SMALL/MID CAP HIGHLIGHTS

OVERWEIGHT

Small Mid Cap – Singapore

Identifying Stocks That Could Benefit From MAS' S$5b Liquidity Boost

On 21 Feb 25, the MAS equities market review group revealed a S$5b investment initiative to be channelled to asset managers with a focus on Singapore-listed equities. Our screening of small mid cap stocks based on trading liquidity, P/B and PE ratios has identified 37 stocks that could benefit. Our top picks in the small mid cap space include ComfortDelgro, CSE Global, China Sunsine, Centurion, Digital Core REIT, Marco Polo Marine, Propnex, Riverstone, Singapore Post and Valuetronics.

WHAT'S NEW

- **MAS equities market review group announces S$5b investment initiative to enhance market liquidity; expect small mid cap stocks to be the biggest beneficiaries.** On 21 Feb 25, the Monetary Authority of Singapore's (MAS) equities market review group (which was set up in Aug 24), announced a S$5b investment initiative aimed at boosting liquidity for Singapore's capital market. The strategies will be actively managed and diversified across various counters, rather than solely focusing on index component stocks. As a result, we think the small mid cap stocks in Singapore will be the biggest beneficiaries of this measure. The initiative will channel the funds to asset managers with a "strong investment track record" and a focus on Singapore-listed equities. Funded through its investment portfolio and the Financial Sector Development Fund, the programme aims to enhance market liquidity and support Singapore's fund management ecosystem. MAS will begin evaluating eligible fund managers and strategies in the coming months.

- **Screening for small mid cap stocks that could benefit from MAS measures.** We conducted a screening of small mid cap stocks in the market cap range of S$200m-2b, based on the following criteria: a) three-month average daily traded value (ADTV) of at least S$0.3m, b) P/B ratio of less than 1.0x, and c) trailing 12 months (TTM) PE ratio of below 20x. This screening exercise has identified 37 small mid cap stocks (shown on the next page) that could benefit from MAS measures, as small mid cap stocks with decent liquidity that are trading at compelling valuation should garner more attention.

- **Our top picks in the small mid cap space include: a) ComfortDelgro** (expect strong acquisition-led earnings growth in 2024 and 2025), **b) CSE Global** (healthy performance backed by strong orderbook and attractive dividend yield of c.6%), c**) China Sunsine** (global leader in rubber accelerators and attractive dividend yield of c.6%, net cash c.70% of market cap), d**) Centurion** (solid volume and rental growth in 2025), e**) Digital Core REIT** (beneficiary of robust demand for data centre with attractive valuations vs peers), **f) Marco Polo Marine** (earnings boost from new fleet of vessels and shipyard expansion from Apr 25), g**) Propnex** (beneficiary of tailwinds in the residential property industry and potential special dividends), **h) Riverstone** (global leader in high-end cleanroom gloves with dividend yield of c.7%), **i) Singapore Post** (value unlocking and cost rationalisation initiatives to enhance shareholders' value), and **j) Valuetronics** (contributions from GPU leasing business and attractive dividend yield of c.7.5%, net cash c.70% of market cap).

TOP SMALL MID CAP PICKS

Company	Rec	Target Price (S$)	Share Price (S$)	% Upside
ComfortDelGro	BUY	1.36	1.77	30.1
CSE Global	BUY	0.45	0.59	31.1
China Sunsine	BUY	0.48	0.58	20.8
Centurion	BUY	1.02	1.11	8.8
Digital Core REIT	BUY	0.57	0.88	54.4
Marco Polo Marine	BUY	0.05	0.072	41.2
Propnex	BUY	1.13	1.18	4.4
Riverstone	BUY	1.00	1.16	16.0
Singapore Post	BUY	0.56	0.72	29.7
Valuetronics	BUY	0.65	0.78	20.0

