STRATEGY – SINGAPORE

Alpha Picks: Add ComfortDelGro, DBS And Yangzijiang, Remove OCBC

Our Alpha Picks outperformed the STI in 2Q22, declining by 3.1% vs the market's 9.0% fall. For June, however, we marginally underperformed the STI by 0.5ppt. For Jul 22, we add ComfortDelGro due to the potential for better business conditions in 2H22, and also Yangzijiang as we like its very inexpensive valuations and its defensive business for at least the next 12-18 months. We have taken out OCBC and replaced it with DBS as the latter is the most sensitive to interest rates in the Singapore banking sector.

WHAT'S NEW

- **Market review.** The shipbuilding and industrial sectors were clear outperformers in 2Q22 with all four stocks delivering positive absolute returns – the highlight was Yangzijiang Shipbuilding (YZJ) which rose 17% during the quarter. We attribute this partly to strong oil and gas prices and more importantly company-specific factors such as the announcement of the merger between Keppel Offshore Marine and Sembcorp Marine as well as the dividend in specie of YZJ's investments business. The sector which saw a torrid quarter was plantation, with all three stocks falling by double digits as CPO prices retreated.
- **Outperforming in 2Q22.** Our Alpha Picks portfolio outperformed during 2Q22, declining by 3.1% vs the STI's 9.0% fall. For the month of June however, our portfolio marginally underperformed the STI by 0.5ppt. The only stock in our portfolio that did not fall was MM2 (flat in June) while AEM (-8.8% mom) and Genting Singapore (-7.7%) underperformed.
- **Adding ComfortDelGro and YZJ.** For July, we add ComfortDelGro as we believe the stock's risk-reward is very favourable at present, given higher ridership domestically and in its key overseas markets. YZJ has been added as it has executed well on its projects in 2022; despite this, the company trades at a 2022F PE of 5.3x and yields 4.8%. We expect the company to re-rate as it wins more new orders in 2H22.
- **Taking out OCBC.** We have removed OCBC as its share price may see increased volatility in the near term due to investor concerns over the negative impact of a recession on the financial sector.
- **Switching horses in the financials sector.** We have taken out OCBC in favour of DBS as the latter is the most sensitive to interest rates in the Singapore banking sector on our estimates.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
John Cheong	AEM	BUY	-13.5	Beneficiary of Intel's aggressive capex
Jonathan Koh	Ascott Trust	BUY	22.2	A play on COVID-19 reopening in the EU & UK
Adrian Loh	CapitaLand Inv	BUY	1.9	Proxy to economic reopening after peak COVID-19, especially in lodging business
Llelleythan Tan	ComfortDelGro	BUY	n.a.	Improving ridership and footprint in key markets
Jonathan Koh	DBS	BUY	-	Most sensitive to interest rates among Singapore banks
John Cheong	Frencken	BUY	-6.7	Attractive valuations
Vincent Khoo/ Jack Goh	Genting Singapore	BUY	-9.4	A proxy to economic reopening with key catalysts, eg reopening of borders, better capital management and attractive 2023 yield
Adrian Loh	Keppel	BUY	-5.1	Merger & divestment terms announced with material value accretion to the company
Jonathan Koh	Lendlease REIT	BUY	-6.0	Exposure to Orchard Road retail and organic growth from new asset Jem
Llelleythan Tan	MM2	BUY	-17.9	Direct beneficiary of relaxation of COVID-19 restrictions in Singapore
Roy Chen	SIA Engineering	BUY	-5.5	Immediate beneficiary of increased no. of flights
John Cheong	Venture	BUY	-6.1	Robust demand outlook
Adrian Loh	Yangzijiang Ship	BUY	n.a.	Margin expansion at 1H22 results

