

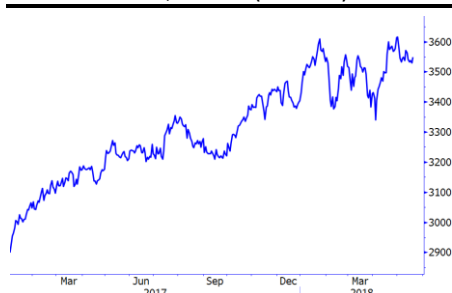
Market Indicators

	17-May	18-May	21-May
Mkt. T/O (S\$ mil)	1,003.0	1,048.3	1,020.3
Stock Advances	179	175	210
Stock Declines	223	214	193

Major Indices

	17-May	18-May	21-May
DJ Ind Avg	24,714.0	24,715.1	25,013.3
S & P 500	2,720.1	2,713.0	2,733.0
Nasdaq Comp	7,382.5	7,354.3	7,354.3
Hang Seng	30,942.2	31,047.9	31,234.4

STI Index 3,548.23 (+0.54%)

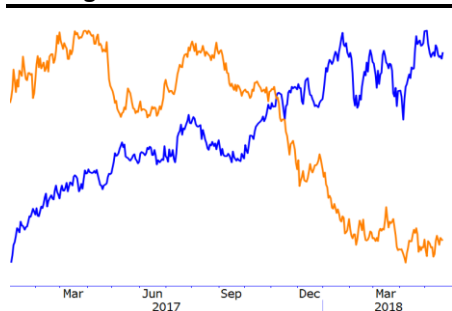


Source: Bloomberg

Commodities

	Current Price	% Chge from Close
Gold (SPOT) US\$ / oz	1,292.81	0.65%
Oil (NYMEX CWT1) US\$ / bbl	72.48	1.33%
Baltic Dry Index	1273	-2.45%

Exchange Rates



USD : SGD 1.3397 / MYR : SGD 2.9650

Source: Bloomberg

Interest Rates

3-mth Sibor	1.507%
SGS (10 yr)	2.654%

KGI Market Ideas

Sembcorp Marine: Announced on May 21 that it had secured the Shell Vito contract from Shell offshore (Shell) to construct and integrate the hull, topsides, and living quarters of the semi-submersible Floating Production Unit (FPU). This project is estimated to be worth around S\$400mn, bringing total contract value won year-to-date to S\$1bn. Sembcorp Marine expects a positive contribution to its earnings from FY2019 to FY2020.

We reiterate our BUY recommendation with a target price of S\$2.64, based on 2.4x 2018F BVPS (still conservatively 0.5 S.D below its 15-year P/B average) as we see a bottom in new order wins. The large capex cuts in the oil & gas industry since 2014 is setting us up for a new multi-year bull run for companies leveraged to higher oil prices over the next few years, in our view. Sembcorp Marine is currently trading at 15-year historical low valuations (P/B basis) and is well-positioned with its new Tuas mega-yard to be able to capture new type of orders.

Uni-Asia Group: 1Q18 results were in line with our expectations. 1Q18 net profit surged 57% YoY to US\$3.2mn net profit - making up 49% of our 2018 full-year forecasts – on increased contribution from its hotels and property investments. Property and hotels profits rose 92% YoY to US\$1.8mn, with its Japan investment properties rising 54% to US\$1.8mn and as its hotel business reported a slight profitability of US\$0.2mn from a loss in the prior year period.

We reiterate our BUY recommendation and fair value of S\$1.81, based on the sum-of-the-parts (SOTP) valuation of its 3 business segments. Our TP is an implied 0.5x FY18F P/B and 10x FY18F P/E. Uni-Asia is positioned to ride the growth in its 3 business segments: 1) dry bulk shipping recovery, 2) completion of its 2nd /3rd HK property and investment into its 4th/5th HK property in 1H18, and 3) an increase in hotel rooms under operations ahead of two of the world's largest sporting events to be held in Japan – the Rugby World Cup 2019 and Tokyo 2020 Olympics.

BAIDU: Baidu's share plunged 10% last Friday after its COO, Lu Qi resigned. Lu is seen as the key person to drive Baidu's transition into an artificial intelligence (AI) company and his resignation after less than 2 years is seen as a blow for Baidu. We view the sell-off as an overreaction given that Lu will continue to stay on as Vice-Chairman of Baidu, as well as the near completion of Baidu's restructuring. To focus on AI, Baidu has spun off businesses such as Waimai and iQiyi, as well as hired key personnel for its AI business. According to consensus, Baidu trades at 23x 2018F EPS with a target price of 290.8 as compared to its 2-year mean of 27x EPS.

REITs & Results Update

- **REITs Watchlist** - Page 4
- **Cityneon Holdings Limited (CITN SP; BUY; TP: S\$1.54):** 1Q18 results in line; 4th IP update - Page 7
- **Japan Foods Holding Limited (JFOOD SP; BUY; TP: S\$0.640):** Scaling new heights; constantly reinventing its restaurants - Page 8

