

Singapore Morning Cuppa

Top Story

City Developments (CIT SP, BUY, TP: SGD9.75)

On a Recovery Path; Stay BUY

Company Update

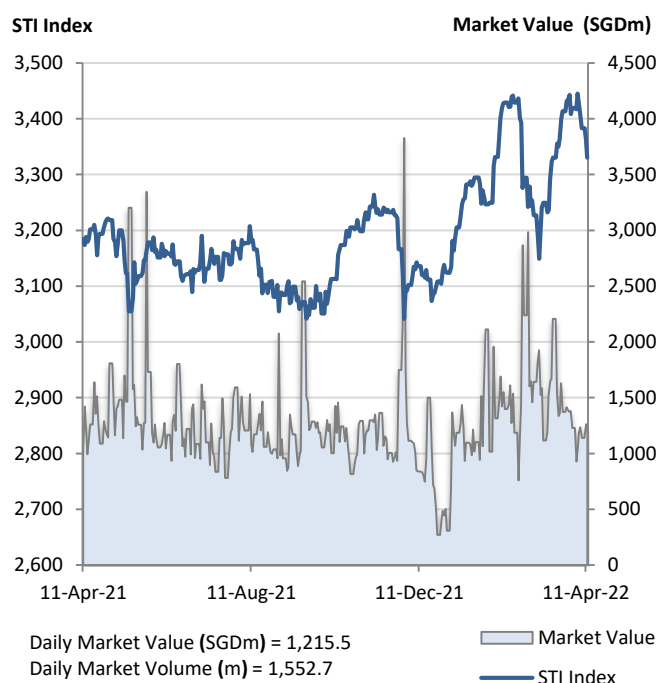
Stay BUY with new SGD9.75 TP from SGD9.25, 19% upside and c.2% yield. City Developments' share price has rebounded YTD (+20%), outperforming the STI's +7% as it emerges stronger post pandemic. We see the stars aligning for the group from a combination of resilient Singapore residential sales, and strong recovery in its hospitality and commercial portfolios, coupled with a growing fund management business. Valuation is still cheap, with the stock trading at a 50% discount to RNAV or closer to -1SD.

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Today's Report: [City Developments : On a Recovery Path; Stay BUY \(13 Apr 2022\)](#)

Previous Report: [City Developments : Turning Around; Keep BUY \(28 Feb 2022\)](#)

Chart 1: Singapore market summary



Note: *As 12 Apr 2022 closing
Source: Bloomberg

Table 1: Singapore indices & economic data (12 Apr 2022)

Indicators	Last Close	3M chg	YTD chg
Indices			
STI	3,330.3	2.6%	6.6%
STI (USD)	2,441.2	1.6%	5.3%
ST Large & Mid Cap Index	1,184.0	2.7%	6.2%
ST Mid Cap Index	756.0	4.6%	3.6%
ST Small Cap Index	323.7	-3.7%	-4.7%
SG ESG Leaders Index	1,045.8	5.0%	7.7%
Rates & FX			
MAS 10Y Yield	2.61%	78.18bps	94.15bps
3M SIBOR	0.86%	42.58bps	42.57bps
3M Deposit Rate	0.81%	43.75bps	43.75bps
USDSGD Rate	1.3642	1.0%	1.1%
Economic data points			
GDP YoY (Dec-21)	6.10%		
Reserves (SGDbn) (Mar-22)	515.6	-8.5%	-8.5%
CPI All Items NSA (YoY) (Feb-22)	4.30%	50.0bps	30.0bps
CPI All Items NSA (YoY) (Feb-22)	2.20%	60.0bps	10.0bps
PMI (Manufacturing) (Mar-22)	50.1	-0.60pt	-0.60pt
NODX (YoY) (Feb-22)	9.50%		
Retail Sales ex Auto (YoY) (Feb-22)	-1.77%		
Unemployment rate (sa) (Feb-22)	2.10%		
Visitor Arrivals (Feb-22)	67,759	-27.0%	-27.0%
COE (Cat. A) (SGD) (06 Apr 22)	72,996	26.7%	24.1%
COE (Cat. B) (SGD) (06 Apr 22)	98,389	26.6%	21.5%

