

Market Indicators

	18-Oct	19-Oct	22-Oct
Mkt. T/O (S\$ mil)	912.0	1,048.9	828.8
Stock Advances	149	139	193
Stock Declines	213	237	168

Major Indices

	18-Oct	19-Oct	22-Oct
DJ Ind Avg	25,379.5	25,444.3	25,317.4
S & P 500	2,768.8	2,767.8	2,755.9
Nasdaq Comp	7,485.1	7,449.0	7,468.6
Hang Seng	25,454.6	25,561.4	26,153.2

STI Index 3,078.06 (+0.51%)

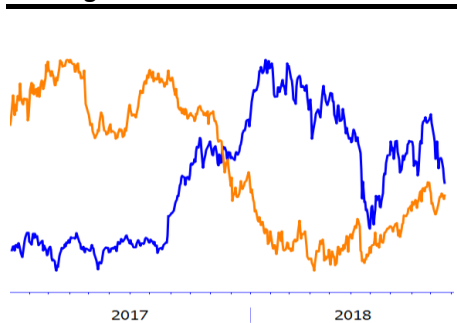


Source: Bloomberg

Commodities

	Current Price	% Chge from Close
Gold (SPOT) US\$ / oz	1,222.40	-0.09%
Oil (NYMEX CWT11) US\$ / bbl	69.61	0.26%
Baltic Dry Index	1576	0.70%

Exchange Rates



USD : SGD 1.3811 / MYR : SGD 3.0139

Source: Bloomberg

Interest Rates

3-mth Sibor	1.642%
SGS (10 yr)	2.579%

KGI Market Ideas

Thai Beverage: Since 2016, beer consumption in Thailand has been affected by the mourning period and excise tax but we expect beer consumption to rebound soon due to improvements in wage growth and the steep rise in the Thailand's consumer confidence index to a 3-year high in July 2018. We expect beer consumption to rebound in the coming quarter and efficient marketing strategies to continue capturing market share for the company. Based on these trends, we continue to maintain a **BUY** with a SOTP derived target price of \$0.75.

Sheng Siong: We maintain a **BUY** based on a DCF based TP of S\$1.24, implying a 2018F P/E of 21x. SSG is the third largest grocery and household products retailer locally with a 19% market share (by sales), offering a 2018F dividend yield of 3.3% supported by a cash generative business model. We believe SSG's investment proposition is twofold, as it provides stable cash returns and offers organic growth through margin expansion. We expect PATMI to grow steadily at 6.5/8.6/7.1% YoY for 2018/19/20F on the back of increased store count and further margin expansion. EPS CAGR (2017 – 2020F): 7.4%. Given its defensive business model and almost no foreign exposure, Sheng Siong's business is relatively sheltered from global economic uncertainty. Since its IPO listing in 2011, bottom line growth has continued to remain steady, driven by margin expansion from efficiency gains in the supply chain. The stock currently trades at a P/E of 21x, which we believe is undemanding and offers a good entry point given its resilience amid an uncertain economic environment.

Initiation Report

➤ **IFS Capital (IFS SP; BUY; S\$0.29):** Turnaround taking shape; Financing SMEs since 1987 - Page 4

