

STRATEGY – SINGAPORE

Alpha Picks: Add MM2, SIAEC, Venture, Remove BRC Asia And YZJ

Our Alpha Picks rose 6.3% mom and outperformed the STI which rose 5.1%. However our portfolio underperformed on a quarterly basis, up 5.3% in 1Q22 vs the STI's 9.1% increase. For Apr 22, we add SIA Engineering and MM2, both being key beneficiaries of Singapore's reopening after the COVID-19 peak, while we like Venture's robust demand outlook. We have elected to take profit on BRC Asia and YZJ, up 11% and 53% respectively since their inception into our portfolio.

WHAT'S NEW

- **Strong outperformance in March.** Our Alpha Picks portfolio rose 6.3% mom in Mar 22, vs the STI's 5.1% increase. Key stocks that outperformed for us were Sembcorp Marine (+18% mom), Yangzijiang (+11%) and Ascott Trust (+10%). For 1Q22 however, the STI's status as the best performing Asian index, up 9.1% qoq, overshadowed our Alpha Pick portfolio's still-respectable 5.3% gain.
- **More exposure to reopening plays.** For April, we add MM2 and SIA Engineering as both are reopening plays in our view. For the former, it should benefit from higher capacity at its cinemas and live performances while SIA Engineering is leveraged to airlines' increased activity at Changi Airport in the wake of the easing of travel rules regionally and globally. For Venture, we like its robust demand outlook as well as its attractive valuations.
- **Taking profit on stocks that have done well.** Stocks that have done well since their inception into our portfolio have been removed for Apr 22. BRC (+11.4% since being selected as an Alpha Pick) saw strong share price performance after its 1QFY22 results and while we remain bullish on BRC for the long term, we remain cautious due to short-term headwinds such as rising steel prices. While we continue to like YZJ (+52.5% since inclusion into our portfolio), we believe that near-term catalysts remain scarce and would look to re-enter at lower levels.

ANALYSTS' TOP ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Jonathan Koh	Ascott Trust	BUY	21.1	A play on COVID-19 reopening in the EU & UK
John Cheong	Aztech	BUY	10.1	Operations intact; 4Q21 performance should be good; share buyback supportive.
Leow Huey Chuen & Jacquelyn Yow	Bumitama	BUY	-3.9	Best exposure to higher CPO price and volume growth in 2022
Adrian Loh	CapitaLand Inv	BUY	8.6	Proxy to economic reopening after peak COVID-19, especially in lodging business
John Cheong	Civmec	BUY	-5.8	Delivery of solid earnings growth and winning of more contracts.
Jonathan Koh	Frasers L&C Trust	BUY	3.5	Exposure to e-commerce growth and sizeable sponsor pipeline
Vincent Khoo/ Jack Goh	Genting Singapore	BUY	2.5	A proxy to economic reopening with key catalysts, eg reopening of borders, better capital management and attractive 2023 yield
Llellythan Tan	MM2	BUY	n.a.	Direct beneficiary of relaxation of COVID-19 restrictions in Singapore
Jonathan Koh	OCBC	BUY	8.8	Dividend yield expected to improve from 4.8% for 2021 to 5.4% for 2022
Adrian Loh	Semb Marine	BUY	15.7	Merger with Keppel; better order flows in 1H22
Roy Chen	SIA Engineering	BUY	n.a.	Immediate beneficiary of increased no. of flights
Chong Lee Len & Chloe Tan	SingTel	BUY	7.7	Should re-rate post partial divestment of tower assets in Australia
Llellythan Tan	Thai Beverage	BUY	8.4	Revival of Thai tourism; strong 1QFY22 results
John Cheong	Venture	BUY	n.a.	Robust demand outlook

