

Phillip Securities Research Morning Call

9th November 2020

Stock Counter Updates

- **Starhub Limited**
- **UG Healthcare Corp**
- **Venture Corporation Limited**
- **United Overseas Bank**
- **Oversea-Chinese Banking Corp**
- **DBS Group Holdings Ltd**
- **Frasers Centrepoint Trust**
- **Manulife US REIT**
- **Prime US REIT**

Macro/Sector Outlook

- **Banking Monthly**
- **Credit Commentary (Starhub, FCT, CapitaLand)**
- **Singapore Weekly**

StarHub Limited 3Q2020 Update

Border closure still hurts

Paul Chew

Head Of Research

Phillip Securities Research Pte Ltd

9 November 2020

StarHub Limited

(Neutral (Maintained), TP: S\$1.24, Last: S\$1.21)

Results at a glance

SGD 'mn	3Q20	3Q19	YoY	2Q20	QoQ	Comments 3Q20 vs 3Q19
Revenue	489.7	572.7	-14.5%	453.4	8.0%	
- Mobile	134.2	190.0	-29.4%	143.4	-6.4%	Postpaid ARPU -25%, Subs. +0.8%
- Pay TV	47.1	56.1	-16.0%	46.9	0.4%	ARPU flat, Subs. -7.5% and less ad. revenue
- Cyber security	45.8	38.8	18.0%	39.8	15.1%	Includes S\$17.6mn from Strateg
Operating expenses	434.5	501.6	-13.4%	418.9	3.7%	
EBITDA	143.0	170.6	-16.2%	129.3	10.6%	JSS contribution was \$7mn.
Service EBITDA	131.1	152.9	-14.3%	118.5	10.6%	
EBITDA margin	29.2%	29.8%	-2.0%	28.5%	2.4%	
Service EBITDA margin	33.7%	35.2%	-1.4%	31.5%	2.2%	
PATMI	44.5	58.0	-23.3%	37.0	20.3%	

Source: Company, PSR

Outlook: We lower revenue by 5%. Our forecast for equipment sales was too bullish. We also incorporate revenue from its new acquisition, Strateg. Our EBITDA is raised by 5% to include government grants and an expected uptick in its broadband and PayTV businesses. Enterprise division should enjoy a gradual recovery as projects resume and economic conditions recover. Separately, the launch of non-standalone 5G has garnered a better-than-expected response. Customers are transitioning faster to 5G phones. Faster speeds, lower latency and bundled content subscription have encouraged take-up by niche customers such as gamers and other heavy-content users.

Maintain NEUTRAL with lower TP of S\$1.24: TP is set at historical 6x EV/EBITDA excluding other income. We raise FY20e EBITDA by 5% to account for another S\$15mn in grants in 2H20 and stronger PayTV and broadband businesses. A significant resumption of international travel is key to its earnings recovery. There are little signs yet.

Positives

- Better QoQ ARPUs for PayTV and broadband. ARPUs for PayTV and broadband rose 2.5% and 7.1% respectively QoQ. Reduced discounts and promotions helped. Revenue for both expanded QoQ due to their better ARPUs.

Negatives

- Mobile its Achilles heel. Without roaming revenue, mobile ARPU dived to a record low. Postpaid ARPU was down 25% YoY. Prepaid subscribers shrank by 108k or 33% YoY. There was less demand with fewer tourist arrivals.

UG Healthcare Corp 3Q20 Update

One quarter already beat one year

Paul Chew

Head Of Research

Phillip Securities Research Pte Ltd

9 November 2020

UG Healthcare Corp

(BUY (Maintained), TP: S\$1.35, Last: S\$0.965)

Results at a glance

SGD '000	1Q21	1Q20	YoY	Comments
Revenue	71,178	26,302	170.6%	Production rose high-teens YoY.
- Europe	30,780	10,905	182.3%	UK and Germany the key countries.
- S America	21,926	6,488	237.9%	Brazil drove growth.
- Asia	7,012	2,069	238.9%	
Gross profit	49,852	4,976	901.8%	Higher selling prices.
PBT	35,872	-70	n.m.	
PATMI	22,679	305	n.m.	
Gross Margins	70.0%	18.9%	51.1%	2H20 margin was 36%.
Net cash	2,991	-34,557	-108.7%	Placement proceeds S\$18.38mn.

Source: Company, PSR

Positives

- Higher ASPs propelled revenue. Volume growth was in the high teens. Higher selling prices was the main reason for the surge in revenue. Countries with the highest growth were Europe (Germany/UK), South America (Brazil) and Asia (China).
- Gross margin was a record 70%. Raw materials are around 45% of production costs and 13% of sales. Even a 10% rise in nitrile prices will only shave 1.3% off gross margins, in our estimation. UGHC's current 8-10% MoM hikes in ASPs should overwhelm increases in material costs.
- + Net cash. With better operating profits and cash flows plus net placement* proceeds of S\$18.4mn, UGHC had net cash of S\$3mn (Jun 2020: S\$25.8m net debt).

Negatives

- Effective tax in 1Q21 was 28%, up from last year's 15% and our 18% assumption. The jump was due to under-provisions in prior years. The other exceptional rise in expenses was a combined S\$2.5mn for additional staff bonuses and forex losses.

Outlook: Visibility for FY22e is limited. Our FY22e forecasts conservatively factor in a steep 24% decline in ASPs and 26% point fall in gross margins. Growth is expected to be supported by a 52% jump in effective capacity. Near term, we expect 2Q21e earnings to rise QoQ as glove selling prices are still rising.

Maintain BUY: Our TP used to be based on a 40% discount to the big 4 glove makers. We are narrowing this discount to 30%, given its improved balance sheet, profitability, track record and expansion plans. At a 30% discount to the Big 4, PE is 14x. We derive a TP of S\$1.35.

We value UGHC on more normalised earnings in FY22e. We already incorporate a 24% decline in ASPs and 25% point drop in GP margins. Volume growth is expected to be its major earnings driver that year.

Venture Corporation Limited 3Q20 Update

Recovery slower than expected

Paul Chew

Head Of Research

Phillip Securities Research Pte Ltd

9 November 2020

Venture Corp

(NEUTRAL (Maintained), TP: S\$18.60, Last: S\$19.82)

Results at a glance

SGDmn	3Q20	3Q19	YoY
Revenue	818.4	869.1	-5.8%
PBT	92.9	98.6	-5.8%
PBT margin	11.4%	11.3%	0.1%
Net profit	80.2	85.2	-5.9%
Net margin	9.8%	9.8%	0.0%
Net cash	829.7	802.4	3.4%

Source: Company, PSR

Positives

- Margins stable. PBT margin was stable YoY at 11.4% despite lower revenue. The was likely due to a higher mix of products in life science & genomics, medical devices and healthcare & wellness. There was strong demand for essential healthcare products such as ventilators and PCR equipment.

Negatives

- Revenue weaker than our expected +12% YoY rise. We had expected a spillover of revenue from 2Q20 when factories were closed because of lockdown. It seems orders in 3Q20 were softer than expected, likely due to macro headwinds.

Outlook: FY20e could be 3rd consecutive year of earnings decline since peaking in FY17. New projects are limited. VMS guided that 2H20 will be stronger than 1H20. This is to be expected since 1H20 earnings collapsed 28% YoY. Moving into 2021, we anticipate a recovery led by new products that VMS mentioned would be released by customers. These will likely be in the healthcare sector, including Covid-19 related detection, testing and diagnostic products. Another driver of growth could be an improvement in macro conditions.

Maintain NEUTRAL with higher TP of S\$18.60 (prev. S\$18.40): We cut FY20e earnings by 12%. We roll over TP to 16x FY21e from FY20e, still based on its average PE in the past five years. Our TP climbs to S\$18.60 from S\$18.40. Net cash of S\$829mn, yields of 4% and ROEs of 13% are expected to provide support. Recovery is slower than expected but net cash of S\$829mn, yields of 4% and ROEs of 13% are expected to provide share-price support.

