

Phillip Securities Research Morning Call

6th July 2020

Macro/Sector Outlook

- **SG Banking Monthly**
- **SG Bonds Weekly**
- **SG Strategy 3Q20**

SG Banking Monthly

Prudence essential to weather headwinds

Tay Wee Kuang

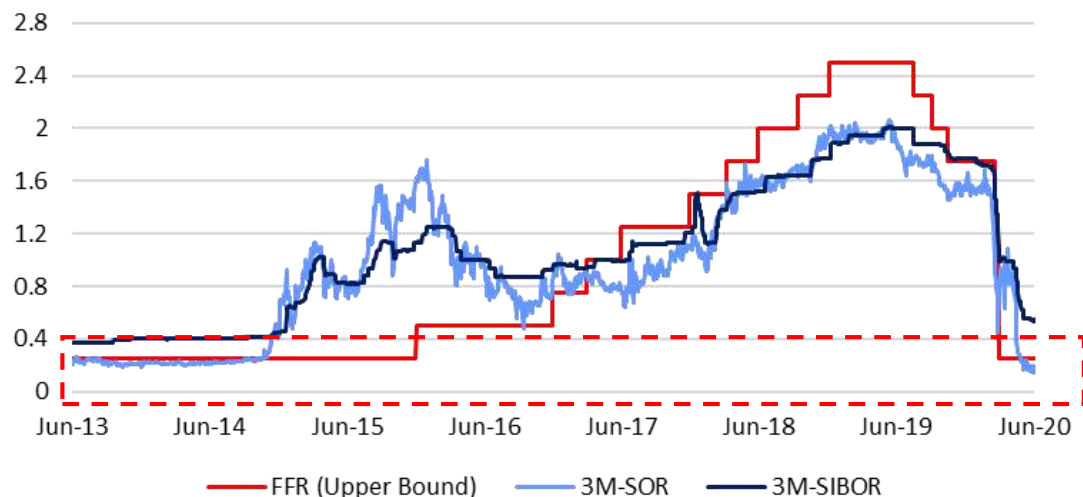
Research Analyst

Phillip Securities Research Pte Ltd

6th July 2020

Banking Industry – Maintain Neutral Interest rates to stay lower for longer

Fed Fund Rates (FFR) vs. 3M-SIBOR vs. 3M-SOR



Source: Bloomberg, PSR

Interest Rates (%)	3M-SIBOR	3M-SOR
Current	0.56	0.20
2Q20 Average	0.72	0.42
1Q20 Average	1.55	1.29
13/14 Average	0.39	0.25

Resilience in April tapered off in May and June

- NIM likely to fall to 2013 levels during period of comparable interest rates
- Interest rate should stabilise at current levels
- NII be impacted as a result of lower asset yield and increased deposits

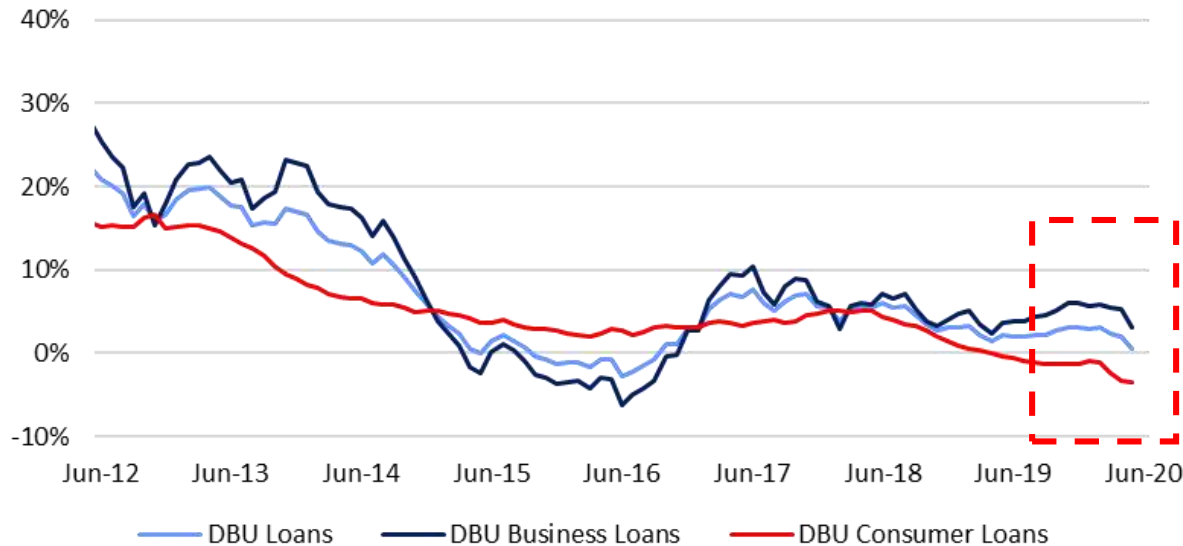


NIM (%)	DBS	OCBC	UOB
1Q20	1.86	1.76	1.71
FY13	1.62	1.64	1.71
2Q20e	1.66		
Expected NII Impact	-11%	-6%	-3%

Banking Industry – Maintain Neutral

Loans outlook weighed down by Circuit Breaker

DBU Loans Growth (YoY %)



Source: MAS, PSR

YoY	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Growth Rate	2.97%	3.05%	2.41%	1.98%	0.51%

Business and Consumer loans weaken in 2Q

May-20	Outstanding DBU Loans	YoY Growth (%)
Business	\$430,610	+3.02
Consumer	\$254,653	-3.48

Business loans:




- Grew at slowest pace in 13 months as businesses defer investments during Circuit Breaker
- Likely to face short-term headwinds

Consumer loans:

- Shrank 3.48% in May, with housing, car and credit card loans shrinking across the board
- Reopening of retail malls in Phase 2 will boost consumer spending, but big-ticket item spending likely to continue experiencing weakness

Banking Industry – Maintain Neutral

Fee income to salvage any growth

1Q20 Highlights			
Net Fee and Commission Income	\$832mn (+14% YoY)	\$546mn (+10% YoY)	\$515mn (+8% YoY)
- Brokerage	-	+27% YoY	-
- Investment Banking	+ 64% YoY	- 8% YoY	-
- Transactions services	-	-18% YoY	-
- Loan-related	+ 17% YoY		-16% YoY
- Cards	- 8% YoY	-6% YoY	-
- Wealth Management	+ 28% YoY	+ 32% YoY	+48% YoY

Source: Company, PSR

Banking Industry – Maintain Neutral

Improved market sentiments see better SDAV and DDAV

	SDAV (\$mn)	YoY (+/-)	DDAV (mn)	YoY (+/-)
June	1,702	+55%	-	-
May	1,477	+34%	0.92	-22%
April	1,411	+35%	0.83	-19%
March	2,193	+114%	1.53	+34%
February	1,377	+30%	1.24	+11%
January	1,219	+24%	1.07	+23%

SDAV:

- Heightened levels in 4Q20

DDAV:

- Suppressed in April but saw rebounds in May
 - Preliminary data for June show continued rebound but may still be down ~15-20% in June
- Expect SGX revenue to grow ~7% YoY in 4Q20; 5% above our expectations.

Banking Industry – Maintain Neutral

SGX lays groundwork for future growth

SGX acquires remaining 80% stake of BidFX for US\$128mn

On 29 June, SGX announced plans to acquire the remaining 80% stake of cloud-based FX trading platform BidFX as the company expands its presence into the FX OTC market.

- Synergy in product offerings with SGX's FX futures in G10 and Asian currency pairs.
- Potential for cross-selling.
- EPS accretive from FY21 but not expected to have material impact on earnings in FY21.

➤ Prompt rollout in expansion plans to ease short term pains brought about by the cessation of licensing agreement with MSCI to serve as prospective growth catalyst in the longer term.

SGX launches FTSE Taiwan Index Futures to replace expiring MSCI licensed products

On 1 July, SGX announced that it will be introducing SGX FTSE Taiwan Index futures on 20 July. This marks SGX's first move to launch products to replace MSCI's suite of equity index products whose licensing will be expiring in February 2021.

- Replace MSCI Taiwan Index futures
 - Largest contributor amongst MSCI products (>90% turnover).
 - Contribute ~13% to total equity index turnover in May 2020.

SG Bonds Weekly

Week of 6 July

Timothy Ang

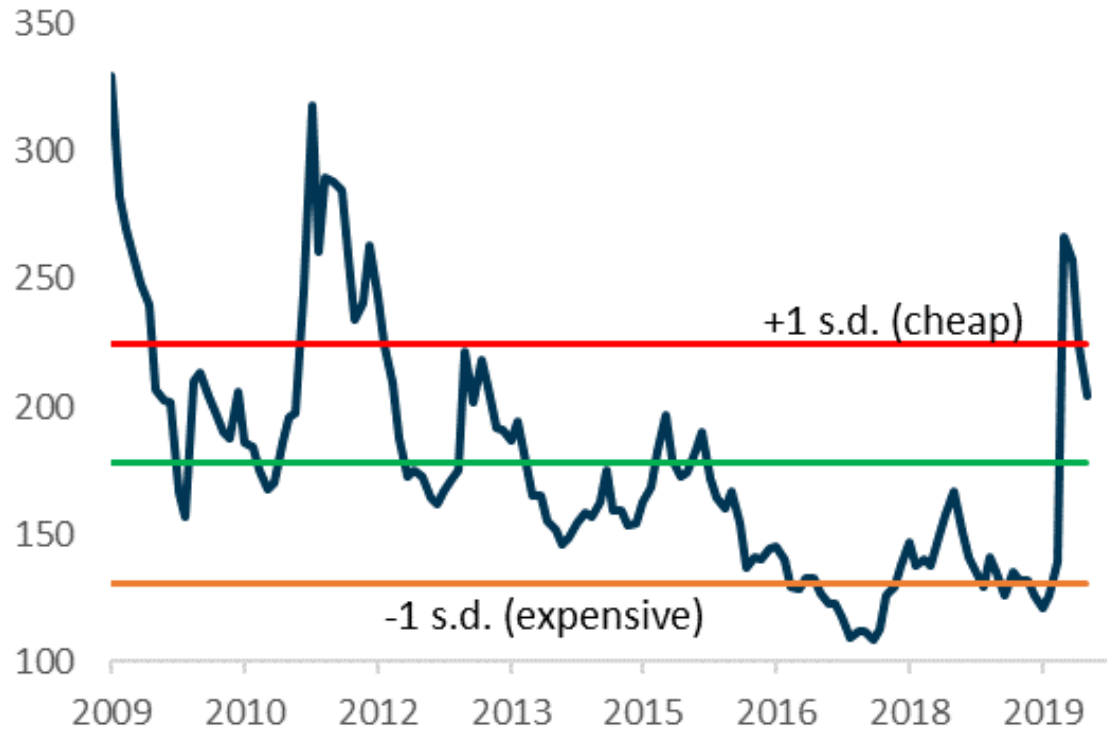
Credit Analyst

Phillip Securities Research Pte Ltd

6th July 2020

Spreads still relatively high

Bloomberg Barclays Asia USD Investment Grade Bond Index
Average Option Adjusted Spread



Source: Bloomberg, PSR

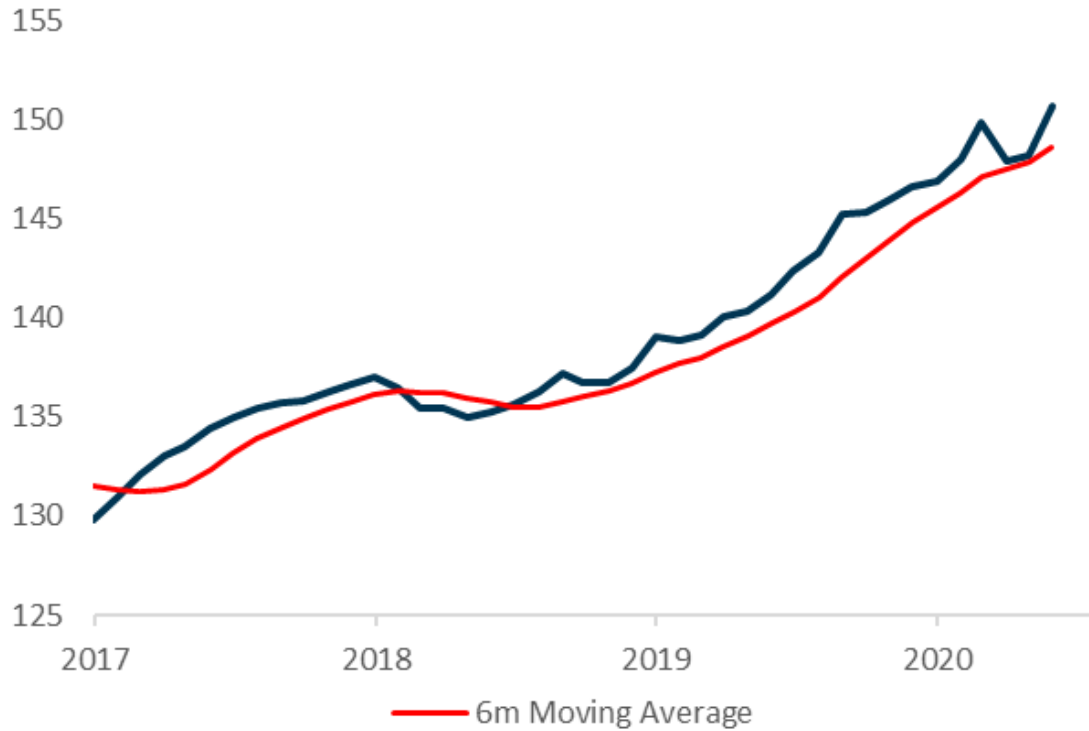
Bloomberg Barclays Asia USD High Yield Bond Index
Option Adjusted Spread



Source: Bloomberg, PSR

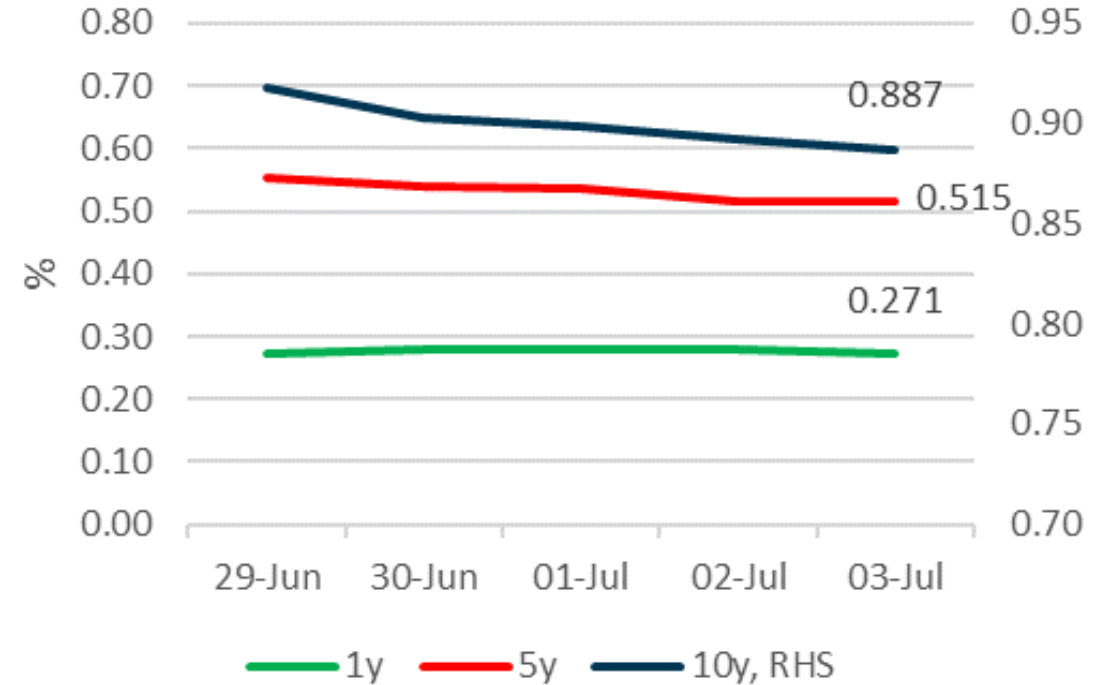
Demand still buoyant

Thomson Reuters/iEdge SFI Corporate Index



Source: Bloomberg, PSR

Singapore sovereign debt yields



Source: Bloomberg, PSR

Bullet bonds watchlist: stakeholders matter

Issuer	Bond	Maturity date	Ask price	Yield to maturity	Issue size (SGD mn)	Ranking	Features	Key stakeholders	Week px change
Soilbuild Business Space REIT	SBREIT 3.6% '21s	08-Apr-21	100.30	3.19%	88	Senior Unsecured	Cessation put Change of control put	29.6% owned by sponsor and management 4.15% owned by DBS Group Holdings	▲0.25%
ESR Cayman Ltd	ESRCAY 6.75% '22s	01-Feb-22	103.30	4.55%	350	Senior Unsecured	-	Backed by sponsors Warburg Pincus, SK Holdings, and JD.com 22.6% owned by management	▲0.39%
OUE Treasury Pte Ltd	OUESP 3.75% '22s	17-Apr-22	100.55	3.43%	200	Senior Unsecured	-	Guarantor: OUE Ltd 68.69% owned by Management (Stephen Riady, James Tjahaja Riady, Kin Chan)	▼0.25%
Thomson Medical Group Ltd	TMGSP 4.8% '22s	18-Jul-22	101.95	3.79%	225	Senior Unsecured	Cessation Put	88.25% owned by Peter Lim	▼0.10%
Olam International Ltd	OLAMSP 6% '22s	25-Oct-22	105.05	3.69%	485	Senior Unsecured	-	53.58% owned by Temasek 17.41% owned by Mitsubishi Corp	▲0.24%
ARA Asset Management Ltd	ARASP 4.15% '24s	23-Apr-24	102.30	3.50%	100	Senior Unsecured	Change of control put	48.7% owned by Warburg Pincus 51.3% owned by Straits Trading Co, CK Asset Holdings, and John Lim	0.00%
ESR Cayman Ltd	ESRCAY 5.1% '25s	26-Feb-25	99.55	5.21%	225	Senior Unsecured	-	Backed by sponsors Warburg Pincus, SK Holdings, and JD.com 22.6% owned by management	▲1.27%
Hotel Properties Ltd	HPLSP 3.8% '25s	02-Jun-25	100.30	3.73%	170	Senior Unsecured	Cessation put Change of control put	39.42% owned by Ong Beng Seng (MD) 4.99% owned by Fu Kuo Chen David (D) 22.52% owned by Wheelock Properties Singapore Ltd	▼0.10%
Shangri-La Hotel Ltd	SLHSP 4.5% '25s	12-Nov-25	103.80	3.72%	825	Senior Unsecured	-	Guarantor: Shangri-La Asia Ltd 14.835% owned by Kuok family 5.504% owned by directors 50.658% owned by Kerry Group Ltd	0.00%
Frasers Property Treasury Pte Ltd	FPLSP 4.25% '26s	21-Apr-26	102.05	3.85%	280	Senior Unsecured	Make whole call	Guarantor: Frasers Property Ltd 58.64% owned by TCC Assets	▼0.87%

