

## **First retail Private Equity Bond**

Astrea IV PE Bonds

## **The Phillip 20**

May Monthly Review

## **Sector Update**

Land Transport

Coal

## **Company Update**

ComfortDelGro Corp

Geo Energy Resources

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# Land Transport Sector

## Industry restructuring and levelling the playing field for Taxis

Richard Leow

Phillip Securities Research Pte Ltd

11 June 2018

**Taxi population still contracting, and rental cars YoY growth continues to moderate**

**Deadline for attending training and passing the test approaching, yet 40% of drivers have not attained their PDVLs**

**Maintain Overweight: Positive industry restructuring and regulatory action coming into effect which levels the playing field**

**Maintain Accumulate on ComfortDelGro; higher target price of \$2.69 (previously \$2.48)**

# What is the news?

**40% of private-hire car drivers – or 23,900 – have not passed the test for the Private Hire Car Driver's Vocational Licence (PDVL). They have until June 30 this year to pass the test. Otherwise, they will have to cease driving for the ride-hailing apps**

**Uber's unhired cars (from Lion City Rentals) have been put up for sale in the used-car market**

**New Singapore-based ride-hailing player, Kardi, launched on June 5**

**Taxi and Rental car data for April has been published by the LTA**

**Singapore Taxi and Rental cars population**

Y/E Dec	Apr-18	Apr-17	YoY	Dec-17	4M-YTD
Taxi	21,436	26,476	-19.0%	23,140	-7.4%
Rental cars	68,496	59,753	14.6%	68,083	0.6%

Source: Bloomberg, LTA, PSR

# How do we view this?

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## The Positives

- Exit of Uber and the resultant restructuring of the ride-hailing industry is having a positive impact on the Taxi industry
- Deadline for attaining PDVL will be a significant levelling of the playing field
- Rental cars YoY growth continues to moderate down and 4M-YTD population remains stagnant

## The Negatives

- Grab maintains a dominant position in the ride-hailing space

## **Maintain Overweight on Land Transport sector**

- Positive industry restructuring: exit of Uber from ride-hailing
- Regulatory action coming into effect which levels the playing field: deadline for attaining PDVL

## **Maintain Accumulate rating for ComfortDelGro Corp; higher target price of \$2.69**

# ComfortDelGro Corp

## Demand for Taxis is returning

Richard Leow  
Phillip Securities Research Pte Ltd  
11 June 2018



# ComfortDelGro Corp Ltd

Accumulate, TP: \$2.69, FY18e DPS: 10.4 cents (4.3%) , Last: \$2.40

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**The worst appears to be over for Taxi business, signalled by growth in bookings and capex for new hybrid taxis**

**Termination of strategic agreement with Uber's LCR**

**Outlook for Rail is positive, with narrowing of DTL losses driven by ridership growth**

# What is the news?

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**Uptick in bookings for 5M-2018; +9% YoY for May – the biggest YoY jump since September 2014. Attributed to exit of Uber and promotions given by ComfortDelGro to passengers**

**Called for tender to supply 500 more hybrid taxis, soon after the purchase of 200 new Hyundai Ioniq taxis in early-May**

**Terminated strategic agreement with Uber; will no longer be acquiring the 51% stake in Lion City Holdings Pte Ltd, which operates Lion City Rentals (LCR), as the basis for the partnership is no longer relevant. Nonetheless, ComfortDelGro still maintains its intention to have a stake in the private hire vehicle (PHV) space.**

# How do we view this?

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## The Positives

- Purchase of new taxis and bookings growth are signaling the worst is over

## The Negatives

- ComfortDelGro's involvement in the PHV space would be asset-heavy, by owning the cars and leasing them out

## **Maintain Accumulate rating for ComfortDelGro Corp; higher target price of \$2.69**

- Target price gives an implied FY18e forward P/E multiple of 18.9 times
- 10.4 cents full year dividend is sustainable, supported by positive free cash flow

# Astrea IV PE Bonds

## 1st retail Private Equity Bond: Highlights of the offering and commonly asked questions

Tan Dehong

Phillip Securities Research Pte Ltd

11 June 2018

# Astrea IV PE Bonds

(Retail tranche: Class A-1 Bonds, 4.35% p.a. semi annual)

Type of Capital	Principal (mn)	Interest Rate (% pa, semi- annual )	LTV Ratio	Scheduled Maturity	Final Maturity	Expected Ratings (Fitch/S&P)
Class A-1	S\$242	4.35	16.5%	5 years (2023) <sup>1,2</sup>	10 years	Asf/A(sf)
Class A-2	US\$210	5.50	19.1%	5 years (2023) <sup>2</sup>	10 years	Asf (Fitch)
Class B	US\$110	6.75	10.0%		10 years	BBBsf (Fitch)
Equity held by the sponsor	US\$597	-				
<b>TOTAL</b>	<b>US\$1098.4</b>		<b>45.6%</b>			

Source: Transaction Prospectus, PSR

<sup>1</sup>Bonus payment of 0.5% of principal at redemption if the Sponsor receives 50% of its total equity before its scheduled call date (2023).

<sup>2</sup>One-time step-up of 1% to 5.35% and 6.5% respectively. The latest date on which the Issuer must redeem these bonds is the Maturity Date in June 2028.

