INVESTMENT BANKING

Top Singapore Small Cap Companies

20 Jewels 2023 Edition

RHB

TOP SINGAPORE
SMALL CAP COMPANIES

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20 JEWELS

2023 EDITION

Singapore		
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Foreword

We celebrate the 13th edition of the Singapore Small Cap Jewels in 2023. It was started by our Malaysian counterparts in 2004, and has since earned a dedicated following. The Singapore edition complements the publication of other regional Small Cap Jewels books by our research colleagues in Malaysia, Thailand, and Indonesia. Our regional compendium is a unique pan-ASEAN repository of reports, with ideas on 80 companies that remain unmatched in this region.

The year 2022 can be summed up as a disrupted recovery, amid recessionary fears. Post worldwide COVID-19 lockdowns in 2020, and a vaccine-led economic rebound in 2021 from a low base, 2022's anticipated global economic recovery was disrupted by inflation, supply shortages, higher interest rates, China's zero-COVID policy, and the war in Ukraine. As we head into 2H23, we are bullish on a global recovery commencing by the summer of 2023. We have already noticed early signs of a bottoming out process in trade, industrial production, retail sales, and PMI data in many major economies in Asia ex-Japan. With limited US and global financial stability risks, the global economy is poised for an imminent recovery.

Against this backdrop of global growth recovering in 2H23, we have identified and selected stocks that are well-positioned to ride on and benefit from the current key trends and investment themes of post-COVID-19 demand improvement, the exposure to China's reopening, climate change, green energy, EVs, ageing population, and the imminent global recovery.

Over 60% of our stock picks in this book are companies that have not been featured in the previous three editions. More than half of this year's stocks are in the consumer and healthcare sectors (comprising 35% and 20%), followed by construction, marine transport, and professional services (10% each), and S-REITS, IT, and materials (5% each). Some stocks may exhibit at least one fundamental characteristic of compelling valuation, an interesting growth story, a strong balance sheet, cash-generation capability, or situational event-driven catalysts. While the companies featured in this edition may vary in terms of business, market capitalisation, and investor interest, they share a common DNA – they are fundamentally sound companies with great probability of generating good returns for investors. We hope to eventually see these companies graduate into mid-sized corporates, or even large-cap players in the not-too-distant future.

RHB Research wishes to express our gratitude to the management teams of the featured firms for being generous with their time in helping us understand their companies' business models, as well as for allowing us to share our views and opinions. Credit is also due to our dedicated team of analysts, who have invested countless hours into producing this year's edition.

The RHB Singapore Research team remains humbled and encouraged by the continued interest and support from all our institutional clients for our forte in small-cap coverage. Despite tough market conditions, our commitment and belief in this space have never wavered, and we believe this is reflected in our research products. We will continue to expand our coverage and renew existing ones with fresh ideas, to bring more excitement and returns to the market and your respective portfolios. I hope you will find this book useful for your investment needs.

Alfie Yeo
Head of Singapore Small-Mid Cap Research
RHB Bank Berhad

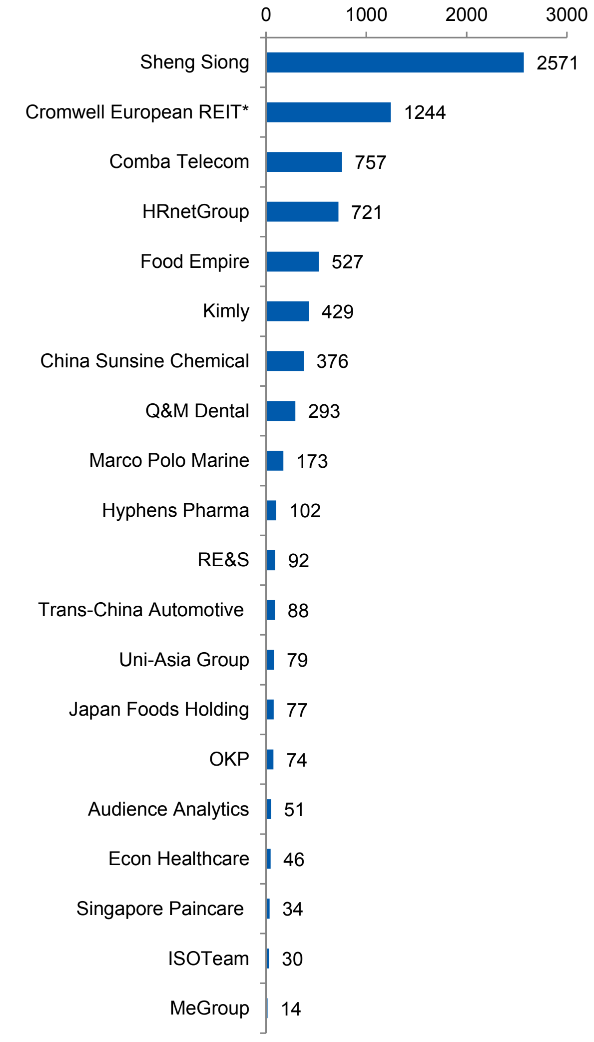
Singapore, 16 May 2023

20 Jewels – at a glance

Company name	TP (SGD)	Mkt Cap (SGDm)	P/E (x) FY22	P/E (x) FY23F	P/B (x) FY22	P/B (x) FY23F	Div Yield (%) FY22	Div Yield (%) FY23F	ROE (%) FY22	ROE (%) FY23F
Audience Analytics	N/A	51	8.9	N/A	3.2	N/A	6.0	N/A	35.5	N/A
China Sunsine Chemical	N/A	376	3.1	4.8	0.5	0.5	7.7	7.4	17.4	10.7
Comba Telecom	N/A	757	23.2	17.7	1.2	1.2	1.3	1.3	7.3	7.4
Cromwell European REIT*	2.15	1,244	19.1	9.7	0.6	0.6	11.3	10.6	3.2	6.5
Econ Healthcare	N/A	46	69.4	13.7	1.3	1.2	1.2	2.8	1.0	9.1
Food Empire	1.39	527	7.8	7.4	1.4	1.3	4.4	5.1	23.8	17.8
HRnetGroup	1.00	721	10.7	10.2	2.0	1.8	5.5	5.9	18.5	18.8
Hyphens Pharma	N/A	102	9.0	8.3	1.5	1.3	3.4	3.3	16.2	16.6
ISOTeam	0.12	30	N/A	N/A	1.2	1.2	0.0	0.0	-33.6	9.8
Japan Foods Holding	0.60	77	N/A	18.7	2.3	2.3	4.2	5.3	-2.9	12.5
Kimly	0.40	429	12.6	12.6	2.6	2.4	4.9	4.8	24.6	21.5
Marco Polo Marine	0.06	173	13.6	9.4	1.2	1.0	0.0	0.0	16.8	11.7
MeGroup	N/A	14	N/A	N/A	1.2	N/A	0.0	N/A	-7.9	N/A
OKP	N/A	74	N/A	N/A	0.6	N/A	2.9	N/A	-0.9	N/A
Q&M Dental	N/A	293	18.8	16.3	2.9	2.7	4.5	3.2	11.6	17.2
RE&S	N/A	92	7.0	N/A	2.2	N/A	6.5	N/A	23.8	N/A
Sheng Siong	2.00	2,571	19.3	19.2	6.2	5.7	3.6	3.6	33.9	31.0
Singapore Paincare	N/A	34	14.7	N/A	1.3	N/A	3.8	N/A	14.7	N/A
Trans-China Automotive	N/A	88	22.4	N/A	1.5	N/A	0.9	N/A	7.1	N/A
Uni-Asia Group	N/A	79	2.1	3.5	0.4	0.5	14.4	7.0	18.4	10.8

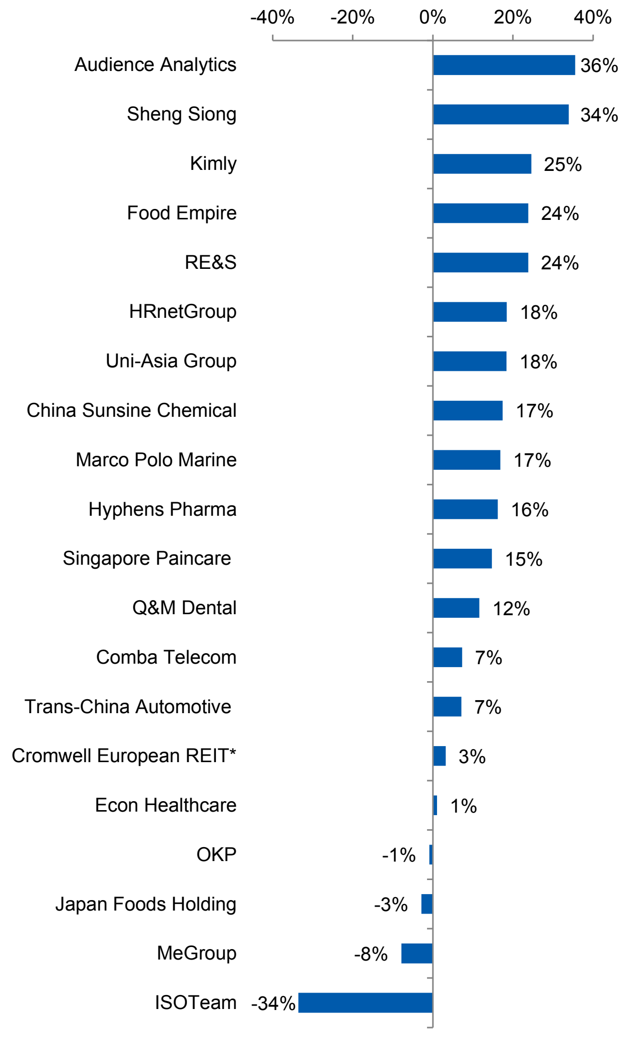
*Note: All prices as at 10 May 2023, N/A = not available; * Market Cap, TP is in EUR*
Source: Bloomberg, RHB

Market capitalisation of the Top 20 Jewels (SGDm)



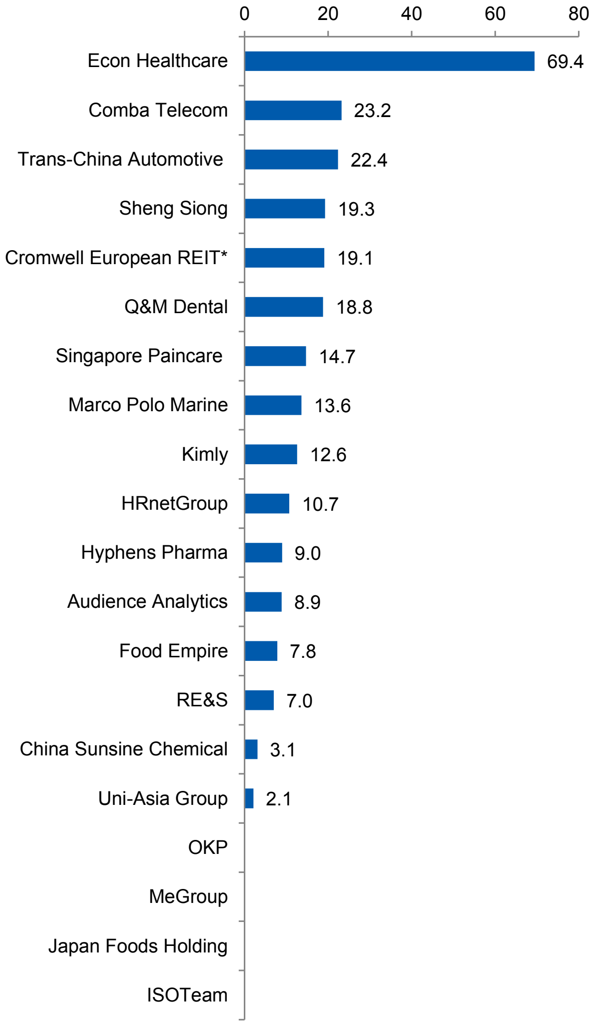
*Note: * Market Cap, TP is in EUR terms*
Source: Bloomberg

FY22 ROEs of the Top 20 Jewels (%)



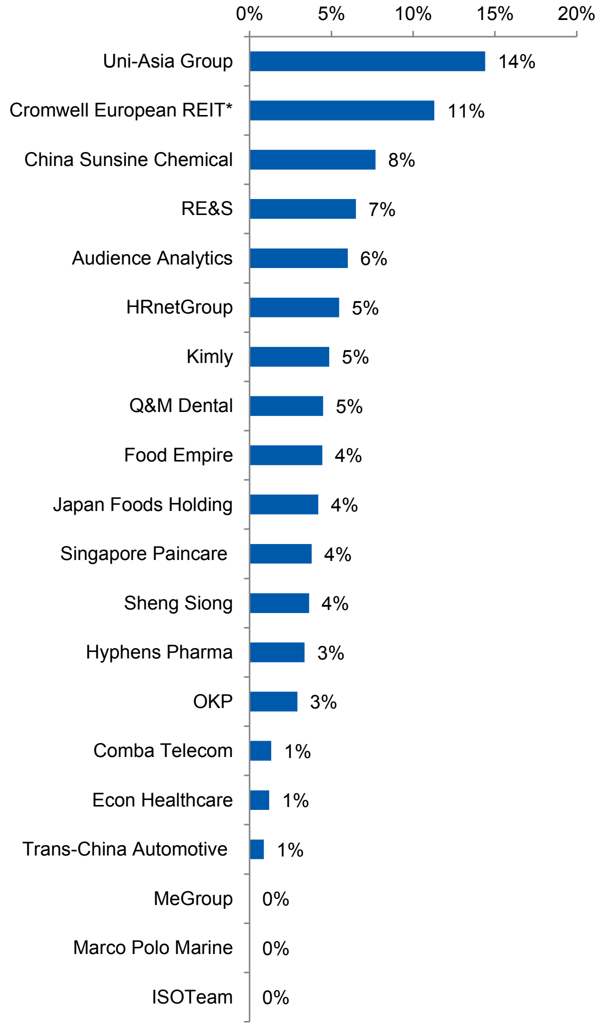
*Note: * Market Cap, TP is in EUR terms*
Source: Bloomberg

FY22 P/Es of the Top 20 Jewels (x)



*Note: * Market Cap, TP is in EUR terms*
Source: Bloomberg

FY22 dividend yields for the Top 20 Jewels (%)



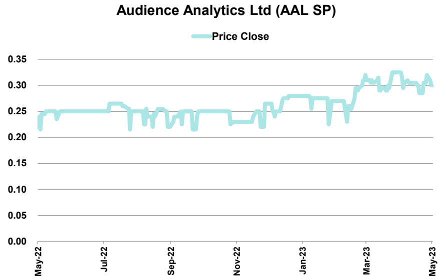
*Note: * Market Cap, TP is in EUR terms*
Source: Bloomberg

Fair Value: Not Rated

Price: SGD0.30

Audience Analytics

In The Business Of Winning



Source: Bloomberg

Stock Profile

Bloomberg Ticker	AAL SP
Avg Turnover (SGD/USD)	0.03m/0.02m
Net Gearing (%)	-108
Market Cap (SGDm)	50.8m
Beta (x)	N/A
BVPS (SGD)	0.1
52-wk Price low/high (SGD)	0.2 - 0.325
Free float (%)	14.3

Major Shareholders (%)

Bain Equity	84.0
Ooi Keim Fung	1.4
Ng Yan Meng	0.4

Share Performance (%)

	1m	3m	6m	12m
Absolute	(7.7)	11.1	30.4	36.4
Relative	(6.0)	14.6	30.0	35.9

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Investment Merits

- High-margin services business and growing regionally into underserved markets
- Growth driven by higher participation via penetration into more markets with more award products
- Trades at <10x FY22 P/E

Company Profile

Audience Analytics (AAL) is a business enabler with presences in Singapore, Cambodia, China, Hong Kong, India, Indonesia, Macau, Malaysia, the Philippines, South Korea, Sri Lanka, Taiwan, Thailand, United Arab Emirates (UAE), and Vietnam. It operates three business segments: i) Business impact assessment & recognition, ii) exhibitions, and iii) business media.

Highlights

Growing via more awards and participants. AAL's business impact assessment & recognition segment markets four key awards – HR Asia, SME100, Golden Bull, and Customer Experience Asia (CXP Awards) – across various markets, which include Hong Kong, Indonesia, Malaysia, the Philippines, China, Singapore, South Korea Taiwan, Thailand, Vietnam, and Cambodia. While the HR Asia and SME100 Awards are well established in Singapore and Malaysia, AAL has driven its awards into 10 new markets in the past five years. We believe this will enable it to increase revenue – in terms of the number of participants via nomination fees and sales of winner packages – within this segment. The CXP Awards – established in 2020 – currently has presences in only three markets: Malaysia, Singapore, and Hong Kong. With award brands penetrating new markets and gaining traction with more participants – and scope to increase the number of winners – we can expect more nominations and winner package purchases to drive topline going forward. There could also be an increase in nomination fees for some markets in reflection of the popularity of AAL's awards.

New growth markets are reaching inflection points. Although AAL operates regionally, key markets Malaysia and Singapore account for close to half of total revenue in FY22. Markets that have been penetrated for c.5 years or more – ie China, Indonesia, Hong Kong, and Macau – are now close to breakeven point. With the reduction in earnings drag, AAL should see slight uplift in earnings going forward through better economies of scale from these newer markets. New markets that have been penetrated in the last five years – ie Taiwan, the Philippines, Vietnam, Thailand, South Korea, Cambodia, India, Japan, and the UAE – will also help to improve its current sales mix in the next 3-4 years and aid in delivering margins leverage.

Company Report Card

Latest results. FY22 revenue grew 43% YoY from SGD10m to SGD14m. This was driven by the business impact assessment & recognition segment – led by an increase in the number of participants. The exhibitions segment's revenue also improved post COVID-19, as its services and offerings transited from virtual events to onsite ones. Gross margins declined 1.6ppts to 64.4%. The increase in the cost of sales was mainly due to a rise in events-related costs, eg venue, production, and performance costs, as physical events in Thailand, Singapore, and Taiwan were held. By comparison, only virtual events were held in FY21. In addition, staff commissions also increased in FY22. Operating profit grew 43% YoY to SGD7m, contributed by a higher proportion from the business impact assessment & recognition segment, which has higher operating margins. Earnings grew 35.2% YoY to SGD3.4m.

Balance sheet/cash flow. As a services business, AAL is cash generative. Operating cash flows generated over the past three years ranged between SGD4m and SGD7m with minimal capex. The company's balance sheet is asset light and in net cash.

Dividend. AAL does not have a fixed dividend policy, but has declared a first and final DPS for FY22 of 1.80 SGD cents. This translates to a payout ratio of 53.2%.

Management. AAL is majority owned and managed by founders Datuk William Ng and Dato' Ryan Ooi. Both Datuk William and Dato Ryan own 60% and 40% in Bain Equity, which – in turn – owns c.84.5% of the company. Datuk William is AAL's chairman and managing director while Dato Ryan is an executive director. The former and latter have over 22 year and 19 years' of relevant experiences in the business impact assessment & recognition, market, media, and exhibitions industries. Management's interest is, therefore, aligned with the shareholders.

Investment Case

Growth stock with earnings growth through the penetration of regional markets. We see AAL as a growth stock with products and services already well established in Malaysia and Singapore (50% of revenue), but under-penetrated and with scope for growth in new markets. Aside from the aforementioned two nations, the company is driving its products and services into 10 markets at least as it looks to reel in more participants for its awards. In established markets, AAL can also grow by introducing more sector-themed awards and exhibitions. The stock offers earnings growth and strong cash flows from the businesses' service-based nature.

