UOBKayHian

Regional Morning Notes Monday, 04 August 2025

STRATEGY – SINGAPORE

Alpha Picks: Massive Outperformance For Jul 25; Add HLA, MPM, CSE; Remove IFAST, SSG

Despite the STI hitting record highs in Jul 25, our Alpha Picks portfolio managed to pull off a massive beat, increasing 17.7% mom on an equal-weighted basis and surpassing the STI by 12.4ppt. Also, on a market cap-weighted basis, our Alpha Picks portfolio grew steadily by 6.0% mom, still beating the STI by a decent 0.7ppt. For Aug 25, we add HLA, MPM and CSE while removing IFAST and SSG.

WHAT'S NEW

- **Market review.** With global investors having gotten used to the TACO (Trump Always Chickens Out) trade, the 1 Aug trade deal deadline proved less of a factor vs better-than-expected US economic data that boosted investor optimism further in the latter half of Jul 25. Domestically, positive news flow regarding the MAS S$5b equity market development programme (EDQP) along with several IPOs revitalised interest in the local bourse providing fuel to a 5.3% mom increase for the STI.

- **Massive beat.** Our Alpha Picks portfolio surpassed the STI by a substantial margin in Jul 25, increasing by 17.7% mom on an equal-weighted basis and beating the STI by 12.4ppt. Also, on a market cap-weighted basis, our Alpha Picks portfolio grew by a respectable 6.0% mom, outperforming the STI by 0.7ppt. With 10 out of 14 stocks in our portfolio being non-index stocks, we remain well-positioned for MAS' S$5b capital injection which is expected to be deployed in mid-2H25.

- **Outperformance driven by small-mid caps.** Backed by positive news flow about the S$5b EDQP fund, our Alpha Picks portfolio performance was yet again driven by our small-mid caps: iFAST (+37.3% mom), Frencken (+33.9% mom) and China Sunsine (+28.4% mom). iFAST rose from better-than-expected 2Q25 results while Frencken benefitted from positive sentiment towards semiconductor-related companies. ChinaSunsine increased on the back of better-than-expected ASPs and volume outlook for its upcoming 2Q25 results. There were no underperformers for Jul 25.

ACTION

- **Adjusting our portfolio.** For Aug 25, in preparation for MAS' S$5b capital injection, we add in three more small-mid cap picks to our Alpha Picks portfolio: 1) Hong Leong Asia on the back of favourable construction sector tailwinds; 2) Marco Polo Marine which is set to benefit from high charter rates and vessel utilisation in 2HFY25, and 3) CSE Global due to a robust and growing orderbook. We take profit on both iFAST (+40.7%) and Sheng Siong Group, growing 40.7% and 19.3% since their additions to our portfolio.

- Our current portfolio includes CLAR, CICT, CSSC, CD, CSE, DFI, FEH, FRKN, HLA, MPM, OCBC, PROP, UMSH, and VALUE.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Adrian Loh	PropNex	BUY	33.6	Stronger sequential earnings in 1H25
Adrian Loh	DFI Retail	BUY	44.1	Earnings uplift from higher-margin businesses
Llelleythan Tan	ComfortDelgro	BUY	7.8	Core earnings recovery.
Llelleythan Tan	Hong Leong Asia	BUY	n.a.	Stronger-than-expected earnings.
Heidi Mo	Marco Polo Marine	BUY	n.a.	Strong 2HFY25 results.
Heidi Mo	China Sunsine	BUY	32.7	Attractive valuation (1.3x ex-cash PE)
John Cheong	Food Empire Holdings	BUY	33.3	Robust expansion and easing coffee prices.
John Cheong	CSE Global	BUY	n.a.	Robust and growing orderbook.
John Cheong	Frencken	BUY	44.7	Improving sequential outlook.
John Cheong	Valuetronics	BUY	13.7	Better-than-expected results.
John Cheong	UMS Integration	BUY	12.5	Upcoming secondary dual listing.
Jonathan Koh	CapitaLand Ascendas REIT	BUY	0.4	Prime beneficiary of preferential tariffs.
Jonathan Koh	OCBC	BUY	35.7	Attractive dividend yield; less susceptible to NIM compression
Jonathan Koh	CapitaLand Integrated Commercial Trust	BUY	10.6	Proxy to Singapore's continued tourism recovery.