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$) ---- 1 Jul	Target	Up/(down) to TP (%)
AEM	BUY	4.16	5.60	34.6
Ascott Trust	BUY	1.13	1.31	15.9
CapitaLandInvest	BUY	3.79	4.13	9.0
ComfortDelGro	BUY	1.40	1.73	23.6
DBS	BUY	29.49	38.78	31.5
Frencken	BUY	1.11	1.63	46.8
Genting SP	BUY	0.725	1.08	49.0
Keppel Corp	BUY	6.52	10.11	55.1
Lendlease REIT	BUY	0.785	0.95	21.0
MM2 Asia	BUY	0.055	0.115	109.1
SIA Engineering	BUY	2.42	2.70	11.6
Venture Corp	BUY	16.55	22.80	37.8
YZJ ShipBldg	BUY	0.945	1.16	22.8

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

CHANGE IN SHARE PRICE

Company	Rec	Jun 22[1] (% mom)	To-date[2] (%)
AEM	BUY	(8.8)	(13.5)
Ascott Trust	BUY	(1.7)	22.2
CapitaLandInvest	BUY	(3.3)	1.9
Frencken	BUY	(5.9)	(6.7)
Genting SP	BUY	(7.7)	(9.4)
Keppel Corp	BUY	(5.8)	(5.1)
Lendlease REIT	BUY	(3.0)	(6.0)
MM2 Asia	BUY	0.0	(17.9)
O C B C	BUY	(3.7)	(0.9)
SIA Engineering	BUY	(2.8)	(5.5)
Venture Corp	BUY	(7.2)	(6.1)
UOBKH Portfolio		4.5	
FSSTI		4.0	

[1] Dividend adjusted
[2] Share price change since stock was selected as alpha pick
Source: UOB Kay Hian

PORTFOLIO RETURNS (%)

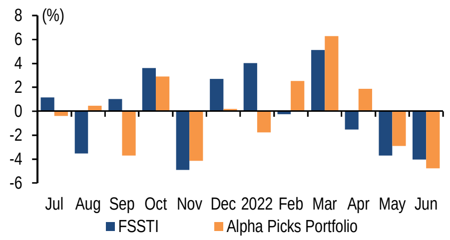
	2021	1Q22	2Q22	Jun 22
FSSTI return	9.8	9.1	-9.0	-4.0
Alpha Picks Return				
- Price-weighted	4.4	6.5	-4.2	-4.9
- Market cap-weighted	3.8	8.3	-3.9	-4.3
- Equal-weighted	3.9	5.3	-3.1	-4.5

Assumptions for the 3 methodologies:
1) *Price-weighted: Assuming same number of shares for each stock; a higher share price will have a higher weighting.*
2) *Market cap-weighted: Weighting based on the market cap at inception date; higher market cap = higher weighting.*
3) *Equal-weighted: Assuming same investment amount for each stock; every stock will have the same weighting.*

Source: UOB Kay Hian

PORTFOLIO RETURNS IN THE PAST 12 MONTHS

(WE OUTPERFORMED FSSTI 6 OUT OF 12 MONTHS)



Source: Bloomberg, UOB Kay Hian

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ComfortDelgro – BUY (Llelleythan Tan)

- **Transition to endemic living.** From 26 Apr 22, Singapore's authorities announced the easing of most of its social distancing measures, which includes the removal of group size limits, safe distancing no longer being mandatory and 100% of workers now being allowed to return to their respective workplaces. Also, Singapore's international borders have fully reopened, welcoming back international tourists. Backed by a population that is almost fully vaccinated, these favourable tailwinds would help underpin CD's public transport and taxi earnings as mobility improves.
- **Improving ridership.** SBS Transit experienced a strong recovery in rail ridership for May 22 (+56.8% yoy, +4.6% mom), forming 81% of pre-pandemic levels (May 19). We reckon that this was due to more office workers returning to office spaces and the removal of dine-in group size limits. According to Land Transport Authority (LTA), passenger demand for point to point trips has gradually improved, albeit seeing slight dips due to COVID-19 outbreaks. Overall, we expect rail and taxi ridership to reach near pre-pandemic levels by 1Q23.
- **Increased ridership and footprint in key markets.** With the exception of China, ridership levels in key markets have increased as most social distancing restrictions have been relaxed. The UK and Australia have also transitioned to endemic living with the resumption of international travel. In Australia, CD was awarded a new public bus contract that is expected to commence on Jul 22, worth around A$220m and would boost our 2022-24 PATMI estimates by 2-3%.
- **Maintain BUY with a 2022F PE-based target price of S$1.73**, pegged to CD's average five-year mean PE of 16.4x. The higher target price is due to higher 2022 earnings forecasts from the new Northern Territory contract.

