STRATEGY – SINGAPORE

Alpha Picks: Add ST, KEP, FR, VMS and remove NANO

Our Alpha Picks marginally outperformed the STI index in Oct 22, declining by 1.0% on a market cap-weighted basis vs the STI's 1.2% decline. For Nov 22, we add Singtel and First Resources as we expect their upcoming results to act as catalysts for a re-rating. We also add Keppel for its pending transition into a more asset-light business. In the technology sector, we switch out of Nanofilm and into Venture for exposure to a larger-cap stock in an uncertain environment.

WHAT'S NEW

- **Market review.** The STI had a see-saw month with stubborn US inflation data (8.2% in Sep 22) weakening investor sentiment and financial markets in mid-Oct 22. The 10-year US treasury yield continued to climb, ending at 4.04% on 31 October (+36bp mom). However, a coordinated shift in messaging from the US Fed towards a potentially smaller interest-rate increase in Dec 22, coupled with a strong start to the US earnings season, gave global markets a boost, with the STI rallying in the last week of Oct 22; it had been down 4.4% mom at its lowest point.

- **Performance in Oct 22.** Our Alpha Picks portfolio marginally outperformed the STI in Oct 22, dropping 1.0% mom on a market-cap weighted basis vs the STI's 1.2% mom decline. On an absolute return basis, Yangzijiang Shipbuilding (+16.5% mom), Genting Singapore (+2.5% mom) and DBS (+2.4% mom) outperformed while Nanofilm (-17.1% mom) and CapitaLand Investment (-13.3% mom) were the main underperformers.

- **Add First Resources, Keppel and Singtel, and switch exposure in the tech sector.** For Nov 22, we believe that First Resources and Singapore Telecommunications (Singtel) could both benefit from their upcoming financial results; the former is expected to see stronger downstream performance and higher sales volumes while the latter should continue to profit from regional economic reopening and recovery, thus underpinning earnings growth for 1HFY23. We like Keppel for its pending transition into becoming more asset-light with the completion of its offshore & marine divestment in Jan 23. In the tech sector, we switch out of Nanofilm into Venture for exposure to a large-cap tech stock in an uncertain environment.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Jonathan Koh	CapLand Ascott Trust	BUY	6.5	A play on COVID-19 reopening in the EU & UK
Adrian Loh	CapitaLand Inv	BUY	-16.6	Proxy to economic reopening after peak COVID-19, especially in lodging business
Llelleythan Tan	ComfortDelGro	BUY	2.3	Recovery in ridership and removal of COVID-19 measures.
Jonathan Koh	DBS	BUY	17.8	Most sensitive to interest rates for Singapore banks
Jacquelyn Yow/ Leow Huey Chuen	First Resources	BUY	n.a.	Strong downstream contributions in 2H22 and higher sales volumes
Vincent Khoo/ Jack Goh	Genting Singapore	BUY	1.3	Reopening of borders, better capital management and attractive 2023 yield
Adrian Loh	Keppel Corp	BUY	n.a.	Moving to a more asset-light business model
Jonathan Koh	Lendlease REIT	BUY	-12.6	Exposure to Orchard Road retail and organic growth from new asset Jem
Adrian Loh	Sembcorp Ind	BUY	0.7	Re-rating prospects as a green energy play backed by positive 2H22 outlook guidance.
Roy Chen	SIA Engineering	BUY	-15.2	Immediate beneficiary of increased number of flights
Chong Lee Len/ Llelleythan Tan	Singtel	BUY	n.a.	Proxy to regional economic recovery and reopening.
Llelleythan Tan	ThaiBev	BUY	-2.5	Strong recovery in tourism arrivals and removal of COVID-19 measures boosting consumption levels
John Cheong	Venture	BUY	n.a.	Strong 2H22 earnings; potential takeover
Adrian Loh	Yangzijiang Ship	BUY	31.2	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 2 Nov	Price Target	Up/(down) to TP (%)
CapitaLandInvest	BUY	3.08	4.28	39.0
CapLand Ascott T	BUY	0.985	1.27	28.9
ComfortDelGro	BUY	1.32	1.63	23.5
DBS	BUY	34.74	45.75	31.7
FirstRes	BUY	1.55	1.70	9.7
Genting SP	BUY	0.81	1.08	33.3
Keppel Corp	BUY	7.09	10.11	42.6
Lendlease REIT	BUY	0.73	0.91	24.7
Sembcorp Ind	BUY	2.99	4.1	37.1
SIA Engineering	BUY	2.17	2.60	19.8
SingTel	BUY	2.54	2.90	14.2
Thai Beverage	BUY	0.58	0.87	50.0
Venture Corp	BUY	16.26	19.32	18.8
YZJ ShipBldg SGD	BUY	1.24	1.44	16.1

