

Singapore Stock Picks (Dividend stocks)



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MICA (P) 048/03/2011

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Agenda

- **Venture (S\$7.70) + 12.5%**
 - **Dividend of S\$0.50**
- **Dyna-mac (S\$0.40) + 1.3%**
 - **Dividend of S\$0.02**
- **UE E&C (S\$1.01) +24.1%**
 - **Dividend of S\$0.05**
- **Croesus (S\$0.88) +20.9%**
 - **Dividend of S\$0.326**

Agenda

- **Steps to lower your investment risks**
 - Back by dividend – Stock Screener
 - Positive Macro-environment – SGX announcement
 - Management outlook – SGX announcement
 - Analyst coverage – UOB Kayhian
 - Growing earnings – UOB Kayhian

Agenda

StockScreener TechAnalyzer ChartGenie YieldMax Calculator

Please select screening criteria:

Basic High Div Yield Value Stocks Blue Chips Advanced

Criteria	Minimum	Maximum	Enabled
Market Cap (Mil)	0	1853602	<input type="checkbox"/>
P/E Ratio	0	13112	<input type="checkbox"/>
EPS	-189	30	<input type="checkbox"/>
ROI	-9930	709	<input type="checkbox"/>
ROE	-16977	895	<input type="checkbox"/>
Dividend Yield (%)	3	10	<input checked="" type="checkbox"/>
Average Vol (Mil)	0	294	<input type="checkbox"/>
Mean Rating	1	3	<input checked="" type="checkbox"/>
Price (Prev Close)	\$0	\$108	<input type="checkbox"/>

Glossary

Search Reset

Company	Code	MktCap	P/E Ratio	EPS	ROI	ROE	Yield ▼	AvgVol	Rating	Price
Religare HTrust	RF1U	709.846	17.041	0.053	4.776	5.842	9.151	1.300	2.000	0.920
HPH Trust USD	NS8U	5,879.993	25.302	0.027	3.295	2.777	7.838	25.693	2.833	0.705
HPH Trust SGD	P7VU	5,879.993	25.302	0.027	3.295	2.777	7.838	25.693	2.833	0.880
NeraTel	N01	285.899	12.864	0.061	31.074	31.079	7.595	0.193	3.000	0.770
CMPacific	C22	704.911	10.065	0.094	9.596	11.778	7.407	0.511	2.000	0.940
Elec & Eltek USD	E16	281.314	25.966	0.058	2.850	3.119	6.645	0.024	3.000	1.480
King Man	554	109.991	16.330	0.019	7.815	7.864	6.349	0.608	2.000	0.320

Agenda

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Retail Market Monitor

SINGAPORE

Thursday, 03 July 2014

MONTHLY REVIEW AND OUTLOOK

REVIEW: June ended on a negative note as the FSSTI reversed gear, declining 1.2% mom. As expected, interest in the market waned after the commencement of the 2014 World Cup, which saw daily average turnover value in June decline to S\$0.97b against ytd daily average value of S\$1.1b. Despite dovish comments from the Fed, which fuelled the S&P, the FSSTI underperformed regional markets on weaker performances in key sectors, such as banks (-0.9% mom), shipping (-3.6% mom) and REITs (-2.0% mom). Notable outperformers include healthcare (+5.2% mom) and land transport (+7.2% mom). The latter's good run was driven by the restructuring of its bus ownership model and expectations of possibly more restructuring of the ownership of rail assets.

STRATEGY: We stick to our year-end FSSTI target of 3,400 and given the limited 4.4% upside, we think stock picking will continue to be a focus. Valuation-wise, the market's 15.0x 2014F PE is at a small 7% discount to its long-term mean of 16.2x. Hence, even if the valuation mean reverts, the upside could be moderate, re-affirming our selective stance. Attractive investment themes for 2H14 include: a) asset monetisation/M&As, b) energy proxies, c) regional growth plays, and d) an easing regulatory environment. Our top picks in the big cap space include DBS, CapitalLand, Ezion, Keppel Corp, Keppel Land, M1 and ST Engineering. In the mid cap space, we like Bunitama, Nam Cheong, Pacific Radiance, RH Petrogas, Riverstone and Sino Grandness. SELL Tiger Airways and Mewah.

