

PLEASE CLICK ON THE PAGE NUMBER TO MOVE TO THE RELEVANT PAGE.

### KEY HIGHLIGHTS

#### Strategy

#### Alpha Picks: Adding MPM And RHP, Removing DELFI, LHN and YZJ

Page 2

Our Alpha Picks portfolio outperformed for Sep 23, beating the STI by 4.7ppt. SEA Ltd, Bumitama and ComfortDelgro were the key outperformers.

#### TRADERS' CORNER

Page 11

**Singapore Telecommunications (ST SP):** Trading BUY

**Frencken Group (FRKN SP):** Trading BUY

### KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	33507.5	(0.5)	(1.3)	(3.8)	1.1
S&P 500	4288.1	(0.3)	(0.7)	(5.0)	11.7
FTSE 100	7608.1	0.1	(1.0)	1.9	2.1
AS30	7249.7	0.4	(0.3)	(3.2)	0.4
CSI 300	3689.5	(0.3)	0.5	(2.7)	(4.7)
FSSTI	3217.4	0.3	0.4	(0.5)	(1.0)
HSCEI	6148.3	2.6	(1.8)	(2.9)	(8.3)
HSI	17809.7	2.5	(1.4)	(3.1)	(10.0)
JCI	6939.9	0.0	(0.7)	(0.5)	1.3
KLCI	1424.2	(1.1)	(1.7)	(2.7)	(4.8)
KOSPI	2465.1	0.1	(3.7)	(3.1)	10.2
Nikkei 225	31857.6	(0.0)	(1.7)	(2.6)	22.1
SET	1471.4	(0.7)	(3.4)	(5.8)	(11.8)
TWSE	16353.7	0.3	0.2	(1.6)	15.7
BDI	1701	(0.9)	6.8	59.7	12.3
CPO (RM/mt)	3671	0.7	(0.5)	(3.5)	(9.3)
Brent Crude (US\$/bbl)	92	(1.0)	(1.1)	7.8	7.3

Source: Bloomberg

### TOP VOLUME

Company	Price (S\$)	Chg (%)	Volume ('000s)
Seatrium	0.13	2.3	436,159
Yangzijiang Shipbuilding	1.66	(0.6)	28,493
Genting Singapore	0.85	(1.2)	25,860
Hutchison Port Holdings Trust	0.17	1.2	18,803
Golden Agri-Resources	0.27	(1.9)	17,858

### TOP GAINERS

Company	Price (S\$)	Chg (%)	Volume ('000s)
Nio Inc	9.21	11.0	317
OUE Commercial REIT	0.24	6.8	5,269
Hotel Properties	3.69	3.7	2
Fraser's Hospitality Trust	0.51	3.1	3,477
StarHub	1.11	2.8	1,397

### TOP LOSERS

Company	Price (S\$)	Chg (%)	Volume ('000s)
Sri Trang Agro-Industry	0.56	(5.1)	51
IHH Healthcare	1.70	(2.9)	7
Top Glove Corp	0.23	(2.2)	1,021
Emperador Inc	0.51	(1.9)	730
CapitaLand India Trust	1.05	(1.9)	8,463

### KEY ASSUMPTIONS

GDP (% yoy)	2022	2023F	2024F
US	2.1	2.0	1.0
Euro Zone	3.5	0.5	0.8
Japan	1.0	1.5	1.0
Singapore	3.6	0.7	3.0
Malaysia	8.7	4.0	4.6
Thailand	2.6	3.1	3.5
Indonesia	5.4	5.1	5.2
Hong Kong	-3.5	4.6	3.0
China	3.0	5.0	4.6
CPO (RM/mt)	5,088	4,000	4,200
Brent (Average) (US\$/bbl)	99.0	81.0	84.0

Source: Bloomberg, UOB ETR, UOB Kay Hian

STRATEGY – SINGAPORE

Alpha Picks: Adding MPM And RHP, Removing DELFI, LHN And YZJ

Our Alpha Picks portfolio overcame weak investor sentiment in Sep 23, beating the STI by 4.7ppt on a market cap-weighted basis and 0.4ppt on an equal-weighted basis, outperforming the STI in 17 out of the past 19 months. For Oct 23, we add MPM as we forecast higher utilisation rates, and RHP for near-term drilling upside potential. We remove DELFI and LHN due to a lack of near-term catalysts, and YZJ as we expect a quiet period for new orders.

