STRATEGY – SINGAPORE

Alpha Picks: A Robust End To 1Q24. Add CSE And LREIT; Remove MINT, CVL And FEH

Our Alpha Picks portfolio rose 6.0% mom on an equal-weighted basis, outperforming the STI by a material 3.4ppt. The outperformance was driven by broad-based strength across most of our portfolio with the best showing coming from Riverstone, Yangzijiang Shipbuilding and Singtel. In 1Q24, our Alpha Picks portfolio surged by 13.7% qoq, surpassing the STI by a hefty 14.2ppt qoq. For Apr 24, we add CSE and LREIT while removing MINT, CVL and FEH.

WHAT'S NEW

- **Market review.** For Mar 24, a resilient end to the US earnings season coupled with ongoing enthusiasm in Artificial Intelligence drove investor sentiment higher, leading the US markets to record highs. Furthermore, positive economic data and a dovish stance from the US Fed reassured investors of an economic "soft landing". This led global markets higher with the STI increasing 2.6% mom.

- **Strong beat to cap off 1Q24.** Our Alpha Picks portfolio outperformed in Mar 24, increasing 6.0% mom on an equal-weighted basis and exceeding the STI by 3.4ppt. On a market-cap weighted basis, our portfolio rose 5.5% mom and bettered the STI by 2.9ppt. For 1Q24, our Alpha Picks portfolio rose 13.7% qoq on an equal-weighted basis, significantly outpacing the STI by 14.2ppt.

- **Broad-based outperformance.** Our top performers were Riverstone (+30.8% mom), Yangzijiang Shipbuilding (YZJ, +9.1% mom) and Singtel (+7.7% mom). Riverstone surged sharply on the back of better sequential earnings for 4Q23 along with a declared special dividend while YZJ benefited from greater confidence in its 2024 outlook. Singtel rose from market speculation that the group was planning to sell its Australian business, potentially unlocking shareholder value. Our underperformers include Food Empire (-5.6% mom) and Civmec (-0.4% mom) which saw profit-taking after their respective strong performances in 1Q24. Nonetheless, both Food Empire (+23.6% mom) and Civmec (+19.4% mom) have performed well since their inclusion into our Alpha Picks portfolio.

ACTION

- **We add LREIT and CSE while removing MINT, CVL and FEH.** For Apr 24, we include LREIT and CSE in our portfolio, driven by recovery of its 313@Somerset downtown mall and expected earnings growth driven by its record-high orderbook respectively. We also remove MINT, CVL and FEH due to lack of near-term catalysts.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Adrian Loh	Sembcorp Ind	BUY	83.5	Announcement of renewables acquisitions
Adrian Loh	Yangzijiang Shipbuilding	BUY	13.1	More order wins in 2Q24
Chong Lee Len	SingTel	BUY	6.7	Higher 2HFY24 dividend
Heidi Mo	Marco Polo Marine	BUY	18.9	Higher-than-expected utilisation and offshore activity
Jacquelyn Yow	Bumitama	BUY	20.5	Strong earnings and potential dividend yield of 5%
John Cheong	CSE Global	BUY	n.a.	Higher earnings from record-high orderbook
John Cheong	Frencken Group	BUY	59.6	Better-than-expected sequential earnings
John Cheong	Riverstone	BUY	21.5	Sequential earnings growth; potential attractive dividend yield of 10%
John Cheong	Venture Corp	BUY	9.8	Earnings recovery and higher-than-expected dividends
Jonathan Koh	CapitaLand Ascott Trust	BUY	-4.0	Recovery in the hospitality sector
Jonathan Koh	Lendlease Global Commercial	BUY	n.a.	Positive rental reversion from 313@Somerset
Jonathan Koh	OCBC	BUY	10.3	Attractive dividend yield; less susceptible to NIM compression
Llelleythan Tan	ComfortDelGro	BUY	15.1	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$) -------- 2 Apr	Target	Up/(down) to TP
Bumitama	BUY	0.705	0.70	(0.7)
CapLand Ascott T	BUY	0.95	1.45	52.6
ComfortDelGro	BUY	1.45	1.66	14.5
CSE Global	BUY	0.43	0.56	30.2
Frencken	BUY	1.66	1.74	4.8
Lendlease REIT	BUY	0.57	0.93	63.2
MarcoPolo Marine	BUY	0.063	0.086	36.5
O C B C	BUY	13.64	17.22	26.2
Riverstone	BUY	0.815	0.88	8.0
Sembcorp Ind	BUY	5.40	7.49	38.7
SingTel	BUY	2.54	2.99	17.7
Venture	BUY	14.29	16.37	14.6
YZJ ShipBldg SGD	BUY	1.90	2.19	15.3

