STRATEGY – SINGAPORE

Alpha Picks: Outperforming For Sep 24 And 3Q24

Our Alpha Picks portfolio outperformed in Sep 24, rising 5.4% mom on an equal-weighted basis and beating the STI by 1.3ppt. On a quarterly basis, our portfolio also outperformed the STI by 0.3ppt for 3Q24. The outperformance in Sep 24 was driven by STM, SCI and GENS, while CSE and MINT underperformed. Our Alpha Picks portfolio has now outperformed the STI in 11 out of the past 12 months and six out of the past eight quarters.

WHAT'S NEW

- **Market review**. Sep 24 saw strong performance as the US Fed's jumbo interest rate cut, cooling US inflation and encouraging economic data drove global markets to record highs. Furthermore, China's unveiling of aggressive fiscal stimulus announcements at the end of the month boosted regional investor confidence. As a result, the STI ended higher (+4.1% mom) for Sep 24.

- **Consistent outperformance.** Our Alpha Picks portfolio rose 5.4% mom on an equal-weighted basis and managed to beat a strong 4.1% mom increase from the STI for Sep 24. In addition, our portfolio beat the STI in 3Q24 by a significant 9.7ppt on a price-weighted basis, and by 0.3ppt on an equal-weighted basis. Our Alpha Picks portfolio has outperformed the STI in 11 out of the past 12 months, and six out of the past eight quarters.

- **Broad-based strength.** For Sep 24, our top performers were in industrials, namely Seatrium (+20.3% mom) and Sembcorp Industries (+12.4% mom), and Genting Singapore (+8.7% mom). Seatrium and Sembcorp rose on the back of positive sentiment towards the industrials sector while Genting Singapore was also higher largely driven by China's stimulus measures. Our underperformers were CSE Global (-10.4% mom), which was negatively impacted by one-off negative newsflow, and Mapletree Industrial Trust (-0.4% mom) which saw rotation into laggard REITs.

ACTION

- **More China plays.** For Oct 24, we add CapitaLand Investment, China Sunsine and DFI Retail for China exposure, with SATS added due to freight disruptions from US labour unrest. We remove Singtel as its share price catalysts are limited in the short term, in our view. Our current portfolio consists of CLI, CSSC, CIVMEC, CSE, DFI, FRKN, GENS, LREIT, MINT, OCBC, SATS, STM, SCI, SPOST and VMS.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Adrian Loh	Sembcorp Ind	BUY	86.2	Announcement of renewables acquisitions
Adrian Loh	Seatrium	BUY	12.9	Solid outlook for new order wins
Adrian Loh	DFI Retail	BUY	n.a.	Exposure to China stimulus measures
Adrian Loh	CapitaLand Inv	BUY	n.a.	Exposure to China stimulus measures
Roy Chen	SATS	BUY	n.a.	Strong earnings momentum in the next two quarters
Llelleythan Tan	Singapore Post	BUY	5.7	Strong earnings recovery
Jack Goh	Genting Singapore	BUY	-0.6	Benefiting from international tourism recovery
John Cheong	China Sunsine Chemical	BUY	n.a.	Higher ASPs for rubber chemicals and utilization rates
John Cheong	Civmec	BUY	25.5	Higher-than-expected contract wins and margins
John Cheong	CSE Global	BUY	3.5	Higher earnings from record-high orderbook
John Cheong	Frencken Group	BUY	27.9	Better-than-expected sequential earnings
John Cheong	Venture Corp	BUY	6.9	Earnings recovery and higher-than-expected dividends
Jonathan Koh	OCBC	BUY	21.0	Attractive dividend yield; less susceptible to NIM compression
Jonathan Koh	Mapletree Ind	BUY	18.5	Growth from data centre at a reasonable price
Jonathan Koh	Lendlease Global Commercial REIT	BUY	11.6	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$) ----- 2 Oct	Target	Up/(down) to TP (%)
CapitaLand Invest	BUY	3.15	4.04	28.3
China Sunsine	BUY	0.49	0.46	(6.1)
Civmec	BUY	1.01	1.32	30.7
CSE Global	BUY	0.45	0.59	32.6
DFIRG USD	BUY	2.27	2.57	13.2
Frencken	BUY	1.33	1.74	30.8
Genting SP	BUY	0.88	1.18	34.1
Lendlease REIT	BUY	0.625	0.77	23.2
Mapletree Ind Tr	BUY	2.50	3.05	22.0
O C B C	BUY	14.97	18.5	23.6
SATS	BUY	3.74	4.00	7.0
Seatrium	BUY	1.75	2.31	32.0
Sembcorp Ind	BUY	5.53	7.47	35.1
SingPost	BUY	0.465	0.61	31.2
Venture Corp	BUY	13.92	16.17	16.2

