

Ascendas REIT

The stable giant

SINGAPORE | REAL ESTATE (REIT) | UPDATE

- Track record of DPU growth through strategy of portfolio rebalancing and stability through diversification
- Portfolio is positioned to capture opportunities as Singapore evolves towards higher value-added manufacturing
- ACCUMULATE with DDM-derived target price of S\$2.86

Background

Ascendas Real Estate Investment Trust (A-REIT) is the largest REIT in the S-REIT universe by market capitalisation, and it was the first Industrial REIT to be listed. The REIT's Sponsor, Ascendas-Singbridge Group, is 51:49 jointly-owned by Temasek Holdings and JTC Corporation. The asset values of the Singapore and Australia portfolios stood at S\$8.6 bn and S\$1.4 bn respectively, as at 30 September 2017.

Investment Merits/Outlook

- Largest industrial REIT with an improving outlook for Industrial rents.** The current oversupply of industrial space is a concern, but supply is tapering in 2018. Taking the tapering supply in context with the uptick in Industrial activity leads us to believe that rents to bottom by the end of 2018.
- Exposure to Business & Science Park properties and Hi-Tech/Hi-Specification buildings.** A-REIT boasts a portfolio that has "low exposure to manufacturing". The manager's strategy has been to reposition the portfolio to cater to higher-value manufacturing activities and non-manufacturing activities. 55% of A-REIT's net property income is derived from Business & Science Park and Hi-Specs properties in Singapore. Its Sponsor's pipeline of over S\$1 bn of Business & Science Park properties offers growth opportunities.
- Relatively low gearing affords debt headroom for inorganic growth.** A-REIT's 2.9% cost of debt is lower than the median of 3.3% among peers. Aggregate leverage of 33.1% affords ample debt headroom to acquire and grow inorganically.

Recommendation

Maintain ACCUMULATE with DDM-derived target price of S\$2.86. A-REIT has a track-record of growing DPU through rebalancing, and stability through its highly diversified portfolio. We expect yield of ~5.8% to be reliable.



StocksBnB.com

18 December 2017

ACCUMULATE (Maintained)

LAST CLOSE PRICE	SGD 2.680
FORECAST DIV	SGD 0.159
TARGET PRICE	SGD 2.860
TOTAL RETURN	12.6%

COMPANY DATA

BLOOMBERG CODE:	AREIT SP
O/S SHARES (MN):	2,886
MARKET CAP (USD mn / SGD mn):	5744 / 7734
52 - WK HI/LO (SGD):	2.76 / 2.23
3M Average Daily T/O (mn):	8.07

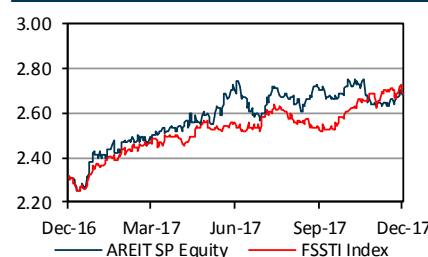
MAJOR SHAREHOLDERS (%)

ASCENDAS PTE LTD	20.2%
MONDRIAN INVESTMENT PARTNERS LTD	8.1%
BLACKROCK	6.1%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	15	2.6	23.3
STIRETURN	1.1	6.9	20.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar	FY 16	FY 17	FY 18e	FY 19e
Gross Rev. (SGD mn)	761	831	866	887
NPI (SGD mn)	534	611	632	649
Dist. Inc. (SGD mn)	378	446	458	470
P/E (x)	17.2	17.2	16.5	16.6
P/NAV (x)	12	12	13	13
DPU (cents)	15.36	15.74	15.88	15.99
Distribution Yield (%)	6.3	6.2	5.9	6.0

Source: Company, PSR

VALUATION METHOD

DDM (Cost of Equity: 6.9%; Terminal g: 15%)

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Financials

Statement of Total Return and Distribution Statement

Y/E Mar, SGD mn	FY15	FY16	FY17	FY18e	FY19e
Gross revenue	673	761	831	866	887
Property expenses	(211)	(227)	(220)	(234)	(238)
Net property income	463	534	611	632	649
Net Finance (Expense)/Inc.	(105)	(77)	(111)	(103)	(105)
Manager's fees	(38)	(60)	(50)	(50)	(49)
Other items	(51)	(23)	(12)	19	(9)
Net income	268	373	438	498	485
FV change, derivatives & ppties	136	8	(30)	(16)	-
Share of JV's results	-	0.04	0.48	0.25	-
Total Return Before Tax	404	381	408	483	485
Taxation	(7)	(25)	19	(6)	(11)
Total Return After Tax	398	356	427	476	474
Distribution adjustments	(46)	23	19	(18)	(4)
Income available for distribution	351	378	446	458	470

Per share data (cents)

Y/E Mar	FY15	FY16	FY17	FY18e	FY19e
NAV	208.0	206.0	206.0	211.9	211.7
EPU	16.54	14.21	14.83	16.28	16.16
DPU	14.60	15.36	15.74	15.88	15.99

*Forward EPU does not include change in Fair Value of Investment Properties

Cash Flow

Y/E Mar, SGD mn	FY15	FY16	FY17	FY18e	FY19e
CFO					
Total return	404	381	408	483	485
Adjustments	(29)	94	151	85	115
WC changes	(10)	11	(24)	(11)	0
Cash generated from ops	365	486	536	557	600
Others	(2)	(4)	(7)	(6)	(11)
Cashflow from ops	362	482	529	551	589
CFI					
CAPEX, net	(102)	(158)	(103)	(95)	(12)
Purchase of Inv. Propty., net	(541)	(1,339)	(89)	(8)	-
Others	6	4	54	5	2
Cashflow from investments	(638)	(1,492)	(138)	(97)	(10)
CFF					
Share issuance, net	-	645	155	-	-
Loans, net of repayments	577	920	50	(50)	-
Distributions	(261)	(442)	(515)	(309)	(475)
Others	(68)	(96)	(116)	(108)	(107)
Cashflow from financing	249	1,027	(426)	(467)	(583)
Net change in cash	(27)	16	(35)	(13)	(4)
Beginning cash	67	42	56	22	9
Effects of exchange rate	0.8	(1.7)	0.3	-	-
Ending cash	42	56	22	9	5

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Mar, SGD mn	FY15	FY16	FY17	FY18e	FY19e
ASSETS					
Investment properties	7,868	9,599	9,874	10,102	10,114
Inv. Propty. Under Devmnt.	-	-	125	-	-
Associates/JVs	-	0.04	0.13	0.13	0.13
PPE	0.26	0.07	-	-	-
Others	135	90	72	72	72
Total non-current assets	8,003	9,689	10,071	10,173	10,185
Trade receivables	90	89	63	95	90
Cash	42	56	22	9	5
Others	26	36	14	14	14
Total current assets	157	181	100	117	109
Total Assets	8,160	9,870	10,171	10,291	10,294
LIABILITIES					
Borrowings	286	1,180	824	774	774
Trade payables	189	172	193	213	208
Others	33	44	105	105	105
Total current liabilities	507	1,396	1,122	1,092	1,087
Borrowings	2,442	2,484	2,576	2,576	2,576
Others	198	205	138	138	138
Total non-current liabilities	2,640	2,689	2,714	2,714	2,714
Total Liabilities	3,147	4,085	3,836	3,806	3,801
Net assets	5,014	5,785	6,335	6,485	6,493
Represented by:					
Unitholders' funds	5,014	5,481	6,031	6,208	6,217
Perp. securities holders	-	304	304	304	304
Non-controlling interests	0.04	0.02	0.03	0.03	0.03

Valuation Ratios

Y/E Mar	FY15	FY16	FY17	FY18e	FY19e
P/E (x)	15.8	17.2	17.2	16.5	16.6
P/NAV (x)	1.3	1.2	1.2	1.3	1.3
P/DPU (x)	17.9	16.0	16.2	16.9	16.8
Distribution Yield (%)	5.6	6.3	6.2	5.9	6.0
NPI yield (%)	6.3	6.1	6.2	6.3	6.4

Growth & Margins (%)

	FY15	FY16	FY17	FY18e	FY19e
Growth					
Revenue	9.8%	13.0%	9.1%	4.3%	2.4%
Net property income (NPI)	6.1%	15.3%	14.5%	3.4%	2.6%
Distributable income	2.7%	7.7%	18.0%	2.7%	2.5%
DPU	2.5%	5.2%	2.5%	0.9%	0.7%

Margins

NPI margin	68.7%	70.1%	73.6%	73.0%	73.1%
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Key Ratios

Net Debt or (Net Cash)	2,686	3,608	3,378	3,341	3,345
Gearing (%)	33.4%	37.1%	33.4%	32.6%	32.5%

Asian Pay Television Trust

An 11% payout in 2018

SINGAPORE | TELECOMMUNICATION | UPDATE

- APTV generates stable and recurrent monthly subscription fees from its monopolistic cable TV business.
- Management has guided 2018 DPU of 6.5 cents (11% dividend yield), unchanged from 2017.
- Maintain ACCUMULATE rating with a target price of S\$0.64.

Company Background

Asian Pay Television Trust (APTV) is a business trust that operates cable pay-tv and broadband services in Taiwan. It owns all the fibre and cable connections to customers' homes. This "last-mile" access to homes is cost-prohibitive and extremely difficult to replicate. The company has a stable customer base of 760,000.

Investment Merits/Outlook

1. **Attractive yield paid quarterly.** APTV has guided for a 6.5-cent DPU for FY18. In addition, the dividends are paid on a quarterly basis.
2. **Revenue is recurrent with high barriers.** Cable TV is an entrenched form of viewing TV in Taiwan. Cable has an 80% share of the TV market. Internet TV has not gained any footing due to a lack of local content. Revenue is recurrent for APTV. It collects an annuity-like S\$220m revenue p.a. from its 760,000 customers who are paying a S\$24 subscription fee every month.
3. **The outlook remains stable.** As we enter 2018, cash flows should improve as capital expenditure for premium digital rollout expires. Capital expenditure is expected to decline from S\$80mn to S\$45mn.

Recommendation

We maintain our ACCUMULATE rating with a target price of S\$0.64. APTV dividend yield is attractive and sustainable. Recurrent monthly cable TV subscription fees support operating cash flows, and APTV operates in a monopolistic environment.



StocksBnB.com

18 December 2017

ACCUMULATE (Maintained)

LAST TRADED PRICE	SGD 0.580
FORECAST DIV	SGD 0.065
TARGET PRICE	SGD 0.640
TOTAL RETURN	21.6%

COMPANY DATA

BLOOMBERG	APTT SP
O/S UNITS (MN) :	1,437
MARKET CAP (USD mn / SGD mn) :	619 / 833
52 - WK HI/LO (SGD) :	0.61 / 0.37
3M Average Daily T/O (mn) :	2.17

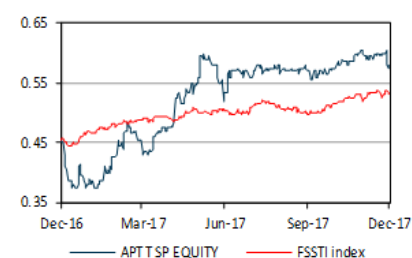
MAJOR SHAREHOLDERS

Temasek Holdings	7.93%
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PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(2.3)	6.7	38.4
STI RETURN	1.1	6.9	20.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS (APTT SP)

SGD mn	FY15	FY16	FY17e	FY18e
Revenue	332	319	337	340
EBITDA	194	189	202	205
NPAT	45	60	48	55
EPS (SGD)	0.03	0.04	0.03	0.04
PER, x	18.5	14.0	17.4	15.0
P/BV, x	0.7	0.7	0.7	0.8
DPU (SGD)	0.083	0.065	0.065	0.065
DVD YIELD (%)	14.2	11.2	11.2	11.2
ROE (%)	3.6	4.9	4.0	4.8

Source: Bloomberg, PSR

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Financials

Income Statement

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
Revenue	319	332	319	337	340
EBITDA	194	201	189	202	205
Depreciation & Amortisation	(49)	(45)	(56)	(62)	(61)
EBIT	142	147	144	132	144
Net Finance Inc/(Exp)	(40)	(50)	(54)	(57)	(59)
Profit before tax	98	71	84	67	77
Taxation	(17)	(26)	(24)	(19)	(22)
Net profit before NCI	81	45	60	48	55
Non-controlling interest	(0)	(0)	(0)	(0)	(0)
Net profit, reported	81	45	60	48	55

Per share data (SGD)

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
EPS, reported	0.06	0.03	0.04	0.03	0.04
DPU	0.083	0.083	0.065	0.065	0.065
BVPU	0.89	0.86	0.86	0.82	0.79

Cash Flow

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
CFO					
Profit before tax	98	71	84	67	77
Depreciation & Amortisation	49	45	56	62	61
WC changes	(0)	(1)	8	(0)	0
Net finance inc/(exp)	(40)	(50)	(54)	(57)	(59)
Tax paid	(55)	(27)	(13)	(19)	(22)
Others	7	31	(3)	18	8
Cashflow from ops	98	119	131	127	125
CFI					
CAPEX, net	(69)	(88)	(99)	(80)	(45)
Others	(13)	(6)	(3)	0	0
Cashflow from investments	(83)	(94)	(101)	(80)	(45)
CCF					
Share issuance, net	0	0	0	0	0
Loans, net of repayments	111	82	69	40	20
Dividends	(147)	(117)	(102)	(103)	(103)
Others	(0)	(3)	1	0	0
Cashflow from financing	(37)	(38)	(32)	(63)	(83)
Net change in cash	(13)	(2)	(16)	(3)	(3)
CCE, end	61	59	43	40	38

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
ASSETS					
PPE	176	243	291	312	297
Others	2,223	2,283	2,368	2,366	2,365
Total non-current assets	2,399	2,526	2,659	2,677	2,661
Accounts receivables	12	18	15	14	14
Cash	75	61	59	43	40
Inventories	0	0	0	0	0
Others	2	2	1	1	1
Total current assets	88	81	75	58	55
Total Assets	2,489	2,608	2,737	2,739	2,720

LIABILITIES

Accounts payables	20	21	21	20	20
Short term loans	18	9	12	12	12
Others	66	75	76	76	76
Total current liabilities	104	104	109	108	108
Long term loans	1,036	1,183	1,295	1,352	1,380
Others	74	89	103	103	103
Total non-current liabilities	1,110	1,273	1,398	1,455	1,483
Total Liabilities	1,213	1,377	1,507	1,563	1,591

EQUITY

Non-controlling interests	2	2	2	3	3
Shareholder Equity	1,276	1,231	1,231	1,176	1,129

Valuation Ratios

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
P/E (X), adj.	10.3	18.5	14.0	17.4	15.0
P/B (X)	0.7	0.7	0.7	0.7	0.7
EV/EBITDA (X), adj.	9.3	9.8	11.0	10.7	10.7
Dividend Yield	14.2%	14.2%	11.2%	11.2%	11.2%

Growth & Margins

Growth					
Revenue	1.9%	4.2%	-3.9%	5.5%	1.1%
EBITDA	3.3%	3.4%	-5.8%	6.9%	1.2%
EBIT	-4.5%	3.6%	-2.4%	-8.3%	9.4%
Net profit, adj.	5.3%	-44.0%	32.4%	-19.9%	15.8%
Margins					
EBITDA margin	61.0%	60.5%	59.3%	60.1%	60.1%
EBIT margin	44.5%	44.3%	45.0%	39.1%	42.3%
Net profit margin	25.3%	13.6%	18.7%	14.2%	16.3%

Key Ratios

ROE	6.2%	3.6%	4.9%	4.0%	4.8%
ROA	3.2%	1.8%	2.2%	1.7%	2.0%
Net Debt / (Cash)	979	1,131	1,248	1,321	1,352
Net Gearing (X)	0.8	0.9	1.0	1.1	1.2

Banyan Tree Holdings Limited

Patience as partnerships bear fruit

SINGAPORE | REAL ESTATE | UPDATE

- Partnerships with Vanke and AccorHotels will provide BTH with a pipeline of management contracts and scale up at a much faster pace than before.
- Sustained improvements in RevPARs for BTH's biggest market Thailand (61% of FY16 revenue for Group-owned hotels). We expect RevPAR strength for Thailand to sustain and Maldives (23% of FY16 revenue for Group-owned hotels) to improve in FY18.
- Maintain ACCUMULATE with a target price of S\$0.71.

