

STRATEGY – SINGAPORE

Alpha Picks: Solid Beat; Add SPOST And Remove SIAEC From Our Portfolio

For Jul 24, our Alpha Picks portfolio rose 4.7% mom on an equal-weighted basis, beating the STI by 1.0ppt. The strong outperformance was driven by CVL, CSE and ST, while FRKN, SCI and GENS underperformed. Our Alpha Picks portfolio has now outperformed the STI in six out of the past seven months. For Aug 24, we add SPOST while removing SIAEC from our Alpha Picks portfolio.

WHAT'S NEW

- Market review.** Jul 24 started off strong as encouraging US economic data along with cooling inflation strengthened market expectations of the impending interest rate cuts. However, concerns over US chip export restrictions to China and a slow start to the US corporate earnings season in the latter half of Jul 24 saw markets retreat. However, the STI ended higher (+3.7% mom) for Jul 24, buoyed by greater inflows into S-REITs.
- Strong start to 2H24.** Our Alpha Picks portfolio posted a robust performance for Jul 24, up 4.7% and 5.6% mom on an equal-weighted and market-cap weighted basis respectively, outperforming the STI by 1.0ppt and 1.9ppt respectively. This marks the sixth time out of seven months that our Alpha Picks portfolio has outperformed the STI.
- Broad-based outperformance.** For Jul 24, our top performers were Civmec (+18.9% mom), CSE Global (+18.8% mom) and Singtel (+12.0% mom). Civmec outperformed on continued order wins and a change of domicile to Australia while CSE Global rose higher due to its upcoming attractive 1H24 dividend. Singtel surged higher as the group doubled down on data centres and value-unlocking initiatives. Our underperformers were Frencken (-20.2% mom) which suffered from the US chip export restrictions to China while both Genting Singapore (-1.7% mom) and Sembcorp Industries (-0.8% mom) posted small losses. Sembcorp Industries, our top performer (+62.1%) since its addition into our portfolio, suffered from some profit taking while Genting Singapore continues to be dragged by negative newsflow of potential regional competition.

ACTION

- Slight change to our portfolio.** For Aug 24, we rejig our Alpha Picks portfolio with the addition of SPOST and the removal of SIAEC. We believe that SPOST will benefit from better earnings recovery and potential value-unlocking divestments while we remove SIAEC due to a lack of near-term catalysts.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Adrian Loh	Sembcorp Ind	BUY	62.1	Announcement of renewables acquisitions.
Adrian Loh	Centurion Corp	BUY	19.8	Continued positive rental reversions.
Llelleythan Tan	Singapore Post	BUY	n.a.	Strong earnings recovery.
Jack Goh	Genting Singapore	BUY	-4.0	Main beneficiary of international tourism recovery.
Chong Lee Len	SingTel	BUY	29.4	Potential value-unlocking divestments.
Heidi Mo	Marco Polo Marine	BUY	9.4	Higher-than-expected utilisation and offshore activity.
John Cheong	Civmec	BUY	21.1	Higher-than-expected contract wins and margins.
John Cheong	CSE Global	BUY	10.5	Higher earnings from record-high orderbook.
John Cheong	Frencken Group	BUY	25.0	Better-than-expected sequential earnings.
John Cheong	Venture Corp	BUY	16.1	Earnings recovery and higher-than-expected dividends.
Jonathan Koh	Far East Hospitality Trust	BUY	1.6	Recovery in occupancy, ADR and RevPAR in 2024.
Jonathan Koh	OCBC	BUY	20.0	Attractive dividend yield; less susceptible to NIM compression.
Jonathan Koh	Mapletree Ind	BUY	9.5	Growth from data centre at a reasonable price.
Jonathan Koh	Lendlease Global Commercial REIT	BUY	6.2	Recovery of 313@Somerset.

