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Company Results

China Aviation Oil (Singapore)

China Everbright Water Ltd

Fraser and Neave

Health Management International

OCBC

800 Super Holdings

ComfortDelGro Corporation

Sembcorp Industries

Sector Update

Land Transport

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Fraser and Neave

Stronger performance; Benefitting from Vinamilk

Soh Lin Sin

Phillip Securities Research Pte Ltd

14 May 2018

FNN (Buy, TP: $2.75 (prev. S$2.83), Last: $2.09)

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Results at a glance

SGD mn	1H18	1H17	*YoY (%)*	Comments
Beverages	242	253	*-4.1%*	Lower soft drink sales and competitive pricing
Dairies	577	550	*5.0%*	MY and TH lifted by export sales
Printing & Publishing ("P&P")	140	143	*-2.2%*	Turnaround in Print and Distribution partially mitigated lower sales in Publishing
Revenue	**960**	**946**	***1.5%***	As above
Gross profit	328	344	*-4.6%*	Higher input costs, and price competition *Gross Margin -2.2pp to 34.2%*
Core EBITDA	116	98	*18.0%*	*EBITDA Margin +1.7pp to 12.0%*
EBIT, adj.	87	69	*26.5%*	Higher profit contribution from Vinamilk
PATMI (continuing operations ex. exceptional items)	**41**	**26**	***58.0%***	Higher finance cost mitigated by lower effective tax rate due to higher tax exempt income *ETR of 10.4% vs 1H17's 11.6%*
DPS (Cents)	1.5	1.5		

Source: Company, PSR

Positives

- Higher export volume (double-digit growth rate) and stronger MYR and THB drove Dairies sales
- Strong contribution from Vinamilk of c.S$33mn or 38% to 1H2018 Group EBIT, and cushioned the weaker performing Beverages
- Publishing & Printing 1H2018 losses narrowed from S$7.9m to S$6.7m on improved operational efficiencies and productivity

Negatives

- Lower soft drinks sales, higher input costs, stiff competition and brand investment expenses

1H18 Beverages EBIT margin -*1pp* to 0.3%

- Higher input and packaging costs lowered Dairies profitability

1H18 Dairies Malaysia EBIT margin -*8pp* to 12%
Vinamilk's operating margin -*3pp* to 25.7%

Cautiously optimistic on Core markets; but Vinamilk should support FY18e earnings

- Vinamilk to contribute full 12 months in FY18e
- Vinamilk has achieved 25% of its targeted 2018 net profit of VND10.75trn (or US$477mn) in the 1Q18
- The Group currently owns 20.00% Vinamilk shares, up from 19.96% as at end-Mar18

Other Updates

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Returning to Myanmar's Beer Business via Joint Venture with Shwe Than Lwin

- Emerald Brewery Myanmar Ltd, a joint venture between F&N (owns 49%) and Myanmar's Shwe Than Lwin, has received Myanmar Investment Commission's approval on 20 Mar-18 to manufacture and distribute beer
- Awaiting more details on the JV, as well as updates on any potential CapEx to build a brewery
- FNN will then have to compete with Myanmar Brewery as well as Heineken and Carlsberg

Entering into China, Hong Kong and Macau via Tsit Wing

- Tsit Wing International Holdings Limited is a leading integrated B2B coffee and black tea solutions provider in the HK, Macau and the PRC
- FNN has entered as cornerstone investor and subscribed c.4.42% interest
- Non-binding memorandum of understanding with Tsit Wing to explore business and product development opportunities in Hong Kong, Macau, the PRC and/or the SE Asia, including:
    a. FNN as its exclusive supplier of evaporated and condensed milk products;
    b. Tsit Wing to distribute FNN's alcoholic and non-alcoholic beverage products;
    c. FNN to distribute Tsit Wing's coffee and tea products;
    d. co-branded promotion of both companies' products in food outlets; and
    e. co-develop new Ready-To-Drink products and beverage solutions.