* 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\$)	Target	Up/(down) to TP (%)
Ascott Trust	BUY	1.12	1.29	15.2
Aztech Gbl	BUY	0.93	1.55	66.7
Bumitama	BUY	0.74	0.85	14.9
CapitaLandInvest	BUY	4.04	4.13	2.2
Civmec	BUY	0.645	1.08	67.4
Frasers L&C Tr	BUY	1.48	1.79	20.9
Genting SP	BUY	0.82	1.08	31.7
MM2 Asia	BUY	0.067	0.115	71.6
O C B C	BUY	12.40	15.00	21.0
Sembcorp Marine	BUY	0.096	0.110	14.6
SIA Engineering	BUY	2.56	2.80	9.4
SingTel	BUY	2.65	2.90	9.4
Thai Beverage	BUY	0.71	0.90	26.8
Venture Corp	BUY	17.62	22.80	29.4

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

Source: UOB Kay Hian

CHANGE IN SHARE PRICE

Company	Rec	Mar 22 (% mom)	To-date* (%)
Ascott Trust	BUY	9.7	21.1
Aztech Gbl	BUY	0.5	10.1
BRC Asia #	BUY	(0.6)	11.4
Bumitama	BUY	4.8	(3.9)
CapitaLandInvest	BUY	8.1	8.6
Civmec #	BUY	1.6	(4.4)
Frasers L&C Tr	BUY	4.3	3.5
Genting SP	BUY	5.8	2.5
Sembcorp Marine	BUY	18.1	15.7
SingTel	BUY	4.8	7.7
O C B C	BUY	6.1	8.8
ThaiBev	BUY	7.5	8.4
Yangzijiang	BUY	10.9	52.5
UOBKH Portfolio		6.3	
FSSTI		5.1	

* Share price change since stock was selected as alpha pick

Dividend adjusted

Source: UOB Kay Hian

PORTFOLIO RETURNS (%)

	2021	1Q22	Feb 22	Mar 22
FSSTI return	9.8	9.1	-0.2	5.1
Alpha Picks Return				
- Price-weighted	4.4	6.5	-1.0	5.3
- Market cap-weighted	3.8	8.3	0.1	6.2
- Equal-weighted	3.9	5.3	2.5	6.3

Assumptions for the 3 methodologies:

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

Source: UOB Kay Hian

ANALYST(S)

Singapore Research
+65 6535 6868
research@uobkayhian.com

SIA Engineering – BUY (Roy Chen)

- **An immediate beneficiary of increasing flight activities.** SIA Engineering Company's (SIAEC) line maintenance service (about 50% of its pre-COVID-19 revenue) would immediately benefit from airlines' increasing flight activities at Changi Airport, which we believe would outpace the expected passenger volume recovery.
- **Positive core profit around the corner.** Within our Singapore aviation coverage space, SIAEC is likely the first to regain positive core net profit (ie excluding government grants). The consistent narrowing of core net losses over the past five quarters is an encouraging sign.
- **In late-Mar 22, we re-initiated coverage with BUY and FY23 DCF-based target price of S\$2.80.** SIAEC is our top sector pick.

SHARE PRICE CATALYSTS

- **Events:** a) Faster-than-expected earnings recovery from resumption of regional and global air travel, and b) resumption of dividend payment.
- **Timeline:** 3-6 months

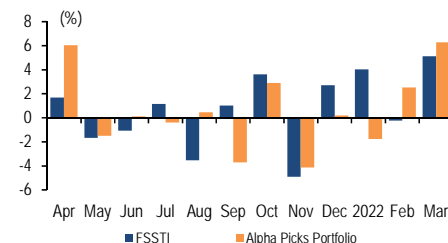
Venture – BUY (John Cheong)

