STRATEGY – SINGAPORE

Alpha Picks: Outperformance Led By Small/Mid-Caps; Add RSTON; Remove SATS And VALUE

Although the FSSTI recorded a decline of 0.4% mom in Feb 24, more than half of our picks, especially the small/mid-caps (Frencken, Marco Polo Marine and Food Empire), recorded decent gains. Our Alpha Picks portfolio rose 1.6% mom on an equal-weighted basis, outperforming the FSSTI by 2.0ppt. For Mar 24, we add Riverstone, and take profit on SATS and Valuetronics.

WHAT'S NEW

- **Market review.** In Feb 24, IT stocks in the US rallied to new all-time highs on the back of stellar results and the positive outlook on AI potential. However, market sentiment weakened leading up to the PCE index's Jan 24 release last Thursday. The heavy focus on the inflation reading and the Federal Reserve's preferred inflation measure stem from its influence on the timing of an interest rate cut. Manufacturing activity for Feb 24 was also due last week, which would help gauge the health of the US economy. Following an increase in macroeconomic uncertainty, the STI fell 0.4% mom in Feb 24.
- **Continued beat in 2024.** Our Alpha Picks portfolio continued to outperform in Feb 24, increasing 1.6% mom on an equal-weighted basis and beating the STI by 2.0ppt. On a market-cap weighted basis, our portfolio saw a marginal decline of 0.8% mom.
- **Reviewing our picks in February.** Frencken and Marco Polo Marine delivered solid returns of 23.1% mom and 11.8% mom respectively, both of which still trade at attractive valuations. Food Empire rose 6.7% mom as it reported record-high earnings last week and continues to see robust consumer demand. Our underperformers include SembCorp Industries (-10.1% mom), which saw profit-taking after the results announcement on 20 February and Mapletree Industrial Trust (-5.2%), which was impacted by general market weakness in REITs.

ACTION

- **Take profit on SATS and Venture; add Riverstone.** For Mar 24, we include RSTON in our portfolio with expected sequential earnings growth and potential attractive dividend yield of 10% for 2024. We remove SATS as it enters a seasonally quiet quarter, as well as Valuetronics due to lack of near-term catalysts.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Adrian Loh	Sembcorp Ind	BUY	73.0	Announcement of renewables acquisitions
Adrian Loh	Yangzijiang Shipbuilding	BUY	6.5	More order wins after Chinese New Year
Chong Lee Len	SingTel	BUY	-1.7	Higher 2HFY24 dividend.
Heidi Mo	Marco Polo Marine	BUY	3.8	Higher-than-expected utilisation and increased offshore activity
Jacquelyn Yow	Bumitama	BUY	10.3	Strong earnings and potential good dividend yield of 5%.
John Cheong	Civmec	BUY	21.7	Strong orderbook and higher dividend.
John Cheong	Food Empire	BUY	30.9	Robust earnings, potential attractive dividend yield of 7%.
John Cheong	Frencken Group	BUY	58.7	Better-than-expected sequential earnings.
John Cheong	Riverstone	BUY	n.a.	Sequential earnings growth, potential attractive dividend yield of 10%.
John Cheong	Venture Corp	BUY	7.5	Earnings recovery and higher-than-expected dividends.
Jonathan Koh	CapitaLand Ascott Trust	BUY	-9.6	A play on Singapore's recovery in the hospitality sector.
Jonathan Koh	Mapletree Industrial Trust	BUY	-1.7	A play on the global growth in data centres.
Jonathan Koh	OCBC	BUY	5.0	Attractive dividend yield; less susceptible to NIM compression.
Llelleythan Tan	ComfortDelGro	BUY	7.9	Better sequential earnings.

