UOBKayHian

STRATEGY – SINGAPORE

Alpha Picks: Adding YZJ, CVL, FEH While Removing CLI, VMS, UMSH, SIA.

In Jan 23, our Alpha Picks portfolio bettered the STI by 2.2ppt on an equal-weighted basis. For Feb 23, we have included companies with robust earnings growth and strong order wins, such as YZJ, Civmec and Food Empire. In addition, we have taken profit on CapitaLand Investment, SIA, UMS and Venture. We also highlight that our Alpha Picks portfolio has beaten the STI in 11 out of the past 12 months.

WHAT'S NEW

- **Market review.** Despite seeing some market rotation out of Singapore in early-Jan 23, the STI rallied in the latter part of the month and ended in positive territory, up 3.5% for the month as investors took hope that the US Fed would slow down its interest-rate hikes. In addition, China's removal of its COVID-19 restrictions and economic reopening sparked hopes of a quick economic recovery, further buoying investor sentiment.
- **Strong start to 2023.** Our Alpha Picks portfolio outperformed the STI in Jan 23, up 5.7% mom on an equal weighted basis vs the STI's 3.5%. On a price-weighted basis, our portfolio rose 6.0% and outperformed the STI by 2.5ppt. Our portfolio's top performers were UMS Holdings (+11.9% mom) and Venture Corp (+8.2% mom), which mirrored the US tech rally; while Mapletree Log Trust (+7.7% mom) strengthened on the back of China's reopening. Our only underperformer was Singtel (-2.3% mom) as investors moved out of low-beta names and into more beaten-down sectors such as tech.
- **Adding Yangzijiang Shipbuilding (YZJ), Civmec, Food Empire, and taking profit on CapitaLand Investment, Venture, UMS and SIA.** For Feb 23, we add YZJ to our portfolio as we expect announcements of new orders to resume after the Lunar New Year holidays. We also add Civmec due to its higher contract wins, while for Food Empire we believe it should experience expanding margins and strong earnings growth. Deletions from the portfolio include CapitaLand Investment (CLI) and SIA as both companies have outperformed, having risen 9% and 8% respectively since their inclusion into our Alpha Picks portfolio. We also remove Venture (+8%) and UMS (+12%) after their strong monthly performance.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Jonathan Koh	CapLand Ascott Trust	BUY	22.2	A play on COVID-19 reopening in the EU & UK.
Jonathan Koh	DBS	BUY	20.4	Most sensitive to interest rates for Singapore banks.
Vincent Khoo/ Jack Goh	Genting Singapore	BUY	24.4	Reopening of borders, better capital management and attractive 2023 yield
Adrian Loh	Keppel Corp	BUY	2.4	Moving to a more asset-light business model.
Jonathan Koh	Mapletree Log T	BUY	10.7	Reopening play for HK/China.
Adrian Loh	Sembcorp Ind	BUY	20.2	Re-rating prospects as a green energy play backed by positive 2H22 outlook guidance.
Roy Chen	SIA Engineering	BUY	-2.0	Immediate beneficiary of increased no. of flights.
Chong Lee Len/ Llelleythan Tan	Singtel	BUY	0.9	Proxy to regional economic recovery and reopening.
Llelleythan Tan	ThaiBev	BUY	16.8	Strong recovery in tourism arrivals and removal of COVID-19 measures boosting consumption levels.
John Cheong	Civmec	BUY	-	Earnings surprise due to higher-than-expected contract wins and margin.
John Cheong	Food Empire	BUY	-	Improving net margin from better-than-expected ASPs.
Adrian Loh	Yangzijiang Ship	BUY	-	Strong 2022 results; announcement of new order wins.

** 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$) ---- 3 Feb	Target	Up/(down) to TP (%)
CapLand Ascott T	BUY	1.13	1.39	23.0
Civmec	BUY	0.645	1.10	70.5
DBS	BUY	35.5	45.35	27.7
Food Empire	BUY	0.745	0.78	4.7
Genting SP	BUY	0.995	1.15	15.6
Keppel Corp	BUY	7.26	9.68	33.3
MapletreeLog	BUY	1.76	1.99	13.1
Sembcorp Ind	BUY	3.57	4.1	14.8
SIA Engineering	BUY	2.51	2.70	7.6
SingTel	BUY	2.54	3.15	24.0
Thai Beverage	BUY	0.695	0.85	22.3
YZJ ShipBldg SGD	BUY	1.30	1.55	19.2