- **VMS anticipates a robust demand outlook.** In its recent 2021 results, Venture Corporation (VMS) highlighted that it expects a robust demand outlook based on customers' orders and forecasts across various technology domains. Positive market momentum is also visible across instrumentation, test and measurement, networking and communications. In the list of VMS' customers that we track, all the customers are guiding for revenue growth for 2022. More importantly, we believe VMS could capture higher growth than its customers' revenue growth, given its ability to provide customised solutions for new product launches and entrance into new high growth domains including semiconductor and electric vehicles.
- **Easing of border restrictions globally should help improve component shortages.** In Feb 22, Hon Hai, the biggest assembler of iPhones, highlighted that a major improvement in part shortages is likely in the first quarter, with "overall supply constraints" set to ease in the second half of the year. In addition to this, the further easing of border restrictions globally should help to improve the component shortage issues, from easier access to labour and reduction of air freight rate.
- **Positive signal from recent share purchases of the Executive Chairman.** On 8 Nov 21, Mr Wong Ngit Leong, the Executive Chairman and largest shareholder of VMS, acquired 200,000 shares at S\$18.73/share. Previously, his acquisition of 566,300 shares at an average price of S\$14.45/share from Jul-Sep 17 turned out to be a strong positive signal as VMS's share price hit an all-time high of S\$29.50 in Apr 18.
- **Attractive valuation at 13x 2022F ex-cash PE.** Our target price of S\$22.80 is pegged to 19.5x 2022F earnings, +1SD above its forward mean PE. At the current price, VMS offers an attractive dividend yield of 4.5%.

SHARE PRICE CATALYSTS

- **Events:** a) Better-than-expected earnings or dividend surprise, and b) potential takeover
- **Timeline:** 3-6 months

PORTFOLIO RETURNS IN THE PAST 12 MONTHS (WE OUTPERFORMED FSSTI 7 OUT OF 12 MONTHS)



Source: Bloomberg, UOB Kay Hian

MM2 – BUY (Llalleythan Tan)

- **Cinematic recovery.** Domestic cinema attendance is poised for recovery as Singapore further eased capacity limits and safe distancing restrictions in cinemas starting 29 Mar 22. Also, 2022 is set to see a strong line-up of blockbuster movies with highly anticipated Marvel movies helping to boost ticket sales. Dining-in and F&B consumption in cinemas, a large and vital contributor of revenue, has also been permitted in Singapore.
- **Robust core production pipeline.** Over the next 2-3 years, MM2's core production pipeline remains sizeable, amounting to S\$150-190m. Currently, the group has over 30 projects that are in various stages of development, production and distribution. As production of films/TV series ramps up in FY22, MM2 is set to produce and distribute highly anticipated titles in new and existing markets.
- **Restart of live in-person concerts.** In-person concerts/shows have resumed as more countries gradually ease restrictions. Unusual Entertainment (Unusual) has already started producing sold-out shows and concerts in 1HFY22. Furthermore, Unusual is expected to announce a slate of concerts on 6 Apr 22, which we reckon would be met with overwhelming pent-up demand.
- **Spinoff of cinema business.** MM2 is still exploring other ongoing options that include an IPO of its wholly-owned cinema business sometime in 2HFY22. Assuming MM2 sells more than 50% of Cathay, a spinoff listing would help MM2 restructure its debt as almost all of its debt would be tagged to Cathay once it becomes an associate company.

SHARE PRICE CATALYSTS

- **Events:** a) Film production delivery, b) full-easing of COVID-19 measures, and c) spinoff of the cinema business.
- Timeline: 3-6 months

Bumitama – BUY (Leow Huey Chuen)

- **We expect earnings to continue performing.** Being a pure upstream palm oil producer, Bumitama (BAL) will have high earnings leverage during the current high CPO price environment. In addition, management also has reassured the market that BAL has not entered into any forward sale since 1H21, thus giving it full exposure to the high prevailing CPO prices.
- **FFB production growth for 2022.** For 2022, management guided for a 5-10% yoy nucleus FFB production growth with the production pattern having normalised recently. CPO production is expected to deliver a 17% yoy growth as we expect BAL to increase its third-party FFB purchases in view of the expectation of higher production from Indonesia in 2022, as a result of the good rainfall over the past two years. Higher utilisation rate at its mills will enhance its milling margin as well.
- **After 2021, we upgraded earnings forecasts by about 35% for 2022,** factoring in higher CPO price assumption of RM4,200/tonne. Our net profit forecasts for 2022-24 net profit are at Rp2.30t, Rp1.80t and Rp1.97t respectively. Maintain BUY with a target price of S\$0.85 based on 7x 2022F PE. As cash flow improves with a significantly lower gearing, we expect BAL to potentially announce a higher-than-expected dividend in the coming quarter.

