

Retail Market Monitor

Friday, 03 November 2023

MONTHLY REVIEW AND OUTLOOK

REVIEW: The FSSTI fell 4.7% mom in Oct 23 to 3,067.74. During the month, the index was weighed down by declines across all sectors with the exception of land transport (+1.5% mom), with the more substantial falls coming from the shipyards (-10.9% mom), real estate (-6.5% mom) and technology (-5.4% mom) sectors.

Singapore's factory activity expanded for the second straight month after six months of contraction. The PMI rose 0.1ppt in Oct 23 to 50.2, mainly due to improvements in new exports, factory output and employment. This was offset by poorer supplier deliveries due to China's slower economic growth, and contractions in new orders and input purchases. Electronics PMI continued to contract for the 15th consecutive month, albeit at a slower pace than last month, improving 0.1ppt mom to 49.9.

The improvement in manufacturing PMI reflects budding recovery for Singapore's factory activity, while the electronics outlook may remain gloomy in the near term amid weak external demand. Macroeconomic headwinds continue to persist, due to the high interest rate environment and geopolitical tensions.

STRATEGY: Some of our top large-cap picks are Bumitama, Far East Hospitality Trust, Mapletree Industrial Trust, Sembcorp Industries and SIA Engineering. For the small/mid-cap sector, our top picks are Cimvec, CSE Global, Food Empire Holdings, Frencken and Marco Polo Marine.

TOP BUY

Company	Target Price (\$)	Last Price (\$)	Return (%)
Bumitama	0.65	0.57	14.0
ComfortDelGro	1.61	1.32	22.0
Far East HTrust	0.76	0.59	28.8
MapletreeInd	2.69	2.15	25.1
O C B C	17.65	12.68	39.2
RH PetroGas	0.238	0.189	25.9
Seatrium	0.19	0.112	69.6
Sembcorp Ind	7.2	4.59	56.9
SIA Engineering	2.67	2.29	16.6
SingTel	3.15	2.38	32.4
Thai Beverage	0.75	0.54	38.9
Cimvec	1.23	0.79	55.7
CSE Global	0.61	0.41	48.8
Food Empire	1.36	1.1	23.6
Frencken	1.23	1.04	18.3
Marco Polo Marine	0.06	0.051	17.6

Source: Bloomberg, UOB Kay Hian

*last price based on closing price on 31 Oct 23

TOP SELL

Company	Target Price (\$)	Last Price (\$)	Return (%)
Rex Intl	0.10	0.169	(40.8)

Source: Bloomberg, UOB Kay Hian

*last price based on closing price on 31 Oct 23

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Sector	mom (% chg)	Recommendation	Top Buys	Analyst's Views
FSSTI	(4.7)			
Shipyards	(10.9)	Overweight	Keppel Corp, SCI, SMM, YZJSGD	-
Others	(3.0)	-	-	-
Telecoms	(1.9)	Overweight	Singtel	-
Technology	(5.4)	Overweight	-	-
Property	(4.5)	Overweight	CLI, City Devt	-
Plantation	(4.1)	Overweight	First Resources, Bumitama	-
Finance	(2.7)	Overweight	DBS, OCBC	Banks' 3Q23 earnings were powered by healthy yoy growth in net interest income, modest qoq recovery in wealth management, and disciplined cost containment. Asset quality and credit costs remain benign. We forecast net profit of S\$2,532m for DBS (+13% yoy but -4% qoq) and S\$1,726m for OCBC (+7% yoy and +1% qoq). Our top picks are OCBC (BUY/Target: S\$17.65), followed by DBS (BUY/Target: S\$43.95). OCBC provides an attractive dividend yield of 6.2%. Maintain OVERWEIGHT.
REITs	(6.5)	Overweight	CLAS, FEHT, FLT, KREIT, LREIT, MINT	We postulate that the recent spike in US government bond yields was caused by concerns over a prolonged government shutdown, rather than consensus' view of higher inflation. Government bond yields could remain elevated till mid-November. We see opportunities to accumulate CLAS (Target: S\$1.27), FEHT (Target: S\$0.71), FLT (Target: S\$1.47), KREIT (Target: S\$1.08), LREIT (Target: S\$0.79) and MINT (Target: S\$2.74) on current weakness. Maintain OVERWEIGHT.
Aviation	(4.8)	Market Weight	SIA Engrg, SATS, ST Engrg	-
Healthcare	(4.8)	Overweight	Raffles Medical	-
LandTransport	1.5	Overweight	ComfortDelGro	-

