

## Company Results/Updates

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SATS Ltd

# SATS Ltd

## Stronger associates & JVs offset operating cost pressures

Richard Leow

Phillip Securities Research Pte Ltd

13 November 2017

## Results at a glance

(SGD mn)	2Q18	2Q17	YoY	Comments
Revenue	435	439	-0.8%	3.1% lower Food Solutions, offset by 2.3% higher Gateway Services
EBIT	61.1	63.6	-3.9%	0.3% lower expenditure; lower margin of 14.1% from 14.5%
Associates/JVs	18.0	11.5	57%	75.9% higher Food Solutions, 50.0% higher Gateway Services
PATMI	72.2	62.1	16.3%	2Q18 includes disposal gain of \$7.0 mn comprising \$5.2 mn from SATS HK and \$1.8 mn from restructuring of Jilin JVCo
Underlying PATMI	65.2	62.1	5.0%	Excluding one-off above; higher margin of 15.0% from 14.2%

Source: Company, PSR

## Robust 57% growth in associates/JVs driving PATMI growth, in spite of lower EBIT

- Overall volumes were up

### Lower Food Solutions revenue

- 13.2% YoY lower TFK Corp. revenue; weaker meal volumes arising from flight cuts by Delta Air Lines

### EBIT margin compression

- Licence fees 24% YoY higher, due to cessation of fee rebates at Changi Airport since Apr 1

### Stable to positive outlook

- EPS growth from associates/JVs: horizontal (new geographies) and vertical (DFASS SATS) integration
- AirAsia ground handling JV & Turkish Airlines in-flight catering JV

# ComfortDelGro Corp Ltd

Strong cash generation, absolute dividend level sustainable

Richard Leow

Phillip Securities Research Pte Ltd

13 November 2017

# ComfortDelGro Corp Ltd

(Buy, TP: \$2.69, DPS: 10.3 cents (5.2%) , Last: \$2.00)



## Results at a glance

(SGD mn)	3Q17	3Q16	YoY	Comments
Revenue	991	1,015	-2.4%	Actual underlying decrease of \$30.1 mn was mitigated by favourable currency translation of \$6.1 mn mainly from stronger AUD
EBIT	112	127	-12.3%	0.9% lower opex. Actual S\$13.6mn decrease in OpEx offset by \$5.3 mn unfavourable currency translation mainly from stronger AUD
PATMI	80.1	87.3	-8.2%	

Source: Company, PSR

## Improved profitability at SBST is making an impact to CDG

- SBST contributed 10.4% of 3Q17 PATMI, compared to 6.7% contribution in 3Q16
- Mainly due to SBST's 42% YoY higher 3Q17 profit
- SBST profit to increase with opening of DTL3 on 21 Oct, and 1Q18 takeover of Seletar bus package

## Lower profit, but cash flow has actually improved: absolute dividend level should be sustainable

- 9M17 PAT 5.1% lower YoY, but FCF is 29% higher (lower Taxi capex)

## Singapore Taxi business continues to be challenged by private hire vehicles

- Taxi fleet -4.7% QoQ and -12.1% YoY; 4.5% idle rate from 5% in previous quarter

## Effective 2.2% fare reduction from 29 Dec will delay the breakeven for DTL

## Positive outlook

- DTL full quarter contribution from 1Q18
- Seletar bus package to contribute positively from 1Q18

# 800 Super Holdings Ltd

Operationally stable, projects coming online

Richard Leow

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13 November 2017

# 800 Super Holdings Ltd

(Buy, TP: \$1.43, DPS: 4.0 cents (3.4%) , Last: \$1.175)



## Results at a glance

(SGD mn)	1Q18	1Q17	YoY	Comments
Revenue	40.0	39.4	1.4%	Remained stable
EBIT	5.30	5.45	-2.7%	2.1% higher opex which outpaced revenue growth, resulted in lower operating margin of 13.2% from 13.8%
PATMI	4.40	4.51	-2.5%	Lower margin of 11.0% from 11.4%

