17 February 2021

Market Outlook | Market Strategy

2021 Singapore Budget

Pairing Near-Term Support With Long-Term Goals

Stocks Covered	54
Rating (Buy/Neutral/Sell):	35 / 16 / 3
Last 12m Earnings Revision Trend:	Negative

- **While the 2021 Budget addresses near-term concerns of businesses and Singaporeans hardest-hit by COVID-19,** the expansionary budget, in line with our expectations, remains focused on the country's long-term growth, transformation and sustainability, its businesses and its people. We view the Budget as mildly positive for the banking, consumer, manufacturing and land transport sectors.
- **Continued support for recovery bodes well for bank asset quality.** The budget measures to support workers and businesses, and targeted assistance for sectors that remain under stress, will help mitigate pressure on bank asset quality. This should support banks' expectations of sustained improvement in asset quality trends, and prospects of downward revisions in credit cost guidance. We see upside risks to our FY21F earnings for Oversea-Chinese Banking Corp (OCBC SP, NEUTRAL, TP: SGD9.50) and United Overseas Bank (UOB SP, NEUTRAL, TP: SGD21.00). For now, we maintain our sector rating at NEUTRAL, with DBS as our top pick.
- **Positive on domestic consumption.** With the GST rate hike pushed to beyond 2021, and continued support for Singaporean households through the Household Support Package, the gradual improvement in consumer spending should be sustained. The Job Support Scheme (JSS) extension for food services and the retail sector should boost business survivability. We expect tourism-dependent businesses like integrated resorts to remain impacted in the near term. With focus on improving domestic consumption within the region, Thai Beverage, Sheng Siong and Dairy Farm remain our Top Picks.
- **Manufacturing sector to benefit.** Despite tightening the manufacturing sector's foreign worker quota, the Government remains focused on growing the sector by 50% over next 10 years. We expect Venture Corp and Frencken (FRKN SP, BUY, TP: SGD1.37) to mitigate the near-term impact by increasing production at their overseas production bases, while continuing to train and hire locals in Singapore. Opportunities could also open up for the manufacturing sector, as the Government continues to reinforce the importance of the country's strong connectivity in global and regional supply chains, and push Singapore as a regional distribution hub.
- **Aviation and land transport get much-needed support.** The JSS extension, and SGD870m additional support for the aviation sector should enable Singapore Airlines (SIA SP, NOT RATED), and SATS (SATS SP, NR) to not only weather through the weak business environment, but also emerge stronger when the outlook improves next year. The COVID-19 Driver Relief Fund should give ComfortDelGro's taxi business more time to return to normalcy. A greater push towards adoption of less-polluting vehicles is positive for CD, as its transition to a hybrid taxi fleet translates into cost savings for taxi drivers and higher taxi rentals for the company.

Singapore sector ratings

OVERWEIGHT	Consumer, Gloves, Industrials, Land Transport, Mfg. & Technology, Real Estate, REITs
NEUTRAL	Commodities, Financials, Gaming Telecommunications
NOT RATED	Healthcare, Offshore & Marine

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Economics Research: Budget 2021:
Fiscal Deficit To Narrow In FY2021

Sector Top Picks

Sector	Most preferred
Consumer & Gaming	Thai Beverage, Sheng Siong, Dairy Farm
Industrials	ST Engineering
Land Transport	ComfortDelGro
Mfg. & Tech.	Frencken, Fu Yu, Venture Corp
Real Estate	CapitaLand
REITs	Suntec REIT, Prime US REIT, ARA Logos Logistics Trust
Rubber Gloves	Riverstone
Commodities	Wilmar
Financials	DBS
Telecommunications	SingTel

Source: RHB

Company Name	Rating	Target Price	% Upside (Downside)	P/E (x) Dec-21F	P/B (x) Dec-21F	Yield (%) Dec-21F
ARA Logos Logistics Trust	BUY	SGD0.74	2.8	16.2	1.3	7.1
CapitaLand	BUY	SGD3.75	19.8	12.9	0.7	3.8
ComfortDelGro	BUY	SGD1.90	21.0	15.7	1.2	3.2
Dairy Farm	BUY	USD4.47	1.6	20.3	4.6	3.4
DBS	BUY	SGD30.00	15.4	10.7	1.1	3.5
Sheng Siong	BUY	SGD1.87	19.3	22.3	6.2	3.2
SingTel	BUY	SGD3.10	28.1	18.7	1.4	4.7
ST Engineering	BUY	SGD4.40	17.0	20.7	5.0	4.1
Suntec Real Estate Investment Trust	BUY	SGD1.79	20.9	23.2	0.7	6.1
Thai Beverage	BUY	SGD0.94	19.7	17.0	2.8	3.1
Venture Corp	BUY	SGD22.60	10.9	17.2	2.2	3.7

