

Singapore

September 15, 2020 - 2:27 PM

Overweight (no change)

Highlighted Companies

CapitaLand
ADD, TP **S\$3.42**, **S\$2.73** 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 56% discount to RNAV.

City Developments
ADD, TP **S\$10.10**, **S\$7.98** 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\$6.65** 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 45% discount to RNAV.

Summary Valuation Metrics

P/E (x)	Dec-20F	Dec-21F	Dec-22F
CapitaLand	20.54	11.26	10.33
City Developments	32.88	17.86	14.72
UOL Group	56.50	19.40	20.02
P/BV (x)	Dec-20F	Dec-21F	Dec-22F
CapitaLand	0.58	0.56	0.55
City Developments	0.63	0.55	0.49
UOL Group	0.56	0.55	0.55
Dividend Yield	Dec-20F	Dec-21F	Dec-22F
CapitaLand	4.40%	4.44%	4.84%
City Developments	1.50%	1.75%	2.51%
UOL Group	2.63%	2.63%	2.63%

Analyst(s)

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Property Devt & Invt

Strong Aug home sales

- Aug ex-ECs primary home sales rose 11.8% yoy to 1,256 units.
- 8M20 volume sales formed 70-79% of our 2020F volume sales projection.
- Reiterate sector Overweight on valuations. Preferred picks: CAPL, CIT, UOL.

Aug home sales higher mom and yoy

- According to the Urban Redevelopment Authority, primary home sales for Aug 2020 came in at 1,307 units, or 1,256 units excluding Executive Condominiums (ECs). Aug sales volume was up 11.8% yoy and 16.3% higher than sales volume in Jul 2020. Half of the monthly sales volume came from the Rest of Central Region (RCR) projects, boosted by the newly-launched Forrett at Bukit Timah which made up one third of RCR sales and c.17% of sales for the month. Suburban projects made up another 40% of sales, led by projects such as Treasure at Tampines, Parc Clematis and The Garden Residences.

8M20 transactions formed 70-79% of our 2020F forecast

- For 8M20, primary sales totalled 6,353 units, -6% yoy. 8M20 sales made up 70-79% 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 1,052 units changing hands in Aug 2020 (+7% mom, +36% yoy) and is the highest monthly volume achieved since Aug 2018.

Private home prices to remain range bound

- In terms of prices, according to Urban Redevelopment Authority's residential price index, private home prices in 1H20 were 0.6% lower than at end-2019. Overall, we expect overall private home prices to moderate by 0% to -5% for 2020F, despite the improved volumes, given the weak macro outlook. A slew of 42 new projects are planned by developers to be marketed in 2020F and we believe that the slower macro outlook and ample supply would mean that developers would likely have to price their projects competitively in order to keep moving inventory.

Reiterate sector Overweight

- Developers' valuations are inexpensive, trading at 56% 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: Singapore monthly primary home sales volume

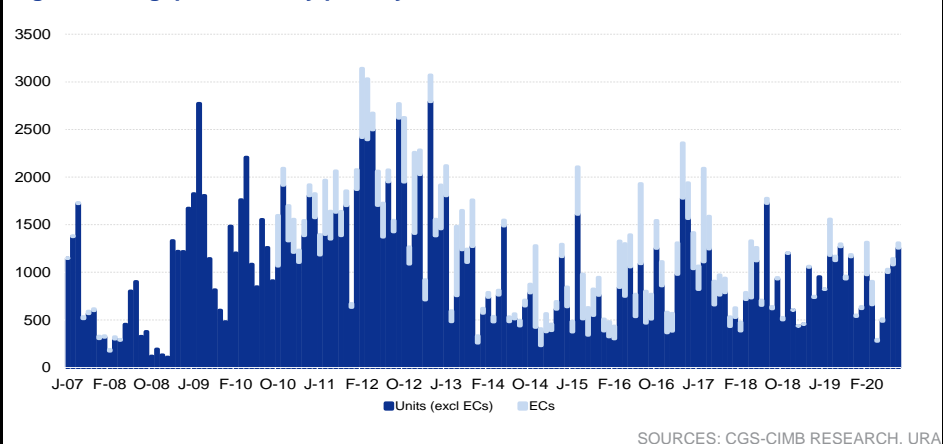


Figure 2: Singapore developers peer comparison table

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	0.36	0.54	92	9.4	9.4	8.3	n.a.	n.a.	0.86	0.82	5.6%	5.6%
CapitaLand	CAPL SP	Add	2.73	3.42	10,393	12.9	11.3	10.3	6.22	-56%	0.58	0.56	4.4%	4.4%
City Developments	CIT SP	Add	7.98	10.10	5,305	32.9	17.9	14.7	18.37	-57%	0.63	0.55	1.5%	1.8%
Frasers Property Limited	FPL SP	Add	1.18	1.70	2,531	8.5	8.1	10.7	3.09	-62%	0.38	0.35	5.1%	5.1%
Guocoland	GUOL SP	Add	1.44	1.84	1,249	14.5	11.7	na	3.67	-61%	0.38	0.38	4.9%	4.9%
Ho Bee Land	HOBEE SP	Add	2.22	2.70	1,083	10.8	10.1	9.8	5.40	-59%	0.40	0.39	4.5%	4.5%
Hongkong Land Holdings Ltd	HKL SP	Add	3.80	5.10	8,869	10.0	8.9	8.7	13.50	-72%	0.28	0.26	5.8%	5.8%
Propnex Ltd	PROP SP	Add	0.59	0.71	160	9.7	9.8	9.4	n.a.	n.a.	2.76	2.51	6.7%	6.7%
UOL Group	UOL SP	Add	6.65	7.29	4,113	31.6	19.4	20.0	12.15	-45%	0.56	0.55	2.6%	2.6%
Wing Tai Holdings	WINGT SP	Add	1.78	1.98	1,003	19.7	17.4	15.9	3.96	-55%	0.39	0.38	1.7%	1.7%
Singapore average						13.7	11.4	11.1		-52%	0.43	0.40	4.1%	4.2%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Share price as at 15 Sep 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 June 2020		
800 companies under coverage for quarter ended on 30 June 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.1%	0.4%
Hold	25.9%	0.1%
Reduce	14.0%	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, **CENDEL** – 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, **CRG** – 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.