

Phillip Securities Research Morning Call

21st September 2020

Stock Counter Updates

- **First Sponsor Group (INITATION)**
- **Hyphens Pharma Int'l Ltd**
- **Sasseur REIT**
- **CMT & CCT**

Macro/Sector Outlook

- **Phillip Bond Model Portfolio**
- **FOMC Highlights**
- **Singapore Weekly**

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First Sponsor Group Limited

Your financier, developer and landlord

Tan Jie Hui

Research Analyst

Phillip Securities Research Pte Ltd

21 September 2020

**This report is produced by Phillip Securities Research under the 'Research Talent Development Grant Scheme' (administered by SGX)*

First Sponsor Group Limited (BUY, TP: S\$1.65, Last: S\$1.25)



First Sponsor Group Limited (FSG) is a developer (FY19 revenue: 50%), owner (22.5%) and financier (27.5%) of property projects. It operates in China (FY19 revenue: 58%), Europe (40%) and Australia (2%).

- Investment Merits

1. Unrecognised revenue as of 1H20 amounts to S\$586mn; S\$1.95bn of gross development value yet to be unlocked for existing projects equivalent to 5-6 years of sale.
2. Humen Transit Oriented Development to become one of FSG's largest development projects to date
3. High recurring income for its Chinese property financing business plus double-digit growth in securitised loan book.

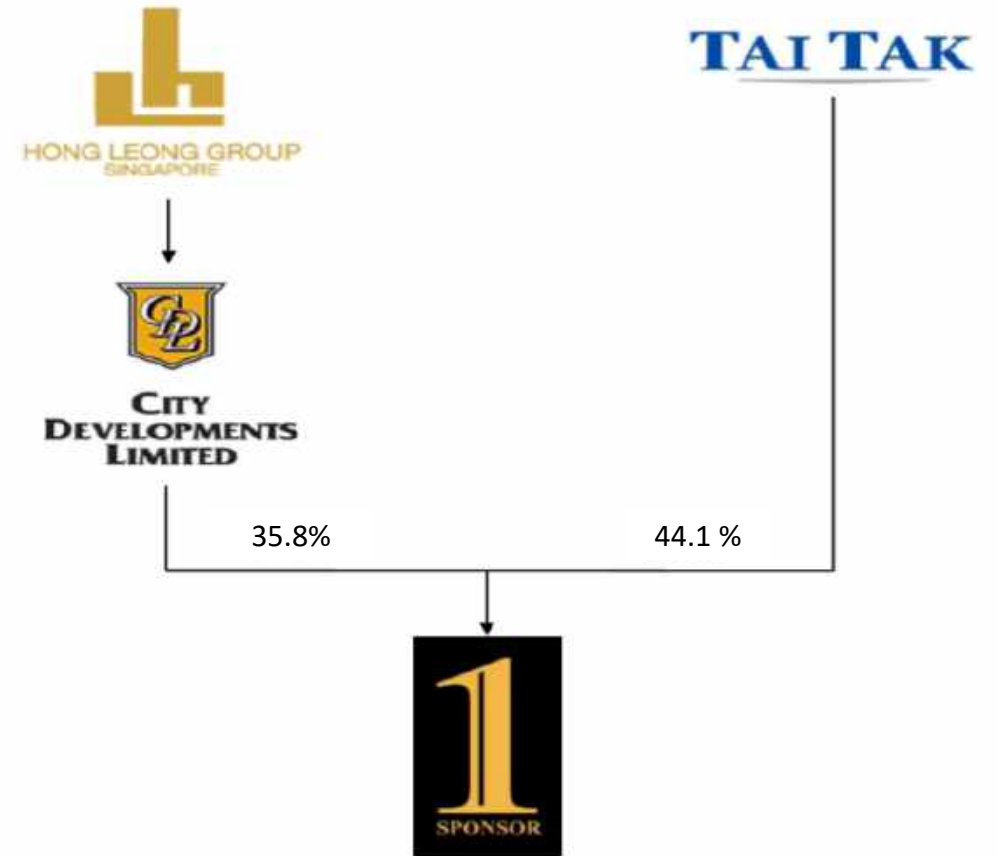
Key Risks

1. Worst may not be over for the hotel portfolio; stunted recovery is expected.

First Sponsor Group Limited (BUY, TP: S\$1.65, Last: S\$1.25)

Key Stakeholders

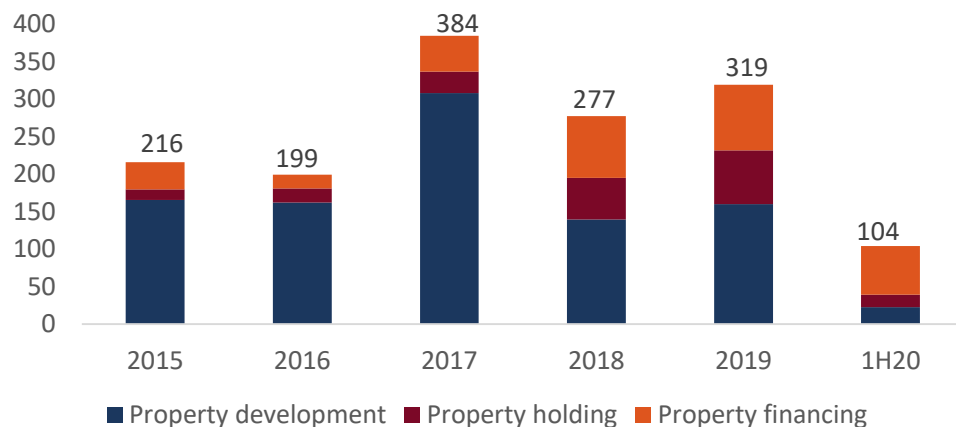
1. Tai Tak Estates Sendirian Berhad (Tai Tak) is a private company which was incorporated in Singapore in 1954. It currently invests in a wide range of businesses, including plantations, listed and private equities, property holding and development.
2. Hong Leong Group is a globally diversified company with gross assets of over S\$40bn. The Group's four core businesses are property development, hotels, financial services, and trade & industry.



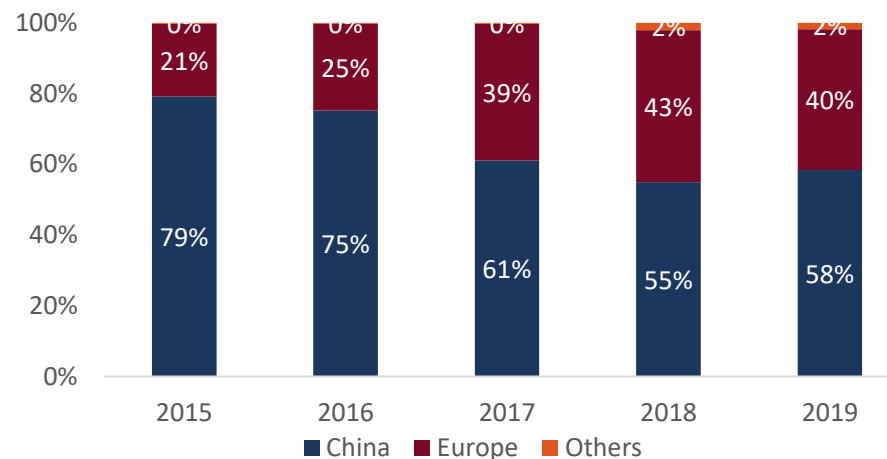
First Sponsor Group Limited (BUY, TP: S\$1.65, Last: S\$1.25)

Revenue

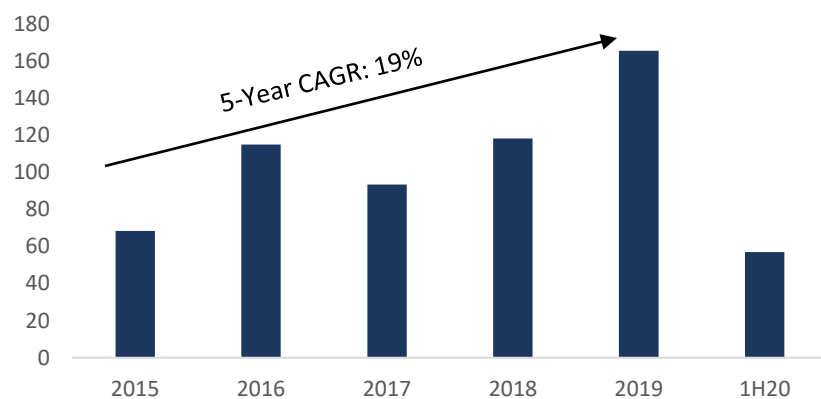
Revenue contribution by segment (S\$m)



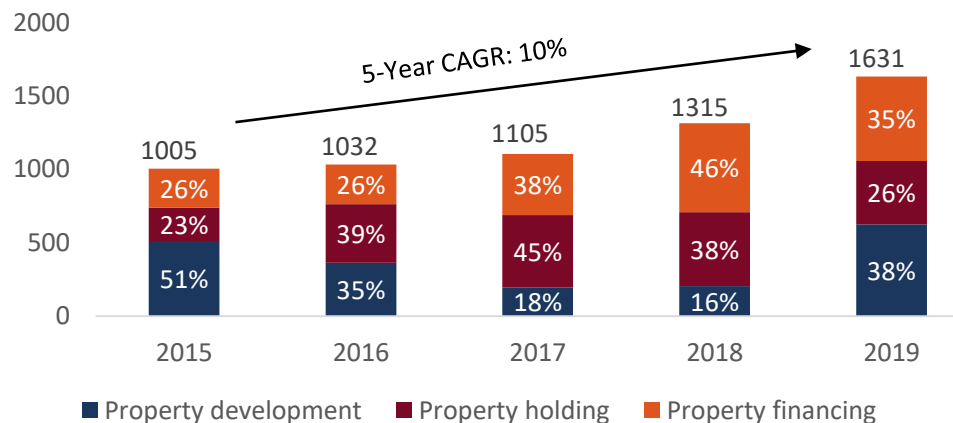
Revenue contribution by geography (%)



Profit after tax (S\$m)



Net asset value by segments (S\$m)



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A. Property Development

Development properties	City	Effective Interest	Land Use Rights Expiry	Site area (sqm)	GFA (sqm)*	Total GDV (S\$mn)
<u>China</u>						
Millennium Waterfront (Plots E & F) (Figure 7)	Chengdu	100%	2051	48,237	470,450	756
The Pinnacle (Figure 8)	Dongguan	60%	2058 (commercial) 2088 (residential)	36,404	75,400	273
Star of East River** (Figure 9)	Dongguan	30%	2054 (commercial) 2084 (residential)	49,136	177,000	256
Emerald of the Orient	Dongguan	20%	2058 (commercial) 2088 (residential)	67,477	144,371	173
Skyline Garden (Figure 10)	Dongguan	27%	2059 (commercial) 2089 (residential)	42,343	209,700	284
Humen TOD Project (Figure 11)	Dongguan	17%	2060 (commercial) 2090 (residential)	200,000	1,034,159	808
<u>The Netherlands</u>						
Meerparc	Amsterdam	100%	Freehold	9,744	-	-
Dreeftoren	Amsterdam	100%	2039***	5,740	-	-
The Terraced Tower	Rotterdam	33%	Freehold	1,220	39,539	48
Total				460,301	2,150,619	2,597



Millennium Waterfront



The Pinnacle



Star of the East River



Skyline Garden

First Sponsor Group Limited (BUY, TP: S\$1.65, Last: S\$1.25)

A. Property Development Key Highlights

1. Unrecognised revenue from development properties amounts to c.S\$586mn.

Development properties	Revenue to be recognised from handover/ % of completion	Revenue (S\$mn)
<u>China</u>	<u>Revenue is recognised upon handover</u>	
Millennium Waterfront (Plots E & F)	FSG has recognised profit from all 7,302 residential units in Plots A to D. For Plot F, 84.2% of the SOHO loft units has been sold. It is expected to be handed over in phases from early 2021.	67
The Pinnacle	It launched five residential blocks for sale in phases since April 2020 which were almost fully sold soon after their respective launches. It is expected to be handed over in phases from 2021.	158
Star of East River*	One SOHO block was handed over in March 2020, another is expected to be handed over in 2021. Office block that is 89.7% sold is expected to be handed over in late 2020/early 2021	218
Emerald of the Orient	All sold units (852 residential units and 137 villas) are expected to be handed over from late 2020 to early 2021.	138
<u>The Netherlands</u>	<u>Revenue is recognised based on % completion</u>	
The Terraced Tower*	The Terraced Tower comprises 340 residential units, retail spaces and 212 car park lots. It is expected to be completed by 2021. The property is estimated to be c.80% completed	6
Total		586

First Sponsor Group Limited (BUY, TP: S\$1.65, Last: S\$1.25)

A. Property Development Key Highlights

2. c.S\$1.95bn of gross development value (GDV) is yet to be unlocked for existing projects, which is equivalent to 5-6 years of sale.

Development properties	Development/ Selling/ Leasing potential yet to be unlocked	GDV (S\$m)
<u>China</u>		
Millennium Waterfront (Plots E & F)	For Plot F, there are 15.8% of the SOHO loft units left to be sold. Plot E will be the last development plot for the project.	689
The Pinnacle	There are 2 more residential blocks in the next phase to be launched. The SOHO cluster is expected to be launched for presale in 4Q20.	115
Star of East River	One unit in the SOHO blocks left to be sold. As at 2Q20, 89.7% of the office tower block (778units) were sold, while 86.2% of the 27,335sqm retail lettable floor area of the commercial podium has been leased.	15
Emerald of the Orient	2 saleable residential units left to be sold. 222 residential units (24,605 sqm) and 31 villas (4,452 sqm) to be kept for a minimum holding period of 5 years	35
Skyline Garden	Comprises development of 5 residential blocks, 7 SOHO blocks as well as 4,400 sqm of commercial space. The development of the project is on track and the pre-sale of the residential component is expected to commence in 4Q20.	284
Humen TOD Project	A transit-oriented development in excess of 1 million sqm GFA	808
Total		1,947

First Sponsor Group Limited (BUY, TP: S\$1.65, Last: S\$1.25)

A. Property Development Key Highlights

3. **Humen TOD to become one of FSG's largest development project to date.** FSG successfully bid for a mixed-use development at RMB 6.6bn (c.S\$1.3bn) in a joint venture (JV) with China Poly Group and China State Railway Group. The land will be developed into a transit-oriented development in excess of 1mn sqm GFA, encompassing the Guangzhou-Hong Kong High-speed Railway Humen Station, Guangzhou Shenzhen Intercity Railway Humen Station, Dongguan Metro Line 2 Humen Station and Dongguan Humen Bus Interchange. FSG has c.17% effective equity interest in the JV.