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

CHANGE IN SHARE PRICE

Company	Rec	Sep-24 (%)	To date (%)
Civmec	BUY	6.4	25.5
CSE Global	BUY	(10.4)	3.5
Frencken	BUY	7.0	27.9
Genting SP	BUY	8.7	(0.6)
Lendlease REIT	BUY	3.4	11.6
Mapletree Ind Tr	BUY	(0.4)	18.5
O C B C	BUY	3.8	21.0
Seatrium	BUY	20.3	12.9
Sembcorp Ind	BUY	12.4	86.2
SingPost	BUY	8.1	5.7
SingTel	BUY	3.5	34.9
Venture Corp *	BUY	1.9	6.9
FSSTI		4.1	
UOBKH Portfolio		5.4	

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

PORTFOLIO RETURNS (%)

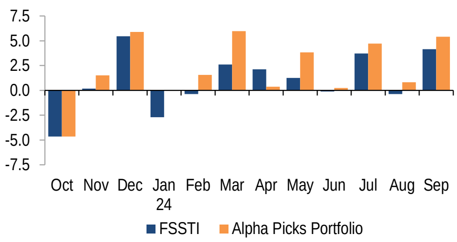
	2023	2Q24	3Q24	Aug-24	Sep-24
FSSTI return	-0.3	3.4	7.6	-0.4	4.1
Alpha Picks Return					
- Price-weighted	-8.3	8.6	17.3	-0.3	4.6
- Market cap-weighted	1.7	6.4	11.9	1.9	4.9
- Equal-weighted	7.0	2.1	7.9	0.8	5.4

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

Source: UOB Kay Hian

PORTFOLIO RETURNS IN THE PAST 12 MONTHS

(WE OUTPERFORMED FSSTI 11 OUT OF 12 MONTHS)



Source: Bloomberg, UOB Kay Hian

ANALYST(S)

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DFI Retail Group – BUY (Adrian Loh)

- **A millstone removed.** DFI Retail Group Holdings (DFI) announced last week that it will divest its 21.1% stake in Yonghui Superstores (601933 CH/Not rated) to the Miniso Group (9896 HK/BUY/Target: HK$29.30) for Rmb4.5b (US$637m). While that will likely be a non-cash writedown of US$128m for the current financial year, the bigger picture of eliminating Yonghui's losses is a positive development in our view.

- **Stimulus measures could be positive for DFI.** Last week, China unveiled its strongest stimulus measures to date post recent data that showed that its economy had slowed further. These measures addressed monetary policy and the housing market as well as support for the financial market. Given that c.90% of DFI's revenues are derived from North Asia (ie China, Hong Kong and Taiwan), DFI should benefit from better consumer sentiment should the stimulus measures engender a turnaround in the Chinese economy.

- **Strong performance from convenience stores in Southern China.** During its 1H24 results call, DFI commented that rollout of ready-to-eat (RTE) meals in its South China market has been extremely successful and now makes up c.40% of sales, and is thus comparable to 7-11 in Japan. This high-margin product generated double-digit sales growth for the company in 1H24 and hence, the company is looking to expand this offering throughout its geographic footprint.

- **We maintain our BUY rating with a PE-based target price of US$2.57** pegged to an aggregate of the company's 2024 and 2025 EPS. Our target PE multiple is 16.7x which is 1SD below DFI's average PE multiple over 2019 to present, excluding the COVID-19 years of 2021-23. Although the company continues to face some challenges from changing consumer behaviour in its food division in Hong Kong and Singapore, the removal of the Yonghui millstone has significantly improved its outlook going forwards.

SHARE PRICE CATALYSTS

- **Events:** a) Continued profit improvement from the food segment; b) maintenance of sales momentum for the convenience segment; c) greater share of profit contribution from its RTE and QSR strategies for its convenience segment.

