

STRATEGY – SINGAPORE

Alpha Picks: Add Frencken And Lendlease REIT, Remove Singtel And Singpost

Our Alpha Picks outperformed the STI by 0.8ppt in May 22, declining by 2.9% mom vs the STI's decline of 3.7%. For Jun 22, we add Frencken due to its attractive valuations and Lendlease REIT due to its organic growth from its new asset Jem. We have removed Singpost due to persistently high air freight rates. In addition, we have taken profit on SingTel as it has been a solid contributor to our portfolio performance.

WHAT'S NEW

- Outperforming in May.** Although our Alpha Picks portfolio fell 2.9% mom in May 22, it nevertheless outperformed the STI's 3.7% decline. Key stocks that outperformed for us were Venture (+7.4% mom), Thai Bev (+2.3%) and Keppel (+0.3%) while mm2 (-13.8% mom) and Singtel (-6.5%) underperformed.
- Adding Frencken and Lendlease REIT.** For June, we add Frencken as we view its current valuations as being inexpensive, trading at 2022E PE and EV/EBITDA of 7.5x and 3.4x respectively along with a prospective 4% yield. Lendlease REIT has been added as we like its organic growth from its new asset Jem, as well as its exposure to sequentially higher tourist arrivals which will benefit its Orchard Road asset.
- Taking out Singtel and Singpost.** We have taken profit on Singtel as it has done well for us, up 5% since inception into our portfolio. While we remain bullish on Singpost in the medium term, we have removed it as air freight rates have not shown signs of dropping and appear to remain elevated instead in the near term.

ANALYSTS' ALPHA PICKS*

Analyst	Company	Rec	Performance#	Catalyst
Clement Ho	AEM	BUY	-6.2	Beneficiary of Intel's aggressive capex
Jonathan Koh	Ascott Trust	BUY	23.2	A play on COVID-19 reopening in the EU & UK
Adrian Loh	CapitalLand Inv	BUY	4.8	Proxy to economic reopening after peak COVID-19, especially in the lodging business
Clement Ho	Frencken	BUY	-	Attractive valuations
Vincent Khoo/ Jack Goh	Genting Singapore	BUY	-1.3	A proxy to economic reopening with key catalysts, eg reopening of borders, better capital management and attractive 2023 yield
Adrian Loh	Keppel	BUY	-0.1	Merger & divestment terms announced with material value accretion to the company
Jonathan Koh	Lendlease REIT	BUY	-	Exposure to Orchard Road retail and organic growth from new asset Jem
Llleythan Tan	MM2	BUY	-19.4	Direct beneficiary of relaxation of COVID-19 restrictions in Singapore
Jonathan Koh	OCBC	BUY	4.5	Dividend yield expected to improve from 4.8% for 2021 to 5.4% for 2022
Roy Chen	SIA Engineering	BUY	-0.8	Immediate beneficiary of increased no. of flights
Llleythan Tan	Thai Beverage	BUY	6.1	Revival of Thai tourism; strong 1QFY22 results
John Cheong	Venture	BUY	1.8	Robust demand outlook

* Denotes a timeframe of 1-3 months and not UOB Kay Hian's usual 12-month investment horizon for stock recommendation

Share price change since stock was selected as Alpha Pick

Source: UOB Kay Hian

KEY RECOMMENDATIONS

Company	Rec*	Price (S\$)		Up/(down) to TP (%)
		1 Jun	Target	
AEM	BUY	4.51	5.60	24.2
Ascott Trust	BUY	1.14	1.32	15.8
CapitalLandInvest	BUY	3.90	4.13	5.9
Frencken	BUY	1.19	1.63	37.0
Genting SP	BUY	0.79	1.08	36.7
Keppel Corp	BUY	6.86	10.11	47.4
Lendlease REIT	BUY	0.835	1.01	21.0
MM2 Asia	BUY	0.054	0.12	113.0
O C B C	BUY	11.91	14.88	24.9
SIA Engineering	BUY	2.54	2.90	14.2
Thai Beverage	BUY	0.695	1.05	51.1
Venture Corp	BUY	17.93	22.80	27.2

