

Market Indicators

	5-Mar	6-Mar	7-Mar
Mkt. T/O (S\$ mil)	1,607.8	1,484.4	1,483.0
Stock Advances	145	288	143
Stock Declines	346	147	321

Major Indices

	5-Mar	6-Mar	7-Mar
DJ Ind Avg	24,874.8	24,884.1	24,801.4
S & P 500	2,720.9	2,728.1	2,726.8
Nasdaq Comp	7,330.7	7,372.0	7,396.6
Hang Seng	29,886.4	30,510.7	30,196.9

STI Index 3,450.69 (-1.18%)



Source: Bloomberg

Commodities

	Current Price	% Chge from Close
Gold (SPOT) US\$ / oz	1,324.52	-0.59%
Oil (NYMEX CWT11) US\$ / bbl	61.32	-0.90%
Baltic Dry Index	1212	0.17%

Exchange Rates



USD : SGD 1.3141 / MYR : SGD 2.9682

Source: Bloomberg

Interest Rates

3-mth Sibor	1.376%
SGS (10 yr)	2.356%

Market Colour

After a brief risk-off sentiment following the resignation of President Trump's economic advisor Gary Cohn, US equity markets closed flat as concerns eased that the final version of the tariff may potentially include exclusions for Canada and Mexico. The sell-off may present opportunities to accumulate stocks given that the fundamental background remains positive as earnings are still growing.

Company Update

➤ **Frencken Group Limited (FRKN SP; BUY; TP: S\$0.72):** Share price weakness a chance to accumulate - Page 2

News

CSE Global: The company has guided for a dividend of 2.75 SG cents for 2018, implying a dividend yield of 7.5%. The guidance followed a meeting on 5 March between the CSE Global's management and activist fund Quarz Capital Management (Quarz). Quarz had published an open letter on 26 February calling for CSE Global's board to unlock shareholder value and proposed measures at AGM/EGMs to "expedite" this process, including getting new board members or sale of the firm. **We continue to like CSE Global as one of our favourite small-mid cap stocks in the O&G sector. CSE Global is well positioned with its strong balance sheet to ride the recovery in the sector. In addition, it has been able to diversify beyond O&G into sectors such as infrastructure projects in Australia. It is currently trading at 1.1x P/B vs its 10-year average of 1.9x P/B and offers an attractive dividend yield of 7.5% for 2018.**

Creative Technologies: Co-founder Ng Kai Wa has disposed of some of his shares in Creative in the past few days as share prices ran up to levels not seen since 2007, cashing in on S\$1.8mn in the process. According to a Singapore Exchange filing, Ng disposed of 95,650 shares in the company on March 6, receiving S\$868,799 in this transaction. On March 5, he also disposed of 104,350 shares amounting to S\$939,150. **Shares in Creative closed at S\$7.08.**

TTJ Holdings: Posted a 19% YoY increase in 2Q18 earnings to S\$3.7mn. Revenue grew 32% YoY to S\$26.5mn in 2Q18, from S\$20.0mn. The increase was mainly contributed by its structural steel business. Gross margin fell 6.3 percentage points to 19.9% in 2Q18 and was mainly due lower projects executed and contribution from its higher-margin dormitory business. Management anticipates a pick-up in construction demand in 2018 by the government and continues to explore opportunities in waste management and treatment. **TTJ currently trades at a P/B of 0.8x, below 1s.d. of its 5 year average of 1.0x, with its shares closing at S\$0.325.**

SIA: Has agreed to subscribe for a 70% stake in inflight sales concessionaire DFASS SATS. DFASS SATS is a 50:50 joint venture company between DFASS and SATS Asia-Pacific Star (APS). APS, a wholly-owned subsidiary of SATS, is a travel-related retail business offering inflight and ground-based duty-free and duty-paid goods, as well as mail order and pre-order services. Upon completion of the transaction, DFASS and APS will each hold 15% of DFASS SATS with SIA owning the remaining 70% stake. **Shares in SIA and SATS closed flat at S\$10.83 and S\$4.99, respectively. SIA consensus fair value S\$11.67 (+7% upside) and SATS consensus fair value S\$5.67 (+13% upside).**

