Phillip Securities Research Morning Call

11th May 2020

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DBS Group Holdings

Allowances dent record operating result

Tay Wee Kuang

Research Analyst

Phillip Securities Research Pte Ltd

10th May 2020

DBS Group Holdings

ACCUMULATE (Maintained), TP: $20.60, Last: $19.70

Results at a glance

(SGD mn)	1Q20	1Q19	YoY
NII	2,482	2,310	7.4%
Net Fees & Comm	832	730	14.0%
Other Non-II	712	511	39.3%
Total Income	**4,026**	**3,551**	**13.4%**
Expenses	1,556	1,498	3.9%
PPOP	**2,470**	**2,053**	**20.3%**
Allowance	1,086	76	n.m.
PATMI	**1,165**	**1,651**	**-29.4%**

Source: Company, PSR

+ The Positives

- Record PPOP of $2.48bn with growth across all segments; income crossed record $4bn for the first time
  - NII grew 7.4% YoY on relatively stable NIM (1Q20: 1.86% vs. 1Q19: 1.88%) as loans grew 4% YoY
  - Fee income enjoyed strong growth (+14% YoY), propelled by WM fees (+28% YoY), loan-related fees (+17% YoY) as well as investment banking fees (+64% YoY).
  - Other Non-interest income grew 39.3% YoY as investment gains were realized on fixed income assets during the quarter
- Interim quarterly dividend maintained at 33 cents
  - Represents annualised yield of 6.6%
  - Guided by stability rather than a payout ratio

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Source: Company, PSR

- The Negatives

- $1.09bn in allowances put a huge dent on earnings
  - SP of $383mn due to new exposures recognized, including a large oil trader
  - $703mn in GP were charged in anticipation of a deeper and more prolonged economic impact from the pandemic

Outlook

- Credit costs of 80-130 bps to be incurred over next 2 years, amounting to $3bn - $5bn in allowances
- Donward NIM pressure to kick in subsequently

Investment Actions

We maintain ACCUMULATE with lowered TP of S$20.60 (previously $27.30). Expected allowance of $700mn per quarter was booked over the next 4 quarters and NIM was further reduced by 10 bps.

United Overseas Bank Limited

Brace for tougher times ahead

Tay Wee Kuang

Research Analyst

Phillip Securities Research Pte Ltd

10th May 2020

United Overseas Bank Limited

ACCUMULATE (Maintained), TP: $20.70, Last: $19.90

Results at a glance

(SGD mn)	1Q20	1Q19	YoY (%)
Net interest income	1,593	1,587	0.4%
Fees & Comm	515	479	7.5%
Other Non Int Income	298	341	-12.6%
Total Revenue	**2,407**	**2,406**	**0.0%**
Expenses	1,086	1,073	1.2%
Allowances	286	93	207.5%
PATMI	**855**	**1,052**	**-18.7%**

Source: Company, PSR

+ The Positives

- Fee income continues to enjoy business momentum from previous quarters (+8% YoY)
  - WM fees were up 28% YoY to bolster lower loan-related fees (-11% YoY).
- Earnings impact from allowances bolstered by RLAR
  - Total of $546mn in allowances catered for capital reserves
  - $286mn charged through ECL 1&2 (unimpaired loans) while remainder $260mn charged through RLAR from retained earnings.
  - Cumulative GP reserves stand at $2.3bn, inclusive of $400mn in management overlay

- The Negatives

- NIM fell 8 bps YoY to dampen NII
  - Despite healthy loans growth of 3% YoY, NII remained stable as NIM fell to 1.71% from 1.79% a year ago.

United Overseas Bank Limited

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Source: Company, PSR

Outlook

- Balancing between stakeholders' expectations
  - $260mn charge to GP by RLAR bolstered impact on earnings to ensure CET-1 does not fall below desired levels (12.5% – 13.0%).
  - Business operations will not be compromised and avoid adverse impact on regulatory benchmark.
- Credit costs to rise over next two years
  - 50-60 bps in credit costs expected per year (c.$1.5bn per year)
  - May be back-loaded in FY2020 as 1Q20 only recorded 36 bps in credit cost as a result of RLAR

Investment Actions

We maintain ACCUMULATE with lowered TP of S$20.70 (previously $27.90). Expected allowance of $350mn per quarter was booked over the next 2 years and NIM to reduce by 10 bps.

Oversea-Chinese Banking Corp Ltd

Weighed down by insurance and allowances

Tay Wee Kuang

Research Analyst

Phillip Securities Research Pte Ltd

10th May 2020

Oversea-Chinese Banking Corp Ltd

ACCUMULATE (Maintained), TP: $9.14, Last: $8.88

Results at a glance

(SGD mn)	1Q20	1Q19	YoY (%)
Net interest income	1,626	1,534	6.0%
Fees & Comm	546	495	10.3%
Insurance	157	276	-43.1%
Other NII	161	371	-56.6%
Total income	**2,490**	**2,676**	**-7.0%**
Expenses and amortisation	(1,135)	(1,120)	1.3%
PPOP	**1,355**	**1,556**	**-12.9%**
Allowances	(657)	(249)	163.9%
PATMI	**698**	**1,231**	**-43.3%**

Source: Company, PSR

+ The Positives

- NII grew 6% YoY as NIM was stable at 1.76% from a year ago.
  - Loans grew 3% YoY
  - CASA ratio improved to 51% from 47% a year ago
- Fee and commission income grew 10% YoY
  - WM fees grew 32% YoY, brokerage & fund management fees grew 18% YoY
  - Stave off decline in loan-related fees (-18% YoY)

- The Negatives

- Great Eastern contribution plummeted by 94% YoY
  - Mark-to-market losses of investment portfolio a result of poor market conditions
  - Franchise continues to grow operationally (NBEV +15% YoY and TWNS +21% YoY)
- Exposure to O&G contributed to higher credit costs
  - $275mn in SP charged mainly due to a large exposure to a local oil trader

Oversea-Chinese Banking Corp Ltd

ACCUMULATE (Maintained), TP: $9.14, Last: $8.88

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PATMI	**698**	**1,231**	**-43.3%**

Source: Company, PSR

Outlook

- Earnings continue to swing to the tune of GE's performance.
  - Market volatility will dictate performance of GE, impacting OCBC's earnings
- Front-loading provisions in Q1 may provide reprieve to earnings subsequently
  - Guided for 50-60 bps per year in credit costs over next two years.
  - 86 bps in credit cause might mean lesser in subsequent quarters heading into FY21.
- CET-1 ratio healthy at 14.3% up from 14.2% a year ago

Investment Actions

We maintain ACCUMULATE with lowered TP of S$9.14 (previously $12.10). Expected allowance of $300mn per quarter was booked over the next 2 years and NIM to reduce by 10 bps.