Myanmar Brewery

- *divested by FNN in 2015*
- *c.80% share of the Myanmar domestic beer market*

Tsit Wing

- *was listed on the Main Board of SGX-ST in 2001, but was privatised from SGX-ST due to low free float.*
- *listed on the Main Board of the Hong Kong Stock Exchange on 11 May-18 (debut close with share price +19.7%)*

Health Management International

In the pink of health

Soh Lin Sin

Phillip Securities Research Pte Ltd

14 May 2018

HMI (Buy, TP: $0.83, Last: $0.67)

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Results at a glance

(MYR mn)	3Q18	3Q17	YoY (%)	Comments
Healthcare	111.6	104.1	*7.2%*	Higher patient load (+2.7% YoY) and revenue intensity (+4.4% YoY)
Education	3.8	3.6	*5.3%*	
Revenue	115.4	107.7	*7.1%*	As above
Gross profit	41.4	34.3	*20.5%*	Higher revenue intensity and better cost management *Gross Margin +40bps to 35.9%*
EBITDA	28.2	22.3	*26.6%*	*EBITDA Margin +37bps to 24.4%*
NPAT	15.9	4.6	*243.1%*	Higher finance costs, offset by FX gain and lower effective tax rate Ex. non-operational and one-off items, Core NPAT +15.9% YoY
PATMI	15.9	-1.6	*n.m.*	Post-consolidation of NCI Ex. FX impact and post-consolidation, Core PATMI +117.2% YoY

Source: Company, PSR

Positives

- **Higher patient volume:** Strong foreign patient load growth
- **Higher average bill size:** Higher revenue intensity and increasingly complex surgeries
- **EBITDA margins improved:** FY18e EBITDA margin could reach c.25% (c.2pp higher than FY17's)

Negative

- **Higher finance costs:** Repaid 62.7% of the loan; Net gearing improved to 0.1x from 0.6x a year ago

Positive Outlook

- Favourable macro backdrop
- Upgrading and expansion plans in Mahkota and Regency on track to meet the growing demand
- Do not expect any significant impact on Malaysia's Private Healthcare Facilities and Services Act arising from the change in government

Oversea-Chinese Banking Corp

Provisions vanished this quarter

Phillip Research Team (+65 6212 1850)
research@phillip.com.sg

Oversea-Chinese Banking Corp

(Accumulate (Downgrade), TP: S$14.90, Last: S$13.17)

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Results at a glance

(SGD mn)	1Q18	1Q17	YoY	4Q17	QoQ	Comments
Net interest income	1,415	1,272	11%	1,424	-1%	NIMs +5bps YoY. Loans +9% YoY.
Fees & Comm	536	481	11%	491	9%	Higher WM fee income.
Insurance	206	84	145%	310	-34%	S$1.7bn fall in fund contract liab.
Other NII	176	285	-38%	415	-58%	Trading and investment securities income fell S$121mn YoY.
Total income	**2,333**	**2,122**	**10%**	**2,640**	**-12%**	
Expenses	(1,032)	(973)	6%	(1,067)	-3%	Staff cost +10% YoY, other opex flat.
Allowances	(12)	(168)	-93%	(178)	-93%	Collapsed due to over-provisions.
PATMI	**1,112**	**861**	**29%**	**1,034**	**8%**	

Source: Company, PSR

Positives

- Allowances is Singapore was nil and group 2bps
- New gross NPAs lowest in 12 quarters, after S$1.3bn spike
- Loans growth was healthy, with HKD loans up 14%

Negatives

- Trading income was extremely poor
- NIM was weaker than expected – IJ and HK

Downgrade to ACCUMULATE: Earnings only met our expectations due to disappearance of allowances and this offset the decline in trading income.