Source: Bloomberg, UOB Kay Hian

OUR TOP YIELD STOCK PICKS

Company	Rec	Target Price (S\$)	Price 31 Oct 23 (S\$)	Upside (%)	Monthly Performance % Chg	PE 2022 (x)	PE 2023F (x)	Yield 2023F (%)
Prime US ReitUSD	BUY	0.59	0.093	534.4	(32.6)	1.6	1.9	53.9
KepPacOakReitUSD	BUY	0.56	0.184	204.3	(16.4)	2.2	3.5	27.2
UtdHampshReitUSD	BUY	0.76	0.365	108.2	(15.1)	7.8	6.8	13.9
Sasseur Reit	BUY	0.93	0.625	48.8	(7.4)	9.8	8.9	10.0
Lendlease REIT	BUY	0.79	0.51	54.9	(6.4)	10.2	19.5	9.2

OUR TOP LARGE MARKET CAPITALISATION STOCK PICKS

Company	Rec	Target Price (S\$)	Price 31 Oct 23 (S\$)	Upside (%)	Monthly Performance % Chg	PE 2022 (x)	PE 2023F (x)	Yield 2023F (%)
Bumitama	BUY	0.65	0.57	14.0	-	3.8	5.34	7.5
ComfortDelGro	BUY	1.61	1.32	22.0	1.54	16.5	14.6	4.5
Far East HTrust	BUY	0.76	0.59	28.8	(7.09)	23.7	14.2	7.0
MapletreeInd	BUY	2.69	2.15	25.1	(4.87)	16.3	16.2	6.1
O C B C	BUY	17.65	12.68	39.2	(1.01)	9.98	8.21	6.3
RH PetroGas	BUY	0.238	0.189	25.9	(17.83)	5.66	10.3	0.0
Seatrium	BUY	0.19	0.112	69.6	(16.42)	n.a.	n.a.	0.0
Sembcorp Ind	BUY	7.2	4.59	56.9	(9.82)	9.64	8.65	3.6
SIA Engineering	BUY	2.67	2.29	16.6	(4.18)	38.7	21.3	3.9
SingTel	BUY	3.15	2.38	32.4	(1.65)	17.7	16.6	4.2
Thai Beverage	BUY	0.75	0.54	38.9	(6.09)	11.3	11.2	4.5

OUR TOP MID-SMALL MARKET CAPITALISATION STOCK PICKS

Company	Rec	Target Price (S\$)	Price 31 Oct 23 (S\$)	Upside (%)	Monthly Performance % Chg	PE 2022 (x)	PE 2023F (x)	Yield 2023F (%)
Civmec	BUY	1.23	0.79	55.7	(1.86)	7.94	7.54	5.5
CSE Global	BUY	0.61	0.41	48.8	(9.89)	46.1	12.1	6.7
Food Empire	BUY	1.36	1.1	23.6	(0.90)	7.07	8.57	4.0
Frencken	BUY	1.23	1.04	18.3	(7.14)	8.56	17.3	1.7
MarcoPolo Marine	BUY	0.06	0.051	17.6	(3.77)	8.23	11.8	0.0

