

STRATEGY – SINGAPORE

Market Strategy

Turbulence Ahead But Stay The Course

As Singapore is a relatively defensive market, we believe the STI will perform well in 2H22 on the back of our 14% EPS growth forecast for this year. Our year-end 2022 target for the STI is 3,390 (3,500 previously), which implies a 10% upside from current levels. Importantly, the index's valuations are not stretched at present, trading at 2022F PE and P/B of 12.4x and 1.0x respectively, and paying a yield of 4.5%.

- Staying constructive for 2H22.** While the post-COVID-19 economic recovery has been bumpy, newer concerns such as inflation and higher interest rates have come to dominate the market's attention. However, we believe inflation concerns should subside in the latter half of 2022 and the Straits Times Index (STI) should be able to perform due to the prevalence of quality, value and dividend stocks relative to its regional peers. Since there will no longer be a synchronous global cycle, country risk will return and our view is that Singapore presents a lower risk vs other countries in the region.
- 14% EPS growth for 2022.** We forecast an aggregate 14% EPS growth in 2022 for the Singapore market with most sectors, with the exception of aviation and healthcare, contributing to 2022 EPS growth. By our estimates, financials and telecommunications are the two largest contributors to this earnings growth, but it should be noted that the latter sector is coming off a low base in 2021.
- We forecast the STI to reach 3,390 by end-22** using a top-down methodology, implying about 9% upside from current levels. We have lowered our target for the STI from 3,500 previously as we have moderated our EPS growth estimates for 2022. Our new 2022 STI target is based on 14% earnings growth for 2022, and target multiples of 13.5x and 1.3x respectively, both of which are at about a 10% discount to the past five-year average for the index. We believe this is fair given moderating earnings growth and potential risks to the economy and thus our forecasts.
- 2022 valuations for the STI appear inexpensive,** with the STI trading at a forecast 2022 PE and P/B of 12.4x and 1.0x respectively, and paying a yield of 4.5%. We highlight that these multiples are meaningful discounts to the STI's long-term averages.
- Reasonably strong economic performance for Singapore in 2022.** UOB GEMR forecasts Singapore GDP growth of 3.5% yoy in 2022 after a solid rebound of 7.6% in 2021. Despite the relatively high base in 2021, we have seen that the export and manufacturing sectors have continued to do well this year, benefitting from the recovery of Singapore's key trading partners regionally and globally.
- Our top large-cap picks** are CDL Hospitality Trust, ComfortDelGro Corporation, DBS Group Holdings, Genting Singapore, Keppel Corporation, Lendlease REIT, Sembcorp Industries, Sembcorp Marine, SIA Engineering, Venture Corporation and Yangzijiang Shipbuilding. Meanwhile, in the small/mid-cap sector, we highlight Civmec, Frencken Group and Singapore Medical Group.

STI 2022 YEAR-END TARGET: 3,390

SECTOR PICKS

| Company | Rec | Price (S\$) | |
|---------------------|-----|-------------|--------|
| | | 1 Jul | Target |
| CDL Hosp Tr | BUY | 1.26 | 1.42 |
| ComfortDelGro | BUY | 1.40 | 1.73 |
| DBS | BUY | 29.49 | 38.78 |
| Genting Singapore | BUY | 0.725 | 1.08 |
| Keppel | BUY | 6.52 | 10.11 |
| Lendlease REIT | BUY | 0.785 | 0.95 |
| Sembcorp Industries | BUY | 2.86 | 3.59 |
| Sembcorp Marine | BUY | 0.107 | 0.156 |
| SIA Engineering | BUY | 2.42 | 2.70 |
| Venture | BUY | 16.55 | 22.80 |
| Yangzijiang | BUY | 0.945 | 1.16 |
| Small caps | | | |
| Civmec | BUY | 0.60 | 1.08 |
| Frencken | BUY | 1.11 | 1.63 |
| Singapore Medical | BUY | 0.305 | 0.53 |

Source: Bloomberg, UOB Kay Hian

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FIGURE 1: PEER COMPARISON

| Company | Ticker | Rec | Price (S\$) | | Upside to TP (%) | PE (x) | | | 2022F (%) | | M.cap S\$m | P/B (x) |
|----------------------|-----------|-----|-------------|--------|------------------|--------|-------|-------|-----------|-------|------------|---------|
| | | | 1 Jul | Target | | 2021 | 2022F | 2023F | Yield | ROE | | |
| CDL Hospitality Tr | CDREIT SP | BUY | 1.26 | 1.42 | 12.7 | 65.0 | 35.4 | 21.9 | 4.0 | 2.7 | 1,556 | 0.9 |
| ComfortDelGro | CD SP | BUY | 1.40 | 1.73 | 23.6 | 23.3 | 13.3 | 11.1 | 5.0 | 8.3 | 3,034 | 1.1 |
| DBS | DBS SP | BUY | 29.49 | 38.78 | 31.5 | 11.3 | 11.6 | 10.0 | 4.9 | 11.6 | 75,894 | 1.4 |
| Genting Singapore | GENS SP | BUY | 0.725 | 1.08 | 49.0 | 47.7 | 24.3 | 12.6 | 3.4 | 4.5 | 8,752 | 1.1 |
| Keppel Corp | KEP SP | BUY | 6.52 | 10.11 | 55.1 | 11.6 | 13.9 | 12.9 | 2.9 | 7.1 | 11,546 | 1.0 |
| Lendlease REIT | LREIT SP | BUY | 0.785 | 0.95 | 21.0 | 45.3 | 35.8 | 26.3 | 4.2 | 2.8 | 2,492 | 1.4 |
| Sembcorp Industries | SCI SP | BUY | 2.86 | 3.59 | 25.5 | 18.3 | 11.8 | 10.3 | 2.6 | 11.3 | 5,107 | 1.4 |
| Sembcorp Marine | SMM SP | BUY | 0.107 | 0.156 | 45.8 | n.a. | n.a. | 78.4 | 0.0 | (0.3) | 3,359 | 0.8 |
| SIA Engineering | SIE SP | BUY | 2.42 | 2.70 | 11.6 | 40.2 | 29.5 | 19.0 | 2.5 | 5.6 | 2,717 | 1.7 |
| Venture Corp | VMS SP | BUY | 16.55 | 22.80 | 37.8 | 15.4 | 14.2 | 13.0 | 4.8 | 12.3 | 4,816 | 1.8 |
| Yangzijiang Shipbldg | YZJSGD SP | BUY | 0.945 | 1.16 | 22.8 | 4.7 | 5.4 | 4.4 | 4.7 | 12.8 | 3,733 | 0.5 |

Source: Bloomberg, UOB Kay Hian

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2H22: Turbulence Ahead, But Stay The Course

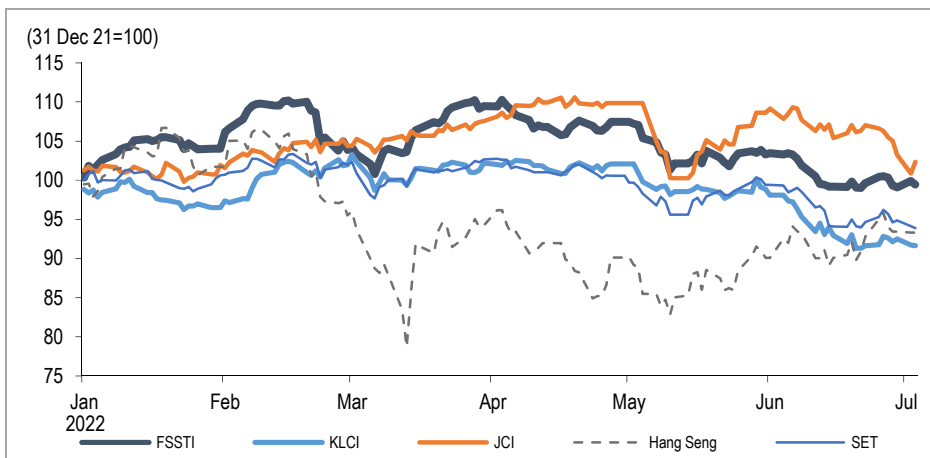
OUTLOOK FOR 2H22

Our call to remain bullish at the beginning of 2022 proved to be correct, with the STI outperforming almost all of its peers thus far this year. We highlight that we are forecasting 14% yoy EPS growth for 2022 within our UOB Kay Hian coverage universe. As a result, our top-down forecast for the STI for end-22 is 3,390, implying an upside of around 10% from current levels.

A flat year thus far. With a 0.7% decline in 1H22, the STI was the second best performer in the Asia Pacific region after the Jakarta Composite Index (JCI). The STI also easily outperformed the MSCI Singapore index (-17.0%) in 1H22, which was dragged down by the significant underperformance of Sea Ltd, while the MSCI Asia ex-Japan index (-17.3%) was negatively impacted by the weakness in the Hong Kong and China markets. The MSCI World index (-21.2%) did not fare well either due to the underperformance of a number of developed markets, especially the US.

Outlook. Looking forward, we believe that the Singapore market will continue to outperform due to the prevalence of quality, value and dividend stocks relative to its regional peers. Since there will no longer be a synchronous global cycle, country risk will return and our view is that Singapore presents a lower risk vs other countries in the region. The clear risk for the market is a recession in the region which, given Singapore's open economy, would negatively affect it.

FIGURE 2: YTD PERFORMANCE OF STI VS REGIONAL INDICES



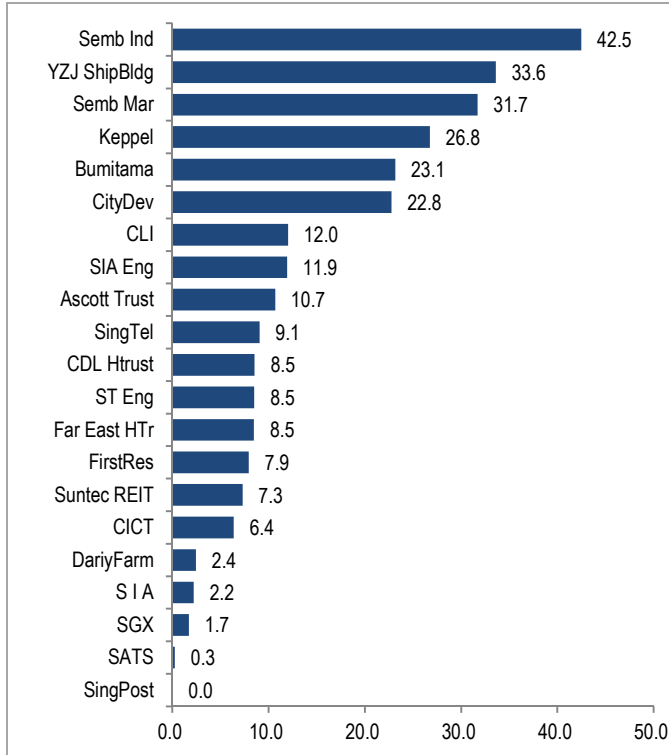
Note: Base 100 = 31 Dec 2021; STI = Straits Times Index; SET = Stock Exchange of Thailand; HSI = Hang Seng Index; JCI = Jakarta Composite Index; KLCI = Kuala Lumpur Composite Index
Source: Bloomberg

What outperformed in the STI. Four out of 10 stocks within the UOBKH coverage universe saw positive share price returns in 1H22 with the industrials, aviation, property and plantation sectors faring well as overall economic activity rebounded and optimism surrounding the normalisation of air travel took hold.

Notable stocks that outperformed in 1H22 were the industrials with Sembcorp Industries (SCI), Yangzijiang Shipbuilding (YZJ), Sembcorp Marine (SMM) and Keppel Corporation (KEP) rising by 25% or more over the past six months. We attribute this to a combination of a better business outlook given significant oil and gas price increases in the past 12 months as well as company-specific factors, eg the proposed merger of Keppel Offshore Marine with SMM and SCI's continued business transformation from brown to green energy. Plantation stocks such as Bumitama Agri and First Resources also exhibited strong share price performances as CPO prices continued to strengthen over the course of 1H22.

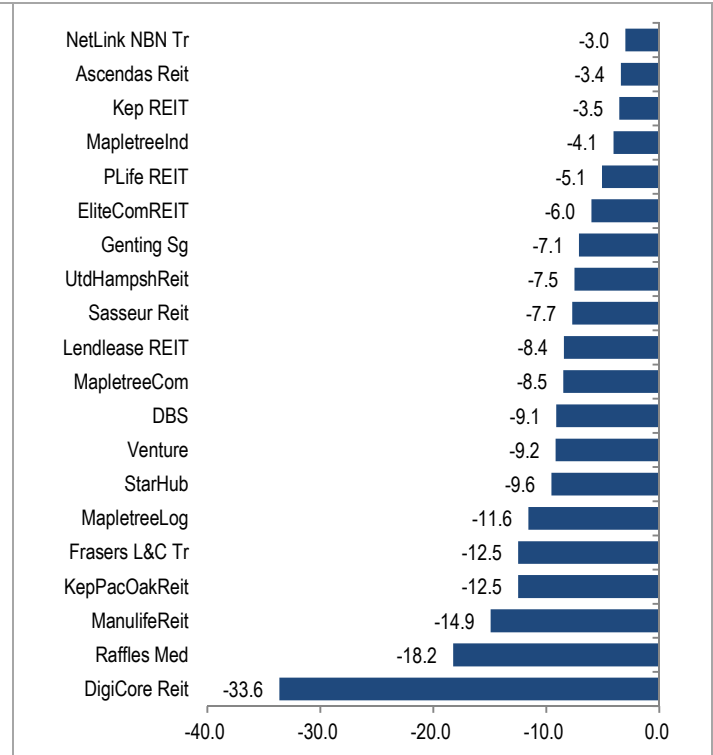
Reversing their underperformance in 2021, hospitality REITs (Ascott Trust, CDL Hospitality Trust and Far East Hospitality Trust) did well in 1H22 and were the rare companies in the REITs sector which had a positive share price performance during the half, as enthusiasm for post-COVID-19 travel took hold in Asia and globally.

FIGURE 3: 20 BEST PERFORMING STOCKS IN 1H22 (%)



Source: Bloomberg

FIGURE 4: 20 WORST PERFORMING STOCKS IN 1H22 (%)



Source: Bloomberg

Underperformance from hospitality and consumer-related sectors. Continuing on from the trend seen in 2021, it was notable that REITs as a whole underperformed as only five out of the 20 REITs under UOBKH coverage had positive returns in 1H22. We attribute the sector's underperformance largely to the aggressive US Federal Funds rate increases that have already taken place and are expected to continue over the next 12 months. Raffles Medical was also a notable underperformer as the Singapore Government relaxed its COVID-19 testing regime, negatively impacting its revenue.

Stocks which we believe have a reasonably strong chance of rebounding in 2H22 include: a) **Genting Singapore** (-7% in 1H22) as its business performance should improve with higher tourism numbers as the year progresses coupled with the potential for higher dividends, and b) **DBS Group Holdings** (-9% in 1H22) with higher interest rates for home loans having been announced in late-Jun 22.

EPS GROWTH IN 2022

Moderating our EPS growth estimates for 2022. Compared with six months ago, we have moderated our 2022 growth forecast from 29% yoy to 14% yoy for our coverage universe of the Singapore market. This takes into account more realistic assumptions regarding the inflationary effects that will likely impact the market and the economy this year and thus we believe that our earnings estimates are not overly optimistic.

Potential downside risk in 2022 earnings could arise if: a) Singapore and the broader Asian region experience a more deadly variant of COVID-19, b) higher-than-expected commodity prices, especially oil, throttle the nascent economic recovery, and c) the US Fed raises interest rates too aggressively to contain inflation and cause a recession as a result.

All sectors, with the exception of aviation and healthcare, will contribute to the 14% yoy EPS growth in 2022, with financials and telecommunications being the two largest contributors (Figure 5). However, it should be noted that the latter sector is coming off a low base in 2021.

We highlight that for the STI component stocks, Bloomberg consensus forecasts 9.0% yoy EPS growth for 2022 and 14.8% for 2023.

