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New-home sales still weak; PBOC's decision to offer PSL/Special Loan will be positive for market stabilisation.

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3Q23: Strong patient volume growth and improving revenue intensity.

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Dialog Group (DLG MK/BUY/RM2.10/Target: RM2.85)

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1QFY24: Results in line, as upstream business (higher production) and storage income (ie PITSB) more than offset the continued EPCC cost overruns.

Small-Mid Cap Highlights

NationGate Holdings (NATGATE MK/BUY/RM1.21/Target: RM1.83)

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9M23: Within expectations; seeing light at the end of the tunnel.

SINGAPORE

Results

Bumitama Agri (BAL SP/BUY/S\$0.605/Target: S\$0.70)

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3Q23: Results beat our and consensus expectations on higher-than-expected external FFB purchase boosting CPO production and sales volume.

ComfortDelGro Corporation (CD SP/BUY/S\$1.31/Target: S\$1.69)

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3Q23: Strong results; riding on strong tailwinds.

SEA (SE US/BUY/US\$46.03/Target: US\$72.25)

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3Q23: Results in line; 4Q23 could be better due to seasonality.

UMS Holdings (UMSH SP/BUY/S\$1.26/Target:S\$1.56)

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3Q23: Results in line with expectations; outlook remains buoyant.

THAILAND

Results

Amata Corporation (AMATA TB/BUY/Bt23.30/Target: Bt30.00)

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3Q23: Earnings below estimates; remain positive on outlook ahead.

BTS Group Holdings (BTS TB/HOLD/Bt7.30/Target: Bt7.00)

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2QFY24: Turnaround in profit from associates and one-off items, still lower than expected.

Supalai (SPALI TB/BUY/Bt17.90/Target: Bt24.20)

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3Q23: Disappointing earnings, but expected to recover in 4Q23.

The Erawan Group (ERW TB/BUY/Bt5.15/Target: Bt6.50)

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3Q23: Despite incurring expenses for new hotel, earnings continued to improve qoq.

KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	34827.7	1.4	2.0	3.4	5.1
S&P 500	4495.7	1.9	2.7	3.9	17.1
FTSE 100	7440.5	0.2	0.4	(2.1)	(0.2)
AS30	7282.0	1.0	1.2	0.5	0.8
CSI 300	3582.1	0.1	(1.0)	(2.2)	(7.5)
FSSTI	3104.7	(0.1)	(2.4)	(2.5)	(4.5)
HSCEI	5964.5	(0.4)	(2.0)	(2.5)	(11.0)
HSI	17396.9	(0.2)	(1.5)	(2.3)	(12.1)
JCI	6862.1	0.3	0.3	(0.9)	0.2
KLCI	1451.7	0.5	(0.9)	0.5	(2.9)
KOSPI	2433.3	1.2	(0.4)	(0.9)	8.8
Nikkei 225	32695.9	0.3	1.3	1.2	25.3
SET	1386.0	(0.1)	(1.6)	(4.5)	(16.9)
TWSE	16915.7	0.5	1.4	0.8	19.6
BDI	1662	0.4	6.6	(14.6)	9.7
CPO (RM/mt)	3671	0.4	0.2	3.5	(9.3)
Brent Crude (US\$/bbl)	82	(0.1)	1.1	(9.3)	(4.0)

Source: Bloomberg

TOP PICKS

	Ticker	CP (Icy)	TP (Icy)	Pot. +/- (%)
BUY				
Ania Sports	2020 HK	86.65	128.00	47.7
BYD	1211 HK	243.00	630.00	159.3
Bank Neo Commerce	BBYB IJ	280.00	390.00	39.3
Bumi Serpong	BSDE IJ	1,005.00	1,420.00	41.3
HM Sampoerna	HMSP IJ	995.00	1,300.00	30.7
My EG Services	MYEG MK	0.79	1.18	49.4
Yinson	YNS MK	2.43	3.75	54.3
OCBC	OCBC SP	12.95	17.65	36.3
CP ALL	CPALL TB	55.25	78.00	41.2
Indorama	IVL TB	24.00	30.00	25.0

KEY ASSUMPTIONS

GDP (% yoy)	2022	2023F	2024F
US	2.1	2.0	1.0
Euro Zone	3.5	0.5	0.8
Japan	1.0	1.5	1.0
Singapore	3.6	0.7	3.0
Malaysia	8.7	4.0	4.6
Thailand	2.6	3.1	3.5
Indonesia	5.4	5.1	5.2
Hong Kong	-3.5	4.6	3.0
China	3.0	5.0	4.6
CPO (RM/mt)	5,088	4,000	4,200
Brent (Average) (US\$/bbl)	99.0	81.0	84.0

Source: Bloomberg, UOB ETR, UOB Kay Hian

CORPORATE EVENTS

	Venue	Begin	Close
Expert Talk (Virtual) on China GBA Property Market	Hong Kong	16 Nov	16 Nov
Regional 1H2024 Strategy Conference	Malaysia	6 Dec	6 Dec

SECTOR UPDATE

Property – China

New-Home Sales Still Weak; PBOC’s Decision To Offer PSL/Special Loan Will Be Positive For Market Stabilisation

For 50 cities, average weekly new-home sales fell 18.0% yoy in Nov 23. For the 10 core cities, average weekly sales of second-hand homes surged 42.0% yoy. Hangzhou removed the price ceiling for new homes in four outlying districts. We expect more Tier 2 cities to follow suit. The PBOC is rumoured to offer at least Rmb1t of PSL and/or special loans to the property industry’s three major schemes. We see this as a positive move and expect more good news on the supply side. Maintain MARKET WEIGHT.

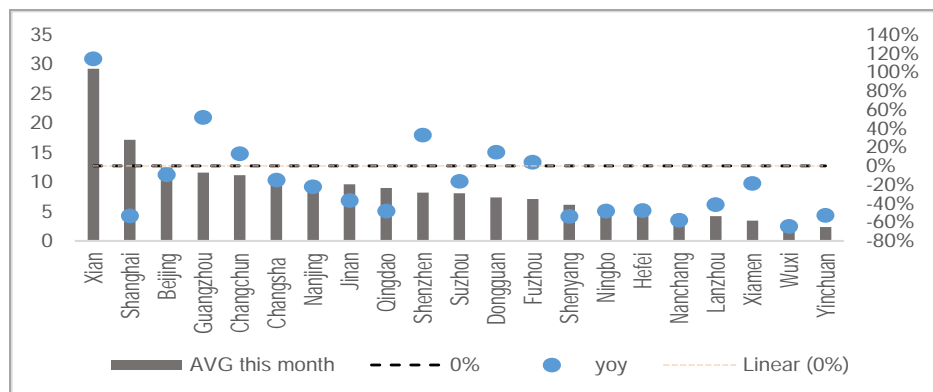
WHAT’S NEW

- China Real Estate Index System (CREIS) released sales data for the week of 6-12 Nov 23
- On 14 November, Bloomberg reported that PBOC will offer at least Rmb1t of Pledged Supplementary Lending (PSL) and/or special loans to the three major programmes of the property industry.

ESSENTIALS

- New-home sales in 50 cities decreased 18.0% yoy in Nov 23.** According to CREIS, new-home sales volume in 50 major cities decreased 11.3% wow and 11.3% yoy during the second week of November (6-12 Nov 23). Sales volume in Tier 1 cities dropped 14.9% wow and 15.3% yoy. Sales in Tier 2 cities decreased 13.1% wow and 15.1% yoy. Sales in Tier 3 and 4 cities tumbled 7.0% wow and 3.6% yoy. The average weekly sales of new homes in Nov 23 increased 0.8% mom and decreased 18.0% yoy. Among Tier 1 & 2 cities, Shanghai (-53%), Qingdao (-48%), Shenyang (-54%), Nanchang (-58%), and Wuxi (-64%) were the top yoy new-home sales volume decliners.

TIER 1&2 CITIES AVERAGE NEW-HOME SALES IN NOV 23



Source: CREIS, UOB Kay Hian

- Second-hand home sales showed a decent rebound.** According to WIND, weekly sales volume of second-hand homes in the 10 core cities during the second week of November (6-12 Nov 23) increased 0.1% wow and 40.1% yoy. For the 10 core cities, average weekly sales of second-hand home in Nov 23 jumped 37.8% mom and 42.0% yoy.

PEER COMPARISON

Company	Ticker	Rec	Price @ 14 Nov 23 (HKD)	Target Price (HK\$)	Upside/(Downside) to TP (%)	Market Cap (HK\$ m)	PE		P/B		Yield	
							2023F (x)	2024F (x)	2023F (x)	2024F (x)	2023F (%)	2024F (%)
China Resources Land Ltd	1109 HK	BUY	29.30	47.48	62.0	201,449.0	6.9	6.0	0.7	0.6	5.4	6.1
China Overseas Land	688 HK	BUY	14.48	25.86	78.6	157,387.4	5.5	4.6	0.4	0.4	5.5	6.5

Source: Bloomberg, UOB Kay Hian.

MARKET WEIGHT

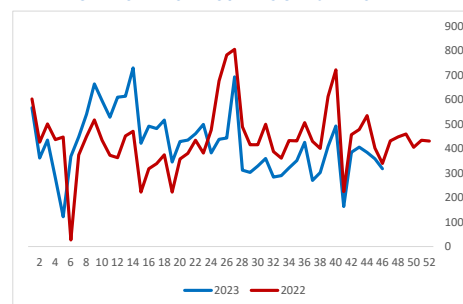
(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
CR land	1109 HK	BUY	29.30	47.48
COLI	688 HK	BUY	14.48	25.86

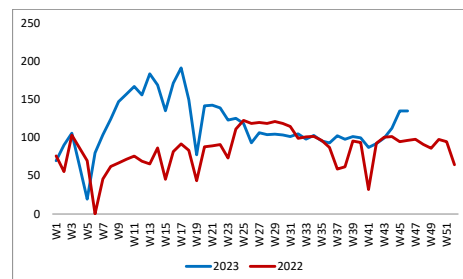
Source: UOB Kay Hian

NEW-HOME SALES IN 50 MAJOR CITIES



Source: CREIS, UOB Kay Hian

SECONDARY HOME SALES IN 10 MAJOR CITIES



Source: WIND, UOB Kay Hian

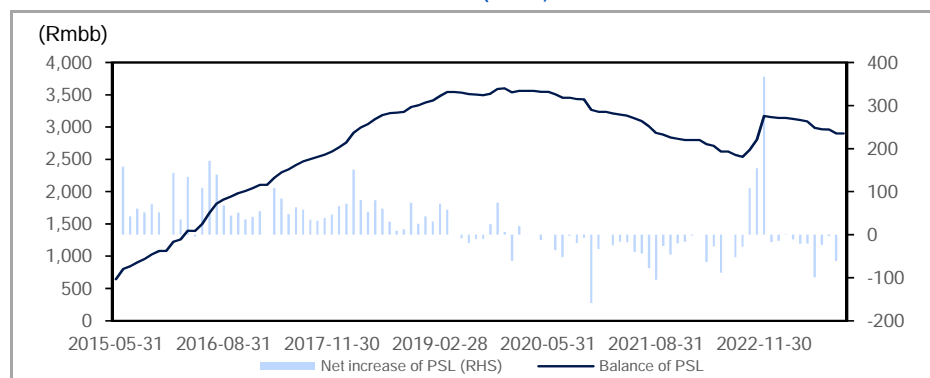
ANALYST(S)

Jieqi Liu
+852 2826 1392
jieqi.liu@uobkayhian.com.hk

Damon Shen
+86 21 54047225 ext.820
damonshen@uobkayhian.com

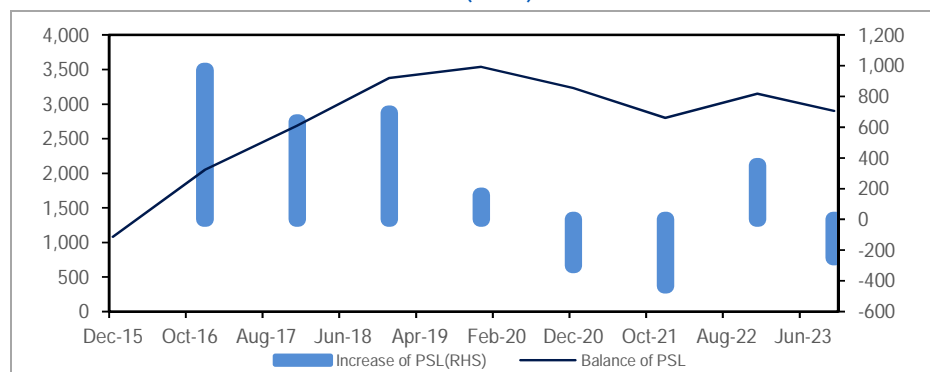
- Hangzhou lifted the price ceiling for new-home sales in four outlying districts.** Hangzhou removed price ceiling for land sales, and its four outlying districts also lifted the price ceiling for new-home sales. Following Hangzhou, we expect more Tier 2 cities to remove the price ceiling on new home projects. The removal of the price ceiling is expected to: a) result in further divergence of price performance, and b) offer some high-end projects some upside in margin.
- PBOC mulls providing PSL/special loans to major property programme.** On 8 November, PBOC Governor said the bank will provide low cost funding to three major programmes of the property industry, namely government housing, urban village redevelopment and "dual-use" public infrastructure construction. On 14 November, Bloomberg reported that PBOC will offer at least Rmb1t of PSL and/or special loans to the three major programmes by phases. Assuming an Loan-to-value (LTV) ratio of 50-80%, this Rmb1t low cost funding is expected to drive Rmb1.25t-2.00t of investments, which is equivalent to 2.2-3.5% of total FAI and 9.4-15.0% of real estate investment in 2022. Thus, this rumoured policy action will help drive credit expansion and effectively offset the decline of property investments caused by debt crisis and weak demand. However, execution is the key. The balance of PSL/special loans needs to be closely watched.

BALANCE AND NET INCREASE OF PSL – MONTHLY (RMBB)



Source: iFind, UOB Kay Hian

BALANCE AND NET INCREASE OF PSL – YEARLY (RMBB)



Source: iFind, UOB Kay Hian

- Expecting more good news on developers' financing.** It is also noteworthy that in Pan Gongsheng's speech on 8 November, Pan also mentioned that the PBOC will stabilise bank loan and bond financing for developers and try to meet the financing needs of both SOEs and POEs. We expect to see more positive news on developers' financing. We expect Longfor to be a key beneficiary as a POE with solid debt servicing record and strong balance sheet.

