## STRATEGY – SINGAPORE

# Alpha Picks: Add ThaiBev And ComfortDelGro; Remove BRC Asia And Frencken

**Our Alpha Picks outperformed the STI index in Sep 22, declining by 0.4% on a market cap-weighted basis vs the STI's 2.8% decline. For Oct 22, we add ComfortDelGro and Thaibev after their recent share price weakness as we expect the economic reopening to continue to drive their demand recovery. We cut losses on BRC Asia, whose business is affected by the temporary stop-work orders, and remove Frencken as we expect weak sentiment towards tech stocks amid the rising interest environment.**

### WHAT'S NEW

- **Market review.** Except for the banking sector which is a clear beneficiary of higher interest rates and some event-driven stocks, the general market was weak in September (-2.8% mom). The stubborn US inflation data (8.3% in August, higher than economists' median forecast of 8.1%) released in the middle of the month was believed to have reinforced the US Fed's hawkish stance to manage inflation through further rate hikes. Against this backdrop, one-year US treasury yield ended at 4.05% on 30 September (+55 bp mom) while yield for one-year Singapore government treasury bills reached a decade-high level of 3.24% (+35 bps mom). These attractive short-term yields and expectations for further interest rate increase have led to fund outflow from stock markets, as investors hold cash or short-term deposits for potentially better stock market entry prices later.

- **Outperformed in Sep 22 and 3Q22.** Our Alpha Picks portfolio outperformed the STI in Sep 22 with a 0.4% mom drop on a market cap weighted basis vs the STI's 2.8% mom decline. Importantly, our portfolio materially outperformed in 3Q22 by 4.7ppt. For Sep 22, the outperformance was primarily driven by a few large-cap names, including Yangzijiang Shipbuilding (+6.2% mom), DBS (+2.4%), and Genting Singapore (+1.3%) while the tech sector did poorly with Frencken (-15.2%) and Nanofilm (-11.4%) being the key losers.

- **Add Thaibev and ComfortDelGro; remove BRC and Frencken.** For October, we add ComfortDelGro and ThaiBev into the portfolio as: a) both are set to benefit from demand recovery from the economic reopening and removal of COVID-19 measures, and b) the recent share price weaknesses have made their valuation more compelling. We cut losses on BRC Asia as temporary stop-work orders caused by its recent workplace incidents are expected to affect its construction activities and delivery volumes, and we also remove Frencken as the rising interest environment has negatively affected sentiment for tech stocks.

### ANALYSTS' ALPHA* PICKS

| Analyst | Company | Rec | Performance# | Catalyst |
|---|---|---|---|---|
| Jonathan Koh | CapLand Ascott T | BUY | 4.3 | A play on COVID-19 reopening in the EU & UK |
| Adrian Loh | CapitaLand Inv | BUY | -8.5 | Proxy to economic reopening after peak COVID-19, especially in the lodging business |
| Llelleythan Tan | ComfortDelGro | BUY | n.a. | Recovery in ridership and removal of COVID-19 measures. |
| Jonathan Koh | DBS | BUY | 12.4 | Most sensitive to interest rates for Singapore banks |
| Vincent Khoo/ Jack Goh | Genting Singapore | BUY | -1.9 | A proxy to economic reopening with key catalysts, eg reopening of borders, better capital management and attractive 2023 yield |
| Jonathan Koh | Lendlease REIT | BUY | -10.8 | Exposure to Orchard Road retail and organic growth from new asset Jem |
| John Cheong | Nanofilm | BUY | -13.6 | New potential revenue growth engines |
| Adrian Loh | Sembcorp Ind | BUY | 3.7 | Re-rating prospects as a green energy play backed by positive 2H22 outlook guidance. |
| Roy Chen | SIA Engineering | BUY | -14.1 | Immediate beneficiary of increased no. of flights |
| Llelleythan Tan | ThaiBev | BUY | n.a. | Strong recovery in tourism arrivals and removal of COVID-19 measures boosting consumption levels |
| Adrian Loh | Yangzijiang Ship | BUY | 7.9 | Margin expansion and new order wins. |