FIGURE 5: CORE EPS GROWTH BY SECTOR (YOY % CHANGE)

| | 2019 | 2020 | 2021 | 2022E | 2023E |
|-------------------------|------------|---------------|--------------|-------------|------------|
| Aviation | (60.4) | n.a. | n.a. | n.a. | (2.7) |
| Finance | 10.9 | (29.7) | 39.0 | 3.1 | 11.4 |
| Healthcare | (19.5) | 11.8 | 26.0 | (14.1) | (7.2) |
| Land Transport | (2.0) | (62.4) | 18.2 | 68.2 | 19.7 |
| Plantation | (7.2) | 21.5 | 28.7 | 2.5 | (0.4) |
| Property | (7.6) | n.a. | n.a. | 6.6 | 12.1 |
| REITs | 4.5 | (19.5) | 29.7 | 4.2 | 3.9 |
| Shipyards | 10.1 | (79.7) | 593.0 | 3.4 | 16.0 |
| Technology | (2.9) | (18.4) | 5.0 | 8.8 | 8.6 |
| Telecommunications | (12.6) | (58.1) | 95.5 | 25.7 | 7.4 |
| AGGREGATE GROWTH | 3.3 | (59.4) | 128.1 | 14.1 | 9.4 |

Source: UOB Kay Hian

Rebound in 2021 setting a firm foundation for 2022. Supporting our positive EPS growth scenario, UOB GEMR believes Singapore's GDP will grow 3.5% yoy in 2022 after a solid rebound of 7.6% in 2021. Despite the relatively high base in 2021, Singapore's economy is expected to continue to grow in 2022, underpinned by the favourable export and manufacturing sectors which will benefit from the expected recovery of Singapore's key trading partners as they bolster their vaccination efforts into 2022.

Moreover, barring any material disruption from new COVID-19 variants, the recovery of Singapore's aviation and tourism-related sectors will continue into next year; the Ministry of Trade and Industry (MTI) did note that activity is expected to remain below pre-COVID-19 levels throughout 2022. Last but not least, the gradual relaxation of Singapore's COVID-19-related domestic restrictions will further add to the recovery in the near to medium term.

Latest data shows continued recovery... The country's latest industrial production numbers showed a 10.9% mom increase (seasonally adjusted) in May 22, and a 13.8% yoy increase vs Apr 22's 2.1% mom and 6.4% yoy increase. The May numbers were above the consensus' forecast due to the electronics sector (mainly from the semiconductor segment's 45.7% yoy spike), transport engineering, general manufacturing and precision engineering. Offsetting this was the continued weakness in biomedical and chemicals. For 5M22, Singapore's industrial production grew 8.7% yoy with a positive outlook due to electronics, transport engineering, general manufacturing and precision engineering.

... but potential clouds are on the horizon. Hurdles to this recovery (not just for Singapore but for the region) include: a) the Russia-Ukraine conflict, b) global supply disruptions, c) monetary policy tightening stance in the advanced economies slowing growth, and d) resurgence of COVID-19 infections and/or new variants.

Inflation a worry domestically and globally. In May 22, Singapore's headline CPI rose slightly faster than expected, rising 1.0% mom and 5.6% yoy (from -0.1% mom and 5.4% yoy

in Apr 22). Importantly, core inflation – which excludes accommodation and private road transport – rose 3.6% yoy vs +3.3% yoy in Apr 22. Price pressures for core inflation in May were broad-based, ranging from food and services to retail and other goods, including clothing & footwear, personal effects, personal care products, and electricity & gas. External inflation pressures due to the Russia-Ukraine conflict have impacted commodity prices, especially for energy and food, while supply-demand mismatches, as well as disruptions to global transport and regional supply chains, added further upside to prices. Domestically, the tight labour market situation, resulting in upside wage pressures, also bears watching as it will feed into higher service costs.

FIGURE 6: REAL GDP GROWTH RATE (ANNUAL)

| | 2018 | 2019 | 2020 | 2021 | 2022E | 2023E |
|--------------------------|------|------|-------|------|-------|-------|
| Asia | | | | | | |
| China | 6.7 | 6.0 | 2.3 | 8.1 | 4.1 | 5.5 |
| Hong Kong | 2.9 | -1.7 | -6.1 | 6.3 | 1.3 | 3.5 |
| India | 7.3 | 4.8 | -7.1 | 8.3 | 6.9 | 6.6 |
| Indonesia | 5.2 | 5.0 | -2.1 | 3.7 | 4.8 | 5.0 |
| Japan | 0.6 | 0.0 | -4.6 | 1.6 | 1.5 | 1.4 |
| Malaysia | 4.8 | 4.4 | -5.6 | 3.1 | 5.5 | 4.8 |
| Philippines | 6.3 | 6.1 | -9.4 | 5.7 | 6.5 | 6.5 |
| Singapore | 3.5 | 1.3 | -5.4 | 7.6 | 3.5 | 2.0 |
| South Korea | 4.2 | 2.3 | -6.2 | 4.1 | 2.7 | 2.6 |
| Thailand | 4.2 | 2.3 | -6.2 | 1.6 | 3.5 | 3.6 |
| Vietnam | 7.1 | 7.0 | 2.8 | 2.6 | 6.5 | 7.0 |
| Global | | | | | | |
| Australia | 2.8 | 2.0 | -4.2 | 4.9 | 4.0 | 2.9 |
| Eurozone | 1.8 | 1.6 | -6.8 | 5.4 | 2.6 | 2.3 |
| United Kingdom | 1.7 | 1.7 | -10.1 | 8.2 | 3.7 | 1.2 |
| United States (qoq SAAR) | 2.9 | 2.3 | -3.4 | 5.7 | 2.0 | 1.5 |

Source: Macrobond, UOB Global Economics & Markets Research

RECENT POSITIVE NEWSFLOW

- GDP for 2022:** 1Q22 GDP growth of +3.7% yoy and +0.7% qoq SAAR in line with expectations; for 2022, the MTI has forecast a range between 3% and 5% with UOB estimates currently at the lower end of this range at 3.5%
- Decent 1Q22 results for banks:** Meaningful NIM expansion across the board, loan growth remains fairly resilient, CET-1 CAR remains high for all banks, but waning risk appetite may negatively impact wealth management businesses
- May NODX expansion** of +12.4% yoy beat expectations (April: +6.4%); strong numbers from both electronics and non-electronics sectors supportive of 2022 growth
- New private home sales** at +51.5% yoy in May, double that of April possibly due to buyers locking in mortgage rates; sales in 2022 expected to moderate from 2021 highs
- HDB transaction volumes** at +9.7% yoy in May; resale prices at +11% yoy, rising for the 23rd straight month in May
- Singapore PMI** still positive: 50.4 in May vs 50.3 in April; 23rd straight month above 50
- Retail sales:** +12.1% in April vs 8.8% in March as tourists returned; expecting 6.5% yoy growth in 2022

STI TARGET AND MARKET VALUATIONS

STI target for 2022. We forecast the STI to reach 3,390 by end-22 using a top-down methodology, which implies about 10% upside from current levels.

Our 2022 STI target is based on 14% yoy earnings growth for 2022, and target PE and P/B of 13.5x and 1.3x respectively. Both of these target multiples are at around a 10% discount to the past five-year average for the index which we believe is fair given moderating earnings growth and potential risks to the economy and thus our forecasts.

As a "sniff test", we point out that Bloomberg consensus and a bottom-up methodology would equate to much higher end-22 STI targets of around 3,800. In particular, the STI target on a bottom-up basis using UOBKH target prices is 3,865 while the resulting STI target from using Bloomberg target prices is 3,835.

FIGURE 7: STI PE TRADING BAND



Source: Bloomberg

FIGURE 8: STI P/B TRADING BAND



Source: Bloomberg

Trading above long-term PE valuations. In our view, the STI's valuations are not stretched at present, trading at 2022F PE and P/B of 12.4x and 1.0x respectively and paying a yield of about 4.5%. We highlight that these multiples are meaningful discounts to the STI's long-term averages (Figure 7-8).

At 1.0x 2022F P/B, the STI appears inexpensive. In our view, P/B valuations have normalised from depressed levels, having bounced off the -2SD level of 0.9x P/B. Looking ahead into 2H22, Bloomberg consensus forecasts 1.0x P/B, which is in line with its past five-year average but a 27% discount to its long-term average of 1.5x. We believe this discount may narrow in the near to medium term, given that ROE is expected to expand by 0.5ppt yoy to 8.8% in 2022 and then to 9.7% in 2023. However, we highlight that this is nevertheless still a discount to the STI's long-term average ROE of 10.8%.

FIGURE 9: STI VS REGIONAL INDICES (AS AT 30 JUN 22)

| | PE (x) | | P/B (x) | | Yield (%) | | ROE (%) | |
|------|--------|-------|---------|-------|-----------|-------|---------|-------|
| | 2022E | 2023E | 2022E | 2023E | 2022E | 2023E | 2022E | 2023E |
| STI | 12.4 | 10.8 | 1.0 | 1.0 | 4.5 | 5.0 | 8.8 | 9.7 |
| SET | 16.1 | 14.6 | 1.6 | 1.5 | 2.9 | 3.2 | 8.3 | 8.9 |
| HSI | 11.3 | 9.8 | 1.2 | 1.1 | 3.2 | 3.5 | 11.2 | 11.2 |
| JCI | 15.5 | 14.5 | 2.0 | 1.9 | 2.3 | 2.9 | 9.5 | 9.5 |
| KLCI | 14.0 | 12.5 | 1.4 | 1.4 | 4.2 | 5.1 | 10.3 | 11.0 |

Source: Bloomberg

STRATEGY

Our sector weightings for the Singapore market, as well as the preferred stocks in each sector, are outlined below.

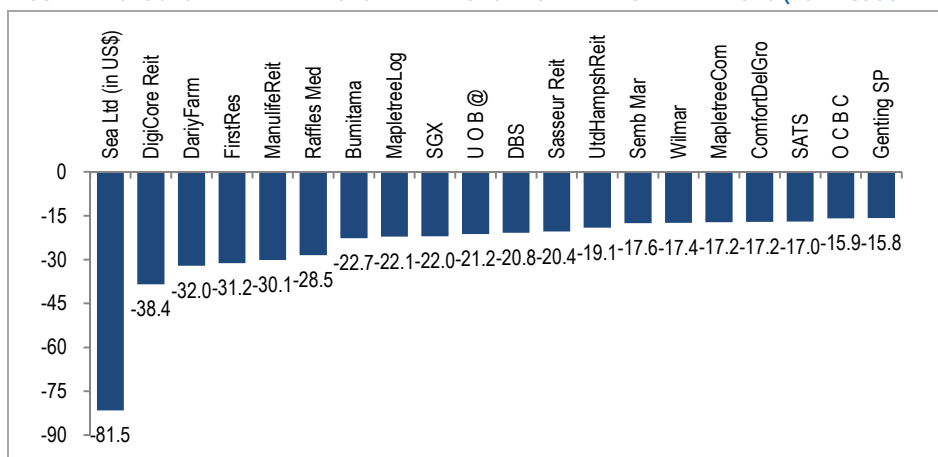
FIGURE 10: SECTOR WEIGHTINGS

| Weighting | Sectors and preferred stocks |
|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| OVERWEIGHT | Financials: DBS Group Holdings over Oversea-Chinese Banking Corporation Land transport: ComfortDelGro Corporation Property: CapitaLand Investments, PropNex REITs: Selected plays CDL Hospitality Trust and Lendlease Global REIT Shipyards/Industrials: Keppel Corporation, Sembcorp Industries, Sembcorp Marine and Yangzijiang Shipbuilding Technology: Venture Corporation |
| MARKET WEIGHT | Aviation: SIA Engineering Gaming: Genting Singapore Healthcare: Raffles Medical Plantations: Wilmar International Telecommunications: NetLink NBN Trust |

Source: UOB Kay Hian

Playing the laggards. For those playing the laggard theme in 2H22, Figure 11 shows stocks with the largest deviations from their 52-week highs. In particular, stocks that could see a rebound in 2H22 include Dairy Farm, DBS Group Holdings (DBS), SMM, Wilmar International and Genting Singapore. We note that in 1H22, three of the five laggards that we highlighted – SMM, Dairy Farm and ComfortDelGro Corporation (CD) – outperformed the STI.

FIGURE 11: STOCKS WITH THE LARGEST DEVIATIONS FROM THEIR 52-WEEK HIGHS (AS AT 30 JUN 22)

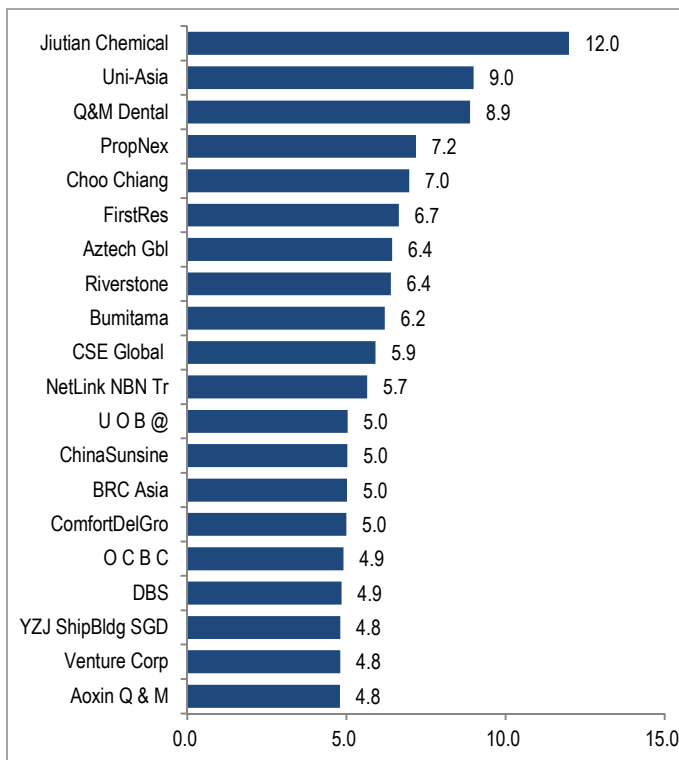


Source: Bloomberg

Yields for REITs and non-REITs. Given the yield focus of a number of Singapore investors, we thought it interesting to look at the 2022 yields of REITs and non-REITs. The average yield for the top 20 non-REIT stocks in 2022 is 6.3% (vs 5.3% six months ago) which almost all investors would be content with (Figure 12). While we acknowledge that a number of the top yielding stocks are small/mid caps, we remain reasonably confident that these can deliver the forecast yields. Nevertheless, we highlight PropNex, Netlink NBN Trust, BRC Asia, ComfortDelGro, Oversea-Chinese Banking Corporation (OCBC), DBS and YZJ as companies that have yields that are highly certain in what could be an uncertain 2H22.

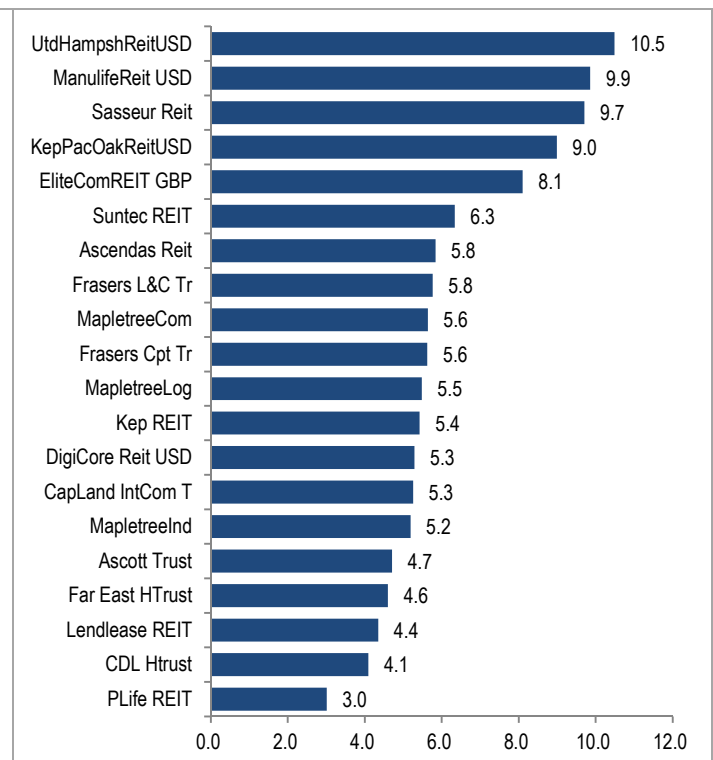
For REITs on the other hand, the average yield is around 6.2% (Figure 13); however this is pulled up by foreign REITs which comprise the top five highest yielding REITs. Excluding these, the average yield falls to 5.1% which is lower than that of non-REIT companies.

