

Company Results

SIA Engineering

M1 Limited

Sector Updates

Singapore Banking Monthly

US Weekly

China Weekly

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SIA Engineering Company Ltd

Marred by one-time events

Richard Leow

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Phillip Securities Research Pte Ltd

11 February 2019

SIA Engineering Company Ltd

Neutral, TP: \$2.66, FY19e DPS: 11.5 cents (4.6%), Last: \$2.52

Results at a glance

(SGD mn)	3Q19	3Q18	YoY	Comments
Revenue	255.9	271.0	-5.6%	Lower airframe and fleet management
EBIT	15.9	18.8	-15.4%	4.8% lower opex unable to offset lower revenue, resulting in lower margin of 6.2% from 6.9%
Associates & JV	19.2	40.8	-52.9%	46% lower Associates; 58% lower JV
PATMI	33.1	55.3	-40.1%	Lower share of profits from associates/JV, resulting in lower margin of 12.9% from 20.4%

Source: Company, PSR

The Positives

- Lower material cost was the main driver for lower opex; this was inline with lower workload

The Negatives

- Core Company EBIT continues to weaken
- Negative surprise of 53% YoY lower and 36% QoQ lower profit from associate and JV companies

Outlook: negative

- Core Company operations remain challenged by longer maintenance intervals and lighter work content
- We are cautious over further negative impact from restructuring of other associated & JV companies

M1 limited

ARPU pressure offset by subscriber growth

Alvin Chia

Research Analyst

M1 Limited (NEUTRAL, TP: S\$2.06, Last : S\$2.05)

Results at a glance

SGD 'mn	FY17	FY18	YoY (%)	Comments
Operating revenue	1052.4	1094.8	4.03	In line with expectations, higher due to higher fixed services and handset sales
Service revenue	740.9	755.8	2.01	
Mobile	564.3	569.3	0.89	Offsetting effect of aggressive price plans to acquire customers to gain market share
Fixed services	120.8	143.1	18.46	Driven by an enlarged fibre customer base and increased contribution from corporate segment
Net Profit	139.0	130.8	-5.90	Largely due to weakening margins
EBITDA	310.3	299.0	-3.64	In line with expectations
DPS (cents)	11.39	11.20	-1.67	

Source: PSR

ACCEPT THE VGO

We view the VGO as an opportunity for shareholders to realise their investments at a premium to current market price

- M1 is most exposed to the entrance of TPG & increased competition from the rise of more MVNOs.
- 80% of revenue is derived from the Singapore mobile market.
- Close of the offer is on 18 February 2019.

+ Positives

- Higher fixed services contributed by increase in fibre customer base and corporate projects

- Negatives

- Lowered ARPU for market share. ARPU decline 4.3% YoY, as a result M1 gained 92,000 (7.12% YoY) in 2018. Not sustainable long-term.

M1 Limited (NEUTRAL, TP: S\$2.06, Last : S\$2.0)

M1 Offer doc

The offer price of S\$2.06 is in line with industry valuations

	LTM EV/EBITDA (times)	LTM P/E (times)	P/NAV (times)
Total High	12.2	27.0	10.4
Total Low	3.6	11.7	0.8
Total Mean	7.4	18.2	3.4
Total Median	7.2	17.6	2.4

Valuation multiples of the Comparable Companies

Comparable Companies	Market Cap. (S\$m)	Enterprise value (S\$m)	LTM EV/EBITDA (times)	LTM P/E (times)	P/NAV (times)
Singapore Stock Exchange (SGX-ST)					
Singtel	48,008	57,955	11.8	15.1	1.7
StarHub	3,046	3,992	7.2	15.7	5.4
Malaysia Stock Exchange (MYX)					
Maxis	14,576	16,846	12.0	21.1	6.1
DiGi	11,449	12,151	12.2	22.6	50.7 ⁽²⁾
Axiata	11,385	17,684	9.9	n.m. ⁽¹⁾	1.8
Telekom Malaysia	3,243	5,246	4.2	27.0	1.3
Thailand Stock Exchange (SET)					
Advanced Info Service	22,313	26,772	8.7	17.6	10.4
True Corporation	7,499	12,008	4.6	11.7	1.2
DTAC	4,518	5,407	4.2	97.5 ⁽²⁾	4.0
Indonesia Stock Exchange (IDX)					
Telkom Indonesia	36,003	41,027	7.2	20.2	4.3
XL Axiata	2,205	4,134	4.9	n.m. ⁽¹⁾	1.1
Link Net	1,346	1,312	6.3	12.9	3.1
Indosat	925	3,255	3.6	n.m. ⁽¹⁾	0.8
Company (Based on the Offer Price)	1,907	2,272	7.4	13.9	3.9

