HD Capital: Brokers' Digest

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Ascott Residence Trust (April 28: $1.20)

MAINTAIN HOLD. 1Q2014 DPU formed 20% of our and 22% of consensus full-year forecast, slightly below expectation due to a seasonally weak quarter. Same-store revenue per available unit (RevPAU) rose y-o-y for most countries with management contracts, as its properties recovered from a weak 2013. The bright spots were Japan, the UK and Belgium, which saw RevPAU in local currencies rising by 18%, 13% and 11% respectively on stronger demand from corporate and leisure travellers. ART's strategy of stability through the extended-stay model and growth through asset enhancement initiative (AEI) and acquisitions remains unchanged. However, its gearing of 35.9% is the highest among its hospitality peers, while FY2014-2015 dividend yields are slightly below peers. We reduce our FY2014-2016 DPU by 3% to 5% to adjust for slightly higher operating costs. — CIMB Research (April 24)

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CapitaRetail China Trust (April 28: $1.485)

MAINTAIN BUY. CapitaRetail China Trust (CRCT) reported 1Q2014 NPI of $32.3 million and distributable income of $19.6 million, representing a 25.0% and 13.2% y-o-y growth, respectively. DPU was up 3.9% to 2.40 cents. This makes up 25.1% of our FY2014 DPU forecast, which is in line with expectations. The improved performance was due to contribution from newly acquired CapitaMall Grand Canyon and strong rental reversions of 23.0% from its existing assets. Asset enhancement works for CapitaMall Minzhongleyuan are near completion, and about 90.0% of its total net lettable area (NLA) has been secured or is in advanced negotiations for leasing commitments. With the mall's scheduled reopening in 2Q2014, we expect it to provide additional rental uplift to CRCT's earnings. Fair value of $1.54 under review. — OCBC Investment Research (April 24)

Frasers Commercial Trust (April 28: $1.29)

MAINTAIN ADD. During 2QFY2014, both gross revenue and NPI decreased to $28.6 million (-3.7% y-o-y) and $21.7 million (-5.8% y-o-y), respectively. Although FCOT's top line was lower, DPU continued to grow by 3.2% y-o-y. The stronger DPU was mainly attributed to the redemption of convertible perpetual preferred units (CPPU) and the better performance in China Square Centra. During the quarter, its Singapore portfolio continued to achieve better performances with a higher NPI of 5.7% on the back of strong rental reversion ranging from 6.4% to 18.2%. FCOT offers a 6.8% FY2014 dividend yield and a 5.1% NPI yield. Compared with the sector average of 6.0% and 4.2%, respectively, we continue to see value in FCOT. Unchanged price target of $1.39. — CIMB Research (April 23)

Baidu Inc (April 28: US$150.93)

MAINTAIN OVERWEIGHT. Baidu provided reassurance on its core search growth outlook, guiding for 56% to 60% y-o-y top-line growth in 2Q2014 after 59% y-o-y growth in 1Q2014. Overall, we view Baidu's 1Q2014 result and 2Q2014 guidance as stronger than expected, thanks to continued growth and improvement of its core search business, while mobile continues to show accelerated growth with a narrowing CPC gap vs PCs, increasing click-thru rate, and improving return on investment (ROI). We maintain our positive view that with improving mobile core search traction, upside from PC Zhixin monetisation, and solid momentum from the iQiyi, Qunar and 91 Wireless gaming business, Baidu's overall growth prospects are progressing well, with potential margins rebounding once some of the discretionary marketing spend tapers off over time. Price target of US$232. — Barclays Research (April 25)

CDL Hospitality Trusts (April 28: $1.83)

MAINTAIN BUY. CDLHT posted a 15.3% y-o-y rise in 1Q2014 revenue to $43.8 million, bolstered by its Maldives resort acquisitions. Revenue would have been higher were it not for the weaker trading performance of its Australian hotels and partial closure of Mercure Brisbane for refurbishment. DPU rose 2.2% y-o-y to 2.75 cents. With the return of the biennial Singapore Airshow in February, CDLHT's Singapore hotels saw an improvement in 1Q2014 occupancy by 1.2 percentage points y-o-y to 88.2% and RevPAR (revenue per available room) edging up 0.5% y-o-y to $192. Its balance sheet remained strong, with a low gearing of 29.9%. The Maldives resorts did better than expected, contributing 12% of 1Q2014 NPI. We adjust our FY2014E-2016E DPU by close to 3% on better-than-expected performance from Maldives. Higher divident discount model (DDM)-derived price target of $1.91. — Maybank Kim Eng (April 28)

