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Singapore Company Results

ComfortDelgro

Sembcorp Industries

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UOB

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United Overseas Bank Limited

Loans growth picked-up pace

Tin Min Ying

Phillip Securities Research Pte Ltd

13 August 2018

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United Overseas Bank Limited

(BUY (Upgraded), TP: S$34.50, Last: S$31.70)

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Results at a glance

(SGD mn)	2Q18	2Q17	YoY (%)	1Q18	QoQ (%)	Comments
NII	1,542	1,356	14%	1,470	5%	Loans grew 9.7% YoY and NIM rose 4.6% YoY to 1.83%.
Fees & Comm	498	517	-4%	517	-4%	Fund management grew 19.3% YoY and loan fees grew 45.1% YoY. Offset by decline in wealth management fees of 2.9% YoY.
Other Non Int Income	302	311	-3%	243	24%	Net gain from investment securities declined by 99% YoY due to gains on disposal of investment securities last year.
Total Revenue	**2,342**	**2,184**	**7%**	**2,230**	**5%**	
Expenses	1,022	995	3%	987	4%	Staff cost rose 13.2% YoY, offset by 10% YoY decline in other operating expense.
Allowances	90	180	-50%	80	13%	Credit cost at 13bps, a decline of 59% YoY from 32 bps. Guidance is at 20bps for the full year.
Net Profit	**1,077**	**845**	**27%**	**978**	**10%**	

Source: Company, PSR

Positives

- Net-interest income's 14% YoY growth was supported by NIM expansion by 8bps.
- Loans growth jumped to 9.7% YoY, highest in almost 4 years.
- Credit cost declined 19bps YoY to 13bps.

Negatives

- Non-interest income declined for the first time in 6 quarters due to retraction in wealth management fees and gain on disposal of investment securities last year.
- Expectations of higher dividends may be let down.

Outlook:

- New Digital Bank franchise.
- Property cooling measures – transaction volume is expected to slowdown more noticeably next year.
- Slowing Chinese economy may contribute to a slight slowdown in trade loans.

Investment Actions: Upgraded to BUY

All in all, the rising interest rate environment together with higher loans growth and elevated NIM will continue to drive growth.

The bulk of the growth in FY18e will come from margin expansion and lower impairments.

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Overseas-Chinese Banking Corp Ltd

NIM expansion yet to be unleashed

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Overseas-Chinese Banking Corp Ltd

(BUY (Upgraded), TP: S$14.90, unchanged)

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Results at a glance

(SGD mn)	2Q18	2Q17	YoY (%)	1Q18	QoQ (%)	Comments
Net interest income	1,450	1,345	8%	1,415	2%	NIMs +2bps YoY. Loans +10.3% YoY.
Fees & Comm	518	492	5%	536	-3%	Double digit growth in investment related (29%) and trade-related (11%) fees were offset by a decrease in loan-related fees (-3.8%).
Insurance	234	233	0%	206	14%	
Other NII	272	281	-3%	176	55%	Net gain from sale of investment securities fell 96% YoY but offset by increase in net trading income by 37% YoY.
Total income	**2,474**	**2,351**	**5%**	**2,333**	**6%**	
Expenses	(1,035)	(993)	4%	(1,032)	0%	Other operating expenses increased 12% YoY.
Allowances	(21)	(169)	-88%	(12)	75%	Large decrease due to provisions set aside for O&G sector last year.
PATMI	**1,209**	**1,041**	**16%**	**1,112**	**9%**	

Source: Company, PSR

Positives

- Net-interest income driven by loans growth and NIM expansion.
- Improving asset quality. Allowances and credit costs declined.

Negatives

- NIM was softer than expected due to Indonesia's and Hong Kong's NIMs.
- Other non-interest income fell 7.6% YoY due to lower net gain from investment securities but offset by net trading income.

Outlook:

- Flattish NIM expected to improve due to majority of mortgage repricing starting in 3Q18 onwards.
- Property cooling measures for the rest of FY18 not expected to decline.
- Management's trade war outlook is cautious and more concerned if it impacts the global economy.

Investment Action: Upgraded to BUY

In conclusion, earnings were boosted by robust loans growth, NIM expansion and low allowance. Upside in NIMs may be capped by Indonesia and Hong Kong's inability to raise pricing.