Singapore Banking Monthly

Tin Min Ying

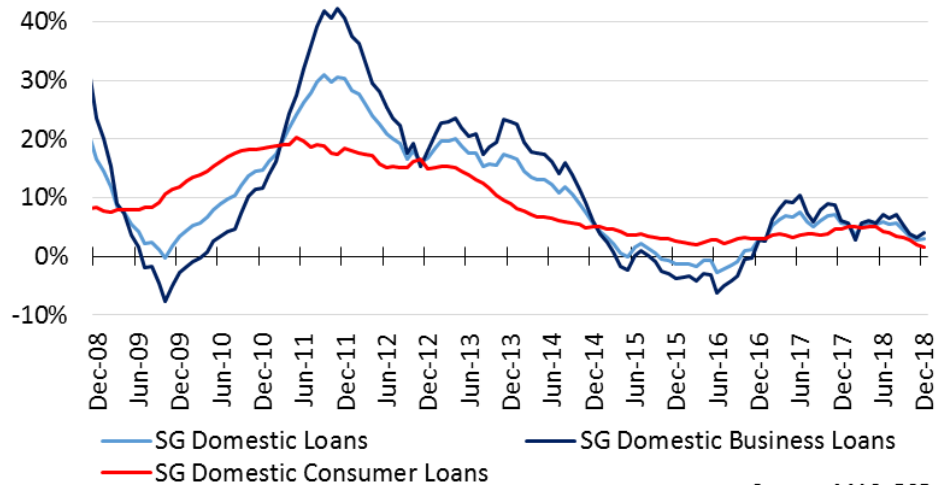
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11 Feb 2019

Singapore Banking Sector – OVERWEIGHT (Maintained)

Singapore's Loan Growth (% YoY)



Source: MAS, PSR

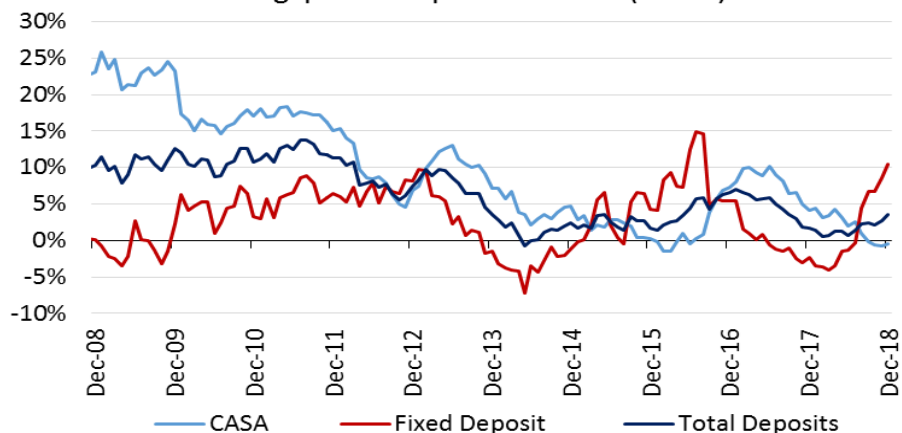
Singapore's December domestic loan growth flat at 3.0% YoY (Nov: +2.8% YoY)

- Consumer loan growth weakened to 1.5% YoY (slowest in twelve years) due to the continued slowdown of mortgage loans to 2.0% YoY after peaking in May 2018 at 4.8% YoY.

Singapore's December domestic deposits grew 3.5% YoY, the fastest in a year (CASA -0.5% YoY; Fixed deposit +10.5% YoY).

- Singapore's fixed deposits registered the highest growth in two years at 10.5% YoY as compared to FY2018's monthly average growth of 1.6% YoY.