17 minutes to Guangzhou South Station and 8.5 hours to Beijing



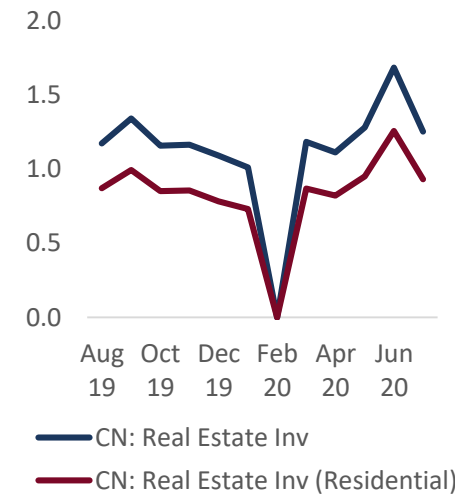
First Sponsor Group Limited (BUY, TP: S\$1.65, Last: S\$1.25)

A. Property Development Key Highlights

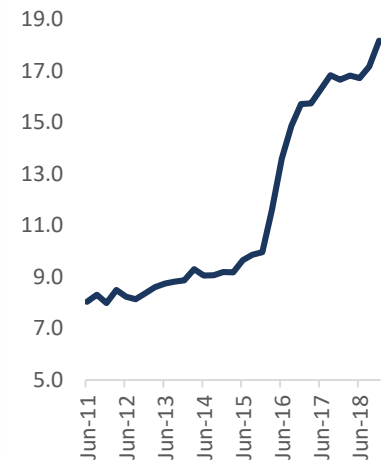
4. Too Hot! Overwhelming interest for the Dongguan property market. Buying sentiments in the Dongguan property market have exceeded FSG's expectations after normal business activities resumed in late February 2020. As of 30 June, almost all the SOHO units in the SoER project and saleable residential units in the EoO project were sold. Similarly, The Pinnacle project launched five residential blocks for sale in phases since April which were also almost fully sold soon after their respective launches. Another residential block was launched for pre-sale on 14 July and has since sold more than 85%.



Real estate investments in China rebounded back to pre-COVID levels since late February (RMB trn)



Dongguan residential property prices (RMB '000/sqm) grew at a CAGR of 12.4% from 2011-2018



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B. Property Holding – FSG owns a portfolio of hotels and investment properties in Europe and China.

Investment properties	Effective interest	Land Use Rights - Expiry	NLA (sqm)
<u>The Netherlands</u>			
Arena Towers #	100%	2053*	17,396
Berg & Bosch	33%	Freehold	34,024
Herengracht 21	33%	Freehold	473
Mondriaan Tower	33%	Freehold	24,936
Munthof	33%	Freehold	3,515
Oliphant	33%	2048*	21,136
Zuiderhof I	33%	2050*	12,538
<u>Germany</u>			
Le Méridien Frankfurt	50%	Freehold	15,602
Total			129,620



Hotel properties	Effective interest	Land Use Rights - Expiry	GFA (sqm)	Number of rooms
<u>China</u>				
Crowne Plaza Chengdu Wenjiang Hotel & Holiday Inn Express Chengdu Wenjiang Hotspring Hotel (Fig. 17)	100%	2051	81,041	608
<u>The Netherlands</u>				
Hampton by Hilton Utrecht Centraal Station & Crowne Plaza Utrecht Centraal Station Hilton Rotterdam (Fig. 18)	100%	2069	13,822	193 (Hampton) 144 (Crowne Plaza)
Bilderberg Garden Hotel Amsterdam	33%	Freehold	20,800	254
Bilderberg Parkhotel Rotterdam Bilderberg Europa Hotel Scheveningen	31%	2020*^	6,920	124
Bilderberg Kasteel Vaalsbroek Hotel de Bilderberg	31%	Freehold	12,875	194
Bilderberg Hotel De Keizerskroon Bilderberg Hotel 't Speulderbos Bilderberg Résidence Groot Heideborgh	31%	2026*	9,950	174
Bilderberg Grand Hotel Wientjes Bilderberg Hotel De Bovenste Molen	31%	Freehold	16,270	130
Bilderberg Château Holtmühle	31%	Freehold	12,685	146
<u>Germany</u>	31%	Freehold	7,588	93
Bilderberg Bellevue Hotel Dresden (Fig. 19)	31%	Freehold	10,150	102
<u>Italy</u>	31%	Freehold	7,530	84
Bare shell hotel formerly known as Grand Hotel Puccini	31%	Freehold	4,087	57
Total			4,087	82
			6,575	82
			5,600	66
			40,678	340
	100%	Freehold	2,980	To be refurbished into a hostel
Total			259,551	2,791

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B. Property Holding Key Highlights

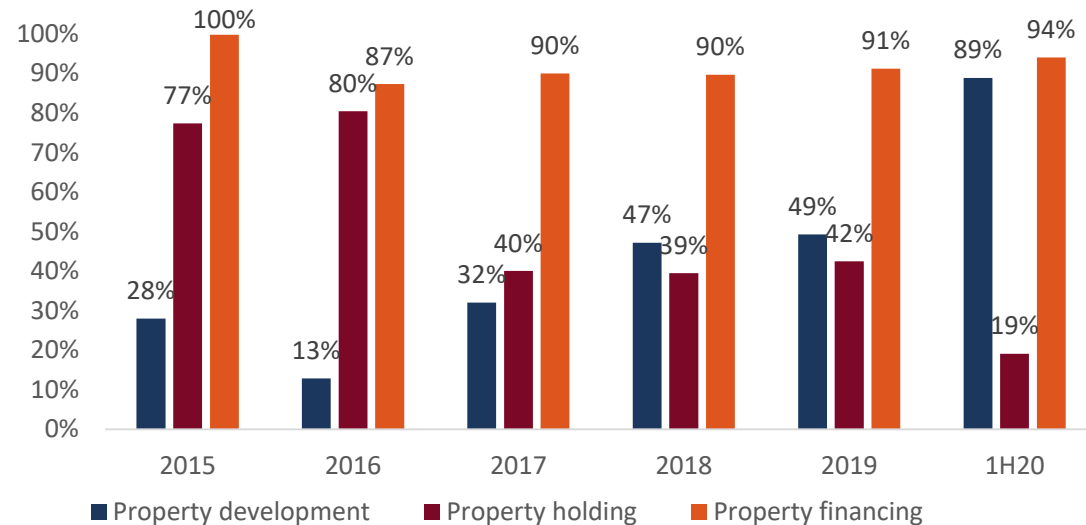
- 1. Arena Towers to provide steady recurring income at yields of more than 6%.** Investment properties mainly comprise two hotels in Amsterdam (Arena Towers) and adjoining car parks that are leased to external tenants. Each lease contains annual rent indexed to consumer prices and an initial non-cancellable period of twenty-five years. Amidst COVID-19, tenant is still paying rents. In case of default, FSG holds 3 months of banker's guarantee.
- 2. Strong financial standing opens FSG to new opportunities.** With cash of S\$474.9mn and a low net debt-equity ratio of 0.16x, balance sheet remained robust as at end-1H20. Additionally, undrawn committed long-term debt facilities of S\$520.1mn and potential equity infusions of S\$460mn from the exercise of outstanding warrants should equip FSG financially to take advantage of acquisition opportunities.

First Sponsor Group Limited (BUY, TP: S\$1.65, Last: S\$1.25)

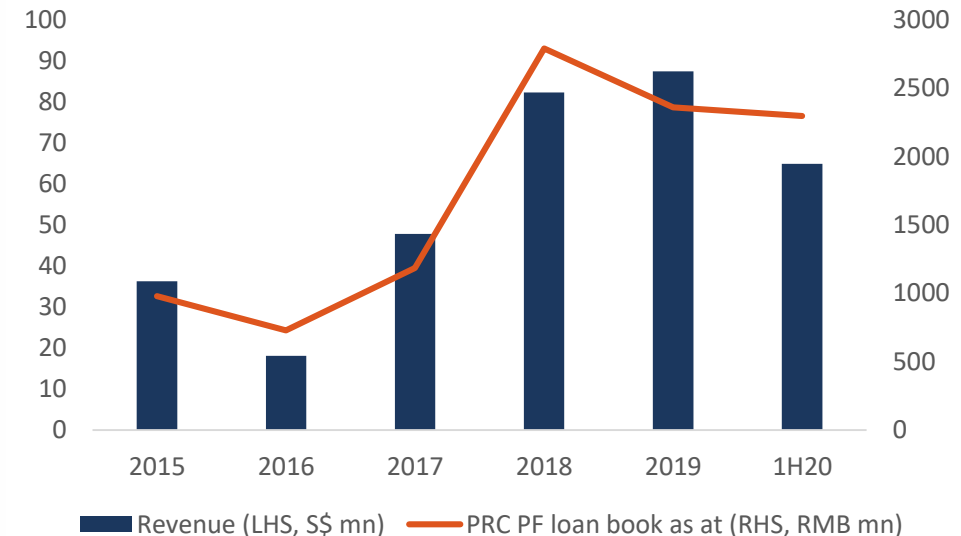
C. Property Financing (PF) Key Highlights

- Superior return on investment (ROI) for its Chinese Property Financing (PF) business at low to mid-teens p.a. coupled with a double-digit growth in loan book. Of all its business lines, property financing has the highest gross profit margin. The business gives FSG high recurring income underpinned by interest rates of low to mid-teens p.a. Its China loan book grew at a CAGR of 19% from 2015 to 2019, largely attributable to high demand for credit among the SMEs. Average tenure for its China loan book is 3 years.

Property financing has the highest GPM out of the 3 business segments



From 2015-2019, PF loan book grew at a 19% CAGR; Loan book grew 12% YoY as at 1H20



First Sponsor Group Limited (BUY, TP: S\$1.65, Last: S\$1.25)

C. Property Financing (PF) Key Highlights

2. 8 years of operation, 0 bad debt losses incurred; conservative LTV ratio at low 40-60%. FSG started its property-financing business in 2012. To date, it has not incurred any bad-debt losses. Although there were two cases of default in 2015 and 2016, FSG has managed to recover both its principal and interest. A 30.4% annual return was registered for one of these defaulted loans. Average loan to value (LTV) ratio for its portfolio ranges from low 40% to 60%.
3. **Growing the PF business segment through its maiden PD venture into Australia to redevelop City Tattersalls Club.** FSG holds an equity stake of 39.9% in ICD SB Pitt Street Trust, which is renovating Sydney's City Tattersalls Club's premises and developing the airspace above into a hotel and residential apartments. Apart from development fees payable to the trust, FSG will also charge a single-digit interest rate p.a. on a A\$370mn (S\$368mn) construction loan financing facility to fund the project. Construction is expected to start in 2022.

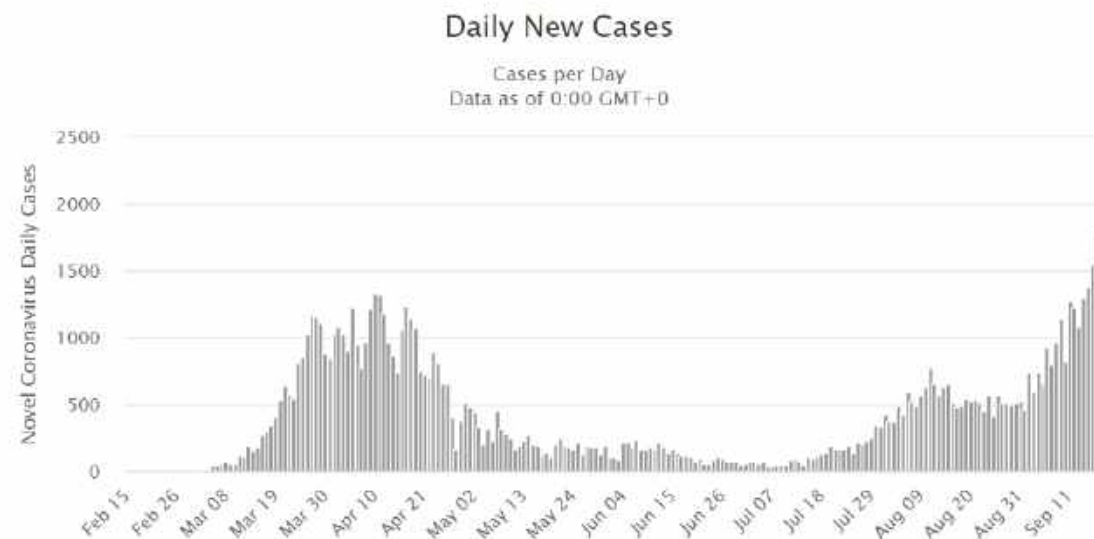
First Sponsor Group Limited (BUY, TP: S\$1.65, Last: S\$1.25)

Key Risks

- Worst may not over for the hotel portfolio; stunted recovery is expected.** FSG's hotels are located in the parts of Europe where hotels saw a greater recovery in August. (Netherlands portfolio ex-Amsterdam/Rotterdam and Germany). However, Netherlands has seen a resurgence of Covid-19 cases as new cases in September exceeded its peak in April. We are expecting a stunted recovery for the hotel portfolio till the end of 2020.

	YTD occ. (%)	August occ. (%)
<u>China</u>		
Chengdu Hotels	20	28
<u>The Netherlands</u>		
Utrecht Centraal Station Hotels	30	40
Hilton Rotterdam	32	32
Bilderberg Portfolio	28	64
<u>Germany</u>		
Bilderberg Bellevue Hotel Dresden	18	60
Average	26	45

Daily New Cases in the Netherlands



First Sponsor Group Limited (BUY, TP: S\$1.65, Last: S\$1.25)

Key Risks

2. **Reassessment of development pipeline to slow growth plans.** FSG obtained an irrevocable building permit to redevelop and increase the net lettable floor area of the Dreeftoren Amsterdam office property by approximately 74%. In light of the prevailing market conditions, FSG is re-assessing the feasibility of this new residential and office project. Additionally, FSG is reconsidering its plan to convert the bare shell hotel in Milan into a high-density youth hostel.
3. **Short term deferrals for interest payments were provided for 40% of the China loan book.** Amidst COVID-19, FSG has given consent to two China borrower groups (RMB580mn loan; RMB330mn loan) for the short-term deferral of interest payments.
 - The RMB580mn loan is secured on a Guangzhou city hotel with a 44% LTV. The borrower could defer 50% of the monthly interest payments for a few months from 2Q2020 on the condition that the borrower contributes additional equity to a bank account jointly controlled by the borrower and FSG.
 - The RMB330m loans are secured on a residential villa (RMB50m @ 46% LTV) and a 5-floor retail mall (RMB280m @ 55% LTV) in Shanghai. The related borrower group was given consent to defer interest payment for one month.

First Sponsor Group Limited (BUY, TP: S\$1.65, Last: S\$1.25)

Valuation

We initiate coverage on FSG with a BUY rating and a RNAV-derived target price of S\$1.65.

- It implies a total return of 33.6% and a dividend yield of 1.75%.
- Our TP is based on a 30% discount to its fully diluted RNAVPS.
- Based on the current number of shares (801 mn), we derive a TP of S\$1.99.
- FSG trades at 0.6x FY20e P/B versus its historical 5-year average of 0.7x.

