

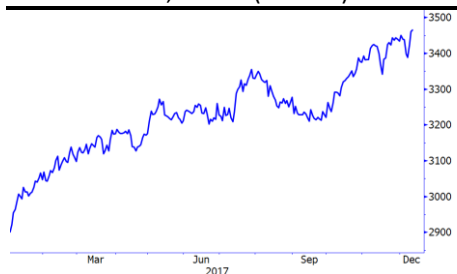
## Market Indicators

	8-Dec	11-Dec	12-Dec
Mkt. T/O (S\$ mil)	1,015.6	977.3	975.2
Stock Advances	244	254	242
Stock Declines	175	183	169

## Major Indices

	8-Dec	11-Dec	12-Dec
DJ Ind Avg	24,329.2	24,386.0	24,504.8
S & P 500	2,651.5	2,660.0	2,664.1
Nasdaq Comp	6,840.1	6,875.1	6,862.3
Hang Seng	28,639.9	28,965.3	28,793.9

**STI Index** 3,465.54 (+0.15%)



Source: Bloomberg

## Commodities

	Current Price	% Chge from Close
Gold (SPOT) US\$ / oz	1,243.44	-0.05%
Oil (NYMEX CWT1) US\$ / bbl	57.41	-1.93%
Baltic Dry Index	1727	1.47%

## Exchange Rates



USD : SGD 1.3525 / MYR : SGD 3.0173

Source: Bloomberg

## Interest Rates

3-mth Sibor	1.212%
SGS (10 yr)	2.022%

## Market Colour

The S&P 500 (+0.15%) and the Dow (+0.49%) closed at records for a fourth session in a row Tuesday as the Federal Reserve kicks off its two-day meeting. The Nasdaq, however, closed 0.19% lower. The US Federal Reserve kicked off its two-day policy meeting and investors continue to wait to see what they signal about 2018. In local markets, the STI gained 0.15% to close at a 2½ year high. This was led by the three banks (+0.07%), as well as Keppel Corp (+2.38%) and Singtel (+0.53%).

## Company Update

- **First Ship Lease Trust (FSLT SP; BUY; TP: S\$0.150):** Sale of 14-year old vessel 55% above our estimates - Page 2
- **Salesforce.com, Inc. (CRM US; Not Rated):** Riding the waves as the #1 CRM solutions provider - Page 3

## News

**Datapulse:** Has entered into a deal to buy out Malaysia-incorporated hair care manufacturing business, Wayco Manufacturing, from Way Company Pte Ltd for S\$3.5m in cash. The consideration has been agreed upon between the two parties after taking into account the six-month unaudited net profit and unaudited net tangible asset (NTA) value of Wayco. Wayco posted RM160,632 (S\$53,201) in unaudited net profit for the six months ended June 30 and its unaudited NTA value was over RM7.63 million as at June 30. The stock currently trades at S\$0.33.

**Jubilee Industries Holdings:** Set to expand its plastic injection mould business by acquiring Honfoong Plastics Industries Pte Ltd. Jubilee will fork out S\$3.5m under the terms of a sales and purchase agreement. This sum comprises S\$1m in cash, as well as S\$2.5m in almost 55.6m new Jubilee shares at 4.5 Singapore cents apiece. The Singapore-headquartered Jubilee will add to its mechanical business segment the 93 plastic injection-moulding machines at Honfoong's main production plant in Batam, Indonesia. The stock currently trades at S\$0.041.

**Emas Offshore:** Has entered into a revised term sheet with BT Investment (BTI) as it presses on with restructuring efforts. In addition, Emas Offshore and two wholly owned subsidiaries have made a scheme application to Singapore's High Court, which will be heard on Dec 21. The new term sheet will allow the group to continue with its restructuring exercise to "substantially deleverage" its balance sheet via schemes of arrangement and to strengthen its working capital position through the subscription of new shares by BTI and any co-investors. The stock currently trades at S\$0.05.