Frasers Centrepoint Trust

Navigating choppy cashflow

Natalie Ong

Research Analyst

Phillip Securities Research Pte Ltd

11th May 2020

Frasers Centrepoint Trust

ACCUMULATE (Maintained), TP: $2.24, Last: $2.08

Results at a glance

(SGD mn)	2Q20	2Q19	*YoY (%)*	Comments
Gross Revenue	50.2	49.7	0.9%	
Net Property Income	36.0	36.4	-1.3%	Due to higher property expenses from absences of property tax write-back, offset by lower mareketing expenses
Distributable Income	36.0	28.8	25.0%	Higher due to acquisition and subsequent increase in stakes in PGIM and WWP
DPU (Cents)	1.61	3.14	-48.8%	50% of distribution retained for cashflow need in lieu of potential cashflow mismatch from rental deferments

Source: Company, PSR

+ The Positives

- 23.1% of NLA renewed YTD with reversions of c.5%. 11% of GRI (9.6% of NLA) remain for the year.

- The Negatives

- 2Q20 tenant sales down 2% to 10% for larger malls. FCT's tenant sales outperformed those of central peers (Suntec REIT -20.2% in 1Q20, OUECT -30 to -40% in Feb20).
- Portfolio occupancy fell by 0.4ppts to 96.1%. This was due to 2 non-renewals and one pre-termination of space at CCP.

Outlook

- Tenants do not have to pay rent in May. However, there is a risk this number could rise once the tenant rebate/waiver periods are over.

Maintain ACCUMULATE with and lower TP of S$2.24.

- We lower our forecast to reflect the rental rebates and weaker retail outlook. Our cost of equity assumption is raised by 105bps to 7.6%. FY20e yield of 5%.The 1-month rental rebates will lower FY20e DPU by 11%, however taking into consideration the potential retention of distributable income into FY21, FY20e DPU was cut by 2.88cents (-22.6%).

CapitaLand Mall Trust

Veterans in retail may emerge stronger

Natalie Ong

Research Analyst

Phillip Securities Research Pte Ltd

11th May 2020

CapitaLand Mall Trust

BUY (Upgraded), TP: $2.22, Last: $1.85

Results at a glance

(SGD mn)	1Q20	1Q19	YoY	Comments
Gross Revenue	204.3	192.7	6.0%	Higher due to contributions from Funan (acquired June 19) which contributed $15.8mn. On a comparable mall basis, revenue was down 2.2% YoY
Net Property Income	148.3	140.1	5.9%	
Income Available for Distribution	106.0	121.4	-12.7%	Lower due to S$15.6mn in rental rebates granted ito selected tenants in March 2020
Distributable Income	31.6	106.3	-70.3%	Lower due to retention of $69.9mn in 1Q20 (1Q19: $4.8mn), retention of capital distribution of $9.2mn (1Q19: $5.9mn), and lower distributions from RCS, which retained $9.0mn (CMT's 40% share: $3.6mn)
DPU (Cents)	0.85	2.88	-70.5%	

Source: Company, PSR

+ The Positives

- One-third of FY20's lease expiries renewed in 1Q20 with average reversion of 1.6%. Out of the 21.3% of leases (by GRI) expiring in FY20, 11.9% of leases by GRI remains for the year.

- The Negatives

- 1Q20 tenant sales down 7.5% YoY. Tenant sales for the top 5 trade categories which contribute >70% of gross rental income fell 6.5%.
- Pre-terminations at Clark Quay in the low-single digits, by NLA from a mixed basket of trade categories

CapitaLand Mall Trust

BUY (Upgraded), TP: $2.22, Last: $1.85

Outlook

- CMT has committed to $114mn (inclusive of property tax rebates) of tenant relief, which translates to 100% rental rebates for April and May for almost all retail tenants
- On average, CMT collects 3 to 5 months of security deposit from tenants. The release of 1 month's security leaves 2 to 4 months of security deposits as a safety net.
- Potentially more leases with higher profit-sharing and lower fixed components will be seen in the future
- In the long run, higher risk-sharing may increase the demand for retail space as the lower fixed rents makes it more economically viable for new-to-market brands to give the brick-and-mortar model a go – 30% of Funan's tenant are new-to-market brands.

Maintain ACCUMULATE with and lower TP of S$2.24.

- The rental rebates will lower FY20e DPU by 14.2% - FY20e DPU is cut from 12.51cents to 10.78cents representing a DPU yield of 5.9%.
- We upgrade our call to BUY on attractive valuations – P/NAV at 0.87x is attractive compared to the 1.09x to 1.29x range CMT has been trading at in the last 3 year.

CapitaLand Commercial Trust

Attractive valuations for a stable portfolio

Natalie Ong

Research Analyst

Phillip Securities Research Pte Ltd

11th May 2020

PhillipCapital
Your Partner In Finance

CapitaLand Commercial Trust

ACCUMULATE (Upgraded), TP: $1.74, Last: $1.59

Results at a glance

(SGD mn)	1Q20	1Q19	YoY	Comments
Gross Revenue	103.6	99.8	3.8%	Higher due to contributions from MAC (acquired 18 Sep 19), partially offset by lower income from AST2 and Six Battery Road due to lower occupancy from ongoing AEI
Net Property Income	80.3	79.8	0.7%	Lower due to rental charge expense for Bugis Village
Income Available for Distribution	70.2	82.7	-15.2%	Lower distributions from RCS due to higher renention of $5.4mn (CCT's 60% interest) vs $1.5mn in 1Q19
Distributable Income	63.7	82.7	-23.0%	Lower due to retention if taxable distributable income and no distribution of tax-exempt income as a matter of prudence in light of COVID-19
DPU (Cents)	1.65	2.20	-25.0%	

Source: Company, PSR

+ The Positives

- c.10% of lease expiries for the year remain, 60% of FY20’s expires committed. CCT signed approx. 303K sqft of leases in 1Q20 with positive reversions ranging 0% to 31%. 22% of leases signed were new leases

- The Negatives

- Portfolio occupancy fell from 98.0% to 95.2%. This was largely attributed to lower occupancy at Six Battery Road (-20.2ppts from 98.7% to 78.5%) due to AEIs following the anchor tenant’s (Standard Charted) downsizing upon lease expiry in January 2020

Upgrade to ACCUMULATE with lower TP of S$1.74 (prev. $2.18).