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

CHANGE IN SHARE PRICE

Company	Rec	Mar-24 (%)	To-date (%)
Bumitama	BUY	7.0	20.5
CapLand Ascott T	BUY	5.6	(4.0)
Civmec *	BUY	(0.4)	20.9
ComfortDelGro	BUY	3.7	15.1
Food Empire	BUY	(5.6)	25.5
Frencken	BUY	4.4	59.6
MapletreeInd	BUY	2.2	1.3
MarcoPolo Marine	BUY	7.1	18.9
O C B C	BUY	3.9	10.3
Riverstone *	BUY	30.8	21.5
Sembcorp Ind	BUY	5.9	83.5
SingTel	BUY	7.7	6.7
Venture Corp	BUY	1.9	9.8
YZJ ShipBldg SGD	BUY	9.1	13.1
FSSTI		2.6	
UOBKH Portfolio		6.0	

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

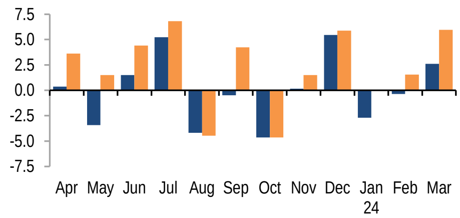
PORTFOLIO RETURNS (%)

	2023	3Q23	4Q23	Feb-24	Mar-24
FSSTI return	-0.3	0.4	0.7	-0.4	-2.6
Alpha Picks Return					
- Price-weighted	-8.2	-17.8	-0.4	0.4	3.9
- Market cap-weighted	2.0	-4.6	-0.1	-0.8	5.5
- Equal-weighted	8.7	-0.6	2.2	1.6	6.0

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)

- **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 14 months to Mar 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 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)

- **Positive tone and outlook at our post-results investor meeting.** UOB Kay Hian hosted an investor meeting with management with the overall tone being a bullish one for both its shipbuilding and shipping segments. Of 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 to its historical guidance of US$2-3b 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 PE-based target price of S$2.19.** 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)

- **Driving ROIC.** Singapore Telecommunications (Singtel) expects to lift return on invested capital (ROIC) from 8% in FY23 to low double digits by FY26. This is based on: a) market repair and cost management in core business, b) monetisation of 5G, c) an absence of Amobee’s and Trustwave’s losses, d) fast-growing momentum of NCS, e) cost discipline and digitalisation, and f) monetisation of regional data centres.

- **Unlocking shareholder value.** Management has reiterated its discipline towards capital recycling initiative to fund future growth and reward shareholders. Including a 3.9% direct stake sale of Airtel Africa in 3QFY24, the group has about S$4b of capital recycling 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 after accounting for current growth initiatives and 5G capex. We opine that the excess cash 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 potentially bring its full-year FY24 dividend to around 13.0 S cents/share, implying an ample annualised dividend of around 5%.