WHAT'S NEW

- Market review.** In our view, weakness in near-term investor sentiment resulted from hawkish US Fed comments regarding a final interest rate hike in 4Q23 and “higher for longer” rates to combat inflation. An impending US government shutdown did not help risk sentiment, especially with Singapore’s industrial production contracting sharply in Aug 23, which led to downgrades to Singapore’s GDP outlook and the STI falling 0.5% mom in Sep 23.
- Strong beat.** Our Alpha Picks portfolio outperformed and was up 4.2% mom on a market-cap weighted basis in Sep 23, beating the STI by 4.7ppt. On an equal-weighted basis, our portfolio’s performance was more muted at -0.1% mom, but still bettered the STI by +0.4ppt.
- Broad-based outperformance,** driven primarily by Sea Ltd (+14.6% mom), Bumitama (+3.6% mom) and ComfortDelgro (+2.4% mom). Sea Ltd recovered from a massive sell-down in Aug 23, backed by several positive developments in key markets. Bumitama also benefitted from the official news of El Nino in Australia that may lead to higher CPO prices, while ComfortDelgro was supported by better sequential earnings performance. The underperformers were mainly Industrial picks, which suffered from heavy profit taking. These include Seatrium (-7.6% mom), CSE Global (-6.2% mom), and Sembcorp Industries (-4.9% mom). However, all of our Industrial picks have still outperformed since their additions to our Alpha Picks portfolio and remain our best performers to date.
- For Oct 23, we rejig our portfolio slightly.** We add Marco Polo Marine (MPM) as we expect higher utilisation rates due to increased offshore activity, and RH Petrogas (RHP) due to its near-term drilling programme. We remove Delfi and LHN given the lack of near-term catalysts, as well as Yangzijiang Shipbuilding as we expect the next 3-4 months to be a relatively quieter period for order win announcements.

ANALYSTS' ALPHA\* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Jacquelyn Yow	Bumitama	BUY	-2.6	Margin expansion backed by CPO price uptrend.
John Cheong	SEA Ltd	BUY	-30.1	Better-than-expected upcoming quarterly earnings.
John Cheong	Civmec	BUY	24.8	Strong orderbook and higher dividend.
John Cheong	CSE Global	BUY	16.7	Expect earnings growth with 8% dividend yield.
Jonathan Koh	CapLand Ascott Trust	BUY	3.8	A play on COVID-19 reopening in the EU and the UK.
Jonathan Koh	OCBC	BUY	3.6	Attractive dividend yield and less susceptible to NIM compression.
Jonathan Koh	Mapletree Industrial Trust	BUY	-1.7	A play on the global growth in data centres.
Adrian Loh	Keppel Corp	BUY	47.2	Moving to a more asset-light business model.
Adrian Loh	Sembcorp Ind	BUY	73.0	Re-rating prospects as a green energy play.
Adrian Loh	Seatrium	BUY	12.6	New order win momentum from oil and gas as well as renewables industry
Adrian Loh	RH Petrogas	BUY	-	Exploration catalysts in the near term
Llellythan Tan	Thai Beverage	BUY	2.7	Return of Chinese tourists to Vietnam.
Llellythan Tan	ComfortDelgro	BUY	3.2	Inflection point as 2Q23 earnings bottom out.
Heidi Mo	MPM	BUY	-	Higher-than-expected utilisation and increased offshore activity

\* 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\$)		Up/(down) to TP (%)
		29 Sep	Target	
Bumitama	BUY	0.57	0.65	14.0
CapLand Ascott	BUY	0.96	1.35	40.6
Civmec	BUY	0.805	1.230	52.8
ComfortDelGro	BUY	1.30	1.56	20.0
CSE Global	BUY	0.455	0.610	34.1
Keppel Corp	BUY	6.80	9.09	33.7
MapletreeInd	BUY	2.26	2.89	27.9
MarcoPolo Marine	BUY	0.053	0.060	13.2
OCBC	BUY	12.81	18.22	42.2
RH PetroGas	BUY	0.230	0.238	3.5
Sea Ltd (in US\$)	BUY	43.12	94.34	118.8
Seatrium	BUY	0.134	0.19	41.8
Sembcorp Ind	BUY	5.09	7.20	41.5
Thai Beverage	BUY	0.575	0.830	44.3

