



KGI High Dividend Watchlist

KGI Singapore High Dividend Watchlist (Ex-REITs)

Joel Ng / 65 6202 1192 / joel.ng@kqi.com

- The average dividend yield of our watchlist has risen above 5.0% once again after the recent sell-off.
- We add Hongkong Land for its 4.1% dividend yield and its rock-bottom valuations of 0.3x P/B, while removing SIA Engineering.
- For S-REITS, see our separate watchlist.

Key changes to our high-dividend watchlist. We add Hongkong Land (HKL SP) as its current price is too cheap to ignore. HKL offers a 4.1% forward dividend yield and trades at a massive 66% discount to its book value, the cheapest valuation it has traded at in more than 10 years.

Figure 2: HKL 10-year price-to-book ratio



Source: Bloomberg, KGI Research

Financials. Among the three banks, UOB offers the best combination of 4.9% dividend yield and reasonable valuations compared to its peers. Although the banks are likely to see limited upside given the twin headwinds of slowing economic growth and declining interest rates, we expect their share prices to be well supported at current levels by their dividend yields.

Figure 3: Banks key ratios

Company Name	Price (\$S)	Mkt Cap (\$S\$m)	P/B (x)	ROE Forecast (%)	Dvd Yld Forecast (%)
DBS	24.46	62,588	1.27	12.82	5.0
OCBC	10.62	46,771	1.02	11.36	4.7
UOB	25.21	42,040	1.14	11.41	4.9

Source: Bloomberg, KGI Research

Telcos. NetLink NBN Trust is perhaps the most defensive among the telco-related companies while still offering growth potential from StarHub's migration to fibre and participation in Singapore's Smart Nation initiatives.

Industrials. We like ST Engineering for its diverse business segments spanning defence, aerospace, marine and electronics. Its share price has declined 11% from the year's high of S\$4.32 and now offers an attractive opportunity to accumulate.

Figure 1: KGI High Dividend Watchlist

KGI HIGH DIVIDEND WATCHLIST (EX - REITS)	Bloomberg Ticker	Price (Lcl curr)	Mkt Cap (\$S\$m)	Dvd Yld (%) Forecast
BLUE CHIPS				
SPH	SPH SP	2.11	3,365	5.8
SingTel	ST SP	3.13	51,110	5.8
NetLink NBN Trust	NETLINK SP	0.90	3,488	5.5
DBS	DBS SP	24.46	62,486	5.0
UOB	UOB SP	25.21	42,056	4.9
OCBC	OCBC SP	10.62	46,771	4.7
Venture	VMSP SP	15.34	4,424	4.7
ComfortDelGro	CD SP	2.39	5,176	4.6
Hongkong Land	HKL SP	5.55	18,019	4.1
ST Engineering	STE SP	3.82	11,912	4.0
Keppel Corp	KEP SP	5.83	10,589	4.0
SATS	SATS SP	4.81	5,378	3.9
SGX	SGX SP	8.34	8,932	3.8
SMALL-MID CAPS				
Fu Yu Corp	FUYU SP	0.22	166	8.6
Propnex	PROP SP	0.50	183	7.3
Valuetronics	VALUE SP	0.62	270	6.7
Chip Eng Seng	CHIP SP	0.63	391	6.4
CSE Global	CSE SP	0.47	236	6.0
APAC Realty	APAC SP	0.50	178	5.2
China Aviation Oil	CAO SP	1.16	998	4.0
Frencken	FRKN SP	0.68	288	4.0
The Hour Glass	HG SP	0.80	564	3.8
SIMPLE AVERAGE				5.1

Source: Bloomberg, KGI Research. Dividend forecast is based on consensus estimates for the companies' next financial year.

Small-Mid caps. There are attractive opportunities among small-mid caps but expect higher volatility in their share prices compared to blue-chips.

Consumer discretionary. We like The Hour Glass (HG) even though it currently only offers a 3.8% historical dividend yield. We think there is upside for its yield based on improving fundamentals and strong balance sheet. It recently reported its highest annual profit in more than 20 years, trades at an attractive 8x historical P/E and is backed by net cash that makes up 30% of its market cap.

Tech-manufacturers. Fu Yu and Valuetronics stand out with their 6-8% dividend yields, among the highest in our list. They are backed by solid balance sheets where net cash accounts for half of their current market capitalisation.

Real Estate. Property-related service companies, APAC Realty and PropNex, offer attractive dividend yields of 5-7%, in addition to undemanding valuations of 7-9x forward P/E. For PropNex, it is Singapore's largest real estate agency in terms of agents, while net cash made up 40% of its market cap.

Oil & Gas. CSE Global offers an attractive 6.0% dividend yield and is well diversified across its businesses in Singapore, Australia, and the US. China Aviation Oil (CAO) is a good opportunity to participate in the rapid growth of air travel in China and the region, being a key supplier of imported jet fuel in China. Its long-term story remains intact while offering a good combination of growth and 4.0% yield.

KGI's Ratings

Rating	Definition
Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Neutral (N)	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Underperform (U)	We take a negative view on the stock. The stock is expected to underperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Not Rated (NR)	The stock is not rated by KGI Securities.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances.

Disclaimer

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities. This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. You should independently evaluate particular investments and consult an independent financial adviser before dealing in any securities mentioned in this report.

This report is confidential. This report may not be published, circulated, reproduced or distributed and/or redistributed in whole or in part by any recipient of this report to any other person without the prior written consent of KGI Securities. This report is not intended for distribution and/or redistribution, publication to or use by any person in any jurisdiction outside Singapore or any other jurisdiction as KGI Securities may determine in its absolute discretion, where the distribution, publication or use of this report would be contrary to applicable law or would subject KGI Securities and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by KGI Securities to be reliable. However, KGI Securities makes no representation as to the accuracy or completeness of such sources or the Information and KGI Securities accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. KGI Securities and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of KGI Securities and its connected persons are subject to change without notice. KGI Securities reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) KGI Securities, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) KGI Securities, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; and (3) the officers, employees and representatives of KGI Securities may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business".)

However, as of the date of this report, neither KGI Securities nor its representative(s) who produced this report (each a "research analyst"), has any proprietary position or material interest in, and KGI Securities does not make any market in, the securities which are recommended in this report.

Each research analyst of KGI Securities who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of KGI Securities or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including KGI Securities' total revenues, a portion of which are generated from KGI Securities' business of dealing in securities.

Copyright 2019. KGI Securities (Singapore) Pte. Ltd. All rights reserved.