STRATEGY – SINGAPORE

Alpha Picks: Add SIA And UMSH, Remove FR, CD And YZJSGD

Our Alpha Picks outperformed the STI index in Nov 22, advancing by 8.9% on a market-cap weighted basis vs the STI's 6.4% gain. For Nov 22, we add SIA and USMH as we expect peak performance in SIA's upcoming 3QFY23 results and robust revenue growth from USMH. We also take profit on First Resources and YZJ Shipbuilding after their strong performances while removing ComfortDelgro from our portfolio, given compressing margins and the potential loss of its current bus contracts.

WHAT'S NEW

- **Market review.** The STI had an impressive month in Nov 22 where there was broad-based outperformance from most sectors, driven by signs of slowing US inflation coupled with dovish comments from the US Fed, raising hopes for less aggressive interest rate hikes. This led to improved market and investor sentiment which attracted cash-rich investors that were mostly on the side-lines in Oct 22. Also, the slight easing of China's COVID-19 restrictions lifted hopes for an earlier-than-expected shift away from its ongoing zero-COVID policy, boding well for Asia's regional economic outlook.
- **Outperformance in Nov 22.** Our Alpha Picks portfolio outperformed the STI in Nov 22, advancing 8.9% mom on a market-cap weighted basis vs the STI's 6.4% mom gain. On an absolute return basis, CapitaLandInvest (+21.9% mom), Yangzijiang Shipbuilding (+19.2% mom) and Singtel (+12.7% mom) were the main outperformers while CapLand Ascott Trust (-1.0% mom) and ComfortDelGro (-3.1% mom) were the only two underperformers.
- **Add SIA and UMSH, take profit on Yangzijiang Shipbuilding and First Resources while removing ComfortDelgro.** For Dec 22, we add SIA and UMSH to our portfolio as we expect near-term peak performance from SIA's upcoming 3QFY23 results and strong overall revenue growth from UMSH, given its huge order backlog from its key customer. We take profit on both Yangzijiang Shipbuilding and First Resources as they have performed well since their additions. We also remove ComfortDelgro as compressed margins along with the potential loss of one of its bus contracts may depress share price performance moving forward.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Jonathan Koh	CapLand Ascott Trust	BUY	1.1	A play on COVID-19 reopening in the EU & UK
Adrian Loh	CapitaLand Inv	BUY	-0.6	Proxy to economic reopening after peak COVID-19, especially in lodging business
Roy Chen	SIA	BUY	n.a.	Peak performance from upcoming results.
Jonathan Koh	DBS	BUY	16.9	Most sensitive to interest rates for Singapore banks
John Cheong	UMSH	BUY	n.a.	Robust revenue growth from its huge order backlog.
Vincent Khoo/ Jack Goh	Genting Singapore	BUY	10.0	Reopening of borders, better capital management and attractive 2023 yield
Adrian Loh	Keppel Corp	BUY	7.8	Moving to a more asset-light business model
Jonathan Koh	Lendlease REIT	BUY	-15.0	Exposure to Orchard Road retail and organic growth from new asset Jem
Adrian Loh	Sembcorp Ind	BUY	10.4	Re-rating prospects as a green energy play backed by positive 2H22 outlook guidance
Roy Chen	SIA Engineering	BUY	-12.9	Immediate beneficiary of increased no. of flights
Chong Lee Len/ Llelleythan Tan	Singtel	BUY	6.9	Proxy to regional economic recovery and reopening
Llelleythan Tan	ThaiBev	BUY	7.6	Strong recovery in tourism arrivals and removal of COVID-19 measures boosting consumption levels
John Cheong	Venture	BUY	7.0	Potential takeover

** 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$) ---- 2 Dec	Target	Up/(down) to TP (%)
CapitaLandInvest	BUY	3.67	4.13	12.5
CapLand Ascott T	BUY	0.935	1.27	35.8
DBS	BUY	34.47	45.00	30.5
Genting SP	BUY	0.88	1.08	22.7
Keppel Corp	BUY	7.64	10.11	32.3
Lendlease REIT	BUY	0.71	0.82	15.5
S I A	BUY	5.53	5.35	(3.3)
Sembcorp Ind	BUY	3.28	4.10	25.0
SIA Engineering	BUY	2.23	2.60	16.6
SingTel	BUY	2.69	3.15	17.1
Thai Beverage	BUY	0.64	0.73	14.1
UMS	BUY	1.25	1.38	10.4
Venture Corp	BUY	17.40	20.06	15.3

