

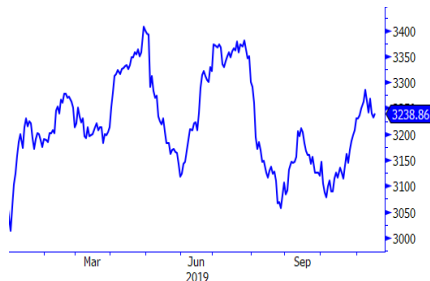
Market Indicators

	13-Nov	14-Nov	15-Nov
Mkt. T/O (S\$ mil)	1,116.9	1,069.5	1,297.7
Stock Advances	177	196	214
Stock Declines	229	208	193

Major Indices

	13-Nov	14-Nov	15-Nov
DJ Ind Avg	27,783.6	27,782.0	28,004.9
S & P 500	3,094.0	3,096.6	3,120.5
Nasdaq Comp	8,482.1	8,479.0	8,540.8
Hang Seng	26,571.5	26,323.7	26,326.7

STI Index 3,238.86 (+0.22%)

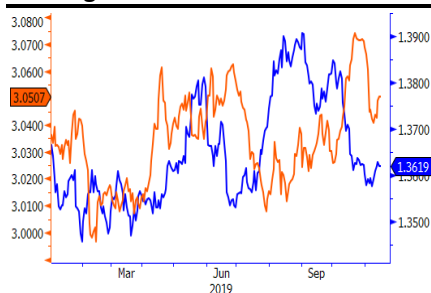


Source: Bloomberg

Commodities

	Current Price	% Chge from Close
Gold (SPOT) US\$ / oz	1,469.19	0.19%
Oil (NYMEX CWT1) US\$ / bbl	57.81	1.78%
Baltic Dry Index	1357	-0.51%

Exchange Rates



USD : SGD 1.3605 / MYR : SGD 3.0507

Source: Bloomberg

Interest Rates

3-mth Sibar	1.767%
SGS (10 yr)	1.735%

KGI Securities Research Team

KGI Market Ideas

Coverage summary. We maintain our Outperform recommendations on Eagle Hospitality Trust, Accordia Golf Trust, China Sunshin Chemical and IFS Capital. We downgrade Frencken Group to Neutral and maintain our Neutral rating on Japan Foods.

Overall, semiconductor-related stocks have outperformed the market with their 34-44% share price gains month-on-month. The outperformance of the semiconductor industry has largely been driven by new smartphone launches, accelerated build-up of 5G base stations and data centre demand.

On the other hand, traditional sectors have been hit by the China-US trade war and a slowing Chinese economy, causing earnings from commodity companies to auto parts maker to remain sluggish.

Thematic report. In the second of our automobile sector report series, we continue making inroads into understanding the various headwinds that the industry faces. Focusing on the US auto market, we discuss three main issues that the industry is facing: 1) low affordability, 2) rising subprime auto loans, and 3) trading in cars with negative equity.

Frencken Group (FRKN SP). FRKN's share price has gained 28% since our last report on 7 November, hitting our 12-month target price of S\$0.93 in intraday trading last Friday. Valuations have turned from conservative to neutral over the past few months, and from neutral to slightly expensive last week. While we continue to believe in FRKN's long-term fundamentals, its current valuations of 9-10x FY19-21F may not be sufficient to compensate for the risks arising from two of its major business segments. Hence, we downgrade FRKN to Neutral and maintain our target price of S\$0.93, which is based on 10x FY20F P/E.

As a tactical call, our Taiwan colleagues have also noticed mounting speculative sentiment among technology-related stocks as a pivotal sign of share prices reversing in the short-term.

Sector Update, Results Update and Company Update

- **Automobile Industry Report Part 2: Risk of auto debt - Page 5**
- **Accordia Golf Trust (AGT SP; OUTPERFORM; TP: S\$ 0.670):** Back in the game; highest interim dividend since 2014 - Page 7
- **China Sunshin Chemical Holdings (CSSC SP; OUTPERFORM; S\$ 1.20):** Bargain hunting - Page 8
- **Eagle Hospitality Trust (EAGLEHT SP; OUTPERFORM, TP: US\$ 0.61):** This battleship is not sinking - Page 9
- **Frencken Group (FRKN SP; NEUTRAL; TP: S\$ 0.930):** Too fast too furious - Page 10
- **IFS Capital (IFS SP; OUTPERFORM; TP: S\$ 0.30):** Healthy growth in SME lending business - Page 11
- **Japan Foods Holding (JFOOD SP; NEUTRAL; TP: S\$ 0.460):** Holding steady despite challenging environment - Page 12

Recent In depth Regional Reports

15/11	SG Automobile Industry Report Part 2: Risk of auto debt
15/11	SG Accordia Golf Trust (AGT SP; OUTPERFORM; TP: S\$ 0.670): Back in the game; highest interim dividend since 2014
15/11	TH Economics: 3Q19 GDP: Growth should slow to 2.1%YoY
15/11	TH Media Sector (Neutral): Advertising in October 2019 grew 3% YoY
15/11	TH Amata Corporation PCL (AMATA TB; Neutral; TP: Bt 25.00): 3Q19 earnings review: Beat estimate
15/11	TH B.Grimm Power (BGRIM TB; Neutral; TP: Bt 52.00): 3Q19 earnings review: In-line result
15/11	TH C.P. All (CPALL TB; Outperform; TP: Bt 91.00): More room for growth
15/11	TH Central Plaza Hotel (CENTEL TB; Underperform; TP: Bt 28.00): In the midst of the worst
15/11	TH CH. Karnchang (CK TB; Outperform; TP: Bt 32.75): 3Q19 earnings review: Below expectation
15/11	TH Ekachai Hospital (EKH TB; Outperform; TP: Bt 8.70): Keeps growing
15/11	TH Mega Lifesciences (MEGA TB; Outperform; TP: Bt 39.00): 3Q19 earnings review: Beat our expectation
15/11	TH Osotspa PCL (OSP TB; Outperform; TP: Bt 45.00): Dawn of a new day
15/11	TH RS (RS TB; Under Review; TP: Under Review): 3Q19 earnings review: Weak result
15/11	TH Sino-Thai Engineering & Construction (STEC TB; Outperform; Bt 21.40): 3Q19 earnings review: Higher than expected revenue
15/11	TH Thai Airways International (THAI TB; Underperform; TP: Bt 5.05): 3Q19 earnings review: Normalized loss unchanged
15/11	TH Thaifoods Group PCL (TFG TB; Outperform; TP: Bt 5.10): 3Q19 earnings review: A solid beat!
15/11	TH True Corporation (TRUE TB; Under Review; TP: Under Review): 3Q19 earnings review: Weaker than expected
14/11	SG IFS Capital (IFS SP; OUTPERFORM; TP: S\$ 0.30): Healthy growth in SME lending business
14/11	TW Asia Cement (1102 TT; Outperform; TP: NT\$ 54.00): 3Q19 earnings beat; further cement price strength in 2020F
14/11	TW Catcher Technology (2474 TT; Outperform; TP: NT\$ 345.00): Margin recovery to propel 2020F earnings growth
14/11	TW Chaun Choung Tech (6230 TT; Neutral; TP: NT\$ 220.00): 3Q19 EPS in line; positive 2020 outlook
14/11	TW FENC (1402 TT; Neutral; NT\$ 30.00): 3Q19 results in line with expectations
14/11	TW Lotus Pharmaceuticals (1795 TT; Outperform; TP: NT\$ 160.00): Robust growth expected in 4Q19
14/11	TW Shanghai Commercial Bank (5876 TT; Neutral; TP: NT\$ 50.00): YoY earnings growth decelerated in 3Q19
14/11	TW Tong Hsing Electronic (6271 TT; Not Rated): Earnings momentum set to recover substantially
14/11	HK Kingsoft (3888 HK; Neutral; HK\$ 19.80): Await a lower entry point; downgrade to Neutral
14/11	CN/HK Economy: October weaker than expected, but signs of strengthening
14/11	TH Bangkok Airways (BA TB; Neutral; TP: Bt 12.20): 3Q19 earnings review: Normalized loss unchanged
14/11	TH Bumrungrad Hospital (BH TB; Neutral; TP: Bt 150.00): Limited growth
14/11	TH COM 7 (COM7 TB; Outperform; TP: Bt 31.00): 3Q19 earnings review: The best is yet to come
14/11	TH Gulf Energy Development (GULF TB; Neutral; TP: Bt 172.00): 3Q19 earnings review: 6.8% above expectation
14/11	TH Hana Microelectronics PCL (HANA TB; Outperform; TP: Bt 32.00): 3Q19 earnings review: Core profit missed forecast
14/11	TH KCE Electronics (KCE TB; Neutral; TP: Bt 15.50): Hope
14/11	TH Ladprao General Hospital (LPH TB; Neutral; TP: Bt 6.80): 3Q19 earnings review: 7.1% below our forecast
14/11	TH Osotspa PCL (OSP TB; Outperform; TP: Bt 45.00): 3Q19 earnings review: Within expectation
14/11	TH Plan B Media (PLANB TB; Outperform; TP: Bt 11.40): 3Q19 earnings review: In line result
14/11	TH Pylon (PYLON TB; Outperform; TP: Bt 7.10): 3Q19 earnings review: 11% above our expectation
14/11	TH Ratch Group (RATCH TB; Neutral; TP: Bt 76.00): 3Q19 earnings review: Below expectation
14/11	TH Srisawad Corporation (SAWAD TB; Underperform; TP: Bt 61.00): 3Q19 earnings review: Sign of NPLs
13/11	TW Strategy: We revise up Taiex earnings on tech; traditional sectors dragging
13/11	TW Asustek (2357 TT; Neutral; TP: NT\$ 242.00): 3Q19 EPS beats; 4Q19F guidance conservative
13/11	TW Bizlink (3665 TT; Outperform; TP: NT\$ 260.00): 3Q19 EPS beats on forex; stable growth outlook in 2020F
13/11	TW CGPC (1305 TT; OUTPERFORM; NT\$ 24.00): 3Q19 earnings missed
13/11	TW Chin Poon (2355 TT; Neutral; TP: NT\$ 30.00): Recovery still ahead as auto market struggles
13/11	TW CSRC (2104 TT; Neutral; NT\$ 26.00): Earnings dragged down again by impairment loss
13/11	TW GPPC (1312 TT; Outperform; TP: NT\$ 22.00): 3Q19 earnings miss
13/11	TW GPPC (1312 TT; Outperform; TP: NT\$ 22.00): 3Q19 earnings miss
13/11	TW Hon Hai (2317 TT; Outperform; TP: NT\$ 114.00): Transformation on the way

