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Company Results

Ho Bee Land, Banyan Tree Holdings

City Developments, UOL Group, Chip Eng Seng

ComfortDelGro, Cogent Holdings

China Everbright Water

Centurion

Singapore O&G, Thai Beverage, Fraser and Neave

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Ho Bee Land

China residential sales continue to support earnings

Tan Dehong
Phillip Securities Research Pte Ltd
14 August 2017

Ho Bee Land Limited (BUY, TP: S$2.98, Last close: S$2.33)

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Results at a glance

(SGD mn)/Dec Yr End	2Q17	2Q16	YoY (%)	Comments
Sale of development properties	2.8	136.4	(97.9)	Higher profits from 2 residential development properties in Melbourne and Gold Coast in 2Q16
Rental Income	34.6	36.4	(5.1)	Mainly due to weaker GBP vs SGD for London portfolio
Share of Profits from Associates	12.2	7.6	60.5	Mainly from sales of China JV project Yanlord Western
Profit from continuing operations before tax	40.3	51.9	(22.5)	
Net Profit	36.7	42.1	(12.7)	

Source: Company, PSR

ASPs for Shanghai development project remain firm despite cooling measures

- ASP of c.RMB53k/sqm maintained. Project now 77% sold (vs 69% in 1Q17). Almost all units launched in the quarter are sold out.

The Metropolis maintained near 100% occupancy going into second renewal cycle

- Investment property takes up c.38% of HBL total GAV. Maintained full occupancy since operating in 2013. Average passing rents held stable YoY at S$7+/psf.

Weakening pound was main cause for 4.7% drop in rental income in 1H17

- Pound weakened c.10% from 2Q16 against SGD post Brexit.

Slow recovery in Sentosa residential market

- Increase in transaction volumes and ASPs in CCR yet to trickle down to Sentosa segment. Rents at Group's 3 Sentosa condominiums remain stable, occupancy 75%-80%.

Maintain ACCUMULATE with increase TP of $2.98 after incorporating latest ASP for China residential project

- TP remains at 30% discount to RNAV.

Banyan Tree Holdings Limited

Turnaround in operations

Tan Dehong, Peter Ng

Phillip Securities Research Pte Ltd

14 August 2017

Banyan Tree Holdings Limited (BUY, TP: S$0.74, Last close: S$0.55)

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Results at a glance

(SGD mn)/Dec Yr End	2Q17	2Q16	YoY (%)	Comments
Revenue	69.8	65.9	6.0	
-Hotel Investments	*42.0*	*38.3*	*9.5*	Mainly driven by Thailand, partially offset by weaker Maldives
-Property Sales	*11.5*	*14.5*	*(20.8)*	Lower handover and recognition of property units
-Fee-based segment	*16.4*	*13.1*	*25.5*	Higher management fees from resorts in China, Mauritius and Mexico, higher revenue from Spa/Gallery operations in China
-Other income	*0.5*	*1.4*	*(62.8)*	
Total Costs and Expenses	(70.0)	(70.6)	(0.9)	
Operating Profit (EBITDA)	0.4	(3.4)	nm	
Net Profit	(13.9)	(15.3)	(9.1)	After factoring in depreciation, amortization, finance costs, tax

Source: Company, PSR

Turnaround in operating profit driven by hotel investments and fee-based segment

- Thailand drove most of 10% YoY increase in revenue for Hotel Investments segment.

General improvements in RevPARs except for Maldives

- RevPAR for Thailand grew 15%/Seychelles 28%, Maldives declined 9%. Increase in resort supply and moderating growth in China tourists in Maldives.

Stable earnings outlook on growing RevPARs

- We expect RevPar growth in Thailand to continue in 2H17 with recovery in tourism post Thai king passing in 2H16. Property sales unrecognized revenue at $154mn (77% jump YoY). Interest cost savings to drive bottom line growth from FY18.

Maintain BUY with lower TP of $0.74 to account for lower than forecasted gains on disposal of China Assets

- Lowered TP mainly due to lower than forecasted disposal gain of S$39mn vs S$66mn forecasted. TP translates to FY18e P/NAV of 0.87.