KGI Securities Research Team

Recent In depth Regional Reports

22/5	SG REITs Watchlist
21/5	SG Japan Foods Holding (JFOOD SP; BUY; TP: S\$0.640): Scaling new heights; constantly reinventing its restaurants
21/5	TH ICT Sector (Neutral): Auction unlikely to see intense competition
21/5	TH Bangkok Dusit Medical Services (BDMS TB; Outperform; TP: Bt 29.00): Harvest year
21/5	TH Sansiri (SIRI TB; Neutral; TP: Bt 2.00): Risk of shortfall in transfers
21/5	TH TOA Paint (Thailand) (TOA TB; Neutral; TP: Bt 40.50): Growth and margin improvement progressing
18/5	SG Cityneon Holdings (CITN SP; BUY; TP: S\$1.540): Supply-side reforms in China drive cement price upside
18/5	TW Asia Cement (1102 TT; Not Rated; TP: NA): Supply-side reforms in China drive cement price upside
18/5	CN/HK Stock Liquidity Monitor: Weekly data – Stock incentive & employee shareholding plans
18/5	TH Strategy: 1Q18 earnings snapshot: Slightly above estimates
18/5	TH Economic: 1Q18 GDP expected to grow 3.9% YoY
18/5	TH Bangkok Dusit Medical Services (BDMS TB; Outperform; TP: Bt 25.00): A fruitful year
18/5	TH Robinson Department Store (ROBINS TB; Outperform; TP: Bt 85.00): GPM and rental income to drive performance
18/5	TH RS (RS TB; Outperform; TP: Bt 37.00): Growth ahead
18/5	TH Siam Makro (MAKRO TB; Neutral; TP: Bt 42.00): Drop in agriculture prices to pressure performance
18/5	TH WHA Corporation PCL (WHA TB; Outperform; TP: Bt 4.60): Ready, Set, Go!!!
17/5	TW Momo.com (8454 TT; Not Rated): B2C business growth to accelerate
17/5	TW Wiyynn (6669 TT; Not Rated): Robust 2Q18 sales following recent margin expansion
17/5	HK Man Wah (1999 HK; Outperform; TP: HK\$8.40): China sales continued to be strong & recovery overseas
17/5	HK Thing On (2292 HK; Not Rated): Strategy for future acquisition targets
17/5	TH Food and Beverage (Neutral): 1Q18 earnings summary: A tough quarter
17/5	TH Media Sector (Overweight): Ad spending in April 2018 slumped both MoM and YoY
17/5	TH Asia Sermkij Leasing (ASK TB; Outperform; TP: Bt 28.00): Analyst meeting
17/5	TH Bangkok Airways (BA TB; Neutral; TP: Bt 18.60): Slow season in 2Q
17/5	TH Banpu PCL. (BANPU TB; Outperform; TP: Bt 26.00): Something in the mines
17/5	TH Banpu Power (BPP TB; Outperform; TP: Bt 32.00): Attractiveness from high season and new investment
17/5	TH Central Pattana (CPN TB; Outperform; TP: Bt 93.00): Back loaded earnings momentum
16/5	TW Taiwan Taxi (2640 TT; Outperform; TP: NT\$130.00): 1Q18 core earnings in line
16/5	HK Vixtel (8342 HK; Outperform; TP: HK\$1.60): 1Q18 results slightly miss; digital household to support growth
16/5	CN/HK Economy: Lax supply control foreshadows industrial downcycle; reserve & tax cuts, trade liberalization provide downside support in 2H18F
16/5	TH AMATA Corporation PCL (AMATA TB; Outperform; TP: Bt 30.00): 1Q18 earnings review: Beat forecast
16/5	TH C.P. All (CPALL TB; Outperform; TP: Bt 92.00): Outlook remains satisfactory
16/5	TH CH. Karnchang (CK TB; Outperform; TP: Bt 32.10): 1Q18 earnings review: Earnings bounced as expected
16/5	TH Dynasty Ceramic (DCC TB; Neutral; TP: Bt 2.780): 1Q18 earnings review: decent recovery
16/5	TH Srisawad Corporation (SAWAD TB; Underperform; TP: Bt 62.50): 1Q18 earnings review: Weaker earnings and asset quality
16/5	TH Supalai (SPALI TB; Outperform; TP: Bt 29.00): 1Q18 earnings review: Weakest quarter of the year
16/5	TH Thai Airways International (THAI TB; Outperform; TP: Bt 20.20): 1Q18 earnings review: Strong core earnings
16/5	TH True Corporation (TRUE TB; Neutral; TP: Bt 7.40): 1Q18 earnings review: Better than expected
16/5	TH Unique Engineering and Construction (UNIQ TB; Outperform; TP: Bt 15.40): 1Q18 earnings review: Weak result both YoY and QoQ
15/5	TW Strategy: 1Q18 results a mixed bag; upstream outperforms mid- & downstream by large margin
15/5	TW Cathay FHC (2882 TT; Outperform; TP: NT\$63.00): 1Q18 earnings up on investment gains at Cathay Life
15/5	TW Inventec (2356 TT; Outperform; TP: NT\$27.00): 1Q18 EPS in line; favorable product mix outlook
15/5	TW PChome Online (8044 TT; Outperform; TP: NT\$201.00): 1Q18F earnings trough; strong rebound in 2019F
15/5	TW TPCC (4725 TT; Outperform; TP: NT\$38.00): Capacity resumption plans
15/5	CN/HK A-share Watch: 234 stocks added to MSCI Emerging Markets Index; A-share rebound to continue near term, led by blue-chips
15/5	CN/HK Stock Liquidity Monitor: Weekly data – Unlocked non-tradable shares & shareholding changes involving major shareholders