** 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$) -------- 1 Mar	Target	Up/(down) to TP
Bumitama	BUY	0.645	0.70	8.5
CapLand Ascott T	BUY	0.895	1.45	62.0
Civmec	BUY	0.785	1.23	56.7
ComfortDelGro	BUY	1.36	1.58	16.0
Food Empire	BUY	1.44	1.69	17.4
Frencken	BUY	1.65	1.74	5.5
MapletreeInd	BUY	2.26	2.98	31.9
MarcoPolo Marine	BUY	0.055	0.07	27.3
O C B C	BUY	12.99	17.22	32.6
Riverstone	BUY	0.685	0.88	28.5
Sembcorp Ind	BUY	5.09	7.49	47.2
SingTel	BUY	2.34	2.99	27.8
Venture	BUY	14.00	16.37	16.9
YZJ ShipBldg SGD	BUY	1.79	2.19	22.3

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

CHANGE IN SHARE PRICE

Company	Rec	Feb-24 (%)	To-date (%)
Bumitama	BUY	4.1	10.3
CapLand Ascott T *	BUY	(3.5)	(9.6)
Civmec	BUY	2.6	21.7
ComfortDelGro	BUY	(3.6)	7.9
Food Empire	BUY	6.7	30.9
Frencken	BUY	23.1	58.7
MapletreeInd *	BUY	(5.2)	(1.7)
MarcoPolo Marine *	BUY	11.8	3.8
O C B C	BUY	0.7	5.0
SATS	BUY	(4.7)	(3.3)
Sembcorp Ind	BUY	(10.1)	73.0
SingTel	BUY	(2.1)	(1.7)
Valuetronics	BUY	(4.9)	6.3
Venture Corp	BUY	4.4	7.5
YZJ ShipBldg SGD	BUY	4.2	6.5
FSSTI		(0.4)	
UOBKH Portfolio		1.6	

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

PORTFOLIO RETURNS (%)

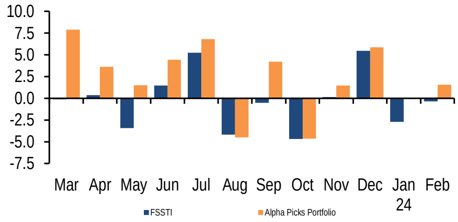
	2Q23	3Q23	4Q23	Jan-24	Feb-24
FSSTI return	-1.6	0.4	0.7	-2.7	-0.4
Alpha Picks Return					
- Price-weighted	10.1	-17.8	-0.4	0.1	0.4
- Market cap-weighted	5.4	-4.6	-0.1	-2.0	-0.8
- Equal-weighted	7.2	-0.6	2.2	0.0	1.6

Assumptions for the 3 methodologies:
1) *Price-weighted: Assuming same number of shares for each stock; a higher share price will have a higher weighting.*
2) *Market cap-weighted: Weighting based on the market cap at inception date; higher market cap = higher weighting.*
3) *Equal-weighted: Assuming same investment amount for each stock; every stock will have the same weighting.*

Source: UOB Kay Hian

PORTFOLIO RETURNS IN THE PAST 12 MONTHS

(WE OUTPERFORMED FSSTI 11 OUT OF 12 MONTHS)



Source: Bloomberg, UOB Kay Hian

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Sembcorp Industries – BUY (Adrian Loh)

- **Better-than-expected results for 2023 and a historical high.** Sembcorp Industries (SCI) reported a strong 45% yoy increase in net profit (before exceptional items) to S$1.02b, the highest in its history as a listed company. Free cash flow of nearly S$2b generated during 2023 was also a highlight, up 14% yoy. As a result, the company reported an ROE before exceptional items of 23.8% for 2023, and declared a final dividend of S$0.08, bringing total dividend for 2023 to S$0.13, representing a payout ratio of 23%.
- **Conventional energy remains a strong contributor.** After witnessing a 30% yoy increase in net profit for this segment in 2023, SCI remains bullish, guiding for this business to "remain robust" in 2024 underpinned by its significantly contracted position. Note that on a group-wide basis, 62% of its gas portfolio is contracted while in Singapore this is a significant 74% (with average tenure of 12 years) which generates cashflow certainty over the long term. This however will be offset slightly by a 60-day planned shutdown of its Singapore cogeneration assets to ensure its continued efficiency and high reliability
- **Renewables the growth engine.** In the 13 months to Feb 24, SCI grew its gross and installed renewables capacity by 4.0GW to 13.8GW and in our view should comfortably achieve its stated target of 25GW by 2028. While it acquired portfolios totalling 292MW in China and a further 228MW in India in 2023, it was also heartening to note that it saw organic growth in key partnership platforms. Of note was the company's acquisition of a 245MW portfolio in Vietnam which comprised solar, wind and hydro.
- **Maintain BUY with a higher target price of S$7.49** ($7.20 previously) based on a target PE multiple of 13.6x (previously 13.1x). The higher target price is a result of our higher EPS estimates for 2024 as well as a slightly higher target PE multiple which is 1.5SD above the company's 2018-24 average PE of 8.8x (excluding 2020 where the company reported impairment-related losses).

