

Singapore

January 8, 2020 - 3:57 PM

Overweight (no change)

Highlighted Companies
Boustead Projects Limited
ADD, TP S\$1.24, S\$0.92 close

We believe Boustead Project's two ongoing public sector projects could support its earnings growth through FY21F. We also think BP could be ready for a REIT listing as early as 2020F.

BRC Asia Ltd
ADD, TP S\$1.90, S\$1.56 close

We like BRC for its market leadership in Singapore's reinforced steel industry, earnings visibility riding on the recovery in home market demand, and improving balance sheet strength.

Yongnam Holdings
ADD, TP S\$0.28, S\$0.15 close

Yongnam's orderbook has recovered strongly in 2019. With the rollout of North South Corridor and Changi East projects, we forecast Yongnam to return to profitability in 2H20F.

Summary Valuation Metrics

	Dec-19F	Dec-20F	Dec-21F
P/E (x)			
Boustead Projects Limited	8.97	8.37	7.97
BRC Asia Ltd	10.94	9.27	8.56
Yongnam Holdings	NA	4.11	3.95
P/BV (x)			
Boustead Projects Limited	0.94	0.86	0.79
BRC Asia Ltd	1.35	1.24	1.13
Yongnam Holdings	0.32	0.30	0.28
Dividend Yield			
Boustead Projects Limited	1.76%	1.63%	1.63%
BRC Asia Ltd	4.80%	3.93%	4.25%
Yongnam Holdings	0.00%	0.00%	0.00%

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Constrn & Material - Overall

Sector recovery reaffirms BRC buy

- BCA announced that 2019's total construction demand expanded 9.5% yoy to reach S\$33.4bn, above the upper bound of its S\$27bn-32bn forecast.
- Construction demand to remain strong in 2020F, supported by infrastructure projects. BCA also sees higher demand for construction materials in 2020F.
- Maintain sector Overweight. Our top pick is BRC Asia.

Singapore's construction demand hit 5-year high in 2019

- The Building and Construction Authority (BCA) today announced that Singapore's total construction demand (value of construction contracts awarded) expanded 9.5% yoy in 2019 to reach S\$33.4bn, above the upper bound of its S\$27bn-32bn forecast.

Total construction demand to remain strong in 2020F

- Singapore's construction demand is expected to remain strong in 2020F, with BCA forecasting a range of S\$28bn-33bn. The forecast for 2020 excludes any construction contracts by the two integrated resorts (IRs), Marina Bay Sands and Resorts World Sentosa, pending confirmation on the timeline and phasing of expansion projects.
- BCA expects public sector construction demand to be spurred by major infrastructure projects (35% of total construction demand), including works for Changi Airport Terminal 5, Jurong Region MRT Line, and Cross Island MRT Line. We are also positive on the public residential segment. According to a blog post by National Development Minister Lawrence Wong, around 16k-17k build-to-order (BTO) flats will be launched in 2020; this is more than the BTO supply of 14.6k flats in 2019.
- On the other hand, private sector construction demand may moderate, in view of the likely continued global economic uncertainties and current overhang in the supply of private residential housing units, according to BCA.

Expect further pick-up of construction output

- BCA projects total construction output (progress payment) in 2020 to rise to S\$30bn-32bn, representing a 7-14% yoy increase from S\$28bn in 2019 (2019: +5% yoy), supported by the improved construction demand since 2018. This should improve cash flow and help lower credit risk of construction industry, in our view.

Higher demand for construction materials in 2020F

- We see near-term catalysts for building material companies (including steel rebars and concrete suppliers) as BCA expects accelerated demand growth in 2020F. BCA projects steel rebar demand to grow to 1.5m-1.7m tonnes in 2020F (2019: 1.4m tonnes) while ready-mixed concrete demand rise to 14m-15m m3 (2019: 12.5m m3).

Maintain sector Overweight

- We remain positive on the construction sector, as we expect earnings improvement riding on the recovery in home market demand. BRC Asia is our top pick.