Recent In depth Regional Reports

22/10	TH Bank Sector (Overweight): 3Q18 earnings review: Weaker revenue and unstable NPL
22/10	TH Bangkok Chain Hospital (BCH TB; Outperform; TP: Bt 21.50): 3Q18 earnings preview: New high
22/10	TH Eastern Polymer Group (EPG TB; Outperform; TP: Bt 9.10): 2Q18/19 earnings preview: An ordinary quarter
22/10	TH Kasikornbank (KBANK TB; Outperform; TP: Bt 230.00): 3Q18 earnings review: Rough operation
22/10	TH Kiatnakin Bank (KKP TB; Outperform; TP: Bt 86.00): 3Q18 earnings review: Core earnings lower than expected
22/10	TH Krung Thai Bank (KTB TB; Outperform; TP: Bt 2.30): 3Q18 earnings review: Beat the market expectation
19/10	TW Taiwan Surface (6278 TT; Not Rated): Beneficiary of order reroute amid trade war & Chinese panel labs ramp-up
19/10	HK Sunny Optical Technology (2382 HK; Neutral; TP: HK\$86.00): Strong 3Q18 shipment growth, but uncertainties remain
19/10	CN/HK Stock Liquidity Monitor: Weekly data – Stock incentive & shareholding changes involving major shareholders
19/10	TH Construction Materials Sector (Neutral): Dream comes true
19/10	TH Bangkok Bank (BBL TB; Outperform; TP: Bt 220.00): 3Q18 earnings review: Better margin asset quality
19/10	TH GFPT (GFPT TB; Outperform; TP: Bt 16.50): 3Q18 earnings preview: Up
19/10	TH Siam City Cement (SCCC TB; Outperform; TP: Bt 304.00): 3Q18 earnings preview: To surge on market improvement
19/10	TH Siam Commercial Bank (SCB TB; Outperform; TP: Bt 152.00): 3Q18 earnings review: Huge investment gain offset loss from insurance business
19/10	TH Thai Wah PCL (TWPC TB; Underperform; TP: Bt 6.50): 3Q18 earnings preview: Stabilizing quarter
18/10	TW Strategy: Inflation & 'Tatung Article' to push funds toward land-rich corporations
18/10	TW Gourmet Master (2723 TT; Neutral; TP: NT\$256.00): Still reeling from fallout of Chinese boycott
18/10	TW Shanghai Commercial & Saving Bank (5876 TT; Outperform; TP: NT\$39.00): Beneficiary of widening FCY spread & high-yield play
18/10	TW TSMC (2330 TT; Outperform; TP: NT\$270.00): Leadership on track but macro concerns remain
18/10	HK Bosideng (3998 HK; Outperform; TP: HK\$1.280): Down apparel leader – Looking good after rebranding
18/10	CN/HK Economy: Aggregate financing resumed growth in September, but market liquidity improvement will be limited
18/10	TH Bangchak Corporation (BCP TB; Neutral; TP: Bt 38.00): 3Q18 earnings preview: Big gains from solar infrastructure fund
18/10	TH Siam Future Development (SF TB; Neutral; TP: Bt 9.30): 3Q18 earnings preview: Status quo
18/10	TH TMB Bank (TMB TB; Underperform; TP: Bt 2.30): 3Q18 earnings review: Huge extra revenues
17/10	SG IFS Capital (IFS SP; BUY; TP: S\$ 0.29): Turnaround taking shape; Financing SMEs since 1987
17/10	TW Applied BioCode (6598 TT; Not Rated): Gastrointestinal pathogen panel to contribute sales in 1Q19F
17/10	TH Commodities Update: Wall Street's shake
17/10	TH Home Product Center (HMPC TB; Neutral; TP: Bt 15.30): GPM remains a key driver
17/10	TH Total Access Communication (DTAC TB; Neutral; TP: Bt 46.00): Bottomed out in 3Q18, but already priced in
16/10	TW Sportswear Sector: TITAS 2018 takeaways
16/10	TW Bizlink (3665 TT; Outperform; TP: NT\$176.00): Risk-reward profile has become attractive
16/10	TW Feng Tay (9910 TT; Outperform; TP: NT\$230.0): 4Q18F shipment volume to reach record high
16/10	TW Li Cheng (4426 TT; Not Rated): 2019F sales outlook uncertain
16/10	TW Taiwan Paiho (9938 TT; Outperform; TP: NT\$62.00): 3Q18 preliminary results miss
16/10	CN/HK Economy: CPI uptrend continues, but unlikely to top 3% this year; still room for monetary easing near term
16/10	TH Airports of Thailand (AOT TB; Outperform; TP: Bt 82.12): 4Q18 earnings preview: The worst quarter of the year
16/10	TH Tisco Financial Group (TISCO TB; Neutral; TP: Bt 92.00): A dividend play
16/10	TH True Corporation (TRUE TB; Outperform; TP: Bt 9.00): 3Q18 earnings preview: YoY growth expected