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

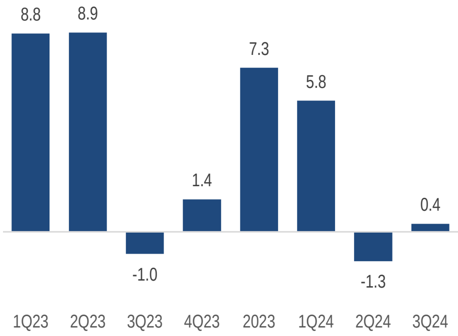
CapitaLand Investment – BUY (Adrian Loh)

- **The Great Wall of Stimulus.** Last week, China unveiled its strongest stimulus measures to date post recent data that showed that its economy had slowed further. These measures addressed monetary policy and the housing market as well as support for the financial market. The latest stimulus measures will need to be followed by: a) fiscal spending by the Chinese government to replenish the lack of spending by its consumers and businesses, and b) policies to address the country's structural slowdown.

- **We believe that CapitaLand Investment (CLI) will benefit** from a stronger Chinese economy. In 1H24, over 16% of the company's revenue was derived from China with nearly 20% of its real estate investment business' EBITDA coming from China. The company owns a 24% stake in CapitaLand China Trust as well as a number of commercial, industrial and hospitality assets in the country. Apart from benefitting from a stronger Chinese economy, CLI could also see a turnaround in its capital recycling fortunes as its efforts in the past two years have been hampered by high interest rates and weak demand for assets in China. The company's asset management arm could also witness higher investor interest in any new renminbi fund opportunities for renminbi capital.

- **We maintain BUY with a SOTP–based target price of S$4.04.** We believe that the company's current P/B valuation is inexpensive at 0.9x for 2025 vs its 2023 peak P/B of 1.4x. CLI's share price has suffered in lock-step with the China market; however with the interest-rate cycle having turned with the recent US Fed's 50bp rate cut, patient investors have already been rewarded with the share price rising 15% in Sep 24. At its 1H24 results briefing, management reiterated that it will continue to buy back its shares and believes it

ALPHA PICKS VS STI: QUARTERLY OUT/(UNDER)PERFORMANCE
(EQUAL-WEIGHTED BASIS)



Source: Bloomberg, UOB Kay Hian

has enough operating cashflow to sustain the buyback as well as its dividend of at least S$0.12/share and potentially up to S$0.18/share. This implies a yield of 3.8% to 5.7% based on yesterday's closing share price.

SHARE PRICE CATALYSTS

- **Events:** a) Progress with its capital recycling efforts; b) an improved M&A market with signs of the US Fed continuing its path towards cutting interest rates.
- **Timeline:** 6 months.

Sembcorp Industries – BUY (Adrian Loh)

- **Doubling down on Singapore.** We view Sembcorp Industries' (SCI) proposed acquisition of a 30% stake in Senoko Energy in a positive light as it allows SCI to potentially sign more long-term power purchase agreements (as at 1H24, c.80% of its Singapore capacity is on long-term contracts). If approved, this acquisition would be earnings accretive from 2025. Senoko's key asset is its 2,644MW power combined cycle power plant located in the north of Singapore which supplies 20% of the country's electricity demand. While no price was disclosed, we estimate consideration to be significantly less than the media reports of S$3b. Thus far, Singapore's Energy Market Authority has not raised any objections, with potential exercising of pre-emption rights the only remaining hurdle.
- **Busy on the business development front.** SCI has been busy on the business development front in Aug and Sep 24. These include: a) a Heads of Terms with Kyushu Electric Power, Sojitz and Nippon Yusen Kabushiki Kaisha (NYK) to export green ammonia from India to Japan using SCI's existing 4.7GW renewables portfolio in India to produce competitively-priced green ammonia, b) discussions with India's Bharat Petroleum Corporation Limited (BPCL) to enter into a definitive JV agreement for renewable energy and green hydrogen projects across India, and c) signing of an 11-year gas sales agreement with Conrad Asia Energy for the importation of 111mmbtu/day of pipeline gas from the Natuna Sea commencing in 2026.
- **Maintain BUY with a target price of S$7.47,** based on a target PE multiple of 12.8x. The target PE multiple is 1.5SD above the company's 2018-24 average PE of 8.2x (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.