Week 46 - Phillip Singapore Weekly

Paul Chew

Head Of Research

Phillip Securities Research Pte Ltd

9 November 2020

Week 46 – Tactical Views

Macro Last Week

- **SG:**
 - Retail excluding MV: Sep20 -8.16% YoY (Aug20: -7.9%); Supermarket sales +22% YoY (Aug20: +28%)
 - Taxi: Sep20 average taxi km travelled +2% MoM / -20% YoY; taxi fleet down 9% YoY; market share 62%
 - PMI: Oct20 PMI 50.5 (Sep20: 50.3); highest in 18 months

- **US:**
 - Fed Powell: 2 key risk to economy – rising pandemic and household saving exhausting after fiscal boost; message was willing to buy more bonds

Tactical

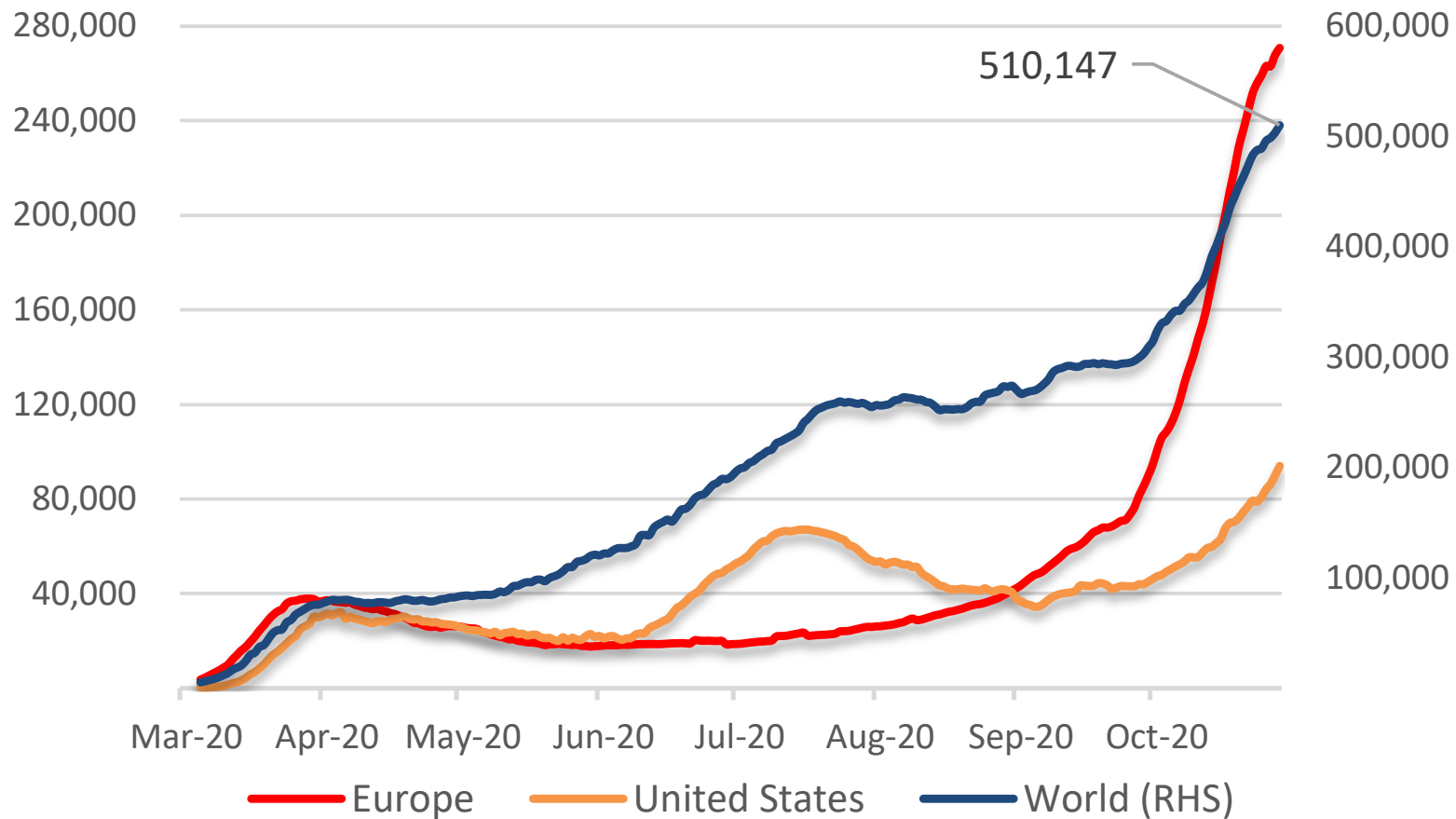
- Banks: 1) Better than expected results; 2) Peak in provisioning cycle; 3) Standout in managing the pandemic; 4) Improvement in local economy/removal of dividend cap
- US Elections: Senate race is still unclear (Georgia the decider); Stimulus unlikely with McConnell negotiating not Mnuchin

Week(s) Ahead

- 12Nov: US CPI / 16Nov: China IPI / Retail Sales / FAI
- **Poems Webinars:** UG Healthcare (11Nov 1pm); Japfa (13Nov 2.30pm); Centurion Corp (17Nov 1pm); Civmec (19Nov 1pm); Medtec (24Nov 1pm) <https://www.poems.com.sg/education/events-seminars/>

Spread of the pandemic is accelerating

COVID-19 New Daily Cases (7DMA)

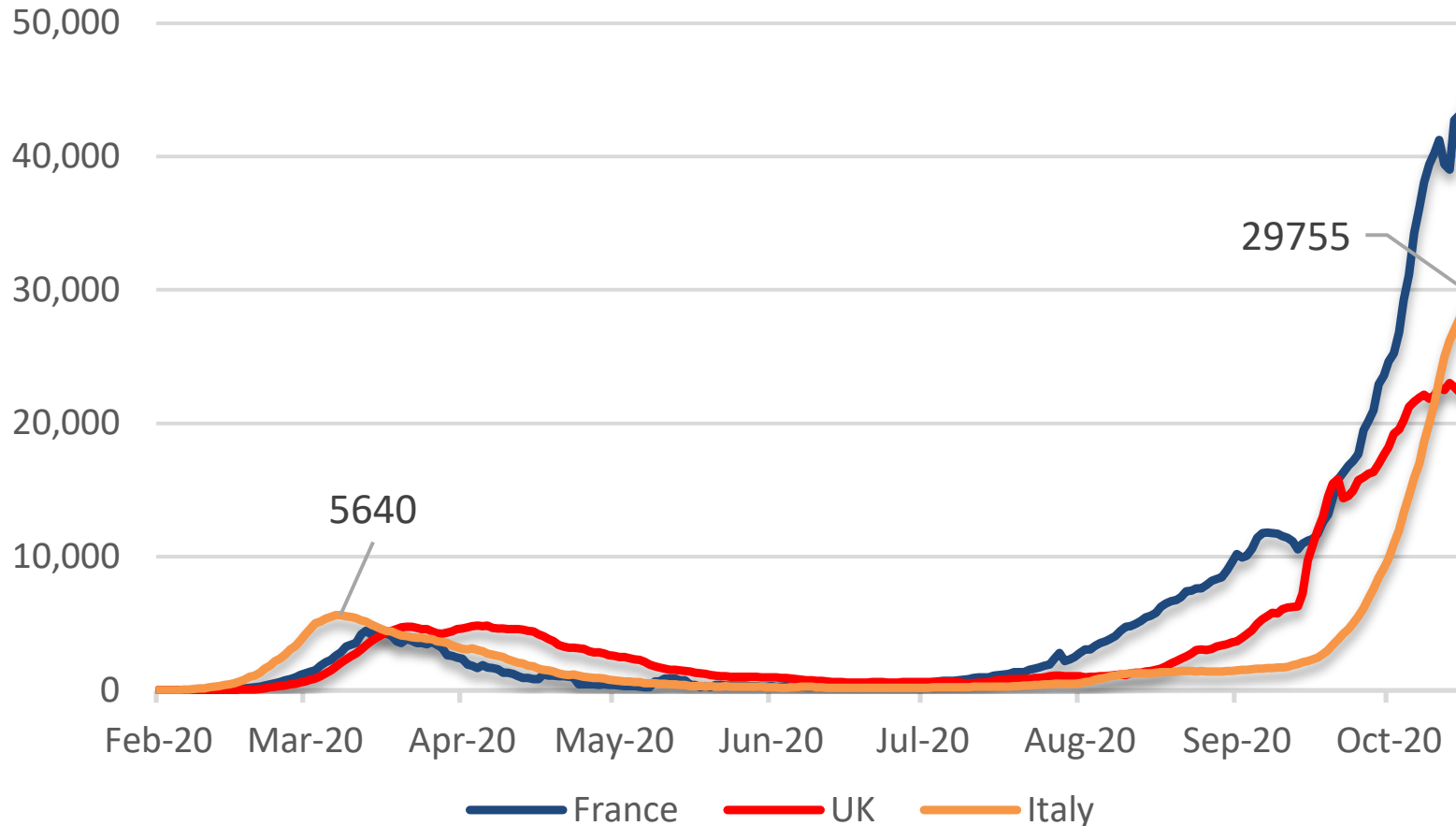


- **Global average daily cases rising faster at 68% mom from 58%**
- **Total cases in 1 week is 4.6mn**
- **3rd wave underway in the U.S.; 118k daily world record**