		Valuation (\$mn)
A)	Hotel properties	851
B)	Investment Properties	789
C)	Development Properties	449
D)	Property Financing	310
E)	Other Investments	393
	Interests in associates and joint ventures	308
	East Sun Portfolio	34
	Other equity investments	11
	Other debt investments	40
Total		2793
	- Net Debt	204
FSG VALUATION		2588
No of shares (mn, fully diluted basis)		1,102
Discount		30%
TP (S\$)		\$1.65

Hyphens Pharma International Ltd

Presentation Highlights

Tay Wee Kuang

Research Analyst

Phillip Securities Research Pte Ltd

21st September 2020

Hyphens Pharma International Ltd

17th September 2020 - Presentation Highlights

Outlook

- Active expansion of product portfolio continues to provide growth catalysts
 - Acquisition of hair growth product brand CG210® strengthen proprietary brands portfolio
 - New product launches from existing brand portfolios Ceradan® and Ocean Health®
- Ocean Health® enters Hong Kong market with partnership deal with lifestyle brand SUTL
 - Break into US\$722mn vitamins and dietary supplements market in Hong Kong
 - Provide Hyphens with established retail sales channel in a competitive market

How does it complement Hyphens Pharma's current business strategy?

Hyphens Pharma International Ltd

17th September 2020 - Presentation Highlights

Company Background

- Listed on SGX-Catalist in May 2018
- Principal business: sales, marketing and distribution of pharmaceutical and healthcare-related products

- Business segments:

- Specialty Pharma
- Proprietary Brands
- Medical Hypermart and Digital

Each has different business model

- Geographical footprint:

Direct:

- Singapore
- Vietnam
- Malaysia
- Indonesia
- Philippines

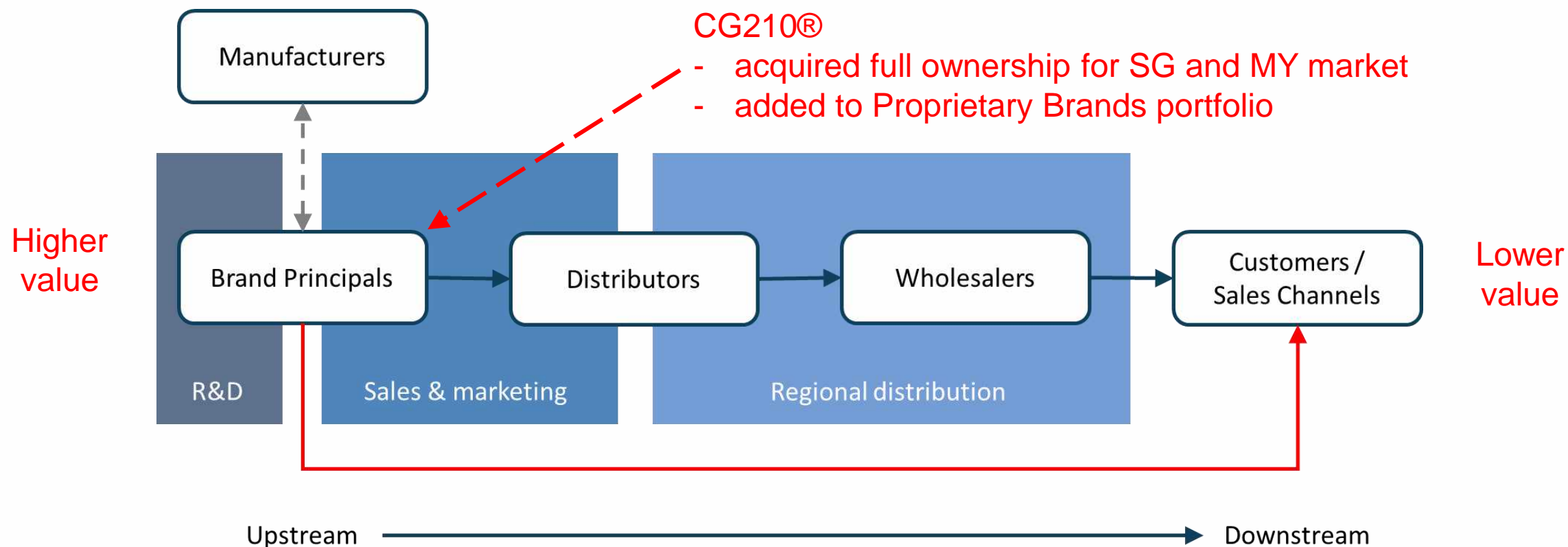
Indirect:

- Bangladesh
- Brunei
- Cambodia
- Hong Kong
- Myanmar
- Oman

Hyphens Pharma International Ltd

17th September 2020 - Presentation Highlights

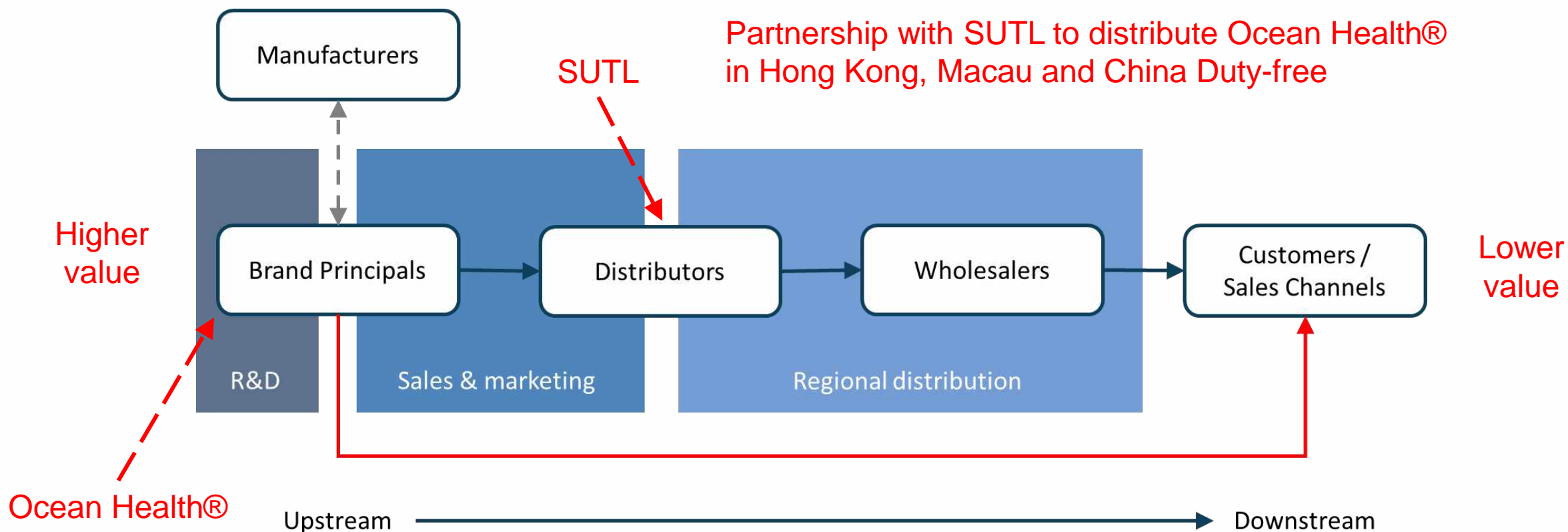
Industry value chain for pharmaceutical/medical goods



Hyphens Pharma International Ltd

17th September 2020 - Presentation Highlights

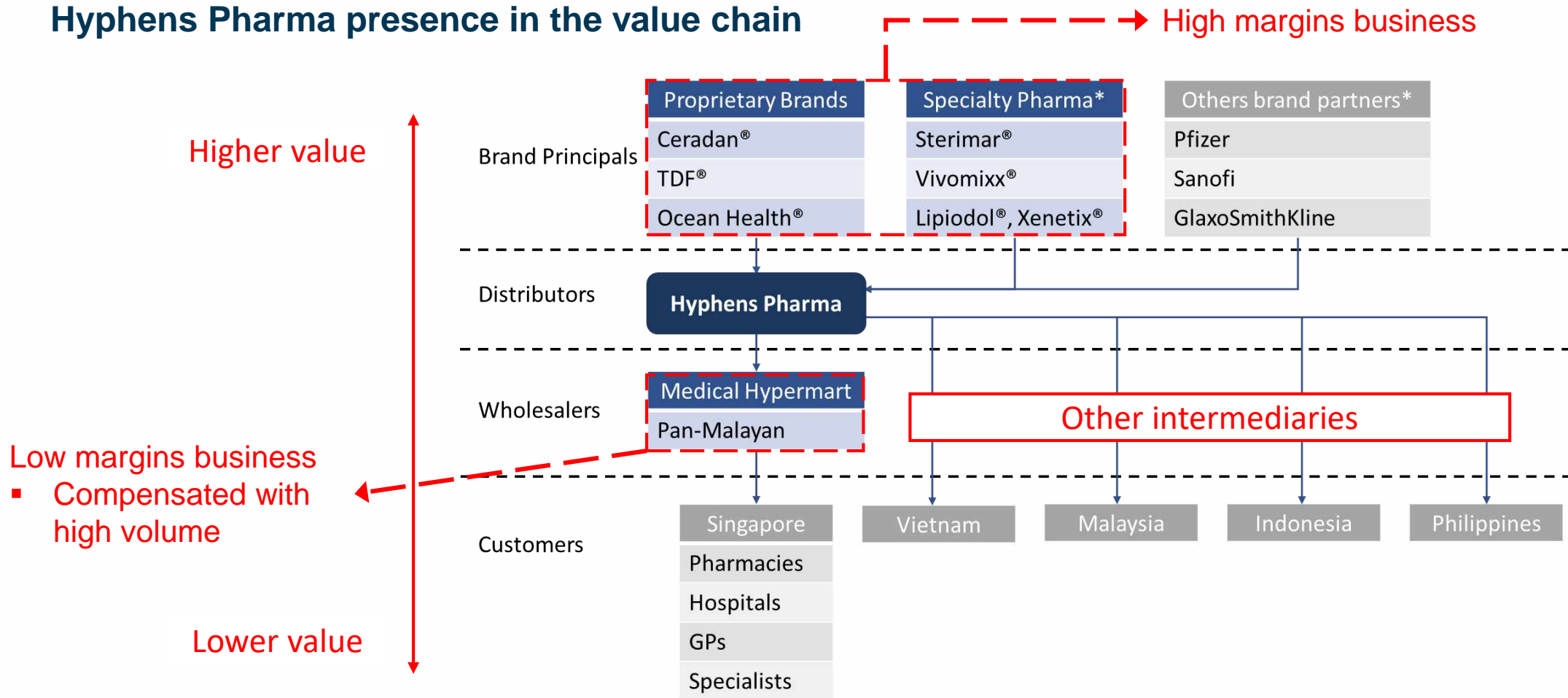
Industry value chain for pharmaceutical/medical goods



Hyphens Pharma International Ltd

ACCUMULATE (Initiation), TP: S\$0.435, Last: S\$0.420

Hyphens Pharma presence in the value chain



Hyphens Pharma International Ltd

17th September 2020 - Presentation Highlights

Outlook

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How does it complement Hyphens Pharma's current business strategy?

- Expanding presence across industry value chain
 - Product portfolio
 - Market penetration
- **Plenty of room to grow, organically and inorganically**

Sasseur REIT

Presentation Highlights

Natalie Ong

Research Analyst

Phillip Securities Research Pte Ltd

21st September 2020

Sasseur REIT – NOT RATED

Background

- Listed on SGX on 28 March 2018
- 4 outlet malls in second-tier cities in PRC – Chongqing, Bishan, Hefei, Kunming
- 2 ROFR assets and 9 Pipeline assets
- Gearing: **28.1%**
- 2Q20 Occupancy: **93.6%** (1Q20: 94.8%)
- WALE by GRI: **0.8 years** – 62.4% of leases by GRI expiring in 2020
- 1H20 Sales **-38.6% YoY**



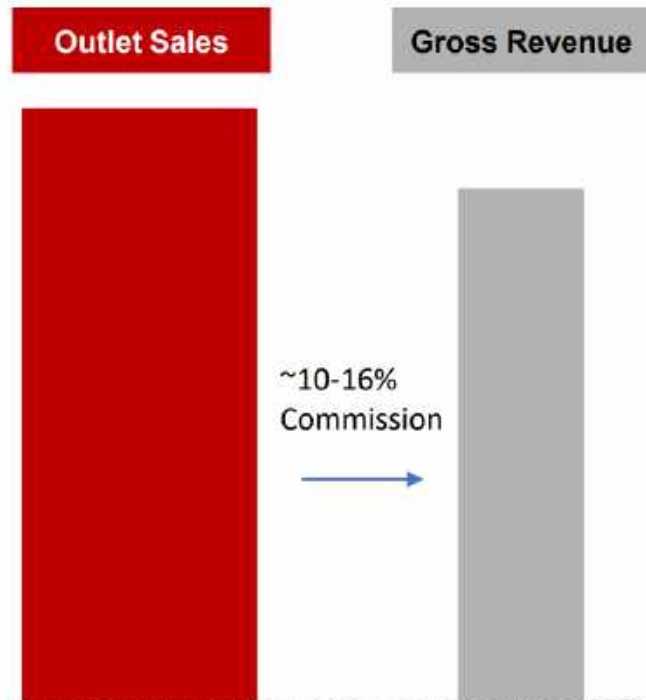
Sasseur REIT – NOT RATED

Tenant sales recovered strongly in 2Q20

Outlets	2Q 2020 Sales (RMB'mil)	2Q 2020 vs 1Q 2020 (%)	2Q 2020 vs 2Q 2019 (%)	1Q 2020 vs 1Q 2019 (%)	1H 2020 Sales (RMB'mil)	1H 2020 vs 1H 2019 (%)
Chongqing	396.0	+70.3	-17.5	-61.8	628.4	-42.3
Bishan	78.6	+51.5	-15.7	-58.4	130.5	-40.1
Hefei	217.7	+69.6	-20.3	-47.2	346.1	-32.9
Kunming	143.4	+17.7	-20.4	-46.8	265.2	-35.2
Portfolio	835.7	+56.3	-18.6	-55.7	1370.2	-38.6

