

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

Dasin Retail Trust
Banyan Tree Holdings Limited
China Aviation (Singapore) Oil
Golden Energy and Resources Ltd
Nico Steel
US Weekly
China Weekly
Phillip Singapore Weekly

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Dasin Retail Trust

Future upside from AEI

Tara Wong

Research Analyst

Phillip Securities Research Pte Ltd

11 March 2019

Dasin Retail Trust

Accumulate (maintained), TP: S\$0.94 (prev S\$0.95), Last \$0.90

SGD ('000)	4Q18	4Q17	YoY (%)	FY18	FY17	YoY (%)	Comments (4Q18 vs 4Q17)
Gross Revenue	16,159	18,204	-11%	71,288	57,696	24%	Lower revenue mainly due to AEI at Xiaolan Metro Mall
Net Property Income	11,625	14,207	-18%	57,323	46,560	23%	Higher property operating expenses incurred by Shiqi Metro Mall and Ocean Metro Mall
Net Income	2,833	11,001	-74%	22,920	18,856	22%	Unrealised exchange loss from weakening of USD/SGD on its USD-denominated bank loans, re-measurement of the interest rate swaps to hedge its offshore debt and higher finance costs
Distributable profit	2,430	13,755	-82%	(11,474)	18,856	-161%	
Amount available for distribution	5,396	4,929	9%	21,217	18,009	18%	
DPU (Cents)*	1.83	1.96	-7%	7.22	7.16	1%	Larger unit base due to distribution waiver arrangement from FY17-FY21.

* with distribution waiver

The Positives

- Healthy reversions despite AEIs at Shiqi and Xiaolan.
- Average debt term-to-maturity doubled to 1.6 years. Initial first tranche of offshore debt extended at a lower interest margin (reduction of c.70bps).

The Negatives

- Slower-than-expected growth at “growth malls” - Ocean Metro and Dasin E-Colour.

Outlook

- AEIs done at Shiqi and Xiaolan malls will see renowned names such as Hai Di Lao enter the tenant mix. Favourable renewal and rental escalation are thus expected at these two malls going forward.
- Newly opened malls could be immediate acquisitions as these would provide Dasin the runway for growth.
- Future macro catalyst would be the Shenzhen-Zhongshan Corridor, which is expected to be completed in 2024.

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Banyan Tree Holdings Limited

Gathering momentum in management contracts

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11 March 2019

Banyan Tree Holdings Limited

Accumulate (maintained), TP: S\$0.76 (prev S\$0.73), Last \$0.58

Results at a glance

(SGD mn)/Dec Yr End	4Q18	4Q17	YoY (%)	FY18	FY17	YoY (%)	Comments (4Q18 vs 4Q17)
Revenue	92.8	88.9	4%	329.0	317.5	4%	
- Hotel Investments	47.6	54.4	-13%	192.5	201.5	-4%	Mainly due to Thailand (inventory shortage by ongoing renovations at Banyan Tree Phuket and absence of major events) and Seychelles (disposed entire assets portfolio in Nov 2018)
- Property Sales	30.0	18.6	61%	77.0	51.4	50%	Handover of Cassia Phuket, Banyan Tree Grand Residences, Laguna Park townhomes/villas and Laguna Village residences
- Fee-based segment	15.2	15.9	-5%	59.6	64.6	-8%	Lower architectural and design fees earned from projects based on project milestones
Other income	24.3	9.0	171%	43.2	50.9	-15%	Gain on disposal of assets in Seychelles and disposal of 18.6% interest in BTAC
Total Costs and Expenses	-87.7	-77.0	14%	(289.1)	(293.8)	-2%	Mainly due to increase in cost of properties sold, other operating expenses and salaries and related expenses
Operating Profit (EBITDA)	29.4	21.0	40%	83.1	74.7	11%	
Share of results from associates/JV	12.3	-0.4	-3218%	(1.2)	0.2	-687%	Fair value gain from Banyan Tree Indochina Hospitality Fund, higher profits from BTSC and BTMC and share of one-off fair value adjustment of imputed interest
PATMI	5.6	3.9	0.4	13.5	12.9	4%	

Source: Company, PSR

The Positives

- Recovery in bulk of fee-based segment revenue. Operating profit for the fee-based segment in FY18 recorded a +86% increase YoY.
- Sizeable uptick in property sales. Revenue for BTH's property sales segment recorded YoY increases of 61% and 50% for 4Q18 and FY18, respectively.





The Negatives

- Hotel investments segment took a hit from Thailand underperformance and Seychelles deconsolidation effect.
- Decline in forward bookings, dragged down largely by Thailand (impacted by the tragic Phuket boat accident in July 2018).

Banyan Tree Holdings Limited

Accumulate (maintained), TP: S\$0.76 (prev S\$0.73), Last \$0.58

Figure 1: New hotels contracts signed in 2018 year-to-date. This is a record year for the number of HMAs signed, to date.