Key risks. We believe economic cyclicality is a key risk for AAL. As a provider of affordable business awards and exhibitions, economic downturns typically lead to cost-cutting. This could impact revenue in both winner packages and corporate exhibition participations.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (SGDm)	8	10	14
Reported net profit (SGDm)	3	4	6
Recurring net profit (SGDm)	3	4	6
Recurring net profit growth (%)	28.9	42.7	35.2
Recurring EPS (SGD)	N/A	0.02	0.03
DPS (SGD)	0.00	0.00	0.02
Dividend Yield (%)	0.0	0.0	6.0
Recurring P/E (x)	N/A	12.0	8.9
Return on average equity (%)	93.0	33.5	35.5
P/B (x)	16.0	4.0	3.2
P/CF (x)	13.6	13.6	7.0

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-20	Dec-21	Dec-22
Total current assets	7	15	19
Total assets	7	15	19
Total current liabilities	4	2	3
Total non-current liabilities	0	0	0
Total liabilities	4	2	3
Shareholder's equity	3	13	16
Minority interest	N/A	N/A	N/A
Other equity	N/A	N/A	N/A
Total liabilities & equity	7	15	19
Total debt	0	0	0
Net debt	(6)	(13)	(17)

Source: Company data, RHB

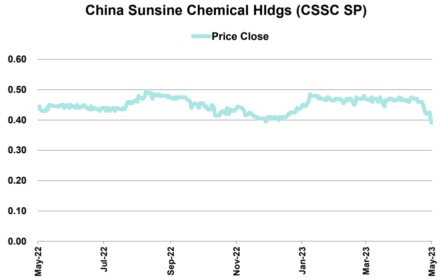
Cash Flow (SGDm)	Dec-20	Dec-21	Dec-22
Cash flow from operations	4	4	7
Cash flow from investing activities	0	0	0
Cash flow from financing activities	(2)	3	(2)
Cash at beginning of period	4	6	13
Net change in cash	2	7	5
Ending balance cash	6	13	17

Source: Company data, RHB

China Sunsine Chemical

China Industrial Production Reopening Play

Fair Value: Not Rated
Price: SGD0.39



Source: Bloomberg

Stock Profile

Bloomberg Ticker	CSSC SP
Avg Turnover (SGD/USD)	0.39m/0.3m
Net Gearing (%)	-37
Market Cap (SGDm)	376.2m
Beta (x)	0.79
BVPS (SGD)	3.81
52-wk Price low/high (SGD)	0.37 - 0.477
Free float (%)	37.4

Major Shareholders (%)

Success More Group	60.8
Phoenician Capital	1.1
Koh Choon Kong	0.9

Share Performance (%)

	1m	3m	6m	12m
Absolute	(14.8)	(13.9)	(8.0)	(7.1)
Relative	(13.1)	(10.4)	(8.5)	(7.6)

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Investment Merits

- Worldwide market leader in rubber accelerators, reopening of China's economy is expected to drive recovery
- Indirect longer-term exposure to EV manufacturing and growth in China
- Valuation attractive at <5x (<2x ex-cash) FY22 P/E, with >70% of market cap in net cash

Company Profile

China Sunsine Chemical (CSSC) is a leading specialty chemical producer selling rubber accelerators, anti-oxidants, and vulcanizing agents. It is the world's largest rubber accelerators producer, and China's largest rubber chemicals enterprise, serving more than two thirds of the top 75 tyre makers in the word, including Bridgestone, Michelin, Goodyear, and Pirelli.

Highlights

China tyre market expected to grow by a 4-year CAGR of 11%. China has been a leader in global consumer tyre production since 2005. According to management consulting firm TechSci Research, China's tyre market was valued at USD44.5bn, and is expected to grow by 11% CAGR to USD82.5bn from 2023 to 2027, driven by the expected increase in vehicle sales. As a leading supplier of rubber accelerators to major tyre manufacturers in China, with c.117k tonnes of rubber accelerators, c.60k tonnes of insoluble Sulphur, and c.77k tonnes of anti-oxidant manufacturing capacity, CSSC is well positioned to ride on the growth of tyre manufacturing in China. Margins are normally defendable as manufacturers are usually less sensitive to price increases, as the rubber accelerator component as a proportion of tyre manufacturing costs is very small at <10%.

Riding on the recovery of China's post zero-COVID policy. We expect to see the post-zero-COVID policy impact of improving demand and manufacturing activities in China. PMI has already jumped to 52.6 and 51.9 in Feb and Mar 2023, indicating an expansion in its manufacturing sector.

Indirect exposure to EV manufacturing. As a producer of chemical inputs to tyre production in China, CSSC is indirectly exposed to the longer-term growth of China's EV production and manufacturing, on the back of new and replacement car demand. According to research from market intelligence and advisory firm Mordor Intelligence, China's EV market was valued at USD124bn in 2022, and is expected to register a 5-year CAGR of 30.1% from 2023 to 2028. The growth of EV is expected to support new tyre demand over the longer term. The China Passenger Car Association expects 8.4m new EV units to be delivered in 2023, up from last year's 6.4m units (+31% YoY).

Company Report Card

Latest results. Revenue for FY22 grew 3% YoY to CNY3.8bn while earnings grew 27% YoY to CNY642m. While 1H22 revenue grew, 2H22 saw a sales decline of 8% YoY. This was led by a 2% decrease in ASPs, in response to weaker demand and competition as well as lower volumes on TBBS accelerator sales for trucks and heavy vehicle tyres, due to China's COVID-19 control measures. Gross margins, however, grew 2.3ppts to 30.4% on a better sales mix of anti-oxidant products. Net margin rose 3.2ppts to 16.8% despite a slight YoY net margin decline of -0.3ppts to 11.9% in 2H22 due to lower utilisation, higher operating costs (freight, port charges, sales incentives etc), and more downtime during the Lunar New Year. A final dividend of 1.0 SG cent and a special dividend of 1.5 SG cents were declared, bringing total dividends for FY22 to 3 SG cents, amounting to a 23% payout ratio.

Balance sheet/cash flow. CSSC is in a net cash position of CNY1.3bn (or approximately 28 SG cents per share) and has no debt. The business is cash generative, with operating cash flow between CNY200-700m over the last five years. It remained profitable and continued to generate positive operating cash flow throughout the COVID-19 period.

Dividend. CSSC has been paying out dividends historically due to its strong balance sheet and cash generative business. Dividend payout ratio has been 19-23% over the past three years, even throughout the COVID-19 restrictions. With a strong balance sheet, we expect dividend payout to continue.

Management. CSSC is led by Mr. Xu Chang Qiu, executive chairman, since 1998, via the MBO of CSSC's subsidiary's predecessor Shanxian Chemical. He is supported by two key executive directors (including his elder son Mr. Xu Jun), and five other key executives in CFO, First Deputy GM, Chief Engineer, Deputy GM, and GM assistant (occupied by his younger son Mr. Xu Chi). Mr. Xu Cheng Qiu's interest is well aligned with shareholders, as the executive chairman owns c.61% of CSSC.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (CNYm)	2,334	3,725	3,825
Reported net profit (CNYm)	219	506	642
Recurring net profit (CNYm)	219	506	642
Recurring net profit growth (%)	(9.3)	131.4	26.9
Recurring EPS (CNY)	0.23	0.53	0.67
DPS (SGD)	0.01	0.02	0.03
Dividend Yield (%)	2.6	5.1	7.7
Recurring P/E (x)	9.0	3.9	3.1
Return on average equity (%)	8.0	15.9	17.4
P/B (x)	0.7	0.6	0.5
P/CF (x)	4.3	4.9	8.7

Source: Company data, RHB

Balance Sheet (CNYm)	Dec-20	Dec-21	Dec-22
Total current assets	2,239	2,839	3,150
Total assets	3,172	3,923	4,225
Total current liabilities	451	747	533
Total non-current liabilities	0	0	0
Total liabilities	451	747	533
Shareholder's equity	2,721	3,176	3,692
Minority interest	0	0	0
Other equity	0	0	0
Total liabilities & equity	3,172	3,923	4,225
Total debt	0	0	0
Net debt	(1,326)	(1,377)	(1,365)

Source: Company data, RHB

Cash Flow (CNYm)	Dec-20	Dec-21	Dec-22
Cash flow from operations	448	396	224
Cash flow from investing activities	(258)	(287)	(157)
Cash flow from financing activities	(103)	(53)	(122)
Cash at beginning of period	1,280	1,326	1,377
Net change in cash	44	46	(5)
Ending balance cash	1,326	1,377	1,365

Source: Company data, RHB

Investment Case

A China post-pandemic recovery play. The stock is a China post-COVID-19 recovery play, in anticipation of manufacturing activities picking up. It also offers indirect exposure to new and replacement demand for EVs in China. Valuation is attractive at <5x (<2x ex-cash) FY22 P/E, with over 50% of its market cap comprising of net cash.

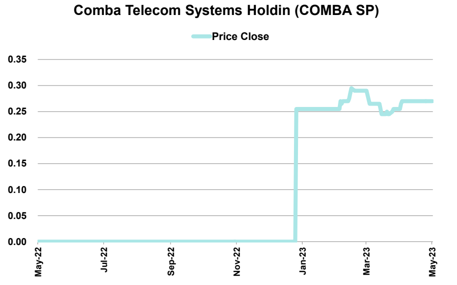
Key risks. Growth outlook is premised on a recovery of China's industrial production and post-COVID-19 reopening. Expectations would be dampened if manufacturing of tyres does not recover from the post-COVID-19 lockdown and restrictions in China, and also globally.

Fair Value: Not Rated

Price: SGD0.27

Comba Telecom

A-Share Listing a Catalyst



Source: Bloomberg

Stock Profile

Bloomberg Ticker	COMBA SP
Avg Turnover (SGD/USD)	N/A
Net Gearing (%)	9
Market Cap (SGDm)	757.4m
Beta (x)	N/A
BVPS (SGD)	0.23
52-wk Price low/high (SGD)	0.24 - 0.41
Free float (%)	66.6

Major Shareholders (%)

Fok Tung Ling	24.5
Zhang Yue Jun	8.1
Vanguard Group	2.1

Share Performance (%)

	1m	3m	6m	12m
Absolute	5.9	5.9	N/A	N/A
Relative	7.6	9.4	N/A	N/A

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Investment Merits

- Growing via deeper 5G infrastructure deployment in China
- Reduced earnings drag as write-offs taper off
- Proposed spin-off and listing of Comba Network on the A-shares market a potential stock catalyst

Company Profile

Comba Telecom (COMBA) is a leading global solutions and services provider of wireless and information communications systems with its own R&D and manufacturing base, and sales & service teams. COMBA provides products and services – including providing antenna and subsystems, network systems (wireless access and wireless enhancement), services, enterprise networks, etc – to customers globally. The two operating segments are: i) Wireless telecommunications network system equipment and services and ii) operator telecommunication services.

Highlights

Listing of Comba Network Systems (Comba Network) on A-shares market a potential stock catalyst. Indirectly owned subsidiary (c.79%) Comba Network contributes about half of COMBA's earnings at c.HKD100m. It is involved in the manufacturing, R&D, and sales of wireless telecommunications network systems equipment – including macro cells, small cells, and related extended and in-depth coverage solutions – and open radio access network products, as well as the provision of network solutions for the 5G vertical industry. In 2021, COMBA was granted Practice Note 15 approval from the HKEX with regards to the proposed spin-off and listing of Comba Network on the A-shares market. A successful spin-off and listing could be a stock catalyst.

5G deployment continues in China. COMBA will continue to benefit from the 5G deployment in China, as the country's three major telecommunication companies build, deploy, and expand low- and medium-band networks for 5G macro cells. In China's recent Two Sessions 2023, the Ministry of Industry & Information Technology outlined plans to build around 600,000 5G base stations this year to reach more than 2.9m 5G base stations. Comparatively, data from Statista suggests that China had c.6m 4G base stations in 2022. While large Chinese cities are already 5G penetrated, growth opportunities lie in broad indoor coverage, lower-tier cities, and suburban areas that will require additional deployment for more extensive 5G coverage.

Reduced earnings drag with write-offs tapering off. COMBA has had considerable inventory write-offs and trade receivable impairments over the years. In FY22, it was able to improve its inventory and receivables management. With the drag tapering off, COMBA now operates more efficiently and is now better positioned for growth.

Company Report Card

Latest results. FY22 revenue grew 8.4% YoY to HKD6.4bn from HKD5.9bn in FY21, led by successful tenders for centralised procurement of various antenna products in Mainland China and completion of international tender projects for antenna products as scheduled. This contributed to a significant growth in the number of orders and achieved a record high in terms of base station antenna products. Gross margins expanded 5.2ppts to 29% on a better sales mix and lower production costs. Core EBIT rebounded to a profit of HKD433m from a HKD108m loss, reaching near the pre-pandemic FY19 level of HKD495m. EBIT margin was at 7%, ie a tad below FY19's 9%. Hence, core net profit has turned around to HKD271m from a loss of HKD80m in FY21.

Balance sheet/cash flow. COMBA is in a net debt of HKD1.7bn as at FY22. Cash flow from operations were generally positive from FY18 to FY21, with the exception of the latter year during the COVID-19 period (FY22 cashflows are undisclosed). Credit terms to customers and suppliers are favourable, with receivables typically at 250-300 days. Payables are at 350-400 days.

Dividend. COMBA's dividend policy is that it will consider declaring and paying dividends provided that they do not hinder debt payments as they are due. It has paid dividends over the past four years with the exception of FY21, when net losses stood at HK600m. In FY20, COMBA was a loss-making entity, but still continued to pay dividends.

Led by and majority controlled by founders. COMBA is led by Chairman and Executive Director Fok Tung Ling and Vice Chairman and Executive Director Zhang Yue Jun. Both Fok and Zhang are its founders. They are supported by a professional management team of four other executive directors who occupy the roles of group president, CFO, and two senior vice presidents. Fok and Zhang hold close to 30% and 10% in COMBA.

Investment Case

Listing of Comba Network on the A-share market a potential catalyst. COMBA's catalyst is the potential spin-off of Comba Network on the A-share market. Meanwhile, core earnings growth is expected to be led by more 5G deployments in China going forward.

Key risks. As COMBA's growth is mainly dependent on 5G network deployments in China, near-term growth hinges on the pace and penetration of its customers' 5G network set-ups across underserved areas in the East Asian nation. A slower pace of deployment would, therefore, hinder near-term growth rates. In addition, COMBA's key stock catalyst relies upon the successful spin-off and valuation of Comba Network on the A-share market.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (HKDm)	5,057	5,870	6,365
Reported net profit (HKDm)	(194)	(593)	190
Recurring net profit (HKDm)	26	(80)	271
Recurring net profit growth (%)	N/A	N/A	N/A
Recurring EPS (HKD)	(0.07)	(0.21)	0.07
DPS (HKD)	0.02	0.00	0.02
Dividend Yield (%)	1.2	0.0	1.3
Recurring P/E (x)	(21.6)	(7.4)	23.2
Return on average equity (%)	0.6	(2.1)	7.3
P/B (x)	1.1	1.2	1.2
P/CF (x)	(13.1)	11.8	8.9

Source: Company data, RHB

Balance Sheet (HKDm)	Dec-20	Dec-21	Dec-22
Total current assets	8,229	8,218	7,617
Total assets	11,325	11,513	10,576
Total current liabilities	6001	5962	5517
Total non-current liabilities	774	1367	1094
Total liabilities	6,775	7,329	6,611
Shareholder's equity	4,107	3,775	3,728
Minority interest	443	409	236
Other equity	0	0	0
Total liabilities & equity	11,325	11,513	10,576
Total debt	1,598	1,848	1,663
Net debt	41	461	114

Source: Company data, RHB

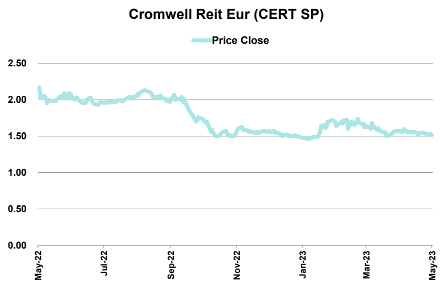
Cash Flow (HKDm)	Dec-20	Dec-21	Dec-22
Cash flow from operations	(335)	375	499
Cash flow from investing activities	(223)	(744)	(273)
Cash flow from financing activities	385	268	(223)
Cash at beginning of period	1,867	1,717	1,652
Net change in cash	(150)	(65)	(121)
Ending balance cash	1,717	1,652	1,532

Source: Company data, RHB

Cromwell European REIT

Target Price: EUR2.15
Price: EUR1.52

Banking On Solid Execution And Attractive Valuation



Source: Bloomberg

Stock Profile

Bloomberg Ticker	CERT SP
Avg Turnover (USD/SGD)	1.6m/1.92m
Net Gearing (%)	69
Market Cap (EUR m)	854.8m
Beta (x)	0.87
BVPS (EUR)	2.42
52-wk Price low/high (EUR)	1.46 - 2.19
Free float (%)	92.4

Major Shareholders (%)

Cromwell Property Group	27.8
Blackrock Inc	5.0
UBS AG	5.0

Share Performance (%)

	1m	3m	6m	12m
Absolute	(3.2)	(7.3)	(3.8)	(29.3)
Relative	(1.5)	(3.8)	(4.2)	(29.8)

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Investment Merits

- Diversified European portfolio with nearly half in resilient logistics/light industrial sector
- Active capital recycling and hands on investment and property teams in individual markets
- Rental uplift from inflation-linked rent escalations
- Trading at attractive valuation of over 35% discount to book and yield of c.11%

Company Profile

Cromwell European REIT (CERT) has a pan-European portfolio with a focus on Western European markets comprising >110 predominantly freehold assets in or close to major gateway cities in the Netherlands, Italy, France, Poland, Germany, Finland, Denmark, Slovakia, Czech Republic, and the UK. The portfolio has an aggregate NLA of c.2m sqm and is tenanted by over 800 customers valued at EUR2.5bn. The REIT's mandate is to invest in commercial real estate sectors across Europe with a minimum portfolio weighting of at least 75% to Western Europe and at least 75% to the light industrial/logistics and office sectors.

Highlights

Timely pivot to resilient European logistics sector. CERT has been pivoting to the resilient light industrial/logistics sector, which has resulted in this sector weightage increasing by 15ppts from 31% as of end 2019 to 46% as of end 2002. In the next 1-2 years it plans to divest EUR400m of non-strategic assets, the proceeds of which will be used to fund its current development pipeline of EUR250m. The divestments are likely to come from Italy, Poland and Finland and are expected to be sold above book value, with gains used to mitigate the distributable income drop. A successful rebalancing will also accelerate its portfolio to its medium-term pivot of deriving 60% of income from logistics/light industrial assets with the balance from office.

Portfolio occupancy reached a record high 96% as of end 2022, driven by higher occupancy for its logistics/light industrial portfolio on the back of strong demand exceeding supply while office asset occupancy declined. This was accompanied by healthy rent reversion (2H) of +7.6% (logistics: +8.2%, office: +5.8%). As its portfolio broadly remains ~20% below market rents, we expect positive rent reversions to continue in 2023. In addition, c.90% of CERTs assets have inflation-linked rent escalation clauses, which will also take effect in FY23.

Upside potential from EUR250m redevelopment plans. The REIT's vast portfolio of over 100 assets presents it with good value-unlocking potential in the medium term via redevelopment and asset enhancements. CERT has in place a EUR250m redevelopment pipeline over the next five years. These include the redevelopment of an office building – Via Nerversa 21 (estimated cost EUR29m) in Milan with a c.20% uplift in GFA – and Lovosice One Industrial Park, which is expected to be completed by 2023. Other planned redevelopments include Via dell'Amba Aradam 5, Novo Mesto ONE industrial Park, and De Ruyterkarde 5. Management expects return on investment (ROI) for the redevelopment in double digits, much higher than its portfolio yield of c.6%. Additionally, another key long-term upside potential comes from Parc des Docks in Paris. The property currently has a BV of EUR158m while a potential redevelopment could possibly enhance its value to over EUR500m with a high double-digit ROI.

