04 March 19, 8.15am/11.15am Morning Call/Webinar

- Singapore Banking Monthly
- Raffles Medical Group
- EC World REIT
- Sembcorp Industries Ltd
- CNMC Goldmine Holdings Limited
- China Sunsine Chemical Holdings Ltd
- Asian Pay Television Trust
- Sheng Siong Group
- US Weekly
- China Weekly
- Week 9 - Phillip Singapore Weekly

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Singapore Banking Monthly

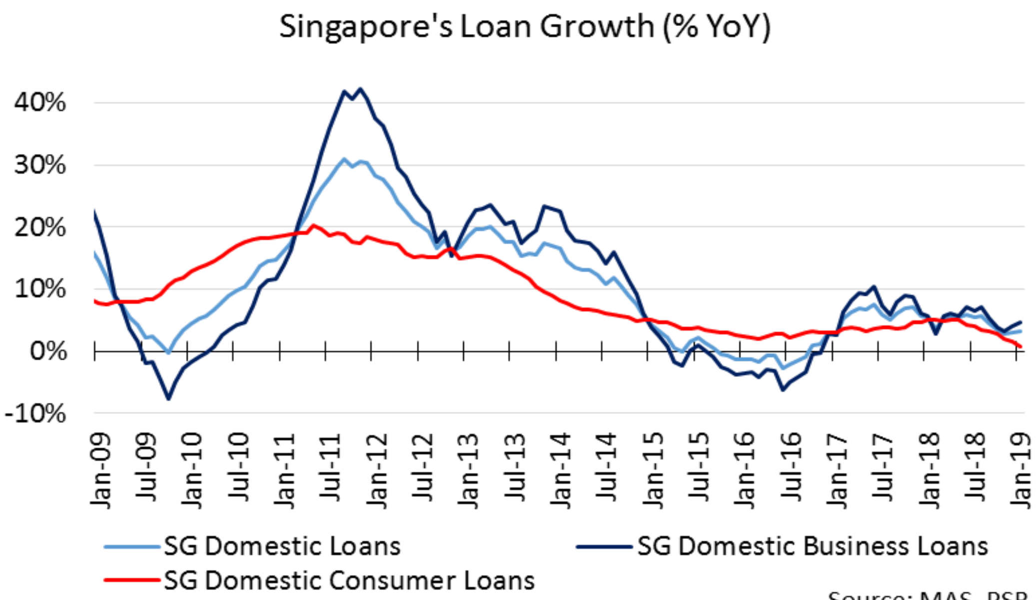
Tin Min Ying

Research Analyst

Phillip Securities Research Pte Ltd

04 Mar 2019

Singapore Banking Sector – OVERWEIGHT (Maintained)



Source: MAS, PSR

Singapore's January domestic loan growth flat at 3.16% YoY (Dec: 3.04% YoY)

Loans growth held up by business loan growth (4.8% YoY).

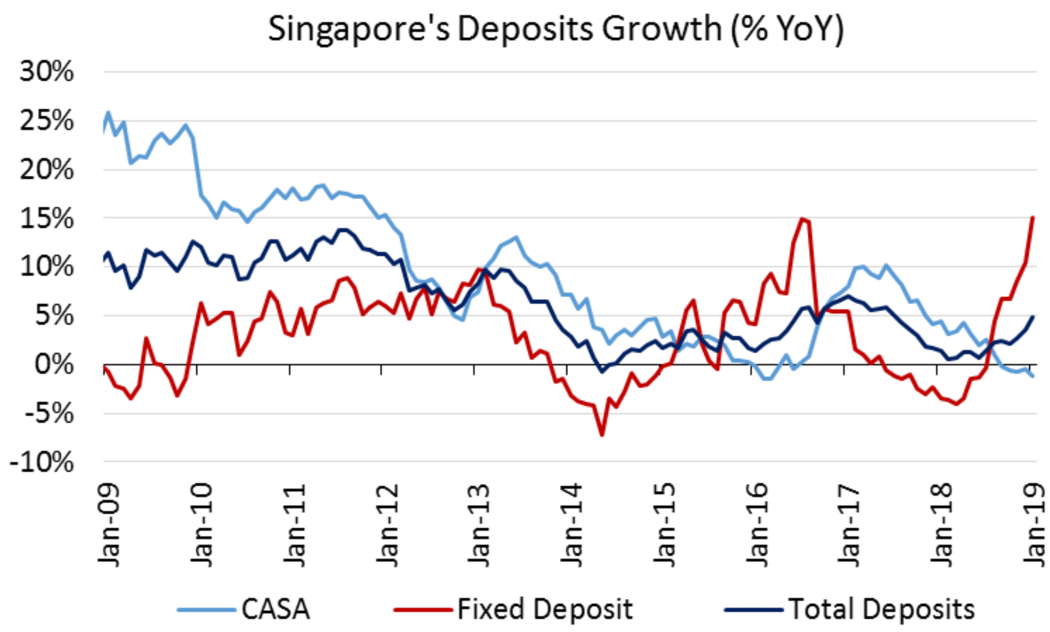
- Growth attributable to Building & Construction (13.8% YoY, the fastest since May 2016).
- These are drawdowns of loans from existing projects in the pipeline.

Consumer loan growth weakened to 0.82% YoY due to mortgage weaknesses.

- Mortgage growth decelerated to 1.6% YoY, the slowest in seventeen years.

Due to worsening macro-economic conditions, we expect loan growth for the banks to slow to 4-6% for FY2019e as compared to 7-11% in FY2018.

