

MARKET NEWS

US stocks were lower on Thursday, as the losses in the materials, utilities and real estate sectors led shares lower. At the close of the NYSE, the DJIA fell 0.51% while the S&P 500 index was down by 0.62%, and the NASDAQ Composite index slid 0.63%. Falling stocks outnumbered advancing ones on the NYSE by 2,405 to 486 and 82 ended unchanged; on the Nasdaq Stock Exchange, 3,171 declined and 1,116 advanced, while 172 ended unchanged. (Source: WSJ, Bloomberg)

During the last trading session, the FSSTI index rose 25.82pt to 3,218.69. Among the top active stocks were Seatrium (-0.8%), Genting Singapore (+1.2%), Thai Beverage (+0.9%), Frencken (+0.9%) and UMS (+2.3%). The FTSE ST Mid Cap index rose 0.7% while the FTSE ST Small Cap Index was up 1.3%. The broader market saw 385 gainers and 227 losers with total trading value of S\$1.00b.

WHAT'S IN THE PACK

Singapore Small/Mid Cap Highlights:

ISOTeam - Niche contractor with earnings turnaround and beneficiary of Singapore election.

(ISO SP/NOT RATED/S\$0.042)

ISOTeam is a leading contractor of maintenance works in Singapore with a turnaround in net profit in FY23 of S\$1.4m, after three years of losses. It achieved a record orderbook of S\$194m in FY23 and ...

Singapore Technical Analysis:

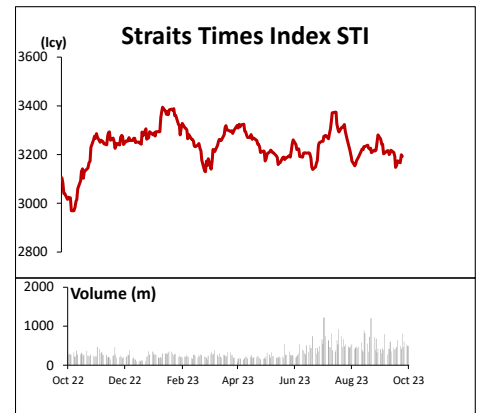
Frencken Group (FRKN SP) - Trading BUY

Price broke out from a pennant continuation pattern two days ago, suggesting a strong bullish upward momentum. The conversion and base lines remain in a bullish crossover...

Singapore Tech Engineering (STE SP) - Trading BUY

Price rebounded after being supported by the thick cloud support, keeping the uptrend intact. There is a bullish conversion and base lines crossover that hint at possible upside ahead...

PRICE CHART



KEY INDICES

	Prev Close	1M %	YTD %
DJIA	33631.1	(2.9)	1.5
S&P 500	4349.6	(2.5)	13.3
FTSE 100	7644.8	1.6	2.6
AS30	7287.4	(0.8)	0.9
CSI 300	3702.4	(0.9)	(4.4)
FSSTI	3218.7	(0.0)	(1.0)
HSCEI	6267.3	0.5	(6.5)
HSI	18238.2	1.3	(7.8)
JCI	6935.2	(0.0)	1.2
KLCI	1443.8	(0.7)	(3.5)
KOSPI	2479.8	(2.2)	10.9
Nikkei 225	32494.7	(0.6)	24.5
SET	1450.8	(5.5)	(13.1)
TWSE	16825.9	1.5	19.0

BDI	1935	50.0	27.7
CPO (RM/mt)	3562	(3.8)	(12.0)
Brent Crude (US\$/bbl)	86	(6.6)	0.1

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (\$)	Chg (%)	5-day ADT (\$m)
DBS Group Holdings	34.00	0.8	102.8
Oversea-Chinese Banking Corp	13.08	0.6	63.4
United Overseas Bank	28.69	0.7	46.0
Seatrium	0.13	(0.8)	45.9
CapitaLand Ascendas REIT	2.73	1.5	31.2