Company Background

Banyan Tree Holdings Limited (BTH) is a developer and operator of premium resorts, hotels, residences and spas with a presence in 25 countries. The group's properties include 40 hotels and resorts (with equity interest: 19, without equity interest: 21), 64 spas, 77 retail galleries and three golf courses as of FY16. The group's primary business is centred on four brands, namely Banyan Tree, Angsana, Cassia and Dhawa. Additionally, the Group operates three integrated resorts in Asia, in particular, Laguna Phuket via its 65.8% owned subsidiary, Laguna Resorts & Hotels.

Investment Merits/Outlook

- Partnerships with Vanke and AccorHotels will enable BTH to take on management contracts and scale up at a much faster pace than before.** Vanke and Accor will have the option to subscribe for up to 10% stake each in BTH and co-develop hotels across the world with BTH. The partnerships with one of the world's largest hotel operator and China's largest developer mark the start of a new era of growth globally for BTH.
- Sustained improvements in RevPARs YTD17 for BTH's biggest market Thailand (61% of FY16 revenue for Group-owned hotels).** YTD17 RevPAR for Thailand grew 11% YoY, with growth sustained across all 3 quarters. We expect RevPAR strength for Thailand to sustain in FY18 given the low base caused by weak tourism numbers in the quarters following the King's passing in Oct 2016.
- Maldives a key drag in FY17 but expected to stabilise and improve from FY18.** Maldives, 2nd largest market for BTH accounting for 23% of FY16 Group-owned hotel revenue, continue to be plagued by an oversupply of rooms with RevPAR dropping 18% YTD17. Recovery in tourist numbers for the Maldives was unable to offset the 14.7% growth in industry operational hotel beds in MYTD. We expect conditions in the Maldives to improve in 2H18 as new supply tapers off after 2018. (8.2% expected new supply in 2018 vs 1% in FY19).

Recommendation

Maintain ACCUMULATE with target price of S\$0.71. We expect growth in earnings to be driven by sustained strength in the Group's largest market in Thailand and less challenging conditions in the Maldives in FY18. The new partnerships with Accor and Vanke offer opportunities for BTH to scale up at a much faster pace than before. As the Group takes on more management contracts under these partnerships, improving EBIT margins should further drive earnings going forward. Our target price translates to 0.7x FY18e P/NAV.



StocksBnB.com

18 December 2017

ACCUMULATE (Maintained)

LAST CLOSE PRICE	SGD 0.55
FORECAST DIV	SGD 0.00
TARGET PRICE	SGD 0.71
TOTAL RETURN	29.1%

COMPANY DATA

BLOOMBERG CODE:	BTH SP
O/S SHARES (MN):	801
MARKET CAP (USD mn / SGD mn):	327 / 441
52 - WK HI/LO (SGD):	0.68 / 0.46
3M Average Daily T/O (mn):	142

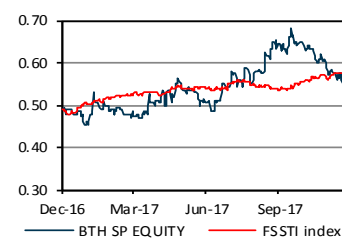
MAJOR SHAREHOLDERS (%)

BIBACE INVESTMENT LTD	35.8%
QATAR INVESTMENT AUTHORITY	25.7%
PLATINUM ENTERPRISE LTD	3.9%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	(8.3)	(14.1)	8.9
STIRETURN	1.1	6.9	20.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

SGD MN	FY 15	FY 16	FY 17e	FY 18e
Revenue	377	339	340	348
EBITDA	31	52	66	61
EBIT	6	27	42	36
PATMI	-28	-16	12	9
EPS (S'cents)	-3.6	-2.1	1.5	1.2
PER, x (adj.)	-	-	39.6	48.5
P/BV, x	0.8	0.7	0.8	0.7
ROA, %	-17%	-10%	0.8%	0.6%
ROE, %	-3.9%	-2.2%	15%	12%

Source: Company, PSR

Valuation Method

SOTP

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Financials

Income Statement

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
Revenue	377	339	340	348	372
Total cost and expenses	(346)	(288)	(283)	(287)	(307)
EBITDA	31	52	66	61	64
Depreciation & amortisation	(25)	(25)	(24)	(25)	(26)
EBIT	6	27	42	36	39
Net finance (expense)/income	(26)	(26)	(26)	(23)	(22)
Profit before taxes	(19)	1	16	13	16
Taxes	(6)	(8)	(3)	(2)	(3)
Profit after tax	(26)	(7)	13	11	14
Non-controlling interest	2	9	(2)	(2)	(2)
PATMI	(28)	(16)	12	9	12
PATMI, adj	(28)	(38)	(27)	9	12

Per share data (SGD)

Y/E Dec, SGD	FY15	FY16	FY17e	FY18e	FY19e
EPS, reported	-0.04	-0.02	0.02	0.01	0.02
DPS (S'cents)	0.13	0.00	0.00	0.00	0.00
BVPS	0.72	0.74	0.80	0.84	0.89

Cash Flows

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
CFO					
Profit for the year	(19)	1	16	13	16
Adjustments	69	36	50	47	48
WC changes	(126)	(6)	(38)	(12)	20
Taxes paid, others	(35)	(37)	(42)	(27)	(27)
Cashflow from ops	(111)	(6)	(14)	22	57
CFI					
CAPEX, net	(23)	(16)	(19)	(20)	(20)
Others	(7)	(4)	62	(0)	(0)
Cashflow from investments	(31)	(20)	43	(20)	(20)
CFF					
Increase (decrease) in loans, notes	139	(24)	(114)	-	-
Others	(1)	(1)	19	(1)	(1)
Cashflow from financing	138	(25)	(95)	(1)	(1)
Net change in cash	(4)	(52)	(66)	1	36
Effects of exchange rates	1	0	-	-	-
CCE, end	165	114	48	49	85

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples and yields are based on current market price; historical multiples and yields are based on historical market price.

Balance Sheet

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
ASSETS					
PP&E	657	658	677	697	716
Associates & JVs	107	109	109	109	109
Investment properties	68	71	71	71	72
Others	127	119	219	218	216
Total non-current assets	959	956	1,076	1,094	1,113
Development property	336	252	266	279	258
Accounts receivables	80	52	78	74	75
Cash balance	166	109	48	49	85
Others	53	240	53	55	57
Total current assets	634	652	445	457	476
Total Assets	1,593	1,608	1,520	1,551	1,589
LIABILITIES					
Short term loans	90	98	98	98	98
Notes payables	-	49	49	49	49
Accounts payables	9	7	7	7	7
Others	117	176	155	155	157
Total current liabilities	215	281	260	260	262
Long term loans	171	126	12	12	12
Notes payables	392	344	344	344	344
Others	116	125	125	126	126
Total non-current liabilities	679	594	481	481	481
Total Liabilities	894	875	741	741	744
EQUITY					
Shareholder Equity	549	564	611	643	678
Non-controlling interest	151	168	168	167	166
Total Equity	699	733	779	810	845

Valuation Ratios

Y/E Dec	FY15	FY16	FY17e	FY18e	FY19e
P/E (X), adj.	-	-	39.6	48.5	38.5
P/B (X)	0.83	0.81	0.75	0.71	0.67
Dividend Yield	0.2%	0.0%	0.0%	0.0%	0.0%
Growth & Margins					
Growth					
Revenue	12.0%	-10.0%	0.4%	2.2%	6.8%
EBIT	-78.4%	322.6%	59.1%	-14.7%	7.6%
Net Income, adj.	13.2%	-16.5%	8.7%	2.2%	6.9%
Margins					
EBIT margin	1.7%	7.9%	12.5%	10.4%	10.5%
Net Profit Margin	-7.0%	-2.2%	3.9%	3.2%	3.7%
Key Ratios					
ROE (%)	-3.9%	-2.2%	1.5%	1.2%	1.4%
ROA (%)	-1.7%	-1.0%	0.8%	0.6%	0.7%
Net cash (debt) (\$\$mn)	(487)	(508)	(455)	(454)	(418)
Gearing (X)	0.41	0.38	0.33	0.32	0.32

CapitaLand Limited

Stable base of recurring income

SINGAPORE | REAL ESTATE | UPDATE

- Building up a base of quality recurrent income at a CAGR of c.16% (Operating EBIT growth 2013-16). Around 85% of CAPL's total assets are now earmarked for recurrent income.
- Office markets in Singapore and China are showing signs of improvement, while RevPAUs for serviced residences experience recovery in key markets.
- Maintain ACCUMULATE with a target price of S\$4.19.

Background

CapitaLand (CAPL) is one of Asia's largest real estate companies. Headquartered and listed in Singapore, it is an owner and manager of a global portfolio worth more than S\$85bn as at 30 September 2017, comprising integrated developments, shopping malls, serviced residences, offices, homes, real estate investment trusts (REITs) and funds. Present across more than 150 cities in over 30 countries, the Group focuses on Singapore and China as core markets, while it continues to expand in markets such as Vietnam and Indonesia.

Investment Merits/Outlook

- Stable base of recurring income built up over the years provides income stability.** With 85% of CAPL's assets being investment properties (predominantly in Singapore and China) contributing to recurring income, CAPL's earnings outlook remains stable. A record one million square metres of retail GFA opened in 2017, which will be CAPL's largest-ever retail GFA offering in a single year, is expected to boost recurring income growth in FY18e onwards as occupancy and tenant sales ramp up. RMB13.8bn worth of China residential sales are expected to be handed over and recognised mostly from 4Q17 to FY18 (vs FY17YTD: RMB9.3bn), which will provide further support to earnings over the next FY.
- Office markets in Singapore and China show signs of improvement, while RevPAUs for serviced residences are seeing recovery in key markets.** With the exception of the 2 Raffles City office components which started operations last year (Shenzhen and Hangzhou), average occupancy for CAPL's entire office portfolio stand at c.98%, a marked improvement especially in China where occupancy averaged c.90% as at FY16. Ascott's three largest markets (by total units) - Southeast Asia/Australia (ex-Singapore), China, Europe rebounded and grew 2-4% in YTD17 in local currency terms. China and Europe, in particular, are showing strong rebounds in RevPAUs after YoY declines for FY16.
- Tapping on key competitive advantage to evolve into Asset-Light Model for more sustainable future growth.** CAPL's new asset-light management contract model for retail acts as a kicker for ROE, allows CAPL to expand network and brand visibility without huge capital expenditure, and paves the way for future acquisition as they take on management contract roles for third-party malls with a right of first refusal.

Recommendation

Maintain ACCUMULATE with target price of S\$4.19. There are signs of recovery for CAPL's main markets for office and serviced apartment segments in respective key markets. We expect this recovery to sustain as global economies recover. With a strong base of stable recurring income, CAPL's asset-light management contract strategies for its retail and serviced residence segments also enables it to accelerate network and fee revenue growth. We like CAPL's quality of earnings that have become more recurrent in nature.



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18 December 2017

ACCUMULATE (Maintained)

LAST CLOSE PRICE	SGD 3.51
FORECAST DIV	SGD 0.10
TARGET PRICE	SGD 4.19
TOTAL RETURN	22.2%

COMPANY DATA

BLOOMBERG CODE	CAPL SG
O/S SHARES (MN) :	4,247
MARKET CAP (USD mn / SGD mn) :	11070 / 14907
52 - WK HI/LO (SGD) :	3.88 / 2.96
3M Average Daily T/O (mn) :	9.55

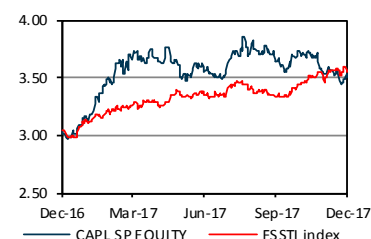
MAJOR SHAREHOLDERS (%)

TEMASEK HOLDINGS	40.0%
BLACKROCK	6.0%
VANGUARD GRP	1.78%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	(0.6)	(3.6)	17.7
STIRETURN	1.1	6.9	20.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

SGD MN	FY 15	FY 16	FY 17e	FY 18e
Revenue	4762	5252	5307	4245
Gross Profit	1475	1598	1698	1401
EBIT	1590	1652	1797	1476
EPS (SGD)	0.25	0.28	0.30	0.25
PER, x (adj.)	13.4	10.8	12.0	14.7
P/BV, x	0.9	0.7	0.9	0.8
DPS (SGD)	0.09	0.10	0.10	0.10
Div Yield, %	2.7%	3.3%	2.8%	2.8%
ROE, %	6.0%	6.8%	6.8%	5.3%

Source: Company Data, PSR est.

Valuation Method

RNAV

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Investment Analyst

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Financials

Income Statement

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
Revenue	4,762	5,252	5,307	4,245	3,554
Gross Profit	1,475	1,598	1,698	1,401	1,208
Depreciation & Amortisation	3	3	4	3	3
EBIT	1,590	1,652	1,797	1,476	1,264
Net Finance (Expense)/Inc	(477)	(453)	(453)	(520)	(594)
Associates & JVs	726	708	792	745	756
Profit Before Tax	1,839	1,907	2,137	1,701	1,426
Taxation	(344)	(403)	(363)	(289)	(242)
Profit After Tax	1,495	1,504	1,774	1,412	1,183
Non-Controlling Interest	430	314	494	365	294
Net Income, reported	1,066	1,190	1,279	1,047	889

Per share data (SGD)

Y/E Dec, SGD	FY15	FY16	FY17e	FY18e	FY19e
EPS, reported	0.25	0.28	0.30	0.25	0.21
DPS	0.09	0.10	0.10	0.10	0.10
BVPS	3.94	4.22	4.15	4.43	4.64

Cash Flows

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
CFO					
Profit for the year	1,495	1,504	1,774	1,412	1,183
Adjustments	(1,081)	(902)	(1,090)	(1,036)	(1,051)
WC changes	1,548	2,250	924	640	906
Cash generated from ops	2,727	3,655	2,364	1,756	1,805
Taxes paid, others	(261)	(350)	(363)	(289)	(242)
Cashflow from ops	2,467	3,305	2,000	1,467	1,563
CFI					
CAPEX, net	(62)	(75)	(88)	(75)	(79)
Cashflow from investments	154	(71)	0	(115)	(41)
CFF					
Dividends paid	247	-	-	-	-
Cashflow from financing	(1,213)	(2,462)	(1,267)	(1,279)	(1,255)
Net change in cash	1,408	772	733	73	266
Effects of exchange rates	40	(129)	-	-	-
CCE, end	4,153	4,778	5,511	5,584	5,850

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples and yields are based on current market price; historical multiples and yields are based on historical market price.