Source: Company data, RHB

Key Highlights Of 2021 Budget

Summary of some of the major announcements from this year's Budget

SGD11bn COVID-19 Resilience Package

The Government will set aside a SGD11bn COVID-19 Resilience Package to enhance Singapore's recovery from the pandemic. Of this, SGD4.8bn will go towards safeguarding public health, including providing everyone who is eligible, with free vaccination. The package will be funded through drawing on past reserves, with a draw of SGD1.7bn. The amount will be combined with SGD9.3bn which was drawn last year but not used.

Additional assistance for select sectors

The aviation sector will also get additional support and extended cost relief, to the tune of SGD870m, given that the volume of international air travel remains a tiny fraction of pre-COVID-19 levels. Funding for the sector will come under the SGD11bn COVID-19 Resilience Package. To ensure that Singapore can retain its key aviation hub status, the budget also announced additional funding, drawn from a separate SGD24bn fund, to help firms and workers deploy on-arrival testing and biosafety systems.

The COVID-19 Resilience Package will include SGD133m for the earlier-announced COVID-19 Driver Relief Fund, which helps affected taxi and private hire car drivers to defray business costs. Eligible drivers will get SGD600.00 per month from January to March, and SGD450.00 per month from April to June.

The Arts and Culture Resilience Package, and Sports Resilience Package will also be extended to support businesses and self-employed persons in these sectors. About SGD45m will be set aside for the extensions and enhancements of these packages.

Figure 1: Support for specific sectors

Source: Today Online, RHB

Extension of JSS for sectors hardest-hit by pandemic

Wage subsidies under the JSS will be extended by up to a further six months, to help businesses that remain badly hit by COVID-19 to retain workers. The subsidies, which range from 10-30%, will cover wages paid from April to September, for firms in sectors worst-hit by the crisis: Aviation, aerospace and tourism. For firms in other badly impacted industries, including food services, retail, marine and offshore, as well as arts and entertainment, the extension will be from April to June.

To facilitate workers moving to jobs in growth areas, specific schemes within the SGUnited Jobs and Skills Package will be extended. The Wage Credit Scheme will also be extended by a year, at a co-funding level of 15%, to further support wage increments for companies to retain and attract local workers. The salaries of nurses and other healthcare workers, such as support care staff, will also be enhanced.

Figure 2: Support for workers and businesses

Source: Today Online, RHB

S Pass quota for foreign workers in manufacturing to be tightened

While recognising that the manufacturing sector is a core pillar of the Singapore economy, the intention is to further moderate our reliance on foreign workers. This was announced last month, when the Government disclosed plans to grow the manufacturing sector by 50% in the next 10 years. From 1 Jan next year, foreign workers on S Passes can make up only up to 18% of the workforce of firms in the manufacturing sector – from 20% currently. This quota will be further cut to 15% from Jan 1, 2023. The overall quota – comprising workers on work permits and S Passes – for manufacturing will remain at 60%. This move is calibrated to be in line with the tightening that is already underway in other sectors, like the construction, services, and marine shipyard and process sectors.

To promote employment of Singaporeans, the Wage Credit Scheme will be extended for a year, providing co-funding of 15% for qualifying wage increases given this year. The Capability Transfer Programme will also be extended up to end-Sep 2024 to boost Singaporeans' skills.

Figure 3: Changes to S Pass dependency ratio and sub-dependency ratio ceilings

Sector	Current	Changes
DRC		
Services	35.0%	No change
Manufacturing	60.0%	No change
Construction	87.5%	No change
Process	87.5%	No change
Marine Shipyard	77.8%	No change
S Pass sub-DRC		
Services	10.0%	No change
Manufacturing	20.0%	To be reduced to 18% from Jan 1, 2022 and to 15% from Jan 1, 2023 as announced at Budget 2021
Construction Process Marine Shipyard	18.0%	To be reduced to 15% on Jan 1, 2023 as announced at Budget 2020

Source: The Straits Times, RHB

The impending GST hike could be sooner than expected

The GST rate increase to 9% from the current 7% will not be implemented this year, as announced in last year's Budget. It will take place between 2022 and 2025, and preferably sooner rather than later, depending on the economic outlook. The last GST hike, from 5% to 7%, took effect in 2007. Deputy Prime Minister Heng Swee Keat said Singapore will not be able to meet its rising recurrent spending needs, especially in healthcare, without the GST hike. Last year, the Government had announced a SGD6bn Assurance Package to cushion the impact of the impending hike.