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

CHANGE IN SHARE PRICE

Company	Rec	Sep 23 <sup>1</sup> (% mom)	To-date <sup>2</sup> (%)
Bumitama	BUY	3.6	(2.6)
CapLand Ascott	BUY	(1.0)	3.8
Civmec	BUY	0.6	24.8
ComfortDelGro	BUY	2.4	3.2
CSE Global	BUY	(6.2)	16.7
Delfi	BUY	1.6	20.8
Keppel Corp	BUY	(2.0)	47.2
LHN	BUY	(1.5)	(5.6)
MapletreeInd	BUY	(1.7)	(1.7)
OCBC	BUY	2.1	3.6
Sea Ltd (in US\$)	BUY	14.6	(30.1)
Sembcorp Ind	BUY	(4.9)	73.0
Seatrium	BUY	(7.6)	12.6
ThaiBev	BUY	0.9	2.7
YZJ ShipBldg SGD	BUY	(1.8)	27.7
FSSTI		(0.5)	
UOBKH Portfolio		4.2	

<sup>1</sup> Adjusted for DPS for the monthly performance  
 Source: UOB Kay Hian

PORTFOLIO RETURNS (%)

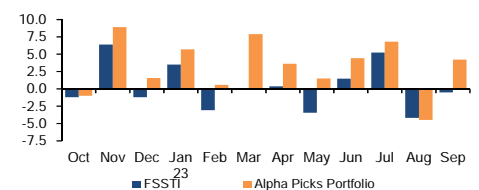
	2022	1Q23	2Q23	Aug-23	Sep 23
FSSTI return	4.1	0.2	-1.6	-4.2	-0.5
Alpha Picks Return					
- Price-weighted	5.6	5.5	10.1	-31.3	8.4
- Marketcap-weighted	8.1	2.9	5.4	-14.4	4.2
- Equal-weighted	2.8	9.1	7.2	-4.5	-0.1

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

**RH Petrogas – BUY (Adrian Loh)**

- **Positive newsflow to in 4Q23 and 1Q23.** 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.
- **Valuing the exploration upside for RHP.** 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 risking 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 International (REXI SP/SELL/Target: S\$0.10), 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. Relative to Rex, we believe that RHP's stronger oil production record will enable it to benefit from stronger oil prices heading into the Northern Hemisphere heating season.
- **We have a BUY rating on RHP and an SOTP-based target price of S\$0.25.** Based on our forecasts, RHP's 2023F PE and EV/EBITDA of 6.0x and 2.3x are respectively at 23% and 30% discounts to its regional oil and gas peers'. Note that we have not valued the company's exploration upside within our SOTP.

**SHARE PRICE CATALYSTS**

- **Events:** With two wells out of four having spudded, we believe that newsflow surrounding the drilling results for these wells will be key share price drivers for RHP in the next 4-5 months. The remaining two wells will be spudded by end-Dec 23.
- **Timeline:** 4-5 months

**Bumitama Agri – BUY (Jacquelyn Yow & Leow Huey Chuen)**

- **Margin expansion coupled with CPO uptrend.** As Bumitama: a) is a pure upstream player, and b) sells 100% of its CPO at spot market prices, it would have stronger earnings sensitivity towards CPO prices as compared with its Indonesian peers listed on the SGX. We also expect margin expansion for 2H23 and 2024 with cost of production expected drop by 10-15% due to lower fertiliser cost.
- **Higher dividend yield.** We forecast an attractive dividend yield of 6-7% for 2023-24 based on the company's dividend payout policy of up to 40%.
- **Maintain BUY with a target price of S\$0.65,** where we pegged the target price at 6.0x 2024F PE.

**SHARE PRICE CATALYSTS**

- **CPO price uptrend.** We reckon that CPO prices would trend upwards from 3Q23-1H24. We expect palm oil output to fall below market expectations during this period due to the impact of extreme weather changes. Moreover, there is a significant weather-related risk affecting other global oilseed crops, which could potentially lead to deviations in global vegetable oil and oilseed oil production.
- **Timeline:** 3-6 months