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

CHANGE IN SHARE PRICE

Company	Rec	Jan 23[1] (% mom)	To-date[2] (%)
CapLand Ascott T	BUY	5.7	22.2
CapitaLandInvest	BUY	7.0	8.6
DBS	BUY	5.5	20.4
Genting SP	BUY	3.7	24.4
Keppel Corp	BUY	4.0	2.4
MapletreeLog *	BUY	7.7	10.7
Sembcorp Ind	BUY	6.8	20.2
S I A	BUY	7.1	8.0
SIA Engineering	BUY	6.4	(2.0)
SingTel	BUY	(2.3)	0.9
ThaiBev	BUY	2.2	16.8
UMS	BUY	11.9	4.8
Venture Corp	BUY	8.2	15.0
UOBKH portfolio		5.7	
FSSTI		3.5	

[1] Dividend adjusted
[2] Share price change since stock was selected as alpha pick
** Traded ex-dividend in Jan-23*
Source: UOB Kay Hian

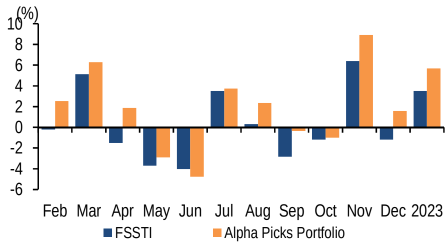
PORTFOLIO RETURNS (%)

	3Q22	4Q22	2022	Jan-23
FSSTI return	0.9	3.9	4.1	3.5
Alpha Picks Return				
- Price-weighted	6.3	3.2	5.6	6.0
- Market cap-weighted	5.6	5.5	8.1	4.0
- Equal-weighted	-0.1	3.9	2.8	5.7

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 11 OUT OF 12 MONTHS)



Source: Bloomberg, UOB Kay Hian

ANALYST(S)
Singapore Research
+65 6535 6868
research@uobkayhian.com

CapLand Ascott Trust – BUY (Jonathan Koh)

- **Portfolio RevPAU recovered** 78% yoy and 17% qoq to S$155 in 4Q22, reaching pre-pandemic pro forma RevPAU on continued improvement in occupancy (78%) and average daily rate (ADR). Japan, Australia and the US had the largest sequential improvement of 98%, 29% and 21% qoq respectively.
- **CLAS invested S$420m in 15 accretive acquisitions,** comprising 12 longer-stay properties (student accommodation properties in the US and rental housing in Japan) and three serviced residences. Management has raised the asset allocation target in longer-stay assets by 10ppt from 15-20% to 25-30% in the medium term.
- **Maintain BUY.** Our target price for CLAS of S$1.39 is based on DDM (cost of equity: 7.5%, terminal growth: 2.8%).

Share Price Catalysts

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

DBS Group Holdings – BUY (Jonathan Koh)

- We forecast net profit to grow 54% yoy but recede 4% qoq to S$2,151m in 4Q22. We expect NIM to expand by a significant 15bp qoq to 2.05%, while net interest income should grow by a material 53% yoy.
- **The implementation of Basel 4** on 24 January is expected to improve DBS' CET-1 CAR by 1-2ppt to 15-16%, which is significantly above its comfortable operating range of 12.5-13.5%. We have assumed that DBS rewards its shareholders with a special dividend of S$0.80 per share, which would deplete CET-1 CAR by 0.6ppt.
- **Our target price of S$45.35 is based on 1.95x 2023F P/B,** derived from Gordon Growth model (ROE: 16.1%, COE: 8.5%, Growth: 0.5%).

Share Price Catalysts

- **Events:** a) Continued rapid NIM expansion in 1H23, and b) dividends increasing in tandem with NIM expansion and growth in earnings in 2023.
- Timeline: 6-12 months.

Genting Singapore – BUY (Vincent Khoo, Jack Goh)