ACTION

- Maintain MARKET WEIGHT and eye on more policy catalysts.** Over the past week, we heard two ministers taking about pushing forward the three major programmes of the property industry. We expect to see hear more positive news on the supply side. In particular, SOE developers with strong pipeline and expertise in urban village redevelopment might be key beneficiaries of the low-cost funding. CR Land and COLI remain our top pick.

SECTOR UPDATE

Healthcare – Indonesia

3Q23: Strong Patient Volume Growth And Improving Revenue Intensity

Hospitals posted solid 3Q23 earnings recoveries on the back of: a) strong volume patient growth, b) revenue intensity recovery, and c) cost efficiencies. Revenue contribution from JKN is rising. Based on a qoq trend, hospitals in Indonesia have recovered from the impact of normalisation post COVID-19. Revenue per inpatient day shows an encouraging trend, which is positive both qoq and yoy. We remain **OVERWEIGHT** on the sector, maintain **BUY** on MIKA with lower target price of Rp3,000.

WHAT'S NEW

- Solid 3Q23 results.** The three hospitals, Medikaloka Hermina (HEAL), Siloam (SILO) and Mitra Keluarga (MIKA), recorded solid 3Q23 results with revenue and EBITDA growing 12% qoq (+16.7% yoy) and 21.0% qoq (+28.7% yoy) respectively on the back of: a) strong patient volume growth, b) revenue intensity recovery, and c) cost efficiencies. The strong 3Q23 earnings growth led to a 31.6% yoy net profit growth in 9M23. SILO posted the highest net profit growth of 91.2% yoy, followed by HEAL (+42.1% yoy) and MIKA (-7.8% yoy). SILO's robust net profit growth was due to: a) strong patient traffic, b) higher revenue intensity, and c) cost savings from procurement efficiencies. Given that all hospitals serve universal healthcare's (JKN) patients, HEAL reaped benefits from rising JKN patients and INACBG rate hikes. Meanwhile, MIKA posted a recovery in 3Q23 from a high single-digit patients' volume growth and stable revenue intensity.
- Strong patient volume and improving revenue intensity.** Inpatient and outpatient volumes continued to grow strongly in 3Q23 on both yoy and qoq. On a qoq basis, with longer productive days and the ramp-up of the new hospitals, inpatient days grew 7% to 16% and outpatient visits also jumped higher. Bed occupancy rate improved to 59- 68% (vs. COVID-19 period average of 55-57%). After COVID-19 normalisation and tariff adjustment on JKN, revenue intensity improved. MIKA's 3Q23 revenue per inpatient day increased by 5.1% yoy (+0.9% qoq), HEAL's grew 0.9% yoy (+3.5% qoq), and SILO's 3Q23 revenue per inpatient day was up 11.4% yoy (+8.4% qoq). On the other hand, revenue/outpatient visits mostly declined across the three hospitals under our coverage; we believe this is due to case mix factor.
- Rising contribution from JKN.** We see rising contribution from JKN to total revenue as JKN revenue growth outpaced revenue growth from private insurance, corporate insurance, and out of pocket payment. As of 9M23, MIKA's JKN revenue contribution increased to 18.8% from 16.7% in 9M22. MIKA plans to convert three of its existing hospitals to serve JKN patients to capture the rising demand from workers in industrial areas. The company also has two more JKN hospitals in its pipeline. HEAL's JKN revenue contribution rose to 71% in 9M23 from 68% in 9M22 while SILO's JKN revenue contribution was relatively stable at 17.8%. We expect the implementation of Standard Inpatient Class (KRIS) scheme to boost the coordination of benefit (CoB) programme which we believe should benefit the hospitals.

EARNINGS REVISION/RISK

- Revise down MIKA's 2023/24 net profit by 10.7%/10.6% respectively.** Despite the earnings recovery in 3Q23, MIKA's 9M23 net profit failed to meet our expectation. Hence, we cut our 2023/24 net profit estimates by 10.7%/10.6% respectively, mainly due to lower revenue growth and margins. We assume revenue per patient to be stable in 2024 while patient volume will grow at high single digits mainly on the back of the ramp-up new hospitals and rising JKN patients. We project MIKA's net profit to grow 16% in 2024 with EBITDA margin standing at 36.6%.

VALUATION

	Rec	Current Price (Rp)	Target Price (Rp)	Mkt Cap (US\$m)	3M Avg. Turnover (US\$m)	PE (x)		EV/EBITDA (x)		ROE	
						2023F	2024F	2023F	2024F	2023F	2024F
MIKA IJ	HOLD	2,690	3,000	2,442	1.6	41.2	35.6	25.6	22.6	16.9	18.6
HEAL IJ	NR	1,500	n.a.	1,437	0.9	47.0	35.6	16.9	13.8	12.2	13.9
SILO IJ	NR	2,420	n.a.	2,005	0.7	28.1	23.8	11.7	10.3	14.8	15.5
Simple average						38.8	32.1	18.1	15.8	14.6	15.8
Weighted Average						38.2	32.1	18.7	16.5	15.0	16.1

Source: UOB Kay Hian

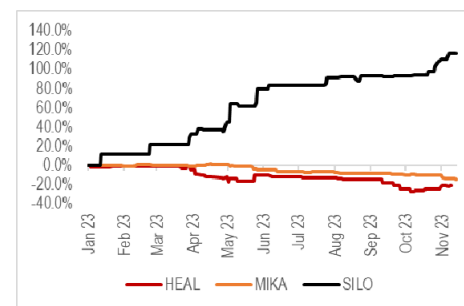
OVERWEIGHT (Maintained)

TOP SECTOR PICKS

Company	Ticker	Rec	Share Price (Rp)	Target Price (Rp)
Mitra Keluarga	MIKA IJ	BUY	2,690	3,000

Source: UOB Kay Hian

EARNINGS REVISIONS FOR 2024



Source: Bloomberg

ANALYST(S)

Posmarito Pakpahan
 (62) 858 8532 3966
 posmarito@uobkayhian.com

MIKA'S EARNINGS REVISIONS

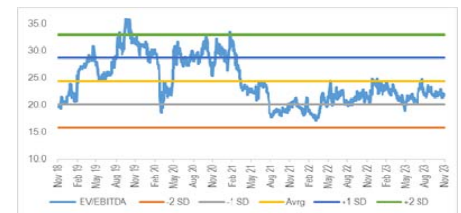
(Rp)	New		Old		Differences (%)	
	2023F	2024F	2023F	2024F	2023F	2024F
Revenue	4,241	4,710	4,370	4,932	-3.0%	-4.5%
EBITDA	1,525	1,722	1,650	1,877	-7.6%	-8.2%
Net Income	929	1,077	1,040	1,204	-10.7%	-10.6%

Source: MIKA, UOB Kay Hian

VALUATION/RECOMMENDATION

- Maintain OVERWEIGHT.** Based on a qoq trend, we believe hospitals in Indonesia have recovered from the impact of normalisation post COVID-19. Revenue per inpatient day shows an encouraging trend, positive on both qoq and yoy bases. On the back of the ramp-up of existing hospitals and opening new hospitals, traffic volume continues to grow. We think the new enacted health bill should support hospitals to expand their services to provide more complex services and to hire professional healthcare workers faster than under the previous law which supports our overweight rating on the sector.
- Reiterate BUY on MIKA.** we maintain our BUY call on MIKA. We arrived at a lower target price of Rp3,000 as we cut our earnings estimate for 2023/24. Our target price implies 40.0x 2024F PE and 23.3x 2024 EV/EBITDA. With robust EBITDA margin and a fast payback period, MIKA has stable cash flow generation that has resulted in the company becoming a net cash company. The new MIKA hospital could turn EBITDA-positive in 6-8 months and book a net profit in 18-24 months.
- Main risks:** Changes in government policies, delay in opening of new hospitals, and decline in revenue intensity.

MIKA-FIVE-YEAR EV/EBITDA



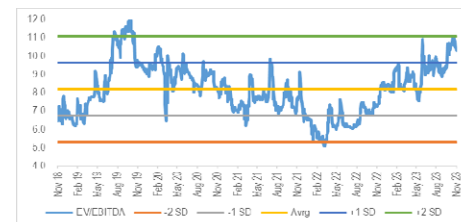
Source: Bloomberg

HEAL-FIVE-YEAR EV/EBITDA



Source: Bloomberg

SILO-FIVE-YEAR EV/EBITDA



Source: Bloomberg

9M23 AND 3Q23 RESULTS

(Rp)	MIKA				HEAL				SILO*			
	1Q23	2Q23	3Q23	9M23	1Q23	2Q23	3Q23	9M23	1Q23	2Q23	3Q23	9M23
Revenue	1,028	1,021	1,108	3,157	1,353	1,339	1,539	4,230	2,047	2,040	2,287	6,374
yoy	-5.9%	4.2%	10.8%	2.7%	11.9%	15.9%	20.4%	16.1%	21.5%	16.8%	17.2%	18.4%
qoq	n.a.	-0.7%	8.5%	n.a.	n.a.	-1.0%	14.9%	n.a.	n.a.	18.4%	-57.8%	n.a.
Inpatient												
Revenue	684	691	750	2,125	780	764	914	2,457	1,511	1,502	1,722	4,734
yoy	4.4%	6.1%	14.2%	5.1%	2.6%	15.5%	22.7%	13.5%	24.5%	21.6%	21.3%	22.4%
qoq	n.a.	1.0%	8.5%	n.a.	n.a.	-2.1%	19.6%	n.a.	n.a.	-0.6%	14.7%	n.a.
Inpatient Days (000)	0.20	0.20	0.21	0.61	0.39	0.39	0.45	1.23	0.23	0.23	0.25	0.70
yoy	13.8%	13.1%	8.6%	11.7%	31.5%	24.8%	21.6%	25.6%	25.0%	20.2%	11.4%	18.4%
qoq	n.a.	0.5%	7.5%	n.a.	n.a.	1.0%	15.6%	n.a.	n.a.	0.4%	8.4%	n.a.
Rev/inpatient days (Rpm)	3.45	3.47	3.50	3.48	2.01	1.95	2.02	1.99	6.71	6.64	7.03	6.80
yoy	-15.8%	-6.1%	5.1%	-5.9%	-22.0%	-7.5%	0.9%	-9.7%	-0.4%	1.2%	8.9%	3.4%
qoq	n.a.	0.5%	0.9%	n.a.	n.a.	-3.1%	3.5%	n.a.	n.a.	-1.0%	5.8%	n.a.
Outpatient												
Revenue	344	329	359	1,032	539	529	591	1,659	1,143	1,126	1,242	3,511
yoy	-9.2%	0.0%	4.7%	-1.8%	27.4%	13.2%	16.2%	18.6%	13.4%	18.1%	12.7%	14.6%
qoq	n.a.	-4.4%	9.1%	n.a.	n.a.	-1.9%	11.7%	n.a.	n.a.	-1.5%	10.3%	n.a.
Outpatient visits	0.71	0.68	0.73	2.12	1.9	1.73	2.07	5.7	0.93	0.70	1.05	2.67
yoy	6.1%	8.0%	14.6%	9.5%	26.7%	16.9%	13.7%	18.8%	34.7%	-2.1%	24.3%	71.7%
qoq	n.a.	-4.9%	8.3%	n.a.	n.a.	-8.9%	19.7%	n.a.	n.a.	-24.4%	49.8%	n.a.
Rev/Outpatient (Rp'000)	484	487	490	487	284	306	285	291	1,236	1,611	1,186	1,315
yoy	-14.5%	-7.4%	-8.6%	-10.3%	0.6%	-3.1%	2.1%	-0.1%	-15.8%	20.7%	-9.4%	-33.2%
qoq	n.a.	0.6%	0.8%	n.a.	n.a.	7.7%	-6.7%	n.a.	n.a.	30.3%	-26.4%	n.a.
EBITDA	361	361	403	1,125	338	362	465	1,165	603	607	741	1,951
yoy	-16.0%	-9.5%	8.3%	-6.3%	1.6%	24.1%	53.3%	25.6%	47.4%	47.7%	28.9%	39.9%
qoq	n.a.	0.0%	11.6%	n.a.	n.a.	7.2%	28.5%	n.a.	n.a.	0.7%	22.1%	n.a.
Margin	35.1%	35.4%	36.4%	35.6%	25.0%	27.0%	30.2%	27.5%	29.5%	29.8%	32.4%	30.6%

Source: Respective companies, UOB Kay Hian * SILO's revenue breakdown and revenue per patient are using gross revenue

COMPANY RESULTS

Dialog Group (DLG MK)

1QFY24: Core Results On Track; Aided By Upstream And Storage

1QFY24 core profit is deemed on track, as the strength in the upstream business (higher production volumes) and storage income (especially PITSB) more than offset the continued weakness in downstream projects on cost overruns. However, some projects are progressing well, including Moritmasu-Dialog. We acknowledge that near-term catalysts (as Pengerang beneficiary, and new storage offtaker) are murky, but we still see long-term growth for Dialog. Retain BUY and target of RM2.85.

1QFY24 RESULTS

Year to 30 June (RMm)	1Q FY24	qoq (% chg)	yoy (% chg)	Remarks
Revenue	780.4	13.1	9.7	
- Malaysia	394.8	28.8	(4.0)	Increased upstream production (Bayan, D21 PSC)
- Overseas	385.7	0.6	28.3	
Impairment loss	nm	nm	nm	
JV/associates	93.9	14.5	11.7	Malaysia: RM82.0m; Thailand: RM11.9m
Finance costs	(19.2)	6.6	16.9	JV boosted by Pengerang Independent Terminal (PITSB)
PBT	153.2	5.3	20.2	
- Malaysia	104.1	78.2	15.6	
- Overseas	49.0	(43.6)	31.4	Other Asia (excluding Malaysia and Thailand): RM3m loss
PBT margin (%)	19.6%	-1.4%	1.7%	
Tax	(7.2)	(28.6)	0.0	
Net Profit	132.2	4.3	5.1	
Core Profit	137.8	22.6	6.3	EI: RM7.7m investment loss (fair value), RM2m forex gain

Source: Dialog (Dialog does not disclose EBIT quarterly breakdown by business segments), UOB Kay Hian

RESULTS

- **1QFY24 profit on track, at 23% of our/consensus' estimates.** Dialog's 1QFY24 EBITDA is a step higher at RM154m (4QFY23: RM135m; 1QFY23: RM118m), which is also on track to our EBITDA forecast. We noticed Malaysia EBITDA improved qoq from ~RM70m to RM99m, mainly due to higher upstream production from Bayan and D35/D21/J4 field. Bottom line profits were boosted by strong JV/associate income.
- The above factors more than offset the qoq weakness in Malaysia downstream projects, and projects from "Other Asia" region that generated RM3m reported loss in 1QFY24 (this included the RM8m investment loss). The downstream projects, including EPCC works, are still facing cost overruns, on hyperinflation risks on material/ labour costs coupled with persistent supply chain disruption. Thailand associate income from the L53/48 concession almost halved qoq, on higher opex and amortisation on drilling costs. The concession's production remains steady at 2,000 bpd.

