

Company Update

CapitaLand Ltd

Health Management International

China Everbright Water Limited

CNMC Goldmine Holdings Limited

Asian Pay Television Trust

China Weekly Musings

U.S. Weekly Musings

Phillip Weekly Musings

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CapitaLand Ltd

Tailwind from China

Tara Wong

Phillip Securities Research Pte Ltd

19 November 2018

Results at a glance

(SGD mn)	3Q18	3Q17	YoY (%)	9M18	9M17	YoY (%)	Comments (3Q18 vs 3Q17)
Gross Revenue	1,260	1,516	-16.9%	3,978	3,406	16.8%	Lower contributions from developments in Singapore and China, mitigated by higher rental revenue from new properties and consolidation of CapitaLand Mall Trust (CMT), CRCT and RCST in Aug 2017.
EBIT	796	795	0.2%	2,868	2,409	19.1%	Portfolio gains of S\$33.1mn from completion of divestment of 18 retail malls in China. Fair value gains of S\$131.5mn from divestment of stake in Westgate.
Finance costs	(163)	(129)	26.5%	(468)	(337)	38.9%	Consolidation of finance costs of CMT, CRCT and RCST with effect from August 2017.
Total PATMI	362	319	13.6%	1,287	1,292	-0.4%	Higher operating PATMI from new properties in SG, China, Germany, and gains from asset recycling.
Operating PATMI	234	207	13.0%	658	582	13.1%	

Source: Company, PSR

The Positives

- **Bumping up recurring income**
 - Operating PATMI improved 13.3% YoY from new properties in Singapore, China and Germany.
 - U.S. multifamily portfolio (S\$1.1bn) + 70% stake in Tauzia + third Raffles City Shanghai via RCCIP III fund
- **Healthy same-store tenant sales growth in SG and China**
 - SG: +2.2% (vs CMT's +0.5%) ; China: +20.9%

The Negatives

- **New launches in China still to be deferred due to cooling measures.**
 - Restrictions in selling prices across certain projects

RNAV Table	
	(S\$m)
Development properties	
Singapore residential surplus	61
China residential surplus	3,462
Other Overseas residential surplus	51
Development properties	4,074
	7,647
Investment properties	
Singapore	2,608
China (Includes HK)	14,189
Japan	1,561
Other Asia	694
Europe, U.S. and Australia	1,828
	20,880
Listed / unlisted entities	
CMT	2,206
CCT	1,887
CRCT	409
ART	1,008
Others	238
	5,748
Fund Management Platform	
PER: 12	2,658
GAV	36,933
Less: FY18E cash (net debt and committed CAPEX)	(15,568)
RNAV	21,365
RNAV/share (S\$)	5.00
Premium/(discount) to RNAV	-20%
Fair value (S\$)	4.00

Source: PSR

OUTLOOK

- **4Q18 to be a bumper quarter for China residential pre-sales**
 - Launched units in 4Q18 YTD saw >90% take-up rate
 - Healthy momentum is expected to persist for the remaining c.1850 units in 4Q18, the release of which will be subject to regulatory approval

Health Management International

Biting a near-term bullet

Tin Min Ying

Phillip Securities Research Pte Ltd

19 November 2018

Health Management International

(Maintain BUY, Lower DCF-derived TP:S\$0.77, Last: S\$0.555)

Results at a glance

(MYR mn)	1Q19	1Q18	YoY (%)	4Q18	QoQ (%)	Comments
Hospital and other healthcare services	120.9	112.2	7.8%	115.8	4.4%	Higher patient load (+1.3% YoY) and average bill sizes.
Healthcare education and training	4.0	4.9	-17.0%	1.3	221.5%	
Revenue	124.9	117.1	6.7%	119.2	4.8%	As above
Gross profit	44.2	40.6	8.7%	41.0	7.6%	Higher revenue intensity and effective cost management. Gross margins +60bps to 35.3%.
EBITDA	31.2	28.7	8.6%	29.0	7.3%	EBITDA margins +50bps to 24.9%.
NPAT	8.8	13.8	-36.4%	14.7	-40.2%	Core NPAT decreased 22.2% YoY.
PATMI	10.6	13.8	-22.8%	15.2	-30.0%	Decrease due to FOREX loss adjustments, StarMed's start-up costs and accelerated amortisation of finance costs related to the consolidation exercise of Mahkota and Regency. Core PATMI decreased 10.2% YoY.

The Positives

- **Patient load rose:** Foreign patient load grew slower than local patient load this quarter due to a weakening rupiah.
- **Average bill sizes grew:** Due to increasing complexity of surgeries.
- **Day Surgery cases continue to lift margins & bed occupancy trending downwards to 59% (1Q18: 61%).**
 - Note that the bed occupancy rate tracks overnight-stays and Day Surgery cases are billed under the outpatient category.
 - Outpatient load makes up 90% of total patient load.
- EBITDA margins improved 50 bps to 24.9%.