* 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\$)		Up/(down) to TP (%)
		31 Jul	Target	
Centurion	BUY	0.635	0.77	21.3
Civmec	BUY	0.975	1.32	35.4
CSE Global	BUY	0.48	0.56	17.9
Far East HTrust	BUY	0.625	0.77	23.2
Frencken	BUY	1.30	1.74	33.8
Genting SP	BUY	0.85	1.25	47.1
Lendlease REIT	BUY	0.595	0.85	42.9
MapletreeInd	BUY	2.31	2.78	20.3
MarcoPolo Marine	BUY	0.058	0.086	48.3
O C B C	BUY	14.85	18.35	23.6
Sembcorp Ind	BUY	4.77	7.49	57.0
SingPost	BUY	0.44	0.61	38.6
SingTel	BUY	3.08	3.58	16.2
Venture Corp	BUY	15.11	16.37	8.3

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

CHANGE IN SHARE PRICE

Company	Rec	Jul-24 (%)	To date (%)
Centurion	BUY	8.5	19.8
Civmec	BUY	18.9	21.1
CSE Global	BUY	18.8	10.5
Far East HTrust	BUY	0.8	1.6
Frencken	BUY	(20.2)	25.0
Genting SP	BUY	(1.7)	(4.0)
Lendlease REIT	BUY	6.2	6.2
MapletreeInd	BUY	9.5	9.5
MarcoPolo Marine	BUY	3.6	9.4
O C B C	BUY	2.9	20.0
Sembcorp Ind	BUY	(0.8)	62.1
SIA Engineering *	BUY	1.3	(2.1)
SingTel	BUY	12.0	29.4
Venture Corp	BUY	6.3	16.1
FSSTI		3.7	
UOBKH Portfolio		4.7	

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

PORTFOLIO RETURNS (%)

	2023	1Q24	2Q24	Jun-24	Jul-24
FSSTI return	-0.3	-0.5	3.4	-0.1	3.7
Alpha Picks Return					
- Price-weighted	-8.2	8.9	8.7	0.6	3.9
- Market cap-weighted	2.0	4.0	14.1	2.7	5.6
- Equal-weighted	8.7	13.7	7.5	0.3	4.7

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

ANALYST(S)

Singapore Research
+65 6535 6868
research@uobkayhian.com

Sembcorp Industries – BUY (Adrian Loh)

- Two long-term PPAs in the bag in 2Q24.** In early-Jul 24, SCI announced that it had secured 10-year PPAs with global biopharma company GSK to supply up to 10MW of electricity to all three of GSK's global manufacturing sites in Singapore starting in Jan 25. SCI will also be supplying up to 87,600MWh of renewable energy certificates annually to GSK from its solar projects, enabling GSK's manufacturing operations in Singapore to achieve its 100% purchased renewable electricity target by 2025. In addition, SCI signed two 18-year PPAs to supply up to 75MWp of renewable energy and 30MW of conventional energy to Equinix's data centres in Singapore.
- 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 respectively, 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 assets.
- Serving the AI servers.** While other utilities companies may have hogged the limelight recently by announcing the construction of next-generation data centres that will be AI-ready, green and connected, we highlight that SCI will be one of the main providers of green energy to these assets via its installed solar capacity of 352MW (as at Feb 24) and a further 218MW under construction.
- Maintain BUY with a target price of S\$7.49,** based on a target PE multiple of 13.6x. The target PE multiple is 1.5SD above the company's 2018-24 average PE of 8.8x (excluding 2020 when 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.

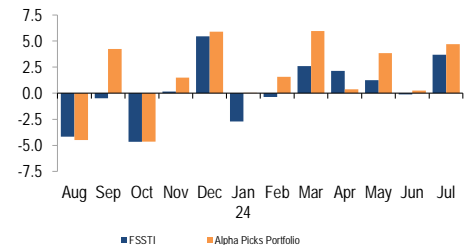
Centurion Corp – BUY (Adrian Loh)

- Strong growth from its Singapore portfolio.** Centurion's positive 1Q24 business update saw its key Purpose-Built Workers' Accommodation (PBWA, 76% of revenue) segment witnessing a 31% yoy revenue increase due to its Singapore assets which saw slightly higher occupancy rates (1Q24: 99%). Importantly, the company saw stronger accretion from the healthy rental reversions witnessed in 4Q23. With its ability to pass on inflation and higher costs, it would appear that profit margins have easily been maintained or even expanded, in our view.
- Student accommodation – full steam ahead.** Similar to its PBWA assets, the company's Purpose-Built Student Accommodation (PBSA, 24% of revenue) segment saw a material 25% yoy increase given the seasonality of student entries into its Australian assets. As a result, financial occupancy at its UK and Australian PBSA assets were 99% and 90% respectively. Both geographic segments continue to witness robust pre-bookings for the forward academic years, and rental increases have tracked at 8-10% yoy.
- Maintain BUY with a target price of S\$0.77,** which is based on a target PE multiple of 7.9x and in line with Centurion's average PE over the past 10 years.

