STRATEGY – SINGAPORE

Alpha Picks: Adding MLT, Removing LREIT

Our Alpha Picks' 5.5% and 8.1% returns for 4Q22 and 2022 respectively easily beat the STI by 1.6ppt and 4.0ppt respectively on a market-cap weighted basis. For Jan 23, we rejig our REIT preference by adding Mapletree Logistics Trust (MLT) and cutting losses on Lendlease REIT (LREIT). We like MLT's exposure to the China reopening story as its China and Hong Kong portfolio constituted 21% and 23% of its portfolio valuation respectively as at end-3Q22.

WHAT'S NEW

- **Market review.** The STI's 1.6% decline in Dec 23 mirrored the overall bearish tone in global markets as worries about a potential recession in major developed economies, as well as continued hawkish statements from the US Fed, weighed on sentiment. While the continued easing of China's COVID-19 restrictions lifted hopes for a timely boost to Asia's regional economic outlook, worries have surfaced regarding the potential 'export' of new COVID-19 variants to the region and its negative ramifications.

- **Outperformance in 4Q22 and 2022.** Our Alpha Picks portfolio outperformed the STI in 4Q22 and 2022, gaining 5.5% and 8.1% on a market-cap weighted basis vs the STI's 3.9% and 4.1% gain respectively. For Dec 22 however, our portfolio rose 1.6% on an equal-weighted basis which beat the STI's 1.2% decline. On an absolute return basis, CapitaLandInvest (+11.1% mom) continued its strong run, while Genting Singapore (+8.5% mom) and Thai Bev (+7.9% mom) continued to benefit from the positive China reopening sentiment. The main underperformers were Singtel (-5.5%), Keppel (-3.7%) and DBS (-3.6%) which suffered from profit taking after a strong share price performance in Nov 22.

- **Rejigging our REIT portfolio: Adding MLT and removing LREIT.** For Jan 23, we add MLT to our portfolio as we expect medium-term positive sentiment on the stock to drive its share price as the removal of China's zero-COVID regulations should positively affect the company's assets: 44% of its portfolio valuation as at end-3Q22 was derived from China and Hong Kong. We cut losses on Lendlease REIT as it appears to lack share-price catalysts in the near term.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Jonathan Koh	CapLand Ascott Trust	BUY	13.5	A play on COVID-19 reopening in the EU & UK
Adrian Loh	CapitaLand Inv	BUY	0.2	Proxy to economic reopening after peak COVID-19, especially in lodging business
Jonathan Koh	DBS	BUY	15.0	Most sensitive to interest rates for Singapore banks
Vincent Khoo/ Jack Goh	Genting Singapore	BUY	19.4	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	-	Reopening play for HK/China
Adrian Loh	Sembcorp Ind	BUY	13.8	Re-rating prospects as a green energy play backed by positive 2H22 outlook guidance.
Roy Chen	SIA	BUY	0.0	Peak performance from upcoming results.
Roy Chen	SIA Engineering	BUY	-8.6	Immediate beneficiary of increased no. of flights
Chong Lee Len/ Llelleythan Tan	Singtel	BUY	2.1	Proxy to regional economic recovery and reopening.
Llelleythan Tan	ThaiBev	BUY	15.1	Strong recovery in tourism arrivals and removal of COVID-19 measures boosting consumption levels
John Cheong	UMS	BUY	-5.6	Robust revenue growth from its huge order backlog.
John Cheong	Venture	BUY	4.9	Potential takeover

** 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$) --- 30 Dec	Target	Up/(down) to TP (%)
CapitaLandInvest	BUY	3.70	4.13	11.6
CapLand Ascott T	BUY	1.05	1.27	21.0
DBS	BUY	33.92	45.00	32.7
Genting SP	BUY	0.955	1.08	13.1
Keppel Corp	BUY	7.26	10.11	39.3
Mapletree Log Trust	BUY	1.59	1.87	17.6
Sembcorp Ind	BUY	3.38	4.10	21.3
S I A	BUY	5.53	5.35	(3.3)
SIA Engineering	BUY	2.34	2.60	11.1
SingTel	BUY	2.57	3.15	22.6
Thai Beverage	BUY	0.685	0.73	6.6
UMS	BUY	1.18	1.38	16.9
Venture	BUY	17.06	20.06	17.6