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13/11	TW Quanta Computer (2382 TT; Outperform; TP: NT\$ 73.00): 3Q19 EPS beat; 2020F outlook positive
13/11	TW Taiwan Cement (1101 TT; Outperform; TP: NT\$ 52.00): 3Q19 results in line; cement price increase to catalyze shares
13/11	TW TSC AUTO ID (3611 TT; Outperform; NT\$ 324.00): Sustained momentum in 4Q19F on better product mix
13/11	HK Food & Beverage: 2019 has been a consolidation year for most key players (Neutral)
13/11	HK SMIC Group (981 HK; Neutral; TP: HK\$ 10.80): Improving demand in China
13/11	TH Strategy: Key takeaways from exclusive seminar with BoT official
13/11	TH Asia Aviation (AAV TB; Neutral; TP: Bt 3.25): Light in the darkness
13/11	TH Bangkok Dusit Medical Services (BDMS TB; Outperform; TP: Bt 30.30): 3Q19 earnings review: 13.6% above our forecast
13/11	TH Bangkok Expressway and Metro (BEM TB; Outperform; TP: Bt 11.10): 3Q19 earnings review: Good normalized profit
13/11	TH C.P.All (CPALL TB; Outperform; TP: Bt 91.00): 3Q19 earnings review: In-line
13/11	TH Central Plaza Hotel (CENTEL TB; Underperform; TP: Bt 28.00): 3Q19 earnings review: A real letdown
13/11	TH CK Power (CKP TB; Underperform; TP: Bt 5.40): 3Q19 earnings review: Below our expectation
13/11	TH Electricity Generating (EGCO TB; Underperform; TP: Bt 340.00): 3Q19 earnings review: In line result
13/11	TH KCE Electronics (KCE TB; Neutral; TP: Bt 15.50): 3Q19 earnings review: Better than estimate
13/11	TH Minor International (MINT TB; Outperform; TP: Bt 49.00): 3Q19 earnings review: Normalized profit was higher than expected
13/11	TH MK Restaurant Group (M TB; Neutral; TP: Bt 71.50): 3Q19 earnings review: An inconvenient truth
13/11	TH PTT (PTT TB; Neutral; TP: Bt 50.00): 3Q19 earnings review: In line with our estimate
13/11	TH Sappe (Outperform; Bt 29.50): 3Q19 earnings review: Beat the forecast
13/11	TH Seafco (SEAFCO TB; Outperform; TP: Bt 11.10): 3Q19 earnings review: 7.1% above our expectation
13/11	TH Siam Global House (GLOBAL TB; Neutral; TP: Bt 16.30): 3Q19 earnings review: Beat forecast
13/11	TH Siam Makro (MAKRO TB; Neutral; TP: Bt 36.50): Overseas operation a key focus
13/11	TH Taokeanoi Food & Marketing (TKN TB; Underperform; TP: Bt 7.50): 3Q19 earnings review: Lower revenue and margins
13/11	TH The Erawan Group (ERW TB; Neutral; TP: Bt 6.30): 3Q19 earnings review: Core profit inched up 3% YoY
13/11	TH Workpoint Entertainment (WORK TB; Under Review; TP: Under Review): 3Q19 earnings review: Weaker than expected
12/11	SG China Sunshin Chemical Holdings (CSSC SP; OUTPERFORM; S\$ 1.20): Bargain hunting
12/11	TW Accton (2345 TT; Outperform; TP: NT\$ 202.00): Positive 2020F outlook on top of stellar 3Q19 earnings
12/11	TW Eclat Textile (1476 TT; Outperform; NT\$ 490.00): 3Q19 earnings beat; stronger 2020F order growth from brand clients
12/11	TW Hiwin (2049 TT; Outperform; NT\$ 340.00): 3Q19 earnings miss on non-op; order recovery into 2020F
12/11	TW Inventec (2356 TT; Outperform; NT\$ 27.00): 3Q19 EPS a miss, but 4Q19-2020F outlook brighter
12/11	TW Johnson Health Tech (1736 TT; Outperform; NT\$ 108.00): 3Q19 operating profit beats; earnings upcycle intact
12/11	TW Merida (9914 TT; Outperform; NT\$ 214.00): 3Q19 beats; e-bike growth strong
12/11	TW MSI (2377 TT; Neutral; NT\$ 97.00): Disappointing improvement in 3Q19 operating margin & EPS
12/11	TW PChome Online (8044 TT; Neutral; NT\$ 122.00): Earnings recovery slower than expected
12/11	TW Taiwan Fertilizer (1722 TT; Neutral; NT\$ 54.00): Profit contribution from Al Jubail revised down
12/11	TW Zhen Ding (4958 TT; Outperform; NT\$ 177.00): EPS in line with consensus despite weak margin; rigid board to outstrip FPCB in 2020F
12/11	HK Hengan International (1044 HK; Outperform; HK\$ 60.00): Better performance in 2H19F
12/11	CN/HK Stock Liquidity Monitor: Weekly data – Stock incentive & shareholding changes involving major shareholders
12/11	CN/HK Economy: Social financing down, but will stabilize over next two months
12/11	TH Asia Aviation (AAV TB; Neutral; TP: Bt 3.40): 3Q19 earnings review: Improved normalized loss
12/11	TH Bangkok Chain Hospital (BCH TB; Outperform; TP: Bt 22.50): 3Q19 earnings review: Within expectations
12/11	TH Banpu Power (BPP TB; NEUTRAL;; TP: Bt 23.25): 3Q19 earnings review: 15.7% below expectation
12/11	TH ESSO (Thailand) (ESSO TB; Neutral; TP: Bt 11.30): 3Q19 earnings review: Lower than expected
12/11	TH GFPT (GFPT TB; Outperform; TP: Bt 16.70): Impact from an unfortunate event

