STRATEGY – SINGAPORE

Alpha Picks: A Softer Month; Add FEHT, MPACT, GENS; Remove BAL, LREIT And CLAS

For Apr 24, our Alpha Picks portfolio rose 0.4% mom on an equal-weighted basis, underperforming the STI slightly by 1.7ppt. It was a mixed performance from our portfolio with the top performers being MPM, BAL and CD while FRKN, LREIT and ST underperformed. Our Alpha Picks portfolio has outperformed the STI in three out of the past four months. For May 24, we add FEHT, MPACT, GENS; remove BAL, LREIT and CLAS.

WHAT'S NEW

- **Market review.** The first half of Apr 24 saw weak investor sentiment as hotter-than-expected US inflation strengthened the narrative for higher-for-longer interest rates while slowing US economic growth increased concerns that the US economy may be heading into stagflation. However, a strong start to the US corporate earnings season gave investors some positive relief, boosting global markets in the latter half of Apr 24 with the STI increasing 2.1% mom.

- **Soft performance.** Despite our Alpha Picks portfolio recording a positive performance in Apr 24 and increasing 0.4% mom on an equal-weighted basis, the STI bettered our portfolio slightly by 1.7ppt. Also, on a market-cap weighted basis, our Alpha Picks portfolio increased 0.5% mom.

- **Mixed performance.** Our top performers were MarcoPolo Marine (+16.7% mom), Bumitama (+13.3% mom) and ComfortDelgro (+6.4% mom). MarcoPolo Marine surged sharply on the back of increasing charter rates for offshore service vessels while Bumitama rose due to a higher-than-expected dividend declared. ComfortDelgro's outperformance was driven from multiple positive news flow and contract wins. Our underperformers include Frencken (-12.6% mom) which saw heavy profit-taking while Lendlease REIT (-6.0% mom) was dragged by overall market weakness in REITs. Singtel (-5.9% mom) underperformed largely due to a recent announcement indicating a S$3.1b impairment loss which is set to negatively impact its upcoming FY24 results announcement.

ACTION

- **We add FEHT, MPACT, GENS and remove BAL, LREIT, CLAS.** For May 24, we include FEHT, MPACT and GENS into our Alpha Picks portfolio. For FEHT, it should continue to benefit from strength in Singapore's hospitality sector, while MPACT's key assets remain robust contributors, and GENS has potential strong gaming earnings coming through. We also remove BAL, LREIT and CLAS due to lack of near-term catalysts.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Adrian Loh	Sembcorp Ind	BUY	80.1	Announcement of renewables acquisitions
Adrian Loh	Yangzijiang Shipbuilding	BUY	2.4	More order wins in 2Q24
Chong Lee Len	SingTel	BUY	0.0	Higher 2HFY24 dividend.
Heidi Mo	Marco Polo Marine	BUY	30.2	Higher-than-expected utilisation & offshore activity
Jack Goh	Genting Singapore	BUY	n.a.	Robust 1Q24 results
John Cheong	Frencken Group	BUY	36.5	Better-than-expected sequential earnings.
John Cheong	Riverstone	BUY	17.7	Sequential earnings growth, potential attractive dividend yield of 10%.
John Cheong	Venture Corp	BUY	9.1	Earnings recovery and higher-than-expected dividends
Jonathan Koh	Far East Hospitality Trust	BUY	n.a.	Recovery in occupancy, ADR and RevPAR in 2024.
Jonathan Koh	Mapletree Pan Asia Commercial Trust	BUY	n.a.	Key assets should continue to do well
Jonathan Koh	OCBC	BUY	15.9	Attractive dividend yield; less susceptible to NIM compression.
Llelleythan Tan	ComfortDelGro	BUY	17.5	Better sequential earnings.
Adrian Loh	Sembcorp Ind	BUY	80.1	Announcement of renewables acquisitions

*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$) -------- 2 May	Target	Up/(down) to TP (%)
ComfortDelGro	BUY	1.48	1.72	16.2
CSE Global	BUY	0.43	0.56	31.8
Far East HTrust	BUY	0.615	0.82	33.3
Frencken	BUY	1.42	1.74	22.5
Genting SP	BUY	0.885	1.25	41.2
Mapletree PanAsia	BUY	1.26	1.89	50.0
MarcoPolo Marine	BUY	0.069	0.086	24.6
O C B C	BUY	14.34	18.15	26.6
Riverstone	BUY	0.79	0.88	11.4
Sembcorp Ind	BUY	5.30	7.49	41.3
SingTel	BUY	2.38	2.99	25.6
Venture Corp	BUY	14.21	16.37	15.2
YZJ ShipBldg SGD	BUY	1.72	2.19	27.3

