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Company Results/Updates

UOB, OCBC

Thai Beverage, Sheng Siong

Singapore O&G

Sembcorp Industries, Sembcorp Marine

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United Overseas Bank Limited

Stellar performance across all segments

Jeremy Teong

Phillip Securities Research Pte Ltd

26 Feb 2018

United Overseas Bank Limited

(Upgrade BUY with Higher TP:S$29.00, previously S$25.22. Last:S$28.07)

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Results at a glance

(SGD mn)	4Q17	4Q16	YoY (%)	3Q17	QoQ (%)	Comments
NII	1,461	1,276	14%	1,408	4%	Higher loans growth & NIM
Fees & Comm	585	531	10%	551	6%	Higher Fund Mgmt, Cards & WM
Other Non Int Income	261	222	18%	279	-6%	Higher Net Trading Income
Total Revenue	**2,307**	**2,028**	**14%**	**2,238**	**3%**	
Expenses	1,102	957	15%	973	13%	Higher IT related costs
Allowances	140	131	7%	221	-37%	Higher SP offset by GP reversal
Net Profit	**855**	**739**	**16%**	**883**	**-3%**	

Source: Company, PSR

Net interest income grew 14% YoY

- Loans growth 5% YoY and NIM expanded 12bps YoY.
- Manufacturing and Financial institution loans registered strong double digit loans growth YoY.
- Housing loans growth was steady at c.6% YoY.

Exposure to upstream O&G sector reduced and portfolio cleaned up.

- Exposure to upstream O&G sector was reduced to S$3.8bn in 4Q17 from S$4.3bn in 3Q17.
- New NPA formation spiked to S$1.2bn in 4Q17 compared to S$0.8bn in 3Q17 as more O&G exposure was cleaned up.
- Higher specific provision expense during the quarter was offset by a reversal of excess general provisions which resulted in a low provision expense of S$140mn.

WM fees grew 29% YoY.

- Total WM income from the HNW segment saw a full year growth of 35% in 2017 compared with the mass affluent segment which grew 12%.

Oversea-Chinese Banking Corp

Stellar performance across all segments

Jeremy Teong

Phillip Securities Research Pte Ltd

26 Feb 2018

Oversea-Chinese Banking Corp

(Upgrade BUY with Higher TP: S$13.94, previous TP S$13.48. Last:S$13.37)

Results at a glance

(SGD mn)	4Q17	4Q16	YoY (%)	3Q17	QoQ (%)	Comments
Net interest income	1,424	1,251	14%	1,382	3%	NIMs +1bps YoY. Loans +7% YoY
Fees & Comm	491	420	17%	488	1%	Higher WM fee income
Insurance	299	182	64%	238	26%	Higher Life Assurance profit YoY
Other NII	415	324	28%	252	65%	Higher net gain from investment securities
Total income	**2,629**	**2,177**	**21%**	**2,360**	**11%**	
Expenses	-1,067	-981	9%	-1,001	7%	Incl. Barclays WM staff costs
Allowances	-178	-305	-42%	-156	14%	
PATMI	**1,033**	**789**	**31%**	**1,057**	**-2%**	

Source: Company, PSR

Net interest income grew 14% YoY

- Loans grew 8% YoY outpacing Singapore domestic system loans growth of 5.4%. NIM increased 4 bps higher YoY to reach to 1.67%
- Loans growth was led by property related loans and general commerce.

Cleaned up substantial portion of the offshore oil and gas exposure.

- OCBC had significantly reduced its exposure to the OSV sector to S$4.8bn compared to S$5.7bn in 3Q17.

Strong Insurance and Wealth Management.

- Total WM income jumped 54% YoY and 34% QoQ to hit S$944mn.
- Insurance income continued the strong profit growth in 4th quarter due to the repositioning of assets and liabilities in the Non-Participating Fund insurance business.