Source: Company, PSR

## Projects on-track and turning operational

- WTE plant obtained TOP and will undergo testing and commissioning before end 2017
- Sludge treatment facility on-track for completion in 2Q 2018

## YoY higher opex was led by higher staff cost and other expenses

- Staff cost: lower level of government grant
- Other expenses: professional fees from M&A (Iwash Laundry)

## Stable outlook with possibility of positive surprise

- Near-term weakness in FY18 and FY19 PATMI, because of higher depreciation & under-utilisation during ramp-up period for WTE plant and sludge treatment facility
- Operating cash flow remains stable; 4.0 cents dividend sustainable
- Credible chance of securing Pasir Ris-Bedok PWC contract with lowest-priced bid

# SIA Engineering Company Ltd

## Muted outlook with absence of near-term catalyst

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13 November 2017



# SIA Engineering Company Ltd

(Neutral, TP: \$3.35, DPS: 12.0 cents (3.6%), Last: \$3.29)



## Results at a glance

(SGD mn)	2Q18	2Q17	YoY	Comments
Revenue	274.7	264.8	3.7%	Higher airframe and component overhaul and line maintenance, partially offset by lower fleet management
EBIT	19.5	24.5	-20.4%	OpEx \$14.9 mn or 6.2% higher
Associates & JV	22.9	17.2	33.1%	Associates S\$5.9 mn or 48% higher, JV \$0.2 mn or 4.1% lower
<b>PATMI</b>	<b>38.1</b>	<b>35.5</b>	<b>7.3%</b>	

Source: Company, PSR

## 4 cents interim dividend, unchanged from last year

## Market share at Changi Airport remains largely intact

- Handled +3.8% YoY flights in 1HFY18; in line with +4.1% YoY at Changi Airport

## Associates offset weak EBIT to lift PATMI; JV persistent weakness

- Associates: Heavier work content from PW4000 engine (B747) at ESA; will transition to PW1100G (A320neo)
- JV (SAESL): Lower work content due to better engine reliability, throughput impacted by supply chain issue on spares

## Outlook remains challenging, no near-term catalyst

- Margins continue to compress, and despite YoY higher PATMI, it was lower than expected
- Revised PATMI forecast downwards, and lowered dividend assumptions

# CapitaLand Limited

## Recovery in Office and Hospitality segments

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13 November 2017

Results at a glance				
(SGD mn)/Dec Yr Dec	3Q17	3Q16	YoY (%)	Comments
Gross Revenue	1,507.2	1,373.7	9.7	Higher contribution from development projects in Singapore, new malls and serviced residences and consolidation of revenue from CMT, CRCT, RCST
Gross Profit	506.8	423.3	19.7	Higher gross margins from rental revenue
EBIT	793.5	494.4	60.5	Higher re-measurement gains of S\$132.6mn (3Q16: -4.3mn) from consolidation of CMT and CRCT, and divestments in Singapore/China
Total PATMI	317.0	247.5	28.1	
Operating PATMI	204.50	251.80	(18.8)	Lower handover of residential projects in China

Source: Company, PSR

- Continued sales momentum for residential properties at the Group's key markets Singapore and Vietnam. China launches to remain slow.
- Office markets in Singapore and China show signs of improvement.
- RevPAUs for serviced residences seeing recovery in key markets.
- Tenant sales growth for Singapore malls (40% of total shopping mall portfolio) remains muted.

## Maintain ACCUMULATE with unchanged TP of S\$4.19

- Strong base of stable recurring income (85% of total assets, mostly in SG, China)
- New asset light management contract strategies for growth.