** 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 Oct | Target | Up/(down) to TP (%) |
|---|---|---|---|---|
| CapitaLandInvest | BUY | 3.38 | 4.28 | 26.6 |
| CapLand Ascott T | BUY | 0.965 | 1.29 | 33.7 |
| ComfortDelGro | BUY | 1.29 | 1.63 | 26.4 |
| DBS | BUY | 33.15 | 43.6 | 31.5 |
| Genting SP | BUY | 0.785 | 1.08 | 37.6 |
| Lendlease REIT | BUY | 0.745 | 0.91 | 22.1 |
| Nanofilm | BUY | 2.03 | 2.72 | 34.0 |
| Sembcorp Ind | BUY | 3.08 | 4.10 | 33.1 |
| SIA Engineering | BUY | 2.20 | 2.70 | 22.7 |
| Thai Beverage | BUY | 0.595 | 0.87 | 46.2 |
| YZJShipBldg SGD | BUY | 1.02 | 1.16 | 13.7 |

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

### CHANGE IN SHARE PRICE

| Company | Rec | Sep 22[1] (% mom) | To-date[2] (%) |
|---|---|---|---|
| CapLand Ascott T | BUY | (10.1) | 4.3 |
| BRC Asia | BUY | (5.3) | (4.2) |
| CapitaLandInvest | BUY | (6.0) | (8.5) |
| DBS | BUY | 2.4 | 12.4 |
| Frencken | BUY | (15.2) | (23.9) |
| Genting SP | BUY | 1.3 | (1.9) |
| Lendlease REIT | BUY | (7.9) | (10.8) |
| Nanofilm | BUY | (11.4) | (13.6) |
| Sembcorp Ind | BUY | (9.1) | 3.7 |
| SIA Engineering | BUY | (9.7) | (14.1) |
| YZJ ShipBldg SGD | BUY | 6.2 | 7.9 |
| UOBKH Portfolio | | -0.4 | |
| FSSTI | | -2.8 | |

*[1] Dividend adjusted*
*[2] Share price change since stock was selected as alpha pick*
** Traded ex-dividend in Sep 22*
*Source: UOB Kay Hian*

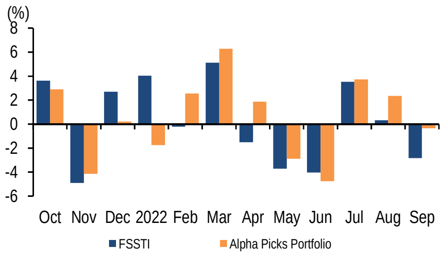
### PORTFOLIO RETURNS (%)

| | 2021 | 1Q22 | 2Q22 | 3Q22 | Sep 22 |
|---|---|---|---|---|---|
| FSSTI return | 9.8 | 9.1 | -9.0 | 0.9 | -2.8 |
| Alpha Picks Return | | | | | |
| - Price-weighted | 4.4 | 6.5 | -4.2 | 6.3 | -1.2 |
| - Market cap-weighted | 3.8 | 8.3 | -3.9 | 5.6 | -0.4 |
| - Equal-weighted | 3.9 | 5.3 | -3.1 | -0.1 | -5.8 |

*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 8 OUT OF 12 MONTHS)




*Source: Bloomberg, UOB Kay Hian*

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

- **Benefitting from reopening of international borders and pent-up demand.** RevPAU increased 91% yoy and 85% qoq to S$124 (82% of pre-pandemic levels) in 2Q22 driven by Australia, Singapore, the UK and the US. Average daily rates (ADR) have rebounded 40% qoq. Portfolio occupancy improved from 50% in 1Q22 to 70% in 2Q22.
- **Value creation through asset recycling.** CapLand Ascott Trust (CAT) divested six properties at an average exit yield of 2% and total proceeds of S$580m. The capital freed up was reinvested in 11 yield-accretive rental housing and student accommodation properties for total consideration of S$780m and an average EBITDA yield of 5%. ART's longer-stay assets currently account for 17% of assets under management (AUM). Occupancy for its student accommodation properties was close to 100%.
- **Setting sights on a higher goal.** Management plans to raise the asset allocation target in longer-stay assets by 10ppt from 15-20% to 25-30% in the medium term.
- **Reiterate BUY.** Our target price for ART of S$1.29 is based on DDM (cost of equity: 7.5%, terminal growth: 2.6%).

