INVESTMENT BANKING
Top Singapore Small Cap Companies

20 Jewels 2020 Edition

TOP SINGAPORE
SMALL CAP COMPANIES

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20 JEWELS

2020 EDITION

<See important disclaimer and disclosures at the end of this report>

Singapore

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List of Companies In Alphabetical Order

List of Companies By Industry Classification

Foreword

We celebrate the Tenth edition of the Singapore Small Cap Jewels in 2020. It was started by our Malaysian counterparts back in 2004 and has since earned a following. The Singapore edition complements the publication of other Regional Small Cap books by our research colleagues in Malaysia, Thailand and Indonesia. Our regional compendium is a unique Pan-ASEAN repository of reports, with ideas on 80 companies that remain unmatched in this region.

This year, we face an unprecedented situation, with the spread of COVID-19 causing lockdowns in countries around the world and the crash in oil prices. These has caused a steep correction across global markets last seen only during the Global Financial Crisis, as well as aggressive fiscal and monetary policy measures to counter the global slowdown arising from these events. The steep corrections have caused many opportunities to unfold in the small-mid cap space as these companies have corrected more aggressively, as compared to their larger cap peers. Some we have identified have strong balance sheets with a big percentage of net cash over market capitalisation, as well as attractive yields to tide one through these dark days. We have focused our attention mainly on fundamentally solid companies in several different sectors which are likely to be able to ride through this crisis and even possibly emerge stronger than their industry peers.

Over 55% of our stock picks in this book are new companies not seen in previous editions. This year, Technology and Manufacturing names makes up a sizable portion of our Top 20 picks, as many of these picks have strong net cash balance sheets to tide them through, accompanied with generous yields. The semi-conductor industry is still expected to recover in the latter part of 2020 despite the global slowdown, and we have picked some names in this space that will benefit from this recovery. With the REITs and business trusts correcting significantly over the last two weeks by about 30-50% from their peaks, we identified some whose yields reflect attractive risk-reward at these levels. While other companies featured in this edition may vary in terms of business, market capitalisation and investor interest, they share a common DNA – they are fundamentally sound companies with a great probability of making good returns for investors. We hope to eventually see these companies graduate into mid-sized corporates or even large caps in the not too distant future.

RHB Research wishes to express our gratitude to the management of the featured firms for being generous with their time in helping us understand their companies' business models, and for allowing us to share our views and opinions. Credit is also due to our dedicated team of analysts, who have invested countless hours to produce this year's edition.

The RHB Singapore Research team remains humbled and encouraged by the continued interest and support from all our institutional and retail clients for our forte in small cap coverage. Despite tough market conditions, our commitment and belief in this space have never wavered, and this is reflected in our research products. We will continue to expand our coverage and renew existing ones with fresh ideas, bringing more excitement and returns to the market and your respective portfolios.

I hope you will find this book useful for your investment needs. Cheers!

RHB
TOGETHER WE PROGRESS

Asiamoney Brokers Poll 2018:
1st in Small Caps/Consumer Discretionary/Consumer Staples/Materials/Software&Internet Services

Jarick Seet
Head of Small-Mid Cap Research
RHB Securities Singapore Pte Ltd
14 May 2020

ASIAMONEY POLLS 2010	ASIAMONEY POLLS 2011	ASIAMONEY POLLS 2012	ASIAMONEY POLLS 2013	ASIAMONEY POLLS 2014	ASIAMONEY BROKERS POLL 2015	ASIAMONEY BROKERS POLL 2016	BROKERS POLL 2017 ASIAMONEY	BROKERS POLL 2018 ASIAMONEY
#1 Best Small Caps	#2 Best Small Caps	#1 Best Small Caps	#1 Best Small Caps	#1 Best Small Caps	#1 Best Small Caps	#1 Best Small Caps	#2 Best Small Caps	#1 Best Small Caps

20 Jewels – At a glance

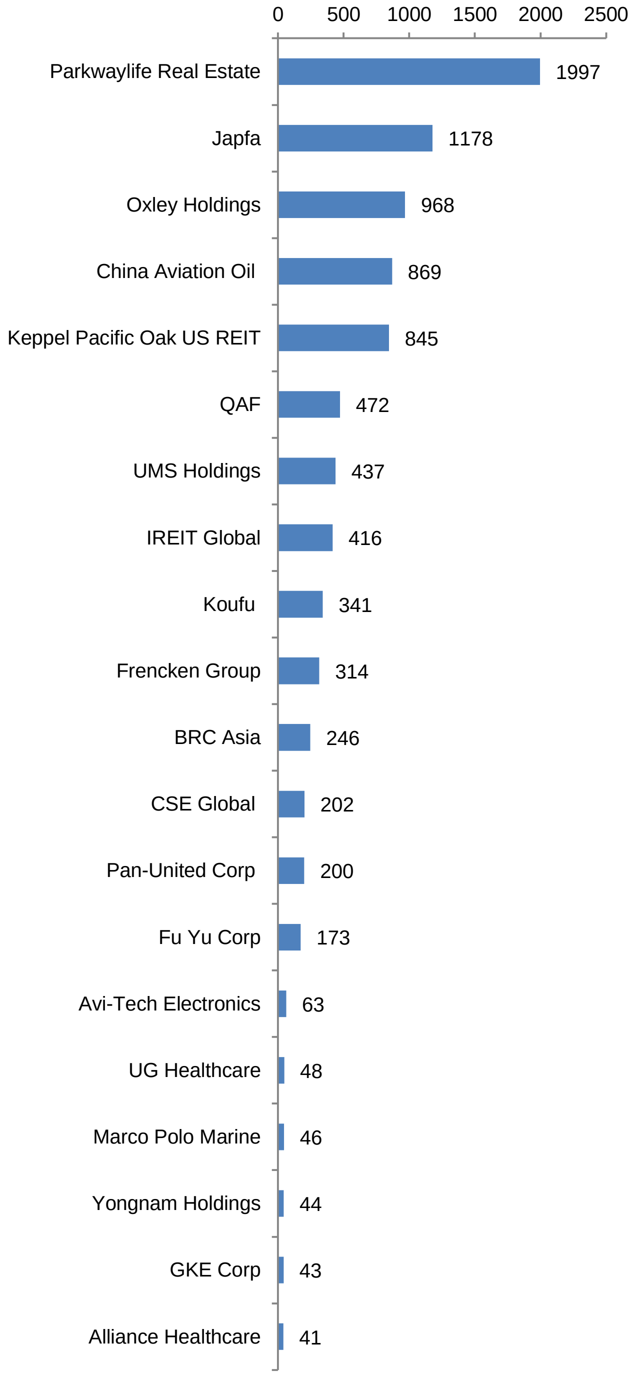
Company name	TP	Mkt Cap	P/E (x)		P/B (x)		Div Yield (%)		ROE (%)	
	(SGD)	(SGDm)	FY19	FY20F	FY19	FY20F	FY19	FY20F	FY19	FY20F
Alliance Healthcare	N/A	41	18.3	N/A	2.5	N/A	N/A	N/A	6.6	N/A
Avi-Tech Electronics	0.50	63	13.6	10.4	1.3	1.2	6.2	6.8	9.5	12.1
BRC Asia	N/A	246	8.1	N/A	1.0	N/A	7.3	N/A	12.6	N/A
China Aviation Oil	1.25	869	6.3	8.8	0.8	0.7	4.5	4.5	12.4	8.4
CSE Global	0.54	202	7.5	8.7	1.1	1.1	7.0	7.0	13.7	12.4
Frencken Group	0.90	314	6.7	7.8	1.1	1.0	4.1	3.9	14.4	12.4
Fu Yu Corp	0.28	173	9.5	10.3	1.1	1.0	7.0	7.0	11.2	9.8
GKE Corp	N/A	43	N/A	N/A	0.6	N/A	N/A	N/A	-3.0	N/A
IREIT Global	0.83	416	6.1	19.6	0.8	0.8	8.5	8.7	19.4	8.3
Japfa	N/A	1,178	6.3	N/A	0.9	N/A	1.8	N/A	13.6	N/A
Keppel Pacific Oak US REIT*	0.76	845	8.6	11.0	0.8	0.8	9.4	9.2	12.0	7.3
Koufu	N/A	341	12.3	N/A	3.2	N/A	4.1	N/A	27.1	N/A
Marco Polo Marine	N/A	46	N/A	N/A	0.4	N/A	N/A	N/A	-2.3	N/A
Oxley Holdings	0.31	968	6.4	8.2	0.6	0.6	4.3	6.5	9.5	7.5
Pan-United Corp	N/A	200	9.7	N/A	1.0	N/A	5.6	N/A	10.6	N/A
Parkwaylife Real Estate	N/A	1,997	16.2	N/A	1.7	N/A	4.0	N/A	11.2	N/A
QAF	N/A	472	23.3	N/A	0.9	N/A	6.1	N/A	4.0	N/A
UG Healthcare	0.33	48	18.9	9.5	1.1	1.0	1.1	1.3	5.9	11.2
UMS Holdings	N/A	437	13.1	N/A	1.8	N/A	4.9	N/A	9.2	N/A
Yongnam Holdings	N/A	44	N/A	N/A	0.2	N/A	N/A	N/A	-14.7	N/A

Note: All prices as at 30 April 2020, N/A = not available

*Note * Target Price is in USD*

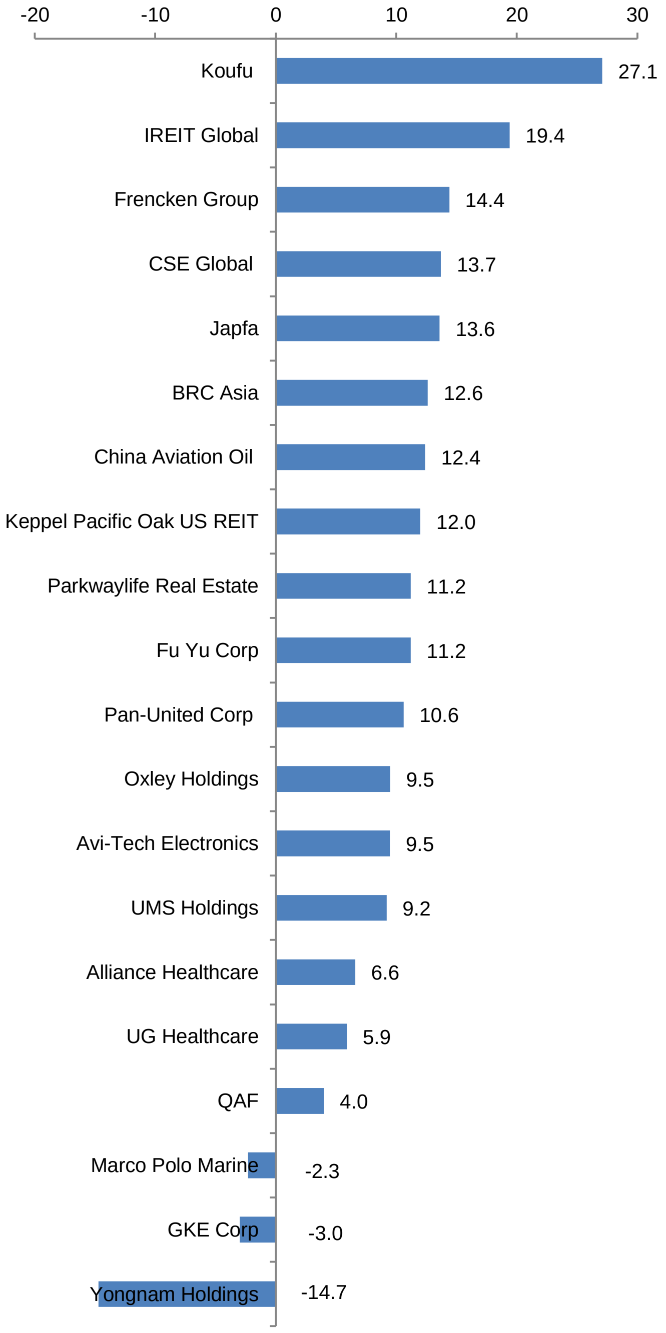
Source: Bloomberg, RHB

Market capitalisation of the Top 20 (SGDm)



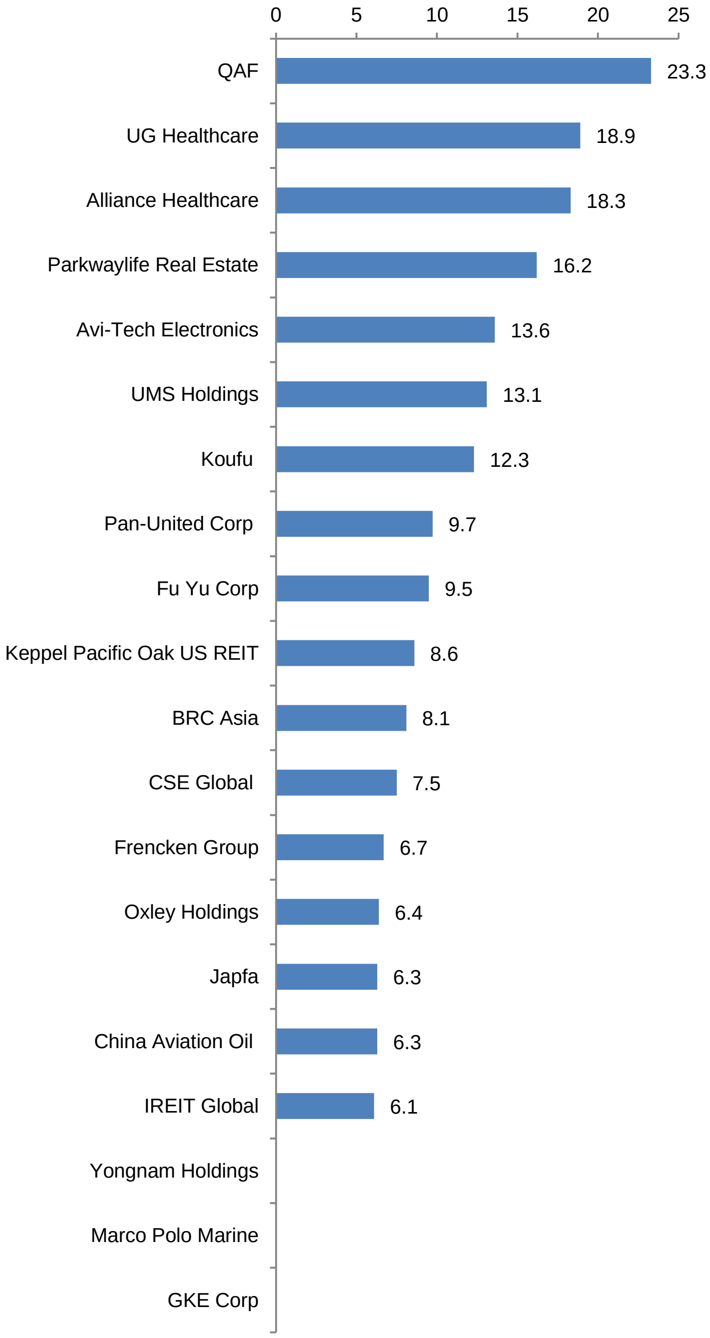
Source: Bloomberg, RHB

FY19 ROEs of the Top 20 (%)



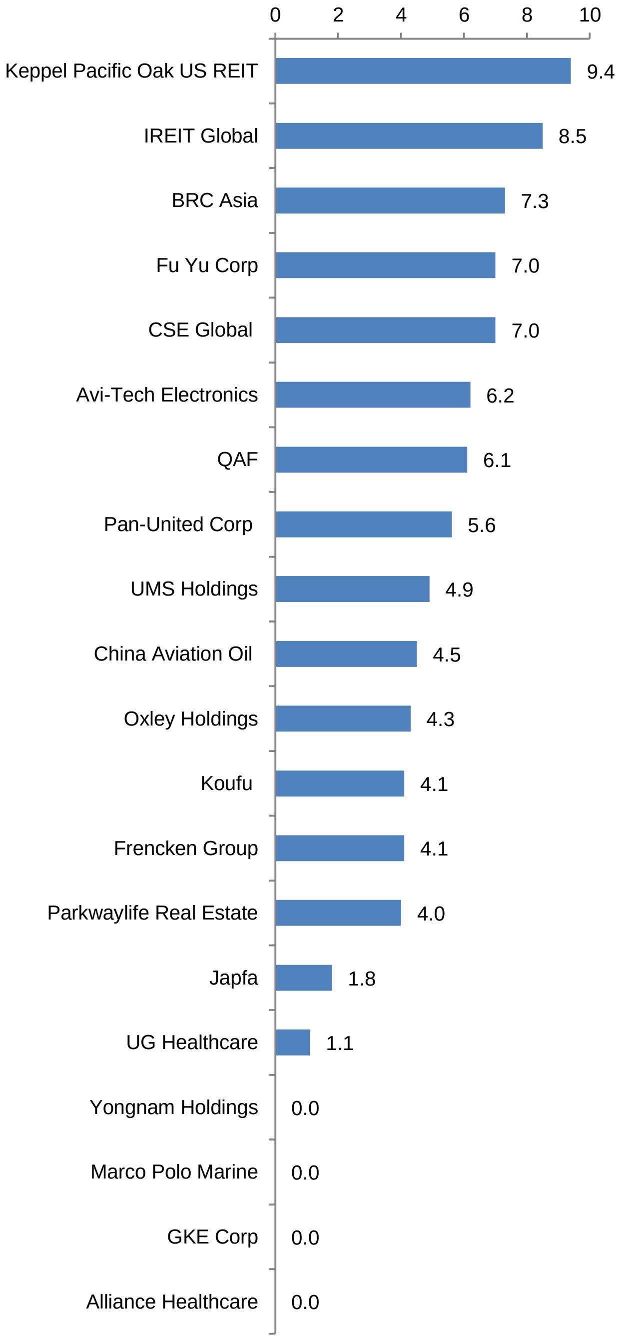
Source: Bloomberg, RHB

FY19 P/E of the Top 20 (x)



Source: Bloomberg, RHB

FY19 dividend yield for Top 20 (%)



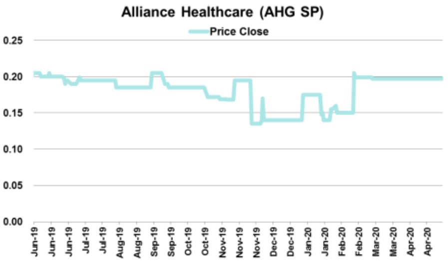
Source: Bloomberg, RHB

Alliance Healthcare

A Differentiated Healthcare Play

Target: N/A

Price: SGD 0.20



Source: Bloomberg

Stock Profile

Bloomberg Ticker	AHG SP
Avg Turnover (SGD/USD)	0.0m/0.0m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	41.0m
Beta (x)	1.0
BVPS (SGD)	0.08
52-wk Price low/high (SGD)	0.13 – 0.21
Free float (%)	28.6

Major Shareholders (%)

Thng Lip Mong	67.8
Mok Kan Hwei	3.2

Share Performance (%)

	1m	3m	6m	12m
Absolute	0.0	27.1	14.5	na
Relative	18.4	44.3	32.7	na

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Investment Merits

- Managed healthcare solutions, a differentiated healthcare play
- High barriers to entry for managed healthcare
- Synergistic business segment

Company Profile

Listed in May 2019, Alliance Healthcare Group is an integrated healthcare group that leverages the use of technology to provide a broad suite of healthcare services primarily in Singapore. The group's business comprises four key segments: managed healthcare solutions, GP clinic services, specialist care services and pharmaceutical services.