SHARE PRICE CATALYSTS

- Events:** a) Successful capital recycling efforts or capacity expansions involving JVs could result in a more asset-light business model that thus requires less capital intensity, and b) higher-than-expected dividend payout in 2024.
- Timeline:** 6-12 months.

PORTFOLIO RETURNS IN THE PAST 12 MONTHS (WE OUTPERFORMED FSSTI 10 OUT OF 12 MONTHS)



Source: Bloomberg, UOB Kay Hian

Singapore Post – BUY (Llalleythan Tan)

- **Improved earnings outlook for the postal segment.** The domestic post & parcel (DPP) sub-segment returned to profitability in FY24, driven by the postal adjustment in 2HFY24 and new domestic e-commerce customer wins. Coupled with the expected consolidation and rationalisation of the postal office network, we expect the DPP segment to post stronger earnings for 1HFY25. Also, backed by a higher-margin revenue mix along with softening air freight rates, we opine that earnings from the International Post & Parcel sub-segment has bottomed out and would continue its upward momentum going into 1HFY25.
- **Increased contributions from down under.** With the expected full consolidation of Border Express, we expect the Border Express acquisition to significantly boost segmental annual operating profit by S\$35m-40m in FY25.
- **Maintain BUY with a SOTP-based target price of S\$0.61.** Based on our valuation, we value the property and P&P segments at S\$844m and S\$245m respectively. Given that SPOST's current market cap is around S\$967m, we think that the market is severely undervaluing the logistics segment. At our target price, SPOST trades at 19x FY25F PE, slightly above -1SD to its long-term mean.

SHARE PRICE CATALYSTS

- **Events:** a) Better-than-expected earnings recovery, b) divestment of non-core businesses, and c) earnings-accretive acquisitions.
- **Timeline:** 6 months.

Genting Singapore – BUY (Jack Goh)

- **2H24 prospects remain bright with multiple catalysts.** Genting Singapore's (GENS) upbeat prospects include: a) accelerated recovery of foreign visits and flight frequencies, b) major entertainment events in 2H24 such as the Formula 1 Grand Prix, c) sustained trend of higher average spending in Resort World Sentosa (RWS), d) earnings accretion from Hotel Ora (launched in May 23) which will lift key inventories by about 30% yoy, and e) RWS' intensified digital marketing efforts leading to higher footfall and spending.
- **Visa-free scheme with China elevating outbound patronage.** Recall that a 30-day visa exemption arrangement between China and Singapore was implemented in early-Jan 24. Throughout 1H24, we observed a spike in Chinese visitor arrivals immediately after Singapore's implementation of the visa-free scheme for Chinese visitors. Subsequently, China's top three airlines' international flight capacity further recovered to 74-89% of pre-pandemic levels as of Mar 24 (4Q23: c.70%). Note that Chinese visitors respectively made up 19%/20% of Singapore's pre-pandemic tourist arrivals in 2018/19.
- **Signs of foreign tourist visitations continue to be positive.** According to the Singapore Tourism Board (STB), tourist arrivals in Jun 24 recovered to 81% of pre-pandemic level (2Q24: 84%). We continue to expect steady improvement in foreign visitations in 2H24 as intra-Asia flight capacities are slowly restored to pre-pandemic levels, which should result in GENS' GGR significantly exceeding 2019's level.
- **RWS' premiumisation to bear fruit over mid- to long-term horizon.** We retain our view that RWS' ongoing revamp will allow it to capitalise on the thus-far sustained higher spending per capita at the integrated resort, with the premiumisation being led by its non-gaming segment. Spending per capita has also risen markedly since Singapore emerged from the COVID-19-related lockdown, with spending at the theme park and average hotel room rate rising 20% and >50% respectively from pre-pandemic levels.
- **Healthy balance sheet and huge cash pile.** With the pandemic-related disruptions largely over, we believe that management now has more flexibility to better utilise its sizeable capital which includes net cash of S\$3.6b (29.8 S cents/share) as of end-1Q24. After dropping its decade-long pursuit of clinching a pricey Japan IR concession last year, we also do not rule out GENS pursuing potential brownfield and greenfield opportunities in the region.