Email bonds@phillip.com.sg

Perpetual bonds

SPH REIT: SPHRSP 4.1% Perp (YTW 3.94%)

- Low gearing of 29.5%, 40% asset value buffer
- 6 months of zero rental buffer

Bond	Maturity date/ Call date	Gearing (D/A)	Ask price	Ask YTW	Z-Spread	Features
OW SPHRSP 4.1% PERP	30/08/2024	27.6%	100.60	3.94%	414	Dividend stopper
SPHSP 3.2% '30s	22/01/2030	28.9%	100.30	3.16%	218	Make whole call
SPHSP 4.5% PERP	07/06/2024	28.9%	102.80	3.73%	436	Step up 100bps 6/24 Dividend stopper & pusher
SPHSP 4% PERP	12/05/2025	28.9%	101.30	3.70%	368	Step up 100bps 6/25 Dividend stopper & pusher
FCTSP 3.2% '23s	11/05/2023	28.8%	102.55	2.27%	192	Make whole call

Indicative prices as at 30 June 2020, Source: Bloomberg
(OW: Overweight, N: Neutral, UW: Underweight)

Ascott ResTr: ARTSP 3.07% Perp (YTW 3.16%)

- Enough cash for 2 years of zero revenue
- Hotel occupancies improving

Bond	Maturity date/ Call date	Gearing (D/A)	Ask price	Ask YTW	Z-Spread	Features
OW ARTSP 3.07% Perp	30/12/2020	31.2%	97.30	3.16%	264	Dividend stopper
FHREIT 4.45% Perp	12/05/2021	34.9%	92.30	3.35%	294	Dividend stopper
FHREIT 2.63% '22s	06/07/2022	34.9%	99.80	2.73%	241	
ARTSP 4.205% '22s	23/11/2022	31.2%	104.42	2.29%	194	
ARTSP 3.523% '23s	09/11/2023	31.2%	103.05	2.56%	215	
ARTSP 3.88% Perp	04/09/2024	31.2%	100.70	3.01%	252	Dividend stopper

Indicative prices as at 2 July 2020, Source: Bloomberg
(OW: Overweight, N: Neutral, UW: Underweight)

Singapore 3Q20 Equity Strategy



*Responding with
overwhelming force*

Paul Chew

Head Of Research

Phillip Securities Research Pte Ltd

4Jul20

Source: Unsplash

*Responding to overwhelming (or decisive) force refers to terminating conflicts swiftly with minimum loss of life
<https://www.stocksbnb.com/reports/phillip-3q20-singapore-strategy-responding-with-overwhelming-force/>

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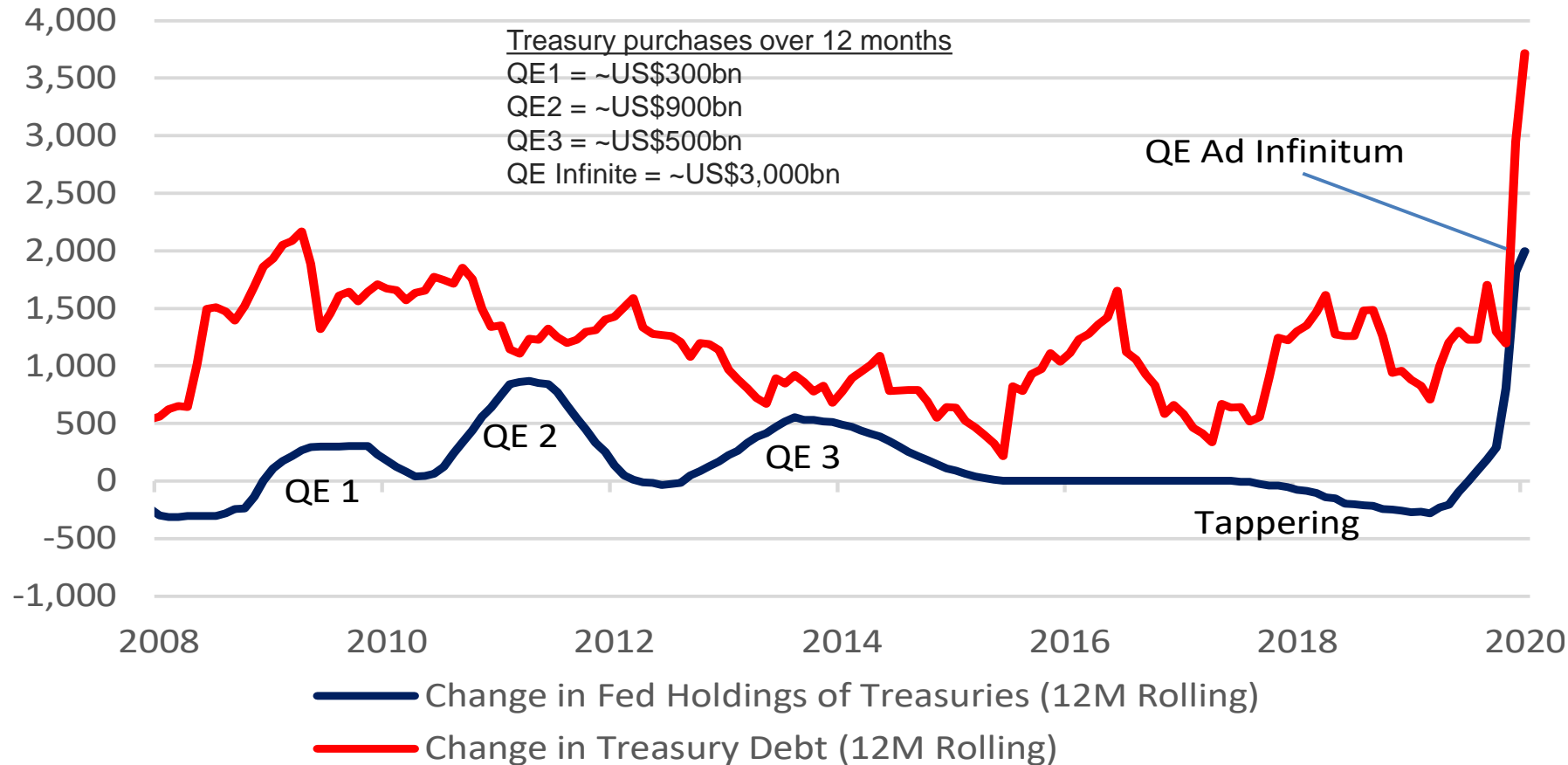
The plus and minus



Source: unsplash.com

Plus no. 1: Largest monetary stimulus

QE to infinity and beyond (US\$bn)

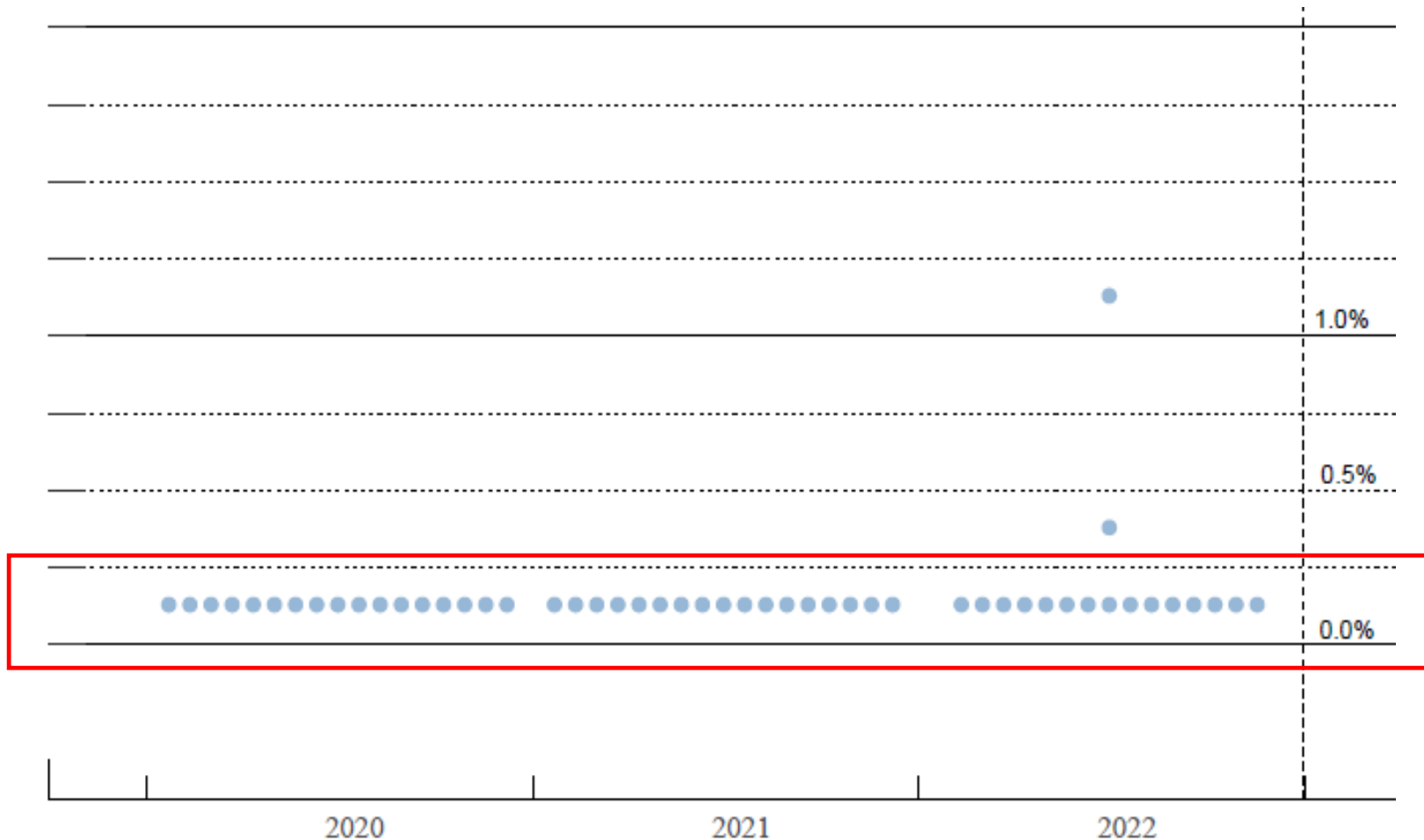


“will purchase Treasuries and MBS in the amounts needed”

- Fed press release 23Mar20

Source: CEIC, PSR

.... And guiding no rate changes next 2.5 years



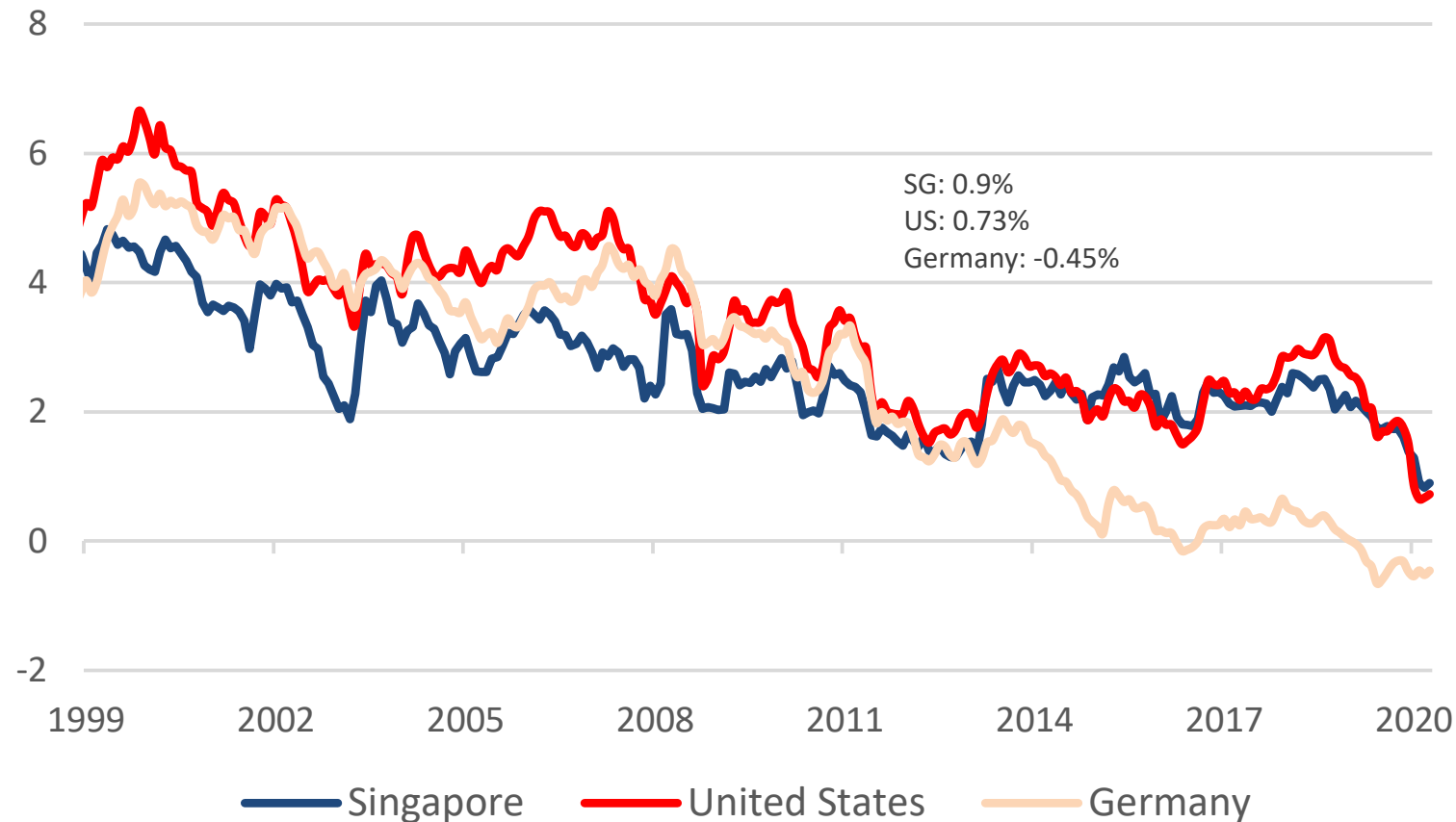
“We-re not even thinking about thinking about raising (interest) rates“

- Fed Chairman Jerome Powell on 10June 20 press conference

Source: FOMC Meeting 10June, PSR

Record low interest rates will remain

10Y Govt Bond Yields - SG, US, Germany



“we find no intrinsic value in government bonds except as a hedge against market routs”

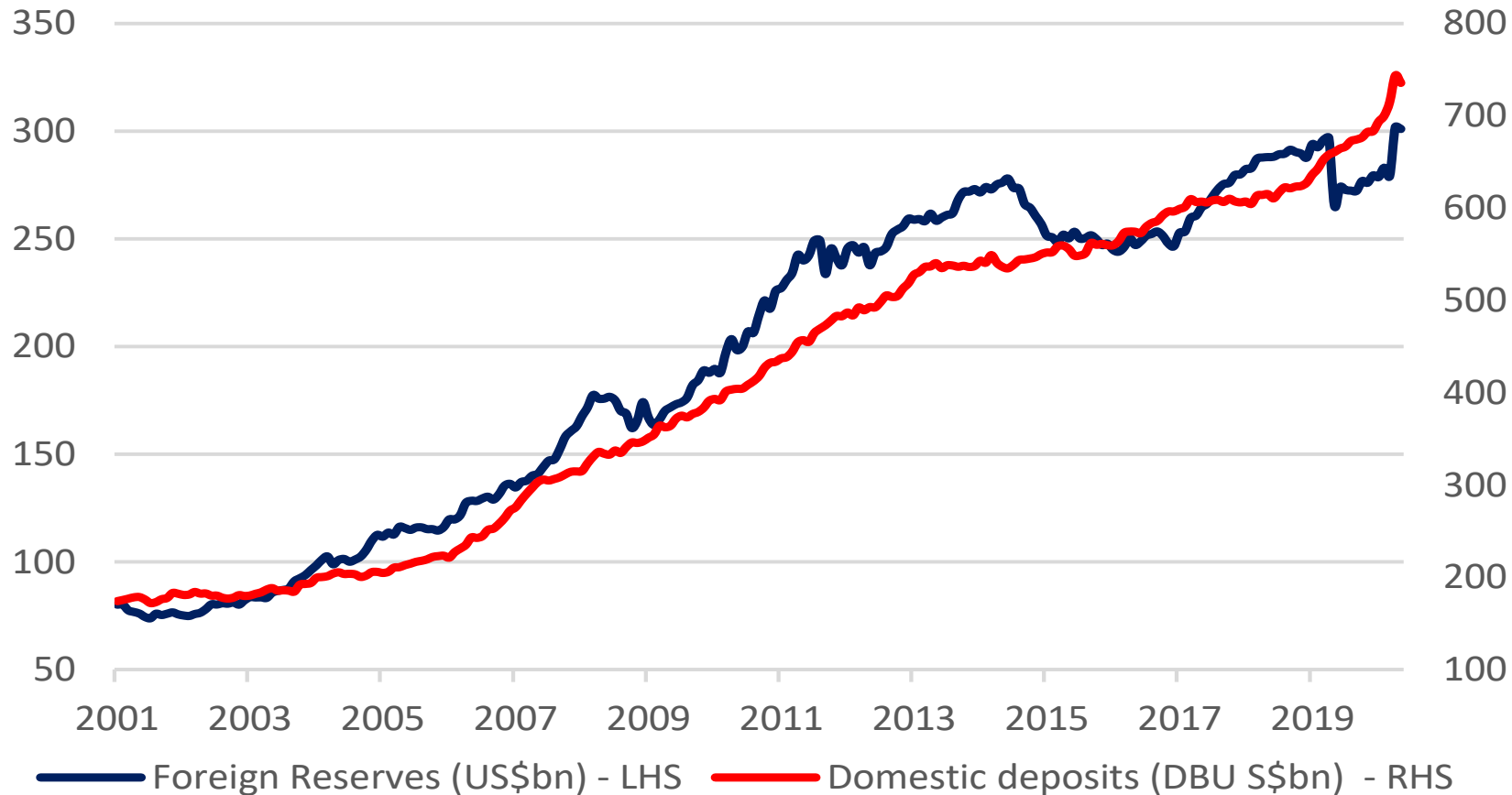
- 3Q20 Strategy report

- ✓ Growth Stimulus
- ✓ Positive for asset prices
- ✓ Equity relative attractive
- ✓ Yield the most valuable