KGI Securities Research Team

Recent In depth Regional Reports

7/3	SG Frencken Group (FRKN SP; BUY; TP: S\$0.720): Share price weakness a chance to accumulate
7/3	TH Banpu Pcl. (BANPU TB; Outperform; TP: Bt 27.50): Unlocking the Hongsa lawsuit
7/3	TH Home Product Center (HMPRO TB; Neutral; TP: Bt 14.50): Strong gross margin to boost performance
7/3	TH Robinson Department Store (ROBINS TB; Outperform; TP: Bt 85.00): Improving performance this year
7/3	TH TICON Industrial Connection PCL (TICON TB; Outperform; TP: Bt 19.30): Step by step
6/3	TW Industrial automation: February sales of Airtac & Hiwin a mixed bag
6/3	TW Cub Elecparts (2231 TT; Outperform; TP: NT\$463.00): Reaping big rewards in the radar business
6/3	CN/HK Stock Liquidity Monitor: Weekly data – Unlocked non-tradable shares & shareholding changes involving major shareholders
6/3	CN/HK Economy: Stability is the primary guideline for economic policies; thematic investing could be market mainstream
6/3	TH Strategy: Rising Thai bond yields manageable, and partly priced in
6/3	TH Commodities Update: Return of US commercial crude inventories
6/3	TH BCPG Pcl. (BCPG TB; Underperform; TP: Bt 20.00): Energy booster needed
6/3	TH Central Plaza Hotel (CENTEL TB; Outperform; TP: Bt 56.50): Inorganic growth to provide upside
6/3	TH Electricity Generating (EGCO TB; Outperform; TP: Bt 278.00): Improving investment ability
5/3	GLOBAL Economic stability to boost stock markets: Stable global economic climate & moderate inflation; equities to fluctuate, but still offer positive returns
5/3	TW Airtac (1590 TT; Underperform; TP: NT\$436.00): Slowing orders & looming consensus earnings cut
5/3	TW Catcher Technology (2474 TT; Outperform; TP: NT\$417.00): 4Q17 margin beats, despite lower EPS
5/3	TW PChome Online (8044 TT; Neutral; TP: NT\$162.00): Core earnings on the up despite near-term losses on rising shipping subsidies
5/3	TW TaiMed Biologics (4147 TT; Outperform; TP: NT\$253.00): HIV treatment game changer
5/3	HK New Higher Education (2001 HK; Outperform; TP: HK\$7.00): 2017 results beat
5/3	CN/HK A-share Weekly: Stability mechanism & new IPO rule for unicorns short-term positives for growth blue chips
2/3	CN Robam Appliances (002508 CH; Not Rated): Impact of steel price hikes easing, but near-term uncertainty persists
5/3	SG Cityneon Holdings (CITN SP; BUY; TP: S\$1.540): Fantastic set of results; Growth story still intact
5/3	TH AMA Marine (AMA TB; Outperform; TP: Bt 22.00): Don't miss the boat
5/3	TH Bumrungrad Hospital (BH TB; Outperform; TP: Bt 236.00): Gaining more complexity
5/3	TH Sahakol Equipment (SQ TB; Outperform; TP: Bt 5.90): Turnaround coming with strong nine-year backlog
5/3	TH The Erawan Group (ERW TB; Outperform; TP: Bt 9.70): Gaining volume growth and margin expansion
5/3	TH WHA Corporation PCL (WHA TB; Outperform; TP: Bt 4.60): Well-equipped to capture EEC opportunities
5/3	TH WHA Utilities & Power (WHAUP TB; Outperform; TP: Bt 8.50): Precious outlook with cheap valuation
2/3	TW Strategy: High-yield stocks to be shelter for capital amid increased volatility
2/3	TW Apple Insight: 2018 Apple supply chain investment strategy – Focus on 6.1" LCD iPhone, more-affordable MacBook Air & AirPods
2/3	CN/HK Stock Liquidity Monitor: Weekly data – Stock incentive & employee shareholding plans