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

CHANGE IN SHARE PRICE

Company	Rec	Dec 22[1] (% mom)	To-date[2] (%)
CapLand Ascott T	BUY	11.1	13.5
CapitaLandInvest	BUY	0.8	0.2
DBS *	BUY	(3.6)	15.0
Genting SP	BUY	8.5	19.4
Keppel Corp	BUY	(3.7)	2.4
Lendlease REIT	BUY	2.8)	(15.6)
Sembcorp Ind	BUY	5.6	13.8
SIA	BUY	2.4	0.0
SIA Engineering	BUY	4.5	(8.6)
Singtel *	BUY	(5.5)	2.1
ThaiBev	BUY	7.9	15.1
UMS	BUY	(3.3)	(5.6)
Venture Corp	BUY	(1.4)	4.9
UOBKH portfolio		1.6	
FSSTI		(1.2)	

[1] Dividend adjusted
[2] Share price change since stock was selected as alpha pick
** Traded ex-dividend in Nov 22*
Source: UOB Kay Hian

PORTFOLIO RETURNS (%)

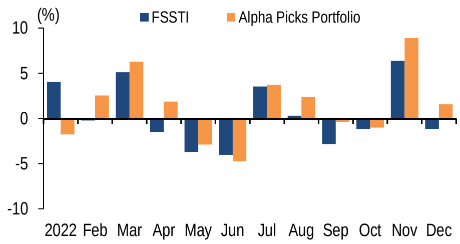
	1Q22	2Q22	3Q22	4Q22	2022
FSSTI return	9.1	-9.0	0.9	3.9	4.1
Alpha Picks Return					
- Price-weighted	6.5	-4.2	6.3	3.2	5.6
- Market cap-weighted	8.3	-3.9	5.6	5.5	8.1
- Equal-weighted	5.3	-3.1	-0.1	3.9	2.8

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

PORTFOLIO RETURNS IN THE PAST 12 MONTHS

(WE OUTPERFORMED FSSTI 10 OUT OF 12 MONTHS)



Source: Bloomberg, UOB Kay Hian

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Mapletree Logistics Trust – BUY (Jonathan Koh)

- **MLT has a resilient balance sheet** with low aggregate leverage of 37% and long weight average debt maturity of 3.6 years.
- **MLT benefits from the reopening** of the economies in Mainland China and Hong Kong. Mainland China and Hong Kong accounted for 21.1% and 23.1% of MLT's portfolio valuation respectively as of Sep 22.
- **Reiterate BUY.** Our target price for MLT of S$1.87 is based on DDM (cost of equity: 7.25%, terminal growth: 2.8%).

Share Price Catalysts

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

CapLand Ascott Trust – BUY (Jonathan Koh)

- **Benefitting from reopening of international borders and pent-up demand.** CLAS' portfolio RevPAU recovered 88% yoy and 6% qoq to S$132 in 3Q22, which is 87% of pre-pandemic levels on a pro forma basis, due to higher occupancy (>70% in 3Q22) and ADR (9M22: +40% yoy). China and Singapore recorded strong sequential growth, while Australia and the US continued to perform at close to pre-pandemic levels.
- **Value creation through asset recycling.** CLAS divested six properties at an average exit yield of 2% and total proceeds of S$580m. The capital freed up was reinvested in 11 yield-accretive rental housing and student accommodation properties for a total consideration of S$780m and an average EBITDA yield of 5%. CLAS's longer-stay assets currently account for 17% of portfolio valuation. Occupancy for its student accommodation properties was close to 100%.
- **Setting sights on a higher goal.** Management plans to raise the asset allocation target in longer-stay assets by 10ppt from 15-20% to 25-30% in the medium term.
- **Maintain BUY.** Our target price for CLAS of S$1.27 is based on DDM (cost of equity: 7.5%, terminal growth: 2.6%).

Share Price Catalysts

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

CapitaLand Investment – BUY (Adrian Loh)

- **Exciting growth in its fund management platform.** CapitaLand Investment (CLI) has >S$120b in AUM, which makes it one of the largest real estate investment managers in Asia. Of this, S$86b are funds under management (FUM) and the company has plans to grow this to over S$100b by 2023/24. We forecast FUM fee income to grow at a 13% CAGR over 2021-24. In addition, the company has >S$10b in assets that it will look to monetise in the next few years.
- **Slightly weaker-than-expected results for 1H22; looking at a better 2023.** While CLI's reported 1H22 revenue was in line with our estimates, its PATMI of S$433m (-38% yoy) was weaker than expected as it formed only 41% of our full-year estimates. This was due to: a) the China malaise – the country's COVID-19-related lockdowns delayed CLI's planned capital recycling deals in 2Q22 (which resulted in a lower level of portfolio gains in 1H22 compared with 1H21), and b) higher levels of rental rebates for its retail assets. However with China starting on a process to remove all of its zero-COVID rules and regulations in 4Q22, we expect 2023 to potentially surprise on the upside, both operationally and in terms of profit generation.