- **Maintain BUY with target price of S\$1.25**, which implies 9x 2024F EV/EBITDA (-0.3SD below 10-year mean).

SHARE PRICE CATALYSTS

- **Events:** a) Stronger recovery in Chinese tourists' patronage following higher flight frequency, b) better capital management following the recent withdrawal of its Japan IR pursuit, and c) commendable 2024 yield of 4.5%.
- **Timeline:** 3-6 months.

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

- **Driving ROIC.** Singtel expects to lift return on invested capital (ROIC) from 9.3% in FY24 to low double digits by FY26. This is based on: a) market repair and cost management in its core businesses, b) capitalising on growth trends, and c) reallocating and recycling capital to unlock shareholder value.
- **Potential regional DC monetisation exercise.** Singtel continues to expand its regional data centre (DC) footprint and we expect an eventual monetisation exercise. To recap, Singtel sold a 20% equity stake in Nxera to KKR, with a growth plan to expand into a regional DC portfolio of at least 250MW. Already developing three new AI-ready DCs in the region, Nxera also partnered with Telekom Malaysia to develop data centres in Malaysia with an AI-ready DC campus in Johor. Nxera's total pipeline capacity is set to increase from its current existing operational capacity of 62MW in Singapore to more than 250MW in the region in the next three years.
- **Unlocking shareholder value.** As of end-4QFY24, the group had about S\$6b of capital recycling which we reckon would likely come from paring down its stakes in its regional associates and non-core fixed assets. We estimate that Singtel currently has S\$2b-3b of excess cash after accounting for current growth initiatives which may lead to larger value realisation dividends (VRD) towards the higher end of the group's 3.0-6.0 S cents VRD policy. The group also released its outlook for FY25, driven by its new strategic plan growth, Singtel28, which is aimed at unlocking and creating shareholder value by lifting the group's core business performance with smart capital management.
- **Maintain BUY with a DCF-based target price of S\$3.58** (discount rate: 7%, growth rate: 2.5%). In our view, Singtel remains an attractive play against elevated market volatility, backed by favourable tailwinds and a decent 5% dividend yield for FY25.

SHARE PRICE CATALYSTS

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

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

- **Charter and utilisation rates for OSVs continue upward momentum.** In 1HFY24, Marco Polo Marine's (MPM) ship chartering revenue soared 34.3% yoy to S\$32.9m. According to Clarksons Research, global offshore support vessel (OSV) utilisation stood at 73% in 2023, while day rates have surpassed the previous peaks registered in 2013-14. On top of this, OSV supply has dropped 5% from 2017 as newbuilds are minimal due to limited bank financing. As offshore oil and gas activities pick up and fleet supply remains constrained, MPM stands to benefit from the strengthening rates.
- **CSOV to be key contributor from FY25.** MPM's new commissioning service operation vessel (CSOV) was around 69% complete as of 31 Mar 24, and is scheduled to begin operations in Oct 24. This CSOV will be deployed over three years at an agreed utilisation rate p.a. under its Vestas Framework Agreement, with its first stop being Taiwan. According to 4C Offshore Market Intelligence, there are 14 CSOVs and 29 service operation vessels (SOV)

in operation worldwide as of 8 Mar 24, with the majority contracted in Europe. In line with larger capacity turbines furthering offshore, such vessels with larger capacity are seeing increasing demand. As the cost of building such vessels rises, the limited supply points to better day rates and utilisation for MPM's CSOV moving forward.