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

Recent In depth Regional Reports

15/10	SG ComfortDelGro Corporation (CD SP; BUY; TP: S\$2.720): Overreaction to Go-Jek's entry into Singapore
15/10	TW Zhen Ding (4958 TT; Outperform; TP: NT\$94.00): 3Q18 sales in line; subsidiary raises guidance
15/10	CH/HK A-share Weekly: A-shares fell through psychological support on US volatility; SCI's quick recovery to 2,700 is crucial

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CHINA
DEVELOPMENT
FINANCIAL

IFS Capital

(IFS SP/I49.SI)

Turnaround taking shape; Financing SMEs since 1987

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- We initiate coverage on IFS with a BUY recommendation. Our fair value of S\$0.29 is based on 0.7x 2018F BVPS.
- IFS has been financing SMEs for more than 30 years and is positioned for growth in its key markets of Singapore, Thailand, Indonesia and Malaysia.
- New management team since 2015 has successfully grown IFS's lending business while reducing risks from its non-core businesses.

Financials & Key Operating Statistics

YE Dec SGD mn	2016	2017	2018F	2019F	2020F
Net Interest Income	16.4	19.0	20.0	22.2	24.7
PATMI	(2.6)	2.0	4.6	5.3	6.7
Net Profit Growth	-	-	134.1%	16.4%	25.9%
EPS (SGD cents)	(1.3)	0.5	1.2	1.4	1.8
Return on Average Equity	-2.0%	1.3%	3.0%	3.3%	4.1%
Return on Average Assets	-1.1%	0.8%	2.0%	2.3%	2.9%
NAV (SGD Cents)	40.2	40.5	41.7	43.1	44.9
P/B(x)	0.5	0.5	0.5	0.5	0.5
P/E(x)	-	40.4	17.2	14.8	11.8
Wgt. Avg. shares, diluted	197.2	376.0	376.0	376.0	376.0
DPS (SGD Cents)	-	0.3	0.4	0.4	0.5
Div Yield (%)	-	1.4	1.7	2.0	2.5

Source: Company Data, KGI Research

Turnaround. We believe that the turnaround story for IFS Capital has reached an inflexion point, as the company's profits swing back into the black in 2017 on higher revenue and lower impairment. Since the appointment of new management in 2015, the firm has successfully grown its lending business, reduced NPLs and implemented good risk management processes in preparation for further growth. Going forward, we expect the firm to strengthen its balance sheet further and increase its core business of SME financing.

ASEAN growth. SMEs play an important role in local economies, accounting for 30-60% of ASEAN countries' GDP and employing 60-90% of the workforce. However, these SMEs are underserved by major financial institutions due to the low-risk appetite of banks and the lack of credit information. IFS, which has been financing SMEs for more than 30 years, is well-positioned to grow alongside companies in key ASEAN countries like Singapore, Thailand, Indonesia and Malaysia. As a result of the renewed focus on its SME financing business, both factoring receivables and volumes have grown by around 10% per annum since 2015.

Figure 1: Providing SMEs with financing solutions for 30 years



Source: Company

BUY - Initiation

Price as of 15 Oct 18 (SGD)	0.21	Performance (Absolute)	
12M TP (\$)	0.29	1 Month (%)	-4.5
Previous TP (\$)	na	3 Month (%)	-4.5
Upside (%)	39.2	12 Month (%)	-7.7
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	79		
Issued Shares (mn)	376		
Vol - 3M Daily avg (mn)	0.0		
Val - 3M Daily avg (\$mn)	0.0		
Free Float (%)	39.7%		
Major Shareholders		Previous Recommendations	
Lim Hua Min	60.1%		
Dymon Asia Private Equity	6.9%		

Better risk management. Management has implemented risk management systems with more stringent criteria that reduced default rates over the past two years. Most notably, clean loans without collaterals were reduced. These systems have had a direct impact on the firm's profitability as loan provisions dropped 56% YoY to \$8.4mn in 2016 and another 58% YoY to \$3.5mn in 2017. While IFS's provisions dropped dramatically from 2015 to 2017, the firm's bottom line was hit by its insurance business when net claims rose 360% to \$10.8mn in 2017, driven by insurance products in the automobiles space. Management has since revamped the business. After the revamp, we expect net claims to gradually decline.