- We lower our FY202/21e forecasts and to factor is lower occupancy from weaker demand in the near-term and the lower revenue from RCS due to the tenant support initiatives.
- FY20e/21e DPU was lowered by 15.0% and 10.9% respectively. Our cost of equity is raised from 6.34% to 7.25% after raising our beta by 13bps and lowering our terminal growth assumption from 1.85% to 1.6% to factor in the increased market risk and weaker leasing demand. DPU Yield: 5%

Ascendas REIT

Built to last

Natalie Ong

Research Analyst

Phillip Securities Research Pte Ltd

11th May 2020

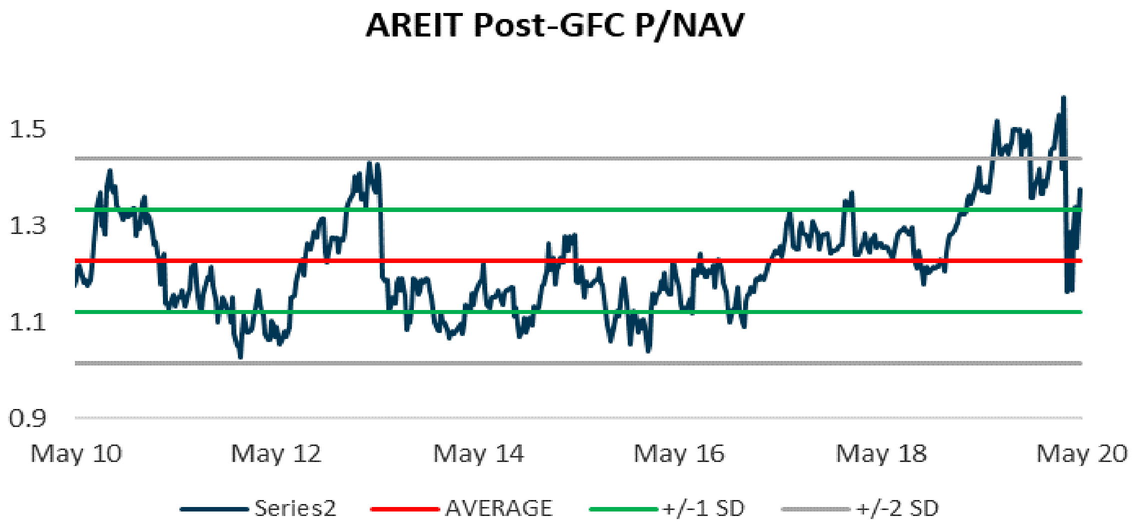
Ascendas REIT

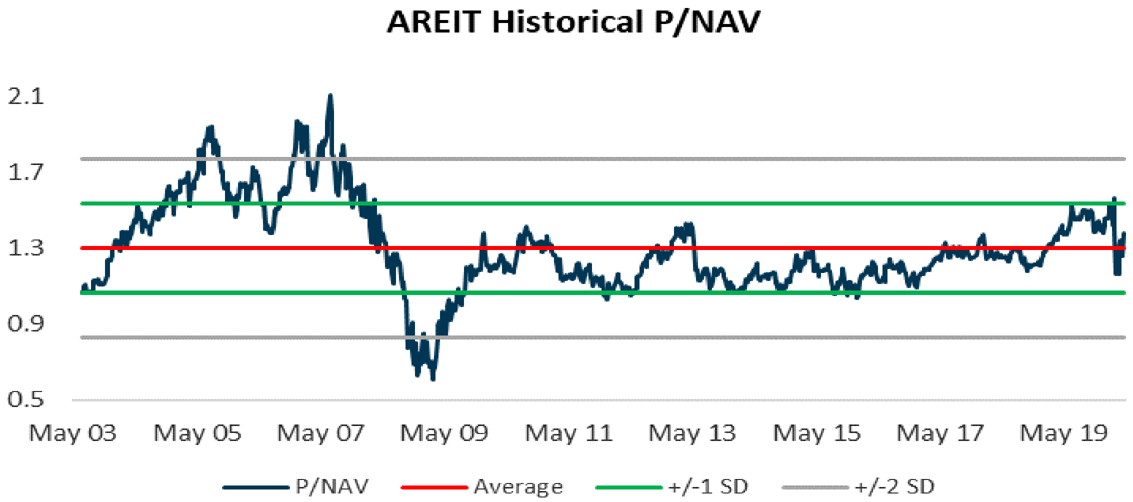
ACCUMULATE (Maintained), TP: $3.18, Last: $2.93

Outlook

- 7.7% rental reversions on SG lease in 1Q20, SG occupancy improved 1.4ppts to 88.6%. Portfolio occupancy also improved 0.8ppts to 91.7%. Of the 28,000sqm of new demand, 11% came from COVID-related demand (i.e. for storage of essential goods).
- AREIT's geographically diversified portfolio and low tenant concentration risk (1,490 tenants, the largest tenant accounts for <4% of revenue) helps to reduce the impact to the portfolio
- Tenants in operating during circuit breaker: 40% of business park, 50% of hi-spec and 90%-100% of logistic and light industrial
- c.15% of tenants in the portfolio are SMEs or are in industries that are likely to be impacted (i.e. aviation, F&B, retail, Oil & Gas, hospitality/leisure).

Ascendas REIT
ACCUMULATE (Maintained), TP: $3.18, Last: $2.93





Maintain ACCUMULATE with lower TP of S$3.18 (prev. $3.31).