Recent In depth Regional Reportsecen

15/5	CN/HK Sportswear Sector: Yue Yuen (551 HK) – Manufacturing business pressured / Pou Sheng (3813 HK) – More upside in retail business
15/5	CN Vinda International (3331 HK; Outperform; TP: HK\$15.70): Top management showing confidence
15/5	TH Airports of Thailand (AOT TB; Outperform; TP: Bt 82.12): 2Q18 earnings review: In line with our estimate
15/5	TH B.Grimm Power (BGRIM TB; Outperform; TP: Bt 29.00): 1Q18 earnings review: Good performance
15/5	TH Bangkok Airways (BA TB; Neutral; TP: Bt 18.60): 1Q18 earnings review: Far above our expectation
15/5	TH Bangkok Dusit Medical Services (BDMS TB; Outperform; TP: Bt 25.00): 1Q18 earnings review: Above expectations
15/5	TH Central Pattana (CPN TB; Outperform; TP: Bt 93.00): 1Q18 earnings review: In line with our forecast
15/5	TH Central Plaza Hotel (CENTEL TB; Outperform; TP: Bt 56.50): 1Q18 earnings review: Better than expected
15/5	TH Ekachai Hospital (EKH TB; Outperform; TP: Bt 7.00): 1Q18 earnings review: In line with our estimate
15/5	TH Gulf Energy Development (GULF TB; Neutral; TP: Bt 68.00): 1Q18 earnings review: Below our forecast
15/5	TH Indorama Ventures (IVL TB; Outperform; TP: Bt 64.00): Acquisition of Avgol Industries
15/5	TH Land and Houses (LH TB; Outperform; TP: Bt 13.40): Awaiting imminent new condo launch
15/5	TH Minor International (MINT TB; Outperform; TP: Bt 47.50): 1Q18 earnings review: Lower than expected
15/5	TH Plan B Media (PLANB TB; Outperform; TP: Bt 7.70): 1Q18 earnings review: Beat expectation
15/5	TH Ratchaburi Electricity (RATCH TB; Outperform; TP: Bt 66.00): 1Q18 earnings review: Lower than expected
15/5	TH RS (RS TB; Outperform; TP: Bt 37.00): 1Q18 earnings review: In line results
15/5	TH Scan Inter (SCN TB; Outperform; TP: Bt 5.00): 1Q18 earnings review: Higher than our estimate
15/5	TH Thai Wah PLC (TWPC TB; Neutral; TP: Bt 9.30): Downgrade earnings, but expect improvement in 2Q18
15/5	TH The Erawan Group (ERW TB; Outperform; TP: Bt 9.70): 1Q18 earnings review: Solid in all segments
15/5	TH TOA Paint (Thailand) (TOA TB; Neutral; TP: Bt 40.50): 1Q18 earnings review: Lower than expected
14/5	SG ComfortDelGro Corporation (CD SP; BUY; TP: S\$2.720): Positive developments
14/5	TW CGPC (1305 TT; Outperform; TP: NT\$36.00): 1Q18 earnings in line
14/5	TW CSRC (2104 TT; Outperform; TP: NT\$48.00): 1Q18 earnings in line
14/5	TW Fubon FHC (2881 TT; Outperform; TP: NT\$61.00): 1Q18 earnings up on life gains & bank NII; momentum to sustain in 2018F
14/5	TW Global PMX (4551 TT; Outperform; TP: NT\$194.00): Earnings miss in 1Q18 opens good entry point
14/5	TW GPPC (1312 TT; Outperform; TP: NT\$39.00): 1Q18 EPS missed our forecast
14/5	TW SerComm (5388 TT; Neutral; TP: NT\$75.00): 1Q18 earnings missed; 2018F outlook more conservative
14/5	TW Zhen Ding (4958 TT; Neutral; TP: NT\$73.00): Earnings miss on operating expense and forex loss
14/5	CN/HK A-share Weekly: Ray of light for Sino-US trade talks shoring up market sentiment

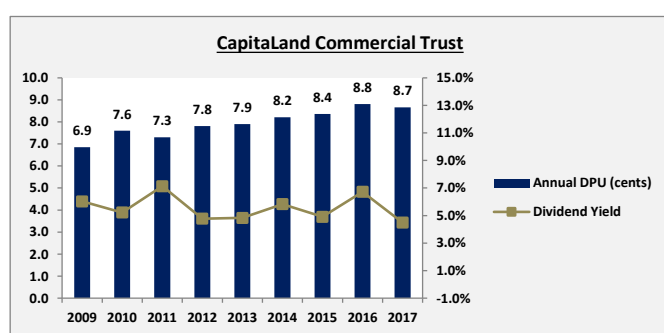
For full reports, please contact Research Department at 6202 1190 or sgp.researchcom@kgi.com



REITs Watchlist

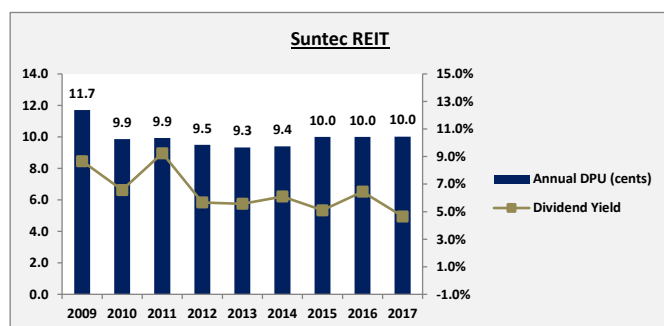
We list nine S-REITs with stable dividends, decent yields (5.0% to 6.5%) and backed by strong sponsors. All have investment-grade ratings from rating agencies except for SPH REIT (SPHREIT SP) and Keppel DC REIT (KDCREIT SP).