FIGURE 12: TOP 20 HIGHEST YIELDING NON-REIT STOCKS IN 2022E (%)



Note: @ = not rated
Source: Bloomberg

FIGURE 13: YIELD FOR ALL REITS UNDER COVERAGE IN 2022E (%)



Source: Bloomberg

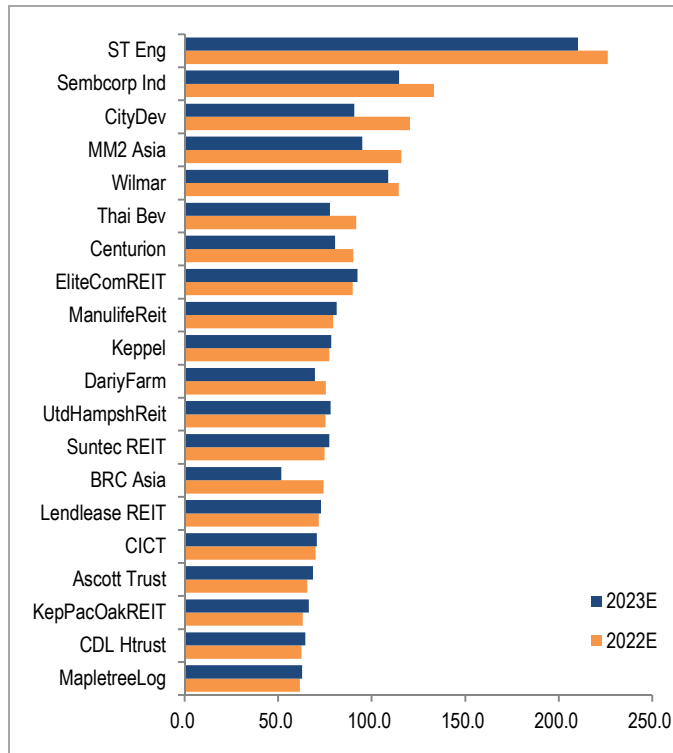
Interest rate increases – What does this mean for our stocks? In general, we believe that the debt levels for the stocks under our coverage are manageable with only five companies exhibiting net debt/equity ratios above 100% for 2022 and 2023. For ST Engineering, we point out that while its high debt levels are high as a result of its recent acquisition of Transcore in the US, its interest cover remains high at over 10x for 2023 and thus is manageable in our view. For SCI, we highlight that 34% of its debt is project finance while another 21% consists of bonds and thus is safe in our view. Importantly, its sustainability-linked bonds have attracted significant demand in the past six months and thus we do not view refinancing as an issue.

For some S-REITs, we believe that the gradual easing of inflationary pressure provides some respite. Real estate is a hedge against inflationary pressure, which could push rents higher. On our estimates, the downside for the S-REITs sector is limited to 13.6% if distribution yield spikes to 2x SD above long-term mean.

In our S-REITs coverage universe, Suntec REIT and Manulife REIT are more highly geared with aggregate leverage of 43.3% and 42.8% respectively. Lendlease REIT hedges 90% of its borrowings on fixed rates. Capitaland Integrated Commercial Trust (CICT), Keppel Pacific Oak REIT and Manulife REIT also have a high proportion of borrowings on fixed rates of 85%, 84.2% and 86.5% respectively while Digital Core REIT Management (DCREIT) and Suntec REIT (SUN) hedge a lower 50% and 51% of their borrowings to fixed rates.

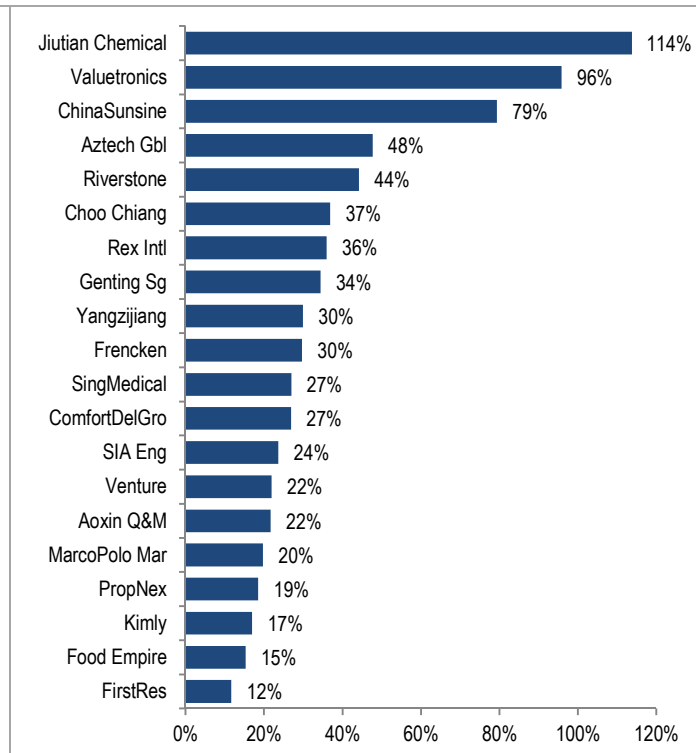
Given our expectation for the US Fed Funds Rate to hit 3.25% by end-22, we have factored in the negative impact on DPU from the accelerated hikes in interest rates and thus we recently adjusted 2023 DPU lower by 2.1% for 20 S-REITs under our coverage.

FIGURE 14: STOCKS WITH THE HIGHEST NET DEBT/EQUITY (%)



Source: UOB Kay Hian

FIGURE 15: STOCKS WITH THE HIGHEST NET CASH AS A PERCENTAGE OF ITS MARKET CAPITALISATION (AS AT 30 JUN 22)