**Sea Limited – BUY (John Cheong, Jacquelyn Yow & Heidi Mo)**

- **Shopee would benefit from the recent revised regulations by the Indonesian Minister of Trade.** Its ongoing investment in livestream e-commerce will also likely: a) boost its market share, b) attract more influencers, and c) allow it to capitalise on this shopping trend.
- **Garena reintroduced Free Fire to the Indian market,** following a ban by the government that lasted over 18 months. Note that Garena has postponed the relaunch of Free Fire India due to the overwhelmingly enthusiastic response from the Indian community, and Garena is in the midst of refining the gameplay for better gaming experience. No date has been officially announced. Note that India used to make up around 10% of Garena's monthly active users. If we assume a similar rate of growth in the gaming segment's EBITDA, this would lift EBITDA by about 5%.
- **Maintain BUY with a target price US\$94.34** buoyed by SEA's unparalleled profitability in the ASEAN region. Anticipated earnings for upcoming quarters are projected to outperform market expectations.

**SHARE PRICE CATALYSTS**

- **Events:** Better-than-expected upcoming quarterly earnings, launch of new games.
- **Easing competition in the ASEAN e-commerce market.**

**Civmec – BUY (John Cheong)**

- **Strong FY23 results with revenue growth across most sectors and strong net margin expansion.** Civmec recorded higher FY23 revenue and earnings of A\$830.9m (+2.7% yoy) and A\$57.7m (+13.7% yoy) respectively. Gross profit margins across all business segments improved, driving a 0.6ppt yoy increase in net margin to 6.9%. The strong improvement in net margin was driven by the delivery of higher-return projects, better cost management and optimisation of productivity.
- **Positive outlook amid buoyant tendering activities.** Tendering activities continued to see strong momentum across all sectors that Civmec has a presence in. Its orderbook stood at around A\$1.15b (-3.4% qoq; +10.6% yoy) as at end-FY23, securing most of the revenue for the next 12 months with a portion extending up to 2029.
- **Final dividend a positive surprise; company turned into net cash position.** Given its robust cash generated from operations in FY23 (+239% yoy to A\$123m), Civmec has declared a final dividend of 3.0 A cents (+50% yoy), bringing full-year dividend to 5.0 A cents (FY22: 4.0 A cents). This is above management's previous guidance of maintaining its final dividend and represents an attractive dividend yield of 6%. Civmec has also turned into net cash position for the first time in FY23 (A\$14m vs A\$33m net debt in FY22).
- **Maintain BUY with a target price of S\$1.23,** pegged to 11x FY24F PE (based on 1SD below five-year mean). We think the current valuation of 8x FY24F PE is attractive, given its strong growth profile of 10% three-year EPS CAGR for FY22-25 and huge orderbook. Civmec's Australian peers are trading at an average of 15x FY24F 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 shareholders given the high barriers to entry for the defence business.
- **Timeline:** 3-6 months.

**CSE Global – BUY (John Cheong)**

- **Earnings above expectations due to strong improvement in net margin.** CSE Global's (CSE) 1H23 earnings of S\$11m (+143% yoy) were above expectations. The beat was mainly due to strong improvement in net margin which grew 1.5ppt yoy to 3.2%. To recap, CSE was hit badly last year by delays in project delivery due to supply chain issues, which have eased significantly in 1H23.
- **Expect strong earnings recovery in 2023.** 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.
- **Strong orderbook should drive better earnings in 2H23.** 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 grew 12% and 15% yoy respectively. This robust orderbook coupled with strong order flow should drive a better 2H23 earnings on a hoh basis.
- **Stable financial performance in the infrastructure and mining & minerals sectors,** supported by a steady stream of projects arising from requirements in digitalisation, communications and enhancements in physical and cyber security globally, and from data centres and water utilities in the Americas and Asia Pacific region. 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 with a target price of S\$0.61.** Our target price is pegged to 15x 2024 PE (based on +1SD above mean). Our target price implies a 2023 dividend yield of 4.5% as we expect CSE to maintain a full-year dividend of 2.75 S cents/share for 2023.

**SHARE PRICE CATALYSTS**

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

**CapLand Ascott Trust – BUY (Jonathan Koh)**

- **Continued recovery in key markets.** Portfolio RevPAU grew 20% yoy to S\$149 in 2Q23, reaching 98% of pre-pandemic levels. The increase was largely driven by room rates. There is room to improve portfolio occupancy, which currently hovers around 75%. RevPAU for key markets in Australia, Japan, Singapore, the UK and the US were above pre-pandemic levels based on a same-store basis. China and Vietnam outperformed with RevPAU growth of 78% and 83% yoy respectively.
- **Strengthened resiliency with longer-stay properties.** CLAS invested in 12 longer-stay accommodations, comprising student accommodation properties in the US and rental housing in Japan. These asset classes currently account for 19% of portfolio valuation. Management has raised the asset allocation for longer-stay accommodation by 10ppt from 15-20% to 25-30% in the medium term.
- **Maintain BUY.** Our target price of S\$1.35 for CLAS is based on DDM (cost of equity: 7.5%, terminal growth: 2.8%).