TOP GAINERS

Company	Price (\$)	Chg (%)	5-day ADT (\$m)
Digital Core REIT Management	0.55	6.8	1.3
AEM Holdings	3.68	6.4	5.7
Top Glove Corp	0.22	4.8	0.7
Sri Trang Agro-Industry	0.57	3.6	0.0
Yanlord Land Group	0.64	3.2	0.5

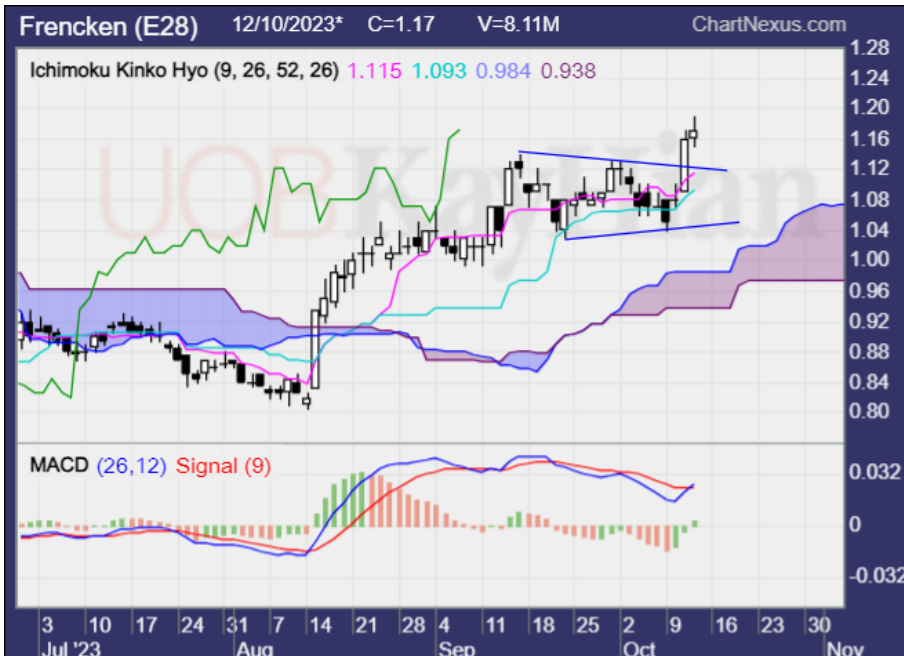
TOP LOSERS

Company	Price (\$)	Chg (%)	5-day ADT (\$m)
Hutchison Port Holdings Trust	0.23	(2.2)	0.0
Thomson Medical Group	0.06	(1.8)	0.1
PropNex	0.86	(1.7)	0.2
Wilmar International	3.68	(1.3)	13.9
Lendlease Global Commercial	0.52	(1.0)	3.0

*ADT: Average daily turnover

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TRADERS' CORNER



Frencken Group (FRKN SP)