Source: UOB Kay Hian

FIGURE 16: SELECTED FOCUS STOCKS FOR 2H22

| Company/Ticker | Rating | Price (S\$) | | Key Points | Key financials | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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-------|--------|--------|--------------------|------|------|------|------|------|---------|------|-----|-----|-----|------|--------------------------|------|------|-----|-----|-----|---------------------|---|---|------|------|------|
| | | 1 Jul | Target | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CDL Hospitality Trusts (CDREIT SP) | BUY | 1.26 | 1.42 | <ul style="list-style-type: none"> Singapore: Attraction as the safest and friendliest destination. The Vaccinated Travel Framework was launched on 1 Apr 22 and the requirement for pre-departure COVID-19 tests was subsequently abolished on 26 Apr 22. The reopening of international borders led to a recovery in visitor arrivals of 43% mom to 294,304 in April, reaching 19% of pre-pandemic levels. Hotels have benefitted from an increase in bookings from business guests, especially those from Europe and the US. Bookings for function rooms and ballrooms have surged due to the easing of safe distancing measures. Event organisers were placed on waiting lists as demand outweighs supply of venues. Recovery seen in recent numbers. CDL Hospitality Trusts' (CDREIT) RevPAR for Singapore recovered 41% yoy to S\$95 in 1Q22. Grandstand and combination tickets for the three-day Formula 1 Singapore Grand Prix in Sep 22 have already sold out. Large-scale MICE events, such as World Cities Summit, FHA – Food & Beverage, FIND – Design Fair Asia and The Singapore Business Show, would also attract more visitor arrivals to Singapore in 2H22. The full impact of the reopening of international borders is expected in 2H22. Maldives: Wholehearted welcome of tourists. Tourists are exempted from the mandatory 10-day quarantine required for all international arrivals. Guests have to quarantine at their villas should they test positive for COVID-19 but, as a gesture of goodwill, most resorts will refund the price of the stay in the form of vouchers. Visitor arrivals to Maldives started to improve in Jun 21 and recovered to pre-pandemic levels by Dec 21. RevPAR for Maldives rebounded 66% yoy and 27% qoq to US\$519 in 1Q22. We note that CDREIT has completed various asset enhancement initiatives and new construction at its Maldives assets in the past 12 months, largely ahead of the recovery in 2H21. Maintain BUY. Our target price for CDREIT of S\$1.42 is based on DDM (cost of equity: 6.25% (previous: 6.5%), terminal growth: 1.8%). Catalysts for CDREIT would include: a) border reopening in Singapore; b) growth of corporate and leisure travel in Germany, Japan, Maldives, New Zealand and the UK; and c) contributions from yield-accretive acquisitions, including hotels and rental housing. | <p>KEY FINANCIALS</p> <table border="1"> <thead> <tr> <th>Year to 31 Dec (S\$m)</th> <th>2020</th> <th>2021</th> <th>2022F</th> <th>2023F</th> <th>2024F</th> </tr> </thead> <tbody> <tr><td>Net turnover</td><td>118</td><td>158</td><td>188</td><td>240</td><td>258</td></tr> <tr><td>EBITDA</td><td>49</td><td>71</td><td>93</td><td>130</td><td>142</td></tr> <tr><td>Operating profit</td><td>33</td><td>50</td><td>73</td><td>110</td><td>122</td></tr> <tr><td>Net profit (rep./act.)</td><td>(185)</td><td>72</td><td>44</td><td>72</td><td>82</td></tr> <tr><td>Net profit (adj.)</td><td>9</td><td>28</td><td>44</td><td>72</td><td>82</td></tr> <tr><td>EPU (S\$ cent)</td><td>0.7</td><td>2.3</td><td>3.6</td><td>5.8</td><td>6.5</td></tr> <tr><td>DPU (S\$ cent)</td><td>5.0</td><td>4.3</td><td>5.1</td><td>6.3</td><td>7.1</td></tr> <tr><td>PE (x)</td><td>169.0</td><td>55.4</td><td>35.4</td><td>21.9</td><td>19.3</td></tr> <tr><td>PIB (x)</td><td>1.0</td><td>1.0</td><td>1.0</td><td>1.0</td><td>1.0</td></tr> <tr><td>DPU Yld (%)</td><td>3.9</td><td>3.4</td><td>4.0</td><td>5.0</td><td>5.6</td></tr> <tr><td>Net margin (%)</td><td>(157.6)</td><td>45.5</td><td>23.4</td><td>29.8</td><td>31.6</td></tr> <tr><td>Net debt/(cash) to equity (%)</td><td>55.4</td><td>58.7</td><td>62.5</td><td>64.5</td><td>66.8</td></tr> <tr><td>Interest cover (x)</td><td>2.3</td><td>4.0</td><td>3.9</td><td>4.3</td><td>4.6</td></tr> <tr><td>ROE (%)</td><td>n.a.</td><td>4.4</td><td>2.7</td><td>4.5</td><td>5.1</td></tr> <tr><td>Consensus DPU (S\$ cent)</td><td>n.a.</td><td>n.a.</td><td>5.6</td><td>7.1</td><td>8.1</td></tr> <tr><td>UOBKH/Consensus (x)</td><td>-</td><td>-</td><td>0.90</td><td>0.89</td><td>0.87</td></tr> </tbody> </table> <p><small>Source: CDL Hospitality Trusts, Bloomberg, UOB Kay Hian n.m. : not meaningful, negative P/E, EV/EBITDA reflected as "n.m."</small></p> | Year to 31 Dec (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | Net turnover | 118 | 158 | 188 | 240 | 258 | EBITDA | 49 | 71 | 93 | 130 | 142 | Operating profit | 33 | 50 | 73 | 110 | 122 | Net profit (rep./act.) | (185) | 72 | 44 | 72 | 82 | Net profit (adj.) | 9 | 28 | 44 | 72 | 82 | EPU (S\$ cent) | 0.7 | 2.3 | 3.6 | 5.8 | 6.5 | DPU (S\$ cent) | 5.0 | 4.3 | 5.1 | 6.3 | 7.1 | PE (x) | 169.0 | 55.4 | 35.4 | 21.9 | 19.3 | PIB (x) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | DPU Yld (%) | 3.9 | 3.4 | 4.0 | 5.0 | 5.6 | Net margin (%) | (157.6) | 45.5 | 23.4 | 29.8 | 31.6 | Net debt/(cash) to equity (%) | 55.4 | 58.7 | 62.5 | 64.5 | 66.8 | Interest cover (x) | 2.3 | 4.0 | 3.9 | 4.3 | 4.6 | ROE (%) | n.a. | 4.4 | 2.7 | 4.5 | 5.1 | Consensus DPU (S\$ cent) | n.a. | n.a. | 5.6 | 7.1 | 8.1 | UOBKH/Consensus (x) | - | - | 0.90 | 0.89 | 0.87 |
| Year to 31 Dec (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net turnover | 118 | 158 | 188 | 240 | 258 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EBITDA | 49 | 71 | 93 | 130 | 142 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating profit | 33 | 50 | 73 | 110 | 122 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (rep./act.) | (185) | 72 | 44 | 72 | 82 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (adj.) | 9 | 28 | 44 | 72 | 82 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EPU (S\$ cent) | 0.7 | 2.3 | 3.6 | 5.8 | 6.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| DPU (S\$ cent) | 5.0 | 4.3 | 5.1 | 6.3 | 7.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PE (x) | 169.0 | 55.4 | 35.4 | 21.9 | 19.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PIB (x) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| DPU Yld (%) | 3.9 | 3.4 | 4.0 | 5.0 | 5.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net margin (%) | (157.6) | 45.5 | 23.4 | 29.8 | 31.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net debt/(cash) to equity (%) | 55.4 | 58.7 | 62.5 | 64.5 | 66.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest cover (x) | 2.3 | 4.0 | 3.9 | 4.3 | 4.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ROE (%) | n.a. | 4.4 | 2.7 | 4.5 | 5.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Consensus DPU (S\$ cent) | n.a. | n.a. | 5.6 | 7.1 | 8.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| UOBKH/Consensus (x) | - | - | 0.90 | 0.89 | 0.87 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ComfortDelGro (CD SP) | BUY | 1.40 | 1.73 | <ul style="list-style-type: none"> Transition to endemic living. From 26 Apr 22, Singapore's authorities announced the easing of most of its social distancing measures, eg removal of group size limits, safe distancing no longer being mandatory and 100% of workers being allowed to return to their respective workplaces. Furthermore, Singapore's international borders have fully reopened, welcoming back tourists. Backed by a population that is almost fully vaccinated, these favourable tailwinds underpin ComfortDelGro Corporation's (CD) public transport and taxi earnings as mobility improves. Improving ridership. SBS Transit experienced a strong recovery in rail ridership for May 22 (+56.8% yoy, +4.6% mom), forming 81% of pre-pandemic levels (May 19). We reckon that this is due to more office workers returning to office spaces and the removal of dine-in group size limits. According to the Land Transport Authority, passenger demand for point to point trips has gradually improved, albeit seeing slight dips due to COVID-19 outbreaks. Overall, we expect rail and taxi ridership to approach pre-pandemic levels by 1Q23. Expanded bus services down under. ComfortDelgro Corporation Australia has been awarded a six-year contract to solely operate public bus services in Northern Territory, Australia. The contract areas cover a significant part of Northern Territory's network which includes Darwin and Palmerston, with 170 buses operating across 180 bus routes. Expected to commence on 1 Jul 22, the contract is estimated to be worth around A\$220m. Based on our estimates, this new bus contract would boost our 2022-24 PATMI estimates by 2-3%. Maintain BUY with a PE-based target price of S\$1.73, pegged to CD's average five-year PE mean of 16.4x. Catalysts for CD would include bus tender contract wins and earnings-accretive overseas acquisitions. | <p>KEY FINANCIALS</p> <table border="1"> <thead> <tr> <th>Year to 31 Dec (S\$m)</th> <th>2020</th> <th>2021</th> <th>2022F</th> <th>2023F</th> <th>2024F</th> </tr> </thead> <tbody> <tr><td>Net turnover</td><td>3,229</td><td>3,538</td><td>3,814</td><td>3,986</td><td>4,077</td></tr> <tr><td>EBITDA</td><td>540</td><td>612</td><td>727</td><td>809</td><td>830</td></tr> <tr><td>Operating profit</td><td>123</td><td>210</td><td>327</td><td>393</td><td>436</td></tr> <tr><td>Net profit (rep./act.)</td><td>62</td><td>130</td><td>228</td><td>272</td><td>304</td></tr> <tr><td>Net profit (adj.)</td><td>110</td><td>130</td><td>228</td><td>272</td><td>304</td></tr> <tr><td>EPS (S\$ cent)</td><td>5.1</td><td>6.0</td><td>10.5</td><td>12.6</td><td>14.0</td></tr> <tr><td>PE (x)</td><td>27.5</td><td>23.3</td><td>13.3</td><td>11.1</td><td>10.0</td></tr> <tr><td>PIB (x)</td><td>1.2</td><td>1.1</td><td>1.1</td><td>1.1</td><td>1.0</td></tr> <tr><td>EV/EBITDA (x)</td><td>4.9</td><td>4.4</td><td>3.7</td><td>3.3</td><td>3.2</td></tr> <tr><td>Dividend yield (%)</td><td>1.0</td><td>3.0</td><td>5.0</td><td>5.7</td><td>6.4</td></tr> <tr><td>Net margin (%)</td><td>1.9</td><td>3.7</td><td>6.0</td><td>6.8</td><td>7.4</td></tr> <tr><td>Net debt/(cash) to equity (%)</td><td>(10.7)</td><td>(21.4)</td><td>(28.9)</td><td>(35.9)</td><td>(42.1)</td></tr> <tr><td>Interest cover (x)</td><td>36.7</td><td>54.1</td><td>87.5</td><td>97.4</td><td>99.9</td></tr> <tr><td>ROE (%)</td><td>2.4</td><td>4.9</td><td>8.3</td><td>9.6</td><td>10.3</td></tr> <tr><td>Consensus net profit</td><td>-</td><td>-</td><td>196</td><td>227</td><td>240</td></tr> <tr><td>UOBKH/Consensus (x)</td><td>-</td><td>-</td><td>1.16</td><td>1.20</td><td>1.26</td></tr> </tbody> </table> <p><small>Source: ComfortDelGro Corporation Limited, Bloomberg, UOB Kay Hian n.m. : not meaningful, negative P/E, EV/EBITDA reflected as "n.m."</small></p> | Year to 31 Dec (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | Net turnover | 3,229 | 3,538 | 3,814 | 3,986 | 4,077 | EBITDA | 540 | 612 | 727 | 809 | 830 | Operating profit | 123 | 210 | 327 | 393 | 436 | Net profit (rep./act.) | 62 | 130 | 228 | 272 | 304 | Net profit (adj.) | 110 | 130 | 228 | 272 | 304 | EPS (S\$ cent) | 5.1 | 6.0 | 10.5 | 12.6 | 14.0 | PE (x) | 27.5 | 23.3 | 13.3 | 11.1 | 10.0 | PIB (x) | 1.2 | 1.1 | 1.1 | 1.1 | 1.0 | EV/EBITDA (x) | 4.9 | 4.4 | 3.7 | 3.3 | 3.2 | Dividend yield (%) | 1.0 | 3.0 | 5.0 | 5.7 | 6.4 | Net margin (%) | 1.9 | 3.7 | 6.0 | 6.8 | 7.4 | Net debt/(cash) to equity (%) | (10.7) | (21.4) | (28.9) | (35.9) | (42.1) | Interest cover (x) | 36.7 | 54.1 | 87.5 | 97.4 | 99.9 | ROE (%) | 2.4 | 4.9 | 8.3 | 9.6 | 10.3 | Consensus net profit | - | - | 196 | 227 | 240 | UOBKH/Consensus (x) | - | - | 1.16 | 1.20 | 1.26 |
| Year to 31 Dec (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net turnover | 3,229 | 3,538 | 3,814 | 3,986 | 4,077 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EBITDA | 540 | 612 | 727 | 809 | 830 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating profit | 123 | 210 | 327 | 393 | 436 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (rep./act.) | 62 | 130 | 228 | 272 | 304 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (adj.) | 110 | 130 | 228 | 272 | 304 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EPS (S\$ cent) | 5.1 | 6.0 | 10.5 | 12.6 | 14.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PE (x) | 27.5 | 23.3 | 13.3 | 11.1 | 10.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PIB (x) | 1.2 | 1.1 | 1.1 | 1.1 | 1.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EV/EBITDA (x) | 4.9 | 4.4 | 3.7 | 3.3 | 3.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dividend yield (%) | 1.0 | 3.0 | 5.0 | 5.7 | 6.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net margin (%) | 1.9 | 3.7 | 6.0 | 6.8 | 7.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net debt/(cash) to equity (%) | (10.7) | (21.4) | (28.9) | (35.9) | (42.1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest cover (x) | 36.7 | 54.1 | 87.5 | 97.4 | 99.9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ROE (%) | 2.4 | 4.9 | 8.3 | 9.6 | 10.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Consensus net profit | - | - | 196 | 227 | 240 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| UOBKH/Consensus (x) | - | - | 1.16 | 1.20 | 1.26 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Company/Ticker | Rating | Price (S\$) | | Key Points | Key financials | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------|--------|-------------|--------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------|------|-------|-------|-------|---------------------|-------|-------|-------|--------|--------|---------------------|-------|-------|-------|-------|-------|------------------------|-------|-------|-------|-------|-------|------------------------|-------|-------|-------|-------|-------|-------------------|-------|-------|-------|-------|-------|----------------|------|------|------|------|-----|---------|------|------|------|------|------|--------------------|-----|-----|-----|-----|-----|--------------------|------|------|-----|-----|-----|--------------------|------|------|------|------|------|---------------------|-------|-------|-------|------|------|-------------------------------|--------|--------|--------|--------|--------|---------------------|-----|-----|------|------|------|----------------------|---|---|-----|-----|-----|---------------------|---|---|------|------|------|
| | | 1 Jul | Target | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| DBS Group Holdings (DBS SP) | BUY | 29.49 | 38.78 | <ul style="list-style-type: none"> • Most sensitive to higher interest rates. DBS Group Holdings (DBS) is most sensitive in the Singapore banking sector to higher interest rates due to its high CASA ratio of 76%, which is the highest among the three Singapore banks. We expect DBS' NIM to expand by 9bp to 1.54% in 2022 and 43bp to 1.97% in 2023. We forecast earnings growth of 15.9% in 2023 and 9.7% in 2024. • We have an OVERWEIGHT view on the sector. In our view, banks gain bargaining power as liquidity is tightened due to higher interest rates and quantitative tightening. Thus, they benefit from NIM expansion with DBS being the most sensitive to higher interest rates. The Russia-Ukraine war exacerbates higher inflation, which could keep bond yields higher for longer. • Strong yield generation. We expect DPS of S\$1.44 in 2022 and S\$1.48 in 2023, which represents dividend payout ratios of 56.4% and 50.0% respectively. DBS provides dividend yields of 4.8% for 2022 and 4.9% for 2023. • Maintain BUY. Our target price of S\$38.78 is based on 1.69x 2023F P/B, derived from the Gordon Growth model (ROE: 13.3%, COE: 8.5% (previous: 8.25%), growth: 1.5%). | <p>KEY FINANCIALS</p> <table border="1"> <thead> <tr> <th>Year to 31 Dec (S\$m)</th> <th>2020</th> <th>2021</th> <th>2022F</th> <th>2023F</th> <th>2024F</th> </tr> </thead> <tbody> <tr> <td>Net interest income</td> <td>9,076</td> <td>8,440</td> <td>9,464</td> <td>12,824</td> <td>13,658</td> </tr> <tr> <td>Non-interest income</td> <td>5,516</td> <td>5,961</td> <td>5,632</td> <td>5,819</td> <td>6,193</td> </tr> <tr> <td>Net profit (rep./act.)</td> <td>4,721</td> <td>6,805</td> <td>6,659</td> <td>7,721</td> <td>8,473</td> </tr> <tr> <td>Net profit (adj.)</td> <td>4,721</td> <td>6,801</td> <td>6,659</td> <td>7,721</td> <td>8,473</td> </tr> <tr> <td>EPS (S\$ cent)</td> <td>182.8</td> <td>261.0</td> <td>255.2</td> <td>296.2</td> <td>325.2</td> </tr> <tr> <td>PE (x)</td> <td>16.1</td> <td>11.3</td> <td>11.6</td> <td>10.0</td> <td>9.1</td> </tr> <tr> <td>P/B (x)</td> <td>1.5</td> <td>1.4</td> <td>1.4</td> <td>1.3</td> <td>1.2</td> </tr> <tr> <td>Dividend yield (%)</td> <td>3.0</td> <td>4.1</td> <td>4.9</td> <td>5.0</td> <td>5.4</td> </tr> <tr> <td>Net int margin (%)</td> <td>1.6</td> <td>1.5</td> <td>1.5</td> <td>2.0</td> <td>2.0</td> </tr> <tr> <td>Cost/income (%)</td> <td>42.2</td> <td>45.6</td> <td>45.7</td> <td>46.1</td> <td>44.8</td> </tr> <tr> <td>Loan loss cover (%)</td> <td>109.6</td> <td>116.3</td> <td>119.6</td> <td>98.2</td> <td>86.4</td> </tr> <tr> <td>Consensus net profit</td> <td>-</td> <td>-</td> <td>7,433</td> <td>8,833</td> <td>9,390</td> </tr> <tr> <td>UOBKH/Consensus (x)</td> <td>-</td> <td>-</td> <td>0.90</td> <td>0.87</td> <td>0.90</td> </tr> </tbody> </table> <p><small>Source: DBS Group Holdings, Bloomberg, UOB Kay Hian n.m.: not meaningful; negative P/E, EV/EBITDA reflected as "n.m."</small></p> | Year to 31 Dec (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | Net interest income | 9,076 | 8,440 | 9,464 | 12,824 | 13,658 | Non-interest income | 5,516 | 5,961 | 5,632 | 5,819 | 6,193 | Net profit (rep./act.) | 4,721 | 6,805 | 6,659 | 7,721 | 8,473 | Net profit (adj.) | 4,721 | 6,801 | 6,659 | 7,721 | 8,473 | EPS (S\$ cent) | 182.8 | 261.0 | 255.2 | 296.2 | 325.2 | PE (x) | 16.1 | 11.3 | 11.6 | 10.0 | 9.1 | P/B (x) | 1.5 | 1.4 | 1.4 | 1.3 | 1.2 | Dividend yield (%) | 3.0 | 4.1 | 4.9 | 5.0 | 5.4 | Net int margin (%) | 1.6 | 1.5 | 1.5 | 2.0 | 2.0 | Cost/income (%) | 42.2 | 45.6 | 45.7 | 46.1 | 44.8 | Loan loss cover (%) | 109.6 | 116.3 | 119.6 | 98.2 | 86.4 | Consensus net profit | - | - | 7,433 | 8,833 | 9,390 | UOBKH/Consensus (x) | - | - | 0.90 | 0.87 | 0.90 | | | | | | | | | | | | |