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12/11	TH Indorama Ventures (IVL TB; Neutral; TP: Under Review): 3Q19 earnings review: Worse than our forecast
12/11	TH Major Cineplex Group (MAJOR TB; Outperform; TP: Bt 29.00): Solid earnings expected in 2020
12/11	TH Zen Corporation Group (ZEN TB; Under Review; TP: Under Review): 3Q19 earnings review: Rising cost from both ends
11/11	SG KGI Trading Ideas - Mermaid Maritime (MMT SP)
11/11	SG Japan Foods Holding (JFOOD SP; NEUTRAL; TP: S\$ 0.460): Holding steady despite challenging environment
11/11	TW Catcher Technology (2474 TT; Outperform; TP: NT\$ 333.00): Strong October sales; margins rebound
11/11	TW CTBC FHC (2891 TT; Outperform; NT\$ 24.50): 3Q19 earnings up 91% YoY; 4Q19F earnings to rise YoY
11/11	TW Cub Elecparts (2231 TT; Outperform; TP: NT\$ 321.00): Better radar revenue contribution in 2020F
11/11	TW Global PMX (4551 TT; Outperform; TP: NT\$ 218.00): Solid organic growth and M&A to fuel 2020F earnings
11/11	TW Hota Industrial (1536 TT; Neutral; TP: NT\$ 104.00): 2020F recovery potential partially priced-in
11/11	TW Lotes (3533 TT; Outperform; TP: NT\$ 345.00): 3Q19F earnings to beat; solid 2020F outlook
11/11	TW Power Wind Health (8462 TT; Outperform; NT\$ 265.00): 3Q19 earnings miss; training class revenue key to watch
11/11	TW SZS (3376 TT; Neutral; TP: NT\$ 130.00): Weak 3Q19 EPS on soft margins; lower 2020F growth
11/11	TW TPCC (4725 TT; Neutral; NT\$ 10.50): Losses to continue
11/11	CN/HK A-share Weekly: CPI surge & relaxation of secondary-market refinancing could offset positive effect of MSCI weighting expansion
11/11	CN/HK Economy: CPI hike to accelerate; imminent PPI rebound to partially offset fears of stagflation
11/11	TH Asia Sermkij Leasing (ASK TB; Outperform; TP: Bt 30.00): 3Q19 earnings review: Up 1.5% YoY, and 8.4% QoQ
11/11	TH BEC World (BEC TB; Under Review; TP: Bt Under Review): 3Q19 earnings review: Distorted by extra item
11/11	TH Carabao Group (CBG TB; Outperform; TP: Bt 98.00): 3Q19 earnings review: Beat forecast on stronger margins
11/11	TH Major Cineplex Group (MAJOR TB; Outperform; TP: Bt 29.00): 3Q19 earnings review: Beat expectation
11/11	TH MBK PCL (MBK TB; Outperform; TP: Bt 30.00): 3Q19 earnings review: Below expectation
11/11	TH Namyong Terminal (NYT TB; Outperform; TP: Bt 5.15): 3Q19 earnings review: 16.7% above our expectation
11/11	TH Siam Makro (MAKRO TB; Neutral; TP: Bt 36.25): 3Q19 earnings review: Beat our forecast by 10%
11/11	TH SVI PCL (SVI TB; Underperform; TP: Bt 3.50): 3Q19 earnings review: In-line result
11/11	TH Thai Oil (TOP TB; Outperform; TP: Bt 75.00): 3Q19 earnings review: Overlook the bad performance
11/11	TH WHA Corporation PCL (WHA TB; Neutral; TP: Bt 4.60): 3Q19 earnings review: Below forecast
11/11	TH WHA Utility & Power (WHAUP TB; Outperform; TP: Bt 9.40): 3Q19 earnings review: In-line with our forecast
8/11	SG Automobile Industry Report Part 1: Peak car
8/11	TW Financial Sector: October FHC profits rose 129% YoY on investment income & low base
8/11	TW Aerospace Industrial Development (2634 TT; Neutral; NT\$ 33.00): Limited earnings growth in 2020F
8/11	TW Compeq (2313 TT; Outperform; TP: NT\$ 56.00): Fully-loaded rigid-flex & HDI push 3Q19 to new highs
8/11	TW Dadi (8437 TT; Outperform; TP: NT\$ 335.00): 2020F earnings to grow over 20% YoY
8/11	TW Eva Airways (2618 TT; Outperform; TP: NT\$ 21.00): Back on growth track in 2020F
8/11	TW OUCC (1710 TT; Neutral; NT\$ 18.00): 3Q19 earnings a miss
8/11	TW SerComm (5388 TT; Outperform; TP: NT\$ 86.00): 3Q19 sales up; Philippines plant optimization continues
8/11	TW Simplo (6121 TT; Outperform; NT\$ 308.00): 3Q19 EPS beat; 2020 growth outlook still positive
8/11	TW Taiwan Mobile (3045 TT; Neutral; TP: NT\$ 106.00): 3Q19 earnings in line
8/11	HK Duiba (1753 HK; Outperform; TP: HK\$ 6.60): Leading interactive ad platform operator in China
8/11	HK Nissin Foods (1475 HK; Neutral; HK\$ 6.85): Consolidation after a strong run
8/11	CN/HK Economy: Exports to resume growth; more upside ahead for import growth than export growth

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

Automobile industry report Part 2: Risk of auto debt

Chen Guangzhi, CFA / 65 6202 1191 / guangzhi.chen@kgi.com

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

- In the second of our automobile industry report series, we continue making inroads into understanding the various headwinds that the sector faces.
- Focusing on the US auto market, we discuss three main issues that the industry is facing: low affordability and rising subprime auto loans, and trading in cars with negative equity.

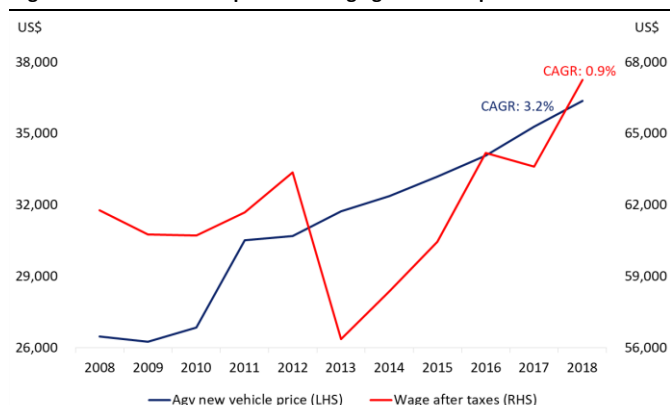
Low affordability increases debt burden

Vehicles are an indispensable asset to the American family. As of 2018, the US has 0.84 vehicles per household, which is the fifth highest auto ownership in the world. However, purchasing power in the US has stagnated, creating a headwind for future auto sales.

One of the reasons is that US wages growth with a CAGR of 0.9% has fallen behind the average selling price (ASP) growth (CAGR of 3.2%) over the past decade. In other words, new cars are relatively more expensive than they used to be. Consequently, we can observe that other private transport alternatives such as leased and used cars wane and wax inversely.

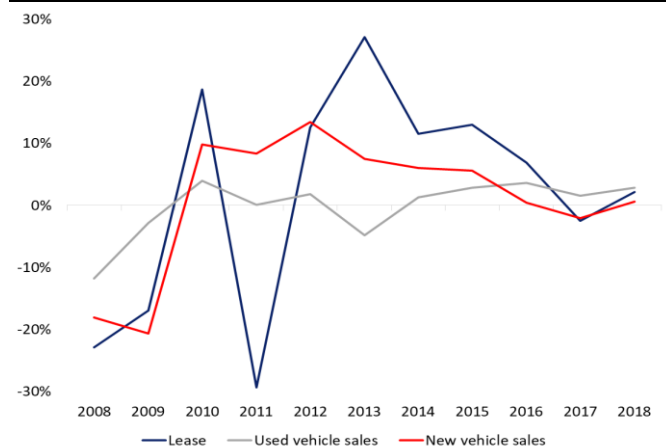
However, the preference for owning a brand new car is undeterred even though individuals may have to pinch their wallets further to afford one. Their purchasing decisions have been aided by car dealers offering attractive term loans, which enables instant gratification, but at a future cost.

Figure 1: US new vehicle price and wage growth comparison



Source: CEIC, KGI Research

Figure 2: Used vehicle and lease substitute new vehicle sales in US



Source: CEIC, KGI Research

Subprime nightmare looming

It has been more than a decade since the subprime crisis that was caused by many overestimating their ability to afford a home. Yet, many seem to be forgetting the catastrophic consequences it had on the economy, as we are beginning to see almost a replication of events in the US automobile market today - and 'those who cannot remember the past are condemned to repeat it'.

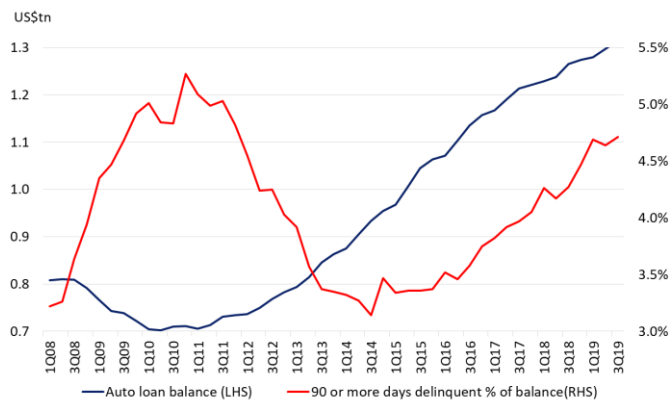
As of 3Q19, the total auto debt grew to a new high of US\$1.3tn (78% growth compared to 3Q09). More worryingly, the delinquent rate is rallying again. The 90-or-more-days delinquent percentage hit an 8-year high, since 4Q11 when the total auto debt was US\$700bn.

The number of subprime* auto loans are now increasing at an accelerated pace - loans originating from vehicle buyers with low credit scores* in 2Q19 exceeded US\$50bn, a three-year high since 2Q16. It is worth noting that in the US, the average driver replaces his car every 71.2 months (about six years). However, it could be shorter for younger millennials and fad chasers, and these are usually also the groups with lower credit scores. Since the last peak of loan origination was in 3Q15, we may expect another peak season of replacing cars in the near term.

*A subprime loan is a type of loan offered at a rate above prime to individuals who do not qualify for prime-rate loans. Quite often subprime borrowers have been turned down by traditional lenders because of their low credit ratings or other factors that suggest they have a reasonable chance of defaulting on the debt repayment.

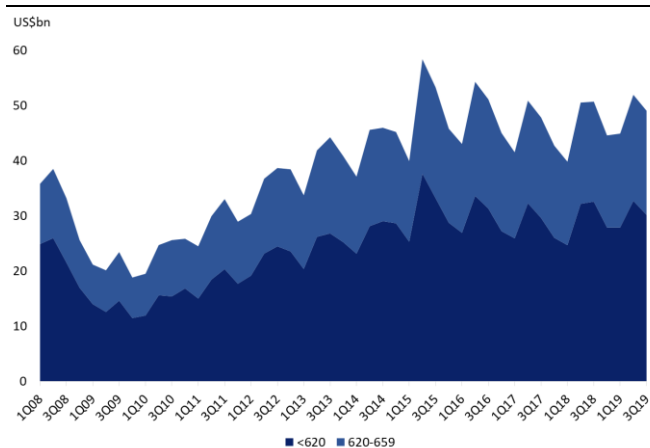
*Credit score lower than 620 is bad, 620-659 is poor.