** Denotes a timeframe of 1-3 months and not UOB Kay Hian's usual 12-month investment horizon for stock recommendation*
 # Share price change since stock was selected as Alpha Pick
Source: UOB Kay Hian

KEY RECOMMENDATIONS

Company	Rec*	----- Price (S$) ----- 1 Aug	Target	Up/(down) to TP (%)
CL Ascendas Reit	BUY	2.74	4.02	46.7
CL Int Com T	BUY	2.19	2.72	24.2
ChinaSunsine	BUY	0.73	0.63	(13.7)
ComfortDelGro	BUY	1.52	1.71	12.5
CSE Global	BUY	0.65	0.61	(5.4)
DFIRG USD	BUY	3.43	4.30	25.4
Food Empire	BUY	2.32	2.40	3.4
Frencken	BUY	1.65	1.40	(15.2)
Hong Leong Asia	BUY	1.68	1.93	14.9
MarcoPolo Marine	BUY	0.056	0.066	17.9
O C B C	BUY	16.79	20.15	20.0
PropNex	BUY	1.43	1.35	(5.6)
UMS	BUY	1.53	1.73	13.1
Valuetronics	BUY	0.79	0.83	5.1

** Rating may differ from UOB Kay Hian's fundamental view*
Source: UOB Kay Hian

CHANGE IN SHARE PRICE

Company	Rec	Jul-25 (%)	To date (%)
CapLand Ascendas Reit	BUY	4.1	0.4
CapLand IntCom T	BUY	1.4	10.6
ChinaSunsine	BUY	28.4	32.7
ComfortDelGro	BUY	7.0	7.8
DFIRG USD	BUY	25.4	44.1
Food Empire	BUY	27.7	33.3
Frencken	BUY	33.9	44.7
iFAST	BUY	37.3	40.2
O C B C	BUY	3.4	35.7
PropNex	BUY	27.8	33.6
Sheng Siong	BUY	12.3	18.8
UMS *	BUY	15.0	12.5
Valuetronics	BUY	6.2	13.7
FSSTI		5.3	
UOBKH Portfolio		17.7	

** Adjusted for DPS for the monthly performance*
Source: UOB Kay Hian

PORTFOLIO RETURNS (%)

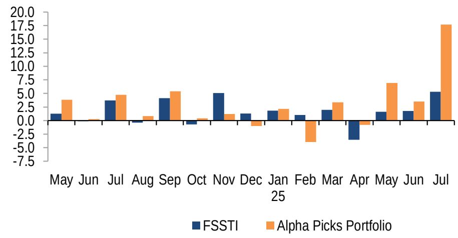
	4Q24	1Q25	2Q25	Jun-25	Jul-25
FSSTI return	5.6	4.9	-0.2	1.8	5.3
Alpha Picks Return					
- Price-weighted	4.3	-2.5	7.4	2.0	14.6
- Market cap-weighted	2.2	-0.3	0.4	1.3	6.0
- Equal-weighted	-0.1	-0.2	5.0	3.5	17.7

Assumptions for the 3 methodologies:
1) *Price-weighted: Assuming same number of shares for each stock; a higher share price will have a higher weighting.*
2) *Market cap-weighted: Weighting based on the market cap at inception date; higher market cap = higher weighting.*
3) *Equal-weighted: Assuming same investment amount for each stock; every stock will have the same weighting.*

Source: UOB Kay Hian

PORTFOLIO RETURNS IN THE PAST 15 MONTHS

(WE OUTPERFORMED THE FSSTI 12 OUT OF 15 MONTHS)



Source: Bloomberg, UOB Kay Hian

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PropNex – BUY (Adrian Loh)

- **A bullish outlook by the CEO.** PropNex's management presented at our Small/Mid-Caps Gems conference last week with CEO Ismail Gafoor outlining a bullish outlook for the company both in the near and longer term. With around 13,600 agents under the PropNex banner at present, the company is our preferred way to play the stability of transaction volumes in the Singapore public and private residential markets.
- **New SSD rates not expected to have a meaningful impact.** The company remains confident that the recent changes to the Sellers' Stamp Duty (SSD, see overleaf for table on the RHS) are but a calibration to the sub-sale market and should not lead to any volatility in prices or transaction volumes. The "new" SSD rates are not new since these were previously seen during the Jan 11 to Mar 17 period, and in the past, sales remained strong after the SSD revision and were affected only by the introduction of the Total Debt Servicing Ratio in Jun 13.
- **Strong results expected for 1H25.** Although the company's reported 2024 net profit of S$40.9m (-14% yoy) missed our and consensus estimates, our forecast 1H25 revenue of S$501m (+45% yoy; +15% hoh) and net profit of S$27m (+42% yoy; +23% hoh) should demonstrate that PropNex was able to benefit from Singapore's strong transaction volumes in the property market.
- **We maintain our BUY rating** on PropNex with a PE-based target price of S$1.35. Our target PE multiple of 17.6x is 1.5SD (previously 14.6x at +1SD) above the company's average PE since 2021 and pegged to the average of our 2025 and 2026 EPS estimates, inclusive of our forecast cash balance as at end-25.