Imposition of GST for imported low-value goods bought online

The Government announced that low-value goods bought online, and imported by air or post, will be subject to GST from 1 Jan 2023. GST will also be extended to imported non-digital services for consumers, such as those involving live interactions with overseas providers of fitness training, counselling and tele-medicine. GST was already extended to cover all imported digital services under Budget 2018, and kicked off from 1 Jan last year. These include video and music streaming services, apps, software and online subscription fees. The imposition of GST on low-value imported goods will ensure a level playing field for local businesses. Low-value goods that are worth SGD400.00 or less, and imported via air or post, are currently not subject to GST, to facilitate clearance at the border, but the tax is paid on such goods bought here. All goods imported via land or sea are already taxed, regardless of value.

New bonds to fund large infrastructure projects

The Government will issue new bonds totalling up to SGD90bn to finance long-term infrastructure projects, such as new MRT lines and tidal walls. There will be a limit of SGD90bn for borrowing, under the proposed Significant Infrastructure Government Loan Act or Singa. This is based on the expected pipeline of major, long-term infrastructure projects over the next 15 years. Prior to this, the Government had been issuing other bonds to develop the domestic debt market and meet Singaporeans' retirement needs through the Central Provident Fund or CPF.

Focus on building a greener Singapore through accelerated adoption of EV

Singapore will more than double its targeted number of charging points for electric vehicles in the next decade. It will deploy 60,000 charging points at public carparks and private premises by 2030, up from the previous target of 28,000. The budget will set aside SGD30m over the next five years for initiatives related to electric vehicles, like measures to increase the number of chargers at private properties. To further encourage the early adoption of electric cars, there will also be a lower cost difference between electric cars and internal combustion engine or ICE cars. The minimum Additional Registration Fee (ARF) for electric cars will be lowered to zero from Jan 2022 to Dec 2023. Currently, all car buyers have to pay at least SGD5,000 in ARF, regardless of the tax rebate a car is entitled to.

Figure 4: Encouraging the use of EVs

Encouraging use of electric vehicles (EV)

- 60,000 charging points to be deployed at public carparks, private premises by 2030
- $30 million to be set aside over next 5 years for related initiatives
- Cost differential between electric cars, and petrol and diesel vehicles to be narrowed:
  - Additional registration fee floor to be lowered from $5,000 to $0 for electric cars from Jan 2022 to Dec 2023
  - Road tax to be adjusted so that mass-market electric cars pay road tax comparable to conventional cars

Source: The Straits Times, RHB

Petrol duty hike to dissuade the use of personal and polluting vehicles

In an effort to promote Singapore as a ‘car-lite’ society, effective immediately, motorists will now have to pay more at the pump. The duty for premium grade (98-octane and above) petrol will be raised 15 cents to 79 cents a litre, while that of intermediate grade (92-octane and 95-octane) petrol will be raised 10 cents to 66 cents a litre.

The Government will offer rebates to ease the transition for Singaporeans, especially for those who drive for a living. Taxi and private-hire drivers will be given a 15% road tax rebate for a year, and SGD360 of additional petrol duty rebates over four months. Cars using petrol will be given a one-year tax rebate of 15%. All road tax changes will be applicable for a one-year period from 1 Aug 2021 to 31 Jul 2022.

Figure 5: Changes to petrol duties and road tax rebates

Petrol duties raised

- Premium grade petrol: Up 15 cents/litre to 79 cents/litre
- Intermediate grade petrol: Up 10 cents/litre to 66 cents/litre

Road tax rebate

$113 million set aside to give rebates for petrol and petrol-hybrid vehicles:

Private cars	15% rebate for a year
Taxis, private hire cars	15% rebate for a year, and $360 of additional petrol duty rebate over 4 months
Motorcycles	60% rebate for a year, and up to $80 of additional petrol duty rebate, depending on engine capacity
Goods vehicles, buses	100% rebate for a year

All road tax changes to be applicable from Aug 1, 2021 to July 31, 2022.