Office: CapitaLand Commercial Trust
Office & Retail: Suntec REIT, Mapletree Commercial Trust
Retail: SPH REIT, Frasers Centrepoint Trust
Industrial: Ascendas REIT, Mapletree Industrial Trust
Logistics: Mapletree Logistics Trust
Data Centre: Keppel DC REIT



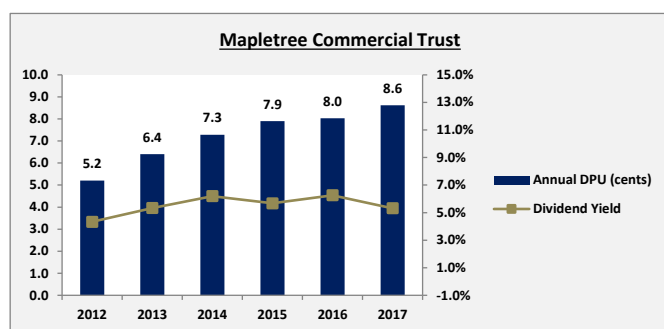
Source: Company, KGI Research

CapitaLand Commercial Trust			
Gearing	37.9%	Mkt Cap (\$\$bn)	6.5
WALE (years)	5.7	Avg Daily Traded (3M) Val (\$\$mn)	23.9
Occupancy	97.3%	Issued shares (bn)	3.6
Credit rating (Moody's)	Baa2	Free float	69%
Distribution frequency	Semi-Annual	Forward dividend yield	
Major shareholders		FY18	5.0%
CapitaLand	31%	FY19	5.0%
BlackRock	7%	FY20	5.1%
Schroders	3%		



Source: Company, KGI Research

Suntec REIT			
Gearing	36.6%	Mkt Cap (\$\$bn)	5.2
WALE (years)	3.6	Avg Daily Traded (3M) Val (\$\$mn)	13.9
Occupancy	99.5%	Issued shares (bn)	2.7
Credit rating (Moody's)	Baa3	Free float	80%
Distribution frequency	Quarterly	Forward dividend yield	
Major shareholders		FY18	5.2%
Raffles Investments	10%	FY19	5.2%
Gordon Tang	10%	FY20	5.2%
BlackRock	8%		

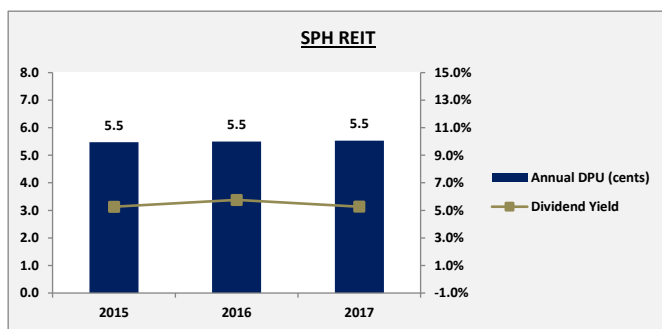


Source: Company, KGI Research

Mapletree Commercial Trust			
Gearing	34.5%	Mkt Cap (\$\$bn)	4.6
WALE (years)	2.7	Avg Daily Traded (3M) Val (\$\$mn)	9.4
Occupancy	96.1%	Issued shares (bn)	2.9
Credit rating (Moody's)	Baa1	Free float	66%
Distribution frequency	Quarterly	Forward dividend yield	
Major shareholders		FY18	5.6%
Temasek Holdings	34%	FY19	5.7%
Schroders	9%	FY20	5.8%
AIA Group	5%		

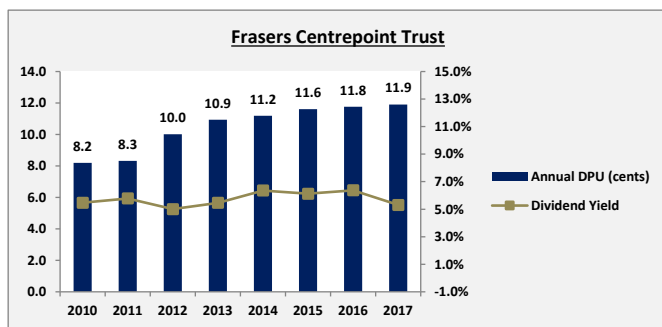
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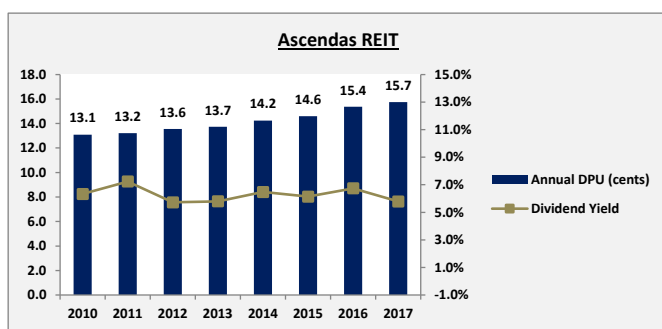
Source: Company, KGI Research

SPH REIT			
Gearing	25.4%	Mkt Cap (\$\$bn)	2.5
WALE (years)	2.2	Avg Daily Traded (3M) Val (\$\$mn)	1.5
Occupancy	100.0%	Issued shares (bn)	2.6
Credit rating	-	Free float	25%
Distribution frequency	Quarterly	Forward dividend yield	
Major shareholders		FY18	5.7%
SPH	68%	FY19	5.8%
NTUC	5%	FY20	5.9%
Morgan Stanley	1%		



