

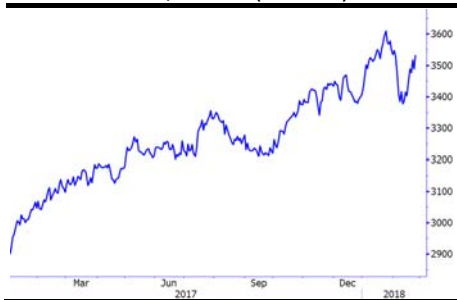
Market Indicators

	21-Feb	22-Feb	23-Feb
Mkt. T/O (S\$ mil)	1,552.6	1,715.7	1,403.0
Stock Advances	287	126	278
Stock Declines	156	328	153

Major Indices

	21-Feb	22-Feb	23-Feb
DJ Ind Avg	24,797.8	24,962.5	25,310.0
S & P 500	2,701.3	2,704.0	2,747.3
Nasdaq Comp	7,218.2	7,210.1	7,337.4
Hang Seng	31,431.9	30,965.7	31,267.2

STI Index 3,533.22 (+1.28%)

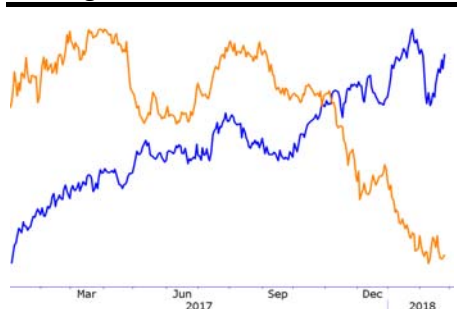


Source: Bloomberg

Commodities

	Current Price	% Chge from Close
Gold (SPOT) US\$ / oz	1,327.56	-0.15%
Oil (NYMEX CWT1) US\$ / bbl	63.57	1.47%
Baltic Dry Index	1185	1.54%

Exchange Rates



USD : SGD 1.3207 / MYR : SGD 2.9636
Source: Bloomberg

Interest Rates

3-mth Sibor	1.252%
SGS (10 yr)	2.375%

KGI Securities Research Team

Market Colour

Asian markets may be off to a positive start following the rebound in US equities and as US Treasury yields stabilised last week. Earnings season has been positive so far, providing support to equity markets. Key events to watch out for include new Fed Chairman Jerome Powell's first speech before the House committee on Tuesday.

The STI gained almost 3% WoW led by Venture (+16% WoW) and Yangzijiang (+6% WoW), with both companies due to report their full-year earnings this week. Expectations are high for Venture on several street upgrades just before it reports earnings this Wednesday. Elsewhere, notable insider buying included the CEO's of SingTel and StarHub purchasing more than S\$500,000 worth of their respective company's shares.

News

➤ **Frencken Group Limited (FRKN SP; HOLD; TP: S\$0.72):** Results in line; 2.39 SG cents dividend declared - Page 2

News

Notable insider trades: On Feb 15, StarHub CEO and executive director Tan Tong Hai acquired 200,000 shares at S\$2.59. This was the largest of the director acquisitions by value last week and took Mr Tan's direct interest in StarHub from 0.03% to 0.04%. Singtel's group CEO Chua Sock Koong acquired 150,000 Singtel shares in February at S\$3.36-S\$3.38 for a total consideration of S\$506,000, bringing her stake up to 0.0759%. Unusual's CEO Leslie Ong acquired S\$244,098 of his company's shares, taking his stake in the company up to 82.236%.

