

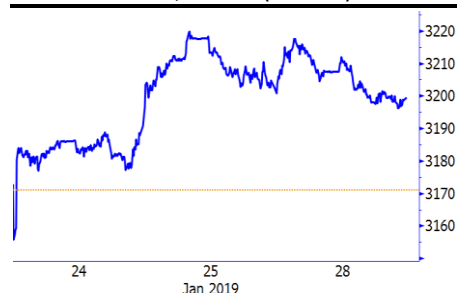
## Market Indicators

|                    | 24-Jan | 25-Jan  | 28-Jan |
|--------------------|--------|---------|--------|
| Mkt. T/O (S\$ mil) | 999.2  | 1,033.0 | 807.2  |
| Stock Advances     | 202    | 238     | 159    |
| Stock Declines     | 182    | 156     | 201    |

## Major Indices

|             | 24-Jan   | 25-Jan   | 28-Jan   |
|-------------|----------|----------|----------|
| DJ Ind Avg  | 24,553.2 | 24,737.2 | 24,528.2 |
| S & P 500   | 2,642.3  | 2,664.8  | 2,643.9  |
| Nasdaq Comp | 7,073.5  | 7,164.9  | 7,085.7  |
| Hang Seng   | 27,121.0 | 27,569.2 | 27,577.0 |

**STI Index** 3,199.50 (-0.09%)

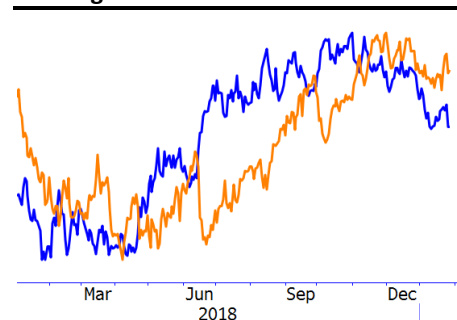


Source: Bloomberg

## Commodities

|                             | Current Price | % Chge from Close |
|-----------------------------|---------------|-------------------|
| Gold (SPOT) US\$ / oz       | 1,303.68      | 0.25%             |
| Oil (NYMEX CWT1) US\$ / bbl | 52.01         | -1.44%            |
| Baltic Dry Index            | 905           | -3.62%            |

## Exchange Rates



USD : SGD 1.3532 / MYR : SGD 3.0397

Source: Bloomberg

## Interest Rates

|             |        |
|-------------|--------|
| 3-mth Sibar | 1.889% |
| SGS (10 yr) | 2.188% |

## KGI Market Ideas

**Tuan Sing Holdings (TSH SP):** TSH offers a good short-term trade ahead of its 4Q18 results scheduled after trading hours this Wednesday, 30 January. The property developer guided in its 3Q18 announcement that the completion of 18 Robinson office building before the end of 2018 would enable the group to realise a material developer's profit. The valuation of 18 Robinson was higher than our initial estimates. TSH announced on 24 January that CBRE has valued 18 Robinson at \$S682mn, or S\$30mn higher than our estimates. As a result, total surplus value for 18 Robinson should be 10.5 cents compared to our initial 8 cents estimate. Applying a conservative 50% discount to its 92.5 cents RNAV would imply a fair value of at least 46 cents compared to its current share price of 39 cents.

**Keppel Corp (KEP SP):** 4Q18 PATMI returned to profitability of S\$135mn compared to a loss of S\$492mn in 4Q17. Stripping out the one-off fines in the prior year period, 4Q18 EPS increased 7% YoY to 7.4 cents. Final DPU rose 1 cent to 15 cents, bringing full-year dividend to 30 cents compared to 22 cents in FY17. Although KEP reported a good set of 4Q18 results, we downgrade our recommendation on the company to HOLD, driven mainly by the growth slowdown in its key businesses (i.e., China and Singapore property) and our cautious macro views. KEP's 5% dividend yield (based on average 50% payout ratio) should lend downside support, but upside is also limited, and thus does not provide an attractive risk-reward in the next 6-12 months. Our preference would be for income stocks with stable cash generation, such as Keppel DC REIT (KDCREIT SP, Not-rated).

**SGX (SGX SP):** 2Q FY2019 earnings rose 9% YoY to S\$97mn, lifted mainly by its derivatives business. Revenues from its derivatives business rose 35% YoY to S\$113mn, making up 50% of the group's total revenues in the quarter compared to 41% in the prior year period. The most traded products were A50 futures and FX futures contracts. Its derivatives business was able to offset the 12% YoY decline in revenues from its securities segment. The share of equities to total revenues declined to 38% in 2Q19 compared to 48% in the prior year period. SGX increased its interim dividend by 50% YoY to 7.5 cents, ex-date on 31 January. SGX's 5% dividend yield should appeal to investors looking for income.

## KGI Tactical Ideas – US Luxury Sector

**Strong headwinds.** Luxury was one of the worse hit US sectors in mid January after the release of China's weak trade data posted for the month of December. Toll on China's import and export may be materialising from the trade war events.

**Boost from tax cuts.** Zooming in on retail expenditure by the Chinese, sales in December grew 8.2% YOY. The new tax stimulus to spur consumer consumption may see effects during the festive sales across Chinese New Year. Additional deductions and an expanded tax bracket would translate to cuts on income tax payable of up to 70%. This could see a boost towards retail consumption, including luxury goods. Investors taking a bet on US luxury stocks should keep a close eye on expenditure next week.

US luxury stocks within our watch list include **LVMHF (LVMHF US)**, **TAPESTRY (TPR US)**, and **CAPRI (CPRI US)**.

