STRATEGY – SINGAPORE

Alpha Picks: Strong Performance. Add CENT, CVL, SIAEC And Remove CD, MPACT, YZJ, RSTON

For May 24, our Alpha Picks portfolio rose 3.8% mom on an equal-weighted basis, beating the STI by 2.5ppt. The outperformance of our portfolio was driven by YZJ and RSTON, while SCI and CD underperformed in May 24. Our Alpha Picks portfolio has outperformed the STI in four out of the past five months. For Jun 24, we add CENT, CVL and SIAEC while removing CD, MPACT, YZJ and RSTON.

WHAT'S NEW

- **Market review.** Driven by a strong end to the US corporate earnings season, positive investor sentiment drove the US markets to record-highs in the early half of May 24, boosting global markets higher. However, sticky inflation data coupled with stronger-than-expected economic data increased the likelihood of interest rate cuts being delayed, offsetting some of the earlier gains in the latter half of May 24. However, the STI still ended up in positive territory, increasing 1.3% mom for May 24.

- **Strong beat.** Our Alpha Picks portfolio recorded a positive performance in May 24, increasing 3.8% mom on an equal-weighted basis and outperforming the STI by 2.5ppt. Also, on a market-cap weighted basis, our Alpha Picks portfolio increased by 4.6% mom and bettered the STI further by 3.3ppt.

- **Star performers.** Our top performers in May 24 were YZJ Shipbuilding (YZJ, +29.5% mom) and Riverstone (+20.1% mom). YZJ surged sharply on the back of positive orderbook momentum while Riverstone rose due to a surprise interim dividend declared and better sequential earnings. Our underperformers include Sembcorp Industries (-5.2% mom) which saw profit-taking while ComfortDelgro (CD, -4.2% mom) was dragged by a soft 1Q24 business update. However, both Sembcorp Industries (+73.0%) and CD (+10.3%) have performed well to date since their additions into our Alpha Picks portfolio.

ACTION

- **We add CENT, CVL, SIAEC and remove CD, MPACT, YZJ, RSTON.** For CENT, it should continue to see upward rental reversions in 2024 backed by positive industry trends, while CVL would likely post stronger earnings from more order wins. SIAEC is expected to benefit from an improved outlook and earnings recovery. We take profit on CD (+10.3%), YZJ (+35.7%) and RSTON (+35.6%) as these picks have done well since their additions while also removing MPACT from our portfolio.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Adrian Loh	Sembcorp Ind	BUY	73.0	Announcement of renewables acquisitions
Adrian Loh	Centurion Corp	BUY	n.a.	Continued positive rental reversions
Roy Chen	SIA Engineering	BUY	n.a	Positive outlook and earnings recovery.
Jack Goh	Genting Singapore	BUY	2.8	Main beneficiary for international tourism recovery.
Chong Lee Len	SingTel	BUY	4.2	Higher 2HFY24 dividend.
Heidi Mo	Marco Polo Marine	BUY	28.3	Higher-than-expected utilisation & offshore activity.
John Cheong	Civmec	BUY	n.a.	Higher-than-expected contract wins and margins.
John Cheong	CSE Global	BUY	-4.7	Higher earnings from record-high orderbook.
John Cheong	Frencken Group	BUY	39.4	Better-than-expected sequential earnings.
John Cheong	Venture Corp	BUY	7.7	Earnings recovery and higher-than-expected dividends
Jonathan Koh	Far East Hospitality Trust	BUY	2.4	Recovery in occupancy, ADR and RevPAR in 2024.
Jonathan Koh	OCBC	BUY	17.3	Attractive dividend yield; less susceptible to NIM compression.

** 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$) 31 May	Price (S$) Target	Up/(down) to TP (%)
Centurion	BUY	0.53	0.77	45.3
Civmec	BUY	0.805	1.23	52.8
CSE Global	BUY	0.41	0.56	36.6
Far East HTrust	BUY	0.63	0.82	30.2
Frencken	BUY	1.45	1.74	20.0
Genting SP	BUY	0.91	1.25	37.4
MarcoPolo Marine	BUY	0.068	0.086	26.5
O C B C	BUY	14.51	18.1	24.7
Sembcorp Ind	BUY	5.09	7.49	47.2
SIA Engineering	BUY	2.34	2.70	15.4
SingTel	BUY	2.48	2.99	20.6
Venture Corp	BUY	14.02	16.37	16.8