* Rating may differ from UOB Kay Hian's fundamental view

Source: UOB Kay Hian

CHANGE IN SHARE PRICE

Company	Rec	May 22 ¹ (% mom)	To-date ² (%)
AEM	BUY	(4.6)	(6.2)
Ascott Trust	BUY	0.0	23.2
CapitalLandInvest	BUY	(3.1)	4.8
Genting SP	BUY	(2.5)	(1.3)
Keppel Corp	BUY	0.3	(0.1)
MM2 Asia	BUY	(13.8)	(19.4)
O C B C	BUY	(2.3)	4.5
SIA Engineering	BUY	(6.3)	(0.8)
SingPost	BUY	(5.6)	(4.9)
Singtel	BUY	(6.5)	5.7
ThaiBev	BUY	2.3	6.1
Venture Corp	BUY	7.4	1.8
UOBKH Portfolio		(2.9)	
FSSTI		(3.7)	

¹ Dividend adjusted

² Share price change since stock was selected as alpha pick

Source: UOB Kay Hian

PORTFOLIO RETURNS (%)

	2021	Mar 22	Apr 22	May 22
FSSTI return	9.8	5.1	-1.5	-3.7
Alpha Picks Return				
- Price-weighted	4.4	5.3	0.2	0.9
- Market cap-weighted	3.8	6.2	1.7	-2.5
- Equal-weighted	3.9	6.3	1.9	-2.9

Assumptions for the 3 methodologies:

4) Price-weighted: Assuming same number of shares for each stock; a higher share price will have a higher weighting.

5) Market cap-weighted: Weighting based on the market cap at inception date; higher market cap = higher weighting.

6) Equal-weighted: Assuming same investment amount for each stock; every stock will have the same weighting.

Source: UOB Kay Hian

ANALYST(S)

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Frencken Group – BUY (Clement Ho)

- Growth across most but the automobile segment.** Frencken Group's (Frencken) 1Q22 revenue of S\$198.4m (+9.3% yoy) was led by growth from the semiconductor (+15.5% yoy), analytical & life sciences (+16.7% yoy) and industrial automation segments, while sales in the medical segment remained relatively stable. However, the automobile segment (-10.7% yoy) was impacted by constrained customer demand as a result of: a) semiconductor chip supply chain challenges, and b) disruptions arising from the Russia-Ukraine conflict, which hosts assembly plants for automobile components ranging from electrical cables to catalytic converters and seatbelts.
- Continued growth in the semiconductor segment to buffer automobile slowdown.** We expect the semiconductor sub-segment to contribute 39% of 2022 revenue, an increase from 38% in 2021 (2020: 30%). The relatively more profitable semiconductor segment is anticipated to help bolster a sufficient buffer for the group amid the volatile period that the automobile industry is undergoing.
- Maintain BUY with a target price of S\$1.63,** pegged to 10.4x 2022F PE, or Frencken's historical mean PE range, as we believe the global automobile industry will face an extended period of slow production amid adjustments in the global supply chain. We maintain the view that the current forward PE valuation of 7.7x for Frencken is attractive due to its diverse stream of revenue sources, which would help the company stand out amid a volatile macro environment.

SHARE PRICE CATALYST

- Events:** a) Higher-than-expected factory utilisation rates, b) better-than-expected cost management.
- Timeline:** 6+ months.

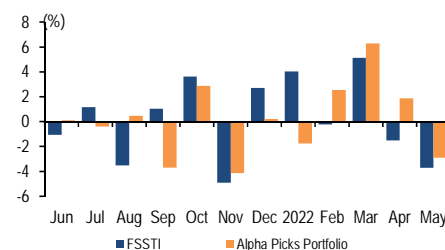
Lendlease Global Commercial REIT – BUY (Jonathan Koh)

- Maximising returns from JEM.** JEM attracts shopper traffic of 22m per year due to an attractive mix of anchor tenants, such as IKEA, FairPrice Xtra, Don Don Donki, H&M, and UNIQLO. It provides organic growth from positive rent reversion and annual rental escalation of 3.2%. Management plans to unlock additional NLA at level one (4,600sf) and basement one (850sf) to cater for demand for more retail space.
- Welcoming tourists back to 313@Somerset.** Visitor arrivals to Singapore have increased 43% mom to 294,304 in Apr 22 (19% of pre-pandemic levels). The return of tourists in 2H22, which typically accounts for 20-25% of shopper traffic, would restore shopper traffic at 313@Somerset back to pre-pandemic levels. Construction for the redevelopment of Grange Road Car Park into a multi-functional event space had commenced at end-21. The event space is expected to be operational by early-23 (18 months to complete).
- Reiterate BUY.** Our target price for LREIT of S\$1.01 is based on DDM (cost of equity: 6.25%, terminal growth: 1.2%).