Source: Bloomberg, UOB Kay Hian

OUR INSTITUTIONAL RESEARCH COVERAGE

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Company	Rec	Target Price (\$)	Price 31 Oct 23 (\$)	Upside (%)	Monthly Performance % Chg	PE 2022 (x)	PE 2023F (x)	Yield 2023F (%)	Analyst's Views
AVIATION									
S I A	SELL	6.44	6.11	5.4	(5.4)	8.4	8.8	6.2	Aircraft movements at Changi Airport recovered to close to 90% of pre-pandemic levels in Sep 23, and are expected to increase further as the regional air traffic continues to recover. SIAEC is a key beneficiary of this trend given its 80% market share of Changi Airport's line maintenance service volume. Its maintenance, repair and overhaul (MRO) businesses for airframe, engine and component are also set to improve as regional flight activities pick up further. SIAEC had net cash of over S\$600m as at end-1QFY24, equivalent to 24% 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 any potential acquisition opportunities to expand its regional network. SIAEC currently trades at FY25F (normalised year) PE of 15.4x, or 11.1x only if excluding its net cash position. With the core profitability recovery, we expect the company to recover its dividend to 9/12 S cents in FY24/25, leading to a dividend yield of 3.9%/5.2%.
★ SIA Engineering	BUY	2.67	2.29	16.6	(4.2)	38.7	21.3	3.9	
SATS	BUY	2.99	2.46	21.5	(5.4)	n.a.	41.0	0.0	
ST Engineering	BUY	4.20	3.76	11.7	(3.8)	21.9	20.7	4.3	
Sector						13.2	12.7	4.8	
FINANCE									
DBS	BUY	43.95	32.85	33.8	(2.3)	10.4	8.4	5.7	Management intends to maintain dividend payout ratio at 50% going forward. OCBC provides attractive dividend yield of 6.3% for 2023. CET-1 CAR improved 0.5ppt yoy to 15.4% in 2Q23. OCBC is comfortable with CET-1 CAR receding lower to 14.0% over the short to medium term (3-5 years). Management will consider all options for capital management, including special dividends. 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) sustainability. Management aims to deliver ROE of 12-13% with additional contribution of 1ppt from the incremental revenue of S\$3b. Maintain BUY with a target price of S\$18.22 is based on 1.45x 2024F P/B, derived from the Gordon Growth Model (ROE: 13.1%, COE: 9.0%, growth: 0.0%).
★ O C B C	BUY	17.65	12.68	39.2	(1.0)	10.0	8.2	6.3	
SGX	HOLD	10.46	9.47	10.5	(2.9)	22.4	17.7	3.4	
U O B @	NR	n.a.	27.02	n.a.	(5.2)	10.0	8.1	5.9	
Sector						10.4	8.5	5.8	
HEALTHCARE									
Raffles Medical	BUY	1.47	1.19	23.5	(4.8)	15.4	20.8	2.9	
Sector						15.4	20.8	2.9	

OUR INSTITUTIONAL RESEARCH COVERAGE

Company	Rec	Target Price (\$)	Price 31 Oct 23 (\$)	Upside (%)	Monthly Performance % Chg	PE 2022 (x)	PE 2023F (x)	Yield 2023F (%)	Analyst's Views
LAND TRANSPORT									
★ ComfortDelGro	BUY	1.61	1.32	22.0	1.5	16.5	14.6	4.5	For the public transport segment, 1H23 core operating profit (-34.5% yoy, +21.3% hoh) grew sequentially, backed by higher rail ridership, improved charter activities in Australia and tapering inflationary pressures. We reckon that earnings from the public transport segment have bottomed out in 2Q23, and are expected to continue the upward momentum moving forward, backed by favourable tailwinds. For the taxi segment, core operating profit surged to S\$26m (+104.8% yoy, +53.6% qoq), higher than our initial S\$18m forecast. This was largely driven by the reduction of CD's daily taxi rental rebates. Recovery for CD's taxi operations in China remains muted but management noted that the group expects a stronger gradual recovery in 2H23. Starting 3Q23, CD implemented a platform fee of S\$0.70 for every point-to-point online booking made through its Zig app. Based on our estimates, this would imply an approximate S\$11m-12m hoh increase in revenue for 2H23, which would most likely flow down to taxi segmental operating profit. Furthermore, we expect potential upward revisions for CD's 5% commission rate in 2H23, given that it is considerably lower when compared with major competitors Grab (20%) and GoJek (15%). According to our estimates, a 1% increase in commission rate would raise our 2024 full-year taxi operating profit by 4-5%. Maintain BUY with a PE-based target price of S\$1.61.
Sector						16.5	14.6	4.5	
PLANTATION									
★ Bumitama	BUY	0.65	0.57	14.0	0.0	3.8	5.3	7.5	Bumitama's earnings are highly correlated with CPO prices as compared to its Indonesian peers listed on SGX due to it: a) being a pure upstream player, and b) selling 100% of their CPO at spot prices. We also expect margin expansion in 2H23 and 2024 with cost of production forecasted to drop by 10-15% due to lower fertiliser cost. On top of this, we expect an attractive high dividend yield of 6-7% for 2023-24 with the company's dividend payout policy of up to 40%. Maintain BUY with target price of S\$0.65, where we peg the target price at 6.0x 2024F PE.
FirstRes	BUY	1.65	1.51	9.3	(1.3)	5.3	10.2	6.9	
Wilmar	HOLD	3.80	3.56	6.7	(4.6)	6.7	14.9	2.7	
Sector						6.4	13.1	3.4	
PROPERTY									
CapitaLandInvest	BUY	4.25	2.94	44.6	(5.2)	17.5	16.6	3.6	
CityDev	BUY	8.00	6.32	26.6	(4.4)	4.5	32.8	1.2	
Sector						4.5	32.8	1.2	