# Ho Bee Land Limited

## Largely stable set of results

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Phillip Securities Research Pte Ltd  
13 November 2017

# Ho Bee Land (ACCUMULATE, TP: S\$2.98, Last close: S\$2.61)

## Results at a glance

(SGD mn)/Dec Yr End	3Q17	3Q16	YoY (%)	Comments
Sale of development properties	4.5	12.0	(63.0)	<b>Lower sales recognition of two residential projects in Australia</b>
Rental Income	39.3	34.9	12.4	<b>Contribution from new office acquisition in London</b>
Share of Profits from Associates and JV	31.2	5.3	489.8	<b>Increased handover of residential projects in Shanghai, Tangshan</b>
Profit from continuing operations before ta	65.5	31.1	110.4	
Net Profit	54.4	26.7	103.5	

Source: Company, PSR

- ASPs for main China development projects maintained despite cooling measures.
- Recurring income office portfolio remains stable.
- Price and transaction volume pickup for residential properties in Core Central Region not yet translating to Sentosa condominium market.

## Maintain ACCUMULATE with unchanged TP of S\$2.98

- Stable recurring income properties (66% of GAV), 3.8x current FY dividend
- One of the heaviest discounted large cap developer, expect discount to narrow as interest and transaction volumes gradually return to the high-end market in Singapore.

# City Developments Limited

## Stronger performance across most segments

Tan Dehong

Phillip Securities Research Pte Ltd

13 November 2017

# City Developments Ltd (ACCUMULATE, TP: S\$12.10, Last close: S\$12.20)



Results at a glance				
(SGD mn)/Dec Yr End	3Q17	3Q16	YoY (%)	Comments
Revenue	863.1	922.8	(6.5)	
-Property development	291	372	(21.8)	Mainly due to absence of contributions from EC projects which TOPed in 3Q16
-Hotel Operations	445	424	5.0	Contributions from hotel trading, land sales in New Zealand, and increases in global RevPARs in M&C hotels led by increases in occupancy
-Rental Properties	89	92	(3.3)	
-Others	38	35	8.6	
Gross Profit	426.6	430.0	(0.8)	
Profit from operations	238.4	245.3	(2.8)	
PATMI	156.1	170.3	(8.3)	Excluding one-off divestment gains etc, YTD PATMI increased 3.5%

Source: Company, PSR

- Properties sold in Singapore tripled in value YTD17 to S\$1.76bn.
- Recovery in Hotel Operations as global sentiment and tourism improves.
- Slower residential sales in UK, China.
- Successful launches of 4 residential projects in Singapore, mostly in 1H18 could be catalysts for share price and target price upgrade.

## Maintain ACCUMULATE with unchanged TP of S\$12.10

- Successful accretive acquisition of M&C could increase our TP to S\$13.50 depending on offer price.
- Large exposure of unlaunched and available for sale inventory to capture the potential upswing in SG property prices.
- Post consolidation, SG residential makes up c.31% of adjusted GAV (Total SG: 56%)

# Banyan Tree Holdings Limited

## Patience as partnerships bear fruit

Tan Dehong

Phillip Securities Research Pte Ltd

13 November 2017



# Banyan Tree Holdings (ACCUMULATE, TP: S\$0.71, Last close: S\$0.61)

Results at a glance			
(SGD mn)/Dec Yr End	3Q17	3Q16	YoY (%) Comments
Revenue	68.3	62.6	9.1
-Hotel Investments	39.7	42.6	(6.7) Mainly driven by Thailand, Seychelles, partially offset by weaker Maldives
-Property Sales	15.5	6.2	151.5 Commencement of recognition revenue from sold units in Cassia Bintan
-Fee-based segment	13.0	13.9	(5.9) Lower hotel management/spa/architectural and design fees
Other income	41.0	0.8	nm
Total Costs and Expenses	(74.5)	(63.1)	18.1 Increase in cost of properties sold, administrative and salaries expenses
Operating Profit (EBITDA)	34.8	0.3	nm
Net Profit	20.6	(12.0)	nm
Net Profit, adjusted	(20.4)	(12.8)	nm

Source: Company, PSR

- Sustained improvements in RevPARs for BTH's biggest market Thailand.
- Improved property sales with sales value jumping 2.5x YoY.
- Increase in operating expenses hurt EBITDA margins.
- Weakness in Maldives continues with 33% drop in RevPAR, but expected to ease in FY18.