# Portfolio Background

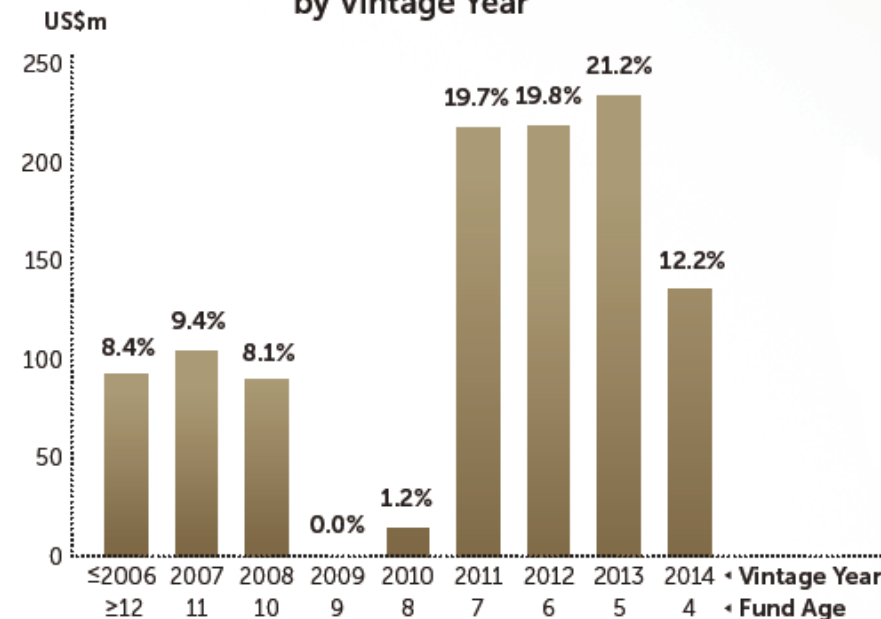
- Backed by Investments in 36 PE funds with 596 investee companies.
- Well diversified across multiple sectors, no single investee company >3% of total NAV.
- Average fund age 7 years

## Portfolio breakdown by sector

Information Technology	22.9%
Consumer Discretionary	21.3%
Industrials	11.9%
Healthcare	10.7%
Financials	10.2%
Energy	6.7%
Consumer Staples	5.3%
Materials	4.8%
Real Estate	2.5%
Telecommunication Services	2.0%
Utilities	1.7%