Valuation & Action: We initiate coverage on IFS with a BUY recommendation in view of its rapid recovery driven by strong, stable growth in its lending business. We assign a target price of \$0.29 to IFS Capital, based on a FY18F P/NAV of 0.7x.

The completion of the sale of its Suntec office is expected to net IFS a gain of 5 cents, or 20% of its market cap, and would increase IFS's NAV by 10% to 49 cents. These are positive initiatives meant to unlock and allow better use of its capital, mainly to support the growth of its lending business.

Risks: Increase in net claims from its insurance business and an economic slowdown are key risks. Meanwhile, a faster-than-expected rise in rates would impact IFS's cost of borrowings and net interest margins.

This report is prepared by KGI Securities (Singapore) under the SGX StockFacts Research Programme. See the last page for important disclosures.

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	24.35	62,185	0.4%	4.0%	(0.5%)	4.9%	5.1%
OCBC SP	OCBC	10.81	45,966	0.9%	(9.9%)	1.4%	3.9%	4.2%
UOB SP	UOB	25.30	42,187	(0.1%)	(0.4%)	0.5%	4.8%	5.0%
SGX SP	SGX	7.08	7,591	2.2%	(1.7%)	3.2%	4.4%	4.6%
PROPERTIES								
HKL SP	Hongkong Land USD	6.13	19,872	0.7%	(10.4%)	1.7%	3.4%	3.6%
CAPL SP	CapitaLand	3.12	12,988	0.3%	(8.7%)	1.6%	3.9%	4.0%
AREIT SP	Ascendas REIT	2.55	7,927	(0.4%)	(0.7%)	2.0%	6.5%	6.6%
CIT SP	City Development	8.32	7,545	0.5%	(32.2%)	1.2%	2.2%	2.2%
CT SP	CapitaLand Mall Trust	2.19	7,772	0.5%	7.1%	4.8%	5.1%	5.2%
CCT SP	CapitaLand Comm Trust	1.73	6,477	1.2%	(6.1%)	2.4%	5.1%	5.2%
UOL SP	UOL	6.29	5,301	1.8%	(27.7%)	1.3%	2.7%	2.7%
TELECOMMUNICATIONS								
ST SP	SingTel	3.17	51,763	0.0%	(8.2%)	1.9%	5.6%	5.6%
CONSUMER SERVICES AND GOODS								
JM SP	Jardine Matheson USD	58.88	59,765	(0.0%)	(0.6%)	0.4%	2.8%	3.0%
JS SP	Jardine Strategic Holdings	33.26	50,773	(1.1%)	(15.2%)	(1.7%)	1.0%	1.0%
THBEV SP	ThaiBev	0.67	16,825	3.1%	(25.0%)	3.9%	3.0%	3.3%
DFI SP	Dairy Farm Internationl	8.95	16,680	2.4%	16.8%	4.4%	2.6%	2.9%
GENS SP	Genting Singapore	0.95	11,443	1.6%	(25.2%)	0.5%	3.8%	3.9%
JCNC SP	Jardine C&C	29.07	11,490	(1.5%)	(26.0%)	1.9%	4.0%	4.2%
VMS SP	Venture Corp	16.44	4,738	1.0%	(16.4%)	2.8%	4.0%	4.2%
SPH SP	SPH	2.70	4,316	3.1%	4.1%	3.1%	5.1%	5.1%
TRANSPORT								
SIA SP	Singapore Airlines	9.38	11,103	0.8%	(9.4%)	2.0%	4.0%	4.2%
CD SP	ComfortDelGro	2.26	4,893	2.3%	19.5%	6.6%	4.7%	5.0%
COMMODITIES								
WIL SP	Wilmar	3.05	19,296	1.3%	2.0%	1.7%	3.5%	3.5%
GGR SP	Golden Agri	0.25	3,184	4.2%	(32.2%)	6.4%	2.8%	3.3%
OFFSHORE & MARINE/INDUSTRIALS								
KEP SP	Keppel Corp	6.51	11,799	(2.0%)	(7.9%)	(3.1%)	4.2%	4.0%
STE SP	ST Engineering	3.46	10,794	1.2%	10.8%	1.8%	4.4%	4.6%
SATS SP	SATS	4.96	5,535	2.3%	(2.4%)	2.7%	3.8%	4.0%
SCI SP	Sembcorp Industries	2.93	5,231	0.0%	(2.0%)	0.0%	1.8%	2.5%
YZJSGD SP	Yangzijiang SGD	1.20	4,735	1.7%	(14.9%)	(3.2%)	3.5%	3.6%
HPHT SP	HPH Trust USD	0.25	2,941	0.0%	(35.9%)	0.0%	9.6%	9.5%

