

KGI TOP IDEAS – 26 OCTOBER WEEK



Razer (1337 HK)

- Corporate Access 27 October 2020, 3-4pm
- Turnaround in store



IPO (Please see products/CMS for financing details)

- Ant Group (Hong Kong)
- Nanofilm Technology (Singapore)



USD REITS Yield Enhancement

- 2.25% financing cost

KGI OCTOBER/NOVEMBER 2020 CALENDAR

OCTOBER

NOVEMBER

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
18	19 KREIT, MLT (PM)	20	21 KIT, KP OAK, CCT	22 CMT	23 IFAST	24
25	26 <u>HK HOLIDAY</u>	27 KGI Corp Access 3pm – Razer (1337 HK) MINT	28 CICT starts trading on enlarged unit base (CMT + CCT)	29 KEP, MNACT, MCT	30 FHT, WILMAR, CRCT	31
1	2	3 US Presidential Elections, FCT	4 UOB (AM), Great Eastern (AM), Parkway Life REIT	5 DBS, OCBC STARHUB ANT GRP LISTING	6 FLT, SIA China SunSine	7
8	9	10	11 FPL, F&N, ST Eng. BABA Singles Day	12 CD, SATS, SingTel	13 First Resources Propnex, YZJ, Sunpower	14
15	16	17	18	19	20 ThaiBev	21

*PM – After market close, AM – Before market opens

Source: KGI Research

EV SECTOR: THE NEXT BATTLEGROUND CHINA HAS EDGES

- Key policy guidelines: New energy vehicle industry development plan 2021 - 2035
- Accumulated capital investment tops RMB2tn
- Accumulated EV sales tops 4.8mn (1.7% of total global existing vehicles)
- Key self-developed technological edges in battery (cell density doubles to 270wh/kg and price drops by 80% to RMB1/wh compared to 2012), electronic motor, and electronic control
- Room for improvement: Infrastructure development and availability, lagged eco-system
- More immune to trade tensions, owning a full supply chain domestically

Counters listed in HK

BYD (1211 HK)

Global X China Electric Vehicle ETF HKD (2845 HK)

Counters listed in US

NIO Inc (NIO US)

Li Auto Inc (LI US)

XPeng Inc (XPEV US)

YIELD ENHANCEMENT (REITS)

Only for accredited or institutional
investors

PRODUCT/RESEARCH

AMIRAH

MANULIFE US REIT (COMMERCIAL)

		KGI Remarks
Dividend Yield (FY2020F)	8.3%	KGI forecast; High vs REITs average of 6.6%
Dividend Yield (FY2021F)	8.3%	KGI forecast
Gearing Ratio (debt/investment property)	39.1%	Healthy, well below 50% limit; Interest coverage 3.8x
Currency	USD	No FX risk as rental and REIT unit are in same currency
Assets (Value)	US\$2.1 bn	96.2% occupancy; WALE (by NLA) 5.7 years
Assets (Description)	Trophy/ Class A	9 prime, freehold office properties in California, Atlanta, New Jersey and Washington D.C. and Virginia. Top tenants: The William Carter (6.2%); TCW Group (4.0%); Kilpatrick Townsend (3.6%)
Sponsor	Manulife	Manulife Financial Corporation is a leading international financial services group with a market cap of US\$28 billion. It operates as John Hancock in the US and Manulife elsewhere around the world.

MANULIFE US REIT 5Y PRICE CHART



Source: Bloomberg, KGI Research

PRIME US REIT (COMMERCIAL)

		KGI Remarks
Dividend Yield (FY2020F)	9.1%	1H20 annualised yield; High vs REITs average of 6.6%
Dividend Yield (FY2021F)	8.3%	Bloomberg analyst forecasts
Gearing Ratio (debt/investment property)	33.0%	Well below limit of 50%; Interest coverage 5.4x
Currency	US\$	No FX risk as rental and REIT unit are in same currency
Assets (Value)	US\$1.43 bn	93.0% occupancy; WALE (by NLA) 4.8 years
Assets (Description)	Class A	12 prime, freehold office properties in established and growth markets such as Georgia, Washington DC and California. Top tenants: Charter Communications (8.8%); Goldman Sachs Group Inc (6.1%); Sodexo Operations LLC (5.5%)
Sponsor	KBS Asia Partners Pte Ltd	KBS is one of the largest US commercial real estate managers; US\$28.3bn invested or managed since inception, current AUM of US\$8.0bn Sponsor stake 24.7%

PRIME US REIT 1Y PRICE CHART



Source: Bloomberg, KGI Research

KEPPEL PACIFIC OAK US REIT (COMMERCIAL)