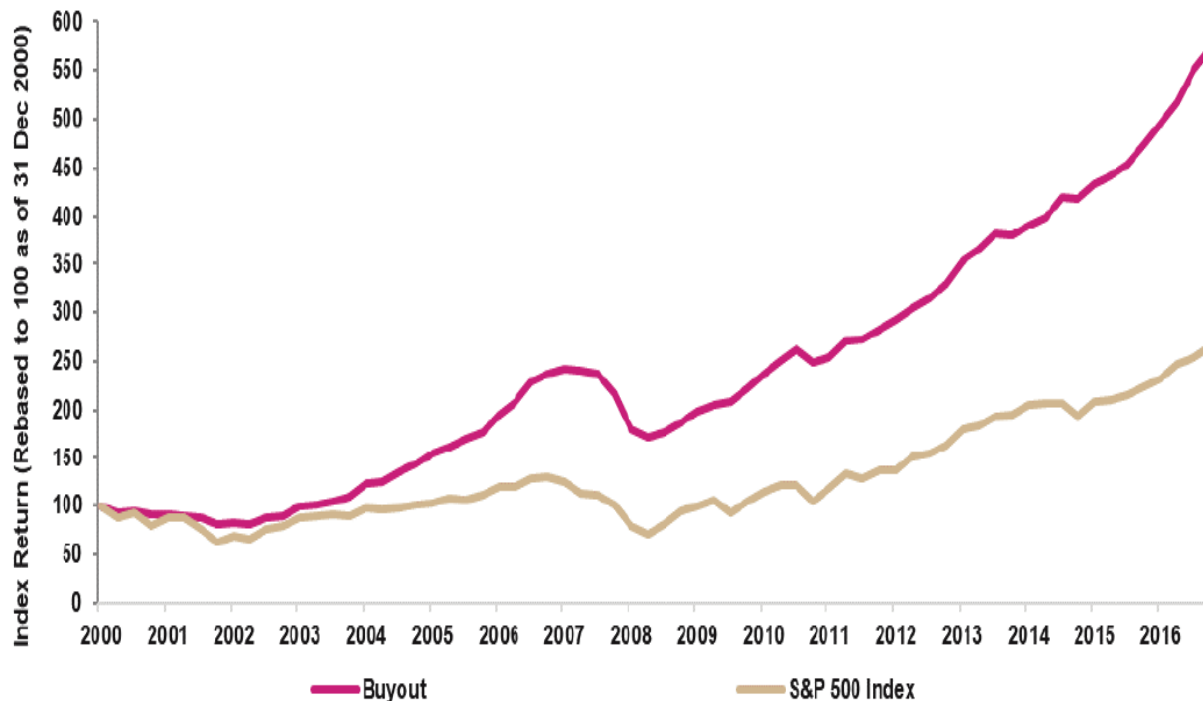
## Average fund age of 7

### Portfolio NAV by Vintage Year

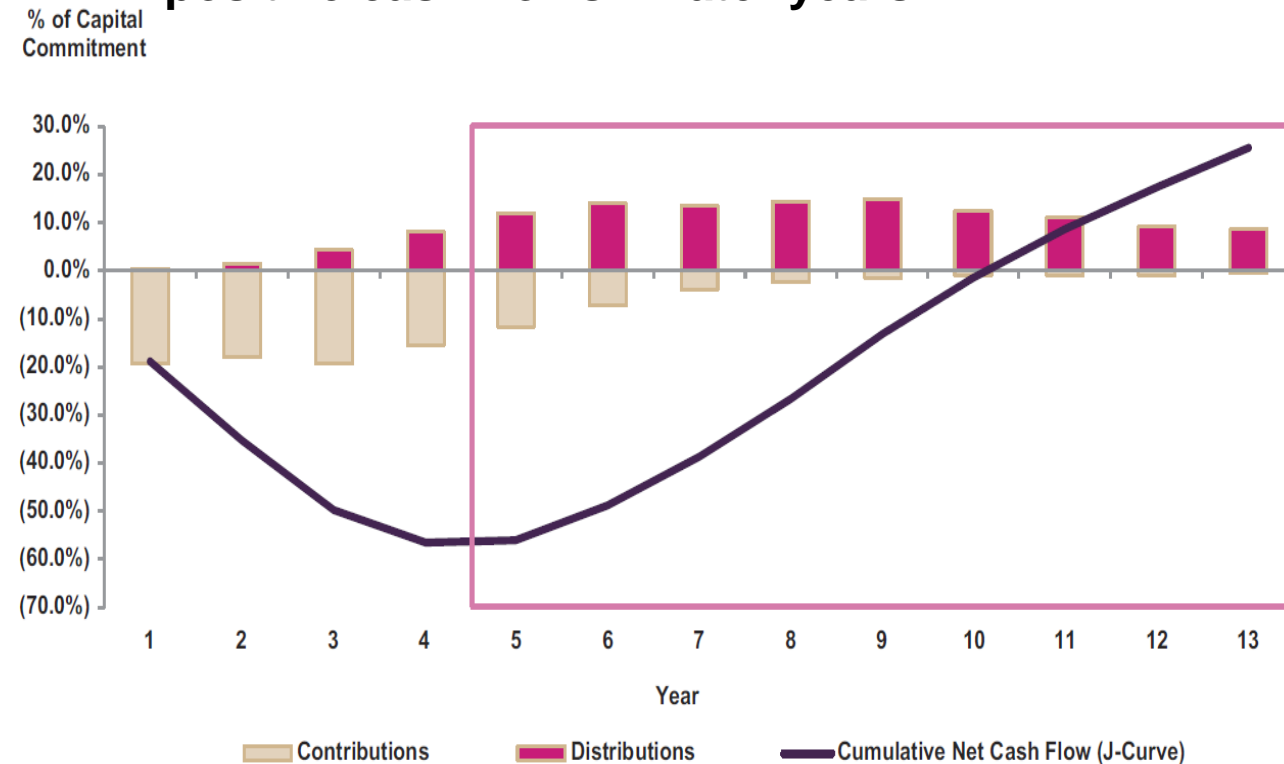


# Outperformance of PE funds vs public markets

## Historical Outperformance of PE Buyout Funds



**The J Curve effect of PE investments – historical tendency of PE funds to deliver positive cash flows in later years**





**Coupon: 4.35% p.a. semi annual**

**LTV of Class A-1 and A-2 Bonds: 35.6%**

**Public Tranche: S\$121mn**

**Ranking: Most senior, Pari passu with Class A-2 bonds**

**CPF Funds: Non-eligible**

**Structural Safeguards: Capital Allocation to Reserves Accounts at every distribution period, earmarked for future principal repayment of Class A-1 and A-2 bonds.**

**Time frame for Public application: 6 June 2018, 9am – 12 June 2018, 12pm**

# Geo Energy Resources Ltd

Looking forward to a good deal

Chen Guangzhi

Phillip Securities Research Pte Ltd

11 June 2018

# Geo Energy Resources Ltd

(BUY (Maintained), TP: S\$0.41, Last: S\$0.23)

## Results at a glance

(US\$ mn)	1Q18	1Q17	YoY (%)	Comments
Revenue	90.5	99.3	(8.8)	Lower sales volume due to higher rainfall offset by higher ASP; No coal trading activities during 1Q18 vs 411k tonnes in 1Q17
Gross profit	21.9	25.3	(13.5)	Higher cash costs due to higher strip ratio
EBIT	19.6	21.7	(9.8)	In line with the above
PATMI	9.0	14.6	(38.6)	Higher interest expenses on the Senior Notes

Source: Company, PSR

## Production target on track but cash cost jumps

	1Q18	1Q17	YoY (%)
Production volume (tonnes)	1.9	2.2	(13.6)
ASP (US\$/tonne)	46.5	39.5	17.7
Cash cost (US\$/tonne)	33.4	26.3	27.0
Revenue from coal mining (US\$mn)	91.5	87.3	4.8
Net profit (US\$mn)	9.0	14.6	(38.6)

Source: Company, PSR

- 1Q18 production volume:1.9mn tonnes (17.3% of annual target of 11mn tonnes)
- The production-weighted average strip ratio (SDJ and TBR mine): 3.9 in FY18 (SDJ mine: 3.4 in FY17).
- Estimated annualised cash cost: low US\$30/tonne in FY18 (SDJ mine: US\$28/tonne in FY17).