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

CHANGE IN SHARE PRICE

Company	Rec	Apr-24 (%)	To-date (%)
Bumitama *	BUY	13.3	23.0
CapLand Ascott T	BUY	(3.7)	(9.1)
ComfortDelGro	BUY	6.4	17.5
CSE Global	BUY	(1.2)	(1.2)
Frencken	BUY	(12.6)	36.5
Lendlease REIT	BUY	(6.0)	(6.1)
MarcoPolo Marine	BUY	16.7	30.2
O C B C	BUY	5.6	15.9
Riverstone *	BUY	(5.1)	17.7
Sembcorp Ind *	BUY	0.9	80.1
SingTel	BUY	(5.9)	0.0
Venture Corp	BUY	1.8	9.1
YZJ ShipBldg SGD *	BUY	(4.5)	2.4
FSSTI		2.1	
UOBKH Portfolio		0.4	

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

PORTFOLIO RETURNS (%)

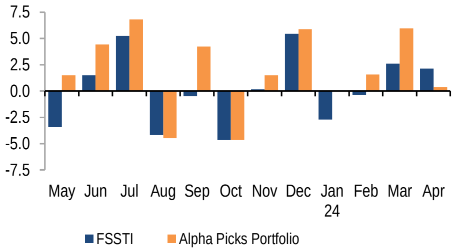
	2023	3Q23	4Q23	Mar-24	Apr-24
FSSTI return	-0.3	0.4	0.7	-2.6	2.1
Alpha Picks Return					
- Price-weighted	-8.2	-17.8	-0.4	3.9	1.5
- Market cap-weighted	2.0	-4.6	-0.1	5.5	0.5
- Equal-weighted	8.7	-0.6	2.2	6.0	0.4

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 Pan Asia Commercial Trust – BUY (Jonathan Koh)

- **MPACT's Singapore portfolio,** including VivoCity, MBC, mTower, Mapletree Anson and BOAHF, has grown from strength to strength. MBC and VivoCity generated NPI growth of 6.7% and 6.2% yoy respectively in 4QFY24. MBC and VivoCity also achieved positive rental reversion of 6.7% and 14.0% in FY24.
- **NPI from Festival Walk edged higher** by 2.9% yoy in 4QFY24, supported by higher auxiliary income from atrium space, car park and ice-skating ring. Festival Walk maintained high occupancy of 99.7% and negative rental reversion has narrowed to -8.7% in FY24 (FY23: -12.7%). Higher rents locked in before the COVID-19 pandemic would be fully flushed out in FY25.
- **Maintain BUY.** Our target price of S$1.89 is based on DDM (cost of equity: 6.75%, terminal growth: 2.2%).

SHARE PRICE CATALYSTS

- Events: a) Resilient growth from MBC and VivoCity in Singapore. b) MPACT has four properties located in the HarbourFront area, which accounted for 49% of its portfolio valuation. It will benefit from the development of Greater Southern Waterfront and rejuvenation of Sentosa Island and Pulau Brani.
- Timeline: 6-12 months.

Genting Singapore – BUY (Jack Goh)

- **2024F features confluence of positive catalysts.** Genting Singapore's (GENS) upbeat prospects include: a) accelerated recovery of foreign visits and flight frequencies, b) major entertainment events in 1H24 which include Coldplay, Mayday and Taylor Swift's concerts, c) sustained trend of higher average spending in Resort World Sentosa (RWS), d) earnings accretion from Hotel Ora (launched in May 23) which will lift key inventories by about 30% yoy, and e) RWS' intensified digital marketing efforts through leading to higher footfall and spending.
- **Awaiting robust 1Q24 results, tracing Marina Bay Sand.** We expect GENS to follow in MBS' footsteps and rake in the higher tourist arrivals and spending from Taylor Swift's six sold-out Eras Tour concerts in 1Q24. Moreover, stronger qoq operating matrixes were anticipated during the Chinese New Year period and accelerated growth of international tourist arrivals (including from China) due to increased flight frequencies and capacities.
- **A prosperous CNY symbolising strong China outbound tourist recovery.** A 30-day visa exemption arrangement between China and Singapore was implemented since early-Jan 24. It is also envisioned that regional flight capacities from Mainland China would be nearly fully reinstated by 1H24. Meanwhile, China's top three airlines' international pax load further recovered to 74-89% of pre-pandemic levels as of Mar 24 (Dec 23: 64-71%). With further ramp-up of China's international flight capacity and frequencies in 2024, we expect RWS to see better footfall and earnings inflow from China tourists.
- **Healthy balance sheet and huge cash pile.** With the pandemic-related disruptions largely over, we believe that management now has more flexibility to better utilise its sizeable capital which includes net cash of S$3.6b (29.8 S cents/share) as of end-4Q23. After dropping its decade-long pursuit of clinching a pricey Japan IR concession last year, we also do not rule out GENS pursuing potential brownfield and greenfield opportunities in the region.
- **Maintain BUY with target price of S$1.25,** which implies 9x 2024F EV/EBITDA (-0.3SD below 10-year mean).