- DPU of 16.74 cents represents a yield of 5.6%. If we were to assume 1 month of rental rebates to paid out to SG tenants (c.$67mn), FY20e DPU would be 7.1% lower at 15.55cents, representing yield of 5.2%.
- Despite its P/NAV of 1.38x which is at the +1.5 s.d. level (post-GFC), we think its's stability is due to tenant and geographical diversification and track record of DPU accretive acquisitions and AEIs justifies its premium and will provide stable FY20e yields of 5.6%.FY20e/21e DPU was lowered by 15.0% and 10.9% respectively.
- Our cost of equity is raised from 6.34% to 7.25% after raising our beta by 13bps and lowering our terminal growth assumption from 1.85% to 1.6% to factor in the increased market risk and weaker leasing demand. DPU Yield: 5%

Ascott Residence Trust

Doing well, all things considered

Natalie Ong

Research Analyst

Phillip Securities Research Pte Ltd

11th May 2020

Ascott Residence Trust

BUY (Maintained), TP: 1.17, Last: $0.86

Country	Leases	% Total Assets	Occupancy (MC)	RevPAU YoY	Government intervention
Australia	4 ML	13%	Fell in March - banned entry of non-residents	-	**ML:** Code of conduct - negotiate rent deferment
	9 MC			**-28%**	**MC:** Cashflow assistance, wage support etc.
China	7 MC	7%	c.55%	**-31%**	Will receive tax, insurance, rental and utilities rebates/credits
Frace	17 ML	7%	Closure of 11 SRs, consolidated operations	-	Wage and tax support
Japan	5 ML (Hotels)	20%	2 ML in Osaka closed	-	JPY 117 trillion COVID-19 budget
	4 MC (SRs)		2MC: 1 Tokyo, 1 Kyoto closed	**-37%**	
	11 Rental Housing		90%	-	
Singapore	2 ML	17%	March: 60%	-	Propety tax rebate, wage support
	2 MC		April: 80%	**-30%**	
United Kingdom	4 MCMGI (SRs)	7%	Abvove breakeven occupancy	**-15%**	Property tax rebate
United States	3 MC	12%	DTNY 80% April/May	**-22%**	Property tax rebate
Vietnam	4 MC	4%	70%	**-20%**	

*RevPAU stands for Revenue per available unit. Applies to assets on management contracts (MC) only

Source: Company, PSR

+ The Positives

- Balanced lease structure mitigates the impact of COVID-19 outbreak. ART targets a 50:50 split between stable and growth (variable) revenue.
- Occupancies at MC assets above breakeven occupancy (c.40%). ART enjoys a relatively high steady-state occupancy level due to the long-staying clientele
- Pursuing alternative sources of revenue to shore up occupancy. Malaysians affected by the border closure and those choosing to self-isolate in hotels/SRs have helped to bump occupancy up to c.80%.

- The Negatives

- 18 properties temporarily closed as at 30 April 2020, comprising 11 properties in France (ML), 4 in Japan (2 ML, 2 MC), and 1 each in Belgium (MGMGI), Spain (MCMGI) and South Korea (ML)

Ascott Residence Trust

BUY (Maintained), TP: 1.17, Last: $0.86

Outlook

- WBF Hotels & Resorts (WBF), the master lessee in 3 Japan properties, has filed for civil rehabilitation (i.e. bankruptcy) on 27 April 2020. These 3 properties are located in Osaka (of which 2 are closed) and makeup c.1.8% of ART's valuation
- **Perps** - S$250mn 3.86% perps are callable in June 2020. Several options are available to ART, all of which should result in cost savings. ART can let the coupon reset (next rate will be c.3.4%)
- **Bank Covenants** – Sufficient buffer of 30% to 50% on LTV covenants. ART has negotiated with their lenders to have the ICR testing covenant waived temporarily.

Maintain BUY with a lower target price of $1.17 (prev. $1.53).

- We lowered our FY20e gross profit (NPI) forecast by 13.9%, reducing our RevPAU estimates by 20% to 30% for the full year.
- FY20e DPU has been cut by 15.4% to 6.87cents, representing a yield of 8.0%.

CapitaLand Limited

Building resilience and looking for opportunities

Natalie Ong

Research Analyst

Phillip Securities Research Pte Ltd

11th May 2020

CapitaLand Limited

BUY (Maintained), TP: $3.94, Last: $2.93

+ The Positives

- Recurring income from fees and investment property to provide stable cashflow.
- Commercial and industrial segments resilient, for now. These two segments make up 21% and 9% of FY19's EBIT respectively.
- Strong balance sheet with S$13bn in cash and undrawn facilities.
- Robust recover in residential sales in China. All 288 units at La Botanical (Xi'an) were sold out within 4 days after they were launch on 24 March 2020.Number of units sold in China increased by 6.7%, representing a 5.6% increase in sales value

- The Negatives

- Lodging and retail segments most impacted - As at the end of April 2020, 52 out of a total of 485 properties remain closed. CAPL's 1Q20 RevPAU's fell 22%.
- 1Q20 shopper traffic fell by 10.8% and 52.0% YoY in SG and China.
- Vietnam residential inventory running low, hampered by longer approvals process

CapitaLand Limited

BUY (Maintained), TP: $3.94, Last: $2.93

Outlook

- In China, all 15 malls that were closed during the nationwide lockdown in February have reopened. As at end-April, 85% of tenants have resumed operations
- Delays in construction timelines and absence of sales due to closure of showrooms during the lockdown period.
- Revaluation risk - reduce the pace of capital recycling. To date the Group has made gross investments of S$447mn and gross divestments of S$373mn.
- The management is on the lookout to pick up counter-cyclical assets or assets/business at good valuations

Maintain BUY with lower TP of S3.94 (prev. $4.20).

- FY20e revenue by 14.1% as we factor in the lower earnings from the rental rebates offered and weaker lodging revenues.
- Our TP, which is based on a 20% discount to RNAV, was cut by 6.2% from $4.20 to $3.94, after incorporating the lower revised valuations for the REITs.