Source: CEIC, PSR

Record levels of cash being hoarded

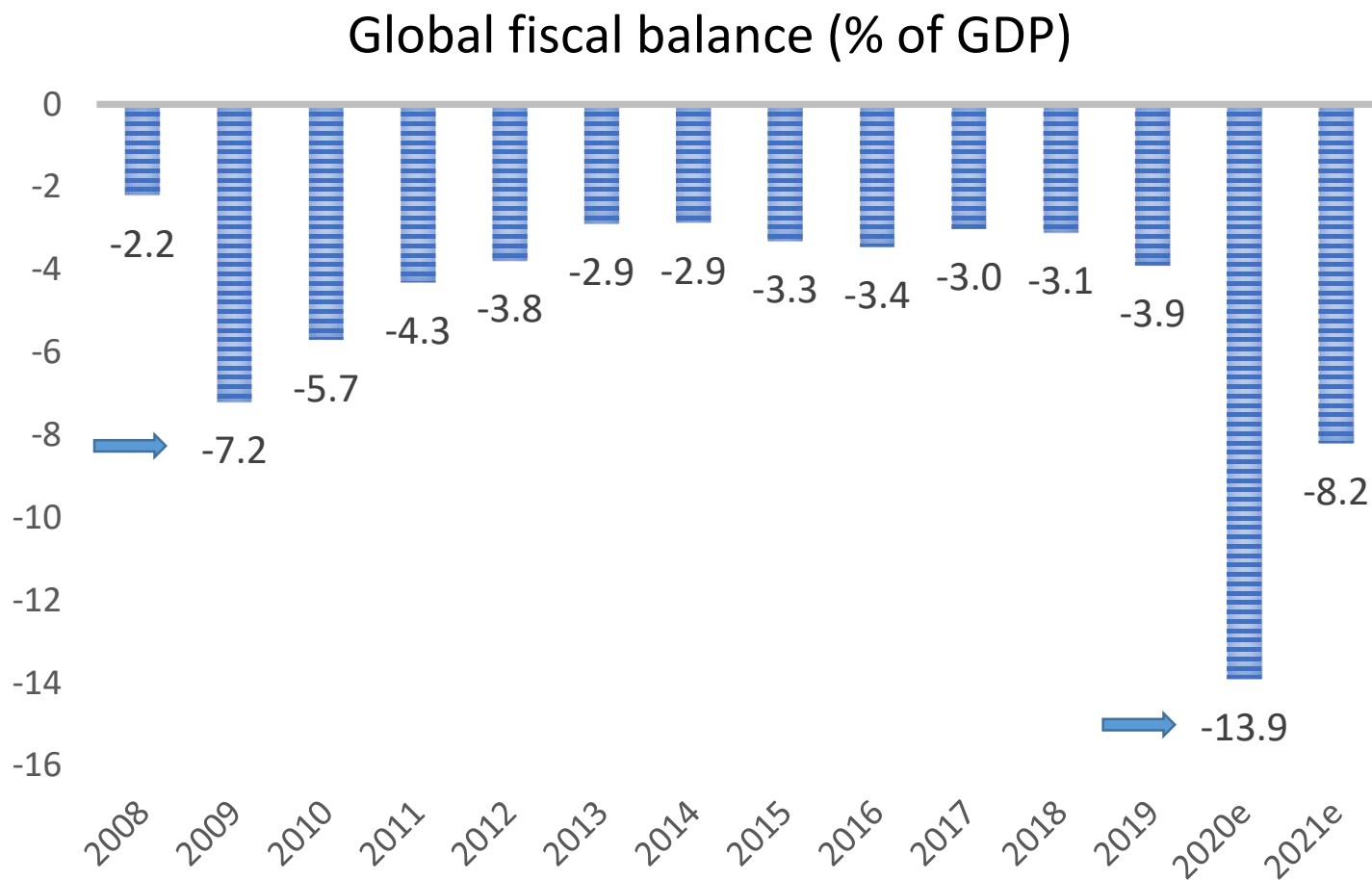
SG: Liquidity conditions



Year	FX Reserves (US\$bn)	Deposits (S\$bn)
2016	-1.1	+36.6
2017	+33.3	+9.7
2018	+7.7	+21.3
2019	-8.2	+55.7
YTD5/20	+21.5	+52.2

Source: CEIC, PSR

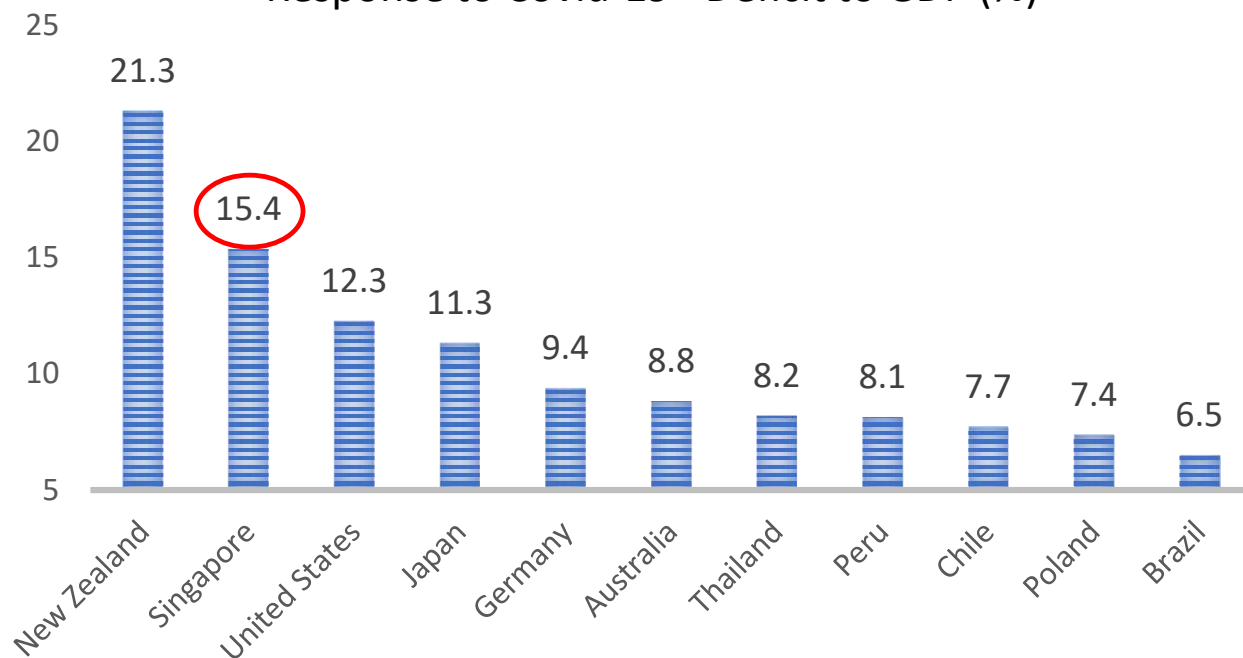
Plus No.2: Fiscal stimulus double the GFC worth US\$11tr



Source: IMF, PSR

Singapore fiscal response is one of the largest globally

Top 10 Countries
Response to Covid-19 - Deficit to GDP (%)

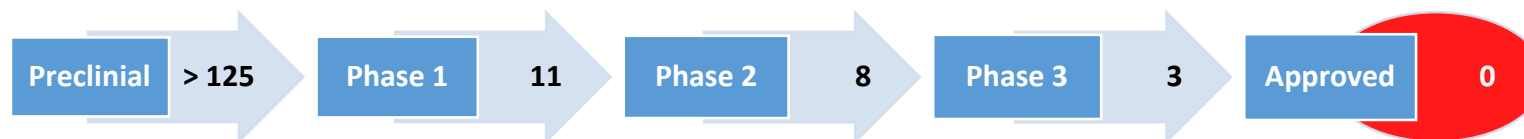


	Date	Budget Spend S\$bn	Total Exp. S\$bn	Special Transfers S\$bn	Overall Deficit S\$bn	Overall Deficit % of GDP	Reserves Draw S\$bn
Unity	18-Feb-20	6.8	83.6	22.0	10.9	2.1%	
Resilience	26-Mar-20	48.0	89.1	39.6	39.2	7.9%	17
Solidarity	6-Apr-20	5.1	89.8	43.6	44.3	8.9%	4
Fortitude	26-May-20	33.0	110.5	51.2	74.3	15.4%	31
Total		92.9					52
2019 Budget			78.2	15.3	1.65	0.3%	

Source: PSR, IMF Fiscal Monitor, MOF, singaporebudget.gov.sg

Plus No.3: Global effort for vaccine, > 140 companies

Vaccine Test Stage and number of companies

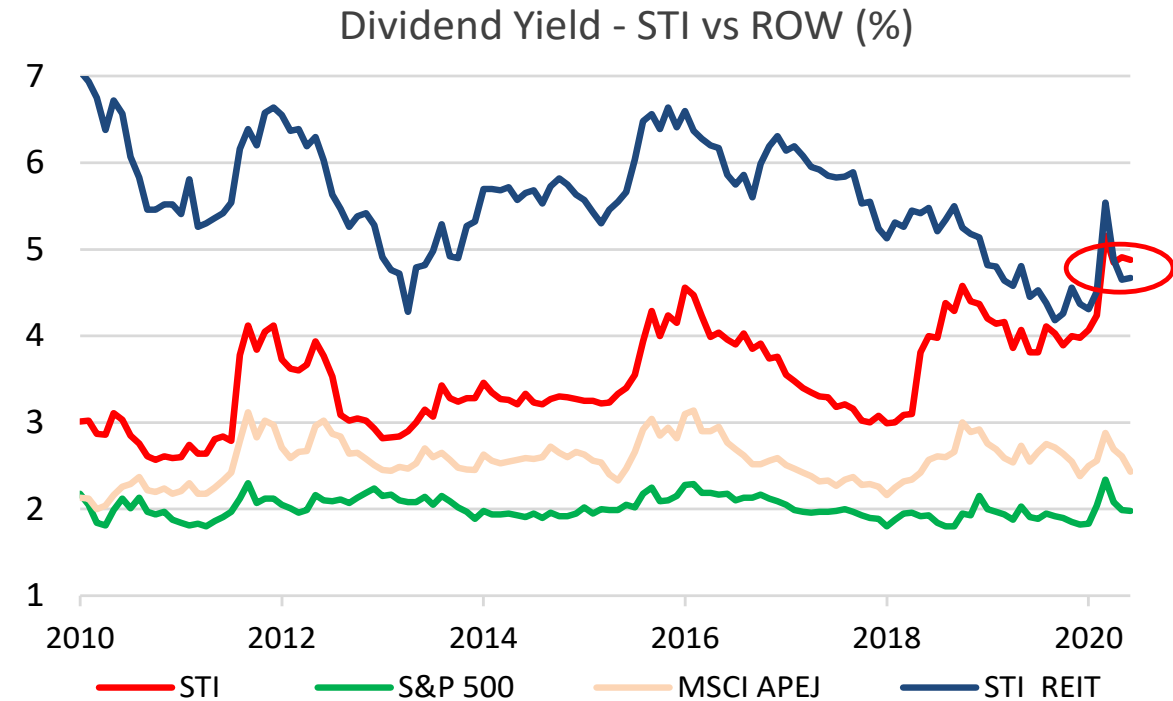
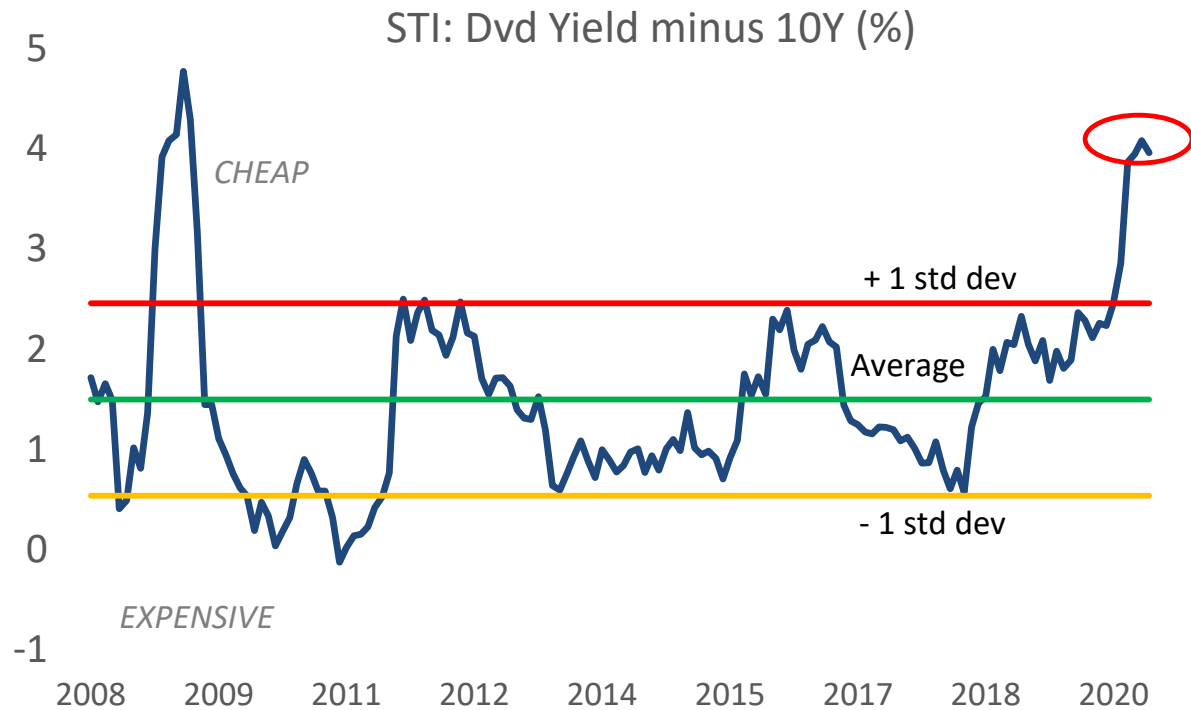


Stage	Number	Companies
Preclinical	> 125	Merck, Novartis, J&J, Sanofi, Vaxart
Phase 1	11	Genexine, Anhui Zhifei, Clover Biopharmaceutical, Inovio, CureVac, Genexine, ASV*, GRI*
Phase 2	8	Moderna, Sinovac, IMB*, BPF*, Novavax, CanSino Biologics, Imperial College London, CanSino Biologics
Phase 3	3	Sinopharm, Murdoch Children's Research Institute, AstraZeneca
Approval	0	

News of a vaccine can cause a rally in the market

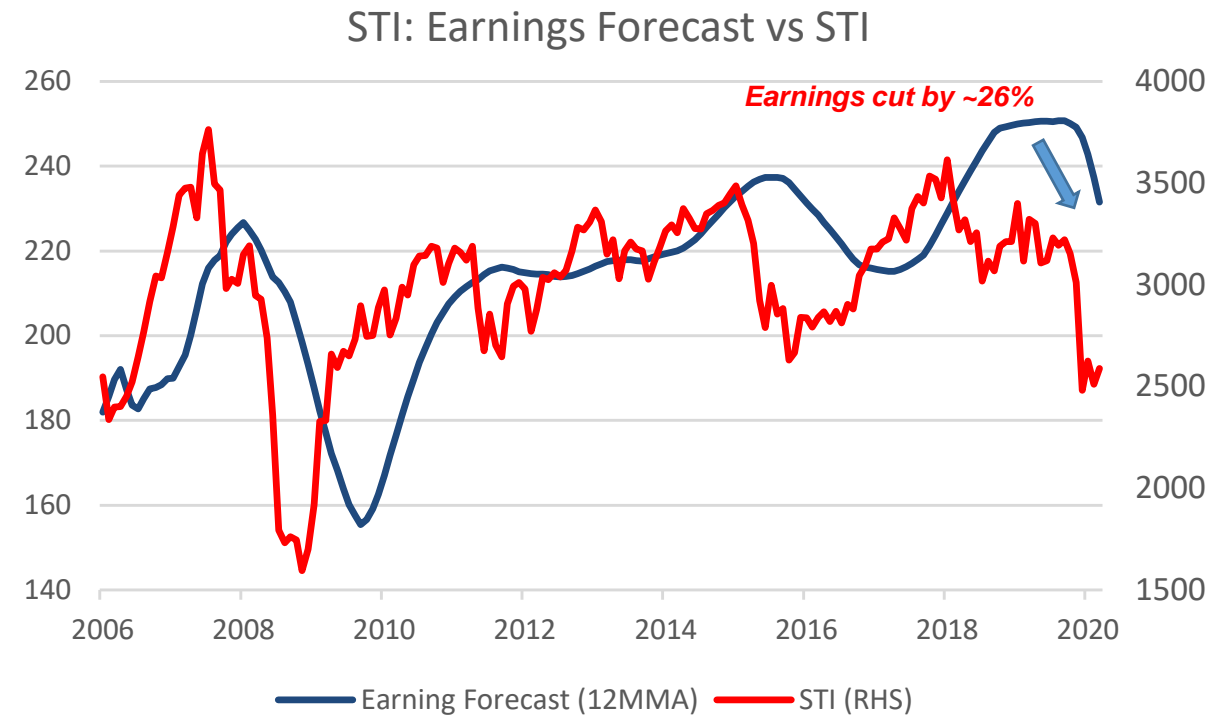
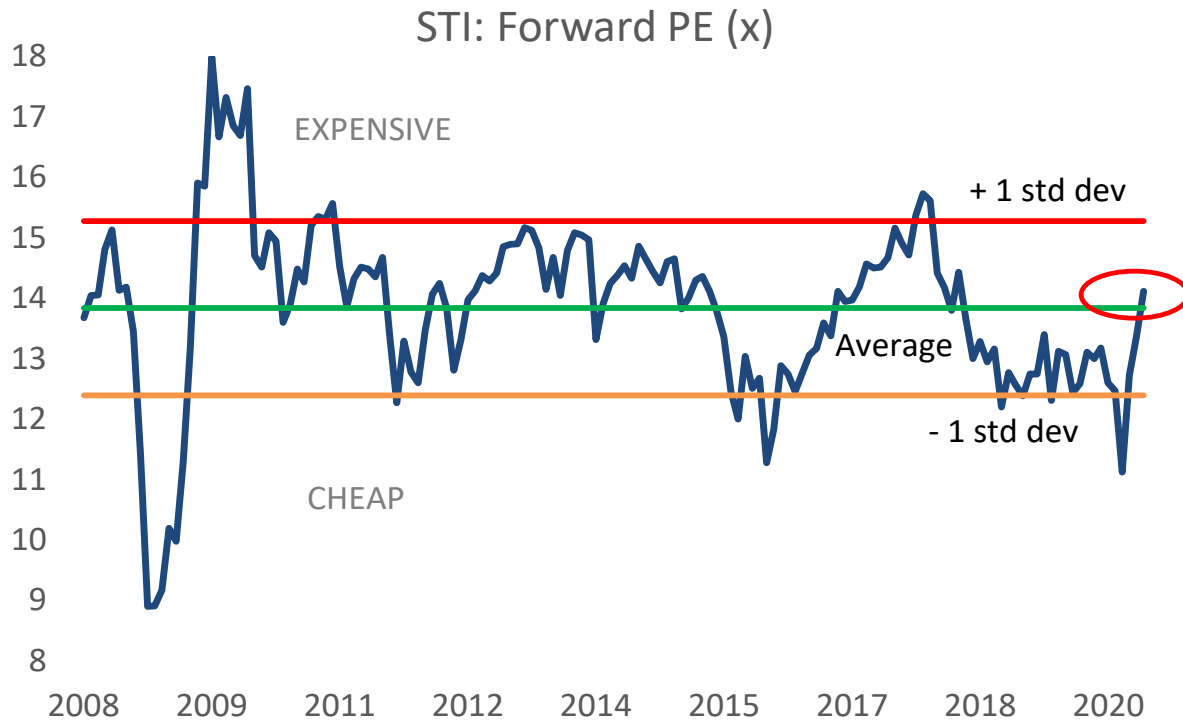
Source: New York Times, PSR, <https://www.nytimes.com/interactive/2020/science/coronavirus-vaccine-tracker.html>

Valuations remain attractive on dividend yield.....