## Riding on benign coal prices

- 1Q18 ICI 4,200 GAR price: US\$48/tonne (+12% YoY)
- Price correction in March and April
- IHS Markit: 4,200 GAR FOB: high US\$40/tonne in 3 years

## Outlook

- Seeking acquisitions of coal mine (20% ROI, 50mn to 60mn tonnes of reserves)

# Singapore Coal Monthly

## More cooling attempts from China

Chen Guangzhi

Phillip Securities Research Pte Ltd

11 June 2018

# What is the news?

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## China

**In May-18, National Development and Reform Commission (NDRC) announced new measures to curb coal price, aiming to bring coal prices back to the reasonable range:**

- Ramp up production by at least 300k tonnes/day from mines in Shanxi, Shaanxi and Inner Mongolia
- Gradually introduce 100mn tonnes of quality capacity
- Improve rail capacity
- Probe in the execution of medium- and long-term coal supply contracts
- Increase power supply from the sources of renewable energy
- Adjust coal inventories to ensure 100mn tonnes of available coal stock
- Reinforce supervision and regulation on heavy coal-consuming enterprises
- Crack down hoarding and speculation in the coal market
- Encourage joint operations between coal and power enterprises

# What is our view?

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## **Coal price resumed upward momentum**

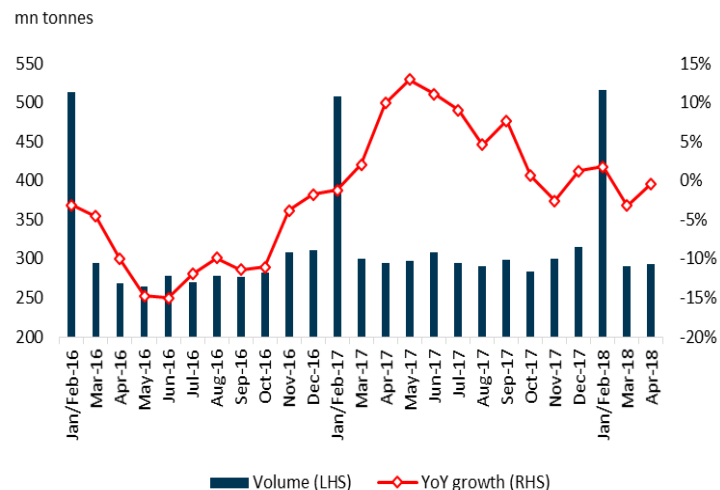
- Demand from thermal power (+7.8% YoY) was mainly from industrial sector (+7.2% YoY)
- Total export volume amounted to 33.2mn tonnes (+0.68% YoY) in Indonesia
- Total coal import volume dropped by 10.1% YoY to 22.3mn tonnes in China

## **Restriction on seaborne coal may relax**

- Apart from the ramp-up in production, the rest were more towards medium to longer-term policy measures on coal market
- Short-term target price of RMB570/tonne is achievable: either domestic production is able to fill current spike in demand or the authorities relax the restriction on imported coal again

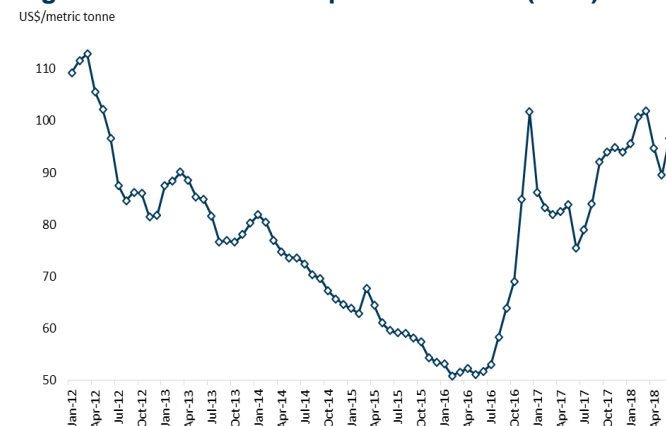
# Phillip Coal Tracker: Our snapshot of coal markets

**Figure 1: Monthly coal production in PRC slowing down**



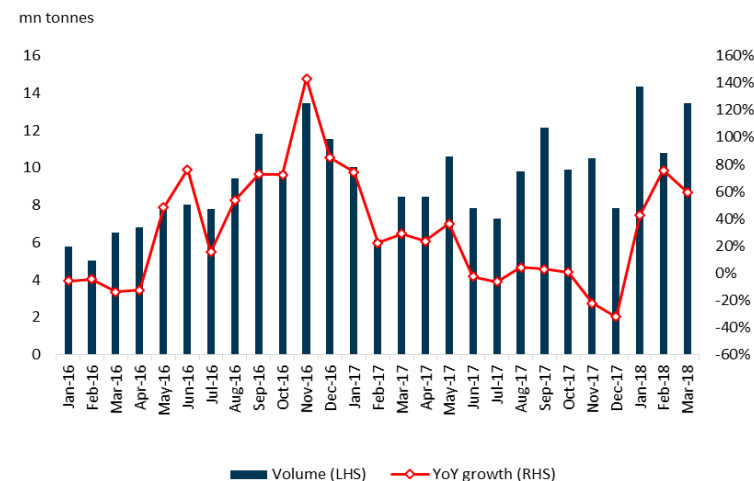
Source: National Bureau Statistics of PRC, PSR