KGI Securities Research Team

**Monthly Observations, Credit Note, Results Update & Company Update**

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**Recent In depth Regional Reports**

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| 28/1   | <b>SG</b> Keppel Corporation (KEP SP; HOLD; TP: S\$ 7.500): Muted outlook as key segments face headwinds                     |
| 28/1   | <b>TH</b> Energy Sector (Neutral): Crude price strikes back  |
| 28/1   | <b>TH</b> Bangchak Corporation (BCP TB; Neutral; TP: Bt 36.50): Trial and error  |
| 28/1   | <b>TH</b> Banpu Pcl. (BANPU TB; Outperform; TP: Bt 21.00): Still bright in 2019  |
| 28/1   | <b>TH</b> Indorama Ventures (IVL TB; Outperform; TP: Bt 65.00): God of acquisition   |
| 28/1   | <b>TH</b> IRPC (IRPC TB; Outperform; TP: Bt 7.00): The largest beneficiary from IMO's upcoming policy                        |
| 28/1   | <b>TH</b> PTT (PTT TB; Neutral; TP: Bt 50.50): Awaiting the listing of PTTOR   |
| 28/1   | <b>TH</b> PTT Exploration and Production (PTTEP TB; Outperform; TP: Bt 145.00): King of Gulf of Thailand                     |
| 28/1   | <b>TH</b> PTT Global Chemical (PTTGC TB; Neutral; TP: Bt 74.00): Dark polyethylene   |
| 28/1   | <b>TH</b> Star Petroleum Refining (SPRC TB; Outperform; TP: Bt 13.00): Grabbing high dividend                                |
| 28/1   | <b>TH</b> Thai Oil (TOP TB; Outperform; TP: Bt 85.00): King of crude inventories   |
| 25/1   | <b>TW</b> Petrochemicals Sector (Overweight): Polyester chain destocking coming to close                                     |
| 25/1   | <b>TW</b> FENC (1402 TT; Outperform; TP: NT\$ 37.00): Polyester chain destocking coming to a close                           |
| 25/1   | <b>HK</b> Kingworld Medicines (1110 HK; Not Rated): Key takeaways from conference call                                       |
| 25/1   | <b>TH</b> COM7 (COM7 TB; Outperform; TP: Bt 26.00): 4Q18 earnings preview: Heading for a new record                          |
| 25/1   | <b>TH</b> Intouch Holdings (INTUCH TB; Outperform; TP: Bt 62.25): No smoke without fire                                      |
| 24/1   | <b>SG</b> KGI Monthly Observations: The need to stay defensive   |
| 24/1   | <b>SG</b> Singtel 3.4875% 04/08/20: Short-Term Carry   |
| 24/1   | <b>TW</b> Casetek Holdings (5264 TT; Outperform; TP: NT\$ 55.00): Strong 4Q18 earnings recovery; turnaround in 2019F         |
| 24/1   | <b>TW</b> Hiwin (2049 TT; Underperform; TP: NT\$ 168.00): 1Q19F earnings to likely miss consensus by 29%                     |
| 24/1   | <b>CN</b> Midea Group (000333 CH; Not Rated): Conference call takeaways  |
| 24/1   | <b>TH</b> Ekachai Hospital (EKH TB; Outperform; TP: Bt 7.85): Positive growth to continue in 2019                            |
| 23/1   | <b>TW</b> Wiyynn (6669 TT; Outperform; TP: NT\$ 418.00): Beneficiary of cloud computing wave                                 |
| 23/1   | <b>HK</b> L'Occitane (973 HK; Neutral; TP: HK\$ 15.40): 1Q-3Q FY19 sales growth continued                                    |
| 23/1   | <b>HK</b> Regina Miracle (2199 HK; Not Rated): Conference call takeaways   |
| 23/1   | <b>TH</b> Major Cineplex Group (MAJOR TB; Outperform; TP: Bt 28.00): 4Q18 earnings preview: Expecting a strong result        |
| 23/1   | <b>TH</b> Robinson Department Store (ROBINS TB; Outperform; TP: Bt 82.00): Nicer earnings outlook in 2019                    |
| 23/1   | <b>TH</b> Supalai (SPALI TB; Outperform; TP: Bt 22.50): All fears in the price   |
| 23/1   | <b>TH</b> TMB Bank (TMB TB; Underperform; TP: Bt 2.20): Shift mode to grow low risk assets                                   |
| 22/1   | <b>SG</b> Tuan Sing Holdings (TSH SP; Not Rated): Short-term catalyst from completion of 18 Robinson project                 |
| 22/1   | <b>TW</b> Singtex Industrial (4433 TT; Not Rated): Beneficiary of eco-friendly fabric uptrend                                |
| 22/1   | <b>TW</b> Zhen Ding (4958 TT; Outperform; TP: NT\$96.00): New businesses to bolster growth in 2019F                          |
| 22/1   | <b>HK</b> Education Sector: Solid player in Guangdong joining the party  |
| 22/1   | <b>HK</b> Want Want China (151 HK; Neutral; TP: HK\$ 5.90): 4Q18 growth in line with 1Q-3Q18 results                         |
| 22/1   | <b>CN/HK</b> Stock Liquidity Monitor: Weekly data – Stock incentive & shareholding changes involving major shareholders      |
| 22/1   | <b>CN/HK</b> Economy: Near-term stabilization outlook improved, buoys A-share sentiment recovery                             |
| 22/1   | <b>TH</b> Economic: Export value declined in December  |
| 22/1   | <b>TH</b> Food Sector: Upswing for pig and chick   |
| 22/1   | <b>TH</b> Commodities Update: Large cut from OPEC  |
| 22/1   | <b>TH</b> GFPT (GFPT TB; Outperform; TP: Bt 16.50): 4Q18 earnings preview: Chasing seasonality                               |
| 22/1   | <b>TH</b> Krung Thai Bank (KTB TB; Outperform; TP: Bt 22.40): 4Q18 earnings review: Lower than expected                      |
| 22/1   | <b>TH</b> Siam Commercial Bank (SCB TB; Outperform; TP: Bt 144.00): Embarking on new model                                   |
| 22/1   | <b>TH</b> Thai Wah PCL (TWPC TB; Underperform; TP: Bt 6.00): 4Q18 earnings preview: Harvest season                           |
| 22/1   | <b>TH</b> Thaifoods Group PCL (TFG TB; Outperform; TP: Bt 4.80): 4Q18 earnings preview: Thanks to swine                      |
| 21/1   | <b>TW</b> Cub (2231 TT; Outperform; TP: NT\$ 292.00): Share swap to acquire 100% of radar R&D unit Cubtek                    |
| 21/1   | <b>TW</b> VHQ Media (4803 TT; Not Rated): Movie post-production projects seeing high growth                                  |
| 21/1   | <b>HK</b> PC Partner (1263 HK; Outperform; TP: HK\$ 3.10): New midrange graphic cards to drive demand                        |
| 21/1   | <b>CH/HK</b> A-share Weekly: Policy stimuli abundant; Sino-US trade negotiations promising, both will solidify market bottom |
| <b>For full reports, please contact Research Department at 6202 1190 or <a href="mailto:sgp.researchcom@kgi.com">sgp.researchcom@kgi.com</a></b> |  |



CHINA  
DEVELOPMENT  
FINANCIAL

# Monthly Observations

## The need to stay defensive

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**Defensive Portfolio:** Since June 2018, we have been advising our clients to build up a defensive portfolio due to our views on the economy, earnings cycle and geopolitical tensions around the world, which has led to an increase in volatility in financial markets. In this moment, we continue to advocate the same stance and recommend investors to build a portfolio of defensive stocks, REITS and bonds.