SHARE PRICE CATALYSTS

- **Events:** a) Continued strong sell-through of new property launches in 2H25; b) higher-than-expected price increments for private residential and HDB resale flats; and c) potential special dividend for 1H25 indicating the company's willingness to return cash to shareholders.
- **Timeline:** 3 months.

DFI Retail – BUY (Adrian Loh)

- **Robust results delivered.** In late-Jul 25, DFI reported strong 1H25 results, with an underlying profit of US$105m (+39% yoy) driven by improved health & beauty (H&B) and food divisions and higher associate contributions. Due to the sale of Yonghui (China) and Robinsons Retail (Philippines), a special DPS of US$0.443 plus interim DPS of US$0.035 was declared.
- **Major turnaround in fortunes.** Indicative of the new management's focus on its strategy reset, DFI saw its huge turnaround in its balance sheet, from net debt of US$549m in 1H24 to net cash of US$443m in 1H25 due to the divestments mentioned above. The completion of the sale of its Cold Storage business in Singapore by end-25 will add another US$93m in proceeds.
- **Still positioned for growth in 2025.** DFI's management has raised its underlying profit guidance to US$250m to US$270m (previously US$230-270m), implying a yoy earnings growth of 19% to 34%.
- **We maintain our BUY rating with a PE-based target price of US$4.30** using a target PE multiple of 22.7x which is 0.5SD below DFI's average 10-year PE multiple excluding the COVID-19 years of 2021-23 (previously 1SD below average). We highlight that DFI's 2025F PE of 18.6x has narrowed vs its regional peers and is now closer to its Australian comparable companies yet delivers a higher ROE and normalised yield.

SHARE PRICE CATALYSTS

- **Events:** a) Maintenance of sales momentum for the convenience segment and introduction of higher-margin ready-to-eat products; b) acquisitions that are accretive to ROCE; c) monetising its in-house media platform and data from its "yuu" platform.

- **Timeline:** 6 months.

ComfortDelGro Corporation – BUY (Llelleythan Tan & Heidi Mo)

- **Public transport: Continued margin expansion from the UK business.** Management reiterated that the UK bus contract renewals are still ongoing, which would lead to a better margin profile for the remainder of 2025. We understand that margins for UK bus tender bids are still within 10-15% and are expected to remain at these levels for 2025. Also, 1Q25 had minimal uplift from these renewed contracts and more contracts are expected to come through from 2Q25 onwards. Closer to home, improving domestic rail ridership coupled with higher rail fares from Dec 24 would help boost rail revenue.
- **Taxi: Boosted by acquisitions.** Moving into 2Q25, we expect stiff competition from ride-hailing peers to continue, specifically with new taxi entrant GrabCab intensifying competition. Also, China taxi rentals are expected to stay subdued from an economic slowdown. However, full-year contributions from the A2B and the Addison Lee acquisitions are expected to support the taxi segment's upward growth momentum.
- **Maintain BUY with a target price of S$1.71,** pegged to the same 16x 2025F PE, CD's 5Y average long-term PE. Backed by CD's decent dividend yield of 5.8% for 2025, we opine that there is still potential upside at current price levels, underpinned by strong earnings growth from the taxi segment and better margins from the UK bus business. With its defensive earnings amidst market volatility, CD is one of our conviction picks for 2H25.

SHARE PRICE CATALYSTS

- **Events:** a) Bus tender contract wins; b) increase in taxi commission rates; and c) earnings-accretive overseas acquisitions.
- **Timeline:** 6-12 months.