Source: CEIC, PSR, WHO

Not 2nd wave but tsunami of cases, losing control

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

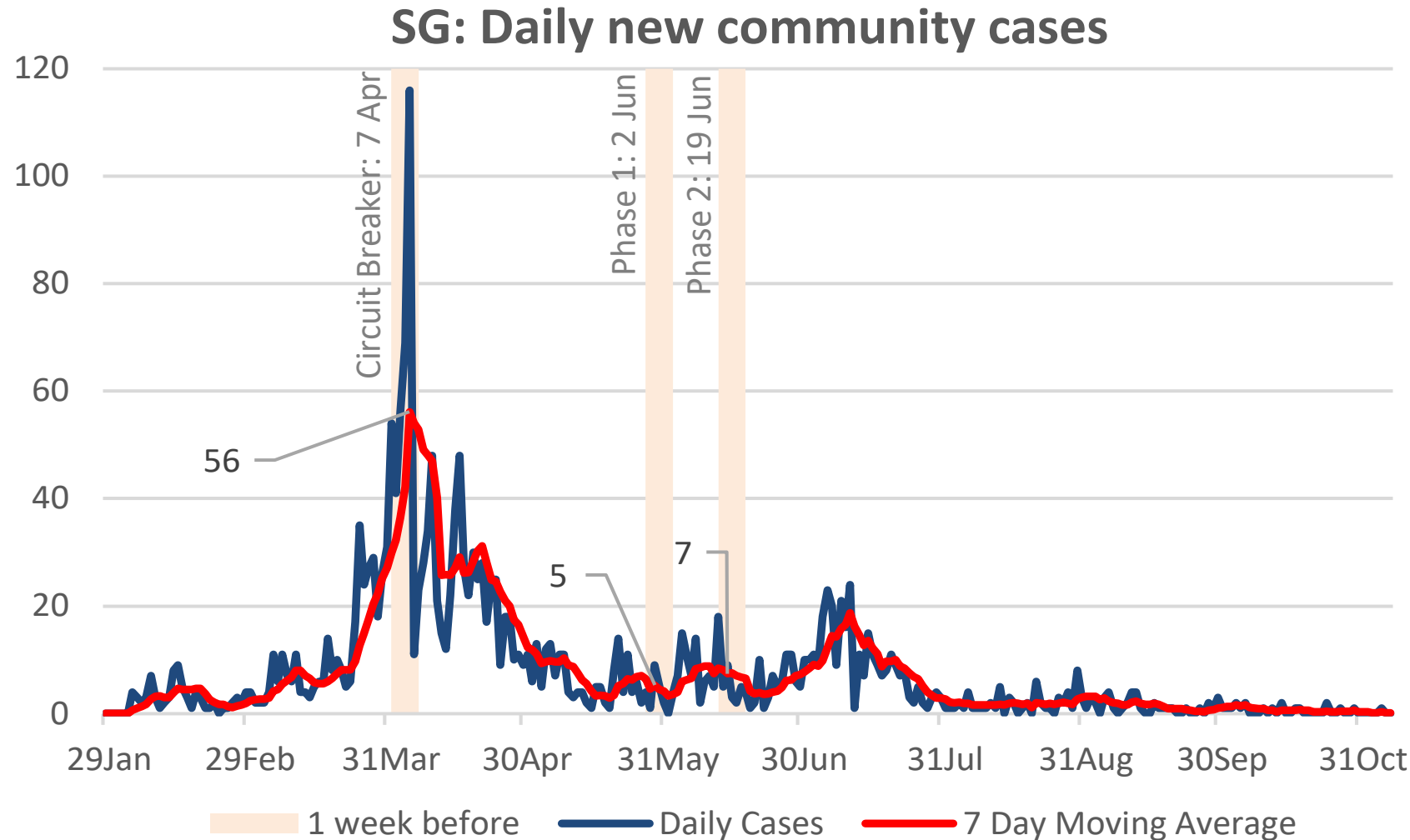


Economic drag as Europe entering into lockdown mode

Italy prior peak in March was 5600 cases, now close to 30,000 weekly average cases

Source: CEIC, PSR, WHO

COVID-19 Watch: 1 community case this week

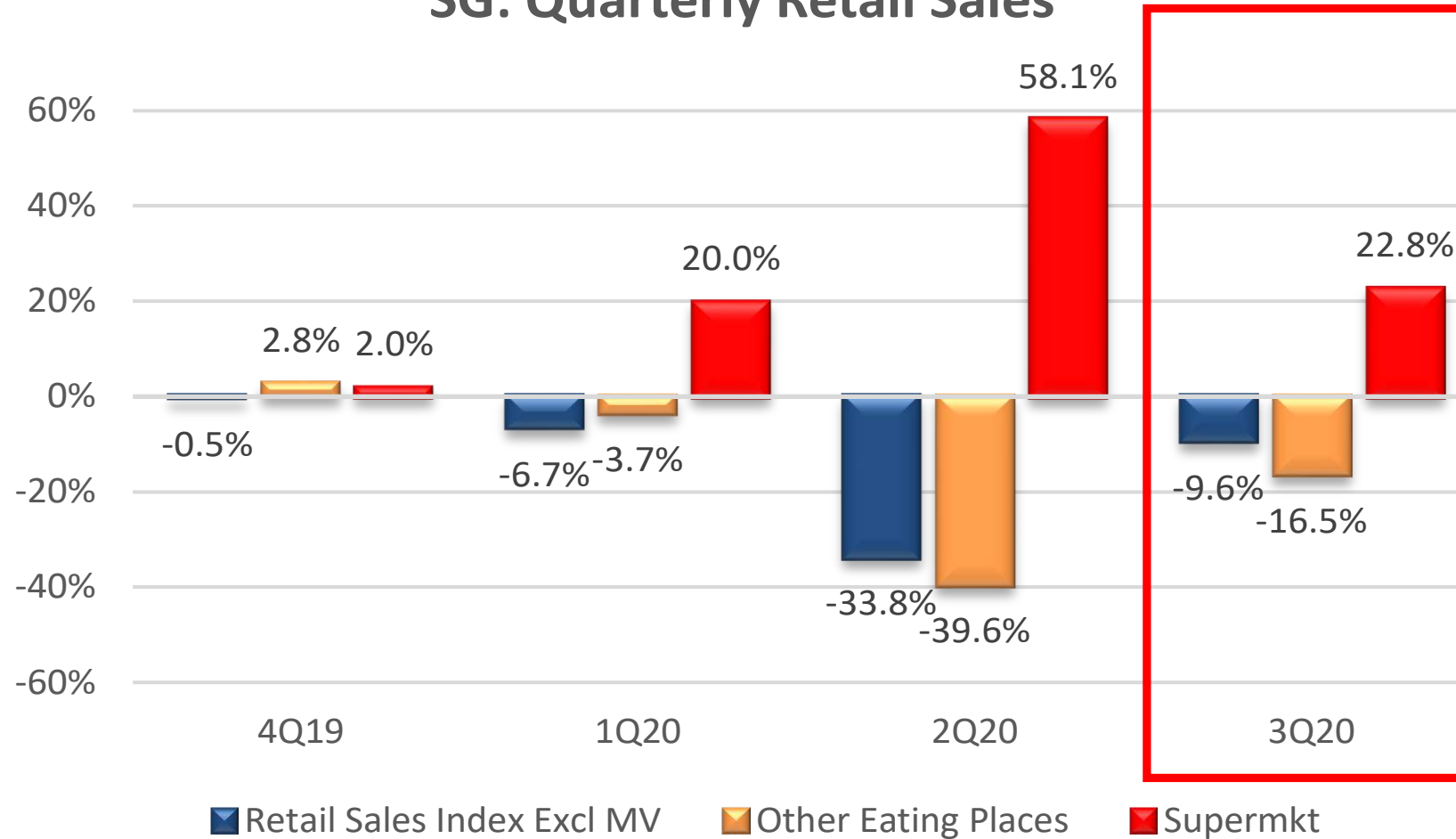


- 1 community case the past 7 days from 2 the prior week
- Linked to imported case