Banyan Tree Holdings Limited (BUY, TP: S$0.74, Last close: S$0.55)

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Details of finalised definitive agreements with China Vanke	
1) Divestment of BTH's China assets into Banyan Tree Assets China (BTAC) and subsequent injection of capital by China Vanke	
Injection of capital by China Vanke into Banyan Tree Assets China	S$90mn
Cash proceeds due to BTH for injection of 50% of China assets	S$90mn
Net profits attributable to BTH after fees	S$39mn
2) Issuance of BTH shares to Vanke for 5% equity stake (with option to increase a further 5%)	
Issuance of 40mn shares at S$0.60 (for 5% stake)	S$24mn
Expiry of initial option for further 5% stake	5 market days before BTH 2018 AGM
Total cash proceeds from Vanke to BTH	S$114mn
Group intention for use of proceeds	Reduce gearing and for general working capital

Source: Company, PSR

Banyan Tree Holdings Limited (BUY, TP: S$0.74, Last close: S$0.55)

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Sum-of-parts Valuation (SOTP)	S$'000	Valuation inputs used	Comments
Owned hotel business	541,555	20% discount to FY17e PPE book value	Consistent with current price discount to book. More conservative vs post GFC average price discount to book of 10% (Initiation Report Figure 10)
Property development	223,164	30% discount to RNAV, assuming 20% development margins	RNAV discount consistent with our in-house discount value for mid-cap property developers. More conservative vs peer average discount of 20% (Initiation Report Figure 8)
Fee-based segment	250,425	Assuming 30% EBITDA margins and EV/EBITDA multiple of 10	Consistent with post GFC average EBITDA margins of 29% for fee-based segment. EV/EBITDA of 10 more conservative than large-cap hotel operators average multiple of 13.7 (Initiation Report Figure 9)
Total	1,015,145		
Minus: FY17e Total Debt	(502,585)		
Add: FY17e Cash	76,741		
Total	589,300		
Total number of shares ('000)	801,057		Increased by 40mn shares to account for Vanke Share placement
Fair value/share (S$)	0.74		

City Developments

Well-positioned for a continued recovery

Peter Ng
Phillip Securities Research Pte Ltd
14 August 2017

City Developments (Accumulate (Maintained), TP: S$12.10, Last close: S$11.66)

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Results at a glance

(SGD'mn)	2Q17	2Q16	YoY (%)	Comments
Revenue	854	1,092	-22%	Absence of contribution from Sol Acres EC which was recognised completely in 2Q16
Gross Profit	416	440	-5%	
EBIT	203	214	-5%	Lower other operating expenses mainly due to a S$22m writeback of impairment loss relating a loan to JV
Profit before tax	185	205	-10%	Losses in JV due to expensing off marketing costs for previous TOP'ed projects
PATMI	110	134	-18%	

Source: Company

- **Quick absorption of existing inventory puts off ABSD woes from Venue Residences (100% sold) and Commonwealth Towers**
- **Strong recovery in CCR market segment sets stage for New Futura launch**
- **Near term is to focus on replenishing land bank but still has three unlaunched projects for sale**
- **S$60mn AEI at Republic Plaza expected to generate a 10% ROI**
- **Longer term outlook for China development projects remains bright despite near term challenges**

UOL Group Limited

Continues to deliver

Peter Ng
Phillip Securities Research Pte Ltd
14 August 2017

UOL Group Limited (Accumulate, TP: S$9.14, Last close: S$8.06)

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Results at a glance

(SGD mn)	2Q17	2Q16	YoY (%)	Comments
Revenue	**399.1**	**363.6**	**10%**	**Higher contributions from Singapore property development operations**
Gross Profit	131.9	125.3	5%	Gross profit margin shrank 1 ppts to 33% mainly due to higher cost ratio from property development
Fair value (losses)/ gains on IP*	12.1	(19.6)	-	Mainly due to cap rate compressions on office portfolio
Net income	109.4	68.8	59%	