Seatrium – BUY (Adrian Loh)

- **An ocean of opportunity in Brazil.** Drilling down into Seatrium's (STM) longer-term potential for growth, we view its two-decade long, on-the-ground exposure in Brazil as a key competitive advantage. This is especially the case given the company's merger with Keppel Offshore Marine in 2023 which expanded its presence in the country. We highlight that this opportunity set encompasses both oil and gas as well as renewables.
- **Potential exposure to new projects offshore Brazil.** At its Deep Dive 2024 earlier this year, Petrobras outlined that is planning for up to seven new FPSOs in addition to the 11 that it already has on order (STM is currently building six of these). Apart from these, we highlight that Petrobras failed to receive any positive response from its four FPSO tenders in 2024; thus, industry reports suggest that the company is reassessing its strategy with these tenders. Clearly, this will benefit STM should it choose to issue construction contracts instead. Our estimate of these 11 contracts range from US$20b-30b.
- **On the cusp of 'J-curve' growth in Brazilian offshore renewables.** Brazil currently does not have any offshore wind installations; however, the country has plans to install

700GW over a time frame that has yet to be determined. In its strategy report, Petrobras has outlined 23GW of its own offshore wind projects as well as another 14.4GW in partnership with Norway's national oil company, Equinor.

- **Maintain BUY with a target price of S$2.31** using a target P/B multiple of 1.15x which is pegged to the company's five-year average and applied to its 2025 book value of S$2.01.

SHARE PRICE CATALYSTS

- Events: a) New orders for oil & gas production assets and renewables infrastructure, and b) removal of overhang from the MAS/CAD investigations.
- **Timeline:** 6-12 months.

SATS – BUY (Roy Chen)

- **Strong earnings momentum in the next two quarters.** After its significant earnings improvement in 1QFY25, we expect SATS' strong earnings momentum to continue in the next two quarters, driven by increasingly stronger seasonality as well as contract renewal with its major customer Singapore Airlines, the impact of which is expected to be reflected in its 2QFY25 results onwards. The change in the US De Minimis tax rules, expected to be implemented next year, may adversely impact the US air cargo volume and hence SATS' US air cargo handling businesses; however, that is something to worry about later. Before the actual implementation of the change, the US cargo volume is likely to see some surge, as the US consumers bring their purchase orders upfront ahead of the tax changes.
- **A potential beneficiary of possible major shipping disruption.** The US East Coast port strike is a key event to watch out for in the near term. Based on our channel checks with some shipping company management, a prolonged strike has the potential to cause global repercussions and the disruption may be even worse than the port congestions caused by the pandemic lockdown. Recall that air cargo volume was significantly boosted during the pandemic when ocean freight was diverted to air. If the same happens in the seasonally strong 3QFY25, there could be some positive impact on SATS' earnings, considering SATS' operating leverage.
- **Maintain BUY.** SIAEC currently trades at 19.0x FY25F PE and 17.1x FY26F PE. Our target price is based on 18.4x FY26F PE, 0.5SD below SATS' historical mean PE of 19.9x.

SHARE PRICE CATALYSTS

- **Events:** a) Strong earnings performance in 2QFY25 and 3QFY25; b) diversion of more ocean cargo to air from a possible massive maritime shipping disruption.
- Timeline: 3-6 months.

Singapore Post – BUY (Llelleythan Tan)

- **Improved earnings outlook for the postal segment.** The Singapore business returned to profitability in FY24, driven by the postal adjustment in 2HFY24 and new domestic e-commerce customer wins. The Singapore delivery business also recorded a profit in 1QFY25 as e-commerce volumes rose yoy. Coupled with expected consolidation and rationalisation of the postal office network, we expect the DPP segment to post stronger earnings for 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. For 1QFY25, Border Express delivered a strong performance with revenue (+5.3% yoy) and operating profit (+24.4% yoy) growing yoy, driven by customer wins and tight cost management.
- **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 Singapore Post's (SPOST) current market cap is around S$990m, 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.
- **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 lockdowns, 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$3.7b (30 S cents/share) as of end-1H24. 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.