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

CHANGE IN SHARE PRICE

Company	Rec	Oct 22 (% mom)	To-date[2] (%)
CapLand Ascott T	BUY	(2.6)	6.5
CapitaLandInvest	BUY	(13.3)	(16.6)
ComfortDelGro	BUY	(3.8)	2.3
DBS	BUY	2.4	17.8
Genting SP	BUY	2.5	1.3
Lendlease REIT	BUY	(7.9)	(12.6)
Nanofilm	BUY	(17.1)	(23.8)
Sembcorp Ind	BUY	(5.5)	0.7
SIA Engineering	BUY	(3.6)	(15.2)
ThaiBev	BUY	(4.2)	(2.5)
YZJ ShipBldg SGD	BUY	16.5	31.2
UOBKH Portfolio		-1.0	
FSSTI		-1.2	

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

PORTFOLIO RETURNS (%)

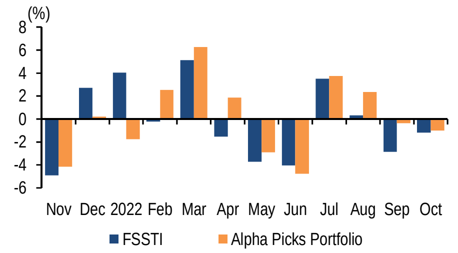
	2021	1Q22	2Q22	3Q22	Oct 22
FSSTI return	9.8	9.1	-9.0	0.9	-1.2
Alpha Picks Return					
- Price-weighted	4.4	6.5	-4.2	6.3	-0.5
- Market cap-weighted	3.8	8.3	-3.9	5.6	-1.0
- Equal-weighted	3.9	5.3	-3.1	-0.1	-3.3

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 9 OUT OF 12 MONTHS)



Source: Bloomberg, UOB Kay Hian

ANALYST(S)

Singapore Research Team
+65 6535 6868
research@uobkayhian.com

CapLand Ascott Trust – BUY (Jonathan Koh)

- **Benefitting from reopening of international borders and pent-up demand.** CLAS' portfolio RevPAU recovered 88% yoy and 6% qoq to S$132 in 3Q22, which is 87% of pre-pandemic levels on a pro forma basis, due to higher occupancy (>70% in 3Q22) and ADR (9M22: +40% yoy). China and Singapore recorded strong sequential growth, while Australia and the US continued to perform at close to pre-pandemic levels.
- **Value creation through asset recycling.** Ascott Residence Trust (ART) 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$1.27 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 to 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 a SOTP-based target price of S$4.28.

SHARE PRICE CATALYSTS

- **Events:** Continued earnings growth in 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 Sep 22, ComfortDelGro Corporation's (CD) rail ridership improved (+50.1% yoy, +2.5% mom), accounting for 88.5% 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. With elevated 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 a 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; b) bus tender contract wins.
- **Timeline:** 6+ months.

DBS Group Holdings – BUY (Jonathan Koh)

- **Benefitting from higher interest rates.** DBS is most sensitive to higher interest rates due to its high CASA ratio of 72%, which is the 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 32bp to 1.77% in 2022 and 50bp to 2.27% in 2023. We forecast earnings growth of 14.5% in 2023 and 21.3% in 2024.
- **4.2%/5.2% yields for 2022/23.** We expect DPS of S$1.44 in 2022 and S$1.76 in 2023, which represents dividend payout ratios of 48.2% and 48.5% respectively. DBS provides dividend yields of 4.2% for 2022 and 5.2% for 2023.
- **Maintain BUY.** Our target price of S$45.75 is based on 1.94x 2023F P/B, derived from the Gordon Growth Model (ROE: 16.0%, 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 earnings growth 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% increase), based on the

EV segment revenue of Shenzhen Everwin in 2021. Assuming the JV is able to capture 2m units of battery (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 potentially, which is more than double 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 business unit (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, c) share buy-back.

- **Timeline:** 6+ months.

First Resources – BUY (Jacquelyn Yow/Leow Huey Chuen)

- **We recently upgraded First Resources (FR) to BUY after the share price correction.** We also expect its upcoming results to be a potential share price catalyst. In addition, FR has revised its dividend policy to a higher payout of 50% from 30%%. Based on our current earnings estimates, this translates to a stable dividend yield of 6-7% for 2022-24, despite our lower CPO ASP assumption for 2023-24.

