STRATEGY – SINGAPORE

Alpha Picks: Solid Beat For Oct 24

Despite the STI's negative performance in Oct 24, our Alpha Picks portfolio outperformed the STI by 1.1ppt, rising 0.4% mom on an equal-weighted basis. The outperformance was driven by SPOST, CVL and DFI while FRKN, CLI and SCI underperformed. Our Alpha Picks portfolio has now outperformed the STI in 12 out of the past 13 months.

WHAT'S NEW

- **Market review.** Global markets continued their strong performances from Sep 24 and surged higher in the first half of Oct 24, driven by a strong start to the US corporate earnings season. However, in the latter half of Oct 24, robust US economic data decreased expectations for aggressive interest rate cuts while political uncertainty over the upcoming US elections and the US Fed's next moves softened global investor sentiment. As a result, the STI was slightly lower (-0.7% mom) for Oct 24.

- **Solid beat.** In contrast to the STI's negative performance for Oct 24, our Alpha Picks portfolio rose 0.4% mom on an equal-weighted basis, beating the STI by 1.1ppt. Our Alpha Picks portfolio has now outperformed the STI in 12 out of the past 13 months.

- **Strong outperformance.** For Oct 24, our top performers were in industrials and consumer staples, namely Singapore Post (+17.2% mom), Civmec (+16.0% mom) and DFI Retail Group (+9.7% mom). Singapore Post surged on the back of news flow regarding the potential sale of its Australian assets while Civmec rose on its successful change of domicile and positive outlook. DFI Retail Group benefited from positive sentiment on the back of its exit from its China supermarket exposure. Frencken (-13.9% mom) underperformed, negatively impacted by weakness in results of its major customers in the semiconductor and life science sectors. CapitaLand Investment Limited (-9.9% mom) fell as bullishness from the China stimulus and US Fed rate cut faded while Sembcorp Industries (-9.0% mom) saw profit taking in the wake of its share price having risen 24% in Aug-Sep 24.

ACTION

- **Trimming our portfolio.** For Nov 24, we add Marco Polo Marine into our Alpha Picks portfolio as we reckon that the company would benefit from higher charter rates and limited vessel supply. We take profit on SATS post its strong performance in Oct 24 while removing Frencken and CapitaLand Investment Limited as they face headwinds in the near term, in our view. Our current portfolio consists of MPM, CSSC, CSE, DFI, GENS, LREIT, MINT, MPM, OCBC, STM, SCI, SPOST and VMS.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Adrian Loh	Sembcorp Ind	BUY	69.7	Announcement of renewables acquisitions
Adrian Loh	Seatrium	BUY	22.6	Solid outlook for new order wins
Adrian Loh	DFI Retail	BUY	4.8	Exposure to China stimulus measures
Llelleythan Tan	Singapore Post	BUY	23.9	Strong earnings recovery
Jack Goh	Genting Singapore	BUY	-5.6	Benefiting from international tourism recovery
John Cheong	China Sunsine Chemical	BUY	-7.1	Higher ASPs for rubber chemicals and utilisation rates
John Cheong	Civmec	BUY	40.4	Higher-than-expected contract wins and margins
John Cheong	CSE Global	BUY	0.0	Higher earnings from record-high orderbook
John Cheong	Venture Corp	BUY	2.2	Earnings recovery and higher-than-expected dividends
Heidi Mo	Marco Polo Marine	BUY	n.a.	Higher-than-expected ship charter rates and vessel utilisation
Jonathan Koh	OCBC	BUY	22.8	Attractive dividend yield; less susceptible to NIM compression
Jonathan Koh	Mapletree Ind	BUY	13.7	Growth from data centre at a reasonable price
Jonathan Koh	Lendlease Global Commercial REIT	BUY	2.7	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$) ---- 30 Oct	Target	Up/(down) to TP (%)
ChinaSunsine	BUY	0.455	0.58	27.5
Civmec	BUY	1.13	1.4	23.9
CSE Global	BUY	0.43	0.59	37.2
DFIRG USD	BUY	2.38	2.57	8.0
Genting SP	BUY	0.835	1.18	41.3
Lendlease REIT	BUY	0.575	0.77	33.9
Mapletree Ind Tr	BUY	1.31	1.71	30.5
MarcoPolo Marine	BUY	0.056	0.061	8.9
O C B C	BUY	15.19	19.4	27.7
Seatrium	BUY	1.90	2.8	47.4
Sembcorp Ind	BUY	5.04	7.47	48.2
SingPost	BUY	0.545	0.61	11.9
Venture Corp	BUY	13.30	16.17	21.6

