STRATEGY – SINGAPORE

Alpha Picks: Adding SIE, CSE And REXI While Removing MLT

Our Alpha Picks portfolio continued its market-beating run in Jun 23, beating the STI by 2.9ppt on an equal-weighted basis, helped by industrial stocks. Our portfolio's performance on a qoq basis was even better, bettering the STI by 8.8ppt. For Jul 23, we add SIE and CSE due to favourable tailwinds while also including REXI as a SELL call. Our Alpha Picks portfolio has now beaten the STI in 15 out of the past 16 months.

WHAT'S NEW

- **Market review.** Global markets were generally higher in early-Jun 23 as investors piled into mega-cap technology stocks, driven by continued bullish investor sentiment about Artificial Intelligence. Furthermore, rising expectations of a pause in US interest rate hikes along with strong economic data pushed the US market into a bull market by mid-Jun 23, with the STI up by around 3.2%. Despite the US Fed pausing interest rate hikes in Jun 23, its hawkish comments indicated two additional rate hikes by end-23, taking the froth off markets. The STI nevertheless ended up 1.5% higher on a mom basis.

- **Unbeaten in 2023.** Our Alpha Picks portfolio had yet another solid showing in Jun 23, increasing 4.4% mom on an equal-weighted basis and beating the STI by 2.9ppt, making it six consecutive months that our portfolio has beaten the STI. Additionally, our Alpha Picks handily outperformed the STI by 8.8ppt in 2Q23.

- **Top performers driven by industrial stocks,** primarily Yangzijiang Shipbuilding (YZJ, +22.0% mom) which announced another set of record-breaking orders while Sembcorp Industries (SCI, +14.3% mom) continues to see interest due to its transition to renewables. We highlight that SCI's share price has nearly doubled since its inclusion into our Alpha Picks portfolio. Our underperformers include Delfi (-3.0% mom) which took a breather after a recent surge in May 23, and Mapletree Logistics (-2.4% mom) which was negatively affected by general market weakness in REITS.

- **For Jul 23, we make several changes to our portfolio,** adding SIA Engineering and CSE Global given that both companies have strong revenue visibility coupled with healthy margin expansion on our estimates. We add REX as a SELL into our Alpha Picks portfolio as we believe that disappointing oil production at its key asset and poor corporate governance would lead to underperformance. We also take profit on Mapletree Logistics.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Roy Chen	SIA Engineering	BUY	-	Recovery on track from China's reopening.
John Cheong	Civmec	BUY	15.5	Earnings surprise due to higher-than-expected contract wins and margin.
John Cheong	Delfi	BUY	22.7	Higher revenue contribution from Indonesia.
John Cheong	CSE Global	BUY	-	Expect earnings growth with 8% dividend yield.
Jonathan Koh	CapLand Ascott Trust	BUY	16.8	A play on COVID-19 reopening in the EU & UK.
Jonathan Koh	Lendlease REIT	BUY	-2.9	Beneficiary of Chinese tourist arrivals to Singapore.
Jonathan Koh	OCBC	BUY	-0.7	Attractive dividend yield and less susceptible to NIM compression.
Adrian Loh	Sembcorp Ind	BUY	95.4	Continued re-rating due to new renewables targets
Adrian Loh	Seatrium	BUY	5.0	New order win momentum from oil and gas as well as renewables industry
Adrian Loh	Yangzijiang Ship	BUY	15.4	Announcement of new order wins; better capital management
Adrian Loh	Keppel Corp	BUY	45.2	Moving to a more asset-light business model.
Llelleythan Tan	Raffles Medical	BUY	2.3	Announcement of second TCF tender win.
Llelleythan Tan	Thai Beverage	BUY	3.6	Return of Chinese tourists to Vietnam.
Llelleythan Tan/ Adrian Loh	Rex International Holdings	SELL	-	Disappointing production at its key asset, governance issue.