- **Chinese border reopening after three years of isolation is a significant catalyst.** After three years of its zero-COVID policy (which involved city-wide lockdowns to contain COVID-19), China ended quarantine requirements for inbound passengers in early-Jan 23. We retain our upbeat view that China's border easing remains as a strong re-rating catalyst for GENS and the earnings lift from Chinese patronage will be gradually reflected in GENS' earnings from 1Q23 onwards. To recap, China visitors made up 19-20% of Singapore's pre-pandemic tourist arrival in 2018-19, and we forecast that Chinese footfall made up about 20% of Resorts World Sentosa's (RWS) footfall and 20-25% of GENS' top-line revenue.
- **Normalisation of earnings to pre-pandemic levels in 2023.** GENS is a major direct beneficiary of Singapore's post-pandemic-peak economic reopening and tourism recovery. We expect GENS' share price share price recovery to exhibit further upside as it delivers higher earnings from 4Q22 onwards. Meanwhile, the resilient international tourist arrivals to Singapore and RWS will also boost GENS' EBITDA back towards its pre-pandemic level of S$1.2b in 2023.
- **Tangible easing of pandemic-related restrictions to lift investor sentiment.** In 1H22, Singapore scrapped many COVID-19-related inbound travel requirements, while RWS

has been allowed to operate with higher gaming capacity since Dec 21. We expect the removal of these cumbersome restrictions to lift Singapore's inbound travel in 4Q22 which will eventually benefit GENS as international patronage rebounds.

- **Well-positioned to fulfil better capital management particularly in 4Q22.** 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$3.1b (26 S cents/share) and that post-pandemic-peak EBITDA is largely sufficient to fund its S$4.5b RWS 2.0 expansion.
- **Normalisation of lush prospective yield to 4.0-4.5% in 2023.** We expect GENS' dividend yield to normalise to 4.0-4.5% 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$1.15** which implies a 9.3x 2023 EV/EBITDA (-0.5SD to mean).

Share Price Catalysts

- **Events:** a) Continued reopening of China's borders, b) better capital management following the recent withdrawal of its Japan IR pursuit, and c) appealing 2023 yield of about 4-4.5%.
- Timeline: 3-6 months

Keppel Corp – BUY (Adrian Loh)

- **Revised terms for sale of its offshore & marine business.** Keppel (KEP) and Sembcorp Marine (SMM) announced in late-Oct 22 that they have varied the terms of the merger that was previously announced in Apr 22. Instead of merging with Keppel Offshore Marine (KOM) under a new company, SMM will now acquire KOM with the consideration being the issuance of new SMM shares. The benefit of this new method is that it is simpler given that it does not require lengthy court approvals.
- **Impact to KEP shareholders.** While the consideration for KOM has been lowered, KEP shareholders will receive a larger amount of shares worth S$2.33 vs S$2.26 previously. Importantly, KEP has managed to positively modify the terms of the Vendor Notes that will be issued by the Asset Co. Recall that as part of the merger with SMM, KEP had linked the sale of legacy oil rigs and associated receivables into a separate entity called Asset Co to be owned by a third-party investor comprising of Baluran Limited (74.9%), Temasek's wholly-owned Kyanite (15.1%) and KEP (10%). Part of the Asset Co consideration was via 10-year fixed-rate notes with a 2% p.a. coupon, which have now been re-negotiated up to a 4% p.a. coupon instead. In addition, the sale of KOM has been de-linked to the divestment of Asset Co which at least ensures the success of the latter.
- **KEP reported a strong 3Q22 business update.** In a separate announcement, KEP reported a strong 3Q22 business update with revenue rising 24% yoy to S$6.8b, above our expectations. While KEP did not disclose net profit numbers for 3Q22, it did state that net profit was lower yoy due to the high base effect of lumpy en bloc sales which boosted 3Q21 profits. The two key segments that performed well was energy & environment and asset management while, as expected, management sounded bearish on its China property business. However with China scrapping its zero-COVID policy, which started in 4Q22, this could be a re-rating catalyst for KEP's China property segment in 1H23.
- **We maintain our BUY rating on KEP and a target price of S$9.68.** Given the relatively more complex nature of the transaction, it may take time for the value of the merger to be realised. In addition, we note that KEP estimates that the monetisation timetable for Asset Co will be between 3-5 years.

Share Price Catalysts

- **Events:** Successful conclusion of the divestment of its offshore & marine business, resumption of normal business conditions in China, continued success in its capital recycling program.

- Timeline: 3-6 months.

Mapletree Logistics Trust – BUY (Jonathan Koh)

- **MLT achieved broad-based positive rental reversion** of +2.9% for 3QFY23 (South Korea: 6.2%, Vietnam: 4.2%, Hong Kong: 3.2%, Singapore: 3%, Malaysia: 3%, China: 1.6% (Tier 1 cities: 2.7%, Tier 2 cities: 1.4%) and Japan: 1.2%).
- **MLT benefits from the reopening of Mainland China and Hong Kong.** Mainland China and Hong Kong accounted for 20.7% and 22.9% of MLT's portfolio valuation respectively as of Dec 22.
- **MLT has a resilient balance sheet** with low aggregate leverage of 37.4% and long weight average debt maturity of 3.6 years.
- **Reiterate BUY.** Our target price for MLT of S$1.99 is based on DDM (cost of equity: 7.0%, terminal growth: 2.8%).

