

Singapore

January 16, 2019 - 4:34 PM

Overweight (no change)

Highlighted Companies

CapitalLand
ADD, TP **S\$3.55**, **S\$3.28** close

Strong capital deployment of S\$4.1bn and S\$6.1bn of new investments announced in 2018 would continue to drive ROE expansion. Recent transformational acquisitions of Ascendas and Singbridge should propel the group to Asia's leading diversified real estate group.

City Developments
ADD, TP **S\$10.65**, **S\$8.82** close

In addition to residential activities, expansion of CIT's fee income platform should bolster its ROE in the longer term. The stock is trading at a 46% discount to RNAV.

Summary Valuation Metrics

P/E (x)	Dec-18F	Dec-19F	Dec-20F
CapitalLand	12.35	10.54	12.97
City Developments	14.67	16.63	18.63
P/BV (x)	Dec-18F	Dec-19F	Dec-20F
CapitalLand	0.74	0.71	0.69
City Developments	0.84	0.81	0.79
Dividend Yield	Dec-18F	Dec-19F	Dec-20F
CapitalLand	3.66%	3.65%	3.94%
City Developments	2.04%	2.04%	2.04%

Property Devt & Invt

Slow December sales

- Dec monthly sales volumes were weaker mom but higher yoy.
- We expect stable volumes and prices going into 2019.
- Maintain sector Overweight on valuations; preferred picks are CAPL and CIT.

Lower December transaction volume

- December 2018 primary home sales came in at 602 units (605 units including executive condo (EC) sales), which is down 50% mom but up 40% yoy. The lower sales volume does not come as a surprise given that only 101 units were launched during the month and it was the holiday season. The bulk of the sales came from suburban and city fringe projects, such as Whistler Grand and Parc Esta.

Total 2018 achieved sales slightly weaker yoy

- This brought the 2018 primary ex-EC sales to 9,714 units, broadly in line with our revised expectation for 10,000 units; the 2018 figure represents a 16% yoy decline compared to 2017 as the pace of sales has slowed since Jul 2018 following the introduction of new property cooling measures. We expect volume sales to remain relatively flat yoy in 2019 with more anticipated launches in the pipeline.

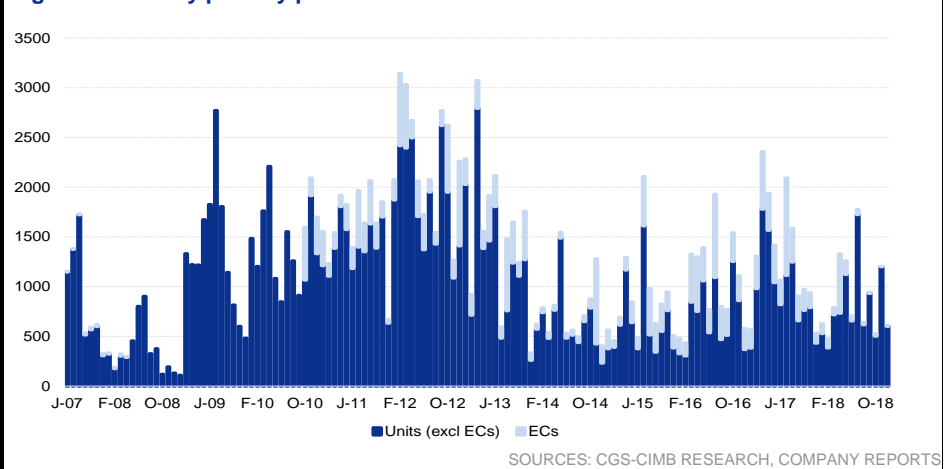
Price momentum to slow going forward

- The Urban Redevelopment Authority (URA) property price index posted a small 0.1% qoq dip in 4Q18 with Core Central Region prices slipping by 1.5% qoq, partly offset by a 1.8% and 0.8% qoq increase in Rest of Central Region and Outside Central Region home prices respectively. We think private home prices would remain relatively stable in 2019, with our projection for 0-3% growth for the year.