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

CHANGE IN SHARE PRICE

Company	Rec	May-24 (%)	To Date (%)
ComfortDelGro *	BUY	(4.2)	10.3
CSE Global *	BUY	0.0	(4.7)
Far East HTrust	BUY	2.4	2.4
Frencken *	BUY	0.9	39.4
Genting SP *	BUY	1.6	2.8
MPACT*	BUY	(1.4)	(3.2)
MarcoPolo Marine	BUY	(2.9)	28.3
O C B C *	BUY	4.8	17.3
Riverstone *	BUY	20.1	35.6
Sembcorp Ind	BUY	(5.2)	73.0
SingTel	BUY	4.2	4.2
Venture Corp *	BUY	0.0	7.7
YZJ ShipBldg SGD	BUY	29.5	35.7
FSSTI		1.3	
UOBKH Portfolio		3.8	

** Adjusted for DPS for the monthly performance*
Source: UOB Kay Hian

PORTFOLIO RETURNS (%)

	2023	4Q23	1Q24	Apr-24	May-24
FSSTI return	-0.3	0.7	-0.5	2.1	1.3
Alpha Picks Return					
- Price-weighted	-8.2	-0.4	8.9	1.5	2.5
- Market cap-weighted	2.0	-0.1	4.0	0.5	4.6
- Equal-weighted	8.7	2.2	13.7	0.4	3.8

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

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Sembcorp Industries – BUY (Adrian Loh)

- **Conventional energy remains a strong contributor.** After witnessing a 30% yoy increase in net profit for this segment in 2023, SCI remains bullish, guiding for this business to "remain robust" in 2024 underpinned by its significantly contracted position. Note that on a group-wide basis, 62% of its gas portfolio is contracted, while in Singapore, this is a significant 74% (with average tenure of 12 years) which generates cashflow certainty over the long term. This however will be offset slightly by a 60-day planned shutdown of its Singapore cogeneration assets to ensure its continued efficiency and high reliability

- **Renewables the growth engine.** In the 14 months to Mar 24, SCI grew its gross and installed renewables capacity by 4.0GW to 13.8GW respectively and in our view should comfortably achieve its stated target of 25GW by 2028. While it acquired portfolios totalling 292MW in China and a further 228MW in India in 2023, it was also heartening to note that it saw organic growth in key partnership platforms. Of note was the company's acquisition of a 245MW portfolio in Vietnam which comprised solar, wind and hydro.

- **Maintain BUY with a target price of S$7.49** based on a target PE multiple of 13.6x. The target PE multiple is 1.5SD above the company's 2018-24 average PE of 8.8x (excluding 2020 where the company reported impairment-related losses).

SHARE PRICE CATALYSTS

- **Events:** a) Value-accretive acquisitions in the green energy space, and b) potential to increase targets for its gross renewables capacity.

- **Timeline:** 6+ months.

Centurion Corp – BUY (Adrian Loh)

- **Strong growth from its Singapore portfolio.** Centurion's positive 1Q24 business update saw its key Purpose Built Workers' Accommodation (PBWA, 76% of revenue) segment witnessing a 31% yoy revenue increase due to its Singapore assets which saw slightly higher occupancy rates (1Q24: 99%). Importantly, the company saw stronger accretion from the healthy rental reversions witnessed in 4Q23. With its ability to pass on inflation and higher costs, it would appear that profit margins have easily been maintained or even expanded, in our view.

- **Student accommodation – Full steam ahead.** Similar to its PBWA assets, the company's Purpose Built Student Accommodation (PBSA, 24% of revenue) segment saw a material 25% yoy increase given the seasonality of student entries into its Australian assets. As a result, financial occupancy at its UK and Australian PBSA assets were 99% and 90% respectively. Both geographic segments continue to witness robust pre-bookings for the forward academic years, and rental increases have tracked at around 8-10% yoy.

- **Maintain BUY with a target price of S$0.77,** which is based on a target PE multiple of 7.9x and in-line with Centurion's average PE over the past 10 years.

SHARE PRICE CATALYSTS

- **Events:** a) Successful capital recycling efforts or capacity expansions involving JVs could result in a more asset-light business model that thus requires less capital intensity, and b) higher-than-expected dividend payout in 2024.

