

## Company Results

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Sembcorp Marine

CapitaLand Retail China Trust

Oversea-Chinese Banking Corp

Singapore Exchange Ltd

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# Ascendas REIT

## Acquisitions deliver strong set of results

Richard Leow

Phillip Securities Research Pte Ltd

31 July 2017

# Ascendas REIT

(Accumulate, TP: \$2.86, DPU: 15.8 cents (5.8%) , Last: \$2.71)

## Results at a glance

(SGD mn)	1Q18	1Q17	YoY	Comments
Gross revenue	213	208	2.7%	Acquisition of 197-201 Coward Street and 52 Fox Drive in Australia, and 12, 14 and 16 Science Park Drive (DNV/DSO) in Singapore; partially offset by divestment of Ascendas Z-Link and A-REIT City @ Jinqiao and decommissioning of 50 Kallang Avenue for asset enhancement works
Net property income	153	149	2.6%	3.1% higher operating expenses in line with increase number of properties
Distributable income	118	107	10.9%	1Q18 included a one-off adjustment of S\$5.9 million from a tax ruling by IRAS
<b>DPU (cents)</b>	<b>4.049</b>	<b>3.882</b>	<b>4.3%</b>	<b>9.4% larger unit base from conversion of ECS</b>

Source: Company, PSR

## Acquisitions driving gross revenue growth in FY18e → DPU sustainable

- DNV/DSO Science Park property acquired (4Q FY17): 3<sup>rd</sup> largest in portfolio, contributing 3.5% of gross revenue

## Portfolio has been resilient with higher QoQ occupancy at both SG and Australia

- +1.7% reversion for portfolio, +1.1% for Singapore, +3.5% for Australia
- Negative reversions in Singapore: Hi-Specs Industrial, Light Industrial and Logistics

## Stable outlook for FY18e

- No leases in Australia expiring; 13.3% by GRI in Singapore leases with negative reversions
- ECS have been fully converted in FY17; no more further unit dilution
- Healthy gearing of 33.9%

# Mapletree Industrial Trust

## Consistent set of results

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# Mapletree Industrial Trust

(Accumulate, TP: \$1.98, DPU: 11.4 cents (5.9%) , Last: \$1.92)



## Results at a glance

(SGD mn)	1Q18	1Q17	YoY	Comments
Gross revenue	88.8	84.1	5.6%	Mainly due to revenue contribution from Phase One of HP BTS since mid-Dec 2016
Net property income	68.2	63.8	6.9%	Gross revenue growth out-paced the 1.6% higher property operating expenses
Distributable income	52.6	51.5	2.2%	Higher NPI offset by higher borrowing costs and management fees
DPU (cents)	2.92	2.85	2.5%	0.07% larger unit base

Source: Company, PSR

## Organic growth from completion of HP BTS

- Full quarter contribution from Phase One
- Phase Two TOP end-June, contribute from 2Q18 onwards

## -2.0% weighted average rental reversion

- Lower rent at Hi-Tech Buildings from renewals at the Toa Payoh North 1 Cluster and Business Park due to larger tenant (Sony) renewing ~80,000 sq ft of space

## Stable outlook for FY18e

- 29.8% gearing: firepower to acquire

## Pipeline of projects in 2018

- AEI: 30A Kallang Place and Kallang Basin 4 Cluster: 1Q 2018
- BTS: Data Centre: 2H 2018

# SIA Engineering Company Ltd

## Earnings hit by higher operating costs

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31 July 2017

# SIA Engineering Company Ltd

(Reduce, TP: \$3.70, DPS: 13.0 cents (3.6%), Last: \$3.62)