For managed healthcare solutions, the group has within its network self-owned clinics and a panel of medical service providers to serve over 2,400 corporations as well as individual patients. The group also operates five self-owned specialist and 16 GP clinics under the GP clinic services and specialist care services segments. In addition, the group engages in the wholesale distribution of pharmaceutical products.

Highlights

One of the market leaders in managed healthcare solutions. Alliance Healthcare provides a unique play on the healthcare sector. The group provides managed healthcare solutions to corporations and insurance companies through a strong network of medical services providers delivering healthcare services to corporation employees or inured members. It has arrangements with nine insurers and serves over 2,400 corporations through over 1,000 medical services providers within the Alliance Healthcare network.

High barriers to entry into managed healthcare solutions due to its intensive capital investments and requirement for a sizeable network of medical services spanning various specialities. The business also depends on good relationships and support from various stakeholders, which Alliance has built upon over time and would be challenging for new entrants to catch up on within a short period. The incumbent must also have deep knowledge in healthcare as well as the technological capabilities to handle large processing and time-sensitive issues.

Excellent business model given its scalability and a triple win situation between the insurers, corporations and medical service providers. The business model gives Alliance huge scalability in terms of client acquisition through getting insurers onboard, signing up new direct corporations or expanding its services to existing insurers. The managed healthcare segment also provides a solid referral base for the specialist care segment as well as getting patients for its GP clinics. The pharmaceutical segment is also complementary to the other segments as it supports the sourcing of pharmaceutical products and medical devices for its GP clinics as well as its panel of medical clinics.

Company Report Card

Latest results. PATMI increased to SGD1.6m in 1H20 compared to SGD0.5m in 1H19 on higher revenue of SGD20.8m (+22.3% YoY), with revenue growth across all its business segments. In Dec 2019, the group acquired a 55% stake in Jaga-Me to expand its portfolio into healthcare services delivered in the comfort of the patient's own home. This will leverage on Jaga-Me's digital platform and network of over 500 licensed healthcare professionals, with the majority comprising registered nurses.

The company also recently won a public tender to provide managed healthcare solutions to a major healthcare institution which consists of 38 entities with an estimate of more than 80,000 individuals. The entities include Changi Hospital, KK Women and Singapore General Hospital.

Dividend. No dividends was declared for FY19. The group intend to distribute dividends of 30% or more of its net profits attributable to the shareholders for FY20 and FY21.

Management. Executive Chairman and CEO Dr Barry Thng Lip Mong is a GP with more than 20 years of experience in the healthcare industry, and is responsible for the overall business and strategic direction of the group. Neo Lay Fen was appointed as the group CFO in Feb 2018, and is responsible for overseeing financial matters and corporate affairs.

Investment Case

First listed managed healthcare solutions provider in Singapore. As healthcare costs and administration processes weigh up, we think that Alliance Healthcare being one of the market leaders in managed healthcare solution bridges the gap by creating a win-win situation between the medical service providers, the corporations and the insurers. This is through achieving lower healthcare costs via an established network of panel medical service providers, corporations and insurers on board.

Key risks. Highly regulated environment, increased competition among GP clinics, dependence on panel of medical service providers, corporations and insurers, attracting and retaining medical professionals, failure to integrate or secure its IT systems.

Profit & Loss	Jun-17	Jun-18	Jun-19
Total turnover (SGDm)	29	34	37
Reported net profit (SGDm)	2	3	1
Recurring net profit (SGDm)	2	3	2
Recurring net profit growth (%)	110	100	(49)
Recurring EPS (SGD)	0.01	0.02	0.01
DPS (SGD)	na	na	na
Dividend Yield (%)	na	na	na
Recurring P/E (x)	25.9	9.5	18.3
Return on average equity (%)	56.3	66.5	6.6
P/B (x)	9.2	5.1	2.5
P/CF (x)	14.8	5.1	10.1

Source: Company data, RHB

Balance Sheet (SGDm)	Jun-17	Jun-18	Jun-19
Total current assets	16	19	26
Total assets	23	27	35
Total current liabilities	18	17	15
Total non-current liabilities	1	3	4
Total liabilities	19	20	19
Shareholder's equity	4	7	17
Minority interest	(0)	(0)	0
Other equity	na	na	na
Total liabilities & equity	23	27	35
Total debt	4	4	5
Net debt	Net Cash	Net Cash	Net Cash

Source: Company data, RHB

Cash Flow (SGDm)	Jun-17	Jun-18	Jun-19
Cash flow from operations	2	6	3
Cash flow from investing activities	(1)	(2)	(2)
Cash flow from financing activities	(1)	(0)	5
Cash at beginning of period	6	6	9
Net change in cash	0	3	5
Ending balance cash	6	9	14

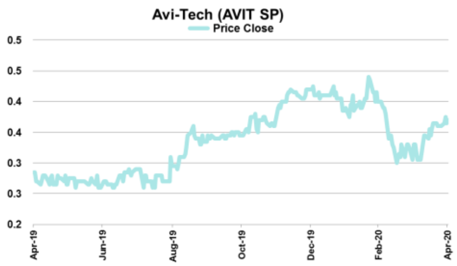
Source: Company data, RHB

Target: SGD 0.50

Price: SGD 0.37

Avi-Tech Electronics

Riding The Semiconductor Recovery



Source: Bloomberg

Stock Profile

Bloomberg Ticker	AVIT SP
Avg Turnover (SGD/USD)	0.1m/0.1m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	63.3m
Beta (x)	0.82
BVPS (SGD)	0.29
52-wk Price low/high (SGD)	0.26 – 0.45
Free float (%)	57.4

Major Shareholders (%)

Lim Eng Hong	35.8
Nancy Loh Zee Lan	6.0
Michael Grenville Gray	0.5

Share Performance (%)

	1m	3m	6m	12m
Absolute	12.1	(5.1)	8.7	31.6
Relative	6.4	11.7	27.5	54.4

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Investment Merits

- High dividend yield of 6.8% for FY20F
- Riding the semiconductor recovery
- Strong net cash balance sheet with attractive valuations

Company Profile

Listed in 2007 on the SGX Mainboard, Avi-Tech Electronics is a total solutions provider for burn-in, burn-in board manufacturing, and printed circuit board assembly (PCBA) and engineering services. It works with global original equipment manufacturers in the semiconductor, electronics, life sciences, aviation, and other industries. Its core segments: Burn-in services, manufacturing and PCBA Services, and engineering services.

Highlights

Likely a strong FY20, led by burn-in segment's revenue. With the sector in a slowdown since 2018, we expect the industry correction to have hit a bottom, given the improving outlook ahead – this is especially after a Phase One trade deal between China and the US. We expect Avi-Tech's business to continue picking up in 2H20, as it has seen some strong growth from burn-in services, which has much higher gross margins. This is coupled with cost-cutting measures previously done, which will likely help improve margins as well, in our view. All in all, Avi-Tech's gross margins improved significantly to 39.7% in 2Q20 from 27.9% previously. We expect such strong performance to carry on into 2H20.

6.8% yield with improving fundamentals. With a net cash balance sheet and strong operating FCF, we think management will continue to reward shareholders with attractive dividends despite the drop in profits. For FY19, a total of 2.3 cents was declared, representing a PATMI payout ratio of 84.7%. Higher interims dividends of 1 cent were given in 2Q20 vs 0.8 cents a year ago due to its strong performance. We expect Avi-Tech to reward shareholders with the same or more going forward despite a special dividend given in FY19, which presents a FY20F yield of 6.8%.

Riding along with the semiconductor recovery. The semiconductor sector is expected to rebound strongly in FY20, with many global leading semiconductor players already guiding for a better outlook. With Avi-Tech providing key services in segments like burn-in and testing – mainly in the auto sector – we believe the group is in a sweet spot to ride the recovery in the semiconductor industry. We think Avi-Tech will continue to see revenue growth and margins improvement, especially in the next few quarters ahead.

Company Report Card

Latest results. 1H20 net profit increased 71.2% YoY to SGD3.1m, with gross margins expanding by 10.4ppts to 38.6% from 28.2% in 1H19. The higher gross profit was the result of ongoing cost control measures and improved productivity across all business segments. Revenue during this timeframe remained stable at SGD15.6m, driven by the growth in the burn-in services segment (+36.2% YoY to SGD6.4m). This offsets the revenue declines in the engineering (-16.7% YoY to SGD2m) and manufacturing & PCBA services segments (-14.3% YoY to SGD7.2m). At the end of 1H20, Avi-Tech had a net cash position of SGD36m.

Dividend. The group declared an interim dividend of 1 cent per share in 1H20 vs 0.8 cents per share in 1H19, equivalent to a dividend payout ratio of 55%. FY19 full-year dividend stood at 2.3 cents.

Management. Lim Eng Hong is Avi-Tech's founder and CEO. He has more than 40 years of experience in the semiconductor industry. Lim is responsible for the group's overall business activities, and is particularly involved in the development of the strategies behind its diversification into other related business areas.

Investment Case

Maintain BUY, with a 6.8% yield. The stock is backed by an attractive FY20F yield of 6.8%, and management is actively exploring M&A – it hopes to close one by 1H20. Any potential earnings-accretive M&A should be a positive. With a net cash balance sheet and good dividends, we are positive on Avi-Tech, as we think investors can be rewarded by attractive dividends. This is shown by management's track record in paying out attractive dividends, even during the bottom cycles of the group's earnings.

Key risks: Slowdown in the economy.

Profit & Loss	Jun-19	Jun-20F	Jun-21F
Total turnover (SGDm)	34	35	36
Reported net profit (SGDm)	5	6	6
Recurring net profit (SGDm)	5	6	6
Recurring net profit growth (%)	(4)	31	5
Recurring EPS (SGD)	0.03	0.04	0.04
DPS (SGD)	0.02	0.03	0.03
Dividend Yield (%)	6.2	6.8	6.8
Recurring P/E (x)	13.6	10.4	9.9
Return on average equity (%)	9.5	12.1	12.2
P/B (x)	1.3	1.2	1.2
P/CF (x)	9.6	7.4	6.9

Source: Company data, RHB

Balance Sheet (SGDm)	Jun-19	Jun-20F	Jun-21F
Total current assets	45	45	44
Total assets	57	58	61
Total current liabilities	6	6	6
Total non-current liabilities	1	1	1
Total liabilities	7	7	7
Shareholder's equity	50	51	53
Minority interest	na	na	na
Other equity	na	na	na
Total liabilities & equity	57	58	61
Total debt	na	na	na
Net debt	Net Cash	Net Cash	Net Cash

Source: Company data, RHB

Cash Flow (SGDm)	Jun-19	Jun-20F	Jun-21F
Cash flow from operations	7	9	9
Cash flow from investing activities	(4)	(3)	(4)
Cash flow from financing activities	(4)	(4)	(4)
Cash at beginning of period	11	10	10
Net change in cash	(1)	(0)	(1)
Ending balance cash	10	10	9

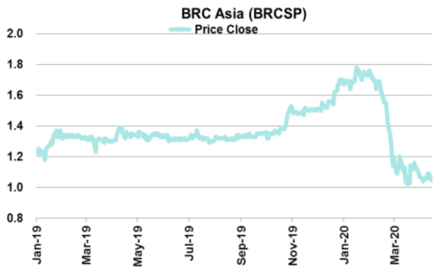
Source: Company data, RHB

BRC Asia

Target: N/A

Price: SGD 1.09

Proxy To Singapore's Construction Upcycle



Source: Bloomberg

Stock Profile

Bloomberg Ticker	BRC SP
Avg Turnover (SGD/USD)	0.1m/0.1m
Net Gearing (%)	91.6
Market Cap (SGDm)	245.6m
Beta (x)	0.91
BVPS (SGD)	1.13
52-wk Price low/high (SGD)	1.00 – 1.75
Free float (%)	28.3

Major Shareholders (%)

Esteel Enterprise	71.7
Abante Asesores Gestion	0.2

Share Performance (%)

	1m	3m	6m	12m
Absolute	(28.3)	(35.1)	(20.4)	(21.6)
Relative	(9.7)	(18.3)	(1.7)	1.2

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Investment Merits

- Proxy to Singapore's construction industry, which should continue on its upcycle once COVID-19 outbreak moderates
- Leadership position in Singapore's steel rebar and prefabricated reinforcing steel product markets should translate into higher margins
- SGD900m orderbook that will be delivered over the next five years. This implies a 1x book to build ratio based on FY19's (Sep) reported revenue
- Reasonably valued at 1.0x FY19 BV

Company Profile

Incorporated in Singapore in 1938 as Malayan Wire Mesh & Fencing, BRC Asia pioneered the use of prefabricated steel mesh in Singapore's construction industry. The company changed to its current name in 1998 and was listed on the SGX in Jul 2000. Post the Lee Metal Group acquisition in Jun 2018, BRC Asia doubled its operational capacity, and now has Singapore's largest production capacity in terms of prefabricated reinforcing steel products. With factories here, Malaysia, and China, BRC Asia caters to builders in the public and private housing sectors, as well as the commercial and industrial spaces.

Highlights

Singapore's construction industry is to grow over the next few years. According to Singapore's Building & Construction Authority (BCA), total construction demand grew 9.5% in 2019 to c.SGD33.4bn, exceeding the upper range of the BCA's SGD27-32bn forecast. For 2020, total construction demand is expected to remain strong and reach SGD28-33bn. While there have been some construction project delays currently, amidst labour and material shortages caused by COVID-19, the industry is expected to witness strong growth over the next few years. This is underpinned by public housing developments and large government infrastructure projects.

Market leadership position. Based on data available from the Competition Commission of Singapore, BRC Asia has a 40-60% share in the republic's steel rebar market. It also holds a 50-70% share in the country's steel wire mesh segment. With the 2018 acquisition of Lee Metal, we believe the group's steel products supply market share will have increased to 60-70%. This leadership position enables BRC Asia to operate at an optimal scale, thereby gaining from stronger purchasing power, lower wastage, and improved productivity. This, in turn, has been reflected in the group's improving profit margins.

Strong outstanding orderbook. As at 31 Dec 2019, BRC Asia's sales orderbook stood at SGD900m. Based on FY19 (Sep) reported revenue, this outstanding orderbook implies a 1x book to build ratio, which has improved significantly from 0.7x as at end FY16. Over the last few quarters, it has been looking to progressively clear low-margin projects from its orderbook – implying better margins for future projects.

Opportunities to grow overseas in the long term. BRC Asia believes demand for prefabricated reinforcing steel products is already at a mature stage in Singapore. With a vision to be the region's reinforcing steel powerhouse, it plans to leverage on its resources, facilities, and expertise available here, and in Malaysia and China, to broaden its regional reach. The group has already embarked on steel trading and distribution activities in Thailand and Indonesia.

Company Report Card

Latest results. BRC Asia reported a strong 1QFY20 recurring net profit of SGD11.9m (+93% YoY), accounting for 29% of Bloomberg consensus' full-year estimates. The first half tends to be seasonally slow period for the group due to festive seasons like Christmas and the Lunar New Year. Earnings growth was driven by a GPM rise, which expanded to 13.1% from 7% a year earlier. The GPM expansion was probably driven by lower steel rebar prices and stronger purchasing power.

Dividend. In May 2019, BRC Asia announced a dividend policy for FY19-20. The policy stated that the group aims to pay dividends to shareholders with a target annual payout of at least 30% of its recurring net profit. BRC Asia proposed a final and special dividends totalling 8 cents per ordinary share for FY19, representing a dividend payout of 59% and implied yield of 7.3%.