SHARE PRICE CATALYSTS

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

- Timeline: 3-6 months

Sembcorp Industries – BUY (Adrian Loh)

- **Conventional energy remains a strong contributor.** After witnessing a 30% yoy increase in net profit for this segment in 2023, SCI remains bullish, guiding for this business to "remain robust" in 2024 underpinned by its significantly contracted position. Note that on a group-wide basis, 62% of its gas portfolio is contracted while in Singapore this is a significant 74% (with average tenure of 12 years) which generates cashflow certainty over the long term. This however will be offset slightly by a 60-day planned shutdown of its Singapore cogeneration assets to ensure its continued efficiency and high reliability.
- **Renewables the growth engine.** In the 14 months to Mar 24, SCI grew its gross and installed renewables capacity by 4.0GW to 13.8GW respectively and in our view should comfortably achieve its stated target of 25GW by 2028. While it acquired portfolios totalling 292MW in China and a further 228MW in India in 2023, it was also heartening to note that it saw organic growth in key partnership platforms. Of note was the company's acquisition of a 245MW portfolio in Vietnam which comprised solar, wind and hydro.
- **Maintain BUY with a target price of S$7.49** based on a target PE multiple of 13.6x. The target PE multiple is 1.5SD above the company's 2018-24 average PE of 8.8x (excluding 2020 where the company reported impairment-related losses).

SHARE PRICE CATALYSTS

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

Yangzijiang Shipbuilding - BUY (Adrian Loh)

- **Positive tone and outlook at our post-results investor meeting.** UOB Kay Hian attended an investor meeting with management with the overall tone being a bullish one for both its shipbuilding and shipping segments. Of particular note was the shipbuilding segment which management guided would maintain its margins in 2023 and possibly into 2024. Additionally, with most of its shipping fleet having been timechartered out to customers, YZJ believes that the shipping segment will see better profits on a yoy basis.
- **Higher order-win target.** In Feb 24, the company raised its 2024 target for new orders to US$4.5b vs its historical guidance of US$2b-3b and believes that this level of order wins could persist into 2025. Note that as at end-Feb 24, YZJ has won US$1.35b worth of new orders, or 30% of its 2024 target.
- **Maintain BUY with a PE-based target price of S$2.19.** Our target price is pegged to a target PE multiple of 9.4x (+1.5SD above the company's five-year average of 6.3x).

SHARE PRICE CATALYSTS

- **Events:** a) Better capital management initiatives, b) new order win announcements, and c) safe and efficient execution of orderbook.
- **Timeline:** >6 months.

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

- **Driving ROIC.** Singtel expects to lift return on invested capital (ROIC) from 8% in FY23 to low double digits by FY26. This is based on: a) market repair and cost management in its core business, b) monetisation of 5G, c) an absence of Amobee's and Trustwave's losses, d) fast-growing momentum of NCS, e) cost discipline and digitalisation, and f) monetisation of regional data centres.

- **Unlocking shareholder value.** Management has reiterated its discipline towards capital recycling initiative to fund future growth and reward shareholders. Including a 3.9% direct stake sale of Airtel Africa in 3QFY24, the group has about S$4b of capital recycling which we reckon would likely come from paring down its stakes in its regional associates (valued at around S$49b as of end-1QFY24). Singtel currently has S$2b-3b of excess cash after accounting for current growth initiatives and 5G capex. We opine that the excess cash may lead to larger dividends towards the higher end of the group's new 70-90% of underlying PATMI dividend policy in 2HFY24.
- **Higher dividend policy.** Singtel adjusted its dividend policy higher to 70-90% of underlying net profit (60-80% of underlying net profit previously) which could bring its full-year FY24 dividend yield to around 5%, helping to support share price performance.
- **Maintain BUY with the same DCF-based target price of S$2.99** (discount rate: 7%, growth rate: 2.0%). At our target price, the stock will trade at 15x FY25 EV/EBITDA. In our view, Singtel remains an attractive play against elevated market volatility, backed by favourable tailwinds and a decent 5.1% dividend yield.