Figure 1: Preliminary statistics for 2019 / updated forecasts for 2020 by BCA

	Previous forecast	Preliminary stats / Updated forecast
2019 Construction demand (value of contracts awarded, S\$bn)		
Public	16.5 - 19.5	19.0
Private	10.5 - 12.5	14.4
Total	27.0 - 32.0	33.4
2020F Construction demand (value of contracts awarded, S\$bn)		
Public	16.0 - 20.0	17.5 - 20.5
Private	11.0 - 14.0	10.5 - 12.5
Total	27.0 - 34.0	28.0 - 33.0
Construction output (value of certified progress payments, S\$bn)		
2019	28.0 - 30.0	28.0
2020	na	30.0 - 32.0

SOURCES: CGS-CIMB RESEARCH, THE BUILDING AND CONSTRUCTION AUTHORITY

Figure 2: Projected construction demand for 2020

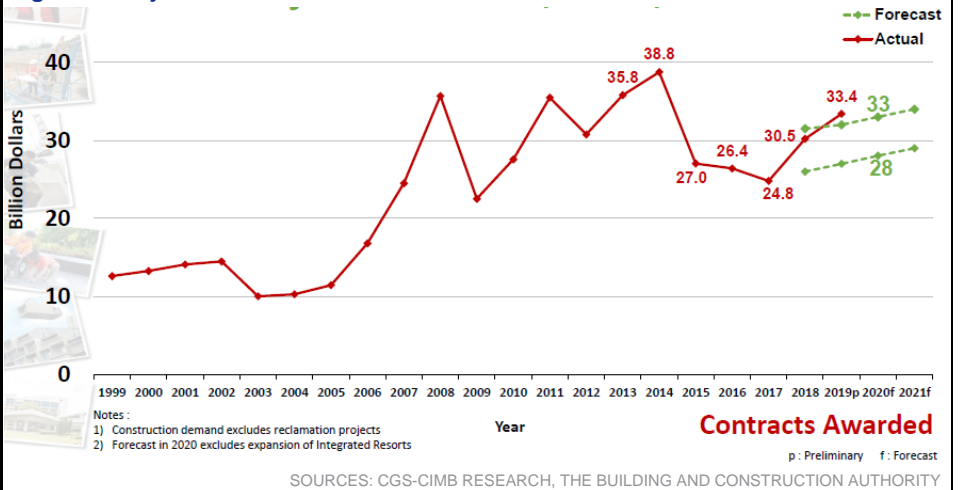


Figure 3: Projected construction demand for 2020 (breakdown by public vs. private sector)

