

## **Company Results**

Ascendas REIT

Mapletree Industrial Trust

Cache Logistics Trust

CapitaLand Commercial Trust

CapitaLand Mall Trust

Frasers Centrepoint Trust

Singapore Exchange Ltd

SembCorp Marine Ltd

**China Weekly Musings**

**Phillip Weekly Musings**

The information contained in this presentation has been obtained from public sources which Phillip Securities Research Pte Ltd ("PSR") has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this presentation are based on such information and are expressions of belief only. PSR has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this presentation is subject to change, and PSR shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will PSR be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

This presentation is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person.

You should seek advice from a financial adviser regarding the suitability of the investment product, taking into account your specific investment objectives, financial situation or particular needs, before making a commitment to invest in such products.

# Ascendas REIT

## Acquired second UK portfolio

Richard Leow  
Phillip Securities Research Pte Ltd  
29 October 2018

# Ascendas REIT

(Accumulate, TP: \$2.78, DPU: 14.85 cents (5.8%), Last: \$2.57)

## Results at a glance

(SGD mn)	2Q19	2Q18	YoY	Comments
Gross revenue	218	216	+1.1%	Acquisitions in Australia: 100 Wickham Street, 108 Wickham Street; Acquisition in UK: First portfolio of 12 logistics properties
Net property income	159	161	-1.0%	7.1% higher property operating expenses
Distributable income	115	119	-3.1%	16.2% higher interest costs
DPU (cents)	3.887	4.059	-4.2%	Effect of 6.2% larger unit base from Private Placement in Sept. 2018; Advance distribution of 7.25 cents paid. 1H19 DPU of 7.889 cents, so 0.639 cent remains to be paid

Source: Company, PSR

## The Positives

- Positive rental reversions across all segments in Singapore (+2.3% weighted average)
- Long UK WALE of 14.5yrs mitigates uncertainty of Brexit
- Higher proportion of borrowings on fixed rate (72.4% → 84.6%)

## Outlook: mixed

- Singapore occupancy pressure, despite positive reversions

## The Negatives

- Lower Singapore occupancy, non-renewals at logistics properties
- Aggregate leverage to increase, due to acquisition of second UK portfolio (2Q: 33.2% → 4Q est.: 36.4%)

# Mapletree Industrial Trust

## Operational weakness

Richard Leow

Phillip Securities Research Pte Ltd

29 October 2018

# Mapletree Industrial Trust

(Neutral, TP: \$1.99, DPU: 12.16 cents (6.3%), Last: \$1.93)

## Results at a glance

(SGD mn)	2Q19	2Q18	YoY	Comments
Gross revenue	92.2	92.6	-0.4%	Off-off pre-termination compensation of \$3.1mn from J&J in 2Q18
Net property income	70.6	70.7	-0.1%	1.1% lower property operating expenses
Share of profit from JV	4.60	-	N.M.	US JV started contributing since 3Q18
Distributable income	56.7	54.0	4.9%	2Q19: includes \$3.95mn distribution declared from US JV; 2Q18: includes \$3.1m pre-termination compensation from J&J
DPU (cents)	3.01	3.00	0.3%	4.6% larger unit base due to private placement in 3Q18

Source: Company, PSR

## The Positives

- 30A Kallang Place achieved 75% committed occupancy, higher than 43.8% from previous quarter

## The Negatives

- QoQ lower portfolio occupancy from 88.3% to 86.2%; led by declines in Flatted Factories and Hi-Tech Buildings
- Fourth consecutive quarter of negative reversion (-3.5% weighted average)

## Outlook: mixed

- Organic weakness from persistent negative reversions; higher DI from through inorganic growth

## Rich valuation at 1.34 times FY19e P/NAV multiple

# Cache Logistics Trust

## Highlighting 2019 risks

Richard Leow

Phillip Securities Research Pte Ltd

29 October 2018

# Cache Logistics Trust

(Neutral, TP: \$0.75, DPU: 5.81 cents (8.2%), Last: \$0.71)



## Results at a glance

(SGD mn)	3Q18	3Q17	YoY	Comments
Gross revenue	31.5	27.4	14.8%	Nine Australia warehouses (acquired on Feb. 15), higher revenue from 51 Alps Ave and CWT Commodity Hub
Net property income	23.1	21.3	8.1%	38.4% higher property expenses, from conversion of CWT Commodity Hub and newly acquired Australia portfolio
Distributable income	15.9	16.4	-3.6%	3Q18 includes capital distribution of \$0.386mn, 3Q17 includes capital distribution of \$0.565mn; underlying DI from operations is 2.6% lower
DPU, (cents)	1.475	1.541	-4.3%	Effect of 19% larger unit base following Rights Issue in October 2017; 3Q18 includes capital distribution of 0.036 cents, 3Q17 includes capital distribution of 0.053 cents