The Negatives

- PATMI fell for the first time in two years (-22.8% YoY).
 - FOREX loss (RM3.5mn) + StarMed start-up costs (RM3.1mn) + accelerated amortization of capitalized expense (RM2.5mn).
- Finance costs jumped 173.9% or **RM3.6mn** YoY.
 - **RM2.5mn:** amortization of capitalized expense recognized for term loan facility drawn for consolidation of Mahkota and Regency to 100% ownership.
 - **RM1.1mn:** Mortgage financing costs incurred by StarMed. (property related 20 year tenure)

Health Management International

(Maintain BUY, Lower DCF-derived TP:S\$0.77, Last: S\$0.555)

Outlook

Mahkota (Melaka)

- Expansion of clinical space for diagnostic radiology and other departments are expected to complete by early 2019.
- Progressive upgrading and refurbishing of older wards over the next two years.

Regency (Johor)

- Tender for the new extension block and land preparations have commenced.
- The expansion will more than double its existing capacity with additional inpatient beds (mid-term target 380 beds, and eventually 500 beds), clinical services, operating theatres and clinical suites.
- Extension is slated to commission in 2021.

StarMed (Singapore)

- Obtained its licenses and commenced operations in 1Q19.
- HMI increased its ownership of StarMed to 70% in October 2018 (previously 62.5%). The remaining 30% is owned by doctors.
- Owns the 5th-7th floors and rents the 8th floor.
- Entered into agreements to purchase additional units (1st, 8th and 9th floors) with an aggregate area of 10,602 sqf.
- 2-3 years before it breaks even.

Maintain BUY with a lower DCF-derived TP of S\$0.77.

- Given a more modest growth rate, we lowered our revenue and EBITDA estimates for 2019-2020 by 5% and 7% respectively, resulting in a lower DCF-derived TP of S\$0.77.

China Everbright Water Limited

Steady and healthy growth

Chen Guangzhi

Phillip Securities Research Pte Ltd

19 Nov 2018

China Everbright Water Limited

(BUY (Maintained), TP: S\$0.44, Last done price: S\$0.345)

Results at a glance

(HK\$ mn)	3Q18	3Q17	YoY (%)	Comments
Revenue	1,037	746	38.9	Increase in construction revenue due to construction of the sponge city project and the water supply project in addition to the expansion and upgrading of several waste water treatment plants; Increase in operation revenue due to result of commencement of operation of new projects and tariff hikes for several projects; Increase in finance income due to increase in service concession financial receivables
Gross profit	373	297	25.4	Increase in the portion of construction revenue recognition where margin is lower than the operation services
EBIT	283	280	1.1	Less VAT refund due to more construction activities
PATMI	144	123	17.5	Decrease in the Group's deferred tax as a result of a new tax policy which was issued by the relevant government authorities in the end of 2017 in relation to the direct investment made by foreign investors using their profits received

Source: Company, PSR

Outlook

- WWT capacity is expected to ramp up annually by 10% to 20%
- As of 3Q18, the total WWT arrived at above 5mn tonnes/day
- Actively explore and expand to regional markets such as Pearl River Delta and Great Bay Area

Positives

Ongoing upgrading of projects amid more room to grow

- 7 waste water treatment (WWT) projects secured tariff hikes ranging from 10% to 54%
- 4 projects commenced operation
- 11 more were under construction during the quarter
- > 90% of the projects reached Grade 1A discharge standard

Improvement on a collection of receivables

- Collection rate: 87% in 3Q18 (85% in 3Q17)
- Aim to achieve at least 100% for FY18

Negatives

Delay of completion of Zhenjiang Sponge City project

- Remain issues on the construction of the pipeline network
- About 40% of subprojects delayed

CNMC Goldmine Holdings Limited

On track of production turnaround

Chen Guangzhi

Phillip Securities Research Pte Ltd

19 Nov 2018

CNMC Goldmine Holdings Limited

(BUY (Maintained), TP: S\$0.29, Last done price: S\$0.205)

Results at a glance

(USD mn)	3Q18	3Q17	YoY (%)	Comments
Revenue	11.53	4.71	144.8	Increase in production and sales volume of fine gold offsetting the decrease in average realised gold price
Operating profit	1.32	(0.02)	N.M.	Higher revenue offsetting the increase in overhead costs and listing expenses
PBT	1.43	0.15	N.M.	In line with the above
PATMI	0.24	0.96	(75.3)	Losses from other subsidiaries; listing expenses are only covered by owners of the company
PATMI, adjusted	1.02	0.96	6.3	Listing expenses of US\$787k