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

CHANGE IN SHARE PRICE

Company	Rec	Nov 22[1] (% mom)	To-date[2] (%)
CapLand Ascott T	BUY	(1.0)	1.1
CapitaLandInvest	BUY	21.9	(0.6)
ComfortDelGro	BUY	(3.1)	(3.9)
DBS *	BUY	3.9	16.9
FirstRes	BUY	8.1	(2.6)
Genting SP	BUY	9.3	10.0
Keppel Corp	BUY	8.2	7.8
Lendlease REIT	BUY	3.6	(15.0)
Sembcorp Ind	BUY	10.0	10.4
SIA Engineering	BUY	3.7	(12.9)
Singtel *	BUY	12.7	6.9
ThaiBev	BUY	10.4	7.6
Venture Corp	BUY	8.6	7.0
YZJ ShipBldg SGD	BUY	19.2	50.3
UOBKH Portfolio		8.9	
FSSTI		6.4	

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

PORTFOLIO RETURNS (%)

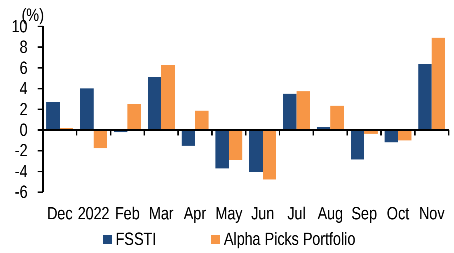
	2021	1Q22	2Q22	3Q22	Nov 22
FSSTI return	9.8	9.1	-9.0	0.9	6.4
Alpha Picks Return					
- Price-weighted	4.4	6.5	-4.2	6.3	6.8
- Market cap-weighted	3.8	8.3	-3.9	5.6	8.9
- Equal-weighted	3.9	5.3	-3.1	-0.1	8.2

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
+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.** CLAS 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 a total consideration of S$780m and an average EBITDA yield of 5%. CLAS's longer-stay assets currently account for 17% of portfolio valuation. 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.
- **Maintain BUY.** Our target price for CLAS 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.

Singapore Airlines – BUY (Roy Chen)

- **Upcoming 3QFY22 results likely to beat consensus expectations.** We expect SIA to achieve peak performance in 3QFY23 at S$800m-1b, driven by the strong passenger yields locked in by the advanced bookings as well as the upbeat passenger volume recovery as pent-up air travel demand gets fulfilled during the seasonally strong Sep-Dec quarter. Sales in advance of carriage, a leading indicator for near-term revenue recognition, stood at S$4.16b as at end-1HFY23; this was about 40% above the end-1HFY20 (pre-pandemic) levels. We forecast SIA's FY24 net profit to hit S$2.3b, a record level, while believing that there is still scope for upside surprises. The consensus' FY23 net profit forecast of S$1.69b is on the conservative side (27% below ours) and due for surprises, in our view.

- **Proposed merger of Vistara into Air India a positive development.** We are positive towards SIA's planned merger of Vistara into Air India, which will allow SIA to strengthen its presence in the fast-growing Indian market via its 25.1% strategic stake in a stronger and more competitive Air India (the surviving entity). Expected to be completed within FY24, the merger will lead to a one-off accounting gain of S$1.1b upon completion, raising SIA's FY24 net asset value per share by about 8% by our estimate. Due to the significantly larger scale of the new Air India than Vistara, this strategic move would also enhance the long-term profitability prospects of SIA's Indian investment, in our view.

- **Valuation not cheap, but sentiment could be high in the near term.** SIA currently trades at 1.09x PB, or 1.3SD above its historical mean P/B of 0.97x. We expect SIA's core profitability to normalise from 4QFY23 onwards, as competition catches up and drives down pax yields. The current favourable fuel hedge position would also largely come to an end by 1QFY24. In view of the likely profitability normalisation ahead, we have a fundamental HOLD rating on SIA, with a fundamental-driven target price of S$5.35. Having said that, we believe that market sentiment towards SIA would be high leading up to the 3QFY23 results early next year, and therefore there could be trading buy opportunities in the short term.

Share Price Catalysts

- **Events:** a) High sentiment towards a stellar financial performance in 3QFY23, and b) news on China's shifts in stance towards treating COVID-19.

- Timeline: 3 months.

DBS Group Holdings – BUY (Jonathan Koh)

- **Benefitting from higher interest rates.** DBS is most sensitive to higher interest rates due to high CASA ratio of 66%, highest among the three Singapore banks. NIM expanded by a sizeable 32bp qoq to 1.90% in 3Q22. We expect DBS' NIM to expand 32bp to 1.77% in 2022 and 47bp to 2.24% in 2023. We forecast earnings growth of 16.6% in 2023 and 8.3% in 2024.