China Sunsine Chemical – BUY (Heidi Mo & John Cheong)

- **Potential improvement in demand and ASPs from stronger Chinese economy.** China's latest stimulus measures have improved investor sentiment and may boost consumer confidence. In turn, China Sunsine Chemical's (Sunsine) demand and ASPs could see an uptick in the coming months. In Jul-Sep 24, we observe that ASPs have been flattish, accompanied by moderating raw material prices. Meanwhile, China's GDP has grown 5% in 1H24, in line with the government's annual target.
- **Expect steady volume growth from strong demand.** Sunsine achieved stronger rubber chemical sales volume (+6% yoy) in 1H24. This was backed by better capacity utilisation rates for tyre manufacturers based in Southeast Asia, partially offset by lower domestic demand. As more Chinese tyre manufacturers look to Southeast Asia to set up factories or beef up production, we expect international sales volume to grow further. Moreover, automakers reported 6% yoy higher auto sales in China, while electric vehicles sales saw a 32% yoy surge in 1H24. We therefore expect sales volume growth to remain steady moving forward.

- **Decent dividend yield backed by healthy balance sheet.** Sunsine provides an attractive yield of around 5%, supported by its strong cash balance of Rmb1,750.7m with no debt outstanding. This translates to Rmb1.82/share (S$0.33/share) or around 70% of its market cap.
- **Maintain BUY.** Our target price of S$0.46 is pegged to 6x 2024F PE or its long-term average mean. Sunsine is trading at an undemanding 2x 2024F ex-cash PE, and we expect Sunsine to be a beneficiary of China's recent stimulus measures.

SHARE PRICE CATALYSTS

- **Events:** a) Production commencement for new capacities, b) higher ASPs for rubber chemicals, and c) higher-than-expected utilisation rates.
- **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). Its 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)

- **Robust order pipeline.** CSE continues to enjoy strong order wins, with an order intake of S$391m in 1H24. While flat yoy, this signals a healthy pipeline for the coming quarters. Orderbook reached S$692m (+33% yoy), with the infrastructure segment making up the majority of the orderbook at 72%. CSE continues to embark on its growth strategy through capitalising on emerging trends like electrification and decarbonisation, while pursuing acquisitions in the critical communications space in the Americas region. Moving forward, CSE will also continue to focus on data centre and automation projects to seize emerging market prospects.

- **Recent site visit to CSE's electrification business reinforced positive outlook.** We recently visited CSE's electrification business in Houston, US, which reinforced our view that the business is going through a rapid growth where it is enjoying robust demand from the data centres, LNG terminals and infrastructure sectors. CSE is currently serving a major cloud provider in the US for power management systems and solutions, and we see huge growth potential to tap on more growth from the existing customer and potentially more new customers. To cope with the strong demand, CSE is looking to expand its facilities' floor area of 375,000sf across five locations at present to 600,000sf in the next 1-2 years.
- **CSE continues to see stable financial performances in the infrastructure and mining & minerals sectors,** supported by a steady stream of projects arising from requirements in digitalisation, communications and enhancements in physical and cyber security globally, and from data centres and water utilities in the Americas and Asia Pacific region. CSE will expand its engineering capabilities and technology solutions to pursue new market opportunities and diversify into new markets brought about by the emerging trends towards urbanisation, electrification and decarbonisation.
- **Maintain BUY.** Our target price of S$0.60 is pegged to 13x 2024F PE (based on 1SD above mean) and implies a 2024 dividend yield of 6% 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)

- **Frencken's outlook appears more bullish with the expectation of better revenue in 2H24 vs 1H24,** mainly driven by the semicon segment while the other segments are expected to be stable. Its outlooks for its key business segments for 1H24 vs 2H23 are as follows: a) semiconductor: higher revenue, b) medical: stable revenue, c) analytical life sciences: stable revenue, d) industrial automation: decreasing revenue, and e) automotive: stable revenue. In addition, Frencken encountered delays in 2Q24 shipments for some sizeable ASML orders which will be recognised in 3Q24. Margins are expected to increase due to higher utilisation. Also, Frencken still has ample capacity to take on more orders.
- **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 better revenue on a hoh basis in 2H24 vs 1H24. Venture Corp** (VMS) maintains its expectation that its 2H24 revenue will be stronger than that of 1H24. For

1H24, VMS delivered on its target of sequential revenue growth from 1Q24 to 2Q24. 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.