## Results at a glance

(SGD mn)	1Q18	1Q17	YoY	Comments
<b>Revenue</b>	<b>272.8</b>	<b>271.6</b>	<b>0.4%</b>	
EBIT, before divestment	18.1	19.7	-8.1%	
EBIT, after divestment	18.1	(1.6)	N.M.	1Q17 includes one-off S\$21.3 mn provision for staff costs arising from divestment gain
Associates & JVs	21.1	20.7	1.9%	Associates S\$3.5 mn or 26% higher, JVs \$3.1 mn or 42% lower
<b>PATMI, reported</b>	<b>36.2</b>	<b>198.4</b>	<b>-82%</b>	<b>1Q17 includes one-off divestment gain of S\$141.6 mn and special dividend of \$36.4 mn</b>
<b>PATMI, recurring</b>	<b>36.2</b>	<b>38.0</b>	<b>-4.7%</b>	<b>Adjusted for one-offs above</b>

Source: Company, PSR

## Higher *reported* EBIT and lower *reported* PATMI are due to one-offs

- Recurring EBIT lower YoY, mainly due to 5.9% YoY increase in staff costs (47% of revenue) which outpaced revenue growth

## Higher associates/JVs did not offset lower EBIT

- Higher associates: Eagle Services (PW4000) not sustainable

## Outlook remains challenging

- Structural issue of lower work content, arising from improvement in technology and design that has led to better airframe and engine reliability
- Scope for earnings and dividend forecast to be cut, if work content does not pick up in the remaining quarters



# Sheng Siong Group

## Two new stores in 2H17; Cutting dividends for growth

Soh Lin Sin

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31 July 2017

# Sheng Siong (Accumulate, TP: S\$1.06, Last: S\$0.96)

(SGD mn)	2Q17	2Q16	YoY (%)	Comments
Revenue	201.5	188.8	6.8%	New stores +5.2%, SSSG +0.9%, Loyang Point and Verge +0.7%
Gross profit	53.5	49.4	8.4%	Lower input prices and better sales mix <i>Gross margin: 26.6% in 2Q17 vs 26.1% in 2Q16</i>
EBITDA	22.3	20.4	9.5%	
EBIT	19.7	18.2	8.5%	Higher operating expenditures mitigated by higher sales <i>Operating margin: 9.8% in 2Q17 vs 9.6% in 2Q16</i>
PATMI	16.1	15.2	6.3%	Higher tax expense
DPS (cents)	1.55	1.90	-18.4%	<i>Lower payout ratio: 70% in 1H17 vs 90% in 1H16</i>

Source: Company, PSR

**Improved consumer's sentiment; Same-store-sales growth turned around in 2Q17**

**Margin expansion drivers remained intact; FY17e gross margin to steady at c.26%**

**Lower dividend payout; Retaining cash for growth opportunities**

**Outlook: New stores to underpin topline; Healthy pipeline of new stores up for bidding**

- Two new stores in Bukit Panjang (Sep-17) and Woodlands (Oct-17), to boost FY18e sales growth
- 12 new supermarkets units pending completion by Dec-17 according to data on HDB HBiz website

# China Aviation (Singapore) Oil Speed bump in associate performance

Chen Guangzhi

Phillip Securities Research Pte Ltd

31 July 2017

# China Aviation (Singapore) Oil

(Maintain BUY, TP: S\$2.00, Last close: \$1.65)

## Results at a glance

(US\$ mn)	1H17	1H16	YoY (%)	Comments
Revenue	6,983.8	4,487.6	↑55.6	Increase in total trading volume of jet fuel and other oil products (1H17: 15.66mn tonnes vs 1H16: 13.63mn tonnes)
<b>Gross profit</b>	<b>26.0</b>	<b>23.1</b>	<b>↑12.8</b>	<b>Higher gains derived from trading and optimisation activities</b>
Operating profit	18.8	16.1	↑16.9	Higher bank interest income partially offset by higher finance costs from short-term borrowings
<b>Associates and JVs</b>	<b>33.2</b>	<b>33.5</b>	<b>↓(1.0)</b>	<b>Slight drop in profit contributions from Pudong (1H17: US\$29.04mn vs 1H16: US\$29.61mn)</b>
<b>Net profit</b>	<b>49.9</b>	<b>47.8</b>	<b>↑4.4</b>	<b>Higher income tax expenses</b>

