

17 Sept 2018, 8.15am/11.15am Morning Call/Webinar



Strategy
Weekly Musings
Sector Update
Land Transport

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Week 38 - Phillip Weekly Musings

Paul Chew

Phillip Securities Research Pte Ltd

17 Sep 2018

Week 38 – Short-term Views

Macro Last Week

- **Macro:** Trade talks between US-China; Record low investments (FAI) in China
- **ECB:** lowered 2018/19 growth by 0.1% points + end bond buying year-end + keep rates low till summer 2019
- **SG Macro:** Construction 10-year high contracts awarded + retail sales still sluggish + taxi positive growth

Corporate Last Week

- **ST Engineering:** MRA Systems; 12x forward; engine casing; single source CFM Leap-1A engine; near-term jump in growth; S\$868mn; ~10% PATMI; pension liabilities?; Added S\$750mn;
- **Venture Corp.:** Flavoured e-cigarettes (vaping); affect approval of heat or smokeless e-cigarette
- **CapitaLand Commercial Trust:** HSBC 1 year extension 21 Collyer Quay; 36% higher @ ~S\$11.54 psf/mth; NPI yield rise from 4.4% to 6%; MBFC2 140k but more staff; 2021 supply will rebound

Tactical

- Stay Defensive: trade issue not going away (10% tariff) + growth slowing and interest rates rising
- Shift in activity from residential to commercial/industrial
- Yield: Ascendas REIT + CapitaCommercial Trust + Telcos + Construction

Week(s) Ahead

- 20Sep: US-Japan Trade Talks
- 24Sep: Inclusion of Dairy Farm to STI (1.2%) and replace Starhub (0.3%)
- 25-26Sep: FOMC meeting

Week 38 – Absolute 10 model portfolio

Company	1 Mth Perf.	3 Mth Perf.	YTD Perf.	Rating	Target Price	Share Price	% Upside	Mkt Cap (US\$ m)	FY17	PE FY18E	FY19E	P/BV FY17	Dividend Yield	ROE FY17
Yield														
Ascendas REIT	-0.4%	3.4%	0.7%	Accumulate	2.96	2.74	8%	5,837	16.2	16.6	16.2	1.3	5.8%	8.0%
CapitaLand Comm Trust	1.1%	3.5%	-8.3%	Accumulate	1.88	1.77	6%	4,817	11.4	21.1	20.6	1.0	4.9%	8.8%
Growth														
Chip Eng Seng	3.1%	-10.3%	-14.9%	Buy	1.15	0.83	39%	378	13.3	10.8	12.7	0.7	4.8%	6.0%
Sheng Siong	9.3%	15.8%	26.5%	Accumulate	1.13	1.17	-3%	1,279	25.2	24.1	22.2	6.3	2.9%	26.8%
DBS Group	-6.7%	-12.1%	0.4%	Buy	33.32	24.95	34%	46,382	14.6	11.0	9.8	1.4	3.7%	10.3%
Geo Energy	-10.4%	-4.4%	-18.9%	Buy	0.41	0.22	91%	208	5.7	4.7	3.7	2.3	4.7%	18.3%
Micro-Mechanics	1.1%	1.7%	-14.2%	Buy	2.30	1.81	27%	183	14.7	13.5	11.7	4.5	5.0%	33.4%
Re-rating Plays														
Banyan Tree	-8.0%	-8.0%	-8.0%	Accumulate	0.73	0.52	40%	318	1.5	1.6	1.5	0.7	1.9%	6.5%
CapitaLand	6.2%	-0.9%	-2.8%	Accumulate	4.19	3.43	22%	10,381	9.2	13.6	13.4	0.8	3.5%	8.3%
Comfort DelGro	-2.6%	-6.9%	15.7%	Accumulate	2.78	2.29	21%	3,604	17.1	15.8	15.7	1.9	4.5%	10.8%
Average	-0.7%	-1.8%	-2.4%				28%	73,387	12.9	13.3	12.7	2.1	4.2%	13.7%

Land Transport Sector

Taxi stabilizing & fare increase for public transport

Richard Leow

Phillip Securities Research Pte Ltd

17 September 2018

Maintain Overweight on Land Transport sector: Positive industry restructuring and worst is over for the Taxi industry

PTC says that fare increase will be up to 4.3%

Maintain Accumulate on ComfortDelGro Corp; unchanged target price of \$2.78 (last close \$2.32)

Keeping our target price for now, until exact quantum of fare increase is announced (our current model assumes 0% change in Rail fares)

LTA published motor vehicle population and Taxi Driver Vocational Licence (TDVL) data for July 2018

Figure 1: Taxi and Rental cars population, Taxi Driver Vocational Licence (TDVL) data

