

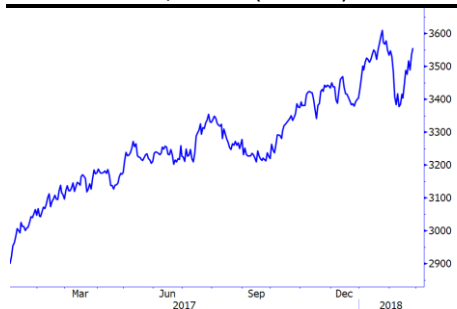
Market Indicators

	22-Feb	23-Feb	26-Feb
Mkt. T/O (S\$ mil)	1,715.7	1,403.0	1,304.7
Stock Advances	126	278	266
Stock Declines	328	153	214

Major Indices

	22-Feb	23-Feb	26-Feb
DJ Ind Avg	24,962.5	25,310.0	25,709.3
S & P 500	2,704.0	2,747.3	2,779.6
Nasdaq Comp	7,210.1	7,337.4	7,421.5
Hang Seng	30,965.7	31,267.2	31,498.6

STI Index 3,555.85 (+0.64%)



Source: Bloomberg

Commodities

	Current Price	% Chge from Close
Gold (SPOT) US\$ / oz	1,332.48	-0.42%
Oil (NYMEX CWT1) US\$ / bbl	63.99	0.87%
Baltic Dry Index	1185	1.54%

Exchange Rates



USD : SGD 1.3162 / MYR : SGD 2.9673

Source: Bloomberg

Interest Rates

3-mth Sibor	1.252%
SGS (10 yr)	2.357%

KGI Securities Research Team

Market Colour

Global equity markets are off to a positive start following the rebound in major US indices. Earnings season remains positive, providing support to the risk-on sentiments. The latest economic data in Singapore is off to the good start in 2018. Singapore's manufacturing output rose 17.9% YoY and 6.7% MoM in January 2018 according to the Economic Development Board, with strong growth coming from the electronics sector (+32% YoY). This has help lift technology-related stocks such as Venture, Hi-P and AEM.

Results Update

➤ **Sembcorp Marine Limited (SMM SP; HOLD; TP: S\$2.06):** Orders are returning but profitability to remain weak - Page 2

News

CSE Global: Shares surged 7% yesterday following moves from Quarz Capital Management, an activist investor. Quarz is seeking to engage CSE's board to unlock shareholder value and may propose measures in the AGM/EGM, including election of new board members or sale of the firm.

Raffles Medical: FY17 results were in line with street estimates. On a positive note, the group raised FY17 full-year dividends to 2.25 SG cents from 2.0 SG cents in the previous year. It is looking to open its new 700-bed Chongqing hospital in 4Q18 and 400-bed Shanghai hospital in 2H19. **Consensus TP S\$1.22 (+11% upside).**

Recent In-depth Regional Reports

26/2	SG Frencken Group (FRKN SP; HOLD; TP: S\$0.720): Results in line; 2.39 SG cents dividend declared
26/2	SG Sembcorp Marine (SMM SP; HOLD; TP: S\$2.06): Orders are returning but profitability to remain weak
26/2	TH Ananda Development (ANAN TB; Outperform; TP: Bt 7.30): Concerns lifted and sell-off overdone
26/2	TH Bangkok Airways (BA TB; Neutral; TP: Bt 18.60): 4Q17 earnings review: A huge extra gain
26/2	TH Banpu (BANPU TB; Outperform; TP: Bt 24.00): Wait a minute
26/2	TH Banpu Power (BPP TB; Outperform; TP: Bt 32.00): Growth remains good
26/2	TH BEC World (BEC TB; Neutral; TP: Bt 10.00): 4Q17 earnings review: Disappointing
26/2	TH Delta Electronic (Thailand) (DELTA TB; Under Review; TP: Under Review): 4Q17 earnings review: In-line
26/2	TH Ladprao General Hospital (LPH TB; Outperform; TP: Bt 10.52): 4Q17 earnings review: Softer core operations
26/2	TH Minor International (MINT TB; Outperform; TP: Bt 47.50): Slightly better short-term outlook
26/2	TH Scan Inter (SCN TB; Outperform; TP: Bt 6.80): 4Q17 earnings review: Missed on NGV construction
26/2	TH SVI PCL. (SVI TB; Neutral; TP: Bt 4.90): 4Q17 earnings review: Beat our forecast
26/2	TH Thai Wah PCL (TWPC TB; Neutral; TP: Bt 10.10): 2018: A year of challenges
23/2	TW Apple Insight: SZS, Primax, & GoerTek to be key suppliers for new acoustic accessories
23/2	TW Far EasTone Telecom (4904 TT; Neutral; TP: NT\$71.00): 2018F earnings to edge down, but cash dividend intact
23/2	TW Topoint (8021 TT; Neutral; TP: NT\$22.60): Earnings beat; share capital to shrink 10%
23/2	CN Midea Group (000333 CH; Not Rated): Appliance sales strong; Kuka & Toshiba profits to improve