Source: Company, PSR

## Trading business performed well

- 14.9% YoY growth in volumes: 11.6% from middle distillate (9.5mn tonnes in 1H17), 20.4% from other oil products (6.12mn tonnes in 1H17)

## Enhancement in trading efficiency

- Gross profit per million tonne: US\$1.26/mnt 2Q17 vs US\$1.13/mnt in 2Q16

## Profits from associates disappointed

- Due to USD appreciated 4.6% YoY against RMB over the period

## Upbeat on the outlook: 5<sup>th</sup> runway will commence operation by the year end

# **Sembcorp Marine Ltd**

## **Longer than expected recovery**

Chen Guangzhi

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31 July 2017

# Sembcorp Marine Ltd

(Downgrade REDUCE, TP: S\$1.55, Last close: \$1.695)

## Results at a glance

(SGD mn)	1H17	1H16	YoY (%)	Comments
Revenue	1,415.5	1,826.9	(22.5)	Low revenue recognition from rig building and offshore platforms projects
Gross profit	96.2	187.1	(48.6)	Lower contribution from rig building and offshore platforms projects, costs incurred for a floater project in 1Q17
Operating profit	42.1	125.3	(66.4)	Lower gross profit, FX losses due to revaluation of assets and liabilities denominated in USD
Net profit	43.3	66.3	(34.8)	Tax credit in 1H17 compared to tax expenses in 1H16

Source: Company, PSR

**Resumption of awarded contracts:** two drill ships orders from Transocean

## Opex and Capex cut:

- Opex: Freeze the wage across the board for all employees; cut the 10% monthly variable component wage for senior management staff
- Capex: S\$98mn in 1H17 vs S\$190mn in 1H16; expected 50mn+ outflows excluding maintenance in 2H17

**No replenishment to order book:** S\$75mn worth of new contracts excluding repairs in 1H17 vs S\$320mn in FY16

**Slow progress in clinching orders in floating LNG projects**

**Outlook: weak performance could continue in 2H17**

# Frasers Centrepoint Trust

## Tenant sales remain weak

Tan Dehong

Phillip Securities Research Pte Ltd

31 July 2017

# Frasers Centrepoint Trust

(Maintain NEUTRAL, TP: S\$2.14, Last Close: S\$2.11)

## Results at a glance

(SGD mn)/Sept Yr End	3Q17	3Q16	YoY (%)	Comments
Gross Revenue	43.6	45.0	(3.3)	Lower gross rent especially from Northpoint undergoing Asset Enhancement Initiatives and lower occupancy at Bedok Point
Net property income	30.8	31.2	(1.3)	Lower property expenses as a result of property tax writeback
Distributable income	26.3	25.8	1.8	Higher proportion of management fees paid in units
<b>DPU (Cents)</b>	<b>3.00</b>	<b>3.04</b>	<b>(1.3)</b>	Higher number of units; Includes S\$1.4mn of retained cash

Source: Company, PSR

## Suburban malls rental continue to drop as evident from slowing reversions

- 3Q17 portfolio rental reversions at 0.4%, weakest for the year (1Q: 6.9%, 2Q: 4.1%)

## Higher portfolio shopper traffic (+3.7% YoY) at malls did not translate to higher tenant sales

- Portfolio tenant sales remain weak (-3.3% YoY excl Northpoint)

## Causeway Point remain solid; Northpoint 90% pre-committed 2 months from open

- Occupancy cost at CWP remain low at c.16.5% despite drop in tenant sales
- Mgmt on track to achieve 9% increase in gross rents for Northpoint post AEI

## Maintain NEUTRAL with upgraded Target Price of S\$2.14



# CapitaLand Retail China Trust

## Stabilising tenant sales

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Phillip Securities Research Pte Ltd

31 July 2017

# CapitaLand Retail China Trust

(Maintain NEUTRAL, TP: S\$1.64, Last Close: S\$1.645)