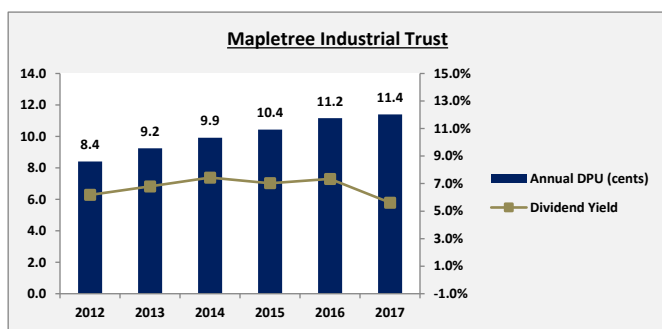
Source: Company, KGI Research

Frasers Centrepoint Trust			
Gearing	29.2%	Mkt Cap (\$\$bn)	2.1
WALE (years)	2.1	Avg Daily Traded (3M) Val (\$\$mn)	2.8
Occupancy	94.0%	Issued shares (bn)	0.9
Credit rating (S&P)	BBB+	Free float	58%
Distribution frequency	Quarterly	Forward dividend yield	
Major shareholders		FY18	5.5%
TCC Assets	42%	FY19	5.8%
Schroders	6%	FY20	5.9%
Sumitomo Mitsui Financial	3%		



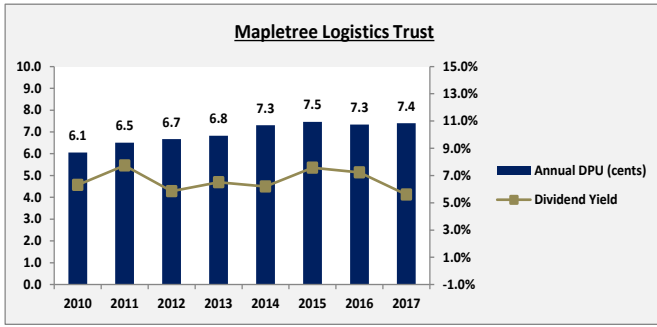
Source: Company, KGI Research

Ascendas REIT			
Gearing	35.2%	Mkt Cap (\$\$bn)	7.8
WALE (years)	6.4	Avg Daily Traded (3M) Val (\$\$mn)	26
Occupancy	100.0%	Issued shares (bn)	2.9
Credit rating (Moody's)	A3	Free float	80%
Distribution frequency	Semi-Annual	Forward dividend yield	
Major shareholders		FY18	6.2%
TJ Holdings (III)	20%	FY19	6.3%
BlackRock	7%	FY20	6.5%
Mondrian Investment	7%		



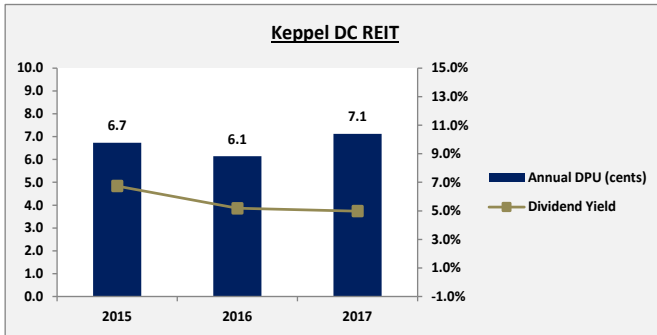
Source: Company, KGI Research

Mapletree Industrial Trust			
Gearing	33.8%	Mkt Cap (\$\$bn)	3.8
WALE (years)	3.9	Avg Daily Traded (3M) Val (\$\$mn)	10.6
Occupancy	96.3%	Issued shares (bn)	1.9
Credit rating (S&P)	BBB+	Free float	68%
Distribution frequency	Quarterly	Forward dividend yield	
Major shareholders		FY18	6.3%
Temasek Holdings	31%	FY19	6.5%
Schroders	7%	FY20	6.6%
AIA Group	5%		



Source: Company, KGI Research

Mapletree Logistics Trust			
Gearing	37.7%	Mkt Cap (\$\$bn)	3.8
WALE (years)	3.5	Avg Daily Traded (3M) Val (\$\$mn)	12.3
Occupancy	96.3%	Issued shares (bn)	3.1
Credit rating (Moody's)	Baa1	Free float	63%
Distribution frequency	Semi-Annual	Forward dividend yield	
Major shareholders		FY18	6.2%
Temasek Holdings	36%	FY19	6.4%
Vanguard Group	2%	FY20	6.5%
Sumitomo Mitsui Financial	1%		



Source: Company, KGI Research

Keppel DC REIT			
Gearing	37.4%	Mkt Cap (\$\$bn)	1.6
WALE (years)	9.6	Avg Daily Traded (3M) Val (\$\$mn)	3.3
Occupancy	93.7%	Issued shares (bn)	1.1
Credit rating	-	Free float	65%
Distribution frequency	Semi-Annual	Forward dividend yield	
Major shareholders		FY18	5.4%
Keppel Corp	35%	FY19	5.5%
Sumitomo Mitsui Financial	5%	FY20	5.2%
Cohen & Steers Inc	2%		



Cityneon Holdings Limited

(CITN SP/CNHL.SI)

BUY - Maintain

Price as of 17 May 2018	1.00
12M target price (S\$)	1.54
Previous target price (S\$)	1.54
Upside, incl. div (%)	53.5

Trading data

Mkt Cap (S\$m) / (US\$m)	245 / 182
Issued Shares (m)	245
Ave Daily Traded (3-Month) Vol / Val	0.7m / \$0.7m
52 week lo / hi	\$0.91 / \$1.26
Free Float	31.0%

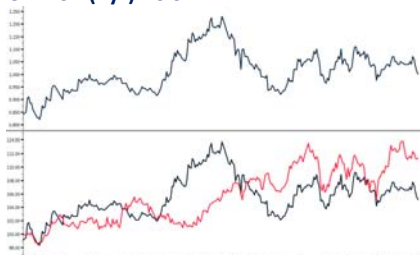
Major Shareholders

Lucrum 1 Investment	69.0%
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Previous Recommendations

Date	Rating	Share Price (S\$)	Target Price (S\$)
10-Nov-17	BUY	1.10	1.38
5-Mar-18	BUY	1.06	1.54

CITN SP (1yr) VS STI



Source: Bloomberg

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1Q18 results in line; 4th IP update

Event

Cityneon reported 1Q18 net profit of S\$4.0mn (+80.4% YoY), in line our expectations. This was mainly driven by the IP business segment, which accounted for about 80% of the bottom line. Traditional business segments remained flat, in line with our expectations as well. The Group has also strengthened its IP business segment with the acquisition of its 4th IP: The Hunger Games: The Exhibition (THG Exhibition).