- **Maiden deployment of new CTV in FY25 may unlock more opportunities.** Having successfully entered the Taiwan offshore wind market, MPM is also drawing on its expertise to serve the Korea market this year. In Mar 24, MPM announced its Asia-Pacific Crew Transfer Vessel (CTV) framework agreement with Siemens Gamesa for projects across Taiwan and Korea. Its maiden CTV charter in Korea will start in 4Q24, marking MPM's successful entry into a new market. We think that this partnership will further boost MPM's track record and potentially provide more opportunities to accelerate its growth.
- **Maintain BUY with a target price of S\$0.086.** We value MPM at 11x FY24F PE, based on +2SD above its historical three-year average PE range on the back of improving charter rates and vessel utilisation rates. MPM trades at an attractive 9x FY24F PE.

SHARE PRICE CATALYSTS

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

Civmec – BUY (John Cheong & Heidi Mo)

- **Tendering activities across Civmec's operations are at historically high levels,** with current priced opportunities approaching A\$10b as Civmec works closely with a range of clients on approved expansion, sustaining and maintenance opportunities as well as on a budgetary level for projects under feasibility studies. As a result of these engagements, Civmec sees significant opportunity for both orderbook replenishment and growth in the medium and longer term. Civmec still sees a strong pipeline of tendering opportunities in all the sectors it operates in (resources, energy and infrastructure, marine and defence). Orderbook stands at A\$821m, with Civmec continuing to expand both its service offerings and client base. This secures most of its revenue for the next 12 months, with a portion extending up to 2029.
- **Revenue growth from new contracts and extensions.** Civmec has renewed or signed new term and maintenance contracts with several clients including: a) providing engineering, procurement and construction services for WesCEF in support of its brownfield projects; b) supplying steel and pipe modules for Chevron's Gorgon Carbon Capture and Storage (CCS) system; c) installing structural, mechanical, piping and E&I components with Pilbara Minerals on the P1000 expansion project; and d) an "umbrella" services agreement to provide construction services for the delivery of sustaining capital projects for Rio Tinto facilities across multiple sites.
- **Maintain BUY with a target price of S\$1.32,** pegged to an unchanged 11x FY25F PE (based on 0.5SD below its long-term historical mean), after rolling over our valuation base year to FY25 from FY24. We think Civmec's current valuation of 8x FY25F PE is attractive, given its strong orderbook and positive outlook backed by historically high tendering activities. The stock is trading at a deep >100% discount to its Australian peers, which are trading at an average of 17x FY25F 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 shareholder(s) given the high barriers of entry for the defence sector.
- **Timeline:** 3-6 months.

CSE Global – BUY (John Cheong & Heidi Mo)

- **Expect higher earnings in 2024 with robust orderbook.** CSE posted S\$186.2m of new orders in 1Q24 (+17% yoy), leading to a strong orderbook of S\$719.3m, 49.8% higher than that in 1Q23. This was driven by higher demand for electrification and automation solutions in the infrastructure and energy industries. CSE's healthy order inflow attests to its strong track record, allowing it to expand its customer base and achieve further orderbook growth. On the back of stronger order wins, we expect CSE's 2024 earnings to see solid growth.
- **Two-pronged strategy of leveraging on established track record and completing acquisitions.** Besides expanding its orderbook with its track record, CSE's S\$24m gross proceeds from the recent share placement will be used to finance value-accretive acquisitions. Management has shared that it is currently in talks with potential targets in the critical communications sector in Australia and the Americas region. This approach will help CSE scale growth, and we remain positive on its outlook. To recap, CSE has completed 30-40 acquisitions to date with a high rate of integration.
- **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 and Asia Pacific regions. In 1Q24, CSE successfully generated >60% of its business from infrastructure and mining/minerals customers, which brought in S\$91m or 49% of 1Q24's order intake. This allows CSE to diversify into new markets and ride on the trends of urbanisation, electrification and decarbonisation.
- **Maintain BUY.** Our target price of S\$0.56 is pegged to 15x 2024F PE (based on an unchanged +1SD above mean) and implies a 2024 dividend yield of 6.7% as we expect CSE to maintain a full-year dividend of 2.75 S cents/share for 2024.

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 the 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 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.