TOP BUY

Stock	Target Price (\$)	Last Price (\$)	Return (%)
Rex International	1.27	0.63	102%
RH PetroGas	1.35	0.745	81%
Sino Grandness	1.02	0.69	48%
DBS	22.60	16.75	35%
Centurion	0.92	0.69	33%

Source: Bloomberg, UOB Kay Hian

TOP SELL

Stock	Target Price (\$)	Last Price (\$)	Return (%)
Tigerair	0.23	0.455	-49%
Mewah	0.32	0.44	-27%
Noble Group	1.15	1.37	-16%
Hankore	0.74	0.855	-13%
COSCO Corp	0.65	0.715	-8%

Source: Bloomberg, UOB Kay Hian

Sector	Jun/May(% Chg)	Recommendation	Top Buys	Analyst's Views
FSSTI	(1.2)			
LandTransport	7.2	Market Weight	ComfortDelgro	
Technology	6.2	Overweight	Venture	
Healthcare	5.2	Market Weight	Raffles Medical	
Supply Chain	3.3	Market Weight	-	
Media	1.7	Market Weight	-	
Shipyards	1.0	Market Weight	Keppel Corp, Yangzijiang	
Property	(0.7)	Overweight	Keppel Land, CapitaLand, Wing Tai	While the government could start relaxing demand-side property curbs following an 8-10% meaningful decline in property prices, the deceleration in the decline to 1.1% qoq this quarter from 1.3% qoq in 1Q14 could signal an approaching bottom.
Aviation	(0.8)	Under Weight	ST Engrg	

Agenda

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Retail Market Monitor

SINGAPORE

Thursday, 03 July 2014

OUR TOP YIELD STOCK PICKS

Company	Rec	Target Price (\$S)	Price 30 Jun 14 (\$S)	Monthly Performance % Chg	PE 2013 (x)	PE 2014F (x)	Yield 2013 (%)
Venture Corp	BUY	8.88	7.74	6.2	16.2	14.8	6.5
CDL Htrust	BUY	2.02	1.76	1.4	16.5	16.8	6.2
Wing Tai	BUY	2.50	1.97	1.0	2.9	8.2	6.1
M1	BUY	4.05	3.51	(0.8)	20.2	19.5	6.0
Surtec REIT	BUY	2.05	1.81	0.8	41.2	28.1	5.2
CapitaComm	BUY	1.88	1.7	0.6	22.4	21.9	4.8

OUR TOP LARGE MARKET CAPITALISATION STOCK PICKS

Company	Rec	Target Price (\$S)	Price 30 Jun 14 (\$S)	Monthly Performance % Chg	PE 2013 (x)	PE 2014F (x)	Yield 2013 (%)
DBS	BUY	22.60	16.75	(0.9)	11.2	10.6	3.5
Yangzijiang	BUY	1.39	1.08	6.9	6.6	6.7	4.6
Keppel Land	BUY	4.30	3.38	(2.9)	5.9	12.0	3.6
Ezion	BUY	2.62	2.08	(5.5)	10.2	10.3	0.0
Keppel Corp	BUY	13.50	10.79	1.5	10.5	12.1	3.7
N C L	BUY	1.17	0.95	(3.6)	na.	74.5	0.0

OUR TOP MID-SMALL MARKET CAPITALISATION STOCK PICKS

Company	Rec	Target Price (\$S)	Price 30 Jun 14 (\$S)	Monthly Performance % Chg	PE 2013 (x)	PE 2014F (x)	Yield 2013 (%)
RH PetroGas	BUY	1.35	0.745	10.4	34.7	71.6	0.0
Sino Grandness	BUY	1.02	0.69	0.0	4.9	4.0	0.0
Riverstone	BUY	1.14	0.93	13.4	15.0	13.5	2.8
Nam Cheong	BUY	0.47	0.395	1.3	10.1	8.2	2.5
Pacific Radiance	BUY	1.55	1.33	9.0	10.8	10.7	1.5
Bumitama	BUY	1.40	1.205	0.4	20.7	16.7	1.0

Source: Bloomberg, UOE Kay Hian

* To learn more about specific recommendations, talk to your Trading Representative today

Agenda

- **DBS (S\$17.70)**
 - **Dividend of S\$0.58 (FY14: 3.3%)**
 - **(S\$0.28 – Ex Date 13 August)**
- **Yangzijiang (S\$1.17)**
 - **Dividend of S\$0.05 (FY14: 4.2%)**
- **CSE Global (S\$0.70)**
 - **Dividend of S\$0.025 (FY14: 3.7%)**
 - **(S\$0.0125 – Ex Date 15 August)**
- **Tai Sin (S\$0.365)**
 - **Dividend of S\$0.0225 (FY14: 6.2%)**
 - **(S\$0.0075 paid for 1H14)**