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Company	Rec	Target Price (\$)	Price 31 Oct 23 (\$)	Upside (%)	Monthly Performance % Chg	PE 2022 (x)	PE 2023F (x)	Yield 2023F (%)	Analyst's Views
SHIPYARD									
Keppel Corp	BUY	9.09	6.21	46.4	(6.3)	11.9	11.9	3.4	<p>The positive takeaway from SCI's termsheet for gas supply from Conrad Asia Energy's (CRD AU, Not rated) Natuna Sea asset is the guaranteed volumes for SCI's new 600MW power plant that starts up in 2026. Delivery of gas via pipeline is steadier and more dependable, which is important for a utility as pipeline gas is less prone to disruption vs seaborne LNG cargoes. Historically, pipeline gas has been priced at 11-12% slope to Brent oil, eg at a Brent oil price of US\$100/bbl, the equivalent gas price would be US\$11-12/mcf. With inflation and other factors however, we believe that this slope will naturally be higher for the new contract, and may be disclosed when the full gas sales agreement is signed. In our view, SCI's share price weakness in Sep 23 after its inclusion into MSCI Singapore index has opened up a buying opportunity for investors. With a 25% share price decline from its peak in early-Aug 23, we highlight that SCI's 2024F PE and EV/EBITDA of 8.7x and 7.1x respectively appear inexpensive, especially relative to its regional and global utilities peers. Maintain BUY with a target price of S\$7.20.</p> <p>Seatrium's outlook for new orders still remains strong. Seatrium believes that there are numerous tenders in the market for production assets, floating LNG production and storage as well as renewables projects. Seatrium's S\$20b orderbook comprises 40% in the renewable energy space (with the remainder related to oil and gas projects); however its addressable market is arguably much larger when taking into account carbon capture usage and storage, floating LNG, and ammonia storage and transport which feeds into the hydrogen energy chain. At present, the company has 37 projects under execution with deliveries until 2030. We maintain our BUY rating with a P/B-based target price of S\$0.19.</p>
★ Sembcorp Ind	BUY	7.20	4.59	56.9	(9.8)	9.6	8.6	3.6	
★ Seatrium	BUY	0.19	0.112	69.6	(16.4)	n.a.	n.a.	0.0	
YZJ ShipBldg SGD Sector	BUY	1.88	1.45	29.7	(12.7)	10.5 15.6	8.8 14.0	4.7 3.0	
TECHNOLOGY									
Sea Ltd (in US\$)	BUY	72.25	41.45	74.3	(5.7)	n.a.	75.3	0.0	
Venture Corp	HOLD	14.60	11.7	24.8	(5.4)	9.2	12.1	6.4	
Sector						9.2	12.1	6.4	