Y/E Dec	Jul-18	Jul-17	YoY	Dec-17	YTD	Jun-18	MoM
Taxi	21,176	25,325	-16.4%	23,140	-8.5%	21,164	+0.1%
Rental cars	67,892	64,401	+5.4%	68,083	-0.3%	68,817	-1.3%
Valid TDVL holders	97,002	97,854	-0.9%	96,085	+1.0%	96,336	+0.7%
	Jul-18	Jul-17	YoY		7M18	7M17	YoY
TDVL issued	301	95	+217%		2,320	1,060	+119%

Source: Bloomberg, LTA, PSR

PTC has commenced the annual 2018 Fare Review Exercise. Public transport operators may submit their fare applications by Oct. 1, and the PTC will announce its decision on the fare adjustment quantum in 4Q18

The Positives

- Marginal +0.1% MoM growth in taxi population
- Rate of YoY decline in taxi population continues to show sign of bottoming
- Rental cars YoY growth continues to taper; second consecutive month of single-digit growth from double-digit growth since December 2013
- Momentum for TDVL issued has been maintained
- SBS Transit's Rail segment will benefit from higher fares

Maintain Overweight on Land Transport sector

- Positive industry restructuring: exit of Uber from ride-hailing
- Worst is over for Taxi industry: CDG is buying new taxis, MoM increase in taxi population

Maintain Accumulate on ComfortDelGro Corp; unchanged target price of \$2.78

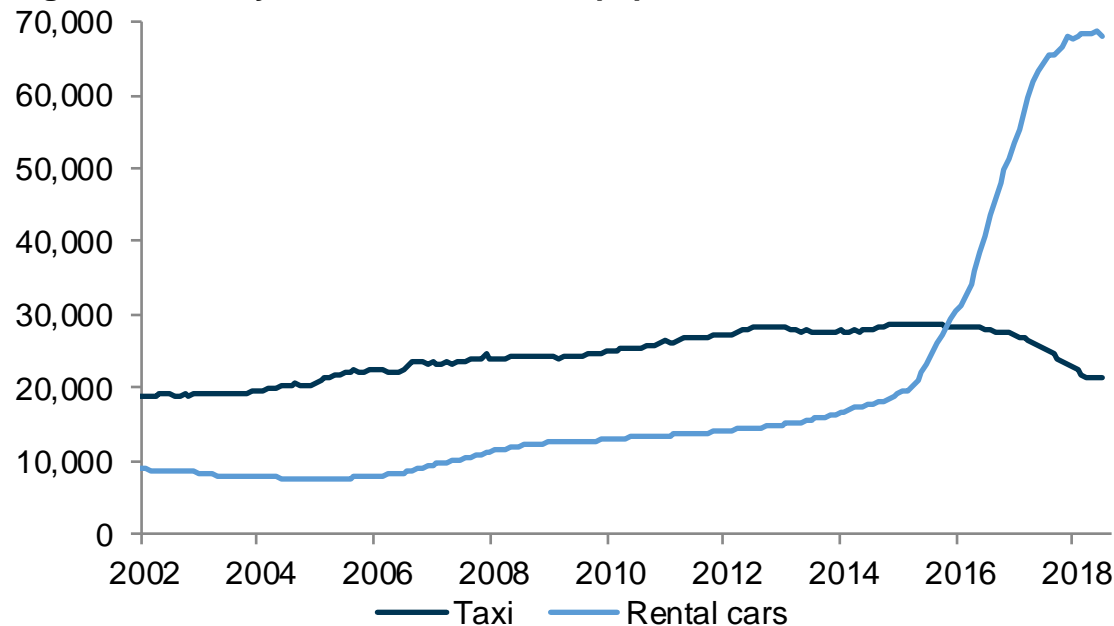
(last close \$2.32)