Source: PSR, MOH

Retail: Supermarket sales still robust

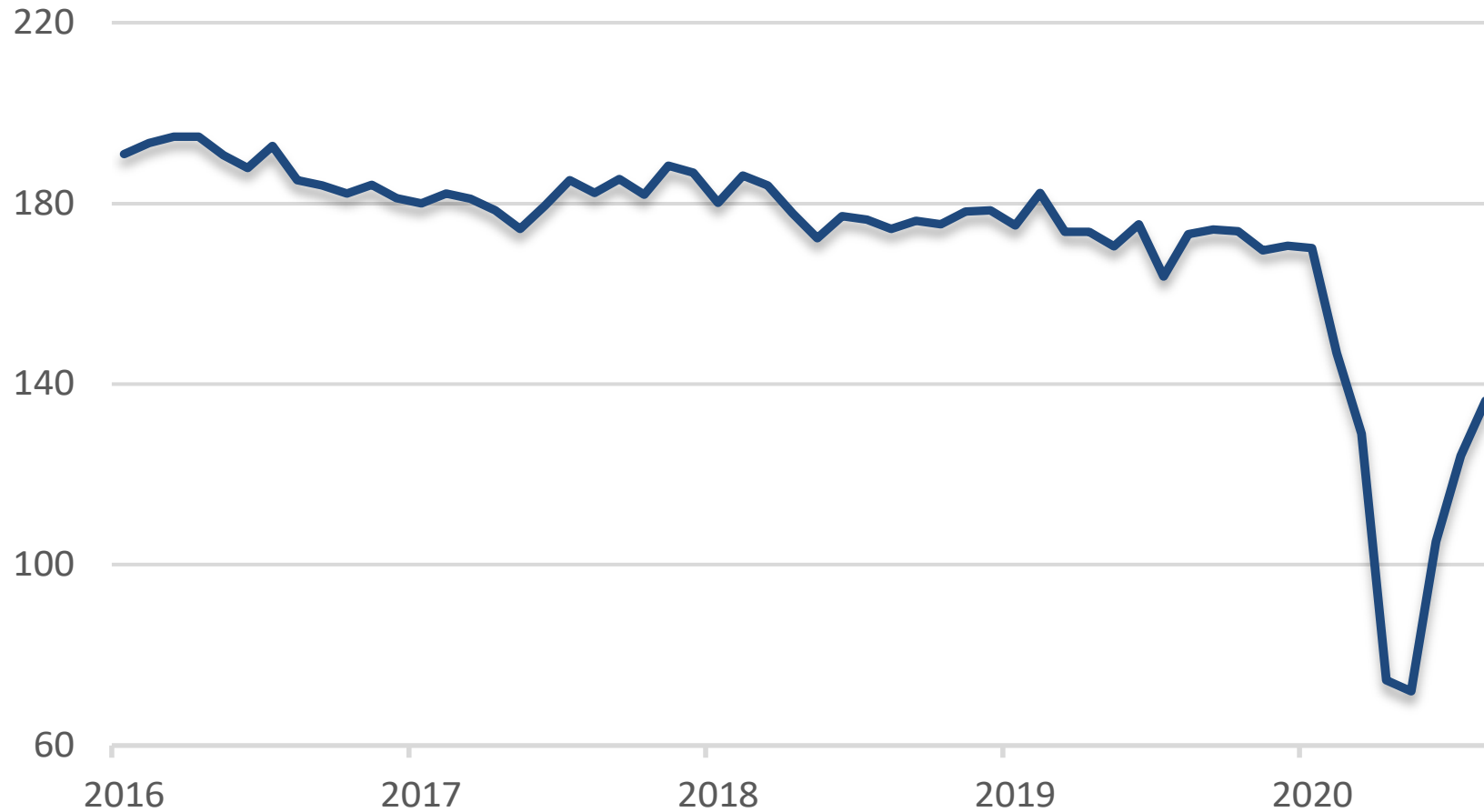
SG: Quarterly Retail Sales



Source: PSR, CEIC,

Taxi: Recovering but slowing down +2% MoM in September

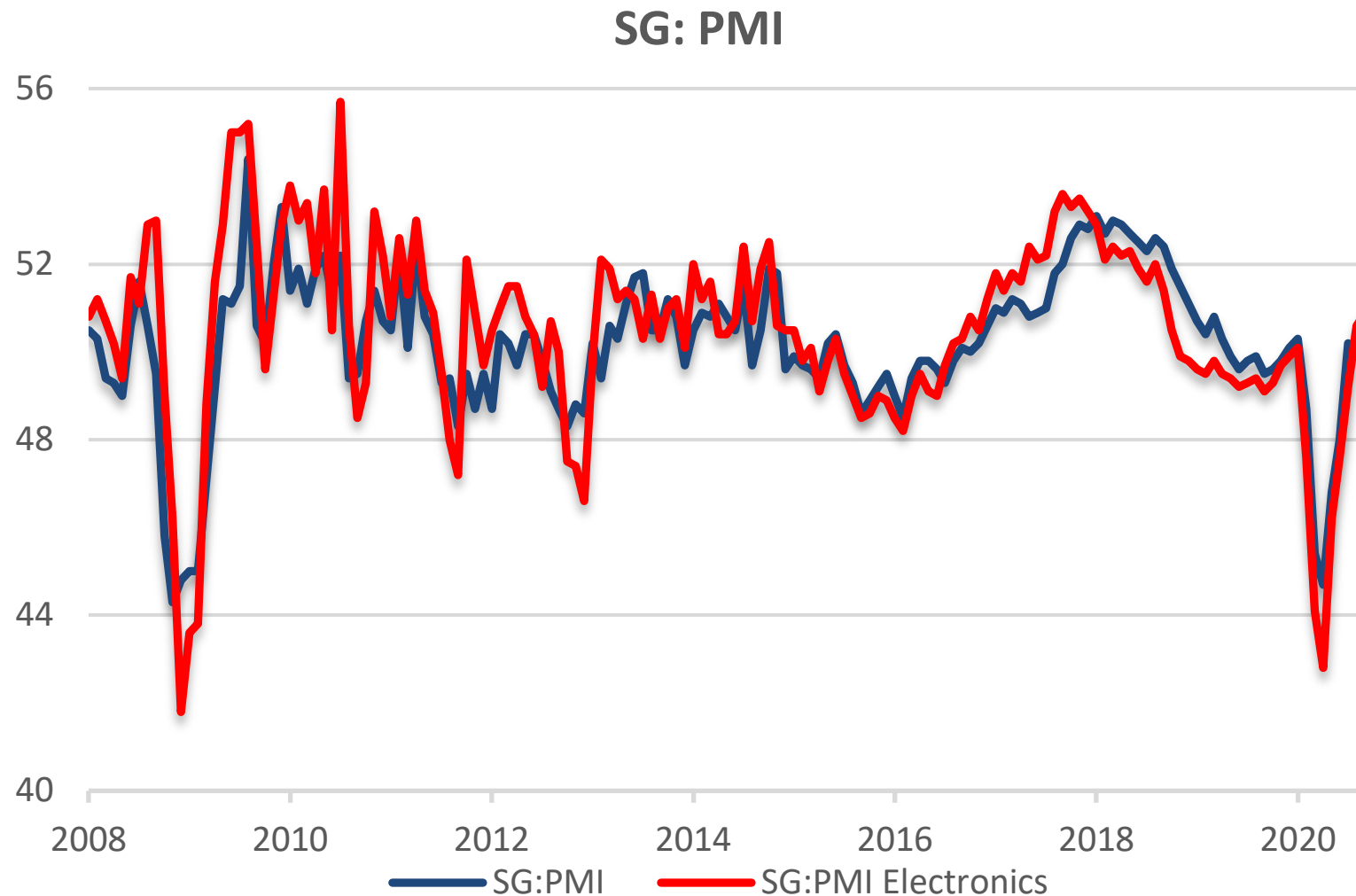
SG: Taxi average monthly travel (km)