Singapore Banking Sector – OVERWEIGHT (Maintained)



Source: CEIC, PSR

Singapore's January domestic deposits grew 4.8% YoY, the fastest in 1.5 years

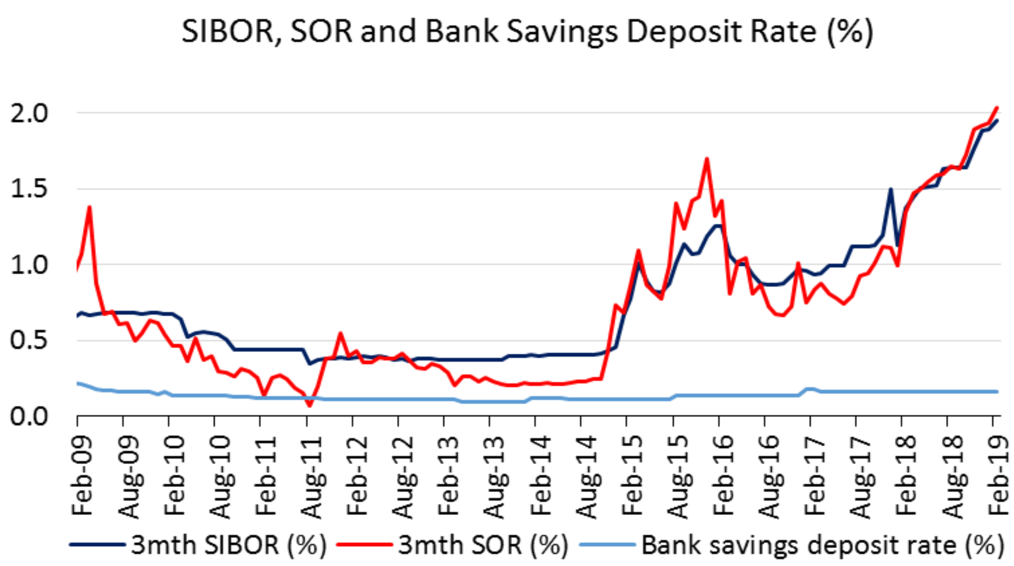
CASA contracted 1.1% YoY

Fixed deposit expanded 15.1% YoY, highest in 11 years

- In a rising interest rate environment, the banking industry has been aggressively plumping up their fixed deposits.
- In comparison, FY2018's monthly average growth is 1.6% YoY.

As the financial sector bulks up in pricier fixed deposits, the corresponding rise in cost of funds makes it a constant challenge for the banks manage costs well enough to achieve NIM expansion.

Singapore Banking Sector – OVERWEIGHT (Maintained)



Source: CEIC, Bloomberg PSR

February's 3-month SIBOR reached 1.953%, surpassing last month's 11 year-high;

3-month SOR expanded 10bps MoM to 2.039%;

Savings rate remained unchanged at 0.16%.

Due to time lag in loan repricing, we will see NIM expansion even if there is a pause in interest rate hikes.

However, given the recent dovish tone set by the US Federal Reserve, we do not expect interest rates to rise as fast as it did in 2018.

We reduced our FY19e NIM estimates for the three banks by c.3%.

Singapore Banking Sector – OVERWEIGHT (Maintained)

Investment Actions

Maintain Singapore Banking Sector at overweight.

Higher NIM, low provisions and better cost management should provide upsides to ROE improvements.

The banking sector gives an attractive dividend yield support of c.5%.

All three banks' robust CET-1 ratios should sustain current pay-out ratios.

Key risks include:

(i) lower pass-through of interest rates;

(ii) (ii) lesser U.S. Federal Reserve rate hikes;

(iii) (iii) market volatility continues to pressure Treasury Market revenues downwards;

(iv) (iv) weaker sentiments due to trade tensions.

Raffles Medical Group

Tin Min Ying

Research Analyst

Phillip Securities Research Pte Ltd

04 Mar 2019

Downgrade to Neutral at lower TP of S$1.09 (prev TP: S$1.16)

Revenue by Segment

SGD mn	FY18	FY17	*YoY (%)*	Comments
Healthcare services	219	207	*6.0*	Increase due to addition of new corporate clients and new Air Borders screening contract with MOH.
Hospital services	289	292	*-0.8*	Slight decline due to refurbishment works in the older Raffles Hospital arm in Singapore.
Investment holdings	29	21	*36.4*	Higher income from leased space.
Revenue	489	478	***2.4***	
EBITDA	96	92	*4.4*	Lower staff costs. FY18 staff costs contracted 1.5pp to 50.3% of revenue (FY17: 51.8% of revenue). *FY18 EBITDA Margin rose 0.3pp to 19.6.*
Operating profits	80	77	*4.4*	
PBT	84	81	*4.1*	
PATMI, reported	71	71	*0.4*	
PATMI, adjusted	**67**	**68**	***-0.7***	Excluding FV gain of investment properties, FOREX gain and disposal gain of PPE.
DPS (cents)	2.50	2.25	*11.1*	Higher payout ratio at 63% vs FY17's 56%

Source: Company, PSR

Positives

Healthcare Services (e.g. GP clinics) underpinned revenue growth.

- New corporate clients and a new Air Borders Screening contract with MOH lent support in the 6.0% YoY growth.

Well executed cost management. Staff costs managed to contract 0.6% YoY despite the expansion in facilities.

- Staff costs 50.3% of revenue (FY17: 51.8%)
- We expect it to remain above 50% of the Group's revenue in the coming quarters until patient volume picks up in RafflesHospital Extension, MCH and the two new hospitals in China.

Downgrade to Neutral at lower TP of S$1.09 (prev TP: S$1.16)

Negative

Continued pressure from medical tourism.

- Growth of foreign patient load have stagnated.
- Stronger SGD and rising cost of living in Singapore made regional rivals more attractive.
- However, the recent medical fee guidelines should provide more clarity to foreign patients regarding the costs of private healthcare in Singapore.

Outlook:

China – Chongqing and Shanghai hospitals

- The Chongqing hospital conducted its soft launch in January 2019.
- Shanghai hospital to open in 4Q19.
- We initially modelled in gestation costs into our FY18 EBITDA. However, due to the delayed recognition of gestation costs for the two hospitals in China, we lower our EBITDA estimates for FY19-20e by c.3%.
- EBITDA loss of S$8-10mn and S$4-5mn in the 1st and 2nd year respectively before the hospitals breaks even in the third year of operation.

Downgrade to Neutral at lower TP of S$1.09 (prev TP: S$1.16)

<u>Investment action:</u>

Downgrade to Neutral with lower TP of S$1.09 (previous TP S$1.16)

We trim our FY19-20e EBITDA estimates by c.3-5% to account for gestation costs in the two hospitals in China.

Potential re-rating catalysts: (i) Stronger demand from the MOH partnership; (ii) Better than expected performance in China hospitals.