## Downgrade to ACCUMULATE with lowered TP of S\$0.71 (from S\$0.74)

- Lowered EBITDA margins for FY17 to 8%.
- Expect RevPAR strength for Thailand to sustain, given low base from last year. Maldives should improve in FY18.
- Management contract opportunities with Accor and Vanke still key selling point, highly dependent on pace of contracts

# Chip Eng Seng Corporation Ltd

## Riding the SG property cycle well

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Phillip Securities Research Pte Ltd  
13 November 2017

# Chip Eng Seng (BUY, TP: S\$1.21, Last close: S\$0.965)

## Results at a glance

(SGD mn)/Sept Yr Dec	3Q17	3Q16	YoY (%)	Comments
Gross Revenue	209.2	151.8	37.8	Driven mainly by property development segment
-Property developments	145.8	67.9	114.7	Progressive recognition of High Park Residences/Grandeur Park, Pick-up in sales at Fulcrum, progressive handover of Melbourne project
-Construction	50.4	74.1	(31.9)	Absence of revenue from construction projects
-Hospitality	10.4	7.1	47.6	Contribution from Maldives, improved occupancy at Park
-Property investments/others	2.5	2.7	(7.7)	Absence of contribution from divested 420 St. Kilda Road
Gross Profit	35.1	27.0	30.2	Lower profitability of recognised development projects
Profit before tax	24.4	12.9	90.1	One-off divestment gain of c.S\$13mn for St. Kilda office
PATMI	14.05	5.71	145.8	

Source: Company, PSR

- Revenue pick-up is driven by momentum in Singapore residential property sales.
- Better performance from hospitality assets.
- Cancellation of Melbourne Tower purchase contracts could enable Group to move on with other exit options.

## Maintain BUY with higher TP of S\$1.21

- Narrowed the discount to RNAV from the previous 50% to 40%.
- Incorporate valuation of the Group's construction business.
- RNAV boost could come from a favourable monetization of Tower Melbourne, strong take up rates at Woodleigh launch (2H18)

