

15 October 2019

Small-Mid Caps

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Neutral (Maintained)

Sticking To Our Top Picks

Stocks Covered 17
 Ratings (Buy/Neutral/Sell): 12 / 5 / 0
 Last 12m Earnings Revision Neutral

- Progress of trade talks to determine if risk-on mode returns.** Since the US initiated a trade war against China and other key deficit trading partners, Singapore stocks (especially manufacturing) have been significantly impacted. A potentially positive 2H19 will hinge on the outcome of the trade talks, which have now been spilt into phases – Phase 1 was agreed in principle last week. However, until a resolution is reached, we remain NEUTRAL on the sector with Top Picks: UnUsUaL, Oxley, and CSE Global.

Top Picks

UnUsUaL (UNU SP) – BUY SGD0.42
 Oxley (OHL SP) – BUY SGD0.43
 CSE Global (CSE SP) – BUY SGD0.69

Target Price

- UnUsUaL: Stronger quarters ahead from robust pipeline.** Despite the weak 1QFY20 (Mar), the company is likely to enjoy stronger 2Q-3QFY20F due to the pipeline ahead. 2QFY20F will see revenue recognition of its family entertainment shows like *Disney On Ice (DOI)*, *Walking With Dinosaurs (WWD)*, and *Apollo 11* (partially), plus the fully sold-out indoor stadium concerts of a 4-night Andy Lau concert, as well as Westlife, and Gfriend concerts, aside from the Kang Daniel's fan meeting.

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3QFY20F should see revenue from the Eric Chou concert, and the sold-out two nights of JJ Lin's concert (in Singapore and Malaysia) at a much larger venue – four times the capacity of his 2018 concert, as well as full quarter recognition of *Apollo 11*. The company still has upcoming concerts for JJ Lin in Macau, Hong Kong, Malaysia, Taiwan and Australia – it plans to add more shows in Sydney and Melbourne. Management is also in the midst of scheduling concerts for other artists to further boost its pipeline.

FSTS Index



Source: Bloomberg, RHB

- Record FY20F (Jun) for Oxley, and potential special dividends.** Management guided that excess cash – after paring down gearing – will be used to reward shareholders with special dividends, if there are no suitable opportunities at the time. The counter is trading at a deep 56% discount to our RNAV of SGD0.74 (a majority of assets have already been sold). We believe that this is an attractive price level, ie close to its 5-year low – as investor sentiment was impacted by the property sector cooling measures, and misconception over its ability to repay debts. These factors, together with a 9.2% FY20F dividend yield, strong insider buying, and record FY20F compel us to select Oxley as one of our Top Picks.

- CSE Global: double-digit FY19F-20F earnings growth.** With the recent acquisition of Volta, a custom-engineered electrical equipment centre solutions provider in the mid-stream oil & gas space, we are expecting the group to deliver 21.2% and 20.8% earnings growth. CSE Global is one of our Top Picks in the small-mid cap sector as it is one of the rare high yielding (FY19F yield: 5.9%) growth stocks riding on the trend of rising US crude oil production as well as infrastructure opportunities in Singapore and Australia.

Company Name	Rating	TP (SGD)	% Upside (Downside)	P/E (x) Dec-19F	P/BV (x) Dec-19F	Yield (%) Dec-19F
CSE Global	Buy	0.69	46.8	9.8	1.4	5.9
Fu Yu Corp	Buy	0.24	9.1	12.4	1.0	7.7
Frencken Group	Buy	0.82	21.5	7.4	1.0	4.1
HRnet Group	Buy	0.94	63.5	11.2	1.6	4.5
Hyphens Pharma	Buy	0.25	25.0	9.8	1.4	2.8
ISOTeam	Buy	0.31	37.8	9.1	0.9	2.2
Moya Holdings Asia	Buy	0.08	60.0	11.9	0.7	na
Oxley**	Buy	0.43	32.3	3.6	0.8	9.2
Silverlake Axis**	Buy	0.56	25.8	16.5	5.5	6.6
Singapore Medical Group	Buy	0.48	57.4	11.6	1.0	1.7
Talkmed Group	Buy	0.62	24.0	19.9	8.8	4.9
UnUsUaL *	Buy	0.42	61.5	15.8	3.8	na
Avi-Tech Electronics**	Neutral	0.31	3.3	10.7	1.0	7.7
Centurion Corp	Neutral	0.43	4.9	10.1	0.7	4.9
GSS Energy	Neutral	0.08	14.3	9.6	0.7	2.1
Kimly Ltd***	Neutral	0.23	2.2	13.2	2.9	5.7
Valuetronics Group*	Neutral	0.61	-3.2	9.1	1.3	6.0