Source: Company, PSR

## The Positives

- Prudent debt capital management
- Committed occupancy at CWT Commodity Hub inched higher to 94% from 92.7%
- Limited vacancy risk remains for 4Q18
- Minimal impact from divestment of JCW

## Outlook: Negative

- Negative reversions, 28% of GRI for renewal in 2019, three master leases expiring in 2019

## The Negatives

- Underlying DI and DPU from operations are lower YoY, despite the enlarged portfolio
- Portfolio rental reversion of -6.6% (two renewals)
- Significant vacancy risk in 2019 on 28.2% of portfolio by rental income



# CapitaLand Commercial Trust

## AST2 saves the day

Tara Wong

Phillip Securities Research Pte Ltd

29 October 2018

# CapitaLand Commercial Trust

ACCUMULATE (Maintained), TP: \$1.90 (prev \$1.88), Last: \$1.70



## Results at a glance

(SGD mn)	3Q18	3Q17	YoY (%)	9M18	9M17	YoY (%)	Comments (3Q18 vs 3Q17)
Gross Revenue	100.5	74.1	35.6%	294.9	251.2	17.4%	Contributions from AST2 (acquired in 4Q17) and Galileo (acquired in 2Q18) offset loss in revenue from divestments of Wilkie Edge (divested in 4Q17) and Twenty Anson (divested in 3Q18).
Net Property Income	80.4	58.6	37.3%	235.3	197.5	19.2%	
Distributable Income	82.7	73.1	13.1%	238.7	213.9	11.6%	Higher finance costs due to acquisitions funding for AST2 and Galileo and one-off fees for prepayment of bank borrowings and pre-termination of interest rate swaps.
DPU (Cents)	2.20	2.02	8.9%	6.48	6.58	-1.5%	3Q18 DPU computed based on total units comprising units issued for the equity placement on 28 May 2018 and rights issue on 26 October 2017.

Source: Company, PSR

## The Positives

- Reduced gearing with higher proportion of debt on fixed rates.
- Near-full portfolio occupancy boosted by AST2.

## The Negatives

- Negative rental reversions still plague key properties.

## Outlook

- Outlook is positive now that AST2, CCT's biggest contributor by GRI (office portfolio), had ramped up occupancy within the quarter.
- 36% increase in rental from one-year lease extension at HSBC Building from April 2019.
- Additional recurring income from a new one-year lease with the State for Bugis Village from Apr 2019 for c.S\$1mn.
- Co-working operator The Work Project Kingdom, which will lease space at Capital Tower and Asia Square Tower 2.

# CapitaLand Mall Trust

## Journey to the West

Tara Wong

Phillip Securities Research Pte Ltd

29 October 2018

# CapitaLand Mall Trust

NEUTRAL (Maintained), TP: \$2.09 (prev \$2.05), Last: \$2.17

## Results at a glance

(SGD mn)	3Q18	3Q17	YoY (%)	9M18	9M17	YoY (%)	Comments
Gross Revenue	170.5	169.4	0.7%	517.1	510.1	1.4%	Higher revenue from Junction 8, IMM, Plaza Singapura, Bedok Mall, Tampines Mall. Partially offset by lower revenue from SSC (divested on 18 June 2018).
Net Property Income	122.7	121.4	1.1%	369.1	359.0	2.8%	Lower finance costs due to refinancing at lower interest rates, partial repayment of loans with net proceeds from divestment of SSC, and repayment of bank borrowings.
Distributable Income	103.5	98.7	4.9%	302.5	292.9	3.3%	
Annualised DPU (Cents)	2.92	2.78	5.0%	11.38	11.04	3.1%	

Source: Company, PSR

## The Positives

- Acquisition of remaining 70% of Westgate approved.
- Stable portfolio occupancy despite ongoing AEI at Westgate and Tampines Mall.