Company Report Card

2H/FY22 DPU up 0.4%/1.3% YoY driven by 11% revenue growth from operational improvements, rent indexation impact and acquisitions. This was partially offset by higher operational costs (+22%YoY) due to higher service charges and non-recoverable expenses that could not be passed on to tenants. Effective tax rates also rose from 6% to 9%. Moving forward, we see a marginal decline in expenses as utility charges have normalised across the Eurozone. NAV declined only marginally by 1.6% YoY, demonstrating diversification strengths, high asset quality and its right segment focus.

Balance sheet/cash flow. Gearing remains comfortable at slightly below 40% and the REIT is not focusing on acquisitions at present considering market volatility. On the borrowings front, c.78% of its debt is hedged with minimal refinancing needs until Nov 2024. CERT's overall weighted average debt maturity stands at three years, with the bulk (48%) of its loans due for refinancing in 2025. The REIT's interest coverage ratio is also expected to remain healthy at more than 4x.

Investment Case

BUY and EUR2.15 TP. We believe CERT offers an attractive entry level for mid- to long-term play on Western European recovery with near-term weakness sufficiently priced in. It is currently trading at 0.6x P/BV (below -2SD level) with an attractive c.11% dividend yield, after accounting for rising interest costs. The REIT's consistent historical operating performance and portfolio rebalancing track record lend confidence that it will emerge stronger from current market challenges in the Eurozone.

Key catalysts and risks. i) Inflation peaking along with interest rates, ii) potential truce in the Russia-Ukraine conflict, and iii) asset divestments at a premium to BV. Risks are the converse with inflation remaining stickily high resulting in higher interest rates for longer, resulting in severe recession, and a spill over of the Russia-Ukraine conflict into the Eurozone.

Profit & Loss	Dec-22	Dec-23F	Dec-24F
Total turnover (EURm)	222	219	226
Reported net profit (EURm)	44	88	95
Recurring net profit (EURm)	44	88	95
Recurring net profit growth (%)	(54.9)	100.8	8.5
Recurring EPS (EUR)	0.08	0.16	0.17
DPS (EUR)	0.17	0.16	0.16
Dividend Yield (%)	11.3	10.6	10.8
Recurring P/E (x)	19.1	9.7	9.0
Return on average equity (%)	3.2	6.5	7.0
P/B (x)	0.6	0.6	0.6
P/CF (x)	16	15	11

Source: Company data, RHB

Balance Sheet (EURm)	Dec-22	Dec-23F	Dec-24F
Total current assets	53	56	55
Total assets	2,590	2,618	2,658
Total current liabilities	129	152	156
Total non-current liabilities	1,038	1,048	1,084
Total liabilities	1,167	1,200	1,240
Shareholder's equity	1,359	1,354	1,354
Minority interest	0	0	0
Other equity	64	64	64
Total liabilities & equity	2,590	2,618	2,658
Total debt	1,015	1,053	1,081
Net debt	979	1,015	1,044

Source: Company data, RHB

Cash Flow (EURm)	Dec-22	Dec-23F	Dec-24F
Cash flow from operations	92	84	104
Cash flow from investing activities	(106)	(28)	(28)
Cash flow from financing activities	(10)	(54)	(77)
Cash at beginning of period	59	35	38
Net change in cash	(24)	2	(1)
Ending balance cash	35	38	36

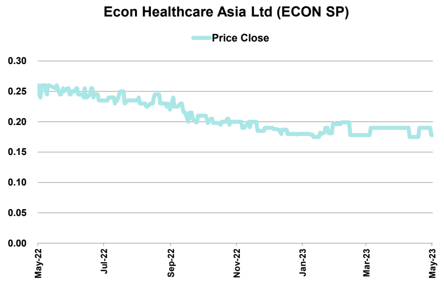
Source: Company data, RHB

Econ Healthcare

Riding On The Greying Population Wave

Fair Value: Not Rated

Price: SGD0.178



Source: Bloomberg

Stock Profile

Bloomberg Ticker	ECON SP
Avg Turnover (SGD/USD)	4.01m/3.02m
Net Gearing (%)	66
Market Cap (SGDm)	45.7m
Beta (x)	0.56
BVPS (SGD)	0.14
52-wk Price low/high (SGD)	0.175 - 0.26
Free float (%)	19.5

Major Shareholders (%)

Econ Healthcare	80.5

Share Performance (%)

	1m	3m	6m	12m
Absolute	(6.3)	(9.2)	(11.0)	(31.5)
Relative	(4.6)	(5.7)	(11.4)	(32.0)

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Investment Merits

- Exposure to ageing population trends in Singapore, Malaysia and China
- Bed capacities to increase by 11% in FY24F with the opening of new centres in Singapore and China. Jurong centre to open in 2025
- Trading at c.14x FY24F P/E, at a discount to the healthcare peer average

Company Profile

Econ Healthcare is the largest private nursing home operator in Singapore and Malaysia. It also has a presence in China. It runs 11 medicare centres and nursing homes in all three markets, with 1,231 beds as of 31 Dec.

Highlights

Leading eldercare player with a dominant market share. Econ Healthcare was the largest private nursing home operator by revenue receipts in 2019 in Singapore and Malaysia, with market shares of 26.9% and 43.2% according to Euromonitor. It still is one of the largest private nursing home players in Singapore, with a bed count of 1,091 in FY24F, post opening of its Henderson centre. It is poised to extend its market leadership in 2025 with the new Jurong centre, which will have up to 732 beds, scheduled to be operational by end 2025.

Beneficiary of ageing population trend. According to Euromonitor, the percentage of people in Singapore, Malaysia and China that are aged 65 and above is expected to rise by 24.6%, 10.1% and 17.1% in Singapore, Malaysia and China over 2019-2030F. This, together with growing affluence, should fuel the demand for private nursing homes and senior care services. This puts Econ Healthcare in a sweet spot, as this leading private nursing home and eldercare player in Singapore and Malaysia would be primed for growth. Also, to support the ageing population, government demand would also bolster the growth of more eldercare facilities in Singapore. The planned increase in bed capacities in Singapore are seen in the development of new and upcoming centres in Jurong, Henderson and Potong Pasir.

New bed capacity to drive growth. Econ Healthcare is well-positioned to capture the ageing population trends in Singapore and China. New capacities for its bed network have been planned for FY24. After debuting in Chongqing, China in May 2021 with a 44-bed capacity, its China operations will add 280 more beds at Changshou Centre from Mar 2023 onwards. The new 236-bed Henderson build-operate-lease (BOL) facility in Singapore is also on track to be opened in FY24. These will increase its total bed capacity from 1,231 as at 31 Dec 2022 to 1,371 by the end FY24F, marking an 11% increase. The Jurong BOL facility will be next up in FY26F – with up to 732 beds, representing another 60% of beds to be added to its total bed capacity.

Company Report Card

Latest results. 1H23 revenue grew 8.4% YoY to SGD21m and earnings grew 4.7% to SGD1.7m. Revenue growth was led by the Singapore operations, which recorded higher homecare fees, an increase in elder homecare and daycare and other nursing home services, besides higher operating subvention grants. More patient volumes in Singapore are increasingly subsidised by the Singapore Government for purchasing their healthcare services with Econ Healthcare. Its PBT margin excluding one-off items increased from 8% to 9%, as the bed occupancy rate ramped up at Puchong's Medicare Centre and Nursing Home, and at Chongqing Nursing Home.

Balance sheet/cash flow. Econ Healthcare has net cash of c.SGD19m on its balance sheet. The business is cash-generative, raking in >SGD10m worth of operating cashflow per year historically. Credit terms extended to customers range from 10 to 30 days, while payments to suppliers are between 30 to 60 days. Capex expenses are largely for maintenance and the opening of new centres that will add to increased bed capacities. Net cash per share as of 1H23 is c.SGD0.07.

Dividend. Econ Healthcare has no dividend policy, but has practiced paying out 35% of earnings as dividends historically over the course of its listing.

Management. Econ Healthcare is founded and led by Ong Chu Poh, who is the Group Executive Chairman and CEO. Ong Hui Ming, his daughter, is the Deputy CEO. They are assisted by the CFO, Agnes Kang, who is also Head of Overseas Development.

Investment Case

An ageing population play. The stock offers exposure to the ageing population and rising affluence in Singapore, Malaysia and China. Near-term earnings growth is largely led by the bed capacity growth. Based on consensus, the stock is trading at 14x FY24F P/E and offers a c.1.2% dividend yield. This compares favorably to its regional healthcare peers' >20x forward P/E.

Key risks. Growth would depend on the pace of the development and the bed take-up rate of these eldercare facilities. As the Government is bumping up the number of beds in the market, the increased capacity would lift the overall bed supply. This, in turn, would improve the countries' ability to meet the spiking demand for such eldercare services. A slower-than-expected take-up rate and ramp-up in bed supply would derail its revenue and earnings growth outlook.

Profit & Loss	Mar-20	Mar-21	Mar-22
Total turnover (SGDm)	22	38	39
Reported net profit (SGDm)	4	6	0
Recurring net profit (SGDm)	4	6	0
Recurring net profit growth (%)	(6.0)	41.2	(93.9)
Recurring EPS (SGD)	0.02	0.03	0.00
DPS (SGD)	N/A	0.01	0.00
Dividend Yield (%)	N/A	4.4	1.2
Recurring P/E (x)	9.1	6.4	69.4
Return on average equity (%)	21.0	22.6	1.0
P/B (x)	2.4	1.8	1.3
P/CF (x)	5.0	3.2	4.0

Source: Company data, RHB

Balance Sheet (SGDm)	Mar-20	Mar-21	Mar-22
Total current assets	13	20	32
Total assets	66	73	101
Total current liabilities	14	18	23
Total non-current liabilities	33	29	41
Total liabilities	47	47	65
Shareholder's equity	19	25	36
Minority interest	0	1	0
Other equity	0	0	0
Total liabilities & equity	66	73	101
Total debt	40	39	50
Net debt	33	23	24

Source: Company data, RHB

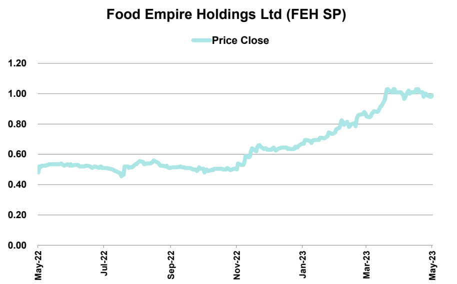
Cash Flow (SGDm)	Mar-20	Mar-21	Mar-22
Cash flow from operations	9	14	11
Cash flow from investing activities	(3)	(3)	(5)
Cash flow from financing activities	(7)	(3)	3
Cash at beginning of period	8	7	16
Net change in cash	0	9	10
Ending balance cash	7	16	26

Source: Company data, RHB

Food Empire

Stable In Russia And Ukraine

Target Price: SGD1.39
Price: SGD0.99



Source: Bloomberg

Stock Profile

Bloomberg Ticker	FEH SP
Avg Turnover (SGD/USD)	0.9m/0.67m
Net Gearing (%)	-29
Market Cap (SGDm)	527m
Beta (x)	0.83
BVPS (SGD)	0.52
52-wk Price low/high (SGD)	0.455 - 1.05
Free float (%)	40.0

Major Shareholders (%)

Universal Integrated	24.8
Tan Guek Ming	12.8
Nair Sudeep	12.4

Share Performance (%)

	1m	3m	6m	12m
Absolute	(2.0)	29.4	98.0	106.3
Relative	(0.3)	32.9	97.6	105.7

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Investment Merits

- Growth continues to be driven by the core Russia, Ukraine, Kazakhstan and Commonwealth of Independent States (CIS) markets, and supplemented by the South-East Asia segment
- Operations in Russia and Ukraine continue to be stable as heavy fighting is in the east of Ukraine – away from its factory, which is in the central region.
- Valued at 7x FY23F P/E, ie below the historical mean, or 6x P/E on an ex-cash basis. Offers c.5% dividend yield

Company Profile

Food Empire (FEH) is a global F&B company that manufactures and markets instant beverages, frozen convenience food, confectionery and snack food. The company's products can be found in over 50 countries across Asia, Africa, Middle East, North America and Europe.

Highlights

Russia, Ukraine, Kazakhstan and CIS markets continue to drive growth, supported by South-East Asia. Meanwhile, its sales in Ukraine remain stable despite the Russia-Ukraine conflict, as FEH is in the business of supplying essential items, ie food and drinks. Its market share has been growing, especially in Russia, and we expect sales growth to continue beyond FY23, as it leverages on the popularity and higher demand for its products there. Elsewhere, FEH has been building its non-dairy creamer production facility in Malaysia, and we expect this to support overall growth.

Still operating in Russia and Ukraine. FEH, a producer of essential food items, has not seen any major sales disruptions in Russia and Ukraine. Retail channels and supply chains continue to run. Due to its marketing efforts, its sales in Russia and Ukraine surged by close to 30% YoY each in FY22. Also, its sales volumes remain stable in Russia and Ukraine, even though selling prices have increased. FEH's factory in Ukraine is located in the central region – away from the heavy fighting that is concentrated in the east of the country. Barring battle lines progressing into the central Ukraine, which is a key risk to our earnings forecast, we see a stable outlook for earnings in these key markets. As a brand owner, FEH was able to sustain its profitability better than distributors and retailers, especially in Russia and Ukraine.

Share buyback supports EPS. FEH's share buyback activity has accelerated in the past two years. The number of treasury shares increased from 1m shares in 2018 to 8.6m in FY21 and 14.3m in FY22. The strong cash flow generated from operations has provided it with ample cash resources to conduct such share buyback activities, which improves EPS and boosts shareholder value.

Company Report Card

Strong FY22 earnings beat our estimate. Revenue and core earnings grew 25% YoY and 143% YoY to USD415m and USD52m. Revenue growth was largely driven by Russia (+29% YoY, USD148m) and Ukraine, as well as Kazakhstan and the CIS countries (+29% YoY, USD92m). This was offset by the slight post-COVID-19 normalisation in the South-East Asia segment (-4.2% YoY, USD93m). Gross margin expanded 0.5ppt to 29.8% on some price adjustments, while EBIT margin reached 14.3% (+5.7ppts) on better leverage and economies of scale in Russia after reaching its highest market share in FY21. A first and final DPS of 4.4 SG cents was declared, with a dividend payout ratio amounting to c.35% of core earnings.

Balance sheet/cash flow. FEH is a brand owner and manufacturer of branded F&B products and, as such, its business is cash flow-generative. In FY22, FEH generated operating cash flow of USD71m, equivalent to c.SGD0.18 per share. It has net cash of USD87m, or c.SGD0.22 per share. The company's cash balance has increased steadily from USD28m in 2015 to USD126m currently. Uses of cash include share buybacks, building up manufacturing capabilities and paying out dividends to shareholders.

Dividend. FEH tends to pay around 30% of earnings as dividends. While it does not practice paying interim dividends, there are special dividends given from time to time. In 2019 and 2021, shareholders were rewarded in special dividends for its strong earnings, and for their standing by the company through a difficult COVID-19 period. Our DPS assumption, going forward, is tied to 38% payout ratio, as we believe FEH is capable of paying out more – since we expect its cash balance on its balance sheet to swell.

Led by founder, managed professionally. FEH was founded by Tan Wang Cheow, who is its Executive Chairman. He is supported by CEO and Executive Director Sundeep Nair, who has built and managed the group's business since 1993. Sundeep was responsible for the launch and establishment of the group's brands and businesses in Eastern Europe and CIS countries from 1994 to 2005, prior to his appointment as CEO in 2012. As of FY22, both Tan's and Sundeep's interests are aligned with shareholders, as they are hold substantial stakes of 22.5% and 11.2%.

Investment Case

BUY, with a SGD1.39 TP and c.5% potential yield. We are upbeat on this stock, as FEH's earnings growth appear to be strong. It is trading at c.7x FY23F P/E, below the historical mean of 9x. FY22 earnings pointed to a turnaround, led by key markets. Its attractive FY23F dividend is supported by a strong operating cash flow of >USD70m and c.USD90m in net cash. Our TP is based on 10x FY23F P/E.

Downside risks to our forecasts include a disruption of operations due to the Russia-Ukraine conflict, and currency swings in the RUB and other CIS countries' currencies. Excess cash in Russia, Ukraine, and CIS markets is swept back to corporate headquarters, maintaining a natural hedge and reducing operational FX risks.

Profit & Loss	Dec-22	Dec-23F	Dec-24F
Total turnover (USDm)	398	415	433
Reported net profit (USDm)	60	52	54
Recurring net profit (USDm)	50	52	54
Recurring net profit growth (%)	142.2	5.2	4.2
Recurring EPS (USD)	0.09	0.10	0.10
DPS (SGD)	0.04	0.05	0.05
Dividend Yield (%)	4.4	5.1	5.3
Recurring P/E (x)	7.8	7.4	7.1
Return on average equity (%)	23.8	17.8	16.6
P/B (x)	1.4	1.3	1.1
P/CF (x)	5.4	6.7	6.5

Source: Company data, RHB

Balance Sheet (USDm)	Dec-22	Dec-23F	Dec-24F
Total current assets	242	278	312
Total assets	381	419	456
Total current liabilities	71	74	76
Total non-current liabilities	35	35	35
Total liabilities	106	108	110
Shareholder's equity	277	312	346
Minority interest	(1)	(1)	(1)
Other equity	0	0	0
Total liabilities & equity	381	419	456
Total debt	38	38	38
Net debt	(87)	(118)	(148)

Source: Company data, RHB

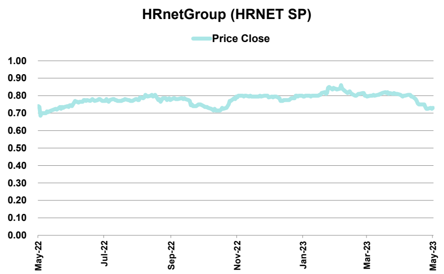
Cash Flow (USDm)	Dec-22	Dec-23F	Dec-24F
Cash flow from operations	71	58	60
Cash flow from investing activities	18	(10)	(10)
Cash flow from financing activities	(24)	(17)	(20)
Cash at beginning of period	61	126	156
Net change in cash	65	31	30
Ending balance cash	126	156	186

Source: Company data, RHB

Target Price: SGD1
Price: SGD0.73

HRnetGroup

Post-COVID Reopening To Lead Growth



Source: Bloomberg

Stock Profile

Bloomberg Ticker	HRNET SP
Avg Turnover (SGD/USD)	0.18m/0.13m
Net Gearing (%)	-84
Market Cap (SGDm)	720.9m
Beta (x)	0.68
BVPS (SGD)	0.37
52-wk Price low/high (SGD)	0.675 - 0.865
Free float (%)	20.4

Major Shareholders (%)

Simco Global	79.3
Fmr	4.9
Pacific Life Insurance	0.3

Share Performance (%)

	1m	3m	6m	12m
Absolute	(9.3)	(12.6)	(7.6)	(1.4)
Relative	(7.6)	(9.1)	(8.0)	(1.9)

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Investment Merits

- Recovery of labour markets in Singapore and China to drive earnings growth
- Fundamentals supported by cash generating ability, strong balance sheet with net cash per share of 29 SG cents, and active share buyback initiative.
- Priced at -1SD of its mean P/E, TP of SGD1 has c.37% upside and 6% FY23F yield

Company Profile

HRnetGroup (HRNET) is the largest Asia-based recruitment agency in the Asia-Pacific (ex-Japan). The group manages more than 11 brands in about 15 Asian growth cities – Singapore (where the headquarters are located), Kuala Lumpur, Bangkok, Hong Kong, Taipei, Guangzhou, Shanghai, Beijing, Tokyo and Seoul. Currently, it provides professional recruitment, flexible staffing and other human resource services (payroll, training) to over 2,000 clients from 30 diversified sectors such as financial institutions, retail & consumer, IT and telecommunications, etc.