**Figure 4: Indonesia coal price reference (HBA) rebounded**



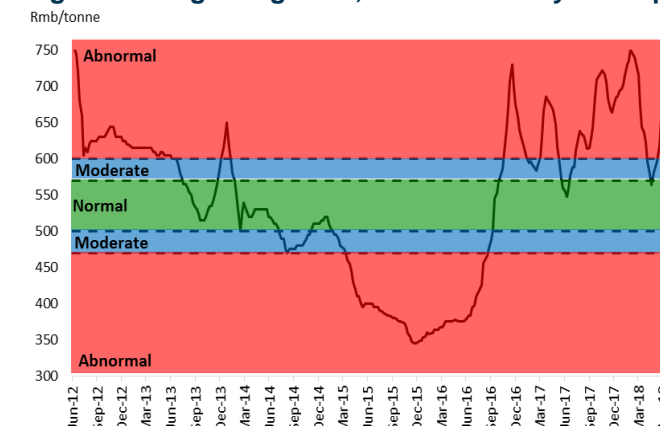
Source: Coalspot.com, PSR

**Figure 2: Coal import from Indonesia by China surged recently**



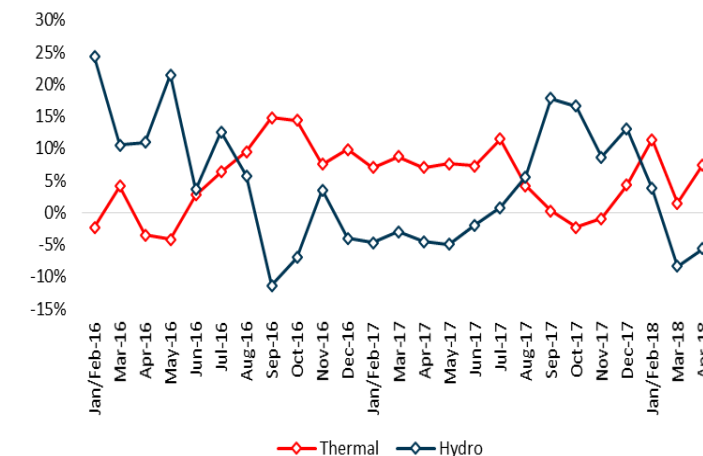
Source: General Administration of Customs of PRC, PSR

**Figure 5: Qinghuangdao 5,500 GAR weekly FOB spot price**



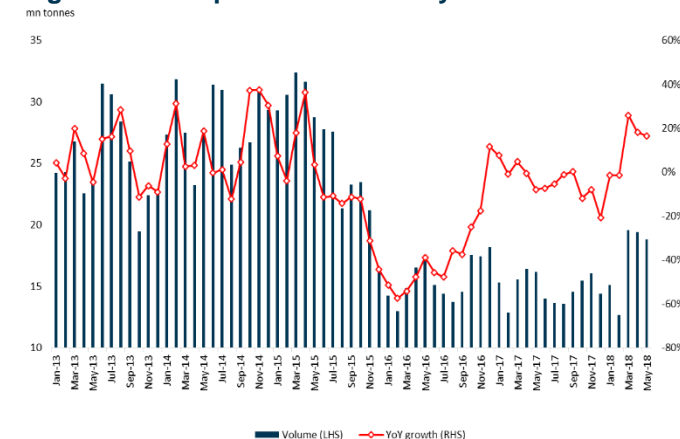
Source: Bloomberg, PSR, NDRC price zones (red/blue/green)

**Figure 3: China power demand continues to expand YoY**



Source: National Bureau Statistics of PRC, PSR

**Figure 6: Total port coal inventory maintained decent growth**



\*Source: Bloomberg, PSR

# Coal counters monthly updates

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## **Golden Energy and Resources (Target px: S\$0.48 / BUY)**

- Benefited from the buoyant coal prices in 1Q18
- Upgrading the port loading capacity
- Cash cost was higher than expected in 1Q18
- Cash position reached US\$305mn as of 1Q18

## **Geo Energy Resources (Target px: S\$0.41/ BUY)**

- 11mn tonnes of production target is on track
- Cash cost will jump this year
- Remain upbeat on any near-term acquisition
- Cash position reached US\$248mn as of 1Q18



# The Phillip 20

## May Monthly Review

Jeremy Ng

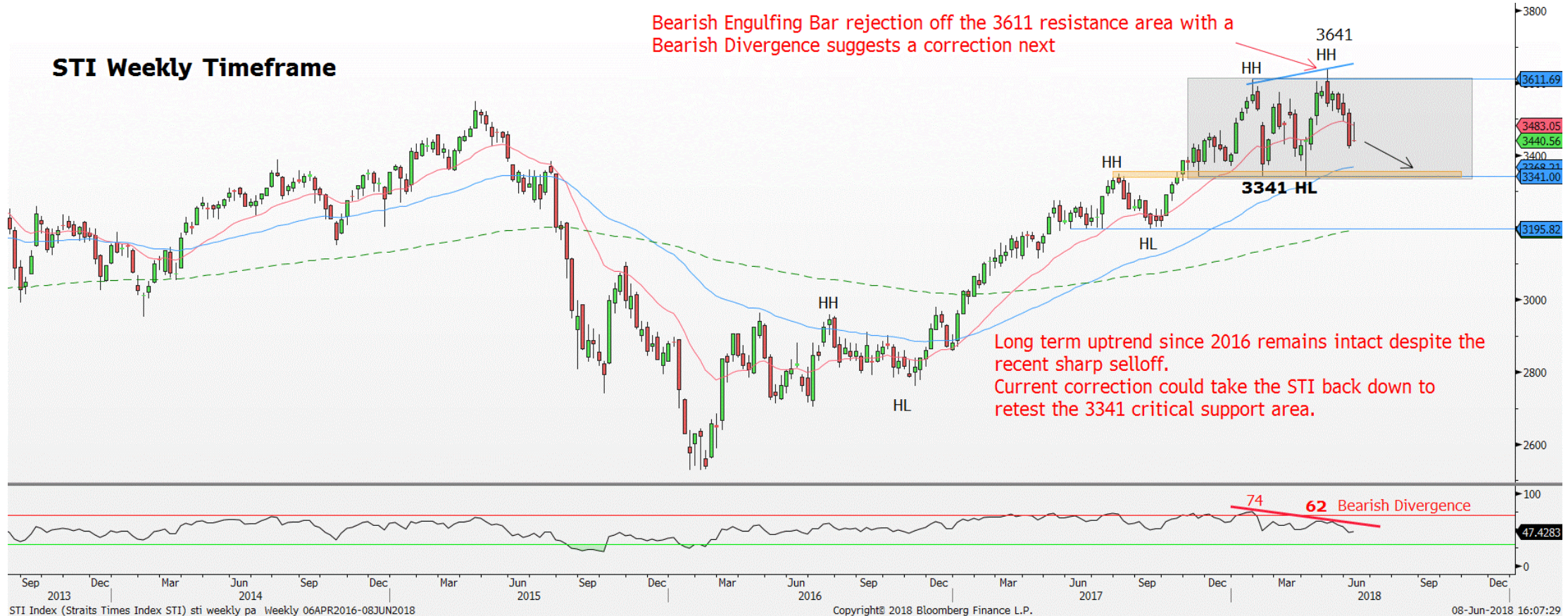
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11 June 2018