- Taxi mileage still weak -20% YoY Sep20; -22% 3Q20

Source: PSR, LTA

Manufacturing activity highest in 19 months



- **PMI at 50.5 highest since March 2019**

Source: PSR, SIPMM

SG: Corporate Results Week 46 (8Nov – 15Nov20)

Name	Ticker	Date	Time	Period
Fraser and Neave Ltd	FNN SP	11/11/2020	Aft-mkt	Y 20
Asian Pay Television Trust	APTT SP	11/11/2020		Q3 20
Frasers Property Ltd	FPL SP	11/11/2020		Y 20
Delfi Ltd	DELFI SP	11/12/2020		Q3 20
UMS Holdings Ltd	UMSH SP	11/12/2020		Q3 20
Centurion Corp Ltd	CENT SP	11/12/2020		Q3 20
SBS Transit Ltd	SBUS SP	11/12/2020		Q3 20
IREIT Global	IREIT SP	11/12/2020		Q3 20
ComfortDelGro Corp Ltd	CD SP	11/12/2020		Q3 20
Yoma Strategic Holdings Ltd	YOMA SP	11/12/2020		Q2 21
City Developments Ltd	CIT SP	11/12/2020		Q3 20
Singapore Telecommunications L	ST SP	11/12/2020		S1 21
Old Chang Kee Ltd	OCK SP	11/12/2020		Q2 21
Q&M Dental Group Singapore Ltd	QNM SP	11/12/2020		Q3 20
Oxley Holdings Ltd	OHL SP	11/12/2020		Q1 21
Cromwell European Real Estate	CERT SP	11/12/2020		Q3 20
Propnex Ltd	PROP SP	11/13/2020		Q3 20
Dasin Retail Trust	DASIN SP	11/13/2020		Q3 20
UOB-Kay Hian Holdings Ltd	UOBK SP	11/13/2020		Q3 20
Clearbridge Health Ltd	CBH SP	11/13/2020		Q3 20
APAC Realty Ltd	APAC SP	11/13/2020		Q3 20
OUE Commercial Real Estate Inv	OUECT SP	11/13/2020		Q3 20
Sembcorp Marine Ltd	SMM SP	11/13/2020		Q3 20
Sembcorp Industries Ltd	SCI SP	11/14/2020		Q3 20

Source: PSR, Bloomberg,

United Overseas Bank Limited

Asset quality clarity to mitigate earnings pressure

Tay Wee Kuang

Research Analyst

Phillip Securities Research Pte Ltd

9th November 2020

United Overseas Bank Limited

ACCUMULATE (Maintained), TP: S\$21.10 (prev S\$20.40), Last: S\$20.45

(SGD mn)	3Q20	3Q19	YoY (%)	2Q20	QoQ (%)
Net interest income (NII)	1,474	1,687	-13%	1,456	1%
Fees and comm.	514	551	-7%	445	16%
Other non-II	272	371	-27%	359	-24%
Total Revenue	2,260	2,609	-13%	2,260	0%
Expenses	(1,009)	(1,154)	-13%	(1,040)	-3%
PPOP	1,251	1,455	-14%	1,220	3%
Allowances	(477)	(145)	n.m.	(396)	20%
PATMI	668	1,118	-40%	703	-5%

Source: Company, PSR

The Positives

- + **Gradual recovery in income**
 - Fees and commission show signs of recovery QoQ.
- + **Allowances on impaired loans remain low**
 - SP of S\$134mn is 19bps of loan book compared to S\$149mn (21bps) a year ago.
 - GP reserves increase by S\$342mn to improve coverage ratio to 111% from 96% in Q2.

The Negatives

- **NII fell 13% YoY as NIM was down 24bps to 1.53%**
 - Better liquidity management improved NIM QoQ from 1.48% to 1.53%.
 - NIM expected to remain between 1.50-1.55% in FY21.

United Overseas Bank Limited

ACCUMULATE (Maintained), TP: S\$21.10 (prev S\$20.40), Last: S\$20.45

(SGD mn)	3Q20	3Q19	YoY (%)	2Q20	QoQ (%)
Net interest income (NII)	1,474	1,687	-13%	1,456	1%
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Outlook

Lower credit-cost guidance on better insights on asset quality

- Loans under moratorium fell from 16% to 10% of loan book.
- Guide for 30-40bps of credit cost in FY21 from 50-60bps previously.

Investment Action

Maintain ACCUMULATE with higher target price of S\$21.10 (previously S\$20.40)

- Revise FY21e forecast to reflect lower credit cost.
- Peg TP to GGM with FY21e 0.89x of FY21e BV.

Oversea-Chinese Banking Corp Ltd

Better credit outlook

Tay Wee Kuang

Research Analyst

Phillip Securities Research Pte Ltd

9th November 2020

Oversea-Chinese Banking Corp Ltd

ACCUMULATE (Maintained), TP: S\$9.68 (prev S\$8.92), Last: S\$8.93

(SGD mn)	3Q20	3Q19	YoY (%)	2Q20	QoQ (%)
Net interest income (NII)	1,421	1,600	-11%	1,483	-4%
Fees and comm.	501	550	-9%	440	14%
Other non-II	617	505	22%	702	-12%
Total Revenue	2,539	2,655	-4%	2,625	-3%
Expenses	(1,098)	(1,132)	-3%	(1,107)	-1%
Associates	153	156	-2%	163	-6%
PPOP	1,594	1,679	-5%	1,681	-5%
Allowances	(350)	(323)	8%	(750)	-53%
PATMI	1,028	1,172	-12%	730	41%

Source: Company, PSR

The Positives

- + **Non-interest income grew 6% YoY**
 - Life and general insurance income grew 29% YoY.
 - Trading income increased S\$255mn YoY.
 - WM fees also recovered to pre-COVID run rate.
- + **Allowances halved from a quarter ago**
 - SP dropped drastically to S\$148mn QoQ.
 - GP of S\$202mn within expectation and total allowances expected to stabilise

The Negatives

- **NII fell 11% YoY on 23bps NIM compression.**
 - NIM of 1.53% expected to trend downwards slightly.
 - 3Q exit NIM of 1.52% expected to hold for 4Q.

Oversea-Chinese Banking Corp Ltd

ACCUMULATE (Maintained), TP: S\$9.68 (prev S\$8.92), Last: S\$8.93

(SGD mn)	3Q20	3Q19	YoY (%)	2Q20	QoQ (%)
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Source: Company, PSR

Outlook

- Loans under moratorium shrank from 10% to 5% of loan book
 - Come off Malaysian loan moratorium program
 - Conditions stabilising but shows signs of slow recovery.
 - NPL ratio to come in at lower end of 2.5-3.5% for FY21.

Investment Action

Maintain ACCUMULATE with higher target price of S\$9.68 (prev S\$8.92).

Hold estimates for FY20e/FY21e and peg valuation to 0.92x of FY21e BV.

DBS Group Holdings Ltd

Recovery underway as allowances tapered off

Tay Wee Kuang

Research Analyst

Phillip Securities Research Pte Ltd

9th November 2020

DBS Group Holdings Ltd

NEUTRAL (Maintained), TP: S\$22.60 (prev S\$21.00), Last: S\$22.49

(SGD mn)	3Q20	3Q19	YoY (%)	2Q20	QoQ (%)
Net interest income (NII)	2,171	2,460	-12%	2,303	-6%
Fees and comm.	798	814	-2%	681	17%
Other non-II	608	549	11%	742	-18%
Total Revenue	3,577	3,823	-6%	3,726	-4%
Expenses	(1,539)	(1,614)	-5%	(1,483)	4%
PPOP	2,038	2,209	-8%	2,243	-9%
Allowances	(554)	(254)	n.m.	(849)	-35%
PATMI	1,297	1,629	-20%	1,247	4%

Source: Company, PSR

The Positives

- + **Recovery in non-interest income**
 - Fees and commission up 17% QoQ from higher WM and CC fees.
- + **Allowances tapering off**
 - S\$554mn in allowances 35% lower than 2Q of S\$849mn.
 - Trading income up 11% YoY but lower QoQ from high base.

The Negatives

- **NII fell 12% YoY as NIM was compressed 37bps to 1.53%**
 - Loan contracted 1% while deposits increased 1% in quarter to pile pressure on NIM.