ComfortDelGro: Its subsidiary, SBS Transit, has clinched a S\$472mn deal to run 18 services in the Bukit Merah area, with there being cross-border routes into Johor Bahru. It beat five other bidders in a tender called by the LTA. The LTA on Friday announced the results of the latest tender, its fourth since the government embraced the bus contracting model in 2014. **We currently have a BUY call on ComfortDelGro with a fair value of S\$2.24. Dividend yields remain attractive at 4.5% to 5.0% over the next three years, which we think may provide support to its share price at these levels.**

Recent In-depth Regional Reports

23/2	TH Ananda Development (ANAN TB; Outperform; TP: Bt 7.00): 4Q17 earnings review: Earnings dragged by transfer slip
23/2	TH Banpu (BANPU TB; Outperform; TP: Bt 24.00): 4Q17 earnings review: Missed on power earnings
23/2	TH C.P. All (CPALL TB; Outperform; TP: Bt 86.00): 4Q17 earnings review: In line with our forecast
23/2	TH Carabao Group (CBG TB; Neutral; TP: Bt 68.00): Tough times
23/2	TH Glow Energy (GLOW TB; Neutral; TP: Bt 88.00): Defensive stock of the year
23/2	TH Malee Group (MALEE TB; Under Review; TP: Under Review): 4Q17 earnings review: Poor earnings due to cost pressure
23/2	TH Thai Wah PCL (TWPC TB; Outperform; TP: Bt 10.50): 4Q17 earnings review: Better than expected
22/2	TW Tehmag Foods (1264 TT; Outperform; TP: NT\$284.00): China sales recovery to lift shares out of doldrums

For full reports, please contact Research Department at 6202 1190 or sgp.researchcom@kgi.com



Frencken Group Limited

(FRKN SP/FREN.SI)

HOLD - Downgrade

Price as of 23 Feb 2018	0.67
12M target price (S\$)	0.72
Previous target price (S\$)	0.66
Upside (%)	8.2

Trading data

Mkt Cap (S\$m) / (US\$m)	277.1 / 209
Issued Shares (m)	416.7
Ave Daily Traded (3-Month) Vol / Val	1.0m / \$0.6m
52 week lo / hi	\$0.31 / \$0.69
Free Float	57.4%

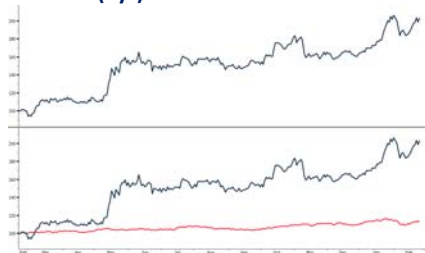
Major Shareholders

Gooi Soon Chai	22.0%
Lim Mee Hwa	6.0%

Previous Recommendations

Date	Rating	Share Price (S\$)	Target Price (S\$)
15-Nov-18	BUY	0.540	0.660
15-Aug-17	BUY	0.520	0.730
15-May-17	BUY	0.450	0.630

FRKN SP (1yr) VS STI



Source: Bloomberg

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See the last page for important disclosures.

Results in line; 2.39 SG cents dividend declared

Event

4Q17 in line; net cash position. Frencken reported a 4Q17 net profit of S\$5.2m (+19% YoY), in line with our expectations. The performance was mainly driven by its semiconductor, medical and analytical business segments. The group generated free cash flow of S\$9m for 2017 and cash inflow of S\$39m from divestments of several subsidiaries (e.g. Precico Electronics, NTZ). As a result, Frencken had a net cash position of S\$4.5m as at end 4Q17, compared to a net debt position of S\$40.3m as at end 4Q16.

Special dividends declared. The group declared 1.66 SG cents final and 0.73 SG cents special dividend for 2017, bringing full-year dividend to 2.39 SG cents (3.6% dividend yield). We expect the group to be able to pay dividend of 2.0 SG cents for 2018F based on a pay-out ratio of 33%, implying a 3.0% dividend yield.

Impact

Positive forward guidance. Frencken has guided for positive YoY growth in 1Q18 across all its business segments. Interestingly, the underperforming industrial automation segment is expected to pickup due to improvement in demand for production equipment for storage drivers. On a macro level and medium-term outlook, Eurozone business activity remains at a 12-year high according to IHS Market PMI data, providing a basis for sustained growth for the group. As a recap, ~50% of its sales is derived from Europe.