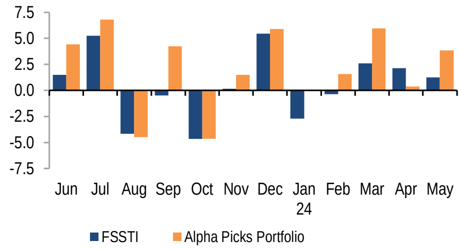
- **Timeline:** 6-12 months.

SIA Engineering – BUY (Roy Chen)

- **Positive outlook and earnings recovery.** SIA Engineering (SIAEC) remains a good proxy to ride the Changi Airport flight activity recovery and benefits from increased MRO service

PORTFOLIO RETURNS IN THE PAST 12 MONTHS

(WE OUTPERFORMED FSSTI 10 OUT OF 12 MONTHS)



Source: Bloomberg, UOB Kay Hian

demand driven by: a) the post-pandemic recovery of flight activities, and b) airlines potentially keeping their older fleets for longer due to expected delays in new aircraft deliveries by Airbus and Boeing related to supply chain issues as well as the questionable reliability of certain newer aircraft models such as Boeing 737 Max 9. SIAEC's 49%-owned Eagle Services Asia, a JV with engine OEM Pratt & Whitney (P&W), is set to benefit from P&W's recall of 3,000 geared turbofan (GTF) engines for earlier-than-expected inspections for possible defects. Driven by the abovementioned factors, we are looking at a 68% yoy earnings growth in FY25.

- **Strong balance sheet with sizeable net cash position.** SIAEC had net cash of over S$641m as at end-FY24, equivalent to 25% of its current market cap. This sizeable net cash position earns SIAEC decent interest income (over S$20m by our estimate) in the high interest rate environment and allows the company to eye potential acquisition opportunities to expand its regional network.
- **Maintain BUY with a target price of S$2.70.** With a demanding valuation along with further dividend recovery, SIAEC currently trades at FY26F PE of 15.1x, or 11.4x only if excluding its net cash position. With profitability recovery, we project a 12 S cents dividend for FY25 leading to a yield of 5.2%. Share price downside should be limited by the company's proactive share buybacks.

SHARE PRICE CATALYSTS

- **Events:** a) Organic earnings recovery, b) dividend recovery, c) possible M&As.
- **Timeline:** 6 months.

Genting Singapore – BUY (Jack Goh)

- **2024 features confluence of positive catalysts.** Genting Singapore's (GENS) upbeat prospects include: a) accelerated recovery of foreign visits and flight frequencies, b) major entertainment events in 1H24 which include Coldplay, Mayday and Taylor Swift's concerts, c) sustained trend of higher average spending in Resort World Sentosa (RWS), d) earnings accretion from Hotel Ora (launched in May 23) which will lift key inventories by about 30% yoy, and e) RWS' intensified digital marketing efforts through leading to higher footfall and spending.
- **Visa-free scheme with China elevating outbound patronage.** To recall, a 30-day visa exemption arrangement between China and Singapore was implemented in early-Jan 24. In Feb 24, we observed a spike in Chinese visitor arrivals immediately after Singapore's implementation of the visa-free scheme for Chinese visitors. Subsequently, China's top-three airlines' international flight capacity further recovered to 74-89% of pre-pandemic levels as of Mar 24 (4Q23: c.70%). Note that Chinese visitors respectively made up 19%/20% of Singapore's pre-pandemic tourist arrivals in 2018/19.
- **Signs of foreign tourist visitations continue to be positive.** According to the Singapore Tourism Board (STB), tourist arrivals in Mar 24 recovered to c.95% of pre-pandemic level (4Q23: 73%). On a seasonally and month-length adjusted basis, international visitor arrivals to Singapore continued to recover, from 92.5% of pre-pandemic levels in Feb 24 to 94.6% in Mar 24. We continue to expect steady improvement in foreign visitations in 2024 as intra-Asia flight capacities are slowly restored to pre-pandemic levels, which should result in GENS' GGR significantly exceeding 2019's level.
- **RWS' premiumisation to bear fruit over mid- to long-term horizon.** We retain our view that RWS' ongoing revamp will allow it to capitalise on the thus-far sustained higher spending per capita at the integrated resort, with the premiumisation being led by its non-gaming segment. Spending per capita has also risen markedly since Singapore emerged from the COVID-19-related lockdown, with spending at the theme park and average hotel room rate rising c.20% and >50% from pre-pandemic levels
- **Healthy balance sheet and huge cash pile.** With the pandemic-related disruptions largely

over, we believe that management now has more flexibility to better utilise its sizeable capital which includes net cash of S$3.6b (29.8 S cents/share) as of end-1Q24. After dropping its decade-long pursuit of clinching a pricey Japan IR concession last year, we also do not rule out GENS pursuing potential brownfield and greenfield opportunities in the region.