- **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 5% 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 APAC offshore windfarm market continues to garner attention and attract investments in projects. According to Mordor Intelligence, the APAC 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, 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 240-metre-long Dry Dock 4 is expected to be completed by 1QFY25 and will increase ship repair capacity by up to 25%. The group has also successfully secured several new build contracts for vessel construction to be delivered up till 2HFY24, ensuring sustained shipyard utilisation levels. The stabilisation of China's reopening will also allow MPM to capture growing demand for ship repairs and shipbuilding and achieve top-line growth.

- **Primed to benefit from growing renewables 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 was 34% completed 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 continues 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 target price of S$0.086,** pegged to 11x FY24F PE based on +2SD above its historical three-year PE range. 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 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 potential upcoming dividend is expected to be at 3.5 cents per share (translating to 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 40% dividend payout, the total dividend for 2023 would be at 4.75 cents, leading 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.

CSE Global – BUY (John Cheong & Heidi Mo)

- **Expect higher earnings in 2024 with record-high orderbook.** Management has reached its goal of a ~S$1b order intake in 2023, as order intake rose 20.9% yoy to S$990.2m, while its 2023 orderbook reached a record-breaking S$730.6m (+52.2% yoy). This was boosted by order intakes in the Communications and Electrification segments, which rose by 58.7% yoy and 41.9% yoy respectively. On the back of the stronger order wins and an all-time high orderbook, we expect CSE's 2024 earnings to see solid growth.
- **CSE's share placement saw strong demand from reputable institutional and accredited investors.** On 25 Mar 24, CSE completed a share placement held at an issue price of S$0.40 per share. The issue price is at a 6.6% discount to the last volume weighted average price of S$0.4281. CSE has issued 60m new ordinary shares, which raised gross proceeds of S$24m and net proceeds of S$23.2m. 100% of the net proceeds will be used to fund potential acquisitions or investments in its existing markets, including the US, Australia and New Zealand. The strong support from investors illustrates confidence in CSE's growth potential, with opportunities arising on the back of megatrends such as urbanisation, electrification and decarbonisation.
- **CSE continues to see 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 & Asia Pacific region. In 2023, CSE successfully generated >55% of its business from infrastructure and mining/minerals customers, which brought in S$679.7m or 69% of 2023's order intake.
- **Maintain BUY.** Our target price is pegged to 15x 2024F PE (based on an unchanged +1SD above mean). Post-share placement, our EPS growth forecasts remain strong at 9-10% across 2024-26F while the dividend yield is attractive at around 6.4% from current price.

SHARE PRICE CATALYSTS

- **Events:** a) Large infrastructure project wins, and b) accretive acquisitions.
- **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.** In the 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 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 semiconductor, analytical/life sciences, medical and aerospace sectors and across operating sites.
- **Maintain BUY with a target price of S$1.74,** pegged to 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 b) better cost management.
- **Timeline:** 3-6 months.

Riverstone Holdings – BUY (John Cheong & Llelleythan Tan)

- **Riverstone's cleanroom gloves, which contribute around 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 is in the midst of demolishing their 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 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, and 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 dividend 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.** CapitaLand Ascott Trust's (CLAS) geographical diversification and balanced 46:54 mix of growth and stable income assets provide resiliency.
- **Room for sustainable growth.** Portfolio RevPAU increased 4% yoy and qoq to S$161 in 4Q23, 3% above pre-pandemic levels on a pro forma basis, driven by growth in Australia, Japan, Singapore, the UK and the US. Average portfolio occupancy was stable at 77% in 4Q23, still below pre-pandemic levels of 84%.
- **CLAS benefits from the recent expansion in longer-stay properties,** such as student accommodation in the US and rental housing in Japan, which accounted for 17% of portfolio valuation. The newly completed 678-bed Standard at Columbia received its first batch of students in Aug 23.
- **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.

- **Maintain BUY.** Our target price of S$1.45 is based on DDM (cost of equity: 7.0%, terminal growth: 2.8%).

SHARE PRICE CATALYSTS

- **Events:** a) Normalisation of business and leisure travel, and b) expansion in longer-stay properties.
- **Timeline:** 6-12 months.