## Results at a glance

(SGD mn)	2Q17	2Q16	YoY (%)	Comments
Gross Revenue	59.0	51.5	14.6%	Contribution from CapitaMall Xinnan acquired in Sept 2016. Excl. acquisition up 5.1% in RMB terms.
Net property income	40.0	35.5	12.7%	Higher property tax for Beijing malls
Distributable income	23.3	22.4	4.0%	Higher tax expense as a result of under provision of tax in prior years
<b>DPU (SG Cents)</b>	<b>2.62</b>	<b>2.61</b>	<b>0.4%</b>	

Source: Company, PSR

## Occupancy and rental reversions in main Beijing and Chengdu malls remain healthy

- Main malls in Beijing and Chengdu (70% of total portfolio) maintain full occupancy, rental reversions 0.8%-11%

## Tenant sales stabilising, at low single digit rate

- Tenant sales growth falling from 2014 (16%), look to stabilise at low-mid single digit level as malls mature

## Divestment of CapitaMall Anzhen could bring about loss in income until replacement acquisition

- 8% of total valuation. Net gain of S\$31.5mn is 2.3x property's FY16 NPI → Divestment gains could be used to top up DPU

## Maintain NEUTRAL with upgraded Target Price of S\$1.64

# Singapore Exchange Limited

## Lower FY Derivatives Volume Weighs on Topline Growth

Jeremy Teong  
Phillip Securities Research Pte Ltd  
31 July 2017

# Singapore Exchange Limited

(Upgrade Accumulate. Higher TP:S\$7.63, previously S\$7.45. Last:S\$7.59)



## Results at a glance

(SGD mn)	4Q17	4Q16	YoY	3Q17	QoQ	FY17	FY16	YoY	Comments on FY17
Securities	50.5	47.6	6%	55.3	-9%	205.0	204.9	0%	SDAV increase 2% YoY, avg clearing fee down from 2.90 to 2.82
Derivatives	82.1	74.5	10%	75.2	9%	303.1	325.2	-7%	Total volumes down 10% mainly due to lower China A50 and Nikkei 225 volumes
Others	75.1	76.0	-1%	72.2	4%	292.7	288.0	2%	Supported by YoY increase in Colocation Services
<b>Total Revenue</b>	<b>207.7</b>	<b>198.1</b>	5%	<b>202.7</b>	2%	<b>800.8</b>	<b>818.1</b>	-2%	
Opex	108.4	106.4	2%	99.7	9%	399.0	409.0	-2%	Lower Processing and Royalties expense due to lower Derivatives volumes and lower Technology expenses
<b>Net Income</b>	<b>85.2</b>	<b>76.8</b>	11%	<b>83.1</b>	3%	<b>339.7</b>	<b>349.0</b>	-3%	

Source: Company, PSR

## Full year Listing revenue and Market Data and Connectivity Revenue higher

- a) Listing Revenue: More Bond Listing. b)Mkt Data & Connectivity: Higher reported data usage for trading, risk and other back office applications.