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



Frencken Group Limited

(FRKN SP/FREN.SI)

BUY - Upgrade

Price as of 7 Mar 2018	0.62
12M target price (S\$)	0.72
Previous target price (S\$)	0.72
Upside (%)	16.0

Trading data

Mkt Cap (S\$m) / (US\$m)	258.7 / 196
Issued Shares (m)	417.2
Ave Daily Traded (3-Month) Vol / Val	1.1m / \$0.7m
52 week lo / hi	\$0.33 / \$0.69
Free Float	57.5%

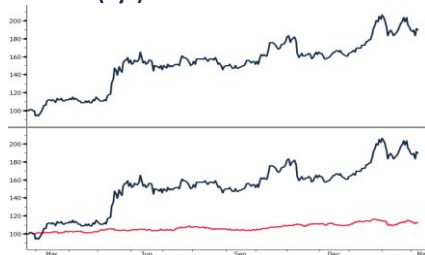
Major Shareholders

Gooi Soon Chai	22.0%
Lim Mee Hwa	6.0%

Previous Recommendations

Date	Rating	Share Price (S\$)	Target Price (S\$)
26-Feb-18	HOLD	0.670	0.720
15-Nov-18	BUY	0.540	0.660
15-Aug-17	BUY	0.520	0.730
15-May-17	BUY	0.450	0.630

FRKN SP (1yr) VS STI



Source: Bloomberg

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See the last page for important disclosures.

Share price weakness a chance to accumulate

Event

Following our downgrade of Frencken on 26 February, its share price has declined 7% to 62 SG cents. We believe the weakness in its share price is a good opportunity to accumulate. Frencken is a good proxy for the economic expansion in the Eurozone.

Impact

Positive business momentum still intact. Frencken has guided for positive YoY growth in 1Q18 across all its business segments. Interestingly, the underperforming industrial automation segment is expected to pickup due to improvement in demand for production equipment for storage drivers. On a macro level and medium-term outlook, Eurozone business activity remains at a 12-year high according to IHS Market PMI data, providing a basis for sustained growth for the group. As a recap, ~50% of its sales is derived from Europe.

Valuation & Action

Upgrade to BUY after the recent sell-down. We upgrade to BUY, with a fair value of S\$0.72 based on 12x 2018F EPS. We continue to like Frencken's diversified business model and list of blue-chip customers, which helps provide stability in cash flows and dividend pay-outs.

Decent 3.0% dividend yield in 2018E. The group declared 1.66 SG cents final and 0.73 SG cents special dividend for 2017, bringing full-year dividend to 2.39 SG cents (3.6% dividend yield). We expect the group to be able to pay dividend of 2.0 SG cents for 2018F based on a pay-out ratio of 33%, implying a 3.0% dividend yield.

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.

Financials & Key Operating Statistics

YE Dec (S\$m)	2016	2017	2018F	2019F	2020F
Revenue	466.4	515.1	540.8	567.9	590.6
PATMI	15.9	33.1	24.6	26.7	31.1
Core PATMI	15.9	23.0	24.6	26.7	31.1
Core EPS	3.9	5.6	6.0	6.5	7.6
Core EPS grth (%)	3.9	44.5	6.9	8.6	16.6
Core P/E (x)	17.1	11.9	11.1	10.2	8.8
DPS (SGCents)	1.2	2.4	2.0	2.0	2.2
Div Yield (%)	1.8	3.6	3.0	3.0	3.3
Net Margin (%)	3.4	6.4	4.5	4.7	5.3
Gearing (%)	18.8	-1.8	-14.4	-16.5	-24.1
Price / Book (x)	1.3	1.1	1.0	1.0	0.9
ROE (%)	7.4	13.3	9.4	9.5	10.3