Comparables

BB Ticker	Company	FYE	Mkt Cap (S$m)	Ent Val (S$m)	P/E FY18/19e	P/E FY19/20e	P/B FY18/19e	P/B FY19/20e	EV/EBITDA FY18/19e	EV/EBITDA FY19/20e	Div Yield FY18/19e	ROE FY18/19e
RFMD SP	RAFFLES MEDICAL	Dec	1,995	2,022	36.1	34.1	2.5	2.4	23.4	21.8	2.2	7.2
	Market Cap Weighted Peers' average:				**41.7**	**32.4**	**2.9**	**2.7**	**16.9**	**15.1**	**1.6**	**11.7**
IHH SP	IHH HEALTHCARE B	Dec	16,486	17,900	66.7	48.1	2.1	2.1	20.9	18.0	0.4	3.3
RHC AU	RAMSAY HEALTH	Jun	11,803	15,355	21.2	19.4	4.7	4.2	10.3	9.3	2.4	22.8
RYM NZ	RYMAN HEALTHCARE	Mar	5,197	6,297	24.4	21.5	2.6	2.4	25.0	24.3	2.1	11.1
HLS AU	HEALIUS LTD	Jun	1,673	2,299	17.8	16.0	0.8	0.8	9.3	8.5	3.2	4.8
KPJ MK	KPJ HEALTHCARE	Dec	1,473	1,921	24.0	22.4	2.3	2.2	11.7	11.0	2.0	10.1
TKMED SP	TALKMED GROUP LT	Dec	729	655	27.8	27.8	na	na	na	na	3.6	44.7
QNM SP	Q&M DENTAL GROUP	Dec	377	441	25.3	24.0	3.2	3.0	22.3	22.0	2.3	13.7

Source: Bloomberg, PSR

EC World REIT

Optimistic about the outlook

Phillip Research Team

Phillip Securities Research Pte Ltd

4 Mar 2019

EC World REIT– Buy(Maintained) TP: $0.85 (Last: S$0.82)

Results at a glance

(SGD mn)	FY18	FY17	YoY	Comments
Gross revenue	**96.2**	**91.4**	**5.3%**	Increase in revenue maily due to contrubutions from Wuhan Meiluote, organic growth from built-in rental escalations, positive rental reversions on new
Net property income	87.3	82.7	5.6%	
Distributable income	49.0	47.1	4.0%	
DPU (cents)	**6.179**	**6.025**	**2.6%**	Increased due to better operational performance, offset by higher finance cost due to renewal of SBLC and increased

Source: Company, PSR

+ Wuhan asset performing well after acquisition.

- Occupancy has ramped up from c.60% to c.86% since acquisition in April 2018

- Slow ramp-up of occupancy at Beigang

- Occupancy for this asset has increase from 55.3% to 84% over the last 3.6 years.

Outlook

- All ECW's master-leased assets, representing 70% of revenue, up for renewal in 4Q19
- Negotiated early renewal with Sponsor on favourable terms, pending EGM, will extend WALE from 2.0 to 4.8 years.
- Maintain Buy with higher TP of S$0.85 due to change in rental assumptions and early lease renewals this quarter
- FY19 yield of 20.2% and P/NAV of 0.84x.

Sembcorp Industries Ltd
Firming up a long-term PPA

Chen Guangzhi

Research Analyst

Phillip Securities Research Pte Ltd

4 March 2019

Sembcorp Industries Ltd

BUY, TP: $3.75, Last: $2.61

Results at a glance

(SGD mn)	4Q18	4Q17 Restated	YoY (%)	Comments
Revenue	**2,566**	**2,405**	**6.7**	Higher turnover from Utilities segment due to higher revenue fin Singapore, higher volume and prices for India, and higher generation from Teeside and contribution from UK PR; Higher turnover from Marine segment due to revenue recognition for newly secured projects offset by lower revenue from offshore platforms projects
Gross profit	227	331	(31.4)	Lower gross profit from Marine due to continued low overall business volume
PBT	96	186	(48.4)	FX loss, higher finance costs mainly from Myingyan and Sirajganj Unit 4 power projects and the acquisition and consolidation of UK PR, offsetting interest income from a customer on deferred payment arrangement from Marine
PATMI	**109**	**162**	**(32.7)**	Higher effective rax rate due to no group relief of current taxes in certain countries

Source: Company, PSR

The Positives

- In 4Q18, SEIL Project 2 (formerly known as SGPL) narrowed losses by SG$7.5mn
- In Feb-19, it received the letter of award to supply 500MW of power to Andhra Pradesh for eight years

The Negatives

- In 4Q18, Utilities' India operation turned a net loss of SG$15.7mn (3Q18: SG$29mn).
- Unit 1 of SEIL Project 1 (formerly known as TPCIL) shut down for equipment inspection (resume operation by the end of Feb-19)
- Low wind season in 4Q18
- The UK capacity market was suspended
- Marine segment continued to drag the group's performance

Outlook

- 700MW of capacity will be retired in Singapore power market in 2019.
- Gas business: take advantage of index arbitrage between pipe natural gas and LNG
- Potential long-term PPA for SEIL Project 2
- UK PR: target the grid market by upgrading the capacity
- SMM's profitability will remain weak

CNMC Goldmine Holdings Limited
A production turnaround

Chen Guangzhi

Research Analyst

Phillip Securities Research Pte Ltd

4 March 2019

CNMC Goldmine Holdings Limited

BUY, TP: $0.31, Last: $0.225

Results at a glance

(USD mn)	4Q18	4Q17	YoY (%)	Comments
Revenue	12.61	4.86	159.5	Increase in production and sales volume by 181.8% YoY, offsetting the 8% YoY drop in ASP
Operating profit	2.77	1.53	81.0	Increase in overhead costs and one-off listing expenses
PBT	2.88	1.69	70.4	In line with the above
PATMI	1.25	1.29	(3.1)	Listing expenses are only covered by owners of the company
	FY18	**FY17**	**YoY (%)**	**Comments**
PATMI, adjusted	5.34	1.37	289.8	Listing expenses of US$1.99mn; reversal of Pulai's tax penalty accrual

