

Singapore Stock Picks

PROPERTY/REIT



Ascott Residence Trust: Potentially faster recovery than peers

Rating: Accumulate | TP: S\$1.17

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

Ascendas REIT: Protection from the storm

Rating: Buy | TP: S\$3.65

- Able to capture demand from new economy sectors: Tech, Biomedical, Precision Engineering
- Scale and diversification: 1460 tenants + 209 assets
- Active portfolio investments:
 - AEI / redevelopment S\$338m
 - Acquisitions S\$1,729m

CapitaLand Limited: Growing recurring revenue

Rating: Buy | TP: S\$4.38

- Earning stability from diversified portfolio
- Quality recurrent income from
 - Fund management fees from REITs and private funds
 - Management and franchising fees from lodging platform
 - Rental income from investment property
- Demerger provides opportunity to re-rate
- Unlocking value by recycling funds

Frasers Centrepoint Trust: Treasure in the heartlands

Rating: Buy | TP: S\$2.88

- Suburban malls resilient through cycles due to proximity to households and necessity-driven spending
- Increase in catchment size to lift tenant sales
 - Permanent hybrid work arrangements
 - 67.6% growth in HDB units in the North
 - Decentralised commercial cluster in the North
- Demand for suburban malls to remain strong
 - Larger, dominant malls to be prioritised

FINANCIAL SERVICES



DBS Group: Reaching inflection point

Rating: Accumulate | TP: S\$31.40

- 1Q21 earnings beat our estimate by 34.5% due to GP reversal. Earnings of S\$6.1b expected for FY21.
- NIM has stabilised, loan growth is also expected to recover to ~5%; credit cost stabilised with further GP write-back expected for FY21.
- Removal of dividend cap is a positive catalyst; special dividend expected after the removal of dividend cap.

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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
- Sustainable dividends: \$65m FCF vs S\$18m dividend
- Optionality when 5G rolls out in 2024 is a reason to be positive

CONSUMER STAPLES



Thai Beverage

Rating: Accumulate | 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\$1.00

- Organic growth from new dental clinic 22% CAGR 2021e/2022e
- 1Q21 revenue up 47% and PATMI up 3x
- Earnings from PCR lab tests and kit sales are expected to give a 30% lift



CONGLOMERATE

Keppel Corp: O&M merger & divestment to drive re-rating

Rating: Buy | TP: S\$6.20

- Keppel has announced two non-binding MOUs to exit the O&M segment
- Kyanite to procure external investors for Asset Co., they will own at least 80% of Asset Co.; Keppel to receive cash consideration of S\$500m and unspecified number of combined entity shares
- Transitions Keppel away from the rig building business into an asset-light business with a respectable 15% target ROE for the Group.



TRANSPORT

ComfortDelgro: Re-opening exposure despite hiccups

Rating: Buy | TP: S\$1.83

- Strong balance sheet and operating leverage
- Near-term dampener
- New rail financing framework and DTL will reduce ridership risk
- Australia/UK profitability will recover
- Grab still a formidable competitor with rising fleet share

Source: Phillip Securities Research

To view Singapore Outlook 3Q2021 webinar, please visit



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