Thai Beverage

New additions to reach greater heights

Soh Lin Sin

Phillip Securities Research Pte Ltd

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Thai Beverage (Buy, TP: $1.05, Last: $0.81)

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Results at a glance

THB' tn	1Q18	1Q17	*YoY (%)*	Comments
Spirits	24.8	26.3	*-5.8%*	Lower ASP despite sales volume +0.6% YoY, due to newly-acquired Grand Royal Group
Beer	14.4	15.0	*-4.0%*	Sales volume -6.2% YoY
Non-alcoholic beverages	4.1	3.9	*5.8%*	Higher sales volume in Drinking Water (+8.7% YoY) and Carbonated Soft Drink (+9.5% YoY)
Food	2.3	1.6	*42.3%*	Contribution from newly-acquired Spice of Asia and the QSR of Asia restaurants
Revenue	**45.6**	**46.8**	***-2.6%***	*As above*
Gross	13.9	14.3	*-2.9%*	*Gross Profit Margin unchanged at 30.5%*
Core EBITDA, ex. FNN/FCL and non-recurring cost	7.1	8.7	*-18.0%*	Higher SG&A expenses Core *EBITDA Margin -2.9pp to 15.7%*
NPAT	3.0	7.7	*-61.0%*	Lower F&N/FCL contribution (-57.5% YoY); THB2.3bn one-off acquisition costs; and Higher finance costs related to Sabeco acquisition **Ex. the above, NPAT, adj. -21.9% YoY**
PATMI, adjusted	**5.3**	**7.7**	***-31.8%***	Ex. non-recurring one-off acquisition costs

Source: Company, PSR

Slower-than-expected domestic alcohol beverage, mitigated by improvement in non-alcoholic beverages and food business

- Spirits sales (ex. Grand Royal) -12.8%; Beer sales -4.0%
- Maintained market share in beer business at c.38%

Absence of contribution from Sabeco to 1Q18 results weighed on earnings

- Except Sabeco's, all acquisition costs are matched with respective earnings contribution. 93.9% of the acquisition costs (or THB2.2bn) is from Sabeco acquisition
- Higher finance costs related to Sabeco acquisition

Maintain positive outlook on FY18e

- A broader economic recovery in Thailand and the FIFA World Cup is likely to lift alcoholic sales
- Sabeco's results of operations and cash flows will be consolidated at Group's level starting from 2Q18 onwards

Newly acquired businesses to fuel growth

Sumary of Acquisitions in 1Q FY2018

			Date of Completion	Group's Effective Interest (%)	Cash Consideration (THB mn)	Revenue Contribution to ThaiBev (THB mn)	Net profit Contribution to ThaiBev (THB mn)	Acquisition-related costs (THB mn)	Net profit ex. acquisition costs (THB mn)	Implied PER* (x)	Implied Net Margin (%)
Food	A.	Spice of Asia Co., Ltd.	3-Oct-17	76%	114.5	37.6	4.0	0.8	4.8	6.0	12.8%
	B.	KFC stores	1-Dec-17	100%	10,704.0	601.8	(28.5)	54.3	25.8	103.7	4.3%
Spirits	C.	Grand Royal Group	12-Oct-17	75%	23,255.0	1,822.3	455.4	89.2	544.6	10.7	29.9%
Beer	D.	Sabeco	29-Dec-17	26.26%	152,180.0	To be consolidated from 2Q18		2,206.2		41.9	14.2%

TOTAL	**186,253.50**	**2,350.46**
Current Cash and cash equivalents (as at 31 Dec-17)	9,929.21	
1Q18 Net Operating Cash Flow	29,573.01	
Gross Debt (as at 31 Dec-17)	49,503.25	
Net Debt to Equity (x)	1.45	
Net Debt to T12M EBITDA (x)	5.30	*Included acquisition-related costs; whilst in absence of Sabeco's operating results

** Implied PER is calculated based on annualised quarter earnings ended 31 Dec-17; except for Sabeco*

Sabeco's FY17 Revenue: THB47,830.74mn; FY17 Net Income: THB6,770.798mn (Assume VND/THB: 0.0014)

Source: Company, Bloomberg, PSR

Contribution to FY18e Revenue

- Grand Royal: c.8% of FY18/19e Spirits Revenue
- Sabeco (Assume min. of 26.26% effective interest): c.37% of FY18e Beer Revenue (for 9MFY18e) / c.43% of FY19e Beer Revenue
- Spice of Asia and KFC: c.27% of FY18/19e Food Revenue

The acquired businesses registered higher net margins compared to the Group's existing businesses

Sheng Siong

The worst is over

Soh Lin Sin

Phillip Securities Research Pte Ltd

26 February 2018

Sheng Siong (Buy, TP: $1.13, Last: $0.93)