Balance Sheet

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
ASSETS					
PPE	808	781	623	494	370
Associates & JVs	12,858	12,617	12,791	12,887	12,996
Investment Properties	19,428	18,998	20,189	21,321	22,406
Others	1,332	1,578	1,472	1,449	1,493
Total non-current assets	34,426	33,976	35,075	36,151	37,265
Development properties	6,936	4,837	3,968	2,760	1,468
Accounts Receivables	1,424	1,859	1,589	1,348	1,150
Cash balance	4,173	4,793	5,511	5,584	5,850
Others	92	277	279	281	283
Total current assets	12,627	11,765	11,348	9,973	8,751
Total Assets	47,053	45,741	46,423	46,124	46,016
LIABILITIES					
Short term loans	2,246	2,373	2,373	2,373	2,373
Accounts Payables	4,063	4,685	4,471	3,661	3,077
Others	620	670	651	651	651
Total current liabilities	6,930	7,728	7,495	6,685	6,101
Long term loans	13,812	12,479	12,479	12,479	12,479
Others	1,373	1,233	1,331	1,312	1,292
Total non-current liabilities	15,185	13,712	13,810	13,791	13,771
Total Liabilities	22,115	21,440	21,305	20,476	19,872
EQUITY					
Shareholder Equity	17,905	17,605	18,778	19,643	20,458
Non-controlling interest	7,032	6,696	6,341	6,005	5,686
Total Equity	24,938	24,300	25,118	25,647	26,145

Valuation Ratios

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
P/E (X), adj.	13.4	10.8	12.0	14.7	17.3
P/B (X)	0.9	0.7	0.9	0.8	0.8
Dividend Yield (%)	2.7%	3.3%	2.8%	2.8%	2.8%
Growth & Margins (%)					
Growth					
Revenue	21.3%	10.3%	1.0%	-20.0%	-16.3%
EBIT	8.4%	3.9%	8.8%	-17.9%	-14.4%
Net Income, adj.	-15.0%	0.6%	17.9%	-20.4%	-16.2%
Margins					
EBIT margin	33.4%	31.4%	33.9%	34.8%	35.6%
Net Profit Margin	31.4%	28.6%	33.4%	33.3%	33.3%
Key Ratios					
ROE (%)	6.0%	6.8%	6.8%	5.3%	4.3%
ROA (%)	2.3%	2.6%	2.8%	2.3%	1.9%
Gearing (X)	0.34	0.32	0.32	0.32	0.32

Chip Eng Seng Corporation Ltd

Riding the SG property cycle well



StocksBnB.com

SINGAPORE | REAL ESTATE | UPDATE

- Leveraged to the upcycle in Singapore residential property market with available inventory and a replenished land bank.
- Close to S\$200mn (33% of market cap) worth of unbilled development profits to be recognized over the next 3 years from Singapore residential projects already sold.
- Maintain BUY. We raise our target price to S\$1.21, as we narrow the discount to RNAV from 50% to 40% and incorporated construction business into our target price.

Background

Chip Eng Seng (CES) is one of Singapore's leading main contractors and property developers, listed on the SGX Mainboard since 1999. It started as a subcontractor firm for conventional landed properties in the 1960s, and has since built up a good reputation for quality and reliability. In 1982, CES won its first HDB project as a main contractor, which eventually paved the way to it being awarded the contract for the iconic Pinnacle @ Duxton, which has since been completed. CES is principally engaged in the following business segments, namely real estate development, construction, hospitality and property investment.

Investment Merits/Outlook

- Leveraged proxy to current upcycle in Singapore residential property market.** CES is poised to capture upswing in Singapore residential property prices with a well-stocked land bank and available inventory. Close to S\$200mn (33% of market cap) worth of unbilled development profits will be recognized over the next 3 years from already sold Singapore residential projects. This excludes any potential gains from the Woodleigh Lane GLS land site and Changi Garden en-bloc won this year. Further catalyst could come from healthy take-up rates at the Woodleigh site due for launch in 2H18, with potential estimated development profits of S\$127mn (CES' 60% stake).
- Construction business equipped with two years revenue visibility and with a private sector demand picking up.** With an order book of S\$458mn, CES' construction segment provides two years of income visibility. With 17,000 new built-to-order HDB flats (stable YoY) slated for launch in 2018 and private sector demand picking up, opportunities abound for CES to replenish and build on its order book in the coming year.
- Cancellation of Melbourne Tower purchase contracts could enable Group to move on with other exit options.** Management is exploring other viable exit options with regard to this property and any materialized profits will be accretive to our RNAV. Assuming 24% development margins, development profits could add 12c to our RNAV. In view of the uncertainties surrounding the project, we will not factor in any contributions from Tower Melbourne until we get further clarity.

Recommendation

Our RNAV has incorporated the valuation of the Group's construction arm, as we believe we are approaching sector cycle bottom. In view of the current upcycle in the property market, we have narrowed the discount to RNAV from the previous 50% to 40% for mid-cap developers under our coverage. CES remains a good proxy to the upcycle in the Singapore residential market with its proven track record in execution and well-stocked land bank, in particular, the Woodleigh site due for launch in 2H18, with an estimated GDV of S\$720mn (60% stake). Good take-up rates at the launch would be a potential price catalyst.

18 December 2017

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.93
FORECAST DIV	SGD 0.04
TARGET PRICE	SGD 1.21
TOTAL RETURN	35.1%

COMPANY DATA

BLOOMBERG CODE	CHIP SP
O/S SHARES (MN):	621
MARKET CAP (USD mn / SGD mn):	427 / 574
52 - WK HI/LO (SGD):	1 / 0.62
3M Average Daily T/O (mn):	3.14

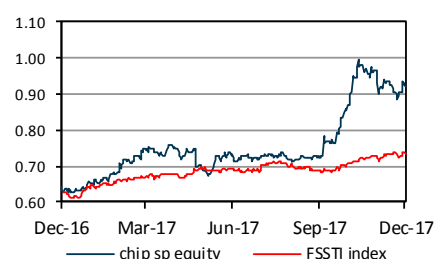
MAJOR SHAREHOLDERS (%)

LIM TIAM SENG	12.5%
LIM CHUAN TIANG	7.1%
CHIA LEE MENG	4.1%
DIMENSIONAL FUND ADVISORS LP	2.7%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(1.1)	26.9	54.4
STI RETURN	1.1	6.9	20.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar S\$mn	FY15	FY16	FY17E	FY18E
Gross Rev.	676	748	809	740
Gross Profit	161	146	154	142
Net Income	63	36	45	44
ROE (%)	8.5	4.6	5.7	4.1
P/B (x)	0.60	0.59	0.58	0.58
DPS (Cents)	4.0	4.0	4.0	4.0
Dividend Yield (%)	5.7	5.6	5.5	5.5

Source: Company Data, PSR est.

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Financials

Income Statement

Y/E Dec, SGD'mn	FY15	FY16	FY17E	FY18E	FY19E
Revenue	676	748	809	745	690
Cost of Sales	-515	-602	-656	-603	-559
Other Items of Income					
Int & Div Income	5	13	10	9	11
Other Income	5	13	10	9	11
Other Items of Expense					
Marketing & Distribution	-28	-7	-8	-7	-7
Administrative Expenses	-57	-60	-69	-63	-59
Finance Costs	-16	-20	-18	-14	-12
Share of Results of Associates	1	-1	1	1	1
Profit Before Tax	68	76	72	70	69
Income Tax Expense	-10	-24	-11	-10	-10
Net Income	63	36	45	44	45

Cash Flow

Y/E Dec, SGD'mn	FY15	FY16	FY17E	FY18E	FY19E
Profit Before Tax	68	76	72	70	69
Depreciation & Amortization	6	7	7	7	7
Other Non-cash items	-10	64	0	0	0
OCF Before Changes in WC	64	147	79	77	76
Trade & Other Receivables	-27	170	-100	7	44
Trade & Other Payables	16	-13	45	-10	-9
Inventories	288	-506	236	10	-85
Net interest expense	-14	-16	-16	-12	-9
Income Taxes Paid	-16	-20	-18	-14	-12
Other Items Combined	-74	-161	-99	-112	-122
Cashflow from Operations	300	-251	204	23	-42
PPE & Investment Properties	-21	-4	-10	-14	-14
Other Items Combined	3	7	0	0	0
Cashflow from Investing	-18	3	-10	-14	-14
Loans & Borrowings	-82	312	0	0	0
Dividends Paid	-37	-25	-25	-25	-25
Other Items Combined	-5	0	0	0	0
Cashflow from Financing	-124	287	-25	-25	-25
Increase in Cash & Equivalents	157	39	169	-15	-81
Cash & Equivalents (Beginning)	285	442	482	651	635
Cash & Equivalents (Ending)	442	482	651	635	554

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Dec, SGD'mn	FY15	FY16	FY17E	FY18E	FY19E
Property, Plant & Equipment	225	220	223	230	237
Investment Properties	287	296	301	311	321
Other Non-current Assets	23	12	10	3	-4
Non-Current Assets	536	528	534	544	554
Development Properties	625	1,128	892	882	967
Completed ppty held-for-sale	39	0	0	0	0
Trade & Other Receivables	249	81	182	174	130
Cash & Short-Term Deposits	442	482	651	635	554
Other Current Assets	15	14	14	14	14
Current Assets	1,371	1,704	1,738	1,705	1,665
Total Assets	1,907	2,232	2,272	2,249	2,219
Loans & Borrowings	120	234	146	127	117
Trade & Other Payables	117	86	131	121	112
Other Liabilities	80	82	93	102	110
Current Liabilities	317	402	369	349	339
Loans & Borrowings	738	937	1,052	820	690
Deferred Tax Liabilities	16	10	10	10	10
Non-Current Liabilities	754	947	1,062	830	700
Total Liabilities	1,164	1,456	1,485	1,179	1,039
Non-Controlling Interests	-5	11	27	42	56
Shareholder Equity	743	777	787	1,070	1,180

Valuations and Key Ratios

Y/E Dec	FY15	FY16	FY17E	FY18E	FY19E
Valuations					
P/B (X)	0.60	0.59	0.58	0.58	0.43
Dividend Yield (%)	5.7%	5.6%	5.5%	5.5%	5.5%
Growth					
Revenue	-39%	11%	8%	-8%	-7%
Net Income	-78%	-43%	25%	-1%	1%
Shareholder Equity	1%	5%	1%	36%	10%
Margins					
Gross Profit Margin	30%	24%	20%	21%	21%
Net Profit Margin	24%	9%	5%	5%	6%
Key Ratios					
ROE(%)	8.5%	4.6%	5.7%	4.1%	3.8%
ROA(%)	3.3%	1.6%	2.0%	2.0%	2.0%
Gearing (X)	45.0%	52.5%	52.7%	42.1%	36.4%

ComfortDelGro Corp Ltd

Earnings bottom, dividend level sustainable

SINGAPORE | TRANSPORT SERVICES | UPDATE

- Earnings to bottom in FY17; from three main factors of 1.) Recognition of higher bus revenue, 2.) Narrowing of DTL losses and 3.) Strategic alliance with Uber, driving FY18 earnings higher
- Dividend is sustainable, underpinned by strong balance sheet and positive cash flow
- Maintain BUY; lower target price of \$2.63 (previously \$2.69)

Background

ComfortDelGro Corp Ltd (CD) is a global multi-modal land transport operator. Its major business segments include Public transport services, Taxi, Automotive engineering and Inspection and testing. CD operates across seven countries. Its 75%-owned listed subsidiary, SBS Transit Ltd, operates Public transport services in Singapore of Rail and Buses. Its 67%-owned listed subsidiary, VICOM Ltd, provides inspection and testing services.

Investment Merits/Outlook

- Earnings bottom in FY17, higher earnings in FY18 driven by Public Transport Services segment.** This is from recognition of higher bus revenue from quality incentives for services performed in 2017 under the new government contracting model, commencement of Seletar bus package (assumed 1Q 2018) and narrowing of Downtown Line (DTL) losses with the commencement of Stage 3 on 21 October 2017.
- Strategic alliance with Uber through LCR partially offsetting decline in Taxi business.** CD and Uber Technologies (Uber) recently made a joint announcement on the intention to form a joint venture. CD is to take a 51% stake in Lion City Holdings Pte Ltd., which in turn owns 100% of Lion City Rental Pte Ltd (LCR). The most immediate positive to come out from this is that LCR is a profitable business. However, vehicle rental is the asset-heavy aspect of the private hire vehicle (PHV) business model. This is in contrast to the asset-light, albeit currently loss-making app-based platform.
- Dividend level is sustainable.** CD has a dividend policy of paying at least 50% payout ratio. CD has paid out an increasing trend from 54% in FY12 to 70% in FY16 over the most recent five years. 1H FY17 interim dividend was 4.35 cents, higher than 1H FY16's 4.25 cents. We believe that absolute dividend is sustainable as supported by a strong balance sheet that is in a net cash position (cash: S\$538.1 mn, total debt: S\$350.1 mn) and positive cash flow. Estimated FY17e full-year dividend of 10.30 cents gives ~5.4% yield based on current price.

Recommendation

Maintain BUY with lower DCF-derived target price of \$2.63 (previously \$2.69). Our forecast does not include the impact of the CD/Uber strategic alliance.



StocksBnB.com

18 December 2017

BUY (Maintained)

LAST CLOSE PRICE	SGD 1.91
FORECAST DIV	SGD 0.103
TARGET PRICE	SGD 2.63
TOTAL RETURN	43.1%

COMPANY DATA

BLOOMBERG CODE:	CD SP
O/S SHARES (MN):	2,163
MARKET CAP (USD mn / SGD mn):	3069 / 432
52 - WK HI/LO (SGD):	2.8 / 1.9
3M Average Daily T/O (mn):	1135

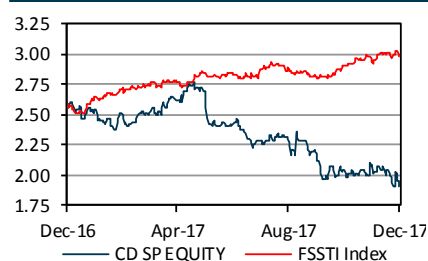
MAJOR SHAREHOLDERS (%)

BLACKROCK	6.0%
SCHRODERS PLC	5.0%
VANGUARD GROUP INC	2.4%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	(6.2)	(10.6)	(21.2)
STIRETURN	11	6.9	20.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY 15	FY 16	FY 17e	FY 18e
Revenue (SGD mn)	4,112	4,060	3,940	3,892
NPAT, adj (SGD mn)	302	317	304	313
EPS, adj. (cents)	14.1	14.7	14.6	14.5
P/E, adj. (x)	20.6	19.7	13.6	13.2
BVPS (cents)	140	148	153	159
P/B (x)	2.1	2.0	1.2	1.2
DPS (cents)	9.00	10.30	10.30	10.40
Div. Yield (%)	3.1	3.6	5.4	5.4

Source: Company Data, PSR est.