OUR INSTITUTIONAL RESEARCH COVERAGE

Company	Rec	Target Price (\$)	Price 31 Oct 23 (\$)	Upside (%)	Monthly Performance % Chg	2022 (x)	PE 2023F (x)	Yield 2023F (%)	Analyst's Views
TELECOMS									
NetLink NBN Tr	BUY	1.05	0.83	26.5	(1.2)	29.6	27.1	6.4	Singtel maintains its strategic aim to grow overall group ROIC from 8% in FY23 to low double digits by FY26, driven by its growth engines (regional data centres (RDC) and NCS). Both RDC and NCS are still expected to contribute more than 20% of EBITDA by FY28, almost double FY23's 12%, which would offset telecom services' declining EBITDA. Cash proceeds from the sale would likely be utilised for further expansion for both RDC and NCS, coupled with returns to shareholders. The group has about S\$4b of capital recycling after the stake sale of its RDC business which we reckon would likely come from paring down its stakes in its regional associates (valued at around S\$49b as of end-1QFY24). Singtel currently has S\$2b-3b of excess cash which we reckon may lead to a special dividend and/or larger dividends towards the higher end of the group's 60-80% of underlying PATMI dividend policy in 1HFY24. Maintain BUY with a DCF-based target price of S\$3.15 (discount rate: 7%, growth rate: 2.0%).
★ SingTel	BUY	3.15	2.38	32.4	(1.7)	17.7	16.6	4.2	
StarHub	BUY	1.37	1.03	33.0	(7.2)	33.2	12.6	4.9	
Sector						18.5	16.8	4.4	
OTHERS									
DFIRG USD	BUY	3.49	2.13	63.8	(19.9)	n.a.	30.9	1.9	For 9MFY23, THBEV reported overall revenue and core EBITDA of Bt215.9b (+3.8% yoy) and Bt37.8b (-3.4% yoy), exceeding our expectations. We now expect THBEV's FY23 PATMI to grow by 6.2% yoy against our previous expectations of a 3.1% yoy drop. 3QFY23 spirits revenue and EBITDA surged 12.0% yoy and 13.5% yoy respectively, backed by ASP hikes in 1QFY23 and improving tourist arrivals. Moving forward, we expect the spirits segment to continue its upward momentum, driven by expected ASP hikes for the brown spirits and a continually improving product sales mix. For the beer segment, sales volumes are likely to stay muted till 1QFY24, supported by higher Chinese tourist arrivals to Vietnam. We also expect margins to stabilise from further cost savings and better efficiencies. Maintain BUY with a SOTP-based target price of S\$0.75. We opine that the recent share price weakness presents an attractive entry level.
Genting SP	BUY	1.25	0.86	45.3	1.8	30.5	16.6	4.7	
★ Thai Beverage	BUY	0.75	0.54	38.9	(6.1)	11.3	11.2	4.5	
SingPost	HOLD	0.52	0.45	14.4	(7.2)	77.6	18.6	2.2	
Sector						15.9	13.2	4.5	