** 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$) ----- 30 Jun	Target	Up/(down) to TP (%)
CapLand Ascott T	BUY	1.08	1.39	28.7
Civmec	BUY	0.745	1.23	65.1
CSE Global	BUY	0.39	0.42	7.7
Delfi	BUY	1.29	1.71	32.6
Keppel Corp	BUY	6.71	9.09	35.5
Lendlease REIT	BUY	0.66	0.87	31.8
O C B C	BUY	12.28	17.32	41.0
Raffles Medical	BUY	1.36	1.90	39.7
Rex Intl	SELL	0.152	0.10	(34.2)
Seatrium	BUY	0.125	0.17	36.0
Sembcorp Ind	BUY	5.75	4.64	(19.3)
SIA Engineering	BUY	2.49	2.67	7.2
Thai Beverage	BUY	0.58	0.75	29.3
YZJ ShipBldg SGD	BUY	1.50	1.65	10.0

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

CHANGE IN SHARE PRICE

Company	Rec	Jun 23[1] (% mom)	To-date[2] (%)
CapLand Ascott T	BUY	1.9	16.8
Civmec	BUY	4.9	15.5
Delfi	BUY	(3.0)	22.7
Keppel Corp	BUY	6.3	45.2
Lendlease REIT	BUY	(0.8)	(2.9)
MapletreeLog	BUY	(2.4)	1.9
O C B C	BUY	0.1	(0.7)
Raffles Medical	BUY	4.6	2.3
Sembcorp Ind	BUY	14.3	95.4
Seatrium	BUY	1.6	5.0
ThaiBev	BUY	3.6	3.6
YZJ ShipBldg SGD	BUY	22.0	15.4
FSSTI		1.5	
UOBKH Portfolio		4.4	

** Adjusted for DPS for the monthly performance*
Source: UOB Kay Hian

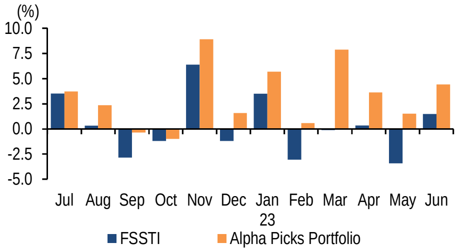
PORTFOLIO RETURNS (%)

	2022	1Q23	2Q23	Apr-23	May-23	Jun-23
FSSTI return	4.1	0.2	-1.6	0.4	-3.4	1.5
Alpha Picks Return						
- Price-weighted	5.6	5.5	10.1	3.8	2.8	4.5
- Marketcap-weighted	8.1	2.9	5.4	3.6	0.2	2.9
- Equal-weighted	2.8	9.1	7.2	3.3	1.5	4.4

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 12 OUT OF 12 MONTHS)



Source: Bloomberg, UOB Kay Hian

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SIA Engineering – BUY (Roy Chen)

- **Recovery on track.** Flight activities at Changi Airport recovered to 87% of pre-pandemic levels in May 23 and are expected to pick up further driven by the tailwinds from China's reopening. With an 80% market share of Changi Airport's line maintenance service volume, SIA Engineering is set to benefit from Changi Airport's flight activity recovery. National carrier Singapore Airlines (SIA), SIA Engineering's parent company and anchor customer (contributing to 65% of SIA Engineering's FY23 revenue), has also guided to recover its pax capacity further from 77% in 4QFY23 (ie Jan-Mar 23) to an average of 83% of pre-pandemic levels in 1HFY24 (Apr-Sep 23) and to 90% by end-FY24 (Mar 24). This offers good visibility for SIA Engineering's revenue recovery in the medium term.

- **Recent contract renewal with SIA and Scoot may have taken off some margin pressure.** SIA Engineering has recently renewed its Comprehensive Services Agreements with SIA and Scoot. Commencing from 1 Apr 23, these new agreements would supersede the previous ones and are for a term of two years (with an option to extend for another one year). Although SIA Engineering's management declined to provide more details about the terms of the new contracts, we believe it should allow SIA Engineering to pass down at least some inflationary cost pressure to these major customers. The positive impacts on margins, if any, are likely to be felt in SIA Engineering's 1QFY24 results, which are expected to be released on 25 Jul 23.

- **Undemanding valuation with further dividend recovery. Maintain BUY and PE-based target price of S$2.67.** SIA Engineering currently trades at FY25F (normalised year) PE of 15.7x, or 12.1x only if excluding its significant net cash position of S$630m. With the core profitability recovery, we expect SIA Engineering to recover its dividend to 9/12 S cents in FY24/25, leading to a dividend yield of 3.7%/4.9%.

