UOBKayHian

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KEY HIGHLIGHTS

Strategy

Alpha Picks: Add VALUE And VMS, Remove THBEV And CSE Page 2

Our Alpha Picks portfolio rose 1.5% mom in Nov 23, beating the STI by 1.3ppt on an equal-weighted basis. SCI, FRKN and FEHT were the key outperformers.

TRADERS' CORNER Page 12

Frencken Group (FRKN SP): Trading BUY

Venture Corp (VMS SP): Trading BUY

KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	36245.5	0.8	2.4	6.4	9.3
S&P 500	4594.6	0.6	0.8	5.4	19.7
FTSE 100	7529.4	1.0	0.5	1.5	1.0
AS30	7285.1	(0.2)	0.6	1.5	0.9
CSI 300	3482.9	(0.4)	(1.6)	(2.8)	(10.0)
FSSTI	3090.3	0.6	(0.1)	(1.7)	(5.0)
HSCEI	5761.7	(1.6)	(4.6)	(4.8)	(14.1)
HSI	16830.3	(1.2)	(4.2)	(4.7)	(14.9)
JCI	7059.9	(0.3)	0.7	4.0	3.1
KLCI	1456.4	0.3	0.2	0.4	(2.6)
KOSPI	2505.0	(1.2)	0.3	5.8	12.0
Nikkei 225	33431.5	(0.2)	(0.6)	4.6	28.1
SET	1380.3	0.0	(1.2)	(2.8)	(17.3)
TWSE	17438.4	0.0	0.9	5.6	23.3
BDI	3192	8.7	51.9	118.3	110.7
CPO (RM/mt)	3719	(0.8)	(3.2)	2.2	(8.1)
Brent Crude (US$/bbl)	79	(2.4)	(2.1)	(6.8)	(8.2)

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (S$)	Chg (%)	5-day ADT (S$m)
DBS Group Holdings	31.90	0.5	142.7
United Overseas Bank	27.31	0.3	69.1
CapitaLand Ascendas Reit	2.83	(0.4)	67.9
Oversea-Chinese Banking Corp	12.64	0.8	64.9
Singapore Telecommunications	2.30	(0.4)	51.1

TOP GAINERS

Company	Price (S$)	Chg (%)	5-day ADT (S$m)
DFI Retail Group Holdings	2.33	5.0	1.6
Keppel DC REIT	1.92	4.3	12.0
Venture Corp	13.02	3.9	14.4
Hour Glass Ltd/The	1.57	3.3	2.7
Raffles Medical Group	1.05	2.9	2.4

TOP LOSERS

Company	Price (S$)	Chg (%)	5-day ADT (S$m)
Seatrium	0.10	(2.9)	25.5
Hutchison Port Holdings Trust	0.21	(2.4)	0.1
Olam Group	1.00	(2.0)	1.0
Frasers Logistics & Commerci	1.09	(1.8)	11.6
Digital Core Reit Management	0.61	(1.6)	1.5

**ADT: Average daily turnover*

KEY ASSUMPTIONS

GDP (% yoy)		2022	2023F	2024F
US		1.9	2.4	1.0
Euro Zone		3.5	0.5	0.6
Japan		0.9	1.5	1.0
Singapore		3.6	0.9	2.9
Malaysia		8.7	4.0	4.6
Thailand		2.6	2.3	3.6
Indonesia		5.3	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: Add VALUE And VMS; Remove THBEV And CSE

Global markets rallied in Nov 23 as encouraging economic data, cooling inflation and dovish comments from the US Fed raised hopes of an end to the rate-hike cycle. This enabled our Alpha Picks portfolio, which rose 1.5% mom in Nov 23, to beat the STI by 1.3ppt on an equal-weighted basis. For Dec 23, we add VALUE and VMS, while removing THBEV and CSE.