N.M.: not meaningful

Source: Company, PSR

Negatives

Tax expenses jumped

- The Pioneer Status Incentive Scheme of CMNM lapsed in Jun-18 (100% tax exemption on sale of gold dore bars)
- Tax rate: 24% without the exemption
- The group is liaising with the authorities for clarification on the tax status

Positives

CIL plant lifted production volume

	3Q18	3Q17	YoY (%)	2Q18	QoQ (%)
Production/Sales volume (oz)	9,569	3,692	159.2	7,188	33.1
ASP (US\$/oz)	1,205	1,275	-5.5	1,296	-7.0
Total revenue (US\$ mn)	11.5	4.7	145.0	9.3	23.8

Source: Company, PSR

- Full year forecast: 30,202oz (increase by 5% of our previous forecast)

Two new leaching pads to improve efficiency

- A new leaching pad started operation (a continuously leaching process without removing processed ore out of the pad)
- Another new pad will commence operation in 1Q19
- Benefit the operation by lowering costs and further improving recovery rate

CNMC Goldmine Holdings Limited

(BUY (Maintained), TP: S\$0.29, Last done price: S\$0.205)

Outlook

- Build an additional gold de-absorption and smelting facility for CIL plant (boost operation efficiency)
- Install one more leaching pad (mentioned above)
- Embark on underground mining in FY19 (high-grade ore supply exclusively to CIL plant)
- Establish a new floating facility with a capacity of 500 tonnes/day to monetise other metals (silver, zinc, and lead) (Expect to commence operation and realise revenue in 2H19)
- Consider installing a power line to power the whole Sokor field project (to substitute diesel as a source of supply for power generation, hence operating expenses will drop) (total capex is expected to be less than US\$10mn)
- Consider expanding CIL plant

Asian Pay Television Trust

No more leveraged pay-out

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Head Of Research

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Asian PayTV

(Accumulate (Upgrade), TP: S\$0.17, Last: S\$0.169)

Results at a glance

S\$ mn	3Q18	3Q17	YoY	Comment
Revenue	79.9	84.4	-5.4%	0.8% point negative impact from currency
- basic cable TV	64.0	68.0	-5.9%	ARPU down 4.2% and subs. down 0.7%
- premium digital cable	3.4	3.8	-10.6%	ARPU down 10%
- broadband	12.5	12.6	-1.0%	ARPU down 5.6% but subs. rose 4.5%
EBITDA	48.9	50.8	-3.7%	Higher margin from broadband business.
Broadcast cost	(14.9)	(16.0)	-6.9%	
Interest	(14.0)	(13.7)	2.1%	
PATMI	2.2	9.0	-75.3%	Depreciation +33% and higher corp. tax
Operating c/flow	47.6	44.3	7.4%	
Free cash-flow	13.8	6.2	123.6%	Capex declined by S\$8mn
Dividends	(23.3)	(23.3)	0.0%	
DPU (cents)	1.6	1.6	0.0%	

Source: Company, PSR

Positives

- Broadband subscribers net gains of 5,000 in 3Q18 is the highest quarterly increase since listing

Negatives

- Cut dividend for FY19e/20e to 1.2 cents because worried of net debt to EBITDA cover
- PayTV subscribers and ARPU still falling

Upgrade to ACCUMULATE: No material change to our DCF valuations. Change target price to dividend yield relative to peers. Price appreciation capped by soft operating conditions and 2 year DPU guidance. Taiwan telcos trading at 5% yield and we applied a discount because of higher net debt and smaller franchise value.

Week 47 – China Weekly Musings

Jieyuan Zheng

Phillip Securities Research Pte Ltd

19 November 2018

Macro Last Week

- **Fiscal Policy: Government Bans Kindergarten Companies from Selling Shares**
Focus: Help Private owned Enterprise Financing
- **Monetary policy:** **Highlight: Helping private enterprises financing**
- **Economic indicators: New Bank Loans CN 697 billion VS expectation CN 853.33 billion**
China October M2 8.0% VS expectation 8.3% VS September 8.3%
- Corporate
- **NetDragon (0777.HK): HK Recommendation: Buy (Maintain); HK PSR target price HKD 26**
Integrating Overseas Education Business with Game Income Growing Fast
EPS: CN 0.44(2018E), CN0.85(2019E)
- **HC Group (2280.HK) : HK Recommendation: Buy (Initially); HK PSR target price HKD 6.58**
Transition into vertical B2B, a new growth driver
P/E ratio: 22x(2018E)

Week(s) Ahead

- G20 Meeting / the date of The Fourth Plenary Session of the 19 session

1. Social capital can't be annexed, acquired, entrusted, franchising, or utilized

Control of state-owned Kindergarten or by means of VIE

Analysis: may also apply to K9 (primary school and junior high school)

2. For profitable kindergartens, In principle, kindergartens should be qualified as provincial demonstration gardens.

Analysis: High requirements will substantially increase the operating costs of kindergartens.

