

### STRATEGY – SINGAPORE

## Alpha Picks: Solid Outperformance YTD In 2023; No Changes To Our Portfolio

Our Alpha Picks portfolio bettered the STI by 3.2ppt on a market cap-weighted basis in Apr 23. On an equal-weighted basis, our portfolio still outperformed the STI by 2.9ppt. The top performing stocks in April were large caps, led by Keppel Corp (+12.8% mom), CapitaLand Ascott Trust (+8.5% mom) and newly-added Seatrium (+4.2% mom). We make no changes to our Alpha Picks portfolio for May 23. Our Alpha Picks portfolio has now beaten the STI in 13 out of the past 14 months.

### WHAT'S NEW

- Market review.** Despite cooling inflation data and a slowing US labour market, overall market sentiment remained muted as an increased likelihood of an impending recession, along with another expected rate hike in May 23 eroded investor confidence. A mixed start to the US corporate earnings season also left investors waiting on the side-lines, gauging the health of corporate earnings and the overall US economy. With growing macroeconomic uncertainty, the STI remained relatively flat in Apr 23, inching up slightly by 0.4% mom.
- Strong returns ytd.** Our Alpha Picks portfolio continued its strong returns in 2023 with another solid showing in Apr 23, increasing 3.6% mom on a market-cap weighted basis and beating the STI by 3.2ppt. On an equal-weighted basis, our portfolio also outperformed the STI by 2.9ppt.
- Our portfolio's top performers were driven by large caps,** primarily Keppel Corp (+12.8% mom), CapitaLand Ascott Trust (+8.5% mom) and newly-added Seatrium (+4.2% mom). With the dust having settled on the Keppel Offshore Marine merger with Seatrium, we believe that investors are now more fully able to judge Seatrium and Keppel on their respective merits. The latter was helped by a strong 1Q23 business update on 23 April while market confidence has gradually built around Seatrium's ability to garner ore order wins. Meanwhile CapitaLand Ascott Trust continues to benefit from the ongoing recovery in international tourism. Despite falling minimally by 1.0% mom, our only underperformer Food Empire has still increased 35.6% since its addition to our Alpha picks portfolio.
- We remain comfortable with our stock picks.** Thus we have not made any changes to our Alpha Picks portfolio for May 23 as our investment theses remain intact for our stocks.

### ANALYSTS' ALPHA\* PICKS

Analyst	Company	Rec	Performance#	Catalyst
John Cheong	Aztech	BUY	0.6	Robust orderbook and strong earnings visibility.
Jonathan Koh	CapLand Ascott Trust	BUY	16.8	A play on COVID-19 reopening in the EU & UK.
John Cheong	Civmec	BUY	6.2	Earnings surprise due to higher-than-expected contract wins and margin.
John Cheong	Delfi	BUY	14.2	Higher revenue contribution from Indonesia.
John Cheong	Food Empire	BUY	34.2	Improving net margin from better-than-expected ASPs.
Adrian Loh	Keppel Corp	BUY	38.5	Moving to a more asset-light business model.
Jonathan Koh	Lendlease REIT	BUY	0.7	Beneficiary of Chinese tourist arrivals to Singapore.
Jonathan Koh	Mapletree Log T	BUY	8.8	Reopening play for HK/China.
Jonathan Koh	OCBC	BUY	2.1	Attractive dividend yield and less susceptible to NIM compression.
Adrian Loh	Sembcorp Ind	BUY	55.3	Re-rating prospects as a green energy play.
Adrian Loh	Seatrium	BUY	9.2	New order win momentum from oil and gas as well as renewables industry
Chong Lee Len/ Lelleythan Tan	Singtel	BUY	2.1	Proxy to regional economic recovery and reopening.
Adrian Loh	Yangzijiang Ship	BUY	-2.3	Announcement of new order wins; better capital management.