Impact

1Q18 earnings in line with expectations. 1Q18 earnings came as no surprise. The IP business segment, which typically commands higher margins as compared to the traditional business segments, now makes up 62% and about 80% of revenue and net profits, respectively. This led to improved overall gross and net margins of 69.8% and 16.8%, respectively, on the back of a positive shift in sales mix. Going by this trend, we expect the IP business segment to be the key driver of growth for the group as new IPs are announced.

4th IP – THG Exhibition. Cityneon has acquired its 4th IP, which will last for seven years, granting the Group the rights to the THG Exhibition and the creation and sale of the Hunger Games branded merchandise. The agreement allows Cityneon to exploit other IPs of Lionsgate such as, Twilight and Now You See Me etc, widening the range of movie franchises it can leverage on.

2nd Jurassic World exhibition set. Cityneon has also entered into an agreement with Universal to build a second Jurassic World exhibition set. This comes after successful tours in Australia and the US. The set will take about 9 months to build and should be completed by 2Q19 at the latest, enlarging Jurassic World's revenue stream. Universal Pictures has announced its plans to produce another instalment of the Jurassic World franchise in 2021 and would complement the Jurassic World exhibitions.

Valuation & Action

Maintained BUY with no change to our P/E based target price of S\$1.54 (FY2018F EPS: S\$0.11; FY2018F P/E: 14.0x). Our investment thesis remains intact, with Cityneon's attractive growth prospects and low risk business model being the basis of our recommendation.

Risks

Renewal of the various IP rights and a decline in the franchise popularity.

Financials & Key Operating Statistics

YE Dec SGD mn	2016	2017	2018F	2019F	2020F
Revenue	96.8	116.7	138.0	159.3	166.3
PATMI	6.7	17.4	26.9	31.3	32.4
Core PATMI	6.7	17.4	26.9	31.3	32.4
Core EPS (SGD cents)	2.8	7.1	11.0	12.8	13.2
Core EPS grth (%)	302.6	151.1	54.5	16.5	3.4
Core P/E (x)	33.4	13.2	9.6	8.3	8.0
DPS (SGD cents)	0.0	0.0	0.0	0.0	0.0
Div Yield (%)	0.0	0.0	0.0	0.0	0.0
Net Margin (%)	6.9	14.9	19.5	19.7	19.5
Gearing (%)	26.3	54.7	47.7	41.5	36.6
Price / Book (x)	3.2	2.8	2.4	1.8	1.5
ROE (%)	11.2	22.9	27.9	24.9	20.5

Source: Company Data, KGI Research



Japan Foods Holding Ltd

(JFOOD SP/JPFD.SP)

BUY - Maintain

Price as of 17 May 2018	0.485
12M target price (S\$)	0.640
Previous target price (S\$)	0.540
Upside (%)	32.0

Trading data

Mkt Cap (S\$m) / (US\$m)	84 / 63
Issued Shares (m)	174
Ave Daily Traded (3-Month) Vol / Val	0.0m / \$0.0m
52 week lo / hi	\$0.40 / \$0.52
Free Float	23.3%

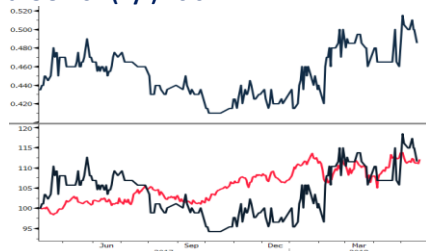
Major Shareholders

Kenichi Takahashi	66.4%
Eugene Wong	5.5%
Chau Mui Chan	4.7%

Previous Recommendations

Date	Rating	Share Price (S\$)	Target Price (S\$)
12-Feb-18	BUY	0.470	0.540
15-Nov-17	BUY	0.435	0.530
4-Aug-17	BUY	0.430	0.530
26-May-17	BUY	0.480	0.530
17-Apr-17	BUY	0.450	0.560

JFOOD SP (1yr) VS STI



Source: Bloomberg

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See the last page for important disclosures.

Scaling new heights; constantly reinventing its restaurants

Event

Full-year profits at four-year high. 4Q18 net income increased 68% YoY to S\$0.9mn, driven mainly by its “Menya Musashi” brand. For the full-year 2018, earnings grew by 24% YoY to S\$5.8mn as it increased its total restaurant count by one, and as gross profit margins had a marginal 10 bps YoY improvement to 85.0%.

Continuous improvement. The improvement in gross margins is very impressive amid ever increasing costs in Singapore; management has been able to increase its gross margins from 77.5% in FY2011 to 80.1% in FY2013, then to 83.4% in FY2015 and finally to 85.0% in FY2018. We think that FY2018 may already represent peak margins and to be able to maintain it at 85% going forward would be commendable. Further earnings growth, in our view, may have to be driven mainly by overseas expansion.

Highest dividend yield among peers. Management has proposed a 1.30 S Cents final dividend to be paid on 17 Aug. Including the 0.80 S cents interim dividend would yield a full-year dividend yield of 4.1%, the highest among its peers in the F&B sector.