3. listed company shall not invest in a profitable kindergarten through stock market financing.

Analysis: listed companies will divestiture kindergarten assets

List of listed companies involving kindergarten assets

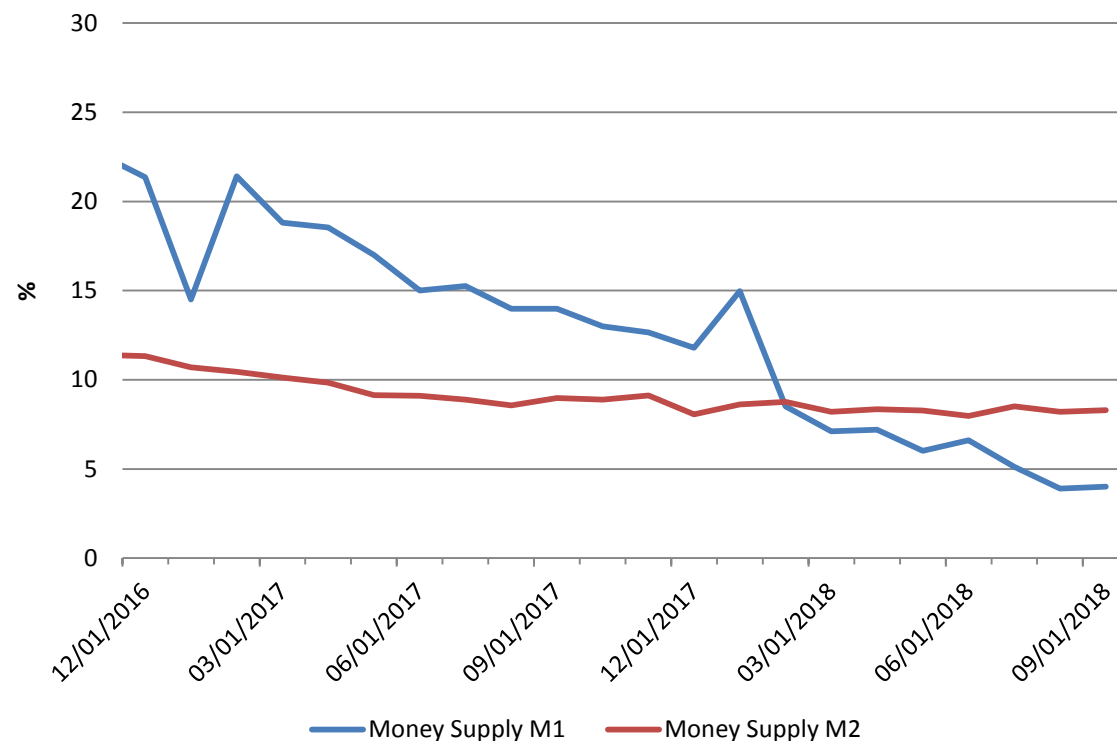
	Company	Company Codes	Preschool Assets	Revenue From Preschool Business (Million)	Proportion (%)
A Share	VTRON	002308	4 Preschools	241.52	46.38%
	XIUQIANG	300160	2 Preschools	89.8	12.66%
	DIANGUANG TECH.	002730	2 Preschools	25.52	6.97%
	SXN	600661	1 Preschool		
H Share	21CENTURY EDU	1598	8 Preschools	14.76	14.53%
	BOJUN EDU	1758	6 Preschools	28.25	24.52%
	MAPLELEAF EDU	1317	28 Preschools	23.44	3.71%
	VIRSCEND EDU	1565	2 Preschools	5.54	0.94%
	YUHUA EDU	6169	8 Preschools		5%
	TIANLI EDU	1773	6 Preschools	7.72	2.63%
China Company Listed on US	RYB EDU	RYB	306 Preschools	658.29	71.55%
	BRIGHT SCHOLAR EDU	BEDU	44 Preschools	399.2	23.20%

