

# Singapore Morning Cuppa

## Top Story

### HRnetGroup (HRNET SP, BUY, TP: SGD0.91)

3Q23 Unemployment Remains Stable; Still BUY

Company Update

Still BUY and SGD0.91 TP, 32% upside, c.5% FY24F yield. Since our last report, HrnetGroup's share price has declined by c.8% from SGD0.75. However, based on the latest data from the Ministry of Manpower's (MOM) 3Q23 Labour Market Advance Release report, Singapore's labour market remains stable. We remain positive on HRNET due to its more compelling valuation and still believe it will benefit from a more positive labour market next year – this is as our econcomsts forecast GDP growth to accelerate in Singapore and China.

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*Today's Report:* [HRnetGroup: 3Q23 Unemployment Remains Stable; Still BUY \(31 Oct 2023\)](#)

*Previous Report:* [HRnetGroup: Positive On FY24 Despite Near-Term Headwinds \(19 Sep 2023\)](#)

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## Top BUYs

	M. Cap (USDm)	TP (SGD)	Upside (%)	1FY Div. yield (%)	Investment thesis
<b>Large cap</b>					
<b>CapitaLand Ascendas REIT (CLAR SP)</b>	8,354	3.20	23.1	6.0	<ul style="list-style-type: none"> <li>The largest industrial REIT with diversified exposure to business parks, logistics, and hi-tech industrial spaces</li> <li>Organic growth from asset redevelopment, higher occupancy rates, and rental improvement</li> <li>Backed by a strong and experienced sponsor</li> </ul>
<b>Singtel (ST SP)</b>	28,759	3.40	42.9	6.5	<ul style="list-style-type: none"> <li>Stronger recovery in mobile revenue momentum and 5G monetisation across Singapore and Australia (Optus)</li> <li>Regional enterprise growth opportunities following multiple synergistic acquisitions and the carving-out of the regional data centre (RDC) business as a standalone business unit. The partial divestment of RDC to global investment firm KKR partially unlocks value and provides growth capital for expansion</li> <li>Positive execution of strategic business reset (synergies from the consolidation of consumer and enterprise businesses in Singapore, regionalisation of enterprise and B2B businesses, and further asset recycling activities)</li> <li>Attractive forward dividend yield of &gt;5% with scope for additional or special dividends to be returned</li> </ul>
<b>ST Engineering (STE SP)</b>	8,572	4.45	18.4	4.2	<ul style="list-style-type: none"> <li>Sustained recovery in earnings driven by gradual improvement in commercial aerospace</li> <li>A record-high orderbook provides close to three years of revenue visibility</li> <li>Acquisition of Transcore, along with the recent restructuring of the urban solutions &amp; satellite communications (sitcom) segment, should boost growth</li> <li>A defensive business model that will allow it to sustain a DPS of at least 16 SG cents</li> </ul>
<b>Thai Beverage (THBEV SP)</b>	9,929	0.87	61.1	4.3	<ul style="list-style-type: none"> <li>Strong market leadership in Thailand and Vietnam</li> <li>Beneficiary of Thailand's economic recovery, improving consumer confidence, and the return of tourists in Vietnam</li> <li>Growth, driven by better sales volume, will be aided by more marketing and promotional spending as consumption recovers</li> <li>Valuation is undemanding, at -1.5SD from its historical forward mean P/E</li> </ul>
<b>Small &amp; Mid cap</b>					
<b>AIMS APAC REIT (AAREIT SP)</b>	711	1.47	22.5	8.2	<ul style="list-style-type: none"> <li>High-quality industrial REIT portfolio with predominant Singapore logistic assets</li> <li>Earnings recovery will be driven by strong double-digit rent growth (c.20%+) for the logistics portfolio, coupled with steady occupancy increases</li> <li>There is good potential to enhance portfolio value from asset enhancements. Medium-term M&amp;A candidate</li> </ul>
<b>CDL Hospitality (CDREIT SP)</b>	884	1.23	26.8	6.9	<ul style="list-style-type: none"> <li>Good quality mid- to high-tier hotel assets, of which 60% are in Singapore</li> <li>Upside from the recovery of Chinese visitors and strong line up of events</li> <li>Risks remain on low-debt hedges and the dissipation of pent-up demand</li> <li>Valuation is attractive post recent sell-off and has priced in most of the negatives</li> </ul>
<b>Centurion Corp (CENT SP)</b>	237	0.62	61.0	3.9	<ul style="list-style-type: none"> <li>Expect growth ahead, driven by better capacity, occupancy, and rental rates</li> <li>Near-term bed rates are positive for CENT as Singapore's worker dormitory bed supply remains tight</li> <li>Expect more dormitory project wins, with at least seven new purpose-built dormitories planned to be completed over the next five years</li> <li>Currently trades at 5x FY24F P/E or -1.5SD from its historical P/E mean of 8x</li> </ul>
<b>ComfortDelGro (CD SP)</b>	2,092	1.46	10.6	4.4	<ul style="list-style-type: none"> <li>Ongoing improvement in public transport earnings in overseas operations throughout 2H23</li> <li>Positive impact to taxi earnings from the reduction in rent rebates and the introduction of a new platform fee</li> <li>The return of Chinese tourists could further boost Singapore's taxi and public transport ridership</li> <li>Valuation is compelling amid ongoing YoY earnings growth and strong improvements in ROE</li> </ul>
<b>Food Empire (FEH SP)</b>	426	1.39	26.4	3.4	<ul style="list-style-type: none"> <li>Growth driven by key markets in Russia, Ukraine, Kazakhstan, CIS, and ASEAN</li> <li>Does not see a decline in demand for food products in Russia despite the recent political developments, as food products continue to be well distributed</li> <li>Expect more marketing and brand investment in Russia and Ukraine, Kazakhstan, CIS countries, and Vietnam</li> <li>Currently trades below its historical 9x P/E mean at -0.5SD</li> </ul>
<b>Marco Polo Marine (MPM SP)</b>	140	0.06	17.6	-	<ul style="list-style-type: none"> <li>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), positive for MPM</li> <li>MPM is in a sweet spot to deploy and operate its first CSOV in FY24F. Expect rates and utilisation to be attractive once deployed, driving earnings growth</li> <li>Minimal risk to charter demand despite discontinuation of offshore wind projects with high development costs, as cost-effective projects remain ongoing</li> <li>Currently trades at c.9x FY24F P/E</li> </ul>

<b>Raffles Medical (RFMD SP)</b>	1,622	1.75	47.1	3.1	<ul style="list-style-type: none"> <li>• Singapore hospital and healthcare operations are reverting to normal with a higher patient load and the return of medical tourism</li> <li>• Winning the contract to continue operating the transitional care facility should support higher Singapore revenue</li> <li>• China, which accounts for c.7% of RFMD's revenue, should see higher revenue starting in 2023</li> <li>• The in vitro fertilisation (IVF) facility in Hainan and the proposed acquisition of a hospital in Vietnam offer strong long-term growth opportunities</li> <li>• A net cash position should enable RFMD to look at inorganic growth opportunities</li> <li>• RFMD's 2023F P/E and EV/EBITDA are below its peer average</li> </ul>
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Source: Bloomberg, RHB

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

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<b>Buy:</b>	Share price may exceed 10% over the next 12 months
<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
<b>Neutral:</b>	Share price may fall within the range of +/- 10% over the next 12 months
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