STRATEGY – SINGAPORE

Alpha Picks: Adding CD, SEA, BAL And LHN While Removing SIAEC, REXI And LREIT

Starting off strong for 2H23, our Alpha Picks portfolio was yet again positive in Jul 23, making it seven consecutive months in 2023. Driven by our O&G-related picks, our Alpha Picks portfolio beat the STI by 1.6ppt on a market cap-weighted basis. Our Alpha Picks portfolio has now beaten the STI in 16 out of the past 17 months. For Aug 23, we add CD, SEA, BAL and LHN, backed by favourable tailwinds and strong earnings outlook. We have also removed SIAEC, REXI and LREIT from our Alpha Picks portfolio.

WHAT'S NEW

- **Market review.** Despite another 25bp rate hike in Jul 23, global markets rallied as cooling inflation coupled with strong economic data boosted the chances of the US Fed potentially ending its rate hike campaign without tipping the US economy into a recession. Furthermore, a robust start to the US earnings season also drove positive investor sentiment, sending markets higher in the latter half of Jul 23 with the STI rising 5.2% mom.

- **Good start to 2H23.** For Jul 23, our Alpha Picks portfolio continued its fine run, increasing 6.8% mom on a market-cap weighted basis and beating the STI by 1.6ppt. However, on an equal-weighted basis, our portfolio's respectable 3.9% mom gain underperformed the STI by 1.3ppt.

- **Top performers were driven by our O&G picks,** primarily CSE Global (+23.1% mom), Seatrium (+12.8% mom) and Keppel Corp (+10.0% mom). New contract wins coupled with expanding margins led to CSE Global's outperformance while belief in stronger order flows pushed Seatrium higher. Keppel rose on the back of its special dividend announced during its 1H23 results. Our underperformers include Rex International (+19.1% mom), Delfi (-6.2% mom), and Sembcorp Industries (SCI, -5.2% mom). Despite weak fundamentals, strong investor sentiment in the O&G sector led to REX's outperformance while higher raw material prices dragged Delfi's performance. SCI suffered from profit taking in Jul 23 on the back of a negative broker report but is still our best performing current pick to-date (+85.2%).

- **For Aug 23, we made multiple changes,** adding CD, SEA, BAL and LHN to our Alpha Picks portfolio, all of which are backed by favourable tailwinds along with robust earnings visibility. We remove SIAEC, REXI and LREIT from our Alpha Picks portfolio given the lack of near-term catalysts.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Jacquelyn Yow	Bumitama	BUY	-	Margin expansion backed by CPO price uptrend.
John Cheong	SEA Ltd	BUY	-	Strong earnings outlook with significant contributions from its digital banking segment.
John Cheong	Civmec	BUY	26.4	Earnings surprise due to higher-than-expected contract wins and margin.
John Cheong	Delfi	BUY	18.9	Higher revenue contribution from Indonesia.
John Cheong	CSE Global	BUY	17.9	Expect earnings growth with 8% dividend yield.
Jonathan Koh	CapLand Ascott Trust	BUY	21.1	A play on COVID-19 reopening in the EU & UK.
Jonathan Koh	OCBC	BUY	6.6	Attractive dividend yield and less susceptible to NIM compression.
Adrian Loh	Keppel Corp	BUY	57.4	Moving to a more asset-light business model.
Adrian Loh	Sembcorp Ind	BUY	88.0	Re-rating prospects as a green energy play.
Adrian Loh	Seatrium	BUY	14.3	New order win momentum from oil and gas as well as renewables industry.
Adrian Loh	Yangzijiang Ship	BUY	20.8	Announcement of new order wins; better capital management.
Llelleythan Tan	Raffles Medical	BUY	-0.8	Announcement of second TCF tender win.
Llelleythan Tan	Thai Beverage	BUY	7.1	Return of Chinese tourists to Vietnam.
Llelleythan Tan	ComfortDelgro	BUY	-	Upcoming inflection point in 2Q23 as earnings bottom out.
Heidi Mo	LHN Group	BUY	-	Potential special dividend from value unlocking.