WHAT'S NEW

- **Market review.** Global markets rallied in Nov 23, fuelled by increased expectations that the US Fed will put an end to the current interest rate-hike cycle, backed by cooling inflation and slowing economic data. Also, a better-than-expected conclusion to the US corporate earnings season boosted global investor sentiment, with the STI increasing 0.2% mom.
- **Strong performance.** Our Alpha Picks portfolio outperformed in Nov 23 and was up 1.5% mom on an equal-weighted basis, beating the STI by 1.3ppt. Key to this outperformance were Sembcorp Industries (SCI, +12.0% mom), Frencken (+10.6% mom) and Far East Hospitality Trust (+9.3% mom). SCI's performance was driven by positive sentiment after its Investor Day and a series of renewables acquisitions in China, India and Vietnam while Frencken was driven by robust 3Q23 results and an improved outlook. Far East Hospitality Trust continues to benefit from Singapore's recovering tourist arrivals. However, our portfolio's performance was offset by Thai Beverage (-7.4% mom) which posted weak FY23 results, while a weak oil price dragged down sentiment towards our O&G-related picks such as Seatrium (-6.3% mom) and MarcoPolo Marine (-3.9% mom).
- **More tech exposure.** For Dec 23, we add Valuetronics and Venture with the former expected to benefit from higher earnings from new customer acquisitions and share buybacks, while the latter's valuation appears compelling, backed by its decent 6% dividend yield and potential share buybacks. We remove Thai Beverage as we believe higher SG&A costs and stiff competition in key beer markets will likely stymie its share price performance, while CSE Global lacks near-term share price catalysts, in our view.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Jacquelyn Yow	Bumitama	BUY	3.4	Margin expansion backed by CPO price uptrend.
Roy Chen	SIA Engineering	BUY	0.0	Earnings and dividend recovery.
John Cheong	Frencken Group	BUY	14.4	Better-than-expected sequential earnings.
John Cheong	Civmec	BUY	18.6	Strong order book and higher dividend.
John Cheong	Valuetronics	BUY	-	Earnings recovery from new customers.
John Cheong	Food Empire	BUY	-0.9	Dual listing expected to improve valuation.
John Cheong	Venture Corp	BUY	-	Higher-than-expected dividends.
Jonathan Koh	Far East Hosp Tr	BUY	11.9	Pure play on Singapore's hospitality sector.
Jonathan Koh	OCBC	BUY	2.2	Attractive dividend yield; less susceptible to NIM compression.
Jonathan Koh	Mapletree Industrial Trust	BUY	-1.3	A play on the global growth in data centres.
Adrian Loh	Sembcorp Ind	BUY	76.8	Re-rating prospects as a green energy play.
Adrian Loh	Seatrium	BUY	-14.3	New order win momentum from oil & gas and renewables industry
Adrian Loh	RH Petrogas	BUY	-18.3	Exploration catalysts in the near term
Llelleythan Tan	ComfortDelgro	BUY	2.4	Increase in taxi commission rates.
Chong Lee Len	SingTel	BUY	-3.4	Higher 2HFY24 dividend.
Heidi Mo	Marco Polo Marine	BUY	-9.4	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$) ----- 1 Dec	Target	Up/(down) to TP (%)
Bumitama	BUY	0.605	0.70	15.7
Civmec	BUY	0.765	1.23	60.8
ComfortDelGro	BUY	1.29	1.69	31.0
Far East HTrust	BUY	0.66	0.76	15.2
Food Empire	BUY	1.09	1.63	49.5
Frencken	BUY	1.19	1.23	3.4
MapletreeInd	BUY	2.27	2.69	18.5
MarcoPolo Marine	BUY	0.048	0.06	25.0
O C B C	BUY	12.64	17.35	37.3
RH PetroGas	BUY	0.188	0.238	26.6
Seatrium	BUY	0.102	0.19	86.3
Sembcorp Ind	BUY	5.20	7.20	38.5
SIA Engineering	BUY	2.29	2.67	16.6
SingTel	BUY	2.30	3.15	37.0
Valuetronics	BUY	0.555	0.72	29.7
Venture Corp	BUY	13.02	14.06	8.0

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

CHANGE IN SHARE PRICE

Company	Rec	Nov 23[1] (% mom)	To-date[2] (%)
Bumitama	BUY	6.1	3.4
Civmec *	BUY	(1.1)	18.6
ComfortDelGro	BUY	(2.3)	2.4
CSE Global	BUY	2.4	7.7
Far East HTrust	BUY	9.3	11.9
Food Empire	BUY	(0.9)	(0.9)
Frencken	BUY	10.6	14.4
MapletreeInd *	BUY	7.6	(1.3)
MarcoPolo Marine	BUY	(3.9)	(9.4)
O C B C	BUY	(1.1)	2.2
RH PetroGas	BUY	0.0	(18.3)
Sembcorp Ind	BUY	12.0	76.8
Seatrium	BUY	(6.3)	(14.3)
SIA Engineering *	BUY	0.4	0.0
SingTel *	BUY	(0.8)	(3.4)
ThaiBev	BUY	(7.4)	(10.7)
FSSTI		0.2	
UOBKH Portfolio		1.5	