- **Maintain BUY with target price of S$1.25,** which implies 9x 2024F EV/EBITDA (-0.3SD below 10-year mean).

SHARE PRICE CATALYSTS

- **Events:** a) Stronger recovery in Chinese tourists' patronage following higher flight frequency, b) better capital management following the recent withdrawal of its Japan IR pursuit, and c) commendable 2024F yield of 4.5%.

- **Timeline:** 3-6 months

Singapore Telecommunications - BUY (Chong Lee Len & Llelleythan Tan)

- **Driving ROIC.** Singtel expects to lift return on invested capital (ROIC) from 9.3% in FY24 to low double digits by FY26. This is based on: a) market repair and cost management in its core businesses, b) capitalising on growth trends, and c) reallocating and recycling capital to unlock shareholder value.

- **Higher yield from revised dividend policy.** Singtel announced a new embedded value realisation dividend (VRD) policy starting FY24 which we expect to last 4-5 years, paying out 3.0-6.0 S cents annually. A FY24 VRD of 3.8 S cents was declared, taking FY24 total dividends to 15.0 S cents and a dividend yield of around 6.3%. We now estimate a lush FY25-26 yield of 6.8% and 7.3% respectively.

- **Unlocking shareholder value.** As of end-4QFY24, the group had about S$6b of capital recycling which we reckon would likely come from paring down its stakes in its regional associates and non-core fixed assets. We estimate that Singtel currently has S$2b-3b of excess cash after accounting for current growth initiatives which may lead to larger VRDs towards the higher end of the group's 3.0-6.0 S cents VRD policy. The group also released its outlook for FY25 driven by its new strategic plan growth, Singtel28, which is aimed at unlocking and creating shareholder value by lifting the group's core business performance with smart capital management.

- **Maintain BUY with the same DCF-based target price of S$2.99** (discount rate: 7%, growth rate: 2.0%). At our target price, the stock will trade at 15x FY25 EV/EBITDA. In our view, Singtel remains an attractive play against elevated market volatility, backed by favourable tailwinds and a lush FY25 6.8% dividend yield.

SHARE PRICE CATALYSTS

- **Events:** a) Successful monetisation of 5G, b) monetisation of data centres and/or NCS, and c) market repair in Singapore and Australia.

- **Timeline:** 6-12 months.

Marco Polo Marine – BUY (Heidi Mo & John Cheong)

- **Charter and utilisation rates for OSVs continue upward momentum.** In 1HFY24, Marco Polo Marine's (MPM) ship chartering revenue soared 34.3% yoy to S$32.9m. According to Clarksons Research, global offshore support vessel (OSV) utilisation stood at 73% in 2023, while day rates have surpassed previous peaks in 2013-14. On top of this, OSV supply has dropped 5% from 2017 as newbuilds are minimal due to limited bank financing. As offshore oil and gas activities pick up and fleet supply remains constrained, MPM stands to benefit from the strengthening rates.

- **CSOV to be key contributor from FY25.** MPM's new CSOV is around 69% complete as of

31 Mar 24, and scheduled to begin operations in Oct 24. This CSOV will be deployed over three years at an agreed utilisation rate per annum under its Vestas Framework Agreement, with its first stop being Taiwan. According to 4C Offshore Market Intelligence, there are 14 CSOVs and 29 service operation vessels (SOV) in operation worldwide as of 8 Mar 24, with the majority contracted in Europe. In line with larger capacity turbines furthering offshore, such vessels with larger capacity are seeing increasing demand. As the cost of building such vessels rises, the limited supply points to better day rates and utilisation for MPM's CSOV moving forward.