Note: *FY20 (Mar) **FY20 (Jun) ***FY19 (Sep)

Source: Company data, RHB

Investment Merits

Oxley is a home-grown property developer with a diversified portfolio including property development, property investment, and project management. The group has a business presence across 12 geographical markets including Singapore, UK, Ireland, Cyprus, Australia, Cambodia, Malaysia, Indonesia, China, Japan, and Myanmar.

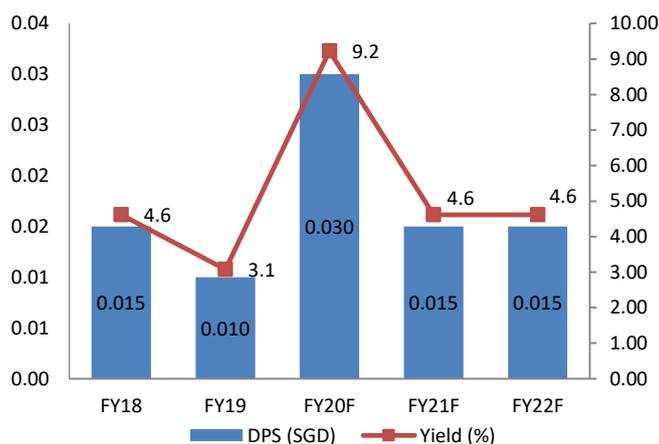
Highlights

Record FY20F coupled with potential special dividends. Management guided that excess cash – after paring down gearing – will be used to reward shareholders with special dividends, if there are no suitable opportunities at the time.

Gearing slowly being pared down. Oxley has SGD2.18bn of debts expiring by 2020. However, the majority comprise property loans, which can easily be refinanced. Only SGD450m of its retail bonds need to be paid by 2020. Gearing has been lowered to 2.05 from 2.17, and should be significantly lowered further in FY20F.

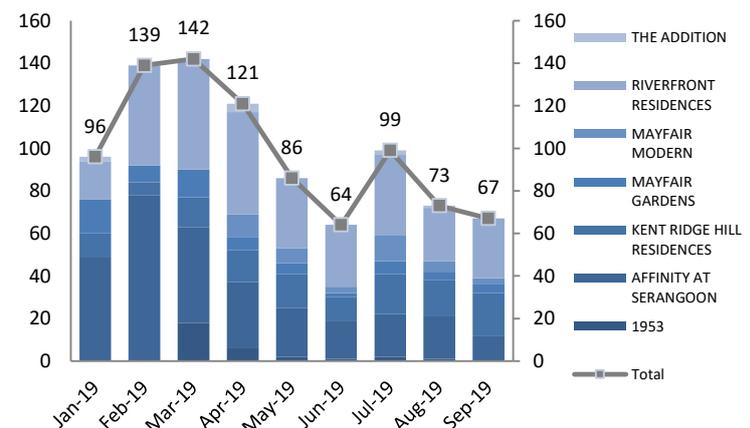
Unlocking value in its key asset, the Stevens Road hotels. The Stevens Road hotels, which had a previous offer of SGD950m, is an attractive proposition for potential buyers. The replacement cost of building a similar hotel in the same area will likely also be north of SGD1bn, due to the surge in development charges required for hotel use – to SGD14,000 per sqm from SGD8,200 in 2017. The land terms have also been converted into freehold, which should be even more attractive to buyers.

Figure 1: Dividend per share and yield



Source: Company data, RHB

Figure 2: Number of private residential property transactions - new sales



Source: Urban Redevelopment Authority

UnUsUaL, established in 1997, is one of the leaders in concert promotion and event production in Asia. The group predominantly operates through two business segments – production and promotion. It specialises in producing and promoting large-scale live events and concerts in Singapore, and the region.

