

Singapore Strategy

CapitaLand, Wheelock, Wing Tai, Ho Bee,
Mapletree Commercial Trust, Yanlord Land

Our favourite property plays

STI portfolio rebalancing

CapitaLand

Privatisation play

Wheelock

Wing Tai

Ho Bee

Potential STI replacement

Mapletree Commercial Trust

Yanlord Land

Potential beneficiaries of GLP's privatisation

Event

After months of waiting, Global Logistic Properties (GLP) finally announced an offer price of S\$3.38 on 14 July 2017, a 25% premium to the last closing price of S\$2.70. The offer price is 1.3x of GLP's book value. The transaction is expected to be completed on or before 14 April 2018.

Impact

There are three trading themes following GLP's privatisation bid:

1. Reallocation of funds to other STI property-related stocks
2. Increased interest in property-related privatisation names
3. Speculation on next component to replace GLP in the STI

Valuation & Action

STI portfolio rebalancing and fund reallocation may benefit CapitaLand

We believe other STI property-related counters may benefit from portfolio rebalancing and fund reallocation post-GLP delisting and GLP's 30% YTD STI outperformance. We would prefer CapitaLand (CAPL SP) given its relative underperformance vs. STI peers (City Dev, UOL) and highest upside to consensus TP of S\$4.13 (14% upside from current share price). See Figure 3.

Figure 1: Property-related stocks on the STI

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY16 (%)	Div Yield FY17 (%)
PROPERTIES								
AREIT SP	Ascendas REIT	2.62	7,561	0.8%	19.1%	0.8%	6.1%	6.3%
CAPL SP	CapitaLand	3.63	15,417	0.0%	23.5%	3.1%	2.8%	2.9%
CCT SP	CapitaLand Comm Trust	1.67	5,097	(0.9%)	16.0%	(2.6%)	5.5%	5.4%
CT SP	CapitaLand Mall Trust	1.99	7,055	0.3%	8.6%	1.0%	5.5%	5.5%
CIT SP	City Development	10.88	9,902	(0.5%)	33.0%	0.6%	1.4%	1.4%
GLP SP	Global Logistic	3.30	15,454	0.0%	49.5%	14.6%	2.0%	2.1%
HKL SP	Hongkong Land USD	7.56	24,340	0.0%	21.5%	0.5%	2.6%	2.7%
UOL SP	UOL	7.76	6,310	0.5%	32.3%	2.2%	1.9%	1.9%

Source: Bloomberg, KGI Research

Property privatisation play

We also like potential property developer privatisation plays in view of their low P/B ratios and improving property market sentiments. These may include Wheelock (WP SP, 0.7x P/B), Wing Tai (WINGT SP, 0.5x P/B) and Ho Bee Land (HOBEE SP, 0.6x P/B). See Figure 4 for the full list.

Potential stocks to replace GLP on the STI

Four of five on the STI reserve list are property-related: Keppel REIT, Mapletree Commercial Trust, Suntec REIT and YandLord. Mapletree Commercial Trust offers the highest dividend yield among those on the reserve list while Yanlord is a property developer with exposure to eight key cities in China.

Figure 2: STI Reserve List (by alphabetical order). STI next review date is on 31 August 2017

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY16 (%)	Div Yield FY17 (%)
KREIT SP	Keppel REIT	1.16	3,873	0.0%	17.0%	0.9%	5.3%	5.3%
MCT SP	Mapletree Commercial	1.61	4,631	1.6%	18.8%	2.5%	5.5%	5.5%
SMM SP	Sembcorp Marine	1.67	3,479	0.6%	21.0%	(1.2%)	1.5%	1.7%
SUN SP	Suntec REIT	1.90	5,028	0.3%	18.5%	1.6%	5.2%	5.2%
YLLG SP	Yanlord Land	1.75	3,370	1.5%	34.9%	0.0%	2.8%	3.3%

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

Source: Bloomberg, KGI Research

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See the last page for important disclosures.