## The Negatives

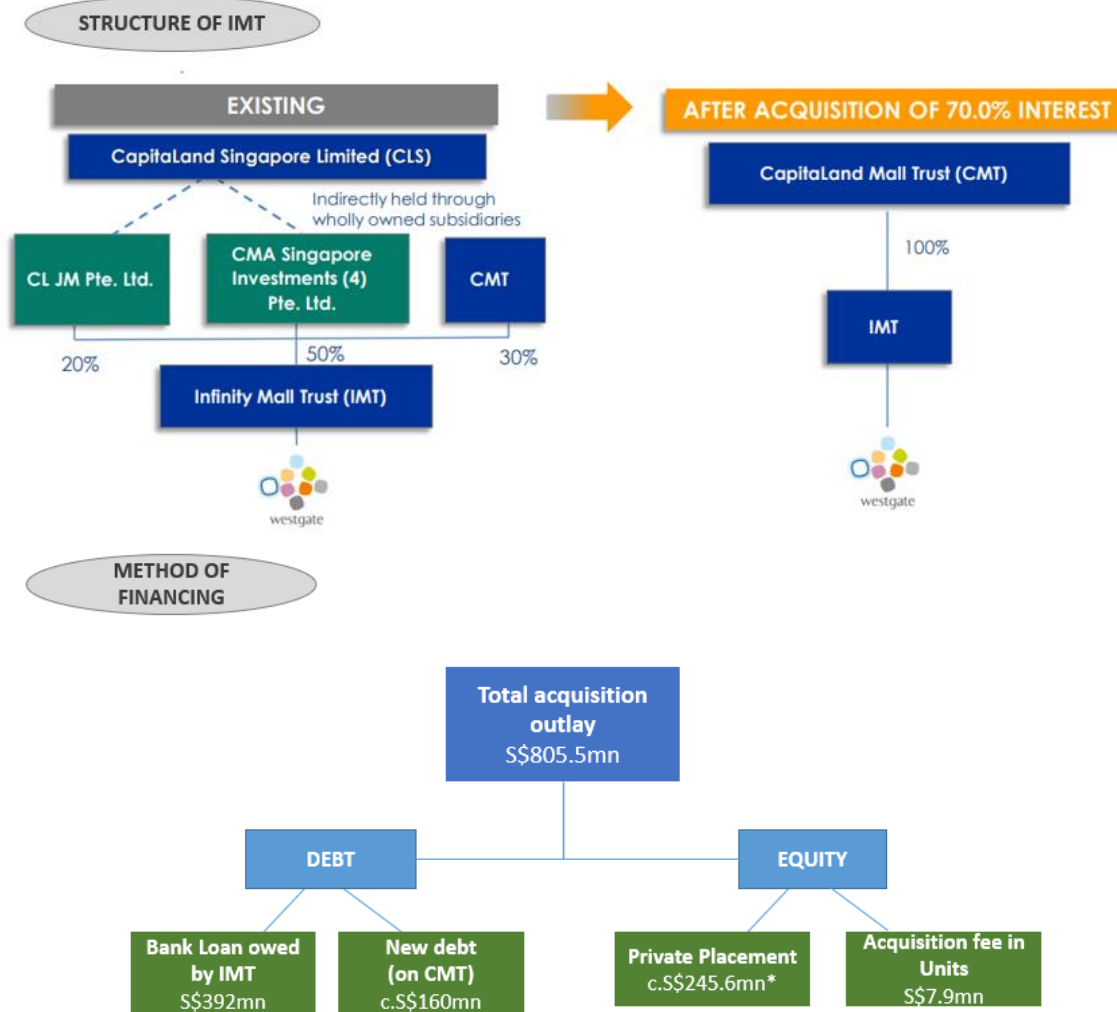
- Tepid tenant sales growth and continued decline in shopper traffic.

## Outlook

- Catalysts for growth would be the contribution from the remaining 70% of Westgate and the upcoming completion of Funan.
- As at end-Sep, leases signed and in advanced negotiations at Funan reached 70% (retail) and 60% (office) – anchor tenant Newstead Technologies filed for liquidation
- Tenant sales would need to catch up for more meaningful upsides in rental growth.