\* 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\$)	3 May	Target	Up/(down) to TP (%)
Aztech Gbl	BUY	0.815	1.05	1.05	28.8
CapLand Ascott T	BUY	1.08	1.39	1.39	28.7
Civmec	BUY	0.685	1.10	1.10	60.6
Delfi	BUY	1.20	1.71	1.71	42.5
Food Empire	BUY	1.00	1.28	1.28	28.0
Keppel Corp	BUY	6.40	9.09	9.09	42.0
Lendlease REIT	BUY	0.685	0.87	0.87	27.0
MapletreeLog	BUY	1.73	1.99	1.99	15.0
O C B C	BUY	12.63	16.80	16.80	33.0
Seatrium	BUY	0.13	0.156	0.156	20.0
Sembcorp Ind	BUY	4.57	4.64	4.64	1.5
SingTel	BUY	2.57	3.15	3.15	22.6
YZJ ShipBldg SGD	BUY	1.27	1.58	1.58	24.4

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

### CHANGE IN SHARE PRICE

Company	Rec	Mar 23 <sup>1</sup> (% mom)	To-date <sup>2</sup> (%)
Aztech Gbl	BUY	0.0	0.6
CapLand Ascott T	BUY	8.5	16.8
Civmec	BUY	0.0	6.2
Delfi	BUY	2.7	14.2
Food Empire	BUY	(1.0)	34.2
Keppel Corp *	BUY	12.8	38.5
Lendlease REIT	BUY	2.9	0.7
MapletreeLog *	BUY	3.2	8.8
O C B C	BUY	1.7	2.1
Sembcorp Ind *	BUY	0.5	55.3
Seatrium	BUY	4.2	9.2
SingTel	BUY	3.7	2.1
YZJ ShipBldg SGD	BUY	3.3	(2.3)
FSSTI		0.4	
UOBKH Portfolio		3.3	

<sup>1</sup> Adjusted for DPS for the monthly performance  
<sup>2</sup> Adjusted for Distribution in specie  
Source: UOB Kay Hian

### PORTFOLIO RETURNS (%)

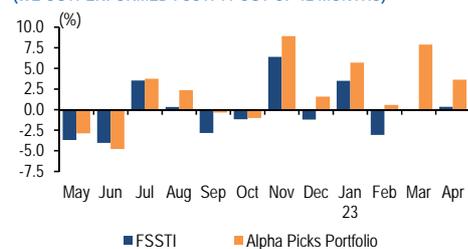
	2022	2023				
		1Q	Jan-	Feb	Mar	Apr
FSSTI return	4.1	0.2	3.5	-3.1	-0.1	0.4
Alpha Picks Return						
- Price-weighted	5.6	5.5	6.0	-2.3	7.5	3.8
- Market cap-weighted	8.1	2.9	4.0	-2.9	4.5	3.6
- Equal-weighted	2.8	9.1	5.7	0.6	7.9	3.3

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

- **Continued recovery with key markets at pre-pandemic RevPAU.** CapLand Ascott Trust's (CLAS) RevPAU increased 90% yoy to S\$127 in 1Q23 due to higher occupancies and room rates. On a pro forma basis, RevPAU is at 93% of pre-pandemic levels. Key markets Australia, Japan, Singapore and the US performed at pre-pandemic levels or above. Japan RevPAU jumped 351% yoy to ¥12,166 (105% of pre-pandemic levels on a same store basis), following the country's reopening to independent leisure travellers in Oct 22.
- **Strengthen resiliency with longer-stay properties.** CLAS invested S\$420m in 15 accretive acquisitions in 2022, comprising 12 longer-stay properties and three serviced residences. Longer-stay properties currently account for 19% of total assets. The 678-bed Standard at Columbia in South Carolina is on track for completion in 2Q23. It is ready to receive students for academic year 2023-24, which starts in Aug 23. CLAS has acquired its sponsor's 45% stake, bringing its total interest in Standard at Columbia to 90%.
- **Maintain BUY.** Our target price of S\$1.39 for CLAS is based on DDM (cost of equity: 7.25%, terminal growth: 2.8%).