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	28.24	72,404	0.5%	13.6%	(1.9%)	4.1%	4.3%
OCBC SP	OCBC	13.27	55,535	0.5%	7.1%	0.5%	3.2%	3.4%
UOB SP	UOB	27.86	46,305	0.8%	5.3%	(0.6%)	3.4%	3.6%
SGX SP	SGX	7.49	8,015	0.7%	1.3%	(0.7%)	4.0%	4.3%
PROPERTIES								
AREIT SP	Ascendas REIT	2.60	7,508	0.4%	(4.4%)	0.0%	6.2%	6.4%
CAPL SP	CapitaLand	3.58	15,178	(0.3%)	1.4%	(0.8%)	3.2%	3.4%
CCT SP	CapitaLand Comm Trust	1.72	6,212	1.2%	(8.9%)	(1.7%)	5.1%	5.2%
CT SP	CapitaLand Mall Trust	2.01	7,132	1.0%	(4.3%)	(0.5%)	5.5%	5.6%
CIT SP	City Development	12.80	11,639	1.0%	2.5%	(0.2%)	1.3%	1.3%
HKL SP	Hongkong Land USD	6.79	21,009	0.6%	(3.6%)	(2.4%)	2.9%	3.0%
UOL SP	UOL	8.55	7,200	1.2%	(3.6%)	0.1%	1.9%	1.9%
TELECOMMUNICATIONS								
ST SP	SingTel	3.34	54,538	0.3%	(6.4%)	(0.6%)	6.1%	5.4%
STH SP	StarHub	2.45	4,237	1.2%	(14.0%)	(0.8%)	6.4%	6.3%
CONSUMER SERVICES AND GOODS								
JCNC SP	Jardine C&C	36.25	14,327	0.9%	(10.9%)	(1.9%)	3.2%	3.4%
JM SP	Jardine Matheson USD	62.67	59,856	1.1%	3.2%	(1.5%)	2.6%	2.7%
JS SP	Jardine Strategic Holding	39.08	56,930	1.2%	(1.3%)	(1.7%)	0.8%	0.9%
GENS SP	Genting Singapore	1.11	13,370	(0.9%)	(15.3%)	(3.5%)	3.2%	3.2%
SPH SP	SPH	2.57	4,111	1.6%	(3.0%)	(0.4%)	5.4%	5.2%
THBEV SP	ThaiBev	0.83	20,717	0.6%	(8.4%)	(1.2%)	3.3%	3.6%
VMS SP	Venture Corp	27.18	7,766	0.3%	32.8%	1.0%	2.6%	2.6%
TRANSPORT								
SIA SP	Singapore Airlines	10.91	12,901	0.7%	2.2%	(1.3%)	2.8%	2.6%
CD SP	ComfortDelGro	2.04	4,414	2.0%	3.0%	1.5%	5.1%	5.2%
COMMODITIES								
GGR SP	Golden Agri	0.36	4,521	(1.4%)	(4.1%)	0.0%	1.9%	1.9%
WIL SP	Wilmar	3.18	20,116	0.0%	2.9%	(1.5%)	3.1%	3.4%
OFFSHORE & MARINE/INDUSTRIALS								
KEP SP	Keppel Corp	7.68	13,912	0.8%	4.5%	(4.1%)	3.4%	3.6%
SCI SP	Sembcorp Industries	3.09	5,517	1.0%	2.0%	(2.5%)	2.9%	3.4%
YZJSGD SP	Yangzijiang SGD	1.32	5,239	(0.8%)	(10.2%)	(9.0%)	3.3%	3.3%
SATS SP	SATS	5.01	5,592	0.4%	(3.7%)	(2.3%)	3.5%	3.7%
STE SP	ST Engineering	3.37	10,500	0.6%	3.4%	(0.3%)	4.6%	4.8%
HPHT SP	HPH Trust USD	0.35	4,010	0.0%	(12.1%)	(2.8%)	7.5%	7.7%