Source: Bloomberg, UOB Kay Hian

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VALUATION OVERVIEW

Company	Ticker	Rec	Price @ 21 Feb 25 (lcy)	Target Price (lcy)	Upside/ (Downside) to TP (%)	Market Cap (US$m)	PE 2024 (x)	PE 2025 (x)	PE 2026 (x)	P/B 2025 (x)	P/B 2026 (x)	ROE 2025 (%)	Yield 2025 (%)
ComfortDelGro	CD SP	BUY	1.36	1.77	30.1	2,205	14.0	12.4	10.8	1.1	1.1	8.8	6.0
CSE Global	CSE SP	BUY	0.45	0.59	31.1	238	11.5	10.4	9.2	1.2	1.1	11.6	6.1
China Sunsine	CSSC SP	BUY	0.48	0.58	20.8	343	6.7	6.2	5.8	0.6	0.5	9.3	6.2
Centurion	CENT SP	BUY	1.02	1.11	8.8	642	7.4	8.7	8.0	0.8	0.8	9.9	2.9
Digital Core REIT	DCREIT SP	BUY	0.57	0.88	54.4	740	3.6	17.0	15.1	0.6	0.6	3.2	8.4
Marco Polo Marine	MPM SP	BUY	0.05	0.072	41.2	143	8.5	6.7	5.8	0.9	0.8	14.6	3.9
Propnex	PROP SP	BUY	1.13	1.18	4.4	626	18.8	15.7	14.9	5.8	5.3	38.1	5.3
Riverstone	RSTON SP	BUY	1.00	1.16	16.0	1,109	17.1	16.4	15.8	3.1	3.3	18.7	7.9
Singapore Post	SPOST SP	BUY	0.56	0.72	29.7	935	19.8	35.7	32.2	0.9	0.9	2.1	2.0
Valuetronics	VALUE SP	BUY	0.65	0.78	20.0	199	9.2	8.6	8.2	1.0	1.0	12.1	7.5

Source: Bloomberg, UOB Kay Hian

SCREENING RESULTS OF SMALL MID CAP STOCKS WITH: A) 3M ADTV OF >S$300K, B) P/B RATIO OF <1.0X, AND C) TTM PE RATIO OF <20X