Hong Leong Asia - BUY (Llelleythan Tan)

- **Robust domestic construction demand.** We continue to see Hong Leong Asia (HLA) as a key beneficiary of increased construction demand across its key markets in both Singapore and Malaysia over the next 12-24 months. With an around 20% Ready-Mix Concrete (RMC) market share in Singapore, increased multi-year public and private infrastructure projects are expected to boost demand in the near-to-medium term.
- **Strong growth up north.** In Malaysia, the quarterly value of construction works completed remains on an uptrend. According to the Department of Statistics Malaysia, the quarterly value of construction work completed in 1Q25 reached RM42.9b (+2.1% qoq, +16.6% yoy). This marks the 13th consecutive qoq improvement since construction activities resumed in 3Q21 with the next data release for 2Q25 statistics on 11 Aug 25. Moving forward, mega infrastructure projects such as the Mass Rapid Transit Phase 3, Pan Borneo Sabah Phase 1, High Speed Rail and Sabah-Sarawak Link Road are expected to help drive market sentiment as well. With significant market share in Malaysia and a strong pipeline of both public and private sector projects in the country, HLA's building materials unit (BMU) serves as a strong proxy for the strong tailwinds seen in the construction sector, in our view.
- **Maintain BUY with a SOTP based target price of S$1.93.** We value the BMU and diesel engine segments at S$949m (7x 2025F EV/EBITDA multiple) and S$1025m (8.0x 2025F EV/EBITDA multiple) respectively.

SHARE PRICE CATALYSTS

- **Events:** a) Better-than-expected dividends in 1H25 (1H24: S$0.01/share), and b) earnings surprise from stronger-than-expected engine and building materials sales.
- **Timeline:** 6-12 months.

Marco Polo Marine – BUY (Heidi Mo & John Cheong)

- **Stronger 2HFY25 on new vessel deployment.** The maiden deployment of MPM's first CSOV, *MP Wind Archer*, in Apr-Aug 25 for Siemens' Hailong Wind Farm, offshore Taiwan, is a key milestone. This short-term charter, which typically commands premium rates, should boost 2HFY25 (12 months ending Sep 25) performance. Additionally, three new Crew Transfer Vessels (CTVs) are scheduled for 3Q25 deployment in Taiwan, supporting revenue growth for the remainder of its FY25 and more fully in FY26. Framework agreements with Siemens and Vestas also provide visibility for future vessel utilisation, in our view.

- **Shipyard recovery expected in 2HFY25.** Shipyard revenue fell 28% yoy in 1HFY25 due to internal Commissioning Service Operation Vessel (CSOV) construction, which limited third-party projects. However, stable ship repair activity sustained utilisation at 78%. The completion of MPM's fourth dry dock by end-Mar 25 will expand repair capacity by 25%, supporting recovery in 2H25 and meaningful contributions in FY26.

- **Expanding fleet to drive medium-term growth.** Management is exploring a second CSOV, designed with Salt Ship Design, at a cost of US$60-70m. Given the successful execution of the first CSOV and a strong balance sheet, securing financing is likely manageable in our view. We believe that this should deepen MPM's presence in the offshore renewables segment.

- **Strong balance sheet support expansion.** Operating cash flow rose 24% yoy to S$19m, while net cash stood at S$46m as of end-1HFY25. NAV per share was S$0.056, offering downside protection.

- **Maintain BUY with a target price of S$0.066,** based on 9.5x FY25F PE, or 1SD above its 3-year historical mean. While near-term earnings are impacted by project timing, we remain positive on MPM's medium-term growth, underpinned by high charter rates, new vessel deployment, and strong momentum in Taiwan and Korea's offshore wind markets.

SHARE PRICE CATALYSTS

- **Events:** a) Higher-than-expected ship charter rates and vessel utilisation, b) award of new ship chartering contracts, and c) higher value of repair projects during the year.

- **Timeline:** 3-6 months.

China Sunsine Chemical – BUY (Heidi Mo & John Cheong)

- **Sustained automotive growth drives rubber accelerator demand.** According to the China Association of Automobile Manufacturers (CAAM), Apr and May 25's auto sales momentum were strong, up 10% yoy and 11% yoy respectively. This strong momentum in vehicle production and electrification continues to drive demand for rubber accelerators used in tyre manufacturing. CAAM projects 2025 total vehicle sales of 32.9m, up 4.7% yoy following a 4.5% increase in 2024, reinforcing a robust outlook for downstream materials.

- **Global leader with scale advantage.** Sunsine remains the world's largest rubber accelerator producer, with an annual capacity of 117,000 tonnes and thus well ahead of Tianjin Kemai (~70,000 tonnes) and Yanggu Huatai (~60,000 tonnes), neither of which have expanded recently. In our view, its scale advantage enables greater pricing flexibility and cost efficiency, supporting a 35% market share in China and 23% globally as of 2024. Sunsine operates on a "sales and production equilibrium" model, expanding volume to maintain competitiveness.