**Inclusive of Group, Associates and JVs' investment properties*

Source: Company

All eyes on Singapore property development segment

- **Results benefited primarily through SG Property development:** Property development grew 19% YoY to S$221.2m amid higher ASPs (5.6% QoQ) from two development projects, The Clement Canopy and Principal Garden.
- **Existing projects' ASP expected to increase further from rapid absorption:** Three ongoing SG projects are >50% sold. Clement Canopy launched in Mar-17 is already 58.8% by 2Q17. ASP is grow 5%, adding 4.5 S'cents to our RNAV estimates.
- **Two SG projects on track to be launched in 2018:** Land tender prices of two land parcels were at least 34% higher than Raintree Gardens (S$797 PSF PPR). Expect optimism to benefit Raintree Gardens when launched next year.

Chip Eng Seng Corporation

Expect revenue acceleration in 2H17

Peter Ng
Phillip Securities Research Pte Ltd
14 August 2017

Chip Eng Seng Corporation

(Buy (Maintained), TP: S$0.90, Last close: S$0.73)

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Results at a glance

(SGD'mn)	2Q17	2Q16	YoY (%)	Comments
Revenue	141.8	154.5	(8.2)	Lower contribution from Property Development and Construction segments
Gross profit	36.1	53.1	(32.0)	
Profit before taxes	6.7	28.3	(76.5)	Higher marketing and distributions expenses and provisions incurred for a construction project
PATMI	0.8	14.3	(94.3)	

Source: Company, PSR

- **Strong sales momentum in existing SG development projects with one new project to be launched in 2H18**
- **Risk of paying QC extension fees significantly reduced with Fulcrum 90% sold, and more than 6 months to sell remaining 13 units**
- **Expect revenue acceleration from hand over of Australia development project, Williamson Estate in 2H17**
- **Proposed acquisition of Grade A office building in New Zealand and hotel in Australia to boost recurring income**

Chip Eng Seng Corporation

(Buy (Maintained), TP: S$0.90, Last close: S$0.73)

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Breakdown of launched development projects

Project Name	Total units	Sale status (%)	NSA (sqft)	ASP (S$'PSF)	GDV (S$'mn)
		Singapore			
High Park Residences	1,390	100%	1,132,125	960	1,087
Fulcrum	128	89%	100,544	1,830	184
Granduer Park	720	78%	551,407	1,350	744
		Australia			
Tower Melbourne	581	100%	279,864	1,277	358
Williamson Estate	104	100%	161,459	818	132
Willow Apartment	64	67%	53,820	990	53

Source: Company, PSR

ComfortDelGro Corp Ltd

Oversold and earnings to bottom this year

Richard Leow

Phillip Securities Research Pte Ltd

14 August 2017

ComfortDelGro Corp Ltd
(Buy, TP: $2.78, DPS: 10.3 cents (4.5%) , Last: $2.31)

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Results at a glance

(SGD mn)	2Q17	2Q16	YoY	Comments
Revenue	**987**	**1,022**	-3.4%	**$18.2mn erosion from foreign currency translation and $16.9mn lower due to weaker underlying business**
EBIT	112	123	-9.0%	2.7% lower OpEx. Actual S$8.4mn decrease in OpEx was aided by S$16.8mn favourable foreign currency translation
PATMI	**79.4**	**85.2**	-6.8%	

Source: Company, PSR

75%-owned subsidiary, SBS Transit, contributed positively

- Impact from transition to BCM lifted SBST EBIT and NPAT; mitigated weaker underlying business
- Higher interim dividend of 4.35 cents, from 4.25 cents a year ago

Singapore Taxi facing competition from private hire vehicles

- Taxi fleet -3.1% QoQ and -8.9% YoY; 5% idle rate from 3.0%-3.5% in previous quarter
- EBIT margin eroded likely to single-digit from historical low-teens
- Contribute estimated 10%-15% of Group EBIT, from historical 20%