Source: UOB Kay Hian

PORTFOLIO RETURNS (%)

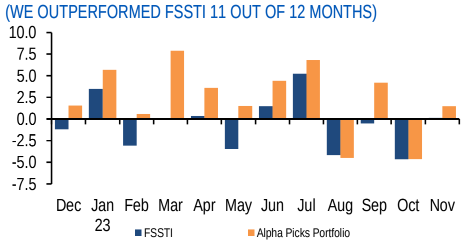
	1Q23	2Q23	3Q23	Oct 23	Nov 23
FSSTI return	0.2	-1.6	-0.4	-4.7	0.2
Alpha Picks Return					
- Price-weighted	5.5	10.1	-18.8	-5.2	2.2
- Marketcap-weighted	2.9	5.4	-5.0	-4.6	-0.8
- Equal-weighted	9.1	7.2	-0.7	-6.3	1.5

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)

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

- **Margin expansion coupled with CPO uptrend.** Bumitama Agri (Bumitama) has strong earnings sensitivity towards CPO prices compared with its Indonesian SGX-peers as it is a pure upstream player and sells 100% of its CPO into the spot market. We expect margin expansion for 2H23 and 2024 with production costs forecast to decline by 10-15% due to lower fertiliser costs.
- **Higher dividend yield.** We expect an attractive dividend yield of 6-7% for 2023-24 due to its dividend payout policy of up to 40%.
- **Maintain BUY with a target price of S$0.70**, which is pegged to an undemanding 6.0x 2024F PE.

Share Price Catalyst

- **CPO price uptrend.** We expect CPO prices to increase during 3Q23-1H24. We expect global palm oil output during this period to 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 lead to deviations in global vegetable oil and oilseed oil production.
- Timeline: 3-6 months.

SIA Engineering – BUY (Roy Chen)

- **Riding the recovery of regional flight activities.** Aircraft movements at Changi Airport recovered to 90% of the pre-pandemic levels in Oct 23 and are expected to increase further as regional air traffic continues to recover. SIA Engineering is a key beneficiary of this trend given its over 80% market share of Changi Airport's line maintenance service volume. Its maintenance, repair and overhaul (MRO) businesses for airframe, engine and component are also set to improve as regional flight activities pick up further.
- **Strong balance sheet with sizeable net cash position.** SIA Engineering had net cash of over S$589m as at end-1QFY24, equivalent to 23% of its current market cap. This sizeable net cash position earns SIA Engineering decent interest income (over S$20m by our estimate) in the high interest rate environment and allows the company to eye potential acquisition opportunities to expand its regional network.
- **Undemanding valuation with further dividend recovery.** SIA Engineering currently trades at FY25F (normalised year) PE of 14.8x, or 11.3x only if excluding its net cash position. With the core profitability recovery, we expect SIA Engineering to recover its dividend to 8.5/12 S cents in FY24/25, leading to a dividend yield of 3.7%/5.2%.
- **Maintain BUY and target price of S$2.67.** Our DCF-based target price is based on a WACC of 8.5% and a terminal growth rate of 2.5%. SIAEC is currently trading at 14.8x FY25F (normalised year) PE (or 11.3x if ex-net-cash).

Share Price Catalysts

- **Events:** a) Organic earnings recovery, b) dividend recovery, c) possible M&As.
- Timeline: 3-6 months.

Frencken – BUY (John Cheong)

- **Stable outlook for 2H23 indicate that earnings have already bottomed in 1H23** and there is potential for more new business in Asia. Frencken expects to post stable revenue in 2H23 vs 1H23. Frencken's outlooks for its various segments for 2H23 vs 1H23 are as follows: a) semiconductor: higher revenue, b) medical: stable revenue, c) analytical & life sciences: increasing revenue, d) industrial automation: decreasing revenue, and e) automobile: stable revenue. On the other hand, Frencken is seeing more new business opportunities in Asia than in Europe, especially in Malaysia.
- **SEMI expects global fab equipment spending to recover in 2023.** 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 in 2023 is expected to decline 15% yoy before rebounding 15% yoy in 2024. Next year's fab equipment spending recovery will be 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 semiconductor, analytical/life sciences, medical and aerospace sectors and across operating sites.