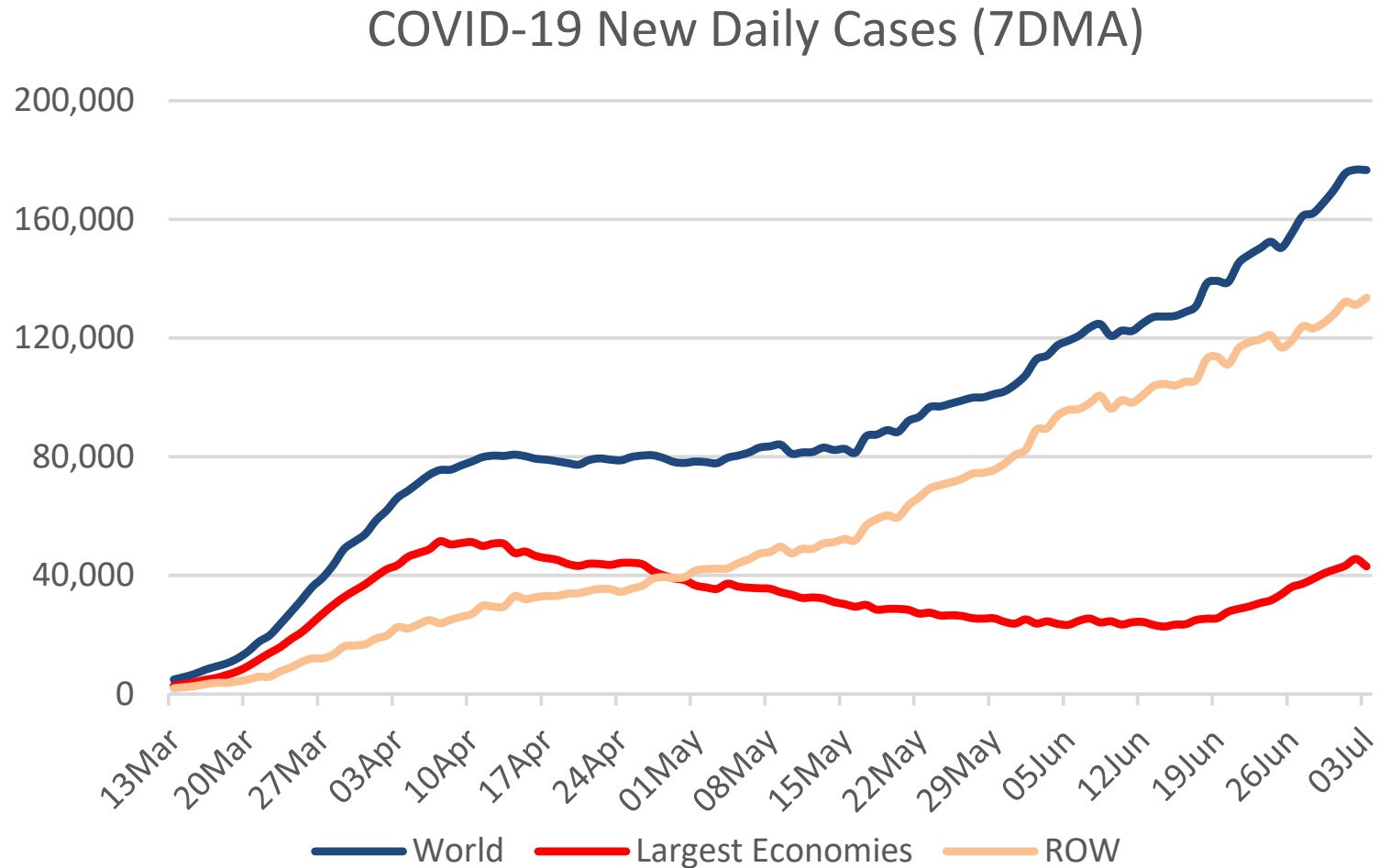
Source: PSR, Bloomberg

.... even on PE after 27% cut in earnings this year



Source: PSR, Bloomberg

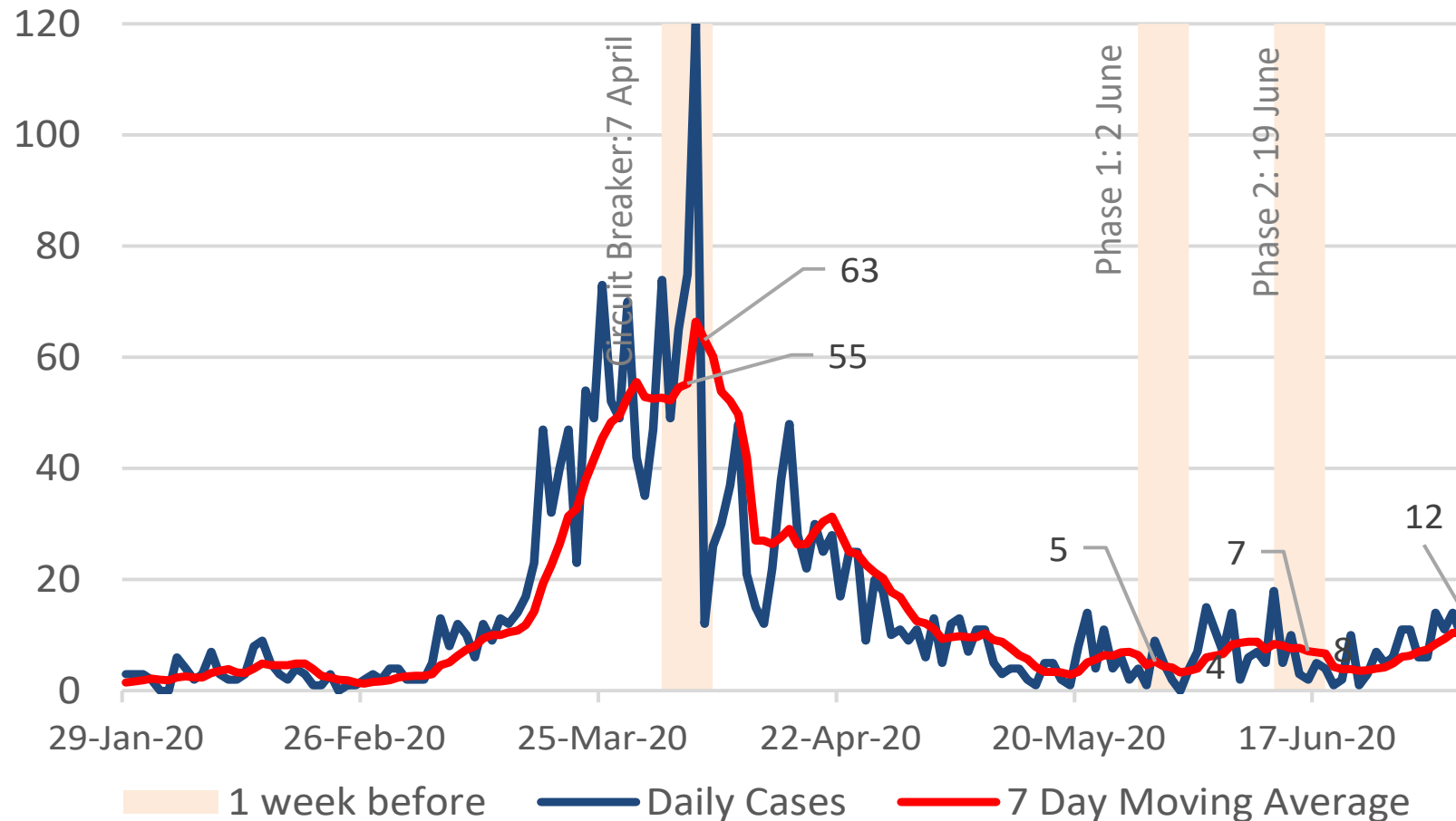
The minusCovid-19 cases stubbornly high



Source: CEIC, WHO, CDC, PSR, *Largest economies - US, China, Germany, UK, Spain, Italy, France, Japan, S Korea

Singapore cases are contained....but a jump recently

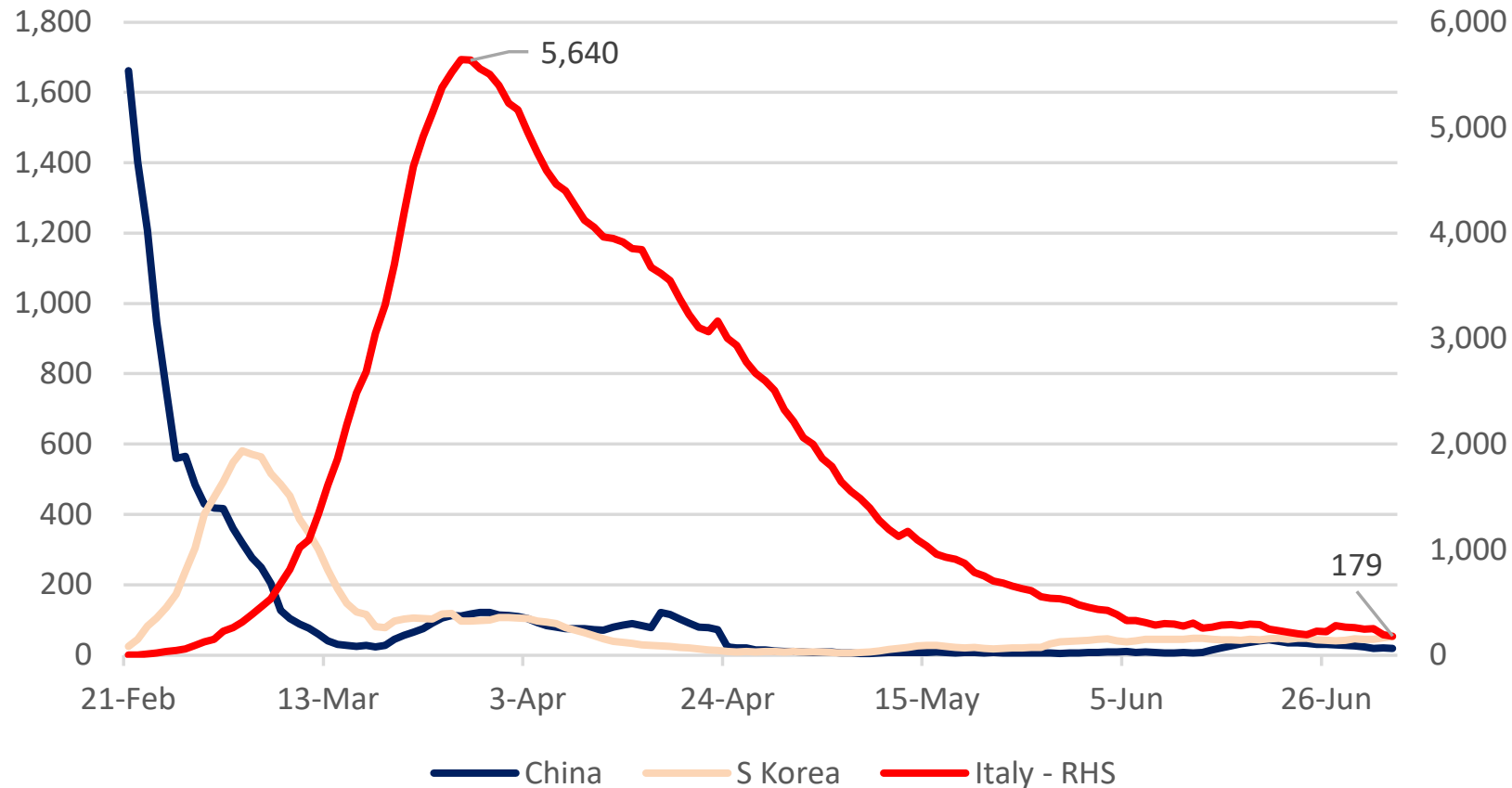
SG: Daily new Community + Imported Cases



Source: MOH, PSR

..... similarly contained in worst hit countries

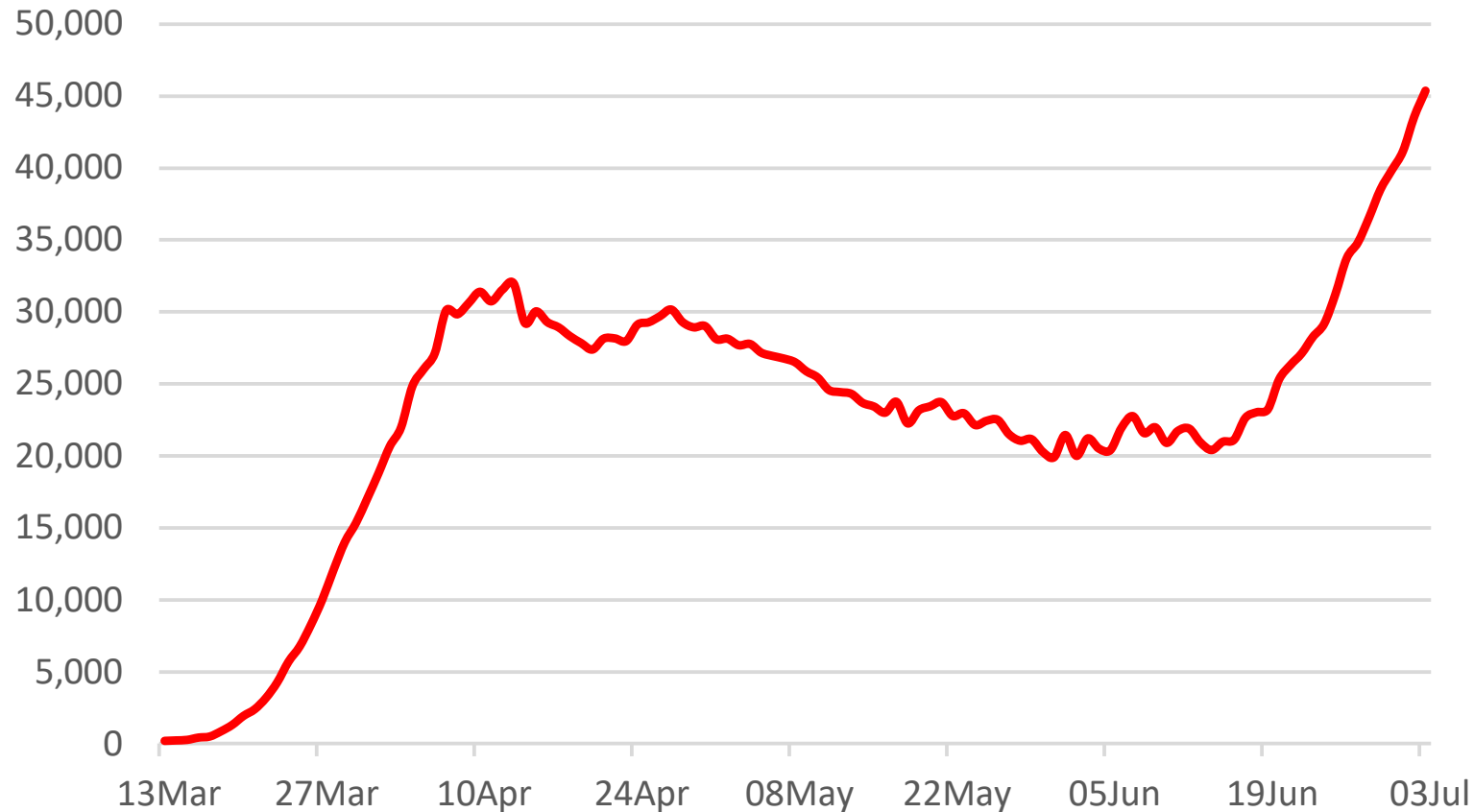
COVID-19 New daily cases: CH, KR, Italy (7DMA)



Source: CEIC, PSR

U.S. please-lah wear mask...otherwise more lockdowns

US: COVID-19 New Daily Cases (7DMA)



Source: CEIC, CDC, PSR

Singapore Market: Technical Outlook and Update

Chua Wei Ren

Technical Analyst

Phillip Securities Research Pte Ltd

6th July 2020

STI seen some uptick but prices is still below key levels

- Prices had a strong sell-down below 50.0% of wave ((iii)) in early June.
- Rebound was seen at the start of July at the support of the channel.
- High probability of STI testing the resistance zone between 2,900 and 2,954.20. once the 50% level is broken.
- As long as STI remains below 3,000-3,045, the index is still in the bearish territory.



Source: Bloomberg, PSR

Daily Chart wave analysis indicate a clearer short term run

- 2,636.05-2,598.40, Straits time Index will likely test the new resistance level at 2,900
- True enough, STI broke out of the falling wedge and Thursday saw the strongest rebound in 2 weeks.
- However, immediate resistance at 2,692 remain a strong immediate resistance to clear.



Source: Bloomberg, PSR

DBS- Risk reward is rewarding

- DBS rebounded from 161.8% extension level of wave C at \$17.40.
- Rebound remain corrective in nature. However, as long as DBS stays above \$20.00 immediate support and breaks the resistance at \$22.50, DBS will likely test \$25.00.
- However, should DBS remains below \$22.50 while staying above \$20.00, then the possibility of a complex corrective flat will occur, which see prices testing the lower low in the long run.



Source: Bloomberg, PSR

AEM – Weakness in momentum see stock entering into complex corrective waves

- AEM Holdings had a strong rebound on the 30th of June after breaking out of the falling wedge within the bullish flag
- However, the momentum did not last and was ranging for the next 3 consecutive periods with dojis candle in place, signifying a halt.
- The falling momentum has increased the probability of a complexed corrective wave of the double three and we should see price testing the \$3.00 psychological support before a rebound to test the next resistance zone at \$3.35-\$3.41.