Highlights

Diversified exposure to multi-industries across labour markets in Asia. HRNET operates a diversified staffing business across Asia and meets customers' needs for staffing spread over multi-industries. Even if near-term macroeconomic slowdown in global trade happens, it can benefit from the return of regional travel in the services and hospitality sectors. In addition, post-COVID-19 reopening of economies such as China will also help to mitigate the impact of slower hiring in other markets.

Growth supported by the Singapore and China labour markets. We anticipate more job placements from the post-COVID-19 reopening of economies (especially China) and the spillover effects of regional travel recovery. In Singapore, the unemployment rate has eased to 2% in 4Q22 from the peak of 3.4% in 3Q20. The Ministry of Manpower's (MOM) job vacancies vs unemployed persons' ratio also remains high at 2.33x in Dec 2022, from <1.5x prior to 1Q21. Our economists expect the unemployment rate to rise in the near term to 2.4% – in view of global headwinds – before recovering to 2% during 2H23. Nonetheless, MOM polls have shown that hiring sentiment continues to be positive, with most firms still planning to hire more staff in the coming months.

Share buyback supports EPS. HRNET has an active share buyback programme. The number of shares outstanding has declined by 1.6% from 1.007bn since FY18 to 991m shares in FY22. The strong cash flow generated from operations has provided it with ample cash resources to conduct such share buyback activities, which improves EPS and shareholder value.

Company Report Card

FY22 earnings and revenue are slightly below our expectations, at SGD68m (+3% YoY; 8% miss) and SGD612m (+4% YoY; 6% miss). GPM missed our estimates as well, by 0.9ppts to 28.5%, due to a lower contribution from the professional recruitment segment. Gross profit growth was led by flexible staffing, as well as several segments like technology, retail, healthcare, and hospitality – especially in Taiwan, China, and Singapore. HRNET declared a final DPS of 1.87 SG cents, representing a dividend payout ratio of c.60%. This takes its full-year DPS to 4 SG cents.

Balance Sheet/cash flow. HRNET is a service-based business providing companies with staffing solutions, with its sales staff being its key revenue resource. The balance sheet is asset light and the business has minimal working capital requirements. As such, the group has a strong cash flow generating ability. Historical, operating cash flow generated averaged around 120% of net profit annually. Its balance sheet has no debt and cash equivalent of SGD249m in FY22 amounted to 29 SG cents per share. Uses of cash include share buyback, taking stakes in regional staffing companies, and investing in shares of other publicly-listed staffing companies.

Dividend. HRNET historically pays about 50-60% of earnings as dividends. In the past two years, dividend payout ratio amounted to 59% and 61% at 4 SG cents for FY22 and FY21. In line with the payout ratio practice, DPS has fallen from 2.8 SG cents to 2.5 SG cents from FY19 to FY20. Our DPS assumption going forward is tied to a 60% payout ratio within historical levels.

Owned and managed by the Sim family members. HRNET is led and founded by Peter Sim, who is Executive Director and founding Chairman. Two of its other Executive Directors – JS Sim (CEO of Recruit Express) and Adeline Sim (Chief Corporate Officer) – are family members. Close to 80% of HRNET is owned by the Sim family. They are supported by five key management personnel namely, CFO, Chief People Officer, and three business leaders/Managing Directors of Greater China and Japan, Peoplesearch, and RecruitFirst Singapore.

Investment Case

Exposure to labour market recovery at compelling valuation. HRNET offers exposure to the regional staffing market at an undemanding valuation of 10x FY23F P/E and 6% yield. With the reopening of economies such as China, the outlook for staffing is expected to be robust. The stock is cash generative and is backed by net cash of 29 SG cents. Operating model of co-owners ensures that the business remains profitable even when revenue declines.

Downside risks to our forecasts include slower-than-expected labour market recovery in the key operating markets of Singapore, China and Taiwan.

Profit & Loss	Dec-22	Dec-23F	Dec-24F
Total turnover (SGDm)	612	642	680
Reported net profit (SGDm)	68	71	73
Recurring net profit (SGDm)	68	71	73
Recurring net profit growth (%)	3.1	4.9	3.5
Recurring EPS (SGD)	0.07	0.07	0.07
DPS (SGD)	0.04	0.04	0.04
Dividend Yield (%)	5.5	5.9	6.1
Recurring P/E (x)	10.7	10.2	9.9
Return on average equity (%)	18.5	18.8	18.0
P/B (x)	2.0	1.8	1.7
P/CF (x)	8.4	7.9	7.7

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-22	Dec-23F	Dec-24F
Total current assets	439	519	563
Total assets	484	564	608
Total current liabilities	101	145	153
Total non-current liabilities	5	5	5
Total liabilities	106	150	158
Shareholder's equity	15	16	17
Minority interest	1	1	1
Other equity	0	0	0
Total liabilities & equity	484	564	608
Total debt	0	0	0
Net debt	(24)	0	0

Source: Company data, RHB

Cash Flow (SGDm)	Dec-22	Dec-23F	Dec-24F
Cash flow from operations	75	91	80
Cash flow from investing activities	(31)	(1)	(1)
Cas flow from financing activities	(82)	(40)	(43)
Cash at beginning of period	327	285	334
Net change in cash	(38)	50	37
Ending balance cash	285	334	371

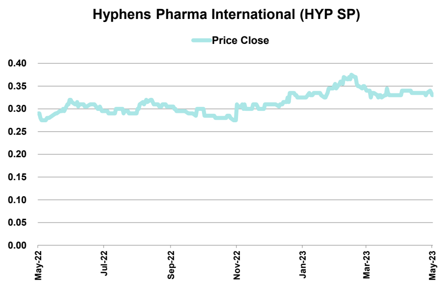
Source: Company data, RHB

Fair Value: Not Rated

Price: SGD0.33

Hyphens Pharma

Deep Value At Play



Source: Bloomberg

Stock Profile

Bloomberg Ticker	HYP SP
Avg Turnover (SGD/USD)	0.05m/0.04m
Net Gearing (%)	-44
Market Cap (SGDm)	102m
Beta (x)	0.58
BVPS (SGD)	0.22
52-wk Price low/high (SGD)	0.27 - 0.375
Free float (%)	24.2

Major Shareholders (%)

Inomed Holding	38.8
Tan Kia King	24.7
Tan Chwee Choon	12.3

Share Performance (%)

	1m	3m	6m	12m
Absolute	0.0	(4.3)	6.5	13.8
Relative	1.7	(0.8)	6.0	13.3

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Investment Merits

- Growth via market penetration and customer coverage
- Product portfolio continues to strengthen
- Deep value at play for its medical hypermart and digital segment valued at SGD60m, implying valuation of its core business at c.4x FY22 P/E.

Company Profile

Hyphens Pharma (HYP) is Singapore's leading specialty pharmaceutical and consumer healthcare group, with a direct presence in five ASEAN countries, with a marketing and distribution network in 10 other countries. Its core business comprises of sales and distribution of pharmaceutical and healthcare products across three segments – i) specialty pharma principals; ii) proprietary brands, and iii) medical hypermart and digital.

Highlights

Growth via market penetration and customer coverage. HYP is deepening its penetration into ASEAN markets via sales to more customers outside of Singapore. In Indonesia and the Philippines, it has yet to cover lower tier customers and the upcountry areas. As such, its sales team has room for expansion to cover more customers. In Vietnam, sales are mainly to the hospitals, presenting opportunities to serve the private sector customers. Although Malaysia is well covered, it has yet to fully penetrate this market and therefore, there is scope to improve customer coverage.

Strengthening product portfolio. New products continue to be developed, sourced and filed for approvals, which will facilitate sales growth when approvals are granted. Newly approved products include Nabota in Singapore (Jan 2023) and Meradan in Indonesia (4Q22), while pipeline products include Ustekinumab, Lederlon and Winlevi that are licensed by newly acquired Novem. Other new products in its Ceradan® and Ocean Health® stable are also being developed. This ongoing launch of products will contribute to consistent revenue growth across markets subject to regulatory approvals.

Digital platforms may provide value. HYP incorporated DocMed Technology in 2021 to develop its medical hypermart and digital segment, and was recently valued at SGD60m in its recent Series A fund raising from Metro Holdings for a 10% stake. DocMed already operates an online B2B virtual hypermart platform through Pan-Malayan. Its new WellAway Pharmacy has also recently received the Health Sciences Authority's approval for e-pharmacy operation that facilitates doctors' e-prescription for patients for WellAway to fulfill. While some cash burn is expected, this segment could provide value to shareholders if the platforms become successful and are sold via future fundraising or outright sale.

Company Report Card

Latest results. FY22 revenue was SGD162m (29% YoY) and net profit was SGD11m (68% YoY). Revenue growth was led by the specialty pharmaceutical segment, which increased 46% YoY to SGD96m on the back of its newly acquired Novem that contributed SGD17m to revenue. Excluding Novem, core revenue would have grown 15% YoY to SGD145m on increased demand in Singapore, Vietnam, and Malaysia. The propriety and hypermart segments also grew by 23% YoY and 5% YoY to SGD23m and SGD54m. Singapore sales grew the strongest to SGD85m (32% YoY), followed by Vietnam at 31% YoY to SGD55m. EBITDA was SGD17m (60% YoY).

Balance sheet/cash flow. Balance sheet is in a net cash of SGD31m, amounting 10.4 SG cents per share. The business generates positive operating cash flow with minimal capex. While the business may generate slight positive working capital cash flow, EBITDA margin is high, averaging c.9% historically, and EBITDA at SGD9-10m annually from FY18-21, and SGD17m in FY22.

Dividend. HYP has a dividend policy of paying at least 30% of its earnings as dividends. Over the past five years, it has paid c.30% dividends annually with the exception of FY19, when its payout ratio was 46%. Management recognises the need to pay dividends to reward shareholders while conserving sufficient cash for opportunistic product acquisitions.

Management. HYP is led by Lim See Wah who is its founder, Chairman, Executive Director and CEO, responsible for overall operations and managing strategic direction. He has more than 25 years of experience working in the pharmaceutical industry. He is supported by a management team of professional comprising of CFO, COO, GM Hyphens Pharma (Singapore) and GM Pan-Malayan Pharmaceuticals.

Investment Case

Deep value at play. The stock provides deep value, strong cash flow, exposure and penetration to the growth of pharmaceutical products across ASEAN. More upside could be realised in the future if its medical hypermart and digital segment's DocMed can be monetised. Based on DocMed's last fundraising valuation of SGD60m vis-à-vis its market cap of c.SGD100m, the specialty pharmaceutical and propriety segments are implied to be valued at SGD40m, or just c.4x FY22 P/E.

Key risks. Expenses for the continued development of DocMed could be a drag on earnings. Deep value for shareholders can only be realised if and when HYP eventually exits from DocMed or any of DocMed's digital assets.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (SGDm)	121	126	162
Reported net profit (SGDm)	6	7	11
Recurring net profit (SGDm)	6	7	11
Recurring net profit growth (%)	(4.6)	9.7	67.6
Recurring EPS (SGD)	0.02	0.02	0.04
DPS (SGD)	0.01	0.01	0.01
Dividend Yield (%)	1.9	2.0	3.4
Recurring P/E (x)	16.1	14.5	9.0
Return on average equity (%)	13.1	12.4	16.2
P/B (x)	2.0	1.7	1.5
P/CF (x)	22.5	15.0	6.1

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-20	Dec-21	Dec-22
Total current assets	69	74	90
Total assets	81	99	114
Total current liabilities	30	43	40
Total non-current liabilities	4	2	4
Total liabilities	34	44	44
Shareholder's equity	47	55	69
Minority interest	0	0	1
Other equity	0	0	0
Total liabilities & equity	81	99	114
Total debt	5	8	6
Net debt	(23)	(11)	(31)

Source: Company data, RHB

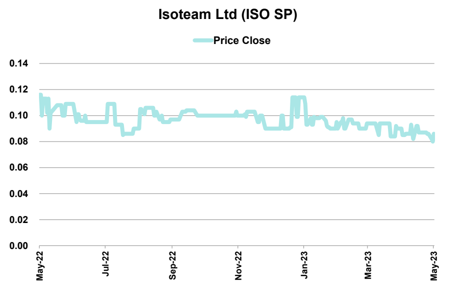
Cash Flow (SGDm)	Dec-20	Dec-21	Dec-22
Cash flow from operations	4	6	17
Cash flow from investing activities	(1)	(15)	(1)
Cash flow from financing activities	(2)	1	1
Cash at beginning of period	26	28	19
Net change in cash	1	(8)	17
Ending balance cash	28	19	36

Source: Company data, RHB

ISOTeam

Road To Recovery

Target Price: SGD0.12
Price: SGD0.086



Source: Bloomberg

Stock profile

Bloomberg ticker	ISO SP
Avg turnover (SGD/USD)	0.02m/0.01m
Net gearing (%)	131
Market cap (SGDm)	29.9m
Beta (x)	0.36
BVPS (SGD)	0.07
52-wk price low/high (SGD)	0.075 - 0.13
Free float (%)	40.8

Major shareholders (%)

ADD Investment Holding	34.6
Taisei Oncho Co	18.0
Koh Thong Huat	2.2

Share performance (%)

	1m	3m	6m	12m
Absolute	(4.4)	(4.4)	(14.0)	(25.9)
Relative	(2.8)	(0.9)	(14.4)	(26.4)

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Investment Merits

- Earnings recovery on the cards as low margin projects are phasing out, with newer and more profitable projects kicking in.
- Positive outlook for growth as construction project orders remain firm.
- Earnings turnaround play – maintain BUY and TP: SGD0.12, 40% upside.

Company Profile

ISOTeam is an established player in Singapore's building maintenance and estate upgrading industry. It is an early adopter of eco-conscious methods with over 15 years of repairs and redecoration (R&R) and addition and alteration (A&A) experience. The company's public and private sector clients benefit from having access to its eco-expertise as well as mainstream capabilities to achieve cost-effective and eco-conscious R&R and A&A for their buildings and estates.

Highlights

Gross margin and profitability outlook to improve. We expect to see overall profitability improving on the back of a better gross margin outlook. FY20-22 saw gross margin collapsing to 0.5-7.8% vs 15-18% in pre-COVID-19 years (FY18-19). Margin collapsed because of unexpected cost escalations due to resource shortages during the pandemic, notwithstanding the same projects being previously tendered with pricing locked-in at reasonable margins. With little to no price adjustments for these projects, gross margin and overall profitability naturally took a hit in FY20-22. These projects are now being flushed from ISOTeam's orderbook while new tenders are set to be priced reasonably. Hence, we expect gross margin and profitability to normalise going forward from 8.5% in 1HFY23 and improving from FY22's 7.8% (+0.3ppts).

Orderbook firm, tender pricing and margins set to improve. ISOTeam's orderbook is comparable to 1HFY20's, which has helped it book c.SGD100m of revenue each in FY21-22. However, as tender pricing and margins are expected to trend higher, we expect its orderbook value to improve. New tenders should be priced higher to reflect costing – facilitating a cost pass-through mechanism. Unfortunately, COVID-19 set off an unexpected price escalation in costs and, with project values held out at previously tendered levels, it resulted in a margin squeeze in FY20-21. We observe that these projects are now being flushed out, with new orders bid under better profitability terms. The players in ISOTeam's market have also consolidated, with several smaller companies exiting during the COVID-19 pandemic. This should also support project tender pricing due to fewer bidders.

Company Report Card

1HFY23 core earnings on track for recovery. ISOTeam reported core losses of SGD1.4m and a headline profit of SGD1m – below expectations due to lower margins and higher-than-expected costs – on SGD53m in 1HFY23 topline. This revenue was in line (+19% YoY), driven by increased activities and recovery across all its topline segments. The exception is the A&A business, which remained flat. Gross margin improved 8.5% (+1.4ppts) over 1HFY22 and sustained at the same level as 2H22 – helped by higher-margin projects. Nonetheless, a core loss of SGD1.4m after adjusting for a subsidiary disposal and its minority interests showed a marked improvement over 1HFY22's SGD3.4m loss.

Balance sheet/cash flow. Net gearing is 1.4x as of 1H23, where funds are used to execute projects. We estimate effective interest rates to be between 4-6%. ISOTeam is going asset-light and is disposing its cranes – renting them from third parties on a project basis. We believe that property, plant, and equipment costs are likely to reduce going forward, given its plans to be asset-light. Operating cash flows generated fluctuate from year to year, depending on profitability and the ability to turn receivables into cash. Hence, debt is required to fund projects from time to time. Cash conversion cycle tends to be better in more profitable years, collecting receivables faster than payables and recognising inventory into projects and vice versa. In the past five years, cash conversion cycle took an average 12 days before cash flow is realised.

Dividend. ISOTeam has a policy to pay at least 20% earnings as dividends. However, due to net losses, it has not paid any dividends since FY19. We expect dividends to be restored when it turns profitable in FY24F.

Partially owned and managed by co-founders. Three ISOTeam co-founders are key executives who collectively own c.35% of the company in almost equal proportions. David Ng is executive chairman, Anthony Koh is executive director and CEO, while Danny Foo is executive director. Unlike other small cap companies where the founder and major shareholders own between 50-80% of the company's shares, none of the three directors is the largest shareholder individually. Japanese construction company Taisei Oncho owns 18% of ISOTeam and has one non-executive seat on the board.

Investment Case

Earnings turnaround play – maintain BUY and SGD0.12 TP, 40% upside. We remain positive on ISOTeam, as we see it on a continuing turnaround path. We also believe the worst is over, given 1HFY23 (Jun) earnings are showing recovery signs. Lower-margin projects taken on during the height of COVID-19 are now being flushed out. Hence, we expect the company to return to core profitability on better margins, with new project wins tendered at improved prices. Our TP is based on 9x FY24F earnings.

Key downside risk: Continuing rise of raw material and labour costs would place pressure on margins.