**SHARE PRICE CATALYSTS**

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

**Oversea-Chinese Banking Corp – BUY (Jonathan Koh)**

- **Committed to new dividend policy.** Management intends to maintain dividend payout ratio at 50% going forward. OCBC provides attractive dividend yield of 6.3% for 2023.
- **Capital management.** 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.
- **Refreshed strategy to deliver incremental S\$3b revenue.** Management aims to deliver incremental revenue of S\$3b cumulatively over 2023-25, driven by four growth pillars: a) Asian wealth, b) trade and investment flows, c) new economy, and d) sustainability. Management aims to deliver ROE of 12-13% with additional contribution of 1ppt from the incremental revenue of S\$3b.
- **Maintain BUY.** Our 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%).

**SHARE PRICE CATALYSTS**

- **Events:** a) Resiliency from high CET-1 CAR of 15.4%, and b) attractive 2023 dividend yield of 6.3% from commitment to new dividend payout ratio of 50%.
- **Timeline:** 6-12 months.

**Mapletree Industrial Trust – BUY (Jonathan Koh)**

- **Strategic diversification to Japan's data centre market.** 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.
- **Backfilling data centre at Brentwood, Tennessee.** 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.** Our target price of S\$2.89 is based on DDM (cost of equity: 7.0%, terminal growth: 2.2%).

**SHARE PRICE CATALYSTS**

- **Events:** a) Growth from data centres located in North America and Japan, and b) acquisition of the remaining 50% stake in portfolio of 13 data centres (second JV) from sponsor Mapletree Investments.
- **Timeline:** 6-12 months.

**Keppel Corp – BUY (Adrian Loh)**

- **Solid 1H23 results.** Last week, Keppel Corp (KEP) reported a solid set of results for 1H23 with stronger-than-expected revenue of S\$3.7b (+11% yoy) which generated a pre-tax profit of S\$602m (+9% yoy) and a net profit from continuing operations of S\$445m (+3% yoy). Including the S\$3.3b in disposal gain from the divestment of Keppel Offshore Marine (KOM), net profit was S\$3.6b, which made it the highest in the company's 55-year history. 1H23 ROE (excluding discontinued operations) was 8.0% vs 7.3% in 1H22.
- **It's raining dividends.** KEP declared a S\$0.15 interim dividend (1H22: S\$0.15) as well as a special dividend comprising a dividend in-specie (DIS) of one Keppel REIT (KREIT) unit for every five KEP shares held. Post distribution, the company will remain the largest unitholder of KREIT with a 37.1% stake. The DIS is part of KEP's capital management initiative and will be subject to its shareholders' approval at an EGM in 4Q23.

- **Retain BUY with pro forma SOTP-based target price of S\$9.09.** In the near term, we believe that the market will focus on KEP's asset monetisation announcements as this could bolster earnings in 2H23 and into 2024.

#### SHARE PRICE CATALYSTS

- **Events:** a) Resumption of normal business conditions in China, and b) continued success in its capital recycling programme.
- **Timeline:** 3-6 months.

#### Sembcorp Industries – BUY (Adrian Loh)

- **New gas contract ensures volume certainty for SCI.** 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 about 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.
- **Recent sell-down an opportunity to accumulate.** 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. The lack of any major share price appreciation following its index inclusion disappointed some investors, and this resulted some profit-taking given that the company's share price had risen 24% in the three months leading up to the end-Aug 23 index inclusion date. With a 16% share price decline from its peak in early-Aug 23, we highlight that SCI's 2024 PE and EV/EBITDA of 9.3x and 6.8x respectively appears inexpensive, especially relative to its regional and global utilities peers.
- **Maintain BUY with a target price of S\$7.20** based on a target PE multiple of 13.6x. This target PE multiple is 1.5SD 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 2024 EPS estimate which we believe is a better reflection of the company's 'normalised' earnings compared to 2022's earnings.