Source: Wind, PSR

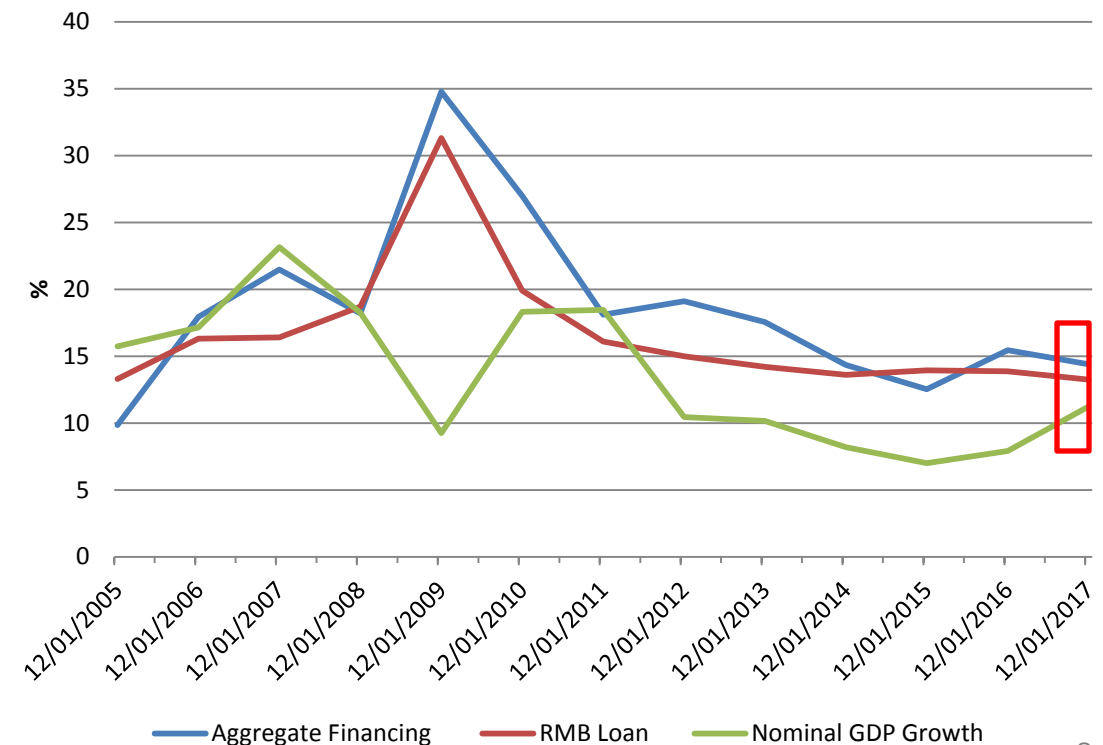
M2: Reduction on Credit

1. Banks are heavily in debt and tighten credit.
2. M2 growth was affected by credit and reached a new low this year.
3. Due to new MPA, loan will be accurate targeting to small and mid sized companies

China Money Supply (%YoY)



Deleverage Still Has Long Way to go



Source: CEIC, PSR

Week 47 - US Weekly Musings

Market Summary

Edmund Xue

Phillip Securities Research Pte Ltd

19 November 2018

Macro Last Week

- Core inflation rate YOY for October is up 2.1% from a year earlier, short of the estimates of 2.2%.
- Retail Sales MOM for October rose 0.8% better than the consensus of 0.5%.
- Industrial Production YOY for October beats forecast as it grew 4.1% yoy (est:3%).

Corporate

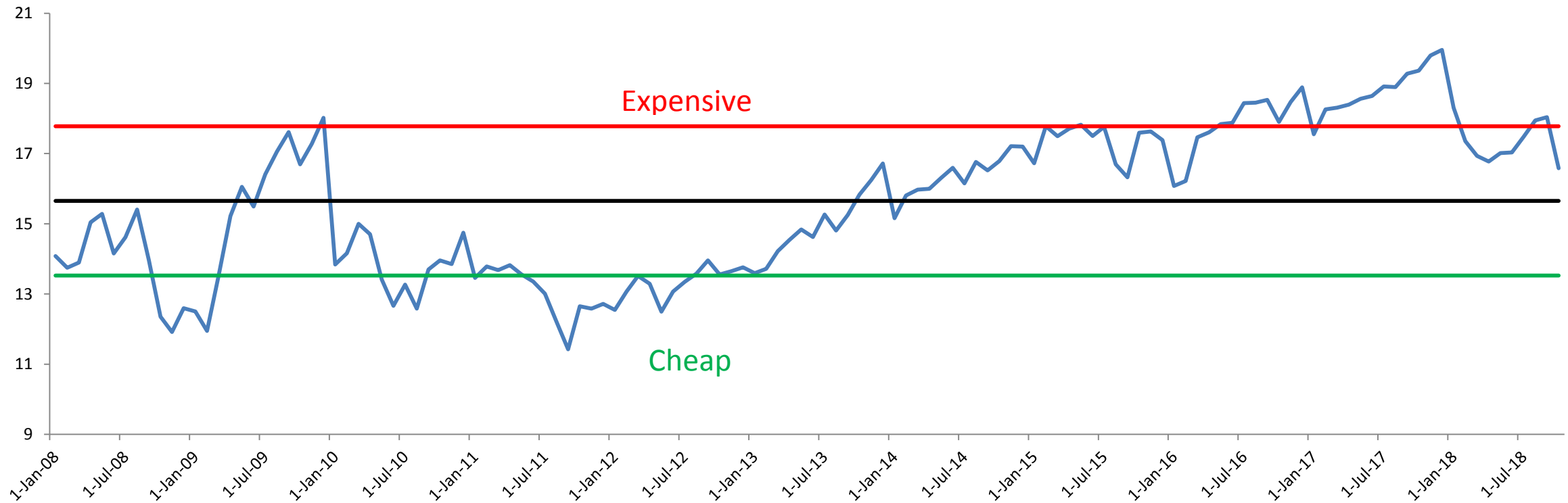
- Apple (AAPL:-8%)’s suppliers, Japan Display (TYO), Lumentum (LITE) and Qorvo (QRVO) reduced their financial guidance for third quarter, citing weaker demand from smartphone makers.
- General Electric (GE:-5.7%) will sell 101.2m Baker Hughes shares in order to raise cash and reduce debt. Current GE debt/equity ratio is 3.66.