** 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$) ----- 2 Aug	Target	Up/(down) to TP (%)
Bumitama	BUY	0.585	0.70	19.7
CapLand Ascott T	BUY	1.12	1.39	24.1
Civmec	BUY	0.815	1.23	50.9
ComfortDelGro	BUY	1.26	1.41	11.9
CSE Global	BUY	0.46	0.60	30.4
Delfi	BUY	1.25	1.71	36.8
Keppel Corp	BUY	7.27	9.09	25.0
LHN	BUY	0.355	0.55	54.9
O C B C	BUY	13.19	17.50	32.7
Raffles Medical	BUY	1.32	1.70	28.8
Sea Ltd (in US$)	BUY	65.91	94.34	43.1
Seatrium	BUY	0.136	0.19	39.7
Sembcorp Ind	BUY	5.53	4.64	(16.1)
Thai Beverage	BUY	0.60	0.75	25.0
YZJ ShipBldg SGD	BUY	1.57	1.65	5.1

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

CHANGE IN SHARE PRICE

Company	Rec	Jul 23[1] (% mom)	To-date[2] (%)
CapLand Ascott T	BUY	3.7	21.1
Civmec	BUY	10.1	26.4
CSE Global	BUY	23.1	17.9
Delfi	BUY	(6.2)	18.9
Keppel Corp	BUY	10.0	57.4
Lendlease REIT	BUY	3.0	(0.7)
O C B C	BUY	8.3	6.6
Raffles Medical	BUY	2.9	(0.8)
Rex Intl	SELL	19.1	18.4
Sembcorp Ind	BUY	(5.2)	88.0
Seatrium	BUY	12.8	14.3
SIA Engineering *	BUY	0.6	(2.4)
ThaiBev	BUY	4.3	7.1
YZJ ShipBldg SGD	BUY	2.7	20.8
FSSTI		5.2	
UOBKH Portfolio		6.8	

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

PORTFOLIO RETURNS (%)

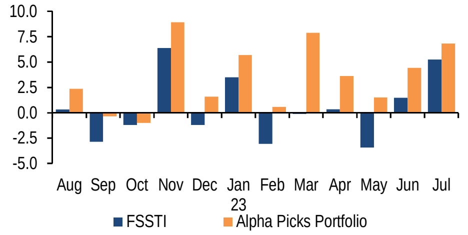
	2022	1Q23	2Q23	May-23	Jun-23	Jul-23
FSSTI return	4.1	0.2	-1.6	-3.4	1.5	5.2
Alpha Picks Return						
- Price-weighted	5.6	5.5	10.1	2.8	4.5	4.7
- Marketcap-weighted	8.1	2.9	5.4	0.2	2.9	6.8
- Equal-weighted	2.8	9.1	7.2	1.5	4.4	3.9

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 12 OUT OF 12 MONTHS)



Source: Bloomberg, UOB Kay Hian

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Bumitama Agri - BUY (Jacquelyn Yow & Leow Huey Chuen)

- **Margin expansion coupled with CPO uptrend.** Bumitama would have strong earnings sensitivity towards CPO prices as compared to its Indonesian peers listed on SGX being a pure upstream player and selling 100% of their CPO at spot prices. We also expect margin expansion for 2H23 and 2024 with cost of production to drop by 10-15% due to lower fertiliser cost.
- **Higher dividend yield.** We expect an attractive high dividend yield of 6-7% for 2023-24F with their dividend payout policy of up to 40%.
- **Maintain BUY with target price of S$ 0.70,** where we peg the target price at 6.0x 2024F PE.

SHARE PRICE CATALYST

- **CPO price uptrend.** We reckon that CPO price would be trending upwards from 3Q23-1H24. We anticipate that palm oil output during this period may fall below market expectations 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)

- **Expect better earnings in upcoming quarters** mainly from the successful monetisation of its e-commerce arm Shopee, with stable margins mainly supported by: a) value-added services, and b) higher transaction-based fees from its operating markets. Shopee is one of the most cost-efficient e-commerce players in the South East Asia region with positive earnings. It is also further supported by its fast-growing digital financial services segment.
- **The digital financial services segment** would be the next mover with its advantage of leveraging Shopee to gain a strong user base. We expect SeaMoney to continue to play an important role as an e-commerce enabler via highly relevant insight from its e-commerce platform for more effective underwriting and better offerings to its customers. We also expect more significant contribution from its digital banking platforms on the back of its fast-growing asset base (thanks to its attractive saving rates) and lower cost of funding.
- **Maintain BUY with a target price of US$94.34** on the back of its potential first annual net profit in 2023 with first positive operating income from its e-commerce and digital financial service segments.