Genting Singapore (April 28: $1.325)

MAINTAIN SELL. Marina Bay Sands (MBS) reported a 10% y-o-y increase in 1Q2014 Ebitda to US$435.2 million ($546.7 million), mainly due to a VIP win rate of 3.41%, which was 90bps higher y-o-y. More ominously, VIP volume in US dollar terms plunged 29% y-o-y. Mass-market gross gaming revenue (GGR) did not help much either, easing 47bps y-o-y in US dollar terms. Assuming Resorts World Sentosa (RWS) commands a 51% VIP volume share (FY2013 average), we can expect Genting Singapore to report 1Q2014 VIP volume contraction of about 19% y-o-y to about $17 billion. Assuming normalised VIP win rate of 2.85%, we expect Genting Singapore to report 1Q2014 Ebitda of about $300 million, or below expectations. We trim our FY2014E/15E/16E earnings by 5%/3%/2% to account for higher depreciation for now. We also trim our price target from $1.26 to $1.24. — Maybank Kim Eng (April 25)

Cache Logistics Trust (April 28: $1.175)

MAINTAIN BUY. Revenue of $20.7 million (+8.2% y-o-y) and net property income (NPI) of $19.6 million (+8.2% y-o-y) resulted in 1Q2014 DPU of 2.14 cents (-4.2% y-o-y), -4% below our run rate of 2.24 cents. The lower y-o-y DPU was a result of private placement of 70 million units on March 27, 2013. In its earnings release, Cache announced that it had secured a contract for a new build-to-suit warehouse from DHL, to house the latter's Asia-Pacific HQ at Tampines LogisPark. This site accounts for 19% of Cache Logistics current portfolio by gross floor area (GFA) and is expected to lift earnings by around 2% on an annualised basis on completion with temporary occupation permit (TOP) in 2H2015. We maintain our FY2014F DPU estimate of 8.96 cents. Cache is currently trading at 7.6% FY2014F DPU yield. Price target of $1.42. — OSK DMG (April 24)

China Merchants Holdings (Pacific)(April 28: 96.5 cents)

MAINTAIN BUY. CMHP's 1Q2014 net profit of HK$148 million ($24 million) (+15% y-o-y) was largely in line with expectations. Toll road earnings rose 4.3% y-o-y to HK$159.6 million. CMHP's balance sheet continues to strengthen on firm cash flows, and with the disposal of its NZ property business completed on April 16 with proceeds of more than HK$350 million, the group is in a good position to make further toll road acquisitions to grow its business. Valuations are attractive at 0.9x FY2014 P/BV and 7.3% yield. We continue to like the company for its long-term, steady growth prospects, with potential for acquisition-driven expansion, and the stock for its attractive valuation of less than 1x P/BV and offering more than 7% dividend yield. Price target of $1.32. — DBS Vickers Securities (April 25)

GuocoLeisure (April 28: 96.5 cents)

MAINTAIN ADD. Following our meeting with GuocoLeisure, during which we were provided with a clearer picture of its refurbishment plan, we revise our FY2014-2016 earnings forecasts to reflect a more evenly spread impact of the refurbishment works at its five key London Hotels. FY2014's EPS is adjusted upwards by 62.8% (as we had previously incorporated a significant shortfall in FY2014 hotel revenue), while FY2015 and FY2016 numbers are cut by 8.1% and 16.9% respectively. Nevertheless, these adjustments have negligible impact on our revalued net asset value (RNAV)-based valuation. The company is trading at a heavy discount of 42% to CY2014's RNAV. Price target unchanged at $1.20, based on 30% discount to CY2014's RNAV. Key catalysts include value-unlocking activities such as the sale of non-core businesses. — CIMB Research (April 24)