Sheng Siong Group Ltd
1Q20 Results

Stellar quarter should continue

Paul Chew

Head Of Research

Phillip Securities Research Pte Ltd

11 May 2020

Sheng Siong Group

Accumulate (Maintained), TP: S$1.58, Last: S$1.46

Results at a glance

SGD mn	1Q20	1Q19	YoY	Comments
Revenue	328.7	251.4	30.7%	New stores +9.0%, SSSG 19.7%, China +2.0%
Gross profit	88.8	65.5	35.5%	Gross margin up +0.9pp to 27.0%
EBITDA	43.3	30.3	43.2%	Government grant rose by S$1.2mn
EBIT	35.2	23.4	50.6%	Dist. expenses +11.9% and admin. expenses +28.2%
PATMI	28.7	19.4	48.2%	
Area (sft 000s)	553.0	496.0	11.5%	

Source: Company, PSR

Positives

- Same-store sales spiked 19.7% YoY in 1Q20 (1Q19: -1%). The jump in sales was attributed to better consumer sentiment during the festive period, pantry stocking following the outbreak, new stores opened (+9.0%).
- In 1Q20, SSG managed to grow their house brands of essential products (e.g. rice, cooking oil, detergents). Margins on such house brand can be 30% higher than the typical non-fresh product margins.

Negatives

- Administrative expenses jumped 28% YoY to S$54mn, mainly attributable to staff cost.
- SSG cannot physically sign leases or renovate the new store secured via tender.

Outlook: Sales momentum - The key driver in sales growth in 2Q20 will be less pantry stocking but more home dining by households due to the circuit breaker. (ii) Gross margins - We were pleasantly surprised that gross margins expanded due to the growth of house brands. Operating expenses – SSG will reward its well-deserving employees one month of bonus in 2Q20. Some of these expenses will be supplement by the job support scheme to be paid from April onwards.

Maintain ACCUMULATE with higher TP of S$1.58 (Prev. S$1.41): It is a challenge to ascertain the normalised earnings that excludes the outbreak. 1Q20 revenues exceeded our forecast by around S$50mn. This is around ½ month of incremental revenue in 1Q20. We are assuming a similar incremental rise in 2Q20. Therefore, we are raising our forecast for FY20e by around S$100mn. Our TP is raised to S$1.58 as we peg the company to historical average of 25x PE.

StarHub Limited
1Q2020 Results

Less travel hurts the business

Paul Chew

Head Of Research

Phillip Securities Research Pte Ltd

11 May 2020

StarHub (Neutral (Downgraded), TP: S$1.45, Last: S$1.49)

Results at a glance

SGD 'mn	1Q20	1Q19	YoY	4Q19	QoQ	Comments 1Q20 vs 1Q19
Revenue	506.1	596.8	-15.2%	608.4	-16.8%	
- Mobile	163.5	192.3	-15.0%	190.9	-14.4%	Postpaid ARPU -12.6%, Subs. +1.9%
- Pay TV	46.8	70.7	-33.8%	56.5	-17.2%	ARPU -21.3%, Subs. -17.0%
- Cyber security	62.4	26.4	136.4%	44.4	40.5%	Turned profitable
Operating expenses	448.4	524.7	-14.5%	563.7	-20.5%	
EBITDA	136.1	162.0	-16.0%	138.5	-1.7%	
Service EBITDA	125.6	149.7	-16.1%	115.7	8.6%	
EBITDA margin	26.9%	27.1%	-0.9%	22.8%	18.1%	
Service EBITDA margin	31.0%	33.7%	-7.9%	26.1%	19.0%	
PATMI	40.2	54.0	-25.6%	34.9	15.2%	

Source: Company, PSR

Positives

- Service EBITDA increased by almost 9% QoQ. There were declines in various operating expense including staff costs, repairs & maintenance, marketing and operating leases
- Cyber security profit was $5mn against $11.4mn losses a year ago. Management remains cautious on future profitability.

Negatives

- Post-paid ARPU was relatively stable at S$39 to S$40 for the past four quarters. It dropped 12.6% YoY to S$34 in 1Q20.Tthe loss of roaming revenue and higher SIM-only plans were the key drivers for the ARPU decline.
- FY20e guidance is withdrawn. Due to the uncertain environment, the management is withdrawing the FY20e guidance.

Outlook: we still expect dividend per share of 9 cents (or 6% yield) for FY20e (or S$155mn) to be maintained. We expect free-cash flow (FCF) of S$350mn in FY20e to sustain the dividends. 1Q20 FCF was S$119mn.

Downgrade to NEUTRAL with lower TP of S$1.45: We cut our mobile revenue estimate. Our valuation is based on a 6X EV/EBITDA FY20e (previously 6.5x). Admittedly, such a target price values Starhub under a COVID-19 scenario where earnings will be depressed in the near-term.

NetLink NBN Trust
4Q20 Results

Stability at the core

Paul Chew

Head Of Research

Phillip Securities Research Pte Ltd

11 May 2020

NetLink NBN Trust
(Accumulate (Upgraded), TP: S$1.03, Last: S$0.985)

Results at a glance

SGD '000	4Q20	4Q19	YoY	3Q20	QoQ	Comments (4Q19 vs 4Q18)
Revenue	92,442	87,862	5.2%	91,637	0.9%	Ducts and manhole down 21% YoY.
- Residential	58,964	53,942	9.3%	58,713	0.4%	Fastest growing revenue segment.
Residential (000's)	1,427	1,328	7.5%	1,421	0.4%	Net adds of 6.27k, slowest so far.
EBITDA	55,778	62,810	-11.2%	67,417	-17.3%	S$15.4mn write-off for systems project.
DPU (cents)	2.53	2.44	3.7%	n.a.		
Net profit	12,477	20,020	-37.7%	21,518	-42.0%	

Source: Company, PSR

Positives

- Residential fibre connections rose by 7.5% YoY to 1.42mn. However, the quarterly net addition of 6.27k fibre connection was the weakest since listing - this is within expectations.
- The full-year distribution per unit was 5.05 cents, a jump of 3.5% YoY. This payout of S$197mn for FY20 is backed by free cash-flows of S$187mn.

Negatives

- Ducts and manhole is weakest revenue segment for NetLink. The decline will be structural, due to fewer copper cables installed by Singtel.

Outlook: NetLink has been relatively unaffected by the outbreak. Understandably, there will be some delays in construction and installation. Segments at risk are the installation and diversion revenue, as well as the new residential connections. However, it is worth noting that these segments only account for 8% and <2% of revenue, and the impact will be temporary.

Upgrade to ACCUMULATE with higher TP: We find NetLink attractive due to the recurrent revenues from the monthly subscription for the residential connections, plus contracted revenues from Singtel. We raised our target price from S$0.99 to S$1.03 as we roll-over the terminal values for NetLink. Growth will be muted but the healthy dividend yield (5.2%) and stability in the operations will be enviable investment merits.