Management. The group is a professionally run company. CEO Seah Kiin Peng has held this post since 2018, having been with BRC Asia since 2010. More professionals joined the group after Esteel Enterprise became the largest shareholder in Oct 2017. Xu Jiguo was appointed Chief Procurement Officer in Nov 2017, taking over the responsibility for steel procurement and trading. Zhang Xingwang joined as Chief Operating Officer in Dec 2017. To strengthen BRC Asia's interaction with investors and other capital market participants, Darrell Lim Chee Lek joined the group in May 2019. Each one of the aforementioned has strong prior experience in their respective fields.

Investment Case

A good proxy to Singapore's construction upcycle. While the growth for the next few quarters may be hampered by COVID-19, recovery in the construction industry – once the pandemic moderates – will help BRC Asia deliver strong earnings growth. Its SGD900m orderbook and market leadership position in Singapore for prefabricated reinforcing steel products will enable the group to optimise costs and deliver higher margins. We believe the valuations are reasonable, as the stock is trading at close to BV.

Key risks. Prolonged travel restrictions to and from China amidst the ongoing COVID-19 pandemic will limit labour and material availability for Singapore's construction industry – thereby negatively affecting project progress in many local construction sites.

Profit & Loss	Sep-17	Sep-18	Sep-19
Total turnover (SGDm)	312	567	913
Reported net profit (SGDm)	2	12	32
Recurring net profit (SGDm)	2	12	32
Recurring net profit growth (%)	(78)	565	162
Recurring EPS (SGD)	0.01	0.06	0.14
DPS (SGD)	na	0.01	0.08
Dividend Yield (%)	na	0.9	7.3
Recurring P/E (x)	112.2	19.6	8.1
Return on average equity (%)	1.1	5.9	12.6
P/B (x)	1.2	1.1	1.0
P/CF (x)	10.0	10.3	4.4

Source: Company data, RHB

Balance Sheet (SGDm)	Sep-17	Sep-18	Sep-19
Total current assets	212	524	532
Total assets	323	699	695
Total current liabilities	137	343	358
Total non-current liabilities	18	118	74
Total liabilities	155	462	432
Shareholder's equity	168	237	263
Minority interest	na	na	na
Other equity	na	na	na
Total liabilities & equity	323	699	695
Total debt	63	338	306
Net debt	39	297	241

Source: Company data, RHB

Cash Flow (SGDm)	Sep-17	Sep-18	Sep-19
Cash flow from operations	31	(11)	79
Cash flow from investing	(24)	(167)	(11)
Cash flow from financing	5	195	(43)
Cash at beginning of period	12	24	41
Net change in cash	13	17	25
Ending balance cash	25	41	66

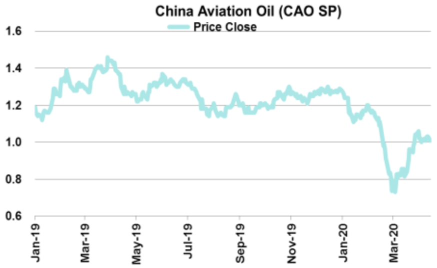
Source: Company data, RHB

Target: SGD 1.25

Price: SGD 1.03

China Aviation Oil

Compelling Valuations



Source: Bloomberg

Stock Profile

Bloomberg Ticker	CAO SP
Avg Turnover (SGD/USD)	0.4m/0.3m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	868.8m
Beta (x)	1.15
BVPS (SGD)	0.97
52-wk Price low/high (SGD)	0.72 – 1.38
Free float (%)	28.5

Major Shareholders (%)

China National Aviation Group	51.3
BP PLC	20.2

Share Performance (%)

	1m	3m	6m	12m
Absolute	(18.9)	(10.4)	(15.6)	(24.8)
Relative	(0.3)	6.4	3.2	(2.0)

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Investment Merits

- Is a monopoly for supply of jet fuel for all international flights in China
- Its cost-plus business model ensures profit and cash flow generation
- Has a strong net cash balance sheet (60% of the market cap)
- Gradual return of normal business activities in China post COVID-19 will lead to return of earnings growth
- Trading below its NTA/share of USD0.95 (c.SGD1.30), and at an ex-cash 2021F P/E of just 2.6x

Company Profile

China Aviation Oil supplies jet fuel to foreign and domestic airlines flying through Chinese and international airports. The company also trades in other oil products, such as fuel oil and gas oil. Its state-owned parent is Asia-Pacific's largest physical jet fuel trader, and sole supplier of imported jet fuel for China's civil aviation market.

Highlights

Will deliver profits despite the decline in jet fuel volume. The COVID-19 outbreak has already stalled aviation traffic in China, and will continue to put the brakes on international aviation traffic globally. We now expect a 20% decline in jet fuel import volumes into China, as well as a 35% decline in jet fuel pumped by Shanghai Pudong International Airport Aviation Fuel Supply (SPIA) in 2020. As the jet fuel imports into China is a cost-plus business, CAO will report profits, even if import volume declines. While SPIA (33%-owned by CAO) could see margin pressure amidst the decline in jet fuel pumped at the Shanghai Pudong International Airport (SPA), we expect the business to remain profitable.

Recovery in Chinese aviation traffic should support a re-rating. With the gradual decline in new COVID-19 cases being reported in China, there is scope for an earlier-than-expected recovery in China's domestic aviation traffic. While this will not support the recovery in CAO's jet fuel import volumes that are dependent on China's international aviation traffic, SPIA could report better-than-expected jet fuel volumes for 2H20. It is worth noting that SPIA accounts for c.65% of CAO's PBT. Stronger-than-estimated results for SPIA for 2020 could also lead to a resumption of dividend payments to CAO, thereby further improving the latter's net cash position.

Company Report Card

Latest results. In FY19, CAO recorded a significant 6% YoY rise in recurring net profit, coming on higher gross profits for its middle distillates business and lower tax rate. Contribution from its associate business was weak amidst YoY decline in earnings contribution from SPIA. Cash flow was also marginally impacted as SPIA, CAO's 33%-owned associate, suspended the payment of dividends amidst the uncertain outlook for the aviation industry. Nevertheless, CAO reported a net cash balance sheet of USD379m, which accounts for 60% of the market cap.

Dividend. For FY19, CAO announced a tax exempt dividend amount of SGD0.047 per share vs SGD0.045 per share dividend paid in FY18. This implies a dividend yield of 6.3%. Given its profit and cash generating business and strong net cash balance sheet, we do not foresee any downside risk to its dividend payout and expect CAO to pay similar dividends during the forecast period.

Management. After going through a troubled phase in 2004-2005, CAO's parent company completely revamped the management team and brought in global oil major BP as a strategic investor. This management team turned around the business operations and brought back strong profit growth. However, there have been some changes in the management team, with a new CEO taking over in with a clear focus on achieving profitability over registering volume growth, and growing external business.

Investment Case

An undervalued company. Despite our expectation of a sharp decline in import of jet fuel volumes in China amidst the COVID-19 outbreak, CAO will report profits, as the jet fuel imports into China is a cost-plus business. CAO retains its monopolistic position in the country, and any revival of aviation traffic there will be positive for CAO. Moreover, its net cash balance position (60% of the market cap), will enable CAO to make earnings accretive acquisition. CAO is trading below its NTA/share of USD0.95 (c.SGD1.30), and at an ex-cash 2021F P/E of just 2.6x.

We maintain our BUY recommendation, with a SGD1.25 TP derived from an average of forward P/E, P/BV, EV/adjusted EBITDA, and DCF of adjusted free cashflow. Our SGD1.25 TP implies 0.9x P/NTA, which we believe is reasonable given near-term earnings headwinds.

Key risks. Key downside risks to our rating and TP are losses at its trading business despite all the risk control measures, opening up of the Chinese aviation fuel market risking CAO's monopoly, and a slower-than-estimated recovery in Chinese aviation traffic for 2H20 and 2021.

Profit & Loss	Dec-19	Dec-20F	Dec-21F
Total turnover (SGDm)	20,343	12,372	17,512
Reported net profit (SGDm)	100	72	90
Recurring net profit (SGDm)	100	72	90
Recurring net profit growth (%)	6	(28)	26
Recurring EPS (SGD)	0.12	0.08	0.11
DPS (SGD)	0.05	0.04	0.04
Dividend Yield (%)	4.5	4.5	3.8
Recurring P/E (x)	6.3	8.8	7.0
Return on average equity (%)	12.4	8.4	9.9
P/B (x)	0.8	0.7	0.7
P/CF (x)	12.6	9.8	67.1

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-19	Dec-20F	Dec-21F
Total current assets	1,476	1,158	1,429
Total assets	1,868	1,575	1,858
Total current liabilities	1,018	670	887
Total non-current liabilities	16	27	27
Total liabilities	1,033	696	913
Shareholder's equity	835	878	945
Minority interest	na	na	na
Other equity	na	na	na
Total liabilities & equity	1,868	1,575	1,858
Total debt	na	na	na
Net debt	Net Cash	Net Cash	Net Cash

Source: Company data, RHB

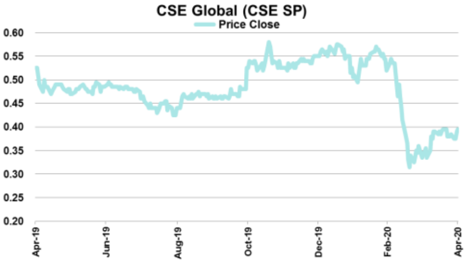
Cash Flow (SGDm)	Dec-19	Dec-20F	Dec-21F
Cash flow from operations	50	64	9
Cash flow from investing activities	11	20	46
Cash flow from financing activities	(41)	(29)	(25)
Cash at beginning of period	358	379	434
Net change in cash	21	55	31
Ending balance cash	379	434	465

Source: Company data, RHB

CSE Global

Target: SGD0.54
Price: SGD0.40

Robust Order Book As At 1Q20



Source: Bloomberg

Stock Profile

Bloomberg Ticker	CSE SP
Avg Turnover (SGD/USD)	0.3m/0.2m
Net Gearing (%)	25
Market Cap (SGDm)	201.9m
Beta (x)	1.3
BVPS (SGD)	0.35
52-wk Price low/high (SGD)	0.3 – 0.59
Free float (%)	71.7

Major Shareholders (%)

Serba Dinamik	25.4
FMR LLC	10.0
Edgbaston Investment	4.8

Share Performance (%)

	1m	3m	6m	12m
Absolute	14.5	(22.5)	(24.8)	(24.8)
Relative	8.7	(5.8)	(6.0)	(1.9)

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Investment Merits

- Strong orderbook offers cushion to a softening economy
- Synergistic acquisition of Volta in FY19 to boost earnings
- Expansion through M&A

Company Profile

CSE Global is a worldwide systems integrator, focusing on the provision and installation of control systems, as well as communications and security solutions. The firm targets the oil & gas, infrastructure, and mining industries. CSE has an international presence spanning the Americas, Asia-Pacific, Europe, Middle East, and Africa regions. The group operates a network of 39 offices in 17 countries with a team of more than 1,500 employees.

Highlights

1Q20 order intake stood at SGD127.2m (+46.6% YoY), led by growth across all industry segments and the inclusion of Volta's orders. This brought backlog orders to SGD302.7m as at end 1Q20. The current order backlog comprises SGD173.1m, SGD114.1m, and SGD15.5m from the oil & gas, infrastructure, and mining & minerals segments. We think the robust orderbook and resilient business model is likely to soften the impact brought about by the current pandemic and depressing oil prices.

Growth through acquisitions. CSE has had a good track record in successfully acquiring earnings-accretive companies, which has helped boost earnings over time. The two most recent successful acquisitions: RCS Telecommunications and Volta. The former improved the mining & minerals segment's revenue to SGD42.4m in FY19 from SGD15.7m in FY18, amongst others, while the latter's acquisition should further increase revenue by USD50-60m pa. We think CSE is likely to continue its M&A this year by expanding its UK footprint and duplicating successes in Australia, in particular.

Sustainable and attractive yield of 7.0%. FY19 dividend of 2.75 cents per share was consistent with FY18's numbers. The group also intends to keep FY20 dividends at the same level. Given CSE's positive recurring operations cash flows, we believe the dividend is sustainable

Company Report Card

Latest results. CSE reported a revenue growth of 57.7% YoY to SGD156.6m in 4Q19 on improvements in all its business segments (oil & gas, infrastructure, and mining & minerals) across all regions. Along with the topline increase, 4Q19 net profit surged 60.1% YoY to SGD8.1m. As for the full year, revenue grew 21% YoY to SGD451.8m. With the steadily holding gross and net margins of 27.4% and 5.3%, PATMI rose to SGD24.1m (+19.6% YoY). Full-year dividends remain consistent at 2.75 cents per share.

Management. Lim Boon Kheng is Group Managing Director/CEO of CSE. He was appointed as an Executive Director on 13 Aug 2013. Lim is responsible for the overall management of the group.

Eddie Foo is the Group Chief Financial Officer. He is responsible for CSE's overall financial strategy and management, corporate finance and treasury management, and tax and investor relations.

Investment Case

Resilient earnings. Against the backdrop of oil prices volatility and global economic uncertainty in 2019, CSE managed to deliver a strong set of results, with net profit growing 19.6% YoY to SGD24.1m.

With a strong orderbook of SGD302.7m, full-year earnings contributions from its acquisitions, coupled with recurring order flows, should help to cushion the impact of an uncertain outlook. In addition, the stock offers an attractive dividend yield of 7.0%.

Key downside risks to our call include the global pandemic prolonging, unsustainable oil prices continuing, economic recessions, FX, declining order intakes, lower margins, and execution.

Profit & Loss	Dec-19	Dec-20F	Dec-21F
Total turnover (SGDm)	452	453	496
Reported net profit (SGDm)	24	23	26
Recurring net profit (SGDm)	27	23	26
Recurring net profit growth (%)	33	(14)	14
Recurring EPS (SGD)	0.05	0.05	0.05
DPS (SGD)	0.03	0.03	0.03
Dividend Yield (%)	7.0	7.0	7.0
Recurring P/E (x)	7.5	8.7	7.7
Return on average equity (%)	13.7	12.4	13.3
P/B (x)	1.1	1.1	1.0
P/CF (x)	11.1	3.4	3.9

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-19	Dec-20F	Dec-21F
Total current assets	261	276	300
Total assets	396	406	426
Total current liabilities	176	177	184
Total non-current liabilities	44	44	44
Total liabilities	220	221	228
Shareholder's equity	176	185	198
Minority interest	(0)	na	na
Other equity	na	na	na
Total liabilities & equity	396	406	426
Total debt	103	103	103
Net debt	45	20	4

Source: Company data, RHB

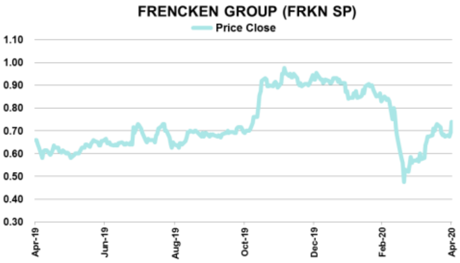
Cash Flow (SGDm)	Dec-19	Dec-20F	Dec-21F
Cash flow from operations	18	60	51
Cash flow from investing activities	(85)	(12)	(12)
Cash flow from financing activities	51	(14)	(14)
Cash at beginning of period	74	51	75
Net change in cash	(23)	25	16
Ending balance cash	51	75	91

Source: Company data, RHB

Frencken Group

Outlook Still Bright

Target: SGD 0.90
Price: SGD 0.74



Source: Bloomberg

Stock Profile

Bloomberg Ticker	FRKN SP
Avg Turnover (SGD/USD)	0.9m/0.6m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	314.3m
Beta (x)	1.34
BVPS (SGD)	0.70
52-wk Price low/high (SGD)	0.48 – 0.99
Free float (%)	62.0

Major Shareholders (%)

Thong Low Heang	6.3
Micro Compact	6.2
Precico Singapore	6.2

Share Performance (%)

	1m	3m	6m	12m
Absolute	28.7	(12.4)	7.2	12.1
Relative	22.9	4.4	26.0	34.9

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Investment Merits

- Benefitting from global supply chain and secondary sourcing
- Riding the semiconductor uplift
- Positive outlook

Company Profile

Frencken is a global integrated technology solutions company that serves world-class multinational firms in the automotive, healthcare, industrial, life sciences, and semiconductor industries. The group has operations in 17 sites across Asia, Europe, and the US, and has 3,500 employees. The two main business segments: Mechatronics and integrated manufacturing services (IMS).

Highlights

Benefitting from global supply chain and secondary sourcing. The US-China trade war previously prompted many global companies – whose supply chains were mainly from the East Asian nation – to reconsider their global options with regards to secondary sourcing. The COVID-19 pandemic has also provided added impetus for these companies to act even faster. As Frencken's production bases are outside China, we believe the group could be one of the beneficiaries of this ongoing trend. Management also said it was in talks with some customers, with the need to increase capex plans if these negotiations go well.

Riding the semiconductor uplift. The group's semiconductor segment is likely to see strong double-digit growth this year, riding the industry uplift. Management also guided for YoY growth in 1Q20 on higher sales from customers in Asia and Europe. Based on our channel checks, as well as the performances of the companies in the semiconductor sector supply chain, we believe this segment will be a key positive catalyst for Frencken's EPS in 2020.

Outlook still positive. Management remains bullish on benefiting from its key customer's new product in the industrial automation segment in FY20 – this is despite expecting a drop for 1Q20 only. We believe Frencken's technologies – which have been making rapid advancements in recent years – will provide more solutions to its customers and support future projects in terms of margins and profitability. With a positive outlook ahead despite the current macroeconomic conditions, we think Frencken remains one of the rare manufacturing firms that is still likely to deliver YoY growth this year.