		KGI Remarks
Dividend Yield (FY2020F)	8.9%	1H20 annualised yield; High vs REITs average of 6.6%
Dividend Yield (FY2021F)	8.8%	Bloomberg analyst forecasts
Gearing Ratio (debt/investment property)	37.4%	Well below limit of 50%; Interest coverage 4.4x
Currency	US\$	No FX risk as rental and REIT unit are in same currency
Assets (Value)	US\$1.27 bn	94.3% occupancy; WALE (by NLA) 5.3 years
Assets (Description)	Class A/B	12 technology-focused, freehold office properties across 8 key growth markets such as Seattle, Denver and Houston. Top tenants: Ball Aerospace (3.5%); Oculus VR (2.4%); Lear (2.1%)
Sponsor	Keppel Capital & KBS Pacific Advisors (KPA)	Keppel Capital is an arm of Keppel Group, global real estate AUM US\$24bn; KPA is in association with KBS Sponsors' stake 7.7% each

KEPPEL PACIFIC OAK US REIT 3Y PRICE CHART



Source: Bloomberg, KGI Research

UNITED HAMPSHIRE US REIT (RETAIL)

		KGI Remarks
Dividend Yield (FY2020F)	10.6%	1H20 annualised yield; High vs REITs average of 6.6%
Dividend Yield (FY2021F)	10.4%	Bloomberg analyst forecasts
Gearing Ratio (debt/investment property)	36.2%	Well below limit of 50%; Interest coverage 5.4x
Currency	US\$	No FX risk as rental and REIT unit are in same currency
Assets (Value)	US\$629 mn	95.0% occupancy; WALE (by NLA) 8.4 years
Assets (Description)		18 Grocery/Necessity, 4 Self-Storage properties, 97% freehold, focused on the East Coast (New York, Massachusetts, Florida) Top tenants: BJ's Wholesale Club Holdings, Inc (13.5%); Wakefern Food Corp./Inserra Supermarkets (12.3%); Ahold Delhaize/Stop & Shop (10.4%)
Sponsor	UOB Global Capital LLC & The Hampshire Companies, LLC	UOB Global Capital is a global asset management subsidiary of UOB, a leading bank in Asia, US\$3.2 billion in AUM as of 30 November 2019; The Hampshire Companies is a privately held, real estate firm and real estate investment fund manager with U.S. AUM in excess of US\$2.1 bn

UNITED HAMPSHIRE US REIT 7M PRICE CHART



UHU SP Equity (United Hampshire US REIT) Daily 22OCT2019-21OCT2020

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Source: Bloomberg, KGI Research

FINANCING TO ENHANCE YIELDS

- **Annual interest rate of USD financing: 2.25%***

***T&Cs apply:**

- **Min loan size USD100K**
- **Valid for 1 year upon loan drawdown**
- **Must activate loan before 31/12/2020**
- **ONLY FOR ACCREDITED OR INSTITUTIONAL INVESTORS**

EXAMPLE: MANULIFE US REIT (COMMERCIAL)

- ILLUSTRATION PURPOSE ONLY**

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EXAMPLE: MANULIFE US REIT (COMMERCIAL) - CASH

- ILLUSTRATION PURPOSE ONLY**

	Without financing	With financing
Cash deposit	USD 500k	USD 500k
Purchase of Manulife US REIT units	USD 500k	USD 1mn
Total loan	NIL	USD 500k
Financing costs	NIL	2.25% p.a. x USD 500k = USD 11.25k
Dividend yield	USD 500k x 8.3% = USD 41.5k	USD 1mn x 8.3% = USD 83k
Profit (less financing costs)	USD 41.5k (equiv. to 8.3% return)	USD 83k – USD 11.25k = USD 71.75k (equiv. to 14.4% return)
Margin ratio	NIL	USD 1mn ÷ USD 500k = 200%

MAS requirement: Margin ratio must be maintained at 140% or more throughout

EXAMPLE: MANULIFE US REIT (COMMERCIAL) - BONDS

- ILLUSTRATION PURPOSE ONLY

	With financing
Bonds as collateral	USD 500k
Haircut	e.g., 15%
Bond collateral value	USD 500k x 85% = USD 425k
Purchase of Manulife US REIT units	USD 500k
Total loan	USD 500k
Financing costs	2.25% p.a. x USD 500k = USD 11.25k
Dividend yield (from Manulife US REIT)	USD 500k x 8.3% = USD 41.5k
Additional yield (less financing costs)	USD 41.5k – USD 11.25k = USD 30.25k (equiv. to 6.05% return)
Margin ratio	USD (500k + 425k) ÷ USD 500k = 185%

MAS requirement: Margin ratio must be maintained at 140% or more throughout

The background is a dark blue gradient with technical diagrams. On the left, there is a large circular scale with markings from 140 to 260. Several circular diagrams with arrows and partial arcs are scattered across the background, suggesting a technical or engineering theme.

