

Singapore

October 15, 2020 - 9:55 AM

Overweight (no change)

Highlighted Companies

CapitaLand

ADD, TP S\$3.42, S\$2.81 close

As Asia's largest diversified real estate group, CapitaLand's strong capital recycling and deployment into new investments would continue to drive its ROE, in our view. The stock is trading at a 55% discount to RNAV.

City Developments

ADD, TP S\$10.10, S\$7.87 close

In our view, CIT's land restocking activities would extend its residential earnings visibility. New investments in Europe and strategic investments in China would enable the group to deploy balance sheet capacity. The stock is trading at a 57% discount to RNAV.

UOL Group

ADD, TP S\$7.29, S\$6.79 close

UOL has a high recurring income base, supported by rentals, hotel operations and investment holdings. It has good office exposure through United Industrial Corp (UIC SP, NR). UOL is now trading at a 44% discount to RNAV.

Summary Valuation Metrics

P/E (x)	Dec-20F	Dec-21F	Dec-22F
CapitaLand	21.14	11.59	10.63
City Developments	32.43	17.62	14.52
UOL Group	57.69	19.80	20.44

P/BV (x)	Dec-20F	Dec-21F	Dec-22F
CapitaLand	0.59	0.58	0.57
City Developments	0.62	0.54	0.49
UOL Group	0.57	0.56	0.56

Dividend Yield	Dec-20F	Dec-21F	Dec-22F
CapitaLand	4.27%	4.32%	4.70%
City Developments	1.52%	1.78%	2.54%
UOL Group	2.58%	2.58%	2.58%

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Property Devt & Invt

Home sales remain healthy in Sep

- Sep ex-ECs primary home sales rose 4.6% yoy to 1,329 units.
- 9M20 volume sales formed 85-95% of our 2020F volume sales projection.
- Reiterate sector Overweight on valuations. Preferred picks: CAPL, CIT, UOL.

Healthy private home sales in Sep

- According to the Urban Redevelopment Authority, primary home sales for Sep 2020 came in at 1,385 units, or 1,329 units excluding Executive Condominiums (ECs). Sep sales volume was up 4.6% yoy and 5.6% higher than sales volume in Aug 2020. About two thirds of the monthly sales volume came from the Rest of Central Region (RCR) projects, boosted by new launches such as Penrose (389 units sold). Ongoing developments such as Treasure at Tampines also continued to see good take-up. Suburban projects made up another 29% of sales while projects in the Core Central Region (CCR) accounted for the balance 6% of monthly sales.

9M20 home sales at 85-95% of our 2020F projections

- For 9M20, primary sales dipped 4.2% yoy to 7,687 units. 9M20 sales made up 85-95% of our 2020F transaction volume projections of 8,000-9,000 units. Meanwhile, according to Singapore Real Estate Exchange (SRX), the non-landed resale market also continued to improve with 1,286 units changing hands in Sep 2020 (+0.4% mom, +62.8% yoy), led by strong transaction volumes in the Outside Central Region.

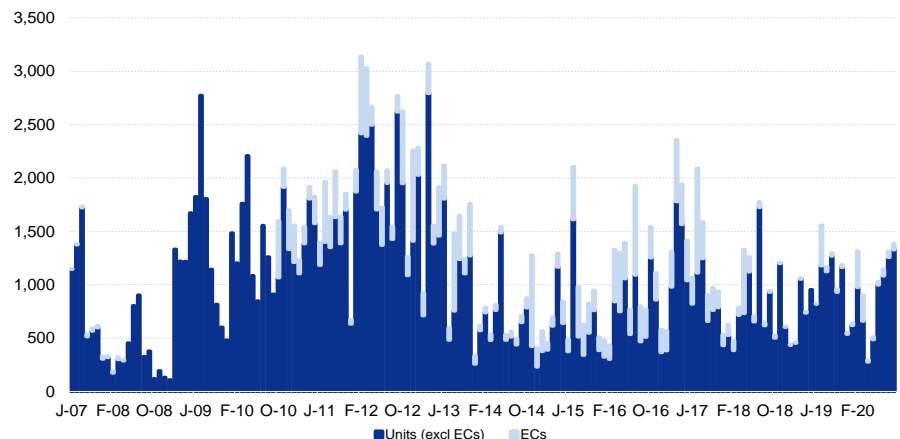
Flash estimate for 3Q20 private home prices ticked up qoq