Company Report Card

Latest results. In FY19, group revenue increased 5.3% YoY to SGD659.2m on higher sales at its mechatronics division. This was offset by the topline decline at the IMS unit, which saw reduced sales from the automotive, consumer & industrial electronics, and tooling segments. As a result, the IMS business' revenue decreased 6% YoY to SGD121m in FY19.

Due to the strong sales growth of the industrial automation segment (+44.5% to SGD186.4m), revenue at the mechatronics division grew 8.6% YoY to SGD539.6m. However, sales from the industrial automation segment is typically lumpy in nature.

FY19 PATMI stood at SGD42.4m (+41.1% YoY). Excluding exceptional items of SGD4.1m, group PATMI would have increased 37.1% to SGD46.5m in FY19. The exceptional items are related to the impairment loss of deferred development costs of SGD1.5m incurred by Frencken Europe BV, as well as a PPE impairment loss of SGD2.6m by Juken (Zhuhai).

Dividend. Dividend was higher at 3 cents per share in FY19 vs 2.14 cents per share in FY18.

Management. Dennis Au is Frencken's President and ED. He was appointed the former on 5 May 2015 and the latter on 28 Apr 2016. Au has over 30 years of experience in the high-tech industry. He is responsible for setting the group's strategic direction and overseeing its global operations. Au graduated from the National University of Malaysia with a Bachelor of Engineering (Electronic, Electrical, and Systems).

Investment Case

A BUY with a positive outlook. Frencken should continue to benefit from its key customer in the industrial automation segment, as well as uplift from the semiconductor sector. Management remains bullish on benefiting from its key customer's new product in the industrial automation segment for FY20 – this was despite expecting a drop for 1Q20 only. With a positive outlook, we have a BUY call with a DCF-backed SGD0.90 TP on this counter.

Key risks include an economic slowdown and customers delaying orders.

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Profit & Loss	Dec-19	Dec-20F	Dec-21F
Total turnover (SGDm)	659	618	649
Reported net profit (SGDm)	43	40	42
Recurring net profit (SGDm)	47	40	42
Recurring net profit growth (%)	47	40	42
Recurring EPS (SGD)	0.11	0.09	0.10
DPS (SGD)	0.03	0.03	0.03
Dividend Yield (%)	4.1	3.9	4.1
Recurring P/E (x)	6.7	7.8	7.4
Return on average equity (%)	14.4	12.4	11.9
P/B (x)	1.1	1.0	0.9
P/CF (x)	2.9	8.0	4.4

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-19	Dec-20F	Dec-21F
Total current assets	375	384	413
Total assets	506	523	558
Total current liabilities	190	179	185
Total non-current liabilities	18	18	18
Total liabilities	208	196	202
Shareholder's equity	295	323	353
Minority interest	3	3	3
Other equity	na	na	na
Total liabilities & equity	506	523	558
Total debt	53	53	53
Net debt	Net Cash	Net Cash	Net Cash

Source: Company data, RHB

Cash Flow (SGDm)	Dec-19	Dec-20F	Dec-21F
Cash flow from operations	106	39	71
Cash flow from investing activities	(12)	(25)	(25)
Cash flow from financing activities	(19)	(12)	(13)
Cash at beginning of period	45	110	102
Net change in cash	64	(8)	23
Ending balance cash	110	102	125

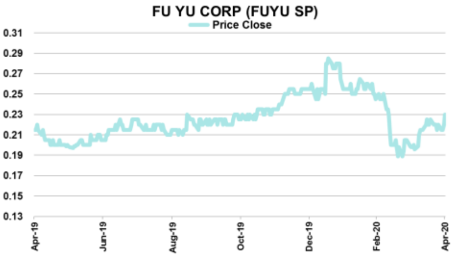
Source: Company data, RHB

Target: SGD 0.28

Price: SGD 0.23

Fu Yu Corp

Strong Fundamentals Backed By Cash



Source: Bloomberg

Stock Profile

Bloomberg Ticker	FUYU SP
Avg Turnover (SGD/USD)	0.2m/0.1m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	173.2m
Beta (x)	1.05
BVPS (SGD)	0.22
52-wk Price low/high (SGD)	0.19 – 0.29
Free float (%)	60.9

Major Shareholders (%)

Ho Nee Kit	12.9
Tam Wai	12.8
Ching Heng Yang	11.8

Share Performance (%)

	1m	3m	6m	12m
Absolute	16.2	(9.8)	2.2	7.0
Relative	10.4	7.0	21.0	29.8

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Investment Merits

- High dividend yield of 7.0%
- Strong balance sheet with SGD80m in net cash
- Recovery in topline, with improvement in margins

Company Profile

Fu Yu Corp provides vertically-integrated services for the manufacturing of precision plastic components, as well as the fabrication of precision moulds and dies. Since its inception in 1978, the group has grown to become one of Asia’s largest manufacturers of high-precision plastic parts and moulds. Today, Fu Yu has established a strong presence in the region, with manufacturing facilities located in Singapore, Malaysia, and China. Leveraging on over 40 years of operating history, the group has built a broad and diversified customer base of blue chip companies in the printing & imaging, networking & communications, consumer, medical, and automotive sectors.

Highlights

A full year of cost savings from the closure of the Shanghai factory in FY20F. With the lease termination of Fu Yu’s Shanghai site, management has decided to liquidate its factory there and shift production to the loss-making Suzhou operations, which has lower operating costs. We believe this will help reduce the longer-term operational cost for the whole group, and help the Suzhou factory turn profitable at a much faster pace – this is despite incurring a SGD5.5m one-off expense in FY19. As such, we remain confident on Fu Yu’s outlook and think this closure will be beneficial to the group in the longer term.

Redevelopment of the Tuas factory. This redevelopment project entails the demolition of the existing building and construction of a larger facility to house a factory, warehouse. and office space. The new building will have an estimated gross floor area of 9,000 sq m, which is more than 3x the size of the existing building. Management also plans to invest in new manufacturing equipment to expand its production capacity and enhance its capabilities to produce higher precision and better quality products. The layout of the new building will also be modified to facilitate a seamless workflow across tooling, moulding, and assembly operations. Together with the investments in new and advanced production equipment, management expects to benefit from higher productivity and operational efficiency. Total capex will roughly be about SGD15.4m – funded by internally generated funds – and is slated for completion by 4Q20.

High yield of 7.0% for FY20F. With a sound balance sheet (net cash of SGD88.5m), positive operating cash flows of SGD15-20m pa, and an improving business, we expect Fu Yu to continue rewarding shareholders with higher and more attractive dividends. We expect the dividends to be maintained at 1.6 cents for FY20F at the very least and potentially increase if PATMI rises far above our forecast.

Company Report Card

Latest results. FY19 PATMI rose 6.8% to SGD12.7m despite having to incur a SGD5.5m one-off expense related to the closure of Fu Yu's Shanghai production facility. Excluding one-off expenses, PATMI surged 54% YoY to SGD18.3m while gross margins expanded to 21.9% during this period. Full-year revenue remained relatively stable at SGD194.1m, down 1.8% YoY. Revenue contributions from Malaysia, Singapore, and China stood at 21.7%, 23.9%, and 54.4%. At the end of FY19, the group had a cash balance of SGD88.5m in cash and zero borrowings on its balance sheet.

Dividend. Full-year dividend for the group was 1.6 cents.

Management. Fu Yu was co-founded by three of its existing directors – Ching Heng Yang (Vice Chairman), Ho Nee Kit, and Tam Wai. They have around 40 years of experience in the plastic injection and mould fabrication industries. Together with the management team, the founders have guided the company from its start as a small moulding and tooling fabrication factory that gradually branched out to more complex processes. This was before its transformation into a one-stop solutions provider of plastic injection moulding and assembly. Hew Lien Lee was appointed as acting CEO in May 2014 before subsequently being promoted to CEO on Feb 2016. Hew has also held the positions of Executive Director and Chief Operating Officer since Mar 2017.

Investment Case

Still one of our Top Picks – stable and resilient. With the ramp-up in existing projects to continue in subsequent quarters – coupled with further new projects in the medical, consumer, and automotive fronts – we expect such positive growth momentum to continue. In addition, a rising USD should also benefit Fu Yu. With its Shanghai factory's closure and new redevelopment at the Singapore facility, we expect margins to continue improving. As a result, we have BUY call with a DCF-backed SGD0.28 TP. Fu Yu is also an attractive target for privatisation or acquisition.

Key risks include a slowdown in the economy, worsening trade war between the US and China, as well as COVID-19 worsening in China and South-East Asia.

Profit & Loss	Dec-19	Dec-20F	Dec-21F
Total turnover (SGDm)	194	175	180
Reported net profit (SGDm)	13	17	19
Recurring net profit (SGDm)	18	17	19
Recurring net profit growth (%)	54	33	11
Recurring EPS (SGD)	0.02	0.02	0.02
DPS (SGD)	0.02	0.02	0.02
Dividend Yield (%)	7.0	7.0	7.0
Recurring P/E (x)	9.5	10.3	9.3
Return on average equity (%)	11.2	9.8	10.4
P/B (x)	1.1	1.0	1.0
P/CF (x)	5.8	5.4	5.3

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-19	Dec-20F	Dec-21F
Total current assets	157	155	162
Total assets	219	223	232
Total current liabilities	47	42	44
Total non-current liabilities	9	9	9
Total liabilities	55	51	53
Shareholder's equity	164	172	179
Minority interest	na	na	na
Other equity	na	na	na
Total liabilities & equity	219	223	232
Total debt	na	na	na
Net debt	Net Cash	Net Cash	Net Cash

Source: Company data, RHB

Cash Flow (SGDm)	Dec-19	Dec-20F	Dec-21F
Cash flow from operations	30	32	33
Cash flow from investing activities	(2)	(14)	(10)
Cash flow from financing activities	(17)	(12)	(12)
Cash at beginning of period	77	85	85
Net change in cash	8	(0)	5
Ending balance cash	85	85	90

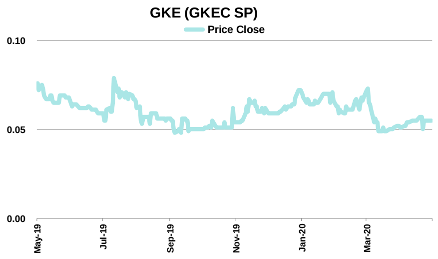
Source: Company data, RHB

GKE Corp

Riding On RMC And Logistics

Target: N/A

Price: SGD 0.055



Source: Bloomberg

Stock Profile

Bloomberg Ticker	GKEC SP
Avg Turnover (SGD/USD)	0.003m/0.002m
Net Gearing (%)	83.7
Market Cap (SGDm)	43m
Beta (x)	0.482
BVPS (SGD)	0.10
52-wk Price low/high (SGD)	0.04 – 0.08
Free float (%)	49

Major Shareholders (%)

Yong Hua Chen	8.6
Chen Li Rong	7.5

Share Performance (%)

	1m	3m	6m	12m
Absolute	5.8	(16.7)	1.9	(27.6)
Relative	(1.8)	0.1	20.6	(4.8)

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Investment Merits

A new ready-mixed concrete (RMC) plant in Cenxi City, China, is due to go operational by 2HCY20. This will complement GKE Corp’s existing RMC plant in Wuzhou City, China. Whilst the new plant’s flow-through to profitability may take a few months, investors will adjust their expectations ahead of the actual flow-through, in our view.

There is scope for rental reduction for GKE’s 30 Pioneer Road warehouse. The company is currently paying above market rates for the lease of this warehouse as part of the sale & leaseback condition. As Singapore’s industrial property market remains soft and rental rates are in the range of SGD1.10-1.25 psf, there is scope for this to be reduced, thereby giving GKE significant rental savings.

Company Profile

The company has two main businesses: Third-party logistics (mainly warehousing and freight – this segment accounted for 72% of FY19’s revenue share) and infrastructural logistics (primarily RMC), which takes up with the 28% balance.

Highlights

There is a promising outlook for third-party logistics despite this segment incurring a FY19 segmental loss of SGD2.9m. In Singapore, GKE does third-party warehousing, transportation, and freight. The warehouse at Benoi Road started operations a year ago and occupancy has gradually risen to the current 80-85%. Going further ahead, the Pioneer Road warehouse’s lease contract, which commenced Apr 2016, is expiring in Apr 2021. GKE is working to renew the lease at around or below the prevailing market rates vs its costs under the current lease – this could lead to substantial rental savings.

New plants at Cenxi City to contribute to infrastructural logistics. Infrastructural logistics generated a FY19 segment profit of SGD4.8m and has scope for further growth. GKE operates a RMC plant in Wuzhou City that accounted for the bulk of earnings for its infrastructural logistics business. The company is currently building a construction material recycling plant (24% owned) and RMC facility (wholly owned) in Cenxi City. Both these plants are expected to go operational in 2HCY20, which should contribute to further revenue expansion.

Company Report Card

Latest results. For 1HFY20 (May), GKE reported a net profit of SGD1.8m – a reversal from 1HFY19's net loss of SGD1.7m. The sharp improvement came on a 39% YoY increase in revenue, mainly due to the topline contributions from a RMC manufacturing plant under its Wuzhou Xing Jian Readymix unit and the warehousing & logistics segment's storage and trucking operations.

Dividends. No dividends are paid for the past 3 years.

Management. Mr Chen Yong Hua is the Executive Chairman and he is responsible for leading the Board. In addition, he is responsible for the oversight of the Group's business in China. Mr Neo Cheow Hui is the CEO, and he has extensive experience in the logistics business.

Investment Case

Revenue expansion for the RMC segment will come from a robust construction environment around Wuzhou City. While COIVID-19 may add some short-term uncertainties, the longer-term growth trend remains intact. GKE's new RMC plant in Cenxi City should further add to its revenue.

The Singapore logistics business is growing. While there may be short-term disruptions from COVID-19, the structural trend is positive. In addition, GKE is likely to record sharply lower rentals for its Pioneer Road warehouse when the lease is renewed from Apr 2021.

Profit & Loss	May-17	May-18	May-19
Total turnover (SGDm)	56	71	88
Reported net profit (SGDm)	(2)	(10)	(2)
Recurring net profit (SGDm)	(2)	(2)	(2)
Recurring net profit growth (%)	na	na	na
Recurring EPS (SGD)	(0.00)	(0.00)	(0.00)
DPS (SGD)	na	na	na
Dividend Yield (%)	na	na	na
Recurring P/E (x)	na	na	na
Return on average equity (%)	(2.7)	(12.6)	(3.0)
P/B (x)	0.5	0.5	0.6
P/CF (x)	7.7	6.6	6.2

Source: Company data, RHB

Balance Sheet (SGDm)	May-17	May-18	May-19
Total current assets	33	39	45
Total assets	170	177	170
Total current liabilities	28	42	33
Total non-current liabilities	54	58	63
Total liabilities	82	100	96
Shareholder's equity	83	72	69
Minority interest	5	5	5
Other equity	na	na	na
Total liabilities & equity	170	177	170
Total debt	57	75	69
Net debt	44	60	58

Source: Company data, RHB

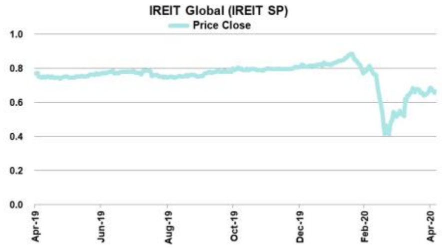
Cash Flow (SGDm)	May-17	May-18	May-19
Cash flow from operations	5	6	6
Cash flow from investing activities	(25)	(17)	1
Cash flow from financing activities	(0)	14	(10)
Cash at beginning of period	31	11	13
Net change in cash	(20)	2	(3)
Ending balance cash	11	13	9

Source: Company data, RHB

IREIT Global

Locked In Leases For Next Two Years

Target: SGD 0.83
Price: SGD 0.66



Source: Bloomberg

Stock Profile

Bloomberg Ticker	IREIT SP
Avg Turnover (SGD/USD)	2.3m/1.6m
Net Gearing (%)	39
Market Cap (SGDm)	416m
Beta (x)	0.8
BVPS (SGD)	0.85
52-wk Price low/high (SGD)	0.42 – 0.89
Free float (%)	36

Major Shareholders (%)

Tikehau Capital	29.2
City Developments	20.9
Tong Jinquan	6.0

Share Performance (%)

	1m	3m	6m	12m
Absolute	(21.0)	(16.3)	(21.5)	(18.0)
Relative	(0.8)	(8.7)	(0.7)	(1.2)

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Investment Merits

- Minimal 2% of leases expiring until 2022
- 77% of rental income from two tenants – Deutsche Telekom and DRV
- Germany accounts for the bulk of assets (91%)

Company Profile

In 2014, IREIT became the first Singapore-listed REIT with a mandate to invest in the European real estate market: office, retail, industrial and related assets. Its portfolio currently consists of five freehold office properties in Germany and four freehold office properties in Spain, with a total attributable lettable area of c.230,000sqm and valuation of EUR630.2m

Highlights

Income stability the key attraction amid uncertainty. IREIT derives the bulk of rental income from two of its key tenants – Deutsche Telekom and Europe's largest pension fund, Deutsche Rentenversicherung (DRV) – which we see as relatively sticky and account for c.77% of its rental income. We believe that despite current the Covid-19 situation, the leases are likely to be renewed by these tenants upon expiry due to their sticky nature. Overall portfolio occupancy has stayed above 98% for the last five years as a testament of asset quality.

Weighted average lease to expiry (WALE) remains healthy at 4.2 years, while leases have inbuilt Consumer Price Index (CPI)-based rent escalation mechanisms.