Week(s) Ahead – Key Indicators to be released

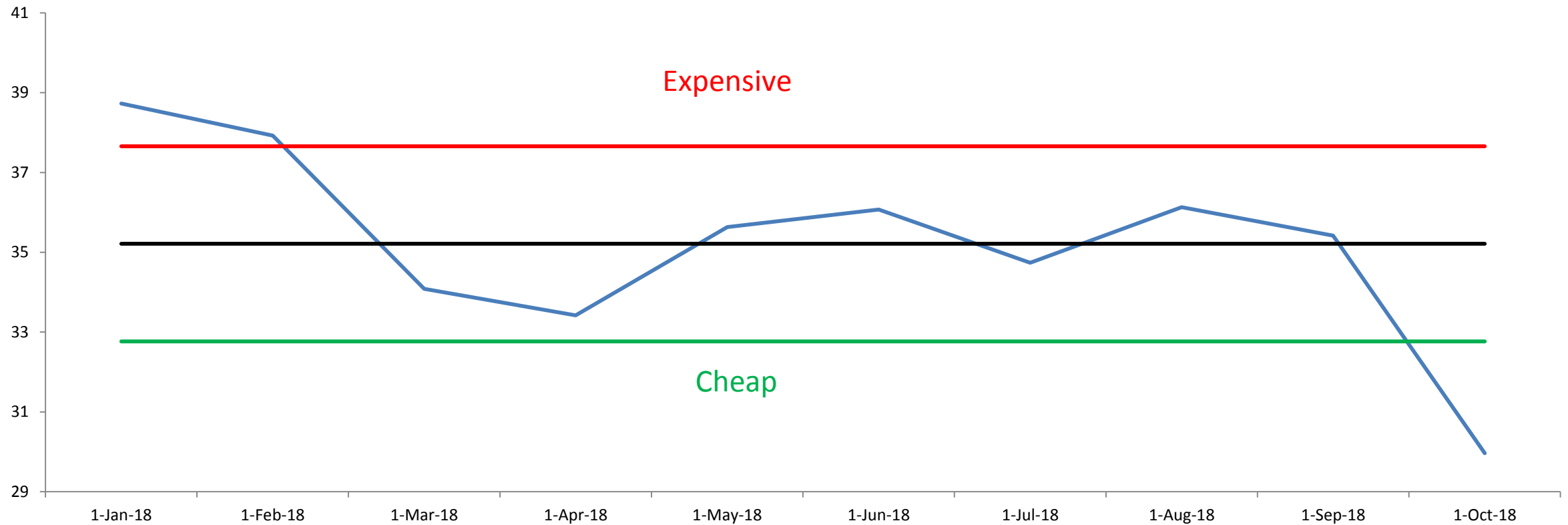
- Durable Goods Orders– 21 Nov
- Existing Home Sales for October – 21 Nov