Source: Bloomberg

Top BUYs

	Mkt cap (USDm)	TP (SGD)	Upside (%)	Div. yield (%)	Investment thesis
Large & Mid cap					
ComfortDelGro (CD SP)	2,350	1.77	19.6	3.1	<ul style="list-style-type: none"> Sustained earnings recovery amid normalisation of Singapore public transport and taxi businesses operations in the next 12 months Improvement in earnings contributions from UK and Australian businesses P/E and P/BV valuations are compelling amid strong YoY earnings growth and strong improvement in ROE
DBS (DBS SP)	64,213	42.70	25.4	4.3	<ul style="list-style-type: none"> DBS has highest sensitivity to interest rate movements, with a 25bps hike boosting annual earnings by 6% Underlying operations supported by healthy business while resilient asset quality points to benign credit costs Its digital capabilities and new regional growth platforms support richer valuations
Singtel (ST SP)	31,937	3.37	27.7	3.5	<ul style="list-style-type: none"> Earnings set to rebound in FY22F from easing travel restrictions, recovery in roaming revenue and stronger associate contributions Stronger ARPU uplift from higher adoption of 5G Strategic business reset portends further value unlocking of strategic infrastructure assets in the medium-term
ST Engineering (STE SP)	9,254	4.80	18.5	3.7	<ul style="list-style-type: none"> Sustained recovery in earnings over 2022, driven by gradual improvement in Aerospace STE could sustain our forecasted profit CAGR of c.8% beyond 2023 if it delivers on its new 2026 targets Defensive business: Can sustain dividends amid resilient earnings, robust balance sheet, and positive FCF generation
Suntec REIT (SUN SP)	3,762	1.77	(1.1)	5.0	<ul style="list-style-type: none"> Sustained rebound in earnings from further relaxation of COVID-19 restrictions and acquisition contributions Office portfolio valuation has remained resilient as Suntec City Mall should benefit from the return to office crowds Attractive valuation at 30% discount to book and offering 6% yield
Thai Beverage (THBEV SP)	13,070	0.97	36.6	3.3	<ul style="list-style-type: none"> Spirit segment as a stable cash cow Recovery in beer and non-alcohol beverages businesses Potential upside from the listing of the beer business
United Overseas Bank (UOB SP)	38,596	38.10	21.0	4.2	<ul style="list-style-type: none"> ROE forecast to recover to 9.6% in FY2F (FY20: 7.2%) on broad-based improvement in operations and lower credit costs Acquisition of Citigroup's ASEAN-4 assets will strengthen UOB's regional presence and accelerate growth Management expects CET-1 of >13% by end-2026, remain comfortable 50% dividend payout
Small cap					
ESR-REIT (EREIT SP)	1,233	0.53	27.7	7.2	<ul style="list-style-type: none"> Good proxy to Singapore's industrial sector with diverse presence across island Balanced exposure to business parks/high tech/logistics segments, which continues to do well Strong and capable sponsor backing (ESR) and attractive valuations
Frencken Group (FRKN SP)	488	2.10	34.6	2.9	<ul style="list-style-type: none"> Strong continued growth expected in its semi-conductor segments Twin growth drivers to drive growth in FY22 Trading below peers multiple of 13x
HRnetgroup (HRNET SP)	588	1.01	26.3	5.4	<ul style="list-style-type: none"> Enjoyed continued rebound in hiring space due to continued economic recovery and growth Attractive dividend yields of 4.8% This counter is also trading at 13.3x FY21F P/E, which is lower than its global peers average
Note: Market Cap = Small Cap is <SGD1bn, Mid Cap is <SGD3bn Source: Bloomberg, RHB					

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