Trading Buy Range: S\$1.12-1.13

Last price: S\$1.17

Target price: S\$1.29

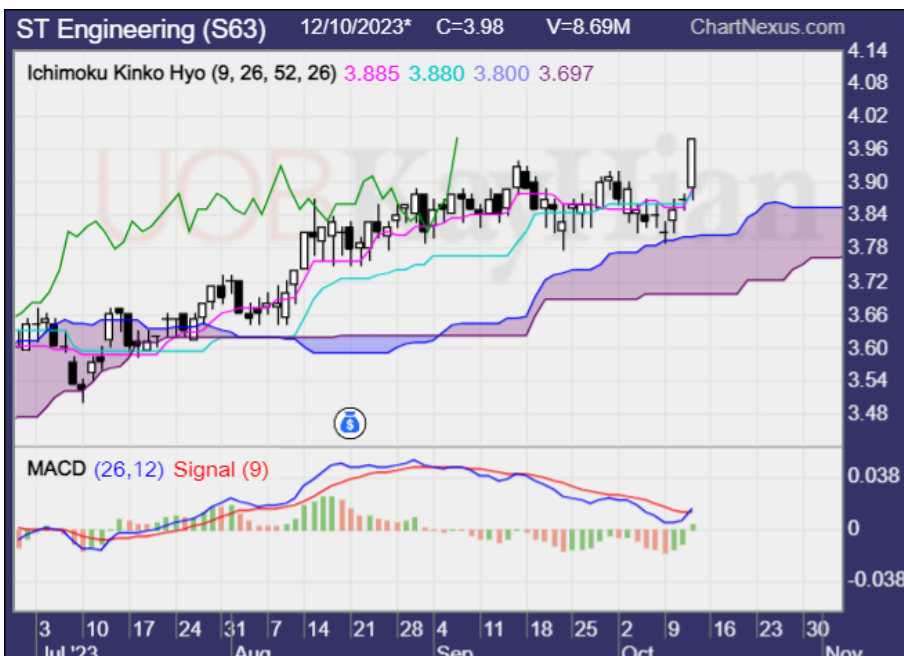
Protective stop: S\$1.08

Price broke out from a pennant continuation pattern two days ago, suggesting a strong bullish upward momentum. The conversion and base lines remain in a bullish crossover. The MACD is bullish and there is a bullish crossover. We are likely to see price moving higher.

The potential upside target is S\$1.29. Stop-loss could be placed at S\$1.08.

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\$1.23.



Singapore Tech Engineering (STE SP)

Trading Buy Range: S\$3.86-3.88

Last price: S\$3.98

Target price: S\$4.17

Protective stop: S\$3.77

Price rebounded after being supported by the thick cloud support, keeping the uptrend intact. There is a bullish conversion and base lines crossover that hints at possible upside ahead. The MACD is bullish and there is a bullish crossover. These could increase chances of the stock price moving higher.

The potential upside target is S\$4.17. Stop-loss could be placed at S\$3.77.

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\$4.20.

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FROM THE REGIONAL MORNING NOTES...

ISOTeam (ISO SP)

Niche Contractor With Earnings Turnaround And Beneficiary Of Singapore Election

ISOTeam is a leading contractor of maintenance works in Singapore with a turnaround in net profit in FY23 of S\$1.4m, after three years of losses. It achieved a record orderbook of S\$194m in FY23 and we expect this to grow from more government contracts for maintenance works, ahead of the upcoming election. ISOTeam's resumption of dividend could provide about 6.2% yield for FY25. It is trading at 7x FY24F and 5x FY25F PE, based on Bloomberg consensus estimate.

WHAT'S NEW

- Established building maintenance and estate upgrading player with multi-disciplinary capabilities.** ISOTeam is a major construction player in Singapore with two decades of experience in its main business areas of repairs & redecoration (R&R) and addition & alteration (A&A) services. Till date, ISOTeam has undertaken more than 800 refurbishment projects for over 7,200 buildings. ISOTeam offers other services through its subsidiaries, ranging from coating & painting (C&P), mechanical & electrical works (M&E) to interior designing (ID). ISOTeam has introduced eco-conscious solutions for building and estate upgrading projects ahead of competitors with capabilities in green roofing, cool painting and solar panelling. It has also recently ventured into the usage of AI for drone painting and inspection to improve productivity, safety and reduce manpower costs.
- Recurring nature of business to provide a constant stream of revenue.** Many projects undertaken by ISOTeam are driven by legislation which provides a recurring demand. These include a five-year R&R project cycle for all HDB blocks, the Neighbourhood Renewal Programme every 12 to 15 years, Building and Construction Authority checks every seven years and the ongoing upgrading of hawker centres and parks. Currently, 85% of ISOTeam's revenues come from recurring governmental businesses. It is confident of a steady demand for its services with an influx of new projects by regulatory bodies focusing on eco-conscious elements in R&R and A&A projects where ISOTeam has an edge in.
- Strong orderbook priced at better margins provide good earnings visibility and higher margins.** ISOTeam's latest orderbook of S\$194m as of 3 Aug 23 is at a 10-year record high and will be progressively delivered by FY26. We understand that these orders are priced at better gross margins that are around pre-COVID-19 level of 15-20%, relative to legacy contracts with gross margin of around 10%, as the drag from low-margin legacy contracts during the pandemic have been fully delivered. ISOTeam is back to profitability after three years of losses with FY23 net profit at S\$1.3m and is also witnessing strong contract win momentum with S\$153.4m new jobs secured in a year as of Aug 23. ISOTeam is positive that the upcoming General Election by FY25 will keep the number of new projects high. In addition, its recent rights issue raised S\$10.3m could help it tender for more new projects