SHARE PRICE CATALYSTS

- **Events:** Strength/stability in CPO prices, b) evidence of >15% production growth at its 1Q22 business update, and c) better-than-expected dividends.
- Timeline: 3-6 months

CapitaLand Investment – BUY (Adrian Loh)

- **Exciting growth in its fund management platform.** CapitaLand Investment (CLI) has >S\$120b in AUM which makes it one of the largest real estate investment managers in Asia. Of this, S\$86b are funds under management (FUM) and the company has plans to grow this to over S\$100b by 2023/24. We forecast FUM fee income to grow at a 13% CAGR over 2021-24. In addition, the company has >S\$10b in assets that it will look to monetise in the next few years. We have a BUY rating on CLI with a SOTP-based target price of S\$4.13.
- **Lodging – potentially a major earnings driver for CLI in 2022.** While this business continued to experience difficult operating conditions in 2021, CLI nevertheless still progressed the build-out of its long-stay business as well as the moving into adjacent segments such as purpose build student accommodation (72% of its lodging investment in 2021 was in this segment). Over the course of the next 12-18 months, we should see the return of international travel which should then allow margin expansion in CLI's lodging assets as well as higher ROE. During the analyst call, management stated that this business could generate about S\$150m in EBITDA vs our current 2022 and 2023 estimate of S\$48m and S\$78m respectively. The company is targeting 160,000 lodging units in 2023 vs 133,000 in 2021
- **A strong set of maiden results.** In late-Feb 22, CLI reported 2021 core PATMI of S\$497m (+12% yoy) that was slightly ahead of our expectations. Importantly, the strong numbers were the result of a broad-based recovery in CLI's assets with higher contributions from both its fee-income-related business as well as its real estate investment business.

SHARE PRICE CATALYSTS

- **Events:** Evidence of earnings growth in lodging business and growth in FUM at Apr 22's business update.
- **Timeline:** 3-6 months

Aztech – BUY (John Cheong)

- **Optimistic on 2022 business outlook, backed by robust orderbook.** Aztech is optimistic on its 2022 business outlook as it expects its operations to benefit from: a) healthy global demand for IoT and data communication products, b) improving vaccination rates against COVID-19. To date, 98% of Aztech's employees in China had been fully vaccinated and 46% have received their third dose. In Malaysia, its manufacturing facility is back to operating at 100% workforce after achieving a plant-wide vaccination rate of 100% with close to 17% of eligible workforce being vaccinated with the third dose, and c) recording a robust orderbook of S\$762m as at 22 Feb 22, which is 22% higher than its 2021 revenue, indicating a strong revenue growth for 2022.
- **Easing of border restrictions globally should help improve component shortages.** In Feb 22, Hon Hai, the biggest assembler of iPhones, highlighted that a major improvement in part shortages is likely in the first quarter, with "overall supply constraints" set to ease in the second half of the year. In addition to this, the further easing of border restrictions globally should help to improve the component shortage issues, from easier access to labour and reduction of air freight rate. Malaysia's reopening of its border with Singapore from 1 Apr 2022 is also a positive news for Aztech's Johor plant.
- **China's operations remain intact.** Aztech has resumed full operations in its Dongguan plant on 21 Mar 22, after a closure for six days for all the staffs to undergo PCR test. We understand that Aztech's facilities are currently enjoying high utilisation rates and it is managing the components shortages well on the back of: a) leveraging the strong brand name of customers, b) maintaining its good long-term relationship with suppliers, and c) modifying the product designs to switch reliance to parts that are more readily available.

- **Attractive valuation.** Trading at 8x 2022F PE, we opine this is unjustified as peers are trading at above 10x. We continue to like Aztech as it is a proxy to high-growth IoT products, where we believe orders are just starting to ramp up in 2021 and would sustain into 2022. Maintain BUY. Target price S\$1.55.

