

Singapore Morning Cuppa

Top Story

Cromwell European REIT (CERT SP, BUY, TP: EUR2.10)

Proving Its Resilience; BUY

Company Update

Maintain BUY and EUR2.10 TP, 47% upside and 11% yield. Cromwell European REIT's 2H23 DPU met expectations. Portfolio occupancy, although dipped slightly, remains high at >94% with positive rent reversions, which is expected to continue this year. CERT has a comfortable balance sheet position with high liquidity on the back of its proactive divestment strategy over the last two years. Asset redevelopment plans offer medium-term upside potential, in our view, and the REIT is undervalued, trading at >c.30% discount to book.

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Today's Report: [Cromwell European REIT: Proving Its Resilience: BUY \(27 Feb 2024\)](#)

Previous Report: [Cromwell European REIT: Leading The Way: BUY \(15 Nov 2023\)](#)

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HRnetGroup (HRNET SP, BUY, TP: SGD0.84)

Positive On Better Job Outlook; Maintain BUY

Company Update

Analyst: Alfie Yeo +65 6320 0810

Today's Report: [HRnetGroup: Positive On Better Job Outlook: Maintain BUY \(26 Feb 2024\)](#)

Previous Report: [HRnetGroup : Growth Led By Economic Recovery: Keep BUY \(25 Jan 2024\)](#)

Raffles Medical (RFMD SP, NEUTRAL, TP: SGD1.06)

Waiting For China Business To Breakeven

Company Update

Analyst: Shekhar Jaiswal +65 6320 0806

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Previous Report: [Raffles Medical : Weak Earnings Could Persist Beyond 9M23 \(7 Nov 2023\)](#)

Economic Research

Global Economics & Market Strategy

Singapore: Evidence for Growth in SG's Manufacturing in 2024

Economics View

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Top BUYs

	M. Cap (USDm)	TP (SGD)	Upside (%)	2024 Div. yield (%)	Investment thesis
Large & Mid cap					
CapitaLand Ascendas REIT (CLAR SP)	9,122	3.20	14.7	5.5	<ul style="list-style-type: none"> The largest industrial REIT with diversified exposure to business parks, logistics, and high tech industrial spaces Organic growth from asset redevelopment, higher occupancy rates, and rental improvement Backed by a strong and experienced sponsor
CDL Hospitality (CDREIT SP)	896	1.23	27.5	7.1	<ul style="list-style-type: none"> Good-quality mid- to high-tier hotel assets, of which 60% are in Singapore Upside from the recovery of Chinese visitors and strong line-up of events Risks remain on low-debt hedges and dissipation of pent-up demand Valuation is attractive at a more than 30% discount to book and offering c.6% yields
City Developments (CIT SP)	4,076	8.20	35.8	3.0	<ul style="list-style-type: none"> The largest residential developer in Singapore, with a strong track record and brand premium The hospitality segment, which accounts for c.30% of its portfolio, is poised for a continued recovery High-quality commercial assets in Singapore and the UK, and growth from the fund management segment Trading at an attractive >60% discount to RNAV
ComfortDelGro (CD SP)	2,240	1.60	15.1	5.1	<ul style="list-style-type: none"> Ongoing improvement in public transport earnings in overseas operations Positive impact on taxi earnings from the reduction in rent rebates, introduction of a new platform fee, and recent hike in taxi fares The return of Chinese tourists could further boost Singapore's taxi and public transport ridership Valuation is compelling amid ongoing YoY earnings growth and strong improvements in ROE
Keppel REIT (KREIT SP)	2,506	1.08	22.0	6.6	<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)	29,106	3.15	32.9	6.5	<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)	9,197	4.50	13.4	4.0	<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
Thai Beverage (THBEV SP)	9,723	0.76	46.2	4.3	<ul style="list-style-type: none"> Strong market leadership in Thailand and Vietnam Beneficiary of Thailand's economic recovery, improving consumer confidence, and return of tourists to Vietnam Growth, driven by better sales volumes, will be aided by more marketing and promotional spending as consumption recovers Valuation is undemanding, at -1.5 SD from its historical forward mean P/E
Small cap					
AIMS APAC REIT (AAREIT SP)	772	1.48	15.6	7.6	<ul style="list-style-type: none"> High-quality industrial REIT portfolio with predominantly Singapore logistic assets Earnings recovery will be driven by strong double-digit rent growth (c.+20%) for the logistics portfolio, coupled with steady occupancy increases There is good potential to enhance portfolio value from asset enhancements. Medium-term M&A candidate
Centurion Corp (CENT SP)	266	0.62	45.9	4.7	<ul style="list-style-type: none"> Near-term bed rates are positive for CENT, as Singapore's worker dormitory bed supply remains tight Expect growth ahead, driven by better capacity, occupancy, and rental rates Expect more dormitory project wins, with at least seven new purpose-built dormitories, totalling 47,000 beds, planned to be completed over the next five years It currently trades at -1.5SD from its historical P/E mean of 8x

Cromwell REIT (CERT SP)	829	2.10	54.4	11.5	<ul style="list-style-type: none"> • A pan-European REIT with a good mix of logistics and office assets • A strong and capable management team with proven leasing capabilities and an under-rented portfolio of assets • Value-added strategies include asset redevelopments and recycling assets to produce higher yields • An attractive valuation with double-digit yields that have priced in most of the Eurozone risks
Food Empire (FEH SP)	558	1.53	7.7	4.0	<ul style="list-style-type: none"> • Growth driven by key markets in Russia, Ukraine, Kazakhstan, CIS, and ASEAN • Does not see a significant decline in demand for food products in Russia despite the recent political developments, as food products continue to be well distributed • Expect more marketing and brand investments in Russia and Ukraine, Kazakhstan, CIS, and Vietnam • Currently trades below its historical 9x P/E mean at -0.5SD
Frencken Group (FRKN SP)	489	1.45	-5.8	2.4	<ul style="list-style-type: none"> • We expect the chip oversupply situation to ease in the semiconductor sector • Orders have started to pick up on a quarterly basis from FRKN's customers – we expect the next few quarters to continue improving QoQ • Customers are rebuilding inventory levels and restarting the backlog of deferred programmes • Potential to re-rate as next year should be the start of a new semiconductor cycle
Marco Polo Marine (MPM SP)	156	0.07	25.0	1.8	<ul style="list-style-type: none"> • Shortage of Tier-1 CSOVs – which are used to build offshore windfarms – in Asia (c.10 operating in Europe and another c.30 on order); this is positive for MPM • MPM is in a sweet spot to deploy and operate its first CSOV in FY24. Expect rates and utilisation to be attractive once deployed, driving earnings growth • Minimal risks to windfarm charter demand despite offshore wind projects with high development costs discontinuing • Currently trades at c.9x FY24F P/E

Source: Bloomberg, RHB

Note: Market Cap = Small Cap is < SGD1bn, Mid Cap is < SGD3bn

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