AEM SP Equity (AEM Holdings Ltd) GPC Daily 03MAY2018-29JUL2020

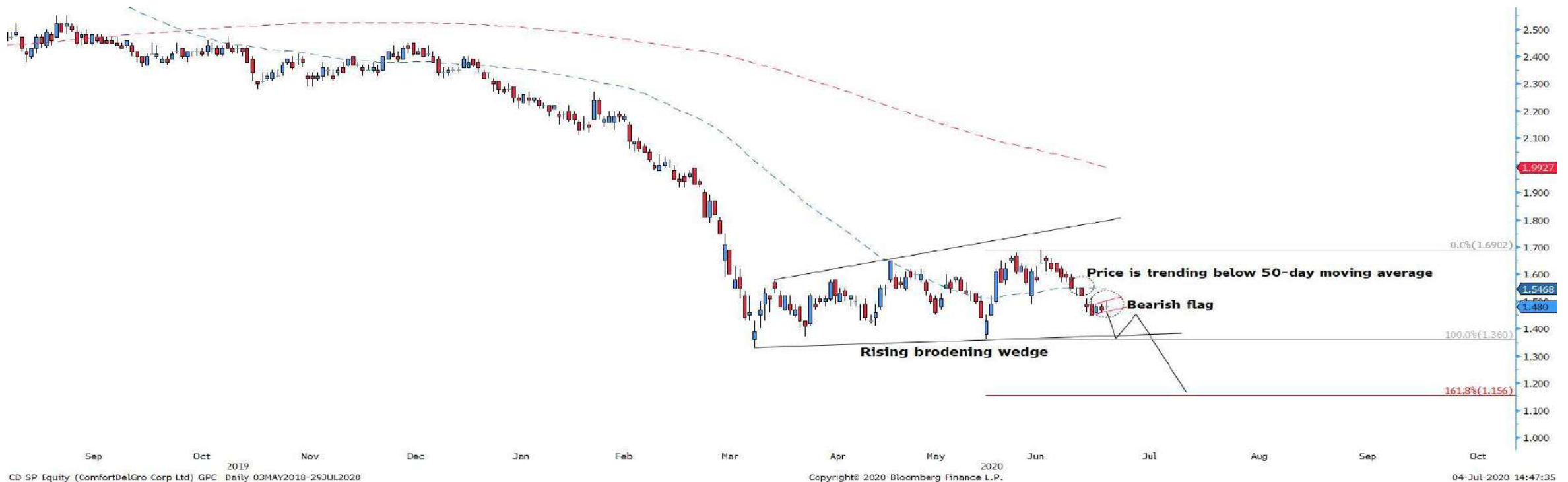
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Source: Bloomberg, PSR

ComfortDelGro – Downtrend will persist

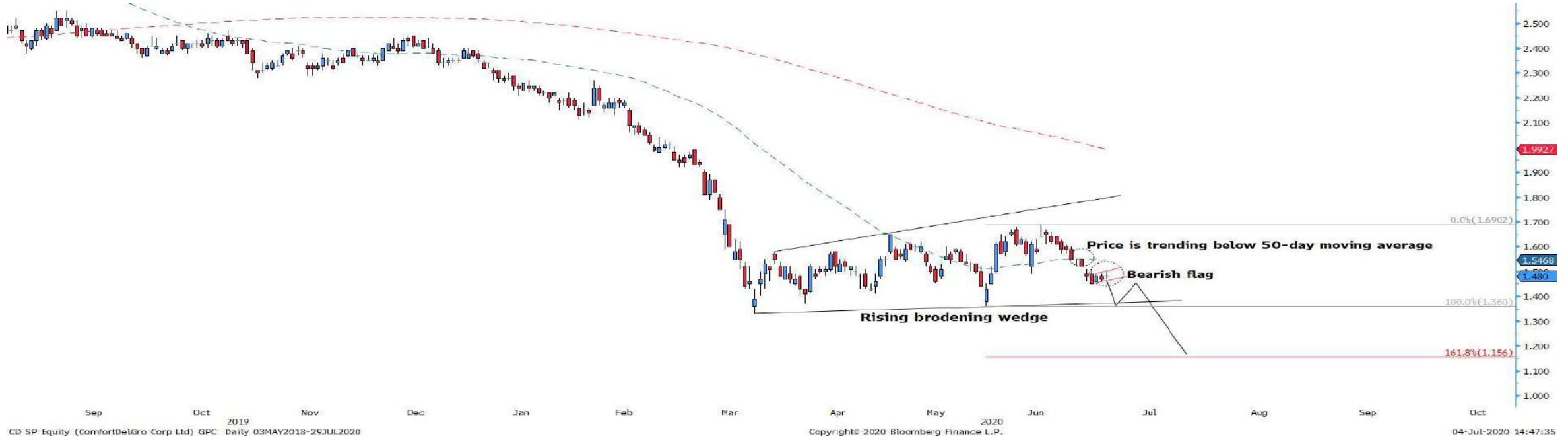
- ComfortDelGro initial sell-off was met with a strong piercing line which see price retest its resistance zone at \$1.64 and \$1.68.
- From a bearish flag/channel, it evolved into a rising broadening wedge which sees the stock plunging further as the pattern is considered a strong continuation pattern



Source: Bloomberg, PSR

Hi-P International – Head and shoulder indicate a potential selling

- Hi-P will enter into a complex double three pattern after a weakening momentum is seen after 26th June 2020.
- We expect the first rebound at \$1.00 region and should price fails to break \$1.15, we would see another round of correction back to \$1.00.
- The resistance zone 1 is a crucial zone as failing to break will means a truncated sub-fifth wave and usually the following impulse wave will be much stronger as it lacks the momentum.

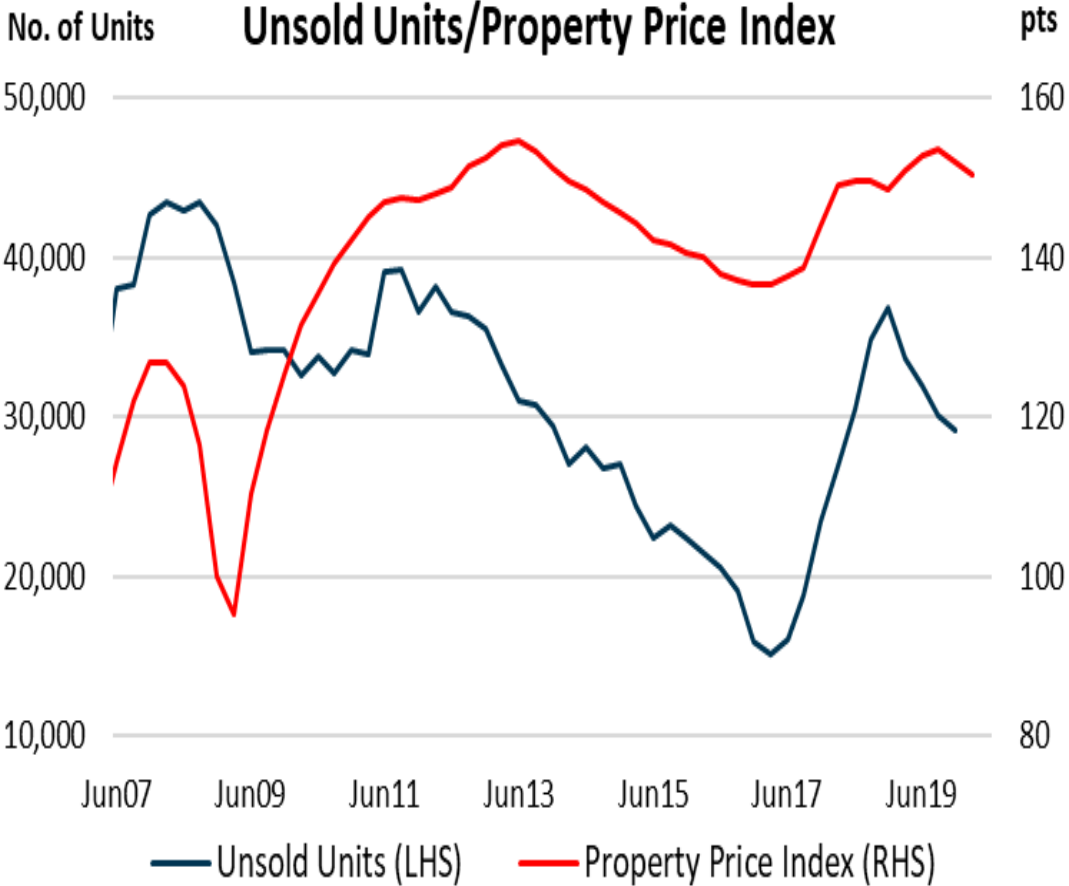


Source: Bloomberg, PSR

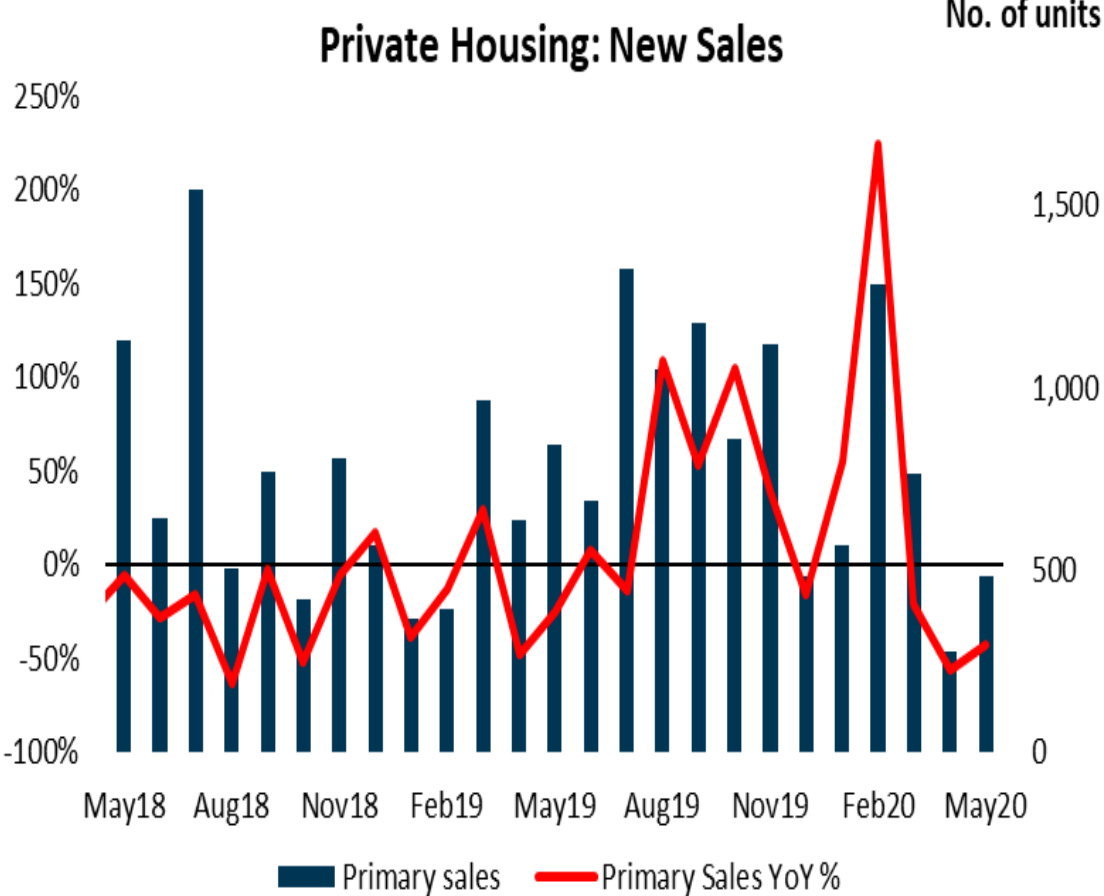
Sector Views



Private Residential: 29k units unsold, down 20% YoY

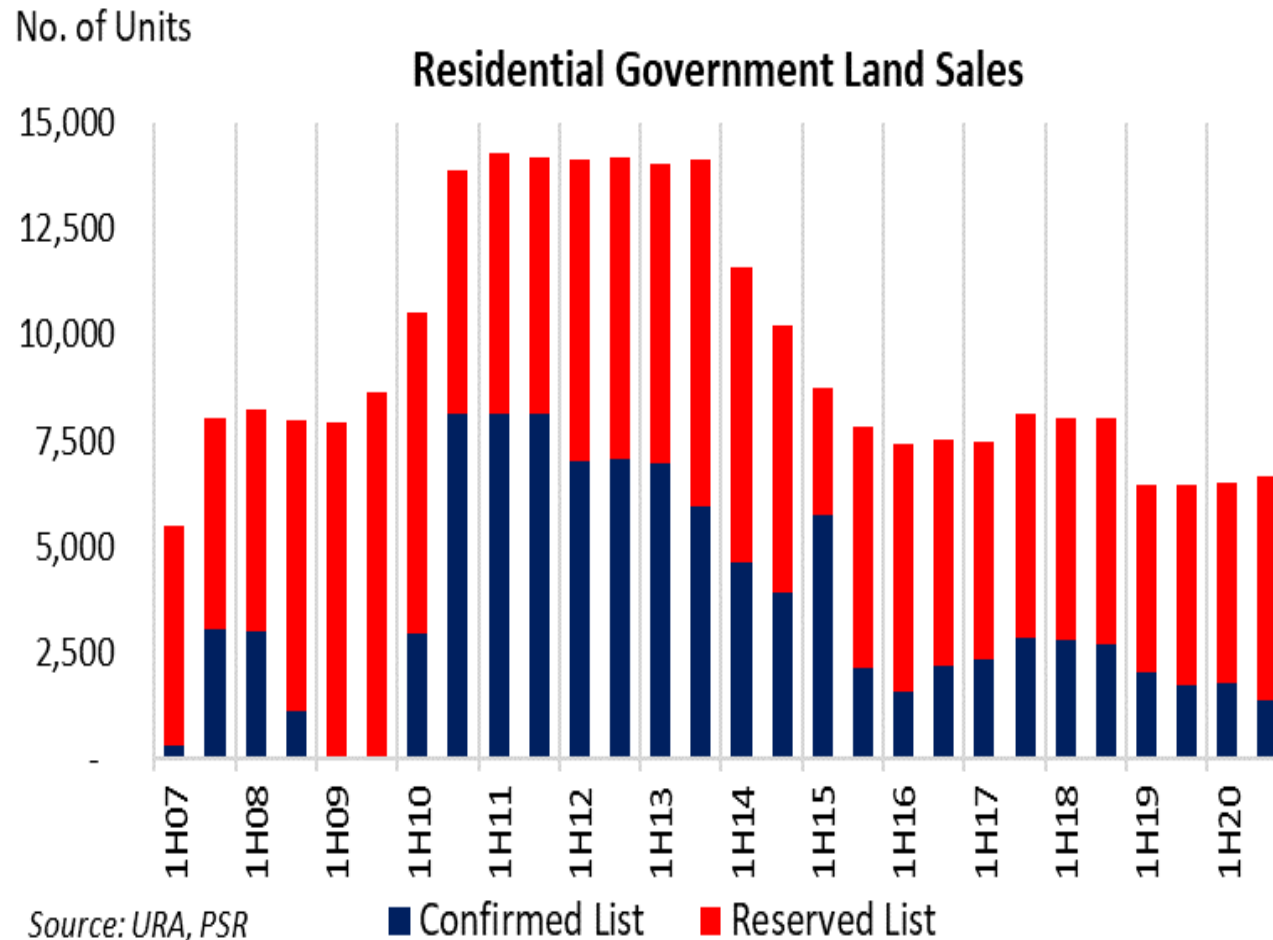


Source: URA, CEIC, PSR



Source: URA, PSR

Prices mildly negative (c.-5%), volumes to come at 5-yr average (c.8k)

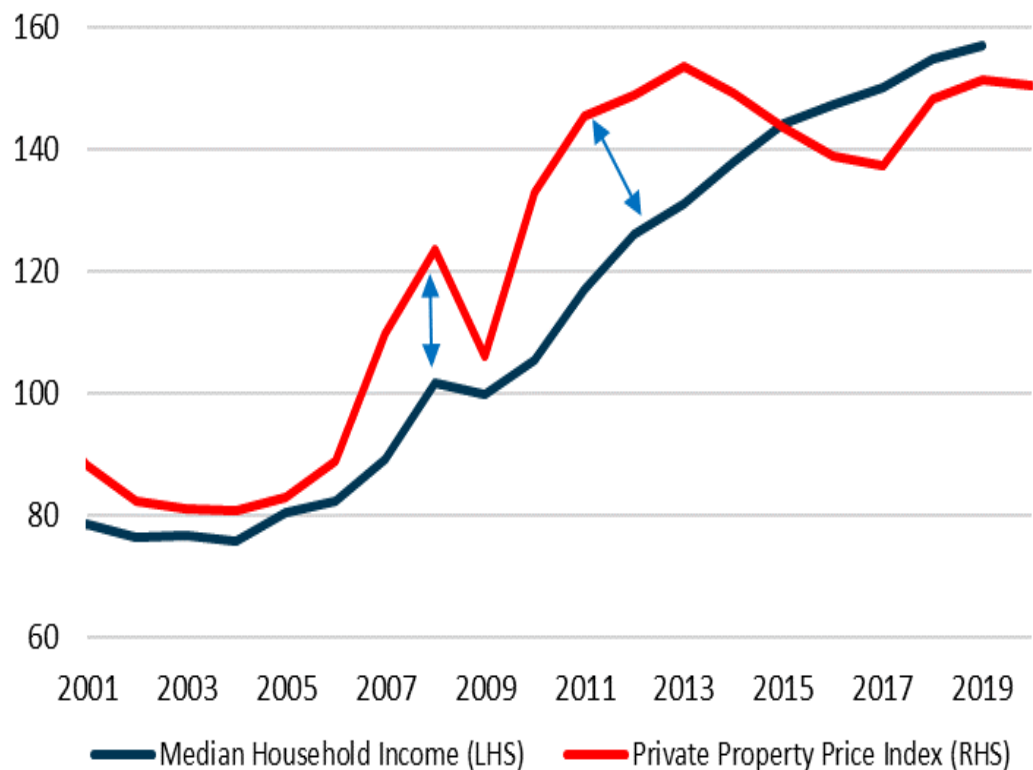


Supporting property prices:

1. GLS - **20%** on the Confirmed List
2. Low interest rate and prices may spur sales
3. Stabilising policies - deferment of loan payment, extension of ABSD
4. Higher land prices prevent deep discounts
5. Strong household balance sheet pre-COVID – LTV fell from 53% to 49% over 2 years