SHARE PRICE CATALYSTS

- **Events:** a) More order wins, b) better-than-expected cost management, and c) earnings or dividend surprise.
- Timeline: 2-6 months

Thai Beverage – BUY (Llalleythan Tan)

- **Make tourism great again.** Over the next few months, both the Thai and Vietnamese authorities will simplify the entry procedures to their respective countries, eg scrapping the need to show a negative pre-departure PCR test for Thailand, and only one negative PCR or ART test needed prior to entry to Vietnam. These measures are positive for Thai Beverage (Thai Bev) as both Thailand and Vietnam represented 76% and 18% respectively in revenue for the company for FY21 (Sep year-end).
- **Transition to endemic living.** Thailand's authorities have proposed several guideline changes to further boost the tourism sector. Pending approval from Thailand's authorities, the costly on-arrival PCR tests would be replaced by the quicker and cheaper ART tests on 1 May 22. Also, Thailand authorities are planning to revoke the Thailand Pass requirement or cancel the Test and Go Scheme for all international arrivals from 1 Jun 22 onwards, simplifying the travel application process for international tourists.
- **Expect more domestic alcohol rules to be relaxed nationwide.** Starting 1 Apr 22, Thailand's authorities eased alcohol restrictions in 24 orange provinces to the less stringent yellow or blue zones, implying that alcohol can now be served at eateries to 11pm in these provinces. Bangkok has also eased restrictions for MICE events whereby alcoholic drinks can now be served. Thailand's authorities also announced plans to debate allowing the kingdom's nightlife industry to reopen fully and legally which would lead to a revival in the country's bustling nightlife and alcohol consumption volumes.

SHARE PRICE CATALYSTS

- **Events:** a) BeerCo IPO, and b) resumption of international tourism.
- Timeline: 6+ months.

Oversea-Chinese Banking Corporation – BUY (Jonathan Koh)

- **Three-year strategy refresh.** Oversea-Chinese Banking Corporation (OCBC) plans to tap on four growth drivers: a) rising wealth in Asia through hubs in Singapore and Hong Kong, b) ASEAN-China trade and investment flows, c) new economy and high-growth industries, and d) transition to a sustainable low carbon world. It will invest to strengthen its comprehensive regional franchise and accelerate digital transformation. Management aims to achieve growth at CAGR of above 10%.
- **Guidance for 2022.** Management guided mid-to-high single-digit loan growth for 2022. NIM is expected to be stable at 1.50-1.55%. Credit costs are expected to be 22-25bp (2021: 29bp). Management estimated that every 100bp increase in local interest rates will lead to NIM expansion of 18bp.
- **Benefitting from higher interest rates.** Fed Funds Rate is expected to reach 1.9% by end-22, which implies about six hikes totalling 175bp in 2022 (one of the hikes could be 50bp). We expect NIM to be unchanged at 1.55% in 2022 and expand 15bp to 1.70% in 2023.

- **Maintain BUY.** Our target price of S\$15.00 is based on 1.19x 2023F P/B, derived from the Gordon Growth Model (ROE: 10.0%, COE: 8.5%, growth: 0.5%). In our view, its 2022 P/B is very inexpensive at 1.04x.

SHARE PRICE CATALYSTS

- **Events:** a) OCBC's dividend yield improving from 4.5% for 2022 to 4.8% for 2023, and b) OCBC expected to benefit from NIM expansion in 2H22.
- Timeline: 6-12 months.

Sembcorp Marine – BUY (Adrian Loh)