Venture Corp - BUY (John Cheong)

- **Expect 2H24 to be strong than 1H24.** Based on customers' feedback, Venture Corp (VMS) expects 2H24's demand schedule to be stronger than that of 1H24. To recap, VMS was still coming off the high-base quarter in 1Q23 where it recorded earnings of S\$74m, before normalising in 2Q-4Q23 with earnings of S\$63m-67m.
- **Healthy outlook for most customers.** Based on the latest outlook statements of VMS' key customers, majority of them continued to guide for healthy forward growth: a) Broadcom: FY24 revenue to grow 42% yoy, b) Agilent: FY24 revenue to decline 4% yoy, c) Fortive: FY24 revenue to grow 3% yoy, d) Keysight: 3QFY24 revenue to decline 1% yoy, e) Thermo Fisher: 2024 core revenue to grow 1% yoy, f) Waters: 2024 revenue to grow 1% yoy, g) Illumina: 2024 revenue growth to be flat), h) Medtronic: FY24 revenue to grow 4% yoy, and i) Philip Morris: FY24 shipment volume growth of 1% yoy and revenue growth of 8% yoy.
- **Healthy balance sheet and consistent dividends.** As of end-1Q24, VMS had net cash of S\$1,190m (accounting for around 30% 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 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%.

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.

Far East Hospitality Trust - BUY (Jonathan Koh)

- **FEHT is a pure play on Singapore's hospitality sector**, which benefits from rising visitor arrivals, increasing at 49.6% yoy to 4.4m in 1Q24. FEHT's RevPAR for hotels increased 6.7% yoy to S\$144 in 1Q24 while its average daily rate (ADR) jumped 8.8% yoy to S\$179.
- **Cushion from higher interest rates.** Management intends to utilise the incentive fee of S\$18m from the divestment of Central Square to cushion the negative impact from higher interest rates.
- **Strong balance sheet.** FEHT has a resilient balance sheet with aggregate leverage remaining low at 31.5% as of Mar 24. FEHT intends to expand overseas and diversify into gateway cities in developed markets.
- **Attractive dividend yield.** FEHT provides an attractive 2024 distribution yield of 6.7%. Its P/NAV of 0.67x is unwarranted given its good corporate governance and strong sponsor.
- **Maintain BUY. Our target price of S\$0.82** is based on DDM (cost of equity: 7.25%, terminal growth: 2.8%).

SHARE PRICE CATALYSTS

- **Events:** a) Recovery in occupancy, ADR and RevPAR in 2024 and 2025, b) acquisitions in gateway cities, and c) downside protection from fixed rents embedded in its master leases with sponsor FEO, which owns 61% of FEHT.
- **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. OCBC provides an attractive dividend yield of 6.5% for 2024.
- **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.
- **Most well-capitalised bank in Singapore.** CET-1 CAR improved 0.3ppt qoq to 16.2%. OCBC has the potential to deploy surplus capital to generate inorganic growth. We estimate the cost to privatise Great Eastern Holdings (GEH) at S\$1.4b, which will be funded by internal cash. The exercise is expected to enhance pro forma 2023 ROE by 0.2ppt to 14.0% and reduce pro forma 2023 CET-1 CAR by 0.6ppt to 15.3%, which is still the highest in Singapore.
- **Maintain BUY. Our target price of S\$18.35** is based on 1.36x 2025F P/B, derived from the Gordon Growth Model (ROE: 12.3%, COE: 9.0%, growth: 0.0%).

SHARE PRICE CATALYSTS

- **Events:** a) Resiliency from high CET-1 CAR of 16.2%, and b) attractive 2024 dividend yield of 6.2% from commitment to new dividend payout ratio of 50%.
- **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 3QFY24.
- **Further enhancement to 313@Somerset.** We expect the recent successes of concerts by Coldplay, Ed Sheeran, Taylor Swift and Bruno Mars to have injected more urgency to redevelop the Grange Road Car Park. We understand that Live Nation, LREIT's sole tenant for the multi-functional event space, has received tender bids from various consultants and will be selecting the winning proposal in conjunction with various stakeholders, including the Urban Redevelopment Authority (URA) and Singapore Tourism Board (STB). We expect construction to commence in 1QFY25 and to take 12-18 months. We expect Live Nation to start contributing to rental income in 1HFY26.
- **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\$0.90 is based on DDM (cost of equity: 7.0%, terminal growth: 2.2%).