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Asian Pay Television Trust

Dividends to be cut and subscribers declined

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Asian PayTV

(Reduce (Downgrade), TP: S$0.35, Last: S$0.405)

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Results at a glance

S$ mn	2Q18	2Q17	YoY	Comment
Revenue	77.6	83.1	-6.6%	Around 2.5% point decline from currency.
- subscription	51.2	54.9	-6.7%	CableTV ARPU fell 4% YoY.
- non-subs. revenue	10.3	11.3	-8.8%	7 of 9 home shopping networks leased out.
EBITDA	46.3	50.0	-7.4%	Bulk of revenue decline dropped to EBITDA.
Broadcast cost	(14.9)	(16.0)	-6.9%	
Interest	(13.6)	(14.5)	-6.2%	
PATMI	19.7	11.3	74.3%	Deferred tax, FX and derivatives gain.
Operating c/flow	43.0	46.9	-8.3%	Dip in working capital.
Free cash-flow	22.7	19.0	19.5%	Cash capex declined S$7.5mn.
Dividends	(23.3)	(23.3)	0.0%	
DPU (cents)	1.625	1.625	0.0%	

Source: Company, PSR

Positives

- Broadband subcriber grew by 1,000 in 2Q18

Negatives

- Will cut dividends for FY19; our estimate is S$0.035
- PayTV subscribers experience decline by 2,000; largest ever
- Capex guided to be high for FY18 & FY19 for fibre roll-out

Downgrade to REDUCE: All our worst fears snowballed – dividend cut, subscribers declined, capex guided higher. Minimal cut to our EBITDA but revenue (subscribers, ARPU) and cash-flow (capex, EBITDA) will remain under pressure.

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Sheng Siong Group

Fresh products keep gaining traction

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Sheng Siong Group

(Accumulate (Maintained), TP: S$1.13, Last: S$1.07)

Results at a glance

SGD mn	2Q18	2Q17	YoY	Comments
Revenue	213.0	201.5	5.7%	New stores +7.8%, SSSG +4.2%, ex. Woodlands 6A and Verge stores -7.2%, Kunming store +0.9%
Gross profit	58.1	53.5	8.7%	*Gross margin +0.9pp to 27.5%*
EBITDA	23.7	22.3	6.1%	
EBIT	20.7	19.7	4.8%	Dist. expenses +7% YoY and Admin. Expenses +11%
PATMI	17.2	16.1	6.3%	

Source: Company, PSR

Positives

- Revenue was healthy from new stores and SSSG. Productivity per sft has been improving.
- Record gross margins and due to fresh products. Fresh products margins at 34% but more challenging to handle due to shelf life.

Negatives

- Operating expenses higher due to new stores fixed cost such as rental and labour.

Maintain ACCUMULATE: Revenue in 2018 supported by new store openings – 4 in 1Q18 and 2 in 3Q18. Gaining market share from wet market and mall operated stores. Impact of e-commerce only on bulky items.

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ComfortDelGro Corp Ltd

Organic and inorganic growth to drive a better 2H

Richard Leow

Phillip Securities Research Pte Ltd

13 August 2018

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ComfortDelGro Corp Ltd

Accumulate, TP: $2.78, FY18e DPS: 10.4 cents (4.4%) , Last: $2.38

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Results at a glance

(SGD mn)	2Q18	2Q17	YoY	Comments
Revenue	**941**	**893**	+5.4%	**About 47% of the increase attributable to recent acquisitions. Actual underlying increase of S$46.2mn was further aided by favourable currency translation of $1.8mn**
EBIT	110	112	-2.1%	6.5% higher opex. Actual $48.7mn increase in opex compounded by $1.7mn unfavourable currency translation
PATMI	**75.0**	**79.4**	-5.5%	**Higher non-controlling interests from higher SBS Transit profit**

Source: Company, PSR

The Positives

- Public Transport Services segment benefitted from 52.9% YoY higher profit by SBS Transit
- Taxi segment stabilised with a more rational competition landscape
- Absolute level of dividend maintained at 4.35 cents, despite the lower YoY EPS

The Negatives

- Increase in opex outpaced the increase in revenue, resulting in YoY margin compression from 12.5% to 11.6%
- Goodwill on balance sheet increased 16.4% YTD, as a result of acquisitions
- Inventory build-up could lead to negative surprise of higher than expected maintenance-related expenses

Outlook: positive

- Expect 2H18 to be stronger than 1H18; Organic: 6M contribution from Seletar bus package, moderation of DTL loss, taxi stabilised; Inorganic: 2Q contributions and 3Q pipeline

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Sembcorp Industries Ltd

India operation turned around

Chen Guangzhi

Phillip Securities Research Pte Ltd

13 Aug 2018

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Sembcorp Industries Ltd

(BUY (Maintained), TP: S$3.70)

Results at a glance

(SGD mn)	2Q18	2Q17 Restated	YoY (%)	Comments
Revenue	**3,344**	**2,282**	**46.6**	Higher turnover from Utilities segment from Singapore, China, and India markets; Higher turnover from Marine segment due to revenue recognition for delivery of 2 jack-ups and sale of a semi-submersible
Gross profit	189	322	(41.3)	Gross loss from Marine on the sale of a semi-submersible and lower overall business volume
PBT	89	91	(2.1)	FX gain and higher fair value on hedging instruments
PATMI	**65**	**59**	**10.0**	Recognition of unutilised tax losses from Marine

Source: Company, PSR

Negatives

Marine segment continued to encumber the group's performance

•Net losses: S$55.6mn.