Venture Corporation Limited
1Q20 Results

Disruption filled quarter

Paul Chew

Head Of Research

Phillip Securities Research Pte Ltd

11 May 2020

Venture Corp

Accumulate (Maintained), TP: S$16.60, Last: S$15.74

Results at a glance

SGDmn	1Q20	1Q19	YoY	Comments
Revenue	673.0	928.8	-27.5%	
PBT	69.9	106.2	-34.2%	
PBT margin	10.4%	11.4%	-8.8%	Higher than FY16/17 .
Net profiit	60	91	-33.7%	
Net margin	9.0%	9.8%	-8.2%	
Net cash	852.50	805.2	5.9%	Record high.

Source: Company, PSR

Positives

- 1Q20 PBT margin of 10.4% is a decline from a year ago but is much higher than margins in 2016-17 despite the similar revenue levels. Past three years have seen Venture increase their value-add activities and reduce their fixed cost.
- Net cash of S$852mn is at record levels for VMS. The surge is due to the repayment of lumpy trade receivables extended end of last year. The high cash holding was despite the increase in inventories of around S$100mn QoQ.

Negatives

- Disruption in China and especially Malaysia. 1Q20 revenue collapsed by 27.5% YoY (or a S$255mn drop). This is roughly one-month's worth of revenue.

Outlook: VMS mentioned that "by end April, most if not all of its operating entities received exemptions to operate without headcount or working hours constraints". As the company is heavily involved in the production of medical equipment, their activities are deemed essential.

Maintain ACCUMULATE with lower TP of S$16.60 (prev. S$18.10): We are lowering FY20e revenue and PATMI by 6% and 15% respectively. We are raising our PE multiple target from 14x to 15x. We believe this is warranted to compensate for the temporarily depressed FY20e earnings.

#Note – There was no results briefing or detailed financials for the 1Q20 results. Only an executive summary and general comments were furnished.

Week 20 - Phillip Singapore Weekly

Paul Chew

Head Of Research

Phillip Securities Research Pte Ltd

11 May 2020

PhillipCapital
Your Partner In Finance

Week 20 – Short-term Views

Macro Last Week

- **SG:**
  - Visitor arrivals: Mar20 - 239k and 1.5k China (usual numbers are 1.6mn and 250-300k per month respectively)
  - Retail sales: Apr20 - down 9.8% YoY (ex-MV); supermarket +36%; eating place -15% to -30%; furniture +3.5%

- **US:**
  - Unemployment rate 14.7% or 23.1mn unemployed; worst in history since the Great Depression of 25%; excludes employed but absent from work of another 5%; nonfarm payroll fell record 20.5mn and largest in series history;

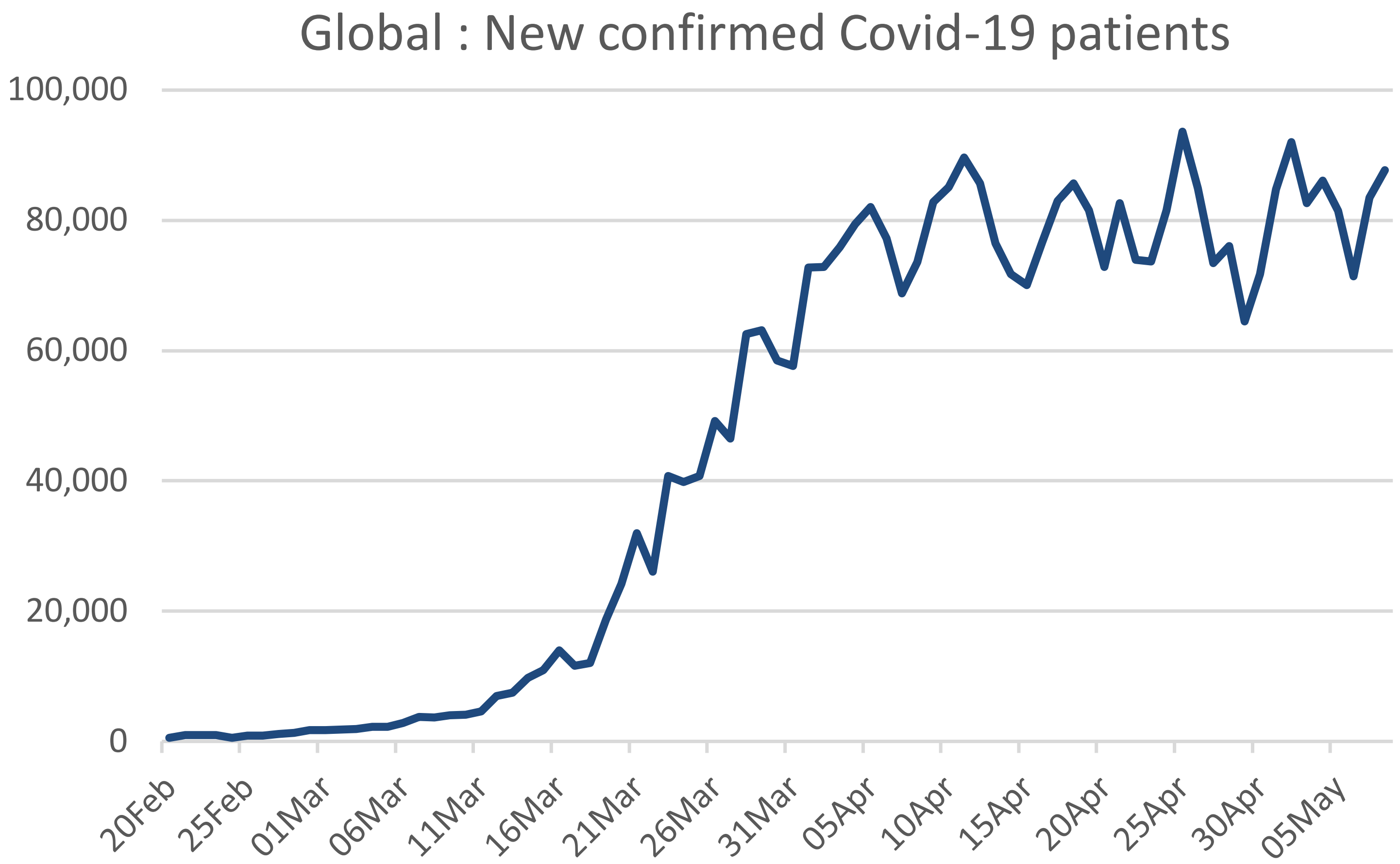
Tactical

- Economic data is lagging, virus is the leading indicator and predicting market is equal to predicting the virus; new infection are plateauing;
- Both services and manufacturing getting hit; Position for the recovery namely retail