Share Price Catalysts

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

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

Civmec – BUY (John Cheong)

- **We expect Civmec to deliver a record earnings growth of 11% yoy in FY23** and a potential dividend surprise given a strong balance sheet, backed by a robust orderbook of around A$1.2b. 9MFY23 earnings grew 20% yoy with net margin growing 1.5ppt yoy to 7.8%. Civmec sees a strong pipeline of new projects in the sectors it operates in and new opportunities in the green energy space.

- **Civmec successfully secured several notable contracts in 3QFY23.** These are: a) three contracts for Albermarle's Kemerton Lithium refinery trains 3 and 4, b) additional fabrication work for the Iron Bridge magnetite project, c) several contracts for the manufacture of dump truck tray bodies on the east coast of Australia, and d) a time-critical contract to manufacture components for rebuilding a flood-damaged bridge.

- **Outlook remains robust.** Civmec continues to see strong tendering activity across all sectors. It continues to focus on securing good return projects, optimise workforce utilisation and maintain a strong, high quality orderbook. Also, Civmec is increasingly regarded by its clients as the go-to contractor for reliable delivery and time-critical services.

- **Maintain BUY with a target price of S$1.23,** pegged to 11x FY24F PE (based on 1SD below five-year mean). We have rolled over our valuation base year to FY24 from FY23. We think Civmec's current valuation of 7x FY23F PE is attractive, given its strong growth profile of 10% three-year EPS CAGR for FY22-25 and huge orderbook. Civmec's peers are trading at an average of 12x FY22F PE.

Share Price Catalysts

- **Events:** a) Earnings surprise due to higher-than-expected contract wins and margin, b) better-than-expected dividend, and c) takeover offer by strategic shareholders given the high entry barrier of defence business.

- Timeline: 3-6 months.

Delfi – BUY (John Cheong)

- **Market leader of chocolate confectionery products in Indonesia,** backed by positive macro trends. Delfi is a manufacturer and distributor of many popular chocolate confectionery products in Indonesia. According to Euromonitor, it commands a dominant market share of approximately 41% in Indonesia, thanks to its early-mover advantage in building brand loyalty since the early-1950s. Its home market, Indonesia, where it generates more than 70% of its revenue, demonstrates vast potential based on its macro industry trends of a fast-growing middle class, a young population and high domestically-driven GDP growth.

- **Well-positioned to capitalise on premiumisation trend.** Delfi has been focusing on its premiumisation strategy to offer differentiated products based on changing consumer tastes. Delfi's premium brands include SilverQueen, Delfi Premium and Van Houten. In 2022, core profit grew 68.7% yoy to US$43.6m, mainly driven by the strong performance in Delfi's main operating market, Indonesia, which recorded revenue of US$317.4m (+17.5% yoy). This was attributable to Delfi's premium brands SilverQueen and Cha Cha, which both saw double-digit growths. New products, largely healthier snacks targeting Millennials and Gen-Zs, were also launched during the year, supporting the segment's revenue growth.

- **Expect healthy double-digit growth in 2023-25 as Indonesia's consumers emerge stronger from the pandemic.** For 2023-25, we estimate total revenue at US$518m-597m (three-year CAGR of 4.8%) and net profit at US$47.0m-53.9m (three-year CAGR of 4.7%). The key growth drivers will be: a) an increase in Delfi's product volume and ASP in Indonesia, b) healthy growth in Indonesia's economy after the pandemic, where we expect Delfi's revenue to grow 10% in 2023-25, with Bank Indonesia projecting Indonesia's economy to grow 4.9% in 2023 and 5.1% in 2024, and c) gradual improvement in gross margin as Delfi continues to gain traction in its premiumisation strategy.

- **Maintain BUY.** Our target price of S$1.71 is based on 17x 2023 EPS, or its long-term historical mean. Trading at 12x 2023F PE, which is a 40% discount vs peers' average of 21x, we believe there are re-rating prospects going forward.

Share Price Catalysts

- **Events:** a) Higher revenue contribution from Indonesia, and b) improving gross margin with traction gained in premiumisation of product offerings.