Recent increase in stake by sponsor and strong strategic investor a vote of confidence. IREIT's sponsor Tikehau Capital (TKO FP, NR) and strategic investor City Developments (CDL) (CIT SP, NEUTRAL, TP: SGD10.50) have recently increased their respective stakes from 16.64% and 12.52% to 29.20% and 20.87%. Additionally, AT investments also emerged as a substantial shareholder buying 5.5% stake in IREIT. The stakes were purchased from Mr. Tong Jinquan at a price of SGD 0.49 per share whose shareholding post these transactions is now down to 6%. Separately, Mr. Bruno de Pampelonne, Chairman of Tikehau Investment management also purchased 200,000 shares in open market at SGD 0.605/share on 8th Apr. We view the above transactions as a strong show of confidence on IREIT's portfolio quality and its long-term growth.

Company Report Card

No major debt expiry until 2026, majority of debt in fixed terms. On 1 Feb 2019, IREIT drew down new loan facilities of EUR200.8m – maturing in Jan 2026 – to repay the then existing bank borrowings of EUR193.5m. Concurrent to the debt drawdown, interest rate swaps were entered into – this was to hedge 100% of the interest of the new loan facilities, which resulted in an all-in cost of debt of c.1.5 % pa over the loan tenure. The long-dated debt maturity provides stability in terms of finance expenses.

DPU expected to remain steady despite Covd-19. We expect revenue and NPI to see a modest 3-year CAGR growth of 2% CAGR, mainly on occupancy improvements and flow-through from positive rent reversions. Overall, we have assumed the Germany portfolio occupancy remaining stable at around the current 99% levels.

The higher DPU growth is mainly driven by lower financing costs, absence of one-off finance expenses, and accretive contributions from the Spanish acquisition. Our forecast is based on conservative 90% payout ratio.

Appointment of Mr Louis d'Estienne d'Orves as CEO. Mr d'Estienne d'Orves joined Tikehau Capital's Real Estate team in Nov 2018. As Executive Director, his responsibilities included sourcing and executing deals across Europe in the office, retail, hotel, and residential sectors, securing external debt financing and capital raising for co-investment opportunities and funds. Before joining Tikehau Capital, Mr d'Estienne d'Orves spent 11 years at AXA IM Real Assets, most recently as the Co-Head of European Transactions – Special Situations.

Choo Bon Poh is the group chief financial officer and has more than 18 years of experience in audit, banking and corporate finance-related work.

Investment Case

Offering attractive 9% yields and trading at 0.8x P/BV, which we think is very attractive despite current worries over a recession from the Covid-19 impact.

Key downside risks to our call are inability to retain its top tenants, continued EUR depreciation, and a potential disorderly sell down by the major shareholder.

Profit & Loss	Dec-19	Dec-20F	Dec-21F
Total turnover (EURm)	36	36	36
Reported net profit (EURm)	69	22	22
Recurring net profit (EURm)	25	26	27
Recurring net profit growth (%)	0	4	1
Recurring EPS (SGD)	0.11	0.03	0.03
DPS (SGD)	0.06	0.06	0.06
Dividend Yield (%)	8.5	8.7	8.7
Recurring P/E (x)	6.1	19.6	19.4
Return on average equity (%)	19.4	8.3	8.3
P/B (x)	0.8	0.8	0.8
P/CF (x)	14.4	13.3	13.5

Source: Company data, RHB

Balance Sheet (EURm)	Dec-19	Dec-20F	Dec-21F
Total current assets	28	31	34
Total assets	636	641	644
Total current liabilities	18	18	18
Total non-current liabilities	265	268	271
Total liabilities	282	286	289
Shareholder's equity	354	355	355
Minority interest	na	na	na
Other equity	na	na	na
Total liabilities & equity	636	641	644
Total debt	231	232	233
Net debt	204	201	200

Source: Company data, RHB

Cash Flow (EURm)	Dec-19	Dec-20F	Dec-21F
Cash flow from operations	29	32	31
Cash flow from investing activities	(32)	(1)	(1)
Cash flow from financing activities	9	(28)	(28)
Cash at beginning of period	18	25	28
Net change in cash	7	3	3
Ending balance cash	25	28	31

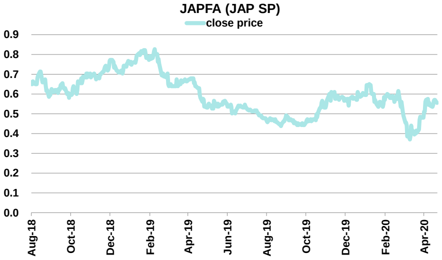
Source: Company data, RHB

Target: N/A

Price: SGD 0.57

Japfa

Beneficiary Of Higher Prices



Source: Bloomberg

Stock Profile

Bloomberg Ticker	JAP SP
Avg Turnover (SGD/USD)	1.4m/1.0m
Net Gearing (%)	133
Market Cap (SGDm)	1,178m
Beta (x)	1.1
BVPS (SGD)	0.47
52-wk Price low/high (SGD)	0.37 – 0.66
Free float (%)	19

Major Shareholders (%)

Santosa family	60.9
Tan Yong Nang	4.1

Share Performance (%)

	1m	3m	6m	12m
Absolute	35.8	0.9	4.5	(5.3)
Relative	30.8	19.7	25.1	19.3

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Investment Merits

- Structural improvements in APO and Dairy divisions
- Resilient demand for food staples
- Undervalued company trading at c.6x 2019 P/E

Company Profile

Japfa, an industrial agri-food company, produces and sells animal feed, poultry, swine and dairy products as well as packaged food products.

Highlights

Turnaround in Animal Protein Other (APO) division. Vietnam live hog prices turned around towards the end of 2019, after three quarters of depression as a result of the African Swine Fever (ASF) outbreak. This led to a strong recovery in the APO division's profitability in 4Q19. Prospects for FY20F-21F remain bright, as the sharp decline in pig inventories would keep average selling prices (ASPs) at fairly profitable levels in the next two years.

Dairy division to see structural improvements in raw milk prices. China raw milk prices have been steadily increasing since 2019 as four years (2014-2018) of depressed prices have led to a decline in milking cows in the country. On the other hand, the rise in disposable income has led to the increased consumption of dairy products, in particular, pasteurised milk and yogurt. Even though the COVID-19 outbreak could dampen consumer sentiment this year, impact on the demand of food staples like dairy products should be fairly limited. Once the pandemic blows over, we expect gains in raw milk prices to persist in FY20-22F on the back of rising demand and tightening supply.

Indonesia arm, Japfa Comfeed Indonesia (JPFA IJ, BUY, TP: IDR1,500), to see stable earnings from feed. While the COVID-19 pandemic has impacted consumer purchasing power and depressed poultry prices, we note that c.70-90% of the Indonesian subsidiary was contributed by the feed segment. The feed segment works on a cost-plus model and is able to pass on changes in raw material costs to its customers. The feed business typically yields an operating margin of 10-11%. We expect JPFA's earnings to stay resilient in spite of volatilities in the live bird prices.

Company Report Card

Latest results. In FY19, Japfa recorded core net profit of USD120m. We note that a huge proportion of the earnings was generated in 4Q19 when protein prices of all three divisions saw higher ASPs.

We expect the positive momentum to continue into FY20, given the structural supply shortage in the dairy and APO divisions.

Dividend. Japfa does not have an official dividend policy. Historically, it has paid out c.10% of earnings as dividends. We expect the dividend payout ratio to be maintained around that level.

Management. Japfa is headed by its executive director and CEO, Tan Yong Nang. He is in charge of leading the development and execution of the group's long-term strategy. He is also very much in touch with Japfa's on-the-ground operations, and is responsible for all day-to-day managerial decisions. Prior to joining Japfa, he was the project director and COO at Li & Fung Group.

Investment Case

We do not have a rating for this stock at the moment. Being an agri-commodity firm, Japfa's outlook is subject to cyclical fluctuations. However, we believe the group is currently at the start of its upcycle.

Key risks. Changes in commodities prices and FX fluctuations, unfavourable government policies, epidemic outbreaks.

Profit & Loss	Dec-17	Dec-18	Dec-19
Total turnover (USDm)	3,190	3,533	3,890
Reported net profit (USDm)	1	100	120
Recurring net profit (USDm)	16	122	120
Recurring net profit growth (%)	(88)	676	(2)
Recurring EPS (USD)	0.01	0.07	0.06
DPS (USD)	0.00	0.01	0.01
Dividend Yield (%)	0.9	3.6	1.8
Recurring P/E (x)	46.6	6.3	6.3
Return on average equity (%)	0.2	12.9	13.6
P/B (x)	1.1	1.0	0.9
P/CF (x)	9.9	4.4	2.6

Source: Company data, RHB

Balance Sheet (USDm)	Dec-17	Dec-18	Dec-19
Total current assets	1,236	1,340	1,384
Total assets	2,743	2,889	3,310
Total current liabilities	971	890	1,022
Total non-current liabilities	749	869	1,001
Total liabilities	1,720	1,759	2,024
Shareholder's equity	694	779	881
Minority interest	329	351	406
Other equity	na	na	na
Total liabilities & equity	2,743	2,889	3,310
Total debt	944	1,218	1,377
Net debt	709	1,049	1,168

Source: Company data, RHB

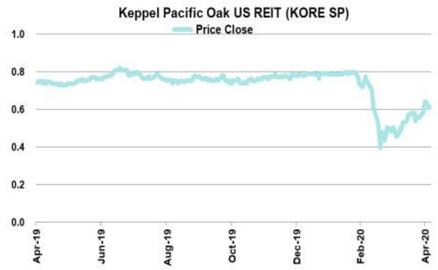
Cash Flow (USDm)	Dec-17	Dec-18	Dec-19
Cash flow from operations	77	178	289
Cash flow from investing activities	(241)	(239)	(327)
Cash flow from financing activities	66	(1)	77
Cash at beginning of period	331	230	164
Net change in cash	(98)	(63)	39
Ending balance cash	230	164	205

Source: Company data, RHB

Keppel Pacific Oak US REIT

Target: USD 0.76
Price: USD 0.64

US Commercial Assets At Bargain Prices



Source: Bloomberg

Stock Profile

Bloomberg Ticker	KORE SP
Avg Turnover (SGD/USD)	2.8m/2.1m
Net Gearing (%)	37
Market Cap (SGDm)	845m
Beta (x)	1.0
BVPS (SGD)	0.79
52-wk Price low/high (SGD)	0.40 – 0.82
Free float (%)	77

Major Shareholders (%)

Keppel Corp	6.4
KBS SOR Properties Ltd	6.1
Hillsboro Capital	6.9

Share Performance (%)

	1m	3m	6m	12m
Absolute	33.3	(18.5)	(14.7)	(14.1)
Relative	24.7	(1.3)	3.5	8.7

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Investment Merits

- Attractive 9% yield, trading at 0.8x P/BV
- Assets located mainly at US tech hubs: Seattle, Austin, and Denver
- Relatively long WALE of 4.2 years to buffer any short-term impacts

Company Profile

Keppel Pacific Oak US REIT's portfolio consists of a balanced mix of 13 freehold office buildings and business campuses across eight key growth markets. These markets are driven by innovation and technology in the US. With a combined asset value of USD1.26bn and an aggregate NLA of over 4.7m sq ft, KORE has an extensive and diversified tenant base. Some of these are from growth and defensive sectors, such as technology, and medical and healthcare.

Highlights

A diversified office portfolio to buffer any sharp impact from a COVID-19-led downturn. No single asset in KORE's portfolio accounts for more than 25% of its portfolio's value. Similarly, no single tenant accounts for more than 4% of rental income, with its Top 10 tenants accounting for only 19.4% of total rental income. In terms of tenant profiles, professional services (29.5%), technology (28.1%), and finance & insurance (21.5%) are the Top 3 tenant segments in its portfolio. The bulk of KORE's assets are located in the tech hubs of Seattle, Austin, and Denver. These cities serve as headquarters of several large tech firms and, hence, are expected to be relatively resilient, in our view.

Only c.7% of leases due for renewal in 2020, with the majority in the aforementioned three cities. Lease expiries are relatively well spread out over the next five years, with no single year having more than 17% of leases by rental income expiring until 2024. Additionally, the signed leases have inbuilt rent escalations of 2.6% pa, which still provide some buffer for sustaining DPUs.

Backed by two strong sponsors. Keppel Capital, the asset management arm of the Keppel Group, owns 50% and 7% stakes in the REIT manager and REIT. Keppel Capital manages assets under management of SGD33bn across real estate, infrastructure, and data centres across 30 cities. Pacific Oak Capital Advisors is the US asset manager for KORE. Aside from providing asset management services, it exclusively sources and manages core real estate for the REIT. Pacific Oak Capital Advisors is also the asset manager for Pacific Oak Strategic Opportunity REIT and Pacific Oak Strategic Opportunity REIT II, which invests primarily in value-add, opportunistic, and core plus real estate that are then asset managed into core status.

Company Report Card

Modest gearing, no refinancing concerns. KORE's net gearing stands at 36.9%, well below the S-REIT's threshold of 50%. 100% of its debt is unsecured, and only c.4.4% of debt expires in 2020. Hence, there are no immediate concerns over a potential spike in interest costs.

Strong positive rent reversions will flow through in FY20. For FY19 KORE's portfolio benefitted from the office momentum with a positive rent reversion of 14.3%. Portfolio occupancy also remains relatively high at 94%. Our current DPU growth forecasts do not factor in a potential recession or deep impacts from COVID-19 in the US, as the severity of the impact remains uncertain at this juncture.

Dividend. We expect the REIT to maintain a DPU of 5.5 cents (US) or higher – barring a prolonged recession in the US.

Management. CEO David Snyder has a wealth of experience in the US office market and was a consultant to KBS Capital Advisors where he managed the AFRT portfolio prior to his current role. From 2008 to 2015, Snyder was the Chief Financial Officer of KBS Capital Advisors and five of its non-traded REITs. CFO Andy Gwee has more than 18 years of experience in the accounting, finance, and auditing industry. Prior to joining the REIT manager, Gwee was the Head of Finance of Keppel DC REIT Management, i.e. the manager of Keppel DC REIT.

Investment Case

Offering an attractive 9% yield and trading at 0.8x P/BV, this indicates that the market has priced in a lot of possible downsides. We see current levels as attractive for long-term strategic investors that can wade out the near-term volatility.

Key downside risks are continued fund flows out of the REITs sector, a sharp and prolonged recession in US offices segment, and potential changes in REIT's tax-efficient structure.

Profit & Loss	Dec-19	Dec-20F	Dec-21F
Total turnover (USDm)	123	131	133
Reported net profit (USDm)	70	54	55
Recurring net profit (USDm)	51	55	56
Recurring net profit growth (%)	16	9	1
Recurring EPS (USD)	0.07	0.06	0.06
DPS (USD)	0.06	0.06	0.06
Dividend Yield (%)	9.4	9.2	9.3
Recurring P/E (x)	8.6	11.0	10.9
Return on average equity (%)	12.0	7.3	7.3
P/B (x)	0.8	0.8	0.8
P/CF (x)	15.6	7.5	8.3

Source: Company data, RHB

Balance Sheet (USDm)	Dec-19	Dec-20F	Dec-21F
Total current assets	44	49	62
Total assets	1,301	1,316	1,337
Total current liabilities	53	74	75
Total non-current liabilities	499	489	504
Total liabilities	552	563	579
Shareholder's equity	749	753	758
Minority interest	na	na	na
Other equity	na	na	na
Total liabilities & equity	1,301	1,316	1,337
Total debt	749	753	758
Net debt	440	458	461

Source: Company data, RHB

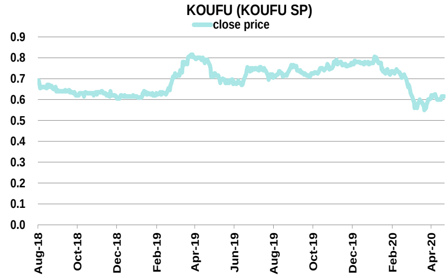
Cash Flow (USDm)	Dec-19	Dec-20F	Dec-21F
Cash flow from operations	90	55	55
Cash flow from investing activities	(180)	(10)	(8)
Cash flow from financing activities	104	(75)	(60)
Cash at beginning of period	41	38	43
Net change in cash	(2)	5	13
Ending balance cash	38	43	56

Source: Company data, RHB

Target: N/A
Price: SGD 0.62

Koufu

A Value Buy



Source: Bloomberg

Stock Profile

Bloomberg Ticker	KOUFU SP
Avg Turnover (SGD/USD)	0.3m/0.2m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	341m
Beta (x)	0.7
BVPS (SGD)	0.18
52-wk Price low/high (SGD)	0.55 – 0.82
Free float (%)	23

Major Shareholders (%)

Jun Yuan Holdings	77.2

Share Performance (%)

	1m	3m	6m	12m
Absolute	11.8	(16.9)	(18.5)	(22.2)
Relative	6.8	1.9	2.1	2.5

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Investment Merits

- Fairly resilient business model
- Stable growth through outlet expansion
- Trading at c.12x 2019 P/E and below IPO price

Company Profile

Koufu is one of the largest foodcourt and coffee shop operators cum managers in Singapore. The group operates a total of 66 foodcourts, coffee shops and hawker centers in Singapore and two foodcourts in Macau. Within these foodcourts and coffeeshops, it operates 76 food and beverage (F&B) retail stalls. Koufu has ventured into the restaurants and bubble tea businesses.