- **2H22 earnings may see potential upside.** Based on our current earnings estimates, we are looking at slightly lower core net profit for 2H22 (US$119m vs 1H22 of US$128m). However, based on the recent results announcement by Indonesian plantation companies, the downstream processing margin for 3Q22 was better than expected. This is positive to FR's refinery earnings. For 1H22, the refinery segment contributed about 25% of EBITDA, which may increase for 2H22. In addition, sales volume in 2H22 would be higher than in 1H22 due to the relaxation on exports control by the Indonesian government under the Domestic Market Obligation (DMO).

- **Maintain BUY with a target price of S$1.70.** FR's share price has declined by 14% since our last downgrade in Jun 22. This has factored in the negative earnings impact from the changes in Indonesia's policy. We see stable downstream performance which will mitigate the CPO downtrend in 2H22 and 2023.

SHARE PRICE CATALYSTS

- **Events:** a) Stronger-than-expected CPO price recovery, b) Higher-than-expected FFB and CPO production.

- **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 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 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 recover back 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 2022E 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

Keppel Corp – BUY (Adrian Loh)

- **Revised terms for sale of its offshore & marine business.** Keppel (KEP) and Sembcorp Marine (SMM) announced in late-Oct 22 that they have varied the terms of the merger that was previously announced in Apr 22. Instead of merging with KOM under a new company, SMM will now acquire KOM with the consideration being the issuance of new SMM shares. The benefit of this new method is that it is simpler given that it does not require lengthy court approvals.
- **Impact to KEP shareholders.** While the consideration for KOM has been lowered, KEP shareholders will receive a larger amount of shares worth S$2.33 vs S$2.26 previously. Importantly, KEP has managed to positively modify the terms of the Vendor Notes that will be issued by the Asset Co. Recall that as part of the merger with SMM, KEP had linked the sale of legacy oil rigs and associated receivables into a separate entity called Asset Co to be owned by a third-party investor comprising of Baluran Limited (74.9%), Temasek's wholly-owned Kyanite (15.1%) and KEP (10%). Part of the Asset Co consideration was via 10-year fixed-rate notes with a 2% p.a. coupon, which have now been re-negotiated up to a 4% p.a. coupon instead. Additionally, the sale of KOM has been de-linked to the divestment of Asset Co which at least ensures the success of the latter.
- **KEP reported a strong 3Q22 business update.** In a separate announcement, KEP reported a strong 3Q22 business update with revenue rising 24% yoy to S$6.8b and above our expectations. While the company did not disclose net profit numbers for 3Q22, it did state that net profit was lower yoy due to the high-base effect of lumpy en-bloc sales which boosted 3Q21 profits. The two key segments that performed well were energy & environment and asset management, while, as expected, management sounded bearish on its China property business.

- **We maintain our BUY rating on KEP and a target price of S$10.11.** Given the relatively more complex nature of the transaction, it may take time for the value of the merger to be realised. In addition, we note that KEP estimates that the monetisation timetable for Asset Co to be 3-5 years.

SHARE PRICE CATALYSTS

- **Events:** a) Successful conclusion of the divestment of its offshore & marine business, b) resumption of normal business conditions in China, c) continued success in its capital recycling programme.
- **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 high-speed railway (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.
- **Return of international travel.** Visitor arrivals to Singapore increased 7% mom to 778,144 in Sep 22 (47% 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) Stable contributions from suburban mall Jem and recovery driven by the return of tourists for 313@Somerset, b) positive newsflow on the HSR between Singapore and Kuala Lumpur.
- **Timeline:** 6-12 months.

Sembcorp Industries – BUY (Adrian Loh)

- **Investor call assuaged some concerns over the recent sale of its Indian coal assets.** We recently hosted a call between SCI and Asian investors with one of the major talking points being SCI's recent sale of coal-fired power plants within Sembcorp Energy Indial Limited (SEIL). The key takeaway for us was that the pricing of these assets at slightly over 1.0x P/B was a premium to comparable transactions at 0.2-0.6x P/B: should SEIL have been sold at these levels, SCI would have had to impair its book by >S$800m. The external environment has not been conducive to coal M&A in the past few years, so the fact that SCI was able to get this deal done was positive in our view.
- **New solar expansion in Singapore.** SCI recently announced that that it had been awarded the SolarNova 7 project by the Housing & Development Board (HDB) and the Singapore Economic Development Board (EDB). This project involves the installation of 75MWp of solar capacity across 1,290 HDB blocks and 99 government sites. The 1,290 blocks, which will be located in areas under the Bishan-Toa Payoh, Tanjong Pagar and Jurong-Clementi Town Councils, will have a combined solar capacity of 50.5MWp. As of end-3Q22, Sembcorp's gross solar capacity stood at 535MWp.
- **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 when 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 to 2022's earnings. We note that on both PE and P/B basis, SCI trades at a discount to its utilities peers in developed Asia.

