

Regional Morning Cuppa

Top Stories

Singapore

[Keppel REIT: Acquisition Of 255 GS; BUY](#)

Property | REITS

BUY, SGD0.88, TP: SGD1.08 (23.6%)

Market Cap: USD2,474m

ESG score: 3.2 (out of 4)

Avg Daily Turnover (SGD/USD): 7.48m/6.27m

Bloomberg Ticker: KREIT SP

Unchanged BUY and SGD1.08 TP, 24% upside and 7% yield. Keppel REIT's acquisition 255 George Street (255 GS) is a pre-emptive strategy, in our view, to capitalise on recent office asset value corrections in Australia and a potential recovery ahead from rate cuts. While gearing will raise above 40%, we see divestments ahead to bring KREIT's gearing back to below 40%. It trades at >30% discount to book value, which we believe is unjustified, considering the REIT's high quality office assets in prime locations.

Analyst: Vijay Natarajan (vijay.natarajan@rhbgroup.com)

Thailand

[Hospitality : Strong Foreign Visitor Numbers In 1Q24: Keep O/W](#)

Consumer Cyclical | Leisure & Entertainment

Sector recommendation – OVERWEIGHT

Maintain OVERWEIGHT; Top Picks: Airports of Thailand (AOT) and Minor International (MINT). Foreign tourist arrivals to Thailand stood at 9.4m in 1Q24 (+45% YoY, +17% QoQ), and we expect this figure to dip to 8m in 2Q24F. AOT is expected to deliver its strongest quarterly earnings in the Jan-Mar 2024 period, while MINT's core profit should outperform its peers in 2Q-3Q24F as it benefits from the peak season for most of its hotel operations in Europe amid the low season for hotels in Thailand.

Analyst: Vatcharut Vacharawongsith (vatcharut.va@rhbgroup.com)

Thematics / Ground Checks

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- ◆ [IOI Corp : Ground Checks In Johor: Stay BUY](#)
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- ◆ [Telecommunications : The Rise Of Data Centres In ASEAN](#)

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Top BUYs

Stocks	TP	Upside	Catalysts
		(%)	
Bank Rakyat Indonesia (BBRI IJ)	7,000	23.35	<ul style="list-style-type: none"> Bank Rakyat Indonesia's 1H23 earnings grew 18.7% YoY to IDR29.4trn It expects loan growth to accelerate to meet its 10-12% YoY target despite 1H23 loan growth being at just 8.8% YoY – slightly below expectations General rural credit or KUPeDES loans with high yields now account for 39% of micro loans (1H22: 30%) CIR fell from increased digital operations in subsidiaries NPL rose slightly but remained manageable as LAR fell further Our GGM-based TP (includes 8% ESG premium) implies 2.7x and 2.6x FY23-24F P/BV and 19% and 20% FY23-24F ROE
AKR Corporindo (AKRA IJ)	2,000	11.73	<ul style="list-style-type: none"> A cyclical factor briefly hampered AKR Corporindo's earnings trajectory in 2Q23, but the cumulative view remains upbeat Management has shared its optimism for a more conducive situation in 2H23 – based on higher contribution from land sales, and better sales volume of its fuel and chemical products ahead of improved industrial activities owing to a more conducive weather Despite the turbulences, AKRA's cost efficiency stabilises its overall margins
Astra Otoparts (AUTO IJ)	3,510	59.55	<ul style="list-style-type: none"> 2Q23 earnings rose 77.9% YoY, broadly in line Despite the lower quarter revenue which lifted fixed costs per unit, EBIT margin maintained in 2Q23 Higher manufacturing sales, driven by robust 2-wheeler or 2W vehicle wholesales, drove revenue Earnings should accelerate in the coming quarters, owing to increased national vehicle production levels Astra Otoparts recently signed a MoU with Perusahaan Listrik Negara to develop EV charging stations
Dayang Enterprise (DEHB MK)	2.95	22.92	<ul style="list-style-type: none"> We like DEHB as a direct beneficiary of higher maintenance, construction and modification (MCM) and hook-up commissioning (HUC) activities guidance from Petronas with additional earnings boost from its recent 3-year Asset Integrity Findings or AIF contract win Its marine segment is also likely to benefit from stronger daily charter rates and better vessel utilisation Further contract flows are expected from the new tender for Petronas' 5-year HUC and MCM contracts
YTL Power (YTLP MK)	4.69	18.14	<ul style="list-style-type: none"> The power division (which include the PowerSeraya and Tuaspring plants) is expected to deliver solid earnings ahead, on strong wholesale prices in the near term Wessex Water numbers are expected to improve, as the tariff has been lifted by an average 9% effective Apr 2023 YTLP's venture into digital banking and green data centre businesses, in our view, are long-term positives despite near-term earnings impact being minimal
Keppel REIT (KREIT SP)	1.08	24.14	<ul style="list-style-type: none"> High-quality Grade A office assets in Singapore, Australia, and South Korea Positive rental reversions are set to continue with low expiring rents and high occupancy levels to be maintained Trading at 30% below book value with c.7% yield
Singtel (ST SP)	3.15	24.02	<ul style="list-style-type: none"> Stronger recovery in mobile revenue and 5G monetisation across Singapore and Australia (Optus) A 3-year cost-out programme (SGD0.6bn) will contribute to higher ROIC in the medium to long term Positive execution of strategic business reset (synergies from the consolidation of consumer and enterprise businesses in Singapore and Australia, and regionalisation of enterprise and business-to-business (B2B) businesses) An attractive forward dividend yield of more than 5% with an upgraded dividend payout policy coupled with more capital recycling activities in the medium term
ST Engineering (STE SP)	4.50	11.11	<ul style="list-style-type: none"> Sustained recovery in earnings driven by gradual improvement in commercial aerospace A record-high orderbook provides close to three years of revenue visibility The acquisition of TransCore, along with the recent restructuring of the urban solutions & satellite communications segment, should boost growth A defensive business model that will allow it to sustain a DPS of at least 16 SGD cents