Figure 3: Inflated auto debt and rising delinquent rate



Source: New York Fed, KGI Research

Figure 4: Auto loan origination with credit scores of 659 and below



Source: New York Fed, KGI Research

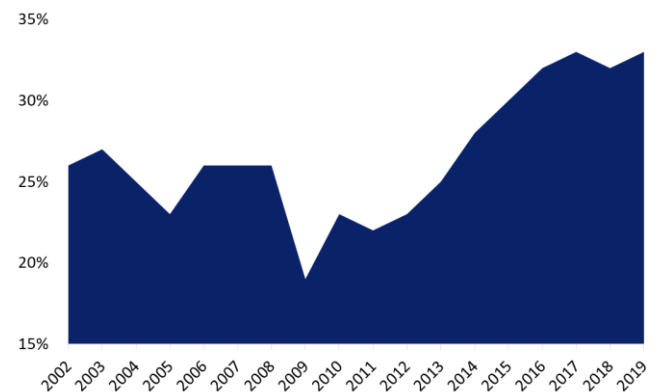
Tentacles of the debt trap: trading for a new car with negative equity

Negative equity is a situation where the car's resale value is lower than the outstanding loan amount. In 2009, 19% of those who traded in their cars for a new one, faced negative equity. However, the proportion has been rising such that for the nine months ending 30 September 2019, 33% of those who traded for a new car had negative equity.

These buyers, who trade in with negative equity, usually incur higher interest rates and monthly payments, which results in a debt cycle as it leaves them even deeper underwater. They are, more often than not, subprime borrowers who might not have the means to pay off the remaining balance on their loans before purchasing their next vehicle.

It is also worth noting that car loan terms are increasing - about a third of loans taken for new vehicles in 1H19 had terms longer than six years, compared to one-tenth ten years ago, according to Experian PLC. The longer term loans have unfortunately created an illusion of affordability as it enables car purchases that would ordinarily be out of reach.

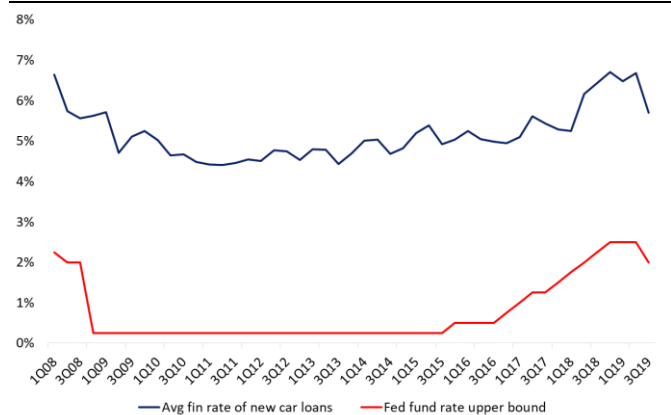
Figure 5: Percentage of people who have negative equity when trading in vehicles for new ones



Each year shows January to September period only

Source: Edmunds, KGI Research

Figure 6: Rising financing rate of new car loans



Source: Bloomberg, KGI Research

The increasingly unmanageable debt size points again to another headwind for the auto sector. Even though interest rates on car loans are expected to decline amid the rate cut cycle, the floor remains at c.4.4% when the Fed fund rate was close to 0% during the GFC.

Yet, the effect of a 2+% drop in the current financing rates (3Q19: 5.7%) will only be able to partially offset the higher transaction prices for new cars. The ballooning debt size and the rising delinquent rate could certainly bode a gloomy outlook for the auto sector.

CHINA
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Accordia Golf Trust

(AGT SP/ACCO.SI)

Back in the game; highest interim dividend since 2014

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

- 1H FY2020 DPU increased 54% YoY to 2.61 Sing cents, the highest interim dividend since its IPO in 2014.
- The good performance was due to an increase in players and lower operating expenses.
- We maintain our OUTPERFORM recommendation as AGT plays on favourable tailwinds, strengthening its position as the second largest golf course owner in Japan.
- We believe big plans are ahead for AGT in CY2020 given that its major shareholder, MBK Partners, is now the largest golf course owner in the Japan.

Financials & Key Operating Statistics

YE Mar JPY bn	2018	2019	2020F	2021F	2022F
Revenue	51.5	51.2	50.9	49.9	49.6
PATMI	4.1	-12.6	6.0	5.9	5.8
Core PATMI	5.8	5.4	6.0	5.9	5.8
Core EPS (JPY)	0.5	0.5	0.5	0.5	0.5
Core EPS grth (%)	5.7	-7.0	10.4	-1.8	-0.6
DPU (SG Cents)	3.9	3.9	5.1	5.0	5.0
Div Yield (%)	6.4	6.5	8.4	8.2	8.2
Net Margin (%)	8.0	-24.5	11.7	11.7	11.7
Loan-to-Value (%)	29.4	30.9	31.0	30.8	30.9
ROE (%)	5.1	-19.5	9.2	8.9	8.7

Source: Company Data, KGI Research

2Q FY2020 review. Revenues in 2Q FY2020 increased 6% YoY to JPY12.8bn, driven mainly by the growth in player numbers. Total players rose 8.4% YoY to 1.5mn in 2Q FY2020 as management took active steps to boost utilisation rates during weekdays. As a result of the better revenue performance and lower operating expenses, operating profits jumped 77% YoY to JPY2.1bn.

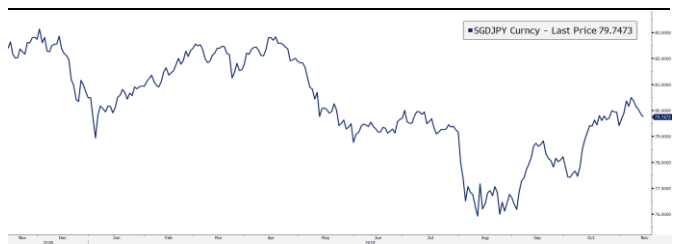
2.61 Sing cents DPU for 1H FY2020, a significant improvement from 1.64 Sing cents declared in the prior year period. Ex-date is on 3 December 2019 and date payable on 18 December 2019.

Impact of Typhon Hagibis in October. All three golf courses which were closed following Typhoon Hagibis (one of the strongest typhoons to hit the Tokyo region) have resumed operations as of 1 November. The closure had caused an estimated JPY500mn in lost revenue, as well as a similar amount in repair costs. As a result of the typhoon and flooding, the number of players in October fell 9% YoY and utilisation declined 4% YoY to 78.3%. However, the impact on overall performance in FY2020 is expected to be manageable as the lost revenue makes up less than 1% of full-year revenues.

Stronger yen. Although JPY has recently fallen from its 3-year high against the SGD, we note that JPY is still 13% stronger than the trough of 92 SGD/JPY reached in 2015. The appreciation of the JPY from end March 2019 has resulted in a 5 Sing cents increase in AGT's NAV to 76 Sing cents.

Outperform - Maintained		Performance (Absolute)	
Price as of 14 Nov 19 (SGD)	0.61	1 Month (%)	6.1
12M TP (\$)	0.67	3 Month (%)	16.3
Previous TP (\$)	0.70	12 Month (%)	32.5
Upside, incl div (%)	17.7		
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	665		
Issued Shares (mn)	1,099		
Vol - 3M Daily avg (mn)	0.8		
Val - 3M Daily avg (\$mn)	0.5		
Free Float (%)	71.1%		
Major Shareholders		Previous Recommendations	
MBK Partners	28.9%	16-Aug-19	OP \$0.67
Hibiki Path Advisors	6.2%	31-May-19	OP \$0.70
Daiwa Securities	6.0%	4-Apr-19	OP \$0.72

Figure 1: SGD/JPY



Source: Bloomberg, KGI Research

Valuation & Action: We maintain our Outperform recommendation. Despite the 16% gain in AGT's unit price since our last report in August, AGT still offers an attractive 8% dividend yield and trades at a 20% discount to its 76 Sing cents NAV. More importantly, we expect interest in golf and in AGT to increase as Japan prepares to host the Summer Olympics in 2020.

Pivotal year for AGT. CY2020 will be a pivotal year for AGT as Japan's golf industry continues to consolidate. We expect the ongoing consolidation to lead to increased market share for the largest players – specifically AGT – and therefore, improved economies of scale, enhanced branding and ultimately, better valuations.

Strong dividend support. Even if DPU were to decline to its lowest level of 3.9 Sing cents – as was the case in FY2018 and FY2019 – it would still represent a 6% dividend yield based on its current price.

Risks: Forex risk to DPU as earnings are mostly in JPY while distributions are in SGD. Macroeconomic environment and adverse weather conditions have the most significant impact on visitor numbers to golf courses.



China Sunshin Chemical Ltd

(CSSC SP/CSSC.SI)

Bargain hunting

Chen Guangzhi, CFA / 65 6202 1191 / guangzhi.chen@kgi.com

- 3Q19 results plunged due to profit margin compression. ASP continued to fall while raw material prices spiked as a result of the supply cuts in the upstream sector.
- The 20,000-tonne of TBBS capacity expansion is still on track. We expect the increase in volume to partially offset the ongoing soft ASP.
- We maintain OUTPERFORM but lower our TP from S\$1.40 to S\$1.20 given the prolonged weak market outlook. Our TP implies a 15% potential upside from the last closing price of S\$1.04.