Week(s) Ahead

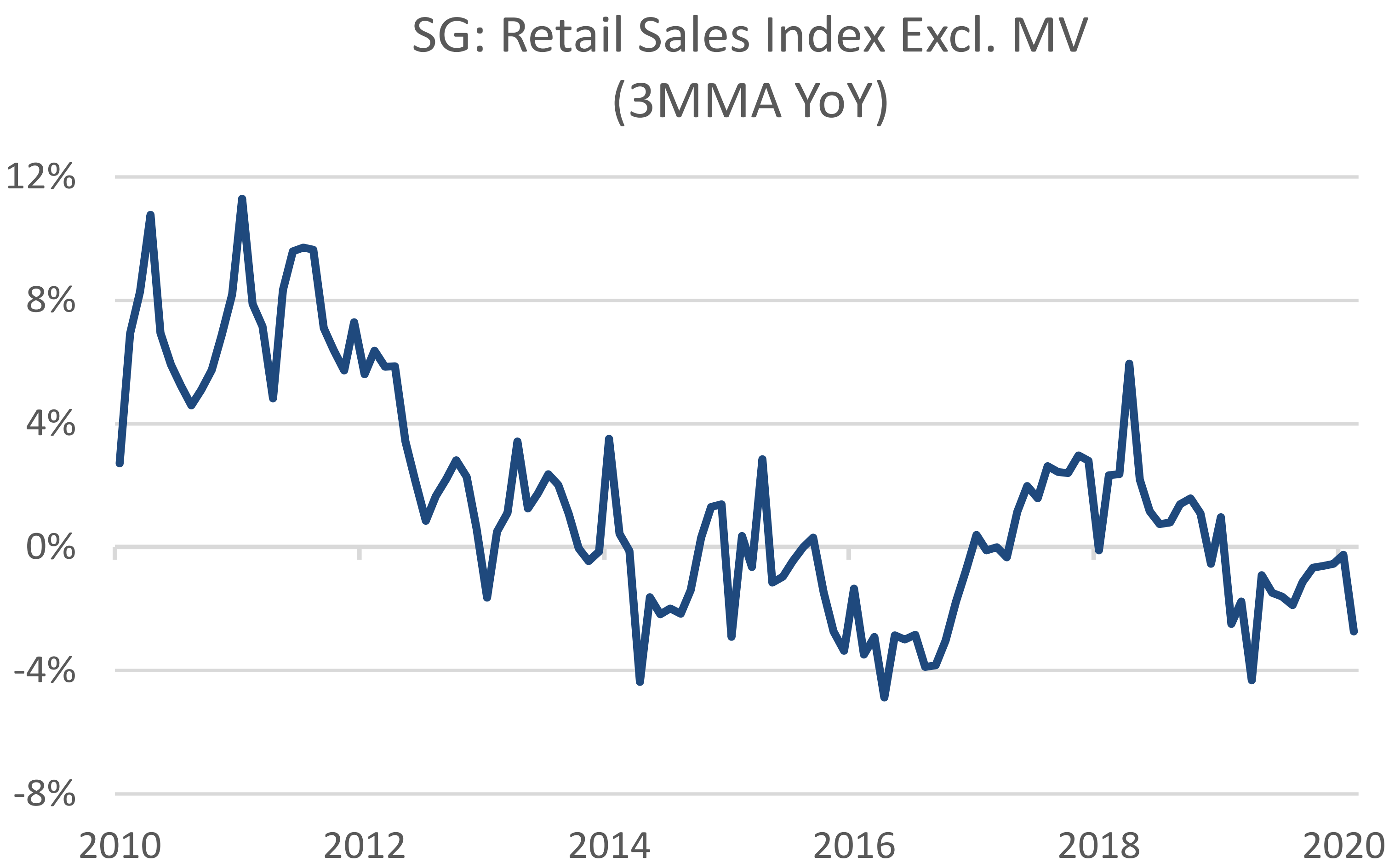
- 13May: Powell speech; 15May: US retail sales; 18May: SG NODX;
- Webinars: Sunpower Group (18May 5pm); Hyphens Phar,a (19May 4pm); NetLink NBN Trust (5Jun 2pm)