OUR INSTITUTIONAL RESEARCH COVERAGE

Company	Rec	Target Price (\$)	Price 31 Oct 23 (\$)	Upside (%)	Monthly Performance % Chg	PE 2022 (x)	PE 2023F (x)	Yield 2023F (%)	Analyst's Views
REITS									
CapLand Ascendas Reit	BUY	3.13	2.6	20.4	(5.5)	19.6	17.5	5.9	<p>FEHT is a pure play on Singapore's hospitality sector, which benefits from rising visitor arrivals increasing at 44.6% yoy in Sep 23. RevPAR for hotels increased 43.6% yoy to S\$150 in 3Q23, returning to pre-pandemic levels. Occupancy improved 10.6ppt yoy to 86.7% while average daily rate (ADR) jumped 26.0% yoy to S\$173. 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. FEHT has a resilient balance sheet with aggregate leverage remaining low at 32.2% as of Sep 23. It also provides an attractive 2024 distribution yield of 7.6%. Its P/NAV of 0.63x is unwarranted given its good corporate governance and strong sponsor. Maintain BUY with a target price of S\$0.76 based on DDM (cost of equity: 7.75%, terminal growth: 2.8%).</p>
CapLand Ascott T	BUY	1.25	0.9	38.9	(6.2)	28.4	24.9	6.2	
CapLand IntCom T	BUY	2.02	1.76	14.8	(4.9)	15.4	15.7	6.0	
CDL Htrust	BUY	1.41	0.97	45.4	(6.7)	16.7	25.3	6.3	
DigiCore Reit USD	BUY	0.69	0.505	36.6	(4.7)	20.2	13.7	7.3	
★ Far East HTrust		0.76	0.59	28.8	(7.1)	23.7	14.2	7.0	
Frasers Cpt Tr	BUY	2.36	2.07	14.0	(5.5)	17.7	17.2	5.9	
Frasers L&C Tr	BUY	1.47	1.04	41.3	(2.8)	28.9	17.8	6.8	
Kep REIT	BUY	1.06	0.795	33.3	(7.0)	21.9	22.0	7.3	
KepPacOakReitUSD	BUY	0.56	0.184	204.3	(16.4)	2.2	3.5	27.2	
Lendlease REIT	BUY	0.79	0.51	54.9	(6.4)	10.2	19.5	9.2	<p>MINT is acquiring an effective interest of 98.5% in a newly-built data centre in Osaka, Japan for ¥52.0b (S\$507.9m). We expect MINT to continue to expand in Japan due to positive yield spread with cap rates of 3-4% and low funding cost in Japanese yen. MINT is in advanced negotiations with a potential replacement tenant for its data centre at Brentwood, Tennessee with NLA of 347,515sf currently occupied by AT&T (expiry: Nov 23). The new tenant intends to sign a long-term lease for the entire data centre with rental escalation. Maintain BUY with a target price of S\$2.69 based on DDM (cost of equity: 7.25%, terminal growth: 2.2%).</p>
ManulifeReit USD	BUY	0.22	0.05	340.0	(12.3)	1.3	1.7	0.0	
Mapletree PanAsia Com Tr	BUY	1.80	1.33	35.3	(7.0)	14.6	15.6	6.9	
★ MapletreeInd	BUY	2.69	2.15	25.1	(4.9)	16.3	16.2	6.1	
MapletreeLog	BUY	1.72	1.47	17.0	(12.5)	25.8	22.8	5.9	
PLife REIT	BUY	4.19	3.36	24.7	(8.9)	21.3	17.5	4.2	
Prime US ReitUSD	BUY	0.59	0.093	534.4	(32.6)	1.6	1.9	53.9	
Sasseur Reit	BUY	0.93	0.625	48.8	(7.4)	9.8	8.9	10.0	
Suntec REIT	HOLD	1.12	1.1	1.8	(5.2)	16.9	22.4	6.6	
UtdHampshReitUSD	BUY	0.76	0.365	108.2	(15.1)	7.8	6.8	13.9	