**Share Price Catalysts**

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

**CapitaLand Investment – BUY (Adrian Loh)**

- **Exciting growth in its fund management platform.** CapitaLand Investment (CLI) has >S$120b in AUM, which makes it one of the largest real estate investment managers in Asia. Of this, S$86b are funds under management (FUM) and the company has plans to grow this to over S$100b by 2023/24. We forecast FUM fee income to grow at a 13% CAGR over 2021-24. In addition, the company has >S$10b in assets that it will look to monetise in the next few years.
- **Slightly weaker-than-expected results for 1H22.** CLI reported 1H22 revenue that was in line with our estimates, but its PATMI of S$433m (-38% yoy) was weaker than expected as it formed only 41% of our full-year estimates. This was due to: a) the China malaise – the country's COVID-19-related lockdowns delayed CLI's planned capital recycling deals in 2Q22 (which resulted in a lower level of portfolio gains in 1H22 compared with 1H21), and b) higher levels of rental rebates for its retail assets.
- **Lodging resurgence.** The highlight continues to be lodging, with CLI increasing its units under management by 10% with >7,500 units signed, as well as the acquisition of the Oakwood Worldwide portfolio which brought in another 15,000 units into its fold. With a total of 153,000 units in its portfolio, CLI is well on track to hit its 2023 target of 160,000 units. Importantly, the overall travel environment has continued to improve as many countries regionally and globally have relaxed travel restrictions as COVID-19 infections have waned. CLI witnessed a 44% yoy increase in revenue per available unit (RevPAU) to S$82 in 1H22 (1H21: $57), led by Europe (+228% yoy) and Singapore (+54% yoy) with only China stagnating (-11% yoy).
- Maintain BUY on CLI with an SOTP-based target price of S$4.28.

**Share Price Catalysts**

- **Events:** Continued earnings growth in the lodging business and growth in FUM at its 3Q22 business update.
- Timeline: 3-6 months.

**ComfortDelGro Corporation – BUY (Llelleythan Tan)**

- **Rail ridership recovery on track.** For Aug 22, ComfortDelGro Corporation's (CD) rail ridership improved (+55.8% yoy, +5.0% mom), accounting for 86.2% of pre-pandemic levels (Aug 19). This is in line with expectations as we expect continued ridership growth given that most COVID-19 measures have been eased. This is also an improvement from Jul 22 when rail ridership only formed 79.9% of pre-pandemic levels. With record-high taxi and ride-hailing surge pricing, we also expect more commuters to shift to trains. We maintain our view that rail ridership will return to near pre-pandemic levels in 1Q23.
- **Taxi demand has returned.** Singapore is facing a sharp spike in demand for point-to-point trips, driven by the relaxation of most COVID-19 restrictions in 2Q22. Management noted that taxi bookings levels are still growing past pre-COVID 19 levels and have not reached a plateau, boosting taxi drivers' earnings above pre-pandemic levels. Taxi fleet utilisation has started to gradually improve in 2Q22 as taxi drivers return to the industry.
- **Improving taxi profitability.** Although the current 15% discount on taxi rentals has been extended till the end of 2022, we reckon that the rebates would be totally removed by 2023, improving segmental margins. CD has also increased its online taxi booking commission from 4% to 5%, capturing a larger slice of growing taxi demand.
- **Maintain BUY with an SOTP-based target price of S$1.63.** Our target price implies 16x 2022F PE, similar to its five-year average mean PE. In our view, backed by improving fundamentals, CD remains poised to see a gradual recovery in ridership levels in the medium term as key markets recover and international travel resumes.

Share Price Catalysts

- **Events:** a) Earnings-accretive overseas acquisitions, and b) bus tender contract wins.
- Timeline: 6+ months.