#### SHARE PRICE CATALYSTS

- **Events:** a) Value-accretive acquisitions in the green energy space, and b) potential to increase targets for its gross renewables capacity.
- **Timeline:** 6+ months.

#### Seatrium – BUY (Adrian Loh)

- **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. While it has seen enquiries for drilling assets, given that day rates and utilisation rates for all types of assets have hit or are approaching multi-year highs, it said that these early enquiries are opportunistic in nature and thus it will be patient, conservative and selective in which orders it accepts.
- **It's not just oil and gas and renewables.** 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.

- **Maintain BUY with a P/B-based target price of S\$0.19.** Our target P/B multiple of 1.5x is 2SD above the company's five-year average of 1.0x and is pegged to its 2024 book value of S\$0.125. Our positive view on the stock reflects our belief that the company will benefit from bullish trends in the offshore marine space. These include: a) the tailwinds from increased construction in the renewables space, and b) the current offshore marine upcycle. Risks include higher-than-expected provisions for 2023, negative newsflow regarding its CPIB case and volatile oil prices.

**SHARE PRICE CATALYSTS**

- **Events:** New orders for rigs, offshore renewable installations or fabrication works as well as repairs and upgrade works for cruise ships and other commercial vessels.
- **Timeline:** 6-12 months.

**Thai Beverage – BUY (Llalleythan Tan)**

- **Sturdy 9MFY23 above expectations.** For 9MFY23, THBEV reported overall revenue and core EBITDA of Bt215.9b (+3.8% yoy) and Bt37.8b (-3.4% yoy), exceeding our expectations. The outperformance was driven by a steady 3QFY23 whereby revenue grew (+4.0% yoy, +0.3% qoq) while core EBITDA softened (-2.4% yoy, -0.7% qoq), coming in lower than our initial expectations. We now expect THBEV's FY23 PATMI to grow by 6.2% yoy against our previous expectations of a 3.1% yoy drop.
- **Spirits: Stable performance aided by brown spirits.** Despite 9MFY23 sales volumes dropping 3.5% yoy, 9MFY23 revenue and EBITDA increased 3.3% yoy and 6.2% yoy respectively, in line with our expectations. 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.
- **Beer: Supported by better sequential performance.** On a sequential basis, 3QFY23 beer revenue (+8.8% qoq) and EBITDA (+11.8% qoq) improved on the back of higher sales volumes (+10.2% qoq). Also, EBITDA margins expanded slightly by 0.4ppt qoq, which we reckon came from better A&P spending efficiency. Moving forward, we expect beer sales volumes 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\$0.83.** We reckon that THBEV remains attractively priced at -2SD to its five-year mean PE, backed by an expected earnings recovery underpinned by favourable tailwinds and a decent 4% FY23 dividend yield. We opine that the recent share price weakness presents an attractive entry level.

**SHARE PRICE CATALYSTS**

- **Events:** Gaining market share in the beer segment. M&As/potential spinoff listing.
- **Timeline:** 6-12 months.

**ComfortDelgro – BUY (Llalleythan Tan)**

- **Public transport services: Higher fares to boost revenue.** 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. Similarly, 2Q23 segmental revenue (-0.7% yoy, +6.4% qoq) and core operating profit (-30.4% yoy, +25.7% hoh) were generally higher qoq. 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 and higher public transport fares starting late-4Q23.



- **Taxi: Inflection point.** Despite 2Q23 revenue growing marginally (+2.5% yoy, +2.7% qoq), 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.
- **Upcoming catalysts.** 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 to 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\$1.56,** pegged to 15x 2024F PE, CD's average long-term PE. With improving fundamentals, a decent 4.7% dividend yield and a robust balance sheet, we reckon that most negatives have already been priced in. Backed by upcoming favourable tailwinds, we reckon that better sequential earnings improvement for CD would help support share price performance moving forward.

#### SHARE PRICE CATALYSTS

- **Events:** Bus tender contract wins. Increase in taxi commission rates. Complete removal of taxi rental rebates.
- **Timeline:** 6-12 months.