Company	Ticker	Curr	Share Price	Mkt Cap (S$m)	3M ADTV (S$m)	TTM PE (x)	P/B (x)	12M Yield (%)	TTM ROE (%)	Net Cash to Mkt Cap (%)
ESR-REIT	EREIT SP	SGD	0.245	1,970.2	2.63	n.a.	0.89	12.2	-5.5	-141.0
Yangzijiang Financial	YZJFH SP	SGD	0.565	1,966.5	6.17	13.7	0.51	3.9	3.8	71.5
Riverstone	RSTON SP	SGD	1.00	1,482.2	2.18	17.1	3.11	7.1	17.6	14.7
OUE REIT	OUEREIT SP	SGD	0.27	1,485.0	0.61	n.a.	0.47	4.2	-2.1	-118.6
CapLand India Trust	CLINT SP	SGD	0.995	1,342.7	2.30	3.1	0.72	6.9	25.8	-121.4
Bumitama Agri	BAL SP	SGD	0.825	1,430.7	0.45	8.2	1.35	8.2	16.7	-13.4
HPHT	HPHT SP	USD	0.16	1,393.8	1.26	16.7	0.43	9.8	2.6	-214.8
SingPost	SPOST SP	SGD	0.555	1,248.8	4.67	15.9	1.12	1.6	7.0	-40.0
Lendlease REIT	LREIT SP	SGD	0.51	1,235.6	1.81	21.2	0.56	9.6	1.9	-121.7
Far East HTrust	FEHT SP	SGD	0.56	1,129.2	0.79	24.0	0.55	7.2	2.5	-61.7
Yanlord Land	YLLG SP	SGD	0.595	1,149.3	2.86	n.a.	0.19	n.a.	-7.2	-275.4
CapLand China Trust	CLCT SP	SGD	0.67	1,152.6	1.22	n.a.	0.60	8.4	-0.9	-140.8
Starhill Gbl REIT	SGREIT SP	SGD	0.485	1,111.6	0.62	16.6	0.64	7.5	3.8	-88.3
Frasers HT	FHT SP	SGD	0.525	1,011.2	1.47	50.0	0.80	2.2	1.6	-64.3
CDL H-Trust	CDREIT SP	SGD	0.81	1,019.7	1.14	70.4	0.56	3.5	0.8	-137.6
AIMS APAC REIT	AAREIT SP	SGD	1.26	1,025.6	0.79	23.2	0.97	3.8	4.1	-75.2
Stoneweg REIT	SERT SP	EUR	1.58	888.6	0.39	n.a.	0.75	10.8	-2.3	-143.5
Centurion	CENT SP	SGD	1.02	857.6	1.22	3.7	0.91	2.9	28.0	-76.5
Propnex	PROP SP	SGD	1.13	836.2	0.56	13.4	6.66	5.1	53.1	16.3
UMS	UMSH SP	SGD	1.08	767.4	1.71	14.7	1.86	5.0	13.1	4.6
Digital Core REIT	DCREIT SP	USD	0.57	740.2	2.11	3.6	0.72	5.5	22.4	-93.2
Hong Leong Asia	HLA SP	SGD	1.02	763.0	0.46	9.1	0.80	2.9	9.0	39.7
Wee Hur	WHUR SP	SGD	0.54	496.4	3.43	2.6	0.74	1.1	32.3	-18.4
Samudera	SAMU SP	SGD	0.905	486.9	0.60	6.6	0.68	11.0	10.4	28.7
Frencken	FRKN SP	SGD	1.09	465.5	2.23	12.1	1.13	2.1	9.7	0.1
AEM	AEM SP	SGD	1.51	472.7	5.79	n.a.	1.00	n.a.	-4.2	-5.2
Cortina	CTN SP	SGD	2.72	450.4	0.47	7.8	1.12	5.9	15.1	-6.8
Tuan Sing	TSH SP	SGD	0.295	366.9	0.37	n.a.	0.30	2.4	-0.6	-274.4
Geo Energy	GERL SP	SGD	0.27	382.1	0.61	4.5	0.53	4.4	12.4	-39.4
CSE Global	CSE SP	SGD	0.45	317.9	1.18	10.8	1.23	6.1	11.3	-33.0
KepPacOakReitUSD	KORE SP	USD	0.215	224.6	0.32	n.a.	0.31	28.0	-1.0	-341.3
Prime US REIT	PRIME SP	USD	0.158	206.7	0.90	25.5	0.29	2.6	1.1	-403.3
Yoma Strategic	YOMA SP	SGD	0.081	193.5	1.31	19.5	0.42	n.a.	2.6	-42.7
Mermaid Maritime	MMT SP	SGD	0.142	200.7	0.61	17.5	0.86	n.a.	5.0	-47.7
LHN	LHN SP	SGD	0.52	217.5	1.03	4.5	0.86	5.8	20.1	-151.1
Nam Cheong	NCL SP	SGD	0.525	205.9	0.76	0.4	1.63	n.a.	n.a.	-136.7
Marco Polo Marine	MPM SP	SGD	0.051	191.4	0.73	8.9	1.04	2.0	12.3	14.9

Source: Bloomberg, UOB Kay Hian

ComfortDelgro Corporation – BUY (Llelleythan Tan & Heidi Mo)

- **Public transport: The UK to improve in 4Q24.** Management noted that the UK bus contract renewals are still ongoing, which would lead to a better margin profile for 4Q24 and beyond. Also, seasonally higher scheduled bus chartering activities in 4Q24 would boost segmental profitability. Closer to home, improving domestic rail ridership would help boost rail revenue yoy while bus revenues are set to drop for 4Q24 due to the loss of the Jurong-West bus contract coupled with softer margins from the Australian business. For 4Q24, we expect revenue and operating profit of around S$800m (+4.7% yoy) and S$40m (+16.4% yoy) respectively.
- **Taxi: Strong growth despite stiff competition.** For 4Q24, we expect stiff competition from ride-hailing peers to continue, leading to lower completed bookings and dragging down ComfortDelgro Corporation's (CD) overall commission on completed jobs. However, additional contributions from the A2B and the newly-completed Addison Lee acquisitions are expected to support the taxi segment's upward growth momentum. For 4Q24, we expect revenue and operating profit of around S$174m (+16.6% yoy) and S$37m (+6.2% yoy) respectively.
- **Maintain BUY with a target price of S$1.77,** pegged to 16x 2025F PE, CD's five-year average long-term PE. Backed by CD's decent dividend yield of 5.9% for 2025, we opine that there is potential upside at current price levels, underpinned by strong earnings growth from the taxi segment and better margins from the UK bus business. We think that the recent dip in share price presents an attractive entry point and is one of our conviction picks for 1H25.

