## STRATEGY – SINGAPORE

# Alpha Picks: Outperforming In 2024

**Another month of solid share price performance by banks saw the STI gain 1.3%, which was 2.3ppt better than our Alpha Picks portfolio on an equal-weighted basis. On a price-weighted basis, we outperformed the STI by 0.7ppt for Dec 24 and an even punchier 20.1ppt for 2024. Our Alpha Picks portfolio has now outperformed the STI in 12 out of the past 15 months**.

### WHAT'S NEW

- **Market review.** The US Federal Open Market Committee's 25bp interest rate cut on 18 Dec 24 (new target range of 4.25-4.50%) was widely expected. After this cut, the "higher-for-longer" interest rate narrative took hold, potentially supporting Singapore banks' earnings and share prices in 2025. However, global stock markets were largely weaker to close out 2024.
- **Solid beat.** The STI's 1.3% gain in Dec 24 was 2.3ppt better than our Alpha Picks portfolio on an equal-weighted basis. Overall, our Alpha Picks portfolio still posted a solid result, increasing 2.0% and 1.9% mom on a price-weighted basis and market cap-weighted basis respectively. For 2024, our portfolio was similarly strong, up 37.0% and easily beating the STI by 20.1ppt on a price-weighted basis.
- **Strong performance from industrials.** Our top performers were Seatrium (+7.3% mom), Sembcorp Industries (+5.7% mom) and Marco Polo Marine (+3.8% mom). In our view, the strength of the industrials sector in Dec 24 could be attributable to dependable earnings growth in 2025. CSE Global (-10.8% mom) and Singapore Post (-8.6%) both underperformed as they were impacted by legal and governance issues while China Sunsine (-7.3% mom) was dragged lower by China macro worries.

### ACTION

- **Adding SATS and Yangzijiang Shipbuilding, removing SingPost.** We add SATS and Yangzijiang Shipbuilding to our portfolio as we expect both to be beneficiaries of positive earnings newsflow in the next three months. We remove SingPost due to overhang from the untimely departure of its management. Our current portfolio consists of CSSC, CVL, CSE, CENT, GENS, LREIT, MINT, MPM, OCBC, SATS, STM, SCI, VMS and YZJSGD.

### ANALYSTS' ALPHA* PICKS

| Analyst | Company | Rec | Performance# | Catalyst |
|---|---|---|---|---|
| Adrian Loh | Sembcorp Ind | BUY | 85.9 | Announcement of renewables acquisitions |
| Adrian Loh | Seatrium | BUY | 33.5 | Solid outlook for new order wins |
| Adrian Loh | Centurion | BUY | 2.1 | Solid volume and rental growth in 2025 |
| Adrian Loh | Yangzijiang Shipbuilding | BUY | n.a. | Higher margins and order win targets |
| Roy Chen | SATS | BUY | n.a. | Expected strong 3QFY25 earnings |
| Jack Goh | Genting Singapore | BUY | -13.6 | Benefiting from international tourism recovery |
| John Cheong | China Sunsine Chemical | BUY | -9.2 | Higher ASPs for rubber chemicals and utilisation rates |
| John Cheong | Civmec | BUY | 34.2 | Higher-than-expected contract wins and margins |
| John Cheong | CSE Global | BUY | -3.5 | Higher earnings from record-high orderbook |
| John Cheong | Venture Corp | BUY | 1.0 | Earnings recovery; higher-than-expected DPS |
| Heidi Mo | Marco Polo Marine | BUY | -3.6 | Higher-than-expected ship charter rates and vessel utilisation |
| Jonathan Koh | OCBC | BUY | 34.9 | Attractive dividend yield; less susceptible to NIM compression |
| Jonathan Koh | Mapletree Ind | BUY | 4.7 | Growth from data centres at a reasonable price |
| Jonathan Koh | Lendlease Global Commercial REIT | BUY | -1.8 | 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$) ------ 31 Dec | Target | Up/(down) to TP (%) |
|---|---|---|---|---|
| Centurion | BUY | 0.96 | 1.11 | 15.6 |
| ChinaSunsine | BUY | 0.445 | 0.58 | 30.3 |
| Civmec | BUY | 1.08 | 1.40 | 29.6 |
| CSE Global | BUY | 0.42 | 0.59 | 42.2 |
| Genting SP | BUY | 0.765 | 1.12 | 46.4 |
| Lendlease REIT | BUY | 0.55 | 0.77 | 40.0 |
| Mapletree Ind Tr | BUY | 2.21 | 3.05 | 38.0 |
| MarcoPolo Marine | BUY | 0.054 | 0.072 | 33.3 |
| O C B C | BUY | 16.69 | 21.00 | 25.8 |
| SATS | BUY | 3.64 | 4.30 | 18.1 |
| Seatrium | BUY | 2.07 | 2.80 | 35.3 |
| Sembcorp Ind | BUY | 5.52 | 7.47 | 35.3 |
| Venture Corp | BUY | 13.15 | 15.55 | 18.3 |
| YZJ ShipBldg SGD | BUY | 2.99 | 3.60 | 20.4 |