Financials & Key Operating Statistics

YE Dec (RMB m)	FY17	FY18	FY19F	FY20F	FY21F
Revenue	1695.9	3283.3	2750.0	2850.5	3312.9
PATMI	341.3	641.3	445.2	391.4	367.3
Core PATMI	341.3	593.3	445.2	391.4	367.3
Core EPS (RMB cents)	70.8	120.7	91.2	80.2	75.2
Core EPS grth (%)	48.6	70.4	-24.4	-12.1	-6.2
Core P/E (x)	7.4	4.4	5.8	6.6	7.0
DPS (SGCents)	3.0	5.5	3.7	3.2	3.0
Div Yield (%)	2.9	5.3	3.6	3.1	2.9
Net Margin (%)	12.5	19.5	16.2	13.7	11.1
Gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Price / Earnings (x)	7.4	4.4	5.8	6.6	7.0
Price / Book (x)	9.4	4.4	5.0	4.5	4.1
ROE (%)	19.6	27.6	16.9	13.4	11.5

Source: Company Data, KGI Research

Plunge in 3Q19 performance due to margin compression.

Sunshine reported a substantial fall of 27% YoY and 44% YoY in gross profit and net profit in 3Q19. The weakest performance since 3Q17 was due mainly to the overall market downturn that further depressed ASPs of rubber chemical products. GPM and NPM further dropped to 28.5% and 12.3% respectively as ASP continued to fall while raw material prices have bottomed out since 1Q19.

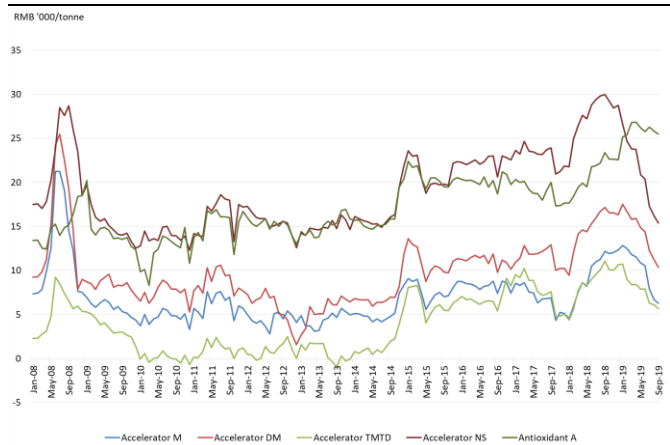
The weak ASP was due to downstream customers (mainly tyre producers) cutting production as automobile demand softened. Meanwhile, raw material prices unexpectedly spiked in September and rallied even higher in October. For example, average aniline prices jumped 10.1% MoM to RMB6,930/tonne in September and touched RMB8,000/tonne recently. The sharp jump was due to raw material producers shutting down several production lines for inspection and maintenance.

Potentially weak 4Q19. As a result of the higher raw material prices, profit margins have been under pressure over the past few months. Management is currently negotiating with clients for an upward adjustment to ASP, but the weaker margins have continued to spill over into the first month of 4Q19. The longer it takes for ASP to recover, the longer the weak performance is expected to extend.

Outperform - Maintain

Price as of 12 Nov 19 (SGD)	1.04	Performance (Absolute)	
12M TP (S\$)	1.20	1 Month (%)	-8.0
Previous TP (S\$)	1.40	3 Month (%)	-2.8
Upside (%)	15.4	12 Month (%)	-5.9
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	508		
Issued Shares (mn)	488		
Vol - 3M Daily avg (mn)	0.3		
Val - 3M Daily avg (\$mn)	0.3		
Free Float (%)	38.0%		
Major Shareholders		Previous Recommendations	
Success More Group	60.1%	11-Oct-19	OP \$1.4
Dimensional Fund Advisor	1.4%		

Figure 1: Spread between rubber chemical products and aniline



Source: CEIC, KGI Research

Valuation & Action: We maintain our OUTPERFORM recommendation but lower our target price from S\$1.40 to S\$1.20, based on our updated DCF model. The soft ASP is expected to extend in the near term, and profit margins will continue to narrow due to the weak market outlook. However, we believe that Sunshine's new capacity should be able to partially offset the decline of ASP in FY20F.

Risks: The ASP adjustment lags behind the movement of raw material prices. The downstream clients are under pressure due to soft tyre demand. Hence, Sunshine may not be able to negotiate for the timely upward adjustment to ASP. Furthermore, raw material prices could rise further in the short term due to the upstream supply shortage, which could weaken profit margins and profitability.

Eagle Hospitality Trust

(EAGLEHT SP)

This battleship is not sinking

Amirah Yusoff / 65 6202 1195 / Amirah.Yusoff@kgi.com

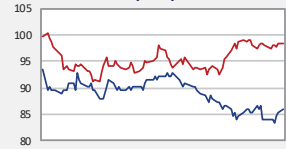
Geraldine Wong / 65 6202 1193 / Geraldine.Wong@kgi.com

- DPU in line with our estimates.** Eagle Hospitality Trust (EHT) reported distributable income of US\$14.4mn for 3Q19, or DPU of 1.649 US cts. Despite revenue underperformance, active expense management helped restore balance to distributable income.
- Displaced demand due to exogenous events.** Occupancy of EHT's second largest asset, Orlando Waterparks Florida, plunged to c.27% upon the declaration of a Category 5 hurricane emergency over the Labour Day weekend, affecting revenues by c.US\$0.6mn.
- Maintain OUTPERFORM.** We maintain our OUTPERFORM recommendation with a reduced TP of US\$0.61, as we priced in a higher beta of 0.8, on top of the previously increased market risk premium of 12.0%. Cost of equity currently stands at c.12.2%, due to uncertainties relating to the Sponsor and The Queen Mary asset. Our TP now still represents a total upside of 25.5% (inclusive of FY20F dividend of 12.3%).

Revenue miss; DPU in line with estimates. EHT reported distributable income of US\$14.4mn and DPU of 1.649 US cts for 3Q19. Revenue YTD (since listing on 23 May 2019) of US\$31.0mn missed IPO forecast of US\$33.7mn (-7.9%), while NPI YTD of US\$28.1mn missed IPO forecast of US\$28.8mn (-2.5%). Income available for distribution and DPU YTD at US\$20.0mn and 2.30 US cts were however just marginally below estimates by -0.5% and -0.6% respectively. This was due to expense savings from property tax payments, and reduced interest expenses after interest rate swap arrangements came into effect.

Orlando Waterparks (Florida) hit by Category 5 hurricane. Florida, where EHT's Holiday Inn Resort Orlando Suites (Waterpark) asset is located in, was hit by Hurricane Dorian, a Category 5 hurricane storm. Rent attributable to this asset was down c.US\$0.6mn from forecasts this quarter, as occupancy nosedived to c.27% (FY19 forecast: 76.7%) for a couple of weeks following news of the natural disaster.

Orlando waterparks stand as EHT's second largest asset by rental revenue (14.1%) for FY19F, behind the Queen Mary ship (15.3%). Management shared that Florida is not usually a hot spot for natural disasters, and a hurricane event of this scale and severity is an 'anomaly'. Notwithstanding that, EHT will not be covered by insurance for this incident as the asset was not directly impacted by Hurricane Dorian. Without the US\$0.6mn loss in revenue, DPU would have been 1.71 US cts (+3.7% actual) based on a 100% payout ratio.

OUTPERFORM - Maintain			
Price as of 15 Nov 19 (USD)	0.54	Performance (Absolute)	
12M TP (USD)	0.61	1 Month (%)	-18.9
Previous TP (USD)	0.72	3 Month (%)	-30.5
Upside, incl div (%)	25.5%	12 Month (%)	-
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (USD mn)	465		
Issued Shares (mn)	869		
Vol - 3M Daily avg (mn)	5.5		
Val - 3M Daily avg (\$mn)	3.2		
Free Float (%)	16.2		
Major Shareholders		Previous Recommendations	
Claydon Hill Investments	15.1%	2-Oct-19	OP TP US\$0.84
Compass Cove Assets	12.4%	25-Oct-19	OP TP US\$0.72
Qian Jianrong	8.9%		

Financials & Key Operating Statistics					
YE Dec USD mn	2017	2018	2019F	2020F	2021F
Gross revenue			63.1	95.4	96.4
Net property income			51.1	81.3	81.9
Distributable income			37.2	57.6	58.3
DPU (US cents)			4.3	6.6	6.7
DPU growth (%)			-	54.7	1.3
Div Yield (%)			8.0	12.3	12.5
NAV (US cents)			102.6	107.9	112.5
Price / Book (x)			0.5	0.5	0.5
NPI Margin (%)			64.0	64.0	64.0
Net Margin (%)			252.8	53.0	55.7
Gearing (%)			34.1	33.0	32.2
ROE (%)			17.8	5.4	5.5

Steady stabilization after asset enhancements. RevPAR improved considerably across this quarter to 109% from 97.4% at IPO, in comparison to the competitive set of each asset. Asset enhancements for the last five properties as set out for this year had been completed in 2Q19, as part of EHT's initial asset enhancement plans amounting to US\$174mn. Runway for RevPAR gains is still present as the RevPAR spread between EHT's work-in-progress assets and upgraded properties remains at c.28%.