OCBC – Guidance & Valuation

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Figure 1: 2018e Guidance vs. PSR estimates

2018e	1Q18	OCBC	PSR
Loans growth	9.7%	HSD	8.6%
ROE	11.80%	> 11.2%	12.0%
Credit cost	2 bps	15-20 bps	15 bps
CET 1	13.1%	12.5-13.5%	13.7%

Source: Company, PSR

Will still benefit from low credit cost

Valuation: Gordon Growth Model

Item	Description	Value
R_f	Risk-free rate	2.6%
E	Equity-risk premium	5.5%
B	Beta	1.1
COE	Cost of Equity	8.7%
ROE	FY18e Return on Equity	12.0%
g	Terminal growth rate	2.5%
$\frac{(ROE-g)}{(COE-g)}$	FY18e Target Price to Book	1.6
	FY18e BVPS, S$	9.6
	FY18e Valuation, S$	14.9

Raised target price as we increased growth rates and ROE is between the other two peers

OCBC – Non-interest income

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Figure 3: Fee and commission income

SGD mn	1Q18	1Q17	YoY (%)	4Q17	QoQ (%)
Brokerage	25	18	38.9%	18	38.9%
Wealth management	255	215	18.6%	216	18.1%
Fund management	29	25	16.0%	28	3.6%
Credit card	35	35	0.0%	42	-16.7%
Loan-related	71	67	6.0%	70	1.4%
Trade and remittances	55	52	5.8%	56	-1.8%
Guarantees	4	4	0.0%	5	-20.0%
Investment Banking	22	29	-24.1%	26	-15.4%
Service charges	31	27	14.8%	21	47.6%
Others	9	9	0.0%	9	0.0%
Total Fee and Comm	**536**	**481**	**11.4%**	**491**	**9.2%**

Wealth and fund management the growth drivers

Figure 4: Other non-interest income

SGD mn	1Q18	1Q17	YoY (%)	4Q17	QoQ (%)
Net trading income	94	158	-40.5%	99	-5.1%
Net gain on Invt securities	8	65	-87.7%	249	-96.8%
Disposal of properties	24	24	0.0%	1	2300.0%
Others	11	2	450.0%	11	0.0%
Total other non int Inc	**137**	**249**	**-45.0%**	**381**	**-64.0%**

Trading income and net income from financial investment plunged

OCBC - Loans

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Figure 5: Loans by Industries

SGD mn	1Q18	1Q17	YoY (%)	4Q17	QoQ (%)
Agri, mining & quarrying	7,140	7,582	-5.8%	8,073	-11.6%
Manufacturing	14,055	13,185	6.6%	12,501	12.4%
Building and construction	38,476	35,742	7.6%	35,436	8.6%
Housing loans	65,087	60,027	8.4%	64,542	0.8%
General commerce	30,198	26,366	14.5%	29,010	4.1%
Tpt, storage & comms	10,530	12,016	-12.4%	11,568	-9.0%
FIs, invt & holding co	41,590	33,225	25.2%	37,838	9.9%
Professionals & Pri inv	30,182	26,956	12.0%	28,704	5.1%
Others	9,404	9,704	-3.1%	9,649	-2.5%
Total loans	246,662	224,803	9.7%	237,321	3.9%

Figure 6: Loans by currencies

SGD mn	1Q18	1Q17	YoY (%)	4Q17	QoQ (%)
Singapore dollar	89,008	83,069	7.1%	85,485	4.1%
US dollar	61,439	59,828	2.7%	61,445	0.0%
Malaysian ringgit	20,877	20,264	3.0%	20,481	1.9%
Indonesian rupiah	7,840	7,350	6.7%	7,795	0.6%
Others	28,585	19,587	45.9%	24,478	16.8%
Hong Kong Dollar	33,740	29,561	14.1%	33,011	2.2%
Renminbi	5,173	5,144	0.6%	4,626	11.8%
Total loans	246,662	224,803	9.7%	237,321	3.9%

Huge jump in this category, which is similar to peers combined

SGD and HKD loans were key growth drivers but behind DBS

Sembcorp Industries Ltd

Expecting a turnaround in India operation

Chen Guangzhi
Phillip Securities Research Pte Ltd
14 May 2018

Sembcorp Industries Ltd
(BUY (Upgrade), TP: S$3.83, Last: S$3.06)