SHARE PRICE CATALYST

- Events:** Reopening of Singapore's international borders with the vaccinated travel framework (VTF) would bring tourists back to 313@Somerset.
- Timeline:** 6-12 months.

PORTFOLIO RETURNS IN THE PAST 12 MONTHS (WE OUTPERFORMED FSSTI 7 OUT OF 12 MONTHS)



Source: Bloomberg, UOB Kay Hian

AEM Holdings – BUY (Clement Ho)

- **System-in-Package design shift to revolutionise semiconductor manufacturing.** Key customer Intel Corporation's (Intel) March IDM 2.0 strategy is a major bet that future demand and profitability lie in the packaging of modular dies (or chips), known as "tiles", which can squeeze more compute within a single package. Driving towards that goal, Intel intends to build new fabrication plants (fabs) for these new "tiled" chips, and is expected to outsource the production of certain modules. Existing capacity has also been earmarked for the foundry services market.
- **Sustained demand for AEM's total portfolio.** Intel's decision to maintain old fabs and build new ones means that AEM will enjoy: a) steady demand for its consumables and services, b) recurring but cyclical demand for equipment upgrades at Intel's old fabs, and c) demand for new equipment to test the new "tiled" chip products. That said, AEM provides mainly backend test equipment, where demand typically comes 6-9 months following the installation of front-end equipment at the new fabs. Additionally, management expects engagements with 10 of the top 20 global semiconductor companies to result in meaningful revenue contributions in 2H22 and beyond.
- **Acquisition of CEI to lead to cost savings.** We further estimate AEM to generate meaningful cost savings at the gross level of S\$5.6m-9.0m a year, by in-sourcing some of its production activities to CEI Limited (CEI). At the entity level, CEI is expected to also contribute S\$4.0m a year of incremental net profit to the overall group. We believe our estimates are conservative as we have not factored in further upside from capacity expansion in CEI's box-build business.
- **Maintain BUY.** We value the company at S\$5.60/share, implying 15.6x 2022F earnings. Our valuation is at a premium to the Singapore peer average forward PE of 10.1x. More direct competitors listed in the US and Japan trade at an average of 18.8x forward earnings.

SHARE PRICE CATALYST

- **Events:** a) Higher-than-expected revenue growth rates, b) better-than-expected cost management, and c) earlier-than-expected integration synergies with CEI.
- **Timeline:** 6+ months.

Keppel Corp – BUY (Adrian Loh)

- **Landmark merger.** Keppel Corp's (KEP) and SMM's merger announced on 27 Apr 22 has been gestating for a long time. In our view, the merger benefits both parties, both in the short and long term. For KEP, the divestment of Keppel Offshore & Marine (KOM) will allow it to focus more on asset-light and/or recurring-fee businesses.
- **Value accretion in place.** KEP's shareholders will realise approximately S\$9.4b over time, comprising of: a) S\$4.1b as consideration for the divestment of its legacy rigs and associated receivables, b) S\$4.9b as the pro forma estimate of the value of KOM, and c) S\$500m in cash from KOM to partially redeem certain perpetual securities previously issued to KEP. The transaction for KEP is more complicated relative to SMM's given that KEP's includes a transaction for its legacy rigs.
- **Maintain BUY.** We value KEP at S\$10.11 using a SOTP valuation methodology. Given the relatively more complex nature of the transaction, it may take time for the value of the merger to be realised; however, we believe that KEP's share price will react positively heading into the completion date in 4Q22.

SHARE PRICE CATALYST

- **Events:** a) Completion of merger with SMM and divestment of legacy rigs, and b) further divestment of non-core assets for capital recycling purposes.
- **Timeline:** 6+ months.