Share Price Catalysts

- Events: Resiliency of DPU and balance sheet; reopening of Mainland China and Hong Kong.
- Timeline: 6-12 months.

Sembcorp Industries – BUY (Adrian Loh)

- **Sale of Indian coal assets removes overhang.** One of the key strategies for SCI in 2022 was to reduce its exposure to coal assets which it managed to do via the sale of Sembcorp Energy India (SEIL) to Tanweer in 3Q22. Importantly, the pricing of these assets at slightly over 1.0x P/B was a premium to comparable transactions at 0.2x-0.6x P/B: should SEIL have been sold at these levels, SCI would have had to impair its book by >S$800m. The external environment has not been conducive to coal M&As in the past few years so the fact that SCI was able to get this deal done was positive in our view.
- **New solar expansion in Singapore.** In 4Q22, SCI announced that it had been awarded the SolarNova 7 project by the Housing & Development Board (HDB) and the Singapore Economic Development Board (EDB). This project involves the installation of 75MWp of solar capacity across 1,290 HDB blocks and 99 government sites. The 1,290 blocks, which will be located in areas under the Bishan-Toa Payoh, Tanjong Pagar and Jurong-Clementi Town Councils, will have a combined solar capacity of 50.5MWp. As of end-3Q22, Sembcorp's gross solar capacity stood at 535MWp.
- **Maintain BUY with a target price of S$4.10.** Our target price is based on a target PE multiple of 13.6x which is 1SD above the company's past five-year average PE of 10.1x (excluding 2020 where the company reported impairment-related losses) and is applied to our 2023 EPS estimate which we believe is a better reflection of the company's 'normalised' earnings compared with 2022's earnings. We note that on both PE and P/B bases, SCI trades at a discount to its utilities peers in developed Asia.

Share Price Catalysts

- **Events:** a) Sustained economic recovery after the peak of COVID-19, thus leading to increased energy and utilities, and b) value-accretive acquisitions in the green energy space.
- Timeline: 6+ months.

SIA Engineering – BUY (Roy Chen)

- **Recovery on track.** Flight activities at Changi airport continued to recover, hitting 76% in Dec 22, compared with 65% a quarter ago. The reopening of China has injected new momentum to the recovery of regional and global air travel. With its lion's 80% share of line maintenance service volume at Changi airport, SIA Engineering's profitability outlook is lifted by the air traffic recovery.

- **Benign valuation and dividend resumption.** SIA Engineering currently trades at FY25F (normalised year) PE of 16.3x and 12.7x if excluding its significant net cash position of about S$600m. With the core profitability recovery, we expect SIA Engineering to resume dividend payment this year and forecast a dividend payment of 6/9/12 S cents in FY23-25, translating to a yield of 2.4%/3.6%/4.8%.

- **Active share buyback.** SIA Engineering has been proactively conducting share buybacks in the recent months, which implies that the company deems its shares undervalued. Since Jul 22, it has bought back over 2.15m shares from the open market at a price range of S$2.12-2.51, with the most recent purchase on 2 Feb 23 at S$2.51.

Share Price Catalysts

- **Events:** a) Organic earnings recovery, b) dividend resumption, and c) M&As.

- Timeline: 3-6 months.

Singapore Telecommunications – BUY (Chong Lee Len/Llelleythan Tan)

- **Mobile recovery on track.** Singtel's Singapore consumer segment is benefitting from the resumption of international travel. Roaming revenue has returned to around 70% of pre-COVID-19 levels and is expected to improve further. Optus is also set to benefit from the return of international travel which has helped roaming revenue, currently at about 60% of pre-COVID-19 levels. Postpaid ARPU for both Optus and Singapore's consumer segment continues to increase from the strong take-up of 5G-bundled plans.

- **Fundamentals remain robust.** Despite Optus' near-term setbacks, Singtel and its regional associates face strong tailwinds as economic activity continues to ramp up, driven by the removal of most COVID-19 measures in key regional markets. For 1HFY23, underlying operating revenue (+4.3% yoy) and EBITDA (+2.8% yoy) grew and is expected to continue rising moving forward.