SHARE PRICE CATALYST

- **Events:** a) Better earnings on the back of higher-than-expected gross merchandise value for its e-commerce segment, higher digital entertainment contribution and higher earnings growth from its digital financial services segment.
- **Timeline:** 3-6 months.

Civmec – BUY (John Cheong)

- **We expect Civmec to deliver record earnings growth of 11% yoy in FY23** and a potential dividend surprise given its strong balance sheet, backed by a robust orderbook of around A$1.2b. 9MFY23 earnings grew 20% yoy with net margin growing 1.5ppt yoy to 7.8%. Civmec sees a strong pipeline of new projects in the sectors it operates in and new opportunities in the green energy space.
- **Civmec successfully secured several notable contracts in 3QFY23.** These are: a) three contracts for Albermarle's Kemerton Lithium refinery trains 3 and 4, b) additional fabrication work for the Iron Bridge magnetite project, c) several contracts for the

manufacture of dump truck tray bodies on the east coast of Australia, and d) a time-critical contract to manufacture components for rebuilding a flood-damaged bridge.

- **Outlook remains robust.** Civmec continues to see strong tendering activity across all sectors. It continues to focus on securing good return projects, optimise workforce utilisation and maintain a strong, high quality orderbook. Also, Civmec is increasingly regarded by its clients as the go-to contractor for reliable delivery and time-critical services.
- **Maintain BUY with a target price of S$1.23,** pegged to 11x FY24F PE (based on 1SD below five-year mean). We have rolled over our valuation base year to FY24 from FY23. We think Civmec's current valuation of 7x FY23F PE is attractive, given its strong growth profile of 10% three-year EPS CAGR for FY22-25 and huge orderbook. Civmec's peers are trading at an average of 12x FY22F PE.

SHARE PRICE CATALYST

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

Delfi – BUY (John Cheong)

- **Delfi is the market leader of chocolate confectionery products in Indonesia,** backed by positive macro trends. It is a manufacturer and distributor of many popular chocolate confectionery products in Indonesia. According to Euromonitor, it commands a dominant market share of approximately 41% in Indonesia, thanks to its early-mover advantage in building brand loyalty since the early-1950s. Its home market, Indonesia, where it generates more than 70% of its revenue, demonstrates vast potential based on its macro industry trends of a fast-growing middle class, a young population and high domestically-driven GDP growth.
- **Well-positioned to capitalise on premiumisation trend.** Delfi has been focusing on its premiumisation strategy to offer differentiated products based on changing consumer tastes. Delfi's premium brands include SilverQueen, Delfi Premium and Van Houten. In 2022, core profit grew 68.7% yoy to US$43.6m, mainly driven by strong performance in Delfi's main operating market, Indonesia, which recorded revenue of US$317.4m (+17.5% yoy). This was attributable to Delfi's premium brands SilverQueen and Cha Cha, which both saw double-digit growths. New products, largely healthier snacks targeting Millennials and Gen-Zs, were also launched during the year, supporting the segment's revenue growth.
- **Expect healthy double-digit growth in 2023-25 as Indonesia's consumers emerge stronger from the pandemic.** For 2023-25, we estimate total revenue at US$518m-597m (three-year CAGR of 4.8%) and net profit at US$47m-53.9m (three-year CAGR of 4.7%). The key growth drivers will be: a) an increase in Delfi's product volume and ASP in Indonesia, b) healthy growth in Indonesia's economy after the pandemic, where we expect Delfi's revenue to grow 10% in 2023-25, with Bank Indonesia projecting Indonesia's economy to grow 4.9% in 2023 and 5.1% in 2024, and c) gradual improvement in gross margin as Delfi continues to gain traction in its premiumisation strategy.
- **Maintain BUY.** Our target price of S$1.71 is based on 17x 2023F EPS, or its long-term historical mean. Trading at 12x 2023F PE, which is a 40% discount vs peers' average of 21x, we believe there are re-rating prospects going forward.

SHARE PRICE CATALYST

- **Events:** a) Higher revenue contribution from Indonesia, and b) improving gross margin with traction gained in premiumisation of product offerings.
- **Timeline:** 3-6 months.