| Year to 31 Dec (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net interest income | 9,076 | 8,440 | 9,464 | 12,824 | 13,658 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Non-interest income | 5,516 | 5,961 | 5,632 | 5,819 | 6,193 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (rep./act.) | 4,721 | 6,805 | 6,659 | 7,721 | 8,473 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (adj.) | 4,721 | 6,801 | 6,659 | 7,721 | 8,473 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EPS (S\$ cent) | 182.8 | 261.0 | 255.2 | 296.2 | 325.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PE (x) | 16.1 | 11.3 | 11.6 | 10.0 | 9.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| P/B (x) | 1.5 | 1.4 | 1.4 | 1.3 | 1.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dividend yield (%) | 3.0 | 4.1 | 4.9 | 5.0 | 5.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net int margin (%) | 1.6 | 1.5 | 1.5 | 2.0 | 2.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cost/income (%) | 42.2 | 45.6 | 45.7 | 46.1 | 44.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Loan loss cover (%) | 109.6 | 116.3 | 119.6 | 98.2 | 86.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Consensus net profit | - | - | 7,433 | 8,833 | 9,390 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| UOBKH/Consensus (x) | - | - | 0.90 | 0.87 | 0.90 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Genting Singapore (GENS SP) | BUY | 0.725 | 1.08 | <ul style="list-style-type: none"> • 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. • 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 a higher gaming capacity since Dec 21. We expect increasing levels of inbound travel in 2H22 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 project 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 to 4.0 S cents. Maintain BUY with an EV/EBITDA-based target price of S\$1.08. | <p>KEY FINANCIALS</p> <table border="1"> <thead> <tr> <th>Year to 31 Dec (S\$m)</th> <th>2020</th> <th>2021</th> <th>2022F</th> <th>2023F</th> <th>2024F</th> </tr> </thead> <tbody> <tr> <td>Net turnover</td> <td>1,064</td> <td>1,067</td> <td>1,686</td> <td>2,699</td> <td>2,835</td> </tr> <tr> <td>EBITDA</td> <td>427</td> <td>448</td> <td>773</td> <td>1,222</td> <td>1,284</td> </tr> <tr> <td>Operating profit</td> <td>125</td> <td>176</td> <td>437</td> <td>847</td> <td>872</td> </tr> <tr> <td>Net profit (rep./act.)</td> <td>69</td> <td>183</td> <td>359</td> <td>693</td> <td>714</td> </tr> <tr> <td>Net profit (adj.)</td> <td>123</td> <td>150</td> <td>359</td> <td>693</td> <td>714</td> </tr> <tr> <td>EPS (S\$ cent)</td> <td>1.0</td> <td>1.2</td> <td>3.0</td> <td>5.7</td> <td>5.9</td> </tr> <tr> <td>PE (x)</td> <td>70.9</td> <td>58.5</td> <td>24.3</td> <td>12.6</td> <td>12.2</td> </tr> <tr> <td>P/B (x)</td> <td>1.1</td> <td>1.1</td> <td>1.1</td> <td>1.1</td> <td>1.0</td> </tr> <tr> <td>EV/EBITDA (x)</td> <td>13.4</td> <td>12.8</td> <td>7.4</td> <td>4.7</td> <td>4.5</td> </tr> <tr> <td>Dividend yield (%)</td> <td>1.4</td> <td>1.4</td> <td>3.4</td> <td>4.8</td> <td>5.5</td> </tr> <tr> <td>Net margin (%)</td> <td>6.5</td> <td>17.2</td> <td>21.3</td> <td>25.7</td> <td>25.2</td> </tr> <tr> <td>Net debt/(cash) to equity (%)</td> <td>(47.6)</td> <td>(39.0)</td> <td>(37.8)</td> <td>(33.7)</td> <td>(28.7)</td> </tr> <tr> <td>ROE (%)</td> <td>0.9</td> <td>2.3</td> <td>4.5</td> <td>8.6</td> <td>8.6</td> </tr> <tr> <td>Consensus net profit</td> <td>-</td> <td>-</td> <td>321</td> <td>536</td> <td>589</td> </tr> <tr> <td>UOBKH/Consensus (x)</td> <td>-</td> <td>-</td> <td>1.12</td> <td>1.29</td> <td>1.21</td> </tr> </tbody> </table> <p><small>Source: Genting Singapore PLC, Bloomberg, UOB Kay Hian n.m.: not meaningful; negative P/E, EV/EBITDA reflected as "n.m."</small></p> | Year to 31 Dec (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | Net turnover | 1,064 | 1,067 | 1,686 | 2,699 | 2,835 | EBITDA | 427 | 448 | 773 | 1,222 | 1,284 | Operating profit | 125 | 176 | 437 | 847 | 872 | Net profit (rep./act.) | 69 | 183 | 359 | 693 | 714 | Net profit (adj.) | 123 | 150 | 359 | 693 | 714 | EPS (S\$ cent) | 1.0 | 1.2 | 3.0 | 5.7 | 5.9 | PE (x) | 70.9 | 58.5 | 24.3 | 12.6 | 12.2 | P/B (x) | 1.1 | 1.1 | 1.1 | 1.1 | 1.0 | EV/EBITDA (x) | 13.4 | 12.8 | 7.4 | 4.7 | 4.5 | Dividend yield (%) | 1.4 | 1.4 | 3.4 | 4.8 | 5.5 | Net margin (%) | 6.5 | 17.2 | 21.3 | 25.7 | 25.2 | Net debt/(cash) to equity (%) | (47.6) | (39.0) | (37.8) | (33.7) | (28.7) | ROE (%) | 0.9 | 2.3 | 4.5 | 8.6 | 8.6 | Consensus net profit | - | - | 321 | 536 | 589 | UOBKH/Consensus (x) | - | - | 1.12 | 1.29 | 1.21 |
| Year to 31 Dec (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net turnover | 1,064 | 1,067 | 1,686 | 2,699 | 2,835 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EBITDA | 427 | 448 | 773 | 1,222 | 1,284 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating profit | 125 | 176 | 437 | 847 | 872 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (rep./act.) | 69 | 183 | 359 | 693 | 714 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (adj.) | 123 | 150 | 359 | 693 | 714 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EPS (S\$ cent) | 1.0 | 1.2 | 3.0 | 5.7 | 5.9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PE (x) | 70.9 | 58.5 | 24.3 | 12.6 | 12.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| P/B (x) | 1.1 | 1.1 | 1.1 | 1.1 | 1.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EV/EBITDA (x) | 13.4 | 12.8 | 7.4 | 4.7 | 4.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dividend yield (%) | 1.4 | 1.4 | 3.4 | 4.8 | 5.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net margin (%) | 6.5 | 17.2 | 21.3 | 25.7 | 25.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net debt/(cash) to equity (%) | (47.6) | (39.0) | (37.8) | (33.7) | (28.7) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ROE (%) | 0.9 | 2.3 | 4.5 | 8.6 | 8.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Consensus net profit | - | - | 321 | 536 | 589 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| UOBKH/Consensus (x) | - | - | 1.12 | 1.29 | 1.21 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Company/Ticker | Rating | Price (S\$) | | Key Points | Key financials | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------|--------|-------------|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------|------|-------|-------|-------|--------------|-------|-------|-------|--------|--------|--------|-----|-------|-------|-------|-------|------------------|----|-----|-------|-------|-------|------------------------|-------|-------|-----|-----|-------|-------------------|-------|-------|-----|-----|-------|----------------|--------|------|------|------|------|----------------|------|------|------|------|------|---------|------|------|------|------|------|---------------|------|------|------|------|------|--------------------|-----|-----|-----|-----|-----|----------------|--------|-------|------|------|------|-------------------------------|------|------|------|------|------|--------------------|-----|------|------|------|------|---------|------|------|-----|-----|-----|--------------------------|------|------|-----|-----|-------|---------------------|---|---|------|------|------|
| | | 1 Jul | Target | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Keppel Corporation (KEP SP) | BUY | 6.52 | 10.11 | <ul style="list-style-type: none"> • Landmark merger. Keppel Corporation's (KEP) and Sembcorp Marine's (SMM) merger announced on 27 Apr 22 has been gestating for a long time. In our view, the merger benefits both parties, both in the short and long term. For KEP, the divestment of Keppel Offshore & Marine (KOM) will allow it to focus more on asset-light and/or recurring-fee businesses. • Value accretion in place. KEP shareholders will realise approximately S\$9.4b over time, comprising: a) S\$4.1b as consideration for the divestment of its legacy rigs and associated receivables, b) S\$4.9b as the pro forma estimate of the value of KOM, and c) S\$500m in cash from KOM to partially redeem certain perpetual securities previously issued to KEP. The transaction for KEP is more complicated relative to SMM's given that KEP's includes a transaction for its legacy rigs. • Maintain BUY. We value KEP at S\$10.11 using the SOTP valuation methodology. Given the relatively more complex nature of the transaction, it may take time for the value of the merger to be realised. However, we believe that KEP's share price will react positively heading towards the completion date in 4Q22. Share price catalysts include: a) completion of merger with SMM and divestment of legacy rigs, and b) further divestment of non-core assets for capital recycling purposes. | <p>KEY FINANCIALS</p> <table border="1"> <thead> <tr> <th>Year to 31 Dec (S\$m)</th> <th>2020</th> <th>2021</th> <th>2022F</th> <th>2023F</th> <th>2024F</th> </tr> </thead> <tbody> <tr><td>Net turnover</td><td>6,574</td><td>8,625</td><td>9,585</td><td>10,682</td><td>11,312</td></tr> <tr><td>EBITDA</td><td>422</td><td>1,304</td><td>1,488</td><td>1,613</td><td>1,771</td></tr> <tr><td>Operating profit</td><td>8</td><td>898</td><td>1,043</td><td>1,130</td><td>1,249</td></tr> <tr><td>Net profit (rep./act.)</td><td>(506)</td><td>1,023</td><td>856</td><td>922</td><td>1,014</td></tr> <tr><td>Net profit (adj.)</td><td>(506)</td><td>1,023</td><td>856</td><td>922</td><td>1,014</td></tr> <tr><td>EPS (S\$ cent)</td><td>(27.7)</td><td>55.9</td><td>46.8</td><td>50.4</td><td>55.4</td></tr> <tr><td>PE (x)</td><td>n.m.</td><td>11.7</td><td>13.9</td><td>12.9</td><td>11.8</td></tr> <tr><td>P/B (x)</td><td>1.1</td><td>1.0</td><td>0.9</td><td>0.9</td><td>0.9</td></tr> <tr><td>EV/EBITDA (x)</td><td>51.3</td><td>16.6</td><td>14.5</td><td>13.4</td><td>12.2</td></tr> <tr><td>Dividend yield (%)</td><td>1.5</td><td>5.1</td><td>2.9</td><td>3.1</td><td>3.4</td></tr> <tr><td>Net margin (%)</td><td>(7.7)</td><td>11.9</td><td>8.9</td><td>8.6</td><td>9.0</td></tr> <tr><td>Net debt/(cash) to equity (%)</td><td>89.1</td><td>65.0</td><td>77.3</td><td>78.4</td><td>77.7</td></tr> <tr><td>Interest cover (x)</td><td>4.2</td><td>43.9</td><td>50.1</td><td>54.3</td><td>59.6</td></tr> <tr><td>ROE (%)</td><td>n.a.</td><td>9.0</td><td>7.0</td><td>7.2</td><td>7.6</td></tr> <tr><td>Consensus net profit</td><td>-</td><td>-</td><td>889</td><td>932</td><td>1,021</td></tr> <tr><td>UOBKH/Consensus (x)</td><td>-</td><td>-</td><td>0.96</td><td>0.99</td><td>0.99</td></tr> </tbody> </table> <p><small>Source: Keppel Corp Ltd, Bloomberg, UOB Kay Hian n.m.: not meaningful; negative P/E, EV/EBITDA reflected as "n.m."</small></p> | Year to 31 Dec (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | Net turnover | 6,574 | 8,625 | 9,585 | 10,682 | 11,312 | EBITDA | 422 | 1,304 | 1,488 | 1,613 | 1,771 | Operating profit | 8 | 898 | 1,043 | 1,130 | 1,249 | Net profit (rep./act.) | (506) | 1,023 | 856 | 922 | 1,014 | Net profit (adj.) | (506) | 1,023 | 856 | 922 | 1,014 | EPS (S\$ cent) | (27.7) | 55.9 | 46.8 | 50.4 | 55.4 | PE (x) | n.m. | 11.7 | 13.9 | 12.9 | 11.8 | P/B (x) | 1.1 | 1.0 | 0.9 | 0.9 | 0.9 | EV/EBITDA (x) | 51.3 | 16.6 | 14.5 | 13.4 | 12.2 | Dividend yield (%) | 1.5 | 5.1 | 2.9 | 3.1 | 3.4 | Net margin (%) | (7.7) | 11.9 | 8.9 | 8.6 | 9.0 | Net debt/(cash) to equity (%) | 89.1 | 65.0 | 77.3 | 78.4 | 77.7 | Interest cover (x) | 4.2 | 43.9 | 50.1 | 54.3 | 59.6 | ROE (%) | n.a. | 9.0 | 7.0 | 7.2 | 7.6 | Consensus net profit | - | - | 889 | 932 | 1,021 | UOBKH/Consensus (x) | - | - | 0.96 | 0.99 | 0.99 |
| Year to 31 Dec (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net turnover | 6,574 | 8,625 | 9,585 | 10,682 | 11,312 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EBITDA | 422 | 1,304 | 1,488 | 1,613 | 1,771 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating profit | 8 | 898 | 1,043 | 1,130 | 1,249 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (rep./act.) | (506) | 1,023 | 856 | 922 | 1,014 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (adj.) | (506) | 1,023 | 856 | 922 | 1,014 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EPS (S\$ cent) | (27.7) | 55.9 | 46.8 | 50.4 | 55.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PE (x) | n.m. | 11.7 | 13.9 | 12.9 | 11.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| P/B (x) | 1.1 | 1.0 | 0.9 | 0.9 | 0.9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EV/EBITDA (x) | 51.3 | 16.6 | 14.5 | 13.4 | 12.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dividend yield (%) | 1.5 | 5.1 | 2.9 | 3.1 | 3.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net margin (%) | (7.7) | 11.9 | 8.9 | 8.6 | 9.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net debt/(cash) to equity (%) | 89.1 | 65.0 | 77.3 | 78.4 | 77.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest cover (x) | 4.2 | 43.9 | 50.1 | 54.3 | 59.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ROE (%) | n.a. | 9.0 | 7.0 | 7.2 | 7.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Consensus net profit | - | - | 889 | 932 | 1,021 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| UOBKH/Consensus (x) | - | - | 0.96 | 0.99 | 0.99 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lendlease REIT (LREIT SP) | BUY | 0.785 | 0.95 | <ul style="list-style-type: none"> • Maximising returns from Jem. Jem attracts shopper traffic of 22m per year due to an attractive mix of anchor tenants, such as IKEA, FairPrice Xtra, Don Don Donki, H&M and UNIQLO. It provides organic growth from positive rent reversion and annual rental escalation of 3.2%. Management plans to unlock additional NLA at level one (4,600sf) and basement one (850sf) to cater for demand for more retail space. • Welcoming tourists back to 313@Somerset. Visitor arrivals to Singapore increased 43% mom to 294,304 in Apr 22 (19% of pre-pandemic levels). The return of tourists in 2H22, which typically account for 20-25% of shopper traffic, would restore shopper traffic at 313@Somerset to pre-pandemic levels. Construction for the redevelopment of Grange Road Car Park into a multi-functional event space commenced at end-21. The event space is expected to be operational by early-23 (18 months to complete). • Reiterate BUY. Our target price of S\$0.95 is based on DDM (cost of equity: 7.25%, terminal growth: 2.0%). Share price catalysts include further reopening of Singapore's international borders with the Vaccinated Travel Framework, which should bring tourists back to 313@Somerset. | <p>KEY FINANCIALS</p> <table border="1"> <thead> <tr> <th>Year to 30 Jun (S\$m)</th> <th>2020</th> <th>2021</th> <th>2022F</th> <th>2023F</th> <th>2024F</th> </tr> </thead> <tbody> <tr><td>Net turnover</td><td>56</td><td>79</td><td>107</td><td>215</td><td>222</td></tr> <tr><td>EBITDA</td><td>33</td><td>46</td><td>66</td><td>135</td><td>140</td></tr> <tr><td>Operating profit</td><td>33</td><td>46</td><td>66</td><td>135</td><td>140</td></tr> <tr><td>Net profit (rep./act.)</td><td>(9)</td><td>(2)</td><td>50</td><td>88</td><td>93</td></tr> <tr><td>Net profit (adj.)</td><td>27</td><td>38</td><td>50</td><td>88</td><td>93</td></tr> <tr><td>EPS (S\$ cent)</td><td>2.3</td><td>3.2</td><td>3.1</td><td>4.2</td><td>4.3</td></tr> <tr><td>DPY (S\$ cent)</td><td>3.1</td><td>4.7</td><td>4.6</td><td>5.2</td><td>5.2</td></tr> <tr><td>PE (x)</td><td>34.3</td><td>24.4</td><td>25.7</td><td>18.8</td><td>18.1</td></tr> <tr><td>P/B (x)</td><td>0.9</td><td>1.0</td><td>1.0</td><td>1.1</td><td>1.1</td></tr> <tr><td>DPY Yld (%)</td><td>3.9</td><td>6.0</td><td>5.8</td><td>6.6</td><td>6.6</td></tr> <tr><td>Net margin (%)</td><td>(15.5)</td><td>(2.5)</td><td>47.0</td><td>41.0</td><td>41.8</td></tr> <tr><td>Net debt/(cash) to equity (%)</td><td>44.9</td><td>25.4</td><td>78.9</td><td>80.3</td><td>82.3</td></tr> <tr><td>Interest cover (x)</td><td>5.0</td><td>5.6</td><td>4.2</td><td>4.5</td><td>4.6</td></tr> <tr><td>ROE (%)</td><td>n.a.</td><td>n.a.</td><td>3.2</td><td>4.4</td><td>4.7</td></tr> <tr><td>Consensus DPY (S\$ cent)</td><td>n.a.</td><td>n.a.</td><td>4.8</td><td>5.2</td><td>5.3</td></tr> <tr><td>UOBKH/Consensus (x)</td><td>-</td><td>-</td><td>0.95</td><td>1.00</td><td>0.98</td></tr> </tbody> </table> <p><small>Source: Lendlease Global Commercial REIT, Bloomberg, UOB Kay Hian n.m.: not meaningful; negative P/E, EV/EBITDA reflected as "n.m."</small></p> | Year to 30 Jun (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | Net turnover | 56 | 79 | 107 | 215 | 222 | EBITDA | 33 | 46 | 66 | 135 | 140 | Operating profit | 33 | 46 | 66 | 135 | 140 | Net profit (rep./act.) | (9) | (2) | 50 | 88 | 93 | Net profit (adj.) | 27 | 38 | 50 | 88 | 93 | EPS (S\$ cent) | 2.3 | 3.2 | 3.1 | 4.2 | 4.3 | DPY (S\$ cent) | 3.1 | 4.7 | 4.6 | 5.2 | 5.2 | PE (x) | 34.3 | 24.4 | 25.7 | 18.8 | 18.1 | P/B (x) | 0.9 | 1.0 | 1.0 | 1.1 | 1.1 | DPY Yld (%) | 3.9 | 6.0 | 5.8 | 6.6 | 6.6 | Net margin (%) | (15.5) | (2.5) | 47.0 | 41.0 | 41.8 | Net debt/(cash) to equity (%) | 44.9 | 25.4 | 78.9 | 80.3 | 82.3 | Interest cover (x) | 5.0 | 5.6 | 4.2 | 4.5 | 4.6 | ROE (%) | n.a. | n.a. | 3.2 | 4.4 | 4.7 | Consensus DPY (S\$ cent) | n.a. | n.a. | 4.8 | 5.2 | 5.3 | UOBKH/Consensus (x) | - | - | 0.95 | 1.00 | 0.98 |