### Market Observations:

**Rising rates continue to be a key concern** for many market participants given that the 2 major sell-offs in 2018 coincided with spikes in the 10Y interest rate. While market-implied rate hike odds have fallen with a more neutral stance from the Fed, a stronger than expected earnings season in Q1 could restore sentiment in equity markets and incentivize the Fed to resume its hawkish stance once again.

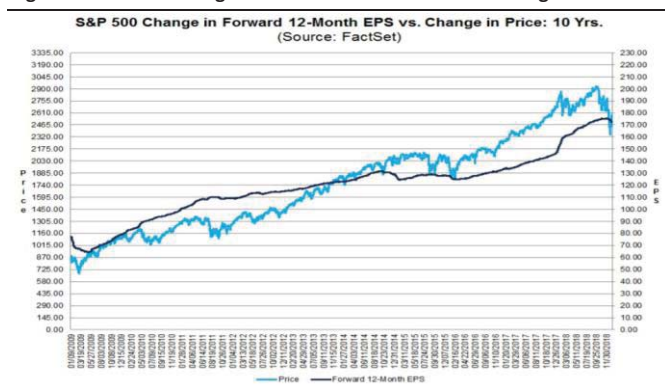
Figure 1: Target Rate Probabilities for 29 Jan 2020 Fed Meeting

| TARGET RATE (BPS) | PROBABILITY (%) |                      |                      |                        |
|-------------------|-----------------|----------------------|----------------------|------------------------|
|                   | NOW             | 1 DAY<br>14 JUN 2019 | 1 WEEK<br>8 JUN 2019 | 1 MONTH<br>14 DEC 2019 |
| 150-175           | 0.0%            | 0.0%                 | 0.0%                 | 0.0%                   |
| 175-200           | 2.0%            | 2.0%                 | 2.0%                 | 0.0%                   |
| 200-225           | 9.0%            | 9.0%                 | 21.0%                | 17.0%                  |
| 225-250 (Current) | 64.0%           | 64.0%                | 62.0%                | 60.0%                  |
| 250-275           | 12.0%           | 12.0%                | 13.0%                | 18.0%                  |
| 275-300           | 0.0%            | 0.0%                 | 0.0%                 | 1.0%                   |
| 300-325           | 0.0%            | 0.0%                 | 0.0%                 | 0.0%                   |
| 325-350           | 0.0%            | 0.0%                 | 0.0%                 | 0.0%                   |

Source: CME Group, KGI Research

**Equity markets have fallen 20% from highs in FY18 with weak expectations of the upcoming earnings season.** According to Factset, the 12-month P/E ratio for the S&P 500 is ~15.1, which is below the 5-year average of 16.5 but above the 10-year average of 14.6.

Figure 2: S&P 500 Change in Forward 12-month EPS vs. Change in Price

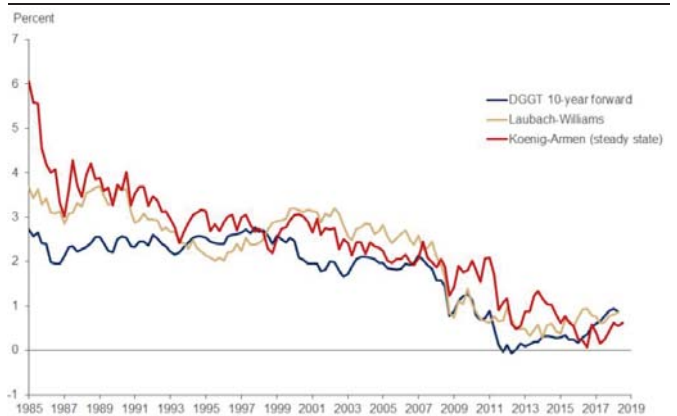


Source: Factset, KGI Research

In providing guidance for the 4<sup>th</sup> quarter, 59.7% of companies who provided guidance for 4Q18 have issued negative EPS guidance. For the first 3 quarters of FY19, consensus expectations of earnings growth are in low, single-digits.

**Aggressive rate hike cycle is unlikely.** One of the biggest debates surrounding fixed income investors in recent years has been the level of natural rate, which is the optimal rate where monetary policies neither stimulates or restricts economic growth.

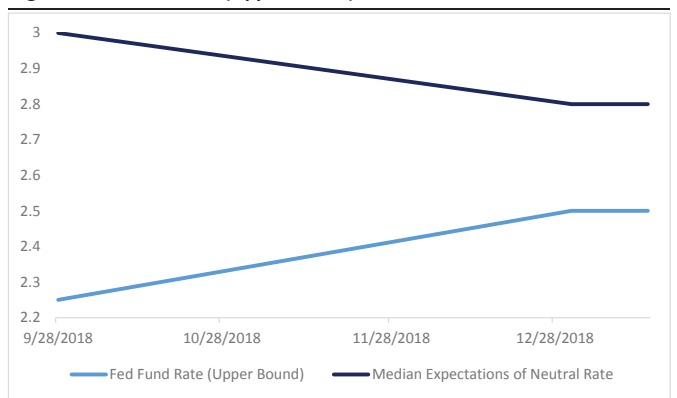
Figure 3: Estimates of the Longer-run Real Neutral Rate



Source: Dallas Fed, KGI Research

In the December Summary of Economic Projections (SEP) by the Federal Reserve, FOMC participants' median estimate of the longer-run neutral rate for the US economy declined to 2.8% from 3% in September.