SHARE PRICE CATALYSTS

- **Events:** a) Bus tender contract wins; b) increase in taxi commission rates; and c) earnings-accretive overseas acquisitions.
- **Timeline:** 6-12 months.

CSE Global – BUY (John Cheong & Heidi Mo)

- **Strong performance backed by robust orderbook. CSE Global (**CSE) continues to enjoy strong order wins, with an 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.
- **Divestment of US facility to pave way for further expansion.** CSE has sold a US industrial property for US$29.25m, primarily to monetise the asset and unlock capital for the acquisition of a larger facility in the US for further expansion. Management believes that this strategic disposal allows the company to realise the value of the property and reallocate resources to enhance asset utilisation. We expect a post-tax gain of US$9m from the sale, which will be used to fund the new property purchase. CSE will also continue leasing the divested facility, with the lease terms yet to be finalised. This signals management's positive outlook for its electrification business and its commitment to capitalising on the anticipated growth in the US market.
- **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 regions. 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.

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. According to the China Association of Automobile Manufacturers, new car sales hit a record-high of 31.4m vehicles in 2024 (+4.5% yoy). As the automobile industry shows improvements, we expect Sunsine to leverage its competitive advantages and meet the growing demand for its products.
- **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 overseas 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.
- **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 2024 ex-cash PE, and we expect it 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.

Centurion Corp – BUY (Adrian Loh)

- **Solid growth outlook from a healthy pipeline – guidance remains bullish.** Centurion Corp (CENT) should see around 16% volume growth in both its Purpose-Built Workers Accommodation (PBWA) and Purpose-Built Student Accommodation (PBSA) segments during 2H24-2H26. On our estimates, around 66% of the growth will come from PBWAs in Singapore.
- **Beating expectations.** 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 PBWA and PBSA assets with revenue growths of 27% and 20% yoy respectively. After the business update, we upgraded the company's 2024-26 EPS estimates by 2-11%.
- **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.

Digital Core REIT – BUY (Jonathan Koh)

- **Embedded renewal options largely exercised. Digital Core REIT (**DCREIT) signed new and renewal leases representing US$74m of annualised rent (>90% of its portfolio) and generated a positive rental reversion of 4.3% in 2024. Portfolio WALE was extended by two years to 4.8 years. With many embedded renewal options already exercised, management expects the positive rental reversion to improve to double-digits in 2025.
- **Continued investments to maintain lead in AI.** Tech giants Microsoft, Google and Meta Platforms are expected to jack up their capex on AI by 45% to US$215b in 2025. Microsoft plans to invest US$80b in AI data centres. CEO Satya Nadella expects AI to be more extensively used as the technology becomes more efficient and accessible. Google will accelerate investment in AI data centres to US$75b, both for its own usage and its cloud computing customers. Meta plans to invest US$60b-70b. It uses AI to improve targeting for advertisements on Facebook and Instagram. It wants to develop AI that is personalised to its users' personality and culture.
- **Pure play on data centres.** DCREIT is a pure play on data centres and all its data centres are freehold. It provides an attractive distribution yield of 6.7% for 2025 (KDCREIT: 4.9%, MINT: 6.6%, Digital Realty: 3.0% and Equinix: 2.0%). P/NAV is 0.68x, a rarity for data centre REITs.
- **Maintain BUY.** Our target price of US$0.88 is based on DDM (cost of equity: 6.75%, terminal growth: 2.5%).