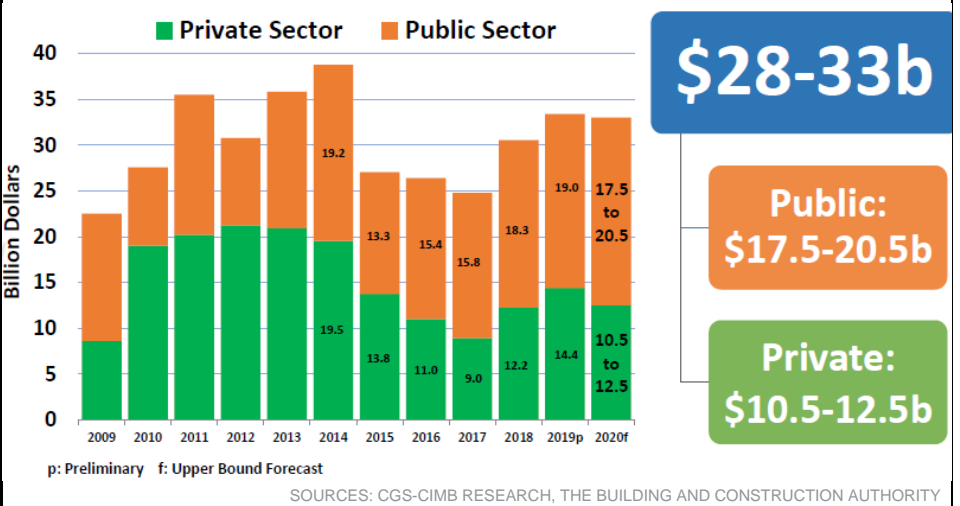


Figure 4: Projected construction demand for 2020 for civil engineering segment

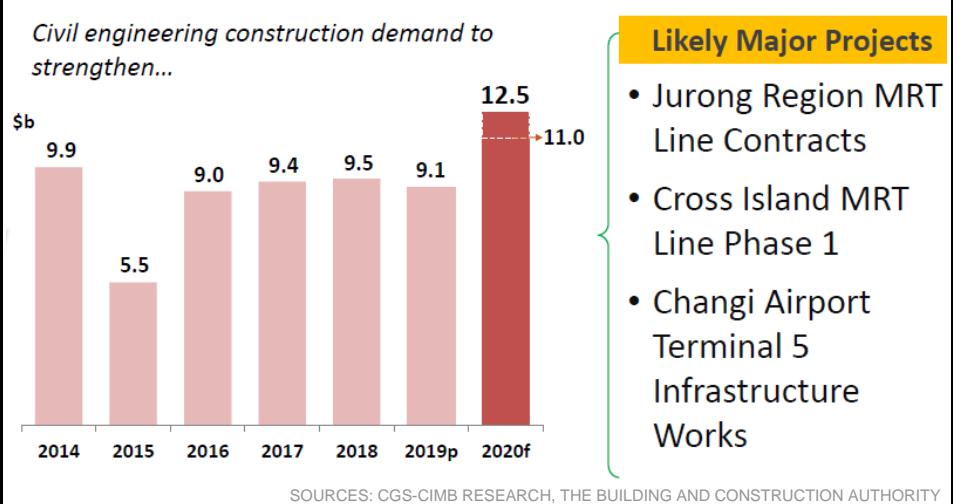


Figure 5: Projected construction output (progress payment) for 2020

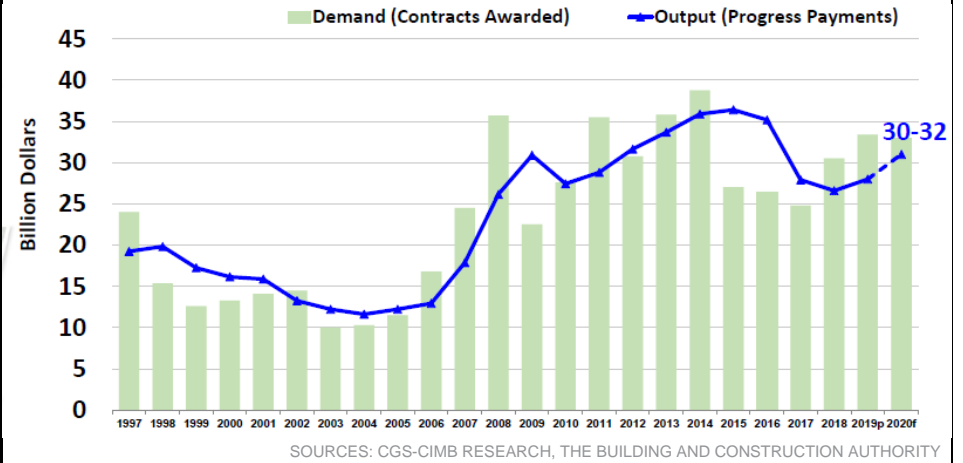


Figure 6: Projected construction material demand for 2020

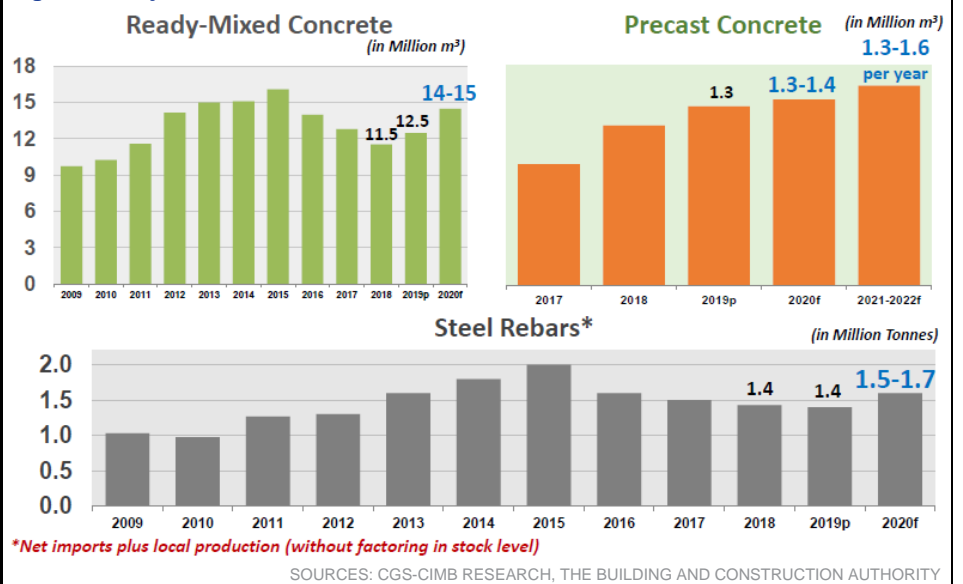


Figure 7: Sector comparisons

Company	Bloomberg		Price (1cl curr)	Target Price (1cl curr)	Market Cap (US\$ m)	P/E (x)			3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		Dividend Yield (%)	
	Ticker	Recom.				CY19F	CY20F	CY21F		CY18	CY19F	CY18	CY19F	CY18	CY19F
BRC Asia Ltd	BRC SP	ADD	1.56	2.05	270.4	10.4	8.2	8.0	37.7%	1.3	1.4	7.9%	13.7%	1.4%	5.1%
Boustead Projects Limited	BOCJ SP	ADD	0.92	1.24	212	9.0	8.4	na	5.1%	1.2	0.86	9.5%	11.2%	1.8%	1.6%
Yongnam Holdings Ltd	YNH SP	ADD	0.15	0.28	57.7	na	4.1	na	na	0.3	0.30	-18.9%	-5.1%	0.0%	0.0%
Lian Beng Group Ltd	LBG SP	Not rated	0.52	na	191	7.9	na	na	na	0.4	na	8.2%	na	4.4%	na
OKP Holdings Ltd	OKP SP	Not rated	0.20	na	45.7	na	na	na	na	0.5	na	5.3%	na	7.0%	na
Tiong Seng Holdings Ltd	TSNG SP	Not rated	0.21	na	67.5	na	na	na	na	0.3	na	3.3%	na	2.4%	na
Wee Hur Holdings Ltd	WHUR SP	Not rated	0.22	na	143	na	na	na	na	0.5	na	7.0%	na	3.3%	na
Pan-United Corp Ltd	PAN SP	Not rated	0.37	na	189	na	na	na	na	1.3	na	2.7%	na	8.9%	na
KSH Holdings Ltd	KSHH SP	Not rated	0.46	na	187	34.0	na	na	na	0.8	na	4.1%	na	3.4%	na
Simple average (excludes BRC)						15.3	6.9	8.0	21.4%	0.74	0.84	3.2%	6.6%	3.6%	2.3%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

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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 31 December 2019		
798 companies under coverage for quarter ended on 31 December 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.4%	0.0%
Hold	25.2%	0.0%
Reduce	13.4%	0.0%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **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, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared,

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, **HREIT** - Excellent, Certified **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, 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** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

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.