Highlights

Attractive valuation as COVID-19 hits market. Koufu's share price has declined 26% from its peak on a market sell-down due to the COVID-19 outbreak. While we expect some negative impact on FY20F earnings, largely from its Macau foodcourts and Rasapura foodcourt in Marina Bay Sands, Singapore, which are heavily dependent on tourists, we expect tourism to recover once the pandemic blows over. We see this as a good opportunity to accumulate the stock which could offer steady cash flow in the long term. We also note that 90% of its foodcourts and coffeeshops are located in the suburban and heartland areas which should see resilient F&B sales despite the outbreak.

Outlet expansion continues. The group continues to grow its presence in the foodcourt and coffee shop space through new outlet expansion. Management targets to open 4-5 new foodcourts or coffee shops per annum. YTD, the group has already opened two coffeeshops and secured two leases for foodcourts (one each in Singapore and Macau) scheduled to open by the end of the year, meeting its full-year target. The number of food stalls the group operates would also increase along with the opening of each coffeeshop/foodcourt. Its bubble tea brand R&B tea is also looking to expand outside of Singapore through JVs.

Integrated facility to drive income and productivity growth from 2021 onwards. Koufu's integrated central kitchen cum corporate headquarters facility (integrated facility) is expected to complete construction in 1H20. Of the total GFA, c.70% would be used for the group's and its JVs' operations. This should help to boost overall productivity for the group. On top of that, the group would be looking to rent out c.28% of the GFA to its stall tenants to build mini-central kitchens. This would help to generate a separate income stream which would likely more than offset the depreciation expenses that come with the building of the asset.

Company Report Card

Latest results. In FY19, Koufu recorded a PATMI of SGD27.7m (+13% YoY), supported by higher revenue (+6% YoY). The revenue growth was largely driven by the opening of five new foodcourts, one coffeeshop, seven F&B stalls, 20 bubble tea kiosks and two new Elemen restaurants.

In FY20, we expect to see some earnings decline driven by weaker performance from the foodcourts in Macau and Marina Bay Sands, albeit partially offset by income from new store openings.

Dividend. So far, Koufu has not committed to a dividend policy. However, in 2018 and 2019, management recommended to pay out at least 50% of earnings as dividends.

Management. Koufu is headed by Executive Chairman and CEO Pang Lim, who is also one of Koufu's founding shareholders. He is responsible for the overall management and operations of the group. Pang Lim owns 77% of Koufu shares.

Investment Case

We do not have a rating for this stock at the moment. The share price now trades at c.12x P/E (-1SD) from average of 13.3x P/E. We believe defensive names like Koufu would be favoured in this economic climate. On top of that, earnings are likely to be more resilient as most of its business exposure is in the heartlands of Singapore, and therefore less impacted by the COVID-19 outbreak.

Key risks. Decline in consumer sentiment, intensifying competition, food safety scandal.

Profit & Loss	Dec-17	Dec-18	Dec-19
Total turnover (SGDm)	na	224	238
Reported net profit (SGDm)	na	25	28
Recurring net profit (SGDm)	na	26	28
Recurring net profit growth (%)	na	(3)	7
Recurring EPS (SGD)	na	0.04	0.05
DPS (SGD)	na	0.01	0.03
Dividend Yield (%)	na	2.0	4.1
Recurring P/E (x)	na	13.1	12.3
Return on average equity (%)	na	28.4	27.1
P/B (x)	na	3.7	3.2
P/CF (x)	na	10.3	3.1

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-17	Dec-18	Dec-19
Total current assets	na	108	106
Total assets	na	160	349
Total current liabilities	na	54	113
Total non-current liabilities	na	14	133
Total liabilities	na	68	246
Shareholder's equity	na	91	102
Minority interest	na	0	1
Other equity	na	na	na
Total liabilities & equity	na	160	349
Total debt	na	5	5
Net debt	na	Net Cash	Net Cash

Source: Company data, RHB

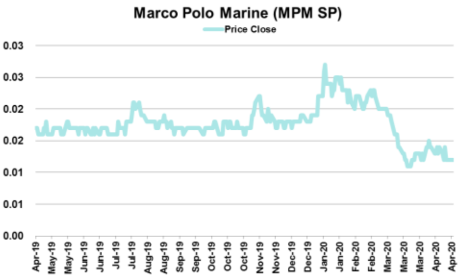
Cash Flow (SGDm)	Dec-17	Dec-18	Dec-19
Cash flow from operations	na	33	110
Cash flow from investing activities	na	(56)	6
Cash flow from financing activities	na	31	(87)
Cash at beginning of period	na	53	61
Net change in cash	na	8	29
Ending balance cash	na	61	90

Source: Company data, RHB

Target: N/A
Price:SGD 0.013

Marco Polo Marine

Oil & Gas Turnaround Play With Net Cash Balance Sheet



Source: Bloomberg

Stock Profile

Bloomberg Ticker	MPM SP
Avg Turnover (SGD/USD)	0.02m/0.01m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	45.8m
Beta (x)	1.6
BVPS (SGD)	0.03
52-wk Price low/high (SGD)	0.01 – 0.03
Free float (%)	44.0

Major Shareholders (%)

Apricot Capital Pl	17.2
Nautical Internation	10.2
Zhong Sheng Jian	8.6

Share Performance (%)

	1m	3m	6m	12m
Absolute	0.0	(38.1)	(23.5)	(23.5)
Relative	(5.8)	(21.3)	(4.8)	(0.7)

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Investment Merits

- Net cash balance sheet with no debt
- Trading below significantly impaired NAV, and white knights' and creditors' entry price
- Operating EBITDA was positive in FY19; the company is targeting to be PATMI-positive in FY20-21F

Company Profile

Established in 1991, Marco Polo Marine was listed on the then-SGX SESDAQ in 2007. The group is a reputable regional integrated marine logistics company that is principally engaged in shipping and shipyard activities.

The shipping business consists of the chartering of OSVs, which are mainly made up of anchor handling tug supply vessels (AHTS), as well as tugboats and barges. Its shipyard business is engaged in ship-building, and providing ship maintenance, repair, outfitting and conversion services.

Highlights

Oil & gas activities picking up after a hiatus (since the oil price crash). With oil prices stabilising since the crash in 2014, activities across the whole oil & gas chain have been steadily recovering, as seen across many of the company's listed peers. Marco Polo Marine's ship-chartering operations revenue grew 44% YoY in FY19, due to the improved utilisation rate of its fleet of OSVs. We understand that this trend is likely to continue, despite the growth of the size of its fleet to eight vessels presently, from five in FY19. There are also two vessels left to be reinstated/upgraded, which should further boost the profitability of its ship-chartering business. Its shipbuilding and repair operations revenue declined by 10% YoY in 2019, mainly due to the absence of ship-building jobs. However, with the uplift in oil & gas activities, the company stands a solid chance of winning shipbuilding tenders this year – it has already participated aggressively in some of these tenders.

Trading below greatly impaired NAV, and white knights and creditors' entry price. Marco Polo Marine's NAV per share was at 3.1 SG cents as at 30 Sep 2019, which was massively discounted after its debt restructuring exercise. This, in turn, was determined previously when oil & gas asset prices hit rock bottom levels during the trough of the crisis. The white knights entered at an effective price of 3.2-3.3 SG cents during its latest debt restructuring exercise. At current share price levels, this is still well below the levels of the white knights' costs, as well as the company's NAV.

Many of its listed local peers are also trading above their NAVs, after a rerating across the small-cap oil & gas counters occurred, following PACC Offshore Services Holdings' general offer.

Operating EBITDA was positive in FY19; targeting to be PATMI-positive in FY20-21F. The group's performance reversed from a loss of SGD3.9m in FY18 to a positive EBITDA of SGD2.4m in FY19. With a brighter outlook ahead, a return to profitability in FY20-21F is highly possible. This is a massive coup, since Marco Polo Marine almost went under in 2017. With credible white knight backers that included the founders of Super Group, Soilbuild Group, Goldbell, Oxley, Yanlord, as well as Vibrant Group and Penguin International, we believe Marco Polo Marine may be a company to watch in the revival of the oil & gas industry, particularly in the small-cap space.

Company Report Card

Latest results. In FY19, turnover grew 14% YoY to SGD30.2m on higher revenue booked by the company's ship-chartering unit (FY19: SGD16.6m, FY18: SGD11.5m). This was offset by the drop in revenue in the ship-building & repair segment (FY19:13.6m, FY18: SGD15.1m). During FY19, its OSV utilisation rate increased, but the number of ship-building projects declined. Its FY19 loss narrowed to SGD3.9m, vs an adjusted loss of SGD10.9m in FY18. Excluding FX losses and extraordinary gains, the group reversed from a negative EBITDA of SGD3.4m in FY18 to a positive SGD2.4m in FY19.

Dividends. As the company is still in the midst of turning around, dividends will likely not be a option for the near future.

Management. Sean Lee is the Group CEO and a key co-founder. He is responsible for the overall management, daily operations and formulation of the business direction, strategies and policies.

Investment Case

A potential turnaround story. This net cash company, which survived the oil price crash years ago, may be on the verge of a comeback to profitability. It returned to being EBITDA-positive in FY19, after a debt restructuring exercise in Feb 2018 – which led to a clean balance sheet. A continued pick-up in its ship-chartering and ship repair/building businesses should stand it in good stead to be in the black, in either FY20 or FY21. The stock is trading well below its NAV of 3.1 SG cents, and could rerate strongly if profitability starts kicking in.

Key risks. Economic slowdown, slower-than-expected recovery from the offshore & maintenance sector, a lack of contract wins, and the volatility in oil prices.

Profit & Loss	Sep-17	Sep-18	Sep-19
Total turnover (SGDm)	39	27	30
Reported net profit (SGDm)	(313)	169	(4)
Recurring net profit (SGDm)	(20)	(11)	(4)
Recurring net profit growth (%)	(16)	44	65
Recurring EPS (SGD)	(0.06)	(0.00)	(0.00)
DPS (SGD)	na	na	na
Dividend Yield (%)	na	na	na
Recurring P/E (x)	na	na	na
Return on average equity (%)	427.0	458.0	(2.3)
P/B (x)	na	0.3	0.4
P/CF (x)	5.3	na	na

Source: Company data, RHB

Balance Sheet (SGDm)	Sep-17	Sep-18	Sep-19
Total current assets	31	26	31
Total assets	130	125	124
Total current liabilities	282	10	12
Total non-current liabilities	1	2	3
Total liabilities	283	12	15
Shareholder's equity	(153)	113	109
Minority interest	na	na	na
Other equity	na	na	na
Total liabilities & equity	130	125	124
Total debt	246	na	na
Net debt	241	Net Cash	Net Cash

Source: Company data, RHB

Cash Flow (SGDm)	Sep-17	Sep-18	Sep-19
Cash flow from operations	1	(4)	(5)
Cash flow from investing activities	(0)	3	1
Cash flow from financing activities	(7)	17	0
Cash at beginning of period	8	2	18
Net change in cash	(7)	16	(4)
Ending balance cash	2	18	14

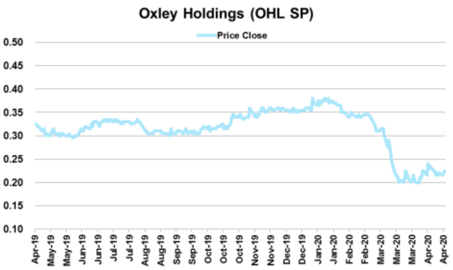
Source: Company data, RHB

Target: SGD 0.31

Price: SGD 0.23

Oxley Holdings

Homegrown Developer With Superb Track Record



Source: Bloomberg

Stock Profile

Bloomberg Ticker	OHL SP
Avg Turnover (SGD/USD)	0.4m/0.3m
Net Gearing (%)	214.4
Market Cap (SGDm)	968.4m
Beta (x)	1.27
BVPS (SGD)	0.34
52-wk Price low/high (SGD)	0.2 – 0.39
Free float (%)	17.9

Major Shareholders (%)

Ching Chiat Kwong	42.6
Low See Ching	28.3
Tee Wee Sien	11.2

Share Performance (%)

	1m	3m	6m	12m
Absolute	12.2	(34.3)	(32.4)	(29.2)
Relative	6.4	(17.5)	(13.6)	(6.4)

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Investment Merits

- Huge discount to NAV
- Portfolio selling at a good pace
- Special dividend for FY20F

Company Profile

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

Highlights

Portfolio selling at a good pace. Its UK and overseas projects are mostly sold, except for projects in China and Malaysia. Its Singapore residential portfolio is also selling at a healthy pace, with 71% of units – worth about SGD3bn sold. Management aims to finish selling the majority of the remaining units by Dec 2020. Its Gaobeidian project is facing some hiccups, mainly due to the COVID-19 outbreak which slowed down overall property sales in China. Going forward, management is bullish on opportunities in Vietnam, the UK and Myanmar, and will likely invest in projects in these countries.

Near-term catalysts to rerate the stock further. Management hopes to clear the sale of Chevron House by the end of June. The earnings recognition should likely provide a boost for its numbers in 2H20F. In addition, the interest cost savings from the repayment of its retail bonds will likely also result in lower financing costs, which will also strengthen profitability. Unit costs are also expected to gradually decline.

Record FY20 expected, coupled with a potential special dividend. 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 that time. It hopes to lower gearing to 1.5x and below by the end of FY20. The stock is trading at a deep discount to our RNAV of SGD0.69. This, together with a 6.5% FY20F dividend yield, strong insider buying, as well as a record FY20F, compels us to maintain BUY for Oxley. The stock is one of our top small-mid cap picks for Singapore.

Company Report Card

Latest results. In 1H20, the group booked revenue of SGD594m. This marked an increase of 13% YoY, mainly due to the development projects in Singapore and Dublin, as well as the three months' contribution from the subsidiary. At the end of Jan 2020, the group had sold more than 2,720 units, representing 69% of its Singapore development portfolio. Gross profit margin dropped by 3% to 16% due to lower margins from Singapore development projects, the residential project in Dublin, and the new subsidiary in Australia.

Despite having higher revenue, net profit plunged by 62% YoY to SGD12.9m in 1H20 on higher administrative expenses, lower other gains, and higher finance costs. The total unbilled contract value for the group as at end-January amounted to SGD3.3bn, with SGD2.3bn attributable to the Singapore projects. The remainder was accounted for by its projects abroad.

Dividend. An interim DPS of SGD0.0032 was declared in 1H20, consistent with the level in 1H19.

Management. Group executive chairman and CEO Ching Chiat Kwong is responsible for setting corporate strategies, direction, as well as overseeing overall performance.

Ching has over 20 years of experience in the property industry. He graduated from National University of Singapore with a Bachelor of Arts degree and a Bachelor of Social Sciences (Honours) degree.

Investment Case

BUY, SGD0.31 TP, 48% upside. Oxley reported a weaker 2Q20 mainly due to the lumpy recognition of its projects, as well as higher consultancy fees incurred for the overseas projects and inclusion of three months' worth of expenses from the new Australia subsidiary, on top of higher finance costs. We still expect FY20 to be a decent year for Oxley, with several catalysts like the closure of the sale of Chevron House, as well as a potential special dividend.

Key risks. Rising interest rates, economic slowdown, and regulatory changes affecting the property sector.

Profit & Loss	Jun-19	Jun-20F	Jun-21F
Total turnover (SGDm)	686	1,726	2,161
Reported net profit (SGDm)	144	118	186
Recurring net profit (SGDm)	144	118	186
Recurring net profit growth (%)	(49)	(18)	57
Recurring EPS (SGD)	0.04	0.03	0.04
DPS (SGD)	0.01	0.02	0.02
Dividend Yield (%)	4.3	6.5	6.5
Recurring P/E (x)	6.4	8.2	5.2
Return on average equity (%)	9.5	7.5	11.0
P/B (x)	0.6	0.6	0.6
P/CF (x)	(3.0)	1.2	1.9

Source: Company data, RHB

Balance Sheet (SGDm)	Jun-19	Jun-20F	Jun-21F
Total current assets	3,818	3,294	3,218
Total assets	6,194	5,737	5,743
Total current liabilities	2,375	2,497	2,680
Total non-current liabilities	2,308	1,675	1,375
Total liabilities	4,683	4,171	4,055
Shareholder's equity	1,507	1,561	1,683
Minority interest	5	5	5
Other equity	na	na	na
Total liabilities & equity	6,194	5,737	5,743
Total debt	3,580	2,947	2,647
Net debt	3,106	2,593	2,328

Source: Company data, RHB

Cash Flow (SGDm)	Jun-19	Jun-20F	Jun-21F
Cash flow from operations	(318)	778	520
Cash flow from investing activities	111	(50)	(50)
Cash flow from financing activities	428	(697)	(364)
Cash at beginning of period	255	474	355
Net change in cash	221	(120)	(35)
Ending balance cash	474	355	319

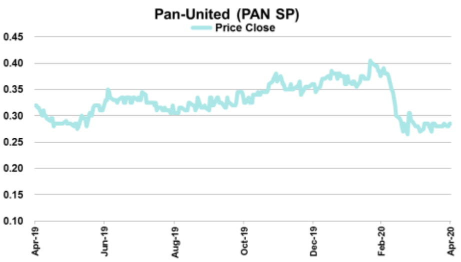
Source: Company data, RHB

Target: N/A

Price: SGD 0.29

Pan-United

Riding On The Construction Upcycle



Source: Bloomberg

Stock Profile

Bloomberg Ticker	PAN SP
Avg Turnover (SGD/USD)	0.01m/0.01m
Net Gearing (%)	37.7
Market Cap (SGDm)	199.9m
Beta (x)	1.0
BVPS (SGD)	0.29
52-wk Price low/high (SGD)	0.26 – 0.42
Free float (%)	93.2

Major Shareholders (%)

Ng Bee Soon	5.0
Ng Han Whatt	1.0
Dimensional Fund Advisors	0.7

Share Performance (%)

	1m	3m	6m	12m
Absolute	1.8	(21.9)	(12.3)	(10.9)
Relative	(4.0)	(5.1)	6.4	11.9

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Investment Merits

- Expected to perform well during the construction upcycle
- Largest concrete & cement supplier in Singapore and Ho Chi Minh City
- FY19 PATMI up >2x and generating strong positive cash flow

Company Profile

Pan-United (PanU) is an Asian technology company focused on concrete innovation, and a global leader in concrete technologies. PanU is listed on the Singapore stock exchange. It has operations across four countries – Singapore, Vietnam, Malaysia and Indonesia, and a workforce of over 1,200 people

The group has two main business segments – concrete and cement (C&C), as well as trading and shipping. The C&C division is involved in supplying mainly cement, granite, ready-mix concrete (RMC) and refined petroleum products to the construction and marine sectors in Singapore, Malaysia, Vietnam and Indonesia. The trading and shipping segment handles coal trading, bulk shipping and agency operations.