SHARE PRICE CATALYSTS

- **Events:** a) Yield-accretive acquisitions tapping on sponsor's extensive data centre pipeline, b) organic growth from cash rental escalation of 1-3% (weighted average: 2%).
- **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 Jan 25, while dayrates held steady after rising 16% yoy in 2024. On top of this, OSV supply remains constrained with limited bank financing and high newbuild pricing. With notable projects across both the traditional O&G and the renewable sectors in MPM's operating markets like Taiwan and Korea, Marco Polo Marine (MPM) stands to benefit from higher demand for OSVs and sustained higher charter rates.
- **CSOV expected to contribute to FY25 earnings**. MPM's new commissioning service operation vessel (CSOV) is expected to be completed by Feb 25, and will be deployed over three years at an agreed utilisation rate p.a. with Vestas. Furthermore, according to 4C Offshore Market Intelligence, there were 14 CSOVs and 29 service operation vessels 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 dayrates 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 in Feb 25, and will expand capacity by up to 25%. We

expect MPM to take on more high-margin ship repair activities from Mar 25 and boost FY25 revenue by 10-15%.

- **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 was recently delivered in end-Jan 25. 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$0.072.** We value MPM at 9.5x FY25F 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.

PropNex – BUY (Adrian Loh)

- **Sequentially strong earnings in 2H24 and into 2026.** We expect new-home launches to sequentially increase in 2H24 and into 1H25, thus contributing to better reported earnings for the company in the near to medium term. Singapore saw >100% hoh increase in number of new units launched in 2H24 with another 76% hoh growth expected in 1H25. Given the timing of revenue recognition, we expect stronger sequential profits to be reported for 2H24, 1H25 and 2H25.
- **Potential special dividend.** In 2025, PropNex celebrates 25 years since its founding in 2000 and thus the company may consider a special dividend to reward its shareholders. At end-1H24, PropNex had retained earnings of S$78m, and net cash of S$116m which excludes another S$18m in long-term deposits. We forecast S$0.06/share in ordinary dividends for 2024 with S$0.0225 paid in 1H24. The company remains debt free and we forecast around S$142m in net cash at end-24 which translates to around S$0.10/share.
- **Maintain BUY on PropNex with a PE-based target price of S$1.18.** Our target PE multiple of 14.6x is 1SD above the company's average PE since 2021 and is pegged to our 2025 EPS estimate, and includes our forecast cash balance as at end-25. In our view, the company could potentially trade at higher multiples given its asset-light business model which on our estimates generates 37-38% ROE in 2025-26.

SHARE PRICE CATALYSTS

- **Events:** a) Continued strong sell-through of new property launches in 1H25 which would impact 2H25 earnings; b) higher-than-expected price increments for private residential and HDB resale flats; and c) higher-than-expected final dividend for 2024 indicating the company's willingness to return cash to shareholders.
- **Timeline:** 3 months.

Riverstone – BUY (Heidi Mo & John Cheong)

- **Healthy 2025 outlook.** We expect Riverstone's cleanroom segment to continue seeing sales volume growth in 2025, with the electronics and pharmaceuticals sectors being growth drivers. The blended ASP was also healthy at c.US$94/carton in 3Q24. For the healthcare segment, sales volume is expected to further increase due to greater demand from US customers, while ASP should increase slightly to c.US$28.50/carton. During 3Q24, we note that the US had increased its contributions from c.40% of healthcare gloves revenue to c.70% because of the upcoming US tariffs on China-made gloves.
- **Strong cash position supports high dividend payout.** Backed by its healthy 9M24 cash

balance of RM790m (about 18% of market cap) and strong operating cash flow of RM266m (vs 9M23: RM204m), we expect 2025-26 payout ratio to exceed 100% to reward shareholders (2023: 151%; 2022: 116%).

- **Riverstone offers the most attractive valuation in the glove industry with a >200% discount in terms of PE multiple and 5x higher dividend yield vs peers.** Riverstone's 2025F PE of 15x is at a >100% discount vs peers' average of 50x and it offers a significantly more attractive dividend yield of 8.0% vs peers' average of 1.5%. We think Riverstone is a good proxy to the recovery in the healthcare gloves industry while offering downside protection given its dominant position in the cleanroom gloves sector.