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 FY18 (%)	Div Yield FY19 (%)
SUN SP	Suntec REIT	1.93	5,136	1.0%	(9.1%)	(0.5%)	5.1%	5.2%
MCT SP	Mapletree Commercial	1.54	4,435	0.0%	(3.6%)	(1.3%)	5.8%	5.8%
KREIT SP	Keppel REIT	1.17	3,966	(0.8%)	(6.1%)	(0.8%)	5.0%	5.0%
SMM SP	Semcorp Marine	2.08	4,343	2.0%	13.0%	0.0%	1.0%	1.3%

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 7 Mar 18	Yield (%)
Koda Ltd	13-Feb-18	2Q18	SGD 0.0025	12-Mar-18	14-Mar-18	28-Mar-18	SGD 0.620	0.4
Asian Pay Television Trust	26-Feb-18	FY17	SGD 0.01625	14-Mar-18	16-Mar-18	23-Mar-18	SGD 0.565	2.9
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
United Overseas Insurance	5-Feb-18	FY17	SGD 0.1400	19-Apr-18	23-Apr-18	3-May-18	SGD 7.600	1.8
United Overseas Insurance - Special	5-Feb-18	FY17	SGD 0.0500	19-Apr-18	23-Apr-18	3-May-18	SGD 7.600	0.7
Great Eastern Hldgs	13-Feb-18	FY17	SGD 0.50000	20-Apr-18	24-Apr-18	8-May-18	SGD 30.330	1.6
Great Eastern Hldgs - Special	13-Feb-18	FY17	SGD 0.10000	20-Apr-18	24-Apr-18	8-May-18	SGD 30.330	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
iFAST Corporation	14-Feb-18	FY17	SGD 0.00900	24-Apr-18	26-Apr-18	8-May-18	SGD 0.910	1.0
Singapore Technologies Engrg	23-Feb-18	FY17	SGD 0.1000	24-Apr-18	26-Apr-18	8-May-18	SGD 3.350	3.0
Golden Agri-Resources Ltd	27-Feb-18	FY18	SGD 0.00116	25-Apr-18	27-Apr-18	8-May-18	SGD 0.360	0.3
IFS Capital Ltd	23-Feb-18	FY17	SGD 0.00300	25-Apr-18	27-Apr-18	10-May-18	SGD 0.290	1.0
Keppel Corp	25-Jan-18	FY17	SGD 0.1400	25-Apr-18	27-Apr-18	10-May-18	SGD 7.620	1.8
Keppel Telecoms & Tpt	24-Jan-18	FY17	SGD 0.0350	25-Apr-18	27-Apr-18	9-May-18	SGD 1.540	2.3
Sembcorp Industries	23-Feb-18	FY17	SGD 0.0200	25-Apr-18	27-Apr-18	15-May-18	SGD 3.060	0.7
Sembcorp Marine	21-Feb-18	FY17	SGD 0.0100	25-Apr-18	27-Apr-18	11-May-18	SGD 2.040	0.5
CEI Ltd	8-Feb-18	FY17	SGD 0.00400	26-Apr-18	30-Apr-18	15-May-18	SGD 0.995	0.4
CEI Ltd - Special	8-Feb-18	FY17	SGD 0.03000	26-Apr-18	30-Apr-18	15-May-18	SGD 0.995	3.0
First Sponsor Grp	8-Feb-18	FY17	SGD 0.012000	26-Apr-18	30-Apr-18	15-May-18	SGD 1.440	0.8
United Overseas Bank	14-Feb-18	FY17	SGD 0.4500	26-Apr-18	30-Apr-18	13-Jun-18	SGD 27.650	1.6
United Overseas Bank - Special	14-Feb-18	FY17	SGD 0.2000	26-Apr-18	30-Apr-18	13-Jun-18	SGD 27.650	0.7