Source: The Straits Times, RHB

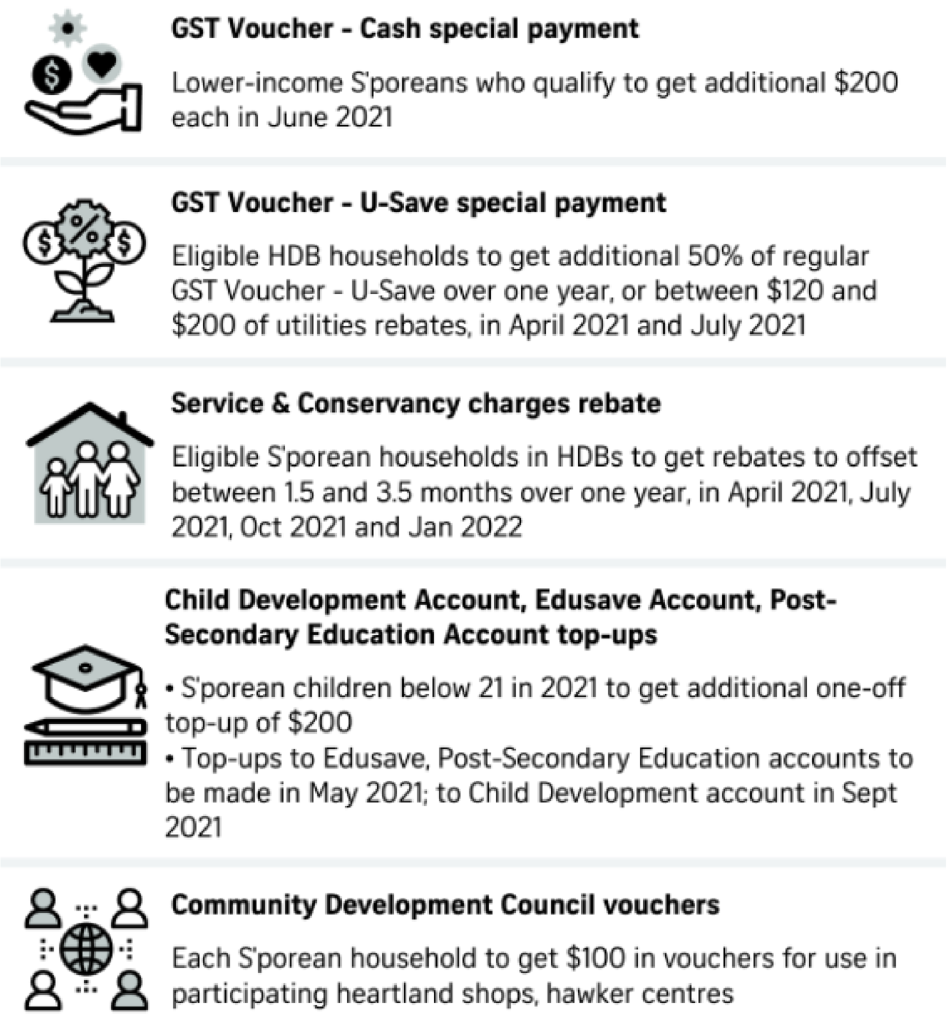
More support for Singaporeans and households

The Government announced a SGD900m Household Support Package for families, amid the ongoing economic uncertainties. The package includes vouchers that each household can use to defray expenses and support local businesses, as well as service and conservancy charge rebates (S&CC), and goods and services tax vouchers.

About 1.3m households will receive SGD100 Community Development Council vouchers that can be used at participating heartland shops and hawker centres. Eligible Singaporean households in Housing Board flats, will also receive rebates to offset between 1.5 and 3.5 months of S&CC over the year.

About 1.4m low-income Singaporeans will get an additional GST Voucher – Cash Special Payment of SGD200.00 – in June, on top of the regular GST Voucher cash payout. About 950,000 households will also get additional utilities rebates of between SGD120.00 and SGD200.00 under the GST Voucher – U-Save Special Payment, which will be credited in April and July. About 780,000 Singaporean children below the age of 21 will get SGD200.00 top-ups to their Child Development Account, Edusave account, or Post-Secondary Education Account.

Figure 6: Details of the Household Support Package



Source: The Straits Times, RHB

Sector Impact

Financials: Continued support for recovery bodes well for asset quality

The Government's proposed SGD11.0bn COVID-19 Resilience Package is aimed at helping Singapore re-open safely, and sustain the current economic recovery momentum. Of the SGD11.0bn budgeted amount, SGD4.8bn will be allocated for public health and safe reopening measures, while the balance will be used for continued support schemes for workers and businesses – JSS, SGUnited Jobs and Skills Package, including the Jobs Growth Incentive or JGI, and COVID-19 Recovery Grant.

The Singapore Green Plan 2030 will have a positive impact on the country's efforts to build a sustainable nation for generations to come. With the Government making sustainable development a priority, and taking the lead in green finance on selected public infrastructure projects, this, we believe, will further catalyse Singapore banks' sustainable lending agenda.