Figure 4: Fed Fund Rate (Upper Bound) vs Neutral Rate



Source: Federal Reserve Minutes, Bloomberg, KGI Research

At current levels, the neutral rate is just 0.3% away from the upper end of the current fed fund target rate (2.25% - 2.5%), which suggests that the Fed could be venturing into restricting economic growth if rate hikes continue to be aggressive. We believe this is unlikely given the Fed's more dovish tone after the recent market sell-off, weaker GDP/inflation expectations, and the street's expectations of a weak earnings season in the first 3 quarters of FY19.



# Singtel 3.4875% 04/08/20

(ST SP/STEL.SI)

## Short-Term Carry

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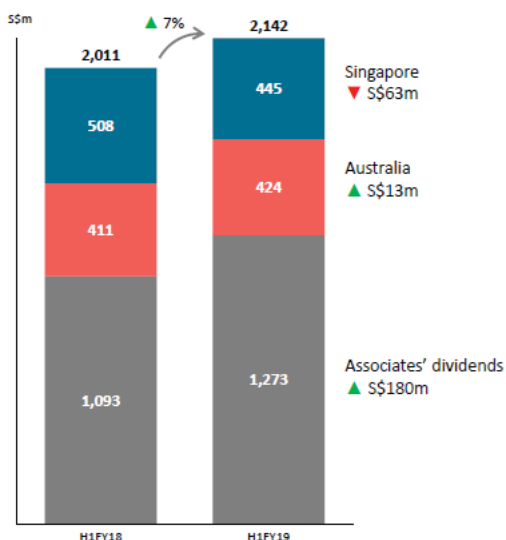
**Company Background:** The Singtel Group is Asia's leading communications group with significant operations in Singapore and Australia (through wholly-owned subsidiary Singtel Optus). The Group provides a wide spectrum of multimedia and infocomms technology (ICT) solutions, including voice, data and video services over fixed and wireless platforms with 735 million mobile customers in 21 countries, including India, Indonesia, the Philippines and Thailand. Listed on the SGX, Singtel has a market cap of S\$49.3bn and is 52.4% owned by Temasek Holdings.

### Credit Considerations:

**2Q19 results shows flat revenue as currency translations and higher operating costs dragged EBITDA lower.** For 2Q19, the group's revenue remained flat at S\$4.27bn as revenue growth from the Digital Life segment (+12.8%) offset revenue decline in the group's core telecoms business (-1%). Due to higher operating expenses (+4%), the group's EBITDA was 10% lower at S\$1.13bn, driven by legacy carriage services and the absence of Singtel TV's sublicense revenue for the Premier League. Looking at operating metrics, postpaid customer growth remains strong with 41,000 and 87,000 in Singapore and Australia respectively.

**Free cash flows and debt metrics remain strong.** As of 1H19, net debt/equity rose to 0.34x from 0.33x in FY18 while EBITDA/Interest weakened to 11.7x from 12.4x, which is well within healthy levels in our view, supported by higher free cash flows which rose 7% to S\$2.14bn as a result of higher dividends from associates and lower capital expenditure.

Figure 1: Increase in free cash flows from associates' dividends



Source: Company Data, KGI Research

**Competition among telecoms remains competitive but CyberSecurity is one to watch out for.** Mobile service revenues declined in both Singapore (-5%) and Australia (-1.8%) due to declining demand for international roaming and data price competition with other telcos and mobile virtual network operators (MVNOs). Going forward, we expect competition in mobile services to remain intense across different geographical regions but growth in ICT and Digital Life segments should continue to help mitigate the negative outlook for mobile services.

**ICT (CyberSecurity).** Management has guided cybersecurity to grow at high single digit as compared to the group's revenue guidance of low single digit. According to the Conference Board's C-Suite Challenge 2019, CEOs in the United States view CyberSecurity as their biggest external concern for 2019, which we believe is positive for Trustwave given its recognition as a leader among Gartner's quadrant for Managed Security Services at the end of the last fiscal year.

Figure 2: Gartner's Magic Quadrant for Managed Security Services



Source: Gartner, Company Data, KGI Research

**Credit Recommendations:** For investors looking to park cash in short-term corporate credit, we recommend an exposure to STSP's 2020 currently trading at 101.5 with a YTW of 2.2% and duration of 1.2.



# Keppel Corporation Ltd

(KEP SP/KPLM.SI)

## Muted outlook as key segments face headwinds

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- 4Q18 PATMI returned to profitability of S\$135mn vs a loss of S\$492mn in 4Q17. Stripping out the one-off fines in the prior year period, 4Q18 EPS increased 7% YoY.
- KEP declared a final dividend of 15 SG cents, 1 cents higher YoY, bringing FY18 full year dividend to 30 cents vs 22 cents in FY17. Dividend yield is once again at a level similar to pre-oil price crash in 2014.
- Although KEP delivered a good set of results, we downgrade KEP to HOLD given our defensive theme in 2019. Earnings growth across our equities coverage may have likely peaked in 2018 and we do not see an attractive risk-reward for cyclical stocks in the next 6-12 months. Our preference would be for income stocks with stable cash flows.

| Financials & Key Operating Statistics |        |        |        |        |        |
|---------------------------------------|--------|--------|--------|--------|--------|
| YE Dec (\$\$ m)                       | 2017   | 2018   | 2019F  | 2020F  | 2021F  |
| Revenue                               | 5963.8 | 5964.8 | 5885.4 | 6388.7 | 6892.0 |
| PATMI                                 | 216.7  | 943.8  | 1061.6 | 1104.5 | 1169.0 |
| Core PATMI                            | 815.5  | 933.8  | 1061.6 | 1104.5 | 1169.0 |
| Core EPS                              | 44.9   | 51.5   | 58.5   | 60.9   | 64.4   |
| Core EPS grth (%)                     | 6.1    | 14.7   | 13.7   | 4.0    | 5.8    |
| Core P/E (x)                          | 13.7   | 12.0   | 10.5   | 10.1   | 9.6    |
| DPS (\$G cents)                       | 22.0   | 30.0   | 30.0   | 32.0   | 34.0   |
| Div Yield (%)                         | 3.6    | 4.9    | 4.9    | 5.2    | 5.5    |
| Net Margin (%)                        | 3.6    | 15.8   | 18.0   | 17.3   | 17.0   |
| Gearing (%)                           | 44.5   | 46.9   | 48.8   | 42.0   | 34.6   |
| Price / Book (x)                      | 1.0    | 1.0    | 0.9    | 0.9    | 0.8    |
| ROE (%)                               | 1.8    | 8.1    | 8.3    | 8.3    | 8.4    |

Source: Company Data, KGI Research

**Post-briefing analysis.** Key points from the results briefing with management: 1) Improvement across 3 out of 4 business segments, 2) Increase in DPU p.a. since 2016, when it bottomed at 20 cents, 3) excluding one-off expenses, 4Q18 EPS improved 7% YoY to 7.4 cents, and 4) outlook across O&M and property businesses looks muted, in our view.