*Business Times / Bloomberg / Straits Times / The Edge Markets / SGX*

## Commentaries From The Trading Desk

- 6/12 [Spiking SIBOR could play a dampener on high flying property names](#)
- 4/12 [What Tencent giveth, Tencent can also take back!](#)
- 8/11 [A narrative of a stock entering its 'blow-off' phase](#)

Note: The comments and views in this section are those of the Trading Desk team and do not necessarily coincide with the views of the Fundamental Equities Research team.



# First Ship Lease Trust

## (FSLT SP/FSLT.SI)

### BUY

Price as of 12 Dec 2017	0.08
12M target price (S\$)	0.15
Previous target price (S\$)	0.13
Upside (%)	82.9

### Trading data

Market Cap (S\$m)	52.3
Issued Shares (m)	637.5
Ave Daily Traded (3-Month) Vol / Val	0.3m / \$0.0m
52 week lo / hi	\$0.07 / \$0.17
Free Float	74.7%

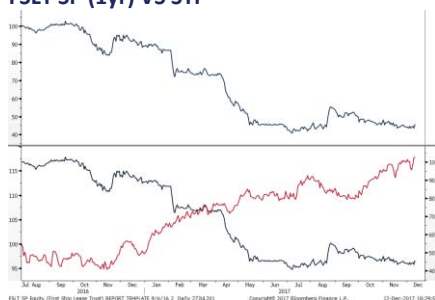
### Major Shareholders

HSH Nordbank AG	24.2%
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### Previous Recommendations

Date	Rating	Share Price (S\$)	Target Price (S\$)
13-Aug-17	BUY	0.080	0.130

### FSLT SP (1yr) VS STI



Source: Bloomberg

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See the last page for important disclosures.

## Sale of 14-year old vessel 55% above our estimates

### Event

FSLT announced on 11 December that it had sold FSL Santos, a German-built, 1221 TEU vessel built in 2013 for a cash consideration of US\$6.2m. FSLT will record a gain on disposal of around US\$0.8m in its 4Q17 results.

### Impact

This is a positive development as the US\$6.2m sale price is 55% higher than our market-based valuation of US\$4.0m (Figure 1).

### Valuation & Action

We maintain our BUY recommendation and raise our target price to S\$0.15, which implies an 88% upside. We believe this is the minimum value that FSLT should be trading at. Our target price is based on a conservative estimate of its portfolio of vessels using current market prices (liquidation value if it were to sell all its assets in the market). To back up our market-based valuation, we utilised a DCF valuation based on FSLT's healthy free cash flow, and derived a fair value of S\$0.13 (WACC 11.0%).

Based on our sensitivity analysis, upside can range from 51% to 141% over the next few quarters (Figure 2).

The short-term catalyst would include the successful refinancing of its US\$171m debt, which is due by the end of this month.

### Risks

Continued decline in charter rates for its key shipping segments – mainly in product and chemical tanker rates. In the event that FSLT is unable to refinance, we believe the best option would be to liquidate the trust and return the funds to unitholders. In this scenario, FSLT should be worth at least S\$0.15 based on the current market value of its vessels.

### Financials & Key Operating Statistics

YE Dec (US\$ m)	2012	2013	2014	2015	2016
Revenue	25.3	22.9	23.2	21.9	20.9
Net Income	5.5	3.5	-42.3	3.4	-21.8
EPS (Cents)	0.9	0.6	-6.6	0.5	-3.4
EPS grth (%)	-9.5	25.0	na	50.0	na
P/E (x)	9.3	14.5	0.0	14.8	0.0
DPS (SG Cents)	0.1	0.0	0.0	0.0	0.0
Div Yield (%)	1.3	0.0	0.0	0.0	0.0
FCF Margin (%)	47.6	41.0	54.8	42.5	58.5
Net Debt (\$m)	203.8	193.1	179.4	166.7	157.3
Price / Book (x)	0.2	–	0.2	0.3	0.3
ROE (%)	-2.6	-22.4	1.5	5.2	-11.8

Source: Company Data, KGI Research (negative net debt=net cash)