Highlights

Construction sector supported by public sector projects amid a slower start to FY20. The Ministry of Trade and Industry has further downgraded Singapore's GDP forecast for 2020 to -4.0% to -1.0%, from -0.5% to 1.5%, as a result of the sharp deterioration in the global economic environment due to the impact of the COVID-19 pandemic on the economy. The construction sector shrank by 4.3% YoY in 1Q20, weighed down by a decline in private sector projects, while being further impacted by supply chain disruptions and travel restrictions implemented by other countries. That said, we believe construction demand will remain resilient due to a strong pipeline of public sector jobs and a possible rebound in private sector projects, supported by *en bloc* site sales, etc – once the pandemic eases. According to Building and Construction Authority's (BCA) outlook, total construction demand is projected to increase to SGD28-33bn in 2020, and hold steady over the medium term. In 2019, construction demand expanded by 9.5% YoY to SGD33.4bn, which was higher than BCA's forecast of SGD27-32bn. PanU, as Singapore's largest provider of ready-mix concrete with an approximately 40% market share, should still chart a relatively sustainable performance.

RMC price and demand grew, which boosted FY19 PATMI by 238% YoY to SGD20.5m. C&C revenue grew 13% YoY to SGD617.3m, mainly due to the higher demand for and prices of RMC in Singapore. As a result, this segment recorded a PATMI of SGD26m, from just SGD8.5m in FY18. The RMC price has trended north and held steady since bottoming at SGD80.70 per cubic metre (cbm) in May 2017.

According to the latest BCA data, the RMC price is expected to hold steady at SGD96.0 per cbm in Jan 2020, while prices in Nov-Dec 2019 were at SGD95.90 and SGD96.20 per cbm.

The demand for RMC is forecasted to rise from 11.5m cbm in 2018 to 14-15m cbm in 2020, led by major projects such as the North-South Corridor, Changi Airport Terminal 5, and the Greater Southern Waterfront development.

Largest concrete and cement supplier in Singapore. PanU is trading at 9.7x P/E, which is at a 25% discount to its peer average of 13x. Given the company's excellent track record and strong brand name, coupled with its extensive portfolio of over 300 innovative concrete solutions, its current share price presents an undemanding valuation with a potential upside.

Company Report Card

Latest results. PanU's FY19 revenue dropped 11% YoY to SGD768.3m on lower sales volume and selling prices from the trading business. This was offset by the improved performance of its RMC segment in Singapore. However, PATMI surged by 238% YoY to SGD20.5m due to a strong performance from the C&C segment. As such, the group also generated strong cash flow from operating activities, which amounted to SGD42.6m (FY18: SGD2m).

Dividends. Consequently, the board declared a higher DPS of SGD0.016 in FY19, compared with SGD0.008 in FY18.

Management. PanU is helmed by an experienced team with many years of experience in the C&C industry. CEO May Ng Bee Bee was appointed to the position in 2011. She was the company's executive director from Jan 2004 to Feb 2011. Independent director Ch'ng Jit Koon was appointed as the group's chairman in Apr 1997. Prior to this, he was a member of Singapore's parliament from 1968 to 1996, and the Senior Minister of State for the Ministry of Community Development until his retirement in Jan 1997.

Investment Case

Playing on the construction upcycle. PanU is a beneficiary of the construction upcycle as well as a higher RMC price. We believe that the business is more resilient in the current climate, compared to companies from the other sectors. We believe projects should rebound once the pandemic eases. The construction sector should also see a support from the steady stream of public sector projects such as MRT lines and integrated waste management facilities.

Key risks. Economic slowdown, a prolonged COVID-19 pandemic, rising raw material costs, supply chain disruption, delay or cancellations of orders, decrease in RMC prices, and margin compression.

Profit & Loss	Dec-17	Dec-18	Dec-19
Total turnover (SGDm)	629	864	768
Reported net profit (SGDm)	24	8	21
Recurring net profit (SGDm)	6	6	21
Recurring net profit growth (%)	(13)	5	238
Recurring EPS (SGD)	0.83	0.87	0.03
DPS (SGD)	0.01	0.01	0.02
Dividend Yield (%)	4.6	2.8	5.6
Recurring P/E (x)	0.3	32.9	9.7
Return on average equity (%)	8.1	2.9	10.6
P/B (x)	0.6	1.0	1.0
P/CF (x)	523.8	10,027.7	468.7

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-17	Dec-18	Dec-19
Total current assets	244	232	242
Total assets	781	422	442
Total current liabilities	321	147	156
Total non-current liabilities	92	76	75
Total liabilities	413	224	232
Shareholder's equity	329	192	202
Minority interest	39	7	8
Other equity	na	na	na
Total liabilities & equity	781	422	442
Total debt	123	126	107
Net debt	60	79	57

Source: Company data, RHB

Cash Flow (SGDm)	Dec-17	Dec-18	Dec-19
Cash flow from operations	56	8	49
Cash flow from investing activities	(25)	(13)	(5)
Cash flow from financing activities	(4)	(5)	(36)
Cash at beginning of period	73	63	48
Net change in cash	9	(16)	2
Ending balance cash	63	48	50

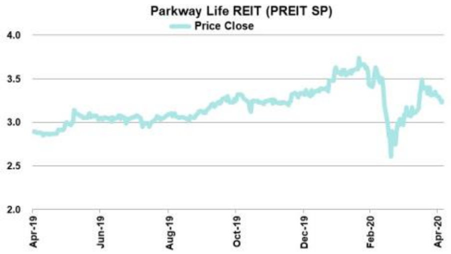
Source: Company data, RHB

Target: N/A

Price: SGD 3.30

Parkway Life REIT

A Resilient Healthcare Name For Turbulent Times



Source: Bloomberg

Stock Profile

Bloomberg Ticker	PREIT SP
Avg Turnover (SGD/USD)	3.3m/2.4m
Net Gearing (%)	37
Market Cap (SGDm)	1,997m
Beta (x)	0.8
BVPS (SGD)	1.95
52-wk Price low/high (SGD)	2.56 – 3.80
Free float (%)	64

Major Shareholders (%)

Parkway Holdings Ltd	35.6
Cohen & Steers Inc	6
Bank Of New York Mel	4.7

Share Performance (%)

	1m	3m	6m	12m
Absolute	4.9	(10.0)	(2.1)	12.5
Relative	(3.2)	9.4	18.4	36.4

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Investment Merits

- Leading healthcare REIT in Asia with steady DPU growth track record
- Defensive long-term lease structures with downside protection
- Stable income profile supported by periodic rental reversions

Company Profile

Parkway Life REIT (PLife REIT) has 53 healthcare assets as at end-2019 with an asset size of SGD1.96bn, making it one of the largest healthcare REITs in Asia. It has a diversified portfolio, with 59.6% of the revenue generated from Singapore properties and 39.6% from Japan properties. Tapping onto the high demand for healthcare facilities in these markets, PLife REIT has a proven track record in its growth strategy by doubling its asset size since its IPO (in 2007).

Highlights

A stable income profile from master leases. Out of 53 properties, three hospitals are located in Singapore (Gleneagles Hospital, Mount Elizabeth Hospital, and Parkway East Hospital), one medical centre located in Kuala Lumpur, one pharmaceutical in Japan and the remaining 48 are nursing homes in Japan. PLife REIT has a good mix of different types of healthcare assets (Hospital & medical centers – 59%; Nursing Homes – 40%; and Pharmaceutical facility – 1%. Overall 95% of assets have downside revenue protection and 61% of its total revenue is pegged to the CPI-linked rental growth formula (if CPI is negative, it will be zero).

Building strategic long-term partnerships. With the weighted average lease expiry (WALE) profile of 6.5 years and WALE of 12.61 years for Japan properties allow Parkway Life REIT to build strategic partnerships, which caters to operators and end-users. Its Singapore assets are under master leases structures (15+15 year triple net lease) with Parkway Hospitals Singapore Pte Ltd, a wholly owned subsidiary of Parkway Pantai Ltd (Parkway), the largest private healthcare operator in Singapore. In Japan, PLife REIT operates through long-term partnerships with quality local operators, enabling it to deepen its presence and knowledge of the markets, hence providing economies of scale and greater knowledge of the market.

A counter cyclical play in current turbulent times. Healthcare demand especially is expected to remain strong due to the current COVID-19 outbreak and in addition, PLife REIT's master leases buffer any earnings impact. To mitigate forex impact, it uses a combination of natural hedging (at least 50% net income) and the remaining is depending on the interest rate differential and nature of the currency involved.

Company Report Card

FY19 DPU up 2.5%. The increase was led by contribution from three Japan properties that the group acquired in Dec 2019; rental growth of existing properties; as well as cost savings arising from refinancing initiatives completed in 2018 and 2019.

Healthy balance sheet. Gearing remained optimal at 37.1%, well within the regulatory gearing limit of 45%. As at 31 Dec 2019, there was no long-term debt refinancing need till Sep 2020. About 83% of the group's interest rate exposure is hedged and its interest coverage ratio stood at 14.0x. It has also JPY net income hedges in place till 1Q24, as a shield against JPY volatility, as well as an all-in cost of debt of approximately 0.80%.

Management. Mr. Yong Yean Chau is the CEO and Executive director of Parkway Life REIT. He joined the REIT as CFO in Feb 2008 and was promoted to CEO in Dec 2018. Mr. Loo Hock Leong is the CFO who has 23 year of extensive banking and corporate experience. Mr. Tan Seak Sze is the CIO and has more than 25 years on experience in the area of real estate investment, corporate finance, operation, business development and marketing.

Investment Case

Offering stable 4% dividend yield underpinned by resilient healthcare assets and master leases. During current uncertain times, we believe investor interest would gyrate towards such stable countercyclical REITs as seen during past crisis.

Key downside risks are fund redemptions as well as a sharp and prolonged global recession.

Profit & Loss	Dec-17	Dec-18	Dec-19
Total turnover (SGDm)	103	105	108
Reported net profit (SGDm)	101	152	123
Recurring net profit (SGDm)	79	78	80
Recurring net profit growth (%)	5	(0)	2
Recurring EPS (SGD)	0.17	0.25	0.20
DPS (SGD)	0.13	0.13	0.13
Dividend Yield (%)	4.0	3.9	4.0
Recurring P/E (x)	19.7	13.1	16.2
Return on average equity (%)	10.3	14.1	11.2
P/B (x)	1.9	1.8	1.7
P/CF (x)	28.6	25.3	25.1

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-17	Dec-18	Dec-19
Total current assets	37	33	34
Total assets	1,771	1,894	2,003
Total current liabilities	36	22	103
Total non-current liabilities	669	736	718
Total liabilities	706	758	821
Shareholder's equity	1,065	1,136	1,182
Minority interest	na	na	na
Other equity	na	na	na
Total liabilities & equity	1,771	1,894	2,003
Total debt	1,065	1,136	1,182
Net debt	617	661	718

Source: Company data, RHB

Cash Flow (SGDm)	Dec-17	Dec-18	Dec-19
Cash flow from operations	81	88	89
Cash flow from investing activities	(71)	(28)	(61)
Cash flow from financing activities	(53)	(65)	(28)
Cash at beginning of period	69	25	22
Net change in cash	(43)	(4)	0
Ending balance cash	25	22	22

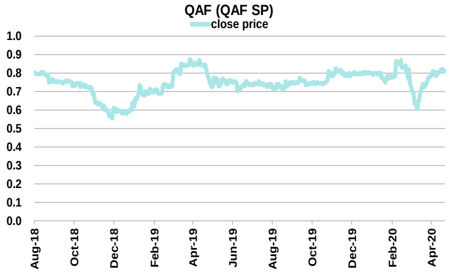
Source: Company data, RHB

QAF

Gain From Potential Divestment

Target: N/A

Price: SGD 0.82



Source: Bloomberg

Stock Profile

Bloomberg Ticker	QAF SP
Avg Turnover (SGD/USD)	0.2m/0.1m
Net Gearing (%)	10
Market Cap (SGDm)	472m
Beta (x)	1.0
BVPS (SGD)	0.18
52-wk Price low/high (SGD)	0.60 – 0.89
Free float (%)	31

Major Shareholders (%)

Andree Halim	60.3
Didi Dawis	8.2
Andree Halim	60.3

Share Performance (%)

	1m	3m	6m	12m
Absolute	11.7	5.2	8.0	(4.1)
Relative	6.7	23.9	28.6	20.5

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Investment Merits

- Potential divestment of Primary Production segment as key catalyst to share price
- Higher pork prices to benefit Primary Production segment
- Bakery production to ramp up from new plant

Company Profile

The principal activities of QAF consist of the manufacture and distribution of bread, bakery and confectionery products; operations of supermarkets; cold storage warehousing; trading and distribution in food, beverages, food related ingredients and commodities; production, processing and marketing of pork and feedmill production; as well as investment holding.

Highlights

Potential divestment of Primary Production unit. Following 20 years of ownership, the group has decided to pursue the divestment of its Primary Production business. The Primary Production business operates in the animal protein segment in Australia. It has 25 pig farms, three feed mills and two pork processing plants in Corowa and Melbourne. The business recorded an EBITDA of SGD26.6m in 2019, a significant turnaround from 2018. We believe that the sale of this asset would give rise to a one-off gain and potential special dividend for investors.

Earnings turnaround from Primary Production unit. Earnings from the Primary Production segment turned around in 4Q19 on the back of higher ASP. In Dec 2019, pork prices were up 37% YoY. We believe profitability can improve further as higher pork prices, together with energy cost savings, could help offset the higher cost of feed. The group is also exploring strategic purchases of grains with additional storage facilities to better manage raw material costs moving forward.

Bakery plant investments borne fruit. Sales from the bakery segment should continue its positive momentum as the increased production capacity from the completion of new lines and facilities allow for the successful launch of new products and increase market penetration. While the outbreak of COVID-19 would impact consumer sentiment, bread, being a staple food, should see resilient demand.

Company Report Card

Latest results. In FY19, QAF recorded a core PATMI of SGD20.3m, +>100% YoY. The increase is due to the better performance of the Primary Production segment.

Dividend. So far, QAF has been paying DPS of 5 SG cents in the last three years. We believe there is potential for a special dividend should the group divest its Primary Production business.

Management. QAF is jointly headed by Joint Group managing directors – Lin Kejian and Goh Kian Hwee.

Investment Case

We do not have a rating for this stock at the moment. Currently trading at c.23x FY19 P/E due to weak earnings in the Primary Production segment in 9M19. With the turnaround in 4Q19, we believe earnings would improve for 2020, therefore providing a rerating catalyst for the stock.

Key risks. Prolonged COVID-19 outbreak to impact food demand from restaurants, hotels and airline industries as well as animal protein prices.

Profit & Loss	Dec-17	Dec-18	Dec-19
Total turnover (SGDm)	826	815	864
Reported net profit (SGDm)	32	8	28
Recurring net profit (SGDm)	32	8	20
Recurring net profit growth (%)	(74)	(75)	151
Recurring EPS (SGD)	0.06	0.01	0.04
DPS (SGD)	0.05	0.05	0.05
Dividend Yield (%)	6.1	6.1	6.1
Recurring P/E (x)	14.8	58.3	23.3
Return on average equity (%)	6.1	1.6	4.0
P/B (x)	0.9	0.9	0.9
P/CF (x)	7.6	22.4	8.0

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-17	Dec-18	Dec-19
Total current assets	385	320	348
Total assets	821	784	850
Total current liabilities	199	203	232
Total non-current liabilities	91	76	118
Total liabilities	291	279	350
Shareholder's equity	531	511	506
Minority interest	(6)	(6)	(7)
Other equity	na	na	na
Total liabilities & equity	821	784	850
Total debt	113	108	123
Net debt	Net Cash	48	50

Source: Company data, RHB

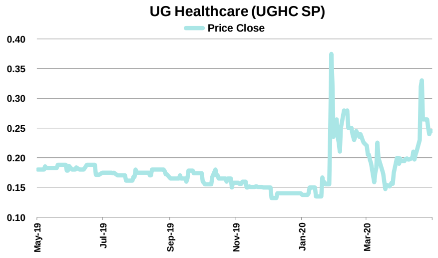
Cash Flow (SGDm)	Dec-17	Dec-18	Dec-19
Cash flow from operations	62	21	59
Cash flow from investing activities	(37)	(69)	(22)
Cash flow from financing activities	7	(24)	(25)
Cash at beginning of period	105	136	60
Net change in cash	31	(76)	13
Ending balance cash	136	60	73

Source: Company data, RHB

Target: SGD 0.33
Price:SGD 0.245

UG Healthcare Corp

Soaring On Glove Demand Jump



Source: Bloomberg

Stock Profile

Bloomberg Ticker	UGHC SP
Avg Turnover (SGD/USD)	0.7m/0.5m
Net Gearing (%)	79.8
Market Cap (SGDm)	48m
Beta (x)	-0.05
BVPS (SGD)	0.22
52-wk Price low/high (SGD)	0.13 – 0.47
Free float (%)	32

Major Shareholders (%)

Zen Ug Pte Ltd	49.7
Raydion Direct	12.8
Zen Ug Pte Ltd	49.7

Share Performance (%)

	1m	3m	6m	12m
Absolute	28.9	4.3	55.1	36.1
Relative	21.4	21.0	73.8	58.9

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Investment Merits

UGHC is on track to achieve optimal utilisation with existing 2.9bn gloves p.a. production capacity in this FY20. The additional 300m gloves p.a capacity is planned to come on stream in FY21.