Lendlease Global Commercial REIT – BUY (Jonathan Koh)

- **Downtown mall 313@Somerset outperforming.** LREIT achieved strong positive rental reversion of 15.7% (313@Somerset: >20%, Jem: 10%) in 2QFY24.
- **Further enhancement to 313@Somerset.** Construction of the multi-functional event space at Grange Road Car Park is scheduled to commence in 1H24. The event space is leased to Live Nation, a leading live entertainment company, and will attract more youths to 313@Somerset.
- **Option to deleverage through divestment.** LREIT has the option of divesting the office block at Jem if it decides to redeem perpetual securities of S$400m.
- **Maintain BUY.** Our target price of S$0.93 is based on DDM (cost of equity: 7.0%, terminal growth: 2.2%).

SHARE PRICE CATALYSTS

- **Events:** a) Recovery of downtown mall 313@Somerset, and b) expansion in Singapore tapping on sponsor pipeline.
- **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, CD's 74.4%-owned subsidiary, SBS Transit, will likely see a S$20.9m increase in revenue for 2024. As there are no incremental operating costs with the hike, this would likely lead to margin expansion in 1Q24 for CD's public transport segment in our view, backed by increased rail ridership. Also, management noted that UK bus contract renewals are still undergoing contract renewals that would lead to better margins in 1H24.

- **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. Additionally, lower taxi rental discounts in Singapore/China coupled with a higher fleet utilisation in China would also help support margins.

- **Maintain BUY with a PE-based target price of S$1.66,** pegged to the same 15x 2024F PE, CD's average long-term PE. With improving fundamentals, a lush 5.8% dividend yield and a robust balance sheet, we reckon that most negatives have already been priced in. Backed by upcoming favourable tailwinds, we reckon that better sequential earnings improvement for CD for 1Q24 would help support share price performance in 1H24.

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 2 Apr 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	0.705	0.70	(0.7)	12/23	5.7	6.1	6.4	6.5	16.8	1,222.6	1.1
CapLand Ascott T	CLAS SP	BUY	0.95	1.45	52.6	12/23	19.7	20.9	20.8	6.5	3.6	3,587.2	0.8
ComfortDelGro	CD SP	BUY	1.45	1.66	14.5	12/23	17.4	13.5	12.5	5.6	8.9	3,140.3	1.2
CSE Global	CSE SP	BUY	0.43	0.56	30.2	12/23	11.7	11.6	10.5	6.4	10.8	291.6	1.2
Frencken	FRKN SP	BUY	1.66	1.74	4.8	12/23	21.8	16.2	14.8	1.9	10.4	708.9	1.8
Lendlease REIT	LREIT SP	BUY	0.57	0.93	63.2	6/23	21.8	19.4	24.0	7.8	3.1	1,354.6	0.7
MarcoPolo Marine	MPM SP	BUY	0.063	0.086	36.5	9/23	9.0	8.1	7.6	2.4	14.2	236.5	1.4
O C B C	OCBC SP	BUY	13.64	17.22	26.2	12/23	8.8	8.7	9.0	6.2	12.8	61,315.9	1.2
Riverstone	RSTON SP	BUY	0.815	0.88	8.0	12/23	18.6	16.4	15.4	8.4	15.7	1,208.0	2.5
Sembcorp Ind	SCI SP	BUY	5.40	7.49	38.7	12/23	10.2	10.0	9.5	2.4	20.0	9,611.9	2.1
SingTel	ST SP	BUY	2.54	2.99	17.7	3/23	19.0	16.9	15.3	4.9	8.7	41,918.5	1.6
Venture Corp	VMS SP	BUY	14.29	16.37	14.6	12/23	15.4	14.9	14.3	5.2	9.8	4,145.7	1.5
YZJ ShipBldg SGD	YZJSGD SP	BUY	1.90	2.19	15.3	12/23	9.7	8.8	8.0	3.4	19.5	7,506.1	1.9

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

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