HD **Brokers' Digest**

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Ascendas Hospitality Trust (Dec 3: 68.5 cents)

MAINTAIN HOLD. We hosted an investors luncheon for A-HTrust recently. Management highlighted the upside potential in its portfolio: (a) exploring the possibility of rebranding its Osaka property once the master lease agreement expires at end-2015 and, besides a change in branding, A-HTrust may also conduct refurbishment works; (b) studying AEI (asset enhancement initiative) opportunities in Australia. As A-HTrust has completed the unwinding of the cross currency swap earlier than expected in October, it should recognise another $3 million in costs in 3QFY2015. However, the drag from the unwinding, which caused 2QFY2015 DPU to drop 10% y-o-y, should end from 4QFY2015 onwards. Excluding this impact, 2QFY2015 DPU would have risen 3.5% y-o-y. DCF-based price target of 72 cents. At current levels, ASCHT offers yields of 8% to 9%. — DBS Vickers Securities (Nov 27)

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Boustead Singapore (Dec 3: $1.80)

DOWNGRADE TO HOLD. We continue to like Boustead for its strong management track record and multi-pronged growth strategy. Given its strong net cash position and flexibility of using debt financing, Boustead has a strong foundation to pursue expansion via potential mergers and acquisitions. Its industrial property development partnership with Abu Dhabi Investment Council gives Boustead another pillar of growth. However, the recent drastic plunge in oil price and the possibility of a prolonged period of low oil prices would cause overhang on Boustead's energy infrastructure division. Valued at 12x FY16 PER, the energy segment formed 24% of our previous sum-of-the-parts valuation. We cut our FY2016 net profit estimate for Boustead's energy segment by 36% from $23.7 million to $15.2 million to reflect the lower level of project activity. Price target of $1.88 based on 10% discount to FY3/2015 SOTP valuation. — CIMB Research (Dec 3)

CDL Hospitality Trusts (Dec 3: $1.735)

MAINTAIN ADD. CDLHT announced that it had entered into sale-and-purchase agreements to acquire Hotel MyStays Asakusabashi and Hotel MyStays Kamata in Tokyo from AKH GK for a total purchase consideration of ¥5.8 billion ($63.8 million). The two properties enjoyed a high occupancy rate of 90.2% in 9M2014, with a RevPAR (revenue per available room) of ¥6,847. On a nine-month pro forma basis, these assets are expected to generate a net property income (NPI) yield of 5.7%. Also, as these acquisitions will be fully funded via Japanese debt (with a long-term stabilised rate of 1.5%), we expect them to be yield-accretive, boosting the company's DPU by 1.3% in FY2015, based on our assumptions. Upon completion of these acquisitions, 2.3% of its FY2015 NPI is expected to come from Japan, while its leverage ratio is expected to rise to 32.2% (from 30.2% prior to the acquisitions). Higher price target of $1.90. — CIMB Research (Dec 1)

Ezion Holdings (Dec 3: $1.18)

MAINTAIN BUY. With the recent sell-down in oil and gas-related plays, Ezion Holdings has not been spared — its share price has fallen about 30% since its recent high of $1.91 in mid-September, although there been no significant negative news on the company besides the fall in oil prices. Going into 2015, there are four units coming off hire, and recontracting at similar charter rates would boost investors' confidence. Meanwhile, with the disposal of the marine supply business to Ausgroup, Ezion will also have more resources to focus on its core liftboat/service rig business. Among the oil and gas-related plays under our coverage, the group is among those with the best earnings visibility, but despite positive company-specific factors going for it, we deem it necessary to lower our PER valuation from 11x to 10x with the de-rating of the broader sector, resulting in a lower fair-value estimate of $2.04. — OCBC Investment Research (Dec 1)

Ezra Holdings (Dec 3: 59.5 cents)