In Feb 2021, DBS raised its sustainable finance target to SGD50bn (from SGD20bn) by 2024. OCBC has announced plans to grow its sustainable portfolio to SGD25bn by 2025, while UOB has yet to share any target.

Overall, we believe the announced budget measures to support workers and businesses, where necessary, and targeted assistance for sectors that remain under stress, will help mitigate the pressure on bank asset quality. This should support banks' expectations of sustained improvement in asset quality trends, and prospects of downward revisions in credit cost guidance. We see upside risks to our FY21F earnings for OCBC and UOB, which are scheduled to release their 4Q20 results on 24 Feb and 25 Feb. For now, we maintain our sector rating at NEUTRAL, with DBS as our Top Pick.

Figure 7: Sector comparison – Financials

	M Cap		Target	Upside/	1FY	P/E (x)			P/BV (x)			Yield (%)			ROE (%)		
Company name	**(USDm)**	**Rating**	**price**	**down. (%)**	**year**	**1FY**	**2FY**	**3FY**	**1FY**	**2FY**	**3FY**	**1FY**	**2FY**	**3FY**	**1FY**	**2FY**	**3FY**
DBS Group Holdings	49,987	Buy	30.00	15.4	Dec-21	10.7	9.5	8.9	1.1	1.1	1.0	3.5	4.6	5.4	11.0	11.5	11.5
Singapore Exchange Ltd	8,089	Buy	11.60	15.8	Jun-21	22.6	21.5	22.4	7.8	6.9	6.4	3.2	3.2	3.2	36.1	34.1	29.6
Oversea-Chinese Banking Corp	35,872	Neutral	9.50	-10.7	Dec-20	14.8	12.4	10.5	1.0	0.9	0.9	3.0	3.4	4.0	6.6	7.6	8.5
United Overseas Bank Ltd	30,280	Neutral	21.00	-12.6	Dec-20	14.2	12.3	10.9	1.0	1.0	0.9	3.2	4.0	4.6	7.0	8.0	8.6
Financials	**124,227**					**13.5**	**11.8**	**10.7**	**1.5**	**1.4**	**1.3**	**3.2**	**4.0**	**4.7**	**10.4**	**11.0**	**11.1**

Note: Prices are as at 16 Feb 2021
Source: Bloomberg, RHB

Consumer: A more targeted approach to retain jobs

The retail industry (excluding supermarkets) will receive an extension to the JSS, for another three months until June. As labour or staff cost is among the main fixed costs for retail business, the extension of the JSS should provide the much-needed continued relief to the industry. This, we believe, will boost the survivability of retail businesses, and prevent the unemployment rate from rising further.

The extension of JSS will also benefit Genting Singapore (GENS SP, NEUTRAL, TP: SGD0.94), especially as the return of foreign visitors is likely to take a longer time, given the non-uniformity of global vaccination programmes, and persistently high COVID-19 cases.

The Household Support Package (HSP) will continue to support the lower- and middle-income households via an additional one-off GST voucher – Cash Special Payment of SGD200 – on top of the regular GST Voucher. This, together with other rebates and assistances, will likely provide some comfort to the lower-income group to weather through the challenging environment and sustain domestic consumption.

The Government has reiterated the importance of raising the GST rate to balance the books, after highlighting the need for the rate hike earlier in Budget 2018. Given the impact of COVID-19 – while the hike will not be imposed in 2021 – the hike could be imposed in 2022-2025. To mitigate the potential negative impact to consumer spending, the Government has set aside SGD6bn for an Assurance Package to delay and offset the effects of the GST rate hike. As such, we believe the potential inflationary pressures arising from the hike will be manageable.

We maintain our OVERWEIGHT recommendation on the sector, with Thai Beverage, Sheng Siong, and Dairy Farm as our sector preferred picks.