#### SHARE PRICE CATALYST

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

### Keppel Corp – BUY (Adrian Loh)

- **“New” company, new organisational set-up, new targets.** On 3 May 23, Keppel Corp (KEP) announced that it will be undergoing a restructuring of its organisation by taking out its conglomerate structure and moving to a simplified and horizontally integrated model comprising the following business segments: fund management, investment and an operating platform. Importantly, it announced new interim assets under management target of S\$100b and cumulative asset monetisation target of S\$10b-12b – both to be achieved by end-26.
- **Starting off strong.** KEP – in its new iteration as a company without an offshore marine business – reported a solid 1Q23 business update at end-Apr 23 with revenue up 4% yoy to S\$2.2b due to good performances across its energy & environment, urban development and connectivity segments. The company noted that even excluding the disposal gain of c.S\$3.3b from the Keppel Offshore Marine/Sembcorp Marine (KOM/SMM) merger and discontinued operations, 1Q23 net profit was “slightly higher yoy” although no numbers were provided. The update appears to justify its strong share price performance ytd, rising 30.9% and outperforming the STI's 3.1% and MSCI Singapore's 7.5%.
- **We retain our BUY rating on KEP with an SOTP-based target price of S\$9.09.** With the exit of its KOM segment, the company is moving towards a more asset-light and recurring earnings business model, with an achievable 15% ROE target in the medium term in our view (2022 ROE: 8.1%). The company is on track to exceed its S\$5.0b target by end-23 and with a new interim asset monetisation target, this could bolster earnings in 2023 and well into 2024-26.

#### SHARE PRICE CATALYST

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

### Mapletree Logistics Trust – BUY (Jonathan Koh)

- **Mapletree Logistics Trust (MLT) achieved broad-based positive rental reversion of +2.9% for 3QFY23** (South Korea: 6.2%, Vietnam: 4.2%, Hong Kong: 3.2%, Singapore: 3%, Malaysia: 3%, China: 1.6% (Tier 1 cities: 2.7%, Tier 2 cities: 1.4%) and Japan: 1.2%).
- **Benefits from reopening of Mainland China and Hong Kong.** Mainland China and Hong Kong accounted for 20.7% and 22.9% of MLT's portfolio valuation respectively as of Dec 22.
- MLT has a resilient balance sheet with low aggregate leverage of 37.4% and long weight average debt maturity of 3.6 years.
- **Maintain BUY.** Our target price for MLT of S\$1.99 is based on DDM (cost of equity: 7.0%, terminal growth: 2.8%).

#### SHARE PRICE CATALYST

- **Events:** a) Resiliency of DPU and balance sheet, and b) reopening of Mainland China and Hong Kong.
- **Timeline:** 6-12 months.

### Sembcorp Industries – BUY (Adrian Loh)

- **Longer-term growth plans in green hydrogen production.** During its 2022 results briefing, Sembcorp Industries (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.
- **Potential MSCI Singapore inclusion.** We highlight our belief that SCI could be included into the MSCI Singapore index at the next review which is due during the week of 8 May 23.
- **Maintain our BUY rating and our PE-based target price S\$4.64.** Our target price utilises a target PE 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.

#### SHARE PRICE CATALYST

- **Events:** a) Sustained economic recovery after the peak of COVID-19, leading to increased energy and utilities, b) value-accretive acquisitions in the green energy space, and c) potential to increase targets for its gross renewables capacity.
- **Timeline:** 6+ months.

### Singapore Telecommunications – BUY (Chong Lee Len/Llalleythan Tan)

- **Further upside from travel boost and mobile recovery.** Data roaming revenue is currently at 70-75% of pre-COVID-19 levels. The reopening of China towards end-Dec 22 will help to further lift roaming revenue for the group. Also, Singapore Telecommunications (Singtel) implemented a price increase in Jan 23 with competitors following suit. Coupled with the continued strong take-up of 5G bundled plans in Singapore, we expect post-paid ARPU to continue its upward momentum in 2023, backed by rational competition from incumbent telcos.