- Timeline: 3-6 months.

CSE Global – BUY (John Cheong)

- **We expect CSE to increase its earnings by three-fold in 2023 and maintain its full-year dividend at 2.75 S cents/share for 2023,** translating to an above-average dividend yield of about 8% vs the FSSTI's of around 4.0%. CSE's 1Q23 revenue of S$159m (+36% yoy) was in line, forming 26% of our full-year estimate, mainly attributable to growth in infrastructure revenue in Australia and the Americas region. 1Q is typically a slow quarter and despite the challenges in the operating environment, CSE's diversification strategy has evidently reshaped the infrastructure segment into a key revenue growth driver.

- **CSE continues to have healthy order wins.** As at 1Q23, CSE's orderbook was S$480.2m, 39.6% higher than 1Q22. About 54% of new orders were secured by the energy sector in 1Q23 where a major contract relating to the maintenance and refurbishment of building management control systems for an offshore facility in the Americas region was secured.

- **Supply chain disruptions are easing, allowing for normalisation of project delivery.** We think that the supply chain disruptions, particularly in chip sets, should ease given the easing of restrictions across the regions and the falling demand of semiconductor chips as recently announced by the major chip producers including Intel and Samsung. As a result, project execution timeframes which have been facing delays previously due to supply chain issues, could normalise.

- **Stable financial performance in the infrastructure and mining & minerals sectors,** supported by a steady stream of projects arising from requirements in digitalisation, communications and enhancements in physical and cyber security globally, and from data centres and water utilities in the Americas and Asia Pacific region. CSE will expand its engineering capabilities and technology solutions to pursue new market opportunities and diversify into new markets brought about by the emerging trends towards urbanisation, electrification and decarbonisation.
- **Maintain BUY and target price of S$0.42.** Our target price is pegged to 14x 2023 PE (based on an unchanged +1SD above mean).

Share Price Catalysts

- **Events:** a) Large infrastructure project wins, and b) accretive acquisitions.
- **Timeline:** 3-6 months.

CapLand Ascott Trust – BUY (Jonathan Koh)

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

Share Price Catalysts

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

Lendlease Global Commercial REIT – BUY (Jonathan Koh)

- **Recovery in tourism.** 313@Somerset (27% of portfolio valuation) benefits from the reopening of China and return of tourists to Orchard Road. The multi-functional event space constructed on Grange Road Car Park is expected to be completed by end-23.
- **Resiliency from spending on necessities** at suburban mall Jem, which accounted for 46% of portfolio valuation. Jem has an attractive mix of anchor tenants, such as IKEA, FairPrice Xtra, Don Don Donki, H&M and UNIQLO, which attracts an influx of shoppers.
- **Maintain BUY.** LREIT provides attractive FY23 distribution yield of 7.1%. Our target price for LREIT of S$0.87 is based on DDM (cost of equity: 7.25%, terminal growth: 2.2%).

Share Price Catalyst

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

Oversea-Chinese Banking Corp – BUY (Jonathan Koh)

- **Cost efficiency.** Operating expenses were tightly controlled and increased marginally by 3% yoy in 1Q23. Staff costs increased 7% yoy. OCBC's cost-to-income ratio (CIR) was below 40% in 1Q23.
- **Committed to new dividend policy.** Management intends to maintain dividend payout ratio at 50% going forward. OCBC provides attractive dividend yield of 6.1% for 2023.
- **Capital management.** CET-1 CAR improved 0.7ppt qoq to 15.9% in 1Q23. OCBC is comfortable with CET-1 CAR receding lower to 14.0% over the short to medium term (3-5 years). Management will consider all options for capital management, including special dividends.
- **Maintain BUY.** Our target price of S$17.32 is based on 1.42x 2023F P/B, derived from the Gordon Growth Model (ROE: 12.8%, COE: 9.0%, growth: 0.0%).

Share Price Catalyst

- **Events:** a) Resiliency from high CET-1 CAR of 15.9%, and b) attractive 2023 dividend yield of 6.1% from commitment to new dividend payout ratio of 50%.
- **Timeline:** 6-12 months.