SHARE PRICE CATALYSTS

- **Events:** a) Successful monetisation of 5G, b) monetisation of data centres and/or NCS, and c) market repair in Singapore.
- **Timeline:** 6-12 months.

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

- **Favourable OSV market outlook with increased offshore activity.** The APAC offshore windfarm market continues to garner attention and attract investments in projects. According to Mordor Intelligence, the APAC OSV market is expected to record a CAGR of >7% from 2022 to 2027. With its successful expansion into Taiwan and Japan, followed by its partnership in South Korea, MPM stands to benefit from servicing the growing APAC offshore wind market.
- **New dry dock to boost ship repair capacity; China's reopening to stabilise.** MPM's new 240-metre-long Dry Dock 4 is expected to be completed by 1QFY25 and will increase ship repair capacity by up to 25%. The group has also successfully secured several new build contracts for vessel construction to be delivered up till 2HFY24, ensuring sustained shipyard utilisation levels. The stabilisation of China's reopening will also allow MPM to capture growing demand for ship repairs and shipbuilding and achieve top-line growth.
- **Primed to benefit from growing renewables market upon new CSOV deployment.** MPM is building a new commissioning service operation vessel (CSOV) designed to provide charter services in Taiwan, Japan and South Korea. To recap, the CSOV was 34% completed as of 4QFY23. From MPM's recent Vestas Framework Agreement, we understand that the CSOV will be deployed over three years at an agreed utilisation rate once the vessel is fully constructed. As a shortage of such vessels and increased construction of new projects continue to drive up both utilisation and charter rates, the CSOV's expected completion in 3QFY24 is timely for MPM's growth.
- **Maintain BUY with a target price of S$0.086,** pegged to 11x FY24F PE based on +2SD above its historical three-year PE range. MPM currently trades at an attractive 7x FY24F PE (5x ex-cash).

SHARE PRICE CATALYSTS

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

CSE Global - BUY (John Cheong & Heidi Mo)

- **Expect higher earnings in 2024 with record-high order book.** Management has reached its goal of a near S$1b order intake in 2023, as order intake rose 20.9% yoy to S$990.2m, while its 2023 orderbook reached a record-breaking S$730.6m (+52.2% yoy). This was boosted by order intakes in the communications and electrification segments, which rose by 58.7% yoy and 41.9% yoy respectively. On the back of the stronger order wins and an all-time high order book, we expect CSE's 2024 earnings to see solid growth.

- **CSE's share placement saw strong demand from reputable institutional and accredited investors.** On 25 Mar 24, CSE completed a share placement held at an issue price of S$0.40 per share. The issue price is at a 6.6% discount to the last volume weighted average price of S$0.4281. CSE has issued 60m new ordinary shares, which raised gross proceeds of S$24m and net proceeds of S$23.2m. 100% of the net proceeds will be used to fund potential acquisitions or investments in its existing markets, including the US, Australia and New Zealand. The strong support from investors illustrates confidence in CSE's growth potential, with opportunities arising on the back of megatrends such as urbanisation, electrification and decarbonisation.

- **CSE continues to see 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 & Asia Pacific region. In 2023, CSE successfully generated >55% of its business from infrastructure and mining/minerals customers, which brought in S$679.7m or 69% of 2023's order intake.

- **Maintain BUY. Our target price of S$0.56** is pegged to 15x 2024F PE (based on an unchanged +1SD above mean). After the share placement, our EPS growth forecasts remain strong at 9-10% across 2024-26 while the dividend yield is attractive at around 6.4% from current price.

SHARE PRICE CATALYSTS

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

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

Frencken - BUY (John Cheong)

- **Stable outlook for 1H24 vs 2H23; continued focus on programmes for existing and new customers.** Frencken expects to post stable revenue in 1H24 vs 2H23. Its outlooks for its various segments for 1H24 vs 2H23 are as follows: a) semiconductor: higher revenue, b) medical: increasing revenue, c) analytical & life sciences: stable revenue, d) industrial automation: decreasing revenue, and e) automobile: stable revenue. By leveraging on Frencken's expanded capacity and strategic manufacturing sites in Europe, Asia and the US, Frencken will continue to focus on its programmes for existing and new customers to ensure it is well-positioned for a recovery in the global economy and technology sector.