**Overall a good set of results.** KEP's diversified business was evident in FY18's results, as we saw both its property and infrastructure segments contribute most of its full-year earnings growth, which more than offset weak (but improving) performance at its O&M business and provisions under its Investment segment.

**Property segment headwinds.** China's slowest GDP growth since 1990 is expected to weigh on the country's property sector going forward. Already, growth in China's property investment in December declined to its second slowest pace in 2018, reflecting the impact of the cooling measures and slower economic growth. Given that Singapore and China's home sales contributed 70% of total home sales of KEP – and that both still have cooling measures in place – this segment may potentially surprise on the downside.

**O&M slow recovery; more Sete provisions.** Net orderbook (excluding Sete Brasil orders) increased to S\$4.3bn as at end-2018 compared to S\$3.9bn as at end-2017. However, O&M

### HOLD - Downgrade

|                             |        |                                 |            |
|-----------------------------|--------|---------------------------------|------------|
| Price as of 28 Jan 19 (SGD) | 6.17   | <b>Performance (Absolute)</b>   |            |
| 12M TP (\$)                 | 7.50   | 1 Month (%)                     | 4.6        |
| Previous TP (\$)            | 9.43   | 3 Month (%)                     | -0.2       |
| Upside, incl div (%)        | 26.4   | 12 Month (%)                    | -25.7      |
| <b>Trading data</b>         |        | <b>Perf. vs STI Index (Red)</b> |            |
| Mkt Cap (\$mn)              | 11,183 |                                 |            |
| Issued Shares (mn)          | 1,812  |                                 |            |
| Vol - 3M Daily avg (mn)     | 3.1    |                                 |            |
| Val - 3M Daily avg (\$mn)   | 18.9   |                                 |            |
| Free Float (%)              | 79.4%  |                                 |            |
| <b>Major Shareholders</b>   |        | <b>Previous Recommendations</b> |            |
| Temasek                     | 20.5%  | 27-Sep-18                       | BUY \$9.43 |
| Blackrock                   | 4.9%   | 23-Apr-18                       | BUY \$9.43 |
| Vanguard                    | 2.2%   | 15-Dec-17                       | BUY \$8.67 |

segment outlook looks muted in 2019 and 2020 as competition in the newbuild space remains high. As such, we do not factor in a meaningful contribution from its O&M segment until 2021, a view reinforced by management where they do not expect a V-shaped recovery. There was an additional S\$167mn provision for the Semis for Sete Brasil, which surprised us as we had thought previous provisions of around S\$300mn was sufficient.

### Valuation & Action

**Challenging outlook; downgrade to HOLD.** We downgrade our recommendation to HOLD, driven mainly by the growth slowdown in its key markets and our cautious macro views. KEP's 5% dividend yields (based on historical average of 50% payout ratio) should provide downside support, but upside is also limited, and thus does not provide an attractive risk-reward in the next 6-12 months. Our preference would be for income stocks with stable operations, such as Keppel DC REIT (KDCREIT SP, Not-rated).

Our fair value is based on SOTP valuation of its businesses and mainly driven by property (50% of valuation), O&M (20%) and Keppel Capital (15%). These three businesses contribute 85% of our fair value estimates of the group. KEP's track record of unlocking value via divestments may provide further upside to our earnings and dividends forecasts.

### Risks

KEP's property segment now contributes the largest share of profits. As a result, a slowdown in the property sector in its key markets like China and Singapore will have the largest impact on KEP's valuations.



# Tuan Sing Holdings

(TSH SP/TSHSI.SI)

## Short-term catalyst from completion of 18 Robinson project

Joel Ng / 62 6202 1192 / joel.ng@kqi.com

- Tuan Sing guided in its 3Q18 announcement that the completion of 18 Robinson office building before year-end 2018 would enable the group to realise a material developer's profit.
- We estimate that 18 Robinson would result in a 8 SG cents surplus to its current 82 cents NAV. Applying a conservative 50% discount to 90 cents RNAV implies a fair value of 45 cents, a 16% upside to Tuan Sing's current share price. We have not taken into account revaluation gains from its other assets worth a combined S\$2bn.
- We thus believe that its current share price offers an attractive short-term trade before the company announces its FY2018 results this Friday, 25 January.

**Beaten down valuations.** Singapore property stocks have declined by 10-30% YoY after sentiments weakened following the introduction of additional cooling measures in July 2018. Valuations are now cheap compared to their 10-year P/B averages. As such, we believe that the risk-reward looks attractive for property stocks but investors may need to have a 2-3 years investment horizon given that property prices may remain muted during this time.

**Overlooked quality assets.** Tuan Sing is our first property pick as it provides a short-term upside catalyst from the revaluation of 18 Robinson, one of two crown jewels in its portfolio. 18 Robinson is a 28 story commercial building that has been under construction since July 2013 and completed in 4Q18. Its other crown jewel is the Grand Hyatt Melbourne, a 5-star hotel in the heart of Melbourne's CBD area.

**18 Robinson.** 18 Robinson, formerly known as Robinson Towers, is a grade-A office development located at the junction of Market Street and Robinson Road. The building has a total NLA of 194,304sqft; assuming CBD Grade-A office rents of \$10/psf and a 3.4% cap rate yields a value of at least S\$686mn vs current book value of around S\$555mn.