# CapitaLand Mall Trust

NEUTRAL (Maintained), TP: \$2.09 (prev \$2.05), Last: \$2.17



- CMT's unitholders have approved the acquisition of the remaining 70% of the units in IMT, which holds Westgate, on Oct 25
- Transaction is expected to be completed on Nov 1
- Total acquisition outlay of S\$805.5mn (incl. acquisition fee of S\$7.9mn to be paid in units)
- Acquisition is expected to be accretive to FY18e and FY19e DPU

\* Assuming the Upsize Option of the Private Placement is not exercised

# Frasers Centrepoint Trust

## Continues to deliver despite rising interest rates

Tara Wong

Phillip Securities Research Pte Ltd

29 October 2018

# Frasers Centrepont Trust

NEUTRAL (Maintained), TP: \$2.21 (prev \$2.15), Last: \$2.23

## Results at a glance

(SGD mn)	4Q18	4Q17	YoY (%)	FY18	FY17	YoY (%)	Comments
Gross Revenue	48.5	48.2	0.5%	193.3	181.6	6.5%	Mainly driven by higher rental revenue post AEI at NPNW.
Net Property Income	32.9	34.6	-4.9%	137.2	129.6	5.9%	Higher property expenses - mainly due to higher property tax for NPNW, higher utilities tariff rates, higher professional fees and ad-hoc repair/replacement works.
Distributable Income	26.5	27.5	-3.4%	111.3	109.8	1.4%	Lower percentage (20-50%) of management fees paid in units from 2QFY18-4QFY18, vs 70% in FY17.
DPU (Cents)	2.9	3.0	-3.6%	12.0	11.9	1.3%	

Source: Company, PSR

## The Positives

- Overall portfolio occupancy stable at 94.7%.
- Increased percentage of debt hedged while keeping all-in cost of debt in check.

## The Negatives

- Rental reversion tapering off for CWP and NPNW.
- Lukewarm same-store sales growth.
- Lower NPI margin due to one-off property expenses.

## Outlook

- Possibility for upside in rental reversions for CWP following the S\$15mn AEI (underground pedestrian link) that will take place from end-Feb to Dec 2019.
- The addition of a strong international brand name – Sephora – to CWP (in 4Q18) will also help to pull in footfall and potentially improve tenant sales, and is testament to the Manager's ability to attract quality tenants.

# Singapore Exchange Ltd

## Derivatives thriving from volatile environment

Tin Min Ying

Phillip Securities Research Pte Ltd

29 October 2018



# Singapore Exchange Ltd

(BUY (Maintained), TP: S\$9.01, Last: S\$8.93)

## Results at a glance

(SGD mn)	1Q19	1Q18	YoY	4Q18	QoQ	Comments
Securities	46.9	51.2	-8%	56.4	-17%	SDAV decreased -8% YoY and avg clearing fees stable at 2.88 bps (1Q18: 2.87 bps).
Derivatives	97.7	80.6	21%	85.5	14%	Derivatives volume surged +17% YoY mainly due to China A50 futures, FX futures and MSCI NTR derivatives.
Others	64.2	72.7	-12%	71.1	-10%	Issuer Services and Post Trade Services declined -12% YoY and -24% YoY respectively.
<b>Total Revenue</b>	<b>208.9</b>	<b>204.5</b>	<b>2%</b>	<b>213.0</b>	<b>-2%</b>	
Opex	(102.5)	(98.5)	4%	(114.9)	-11%	Higher staff counts as head count rose +3% YoY, as well as a +3% increase in technology expenses.
<b>Net Income</b>	<b>91.1</b>	<b>90.7</b>	<b>0%</b>	<b>83.7</b>	<b>9%</b>	
DPS	7.5	5.0	50%	15.0	-50%	

Source: Company, PSR

## Positives

### ▪ Derivatives revenue rose 21% YoY.

- Equities & commodities volume spiked 17% YoY in volume term. Improvement in volumes came from China A50 futures and FX futures products, which benefited from higher volatility in the underlying market.
- However, the average fee per contract was down 6.3% due to changes in product mix towards lower yielding products.

## Positives

### ▪ Collateral management, license and other revenue grew 48% YoY.

- With rising volatility, risk management solutions have seen an increase in demand. SGX was able to register higher open interest and collateral margin balances.

### ▪ Market Data and Connectivity revenue up 2% YoY.

- Growth was due to higher derivatives API subscriptions and expansion of SGX's colocation services business.

# Singapore Exchange Ltd

(BUY (Maintained), TP: S\$9.01, Last: S\$8.93)



## Negatives

- **Securities revenue down 8% YoY** : Caused by weaknesses in the emerging markets and concerns of a slowdown in economic growth.
  - Despite volatility from trade war and rising interest rates, SDAV was down 8% YoY due to investors' risk – off mode.
  - However, average clearing fees for Equities & Other products remained stable.
- **Fixed Income revenue fell 13% YoY.**
  - Issuer Services declined 12% YoY due to lower bond listings. (1Q19: 247 bond listings raising S\$92bn vs 1Q18: 347 listings that raised S\$156mn.)
  - Post Trade Services declined 24% YoY due to decreasing subsequent settlement activities + downward repricing of DVP guarantee fee + complete cessation of contract processing revenue.