- **Maintain BUY and target price of S$1.23, pegged to 12.6x 2024F PE,** based on 1SD above mean PE. The +1 SD in our PE multiple peg is to capture the Frencken's earnings cycle, which is approaching a trough, and improvement in earnings quality where the medical and analytical & life sciences segments could see more contributions. Also, we note that Frencken has a diverse stream of revenue sources, which could help the company remain resilient amid a volatile macro environment.

Share Price Catalysts

- **Events:** a) Better-than-expected earnings or dividend surprise, b) improving net margin from better-than-expected factory utilisation, and c) winning of new customers.

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

Civmec – BUY (John Cheong)

- **Solid earnings growth for 1QFY24 and improved net cash position.** Civmec's 1QFY24 net profit of A$15.2m (+7.3% yoy) is in line with our expectations, accounting for 24% of our full-year estimate. Net margin remained flat yoy but improved qoq by 2.6ppt, driven by the delivery of higher-return projects and better cost management. On top of this, the group recorded an improved net cash position of A$43.9m (+215.8% qoq) from strong operating cash flows of A$40.1m during the quarter. We expect Civmec to continue to deliver a strong set of results moving forward.

- **Positive outlook amid buoyant tendering activities.** Tendering activities saw continued 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 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 entry barrier of the defence business.

- Timeline: 3-6 months.

Valuetronics – BUY (John Cheong)

- **Strong earnings beat in 1HFY24 results.** Valuetronics' (VALUE) 1HFY24 net profit of HK$82.1m (+42% yoy, +26.1% hoh) was above our expectations, making up 61% of our full-year estimate. Gross margin improved by 3.1ppt due to: a) lower material costs from component shortage relief as the group's supply chain visibility has improved, and b) lower labour costs in China, stemming from stabilisation in the labour supply as well as depreciation of the Renminbi. The surge in other income to HK$28.8m (+123% yoy), mainly from rising interest income as a result of the US Fed rate hikes, also led to net margin expansion to 9.2% (+3.7ppt yoy).
- **Positive outlook with four new customers contributing.** Upon VALUE's newly-constructed Vietnam campus commencing operations, it has consolidated its facilities into one campus site since Jun 22 to optimise operations and costs. VALUE has since acquired two new customers – a hardware provider customer for retail chain stores and a customer providing cooling solutions for high performance computing environments – and successfully commenced initial shipments at end-FY23. Full-year contribution is expected from the two new customers in FY24. More recently, VALUE has acquired another two new customers, including an electronic products supplier for a global entertainment conglomerate and a Canada-based customer providing network access solutions. Management expects to have shipments scheduled in 2HFY24 and production ramp-up in FY25.
- **Strong balance sheet, special dividend and share buybacks.** As of 1HFY24, VALUE had net cash of HK$1.1b (accounting for around 80% of its current market cap). It has also doubled its interim dividend in 1HFY24 via a special dividend and has started aggressive share buybacks after its 1HFY24 results, where it has bought back 2.5m shares vs only 0.5m shares before its 1HFY24 results announcement.
- **Maintain BUY with PE-based target price of S$0.72,** pegged to 10.6x PE for FY24. This is based on 1SD above VALUE's historical PE mean to account for potential strong demand from its four new customers. VALUE is currently trading at only 2x FY24 ex-cash PE and offers an attractive FY24 dividend yield of around 7.5%.

Share Price Catalysts

- **Events:** a) Winning more customers, b) higher-than-expected contributions of new customers, c) higher-than-expected dividends and share buybacks.
- **Timeline:** 6-12 months.

Food Empire – BUY (John Cheong)

- **Potential dual listing on Hong Kong Stock Exchange to improve valuation.** Food Empire Holdings (FEH) recently announced that it is exploring a dual primary listing in Hong Kong. This will provide FEH with more avenues to raise capital and exposure to a broader investor base. If successful, we believe that it could mean better valuations for the stock. Trading at 8x 2024F PE vs Singapore peers' average of 11x and regional peers' average of 14x, its valuation is due for a re-rating, in our view.
- **Strong demand for consumer staple products.** Despite rising inflationary pressures and ASPs, FEH does not see major changes in consumption patterns. Given the consumer-staple nature of FEH's products, demand is relatively price inelastic. FEH's products in the coffee segment, such as the MacCoffee brand, continue to be affordable with mass appeal, leading to stronger demand in 2023.
- **Frequent share buybacks to date reflects confidence.** From Apr 23, FEH has bought back 1.8m shares at up to S$1.11. This is close to the 52-week high share price of S$1.18, showing management's confidence in the future growth outlook.
- **Maintain BUY.** Our target price of S$1.63 is based on 11x 2024F EPS, or its long-term historical mean.