SHARE PRICE CATALYSTS

- **Events:** a) Value-accretive acquisitions in the green energy space, and b) potential to increase targets for its gross renewables capacity.
- **Timeline:** 6+ months.

Yangzijiang Shipbuilding – BUY (Adrian Loh)

- **Strong 2023 results and well above expectations.** Yangzijiang Shipbuilding (YZJ) delivered a very strong set of results with net profit for 2023 up 57% yoy to Rmb4.1b and well above expectations due to the company's shipbuilding margins of 22% which exceeded our expectation of 16%. As a result, net profit margin expanded by a healthy 4.4ppt and delivering an ROE of 19.6% for the year. A dividend of S$0.065 was declared which was an increase of 30% yoy from S$0.05 in 2022.
- **Positive tone and outlook at our investor meeting.** UOB Kay Hian attended an investor meeting with management with the overall tone being a bullish one for both its shipbuilding and shipping segments. Of particular note was the shipbuilding segment which management guided would maintain its margins in 2023 and possibly into 2024. Additionally, with most of its shipping fleet having been timechartered out to customers, YZJ believes that the shipping segment will see better profits on a yoy basis.
- **Higher order-win target.** The company will be targeting US$4.5b of new orders in 2024 compared with its historical guidance of US$2b-3b and believes that this level of order wins could persist into 2025. Note that as at end-Feb 24, YZJ has won US$1.35b worth of new orders, or 30% of its 2024 target.
- **Maintain BUY with a higher PE-based target price of S$2.19** (previously S$1.92) due to our earnings upgrades (+16% and +13% for 2024 and 2025 respectively). Our target price is pegged to a target PE multiple of 9.4x (+1.5SD above the company's five-year average of 6.3x).

SHARE PRICE CATALYSTS

- **Events:** a) Better capital management initiatives, b) new order win announcements, and c) safe and efficient execution of orderbook.
- **Timeline:** >6 months.

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

- **Doubling down on revenue drivers.** Singapore Telecommunications (Singtel) maintains its strategic aim to grow overall group ROIC from 8% in FY23 to low double digits by FY26, driven by its growth engines (regional data centres (RDC) and NCS). Both RDC and NCS are still expected to contribute more than 20% of EBITDA by FY28, almost double FY23's 12%, which would offset telecom services' declining EBITDA. Cash proceeds from the sale would likely be utilised for further expansion for both RDC and NCS, coupled with returns to shareholders.
- **Unlocking shareholder value.** The group has about S$4b of capital recycling after the stake sale of its RDC business which we reckon would likely come from paring down its stakes in its regional associates (valued at around S$49b as of end-1QFY24). Singtel currently has S$2b-3b of excess cash which we believe may lead to larger dividends towards the higher end of the group's new 70-90% of underlying PATMI dividend policy in 2HFY24.
- **Higher dividend policy.** Singtel adjusted its dividend policy higher to 70-90% of underlying net profit (60-80% of underlying net profit previously) which could bring its full-year FY24 dividend to around 13.0 S cents/share, implying an ample annualised dividend of around 5.4%.
- **Maintain BUY with a DCF-based target price of S$2.99** (discount rate: 7%, growth rate: 2.0%). At our target price, the stock will trade at 15x FY24 EV/EBITDA. In our view, Singtel remains an attractive play against elevated market volatility, underpinned by improving business fundamentals and a decent 4.6% dividend yield.

SHARE PRICE CATALYSTS

- **Events:** a) Successful monetisation of 5G, b) monetisation of data centres and/or NCS, and c) market repair in Singapore.
- **Timeline:** 6-12 months.