Maintain Overweight on attractive sector valuation

- Developers' share prices have done well since our valuation upgrade on the sector last Dec. At this point, the sector is trading at a 48% discount to RNAV. We expect property stocks to trade range-bound while awaiting fresh sector catalysts, such as improvement in sell-through rates or sustainable take-up rates. We like diversified players, such as CAPL and CIT, given their diversified income source and high recurring income. Downside risks include faster-than-expected mortgage rate hikes.

Figure 1: Monthly primary private residential sales



Analyst(s)

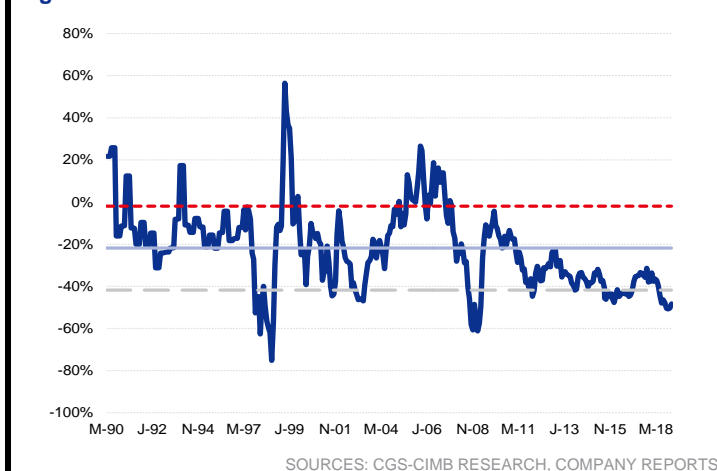
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Figure 2: Singapore developers peer comparison table

Company	Bloomberg Ticker	Recom.	Price (lc)	Tgt Px (lc)	Mkt Cap (US\$ m)	Core P/E (x)			RNAV FY19F	Prem./(Disc.) to RNAV (%)	P/BV (x)		Div. Yield (%)	
						FY18F	FY19F	FY20F			FY18F	FY19F	FY18F	FY19F
Aspen (Group) Holdings Ltd	ASPEN SP	Add	0.15	0.29	103	3.1	5.6	na	0.53	-73%	1.33	1.05	6.5%	3.6%
CapitalLand	CAPL SP	Add	3.28	3.55	10,079	12.4	10.5	13.0	5.47	-40%	0.74	0.71	3.7%	3.6%
City Developments	CIT SP	Add	8.82	10.65	5,905	14.7	16.6	18.6	16.38	-46%	0.84	0.81	2.0%	2.0%
Frasers Property Limited	FPL SP	Add	1.72	2.08	3,708	13.5	12.1	18.0	3.20	-46%	0.53	0.51	3.6%	5.0%
Guocoland	GUOL SP	Add	1.81	2.25	1,581	7.8	17.4	16.8	3.76	-52%	0.47	0.48	3.9%	3.9%
Ho Bee Land	HOBEE SP	Add	2.48	3.00	1,218	13.1	17.5	12.8	4.99	-50%	0.51	0.50	4.0%	4.0%
Hongkong Land Holdings Ltd	HKL SP	Add	6.93	9.10	16,305	15.2	15.0	13.4	13.50	-49%	0.46	0.49	3.2%	3.3%
Perennial Real Estate Holdings	PREH SP	Add	0.65	0.99	797	2209.4	179.8	99.7	1.99	-67%	0.39	0.39	1.5%	1.5%
United Engineers	UEM SP	Add	2.53	2.94	1,191	68.4	45.7	45.8	3.46	-27%	0.82	0.81	1.6%	1.6%
UOL Group	UOL SP	Add	6.61	8.45	4,112	12.9	14.6	13.8	12.07	-45%	0.57	0.56	2.6%	2.6%
Wing Tai Holdings	WINGT SP	Hold	1.97	1.97	1,116	7.6	21.9	11.8	3.58	-45%	0.44	0.45	4.1%	4.1%
Singapore average						13.7	14.2	14.7		-49%	0.56	0.57	3.1%	3.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Historical discount to RNAV trend



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Historical P/BV trend



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Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

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 2018		
758 companies under coverage for quarter ended on 31 December 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.2%	4.2%
Hold	25.1%	2.1%
Reduce	13.7%	0.4%

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, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – 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, **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, **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, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **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, **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, **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, **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.