Valuation & Action: Maintain OUTPERFORM with lower TP of US\$0.61. While management has clarified and reassured us with regards to many of the issues that have been raised over the past few weeks, we have been unable to fully rule out the risks related to the Sponsor and The Queen Mary ship. Therefore, we raise our cost of equity to c.12.2%, assigning a higher beta of 0.8 (previous: 0.66). Our DPU forecasts remain status quo, at US 6.6cts for FY20F, representing a yield of 12.3%.

Risks: Finalisation of U.S. tax regulation (Section 267A) anticipated at year end; recession worries and foreign exchange risk; declining RevPAR and occupancy numbers in line with macro forecasts.



CHINA
DEVELOPMENT
FINANCIAL

Frencken Group Limited

(FRKN SP/FREN.SI)

Too fast too furious

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

- Frencken's share price has gained 28% since our last report on 7 November, hitting our 12M target price of S\$0.93 in intraday trading on Friday, 15 November
- While we believe in Frencken's long-term fundamentals, we see short-term weakness in its Industrial Automation and Analytical segments
- We downgrade to NEUTRAL as further upside may be limited at its current price. Furthermore, our Taiwan colleagues have turned cautious on the extremely positive sentiment among technology-related stocks

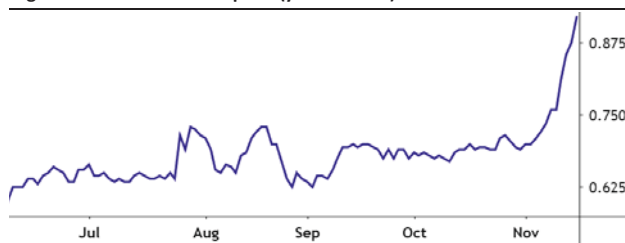
Financials & Key Operating Statistics

YE Dec (\$m)	2017	2018	2019F	2020F	2021F
Revenue	515.1	625.8	657.1	683.4	710.7
PATMI	33.1	30.0	39.4	38.1	39.5
Core PATMI	23.0	33.9	39.4	38.1	39.5
Core EPS	5.6	8.3	9.6	9.3	9.6
Core EPS grth (%)	44.5	47.7	16.2	-3.3	3.7
Core P/E (x)	16.4	11.1	9.6	9.9	9.5
DPS (SGCents)	2.4	2.1	2.6	2.6	2.6
Div Yield (%)	2.6	2.3	2.8	2.8	2.8
Net Margin (%)	6.4	4.8	6.0	5.6	5.6
Gearing (%)	-1.8	0.6	-17.6	-24.7	-31.3
Price / Book (x)	1.5	1.4	1.2	1.1	1.0
ROE (%)	13.3	11.2	12.3	10.9	10.5

Source: Company Data, KGI Research

Share price rally. Frencken's share price surged 28% following a good set of 3Q19 results announced on 6 Nov. As a recap, 3Q19 earnings beat our expectations as its mechatronics division posted 7% YoY and 6% QoQ increase in revenues, which more than offset the ongoing weakness in the IMS business. Semiconductor sales rose 10% YoY and 38% QoQ to the highest in six quarters, while its industrial automation surprised on the upside as sales in this segment increased 23% YoY and 10% QoQ.

Figure 1: Frencken's share price (year-to-date)



Source: Bloomberg, KGI Research

Taming expectations. Frencken's valuations have turned from conservative to neutral over the past few months, and from neutral to slightly expensive last week. While we believe in Frencken's long-term fundamentals, its current valuations of 9-10x FY19-21F P/E may not be sufficient to compensate for the risks arising from two of its major business segments in the next 2-3 quarters. Furthermore, Frencken's management had debunked any potential merger and acquisition (M&A) talks that may have contributed to the c.30% rise in its share price over the past two weeks.

NEUTRAL - Downgrade

Price as of 15 Nov 19 (SGD)	0.92	Performance (Absolute)	
12M TP (\$)	0.93	1 Month (%)	32.4
Previous TP (\$)	0.93	3 Month (%)	29.6
Upside (%)	1.1	12 Month (%)	132.0
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	390		
Issued Shares (mn)	424		
Vol - 3M Daily avg (mn)	2.0		
Val - 3M Daily avg (\$mn)	1.4		
Free Float (%)	62.0%		
Major Shareholders		Previous Recommendations	
Gooi Soon Chai	23.4%	7-Nov-19	OP \$0.93
		10-Sep-19	OP \$0.81
		22-Aug-19	N \$0.81

Our Taiwan colleagues have also echoed mounting speculative sentiment among technology-related stocks as a pivotal sign of share prices reversing in the short term.

Two potential weak segments. While Frencken's semiconductor segment came in stronger-than-expected, management has guided for a weaker YoY and QoQ in its industrial automation segment (most significant revenue contributor in 3Q19). Details following our meeting with management last Friday are thus summarised:

1) Analytical. After revenue peaked in 4Q18, its analytical segment has continued to decline on softer demand from a key client. These are mainly analytical machines used in the semiconductor industry.

2) Industrial Automation. Management has guided for sales to decline YoY and QoQ in 4Q19. While we remain optimistic on Frencken's well-placed position with its key client, we expect a slowdown in capex in the next 2-3 quarters as the client has mostly optimised its manufacturing footprint down to 7 sites in 2019, a 50% reduction from 14 sites that it had in 2016.

Valuation & Action: We downgrade Frencken to Neutral as we see limited upside. Our fair value of S\$0.93 is based on 10x FY20F earnings. Meanwhile, dividend yield has compressed to less than 3.0%.

Risks: Frencken's main business segments are cyclical in nature. A spending slowdown in its key business segments, namely semiconductor, automotive and analytical machines may impact margins and new orders. However, its track record has shown revenue resilience which may be due to the well-diversified mix of its business.



CHINA
DEVELOPMENT
FINANCIAL

IFS Capital
(IFS SP/I49.SI)

Healthy growth in SME lending business

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

- 3Q19 PATMI rose to S\$3.0mn, an increase from S\$1.3mn reported in the prior year period.
- Operations continued to improve for its lending business, with net interest income growing 21.6% YoY and 2.4% QoQ to S\$6.4mn. Meanwhile, non-interest income jumped 62% YoY to S\$6.7mn mainly due an S\$2.9mn contribution from the disposal of an investment.
- Its gross lending assets - which include factoring receivables and asset-based loans - remained stable at around S\$386mn as at end-3Q19.
- We maintain our OUTPERFORM recommendation on IFS. Our fair value of S\$0.30 is based on 0.6x 2020F BVPS.

Financials & Key Operating Statistics

YE Dec SGD mn	2017	2018	2019F	2020F	2021F
Net Interest Income	19.0	20.5	24.2	26.9	28.4
PATMI	2.0	18.0	8.3	8.5	9.3
Net Profit Growth		820%	-54%	3%	9%
EPS (SGD cents)	0.5	4.8	2.2	2.3	2.5
Return on Average Equity	1.5%	11.9%	5.2%	4.9%	5.1%
Return on Average Assets	0.8%	7.8%	3.1%	2.8%	3.0%
NAV (SGD Cents)	40.5	45.0	47.2	49.5	51.9
P/B(x)	0.6	0.5	0.5	0.5	0.4
P/E(x)	44.2	4.8	10.4	10.2	9.3
Wgt. Avg. shares, diluted	376	376	376	376	376
DPS (SGD Cents)	0.3	0.6	0.4	0.5	0.5
Div Yield (%)	1.3	2.4	1.9	2.0	2.2

Source: Company Data, KGI Research

Good momentum in SME lending business. Net interest income in 3Q19 rose 21.6% YoY to S\$6.4mn, contributed mainly by the higher business volume in its asset-based lending business. IFS grew its asset-based loan book to S\$231mn as at end-3Q19, an increase from S\$193mn as at end-3Q18. Net interest margin (NIM) improved slightly from 6.48% in 3Q18 to 6.85% in 3Q19.

Figure 1: Net interest income (YoY and QoQ)

Net interest income (S\$'000)	3Q19	3Q18	YoY %	2Q19	QoQ %
Factoring	3,803	3,676	3.5%	3,677	3.4%
Loans, advances, hire purchase	4,558	3,690	23.5%	4,596	(0.8%)
Interest income	8,361	7,366	13.5%	8,273	1.1%
Interest expense	(1,972)	(2,110)	(6.5%)	(2,035)	(3.1%)
Net interest income	6,389	5,256	21.6%	6,238	2.4%

Source: Company data, KGI Research

Non-interest income. Non-interest income in 3Q19 increased 62% YoY to S\$6.7mn, mainly due to fair value gain of unquoted equity securities. IFS recorded a S\$2.9mn gain from the disposal of an investment in the quarter. Excluding the one-off gain, IFS would have reported a S\$0.7mn profit instead, lower YoY on the back of higher net claims incurred under the insurance segment.

