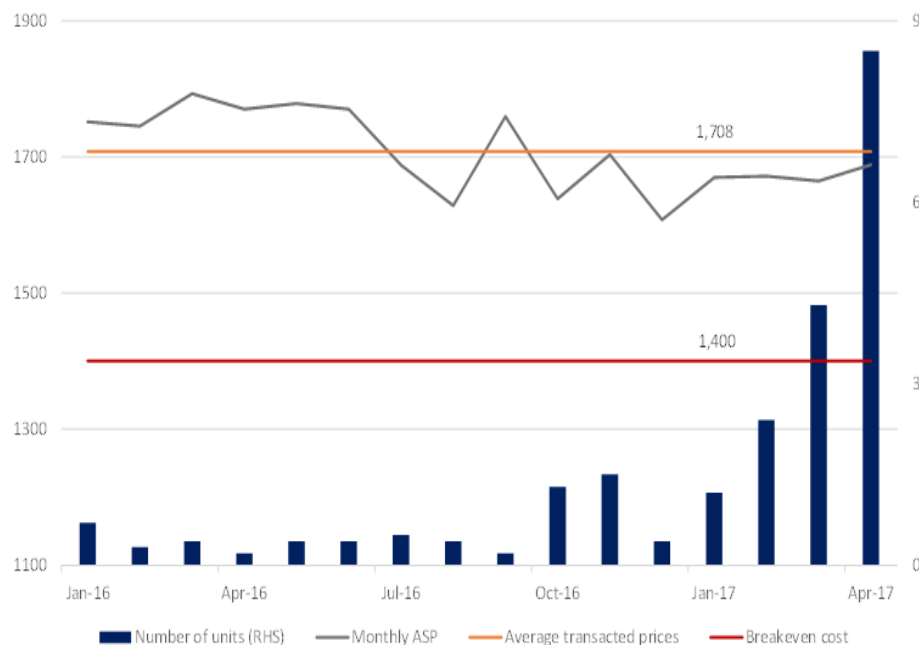
(Accumulate, TP:S\$11.07, Last:S\$10.58)



## On track to clear remaining units in Commonwealth Towers and The Venue Residences before ABSD deadline

- More units moved in the two developments (8% of our RNAV estimates), Price cuts in Venue Residences while price maintained in Commonwealth Towers
- ABSD deadline in September 2017 and April 2018 for Venue Residences and Commonwealth Towers respectively; Optimistic that all units can be moved before ABSD

## Transactions at Commonwealth Towers and The Venue Residences



Source: REALIS, Phillip Securities Research (Singapore)

Source: REALIS, Phillip Securities Research (Singapore)



# City Developments Ltd.

(Accumulate, TP:S\$11.07, Last:S\$10.58)



## Overseas Residential – Positive on China long term, cautious on UK pending General Elections

- Hong Leong City Center 77% sold (of total 1374). Total sales value RMB2.27bn
- UK sales postponed until after General Election

## Hotels – One-off foreign exchange loss dragged on performance

- M&C recorded 50% drop in PATMI to £3mn. (due to one off exchange loss at M&C's REIT CDLHT)
- Global RevPARs recover (except Asia). Expect global RevPARs to continue recovery

Global RevPAR y-o-y (Constant Currency)		FY16		1Q17
New York	↓	-9.9%	↑	7.0%
Regional US	↑	4.0%	↑	2.5%
Total US	↓	-4.2%	↑	4.8%
London	↓	-1.4%	↑	14.5%
Rest of Europe	↓	-1.6%	↓	-0.8%
Total Europe	↓	-2.0%	↑	8.9%
Singapore	↓	-10.1%	↓	-0.9%
Rest of Asia	↑	1.9%	↓	-6.9%
Total Asia	↓	-4.0%	↓	-4.1%
Australasia	↑	20.9%	↑	17.3%
Total Group	↓	-2.3%	↑	4.6%

Source: Company, Phillip Securities Research (Singapore)

# City Developments Ltd.

(Accumulate, TP:S\$11.07, Last:S\$10.58)