(SGD mn)	FY17	FY16	YoY (%)	Comments
Revenue	829.9	796.7	4.2%	+4.5% from new stores, +2.1% from mature stores, offset by -2.3% from Loyang Point, the Verge and Woodlands Blk 6A
Gross profit	217.4	204.7	6.2%	Lower input prices due to higher rebates from suppliers *Gross margin +0.5pp to 26.2% in FY17*
EBITDA	88.8	81.8	8.5%	Lower depreciation (equipment in central distribution centre fully depreciated)
EBIT	81.9	75.6	8.2%	*Operating margin +0.4pp to 9.9% in FY17*
PATMI	69.8	62.7	11.4%	$2.2m tax refunds; ex. tax refunds, PATMI +7.9%
DPS (cents)	3.30	3.75	16.7%	Payout ratio: 71.1% in FY17 vs 90.0% in FY16

Source: Company, PSR

Momentum to extend into 2018 with favourable macro tailwinds and inorganic growth

- Improving consumer sentiment on the back of brighter economic prospect and a delay in GST hike
- 11 new stores continue to underpin FY18e growth and mitigate the shortfall from closure of two big stores

FY18e Gross margin to sustain at c.26%; Margin drivers remain intact

Strong financial position with zero debt and cash position of S$73.4mn as at end-FY17 to support expansion strategy

Gestation of Kunming store (opened in Nov-17) could take time; Start-up losses was S$0.4m in FY17 and could increase up to S$1mn in FY18e

Singapore O&G

Strong finish to 2017

Soh Lin Sin

Phillip Securities Research Pte Ltd

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Singapore O&G (Accumulate, TP: $0.42, Last: $0.38)

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Results at a glance

S$' mn	4Q17	4Q16	*YoY (%)*	FY17	FY16	*YoY (%)*	Comments
O&G	4.8	4.4	*9.8%*	18.0	17.4	*3.3%*	Higher patient load
Cancer-related	1.1	0.7	*56.1%*	3.8	2.8	*37.1%*	Higher patient load
Dermatology	1.9	2.1	*-10.8%*	7.9	8.5	*-6.8%*	Affected by slowdow in medical tourism
Paediatric	0.1	0.0	*n.m.*	0.2	0.0	*n.m.*	New segment started in Jul-17; 2nd clinic opened in Nov-17
Revenue	**7.9**	**7.2**	***10.3%***	**29.9**	**28.7**	***4.3%***	As above
Gross	6.5	6.0	*9.1%*	25.3	24.3	*4.2%*	*FY17 Gross Profit Margin -0.1pp to 84.7%*
EBITDA	2.2	0.9	*151.9%*	10.4	10.8	*-3.6%*	Higher staff and rental expenses *FY17 EBITDA Margin -2.8pp to 34.8%*
EBIT	2.1	0.8	*166.5%*	9.9	10.4	*-5.1%*	Higher depreciation cost *FY17 EBIT Margin -3.3pp to 33.0%*
NPAT	**2.0**	**0.8**	***163.9%***	**8.5**	**8.8**	***-3.4%***	Ex. non-cash finance expense, FY17 PATMI -5.5% YoY
DPS (Cents)	0.89	0.79*	*12.7%*	1.50	1.55*	*-3.2%*	* Considering the effect of 2-for-1 share spilt in May-17

Source: Company, PSR

Solid result from O&G and stellar performance from Cancer-related segment

- Delivered 1,716 babies in FY17, comparable with FY16's 1,728 babies despite negative impact from Zika outbreak
- FY17 Cancer-related segment more than doubled (EBIT margin expanded +9.9pp to 23.9%)

FY17 profitability was dragged by: (a) Weaker foreign demand in Dermatology, (b) S$0.2mn 'start-up' losses by the new Paediatrics segment, and (c) Higher staff and rental expenses. Expect better FY18e:

- Cancer-related segment should continue to gain traction
- Two doctors (joined in FY16) have broken even in FY17 and will be contributing positively to FY18e earnings
- Two Paediatricians (joined in FY17) are on track to breakeven by end-FY18

Sembcorp Industries Ltd

A new but same strategy unfolded

Chen Guangzhi

Phillip Securities Research Pte Ltd

26 February 2018

Sembcorp Industries Ltd

(ACCUMULATE (maintained), TP: S$3.86, Last: S$3.24)

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Results at a glance

(SGD mn)	4Q17	4Q16	YoY (%)	FY17	FY16	YoY (%)	Comments
Revenue	**2,123**	**2,026**	**4.8**	**8,345.6**	**7,907.0**	**5.5**	Higher turnover from Utilities segment offset by decrease in Marine's revenue
Gross profit	148	250	(40.9)	946.1	1,105.1	(14.4)	Gross loss from Marine segment
PBT	0	165	(99.9)	312.1	537.4	(41.9)	In line with the above; higher overhead costs and SGPL refinancing costs
PATMI	**23**	**147**	**(84.6)**	**233.8**	**394.9**	**(40.8)**	In line with the above

Source: Company , PSR

Utilities' Singapore operation deliver a moderate growth

•FY17 PFO grew by 10% YoY to S$217.4mn.