**DBS Group Holdings – BUY (Jonathan Koh)**

- **Benefitting from higher interest rates.** DBS is the most sensitive to higher interest rates due to high CASA ratio of 72%, highest among the three Singapore banks. NIM expanded by a sizeable 12bp qoq to 1.58% in 2Q22. We expect DBS' NIM to expand by 28bp to 1.73% in 2022 and 44bp to 2.17% in 2023. We forecast earnings growth of 11.5% in 2023 and 18.9% in 2024.
- **4.4%/5.2% yields for 2022/23.** We expect DPS of S$1.44 in 2022 and S$1.68 in 2023, which represents dividend payout ratios of 49.5% and 48.5% respectively. DBS provides dividend yields of 4.4% for 2022 and 5.2% for 2023.
- **Our target price of S$43.60** is based on 1.86x 2023F P/B, derived from the Gordon Growth Model (ROE: 15.4%, COE: 8.5%, growth: 0.5%).

Share Price Catalysts

- **Events:** a) Continued rapid NIM expansion in 2H22, and b) dividends increasing in tandem with NIM expansion and growth in earnings in 2023.
- Timeline: 6-12 months.

**Nanofilm – BUY (John Cheong)**

- **Nanofilm has formed a JV with Shenzhen Everwin to provide coating services to the battery components for EVs.** Shenzhen Everwin currently supplies electroplating services to the top players in the EV industry such as CATL and Tesla. The JV aims to commence production in 1H23 and mass production by 2024. We estimate that the JV could generate at least S$200m additional revenue in 2024 (27% growth), based on the EV segment's revenue of Shenzhen Everwin in 2021. Assuming the JV is able to capture 2m unit of batteries which require 150 units of busbars each, this is equivalent to 300m units of busbars. Assuming S$1-2 revenue for the coating of each busbar, this could generate S$300m-600m worth of revenue, which is more than double of Nanofilm's revenue for 2022-24.

- **Optimistic outlook and dividend increase of 10%.** Nanofilm is optimistic about the outlook of the markets it serves and believes that its deep-tech solutions will address the business opportunities available in these markets, independent of the shorter-term macro trends. Nanofilm's multiple growth avenues in different industries, which are driven by its deep-tech and BU structure, are in different phases of growth. In addition, Nanofilm's 10% yoy increase in interim dividend to 1.1 S cents is also a signal of its confidence.
- **Maintain BUY with a target price of S$2.72.** We value Nanofilm based on an unchanged PEG of 1.0x (growth based on three-year EPS CAGR of 20% from 2021-24). Our target PE multiple of 20x 2023F PE is at a slight premium vs Nanofilm's peers' 19x 2023F PE.

### Share Price Catalysts

- **Events:** a) Positive newsflow from Apple product launches and EV battery developments, b) better-than-expected ramp-up in the nanofabrication business, and c) share buy-back.
- Timeline: 6+ months.