Figure 8: Sector comparison – Consumer

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/E (x) 3FY	P/BV (x) 1FY	P/BV (x) 2FY	P/BV (x) 3FY	Yield (%) 1FY	Yield (%) 2FY	Yield (%) 3FY	ROE (%) 1FY	ROE (%) 2FY	ROE (%) 3FY
Dairy Farm International	5,953	Buy	4.47	1.6	Dec-20	23.2	20.3	16.3	5.0	4.6	4.1	3.0	3.4	4.1	21.3	23.4	26.5
Food Empire Holdings	396	Buy	1.27	29.5	Dec-20	14.6	11.7	10.7	1.7	1.6	1.4	1.8	1.7	1.8	12.5	14.0	13.8
HRnet Group	431	Buy	0.52	-8.8	Dec-20	15.4	14.4	13.4	1.7	1.6	1.5	3.2	3.5	3.7	11.0	11.4	11.7
Kimly Ltd	287	Buy	0.39	21.9	Sep-21	15.0	14.1	13.1	3.1	2.8	2.6	4.0	4.3	4.6	21.5	21.1	20.9
Sheng Siong Group	1,779	Buy	1.87	19.3	Dec-20	18.7	22.3	23.3	6.7	6.2	5.7	3.8	3.2	3.0	37.9	28.8	25.4
Thai Beverage	14,859	Buy	0.94	19.7	Sep-21	17.3	16.0	14.9	2.9	2.6	2.4	3.0	3.3	3.5	17.3	17.2	16.8
UnUsUaL	124	Buy	0.16	0.0	Mar-21	52.0	37.3	30.4	2.6	2.5	2.3	0.0	0.0	0.0	5.2	6.8	7.8
Delfi Ltd	350	Neutral	0.80	5.8	Dec-20	19.1	17.7	15.3	1.5	1.5	1.4	3.0	2.9	3.0	8.0	8.4	9.4
Genting Singapore	7,773	Neutral	0.94	9.7	Dec-21	nm	18.5	15.6	1.3	1.3	1.2	2.3	3.5	3.5	3.7	6.9	7.9
Japan Foods Holding	47	Neutral	0.33	-8.9	Mar-21	55.1	22.5	20.7	2.0	1.9	1.9	1.4	2.9	3.9	3.6	8.7	9.2
MindChamps Preschools	50	Neutral	0.37	33.8	Dec-20	59.1	40.4	15.6	1.0	1.0	1.0	0.7	1.0	2.6	1.8	2.6	6.5
Jumbo Group	176	Sell	0.19	-47.1	Sep-21	126.1	38.3	22.4	4.1	3.9	3.6	0.0	0.2	0.4	3.3	10.5	16.8
Consumer	**32,226**					**19.9**	**17.9**	**15.8**	**3.0**	**2.8**	**2.6**	**2.8**	**3.3**	**3.5**	**15.5**	**16.2**	**16.7**

Note: Prices are as at 16 Feb 2021
Source: Bloomberg, RHB

Manufacturing and technology

The Government plans to help local companies innovate, transform and scale up. It will set up risk-sharing arrangements with providers of capital, and provide grants to support businesses at various stages of growth. For high-growth enterprises, including start-ups, the Government will ensure access to financial capital by enhancing the enterprise financing scheme debt enhancing programme. The announced measures include:

i. Continued support by increasing the Venture Debt Programme cap to SGD8m from SGD5m.

ii. The Government will co-fund the adoption of digital solutions and new technologies. The new Emerging Technology Programme will co-fund the costs of adopting frontier technologies.

iii. The CTO-as-a-Service will provide access to professional IT consultancies.

iv. The Digital Leaders Programme will allow companies to hire a core digital team and develop a digital transformation roadmap

The Government will also extend Enhanced Support Schemes to up to 80% to end-Mar 2022, and SGD1bn will be set aside for these schemes. It will invest SGD500m, with Temasek, into the Local Enterprises Funding Platform, which will be managed commercially. Temasek will match the Government's funds on a 1-to-1 basis, giving the platform SGD1bn growth capital to support large local enterprises to transform or expand overseas.

While we see these measures as positive for technology companies and start-ups based in Singapore, especially with the much-needed push towards innovation and adoption of higher tech manufacturing, we do not see any specific direct beneficiaries of these policies amongst the listed tech-companies in Singapore.

From Jan 1 next year, firms in the manufacturing sector can have only up to 18% of their workforce be foreign workers on S Passes. This quota will be further cut to 15% from Jan 1, 2023. It is currently 20%. When the new quotas take effect, firms will not need to immediately let go of their excess foreign workers, but can retain them until their S Passes expire. The overall quota – comprising workers on work permits and S Passes – for manufacturing will remain at 60%.

Within our coverage universe, we think this could negatively affect manufacturers like Venture Corp and Frencken. However, we believe that in the short term, these companies could overcome the issue by increasing production at their overseas factories located in Malaysia and China, while they continue to train and hire more locals in Singapore, as the foreign worker quota gets gradually tightened. The Government remains focused on growing Singapore's manufacturing capabilities, as just last month, it announced a 10-year plan to grow the sector by 50% and maintain its share of about 20% of GDP. As the proportion of low-wage foreign workers in the sector is reduced, the Government plans to upskill the Singaporean workforce.