•The net order book continues to decline (1H18: S$7.2bn vs FY17: S$8.4bn)

Outlook

•Expanding the renewable and clean energy businesses.

•Higher profit contributions from Utilities' India operation moving forward

•Support SMM through the cycle which is expected to be longer than expected

•Improvement of group performance as a whole will slow down

Positives

Utilities' Singapore operation is stable

•Net profit: S$43.3mn (+4.3% YoY)

•Secured 94MW of solar power capacity and become the second largest renewable energy player in Singapore

Utilities' China operation performed well

•Net profit: S$15.1mn (+65.9% YoY)

Utilities' India operation turned profitable

•Net income from India came in at S$39.4mn (2Q17: S$-3.2mn)

	Net Profit (S$mn)		Plant Load Factor	
	2Q18	2Q17	2Q18	2Q17
TPCIL	14	15	91%	91%
SGPL	8	-29	88%	78%
SGIL	17	11	23%	24%

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China Everbright Water Limited

Stable expansion

Chen Guangzhi

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13 Aug 2018

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China Everbright Water Limited

(BUY (Maintained), TP: S$0.53)

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Results at a glance

(HK$ mn)	2Q18	2Q17	YoY (%)	Comments
Revenue	1,319	869	51.9	Increase in construction revenue from several water environment management projects; Commencement of operation of new projects; Tariff hikes for several projects and one-off income of HK$20.1mn arising from retrospective tariff adjustment in relation to a waste water treatment project
Gross profit	426	295	44.8	Smaller portion of construction revenue recognition where margin is lower than the operation services
EBIT	321	209	53.7	In line with the above
PATMI	193	141	37.0	Increase in deferred tax following the changes in tax interpretations by some local tax bureaus

Source: Company , PSR

Outlook

•As of 2Q18, the total WWT was above 5mn tonnes/day

•Organic growth based upgrading of the existing projects, will ramp up capacity to 10% to 20% per annum

•Target: 10mn tonnes daily WWT capacity by 2020

•Seek more project acquisitions but prioritise the quality of the project instead of pursuing quantity

•Applied for dual listing in Hong Kong

Positives

Ongoing upgrading of projects

•Six waste water treatment (WWT) projects had tariff hikes ranging from 1% to 165%

•Received a one-off HK$20.1mn retrospective tariff adjustment

Negatives

Updates of Zhenjiang Sponge City project

•Completion of the project could be postponed again to 2019

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China Sunsine Chemical Holdings Ltd

Aim for the long-term prosperity

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13 Aug 2018

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China Sunsine Chemical Holdings Ltd
(BUY (Maintained), TP: S$1.77, Last done price: S$1.23)

Results at a glance

(RMB mn)	2Q18	2Q17	YoY (%)	Comments
Revenue	881	656	34.2	Increase in overall ASP and sales volume
Gross profit	324	187	73.0	In line with the above
PBT	215	93	131.2	Increase in overhead costs and FX losses
PAT	240	75	221.7	In line with the above; a tax credit of RMB48mn granted

Source: Company, PSR

Outlook

•Supply shortage will be relieved as new capacities start to enter the market

•More supply of aniline due to exporters partially shift US exports back to the domestic market

•ASP correction could start in 3Q18

•Expect CSSC to maintain GPM at more than 30% in 2H18

•The room for growth will come from the new capacity

•"Battle for a Blue Sky" could be a short-term negative impact but a long-term beneficial driver

Positives

Uptrend in ASP and sales volume continued

Sales volume

(mn tonnes)	2Q18	2Q17	YoY (%)	1Q18	QoQ (%)
Accelerators	21,563	21,334	1.1	19,907	8.3
Insoluble Sulphur	6,672	4,913	35.8	6,212	7.4
Anti-oxidant	8,986	7,893	13.8	10,353	-13.2

Average selling price

(RMB/tonne)	2Q18	2Q17	YoY (%)	1Q18	QoQ (%)
Accelerators	29,486	21,698	35.9	29,387	0.3
Insoluble Sulphur	11,706	10,625	10.2	11,719	-0.1
Anti-oxidant	17,182	16,432	4.6	17,995	-4.5

Source: Company PSR

GPM and NPM reached a record high

•GPM: 36.7% (2Q17: 28.5%; 1Q18: 34.9%)

•NPM: 27.2% (2Q17: 11.4%; 1Q18: 17.4%)

Negatives

New capacity is expected to get approval by 3Q18

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