| Year to 30 Jun (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net turnover | 56 | 79 | 107 | 215 | 222 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EBITDA | 33 | 46 | 66 | 135 | 140 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating profit | 33 | 46 | 66 | 135 | 140 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (rep./act.) | (9) | (2) | 50 | 88 | 93 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (adj.) | 27 | 38 | 50 | 88 | 93 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EPS (S\$ cent) | 2.3 | 3.2 | 3.1 | 4.2 | 4.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| DPY (S\$ cent) | 3.1 | 4.7 | 4.6 | 5.2 | 5.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PE (x) | 34.3 | 24.4 | 25.7 | 18.8 | 18.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| P/B (x) | 0.9 | 1.0 | 1.0 | 1.1 | 1.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| DPY Yld (%) | 3.9 | 6.0 | 5.8 | 6.6 | 6.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net margin (%) | (15.5) | (2.5) | 47.0 | 41.0 | 41.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net debt/(cash) to equity (%) | 44.9 | 25.4 | 78.9 | 80.3 | 82.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest cover (x) | 5.0 | 5.6 | 4.2 | 4.5 | 4.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ROE (%) | n.a. | n.a. | 3.2 | 4.4 | 4.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Consensus DPY (S\$ cent) | n.a. | n.a. | 4.8 | 5.2 | 5.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| UOBKH/Consensus (x) | - | - | 0.95 | 1.00 | 0.98 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Company/Ticker | Rating | Price (S\$) | | Key Points | Key financials | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------|--------|-------------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------|------|-------|-------|-------|--------------|-------|-------|-------|-------|-------|--------|-------|---------|-------|-------|-------|------------------|-------|---------|-----|-----|-----|------------------------|-------|---------|------|-----|-----|-------------------|-------|---------|------|-----|-----|----------------|--------|-------|-------|------|------|--------|------|------|------|------|------|---------|-----|-----|-----|-----|-----|---------------|------|------|------|------|------|--------------------|-----|-----|-----|-----|-----|----------------|--------|--------|-------|-----|-----|-------------------------------|-------|-------|-------|-------|-------|--------------------|-------|--------|-----|-----|-----|---------|------|------|------|------|------|----------------------|---|---|-------|------|-----|---------------------|---|---|------|------|------|
| | | 1 Jul | Target | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sembcorp Marine (SMM SP) | BUY | 0.107 | 0.156 | <ul style="list-style-type: none"> New order wins in 2022. Jun 22's S\$200m order win for an engineering, procurement and construction (EPC) contract from the Brazilian Navy brought Sembcorp Marine's (SMM) total order wins for 2022 to S\$850m which is the highest it has seen since 2019. Earlier in 1Q22, the company won a S\$650m order for a wind turbine installation vessel from Maersk Supply Solutions, and its success to date reaffirms our view that the company will continue to garner more order wins as the year progresses. Executing current orderbook well. Out of the 17 projects that it is working on, SMM is slated to deliver 12 of these in 2022; however, with six of these already delivered to its clients, we should expect better operating cash flow and a meaningful narrowing of losses vs 1H21. We note that during its 1Q22 business update, the company guided for its 1H22 results to be "significantly better" yoy. SMM highlighted that as at end-1Q22, its net debt/equity had improved to 0.38x compared with 0.49x in end-21. Orderbook update. At its 1Q22 business update, SMM also disclosed that it had won various repairs and upgrades contracts, including three vessels for the US Navy as well as nine containerships from Maersk. As at end-1Q22, SMM had a net orderbook of S\$1.75b (which includes repairs and upgrades contracts) consisting of S\$1.51b of projects under execution and S\$0.24b of ongoing repairs and upgrades projects. Including the Brazilian Navy order win, this would result in a net orderbook of S\$1.95b. Maintain BUY with 1.2x 2022F P/B-based target price of S\$0.156. Share price catalysts: New orders for rigs, offshore renewable installations or fabrication works, as well as repairs and upgrades work for cruise ships and other commercial vessels. | <p>KEY FINANCIALS</p> <table border="1"> <thead> <tr> <th>Year to 31 Dec (S\$m)</th> <th>2020</th> <th>2021</th> <th>2022F</th> <th>2023F</th> <th>2024F</th> </tr> </thead> <tbody> <tr> <td>Net turnover</td> <td>1,510</td> <td>1,862</td> <td>1,939</td> <td>2,271</td> <td>2,693</td> </tr> <tr> <td>EBITDA</td> <td>(380)</td> <td>(1,028)</td> <td>260</td> <td>329</td> <td>371</td> </tr> <tr> <td>Operating profit</td> <td>(582)</td> <td>(1,224)</td> <td>64</td> <td>132</td> <td>174</td> </tr> <tr> <td>Net profit (rep./act.)</td> <td>(583)</td> <td>(1,171)</td> <td>(14)</td> <td>50</td> <td>89</td> </tr> <tr> <td>Net profit (adj.)</td> <td>(583)</td> <td>(1,171)</td> <td>(14)</td> <td>50</td> <td>89</td> </tr> <tr> <td>EPS (S\$ cent)</td> <td>(10.6)</td> <td>(6.5)</td> <td>(0.0)</td> <td>0.1</td> <td>0.2</td> </tr> <tr> <td>PE (x)</td> <td>n.m.</td> <td>n.m.</td> <td>n.m.</td> <td>78.4</td> <td>44.2</td> </tr> <tr> <td>P/B (x)</td> <td>0.2</td> <td>0.4</td> <td>0.9</td> <td>0.9</td> <td>0.9</td> </tr> <tr> <td>EV/EBITDA (x)</td> <td>n.m.</td> <td>n.m.</td> <td>21.1</td> <td>16.7</td> <td>14.8</td> </tr> <tr> <td>Dividend yield (%)</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> <tr> <td>Net margin (%)</td> <td>(38.6)</td> <td>(62.9)</td> <td>(0.7)</td> <td>2.2</td> <td>3.3</td> </tr> <tr> <td>Net debt/(cash) to equity (%)</td> <td>75.7</td> <td>45.8</td> <td>49.3</td> <td>52.1</td> <td>53.9</td> </tr> <tr> <td>Interest cover (x)</td> <td>(4.1)</td> <td>(14.8)</td> <td>0.5</td> <td>1.0</td> <td>1.3</td> </tr> <tr> <td>ROE (%)</td> <td>n.a.</td> <td>n.a.</td> <td>n.a.</td> <td>1.2</td> <td>2.0</td> </tr> <tr> <td>Consensus net profit</td> <td>-</td> <td>-</td> <td>(231)</td> <td>(35)</td> <td>11</td> </tr> <tr> <td>UOBKH/Consensus (x)</td> <td>-</td> <td>-</td> <td>0.06</td> <td>n.m.</td> <td>8.39</td> </tr> </tbody> </table> <p><small>Source: Sembcorp Marine Limited, Bloomberg, UOB Kay Hian n.m.: not meaningful, negative P/E, EV/EBITDA reflected as "n.m."</small></p> | Year to 31 Dec (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | Net turnover | 1,510 | 1,862 | 1,939 | 2,271 | 2,693 | EBITDA | (380) | (1,028) | 260 | 329 | 371 | Operating profit | (582) | (1,224) | 64 | 132 | 174 | Net profit (rep./act.) | (583) | (1,171) | (14) | 50 | 89 | Net profit (adj.) | (583) | (1,171) | (14) | 50 | 89 | EPS (S\$ cent) | (10.6) | (6.5) | (0.0) | 0.1 | 0.2 | PE (x) | n.m. | n.m. | n.m. | 78.4 | 44.2 | P/B (x) | 0.2 | 0.4 | 0.9 | 0.9 | 0.9 | EV/EBITDA (x) | n.m. | n.m. | 21.1 | 16.7 | 14.8 | Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Net margin (%) | (38.6) | (62.9) | (0.7) | 2.2 | 3.3 | Net debt/(cash) to equity (%) | 75.7 | 45.8 | 49.3 | 52.1 | 53.9 | Interest cover (x) | (4.1) | (14.8) | 0.5 | 1.0 | 1.3 | ROE (%) | n.a. | n.a. | n.a. | 1.2 | 2.0 | Consensus net profit | - | - | (231) | (35) | 11 | UOBKH/Consensus (x) | - | - | 0.06 | n.m. | 8.39 |
| Year to 31 Dec (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net turnover | 1,510 | 1,862 | 1,939 | 2,271 | 2,693 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EBITDA | (380) | (1,028) | 260 | 329 | 371 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating profit | (582) | (1,224) | 64 | 132 | 174 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (rep./act.) | (583) | (1,171) | (14) | 50 | 89 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (adj.) | (583) | (1,171) | (14) | 50 | 89 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EPS (S\$ cent) | (10.6) | (6.5) | (0.0) | 0.1 | 0.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PE (x) | n.m. | n.m. | n.m. | 78.4 | 44.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| P/B (x) | 0.2 | 0.4 | 0.9 | 0.9 | 0.9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EV/EBITDA (x) | n.m. | n.m. | 21.1 | 16.7 | 14.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net margin (%) | (38.6) | (62.9) | (0.7) | 2.2 | 3.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net debt/(cash) to equity (%) | 75.7 | 45.8 | 49.3 | 52.1 | 53.9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest cover (x) | (4.1) | (14.8) | 0.5 | 1.0 | 1.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ROE (%) | n.a. | n.a. | n.a. | 1.2 | 2.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Consensus net profit | - | - | (231) | (35) | 11 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| UOBKH/Consensus (x) | - | - | 0.06 | n.m. | 8.39 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sembcorp Industries (SCI SP) | BUY | 2.86 | 3.59 | <ul style="list-style-type: none"> Active on the business development front. In 2H21, Sembcorp Industries (SCI) was notably active on the business development front with nearly one deal every month. Importantly, all of these deals have been focused on expanding SCI's renewables footprint – especially in China. We believe the company will remain busy with more renewables deals for the remainder of 2022. Well on target to build up its green energy portfolio. While a number of projects in its renewables portfolio are still in the planning stage, we highlight that SCI has built up this portfolio quite aggressively from the 2.6GW gross installed capacity at the start of 2021 to 5.3GW at present – this excludes another 1.1GW that is currently under development. Thus, we believe that the company is on target to achieve its plans of increasing its renewable capacity to 10GW by 2025. In Oct 21 and Apr 22, SCI raised a total of S\$975m in sustainability-linked notes, all of which were well subscribed, thus underlining the market's confidence in the company's strategy Maintain BUY with a target price of S\$3.59 based on a target 2022F PE of 13.6x. Share price catalysts include: sustained economic recovery post COVID-19, thus leading to increased energy and utilities usage. | <p>KEY FINANCIALS</p> <table border="1"> <thead> <tr> <th>Year to 31 Dec (S\$m)</th> <th>2020</th> <th>2021</th> <th>2022F</th> <th>2023F</th> <th>2024F</th> </tr> </thead> <tbody> <tr> <td>Net turnover</td> <td>5,447</td> <td>7,795</td> <td>8,509</td> <td>9,230</td> <td>9,427</td> </tr> <tr> <td>EBITDA</td> <td>1,022</td> <td>1,127</td> <td>1,171</td> <td>1,319</td> <td>1,378</td> </tr> <tr> <td>Operating profit</td> <td>443</td> <td>670</td> <td>704</td> <td>842</td> <td>891</td> </tr> <tr> <td>Net profit (rep./act.)</td> <td>(997)</td> <td>279</td> <td>444</td> <td>508</td> <td>551</td> </tr> <tr> <td>Net profit (adj.)</td> <td>(997)</td> <td>279</td> <td>444</td> <td>508</td> <td>551</td> </tr> <tr> <td>EPS (S\$ cent)</td> <td>(55.9)</td> <td>15.4</td> <td>24.3</td> <td>27.8</td> <td>30.1</td> </tr> <tr> <td>PE (x)</td> <td>n.m.</td> <td>18.5</td> <td>11.8</td> <td>10.3</td> <td>9.5</td> </tr> <tr> <td>P/B (x)</td> <td>1.5</td> <td>1.4</td> <td>1.3</td> <td>1.2</td> <td>1.1</td> </tr> <tr> <td>EV/EBITDA (x)</td> <td>10.5</td> <td>9.5</td> <td>9.2</td> <td>8.1</td> <td>7.8</td> </tr> <tr> <td>Dividend yield (%)</td> <td>1.4</td> <td>1.7</td> <td>2.6</td> <td>3.0</td> <td>3.2</td> </tr> <tr> <td>Net margin (%)</td> <td>(18.3)</td> <td>3.6</td> <td>5.2</td> <td>5.5</td> <td>5.8</td> </tr> <tr> <td>Net debt/(cash) to equity (%)</td> <td>200.5</td> <td>160.5</td> <td>133.3</td> <td>114.7</td> <td>100.6</td> </tr> <tr> <td>Interest cover (x)</td> <td>1.0</td> <td>1.7</td> <td>1.8</td> <td>2.1</td> <td>2.2</td> </tr> <tr> <td>ROE (%)</td> <td>n.a.</td> <td>7.9</td> <td>11.3</td> <td>11.8</td> <td>11.8</td> </tr> <tr> <td>Consensus net profit</td> <td>-</td> <td>-</td> <td>448</td> <td>497</td> <td>531</td> </tr> <tr> <td>UOBKH/Consensus (x)</td> <td>-</td> <td>-</td> <td>0.99</td> <td>1.02</td> <td>1.04</td> </tr> </tbody> </table> <p><small>Source: Sembcorp Industries Ltd, Bloomberg, UOB Kay Hian n.m.: not meaningful, negative P/E, EV/EBITDA reflected as "n.m."</small></p> | Year to 31 Dec (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | Net turnover | 5,447 | 7,795 | 8,509 | 9,230 | 9,427 | EBITDA | 1,022 | 1,127 | 1,171 | 1,319 | 1,378 | Operating profit | 443 | 670 | 704 | 842 | 891 | Net profit (rep./act.) | (997) | 279 | 444 | 508 | 551 | Net profit (adj.) | (997) | 279 | 444 | 508 | 551 | EPS (S\$ cent) | (55.9) | 15.4 | 24.3 | 27.8 | 30.1 | PE (x) | n.m. | 18.5 | 11.8 | 10.3 | 9.5 | P/B (x) | 1.5 | 1.4 | 1.3 | 1.2 | 1.1 | EV/EBITDA (x) | 10.5 | 9.5 | 9.2 | 8.1 | 7.8 | Dividend yield (%) | 1.4 | 1.7 | 2.6 | 3.0 | 3.2 | Net margin (%) | (18.3) | 3.6 | 5.2 | 5.5 | 5.8 | Net debt/(cash) to equity (%) | 200.5 | 160.5 | 133.3 | 114.7 | 100.6 | Interest cover (x) | 1.0 | 1.7 | 1.8 | 2.1 | 2.2 | ROE (%) | n.a. | 7.9 | 11.3 | 11.8 | 11.8 | Consensus net profit | - | - | 448 | 497 | 531 | UOBKH/Consensus (x) | - | - | 0.99 | 1.02 | 1.04 |
| Year to 31 Dec (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net turnover | 5,447 | 7,795 | 8,509 | 9,230 | 9,427 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EBITDA | 1,022 | 1,127 | 1,171 | 1,319 | 1,378 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating profit | 443 | 670 | 704 | 842 | 891 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (rep./act.) | (997) | 279 | 444 | 508 | 551 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (adj.) | (997) | 279 | 444 | 508 | 551 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EPS (S\$ cent) | (55.9) | 15.4 | 24.3 | 27.8 | 30.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PE (x) | n.m. | 18.5 | 11.8 | 10.3 | 9.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| P/B (x) | 1.5 | 1.4 | 1.3 | 1.2 | 1.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EV/EBITDA (x) | 10.5 | 9.5 | 9.2 | 8.1 | 7.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dividend yield (%) | 1.4 | 1.7 | 2.6 | 3.0 | 3.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net margin (%) | (18.3) | 3.6 | 5.2 | 5.5 | 5.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net debt/(cash) to equity (%) | 200.5 | 160.5 | 133.3 | 114.7 | 100.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest cover (x) | 1.0 | 1.7 | 1.8 | 2.1 | 2.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ROE (%) | n.a. | 7.9 | 11.3 | 11.8 | 11.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Consensus net profit | - | - | 448 | 497 | 531 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| UOBKH/Consensus (x) | - | - | 0.99 | 1.02 | 1.04 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Company/Ticker | Rating | Price (S\$) | | Key Points | Key financials | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------|--------|-------------|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------|------|-------|-------|-------|--------------|-------|-------|-------|-------|-------|--------|-----|-----|-----|-----|-----|------------------|------|------|-----|-----|-----|------------------------|------|-----|-----|-----|-----|-------------------|------|-----|-----|-----|-----|----------------|-------|-------|-------|-------|-------|--------|------|------|------|------|------|---------|-----|-----|-----|-----|-----|---------------|------|------|------|------|------|--------------------|-----|-----|-----|-----|-----|----------------|-------|------|------|------|------|-------------------------------|--------|--------|--------|--------|--------|--------------------|------|------|------|------|------|----------------------|------|-----|-----|-----|------|----------------------|---|---|------|------|------|---------------------|---|---|------|------|------|