SIA Engineering – BUY (Roy Chen)

- **An immediate beneficiary of increasing flight activities.** SIA Engineering Company's (SIAEC) line maintenance service (about 50% of its pre-COVID-19 revenue) would immediately benefit from airlines' increasing flight activities at Changi Airport, which we believe would outpace the expected passenger volume recovery.
- **Positive core profit around the corner.** Within our Singapore aviation coverage space, SIAEC is likely the first to regain positive core net profit (ie excluding government grants). The consistent narrowing of core net losses over the past five quarters is an encouraging sign.
- **We rate SIAEC as a BUY with an FY23 DCF-based target price of S\$2.80.** SIAEC is our top sector pick.

SHARE PRICE CATALYST

- **Events:** a) Faster-than-expected earnings recovery from resumption of regional and global air travel, and b) resumption of dividend payment.
- **Timeline:** 3-6 months.

Venture – BUY (John Cheong)

- **VMS anticipates a robust demand outlook.** In its 2021 results, Venture Corporation (VMS) highlighted that it expects a robust demand outlook based on customers' orders and forecasts across various technology domains. Positive market momentum is also visible across instrumentation, test and measurement, networking and communications. In the list of VMS' customers that we track, all the customers are guiding for revenue growth for 2022. More importantly, we believe VMS could capture higher growth than its customers' revenue growth, given its ability to provide customised solutions for new product launches and entrance into new high growth domains including semiconductor and electric vehicles.
- **Easing of border restrictions globally should help improve component shortages.** In Feb 22, Hon Hai, the biggest assembler of iPhones, highlighted that a major improvement in part shortages is likely in the first quarter, with "overall supply constraints" set to ease in the second half of the year. In addition to this, the further easing of border restrictions globally should help to improve the component shortage issues, from easier access to labour and reduction of air freight rates.
- **Positive signal from recent share purchases of the Executive Chairman.** On 8 Nov 21, Mr Wong Ngit Leong, the Executive Chairman and largest shareholder of VMS, acquired 200,000 shares at S\$18.73/share. Previously, his acquisition of 566,300 shares at an average price of S\$14.45/share from Jul-Sep 17 turned out to be a strong positive signal as VMS's share price hit an all-time high of S\$29.50 in Apr 18.
- **Attractive valuation at 13x 2022F ex-cash PE.** Our target price of S\$22.80 is pegged to 19.5x 2022F earnings, +1SD above its forward mean PE. At the current price, VMS offers an attractive dividend yield of 4.5%.

SHARE PRICE CATALYST

- **Events:** a) Better-than-expected earnings or dividend surprise, and b) potential takeover.
- **Timeline:** 3-6 months.

MM2 – BUY (Llalleythan Tan)

- **Cinematic recovery.** Domestic cinema attendance is poised for recovery as Singapore completely removed capacity limits in cinemas starting 26 Apr 22. Heading into the June school holidays, a strong line-up of blockbuster movies has been planned with highly anticipated blockbuster movies helping to boost ticket sales. Dining-in and F&B consumption in cinemas, which are large and vital contributors of revenue, have also been permitted in both Singapore and Malaysia.

- **Robust core production pipeline.** Over the next 2-3 years, mm2's core production pipeline remains sizeable, amounting to S\$150m-190m. Currently, the group has over 30 projects that are in various stages of development, production and distribution. As production of films/tv series ramps up in FY22, mm2 is set to produce and distribute highly anticipated titles in new and existing markets.
- **Restart of live in-person concerts.** In-person concerts/shows have resumed as more countries gradually ease restrictions. Unusual Entertainment (Unusual) has already started producing sold-out shows and concerts in 1HFY22 and is expected to reveal more concerts in 2H22. The recently-announced Justin Bieber concert was sold out in one day, implying strong pent-up domestic demand for live in-person concerts.
- **We have a BUY rating on mm2 with a target price of S\$0.115** which is based on an SOTP valuation, with: a) the core production business at 11.4x (7x) FY22F EV/EBITDA, in line with larger peers, b) the cinema business at 7.4x (7x) EV/EBITDA, in line with larger peers, and c) Unusual (UNU SP) and Vividthree (VTH SP) at market value.

SHARE PRICE CATALYST

- **Events:** a) Film production delivery, b) full-easing of COVID-19 measures, and c) spinoff of the cinema business.
- Timeline: 3-6 months.