- **Lodging resurgence.** The highlight continues to be lodging, with CLI increasing its units under management by 10% with >7,500 units signed, as well as the acquisition of the Oakwood Worldwide portfolio which brought in another 15,000 units into its fold. With a total of 153,000 units in its portfolio, CLI is well on track to hit its 2023 target of 160,000 units. Importantly, the overall travel environment has continued to improve as many countries regionally and globally have relaxed travel restrictions as COVID-19 infections have waned. CLI witnessed a 44% yoy increase in revenue per available unit (RevPAU) to S$82 in 1H22 (1H21: $57), led by Europe (+228% yoy) and Singapore (+54% yoy) with only China stagnating (-11% yoy).
- **Maintain BUY** on CLI with an SOTP-based target price of S$4.13.

Share Price Catalysts

- **Events:** Continued earnings growth in the lodging business and growth in FUM.
- Timeline: 3-6 months.

Singapore Airlines – BUY (Roy Chen)

- **Upcoming 3QFY22 results likely to beat consensus expectations.** We expect SIA to achieve peak performance in the upcoming 3QFY23 at S$800m-1b, driven by the strong passenger yields locked in by the advanced bookings as well as the upbeat passenger volume recovery as the pent-up air travel demand gets fulfilled during the seasonally strong Sep-Dec quarter. Sales in advance of carriage, a leading indicator for near-term revenue recognition, stood at S$4.16b as at end-1HFY23; this was about 40% above the end-1HFY20 (pre-pandemic) levels. We forecast SIA’s FY24 net profit to hit S$2.3b, a record level, while believing that there is still scope for surprises from the upside. The consensus FY23 net profit forecast of S$1.69b is on the conservative side (27% below ours) and due for surprises, in our view.
- **Proposed merger of Vistara into Air India a positive development.** We are positive towards SIA’s planned merger of Vistara into Air India, which will allow SIA to strengthen its presence in the fast-growing Indian market via its 25.1% strategic stake in a stronger and more competitive Air India (the surviving entity). Expected to be completed within FY24, the merger will lead to a one-off accounting gain of S$1.1b upon completion, raising SIA’s FY24 net asset value per share by about 8% by our estimate. Due to the significantly larger scale of the new Air India than Vistara, this strategic move would also enhance the long-term profitability prospects of SIA’s Indian investment, in our view.
- **Valuation not cheap, but sentiment could be high in the near term.** SIA trades at 1.09x P/B, or 1.3SD above its historical mean P/B of 0.97x. We expect SIA’s core profitability to normalise from 4QFY23 onwards, as competition catches up and drives down pax yields. The current favourable fuel hedge position would also largely come to an end by 1QFY24. In view of the likely profitability normalisation ahead, we have a HOLD rating on SIA, with a fundamentally-driven target price of S$5.35. Having said that, we believe market sentiments towards SIA would be high leading up to the 3QFY23 results in early this year. Therefore, there could be trading buy opportunities in the short term.

Share Price Catalysts

- **Events:** a) High sentiment towards a stellar upcoming 3QFY23 financial performance, and b) news on China’s shifts in stance towards treating COVID-19.
- Timeline: 3 months.

DBS Group Holdings – BUY (Jonathan Koh)

- **Benefitting from higher interest rates.** DBS is the most sensitive to higher interest rates due to its high CASA ratio of 66%, highest among the three Singapore banks. NIM expanded by a sizeable 32bp qoq to 1.90% in 3Q22. We expect DBS’ NIM to expand 32bp to 1.77% in 2022 and 47bp to 2.24% in 2023. We forecast earnings growth of 16.6%

in 2023 and 8.3% in 2024.

- **5.0%/5.5% yields for 2023/24.** We expect DBS to provide DPS of SS$1.76 in 2023 and $1.92 in 2024, which represents dividend payout ratios of 49.2% and 49.6% respectively. DBS provides dividend yields of 5.0% for 2023 and 5.5% for 2024.
- **Our target price of S$45.00 is based on 1.91x 2023F P/B**, derived from the Gordon Growth Model (ROE: 15.8%, COE: 8.5%, growth: 0.5%).

Share Price Catalysts

- **Events:** a) Continued rapid NIM expansion in 2H22 and 1H23, and b) dividends increasing in tandem with NIM expansion and growth in earnings in 2023.
- Timeline: 6-12 months.