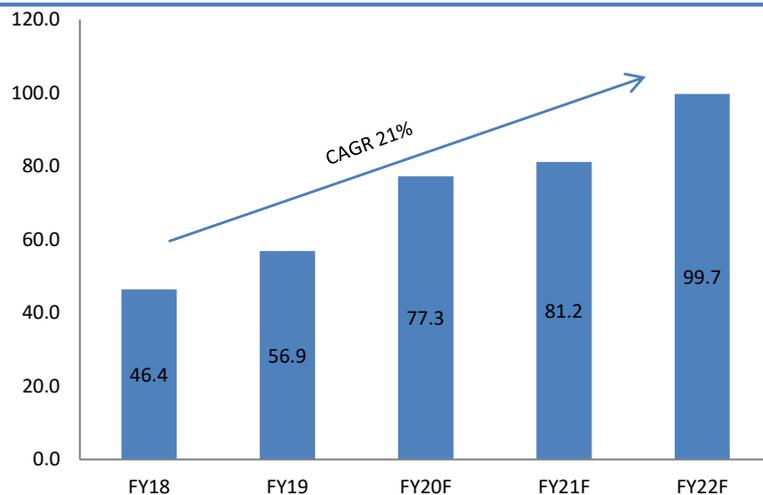
Highlights

Scalable and resilient business model – branching globally. UnUsUaL has a scalable business model. It can leverage on strong relationships with various artistes and is able to host concerts in various venues globally, especially China. Top artistes can easily tour 40-60 cities in 1-2 years, and the company has tested and proven the success of this concept, having brought Chinese singer GEM (real name Gloria Tang Sze-wing) to San Francisco for sold-out concerts in March and Singaporean artiste JJ Lin for sold-out shows in Sydney and Melbourne.

Expansion into family entertainment shows. UnUsUaL has partnered with Sliding Door Entertainment to bring *WWD* arena spectacular on tour to 11 cities in Asia for a total of 117 shows. The group is also presenting *DOI* in South Korea and Taiwan with Feld Entertainment Inc this year. It has also developed and produced *Apollo 11 – The Immersive Live Show* with Nick Grace Management Ltd.

Strong FY20F pipeline should lead to strong 2Q-3Q20F. 2Q20F ought to see revenue recognition of its family entertainment shows like DOI, WWD and Apollo (partially) plus the fully sold-out indoor stadium concerts of a 4-night Andy Lau concert, as well as Westlife, and Gfriend concerts, aside from the Kang Daniel's fan meeting. In 3Q20F, two nights of JJ Lin's concert is at a much larger venue (national stadium) – four times the capacity of the 2018 concert (tickets are already sold-out for 2 nights), and the full quarter recognition of *Apollo*. The company still has upcoming concerts for JJ Lin in Macau, Hong Kong, Malaysia, Taiwan and Australia – it plan to add more nights in Sydney and Melbourne. Management is also in the midst of scheduling concerts for other artists which will be a further boost to its pipeline.

Figure 3: Revenue – FY18-22F (SGDm)



Source: Company data, RHB

Figure 4: Pipeline of events for 2019

Date	Show	Venue	Capacity	Expected revenue per show (SGDm)	Gross profit per show (SGDm) (GPM: 35%)	Remarks
Jul-19	Apollo 11 – The Immersive Live Show	Los Angeles - LUNAR DOME at the Rose Bowl	1,600	0.12	0.04	Approx. 60 shows
Aug-19	Westlife The Twenty Tour	Singapore - National Stadium	23,000	4.1	1.4	One show
Aug-19	Walking With Dinosaurs	Singapore - Singapore Indoor Stadium	12,000	1.1	0.4	10 shows
Aug-19	Disney On Ice Presents Frozen	Korea - Mokdong Ice Rink	5,000	0.5	0.2	20 shows
Aug-19	Kang Daniel	Singapore - Singapore Indoor Stadium	12,000	1.90	0.7	One show
Aug-19	Kang Daniel	Hong Kong - AsiaWorld-Expo	2,800	0.5	0.2	One show
Sep-19	Andy Lau	Singapore - Singapore Indoor Stadium	12,000	2.2	0.8	Four shows
Oct-19	Apollo 11 – The Immersive Live Show	Costa Mesa - LUNAR DOME at OC Fair & Event Centre	1,600	0.12	0.04	Approx. 60 shows
Dec-19	JJ Lin	Singapore - National Stadium	30,000	10.0	3.0	One show (potentially two shows)
Dec-19	Apollo 11 – The Immersive Live Show	TBA	1,600	0.12	0.04	Approx. 60 shows