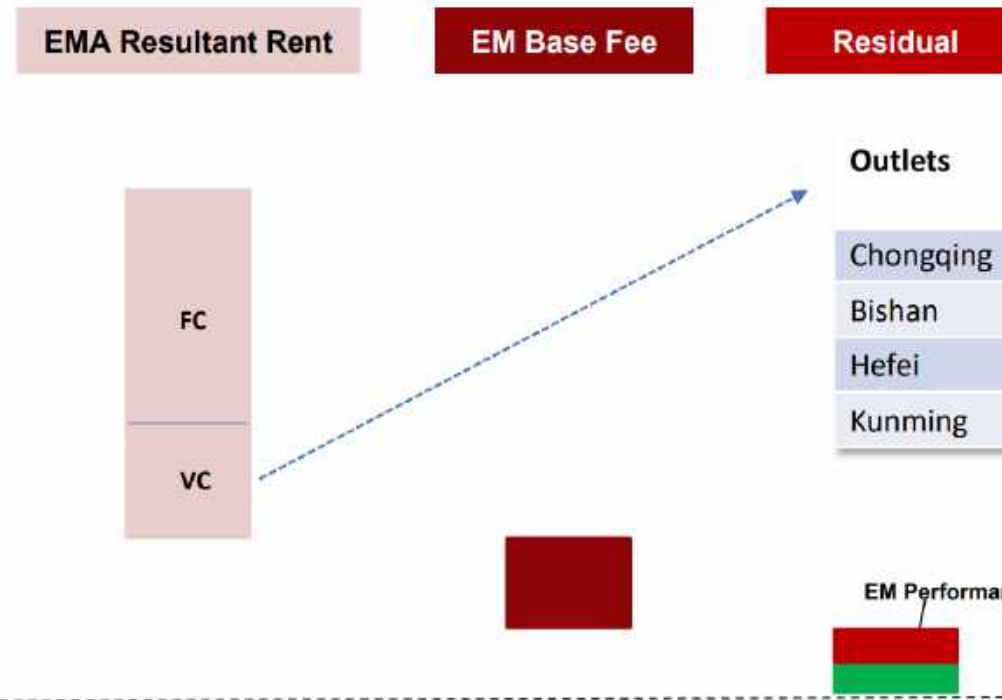
Sasseur REIT – NOT RATED

Business Model



- GR = Total rental receivable + Income from permissible investments

REIT Income Model



- EMA Resultant Rent ("RR") comprises FC and VC
- REIT paid EMA Resultant Rent before EM Base Fee
- VC is pegged to the Sales of the Outlet

- EM Base Fee: Up to 30% of GR to the Entrusted Manager

- EM Performance Fee: 60% x (GR - RR - EM Base Fee)
- Payment to REIT: 40% x (GR - RR - EM Base Fee)

Outlets	Variable Component (% of Sales)
Chongqing	4.0%
Bishan	4.5%
Hefei	5.5%
Kunming	5.0%

Sasseur REIT – NOT RATED

1. WALE by GRI: 0.8 years

- Due to the demand-supply gap, Outlet Malls are in the “high-growth” retail segment
- Having a short WALE allows the Entrusted Manager (EM) to increase commission upon renewal
- Allows EM to replace poorer-performing tenants

2. Double-destination positioning

- **Vale for money** – tenants must provide 50% discount
- **Experiential Shopping**

3. Why outlet is generally not impacted by e-commerce

- **Different Product mix** - per transaction via online platform ~ RMB200 vs per transaction at the outlet malls ~ RMB800/1000 => minimal product overlap
- **Lower commissions charged at outlet malls** (10-16%) vs c.20% commission charged for online sales of outlet brands
- **Guaranteed Authenticity** – merchants are subject to 10X penalty if customers report sale of fake goods

CMT & CCT Proposed Merger

Presentation Highlights

Natalie Ong

Research Analyst

Phillip Securities Research Pte Ltd

21st September 2020

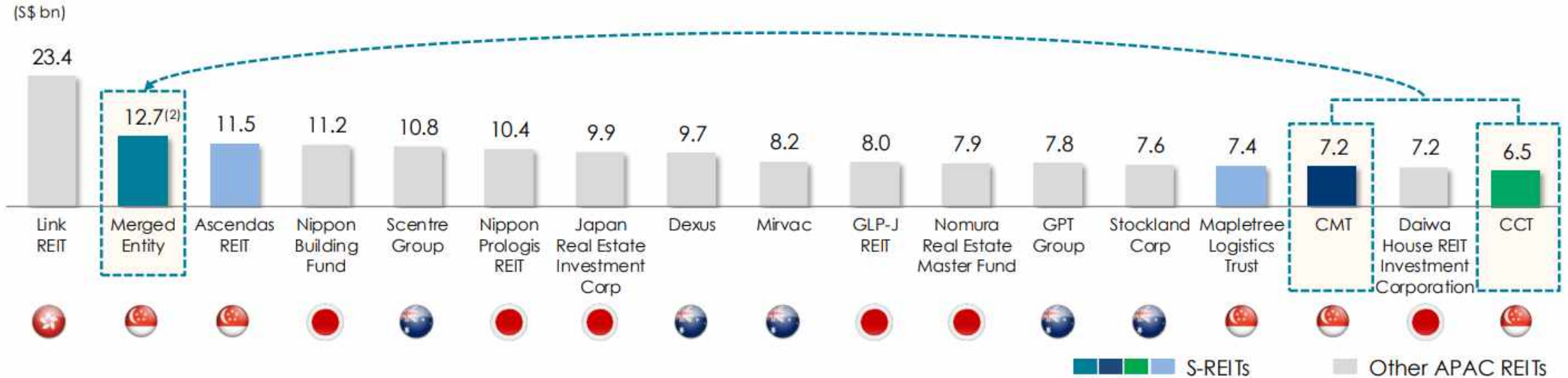
Benefits of Proposed Merger



1. Leadership



1. Potential for higher trading liquidity, positive re-rating and more competitive cost of capital
2. Potential synergies
 - A. Cross-selling (broader leasing network for more effective tenant negotiations and sourcing for high-quality tenants)
 - B. Enhanced digital platform and data analytics
 - C. Cost optimisation (economies of scale through bulk procurement, supply chain optimisation and elimination of frictional costs)

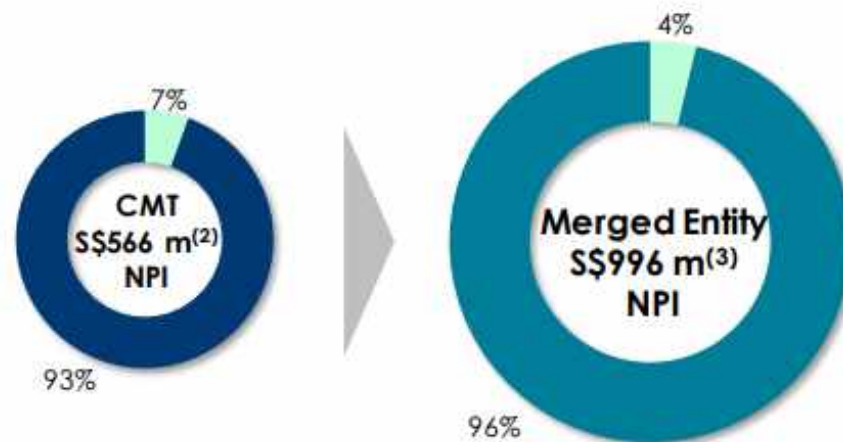


2. Resilience

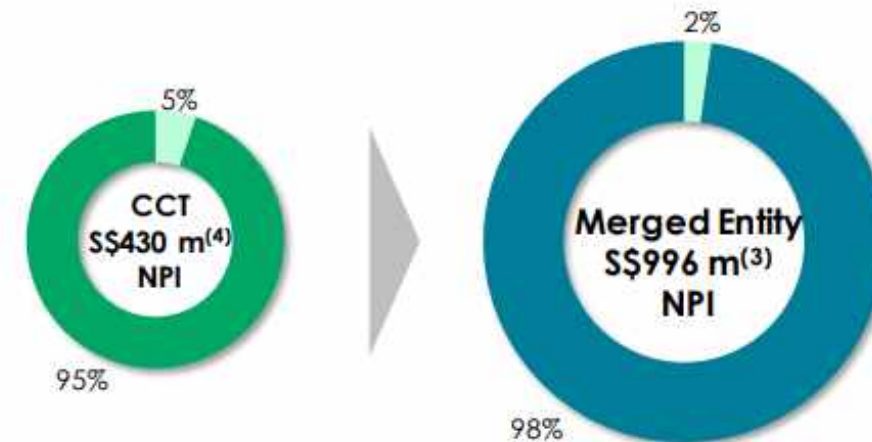
1. Greater stability through market cycles
2. Well diversified across trade sectors
3. Reduced asset concentration risk
4. Increased flexibility to undertake portfolio rejuvenation and development



Illustrative NPI impact from redevelopment of S\$1.0 bn asset⁽¹⁾



Illustrative NPI impact from the upgrading of 21 Collyer Quay



Refers to NPI impact from upgrading or redevelopment

3. Growth

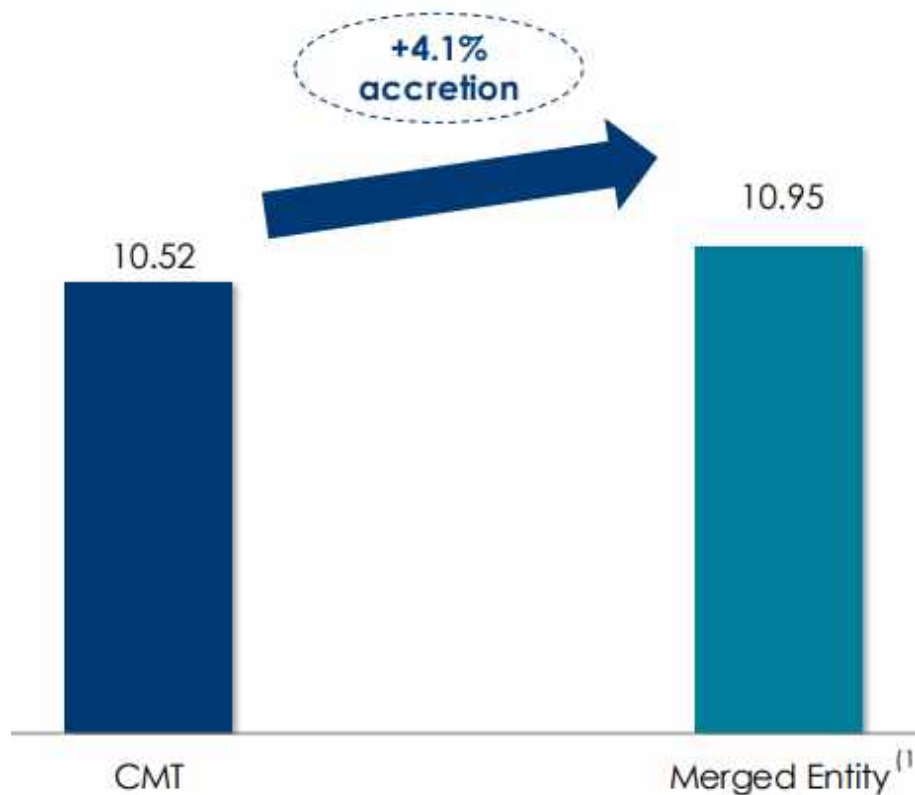
1. Ability to capitalise on overarching trend towards mixed-use precincts and integrated developments
2. Combines domain expertise and track record on repositioning their portfolio (Funan and CapitaSpring)
3. Assets strategically located in identified growth clusters across Singapore
4. Higher headroom provides more flexibility



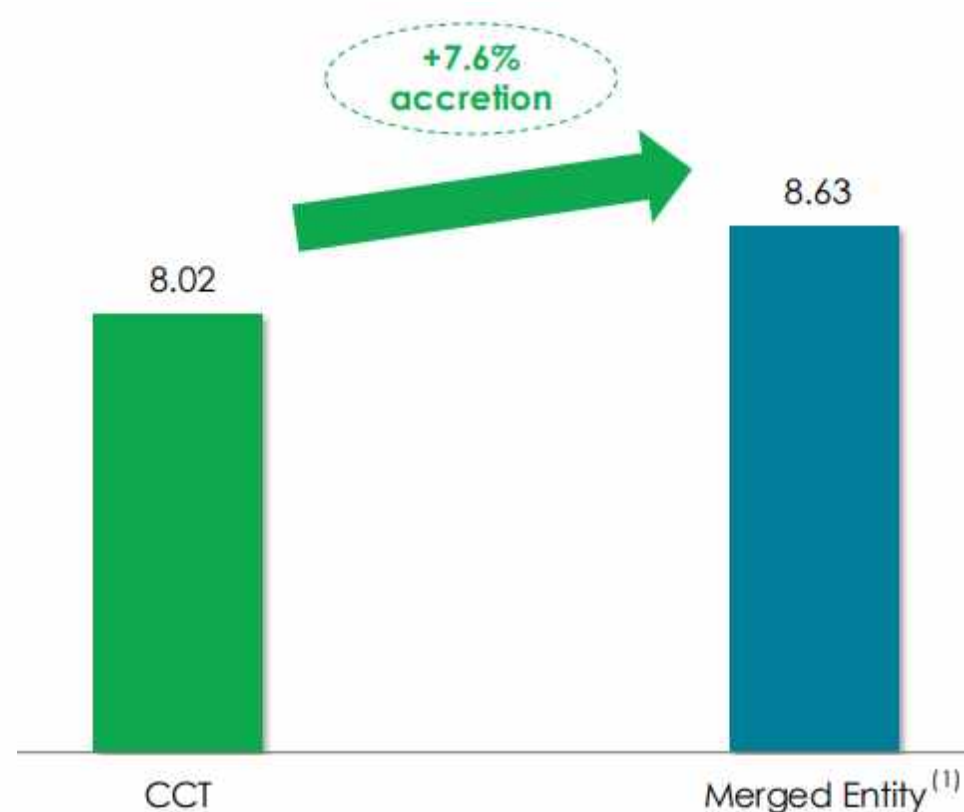
4. DPU Accretive to CMT and CCT Unitholders



CMT Unitholder



CCT Unitholder



CMT & CCT Proposed Merger



- Extension of long-stop date to 30 November 2020
- CMT Manager will waive the acquisition fee, resulting in \$111.2mn in savings

CCT Unitholder

1 CCT
Share



0.72 CMT
Shares



\$0.259
in cash

Based on CMT's closing price of \$1.90 on Friday:

$$1 \text{ CCT} = 0.72 \times \$1.90 + \$0.259$$

$$= \underline{\underline{\$1.627}}$$

Closing price of CCT
\$1.64

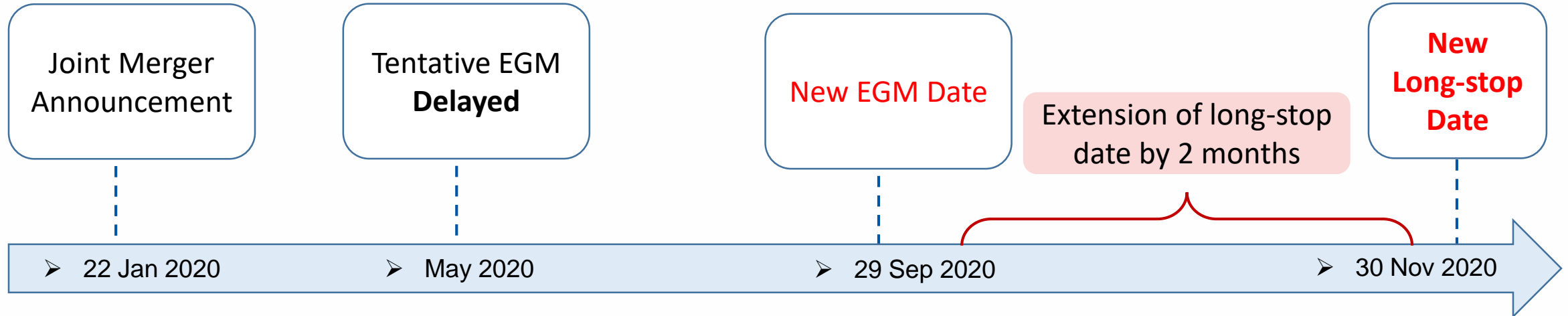
CMT Unitholder

1 CMT
Shares

CMT & CCT Proposed Merger



Proposed Merger Timeline:



*** EGM must happen before the long-stop date**

Week 39 – Phillip Model Bond Portfolio Review

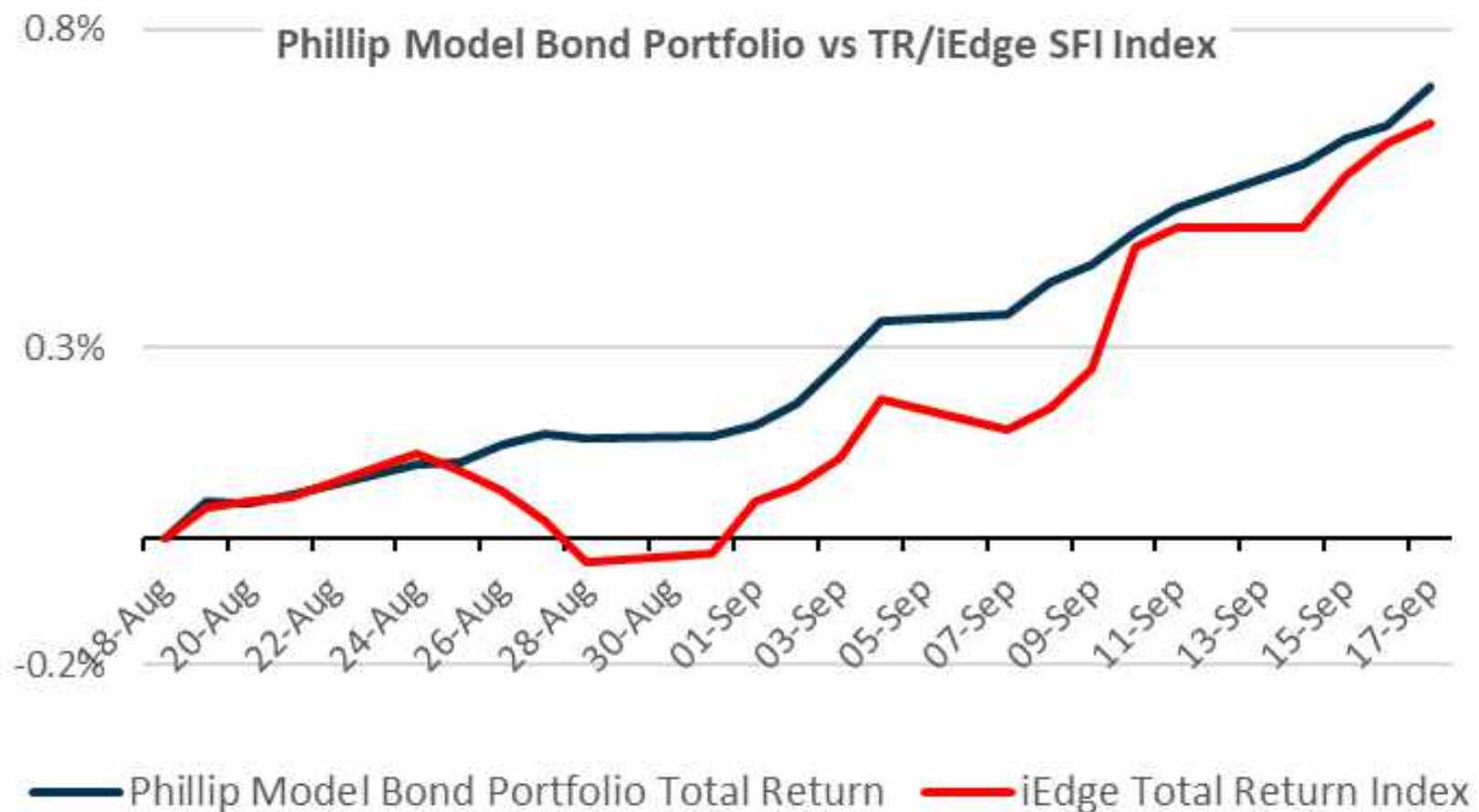
Timothy Ang

Credit Analyst

Phillip Securities Research Pte Ltd

21 September 2020

Phillip Model Bond Portfolio Review



Phillip Model Bond Portfolio Review

Bond	Maturity/Call Date	Ask Px	YTW%	YTC%	Issue Size (\$\$mn)	Features*
1. TMGSP 4.8%	18-Jul-22	102.500	3.369	-	225	1. Cessation Put
2. ARASP 4.15%	23-Apr-24	100.800	3.907	-	100	1. Change of Control Put
3. ESRCAY 5.1%	26-Feb-25	100.750	4.908	-	225	
4. OLAMSP 4%	24-Feb-26	100.250	3.947	-	400	
5. FPLSP 4.25%	21-Apr-26	103.400	3.572	-	280	1. Make Whole Call
6. ARASP 5.2% Perp	19-Jul-22	98.350	5.677	6.151	300	1. Change of Control Call 2. Cumulative Deferral 3. Dividend Stopper 4. Dividend Pusher (12M)
7. MLTSP 3.65% Perp	28-Mar-23	100.950	2.347	3.247	180	1. Non-cumulative Deferral 2. Dividend Stopper
8. SPHRSP 4.1% Perp	30-Aug-24	100.350	4.002	4.002	300	1. Non-cumulative Deferral 2. Dividend Stopper
9. UBS 4.85% Perp	04-Sep-24	101.250	3.943	4.505	750	1. Loss Absorption 2. Non-cumulative Deferral 3. Dividend Stopper
10. AAREIT 5.65% Perp	14-Aug-25	99.850	5.676	5.678	125	1. Optional Payment 2. Non-cumulative Deferral 3. Dividend Stopper
Total Portfolio Yield:			4.134%	4.328%		

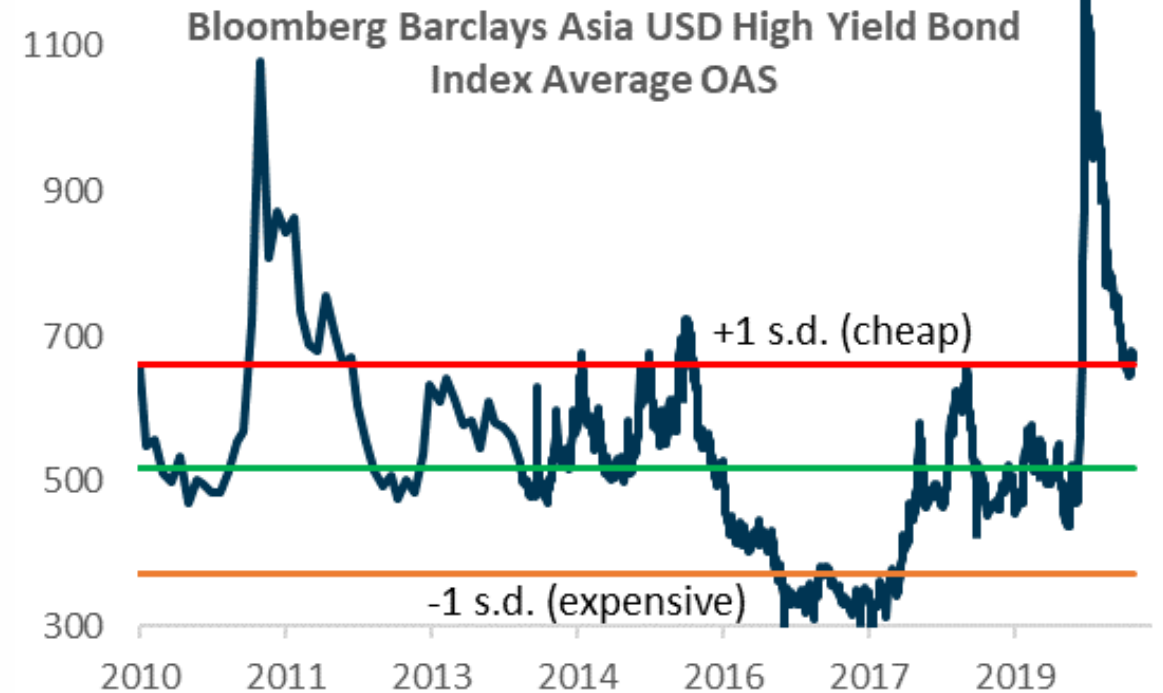
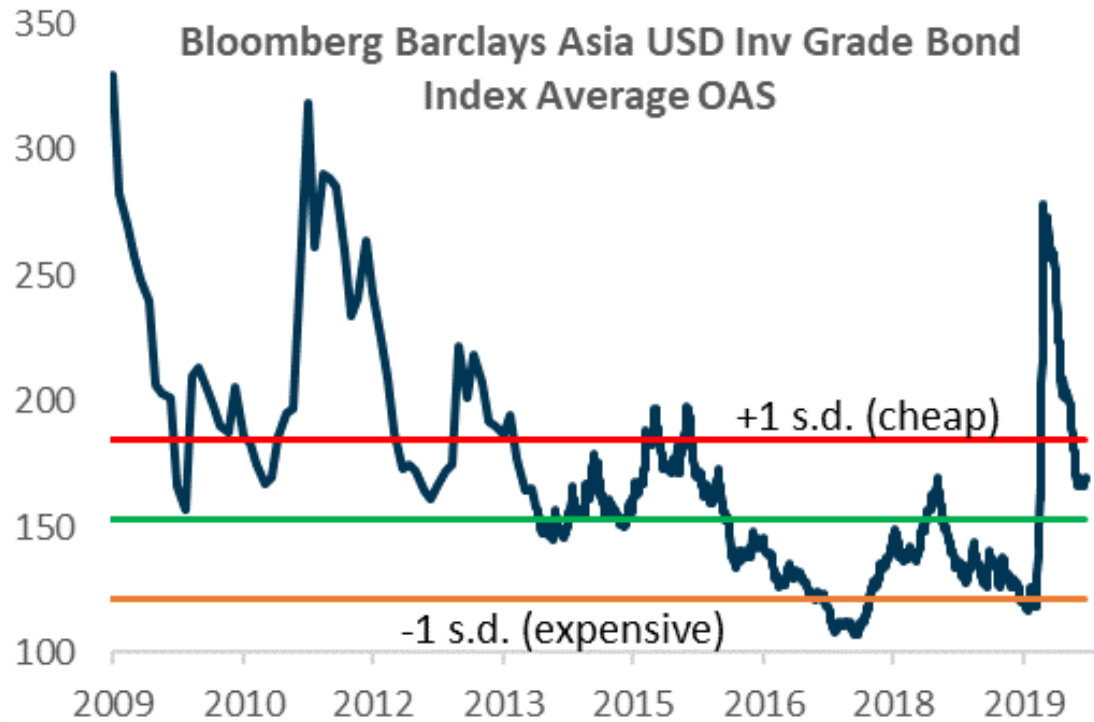
Outperformed benchmark index.
Total MoM return was 0.71% compared to 0.65% for the TR/iEdge SFI Index.

Shorter tenor bonds to offset risk of potential bear steepening. As inflation expectations rise, long term interest rates could rise while short term rates remain low due to the Fed. We favour short tenor bonds to reduce the risk of long tenor underperformance

Strong backers. Most issuers have established stakeholders (e.g. Temasek, Warburg Pincus, TCC Group) that can provide ease of funding should the need arise.

We maintain the holdings.