Brand	HMA	MOU
 Banyan Tree	6	13
 Angsana	10	10
 Cassia	2	3
 Dhawa	10	15
Total	28	41*

* Include 21 Accor / Vanke leads.

Source: Company

Figure 2: 53 hotels are slated to open through 2019-2022.



Source: Company

Outlook

- Long-term growth catalysts remain intact as the Group transitions to an increasingly asset-light model.
- BTH managed to secure a record 28 new management contracts in 2018 (FY16: 6, FY17: 3).
- 53 hotels under the Banyan Tree umbrella of brands are slated to open from 2019 to 2022 (Figure 2).
- The securing of such management contracts, especially with strong partners such as Accor and Vanke, will be the main driver for BTH's fee-based income.

China Aviation (Singapore) Oil

Mixed blessing

Chen Guangzhi

Research Analyst

Phillip Securities Research Pte Ltd

11 March 2019

China Aviation (Singapore) Oil

BUY, TP: \$1,67, Last: \$1.28

Results at a glance

(US\$ mn)	4Q18	4Q17 (Restated)	YoY (%)	Comments
Revenue	4,377.1	4,060.7	7.8	Higher oil prices offset the drop in total supply and trading volume of middle distillates and other oil products (4Q18: 6.82mn tonnes vs 4Q17: 8.2mn tonnes)
Gross profit	9.3	8.3	11.9	Higher jet fuel volume supplied to China and higher profits from trading and optimisation activities
Operating profit	6.3	1.6	285.2	Higher bank interest income and increase in allowances on doubtful debts
Associates and JVs	15.0	16.8	(10.6)	Lower profit contributions from Pudong
Net profit	18.7	15.1	23.9	Absence of one-off tax expense incurred FY17 partially offset by the increase in recognition of deferred tax liabilities in FY18

Source: Company, PSR

The Positives

- Supply and trading margins (measured by gross profit/tonne) surged 34.5% YoY to US\$1.37/tonne in 4Q18 (4Q17: US\$1.02/tonne)
- Curb on non-profitable trading businesses

The Negatives

- Reduction of paper trading businesses offset the increase in supply volume

(mn tonnes)	4Q18	4Q17	YoY (%)
Middle distillates	4.3	5.1	(15.8)
Jet fuel	3.5	3.8	(7.3)
Other oil products	2.6	3.1	(18.5)
Total	6.8	8.2	(16.8)

Source: Company, PSR

- 4Q18 profit from Pudong was US\$14.2mn (-13.0% YoY) due to lower refuelling volumes, foreign exchange losses, and higher operating expenses

Outlook

- Focus on the bottom line growth instead of volume growth
- Consolidate the supply business while reducing the scale of trading business
- Expect CAO's performance to remain

Golden Energy and Resources Ltd

Look forward to lower costs

Chen Guangzhi

Research Analyst

Phillip Securities Research Pte Ltd

11 March 2019

Golden Energy and Resources Ltd

BUY, TP: \$0.30, Last: \$0.235

Results at a glance

(USD mn)	4Q18	4Q17	YoY (%)	Comments
Revenue	280.2	301.7	(7.1)	Increase in revenue from Coal Mining, partially offset by a decrease in revenue from Coal Trading Division and Non-coal Businesses
Gross profit	71.9	104.8	(31.4)	Increase in mining services costs, coal freight, mining overheads, fuel costs, and royalty expenses, offset by a decrease in amortisation expenses
PBT	(8.9)	55.3	(116.1)	Increase in operating expenses in line with higher sales activities, and higher interest expenses as a result of the issuance of the Company's bond in February
PATMI	4.5	22.2	(79.9)	Lower taxable profit and decrease in withholding tax expense

Source: Company, PSR

The Positives

- Total volume exceeded FY18 production target

	4Q18	4Q17	YoY (%)	FY18	FY17	YoY (%)
Production volume (tonnes)	6.4	5.5	15.6	22.6	10.1	123.8
ASP (US\$/tonne)	40.0	43.1	-7.2	41.4	42.5	-2.6
Cash cost (US\$/tonne)	29.8	25.9	15.1	27.4	23.1	18.6
Revenue from coal mining (US\$mn)	268.2	183.3	46.3	943.2	645.4	46.1

Source: Company, PSR

The Negatives

- HBA (Indonesia Coal Price Reference): up 3.0% YoY to US\$97.1/tonne in 4Q18 but fell by 7.1% QoQ
- ICI 4 averaged at US\$30.2/tonne (down 21.3% QoQ)
- Full-year cash cost jumped (Surged by 18.6% YoY to US\$27.4/tonne)
- The increase in the strip ratio of BIB mine (FY18:4.8 vs FY17:4.2)