Impact

Overseas expansion as key driver. JFOOD increased its overseas network to 21 in FY2018 - an increase from 18 in the prior year period – mainly from its overseas associates adding 4 new Menya Musashi restaurants in China and 1 in Hong Kong, offset by 2 store closures in Malaysia. Discussions with a potential Indonesian JV may help it gain a foot in ASEAN’s largest economy, which we expect to drive further earnings growth momentum.

Valuation & Action

We maintain our BUY recommendation with a fair value of S\$0.640 (DCF valuation). Japan Foods’ business model remains resilient and adaptable even in the face of higher costs. We see several upside catalysts in FY2019, driven by organic growth amid an improving macro environment and through JVs with overseas partners. The group maintains a sizeable cash balance of S\$22mn (26% of market cap), supported by strong free cash flows averaging S\$1m/quarter.

Risks

Rising labor costs and rental expenses, lower consumer spending amid slower wage growth; non-renewal of franchise agreements.

Financials & Key Operating Statistics

YE Mar SGD mn	2017	2018	2019F	2020F	2021F
Revenue	62.8	67.8	69.6	71.6	74.4
Gross Profit	52.9	57.7	59.0	60.7	63.1
PATMI	3.8	5.8	5.9	6.3	6.7
Core PATMI	3.2	5.3	5.3	5.7	6.0
Core EPS (SG cents)	1.8	3.0	3.1	3.3	3.5
Core EPS grth (%)	-24.1	66.5	0.5	6.3	6.1
Core P/E (x)	18.5	13.1	14.2	13.4	12.7
DPS (SG cents)	2.0	2.1	2.2	2.2	2.3
Div Yield (%)	5.0	4.8	4.5	4.5	4.7
Gross Margin (%)	84.2	85.0	84.8	84.8	84.8
Net Margin (%)	6.0	8.5	8.5	8.8	8.9
ROE (%)	12.3	17.8	16.8	16.6	16.3

Source: Company Data, KGI Research

STI Components and Key Metrics

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY18 (%)	Div Yield FY19 (%)
FINANCIALS								
DBS SP	DBS	29.40	75,378	1.4%	22.8%	0.6%	4.0%	4.2%
OCBC SP	OCBC	13.10	54,850	0.7%	7.3%	1.0%	3.3%	3.5%
UOB SP	UOB	29.61	49,216	0.1%	14.4%	0.3%	3.9%	4.1%
SGX SP	SGX	7.64	8,175	(0.1%)	4.0%	(0.7%)	3.9%	4.1%
PROPERTIES								
AREIT SP	Ascendas REIT	2.65	7,761	0.0%	0.3%	(0.7%)	6.2%	6.4%
CAPL SP	CapitaLand	3.57	14,997	0.6%	4.4%	(1.7%)	3.3%	3.4%
CCT SP	CapitaLand Comm Trust	1.73	6,250	1.2%	(8.4%)	(2.8%)	5.1%	5.2%
CT SP	CapitaLand Mall Trust	2.08	7,381	0.5%	0.3%	(1.0%)	5.3%	5.4%
CIT SP	City Development	12.04	10,948	2.2%	(2.5%)	(2.9%)	1.4%	1.4%
HKL SP	Hongkong Land USD	7.16	22,648	0.0%	3.8%	(0.7%)	2.9%	3.0%
UOL SP	UOL	8.40	7,077	0.4%	(3.4%)	(2.4%)	2.0%	2.0%
TELECOMMUNICATIONS								
ST SP	SingTel	3.41	55,680	0.0%	(4.5%)	(3.1%)	5.4%	5.5%
STH SP	StarHub	2.17	3,755	0.0%	(21.1%)	1.4%	7.2%	6.9%
CONSUMER SERVICES AND GOODS								
JCNC SP	Jardine C&C	32.80	12,964	(0.5%)	(17.1%)	(1.8%)	3.6%	3.9%
JM SP	Jardine Matheson USD	62.90	62,259	0.7%	5.6%	1.8%	2.7%	2.9%
JS SP	Jardine Strategic Holding	36.10	53,767	(0.4%)	(8.3%)	(3.2%)	0.9%	1.0%
GENS SP	Genting Singapore	1.30	15,658	(0.8%)	0.9%	0.0%	2.7%	2.8%
SPH SP	SPH	2.76	4,415	0.4%	6.4%	0.0%	5.1%	5.1%
THBEV SP	ThaiBev	0.79	19,838	0.0%	(12.2%)	(1.9%)	2.9%	3.3%
VMS SP	Venture Corp	21.76	6,254	2.6%	9.4%	0.5%	3.1%	3.2%
TRANSPORT								
SIA SP	Singapore Airlines	11.68	13,812	1.0%	9.5%	6.1%	3.0%	2.9%
CD SP	ComfortDelGro	2.39	5,172	0.0%	24.0%	2.1%	4.4%	4.6%
COMMODITIES								
GGR SP	Golden Agri	0.33	4,202	(1.5%)	(10.5%)	(8.3%)	2.0%	2.0%
WIL SP	Wilmar	3.25	20,561	0.6%	7.5%	2.5%	3.1%	3.4%
OFFSHORE & MARINE/INDUSTRIALS								
KEP SP	Keppel Corp	8.19	14,835	0.0%	13.4%	(0.6%)	3.1%	3.3%
SCI SP	Sembcorp Industries	3.08	5,497	0.3%	2.3%	(0.6%)	2.5%	3.0%
YZJSGD SP	Yangzijiang SGD	1.03	4,088	(2.8%)	(27.0%)	(8.2%)	4.4%	4.3%
SATS SP	SATS	5.48	6,116	0.7%	5.4%	(1.1%)	3.2%	3.4%
STE SP	ST Engineering	3.50	10,921	0.0%	10.4%	1.7%	4.4%	4.6%
HPHT SP	HPH Trust USD	0.33	3,865	3.1%	(17.2%)	(2.9%)	7.9%	8.1%

Dividend Yield based on Bloomberg consensus. Total return includes dividends.

