

# Singapore Morning Cuppa

## Top Story

### IREIT Global (IREIT SP, NEUTRAL, TP: SGD0.53)

Going Out-Of-Town Retail  
Company Update

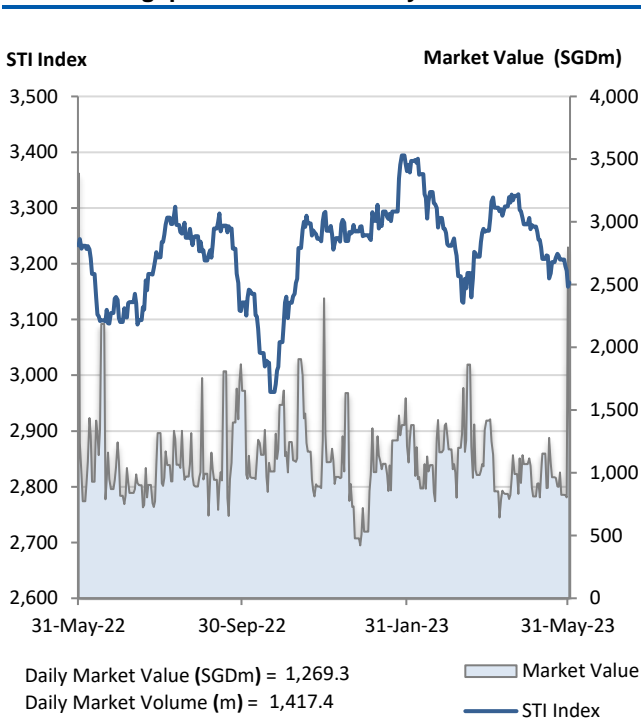
Keep NEUTRAL, new TP of SGD0.53 from SGD0.55, 9% upside with c.8% FY23F yield. We like IREIT Global's proposed acquisition of French out-of-town retail parks due to their defensive nature, tenant quality, and income stability. The move also helps to diversify its geographical spread and asset class mix while mitigating tenant concentration risks – which it is now facing. Meanwhile, the key near-term risk, however, remains the uncertainty surrounding its Berlin campus, on which its largest tenant lease (c.24% of income) is set to expire in the middle of 2024.

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[Today's Report: IREIT Global : Going Out-Of-Town Retail \(5 Jun 2023\)](#)

[Previous Report: IREIT Global : Work In Progress \(26 Apr 2023\)](#)

**Chart 1: Singapore market summary**



Note: \*As at 1 Jun 2023 closing  
Source: Bloomberg

**Table 1: Singapore indices & economic data (1 Jun 2023)**

Indicators	Last Close	3M chg	YTD chg
<b>Indices</b>			
STI	3,166.3	-3.0%	-2.6%
STI (USD)	2,340.0	-3.4%	-3.6%
ST Large & Mid Cap Index	1,105.1	-2.9%	-2.6%
ST Mid Cap Index	661.8	-1.3%	0.7%
ST Small Cap Index	236.7	-9.0%	-8.5%
SG ESG Leaders Index	972.3	-2.7%	-2.8%
<b>Rates &amp; FX</b>			
MAS 10Y Yield	2.85%	-49.58bps	-23.90bps
3M SIBOR	4.09%	-9.71bps	-16.07bps
3M Deposit Rate	4.20%	16.00bps	1.00bps
USDSGD Rate	1.3531	0.3%	1.0%
<b>Economic data points</b>			
GDP YoY (Mar-23)	0.40%		
Reserves (SGDbn) (Apr-23)	416.3	5.2%	7.2%
Headline CPI NSA (YoY) (Apr-23)	5.70%	-90.0bps	-80.0bps
Core CPI NSA (YoY) (Apr-23)	5.00%	-50.0bps	-10.0bps
PMI (Manufacturing) (Apr-23)	49.7	-0.30pt	0.00pt
NODX (YoY) (Apr-23)	-9.80%		
Retail Sales ex Auto (YoY) (Mar-23)	4.06%		
Unemployment rate (sa) (Mar-23)	1.80%		
Visitor Arrivals (Mar-23)	1,021,028	6.6%	9.6%
COE (Cat. A) (SGD) (17 May 23)	92,000	6.3%	4.5%
COE (Cat. B) (SGD) (17 May 23)	113,034	-1.7%	4.7%

Source: Bloomberg

**Top BUYs**

	Mkt cap (USDm)	TP (SGD)	Upside (%)	Div. yield (%)	Investment thesis
<b>Large &amp; Mid cap</b>					
CapLand Ascendas REIT (CLAR SP)	8,747	3.25	20.4	5.9	<ul style="list-style-type: none"> <li>Largest industrial REIT with diversified exposure to business parks, logistics and hi-tech industrial spaces</li> <li>Organic growth from asset redevelopments, higher occupancy rates, and rental improvement</li> <li>Backed by a strong and experienced sponsor</li> </ul>
Singtel (ST SP)	30,341	3.40	36.5	4.1	<ul style="list-style-type: none"> <li>Higher roaming revenue and prepaid sales with China's borders fully reopened coupled with market price repair in Australia</li> <li>ARPU uplift from stronger 5G adoption</li> <li>Continued robust growth at Airtel will drive stronger share of associates</li> <li>Positive execution of strategic business reset (ie regionalisation of enterprise/B2B businesses &amp; value unlocking of strategic infrastructure assets)</li> </ul>
ST Engineering (STE SP)	8,427	4.05	10.7	4.3	<ul style="list-style-type: none"> <li>Sustained recovery in earnings driven by gradual improvement in the commercial aerospace</li> <li>c.SGD23bn of orderbook provides over two years of revenue visibility</li> <li>Recent acquisition of Transcore, although worsened its debt profile, has expanded the earnings profile</li> <li>Defensive business model that will allow it to sustain DPS of at least 16 SG cents</li> </ul>
Thai Beverage (THBEV SP)	10,390	0.91	62.5	4.6	<ul style="list-style-type: none"> <li>Proxy to capture the robust consumption in Thailand and Vietnam</li> <li>Potential reopening of China and the ensuing resurgence in tourism should catalyse earnings prospects</li> <li>Margin recovery on price adjustment amidst cost pressure</li> </ul>
<b>Small cap</b>					
ComfortDelGro (CD SP)	1,760	1.25	13.6	4.7	<ul style="list-style-type: none"> <li>Sustained earnings recovery amid normalisation of Singapore rail and taxi businesses' operations</li> <li>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>
Raffles Medical (RFMD SP)	1,786	1.75	34.6	2.8	<ul style="list-style-type: none"> <li>Singapore hospital and healthcare operations reverting to normal will help offset the decline in COVID-19 related revenue</li> <li>China, which accounts for c.7% of RFMD's revenue, should also see higher revenue beyond 2023</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>
Sheng Siong (SSG SP)	1,799	2.00	23.5	4.1	<ul style="list-style-type: none"> <li>Growth supported by government support measures for Singaporean consumers to aid inflationary pressures</li> <li>Positive store expansion outlook ahead with more HDB supply available for bidding in the pipeline</li> <li>Generates strong cash flow and has a net cash balance sheet with a dividend yield of c.4%.</li> </ul>

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

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