- **Strong balance sheet and attractive 5.2% yield.** Sunsine declared a 5.2% dividend yield, underpinned by a strong net cash position of Rmb2,074m (+23% yoy) as at end-24. Its net cash equates to Rmb2.18/share (S$0.40/share), or approximately 70% of its market cap, providing ample room for future dividends and potential share buybacks.

- **Maintain BUY with a target price of S$0.63,** pegged to a PE multiple of 7.5x 2025F earnings, or 1SD above the mean PE. The stock trades at an attractive valuation of 1.3x ex-cash 2025F PE.

SHARE PRICE CATALYSTS

- **Events:** a) Production commencement for new capacities, b) higher ASPs for rubber chemicals, and c) higher-than-expected utilisation rates.
- **Timeline:** 3-6 months.

Food Empire Holdings - BUY (John Cheong & Heidi Mo)

- **Expect positive outlook from strong brand equity and rising instant coffee demand.** We remain upbeat on Food Empire Holdings (FEH), underpinned by its market leadership (#1 in Russia and Kazakhstan, and top 3 in Vietnam) and strategic focus on Asia's fast-growing markets. FEH also benefits from lower coffee prices, a stronger Ruble, and the growing appeal of instant coffee over brewed options – especially among younger or time-pressed consumers seeking affordability amid rising bean costs.
- **Expansion momentum accelerating.** FEH is ramping up capacity with new facilities in Vietnam, Kazakhstan, and Malaysia. These include a snack facility expansion in Malaysia (50% output increase by 3Q25), a new Kazakhstan coffee-mix plant (15% capacity boost by end-25) and a freeze-dried coffee plant in Vietnam (completion by 2028).
- **Supplemental REN agreement to remove earnings volatility from 3Q25.** A second supplemental agreement on 30 Jun 25 eliminates fair value volatility from FEH's US$40m redeemable equity note (REN), effective from 1 Jul 25. As a result, we estimate a one-off fair value loss of around US$20m will be booked in 1H25. We view any share price weakness as a buying opportunity due to its non-recurring nature.
- **Fourth straight year of revenue growth.** In 2024, revenue rose 16% yoy, marking the fourth straight year of growth despite inflationary pressures and high raw material costs. This was supported by FEH's market leadership, agile pricing strategy and strong execution across core markets.
- **Maintain BUY with a target price of S$2.40,** pegged to 17x 2026F PE (+2SD to mean), at a 30% discount to its regional peers. With solid execution and easing coffee prices, we see room for a valuation re-rating.

SHARE PRICE CATALYSTS

- **Events:** a) Dividend surprise from robust financials, b) better-than-expected sales volumes across all business segments, and c) improving net margin from higher ASPs and effective cost management.
- **Timeline:** 3-6 months.

CSE Global – BUY (John Cheong and Heidi Mo)

- **Solid orderbook and segment momentum support growth.** CSE Global's (CSE) orderbook stood at a healthy S$616m as of end-1Q25, driven by resilient order wins of S$155m. While 1Q25 electrification orders declined 52% yoy due to fewer large contracts, order momentum was strong in communications (+20% yoy to S$64m) and automation (+20% yoy to S$56m), supported by new project wins in Asia Pacific and the US. Segment-wise, the communications and automation divisions continue to drive growth, offsetting temporary weakness in electrification from project delays in Australia and New Zealand.
- **Expanding US footprint through earnings-accretive M&A.** On 30 Apr 25, CSE acquired Chicago Communications for US$8.5m (~S$11.1m), a critical communications systems provider in Illinois and Indiana. The deal is expected to contribute around S$1.2m in net profit on a pro-rated basis from May 25 and was funded through a mix of bank borrowings and remaining proceeds from the Mar 24 placement. This strengthens CSE's presence in the Americas and supports orderbook replenishment.
- **Strategic asset sale to fund US expansion.** In Jan 25, CSE divested a US industrial property for US$29.25m to unlock capital for the purchase of a larger facility. The deal is

expected to generate a post-tax gain of around US$9m. CSE will continue to lease the facility in the interim, reflecting management's confidence in the growth of its US electrification business.

- **Maintain BUY with a target price of S$0.61,** pegged to 11x 2025F PE, its long-term average. The valuation implies a compelling 2025 dividend yield of 5.4%. We remain positive on CSE's resilient order momentum, strategic M&A execution, and long-term electrification exposure.