MAINTAIN HOLD. Ezra's share price has fallen about 30% since early September and lost almost half its value YTD. The company has to demonstrate sustained utilisation levels in the offshore support vessel (OSV) division after having repair and maintenance issues for some vessels in 1HFY2014, as well as continued order wins for the subsea segment, especially in a lower-oil-price environment. Investors may also be cautious about oil companies with a high net gearing, given the recent drop in risk appetite in the SGD-denominated bond market. Ezra's net gearing stood at 1.2x as at end-FY2014, but the group expects it to fall to between 0.7 and 0.8x by end-FY2015. Taking into account the lower P/B multiples that peers are trading at (Subsea 7 and McDermott at 0.7 to 0.8x, Swiber at 0.3x and POSH 0.8x), we use a 0.5x FY2015F P/B for Ezra, resulting in a fair-value estimate of 77 cents. — OCBC Investment Research (Nov 26)

GuocoLeisure (Dec 3: 92.5 cents)

MAINTAIN BUY. GuocoLeisure's re-branding initiative is progressing well, with the Amba brand officially launched as the group's four-star hotel offering. Charing Cross, which recently completed a major refurbishment programme, is the first hotel to be put under the new banner, with three other hotels — Buckingham Palace, Marble Arch and Tower Bridge — to follow suit. Separately, refurbishment of its five flagship hotel properties in London — The Royal Horseguards; The Tower Hotel; Charing Cross; Cumberland (Marble Arch); and The Grosvenor — is ongoing. The group also recently completed the refinancing of its expiring £138 million ($284.5 million), 10.75% bond debentures at below 4%. We estimate annual savings of US$14 million ($18.4 million) on interest expense from 2015 onwards. Meanwhile, non-core asset sales will be reviewed on an opportunistic basis at the right pricing. Price target of $1.43. — OSK DMG Research (Dec 4)

IPS Securex Holdings (Dec 3: 74 cents)

MAINTAIN BUY. IPS announced it had tied up with Bio-Nexus, which will enable IPS to integrate Bio-Nexus' patented mobile workflow engine software platform into various solutions, with IPS being the prime promoter to sell and market the solutions to Asean countries. It has also secured a contract worth US$1.62 million for the sale of 50 sets of Hyperspike acoustic hailing devices. In addition, we are optimistic about the sale of its Pepperball-related products to the governments of neighbouring countries, which could bring IPS' earnings to a whole new level. PepperBall launchers translate into at least US$30 million per country and the constant supply of PepperBalls could add an estimated US$5 million onwards per year per country to IPS' recurring revenue stream. We expect PepperBall to significantly contribute to and lift group earnings, with the full impact expected from FY2016 onwards. Price target of $1.26 (7x FY2016F PER). — OSK DMG Research (Dec 3)

K1 Ventures (Dec 3: 18.6 cents)

MAINTAIN BUY. TPG Capital has agreed to sell its 38.9% stake in China Grand Automotive Services (CGA), to a consortium of buyers led by Haitong Securities, for nearly US$700 million. CGA is one of k1's portfolio investments. Seven years ago, it invested US$12.4 million in a TPG-led fund that holds CGA, and is getting back pre-tax proceeds of US$28 million from the latest sale. While the returns are decent, it falls short of our earlier expectation, owing to a general derating across the Chinese automotive sector as sales slowed this year. K1 divested its US railcar equipment business last year, and has distributed $162 million (7.5 cents a share) in dividends since. Using an SOTP valuation, we value the stock at 24 cents a share after reducing our numbers for CGA. We pegged a 10% discount to derive a price target of 22 cents. — OSK DMG Research (Dec 1)

Keppel Corp (Dec 3: $8.44)

MAINTAIN BUY. During its 3QFY2014 results briefing at end-October, Keppel said it believed that jitters in the oil market had not altered the sound fundamentals of the industry. Oil prices have taken another tumble since then, however, and with oil price forecasts being cut across the board, order flows are likely to slow even further. We estimate that the offshore and marine (O&M) division will contribute 65% of this year's total net profit, with a quarter from property and 10% from infrastructure and investments. With oil prices likely to remain subdued, we lower our new-order-win assumptions to $5 billion for this year and $4.5 billion for 2015. With the de-rating of the broader sector, we lower our PER for the O&M segment, from 15x to 13x, such that our fair value estimate is now $9.89 (previously $11.75). We maintain our dividend forecast of 5.2%, which should provide a floor to the stock. — OCBC Investment Research (Dec 1)

Keppel Land (Dec 3: $3.35)