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

### CHANGE IN SHARE PRICE

| Company | Rec | Dec-24 (%) | To date (%) |
|---|---|---|---|
| Centurion | BUY | 2.1 | 2.1 |
| ChinaSunsine | BUY | (7.3) | (9.2) |
| Civmec | BUY | (3.6) | 34.2 |
| CSE Global | BUY | (10.8) | (3.5) |
| Genting SP | BUY | 0.0 | (13.6) |
| Lendlease REIT | BUY | (1.8) | (1.8) |
| Mapletree Ind Tr | BUY | (4.7) | 4.7 |
| MarcoPolo Marine | BUY | 3.8 | (3.6) |
| O C B C | BUY | 2.5 | 34.9 |
| Seatrium | BUY | 7.3 | 33.5 |
| Sembcorp Ind | BUY | 5.7 | 85.9 |
| SingPost | BUY | (8.6) | 20.5 |
| Venture Corp | BUY | 2.2 | 1.0 |
| FSSTI | | 1.3 | |
| UOBKH Portfolio | | (1.0) | |

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

### PORTFOLIO RETURNS (%)

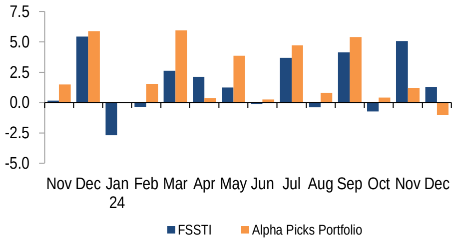
| | 2023 | 2024 | 4Q24 | Nov-24 | Dec-24 |
|---|---|---|---|---|---|
| FSSTI return | -0.3 | 16.9 | 5.6 | 5.1 | 1.3 |
| Alpha Picks Return | | | | | |
| - Price-weighted | -2.6 | 37.0 | 4.3 | 2.3 | 2.0 |
| - Market cap-weighted | 3.6 | 22.7 | 2.2 | 3.7 | 1.9 |
| - Equal-weighted | 17.8 | 15.3 | -0.1 | 1.2 | -1.0 |

*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 THE FSSTI 12 OUT OF 15 MONTHS)




*Source: Bloomberg, UOB Kay Hian*

### ANALYST(S)

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**SATS – BUY (Roy Chen)**

- **Expect strong earnings performance in 3QFY25.** After its significant core earnings improvement in 2QFY25, we expect SATS to turn in an even stronger financial performance in the upcoming 3QFY25, driven by strong global air cargo volume amid the seasonally strong Oct-Dec quarter. We forecast SATS' core earnings at over S$90m in 3QFY25, without factoring in possible forex translation gain of up to S$20m.
- **A potential beneficiary of possible major shipping disruption.** A potential large-scale port strike at the US East Coast is a key event to watch out for in the near term. A prolonged strike may cause global repercussions and severely disrupt container shipping schedules. If this occurs, more trade volume would be diverted from the ocean to the air. Recall that air cargo volume was significantly boosted during the pandemic when global ports suffered major congestions. Being a global leader in air cargo handling, SATS is set to benefit from increased air cargo volume if there is a severe disruption for ocean cargo transportation.
- **Maintain BUY.** SATS currently trades at FY26/27 PE of 18.4x/15.7x. Our target price of S$4.30 is based on 18.4x FY27 PE, 0.5SD below SATS' historical mean PE of 19.9x.