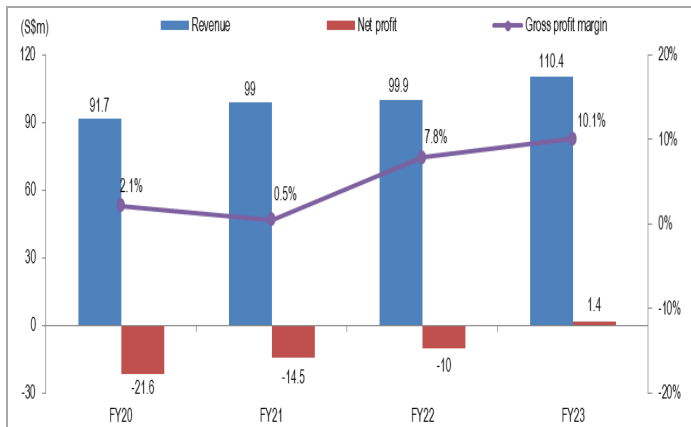
KEY FINANCIALS

Year to 30 Jun (\$m)	2019	2020	2021	2022	2023
Net turnover	136.6	91.7	99.0	96.5	110.4
EBITDA	13.0	(14.5)	(9.5)	(8.3)	6.5
Operating profit	8.4	(19.8)	(15.0)	(13.1)	2.8
Net profit (rep./act.)	6.8	(19.6)	(14.5)	(13.2)	1.4
Net profit (adj.)	6.8	(19.6)	(14.5)	(13.2)	1.4
EPS (S cents)	2.4	(6.5)	(4.2)	(3.8)	0.4
PE (x)	1.8	n.a.	n.a.	n.a.	10.4
P/B (x)	0.2	0.3	0.4	0.6	0.6
EV/EBITDA (x)	3.0	n.a.	n.a.	n.a.	8.0
Dividend yield (%)	9.5	0.0	0.0	0.0	0.0
Net margin (%)	4.9	(21.3)	(14.7)	(13.7)	1.3
Net debt/(cash) to equity (%)	45.3	58.2	92.3	107.4	145.5
Interest cover (x)	7.2	(10.8)	(10.0)	(7.6)	1.2
ROE (%)	11.8	(39.6)	(42.0)	(53.8)	5.4

Source: ISOTeam, Bloomberg, UOB Kay Hian

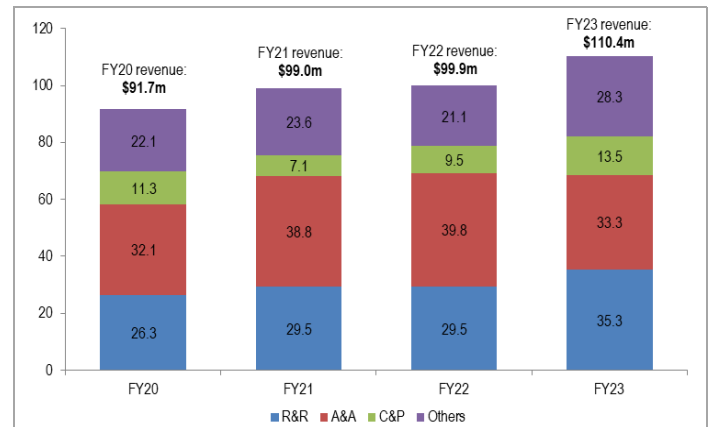
• **Resumption of dividend payout offers 6.2% FY25 yield and attractive PE multiple valuation.** Pre-pandemic, ISOTeam had been consistently paying out dividends for seven years at a payout ratio of at least 20%. The last dividend paid out was in 2019 at S\$0.0042 per share. In the latest dividend policy announcement, ISOTeam has raised its dividend payout ratio to at least 25% for FY24 and at least 30% for FY25. Based on ISOTeam's targeted payout ratio of 30%, FY25 dividend yield according to Bloomberg consensus estimates of S\$6m earnings would equate to a S\$0.0026 dividend per share, or a yield of around 6.2% based on a share price of S\$0.042. ISOTeam is currently trading at 7x FY24F and 5x FY25F PE, based on Bloomberg consensus estimate.