Airports of Thailand (AOT TB)	80	22.14	<ul style="list-style-type: none"> • 1HFY23F (Sep) will be the first lively peak travel season for AOT in two years. Medium- to long-haul flights from East Asia, the Middle East, and Europe are likely ramping up, and acting as key performance drivers • China's border re-opening from 8 Jan onwards will strongly benefit both AOT's aeronautical and commercialised activities. With air traffic being unlocked, we expect the scheduled flights between Thailand and China to increase six-fold to c.180 per week by end 2023 (1QFY24) • AOT implemented measures to help concessionaires until 31 Mar and is applying the minimum guarantee sharing per head for its duty-free and commercial area concessions from 1 Apr. This should bring FY23 concession revenue up 226% to THB13.13bn (29% of revenue) • Expect FY23F core profit of THB11.5bn, with total aircrafts and passengers at 74% and 67% of 2019 levels. Stronger operations may improve profit margins
Bangkok Dusit Medical Services (BDMS TB)	37	29.82	<ul style="list-style-type: none"> • Stabilised earnings growth to be driven by ongoing recovery of general treatments from locals, expatriates, and fly-in demand – ie medical tourism (eg Chinese patients) – and growing new markets (eg Saudi Arabia). We expect normalising foreign patient revenue mix of 30%, with well-balanced contributions from COVID-19 treatments • BDMS targets a 3-year organic revenue of 6-8% CAGR (2022-2025) and superior 23-24% EBITDA margin – to be driven by more revenue intensity and case mix (ie fly-in patients and Centres of Excellence) • BDMS is looking to increase market share in Social Security and enhance health insurance revenues for Thai and expatriate patients • Expect healthy core profit expansion by 6% in 2023. Stable bed occupancy rates vs 2022's 73% (including COVID-19 treatment) are assumed. Profit margins may jointly benefit from patients and price intensity
Central Retail Corp (CRC TB)	47.50	36.69	<ul style="list-style-type: none"> • We expect THB8.26bn core profit for 2023, expanding 19% to pre-pandemic levels. Key drivers: i) Aggressive new store openings (mainly hardline stores, retail malls, and various small-format outlets), ii) back-to-normal fashion and leasable property segments, iii) high-spending customers via omni-channel platforms, and iv) full-year tourism recovery with the potential return of Chinese visitors to the kingdom • Enhancing food segment performance post rebranding, with potential development of its wholesale business unit in early 2023 • Ramping up cost optimisations for all its business segments – mainly fashion – to attain profit margin increases

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Not Rated:	Stock is not within regular research coverage

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