- **5.0%/5.5% yields for 2023/2024.** We expect DBS to provide DPS of SS$1.76 in 2023 and $1.92 in 2024, which represents dividend payout ratios of 49.2% and 49.6% respectively. DBS provides dividend yields of 5.0% for 2023 and 5.5% for 2024.

- **Our target price of S$45.00 is based on 1.91x 2023F P/B,** derived from the Gordon Growth Model (ROE: 15.8%, COE: 8.5%, growth: 0.5%).

Share Price Catalysts

- **Events:** a) Continued rapid NIM expansion in 2H22 and 1H23, and b) dividends increasing in tandem with NIM expansion and growth in earnings in 2023.

- Timeline: 6-12 months.

UMS Holdings – BUY (John Cheong)

- **Robust outlook with huge order backlog, ready to take on more orders from new customers.** The slightly lower forecast given by UMS's key customer recently is unlikely to have a significant impact on UMS's performance given the huge order backlog from its key customer. According to SEMI, semiconductor manufacturers worldwide are expected to expand 300mm fab capacity at a nearly 10% compound average growth rate from 2022 to 2025, hitting an all-time high of 9.2m wafers per month. Also, Mckinsey predicts that the semiconductor market will surpass US$1t by 2030, led by autos and data centres.
- **Robust revenue growth across all sectors.** For 9M22, semiconductor sales increased 45%, while aerospace revenue grew 79%. Sales in the "others" category jumped by 70% to S$15m. Semiconductor Integrated System sales grew 45% to S$107m. Component sales also shot up 44% to S$132m. All of UMS's key geographies experienced growth. Malaysia and the "others" market reported the strongest growth, clocking in triple-digit sales increases. Revenue in Malaysia grew 124% and revenue in the "others" market soared 147% in 9M22. Sales in Singapore went up by 48%, while revenue in Taiwan and the US increased by 28% and 12% respectively.
- **Expansion plans progressing well.** Construction of the new Penang factory is on schedule for completion by the end of the year and UMS is preparing to ramp up production from the middle of 2023. UMS will continue active engagement with prospective customers.
- **Maintain BUY.** Our target price of S$1.38 is based on 8.5x 2023F EPS. This is pegged to -1SD of the historical mean PE.

Share Price Catalysts

- **Events:** a) Better-than-expected earnings or dividend surprise, and b) winning of new customers.
- Timeline: 3-6 months.

Genting Singapore – BUY (Vincent Khoo, Jack Goh)

- **Recovery strength to accelerate in 4Q22.** 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 4Q22. 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 4Q22 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 4Q22.** 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 GENS' capital management can be significant, considering its net cash of S$3.1b (26 S cents/share) and that post-pandemic EBITDA can 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 positively modified 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.
- **Reported 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 was energy & environment and asset management while, as expected, the management sounded bearish on its China property business.
- **Maintain BUY on KEP with a target price of S$10.11.** Given the more complex nature of the transaction, it may take time for the value of the merger to be realised. In addition, KEP estimates the monetisation timetable for Asset Co will be between 3-5 years.

Share Price Catalysts

- **Events:** Successful conclusion of the divestment of its offshore & marine business, resumption of normal business conditions in China, continued success in its capital recycling program.
- Timeline: 3-6 months.

Lendlease Global Commercial REIT – BUY (Jonathan Koh)

- **Maximising utilisation.** LREIT will utilise untapped GFA of 10,200sf to progressively add more prime spaces at 313@Somerset. The multi-functional event space to be built on Grange Road Car Park will attract more young shoppers when it is operational by end-23.
- **Diversified mix of attractive tenants.** The suburban mall at Jem has an attractive mix of anchor tenants, such as IKEA, FairPrice Xtra, Don Don Donki, H&M, and UNIQLO. The new Kopitiam Food Hall, which opened on 15 Sep 22, will further enhance the mix of anchor tenants at Jem.

- **Reiterate BUY.** Our target price for LREIT of S$0.82 is based on DDM (cost of equity: 7.5%, terminal growth: 2.2%).

Share Price Catalysts

- **Events:** 313@Somerset benefits from office workers returning to the CBD and tourists back shopping at Orchard Road. Jem benefits from development of Jurong Gateway as Singapore's second CBD.
- 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 it had been 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 stands 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 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 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, 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.** 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 61% of pre-pandemic levels in 1QFY23 (ie Apr-Jun 22) to about 68% in 2Q, to 76% in 3Q and to 80% in Dec 22. This offers good visibility for SIA Engineering's revenue recovery.
- **Undemanding valuation and dividend resumption.** SIA Engineering currently trades at FY25 (normalised year) PE of 14.5x and only 11.0x 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%/4.0%/5.4%.