## Other Updates

- SGX made strategic investments to expand its Fixed Income business and create a digital marketplace for the **freight industry**.
- With the cessation of contract processing service following the completion of broker-migration in February 2018, SGX will be launching a **New Post Trade System (Phase 2)** in December 2018.
- The **SGX-IISL arbitration** has no further updates and remains as a financial risk whose outcome has yet to be set in stone.

# Singapore Exchange Ltd

(BUY (Maintained), TP: S\$9.01, Last: S\$8.93)



## Investment Action:

We maintain our **BUY** recommendation for **SGX** and raise our Target Price to **S\$9.01** (previously S\$8.93). The increase in Target Price is mainly driven by **25.2x PER**, which is in line with **SGX's** industry peers (Table 1).

## Change in valuation method

We have changed our valuation method from the Discounted Cash Flow Model to Price-to-earnings ratio multiple. We believe the P/E ratio is a more suitable investment valuation indicator for SGX due to its consistent generation of positive, predictable and robust earnings quality.

Table 1: Asian Exchanges

Bloomberg Ticker	Stock	Results	Share Px	Mkt Cap	PE (x)		EPS Growth		EV/EBITDA	EBITDA	ROE	Dividend
		Currency	(local)	(US\$ m)	Yr0	Yr1	Yr1	Yr2	(x)	(%)	(%)	Yield
SGX SP EQUITY	Singapore Exchange	SGD	6.93	5,387	20.4	19.4	5.5%	6.1%	13.0	57.5	34.1	4.3%
388 HK EQUITY	Hong Kong Exchange	HKD	209	33,341	28.9	27.8	26.1%	13.1%	11.6	83.0	23.7	2.6%
BURSA MK EQUITY	Bursa Malaysia	MYR	7.8	1,515	27.5	26.2	7.9%	3.2%	13.2	58.4	25.3	1.7%
8697 JP EQUITY	Japan Exchange Group	JPY	1915	9,135	20.0	20.5	-1.1%	-0.3%	12.0	66.4	20.2	3.5%
ASX AU EQUITY	ASX Ltd	AUD	59.42	8,182	25.8	23.8	8.4%	4.2%	2.9	75.8	11.3	3.6%
Source: Bloomberg, PSR				57,560	26.2	25.2	16.9%	8.8%	10.6	76.3	22.4	3.0%

## Conclusion:

- SGX's attractiveness as an investment in the medium term remains intact with **superior ROE, dividend yield and attractive valuation** as compared to its regional peers.
- We believe that the stock has priced in the loss of Indian derivatives revenue and lacklustre volume growth.
- Also, SGX is a defensive stock with consistent and diversified earnings, valuation and dividend support for resilience in an uncertain environment.

# Sembcorp Marine Ltd

## Protracted weakness

Chen Guangzhi

Phillip Securities Research Pte Ltd

29 Oct 2018

# Sembcorp Marine Ltd

(NEUTRAL (Upgraded), TP: S\$1.65, Last price: \$1.61)

## Results at a glance

(SGD mn)	3Q18	3Q17 (Restated)	YoY (%)	Comments
Revenue	1,167.2	728.8	60.2	Higher revenue recognition for rigs & floaters upon the delivery of 2 jack-up rigs to Borr Drilling and revenue recognition for newly secured projects
Gross profit	(12.8)	126.7	N.M.	Loss upon the sale of a semi-submersible, continued low overall business volume which impacted the absorption of overhead costs, offset by margin recognition from newly secured production floater projects and delivery of rigs.
Operating profit	(21.3)	136.3	N.M.	Foreign exchange gain arose from the revaluation of assets and liabilities denominated in USD and SGD; Higher sales of scrap
PATMI	(29.8)	100.7	N.M.	In line with the above

N.M.: not meaningful

Source: Company, PSR

## A big contract under Repairs and Upgrades segment in 3Q18

- Installation of marine scrubbers and ballast water management system on 13 of the Greek owner's vessels
- An accumulative order-book of four marine scrubbers and 23 ballast water management system
- Segment revenue: S\$336mn (down 5% YoY drop in 9M18)
- Average revenue per vessel: \$S1.46mn (Up 35% YoY)

## Hardly see a turnaround in the near term

- Over-supply of offshore rigs and vessels
- Margins remain compressed due to intense competition
- The trend of negative operating profit will continue for a few more quarters