Marco Polo Marine – BUY (Heidi Mo & John Cheong)

- **Favourable OSV market outlook with increased offshore activity.** The Asia Pacific (APAC) offshore windfarm market continues to garner attention and attract investments in projects. According to Mordor Intelligence, the APAC offshore support vessel (OSV) market is expected to record a CAGR of >7% from 2022 to 2027. With its successful expansion into Taiwan and Japan, followed by its partnership in South Korea, Marco Polo Marine (MPM) stands to benefit from servicing the growing APAC offshore wind market.
- **New dry dock to boost ship repair capacity; China's reopening to stabilise.** MPM's new 240m-long Dry Dock 4 is expected to be completed by 1QFY25 and increase ship repair capacity by up to 25%. The stabilisation of China's reopening will also allow MPM to capture growing demand for ship repairs and shipbuilding and achieve top-line growth. As of end-1QFY24, MPM's shipyard utilisation rate remained high at 79% (+5ppt yoy).
- **Primed to benefit from growing renewable market upon new CSOV deployment.** MPM is building a new commissioning service operation vessel (CSOV) designed to provide charter services in Taiwan, Japan and South Korea. To recap, the CSOV reached 34% completion as of 4QFY23. From MPM's recent Vestas Framework Agreement, we understand that the CSOV will be deployed over three years at an agreed utilisation rate once the vessel is fully constructed. As a shortage of such vessels and increased construction of new projects continue to drive up both utilisation and charter rates, the CSOV's expected completion in 3QFY24 is timely for MPM's growth.

- **Maintain BUY with a 6% higher target price of S$0.07.** We have changed our valuation methodology from P/B to PE, as MPM has demonstrated its ability to generate sustainable profits. The valuation peg of 9.0x FY24F PE is +2SD above its historical three-year PE range, on the back of higher charter rates and vessel utilisation rates. MPM currently trades at an attractive 7x FY24F PE (5x ex-cash).

SHARE PRICE CATALYSTS

- **Events:** a) Higher-than-expected charter rates and vessel utilisation, and b) new or higher value of ship repair or ship chartering projects.
- **Timeline:** 3-6 months.

Bumitama Agri - BUY (Jacquelyn Yow & Leow Huey Chuen)

- **Margin expansion coupled with CPO uptrend.** Bumitama Agri (Bumitama) has strong earnings sensitivity towards CPO prices compared with its Indonesian SGX-peers as it is a pure upstream player and sells 100% of its CPO into the spot market. We expect margin expansion for 4Q23 and 2024 with production costs forecast to decline by 10-15% due to lower fertiliser costs.
- **Potential high dividend yield of 5%.** Based on a dividend payout ratio of 40% for 2023, the upcoming dividend is expected to be 3.5 cents per share (translating a dividend yield of 5%). With the company's strong cashflow and low gearing, there may be a high possibility that the payout ratio may be higher than 40%. Based on a 40% dividend payout, the total dividend for 2023 would be 4.75 cents, bringing to a dividend yield of 7%.
- **Maintain BUY with a target price of S$0.70,** which is pegged to an undemanding 6.0x 2024F PE with dividend yield of 6-7%.

SHARE PRICE CATALYSTS

- **Events:** a) Higher-than-expected CPO prices, and b) higher-than-expected FFB production.
- **Timeline:** 2-4 months.

Civmec – BUY (John Cheong & Heidi Mo)