# Salesforce.com, Inc

## (CRM US /CRM.N)

### NOT RATED

Price as of 12 Dec 2017	104.540
12M target price (US\$)	na
Previous target price (US\$)	na
Upside, incl. div (%)	na

### Trading data

Mkt Cap (US\$m)	75,509
Issued Shares (m)	722
Ave Daily Traded (3-Month) Vol / Val (US\$)	4.4m / \$442.8m
52 week lo / hi (US\$)	\$68.23 / \$109.19
Free Float	94.9%

### Major Shareholders

FMR LLC	11.7%
Vanguard Group	6.6%

### CRM US (1yr) vs SPX



Source: Bloomberg

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See the last page for important disclosures.

## Riding the waves as the #1 CRM solutions provider

### Event

Salesforce.com's (Salesforce) 3Q18 earnings beat street estimates yet again, coming in at US\$51.4m, from a loss in the same period a year ago. At the time of writing, Salesforce's shares are up 52.7% YTD, outperforming the S&P 500 Index by 34.2%.

### Impact

**Strengthening its leading position with strategic partnership with Google.** The Salesforce–Google partnership is aimed at driving value across their mutual customers and provides Salesforce with opportunities to improve its suite of offerings with integrated Google applications and analytics. This partnership essentially strengthens Salesforce's position in the cloud race with other prominent enterprise application software businesses, especially Oracle, Microsoft and SAP.

**Cloud-based Customer Relationship Management (CRM) shaking up legacy CRM systems with subscription-based model.** Outdated legacy CRM systems that lack the ability to provide useful analytics are gradually being replaced. Being a pure-play cloud company and commanding the largest market share (18%) in the CRM space, we believe Salesforce would benefit the most from the shift from legacy CRM systems to cloud-based CRM systems, under a Software-as-a-Service (SaaS) business model.

**Amongst the top Platform-as-a-Service (PaaS) providers with customizable cloud-based applications.** Not only is Salesforce a SaaS provider, it is also amongst the top PaaS providers in the market, behind Amazon and Microsoft. Offering both SaaS and PaaS puts Salesforce in a strategic position as a cloud-based CRM solutions provider and gives it an edge over its competitors.

### Valuation & Action

Consensus has a target price of US\$121.68, implying a 16.4% upside. Earnings are expected to grow by 32/29/27% in FY18/19/20. Given its drive to maintain its lead in the game, we are positive on Salesforce and expect it to be on the lookout for newer partnerships with leading players in the technology space.

### Risks

Rising competition in CRM market from legacy software companies, which have been around for a longer period, could hamper growth.

### Financials & Key Operating Statistics

YE Jan USD bn	2015	2016	2017	2018F	2019F
Revenue	5.4	6.7	8.4	10.4	12.5
PATMI	(0.3)	(0.0)	0.2	1.0	1.3
Core PATMI	(0.3)	(0.0)	0.2	1.0	1.3
EPS (USD cents)	(42.0)	(7.0)	26.0	133.5	172.3
Revenue growth (%)	32.0	24.1	25.9	24.4	20.0
P/E (x)	0.0	0.0	322.6	77.1	59.7
P/S (x)	6.6	6.8	6.5	7.1	5.9
P/FCF (x)	39.5	46.8	32.0	36.2	28.6
Gross Margin (%)	75.2	73.4	73.4	76.2	76.4
Net Margin (%)	(4.9)	(0.7)	2.1	9.4	10.5
ROE (%)	(6.6)	(0.9)	2.4	14.0	14.2