KEY FINANCIALS

Year to 30 Jun (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	2,319	3,002	2,875	2,918	2,875
EBITDA	574	506	628	715	761
Operating profit	334	251	345	410	435
Net profit (rep./act.)	508	511	586	641	659
Net profit (adj.)	504	499	586	641	659
EPS (sen)	8.0	7.9	9.3	10.2	10.5
PE (x)	26.3	26.5	22.6	20.6	20.1
P/B (x)	2.6	2.4	2.2	2.1	1.9
EV/EBITDA (x)	22.4	25.4	20.5	18.0	16.9
Dividend yield (%)	1.3	1.3	1.5	1.7	1.7
Net margin (%)	21.9	17.0	20.4	22.0	22.9
Net debt/(cash) to equity (%)	10.4	7.9	12.1	16.3	18.5
Interest cover (x)	14.3	7.0	10.0	10.5	10.5
ROE (%)	10.5	9.6	10.2	10.4	10.0
Consensus net profit	-	-	582	627	662
UOBKH/Consensus (x)	-	-	1.01	1.02	1.00

Source: Dialog Group Bhd, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM2.10
Target Price	RM2.85
Upside	+35.6%

COMPANY DESCRIPTION

Dialog provides engineering, procurement, construction and commissioning (EPCC) services and plant maintenance services. The company also owns tank terminals that store oil and gas while marketing specialty chemicals and equipments.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	DLG MK
Shares issued (m):	5,642.6
Market cap (RMm):	11,849.4
Market cap (US\$m):	2,516.6
3-mth avg daily t'over (US\$m):	2.1

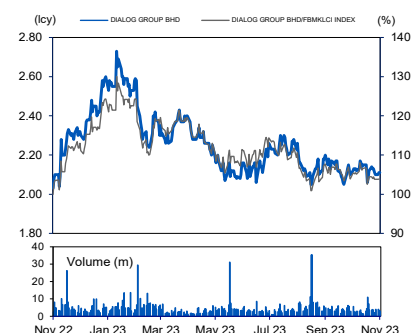
Price Performance (%)

52-week high/low	RM2.73/RM2.03			
1mth	3mth	6mth	1yr	YTD
(1.4)	(7.1)	(5.4)	6.1	(14.3)

Major Shareholders

Major Shareholders	%
Ngau Boon Keat	18.3
EPF	15.0
Azam Utama	7.6
FY24 NAV/Share (RM)	0.95
FY24 Net Debt/Share (RM)	0.11

PRICE CHART



Source: Bloomberg

ANALYST(S)

Kong Ho Meng
+603 2147 1987
homeng@uobkayhian.com

STOCK IMPACT

- Royal Vopak saw improved Malaysia storage results.** Dialog's key storage partner recently released its 3Q23 results, and reported that its terminal portfolio in the Asia and Middle East still maintains a multi-year high utilisation rate (UR) of 92% (-1% qoq). Interestingly, Vopak has begun to make separate disclosures of Singapore-only (5m cbm capacity; 3Q23 UR: 93%; -4% qoq), and the rest of Asia/Middle East Portfolio (12m cbm capacity, 3Q23 UR: 92%; +1% qoq). More importantly, the Asia/Middle East JV terminals EBITDA surged qoq to EUR23.4m (2Q23: EUR16.4m; 3Q21: EUR18.7m)
- Royal Vopak reinforced positive storage sentiment.** The JV terminals' EBITDA is close to the peak EUR25m reported back in 1Q20, and this shows that ASEAN oil storage hubs have continued to benefit from energy security/trade recalibration due to geopolitical/sanction events, despite the chemical storage market seeing some weakness in 2H23. Vopak specifically explained that Malaysia's PITSB saw an opportunity in 3Q23 to boost UR and storage rates. Hence, we now understand that PITSB average UR and monthly storage rates have been "hovering above" 90% and S\$6/cbm respectively, and are almost at full capacity.
- JV project Moritmasu-Dialog progressed to Phase 2.** The groundbreaking ceremony was recently held to officiate further expansion of Dialog's existing fabrication facility (DFPF), with additional RM250m investment, on top of the initial RM14m investment made back in 14 Sep 21. To note, Moritmasu-Dialog scaled up pretty fast, with breakthroughs ie assembly and shipping of large equipment to a major chemical customer in Nov 22, and more recently in end-Sep 23, its first major module orders for high purity sulfuric acid modules for ultra large scale integrated circuits. We see Moritmasu – a pioneer in EPCC services for critical process and pressure vessels – to be potentially one of Dialog's quickest success stories (among its many JV projects).
- ESG: Tanjung Langsat renewable energy storage on track.** Dialog's first foray into renewable energy storage, via a small 24,000 cbm capacity in Dialog Terminals Langsat 3 (DTL3), is on track for end-24 startup. This also takes into account that on 4 Oct 23, Dialog Terminals Langsat 1 (DTL1) had retrofitted some tanks and received Used Cooking Oil (UCO) that will be the first biofeedstock for eventual usage for renewable fuel.
- Other ESG updates:** a) Dialog Diyou PCR, its first foray into circular economy (via food-grade recycled pellets), completed commissioning in Oct 23. b) Dialog also invested into Hiringa Energy, a full service green hydrogen provider in New Zealand, and LanzaTech, a US carbon recycling technology company, c) Sisalab, Dialog's digital app for tracing of recycling activities and sustainable waste management (under its subsidiary Dialog ESECO), achieved 66,000kg of collected recyclable waste in FY23, d) Dialog is making its first foray as an asset owner of a specialty chemical plant producing malic acid, located at BASF Petronas Chemical Gebeng complex, which is expected to operate in 2026.

EARNINGS REVISION/RISK

- Retain earnings forecasts.** Based on Dialog's 2023 integrated report, we observed PITSB's actual JV income in FY23 was higher than expected. However, there was still no disclosure of income from Pengerang (Two) (PT2SB), vs the RM145m JV income it generated in FY20, until the restart of the PRefChem facility is concluded. Overall group profit growth hinges on higher upstream income (ie Bayan), improving margins and wider market share from EPCC projects.

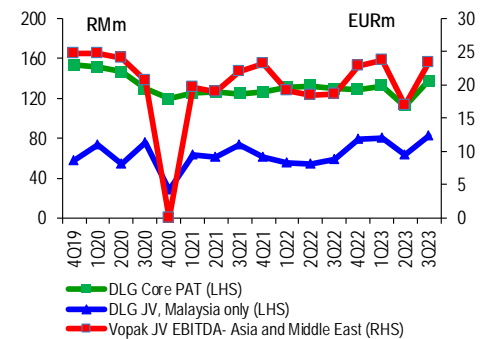
STOCK VALUATION/ RECOMMENDATION

- Maintain BUY, target price of RM2.85,** which implies FY24F PE of 30x. Although we still do not see near-term earnings inflection, Dialog stands out on its own vs our other O&G stock coverage as the sole beneficiary from the storage upcycle, and it is still the biggest beneficiary of Pengerang's future expansion. Hence, we still factor in the RM0.50/share expansion catalyst, even though we acknowledge that the new storage offtaker negotiations are taking longer than expected, while there is another local peer in consideration (Benalec).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

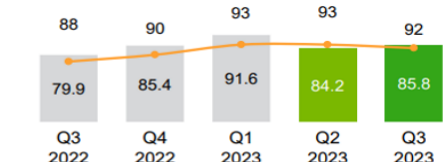
Environmental	
- Carbon (CO2) emission.	Scope 1 and 2 emissions are higher at 17,326 tCO2e in FY23 from 14,865 tCO2e in FY22. But Dialog has formulated its sustainability goals
- Safety (HSE).	Nil Lost Time Injury (LTI) frequency in FY23 (FY22: 0.00).
Social	
- Diversity.	21% female representation in the management team (FY22: 19%)
- >RM440m donations since inception of MyKasih	(set up by the founder).
Governance	
- Five out of nine board members are independent with diverse backgrounds,	even though there is family representation in the management team.

DIALOG INCOME AND VOPAK JV EBITDA (ASIA AND MIDDLE EAST) TREND



Source: Royal Vopak, Dialog

STORAGE UTILISATION AND EBITDA, ASIA / MIDDLE EAST TERMINALS (VOPAK)



Source: Royal Vopak

JV SEGMENTS AND FORECASTS

RMm (Actual)	FY21	FY22	FY23
JV/associate line	227.4	251.6	364.0
Pengerang Phase 1, JV	72.0	49.4	91.2
Pengerang 2, JV	39.9	81.0*	82.4*
Other JV and POEC**	35.6	117.9	103.7
Pengerang LNG	79.9	85.6	72.6
RMm (forecasts)	FY24	FY25	FY26
JV/associate line	341.8	343.2	346.3
Pengerang Phase 1, JV	65.4	66.4	69.1
Pengerang 2, JV	94.9	95.1	95.4
Other JV and POEC	77.8	78.0	78.2
Pengerang LNG	103.7	103.6	103.5

*Note: Our back of envelope estimate; **POEC: Pan Orient: >RM80m
Source: Dialog, UOB Kay Hian

SOTP VALUATION PER SHARE (FY24)

Segments	Valuation	RM
Core business	18x P/E on net profit, ex-associates	1.10
Kerith Terminal	400,000m ³ , 30% stake, WACC 9%	0.04
Tanjung Langsat 1 and 2	740,000 m ³ , 100% stake, WACC: 9%	0.25
Pengerang : Phase 1 and 2	PT2SB recovery offsetting PITSB's weakness	1.02
D35 PSC + Bayan OSC + POEC Thai	Assume O&G price of US\$90-100/bbl, but higher WACC of 12%	0.13
Pengerang Phase 3/ potential expansion	Expansion potential for PLNG2 and Langsat, and a smaller likelihood for Phase 3 expansion	0.50
(-) Net debt	Including warrant proceed	(0.19)
SOTP	Diluted: 6.3b shares	2.85
Implied P/E	+1SD of 10 year average	30.6
Implied P/B		3.1x

Source: UOB Kay Hian

PROFIT & LOSS

Year to 30 Jun (RMm)	2023	2024F	2025F	2026F
Net turnover	3,002	2,875	2,918	2,875
EBITDA	506	628	715	761
Deprec. & amort.	255	283	304	325
EBIT	251	345	410	435
Total other non-operating income	n.a.	n.a.	n.a.	n.a.
Associate contributions	364	342	343	346
Net interest income/(expense)	(72)	(63)	(68)	(73)
Pre-tax profit	554	625	686	709
Tax	(33)	(31)	(34)	(35)
Minorities	(10)	(8)	(10)	(14)
Net profit	511	586	641	659
Net profit (adj.)	499	586	641	659

CASH FLOW

Year to 30 Jun (RMm)	2023	2024F	2025F	2026F
Operating	750	1,006	772	884
Pre-tax profit	554	625	686	709
Tax	(67)	(31)	(34)	(35)
Deprec. & amort.	255	283	304	325
Working capital changes	124	254	(64)	(1)
Other operating cashflows	(115)	(125)	(119)	(115)
Investing	(296)	(800)	(800)	(800)
Capex (growth)	251	(500)	(500)	(500)
Investments	(467)	(300)	(300)	(300)
Others	(79)	0	0	0
Financing	(598)	(22)	(113)	(107)
Proceeds from borrowings	(306)	246	179	196
Loan repayment	(72)	(63)	(68)	(73)
Others/interest paid	(221)	(205)	(224)	(231)
Net cash inflow (outflow)	(143)	184	(141)	(23)
Beginning cash & cash equivalent	1,840	1,720	1,905	1,764
Changes due to forex impact	24	0	0	0
Ending cash & cash equivalent	1,721	1,905	1,764	1,740

BALANCE SHEET

Year to 30 Jun (RMm)	2023	2024F	2025F	2026F
Fixed assets	2,750	2,924	3,143	3,362
Other LT assets	3,820	4,170	4,520	4,870
Cash/ST investment	1,721	1,905	1,764	1,740
Other current assets	1,021	988	997	984
Total assets	9,312	9,988	10,425	10,956
ST debt	299	811	866	927
Other current liabilities	967	1,383	1,224	1,131
LT debt	1,864	1,816	1,940	2,075
Other LT liabilities	22	22	22	22
Shareholders' equity	5,576	5,957	6,374	6,802
Minority interest	584	0	0	0
Total liabilities & equity	9,312	9,988	10,425	10,956

KEY METRICS

Year to 30 Jun (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	16.9	21.9	24.5	26.5
Pre-tax margin	18.5	21.7	23.5	24.7
Net margin	17.0	20.4	22.0	22.9
ROA	5.6	6.1	6.3	6.2
ROE	9.6	10.2	10.4	10.0
Growth				
Turnover	29.4	(4.2)	1.5	(1.5)
EBITDA	(11.8)	24.2	13.7	6.4
Pre-tax profit	0.7	12.8	9.8	3.4
Net profit	0.5	14.7	9.5	2.8
Net profit (adj.)	(0.8)	17.3	9.5	2.8
EPS	(0.8)	17.3	9.5	2.8
Leverage				
Debt to total capital	26.0	30.6	30.6	30.6
Debt to equity	38.8	44.1	44.0	44.1
Net debt/(cash) to equity	7.9	12.1	16.3	18.5
Interest cover (x)	7.0	10.0	10.5	10.5

SMALL/MID CAP HIGHLIGHTS

NationGate Holdings (NATGATE MK)

9M23: Within Expectations; Seeing Light At The End Of The Tunnel

Results came in within expectations. NationGate is staging for a strong recovery in 2024 thanks to the seasonal ramp-up and continuous orders inflow amid the US-China trade diversion. The group is also on track for its massive floorspace expansion by year-end while scouting for new plants to house new prospects. We see multiple legs of growth that can supercharge a three-year core net profit CAGR of 27%. Maintain BUY. Target price: RM1.83.