Singapore O&G Ltd	14-Feb-18	FY17	SGD 0.0089	27-Apr-18	2-May-18	18-May-17	SGD 0.370	2.4
Talkmed Group Ltd	21-Feb-18	FY17	SGD 0.0137	27-Apr-18	2-May-18	9-May-18	SGD 0.700	2.0
AVI-Tech Electronics	13-Feb-18	2Q18	SGD 0.01300	30-Apr-18	3-May-18	15-May-18	SGD 0.505	2.6
BreadTalk Group Ltd	22-Feb-18	FY17	SGD 0.02000	30-Apr-18	3-May-18	15-May-18	SGD 1.790	1.1
BreadTalk Group Ltd - Special	22-Feb-18	FY17	SGD 0.01000	30-Apr-18	3-May-18	15-May-18	SGD 1.790	0.6
CSE Global	23-Feb-18	FY17	SGD 0.0100	30-Apr-18	3-May-18	18-May-18	SGD 0.370	2.7
CSE Global	23-Feb-18	FY17	SGD 0.0050	30-Apr-18	3-May-18	18-May-18	SGD 0.370	1.4
Frencken Group Ltd	22-Feb-18	FY17	SGD 0.01660	30-Apr-18	3-May-18	11-May-18	SGD 0.615	2.7
Frencken Group Ltd - Special	22-Feb-18	FY17	SGD 0.00730	30-Apr-18	3-May-18	11-May-18	SGD 0.615	1.2
Hwa Hong Corp Ltd	2-Feb-18	FY17	SGD 0.01000	30-Apr-18	3-May-18	18-May-18	SGD 0.320	3.1
Hwa Hong Corp Ltd - Special	2-Feb-18	FY17	SGD 0.00100	30-Apr-18	3-May-18	18-May-18	SGD 0.320	0.3
Vicom Ltd	9-Feb-18	FY17	SGD 0.2288	30-Apr-18	3-May-18	10-May-18	SGD 6.050	3.8
Colex Holdings Ltd	22-Feb-18	FY17	SGD 0.0055	2-May-18	4-May-18	16-May-18	SGD 0.390	1.4
Olam Int'l	27-Feb-18	FY17	SGD 0.0400	2-May-18	4-May-18	11-May-18	SGD 2.290	1.7
Perennial Real Estate Holdings Ltd	8-Feb-18	FY17	SGD 0.0100	2-May-18	4-May-18	18-May-18	SGD 0.850	1.2
SBS Transit Ltd	12-Feb-18	FY17	SGD 0.0395	2-May-18	4-May-18	11-May-18	SGD 2.650	1.5
TeleChoice International Ltd	23-Feb-18	FY17	SGD 0.0160	2-May-18	4-May-18	21-May-18	SGD 0.270	5.9
Trek 2000 International Ltd	22-Feb-18	FY17	SGD 0.0100	2-May-18	4-May-18	16-May-18	SGD 0.265	3.8
Tuan Sing Holdings Ltd	26-Jan-18	FY17	SGD 0.0060	2-May-18	4-May-18	26-Jun-18	SGD 0.435	1.4

Appendix 2: Financial Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
5-Mar	6-Mar	7-Mar	8-Mar *Q4: Dairy Farm Int'l / Hongkong Land Hldgs / Jardine Matheson / Jardine Strategic Hldgs / Mandarin Oriental Int'l	9-Mar
12-Mar	13-Mar	14-Mar	15-Mar *Q4: TPV Technology	16-Mar
19-Mar	20-Mar	21-Mar	22-Mar	23-Mar SG (Feb 2018): CPI Overall index and sub-indices
26-Mar SG (Feb 2018): Index of Industrial Production	27-Mar	28-Mar Q2: Second Chance Properties	29-Mar	30-Mar
2-Apr-18	3-Apr	4-Apr	5-Apr	6-Apr

* Tentative

Source: Bloomberg

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