Source: Company data, RHB

CSE Global is a systems integrator, focusing on the provision and installation of control systems, as well as communications and security solutions. The firm provides services to the oil & gas, infrastructure and mining industries. CSE has an international presence spanning the Americas, Asia-Pacific, Europe, the Middle East, and Africa. The company operates a network of 39 offices in 17 countries with a team of more than 1,000 employees.

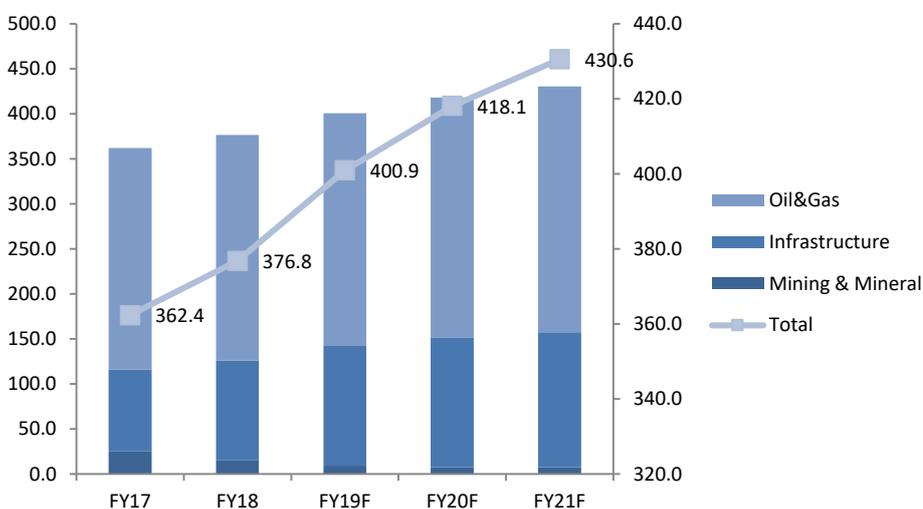
Highlights

Accretive acquisition of Volta, which is a custom-engineered electrical equipment centre solutions provider. For a price tag of SGD34.8m – based on a FY18 net profit before tax of SGD6.9m – this translates into c.6.7x P/E (NPAT), which is highly accretive in nature. However, CSE Global is likely to gear up as a result of the purchase. If we assume the group will undertake the acquisition fully funded by debt, PAT should be SGD4.1m due to the additional financing costs. This will translate into c.8.4x P/E – which is still an undemanding valuation.

An attractive dividend yield of 5.9%. The group has guided for a full-year dividend of 2.75 SG cents, consistent with FY18. Net cash position of SGD8.6m as at 30 Jun 2019 was down from SGD34.8m as at 31 Mar 2019 mainly due to working capital purposes. Operating cash flow is expected to increase by end-FY19F.

Order intake increased 22.6% to 193.9m in 1H19 and flow business remained strong. Its outstanding orderbook of SGD188.1m as at 30 Jun 2019 was at its highest in the last six quarters. GPM remained resilient at 27.8% (+90bps) in 1H19. Operating profit of SGD12.1m (+6.3% YoY) was due to higher gross profit, partially offset by higher administrative and marketing expenses, as well as one-off professional fees related to acquisitions.

Figure 5: Revenue – FY17-21F (SGD m)



Source: Company data, RHB

Figure 6: Gross profit (SGD m) and GPM (%)



Source: Company data, RHB

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Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
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Not Rated:	Stock is not within regular research coverage

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