CSE Global – BUY (John Cheong)

- **We expect CSE to increase its earnings by three-fold in 2023 and maintain its full-year dividend at 2.75 S cents/share for 2023,** translating to an above-average dividend yield of about 8% vs the FSSTI's of around 4.0%. CSE's 1Q23 revenue of S$159m (+36% yoy) was in line, forming 26% of our full-year estimate, mainly attributable to growth in infrastructure revenue in Australia and the Americas region. 1Q is typically a slow quarter and despite the challenges in the operating environment, CSE's diversification strategy has evidently reshaped the infrastructure segment into a key revenue growth driver.
- **CSE continues to have healthy order wins.** As at 1Q23, CSE's orderbook was S$480.2m, 39.6% higher than 1Q22. About 54% of new orders were secured by the energy sector in 1Q23 where a major contract relating to the maintenance and refurbishment of building management control systems for an offshore facility in the Americas region was secured.
- **Supply chain disruptions are easing, allowing for normalisation of project delivery.** We think that the supply chain disruptions, particularly in chip sets, should ease given easing restrictions across the regions and the falling demand of semiconductor chips as recently announced by the major chip producers including Intel and Samsung. As a result, project execution timeframes which had been facing delays due to supply chain issues could normalise.
- **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 technological solutions to pursue new market opportunities and diversify into new markets brought about by the emerging trends towards urbanisation, electrification and decarbonisation.
- **Maintain BUY and target price of S$0.60.** Our target price is pegged to 15x 2024 PE (based on an unchanged +1SD above mean).

SHARE PRICE CATALYST

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

CapLand Ascott Trust – BUY (Jonathan Koh)

- **Continued recovery with key markets at pre-pandemic RevPAU.** 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 at about 75%. RevPAU for key markets in Australia, Japan, Singapore, UK and USA 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$1.39 for CLAS is based on DDM (cost of equity: 7.5%, terminal growth: 2.8%).

SHARE PRICE CATALYST

- **Events:** a) 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)

- **Cost efficiency.** Operating expenses were tightly controlled and increased marginally by 3% yoy in 1Q23. Staff costs increased 7% yoy. OCBC's cost-to-income ratio (CIR) was below 40% in 1Q23.
- **Committed to new dividend policy.** Management intends to maintain dividend payout ratio at 50% going forward. OCBC provides attractive dividend yield of 6.1% for 2023.
- **Capital management.** CET-1 CAR improved 0.7ppt qoq to 15.9% in 1Q23. 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.
- **Maintain BUY.** Our target price of S$17.32 is based on 1.42x 2023F P/B, derived from the Gordon Growth Model (ROE: 12.8%, COE: 9.0%, growth: 0.0%).

SHARE PRICE CATALYST

- **Events:** a) Resiliency from high CET-1 CAR of 15.9%, and b) attractive 2023 dividend yield of 6.1% from commitment to new dividend payout ratio of 50%.
- **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 later this year.
- **Infrastructure reported an exceptionally strong performance** with segmental net profit more than doubling to S$291m with the connectivity segment also putting in decent growth, up 12% to S$37m. KEP's real estate segment, as expected, continues to face a challenging environment in its key China market that caused its segmental net profit to decline 29% yoy to S$186m.
- **We maintain our BUY rating on KEP 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 CATALYST

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

Sembcorp Industries – BUY (Adrian Loh)

- **Longer-term growth plans in green hydrogen production.** During its 2022 results briefing, SCI highlighted hydrogen projects as growth areas, which could lead the company into the Middle East and Australia. We note that in 4Q22, SCI entered into strategic partnerships with the Japanese government and various companies to explore hydrogen and other decarbonisation initiatives. These include: a) an MOU with Japan Bank for International Cooperation (JBIC) to assist SCI in its hydrogen project, b) MOU with Sojitz Corporation for green hydrogen production, battery energy storage and net zero industrial parks, and c) MOU with IHI Corporation to build an integrated green ammonia supply chain.
- **We have a BUY rating on SCI with a PE-based target price S$4.64.** Our target price utilises a target PE multiple of 12.7x which is 1SD above the company's past five-year average PE of 9.4x. We highlight that SCI generated ROE of nearly 22% in 2022 and given that this was generated by assets that are on average five years old, we firmly believe that this level of ROE should be sustainable in the next few years. Despite the fact that its current share price is higher than our target price, we have maintained SCI in our Alpha Picks portfolio as we believe that an upcoming MSCI review in the next 2-3 months as well as the enunciation of new renewables targets could be share price catalysts.