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Results at a glance

(SGD mn)	1Q18	1Q17	YoY (%)	Comments
Revenue	**2,758**	**2,122**	**30.0**	Higher turnover from Utilities segment from Singapore, China, and India markets; Higher turnover from Marine segment due to revenue recognition for delivery of 3 jack-ups and adopotion of SFRS(I) 15
Gross profit	261	234	11.7	Higher contribution from Marine segment
PBT	116	145	(20.2)	Absence of non-operating income in 1Q18, gain on disposal of Cosco in 1Q17
PATMI	**79**	**131**	**(40.0)**	Higher effective tax rate due to absence of group tax relief in India and the tax benefit from losses of a subsidiary in India was not recognised

Source: Company , PSR

Utilities' Singapore operation remained flat

- Continue to face margin compression

Utilities' China operation was benefited by seasonality

Utilities' India's performance was negatively impacted by SGPL and SGIL

- A temporary shut-down of plants for 2 weeks under SGPL and a low wind season for SGIL
- Contracts (expired in May and June): roll down (under short-term PPAs)
- Current spot and short-term tariff improve

Marine segment continued to weaken the group's profitability

Outlook:

- **Expect India operation as a whole will be profitable on an annual basis**
- **The group will continue to be dragged by SMM's business in next few quarters**

China Aviation (Singapore) Oil

Stellar growth from Pudong

Chen Guangzhi

Phillip Securities Research Pte Ltd

14 May 2018

China Aviation (Singapore) Oil
(BUY (Maintained), TP: S$2.00, Last: S$1.58)

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Results at a glance

(US$ mn)	1Q18	1Q17	YoY (%)	Comments
Revenue	4,102.5	3,311.2	23.9	Higher oil prices (Brent: 1Q18: US$68.4/bbl vs 1Q17: US$54.7/bbl) and a slight increase in total trading volume of middle distillates and other oil products (1Q18: 7.59mn tonnes vs 1Q17: 7.27mn tonnes)
Gross profit	**13.2**	**15.5**	**(14.6)**	Lower gains from trading and optimisation activities as market reclined to backwardation
Operating profit	7.5	9.8	(23.3)	Higher interest income partially offset by foreign exchange loss
Associates and JVs	**21.0**	**14.9**	**40.7**	Higher growth in profit contributions from Pudong (1Q18: US$18.9mn vs 1Q17: US$13.0mn)
Net profit	**26.9**	**23.6**	**13.9**	Higher deferred tax liabilities on the Company's share of undistributed retained earnings from associates and higher provision for income tax expense by a subsidiary

Source: Company , PSR

The scale of trading business keeps improving

(mn tonnes)	1Q18	1Q17	YoY (%)
Middle distillates	**4.3**	**4.6**	**(6.4)**
Jet fuel	3.3	3.9	(14.1)
Other oil products	**3.3**	**2.7**	**22.4**
Total	**7.6**	**7.3**	**4.4**

Source: Company , PSR

Profits from associates delivered a stellar growth

Profit from Pudong: US$18.9mn (+46% YoY), higher refuelling volume, foreign exchange gain and investment income

Trading margins narrowed due to backwardation persisted

Outlook: Trading activities is expected to slow down, Remain upbeat on CAO as profit from associates

China Everbright Water Limited

Long-term beneficiary of PPP reform

Chen Guangzhi

Phillip Securities Research Pte Ltd

14 May 2018

China Everbright Water Limited
(BUY (Maintained), TP: S$0.55, Last: S$0.43)

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Results at a glance

(HK$ mn)	1Q18	1Q17	YoY (%)	Comments
Revenue	1,041	774	34.5	Increase in construction revenue from several water environment management projects; Hikes for several projects and one-off income of HK$55.06mn arising from retrospective tariff adjustment in relation to a waste water treatment project
Gross profit	362	260	39.2	Smaller portion of construction revenue recognition where margin is lower than the operation services
EBIT	338	242	39.8	In line with the above
PATMI	178	114	55.6	In line with the above