Positive outlook

- Opening of DTL3 on 21 October
- Full year impact of BCM in 2017 (4 months impact in 2016)
- Seletar bus package to contribute positively from 1Q18

Cogent Holdings Ltd

Interim dividend positive surprise

Richard Leow
Phillip Securities Research Pte Ltd
14 August 2017

Cogent Holdings Ltd

(Buy, TP: $1.12, DPS: 3.13 cents (3.9%) , Last: $0.805)

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Results at a glance

(SGD mn)	2Q17	2Q16	YoY	Comments
Revenue	**35.0**	**33.8**	**3.6%**	**Higher container depot management services and maiden contribution from Phase 2 of Port Klang Free Zone warehouse**
EBIT	10.8	10.4	4.5%	$1.45mn higher OpEx offset by $0.7mn higher other income arising from deposit forefeiture, resulting in higher operating margin of 30.9% from 30.7%
PBT	10.2	9.6	5.8%	9.8% lower net finance costs
NPAT	**8.3**	**7.9**	**4.7%**	**11% higher income tax expense; flat net profit margin of 23.6% from 23.3%**

Source: Company, PSR

Turnaround for Port Klang operations

First-ever interim dividend, but likely to be one-off

Some weakness in underlying business

- YoY lower revenue from Transport management segment
- 6.0% OpEx growth out-paced 3.6% revenue growth. NPAT growth was a result of deposit forfeiture and not core earnings growth

Positive outlook

- Container repair, maintenance and washing JV began in July (3Q17)
- Jurong Island Container Depot (JICD) just started and not contributing meaningfully yet
- Jurong Island Chemical Logistics Facility (JICLF) in FY19e

China Everbright Water Limited

Ongoing turnaround

Chen Guangzhi

Phillip Securities Research Pte Ltd

14 August 2017

China Everbright Water Limited

(Upgrade BUY, TP: S$0.61, Last close: $0.465)

Results at a glance

(HK$ mn)	1H17	1H16	YoY (%)	Comments
Revenue	1,642.8	1,325.7	23.9	Construction of the sponge city construction project and the river-basin ecological restoration project in addition to the expansion and upgrading of several waste water treatment plants
Gross profit	554.3	464.0	19.5	Increase in construction services where margin is lower than the operation services
EBIT	499.4	383.6	30.2	FX losses in 1H16 due to borrowings pegged to USD, and the borrowings were fully paid by Jul-16
PATMI	255.0	180.6	41.2	Higher borrowing costs by lower tax expenses

Source: Company , PSR

Expanding designed WWT capacity with water tariff hike

- 7 projects commenced operation in 1H17; Daily designed WWT capacity: c.5.0mn cubic meters
- 5 projects received tariff hike:19% to 86%

Abundant funding support from various sources

- RMB-denominated corporate bonds (“Panda bonds”): Rmb1bn; Water affair fund: Rmb10bn
- Average borrowing: 4.2% (previous 4.04%)

Still facing pressures from collecting receivables

- Receivables: HK$1bn as of 1H17 (12.5% YoY growth)

Outlook: 66 water projects under operation with another 8 more in the pipeline

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Centurion Corporation Limited

Stellar Performance Continues

Jeremy Teong
Phillip Securities Research Pte Ltd
14 August 2017

Centurion Corporation Limited

(Maintain Accumulate with higher TP:S$0.59, previous TP: S$0.48. Last:S$0.545)

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Results at a glance

(SGD '000)	2Q17	2Q16	YoY	1Q17	QoQ	Comments
Revenue	35,248	28,700	23%	36,021	-2%	Better occupancy at Papan and Westlite M'sia portfolio. Acquisition of 4 more UK assets in 3Q16
Cost of Sales	(9,592)	(9,767)	-2%	(12,070)	-21%	Higher COS from Papan and 4 UK assets offset by cost savings from Tuas.
Gross Profit	25,656	18,933	36%	23,951	7%	
Other misc. gain	303	379	-20%	482	-37%	
Expenses	(11,329)	(9,960)	14%	(10,864)	4%	S$1.4mn Fees for proposed dual listing on SEHK
Assoc. & JV	53	1,316	-96%	1,431	-96%	Fair value losses on Mandai
Fair value gains	1,976	-	NM	-	NM	Include Papan fair value gains
Income tax	(5,013)	(2,239)	124%	(3,266)	53%	
MI	(2,533)	428	NM	(1,010)	NM	Papan fair value gains to MI
PATMI	9,113	8,857	3%	10,724	-15%	