If year-end is before June, earnings are shown in the previous period

OUR RETAIL RESEARCH COVERAGE

Company	Rec	Target Price (S\$)	Price 31 Oct 23 (S\$)	Upside (%)	Monthly Performance % Chg	PE 2022 (x)	PE 2023F (x)	Yield 2023F (%)	Analyst's Views
AEM	BUY	3.65	3.46	5.5	0.6	8.4	n.a.	0.0	
Aztech Gbl	BUY	1.11	0.9	23.3	11.8	10.3	7.3	6.1	
BRC Asia	HOLD	1.73	1.61	7.5	(4.2)	4.9	6.5	6.2	
Centurion	BUY	0.5	0.385	29.9	(4.9)	4.5	4.8	6.2	
ChinaSunsine	BUY	0.575	0.4	43.8	(2.4)	2.9	4.2	4.5	
★ Civmec	BUY	1.23	0.79	55.7	(1.9)	7.9	7.5	5.5	<p>We expect Civmec to deliver record earnings growth of 11% yoy in FY23 and a potential dividend surprise given a strong balance sheet, backed by a robust orderbook of around A\$1.2b. 9MFY23 earnings grew 20% yoy with net margin growing 1.5ppt yoy to 7.8%. Civmec sees a strong pipeline of new projects in the sectors it operates in and new opportunities in the green energy space. Civmec successfully secured several notable contracts in 3QFY23. These are: a) three contracts for Albermarle's Kemerton Lithium refinery trains 3 and 4, b) additional fabrication work for the Iron Bridge magnetite project, c) several contracts for the manufacture of dump truck tray bodies on the east coast of Australia, and d) a time-critical contract to manufacture components for rebuilding a flood-damaged bridge. Civmec continues to see strong tendering activity across all sectors. It continues to focus on securing good return projects, optimising workforce utilisation and maintaining a strong, high-quality orderbook. Also, Civmec is increasingly regarded by its clients as the go-to contractor for reliable delivery and time-critical services. Maintain BUY with a target price of S\$1.23.</p> <p>We expect CSE to achieve 338% yoy growth in 2023 earnings as it recovers from low base earnings of S\$5m in 2022. As the supply chain disruptions ease, CSE will be able to deliver its contracts faster and enjoy margins recovery. Also, CSE's strong orderbook of S\$522m as of 1H23 (+34% yoy) should ensure robust earnings in 2H23 and 2024. CSE's 1H23 orderbook reached an all-time high of S\$522m (+34% yoy) due to strong order intake in the infrastructure and mining & minerals segments, which has grown 12% and 15% yoy respectively. This robust orderbook coupled with strong order flow should drive a better 2H23 earnings on a hoh basis. CSE will expand its engineering capabilities and technology solutions to pursue new market opportunities and diversify into new markets brought about by the emerging trends towards urbanisation, electrification and decarbonisation. Maintain BUY and target price of S\$0.61.</p>
★ CSE Global	BUY	0.61	0.41	48.8	(9.9)	46.1	12.1	6.7	
Delfi	BUY	1.83	1.23	48.8	(3.1)	12.4	11.7	4.3	
Emperador Inc.	HOLD	0.57	0.51	11.8	0.0	31.6	36.4	1.5	

OUR RETAIL RESEARCH COVERAGE

Company	Rec	Target Price (\$)	Price 31 Oct 23 (\$)	Upside (%)	Monthly Performance % Chg	2022 (x)	PE 2023F (x)	Yield 2023F (%)	Analyst's Views
★ Food Empire	BUY	1.36	1.1	23.6	(0.9)	7.1	8.6	4.0	FEH recently announced that it is exploring a dual primary listing in Hong Kong. This will provide FEH with more avenues to raise capital and exposure to a broader investor base. If successful, we believe that it could mean better valuations for the stock. FEH's 1H23 net profit of US\$26.6m (-1.6% yoy) is in line with expectations, forming 54% of our full-year estimate. 1H23 revenue from its core markets recorded impressive double-digit growth due to higher volumes and pricing. We expect higher earnings from continued volume growth and pricing adjustments moving forward. From Apr 23, FEH has bought back 1.8m shares at up to S\$1.11. This is close to the 52-week high share price of S\$1.18, showing management's confidence in the future growth outlook. Maintain BUY with a target price of S\$1.36, based on 10x 2024F EPS, or its long-term historical mean. The stable outlook for 2H23 indicates that earnings have already bottomed in 1H23 and that there is potential for more new businesses in Asia. Frencken expects to post stable revenue in 2H23 vs 1H23. On the other hand, Frencken is seeing more new business opportunities in Asia than in Europe, especially in Malaysia. According to the 12 Sep 23 quarterly World Fab Forecast Report by Semiconductor Equipment and Materials International (SEMI), global fab equipment spending for front-end facilities in 2023 is expected to decline 15% yoy before rebounding 15% yoy in 2024. The trend suggests the semiconductor industry is turning the corner and on a path back to growth. 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. Maintain BUY and target price of S\$1.23, pegged to 12.6x 2024F PE, based on 1SD above mean PE.
★ Frencken	BUY	1.23	1.04	18.3	(7.1)	8.6	17.3	1.7	
iFAST	HOLD	6.56	6.60	(0.6)	17.6	n.a.	83.8	0.4	
Japfa	HOLD	0.23	0.186	23.7	(13.5)	33.7	7.4	5.4	
Kimly	HOLD	0.36	0.305	18.0	(3.2)	11.1	10.9	5.6	
LHN	BUY	0.55	0.31	77.4	(7.5)	2.8	5.1	7.4	