Decline in Taxi population is stabilising Rental cars population stagnating

Taxi population YoY contraction shows sign of bottoming

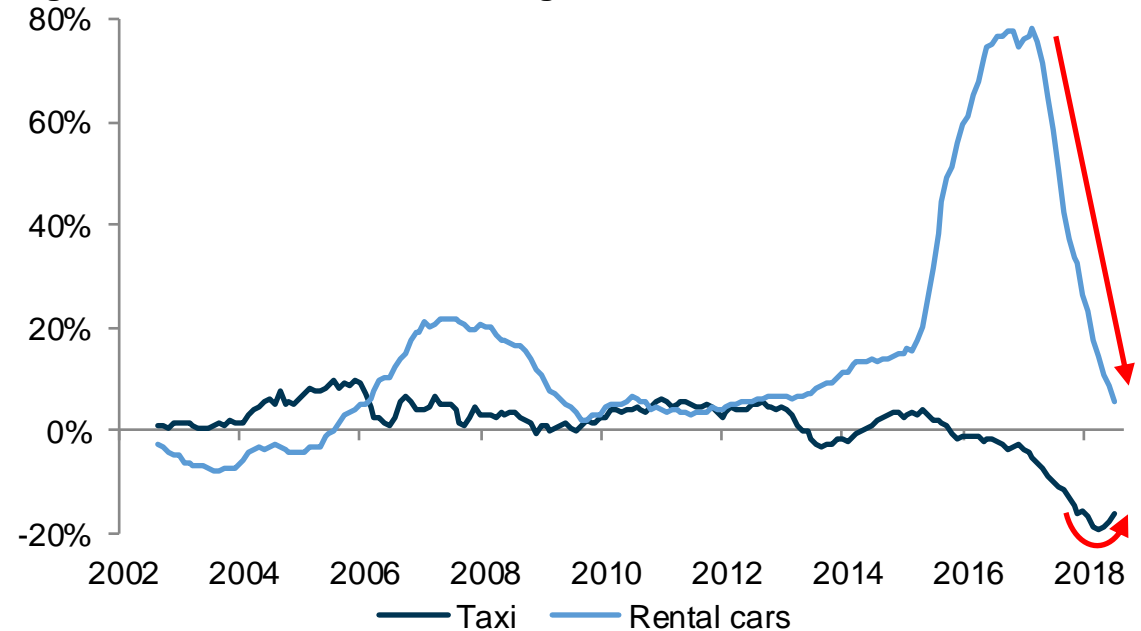
Rental cars YoY growth continues to taper down, to single-digit growth rate