## Orders book dwindling

- 3Q18: S\$6.4bn vs FY17 (restated): S\$8.4bn)
- New contracts secured YTD, all from Floaters segment: S\$730mn (FY17 Floaters: S\$911mn)

## Outlook

- Oil price was back to four-year high recently.
- Sustainability of the current level (c.US\$80/bbl) matters
- Not seen any evident signal that its profitability will turn around in the near turn

# Week 44 – China Weekly Musings

Jieyuan Zheng

Phillip Securities Research Pte Ltd

29 Oct 2018

## Macro Last Week

- **Fiscal Policy:** 1. Oct. 22<sup>nd</sup> – 28<sup>th</sup>: China want to solve share pledging problem  
2. Oct. 26<sup>th</sup>: China and Japan capped a restoration of ties with agreements on everything from currency swaps to ocean rescue Friday  
**Focus:** Cost reduction, Boost Consumption
- **Monetary policy:** October 22<sup>nd</sup>: PBOC Is Said to Plan RMB10 bn to Help Private Bond Sales  
October 22<sup>nd</sup> – 28<sup>th</sup> : Central bank **Released net of about RMB460 bn**  
**Highlight: Helping private enterprises financing**
- **Economic indicators: Profit of Enterprises (YTD) 4.1%, VS August 9.2%**
- **Risk Factors :** 1. Share pledging: Worth RMB4.3 tn Share pledging  
2. Oil Purchase :China Tells State-Owned Giants to Halt Iran Oil Buying

## Corporate

- **Geely (0175.HK): HK Recommendation:** Buy; HK PSR target price HKD 21
- **Anta Sports (2020.HK) : HK Recommendation:** Buy; HK PSR target price HKD 43.7

## Week(s) Ahead

- 11.30 – 12.01:G20 Meeting
- 10.31: China October PMI

# Week 44 - Phillip Weekly Musings

Paul Chew

Phillip Securities Research Pte Ltd

29 Oct 2018



# Week 44 – Short-term Views

## Macro Last Week

- **Europe still slowing down:** EU flash PMI slowed sharply to 2-year lows in October; new emission testing standard (WLTP) causing some bottleneck in production; Italian noise because Italians still favour the Euro
- **Rally in Treasuries:** 10Y UST fell back to 3.07%; 25% probability 3 rate hikes by Jun19 (vs 42%)
- **SG macro:** industrial production trending down fast (2Q18 +10.7% vs 3Q18 3.5%); employment has picked up in Singapore (+17.7k 3Q18, highest in 15 quarters);

## Corporate/Sector Last Week

- **3Q18 URA rental index**
  - a) Office central: +3% QoQ + 5<sup>th</sup> consecutive quarterly rise + index 9% below record high 3Q15; Retail -2.7%); demand up 133k sqm YTD18 (highest in 6-years)
  - b) Retail: -1.2% QoQ + down almost 15 consecutive quarters+ index 18% below record high 4Q11

## Tactical

- Cautious backdrop in October: mid-term elections + global growth slowing down + Italian noise
- Defensive (against rising yields) dividend stocks: SGX + UOB + CCT; STI valuations have turned attractive
- Turnaround triggers: China financing/fiscal support + Trump-Xi Summit + cautious tone from the Fed

## Week(s) Ahead

- 30Oct: China PMI / 1Nov: OCBC/ 2Nov: Venture, SG PMI / 5Nov: DBS
- 4Nov: Iran oil sanction / 6Nov: US mid-term election / 30Nov-1Dec: G20 Summit

The information contained in this presentation has been obtained from public sources which Phillip Securities Research Pte Ltd ("PSR") has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this presentation are based on such information and are expressions of belief only. PSR has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this presentation is subject to change, and PSR shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will PSR be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

This presentation is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person.

You should seek advice from a financial adviser regarding the suitability of the investment product, taking into account your specific investment objectives, financial situation or particular needs, before making a commitment to invest in such products.

# Ask Questions!

Archived Webinar videos can be accessed at:

<https://www.stocksbnb.com/webinars/>



## StocksBnB.com

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

## Phillip Securities Research Pte Ltd

**Paul Chew**, Head of Research

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

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

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

**Tin Min Ying**, Banking & Finance

**Alvin Chia**, Telco | Technology

**Mike Zheng Jieyuan**, China/HK Markets

**Edmund Xu**, US Equity

**Teo Pei Ling**, Marketing & Operations