# Straits Times Index – Technical Analysis

## STI Weekly Chart

- RSI Bearish divergence signaling further downside



-5.14% in May 2018

Source: Bloomberg, PSR Red line = 20 period moving average, Blue line = 60 period moving average, Green line = 200 period moving average



# Straits Times Index – Technical Analysis

## STI Daily Chart

- Bearish price action suggests a high likelihood of the 200-day moving average breaking down
- Key level to watch: 3350 – 3341 support area

2) However, the most recent rebound off the 200MA failed to sustain with the bears returning after testing the 20MA.  
Expect the STI to break below the 200MA with the current bearish price action.



Source: Bloomberg, PSR Red line = 20 period moving average, Blue line = 60 period moving average, Green line = 200 period moving average

# Realised P&L for May 18

## The Phillip 20 Portfolio - Realised P&L for May 2018

Company Name	Ticker	L	Entry Date	Entry price	Exit date	Exit Price	P&L
GOLDEN ENERGY	AUE	Long	<a href="#">2-Aug-17</a>	0.425	<a href="#">4-May-18</a>	0.360	<b>-15.29%</b>
RIVERSTONE	AP4	Long	<a href="#">12-Jul-17</a>	1.065	<a href="#">9-May-18</a>	0.995	<b>-6.57%</b>
MIYOSHI	M03	Long	<a href="#">23-Aug-17</a>	0.074	<a href="#">22-May-18</a>	0.062	<b>-16.22%</b>
SEMBCORP IND	U96	Long	<a href="#">23-Apr-18</a>	3.270	<a href="#">30-May-18</a>	2.970	<b>-9.17%</b>
JUMBO	42R	Long	<a href="#">22-Sep-17</a>	0.575	<a href="#">31-May-18</a>	0.525	<b>-8.70%</b>
UOL	U14	Long	<a href="#">12-Mar-18</a>	8.830	<a href="#">31-May-18</a>	8.170	<b>-7.47%</b>

Source: Bloomberg, PSR

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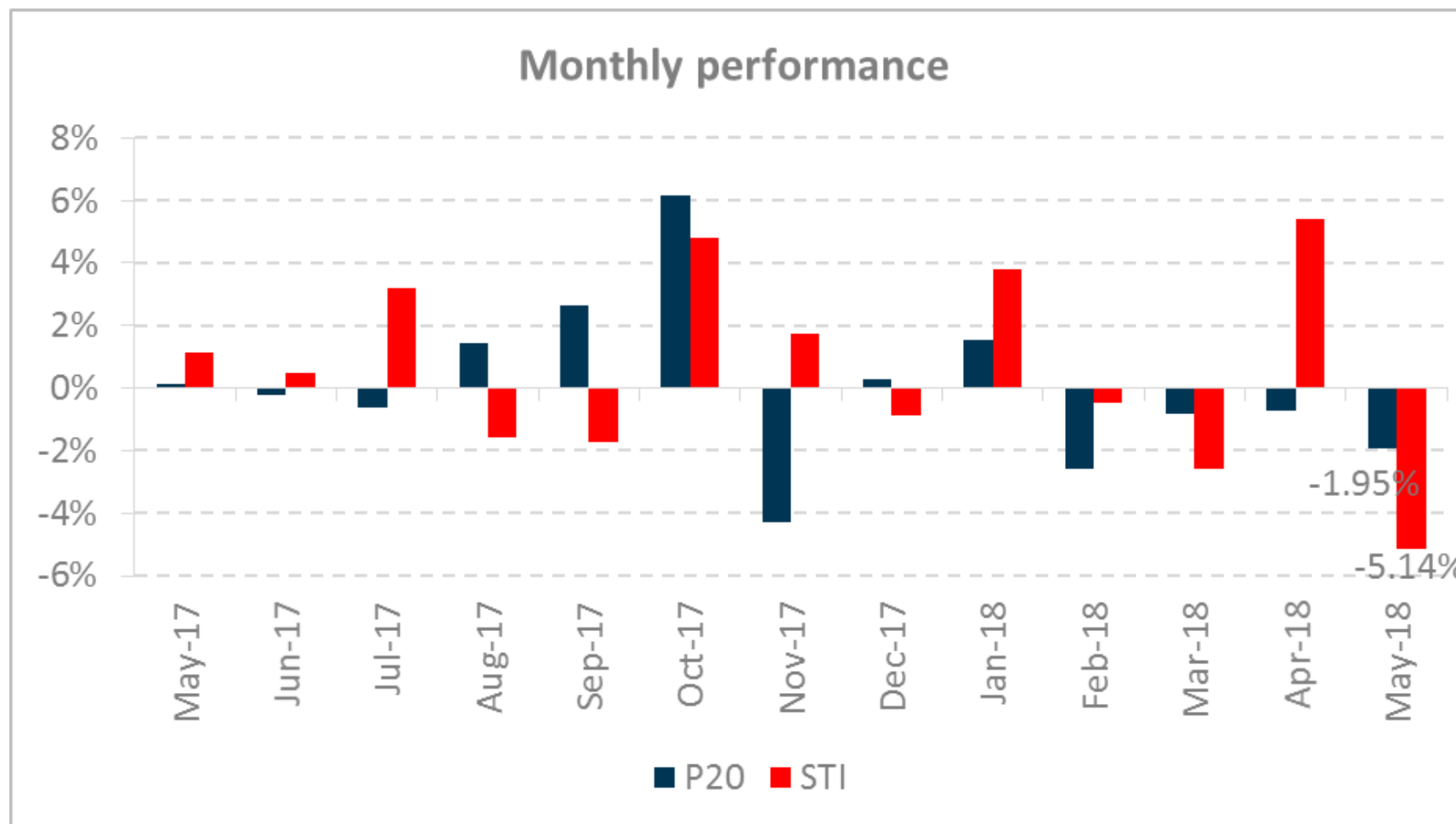
# New Entries for May 18