Investment Highlight

DBS (S\$17.70)

- Market Cap – S\$43.9b
- Dividend – S\$0.58
- Dividend yield – 3.3%
- PE – 10.9x
- EPS – S\$1.625
- Consensus TP: S\$20.36 (+15.0%)

Investment Highlight

DBS- Background

- DBS is a leading financial services group in Asia, with over 250 branches across 16 markets.
- DBS has a growing presence in Greater China, Southeast Asia and South Asia.
- DBS provides a full range of services in consumer, SME and corporate banking activities across Asia.

Investment Highlight

DBS- Latest results from SGX

	1H14	1H13	%
Total Income (S\$m)	4,764	4,626	3
Net Profit (S\$m)	2,002	1,837	9
Cash generated from operations (S\$m)	(2,544)		
EPS (cents)	1.63	1.52	
NAV (S\$)	14.32	13.12	

Source: DBS, UOB Kay Hian

Investment Highlight

DBS- Latest results from SGX

- DBS clocked moderate loan growth of 9.4% yoy and 1.6% qoq. The moderate expansion was driven by Singapore for non-trade corporate loans, secured consumer loans and housing loans.
- NIM expanded slightly by 1bp qoq to 1.67%.
- Fee income grew 5.5% yoy to S\$503m driven predominantly by strong growth of 37% yoy from wealth management.
- NPLs declined 11.6% qoq due to a loan resolution. Thus, NPL ratio edged lower from 1.0% to 0.9%.

Investment Highlight

DBS- UOB Kay Hian Report

- Management maintained its guidance of an 8-10% loan growth for 2014.
- There were no signs of deterioration for housing loans in Singapore.
- DBS declared an interim dividend of 28 S cents per share, unchanged compared with last year. Management guided final dividend of 30 S cents per share for 2014.
- Assets under management (AUM) for high net worth clients have expanded from S\$71b in 1Q14 to the current S\$76b. The acquisition of Asian private banking business of Societe Generale in Singapore and Hong Kong is scheduled to be completed in early-October, which will provide an uplift of S\$16b to AUM.
- Our target price of S\$22.68 (+29.8%) is based on P/B ratio of 1.51x.

Investment Highlight

DBS- UOB Kay Hian Report

Year to 31 Dec (S\$m)	2012	2013	2014F	2015F
Net interest income	5,285	5,569	6,171	6,965
Non-interest income	3,229	3,529	3,543	3,414
Net profit (rep./act.)	3,809	3,672	4,108	4,255
Net profit (adj.)	3,359	3,501	3,910	4,255
EPS (S\$ cent)	137.1	142.1	158.6	172.7
PE (x)	13.4	12.9	11.5	10.6
P/B (x)	1.4	1.3	1.2	1.1
Dividend yield (%)	3.1	3.2	3.2	3.2
Net int margin (%)	1.8	1.7	1.7	1.7
Cost/income (%)	42.4	43.1	43.1	43.9
Loan loss cover (%)	129.2	122.4	159.6	184.4
Consensus net profit	-	-	3,899	4,275
UOBKH/Consensus (x)	-	-	1.00	1.00

Source: DBS, UOB Kay Hian

Investment Highlight

Yangzijiang (S\$1.17)

- Market Cap – S\$4,355m
- Dividend – S\$0.05
- Dividend yield – 4.4%
- PE – 5.9X
- EPS – S\$0.191
- Consensus TP: S\$1.32 (+12.8%)

Investment Highlight

Yangzijiang- Background

- Yangzijiang Shipbuilding is one of the largest non-state-owned publicly listed shipbuilders. Notably, the group is the first Chinese shipyard to secure the 10,000TEU containership orders in 2011.
- The group's niche lies in construction of commercial vessels ranging from containerships, bulk cargo carriers and multi-purpose cargo vessels.
- The group owns three shipyards in Jiangsu Province, China along the Yangtze River, with total available capacity of 2.0m CGT and total production area spanning approximately 400ha.