- **Maintain BUY with a DCF-based target price of S$3.15** (discount rate: 7%, growth rate: 2.0%). At our target price, the stock will trade at 14x FY23 EV/EBITDA (+1.0SD of its five-year mean EV/EBITDA). With a decent yield of 5.5% for FY23, Singtel remains an attractive play against elevated market volatility, underpinned by improving near- to medium-term fundamentals.

Share Price Catalysts

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

- Timeline: 6+ months.

Thai Beverage – BUY (Llelleythan Tan)

- **No more zero-COVID-19 policy.** After three years of self-isolation and strict lockdowns, China lifted domestic quarantine restrictions and also relaxed domestic and foreign travel guidelines, whereby inbound travellers are now able to enter the country quarantine-free. With pent-up travel demand, Thailand is set to face a surge of Chinese tourists coming into the kingdom, given that Thailand was China's top travel destination pre-COVID-19 (2019).

- **Robust tourism recovery.** Thailand reported approximately 2.24m (+28.2% mom, 9x yoy) tourist arrivals in Dec 22, taking 2022 total tourist arrivals to 11.2m (25x yoy) and in line with our 10m-11m tourists expectations. This is on the back of Thailand's fully reopened international borders and relaxed global travel restrictions. According to Thailand's tourism bureau, the kingdom is expected to receive 25m visitors (65% of pre-COVID-19 levels) in 2023, largely driven by an estimated 5m Chinese tourists. We expect the influx of Chinese tourists to support and boost Thailand's tourism recovery, benefitting consumer companies such as Thai Beverage.

- **Additional ASP hikes.** To combat rising inflation, management noted that the group had adjusted its ASPs higher for its beer and spirits products in 1QFY23, supporting margins. The group also plans to lift ASPs for its international spirits business in Myanmar as well, which would give the spirits segment a boost.
- **Maintain BUY with an SOTP-based target price of S$0.85.** We still reckon THBEV remains attractively priced at -0.5SD to its five-year mean PE, backed by an expected earnings recovery underpinned by favourable tailwinds.

Share Price Catalysts

- **Events:** a) Better-than-expected consumption volume, and b) M&As.
- Timeline: 3-6 months.

Civmec – BUY (John Cheong)

- **Increasing opportunities for maintenance works, which will translate to more recurring earnings.** Civmec announced in Jan 23 that the projects for its maintenance and capital work division have increased significantly through their inclusions into the blue chip customers' engineering panel and the award of a construction services agreement. To be on the panel means that the maintenance projects can be awarded promptly and Civmec can be contracted without having to go through any tendering where rates have already been agreed. This is a positive development where it could accelerate Civmec's target to increase its recurring revenue to 40% in the mid to long term, from around 20% currently.
- **One of Australia's leading engineering players,** Civmec serves key sectors including resources and energy (82% of FY22 revenue), as well as defence and infrastructure (18%). 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.
- **We expect Civmec to deliver record earnings growth of 10% yoy in FY23,** backed by a robust orderbook of around A$1.1b. FY22 earnings grew 47% yoy (1QFY23 +31%). Civmec sees a strong pipeline of new projects in the sectors it operates in and new opportunities in the green energy space.
- **Maintain BUY.** Our target price of S$1.10 is pegged to 11x FY23F PE (based on 1SD below five-year mean). We think the current valuation of 6x FY23F PE is attractive, given its strong growth profile of 10% three-year EPS CAGR for FY22-25 and huge orderbook. Civmec's peers are trading at an average of 12x FY22F PE.

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 given the high entry barrier of defence business.
- Timeline: 3-6 months

Food Empire – BUY (John Cheong)

- **Good entry point for a regional coffee mix player.** Trading at 7x 2023F PE vs peers' average of >15x, its valuation is due for a re-rating, in our view.
- **Strong demand for consumer staple products.** Despite rising inflationary pressures and ASPs, FEH does not see major changes in consumption patterns. Given the consumer-staple nature of FEH's products, they are relatively price inelastic. FEH's products in the coffee segment continue to be affordable with mass appeal, leading to stronger demand in 9M22.
- **We expect 2022 earnings to almost double yoy to S$36m.** 3Q22 core earnings of US$12m (+274% yoy, +44% qoq) outperformed our expectations. Revenue for 9M22

grew 27% yoy mainly from the South-Asia market, which recorded a 191% yoy increase. Its largest market, Russia, reported revenue growth of 16%, while the second-largest market, Southeast Asia, posted an 8% rise in revenue. The third-largest market, which consists of Ukraine, Kazakhstan and Commonwealth of Independent States (CIS), also achieved a 28% yoy revenue growth.