CapitaMall Trust (April 28: $1.985)

MAINTAIN BUY. CapitaMall Trust (CMT) reported its 1Q2014 results on April 27. NPI grew 5.3% y-o-y to $114.3 million, while the amount available for distribution to unitholders rose 9.3% to $102.4 million. We note that $8.0 million cash has been retained for distribution in FY2014, and $5.3 million income from

CapitaRetail **China** Trust for working capital purposes. As a result, DPU for the quarter came in at 2.57 cents, 4.5% higher than that achieved in 1Q2013. This met 23.4% of both our and consensus full-year DPU projections. Looking ahead, CMT will continue to focus on executing its AEIs at Bugis Junction and Tampines Mall. In addition, it will also embark on Phase 2 AEI at IMM Building and reconfigure Level 2 of JCube to increase the retail offerings and enhance the shopping experience. Unchanged fair value of $2.20. — OCBC Investment Research (April 24)

Frasers Centrepoint Trust (April 28: $1.79)

MAINTAIN **BUY**. FCT reported 2QFY2014 DPU of 2.88 cents, up 6.7% y-o-y. This is largely within our view, given that first-half DPU of 5.38 cents met 47.8% of our FY2014F DPU. We note that portfolio occupancy has maintained steady at 96.8% (1Q: 96.7%), while rental reversions stayed robust at 9.3% (1Q: +2.5%) for the leases renewed during the quarter. Looking ahead, FCT reiterated that Causeway Point and Northpoint are expected to underpin growth within its existing portfolio, as both malls contribute to the bulk of the lease renewals in FY2014-2015. As announced on April 8, FCT has proposed to acquire Changi City Point for $305.0 **million**. We view this addition as timely, as it will provide another boost to DPU in an otherwise moderating growth portfolio. Unchanged fair value of $2.02. — OCBC Investment Research (April 23)

Mapletree **Commercial** Trust (April 28: $1.28)

MAINTAIN ADD. MCT reported 4QFY2014 revenue of $68.6 **million** (+12.9% y-o-y) and DPU of 1.953 cents (+12.4% y-o-y), mainly driven by the 37.6% rental uplift in leases at VivoCity. Meanwhile, the occupancy for the retail portfolio grew to 98.6% (from 97.5% in 4QFY2013), mainly attributed to the higher occupancy at Alexandra Retail Centre. The occupancy cost at VivoCity remained largely unchanged at 17%. Similarly, the office portfolio also posted good rental reversion of 19%, with occupancy of the office remaining steady at 97.9%. Looking ahead, with 16.3% of retail space and 7.5% of office space up for renewal in FY2014/15, we are confident that the high portfolio occupancy of 98.2% will be maintained. DDM-based price target is slightly higher at $1.33 (discount rate: 8.4%). — CIMB Research (April 23)

Roxy-Pacific Holdings (April 28: 57.5 cents)

INVEST. Roxy announced the **acquisition** of a A$90.2 **million** ($105 **million**) 28-storey **commercial** building in the Sydney CBD precinct. The 89%-occupied **commercial** building will raise Roxy's investment **property** revenue from $1.6 **million** in FY2013 to an estimated $4.6 **million** in FY2014; and $11.9 **million** in FY2015 on full-year contribution. We estimate that the building can provide Roxy with an annual pre-tax yield of 7.3% and up to 8.8% on full occupancy. As a result, forecast FY2015 net profit has been bumped up by $7.3 **million**, from $98.0 **million** to $105.3 **million**. The project enhances Roxy's return on its balance sheet, with scope for redevelopment upside at a later date. As such, we reduce our discount on RNAV from 20% to 18% (200bps), thus raising our valuation of the **company** to 72 cents. — Voyage Research (April 28)

StarHub (April 28: $4.10)