- **VMS remains proactive in pursuing multiple initiatives to further improve its performance in 2H24.** These include the onboarding of new customers, new product introduction (NPI) activities and supporting customers with geopolitical risk mitigation strategies. VMS continues to invest in expanding its capabilities in targeted technology domains, broadening the group's value creation pathways for quality growth.
- **Healthy balance sheet and consistent dividends.** As of 2Q24, VMS had net cash of S$1,191m (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 or higher dividends than that in preceding years.
- **Maintain BUY with a target price of S$16.17,** pegged to 0.5SD above its long-term mean PE of 17x 2025F earnings to capture the potential earnings recovery in 2025 and upcycle beyond that. We have rolled over our valuation base year from 2024 to 2025. Currently, VMS is trading at 14.5x 2025F PE (10x ex-cash 2025 PE) and offers a decent dividend yield of 5.2%.

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.

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 6.1% for 2025.
- **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 was 15.5% as of 2Q24, the highest among Singapore banks. OCBC has the potential to deploy surplus capital to generate inorganic growth.
- **Maintain BUY.** Our target price of S$18.50 is based on 1.38x 2025F P/B, derived from the Gordon Growth Model (ROE: 12.4%, COE: 9.0%, growth: 0.0%).

SHARE PRICE CATALYSTS

- **Events:** a) Resiliency from high CET-1 CAR of 15.5%, and b) attractive 2025 dividend yield of 6.1% from commitment to new dividend payout ratio of 50%.
- **Timeline:** 6-12 months.

Mapletree Industrial Trust – BUY (Jonathan Koh)

- **MINT has secured an established healthcare operator** as a replacement tenant 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 data centre portfolio improved 1.5ppt qoq to 89.2% in 1QFY25.

- **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 5.9%.
- **Maintain BUY. Our target price of S$2.78 is** based on DDM (cost of equity: 7.0%, 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.

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: high single-digit) in 4QFY24.
- **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 2QFY25 and to take 12-18 months.
- **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$0.73 is based on DDM (cost of equity: 7.25%, 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.

VALUATION

Company	Ticker	Rec*	Price 2 Oct 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)
CapitaLandInvest	CLI SP	BUY	3.15	4.04	28.3	12/23	89.0	22.5	20.1	2.7	5.2	15,727.4	1.2
ChinaSunsine	CSSC SP	BUY	0.49	0.46	(6.1)	12/23	6.7	6.7	6.1	2.8	9.3	467.3	0.6
Civmec	CIVMEC SP	BUY	1.01	1.32	30.7	6/24	9.6	9.0	8.6	5.3	13.9	512.7	1.2
CSE Global	CSE SP	BUY	0.45	0.59	32.6	12/23	12.2	13.7	10.3	6.2	9.5	308.4	1.2
DFIRG USD	DFI SP	BUY	2.27	2.57	13.2	12/23	91.1	16.5	13.4	4.3	18.2	3,954.8	3.1
Frencken	FRKN SP	BUY	1.33	1.74	30.8	12/23	17.5	13.0	11.9	2.3	10.4	568.0	1.4
Genting SP	GENS SP	BUY	0.88	1.18	34.1	12/23	17.4	15.0	14.7	4.5	8.5	10,623.8	1.3
Lendlease REIT	LREIT SP	BUY	0.625	0.77	23.2	6/24	23.9	21.4	29.7	6.2	3.1	1,485.4	0.8
Mapletree Ind Tr	MINT SP	BUY	2.5	3.05	22.0	3/24	18.8	18.5	17.9	5.4	7.2	7,088.5	1.4
O C B C	OCBC SP	BUY	14.97	18.50	23.6	12/23	9.7	9.0	9.3	5.9	13.4	67,379.3	1.2
SATS	SATS SP	BUY	3.74	4.00	7.0	3/24	98.6	19.1	17.2	2.6	11.7	5,578.1	2.3
Seatrium	STM SP	BUY	1.75	2.31	32.0	12/23	n.a.	56.7	20.1	0.0	1.6	5,943.2	0.9
Sembcorp Ind	SCI SP	BUY	5.53	7.47	35.1	12/23	10.5	10.2	9.8	2.4	20.0	9,866.0	2.0
SingPost	SPOST SP	BUY	0.465	0.61	31.2	3/24	15.5	14.8	12.9	2.8	5.0	1,046.3	0.9
Venture Corp	VMS SP	BUY	13.92	16.17	16.2	12/23	15.0	15.2	14.7	5.4	9.3	4,032.9	1.4

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

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