TECHNOLOGY

PRODUCT/RESEARCH

KENNY

AEM – KEY CUSTOMER INTEL'S UPDATE

- Intel released 3Q20 results Thursday night
- Sales -4% YoY, EPS -22% YoY
- Largely from ASP cuts, sale volumes are still healthy
- 3 highlights
 - Data Centre Group sales -11% YoY, which was unexpected
 - Capex estimate cut to 14.2 – 14.5b (from 15b earlier)
 - Sale of memory business to SK Hynix -> generally positive
- Is this bad for AEM?
 - Not necessary since FY20 sales **still rising**
 - Fairly confident over FY21 due to new test handlers' ramp-up
 - Negative news have little fundamental impact in the ST, but will still be problematic in LT

The background features a dark blue gradient with several circular gauges and arrows. One large gauge on the left has numerical markings from 140 to 260. Other gauges are smaller and scattered across the scene. Arrows of various sizes and orientations are also present, some pointing clockwise and others counter-clockwise, suggesting a process or cycle.

IPO

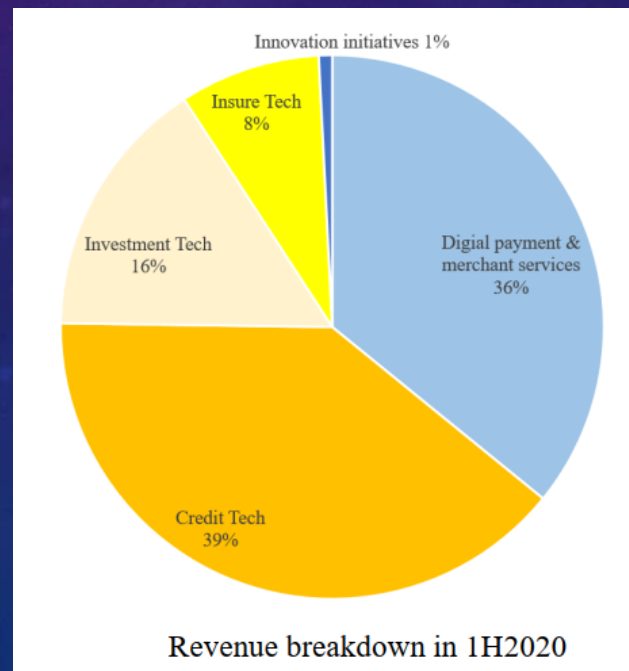
PRODUCT/RESEARCH

KENNY

UPCOMING IPOS – ANT GROUP & NANOFILM TECH

Ant Group

- Business started off with digital payment/merchant services
- Transitioned into fintech solutions
 - CreditTech (loans 花呗/借呗), InvestmentTech (investments 余额宝), InsureTech (insurance 相互宝)



UPCOMING IPOS – ANT GROUP & NANOFILM TECH

Ant Group

- Shaping up to be the world's largest IPO
- Dual-listing on HKEX and Shanghai's STAR market
- ~US 35bn across both markets
- Market value ~US 280bn
- IPO offer period likely this week, between 27 – 30 Oct
- We are offering margin financing** for clients interested in the IPO!

- ** Limit subject to risk approval

UPCOMING IPOS – ANT GROUP & NANOFILM TECH

Nanofilm Technology

- 3 business units:
 - Advanced Materials BU: Coating services
 - Nanofabrication BU: Lenses, sensor component, other small parts
 - Industrial Equipment BU: Coating + Supporting Equipment
- Growing at ~17% CAGR, profit at 13% CAGR in the past 3 years
- 1H20 results was +41% YoY
- Fairly diversified customer base with 1 key customer contributing >50% sales (possibly Apple, Samsung or Huawei), top 5 customers >80% sales

UPCOMING IPOS – ANT GROUP & NANOFILM TECH

Nanofilm Technology

- IPO public tranche opened last week, closes Wednesday (28 Oct) noon
- Insti tranche was 19x oversubscribed
- Only 3.86m shares (S\$10mn) in public tranche vs S\$470mn raised, public tranche is ~2% of total placement
- Recommendation: SUBSCRIBE, then SELL
- Why: 1) Enough hype and support but 2) 46x P/E 3) Business scalability likely not fast enough to warrant the valuation

RAZER (1337 HK) – CORPORATE ACCESS REMINDER

- Razer's corporate access is happening tomorrow, 27 October, 3pm
- We will be releasing Zoom details to participants later today

SUMMARY

Only for accredited or institutional investors

- **Financing available**
 - **HONG KONG IPO – ANT GROUP THIS WEEK**
 - **REITS YIELD ENHANCEMENT**
- **Structured Products**

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