## The Phillip 20 Portfolio - May new entries as of 8 May 2018

Company Name	Ticker	L	Entry Date	Entry price	Stop Loss	Last price	Current gain/loss (%)
CHINA EVERBRIGHT	U9E	Long	<a href="#">2-May-18</a>	0.430	0.385	0.420	-2.33%
COMFORTDELGRO	C52	Long	<a href="#">9-May-18</a>	2.280	1.950	2.390	4.82%
MEMTECH INTL	BOL	Long	<a href="#">10-May-18</a>	1.330	1.190	1.230	-7.52%
Jardine C&C	C07	Long	<a href="#">14-May-18</a>	34.200	31.590	34.540	0.99%
WING TAI	W05	Long	<a href="#">15-May-18</a>	2.160	1.960	2.080	-3.70%
GEO ENERGY RES	RE4	Long	<a href="#">17-May-18</a>	0.240	0.205	0.225	-6.25%

Source: Bloomberg, PSR

# Monthly performance

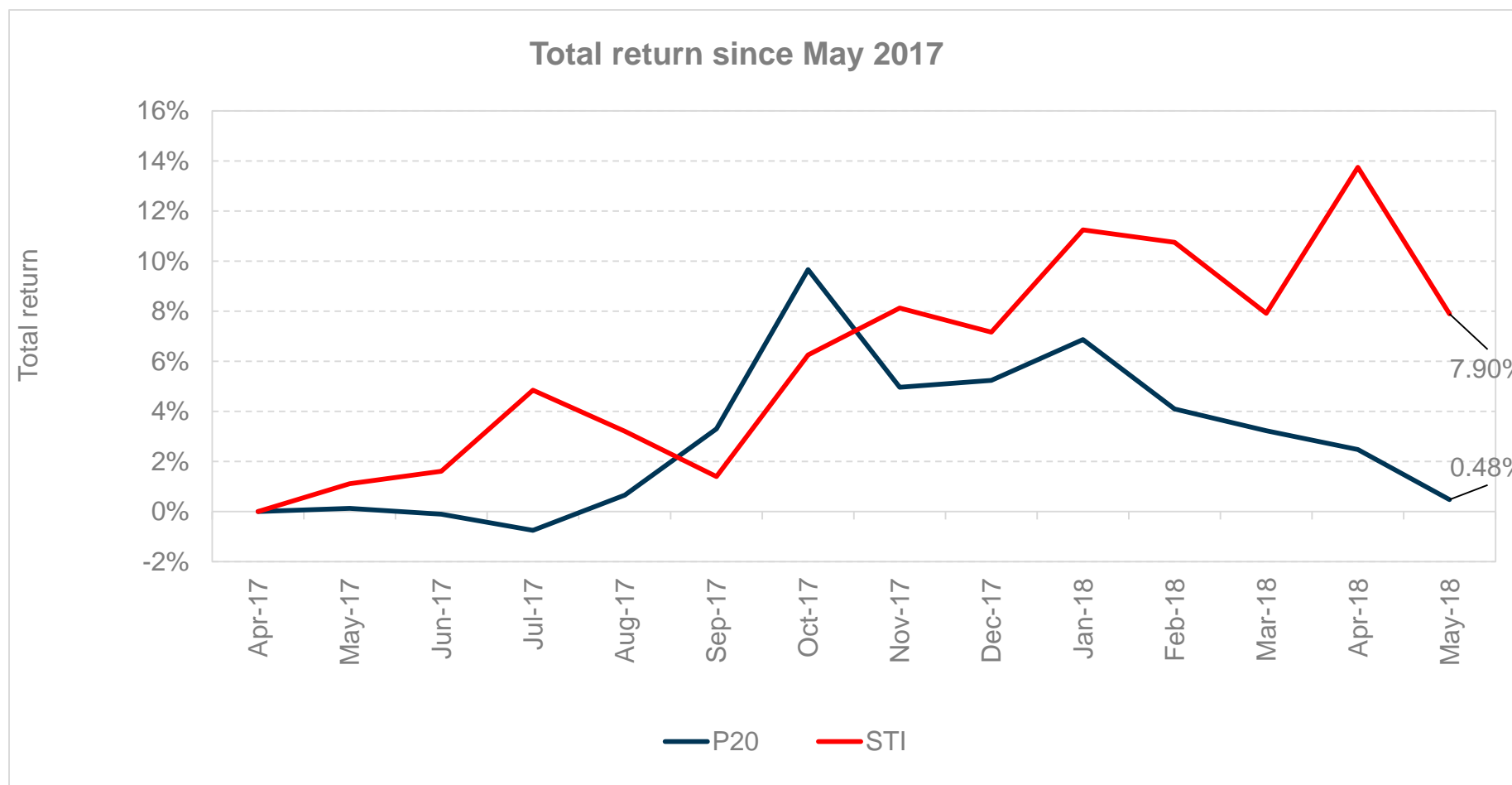


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# Total return since May 2017, as of 31 May 2018



Source: Bloomberg, PSR



# Watchlist

- AEM
- Alliance Mineral
- Avi-Tech
- CityDev
- Clearbridge
- CSE Global
- DairyFarm USD
- GSS Energy
- Haw Par
- Hi-P
- HMI
- Ho Bee Land
- Hong Leong Fin
- Jiutian Chemical
- Keong Hong
- KimHeng Offshore
- Man oriental USD
- Moya Asia
- Nordic
- Olam Intl
- SATS
- SBS Transit
- Sheng Siong
- SIA
- SingHoldings
- Sino Grandness
- SPH
- ST Engineering
- Tianjin ZX USD
- Tuan Sing
- UMS
- United Engineers
- UnUsUal
- UOB
- UOI
- UOL
- Y Venture
- Yongnam



# Current Portfolio

The Phillip 20 Portfolio - Our top technical picks as of 31 May 2018							
Company Name	Ticker	L	Entry Date	Entry price	Stop Loss	Last price	Current gain/loss (%)
800 SUPER	5TG	Long	<a href="#">13-Feb-18</a>	1.110	0.990	1.070	-3.60%
ALLIED TECH	A13	Long	<a href="#">27-Apr-18</a>	0.049	0.041	0.046	-6.12%
BREADTALK	5DA	Long	<a href="#">2-Nov-17</a>	0.823	0.735	0.935	13.68%
COMFORTDELGRO	C52	Long	<a href="#">9-May-18</a>	2.280	1.950	2.460	7.89%
CHINA EVERBRIGHT	U9E	Long	<a href="#">5-Feb-18</a>	0.430	0.385	0.420	-2.33%