## Securities average fees declined

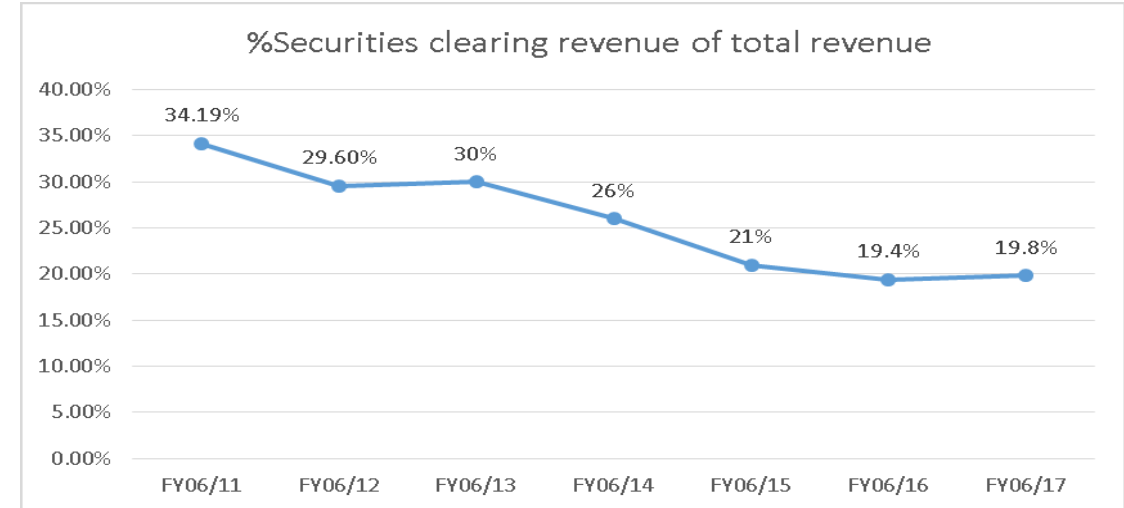
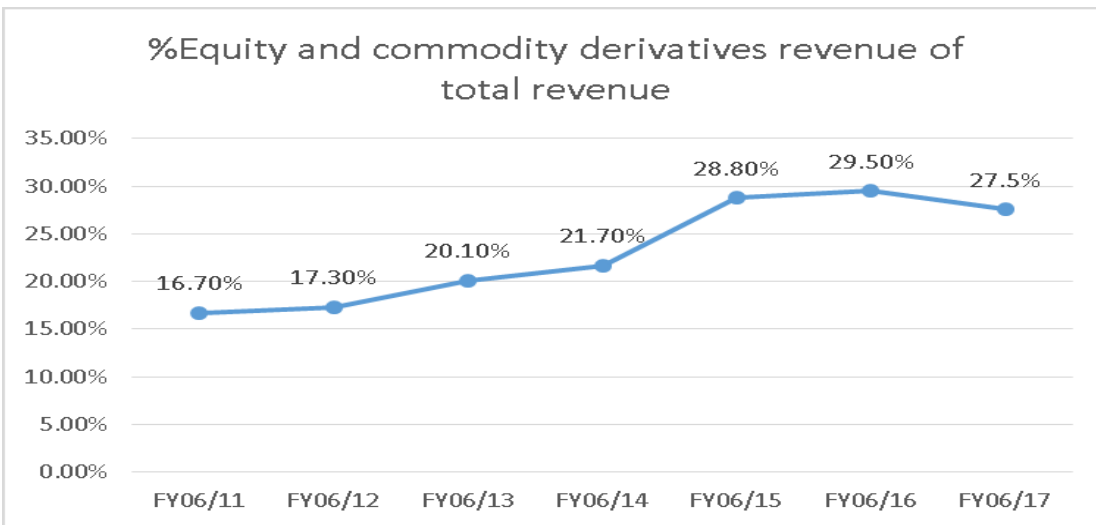
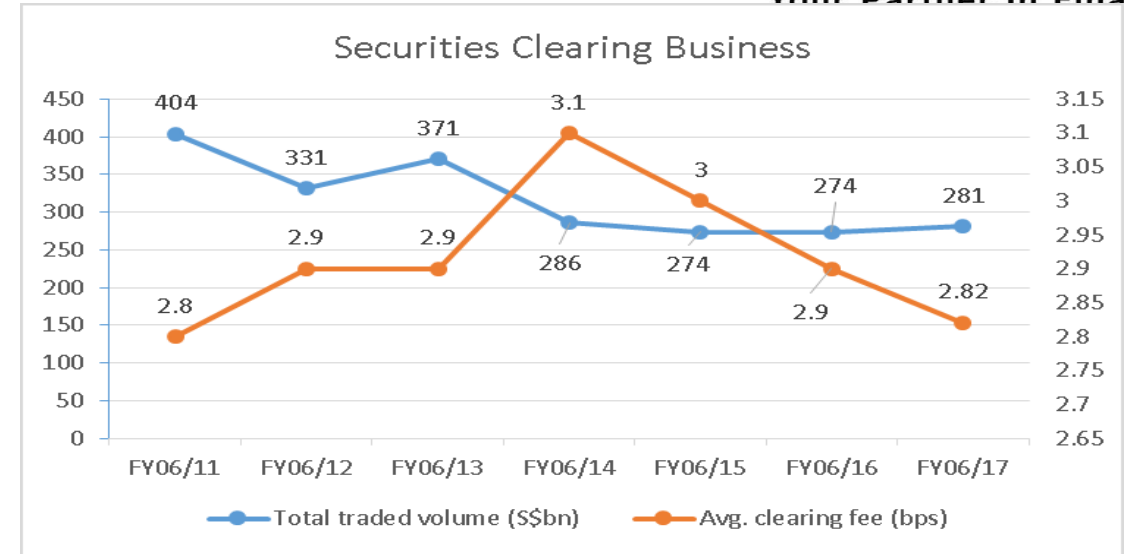