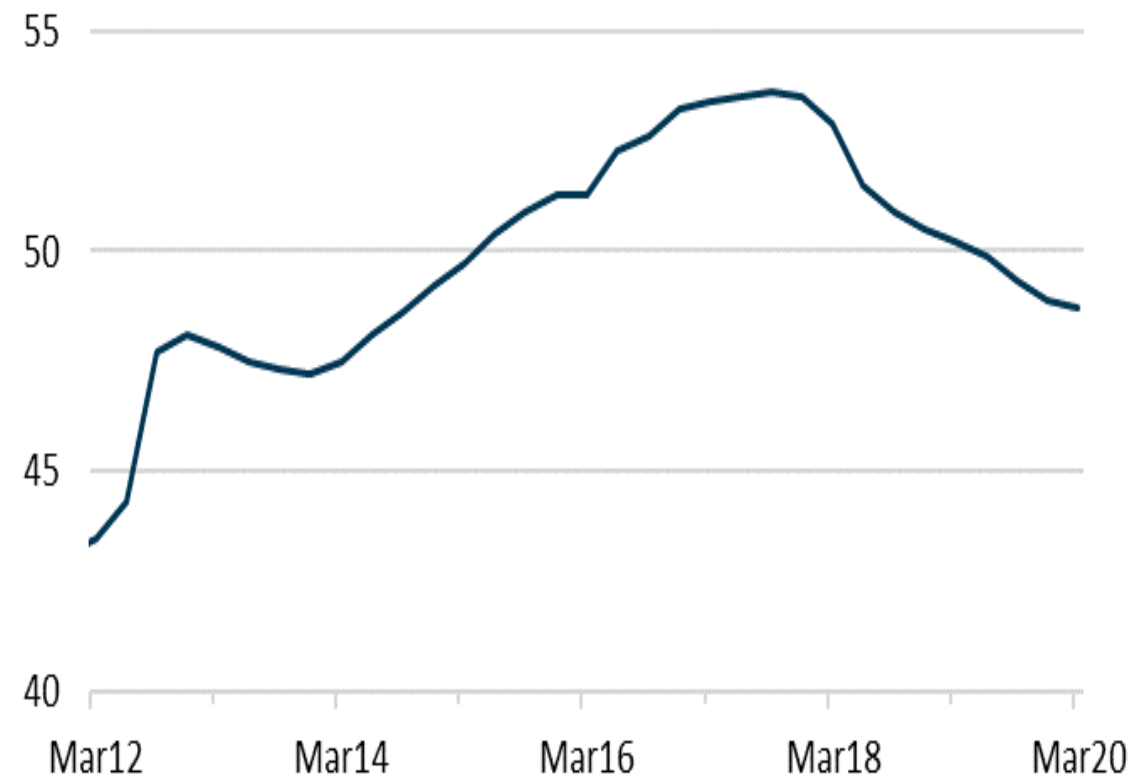
Favorable conditions and growing financial resilience

Private Residential Price Index vs Median Household Income (2009=100)



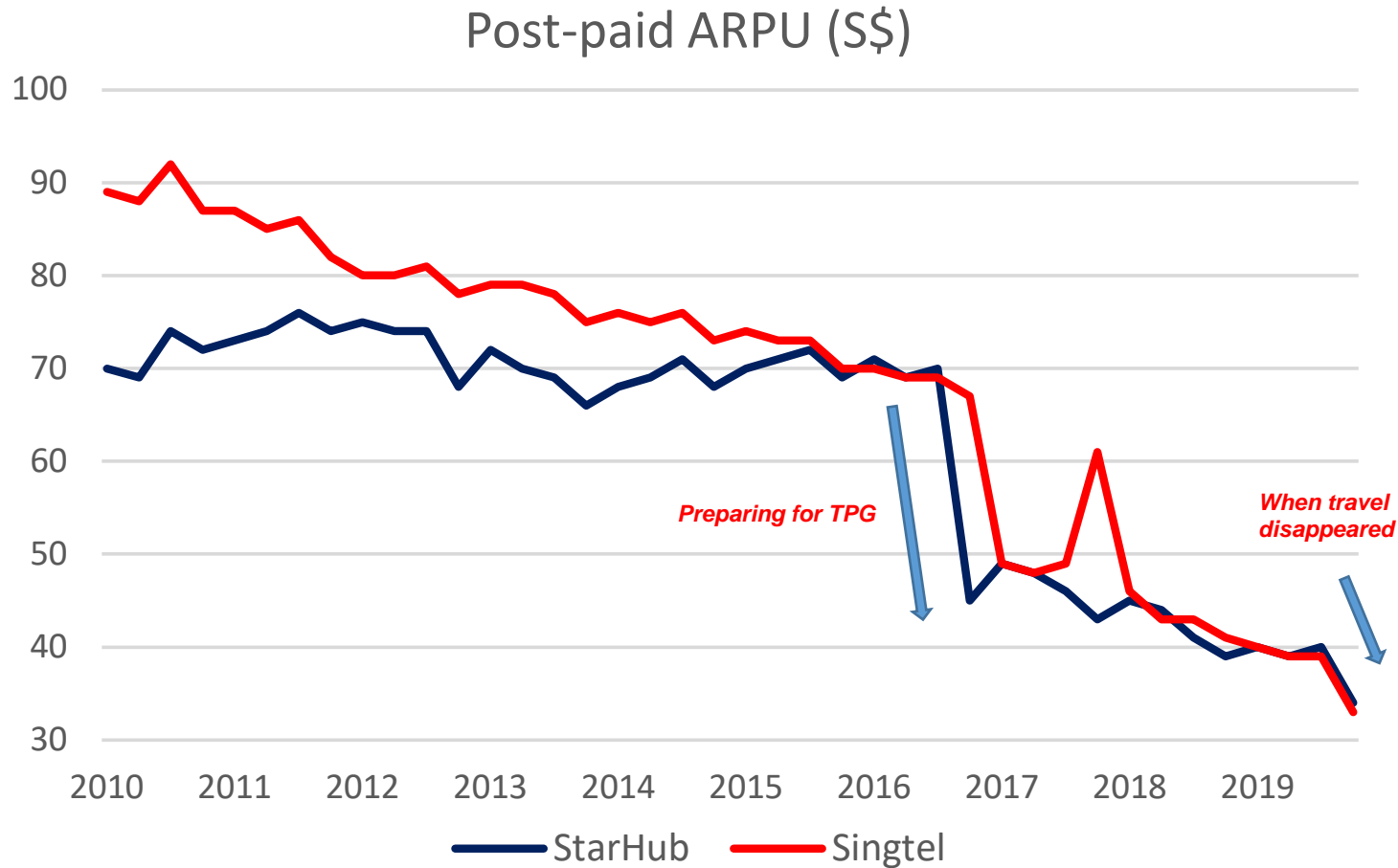
Source: CEIC, PSR

LTV on outstanding home loans



Source: MAS, PSR

Telecommunications: No roaming will bite

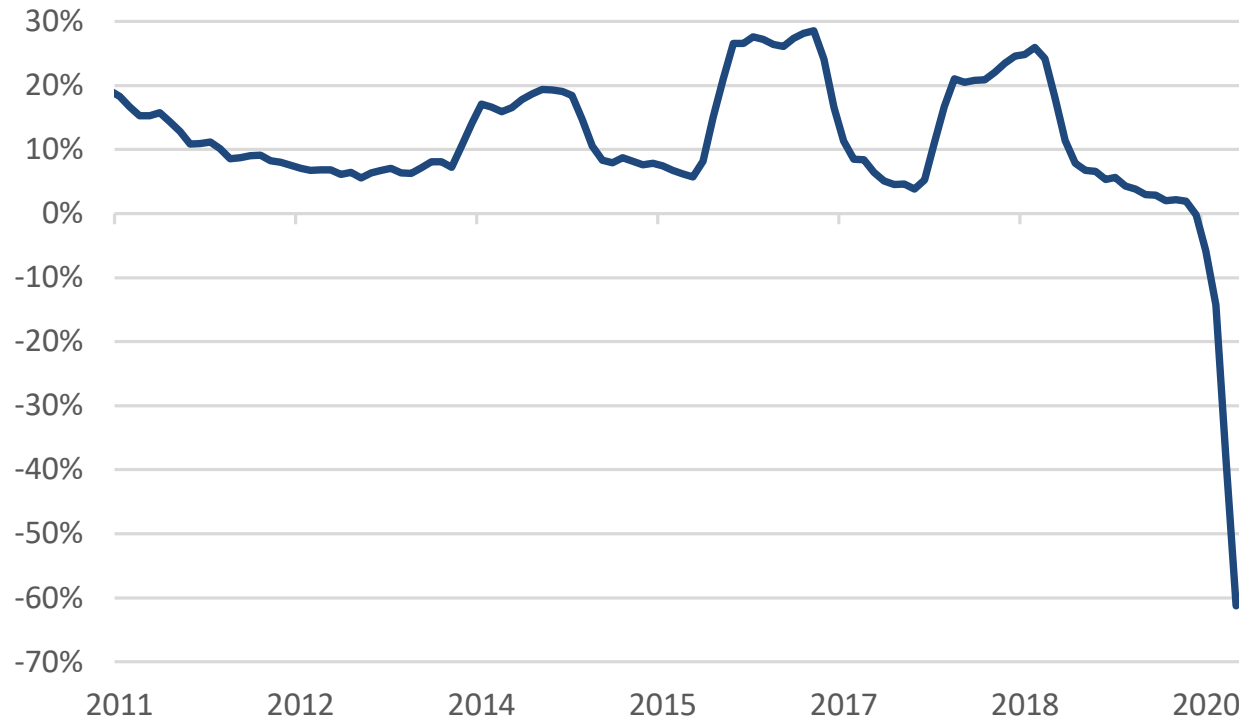


- **High margin roaming business:** Estimated 10-15% of revenue; 748 Apr20 vs 1.59mn Apr19
- **Optus:** Loss of NBN hurt fixed broadband consumer and corporate business for several quarters
- **Associates:** Bharti performing well as competition subsidies
- **Weak emerging market :** Less spend on prepaid services
- **No guidance:** Both telcos not providing any guidance on their outlook
- Rating: **NEUTRAL**

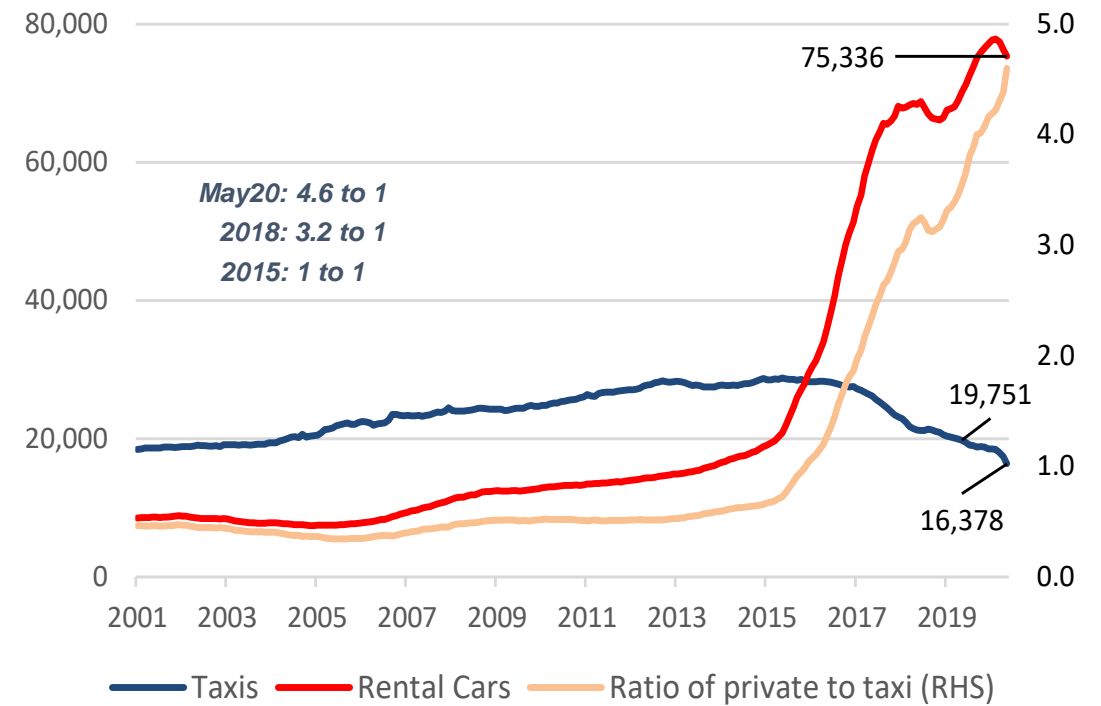
Source: Bloomberg, PSR, TPG awarded 4th mobile licence 14Dec16

Land Transportation: Too intense the competition

SBS: Rail Ridership Growth (YoY - 3MMA)



Taxi vs Private-Hire (units)

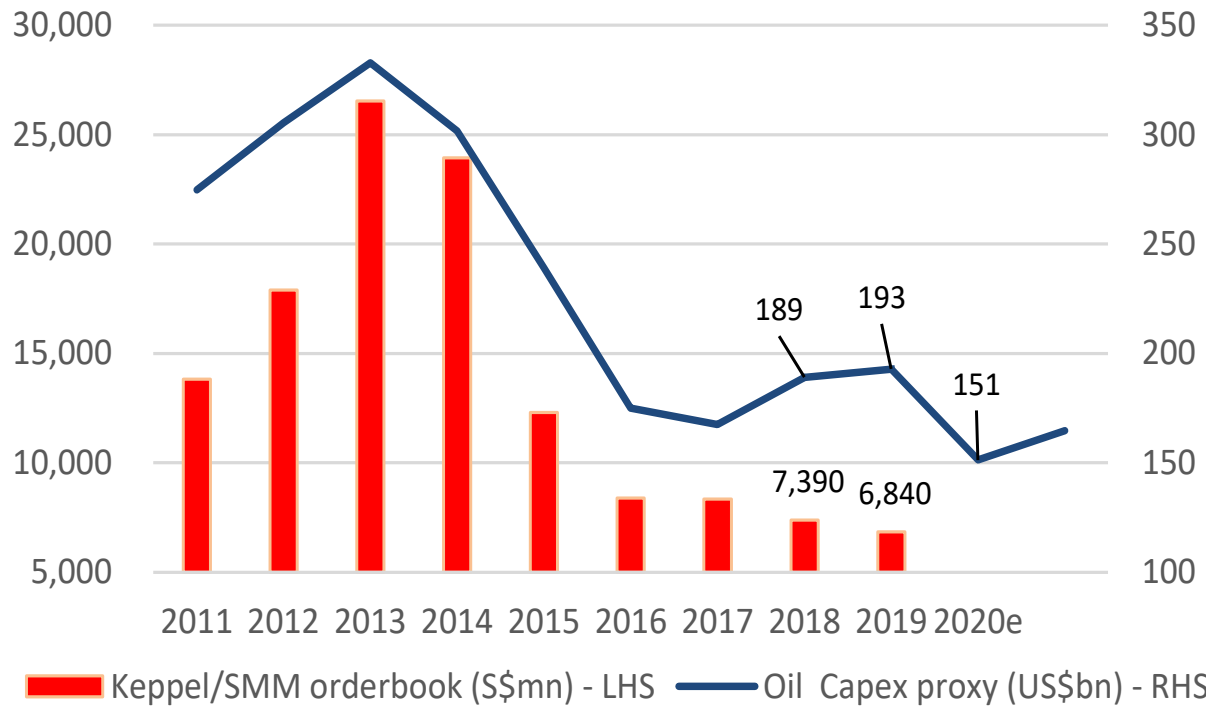


Taxi supply down 3.3k (or -17%) from 1 year ago

Source: CEIC, PSR, Rail is NEL, DTL & LRT

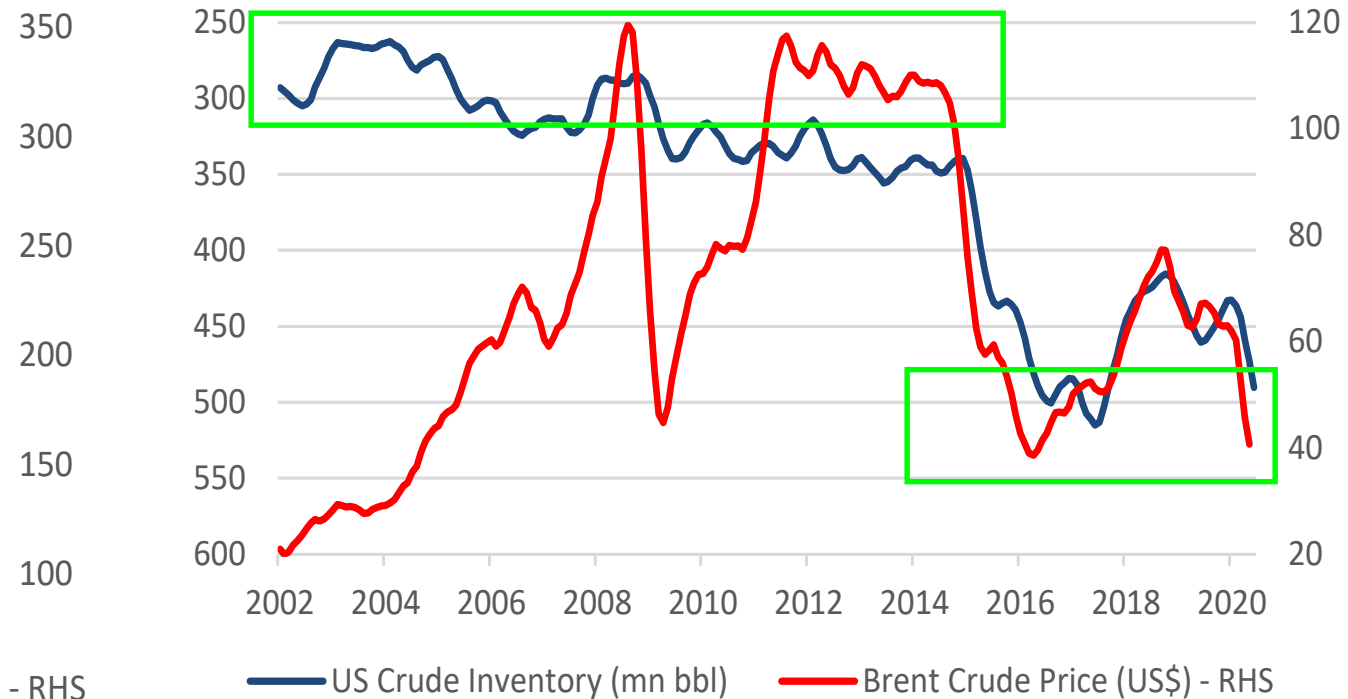
Marine Sector: Exploration is game over

Singapore Marine



Order books fell before recent oil price drop... now oil capex to cut ~20% in 2020

Crude Price Vs Inventory (6MMA)



Inventory still too high at >500mn, exclude hidden storage at SPR

Source: CEIC, Bloomberg, PSR

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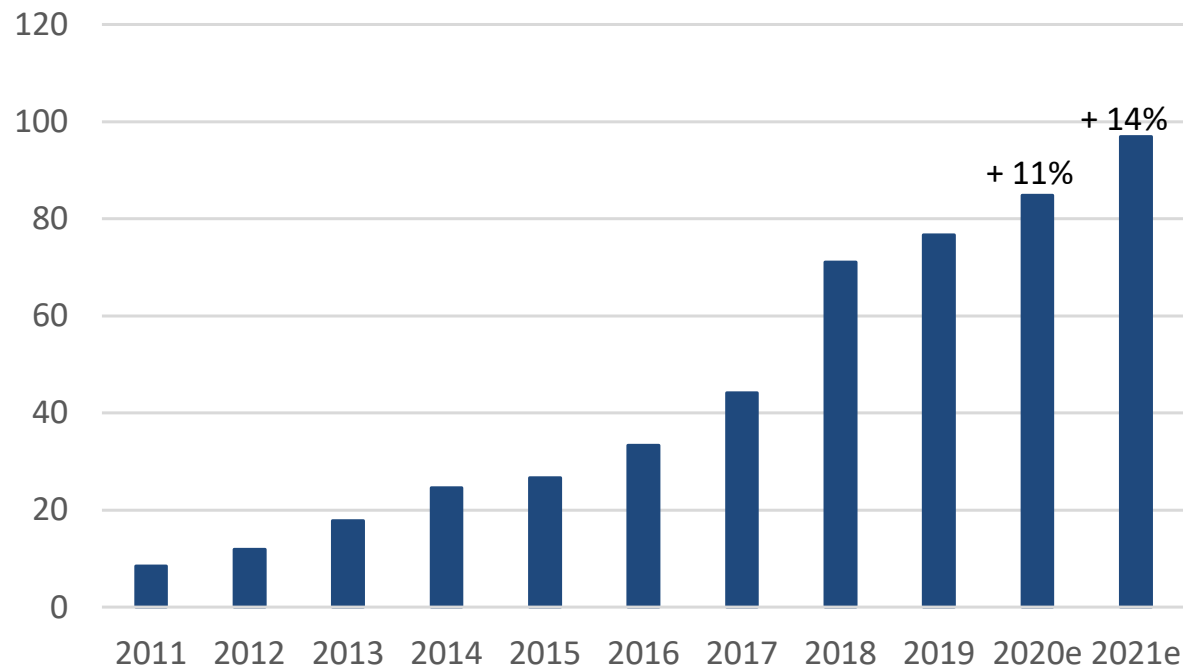
Technology (Hardware): Demand relatively resilient