CHIP ENG SENG	C29	Long	<a href="#">12-Dec-17</a>	0.945	0.880	0.925	-2.12%
ELLIPSIZ	BIX	Long	<a href="#">3-Aug-17</a>	0.645	0.575	0.550	-14.73%
FRENCKEN	E28	Long	<a href="#">20-Jul-17</a>	0.525	0.445	0.510	-2.86%
GEO ENERGY RES	RE4	Long	<a href="#">17-May-18</a>	0.240	0.205	0.225	-6.25%
GENTING SING	G13	Long	<a href="#">9-Apr-18</a>	1.160	0.990	1.260	8.62%
Jardine C&C	C07	Long	<a href="#">14-May-18</a>	34.200	31.590	34.360	0.47%
JB FOODS	BEW	Long	<a href="#">10-Apr-18</a>	0.590	0.490	0.505	-14.41%
MEMTECH INTL	BOL	Long	<a href="#">10-May-18</a>	1.330	1.190	1.290	-3.01%
OCBC	O39	Long	<a href="#">9-Feb-18</a>	12.360	11.430	12.540	1.46%
SINGPOST	S08	Long	<a href="#">13-Mar-18</a>	1.400	1.210	1.320	-5.71%
SINOSTAR PEC	C9Q	Long	<a href="#">28-Nov-17</a>	0.194	0.149	0.154	-20.62%
WING TAI	W05	Long	<a href="#">15-May-18</a>	2.160	1.960	2.030	-6.02%

## Monthly Phillip 20 performance update

[May 17 performance](#)

[June 17 performance](#)

[July 17 Performance](#)

[August 17 Performance](#)

[September 17 Performance](#)

[October 17 Performance](#)

[November 17 Performance](#)

[December 17 Performance](#)

[January 18 Performance](#)

[February 18 Performance](#)

[March 18 Performance](#)

[April 18 Performance](#)

\*\*Take profit will be updated accordingly in the future technical pulse report

Source: Bloomberg, PSR

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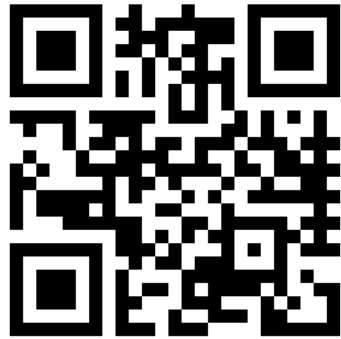
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**Soh Lin Sin**, Consumer | Healthcare

**Richard Leow**, Transport | REITs (Industrial)

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

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

**Ho Kang Wei**, US Equity

**Chen Guangzhi**, Oil and Gas | Energy

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