VALUATION METHOD

DCF (WACC: 8.4%; Terminal g: 10%)

Richard Leow, CFA, CFTe, FRM (+65 6212 1848)

Investment Analyst

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Financials

Income Statement

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
Revenue	4,051	4,112	4,060	3,940	3,892
EBITDA	796	840	858	835	819
Depreciation & Amortisation	(354)	(389)	(396)	(410)	(380)
EBIT	442	451	462	425	439
Net Finance (Expense)/Inc	(10)	(3)	(1)	9	7
Associates & JVs	4	5	5	5	6
Profit Before Tax	436	452	467	439	452
Taxation	(92)	(88)	(88)	(78)	(81)
Profit After Tax	344	364	378	361	372
- Non-controlling interest	61	62	61	46	59
PATMI, reported	284	302	317	315	313
PATMI, adj.	284	302	317	304	313

Per share data (cents)

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
EPS, reported	13.29	14.07	14.72	14.61	14.51
EPS, adj.	13.29	14.07	14.72	14.10	14.51
DPS	8.25	9.00	10.30	10.30	10.40
BVPS	132.7	140.1	148.0	153.3	158.9

Cash Flow

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
CFO					
PBT	436	452	467	439	452
Adjustments	262	253	291	396	367
WC changes	24	(23)	9	(9)	(4)
Cash generated from ops	722	682	766	825	816
Others	(83)	(82)	(63)	(78)	(82)
Cashflow from ops	639	600	703	748	734
CFI					
CAPEX, net	(471)	(388)	(388)	(198)	(203)
Divd from associates & JVs	3	3	3	4	4
Others	(16)	13	14	18	11
Cashflow from investments	(485)	(372)	(371)	(177)	(188)
CFF					
Share issuance, net	23	18	13	-	-
Loans, net of repayments	(62)	(190)	(209)	(169)	(80)
Dividends	(198)	(214)	(230)	(246)	(252)
Others	74	117	106	(11)	(6)
Cashflow from financing	(163)	(269)	(321)	(426)	(338)
Net change in cash	(8)	(41)	10	145	208
Effects of exchange rates	3	3	(19)	-	-
CCE, end	826	788	779	925	1,133

Source: Company Data, PSR est.

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
ASSETS					
PPE	2,895	2,909	2,887	2,675	2,498
Intangibles	686	673	645	648	649
Receivables	307	268	241	241	241
Associates & JVs	8	10	11	13	15
Investments	74	52	63	63	63
Others	22	25	24	24	24
Total non-current assets	3,991	3,937	3,871	3,663	3,489
Inventories	72	75	82	79	78
Accounts Receivables	117	139	237	230	228
Prepayments	197	277	153	148	146
Cash	826	788	779	925	1,133
Others	27	1	-	-	-
Total current assets	1,239	1,280	1,251	1,382	1,585
Total Assets	5,231	5,216	5,122	5,045	5,074

LIABILITIES

Short term loans	243	126	169	80	80
Accounts Payables	837	833	771	749	740
Others	178	177	171	170	169
Total current liabilities	1,258	1,137	1,112	999	989
Long term loans	494	432	176	96	16
Others	640	635	643	643	643
Total non-current liabilities	1,134	1,067	818	738	658
Total Liabilities	2,392	2,204	1,930	1,738	1,647

EQUITY

Non-controlling interest	649	678	717	739	768
Shareholder Equity	2,190	2,335	2,476	2,568	2,659

Valuation Ratios

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
P/E (X), adj.	20.0	20.6	19.7	13.6	13.2
P/B (X)	2.0	2.1	2.0	1.2	1.2
EV/EBITDA (X), adj.	7.0	7.1	6.8	4.0	3.8
Dividend Yield (%)	3.1%	3.1%	3.6%	5.4%	5.4%

Growth & Margins (%)

Growth					
Revenue	8.1%	1.5%	-1.3%	-3.0%	-1.2%
EBITDA	4.2%	5.6%	2.2%	-2.7%	-1.8%
EBIT	3.7%	1.9%	2.6%	-8.1%	3.5%
Net Income, a dj.	7.7%	6.5%	5.0%	-4.1%	3.0%
Margins					
EBITDA margin	19.6%	20.4%	21.1%	21.2%	21.1%
EBIT margin	10.9%	11.0%	11.4%	10.8%	11.3%
PBT margin	10.8%	11.0%	11.5%	11.1%	11.6%
Net Profit Margin	7.0%	7.3%	7.8%	7.7%	8.0%

Key Ratios

ROE (%)	13.1%	13.3%	13.2%	12.1%	12.0%
ROA (%)	5.5%	5.8%	6.1%	6.0%	6.2%
Net Debt or (Net Cash)	(89)	(229)	(434)	(748)	(1,036)
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Dairy Farm International

Staging a comeback

SINGAPORE | CONSUMER | UPDATE

- Stronger performance from Health & Beauty, Home Furnishings and Yonghui should mitigate slower sales from Food businesses in Malaysia and Indonesia
- Improving macro fundamentals, new store and margin gains should underpin growth
- BUY with a SOTP-derived target price of US\$9.89

Background

Dairy Farm International Holdings Limited (Dairy Farm) is a leading Pan-Asian retailer. The Group, together with its associates and joint ventures, operated over 6,600 outlets across 12 markets. Its four divisions include Food; Health and Beauty; Home Furnishings; and Restaurants.

Investment Merits/Outlook

- Food to turnaround.** Weakness in the hypermarket and supermarket operations in Southeast Asia, in particular Malaysia and Indonesia ahead of their elections in 2018. However, we have seen signs of the market turning around in Singapore. Dairy Farm has also returned to the Singapore store-bidding scene. Meanwhile, in Guangdong, China, it is ramping up its 7-Eleven store count (target to reach 1,000 stores by end-FY18). It has also acquired the remaining 34% interest in Rustan's in the Philippines, in line with its strategy to move upscale.
- Stronger Health and Beauty performances.** Return of mainland tourists to Hong Kong and Macau to boosts retail sales. Meanwhile, Indonesia continues to benefit from the store rationalization in 2016, and its shift of sales mix towards more beauty offerings.
- New stores to drive growth in Home Furnishings.** The fourth IKEA store in Tsuen Wan, Hong Kong opened in Oct-17 and a site for a second store in Jakarta had been secured.
- Multiple margin drives.** (a) Scale enhanced in three distribution centres – Singapore (opened in May-16), Philippines (opened in May-17) and Malaysia (to open in 2H17). (b) Better sales mix of higher margin products: (i) higher Fresh food; (ii) more Corporate Brand (private label) items; (iii) upscale market expansion; and (iv) increase Ready-to-Eat products.
- Fast growing associates to boost earnings** – Yonghui and Maxim's contribute over US\$100mn or 20% to the Group's EBIT. **Yonghui:** Strong 9M17 Revenue/Profit of 17.0%/70.7% YoY. **Maxim's:** Strong 3Q17 Revenue/Profit on record mooncake sales; Acquired Starbucks franchise stores in Singapore, with over 130 stores currently in operation.

Recommendation

Maintain BUY with SOTP-derived TP of US\$9.89. Higher FY17/18e earnings driven by store openings, improving macro fundamentals in key markets, better stores performance post-rationalization exercise, margin gains and higher contributions from associates.



StocksBnB.com

18 December 2017

BUY (Maintained)

LAST CLOSE PRICE	USD 8.05
FORECAST DIV	USD 0.22
TARGET PRICE	USD 9.89
TOTAL RETURN	25.6%

COMPANY DATA

BLOOMBERG CODE	DFISP
O/S SHARES (MN) :	1352
MARKET CAP (USD mn / SGD mn) :	10887 / 14660
52 - WK H/L (USD) :	9.25 / 6.92
3M Average Daily T/O (mn) :	0.61

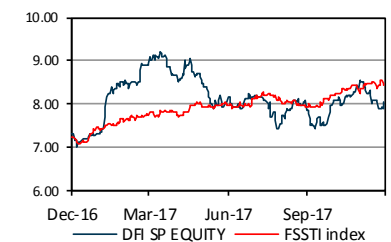
MAJOR SHAREHOLDERS (%)

JARDINE MATHESON HOLDINGS	77.61%
FIRST STATE INVESTMENTS	5.94%
FRANKLIN ADVISERS	1.92%
MATTHEWS INTL CAPITAL MGMT	1.66%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	(6.4)	(2.3)	11.3
STIRETURN	1.4	6.89	20.17

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY 15	FY 16	FY 17e	FY 18e
Revenue (USD bn)	11.1	11.2	11.4	11.7
Core EBITDA (USD bn)	0.65	0.67	0.68	0.75
Core EBIT (USD bn)	0.44	0.45	0.47	0.53
PATMI, adj. (USD bn)	0.43	0.46	0.50	0.56
EPS, adj. (USD)	0.32	0.34	0.37	0.41
PER, adj. (x)	19.2	22.2	21.8	19.4
P/BV, (x)	5.7	6.5	6.1	5.3
DPS (USD)	0.20	0.21	0.22	0.25
Div Yield (%)	2.5%	2.6%	2.7%	3.1%
ROE (%)	31.1%	30.6%	29.2%	28.4%

Source: Company Data, PSR est.

Valuation Method

Sum-of-parts

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Financials

Income Statement

Y/E Dec, USD mn	FY14	FY15	FY16	FY17e	FY18e
Revenue	11,008	11,137	11,201	11,407	11,719
Gross profit	3,291	3,285	3,386	3,456	3,574
Core EBITDA	727	647	665	684	750
Depreciation & Amortisation	203	212	213	217	223
Core EBIT	524	435	453	467	527
Associates & JVs	69	85	115	146	158
Other items	10	(4)	10	0	0
Net Finance Inc/(Exp)	(2)	(14)	(22)	(21)	(22)
Profit Before Tax	601	502	555	592	663
Taxation	(93)	(84)	(85)	(92)	(103)
Profit After Tax	508	418	470	500	560
- Non-controlling interest	(2)	(6)	0	0	0
PATMI, reported	509	424	469	500	560
PATMI, adj.	500	428	460	500	560

Per share data (USD)

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
EPS, reported	0.38	0.31	0.35	0.37	0.41
EPS, adj.	0.37	0.32	0.34	0.37	0.41
DPS	0.23	0.20	0.21	0.22	0.25
BVPS	1.13	1.08	1.17	1.32	1.51

Cash Flow

Y/E Dec, USD mn	FY14	FY15	FY16	FY17e	FY18e
CFO					
Operating Profit	534	431	459	467	527
Adjustments	207	237	221	217	223
WC changes	(17)	73	(97)	99	24
Net finance expense	(1)	(13)	(21)	(21)	(22)
Tax paid	(94)	(90)	(85)	(92)	(103)
Dividends from Assoc/JV	48	62	66	86	94
Others	0	0	0	0	0
Cashflow from ops	676	700	543	755	743
CFI					
CAPEX, net	(367)	(449)	(243)	(308)	(316)
Others	(65)	(917)	(185)	0	0
Cashflow from investments	(433)	(1,365)	(428)	(308)	(316)
CFE					
Loans, net of repayments	21	573	238	(114)	(117)
Dividends	(311)	(311)	(270)	(284)	(298)
Others	(2)	16	(10)	0	0
Cashflow from financing	(293)	278	(42)	(398)	(415)
Net change in cash	(50)	(388)	72	49	12
Effects of exchange rates	(5)	(12)	(7)	(7)	(7)
CCE, end	657	257	323	365	371

Balance Sheet

Y/E Dec, USD mn	FY14	FY15	FY16	FY17e	FY18e
ASSETS					
PPE	1,219	1,141	1,100	1,134	1,169
Intangibles	566	744	765	822	881
Investments in Assoc/JV	388	1,292	1,462	1,522	1,586
Others	213	203	186	186	186
Total non-current assets	2,386	3,381	3,512	3,664	3,822
Accounts receivables	252	234	291	250	257
Cash	662	259	324	366	372
Inventories	(1,011)	(937)	(983)	(1,002)	(1,026)
Others	2,027	1,885	1,986	2,023	2,072
Total current assets	1,930	1,440	1,617	1,638	1,674
Total Assets	4,316	4,821	5,129	5,302	5,496
LIABILITIES					
Accounts payables	2,413	2,355	2,328	2,405	2,460
Short term loans	93	730	370	425	220
Others	59	67	73	73	73
Total current liabilities	2,566	3,151	2,771	2,903	2,754
Long term loans	94	11	595	425	513
Others	135	204	184	184	184
Total non-current liabilities	228	215	779	609	697
Total Liabilities	2,794	3,366	3,550	3,512	3,451
EQUITY					
Non-controlling interests	94	79	74	74	74
Shareholder Equity	1,429	1,376	1,505	1,715	1,971

Valuation Ratios

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
P/E (X), adj.	24.3	19.2	22.2	21.8	19.4
P/B (X)	8.0	5.7	6.5	6.1	5.3
EV/EBITDA (X), adj.	16.2	13.6	16.4	16.7	15.1
Dividend Yield (%)	2.9%	2.5%	2.6%	2.7%	3.1%

Growth & Margins (%)

Growth					
Revenue	6.3%	1.2%	0.6%	1.8%	2.7%
EBITDA	1.2%	-11.0%	2.8%	2.8%	9.6%
EBIT	0.4%	-17.0%	4.0%	3.2%	12.8%
Net profit, adj.	4.2%	-14.4%	7.5%	8.7%	11.9%
Margins					
Gross margin	29.9%	29.5%	30.2%	30.3%	30.5%
EBITDA margin	6.6%	5.8%	5.9%	6.0%	6.4%
EBIT margin	4.8%	3.9%	4.0%	4.1%	4.5%
Net profit margin	4.5%	3.8%	4.1%	4.4%	4.8%

Key Ratios

ROE (%)	35.0%	31.1%	30.6%	29.2%	28.4%
ROA (%)	11.6%	8.9%	9.0%	9.4%	10.2%
Net Debt/(Cash)	(475)	482	641	484	362
Net Gearing (X)	Net Cash	33.1%	40.6%	27.1%	17.7%

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

DBS Group Holdings Ltd

Poised to Outperform

SINGAPORE | BANKING | UPDATE

- NIM will likely expand 15bps to 20bps to reach c.1.9% in FY18 as benchmark rates rise in its key markets.
- Digital capabilities will significantly reduce cost to income ratios compared to past performance in previous economic cycles.
- Expect DBS' FY18 ROE to reach c.13% on the back of higher loans volume, better lending spreads and normalisation of credit costs.
- Maintain BUY rating with target price of S\$29.30.

Investment Merits/Outlook

- Rising benchmark rates and robust loans growth in Hong Kong and Singapore will drive DBS' NII in FY18.** In December, the Hong Kong Monetary Authority increased the base lending rate by 25bps to 1.75% following a 25bps increase in the Fed Funds rate. The Federal Reserve is expected raise the Fed Funds rate 3 times in FY18. HIBOR is expected to track the rise of base lending rates closely and will lead to upward pressure on margin DBS's Hong Kong-based loans. SIBOR demonstrated stronger correlation to Fed Funds rate in 2H17, we expect the correlation to continue with the assumption that the synchronous global economic growth continues, and macro volatility remains low. Singapore and Hong Kong-based loans account for c.63% of DBS' gross loans therefore sensitive to the rates growth in these locations.
- Digitally enabled clients are more profitable and are more cost-efficient to maintain.** In our DBS 2017 Investor Day [report](#), we described how digitally engaged clients are more profitable. The digital enablement has raised DBS' operating leverage and will drive more incremental returns as client activities ramp up amid improving investment sentiments.
- India's domestic conditions are highly favourable for India digibank operations as it rolls out key banking products in FY18.** The conditions are particularly favourable for digital push into India because of the mandatory Aadhaar system to all the residents of India and the ongoing banknote de-monetisation. In addition, DBS has the appropriate leadership in place and has the first mover advantage into a large Indian population that is young and IT savvy. We believe that the rollout of key banking products (unsecured loans, remittance, insurance and credit cards) in FY18 will gain further traction in this market.
- Major clean up in 3Q17 paves the way for credit cost to normalise in FY18.** By 3Q17, 57% (c.S\$3bn) of the DBS' S\$5.3bn offshore Oil & Gas exposure has been recognised as non-performing assets (NPA). In addition, 50% of that S\$3bn NPA has been provided for through the aggressive specific provision expense in 3Q17. Given that the collateral values of the offshore assets are already beaten down to 25% of its original valuation, we believe that further downside is limited and the provision cover of 50% of offshore oil and gas NPA provides sufficient buffer.