US: Non-store retail sales



1) Spending shifts online; 2) Consumer budgets move from experiences to goods

Cloud Capex Proxy (US\$bn)



Work + Game + Spend from home

Source: CEIC, PSR

Phillip Absolute 10 Model Portfolio

Company	1M	3M	YTD	Rating	Target Px (S\$)	Share Px (S\$)	Upside	Mkt Cap (US\$m)	Dvd. Yield
Yield									
Ascott REIT	4.2%	26.6%	-24.8%	Accumulate	1.25	1.00	25%	2,220	7.6%
Asian PayTV (New)	0.8%	5.8%	-24.9%	Buy	0.15	0.127	18%	164	7.9%
NetLink	-5.8%	7.2%	2.6%	Accumulate	1.03	0.97	6%	2,705	5.4%
Dividend Growth									
Frasers Centrepoint Tr.	-4.9%	3.1%	-17.8%	Accumulate	2.61	2.31	13%	1,851	5.2%
DBS (New)	6.8%	12.0%	-19.6%	Accumulate	20.60	20.80	-1%	37,799	5.9%
Growth									
PropNex	5.8%	19.8%	5.8%	Buy	0.59	0.55	8%	144	6.4%
Thai Beverage	7.1%	11.6%	-24.2%	Buy	0.82	0.68	21%	12,134	3.2%
Venture Corp.	5.8%	19.2%	-0.1%	Accumulate	16.60	16.18	3%	3,350	4.3%
Re-rating Plays									
CapitaLand	1.0%	2.5%	-22.1%	Buy	3.94	2.92	35%	10,559	4.1%
Yoma (New)	23.5%	68.4%	-10.0%	Buy	0.46	0.32	46%	503	0.0%
Average	4.4%	17.6%	-13.5%				17%	71,429	5.0%

	Absolute 10	STI
Jan20	-0.5%	-2.1%
Feb20	-1.6%	-4.5%
Mar20	-16.4%	-17.6%
Apr20	10.1%	5.8%
May20	1.0%	-4.3%
Jun20	1.8%	3.2%
Jul20		
Aug20		
Sep20		
Oct20		
Nov20		
Dec20		
YTD	-7.4%	-19.6%
Out/(Under)perf.		12.2%

Removed - Sheng Siong, Starhub and UOB

Source: Bloomberg, PSR, Performance is for illustration only and excludes brokerage, dividends and monthly rebalancing cost.

DBS: Earnings resilience with attractive yield

1Q20 Highlights (S\$m)



Net Interest Income	2,482 (+7.4%)
Net Fees & Commission	832 (+14.0%)
Other Non-Interest Income	712 (+39.3%)
Total Income	4,026 (+13.4%)
Expenses	1,556 (+3.9%)
Pre-Provision Operating Profit	2,470 (+20.3%)
Allowance	1,086 (n.m.)
PATMI	1,165 (-29.4%)

Strong business momentum in 1Q20

- Robust growth across segments
- Buffer for slower growth subsequently

Net Fees & Commission poised for recovery

- (Recap) Wealth Management and brokerage-related fees to benefit
- Stronger Investment Banking franchise

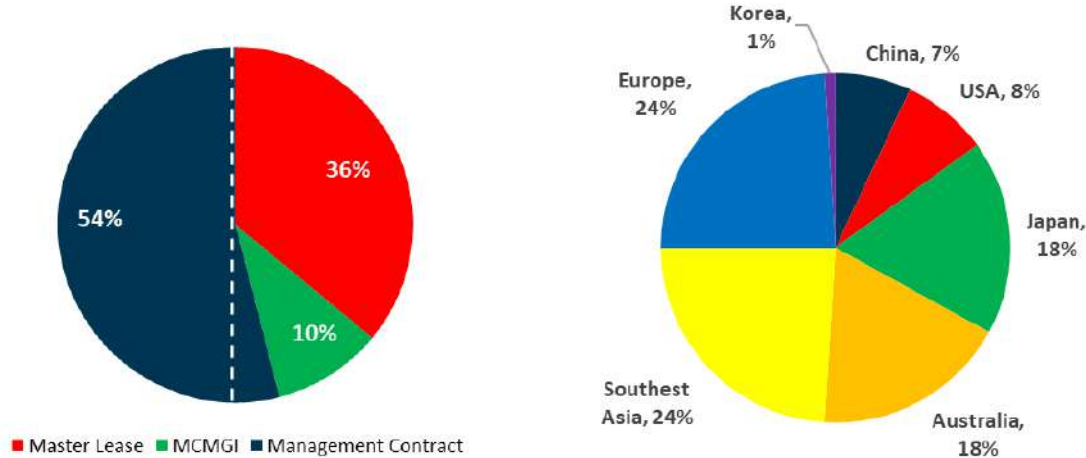
Attractive quarterly dividend

- \$0.33 of quarterly dividend represents c.6% annualised yield

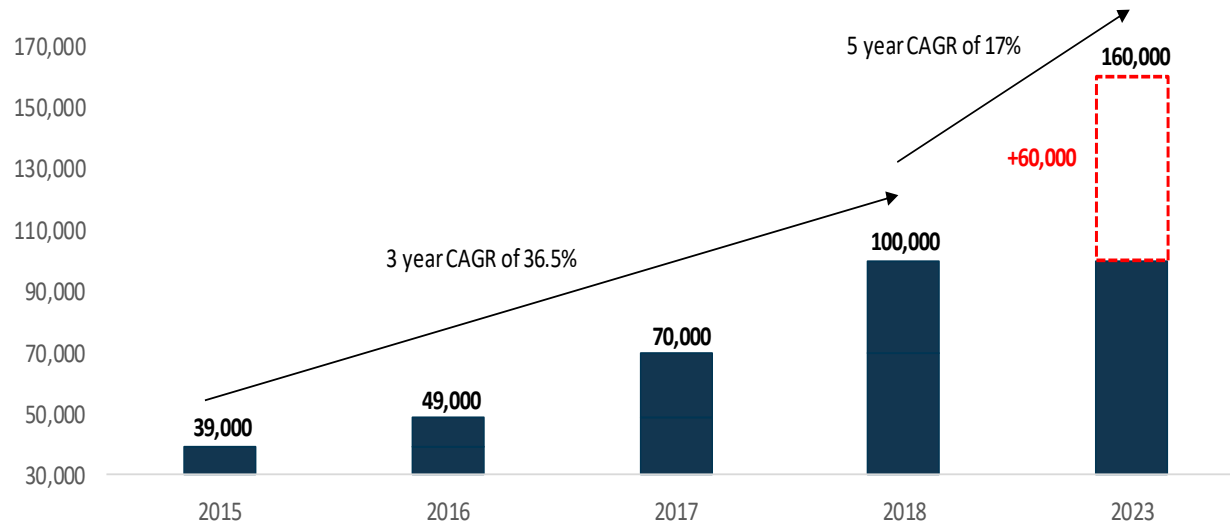
Rating: NEUTRAL; TP: S\$20.60

Source: Company, PSR

Ascott REIT: Stability and outperformance of select service



Sponsor's growth in no. of keys under management

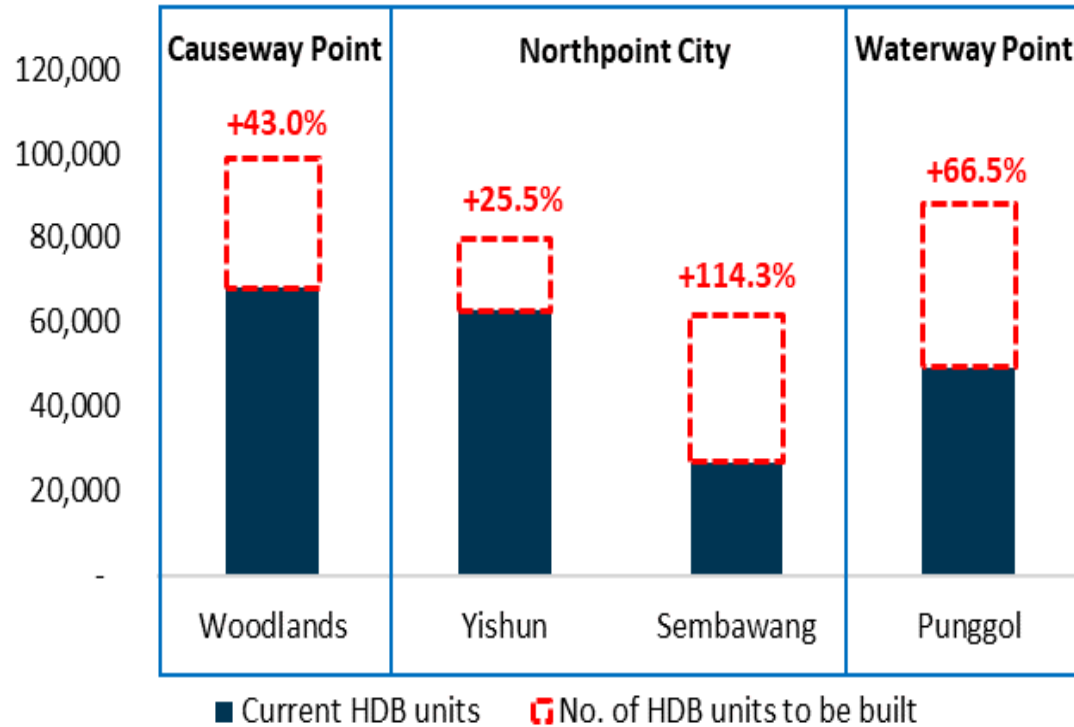


- 88 properties, across 15 countries - low concentration risk per asset
- Corporate 41% : Leisure 59%
- Stability from geographical and lease structure diversification
- 20 ROFR properties, S\$2.1bn debt headroom (assuming gearing of 50%)
- Global footprint and increased brand recognition and loyalty programs
- Popularity of select-service accommodation – preference for value, lower price point
- Rating: **BUY**; TP: **S\$1.25** ; FY20e dividend yield: **6.7%**

Source: Company, PSR

Frasers Centrepoint Trust: Powered by resilient growth

Projected increase in catchment population

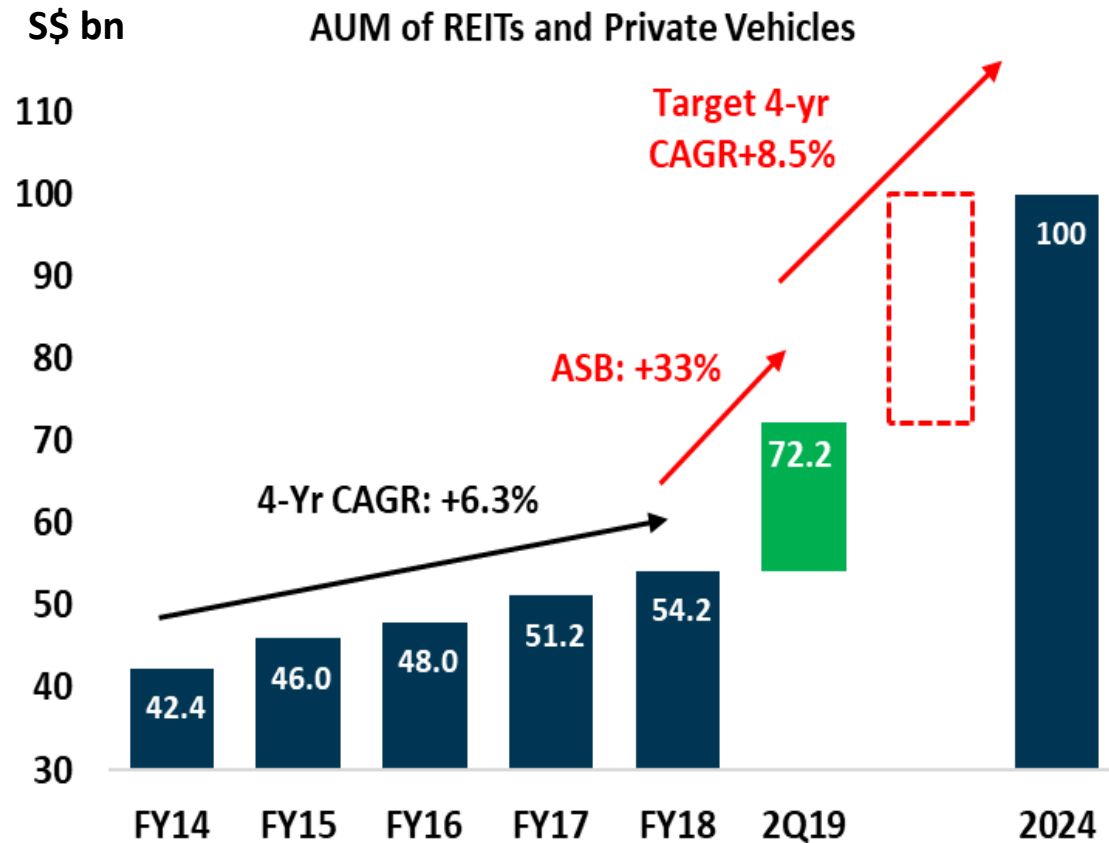


- Resilient necessity spending and outperformance of fringe rents
- Organic growth: Projected 67.7% jump in HDB units surrounding three largest malls
- Inorganic Growth: 3 Pipeline assets from Sponsor and 6 PGIM's SG assets
- Rating: **ACCUMULATE**; TP: **S\$2.61**; FY20e dividend yield: **4.2%**

FRASERS EXPERIENCE



CapitaLand: Building recurring income and unlocking value

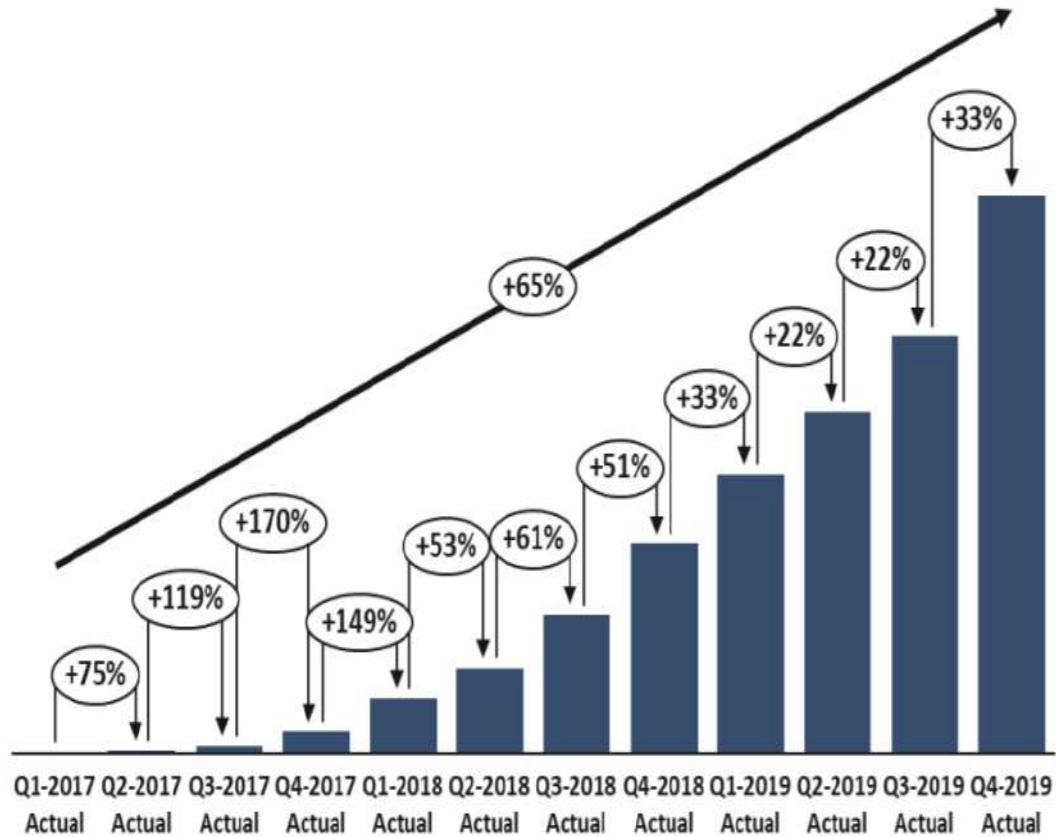


Source: Company, PSR

- Quality recurrent income growing – 1/3 of FY19 revenues are recurring
- Capital-efficient – disciplined asset recycling and tapping on external capital providers
- Unlocking value in new geographies (India) and asset classes (business parks)
- 10% ROE in 2019
- Rating: **BUY**; TP: **S\$4.20**