Valuation & Action

Downgrade to HOLD but accumulate on price weakness. Since our last report in Nov-17, Frencken's share price has gained 25% and has reached our target price. Thus, we downgrade to HOLD, with a fair value of S\$0.72 based on 12x 2018F EPS (previously 10x 2018F EPS). We continue to like Frencken's diversified business model and list of blue-chip customers, which helps provide stability in cash flows and dividend pay-outs. However, we would prefer to wait for opportunities to accumulate on price weakness.

Risks

Frencken's main business segments are cyclical in nature. A spending slowdown in its key business segments, namely semiconductor, automotive and analytical machines may impact margins and new orders. However, its track record has shown revenue resilience which may be due to the well-diversified mix of its business.

Financials & Key Operating Statistics

YE Dec (S\$m)	2016	2017	2018F	2019F	2020F
Revenue	466.4	515.1	540.8	567.9	590.6
PATMI	15.9	33.1	24.6	26.7	31.1
Core PATMI	15.9	23.0	24.6	26.7	31.1
Core EPS	3.9	5.6	6.0	6.5	7.6
Core EPS grth (%)	3.9	44.5	6.9	8.6	16.6
Core P/E (x)	17.1	11.9	11.1	10.2	8.8
DPS (SGCents)	1.2	2.4	2.0	2.0	2.2
Div Yield (%)	1.8	3.6	3.0	3.0	3.3
Net Margin (%)	3.4	6.4	4.5	4.7	5.3
Gearing (%)	18.8	-1.8	-14.4	-16.5	-24.1
Price / Book (x)	1.3	1.1	1.0	1.0	0.9
ROE (%)	7.4	13.3	9.4	9.5	10.3

Source: Company Data, KGI Research

STI Components and Key Metrics

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY18 (%)	Div Yield FY19 (%)
FINANCIALS								
DBS SP	DBS	29.59	75,865	2.0%	19.1%	4.6%	3.9%	4.0%
OCBC SP	OCBC	13.37	55,958	2.1%	7.9%	4.6%	3.1%	3.3%
UOB SP	UOB	28.07	46,666	2.0%	6.1%	3.8%	3.3%	3.5%
SGX SP	SGX	7.53	8,061	0.7%	1.8%	2.2%	4.0%	4.2%
PROPERTIES								
AREIT SP	Ascendas REIT	2.59	7,479	1.6%	(4.8%)	0.8%	6.2%	6.4%
CAPL SP	CapitaLand	3.59	15,230	1.1%	1.7%	0.6%	3.2%	3.3%
CCT SP	CapitaLand Comm Trust	1.69	6,098	0.0%	(10.5%)	(2.9%)	5.2%	5.3%
CT SP	CapitaLand Mall Trust	1.97	6,986	(0.5%)	(6.2%)	1.0%	5.6%	5.7%
CIT SP	City Development	12.66	11,512	0.5%	1.4%	(0.5%)	1.2%	1.2%
HKL SP	Hongkong Land USD	7.15	22,250	1.6%	1.6%	3.5%	2.8%	2.9%
UOL SP	UOL	8.38	7,056	1.1%	(5.5%)	0.5%	1.8%	1.8%
TELECOMMUNICATIONS								
ST SP	SingTel	3.38	55,192	0.9%	(5.3%)	1.5%	6.0%	5.4%
STH SP	StarHub	2.50	4,323	0.4%	(12.3%)	(2.7%)	6.3%	6.2%
CONSUMER SERVICES AND GOODS								
JCNC SP	Jardine C&C	37.83	14,952	2.6%	(7.0%)	(0.2%)	2.9%	3.2%
JM SP	Jardine Matheson USD	62.12	59,669	0.5%	2.3%	0.2%	2.6%	2.7%
JS SP	Jardine Strategic Holding	38.00	55,672	0.0%	(4.0%)	(0.9%)	0.9%	0.9%
GENS SP	Genting Singapore	1.30	15,651	0.8%	(0.8%)	4.8%	2.4%	2.4%
SPH SP	SPH	2.64	4,223	0.0%	(0.4%)	0.4%	5.2%	5.0%
THBEV SP	ThaiBev	0.81	20,340	(2.4%)	(10.0%)	(4.7%)	3.4%	3.7%
VMS SP	Venture Corp	26.66	7,617	6.5%	30.2%	16.4%	2.5%	2.5%
TRANSPORT								
SIA SP	Singapore Airlines	11.17	13,209	0.1%	4.7%	(1.8%)	2.7%	2.6%
CD SP	ComfortDelGro	2.00	4,327	1.0%	1.0%	(2.4%)	5.2%	5.4%
COMMODITIES								
GGR SP	Golden Agri	0.36	4,585	0.0%	(2.7%)	0.0%	1.8%	1.8%
WIL SP	Wilmar	3.13	19,800	3.0%	1.3%	3.3%	2.8%	3.0%
OFFSHORE & MARINE/INDUSTRIALS								
KEP SP	Keppel Corp	7.96	14,419	(0.1%)	8.3%	0.3%	3.3%	3.5%
SCI SP	Sembcorp Industries	3.24	5,782	(0.9%)	6.9%	0.6%	3.0%	3.5%
YZJSGD SP	Yangzijiang SGD	1.47	5,834	2.1%	0.0%	5.8%	3.3%	3.2%
SATS SP	SATS	5.20	5,815	(0.2%)	0.0%	0.0%	3.4%	3.5%
STE SP	ST Engineering	3.39	10,563	0.3%	4.0%	1.8%	4.6%	4.8%
HPHT SP	HPH Trust USD	0.36	4,148	0.0%	(9.6%)	2.9%	7.4%	7.5%