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



Sembcorp Marine Ltd

(SMM SP/SCMN.SI)

HOLD - Maintain

Price as of 23 Feb 2018	2.23
12M target price (S\$)	2.06
Previous target price (S\$)	2.05
Upside (%)	(7.7)

Trading data

Mkt Cap (S\$m) / (US\$m)	4,656 / 3,521
Issued Shares (m)	2,087.9
Ave Daily Traded (3-Month) Vol / Val	11.1m / \$26.0m
52 week lo / hi	\$1.55 / \$2.81
Free Float	38.7%

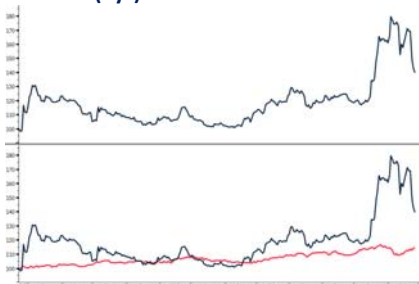
Major Shareholders

Sembcorp Industries	61.1%
Franklin Resources	5.0%

Previous Recommendations

Date	Rating	Share Price (S\$)	Target Price (S\$)
2-Nov-17	HOLD	2.000	2.050
31-Jul-17	BUY	1.690	2.050
21-Mar-17	HOLD	1.890	1.630
31-Oct-17	HOLD	1.290	1.390
29-Jul-16	HOLD	1.440	1.530

SMM SP (1yr) VS STI



Source: Bloomberg

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

See the last page for important disclosures.

Orders are returning but profitability to remain weak

Event

SMM 4Q17 earnings surprised on the downside, missing both consensus and KGI's estimates. The group reported a 4Q17 loss of S\$33.8m, its first operating loss in 17 years. However, balance sheet remains manageable as net gearing improved to 1.1x as at end December 2017 from 1.3x at end September 2017. SMM declared a final dividend of 1.0 SG cents, bringing full-year dividend to 2.0 SG cents, an implied 1.0% yield.

Impact

As we noted in our previous reported (dated 2 November 2017), share price performance for SMM in 2018 has indeed been driven by order win news flow, as well as market talk of potential corporate action (e.g. privatisation) by its parent, Sembcorp Industries (SCI). However, the recently-announced strategic review of SCI excluded any plans for SMM, at least for now. In fact, SCI's CEO, Neil McGregor, had committed to supporting SMM's recovery during this downcycle and highlighted the synergistic potential in the long-term. We take it that SCI would focus on the IPO of its India energy business in 2018 before we can perhaps see a renewed focus of any corporate action for SMM.

On a positive note, new orders are indeed starting to pick up as major upstream players' Final Investment Decisions (FIDs) firm up in 2018. SMM has managed to stem its declining order book to maintain it at S\$7.6bn as at end 2017, a slight decrease from S\$7.8bn as at end 2016. SMM has LOIs/discussions for around S\$3.0bn of new projects in 2018, highlighting the improvement in industry sentiments.

Valuation & Action

We maintain our HOLD recommendation. With profitability expected to be subpar and ROEs barely positive over the next two years, we believe SMM's share price has run ahead of fundamentals. Nevertheless, longer-term oriented investors with a timeframe of 2-4 years would be able to see annualised gains of 15-20% when the industry recovers. SMM is currently trading at 15-year historical low valuations (P/B basis) and is well-positioned with its new megayard to be able to secure orders in fast-growing gas-related projects.

Risks

Cancellations from customers remains the biggest risk. Lower for longer oil prices may delay recovery in capex spending by customers.

Financials & Key Operating Statistics

YE Dec (S\$ m)	2016	2017	2018F	2019F	2020F
Revenue	3544.8	2387.4	2633.4	3512.1	5628.2
PATMI	78.8	14.1	93.3	118.7	204.6
Core PATMI	97.7	-37.4	93.3	118.7	204.6
Core EPS	4.7	-1.8	4.5	5.7	9.8
Core EPS grth (%)	-74.5	-138.3	-349.3	27.2	72.4
Core P/E (x)	12.1	47.7	-124.5	49.9	39.3
DPS (SG Cents)	2.5	2.0	1.5	2.0	2.0
Div Yield (%)	1.1	0.9	0.7	0.9	0.9
Net Margin (%)	2.2	0.6	3.5	3.4	3.6
Gearing (%)	112.7	111.1	105.4	116.9	138.5
Price / Book (x)	1.8	1.9	1.8	1.8	1.7
ROE (%)	3.0	0.6	3.6	4.5	7.3