SHARE PRICE CATALYST

- **Events:** a) MSCI Singapore inclusion in Aug 23, b) value-accretive acquisitions in the green energy space, and c) potential to increase targets for its gross renewables capacity.
- **Timeline:** 6+ months.

Seatrium – BUY (Adrian Loh)

- **A loss in 1H23 does not derail the company's bullish outlook.** Last week, Seatrium reported a loss for 1H23 due to provisions. However, we note its strong EBITDA recovery since 1H22, and strongly believe that it is well-placed to continue on this track given its S$19.7b net orderbook. The company's balance sheet remains strong with net debt to equity of 0.17x as at end-1H23. We are confident that news flow from Seatrium on new orders will continue to be robust in the next 6-12 months.
- **Guiding for a loss in 2023.** Unfortunately, our hope for a breakeven year in 2023 is not to be as Seatrium guided for a loss this year. During the analyst briefing, management stated that the integration with KOM is proceeding well and it expects this process to be completed by year end, and it will continue to focus on EBITDA performance which it views as an indicator of how well it is doing operationally. We believe that the company will likely "kitchen sink" its 2023 numbers with various merger-related exceptional items to start off with a clean and new slate for 2024.
- **We maintain our BUY rating on Seatrium and upgraded our P/B-based target price to S$0.19 from S$0.17 previously.** Our new target P/B multiple of 1.5x is 2SD above the company's five-year average of 1.0x and, given that we have rolled over our valuation year, is now 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 news flow regarding its CPIB case and volatile oil prices.

SHARE PRICE CATALYST

- **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.

Yangzijiang Shipbuilding – BUY (Adrian Loh)

- **Order wins continue to be robust.** In 1H23, YZJ won new orders for 46 vessels with a total contract value of US$4.42b. YZJ currently has 180 vessels in its orderbook totaling US$14.6b which is its highest ever. Ytd, the company has US$5.6b in new orders thus exceeding its 2023 target of US$3b. We expect management to revise this target up to at least US$7b at its 1H23 results in mid- to late-Aug 23. We note that Chinese steel costs have come down on a yoy basis, potentially setting YZJ up for a strong 1H23 result.
- **We have a BUY recommendation on the stock and we recently raised our PE-based target price to S$1.65 (previously S$1.58).** Our target PE multiple of 8.7x, applied to an aggregate of our 2023 and 2024 EPS forecast, is 1SD above YZJ's past five-year average of 6.5x. We view this as fair given: a) the company's earnings growth in 2023 and 2024, b) sustainability of its earnings due to its US$14b orderbook at present, and c) earnings visibility that has improved out to 2027 given the recent spate of new orders.

SHARE PRICE CATALYST

- **Events:** a) Evidence of continued shipbuilding margin expansion, b) better capital management initiatives, and c) new order win announcements.
- **Timeline:** 3-6 months.

Raffles Medical – BUY (Llelleythan Tan)

- **Strong profit contributor.** Given the Singapore government's renewed focus in Transitional Care Facilities (TCF), we expect the TCF to operate till Jun 24 minimally. With healthy margins due to its asset-light nature, this would help support RFMD's profit for 2023-24. Potential upside may come from RFMD winning the upcoming tender for a new TCF, partnering with Ng Teng Fong Hospital in the west of Singapore. We expect the results of the upcoming TCF tender to be announced in 3Q23. Furthermore, the Singapore government has announced an additional two TCFs tenders and we expect RFMD to participate in their respective tenders.
- **Return of foreign patients.** With foreign patient levels currently at 70-80% of pre-pandemic levels, RFMD's hospital services segment is poised to benefit from the gradual return of foreign patients.
- **China hospitals: Ramp-up in progress.** With the end of China's zero-COVID policy at end-2H22, geographical revenue from China grew by 16.2% yoy and 12.8% hoh in 1H23, slightly beating our expectations of 8-10% hoh growth. As COVID-19 blows over in China, we are now more positive on the prospects of RFMD's Chinese hospitals and reckon that it would be RFMD's core revenue driver in the medium- to long-term.
- **Maintain BUY with a lower PE-based target price of S$1.70,** pegged at 29x 2023F PE to RFMD's long-term average mean PE. We have become more bullish on RFMD's expansion in China in the medium term, expecting an inflection point sometime in 2024-25. Assuming RFMD wins the TCF tender in the West, it would increase our target price to S$1.82.