- **Maiden deployment of new CTV in FY25 may unlock more opportunities.** Having successfully entered the Taiwan offshore wind market, MPM is also drawing on its expertise to serve the Korea market this year. In Mar 24, MPM announced its Asia-Pacific Crew Transfer Vessel (CTV) framework agreement with Siemens Gamesa for projects across Taiwan and Korea. Its maiden CTV charter in Korea will start in 4Q24, marking MPM's successful entry into a new market. We think that this partnership will further boost MPM's track record and potentially provide more opportunities to accelerate its growth.
- **Maintain BUY with a target price of S$0.086.** We value MPM at 11 x FY24F PE, based on +2SD above its historical three-year average PE range on the back of improving charter rates and vessel utilisation rates. MPM trades at an attractive 9x FY24F PE.

SHARE PRICE CATALYSTS

- **Events:** a) Higher-than-expected ship charter rates and vessel utilisation, b) award of new ship chartering contracts, and c) higher value of repair projects during the year.
- **Timeline:** 3-6 months.

Civmec – BUY (John Cheong & Heidi Mo)

- **Increasing opportunities for maintenance works via new maintenance facilities will translate to more recurring earnings.** Civmec announced in May 24 that the projects for its maintenance division have increased significantly, with notable clients like Iron Bridge JV, their new Port Hedland maintenance and workshop facility. Wesfarmers Chemicals, Energy and Fertilisers (WesCEF), Cargill and Pilbara Minerals Pilgangoora Operation. Civmec's recently constructed Port Hedland maintenance and workshop facility will allow the group to better serve existing clients and capitalise on the higher activity levels in the west coast like the Pilbara region. Expansion of a new Queensland maintenance hub in Gladstone is also in the works, bringing about more maintenance growth opportunities in the east coast.
- **As one of Australia's leading engineering players,** Civmec serves key sectors including resources and energy (89% of 1HFY24 revenue), as well as defence and infrastructure (11%). Its serves blue-chip clients including Chevron, Rio Tinto, Alcoa, BHP, Thyssenkrupp and the Australian Navy. At favourable commodity prices, Civmec stands to benefit as its clients undertake more mining and O&G production activities. Civmec sees a strong pipeline of tendering opportunities in all the sectors it operates in, with an orderbook of A$821m as at end-3QFY24. This secures most of its revenue for the next 12 months, with a portion extending up to 2029.
- **Maintain BUY with target price of S$1.23.** Our target price is pegged to 11x 2024F PE (based on 0.5SD below mean). It is currently trading at a valuation of 7x FY24F PE, a deep 55% discount to its regional peers, while the dividend yield is attractive at around 6% from current price.

SHARE PRICE CATALYSTS

- **Events:** a) Earnings surprise due to higher-than-expected contract wins and margin, b) better-than-expected dividend, and c) takeover offer by strategic shareholder(s) given the high barriers of entry for the defence sector.
- **Timeline:** 3-6 months.

CSE Global – BUY (John Cheong & Heidi Mo)

- **Expect higher earnings in 2024 with robust orderbook.** CSE posted S$186.2m of new orders in 1Q24 (+17% yoy), leading to a strong orderbook of S$719.3m, 49.8% higher than that in 1Q23. This was driven by higher demand for electrification and automation solutions in the infrastructure and energy industries. CSE's healthy order inflow attests to its strong track record, allowing it to expand customer base and achieve further orderbook growth. On the back of stronger order wins, we expect CSE's 2024 earnings to see solid growth.
- **Two-pronged strategy of leveraging on established track record and completing acquisitions.** Besides expanding its orderbook with its track record, CSE's S$24m gross proceeds from the recent share placement will be used to finance value-accretive acquisitions. Management has shared that it is currently in talks with potential targets in the critical communications sector in Australia and the Americas region. This approach will help CSE scale growth, and we remain positive on its outlook. To recap, CSE has completed 30-40 acquisitions to date with a high rate of integration.
- **CSE continues to see a stable financial performance in the infrastructure and mining & minerals sectors,** supported by a steady stream of projects arising from requirements in digitalisation, communications and enhancements in physical and cyber security globally, and from data centres and water utilities in the Americas and Asia Pacific regions. In 1Q24, CSE successfully generated >60% of its business from infrastructure and mining/minerals customers, which brought in S$91m or 49% of 1Q24's order intake. This allows CSE to diversify into new markets and ride on the trends of urbanisation, electrification and decarbonisation.
- **Maintain BUY.** Our target price of S$0.56 is pegged to 15x 2024F PE (based on an unchanged +1SD above mean) and implies a 2024 dividend yield of 6.7% as we expect CSE to maintain a full-year dividend of 2.75 S cents/share for 2024.