UGHC received a surge in orders for latex and nitrile gloves following the recent COVID-19 outbreak. This should support revenue growth. To meet demand, UGHC will reduce downtime by delaying the modification of certain production lines.

Company Profile

UGHC manufactures gloves according to demand from its own distribution companies located in Europe, the US, China, Africa and South America, where it markets and sells its own proprietary *Unigloves* brand of gloves. End users of UGHC's proprietary *Unigloves* brand include healthcare providers such as hospitals, dental clinics, and nursing homes, as well as the manufacturing, life sciences, food & beverage, and beauty sectors.

Highlights

Management said the recent COVID-19 outbreak has led to UG receiving a surge in orders for latex and nitrile gloves. Whilst this slightly delayed the modification of certain production lines, UG remains on track to achieve optimal utilisation with existing production capacity of 2.9bn gloves pa in this FY. In addition, some 300m gloves pa new capacity is expected to come onstream in FY21F.

UG's 2HFY20 earnings expected to surge. We are forecasting 2HFY20 net profit of SGD4.1m, 5x that of 1HFY20. We believe the current strong glove demand will lead to higher ASP for 2HFY20F and also into 1HFY21F. Together with higher volume output, UG's earnings are expected to surge going forward. Both gross profit and net margins are expected to be elevated due to higher ASP and better operating efficiency from higher utilisation levels.

Company Report Card

Latest results. 1HFY20 revenue rose 28% YoY, driven by higher volume of gloves produced and sold. This was made possible from improved production efficiency, and UG Healthcare's expanded global distribution network. Geographically, 1HFY20 revenue rose mainly due to South America – its customer base in Brazil is dental and hospital.

GPM fell YoY. UG had commenced its programme on major modification and upgrading of some production lines since Jun 2019, with completion scheduled in Jun 2020. This is aimed at raising overall production efficiency. The increase in maintenance costs from the modification of production lines resulted in 1HFY20 GPM falling 2.5ppts to 18.4%.

Dividend. We forecast FY20 dividend yield of c.1%.

Management. Mr Lee Keck Keong is the CEO. He successfully led the company to become an established player in the gloves manufacturing industry since he co-founded the company in the late 1980s.

Investment Case

Capacity expansion and improved efficiency to drive future output. Management is working to increase total capacity to 3.2bn gloves by FY21 and to raise production efficiency and achieve economies of scale.

Established and extensive distribution infrastructure to drive earnings growth. UGHC operates its own supply chain management and the increase in output will translate into higher sales revenue through its extensive distribution network in developed and emerging markets.

SGD0.33 TP gives 35% upside. Our TP is pegged to 9.2x FY21F EPS, which is at a discount to the peer average of mid twenties, factoring in UGHC's relatively smaller production output vs peers, most of which are listed on Bursa Malaysia.

Key risks include higher gas and raw material prices, which could narrow margins.

Profit & Loss	Jun-19	Jun-20F	Jun-21F
Total turnover (SGDm)	92	120	130
Reported net profit (SGDm)	3	5	7
Recurring net profit (SGDm)	3	5	7
Recurring net profit growth (%)	(42)	99	39
Recurring EPS (SGD)	0.01	0.03	0.04
DPS (SGD)	0.00	0.00	0.00
Dividend Yield (%)	1.1	1.3	1.8
Recurring P/E (x)	18.9	9.5	6.9
Return on average equity (%)	5.9	11.2	13.9
P/B (x)	1.1	1.0	0.9
P/CF (x)	na	na	na

Source: Company data, RHB

Balance Sheet (SGDm)	Jun-19	Jun-20F	Jun-21F
Total current assets	62	77	92
Total assets	98	115	134
Total current liabilities	46	58	69
Total non-current liabilities	9	10	12
Total liabilities	55	68	82
Shareholder's equity	42	47	53
Minority interest	1	(0)	(0)
Other equity	na	na	na
Total liabilities & equity	98	115	134
Total debt	39	49	60
Net debt	34	38	44

Source: Company data, RHB

Cash Flow (SGDm)	Jun-19	Jun-20F	Jun-21F
Cash flow from operations	(6)	(3)	(2)
Cash flow from investing activities	(8)	(0)	(3)
Cash flow from financing activities	12	10	10
Cash at beginning of period	7	5	11
Net change in cash	(2)	6	5
Ending balance cash	5	11	16

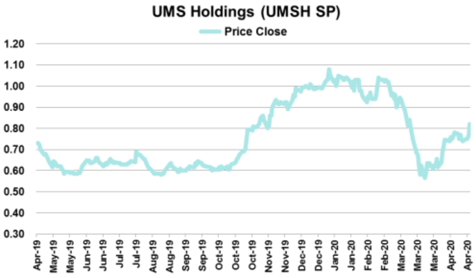
Source: Company data, RHB

Target: N/A

Price: SGD 0.82

UMS Holdings

Proxy To Semiconductor Industry Recovery



Source: Bloomberg

Stock Profile

Bloomberg Ticker	UMSH SP
Avg Turnover (SGD/USD)	4.3m/3m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	437.4m
Beta (x)	1.47
BVPS (SGD)	0.45
52-wk Price low/high (SGD)	0.55 – 1.1
Free float (%)	79.1

Major Shareholders (%)

Andy Luong	20.8
Dimensional Fund Advisors	1.6
Eq Fund Management Company	0.6

Share Performance (%)

	1m	3m	6m	12m
Absolute	31.2	(13.2)	1.9	12.3
Relative	25.4	3.6	20.6	35.2

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Investment Merits

- Riding on the recovery of the semiconductor industry
- Attractive yield of 4.9%
- Strong double-digit PATMI growth ahead

Company Profile

UMS is a one-stop strategic integration partner providing equipment manufacturing and engineering services to original equipment manufacturers of semiconductors and related products. The group also caters to the electronic, machine tools, aerospace, and oil & gas industries. It is headquartered in Singapore, and has a presence in Malaysia, as well as California in the US.

Highlights

Proxy to the recovery of the semiconductor industry. Management expects the semiconductor industry to continue recovering in 2020. UMS should continue to benefit from sustained capital equipment spending and the global memory rebound. There are also signs that inventories are stabilising, and dynamic random-access memory (DRAM) pricing is likely to rise. SEMI expects equipment sales to increase by 5.5% to USD60.8bn in 2020, on advance logic and foundry spending and new projects in China. Chip sales have bottomed out, and are forecasted to improve, but the industry is unlikely to see a V-shaped recovery as moderated growth is more plausible.

UMS is also working closely with its customers on mitigation measures to ensure minimal disruptions stemming from the COVID-19 outbreak to operations, which affected its supply chain in China.

Attractive yield of 4.9%. With a strong balance sheet, management rewarded shareholders with a special dividend that took total FY19 DPS to SGD0.04, reflecting an attractive yield of 4.9%. With profitability expected to increase along with a brighter outlook, we are positive on it maintaining the dividend ratio, with a possibility of an increase going forward.

Key customer's outlook remains positive. As UMS has renewed its integrated system business contract with its key customer for another three years, its customers' future performance will be instrumental to earnings growth. Its key customer sees no change in its FY20F guidance despite a delay in revenue, which will be deferred to 2H20F. Its key customer also remains bullish on its recovery thesis, from the anticipated robust foundry spending and memory investment recovery.

Company Report Card

Latest results. UMS' net profit fell by 22% YoY to SGD33.2m in FY19 despite revenue remaining fairly stable at SGD131.9m (+3% YoY). Semiconductor integrated system revenue climbed 26% YoY to SGD58.8m in FY19 while the component sales declined by 19% YoY to SGD61.9m. Others segmental revenue increased from SGD4.9m in FY18 to SGD11.2m in FY19, largely due to contributions from its material distributions subsidiary, Starke Singapore.

The dip in net profit was due to a lower gross margin (FY19:52.9%, FY18: 60.2%), in addition to the increased expenses such as higher depreciation costs, provisions for inventories, goodwill impairment as well as FX losses.

Dividend. Together with the SGD0.02 final DPS and SGD0.005 special DPS, total dividends for FY19 amounted to SGD0.04 per share, down from SGD0.045 in FY18.

Management. Andy Luong was appointed as CEO of the group in Jan 2005. Mr Luong has more than 20 years of experience in manufacturing front-end semiconductor components. He is also the president and founder of UMS.

Investment Case

A good proxy to the semiconductor industry recovery. We believe that UMS will be a good proxy to the semiconductor industry's recovery, accompanied by an attractive yield of 4.9%. This counter is also trading at a P/E of 13.1x for FY19, which will be much lower if it delivers double-digit growth in FY20.

Key risks. Customer concentration risk.

Profit & Loss	Dec-17	Dec-18	Dec-19
Total turnover (SGDm)	162	128	132
Reported net profit (SGDm)	52	43	33
Recurring net profit (SGDm)	52	43	33
Recurring net profit growth (%)	129	(18)	(22)
Recurring EPS (SGD)	0.10	0.08	0.06
DPS (SGD)	0.03	0.05	0.04
Dividend Yield (%)	3.7	5.5	4.9
Recurring P/E (x)	8.5	10.2	13.1
Return on average equity (%)	16.8	12.6	9.2
P/B (x)	2.0	1.9	1.8
P/CF (x)	10.5	10.4	7.9

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-17	Dec-18	Dec-19
Total current assets	133	105	108
Total assets	259	275	287
Total current liabilities	40	38	33
Total non-current liabilities	5	6	10
Total liabilities	45	45	42
Shareholder's equity	215	229	243
Minority interest	(1)	2	2
Other equity	na	na	na
Total liabilities & equity	259	275	287
Total debt	22	25	14
Net debt	Net Cash	6	Net Cash

Source: Company data, RHB

Cash Flow (SGDm)	Dec-17	Dec-18	Dec-19
Cash flow from operations	42	42	56
Cash flow from investing activities	(12)	(49)	(7)
Cash flow from financing activities	(8)	(30)	(31)
Cash at beginning of period	43	60	19
Net change in cash	20	(41)	16
Ending balance cash	60	19	34

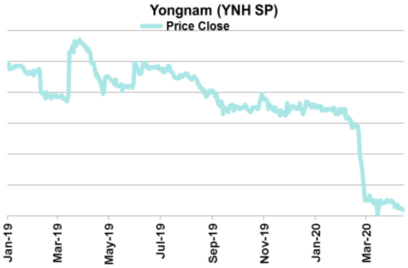
Source: Company data, RHB

Yongnam Holdings

Target: N/A

Price: SGD 0.85

To Gain From The Construction Upcycle



Source: Bloomberg

Stock Profile

Bloomberg Ticker	YNH SP
Avg Turnover (SGD/USD)	0.1m/0.03m
Net Gearing (%)	89.1
Market Cap (SGDm)	43.9m
Beta (x)	1.11
BVPS (SGD)	0.38
52-wk Price low/high (SGD)	0.08 – 0.18
Free float (%)	68.8

Major Shareholders (%)

Seow Soon Yong	16.5
Jaleel Mohd Abdul	11.1

Share Performance (%)

	1m	3m	6m	12m
Absolute	(43.3)	(43.0)	(43.7)	(52.5)
Relative	(24.8)	(26.2)	(25.0)	(29.7)

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Investment Merits

- To benefit from the upcycle in Singapore's construction industry, which should continue to improve once COVID-19 moderates
- 5-year high orderbook of SGD405m offers two years of revenue visibility
- Total value of projects across the region it is in active pursuit of stands at c.SGD1.3bn
- Recent completion of operational restructuring and strutting assets disposal amid low utilisation should assist in improving gross margins
- Return to profitability could re-rate the stock. Trading at 0.2x P/BV

Company Profile

Yongnam is a leading engineering & construction services provider with more than 40 years of experience in steel fabrication. Its key businesses: Structural steelworks (engineering coordination, detailing, full service fabrication, and erection of steel structures), specialist civil engineering, and design & build services. The group's two production facilities in Singapore and Nusajaya (Malaysia) have a total annual steel fabrication production capacity of 84,000 tonnes.

Highlights

Singapore's construction industry is to grow over the next few years. According to Singapore's Building & Construction Authority (BCA), total construction demand grew 9.5% in 2019 to c.SGD33.4bn – exceeding the upper range of the BCA's SGD27-32bn forecast. For 2020, total construction demand is expected to remain strong and reach SGD28-33bn. While there have been some current construction project delays – amidst labour and material shortages caused by COVID-19 – the industry is expected to witness strong growth over the next few years. This is underpinned by public housing developments and large government infrastructure projects.

Strong orderbook and pursuing more contracts. As at end 2019, Yongnam's orderbook stood at SGD405m vis-à-vis end-2018's SGD366m. This 5-year high orderbook offers two years' revenue visibility. Although COVID-19 has created near-term uncertainty in Singapore, over the next few years, the country is expected to see the development of multiple large infrastructure projects. Yongnam is actively pursuing a number of upcoming major contracts for the North-South Corridor, Changi Airport Terminal 5 development works, Jurong Regional Mass Rapid Transit Line, and Cross Island Line. It is also looking at commercial projects, including the Marina Bay Sands expansion. The total value of the infrastructure and commercial projects across Singapore, Hong Kong, and Australia that Yongnam is in active pursuit of stands at c.SGD1.3bn.

Restructured business. Despite reporting revenue improvements, the group's gross margins have been depressed. This is largely due to the low level of strutting and fabrication activities in Singapore and Hong Kong – this translated into significant overhead costs, which were not fully allocated to projects. In 2019, after a review – with the aim of disposing low utilisation assets – Yongnam booked operational restructuring costs and loss on disposal of strutting assets totalling SGD17m. We believe this business restructuring will prepare the group for improved gross margins on higher revenue in subsequent years.

Company Report Card

Latest results. Yongnam reported a 27% YoY increase in 2019 revenue to SGD205m on higher contributions from its specialist civil engineering and design & build business segments. The group reported a smaller gross loss of SGD14m vs a SGD46m gross loss in 2018 due to higher revenue and better-margin projects. Although reported losses increased to SGD53m from SGD51m in 2018 – excluding the operational restructuring costs, loss on disposal of strutting assets, and impairment charges on a trade receivable – recurring losses reduced significantly to SGD33m.

Dividend. Yongnam's last announced dividend payouts in 2014. Since then, the business has been struggling to report profits despite witnessing rises in revenue. For 2019, no dividend was announced, as Yongnam's board deemed it appropriate to conserve funds for the group's business activities and working capital requirements.

Management. Seow Soon Yong is Yongnam's CEO and also its largest shareholder. He joined the group in 1978 and was appointed CEO in 1994. Yongnam also has a strong line-up of senior technical personnel in its key management team. The minimum number of years of experience in their respective fields is 20 years.

Investment Case

Hopes of a return to profitability amidst construction upcycle. Over the next few years, Singapore is expected to focus on major infrastructure projects, which could mean strong order wins for Yongnam. Moreover, it recently completed an operational restructuring and disposal of strutting assets amidst low utilisation – this should assist in improving gross margins. Yongnam's stock could materially re-rate once the group returns to profitability, given that the current share price implies 0.2x 2019 P/BV.

Key risks include continuing delays in ongoing projects or an awarding of contracts for new projects amidst the COVID-19 pandemic. Yongnam has convertible bonds on its books, which – if converted – could lead to a 13% dilution for existing shareholders. However, given that the conversion price of SGD0.179 is 97% higher from the current price level, we see limited dilution risks.

Profit & Loss	Dec-17	Dec-18	Dec-19
Total turnover (SGDm)	307	161	205
Reported net profit (SGDm)	(17)	(51)	(53)
Recurring net profit (SGDm)	(17)	(51)	(33)
Recurring net profit growth (%)	na	na	na
Recurring EPS (SGD)	(0.03)	(0.10)	(0.06)
DPS (SGD)	na	na	na
Dividend Yield (%)	na	na	na
Recurring P/E (x)	na	na	na
Return on average equity (%)	(5.6)	(18.3)	(14.7)
P/B (x)	0.1	0.2	0.2
P/CF (x)	3.2	(1.6)	6.6

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-17	Dec-18	Dec-19
Total current assets	175	163	149
Total assets	502	478	463
Total current liabilities	172	141	140
Total non-current liabilities	31	92	132
Total liabilities	203	232	272
Shareholder's equity	304	254	201
Minority interest	(5)	(8)	(9)
Other equity	na	na	na
Total liabilities & equity	502	478	463
Total debt	91	135	111
Net debt	81	120	102

Source: Company data, RHB

Cash Flow (SGDm)	Dec-17	Dec-18	Dec-19
Cash flow from operations	27	(22)	29
Cash flow from investing activities	(26)	(15)	(14)
Cash flow from financing activities	(6)	41	(20)
Cash at beginning of period	16	10	14
Net change in cash	(6)	4	(5)
Ending balance cash	10	14	9

Source: Company data, RHB

RHB Guide to Investment Ratings

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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