Dividend Yield based on Bloomberg consensus. Total return includes dividends.

Source: Bloomberg

STI Reserve List (by market cap) - STI next review date: March 2018

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY18 (%)	Div Yield FY19 (%)
SUN SP	Suntec REIT	1.93	5,136	1.0%	(9.1%)	(0.5%)	5.1%	5.2%
MCT SP	Mapletree Commercial	1.57	4,522	1.3%	(1.8%)	2.6%	5.7%	5.7%
KREIT SP	Keppel REIT	1.20	4,064	1.7%	(3.7%)	0.8%	4.9%	4.9%
SMM SP	Semcorp Marine	2.23	4,656	(4.3%)	21.2%	(11.5%)	0.9%	1.2%

Dividend Yield based on Bloomberg consensus. Total return includes dividends.

Source: Bloomberg

Appendix 1: Corporate Action

Company	Results Ann Date	Period	DPS	Ex-Date	Book Close	Payable	Share Price 23 Feb 18	Yield (%)
Karin Technology Hldgs	12-Feb-18	1H18 HKD	0.0680	1-Mar-18	5-Mar-18	15-Mar-18	SGD 0.325	1.1
Ireit Global	15-Feb-18	FY17 SGD	0.0288	5-Mar-18	7-Mar-18	15-Mar-18	SGD 0.790	3.6
Global Invts	20-Feb-18	FY17 SGD	0.00600	6-Mar-18	8-Mar-18	24-Apr-18	SGD 0.150	4.0
Tai Sin Electric	9-Feb-18	2Q18 SGD	0.0075	7-Mar-18	9-Mar-18	16-Mar-18	SGD 0.405	1.9
Qian Hu Corp Ltd	12-Jan-18	FY17 SGD	0.0020	10-Apr-18	12-Apr-18	25-Apr-18	SGD 0.200	1.0
M1	23-Jan-18	FY17 SGD	0.06200	18-Apr-18	20-Apr-18	27-Apr-18	SGD 1.790	3.5
Utd Overseas Insurance	5-Feb-18	FY17 SGD	0.1400	19-Apr-18	23-Apr-18	3-May-18	SGD 7.550	1.9
Utd Overseas Insurance - Special	5-Feb-18	FY17 SGD	0.0500	19-Apr-18	23-Apr-18	3-May-18	SGD 7.550	0.7
Great Eastern Hldgs	13-Feb-18	FY17 SGD	0.50000	20-Apr-18	24-Apr-18	8-May-18	SGD 30.410	1.6
Great Eastern Hldgs - Special	13-Feb-18	FY17 SGD	0.10000	20-Apr-18	24-Apr-18	8-May-18	SGD 30.410	0.3
Lee Metal Grp	20-Feb-18	FY17 SGD	0.0100	20-Apr-18	24-Apr-18	7-May-18	SGD 0.410	2.4