SHARE PRICE CATALYSTS

- **Events:** a) Large infrastructure project wins, and b) accretive acquisitions.
- **Timeline:** 3-6 months.

Frencken - BUY (John Cheong)

- **Stable outlook for 1H24 vs 2H23; continued focus on programmes for existing and new customers.** Frencken expects to post stable revenue in 1H24 vs 2H23. Its outlooks for its various segments for 1H24 vs 2H23 are as follows: a) semiconductor: higher revenue, b) medical: increasing revenue, c) analytical & life sciences: stable revenue, d) industrial automation: decreasing revenue, and e) automobile: stable revenue. By leveraging on Frencken's expanded capacity and strategic manufacturing sites in Europe, Asia and the US, Frencken will continue to focus on its programmes for existing and new customers to ensure it is well-positioned for a recovery in the global economy and technology sector.
- **SEMI expects global fab equipment spending to recover in 2024.** In the 12 Sep 23 quarterly World Fab Forecast Report by Semiconductor Equipment and Materials International (SEMI), global fab equipment spending for front-end facilities is expected to rebound 15% yoy in 2024, partly driven by the end of the semiconductor inventory correction in 2023 and strengthening demand for semiconductors in the high-performance computing (HPC) and memory segments. The trend suggests the semiconductor industry is turning the corner and on a path back to growth.
- **Long-term growth supported by diversified segments and new programmes.** Backed by its diverse exposure to multiple market segments in the high technology industry and the strength of its balance sheet, Frencken is confident of weathering the current headwinds and will continue to focus on investments in programmes. Frencken has continued strong new product introduction (NPI) and first article (FA) engagement with key customers under the oneMechatronics programme, which is a site-transferring programme that spans the

semiconductor, analytical/life sciences, medical and aerospace sectors and across operating sites.

- **Maintain BUY with a target price of S$1.74,** pegged to 17.0x 2024F PE, based on 2SD above mean PE. The +2SD in our PE multiple peg is to capture: a) the recovery of semiconductor cycle, which is exhibiting multiple positive indications, and b) an improvement in earnings quality where the automobile segment could see more contributions from several new customers in the electric vehicle space.

SHARE PRICE CATALYSTS

- **Events:** a) Higher-than-expected factory utilisation and better cost management.
- **Timeline:** 3-6 months.

Venture Corp - BUY (John Cheong)

- **Expect stronger 2H24 vs 1H24.** Based on customers' feedback, VMS expects the demand schedule to be stronger in 2H24 vs 1H24. To recap, VMS was still coming off the high-base quarter in 1Q23 where it recorded earnings of S$74m, before normalising in 2Q23- 4Q23 with earnings of S$63m-67m.
- **VMS intends to expand its participation in new high-growth technology domains.** VMS will continue to capitalise on its core strengths of excellence and innovation to deliver long-term sustainable growth and greater value for its shareholders.
- **Healthy balance sheet and consistent dividends.** As of FY23, VMS had net cash of S$1,056m (accounting for around 25% of its current market cap) and led the pack of US-listed peers which were mostly in net debt positions. Also, VMS continues to issue the same amount of dividends or better than that of preceding years.
- **Maintain BUY and target price of S$16.37,** pegged to 0.5SD above its long-term mean PE of 17x 2024F earnings to capture the potential earnings recovery in 2024 and upcycle beyond that. Currently, VMS is trading at 14.7x 2024F PE (10x ex-cash 2024 PE) and offers a decent dividend yield of 5.3%.

SHARE PRICE CATALYSTS

- **Events:** a) Positive earnings surprise, b) winning more customers, and c) higher-than-expected dividends and share buybacks.
- **Timeline:** 3-6 months.

Far East Hospitality Trust - BUY (Jonathan Koh)

- **FEHT is a pure play on Singapore's hospitality sector** which benefits from rising visitor arrivals, increasing at 49.6% yoy to 4.4m in 1Q24. FEHT’s RevPAR for hotels increased 6.7% yoy to S$144 in 1Q24 while its average daily rate (ADR) jumped 8.8% yoy to S$179.
- **Cushion from higher interest rates.** Management intends to utilise the incentive fee of S$18m from the divestment of Central Square to cushion the negative impact from higher interest rates.
- **Strong balance sheet.** FEHT has a resilient balance sheet with aggregate leverage remaining low at 31.5% as of Mar 24. FEHT intends to expand overseas and diversify into gateway cities in developed markets.
- **Attractive dividend yield.** FEHT provides an attractive 2024 distribution yield of 6.7%. Its P/NAV of 0.67x is unwarranted given its good corporate governance and strong sponsor.
- **Maintain BUY. Our target price of S$0.82** is based on DDM (cost of equity: 7.25%, terminal growth: 2.8%).