CapitaLand Investment – BUY (Adrian Loh)

- **Exciting growth in its fund management platform.** CapitaLand Investment (CLI) has >S\$120b in AUM which makes it one of the largest real estate investment managers in Asia. Of this, S\$86b are funds under management (FUM) and the company has plans to grow this to over S\$100b by 2023/24. We forecast FUM fee income to grow at a 13% CAGR over 2021-24. In addition, the company has >S\$10b in assets that it will look to monetise in the next few years. We have a BUY rating on CLI with an SOTP-based target price of S\$4.13.
- **Strong operational numbers in 1Q22.** CLI's solid 1Q22 revenue growth of 23% yoy to S\$665m displayed the strengths of its fee-related earnings as well as the resurgence of its lodging business. The company's outlook for 2022 remains strong with China potentially providing more earnings certainty should COVID-19 restrictions be lifted.
- **Lodging – potentially a major earnings driver for CLI in 2022.** While this business experienced difficult operating conditions in 2021, we highlight that 1Q22 saw a turnaround with CLI witnessing a 34% yoy increase in revenue per available unit (RevPAU) to S\$71 in 1Q22 (1Q21: \$53). This was led by Europe (+167% yoy) and Singapore (+40% yoy) with only China stagnating.

SHARE PRICE CATALYST

- **Events:** Evidence of earnings growth in the lodging business and growth in FUM at Apr 22's business update.
- Timeline: 3-6 months.

Aztech – BUY (John Cheong)

- **Optimistic on 2022 business outlook, backed by robust orderbook.** Aztech is optimistic on its 2022 business outlook as it expects its operations to benefit from: a) healthy global demand for IoT and data communication products, b) improving vaccination rates against COVID-19. To date, 98% of Aztech's employees in China had been fully vaccinated and 46% have received their third dose. In Malaysia, its manufacturing facility is back to operating at 100% workforce after achieving a plant-wide vaccination rate of 100% with close to 17% of eligible workforce being vaccinated with the third dose, and c) recording a robust orderbook of S\$762m as at 22 Feb 22, which is 22% higher than its 2021 revenue, indicating a strong revenue growth for 2022.

- **Easing of border restrictions globally should help improve component shortages.** In Feb 22, Hon Hai, the biggest assembler of iPhones, highlighted that a major improvement in part shortages is likely in the first quarter, with "overall supply constraints" set to ease in the second half of the year. In addition to this, the further easing of border restrictions globally should help to improve the component shortage issues, from easier access to labour and reduction of air freight rates. Malaysia reopened its border with Singapore on 1 Apr 22 which is positive news for Aztech's Johor plant.
- **China's operations remain intact.** Aztech has resumed full operations in its Dongguan plant on 21 Mar 22, after a closure for six days for all staff to undergo the PCR test. We understand that Aztech's facilities are currently enjoying high utilisation rates and it is managing the components shortages well on the back of: a) leveraging the strong brand name of customers, b) maintaining its good long-term relationship with suppliers, and c) modifying the product designs to switch reliance to parts that are more readily available.
- **Attractive valuation.** We do not believe that Aztech's 2022E PE of 7.4x is justified given that its peers are trading at above 10x. We continue to like Aztech as it is a proxy to high-growth IoT products, where we believe orders are just starting to ramp up in 2021 and would sustain into 2022. Maintain BUY. Target price: S\$1.55.

SHARE PRICE CATALYST

- **Events:** a) More order wins, b) better-than-expected cost management, and c) earnings or dividend surprise.
- **Timeline:** 2-6 months.