Investment Highlight



Source: Company, UOB Kayhian

Investment Highlight

Yangzijiang- Latest results from SGX

	1H14	1H13	%
Total Income (Rmbm)	7,838	7,288	7
Net Profit (Rmbm)	2,035	1,528	33
Cash generated from operations (Rmbm)	7,415		
EPS (SG cents)	10.6	8.0	
NAV (S\$)	0.9855		

Source: Yangzijiang, UOB Kay Hian

Investment Highlight

Yangzijiang- Latest results from SGX

- Revenue from shipbuilding decreased slightly by 3.2% yoy to Rmb3.9b despite delivering 9 vessels compared to 11 last year.
- This is primarily due to the construction and delivery of the first batch of 10,000TEU containerships with higher contract prices.
- Revenue from HTM financial assets fell 43% qoq from Rmb597.3m to Rmb339.9m. This was due to several higher return investments having matured in 1Q2014.

Investment Highlight

Yangzijiang- Latest results from SGX

- The group's gross profit margin improved slightly to 28% in 2Q14 as costs of sales fell by 3.7% yoy in 2Q2014 to Rmb3.1b.
- In 1H14, the group secured a total of 32 effective shipbuilding contracts amounting to US\$1.4b.
- Notably, the group secured an order for its largest ever bulk carriers, consisting of the four 260,000DWT very large ore carriers in June 2014, from its first Australian customer.

Investment Highlight

Yangzijiang- UOB Kay Hian Report

- Ytd, the group has won the most new orders among the Chinese yards and its order size ranked first in terms of Compensated Gross Tonnage (CGT) in China.
- With the group's current outstanding orderbook as of 30 June 2014 amounting to US\$5.0b for 122 vessels, the group's yard capacity is expected to be highly utilised until the end of 2016.
- Management believes that the shipping industry continues to be on a steady recovery track and they have observed that ship owners are enhancing their focus on vessels' operational efficiencies. This has led to a rise in demand among the shipping industry for vessels that are more complex and larger.

Investment Highlight

Yangzijiang- UOB Kay Hian Report

- YZJ downsized its HTM investments to Rmb13.0b as of 30 Jun 14 and would like to maintain this size going forward for better risk control.
- Coverage ratio remained at a safe 2.0x and the default ratio was below 5%. Notably, the coverage ratio for investment with shares as collateral increased substantially from 2.2x in 1Q14 to 2.6x in 2Q14, thanks to a recovery in the A-share market.
- We believe gross margins for orders secured in 2014 would be at a higher 25-30%, thanks to a non-stop decline in ship plate prices. We expect gross margins to rise from 2014 onwards and therefore, its earnings cycle should have bottomed in 2013.
- Maintain BUY and target price of S\$1.39, based on 1.2x 2015F P/B.

Investment Highlight

Yangzijiang- UOB Kay Hian Report

Year to 31 Dec (Rmbm)	2012	2013	2014F	2015F	2016F
Net turnover	14,799	14,339	13,965	18,687	20,614
EBITDA	4,449	4,694	3,848	4,465	4,788
Operating profit	4,185	4,409	3,494	4,041	4,321
Net profit (rep./act.)	3,581	3,096	3,096	3,193	3,460
Net profit (adj.)	3,581	3,096	3,096	3,193	3,460
EPS (fen)	93.4	80.8	80.8	83.3	90.3
PE (x)	5.8	6.7	6.7	6.5	6.0
P/B (x)	1.3	1.2	1.0	0.9	0.8
EV/EBITDA (x)	5.3	5.0	6.1	5.3	4.9
Dividend yield (%)	4.7	4.0	4.5	4.6	5.0
Net margin (%)	24.2	21.6	22.2	17.1	16.8
Net debt/(cash) to equity (%)	7.3	19.8	12.3	1.6	(7.1)
Interest cover (x)	10.3	19.5	11.8	15.0	20.4
ROE (%)	25.1	18.6	16.4	15.1	15.4
Consensus net profit	-	-	2,628	2,710	2,872
UOBKH/Consensus (x)	-	-	1.18	1.18	1.20

Source: Company, UOB Kayhian

Investment Highlight

CSE Global (S\$0.71)

- Market Cap – S\$384m
- Dividend – S\$0.025
- Dividend yield – 3.7%
- PE – 11.2X
- EPS – S\$0.064
- Consensus TP: S\$0.69 (-2.8%)

Investment Highlight

CSE Global- Background

- CSE Global is an international technology group with clients from the oil & gas (O&G), mining and infrastructure sectors.
- CSE provides engineering solutions throughout the entire O&G supply chain - upstream (automation systems), midstream (pipeline monitoring) and downstream (telecommunications).
- It also has a unit that provides environmental furnace systems.