DBS Group Holdings Ltd

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Allowances	(554)	(254)	n.m.	(849)	-35%
PATMI	1,297	1,629	-20%	1,247	4%

Source: Company, PSR

Outlook

Asia embarks on swift recovery

- Regional economic recovery expected to support mid-single-digit loan growth.
- Strong fee-income recovery support income in FY21.

Investment Action

Maintain NEUTRAL with higher target price of S\$22.60, up from S\$21.00

- Hold FY21e estimates and peg GGM valuation to higher FY21e ROE of 11.4%.
- ROE higher from recovery in income and lower allowances.

Singapore Banking Monthly

Lukewarm 3Q expected

Tay Wee Kuang

Research Analyst

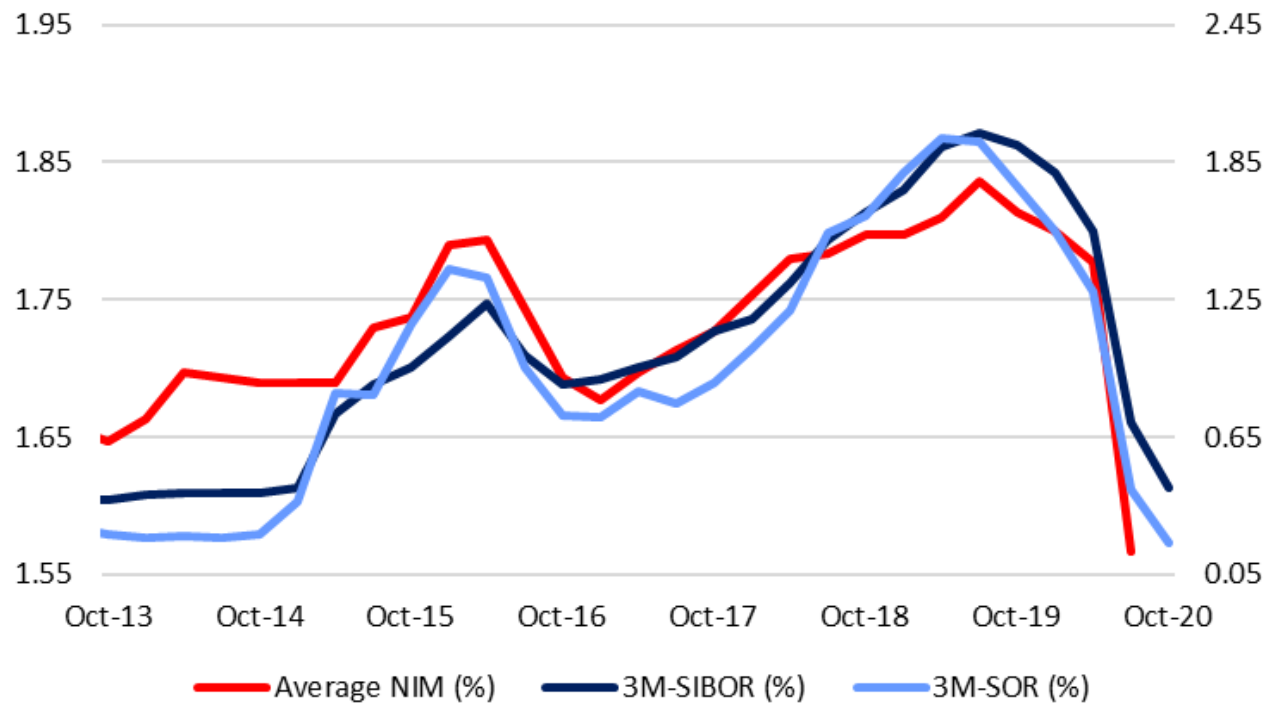
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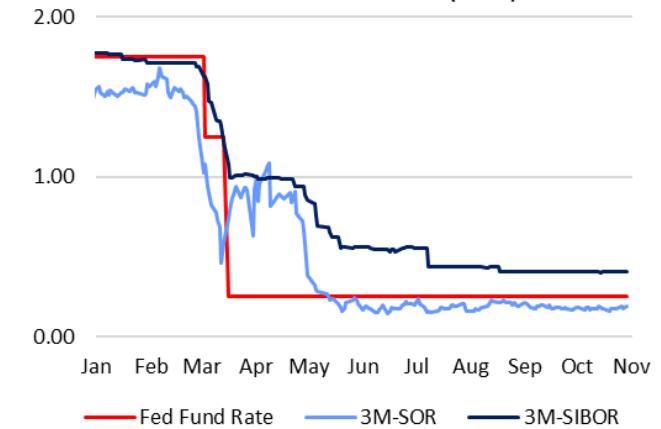
Banking Industry – Maintain Neutral

Weak macroeconomic conditions continue to affect industry

Average NIM (%) vs. Benchmark Rates (%)



3M-SIBOR vs. 3M-SOR vs. Fed Fund Rates (FFR)

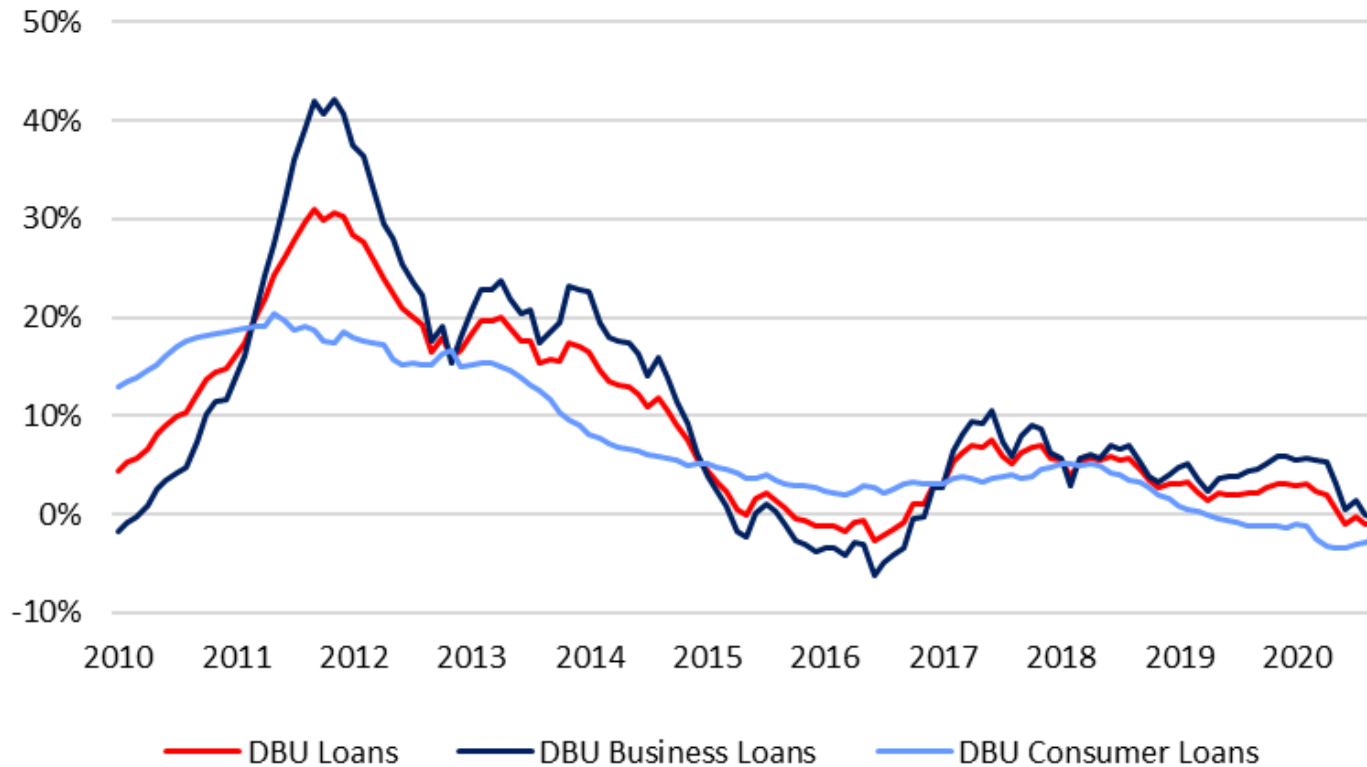


Average	3M-SIBOR	3M-SOR	NIM
3Q20	0.43%	0.19%	1.54%
1H20	1.13%	0.87%	1.67%
Remarks	Maintain NIM of 1.50-1.55% going into FY21		