Thai Beverage – BUY (Llleythan Tan)

- **Complete removal of COVID-19 tests.** Shortly after scrapping the need for a negative pre-departure PCR test in Apr 22, Thailand eliminated on-arrival testing for all vaccinated travellers from 1 May 22 onwards. The minimum insurance coverage required was also further reduced from US\$20,000 to US\$10,000. In Vietnam, the country has fully reopened its international borders since 15 Mar 22, with only one negative PCR (72 hours pre-departure) or ART test (24 hours pre-departure/upon arrival) required before entering the country quarantine-free.
- **Transition to endemic living.** With the removal of the "Test & Go" Scheme starting 1 May 22, the cancellation of the "Thailand Pass" registration scheme is expected to take place next on 1 Jun 22, streamlining the travel process for international travellers. Thailand's authorities announced plans to debate allowing the kingdom's nightlife industry to reopen fully and legally which would lead to a revival in the country's bustling nightlife and alcohol consumption volumes.
- **Recent 1HFY22 core earnings were above expectations** with revenue up 9% yoy and core PATMI growing 13% yoy, forming 57.2% and 56.1% of our full-year estimates respectively. The company declared a similar interim dividend of Bt0.15 per share (1HFY21: Bt0.15), representing a 1HFY22 earnings payout ratio of 23.1%. The strong 1HFY22 outperformance was largely driven by a robust 2QFY22, with strong yoy contributions from the beer, non-alcoholic beverages (NAB) and food segments, backed by the full reopening of Thailand's international borders as well as the easing of social distancing measures. Maintain BUY with an SOTP-based target price of S\$1.05.

SHARE PRICE CATALYST

- **Events:** a) BeerCo IPO, and b) potential spin-off listing, and c) full reopening of bars in Vietnam and Thailand.
- **Timeline:** 6+ months.

Oversea-Chinese Banking Corporation – BUY (Jonathan Koh)

- **Three-year strategy refresh.** Oversea-Chinese Banking Corporation (OCBC) plans to tap on four growth drivers: a) rising wealth in Asia through hubs in Singapore and Hong Kong, b) ASEAN-China trade and investment flows, c) new economy and high-growth industries, and d) transition to a sustainable low carbon world. It will invest to strengthen its comprehensive regional franchise and accelerate digital transformation. Management aims to achieve growth at CAGR of above 10%.
- **Guidance for 2022.** Management guided mid-to-high single-digit loan growth for 2022. NIM is expected to be stable at 1.50-1.55%. Credit costs are expected to be 22-25bp (2021: 29bp). Management estimated that every 100bp increase in local interest rates will lead to NIM expansion of 18bp.
- **Benefitting from higher interest rates.** Fed Funds Rate is expected to reach 1.9% by end-22, which implies about six hikes totalling 175bp in 2022 (one of the hikes could be 50bp). We expect NIM to be unchanged at 1.55% in 2022 and expand 15bp to 1.70% in 2023.
- **Maintain BUY.** Our target price of S\$14.88 is based on 1.2x 2023F P/B, derived from the Gordon Growth Model (ROE: 9.8%, COE: 8.25%, growth: 0.5%). In our view, its 2022 P/B is very inexpensive at 1.04x.

SHARE PRICE CATALYST

- **Events:** a) OCBC's dividend yield improving from 4.5% for 2022 to 4.8% for 2023, and b) OCBC expected to benefit from NIM expansion in 2H22.
- Timeline: 6-12 months.

Ascott Residence Trust – BUY (Jonathan Koh)

- **The seventh consecutive quarter of sequential recovery.** RevPAU maintained an upward trajectory and increased 22% to S\$67 in 1Q22, powered by higher occupancy and higher average daily rates. Countries with large domestic markets, such as the US, the UK, Japan and Australia, registered the strongest recovery especially in Mar 22.
- **Value creation through asset recycling.** Ascott Residence Trust (ART) divested six properties at an average exit yield of 2% and total proceeds of S\$580m. The capital freed up was reinvested in 11 yield-accretive rental housing and student accommodation properties for total consideration of S\$780m and an average EBITDA yield of 5%. ART's longer-stay assets currently account for 17% of assets under management (AUM). Occupancy for its student accommodation properties was close to 100%.
- **Setting sights on a higher goal.** Management plans to raise the asset allocation target in longer-stay assets by 10ppt from 15-20% to 25-30% in the medium term.
- **Reiterate BUY.** Our target price of S\$1.32 is based on DDM (cost of equity: 6.25% and terminal growth of 1.8%).

SHARE PRICE CATALYST

- **Events:** a) Easing of travel restrictions and reopening of borders globally, and b) yield-accretive acquisitions in the student accommodation and rental-housing space.
- Timeline: 6-12 months.