| | | 1 Jul | Target | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| SIA Engineering (SIE SP) | BUY | 2.42 | 2.70 | <ul style="list-style-type: none"> • 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. • Maintain BUY and DCF-based target price of S\$2.70 (WACC of 8.5% and terminal growth rate of 3%). Catalysts for SIAEC would include a core earnings recovery and pressure to do something with its big cash pile. We believe the market should turn more positive on SIAEC for its core profitability recovery and further improvement. We also expect FY23 to be the year that SIAEC resumes dividend payment. | <p>KEY FINANCIALS</p> <table border="1"> <thead> <tr> <th>Year to 31 Mar (S\$m)</th> <th>2021</th> <th>2022</th> <th>2023F</th> <th>2024F</th> <th>2025F</th> </tr> </thead> <tbody> <tr> <td>Net turnover</td> <td>443</td> <td>566</td> <td>813</td> <td>973</td> <td>1,121</td> </tr> <tr> <td>EBITDA</td> <td>46</td> <td>41</td> <td>81</td> <td>123</td> <td>155</td> </tr> <tr> <td>Operating profit</td> <td>(25)</td> <td>(22)</td> <td>16</td> <td>51</td> <td>70</td> </tr> <tr> <td>Net profit (rep./act.)</td> <td>(11)</td> <td>68</td> <td>92</td> <td>143</td> <td>188</td> </tr> <tr> <td>Net profit (adj.)</td> <td>(11)</td> <td>68</td> <td>92</td> <td>143</td> <td>188</td> </tr> <tr> <td>EPS (S\$ cent)</td> <td>(1.0)</td> <td>6.0</td> <td>8.2</td> <td>12.7</td> <td>16.7</td> </tr> <tr> <td>PE (x)</td> <td>n.m.</td> <td>40.3</td> <td>29.5</td> <td>19.0</td> <td>14.5</td> </tr> <tr> <td>P/B (x)</td> <td>1.8</td> <td>1.7</td> <td>1.6</td> <td>1.6</td> <td>1.5</td> </tr> <tr> <td>EV/EBITDA (x)</td> <td>45.5</td> <td>50.8</td> <td>26.0</td> <td>17.1</td> <td>13.6</td> </tr> <tr> <td>Dividend yield (%)</td> <td>0.0</td> <td>0.0</td> <td>2.5</td> <td>4.1</td> <td>5.4</td> </tr> <tr> <td>Net margin (%)</td> <td>(2.5)</td> <td>11.9</td> <td>11.4</td> <td>14.7</td> <td>16.7</td> </tr> <tr> <td>Net debt/(cash) to equity (%)</td> <td>(39.5)</td> <td>(38.7)</td> <td>(37.4)</td> <td>(34.6)</td> <td>(33.0)</td> </tr> <tr> <td>Interest cover (x)</td> <td>n.a.</td> <td>50.8</td> <td>n.a.</td> <td>n.a.</td> <td>n.a.</td> </tr> <tr> <td>ROE (%)</td> <td>n.a.</td> <td>4.3</td> <td>5.6</td> <td>8.3</td> <td>10.6</td> </tr> <tr> <td>Consensus net profit</td> <td>-</td> <td>-</td> <td>74</td> <td>119</td> <td>154</td> </tr> <tr> <td>UOBKH/Consensus (x)</td> <td>-</td> <td>-</td> <td>1.24</td> <td>1.20</td> <td>1.22</td> </tr> </tbody> </table> <p><small>Source: SIA Engineering, Bloomberg, UOB Kay Hian n.m.: not meaningful, negative P/E, EV/EBITDA reflected as 'n.m'</small></p> | Year to 31 Mar (S\$m) | 2021 | 2022 | 2023F | 2024F | 2025F | Net turnover | 443 | 566 | 813 | 973 | 1,121 | EBITDA | 46 | 41 | 81 | 123 | 155 | Operating profit | (25) | (22) | 16 | 51 | 70 | Net profit (rep./act.) | (11) | 68 | 92 | 143 | 188 | Net profit (adj.) | (11) | 68 | 92 | 143 | 188 | EPS (S\$ cent) | (1.0) | 6.0 | 8.2 | 12.7 | 16.7 | PE (x) | n.m. | 40.3 | 29.5 | 19.0 | 14.5 | P/B (x) | 1.8 | 1.7 | 1.6 | 1.6 | 1.5 | EV/EBITDA (x) | 45.5 | 50.8 | 26.0 | 17.1 | 13.6 | Dividend yield (%) | 0.0 | 0.0 | 2.5 | 4.1 | 5.4 | Net margin (%) | (2.5) | 11.9 | 11.4 | 14.7 | 16.7 | Net debt/(cash) to equity (%) | (39.5) | (38.7) | (37.4) | (34.6) | (33.0) | Interest cover (x) | n.a. | 50.8 | n.a. | n.a. | n.a. | ROE (%) | n.a. | 4.3 | 5.6 | 8.3 | 10.6 | Consensus net profit | - | - | 74 | 119 | 154 | UOBKH/Consensus (x) | - | - | 1.24 | 1.20 | 1.22 |
| Year to 31 Mar (S\$m) | 2021 | 2022 | 2023F | 2024F | 2025F | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net turnover | 443 | 566 | 813 | 973 | 1,121 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EBITDA | 46 | 41 | 81 | 123 | 155 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating profit | (25) | (22) | 16 | 51 | 70 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (rep./act.) | (11) | 68 | 92 | 143 | 188 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (adj.) | (11) | 68 | 92 | 143 | 188 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EPS (S\$ cent) | (1.0) | 6.0 | 8.2 | 12.7 | 16.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PE (x) | n.m. | 40.3 | 29.5 | 19.0 | 14.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| P/B (x) | 1.8 | 1.7 | 1.6 | 1.6 | 1.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EV/EBITDA (x) | 45.5 | 50.8 | 26.0 | 17.1 | 13.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dividend yield (%) | 0.0 | 0.0 | 2.5 | 4.1 | 5.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net margin (%) | (2.5) | 11.9 | 11.4 | 14.7 | 16.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net debt/(cash) to equity (%) | (39.5) | (38.7) | (37.4) | (34.6) | (33.0) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest cover (x) | n.a. | 50.8 | n.a. | n.a. | n.a. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ROE (%) | n.a. | 4.3 | 5.6 | 8.3 | 10.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Consensus net profit | - | - | 74 | 119 | 154 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| UOBKH/Consensus (x) | - | - | 1.24 | 1.20 | 1.22 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Venture Corporation (VMS SP) | BUY | 16.55 | 22.80 | <ul style="list-style-type: none"> • Anticipates steady demand. Based on its customers' orders and forecasts, Venture Corporation (VMS) anticipates a steady demand outlook for 2022 across its technology domains such as Lifestyle & Wellness, Life Science, Instrumentation, Test & Measurement Technology and Advanced Industrial. Recent new product launches have been well received by end-customers and have contributed to additional growth. VMS remains optimistic about its long-term prospects. It has gained good traction in selected ecosystems of interests, becoming a leading technology partner of choice for many global players • Proactive management and differentiated capabilities help VMS stand out. Several initiatives undertaken by VMS to overcome supply chain disruptions include: a) redesigning products to reduce dependency on parts that are in shortages, b) working with customers to obtain a longer order forecast for better procurement and production planning, and c) increasing stockpiling of inventories and sharing the working capital burden with customers. These, combined with the strong design and R&D capabilities of VMS, allow the company to provide unique solutions to win market share and clients that are of high quality amid this uncertain environment. • Positive signal from recent share purchases of 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. • Maintain BUY and target price of S\$22.80, pegged to +1SD above its forward PE mean of 19.5x on 2022F earnings. Currently, VMS offers an attractive dividend yield of 4.7%. | <p>KEY FINANCIALS</p> <table border="1"> <thead> <tr> <th>Year to 31 Dec (S\$m)</th> <th>2020</th> <th>2021</th> <th>2022F</th> <th>2023F</th> <th>2024F</th> </tr> </thead> <tbody> <tr> <td>Net turnover</td> <td>3,013</td> <td>3,107</td> <td>3,404</td> <td>3,718</td> <td>4,037</td> </tr> <tr> <td>EBITDA</td> <td>375</td> <td>388</td> <td>419</td> <td>451</td> <td>487</td> </tr> <tr> <td>Operating profit</td> <td>334</td> <td>351</td> <td>384</td> <td>417</td> <td>455</td> </tr> <tr> <td>Net profit (rep./act.)</td> <td>297</td> <td>312</td> <td>339</td> <td>369</td> <td>402</td> </tr> <tr> <td>Net profit (adj.)</td> <td>297</td> <td>312</td> <td>339</td> <td>369</td> <td>402</td> </tr> <tr> <td>EPS (S\$ cent)</td> <td>102.3</td> <td>107.5</td> <td>116.9</td> <td>127.0</td> <td>138.4</td> </tr> <tr> <td>PE (x)</td> <td>16.2</td> <td>15.4</td> <td>14.2</td> <td>13.0</td> <td>12.0</td> </tr> <tr> <td>P/B (x)</td> <td>1.9</td> <td>1.8</td> <td>1.7</td> <td>1.6</td> <td>1.5</td> </tr> <tr> <td>EV/EBITDA (x)</td> <td>10.0</td> <td>9.7</td> <td>9.0</td> <td>8.3</td> <td>7.7</td> </tr> <tr> <td>Dividend yield (%)</td> <td>4.5</td> <td>4.5</td> <td>4.8</td> <td>4.8</td> <td>4.8</td> </tr> <tr> <td>Net margin (%)</td> <td>9.9</td> <td>10.0</td> <td>10.0</td> <td>9.9</td> <td>10.0</td> </tr> <tr> <td>Net debt/(cash) to equity (%)</td> <td>(35.9)</td> <td>(29.7)</td> <td>(37.8)</td> <td>(37.2)</td> <td>(37.3)</td> </tr> <tr> <td>ROE (%)</td> <td>11.7</td> <td>11.8</td> <td>12.3</td> <td>12.7</td> <td>13.2</td> </tr> <tr> <td>Consensus net profit</td> <td>-</td> <td>-</td> <td>352</td> <td>377</td> <td>404</td> </tr> <tr> <td>UOBKH/Consensus (x)</td> <td>-</td> <td>-</td> <td>0.96</td> <td>0.98</td> <td>0.99</td> </tr> </tbody> </table> <p><small>Source: Venture Corporation, Bloomberg, UOB Kay Hian n.m.: not meaningful, negative P/E, EV/EBITDA reflected as 'n.m'</small></p> | Year to 31 Dec (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | Net turnover | 3,013 | 3,107 | 3,404 | 3,718 | 4,037 | EBITDA | 375 | 388 | 419 | 451 | 487 | Operating profit | 334 | 351 | 384 | 417 | 455 | Net profit (rep./act.) | 297 | 312 | 339 | 369 | 402 | Net profit (adj.) | 297 | 312 | 339 | 369 | 402 | EPS (S\$ cent) | 102.3 | 107.5 | 116.9 | 127.0 | 138.4 | PE (x) | 16.2 | 15.4 | 14.2 | 13.0 | 12.0 | P/B (x) | 1.9 | 1.8 | 1.7 | 1.6 | 1.5 | EV/EBITDA (x) | 10.0 | 9.7 | 9.0 | 8.3 | 7.7 | Dividend yield (%) | 4.5 | 4.5 | 4.8 | 4.8 | 4.8 | Net margin (%) | 9.9 | 10.0 | 10.0 | 9.9 | 10.0 | Net debt/(cash) to equity (%) | (35.9) | (29.7) | (37.8) | (37.2) | (37.3) | ROE (%) | 11.7 | 11.8 | 12.3 | 12.7 | 13.2 | Consensus net profit | - | - | 352 | 377 | 404 | UOBKH/Consensus (x) | - | - | 0.96 | 0.98 | 0.99 | | | | | | |
| Year to 31 Dec (S\$m) | 2020 | 2021 | 2022F | 2023F | 2024F | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net turnover | 3,013 | 3,107 | 3,404 | 3,718 | 4,037 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EBITDA | 375 | 388 | 419 | 451 | 487 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating profit | 334 | 351 | 384 | 417 | 455 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (rep./act.) | 297 | 312 | 339 | 369 | 402 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (adj.) | 297 | 312 | 339 | 369 | 402 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EPS (S\$ cent) | 102.3 | 107.5 | 116.9 | 127.0 | 138.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PE (x) | 16.2 | 15.4 | 14.2 | 13.0 | 12.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| P/B (x) | 1.9 | 1.8 | 1.7 | 1.6 | 1.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EV/EBITDA (x) | 10.0 | 9.7 | 9.0 | 8.3 | 7.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dividend yield (%) | 4.5 | 4.5 | 4.8 | 4.8 | 4.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net margin (%) | 9.9 | 10.0 | 10.0 | 9.9 | 10.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net debt/(cash) to equity (%) | (35.9) | (29.7) | (37.8) | (37.2) | (37.3) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ROE (%) | 11.7 | 11.8 | 12.3 | 12.7 | 13.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Consensus net profit | - | - | 352 | 377 | 404 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| UOBKH/Consensus (x) | - | - | 0.96 | 0.98 | 0.99 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Company/Ticker | Rating | Price (S\$) | | Key Points | Key financials | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------------|--------|-------------|--------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------|------|-------|-------|-------|--------------|--------|--------|--------|--------|--------|--------|-------|-------|-------|-------|-------|------------------|-------|-------|-------|-------|-------|------------------------|-------|-------|-------|-------|-------|-------------------|-------|-------|-------|-------|-------|-----------|------|------|------|-------|------|--------|-----|-----|-----|-----|-----|---------|-----|-----|-----|-----|-----|---------------|-----|-----|-----|-----|-----|--------------------|-----|-----|-----|-----|-----|----------------|------|------|------|------|------|-------------------------------|-------|--------|--------|--------|--------|--------------------|------|------|------|------|-------|---------|-----|------|------|------|------|----------------------|---|---|-------|-------|-------|---------------------|---|---|------|------|------|
| | | 1 Jul | Target | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Yangzijiang Shipbuilding (YZJSGD SP) | BUY | 0.945 | 1.16 | <ul style="list-style-type: none"> • Executing well in 2Q22. Our channel checks indicate that YZJ had a very busy 2Q22 with around 18 vessels delivered. Importantly, we note that three of its 2Q22 deliveries were for the larger class of containerships (ie larger than 10,000TEU) which we believe should generate higher shipbuilding margins for YZJ in 2022. • Impressive operational performance, especially in light of external hurdles. In our view, these deliveries are even more impressive in light of the challenges that it and its suppliers have faced due to China's "dynamic zero-COVID" strategy with disruptions and delays to the domestic and international supply chains as well as labour issues. YZJ had previously disclosed that it had a target of delivering 60 vessels in 2022 – given that 34 of these vessels have been delivered thus far, the company could exceed this and achieve its stretched target of 70 vessels. • Maintain BUY with SOTP-based target price of S\$1.16. YZJ trades at a 2022F PE of 5.4x which is a 17% discount to, and 1SD below, its five-year average of 6.6x. While its 2022F P/B of 1.1x is higher than its past five-year average of 0.7x, we highlight that the company is forecast to increase its ROE from 10.8% in 2021 to 12.8% in 2022. In addition, assuming that YZJ maintains a payout ratio of 25% for 2022 (2021: 26%), the stock would yield 4.7%, thus providing downside support to the share price. Share price catalysts include evidence of margin expansion in 1H22 results and new order wins. | <p>KEY FINANCIALS</p> <table border="1"> <thead> <tr> <th>Year to 31 Dec (Rmbm)</th> <th>2020</th> <th>2021</th> <th>2022F</th> <th>2023F</th> <th>2024F</th> </tr> </thead> <tbody> <tr> <td>Net turnover</td> <td>14,841</td> <td>16,768</td> <td>20,393</td> <td>31,191</td> <td>30,799</td> </tr> <tr> <td>EBITDA</td> <td>3,398</td> <td>3,727</td> <td>3,755</td> <td>4,733</td> <td>4,473</td> </tr> <tr> <td>Operating profit</td> <td>2,884</td> <td>3,226</td> <td>3,255</td> <td>4,233</td> <td>3,973</td> </tr> <tr> <td>Net profit (rep./act.)</td> <td>2,516</td> <td>3,699</td> <td>3,316</td> <td>4,093</td> <td>3,898</td> </tr> <tr> <td>Net profit (adj.)</td> <td>3,323</td> <td>3,666</td> <td>3,316</td> <td>4,093</td> <td>3,898</td> </tr> <tr> <td>EPS (Fen)</td> <td>84.2</td> <td>92.9</td> <td>84.0</td> <td>103.7</td> <td>98.8</td> </tr> <tr> <td>PE (x)</td> <td>5.4</td> <td>4.9</td> <td>5.4</td> <td>4.4</td> <td>4.6</td> </tr> <tr> <td>P/B (x)</td> <td>0.5</td> <td>0.5</td> <td>1.1</td> <td>0.8</td> <td>0.7</td> </tr> <tr> <td>EV/EBITDA (x)</td> <td>3.7</td> <td>3.4</td> <td>3.4</td> <td>2.7</td> <td>2.8</td> </tr> <tr> <td>Dividend yield (%)</td> <td>4.9</td> <td>5.5</td> <td>4.7</td> <td>5.9</td> <td>5.6</td> </tr> <tr> <td>Net margin (%)</td> <td>17.0</td> <td>22.1</td> <td>16.3</td> <td>13.1</td> <td>12.7</td> </tr> <tr> <td>Net debt/(cash) to equity (%)</td> <td>(7.4)</td> <td>(22.1)</td> <td>(34.0)</td> <td>(45.0)</td> <td>(50.4)</td> </tr> <tr> <td>Interest cover (x)</td> <td>45.1</td> <td>53.3</td> <td>60.5</td> <td>94.6</td> <td>117.5</td> </tr> <tr> <td>ROE (%)</td> <td>7.9</td> <td>10.8</td> <td>12.8</td> <td>21.3</td> <td>16.2</td> </tr> <tr> <td>Consensus net profit</td> <td>-</td> <td>-</td> <td>2,994</td> <td>3,411</td> <td>3,395</td> </tr> <tr> <td>UOBKH/Consensus (x)</td> <td>-</td> <td>-</td> <td>1.11</td> <td>1.20</td> <td>1.15</td> </tr> </tbody> </table> <p><small>Source: Yangzijiang Shipbuilding (Holdings), Bloomberg, UOB Kay Hian n.m.: not meaningful; negative P/E, EV/EBITDA reflected as "n.m"</small></p> | Year to 31 Dec (Rmbm) | 2020 | 2021 | 2022F | 2023F | 2024F | Net turnover | 14,841 | 16,768 | 20,393 | 31,191 | 30,799 | EBITDA | 3,398 | 3,727 | 3,755 | 4,733 | 4,473 | Operating profit | 2,884 | 3,226 | 3,255 | 4,233 | 3,973 | Net profit (rep./act.) | 2,516 | 3,699 | 3,316 | 4,093 | 3,898 | Net profit (adj.) | 3,323 | 3,666 | 3,316 | 4,093 | 3,898 | EPS (Fen) | 84.2 | 92.9 | 84.0 | 103.7 | 98.8 | PE (x) | 5.4 | 4.9 | 5.4 | 4.4 | 4.6 | P/B (x) | 0.5 | 0.5 | 1.1 | 0.8 | 0.7 | EV/EBITDA (x) | 3.7 | 3.4 | 3.4 | 2.7 | 2.8 | Dividend yield (%) | 4.9 | 5.5 | 4.7 | 5.9 | 5.6 | Net margin (%) | 17.0 | 22.1 | 16.3 | 13.1 | 12.7 | Net debt/(cash) to equity (%) | (7.4) | (22.1) | (34.0) | (45.0) | (50.4) | Interest cover (x) | 45.1 | 53.3 | 60.5 | 94.6 | 117.5 | ROE (%) | 7.9 | 10.8 | 12.8 | 21.3 | 16.2 | Consensus net profit | - | - | 2,994 | 3,411 | 3,395 | UOBKH/Consensus (x) | - | - | 1.11 | 1.20 | 1.15 |
| Year to 31 Dec (Rmbm) | 2020 | 2021 | 2022F | 2023F | 2024F | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net turnover | 14,841 | 16,768 | 20,393 | 31,191 | 30,799 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EBITDA | 3,398 | 3,727 | 3,755 | 4,733 | 4,473 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating profit | 2,884 | 3,226 | 3,255 | 4,233 | 3,973 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (rep./act.) | 2,516 | 3,699 | 3,316 | 4,093 | 3,898 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit (adj.) | 3,323 | 3,666 | 3,316 | 4,093 | 3,898 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EPS (Fen) | 84.2 | 92.9 | 84.0 | 103.7 | 98.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PE (x) | 5.4 | 4.9 | 5.4 | 4.4 | 4.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| P/B (x) | 0.5 | 0.5 | 1.1 | 0.8 | 0.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EV/EBITDA (x) | 3.7 | 3.4 | 3.4 | 2.7 | 2.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dividend yield (%) | 4.9 | 5.5 | 4.7 | 5.9 | 5.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net margin (%) | 17.0 | 22.1 | 16.3 | 13.1 | 12.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net debt/(cash) to equity (%) | (7.4) | (22.1) | (34.0) | (45.0) | (50.4) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest cover (x) | 45.1 | 53.3 | 60.5 | 94.6 | 117.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ROE (%) | 7.9 | 10.8 | 12.8 | 21.3 | 16.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Consensus net profit | - | - | 2,994 | 3,411 | 3,395 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| UOBKH/Consensus (x) | - | - | 1.11 | 1.20 | 1.15 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Source: UOB Kay Hian