SHARE PRICE CATALYSTS

- **Events:** a) Sustained economic recovery post COVID-19, thus leading to increased energy and utilities, b) value-accretive acquisitions in the green energy space.
- **Timeline:** 6+ months.

SIA Engineering – BUY (Roy Chen)

- **Profitability recovery on track.** After its core profitability returned into the black in 1QFY23, SIA Engineering's core earnings continued to recover, reaching S$17.3m in 2QFY23. We expect SIA Engineering's financial performance 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 a plan to restore its pax capacity from currently 67.6% in 2QFY23, to 76% in 3QFY23 and to 81% in Dec 22. This offers good visibility for SIA Engineering's revenue recovery.
- **Maintain BUY with a DCF-based target price of S$2.60.** SIA Engineering currently trades at FY25 (normalised year) PE of 14.3x and only 10.7x if excluding its significant net cash position of about S$606m. With the core profitability recovery, we expect SIA Engineering to resume dividend payment this year and forecast a dividend payment of 6/9/12 S cents in FY23-25, translating to a yield of 2.7%/4.1%/5.5%. Value-unlocking events may include a special dividend payout or some earnings-accretive M&As.

SHARE PRICE CATALYSTS

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

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

- **Mobile recovery on track.** Singtel's Singapore Consumer segment is benefitting from the resumption of international travel. Roaming revenue has returned to ~50% of pre-COVID-19 levels and is expected to improve further. 5G migration has been robust with 5G customers now at 480,000 (+180,000 qoq) as of 1QFY23. Despite expected provisions in 2QFY23, Optus is also set to benefit from the return of international travel which has helped roaming revenue, currently at ~40% of pre-COVID-19 levels.
- **Fundamentals remain robust.** Despite Optus' near-term setbacks, Singtel and its regional associates face strong tailwinds as economic activity continues to ramp up, driven by the removal of most COVID-19 measures in key regional markets. Excluding Amobee's contributions, we expect 1HFY23 underlying revenue to grow by 3-4% yoy, boosted by the return of international roaming revenue. For 1HFY23 underlying net profit excluding one-off gains, we expect a strong yoy growth of 7-8%, driven by strong contributions from its regional associates.
- **Maintain BUY with a DCF-based target price of S$2.90 (discount rate: 7%, growth rate: 1.5%).** At our target price, the stock will trade at 13x FY23F EV/EBITDA (its five-year mean EV/EBITDA). Since the Optus data breach was disclosed on 22 Sep 22, Singtel's share price has fallen around 6%. We reckon that the negatives from this data breach have already been priced in or even overdone, leaving ample upside from current price levels. With a decent yield of 4.7% for FY23, Singtel remains an attractive play against elevated market volatility, underpinned by improving near- to medium-term 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+ months.

Thai Beverage – BUY (Llelleythan Tan)

- **Gradual recovery in tourist arrivals.** Thailand's international tourist arrivals continued to grow in Sep 22, reaching a pandemic high of 1,309,115, increasing by 11.4% mom. This was driven by the removal of most COVID-19 restrictions in Jul 22 and the return of international travel. We now expect 9m-10m tourist arrivals in 2022, up from our previous expectations of 8m-9m 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 that 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% increase in spirits ASPs in 1QFY23, this would boost our FY23 annual revenue forecasts by around 2%. To offset higher import costs caused by the sharp depreciation of the Myanmar Kyat, the group also plans to raise 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 a 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, b) M&As.
- **Timeline:** 6+ months.