Genting Singapore – BUY (Vincent Khoo, Jack Goh)

- **Market will eventually price in 2022-23 recovery.** Genting Singapore (GENS) is a major direct beneficiary of Singapore's COVID-19 national vaccination programme and reopening of the economy. We believe that valuations will partially factor in GENS' return to pre-pandemic earnings dynamics. We have a BUY rating on GENS with a target price of S\$1.08 which implies a 2022E EV/EBITDA of 8.8x, or -0.5SD to its historical mean.

- **Towards restoration of normalcy.** While Singapore has transitioned to its COVID-19 Resilience Phase since Nov 21, the nation has further relaxed some of its cumbersome standard operating procedures (SOP) and Resorts World Sentosa (RWS) has been allowed to operate with higher gaming capacity since Dec 21. We expect more inbound travel in 1H22 which will eventually benefit GENS as international patronage rebounds.
- **Significantly better capital management moving forward.** With GENS finally dropping its decade-long pursuit of clinching a pricey Japan integrated resort (IR) concession, and with no new compelling projects to consider, management is targeting to enhance capital management and to develop a dividend policy. Theoretically, the scope of the company's capital management can be significant, considering its net cash of S\$3.3b (27 S cents/share) and that post-pandemic EBITDA is largely sufficient to fund its S\$4.5b RWS 2.0 expansion.
- **Lush prospective yields.** We expect GENS' dividend yield to normalise to 4.7% in 2023, assuming revenue and cash flows recover back to pre-pandemic levels, and that GENS restores its 2019 dividend payout level of 4.0 S cents.

SHARE PRICE CATALYST

- **Events:** a) Wide dispensation of COVID-19 vaccines which will allow herd immunity, b) initiation of more Vaccinated Travel Lanes between Singapore and neighbouring countries, and c) appealing 2023 yield of >4%.
- **Timeline:** 3-6 months.

VALUATION OF ALPHA PICKS PORTFOLIO

Company	Ticker	Rec*	Price	Target	Upside	Last	----- PE -----			Yield	ROE	Market	Price/
			1 Jun 22	Price	To TP	Year	2021A	2022E	2023E	2022E	2022E	Cap.	NTA ps
			(\$)	(\$)	(%)	End	(x)	(x)	(x)	(%)	(%)	(\$m)	(x)
AEM	AEM SP	BUY	4.51	5.60	24.2	12/21	14.2	12.6	10.6	1.9	25.6	1,394.0	3.5
Ascott Trust	ART SP	BUY	1.14	1.32	15.8	12/21	48.8	45.3	27.2	4.5	2.0	3,747.0	1.0
CapitaLandInvest	CLI SP	BUY	3.90	4.13	5.9	12/21	10.2	12.7	11.4	3.1	6.7	20,005.0	1.2
Frencken	FRKN SP	BUY	1.19	1.63	37.0	12/21	8.7	7.6	6.3	4.0	16.7	508.2	1.4
Genting SP	GENS SP	BUY	0.79	1.08	36.7	12/21	52.0	26.5	13.7	3.2	4.5	9,536.9	1.2
Keppel Corp	KEP SP	BUY	6.86	10.11	47.4	12/21	12.2	14.7	13.6	2.8	7.1	12,232.7	1.1
Lendlease REIT	LREIT SP	BUY	0.835	1.01	21.0	6/21	47.4	35.2	26.0	4.2	3.6	2,422.5	1.4
MM2 Asia	MM2 SP	BUY	0.054	0.12	113.0	3/21	n.a.	10.2	5.5	0.0	5.8	150.7	0.5
O C B C	OCBC SP	BUY	11.91	14.88	24.9	12/21	11.1	10.8	9.9	4.7	9.3	53,548.7	1.0
SIA Engineering	SIE SP	BUY	2.54	2.90	14.2	3/22	42.2	31.0	20.0	2.4	5.6	2,851.2	1.8
Thai Beverage	THBEV SP	BUY	0.695	1.05	51.1	9/21	16.5	14.0	12.8	3.6	17.3	17,459.0	2.4
Venture Corp	VMS SP	BUY	17.93	22.80	27.2	12/21	16.7	15.3	14.1	4.5	12.3	5,212.3	1.9

* Fundamental rating and not related to the relatively shorter term Alpha Picks recommendation

Source: UOB Kay Hian

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