Figure 2: Monthly Taxi and Rental cars population



Source: Bloomberg, LTA, PSR

Figure 3: Taxi and Rental cars YoY growth

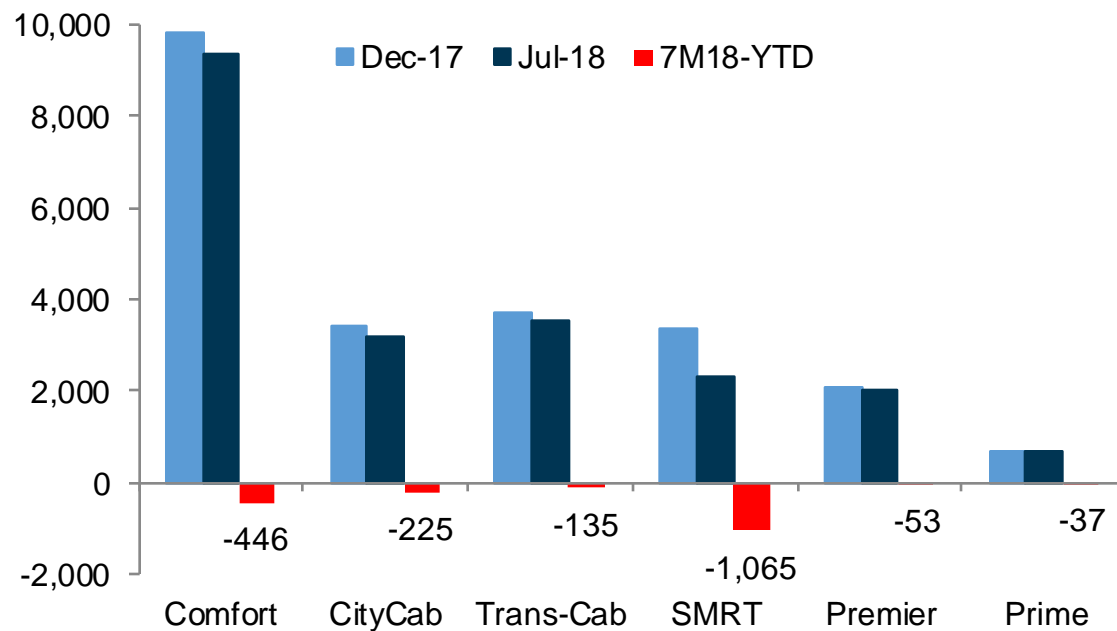


Source: Bloomberg, LTA, PSR

All fleets declined during 7M18-YTD

Taxi population contracted -8.5% YTD

Figure 4: YTD comparison of Individual taxi fleets, Dec-17 vs. Jul-18

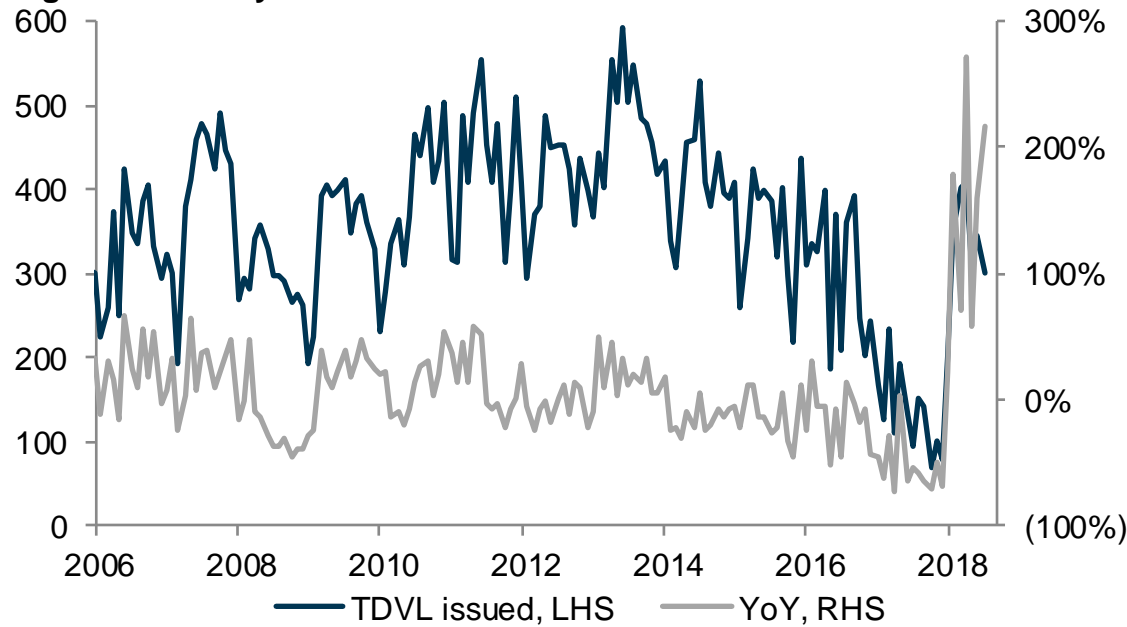


Source: LTA, PSR

Spike in TDVL issued has been sustained

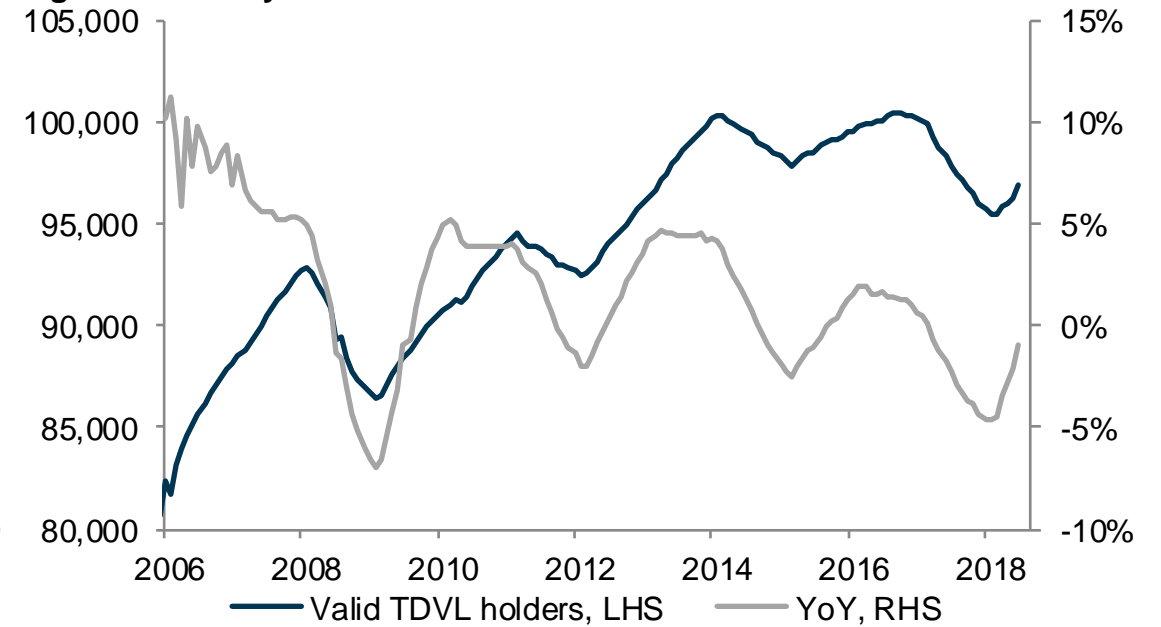
Number of valid TDVL holders grew +1.0% YTD

Figure 5: Monthly No. of TDVL issued



Source: LTA, PSR

Figure 6: Monthly total No. of valid TDVL holders



Source: LTA, PSR

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