**Genting Singapore – BUY (Vincent Khoo, Jack Goh)**

- **Recovery strength to accelerate in 2H22.** Genting Singapore (GENS) is a major direct beneficiary of Singapore's post-pandemic-peak economic reopening and tourism recovery. We expect GENS' share price share price recovery to be further catalysed alongside visibility of earnings delivery over 2H22. Meanwhile, the resilient international tourist arrivals to Singapore and Resorts World Sentosa (RWS) will also be an effective booster to GENS' return to pre-pandemic earnings dynamics.
- **Tangible easing of pandemic-related restrictions to lift investor sentiment.** Singapore has scrapped the previous quota-based VTL arrangement and on-arrival COVID-19 tests requirement earlier in April, while RWS has been allowed to operate with higher gaming capacity since Dec 21. We expect the removal of these cumbersome restrictions to lift Singapore's inbound travel in 2H22 which will eventually benefit GENS as international patronage rebounds.
- **Upbeat on China patronage's reinstatement.** We retain our view that China's eventual border easing (potentially in 4Q22-1Q23 onwards) remains as a strong re-rating catalyst for GENS. To recap, China visitors made up 19-20% of Singapore's pre-pandemic tourist arrival in 2018-19. We think that Chinese footfall made up about 20% of RWS' footfall and 20-25% of GENS' top-line revenue.
- **Well-positioned to fulfil better capital management, particularly in 2H22.** With GENS finally dropping its decade-long pursuit of clinching a pricey Japan integrated resort (IR) concession, and with no new compelling projects to consider, management is targeting to enhance capital management and to develop a dividend policy. Theoretically, the scope of the company's capital management can be significant, considering its net cash of S$3.1b (26 S cents/share) and that post-pandemic-peak EBITDA is largely sufficient to fund its S$4.5b RWS 2.0 expansion.
- **Normalisation of lush prospective yield to 4.1-5.0% in 2022-23.** We expect GENS' dividend yield to normalise to 4.9% in 2023, assuming revenue and cash flows return to pre-pandemic levels, and that GENS restores its 2019 dividend payout level of 4.0 S cents.
- **We have a BUY rating on GENS with a target price of S$1.08** which implies a 2022F EV/EBITDA of 8.8x, or -0.5SD to its historical mean.

### Share Price Catalysts

- **Events:** a) Reopening of China's borders, b) better capital management following the recent withdrawal of its Japan IR pursuit, and c) appealing 2023 yield of about 5.0%.
- Timeline: 3-6 months

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

- **Maximising returns from Jem.** Jem, LREIT's largest asset which accounts for 59.3% of its portfolio valuation, will benefit from the revival of the HSR. The upcoming HSR, if agreed and constructed, would bring more vibrancy to Jurong Gateway as the second CBD in Singapore. Jem will benefit from an increase in shopper traffic due to the patronage of employees working in office buildings nearby and tourists from across the ASEAN region.

- **Welcoming tourists back to 313@Somerset.** Visitor arrivals to Singapore increased 34% mom to 726,601 in Jul 22 (40.3% of pre-pandemic levels). The return of tourists in 2H22, which typically accounts for 20-25% of shopper traffic, would restore shopper traffic at 313@Somerset back to pre-pandemic levels. Redevelopment of Grange Road Car Park into a multi-functional event space is expected to be completed by early-23.

- **Reiterate BUY.** Our target price for LREIT of S$0.91 is based on DDM (cost of equity: 7.5%, terminal growth: 2.2%).

**Share Price Catalysts**

- **Events:** a) Positive news flow on HSR between Singapore and Kuala Lumpur, and b) stable contributions from suburban mall Jem and recovery driven by the return of tourists for 313@Somerset.

- Timeline: 6-12 months.

**Sembcorp Industries – BUY (Adrian Loh)**

- **Volatility in GBP not a significant concern at present.** Sembcorp Industries (SCI) is exposed to the GBP via its battery business; however, its costs are also GBP-based. In any case, the company hedges 50% of its GBP-based net exposure on its balance sheet and therefore is largely insulated from the decline in the GBP to date.

- **Continued positive guidance on its outlook.** In its outlook statements during its 1H22 results, the company continued to paint a rosy 2H22 with results for the full year "expected to be significantly higher" on a yoy basis. SCI expects its conventional energy segment to maintain its strong revenue performance while the renewables segment will exhibit sequential earnings growth due to a full half-year contribution from its new acquisitions in China; however the latter should be tempered somewhat by higher corporate and financing costs arising from the acquisitions. In addition, the company has two assets – Sembcorp Biomass Power Station in the UK and India's SEIL Project 2 – that will be offline for maintenance shutdowns in 2H22.

- **Maintain BUY with a target price of S$4.10.** Our target price is based on an unchanged target PE multiple of 13.6x which is 1SD 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 2023 EPS estimate which we believe is a better reflection of the company's 'normalised' earnings compared with 2022's earnings. We note that on both PE and P/B bases, SCI trades at a discount to its utilities peers in developed Asia.

**Share Price Catalysts**

- **Events:** a) Sustained economic recovery after the peak of COVID-19, thus leading to increased energy and utilities, and b) value-accretive acquisitions in the green energy space.