Recommendation

Maintain BUY rating with a target price of S\$29.30 based on Gordon Growth Model.



StocksBnB.com

18 December 2017

BUY (Maintained)

LAST TRADED PRICE	SGD 24.58
FORECAST DIV	SGD 0.66
TARGET PRICE	SGD 29.30
TOTAL RETURN	21.89%

COMPANY DATA

BLOOMBERG TICKER	DBS SP
O/S SHARES (MN)	2,558
MARKET CAP (USD mn / SGD mn)	46689 / 62867
52 - WK HI/LO (SGD)	25.36 / 17.15
3M Average Daily T/O (mn)	4.56

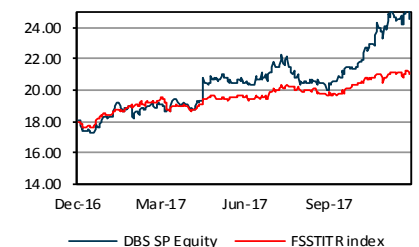
MAJOR SHAREHOLDERS (%)

Temasek Holdings Pte Ltd	29.35%
Vanguard Group	2.12%
Norges Bank Investment Management	2.02%
J.P. Morgan Chase & Co	1.36%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	5.1	22.8	43.4
STI RETURN	1.7	6.92	20.23

PRICE VS. STI



Source: Bloomberg, P SR

KEY FINANCIALS

Y/E Dec	FY 15	FY 16	FY 17e	FY 18e
Total Inc (SGD mn)	10,923	11,489	12,200	13,544
Op Profit (SGD mn)	5,280	5,083	5,151	7,383
NPAT (SGD mn)	4,567	4,360	4,504	6,375
EPS (SGD)	1.71	1.73	1.52	2.42
PER, (X)	11.7	10.3	15.8	10.3
P/BV, (X)	1.3	1.0	1.4	1.3
DPS (SGD)	0.60	0.60	0.66	0.68
ROE, (%)	11.4%	10.4%	9.1%	13.1%

Source: Bloomberg, Company, P SR

Valuation Method:

Gordon Growth Model (ERP: 6.7%, g: 2%)

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Financials

Income Statement

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
Net Interest Income	6,321	7,100	7,305	7,715	8,975
Fees and Commission	2,027	2,144	2,331	2,533	2,898
Other Non interest income	1,468	1,679	1,853	1,952	1,671
Total income	9,816	10,923	11,489	12,200	13,544
Operating expenses	4,330	4,900	4,972	5,084	5,317
Provisions	667	743	1,434	1,965	845
Operating profit	4,819	5,280	5,083	5,151	7,383
Associates & JVs	79	14	0	0	0
Profit Before Tax	4,898	5,294	5,083	5,151	7,383
Taxation	713	727	723	647	1,008
Profit After Tax	4,185	4,567	4,360	4,504	6,375
Non-controlling Interest	139	113	122	136	137
Net Income, reported	4,046	4,454	4,238	4,368	6,238
Net Income, adj.	3,848	4,318	4,238	4,018	6,238

Per share data (SGD)

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
EPS, reported	1.63	1.71	1.73	1.52	2.42
DPS	0.58	0.60	0.60	0.66	0.68
BVPS	14.44	15.49	16.61	17.69	19.40

Supplementary items

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
CET1 CAR (%)	13.1%	13.5%	14.1%	13.6%	13.7%
Tier 1 CAR (%)	13.1%	13.5%	14.7%	14.1%	14.2%
Total CAR (%)	15.3%	15.4%	16.2%	15.5%	15.6%

Balance Sheet

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
Cash and bal with central banks	19,517	18,829	26,840	22,661	20,332
Due from banks	42,263	38,285	30,018	33,020	33,020
Govt, Bank & Corp Sec & T Bills	67,457	74,574	78,818	98,936	105,955
Derivatives	16,995	23,631	25,757	16,651	11,082
Goodwill and intangibles	5,117	5,117	5,117	5,166	5,166
Property and other fixed assets	1,485	1,547	1,572	1,263	1,758
Loans to non-bank customers	275,588	283,289	301,516	319,701	343,151
JV and Associates	995	1,000	890	882	919
Other assets	11,249	11,562	11,042	12,268	11,135
Total Assets	440,666	457,834	481,570	510,548	532,518
Due to banks	16,176	18,251	15,915	22,920	22,920
Deposits from customers	317,173	320,134	347,446	365,132	387,848
Derivatives	18,755	22,145	24,497	16,651	11,082
Other liabilities	11,728	12,404	15,895	19,753	19,829
Other debt securities	31,963	38,078	27,745	35,514	35,514
Subordinated term debts	4,665	4,026	3,102	1,147	1,147
Total liabilities	400,460	415,038	434,600	461,117	478,340
Shareholder's equity	37,708	40,374	44,609	47,056	51,816
Non-controlling interest	2,498	2,422	2,361	2,375	2,362
Total Equity	40,206	42,796	46,970	49,431	54,178

Valuation Ratios

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
P/E (X), avg	11.8	11.7	10.3	15.8	10.3
P/B (X), avg	1.3	1.3	1.0	1.4	1.3
Dividend Yield (%)	3.3%	3.1%	3.5%	2.6%	2.7%

Growth & Margins (%)

	FY14	FY15	FY16	FY17e	FY18e
Growth					
Net interest income	13.5%	12.3%	2.9%	5.6%	16.3%
Net Fee and Comm Inc	7.5%	5.8%	8.7%	8.7%	14.4%
Total income	7.9%	11.3%	5.2%	6.2%	11.0%
Profit before tax	9.3%	9.6%	-3.7%	1.3%	43.3%
Net income, reported	10.2%	10.1%	-4.8%	3.1%	42.8%
Net income, adj.	9.9%	12.2%	-1.9%	-5.2%	55.2%

Margins

Net interest margin	1.71%	1.84%	1.71%	1.77%	1.93%
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Key Ratios (%)

ROE	10.9%	11.3%	10.4%	9.1%	13.1%
ROA	0.9%	1.0%	0.9%	0.8%	1.2%
RORWA	1.5%	1.6%	1.5%	1.4%	1.9%
Non-interest/total income ratio	35.6%	35.0%	36.4%	36.8%	33.7%
Cost/income ratio	44.1%	44.9%	43.3%	41.7%	39.3%
Loan/deposit ratio	86.9%	88.5%	86.8%	87.6%	88.5%
NPL ratio	0.87	0.91	1.45	1.71	1.53

Source: Company, PSR

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Geo Energy Resources Ltd

High growth with 4% yield

SINGAPORE | MINING | UPDATE

- Production is expected to surge 41.8% YoY in FY17. We expect volumes to continue to grow by 41% YoY to 11mn tonnes in FY18.
- Removed financing overhang with new \$300mn senior note facility.
- Attractive dividend yield of 4%. Maintain BUY with target price of S\$0.44

Background

Geo Energy Resources Ltd (GEO) is an Indonesian coal producer. Its main business segments comprise of coal mining, coal trading, and related mining services. As of Sep-17, the group has six mining concessions with more than 90mn tonnes coal reserves.

Investment Merits/Outlook

- Substantial growth in production.** 9M17 sales volume at grew 76.6% YoY to 5.6mn tonnes. During the period, the realised average selling price rose by 37.8% YoY to US\$39.5/tonne. The coal price (ICI 4,200 GAR) remains on an uptrend, touching year highs of c.US\$50/tonne in Nov-17. Management revised down the sales target to 7mn to 8mn tonnes from 10mn tonnes set previously due to the disruption of prolonged monsoon season in 2Q and 3Q17; this is still a growth of 41.8%.
- Issuance of the new note enhanced solvency and liquidity.** GEO issued a new senior note of US\$300mn in early Oct-17 at an interest rate of 8%. The proceeds were used to partially redeem the S\$100mn (US\$72mn) MTN which will be due in Jan-18 and repay the advances from ECTP. The balance of roughly US\$200mn, together with the cash on hand of US\$36mn as of Sep-17, will fund working capital or to fund potential acquisitions of coal mining assets.
- Attractive dividend yield in the sector.** We expected GEO to maintain dividends of 1 SG cents (4% dividend yield). We think there is upside on the dividends.
- GEO guiding production target** will range from 12mn to 15mn tonnes in FY18. For FY18, we expect volumes to be 11mn tonnes with 41% YoY growth and ASP to be US\$39/tonne (US\$41/tonne FY17e). At present, the group is offered three proposals of offtake agreements for TBR mine, and the prepayment price of which will be at least US\$4/tonne, comparable to the offer for SDJ mine in FY16. If it pans out, the new offtake will provide more visibility to production volume and further improve the cash position.

Recommendation

Maintain BUY with a target price of \$0.44. We expect earnings to surge in FY17e from coal sales volume of 7.8mn tonnes (+41.8% YoY) and ASP of US\$41/tonne (+24.2%). Based on the forward PER of 10.0x (the average of regional peers), we maintain our BUY call with a target price of S\$0.44.



StocksBnB.com

18 December 2017

BUY (Maintained)

CLOSING PRICE	SGD 0.255
FORECAST DIV	SGD 0.010
TARGET PRICE	SGD 0.440
TOTAL RETURN	76.5%

COMPANY DATA

Bloomberg Code	GERL SP
O/S SHARES (MN) :	1329
MARKET CAP (USD mn / SGD mn) :	252 / 339
52 - WK HI/LO (SGD) :	0.36 / 0.22
3M Average Daily T/O (mn) :	4.999

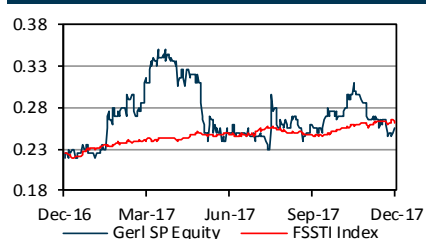
MAJOR SHAREHOLDERS (%)

MASTER RESOURCES	25.8%
MELATI CHARLES ANTONN	14.6%
INTERNATIONAL RES IL	8.8%
SUR YA DHAMMA	7.7%
THEARE HAWHEAH	5.7%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(2.0)	1.8	24.0
STIRETURN	11	6.9	20.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY15	FY16	FY17e	FY18e
Revenue (US\$ mn)	22.3	182	316	421
EBITDA (US\$ mn)	(5.8)	53	86	120
PATMI (US\$ mn)	(16.3)	22	44	58
P/E (x)	N.M.	9.0	5.7	4.3
P/B (x)	2.4	16	15	11
Dividend yield (%)	0%	4%	4%	4%
ROE (%)	N.M.	18%	26%	25%
ROA (%)	N.M.	7%	7%	9%

Source: Company, PSR

VALUATION METHOD

P/E Multiple (PER:10.0x)

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Financials

Income Statement

Y/E Dec, US mn	FY14	FY15	FY16	FY17e	FY18e
Revenue	53	22	182	316	421
Gross profit	(2)	0	42	82	118
EBITDA	(4)	(6)	53	86	120
Depreciation & amortisation	7	5	13	17	18
EBIT	(11)	(10)	40	69	102
Net Finance (Expense)/Inc	(5)	(8)	(6)	(6)	(19)
PBT	(16)	(18)	34	63	84
Taxation	3	(10)	(10)	(19)	(25)
PAT	(13)	(28)	24	44	58
Loss from discontinued operation	0	0	(1)	0	0
Non-controlling interests	(0)	(12)	(0)	0	0
PATMI	(13)	(16)	22	44	58

Per share data

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
EPS, basic (Cents)	(1)	(1)	1.8	3.3	4.4
EPS, diluted (Cents)	(1)	(1)	1.8	3.3	4.4
DPS (SG cents)	0	0	1	1	1
BVPS, basic (Cents)	9	8	10	13	17
BCPS, diluted (Cents)	9	8	10	13	17

Cash Flow

Y/E Dec, US mn	FY14	FY15	FY16	FY17e	FY18e
CFO					
PBT	(16)	(18)	32	63	84
Adjustments	10	16	18	26	39
WC changes	(8)	23	20	(50)	(16)
Cash generated from ops	(14)	21	70	39	107
Others	(3)	2	(0)	(8)	(9)
Cashflow from ops	(17)	23	70	31	97
CFI					
CAPEX, net	(49)	(17)	2	(31)	(30)
Others	0	(0)	(9)	2	5
Cashflow from investments	(49)	(17)	(6)	(29)	(25)
CFF					
Loans, net of repayments	68	(6)	(2)	291	(73)
Others	(9)	(2)	(6)	(15)	(19)
Cashflow from financing	59	(8)	(8)	276	(92)
Net change in cash	(7)	(3)	55	278	(20)
Effects of exchange rate	(1)	(1)	0	0	0
Ending cash	11	7	63	341	321

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Dec, US mn	FY14	FY15	FY16	FY17e	FY18e
ASSETS					
PP&E	115	132	103	181	163
Deferred stripping costs	0	1	10	8	4
Others	17	13	9	11	13
Total non-current assets	132	146	122	201	180
Cash	13	12	68	341	321
Trade receivables	32	33	103	32	64
Others	35	24	16	48	57
Total current assets	80	69	188	421	442
Total Assets	212	215	309	621	622
LIABILITIES					
Borrowings	75	72	69	290	290
Others	5	3	1	4	4
Total non-current liabilities	80	75	70	294	294
Trade payables	13	40	107	75	86
Borrowings	10	7	0	73	0
Others	0	0	7	11	11
Total current liabilities	23	46	114	159	97
Total Liabilities	104	121	184	453	391
Shareholder Equity	108	94	124	167	230
Non-controlling interests	0.4	0.2	0.2	1.3	1.3

Valuation Ratios

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
P/E (x)	N.M.	N.M.	9.0	5.7	4.3
P/B (x)	2.1	2.4	1.6	1.5	1.1
EV/EBITDA	N.M.	N.M.	4	4	3
Growth & Margins (%)					
Growth					
Revenue	-51%	-58%	715%	73%	33%
EBITDA	N.M.	40%	N.M.	64%	40%
EBIT	N.M.	-4%	N.M.	73%	49%
PATMI	N.M.	51%	N.M.	98%	33%
Margins					
EBITDA margin	N.M.	-26%	29%	27%	29%
EBIT margin	N.M.	-46%	22%	22%	24%
PATMI margin	N.M.	-73%	12%	14%	14%
Key Ratios					
Dividend yield (%)	0	0	4%	4%	4%
ROE (%)	N.M.	N.M.	18%	26%	25%
ROA (%)	N.M.	N.M.	7%	7%	9%
Net Debt or (Net Cash)	72	66	1	23	(31)
Gearing (%)	40%	37%	22%	58%	47%

N.M.: not meaningful

Health Management International

Hotspot for medical tourism

SINGAPORE | HEALTHCARE | UPDATE

- A proxy to Malaysia's booming medical tourism industry
- Expanding capacity to cope with increasing demand and enhance the range of services to drive revenue intensity
- Maintain Buy with unchanged DCF-derived TP of S\$0.83

Background

Health Management International Ltd (HMI) has two tertiary hospitals in Malaysia, the 288-bed capacity Mahkota Medical Centre in Malacca and the 218-bed capacity Regency Specialist Hospital in Johor. The Group also owns and operates the HMI Institute of Health Sciences in Singapore.