3Q23 RESULTS

Year to 31 Dec (RMm)	3Q23	qoq % chg	yoy % chg	9M23	yoy % chg
Revenue	165.6	15%	-46%	466.7	-36%
EBITDA	32.3	20%	-27%	86.3	18%
EBIT	22.4	28%	-37%	58.2	-20%
Profit Before Tax	21.0	30%	-35%	52.6	-28%
Tax	-3.7	103%	57%	-7.7	-19%
Net Profit	17.3	21%	-43%	44.9	-29%
Core Net Profit	17.3	20%	-43%	48.7	-23%
Margins (%)	(%)	qoq ppt chg	yoy ppt chg	(%)	yoy ppt chg
EBITDA	19.5	0.8	5.0	18.5	8.5
EBIT	13.6	1.4	1.9	12.5	2.5
Profit Before Tax	12.7	1.4	2.0	11.3	1.3
Core net profit	10.4	0.4	0.6	10.4	1.8

Source: NationGate, UOB Kay Hian

RESULTS

- Within expectations.** NationGate Holdings (NationGate) reported a sequentially stronger 3Q23 core net profit of RM17.3m (+20% qoq, -43% yoy), bringing 9M23 core net profit to RM48.7m (-23%) which made up 64%/69% of our and consensus full-year expectations respectively. Note that the core net profit has been adjusted for the non-recurring listing expenses of RM3.84m. We deem 9M23 results to be in line with expectations of a sequentially stronger 4Q, underpinned by higher ramp-up of its networking and telecom segments. Meanwhile, a third interim DPS of 0.25 sen was declared.
- YOY,** 9M23 revenue dropped by 36%, dragged by slower ramp-up from the networking, telecom and industrial segments. That said, core net profit dropped by a narrower 23% due to better product mix efficiency.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net Turnover	760.9	945.7	645.3	1009.2	1150.0
EBITDA	96.1	152.1	124.6	221.2	246.3
Operating Profit	69.9	117.0	88.5	184.4	210.1
Net Profit	57.3	85.3	71.5	151.2	175.5
Net Profit (Adjusted)	57.3	85.3	71.5	151.2	175.5
EPS (sen)	2.8	4.1	3.4	7.3	8.5
PE (x)	43.8	29.4	35.1	16.6	14.3
P/B (x)	16.1	6.9	4.4	3.7	3.2
EV/EBITDA (x)	27.1	17.8	20.4	11.6	10.2
Dividend Yield (%)	0.0	0.0	1.0	2.1	2.4
Net Margin (%)	7.5	9.0	11.1	15.0	15.3
Net Debt/(Cash) to Equity (%)	61.6	89.6	6.1	11.9	0.4
Interest Cover (x)	-9.7	(9.5)	(22.0)	(32.0)	(72.7)
ROE (%)	36.8	23.5	16.2	28.1	26.9

Source: NationGate, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.21
Target Price	RM1.83
Upside	51.2%

COMPANY DESCRIPTION

NationGate focuses on the assembly and testing of: a) electronic components and products producing the completed printed circuit boards (PCB), semi-finished sub-assemblies and fully assembled electronics products, and b) semiconductor devices.

STOCK DATA

GICS sector	Electrical Components
Bloomberg ticker:	NATGATE MK
Shares issued (m):	2,073.9
Market cap (RMm):	2,509.4
Market cap (US\$m):	531.7
3-mth avg daily t'over (US\$m):	1.2

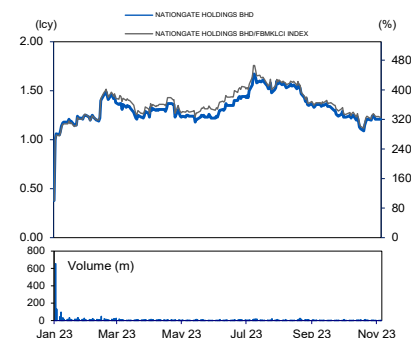
Price Performance (%)

52-week high/low	1.67/0.38			
1mth	3mth	6mth	1yr	YTD
-1.6	-22.4	-1.6	-	218.4

Major Shareholders

	%
Ooi Eng Leong	57.8
Tan Ah Geok	7.2
AIA Bhd	3.1
FY23 NAV/Share (RM)	0.28
FY23 Net Cash/Share (RM)	0.01

PRICE CHART



Source: Bloomberg

ANALYST(S)

Desmond Chong
 +603 2147 1980
 desmondchong@uobkayhian.com

- **QOQ**, revenue and core net profit rebounded by 15% and 20% respectively, predominantly driven by the better margins from the networking, telecom and data-computing segments.

STOCK IMPACT

- **Bottoming out from cyclical weakness.** While the group saw a weaker-than-expected 2Q23 with weaker average monthly utilisation rate due to cautious volume loadings from end-customers (particularly from networking and data computing customers), these customers have started to replenish orders gradually which could see a meaningful recovery towards 1Q24. While we are expecting a flat year (on order push-back) for NationGate premised on weaker 2023 guidance from its end-customers (via its respective results announcement), a meaningful recovery could be in sight for 2024 following new product launches and order replenishment from its networking, telco and data computing customers. Note that the group is already in talks with a handful of new customers which could require new premises to house these services.
- **Frontrunner of US-China trade diversion; at the boiling point of expansion.** After the commencement of the new EMS operations at its Plant 7, the group is expanding its Plant 5 (+80,000sf) while adding the new Plant 8 (248,000sf; ready by end-23), totaling a 53% floorspace expansion with several MNC customers already expressing interest to take up the facilities (networking/telecom, industrial instruments and consumer electronics customers). In addition, the latest US Chips Act has also prompted both US and Chinese manufacturers (in the high-end tech space) to relocate most of their supply chains to other countries. This could continue to benefit the frontrunners of the trade diversion. Note that NationGate is already in talks with a handful of new customers which could require new premises to house these services. Should these prospects crystallise, this could supersede the group's targeted net profit growth of 20-30% for 2024.

- **Potential fruition from the global supply chain reconfiguration.** Besides existing customers' supply-chain reconfiguration, NationGate intends to ride on its new business collaboration with GoldTek Technology (GoldTek) to further expand its EMS business and strengthen the relationship between both parties for more future collaborations with more affiliates and/or subsidiaries of Hon Hai Precision Industry (Hon Hai). NationGate had commenced EMS operations at its Plant 7 for a few customers with an initial built-up area of 100,000sf with eight surface mounting technology (SMT) lines in Feb 22 and expanded its manufacturing floor space within Plant 7 for a total rented built-up area of 227,700sf.

EARNINGS REVISION/RISK

- Post model updates, we trimmed our 2023 earnings estimates by 5% for house-keeping purposes.

VALUATION/RECOMMENDATION

- **Maintain BUY with an unchanged target price of RM1.83**, still based on 25.0x 2024F PE (blended PE of 70:30 based on average PE of industrial EMS and outsourced semiconductor assembly and test (OSAT)). Such a PE multiple yardstick implies an undemanding PEG ratio of 0.8x given its multi-year growth story.

MAJOR CUSTOMER PROFILE

Top 5 Customers in FPE2022	EMS provided	Revenue contribution	Business Model Performed	Length of Relationship	Country
Company A	Fully-assembled electronic products	54.8%	Turnkey	8 years	Malaysia
Company D	Fully-assembled electronic products	10.5%	Consignment	4 years	Hong Kong
Robert Bosch Power Tools Sdn Bhd	Completed PCBs	9.2%	Turnkey	8 years	Malaysia
Company B	Completed PCBs	5.6%	Turnkey	6 years	Malaysia
Company F	Semiconductor devices	2.9%	Consignment	2 years	Malaysia

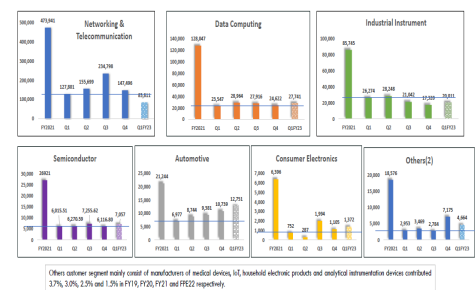
Source: NationGate, UOB Kay Hian

BUSINESS MODEL

Business Segment	Provision of EMS
BUSINESS ACTIVITIES	Established EMS provider focusing on the assembly and testing of: a) Electronic components and products to produce completed PCBs, semi-finished sub-assemblies and fully-assembled electronic products and b) semiconductor devices.
BUSINESS MODEL	<ul style="list-style-type: none"> • Turnkey Basis – Responsibility of purchasing raw materials fall upon contract manufacturers / EMS providers • Consignment Basis – Customer shall be responsible for sourcing, sorting and packaging raw materials which are then delivered to the contract manufacturer / EMS provider for assembly.
END-USER MARKETS	<ul style="list-style-type: none"> • Networking & Telecommunications • Data Computing • Industrial Instruments • Consumer Electronics • Automotive • Semiconductor • Others* <p>*Others include medical devices, IoT, household electronic products and analytical instrumentation devices.</p>

Source: NationGate

REVENUE BY CUSTOMER SEGMENT



Source: NationGate

OVERVIEW OF PRODUCTS AND SERVICES

PCB Assembly	Final Assembly
<ul style="list-style-type: none"> • Placing of electronic components onto a rigid or flexible PCB using surface-mount technology ("SMT"), pin-through-hole and chip-on-board processes. • Assembled PCBs are passed on to full assembly or shipped to customers to proceed with the next stage of the assembly process. 	<ul style="list-style-type: none"> • Assembling various PCBs, components, housing (either metal, plastic or composite) and other parts to become a fully functional product using a combination of automation and manual processes. Example of products:
Value-Added Services	
<ul style="list-style-type: none"> • Prototyping • Supply chain management • Testing 	<ul style="list-style-type: none"> • Packaging

Source: NationGate

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net Turnover	946	645	1,009	1,150
EBITDA	152	125	221	246
Depreciation & Amortisation	35	36	37	36
EBIT	117	88	184	210
Associate Contributions				
Net Interest Income/(Expense)	-12	-4	-6	-3
Pre-tax Profit	105	84	179	207
Tax	-19	-13	-27	-31
Minorities	0	0	1	1
Net Profit	85	71	151	175
Net Profit (Adjusted)	85	71	151	175

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	21	98	53	158
Pre-tax Profit	105	84	179	207
Tax	-19	-13	-27	-31
Depreciation & Amortisation	35	36	37	36
Associates	0	0	0	0
Working Capital Changes	-116	-9	-135	-54
Other Operating Cashflows	28	0	0	0
Investing	-56	-50	-32	-32
Capex (Growth)	-37	-50	-32	-32
Investments	0	0	0	0
Proceeds from Sale of Assets	2	0	0	0
Others	-7	0	0	0
Financing	37	31	-119	-124
Dividend Payments	-5	-13	-25	-53
Issue of Shares	0	165	0	0
Proceeds from Borrowings	71	0	0	0
Loan Repayment	-22	-106	-60	-60
Others/Interest Paid	0	-4	-6	-3
Net Cash Inflow (Outflow)	1	79	-97	2
Beginning Cash & Cash Equivalent	46	47	126	29
Changes Due to Forex Impact	0	0	0	0
Ending Cash & Cash Equivalent	47	126	29	30

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	236	249	245	240
Other LT assets	26	26	26	26
Cash/ST investment	53	126	29	30
Other current assets	448	396	591	672
Total assets	762	797	891	969
ST debt	250	145	85	25
Other current liabilities	199	127	183	208
LT debt	8	8	8	8
Other LT liabilities	8	8	8	8
Shareholders' equity	362	574	673	787
Minority interest	0	-0	-1	-2
Total liabilities & equity	762	797	891	969

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	16.1	19.3	21.9	21.4
Pre-tax margin	11.1	13.1	17.7	18.0
Net margin	9.0	11.1	15.0	15.3
ROA	11.2	9.0	17.0	18.1
ROE	23.5	16.2	28.1	26.9
Growth				
Turnover	24.3	-31.8	56.4	14.0
EBITDA	58.2	-18.1	77.6	11.3
Pre-tax profit	67.0	-19.3	111.6	16.0
Net profit	48.8	-16.2	111.6	16.0
Net profit (adj.)	48.8	-16.2	111.6	16.0
Leverage				
Debt to total capital	41.7	26.6	17.1	9.5
Debt to equity	138.7	48.2	28.3	14.2
Net debt/(cash) to equity	89.6	6.1	11.9	0.4
Interest cover (x)	-9.5	-22.0	-32.0	-72.7

COMPANY RESULTS

Bumitama Agri (BAL SP)

3Q23: Beating Our And Consensus Expectations

BAL's 3Q23 results beat our and consensus expectations, thanks to higher-than-expected PK sales volume and higher-than-expected purchase of external FFB boosting CPO production and sales. The strong qoq and yoy earnings were mainly due to the strong sales volume and slightly lower cost of production. We expect 4Q23 earnings to come in slightly lower qoq, despite higher CPO ASP from lower CPO output and sales volume. Maintain BUY with a higher target price of S\$0.70.

3Q23 RESULTS

Year to 31 Dec (Rpb)	3Q23	% chg qoq	% chg yoy	9M23	% chg @yoy	Remarks
Revenue	4,307	10.4	20.0	11,803	(6.0)	
EBITDA	1,620	69.6	28.6	3,263	(29.8)	
Net Profit	874	15.0	33.4	2,062	(27.2)	
EBITDA Margin	37.6	13.1	2.5	27.6	(9.4)	
Net Profit Margin	20.3	0.8	2.0	17.5	(5.1)	

Source: BAL, UOB Kay Hian

RESULTS

- **Results above expectations.** Bumitama Agri's (BAL) results came in above our and consensus expectations with net profit at Rp874b (+15%qoq, +33% yoy), bringing 9M23 net profit to Rp2,062b (-27% yoy). This is above our expectations, accounting for 95% of our full-year forecast. The positive deviation mainly comes from the higher-than-expected Palm Kernel (PK) and CPO sales volume. In addition, BAL's external FFB purchases were also higher than expected, which contributed to higher CPO production and sales.
- **3Q23 net profit was stronger qoq and yoy,** mainly thanks to the strong sales volume with net inventory drawdown of 11,000 tonnes. The sales volume of CPO and PK increased by 20% qoq and 30% qoq respectively, while cost pressure from fertilisers dissipated. The strong CPO production was due to higher external FFB which increased by 10% qoq and 19% yoy in 3Q23.
- **BAL's 3Q23 performance was the first period of positive growth in 2023,** with the improvement in EBITDA margin at 38% in 3Q23 (2Q23: 25%, 3Q22: 35%) on the back of better output and lower cost of production (especially fertiliser price) and also slight increase in CPO ASP (+4% yoy).

KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net turnover	12,249	15,829	21,073	17,114	16,228
EBITDA	3,498	5,571	4,335	4,350	3,635
Operating profit	2,777	4,830	3,510	3,435	2,643
Net profit (rep./act.)	1,721	2,826	2,388	2,409	1,917
Net profit (adj.)	1,677	3,123	2,389	2,409	1,917
EPS (Rp)	957.9	1,783.5	1,364.2	1,375.8	1,094.7
PE (x)	7.3	3.9	5.1	5.1	6.4
P/B (x)	1.2	1.0	0.9	0.8	0.7
EV/EBITDA (x)	4.4	2.8	3.6	3.5	4.2
Dividend yield (%)	3.1	9.3	7.8	7.9	6.3
Net margin (%)	14.1	17.9	11.3	14.1	11.8
Net debt/(cash) to equity (%)	38.5	20.0	6.7	0.3	(5.7)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	17.7	24.6	17.9	16.3	11.9
Consensus net profit	-	-	2,150	2,043	2,001
UOBKH/Consensus (x)	-	-	1.11	1.18	0.96

Source: Bumitama Agri Ltd, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.605
Target Price	S\$0.700
Upside	+15.7%
(Previous TP)	S\$0.650

COMPANY DESCRIPTION

Pure upstream palm oil player in Indonesia.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	BAL SP
Shares issued (m):	1,734.1
Market cap (S\$m):	1,049.2
Market cap (US\$m):	771.4
3-mth avg daily t'over (US\$m):	0.3

Price Performance (%)

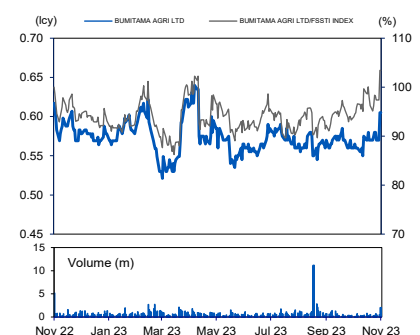
52-week high/low S\$0.640/S\$0.521

1mth	3mth	6mth	1yr	YTD
8.0	8.0	1.7	2.1	6.4

Major Shareholders

	%
Fortune Holdings Ltd	52.3
IOI Corporation	32.1
FY23 NAV/Share (Rp)	8,046
FY23 Net Debt/Share (Rp)	538

PRICE CHART



Source: Bloomberg

ANALYST(S)

Jacquelyn Yow Hui Li
+603 2147 1995
jacquelyn@uobkayhian.com

Leow Huey Chuen
+603 2147 1990
hueychuen@uobkayhian.com

Key highlights from the analyst briefing:

- Lower FFB production in 4Q23.** Production peaked in 3Q23 and the management mentioned that production would be flat or slightly lower qoq for 4Q23. There was no revision of management guidance on the FFB production growth for 2023 at 0-5% yoy.
- Higher external FFB purchases.** BAL has added new FFB suppliers since 2022 and this contributed to stronger external FFB purchases (9M23: 30% of total FFB processed vs 9M22). This contributed positively to better CPO production growth. Higher third-party FFB contributions are expected to accommodate BAL's upcoming new mills. There are two new mills coming up with one commencing in Nov 23 and another in 2024.
- Secured sales commitment until 2024.** The management mentioned that BAL has committed 95% of their CPO sales volume for 2024 with their two largest buyers accounting for 80% of total volume. Having said that, the pricing for the commitment is based on market prices.
- Not catching up in fertiliser application in 4Q23.** Fertiliser application is at 60-65% as of Sep 23. However, the management mentioned that BAL will not catch up in its fertiliser application in 4Q23 as there are sufficient nutrients in their estates as per their internal field test.
- Slight decline in cost of production.** Cost of production is expected to only decline marginally in 4Q23, despite the weakening fertiliser prices. This is due to the upkeep and maintenance cost in the estates for pruning and road maintenance. On top of that, the management also mentioned that they are trying to keep the moisture in the estates during this drier weather via mulching, where they would be covering the soil around trees with empty fruit bunch to help retain moisture in the soil, suppress weed growth, and improve soil fertility.

STOCK IMPACT

- 4Q23 earnings may be lower qoq.** We reckon that 4Q23 earnings may be lower qoq mainly due to the slower production growth and lower sales volume, despite CPO ASP increasing qoq. We reckon that the slight decline in cost of production is not enough to compensate the decline in sales volume.

EARNINGS REVISION/RISK

- Revised earnings forecast.** We have revised our net profit forecast by adjusting for higher external FFB production, given that BAL would continue to purchase more from the third party. We have also factored in higher mill utilisation rate.
- We have adjusted the net profit by 10/5/1% for 2023/24/25F respectively after the revision.

VALUATION/RECOMMENDATION

- Maintain BUY with higher target price of S\$0.70 (previous: S\$0.65),** based on 6x 2024F PE.

SHARE PRICE CATALYST

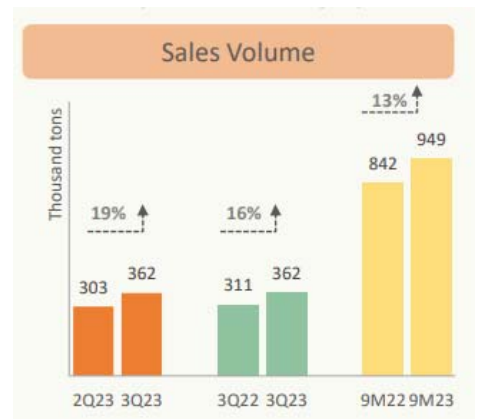
- Higher-than-expected CPO prices.
- Higher-than-expected FFB production.

HIGHER QOQ AND YOY EXTERNAL FFB PURCHASE



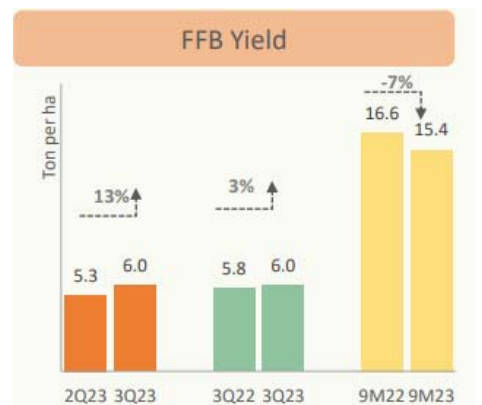
Source: BAL

HIGHER QOQ AND YOY SALES VOLUME



Source: BAL

FFB YIELD IMPROVEMENT



Source: BAL

PROFIT & LOSS

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Net turnover	15,829	21,073	17,114	16,228
EBITDA	5,571	4,335	4,350	3,635
Deprec. & amort.	740	825	915	991
EBIT	4,830	3,510	3,435	2,643
Total other non-operating income	0	0	0	0
Associate contributions	0	0	1	2
Net interest income/(expense)	37	237	343	361
Pre-tax profit	4,571	3,747	3,779	3,006
Tax	(1,172)	(937)	(945)	(752)
Minorities	(573)	(421)	(425)	(338)
Net profit	2,826	2,388	2,409	1,917
Net profit (adj.)	3,123	2,389	2,409	1,917

CASH FLOW

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Operating	3,513	3,713	3,252	3,168
Pre-tax profit	4,571	3,747	3,779	3,006
Tax	(737)	(937)	(945)	(752)
Deprec. & amort.	740	825	915	991
Working capital changes	(1,147)	78	(497)	(78)
Other operating cashflows	86	0	0	0
Investing	(494)	(1,400)	(1,400)	(1,400)
Capex (maintenance)	(182)	(1,400)	(1,400)	(1,400)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(312)	0	0	0
Financing	(2,378)	(1,953)	(1,961)	(1,763)
Dividend payments	(1,170)	(955)	(964)	(767)
Issue of shares	0	0	0	0
Proceeds from borrowings	72	0	0	0
Loan repayment	(1,158)	(1,000)	(1,000)	(1,000)
Others/interest paid	(121)	2	3	4
Net cash inflow (outflow)	642	359	(109)	5
Beginning cash & cash equivalent	176	818	1,177	1,068
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	826	1,414	1,302	1,303

BALANCE SHEET

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Fixed assets	14,989	15,564	16,049	16,458
Other LT assets	372	304	305	306
Cash/ST investment	826	1,414	1,302	1,303
Other current assets	3,712	3,787	4,169	4,222
Total assets	19,698	19,699	19,700	19,701
ST debt	79	79	79	79
Other current liabilities	1,780	1,932	1,817	1,791
LT debt	3,277	2,277	1,277	277
Other LT liabilities	307	307	307	307
Shareholders' equity	12,655	14,088	15,533	16,683
Minority interest	1,962	2,384	2,809	3,147
Total liabilities & equity	19,698	19,699	19,700	19,701

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	35.2	20.6	25.4	22.4
Pre-tax margin	28.9	17.8	22.1	18.5
Net margin	17.9	11.3	14.1	11.8
ROA	14.5	12.1	12.2	9.7
ROE	24.6	17.9	16.3	11.9
Growth				
Turnover	29.2	33.1	(18.8)	(5.2)
EBITDA	59.3	(22.2)	0.3	(16.4)
Pre-tax profit	59.6	(18.0)	0.9	(20.4)
Net profit	64.2	(15.5)	0.9	(20.4)
Net profit (adj.)	86.2	(23.5)	0.9	(20.4)
EPS	86.2	(23.5)	0.9	(20.4)
Leverage				
Debt to total capital	18.7	12.5	6.9	1.8
Debt to equity	26.5	16.7	8.7	2.1
Net debt/(cash) to equity	20.0	6.7	0.3	(5.7)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

COMPANY RESULTS

ComfortDelGro Corporation (CD SP)

3Q23: Strong Results; Riding On Strong Tailwinds

For 9M23, CD reported a higher underlying PATMI (+9.6% yoy), driven by better contributions from both the public transport and taxi segments. The public transport segment reported higher margins on the back of ongoing cost indexation and contract renewals in the UK. The taxi segment also posted better profitability despite stiff domestic pricing competition. As CD is backed by improving fundamentals and a decent 4.6% dividend yield, we maintain BUY with a higher target price of S\$1.69.

3Q23 RESULTS

Year to 31 Dec (\$m)	3Q23	yoy % chg	qoq % chg	9M23	yoy % chg	Comments
Revenue	996.6	3.8	4.3	2,858.9	2.0	
Operating expenses	(833.4)	(2.2)	(4.3)	(2,399.7)	(2.1)	
Operating profit	75.4	34.6	13.7	192.6	(15.2)	Including S\$30.5m exceptional gain from Alperton disposal in 1Q22.
Core operating profit	73.6	31.0	12.7	189.0	0.3	
PATMI	49.9	54.5	9.2	128.4	(13.0)	9M23 PATMI grew 9.6% yoy excluding Alperton disposal.
Core operating profit margin (%)	7.4ppt	1.5ppt	0.6ppt	6.6ppts	(0.1ppt)	
PATMI margin (%)	5.0ppt	1.6ppt	0.2ppt	4.5ppts	(0.8ppt)	9M23 PATMI margin expanded 0.3ppt yoy to 4.5% excluding Alperton disposal.

Year to 31 Dec (\$m)	Revenue			Core Operating Profit		
	3Q23	yoy % chg	qoq % chg	3Q23	yoy % chg	qoq % chg
Public Transport	758.5	3.4	3.9	32.9	19.6	13.8
Taxi & Private Hire	147.6	3.3	4.8	28.5	38.3	10.5
Other Private Transport	37.9	6.5	7.1	(1.2)	53.8	(50.0)
Inspection & Testing Services	26.6	(0.7)	(3.6)	7.9	(2.5)	(7.1)
Other Segments	26.0	23.2	17.6	5.5	120.0	89.7

Source: CD, UOB Kay Hian

RESULTS

• **3Q23: Strong underlying performance.** ComfortDelgro Corporation (CD) reported 9M23 revenue, core operating profit and PATMI of S\$2,858.9m (+2.0% yoy), S\$189.0m (+0.3% yoy) and S\$128.4m (+31.0% yoy) respectively, accounting for 70.5%, 65.7% and 65.6% of our full-year forecasts respectively and slightly below our expectations. The slight miss on our estimates was largely due to lower-than-expected margins for the public transport and taxi segments. Nonetheless, 3Q23 was still a robust quarter whereby revenue (+3.8% yoy, +4.3% qoq), core operating profit (+31.0% yoy, +12.7% qoq) and PATMI (+54.5% yoy, +9.2% qoq) all surged, backed by improving business fundamentals. 3Q23 revenue and PATMI were driven largely by higher contributions from most of CD's business segments. 3Q23 core operating (+1.5ppt yoy, +0.6ppt qoq) and PATMI (+1.6ppt yoy, +0.2ppt qoq) margins expanded, on the back of UK bus indexation and new contract renewals coupled with the new taxi platform fees implemented since start-3Q23.