Share Price Catalysts

- **Events:** a) Better-than-expected earnings or dividend surprise, b) improving net margin from better-than-expected ASPs and easing of key costs including freight and raw material costs, and c) successful dual listing on Hong Kong Stock Exchange.
- **Timeline:** 3-6 months.

Venture Corp – BUY (John Cheong)

- **Expect decline in revenue to ease.** VMS expects the extent of decline in demand from customers to ease as inventory destocking is entering the final stages. Also, VMS is hopeful that new product launches from customer and more relocation of manufacturing activities to ASEAN could improve demand for its manufacturing facilities.
- **VMS will continue to strengthen the relationships with its customers** and other business partners that it has forged over many years. It will deepen its strategic collaboration with customers, working with them to secure growth in market share. New product introductions (NPI) with both existing and new customers are on track to be rolled out next year. The adoption of VMS module solutions by its life science and industrial customers is also picking up pace, which will complement its core EMS++ business going forward.
- **Healthy balance sheet and consistent dividends.** As of end-3Q23, VMS had net cash of S$957m (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 with a target price of S$14.06, pegged to its long-term forward mean PE of 14.6x 2024F earnings.** We recently upgraded the stock to BUY as we think that VMS' share price correction of about 30% ytd has made its valuation more compelling. Currently, VMS is trading at 13x 2024F PE (9x ex-cash 2024 PE), that is around 0.5SD below its long-term PE mean and offers a decent dividend yield of around 6%

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 44.6% yoy in Sep 23. RevPAR for hotels increased 43.6% yoy to S$150 in 3Q23, returning to pre-pandemic levels. Occupancy improved 10.6ppt yoy to 86.7% while average daily rate (ADR) jumped 26.0% yoy to S$173.
- **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.** Far East Hospitality Trust (FEHT) has a resilient balance sheet with aggregate leverage remaining low at 32.2% as of Sep 23.
- **Attractive dividend yield.** FEHT provides an attractive 2024 distribution yield of 7.6%. Its P/NAV of 0.63x is unwarranted given its good corporate governance and strong sponsor.
- **Maintain BUY.** Our target price of S$0.76 is based on DDM (cost of equity: 7.75%, terminal growth: 2.8%).

Share Price Catalysts

- **Events:** a) Recovery in occupancy, ADR and RevPAR in 2023 and 202; and b) 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. Oversea-Chinese Banking Corp (OCBC) provides attractive dividend yield of 6.3% for 2023.
- **Capital management.** OCBC had the highest CET-1 CAR of 14.8% in 3Q23. It 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$17.35 is based on 1.42x 2024F 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 14.8%, 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.** Mapletree Industrial Trust (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 JPY.
- **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$2.69 is based on DDM (cost of equity: 7.25%, 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.

Sembcorp Industries – BUY (Adrian Loh)

- **Further growth in renewables capacity.** As expected during its Investor Day on 6 Nov 23, SCI upgraded its target gross installed renewables capacity from its prior 10GW by 2023 (which it has easily achieved), and it is now targeting to grow this to 25GW by 2028. This implies a 22% CAGR over 2023-28 which is higher than its peers' average CAGR of 17% over the same period.
- **More solar, and a more balanced geographic exposure.** Its 2023-28 plans involve incrementally growing its solar exposure relative to wind (wind:solar was 62:31 as at end-22). Geographically, SCI is ideally looking to increase exposure to India and Southeast Asia relative to China (China:India:Southeast Asia was 62:27:10 as at end-22).

- **Developments since its Investor Day.** Since 6 Nov 23, SCI has announced 673MW of acquisitions towards its target of 25GW by 2028 which involves both solar and wind in Vietnam, China and India. These three acquisitions will be completed by 1H24. Note that UOBKH is currently forecasting stable EPS growth in 2024 vs consensus' forecast of 9% decline; hence, we expect positive earnings momentum in the next six months.
- **Maintain BUY with a target price of S$7.20 based on a target PE multiple of 13.6x.** Our 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. SCI, cognisant of its funding needs for growth, will likely keep its dividend payout ratio at 25%.