Investment Merits/Outlook

1. **Enhance range of specialist and sub-specialists, facilities and services to boost demand and revenue intensity.** Continue to expand its team of specialists and sub-specialists in Mahkota, as well as establish new COEs (Centres of Excellence) in Regency. Currently, Mahkota and Regency have 10 and 5 COEs respectively.
2. **Introducing new technologies and being ahead of the game.** Introduction of the first and only PET-CT Scan in Melaka (in Mahkota, Nov-16), and the first ECMO (Extracorporeal Membrane Oxygenation) Therapy in Southern region of Malaysia (in Regency, Oct-17). The Group also shared that it has launched the first EUS (Endoscopic Ultrasound Scan) in Melaka and plans to bring the service to Regency.
3. **Expansion plans on track to meet the increasing medical demand in the region.** Both Mahkota and Regency will add 34 operational beds each (or +15.7%), leading to a total bed capacity of 500 by end-FY2018. Meanwhile, the new hospital extension block at Regency will transform it from a 218-bed tertiary hospital to a 380-bed hospital. Construction is expected to commence in FY18 after obtaining necessary approvals and is slated to commission in FY21. The Group targets to reach 840 aggregate bed capacity eventually – Mahkota (340 beds) and Regency (500 beds).
4. **Beneficiary from Malaysia's healthy medical tourism.** Malaysia has competitive pricing edge as compared to its regional peers. In 2016, Malaysia's medical tourism growth jumped by 23%, as compared to its average growth rate of 15% in 2011-2015. In addition, Malaysia's 2018 Budget allocated RM30mn to further spur the growth of medical tourism industry. More flights and the proposed upgrading of the Malacca International Airport will provide a leg up for medical tourism in Melaka. Recall that **foreign patients are revenue booster**. The average hospital bill size of a foreign patient is historically 1.4-1.5x of a local patient's. With the additional capacity, Mahkota is well-positioned to capture growth opportunities for medical tourism.
5. **Healthy financials to support its growth strategy.** On track to pare down 50% of acquisition debt by Dec-17. Management is committed to its aggressive debt repayment schedule: (a) it has already paid down c.35% of its acquisition debt as at end Sep-17; (b) the remaining RM25mn repayment in Dec-17 should be supported by its strong operating cash flows (RM31mn net operating cash flow in 1Q18).

Recommendation

Maintain BUY with DCF-derived target price of S\$0.83. Favorable socioeconomic tailwinds arising from (i) public and private initiatives to improve infrastructure and regional connectivity; (ii) increasing domestic insurance take-up rate; (iii) ageing population; and (iv) cost competitive pricing compared to regional peers, should underpin HMI's long-term growth.



StocksBnB.com

18 December 2017

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.670
FORECAST DIV	SGD 0.005
TARGET PRICE	SGD 0.83
TOTAL RETURN	24.3%

COMPANY DATA

BLOOMBERG CODE	HMI SP
O/S SHARES (MN) :	838
MARKET CAP (USD mn / SGD mn) :	416 / 561
52 - WK HI/LO (SGD) :	0.73 / 0.57
3M Average Daily T/O (mn) :	0.62

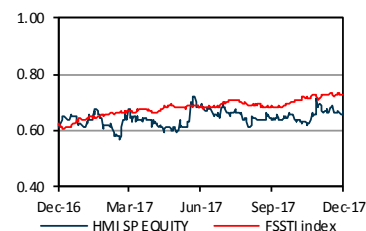
MAJOR SHAREHOLDERS (%)

Nam See Investment Pte Ltd	35.5%
Maju Medik (Malaysia) Sdn Bhd	18.4%
Kabouter Management LLC	5.9%
Gan See Khem	1.3%
Chin Wei Jia	1.2%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	(5.5)	(5.8)	87.7
STIRETURN	3.90	6.67	23.82

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Jun	FY 16	FY 17	FY 18 e	FY 19 e
Revenue (RM mn)	398	436	480	551
EBITDA (RM mn)	85	96	103	119
NPAT (RM mn)	20	21	60	69
EPS (RM cts)	3.45	3.18	7.31	8.43
EPS (S cts)	1.15	1.01	2.38	2.74
PER, adj. (x)	29.3	65.7	28.2	24.4
P/BV, x	3.4	8.0	7.2	5.3
DPS (S cts)	0.25	0.32	0.49	0.55
Div Yield (%)	0.4%	0.5%	0.7%	0.8%
ROE (%)	12.6%	12.1%	29.7%	25.1%

Source: Bloomberg

VALUATION METHOD

DCF (WACC: 7.0%; terminal g: 1.0%)

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Financials

Income Statement

Y/E Jun, MYR mn	FY15	FY16	FY17	FY18e	FY19e
Revenue	345	398	436	480	551
EBITDA	73	85	96	103	119
Depreciation & Amortisation	(16)	(18)	(20)	(23)	(26)
EBIT	53	63	65	80	92
Share of results of assoc.	3	2	1	0	0
Net Finance Inc/(Exp)	(2)	(2)	(4)	(5)	(6)
Profit before tax	55	63	62	80	92
Taxation	(1)	(18)	(20)	(20)	(23)
NPAT before NCI, reported	53	45	42	60	69
NPAT before NCI, adjusted	57	48	54	60	69
Non-controlling interest	(26)	(26)	(22)	0	0
PATMI, reported	28	20	21	60	69
PATMI, adjusted	31	23	32	60	69

Per share data (MYR Cents)

Y/E Jun	FY15	FY16	FY17	FY18e	FY19e
EPS, reported	4.79	3.45	3.18	7.31	8.43
DPS	0.00	0.75	1.00	1.50	1.70
BVPS	25.02	29.58	26.06	28.65	38.59

Per share data (SGD Cents)

Y/E Jun	FY15	FY16	FY17	FY18e	FY19e
FX rate (SGD/MYR)	0.34	0.33	0.32	0.33	0.33
EPS, reported	1.65	1.15	1.01	2.38	2.74
DPS	0.00	0.25	0.32	0.49	0.55
BVPS	8.62	9.90	8.28	9.32	12.56

Cash Flow

Y/E Jun, MYR mn	FY15	FY16	FY17	FY18e	FY19e
CFO					
Profit before tax	55	63	62	80	92
Adjustments	21	27	33	28	33
WC changes	17	(4)	1	(2)	5
Cash generated from ops	92	86	97	107	130
Others	(11)	(13)	(20)	(27)	(31)
Cashflow from ops	82	73	77	80	99
CFI					
CAPEX, net	(10)	(11)	(11)	(65)	(68)
Others	3	(11)	(216)	2	2
Cashflow from investments	(7)	(22)	(227)	(63)	(65)
CFF					
Share issuance, net	0	(1)	61	0	0
Loans, net of repayments	(15)	1	122	(63)	35
Dividends	0	0	(4)	(7)	(12)
Others	(9)	(25)	(26)	0	0
Cashflow from financing	(24)	(25)	153	(69)	22
Net change in cash	50	26	4	(53)	56
Effect of FX	0	1	1	1	1
CCE, end	80	111	111	68	160

Balance Sheet

Y/E Jun, MYR mn	FY15	FY16	FY17	FY18e	FY19e
ASSETS					
PPE	180	178	279	320	362
Others	48	50	0	0	0
Total non-current assets	228	228	279	321	362
Accounts receivables	88	57	45	78	85
Cash	39	79	77	36	117
Inventories	13	14	14	14	16
Others	4	4	3	3	3
Total current assets	144	155	138	132	222
Total Assets	372	383	418	453	584
LIABILITIES					
Accounts payables	66	79	68	100	114
Short term loans	29	27	72	42	42
Others	2	6	8	7	7
Total current liabilities	97	113	148	149	164
Long term loans	12	14	92	59	94
Others	58	24	9	9	9
Total non-current liabilities	69	38	101	68	103
Total Liabilities	167	151	249	217	267
EQUITY					
Non-controlling interests	61	62	0	0	0
Shareholder Equity	144	171	169	235	317

Valuation Ratios

Y/E Jun	FY15	FY16	FY17	FY18e	FY19e
P/E (X), adj.	21.5	29.3	65.7	27.5	23.9
P/B (X)	4.1	3.4	8.0	7.0	5.2
EV/EBITDA (X), adj.	8.1	6.9	17.9	16.0	13.9
Dividend Yield (%)	0.0%	0.4%	0.5%	0.7%	0.8%
Growth & Margins (%)					
Growth					
Revenue	17.9%	15.2%	9.5%	10.2%	14.8%
EBITDA	26.3%	15.4%	13.7%	7.3%	15.2%
EBIT	25.8%	18.7%	2.0%	24.1%	15.3%
Net profit, adj.	77.7%	-27.1%	40.3%	87.2%	15.3%
Margins					
EBITDA margin	21.2%	21.2%	22.1%	21.5%	21.5%
EBIT margin	15.4%	15.9%	14.8%	16.7%	16.7%
Net profit, adj. margin	9.1%	5.7%	7.4%	12.5%	12.6%
Key Ratios					
ROE (%)	21.7%	12.6%	12.1%	29.7%	25.1%
ROA (%)	8.4%	5.3%	5.1%	13.8%	13.4%
Net Debt / (Cash)	2	(37)	87	64	19
Net Gearing (X)	0.7%	Net Cash	51.6%	27.4%	5.9%

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Micro-Mechanics (Holdings) Ltd

A Turbocharged 2018

SINGAPORE | TECHNOLOGY | UPDATE

- 1Q18 earnings rose 53%, this is double the growth rate we modelled. Based on the recent industry semiconductor sales, we expect at least another stellar quarter of earnings.
- MMH enjoys a 15-year track record of 20% earnings CAGR with gross margins averaging 55%.
- Maintain BUY. Our target price of S\$2.50 is 16x PE FY18e. This is in-line with back-end semiconductor valuations.

Company Background

Micro-Mechanics (MMH) produces consumable tools and parts used in the back-end semiconductor process, in particular, die attach and wire bonding. These include rubber tips that pick up tiny bare semiconductors (called dies) that have been cut from a wafer and then placed onto a metal pad (called leadframe that connects to outside world or circuit board). This die will then be encapsulated into the ubiquitous semiconductor chips we see everywhere. Another major product is tools used in the wire-bonding process. An example is a clamp to hold the lead frame during the wire-bonding process of the die. It is also building up capabilities to serve the front-end of the semiconductor industry through its US operations.

Investment Merits / Outlook

- Enviably track record.** MMH has an impressive 15-year track record of growing earnings by 20% CAGR. This has been accomplished together with strong operating cash flows and an unlevered balance sheet. ROE has averaged 27% over the past three years. We expect ROE to cross 30% this year as earnings accelerate.
- High margins from intellectual property and execution.** MMH enjoys huge gross margins of almost 60%. This is the highest amongst its listed global peers in semiconductor back-end supply chain. We believe its high margins is a culmination of its intellectual property in material science and strong execution in customising products that require extreme micrometre precision.
- Making headway into front-end precision parts.** Sales from US division surged 58% YoY in 1Q18 and it represented the second consecutive quarter of profits.
- The semiconductor industry is still robust.** MMH revenue growth is closely tied to the industry semiconductor sales cycle. We expect the current momentum in sales to sustain, October semiconductor sales is up 22% YoY. Visibility is never perfect for the semiconductor cycle. But we take comfort that the current double-digit surge in semiconductor sales began in earnest only in Dec16. So we at least have another quarter ahead of easier comps. Furthermore, in the last two semiconductor cycles, the positive YoY growth ran for 20 and 26 months. The current cycle is only 15 months.

Recommendation

We maintain our BUY recommendation with a target price to S\$2.50 and PE ratio of 16x. Our PE ratio is tied to the sector valuations for the semiconductor back-end.

The report is produced by Phillip Securities Research under the 'SGX StockFacts Research Programme' (administered by SGX) and has received monetary compensation for the production of the report from the entity mentioned in the report.



StocksBnB.com

18 December 2017

BUY (Maintained)

LAST TRADED PRICE	SGD 2.00
FORECAST DIV	SGD 0.08
TARGET PRICE	SGD 2.50
TOTAL RETURN	29.0%

COMPANY DATA

BLOOMBERG	MMH SP
O/S UNITS (MN)	139
MARKET CAP (USD mn / SGD mn)	206 / 278
52 - WK HI/LO (SGD)	2.23 / 0.83
3M Average Daily T/O (mn)	0.09

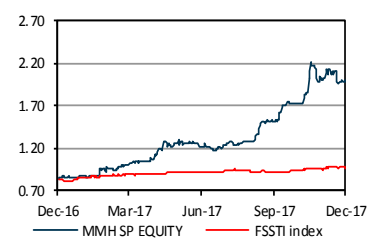
MAJOR SHAREHOLDERS

SARCADIA LLC	27.1%
CHRIS BORCH	25.4%
LOW MING WAH	5.1%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(2.5)	32.4	143.1
STI RETURN	1.1	6.9	20.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS (MMH SP)

SGD mn	FY16	FY17	FY18e	FY19e
Revenue	51.3	57.2	71.5	80.1
EBITDA	20.1	22.5	32.2	37.3
NPAT	11.9	14.8	21.7	25.5
EPS (SGD)	0.09	0.11	0.16	0.18
PER, x	23.4	18.8	12.8	10.9
P/BV, x	4.3	3.9	4.4	3.7
DPU (SGD)	0.06	0.07	0.08	0.08
DVD YIELD (%)	3.0	3.5	4.0	4.0
ROE (%)	24.5	28.2	36.5	36.3

Source: Bloomberg, PSR

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Financials

Income Statement

Y/E Jun, SGD mn	FY15	FY16	FY17	FY18e	FY19e
Revenue	52.1	51.2	57.2	71.5	80.1
EBITDA	18.5	19.5	22.1	32.2	37.3
Depreciation & Amortisation	(4.6)	(4.4)	(4.3)	(4.9)	(5.0)
EBIT	13.9	15.1	17.8	27.3	32.2
Net Finance Inc/(Exp)	0.0	0.0	0.0	0.0	0.0
Profit before tax	15.3	15.7	18.5	27.8	32.7
Taxation	(3.3)	(3.8)	(3.7)	(6.1)	(7.2)
Net profit before NCI	12.0	11.9	14.8	21.7	25.5
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Net profit, reported	12.0	11.9	14.8	21.7	25.5

Per share data (SGD)

Y/E Jun	FY15	FY16	FY17	FY18e	FY19e
EPS, reported	0.086	0.086	0.106	0.156	0.184
DPU	0.05	0.06	0.08	0.08	0.08
BVPS	0.34	0.36	0.39	0.46	0.55

Cash Flow

Y/E Jun, SGD mn	FY15	FY16	FY17	FY18e	FY19e
CFO					
Profit before tax	15.3	15.7	18.5	27.8	32.7
Depreciation & Amortisation	4.6	4.4	4.3	4.9	5.0
WC changes	(3.0)	(0.6)	(0.6)	(2.4)	0.6
Net finance inc/(exp)	(0.1)	(0.1)	(0.1)	0.0	0.0
Tax paid	(2.3)	(3.2)	(3.9)	(6.1)	(7.2)
Others	(0.5)	0.0	(0.2)	0.0	0.0
Cashflow from ops	14.1	16.3	18.1	24.1	31.2
CFI					
CAPEX, net	(4.9)	(4.1)	(5.1)	(10.0)	(5.0)
Others	0.6	1.2	0.4	0.2	0.0
Cashflow from investments	(4.3)	(2.9)	(4.7)	(9.8)	(5.0)
CFE					
Share issuance, net	0.0	0.0	0.0	0.0	0.0
Loans, net of repayments	0.0	0.0	0.0	0.0	0.0
Dividends	(5.5)	(6.9)	(9.7)	(12.5)	(12.5)
Others	0.0	0.0	0.0	0.0	0.0
Cashflow from financing	(5.5)	(6.9)	(9.7)	(12.5)	(12.5)
Net change in cash	4.9	5.7	3.5	1.6	13.7
CCE, end	15.9	20.8	23.5	25.0	38.7