Keppel Corp – BUY (Adrian Loh)

- **A busy 2Q23.** Since its robust 1Q23 business update, Keppel (KEP) has remained busy, announcing a spate of new contracts or businesses in its various segments. These include: a) three Memorandum of Understandings (MOU) to provide energy-as-a-service (EaaS) to one customer in Guangzhou, China, and two customers in Bangkok, Thailand; b) two EaaS contracts in Bangkok, Thailand, for a hotel and a shopping mall; c) a 30-year S$950m contract to design, build, own and operate large scale District Cooling System in Jurong Lake District; d) an operations and maintenance contract for a District Cooling System in Bangkok; e) acquisition of a 49% interest in two adjacent residential projects (11.8ha) in Ho Chi Minh City, Vietnam, for S$187m; and f) the S$6.9m acquisition of a 16.3% stake in a 17MW wind farm in Sweden together with Keppel Infrastructure Fund.
- **We retain our BUY rating on KEP with an SOTP-based target price of S$9.09.** With the exit of its KOM segment, the company is moving towards a more asset-light and recurring earnings business model, with an achievable 15% ROE target in the medium term in our view (2022 ROE: 8.1%). The company is on track to exceed its S$5.0b target by end-23 and with a new interim asset monetisation target, this could bolster earnings in 2023 and well into 2024-26.

Share Price Catalysts

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

Sembcorp Industries – BUY (Adrian Loh)

- **Longer-term growth plans in green hydrogen production.** During its 2022 results briefing, SCI highlighted hydrogen projects as growth areas, which could lead the company into the Middle East and Australia. We note that in 4Q22, SCI entered into strategic partnerships with the Japanese government and various companies to explore hydrogen and other decarbonisation initiatives. These include: a) an MOU with Japan Bank for International Cooperation (JBIC) to assist SCI in its hydrogen project, b) MOU with Sojitz Corporation for green hydrogen production, battery energy storage and net zero industrial parks, and c) MOU with IHI Corporation to build an integrated green ammonia supply chain.
- **We have a BUY rating on SCI with a PE-based target price S$4.64.** Our target price utilises a target PE multiple of 12.7x which is 1SD above the company's past five-year average PE of 9.4x. We highlight that SCI generated ROE of nearly 22% in 2022 and

given that this was generated by assets that are on average five years old, we firmly believe that this level of ROE should be sustainable in the next few years. Despite the fact that its current share price is higher than our target price, we have maintained SCI in our Alpha Picks portfolio as we believe that an upcoming MSCI review in mid-Aug 23 as well as the enunciation of new renewables targets could be share price catalysts.

Share Price Catalysts

- **Events:** a) MSCI Singapore inclusion in Aug 23, b) value-accretive acquisitions in the green energy space, and c) potential to increase targets for its gross renewables capacity.
- **Timeline:** 6+ months.

Seatrium – BUY (Adrian Loh)

- **Investor meetings after its 1Q23 business results underlined an ocean of potential growth for the company, in our view.** After its 1Q23 business update, Seatrium attended a group meeting with investors where the company outlined its path towards sustainable growth and profitability, with the key being retention of people and talent in order to take advantage of the multitude of opportunities in the offshore marine space.
- **We estimate another S$10b upside to current orderbook of S$20b.** On top of the current four FPSOs that it has from Petrobras, Seatrium will look to bid for another two with each priced at about US$3b as well as a few other floating production units at US$1b each and highly likely to be from repeat customers such as ExxonMobil. The company also foreshadowed easy cost synergies from bringing these four FPSOs under one roof. In addition, offshore wind in developed markets like the US and Europe remains highly promising. Management affirmed that it has the capacity to accept more projects – and looking to fill its 2028/29 production schedule – but given the shortage of global yard capacity strong level of enquiries it will not "sell slots".
- **We maintain our BUY rating on STM with a P/B-based target price of S$0.17.** We believe that in an offshore marine/offshore construction upcycle like the present one, stocks like STM should not trade <1.0x P/B but instead be between 1.2-1.5x P/B, which equates to S$0.148-0.185/share.