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)

- **An operationally steady 2023.** In its latest 3Q23 business update, Seatrium (STM) continued to show solid execution of its current suite of projects with the delivery of four key projects to Shell, the Abu Dhabi national oil company and SBM as well. With the merger with Keppel Offshore Marine completed, we believe that STM should continue to execute its projects safely and on time.
- **No impact from the wind industry's travails at present.** In our view, STM is affected by delays but not order cancellations that are buffeting the offshore wind industry at present, given that these issues are confined to the east coast of the US. In any case, the company's contracts are cashflow neutral given that it is paid based on milestones, and will not suffer in the event of a cancellation. In Europe, the offshore wind industry appears more stable given that STM's exposure is via national grid operators such as RWE and TenneT, which are very focused on energy transition.
- **Repairs & upgrades segment - kicking goals.** With a single yard attracting business instead of two entities competing for work, STM is understandably bullish about this segment's prospects. Looking out into 2024 and beyond, STM highlighted that it will start to move away from pure repair and instead facilitate energy transition via vessel upgrades (eg installation of decarbonisation technology due to new International Maritime Organisation regulations) and new technology deployment. In addition, this segment should see incremental demand for the reactivation of drilling rigs as utilisations exceed 90%.
- **Strategic review.** The company is on target to complete its strategic review by end-23 with a Capital Markets Day to be held in 1H24.
- **We maintain our BUY rating on STM 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.

Share Price Catalysts

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

RH Petrogas – BUY (Adrian Loh)

- **Positive newsflow in the near term**. While RH Petrogas' (RHP) announcement of a dry hole at Riam-1 in Oct 23 was negative, we highlight that it is currently drilling the high-impact Karuka-1 gas well which is targeting 1.8tcf (equivalent to 300mmble) in unrisked gas resources, with results due out in Jan 24. Clearly, the gas well would be material to a company of RHP's size. The company will drill Piarawi-1, targeting 6.6mmbbl of recoverable oil, after the completion of Karuka-1 which is expected in late-Dec 23.

- **Valuing the exploration upside for RHP.** Using recovery factors of 10-25% and risking the two remaining wells at 50-80% for both geological and commercial risks, we arrive at a total valuation of S$0.06/share. This represents potential upside of >32% based on RHP's 31 October closing price. Note that we have factored in much higher risking factors for these wells given that they are both deeper wells and are targeting new geological play types.
- **For exposure to upstream oil & gas in Singapore, we prefer RH Petrogas.** Compared with Rex International (REXI SP/SELL/Target: S$0.10), RH Petrogas 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.** Note that we have not valued the company's exploration upside within our SOTP.

Share Price Catalysts

- **Events:** 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. News on Karuka-1 is expected in Jan 24 after the requisite flow tests.
- Timeline: 4-5 months.

ComfortDelgro – BUY (Llelleythan Tan)

- **3Q23: Strong underlying performance.** ComfortDelgro Corporation (CD) reported a strong 3Q23 whereby revenue (+3.8% yoy, +4.3% qoq), core operating profit (+31.0% yoy, +12.7% qoq) and PATMI (+54.5% yoy, +9.2% qoq) all surged, backed by improving business fundamentals. 3Q23 revenue and PATMI were driven largely by higher contributions from most of CD's business segments. 3Q23 core operating (+1.5ppt yoy, +0.6ppt qoq) and PATMI (+1.6ppt yoy, +0.2ppt qoq) margins also expanded, on the back of UK bus indexation and new contract renewals coupled with the new taxi platform fees implemented since start-3Q23.
- **Public transport services: Higher fares and cost indexation to boost profit.** 3Q23 revenue (+3.4% yoy, +3.9% qoq) and core operating profit (+19.6% yoy, +13.8% qoq) outperformed, aided by improving rail ridership in Singapore and more importantly, UK bus contract renewals and indexation which have started to come through. We reckon that earnings from the public transport segment have bottomed out and are expected to continue the upward momentum moving forward, backed by favourable tailwinds and higher public transport fares starting late-4Q23.
- **Upcoming catalysts.** We expect potential upward revisions for CD's 5% commission rate in 4Q23/2024, given that it is considerably lower when compared with major competitors Grab and GoJek. 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$1.69,** pegged to 15x 2024F PE, CD's average long-term PE. With improving fundamentals, a decent 4.6% 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: a) Bus tender contract wins; increase in taxi commission rates; b) complete removal of taxi rental rebates.

- Timeline: 6-12 months.