Yoma Strategic: Structural growth at a cheap price

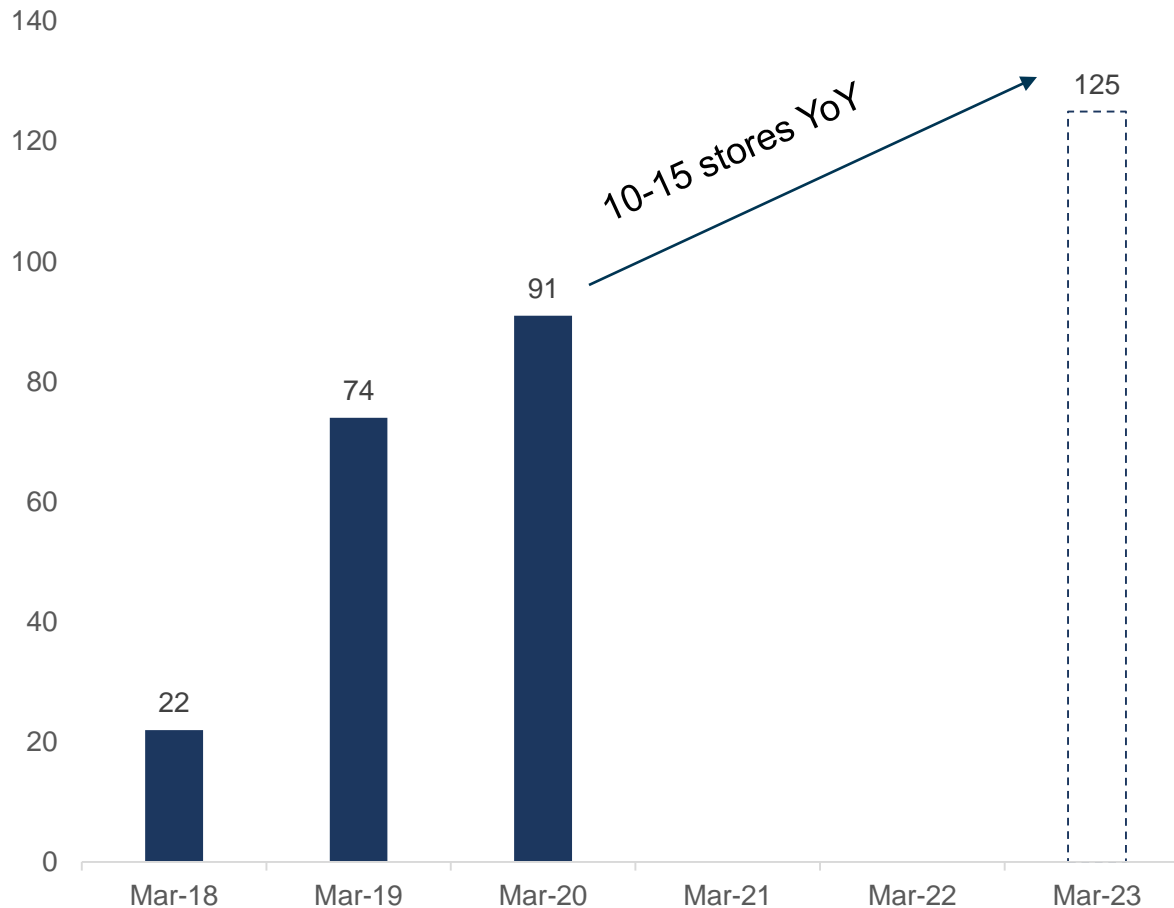
Wave Money's transfer volumes grew by 65% CAGR since 1Q17



- Conglomerate with entrenched foothold in Myanmar's fast-growing and most attractive consumer segments
- Large property land bank equivalent to 10-15 years of sale – Yoma Central / Star City / Peninsula Yangon
- Financial services poised for stellar growth on the back of a 5x YoY revenue leap in Wave Money

Yoma Strategic Holdings (con't)

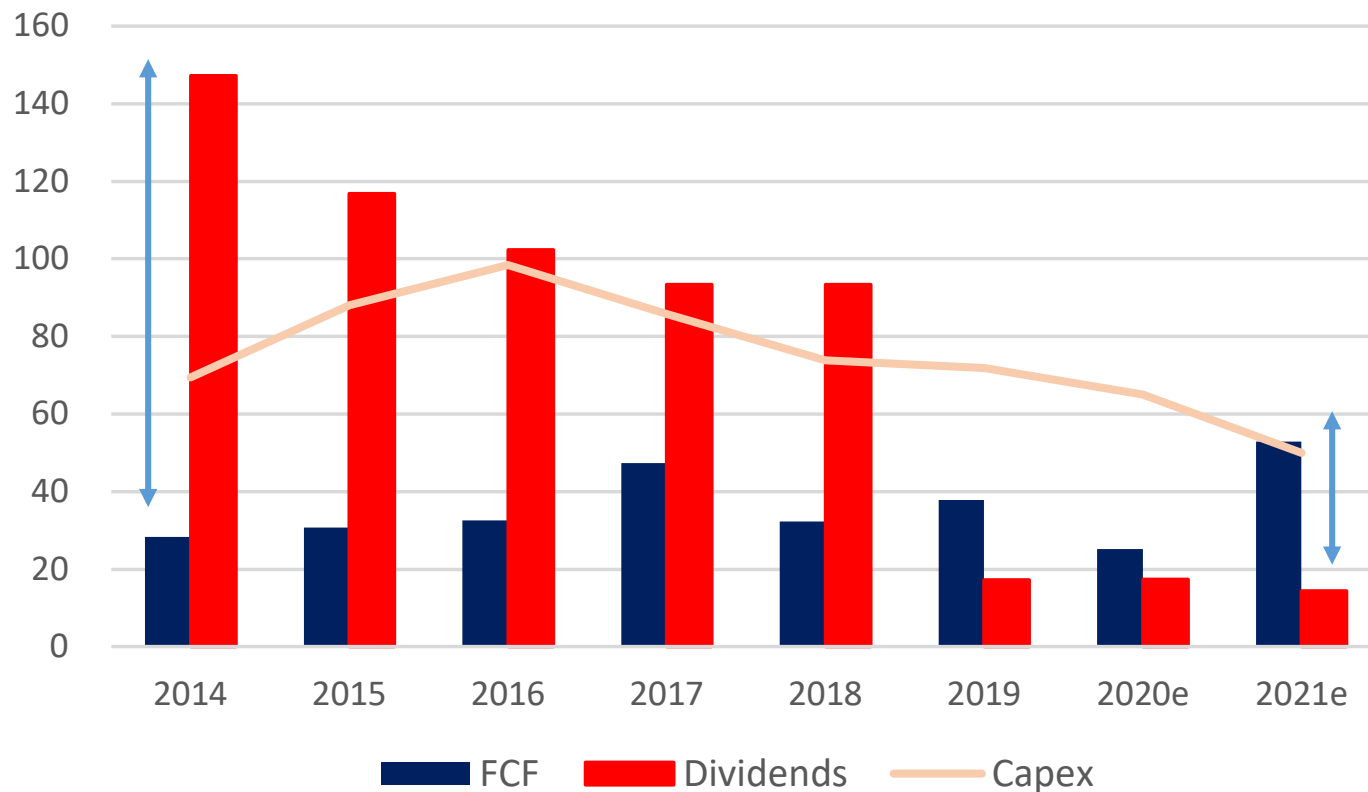
Total number of F&B stores



- F&B growth underpinned by at least 60% growth in KFC stores over the next three years (45 → 75)
- Current valuations depressed in view of structural growth prospects.
- Rating: **BUY**; TP: **\$0.46**

Asian PayTV: Mr Unpopular

Asian Pay TV (S\$m)

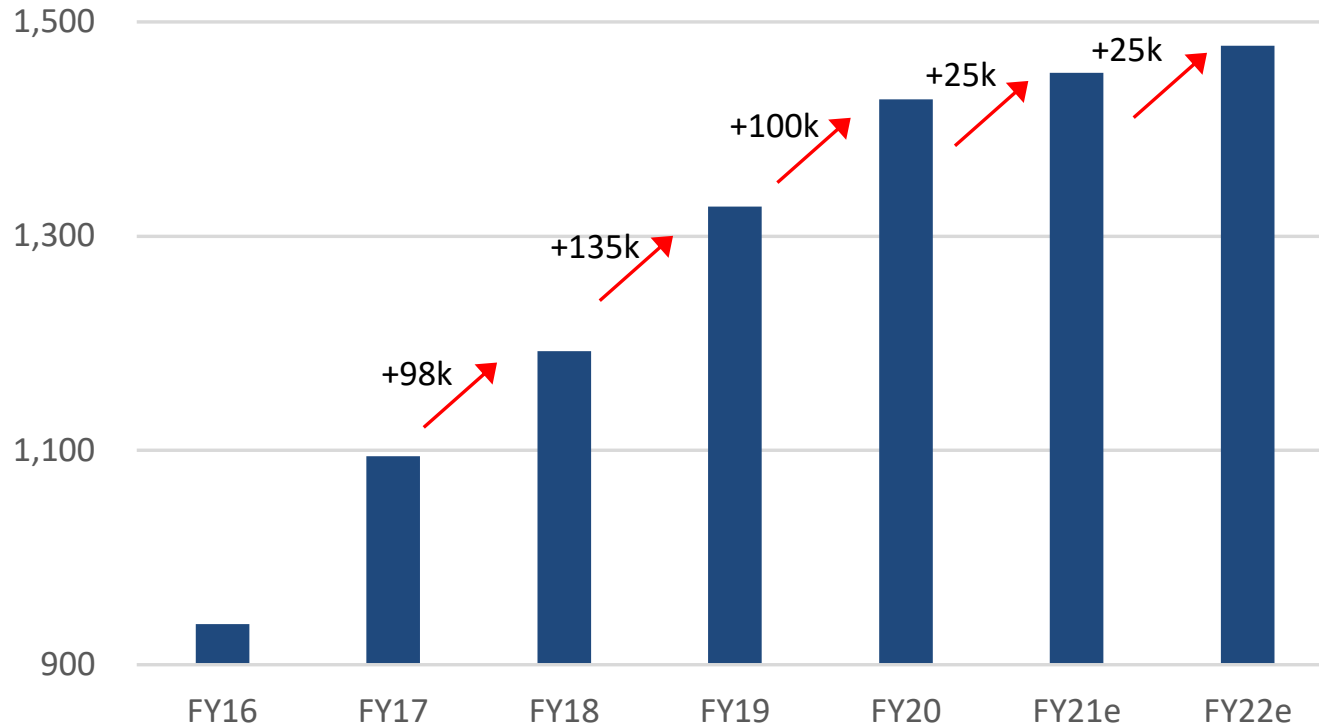


- Monopoly fibre provider for cable TV and broadband in Taiwan
- 2 reason to be positive
 - a. Dividend is sustainable: \$50mn FCF vs S\$18mn dividend
 - b. Optionality of high margin 5G back-haul service for mobile operators
- Dividend payout is after capex; S\$200mn dividend vs S\$250mn operating cash-flow
- Rating: **BUY**; Target price **S\$0.15**; Distribution yield: ~7.8%

Source: Company,, PSR

Netlink NBN Trust: Slow and stable

NetLink Fibre residential subscribers (000s)

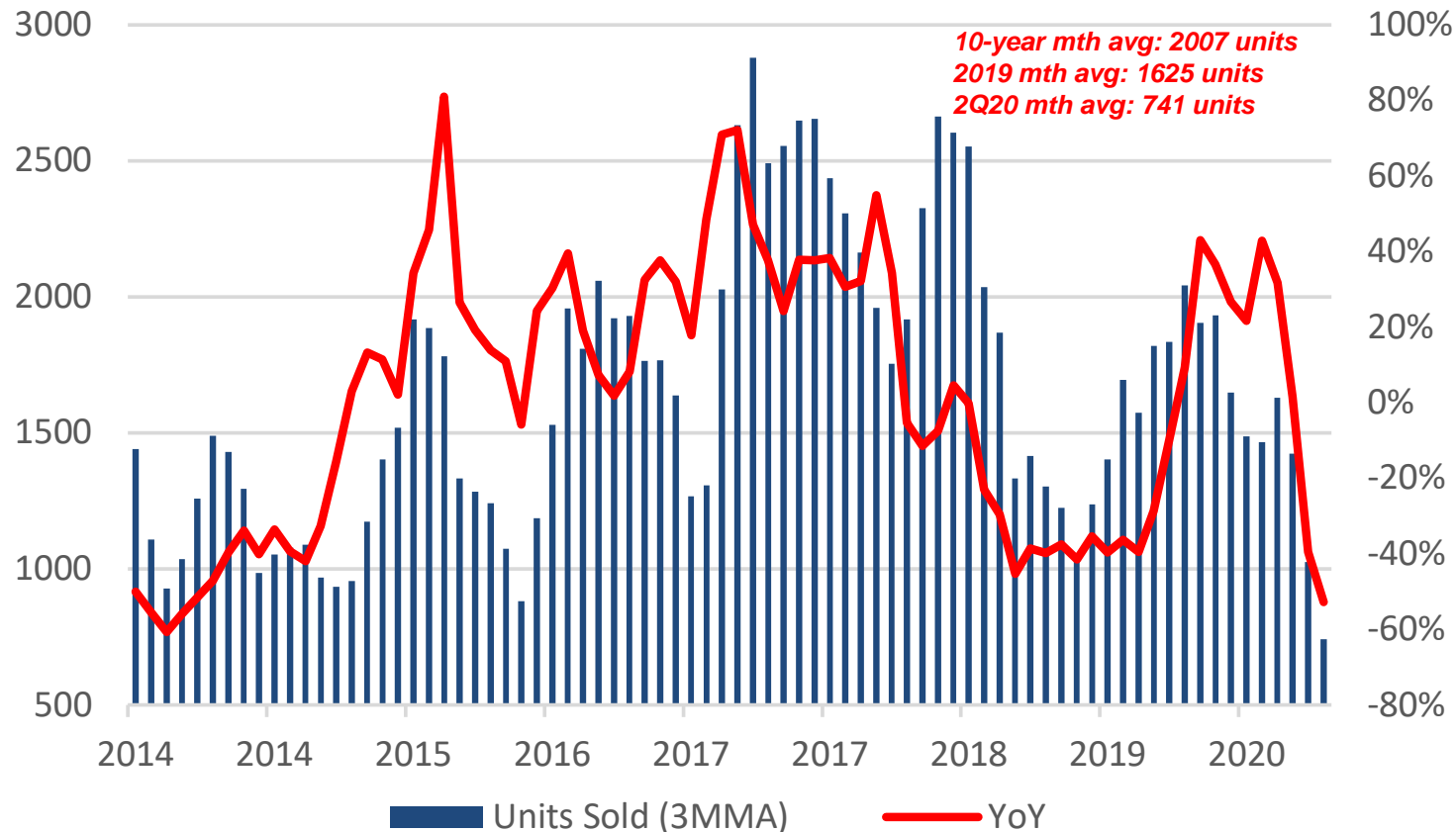


- Monopoly fibre provider that cannot be replaced and regulatory protected return (pretax IRR 7%)
- Recurrent S\$13.80 per month from 1.427mn households = ~S\$236mn
- Impact from Covid-19 is minimal
- Household formation and capex will ensure growth
- Stable dividend yield 5.3%
- Rating: **ACCUMULATE**; TP: **S\$1.03**;

Source: Company,, PSR

PropNex: Best financial metrics but cyclical

SG: Total Property Transactions

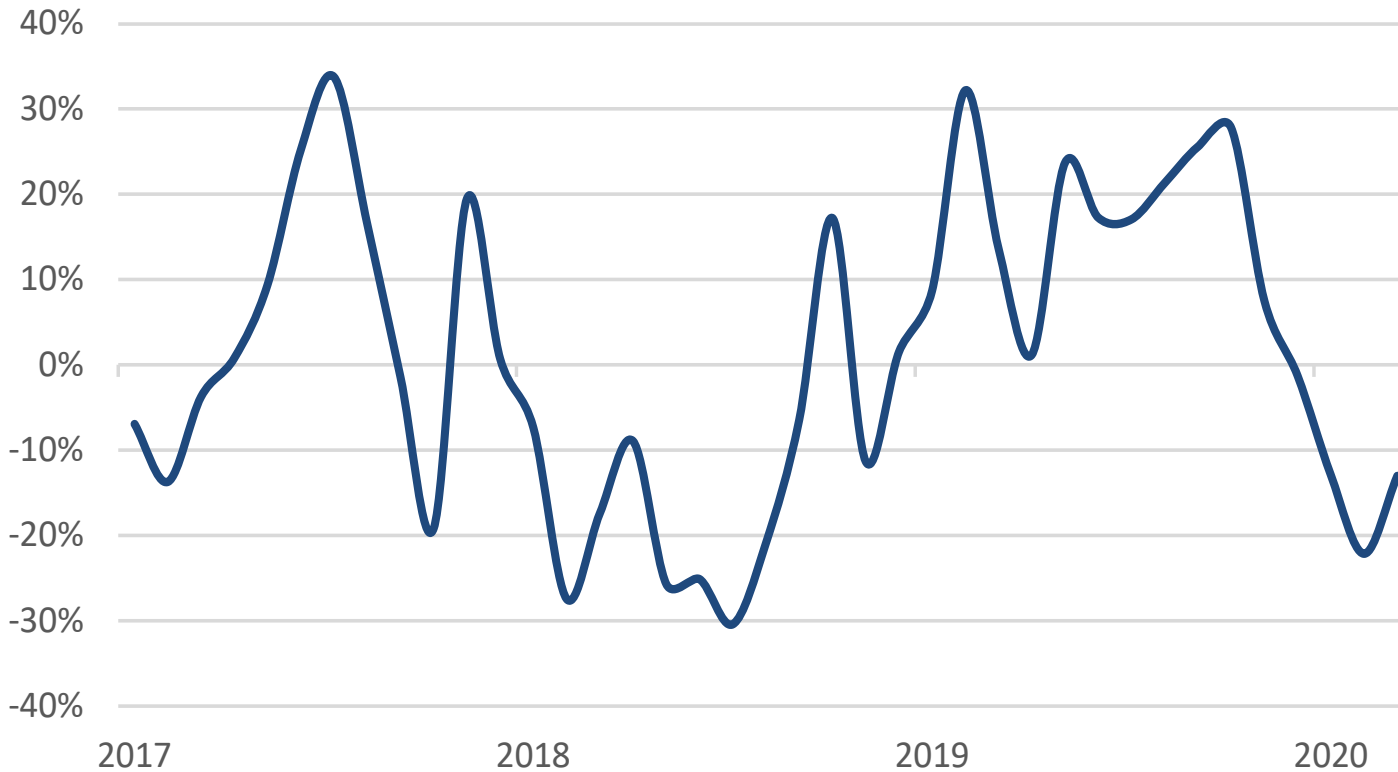


- Dominant:
 - a. Largest real estate agency in Singapore
 - b. Market share: private residential new launch 48%, private resale 45%, HDB resale 51%
- 2H20 results will fell Covid-19 impact
- Attractive metrics: ROE 24% on fixed assets of S\$3.5mn
- Sustainable yield of 6.7% (S\$13mn p.a. vs S\$89.8mn cash)
- Rating: **BUY**; TP: **S\$0.60**.

Source: URA Realis, PSR

Thai Beverage: Buying the dominance

TH: Liquor Sales - 3MMA (YoY)



- ~90% of earnings from spirits business
- Dominant market share: 95% spirits (Thailand) / 70% (Myanmar) / 40% beer (Thailand and VN)
- 3-week alcohol ban in Thailand: April -51% YoY and May +32% YoY
- Sabeco problematic in medium term due to decree 100 to driving penalties and advertising limits + Covid-19 + Interest expenses
- Valuations attractive at 14x PE on Covid-19 depressed earnings
- Rating: **BUY**; TP: **S\$0.82**.

Venture: SE Asia outsourcing winner

MY: Electronics Exports (3MMA YoY)



- Supply chain shifts to SE Asia from China
- Production disruption spill into 2Q20
- Grabbing profit share from global contract manufacturers
- 15x PE FY20e + Net cash of S\$852mn + Dividend yield 4.2% + ROE 12%
- Rating: **ACCUMULATE**; TP: **S\$16.60**;

Source: CEIC, PSR

Conclusion

1. Gradual recovery + aggressive easing almost perfect for equities
2. Economic trajectory will track the outbreak
3. Unclear shape of rebound but bottom has formed
4. Equity strategy will be centred around dividend yield
5. STI target (12 months) is 3000

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Thank you