SHARE PRICE CATALYSTS

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

**Yangzijiang Shipbuilding – BUY (Adrian Loh)**

- **Order win target for 2025 will be higher than in 2024.** We believe that management will guide for higher new-order wins in 2025 (2024: US$4.5b) given that it will have its new Yangzi Hongyuan yard ready for operation in 2H26. The new guidance will be revealed at its annual results annoucement in Feb 25. By our estimates, 2025's new order win target could come in at US$6-7b given the new capacity. As at end-1H24, the company had a US$22.14b orderbook for 224 vessels, of which 75% are green vessels. We note that our 2024 order win estimate of US$10b was easily exceeded.
- **Shipbuilding margins to remain high.** During its 3Q24 analyst call, management stated that its 3Q shipbuilding margins were "a little bit higher" than 1H24's margin of 25.9% (2023: 21.9%). YZJ appears very comfortable that its current margin levels are sustainable, pointing to its steel prices which it has fixed for 2025 and should remain stable into 2026.
- **We have a BUY recommendation on the stock with a PE-based target price of S$3.60.** We use a target PE of 9.7x which is 1SD above the company's 10-year average of 6.9x.

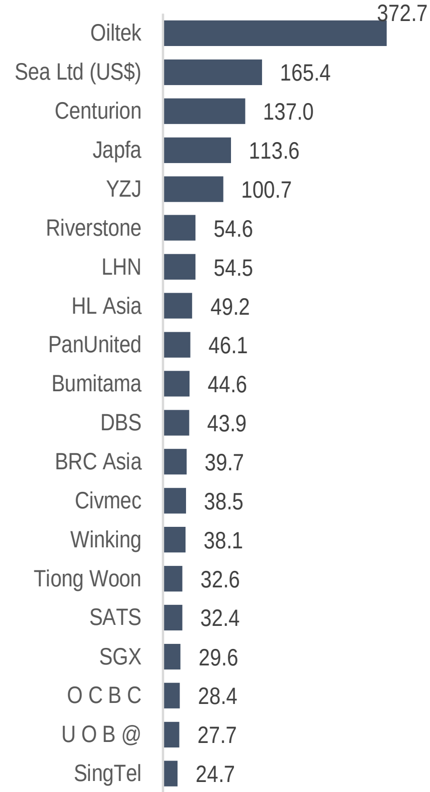
SHARE PRICE CATALYSTS

- **Events:** a) Guidance for higher new order wins in 2025 vs prior guidance in 2024, b) maintenance of shipbuilding margins in excess of 25%, and c) exercising of options for containerships in 1Q24.
- **Timeline:** 3-6 months.

**Sembcorp Industries – BUY (Adrian Loh)**

- **Doubling down on Singapore.** In mid-Nov 24, Sembcorp Industries (SCI) announced that it had completed its S$96m acquisition of a 30% stake in Senoko Energy which owns a 2,644MW power combined cycle power plant. We view the acquisition in a positive light as it allows SCI to potentially sign more long-term power purchase agreements (as at 1H24, 80% of its Singapore capacity is on long-term contracts). By our estimates, the asset was priced inexpensively given that it needs upgrading, and would be earnings-accretive by 4-6% p.a. from 2025.
- **Busy on the business development front.** SCI has been busy on the business development front in Oct 24 and Nov 24. These include: a) receipt of the Letter of Award for a 300MW wind-

20 BEST PERFORMING STOCKS WITHIN UOBKH COVERAGE (% INCREASE IN 2024)




*Source: Bloomberg*

solar hybrid power project with power to be sold under a 25-year Power Purchase Agreement to the National Thermal Power Corporation of India once completed, b) sale of Sembcorp Environment to a subsidiary of PT TBS Energi Utama for S$403m which is a 43% premium over the book value and net asset value as at end-1H24, and c) the signing of a joint development framework agreement with PT PLN EPI and PT PGI to establish a potential hydrogen transportation pipeline connecting Sumatra, the Riau Islands in Indonesia, and Singapore.

- **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). As at end-Nov 24, SCI had 16GW of gross renewables capacity.