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

STI Reserve List (by market cap) - STI next review date: December 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	1.83	4,881	1.1%	(11.6%)	2.8%	5.5%	5.4%
MCT SP	Mapletree Commercial	1.58	4,562	0.6%	1.6%	0.0%	5.7%	5.8%
MLT SP	Mapletree Logistics Trust	1.23	4,383	0.8%	(0.9%)	0.8%	6.4%	6.5%
KREIT SP	Keppel REIT	1.13	3,850	0.9%	(6.0%)	0.3%	5.1%	5.1%
MINT SP	Mapletree Industrial Trust	1.95	3,679	0.5%	(0.2%)	1.0%	6.3%	6.6%

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 22 Oct 18	Yield (%)
Soilbuild Business Space REIT	17-Oct-18	3Q18	SGD 0.01245	23-Oct-18	25-Oct-18	22-Nov-18	SGD 0.595	2.1
Ellipsiz	20-Aug-18	FY18	SGD 0.020000	25-Oct-18	29-Oct-18	20-Nov-18	SGD 0.515	3.9
Ellipsiz - Special	20-Aug-18	FY18	SGD 0.010000	25-Oct-18	29-Oct-18	20-Nov-18	SGD 0.515	1.9
PCI	28-Aug-18	FY18	SGD 0.0300	25-Oct-18	29-Oct-18	7-Nov-18	SGD 1.070	2.8
PCI - Special	28-Aug-18	FY18	SGD 0.0200	25-Oct-18	29-Oct-18	7-Nov-18	SGD 1.070	1.9
Singapore Exchange	19-Oct-18	1Q19	SGD 0.0750	25-Oct-18	29-Oct-18	5-Nov-18	SGD 7.080	1.1
Chuan Hup Hldgs	28-Aug-18	FY18	SGD 0.0100	29-Oct-18	31-Oct-18	13-Nov-18	SGD 0.320	3.1
RE&S Holdings	20-Aug-18	4Q18	SGD 0.0040	29-Oct-18	31-Oct-18	8-Nov-18	SGD 0.180	2.2
Sin Ghee Huat Corp Ltd	23-Aug-18	FY18	SGD 0.0030	29-Oct-18	31-Oct-18	14-Nov-18	SGD 0.240	1.3
First Real Estate Invst Trust	13-Oct-18	3Q18	SGD 0.021500	30-Oct-18	1-Nov-18	29-Nov-18	SGD 1.200	1.8
GuocoLand	27-Aug-18	FY18	SGD 0.07000	30-Oct-18	1-Nov-18	22-Nov-18	SGD 1.850	3.8
Karin Technology Hldgs	28-Aug-18	FY18	HKD 0.1180	30-Oct-18	1-Nov-18	22-Nov-18	SGD 0.335	2.1
UG Healthcare Corp Ltd	23-Aug-18	FY18	SGD 0.002350	30-Oct-18	1-Nov-18	17-Dec-18	SGD 0.225	1.0
British & Malayan Trustees Ltd	17-Aug-18	FY18	SGD 0.02700	31-Oct-18	2-Nov-18	20-Nov-18	-	0.0