Economic slowdown; pick up in later part of 2020. Growth in Southeast Asia – especially in Thailand and Singapore - is expected to slow sharply going into 1H20 as exports and investments are impacted by the trade tensions between the US and China. On a positive note, central banks in the region have shifted to monetary easing in order to support growth;

Outperform - Maintained

Price as of 13 Nov 19 (SGD)	0.23	Performance (Absolute)	
12M TP (\$)	0.30	1 Month (%)	4.5
Previous TP (\$)	0.30	3 Month (%)	7.0
Upside (%)	29.0	12 Month (%)	9.7
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	87		
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%	26-Aug-19	OP S\$0.30
Dymon Asia Private Equity	6.9%	2-Jan-19	OP S\$0.29
		17-Oct-18	OP S\$0.29

this should eventually lead to a pickup in 2H20 for most countries. Singapore's GDP growth is expected to pick up to 1.2% in 2020 from 0.6% in 2019, while Thailand should see growth closer to around 3.0% in 2019 and 2020, according to forecasts by the OECD Development Centre.

Even with the slowdown, Asia is still the world's fastest growing region, contributing more than two-thirds to global growth. The Regional Comprehensive Economic Partnership (RCEP) - which aims to link between 2-3 billion people - will progressively lower tariffs and promote trade among participating countries when it is expected to be concluded next year. This is positive for IFS in the medium-long term as the company is well-positioned to support SME's business expansion plans in the region.

Table 1: IFS operates in 4 out of the 10 RCEP ASEAN members

Countries in RCEP	IFS business	2018 Gross operating Income (% of total)
Singapore	Lending and Insurance	31.3% (Lending) 16.2% (Insurance)
Thailand	Lending and Insurance	41.5%
Malaysia	Lending	5.8%
Indonesia	Lending	5.2%

Source: Company data, KGI Research

Valuation & Action: We maintain our OUTPERFORM recommendation on IFS, driven by strong, stable growth in its lending business. We assign a target price of \$0.30 to IFS, based on 0.6x FY20F BVPS.

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.

Japan Foods Holding Ltd

(JFOOD SP/JPFD.SP)

Holding steady despite challenging environment

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

- FY2Q20 net profit was flat at S\$0.6mn despite the 8% YoY growth in its revenue. JFOOD now operates 58 restaurants in Singapore, an increase of 5 from the same period last year. However, this was offset by higher expenses related to the new store openings and losses from its overseas associated companies.
- We maintain our **NEUTRAL** recommendation as the outlook in FY20 is expected to remain challenging on the back of heightened competition and underperformance of its overseas associates.
- Given a longer investment horizon, JFOOD remains an attractive investment for its c.5% dividend yield and resilient business model. Its S\$23mn net cash position makes up 31% of its market capitalisation.

Financials & Key Operating Statistics

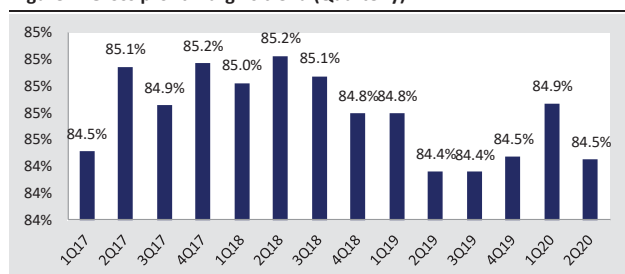
YE Mar SGD mn	2018	2019	2020F	2021F	2022F
Revenue	67.8	68.1	71.8	74.3	76.2
Gross Profit	57.7	57.5	60.5	62.4	64.0
PATMI	5.8	3.3	3.5	4.0	4.1
Core PATMI	5.3	3.2	3.6	4.0	4.1
Core EPS (SG cents)	3.0	1.8	2.1	2.3	2.3
Core EPS grth (%)	175.6	-39.4	13.5	10.7	0.6
Core P/E (x)	12.1	22.6	21.2	18.6	18.4
DPS (SG cents)	2.1	1.9	2.0	2.2	2.3
Div Yield (%)	5.3	4.4	4.7	5.1	5.3
Gross Margin (%)	85.0	84.5	84.2	84.0	84.0
Net Margin (%)	8.5	4.9	4.9	5.4	5.3
ROE (%)	17.9	9.8	10.3	11.6	11.5

Source: Company Data, KGI Research

2Q19 performance. 2Q19 revenue rose 8.3% YoY to S\$18.0mn mainly due to higher contributions from new restaurants operated under “Fruit Paradise”, “Afuji Ramen” and “Konjiki Hototogisu” brands. As at end Sep-19, JFOOD operated a total of 58 restaurants, an increase from 53 from end Sep-18. It continued to operate under 15 brands, of which, “Ajisen Ramen” (15 restaurants), “Menya Musashi” (11 restaurants) and “Shitamachi Tendon Akimitsu” (7 restaurants) made up the highest number of restaurants under its portfolio.

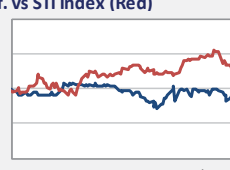
The group has proposed a higher interim dividend of 1.0 SG cents, an increase from 0.80 SG cents in 1H FY18. We estimate a 1.10 SG cents final dividend, which would bring full-year dividend to 2.10 SG cents, or an implied 4.7% dividend yield.

Figure 1: Gross profit margins trend (Quarterly)



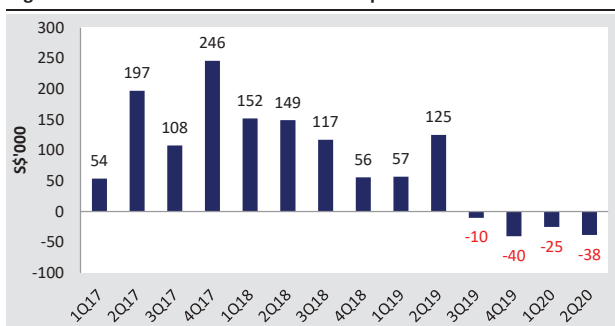
Source: Company data, KGI Research

NEUTRAL - Maintain

Price as of 8 Nov 19 (SGD)	0.43	Performance (Absolute)	
12M TP (\$)	0.46	1 Month (%)	-7.6
Previous TP (\$)	0.55	3 Month (%)	-5.6
Upside, inc div (%)	8.2	12 Month (%)	-
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	74		
Issued Shares (mn)	174		
Vol - 3M Daily avg (mn)	0.0		
Val - 3M Daily avg (\$mn)	0.0		
Free Float (%)	23.9%		
Major Shareholders		Previous Recommendations	
Takahashi Kenichi	70.6%	22-May-19	N \$0.55
Eugene Wong	5.5%	1-Feb-19	N \$0.57
		12-Nov-18	N \$0.56

Overseas associates. JFOOD recognised its fourth consecutive quarter of losses from its associated companies in Hong Kong and China operating under the Menya Musashi brand as a result of intense competition and protests in Hong Kong. On a positive note, JFOOD’s joint venture with Minor Food Group (Singapore) may open its first store in Japan in the next 12 months.

Figure 2: Contribution from associated companies



Source: Company data, KGI Research

Valuation & Action: We maintain our NEUTRAL recommendation on JFOOD due to a lack of near-term upside catalysts. Despite the challenging short-term outlook, JFOOD’s business model remains resilient and adaptable in the face of higher costs. The group maintains a sizeable cash balance of S\$22mn (29% of its current market capitalisation), supported by strong free cash flows averaging S\$1m per quarter.

Risks: Rising labour costs and rental expenses, lower consumer spending amid slower wage growth.

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 FY19F (%)	Div Yield FY20F (%)
FINANCIALS								
DBS SP	DBS	26.62	68,004	0.2%	17.5%	0.0%	4.6%	4.8%
OCBC SP	OCBC	11.15	49,110	0.5%	3.3%	0.2%	4.5%	4.6%
UOB SP	UOB	26.74	44,610	0.6%	14.2%	(0.8%)	4.6%	4.8%
SGX SP	SGX	8.85	9,478	0.1%	28.5%	(3.4%)	3.6%	3.7%
PROPERTIES								
HKL SP	Hongkong Land USD	5.39	17,272	0.0%	(11.7%)	(4.1%)	4.2%	4.4%
CAPL SP	CapitaLand	3.68	18,538	0.8%	22.3%	(0.8%)	3.4%	3.5%
CT SP	CapitaLand Mall Trust	2.52	9,296	0.4%	16.2%	1.2%	4.8%	5.0%
AREIT SP	Ascendas REIT	2.89	9,115	(0.3%)	20.9%	0.0%	5.6%	5.7%
CIT SP	City Development	10.74	9,740	2.1%	35.2%	(1.3%)	1.9%	1.9%
CCT SP	CapitaLand Comm Trust	1.98	7,638	(0.5%)	18.6%	(2.0%)	4.5%	4.5%
UOL SP	UOL	7.85	6,620	1.7%	29.8%	(1.3%)	2.3%	2.3%
TELECOMMUNICATIONS								
ST SP	SingTel	3.18	51,927	(3.6%)	12.1%	(5.1%)	5.7%	5.4%
CONSUMER SERVICES AND GOODS								
JM SP	Jardine Matheson USD	56.92	57,215	1.8%	(15.9%)	(0.1%)	3.0%	3.2%
JS SP	Jardine Strategic Holdings	31.69	47,829	0.8%	(12.8%)	(0.4%)	1.1%	1.2%
DFI SP	Dairy Farm International	5.78	10,649	0.3%	(34.3%)	(7.8%)	3.6%	3.8%
THBEV SP	ThaiBev	0.91	22,728	0.0%	51.7%	(1.1%)	2.5%	2.7%
JCNC SP	Jardine C&C	32.04	12,663	0.4%	(6.1%)	(0.7%)	3.7%	3.9%
GENS SP	Genting Singapore	0.95	11,394	1.1%	0.6%	0.5%	3.9%	3.9%
VMS SP	Venture Corp	15.77	4,549	0.4%	18.1%	(5.0%)	4.5%	4.6%
SPH SP	SPH	2.24	3,572	(0.9%)	(2.5%)	(4.3%)	5.4%	5.4%
TRANSPORT								
SIA SP	Singapore Airlines	9.24	10,951	0.3%	1.3%	0.0%	3.4%	3.6%
CD SP	ComfortDelGro	2.32	5,025	0.0%	12.5%	(2.9%)	4.6%	4.7%
COMMODITIES								
WIL SP	Wilmar	4.08	25,851	2.0%	34.4%	5.2%	2.5%	2.6%
GGR SP	Golden Agri	0.26	3,247	4.1%	6.2%	18.6%	1.1%	1.1%
OFFSHORE & MARINE/INDUSTRIALS								
KEP SP	Keppel Corp	6.88	12,497	0.4%	20.4%	(0.6%)	3.1%	3.5%
STE SP	ST Engineering	4.21	13,129	(0.2%)	25.4%	2.2%	3.6%	3.8%
SATS SP	SATS	5.07	5,669	1.2%	11.7%	(1.2%)	3.7%	3.8%
YZJSGD SP	Yangzijiang SGD	1.00	3,919	3.1%	(17.2%)	2.0%	4.7%	4.5%
SCI SP	Sembcorp Industries	2.26	4,039	(1.3%)	(9.6%)	(0.4%)	2.3%	2.7%
HPHT SP	HPH Trust USD	0.16	1,886	1.3%	(29.8%)	(0.6%)	9.8%	10.1%