Asia bond valuations still historically cheap



FOMC Meeting Highlights

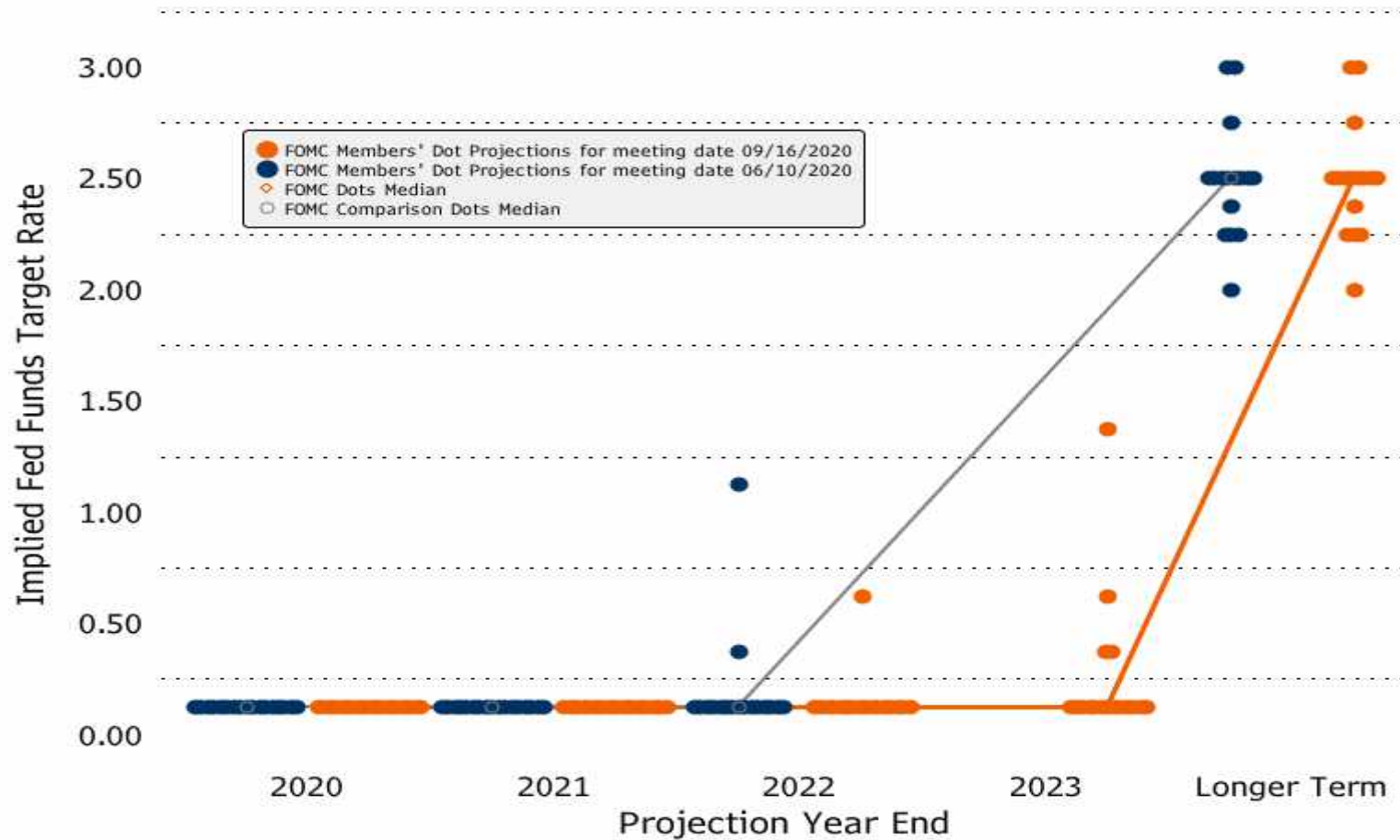
Yeap Jun Rong

Research Analyst

Phillip Securities Research Pte Ltd

21st September 2020

FOMC Meeting Highlights

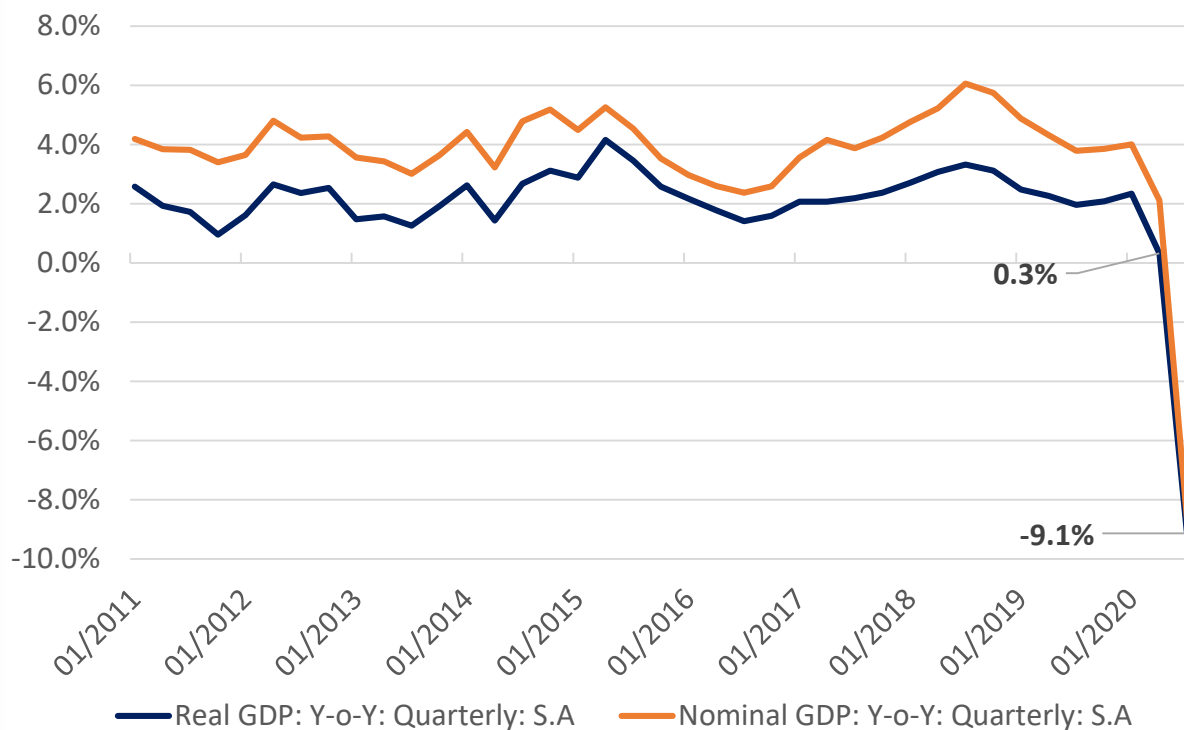


Source: Bloomberg, PSR

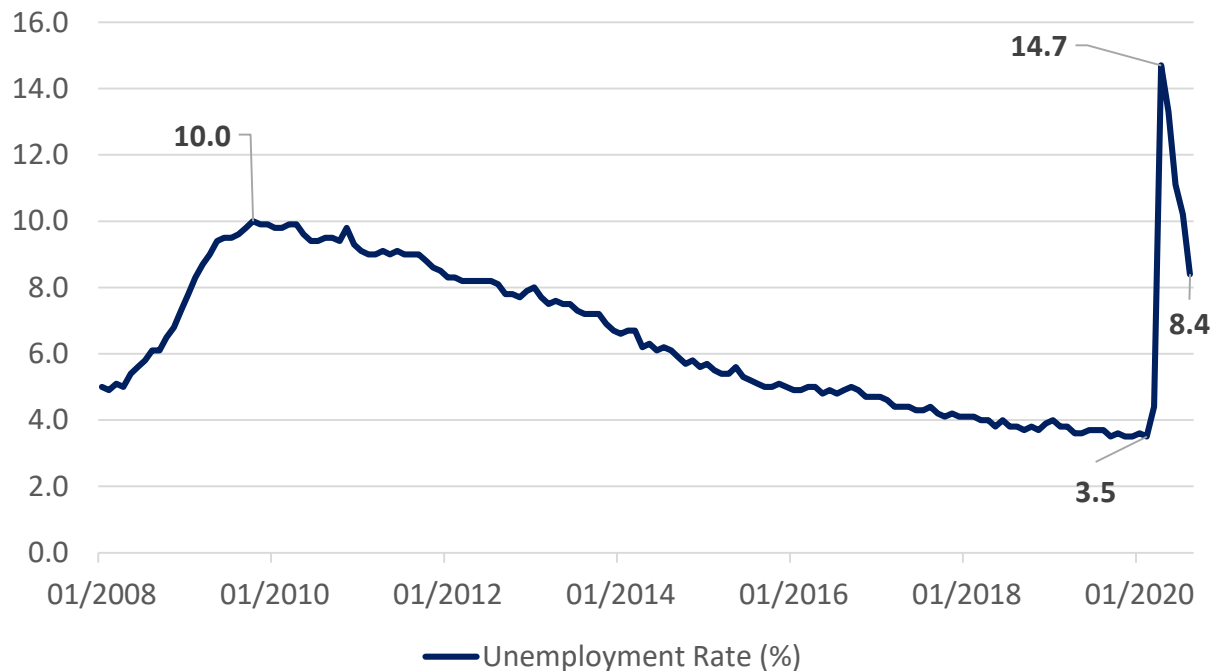
FOMC Meeting Highlights

- **Real GDP Growth:** Upward revision from -10.0% to -4.2% to -5.5% to 1.0% for 2020
- **Unemployment Rate:** Downward revision from 9% to 10% to 7% to 8% for Q4 2020
- Indicates economic recovery may progress faster than expected, but **“path ahead remains highly uncertain”**

US Real and Nominal GDP Growth



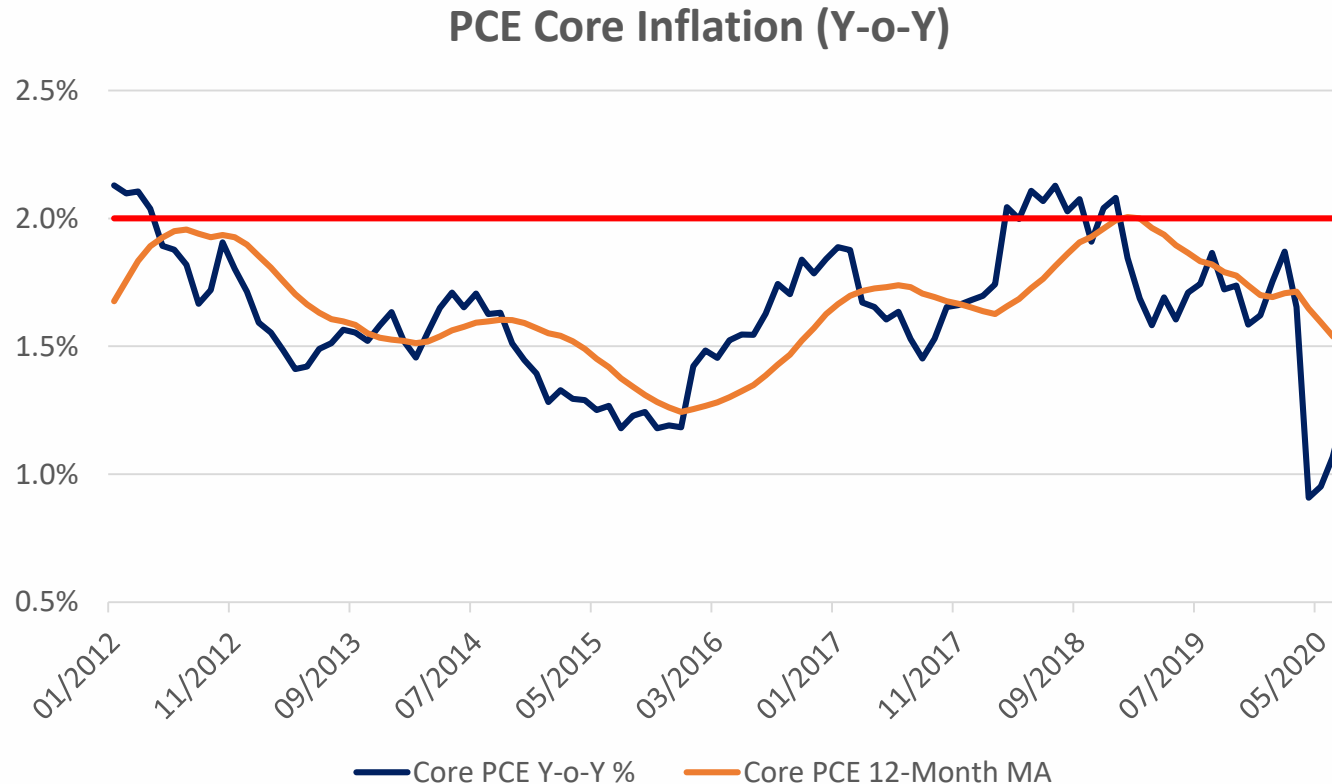
US Unemployment Rate



Source: Bloomberg, PSR

FOMC Meeting Highlights

- **Inflation:** No specific period given in terms of how long inflation will hold above 2% before any rate increase will be considered
- **Economic projections:** End 2023 where unemployment rate reaches pre-COVID level of 3.5% and inflation picking up towards 2% => Rates will remain low until 2023 but may start to pick up in 2024 if the projections hold true



FOMC Meeting Highlights

- **Additional remarks**
 - “path ahead remains highly uncertain”: Questions whether strong pace of economic recovery can be sustained
 - Monetary policies: Fed is “certainly not out of ammo” and that they have plenty of tools to support the economy
 - But signaled that more fiscal support is likely to be needed
 - Stalemate despite incremental progress: \$1.5 tn vs \$2.2 tn, “skinny” bill blocked

Week 39 - Phillip Singapore Weekly

Paul Chew

Head Of Research

Phillip Securities Research Pte Ltd

21 September 2020

Week 39 – Tactical Views

Macro Last Week

- **SG:**
 - Exports: Aug20 +7.7% YoY (Jul: +5.9%); Electronics + 5.7% (Jul: +2.8%), generally resilient
 - Employment: 1H20 jobs losses 138k, 45% from retail/F&B/accommodation + 14% from construction;
 - SIA: Aug20 30k passengers carried (Jul20: 28k, Aug19: 1.91mn); subdued mom improvement
 - Taxi: Still challenging but fleet increased modestly in Aug20

- **China:** Loans growth Aug20 +13.3% YoY (Jul20: +13.3%); residential space sold Aug20 +15% YoY (Jul20: +10%)
- **US:** Retail sales ex-MV Aug20 +2% YoY (Jul20: +1.5%), healthy but below expectations
- **US Fed:** Checklist to raise rates – Maximum unemployment 4% AND Inflation moderately above 2% for some time
- **Corporate:** Phillip on the Ground – Straits Trading

Tactical

- Cautious: Fiscal cliff + COVID-19 resurgence + election uncertainty or even contested
- US Stimulus bill: still an impasse between Republicans (<\$1.5r) and Democrats (\$2.2tr); timeline is tight because House breaks on 2 Oct / Senate 9Oct but can be extended;

Week(s) Ahead

- 22Sep: US home sales; Powell-Mnuchin Testimony; 23Sep: SG CPI, US Flash PMI; 25Sep: SG Industrial production
- Poems Webinars: ComfortDelGro (22Sep 2pm); AIMS APAC REIT (24Sep 1pm); First Ship Lease Trust (29Sep 1pm); IREIT (2Oct 12pm); 3 Oct: 4Q20 PSR SG Strategy (9.30am-12pm); Heeton (6Oct 1pm)

<https://www.poems.com.sg/education/events-seminars/>

Phillip on the Ground

Straits Trading: POEMS Webinar 15Sep20

- Background: Real estate investment holding co with office, mall and logistic assets in Australia, Korea and Japan. Also 54.8% owner of 3rd largest tin producer in the world – listed Malaysia Smelting Corp.
- 1H20 earnings was weak due to losses in tin operations and hospitality and absence of FV gains
- Any listing of ARA will be a major catalyst