Latest Rights Issue Announcement

Company	Particulars	Ex-Date	Book Close	Rights Trading Period	
				From	To
SingHaiyi Group Ltd	1 Rts Share @ S\$0.100 for each Rts Share for every 2 existing ord shares	13-Feb-18	15-Feb-18	21-Feb-18	1-Mar-18
Vashion Grp	10 Rights Shares @ S\$0.005 for each Rights Share for every 1 existing Share held, 1 Warrant (exercise price S\$0.005) for every 2 Rights Shares subscribed	9-Feb-18	13-Feb-18	19-Feb-18	27-Feb-18

Source: SGX Announcement

Vashion Grp: Expected date for commencement of trading of warrants: 9.00 a.m., Wednesday, 14 March 2018

Company	Offer Price	Closing Date	Offeror
CWG Int'l	SGD 0.195 Cash	5.30 p.m. on 5 Mar 2018	Elidom Investment Co., Ltd

Source: SGX Announcement

Appendix 2: Financial Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
<p>26-Feb</p> <p>SG (Jan 2018): Index of Industrial Production</p> <p>Q4: AP Oil Int'l / Asian Pay Television Trust / Aspial Corp / Best World Int'l / First Ship Lease Trust / Halcyon Agri / Haw Par Corp / Maxi-Cash Financial Services / Pharmesis Int'l / Raffles Medical Grp / Sinarmas Land</p>	<p>27-Feb</p> <p>Q4: Fragrance Grp / Fuxing China Grp / Golden Agri-Resources / Hong Leong Finance / Htl Royal / mDR / Olam Int'l / Sino Grandness Food / Thakral Corp / UOL Grp</p>	<p>28-Feb</p> <p>Q2: Serrano</p> <p>Q4: China Aviation Oil Spore / China Everbright Water / China SunSine Chemical / City Developments / EC World REIT / Emerging Towns & Cities / Hiap Hoe / Ho Bee Land / LHT Hldgs / Mewah Int'l Inc / Spore Reinsurance Corp / Straco Corp / World Precision Machinery</p>	<p>1-Mar-18</p> <p>STI Review</p> <p>Q4: COSCO Shipping Int'l / Elec & Eltek Int'l / KrisEnergy / Vard Hldgs</p>	<p>2-Mar</p>
<p>5-Mar</p>	<p>6-Mar</p>	<p>7-Mar</p>	<p>8-Mar</p>	<p>9-Mar</p>
<p>12-Mar</p>	<p>13-Mar</p>	<p>14-Mar</p>	<p>15-Mar</p>	<p>16-Mar</p>
<p>19-Mar</p>	<p>20-Mar</p>	<p>21-Mar</p>	<p>22-Mar</p>	<p>23-Mar</p> <p>SG (Feb 2018): CPI Overall index and sub-indices</p>
<p>26-Mar</p> <p>SG (Feb 2018): Index of Industrial Production</p>	<p>27-Mar</p>	<p>28-Mar</p>	<p>29-Mar</p>	<p>30-Mar</p>

* Tentative

Source: Bloomberg

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