#### Marco Polo Marine – BUY (Heidi Mo)

- **Significant top-line growth in 3QFY23 from higher utilisation.** Marco Polo Marine (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). For the ship chartering segment, vessel utilisation rates rose to 92% (+8% yoy) on the back of a better demand environment. MPM's shipyard also achieved high utilisation at 93% (+7% yoy), as a result of increased shipbuilding and ship repair activities.
- **Benefitting from minimal newbuilds and increased offshore activity.** Though the surge in demand should lead to newbuilding, vessel supply is set to remain constrained on the horizon. Securing financing remains challenging, resulting in limited possibility of newbuilds. The APAC offshore windfarm market is also attracting increased investments in offshore wind projects. With its growing presence in the region such as recent partnerships into Japan and South Korea, MPM is placed in a favourable position.
- **Construction of new dry dock to boost ship repair capacity.** MPM has recently announced plans to build a 240m Dry Dock 4 in Nov 23, funded by a mix of operational cashflows 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.
- **New CSOV to boost ship chartering revenue.** MPM has announced plans to build and operate a new Commissioning Service Operation Vessel (CSOV) 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.** We value MPM at 1.3x FY24F P/B, in line with +2SD to its historical five-year average on the back of improving charter rates and vessel utilisation rates.

### SHARE PRICE CATALYSTS

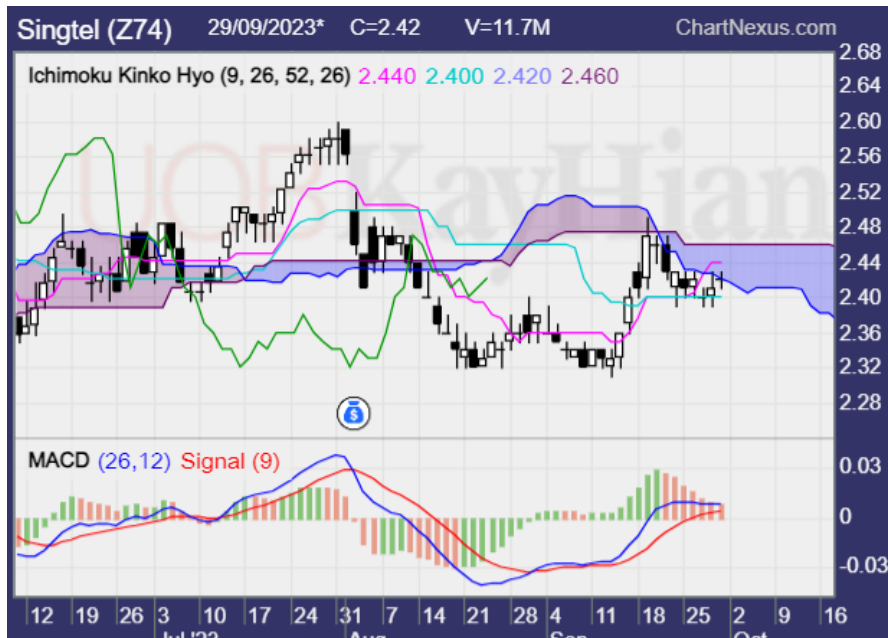
- **Events:** a) Higher-than-expected charter rates and vessel utilisation, and b) new or higher value of ship repair projects.
- **Timeline:** 3-6 months.