## RNAV Table

Segment	Location	Amount (S\$m)	Per share (S\$)
Residential	SG	5,441	5.98
	Overseas	2,356	2.59
Hotels	SG	496	0.55
Office	SG	2,527	2.78
Retail	SG	877	0.96
Others	SG	83	0.09
Commercial	Overseas	550	0.60
Add: Market Value of stakes in Listed Entities			
Millenium and Copthorne (65% stake)		1,580	1.74
<b>Total GAV</b>		<b>13,910</b>	<b>15.30</b>
Add cash:		3,673	4.04
Less debt:		5,738	6.31
<b>RNAV:</b>		<b>11,845</b>	<b>13.03</b>
No. of shares ('m)		909	
Discount to RNAV (%)		15	
<b>Target Price</b>			<b>11.07</b>

*Source: Phillip Securities Research (Singapore)*

# Hock Lian Seng Holdings Ltd.

## 5-Year revenue visibility from Civil Engineering

Peter Ng

Phillip Securities Research Pte Ltd

15 May 2017

# Hock Lian Seng Holdings Ltd.

(Accumulate (Upgraded), TP:S\$0.57, Last:S\$0.475)



## Results at a glance

(SGD mn)	1Q17	1Q16	YoY	Comments
Revenue	28.0	23.6	↑	19% Commencement of works at Changi Airport JV Civil Engineering project
Gross Profit	2.4	1.4	↑	71%
Profit before tax	2.3	2.6	↓	-12% Absence of contribution from JV residential project which has been fully recognised
Net income	2.1	2.5	↓	-16%

Source: Company Data

**1Q17 results below our expectations but expect CAJV project to boost earnings in next few quarters**

## Performance in Civil Engineering Segment remains stable

- Works at Changi Airport JV (CAJV) project to intensify and contribute to higher revenue moving forward
- Order book stands at S\$915m; >70% of order book is coming from CAJV

## Construction of Shine@Tuas on track to be completed in FY18

- >50% of c.S\$135m in development costs has been incurred; remaining can be funded with internal resources
- Add c.S\$0.06 to our RNAV estimates when completely sold

# Hock Lian Seng Holdings Ltd.

(Accumulate (Upgraded), TP:S\$0.57, Last:S\$0.475)

<b>SOTP (FY17 Full Year)</b>	
Civil Engineering (P/E)	
FY17E EBIT (\$'m)	17.872
Segment NPAT (\$'m)	14.834
EPS (S\$)	0.03
Industry P/E	8
<b>Segmental Price Per Share (S\$)</b>	<b>0.23</b>
Property Development (P/B)	
Segment Book Value (S\$m)	64
Segment Book Value Per Share (BVPS) (S\$)	0.13
Development profits	0.06
Discount to Book (%)	50%
<b>+ Segmental Price Per Share (S\$)</b>	<b>0.09</b>
<b>+ Net Cash Per Share (S\$)</b>	<b>0.25</b>
<b>Fair Value (S\$)</b>	<b>0.57</b>

*Source: Phillip Securities Research (Singapore)*

*\*Net cash excludes special dividend per share and dividend per share (S\$0.10 and S\$0.025) declared in FY16*

# Ezion Holdings Limited

## Endure the stretching trough

Chen Guangzhi

Phillip Securities Research Pte Ltd

15 May 2017

# Ezion Holdings Limited

(Buy (upgraded), TP:S\$0.40, Last:S\$0.31)

## Results at a glance

(US\$ mn)	1Q17	1Q16	y-y (%)	Comments
Revenue	68.6	82.1	↓ (16.4)	Reduction in charter rate; Drop in utilisation rate due to two units of service rigs undergoing class survey and repairs; Depression in utilisation rate of offshore support vessels
Gross profit	8.7	20.7	↓ (57.7)	In line with the above
Operating profit	(8.9)	15.0	N.M	Absence of gain from disposal of asset held for sale and unrealised FX losses due to strengthened SGD in 1Q17
Profit after tax	(12.7)	15.5	N.M	Lower profit contribution from JVs and associates

Source: Company , Phillip Securities Research (Singapore)

N.M: Not meaningful

## Even Middle East facing operational challenges

- Two units completed upgrades were set to deploy in Middle East, but clients requested to postpone
- Intention to dispose a unit, but potential buyers are facing financing difficulties