Share Price Catalyst

- **Events:** a) Bus tender contract wins, b) earnings-accretive overseas acquisitions.
- **Timeline:** 6+ months.

DBS Group Holdings – BUY (Jonathan Koh)

- DBS is most sensitive in the Singapore banking sector to higher interest rates due to its high CASA ratio of 76%, which is highest amongst the three Singapore banks. We expect DBS' NIM to expand by 9bp to 1.54% in 2022 and 43bp to 1.97% in 2023. We forecast earnings growth of 15.9% in 2023 and 9.7% in 2024.
- We expect DPS of S$1.44 in 2022 and S$1.48 in 2023, which represents dividend payout ratios of 56.4% and 50.0% respectively. DBS provides dividend yields of 4.8% for 2022 and 4.9% for 2023.
- Maintain BUY. Our target price of S$38.78 is based on 1.69x 2023F P/B, derived from the Gordon Growth model (ROE: 13.3%, COE: 8.5% (previous: 8.25%), growth: 1.5%).

Share Price Catalyst

- **Events:** a) Rapid NIM expansion starting 3Q22, and b) dividends increasing in tandem with NIM expansion and growth in earnings.
- **Timeline:** 6-12 months.

Yangzijiang Shipbuilding – BUY (Adrian Loh)

- **Executing well in 2Q22.** Our channel checks indicate that YZJ has had a very busy 2Q22 to date with around 18 vesssels having been delivered (see table overleaf). Importantly, we note that three of its 2Q22 deliveries were for the larger class of containerships (ie larger than 10,000TEU) which we believe should generate higher shipbuilding margins for YZJ in 2022.

- **Impressive operational performance, especially in light of external hurdles.** In our view, these deliveries are even more impressive in light of the challenges that it and its suppliers have faced due to China's "dynamic zero-COVID" strategy with disruptions and delays to the domestic and international supply chain as well as labour issues. YZJ had previously disclosed that it has a target of delivering 60 vesesels in 2022 – given that 34 of these vessels have been delivered thus far, the company could potentially exceed this and achieve its stretch target of 70 vessels.

- **Maintain BUY with SOTP-based target price of S$1.16.** YZJ currently trades at a 2022 PE of 5.4x which is a 17% discount to, and 1SD below, its five-year average of 6.6x. While its 2022F P/B of 1.1x is higher than its past five-year average of 0.7x, we highlight that the company is forecast to increase its ROE from 10.8% in 2021 to 12.8% in 2022. In addition, assuming that YZJ maintains a payout ratio of 25% for 2022 (2021: 26%), the stock would yield 4.7% and thus providing downside support to the share price.

Share Price Catalysts

- **Events:** a) Evidence of margin expansion in 1H22 results, b) new order wins.

- **Timeline:** 6+ months.

Frencken Group – BUY (John Cheong)

- **Growth across most segments except automobile.** 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 (Ukraine hosts assembly plants for automobile components ranging from electrical cables to catalytic converters and seatbelts).

- **Continued growth in 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 Catalysts

- **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 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$0.96 is based on DDM (cost of equity: 6.25%, terminal growth: 1.2%).

Share Price Catalysts

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

AEM Holdings – BUY (John Cheong)

- **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, 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 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, b) further divestment of non-core assets for capital recycling purposes
- **Timeline:** 6+ months.

SIA Engineering – BUY (Roy Chen)

- **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 a FY23 DCF-based target price of S$2.80.** SIAEC is our top sector pick.

