

Singapore Stock Picks



PROPERTY/REIT

Ascott Residence Trust: Potentially faster recovery than peers

Rating: Buy | TP: S\$1.19

- Stability from diversification of lease type and geography
- 69% of assets in countries with large domestic markets
- Target to increase long stay portfolio of PBSA and rental housing to 15-20% could also lead to faster recovery
- Value to be realised from asset recycling

City Developments Limited: Property upcycle & hospitality recovery

Rating: Buy | TP: S\$9.19

- Relatively strong property upcycle - number of units in a pipeline stands at 1,746 units
 - FY22e/23e GDV of S\$2.1b/S\$1.0b
- Impending recovery of hospitality sector
- Asset monetisation to replenish dry powder
- Listing of UK Commercial SREIT could unlock S\$526-S\$633m
- Trading 50% below our RNAV/share of S\$14.14

Frasers Centrepoint Trust: Treasure in the heartlands

Rating: Buy | TP: S\$2.79

- Suburban malls resilient through cycles due to proximity to households and recurring necessity-driven spending
- Demand for space in suburban malls likely to remain strong due to captive population
 - Larger, dominant malls to be prioritised amidst retail consolidation and expansions

FINANCIAL SERVICES



DBS Group: Interest rate tailwinds

Rating: Accumulate | TP: S\$32.00

- Excess Deposits of S\$59b
- Boost in earnings
 - Fees and commissions rose 27% YoY
 - Strong growth in wealth management fees which grew 31% YoY
 - Estimated growth of 15% for FY21, AUM of up to 14% YoY in 1H21
- Loan growth expected to continue, expected loan growth of 4.4% YoY for FY21
- Removal of dividend cap is a positive catalyst; Dividend yield is 4.5% FY21

PROFESSIONAL SERVICES



HRnetGroup: A gem on an upswing

Rating: Buy | TP: S\$1.05

- Largest recruiter in flexible and permanent hires
- Attractive metrics: ROE > 100%, Net cash S\$300m, Fixed assets S\$2m
- Formidable competitor: scale and track record
- Upswing in hiring activities and salary
- Asset monetisation to replenish dry powder
- 1H21 PATMI +71% YoY to record S\$35m

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TELECOMMUNICATIONS

Asian PayTV: Sustainable Dividends

Rating: Buy | TP: S\$0.15

- Monopoly cable TV provider in four counties in Taiwan
- Growth of broadband along with stable growth of subscribers
- The current dividend yield of 7.7% or S\$18m is well-supported by the annual free cash flow of S\$70m to S\$80m
- Backhaul revenue from 5G mobile operations will become a new source of cash flow.

CONSUMER STAPLES



Thai Beverage

Rating: Buy | TP: S\$0.86

- Valuations attractive at 14x PE
- 90% share of Thailand's spirits market

HEALTH CARE



Q&M Dental: Organic growth and new PCR opportunity

Rating: Buy | TP: S\$0.82

- Largest dental chain in Singapore with 10% share
- 2Q21: PATMI +23% YoY
- 3Q21 industry volumes still healthy
- Organic growth from new dental clinics; 22% CAGR 2021e/2022e
- COVID-19 PCR testing de-rating of valuation

CONGLOMERATE



Keppel Corp: Re-rating from O&M merger with SembMarine & acquisition of SPH

Rating: Buy | TP: S\$6.28

- Keppel has announced two non-binding MOUs to exit the O&M segment
- SPH shareholders are set to vote on the proposed acquisition by Keppel Corp in Oct/Nov. Acquisition will accelerate its asset monetisation plans
- Keppel is transitioning away from being a rig building business into an asset-light business with a respectable 15% target ROE for the Group.

TRANSPORT



ComfortDelgro: Recovery and restructuring

Rating: Buy | TP: S\$1.83

- Balance sheet improved (S\$500m) despite pandemic
- NRFF 2 for DTL: reduce ridership risk and losses
- Grab still a formidable competitor with rising fleet share

Source: Phillip Securities Research

To view Singapore Outlook 4Q2021 webinar, please visit



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