- **Slight delay in announcement of merger terms with Keppel Offshore Marine.** On 31 Mar 22, Sembcorp Marine (SMM) and Keppel Corp (KEP) announced that while merger talks have been progressing well, the complexity of the deal has led to a slight delay and both companies expect to be able to update the market by end Apr 22. This does not change our positive view on SMM and thus we maintain BUY with a P/B-based target price of S\$0.11.
- **Recently won a large order for a Wind Turbine Installation Vessel.** In late-Mar 22, SMM secured a contract for the construction of a Wind Turbine Installation Vessel (WTIV) based on its in-house design in collaboration with Maersk Supply Services, one of the world's largest offshore marine companies. Delivery of the vessel will be in 2025 with milestone payments. Our channel checks with the industry indicate that the contract value for this WTIV is in the range of S\$600m to as much as S\$800m. As a point of comparison, Keppel Corp (KEP SP, BUY, target price S\$6.94) won a S\$600m order for a WTIV in 4Q20.
- **Confidence in 2022.** We highlight that management appeared to be very confident in 2022, commenting that 2022 results will be "significantly better" than 2021.
- **Challenges at the shipyard appear to have dissipated.** While Singapore has seen COVID-19 cases numbers at >25,000 per day, there appears to be progress towards endemic living and thus we believe that the worse is behind SMM in terms of access to labour and that we will not see any shutdowns of its shipyards nor a material increase in costs and negative effects on productivity.
- **Carbon taxes.** We do not expect the materially higher carbon taxes, announced in Feb 22's 'Budget 2022', to have a major impact on SMM.

SHARE PRICE CATALYSTS

- **Events:** a) New orders for rigs, and b) offshore renewable installations or production assets.
- Timeline: 3-6 months.

Civmec – BUY (John Cheong)

- **One of Australia's leading construction and engineering services providers** to three key sectors: defence, resources and energy. Civmec's notable clients include Chevron, Rio Tinto, Alcoa Australia, BHP, Thyssenkrupp and the Royal Australian Navy.
- **We expect record earnings (+18% yoy) in FY22 (fiscal year ending June),** backed by a robust orderbook of A\$1b. This is almost double its orderbook of A\$0.6b in FY17. In FY21, Civmec delivered a strong earnings growth of 94% yoy. Civmec's 1QFY22 earnings grew 62% yoy, and the company sees a strong pipeline of new projects in the sectors it operates in. It also sees new opportunities in the green energy space.
- **Massive potential in new defence business underappreciated.** In Apr 18, the Royal Australian Navy awarded a huge contract to Civmec and Lurssen Shipyard to construct 12 Offshore Patrol Vessels by 2029. The contract is worth around A\$3b and is part of the country's A\$89b continuous shipbuilding contract.

- **We have a BUY rating and target price of S\$0.98**, pegged to 12x FY22F PE (1SD below its five-year mean). We think the current valuation of 9x FY22F PE for Cimec is attractive, given its strong growth profile and orderbook, especially in the defence sector which has a long tenure and high barriers to entry. Peers are trading at 15x FY22F 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 its strategic shareholder given the high entry barriers of the defence business.
- **Timeline:** 3-6 months

Ascott Residence Trust – BUY (Jonathan Koh)

- **The sixth consecutive quarter of sequential recovery.** RevPAU maintained an upward trajectory and increased 78% yoy and 24% qoq to S\$87 in 4Q21, powered by higher occupancy (which improved from 50% to 60% on a portfolio basis) and higher average daily rate. Countries with large domestic markets (eg the US, the UK and Australia) registered the strongest recovery. France and Japan also registered healthy growth in 2H21.
- **Value creation through asset recycling.** Ascott Residence Trust (ART) divested six properties at an average exit yield of 2% and total proceeds of S\$580m. The capital freed up was reinvested in 11 yield-accretive rental housing and student accommodation properties for total consideration of S\$780m and an average EBITDA yield of 5%. ART's longer-stay assets currently account for 16% of assets under management (AUM). Occupancy for its student accommodation properties was close to 100%.
- **Setting sights on a higher goal.** Management plans to raise the asset allocation target in longer-stay assets by 10ppt from 15-20% to 25-30% in the medium term.
- **Reiterate BUY.** Our target price of S\$1.29 is based on DDM (cost of equity: 6.5% and terminal growth of 1.8%).

SHARE PRICE CATALYSTS

- **Events:** a) Easing of travel restrictions and reopening of borders globally, and b) yield-accretive acquisitions in the student accommodation and rental-housing space.
- **Timeline:** 6-12 months.