Profit & Loss	Jun-22	Jun-23F	Jun-24F
Total turnover (SGDm)	100	106	112
Reported net profit (SGDm)	(11)	6	14
Recurring net profit (SGDm)	(10)	0	4
Recurring net profit growth (%)	(32)	(100)	N/M
Recurring EPS (SGD)	(0.03)	0.00	0.01
DPS (SGD)	0.00	0.00	0.00
Dividend yield (%)	0.0	0.0	2.8
Recurring P/E (x)	(3.0)	(106.6)	8.2
Return on average equity (%)	(33.6)	9.8	55.3
P/B (x)	1.2	1.2	1.1
P/CF (x)	0.0	0.0	2.8

Source: Company data, RHB

Balance Sheet (SGDm)	Jun-22	Jun-23F	Jun-24F
Total current assets	65	69	85
Total assets	92	92	106
Total current liabilities	49	43	44
Total non-current liabilities	22	22	22
Total liabilities	71	65	65
Shareholder's equity	25	24	27
Minority interest	(3)	(3)	(3)
Other equity	2	2	2
Total liabilities & equity	92	86	89
Total debt	47	47	47
Net debt	28	10	-5

Source: Company data, RHB

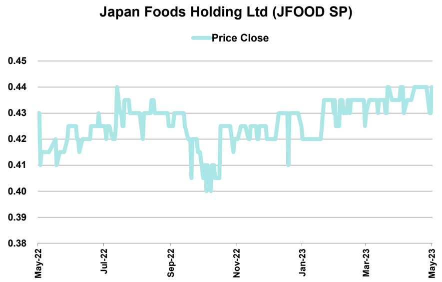
Cash Flow (SGDm)	Jun-22	Jun-23F	Jun-24F
Cash flow from operations	19	17	8
Cash flow from investing activities	16	(1)	(1)
Cash flow from financing activities	(13)	0	(1)
Cash at beginning of period	13	11	29
Net change in cash	(2)	18	15
Ending balance cash	11	29	44

Source: Company data, RHB

Japan Foods Holding

Benefitting From Strong F&B Demand

Target Price: SGD0.60
Price: SGD0.44



Source: Bloomberg

Stock Profile

Bloomberg Ticker	JFOOD SP
Avg Turnover (SGD/USD)	0.01m/0.01m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	76.7m
Beta (x)	0.56
BVPS (SGD)	0.19
52-wk Price low/high (SGD)	0.38 - 0.44
Free float (%)	24.1

Major Shareholders (%)

Takahashi Kenichi	65.8
Wong Hin Sun	5.4
Chan Chau Mui	4.6

Share Performance (%)

	1m	3m	6m	12m
Absolute	1.1	3.5	4.8	2.3
Relative	2.8	7.1	4.3	1.8

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Investment Merits

- Benefit from increase in dine-in demand in the F&B industry
- The return of Chinese tourists to Singapore in 2H22 is a positive
- Established market presence and brand recognition in Singapore
- Intends to seek opportunities in ASEAN and Japan
- Focused on reinvigorating its brand portfolio and remaining relevant as customers' tastes change. Its latest *halal*-certified Japanese restaurants have delivered a good performance
- Strong balance sheet with a net cash position of SGD19.9m (c.26% of its market capitalisation)

Company Profile

Established in 1997, Japan Foods (JFH) is one of the leading F&B groups in Singapore specialising in quality and authentic Japanese cuisine. As at Sep 2022, the group, together with its sub-franchisees and JVs, operates a total of 65 restaurants under various brands in Singapore and Japan. It also has interests in 17 restaurants in China, Hong Kong and Indonesia through associated companies.

Highlights

Beneficiary of international borders reopening. While the operating environment for the F&B industry in Singapore remains challenging in the near term due to manpower shortages and higher operating costs, we believe JFH should deliver strong topline growth on the back of an increase in dine-in customers. We expect a gradual return of Chinese tourist arrivals into Singapore from 2H22, which should further boost revenue growth for the F&B industry and for JFH. Given its ability to survive the COVID-19 pandemic, robust balance sheet and central kitchen (which rationalises some operating costs), we believe JFH is in a much better position compared to its competitors to benefit from this revival in the F&B industry's demand.

Continues to reinvigorate its brand portfolio. JFH is in a favourable position to expand its market share, given its flexible business model. We like its ability to: i) Rotate its restaurant brands across the 60+ leased spaces in Singapore's major retail locations, and ii) constantly bring in new concepts. JFH continues to establish a compelling portfolio of brands, concepts and locations that appeal to customers. In Jul 2022, it introduced Yakiniku Taro, a self-developed brand that features yakiniku, or Japanese-style grilling, and caters to meat lovers. The brand, which offers a choice of signature dipping sauces for a meat fest, opened its first restaurant in Downtown East last July. JFH also received a positive response from customers for its newly launched brand, Nakiryu, at Plaza Singapura. Nakiryu is a Japanese restaurant that has received a Michelin star in Tokyo every year since 2017.

Strong performance from the newly launched *halal* business segment. With the positive response to its first *halal* concept restaurant Tokyo Shokudo, which commenced operations in Nov 2020, JFH has rapidly expanded this segment. The number of *halal* restaurants that it operates has risen from just four in FY21 to 21 as of 31 Dec 2022. *Halal* restaurants contributed a net revenue YoY increase of SGD6.4m in 1HFY23 to SGD9.6m, and accounted for 25.2% of Japan Foods' total revenue in 1HFY23. We maintain that this segment will continue to support strong revenue growth for the group during the forecast period.

Growing beyond Singapore. In 2018, JFH and Minor Food Group (Singapore) (MS) established a JV to conduct the business of franchising and operating existing restaurant brands owned by JFH and MS in Japan, Thailand and China. JFH's store in Japan commenced business from 11 Oct 2022 after the lifting of COVID-19 restrictions and reopening of Japan's borders. JFH's associated companies already operate 17 restaurants in Hong Kong, China and Indonesia.

Net cash balance sheet and higher dividends. As at Dec 2022, JFH had no borrowings and a cash balance of SGD19.9m (c.26% of market cap). JFH updated its dividend policy to distribute at least 100% of net profit as dividends from FY22. We estimate JFH's dividend yield at 5-6% for FY23F-24F.

Company Report Card

Latest results. For 9MFY23, JFH reported a revenue of SGD58.4m (+54% YoY) on the back of strong demand for F&B services as Singapore relaxed COVID-19-related restrictions and from the positive response to its expanded franchise in *halal* restaurants. Despite inflationary cost pressures, JFH was able to sustain an 84.6% gross profit margin. Even with a sharp decline in government support and rental rebates from landlords, it managed to report a 95% YoY increase in net profit to SGD3.2m.

Strong cash position. JFH has a net cash balance of SGD19.9m. It generated positive operating cash flow throughout the pandemic.

Dividends. JFH declared an interim dividend of SGD1.00 cents per share in 1HFY23 (SGD0.50 cents per share in 1HFY22) as a reflection of its business confidence.

Management. JFH's management has a long history with the company. CEO Takahashi Kenichi founded JFH in 1997. The head of operations has been with JFH since 2003, and fulfilling the role since 2015. The CFO has been with the firm since 2008. The chief chef, who is responsible for ensuring high food quality standards in all restaurants and for creating new menu items, has been with the firm since 2001. The central kitchen operations manager has been with the group since 2011.

Investment Case

To benefit from higher demand amid return of tourism. We value JFH using an average of forward P/E, P/BV, EV/ EBITDA and DCF of adjusted FCF. Our TP of SGD0.60 implies an ex-cash 16x FY24F P/E, which we believe is compelling. Its dividend yield of 5-6% is superior compared to its peers.

Key risks include: i) Rising food input and labour costs, and ii) lower consumer spending amidst a weakening economic outlook.

Profit & Loss	Mar-22	Mar-23F	Mar-24F
Total turnover (SGDm)	54.6	71.4	75.9
Reported net profit (SGDm)	3.2	4.1	5.0
Recurring net profit (SGDm)	(0.3)	4.1	5.0
Recurring net profit growth (%)	(95.0)	N/A	23.0
Recurring EPS (SGD)	(0.00)	0.02	0.03
DPS (SGD)	0.02	0.02	0.03
Dividend Yield (%)	4.2	5.3	6.6
Recurring P/E (x)	N/A	18.7	15.2
Return on average equity (%)	N/A	12.5	15.2
P/B (x)	2.3	2.3	2.3
P/CF (x)	3.0	12.9	8.1

Source: Company data, RHB

Balance Sheet (SGDm)	Mar-22	Mar-23F	Mar-24F
Total current assets	27.6	24.8	25.0
Total assets	77.8	77.8	79.2
Total current liabilities	26.1	26.1	26.5
Total non-current liabilities	19.0	19.0	19.0
Total liabilities	45.1	45.1	45.5
Shareholder's equity	32.7	32.7	33.7
Minority interest	0.0	0.0	0.0
Other equity	0.0	0.0	0.0
Total liabilities & equity	77.8	77.8	79.2
Total debt	0.0	0.0	0.0
Net debt	(23.2)	(19.7)	(19.5)

Source: Company data, RHB

Cash Flow (SGDm)	Mar-22	Mar-23F	Mar-24F
Cash flow from operations	25.4	5.2	8.5
Cash flow from investing activities	(3.5)	(4.6)	(4.6)
Cash flow from financing activities	(22.6)	(4.1)	(4.1)
Cash at beginning of period	20.6	19.9	16.4
Net change in cash	(0.7)	(3.5)	(0.2)
Ending balance cash	19.9	16.4	16.3

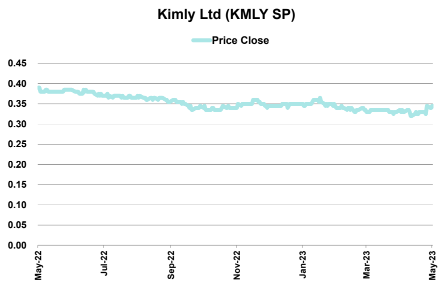
Source: Company data, RHB

Kimly

Network Expansion Driving Growth

Target Price: SGD0.40

Price: SGD0.345



Source: Bloomberg

Stock Profile

Bloomberg Ticker	KMLY SP
Avg Turnover (SGD/USD)	0.18m/0.13m
Net Gearing (%)	31
Market Cap (SGDm)	428.5m
Beta (x)	0.60
BVPS (SGD)	0.13
52-wk Price low/high (SGD)	0.32 - 0.395
Free float (%)	44.8

Major Shareholders (%)

Lim Hee Liat	39.8
Peh Oon Kee	8.0
Ng Lay Beng	5.7

Share Performance (%)

	1m	3m	6m	12m
Absolute	3.0	1.5	1.5	(11.5)
Relative	4.7	5.0	1.0	(12.0)

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Investment Merits

- One of the largest traditional coffee shop operators in Singapore
- Growth fuelled by store network expansion and operating cost efficiencies
- BUY, SGD0.40 TP, 16% upside with c.5% yield

Company Profile

Kimly is one of the largest traditional coffeeshop operators in Singapore with more than 30 years of experience. It operates and manages an extensive network of 81 food outlets under Kimly and Foodclique brands, three halal food outlets under Kedai Kopi brand, 166 food stalls, nine Tonkichi and Tenderfresh restaurants, seven Rive Gauche confectionary shops, and three Tenderfresh kiosks across the country.

Highlights

BUY, SGD0.40 TP, 16% upside with c.5% yield. Over the past 12 months, Kimly's share price declined c.17% from SGD0.40 after two former directors were found guilty and fined for not disclosing conflicts of interest in the Asian Story Corporation acquisition deal. Core business continues to be driven by outlet expansion, and based on our store opening outlook, we forecast earnings growth of 3.6% and 13% YoY for FY23F and FY24F. The stock now trades below its historical average of 14x, at FY23F P/E of c.13x.

There is a robust outlook for more outlets, following the Housing & Development Board's new supply of seven eating houses available for tender in the next six months. Its locations include Punggol, Yishun, Clementi, Bidadari, Bukit Batok, and Tampines.

Worst is over: Singapore food services recover from COVID-19 lows. According to Singapore Department of Statistics' (Singstat) Food & Beverage (F&B) Services Index (2017=100), F&B services have recovered from COVID-19 lows – normalising to 107 points in March, with Cafes, Foodcourts and other eating places category, reaching 118 points. With the loosening of restrictions, footfalls for dining have improved, benefitting F&B chains such as Kimly. We believe COVID-19 dine-in restrictions in 2020-21 brought out the worst for Singapore's F&B segment, and it can only improve post reopening. The latest Singstat F&B index shows that cafes, food courts, and other eatery outlets have either normalised to pre-pandemic levels or fared better in recent months – at more than 100 points vs a monthly average of 78 points in 2020-2021. Total sales value for overall F&B services stood at close to SGD1bn as at March 2023, above the monthly average of SGD708bn in 2020-2021.

Company Report Card

Decent FY22 performance. Headline earnings for FY22 came in at SGD34m (-13% YoY) amid a decrease in government grants. Revenue for FY22 grew 33% YoY to SGD318.8m – mainly due to newly acquired Tenderfresh, which contributed SGD73.5m. Core revenue grew 2.3% YoY to SGD244.5m, driven by three new coffee shops and an increase in cleaning services. This was offset by the termination of five management agreements for five coffee shops under a third-party brand and 11 underperforming food stalls. Headline gross margins were lower at 29% (-3ppts) due to reduced government grants and rental rebates from landlords. Stripping out these non-recurring grants, the FY22 core margin was slightly better. As FY22 earnings were a miss to our previous estimates, we have recalibrated our earnings forecasts to reflect revenues, costs, and margins closer to their current run rates while also taking into account the progressive wage in its cost structure. Consequently, we trim FY23-24F earnings to SGD36m and SGD41m. The overall outlook for F&B in terms of demand and store openings remains positive.

Dividend. Over the last two financial years FY21 and FY22, Kimly has paid c.60% earnings as dividends, from c.50% in FY17 and FY18. It tends to pay dividends around a fixed payout ratio and increases it whenever the company feels that the higher ratio can be sustained. We have projected payout ratio at 60% of earnings going forward since it has already sustained this payout ratio for two years.

Management. Kimly's management team comprises entirely of professional personnel. The board of directors is made up of just four members, including an executive director who manages overall business development, expansion, and other business processes. Key management comprises of director of operations – outlet management division, director of business development and strategic planning, director of operations – Kimly food retail division, and managing director of Tenderfresh Group and financial controller. None of the board members and key management are substantial shareholders.

Investment Case

BUY with 16% upside to our TP. The stock provides exposure to strong cashflow generation, stable dividends, and defensive F&B earnings. Currently trading at below historical average valuation, we are positive on Kimly's revenue growth via store expansion and better economies of scale in labour productivity going forward. Our ESG score of 2.4 is maintained, based on our in-house proprietary methodology. Hence, we embed a 12% discount to our intrinsic value in deriving TP.

Key risks. Manpower shortages, intense competition in the F&B industry, possible food contamination, and tampering risk.

Profit & Loss	Dec-22	Dec-23F	Dec-24F
Total turnover (SGDm)	318	333	358
Reported net profit (SGDm)	37	37	42
Recurring net profit (SGDm)	37	37	42
Recurring net profit growth (%)	(6.6)	0.3	13.2
Recurring EPS (SGD)	0.02	0.02	0.02
DPS (SGD)	0.02	0.02	0.02
Dividend yield (%)	4.9	4.8	5.4
Recurring P/E (x)	12.6	12.6	11.1
Return on average equity (%)	24.6	21.5	22.1
P/B (x)	2.6	2.4	2.2
P/CF (x)	4.9	9.8	8.4

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-22	Dec-23F	Dec-24F
Total current assets	94	113	137
Total assets	357	376	398
Total current liabilities	96	98	102
Total non-current liabilities	94	94	94
Total liabilities	190	193	196
Shareholder's equity	162	178	196
Minority interest	5	5	5
Other equity	0	0	0
Total liabilities & equity	357	376	398
Total debt	22	22	22
Net debt	(56)	(73)	(95)

Source: Company data, RHB

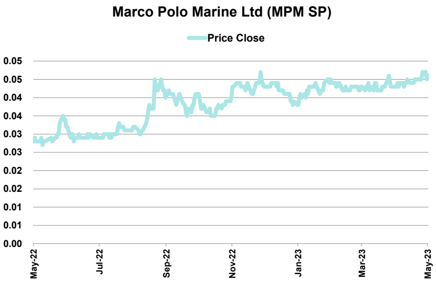
Cash Flow (SGDm)	Dec-22	Dec-23F	Dec-24F
Cash flow from operations	93	51	59
Cash flow from investing activities	(34)	(6)	(6)
Cash flow from financing activities	(71)	(20)	(23)
Cash at beginning of period	95	78	95
Net change in cash	(17)	18	22
Ending balance cash	78	95	118

Source: Company data, RHB

Marco Polo Marine

In a Sweet Spot For Growth

Target Price: SGD0.06
Price: SGD0.046



Source: Bloomberg

Stock Profile

Bloomberg Ticker	MPM SP
Avg Turnover (SGD/USD)	0.28m/0.21m
Net Gearing (%)	-33
Market Cap (SGDm)	172.7m
Beta (x)	1.11
BVPS (SGD)	0.04
52-wk Price low/high (SGD)	0.026 - 0.048
Free float (%)	80.3

Major Shareholders (%)

Nautical International	12.9
Watiga Trust	4.3
Ho Lee Group	1.1

Share Performance (%)

	1m	3m	6m	12m
Absolute	7.0	4.5	7.0	64.3
Relative	8.7	8.1	6.5	63.8

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Investment Merits

- Well positioned in the construction ramp up of offshore wind farms regionally
- Early mover in the building of commissioning service operation vessels (CSOV) which is currently facing shortage for offshore windfarm construction projects
- Maintain BUY and TP of SGD0.06, 30% upside

Company Profile

Marco Polo Marine (MPM) is an integrated marine logistics company engaged in shipyard, shipbuilding, repair, conversion, maintenance services, oil & gas (O&G) fabrications and ship chartering businesses. Its shipyard in Batam which spans 34 hectares of land, has a throughput of c.100 ships annually. In ship chartering, it owns/operates c.13 offshore vessels and c.20 tugs & barges.

Highlights

Robust demand for the construction of offshore wind farms in Asia. In support of climate change and decarbonisation, countries including those in Asia are transiting from traditional to renewable and sustainable sources of energy. According to the Global Wind Energy Council's (GWEC) Global Offshore Wind Report 2022, the global offshore wind market is expected to grow from 21.1 GW in 2021 to 54.9 GW in 2031. The GWEC also estimates that China will add 39 GW in the next five years, followed by Taiwan (6.6 GW), Vietnam (2.2 GW), South Korea (1.7 GW) and Japan (1 GW). Longer term, China aims to reach 1,200 GW of offshore windpower capacity by 2030, 5.7 GW by 2025 for Taiwan, >12 GW by 2030 for South Korea, and up to 30-45 GW by 2040 for Japan. As such, construction of offshore wind farms over the next few years is expected to be robust.

Shortage of CSOV vessels. Given the demand for the construction of offshore wind farms, CSOVs that are used to construct these offshore windfarms are currently in limited supply. According to Clarksons, there will be a shortage of Tier 1 CSOV vessels to meet projected construction demand. There are currently 10 CSOVs in the market and most of the supply is contracted in Europe. Another 30 CSOVs are currently on order.

Expect MPM to benefit from its CSOV newbuild, as a resource owner/operator. MPM is currently building one CSOV, targeted to be commissioned in Dec 2023. With the deployment of the CSOV vessel in FY24F (Sep), we expect charter rates for the CSOV to be attractive, due to the tight supply. This is expected to contribute positively to revenue and earnings growth.

Company Report Card

Latest results. 1QFY23 reported revenue growth of 96% YoY to SGD24m, driven by strong demand for its vessels and higher ship repair volumes. Both charter and utilisation rates (now close to 90%) have increased, led by strong demand from the O&G and Taiwan offshore windfarm sectors. Its shipyard is benefiting from stronger demand for the installation of the ballast water system and utilisation (74%) remained steady, even with the extended capacity of dry dock 1. GPM improved by 7.5ppts to 28% as a result of better utilisation. Given the momentum of higher utilisation and charter rates for its vessels, backed by firm demand by offshore windfarms and healthy ship repair volumes, we raise FY23F earnings by 29% on better charter rates and utilisation assumptions.

May require funding for newbuilds in the future. MPM is in a net cash position of SGD50.3m as at FY22. However, based on its need to grow its fleet such as the CSOV, capex requirements are high and hence financial resources are crucial to facilitate growth. Management will re-evaluate its options on newbuilds after the deployment of the CSOV, and depending on its plans for newbuilds, it may require further funding to carry out its newbuild plans. Being in a net cash position in FY22 puts it in a favourable position to gear up and grow its fleet. Capex in FY23F-24F are high due to the building of its CSOV. We forecast capex to taper off after this as there are currently no plans for more newbuilds beyond this. Operating cash flow has generally been positive over the last few years.

No dividends. MPM does not have a fixed dividend policy and has not paid dividends for at least the past eight years since FY15. We anticipate that cash resources generated by the company to be reinvested in the business on new build vessels or shipyard expansion, and therefore expect no dividends declared over our forecast period.