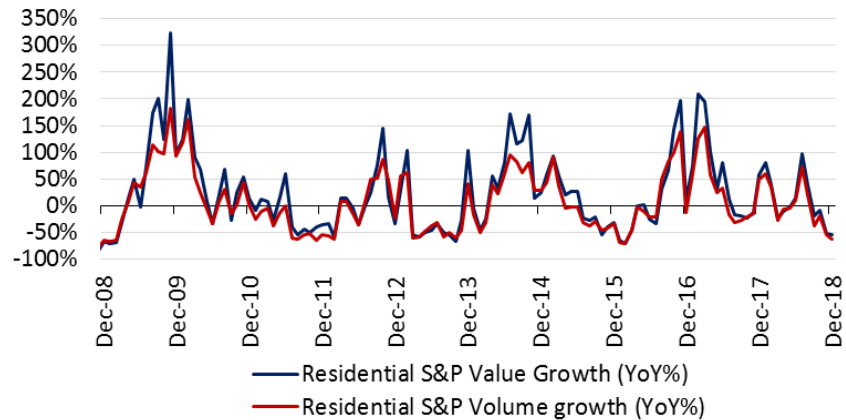
Singapore's Deposits Growth (% YoY)



Source: CEIC, PSR

Singapore Banking Sector – OVERWEIGHT (Maintained)

Hong Kong's Residential Sale & Purchase Value and Volume Growth



Source: CEIC, PSR

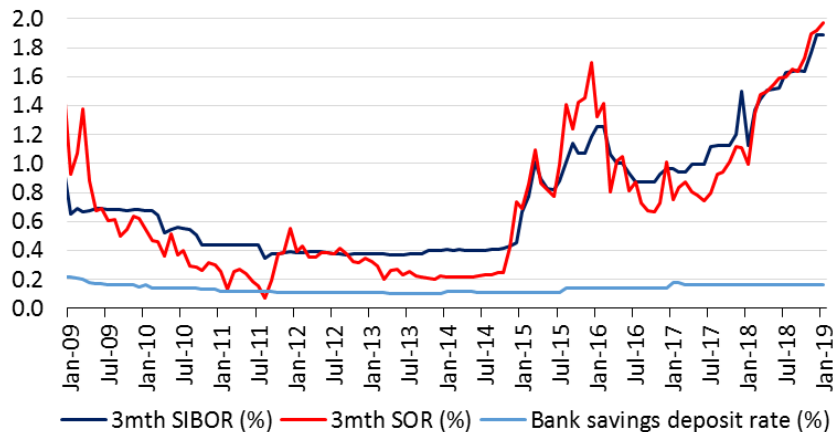
Hong Kong's December loan growth recovered to 4.4% YoY.

- HK's property market continues to slow in December with both residential sales and purchase value and volume contracting 7.5% and 21.8% MoM respectively.

January's 3M SIBOR reached 11 year-high at 1.891%, up 0.54bps MoM.

- Loans take months and years to reprice, hence we will continue to see NIM expansion even if there is a pause in interest rate hikes.

SIBOR, SOR and Bank Savings Deposit Rate (%)



Source: CEIC, Bloomberg PSR

Singapore Banking Sector – OVERWEIGHT (Maintained)

Investment Actions

Maintain Singapore Banking Sector at overweight.

- Continued NIM expansion and rising dividend as a share price catalyst in the next two quarters.
- Dividend support of almost 5%.
- Slower loan growth for the UOB, DBS and OCBC is expected at c.6-7% in 2019e as compared to c.8-9% in 2018e.
 - Property cooling measures, rising interest rates and slowing global growth will be headwinds in loan demand.
- The long-term trend of NIM expansion will offset some of the downsides in loans growth.

	Loan growth estimates (YoY%)			
	FY17	FY18e	FY19e	FY20e
UOB	4.6%	9.1%	5.9%	5.4%
DBS	7.3%	6.9%	6.7%	7.3%
OCBC	7.8%	10.1%	7.5%	10.1%
	6.6%	8.7%	6.7%	7.6%

Source: Companies, PSR

US Weekly

US Weekly

Macro Last Week

- ISM Non-manufacturing Index fell more than expected in January. The index fell from 58 to 56.7 in January, missing the consensus of 57.2.
- US Trade deficit fell in November for the first time after 5 months of increases. It currently stands at \$49.3B (Oct: \$55.7B), representing a 11.5% decline. This is largely due to a slide in imports. Imports from China fell 6.41%.