Outlook

- Expect to ramp up production to 25mn tonnes (+10.6% YoY) of output (BIB: 22mn tonnes, KIM: 2mn tonnes, and BSL: 1mn tonnes)
- Expect average cash cost to revert to US\$25/tonne (down 8.8 % YoY)
- Maintain coal price forecast at US\$40/tonne (4,200 GAR)

Nico Steel

The three material projects

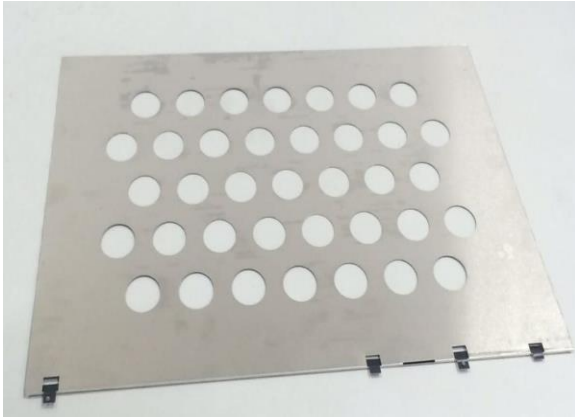
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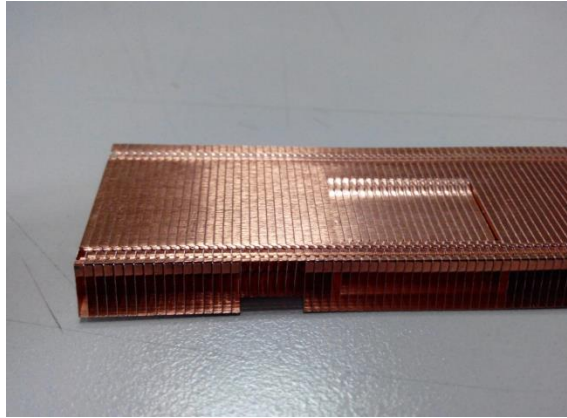
11 March 2019

Nico Steel (Unrated)



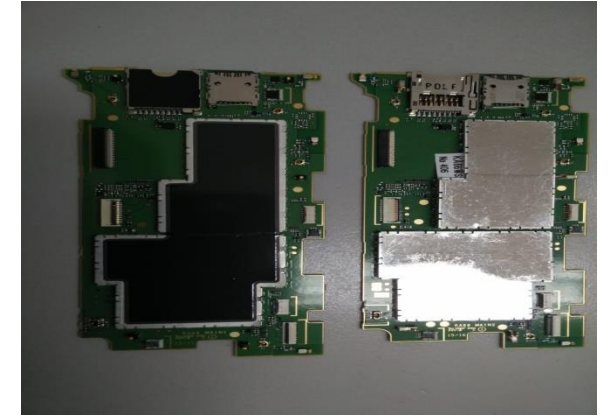
Project 1: LED Panel

LED module for 13 inch below monitors in notebooks and tablets. Thin 0.10-0.15mm. Aluminium and magnesium alloy called AL50.



Project 2: Thermal Fin

Collect heat from components on the PCB and fan inside will blow over to cool it. It is a copper alloy CA2.



Project 3: RF shield for tablet PC

Aluminium coated with polymer used to cover components inside tablet PC.

From our visit – competitive advantage is work with metal mills on new products, direct relationship with brand owner development teams and plugged into metal stamping supply chain. Also a factory built in Suzhou since 2003 that is close to residential development. There are other products in the pipeline including heat pipe, connectors, cladding solution and wearables.

Week 11 – US Weekly

Edmund Xu

Research Analyst

Phillip Securities Research Pte Ltd

11 March 2019

US Weekly

Macro Last Week

- New home sales rose to 621,000 in December, topping forecast of 572,000.
- US trade deficit rose to \$891bn in 2018, which is the highest number ever. The trade deficit in goods between the U.S. and China, specifically, reached a 10-year high of \$419bn.
- Initial jobless claims for last week fell to 223,000 (Consensus: 225,000). Unemployment rate was down from 4% to 3.8% (Consensus: 3.9%). Non-farm payrolls in Feb only increased by 20,000 (Consensus: 180,000).
- ISM Non-manufacturing PMI was up 3pts to 59.7 (Consensus: 57.3).

Corporate

- Costco (COST) reported quarterly adjusted EPS of \$2.01 (Consensus: \$1.69). Revenue was \$35.4bn (Consensus: \$35.61bn). Subscription renewals in the U.S. and Canada were 90.7% in the quarter, and adjusted e-commerce sales grew 25.5%.