- Timeline: 6+ months.

**SIA Engineering – BUY (Roy Chen)**

- **Already profitable without government support.** After eight consecutive quarters of core losses since the onset of COVID-19, SIA Engineering's core earnings have finally returned to positive territory, at S$4.2m in 1QFY23. We expect SIA Engineering to strengthen further in the remaining FY23 and FY24, as flight activities continue to pick up at Changi Airport. SIA Engineering is a market leader in the line maintenance services at Changi Airport, with the lion's market share of about 80%.

- **Singapore Airlines' capacity reactivation plan offers good visibility for SIA Engineering's recovery.** National carrier Singapore Airlines (SIA Engineering's parent company) is SIA Engineering's anchor customer, accounting for about 70% of SIA Engineering's revenue in FY22. Singapore Airlines has guided for a plan to restore its pax capacity from 61% of pre-pandemic levels in 1QFY23 (ie Apr-Jun 22) to about 68% in 2QFY23, to 76% in 3QFY23 and to 81% in Dec 22. This offers good visibility for SIA Engineering's revenue recovery.

- **Undemanding valuation and dividend resumption.** SIA Engineering currently trades at FY25F (normalised year) PE of 13.2x and only 10.0x if excluding its significant net cash position of about S$600m. With the core profitability recovery, we expect SIA Engineering to resume dividend payment this year and forecast a dividend payment of 6/10/13 S cents in FY23-25, translating to a yield of 2.7%/4.5%/5.9%. We do not rule out the possibility of a sizeable special payout which can potentially unlock more value for shareholders.

### Share Price Catalysts

- **Events:** a) Organic earnings recovery, b) dividend resumption, and c) M&As.

- Timeline: 3-6 months.

**Thai Beverage – BUY (Llelleythan Tan)**

- **Gradual recovery in tourist arrivals.** Thailand's international tourist arrivals continued to grow in Aug 22, reaching a pandemic high of 1,174,743, increasing by 4.5% mom. This was driven by the removal of most COVID-19 restrictions in Jul 22 and the return of international travel. We now expect 8m-9m tourist arrivals in 2022, up from our previous expectations of 6-7m tourist arrivals. However, this is still a fraction of the 40m arrivals pre-pandemic.

- **Possible additional ASP hikes.** To combat rising inflation, management noted that the group is exploring adjusting its ASPs higher for its alcoholic beverages moving forward in the next 12 months and believes there will not be negative pushback from the group's customers. In our view, ASP hikes for THBEV's white spirits seem more likely than for its beer products, given falling operating margins for its spirits segments in the last two quarters. Assuming a 3-4% rise in spirits ASPs in 1QFY23, this would boost our FY23 annual revenue forecast by around 2%. To offset higher import costs due to the sharp depreciation of the Myanmar Kyat, the group also plans to lift ASPs for its international spirits business in Myanmar as well.

- **Fighting to be number one.** THBEV's beer businesses are gaining market share in both Thailand and Vietnam, driven by increased advertising and promotional activities. In Thailand, THBEV has the second largest market share at around 40%, closing in on the number one spot. The market share gap has been closing and is at the narrowest in 13 years. As Vietnam's economic activities continue to recover, management expects second-placed Sabeco to outperform moving into 4QFY22 and beyond, catching up to its closest competitor.

- **Maintain BUY with an SOTP-based target price of S$0.87.** We reckon THBEV remains attractively priced at below -1SD of its five-year mean PE, backed by an expected earnings recovery underpinned by favourable tailwinds.

### Share Price Catalysts

- **Events:** a) Better-than-expected consumption volume, and b) M&As.

- Timeline: 6+ months.

**Yangzijiang Shipbuilding – BUY (Adrian Loh)**

- **New order outlook.** As at 1H22, YZJ's orderbook totaled US$8.13b with deliveries stretching into 2025, with ytd order wins of US$1.1b. Importantly, YZJ disclosed that it still has slots for large-vessel deliveries in 2024 and thus expects to capitalise on this. On our estimates and from industry sources, YZJ has >US$2.4b worth of orders that it has yet to announce, on top of which Celsius Tankers of Denmark could place an order for >10 newbuild LNG carriers.