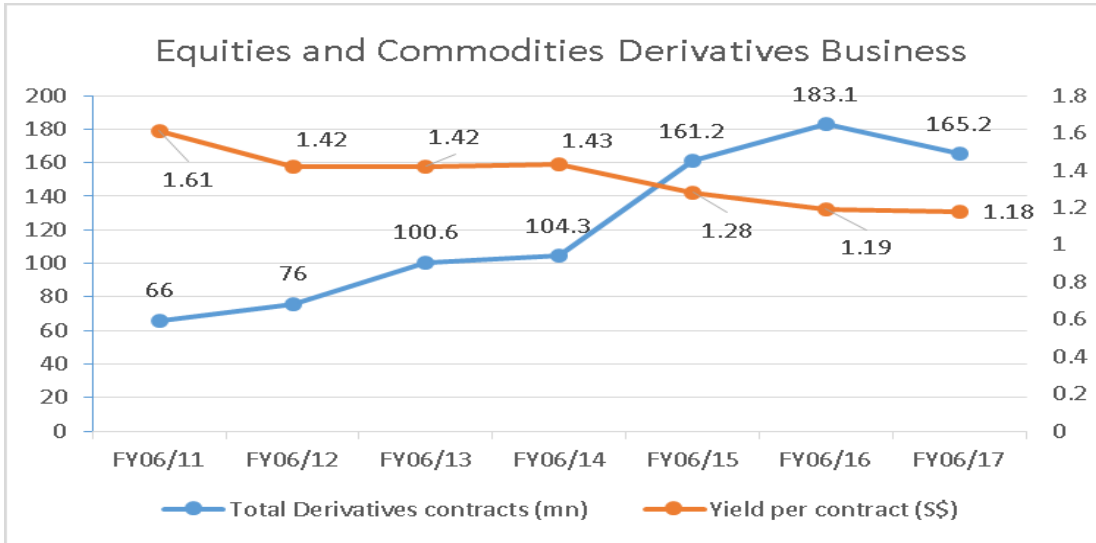
- Increase in trading of warrants and ETFs. We estimate that the percentage volume of warrants and ETFs have increased from 2% in 2016 to 5% in 2017.