Management. MPM is led by Mr. Sean Lee who is the CEO and son of MPM's former executive Chairman Mr. Lee Wan Tang. He is supported by four key independent professional executives – Director of Shipyard Operations, Senior GM of Shipyard Division, Senior GM of Offshore Division and Group Financial Controller. The shareholding of MPM is sporadic. As of FY22, Apricot Capital, an investment fund partially owned by the former SGX-listed Super Group's founder, Mr. David Teo Kee Bock holds 17% of MPM. Apricot Capital also has a non-executive board seat on MPM. Mr. Lee Wan Tang, MPM's former Executive Chairman, is deemed to own a c.14% stake. Its other substantial shareholder is SGX-listed Penguin International Limited at 8%.

Investment Case

A CSOV deployment play. MPM's catalyst is based on the deployment of its new CSOV from FY24F, which is expected to deliver upside to earnings. With FY22-25F earnings CAGR at 18%, valuation of <1x PEG is compelling.

Key risks. Our forecasts and TP are premised on better charter rates, utilisation, including the successful deployment of its CSOV, over the next two years, failing which, any disappointment would be a risk to our earnings estimates and TP.

Profit & Loss	Sep-22	Sep-23F	Sep-24F
Total turnover (SGDm)	86	122	134
Reported net profit (SGDm)	21	17	18
Recurring net profit (SGDm)	12	17	18
Recurring net profit growth (%)	425.4	44.5	6.6
Recurring EPS (SGD)	0.00	0.00	0.01
DPS (SGD)	0.00	0.00	0.00
Dividend Yield (%)	0.0	0.0	0.0
Recurring P/E (x)	13.6	9.4	8.9
Return on average equity (%)	16.8	11.7	11.1
P/B (x)	1.2	1.0	0.9
P/CF (x)	5.7	4.8	4.5

Source: Company data, RHB

Balance Sheet (SGDm)	Sep-22	Sep-23F	Sep-24F
Total current assets	56	80	86
Total assets	140	188	217
Total current liabilities	15	31	42
Total non-current liabilities	9	6	6
Total liabilities	25	36	48
Shareholder's equity	115	139	156
Minority interest	0	13	13
Other equity	0	0	0
Total liabilities & equity	140	188	217
Total debt	4	3	3
Net debt	(16)	(50)	(49)

Source: Company data, RHB

Cash Flow (SGDm)	Sep-22	Sep-23F	Sep-24F
Cash flow from operations	9	29	35
Cash flow from investing activities	(2)	3	(36)
Cash flow from financing activities	0	(1)	0
Cash at beginning of period	14	20	52
Net change in cash	6	31	(1)
Ending balance cash	20	52	50

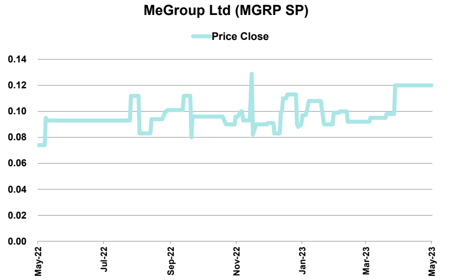
Source: Company data, RHB

Fair Value: Not Rated

Price: SGD0.12

MeGroup

Riding On Malaysia's Automotive Market Growth



Source: Bloomberg

Stock Profile

Bloomberg Ticker	MGRP SP
Avg Turnover (SGD/USD)	0m/0m
Net Gearing (%)	147
Market Cap (SGDm)	14.2m
Beta (x)	N/A
BVPS (SGD)	0.32
52-wk Price low/high (SGD)	0.041 - 0.129
Free float (%)	35.1

Major Shareholders (%)

JCWW Holdings	51.7
Lee Khoon Chuan	13.1
Crimson Cloud	9.7

Share Performance (%)

	1m	3m	6m	12m
Absolute	0.0	21.2	25.0	62.2
Relative	1.7	24.7	24.6	61.7

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Investment Merits

- Exposure to growth of Malaysia's automotive market
- Growth led by elevated TIV outlook and consumption for automotive sales post Movement Control Order (MCO) restrictions
- Post COVID earnings turnaround on the cards

Company Profile

MeGroup manufactures noise, vibration and harshness (NVH) components (eg headliners, engine outers), and non-NVH components (eg board assembly trays and parcel decks) for automotive as well as heating, ventilation, and air conditioning (HVAC) industries. It also owns and operates sales, service and spare parts (3S) as well as sales, service, spare parts, shop for body and paint (4S) automobile dealerships in the Klang Valley, Malaysia, for Ford, Honda, Hyundai, Mazda, Mitsubishi, Peugeot, Proton.

Highlights

Positive on Malaysian automotive sector. We see robust orders, fueled by new model launches and recovering supply chains driving the growth of the Malaysian automotive sector going forward. Based on our internal forecasts, we expect 2023F TIV to still be elevated at 680k (-5% YoY from a high base as 2022 saw a spillover of demand due to a muted 2021). Unit sales for key marquee brands are expected to pose growth of 0-13% YoY this year, led by local brands. Automotive sales have been strong, with March TIV coming in at 78,849 units (+8% YoY, +24% MoM), and March total production volume (TPV) at +27% YoY and 19% MoM. These were lifted by demand to deliver vehicles before end march for SST-exempt vehicles and Hari Raya promotions. As a qualified and approved supplier of NVH and non-NVH components to the Malaysian manufacturers of Honda, Perodua, Mazda and Proton, MeGroup is well positioned to ride on the growth of Malaysia's automotive market.

Manufacturing operates in high barrier to entry environment. The automotive industry has high barriers to entry due to, inter alia, intensive capital requirements and stringent distributor and/or dealer selection criteria. While the dealership business is more competitive, its manufacturing business is more entrenched, with two other key competitors – Hirotako Acoustics and Paragon Union.

Earnings turnaround on the cards. After a tough FY22 where MeGroup made a net loss of MYR3.3m, from lower gross margin, led by a 2.5-month temporary production halt during the Malaysia's MCO 3.0 period and lower mix of after-sales automobile service at its dealership, MeGroup is enroute to recovery. Earnings are poised to rebound post reopening of COVID-19 restrictions. A larger dealership network, resumption of manufacturing, and elevated TIV for 2023F are expected to support earnings growth going forward.

Company Report Card

Latest results. 1H23 revenue grew 154% YoY to MYR204m led by the dealership business which grew 157% YoY to MYR182m, while the manufacturing business grew 136% YoY to MYR22.4m. The revenue increase is largely due to the reopening of and relaxation of COVID-19 restrictions which drove higher sales volumes in the manufacturing and dealership businesses. The dealership business also benefitted from the new Proton dealership at Telok Panglima Garang, Selangor, which commenced operations in Jan 2022. GPM improved 1.6ppts to 8.8%, contributed by both segments. The dealership business saw gross margin increase by 0.9ppt to 7.4% due to lower discounts, while the manufacturing business gross margin improved by 8.1ppts to 19.8% as production volumes rose. Operating expenses also benefitted from the leverage of better overall sales volumes. Thus, 1H23 rebounded from a net loss of MYR5m in 1H22 to a net profit of MYR2.5m.

Balance sheet/cash flow. MeGroup has a net debt of MYR58m and net debt to equity of c.1.5x. Borrowings are used to increase manufacturing capacity and upgrade/open of its dealership network. The business is cash generating in most years, save for some rare exceptions of automobile inventory loading. Dealership sales are made on cash terms and 30- to 90-day credit payment to principals. Its manufacturing grants customers credit of up to 60 days while paying suppliers on an up to 75 days' credit term.

Dividend. As MeGroup does not have an official dividend policy, dividends are dependent on profitability. Since listing, it has paid out DPS in FY20 and FY21 – with the exception of FY22 when it made a loss – to the tune of 0.93 sen and 2.0 sen. DPS and payout ratio have been irregular during these years.

Management. MeGroup is led by Executive Chairman and CEO Wong Cheong Chee. His children comprising of Executive Director, Wong Keat Yee and Executive Officers, Wong Sai Hou and Wong Sai Keat, hold key management positions in the company. Other key management personnel includes Abdul Razak bin Montel, founding member of MeGroup. The Wong family collectively own 51% of MeGroup through JCWW Holdings, while Abdul Razak owns close to a 10% stake.

Investment Case

Riding on growth of Malaysia's automotive market. Being a major supplier of NVH components and non-NVH components to local automobile manufacturers in Malaysia, and a car dealer of seven major Japanese, continental, and local brands, MeGroup offers exposure to the growing automobile market in Malaysia.

Key risks. MeGroup is dependent on the growth of Malaysia's automotive production (overall TIV) and sales (consumption) for growth. A decline in manufacturers' and consumers' appetite for production and consumption would dampen growth prospects. Similarly, a disruption of production and operations at the manufacturing plants such as a fire or MCO restrictions would dampen earnings growth.

Profit & Loss	Mar-20	Mar-21	Mar-22
Total turnover (MYRm)	246	209	255
Reported net profit (MYRm)	1	1	(3)
Recurring net profit (MYRm)	1	1	(3)
Recurring net profit growth (%)	(38.4)	(35.9)	N/A
Recurring EPS (MYR)	0.01	0.00	-0.03
DPS (MYR)	0.00	0.02	0.00
Dividend Yield (%)	0.0	16.7	0.0
Recurring P/E (x)	38.2	85.0	N/A
Return on average equity (%)	2.8	1.2	(7.9)
P/B (x)	1.1	1.1	1.2
P/CF (x)	2.8	6.5	89.5

Source: Company data, RHB

Balance Sheet (MYRm)	Mar-20	Mar-21	Mar-22
Total current assets	43	43	51
Total assets	106	109	129
Total current liabilities	23	24	43
Total non-current liabilities	38	40	47
Total liabilities	61	64	89
Shareholder's equity	43	44	38
Minority interest	1	1	1
Other equity	0	0	0
Total liabilities & equity	106	109	129
Total debt	47	47	70
Net debt	34	36	58

Source: Company data, RHB

Cash Flow (MYRm)	Mar-20	Mar-21	Mar-22
Cash flow from operations	14	5	(2)
Cash flow from investing activities	(10)	(5)	(8)
Cash flow from financing activities	(6)	(5)	7
Cash at beginning of period	17	12	11
Net change in cash	(2)	(5)	(2)
Ending balance cash	12	11	16

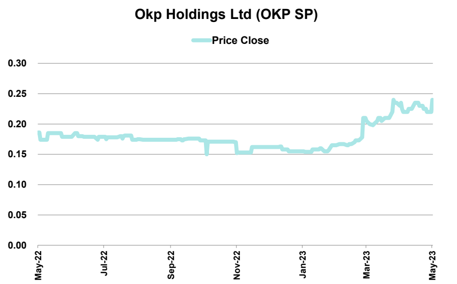
Source: Company data, RHB

Fair Value: Not Rated

Price: SGD0.24

OKP

Poised To See a New Dawn



Source: Bloomberg

Stock Profile

Bloomberg Ticker	OKP SP
Avg Turnover (SGD/USD)	0.01m/0.01m
Net Gearing (%)	9
Market Cap (SGDm)	73.7m
Beta (x)	0.31
BVPS (SGD)	0.39
52-wk Price low/high (SGD)	0.15 - 0.24
Free float (%)	30.3

Major Shareholders (%)

Or Kim Peow Investment	54.9
China Sonangol International	14.1
Or Kim Peow	0.3

Share Performance (%)

	1m	3m	6m	12m
Absolute	4.3	45.5	57.9	29.0
Relative	6.0	49.0	57.5	28.5

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Investment Merits

- Recent arbitration outcome positive for more project wins at higher contract values going forward
- Positive outlook on margins and construction demand
- Net cash is equivalent to c.72% of its market cap, including the incoming SGD42m

Company Profile

OKP is a leading infrastructure and civil engineering group in Singapore specialising in constructing airport runways and taxiways, expressways, flyovers, vehicular bridges, urban and arterial roads, airport infrastructure, and oil & gas-related infrastructure for petrochemical plants and oil storage terminals. It also maintains roads, road-related facilities and building construction-related works. Over the past decade, OKP has expanded into property development and investment.

Highlights

Ushering in a new chapter. Since 2017 after the viaduct collapse near the Pan-Island Expressway (PIE) exit to Tampines Expressway, its net profit, revenue and orderbook have come under pressure due to negative publicity and, to a smaller extent, a slowdown in construction activities during the COVID-19 pandemic. In Mar 2023, OKP was awarded SGD42m by the court via arbitration, in compensation for the 2017 viaduct collapse against CPG Consultants. We believe the closure of the incident will usher in a new chapter for OKP going forward.

More higher-value projects ahead. The arbitration is positive for OKP's growth outlook, in our view. First, OKP's credibility should be restored, as the legal outcome is a testament that it executed the job according to specifications. Customers awarding new projects can now have peace of mind when appointing OKP. We therefore expect more project wins going forward. Second, as part of the arbitration outcome, OKP will be paid SGD42m in compensation. The additional cash resources should enable it to take on larger projects with higher contract values. All these will bode well for its orderbook ahead.

Margins set to improve. OKP had low-margin projects during the COVID-19 pandemic, as the cost of manpower, raw materials and other resources increased. These projects will be concluded eventually, leaving its remaining orderbook with better profitability projects.

Outlook for construction remains robust. Based on the Building & Construction Authority's (BCA) 2024-2027 projection, construction demand is expected to range between SGD25bn and SGD32bn per year, with public projects at between SGD14bn and SGD18bn per year. OKP's current order book stands at a healthy c.SGD454m with projects lasting till 2026.

Company Report Card

Latest results. OKP reported a core earnings turnaround of SGD1m vs core losses of SGD3m. This was on the back of improved revenue, which grew by 30% YoY to SGD118m, led by the recovery in the construction segment (+45% YoY, SGD82m). Gross margins improved 1.6ppt to 9.2% on better cost management over materials and manpower. Stripping out one-off items, recurring profit before tax was SGD2.3m vs SGD0m in FY21, pointing to a marked recovery of core earnings from last year. A first and final DPS of 0.7 SG cents was declared, equivalent to 214% of core EPS.

Balance sheet/cash flow. As a construction company, operating cash flow requirements may vary, depending on the timing of payment and cash collection across the various construction projects. As such, there is no fixed pattern to the business' operating cash flow, which may be positive or negative. Project financing is common and may be required to execute construction projects secured. Its debt-to-equity has ranged at 23-33% in the past five years but, due to strong cash balances, OKP has been in net cash except for FY22 (9% net debt to equity). We estimate that with the incoming SGD42m from its arbitration, it should have net cash of SGD31m or 10 SG cents per share.

Dividend. OKP does not have a fixed dividend policy, but has consistently declared final DPS of 0.7 SG cents over the past five years. In FY18, it even declared an additional special DPS of 0.3 SG cents. The payout ratio from FY15 to FY18 ranged between 42% and 49% when earnings were more consistent.

Family-owned and -managed. OKP is majority-owned by founder and Chairman Or Kim Peow. The board of directors comprises of his wife, three sons and nephew (who are all executive directors), supported by three independent directors. Its management team has only one professional CFO, joined by two other family members (nephew and brother), who are executive directors of a wholly owned subsidiary, Eng Lam Contractors.

Investment Case

An earnings turnaround play. We see OKP as an earnings turnaround play. Post arbitration of the viaduct collapse, we see OKP entering into a new phase, with the issue of the viaduct collapse well behind it. Its orderbook should continue growing on the back of robust construction demand, while new projects secured at better margins and the completion of lower-margin projects secured during COVID-19 should drive margin growth ahead.

Key risks: i) OKP's earnings turnaround is premised on better margins and more robust contract wins, and ii) inability to secure higher-value projects at better margins presents risks to its ability to turn around.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (SGDm)	70	90	118
Reported net profit (SGDm)	3	2	(1)
Recurring net profit (SGDm)	3	2	(1)
Recurring net profit growth (%)	N/A	(54.0)	N/A
Recurring EPS (SGD)	(0.01)	(0.01)	(0.01)
DPS (SGD)	0.01	0.01	0.01
Dividend Yield (%)	2.9	2.9	2.9
Recurring P/E (x)	N/A	N/A	N/A
Return on average equity (%)	2.7	1.2	(0.9)
P/B (x)	0.4	0.5	0.6
P/CF (x)	3.0	N/A	N/A

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-20	Dec-21	Dec-22
Total current assets	103	76	69
Total assets	197	203	205
Total current liabilities	39	37	44
Total non-current liabilities	35	41	37
Total liabilities	74	78	81
Shareholder's equity	122	122	119
Minority interest	1	4	5
Other equity	0	0	0
Total liabilities & equity	197	203	205
Total debt	32	40	37
Net debt	(47)	(11)	11

Source: Company data, RHB

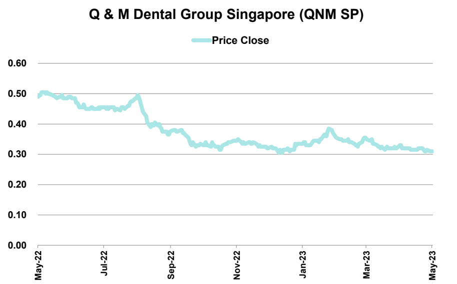
Cash Flow (SGDm)	Dec-20	Dec-21	Dec-22
Cash flow from operations	18	(7)	(10)
Cash flow from investing activities	(1)	(31)	(8)
Cash flow from financing activities	(3)	9	(8)
Cash at beginning of period	65	79	51
Net change in cash	14	(28)	(25)
Ending balance cash	79	51	26

Source: Company data, RHB

Q&M Dental

Fair Value: Not Rated
Price: SGD0.31

Increasing Utilisation, Building Long-Term Growth



Source: Bloomberg

Stock Profile

Bloomberg Ticker	QNM SP
Avg Turnover (SGD/USD)	2.63m/1.97m
Net Gearing (%)	99
Market Cap (SGDm)	293.4m
Beta (x)	0.81
BVPS (SGD)	0.1
52-wk Price low/high (SGD)	0.3 - 0.505
Free float (%)	39.2

Major Shareholders (%)

Quan Min Holdings	53.1
Heritas Helios Investments	6.8
Ng Chin Siau	0.6

Share Performance (%)

	1m	3m	6m	12m
Absolute	(6.1)	(12.7)	(10.1)	(36.7)
Relative	(4.4)	(9.2)	(10.6)	(37.2)

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Investment Merits

- Growth will be driven by increased utilisation of existing clinics
- AI platform development will help to position QNM for longer-term growth
- Trading below its 5-year pre-pandemic historical average P/E of >20x, at around -1SD from the mean

Company Profile

Q&M Dental (QNM) was first established in Nov 1996 in Singapore, at Bukit Batok. It now has more than 100 clinics across the country, and is the largest private dental healthcare group in Singapore.

Highlights

Expect revenue to decline from post-pandemic economic reopening, as testing activities decrease. Its core business continues to grow despite the decline in activities related to COVID-19. After the lifting of Singapore's COVID-19 restrictions and re-opening of the economy, QNM has seen revenue from its Medical Laboratory and Dental Equipment & Supplies segment taper off, due to the decrease in demand for COVID-19 testing requirements. Going forward, QNM aims to increase the utilisation rates of its clinics.

Growth via higher utilisation rates. QNM's growth strategy is to increase the utilisation rates of its clinics, after expanding its clinic network in FY22 via recruiting more dentists as well as increasing the number of treatment rooms and dental chairs to utilise existing outlets better. Dentists are also being upskilled to take on more complex treatment and procedures, to retain patients. Marketing plans are in place to bring in more patients. It also sends frequent patient reminders via a mobile app and other mediums of communication.