Source: Company , PSR

As at Mar-18, CEWL's portfolio: 95 projects, 77 are operating, 12 under construction and 6 in preparatory stage

Organic growth and better cash collection

Zhenjiang Sponge City project behind schedule

Outlook: A "clean-up" of the PPP project library by local governments by the end of March 2018: limited impact for CEWL, long-term beneficiary

800 Super Holdings Ltd

Start-up costs, but projects kicking-in soon

Richard Leow
Phillip Securities Research Pte Ltd
14 May 2018

800 Super Holdings Ltd

(Accumulate, TP: $1.30, DPS: 3.0 cents (2.7%) , Last: $1.12)

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Results at a glance

(SGD mn)	3Q18	3Q17	YoY	Comments
Revenue	**37.1**	**39.5**	**-6.1%**	**Completion of term contracts and renewal of certain contracts at more competitive prices**
EBIT	4.74	7.48	-36.6%	0.9% higher opex, resulted in lower margin of 12.8% from 18.9%
PATMI	**3.94**	**6.25**	**-37.0%**	**Lower margin of 10.6% from 15.8%**

Source: Company, PSR

12% YoY lower staff cost cushioned the impact of lower revenue

- Mitigated by headcount in place at the sludge treatment facility

Projects on-track and turning operational

- WTE plant: completed December 2017 & commercial operations in February 2018
- Sludge treatment facility: complete June 2018

Lower than expected revenue due to non-renewal of large cleaning contract

28% YoY higher purchase of supplies and disposal charges despite lower revenue

- Plastic recycling plant in Batam recently obtained its operating licence and incurred start-up costs
- Iwash Laundry contributed to higher energy costs

Outlook: positive

- New projects driving earnings growth in FY19e onwards
- Opportunity: NEA announced the development of an Integrated Waste Management Facility

ComfortDelGro Corp Ltd

Acquisition spree to bear fruit in 2H 2018

Richard Leow

Phillip Securities Research Pte Ltd

14 May 2018

ComfortDelGro Corp Ltd

Accumulate, TP: $2.48, FY18e DPS: 10.4 cents (4.5%) , Last: $2.33

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Results at a glance

(SGD mn)	1Q18	1Q17	YoY	Comments
Revenue	**879**	**870**	1.0%	**Actual underlying increase by S$3.8mn was further aided by favourable currency translation of $5.2mn mainly from stronger GBP**
EBIT	96	101	-4.8%	1.8% higher opex. Actual $8.7mn increase compounded by $5.1mn unfavourable currency translation mainly from stronger GBP
PATMI	**66.3**	**82.5**	-19.6%	**1Q17 includes $10mn special dividend from Cabcharge Australia; underlying PATMI -8.6% lower**

Source: Company, PSR

SBST's 64% YoY higher NPAT exceeded our expectation due to Bus

- Recognition of quality incentives for 2017 and 2018 under BCM
- Operating of shuttle services for early closure and late opening of EWL

DTL loss narrowed QoQ off its high in 4Q17

- 4Q17 loss $(15.6)mn, 1Q18 loss $(9.1)mn

Comfort & CityCab fleet contracted 21% YoY, contributing to 15% YoY lower Group Taxi revenue

- Idle rate was just under 3%

Outlook: mainly positive

- Taxi: private-hire car industry consolidation → some flow of drivers back to Taxi
- Bus: contribution from Seletar bus package since 1 March
- Rail: DTL losses to narrow, but NEL & SPLRT margin capped ~5% from NRFF

Land Transport Sector

Demand from taxi hirers returning

Richard Leow

Phillip Securities Research Pte Ltd

14 May 2018

Highlights

Your Partner In Finance

ComfortDelGro ordering 200 new taxis – its first in 1.5 years

CCCS investigation into Grab and Uber transaction not completed, and being overtaken by events as new entrants have already entered the market

Taxi population contracted at an accelerated pace, while Rental cars population stabilises as growth moderates

Maintain Overweight

How do we view this?