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Jun, SGD mn	FY15	FY16	FY17	FY18e	FY19e
ASSETS					
PPE	26.6	25.5	26.1	27.2	27.1
Others	0.3	0.1	0.4	0.4	0.4
Total non-current assets	26.9	25.6	26.5	27.6	27.5
Accounts receivables	10.1	10.3	11.9	12.9	14.9
Cash	15.1	20.0	23.4	25.0	38.7
Inventories	3.5	3.2	3.6	4.9	5.0
Others	0.1	0.2	0.0	0.0	0.0
Total current assets	28.8	33.7	38.9	42.9	58.6
Total Assets	55.7	59.3	65.4	70.4	86.1

LIABILITIES

Accounts payables	6.0	5.9	7.8	7.7	10.3
Short term loans	0.0	0.0	0.0	0.0	0.0
Others	1.5	1.6	1.3	1.3	1.3
Total current liabilities	7.5	7.5	9.1	9.0	11.6
Long term loans	0.0	0.0	0.0	0.0	0.0
Others	1.3	1.5	1.7	1.7	1.7
Total non-current liabilities	1.3	1.5	1.7	1.7	1.7
Total Liabilities	8.8	9.0	10.8	10.7	13.3

EQUITY

Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Shareholder Equity	46.8	50.2	54.7	63.8	76.9

Valuation Ratios

Y/E Jun	FY15	FY16	FY17	FY18e	FY19e
P/E (X)	23.2	23.4	18.8	12.8	10.9
P/B (X)	5.9	5.5	5.1	4.4	3.6
EV/EBITDA (X)	154.5	146.3	129.0	88.5	76.0
Dividend Yield	2.5%	3.0%	4.0%	4.0%	4.0%

Growth & Margins

Growth					
Revenue	18.9%	-1.7%	11.7%	25.0%	12.0%
EBITDA	42.3%	5.4%	13.3%	45.7%	15.8%
EBIT	59.8%	8.6%	17.9%	53.1%	18.3%
Net profit, adj.	55.8%	-0.8%	24.4%	46.3%	18.0%

Margins

EBITDA margin	35.5%	38.1%	38.6%	45.0%	46.6%
EBIT margin	26.7%	29.5%	31.1%	38.1%	40.3%
Net profit margin	23.0%	23.2%	25.9%	30.3%	31.9%

Key Ratios

ROE (%)	1.8%	24.5%	28.2%	36.5%	36.3%
ROA (%)	0.9%	20.7%	23.7%	31.9%	32.6%
Net Debt / (Cash)	(15)	(20)	(23)	(25)	(39)
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Old Chang Kee Ltd.

Spicing up growth

SINGAPORE | CONSUMER | UPDATE

- New factory and equipment to boost product innovations and margins from 3QFY18 onwards.
- Near-term headwinds of integration costs and higher input costs in FY18e.
- Potentially increase dividend payout post-CapEx in FY19e.
- Maintain BUY with DCF-derived target price of S\$0.98.

Background

Old Chang Kee Ltd (OCK) manufactures and sells Halal- certified food products under the brand name “Old Chang Kee”, including its signature Old Chang Kee curry puff. The Company also owns other subsidiary brands such as Take 5, Curry Times, Bun Times, Mushroom Cafe, and Dip ‘n’ Go.

Investment Merits/Outlook

1. Three-pronged growth strategy:

(a) Continues to expand its store network locally. Contribution from new outlets and higher same-store sales growth should underpin topline growth. As at 30 Sep-17, it has 87 outlets, 10 net new stores as compared to Nov-16. We expect 5 net new stores by 2H FY18 (Oct-17 to Mar-18), bringing total store count to reach 92 by end-FY18.

(b) Puff innovations to spur sales and change of sales mix to drive margin. Puff products are the major revenue contributor (c.30% of sales), and new puff flavours are the key revenue growth driver. Introduction of new flavours could translate into 1-3% of revenue growth. Meanwhile, OCK Ready Meals (e.g. Curry Chicken Rice/Loaf/Bee Hoon or Sambal Fish Cutlet Rice) yield higher margins compared to the other products. The new factory provides new c.60% additional production area to boost product innovations and enables change of product mix.

(c) Enhance productivity and operating efficiency. The new factory is equipped with advanced machinery and additional capacity. Following the commissioning of new factory equipment in 2Q FY18, production has now stabilized with a higher production capacity and efficiency. Majority of the factory integration is completed and is on track for full integration by 3Q18.

2. **Near-term headwinds but positive on the long-term outlook.** Integration costs, coupled with higher raw material costs eroded FY18e gross margin. The Group is currently reviewing its pricing and promotional strategies. We are cautiously optimistic that a more favourable pricing, coupled with the margin gains from its new factory, should mitigate the increasing cost pressures. We expect lower gross margin at 62.5% in FY18e, compared to its 63% level in FY16-17.

3. **Possibility of higher dividend payout, after CapEx tapers off.** We do not expect any significant CapEx in near-term after the reconstruction work in its new factory. Hence, we believe the growing free cash flow post FY18e could potentially lead to higher dividend payout. We estimated a 5.2% dividend yield in FY19e.

Recommendation

Maintain BUY with DCF-derived target price of S\$0.98. New store openings and product innovations will continue to drive topline growth. Successful integration of the new factory by 3Q18 would be the inflection point for OCK. We remain upbeat that its new factory facilities will increase capacity to fuel their expansion domestically and regionally.



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18 December 2017

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.77
FORECAST DIV	SGD 0.03
TARGET PRICE	SGD 0.98
TOTAL RETURN	32.0%

COMPANY DATA

BLOOMBERG CODE:	OCK SP
O/S SHARES (MN):	121
MARKET CAP (USD mn / SGD mn):	69 / 93
52 - WK HI/LO (SGD):	0.88 / 0.75
3M Average Daily T/O (mn):	0.02

MAJOR SHAREHOLDERS (%)

HAN KEEN JUAN	58.6%
GOODVIEW PROPERTIES PTE LTD	11.7%
LIM TAO-E WILLIAM	7.3%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	4.0	0.7	(13)
STIRETURN	1.4	6.89	20.17

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar	FY 16	FY 17	FY 18 e	FY 19 e
Revenue (SGD mn)	73.9	78.3	82.0	85.4
Gross (SGD mn)	46.6	49.6	51.3	54.2
EBITDA (SGD mn)	10.4	10.3	10.1	11.3
NPAT, adj.	5.0	1.7	4.2	5.2
EPS (Cents)	4.10	1.44	3.43	4.25
PER, adj. (x)	16.2	59.1	22.3	18.0
P/B (x)	2.3	3.8	3.3	3.2
DPS (Cents)	6.0	3.0	3.0	4.0
Div Yield (%)	8%	4%	4%	5%
ROE (%)	15%	6%	15%	18%

Source: Company Data, PSR est.

Valuation Method

DCF (WACC:6.7%; Terminal g: 1.0%)

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Financials

Income Statement

Y/E Mar, SGD mn	FY15	FY16	FY17	FY18e	FY19e
Revenue	71.6	73.9	78.3	82.0	85.4
Gross Profit	44.7	46.6	49.6	51.3	54.2
EBITDA	10.7	10.4	10.3	10.1	11.3
Depreciation & Amortisation	3.8	4.1	4.6	4.8	5.0
EBIT	6.8	6.3	2.5	5.2	6.3
Net Finance Inc/(Exp)	(0.1)	(0.2)	(0.1)	(0.1)	(0.0)
Associates & JVs	-	-	-	(0.1)	(0.1)
Profit before tax	6.7	6.1	2.4	5.0	6.2
Taxation	(1.4)	(1.1)	(0.7)	(0.9)	(1.1)
Net profit, reported	5.3	5.0	1.7	4.2	5.2
Net profit, adj.	5.4	5.0	4.9	4.2	5.2

Per share data (SGD Cents)

Y/E Mar	FY15	FY16	FY17	FY18e	FY19e
EPS, reported	4.35	4.10	1.44	3.43	4.25
DPS	3.00	6.00	3.00	3.00	4.00
BVPS	27.43	28.52	22.55	22.98	24.23

Cash Flow

Y/E Mar, SGD mn	FY15	FY16	FY17	FY18e	FY19e
CFO					
Profit before tax	6.7	6.1	2.4	5.0	6.2
Adjustments	4.2	4.5	8.1	5.1	5.1
WC changes	(1.8)	1.4	(0.5)	(0.0)	0.1
Cash generated from ops	9.1	12.0	10.0	10.1	11.4
Others	(1.6)	(1.4)	(0.5)	(0.9)	(1.1)
Cashflow from ops	7.5	10.6	9.6	9.2	10.4
CFI					
CAPEX, net	(8.3)	(7.1)	(8.3)	(5.4)	(5.6)
Others	0.0	0.0	0.1	(0.5)	0.0
Cashflow from investments	(8.2)	(7.1)	(8.2)	(5.8)	(5.5)
CCF					
Loans, net of repayments	4.3	(0.4)	2.2	0.0	(2.1)
Dividends	(3.6)	(3.6)	(7.3)	(3.6)	(3.6)
Others	(0.1)	(0.2)	(0.2)	(0.2)	(0.1)
Cashflow from financing	0.5	(4.3)	(5.2)	(3.8)	(5.8)
Net change in cash	(0.2)	(0.7)	(3.9)	(0.4)	(0.9)
CCE, end	20.1	19.4	15.6	15.1	14.2

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Mar, SGD mn	FY15	FY16	FY17	FY18e	FY19e
ASSETS					
PPE	26.4	28.9	27.6	28.1	28.7
Associates & JVs	-	-	-	0.4	0.3
Others	-	-	-	-	-
Total non-current assets	28.4	31.3	30.2	31.2	31.7
Accounts receivables	0.1	0.2	0.3	0.2	0.2
Cash	20.1	19.4	15.6	15.1	14.2
Inventories	0.5	0.7	0.7	0.8	0.8
Others	-	2.9	4.0	4.0	4.0
Total current assets	23.6	23.1	20.5	20.1	19.2
Total Assets	52.1	54.5	50.7	51.3	50.8

LIABILITIES

Accounts payables	5.4	7.1	8.3	8.3	8.4
Short term loans	1.0	1.1	4.3	4.3	4.3
Others	-	2.8	3.6	3.6	3.6
Total current liabilities	10.0	10.9	16.2	16.2	16.3
Long term loans	7.7	7.3	6.2	6.2	4.2
Others	-	1.7	1.0	1.0	1.0
Total non-current liabilities	8.8	8.9	7.2	7.2	5.1
Total Liabilities	18.8	19.9	23.3	23.4	21.4

EQUITY

Shareholder Equity	33.3	34.6	27.4	27.9	29.4
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Valuation Ratios

Y/E Mar	FY15	FY16	FY17	FY18e	FY19e
P/E (X), adj.	18.4	16.2	59.1	22.3	18.0
P/B (X)	2.9	2.3	3.8	3.3	3.2
EV/EBITDA (X), adj.	9.1	7.7	10.1	9.2	8.2
Dividend Yield (%)	3.8%	7.8%	3.9%	3.9%	5.2%

Growth & Margins (%)

Growth					
Revenue	4.0%	3.1%	6.1%	4.7%	4.1%
EBITDA	-4.7%	-2.7%	-1.6%	-1.7%	12.5%
EBIT	-6.6%	-7.9%	-59.6%	108.0%	20.3%
Net profit, adj.	-12.2%	-7.1%	-1.7%	-15.3%	23.9%
Margins					
EBITDA margin	15.0%	14.1%	13.1%	12.3%	13.3%
EBIT margin	9.5%	8.5%	3.2%	6.4%	7.4%
Net profit, adj. margin	7.4%	6.8%	6.3%	5.1%	6.0%

Key Ratios

ROE (%)	16.3%	14.6%	5.6%	15.1%	18.0%
ROA (%)	10.7%	9.3%	3.3%	8.2%	10.1%
Net Debt/(Cash)	(11.4)	(11.1)	(5.0)	(4.6)	(5.7)
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Sheng Siong Group

Still a bargain buy

SINGAPORE | CONSUMER | UPDATE

- Expanding retail footprint coupled with a recovery in trading environment.
- Sustainable margins with upside potential from improving scale, favourable input prices and better product mix ,
- Maintain BUY with target price at S\$1.13 based on 4.93 cents FY18e EPS and 23x forward PER.

Background

Sheng Siong Group Ltd (SSG) is the third largest supermarket chain in Singapore. It provides low-cost essential products to mass-market consumers through its no-frills approach. As of 30 Sep-17, SSG has 43 outlets located in Singapore's heartlands spanning over 430,000 sqft.

Investment Merits/Outlook

- Five new stores continue to drive FY18e growth and on-track to its short-medium term 50-stores target.** SSG has consistently delivered growth over the years. Its top line growth hinges on the number of new store openings. It has opened a new store in Sep-17, and has recently secured four new HDB stores (gained from the recent bidding exercise). These will bring SSG's store count to 46 by 1Q18.
- More stores up for bidding from government's rejuvenation projects.** There are seven new supermarkets units pending completion by Mar-18 and 18 more in 2Q18 to 4Q21, according to data on HDB HBiz website. We remain cognizant of competition and potential cannibalization from these new bidding units, due to the proximity of these stores with each other as well as with existing supermarkets.
- New capacity at its distribution centre (+50k sqft by 3Q18)** bodes well with its strategy to grow its store count and to ramp up fresh product offerings.
- Sustainable gross margin at c.26%.** Margin gains from enhanced efficiency from the central distribution centre, favourable input prices (still a buyer's market for groceries), and higher fresh participation.
- Proven track record of ramping up fresh offerings.** Fresh products are least vulnerable to Amazon Prime's threat and yields higher margin compared to non-perishable groceries. Currently, fresh products contribute a high 43% to grocery sales, an improvement from 41.5% a year ago.
- Zero-debt and strong operating cash flows to support 70% dividend payout and expansion.** Net cash position of S\$64.5mn to support the construction of the central warehouse, new stores' fitting costs and maintenance CapEx. We expect a 3.7% FY18e dividend yield.

Recommendation

Maintain BUY with target price at S\$1.13 based on 4.93 cents FY18e EPS and 23x forward PE multiple. We expect the five new stores opened in 2017/18 coupled with the improving consumer's sentiment and margin gains to lift FY18e Revenue and PATMI by 6.9%.

Re-rating catalysts: (i) Successful bidding of new stores; and (ii) Improvement of product mix.



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18 December 2017

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.93
FORECAST DIV	SGD 0.03
TARGET PRICE	SGD 1.13
TOTAL RETURN	25.9%

COMPANY DATA

BLOOMBERG CODE	SSG SP
O/S SHARES (MN) :	1504
MARKET CAP (USD mn / SGD mn) :	1031/ 1391
52 - WK HI/LO (SGD) :	1.02 / 0.9
3M Average Daily T/O (mn) :	1.97

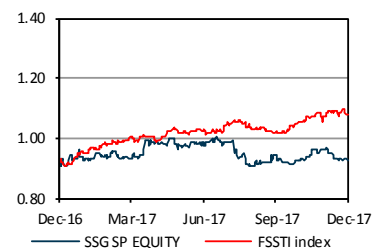
MAJOR SHAREHOLDERS (%)

SS HOLDINGS	29.85%
LIM HOCK CHEE	11.33%
LIM HOCK LENG	11.33%
LIM HOCK ENG	11.33%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	(3.1)	(16)	14
STIRETURN	1.49	6.68	20.46

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY 15	FY 16	FY 17e	FY 18e
Revenue (SGD mn)	764	797	841	883
EBITDA (SGD mn)	73	82	90	98
NPAT (adj.)	57	63	69	74
EPS (adj.)	3.78	4.17	4.61	4.93
PER, x (adj.)	21.9	22.4	20.1	18.8
P/BV, x	5.1	5.6	5.1	4.7
DPS (SGD cents)	3.50	3.75	3.25	3.45
Div Yield, %	3.8%	4.1%	3.5%	3.7%
ROE, %	23.6%	25.2%	26.4%	26.1%

Source: Company Data, PSR est.

