SINGAPORE

Stock Picks 2Q2020

Ascott Residence Trust: Better equipped to ride out the storm

Rating: Buy | TP: S$1.53

- Stability from geographical and lease structure diversification
- 20 ROFR properties, S$1bn debt headroom, immediate c.40% increase DPU yield from 5.4% to 7.5%
- Serviced Residences proving the more resilient and asset type – occupancy 60% (Industry Ave: 20% to 50%)
- Increased brand recognition and loyalty programs
- Popularity of select-service accommodation – preference for value

PropNex: Market leader with great model

Rating: Buy | TP: S$0.70

- Largest real estate agency in Singapore
- Impressive market share – private residential new launch 48%, private resale 45%, HDB resale 51%
- Sustainable dividend yield of 7.8%; a S$13mn payout vs net cash S$82mn
- Attractive metrics: ROE 28% on fixed assets of S$3.5mn

CapitaLand: In hyperdrive

Rating: Buy | TP: S$4.20

- Unlocking value in new geographies (India) and asset classes (business parks). Plans to more than double AUM in India from S$3.3bn to S$7.0bn by 2024
- Achieved 10% ROE – grew PATMI across all segments
- High proportion of recurring income – Investment properties contribute 80% of FY19 EBIT

DBS: Yield play to tide tough times

Rating: Buy | TP: S$27.80

Favourable for yield seekers

i) Strong capital position along with other banks
- Low likelihood of dividend cut

ii) Quarterly dividend payout provides investors with opportunity to take swifter investment actions

Ascendas REIT: The stable giant

Rating: Buy | TP: S$3.31

- Protected by diversification - 197 assets across 5 asset classes and 4 countries
- 68% of revenue from in-demand Biz Parks and Hi-spec asset class
- Low tenant concentration risk – 1,490 tenants, no tenant accounts for more than 4% of NPI)
- Size allows undertaking of value-adding redevelopment and development projects with minimal impact to DPU
- Track record – willing and able to enter promising markets in a meaningful way

Frasers Centrepoint Trust: Resilient growth

Rating: Buy | TP: S$3.11

- Anchored by resilient necessity spending – suburban malls will recover faster than central malls
- Organic growth: Projected 67.7% jump in HDB units surrounding three largest malls
- Beneficiary of URA Master Plan (Woodlands and Punggol)
- Inorganic Growth: 3 pipeline assets from Sponsor and 6 mall under PGIM portfolio
- Imminent acquisition FPL has acquired the property manager and has 88% stake in PGIM

Banking & Finance

SGX: Tenacity in adversity

Rating: Accumulate | TP: S$8.52

Strong SDAV and DDAV numbers to drive earnings

i) Spike in volatility benefits derivative products as risk management products

ii) Favourable valuations arising from market sell-off attracted strong securities transaction volume

UOB: Defense is the best offense

Rating: Buy | TP: S$27.30

Business well-poised to weather headwinds

i) Low CASA ratio of 45% (DBS: 59%, OCBC: 48%)
- Greater flexibility to adjust funding costs under prevailing NIM compression pressures

ii) Low NPL ratio and credit costs
- Impact of COVID-19 on asset deterioration similar across banks

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Telecommunication

Netlink NBN Trust: Stable yield provider

Rating: Neutral | TP: S$0.99

- Monopoly fibre provider that cannot be replaced
- Recurrent S$13.80 per month from 1.4mn households = ~S$231mn
- Impact from Covid-19 is minimal
- Dividend payout is after capex; S$200mn dividend vs S$250mn operating cash-flow

*PSR's previous rating was Neutral based on S$1.01 share price; currently S$0.885

StarHub: Aligning & shinning brighter

Rating: Accumulate | TP: S$1.70

- Relatively immune to the slowdown; roaming the most exposed
- Pay-TV content to be restructured and bought 2 years
- Cost rationalisation
- Competitive rationality with joining 5G bid with M1

Consumer Staples

Sheng Siong: Growing 10x faster than industry

Rating: Accumulate | TP: S$1.41

- Extra growth drivers in FY20 – stocking up, home meals and returning Singaporeans
- Other drivers of growth: store expansion of at least 5% + maturing stores productivity in sales per square feet plus operating leverage
- Attractive metrics: 25% ROE, S$76mn net cash, 3.1% dividend yield

Thai Beverage: Cheap and dominant consumer stock

Rating: Buy | TP: S$0.95

- > 80% of earnings from spirits business
- Dominant market share – 95% spirits (Thailand) / 70% (Myanmar) and 40% beer (Thailand and Vietnam)
- Sabeco not contributing for now due to high interest expense
- Demand for spirits is stable with farm income stable from government support
- Valuations attractive at 12x FY20e PE

Technology

Venture: Always reinventing themselves

Rating: Accumulate | TP: S$18.10

- Growth from outsourcing from China and new products namely in healthcare sector
- Production in 1Q20 likely disrupted
- 10x PE FY20e + 5.3% yield + Net cash of S$714mn + Dividend yield: 5.7% + ROE 14%

Source: https://www.stocksbnb.com/forums/topic/2q20-strategy-outlook-presentation-slides-30-march-2020-2/

To view Singapore Outlook 2Q2020 webinar, please visit

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