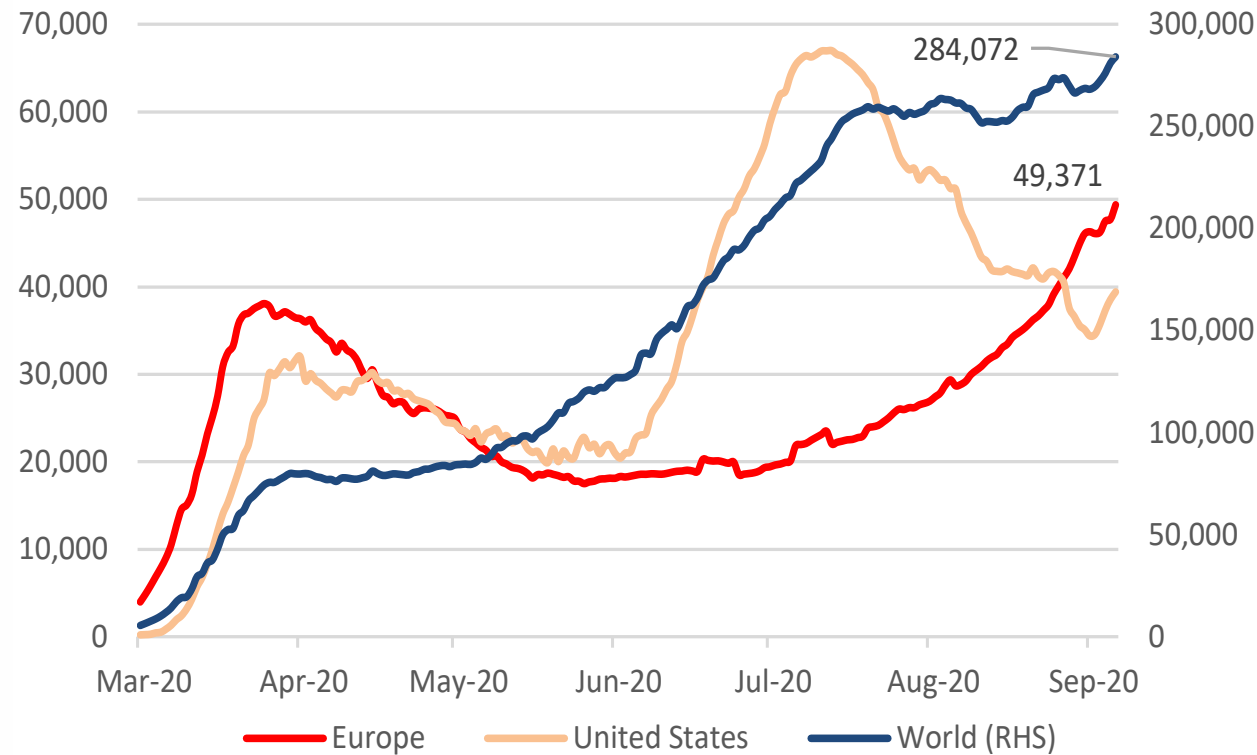
	S\$mn	% of assets	Stake	Comment
Real Estate	2,040.8	74%		
- Straits Real Estate	1,207.6	44%	89.5%	
a) Direct Investments	668.4	24%		China mall, Australia office, etc
b) Funds and JV	442.2	16%		PE fund , Korea JV, etc
- ARA Asset	395.2	14%	22.1%	
- STC Property	291.9	11%		Bungalowa and Butterworth Land
- Suntec	113.1	4%	10.0%	
- others	33	1%		
Tin - MSC	302.3	11%	54.8%	Malaysia Smelting Corp.
Hospitality	164.9	6%	30.0%	Far East Hospitality Trust Pte Ltd
Others	237.7	9%		
Total Assets	2745.7			
Less: Liabilities	-1138.7			
MI	-160			
Total Equity	1447.0			
No of shares	406.9			
NAV per share	3.56			
Current share price	1.52			
Discount to NAV	57%			
Dividend yield	3.9%			
Add: ARA market value	226			Assume book value of S\$390mn
Revised NAV per share	4.11			Implied value of S\$2.7bn
Discount to NAV	63%			

*In May20, Straits raised stake in ARA from 20.95% to 22.06% for \$30mn.
Implied value of ARA is S\$2.7bn. Book value of ARA as associate as at 31Dec is S\$370mn

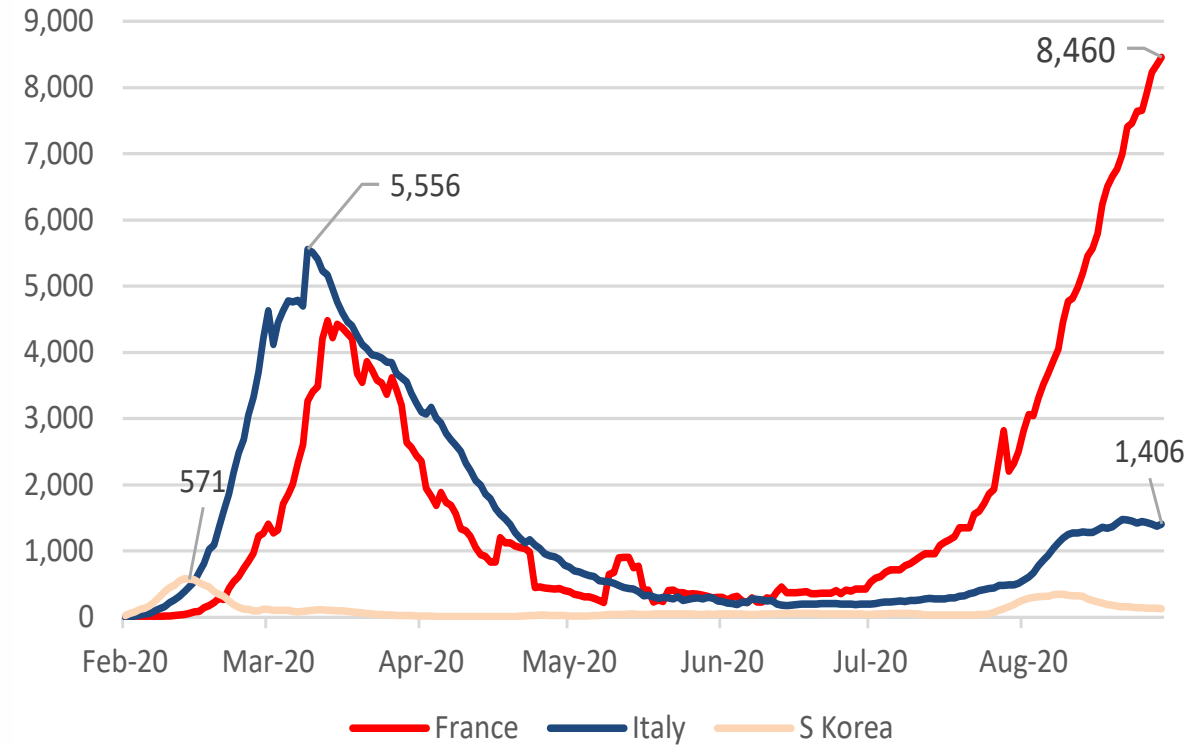
Source: PSR Company

COVID-19 Watch: New high Globally and Europe

COVID-19 New Daily Cases (7DMA)

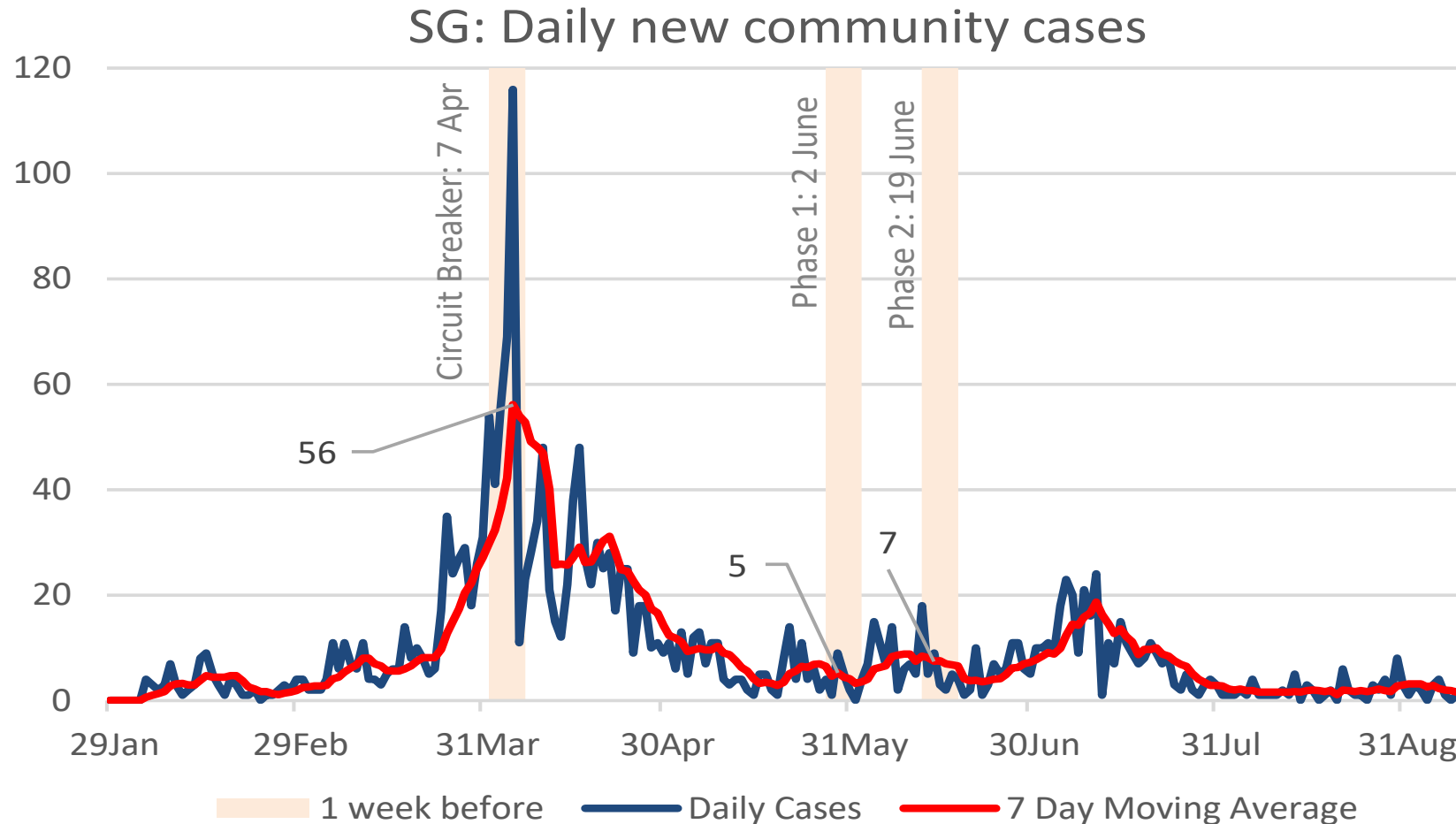


COVID-19 New daily cases: FR, KR, Italy (7DMA)



Source: CEIC, WHO, PSR

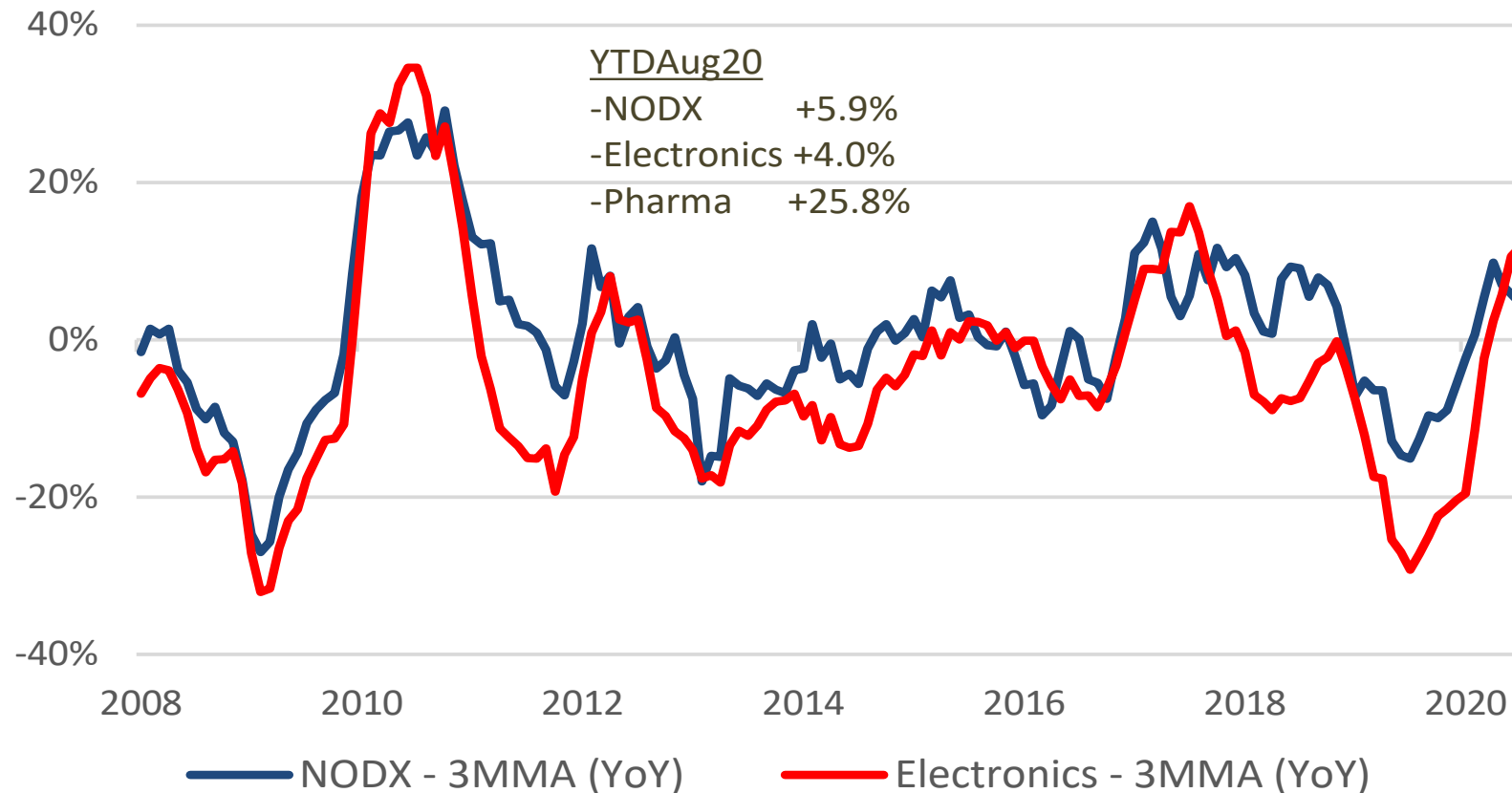
COVID-19 Watch: Community cases at 1, daily lowest Mar



Source: PSR, MOH

SG: Exports holding well, up in 2020

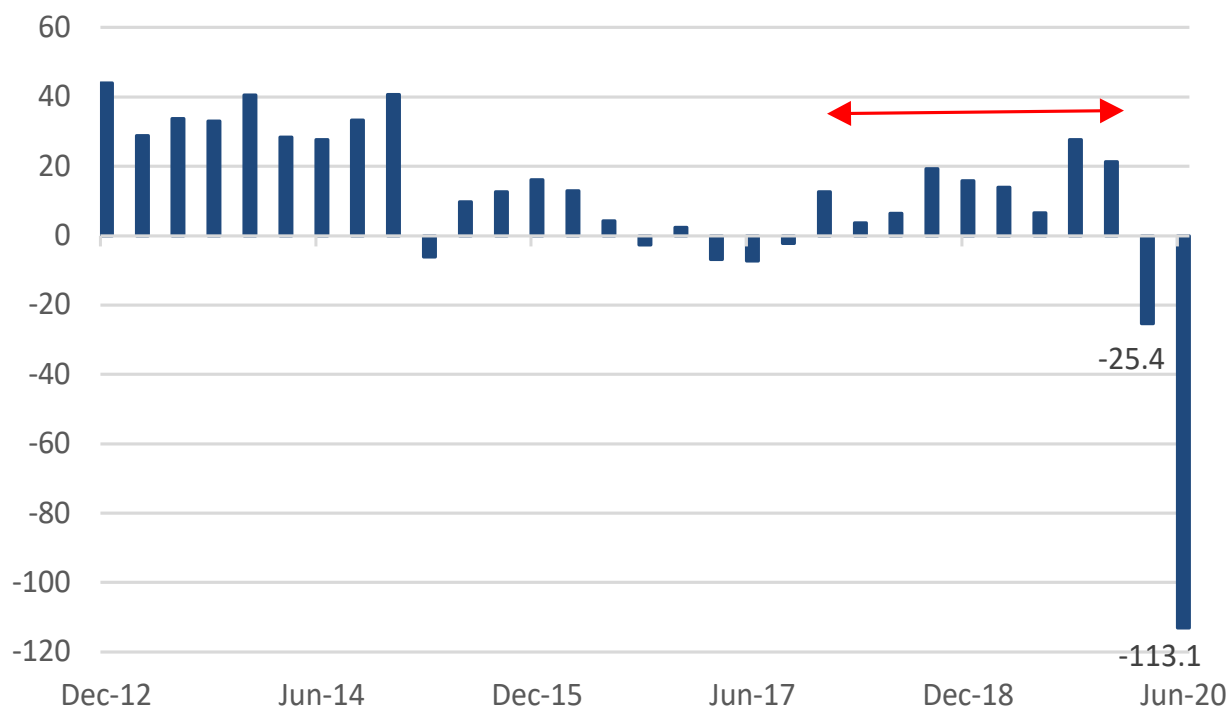
SG: Total and Electronic Exports



Source: CEIC, PSR, MOH

SG: We lost > 2 years of job gains

SG: Quarterly Employment Change (000s)