FIGURE 17: SECTOR OUTLOOK COMMENTS FOR 2H22 – LARGE CAPS

| Sector/ Weight | Analyst(s) | Comments |
|---------------------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Aviation (MW) | Roy Chen | We expect positive newsflow on the Singapore air traffic recovery to keep sentiment towards the aviation sector buoyant in the near term. However, the elevated jet fuel prices and uncertainties over COVID-19 policies in China may limit the extent of the sector's recovery. Despite the near-term positive sentiment, we believe the current valuation of Singapore Airlines (SIA SP/HOLD/Target: S\$4.88), the largest listed proxy to Singapore aviation, is not supported by the long-term fundamentals. We recommend that investors offload the stock into any share price strength. We prefer SIA Engineering (SIE SP/BUY/Target: S\$2.70) for: a) a defensive exposure to the aviation sector, and b) its cheap valuation. We like SATS (SATS SP/BUY/Target: S\$4.20) for its regional market leadership in in-flight catering and cargo handling, but note that its near-term financial performance would be weighed down by the headcount ramp-up as well as inflationary pressure on labour and raw material costs. |
| Banks (OW) | Jonathan Koh | The Fed accelerated the tempo of rate hikes to quell inflationary pressure. We expect another 75bp hike on 27 July but the intensity of hikes could ease after the FOMC meeting on 21 Sep 22. The resilient labour market and households' and companies' strong balance sheets in the US ensure that a potential economic downturn, if it materialises, would be mild. BUY DBS Group Holdings (DBS SP/BUY/Target: S\$38.78) and Oversea-Chinese Banking Corporation (OCBC SP/BUY/Target: S\$14.95) for their 2022 dividend yields of 4.8% and 4.9% respectively. We see dividend yield from DBS improving from 4.8% in 2022 to 4.9% in 2023 and OCBC from 4.9% in 2022 to 5.3% in 2023. We prefer DBS over OCBC in 2H22. |
| Consumer (OW) | Llelleythan Tan | Singapore Post's (SPOST SP/BUY/Target: S\$0.87) is expected to experience strong revenue and earnings growth for FY23 from its logistics segment, due to a full-year contribution from its majority stake acquisition in Freight Management Holdings (FMH). On the domestic front, the upward trajectory of domestic ecommerce remains intact, supporting the decline in revenue from the traditional letter and mail business. The easing of COVID-19 restrictions in Singapore has led to a strong recovery in footfall for the Singpost Centre, with full occupancy rates for its mall and 94% for its office segments. However, continued elevated air freight costs continue to drag on overall profitability. A key re-rating catalyst would be the normalisation of conveyance costs to pre-COVID-19 levels. |
| Gaming (MW) | Vincent Khoo, Jack Goh | The gaming sector remains a major direct beneficiary of Singapore's shift to the treatment of COVID-19 as an endemic situation, helped by its stellar vaccination numbers. While earnings in recent quarters have mostly been supported by a resilient mass market and local patronage, we expect a meaningful earnings recovery from international patronage in 2022 as Singapore potentially relaxes its border controls with some neighbouring countries. Singapore's authorities are also eyeing resumption of more international travel arrangements and have promised easier travel for fully-vaccinated tourists in the near term – this, in our view, will further stoke a swift earnings recovery. Moving forward, we believe that valuations will partially factor in Genting Singapore's (GENS SP/BUY/Target: S\$1.08) return to pre-pandemic earnings dynamics, making the stock among the top investment selections to capitalise on in a post-pandemic leisure boom. |
| Healthcare (MW) | Llelleythan Tan | For 2022, Raffles Medical Group's (RFMD SP/HOLD/Target: S\$1.34) domestic patient load and hospital/healthcare revenue are expected to recover as Singapore has relaxed most of its COVID-19 restrictions. However, the removal of on-arrival PCR testing and a population that is almost fully vaccinated/boosted has dented its domestic earnings. In addition, ongoing COVID-19 lockdowns in major cities across China have affected patient load volumes for RFMD's Chinese hospitals. In the longer term, we like RFMD as we reckon that its Chinese hospitals have the potential to become strong earnings drivers for the group. However, there are near-term headwinds and volatility as China continues its zero-COVID strategy. Also, we do not see any near-term catalysts and thus share price performance could be capped. We are neutral on glove manufacturers, given balanced risk-to-reward ratios and depressed sector valuations. Although ASPs for healthcare gloves have normalised sharply due to weakened demand along with the global shift to endemic living, we opine that there is limited future downside to earnings as ASPs have reached or are near pre-pandemic levels. Within the sector, we prefer specialised healthcare glove manufacturers such as Riverstone Holdings (RSTON SP/HOLD/Target: S\$0.80) with its diversified portfolio and earnings. Earnings declines are expected to bottom in 2H22 and robust demand for cleanroom gloves would help underpin earnings growth moving forward. |
| Land Transport (OW) | Llelleythan Tan | With Singapore easing most of its COVID-19 restrictions on 26 Apr 22, ComfortDelgro Corporation's (CD SP/BUY/Target: S\$1.73) recovery story is underway as rail and taxi demand surges. As of May 22, rail ridership had improved to 81% of pre-pandemic levels and is expected to recover fully by 1Q23. Also, favourable tailwinds such as higher public transport fares from Dec 21, cost savings from Downtown Line's transition to a risk-sharing model, earnings growth from CD's Auckland and Northern Territory contracts would help support public transport earnings moving forward. Although taxi demand has surged since the relaxation of COVID-19 measures, Singapore's structural decline in the number of taxi drivers may weigh on CD's taxi rental earnings. Due to stiff competition from other ride-hailing competitors, we expect an extension of taxi rental rebates to retain and attract taxi drivers. Overall, as mobility increases in Singapore in 2H22, CD would be a direct beneficiary. |
| Plantation (MW) | Leow Huey Chuen, Jacquelyn Yow | Our CPO price assumptions are RM5,200/tonne (US\$1,179/tonne) in 2022 and RM4,000/tonne (US\$907/tonne) in 2023. Despite our expectation for CPO prices to decline in 2H22, we believe that prices will remain high, supported by the slow exports from Indonesia (due to logistics issues) and the tight vegoil demand/supply dynamics in 2022. We prefer Wilmar International (WIL SP/BUY/S\$5.50) as we like its diversified and integrated business model which has delivered good results despite the global uncertainty in 2020-21 amid the COVID-19 pandemic. The company's food and kitchen products should see a recovery in PBT margins as agri commodity prices soften in 2H22 vs 1Q22. |

| Sector/ Weight | Analyst(s) | Comments |
|----------------------------------|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Property (OW) | Adrian Loh | In 2021, Singapore's property prices and transaction volumes were not indicative of an economy that is the early stage of an economic recovery, with the private residential price index rising by 10.6% yoy in 2021 compared with the 2.2% increase in 2020. For 1Q22, Dec 21's cooling measures took effect and made an impact as sales volumes of private homes dipped, as did the transaction volumes of HDB resale flats. The property price index grew just under 2% qoq vs the 5% seen in 4Q21. The key risk we will be monitoring is the expected higher cost of borrowing which could result in lower demand. For the remainder of 2022, we expect continued price and volume growth albeit at a slow single-digit pace. Our top picks for the sector are CapitaLand Investments (CLI SP/BUY/Target: S\$4.13), City Developments (CIT SP/BUY/Target: S\$9.20), and PropNex (PROP SP/BUY/Target: S\$2.07). |
| REITs (OW) | Jonathan Koh | S-REITs are not out of the woods yet but the gradual easing of inflationary pressure provides some respite. Real estate is a hedge against inflationary pressure, which could push rents higher. S-REITs could outperform the broader market due to their defensive characteristics and stable cash flows. We focus on recovery from the reopening plays CDL Hospitality Trust (CDREIT SP/BUY/Target: S\$1.42) and Lendlease Global Commercial REIT (LREIT SP/BUY/Target: S\$0.95). |
| Shipyard/ Industrials (OW) | Adrian Loh | <p>We believe that current long-term oil prices (ie Brent oil delivery for Dec 25) at US\$60/bbl are supportive of higher industry capex. Looking at future projects, demand for production assets appears to have meaningful upside in the next few years which could have positive ramifications for both Keppel Corporation (KEP) and Sembcorp Marine (SMM). According to Rystad Energy, up to US\$70b of offshore oil projects could be sanctioned by 2023 with another US\$50b of offshore gas by 2024.</p> <p>Our top picks in the sector have not changed: a) Yangzijiang Shipbuilding (YZJSGD SP/BUY/Target: \$1.16), and b) Keppel Corporation (KEP SP/BUY/Target: S\$10.11) due to its undemanding valuations and conclusion of its merger of its O&M business unit with SMM. In addition, Sembcorp Marine's (SMM SP/BUY/Target: S\$0.156) order win momentum has been slowly gaining steam in 2022.</p> |
| Technology (OW) | John Cheong | Venture Corporation (VMS SP/BUY/Target: S\$22.80) should continue to enjoy a qoq sequential recovery in 2H22. New products are expected to be launched over the next 6-12 months. Also, consensus revenue forecasts suggest a strong recovery for some of Venture's clients in 2022 to levels comparable to or higher than 2019 levels. We believe the stock has limited share price downside due to strong balance sheet and good dividends. As of end-1Q22, VMS had net cash of S\$815m (accounting for about 15% of its current market cap) and led the pack of US-listed peers which were mostly in net debt positions. More importantly, Venture has consistently paid the same amount of dividends or better than that in the preceding years. |
| Telecoms (MW) | Chong Lee Len | The reopening of the Singapore economy is positive for Singapore Telecommunications. We believe that the stock is well positioned to record a better earnings performance in 2022, as the gradual reopening of the economy allows for more aggressive customer acquisition activities. In addition, we see a fairly benign competitive landscape in Singapore. The commercial roll-out of 5G packages (with handset bundles) bodes well for Singapore telco players, namely Singapore Telecommunications (ST SP/BUY/Target: S\$2.90) and StarHub (STH SP/HOLD/Target: S\$1.30). For defensive earnings, we like NetLink NBN Trust (NETLINK SP/HOLD/Target: S\$1.05) given its sustainable earnings and projected 2022 dividend of 5%. |

Notes: OW = OVERWEIGHT; MW = MARKET WEIGHT
Source: UOB Kay Hian

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