SHARE PRICE CATALYSTS

- **Events**: a) Large infrastructure project wins, and b) accretive acquisitions.
- **Timeline:** 3-6 months.

Frencken – BUY (John Cheong)

- **Expect strong 2Q25 earnings on semiconductor rebound.** We forecast Frencken Group (Frencken) to report 2Q25 earnings of S$10m (+10% yoy), driven by higher semiconductor revenue and improved gross margins from a better product mix. Management maintains a cautiously optimistic outlook, guiding for moderate 1H25 revenue growth over 2H24, with strength in the semiconductor and medical segments, stable performance in life sciences and industrial automation, and softness in automotives.
- **Positive readthrough from key semiconductor customers.** Frencken's key customers, ASML and Applied Materials, both delivered strong 2Q25 results. ASML beat expectations with €7.7b revenue and €5.5b in bookings, while Applied Materials reported 7% yoy revenue and 24% net income growth, highlighting strong AI-related demand. These results reflect solid semiconductor capex trends, which should support Frencken's order flow.
- **Industry tailwinds strengthen semiconductor recovery narrative.** Recent developments reinforce the sector's recovery: a) the US relaxed restrictions on Nvidia's H20 AI chip exports to China, b) TSMC reported a 61% yoy jump in 2Q25 earnings and expects 30% full-year revenue growth on AI and advanced node demand, and c) Samsung secured a US$16.5b chip supply deal with Tesla. These point to sustained momentum in AI-led semiconductor investments in our view.
- **Limited tariff impact; well-positioned through global footprint.** Only around 9% of Frencken's 2024 revenue was from US shipments, mostly from Singapore, with tariffs largely borne by customers. The group's global manufacturing presence across Asia, Europe, and the US supports local-for-local production and supply chain diversification. Management has not observed any major programme shifts and is proactively managing tariff risks via supply chain adjustments and cost pass-throughs.
- **Maintain BUY with a target price of S$1.40,** pegged to 15x 2025F PE, based on 1SD above mean PE. The +1SD in our PE multiple peg is to capture the recovery of semiconductor cycle. This also accounts for Frencken's ability to outperform its peers due to its local-for-local manufacturing capabilities and diversified geographical manufacturing facilities.

SHARE PRICE CATALYSTS

- **Events:** a) Higher-than-expected factory utilisation, and b) better cost management.
- **Timeline:** 3-6 months.

Valuetronics – BUY (John Cheong & Heidi Mo)

- **FY26 outlook remains resilient.** VALUE expects to stay profitable in FY26 (12 months to Mar 26) despite global trade uncertainties. Its Vietnam manufacturing base and China operations offer strong operational flexibility. Consumer electronics (CE) revenue may decline further with the phase-out of a legacy customer, though growth from the entertainment-focused customer is expected to partially offset this. Industrial and commercial electronics (ICE) outlook remains mixed with steady demand from a key Canadian customer, while others take a cautious stance amid tariff uncertainties.

- **Vietnam expansion signals strong demand.** VALUE is expanding its Vietnam facility by adding a fourth floor, increasing capacity by around 30% to support future growth. This reflects strong demand and rising contributions from new customers.

- **Robust cash position supports shareholder returns.** VALUE maintains a strong net cash position of HK$1.1b (~S$180m), or about 65% of its market cap, with no debt. Despite a formal dividend policy of 30-50%, actual payouts have been consistently higher at 68%/64%/65% for FY23-FY25 respectively.

- **Maintain BUY with a PE-based target price of S$0.83,** pegged to 11x FY26 PE, which reflects 1SD above the historical mean. This accounts for stronger demand from four new customers and upcoming JV contributions. Management also plans to continue its HK$250m share buyback programme in FY26 (HK$107.1m utilised to-date). VALUE trades at only 3x FY26 ex-cash PE and offers an attractive 6.8% FY26 dividend yield.

SHARE PRICE CATALYSTS

- **Events:** a) Higher-than-expected dividends and potential M&As, b) proactive management amid market challenges.

- **Timeline:** 3-6 months.

UMS Integration – BUY (John Cheong)

- **Strong order momentum from new customer supports earnings recovery.** UMS Integration (UMS) continues to receive healthy orders from its new key customer, alongside stable demand from its long-standing client. With supply disruptions in 1Q25 now resolved, UMS expects its integration system revenue to catch up in 2Q25, and we forecast earnings of S$11m (+12% yoy and qoq). The new customer is also diverting more production to Asia, which bodes well for UMS given its in-house manufacturing capabilities, allowing it to deliver on time and maintain healthy margins.