Source: Company Data, KGI Research

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 FY18 (%)	Div Yield FY19 (%)
FINANCIALS								
DBS SP	DBS	29.63	75,967	0.1%	19.2%	4.2%	3.9%	4.0%
OCBC SP	OCBC	13.47	56,377	0.7%	8.7%	4.0%	3.1%	3.3%
UOB SP	UOB	28.46	47,314	1.4%	7.6%	4.2%	3.2%	3.5%
SGX SP	SGX	7.61	8,146	1.1%	2.9%	(1.3%)	4.0%	4.2%
PROPERTIES								
AREIT SP	Ascendas REIT	2.61	7,537	0.8%	(4.0%)	(0.4%)	6.1%	6.4%
CAPL SP	CapitaLand	3.63	15,392	1.1%	2.8%	0.0%	3.2%	3.3%
CCT SP	CapitaLand Comm Trust	1.75	6,314	3.6%	(7.3%)	(1.7%)	5.0%	5.1%
CT SP	CapitaLand Mall Trust	2.00	7,093	1.5%	(4.8%)	0.0%	5.5%	5.6%
CIT SP	City Development	12.77	11,612	0.9%	2.2%	(1.0%)	1.2%	1.2%
HKL SP	Hongkong Land USD	7.14	22,094	(0.1%)	1.4%	1.4%	2.8%	2.9%
UOL SP	UOL	8.48	7,141	1.2%	(4.4%)	(1.5%)	1.8%	1.8%
TELECOMMUNICATIONS								
ST SP	SingTel	3.41	55,681	0.9%	(4.5%)	(0.6%)	6.0%	5.3%
STH SP	StarHub	2.51	4,341	0.4%	(11.9%)	(3.5%)	6.3%	6.1%
CONSUMER SERVICES AND GOODS								
JCNC SP	Jardine C&C	37.79	14,936	(0.1%)	(7.1%)	(1.1%)	2.9%	3.2%
JM SP	Jardine Matheson USD	62.50	59,698	0.6%	2.9%	0.7%	2.6%	2.7%
JS SP	Jardine Strategic Holding	38.79	56,512	2.1%	(2.0%)	2.7%	0.8%	0.9%
GENS SP	Genting Singapore	1.21	14,574	(6.9%)	(7.6%)	(3.2%)	2.8%	3.0%
SPH SP	SPH	2.65	4,239	0.4%	0.0%	(1.1%)	5.2%	5.0%
THBEV SP	ThaiBev	0.82	20,591	1.2%	(8.9%)	(4.1%)	3.3%	3.7%
VMS SP	Venture Corp	27.60	7,886	3.5%	34.8%	17.3%	2.4%	2.4%
TRANSPORT								
SIA SP	Singapore Airlines	11.27	13,327	0.9%	5.6%	(0.8%)	2.7%	2.5%
CD SP	ComfortDelGro	2.00	4,327	0.0%	1.0%	(2.0%)	5.2%	5.4%
COMMODITIES								
GGR SP	Golden Agri	0.36	4,585	0.0%	(2.7%)	0.0%	1.8%	1.8%
WIL SP	Wilmar	3.22	20,369	2.9%	4.2%	5.2%	3.0%	3.3%
OFFSHORE & MARINE/INDUSTRIALS								
KEP SP	Keppel Corp	8.02	14,527	0.8%	9.1%	(1.6%)	3.3%	3.5%
SCI SP	Sembcorp Industries	3.20	5,720	(1.2%)	5.6%	(3.0%)	2.8%	3.3%
YZJSGD SP	Yangzijiang SGD	1.48	5,874	0.7%	0.7%	0.7%	3.2%	3.1%
SATS SP	SATS	5.20	5,814	0.0%	0.0%	0.0%	3.4%	3.5%
STE SP	ST Engineering	3.44	10,718	1.5%	5.5%	2.7%	4.5%	4.7%
HPHT SP	HPH Trust USD	0.37	4,182	1.4%	(8.4%)	4.3%	7.2%	7.4%