## Double whammy may not be subsided until 3Q17

- Lower day rates and utilisation rate
- Unrealised FX losses due to uptrend correction in USD

## Clients postponing delivery

- Deferment of maintenance
- Stretch the window of delivery after upgrades and maintenance completed

# China Everbright Water Limited

## Major turnaround this year

Chen Guangzhi

Phillip Securities Research Pte Ltd

15 May 2017



# China Everbright Water Limited

(Accumulate (Downgraded), TP:S\$0.57, Last:S\$0.48)



## Results at a glance

(HK\$ mn)	1Q17	1Q16	y-y (%)	Comments
Revenue	774.1	657.2	↑ 17.8	HK\$109.1mn increase in construction revenue, attributing to sponge city project and river-basin ecological restoration project in addition to the expansion and upgrading of WWT plants
Gross profit	259.8	236.4	↑ 9.9	Increase in construction services where margin is lower than the operation segment
Operating profit	241.6	198.9	↑ 21.5	FX losses in 1Q16 due to borrowings pegged to USD, and the borrowings were fully paid by Jul-16
Net profit	130.0	106.1	↑ 22.5	In line with what mentioned above

Source: Company , Phillip Securities Research (Singapore)

## Merits of Zhangqiu integration project

- Total investment valued at Rmb3bn, CAPEX:Rmb400mn to Rmb500mn/annum in 5 years
- Three components: Management contract, BOT, and TOT
- Rate of return for BOT projects: 5.1% without leverage (6% with leverage)
- Potential water tariff hike in Zhangqiu District
- Claw back provision (fiscal subsidy)

## Highlights of receivable issues

- Group repayment rate:74% in 1Q17, similar to 1Q16
- Seasonality from Ji'nan projects
- Harness subsidy fund to partially repay receivables due from Dongda's project

# Oversea-Chinese Banking Corp Wealth Management Beats but Competition is Heating Up

Jeremy Teong

Phillip Securities Research Pte Ltd

15 May 2017

# Oversea-Chinese Banking Corp

(Maintain Reduce with unchanged TP:S\$8.48. Last:S\$10.55)



## Results at a glance

(SGD mn)	1Q17	1Q16	y-o-y (%)	4Q16	q-o-q (%)	Comments
Net interest income	1,272	1,307	-3%	1,251	2%	NIMs -13bps y-o-y. Loans +8% y-o-y
Fees & Comm	481	374	29%	420	15%	Higher WM fee income q-o-q & y-o-y
Insurance	211	122	73%	182	16%	Higher Life Assurance profit q-o-q & y-o-y
Other NII	285	257	11%	324	-12%	Lumpy net gain from property disposal in 4Q16
<b>Total income</b>	<b>2,249</b>	<b>2,060</b>	<b>9%</b>	<b>2,177</b>	<b>3%</b>	
Expenses	-973	-923	5%	-981	-1%	Barclays WM added 2 percentage points y-o-y
Allowances	-168	-167	1%	-305	-45%	Lower General Provisions q-o-q and y-o-y
<b>PATMI</b>	<b>973</b>	<b>856</b>	<b>14%</b>	<b>789</b>	<b>23%</b>	

Source: Company, PSR

## 1Q17 Net interest income at S\$1.27bn is flat y-o-y and q-o-q

- Mainly due to tighter margins between non-bank customer loans and deposits partially offset by better returns from money market placements. Loans growth up 8% y-o-y and up 2% q-o-q.
- See stiff competition to OCBC's regional corporate business from at least one large universal bank.
- See stiff competition both in Singapore consumer and regional corporate business. Expect OCBC to tactically rotate between the two segments whenever competition recedes. Therefore, to be ready to capture opportunities, we expect OCBC to aggressively maintain ample deposits for USD and SGD to fund loans

## NPLs stable at 1.3% but coverage ratio remains low at 101.1%

- Deterioration in collateral values of OSVs has decelerated.
- Oil and Gas Customers whose loans have not deteriorated have diversified businesses.

## Earnings supported by Wealth Management ("WM) and Insurance

- 22% q-o-q growth from Life Assurance and 37% q-o-q growth from WM had exceeded expectations.

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