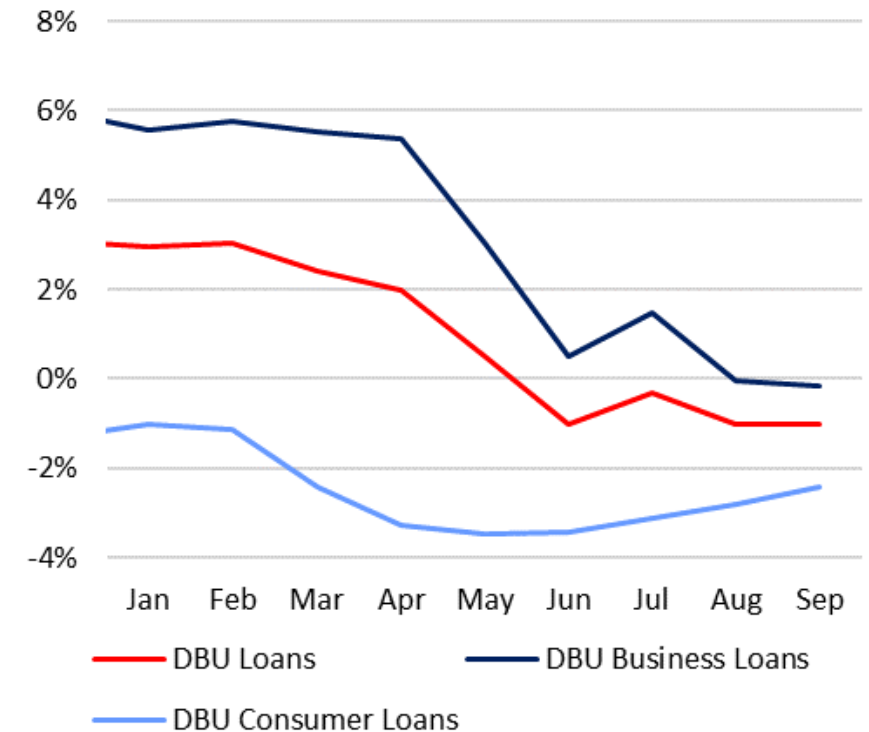
Banking Industry – Maintain Neutral

Weak macroeconomic conditions continue to affect industry

DBU Loans Growth (YoY %)



FY20 Loans Growth (YoY %)



Banking Industry – Maintain Neutral

	SDAV (\$mn)	YoY (+/-)	DDAV (mn)	YoY (+/-)
Oct-20	1,043	+6%	-	-
1Q21	1,242	+16%	0.99	-4%

No. of contracts	Oct-19	Oct-20	YoY (+/-)
FTSE China A50 Index Futures	5,805,272	5,950,619	+2.5%
Nifty 50 Index Futures	1,717,898	2,001,754	+16.5%
MSCI Taiwan Index Futures	1,957,411	782,166	-60.0%
Nikkei 225 Index Futures	1,760,311	1,392,625	-20.9%
MSCI Singapore Index Futures	889,240	947,292	+6.5%
Sub-total	13,100,680	14,325,095	-8.7%

Local capital market activity weakened in October

- SDAV up 6%, slowest in 2020.
- Derivatives fell 8.7% for top 5 equity derivative products.
- VIX spiked prior to elections but have seen retreated.

Banking Industry – Maintain Neutral

Investment Action

- Local banks saw similar NIM levels
- Non-interest income saw recovery across the board
- Allowances fell, with credit outlook guided to be slightly better coming off FY20.
- Outlook brightens but return to pre-COVID may take a while longer

Frasers Centrepoint Trust

In sweet spot despite headwinds

Natalie Ong

Research Analyst

Phillip Securities Research Pte Ltd

9th November 2020

Frasers Centerpoint Trust

BUY (Upgraded), TP: \$2.79, Last: \$2.26

Results at a glance

(SGD mn)	FY20	FY19	YoY (%)	Comments
Gross Revenue	164.4	196.4	-16.3%	Mainly lower due to \$27.35mn in rental rebates for tenants, and lower "other revenue"
Net Property Income	110.9	139.3	-20.4%	Property expenses fell by 6.3% due to energy savings as power to some parts of the mall (which were closed) was shut off
Distributable Income	101.2	119.7	-15.5%	
DPU (Cents)	9.04	12.07	-25.1%	

Source: Company, PSR

Outlook

- Differentiated strategy under Re-align Framework
- Dominant malls will be prioritized

Upgrade to BUY with an unchanged TP of S\$2.79

- Recent pullback in share price presents better entry price, and total returns of 31.5% to our TP – upgrade to BUY.
- We remain confident of the resilience of necessity-driven suburban malls

+ The Positives

- High occupancy of 94.9% maintained; rental reversions of 4.2%
- Tenant sales recovered to pre-COVID levels. Tenant sales and footfalls stabilised in the last three months, 3.6% and 38.2% below 2019 levels respectively

- The Negatives

- Impacted by COVID-19, FY20 NPI and DPU fell 20.4% and 25.1% respectively, mainly attributed to S\$27.4mn in tenant rebates.

Manulife US REIT

Low expiries amidst softer leasing environment

Natalie Ong

Research Analyst

Phillip Securities Research Pte Ltd

9th November 2020

Manulife US REIT

BUY (Maintained), TP: US\$0.92, Last: US\$0.73

+ The Positives

- 3Q20 rental collections relatively high at 94% (YTD 98%)
- Rent deferments and abatements minimal at 0.3% and 0.2% of YTD Sep 20 revenue
- c.US3mn in interest savings expected upon refinancing of debt maturing in FY21

- The Negatives

- Decline in portfolio occupancy from 96.2% to 94.3% largely due to known expiries unrelated to COVID 19

Outlook

- Leasing headwinds ahead; tenant incentives and free rent expectations have increased
- Subletting within MUST's portfolio was unchanged 3.3%
- Growing desire to return to the office, as seen by the uptick in physical occupancy of 13.5% in October 20

Maintain BUY with a higher TP of US\$0.92

- Maintain BUY with a higher TP of US\$0.92, raised from US\$0.90, after incorporating a lower cost of debt.
- Long WALE of 5.5 years; lease expires in FY20/21 are low at 1.9% and 6.7% of GRI respectively.
- YTD rental reversions at +7.9%
- FY20e DPU Yield of 8.75%

We need your help!

Consumer Spending Survey

Thank you so much for your help!



Remote Working Survey

Thank you so much for your help!



Prime US REIT

On course to exceed its NPI target

Tan Jie Hui

Research Analyst

Phillip Securities Research Pte Ltd

9th November 2020

Prime US REIT

BUY (Maintained), TP: US\$0.94, Last: US\$0.76

+ The Positives

- Resilient income stream; Stable QoQ numbers
 - High rent collection rates of 99% through April to September
 - Few deferrals – US\$0.27mn YTD (0.25% of GRI)
 - Minimal upcoming expiries – FY20: 2%, FY21: 8.7%
- Leasing activity remains robust in 3Q20
 - 83k sqft leased in 3Q20 at rental reversions of 8.9%, total YTD: 166k sqft leased
 - Lease terms and duration are similar to that of pre-Covid; less than 10% of the leases signed are >1 year

- The Negatives

- Overall portfolio occupancy dipped 0.4% QoQ to 92.6%
 - Natural expiry at Tower 909 (occupancy: -4.4%)
 - Village Center Station I (65%) and 171 17th street (86%)

(US\$'000)	3Q20	2Q20	QoQ	9M20	IPO Forecast	YoY
Gross revenue	36733	36137	1.6%	107930	101043	6.8%
Property expenses	12526	12199	2.7%	24725	34909	-29.2%
Net property income	24207	23938	1.1%	71656	66134	8.3%
Income available for distribution	17987	18277	-1.6%	53865	46777	15.2%

Outlook

- Collaboration in the workplace will become more important for the relevance of office use
 - Near term: working with tenants on return to office
 - Medium term: Looking at converting more lounges into collaboration spaces for tenants
- Actively looking out for acquisition opportunities
 - Prime's gearing and interest coverage ratio stands at 32.7% and 5.8x respectively, with \$98.9mn available undrawn facility to tap on for future growth opportunities.