Share Price Catalysts

- **Events:** a) organic earnings recovery, b) dividend resumption, and 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 ~60% of pre-COVID-19 levels and is expected to improve further. Optus is also set to benefit from the return of international travel which has helped roaming revenue, currently at ~50% of pre-COVID-19 levels. Postpaid ARPU for both Optus and Singapore's Consumer segment continues to increase from the strong take-up of 5G-bundled plans.
- **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. For 1HFY23, underlying operating revenue (+4.3% yoy) and EBITDA (+2.8% yoy) grew and is expected to continue growing moving forward.
- **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 14x FY23 EV/EBITDA (+1.0sd of its five-year mean EV/EBITDA). With a decent yield of 5.5% 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 and reopening of nightlife entertainment venues.** Thailand's international tourist arrivals continued to grow in Oct 22, reaching a pandemic high of 1,475,430, increasing by 12.7% mom. This was driven by the removal of most COVID-19 restrictions in Jul 22 and the return of international travel. Although we expect around 9-10m tourist arrivals in 2022, this is still a fraction of the 40m arrivals pre-pandemic.
- **Additional ASP hikes.** To combat rising inflation, management noted that the group had adjusted its ASPs higher for its beer and spirits products in 1QFY23, supporting margins. The group also plans to lift ASPs for its international spirits business in Myanmar as well, which would give the spirits segment a boost.
- **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 FY23 and beyond, catching up to its closest competitor.
- **Maintain BUY with SOTP-based target price of S$0.73.** We reckon THBEV remains attractively priced at below -1.5SD 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.

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.
- **Outlook for demand remains promising.** VMS expects to continue producing resilient results in the coming quarter. Based on its customers' orders and forecasts, it expects demand to remain healthy. 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.
- **Enhancement and creation of differentiating capabilities help VMS to stand out.** VMS persistently initiates ways to stay afloat amid macroeconomic headwinds, including: a) redesigning its products to reduce dependency on parts that are experiencing shortages, b) working with customers to obtain a longer order forecast for better procurement and production planning, and c) increasing stockpiles of inventories and sharing the working capital burden with customers. These, along with its R&D capabilities, allow VMS to continue attracting strong customer demand to maintain its market position.
- **Maintain BUY.** Our target price of S$20.06 is pegged to 16x 2023F earnings, based on its mean PE. At the current price, VMS offers an attractive dividend yield of around 4.5%.

Share Price Catalysts

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

VALUATION FOR ALPHA PICKS PORTFOLIO

Company	Ticker	Rec*	Price 2 Dec 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	3.67	4.13	12.5	12/21	11.1	10.4	9.4	2.5	7.7	18,769.0	1.2
CapLand Ascott T	CLAS SP	BUY	0.935	1.27	35.8	12/21	33.0	21.3	19.6	6.6	3.5	3,221.7	0.8
DBS	DBS SP	BUY	34.47	45.00	30.5	12/21	11.3	9.6	8.9	5.1	15.3	88,714.1	1.7
Genting SP	GENS SP	BUY	0.88	1.08	22.7	12/21	29.5	15.3	14.9	4.0	8.6	10,623.4	1.4
Keppel Corp	KEP SP	BUY	7.64	10.11	32.3	12/21	16.3	15.2	13.8	2.7	7.2	13,385.0	1.1
Lendlease REIT	LREIT SP	BUY	0.71	0.82	15.5	6/22	14.2	19.3	20.4	6.5	5.3	1,623.8	0.9
S I A	SIA SP	HOLD	5.53	5.35	(3.3)	3/22	7.1	6.6	20.5	3.6	17.4	16,427.3	1.2
Sembcorp Ind	SCI SP	BUY	3.28	4.10	25.0	12/21	8.2	11.0	10.6	2.8	12.1	5,832.5	1.4
SIA Engineering	SIE SP	BUY	2.23	2.60	16.6	3/22	29.9	19.2	14.4	4.0	7.6	2,504.0	1.5
SingTel	ST SP	BUY	2.69	3.15	17.1	3/22	18.3	16.9	15.7	4.6	9.1	44,395.5	1.7
Thai Beverage	THBEV SP	BUY	0.64	0.73	14.1	9/22	13.4	15.2	13.7	3.3	16.1	16,077.4	2.1
UMS	UMSH SP	BUY	1.25	1.38	10.4	12/21	8.2	7.7	6.9	4.0	28.1	836.3	2.8
Venture Corp	VMS SP	BUY	17.40	20.06	15.3	12/21	13.9	13.3	12.2	4.6	13.0	5,063.5	1.8

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

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore.Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

http://research.uobkayhian.com

RCB Regn. No. 197000447W