# Developers Peer Comparison/PSR Coverage

Name	Mkt Cap (SGD mn)	Last Px (SGD)	PSR RATING	PSR TARGET PRICE	P/E	ROE (%)	ROA (%)	Dividend Yield (%)	P/B	Total Debt to Assets	
CITY DEVELOPMENTS LTD	11,093	12.20	ACCUMULATE	12.10	19.0	6.08	2.82	1.31	1.18	28.98	
CAPITALAND LTD	15,205	3.58	ACCUMULATE	4.19	8.9	5.26	1.78	2.79	0.84	32.47	
UOL GROUP LTD	7,363	8.75	ACCUMULATE	8.93	8.2	4.67	2.57	1.71	0.80	20.85	
WHEELock PROPERTIES (S) LTD	2,309	1.93	TRADING BUY	2.28	39.5	3.46	2.99	3.11	0.76	0.00	
HO BEE LAND LTD	1,738	2.61	ACCUMULATE	2.98	6.3	6.36	4.17	2.30	0.57	30.62	
FRASERS CENTREPOINT LTD	6,045	2.08			9.2	9.16	2.52	4.13	0.88	40.47	
UNITED INDUSTRIAL CORP LTD	4,740	3.31			16.8	4.46	3.22	0.91	0.75	14.40	
YANLORD LAND GROUP LTD	3,322	1.72			4.6	15.71	3.40	2.53	0.79	24.26	
GUOCOLAND LTD	2,686	2.27			5.1	8.15	3.36	3.08	0.68	48.51	
WING TAI HOLDINGS LTD	1,735	2.24			67.7	0.59	0.41	2.68	0.53	20.14	
BUKIT SEMBAWANG ESTATES LTD	1,608	6.21			52.3	3.92	3.52	5.31	1.25	0.00	
FRAGRANCE GROUP LTD	1,134	0.17			127.6	0.90	0.46	0.59	1.07	43.59	
<i>Large cap average (&gt;\$1bn)</i>							5.7	2.6	2.7	0.8	25.0
CHIP ENG SENG	599	0.97	BUY	0.90	16.7	3.51	1.18	4.15	0.79	52.45	
BANYAN TREE	485	0.61	ACCUMULATE	0.71	26.4	-6.12	-2.09	NA	0.84	38.34	
CENTURION CORP LTD	431	0.54	ACCUMULATE	0.59	13.8	7.48	2.64	3.74	0.98	58.98	
HONG FOK CORP LTD	770	0.89			9.0	-0.97	-0.51	1.13	0.50	25.34	
ROXY-PACIFIC HLDGS LTD	650	0.55			19.0	6.66	2.24	2.53	1.29	56.97	
BONVESTS HOLDINGS LTD	563	1.40			22.4	3.39	2.51	1.86	0.63	18.19	
TUAN SING HOLDINGS LTD	516	0.44			20.7	2.66	1.03	1.38	0.56	48.08	
HIAP HOE LTD	416	0.88			10.2	1.39	0.73	1.70	0.57	31.56	
YING LI INTERNATIONAL	366	0.14			21.8	1.14	0.39	NA	0.44	40.53	
HOTEL ROYAL LTD	339	4.03			33.1	1.56	1.16	1.24	0.62	20.90	
SING HOLDINGS LIMITED	198	0.50			36.1	-12.16	-6.85	2.78	0.78	44.14	
HEETON HOLDINGS LTD	182	0.56			3.3	6.29	2.95	1.07	0.47	40.55	
<i>Small-Mid cap average</i>							1.2	0.4	2.2	0.7	39.7

Source: Bloomberg, PSR

# DBS Group Holdings Ltd

## Major Spring Cleaning before FY18

Jeremy Teong  
Phillip Securities Research Pte Ltd  
13 November 2017

# DBS Group Holdings Ltd

(Maintain Buy with Higher TP: S\$26.83, previous TP S\$25.70. Last close price:S\$24.01)



## Results at a glance

(SGD mn)	3Q17	3Q16	YoY (%)	2Q17	QoQ (%)	Comments
NII	1,975	1,815	8.8%	1,888	4.6%	NIMs -4bps YoY, loans +8.5% YoY
Net Fees & Comm	685	614	11.6%	636	7.7%	Higher WM and IB YoY.
Other Non-II	399	500	-20.2%	400	-0.2%	Lower Net Trading Income and absence of one-off gains YoY
<b>Total Income</b>	<b>3,059</b>	<b>2,929</b>	<b>4.4%</b>	<b>2,924</b>	<b>4.6%</b>	
Expenses	1,278	1,199	6.6%	1,282	-0.3%	Higher expenses in line with higher total income
Allowance	815	436	86.9%	304	168.1%	Accelerated recognition of residual weak O&G supports services exposure.
<b>Net Profit</b>	<b>840</b>	<b>1,102</b>	<b>-23.8%</b>	<b>1,161</b>	<b>-27.6%</b>	

Source: Company, PSR

## Strong loans growth as global and domestic economic outlook improves.

- 8.5% loans growth YoY. Beating consensus and management guidance.
- Loans growth exceeded Singapore domestic loans growth of 5.7% in 3Q17.
- Loans growth led by Manufacturing loans and Real Estate related loans.

## Stronger NII grew 8.8% YoY driven primarily by loans growth and higher loan yields

- NIM declined to 1.73%, 4bps lower YoY and 1bps lower QoQ as loans growth outpaced loan rates growth.
- Higher rates on interbank placements supported NIM.

## NPL ratio rose 26bps to 1.71% on accelerated recognition of residual weak O&G exposure

- New NPA formation spiked to S\$2.1bn in 3Q17 compared to S\$0.66bn in 2Q17 because of an accelerated recognition of S\$1.7bn of O&G NPA in the quarter.
- Higher risk O&G exposure is S\$5.3bn of which S\$3bn is now in NPA.
- O&G Specific Provision is now at S\$1.5bn, 50% of O&G NPA.