Source: Company , PSR

	4Q18	4Q17	YoY (%)	3Q18	QoQ (%)
Production/Sales volume (oz)	10,198	3,619	181.8	9,569	6.6
ASP (US$/oz)	1,236	1,343	-8.0	1,205	2.6
Total revenue (US$ mn)	12.6	4.9	159.3	11.5	9.3

Source: Company, PSR

The Positives

- Remarkable performance turnaround driven carbon-in-leach
- Full-year revenue: US$39.5mn (8% more than the previous high in FY16)
- Average selling price dropped by 8% YoY in FY18

The Negatives

- The dual primary listing in Hong Kong was rejected
- Total listing expenses: US$1.99mn

Outlook

- Install one more heap leaching pad
- Embark on underground mining in FY19 (high-grade ore supply exclusively to CIL plant).
- Establish a new flotation facility (capacity: 500 tonnes/day) to monetise other metals (silver, zinc, and lead)
- Consider installing a power line for the entire Sokor field project
- Consider doubling the capacity of the CIL plant

China Sunsine Chemical Holdings Ltd
Focus on volume growth

Chen Guangzhi

Research Analyst

Phillip Securities Research Pte Ltd

4 March 2019

China Sunsine Chemical

BUY, TP: $1.55, Last: $1.26, Div: S$0.055

Results at a glance

(RMB mn)	4Q18	4Q17	YoY (%)	Comments
Revenue	770	873	(12)	Decrease in overall ASP, offsetting the slight increase in sales volumes
Gross profit	249	291	(14)	Lower ASP
PBT	142	196	(27)	Higher overhead costs due to higher freight cost and incentive payments to sales personnel
PAT	109	132	(18)	In line with the above; lower income tax rate

Source: Company, PSR

The Positives

- 10,000-tonne Insoluble Sulphur (IS) production line and Phase I 10,000-tonne accelerator TBBS production line started commercial production in Nov-18 and Jan-19 respectively (Expect to see the respective 50% and 28% jump in IS and TBBS sales volume)
- The company declared a final dividend of 5.5 SG cents for FY18 (payout ratio of 21%, dividend yield of 4.4%)

The Negatives

- ASP correction extended in 4O18

Sales volume

(mn tonnes)	4Q18	4Q17	YoY (%)	3Q18	QoQ (%)
Accelerators	20,961	21,722	-3.5	20,824	0.7
Insoluble Sulphur	6,725	6,010	11.9	6,150	9.3
Anti-oxidant	11,850	10,665	11.1	9,906	19.6

Average selling price

(RMB/tonne)	4Q18	4Q17	YoY (%)	3Q18	QoQ (%)
Accelerators	24,693	27,511	-10.2	26,162	-5.6
Insoluble Sulphur	10,721	11,414	-6.1	11,333	-5.4
Anti-oxidant	13,932	18,012	-22.6	15,072	-7.6

Source: Company PSR

Outlook

- Expect GPM to correct due to more market supply
- The increment of sales volume from the new capacities will partially offset the price headwinds
- Another 20,000 tonnes of TBBS production line to be established by end of 2019
- The business will remain healthy this year

US Weekly

US Weekly

Macro Last Week

- Fed Chairman Powell plans to end runoff of portfolio of bonds. Warns of slower economic growth. Exercise "patience" in raising interest rates.
- GDP growth rate in Q4 2018 was 2.6% (Consensus: 2.2%)
- Umich consumer sentiment index rose from 91.2 in Jan to 93.4 (Consensus: 89.6) in Feb
- Core PCE price index grew 1.7% (Consensus: 1.9%) in Q4 partially due to personal income tax cuts.

Corporate

- Berkshire Hathaway Inc (BRK) reported quarterly adjusted EPS of $2.32 (Consensus: $1.85). Revenue fell 52.1% to $28.21bn (Consensus: $33.69bn). Kraft Heinz contributed $2.7bn loss to Berkshire in 2018.
- Square (SQ) reported EPS of $0.14 (Consensus: $0.13). Revenue reported was $464.25M (Consensus: $454M) and was up 64.2% YoY. Q1 Revenue is guided to be $2.22bn - $2.25bn, while EPS is $0.76.

Week(s) Ahead – Key Indicators to be released

- New Home Sales, ISM Non-manufacturing PMI– 5 Mar
- Balance of Trade – 6 Mar
- Initial Jobless Claims - 7 Mar
- Non-farm payrolls - 8 Mar

Upcoming Earnings Release

Phillip Securities Research - Earnings Estimates											
Name	Earnings Result Date	Expected EPS	Expected Revenue	Current Earnings Result Date	Consensus Target Price ($USD)	Prior Period Actual EPS	Prior Period Expected EPS	Surprise Amount	Prior Period Actual Revenue	Prior Period Expected Revenue	Surprise Amount
Costco Wholesale Corp	08-Mar-19	1.69	35690	13-Dec-18	240.00	1.61	1.62	-0.8%	35069	34802	0.8%
Adobe Inc	14-Mar-19	1.17	2548	13-Dec-18	293.00	1.83	1.88	-2.8%	2465	2430	1.4%
Oracle Corp	14-Mar-19	0.65	9595	17-Dec-18	53.00	0.80	0.78	2.2%	9567	9519	0.5%
FedEx Corp	20-Mar-19	2.80	17673	18-Dec-18	220.00	4.03	3.94	2.3%	17824	17687	0.8%
Micron Technology Inc	20-Mar-19	1.67	5937	18-Dec-18	45.00	2.97	2.95	0.6%	7913	8006	-1.2%
NIKE Inc	22-Mar-19	0.64	9595	20-Dec-18	89.00	0.52	0.46	13.0%	9374	9169	2.2%
Walgreens Boots Alliance	28-Mar-19	1.51	34621	20-Dec-18	75.00	1.46	1.43	2.0%	33793	33886	-0.3%