SHARE PRICE CATALYST

- **Events:** a) Ramp-up of Chinese hospitals' operations, and b) winning the upcoming TCF tender.
- **Timeline:** 6-12 months.

Thai Beverage – BUY (Llelleythan Tan)

- **Spirits: Margin expansion.** Backed by improving tourist arrivals, a better mix of the higher-margin brown spirits, coupled with a price adjustment in 1QFY23, this led to 1HFY23 EBITDA margins improving 0.9ppt to 25.6%. Management noted that there was still further room to increase brown spirits ASPs which would be reflected in 2HFY23. Also, we expect the spirts segment to continue its strong performance moving into 2HFY23, as anticipated government handouts from a newly-elected government would spur consumption.

- **Beer: Better days ahead with increased domestic market share.** Despite a disappointing 2QFY23, we reckon that the return of Chinese tourists to Vietnam in 3QFY23 along with Thailand's elections in 2HFY23 would boost beer consumption levels. Management noted that the group has halved its market share gap between the number one competitor and THBEV, which we estimate is now at 3-4ppt. The group also has plans to maximise A&P spending efficiency in 2HFY23 to protect segmental profitability.
- **Maintain BUY with a SOTP-based target price of S$0.75.** Despite falling margins and short-term inflationary pain in FY23, we reckon that these issues have already been priced in. We expect operating costs to stabilise by 4QFY23, leading to margin expansion in 1HFY24. In our view, THBEV remains attractively priced at -2SD to its long-term average mean PE, backed by favourable tailwinds.

SHARE PRICE CATALYST

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

ComfortDelgro – BUY (Llelleythan Tan)

- **Public transport: Bottoming out in 2Q23.** On a sequential basis, we expect 1H23 core operating profit to improve by 28% hoh, driven by improved rail ridership, higher rail fares and expected cost indexation from the UK bus packages coming through starting 2Q23.
- **Taxi: Upcoming inflection point...** CD decreased its daily taxi rental rebate from 15% to 10% starting 2Q23, leading to an estimated increase of around S$4-5m in quarterly taxi revenue which we reckon would flow down to core operating profit. On a quarterly basis, we expect 2Q23 taxi revenue (+14% yoy, +10% qoq) and core taxi operating profit to surge to S$18m from S$10m/13m in 2Q22/1Q23, driven by higher margins from the reduction of the taxi rental rebates.
- **…with favorable tailwinds and catalysts.** Moving forward, 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 FY23 full-year taxi operating profit by 4-5%. Also, CD's new online booking platform fee is expected to boost margins from 3Q23 onwards.
- **Maintain BUY with a PE-based target price of S$1.41.** With improving fundamentals, a decent dividend yield and a robust balance sheet, we reckon that most negatives have already been priced in. Backed by upcoming favorable tailwinds, we reckon that expected sequential earnings improvement in the upcoming 2Q23 earnings would help support share price performance.

SHARE PRICE CATALYST

- **Events:** a) Bus tender contract wins, b) increase in taxi commission rates, and c) complete removal of taxi rental rebates.
- **Timeline:** 6-12 months.

LHN Group – BUY (Heidi Mo)

- **LHN is a real estate management group with a market-leading position in the co-living space.** In 1HFY23, LHN derived the majority (75%) of its PBT from the space optimisation business, which focuses on recycling under-utilised properties through the acquisition and master leasing of commercial, industrial and residential properties. LHN entered the co-living space in 2019 and has become the market leader in Singapore with a 32% market share. As of 1HFY23, it owned and subleased 17 properties under the Coliwoo brand, with a total of 1,678 keys. In Jul 23, LHN further acquired two freehold assets which will be added to the Coliwoo brand upon URA approval.

- **Consumer demand remains strong in co-living segment.** Coliwoo caters to a diverse group of tenants such as freelancers, expatriates, exchange students, medical tourists and younger Singaporeans. Despite competing with established peers such as Ascott's Lyf and Cove, Coliwoo stands out with its ability to offer affordable accommodations in good locations with a full suite of room amenities. This is also evidenced by Coliwoo's strong occupancy rates of 96.7% as of 1HFY23, despite the monthly rental of S$2,900 to S$5,800 per room.