COVID-19: New cases globally is stubbornly flat



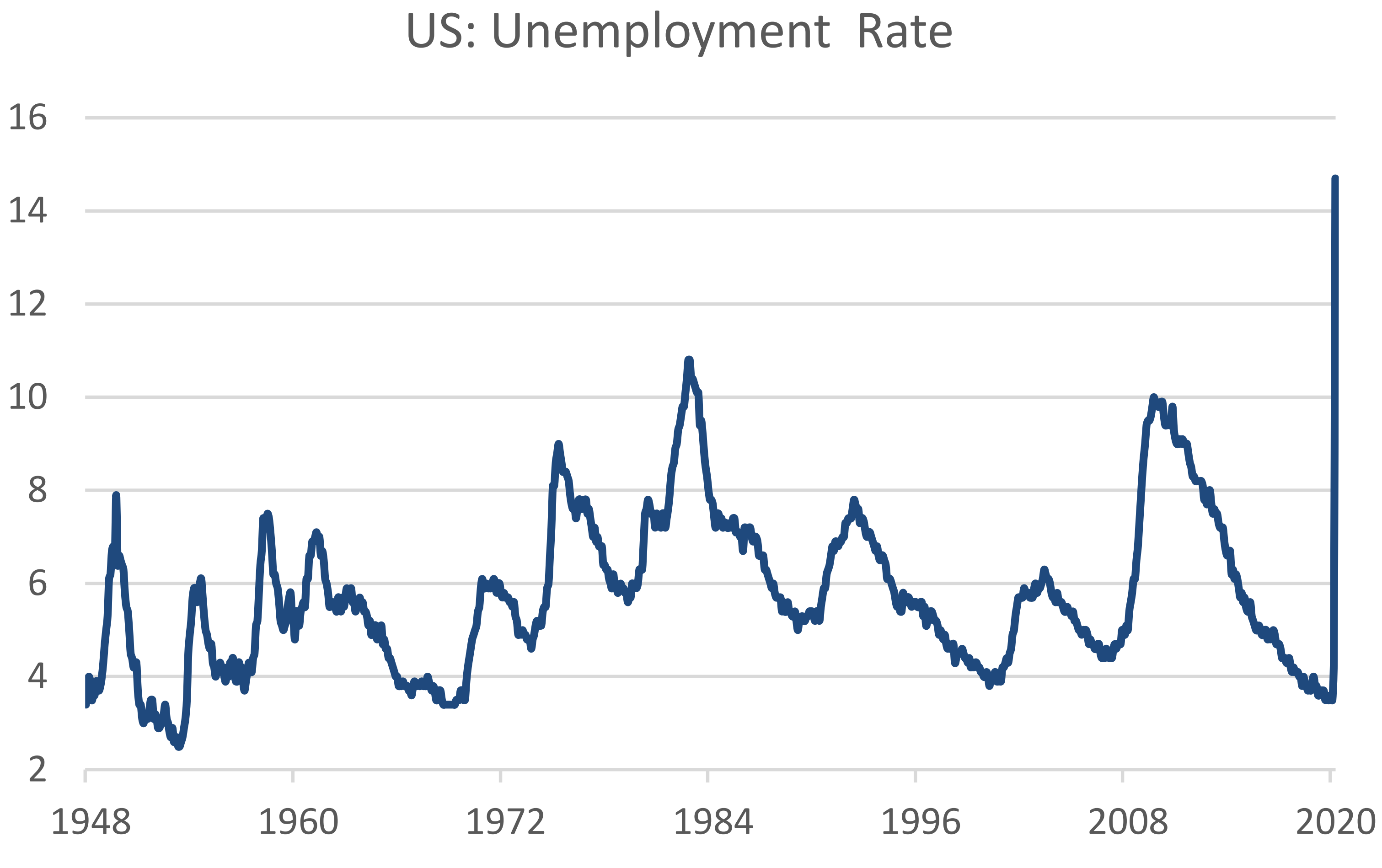
Source: CEIC, WHO, PSR

SG retail: April 20 down 9.7% YoY , bludgeon the weak



Source: CEIC, WHO, PSR

US unemployment: Worst since Great Depression



Source: CEIC, PSR

PHILLIP ABSOLUTE 10

Differentiated performance

Company	1M	3M	YTD	Rating	Share Px (S$)	Mkt Cap (US$m)	Dvd. Yield
Yield							
Ascott REIT	13.3%	-29.0%	-32.7%	Buy	0.90	1,958	8.5%
NetLink	10.5%	-1.0%	5.8%	Accumulate	1.00	2,760	5.2%
Dividend Growth							
Frasers Centrepont Trust	-4.9%	-26.0%	-24.2%	Accumulate	2.13	1,689	5.7%
UOB	4.6%	-20.7%	-23.0%	Accumulate	20.34	24,023	5.4%
Growth							
PropNex	4.4%	-5.9%	-7.8%	Buy	0.48	124	7.4%
Sheng Siong	24.4%	20.3%	19.4%	Accumulate	1.48	1,576	2.4%
Thai Beverage (new)	14.0%	-13.2%	-22.5%	Buy	0.69	12,272	3.1%
Venture Corp.	16.8%	-2.9%	-2.2%	Accumulate	15.85	3,240	4.4%
Re-rating Plays							
CapitaLand	5.6%	-16.9%	-19.7%	Buy	3.01	10,769	4.0%
Starhub	12.0%	3.5%	4.9%	Neutral	1.49	1,827	6.0%
Average	10.1%	-9.2%	-10.2%			60,237	5.2%

Source: PSR, Bloomberg

	Absolute 10	STI		Absolute 10	STI
Jan19	7.2%	4.0%	Jan20	-0.5%	-2.1%
Feb19	0.6%	0.7%	Feb20	-1.6%	-4.5%
Mar19	-0.7%	0.0%	Mar20	-16.4%	-17.6%
Apr19	2.2%	5.8%	Apr20	10.1%	5.8%
May19	-2.0%	-8.3%	May20		
Jun19	6.5%	6.5%	Jun20		
Jul19	1.6%	-0.6%	Jul20		
Aug19	-3.8%	-5.9%	Aug20		
Sep19	0.0%	0.4%	Sep20		
Oct19	4.2%	3.5%	Oct20		
Nov19	0.2%	-1.1%	Nov20		
Dec19	0.8%	0.9%	Dec20		
YTD	17.6%	5.0%	YTD	-9.9%	-18.5%
Out/(Under)perf.		12.5%	Out/(Under)perf.		8.7%

	Phillip Singapore Sectors (92 companies)	1 Mth Perf.	3 Mth Perf.	YTD Perf.
1	Commodities - Plant./Others	10.0%	-11.8%	-16.8%
2	Conglomerate/Utilities	-4.7%	-24.0%	-24.2%
3	Consumer - F&B/Gaming/Media	10.5%	-9.7%	-17.5%
4	Finance	5.7%	-17.3%	-18.9%
5	Healthcare	0.5%	-10.8%	-8.9%
6	Industrial - Electronics/Others	15.1%	-10.2%	-8.6%
7	Property/Construction	8.4%	-19.8%	-23.4%
8	REIT - Hospitality	18.3%	-28.6%	-31.9%
9	REIT - Industrial	8.2%	-6.4%	-1.0%
10	REIT - Office	9.8%	-20.8%	-20.5%
11	REIT/Trust - Retail	7.1%	-21.2%	-20.9%
12	REIT - Others/Foreign/Biz Trust	12.9%	-18.3%	-16.6%
13	Shipping - Yards/Vessel owners	16.4%	-7.9%	-21.3%
14	Telecommunications	11.4%	-12.4%	-13.4%
15	Transportation	6.7%	-27.3%	-32.9%
		6.1%	-17.0%	-18.6%
	Straits Times Index	5.8%	-16.8%	-18.6%

Note# As at end 30 March 2020, performance is for illustration purposes only. It excludes the cost of monthly rebalancing, transaction fees and dividend income.

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Have an opinion or questions on our reports?
Post them in the comment section of the report!

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Thank you