PE Valuations

S&P 500 Forward PE

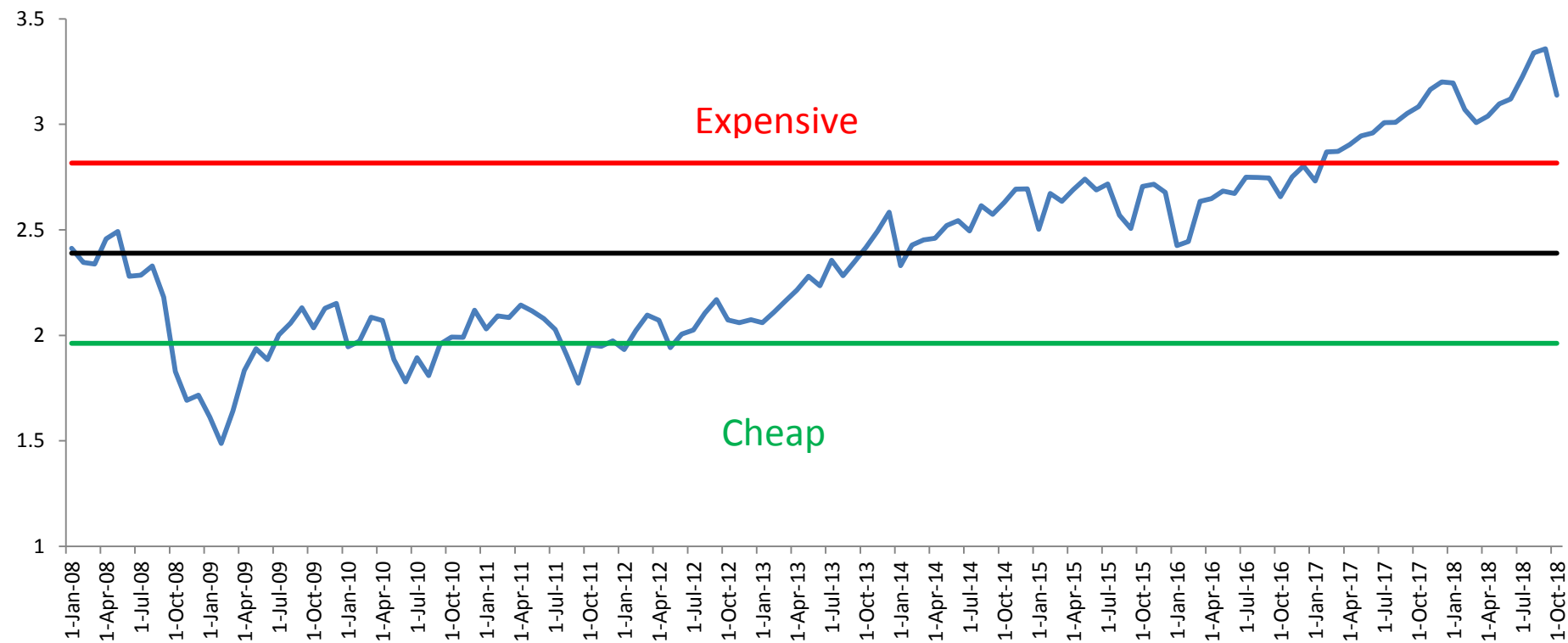


FANG Forward PE



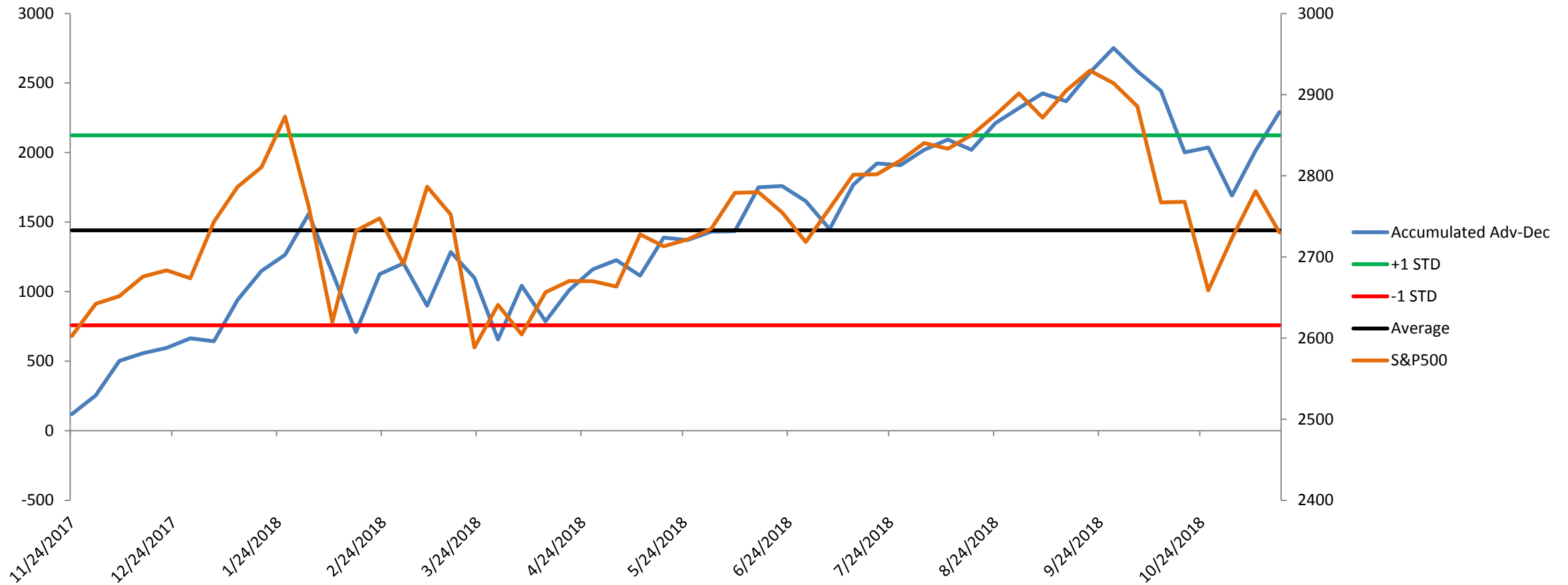
PE Valuations

S&P500 P/B Ratio



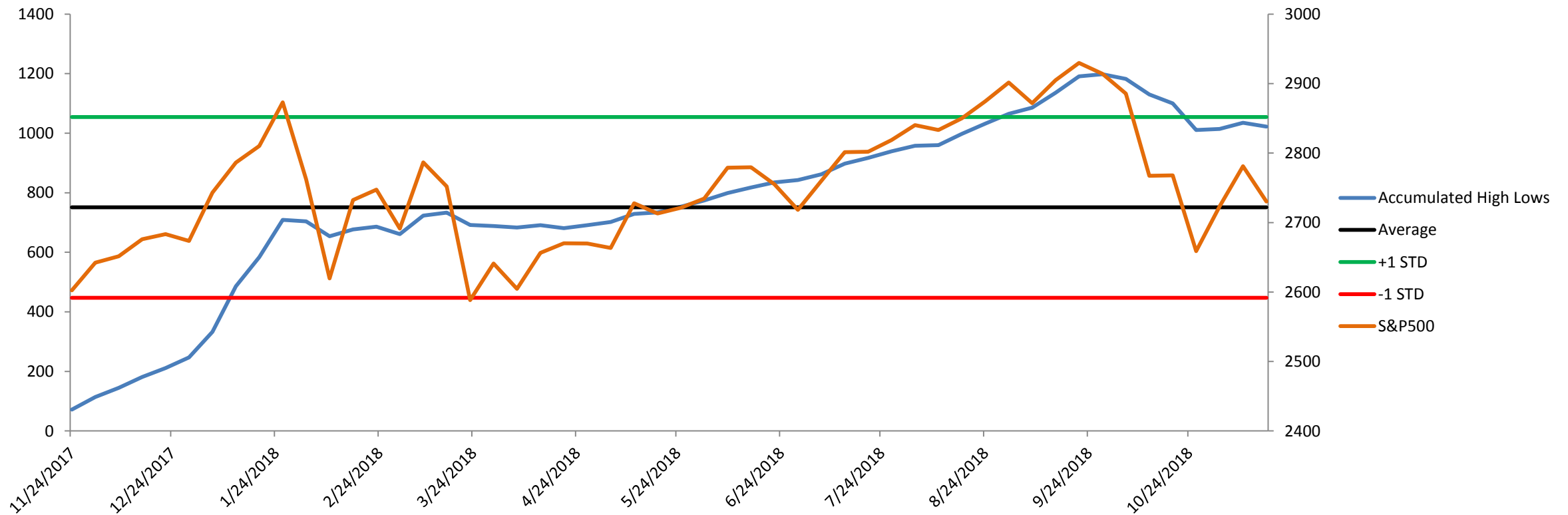
Market Breadth Indicators – Weekly Advance/Dcline Line

Accumulated Advance/Dcline Line



Market Breadth Indicators – 52-week High/Lows

Accumulated High/Low Line



Week 47 - Phillip Weekly Musings

Paul Chew

Phillip Securities Research Pte Ltd

19 November 2018

Week 47 – Short-term Views

Macro Last Week

- **SG macro:** retail sales holding at a modest 1.8% in September (YTD +1.8%); exports has been resilient up 8.3% YoY in October (+31% Chemical, -3.5% Electronics)

Corporate/Sector Last Week

- **Property:** Developers rushing to launch projects because worry exhausted market; there are 52 projects lined up and 19.1k units (include 820 EC units); post TDSR, primary sales 7500-8000 units per year; expect 9000 units sold FY19e; Sumang (by CDL) is only EC and will perform well; land prices bids have not collapsed and provide support to sentiment; any launch take-up rate of 20% will be positive (40% post cooling measure)

Tactical

- Binary bet: Positive meeting between Xi-Trump + expectations are low; Trump trumpeting meeting with Xi (“good conversation” / “discussions moving nicely” + focused more on immigration, Democrats and Mueller investigation + relaxed ruling on Iran sanctions
- Most results have been disappointing except commodity related
- Trade opportunity on electronic stocks; STI valuations have turned attractive

Week(s) Ahead

- ???: Mueller investigation report; 30Nov-1Dec: G20 Summit

Ask Questions!

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