UMS Holdings – BUY (John Cheong)

- **UMS' outlook is robust with a huge order backlog** and it is ready to take on more orders from new customers. The slightly lower forecast given by UMS' key customer recently is unlikely to have a significant impact on its performance given the huge order backlog from its key customer. According to SEMI, semiconductor manufacturers worldwide are forecasted to expand 300mm fab capacity at a nearly 10% compound average growth rate from 2022 to 2025, hitting an all-time high of 9.2m wafers per month. Also, Mckinsey predicts that the semiconductor market will surpass US$1t by 2030, led by autos and data centres.
- **Robust revenue growth across all sectors.** For 9M22, semiconductor sales increased 45%, while aerospace revenue grew 79%. Sales in the "others" category jumped by 70% to S$15m. Semiconductor integrated system sales grew 45% to S$107m. Component sales also shot up 44% to S$132m. All of UMS' key geographies experienced growth. Malaysia and the "others" market reported the strongest growth, clocking in triple-digit sales increases. Revenue in Malaysia grew 124% and revenue in the "others" market soared 147% in 9M22. Sales in Singapore went up by 48%, while revenue in Taiwan and the US increased by 28% and 12% respectively.
- **Expansion plans are progressing well.** Construction of the new Penang factory is on schedule for completion by the end of the year and UMS is preparing to ramp up production from the middle of 2023. UMS will continue active engagement with prospective customers.
- **Maintain BUY.** Our target price of S$1.38 is based on 8.5x 2023F EPS. This is pegged to -1SD of the historical mean PE.

Share Price Catalysts

- **Events**: a) Better-than-expected earnings or dividend surprise, and b) winning of new customers.
- Timeline: 3-6 months.

Genting Singapore – BUY (Vincent Khoo, Jack Goh)

- **Recovery strength to accelerate in 4Q22.** Genting Singapore (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 Resorts World Sentosa (RWS) will also be an effective booster to GENS' return to pre-pandemic earnings dynamics.
- **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.

- **Upbeat on China patronage's reinstatement.** We retain our view that China's border easing, which started in 4Q22, remains as a strong re-rating catalyst for GENS. To recap, China visitors made up 19-20% of Singapore's pre-pandemic tourist arrival in 2018-19. We think that Chinese footfall made up about 20% of RWS' footfall and 20-25% of GENS' top-line revenue.
- **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 yields to 4.1-5.0% in 2022-23.** We expect GENS' dividend yield to normalise to 4.9% in 2023, assuming revenue and cash flows recover back to pre-pandemic levels, and that GENS restores its 2019 dividend payout level of 4.0 S cents.
- **We have a BUY rating on GENS with a target price of S$1.08** which implies a 2022F EV/EBITDA of 8.8x, or -0.5SD to its historical 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 5.0%.
- 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$10.11.** 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.

Sembcorp Industries – BUY (Adrian Loh)

- **Investor call assuaged some concerns over the recent sale of its Indian coal assets.** We recently attended a call between SCI and Asian investors with one of the major talking points being SCI's recent sale of coal-fired power plants within Sembcorp Energy Indial Limited (SEIL). The key takeaway for us was that 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 an unchanged 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)

- **Already profitable without government support.** After eight consecutive quarters of core losses since the onset of COVID-19, SIA Engineering's core earnings have finally returned to positive territory, at S$4.2m in 1QFY23. We expect SIA Engineering to strengthen further for the remaining of FY23 and FY24, as flight activities continue to pick up at Changi Airport. SIA Engineering is a market leader in the line maintenance services at Changi Airport, with the lion's market share of about 80%.
- **Singapore Airlines' capacity reactivation plan offers good visibility for SIA Engineering's recovery.** National carrier Singapore Airlines (SIA Engineering's parent company) is SIA Engineering's anchor customer, accounting for about 70% of SIA Engineering's revenue in FY22. Singapore Airlines has guided a plan to restore its pax capacity from 61% of pre-pandemic levels in 1QFY23 (ie Apr-Jun 22) to about 68% in 2Q, to 76% in 3Q and to 80% in Dec 22. This offers good visibility for SIA Engineering's revenue recovery.
- **Undemanding valuation and dividend resumption.** SIA Engineering currently trades at FY25F (normalised year) PE of 14.5x and only 11.0x 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 6/10/13 S cents in FY23-25, translating to a yield of 2.7%/4.0%/5.4%.