The Positives

- Worst could be over for Taxi: Purchase of new taxis a sign of recovering demand

The Negatives

- Some IMDs appear onerous on Grab and unlikely to be in place after investigations are completed

Investment Action

Maintain Overweight on Land Transport sector

- Structural positive: ***Profitability*** and ***sustainability*** for Public Transport segment
  - Transition: Bus segment to (profitable) government bus contracting model and Rail segment to (asset-light) new rail financing framework
  - Licencing of private-hire car companies being explored
- What is new?
  - Revival in demand for Taxis is a mid-term catalyst for sector re-rating

Taxi outlook (1/2)

The CCCS has yet to complete its investigation; and had put in place interim measures to "preserve and/or restore competition and market conditions"

- Interim Measures Directives (IMD) to Grab and Uber, while the Competition and Consumer Commission of Singapore (CCCS) continues with its investigation
- Shutdown of Uber app was extended twice; final day May 7

CCCS investigation being overtaken by events and losing relevance – competitors are already entering the market

- Investigation was to determine if the transaction would result in substantial lessening of competition
- However, two new ride hailing apps, Jugnoo and Ryde, have already commenced operations
- Third entrant, Filo, expected to start by the end of the month

Apart from losing relevance, the outcome of the CCCS investigation will likely not be meaningful

- Need to balance the interest of consumers and innovative business models
- Should not deny early innovators first-mover advantage for the sake of levelling the playing field

Taxi outlook (2/2)

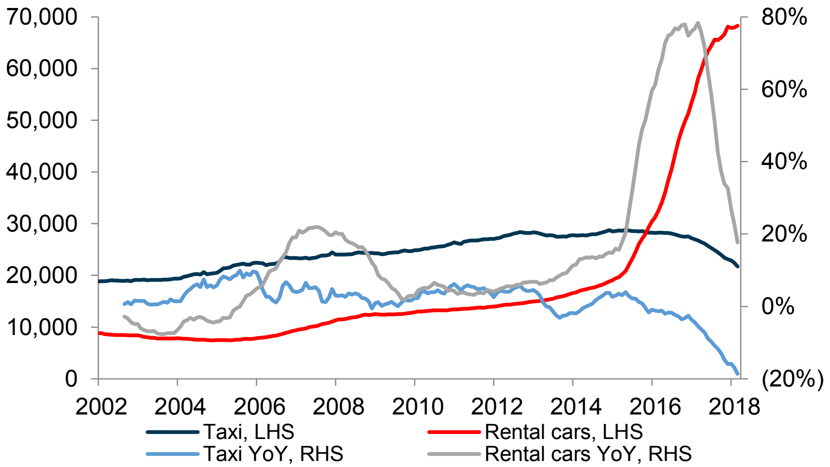
New entrants offering innovative pricing models to combat barriers to entry

- Jugnoo: reverse-bidding system where drivers bid on lower prices for jobs

Reduction in user discounts and driver incentives were inevitable

- Cash burn was unsustainable

March 2018: Rental car population YoY growth has moderated and Taxi contraction accelerated



3M-YTD: Taxi population contracted, while Rental cars stabilised

Singapore Taxi and Rental cars population

Y/E Dec	Mar-18	Mar-17	YoY	Dec-17	3M-YTD
Taxi	21,746	26,734	-18.7%	23,140	-6.0%
Rental cars	68,311	58,027	17.7%	68,083	0.3%

Source: Bloomberg, LTA, PSR

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Analysts

Paul Chew, Head of Research

Pei Sai Teng, Macro

Jeremy Ng, Technical Analysis

Soh Lin Sin, Consumer | Healthcare

Richard Leow, Transport | REITs (Industrial)

Dehong Tan, REITs (Commercial, Retail, Healthcare) | Property

Tara Wong, REITs (Commercial, Retail, Healthcare) | Property

Ho Kang Wei, US Equity

Chen Guangzhi, Oil and Gas | Energy

Alvin Chia, Research Associate

By Phillip Securities Research

Mohamed Amiruddin, Operations Exec