Investment Highlight

CSE Global- Latest results from SGX

	1H14	1H13	%
Revenue (S\$m)	201.3	189.5	+6.2
Gross Profit (S\$m)	57.2	55.7	+2.7
Net Profit (S\$m)	15.6	17.1	-9.1
EPS (SG cents)	3.02	3.32	-9.1
NAV (S\$)	0.372		

Source: CSE, UOB Kay Hian

Investment Highlight

CSE Global- Latest results from SGX

- 1H14 revenue and profit after tax and non-controlling interests from continuing operations of S\$201.3m (+6.2% yoy) and S\$15.6m (-9%) respectively.
- Adjusted net profit fell due to lower gross margin, translation loss vs a gain in 1H13, and higher effective tax.
- In 2Q14, the group continued to receive new orders from greenfield and brownfield projects, totalling S\$95.4m.
- Outstanding orders from continuing operations stood at S\$194.7m as at end of 2Q14.

Investment Highlight

CSE Global- UOB Kay Hian report

- Management expects to report over S\$90m in new orders per quarter in 2H14. New orders are likely to come from Australia's mining and utilities industries, the US offshore market, and small projects from the North Sea and Southeast Asia.
- Management expects gross profit margin to stay within 28-30%, depending on the period's project mix. Brownfield and small greenfield projects typically account for 40% of the group's total business and these generate margins of 20- 40%. Maintenance projects account for another 40% which we estimate to be S\$150m- 200m in revenue contribution p.a..
- Maintain BUY and a target price of S\$0.88, based on 12.6x 2015F PE. Our target PE is at a 20% discount to sector mean of 15.7x to account for the group's smaller size and niche business model.

Investment Highlight

CSE Global- UOB Kay Hian Report

Year to 31 Dec (\$m)	2012	2013	2014F	2015F	2016F
Net turnover	448	416	415	447	482
EBITDA	47	18	52	56	61
Operating profit	44	15	47	51	55
Net profit (rep./act.)	29	30	33	36	39
Net profit (adj.)	29	3	33	36	39
EPS (cent)	5.6	0.7	6.4	7.0	7.5
PE (x)	12.4	11.7	10.8	9.9	9.2
P/B (x)	1.5	1.8	1.7	1.5	1.4
EV/EBITDA (x)	7.4	19.1	6.7	6.2	5.7
Dividend yield (%)	6.2	6.5	3.7	4.1	4.3
Net margin (%)	6.4	7.3	8.0	8.1	8.0
Net debt/(cash) to equity (%)	19.2	(95.2)	(7.1)	(12.2)	(16.7)
Interest cover (x)	9.7	3.4	112.5	65.6	48.2
ROE (%)	13.2	14.3	16.3	16.1	15.6
Consensus net profit	-	-	34	38	46
UOBKH/Consensus (x)	-	-	0.96	0.95	0.84

Source: CSE, UOB Kay Hian

Investment Highlight

Tai Sin (S\$0.365)

- Market Cap – S\$160m
- Dividend – S\$0.0225
- Dividend yield – 6.2%
- PE – 6.6X
- EPS – S\$0.055
- Consensus TP: S\$0.435 (+19.2%)

Investment Highlight

Tai Sin- Background

- Tai Sin is in the business of manufacturing electrical cables & wires and switchboards; distribution of industrial electrical materials and provision of testing & inspection services.
- Some of its projects include Changi Airport, Marina Coastal Expressway (MCE), MRT Lines, Exxon Mobil Singapore, Senoko Power Station, Marina Bay Financial Center

Investment Highlight

Tai Sin- Latest results from SGX

	9M14	9M13	%
Revenue (S\$m)	226.2	219.3	+3.2
Gross Profit (S\$m)	47.3	40.8	+15.9
Net Profit (S\$m)	17.1	13.7	+24.8
EPS (SG cents)	3.74	3.14	+19.1
NAV (S\$)	0.313		