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

- **Doubling down on revenue drivers.** Singapore Telecommunications (Singtel) maintains its strategic aim to grow overall group ROIC from 8% in FY23 to low double digits by FY26, driven by its growth engines (regional data centres (RDC) and NCS). Both RDC and NCS are still expected to contribute more than 20% of EBITDA by FY28, almost double FY23's 12%, which would offset telecom services' declining EBITDA. Cash proceeds from the sale would likely be utilised for further expansion for both RDC and NCS, coupled with returns to shareholders.
- **Unlocking shareholder value.** The group has about S$4b of capital recycling after the stake sale of its RDC business 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 which we believe 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 potentially bring its full-year FY24 dividend to around 13.0 S cents/share, implying an ample annualised dividend of around 5.4%.
- **Maintain BUY with a DCF-based target price of S$3.15** (discount rate: 7%, growth rate: 2.0%). At our target price, the stock will trade at 15x FY24 EV/EBITDA. In our view, Singtel remains an attractive play against elevated market volatility, underpinned by improving business fundamentals.

Share Price Catalysts

- Events: a) Successful monetisation of 5G, b) monetisation of data centres and/or NCS, and c) market repair in Singapore and resumption of regional roaming revenue.
- Timeline: 6-12 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.** Although the surge in demand should lead to newbuilding, vessel supply is set to remain constrained on the horizon. Securing financing remains challenging, resulting in a 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 S$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

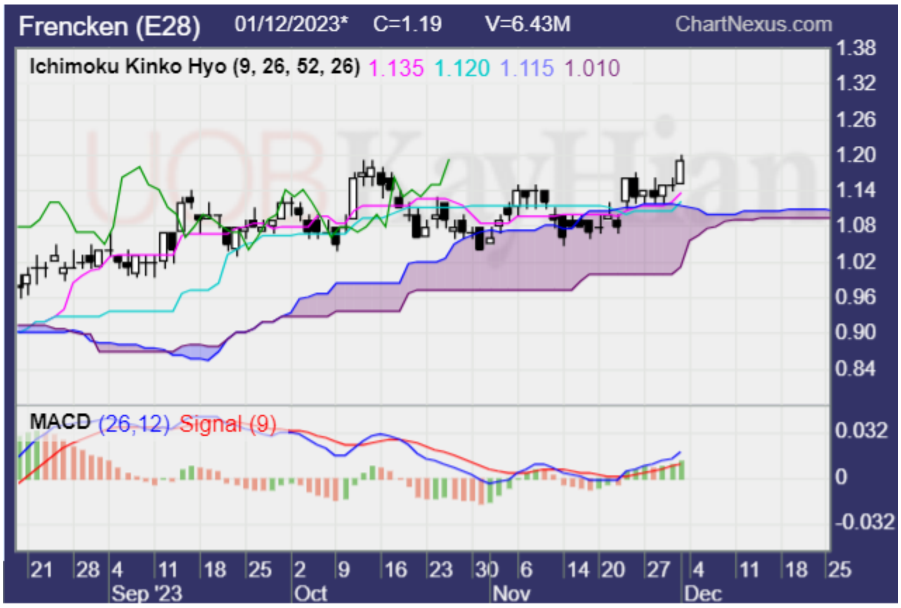
- **Events:** a) Higher-than-expected charter rates and vessel utilisation, and b) new or higher value of ship repair projects.
- **Timeline:** 3-6 months.