Source: Company Data, Bloomberg Estimates

**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 FY16 (%)	Div Yield FY17 (%)
<b>FINANCIALS</b>								
DBS SP	DBS	25.20	64,452	0.5%	49.8%	1.6%	2.6%	2.9%
OCBC SP	OCBC	12.55	52,557	0.1%	45.4%	0.3%	3.0%	3.2%
UOB SP	UOB	26.64	44,302	0.3%	34.6%	1.2%	2.8%	3.0%
SGX SP	SGX	7.63	8,173	0.0%	10.6%	1.9%	4.0%	4.3%
<b>PROPERTIES</b>								
AREIT SP	Ascendas REIT	2.70	7,792	0.7%	26.5%	2.3%	5.9%	6.1%
CAPL SP	CapitaLand	3.49	14,823	0.0%	18.7%	0.3%	2.9%	3.0%
CCT SP	CapitaLand Comm Trust	1.92	6,928	0.0%	41.4%	3.8%	4.6%	4.6%
CT SP	CapitaLand Mall Trust	2.10	7,447	0.5%	17.8%	1.9%	5.2%	5.2%
CIT SP	City Development	12.31	11,193	(2.1%)	50.9%	3.6%	1.2%	1.2%
GLP SP	Global Logistic	3.36	15,783	0.0%	55.5%	0.0%	1.8%	1.9%
HKL SP	Hongkong Land USD	7.27	23,104	(0.8%)	17.9%	1.3%	2.7%	2.9%
UOL SP	UOL	8.64	7,272	0.3%	47.3%	0.9%	1.7%	1.7%
<b>TELECOMMUNICATIONS</b>								
ST SP	SingTel	3.79	61,888	0.5%	6.7%	1.1%	5.5%	4.8%
STH SP	StarHub	2.97	5,135	0.7%	12.4%	2.8%	5.4%	5.3%
<b>CONSUMER SERVICES AND GOODS</b>								
JCNC SP	Jardine C&C	41.03	16,217	(0.4%)	1.9%	1.9%	2.7%	2.8%
JM SP	Jardine Matheson USD	63.12	61,917	(0.6%)	16.9%	(0.6%)	2.5%	2.6%
GENS SP	Genting Singapore	1.34	16,114	0.0%	52.0%	(0.7%)	2.2%	2.3%
SPH SP	SPH	2.61	4,172	(1.5%)	(22.2%)	(2.6%)	5.3%	5.2%
THBEV SP	ThaiBev	0.96	23,980	0.5%	15.5%	0.0%	3.1%	3.4%
<b>TRANSPORT</b>								
SIA SP	Singapore Airlines	10.59	12,523	0.3%	11.7%	1.4%	2.5%	2.3%
CD SP	ComfortDelGro	2.02	4,370	(0.5%)	(14.7%)	1.0%	5.1%	5.2%
<b>COMMODITIES</b>								
GGR SP	Golden Agri	0.37	4,712	0.0%	(10.8%)	(1.3%)	1.8%	2.6%
WIL SP	Wilmar	3.11	19,672	(1.3%)	(11.5%)	(0.3%)	2.4%	2.9%
<b>OFFSHORE &amp; MARINE/INDUSTRIALS</b>								
KEP SP	Keppel Corp	7.74	14,033	2.4%	37.8%	0.9%	2.8%	3.2%
SCI SP	Sembcorp Industries	3.06	5,461	0.7%	9.9%	1.0%	2.5%	3.2%
YZJSGD SP	Yangzijiang SGD	1.50	5,953	(0.7%)	90.1%	(0.7%)	3.1%	3.0%
SATS SP	SATS	5.25	5,876	(0.2%)	12.0%	0.0%	3.3%	3.5%
SIE SP	SIA Engineering	3.12	3,489	(0.3%)	(2.9%)	(1.3%)	4.4%	4.6%
STE SP	ST Engineering	3.24	10,095	(0.9%)	4.4%	0.0%	4.6%	4.8%
HPHT SP	HPH Trust USD	0.41	4,765	0.0%	0.9%	(1.2%)	6.5%	6.7%

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

**STI Reserve List (by market cap) - STI next review date: March 2018**

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 (%)
VMS SP	Venture Corp	20.61	5,864	2.1%	116.9%	0.3%	3.0%	3.0%
SUN SP	Suntec REIT	2.09	5,544	2.0%	33.8%	3.5%	4.8%	4.7%
MCT SP	Mapletree Commercial	1.61	4,635	1.3%	22.3%	2.5%	5.5%	5.5%
KREIT SP	Keppel REIT	1.26	4,247	0.8%	30.1%	1.6%	4.8%	4.8%
SMM SP	Semcorp Marine	1.92	4,010	1.6%	40.8%	0.5%	1.0%	1.2%