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

STI Reserve List (by market cap)

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY19F (%)	Div Yield FY20F (%)
SUN SP	Suntec REIT	1.84	5,154	0.5%	8.9%	0.5%	5.2%	5.2%
MCT SP	Mapletree Commercial Trust	2.31	7,153	1.3%	47.5%	1.8%	4.1%	4.1%
MLT SP	Mapletree Logistics Trust	1.65	6,010	0.0%	38.7%	0.0%	4.9%	4.9%
KREIT SP	Keppel REIT	1.22	4,132	1.7%	12.0%	1.7%	4.6%	4.6%
MIINT SP	Maple Industries Trust	2.49	5,480	(0.4%)	37.8%	0.8%	5.0%	5.0%

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

Appendix 1: Corporate Action

Latest Dividend Entitlements Announcement

Company	Results Ann Date	Period	DPS	Ex-Date	Book Close	Payable	Share Price 15 Nov 19	Yield (%)
Hi-P International Ltd	30-Oct-19	3Q19	SGD 0.00800	6-Nov-19	7-Nov-19	18-Nov-19	SGD 1.490	3.9
ISOTeam	28-Aug-19	FY19	SGD 0.0042	8-Nov-19	11-Nov-19	18-Nov-19	SGD 0.240	1.7
Tiong Woon Corp Holding Ltd	28-Aug-19	FY19	SGD 0.0020	30-Oct-19	31-Oct-19	18-Nov-19	SGD 0.440	0.5
Micro-Mechanics Hldgs	29-Aug-19	FY19	SGD 0.0500	6-Nov-19	7-Nov-19	19-Nov-19	SGD 1.820	5.5
Micro-Mechanics Hldgs - Special	29-Aug-19	FY19	SGD 0.0100	6-Nov-19	7-Nov-19	19-Nov-19	SGD 1.820	5.5
Ellipsiz	26-Aug-19	FY19	SGD 0.010000	30-Oct-19	31-Oct-19	20-Nov-19	SGD 0.395	6.3
Ellipsiz - Special	26-Aug-19	FY19	SGD 0.010000	30-Oct-19	31-Oct-19	20-Nov-19	SGD 0.395	6.3
Fortress Minerals	9-Jul-19	1Q20	SGD 0.001600	6-Nov-19	7-Nov-19	20-Nov-19	SGD 0.200	1.8
PEC	29-Aug-19	FY19	SGD 0.0200	7-Nov-19	8-Nov-19	20-Nov-19	SGD 0.580	3.4
SPH REIT	10-Oct-19	FY19	SGD 0.0146	17-Oct-19	18-Oct-19	20-Nov-19	SGD 1.110	5.0
Spindex Industries	26-Aug-19	FY19	SGD 0.0330	4-Nov-19	5-Nov-19	20-Nov-19	SGD 0.980	3.4
GuocoLand	26-Aug-19	FY19	SGD 0.07000	31-Oct-19	1-Nov-19	21-Nov-19	SGD 2.020	3.5
Karin Technology Hldgs	28-Aug-19	FY19	HKD 0.0780	31-Oct-19	1-Nov-19	21-Nov-19	SGD 0.315	7.5
Lion Asiapac	26-Aug-19	FY19	SGD 0.00500	8-Nov-19	11-Nov-19	21-Nov-19	SGD 0.460	7.6
Mapletree Commercial Trust	15-Oct-19	2Q20	SGD 0.0290	23-Oct-19	24-Oct-19	21-Nov-19	SGD 2.310	4.3
Soilbuild Business Space REIT	16-Oct-19	3Q19	SGD 0.009180	23-Oct-19	24-Oct-19	21-Nov-19	SGD 0.485	9.8
Wing Tai Hldgs	27-Aug-19	FY19	SGD 0.0300	5-Nov-19	6-Nov-19	21-Nov-19	SGD 1.940	2.6
Wing Tai Hldgs - Special	27-Aug-19	FY19	SGD 0.0200	5-Nov-19	6-Nov-19	21-Nov-19	SGD 1.940	2.6
Ascendas India Trust	24-Oct-19	3Q20	SGD 0.04330	4-Nov-19	5-Nov-19	22-Nov-19	SGD 1.560	5.2
British & Malayan Holdings	26-Aug-19	FY19	SGD 0.02700	1-Nov-19	4-Nov-19	22-Nov-19	-	1.5
iFAST Corporation	31-Oct-19	3Q19	SGD 0.00750	8-Nov-19	11-Nov-19	22-Nov-19	SGD 1.020	3.1
Lum Chang Holdings Ltd	26-Aug-19	FY19	SGD 0.01500	6-Nov-19	7-Nov-19	22-Nov-19	SGD 0.340	5.3
Mapletree Industrial Trust	22-Oct-19	2Q20	SGD 0.0020		5-Nov-19	22-Nov-19	SGD 2.490	4.9
SIA Engrg Co	1-Nov-19	2Q20	SGD 0.0300	8-Nov-19	11-Nov-19	22-Nov-19	SGD 2.810	3.9
GL	26-Aug-19	FY19	SGD 0.02200	4-Nov-19	5-Nov-19	26-Nov-19	SGD 0.780	2.8
Koda	29-Aug-18	FY19	SGD 0.0075	4-Nov-19	5-Nov-19	26-Nov-19	SGD 0.620	4.0
Koda - Special	29-Aug-18	FY19	SGD 0.0125	4-Nov-19	5-Nov-19	26-Nov-19	SGD 0.620	4.0
NetLinkNBN	4-Nov-19	2Q19	SGD 0.02520	13-Nov-19	14-Nov-19	26-Nov-19	SGD 0.925	5.4
Keppel DC REIT			SGD 0.01810	23-Sep-19	24-Sep-19	27-Nov-19	SGD 1.990	3.6
Keppel REIT	16-Oct-19	3Q19	SGD 0.0140	23-Oct-19	24-Oct-19	27-Nov-19	SGD 1.220	4.5
STI Singapore Airlines	5-Nov-19	2Q20	SGD 0.0800	14-Nov-19	15-Nov-19	27-Nov-19	SGD 9.240	3.2
StarHub	5-Nov-19	3Q19	SGD 0.02250	12-Nov-19	13-Nov-19	27-Nov-19	SGD 1.480	7.3
Cache Logistics Trust	25-Oct-19	3Q19	SGD 0.01313	4-Nov-19	5-Nov-19	28-Nov-19	SGD 0.705	8.0
Sabana Shari'ah Compliant Industrial	24-Oct-19	3Q19	SGD 0.00780	1-Nov-19	4-Nov-19	28-Nov-19	SGD 0.475	6.0
Suntec Real Estate Invst Trust	23-Oct-19	3Q19	SGD 0.02365	31-Oct-19	1-Nov-19	28-Nov-19	SGD 1.840	5.2

Source: SGX Announcement / Bloomberg

Appendix 2: Financial Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
18-Nov	19-Nov	20-Nov	21-Nov	22-Nov
25-Nov SG 3Q19 GDP <i>(Not later than 25 Nov)</i> SG (Oct 2019) CPI <i>For General Households</i>	26-Nov SG (Oct 2019) Index of Industrial Production	27-Nov	28-Nov	29-Nov
2-Dec-2019	3-Dec	4-Dec	5-Dec	6-Dec
9-Dec	10-Dec	11-Dec *Q2 Del Monte Pacific	12-Dec	13-Dec
16-Dec	17-Dec	18-Dec	19-Dec	20-Dec

* Tentative

Source: Bloomberg

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