4Q18 Quarterly Earnings Update

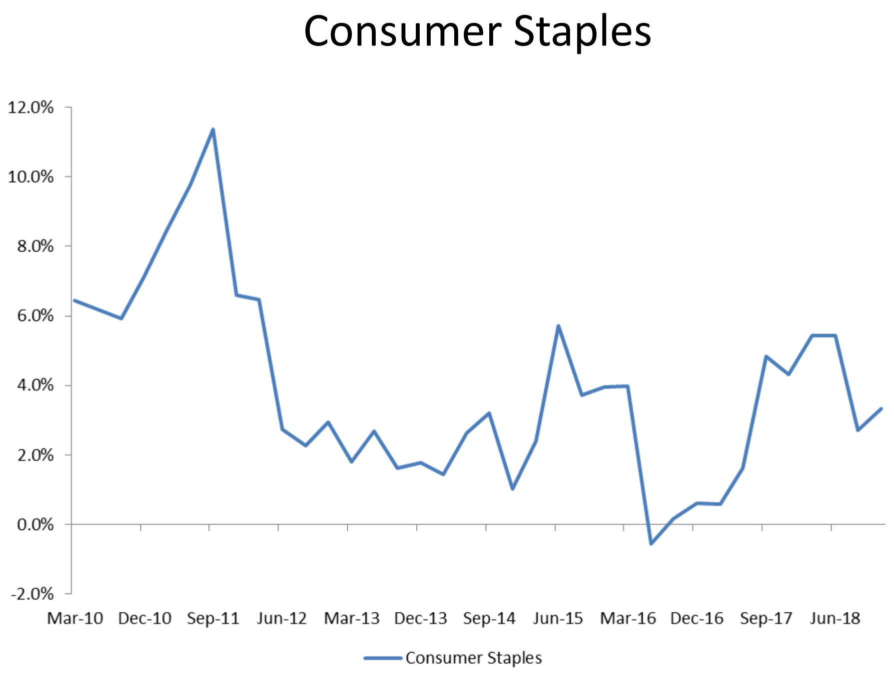
Firms of each sector that beat EPS expectations

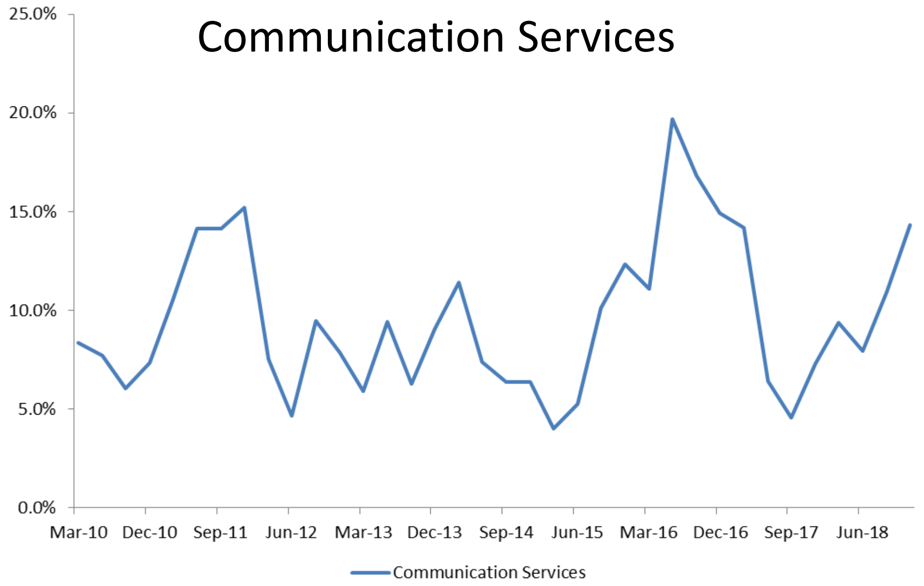
Sectors	Firms that beat EPS expectations	Total Firms	%
Energy	**7**	**8**	**88%**
Consumer Discretionary	**7**	**8**	**88%**
Health Care	**6**	**7**	**86%**
Communication Services	11	13	85%
Information Technology	9	11	82%
Industrials	7	10	70%
Real Estate	4	6	67%
Materials	5	8	63%
Consumer Staples	5	9	56%
Financials	7	15	47%
Utilities	1	5	20%
Total	**69**	**100**	**69%**

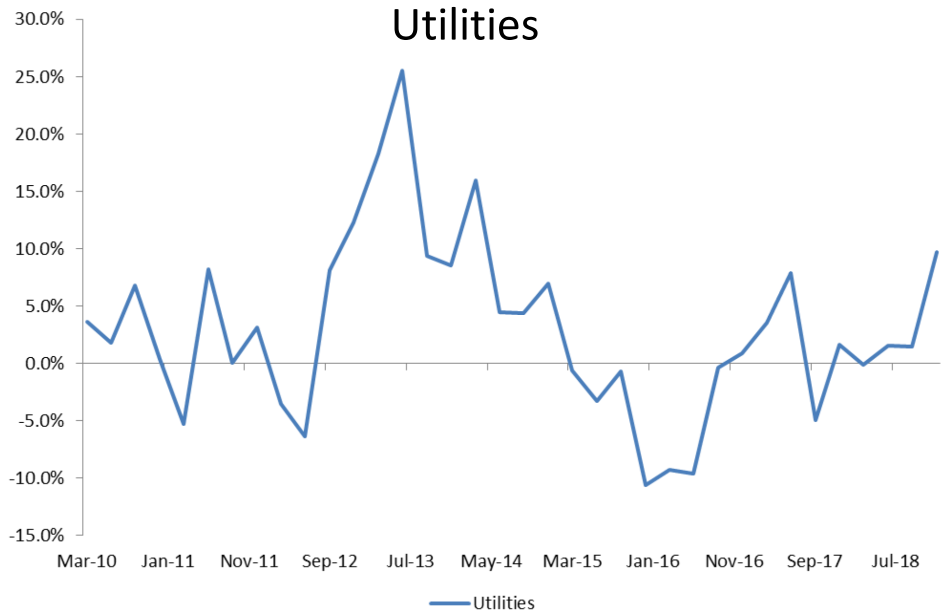
Firms of each sector that beat revenue expectations

Sectors	Firms that beat EPS expectations	Total Firms	%
Consumer Discretionary	**7**	**8**	**88%**
Real Estate	**5**	**6**	**83%**
Industrials	**8**	**10**	**80%**
Health Care	5	7	71%
Communication Services	9	13	69%
Consumer Staples	6	9	67%
Energy	5	8	63%
Utilities	3	5	60%
Information Technology	6	11	55%
Materials	4	8	50%
Financials	6	15	40%
Total	**64**	**100**	**64%**