Figure 3: Price performance of STI constituents and consensus price targets

COMPANY NAME	PRICE	MKT CAP (SGD)	RELATIVE PERFORMANCE YTD TO STI (%)	CONSENSUS TP (S\$)	UPSIDE / (DOWNSIDE) %
Yangzijiang Shipbuilding Holdings Ltd	1.31	5,001	40.2	1.24	-5%
Global Logistic Properties Ltd	3.30	15,501	31.3	2.87	-13%
City Developments Ltd	10.88	9,893	15.5	11.76	8%
UOL Group Ltd	7.76	6,310	13.4	8.10	4%
Oversea-Chinese Banking Corp Ltd	11.02	46,142	8.2	10.87	-1%
DBS Group Holdings Ltd	21.40	54,693	8.1	22.29	4%
CapitaLand Ltd	3.63	15,417	5.2	4.13	14%
SIA Engineering Co Ltd	4.03	4,512	4.7	3.88	-4%
Genting Singapore PLC	1.08	12,927	4.0	1.21	13%
Hongkong Land Holdings Ltd	7.56	17,787	4.6	7.87	4%
United Overseas Bank Ltd	23.93	39,709	2.7	23.36	-2%
Jardine Matheson Holdings Ltd	64.02	46,837	1.5	65.22	2%
Ascendas Real Estate Investment Trus	2.62	7,561	1.1	2.71	3%
Singapore Technologies Engineering Lt	3.70	11,536	0.3	3.89	5%
CapitaLand Commercial Trust	1.67	5,112	(1.2)	1.69	1%
Keppel Corp Ltd	6.40	11,602	(3.2)	6.99	9%
Sembcorp Industries Ltd	3.14	5,603	(3.5)	3.27	4%
Hutchison Port Holdings Trust	0.49	4,225	(2.4)	0.41	-15%
Thai Beverage PCL	0.92	22,976	(5.7)	1.03	13%
Singapore Telecommunications Ltd	3.91	63,847	(6.2)	4.14	6%
Jardine Cycle & Carriage Ltd	43.55	17,213	(7.5)	50.90	17%
CapitaLand Mall Trust	1.99	7,055	(7.6)	2.15	8%
Singapore Airlines Ltd	10.07	11,897	(8.8)	9.81	-3%
Singapore Exchange Ltd	7.44	7,960	(9.0)	7.90	6%
SATS Ltd	5.00	5,596	(9.7)	5.08	2%
StarHub Ltd	2.72	4,703	(15.2)	2.52	-7%
Wilmar International Ltd	3.31	20,933	(19.3)	3.90	18%
ComfortDelGro Corp Ltd	2.28	4,931	(19.2)	2.78	22%
Golden Agri-Resources Ltd	0.39	4,903	(21.6)	0.36	-6%
Singapore Press Holdings Ltd	3.01	4,812	(25.3)	3.11	3%

Source: Bloomberg, KGI Research

Figure 4: Singapore-listed property developers. Companies highlighted are Large-cap developers with below-average P/B ratios

Company	Bloomberg Ticker	Price (Lcl curr)	Mkt Cap (\$m)	P/E (x) (hist)	P/E (x) (fwd)	P/B (x)	ROE (%)	EV/EBITDA (x) (TTM)	Net Gearing (%)	Dvd Yld (%)
LARGE CAP DEVELOPERS										
Hong Kong Land	HKL SP	7.55	17,764	5.3	18.3	0.6	11	4.8	-	2.5
Capitaland	CAPL SP	3.64	15,460	11.4	17.7	0.9	8	18.3	44.0	2.7
City Developments	CIT SP	10.94	9,948	16.0	15.7	1.1	7	12.5	21.9	0.7
UOL Group	UOL SP	7.77	6,318	21.5	15.1	0.8	4	25.6	23.9	1.9
Frasers Centrepoint	FCL SP	1.90	5,522	8.7	9.9	0.8	10	22.0	72.7	4.5
United Industrial Corp	UIC SP	3.20	4,582	15.8	-	0.7	5	19.2	15.9	0.9
Yanlord Land	YLLG SP	1.75	3,379	5.0	5.1	0.8	16	4.2	46.8	2.5
Guocoland	GUOL SP	1.89	2,231	13.9	7.9	0.6	5	30.9	100.5	2.7
Wheelock	WP SP	1.89	2,261	39.5	-	0.7	2	50.8	NC	3.2
Bukit Sembawang Estate	BS SP	6.82	1,766	24.4	-	1.4	6	16.1	NC	0.6
Wing Tai	WINGT SP	2.00	1,548	124.2	29.4	0.5	0	-	6.3	1.5
Oxley	OHL SP	0.58	1,697	6.8	-	1.8	34	9.5	189.3	0.5
Ho Bee Land	HOBEE SP	2.35	1,564	6.1	15.9	0.6	9	10.7	36.6	2.6
First Sponsor Group	FSG SP	1.38	814	7.1	-	0.8	12	7.8	NC	1.4
SMALL-MID CAP DEVELOPERS										
Aspial Corp	ASP SP	0.26	503	423.5	-	1.6	1	59.8	265.9	1.9
Hong Fok	HFC SP	0.80	696	8.5	-	0.5	5	17.6	33.8	1.2
Roxy-Pacific	ROXY SP	0.54	638	13.9	-	1.3	9	18.0	113.9	2.0
Chip Eng Seng	CHIP SP	0.74	456	11.1	-	0.6	5	11.0	88.8	5.4
Tuan Sing	TSH SP	0.33	386	13.5	-	0.4	3	28.8	95.1	1.8
Singhaiyi	SHG SP	0.12	347	11.2	-	0.7	7	39.3	28.3	2.5
Hiap Hoe	HIAP SP	0.70	331	7.2	-	0.5	7	8.7	41.2	1.4
Heeton	HTON SP	0.49	158	17.1	-	0.5	3	55.3	74.3	2.5
Koh Brothers	KOH SP	0.29	118	8.5	-	0.5	5	16.8	32.6	1.2
Average				35.7	15.0	0.8	8	22.2	70.1	2.1

Source: Bloomberg, KGI Research

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HOLD	-10% to +10% total return over the next 12 months
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