SHARE PRICE CATALYSTS

- **Events:** a) Recovery in occupancy, ADR and RevPAR in 2024 and 2025, b) acquisitions in gateway cities, and c) downside protection from fixed rents embedded in its master leases with sponsor FEO, which owns 61% of FEHT.
- **Timeline:** 6-12 months.

Oversea-Chinese Banking Corp - BUY (Jonathan Koh)

- **Committed to new dividend policy.** Management intends to maintain dividend payout ratio at 50% going forward. OCBC provides an attractive dividend yield of 6.5% for 2024.
- **Most well-capitalised bank in Singapore.** CET-1 CAR improved 1.1ppt qoq to 15.9% (15.1% after adjusting for final dividend) due to growth in earnings and optimisation of risk weighted assets. The release of additional capital requirement for the SMS phishing scam imposed by Monetary Authority of Singapore contributed to a 0.2ppt increase in CET-1 CAR.
- **Strategic initiatives to deliver incremental S$3b revenue.** Management aims to deliver incremental revenue of S$3b cumulatively over 2023-25, driven by four growth pillars: a) Asian wealth, b) trade and investment flows, c) new economy, and d) sustainable financing. Management aims to deliver ROE of 12-13% with additional contribution of 1ppt from the incremental revenue of S$3b. OCBC has achieved its targets for its strategic initiatives for 2023.
- **Maintain BUY. Our target price of S$18.10** is based on 1.36x 2025F P/B, derived from the Gordon Growth Model (ROE: 12.3%, COE: 9.0%, growth: 0.0%).

SHARE PRICE CATALYSTS

- **Events:** a) Resiliency from high CET-1 CAR of 16.2%, and b) attractive 2024 dividend yield of 6.2% from commitment to new dividend payout ratio of 50%.
- **Timeline:** 6-12 months.

VALUATION

Company	Ticker	Rec*	Price 31 May 24 (S$)	Target Price (S$)	Upside To TP (%)	Last Year End	PE 2023A (x)	PE 2024E (x)	PE 2025E (x)	Yield 2024E (%)	ROE 2024E (%)	Market Cap. (S$m)	Price/ NAV ps (x)
Centurion	CENT SP	BUY	0.53	0.77	45.3	12/23	2.9	5.5	5.1	5.7	9.5	445.6	0.5
Civmec	CVL SP	BUY	0.805	1.23	52.8	6/23	7.7	7.2	6.7	5.6	14.3	408.6	1.0
CSE Global	CSE SP	BUY	0.41	0.56	36.6	12/23	11.2	11.0	10.0	6.7	10.8	278.0	1.2
Far East HTrust	FEHT SP	BUY	0.63	0.82	30.2	12/23	19.3	20.1	19.4	6.5	3.4	1,267.1	0.7
Frencken	FRKN SP	BUY	1.45	1.74	20.0	12/23	19.1	14.1	12.9	2.1	10.4	619.2	1.5
Genting SP	GENS SP	BUY	0.91	1.25	37.4	12/23	17.9	14.1	13.7	4.4	9.3	10,986.0	1.3
MarcoPolo Marine	MPM SP	BUY	0.068	0.086	26.5	9/23	9.7	8.7	8.2	2.2	14.2	255.2	1.5
O C B C	OCBC SP	BUY	14.51	18.1	24.7	12/23	9.4	9.0	9.2	5.9	12.1	65,277.9	1.2
Sembcorp Ind	SCI SP	BUY	5.09	7.49	47.2	12/23	9.6	9.4	9.0	2.6	20.0	9,074.0	2.0
SIA Engineering	SIE SP	BUY	2.34	2.70	15.4	3/24	27.1	17.0	15.2	5.1	9.1	2,625.1	1.6
SingTel	ST SP	BUY	2.48	2.99	20.6	3/24	51.5	16.5	14.8	6.6	10.0	40,928.3	1.7
Venture Corp	VMS SP	BUY	14.02	16.37	16.8	12/23	15.1	14.6	14.1	5.3	9.8	4,065.6	1.4

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

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