## Total WM income grew 21% YoY

- WM AUM increased 11% QoQ to S\$195bn. ¾ of the growth came from ANZ integration.

## Less likely for a special dividend as excess GP is moved to SP through the P/L before the FRS 109 is implemented on 1Jan 2018.

- Excess GP above the 1% requirement will be moved to either retained earnings or RLAR. And can no longer be written back via the P/L line
- Management took the opportunity to write it back before the implementation but it was written back to bolster SP. Now the GP level is slightly below the 1% requirement.
- This means no more “excess” GP that can be distributed as special dividend.

# Centurion Corporation Limited

## Higher Occupancy at Above Market Rates

Jeremy Teong  
Phillip Securities Research Pte Ltd  
13 November 2017

# Centurion Corporation Limited

(Maintain Accumulate with unchanged TP:S\$0.59. Last:S\$0.535)



## Results at a glance

(SGD '000)	3Q17	3Q16	YoY	2Q17	QoQ	Comments
Revenue	32,253	28,130	15%	35,248	-8%	Better occupancy at Papan Woodlands and Westlite M'sia portfolio.
Cost of Sales	(10,489)	(11,246)	-7%	(9,592)	9%	Lower amortisation cost YoY from Tuas assets
Gross Profit	21,764	16,884	29%	25,656	-15%	
Other misc. gain	396	729	-46%	303	31%	
Expenses	(12,165)	(10,583)	15%	(11,329)	7%	S\$1.1mn Fees for proposed dual listing on SEHK
Assoc. & JV	1,139	1,590	-28%	53	2049%	
Fair value gains	(1,478)	-	NM	1,976	NM	Fair value losses from valuation exercise
Income tax	(2,253)	(1,480)	52%	(5,013)	-55%	
MI	(1,342)	676	NM	(2,533)	NM	Better performance from Papan
PATMI	6,061	7,816	-22%	9,113	-33%	Lower contribution from Tuas

Source: Company, PSR

## Singapore workers' accommodation business continues to experience high occupancy at above average bed rates

- Papan occupancy at 99%, Woodlands occupancy at 100%. Toh Guan and Mandai occupancy at 95%.
- We estimate the Westlite dormitories in Singapore are commanding a 10% to 14% premium to market rates.

## Improving occupancy at Weslite Malaysia

- Occupancy rising QoQ: 74% in 1Q17, 82% in 2Q17 and 86% in 3Q17.
- Ongoing legal enforcement on illegal worker dormitories that shifted more foreign workers into purpose-built accommodation and increased worker limit in certain sectors.
- Expect positive rental reversion in 2018 as policy continues to be favourable

## Other developments

- Cash injection of S\$29mn from exercise of warrants reduced net debt to equity from 140% in 2Q17 to 125% in 3Q17. Management and majority owners have exercised their warrants.
- Westlite Tuas will expire on 30 January 2018. Bed rates at Tuas fell to c.S\$250 per bed per month to encourage tenants to commit to a short term stay.



# Singapore O&G Ltd.

## Playing catch-up in 2H17

Soh Lin Sin

Phillip Securities Research Pte Ltd

13 November 2017

# Singapore O&G Ltd.

(▼ Accumulate, ▼ TP: \$0.62 (prev. \$0.65), Last: \$0.51)