- **SEMI expects global fab equipment spending to recover in 2024.** In the 12 Sep 23 quarterly World Fab Forecast Report by Semiconductor Equipment and Materials International (SEMI), global fab equipment spending for front-end facilities is expected to rebound 15% yoy in 2024, partly driven by the end of the semiconductor inventory correction in 2023 and strengthening demand for semiconductors in the high-performance computing (HPC) and memory segments. The trend suggests the semiconductor industry is turning the corner and on a path back to growth.

- **Long-term growth supported by diversified segments and new programmes.** Backed by its diverse exposure to multiple market segments in the high technology industry and the strength of its balance sheet, Frencken is confident of weathering the current headwinds and will continue to focus on investments in programmes. Frencken has continued strong new product introduction (NPI) and first article (FA) engagement with key customers under the oneMechatronics programme, which is a site-transferring programme that spans the semiconductor, analytical/life sciences, medical and aerospace sectors and across operating sites.

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

SHARE PRICE CATALYSTS

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

Riverstone Holdings - BUY (John Cheong & Llelleythan Tan)

- **Riverstone's cleanroom gloves, which contribute around 80% of earnings,** are expected to see a recovery in demand, driven by new clients onboarded in the preceding year and improvement in the semiconductor industry in 2024. According to International Data Corporation (IDC), the semiconductor sales market is expected to recover with a 20% growth rate in 2024. This is also supported by the SEMI World Fab Forecast reporting 42 new projects in 2024, up from 11 in 2023.
- **Benefitting from higher-margin customised healthcare gloves.** Riverstone is in the midst of demolishing its 10-year-old production lines to build six newer lines for customised products that will be operational from 2H24. This has allowed it to expand its gross margin substantially, as customised gloves fetch approximately 30% gross profit margin, around six times that of generic gloves. Moving forward, higher demand for customised healthcare gloves will drive higher margins for Riverstone.
- **Potential dividend increase backed by strong balance sheet.** Pending approval, Riverstone declared a special interim dividend of 5.0 sen and a final dividend of 7.5 sen. Together with the first two interim dividends of 10.0 sen, 2023 total dividend totals to 22.5 sen (vs 34.0 sen in 2022), implying a payout ratio of 151.3% and dividend yield of 9% for 2023. Backed by its healthy cash balance of S$875.4m (about 87.5% of market cap) and operating cash flow, we expect 2024-26 payout ratio to be maintained at 140% to reward shareholders. This translates to an attractive dividend yield of 10% for 2024.
- **Maintain BUY with a PE-based target price of S$0.88,** pegged to 17.6x 2024F PE, or 1SD above the long-term historical mean. We think that Riverstone stands to benefit from its higher-margin customised glove offerings and the improving cleanroom glove demand-supply dynamics.

SHARE PRICE CATALYSTS

- **Events:** a) Higher-than-expected demand for cleanroom and healthcare gloves, and b) higher dividend payouts.
- **Timeline:** 3-6 months.

Venture Corp - BUY (John Cheong)

- **Expect stronger 2H24 vs 1H24.** Based on customers' feedback, VMS expects the demand schedule will be stronger in 2H24 vs 1H24. To recap, VMS was still coming off the high base quarter in 1Q23 where it recorded earnings of S$74m, before normalising in 2Q23- 4Q23 with earnings of S$63m-67m.
- **VMS intends to expand its participation in new high-growth technology domains.** VMS will continue to capitalise on its core strengths of excellence and innovation to deliver long-term sustainable growth and greater value for its shareholders.

- **Healthy balance sheet and consistent dividends.** As of FY23, VMS had net cash of S$1,056m (accounting for around 25% of its current market cap) and led the pack of US-listed peers which were mostly in net debt positions. Also, VMS continues to issue the same amount of dividends or better than that of preceding years.
- **Maintain BUY and target price of S$16.37,** pegged to 0.5SD above its long-term mean PE of 17x 2024F earnings to capture the potential earnings recovery in 2024 and upcycle beyond that. Currently, VMS is trading at 14.7x 2024F PE (10x ex-cash 2024 PE) and offers a decent dividend yield of 5.3%.