Corporate

- Google (GOOGL) reported better than expected earnings. EPS was 15.7 (Expected: 13.0) while revenue was \$31.8B (Expected: \$31.3B). Actual capex was \$7.1B (Expected: \$5.7B), mainly due to growing investments in cloud computing and AI.
- General Motors (GM) beat EPS earnings. Reported EPS was 1.43 (Expected: 1.22), while revenue was \$38.4B (Expected: \$36.5B).

Week(s) Ahead – Key Indicators to be released

- Core inflation Rate – 13 Feb
- Retail Sales MoM - 14 Feb
- Umich Sentiment - 15 Feb

Upcoming Earnings Release

Name	Next Earnings Result Date	Next Quarter	Expected EPS	Expected Revenue /millions	Expected Capex /millions	Consensus Target Price (\$USD)
Occidental Petroleum	12-Feb-19	12/18 Q4	1.1	4241	-1320	1.77
Martin Mar MTLs	12-Feb-19	12/18 Q4	1.7	972	N/A	3.03
CBRE Group	13-Feb-19	12/18 Q4	1.1	5959	-140	0.85
CISCO	13-Feb-19	01/19 Q2	0.6	12417	-219	0.75
Coca Cola	14-Feb-19	12/18 Q4	0.4	7059	-705	0.58
Vulcan Materials	14-Feb-19	12/18 Q4	0.9	1080	-179	1.40
Pepsi	15-Feb-19	12/18 Q4	1.5	19503	-1641	1.59
Kraft Heinz	15-Feb-19	12/18 Q4	0.9	6942	-230	0.78
Nvidia	15-Feb-19	01/19 Q4	0.7	2320	-174	1.84

Week 6 – China Weekly Musings

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11 Jan 2019

China Week 6

Macro Last Week

- **Fiscal Policy: Focus:** Stable the growth /
- **Monetary policy:** Focus : Remain stable
- **Economic Indicators:**
China January manufacturing PMI 49.5% VS December 49.4%
2018 China Profits of Industrial Enterprises YoY% 10.3%

Corporate

- **Geely (175.HK): HK Recommendation:** Buy (Maintain); HK PSR target price HKD 17.60
Short-term slowdown and long-term growth potential
P/E ratio: 10.9x(2018E) 10.5x(2019E)
- **Sasa (178.HK) : HK Recommendation:** Accumulate; HK PSR target price HKD 3.20
Overall sales in January stabilized, boosting sales of traditional high-end brands
Target P/E ratio: 20x

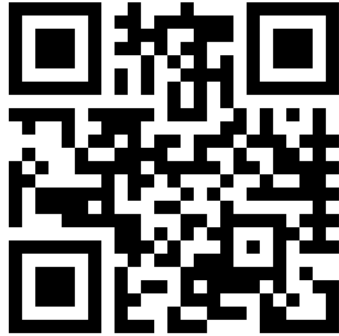
Week(s) Ahead

14th Feb to 15th Feb: China – US trade talk

HK Stocks Recommendation

Time	Ticker	Company	Analyst	Rating	Price On Recommendation Date(HKD)	Target Price(HKD)	Expected Return
10/1/2019	0354	ChinaSoft International	TL	Buy	3.67	5.37	46.3%
14/1/2019	2338	Weichai	ZJ	Accumulate	8.96	10.65	19%
15/1/2019	1093	CSPC Pharmaceutical	EZ	Buy	12.06	21	74%
18/1/2019	2319	Mengniu	TK	Accumulate	25.50	28.50	11.8%
21/1/2019	0670	CEA	ZJ	Accumulate	4.62	5.04	9.1%
24/1/2019	0839	China Education Group	TL	Buy	10.64	13.41	26%
29/1/2019	3320	CR Pharmaceutical	EZ	Accumulate	11.12	12.4	11.5%
1/2/2019	0175	Geely	ZJ	Buy	12.66	17.6	39%
4/2/2019	0178	Sasa	TK	Accumulate	2.98	3.2	5.84%

Ask questions!



StocksBnB.com

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Thank you