Figure 1: Tuan Sing's crown jewels - 18 Robinson (left) and Grand Hyatt Melbourne (right)



Source: Company website & Annual Report

| Not Rated                   |       | Performance (Absolute)   |       |
|-----------------------------|-------|--------------------------|-------|
| Price as of 21 Jan 19 (SGD) | 0.39  | 1 Month (%)              | 14.5  |
| 12M TP (\$)                 | -     | 3 Month (%)              | 4.0   |
| Previous TP (\$)            | -     | 12 Month (%)             | -16.5 |
| Upside (%)                  | -     |                          |       |
| Trading data                |       | Perf. vs STI Index (Red) |       |
| Mkt Cap (\$mn)              | 469   |                          |       |
| Issued Shares (mn)          | 1,186 |                          |       |
| Vol - 3M Daily avg (mn)     | 0.5   |                          |       |
| Val - 3M Daily avg (\$mn)   | 0.2   |                          |       |
| Free Float (%)              | 41.1% |                          |       |
| Major Shareholders          |       | Previous Recommendations |       |
| Nuri Holdings               | 46.0% |                          |       |
| Lim Tek Siong               | 6.9%  |                          |       |
| Koh Wee Meng                | 6.0%  |                          |       |

Figure 2: RNAV Calculation based on 18 Robinson revaluation gains

| 18 Robinson                   | Remarks  |
|-------------------------------|--|
| Net lettable area (NLA), sqm  | 18,058 As per Annual Report 2017                     |
| Net lettable area (NLA), sqft | 194,304 As per Annual Report 2017 (AR17)             |
| Rent (\$/psf)                 | \$10.0 Grade A office rents                          |
| Rent (\$/yr)                  | 22,150,665 95% occupancy                             |
| Cap rate                      | 3.40% Range 3.0% - 3.65%                             |
| Fair Value                    | \$651,490,151 Annual rent / cap rate                 |
| Current value                 | \$554,951,000 End 2017 value + 9M18 capitalised cost |
| Surplus/sh                    | \$96,539,151   |
| Surplus/sh                    | \$0.08   |
| Shares outstanding            | 1,186,405,000  |
| Current NAV/sh                | \$0.82   |
| RNAV/sh                       | \$0.90 NAV+Surplus from 18 Robinson                  |
| Discount to RNAV              | 50.0% Conservative discount; typically 30-40%        |
| Fair value/sh                 | \$0.45   |
| Current price/sh              | \$0.39   |
| Upside (%)                    | 16%  |
| Implied P/B                   | 0.50x Peers range: 0.5x to 0.8x                      |

Source: Company data, KGI Research

**Valuation & Action:** We derived a S\$0.45 fair value of Tuan Sing using conservative assumptions to estimate the surplus from 18 Robinson (calculations in Figure 2). As a short-term tactical trade, risk-reward looks attractive ahead of its FY2018 results scheduled to be announced this Friday, 25 Jan.

**Conservative as not even accounting for other assets.** Our estimates are conservative as we have not accounted for its other assets listed on page 2 of this report. Furthermore, 18 Robinson, which has been under construction since June 2013, will finally begin contributing around \$20mn in recurring income per annum.

**Risks:** As a short-term trade, a lower-than-expected revaluation gain for 18 Robinson this week may not provide the upside catalyst to its share price. There is also forex risk from AUD depreciation vs SGD. However, the downside risk is mitigated by its current undemanding 0.5x P/B.

**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 (%) |
|--|----------------------------|------------------|-------------------|------------------|----------------------|-------------------------|--------------------|--------------------|
| <b>FINANCIALS</b>                        |                            |                  |                   |                  |                      |                         |                    |                    |
| DBS SP                                   | DBS                        | 24.22            | 61,800            | 0.0%             | 2.2%                 | (3.2%)                  | 4.9%               | 5.1%               |
| OCBC SP                                  | OCBC                       | 11.52            | 48,949            | 0.4%             | 2.3%                 | (1.8%)                  | 3.8%               | 4.1%               |
| UOB SP                                   | UOB                        | 25.83            | 43,025            | (0.2%)           | 5.1%                 | (2.3%)                  | 4.7%               | 4.9%               |
| SGX SP                                   | SGX                        | 7.60             | 8,133             | 0.4%             | 6.3%                 | 2.2%                    | 4.1%               | 4.3%               |
| <b>PROPERTIES</b>                        |                            |                  |                   |                  |                      |                         |                    |                    |
| HKL SP                                   | Hongkong Land USD          | 7.06             | 22,478            | (0.1%)           | 12.1%                | 1.6%                    | 3.0%               | 3.1%               |
| CAPL SP                                  | CapitaLand                 | 3.30             | 13,737            | 0.0%             | 6.1%                 | 0.6%                    | 3.8%               | 3.9%               |
| CT SP                                    | CapitaLand Mall Trust      | 2.38             | 8,775             | 0.8%             | 5.3%                 | 5.3%                    | 5.0%               | 5.2%               |
| AREIT SP                                 | Ascendas REIT              | 2.72             | 8,461             | 0.4%             | 5.8%                 | 0.4%                    | 6.0%               | 6.1%               |
| CIT SP                                   | City Development           | 9.09             | 8,244             | 0.3%             | 11.9%                | 2.8%                    | 2.1%               | 2.0%               |
| CCT SP                                   | CapitaLand Comm Trust      | 1.91             | 7,152             | 0.5%             | 9.1%                 | 4.4%                    | 4.7%               | 4.7%               |
| UOL SP                                   | UOL                        | 6.67             | 5,622             | 0.2%             | 7.8%                 | 0.9%                    | 2.7%               | 2.7%               |
| <b>TELECOMMUNICATIONS</b>                |                            |                  |                   |                  |                      |                         |                    |                    |
| ST SP                                    | SingTel                    | 3.03             | 49,477            | (0.7%)           | 3.4%                 | (0.3%)                  | 5.9%               | 5.9%               |
| <b>CONSUMER SERVICES AND GOODS</b>       |                            |                  |                   |                  |                      |                         |                    |                    |
| JM SP                                    | Jardine Matheson USD       | 65.80            | 65,598            | (0.3%)           | (5.4%)               | (1.2%)                  | 2.5%               | 2.6%               |
| JS SP                                    | Jardine Strategic Holdings | 37.04            | 55,533            | (2.1%)           | 0.9%                 | 0.5%                    | 0.9%               | 0.9%               |
| DFI SP                                   | Dairy Farm International   | 9.39             | 17,188            | (0.9%)           | 3.8%                 | (0.9%)                  | 2.5%               | 2.7%               |
| THBEV SP                                 | ThaiBev                    | 0.75             | 18,833            | 1.4%             | 23.0%                | 2.0%                    | 2.7%               | 3.0%               |
| JCNC SP                                  | Jardine C&C                | 37.00            | 14,624            | (0.7%)           | 4.7%                 | 1.5%                    | 3.4%               | 3.6%               |
| GENS SP                                  | Genting Singapore          | 1.08             | 13,009            | 1.9%             | 10.8%                | (1.8%)                  | 3.3%               | 3.4%               |
| VMS SP                                   | Venture Corp               | 15.89            | 4,573             | 0.5%             | 13.9%                | 3.7%                    | 4.1%               | 4.2%               |
| SPH SP                                   | SPH                        | 2.52             | 4,027             | 0.0%             | 7.2%                 | 0.0%                    | 5.1%               | 5.2%               |
| <b>TRANSPORT</b>                         |                            |                  |                   |                  |                      |                         |                    |                    |
| SIA SP                                   | Singapore Airlines         | 9.75             | 11,541            | 0.3%             | 3.5%                 | 1.2%                    | 3.5%               | 3.8%               |
| CD SP                                    | ComfortDelGro              | 2.28             | 4,936             | (2.1%)           | 6.0%                 | 4.6%                    | 4.6%               | 5.0%               |
| <b>COMMODITIES</b>                       |                            |                  |                   |                  |                      |                         |                    |                    |
| WIL SP                                   | Wilmar                     | 3.30             | 20,879            | 0.6%             | 5.8%                 | 1.5%                    | 3.2%               | 3.4%               |
| GGR SP                                   | Golden Agri                | 0.27             | 3,438             | 0.0%             | 10.2%                | 3.8%                    | 1.0%               | 2.0%               |
| <b>OFFSHORE &amp; MARINE/INDUSTRIALS</b> |                            |                  |                   |                  |                      |                         |                    |                    |
| KEP SP                                   | Keppel Corp                | 6.14             | 11,128            | (1.0%)           | 3.9%                 | (2.5%)                  | 4.2%               | 4.6%               |
| STE SP                                   | ST Engineering             | 3.68             | 11,481            | 0.0%             | 5.4%                 | 0.5%                    | 4.2%               | 4.3%               |
| SATS SP                                  | SATS                       | 4.86             | 5,416             | 0.2%             | 4.3%                 | 0.8%                    | 3.8%               | 4.0%               |
| YZJSGD SP                                | Yangzijiang SGD            | 1.37             | 5,406             | 1.5%             | 9.6%                 | 1.5%                    | 3.3%               | 3.3%               |
| SCI SP                                   | Sembcorp Industries        | 2.61             | 4,657             | (1.1%)           | 2.8%                 | (3.0%)                  | 2.0%               | 2.8%               |
| HPHT SP                                  | HPH Trust USD              | 0.26             | 3,006             | 0.0%             | 4.1%                 | 0.0%                    | 8.9%               | 8.6%               |