Singapore Telecommunications – BUY (Chong Lee Len & Chloe Tan)

- **Monetisation of Optus tower asset for A\$1.9b.** Optus' sale of a 70% stake in Australia Tower Network (ATN – a wholly-owned subsidiary that houses Optus' towers) to AustralianSuper for A\$1.9b values ATN at 38x FY21 EV/EBITDA, or EV/sites of about A\$1m/tower. This is a premium vs Telstra's recent tower sales and appealing vs traditional telco multiples of 8-12x EV/EBITDA, with the premium being reflective of the loss of control by Optus (which will retain only a 30% minority stake after the divestment).
- **The endgame: A regional digital infra player.** Beyond unlocking value, the long-term goals for Singtel are to: a) drive organic growth through strong management, b) partner with capital providers to expand regionally, and c) focus on smart capital management to potentially explore JVs. This will allow them to set a regional digital infrastructure platform across multiple asset classes.
- **Positive monetisation exercise.** We are positive on the monetisation exercise to drive future data centre portfolio worth S\$7b-8b. To recap, Singtel will continue to execute its strategic reset targets, following the repositioning of Amobee and Trustwave in May 21 and its digital infrastructure strategy. The focus will include: a) capitalising the digital/IT growth trend via strategic partnerships, b) leveraging its infrastructure assets (data centres, towers and fibre) to unlock value, c) sweating its key assets, and d) investing in 5G for network

superiority and future monetisation. This is expected to help Singtel bridge the current market valuation gap as a conglomerate.

- **Maintain BUY with a DCF-based target price of S\$2.75** (discount rate: 7%, growth rate: 1.5%). At our target price, the stock will trade at 13x FY22F EV/EBITDA (five-year mean EV/EBITDA). The stock currently trades at 1SD below its five-year mean EV/EBITDA of 13x.

SHARE PRICE CATALYSTS

- **Events:** a) Successful monetisation of 5G, and b) faster-than-expected recovery in Optus' consumer and enterprise businesses.
- Timeline: 6-12 months.

Genting Singapore – BUY (Vincent Khoo, Jack Goh)

- **Market will eventually price in 2022-23 recovery.** Genting Singapore (GENS) is a major direct beneficiary of Singapore's COVID-19 national vaccination programme and reopening of the economy. We believe that valuations will partially factor in GENS' return to pre-pandemic earnings dynamics. We have a BUY rating on GENS with a target price of S\$1.08 which implies a 2022E EV/EBITDA of 8.8x, or -0.5SD to its historical mean.
- **Towards restoration of normalcy.** While Singapore has transitioned to its COVID-19 Resilience Phase since Nov 21, the nation has further relaxed some of its cumbersome standard operating procedures (SOP) and Resorts World Sentosa (RWS) has been allowed to operate with higher gaming capacity since Dec 21. We expect more inbound travel in 1H22 which will eventually benefit GENS as international patronage rebounds.
- **Significantly better capital management moving forward.** With GENS finally dropping its decade-long pursuit of clinching a pricey Japan integrated resort (IR) concession, and with no new compelling projects to consider, management is targeting to enhance capital management and to develop a dividend policy. Theoretically, the scope of the company's capital management can be significant, considering its net cash of S\$3.3b (27 S cents/share) and that post-pandemic EBITDA is largely sufficient to fund its S\$4.5b RWS 2.0 expansion.
- **Lush prospective yields.** We expect GENS' dividend yield to normalise to 4.7% in 2023, assuming revenue and cash flows recover back to pre-pandemic levels, and that GENS restores its 2019 dividend payout level of 4.0 S cents.

SHARE PRICE CATALYSTS

- **Events:** a) Wide dispensation of COVID-19 vaccines which will allow herd immunity; b) initiation of more Vaccinated Travel Lanes between Singapore and neighbouring countries; and c) appealing 2023 yield of >4%.
- Timeline: 3-6 months

Frasers Logistics & Commercial Trust – BUY (Jonathan Koh)

- **Divestment of CSE in line with pivot towards logistics.** Frasers Logistics & Commercial Trust (FLT) has entered into a sales and purchase agreement for the sale of the leasehold property at 18, 20 and 22 Cross Street, also known as CSE, for S\$810.8m. The consideration represents a 28.3% premium to book value of S\$632.0m as at Sep 21. The divestment of the non-core leasehold CBD commercial property is in line with FLT's portfolio rebalancing towards the logistics and industrial asset class. Assuming 49.2% of the net proceeds are used to repay outstanding debt, FLT's aggregate leverage is expected to be lowered by 4.4ppt from 33.7% to 29.3% on a pro forma basis. The divestment is expected to be completed in 1H22. 50.8% of the net proceeds from the divestment of CSE are expected to be deployed for acquisitions of logistics and business park properties.