- **Recovery in Optus subscriber base.** Postpaid ARPU is set to improve in 2023 from the overall market recovery, implemented price hikes, higher data roaming and robust uptake of Optus 5G Choice plans. February saw a peak in returning students (academic year: Jan-Dec) given that a large majority were Chinese students. After its data-breach incident, Optus's customer churn has normalised to pre-incident levels and returned to customer net adds since mid-Dec 22.
- **Robust expansion data centre pipeline.** Singtel plans to double its data centre (DC) capacity in Singapore in the next three years to about 120MW, up from 60MW currently. In 1HFY23, its regional DCs contributed S\$132m in annual revenue and S\$86m in EBITDA. Through partnerships with AIS and Telkom, Singtel plans to add another 20MW in Thailand and 51MW in Indonesia.
- **Maintain BUY with a target price of S\$3.15**, based on a 10-year DCF valuation (discount rate: 7%, growth rate: 2.0%), underpinned by improving fundamentals and a decent 5-6% FY23 dividend yield.

### SHARE PRICE CATALYST

- **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+ 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. 1HFY23 earnings grew 25% yoy. Civmec sees a strong pipeline of new projects in the sectors it operates in and new opportunities in the green energy space. Civmec's interim dividend for 1HFY23 of 2 A cents exceeded our expectation of 1 A cent by 100% due to its strong operating cash flow of A\$67m, which brought Civmec to a net cash position for the first time since 2016.
- **Civmec secured three new contracts for Albermale Lithium**, the world's largest lithium producer, on 30 Mar 23. The three contract packages that Civmec won are: a) fabrication and assembly of 25 carbon steel tanks, b) civil works encompassing detailed earthworks and concrete works at the site which will require over 25,000 cubic metres of concrete, and c) manufacturing of eight kilns or big ovens, ranging in length from 33 to 56 metres. The kilns have a total combined weight of approximately 900 tonnes. These contracts are for the fifth lithium project that Civmec is involved in, demonstrating that it is making headway in the green energy sector. In addition, we believe Albermale Lithium is a good blue chip customer, given its strength as the world's biggest lithium producer which supplies lithium to Tesla and other automakers.
- **Wins single largest maintenance project in the aluminium sector** and making headway in the stable, recurring maintenance-works projects. Civmec's refineries and smelters division successfully won its largest single order from existing client Queensland Aluminium, one of the largest alumina refineries in Australia. In addition, Civmec's maintenance teams on both the East and West Coast have continued to increase their market share with new purchase orders being granted across several sites.
- **Maintain BUY.** Our target price of S\$1.10 is pegged to 11x FY23F PE (based on 1SD below five-year mean). We think the current valuation of 6x 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 defence business.
- **Timeline:** 3-6 months.

### Food Empire – BUY (John Cheong)

- **Good entry point for a regional coffee mix player.** Trading at 8x 2023F PE vs peers' average of >13x, Food Empire's (FEH) 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 continue to be affordable with mass appeal, leading to stronger demand in 2022.
- **We expect higher earnings and improved margins moving forward.** 2022 core earnings of US\$45.1m (+134% yoy) outperformed our expectations. Revenue grew 25% yoy mainly from both the Russia and Ukraine, Kazakhstan and Commonwealth of Independent States (CIS) markets, with each recording a 29% yoy increase on the back of strong demand and higher ASP despite currency volatilities. Although revenue from the Southeast Asia segment fell 4% upon post-pandemic normalisation in Vietnam, the new capacity expansion of its non-dairy creamer facility is currently underway and expected to contribute in 4Q23. Core net profit margin also expanded a substantial 5.3ppt to 11.3% in 2022, indicating the group's successful cost-control measures and optimised operations. With further normalising of key costs, margins will likely improve in 2023.
- **Maintain BUY.** Our target price of S\$1.28 is based on 10.5x 2023F EPS, or its long-term historical mean.

#### SHARE PRICE CATALYST

- **Events:** a) Better-than-expected earnings or dividend surprise, and b) improving net margin from better-than-expected ASPs and easing of key costs including freight and raw material costs.
- **Timeline:** 3-6 months.