Share Price Catalysts

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

Yangzijiang Shipbuilding – BUY (Adrian Loh)

- **Order wins continue to be robust.** In 1H23, YZJ won new orders for 46 vessels with a total contract value of US$4.42b. YZJ currently has 180 vessels in its orderbook totalling US$14.6b which is its highest ever. Ytd, the company has US$5.6b in new orders thus exceeding its 2023 target of US$3b. We expect management to revise this target up to at least US$7b at its 1H23 results announcement in mid- to late-Aug 23. We note that Chinese steel costs have come down on a yoy basis thus potentially setting YZJ up for a strong 1H23 result.
- **We have a BUY recommendation on the stock and we recently raised our PE-based target price to S$1.65 (previously S$1.58).** Our target PE multiple of 8.7x, applied to an aggregate of our 2023 and 2024 EPS forecast, is 1SD above YZJ's past five-year average of 6.5x. We view this as fair given: a) the company's earnings growth in 2023 and 2024, b) sustainability of its earnings due to its US$14b orderbook at present, and c) earnings visibility that has improved out to 2027 given the recent spate of new orders. Fully rolling forward our valuation year to 2024 would result in a target price of S$1.72.

Share Price Catalysts

- **Events:** a) Evidence of continued shipbuilding margin expansion, b) better capital management initiatives, and c) new order win announcements.

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

Raffles Medical – BUY (Llelleythan Tan)

- **Strong profit contributor.** Given the Singapore government's renewed focus in Transitional Care Facilities (TCF), we expect the TCF to operate till Jun 24 minimally. With healthy margins due to its asset-light nature and it contributing around 35% of 2022 operating profit, this would help support RFMD's profit for 2023-24. Potential upside may come from RFMD winning the upcoming tender for a new TCF, partnering with Ng Teng Fong Hospital in the west of Singapore. We expect the results of the upcoming TCF tender to be announced in early-3Q23.
- **Return of foreign patients.** RFMD's hospital services segment is poised to benefit from the return of foreign patients. Based on our estimates, we expect 1H23 hospital services segmental earnings to surge given the sharp hoh recovery in 1H23 Southeast Asian tourist arrivals, which currently stand at 88% of pre-pandemic (2019) levels. Assuming a full recovery back to pre-pandemic levels, we estimate that 2022 annual operating profit would have grown by around 15%.
- **No more obstacles for Chinese hospitals.** With the removal of China's zero-COVID policy, hospital staff and patients are now able to commute freely in China. As COVID-19 eventually blows over in China, we are now more positive on the prospects of RFMD's Chinese hospitals and reckon that it would be RFMD's core revenue driver moving forward.
- **Maintain BUY with a PE-based target price of S$1.90,** pegged to 26x 2023F PE, -0.5SD to RFMD's long-term average mean PE. Coupled with favourable tailwinds, we like RFMD for its cheap 2023F PE valuation (18.2x) compared with regional peers (35.4x).

Share Price Catalysts

- **Events:** Ramp-up of Chinese hospitals' operations and winning the upcoming TCF tender.
- **Timeline:** 6-12 months.

Thai Beverage – BUY (Llelleythan Tan)

- **Spirits: Margin expansion.** Backed by improving tourist arrivals, a better mix of the higher-margin brown spirits, coupled with a price adjustment in 1QFY23, this led to 1HFY23 EBITDA margins improving 0.9ppt to 25.6%. Management noted that there was still further room to increase brown spirits ASPs which would be reflected in 2HFY23. Also, we expect the spirts segment to continue its strong performance moving into 2HFY23, as anticipated government handouts from a newly-elected government would spur consumption.
- **Beer: Better days ahead with increased domestic market share.** Despite a disappointing 2QFY23, we reckon that the return of Chinese tourists to Vietnam in 3QFY23 along with Thailand's elections in 2HFY23 would boost beer consumption levels. Management noted that the group has halved its market share gap between the number one competitor and THBEV, which we estimate it's now at 3-4ppt. The group also has plans to maximise A&P spending efficiency in 2HFY23, protecting segmental profitability.
- **Maintain BUY with an SOTP-based target price of S$0.75.** Despite falling margins and short-term inflationary pain in FY23, we reckon that these issues have already been priced in. We expect operating costs to stabilise by 4QFY23, leading to margin expansion in 1HFY24. In our view, THBEV remains attractively priced at -2SD to its long-term average mean PE, backed by favourable tailwinds.