- **Commenced development of Connexion II.** The newly-acquired Blythe Valley Park located near Birmingham and within UK's Golden Triangle has a three-hectare vacant land. FLT will invest £18m to develop the site into three standalone logistics warehouses with lettable area of 10,800sqm. The development is expected to be completed in 4QFY22. FLT is also looking at partnering sponsor Frasers Property to develop logistics properties in Australia and Europe.
- **Maintain BUY with a target price of S\$1.79**, which is based on DDM (cost of equity: 6.25%, terminal growth: 2.0%).

SHARE PRICE CATALYSTS

- **Events:** a) Continued growth and expansion by tapping on sponsor pipeline of logistics and business park properties, and b) development of projects at Blythe Valley Park and Farmborough Business Park.
- **Timeline:** 6-12 months.

VALUATION TABLE FOR ALPHA PICKS PORTFOLIO

Company	Ticker	Rec*	Price	Target	Upside	Last	PE			Yield	ROE	Market	Price/
			1 Apr 22 (S\$)	Price (S\$)	To TP (%)	Year End	2021A (x)	2022E (x)	2023E (x)	2022E (%)	2022E (%)	Cap. (S\$m)	NTA ps (x)
Ascott Trust	ART SP	BUY	1.12	1.29	15.2	12/21	47.9	39.6	25.4	4.8	2.2	3,677.6	0.9
Aztech Gbl	AZTECH SP	BUY	0.93	1.55	66.7	12/21	9.3	8.0	6.4	5.6	28.2	717.9	2.5
Bumitama	BAL SP	BUY	0.74	0.85	14.9	12/21	7.9	6.1	9.4	5.1	20.4	1,283.3	1.3
CapitaLand Invest	CLI SP	BUY	4.04	4.13	2.2	12/21	10.5	13.2	11.8	3.0	6.7	20,801.3	1.3
Civmec	CVL SP	BUY	0.645	1.08	67.4	6/21	9.2	7.0	6.2	3.9	14.7	324.1	1.1
Frasers L&C Tr	FLT SP	BUY	1.48	1.79	20.9	9/21	41.7	21.2	20.8	5.2	5.6	5,462.9	1.2
Genting SP	GENS SP	BUY	0.82	1.08	31.7	12/21	53.9	27.5	14.3	3.0	4.5	9,899.1	1.3
MM2 Asia	MM2 SP	BUY	0.067	0.115	71.6	3/21	n.a.	12.6	6.8	0.0	5.8	160.8	0.6
O C B C	OCBC SP	BUY	12.40	15.00	21.0	12/21	11.6	11.1	10.0	4.5	9.3	55,689.5	1.1
Sembcorp Marine	SMM SP	BUY	0.096	0.110	14.6	12/21	n.a.	n.a.	89.2	0.0	(0.3)	3,013.4	0.8
SIA Engineering	SIE SP	BUY	2.56	2.80	9.4	3/21	42.1	31.3	21.7	2.3	5.6	2,873.7	1.8
SingTel	ST SP	BUY	2.65	2.90	9.4	3/21	21.6	17.1	15.4	4.2	9.3	43,746.2	1.6
Thai Beverage	THBEV SP	BUY	0.71	0.90	26.8	9/21	16.9	17.1	16.8	2.9	14.5	17,835.8	2.6
Venture Corp	VMS SP	BUY	17.62	22.80	29.4	12/21	16.4	15.1	13.9	4.5	12.3	5,120.1	1.9

* Fundamental rating and not related to the relatively shorter term Alpha Picks recommendation

Source: UOB Kay Hian

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