- **Positive outlook amid buoyant tendering activities.** Tendering activities saw continued strong momentum across all sectors that Civmec has a presence in (resources, energy and infrastructure, marine and defence). Its orderbook stood at above A$1b as at 1QFY24, securing most of its revenue for the next 12 months with a portion extending up to 2029. We expect its strong orderbook to be maintained moving forward.
- **New maintenance facility to increase capacity.** In 1HFY24, Civmec completed the construction of its new Port Hedland maintenance facility's structure. This will allow Civmec to better serve existing clients and capitalise on new opportunities in the region. With the company seeing higher activity levels in the Pilbara from more projects awarded by existing clients, management expects the new facility to boost Civmec's presence in the maintenance services industry.
- **Redomicile plans to Australia expected to increase opportunities.** On 27 Oct 23, Civmec announced plans to gain regulatory approvals to redomicile from Singapore to Australia. With the Australian government and corporations increasingly introducing assessment criteria for local corporations, redomiciling to Australia would likely allow Civmec to successfully tender for more projects. In particular, this may bolster Civmec's chances of contributing significantly to defence projects brought about by the 2023 Defence Strategic Review. As of end-1HFY24, Civmec was working with the relevant regulatory bodies to finalise the scheme documents and gain approvals.
- **Maintain BUY with a target price of S$1.23,** pegged to 11x FY24F PE (based on 1SD below five-year mean). We think the current valuation of 7x FY24F PE is attractive, given its strong growth profile of 10% three-year EPS CAGR for FY22-25 and huge orderbook. Civmec's Australian peers are trading at an average of 17x FY24F 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 the defence business.
- **Timeline:** 3-6 months.

Food Empire Holdings – BUY (John Cheong & Heidi Mo)

- **Potential dual listing on Hong Kong Stock Exchange to improve valuation.** Food Empire Holdings (FEH) recently announced that it is exploring a dual primary listing in Hong Kong. This will provide FEH with more avenues to raise capital and exposure to a broader investor base. If successful, we believe that it could mean better valuations for the stock. Trading at 9x 2024F PE vs Singapore peers' average of 11x and regional peers' average of 14x, its valuation is due for a re-rating, in our view.
- **Strong demand for consumer staple products.** Despite rising inflationary pressures and ASPs, FEH does not see major changes in consumption patterns. Given the consumer-staple nature of FEH's products, demand is relatively price inelastic. FEH's products in the coffee segment, such as the MacCoffee brand, continue to be affordable with mass appeal, leading to stronger demand in 2024.
- **Frequent share buybacks to date reflect confidence.** Since Jul 23, FEH has bought back 6.3m shares at up to S$1.18, showing management's confidence in the future growth outlook.
- **Maintain BUY with a 4% higher PE-based target price of S$1.69,** pegged to 11x 2024F EPS, or its long-term historical mean. FEH has demonstrated its ability to deliver sustained solid performance, with 2023 revenue reaching a record high in spite of currency fluctuations. We are of the view that FEH will continue to produce strong results.

SHARE PRICE CATALYSTS

- **Events:** a) Better-than-expected earnings or dividend surprise, b) improving net margin from better-than-expected ASPs and easing of key costs including freight and raw material costs, and c) successful dual listing on Hong Kong Stock Exchange.
- **Timeline:** 3-6 months.

Frencken – BUY (John Cheong)

- **Stable outlook for 1H24 vs 2H23; continued focus on programmes for existing and new customers.** Frencken expects to post stable revenue in 1H24 vs 2H23. Its outlooks for its various segments for 1H24 vs 2H23 are as follows: a) semiconductor: higher revenue, b) medical: increasing revenue, c) analytical & life sciences: stable revenue, d) industrial automation: decreasing revenue, and e) automobile: stable revenue. By leveraging on Frencken's expanded capacity and strategic manufacturing sites in Europe, Asia and the US, Frencken will continue to focus on its programmes for existing and new customers to ensure it is well-positioned for a recovery in the global economy and technology sector.
- **SEMI expects global fab equipment spending to recover in 2024.** On 12 Sep 23 quarterly World Fab Forecast Report by Semiconductor Equipment and Materials International (SEMI), global fab equipment spending for front-end facilities is expected to rebound 15% yoy in 2024, partly driven by the end of the semiconductor inventory correction in 2023 and strengthening demand for semiconductors in the high-performance computing (HPC) and memory segments. The trend suggests that the semiconductor industry is turning the corner and on a path back to growth.
- **Long-term growth supported by diversified segments and new programmes.** Backed by its diverse exposure to multiple market segments in the high technology industry and the strength of its balance sheet, Frencken is confident of weathering the current headwinds and will continue to focus on investments in programmes. Frencken has

continued strong new product introduction (NPI) and first article (FA) engagement with key customers under the oneMechatronics programme, which is a site-transferring programme that spans the semiconductor, analytical/life sciences, medical and aerospace sectors and across operating sites.