## Results at a glance

S\$' mn	3Q17	3Q16	YoY (%)	Comments
Obstetrics & Gynaecology	4.6	4.7	-2.8%	Lower contributions from Gynaecology offset growth from Obstetrics
Cancer-related	1.0	0.8	25.3%	Higher patient load
Dermatology	2.1	2.0	2.8%	Stronger local patient load
Paediatric	0.1	0.0	n.m.	New segment started in Jul-17
<b>Revenue</b>	<b>7.7</b>	<b>7.5</b>	<b>2.4%</b>	As above
Gross	6.6	6.4	3.2%	Gross Profit Margin +0.7pp to 85.9%
EBITDA	2.9	3.0	-1.4%	Higher staff and rental expenses EBITDA Margin -1.5pp to 36.8%
EBIT	2.8	2.9	-2.2%	Higher depreciation cost EBIT Margin -1.7pp to 36.4%
<b>PATMI</b>	<b>2.3</b>	<b>2.4</b>	<b>-3.3%</b>	Lesser tax rebates and allowances (Implied tax rate +2.6pp to 15.1%); PATMI -5.2% YoY if excludes non-cash finance expense

Source: Company, PSR

**Strong performance from Cancer-related segment; 9M17 profitability +107.9% YoY**

- Should continue to gain traction

**Maiden contribution from Paediatric clinic; Second clinic in Tiong Bahru to commence by Nov-17**

- First clinic should breakeven by 1Q18 and start contributing to bottom line by end-FY18

**YTD market share for Obstetrics is stable at 4.2% of Singapore's total birth**

**Remain upbeat of the Group's ability to deliver organic growth**

- Management targets to add 2 new specialists into the Group every year

# Fraser and Neave, Ltd.

## Vinamilk for the win

Soh Lin Sin

Phillip Securities Research Pte Ltd

13 November 2017

# Fraser and Neave

(▲ Accumulate, ▲ TP: \$2.83 (prev. \$2.52), Last: \$2.59)

## Results at a glance

SGD mn	FY17	FY16	YoY (%)	Comments
Beverages	499	572	-12.7%	Weak consumer sentiment and competitive pricing in SG and MY
Dairies	1,105	1,099	0.6%	Stronger performance from TH, SG and New Markets mitigated slower sales in MY
Printing & Publishing ("P&P")	293	308	-4.7%	Lower contributions from Publishing, coupled with lower book volume sales
<b>Revenue</b>	<b>1,898</b>	<b>1,979</b>	<b>-4.1%</b>	As above
Gross profit	661	728	-9.2%	Higher input costs <i>Gross Margin -2.0pp to 34.8%</i>
Core EBITDA	231	190	21.3%	<i>EBITDA Margin -4.0pp to 6.7%</i>
EBIT, adj.	174	179	-3.1%	Higher dividend income and profit contribution from Vinamilk
<b>PATMI (continuing operations ex. exceptional items)</b>	<b>100</b>	<b>109</b>	<b>-8.3%</b>	Higher finance cost mitigated by lower effective tax rate due to higher tax exempt income <i>ETR of 8.8% vs FY16's 12.0%</i>
DPS (Cents)	4.5	4.5	0.0%	Payment ratio increased to 65.2% from 60.0%

Source: Company, PSR

**Dairies continued to deliver strong growth, underpinned by strong Dairies Thailand performance, as well as the significant increase in contribution from Vinamilk**

- Vinamilk contributed approximately S\$84mn or 47% of FY17 EBIT

**Group earnings were dampened by (a) higher finance cost; (b) losses in Beverages and P&P; and (c) brand investments in New Markets**

- Persistent challenging environment in Malaysia: rising input costs, cautious spending, intensified competition, and weaker MYR against SGD

# Fraser and Neave

(▲ Accumulate, ▲ TP: \$2.83 (prev. \$2.52), Last: \$2.59)

## Next potential re-rating catalysts:

- i. Acquisition of additional Vinamilk via open market
- ii. 36.8% to 53.6% of Sabeco's stake sales to be in tranches; the first tranche is expected to begin in Dec-17