45% of jobs losses from retail / F&B / wholesale/ accomodation

	k Employees	% decline	Jun20
1H20 Job Losses	-138.5	-3.7%	3645.9
Services	-106.5	-3.8%	2709.6
- F&B Services	-31.2	-13.5%	199.3
- Retail trade	-13.3	-8.1%	150.8
- Wholesale trade	-11.2	-3.5%	310.8
- Other community	-14.7	-3.9%	358.8
- Art, Entertainment	-9.8	-17.2%	47.2
- Accomodation	-7.1	-19.6%	29.2
- Real estate	-4.2	-5.1%	78.4
- Cleaning & Landscap,	-4.2	-5.2%	77.3
- Air transport	-3.5	-9.8%	32.1
- Others	-9.3	-0.8%	1087
- Finance	1.3	0.8%	161.7
- Insurance	0.6	1.5%	41.4
- Legal, Accounts&Mgmt	0.1	0.1%	135.3
Manufacturing	-12.1	-2.5%	472.8
Construction	-19.5	-4.3%	437.3

Source: PSR, CEIC, MOM

SIA: Passengers carried still moribund

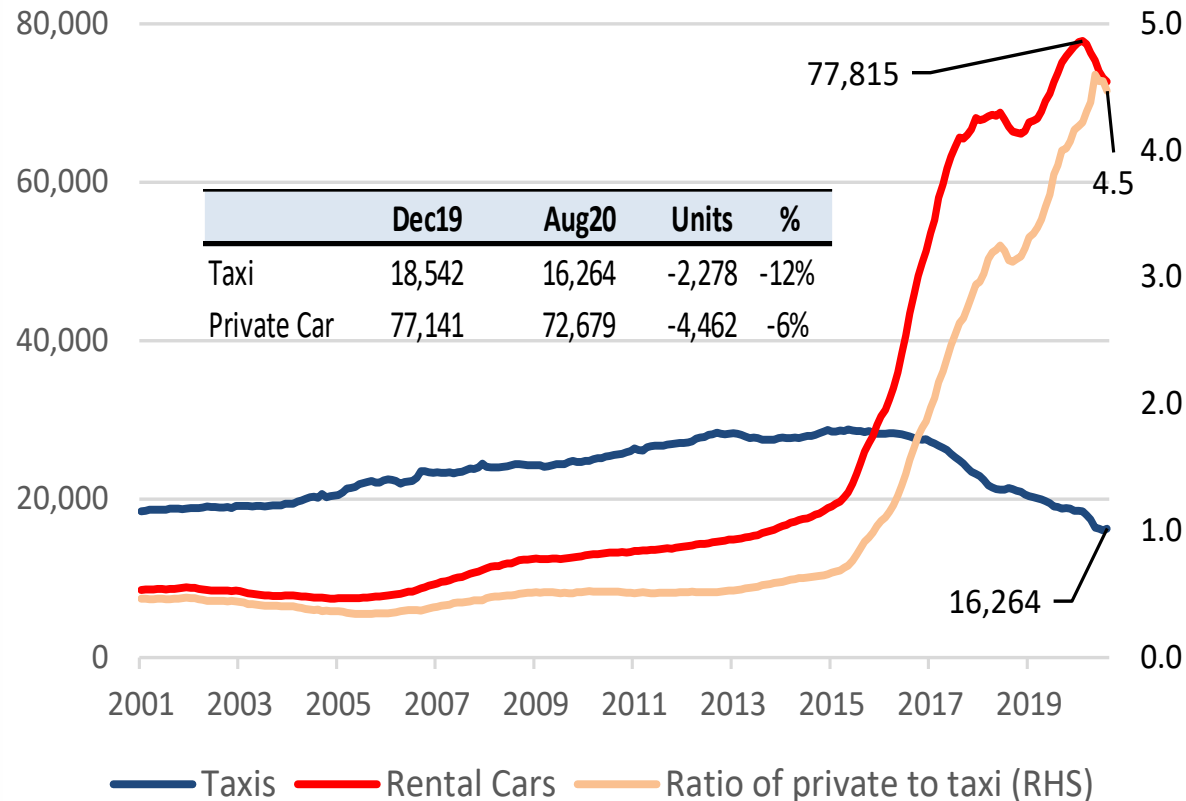
SIA: Passengers Carried (000s - 3MMA)



Source: PSR, CEIC, SIA

Taxi: Modest 178 increase in fleet, rental waiver lower

Taxi vs Private-Hire (units)



Source: PSR, CEIC, LTA

Highest taxi rental relief for Comfort in 2Q20

Relief Period	Daily rental waiver from Comfort	\$m
1Q20e	\$10/day (54d) + S\$16.50 (46d) + S\$10/day (7d)	13.7
2Q20e	\$10/day (6d) + \$103/day (56d) + \$41.5/day (29d)	70.3
3Q20e	\$41.5/day (15d) + \$31/day (31d) + \$21/day (31d) + S\$16/day (15d)	28.0
4Q20e	\$16/day (31d) + \$10/day (61d)	11.8
		<u>123.8</u>

Source: PSR, Comfort, *Assume 10k taxi fleet for Comfort and \$113./day average rental

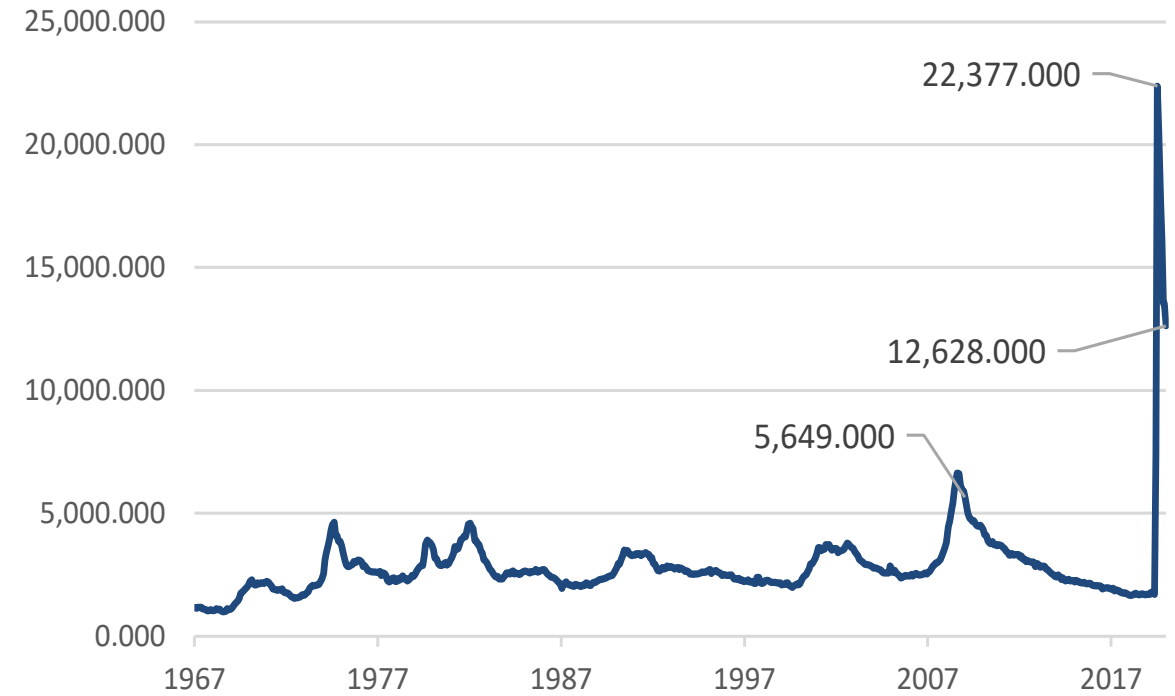
- ✓ Still a challenging sector, but recovering
- ✓ 60% market share
- ✓ Modestly improving competitive dynamics
- ✓ Exposure to relaxation of lock-downs

US: Still spending despite record unemployment

US: Retail Sales Ex-MV (3MMA - YoY)



US: Unemployment Insurance recipients

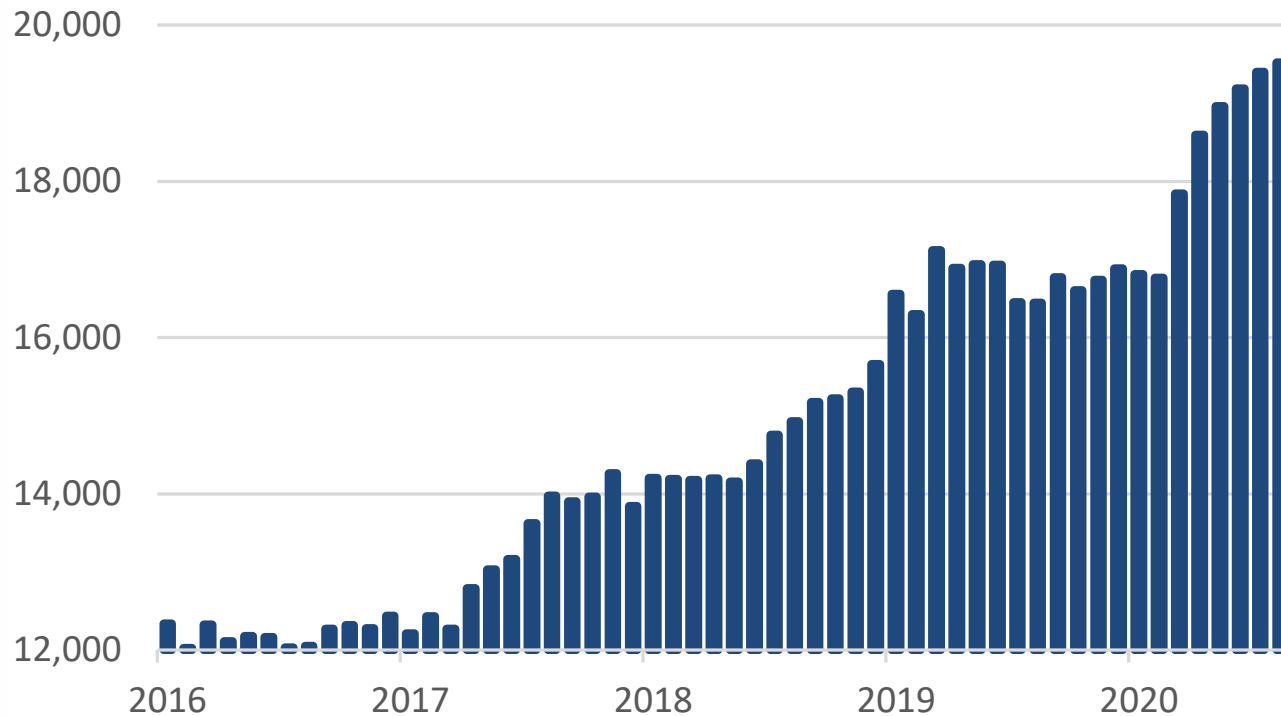


Source: PSR, CEIC, SIA

CH: Leveraging and growing

Loans growth of 13.3% and record loans

CH: Net disbursement in loans
(12 months rolling RMB bn)



Robust residential home sales, fastest in 3 years

CH: Residential Space Sold (3MMA - YoY)

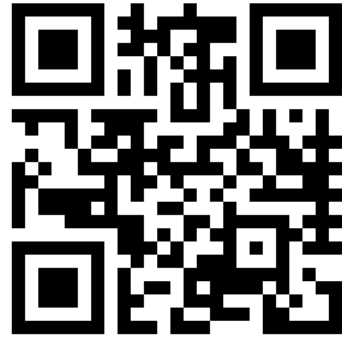


Source: PSR, CEIC, SIA

Corporate Action Calendar

Exchange	Date	Event	Company	Ticker
Singapore	21-Sep	Delisting	Swee Hong	
	21-Sep	Listing	CSOP FTSE Chinese govt bond index	
	24-Sep	Acquisition	Advancer Global	
	25-Sep	Delisting	Elec & Eltek	
	28-Sep	Delisting	Yorkshire Holdings	
	30-Sep	Divestment	Accordia Golf Trust	
	30-Sep	Divestment	Boustead Holdings	
	30-Sep	Delisting	Asia Fashion Holdings	
Hong Kong	21-Sep	Listing	Allied Group Ltd	2940 HK
	21-Sep	Listing	Affluent Partners Holdings Ltd	2943 HK
	21-Sep	Listing	Cash Financial Services Group Ltd	2941 HK
	21-Sep	Listing	Celestial Asia Securities Holdings Ltd	2942 HK
	22-Sep	Listing	Huazhu Group Ltd	1179 HK
	22-Sep	Listing	Summit Ascent Holdings Ltd	2948 HK
	23-Sep	Listing	Joy Spreader Interactive Technology Ltd	6988 HK
United State:	21-Sep	Listing	Summit Therapeutics Inc	SMMT
	21-Sep	Listing	PDL BioPharma Inc	PDLIV
	21-Sep	Listing	LENSAR Inc	LNSRV
	21-Sep	Listing	CC Neuberger Principal Holdings II	PRPB
	21-Sep	Listing	Forum Merger III Corp	FIII
	22-Sep	Listing	PMV Consumer Acquisition Corp	PMVC/U
	23-Sep	Listing	PTK Acquisition Corp	PTK
	23-Sep	Listing	Laird Superfood Inc	LSF
	24-Sep	Listing	Fortive Corp	FTV-W
	24-Sep	Listing	Vontier Corp	VNT-W
	24-Sep	Listing	Yucaipa Acquisition Corp	YAC
	25-Sep	Listing	GO Acquisition Corp	GOAC

Source: PSR, Bloomberg



StocksBnB.com

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

Thank you