DOWNGRADE TO HOLD. In a surprise move, the regulator has blocked StarHub from charging extra for 4G services to customers whose contracts have not expired. StarHub has agreed to offer free promotional 4G services to its customers until their contracts expire, while new customers will have to pay extra $2.14 for the services from June 2014. With an estimated 55% of StarHub's postpaid customers already on contract 4G plans, StarHub will not be able to charge extra for 4G services to many over the next 12 months. As such, we trimmed FY2014F/2015F earnings by 1.2%/3.5%. Regulatory activism also means the telco's plan to charge premium price for priority data service using LTE-Advanced network in 2H2014F may be subject to regulatory scrutiny, too. StarHub is committed to fixed DPS of five cents each quarter. This translates into an 88% payout ratio. Price target of $4.30. — DBS Vickers Securities (April 24)

Wilmar Int'l (April 28: $3.49)

MAINTAIN **BUY**. Wilmar announced that the **group**, together with First Pacific, had made a proposal to acquire the entire issued share capital of Goodman Fielder (GFF) by way of a 50:50 joint venture. Under the proposal, shareholders of GFF would receive a cash offer of A$0.65 a share, or about A$1,271.1 **million**, for 100% of the 1,955,559,207 issued share capital. This represents a premium of around 23.8% over April 23's closing price of A$0.525, or 27.2% above the weighted average share price since April 2 of A$0.511. Wilmar currently has about US$1.3 **billion** of unutilised facilities (excluding trade financing) and about US$2.2 **billion** of unencumbered cash (excluding short-term investments). This should be more than enough for the proposed **acquisition**. We do not expect this **transaction** to have a material impact on Wilmar's balance sheet or income statement for FY2014. Price target of $3.92. — DBS Vickers Securities (April 28)

Singapore Exchange (April 28: $6.87)

MAINTAIN NEUTRAL. SGX Ltd announced 3Q2014 underlying net profit of $75.8 million, up 1% q-o-q and down 22% y-o-y. Total revenue was up by 1% q-o-q, but decreased 13% y-o-y to $165.6 million. 3Q2014 results beat our expectations on lower-than-expected expenses. Previously, we had forecast for full-year operating expenditure of about $320 million, hence we had expected a lower bottom line. Management has now revised their guidance on opex downwards by $10 million to $15 million, so we have revised our FY2014 EPS estimates upwards by 2%. Securities revenue was in line with our expectations. We revise our FY2014 EPS estimates upwards by 2% to 31 cents and note that dividend yield is currently attractive at 4.2%. Based on an unchanged multiple of 23x FY2014 earnings, we derive a revised price target of $7.04. — Phillip Securities Research (April 24)

Suntec REIT (April 28: $1.73)

MAINTAIN BUY. Suntec REIT posted a strong recovery in its 1Q2014 results, with NPI and distributable income rising 42.7% and 7.0% y-o-y to $43.8 million and $50.9 million respectively. The increase was due mainly to the opening of Suntec City Phase 1 and contribution from its recent acquisition in Sydney. Over the quarter, Suntec REIT continued to make significant progress on its leasing activities. On its capital management, we note that it has also signed an $800 million five-year unsecured loan facility to refinance the outstanding balance of its $1.1 billion loan facility due in 2014 and 2015. Together with the recent private placement to pre-pay its $350 million debt due in 2015, Suntec REIT no longer has any refinancing needs until 2016. Gearing is expected to drop to 33.9% from 37.3% currently, while average debt term will be extended to 4.2 years. Unchanged fair value of $1.85. — OCBC Investment Research (April 25)

Yanzhou Coal Mining Co

(April 28: HK$58.30, US$7.52)

UNDERWEIGHT. Headline EPS of RMB0.05 was 23% lower than our estimate of RMB0.07. Average selling prices were down 15% y-o-y. Aggressive cost reduction that started in 2H2013 continued, with unit cost down 17% y-o-y, putting the company in the black. Yanzhou has said it expects to make an attributable net profit of RMB700 million ($140.6 million) for 1H2014, which implies a 65% q-o-q improvement on the RMB265 million it reported this quarter. The company should be credited with making the best of a tough situation, but with operating margin of RMB30 per tonne on its mined coal, the margin for error is low if coal prices weaken from here. Our full-year estimate of EPS of RMB0.38 per share implies a significant profit recovery from 1Q2014 levels, but the stock is still not cheap at 12.5x PER on our numbers. Price target of HK$6.50. — Barclays Research (April 25)

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