**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 offshore production platform win.** In late-Dec 24, Seatrium (STM) announced that it had successfully converted a Letter of Intent to a firm contract for the engineering, procurement, construction and commissioning (EPCC) for BP's Kaskida project in the Gulf of Mexico (GoM) which we estimate to be worth around S$500-600m. As at end-3Q24, Seatrium's net orderbook stood at S$24.4b excluding this contract, with deliveries out to 2031.
- **A small step into the busy Indian market.** In late-Nov 24, STM announced that it had signed an MOU with Cochin Shipyard of Kerala, India, to jointly design and supply critical equipment for jack-up rigs for the Indian market with Mobile Offshore Drilling Units (MODUs) specifically mentioned. Cochin Shipyard is an Indian Government enterprise with a market capitalisation of INR345b (US$4.1b).
- **An ocean of opportunity in Brazil.** Drilling down into STM's 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 encompasses both oil and gas as well as renewables.
- **Maintain BUY with a target price of S$2.80,** using a target P/B multiple of 1.4x which is 1SD above the company's five-year average P/B 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.

**Centurion Corp – BUY (Adrian Loh)**

- **Handily beating expectations again.** Centurion Corp (CENT) reported strong 9M24 revenue of S$187m (+25% yoy) which formed over 82% of our full-year revenue estimate. Like its 1H24 results, the company's strong performance was attributed to strong occupancy rates and healthy rental revisions across its portfolio of Purpose-Built Workers Accommodation (PBWA) and Purpose-Built Student Accommodation (PBSA) assets with revenue growths of 27% and 20% yoy respectively. Post business update, we upgraded the company's 2024-26E EPS estimates by 2-11%.
- **Solid growth outlook from a healthy pipeline – guidance remains bullish.** CENT should see around 16% volume growth in both its PBWA and PBSA segments during 2H24-2H26. By our estimates, around 66% of the growth will come from PBWAs in Singapore.

- **Potential for higher dividend payout.** Recall that during its 1H24 results, CENT declared a dividend of S$0.015, implying a 26% dividend payout based on EPS of S$0.0577 from its core business operations. We have maintained our current forecast dividend of S$0.03 for the full year, but we believe that there is a high likelihood of an upside to S$0.035 given the better-than-expected earnings, implying a 2024 yield of 3.6%.
- **We have a BUY rating on CENT with a PE-based target price of S$1.11.** We use a target PE multiple of 8.7x which is 0.5SD above the company's long-term average PE multiple of 6.9x (excluding 2019 which was affected by COVID-19).

SHARE PRICE CATALYSTS

- **Events:** a) Capacity expansions involving JVs which are more asset light and require less capital intensity; and b) higher dividends in the year-end results.
- **Timeline:** 6-12 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) sustained trend of higher average spending in Resort World Sentosa (RWS), c) earnings accretion from Hotel Ora (launched in May 23) which will lift key inventories by about 30% yoy, and d) 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$1.12,** which implies 9.3x 2025F EV/EBITDA (-0.5SD below 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, Sunsine's 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 of 5%.
- **Good dividend yield of around 5% backed by strong balance sheet.** Sunsine provides an attractive yield of around 5%, supported by its robust cash balance of Rmb1,751m (+4% hoh) as of 1H24. This translates to Rmb1.82/share (S$0.34/share) or around 70% of its market cap. This provides ample room for Sunsine to potentially raise its dividend and continue to perform share buybacks. Sunsine has bought back 3.8m shares for 2024 since the start of its 2024 share buyback plan on 26 Apr 24.

- **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 New Energy Vehicles saw a 32% yoy surge in 1H24. We therefore expect sales volume growth to remain steady moving forward.
- **Maintain BUY.** Our target price of S$0.58 is pegged to 7.5x 2025F PE or +1SD above historical mean PE. Sunsine is trading at an undemanding 2x CY24F ex-cash PE, and we expect Sunsine to capture the potential demand recovery in 2025.

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)**

- **Increasing opportunities for maintenance works via new maintenance facilities will translate to more recurring earnings.** Civmec announced that the projects for its maintenance division have increased significantly, with notable clients like Iron Bridge JV, Wesfarmers Chemicals, Energy and Fertilisers (WesCEF), Cargill and Pilbara Minerals Pilgangoora Operation. Civmec's recently constructed Port Hedland maintenance and workshop facility will allow the group to better serve existing clients and capitalise on the higher activity levels in the west coast like the Pilbara region. Expansion of a new Queensland maintenance hub in Gladstone is also in the works, bringing about more maintenance growth opportunities in the east coast.
- **One of Australia's leading engineering players,** Civmec serves key sectors including resources and energy (88% of FY24 revenue), as well as defence and infrastructure (12%). Its serves blue-chip clients including Chevron, Rio Tinto, Alcoa, BHP, Thyssenkrupp and the Australian Navy. At favourable commodity prices, Civmec stands to benefit as its clients undertake more mining and O&G production activities. Civmec sees a strong pipeline of tendering opportunities in all the sectors it operates in, with orderbook of A$853m as at end-FY24. This secures most of its revenue for the next 12 months, with a portion extending up to 2029.
- **Maintain BUY with target price of S$1.40.** Our target price is pegged to 12x FY25F PE (based on 0.5SD below mean). It is currently trading at an attractive valuation of 9x FY25F PE, a deep 53% discount to its regional peers, while the dividend yield is attractive at around 6% from current price.