VALUATION

Company	Ticker	Rec*	Price 31 Oct 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/ NAV ps (x)
Bumitama	BAL SP	BUY	0.605	0.70	15.7	12/22	4.0	5.1	5.1	7.8	16.3	1,049.2	0.9
Civmec	CVL SP	BUY	0.765	1.23	60.8	6/23	7.7	7.3	6.9	5.8	14.2	388.3	1.0
ComfortDelGro	CD SP	BUY	1.29	1.69	31.0	12/22	16.1	15.2	11.7	6.2	9.0	2,793.8	1.1
Far East HTrust	FEHT SP	BUY	0.66	0.76	15.2	12/22	26.5	15.8	19.8	6.6	3.7	1,321.7	0.7
Food Empire	FEH SP	BUY	1.09	1.63	49.5	12/22	7.0	8.0	7.4	4.0	17.4	574.7	1.6
Frencken	FRKN SP	BUY	1.19	1.23	3.4	12/22	9.8	19.8	12.2	2.5	9.9	508.2	1.3
MapletreeInd	MINT SP	BUY	2.27	2.69	18.5	3/23	17.2	17.1	16.4	6.0	7.1	6,431.8	1.2
MarcoPolo Marine	MPM SP	BUY	0.048	0.06	25.0	9/23	7.7	6.9	10.4	0.0	10.2	180.2	1.1
O C B C	OCBC SP	BUY	12.64	17.35	37.3	12/22	10.0	8.1	8.2	6.3	12.5	56,807.2	1.1
RH PetroGas	RHP SP	BUY	0.188	0.238	26.6	12/22	5.6	10.5	9.3	0.0	32.3	157.0	4.4
Seatrium	STM SP	BUY	0.102	0.19	86.3	12/22	n.a.	n.a.	44.0	0.0	1.9	6,958.1	0.9
Sembcorp Ind	SCI SP	BUY	5.20	7.20	38.5	12/22	10.9	9.8	9.8	3.1	19.6	9,251.9	2.1
SIA Engineering	SIE SP	BUY	2.29	2.67	16.6	3/23	38.7	21.3	14.8	5.2	10.1	2,572.3	1.5
SingTel	ST SP	BUY	2.3	3.15	37.0	3/23	17.1	16.1	13.8	5.8	9.5	37,956.9	1.5
Valuetronics	VALUE SP	BUY	0.555	0.72	29.7	3/23	10.9	8.4	7.9	8.0	11.7	227.9	1.0
Venture Corp	VMS SP	BUY	13.02	14.06	8.0	12/22	10.2	14.1	13.5	5.8	9.6	3,782.4	1.3

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

TRADERS' CORNER



Frencken Group (FRKN SP)

Trading Buy Range: S$1.17-1.18

Last price: S$1.19

Target price: S$1.38

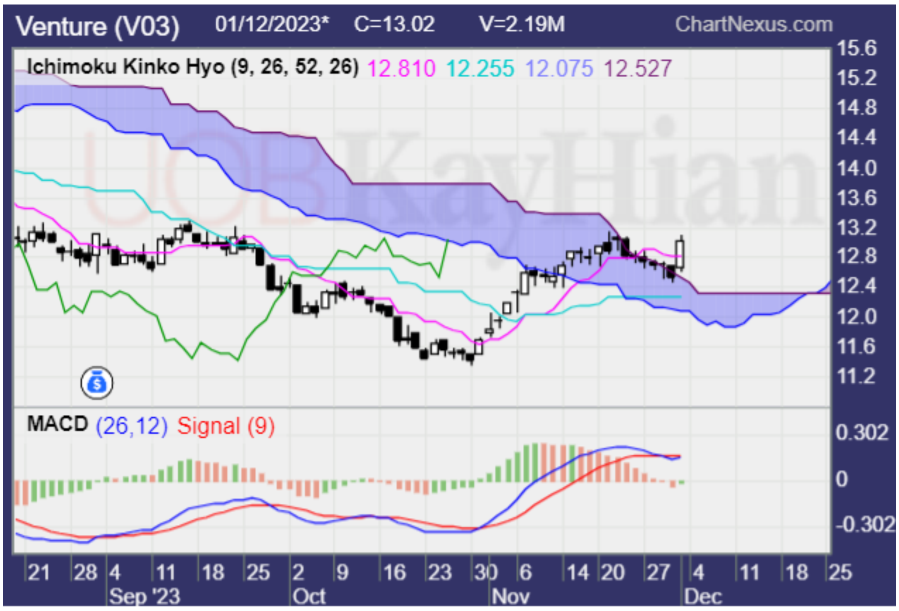
Protective stop: S$1.10

The price rebounded after being supported by the thick cloud support, keeping the bullish price trend intact. There is a bullish conversion and base lines crossover. The MACD is bullish and is rising. These could increase chances of the stock price moving higher.

The potential upside target is S$1.38. Stop-loss could be placed at S$1.10.

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.



Venture Corp (VMS SP)

Trading Buy Range: S$12.75-12.77

Last price: S$13.02

Target price: S$14.20

Protective stop: S$12.30

The price broke and closed above the cloud, turning the chart outlook to bullish. There is a bullish conversion and base lines crossover. The MACD remains bullish and a bullish crossover is likely. These could increase chances of the stock price moving higher.

The potential upside target is S$14.20. Stop-loss could be placed at S$12.30.

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$14.06.

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