Figure 9: Sector comparison – Manufacturing and technology

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/E (x) 3FY	P/BV (x) 1FY	P/BV (x) 2FY	P/BV (x) 3FY	Yield (%) 1FY	Yield (%) 2FY	Yield (%) 3FY	ROE (%) 1FY	ROE (%) 2FY	ROE (%) 3FY
Frencken Group	447	Buy	1.37	-1.4	Dec-20	16.8	12.1	11.4	1.8	1.7	1.5	1.8	2.5	2.6	11.3	14.4	13.8
Fu Yu Corp	159	Buy	0.33	17.9	Dec-20	12.8	12.3	11.8	1.3	1.2	1.2	5.7	5.7	5.7	9.9	10.0	10.2
Venture Corp Ltd	4,454	Buy	22.60	10.9	Dec-20	19.2	17.2	16.7	2.3	2.2	2.0	3.7	3.7	3.7	12.0	12.9	12.6
Avi-Tech Electronics	55	Neutral	0.42	-1.2	Jun-21	19.8	16.9	16.2	1.4	1.4	1.4	3.5	4.7	5.9	7.1	8.1	8.4
Valuetronics Group	215	Sell	0.50	-23.7	Mar-21	9.7	12.8	12.6	1.3	1.2	1.1	5.2	3.9	4.0	13.4	9.6	9.3
Mfg. & technology	**5,329**					**18.4**	**16.4**	**15.9**	**2.1**	**2.0**	**1.9**	**3.6**	**3.7**	**3.7**	**11.9**	**12.7**	**12.4**

Note: Prices are as at 16 Feb 2021
Source: Bloomberg, RHB

Transport: Continuing support for sectors hardest hit by the pandemic

Aviation sector gets the much-needed support to prepare for recovery

The Government announced the extension of wage subsidies under the JSS, by up to six months, to help the aviation sector retain workers. The subsidies, which range from 10-30%, will cover wages paid from April to September. Firms in the aviation sector will receive 30% of the wages paid from April to June, in September. They will also receive 10% of wages paid from July to September, in December.

The sector will also get additional support and extended cost-relief to the tune of SGD870m, given that the volume of international air travel remains at a tiny fraction of pre-COVID-19 levels. Funding for the sector will come under the SGD11bn COVID-19 Resilience Package. To ensure that Singapore can retain its key aviation hub status, the Budget also announced an additional funding drawn from a separate SGD24bn fund, to help firms and workers deploy on-arrival testing and biosafety systems.

The much-needed Government support should enable companies like Singapore Airlines, SATS, and SIA Engineering (SIE SP, NOT RATED) to not only weather through the current weak business environment, but also emerge stronger when the operating environment improves next year.

Land transport sector should see benefits from additional support.

The Budget has set aside SGD133m to continue the COVID-19 Driver Relief Fund announced late-last year. Under the announced support measure. taxi hirers and full-time private-hire drivers in the P2P transport sector will get SGD600.00 per vehicle, each month between January and March. This will be reduced to SGD450.00 a month between April and June. The Government has also increased petrol duties with immediate effect, to encourage less car usage and reduce carbon emissions. Nevertheless, to assist vehicle owners and operators with the hike in petrol prices, taxi and private-hire drivers will be given a 15% road tax rebate for a year, and SGD360 of additional petrol duty rebates over four months. We view the announced measures as positive for ComfortDelGro, as it would give the group's taxi business and its drivers more time to return to normal business operations.

Last year, the National Environment Agency and Land Transport Authority announced increased rebates to promote the adoption of cleaner vehicles and taxis, while discouraging purchases of more polluting models. In the current budget, there is a greater push towards adoption of EVs. ComfortDelGro is already in the process of phasing out its diesel taxis, and replacing them with hybrid cars. Also, since early 2019, it has been undertaking trials for EVs with the Hyundai Kona Electric taxi. We view the group's gradual transition to a hybrid taxi fleet as positive, as it translates into material cost-savings for its taxi drivers, and higher taxi rentals for the company. As at end-2020, close to 60% of ComfortDelGro's Singapore taxi fleet was made up of hybrid cars.

