

Stock Picks 3Q2020



Property/REIT



Ascott Residence Trust: Stability and outperformance of select service

Rating: Buy | TP: S\$1.25

- 88 properties, across 15 countries - low concentration risk per asset
- Corporate 41%, Leisure 59%
- Stability from geographical and lease structure diversification
- 20 ROFR properties, S\$2.1bn debt headroom (assuming gearing of 50%)
- Global footprint and increased brand recognition and loyalty programs
- Popularity of select-service accommodation – preference for value, lower price point
- FY20e dividend yield: 6.7%

PropNex: Best financial metrics but cyclical

Rating: Buy | TP: S\$0.60

- Dominant:
 - (i) Largest real estate agency in Singapore
 - (ii) Market share: private residential new launch 48%, private resale 45%, HDB resale 51%
- 2H20 results will feel Covid-19 impact
- Attractive metrics: ROE 24% on fixed assets of S\$3.5mn
- Sustainable yield of 6.7% (S\$13mn p.a. vs S\$89.8mn cash)

CapitaLand: Building recurring income and unlocking value

Rating: Buy | TP: S\$4.20

- Quality recurrent income growing – 1/3 of FY19 revenues are recurring
- Capital-efficient – disciplined asset recycling and tapping on external capital providers
- Unlocking value in new geographies (India) and asset classes (business parks)
- 10% ROE in 2019

Frasers Centrepoint Trust: Powered by resilient growth

Rating: Accumulate | TP: S\$2.61

- Resilient necessity spending and outperformance of fringe rents
- Organic growth: Projected 67.7% jump in HDB units surrounding three largest malls
- Inorganic Growth: 3 Pipeline assets from Sponsor and 6 PGIM's SG assets
- FY20e dividend yield: 4.2%



Banking & Finance



Conglomerate

DBS: Earnings resilience with attractive yield

Rating: Neutral | TP: S\$20.60

- Strong business momentum in 1Q20
 - (i) Robust growth across segments
 - (ii) Buffer for slower growth subsequently
 - Net Fees & Commission poised for recovery
- (i) Wealth Management and brokerage-related fees to benefit
- (ii) Stronger Investment Banking franchise
 - Attractive quarterly dividend
- (i) \$0.33 of quarterly dividend represents c.6% annualised yield

Yoma Strategic: Structural growth at a cheap price

Rating: Buy | TP: S\$0.46

- Conglomerate with entrenched foothold in Myanmar's fast-growing and most attractive consumer segments
- Large property land bank equivalent to 10-15 years of sale – Yoma Central / Star City/ Peninsula Yangon
- Financial services poised for stellar growth on the back of a 5x YoY revenue leap in Wave Money
- F&B growth underpinned by at least 60% growth in KFC stores over the next three years (45 to 75)
- Current valuations depressed in view of structural growth prospects

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Telecommunication



Netlink NBN Trust: Slow and stable

Rating: Accumulate | TP: S\$1.03

- Monopoly fibre provider with regulatory protected return (pretax IRR 7%)
- Recurrent S\$13.80 per month from 1.427mn households = -S\$236mn
- Impact from COVID-19 is minimal
- Household formation and capex will ensure growth
- Stable dividend yield 5.3%

Asian PayTV: Dividends is sustainable

Rating: Buy | TP: S\$0.15

- Monopoly fibre provider for cable TV and broadband in Taiwan
- 2 reasons to be positive
 - (i) Dividend is sustainable: S\$50mn FCF vs S\$18mn dividend
 - (ii) Optionality of high margin 5G back-haul service for mobile operators
- Dividend payout is after capex; S\$200mn dividend vs S\$250mn operating cash-flow
- Distribution yield: ~7.8%



Consumer Staples

Technology



Thai Beverage: Buying the dominance

Rating: Buy | TP: S\$0.82

- ~90% of earnings from spirits business
- Dominant market share: 95% spirits (Thailand) / 70% (Myanmar) / 40% beer (Thailand and Vietnam)
- 3-week alcohol ban in Thailand: April -51% YoY and May +32% YoY
- Sabeco problematic in medium term due to decree 100 driving penalties and advertising limits + COVID-19 + Interest expenses
- Valuations attractive at 14x PE on COVID-19 depressed earnings

Venture: SE Asia outsourcing winner

Rating: Accumulate | TP: S\$16.60

- Supply chain shifts to SE Asia from China
- Production disruption spill into 2Q20
- Grabbing profit share from global contract manufacturers
- 15x PE FY20e + Net cash of S\$852mn + Dividend yield 4.2% + ROE 12%

Source: <https://www.stocksbnb.com/forums/topic/3q20-strategy-outlook-presentation-slides-4-july-2020/>

To view Singapore Outlook 3Q2020 webinar, please visit



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