- **Maintain BUY.** Our target price of S$0.78 is based on 8.4x 2023F EPS, or 1SD below its long-term historical mean.

Share Price Catalysts

- **Events:** a) Better-than-expected earnings or dividend surprise, and b) improving net margin from better-than-expected ASPs and easing of key costs including freight and raw material costs.

- **Timeline: 3-6 months.**

Yangzijiang Shipbuilding – BUY (Adrian Loh)

- **On 5 Jan 23, we upgraded YZJ to BUY.** YZJ's share price (like some of the other outperformers in 2022) suffered from profit-taking in the first few trading days of 2023. In addition, the perceived 'loss' of a large LNG order has added to the negative sentiment on the stock. As a result of the share price weakness in Dec 22 and early-Jan 23, we upgraded the stock from a HOLD to BUY rating as we viewed YZJ's risk-reward as being attractive with nearly 30% upside to our PE-based target price of S$1.55.

- **In the past few months, YZJ has suffered from a lack of newsflow,** however with the holiday season behind us, we believe new-order announcements should resume as the shipping industry's headquarters returns to work. We highlight that YZJ's order wins in 2022 easily exceeded expectations with nearly US$4.2b in new orders vs guidance of US$2b at the start of the year. For 2023, the company has maintained its 'standard' order-win expectation of US$2b with orders for tankers and bulk carriers rather than containerships, while LNG vessels will witness longer term growth.

- **We have a BUY rating on YZJ with a target price of S$1.55** using a target PE multiple of 9.0x to our 2023 EPS forecast. Our target PE multiple is 1SD above YZJ's past five-year average of 6.7x which we view as fair given the company's earnings growth in 2023, as well as the stability of its earnings due to its US$10.3b orderbook at present. We note that at our fair value of S$1.55, YZJ would trade at a 2023 P/B of 1.3x.

Share Price Catalysts

- Events: a) Strong 2022 results to be reported at end-Feb 23, b) evidence of shipbuilding margin expansion, c) potential for higher dividends, and d) new order win announcements.

- Timeline: 3-6 months.

VALUATION

Company	Ticker	Rec*	Price 3 Feb 23 (S$)	Target Price (S$)	Upside To TP (%)	Last Year End	PE 2022E (x)	PE 2023E (x)	PE 2024E (x)	Yield 2023E (%)	ROE 2023E (%)	Market Cap. (S$m)	Price/ NTA ps (x)
CapLand Ascott T	CLAS SP	BUY	1.13	1.39	23.0	12/22	3.2	4.7	5.0	35.7	23.9	22.5	5.0
Civmec	CVL SP	BUY	0.645	1.10	70.5	6/22	9.9	10.3	11.5	6.5	6.3	5.6	4.3
DBS	DBS SP	BUY	35.5	45.35	27.7	12/21	306.9	359.0	391.9	11.6	9.9	9.1	6.3
Food Empire	FEH SP	BUY	0.745	0.78	4.7	12/21	8.8	9.0	9.8	8.5	8.3	7.6	2.8
Genting SP	GENS SP	BUY	0.995	1.15	15.6	12/21	3.0	5.7	5.9	33.4	17.3	16.8	2.5
Keppel Corp	KEP SP	BUY	7.26	9.68	33.3	12/22	52.1	52.1	53.4	13.9	13.9	13.6	4.5
MapletreeLog	MLT SP	BUY	1.76	1.99	13.1	3/22	8.5	7.7	7.7	20.7	22.8	22.8	5.1
Sembcorp Ind	SCI SP	BUY	3.57	4.10	14.8	12/21	40.0	29.7	30.8	8.9	12.0	11.6	3.4
SIA Engineering	SIE SP	BUY	2.51	2.70	7.6	3/22	7.5	12.2	15.4	33.7	20.6	16.3	2.4
SingTel	ST SP	BUY	2.54	3.15	24.0	3/22	14.7	15.9	17.1	17.3	16.0	14.8	5.7
Thai Beverage	THBEV SP	BUY	0.695	0.85	22.3	9/22	4.8	4.4	4.9	14.5	15.6	14.3	3.4
YZJ ShipBldg SGD	YZJSGD SP	BUY	1.30	1.55	19.2	12/21	13.9	16.5	18.2	9.3	7.9	7.1	2.7

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

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore.Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

http://research.uobkayhian.com

RCB Regn. No. 197000447W