Figure 10: Sector comparison – Transport

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/E (x) 3FY	P/BV (x) 1FY	P/BV (x) 2FY	P/BV (x) 3FY	Yield (%) 1FY	Yield (%) 2FY	Yield (%) 3FY	ROE (%) 1FY	ROE (%) 2FY	ROE (%) 3FY
China Aviation Oil	758	Buy	1.27	9.0	Dec-20	13.8	10.5	9.8	0.9	0.8	0.8	2.9	1.8	2.2	6.5	8.1	8.2
ComfortDelGro	2,564	Buy	1.90	21.0	Dec-21	15.7	13.8	13.0	1.2	1.2	1.2	3.2	5.8	6.2	8.1	8.8	9.2
Transport	**3,322**					**15.3**	**13.1**	**12.2**	**1.2**	**1.1**	**1.1**	**3.1**	**4.9**	**5.3**	**7.7**	**8.7**	**9.0**

Note: Prices are as at 16 Feb 2021
Source: Bloomberg, RHB

2021 Alpha Picks

Figure 11: Singapore – Alpha picks (large cap)

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/E (x) 3FY	P/BV (x) 1FY	P/BV (x) 2FY	P/BV (x) 3FY	Yield (%) 1FY	Yield (%) 2FY	Yield (%) 3FY	ROE (%) 1FY	ROE (%) 2FY	ROE (%) 3FY
CapitaLand	12,248	Buy	3.75	19.8	Dec-20	23.9	16.2	15.9	0.7	0.7	0.7	2.6	3.8	3.8	2.2	5.3	5.5
ComfortDelGro	2,564	Buy	1.90	21.0	Dec-21	15.7	13.8	13.0	1.2	1.2	1.2	3.2	5.8	6.2	8.1	8.8	9.2
Dairy Farm International	5,953	Buy	4.47	1.6	Dec-20	23.2	20.3	16.3	5.0	4.6	4.1	3.0	3.4	4.1	21.3	23.4	26.5
DBS Group Holdings	49,987	Buy	30.00	15.4	Dec-21	10.7	9.5	8.9	1.1	1.1	1.0	3.5	4.6	5.4	11.0	11.5	11.5
Riverstone	1,564	Buy	2.73	94.8	Dec-20	13.3	6.5	9.7	6.0	4.0	3.3	3.4	6.9	4.6	51.4	73.5	36.8
Sheng Siong Group	1,779	Buy	1.87	19.3	Dec-20	18.7	22.3	23.3	6.7	6.2	5.7	3.8	3.2	3.0	37.9	28.8	25.4
SingTel	30,117	Buy	3.10	28.1	Mar-21	20.2	18.2	16.8	1.4	1.4	1.4	4.4	4.8	4.8	7.1	7.8	8.4
ST Engineering	8,828	Buy	4.40	17.0	Dec-20	23.2	20.7	18.1	5.2	5.0	4.7	4.0	4.1	4.1	22.6	24.7	26.8
Suntec REIT	3,165	Buy	1.79	20.9	Dec-21	23.2	16.0	16.9	0.7	0.7	0.7	6.1	6.3	6.4	3.1	4.6	4.4
Thai Beverage	14,859	Buy	0.94	19.7	Sep-21	17.3	16.0	14.9	2.9	2.6	2.4	3.0	3.3	3.5	17.3	17.2	16.8
Venture Corp Ltd	4,454	Buy	22.60	10.9	Dec-20	19.2	17.2	16.7	2.3	2.2	2.0	3.7	3.7	3.7	12.0	12.9	12.6
Wilmar International	26,232	Buy	6.00	8.8	Dec-20	17.3	17.3	17.5	1.4	1.3	1.3	2.7	1.8	1.9	8.4	7.6	7.3

Note: Prices are as at 16 Feb 2021
Source: Bloomberg, RHB

Figure 12: Singapore – Alpha picks (small cap)

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/E (x) 3FY	P/BV (x) 1FY	P/BV (x) 2FY	P/BV (x) 3FY	Yield (%) 1FY	Yield (%) 2FY	Yield (%) 3FY	ROE (%) 1FY	ROE (%) 2FY	ROE (%) 3FY
ARA Logos Logistics Trust	693	Buy	0.74	2.8	Dec-21	16.2	15.6	15.7	1.3	1.3	1.3	7.1	7.3	7.4	8.8	8.1	8.1
China Aviation Oil Singapore	758	Buy	1.27	9.0	Dec-20	13.8	10.5	9.8	0.9	0.8	0.8	2.9	1.8	2.2	6.5	8.1	8.2
Frencken Group	447	Buy	1.37	-1.4	Dec-20	16.8	12.1	11.4	1.8	1.7	1.5	1.8	2.5	2.6	11.3	14.4	13.8
Fu Yu Corp	159	Buy	0.33	17.9	Dec-20	12.8	12.3	11.8	1.3	1.2	1.2	5.7	5.7	5.7	9.9	10.0	10.2
Prime US REIT	846	Buy	1.00	25.0	Dec-20	20.4	14.3	12.2	0.9	0.9	0.9	8.7	8.8	8.8	4.6	6.6	7.8

Note: Prices are as at 16 Feb 2021
Source: Bloomberg, RHB

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