Source: Company, PSR

Favourable Supply Demand dynamics and rising occupancy

- Singapore: Island wide worker dorm business experiencing c.80% occupancy and pricing cutting is not the focus now. No more new supply. Demand stable.
- QoQ revenue growth was due to higher occupancy ASPRI-Westlite Papan (c.99% in 2Q17 vs. 89% in 1Q17) offset by decline in occupancy to 80% at Westlite Tuas.
- Occupancy rate at the Malaysian Westlite portfolio has improved from c.74% in 1Q17 to c.82% in 2Q17.
- By 3Q17, the rental lease by Westlite Papan occupants will be up for renewal and we can expect a positive rental reversion.

Other developments

- Dual listing at SEHK slated in Oct 2017 and acquisition of 30% stake in US student accommodation assets
- Commence operations of dwell Adelaide and AEP to RMIT village by 1Q19
- Upside surprise will be another renewal for Westlite Tuas to bridge the gap from 1Q18 to 4Q18

Singapore O&G Ltd.

Diversifying revenue stream with Paediatric segment

Soh Lin Sin
Phillip Securities Research Pte Ltd
14 August 2017

Singapore O&G Ltd.

(Buy (Upgraded), TP: S$0.65 (prev. S$0.79), Last: S$0.47)

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Results at a glance

S$' mn	1H17	1H16	YoY (%)	Comments
Obstetrics & Gynaecology	8.6	8.4	3.4%	Higher contributions from Gynaecology offset decline in Obstetrics
Cancer-related	1.7	1.3	34.0%	Higher patient load
Dermatology	3.9	4.3	-9.3%	Lower patient volume, especially foreign patients
Revenue	**14.2**	**13.9**	**2.2%**	As above
Gross	12.2	11.9	2.3%	*Gross Profit Margin steady at 85.5% (+0.1pp YoY)*
EBITDA	5.2	5.4	-3.8%	Higher staff and rental expenses *EBITDA Margin -2.3pp to 36.8%*
EBIT	5.0	5.3	-5.3%	Higher depreciation cost *EBIT Margin -1.6pp to 34.2%*
PATMI	**4.1**	**4.4**	**-6.4%**	Higher tax provisioned (Implied tax rate +2.5pp to 15.7%); PATMI -8.4% YoY if excludes non-cash finance expense
DPS (Cents)	0.61	0.77*	-20.3%	* Considering the effect of 2-for-1 share spilt in May-17

Source: Company, PSR

Market share for Obstetrics anchored at c.4%; Stronger Gynaecology to cushion slower Obstetrics

Cancer-related segment gain tractions; Dr. Lim Siew Kuan is on track to turn profitable in FY17

Stronger SGD against IDR discouraged foreign patient load in Dermatology

Lower interim dividend payout; No change in Management's targeted interim payout ratio of c.70%

- 1H16 interim dividend was based on 70.5% of an inflated earnings

Singapore O&G Ltd.
(Buy (Upgraded), TP: S$0.65 (prev. S$0.79), Last: S$0.47)

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Cautiously optimistic outlook; Expanding Paediatric segment

- Margin pressures: Sluggish birth rate, slowing medical tourism, higher operating costs, and the latent period of the new Paediatric services
- Expect a recovery in birth numbers in 2H17 and historically, the 2H is stronger than 1H
- **Second paediatric clinic in the heartland of Tiong Bahru estate by Nov-2017**

  The new paediatric specialist would be able to tap onto the potential young patient pool of over 4,000* babies and adolescents within the vicinity