Share Price Catalysts

- **Events:** a) Gaining market share in the beer segment, and b) M&As/potential spinoff listing.
- **Timeline:** 6-12 months.

Rex International – SELL (Llelleythan Tan/Adrian Loh)

- **Disappointing production at its key asset.** One year after the successful hook-up and commissioning of the new floating storage tanker and Mobile Offshore Production Unit (MOPU) at its key Yumna asset offshore Oman, production has continued to disappoint. Prior to the upgrades, Rex had guided for the new facility to double its liquids processing capacity to 30,000bpd. However since Jun 22, production remains at around 4,300bpd of oil vs production of 7,500-10,600bpd in the six months prior to the change out of the MOPU. Over the past two years, Yumna's production has declined by >60%, with the latest May 23 data showing a 10% mom decline.
- **Corporate governance issues.** Since Dec 22, the company has undertaken three interested-party transactions with one of them involving investment in a drone technology company and another in cancer therapy.
- **We have a SELL rating with a target price of S$0.10.** While upstream oil & gas companies are traditionally valued using a discounted cash flow methodology, we have elected to use a target 0.5x P/B multiple instead due to our diminished confidence in the company's ability to execute on its oil production targets. In addition, we believe that its interested party transactions have raised corporate governance issues which we believe detracts from the company's oil assets which could – if managed properly – generate decent cash flow.

Share Price Catalysts

- **Events:** a) Evidence of better corporate governance, b) higher oil prices, and c) stronger production from the Oman asset.
- **Timeline:** Three months.

VALUATION

Company	Ticker	Rec*	Price 30 Jun 23 (S$)	Target Price (S$)	Upside To TP (%)	Last Year End	PE 2022A (x)	PE 2023E (x)	PE 2024E (x)	Yield 2023E (%)	ROE 2023E (%)	Market Cap. (S$m)	Price/ NTA ps (x)
CapLand Ascott T	CLAS SP	BUY	1.08	1.39	28.7	12/22	34.1	22.8	21.5	5.8	3.8	3,740.3	0.9
Civmec	CVL SP	BUY	0.745	1.23	65.1	6/22	7.5	7.5	6.7	4.8	14.0	376.3	1.1
CSE Global	CSE SP	BUY	0.39	0.42	7.7	12/22	43.8	13.0	11.8	7.1	8.7	239.8	1.1
Delfi	DELFI SP	BUY	1.29	1.71	32.6	12/22	13.0	12.4	11.5	4.0	18.3	788.4	2.4
Keppel Corp	KEP SP	BUY	6.71	9.09	35.5	12/22	12.9	12.9	12.6	3.1	8.2	11,824.3	1.1
Lendlease REIT	LREIT SP	BUY	0.66	0.87	31.8	6/22	13.2	17.8	18.7	7.1	5.3	1,533.6	0.8
O C B C	OCBC SP	BUY	12.28	17.32	41.0	12/22	9.7	8.0	7.9	6.1	12.5	55,196.0	1.1
Raffles Medical	RFMD SP	BUY	1.36	1.9	39.7	12/22	17.6	18.6	22.3	2.6	12.9	2,529.9	2.5
Rex Intl	REXI SP	SELL	0.152	0.1	(34.2)	12/22	n.a.	3.9	6.7	13.1	20.9	198.0	0.8
Seatrium	STM SP	BUY	0.125	0.17	36.0	12/22	n.a.	286.5	53.9	0.0	0.5	8,529.6	1.0
Sembcorp Ind	SCI SP	BUY	5.75	4.64	(19.3)	12/22	12.1	16.0	15.8	1.9	15.9	10,268.2	2.6
SIA Engineering	SIE SP	BUY	2.49	2.67	7.2	3/23	42.1	23.2	16.1	3.6	7.2	2,793.8	1.7
Thai Beverage	THBEV SP	BUY	0.58	0.75	29.3	9/22	12.1	13.0	12.0	3.8	13.8	14,572.4	2.0
YZJ ShipBldg SGD	YZJSGD SP	BUY	1.5	1.65	10.0	12/22	10.8	9.4	8.3	2.7	15.8	5,925.9	1.7

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

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