- **Maintain BUY with a 5% higher target price of S$1.74,** pegged to an unchanged 17.0x 2024F PE, based on 2SD above mean PE. The +2SD in our PE multiple peg is to capture: a) the recovery of the semiconductor cycle, which is exhibiting multiple positive indications, and b) an improvement in earnings quality where the automobile segment could see more contributions from several new customers in the electric vehicle space.

SHARE PRICE CATALYSTS

- **Events:** a) Higher-than-expected factory utilisation and better cost management.
- **Timeline:** 3-6 months.

Riverstone Holdings – BUY (John Cheong & Llelleythan Tan)

- **Riverstone's cleanroom gloves, which contribute about 80% of earnings, are expected to see a recovery in demand,** driven by new clients onboarded in the preceding year and improvement in the semiconductor industry in 2024. According to International Data Corporation (IDC), the semiconductor sales market is expected to recover with a 20% growth rate in 2024. This is also supported by the SEMI World Fab Forecast reporting 42 new projects in 2024, up from 11 in 2023.
- **Benefitting from higher-margin customised healthcare gloves.** Riverstone Holdings (Riverstone) is demolishing its 10-year-old production lines to build six newer lines for customised products that will be operational from 2H24. This has allowed it to expand its gross margin substantially, as customised gloves fetch approximately 30% gross profit margin, around six times that of generic gloves. Moving forward, higher demand for customised healthcare gloves will drive higher margins for Riverstone.
- **Potential dividend increase backed by strong balance sheet.** Pending approval, Riverstone declared a special interim dividend of 5.0 sen and a final dividend of 7.5 sen. Together with the first two interim dividends of 10.0 sen, 2023 total dividend totals to 22.5 sen (vs 34.0 sen in 2022), implying a payout ratio of 151.3% and dividend yield of 9% for 2023. Backed by its healthy cash balance of S$875.4m (about 87.5% of market cap) and operating cash flow, we expect 2024-26 payout ratio to be maintained at 140% to reward shareholders. This translates to an attractive dividend yield of 10% for 2024.
- **Maintain BUY with a 7% higher PE-based target price of S$0.88,** pegged to 17.6x 2024F PE, or 1SD above the long-term historical mean. We think that Riverstone stands to benefit from its higher-margin customised glove offerings and the improving cleanroom glove demand-supply dynamics.

SHARE PRICE CATALYSTS

- **Events:** a) Higher-than-expected demand for cleanroom and healthcare gloves, b) higher dividend payouts.
- **Timeline:** 3-6 months.

Venture Corp – BUY (John Cheong)

- **Expect stronger 2H24 vs 1H24.** Based on customers' feedback, VMS expects that the demand schedule will be stronger in 2H24 vs 1H24. To recap, VMS was still coming off the high base quarter in 1Q23 where it recorded earnings of S$74m, before normalising in 2Q23- 4Q23 with earnings of S$63m-67m.
- **VMS intends to expand its participation in new high-growth technology domains.** VMS will continue to capitalise on its core strengths of excellence and innovation to deliver long-term sustainable growth and greater value for its shareholders.

- **Healthy balance sheet and consistent dividends.** As of FY23, VMS had net cash of S$1,056m (accounting for around 25% of its current market cap) and led the pack of US-listed peers which were mostly in net debt positions. Also, VMS continues to issue the same amount of dividends or better than that of preceding years.
- **Maintain BUY and target price of S$16.37,** pegged to 0.5SD above its long-term mean PE of 17x 2024F earnings to capture the potential earnings recovery in 2024 and upcycle beyond that. Currently, VMS is trading at 14.7x 2024F PE (10x ex-cash 2024 PE) and offers a decent dividend yield of 5.3%.

SHARE PRICE CATALYSTS

- **Events:** a) Positive earnings surprise, b) winning more customers, and c) higher-than-expected dividends and share buybacks.
- **Timeline:** 3-6 months.