### VALUATION

Company	Ticker	Rec*	Price	Target	Upside	Last	PE			Yield	ROE	Market	Price/
			29 Sep 23 (S\$)	Price (S\$)	To TP (%)	Year End	2022A (x)	2023E (x)	2024E (x)	2023E (%)	2023E (%)	Cap. (S\$m)	NTA ps (x)
Bumitama	BAL SP	BUY	0.57	0.65	14.0	12/22	3.8	5.2	4.9	7.7	16.6	988.5	0.9
CapLand Ascott	CLAS SP	BUY	0.96	1.35	40.6	12/22	30.3	26.6	20.8	5.8	2.9	3,608.8	0.8
Civmec	CVL SP	BUY	0.805	1.230	52.8	6/23	8.1	7.7	7.3	5.5	14.4	408.6	1.1
ComfortDelGro	CD SP	BUY	1.30	1.56	20.0	12/22	16.3	14.4	12.9	4.6	7.5	2,815.4	1.1
CSE Global	CSE SP	BUY	0.455	0.610	34.1	12/22	51.1	13.5	11.2	6.0	9.7	279.8	1.3
Keppel Corp	KEP SP	BUY	6.80	9.09	33.7	12/22	13.1	13.0	12.7	3.1	8.2	11,983.3	1.1
MapletreeInd	MINT SP	BUY	2.26	2.89	27.9	3/23	17.1	16.3	15.9	6.1	7.1	6,402.3	1.2
MarcoPolo Marine	MPM SP	BUY	0.053	0.060	13.2	9/22	8.5	12.3	11.5	0.0	11.0	198.9	1.3
OCBC	OCBC SP	BUY	12.81	18.22	42.2	12/22	10.1	8.1	8.0	5.9	13.1	57,591.2	1.1
RH PetroGas	RHP SP	BUY	0.230	0.238	3.5	12/22	6.9	12.6	11.1	0.0	28.9	192.1	5.4
Sea Ltd (in US\$)	SE US	BUY	43.12	94.34	118.8	12/22	n.a.	25.8	21.0	0.0	14.6	22,475.5	4.0
Seatrium	STM SP	BUY	0.134	0.190	41.8	12/22	n.a.	n.a.	57.7	0.0	(4.5)	9,141.1	1.1
Sembcorp Ind	SCI SP	BUY	5.09	7.20	41.5	12/22	10.7	9.6	9.6	3.2	22.8	9,070.7	2.0
Thai Beverage	THBEV SP	BUY	0.575	0.830	44.3	9/22	12.0	12.1	11.2	4.1	14.9	14,446.7	2.0

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

TRADERS' CORNER



**Singapore Telecommunications (ST SP)**

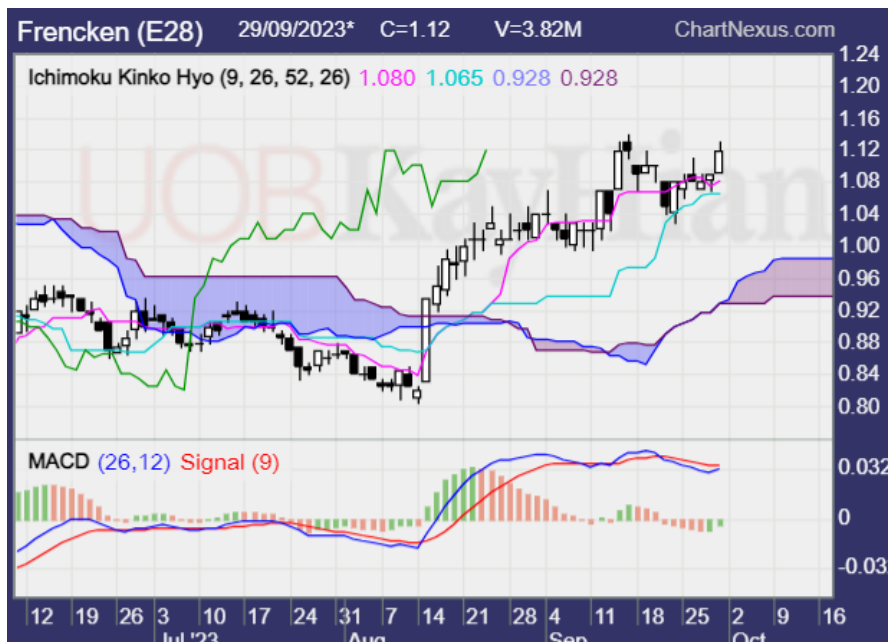
Trading buy range: S\$2.41-2.42  
 Last price: S\$2.42  
 Target price: S\$2.63  
 Protective stop: S\$2.35

**Price managed to stay above the base line which is acting as support at the moment. Conversion and base lines remain in a bullish crossover. The MACD is bullish and is rising. These could increase chances of the stock price moving higher.**

The potential downside target is S\$2.63. Stop-loss could be placed at S\$2.35.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$3.15.



**Frencken Group (FRKN SP)**

Trading buy range: S\$1.10-1.11  
 Last price: S\$1.12  
 Target price: S\$1.21  
 Protective stop: S\$1.05

**Price is trading above the cloud, keeping the uptrend intact. Conversion and base lines remain in a bullish crossover. The MACD is bullish and a bullish crossover is likely. These could increase chances of the stock price moving higher.**

The potential downside target is S\$1.21. Stop-loss could be placed at S\$1.05.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$1.00.

ANALYST(S)  
**Wong Shueh Ting, CFTe**  
 +65 6590 6616  
 shuehting@uobkayhian.com

## 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.

Copyright 2023, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W