Investment in artificial intelligence (AI) platform could be a game changer for future growth. QNM is currently developing an AI platform that uses data to diagnose and recommend treatment for patients. When fully developed, the software will first be used in-house to help in oral screening, X-ray and diagnostics, etc. QNM dentists can then be on hand to help patients evaluate and carry out necessary follow-up treatments for additional revenue. Besides using it in-house, the software could be sold and distributed overseas to other dental and healthcare groups, as a means to help dentists improve their patient care. The cost of developing the AI software currently runs at a few million Singapore dollars a year, subsidised by the group's core healthcare business. The AI platform has, so far, already obtained Health Sciences Authority (HSA) registration. It has also been rolled out to its clinics for doctors' use. Management wants to ensure that the software meets high standards before it is launched for commercial sale.

Company Report Card

Latest results. FY22 revenue declined 12% YoY to SGD181m, led by a 55% YoY decline in the Medical Laboratory and Dental Equipment & Supplies segment, as a result of lower demand and pricing for COVID-19 testing in Singapore. The Dental and Medical Clinics' segment revenue remained flat at SGD160m as the number of clinics increased from 141 to 157, comprising 10 dental clinics in Singapore and six in Malaysia. Core healthcare revenue, EBITDA and PATMI remained healthy, growing by 2% YoY, 6% YoY and 7% YoY to SGD172m, SGD39m and SGD17m. DPS declared for the year amounted to 1 SG cent, equivalent to an 85% payout ratio.

Balance sheet/cash flow. QNM's net debt as of FY22 stood at SGD17m. It is a cash-generating business, with revenue collection from patients largely in cash terms. Although cash generation is strong, QNM has raised debt previously to fund acquisitions such as that of Foo & Associates Dental Surgeons in Paragon in 2014. In recent years, it has deleveraged, and has pared down borrowings to c.10% net debt equity.

Dividend. QNM has been paying out dividends regularly and annually. However, dividend payments are evaluated and determined each financial year. As dividends are dependent on the company's profitability, this has resulted in an irregular pattern in terms of DPS or payout ratio. Over the past 10 years, the payout ratio has ranged from 20% to as high as over 100%.

Managed by the Ng family. QNM is founded and led by Dr Ng Chin Siau, who is its CEO. He is supported by two other executive officers who are also family members – General Manager Foo Siew Jiuan (wife) and CFO Ng Sook Hwa (sister). In addition, San Yi Leong, the Deputy CEO and Executive Director of associate company Aoxin Q&M Dental Group, is Dr Ng's brother-in-law and the husband of Ng Sook Hwa. Dr Ng's interest is largely aligned with shareholders through his c.53% ownership of QNM.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (SGDm)	138	206	181
Reported net profit (SGDm)	20	30	11
Recurring net profit (SGDm)	20	30	11
Recurring net profit growth (%)	9.5	54.4	(62.8)
Recurring EPS (SGD)	0.02	0.03	0.02
DPS (SGD)	0.02	0.06	0.01
Dividend Yield (%)	7.6	19.4	4.5
Recurring P/E (x)	15.0	11.1	18.8
Return on average equity (%)	16.2	27.8	11.6
P/B (x)	3.0	5.8	2.9
P/CF (x)	16.0	11.6	9.9

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-20	Dec-21	Dec-22
Total current assets	86	95	82
Total assets	274	276	267
Total current liabilities	30	45	33
Total non-current liabilities	120	128	132
Total liabilities	150	173	165
Shareholder's equity	121	98	96
Minority interest	3	5	6
Other equity	0	0	0
Total liabilities & equity	274	276	267
Total debt	129	138	56
Net debt	80	90	17

Source: Company data, RHB

Investment Case

AI platform to drive long-term growth, valuation at below historical average P/E. The stock offers exposure to growth of the largest dental group in Singapore. QNM's core business has grown despite the drop in revenue stemming from the decline in COVID-19 related activities. Nonetheless, the group strives to strengthen its existing outlets through better utilization rates – by adding more dental chairs and increasing the patient count per doctor. Its AI initiative should help supplement longer-term growth, with overseas sales and increased revenue per patient led by more treatment services, after diagnosis and evaluation of the patient's condition. The stock currently trades at close to -1SD from its historical average P/E of >20x.

Key risks. Immediate-term growth hinges on QNM's ability to improve the utilisation of its dental resources including staff, dental rooms and chairs. Failure to deliver this would undermine growth. In addition, longer-term growth would be dependent on the successful roll-out of its AI platform.

Cash Flow (SGDm)	Dec-20	Dec-21	Dec-22
Cash flow from operations	23	49	30
Cash flow from investing activities	40	4	(11)
Cash flow from financing activities	(42)	(54)	(27)
Cash at beginning of period	27	49	48
Net change in cash	22	(1)	(8)
Ending balance cash	49	48	40

Source: Company data, RHB

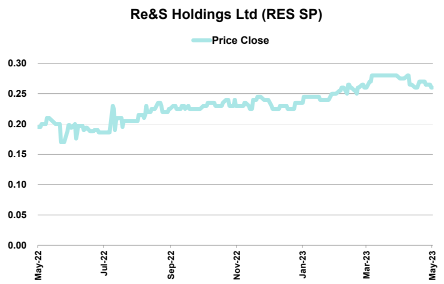
RE&S

Fair Value: Not Rated

Price: SGD0.26

RE&S

Growing Unilaterally



Source: Bloomberg

Stock Profile

Bloomberg Ticker	RES SP
Avg Turnover (SGD/USD)	0.01m/0.01m
Net Gearing (%)	118
Market Cap (SGDm)	92m
Beta (x)	0.53
BVPS (SGD)	0.11
52-wk Price low/high (SGD)	0.17 - 0.285
Free float (%)	15.1

Major Shareholders (%)

Tatara Hiroshi	62.3
Yek Hong Liat	17.0
Foo Kah Lee	2.5

Share Performance (%)

	1m	3m	6m	12m
Absolute	(5.5)	4.0	13.0	33.3
Relative	(3.8)	7.5	12.6	32.8

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Investment Merits

- Benefitting from Singapore's post COVID-19 reopening and dining-in for consumer and business segments, besides the return of tourists' demand
- Outlet expansion to be led by the opening of both existing and new Japanese cuisine concepts
- Cashflow stock at 6.5% yield and 7.0x FY22 P/E

Company Profile

RE&S is a multi-concept owner and operator of F&B outlets in Singapore and Malaysia that specialises in Japanese cuisine. It currently operates more than 70 food and beverage (F&B) outlets, predominantly in Singapore across full-service and quick-service restaurant formats. Key brands include Ichiban Sushi, Kuriya Japanese Market, Ichiban Bento, Kyakiniku-GO, and Gokoku Japanese Bakery.

Highlights

Worst is over: Food Services in Singapore have recovered from COVID-19 lows. According to Singapore Department of Statistics' (Singstat) F&B Services Index (2017=100), Singapore's F&B segment has recovered from its COVID-19 lows, normalising to 107 points in March. In particular, restaurants have reached 90-110 points with the loosening of COVID-19 restrictions, footfall and dining improved, benefitting F&B chains such as RE&S. We believe COVID-19 dine-in restrictions from 2020 to 2021 brought the worst for Singapore's F&B segment, and it can only improve with any easing of the restrictions.

New brands to drive store expansion. RE&S is currently focusing on growing its full-service restaurants (FSR) and quick-service restaurants' concepts as it believes the high casual and premium market segments are already matured. It will continue expanding its newer brands and aim for better margins for its FSR concepts. There is also more scope for store openings in Singapore across all brands, including Ichiban, which the company believes can penetrate the market further with at least five more locations. New concepts, such as Mr Donut, will also help to fuel store network expansion going forward.

Defending profitability amid higher labour costs. The Ministry of Manpower has instituted a progressive wage model for the F&B sector to help uplift lower-wage workers' earnings from March. In response, RE&S is implementing menu and price adjustments, and reducing reliance on skilled labour via simpler and more straightforward kitchen operations for new concepts such as Yakiniku-Go and Tsukimi Hamburg. Newer concepts like Mr Donut, and its new outlets would have their menu and pricing recalibrated to the desired profitability. RE&S is also improving Gokoku Bakery's operational efficiency by centralising some of its processes to the central kitchen in order to support margins.

Company Report Card

Latest results. RE&S' 1H23 earnings grew 62% YoY to SGD5.6m on the back of SGD87.9m revenue (+24% YoY). Revenue growth was driven by recoveries in footfall and dining-in post the removal of COVID-19 restrictions. The company also added three new outlets in 1H23. Gross margins improved 0.9ppt to 73.3%, led by lower food and packaging costs. As footfall and outlet table turns improved in 1H23, better economies of scale over fixed expenses – including depreciation and rents – helped PBT grow 86% YoY to SGD7m, with PBT margin expanding 5.3-8% (+2.7ppt).

Balance sheet/cashflow. F&B retail is a cash generating business and RE&S generates operating cashflows in excess of c.SGD40m each in FY21-22 – representing 11-12 cents per share. 1H operating cashflow generated SGD17m, amounting to 4.8 cents per share. Balance sheet net cash stood at SGD17.7m – worth c.5 cents per share.

Dividend. RE&S does not have an official dividend policy. However, the company undertakes to pay a DPS that it deems sustainable. With the exception of FY20, when it made losses at the height of COVID-19 pandemic, its DPS has steadily increased from 0.4 to 1.7 cents in FY22. 1H23 interim dividends were declared at 0.9 cents vs 1H22's 0.85 cents. Hence, the dividend payout ratio increased from FY18's 36% to 63% in FY21-22.

Professional management team. RE&S is managed by professional executives, with its founder Mr. Hiroshi Tatara as executive director and president. CEO and executive director Mr. Fenton Foo was the company's CFO from 2016-19. He took over the CEO role from current non-executive and non-independent director Mr. John Yek. Ms. Yap Fang Ling, who joined the company in 2014, has been the financial controller since the 2019 management reorganisation. COO Mr. Lim Shyang Zheng oversees business operations, including supply chain and retail operations. He has been with RE&S since 2010.

Profit & Loss	Jun-20	Jun-21	Jun-22
Total turnover (SGDm)	111	124	155
Reported net profit (SGDm)	(5)	9	9
Recurring net profit (SGDm)	(5)	9	9
Recurring net profit growth (%)	N/A	N/A	(0.0)
Recurring EPS (SGD)	-0.03	0.01	0.02
DPS (SGD)	0.00	0.01	0.02
Dividend Yield (%)	0.0	3.3	6.5
Recurring P/E (x)	N/A	6.5	7.0
Return on average equity (%)	(17.5)	26.1	23.8
P/B (x)	1.1	1.7	2.2
P/CF (x)	1.4	1.6	2.2

Source: Company data, RHB

Balance Sheet (SGDm)	Jun-20	Jun-21	Jun-22
Total current assets	22	34	37
Total assets	135	131	133
Total current liabilities	32	35	39
Total non-current liabilities	73	59	54
Total liabilities	105	94	93
Shareholder's equity	30	36	40
Minority interest	0	0	0
Other equity	0	0	0
Total liabilities & equity	135	131	133
Total debt	91	77	72
Net debt	76	51	47

Source: Company data, RHB

Investment Case

The stock offers entry into cash generating F&B business at undemanding valuation. The F&B segment is expected to improve with the COVID-19 situation stabilising in Singapore. Valuation is low at 7.0x FY22 P/E and 6.5% historical yield.

Key risks. Rising operating costs, including wages of outlet staff, are set to rise due to the government's implementation of progressive wages. This would pose a key challenge to near-term earnings growth and profitability. Food safety could also potentially cause reputational risks, and a pandemic or lockdown could see outlets not operating – posting losses similar to FY20.

Cash Flow (SGDm)	Jun-20	Jun-21	Jun-22
Cash flow from operations	24	38	42
Cash flow from investing activities	(8)	(3)	(14)
Cash flow from financing activities	(20)	(22)	(30)
Cash at beginning of period	18	15	26
Net change in cash	(3)	13	(1)
Ending balance cash	15	26	25

Source: Company data, RHB

Sheng Siong

Strong Defensive Pick

Target Price: SGD2.00
Price: SGD1.71

Source: Bloomberg

Stock Profile

Bloomberg Ticker	SSG SP
Avg Turnover (SGD/USD)	6.07m/4.54m
Net Gearing (%)	-40
Market Cap (SGDm)	2,571m
Beta (x)	0.41
BVPS (SGD)	0.3
52-wk Price low/high (SGD)	1.5 - 1.83
Free float (%)	43.3

Major Shareholders (%)

S & S Holdings	29.9
Lim Hock Chee	9.2
Lim Hock Eng	9.1

Share Performance (%)

	1m	3m	6m	12m
Absolute	0.6	5.6	6.2	11.0
Relative	2.3	9.1	5.8	10.5

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Investment Merits

- Third-largest supermarket chain operator in Singapore
- Growth led by store and margin expansion
- BUY, TP of SGD2, 17% upside with c.4% yield

Company Profile

Established in 1985 and listed on the SGX in 2011, Sheng Siong (SSG) is the third-largest grocery retailer in Singapore by store count. As at 31 Dec 2022, the group had 67 supermarkets in Singapore and four in China. Its supermarkets are primarily located in the heartlands of Singapore to target mass market consumers.

Highlights

Growth driven by store and margin expansion. We see earnings growth being driven by store openings and margin expansion, with FY23F-25F ROE forecast at 27-30%. We believe revenue growth will be led by a higher store count and better sales per square feet efficiency, while earnings uplift will also be supported by better gross profit margins.

Still driving GPM expansion. The company's GPM expanded over the past five years, from 26% in 2017 to 30% in 3Q22. Bulk handing, tilting its sales mix towards fresh products, directly purchasing from sources, and the growth of its house brands (to a lesser extent) have all helped to drive GPM growth. Over the past two years, the pandemic has also led to SSG diversifying its supply sources, which helped expand GPM. We do expect SSG to book slightly wider GPMs moving into FY23-24 and have imputed this into our corresponding estimates.

Strong supply of new outlets ahead. We believe SSG is on track to achieve its target of 2-3 new outlets per year. Housing Development Board's outlook for new supermarket leases in new and matured estates for the rest of 2023 now stands at six (at Tampines, Clementi, Bidadari, Eunos, Sengkang and Fernvale), with five planned for 2024. SSG has already successfully secured and opened one new store in Jalan Satu, and has continued to bid for more outlets since.

Company Report Card

Latest results. 1Q23 numbers are in line. SSG's revenue of SGD357m (-0.4% YoY) and earnings of SGD33m (-5.3% YoY) are in line, at 25% and 23% of our full-year estimates. Both annualised sales per sq ft (SGD2,326, -6% YoY) and SSSG (-3.6%) declined, largely due to the high base of 1Q22 when more stringent COVID-19 restrictions were still in place. However, we expect this to normalise in the coming months. Revenue growth was flattish despite Singapore supermarket retail sales normalising – Jan 2023 (-0.8% YoY) and Feb 2023 (+12.7% YoY) – led by contributions from five new stores (+3.6%). In 1Q23, SSG also expanded its network to 68 outlets, vs 67 outlets at end-Dec 2023. GPM ticked up by 0.1ppt to 28.8%, but this was a tad lower than the 29.3% recorded in 2H22 – as it held more promotions and gave more discounts during the Lunar New Year period. Its EBIT margin remained flattish YoY at 12.2%. Cash flow improved, with SGD16m of cash generated from operations and SGD7.6m of net cash generated after financing and investments.

1Q23 net cash of SGD0.19 per share. The company generates positive working capital cash flow. Suppliers grant credit terms on its inventory while SSG retails its products at its supermarkets for cash or near-to-immediate credit terms from credit card companies. In each of the past three years, SSG has generated over SGD100m in operating cash flow. There is therefore little to no debt on its balance sheet.

Dividend. SSG has a 70% dividend payout policy. Due to its cash generating capabilities, little to no debt, and minimal capex requirements, its balance sheet has a cash balance of SGD283m, with possibilities of special dividends if there are no further uses for the cash.

Management. SSG is majority-owned by the founding Lim family. It is largely a family-run business, with Lim Hock Chee as the CEO. Lim's two brothers hold positions of Executive Chairman and Managing Director. Five second generation Lim family members are also working in the group.

Investment Case

We maintain our BUY recommendation. We continue to like SSG for its defensive features, strong cash flow-generating ability, net cash balance sheet, attractive dividend yields, and stable earnings driven by store network and margin expansion. SSG is trading at c.18x forward P/E, at below its 19x historical mean. Our TP is based on 21x FY23F P/E.

Key risks. Sustained negative SSSG, potential price war from intense competition from brick-and-mortar peers and e-commerce players, high rental rates if small players bid irrationally.

Profit & Loss	Dec-22	Dec-23F	Dec-24F
Total turnover (SGDm)	1,339	1,405	1,456
Reported net profit (SGDm)	133	143	149
Recurring net profit (SGDm)	133	143	149
Recurring net profit growth (%)	0.0	0.1	0.0
Recurring EPS (SGD)	0.09	0.10	0.10
DPS (SGD)	0.06	0.07	0.07
Dividend Yield (%)	3.6	3.6	3.9
Recurring P/E (x)	19.3	19.2	17.8
Return on average equity (%)	33.9	31.0	30.3
P/B (x)	6.2	5.7	5.1
P/CF (x)	14.2	13.4	15.3

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-22	Dec-23F	Dec-24F
Total current assets	396	467	536
Total assets	785	842	896
Total current liabilities	266	275	283
Total non-current liabilities	64	64	64
Total liabilities	330	339	347
Shareholder's equity	452	500	547
Minority interest	3	3	3
Other equity	0	0	0
Total liabilities & equity	785	842	896
Total debt	0	0	0
Net debt	(276)	(341)	(406)

Source: Company data, RHB

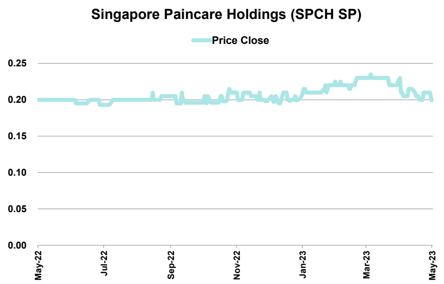
Cash Flow (SGDm)	Dec-22	Dec-23F	Dec-24F
Cash flow from operations	167	172	177
Cash flow from investing activities	(5)	(11)	(11)
Cash flow from financing activities	(133)	(96)	(102)
Cash at beginning of period	247	276	341
Net change in cash	28	66	64
Ending balance cash	276	341	406

Source: Company data, RHB

Singapore Paincare

Painless Entry Into The Healthcare Sector

Fair Value: Not Rated
Price: SGD0.20



Source: Bloomberg

Stock Profile

Bloomberg Ticker	SPCH SP
Avg Turnover (SGD/USD)	0.02m/0.02m
Net Gearing (%)	-27
Market Cap (SGDm)	34.2m
Beta (x)	N/A
BVPS (SGD)	0.15
52-wk Price low/high (SGD)	0.192 - 0.235
Free float (%)	47.8

Major Shareholders (%)

Lee Mun Kam	28.5
Sian Chay Med	17.1
Foo Keong Loh	16.3

Share Performance (%)

	1m	3m	6m	12m
Absolute	(13.0)	(9.1)	(4.8)	0.0
Relative	(11.4)	(5.6)	(5.2)	(0.5)

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Investment Merits

- Specialisation in pain care methods
- Potential disruptor to healthcare specialists through alternative pain treatment methods at more affordable rates
- Attractively priced at 7x historical P/E, a steep discount to healthcare peers

Company Profile

Singapore Paincare (SPCH) is a medical services group providing pain care services for patients suffering from chronic pain, including minimally invasive procedures, cancer, specialised injections, pharmacotherapy, and cognitive behavioural therapy. It also provides primary care and other services, including general medical consultations, management of chronic and acute conditions, dermatology, and health screening services.