CapitaLand Ascott Trust – BUY (Jonathan Koh)

- **Stability from geographical diversification.** The outlook is clouded by geopolitical uncertainties and a slowdown in global trade. CapitaLand Ascott Trust's (CLAS) geographical diversification and balanced 46:54 mix of growth and stable income assets provide resiliency.
- **CLAS benefits from the recent expansion in longer-stay properties,** such as student accommodation and rental housing, which accounted for 19% of portfolio valuation.
- **CLAS has a resilient balance sheet** with aggregate leverage at 35.2% (39% after the completion of acquisition of Cavendish London, Temple Bar Hotel and Ascott Kuningan Jakarta), adjusted interest coverage ratio of 4.2x and weighted average debt to maturity of 3.7 years.

SHARE PRICE CATALYSTS

- **Events:** a) Expectations of lower interest rates and lower inflation, and b) normalisation of business and leisure travel.
- **Timeline:** 6-12 months.

Mapletree Industrial Trust – BUY (Jonathan Koh)

- **Portfolio occupancy stable at 92.6% in 3QFY24.** Occupancy for hi-tech buildings improved 2.8ppt qoq to 87.6% due to new leases secured at Mapletree Hi-Tech Park. Committed occupancy at Mapletree Hi-Tech Park improved 3.1ppt qoq to 51.3%. Occupancy for data centres eased 2.4ppt qoq to 91.0% due to non-renewal of a lease for a data centre at Brentwood, Tennessee. Management is in advanced negotiations with a potential replacement tenant from the healthcare industry.
- **Osaka data centre started contributing since 3QFY24; on the lookout for more data centre acquisitions.** Mapletree Industrial Trust (MINT) completed the acquisition of a data centre in Osaka, Japan at a purchase consideration of ¥52.0b on 28 Sep 23 (only three days of contributions in 2QFY24). The data centre is being fitted out over four phases and provides long WALE of 19 years. MINT has the right of first refusal from the sponsor Mapletree Investments to acquire the remaining 50% stake in its second data centre, JV Mapletree Rosewood Data Centre Trust (MRODCT), which owns 13 data centres in the US. It is also keen to acquire high-tech, R&D and life science properties.
- **Maintain BUY.** Our target price of S$2.98 is based on DDM (cost of equity: 6.75%, terminal growth: 2.2%).

SHARE PRICE CATALYSTS

- **Events:** a) Growth from data centres located in Singapore, North America and Japan, b) acquisition of the remaining 50% stake in portfolio of 13 data centres (second JV) from sponsor Mapletree Investments, and c) redevelopment projects in Singapore.

- **Timeline:** 6-12 months.

Oversea-Chinese Banking Corp – BUY (Jonathan Koh)

- **Committed to new dividend policy.** Management intends to maintain dividend payout ratio at 50% going forward. Oversea-Chinese Banking Corp (OCBC) provides attractive dividend yield of 6.5% for 2024.
- **Most well capitalised bank in Singapore.** CET-1 CAR improved 1.1ppt qoq to 15.9% (15.1% after adjusting for final dividend) due to growth in earnings and optimisation of risk-weighted assets. The release of additional capital requirement for the SMS phishing scam imposed by Monetary Authority of Singapore contributed to a 0.2ppt increase in CET-1 CAR.
- **Strategic initiatives to deliver incremental S$3b revenue.** Management aims to deliver incremental revenue of S$3b cumulatively over 2023-25, driven by four growth pillars: a) Asian wealth, b) trade and investment flows, c) new economy, and d) sustainable financing. Management aims to deliver ROE of 12-13% with additional contribution of 1ppt from the incremental revenue of S$3b. OCBC has achieved its targets for its strategic initiatives for 2023.
- **Maintain BUY.** Our target price of S$17.22 is based on 1.31x 2025F P/B, derived from the Gordon Growth Model (ROE: 11.8%, COE: 9.0%, growth: 0.0%).

SHARE PRICE CATALYSTS

- **Events:** a) Resiliency from high CET-1 CAR of 14.8%, and b) attractive 2023 dividend yield of 6.5% from commitment to new dividend payout ratio of 50%.
- **Timeline:** 6-12 months.