### Yangzijiang Shipbuilding – BUY (Adrian Loh)

- **A strong qualitative update.** Whilst Yangzijiang Shipbuilding (YZJ) reported a business update that did not contain financial numbers, it showed that execution of its shipbuilding orders continues to be strong ytd. In particular, the highlight was the delivery of two of the world's largest containerships at 24,364TEU each to its client MSC. It should be noted that the company has another four of such containerships that are currently undergoing construction. We strongly believe that YZJ will hit its target of 57 vessel deliveries this year given that ytd it has already delivered 16 vessels (or 28% of 2023's target).
- **Order wins continue to be robust.** YZJ disclosed that it had garnered US\$1.2b in new orders which means it has achieved nearly 40% of its US\$3b orderbook expectation for 2023. In total, the company has won orders for 18 oil tankers, four bulk carriers and one LNG/LPG/LEG vessel. Despite the lack of containership orders this year, management nevertheless believes that there is still a decent possibility of more containership orders in the near term.
- **We have a BUY rating with a target price of S\$1.58** using a target PE of 9.0x to our 2023 EPS forecast. Our target PE multiple is 1SD above YZJ's past five-year average of 6.7x which we view as fair given the company's earnings growth in 2023, as well as the stability of its earnings due to its US\$11b orderbook at present. We note that at our fair value of S\$1.55, YZJ would trade at a 2023F P/B of 1.3x.

#### 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.

### Delfi – BUY (John Cheong/Heidi Mo)

- **Market leader of chocolate confectionery products in Indonesia**, backed by positive macro trends. Delfi 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 50% discount vs peers' average of >22x, 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.

### Aztech Global – BUY (John Cheong)

- **Strong orderbook provides good visibility of earnings growth in 2023.** Aztech Global's (Aztech) orderbook remained strong at S\$634m as at 31 Dec 22. Aztech has since received additional orders of S\$85m as at 17 Feb 23 to bring its total orderbook to S\$719m, with all of these scheduled for completion in 2023. As a result of the robust orderbook, we are expecting a strong earnings growth of 43% yoy.
- **Aztech is cautiously optimistic on its 2023 business outlook**, as it expects a double-digit growth in its major customer's revenue. Additionally, Aztech is continuing with these approaches to manage component tightness: a) collaborating with customers on alternative components, and b) expanding its supplier base.
- **Expanding manufacturing capacity in Malaysia.** Aztech's newly-acquired 300,000sf Pasir Gudang Facility in Malaysia is expected to commence operations by 2Q23 and is equipped with surface mount technology (SMT), final assembly, test and packaging capabilities. The plant will be completed in time to meet anticipated demand growth from existing and potential new customers.

- **Maintain BUY and target price of S\$1.05**, pegged to an unchanged 8.5x 2023F EPS. This is based on Aztech's long-term mean PE. We continue to like Aztech as it is a proxy to high-growth IoT products, for which we believe orders will continue to grow in 2023.

### SHARE PRICE CATALYST

- **Events:** a) Steady order wins, b) better-than-expected cost management, and c) dividend surprise.
- **Timeline:** 3-6 months.

### Lendlease Global Commercial REIT – BUY (Jonathan Koh)

- **Revival in tourism.** 313@Somerset (27% of portfolio valuation) benefits from the reopening of China and return of tourists to Orchard Road. The multi-functional event space constructed on Grange Road Car Park is expected to be completed by end-23.
- **Resiliency from spending on necessities at suburban mall Jem**, which accounted for 46% of portfolio valuation.
- **Maintain BUY.** Lendlease Global Commercial REIT's (LREIT) provides an attractive FY23 distribution yield of 6.9%. Our target price for LREIT of S\$0.87 is based on DDM (cost of equity: 7.25%, terminal growth: 2.2%).

### SHARE PRICE CATALYST

- **Events:** a) Recovery of visitor arrivals to Singapore, including those from Mainland China, and b) resiliency from necessity spending at suburban mall Jem.
- **Timeline:** 6-12 months.

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

- **Oversea-Chinese Banking Corp (OCBC) is less susceptible to NIM compression** in the event that the Fed cuts interest rates due to its lower CASA ratio of 51.8% (DBS: 60.3%).
- **Consistent dividend.** Management intends to maintain dividend payout ratio at 50% going forward. OCBC provides attractive dividend yield of 6.3% for 2024.
- **Maintain BUY.** Our target price of S\$16.92 based on 1.39x 2023F P/B is derived from the Gordon Growth Model (ROE: 12.5%, COE: 9.0%, Growth: 0.0%).