SHARE PRICE CATALYSTS

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

Far East Hospitality Trust - BUY (Jonathan Koh)

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

Share Price Catalysts

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

Oversea-Chinese Banking Corp - BUY (Jonathan Koh)

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

- **Maintain BUY. Our target price of S$18.15** is based on 1.31x 2025F P/B, derived from the Gordon Growth Model (ROE: 11.8%, COE: 9.0%, growth: 0.0%).

SHARE PRICE CATALYSTS

- **Events:** a) Resiliency from high CET-1 CAR of 14.8%, and b) attractive 2023 dividend yield of 6.5% from commitment to new dividend payout ratio of 50%.

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

ComfortDelGro - BUY (Llelleythan Tan & Heidi Mo)

- **Public transport: Upcoming tailwinds.** CD's Mar 24 (+6.1% yoy) rail ridership has surpassed 2019 pre-pandemic levels for the third consecutive month, forming 101.4% of 2019 levels respectively. On a quarterly basis, 1Q24 rail ridership was also higher (+8.8% yoy, +6.2% qoq), surpassing 2019 levels for the first-time post-pandemic by 2.0%. Backed by higher rail fares implemented in Dec 23 along with increased margins from ongoing UK bus contract renewals, we maintain our expectations that CD's public transport services segment would post higher revenue and profitability for 1Q24.

- **Taxi: Strong growth momentum in 2024.** Going into 2024, CD's taxi segment is likely to see earnings growth from higher taxi commission rates (raised by 2ppt to 7% on 1 Jan 24) and the full-year contribution from Zig platform fees in Jul 23. Additionally, lower taxi rental discounts in Singapore/China coupled with a higher fleet utilisation in China would also help support margins.

- **Maintain BUY with a PE-based target price of S$1.72,** pegged to 16x 2024F PE, CD's average long-term PE. With improving fundamentals, a lush 5.5% 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 for 1Q24 would help support share price performance in 1H24.

SHARE PRICE CATALYSTS

- **Events:** a) Bus tender contract wins, b) earnings-accretive overseas acquisitions, and c) increase in taxi commission rates.

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

VALUATION

Company	Ticker	Rec*	Price 2 May 24 (S$)	Target Price (S$)	Upside To TP (%)	Last Year End	PE 2023A (x)	PE 2024E (x)	PE 2025E (x)	Yield 2024E (%)	ROE 2024E (%)	Market Cap. (S$m)	Price/ NAV ps (x)
ComfortDelGro	CD SP	BUY	1.48	1.72	16.2	12/23	17. 8	13.8	12.4	5.5	8.9	3,205.3	1.2
CSE Global	CSE SP	BUY	0.43	0.56	31.8	12/23	11.6	11.4	10.4	6.5	10.8	288.2	1.2
Far East HTrust	FEHT SP	BUY	0.615	0.82	33.3	12/23	18.8	19.6	19.0	6.7	3.4	1,236.9	0.7
Frencken	FRKN SP	BUY	1.42	1.74	22.5	12/23	18.7	13.8	12.7	2.2	10.4	606.4	1.5
Genting SP	GENS SP	BUY	0.885	1.25	41.2	12/23	17.5	13.7	13.3	4.5	9.3	10,684.2	1.3
Mapletree PanAsia Com Tr	MPACT SP	BUY	1.26	1.89	50.0	3/24	15.2	15.5	15.3	7.0	4.5	6,618.8	0.7
MarcoPolo Marine	MPM SP	BUY	0.069	0.086	24.6	9/23	9.9	8.9	8.3	2.2	14.2	259.0	1.5
O C B C	OCBC SP	BUY	14.34	18.15	26.6	12/23	9.3	9.1	9.0	6.0	12.8	64,538.7	1.2
Riverstone	RSTON SP	BUY	0.79	0.88	11.4	12/23	18.0	15.9	14.8	8.7	15.7	1,170.9	2.4
Sembcorp Ind	SCI SP	BUY	5.30	7.49	41.3	12/23	10.0	9.8	9.4	2.5	20.0	9,447.9	2.1
SingTel	ST SP	BUY	2.38	2.99	25.6	3/23	17.7	15.7	14.3	5.7	9.6	39,278.0	1.5
Venture Corp	VMS SP	BUY	14.21	16.37	15.2	12/23	15.3	14.8	14.3	5.3	9.8	4,122.1	1.5
YZJ ShipBldg SGD	YZJSGD SP	BUY	1.72	2.19	27.3	12/23	8.7	7.9	7.3	3.7	19.5	6,795.0	1.7

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

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