HISTORICAL REVENUE, NET PROFIT AND GROSS MARGINS



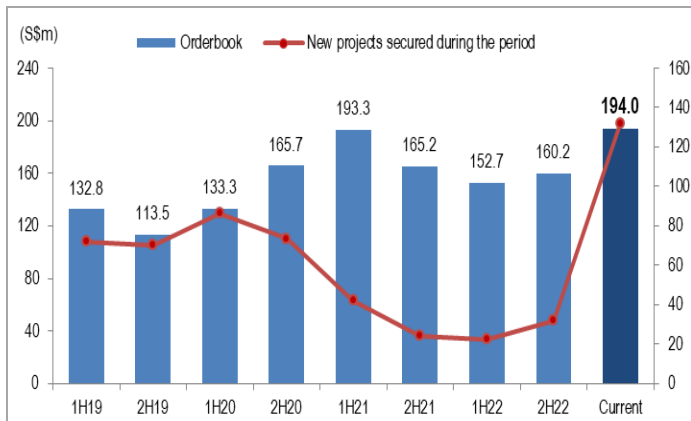
Source: ISOTeam, UOB Kay Hian

REVENUE BREAKDOWN BY SEGMENT: FY20-23



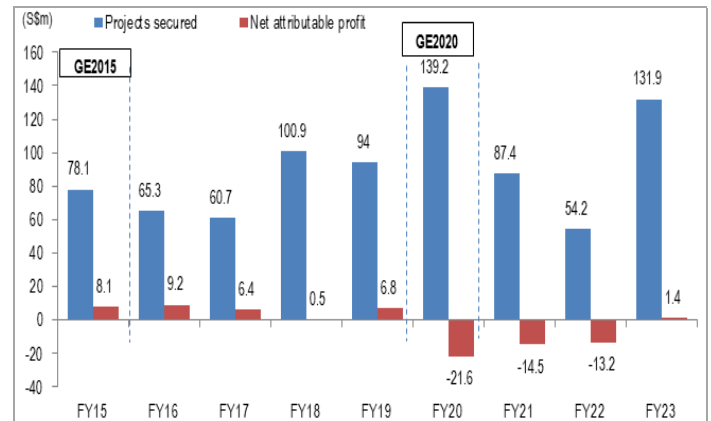
Source: ISOTeam, UOB Kay Hian

HISTORICAL ORDERBOOK VALUE AND NEW PROJECTS SECURED



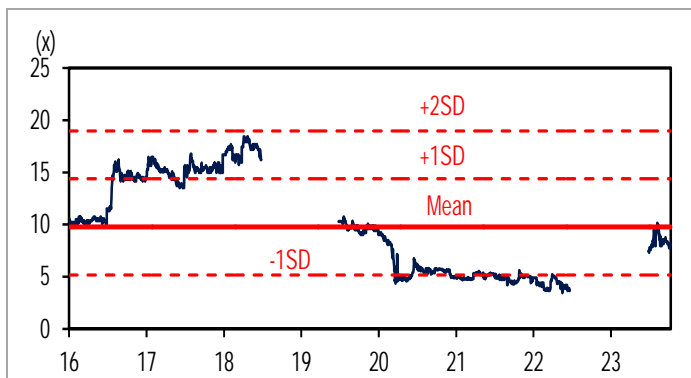
Source: ISOTeam, UOB Kay Hian

HIGHER PROJECT WINS DURING ELECTION YEAR



Source: ISOTeam, UOB Kay Hian

HISTORICAL PE BAND



Source: Bloomberg, UOB Kay Hian

HISTORICAL P/B BAND



Source: Bloomberg, UOB Kay Hian

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