Company	Mkt Cap (SGD mn)	EV (SGD mn)	EV/TTM EBITDA	EV/EBITDA FY1	P/E P/E	P/E FY1	Net D/E	ROE (%)	P/B	Price To Tangible Assets
Saigon Beer Alcohol Beverage	10,614	10,143	28.9	24.7	40.2	38.7	Net Cash	20.3	31.7	12.0
<b>Global Distillers</b>										
Anheuser-Busch Inbev NV	323,061	488,552	N/A	16.3	43.8	27.7	133.2	N/A	N/A	N/A
Diageo PLC	114,934	131,923	18.4	17.2	23.8	22.1	64.6	9.3	28.3	6.9
Heineken NV	77,688	99,525	13.3	11.6	26.5	21.9	76.4	4.6	14.2	3.7
Asahi Group Hldgs Ltd	31,026	47,051	N/A	14.9	17.0	21.1	64.3	5.8	15.5	2.3
Thai Beverage PCL	23,980	25,690	20.3	19.2	17.1	21.3	33.2	18.4	28.1	4.7
Tsingtao Brewery Co Ltd	8,916	6,753	12.2	13.4	34.5	28.1	Net Cash	3.5	6.6	2.3
Carlsberg Brewery (Malaysia) Bhd	1,563	1,576	13.2	13.7	21.9	20.1	Net Cash	35.6	91.8	20.0
Beijing Yanjing Brewery Co	3,579	3,408	N/A	13.2	57.6	39.2	Net Cash	1.6	2.3	1.3
Sapporo Hldgs Ltd	3,293	6,070	10.3	10.8	28.2	22.0	162.7	1.6	6.1	1.6
Hanoi Beer Alcohol & Beverage	1,707	1,591	17.5	18.1	38.0	40.4	Net Cash	8.0	13.8	5.0
<b>Market Cap Weighted Average (ex. Sabeco)</b>			<b>6.5</b>	<b>15.8</b>	<b>34.9</b>	<b>25.3</b>	<b>101.3</b>	<b>3.7</b>	<b>9.8</b>	<b>2.3</b>
Vietnam Dairy Products JSC	15,098	14,505	16.1	18.0	27.1	25.5	Net Cash	35.0	41.9	10.5

Source: Bloomberg

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**FNN is currently trading at adjusted Trailing P/E of 37.5x**

**Our SOTP derived TP implied a 27.1x FY18e P/E, which is 30% higher than its ASEAN Beverages peers at 20.9x**

Company	Mkt Cap (SGD mn)	EV (SGD mn)	EV/EBITDA TTM	EV/EBITDA FY1	P/E P/E	P/E FY1	Net D/E (%)	ROA (%)	ROE (%)	P/B
Fraser and Neave Ltd	3,733	4,218	27.3	17.7	37.5	24.8	5.4	29.6	45.3	1.3
<b>ASEAN</b>										
Fraser & Neave Hldgs Bhd	3,045	3,030	46.1	16.2	29.0	21.0	Net Cash	10.0	15.7	9.8
Power Root Bhd	225	211	13.8	11.2	17.8	15.3	Net Cash	10.4	15.0	2.7
Spritzer BHD	136	128	8.0	10.3	15.5	18.4	Net Cash	7.7	10.0	1.4
Oldtown Bhd	389	335	11.6	9.6	18.5	16.8	Net Cash	13.4	16.6	3.1
Alliance Global Group Inc	4,169	9,438	8.8	9.5	10.9	10.9	64.3	2.8	9.6	1.0
Pepsi-Cola Products Philippines Inc	265	364	4.0	N/A	13.4	N/A	-6.0	3.3	8.4	1.1
Ultrajaya Milk Ind & Trading	1,500	1,321	10.7	12.9	18.7	19.7	Net Cash	17.9	21.6	3.7
Vietnam Dairy Products JSC	15,052	14,458	16.1	17.9	27.0	25.4	Net Cash	35.0	41.9	10.5
Yeo Hiap Seng Ltd	739	497	2.9	N/A	4.6	N/A	Net Cash	22.0	25.3	1.1
<b>Market Cap weighted Average (Excl. FNN)</b>			17.5	15.1	23.0	20.9	10.4	24.4	30.7	7.9

Source: Bloomberg

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