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

Source: Bloomberg

**STI Reserve List (by market cap) - STI next review date: March 2019**

| 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                | 1.93             | 5,173             | 0.0%             | 8.4%                 | 3.2%                    | 5.1%               | 5.1%               |
| MCT SP   | Mapletree Commercial Trust | 1.78             | 5,141             | 0.6%             | 7.9%                 | 2.3%                    | 5.1%               | 5.2%               |
| MLT SP   | Mapletree Logistics Trust  | 1.37             | 4,918             | 0.0%             | 10.4%                | 3.8%                    | 5.8%               | 5.9%               |
| KREIT SP | Keppel REIT                | 1.17             | 3,970             | 0.3%             | 3.8%                 | 0.3%                    | 4.9%               | 5.0%               |
| MINT SP  | Maple Industries Trust     | 2.04             | 3,874             | 0.5%             | 6.8%                 | 2.0%                    | 5.9%               | 6.3%               |

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 28 Jan 19 | Yield (%) |
|--------------------------------------|------------------|--------|--------------------|------------------|------------|-----------|-----------------------|-----------|
| Keppel DC REIT                       | 22-Jan-19        | FY18   | SGD 0.0370         | <b>29-Jan-19</b> | 30-Jan-19  | 8-Mar-19  | SGD 1.480             | 2.5       |
| Keppel Infrastructure Trust          | 22-Jan-19        | FY18   | SGD 0.0093         | <b>29-Jan-19</b> | 30-Jan-19  | 28-Feb-19 | SGD 0.520             | 1.8       |
| Mapletree Industrial Trust           | 22-Jan-19        | 3Q19   | SGD 0.03070        | <b>29-Jan-19</b> | 30-Jan-19  | 8-Mar-19  | SGD 2.040             | 1.5       |
| CapitaLand Mall Trust                | 23-Jan-19        | FY18   | SGD 0.01560        | <b>30-Jan-19</b> | 31-Jan-19  | 28-Feb-19 | SGD 2.380             | 0.7       |
| Keppel-KBS US REIT                   | 24-Jan-19        | FY18   | <b>USD</b> 0.0240  | <b>30-Jan-19</b> | 31-Jan-19  | 26-Mar-19 | <b>USD</b> 0.690      | 3.5       |
| Suntec Real Estate Invst Trust       | 23-Jan-19        | FY18   | SGD 0.02590        | <b>30-Jan-19</b> | 31-Jan-19  | 28-Feb-19 | SGD 1.930             | 1.3       |
| CapitaLand Commercial Trust          | 24-Jan-19        | FY18   | SGD 0.04420        | <b>31-Jan-19</b> | 1-Feb-19   | 28-Feb-19 | SGD 1.910             | 2.3       |
| Sabana Shari'ah Compliant Industrial | 24-Jan-19        | FY18   | SGD 0.0071         | <b>31-Jan-19</b> | 1-Feb-19   | 28-Feb-19 | SGD 0.420             | 1.7       |
| Singapore Exchange                   | 24-Jan-19        | 2Q19   | SGD 0.0750         | <b>31-Jan-19</b> | 1-Feb-19   | 12-Feb-19 | SGD 7.600             | 1.0       |
| Cache Logistics Trust                | 25-Jan-19        | FY18   | SGD 0.01502        | <b>1-Feb-19</b>  | 4-Feb-19   | 28-Feb-19 | SGD 0.740             | 2.0       |
| Fraser and Neave                     | 9-Nov-18         | FY18   | SGD 0.030000       | <b>4-Feb-19</b>  | 7-Feb-19   | 20-Feb-19 | SGD 1.700             | 1.8       |
| Frasers Property                     | 9-Nov-18         | FY18   | SGD 0.062000       | <b>4-Feb-19</b>  | 7-Feb-19   | 20-Feb-19 | SGD 1.780             | 3.5       |
| Jumbo Group Ltd                      | 21-Nov-18        | FY18   | SGD 0.0070         | <b>4-Feb-19</b>  | 7-Feb-19   | 18-Feb-19 | SGD 0.400             | 1.8       |
| Goodland Group Ltd                   | 23-Nov-18        | FY18   | SGD 0.00300        | <b>7-Feb-19</b>  | 8-Feb-19   | 15-Feb-19 | SGD 0.245             | 1.2       |
| Thai Beverage PCL                    | 26-Nov-18        | FY18   | <b>Baht</b> 0.2400 | <b>7-Feb-19</b>  | 8-Feb-19   | 28-Feb-19 | SGD 0.750             |           |
| Duty Free Int'l                      | 9-Jan-19         | 3Q19   | SGD 0.010000       | <b>11-Feb-19</b> | 12-Feb-19  | 7-Mar-19  | SGD 0.200             | 5.0       |
| Keong Hong Holdings Ltd              | 27-Nov-18        | FY18   | SGD 0.0200         | <b>15-Feb-19</b> | 18-Feb-19  | 27-Feb-19 | SGD 0.550             | 3.6       |
| Aspial Corp                          | 7-Nov-18         | 3Q18   | SGD 0.00250        | <b>27-Feb-19</b> | 28-Feb-19  | 8-Mar-19  | SGD 0.210             | 1.2       |
| Qian Hu Corp Ltd                     | 11-Jan-19        | FY18   | SGD 0.0020         | <b>10-Apr-19</b> | 11-Apr-19  | 25-Apr-19 | SGD 0.180             | 1.1       |
| Keppel Corp                          | 24-Jan-19        | FY18   | SGD 0.1500         | <b>29-Apr-19</b> | 30-Apr-19  | 10-May-19 | SGD 6.140             | 2.4       |