Highlights

Specialised proprietary pain care methods capable of disrupting healthcare specialists. SPCH specialises in pain treatments by removing pain generators and/or interrupting pain signals via minimally invasive procedures and specialised injections, which bridges the gap between open surgeries and conservative physical therapies. The company operates in a niche segment and its capability to remove pain generators via its services could potentially disrupt healthcare specialists. Patients seeking a second opinion for surgical treatments may find alternative solutions at SPCH without surgery and at a more affordable price.

In the sweet spot for Singapore's ageing population with its alternative pain treatment. Singapore's population is ageing, with those aged 65 and above expected to make up 23.8% of the total by 2030, according to the Singapore Government's National Population and Talent Division. Demand for pain management and care is therefore expected to increase. With SPCH providing alternative solutions to more expensive and invasive treatment methods, it is well positioned to capitalise on the increased demand for pain care and treatments going forward. It offers a cheaper and less invasive alternative for patients requiring pain care.

Growth driven by patient count increase and overseas expansion. SPCH's growth would be largely driven by an increase in local patient count and more pain management cases through the disruption of surgical treatment methods. Overseas growth would be through partnerships with overseas medical groups to bring pain care services to more patients regionally.

Company Report Card

Latest results. In 1H23, SPCH reported profit after taxation and minority interests of SGD0.8m (-65% YoY), on the back of SGD11m (+32% YoY) revenue growth. Growth was largely due to increase in patient numbers, bill sizes, and the new Cancer for Screening & Surgery clinics' contribution in 1H23. Even without the newly acquired contribution, core revenue still increased c.20%. The margins declined mainly due to the 28% increase in staff – which resulted in higher costs – as the company ramps up staffing resources to gear up for future growth. Most of the staff cost increase has been implemented in 1H23 and we do not expect further significant increases going forward.

Dividend. SPCH does not have a dividend policy. However, since listing in July 2020, it has paid final dividends of SGD0.75 and 1.2 cents for FY21/22, equivalent to 55% and 61% dividend payout.

Management. SPCH is led by its CEO Dr Bernard Lee Mun Kam. He is the company founder and was responsible for setting up the first pain management unit in Tan Tock Seng Hospital in 2002. Dr Lee is assisted by COO Dr Jeffrey Loh, who has more than 20 years' experience in the medical field, and CFO Leow Yong Kin. The majority of the company is controlled by four shareholders, who collectively own c.70%. Dr Lee and Dr Loh own 28% and 16% while Sian Chay Medical Institution, a Ministry of Health-registered social service agency, owns 17%. Dr Jitendra Kumar Sen, who runs an associate company with two clinics and an X-ray lab, owns 7.4%.

Investment Case

An ageing population play at affordable valuation. Trading at 7x historical PE, the stock offers entry into a lofted medical/healthcare sector at an attractive valuation. It also offers exposure to a healthcare specialisation capable of disrupting medical specialists by offering pain treatments or solutions to patients at a more affordable rate. We see growth – driven by higher patient numbers on the back of an ageing population – as more people seek non-invasive pain care solutions as opposed to more invasive treatment methods. Overseas expansion is also on the cards as management is negotiating with potential partners to grow the group.

Valuation palatable at 7x historical P/E. Singapore Paincare currently trades at a historical P/E of 7x vs healthcare sector peers with P/Es of >20x. This represents a steep discount to peer average.

Key risks. Revenue and earnings growth stems from higher patient count and the ability to grow operations overseas. Inability to grow patient count both locally and outside Singapore would cause revenue and indivertible earnings to remain stagnant or even decline. These would be considered downside risks for the company's share price.

Profit & Loss	Jun-20	Jun-21	Jun-22
Total turnover (SGDm)	10	11	19
Reported net profit (SGDm)	2	2	4
Recurring net profit (SGDm)	2	2	4
Recurring net profit growth (%)	49.1	17.2	77.3
Recurring EPS (SGD)	0.03	0.01	0.03
DPS (SGD)	0.01	0.01	0.01
Dividend yield (%)	3.5	3.8	3.8
Recurring P/E (x)	6.5	15.4	7.4
Return on average equity (%)	17.7	9.4	14.7
P/B (x)	3.2	1.5	1.3
P/CF (x)	14.2	11.2	5.3

Source: Company data, RHB

Balance Sheet (SGDm)	Jun-20	Jun-21	Jun-22
Total current assets	7	18	19
Total assets	17	31	39
Total current liabilities	5	3	6
Total non-current liabilities	2	4	6
Total liabilities	7	8	12
Shareholder's equity	11	24	26
Minority interest	0	0	0
Other equity	0	0	0
Total liabilities & equity	17	31	39
Total debt	2	6	8
Net debt	(3)	(10)	(7)

Source: Company data, RHB

Cash Flow (SGDm)	Jun-20	Jun-21	Jun-22
Cash flow from operations	2	3	7
Cash flow from investing activities	0	(3)	(4)
Cash flow from financing activities	1	11	(3)
Cash at beginning of period	1	5	16
Net change in cash	4	11	(1)
Ending balance cash	5	16	12

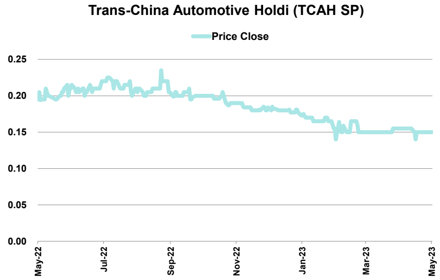
Source: Company data, RHB

Trans-China Automotive

Fair Value: Not Rated

Price: SGD0.15

Riding On China's Post-Pandemic Recovery



Source: Bloomberg

Stock Profile

Bloomberg Ticker	TCAH SP
Avg Turnover (SGD/USD)	0.05m/0.04m
Net Gearing (%)	6
Market Cap (SGDm)	88.4m
Beta (x)	N/A
BVPS (SGD)	0.5
52-wk Price low/high (SGD)	0.135 - 0.235
Free float (%)	30.9

Major Shareholders (%)

TCA International	35.7
Octo Holdings	25.2
Cheung Michael	4.5

Share Performance (%)

	1m	3m	6m	12m
Absolute	(3.2)	7.1	(21.1)	(23.1)
Relative	(1.5)	10.7	(21.5)	(23.6)

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Investment Merits

- FY23F recovery on the cards post China's economic re-opening and the lifting of its COVID-19 restrictions
- Growth led by network expansion, economic growth of the Greater Bay Area, and new BMW EV models
- Valued at 3x P/E, should earnings normalise post COVID-19 restrictions

Company Profile

Trans-China Automotive (TCAH) is a leading automobile dealership group focused on the distribution of premium and ultra-premium automobiles under the BMW, McLaren, and Genesis brands. Its dealerships are in Foshan, Shenzhen, Guangzhou, Chongqing, Changsha and Wuhan.

Highlights

China reopening and recovery on the cards. After a weak FY22, where net income (CNY21m) slumped to its lowest since FY19 (CNY23.6m), earnings are poised to recover on China's recovery post COVID-19 restrictions and lockdowns. After most of FY22 saw dampened economic activities, affecting automobile sales and after sales service, COVID-19 restrictions were finally eased in China in early FY23, and revenue and earnings are set to recover as commercial activities pick up this year. We expect both revenue and earnings traction to recover from FY22, after experiencing lower revenues and compressed margins due to discounting during the COVID-19 restrictions in FY22.

Beneficiary of the Greater Bay Area, EV growth in China. Located in Foshan, Shenzhen, and Guangzhou, TCAH is exposed to the growing wealth and higher than average propensity for consumption in the Greater Bay Area. According to Bain & Company, the Greater Bay Area's GDP could hit USD2.8trn by 2027, from approximately USD1.9trn in 2021. The Greater Bay Area is one of the world's largest economies, similar to Canada and South Korea, with GDP growth at c.7% over the past decade. TCAH's presence in the Greater Bay Area places it in a sweet spot to capitalise on the region's growing wealth and appetite for the consumption of high-end luxury cars. TCAH is also exposed to the growth of EV, leveraging on the sales of BMW's EV models. According to the China Passenger Car Association, EV sales are expected to reach 8.4m units in 2023, a 30% increase from 6.4m units last year.

Dealership and services network expansion to improve sales and customer traction. TCAH has been enlarging its dealership and servicing network, with the recent opening of TCA Changsha Genesis, TCA Shenzhen BMW Service Centre, and the planned opening of TCA

Foshan Genesis in 2Q23. There is also land available for further development at TCA Chongqing BMW to improve customer traction.

Company Report Card

Latest results. FY22 revenue declined by 10.8% YoY to CNY4bn, led by both automobile sales (-11.4% YoY, CNY3.6bn) and after-sales service (-7.0% YoY, CNY505m), particularly in 2H22, due to China's COVID-19 control policies. Automobile sales saw lower average prices (-3.5% YoY, CNY355,000) and volumes (-8.4% YoY, 9,904 units). TCAH's seasonal peak sales in 4Q were also interrupted. The lower after-sales service revenue was a result of lower car usage during the COVID-19 control restrictions, and fewer cars sold during the year. Gross margins declined 3.3ppts to 4.9% due to the lower number of cars sold at its dealerships, which led to a dealership gross loss and lower number of cars serviced in its after-sales service segment. Due to the presence of fixed operating costs, including staff and leases, operating profit declined 72% YoY to CNY59m.

Balance sheet/cash flow. Balance sheet is currently in net debt of CNY276m or close to 1x debt to equity, from 1.5x in FY21. The business is cash-generating, with operating cash flow at CNY107-230m per year from FY18 to FY22 – except for FY19, when there was a deterioration in inventory and payable days due to more cash purchases of inventories during the FY19 year-end. Otherwise, sales are collected on a cash basis, while payables for automobile parts and accessories have credit terms of 30 days.

Dividend. TCAH does not have a fixed dividend policy. However, it has paid final dividends for FY21 and FY22 since its listing at the end of 2021, amounting to 10-20% payout ratio. As the business is cash-generating, we expect dividend distribution to continue.

Management. TCAH founder, chairman, and CEO is Francis Tjia, who oversees the company's overall strategic direction and growth. He has extensive experience in the automobile industry since the 1990s, having co-founded Summit Motors (which dealt with Toyota and BMW) in 1994 until his divestment in 2006. His management team comprises of all professionals – CFO Michael Cheung; COO Roger Chan who manages the BMW dealerships and has >30 years' experience with Porsche and Summit Motors; and COO (Premium Luxury) Raymond Woo who manages the Maclaren operations and has >10 years' experience in the automotive industry. Francis Tjia is deemed to own close to 78% of TCAH through Octo Holdings and TCA International Limited, and therefore his interest is aligned with minority shareholders.

Investment Case

Earnings turnaround, China re-opening, Greater Bay Area, and rising EV play. TCAH offers investors a China reopening and earnings recovery play, long-term exposure to the rising wealth of China's Greater Bay Area, and growing EV trends. Stock is valued at 3x P/E assuming earnings in FY23F normalise to FY20-21 levels post lifting of COVID-19 restrictions.

Key risks. TCAH's earnings turnaround and growth outlook is dependent on the recovery of automobile sales at its existing dealerships in Foshan, Wuhan, Guanzhou, and Shenzhen. Earnings turnaround will not materialise if consumer spending on automobiles does not recover.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (CNYm)	4,214	4,516	4,027
Reported net profit (CNYm)	110	124	21
Recurring net profit (CNYm)	110	124	21
Recurring net profit growth (%)	366.6	12.8	16.9
Recurring EPS (CNY)	0.23	0.24	0.04
DPS (CNY)	0.00	0.03	0.01
Dividend Yield (%)	0.0	3.3	0.9
Recurring P/E (x)	3.4	3.3	22.4
Return on average equity (%)	138.3	42.4	7.1
P/B (x)	N/A	2.5	1.5
P/CF (x)	N/A	3.6	2.4

Source: Company data, RHB

Balance Sheet (CNYm)	Dec-20	Dec-21	Dec-22
Total current assets	1,119	1,395	1,189
Total assets	1,709	1,983	1,816
Total current liabilities	1,049	1,318	1,187
Total non-current liabilities	581	372	333
Total liabilities	1,630	1,690	1,520
Shareholder's equity	79	292	296
Minority interest	0	0	0
Other equity	0	0	0
Total liabilities & equity	1,709	1,983	1,816
Total debt	216	600	383
Net debt	110	447	276

Source: Company data, RHB

Cash Flow (CNYm)	Dec-20	Dec-21	Dec-22
Cash flow from operations	57	183	192
Cash flow from investing activities	(38)	(25)	(67)
Cash flow from financing activities	(1)	(108)	(176)
Cash at beginning of period	89	106	153
Net change in cash	17	48	(47)
Ending balance cash	106	153	106

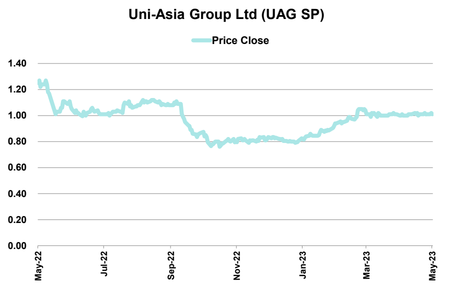
Source: Company data, RHB

Uni-Asia Group

Positive On Charter Rates

Fair Value: Not Rated

Price: SGD1.01



Source: Bloomberg

Stock Profile

Bloomberg Ticker	UAG SP
Avg Turnover (SGD/USD)	0.06m/0.05m
Net Gearing (%)	17
Market Cap (SGDm)	79.4m
Beta (x)	1.02
BVPS (SGD)	1.92
52-wk Price low/high (SGD)	0.75 - 1.249
Free float (%)	58.2

Major Shareholders (%)

Yamasa	30.0
Evergreen International	9.0
Ham Yong Kwan	5.0

Share Performance (%)

	1m	3m	6m	12m
Absolute	1.0	7.4	27.0	(17.8)
Relative	2.7	11.0	26.6	(18.3)

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Investment Merits

- Supply of handymax vessels are expected to shrink while dry bulk trade demand is expected to grow by 2% and 2.2% for 2023 and 2024
- Demand for vessels and charter rates are expected to recover post China's reopening
- Undemanding valuation at 2x FY22 P/E

Company Profile

Uni-Asia Group (UAG) is an alternative investment group specialising in shipping and properties. In shipping, its alternative investment targets are mainly cargo ships while its properties are focused on the Japanese and ex-Japan real estate markets. UAG also arranges alternative financing for cargo ships between ship owners and investors.

Highlights

Positive on handysize charter rates going forward. According to Clarksons in its Jan 2023 Dry Bulk Trade Outlook, dry bulk trade demand is forecasted to grow by 2% and 2.2% in 2023 and 2024. Yet, handysize dry bulk ship supply is expected to decline by 0.2% and 1.7% during these periods. The tight supply for handysize vessels vs trade demand bodes well for the outlook for charter rates going forwards. Despite the Baltic Handysize Index declining since Jun 2022, it did stabilise in Jan 2023. With China's re-opening, we expect international trade and exports to gradually improve and lift demand and rates for dry bulk carriers henceforth.

Increasing assets under management (AUM), management fee income, and property development in Japan. Uni-Asia Capital (Japan), a licensed property asset management subsidiary, already manages JPY36.9bn of property assets – this includes JPY12.3bn of hotels/hostels/resorts, JPY8.7bn of residential, and JPY15.9bn of healthcare/medical/group home properties. As with all asset management companies, UAG strives to increase property AUM in Japan to improve asset management fees income. In property development, it continues to source for new property project business opportunities.

Ex-Japan property business in Hong Kong expected to recover on lifting of COVID-19 restrictions. The Hong Kong property market is expected to improve once again with the lifting of COVID-19 restrictions in China. Having already invested in eight property projects and divested three, contribution may be expected from its five remaining projects going forward.

Company Report Card

Latest results. FY22 earnings grew 53% YoY to USD28m on 24% YoY growth in revenue to USD86m, led by better charter (+37% YoY to USD65m) and fee (+15% YoY to USD7m) incomes. Daily average dry bulk carrier charter rates (100% chartered out) were 39% YoY higher at USD18,841 vs USD13,561 in FY21. The property segment's revenue remained flat at SGD14.7m. Operating profit grew 46% YoY to USD33m as margins for the shipping division expanded, in line with higher charter rates. Total dividends declared for FY22 amounted to 14.5 SGD cents, which translated to a 40% dividend payout ratio.

Balance sheet/cash flow. UAG has a net debt of USD26m as at FY22, and has been de-leveraging from USD137m in FY18. We expect gearing to reduce further, as borrowings will continue to be repaid going forward, save for project financing in new property developments. The business typically generates positive operating cash flows and, with no immediate plans to increase fleet size, capex is not expected to be sizeable going forward, which is positive for cash flows.

Has been paying dividends for more than 10 years. UAG has paid dividends consistently since FY12. While it does not have a dividend policy, it strives to pay dividends whenever possible. Despite recent net losses in FY20 and FY16, the group has continued to pay dividends to its shareholders, albeit at a lower DPS. Dividend declared for FY22 was the highest in its listing history, consisting of 6.5 SGD cents in interim dividends, 3 SGD cents in final dividends, and 5 SGD cents in special dividends. There is no consistent payout ratio or DPS in recent years, but annual dividends for more than 10 years were made to shareholders.

Led by Japanese dominated management team. UAG is led by Kenji Fukuaydo who is its CEO. He is supported by the CFO for the finance function Lim Kai Ching, as well as two other Japanese executive directors: Masahiro Iwabuchi for property investment and Uni-Asia Capital (Japan) President Yukihiro Toda. Other key management team members comprise department heads of the maritime business department and maritime asset management department. Key shareholders include Yamasa (30%) and Evergreen International (9%).

Investment Case

Cash company with strengthening balance sheet, dividend payouts, and recovering charter rate outlook. The stock offers strong cash flow-generating capabilities, and strengthening balance sheet and dividends. UAG is also riding on a recovering charter rate outlook, as trade demand improves while the supply of handymax vessels is slated to be tight. The property development segment will supplement earnings, while the management of property assets will contribute stable recurring income to the group, in our view. Valuation is undemanding at 2x FY22 P/E.

Key risks. Earnings growth is largely premised on better trade prospects, demand and utilisation of its shipping assets, and firm charter rates. Any disappointment would be a risk to future earnings and growth expectations.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (USDm)	46	69	86
Reported net profit (USDm)	(8)	18	28
Recurring net profit (USDm)	(8)	18	28
Recurring net profit growth (%)	N/A	N/A	54.5
Recurring EPS (USD)	(0.18)	0.23	0.35
DPS (SGD)	0.01	0.07	0.15
Dividend Yield (%)	1.0	6.9	14.4
Recurring P/E (x)	N/A	3.3	2.1
Return on average equity (%)	(6.6)	13.7	18.4
P/B (x)	0.3	0.5	0.4
P/CF (x)	12.6	2.8	1.9

Source: Company data, RHB

Balance Sheet (USDm)	Dec-20	Dec-21	Dec-22
Total current assets	62	47	61
Total assets	249	231	237
Total current liabilities	56	35	43
Total non-current liabilities	74	63	43
Total liabilities	130	98	85
Shareholder's equity	118	132	151
Minority interest	1	0	1
Other equity	0	0	0
Total liabilities & equity	249	231	237
Total debt	121	88	74
Net debt	80	50	26

Source: Company data, RHB

Cash Flow (USDm)	Dec-20	Dec-21	Dec-22
Cash flow from operations	3	26	32
Cash flow from investing activities	(4)	11	(1)
Cash flow from financing activities	(21)	(34)	(19)
Cash at beginning of period	56	35	37
Net change in cash	(21)	1	10
Ending balance cash	35	37	47

Source: Company data, RHB

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