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

CHANGE IN SHARE PRICE

Company	Rec	Oct-24 (%)	To date (%)
CapitaLandInvest	BUY	(9.9)	(10.8)
ChinaSunsine	BUY	(4.2)	(7.1)
Civmec *	BUY	16.0	40.4
CSE Global	BUY	0.0	0.0
DFIRG USD	BUY	9.7	4.8
Frencken	BUY	(13.9)	13.5
Genting SP	BUY	(4.6)	(5.6)
Lendlease REIT	BUY	(5.0)	2.7
MapletreeInd	BUY	(1.2)	13.7
O C B C	BUY	0.6	22.8
SATS	BUY	9.1	5.3
Seatrium	BUY	6.7	22.6
Sembcorp Ind	BUY	(9.0)	69.7
SingPost	BUY	17.2	23.9
Venture Corp	BUY	(5.3)	2.2
FSSTI		(0.7)	
UOBKH Portfolio		0.4	

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

PORTFOLIO RETURNS (%)

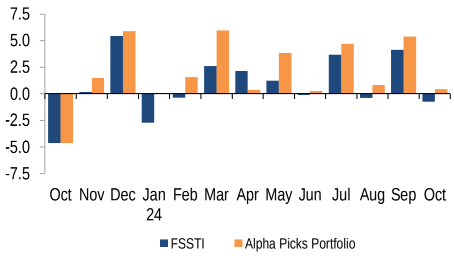
	2023	2Q24	3Q24	Sep-24	Oct-24
FSSTI return	-0.3	3.4	7.6	4.1	-0.7
Alpha Picks Return					
- Price-weighted	-8.3	8.6	17.3	4.6	-1.5
- Market cap-weighted	1.7	6.4	11.9	4.9	-1.0
- Equal-weighted	7.0	2.1	7.9	5.4	0.4

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 12 OUT OF 13 MONTHS)



Source: Bloomberg, UOB Kay Hian

ANALYST(S)

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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, 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 24 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 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 it is planning for up to seven new FPSOs in addition to the 11 that it already has on order (STM is currently building six). 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 ranges 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 is 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 (see map overleaf).
- **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.

DFI Retail Group – BUY (Adrian Loh)

- **A millstone removed.** DFI Retail Group Holdings' (DFI) announcement of its divestment of 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) is seen as positive. 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.
- **China government action positive for the medium to long term.** Given that 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 Chinese government's 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 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 have a 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; and c) greater share of profit contribution from its RTE and QSR strategies for its convenience segment.
- **Timeline:** 6-12 months.

Singapore Post – BUY (Llelleythan Tan)

- **Improved earnings outlook for the postal segment.** The Singapore business returned to profitability in FY24 and 1QFY25, driven by the postal adjustment in 2HFY24 and new domestic e-commerce customer wins. For 2QFY25, we expect the Singapore business to grow yoy, largely driven by the postal delivery business benefitting from the postal price hike in 3QFY24.
- **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 SOTP valuation, we value the property, logistics and postal segments at S$844m, S$914m and S$245m respectively. Given that SPOST's current market cap is around S$1.23b, we think that the market is severely undervaluing SPOST's businesses. At our target price, SPOST trades at 19x FY25F PE, at -0.5SD 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, 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 (their new Port Hedland maintenance and workshop facility), 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$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$0.59 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 when 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.

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 Construction Service Operation Vessel (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)

- **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$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 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 30 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)
ChinaSunsine	CSSC SP	BUY	0.455	0.58	27.5	12/23	6.2	6.2	5.8	5.5	9.2	433.8	0.6
Civmec	CIVMEC SP	BUY	1.13	1.4	23.9	6/24	10.8	10.1	9.8	4.6	13.9	574.6	1.3
CSE Global	CSE SP	BUY	0.43	0.59	37.2	12/23	11.7	13.3	9.9	6.4	9.5	298.0	1.2
DFIRG USD	DFI SP	BUY	2.38	2.57	8.0	12/23	98.1	17.3	14.0	4.1	18.5	4,257.5	3.3
Genting SP	GENS SP	BUY	0.835	1.18	41.3	12/23	16.5	14.3	13.9	4.8	8.5	10,080.6	1.2
Lendlease REIT	LREIT SP	BUY	0.575	0.77	33.9	6/24	22.0	19.7	27.3	6.7	3.1	1,376.3	0.8
Mapletree Ind Tr	MPACT SP	BUY	1.31	1.71	30.5	3/24	15.9	16.7	16.7	6.3	4.4	6,891.8	0.8
MarcoPolo Marine	MPM SP	BUY	0.056	0.061	8.9	9/23	8.0	8.7	8.1	2.7	12.6	210.2	1.2
O C B C	OCBC SP	BUY	15.19	19.4	27.7	12/23	9.8	9.2	9.4	5.8	13.4	68,335.3	1.2
Seatrium	STM SP	BUY	1.90	2.8	47.4	12/23	n.a.	61.6	21.9	0.0	1.6	6,448.8	1.0
Sembcorp Ind	SCI SP	BUY	5.04	7.47	48.2	12/23	9.5	9.3	8.9	2.6	20.0	8,998.4	1.8
SingPost	SPOST SP	BUY	0.545	0.61	11.9	3/24	18.2	17.3	15.2	2.4	5.0	1,226.3	1.1
Venture Corp	VMS SP	BUY	13.30	16.17	21.6	12/23	14.3	14.5	14.0	5.6	9.3	3,850.6	1.4

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

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