- **Maintain BUY with a PE-based target price of S$1.16,** pegged to 20x 2025F PE, or 1.5SD above the long-term historical mean. Riverstone is trading at a deep >200% discount to its Malaysian peers' trading multiple of 50x 2025F PE despite the group's higher margins and attractive 8% dividend yield vs peers.

SHARE PRICE CATALYSTS

- **Events:** a) Higher-than-expected demand for cleanroom and healthcare gloves, and b) higher dividend payouts.

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

Singapore Post – BUY (Llelleythan Tan)

- **The announcement of the sale of its Australia business for S$898m** on 2 Dec 24 will lead to a S$312m gain on disposal. Completion is expected to be in Mar 25. The S$312m disposal gain translates into S$0.14/share and Singapore Post (SingPost) will consider a special dividend.

- **We see potentially more value-unlocking activities from the disposal** of: a) Famous Holdings, a smaller Australia subsidiary estimated to be worth more than S$100m, b) SingPost Centre property, valued at around S$1b, and c) other properties that are occupied by the post office currently. Also, SingPost is finalising its operating model with authorities to ensure long-term commercial viability of postal services. Potential cost-cutting initiatives from closure of loss-making post offices.

- **Maintain BUY with an SOTP-based target price of S$0.72**, implying a 1.0x FY26F P/B. We reckon that there is still potential upside at current price levels, given that the group has yet to monetise both Famous Holdings and the SingPost centre, which would further unlock shareholder value. The change in top management is unlikely to impact the group's divestment strategy which could potentially lead to higher-than-expected special dividends. Also, further clarity on the group's strategy moving forward would be a re-rating catalyst for the stock, in our view.

SHARE PRICE CATALYSTS

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

- **Timeline:** 6 months.

Valuetronics – BUY (John Cheong & Heidi Mo)

- **Healthy 1HFY25 results supported by new projects and customer acquisitions.** Valuetronics' (VALUE) 1HFY25 net profit grew 17% hoh and 10% yoy to HK$91m (+17% hoh, +10% yoy), on the back of new customer contributions offsetting the softer demand from existing customers. New customers include a Canada-based network access solutions provider and an electronic products supplier for a global entertainment conglomerate. Gross margin expanded for the fourth consecutive half-year on higher-margin new products, lower labour costs and lower material costs from improved supply chain.

- **Capturing the AI boom with new JV in Hong Kong.** VALUE has entered into a 55-45 JV called Trio AI with Hong Kong graphics processing unit (GPU) and artificial intelligence (AI) solutions provider SinnetCloud Group. In essence, Trio AI will provide GPU and AI-related cloud services in Hong Kong to tap on the rising computational needs and growing AI demand. VALUE will also enjoy additional income from leasing GPU servers and hardware to Trio AI over 60 months, at a rate that will cover the acquisition cost (~HK$60m). Management guides for Trio AI to start making positive contribution to revenue and profitability from FY26.

- **Well-positioned to capture growing demand with Vietnam plant.** VALUE's Vietnam campus strategically positions it to meet changing customer needs, as customers may wish to de-risk from China given the potentially higher US trade tariffs under Trump's presidency. As of end-1HFY25, the Vietnam plant was operating at c.40% utilisation rate. This excess capacity allows room for production ramp-up, whether for existing customers or to add more new customers.

- **Strong free cash flow to support shareholder return**. VALUE has maintained robust free cash flow of HK$53m in 1HFY25, while net cash improved to HK$1.1b (or S$200m) that is equivalent to around 77% of its market cap. While its formal dividend policy dictates a 30-50% payout ratio, recall that FY23 and FY24 payout ratios were 68% and 64% respectively.

- **Maintain BUY with a PE-based target price of S$0.78,** pegged to 10.8x PE for FY25. This is based on 1SD above VALUE's historical PE mean to account for potential strong demand from its four new customers and the upcoming JV contribution. VALUE is currently trading at only 2x FY24 ex-cash PE and offers an attractive FY25 dividend yield of 7%.

SHARE PRICE CATALYSTS

- **Events:** a) Winning more customers, b) higher-than-expected contributions of new customers, and c) higher-than-expected dividends and share buybacks.

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

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