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 FY18 (%)	Div Yield FY19 (%)
SUN SP	Suntec REIT	1.95	5,189	1.0%	(8.2%)	(1.0%)	5.1%	5.1%
MCT SP	Mapletree Commercial	1.59	4,579	1.3%	(0.5%)	1.3%	5.6%	5.7%
KREIT SP	Keppel REIT	1.20	4,064	0.0%	(3.7%)	(1.6%)	4.9%	4.9%
SMM SP	Semcorp Marine	2.18	4,552	(2.2%)	18.5%	(18.0%)	0.9%	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 26 Feb 18	Yield (%)
Karin Technology Hldgs	12-Feb-18	1H18 HKD	0.0680	1-Mar-18	5-Mar-18	15-Mar-18	SGD 0.340	1.1
Ireit Global	15-Feb-18	FY17	SGD 0.0288	5-Mar-18	7-Mar-18	15-Mar-18	SGD 0.795	3.6
Global Invt	20-Feb-18	FY17	SGD 0.00600	6-Mar-18	8-Mar-18	24-Apr-18	SGD 0.151	4.0
Tai Sin Electric	9-Feb-18	2Q18	SGD 0.0075	7-Mar-18	9-Mar-18	16-Mar-18	SGD 0.405	1.9
Qian Hu Corp Ltd	12-Jan-18	FY17	SGD 0.0020	10-Apr-18	12-Apr-18	25-Apr-18	SGD 0.200	1.0
M1	23-Jan-18	FY17	SGD 0.06200	18-Apr-18	20-Apr-18	27-Apr-18	SGD 1.780	3.5
Utd Overseas Insurance	5-Feb-18	FY17	SGD 0.1400	19-Apr-18	23-Apr-18	3-May-18	SGD 7.780	1.8
Utd Overseas Insurance - Special	5-Feb-18	FY17	SGD 0.0500	19-Apr-18	23-Apr-18	3-May-18	SGD 7.780	0.6
Great Eastern Hldgs	13-Feb-18	FY17	SGD 0.50000	20-Apr-18	24-Apr-18	8-May-18	SGD 30.520	1.6
Great Eastern Hldgs - Special	13-Feb-18	FY17	SGD 0.10000	20-Apr-18	24-Apr-18	8-May-18	SGD 30.520	0.3
Lee Metal Grp	20-Feb-18	FY17	SGD 0.0100	20-Apr-18	24-Apr-18	7-May-18	SGD 0.410	2.4

Latest Rights Issue Announcement

Company	Particulars	Ex-Date	Book Close	Rights Trading Period	
				From	To
SingHaiyi Group Ltd	1 Rts Share @ S\$0.100 for each Rts Share for every 2 existing ord shares	13-Feb-18	15-Feb-18	21-Feb-18	1-Mar-18
Vashion Grp	10 Rights Shares @ S\$0.005 for each Rights Share for every 1 existing Share held, 1 Warrant (exercise price S\$0.005) for every 2 Rights Shares subscribed	9-Feb-18	13-Feb-18	19-Feb-18	27-Feb-18

Source: SGX Announcement

Vashion Grp: Expected date for commencement of trading of warrants: 9.00 a.m., Wednesday, 14 March 2018

Company	Offer Price	Closing Date	Offeror
CWG Int'l	SGD 0.195 Cash	5.30 p.m. on 5 Mar 2018	Elidom Investment Co., Ltd

Source: SGX Announcement

Appendix 2: Financial Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
<p>26-Feb</p> <p>SG (Jan 2018): Index of Industrial Production</p> <p>Q4: AP Oil Int'l / Asian Pay Television Trust / Aspiat Corp / Best World Int'l / First Ship Lease Trust / Halcyon Agri / Haw Par Corp / Maxi-Cash Financial Services / Pharmesis Int'l / Raffles Medical Grp / Sinarmas Land</p>	<p>27-Feb</p> <p>Q4: Fragrance Grp / Fuxing China Grp / Golden Agri-Resources / Hong Leong Finance / Htl Royal / mDR / Olam Int'l / Sino Grandness Food / Thakral Corp / UOL Grp</p>	<p>28-Feb</p> <p>Q2: Serrano</p> <p>Q4: China Aviation Oil Spore / China Everbright Water / China Sunshine Chemical / City Developments / EC World REIT / Emerging Towns & Cities / Hiap Hoe / Ho Bee Land / LHT Hldgs / Mewah Int'l Inc / Spore Reinsurance Corp / Straco Corp / World Precision Machinery</p>	<p>1-Mar-18</p> <p>STI Review</p> <p>Q4: COSCO Shipping Int'l / Elec & Eltek Int'l / KrisEnergy / Vard Hldgs</p>	<p>2-Mar</p>
<p>5-Mar</p>	<p>6-Mar</p>	<p>7-Mar</p>	<p>8-Mar</p>	<p>9-Mar</p>
<p>12-Mar</p>	<p>13-Mar</p>	<p>14-Mar</p>	<p>15-Mar</p>	<p>16-Mar</p>
<p>19-Mar</p>	<p>20-Mar</p>	<p>21-Mar</p>	<p>22-Mar</p>	<p>23-Mar</p> <p>SG (Feb 2018): CPI Overall index and sub-indices</p>
<p>26-Mar</p> <p>SG (Feb 2018): Index of Industrial Production</p>	<p>27-Mar</p>	<p>28-Mar</p>	<p>29-Mar</p>	<p>30-Mar</p>

* Tentative

Source: Bloomberg

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