Revenue Growth

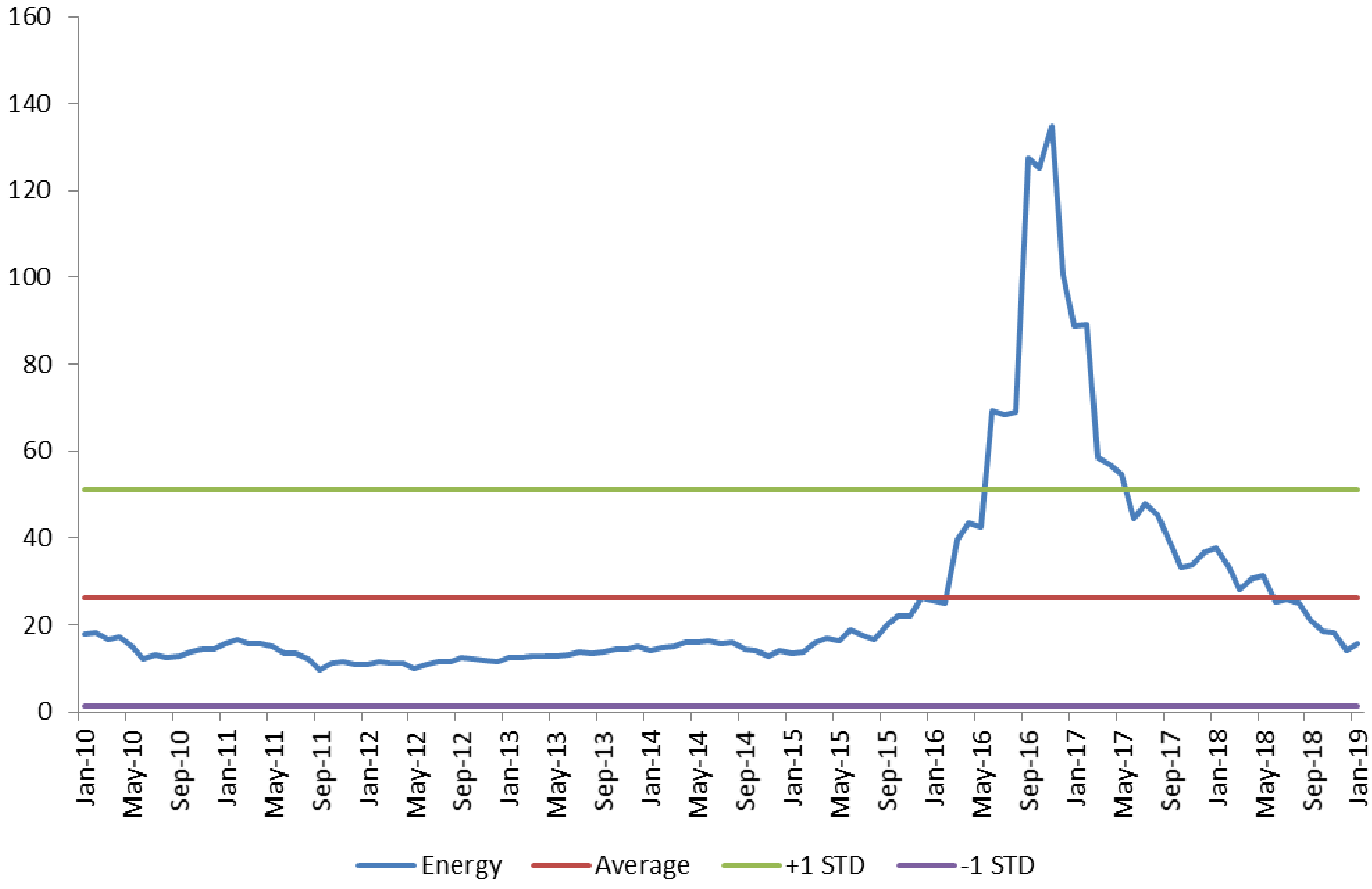






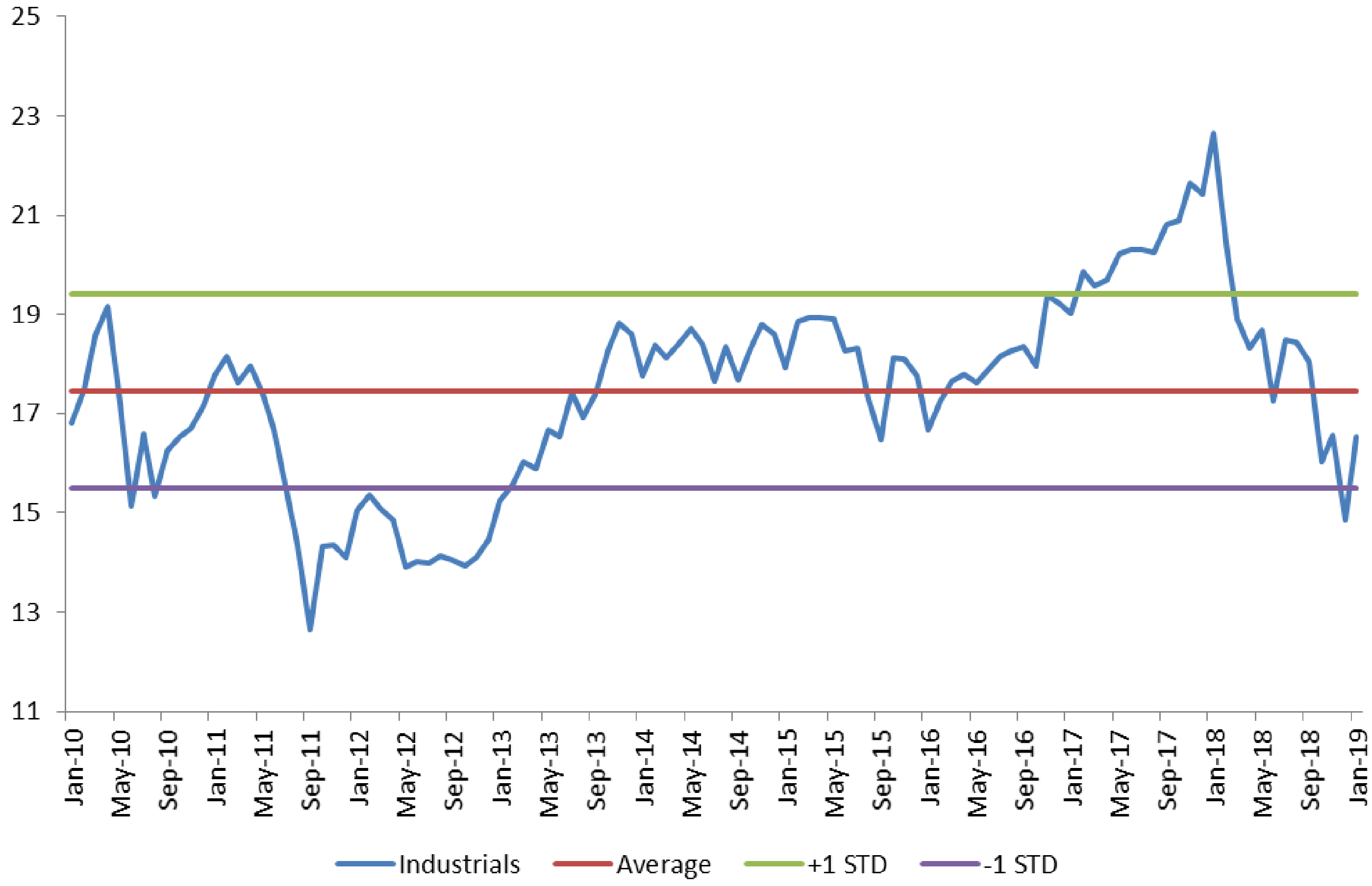
Revenue growth is moderating for most sectors except defensive plays