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 60% 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 50% 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 growing 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)

- **Gradual recovery in tourist arrivals and reopening of nightlife entertainment venues.** Thailand's international tourist arrivals continued to grow in Oct 22, reaching a pandemic high of 1,475,430, increasing by 12.7% mom. This was driven by the removal of most COVID-19 restrictions in Jul 22 and the return of international travel. Although we expected 9m-10m tourist arrivals in 2022, this is still a fraction of the 40m arrivals pre-pandemic.
- **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.
- **Fighting to be number one.** THBEV's beer businesses are gaining market share in both Thailand and Vietnam, driven by increased advertising and promotional activities. In Thailand, THBEV has the second largest market share at around 40%, closing in on the number one spot. The market share gap has been closing and is at the narrowest in 13 years. As Vietnam's economic activities continue to recover, management expects second-placed Sabeco to outperform moving into FY23 and beyond, catching up to its closest competitor.
- **Maintain BUY with a SOTP-based target price of S$0.73.** We reckon THBEV remains attractively priced at below -1.5SD of 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: 6+ months.

Venture – BUY (John Cheong)

- **Diversified customer base with less sensitivity to consumer sentiment.** Venture should be able to deliver relatively resilient performance given its highly diversified customer base across seven technology domains. In addition, most of VMS' customers are in industrial segments such as life science, medical and testing, which are less sensitive to consumer sentiment.
- **Demand outlook remains promising.** VMS expects to continue producing resilient results in the coming quarter. Based on its customers' orders and forecasts, it expects demand to remain healthy. VMS sees resilient demand across its diversified customer base, especially in the life science & genomics, healthcare & wellness, networking & communications, test & measurement instrumentation and process & test equipment in the semiconductor technology domains.
- **Enhancement and creation of differentiating capabilities** help VMS to stand out. VMS persistently initiates ways to stay afloat amid macroeconomic headwinds, including: a) redesigning its products to reduce dependency on parts that are experiencing shortages, b) working with customers to obtain a longer order forecast for better procurement and production planning, and c) increasing stockpiles of inventories and sharing the working capital burden with customers. These, along with its R&D capabilities, allow VMS to continue attracting strong customer demand to maintain its market position.
- **Maintain BUY.** Our target price of S$20.06 is pegged to 16x 2023F earnings, based on its mean PE. At the current price, VMS offers an attractive dividend yield of around 4.5%.

Share Price Catalysts

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

VALUATION

Company	Ticker	Rec*	Price 30 Dec 22 (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)
CapitaLandInvest	CLI SP	BUY	3.70	4.13	11.6	12/21	11.2	10.5	9.5	2.4	7.7	18,922.4	1.2
CapLand Ascendas Reit	CLAR SP	BUY	2.74	3.21	17.2	12/21	18.6	19.1	18.7	5.8	5.9	11,518.9	1.1
CapLand Ascott T	CLAS SP	BUY	1.05	1.27	21.0	12/21	37.0	23.9	22.0	5.9	3.5	3,617.9	0.9
DBS	DBS SP	BUY	33.92	45.00	32.7	12/21	11.1	9.5	8.8	5.2	15.3	87,298.6	1.6
Genting SP	GENS SP	BUY	0.955	1.08	13.1	12/21	32.1	16.6	16.1	3.7	8.6	11,528.8	1.5
Keppel Corp	KEP SP	BUY	7.26	10.11	39.3	12/21	15.5	14.4	13.1	2.8	7.2	12,719.2	1.1
MapletreeLog	MLT SP	BUY	1.59	1.87	17.6	3/22	18.7	20.6	20.6	5.5	4.9	7,647.1	1.1
S I A	SIA SP	HOLD	5.53	5.35	(3.3)	3/22	7.1	6.6	20.5	3.6	17.4	16,427.3	1.2
Sembcorp Ind	SCI SP	BUY	3.38	4.10	21.3	12/21	8.4	11.4	11.0	2.7	12.1	6,005.2	1.4
SIA Engineering	SIE SP	BUY	2.34	2.60	11.1	3/22	31.4	20.2	15.2	3.8	7.6	2,626.8	1.6
SingTel	ST SP	BUY	2.57	3.15	22.6	3/22	17.5	16.2	15.0	4.9	9.1	42,415.6	1.6
Thai Beverage	THBEV SP	BUY	0.685	0.73	6.6	9/22	14.3	16.3	14.7	3.1	16.1	17,207.8	2.2
UMS	UMSH SP	BUY	1.18	1.38	16.9	12/21	7.8	7.3	6.5	4.2	28.1	789.5	2.6

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

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