Valuation Method

P/E Multiple @ 23x

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Financials

Income Statement

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
Revenue	726	764	797	841	883
Gross profit	176	189	205	219	231
EBITDA	65	73	82	90	98
Depreciation & Amortisation	11	13	15	16	16
EBIT	57	66	76	83	88
Net Finance Inc/(Exp)	1	1	1	1	1
Profit Before Tax	58	68	76	84	89
Taxation	(10)	(11)	(13)	(14)	(15)
Net profit, reported	48	57	63	69	74
Net profit, adj.	48	57	63	69	74

Per share data (SGD Cents)

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
EPS, reported	3.34	3.78	4.17	4.61	4.93
EPS, adj.	3.34	3.78	4.17	4.61	4.93
DPS	3.00	3.50	3.75	3.25	3.45
BVPS	16.60	16.24	16.76	18.12	19.60

Cash Flow

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
CFO					
Profit before tax	58	68	76	84	89
Adjustments	10	12	14	15	15
WC changes	12	3	1	8	2
Cash generated from ops	79	82	91	106	107
Others	(7)	(9)	(13)	(14)	(15)
Cashflow from ops	72	73	78	92	92
CFI					
CAPEX, net	(81)	(30)	(89)	(17)	(31)
Others	1	1	1	1	1
Cashflow from investments	(80)	(29)	(89)	(16)	(30)
CFF					
Share issuance, net	79	0	0	0	0
Loans, net of repayments	0	0	0	0	0
Dividends	(40)	(49)	(55)	(49)	(52)
Others	0	0	0	0	0
Cashflow from financing	39	(49)	(55)	(49)	(52)
Net change in cash	31	(5)	(66)	27	10
Effects of exchange rates	0	0	0	0	0
CCE, end	130	126	64	90	100

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
ASSETS					
PPE	161	178	252	253	268
Others	0	0	0	0	0
Total non-current assets	161	178	252	253	268
Accounts receivables	11	12	10	13	13
Cash	130	126	64	90	100
Inventories	43	52	62	52	54
Others	0	0	0	0	0
Total current assets	184	190	136	155	168
Total Assets	345	368	388	408	436

LIABILITIES

Accounts payables	96	109	118	118	123
Short term loans	0	0	0	0	0
Others	11	13	13	13	13
Total current liabilities	107	121	131	131	136
Long term loans	0	0	0	0	0
Others	2	2	2	2	2
Total non-current liabilities	2	2	2	2	2
Total Liabilities	109	124	133	133	139

EQUITY

Non-controlling interests	0	0	3	3	3
Shareholder Equity	236	244	252	273	295

Valuation Ratios

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
P/E (X), adj.	21.0	21.9	22.4	20.2	18.9
P/B (X)	4.2	5.1	5.6	5.1	4.7
EV/EBITDA (X), adj.	13.4	15.4	16.4	14.5	13.3
Dividend Yield (%)	3.2%	3.8%	4.0%	3.5%	3.7%

Growth & Margins (%)

Growth					
Revenue	5.6%	5.3%	4.2%	5.5%	5.0%
EBITDA	22.4%	11.8%	12.6%	10.5%	8.4%
EBIT	22.2%	17.0%	13.7%	9.7%	6.7%
Net profit, adj.	22.3%	19.3%	10.3%	10.6%	6.9%
Margins					
Gross margin	24.2%	24.7%	25.7%	26.0%	26.2%
EBITDA margin	8.9%	9.5%	10.3%	10.8%	11.1%
EBIT margin	7.8%	8.7%	9.5%	9.9%	10.0%
Net profit margin	6.6%	7.4%	7.9%	8.2%	8.4%

Key Ratios

ROE (%)	24.7%	23.6%	25.2%	26.4%	26.1%
ROA (%)	16.0%	15.9%	16.6%	17.4%	17.5%
Net Debt/(Cash)	(130)	(126)	(64)	(90)	(100)
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Thai Beverage

Booze boosts

SINGAPORE | CONSUMER | UPDATE

- Recovery in Thai consumer sentiment and margin expansion via better pricing should underpin the Group's growth in FY18
- Recent corporate actions to expand its footprint and business in Southeast Asia, as well as adding new revenue streams to the Group
- BUY with SOTP-derived TP of S\$1.18

Background

Thai Beverage Public Company Limited (ThaiBev) is a leading beverage producer in Thailand as well as one of Asia's largest beverage producer. Its business consists of four segments – Spirits, Beer, Non-alcoholic Beverages (NAB), and Food.

Investment Merits/Outlook

- Improving consumer sentiment keeps alcohol pouring.** 3Q17 beer sales in Thailand grew 15.2% YoY compared to 11.0% in 2Q17 and -5.7% in 1Q17. We remain positive that on-trade consumption to improve further after the end of a mourning period in Oct-17, and as a broader economic recovery takes effect in Thailand. The Thai economy is expected to grow 4% in 2017 and 3.6-4.6% in 2018, supported by higher government spending and FDI. Although it had adjusted its product prices to cover the increased excise tax costs, ThaiBev plans to review its pricing strategy, which could further expand its margin in FY18e.
- On acquisition spree: (a) Direct access to Myanmar's growing spirits market via the acquisition of 75% stake in Grand Royal Group.** The deal provides the Group direct access to over 60% share of whisky market, two production facilities, as well as pervasive distribution network in Myanmar.

(b) Continue to grow its Food & Beverage range in Thailand via the acquisition of 76% shareholding interest in Spice of Asia Co., Ltd and 252 KFC stores in Thailand. These additions diversified its Food & Beverage portfolio and completed the suite of food service market offerings.

(c) Expanding its distribution network overseas via the acquisition of 49% shareholding interest in Vietnam F&B Alliance Investment JSC. It will also act as the vehicle for ThaiBev to bid for Sabeco as a domestic player, giving it an advantage over international rivals. Currently, ThaiBev is the only prospective bidder who has registered their interest for at least 25% of Sabeco.
- Next deal on the table is the much-hyped Sabeco.** Sabeco is Vietnam's largest brewer, with nearly 41% beer market share, followed by Heineken (21.6%) and Habeco (19.8%). It reported VND4.48tn (c.US\$196.6mn) NPAT in 2016. However, it comes with a hefty price tag: 25% stakes in Sabeco will cost over THB36.15bn (VND1,000 = THB1.44) and translates into associate contributions of THB0.8mn to ThaiBev (based on trailing-12M earnings) – implies a trailing PER of 47.5x, which is higher than ThaiBev's 16.7x and the regional peer's market cap average of 41.3x.

Recommendation

Maintain BUY with SOTP-derived target price of S\$1.18. Any acquisition navigating the Group closer towards realizing Vision 2020 of becoming a stable and sustainable ASEAN leader in beverage could be a re-rating catalyst.

Its strong cash generation of over THB20bn p.a. would support the Group's growth and development strategy through acquisitions and reinvestment in existing businesses.



StocksBnB.com

18 December 2017

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.670
FORECAST DIV	SGD 0.005
TARGET PRICE	SGD 0.83
TOTAL RETURN	24.3%

COMPANY DATA

BLOOMBERG CODE	HMISP
O/S SHARES (MN) :	838
MARKET CAP (USD mn / SGD mn) :	416 / 561
52 - WK HI/LO (SGD) :	0.73 / 0.57
3M Average Daily T/O (mn) :	0.62

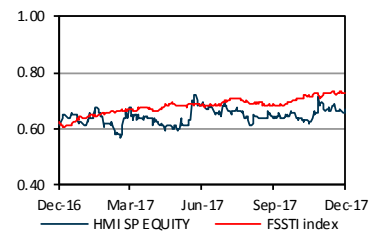
MAJOR SHAREHOLDERS (%)

Nam See Investment Pte Ltd	35.5%
Maju Medik (Malaysia) Sdn Bhd	18.4%
Kabouter Management LLC	5.9%
Gan See Khem	1.3%
Chin Wei Jia	1.2%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	(5.5)	(5.8)	87.7
STI RETURN	3.90	6.67	23.82

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Jun	FY 16	FY 17	FY 18e	FY 19e
Revenue (RM mn)	398	436	480	551
EBITDA (RM mn)	85	96	103	119
NPAT (RM mn)	20	21	60	69
EPS (RM cts)	3.45	3.18	7.31	8.43
EPS (S cts)	1.15	1.01	2.38	2.74
PER, adj. (x)	29.3	65.7	28.2	24.4
P/BV, x	3.4	8.0	7.2	5.3
DPS (S cts)	0.25	0.32	0.49	0.55
Div Yield (%)	0.4%	0.5%	0.7%	0.8%
ROE (%)	12.6%	12.1%	29.7%	25.1%

Source: Bloomberg

VALUATION METHOD

DCF (WACC: 7.0%; terminal g: 1.0%)

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Financials

Income Statement

Y/E Sep, THB mn	FY15	9M16	FY17	FY18e	FY19e
Revenue	172,049	139,153	189,997	203,362	209,920
Gross profit	50,219	41,562	58,099	63,110	65,435
EBITDA	29,070	23,516	32,675	36,780	39,140
Depreciation & Amortisation	(4,400)	(3,293)	(4,308)	(4,587)	(4,718)
Associates & JVs	3,926	3,375	4,073	4,271	4,408
Other items	3,720	(143)	8,311	449	(1,659)
EBIT	24,670	20,223	28,367	32,194	34,422
Net Finance Inc/(Exp)	(1,344)	(776)	(939)	(1,284)	(1,207)
Profit Before Tax	30,972	22,679	39,812	35,629	35,965
Taxation	(4,508)	(3,643)	(5,132)	(6,057)	(6,114)
Profit After Tax	26,464	19,036	34,681	29,572	29,851
- Non-controlling interest	0	117	171	148	149
Net profit, reported	26,463	18,920	34,510	29,425	29,701
Net profit, adj.	26,463	18,920	26,013	29,425	29,701

Per share data (THB)

Y/E Sep	FY15	9M16	FY17	FY18e	FY19e
EPS, reported	1.05	0.75	1.37	1.17	1.18
EPS, adj.	0.85	0.73	1.01	1.14	1.15
DPS	0.61	0.60	0.67	0.70	0.71
BVPS	4.62	4.78	5.13	5.60	6.07

Per share data (SGD Cents)*

Y/E Sep	FY15	9M16	FY17	FY18e	FY19e
EPS, reported	4.15	2.97	5.60	4.81	4.86
EPS, adj.	3.36	2.87	4.12	4.68	4.72
DPS	2.40	2.36	2.73	2.89	2.92
BVPS	18.16	18.84	20.89	23.00	24.94

*Exchange rate (THB/SGD) 25.42 25.38 24.55 24.34 24.34

Cash Flow

Y/E Sep, THB mn	FY15	9M16	FY17	FY18e	FY19e
CFO					
EBIT	24,670	20,223	28,367	32,194	34,422
Depreciation & Amortisation	(4,400)	(3,293)	(4,308)	(4,587)	(4,718)
WC changes	(1,236)	(743)	99	(2,729)	(977)
Tax paid	(5,003)	(4,314)	(3,635)	(6,057)	(6,114)
Others	(348)	29	434	449	(1,659)
Cashflow from ops	22,484	18,488	29,573	28,444	30,391
CFI					
CAPEX, net	(3,999)	(2,877)	(5,399)	(5,145)	(5,311)
Others	(348)	29	434	449	(1,659)
Cashflow from investments	(118)	(446)	(3,053)	(40,711)	(5,240)
CFF					
Share issuance, net	0	0	0	0	0
Loans, net of repayments	(5,106)	1,067	(6,407)	27,131	(6,518)
Dividends	(15,378)	(16,670)	(15,162)	(17,655)	(17,821)
Others	(348)	29	434	449	(1,659)
Cashflow from financing	(20,484)	(15,603)	(21,568)	9,477	(24,339)
Net change in cash	1,882	2,439	4,952	(2,790)	813
Effects of exchange rates	(622)	(870)	(82)	0	0
CCE, end	3,490	5,059	9,929	7,139	7,952

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Sep, THB mn	FY15	9M16	FY17	FY18e	FY19e
ASSETS					
PPE	46,921	47,871	48,532	84,948	85,541
Intangibles	7,228	7,237	7,157	6,964	6,964
Investments in Assoc/JV	75,737	78,463	78,373	82,643	87,052
Others	4,003	3,978	4,258	4,258	4,258
Total non-current assets	133,889	137,549	138,319	178,813	183,814
Accounts receivables	4,501	3,309	3,248	3,963	4,071
Cash	3,490	5,059	9,929	7,139	7,952
Inventories	35,204	38,145	37,761	40,346	41,564
Others	4,933	3,590	4,983	4,983	4,983
Total current assets	48,128	50,104	55,921	56,432	58,570
Total Assets	182,017	187,653	194,240	235,245	242,384

LIABILITIES

Accounts payables	9,854	9,831	11,265	11,837	12,186
Short term loans	18,678	19,330	31,058	23,573	18,334
Others	4,558	3,658	5,347	5,347	5,347
Total current liabilities	33,090	32,819	47,671	40,758	35,867
Long term loans	25,883	27,089	10,000	46,000	46,000
Others	3,778	4,033	4,056	4,056	4,056
Total non-current liabilities	29,661	31,122	14,057	50,057	50,057
Total Liabilities	62,751	63,941	61,727	90,814	85,924

EQUITY

Non-controlling interests	3,380	3,642	3,733	3,881	4,030
Shareholder Equity	115,885	120,070	128,780	140,550	152,430

Valuation Ratios

Y/E Sep	FY15	9M16	FY17	FY18e	FY19e
P/E (X), adj.	20.3	33.6	22.9	20.7	20.5
P/B (X)	3.8	5.1	4.5	4.2	3.9
EV/EBITDA (X), adj.	16.5	28.1	18.9	17.9	16.7
Dividend Yield (%)	2.5%	2.5%	2.9%	3.0%	3.0%

Growth & Margins (%)

Growth					
Revenue	6.2%	-19.1%	36.5%	7.0%	3.2%
EBITDA	2.8%	-19.1%	38.9%	12.6%	6.4%
EBIT	1.6%	-18.0%	40.3%	13.5%	6.9%
Net profit, adj.	22.0%	-28.5%	37.5%	13.1%	0.9%
Margins					
Gross margin	29.2%	29.9%	30.6%	31.0%	31.2%
EBITDA margin	16.9%	16.9%	17.2%	18.1%	18.6%
EBIT margin	14.3%	14.5%	14.9%	15.8%	16.4%
Net profit margin	15.4%	13.6%	13.7%	14.5%	14.1%

Key Ratios

ROE (%)	24.4%	16.0%	20.9%	21.9%	20.3%
ROA (%)	15.0%	10.2%	13.6%	13.7%	12.4%
Net Debt/(Cash)	41,071	41,361	31,129	62,434	56,382
Net Gearing (X)	34.4%	33.4%	23.5%	43.2%	36.0%

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