- In terms of prices, according to Urban Redevelopment Authority's flash estimate for 3Q20 residential price index is 0.8% higher qoq, buoyed by uplift in non-landed prices in the RCR and OCR. This nudged private home prices to 0.1% above end-2019 levels. Meanwhile, the 3Q20 HDB Resale price index showed a 1.4% qoq pick up and is 1.7% above end-2019 level. Overall, with residential market holding up well, private home prices could likely trend closer to the higher end of our 0% to -5% projection for 2020F, despite the weak macro outlook. We still expect prices to stay range-bound in 2020F as we believe that the slower macro outlook and ample supply imply that developers would have to price their projects competitively in order to move inventory.

Reiterate sector Overweight

- Developers' valuations are inexpensive, trading at 55% discount to RNAV, close to the -2 s.d. discount to long-term mean. Our strategy for developers would be to prefer those with high recurring cashflow base and strong balance sheets that would enable them to tap into any opportunities during this slower cycle. Our preferred picks are CAPL, CIT and UOL. Sector re-rating catalysts: good sell-through rates for new launches. Downside risks: prolonged drag from the Covid-19 outbreak, and weaker-than-expected macro outlook which could dampen demand for big-ticket items such as housing.

Figure 1: Monthly primary private home sales volume



SOURCES: CGS-CIMB RESEARCH, URA, COMPANY REPORTS

Figure 2: Singapore developers peer comparison table

Company	Bloomberg Ticker	Recom.	Price (lc)	Tgt Px (lc)	Mkt Cap (US\$ m)	Core P/E (x)			RNAV FY21F	Prem./(Disc.) to RNAV (%)	P/BV (x)		Div. Yield (%)	
						FY20F	FY21F	FY22F			FY20F	FY21F	FY20F	FY21F
APAC Realty Ltd	APAC SP	Add	0.37	0.54	96	9.7	9.7	8.5	n.a.	n.a.	0.88	0.85	5.5%	5.5%
CapitaLand	CAPL SP	Add	2.81	3.42	10,760	13.3	11.6	10.6	6.22	-55%	0.59	0.58	4.3%	4.3%
City Developments	CIT SP	Add	7.87	10.10	5,263	32.4	17.6	14.5	18.37	-57%	0.62	0.54	1.5%	1.8%
Frasers Property Limited	FPL SP	Add	1.17	1.70	2,525	8.5	8.1	10.6	3.09	-62%	0.38	0.35	5.1%	5.1%
Guocoland	GUOL SP	Add	1.53	1.84	1,335	15.4	12.4	na	3.67	-58%	0.41	0.41	4.6%	4.6%
Ho Bee Land	HOBEE SP	Add	2.28	2.70	1,116	11.1	10.4	10.1	5.40	-58%	0.41	0.40	4.4%	4.4%
Hongkong Land Holdings Ltd	HKL SP	Add	3.78	5.10	8,822	10.0	8.8	8.7	13.50	-72%	0.28	0.26	5.8%	5.8%
Propnex Ltd	PROP SP	Add	0.64	0.71	175	10.6	10.6	10.1	n.a.	n.a.	3.00	2.72	6.2%	6.2%
UOL Group	UOL SP	Add	6.79	7.29	4,224	32.3	19.8	20.4	12.15	-44%	0.57	0.56	2.6%	2.6%
Wing Tai Holdings	WINGT SP	Add	1.78	1.98	1,010	19.7	17.4	15.9	3.96	-55%	0.39	0.38	1.7%	1.7%
Singapore average						13.8	11.6	11.2		-52%	0.43	0.41	4.1%	4.1%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Share price as at 15 Oct 2020

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Corporate Governance Report:

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be

changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2020		
795 companies under coverage for quarter ended on 30 September 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	63.0%	0.5%
Hold	25.2%	0.1%
Reduce	11.8%	0.3%

Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BGP** – Excellent, Certified, **BPCG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHAYO** - Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – not available, n/a, **CRIC** – not available, n/a, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TNR** – Very Good, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

[1 CG Score 2019 from Thai Institute of Directors Association \(IOD\)](#)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

Recommendation Framework

Stock Ratings

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.