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

**CSE Global – BUY (John Cheong and Heidi Mo)**

- **Robust order pipeline.** CSE continues to enjoy strong order wins, with order intake of S$565m in 9M24. Orderbook reached S$634m, signalling a healthy pipeline for the coming quarters. 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.

- **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$0.59 is pegged to 13x 2025F PE (based on +1SD above mean) and implies a decent dividend yield of 6.6% 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.

**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 3Q24, 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$15.55,** 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. Currently, VMS is trading at 15x 2025F PE (10x ex-cash 2025 PE) and offers a decent dividend yield of 5.5%.

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.

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

- **Beneficiary of higher charter rates and limited vessel supply.** According to Clarksons Research, global offshore support vessel (OSV) utilisation stood at 73% in 2023, while dayrates have surpassed previous peaks in 2013-14. On top of this, OSV supply has dropped 5% from 2017 as newbuilds are minimal from limited bank financing. With notable projects across both the traditional O&G and the renewable sectors in MPM's operating markets like Taiwan and Korea, MPM stands to benefit from higher demand for OSVs and sustained higher charter rates.

- **CSOV expected to contribute to FY25 earnings.** MPM's new CSOV is expected to be completed by Feb 25, and will be deployed over three years at an agreed utilisation rate per annum with Vestas. Furthermore, 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. With the increasing demand and limited supply, MPM is likely to enjoy healthy day rates and utilisation for its CSOV moving forward.

- **Higher ship repair activity from new dry dock in 1Q25.** MPM's new 240-metre-long Dry Dock 4 is projected to be completed by Feb 25, and is expected to increase ship repair capacity by up to 25%. This will enable MPM to take on more high-margin ship repair activities. While there were lower ship repair volumes and third-party shipbuilding activities in 3QFY24 as one of MPM's dry docks was occupied for its CSOV, we note that the CSOV has since been shifted to the slipway. This indicates potential recovery and even upside to ship repair volumes growth.
- **New CTVs may unlock more opportunities.** In Mar 24, MPM announced its Asia-Pacific Crew Transfer Vessel (CTV) framework agreement with Siemens Gamesa for projects across Taiwan and Korea. Its first CTV charter in Korea began in Sep 24, marking MPM's successful entry into a new market, while the second CTV will be deployed soon. We think that this partnership will further boost MPM's track record and provide more opportunities to accelerate its growth.
- **Maintain BUY with a target price of S$0.061.** We value MPM at 9.5x FY24F PE, based on +1SD above its historical three-year average PE range on the back of rising charter rates and vessel utilisation rates.

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.

**Oversea-Chinese Banking Corp – BUY (Jonathan Koh)**

- **Reviewing capital management.** Management will review OCBC's capital position at end-24. Factors to consider include OCBC's growth trajectory and capital required to support its pipeline of new projects, including plans to redevelop its HQ at Chulia Street. Management prefers to return surplus capital to shareholders through a higher dividend payout ratio and paying more regular dividends.
- **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.
- **Most well-capitalised bank in Singapore.** Fully phased-in CET-1 CAR was 15.6% as of 3Q24, the highest among Singapore banks. OCBC has the potential to deploy surplus capital to generate inorganic growth.
- **Maintain BUY.** Our target price of S$21.00 is based on 1.60x 2025F P/B, derived from the Gordon Growth Model (ROE: 12.7%, COE: 8.5%, growth: 1.5%).

SHARE PRICE CATALYSTS

- **Events:** a) Resiliency from high CET-1 CAR of 15.6%, 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$3.05** 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.