MAINTAIN BUY. Keppel Land announced that its wholly-owned subsidiary, DC REIT Holdings Pte Ltd, had entered into a subscription agreement with Keppel DC REIT Management Pte Ltd, manager of Keppel DC REIT, to subscribe for 43.3 million units in Keppel DC REIT at a price per unit equal to the issue price in the upcoming offering. This is expected to constitute 4.9% of the total number of units in issue, and the offering price will be determined using a book-building process between the underwriters of the offering and the REIT manager before the registration of the final prospectus of the Keppel DC REIT. The consideration for the REIT units will be paid by Keppel Land in cash and subject to a lock-up agreement for a period of six months from the date of listing. Unchanged fair value estimate of $4.09. — OCBC Investment Research (Nov 28)

Mermaid Maritime (Dec 3: 29.5 cents)

MAINTAIN BUY. Patmi of US$13.8 million (-15.1% y-o-y, +6.4% q-o-q) in 4QFY2014 met consensus and our expectations. FY9/2014 Patmi rose 187% y-o-y to US$45.2 million forming 99% of both forecasts. Gross profit of US$57.5 million was 13.5% higher y-o-y on the execution of more projects and higher vessel utilisation. Its 33.8%-owned associate, Asia Offshore Drilling contributed US$31.1 million (FY9/13: US$4.4 million) or 79% to earnings. AOD has three jackup rigs working for Saudi Aramco for 3+1 years starting mid-2013 at lucrative day rates of US$180,000 a day. Operating cash flow was stable at US$28.9 million versus US$25 million a year ago. Mermaid's longer-term catalysts should come from the delivery and utilisation of two tender rigs and a DSV in 2016, allowing it to scale up further. Our forecasts are largely intact and we introduce FY9/2017E. Price target of 42 cents, at 9x FY9/2015E EPS. — Maybank Kim Eng Research (Nov 27)

Nam Cheong (Dec 3: 36 cents)

MAINTAIN BUY. Nam Cheong dived 16% on news that Petronas would be cutting its capital expenditure by 15% to 20% next year. However, the company's Malaysian/global customer split is now about 25:75, down from about 50:50, thus drastically reducing the impact. Petronas' CEO has also reiterated the need to grow production and to increase reserves to maintain its growth (considering that current production declines by about 10% a year naturally) both of which require vessels. Nam Cheong's outlook remains fundamentally unchanged. Nam Cheong is now trading at 6x/5x/4x FY2014 to FY2016F PERs, undervaluing its 16% to 60% earnings growth and 30% ROEs. Its industry position has been strengthening as it increases its global shallow-water market share, now about 15% of FY2015F global deliveries. Price target of 61 cents. — OSK DMG Research (Dec 2)

OUE Hospitality Trust (Dec 3: 91.5 cents)

MAINTAIN BUY. OUEHT announced that it had entered into conditional agreements to acquire the 320-room Crowne Plaza Changi Airport (CPCA) for $290 million and the 243-room Crowne Plaza Changi Airport Extension (CPEX) for $205 million from sponsor OUE Ltd. The purchase consideration implies $906,000 per key for CPCA and $844,000 per key for CPEX, which stand at a discount to the $972,000 industry average over the last two years. Depending on the financing structure — 100% debt or 75:25 debt-to-equity ratio — we estimate 0% to 7% upside to FY2015/16F DPU and a two-to-10-cent uplift to our price target of 95 cents. Gearing will likewise rise to 41% to 46% post the proposed acquisitions. With about 70% of FY2014F revenues fixed, OUEHT is partially insulated against the volatility in the Singapore hospitality market and, at current levels, offers attractive yields of 7.5% to 8.1%. — DBS Vickers Securities (Dec 1)

Oxley Holdings (Dec 3: 51 cents)