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 12 Dec 17	Yield (%)
Asian Pay Television Trust	13-Nov-17	1Q17	SGD 0.01625	<b>13-Dec-17</b>	15-Dec-17	22-Dec-17	SGD 0.605	2.7
C&G Environmental Protection Holdings Ltd - Special			SGD 0.00680	<b>13-Dec-17</b>	15-Dec-17	28-Dec-17	SGD 0.020	34.0
Fu Yu Corp	14-Nov-17	3Q17	SGD 0.0025	<b>15-Dec-17</b>	19-Dec-17	29-Dec-17	SGD 0.190	1.3
Singapore Telecoms	9-Nov-17	2Q18	SGD 0.0680	<b>18-Dec-17</b>	20-Dec-17	10-Jan-18	SGD 3.790	1.8
Singapore Telecoms - Special	9-Nov-17	2Q18	SGD 0.0300	<b>18-Dec-17</b>	20-Dec-17	10-Jan-18	SGD 3.790	0.8
Fraser and Neave	8-Nov-17	FY17	SGD 0.03000	<b>31-Jan-18</b>	2-Feb-18	14-Feb-17	SGD 2.590	1.2
Fraser's Centrepoint	10-Nov-17	FY17	SGD 0.06200	<b>31-Jan-18</b>	2-Feb-18	14-Feb-18	SGD 2.090	3.0
Thai Beverage PCL	23-Nov-17	FY17	<b>Baht</b> 0.4700	<b>8-Feb-18</b>	12-Feb-18	28-Feb-18	SGD 0.955	2.0

**Latest Rights Issue Announcement**

Company	Particulars	Ex-Date	Book Close	Rights Trading Period	
				From	To
Maxi-Cash Financial Services Corp	1 Rts Share @ S\$0.160 for each Rts share for every 10 existing ord shares held	12-Dec-17	14-Dec-17		
NutryFarm Int'l	1 Rts Share @ S\$0.10 for each Rts Share for every 2 ord shares held	30-Nov-17	4-Dec-17	<b>7-Dec-17</b>	<b>15-Dec-17</b>
Vallianz Holdings	1 Rights Share @ S\$0.016 for each Rights Share for every 1 existing share held with 2 free detachable warrants (exercise price S\$0.016) for every 1 Rights Share subscribed	30-Nov-17	4-Dec-17	<b>7-Dec-17</b>	<b>15-Dec-17</b>

Source: SGX Announcement

**Vallianz Hldgs** : Expected date for the listing and commencement of trading of Warrants: Wednesday, 3 January 2018 from 9.00 a.m.

**Latest Listing Issue Announcement**

Company	Offer Price	Closing Date	Offeror
Cogent Holdings Ltd	S\$1.02 Cash	5.30 p.m. on 5 Jan 2018	COSCO Shipping Int'l (Singapore) Co., Ltd.

Source: SGX Announcement

**Appendix 2: Financial Calendar**

Monday	Tuesday	Wednesday	Thursday	Friday
11-Dec	12-Dec	13-Dec	14-Dec Q3: JES Int'l Hldgs	15-Dec Q3: Resources Prima Grp
18-Dec	19-Dec	20-Dec Q4: Yorkshire Hldgs	21-Dec	22-Dec *Q4: EMAS Offshore
25-Dec	26-Dec SG (Nov 2017): Index of Industrial Production CPI Overall index and sub-indices	27-Dec Q1: Second Chance Properties	28-Dec	29-Dec Q4: No Signboard Hldgs (Release on Sat, 30-Dec) / Triyards Hldgs
1-Jan-18	2-Jan	3-Jan	4-Jan	5-Jan
8-Jan	9-Jan	10-Jan	11-Jan	12-Jan

\* Tentative

Source: Bloomberg

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