ComfortDelgro – BUY (Llelleythan Tan & Heidi Mo)

- **Public transport: Upcoming tailwinds in 2024.** Following the Public Transport Council's (PTC) annual fare review in 2023, Singapore bus and train fares have increased by up to 7% from 23 Dec 23. Per PTC, ComfortDelgro's (CD) 74.4%-owned subsidiary, SBST, will see a S$20.9m increase in revenue. As there are no incremental operating costs with the hike, the 7% hike in fares will lead to higher margins for CD's public transport segment and boost profitability, backed by increasing rail ridership that has crossed pre-pandemic levels in Jan 24. Also, management noted that UK bus contract renewals are still undergoing contract renewals that would lead to better margins in 2024.
- **Taxi: Strong growth momentum in 2024.** Going into 2024, CD's taxi segment is likely to see earnings growth from higher taxi commission rates (raised by 2ppt to 7% on 1 Jan 24) and the full-year contribution from Zig platform fees in Jul 23. Though the impact will be offset by CD's 10% taxi rental rebate, which was made permanent from 1 Jan 24, we expect an overall improvement in CD's taxi segment earnings in 2024.
- **Maintain BUY with a lower PE-based target price of S$1.58 (S$1.61 previously),** pegged to the same 15x 2024F PE, CD's average long-term PE. The lower target price is largely due to our decreased 2024 PATMI estimates. With improving fundamentals, a lush 6.0% dividend yield and a robust balance sheet, we reckon that most negatives have already been priced in. Despite the recent strong share price performance, we opine that there is still much potential upside at current price levels.

SHARE PRICE CATALYSTS

- **Events**: a) Bus tender contract wins, b) earnings-accretive overseas acquisitions, and c) increase in taxi commission rates.

- **Timeline:** 6-12 months.

VALUATION

Company	Ticker	Rec*	Price 1 Mar 24 (S$)	Target Price (S$)	Upside To TP (%)	Last Year End	PE 2023A (x)	PE 2024E (x)	PE 2025E (x)	Yield 2024E (%)	ROE 2024E (%)	Market Cap. (S$m)	Price/ NAV ps (x)
Bumitama	BAL SP	BUY	0.645	0.70	8.5	12/23	5.2	5.6	5.8	7.2	16.8	1,118.5	1.0
CapLand Ascott T	CLAS SP	BUY	0.895	1.45	62.0	12/23	18.5	19.7	19.6	6.9	3.6	3,379.6	0.8
Civmec	CVL SP	BUY	0.785	1.23	56.7	6/23	7.5	7.2	6.7	5.6	14.1	398.5	1.0
ComfortDelGro	CD SP	BUY	1.36	1.58	16.0	12/23	16.3	13.3	12.4	6.0	8.4	2,945.4	1.1
Food Empire	FEH SP	BUY	1.44	1.69	17.4	12/23	10.0	9.4	8.8	6.9	19.7	760.3	2.0
Frencken	FRKN SP	BUY	1.65	1.74	5.5	12/23	21.7	16.1	14.7	1.9	10.4	704.6	1.8
MapletreeInd	MINT SP	BUY	2.26	2.98	31.9	3/23	17.0	16.3	15.8	6.1	7.1	6,405.0	1.2
MarcoPolo Marine	MPM SP	BUY	0.055	0.07	27.3	9/23	7.9	7.1	6.6	2.7	14.2	206.5	1.2
O C B C	OCBC SP	BUY	12.99	17.22	32.6	12/23	8.4	8.3	8.6	6.5	12.8	58,395.9	1.1
Riverstone	RSTON SP	BUY	0.685	0.88	28.5	12/23	15.6	13.8	12.9	10.0	15.7	1,015.3	2.1
Sembcorp Ind	SCI SP	BUY	5.09	7.49	47.2	12/23	9.6	9.4	9.0	2.6	20.0	9,060.1	2.0
SingTel	ST SP	BUY	2.34	2.99	27.8	3/23	17.5	15.6	14.1	5.3	8.7	38,617.8	1.5
Venture	VMS SP	BUY	14	16.37	16.9	12/23	15.1	14.6	14.1	5.4	9.8	4,063.0	1.4
YZJ ShipBldg SGD	YZJSGD SP	BUY	1.79	2.19	22.3	12/23	9.1	8.3	7.6	3.6	19.5	7,071.6	1.8

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

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