- **Positive 2025 industry outlook across core segments.** The global semiconductor market hit a record US$600b in 2024 and is expected to grow at a double-digit pace in 2025, supported by AI, high-performance computers, and edge device demand. SEMI projects global front-end fab equipment spending to rise 2% yoy to US$110b in 2025, and 18% yoy to US$130b in 2026, with around 50 new fabs expected across the two years. Meanwhile, IATA forecasts global air passenger traffic to exceed 5 billion in 2025, with total airline revenue topping US$1 trillion. This ongoing air travel boom will continue to benefit UMS's aerospace business, in our view.

- **Dual listing on Bursa Malaysia to unlock valuation re-rating.** As of 1 Aug, UMS is now dual listed on Bursa Malaysia, following strong investor interest at roadshows. The company aims to narrow its approximately 25% valuation gap vs Malaysian peers such as UWC and Sam Engineering (2026F PE: 25x) by trading at a more comparable multiple. UMS also offers a more attractive dividend yield (~4%) and stronger net margins. Engagement efforts, including NDRs, plant visits, and media outreach, are being ramped up to build visibility among Malaysian investors. Market makers will be engaged in the initial phase to support liquidity.

- **Maintain BUY with a target price of S$1.73**, based on 23x 2026F EPS or to 2SD above UMS's historical mean. This premium valuation reflects stronger earnings quality from its new customer and expected valuation uplift post-dual listing. Our target PE of 23x is still at an 8% discount to Malaysian peers, despite UMS' better yield and profitability profile.

SHARE PRICE CATALYSTS

- **Events:** a) Higher-than-expected factory utilisation rates, b) Return of orders for aircraft components to benefit subsidiary, JEP Holdings.

- **Timeline:** 3-6 months.

Capitaland Ascendas REIT – BUY (Jonathan Koh)

- **Prime beneficiary of preferential tariffs.** CLAR is a prime beneficiary of preferential tariffs with the largest exposure to business park and hi-tech buildings in Singapore at 53% of portfolio valuation. Technology, logistics and life sciences industries accounted for 65.1% of CLAR's monthly rental income.

- **Acquiring Tier III colocation data centre in Singapore.** We like the acquisition of 9 Tai Seng Drive (9TSD) due to its attractive NPI yield of 7.1% after transaction costs. 9TSD improves pro forma 2024 DPU by 1.24%. The data centre market in Singapore is supply constrained and has a tight vacancy of 2%. There is potential for rental uplift as 9TSD is 30% under-rented compared with the current market rent of S$390-520 per kW. The data centre can also be enhanced by securing higher power capacity.

- **Maintain BUY.** Our target price of S$4.02 is based on DDM (cost of equity: 6.5%, terminal growth: 2.5%).

SHARE PRICE CATALYSTS

- **Events:** a) Resilient growth across the business parks, hi-tech buildings, life sciences, logistics and data centre segments, and b) contributions from development projects, redevelopment projects and AEIs.

- **Timeline:** 6-12 months.

Oversea-Chinese Banking Corp – BUY (Jonathan Koh)

- **Capital management.** OCBC has announced a comprehensive package to return S$2.5b of excess capital to shareholders over two years: a) special dividends amounting to 10% of net profit for 2024 and 2025 (total dividend payout for 2024 and 2025 would amount to 60% of net profit annually); and b) share buybacks over two years in 2025 and 2026. The board has proposed a final dividend of 41 S cents and a special dividend of 16 S cents for 2H24, bring total dividend to 101 S cents for 2024.

- **Strategic initiatives to deliver incremental S$3b revenue.** Management aims to deliver incremental revenue of S$3b cumulatively over 2023-25, driven by four growth pillars: a) cross-border trade and investment flows; b) Asian wealth; c) new economy; and d) sustainable financing.

- **Most well-capitalised bank in Singapore.** CET-1 CAR was 15.3% as of 2Q25 based on fully phased-in final Basel III reforms, the highest among Singapore banks. OCBC has the potential to deploy surplus capital to generate inorganic growth.

- **Maintain BUY.** Our target price of S$20.15 is based on 1.44x 2025F P/B, derived from the Gordon Growth Model (ROE: 12.3%, COE: 8.5%, growth: 0.0%).

SHARE PRICE CATALYSTS

- **Events:** a) Attractive 2025 dividend yield of 5.8%; and b) its share buyback programme that could support the bank's share price.