Valuations - Energy



Most of the companies in the energy sector beat EPS expectations. The sector is trading at 16.3x earnings, which is below historical average.

Valuations - Industrials



Industrials sector beat revenue expectations and the sector is trading at 17.6, which is below historical average

Recommendations

Tactical View

➢**Preferred Sectors are** Energy and Industrials:

Ticker	Name
XLE	Energy Select Sector SPDR ETF
XLI	Industrials Select Sector SPDR ETF

Week 10 – China Weekly Musings

Jieyuan Zheng

Research Analyst

Phillip Securities Research Pte Ltd

04 Feb 2019

China Week 10

Macro Last Week

- **Fiscal Policy: Focus**: March 10th: Two sessions: the National People's Congress, NPC and the Chinese People's Political Consultative Conference, CPPCC

- **Monetary policy**: Focus : Remain stable

- **Event**: MSCI WILL INCREASE THE WEIGHT OF CHINA A SHARES IN MSCI INDEXES

- **Economic Indicators:**
  China Feb. Manufacturing PMI 49.2 VS January 49.5 lower than expectation 49.5
  China Feb. Caxin Manufacturing PMI 49.9 VS January 48.3 better than expectation 48.5

Corporate

- **Hengan (1044.HK) : HK Recommendation:** Buy; HK PSR target price HKD 77.5
  1) Market share continue to increase 2) Increased brand promotions but lower expense to revenue ratio
  Target P/E ratio: 18.4x
- **Anta Sports (2020.HK): HK Recommendation:** Accumulate; HK PSR target price HKD 50.8
  1) Anta reported 2018 operating results beating market expectation
  19E/20E EPS to be RMB1.82/2.20 respectively

Week(s) Ahead

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MSCI China A share

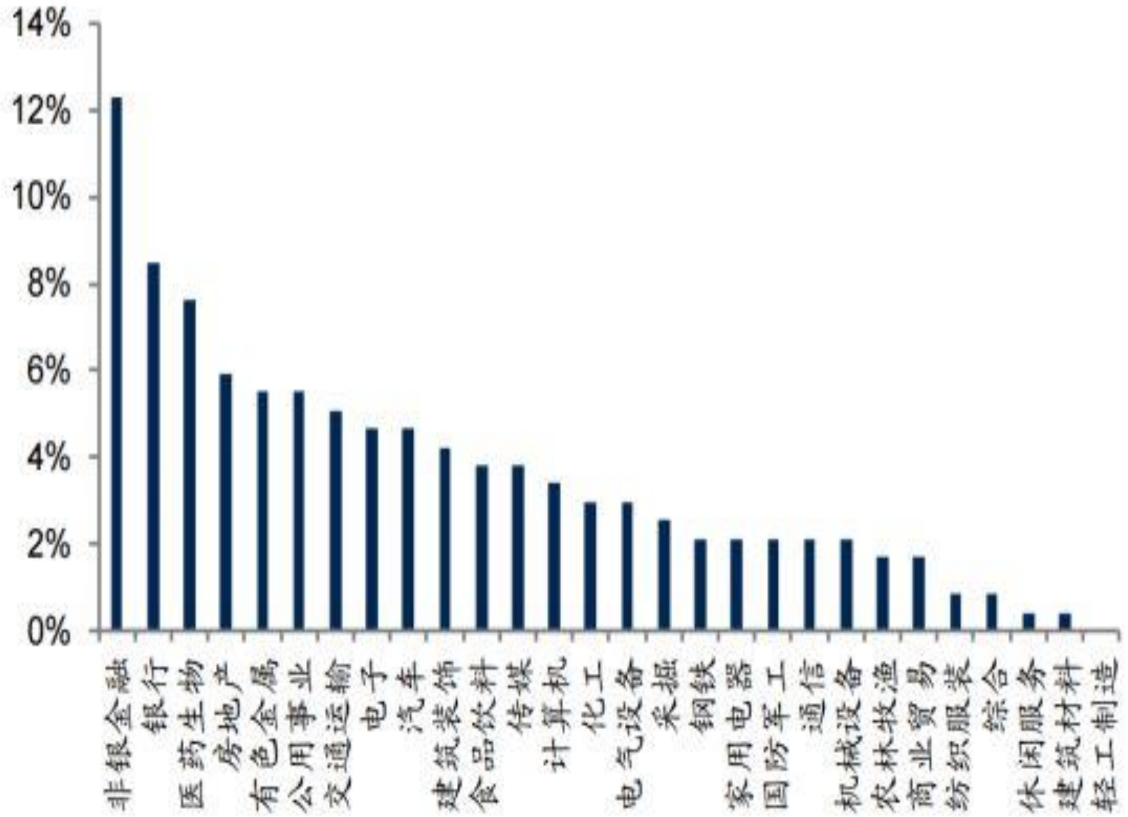
MSCI will increase the weight of China A shares in the MSCI Indexes according to the following schedule:

Step 1: 2019 May - MSCI will increase the index inclusion factor of all China A Large Cap shares in the MSCI Indexes from 5% to 10% and add ChiNext Large Cap shares with a 10% inclusion factor

Step 2: 2019 August - MSCI will increase the inclusion factor of all China A Large Cap shares in the MSCI Indexes from 10% to 15%

Step 3: 2019 November - MSCI will increase the inclusion factor of all China A Large Cap shares in the MSCI Indexes from 15% to 20% and add China A Mid Cap shares, including eligible ChiNext shares, with a 20% inclusion factor to the MSCI Indexes

图 5: 当前纳入 MSCI 新兴市场指数的 A 股行业按数量分布



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HK Stocks Recommendation

Time	Ticker	Company	Analyst	Rating	Price On Recommendation Date(HKD)	Target Price(HKD)	Expected Return
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%
19/2/2019	600741	HASCO	ZJ	Accumulate	19.45	23	18%
21/2/2019	0835	China Education Group	TL	Accumulate	12.50	13.45	7.50%
28/2/2019	1044	Hengan	TK	Buy	63.15	77.5	22.7%
1/3/2019	2020	Anta Sports	EZ	Accumulate	45.4	50.8	12%

Asian Pay Television Trust

Sustainable dividends

Asian PayTV

(Accumulate (Maintained), TP: S$0.14, Last: S$0.13)

Results at a glance

S$ mn	4Q18	4Q17	YoY	2018	2017	YoY	Comment (4Q18 vs 4Q17)
Revenue	79.4	84.7	-6.3%	313.9	334.8	-6.3%	Cable ARPU down 3.6% and subscribers 1.6%.
EBITDA	44.1	51.8	-14.8%	184.3	201.4	-8.5%	In-line with our FY18e S$183.1
Interest	(13.3)	(13.9)	-4.6%	(53.8)	(56.3)	-4.4%	
PATMI	(7.5)	11.6	-164.8%	7.4	36.5	-79.7%	Below forecast due to amotisation of fees.
Operating cash-flow	36.1	53.4	-32.4%	159.6	189.2	-15.6%	
FCF	1.8	27.9	-93.6%	38.6	88.1	-56.2%	Operating cash-flow could not sustain dividends.
Dividends	(23.3)	(23.3)	0.2%	(93.4)	(93.4)	0.0%	
DPU (cents)	0.300	1.625	-81.5%	5.18	6.50	-20.4%	DPU has been cut and full year 1.2 cents
Subscribers (000s)							
- PayTV				750	762	-1.6%	
- Broadband				216	203	6.4%	Broadband revenue was flat.

Source: Company, PSR, FCF = EBITDA less capex, cash taxes, cash interest.

Positives

Data backhaul a new material opportunity. This is to connect the base stations of wireless operators. This is meaningful when 5G is rolled out.

Negatives

- **Cable TV subs and ARPU still falling.** Subscribers fell by 7,000 in 4Q18, this is more than triple the 2,000 in the prior quarter. ARPU for cable TV dropped for the 10th consecutive quarter to NT$494/month (or 3.3% YoY drop).
- **Capex is still elevated**.

Maintain ACCUMULATE: Operationally still challenging due to weakness in cable TV revenue. Taiwanese telecommunication peers are valued at a dividend yield of around 5% and EV/EBITDA of 11x. APTT trading at 9% yield.

Sheng Siong Group

New stores will support growth

Sheng Siong Group

(Accumulate (Maintained), TP: S$1.30, Last: S$1.08)

Results at a glance

SGD mn	4Q18	4Q17	YoY	Comments
Revenue	221.8	200.3	10.7%	New stores +14.7%, SSSG -2.7%, ex. Woodlands 6A and Verge stores -2.1%, Kunming store +0.8%
Gross profit	60.2	55.1	9.2%	*Gross margin -0.4pp to 27.1%*
EBITDA	22.9	20.3	13.1%	
EBIT	20.5	20.5	-0.1%	Dist. expenses +4% YoY and Admin. Expenses +8% YoY
PATMI	17.5	16.8	4.2%	Affected by $2.3mn decline in governt grant.

Source: Company, PSR

Positives

Gross margins still at record levels

Record store openings in 2018

Negatives

- Same store sales turned negative
- Company mentioned break-even for new stores will be long er due to competition

Outlook

- 3 revenue drivers 2019: 1) 10 new stores (+23% in footprint) in 2018; 2) Drag from Verge and Woodlands is reduced; 3) Rise in revenue per square feet is climbing. Downside is weakening same-store sales growth due to the economy and competition.

Maintain ACCUMULATE: Raise target price to S$1.30. Still a 25% ROE and $87mn net cash company.

Week 10 - Phillip Singapore Weekly

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4 Mar 2019

Week 10 – Short-term Views

Macro Last Week

- **SG macro:** Industrial activity in Singapore was the worst in 2 1/2 years. Industrial production index (IPI) fell 3.1% YoY in January.
- **US macro:** Much more dovish Fed; close to announcing plans for ending the runoff of its $4 trillion (i.e. end QT) this year + patient and no rush to make a judgment on how to change interest rates; muted inflation pressures; ISM New Orders was down 58.2 Jan19 to 55.5 in Feb19 (64.3 Feb18)
- **EU macro:** ECB meeting to delay rate hike from before Sep19 and revise growth down

- **Corporate/Sector Last Week**

Tactical

- **Pause in rally:** concerned of a possible near-term peak after negotiations between U.S. and China concluded; rally not supported by economic data but large discounting by the market

Week(s) Ahead

- **7Mar:** ECB meeting**; 19-20Mar:** Fed meeting; **18May:** s.232 auto tariff response**; Other:** Mueller investigations