Source: Bloomberg

STI Reserve List (by market cap) - STI next review date: March 2018

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY18 (%)	Div Yield FY19 (%)
SUN SP	Suntec REIT	1.80	4,795	(0.6%)	(14.2%)	(4.3%)	5.6%	5.6%
MCT SP	Mapletree Commercial	1.58	4,560	0.0%	0.3%	(1.2%)	5.7%	5.8%
KREIT SP	Keppel REIT	1.17	3,976	0.0%	(5.0%)	(3.3%)	5.0%	5.0%
SMM SP	Semcorp Marine	2.27	4,740	2.3%	23.9%	2.3%	0.9%	1.0%

Dividend Yield based on Bloomberg consensus. Total return includes dividends.

Source: Bloomberg

Appendix 1: Corporate Action

Company	Results Ann Date	Period	DPS	Ex-Date	Book Close	Payable	Share Price 21 May 18	Yield (%)
EnGro Corp Ltd/Singapore	27-Feb-18	FY17	SGD 0.025000	22-May-18	24-May-18	8-Jun-18	SGD 0.950	2.6
Enviro-Hub Holdings Ltd	28-Feb-18	FY17	SGD 0.003000	22-May-18	24-May-18	8-Jun-18	SGD 0.040	7.5
Jumbo Group Ltd	14-May-18	3Q18	SGD 0.0050	22-May-18	24-May-18	7-Jun-18	SGD 0.545	0.9
Maxi-Cash Financial Services Corp	26-Feb-18	FY17	SGD 0.0070	22-May-18	24-May-18	12-Jul-18	SGD 0.157	4.5
CapitaLand Commercial Trust - Advanced Distribution			SGD 0.03490	23-May-18	25-May-18	18-Jul-18	SGD 1.730	2.0
Fraser and Neave	8-May-18	2Q18	SGD 0.01500	25-May-18	30-May-18	12-Jun-18	SGD 2.080	0.7
Frasers Centrepoint	10-May-18	2Q18	SGD 0.02400	25-May-18	30-May-18	12-Jun-18	-	0.0
Koh Brothers Eco Engineering Ltd	12-Feb-18	FY17	SGD 0.0010	25-May-18	30-May-18	6-Jun-18	SGD 0.076	1.3
Koh Brothers Group Ltd	13-Feb-18	FY17	SGD 0.0060	25-May-18	30-May-18	13-Jun-18	SGD 0.310	1.9
Koh Brothers Group Ltd - Special	13-Feb-18	FY17	SGD 0.0040	25-May-18	30-May-18	13-Jun-18	SGD 0.310	1.3
Singapore Kitchen Equipment	1-Mar-18	FY17	SGD 0.0050	25-May-18	30-May-18	8-Jun-18	SGD 0.170	2.9
Thai Beverage PCL	15-May-18	1H18	Baht 0.1500	25-May-18	30-May-18	14-Jun-18	SGD 0.790	
Global Testing Corp	27-Feb-18	FY17	SGD 0.09000	28-May-18	31-May-18	29-Jun-18	SGD 1.200	7.5
Global Testing Corp - Cash Distribution			SGD 0.11000	28-May-18	31-May-18	29-Jun-18	SGD 1.200	9.2
PNE Industries	14-May-18	1H18	SGD 0.0200	28-May-18	31-May-18	8-Jun-18	SGD 0.955	2.1
PNE Industries - Special	14-May-18	1H18	SGD 0.0100	28-May-18	31-May-18	8-Jun-18	SGD 0.955	1.0
Starland Holdings Ltd	8-Feb-18	FY17	SGD 0.00500	28-May-18	31-May-18	8-Jun-18	SGD 0.080	6.3
Tan Chong Int'l	28-Mar-18	FY17	HKD 0.0850	30-May-18	1-Jun-18	21-Jun-16	HKD 2.650	3.2

Company	Offer Price	Closing Date	Offeror
Tat Hong Hldgs Ltd	SGD 0.550 Cash	5.30 p.m. on 4 Jun 2018	THSC Investments Pte. Ltd.
Lee Metal Grp	SGD 0.42	5.30 p.m. on 21 Jun 2018	BRC Asia Ltd
LTC Corporation Limited	SGD 0.925 Cash	5.30 p.m. on 31 May 2018	Mountbatten Enterprises Pte. Ltd.
Vard Hldgs	SGD 0.25 Cash	5.30 p.m. on 20 Jul 2018	Fincantieri Oil & Gas S.p.A.

Source: SGX Announcement

Appendix 2: Financial Calendar

Monday		Tuesday		Wednesday		Thursday		Friday	
	21-May		22-May	SG (Apr 2018): CPI Overall index and sub-indices Q4: Boustead Spore	23-May		24-May	SG: 1Q18 GDP (Not later than 25 May) SG (Apr 2018): Index of Industrial Production Q4: Valuetronics Hldgs *Q4: Meghmani Organics (Release on Sat, 26-May)	25-May
	28-May		29-May	Q4: KSH Hldgs / SATS / Tat Hong Hldgs *Q4: Yongmao Hldgs	30-May		31-May	1-Jun-18	
	4-Jun		5-Jun		6-Jun		7-Jun		8-Jun
	11-Jun		12-Jun		13-Jun		14-Jun		15-Jun
	18-Jun		19-Jun		20-Jun		21-Jun		22-Jun

* Tentative

Source: Bloomberg

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