Venture – BUY (John Cheong)

- **Diversified customer base with less sensitivity to consumer sentiment.** Venture should be able to deliver relatively resilient performance given its highly diversified customer base across seven technology domains. In addition, most of VMS' customers are in industrial segments such as life science, medical and testing, which are less sensitive to consumer sentiment.
- **Anticipates a resilient demand outlook.** Overall, VMS expects to end 2022 well. Based on its customers' orders and forecasts, it expects demand to remain unabated in 2H22. VMS sees resilient demand across its diversified customer base, especially in the life science & genomics, healthcare & wellness, networking & communications, test & measurement instrumentation and process & test equipment in the semiconductor technology domains.
- **Proactive management and differentiating capabilities help VMS to stand out.** Several initiatives undertaken by VMS to overcome supply chain disruptions include: a) redesigning the products to reduce dependency on parts that are in shortages, b) working

with customers to obtain a longer order forecast for better procurement and production planning, and c) increasing stockpiling of inventories and sharing the working capital burden with customers. Combined with the strong design and R&D capabilities of VMS, the company is able to provide unique solutions to win market share and clients that are of high quality.

- **Maintain BUY.** Our target price of S$19.32 is pegged to 16x 2023F earnings, based on its mean PE. At the current price, VMS offers an attractive dividend yield of around 5%.

SHARE PRICE CATALYSTS

- **Events:** a) Better-than-expected earnings or dividend surprise, and b) potential takeover.
- **Timeline:** 3-6 months.

Yangzijiang Shipbuilding – BUY (Adrian Loh)

- **First ever LNG carrier order.** In late-Oct 22, Yangzijiang (YZJ) announced its first ever LNG carrier order for two 175,000cbm vessels from an unnamed European customer. While price was not disclosed, we note that a similar order given earlier this year to a Chinese state-owned shipyard was worth US$380m for two vessels, and thus YZJ's order should be similar in value in our view. Prior to this order, YZJ's orderbook stood at US$10.3b, and assuming US$380m for its latest order win would result in a historical high orderbook of US$10.7b with ytd order wins worth around US$4b.
- **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$1.44.** 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 providing downside support to the share price.

SHARE PRICE CATALYSTS

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

VALUATION OF ANALYSTS' ALPHA PICKS

Company	Ticker	Rec*	Price 2 Nov 22 (S$)	Target Price (S$)	Upside To TP (%)	Last Year End	PE 2022E (x)	PE 2023E (x)	PE 2024E (x)	Yield 2023E (%)	ROE 2023E (%)	Market Cap. (S$m)	Price/ NTA ps (x)
CapitaLandInvest	CLI SP	BUY	3.08	4.28	39.0	12/21	9.6	8.6	7.8	2.9	7.8	15,751.6	1.0
CapLand Ascott T	CLAS SP	BUY	0.985	1.27	28.9	12/21	34.7	22.4	20.7	6.3	3.5	3,390.3	0.9
ComfortDelGro	CD SP	BUY	1.32	1.63	23.5	12/21	12.6	11.3	10.3	4.5	8.9	2,859.3	1.1
DBS	DBS SP	BUY	34.74	45.75	31.7	12/21	11.6	9.6	8.8	5.1	15.6	89,408.0	1.7
FirstRes	FR SP	HOLD	1.55	1.70	9.7	12/21	7.0	7.6	7.6	6.6	17.1	2,432.9	1.4
Genting SP	GENS SP	BUY	0.81	1.08	33.3	12/21	27.2	14.1	13.7	4.3	8.6	9,778.3	1.2
Keppel Corp	KEP SP	BUY	7.09	10.11	42.6	12/21	15.2	14.1	12.8	2.9	7.2	12,421.3	1.1
Lendlease REIT	LREIT SP	BUY	0.73	0.91	24.7	6/22	14.6	18.6	18.4	6.7	5.3	1,662.3	0.9
Sembcorp Ind	SCI SP	BUY	2.99	4.1	37.1	12/21	7.5	10.1	9.7	3.0	12.1	5,328.5	1.3
SIA Engineering	SIE SP	BUY	2.17	2.60	19.8	3/22	29.1	18.7	14.1	4.1	7.6	2,438.4	1.5
SingTel	ST SP	BUY	2.54	2.90	14.2	3/22	16.1	15.1	14.2	4.9	9.4	41,928.8	1.5
Thai Beverage	THBEV SP	BUY	0.58	0.87	50.0	9/21	13.2	12.3	11.4	4.1	16.1	14,570.1	2.0
Venture Corp	VMS SP	BUY	16.26	19.32	18.8	12/21	13.5	12.7	11.6	4.9	12.8	4,733.5	1.7
YZJ ShipBldg SGD	YZJSGD SP	BUY	1.24	1.44	16.1	12/21	8.9	7.6	6.8	3.4	17.8	4,898.7	1.4

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