•Net profit from Utilities' Singapore increased by 24% YoY to S$163.6mn.

•Improving performance from Energy and Water.

Utilities' India's performance was dragged by SGPL

•4Q17, respective net loss from TPCIL, SGPL, and SGIL was S$4mn, S$27mn, and S$5mn.

•Net loss in FY17 expanded to S$57.8mn (FY16: -S$16.1mn).

•Refinancing costs from SGPL, shut-down of some plants, and narrower spark spread, no tax relief.

Marine segment continued to drag the group's profitability

•4Q17 net loss from marine segment: S$35.0mn (net profit in 4Q16: S$30.6mn).

•FY17 net profit: S$9.9mn (FY16: S$75.2mn).

•Lower profits from drilling solutions and offshore platforms; shrinking net order book

Sembcorp Industries Ltd
(ACCUMULATE (maintained), TP: S$3.86, Last: S$3.24)

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Strategy review summaries:

Utilities:

•Focus on gas & power, merchant and retail power, and renewable energy businesses.

•Balance the current portfolio geographically with deepening presence in 4 key markets: UK, China, India, and Singapore and Southeast Asia.

Key catalysts:

•Divest some peripheral utilities asset to supplement cash reserves up to S$0.5bn.

•Propose IPO of India energy business under Sembcorp Energy India Limited.

•Double the renewable capacity to 4,000MW by 2020; Reduce carbon mission from current 0.55tCO2/MWh to 0.42tCO2/MWh by 2022 and 0.40tCO2/MWh by 2030.

Marine:

•Support the Marine segment through the cycle.

Urban development:

•Move up the value chain aiming to develop integrated townships and business hubs & smart cities.

Goal: Return to double-digit ROE.

Sembcorp Industries Ltd
(ACCUMULATE (maintained), TP: S$3.86, Last: S$3.24)

Outlook:

Short-term:

Monetise quality assets at good prices if proceeding the IPO in the near term.

Expectation of prolonged weak profitability from marine segment could stall the recovery on the group level

long-term:

In the right direction.

The diversified global footprints: a higher growth while lower operational risks.

Sembcorp Marine Ltd

A disappointing year for the group

Chen Guangzhi

Phillip Securities Research Pte Ltd

26 February 2018

Sembcorp Marine Ltd

(REDUCE (Downgrade), TP: S$1.91, Last: S$2.23)

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Results at a glance

(SGD mn)	4Q17	4Q16	YoY (%)	FY17	FY16	YoY (%)	Comments
Revenue	**655.0**	**829.9**	**(21.1)**	**2,387.4**	**3,544.8**	**(32.7)**	Low revenue recognition from rig building and offshore platforms projects
Gross profit	(48.2)	34.7	(238.7)	60.5	292.8	(79.3)	lower overall business volume, especially in rigs & floaters and offshore platforms, which impacted the absorption of overhead costs, and additional cost accruals for floater projects, which are pending finalisation with the customers
Operating proft	(43.6)	67.1	(165.1)	20.5	225.3	(90.9)	Gross loss offset by the FX gain due to the revaluation of liabilities denominated in Brazilian Real to United States dollar
PATMI	**(33.8)**	**34.3**	**(198.5)**	**14.1**	**78.8**	**(82.1)**	Operating loss offset by gains from the disposal of assets and tax

Source: Company , PSR

Order flows started to pick up in 4Q17

- Oct-17, contract for the disposal of 9 jack-up rigs for S$1.77bn.
- Dec-17, a US$490mn contract of the turnkey engineering, procurement, and construction of hull and living quarters for a newbuild FPSO.
- Dec-17, a letter of content for the construction of the hull and topside and the integration of an FPU.

Net order book continued to decline

- FY17: S$7.58bn (FY16: S$7.84bn)
- The latest contracts secured were mainly from floaters segment that generates a lower profit margin
- Floating LNG business remained muted

Outlook: Challenging operating environment (more upbeat on non-drilling solutions)

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