Week(s) Ahead – Key Indicators to be released

- Retail Sales MoM– 11 Mar
- Core inflation Rate– 12 Mar
- Durable Good Orders- 13 Mar
- UMich Consumer Sentiment- 15 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
Oracle Corp	14-Mar-19	0.65	9593	17-Dec-18	53.00	0.80	0.78	2.2%	9567	9519	0.5%
Adobe Inc	14-Mar-19	1.17	2548	13-Dec-18	293.00	1.83	1.88	-2.8%	2465	2430	1.4%
FedEx Corp	20-Mar-19	2.80	17673	18-Dec-18	213.50	4.03	3.94	2.3%	17824	17687	0.8%
NIKE Inc	22-Mar-19	0.63	9596	20-Dec-18	89.00	0.52	0.46	13.0%	9374	9169	2.2%
Walgreens Boots Alliance Inc	28-Mar-19	1.49	34611	20-Dec-18	74.00	1.46	1.43	2.0%	33793	33886	-0.3%

Week 11 – China Weekly Musings

Jieyuan Zheng

Research Analyst

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11 March 2019

China Week 11

Macro Last Week

- **Fiscal Policy: Focus:** China will cut the rate of value-added tax (VAT) for manufacturers to 13 per cent in 2019, from the current level of 16 per cent/ Work on a draft property tax in China is "steadily advancing" and it will be submitted for review when conditions are right.
- **Monetary policy:** Focus :Remain stable
- **Economic Indicators:**
 - Imports YoY%** Feb -0.3% VS Expectation 6.20% VS Jan 2.90%
 - Export YoY%** Feb -16.6% VS Expectation 6.60% VS Jan 13.90%
 - Feb CPI** 1.5% VS Expectation 1.5% VS Jan 1.7%
 - Foreign Reserves Feb** RMB 3090.18bn VS Expectation 3087.95bn VS Jan 3087.92bn

Corporate

- **Travelsky Technology (696.HK): HK Recommendation:** Accumulate; HK PSR target price HKD 27.18
Travelsky Technology is the largest provider of the aviation information systems in China
P/E of 27.6x and 24.4x in 2018/19F

Week(s) Ahead

M1/M2/ New yuan loan

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%
8/3/2019	0696	Travelsky Technology	TL	Accumulate	23.10	17.18	17.7%

Week 11 - Phillip Singapore Weekly

Paul Chew

Head of Research

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11 March 2019

Week 11 – Short-term Views

Macro Last Week

- **SG macro:** The new orders PMI fell for the 8th consecutive month to 51.4 in February. It is the lowest in 20 months (Feb18: 54.5).
- **US macro:** Feb19 - payrolls +20k vs +180k expectations; average hourly earnings +3.4% YoY highest in almost a decade or Apr09;
- **EU macro:** ECB guidance on rates from “through the summer” to “through the end of 2019; cut Eurozone GDP from 1.7% to 1.1% in 2019; point from forecasts just three months ago and revise growth down

➤ Corporate/Sector Last Week

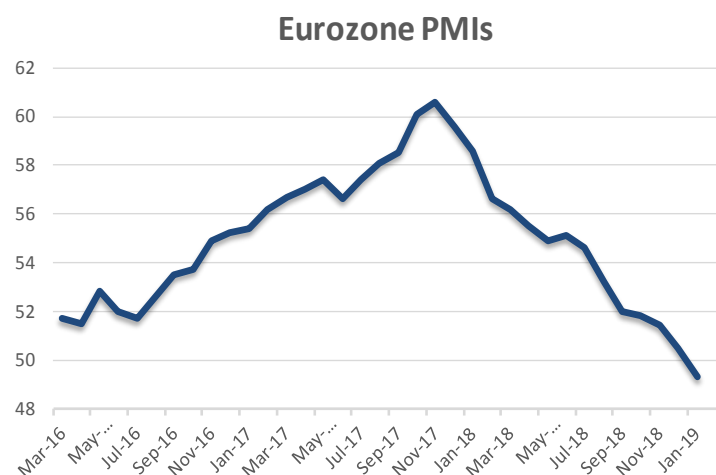
Tactical

- **Short-term 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
- **Why economy can recover?** 1) Downturn is already protracted; 2) “Patient” Fed until economy recovers;

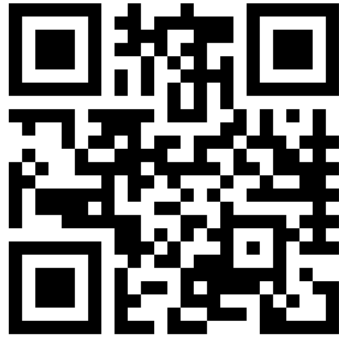
Week(s) Ahead

- **11Mar:** US retail sales; **12Mar:** Brexit vote and US CPI; **18May:** s.232 auto tariff response; **Other:** Mueller investigations

Week 11 – Activity indicators still sliding



Ask questions!



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Post them in the comment section of the report!*

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Thank you