- **Coliwoo expected to drive FY23 core earnings** by 46% yoy from a 70% increase in the number of new keys. LHN's growth strategy is to expand its current property portfolio through master leases and acquisitions, and targets to add around 800 keys per year for the next three years. LHN's FY21/FY22 earnings of S$6.5m/S$3.5m from Coliwoo are made up of 976/1,602 keys respectively and the keys will increase by about 700 keys (+44% yoy) by end-FY23. As new keys will take 6-9 months to reach steady state, we expect Coliwoo's FY24/25 earnings to grow 211%/76% yoy to S$11.0m/S$19.4m respectively. This will likely lift LHN's FY23 core earnings by 46% yoy to S$25m.

- **Value unlocking of more assets could lead to special dividends.** In the 1HFY23 results press release, LHN highlighted that it is exploring options to further enhance shareholder value and is considering capital recycling to move towards an asset-light model. On 31 Jul 23, LHN accepted an offer to take over its 84%-owned subsidiary LHN Logistics. This is expected to generate a disposal gain of S$21m and cash proceeds of S$32m (21% of LHN's market cap). We have not factored any special dividend into our financial estimates.

- **Maintain BUY and a target price of S$0.55,** pegged to 9x FY23F PE (based on long-term mean PE). We think that LHN's current valuation of 6x FY24F PE and dividend yield of 6.3% are attractive, given the group's leading market share in the co-living space, robust expansion pipeline and strong EPS growth.

SHARE PRICE CATALYST

- **Events:** a) Divestment of subsidiary LHN Logistics and other assets, and b) higher-than-expected growth in co-living keys.

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

VALUATION

Company	Ticker	Rec*	Price 2 Aug 23 (S$)	Target Price (S$)	Upside To TP (%)	Last Year End	PE 2022A (x)	PE 2023E (x)	PE 2024E (x)	Yield 2023E (%)	ROE 2023E (%)	Market Cap. (S$m)	Price/ NTA ps (x)
Bumitama	BAL SP	BUY	0.585	0.70	19.7	12/22	3.9	6.7	6.3	6.0	13.4	1,014.5	0.9
CapLand Ascott T	CLAS SP	BUY	1.12	1.39	24.1	12/22	35.4	23.7	22.3	5.6	3.8	3,878.8	1.0
Civmec	CVL SP	BUY	0.815	1.23	50.9	6/22	8.2	8.3	7.4	4.3	13.8	411.7	1.2
ComfortDelGro	CD SP	BUY	1.26	1.41	11.9	12/22	15.8	16.5	13.8	4.0	6.4	2,728.8	1.1
CSE Global	CSE SP	BUY	0.46	0.60	30.4	12/22	51.7	15.3	11.6	6.0	8.7	282.8	1.3
Delfi	DELFI SP	BUY	1.25	1.71	36.8	12/22	12.6	12.2	11.3	4.1	18.2	763.9	2.3
Keppel Corp	KEP SP	BUY	7.27	9.09	25.0	12/22	14.0	14.0	13.6	2.9	8.2	12,811.2	1.2
LHN	LHN SP	BUY	0.355	0.55	54.9	9/22	3.2	5.8	5.3	6.5	12.0	145.2	0.7
O C B C	OCBC SP	BUY	13.19	17.50	32.7	12/22	10.4	8.6	8.6	5.7	12.5	59,288.3	1.2
Raffles Medical	RFMD SP	BUY	1.32	1.70	28.8	12/22	17.1	22.5	24.1	2.7	10.5	2,455.8	2.5
Sea Ltd (in US$)	SE US	BUY	65.91	94.34	43.1	12/22	n.a.	39.4	32.1	0.0	14.6	34,354.3	6.1
Seatrium	STM SP	BUY	0.136	0.19	39.7	12/22	n.a.	n.a.	58.6	0.0	(4.5)	9,280.2	1.1
Sembcorp Ind	SCI SP	BUY	5.53	4.64	(16.1)	12/22	11.6	15.4	15.2	2.0	15.9	9,876.1	2.5
Thai Beverage	THBEV SP	BUY	0.60	0.75	25.0	9/22	12.5	13.2	12.2	3.8	13.9	15,074.9	2.1
YZJ ShipBldg SGD	YZJSGD SP	BUY	1.57	1.65	5.1	12/22	11.3	9.8	8.7	2.6	15.7	6,202.4	1.8

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

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