Source: Tai Sin, UOB Kay Hian

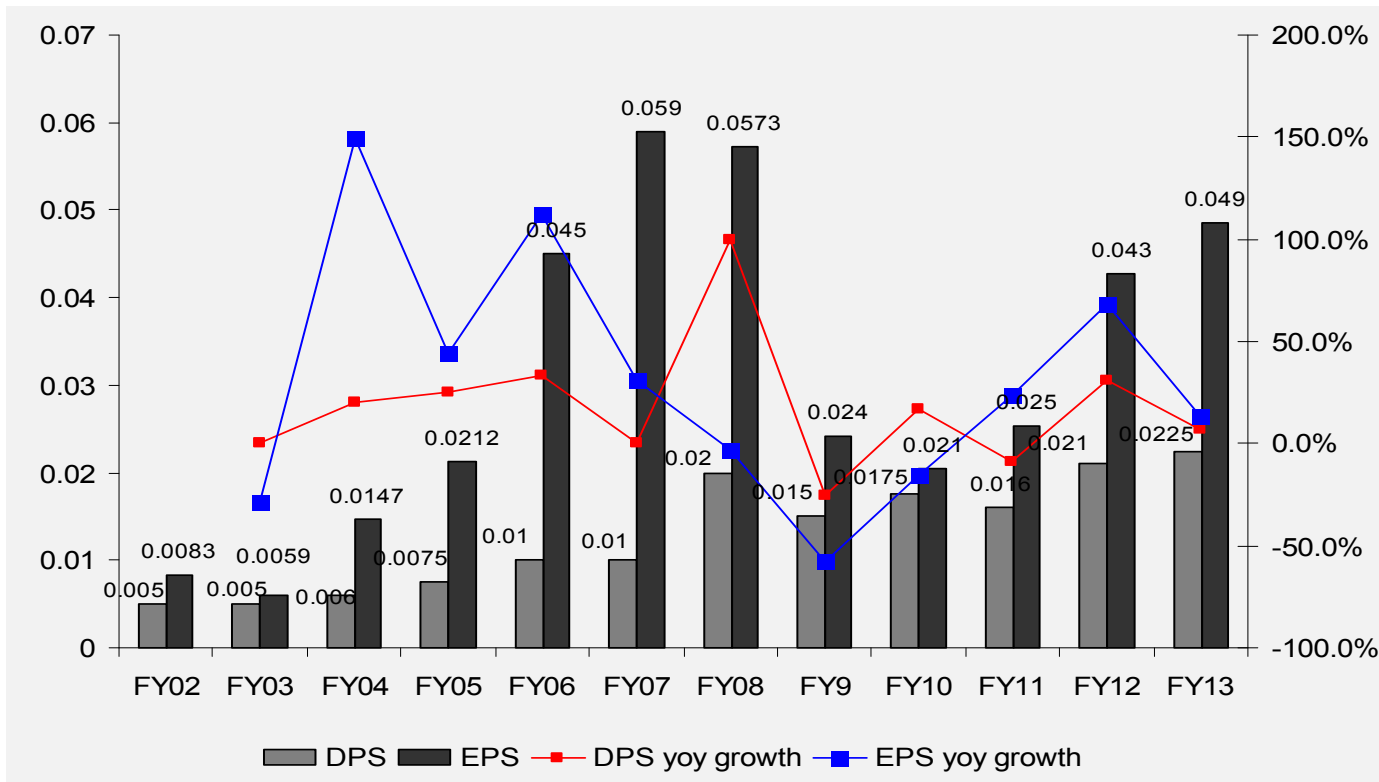
Investment Highlight

Tai Sin- UOB Kay Hian Report

- The group achieved revenue of \$226.15m for 9MFY14 driven by higher revenue from the Cable & Wire Segment. The increase was underpinned by growth in the Industrial, Commercial & Residential Sector in Singapore especially expansion in public sector construction activities.
- Going forward, construction demand is expected to remain strong with the Singapore Power announcing it will be building a S\$2b Transmission Cable Tunnel (which will house extra-high voltage electricity transmission cables when completed in 2018).
- HDB announced plans to upgrade the electrical infrastructure for another 4,000 HDB blocks. Includes electrical substations and laying higher capacity underground cables. HDB has already spent about S\$1b upgrading the electrical infrastructure in 2,400 old HDB blocks.

Investment Highlight

Tai Sin- UOB Kay Hian Report



Source: Tai Sin, UOB Kay Hian

Investment Highlight

Tai Sin- UOB Kayhian Report

- DPS grew at a CAGR of 14.7% from S\$0.005 in FY02 to S\$0.0225 in FY13, while EPS grew at a CAGR of 17.4% over this period. Based on FY13 DPS of S\$0.0225, this translates to an attractive yield of 6.8%.
- We have a BUY recommendation and target price of S\$0.435, based on Tai Sin's adjusted 2014F EPS of 4.7 S cents/share and Tai Sin's other Asian peers' average trailing 12M PE of 9.1x.

Investment Highlight

Questions