Share Price Catalysts

- **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)

- **Anticipates 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 in air freight rates.
- **Positive signal from recent share purchases of 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.
- **Maintain BUY. 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 Catalysts

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

MM2 – BUY (Llelleythan Tan)

- **Cinematic recovery.** Domestic cinema attendance is poised for recovery as Singapore has 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 food and beverage consumption in cinemas, a large and vital contributor of revenue, has also been permitted in 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.
- **Maintain BUY rating on mm2** with a target price of S$0.115 which is based on a SOTP valuation, with: a) core production business at 11.4x (7x) FY22F EV/EBITDA, in line with larger peers; b) 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 Catalysts

- **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 invesment 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.
- **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.
- Maintain BUY rating on CLI with a SOTP-based target price of S$4.13.

Share Price Catalysts

- **Events:** Evidence of earnings growth in 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 have 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 rate. Malaysia reopened of its border with Singapore on 1 Apr 22 which is positive news for Aztech's Johor plant.
- **China's operations remain intact.** Aztech resumed full operations in its Dongguan plant on 21 Mar 22, after a closure for six days for all the staffs to undergo PCR testing. 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 7.0x 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 Catalysts

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

Ascott Residence Trust – BUY (Jonathan Koh)

- **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 rate. 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$1.33 is based on DDM (cost of equity: 7.5% and terminal growth of 2.0%).

Share Price Catalysts

- **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.
- **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.
- 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.

Share Price Catalysts

- **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 TABLE FOR ALPHA PICKS PORTFOLIO

Company	Ticker	Rec*	Price 1 Jul 22 (S$)	Target Price (S$)	Upside To TP (%)	Last Year End	PE 2021A (x)	PE 2022E (x)	PE 2023E (x)	Yield 2022E (%)	ROE 2022E (%)	Market Cap. (S$m)	Price/ NTA ps (x)
AEM	AEM SP	BUY	4.16	5.60	34.6	12/21	13.1	11.6	9.7	2.1	25.6	1,285.9	3.2
Ascott Trust	ART SP	BUY	1.13	1.31	15.9	12/21	48.3	41.7	25.8	4.7	2.1	3,714.1	1.0
CapitaLandInvest	CLI SP	BUY	3.79	4.13	9.0	12/21	9.9	12.4	11.1	3.2	6.7	19,408.9	1.2
ComfortDelGro	CD SP	BUY	1.40	1.73	23.6	12/21	23.3	13.3	11.1	5.0	8.3	3,033.6	1.1
DBS	DBS SP	BUY	29.49	38.78	31.5	12/21	11.3	11.6	10.0	4.9	11.6	75,893.5	1.4
Frencken	FRKN SP	BUY	1.11	1.63	46.8	12/21	8.1	7.1	5.8	4.2	16.7	474.0	1.3
Genting SP	GENS SP	BUY	0.725	1.08	49.0	12/21	47.7	24.3	12.6	3.4	4.5	8,752.2	1.1
Keppel Corp	KEP SP	BUY	6.52	10.11	55.1	12/21	11.6	13.9	12.9	2.9	7.1	11,546.2	1.0
Lendlease REIT	LREIT SP	BUY	0.785	0.95	21.0	6/21	45.3	35.8	26.3	4.2	2.8	2,492.0	1.4
MM2 Asia	MM2 SP	BUY	0.055	0.115	109.1	3/22	n.a.	16.1	8.0	0.0	4.8	153.5	0.5
SIA Engineering	SIE SP	BUY	2.42	2.70	11.6	3/22	40.2	29.5	19.0	2.5	5.6	2,716.5	1.7
Venture Corp	VMS SP	BUY	16.55	22.80	37.8	12/21	15.4	14.2	13.0	4.8	12.3	4,816.3	1.8
YZJ ShipBldg SGD	YZJSGD SP	BUY	0.945	1.16	22.8	12/21	4.7	5.4	4.4	4.7	12.8	3,733.3	0.5

** Fundamental rating and not related to the relatively shorter term Alpha Picks recommendation*
Source: UOB Kay Hian

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