INVEST. Oxley posted 1QFY2015 revenue and PAT of $120.3 million and $19.6 million, respectively, with revenue recognition mostly derived from Singapore projects. Earnings forecast for FY2015 of $166 million includes contribution from Robinson Square, of which 97% has been sold, and Eco-Tech@Sunview, of which 87% has been sold. We lowered slightly the RNAV discounting rate of Oxley based on a healthy take-up rate on overseas projects, and Singapore projects that have been almost fully sold. To reiterate, for FY2015 to FY2017, we continue to expect impressive revenue recognition on the back of Robinson Square in 2015, Eco-Tech@Sunview and Phase 1 of Royal Wharf in 2016, and Oxley Tower in 2017. We remain optimistic about the company's outlook. Intrinsic value of 91.5 cents. — Voyage Research (Dec 1)

Parkway Life REIT (Dec 3: $2.36)

MAINTAIN BUY. P-Life REIT announced the proposed acquisition of Habitation Jyosui, a private nursing home in Fukuoka. The acquisition price of ¥3.5 billion ($39.3 million) implies an initial yield of 5.8%. This is a positive development, as the property is well located and sharpens the trust's focus in Japan. Post-acquisition, the long remaining lease for the target property lengthens P-Life REIT's weighted average lease expiry to 10 years (versus 9.87 years previously), which is one of the longest among S-REITs. Gearing should remain conservative at 35% (versus 34% currently), well within the manager's long-term optimal range of 40%. Given low interest rates in Japan and relatively high yield spreads achieved from this acquisition, we estimate DPU to increase 1% post-acquisition (expected in 1QFY2015). Our price target is likewise increased to $2.66. — DBS Vickers Securities (Dec 1)

Sembcorp Marine (Dec 3: $2.91)

DOWNGRADE TO HOLD. Oil prices took a tumble in 2HFY2014 this year, taking many on the street by surprise. SembMarine has a net order book of $12.6 billion, with deliveries till 2019, and about half of this comprises drillships from Brazil. The widening corruption probe at Sete Brasil is threatening to impair its ability to finance its investments plans, and while existing contracts still seem to be going on, this move could affect new project awards from Brazil. On a more positive note, SembMarine may still see production-related work such as FPSOs and fixed platforms from other parts of the world. With oil prices likely to remain subdued and few visible positive re-rating catalysts in the near term, we lower our PER for our SOTP-based fair value from 14x to 12x, as well as our 2015 new order win assumption for the group from $4.5 billion to $2.5 billion, resulting in a fair-value estimate of $3.24 (prev. $4.18). — OCBC Investment Research (Dec 1)

Singapore Post (Dec 3: $1.915)

BUY. SingPost will acquire CP Holdings for A$95 million ($105 million) on a cash-free, debt-free basis from New Zealand Post on a "willing buyer-willing seller" basis. Australia is a big market for B2C ecommerce, growing to A$37 billion in 2016 as per eMarketer, implying a 37% CAGR over 2012 to 2016. Assuming that SingPost makes another $200 million worth of acquisitions at 12x to 15x PER, it may add $13 millon to $16 million, or 8% to 10%, to our FY2016F earnings. In addition, SingPost is incurring about $15 million in developmental expenses each year, mainly to hire and train people, which could continue for another two to three years. We expect SingPost to register healthy growth beyond that. Lastly, higher ecommerce volumes could surprise in FY2016F, as we have assumed only about $50 million worth of business from its Chinese e-commerce partner in our forecasts. DCF-based price target of $2.18 with 18% potential returns. — DBS Vickers Securities (Dec 3)

Tiger Airways Holdings (Dec 3: 33 cents)

MAINTAIN SELL. Tigerair announced that the Competition Commission of Singapore (CCS) had cleared Singapore Airlines' merger notification to acquire additional shares of Tigerair, relating to the undertaking provided by SIA to: 1) convert all its convertible securities into shares; 2) subscribe for all its pro-rata entitlement to Tigerair's rights shares after the conversion; and 3) subscribe any excess right shares up to a maximum amount of $140 million. This came after Tigerair had obtained approval-in-principle from SGX on Nov 5 as well as the approval of resolution by shareholders at EGM held on Nov 27, for its proposed 85-for-100 rights issue at 20 cents per rights share. Tigerair's shareholders also approved the resolution for the proposed sale of its 40% shareholding in Tigerair Australia to Virgin Australia. We expect Tigerair to continue to see losses at least in the next 12 to 18 months. Unchanged fair value estimate of 21 cents. — OCBC Investment Research (Dec 1)

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