OUR RETAIL RESEARCH COVERAGE

Company	Rec	Target Price (\$)	Price 31 Oct 23 (\$)	Upside (%)	Monthly Performance % Chg	PE 2022 (x)	PE 2023F (x)	Yield 2023F (%)	Analyst's Views
★ MarcoPolo Marine	BUY	0.06	0.051	17.6	(3.8)	8.2	11.8	0.0	<p>MPM reported a strong improvement in 3QFY23 revenue to S\$36.8m (+28.9% yoy) due to an uptick in utilisation levels in both its core businesses, bringing 9MFY23 revenue up to S\$92.7m (+65.1% yoy). Though the surge in demand should lead to newbuilding, vessel supply is set to remain constrained on the horizon. With its growing presence in the region through recent partnerships into Japan and South Korea, MPM is in a favourable position. MPM has recently announced plans to build a 240m Dry Dock 4 in Nov 23, funded by a mix of operational cashflow and external bank financing. This will increase ship repair capacity by up to 25%, allowing MPM to capture growing demand for ship repairs. With completion expected to be in 1QFY25, it will likely contribute to higher earnings then. MPM has also announced plans to build and operate a new Commissioning Service Operation Vessel to support commissioning work for the construction and maintenance of offshore wind farms. This will provide charter services to support the Taiwan, Japan and South Korea markets. The CSOV's expected completion in 3QFY24 will be timely to meet the growing offshore windfarm industry in Asia. Maintain BUY with a target price of S\$0.060.</p>
Nanofilm	HOLD	1.00	0.93	7.5	(1.1)	14.0	40.6	0.5	
PropNex	BUY	1.23	0.805	52.8	(8.5)	9.6	9.3	8.7	
Rex Intl	SELL	0.10	0.169	(40.8)	(13.8)	n.a.	2.9	11.9	
★ RH PetroGas	BUY	0.24	0.189	25.9	(17.8)	5.7	10.3	0.0	<p>RHP has spudded two out of four wells in its near-term exploration programme. These include Riam-1, which is targeting 5mmbbl in recoverable reserves, and the high-impact gas well, Karuka-1 which is targeting 1.8tcf (equivalent to 300mmbbl) in unrisked gas resources. Clearly, the gas well would be material to a company of RHP's size. Using recovery factors of between 10-25% and risking the four wells at between 50-80% for both geological and commercial risk, we arrive at a total valuation of S\$0.13/share for RHP's drilling programme. This represents potential upside of >53% based on RHP's 29 September closing price. Note that we have factored in much higher risk factors for both Piarawi-1 and Karuka-1 given that they are both deeper wells and are targeting new geological play types. For exposure to upstream oil & gas in Singapore, we prefer RHP. Compared to REX, RHP is a more focused oil play as it has exposure only to onshore Indonesia, does not undertake interested party transactions, and more importantly has been able to demonstrate a higher level of operational excellence having increased production at its two mature onshore oil fields in the past five years. Maintain BUY and a target price of S\$0.24.</p>
Riverstone	HOLD	0.67	0.59	13.6	(1.7)	10.4	9.8	8.7	
Sheng Siong	BUY	1.97	1.55	27.1	2.0	17.5	17.0	4.1	
Tiong Woon	BUY	0.85	0.50	70.0	3.1	10.2	7.4	2.0	
UMS	BUY	1.56	1.25	24.8	(3.8)	8.5	14.0	4.3	
Valuetronics	HOLD	0.56	0.505	10.9	(3.8)	9.9	9.1	4.4	

Source: Bloomberg, UOB Kay Hian

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