  *(*Source: 2016 Population Trends, Singapore Department of Statistics)*

Upgrade to Buy with lower TP of S$0.65 (previously S$0.79) based on FY18e EPS of 2.24 SCents pegged to a lower forward PER of 29x

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Thai Beverage Plc

Boosted by F&N/FCL contributions

Soh Lin Sin

Phillip Securities Research Pte Ltd

14 August 2017

Thai Beverage

(Accumulate (Maintained), TP: S$1.05, Last: S$0.93)

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Results at a glance

THB' tn	3Q17	3Q16	YoY (%)	Comments
Spirits	25.5	24.4	*4.5%*	Sales volume +4.3% YoY due to a low base in 3Q16
Beer	13.8	14.8	*-7.1%*	Sales volume -8.7% YoY due to mourning period and subdued on-trade consumption
Non-alcoholic beverages	4.3	4.5	*-4.1%*	Lower sales volume in all segments except Drinking Water
Food	1.7	1.8	*-2.3%*	Slowdown of on-trade consumption despite more new stores
Revenue	**45.3**	**45.5**	***-0.4%***	
Gross	14.1	13.7	*3.0%*	Higher margin for all segments except NAB *Gross Profit Margin +1.0pp to 31.1%*
Core EBITDA, ex. FNN/FCL	7.5	7.8	*-2.9%*	Higher SG&A expenses *EBITDA Margin -2.3pp to 36.8%*
NPAT	15.3	5.9	*159.8%*	Higher F&N/FCL contribution (+242.% YoY); Exclude F&N recognition of fair value gains of THB8.498tn, NPAT, adj. +15.4% YoY
PATMI, adjusted	**6.7**	**5.8**	***16.0%***	Exclude F&N recognition of fair value gains of THB8.498tn

Source: Company, PSR

Outlook remains positive

- Expect 4Q17 demand for alcoholic beverages to remain slow: enter into the dry season in the fourth quarter (Jul-Sep)
- But the excise tax hike in 16 Sep-17 could lead to a volume spike in early-Sep as retailers build up inventories two weeks prior to the tax hike; Details on the impending excise tax has yet to be disclosed
- Remain optimistic of a recovery in consumer sentiment in Food & Beverages in Oct-17 and ThaiBev to expand its margin during the impending excise tax levy in Sep-17

Thai Beverage

(Accumulate (Maintained), TP: S$1.05, Last: S$0.93)

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New rival entering the Thai White Spirits market

- Carabao Group Plc has entered into the Thai spirits market under the company name, Tawandang 1999, to produce and distribute a full suite of spirits in the next three years
- Has a fully automated distillery with production capacity of 54.75mn litres p.a.; Started with half of the capacity in Apr-17
- It has introduced its first white spirit brand into the market in Apr-17 and plans to capture 10% of Thailand white spirits market next year with a 10% to 20% lower selling prices compared to peers, via its over 200,000 points of sale throughout Thailand
- ThaiBev's competitive advantage: (i) strong brand equity and pricing power in Thai spirits market, (ii) economies of scale from its 18 local distilleries, and (iii) strong distribution channels, covering over 400,000 points of sales in Thailand

Thai Beverage
(Accumulate (Maintained), TP: S$1.05, Last: S$0.93)

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Additional 2% of excise tax to be allocated to the Elderly Fund in 2018

- Notwithstanding the Sep-17 excise tax levy, the Thai cabinet has recently in 1 Aug-17 approved an additional 2% increase on excise tax from liquor, tobacco and beer sales
- The tax increase should take effect in 2018
- Currently, there are three government agencies receiving 1.5% to 2% of the alcohol excise tax each, i.e. the Thai Health Promotion Foundation (2%), the state-owned TV Thai Public Broadcasting Service (1.5%), and the National Sports Development Fund (2%)

Thai Beverage
(Accumulate (Maintained), TP: S$1.05, Last: S$0.93)

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Acquisition of KFC stores by Dec-17