**Lendlease Global Commercial REIT – BUY (Jonathan Koh)**

- **Downtown mall 313@Somerset outperforming.** LREIT maintained positive double-digit rental reversion of 11.4% on an average vs average basis in 1QFY25 (313@Somerset: high teens, Jem: high single digit).
- **Further enhancement to 313@Somerset.** LREIT has handed the site over to Live Nation, the tenant for the multi-functional event space at Grange Road Car Park. Construction is expected to commence by end-24 and should be completed within the next 12-18 months. LREIT benefits from rental income and profit sharing from the multi-functional event space. Most importantly, the event venue would attract throngs of concertgoers and music fanatics, thereby boosting shopper traffic at 313@Somerset.
- **LREIT is in advanced negotiations** with an international school (one floor) and a co-working space operator. Occupancy will rise above 30% if the two leases are successfully concluded.
- **Maintain BUY.** Our target price of S$0.77 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.

VALUATION

| Company | Ticker | Rec* | Price 31 Dec 24 (S$) | Target Price (S$) | Upside To TP (%) | Last Year End | PE 2023A (x) | PE 2024E (x) | PE 2025E (x) | Yield 2025E (%) | ROE 2025E (%) | Market Cap. (S$m) | Price/ NAV ps (x) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Centurian | CENT SP | BUY | 0.96 | 1.11 | 15.6 | 12/23 | 5.3 | 8.3 | 8.2 | 3.1 | 9.9 | 807.1 | 0.9 |
| ChinaSunsine | CSSC SP | BUY | 0.445 | 0.58 | 30.3 | 12/23 | 6.1 | 6.1 | 5.7 | 6.7 | 9.3 | 424.3 | 0.6 |
| Civmec | CIVMEC SP | BUY | 1.08 | 1.40 | 29.6 | 6/24 | 10.3 | 9.6 | 9.7 | 5.5 | 12.8 | 549.2 | 1.2 |
| CSE Global | CSE SP | BUY | 0.42 | 0.59 | 42.2 | 12/23 | 11.3 | 12.8 | 9.6 | 6.6 | 11.6 | 293.1 | 1.1 |
| Genting SP | GENS SP | BUY | 0.765 | 1.12 | 46.4 | 12/23 | 15.1 | 15.6 | 13.3 | 5.9 | 8.3 | 9,235.5 | 1.1 |
| Lendlease REIT | LREIT SP | BUY | 0.55 | 0.77 | 40.0 | 6/24 | 21.0 | 18.8 | 26.1 | 7.1 | 2.2 | 1,332.5 | 0.7 |
| Mapletree Ind Tr | MINT SP | BUY | 2.21 | 3.05 | 38.0 | 3/24 | 16.6 | 16.4 | 15.8 | 6.4 | 7.5 | 6,293.3 | 1.3 |
| MarcoPolo Marine | MPM SP | BUY | 0.054 | 0.072 | 33.3 | 9/24 | 7.7 | 9.3 | 7.1 | 3.7 | 14.6 | 202.7 | 1.1 |
| O C B C | OCBC SP | BUY | 16.69 | 21.00 | 25.8 | 12/23 | 10.8 | 10.0 | 10.3 | 5.3 | 12.4 | 83,443.0 | 1.4 |
| SATS | SATS SP | BUY | 3.64 | 4.30 | 18.1 | 3/24 | 96.0 | 19.6 | 18.3 | 2.2 | 11.1 | 5,413.0 | 2.2 |
| Seatrium | STM SP | BUY | 2.07 | 2.80 | 35.3 | 12/23 | n.a. | 67.1 | 23.8 | 0.0 | 4.4 | 7,011.1 | 1.1 |
| Sembcorp Ind | SCI SP | BUY | 5.52 | 7.47 | 35.3 | 12/23 | 10.4 | 10.2 | 9.8 | 2.4 | 18.0 | 9,840.2 | 2.0 |
| Venture Corp | VMS SP | BUY | 13.15 | 15.55 | 18.3 | 12/23 | 14.2 | 15.6 | 14.4 | 5.7 | 9.2 | 3,801.5 | 1.3 |
| YZJ ShipBldg SGD | YZJSGD SP | BUY | 2.99 | 3.60 | 20.4 | 12/23 | 15.2 | 9.8 | 8.0 | 3.7 | 24.9 | 11,812.3 | 2.8 |

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

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