Appendix 2: Financial Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
<p>22-Oct</p> <p>Q2: Mapletree Logistics Trust</p>	<p>23-Oct</p> <p>Q2: Mapletree Industrial Trust</p> <p>Q3: Utd Overseas Insurance</p>	<p>24-Oct</p> <p>Q2: Ascendas India Trust / Mapletree Commercial Trust</p> <p>Q3: M1 / Suntec REIT / Tuan Sing Hldes</p> <p>Q4: Frasers Centrepoint Trust</p> <p>*Q2: Jasper Invts</p>	<p>25-Oct</p> <p>Q2: AIMS AMP Capital Industrial REIT / Ascendas REIT</p> <p>Q3: CapitalLand Mall Trust / Parkway Life REIT / Sembcorp Marine</p>	<p>26-Oct</p> <p>Q2: Mapletree North Asia Commercial Trust</p> <p>Q3: Cache Logistics Trust / CapitaLand Commercial Trust / ESR-REIT / Hutchison Port Hldgs Trust / iFast Corp (Release on Sat, 27-Oct) / UOB (Before mkt open)</p> <p>Q4: Frasers Hospitality Trust</p> <p>*Q3: Indofood Agri Resources (Release on Sat, 27-Oct)</p>
<p>29-Oct</p> <p>Q3: Great Eastern Hldgs / Raffles Medical Grp</p> <p>*Q2: Meghmani Organics</p>	<p>30-Oct</p> <p>Q1: Starhill Global REIT</p> <p>Q3: CapitalLand Retail China Trust / CDL Hospitality Trusts / Far East Hospitality Trust</p> <p>Q4: Second Chance Properties</p> <p>*Q1: Micro-Mechanics Hldgs</p>	<p>31-Oct</p> <p>Q2: Ascendas Hospitality Trust</p> <p>Q3: Roxy-Pacific Hldgs</p> <p>*Q3: Tianjin ZhongXin Pharmaceutical Grp</p>	<p>1-Nov-18</p> <p>Q3: Ascott Residence Trust / China Aviation Oil Spore / OCBC (Before mkt open)</p> <p>*Q1: Oxley Hldgs</p>	<p>2-Nov</p> <p>Q2: NetLink NBN Trust</p> <p>Q3: Challenger Technologies / Sembcorp Industries</p> <p>*Q3: CITIC Envirotech / Venture Corp</p>
<p>5-Nov</p> <p>Q3: Manulife US REIT</p> <p>Q4: Frasers Logistics & Industrial Trust</p> <p>*Q3: DBS</p>	<p>6-Nov</p>	<p>7-Nov</p> <p>Q3: Vicom</p>	<p>8-Nov</p> <p>Q2: SIA Engrg Co</p> <p>Q3: City Devpts / Emerging Towns & Cities / Genting Spore / Ho Bee Land / SBS Transit / Thakral Corp</p> <p>*Q3: Best World Int'l</p>	<p>9-Nov</p> <p>Q3: ComfortDelGro Corp / Mewah Int'l Inc</p> <p>Q4: Frasers Property</p> <p>*Q3: UMS Hldgs</p>
<p>12-Nov</p> <p>Q3: Sasseur REIT / Wilmar Int'l</p>	<p>13-Nov</p> <p>Q2: Accordia Golf Trust</p> <p>Q3: Spore Airlines</p> <p>*Q1: Health Mgt Int'l</p> <p>*Q3: First Resources</p>	<p>14-Nov</p> <p>*Q2: AusNet Services</p>	<p>15-Nov</p>	<p>16-Nov</p> <p>*Q3: First REIT (Release on Sat, 17-Nov)</p>
<p>19-Nov</p>	<p>20-Nov</p>	<p>21-Nov</p>	<p>22-Nov</p>	<p>23-Nov</p>

* Tentative

Source: Bloomberg

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