- The move has somewhat completes ThaiBev's suite of Food products offerings – quick service restaurants (KFC stores), full service restaurants (Oishi's Japanese restaurants), bakeries (JV with Mei-Xin), as well as ready-to-eat or cook (Oishi frozen products and snacks)

  Note: *Incorporated Bistro Asia in Apr-17 – Potential venture into non-Japanese bistro or restaurant*

- **KFC in Thailand:** >30 years; the No. 1 QSR brand in terms of brand share and no. of outlets (c.600 outlets)

  Post-transactions, 3 franchisers – Central Restaurant Group (224 branches), Restaurant Development Co., Ltd. (128 branches), and ThaiBev (240 branches)

- Details of the franchise rights or the locations where it will operate have yet to be disclosed
- Preliminary amount in consideration for the existing KFC stores is about THB11.3bn (including VAT), and an additional amount in consideration for the KFC stores under development will be determined at closing
- Expect ThaiBev to fund the acquisitions via borrowings (gearing ratio currently at 0.47x, or a THB67.65mn debt headroom) and internally generated fund (cash-flow generation of over THB20bn p.a.)

Thai Beverage
(Accumulate (Maintained), TP: S$1.05, Last: S$0.93)

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- **Potential synergies with Yum's expertise and KFC's extensive network in Thailand**
  - ThaiBev could accelerate KFC's further expansion in Thailand and enhance its Food business' operations
  - Possibly leverage on KFC to increase distribution and exposure of *Oishi* beverages or even *Chang* beer

Fraser and Neave

Maiden profit from Vinamilk boosts PATMI

Soh Lin Sin

Phillip Securities Research Pte Ltd

14 August 2017

Fraser and Neave

(Neutral (Maintained), TP: S$2.52 (prev. S$2.31), Last: S$2.46)

Results at a glance

SGD mn	3Q17	3Q16	YoY (%)	Comments
Beverages	141	171	-17.1%	Lower Soft Drinks sales despite Hari Raya festivities, and intense competition in SG and MY
Dairies	276	286	-3.3%	Weak consumer sentiment and intense competition in SG and MY
Printing & Publishing ("P&P")	65	72	-9.2%	Lower demand from Publishing offset better sales from Printing
Revenue	**483**	**528**	**-8.6%**	Weak consumer sentiment and competitive pricing in SG and MY
Gross profit	165	204	-19.1%	Higher input costs *Gross Margin -4.5pp to 34.2%*
EBITDA	33	57	-42.7%	*EBITDA Margin -4.0pp to 6.7%*
Core PBIT	78	59	33.2%	Higher dividend income and profit contribution from Vinamilk
PATMI (continuing operations ex. exceptional items)	**61**	**38**	**59.9%**	Lower effective tax rate *ETR -11.3pp to 2.6%*

Source: Company, PSR

- **Higher earnings despite lower revenue, thanks to Vinamilk**
- **Persistently weak demand and competitive pricing amidst rising raw material in MY and SG eroded margins of Beverages and Dairies; Upcoming general election in MY could further dampen consumer sentiment and weigh against Ringgit's strength**
- **Further PBIT losses in the Printing and Publishing business despite being post-restructuring**

Fraser and Neave

(Neutral (Maintained), TP: S$2.52 (prev. S$2.31), Last: S$2.46)

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Potential second Vinamilk stake sale in Oct-17; Additional stake in Vinamilk would provide a long tail for future earnings

- The State Capital Investment Company (SCIC) has recently announced its intention to further sell over 48mn (or equivalent to 3.33%) of Vinamilk shares in Oct-17
- Expect a more competitive stake sale this time as SCIC plans to remove all restrictions placed previously and push for a more transparent sale
- Detailed information related to the upcoming sale, such as initial price, trading mode and minimum volume, will be made public in Sep-17
- The 3.33% stake is estimated to worth about US$285.9mn to US$307.9mn; Expect FNN to fund any acquisitions via borrowings and/or internally generated fund

  Net gearing ratio is currently at 6.9%, i.e. over S$2,000mn further headroom before hitting its ceiling of 80%

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