Maintain BUY with a higher TP of US\$0.94. Our target price translates to a FY20e distribution yield of 9.6%.

Credit Commentary

StarHub, FCT, CapitaLand Ltd

Timothy Ang

Credit Analyst

Phillip Securities Research Pte Ltd

9 November 2020

StarHub, Frasers Centrepoint Trust, CapitaLand Ltd

StarHub

(S\$mn)	3Q20	4Q19	Chg
Borrowings	1,180.6	1,048.4	12.6%
Perps	201.9	199.9	1.0%
Assets	2,894.3	2,733.9	5.9%
Gearing (D+P)/A	48%	46%	2.1%
Cash/ST Borrowings	23.2	0.29	
	9M20	9M19	
EBITDA	408.5	478.7	-14.7%
Interest Expense (Incl Perp & Leases)	-56.7	-55.4	2.3%
EBITDA Int Cover (X)	7.2	8.6	-1.4
Operating Cash Flows	460.8	347.4	32.6%

Frasers Centrepoint Trust

(S\$mn)	2H20	2H19	Chg
Borrowings	1,255.0	1,042.0	20.4%
Gearing	35.9%	32.9%	3.0%
Interest Cover (X)	4.95	5.34	-0.4
Operating Cash Flows	20.8	75.1	-72.3%

CapitaLand Ltd

	3Q20	4Q19
Net Debt/Equity (X)	0.64	0.63
Net Debt/Assets (X)	0.33	0.33
Interest Cover (X)	4.8	7.6

STHSP 3.95% Perpetual Corp (SGD)

- Yield to call: 2.57% (vs Dividend Yield 3.96%)
- Call date: 16 Jun 2022
- Dividend Stopper, Cumulative Deferral

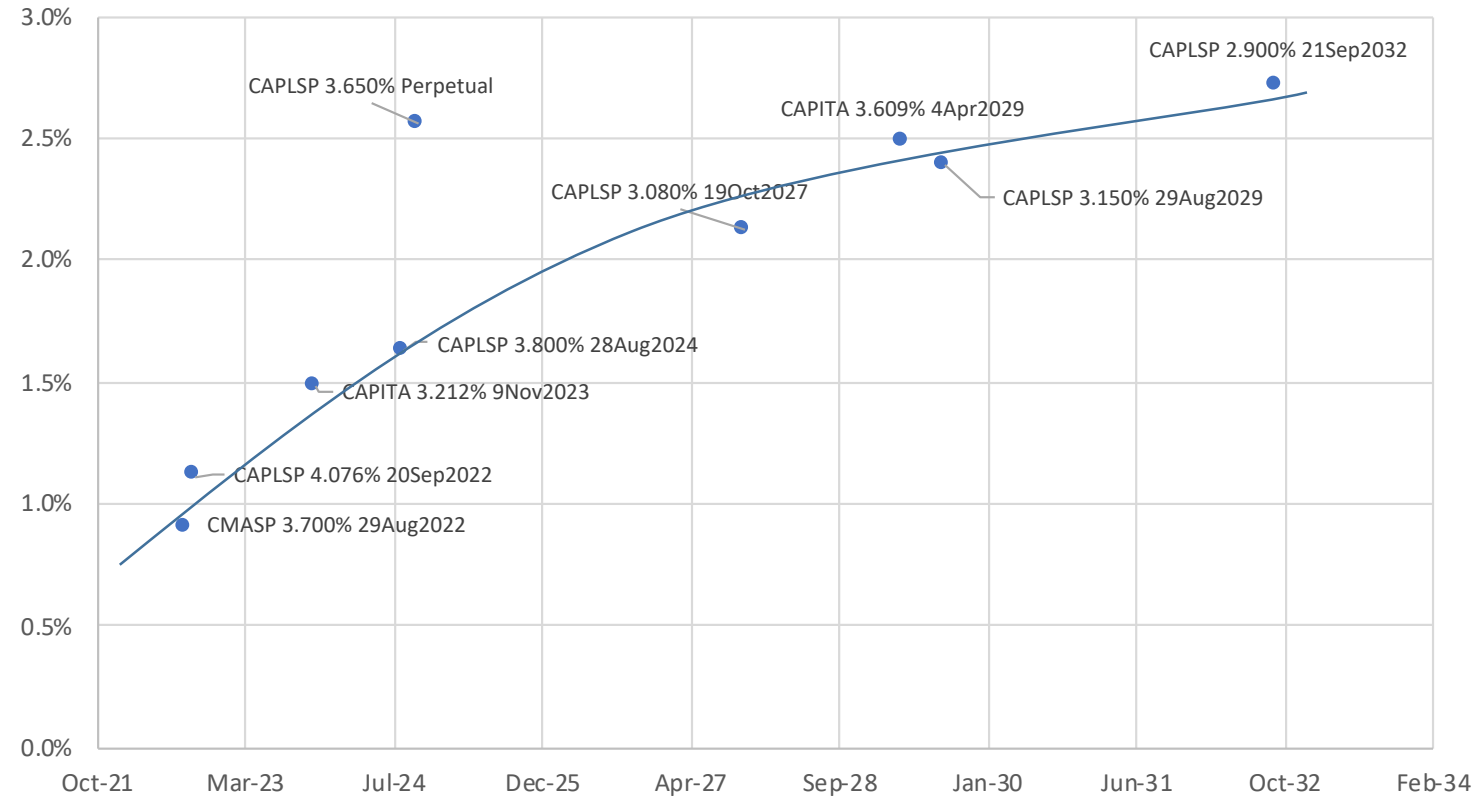
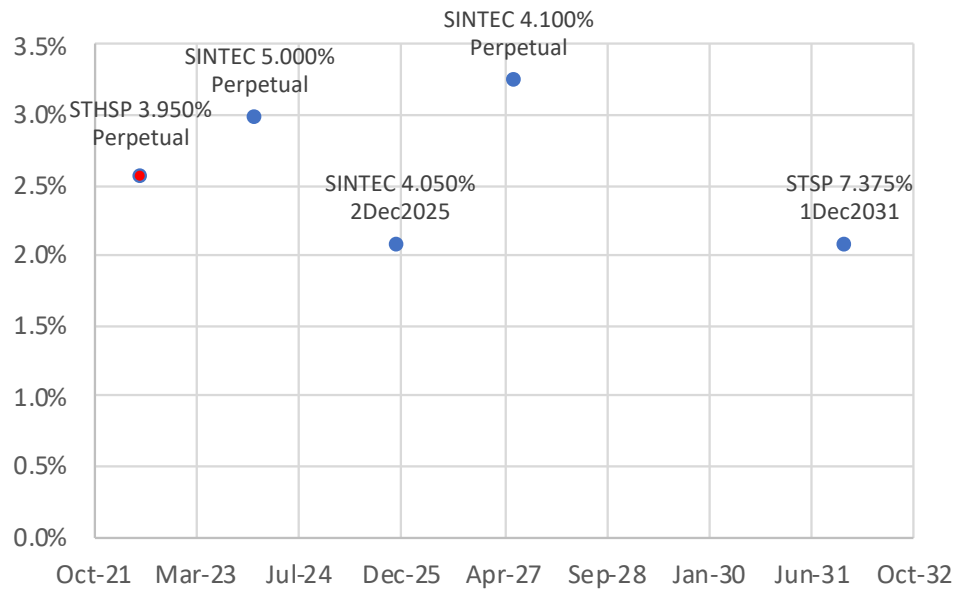
FCTSP 3.2% 11May2023 Corp (SGD)

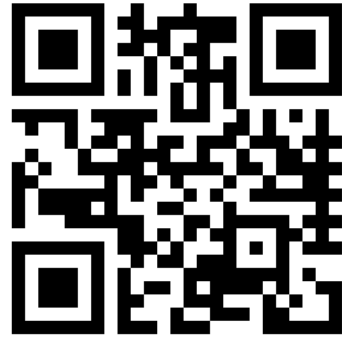
- No sellers
- Yield to call: 1.78% (vs Dividend Yield 4.00%)

CAPLSP 3.65% Perpetual Corp (SGD)

- Yield to call: 2.56% (vs Dividend Yield 4.58%)
- Call date: 17 Oct 2024
- 9-11 year senior bonds trade tight at 2.39%-2.72% yields

StarHub, CapitaLand Ltd - Bond Valuations





StocksBnB.com

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*Have an opinion or questions on our reports?
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Thank you