## Latest Listing Issue Announcement

| Company                          | Offer Price    | Closing Date             | Offeror                         |
|----------------------------------|----------------|--------------------------|---------------------------------|
| <b>DeClout</b>                   | SGD 0.13 Cash  | 5.30 p.m. on 4 Mar 2019  | Exeo Global Pte. Ltd.           |
| <b>LTC Corporation Ltd</b>       | SGD 0.925 Cash | 5.30 p.m. on 31 Jan 2019 | Mountbatten Resources Pte. Ltd. |
| <b>M1 Ltd</b>                    | SGD 2.06 Cash  | 5.30 p.m. on 18 Feb 2019 | Konnectivity Pte. Ltd.          |
| <b>Sunrise Shares Hldgs Ltd.</b> | SGD 0.017 Cash | 5.30 p.m. on 6 Feb 2019  | Wong Siu Fai                    |

Source: SGX Announcement

**Appendix 2: Financial Calendar**

| Monday   | Tuesday   | Wednesday   | Thursday   | Friday  |
|--|---|---|--|---|
| <b>28-Jan</b><br><b>Q4</b> Fortune REIT > M1 > Parkway Life REIT                         | <b>29-Jan</b><br><b>Q2</b> Lion Asiapac > Starhill Global REIT<br><b>Q4</b> Ascott Residence Trust > CDL Hospitality Trusts > OUE Hospitality Trust | <b>30-Jan</b><br><b>Q1</b> Frasers Hospitality Trust<br><b>Q3</b> Ascendas REIT<br><b>Q4</b> Lonza Grp AG > OUE Commercial REIT > Tuan Sing Hldgs | <b>31-Jan</b><br><b>SG (Dec 2018) Unemployment Rate &amp; Employment</b><br><b>Q4</b> Tuan Sing Hldgs                                  | <b>1-Feb-2019</b><br><b>Q3</b> AIMS AMP Capital Industrial REIT > Spore Post<br><b>Q4</b> CapitaLand Retail China Trust |
| <b>4-Feb</b>   | * <b>5-Feb</b><br>Chinese Lunar New Year's Day  | * <b>6-Feb</b><br>Chinese Lunar New Year's Day  | <b>7-Feb</b>   | <b>8-Feb</b>  |
| <b>11-Feb</b><br><b>Q3</b> Meghmani Organics<br><b>Q4</b> Manulife US REIT > Vicom       | <b>12-Feb</b><br><b>Q1</b> LHN<br><b>Q4</b> SBS Transit > Utd Overseas Insurance  | <b>13-Feb</b><br><b>Q2</b> Karin Technology Hldgs > UG Healthcare Corp<br><b>Q3</b> Accordia Golf Trust<br><b>Q4</b> ComfortDelgro Corp           | <b>14-Feb</b><br><b>Q2</b> ASL Marine Hldgs > Luxking Grp Hldgs<br><b>Q3</b> Spore Airlines<br><b>Q4</b> StarHub                       | <b>15-Feb</b><br><b>Q4</b> Challenger Technologies  |
| <b>18-Feb</b><br><b>SG Budget 2019</b><br><b>Q4</b> DBS (Before mkt open) > Sasseur REIT | <b>19-Feb</b><br><b>Q4</b> Sembcorp Marine  | <b>20-Feb</b><br><b>Q4</b> China Everbright Water > Great Eastern Hldgs   | <b>21-Feb</b><br><b>Q4</b> City Devpts > Genting Spore > Sembcorp Industries > Wilmar Int'l  | <b>22-Feb</b><br><b>Q4</b> IFS Capital / OCBC / UOB (Both before mkt open)  |
| <b>25-Feb</b><br><b>SG 4Q18 Gross Domestic Product</b><br><b>SG (Jan 2019) CPI</b>       | <b>26-Feb</b><br><b>SG (Jan 2019) Index of Industrial Production</b><br><b>Q4</b> KrisEnergy > UOL Grp  | <b>27-Feb</b>   | <b>28-Feb</b><br><b>Q4</b> China Aviation Oil Spore > First Resources > Jardine Matheson Hldgs > Jardine Strategic Hldgs > Mewah Int'l | <b>1-Mar-2019</b><br><b>Q4</b> LHT Hldgs  |

\* Tentative

Source: Bloomberg

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