## Weak Equities Derivatives

- Weak China A50 Index Futures and Nikkei 225 Index Futures volume. Low volatility in the markets and regulatory limits imposed by regulators in onshore Chinese markets that led to similar declines in offshore activity.

# Singapore Exchange Limited

(Upgrade Accumulate. Higher TP:S\$7.63, previously S\$7.45. Last:S\$7.59)



Source: Company, PSR

# Oversea-Chinese Banking Corp

## Firing On All Cylinders as Economy Improves Steadily

Jeremy Teong

Phillip Securities Research Pte Ltd

31 July 2017

# Oversea-Chinese Banking Corp

(Upgrade Neutral with Higher TP: S\$10.81, previous TP S\$8.48. Last:S\$10.55)

## Results at a glance

(SGD mn)	2Q17	2Q16	YoY (%)	1Q17	QoQ (%)	Comments
Net interest income	1,345	1,260	7%	1,272	6%	NIMs -3bps YoY. Loans +11%
Fees & Comm	492	417	18%	481	2%	Higher WM fee income
Insurance	278	146	90%	211	32%	Higher Life Assurance profit
Other NII	283	225	26%	285	-1%	Higher net trading income
<b>Total income</b>	<b>2,398</b>	<b>2,048</b>	<b>17%</b>	<b>2,249</b>	<b>7%</b>	
Expenses	-992	-932	6%	-973	2%	Incl. Barclays WM staff costs
Allowances	-169	-88	92%	-168	1%	
<b>PATMI</b>	<b>1,083</b>	<b>885</b>	<b>22%</b>	<b>973</b>	<b>11%</b>	

Source: Company, PSR

## Stronger Net Interest Income (“NII”) was due to higher Loan-to-deposits ratio (“LDR”), gaping income and higher yields on customer loans.

- LDR increased to c.85% from previous 82% to 83% range. Management has indicated more flexibility to push LDR higher.
- Higher yields from interbank loans (higher gaping income).
- Better yields from customers’ overseas expansion projects.
- Higher sensitivity to competition. Slightly more than half of OCBC’s loans are pegged to board rates which are influenced by competitive forces.

## NPLs stable at 1.3% but coverage ratio remains low at 100%

- OCBC’s provision expenses could be volatile when it is required to respond to a sudden deterioration in quality of loans related to the OSV sector.

## Strong Insurance and Wealth Management.

- Strong performance from Great Eastern Holdings’ investment portfolio as a result of narrowing credit spreads and gains from favourable interest rate movements.
- OCBC’s Bank of Singapore (“BOS”) AUM rose 46% y-o-y from US\$61bn to US\$89bn. Two-thirds of BOS’ AUM growth came from net new money.

# United Overseas Bank Limited

## Steady Performance Amid Unfavourable Rates

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Phillip Securities Research Pte Ltd  
31 July 2017



# United Overseas Bank Limited

(Maintain Reduce with Higher TP:S\$20.18, previously S\$19.20. Last:S\$24.05)



## Results at a glance

(SGD mn)	2Q17	2Q16	YoY (%)	1Q17	QoQ (%)	Comments
NII	1,356	1,211	12%	1,303	4%	Higher loans growth and higher NIM
Fees & Comm	517	475	9%	508	2%	Higher Fund Mgmt fees, Cards and WM
Other Non Int Income	311	338	-8%	311	0%	Lower Net Trading Income
<b>Total Revenue</b>	<b>2,184</b>	<b>2,024</b>	<b>8%</b>	<b>2,123</b>	<b>3%</b>	
Expenses	995	927	7%	957	4%	Higher staff and revenue related costs
Allowances	180	161	12%	186	-3%	Higher SP in Thai and Indo
<b>Net Profit</b>	<b>845</b>	<b>801</b>	<b>5%</b>	<b>807</b>	<b>5%</b>	

Source: Company, PSR

## Net interest income growth higher y-o-y and q-o-q

- Strong broad based loans growth YoY offset YoY decline in customer loans yield as overall economic sentiments improve.
- UOB had opportunities to place out higher yielding interbank loans in the 1H17.
- We expect UOB's loans to shift away from SOR and SIBOR pegged rates and to adopt board rates such as fixed deposit pegged rates (UOB does not use SOR for mortgage loans as of 2Q17). Board rates give more pricing flexibility but is also more susceptible to competitive forces.
- Expect a significant pressure on NIM coming out from the Singapore property housing loans segment as UOB has a significant weight on Sg housing loans in its loans book

## NPL stable at 1.5% and coverage ratio adequate at 113%.

- NPL outlook stable. 32 basis points total credit costs guided. We estimate FY17e provision expense of S\$730mn compared to FY16's S\$594mn.

## Capturing the growing capital demand in Thailand, Myanmar and Vietnam but Indonesia remains weak

- Strong in Thailand (PBT growth 40.5% YoY). Early stage developments in Myanmar and Vietnam. Poor performance in Indonesia.

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