- **Timeline:** 6-12 months.

Capitaland Integrated Commercial Trust – BUY (Jonathan Koh)

- **Rejuvenation of Tampines Town Central.** The Urban Redevelopment Authority (URA) launched a five-year Tampines Master Plan in Feb 25. Part of Tampines Central 5 will be transformed into a pedestrianised street between Tampines Town Central and Tampines MRT Station. CICT should finalise its plan for AEI in 4Q25 to reposition Tampines Mall to leverage on the Tampines Master Plan. Concurrently, the departmental store space vacated by Isetan in Nov 25 could be reconfigured into smaller specialty units, which is expected to generate sizeable rental uplift.

- **Further enhancing ION Orchard.** Management sees room to increase rental income by reconfiguring retail space, especially the upper floors (levels 3 and 4). CICT plans to refresh the tenant mix on the ground floor, including creating more duplexes for luxury brands. The AEI would be staggered over two years in 2025 and 2026. CICT intends to maintain ION Orchard's prestige as an iconic premium mall. Management continues to work on obtaining tax transparency for ION Orchard.
- **Stable cost of debt.** Average cost of debt eased 0.2ppt qoq to 3.4% in 1Q25. Management expects cost of debt to remain stable at about 3.4% in 2025.
- **Maintain BUY.** Our target price of S$2.72 is based on the dividend discount model (cost of equity: 6.25%, terminal growth: 2.2%)

SHARE PRICE CATALYSTS

- **Events:** a) Resiliency and growth from Singapore portfolio; and b) positive contributions from the completion of AEIs at IMM Building in Singapore and Gallileo in Frankfurt, Germany.
- **Timeline:** 6-12 months.

VALUATION

Company	Ticker	Rec*	Price 1 Aug 25 (S$)	Target Price (S$)	Upside To TP (%)	Last Year End	PE 2024A (x)	PE 2025E (x)	PE 2026E (x)	Yield 2025E (%)	ROE 2025E (%)	Market Cap. (S$m)	Price/ NAV ps (x)
CapLand Ascendas Reit	CLAR SP	BUY	2.74	4.02	46.7	12/24	17.9	18.6	17.3	5.6	6.3	12,621.2	1.2
CapLand IntCom T	CICT SP	BUY	2.19	2.72	24.2	12/24	20.1	19.0	18.5	5.0	5.4	16,024.6	1.0
ChinaSunsine	CSSC SP	BUY	0.73	0.63	(13.7)	12/24	8.9	8.8	8.5	4.0	9.9	696.0	0.9
ComfortDelGro	CD SP	BUY	1.52	1.71	12.5	12/24	15.6	14.5	12.9	5.7	8.7	3,293.5	1.3
CSE Global	CSE SP	BUY	0.65	0.61	(5.4)	12/24	16.5	11.6	11.1	3.7	14.1	461.6	1.8
DFIRG USD	DFI SP	BUY	3.43	4.30	25.4	12/24	n.a.	18.5	18.0	16.4	40.4	6,029.4	7.5
Food Empire	FEH SP	BUY	2.32	2.40	3.4	12/24	17.4	17.4	16.2	3.3	17.3	1,225.7	3.0
Frencken	FRKN SP	BUY	1.65	1.40	(15.2)	12/24	19.0	17.7	16.7	1.7	8.9	704.7	1.6
Hong Leong Asia	HLA SP	BUY	1.68	1.93	14.9	12/24	14.3	11.1	10.0	3.0	10.7	1,256.9	1.2
MarcoPolo Marine	MPM SP	BUY	0.056	0.066	17.9	9/24	9.7	8.1	6.6	3.6	13.4	210.2	1.1
O C B C	OCBC SP	BUY	16.79	20.15	20.0	12/24	10.1	10.5	10.0	5.8	11.9	75,492.3	1.3
PropNex	PROP SP	BUY	1.43	1.35	(5.6)	12/24	25.9	19.8	18.8	4.2	41.4	1,058.2	8.6
UMS	UMSH SP	BUY	1.53	1.73	13.1	12/24	26.7	23.0	20.3	3.3	11.2	1,087.1	2.6
Valuetronics	VALUE SP	BUY	0.79	0.83	5.1	3/25	11.1	10.9	10.4	5.9	11.8	320.5	1.3

** Fundamental rating and not related to the relatively shorter term Alpha Picks recommendation*
Source: UOB Kay Hian

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