SHARE PRICE CATALYSTS

- **Events:** a) Recovery of downtown mall 313@Somerset, b) redevelopment of Grange Road Car Park, and c) expansion in Singapore tapping on sponsor pipeline.
- **Timeline:** 6-12 months.

Mapletree Industrial Trust – BUY (Jonathan Koh)

- **MINT has secured a replacement tenant from the healthcare services sector** for its data centre at Brentwood, Tennessee. The new lease has a long duration of 30 years and provides rental escalation of 2% per year. Occupancy for its US data centres should recover back to 90%.
- **MINT intends to acquire more data centres** in Asia Pacific and Europe to increase geographical diversification.
- **It provides growth from data centres at a reasonable price** with FY25 distribution yield of 5.5%.
- **Maintain BUY.** Our target price of S\$2.93 is based on DDM (cost of equity: 6.75%, terminal growth: 2.2%).

SHARE PRICE CATALYSTS

- **Events:** a) Organic growth from data centres located in Singapore, North America and Japan; and b) acquisition of data centres in Asia Pacific and Europe.
- **Timeline:** 6-12 months.

VALUATION

Company	Ticker	Rec*	Price 31 Jul 24 (S\$)	Target Price (S\$)	Upside To TP (%)	Last Year End	PE			Yield 2024E (%)	ROE 2024E (%)	Market Cap. (S\$m)	Price/ NAV ps (x)
							2023A (x)	2024E (x)	2025E (x)				
Centurian	CENT SP	BUY	0.635	0.77	21.3	12/23	3.5	6.6	6.1	4.7	9.5	533.9	0.6
Civmec	CVL SP	BUY	0.975	1.32	35.4	6/23	9.3	9.0	8.4	4.5	14.1	494.9	1.3
CSE Global	CSE SP	BUY	0.48	0.56	17.9	12/23	13.0	12.8	11.6	5.8	10.8	329.1	1.4
Far East HTrust	FEHT SP	BUY	0.625	0.77	23.2	12/23	19.1	19.9	19.3	6.5	3.4	1,257.0	0.7
Frencken	FRKN SP	BUY	1.30	1.74	33.8	12/23	17.1	12.7	11.6	2.4	10.4	555.2	1.4
Genting SP	GENS SP	BUY	0.85	1.25	47.1	12/23	16.8	13.2	12.8	4.7	9.3	10,261.7	1.3
Lendlease REIT	LREIT SP	BUY	0.595	0.85	42.9	6/23	22.8	21.0	26.4	7.2	3.0	1,414.1	0.8
MapletreeInd	MINT SP	BUY	2.31	2.78	20.3	3/24	17.4	17.3	17.3	5.8	7.2	6,549.7	1.3
MarcoPolo Marine	MPM SP	BUY	0.058	0.086	48.3	9/23	8.3	7.4	7.0	2.6	14.2	217.7	1.2
O C B C	OCBC SP	BUY	14.85	18.35	23.6	12/23	9.6	9.1	9.2	5.8	13.2	66,745.4	1.3
Sembcorp Ind	SCI SP	BUY	4.77	7.49	57.0	12/23	9.0	8.8	8.4	2.7	20.0	8,508.1	1.8
SingPost	SPOST SP	BUY	0.44	0.61	38.6	3/24	14.7	14.0	12.2	3.0	5.0	990.0	0.9
SingTel	ST SP	BUY	3.08	3.58	16.2	3/24	63.9	19.6	18.4	5.4	10.2	50,860.6	2.1
Venture Corp	VMS SP	BUY	15.11	16.37	8.3	12/23	16.3	15.7	15.2	5.0	9.8	4,383.6	1.5

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

Disclosures/Disclaimers

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

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

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

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

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

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

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

IMPORTANT DISCLOSURES FOR U.S. PERSONS

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

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

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

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

Analyst Certification/Regulation AC

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

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

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

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W