- **Still holding a lot of cash.** As at end-1H22, YZJ had net cash of Rmb3.7b, equating to S$0.19/share. During its 1H22 analyst briefing, management stated that its capex in 2022 may increase slightly given its Rmb6m investment in the Jianying LNG terminal and will also look to return cash to its shareholders. Management however did not commit to whether this would be in the form of a share buyback or a higher dividend payout.
- **Maintain BUY with SOTP-based target price of S$1.16.** YZJ currently trades at a 2023F PE of 6.0x which is a 9% discount to its five-year average of 6.6x. While its 2022F P/B of 0.9x is higher than its past five-year average of 0.7x, we highlight that the company is forecast to increase its ROE from 10.8% in 2021 to 17.8% in 2023. In addition, assuming that YZJ maintains a payout ratio of 25% for 2022 (2021: 26%), the stock would yield 4.7% and thus provide downside support to the share price.

### Share Price Catalysts

- **Events:** a) Evidence of continued margin expansion, and b) new order wins.
- Timeline: 6+ months.

### VALUATION FOR ALPHA PICKS PORTFOLIO

| Company | Ticker | Rec* | Price 3 Oct 22 (S$) | Target Price (S$) | Upside To TP (%) | Last Year End | PE 2021A (x) | PE 2022E (x) | PE 2023E (x) | Yield 2022E (%) | ROE 2022E (%) | Market Cap. (S$m) | Price/ NTA ps (x) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CapitaLandInvest | CLI SP | BUY | 3.38 | 4.28 | 26.6 | 12/21 | 8.8 | 10.5 | 9.4 | 3.6 | 7.0 | 17,285.9 | 1.1 |
| CapLand Ascott T | CAT SP | BUY | 0.965 | 1.29 | 33.7 | 12/21 | 41.3 | 34.0 | 21.4 | 5.6 | 2.2 | 3,321.5 | 0.8 |
| ComfortDelGro | CD SP | BUY | 1.29 | 1.63 | 26.4 | 12/21 | 21.5 | 12.3 | 11.0 | 5.4 | 8.3 | 2,794.6 | 1.0 |
| DBS | DBS SP | BUY | 33.15 | 43.6 | 31.5 | 12/21 | 12.7 | 11.4 | 9.6 | 4.3 | 13.1 | 85,316.0 | 1.6 |
| Genting SP | GENS SP | BUY | 0.785 | 1.08 | 37.6 | 12/21 | 51.6 | 26.3 | 13.7 | 3.2 | 4.5 | 9,476.5 | 1.2 |
| Lendlease REIT | LREIT SP | BUY | 0.745 | 0.91 | 22.1 | 6/22 | 44.3 | 21.4 | 27.1 | 4.5 | 4.3 | 2,434.6 | 1.4 |
| Nanofilm | NANO SP | BUY | 2.03 | 2.72 | 34.0 | 12/21 | 21.5 | 18.5 | 14.9 | 1.1 | 15.8 | 1,337.6 | 3.1 |
| Sembcorp Ind | SCI SP | BUY | 3.08 | 4.10 | 33.1 | 12/21 | 19.7 | 7.7 | 10.4 | 4.0 | 18.1 | 5,495.7 | 1.3 |
| SIA Engineering | SIE SP | BUY | 2.20 | 2.70 | 22.7 | 3/22 | 36.5 | 26.8 | 17.3 | 2.7 | 5.6 | 2,472.1 | 1.5 |
| Thai Beverage | THBEV SP | BUY | 0.595 | 0.87 | 46.2 | 9/21 | 14.2 | 13.5 | 12.6 | 3.7 | 16.4 | 14,946.9 | 2.1 |
| YZJ ShipBldg SGD | YZJSGD SP | BUY | 1.02 | 1.16 | 13.7 | 12/21 | 5.1 | 7.1 | 6.0 | 3.6 | 10.9 | 4,029.6 | 1.2 |

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

Disclosures/Disclaimers

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