### SHARE PRICE CATALYST

- **Events:** a) Resiliency from high CET-1 CAR of 15.2% and being less susceptible to NIM compression, and b) attractive 2024 dividend yield of 6.3% from commitment to new dividend payout ratio of 50%.
- **Timeline:** 6-12 months.

### Seatrium – BUY (Adrian Loh)

- **Largest ever offshore renewables contract for STM.** Seatrium (STM) announced that, together with its consortium partner GE Renewables, it had won a €6b contract to supply the high voltage direct current (HVDC) electrical transmission systems for three large offshore wind farms in the Netherlands. The three 2GW wind farms each have a contract value of €2b. We highlight that in its release, STM stated that this is the "largest offshore renewables project secured by the Group".
- **A landmark order for the enlarged STM entity.** We see this order win as a clear vote of confidence by key industry players as this contract has been in negotiations for the past 12 months and during STM's merger with Keppel Offshore Marine. With this order win, STM's orderbook increased by about 24% from S\$18b to S\$22.3b with earnings visibility out to 2031.

- **We maintain our BUY rating on STM with a P/B-based target price of S\$0.156.** We believe that in an offshore marine/offshore construction upcycle like the present one, stocks like STM should not trade <1.0x P/B but instead be between 1.2-1.5x P/B, which equates to S\$0.148-0.185/share.

### 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.

### VALUATION

Company	Ticker	Rec*	Price 3 May 23 (S\$)	Target Price (S\$)	Upside To TP (%)	Last Year End	PE			Yield 2023E (%)	ROE 2023E (%)	Market Cap. (S\$m)	Price/ NTA ps (x)
							2022E (x)	2023E (x)	2024E (x)				
Aztech Gbl	AZTECH SP	BUY	0.815	1.05	28.8	12/22	9.4	6.6	6.2	6.8	29.4	629.1	2.2
CapLand Ascott T	CLAS SP	BUY	1.08	1.39	28.7	12/22	34.1	22.8	21.5	5.8	3.8	3,736.0	0.9
Civmec	CVL SP	BUY	0.685	1.1	60.6	6/22	6.9	6.9	6.2	5.2	13.9	346.0	1.0
Delfi	DELFI SP	BUY	1.20	1.71	42.5	12/22	12.1	11.7	10.9	4.3	18.2	733.4	2.2
Food Empire	FEH SP	BUY	1.00	1.28	28.0	12/22	6.4	8.3	7.8	4.3	16.4	532.4	1.4
Keppel Corp	KEP SP	BUY	6.40	9.09	42.0	12/22	12.3	12.3	12.0	3.3	8.2	11,277.9	1.0
Lendlease REIT	LREIT SP	BUY	0.685	0.87	27.0	6/22	13.7	18.4	19.4	6.8	5.3	1,591.7	0.9
MapletreeLog	MLT SP	BUY	1.73	1.99	15.0	3/23	30.4	22.4	22.4	5.1	4.9	8,541.5	1.2
O C B C	OCBC SP	BUY	12.63	16.8	33.0	12/22	9.9	8.5	8.2	5.9	12.2	56,761.8	1.1
Seatrium	STM SP	BUY	0.13	0.156	20.0	12/22	n.a.	70.4	46.7	0.0	1.5	8,870.8	1.1
Sembcorp Ind	SCI SP	BUY	4.57	4.64	1.5	12/22	9.6	12.7	12.6	2.4	15.9	8,160.6	2.0
SingTel	ST SP	BUY	2.57	3.15	22.6	3/22	18.3	16.5	14.9	4.9	9.0	42,416.5	1.6
YZJ ShipBldg SGD	YZJSGD SP	BUY	1.27	1.58	24.4	12/22	9.2	7.8	7.1	3.3	16.2	5,017.2	1.5

\* Fundamental rating and not related to the relatively shorter term Alpha Picks recommendation

Source: UOB Kay Hian

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