KEY FINANCIALS

Year to 31 Dec (\$m)	2021	2022	2023F	2024F	2025F
Net turnover	3,503	3,781	3,924	4,090	4,214
EBITDA	576	627	647	739	795
Operating profit	200	270	284	367	413
Net profit (rep./act.)	120	173	183	238	272
Net profit (adj.)	120	137	183	238	272
EPS (S\$ cent)	5.5	6.3	8.5	11.0	12.5
PE (x)	23.7	20.8	15.5	11.9	10.4
P/B (x)	1.1	1.1	1.1	1.1	1.0
EV/EBITDA (x)	4.5	4.1	4.0	3.5	3.2
Dividend yield (%)	3.2	6.5	4.6	6.1	6.9
Net margin (%)	3.4	4.6	4.7	5.8	6.5
Net debt/(cash) to equity (%)	(21.6)	(26.3)	(27.1)	(30.7)	(35.3)
Interest cover (x)	51.0	47.2	31.6	36.1	54.4
ROE (%)	4.5	6.6	7.1	9.0	10.0
Consensus net profit	-	-	183	207	227
UOBKH/Consensus (x)	-	-	1.00	1.15	1.20

Source: CD, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.31
Target Price	S\$1.69
Upside	+29.2%
(Previous TP)	S\$1.61

COMPANY DESCRIPTION

ComfortDelGro is the world's second largest public listed passenger land transport company with a total fleet size of c43,000 vehicles. ComfortDelGro's businesses include bus, taxi, rail, car rental & leasing, automotive engineering and maintenance services.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	CD SP
Shares issued (m):	2,165.7
Market cap (S\$m):	2,837.1
Market cap (US\$m):	2,085.9
3-mth avg daily t'over (US\$m):	5.7

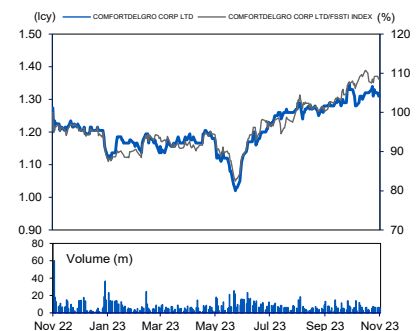
Price Performance (%)

52-week high/low	S\$1.35/S\$1.02
1mth	3.1
3mth	11.0
6mth	(1.7)
1yr	8.7
YTD	8.7

Major Shareholders

	%
-	-
FY23 NAV/Share (S\$)	1.21
FY23 Net Cash/Share (S\$)	0.33

PRICE CHART



Source: Bloomberg

ANALYST(S)

Llleythan Tan Yi Rong
+65 6590 6624
yirong@uobkayhian.com

Heidi Mo
+65 6590 6630
heidimo@uobkayhian.com

STOCK IMPACT

- Public transport: Margin expansion to continue into 2024...** Both 9M23 segmental revenue and operating profit formed 69.7% and 65.8% of our full-year forecasts, with operating profit slightly below our expectations. The slight miss was largely due to lower-than-expected core operating margins of 4.3% in 3Q23, which we expected at around 4.8-5.0% and would have brought CD's 9M23 operating profit to around 70% of our full-year forecasts. However, 3Q23 revenue (+3.4% yoy, +3.9% qoq) and core operating profit (+19.6% yoy, +13.8% qoq) still outperformed, aided by improving rail ridership in Singapore and more importantly, UK bus contract renewals and indexation which have started to come through.
- ... as overseas operations recover.** It was noted that roughly 70% of CD's UK bus contracts underwent cost indexation by end-3Q23 with the remaining contracts expected to be completed within the next two quarters. Also, roughly 10% of CD's UK bus contracts were renewed at healthier margins, given increasingly rational competition post-COVID-19. This led to CD's UK operations 3Q23 posting a robust operating profit of S\$6.1m versus an S\$2.0m operating loss in 3Q22. Coupled with the upcoming 7% fare increase in Singapore starting early-Dec 23, we expect the ongoing UK indexation and renewals to help support and expand segmental margins going into 2024. It was also noted that margins for CD's Australian operations softened slightly sequentially but is expected to stay largely stable going into 4Q23.
- Taxi: Stiff competition.** 9M23 taxi revenue grew 3.2% yoy, forming 72.8% of our full-year forecasts and in line with expectations. However, despite 9M23 operating profit surging 58.3% yoy, it only formed 61.1% of our full-year forecasts and was below our expectations. The miss on operating profit was largely due to lower-than-expected 3Q23 results despite segmental quarterly revenue inching higher (+3.3% yoy, +4.8% qoq) and core operating profit surging to S\$28.5m (+38.3% yoy, +10.5% qoq). Given the platform fee from 3Q23, we expected 3Q23 core operating profit of around S\$32-33m, a qoq increase of around S\$6-7m from 2Q23. Aside from higher qoq operating costs of S\$4.1m, we understand the lower-than-expected core operating profit was largely due to intense pricing competition in Singapore whereby the average taxi fare in 3Q23 was slightly lower than in 2Q23. Furthermore, despite 3Q23 taxi booking volumes being roughly the same qoq at 8.1m, the rate of cancellation was higher due to stiffer domestic competition, ultimately dragging down CD's overall commission on completed jobs and offsetting the platform fees. Moving forward, in our view, we expect potential upward revisions to CD's 5% online commission rate in 4Q23/2024, closing in on CD's peers and boosting segmental margins.

EARNINGS REVISION/RISK

- We decrease our 2023 PATMI forecasts but increase our 2024-25 PATMI forecasts,** on the back of lower margin assumptions for 2023 and higher contributions from the public transport segment for our 2024-25 PATMI forecasts. Our new 2023/24/25 PATMI forecasts are S\$183.4m (S\$195.7m previously), S\$238.2m (S\$226.9m previously) and S\$271.9m (S\$256.6m previously) respectively.

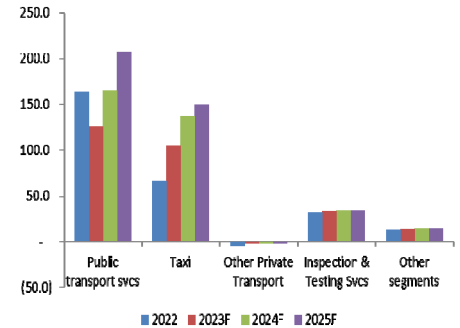
VALUATION/RECOMMENDATION

- Maintain BUY with a higher PE-based target price of S\$1.69 (S\$1.61 previously),** pegged to the same 15x 2024F PE, CD's average long-term PE. The higher target price is largely due to our increased 2024 PATMI estimates.
- With improving fundamentals, a decent 4.6% dividend yield and a robust balance sheet, we reckon that most negatives have already been priced in. Backed by upcoming favourable tailwinds, we reckon that better sequential earnings improvement for CD would help support share price performance moving forward.

SHARE PRICE CATALYST

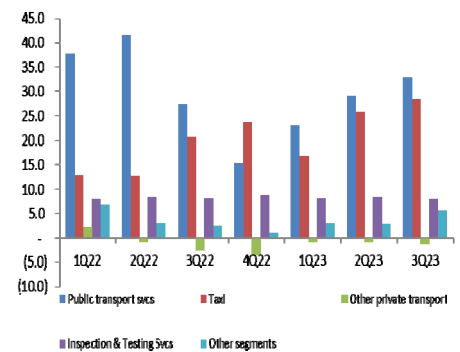
- Earnings-accretive overseas acquisitions.
- Bus tender contract wins.
- Increase in taxi commission rates.

SEGMENTAL ANNUAL OPERATING PROFIT FORECASTS (\$M)



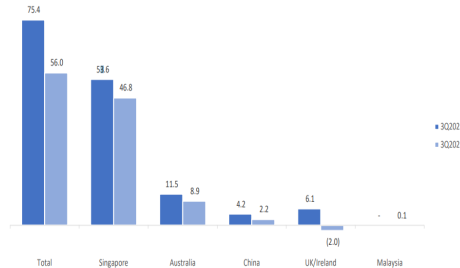
Source: UOB Kay Hian, CD

SEGMENTAL QUARTERLY OPERATING PROFIT (\$M)



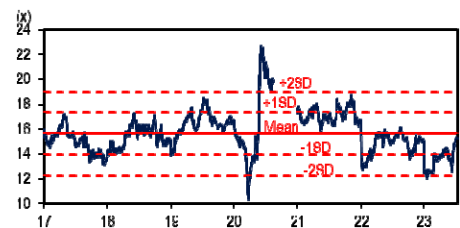
Source: UOB Kay Hian, CD

GEOGRAPHICAL OPERATING PROFIT FOR 3Q23/3Q22 (\$M)



Source: UOB Kay Hian, CD

HISTORICAL FORWARD PE RATIO



Source: UOB Kay Hian, Bloomberg

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	3,780.8	3,923.6	4,090.3	4,213.9
EBITDA	627.2	647.0	738.9	794.8
Deprec. & amort.	357.2	363.4	371.7	382.2
EBIT	270.0	283.6	367.2	412.6
Total other non-operating income	15.2	15.6	15.6	15.6
Associate contributions	0.8	0.8	0.8	0.8
Net interest income/(expense)	(13.3)	(20.5)	(20.5)	(14.6)
Pre-tax profit	272.7	279.6	363.2	414.4
Tax	(54.2)	(50.3)	(65.4)	(74.6)
Minorities	(45.4)	(45.8)	(59.6)	(68.0)
Net profit	173.1	183.4	238.2	271.9
Net profit (adj.)	136.8	183.4	238.2	271.9

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	602.3	504.5	627.5	677.9
Pre-tax profit	272.7	279.6	363.2	414.4
Tax	(79.9)	(50.3)	(65.4)	(74.6)
Deprec. & amort.	357.2	363.4	371.7	382.2
Associates	0.0	0.0	0.0	0.0
Working capital changes	(71.6)	136.8	72.1	(80.9)
Non-cash items	(6.7)	4.8	4.8	(1.0)
Other operating cashflows	130.6	(229.8)	(119.0)	37.8
Investing	(251.0)	(284.8)	(284.8)	(284.8)
Capex (growth)	(302.4)	(300.0)	(300.0)	(300.0)
Investments	(42.1)	0.0	0.0	0.0
Proceeds from sale of assets	80.1	0.0	0.0	0.0
Others	13.4	15.2	15.2	15.2
Financing	(274.7)	(184.0)	(227.4)	(243.2)
Dividend payments	(171.3)	(163.6)	(206.9)	(228.6)
Issue of shares	(1.7)	0.0	0.0	0.0
Proceeds from borrowings	2,468.2	0.0	0.0	0.0
Loan repayment	(2,518.3)	0.0	0.0	0.0
Others/interest paid	(51.6)	(20.5)	(20.5)	(14.6)
Net cash inflow (outflow)	76.6	35.7	115.3	150.0
Beginning cash & cash equivalent	919.1	967.0	1,002.7	1,118.1
Changes due to forex impact	(28.7)	0.0	0.0	0.0
Ending cash & cash equivalent	967.0	1,002.7	1,118.1	1,268.1

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	2,038.4	1,975.0	1,903.2	1,821.1
Other LT assets	1,017.7	1,018.1	1,018.5	1,018.9
Cash/ST investment	967.0	1,002.7	1,118.1	1,268.1
Other current assets	677.7	702.9	730.0	750.6
Total assets	4,700.8	4,698.7	4,769.8	4,858.7
ST debt	26.8	26.8	26.8	26.8
Other current liabilities	1,014.0	946.2	926.4	904.0
LT debt	265.4	265.4	265.4	265.4
Other LT liabilities	395.2	395.2	395.2	395.2
Shareholders' equity	2,568.9	2,622.2	2,687.1	2,763.9
Minority interest	430.5	442.8	468.9	503.4
Total liabilities & equity	4,700.8	4,698.7	4,769.8	4,858.7

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	16.6	16.5	18.1	18.9
Pre-tax margin	7.2	7.1	8.9	9.8
Net margin	4.6	4.7	5.8	6.5
ROA	3.6	3.9	5.0	5.6
ROE	6.6	7.1	9.0	10.0
Growth				
Turnover	7.9	3.8	4.2	3.0
EBITDA	8.9	3.2	14.2	7.6
Pre-tax profit	40.1	2.5	29.9	14.1
Net profit	44.4	5.9	29.9	14.1
Net profit (adj.)	14.1	34.1	29.9	14.1
EPS	14.1	34.1	29.9	14.1
Leverage				
Debt to total capital	8.9	8.7	8.5	8.2
Debt to equity	11.4	11.1	10.9	10.6
Net debt/(cash) to equity	(26.3)	(27.1)	(30.7)	(35.3)
Interest cover (x)	47.2	31.6	36.1	54.4

COMPANY RESULTS

SEA (SE US)

3Q23: Results In Line; 4Q23 Could Be Better Due To Seasonality

SEA's 9M23 earnings were in line at 85% of our full-year estimate; 3Q23 net loss was expected due to increased sales and marketing expenses for its e-commerce segment despite revenue growth. We expect 4Q23 earnings to improve qoq with all segments seeing improvement during the festive season. However, e-commerce margin may remain low due to the high trade-off cost. Maintain BUY with a target price of US\$72.25.

3Q23 RESULTS

Year to 31 Dec (US\$m)	3Q23	qoq % chg	yoy % chg	9M23	yoy % chg	Remarks
Revenue	3,310	6.9	4.9	9,447	5.0	
Gross profit	1,441	(0.7)	17.4	4,309	23.5	
Adj. EBITDA	35	(93.1)	(109.9)	1,052	n.m	
Digital Entertainment	234	(2.3)	(19.3)	704	-33.3	
E-Commerce	(346)	(330.5)	(30.1)	12	n.m	
Digital Financial Service	166	21.0	(344.6)	402	n.m	
Net profit	(144)	(143.5)	(74.7)	1,052	n.m	
Core net profit	(149)	(146.4)	(73.6)	274	n.m	
		(+/- bps)	(+/- bps)		(+/- bps)	
Gross margin (%)	43.5	(3.3)	4.6	45.6	6.8	
Adj EBITDA margin (%)	1.1	(15.4)	12.4	11.1	26.4	

Source: SEA LTD, UOB Kay Hian

RESULTS

- **In the red in 3Q23, within our expectation.** SEA Limited (SEA) was in the red again with a net loss of US\$144m in 3Q23 (down 75% yoy). 9M23 net profit is at US\$261m, accounting for 85% of our full-year forecast. This is within our expectation as we highlighted in our previous note that SEA had switched into reinvestment mode, especially for its e-commerce segment.
- **The weaker qoq performance in 3Q23** was mainly dragged by the huge increase in e-commerce sales and marketing expenses which surged 155% qoq and 50% yoy despite qoq and yoy revenue growth for the segment. Management shared that the higher sales and marketing expenses to capture market leadership given the entrance of new players has caused intensified competition in the e-commerce market, such as more investment in livestreaming operations and logistic network expansion.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Net turnover	9,955	12,450	12,751	14,050	14,930
EBITDA	(1,583)	(1,133)	613	1,191	1,457
Operating profit	(1,583)	(1,133)	613	1,191	1,457
Net profit (rep./act.)	(2,045)	(1,496)	306	745	1,025
Net profit (adj.)	(2,045)	(1,496)	306	745	1,025
EPS (US\$ cent)	(383.4)	(268.1)	55.0	120.7	160.2
PE (x)	n.m.	n.m.	83.7	38.1	28.7
P/B (x)	3.3	4.5	3.8	3.1	2.5
EV/EBITDA (x)	n.m.	n.m.	32.3	16.6	13.6
Dividend yield (n.a.)	n.a.	n.a.	n.a.	n.a.	n.a.
Net margin (%)	(20.5)	(12.0)	2.4	5.3	6.9
Net debt/(cash) to equity (%)	(98.2)	(73.0)	(95.6)	(98.8)	(99.6)
Interest cover (x)	(15.7)	n.a.	n.a.	n.a.	n.a.
ROE (%)	n.a.	n.a.	4.9	9.4	9.7
Consensus net profit	-	-	943	1,079	1,586
UOBKH/Consensus (x)	-	-	0.32	0.69	0.65

Source: SEA LTD, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY

(Maintained)

Share Price	US\$46.03
Target Price	US\$72.25
Upside	+57.0%

COMPANY DESCRIPTION

Sea has developed an integrated platform consisting of digital entertainment, e-commerce and digital financial services, each localised to meet the unique characteristics of its markets.

STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	SE US
Shares issued (m):	521.2
Market cap (US\$m):	26,087.9
Market cap (US\$m):	26,087.9
3-mth avg daily t'over (US\$m):	342.1

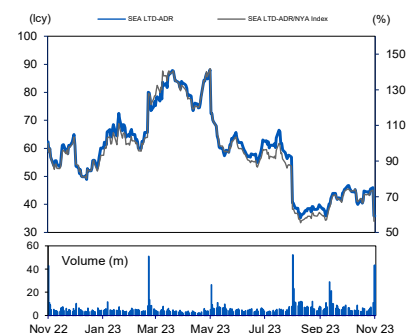
Price Performance (%)

52-week high/low	US\$88.07/US\$35.21			
1mth	3mth	6mth	1yr	YTD
1.0	(19.1)	(45.7)	0.5	(11.5)

Major Shareholders

Major Shareholders	%
Forrest Li	25.2
Tencent	18.6
FY23 NAV/Share (US\$)	12.02
FY23 Net Cash/Share (US\$)	11.49

PRICE CHART



Source: Bloomberg

ANALYST(S)

John Cheong
+65 6590 6620
johncheong@uobkayhian.com

Jacquelyn Yow Hui Li
+603 2147 1995
jacquelyn@uobkayhian.com

Heidi Mo
+65 6590 6630
heidimo@uobkayhian.com

Key segments performance in 3Q23:

- a) **Digital entertainment (-2% qoq, -19% yoy):** Quarterly active users remained flat; however, the quarterly paying users' ratio had dropped slightly.
- b) **E-commerce (-330% qoq, -30% yoy):** Reported EBITDA loss of US\$428m mainly due to higher sales and marketing expenses, despite revenue growth of 6% qoq and 16% yoy. The average monthly active buyers grew 11% qoq, with increased order frequency and improved buyer retention. Gross orders and gross merchandise value (GMV) achieved 24% and 11% sequential growth respectively, further increasing market share.
- c) **Digital financial services (+21% qoq):** Continued to perform well as expected with increasing gross loans receivables. NPL continued to remain low at 1.6%, improving qoq. Noted that as of end-3Q23, total credit portfolio was at US\$2.9b, growing 5% sequentially. The portfolio included US\$2.4b of gross loans receivable on our balance sheet. The remaining US\$0.5b of principal amount of loans outstanding were from channeling arrangements, which is lending by other financial institutions on their platform.

STOCK IMPACT

Key highlights from the result briefing:

- a) **Continuing emphasis on reinvestment,** with management highlighting ongoing investments in user acquisition for the festive season. Having said that, gross merchandise value (GMV) is expected to grow with enhanced users' retention and a rise in the average monthly active buyers.
 - b) **Positive sign of investment – solid growth from Shopee Live.** Management reported significant traction in live streaming, with a 10% qoq increase in average daily orders in 3Q23. SEA has successfully attracted numerous new buyers and deepened engagement levels among existing buyers. Notably, in Indonesia, one in every five daily active users engaged in live streaming on average in Oct 23.
 - c) **Digital financial services would continue to improve.** Management articulated intentions to further refine the digital financial services by diversifying the credit portfolio across various markets and products, both within and beyond Shopee platforms. Additionally, efforts will be made to optimise funding sources to reduce costs and mitigate risks through diversification.
- 4Q23 outlook.** We reckon that 4Q23 earnings may be better qoq, attributable to:
- a) **Higher GMV from the e-commerce segment** during the festive season. Having said that, we reckon that margin will remain low for the e-commerce segment due to the higher sales and marketing expenses.
 - b) **Expectation of stability in digital entertainment,** supported by a larger active user base resulting from heightened user engagement and an enriched social experience for gamers.
 - c) **Healthy growth from digital financial services** leveraging on Shopee platform. Additionally, offline products such as digital banks are steadily growing, demonstrated by continued performance improvements in Indonesia, the Philippines, and Singapore.

EARNINGS REVISION/RISK

- **Maintain our earnings forecast** for SEA at US\$306m, US\$745m and US\$1.03b for 2023-25 respectively. Having said that, we reckon there is a possibility that the financial performance in 4Q23 might remain in the negative if GMV growth fails to offset the increased expenses related to sales and marketing during that period.

VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of US\$72.25.** We maintain BUY with the positive sign of its investment and we reckon that SEA would be able to turn black in 6-12 months' time as it solidifies its market leadership in the e-commerce industry.

SHARE PRICE CATALYST

- New release of self-developed game.
- Stronger-than-expected growth from the e-commerce and digital financial services segments.

KEY STATISTICS

Year to 31 Dec (US\$m)	3Q23	qoq % chg	yoy % chg
Digital Entertainment			
Booking (US\$m)	448	1.1	(32.6)
Average quarterly QAU (m)	544	(0.1)	(4.2)
Average quarterly QPU (m)	41	(6.0)	(21.7)
Booking per QPU (US\$)	11.1	7.6	(14.0)
Revenue per QPU (US\$)	53.5	4.0	(22.9)

Source: SEA LTD, UOB Kay Hian

SOTP VALUATION SUMMARY (REVISED)

	2024F net profit/ sales (US\$m)	Valuation Method	Valuation (x)	Fair Value (US\$)
Digital Entertainment	1,424 (net profit)	PE	9.0	23.02
E-Commerce	8,303 (sales)	PS	1.5	22.37
Digital Financial Services	748 (net profit)	PE	20.0	26.85
Total				72.25

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Net turnover	12,450	12,751	14,050	14,930
EBITDA	(1,133)	613	1,191	1,457
Deprec. & amort.	0	0	0	0
EBIT	(1,133)	613	1,191	1,457
Associate contributions	11	0	0	0
Net interest income/(expense)	70	14	55	108
Pre-tax profit	(1,334)	420	1,038	1,357
Tax	(168)	(118)	(300)	(339)
Minorities	6	4	6	6
Net profit	(1,496)	306	745	1,025
Net profit (adj.)	(1,496)	306	745	1,025

CASH FLOW

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Operating	(2,124)	2,753	3,071	2,248
Pre-tax profit	(1,501)	420	1,038	1,357
Tax	(168)	(118)	(300)	(339)
Deprec. & amort.	0	405	417	423
Associates	11	0	0	0
Working capital changes	(616)	1,298	214	97
Non-cash items	149	749	1,701	709
Other operating cashflows	n.a.	n.a.	n.a.	n.a.
Investing	(201)	(449)	(438)	(449)
Capex (growth)	0	(416)	(397)	(398)
Investments	(201)	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	0	(33)	(41)	(51)
Financing	(329)	644	4	1,028
Dividend payments	0	0	0	1
Issue of shares	0	574	506	537
Proceeds from borrowings	(12)	(88)	0	0
Loan repayment	0	0	0	1
Others/interest paid	(317)	158	(502)	488
Net cash inflow (outflow)	(2,654)	2,948	2,637	2,827
Beginning cash & cash equivalent	10,838	7,597	10,545	13,183
Changes due to forex impact	n.a.	n.a.	n.a.	n.a.
Ending cash & cash equivalent	7,597	10,545	13,183	16,009

BALANCE SHEET

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Fixed assets	1,388	1,418	1,422	1,428
Other LT assets	2,909	2,946	2,981	3,017
Cash/ST investment	7,597	10,545	13,183	16,009
Other current assets	5,109	3,612	3,878	4,102
Total assets	17,003	18,521	21,463	24,556
ST debt	88	0	0	0
Other current liabilities	6,847	6,671	7,170	7,508
LT debt	3,339	4,148	4,148	4,148
Other LT liabilities	918	918	918	918
Shareholders' equity	5,716	6,694	9,143	11,904
Minority interest	95	91	85	78
Total liabilities & equity	17,003	18,521	21,463	24,556

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	(9.1)	4.8	8.5	9.8
Pre-tax margin	(10.7)	3.3	7.4	9.1
Net margin	(12.0)	2.4	5.3	6.9
ROA	n.a.	1.7	3.7	4.5
ROE	n.a.	4.9	9.4	9.7
Growth				
Turnover	25.1	2.4	10.2	6.3
EBITDA	n.a.	n.a.	94.4	22.3
Pre-tax profit	n.a.	n.a.	147.4	30.7
Net profit	n.a.	n.a.	143.1	37.6
Net profit (adj.)	n.a.	n.a.	143.1	37.6
EPS	n.a.	n.a.	119.4	32.7
Leverage				
Debt to total capital	37.1	37.9	31.0	25.7
Debt to equity	60.0	62.0	45.4	34.8
Net debt/(cash) to equity	(73.0)	(95.6)	(98.8)	(99.6)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

COMPANY RESULTS

UMS Holdings (UMSH SP)

3Q23: Results In Line With Expectations; Outlook Remains Buoyant

3Q23 earnings of S\$15m (-64% yoy/+32% qoq) were in line with expectations, with 9M23 earnings of S\$44m (-46% yoy) forming 73% of our full-year estimate. UMS benefitted from improved material margins which grew 0.7ppt yoy due to higher USD/SGD exchange rates and renewal of its integrated system contract with its key customer. UMS has a buoyant outlook, supported by sanguine guidance of key semiconductor equipment makers. Maintain BUY and target price of S\$1.56.

3Q23 RESULTS

Year to 31 Dec (S\$m)	3Q23	3Q22	% chg yoy	2Q23	% chg qoq
Revenue	71.3	100.1	(29)	74.4	(4)
Gross profit	36.5	50.6	(28)	34.4	6
Gross margin (%)	51.2	50.5	0.7ppt	46.2	5.0ppt
PATMI	15.3	42.5	(64)	11.6	32
Net margin (%)	21.6	42.5	(20.9ppt)	15.6	6.0ppt

Source: UMS Holdings, UOB Kay Hian

RESULTS

- **3Q23 earnings in line with expectations, margins expanded due to forex and new contract terms.** UMS Holdings (UMS) reported 3Q23 earnings of S\$15m (-64% yoy/+32% qoq), with 9M23 earnings of S\$44m (-46% yoy) being in line, forming 73% of our full-year estimate. UMS benefitted from improved material margins which grew to 51.2% in 3Q22 from 50.5%, mainly due to higher USD/SGD exchange rates and better margins arising from the renewal of its integrated system contract with its key customer.
- **Revenue continued to show signs of stabilisation in 3Q23**, falling 29% yoy but only declining 4% qoq. Revenue in the semiconductor segment fell 30% yoy due to slower global semiconductor demand while revenue in the others segment plunged 55% mainly due to the weaker material and tooling distribution business affected by the general business slowdown. The decline in semiconductor revenue was due to a 34% drop in component sales (from S\$45m in 3Q22 to S\$30m in 3Q23) and 25% yoy decline in Semiconductor Integrated System sales from S\$45m in 2Q22 to S\$33m in 3Q23. All the key geographical markets posted lower sales in 2023. Revenue in Singapore fell 28% yoy. US sales decreased 12% due to lower component sales for new equipment. Revenue in Taiwan declined 37% as a result of lower component sales.
- **Outlook remains buoyant.** UMS expects its performance in the coming months to be supported by the sanguine guidance of some major semiconductor equipment makers expecting to deliver sustainable outperformance going forward.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	271	372	320	378	408
EBITDA	92	120	90	114	124
Operating profit	80	104	70	89	98
Net profit (rep./act.)	53	98	60	77	85
Net profit (adj.)	53	98	60	77	85
EPS (S\$ cents)	7.9	14.7	8.9	11.5	12.7
PE (x)	15.9	8.6	14.1	10.9	9.9
P/B (x)	3.1	2.5	2.3	2.1	1.9
EV/EBITDA (x)	8.6	6.6	8.8	7.0	6.4
Dividend yield (%)	4.0	4.0	4.3	4.4	4.4
Net margin (%)	19.7	26.4	18.7	20.5	20.9
Net debt/(cash) to equity (%)	(11.1)	(9.3)	(21.0)	(24.5)	(32.4)
Interest cover (x)	123.2	134.7	n.a.	n.a.	n.a.
ROE (%)	20.2	31.9	17.0	20.1	19.9
Consensus net profit	-	-	62	81	87
UOBKH/Consensus (x)	-	-	0.96	0.96	0.98

Source: UMS Holdings, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.26
Target Price	S\$1.56
Upside	+23.8%

COMPANY DESCRIPTION

UMS provides high precision components and complex electromechanical assembly and final testing for semiconductor equipment manufacturers.

STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	UMSH SP
Shares issued (m):	670.5
Market cap (S\$m):	844.9
Market cap (US\$m):	621.1
3-mth avg daily t'over (US\$m):	4.2

Price Performance (%)

52-week high/low	S\$ 1.34/S\$ 0.920			
1mth	3mth	6mth	1yr	YTD
3.7	21.7	0.0	(9.7)	(5.1)

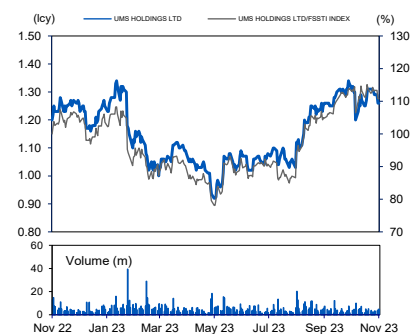
Major Shareholders

Andy Luong (Founder)	15.9%
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FY23 NAV/Share (S\$) 0.54

FY23 Net Cash/Share (S\$) 0.11

PRICE CHART



Source: Bloomberg

ANALYST(S)

John Cheong
 +65 6590 6623
 johncheong@uobkayhian.com

STOCK IMPACT

- SEMI expects global fab equipment spending to recover in 2024.** According to Semiconductor Equipment and Materials International (SEMI), a 2024 rebound is expected to continue through 2026, with wafer shipments setting new highs as silicon demand increases to support artificial intelligence (AI), high-performance computing (HPC), 5G, automotive and industrial applications. SEMI also predicts fab equipment spending to recover to US\$97b (rising 15.5% yoy) and total foundry capacity (including foundry/integrated device manufacturer) to increase 7% in 2024. Investments into fab construction projects which hit a historical high in 2023 are expected to continue at a higher level in 2024.
- UMS has secured an in-principle agreement with its new customer** for a new renewable three-year contract. This new customer contract win will boost UMS's buoyant outlook as its new Penang facilities will be ready for volume production by Sep 23. The production ramp-up will enable it to take on new orders from its new customer which is estimated to reach at least US\$30m next year.

EARNINGS REVISION/RISK

- We maintain our financial forecasts.

VALUATION/RECOMMENDATION

- Maintain BUY with and target price of S\$1.56**, based on a PE-based valuation of 13.5x 2024F EPS. This is pegged at 0.5SD above UMS' historical mean PE. The reason for pegging our PE-based valuation multiple to above mean is to reflect the improving semiconductor industry outlook and potential increase in UMS' earnings quality from new contributions from its new customer.

SHARE PRICE CATALYST

- Higher-than-expected factory utilisation rates.
- Return of orders for aircraft components to benefit recently-acquired subsidiary JEP Holdings.
- Better-than-expected cost management.

PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 14 Nov 23 (lcy)	Market Cap (US\$m)	PE		P/B		EV/EBITDA		ROE (%)	Yield (%)
					2023 (x)	2024 (x)	2023 (x)	2024 (x)	2023 (x)	2024 (x)		
AEM	AEM SP	SGD	3.19	724	71.8	13.0	2.0	1.8	26.0	9.4	2.8	0.3
Venture	VMS SP	SGD	12.69	2,709	13.7	13.1	1.3	1.3	8.1	7.9	9.4	5.9
Frencken	FRKN SP	SGD	1.06	333	17.7	10.9	1.1	1.0	8.7	6.3	6.5	1.7
Singapore average					34.4	12.3	1.5	1.4	14.3	7.9	6.2	2.7
Kulicke & Soffa	KLIC US	USD	44.89	2,535	25.9	22.4	n.a.	n.a.	16.3	12.3	8.6	n.a.
Applied Materials	AMAT US	USD	149.74	125,263	18.9	19.1	7.9	7.5	15.3	15.8	46.3	0.8
Lam Research	LRCX US	USD	673.43	88,753	20.2	23.9	10.9	11.0	15.8	19.1	62.3	1.0
KLA Corp	KLAC US	USD	528.25	71,806	21.8	22.4	24.7	23.3	16.7	17.7	156.8	1.0
Teradyne	TER US	USD	86.62	13,242	30.2	23.3	5.4	5.0	18.7	16.0	18.6	0.5
Global average					23.4	22.2	12.3	11.7	16.6	16.2	58.5	0.8
UMS	UMSH SP	SGD	1.26	621	14.1	10.9	2.3	2.1	8.8	7.0	17.0	4.3

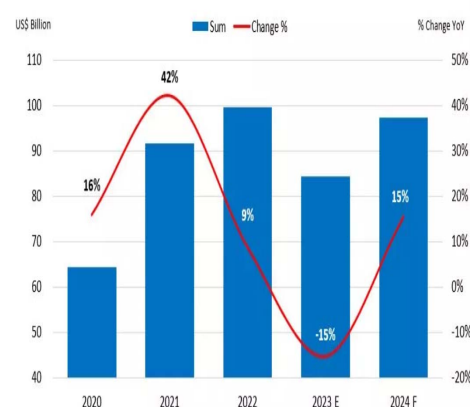
Source: Bloomberg, UOB Kay Hian

HISTORICAL PE BAND



Source: Bloomberg, UOB Kay Hian

FAB EQUIPMENT SPENDING (FRONT END)



Source: World Fab Forecast Report 3Q23 update, SEMI

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	372.4	320.3	377.9	408.1
EBITDA	120.0	90.1	113.9	124.4
Deprec. & amort.	15.6	20.4	24.7	26.6
EBIT	104.4	69.7	89.2	97.8
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(0.9)	1.1	1.1	1.2
Pre-tax profit	103.5	70.8	90.3	99.0
Tax	(1.2)	(7.1)	(9.0)	(9.9)
Minorities	(3.8)	(3.8)	(3.8)	(3.8)
Net profit	98.5	59.9	77.4	85.3
Net profit (adj.)	98.5	59.9	77.4	85.3

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	135.4	135.0	130.3	123.8
Other LT assets	100.8	100.7	100.7	100.7
Cash/ST investment	61.7	111.0	135.9	183.9
Other current assets	190.3	157.1	192.7	204.3
Total assets	488.2	503.8	559.6	612.7
ST debt	11.5	16.1	18.5	18.8
Other current liabilities	69.5	59.1	67.8	72.3
LT debt	18.4	18.4	18.4	18.4
Other LT liabilities	20.4	17.4	22.3	21.9
Shareholders' equity	340.4	364.9	404.8	452.5
Minority interest	27.9	27.9	27.9	27.9
Total liabilities & equity	488.1	503.8	559.6	611.8

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	95.3	104.8	84.8	110.0
Pre-tax profit	103.2	70.8	90.3	99.0
Tax	(8.5)	(10.2)	(6.3)	(10.4)
Deprec. & amort.	15.6	20.4	24.7	26.6
Working capital changes	(36.0)	22.0	(24.8)	(7.0)
Non-cash items	21.1	1.8	0.9	1.8
Investing	(56.2)	(19.0)	(20.0)	(20.0)
Capex (growth)	(38.5)	(20.0)	(20.0)	(20.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(17.6)	1.0	0.0	0.0
Financing	(37.6)	(30.6)	(34.1)	(36.1)
Dividend payments	(30.8)	(36.2)	(37.6)	(37.6)
Issue of shares	0.0	0.0	0.0	0.0
Loan repayment	(4.4)	4.6	2.4	0.3
Others/interest paid	(2.4)	1.1	1.1	1.2
Net cash inflow (outflow)	1.6	55.2	30.7	53.9
Beginning cash & cash equivalent	65.1	61.5	111.0	135.9
Changes due to forex impact	(5.1)	(5.7)	(5.8)	(5.8)
Ending cash & cash equivalent	61.5	111.0	135.9	183.9

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	32.2	28.1	30.1	30.5
Pre-tax margin	27.8	22.1	23.9	24.2
Net margin	26.4	18.7	20.5	20.9
ROA	21.3	12.1	14.6	14.5
ROE	31.9	17.0	20.1	19.9
Growth				
Turnover	37.3	(14.0)	18.0	8.0
EBITDA	29.9	(24.9)	26.4	9.2
Pre-tax profit	30.0	(31.6)	27.6	9.6
Net profit	84.7	(39.2)	29.3	10.1
Net profit (adj.)	84.7	(39.2)	29.3	10.1
EPS	84.7	(39.2)	29.3	10.1
Leverage				
Debt to total capital	7.5	8.1	7.8	7.2
Debt to equity	8.8	9.5	9.1	8.2
Net debt/(cash) to equity	(9.3)	(21.0)	(24.5)	(32.4)
Interest cover (x)	134.7	n.a.	n.a.	n.a.

COMPANY RESULTS

Amata Corporation (AMATA TB)

3Q23: Earnings Below Estimates; Remain Positive On Outlook Ahead

AMATA posted 3Q23 net profit of Bt396m (+12% yoy, +27% qoq), coming in around 10% below our and consensus estimates. The key earnings miss was due to a loss on exchange. Stripping out non-core items, core profit exceeded our forecast by 10% due to higher-than-expected revenue and lower-than-expected SG&A-to-sales. We remain positive on AMATA's outlook. Maintain BUY. Target price: Bt30.00.

3Q23 RESULTS

Year to 31 Dec (Btm)	3Q23	3Q22	2Q23	yoy chg (%)	qoq chg (%)
Net turnover	2,839	1,584	1,414	79.2	100.8
Gross profit	969	678	483	42.9	100.7
EBIT	669	453	209	47.9	220.2
EBITDA	786	559	321	40.7	145.2
Net profit	396	353	313	12.2	26.5
EPS (Bt)	0.37	0.33	0.29	12.2	26.5
Core profit	498	62	266	699.7	87.0
Ratio (%)				yoy chg (%)	qoq chg (%)
Gross margin	34.1	42.8	34.1	(8.7)	(0.0)
SG&A as % sales	10.6	14.2	19.4	(3.7)	(8.8)
Net profit margin	14.0	22.3	22.2	(8.3)	(8.2)

Source: Amata Corporation, UOB Kay Hian

RESULTS

- **Net income missed our and consensus' estimates.** Amata Corporation (AMATA) delivered 3Q23 net profit of Bt396m (+12% yoy, +27% qoq), coming in 10% below our and consensus' estimates. The key earnings miss was due to loss on exchange. Stripping out non-core items, core profit came in above our forecast by 10% due to higher-than-expected revenue and lower-than-expected SG&A-to-sales.
- **Earnings improved yoy and qoq.** Earnings increased yoy due to skyrocketing revenues, higher gross margin and lower SG&A-to-sales. Earnings grew qoq due to stronger revenue and lower SG&A-to-sales.

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	5,097	6,502	8,840	9,114	9,895
EBITDA	1,898	2,511	3,416	3,886	4,498
Operating profit	1,496	2,123	3,090	3,551	4,154
Net profit (rep./act.)	1,402	2,341	2,284	2,738	3,149
Net profit (adj.)	1,402	2,341	2,284	2,738	3,149
EPS (Bt)	1.3	2.2	2.1	2.6	3.0
PE (x)	17.7	10.6	10.9	9.1	7.9
P/B (x)	1.4	1.3	1.2	1.1	1.1
EV/EBITDA (x)	24.3	18.4	13.5	11.9	10.2
Dividend yield (%)	1.3	1.0	3.6	5.1	6.8
Net margin (%)	27.5	36.0	25.8	30.0	31.8
Net debt/(cash) to equity (%)	75.0	69.2	69.1	57.8	45.5
Interest cover (x)	3.8	5.3	8.5	9.7	11.3
ROE (%)	8.4	12.6	11.5	13.1	13.9
Consensus net profit	-	-	1,965	2,426	2,772
UOBKH/Consensus (x)	-	-	1.16	1.13	1.14

Source: Amata Corporation, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt23.30
Target Price	Bt30.00
Upside	+28.8%

COMPANY DESCRIPTION

AMATA is Thailand's leading industrial estate developer. It operates two industrial estates in Eastern Thailand, which are Amata Nakorn and Amata City, and one in Vietnam, Amata City Bien Hoa.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	AMATA TB
Shares issued (m):	1,150.0
Market cap (Btm):	26,795.0
Market cap (US\$m):	746.3
3-mth avg daily t'over (US\$m):	4.5

Price Performance (%)

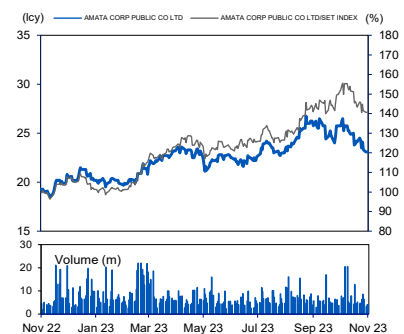
52-week high/low	Bt26.75/Bt18.50			
1mth	3mth	6mth	1yr	YTD
(5.7)	1.7	1.3	20.7	9.4

Major Shareholders

Mr. Vikrom Kromadit	26.2
Thai NVDR	5.3
Mr. Sirisak Sonsophon	2.5

FY23 NAV/Share (Bt)	18.85
FY23 Net Debt/Share (Bt)	13.03

PRICE CHART



Source: Bloomberg

ANALYST(S)

Tanaporn Visaruthaphong
+662 659 8305
tanaporn@uobkayhian.co.th

ASSISTANT ANALYST(S)

Thachasorn Jutaganon

- Revenue of all businesses improved.** AMATA report 3Q23 revenue of Bt2.8b (+100% yoy, +80% qoq), underpinned by all of its businesses. Revenue from real estate sales was Bt1.6b (+190% yoy, +340% qoq), chiefly buoyed by robust land transfers. During 3Q23, AMATA completed 272 rai of land transfers, increasing 50% yoy and 220% qoq. The land transfers include 2 rai in Chonburi, 104 rai in Rayong, and 166 rai in Vietnam. Revenue of the utilities business improved, coming in at Bt1.0b (+22% yoy, +18 qoq) thanks to higher customer consumption in both Thailand and Vietnam. Revenue from the rental business was sustained both yoy and qoq at Bt216m (+10% yoy, +10% qoq) because of fewer ready-built factories (RBF) for rent.

- Gross margin dropped yoy, flat qoq.** Gross margin came in at 34.1% (-8.7 ppt yoy, flat qoq), mainly impacted by the real estate business. Gross margin for the real estate business was 37.3% (-22.4 ppt yoy, -7.8 ppt qoq) due to higher cost of land in Thailand and higher cost of construction in Vietnam. Gross margin of the utilities business was 19.5%, dropping 3.2ppt yoy and 0.8ppt qoq due to cost and price regulations from the Vietnamese government. The rental business' gross margin came in at 79.4%, flattening yoy, but increasing 5.5ppt qoq due to a lower number of RBFs for rent. Share of profit from associates came in at Bt322m, making a turnaround yoy and increasing qoq as the power plant businesses had higher dispatch and lower cost of production.

STOCK IMPACT

- Earnings to remain strong in 4Q23.** We are optimistic about AMATA's earnings in 4Q23. The earnings growth will be primarily driven by stronger land transfers and land sales, as a result of robust demand and the seasonal effect. Management has disclosed that it has two significant customers from China's electronics industry, which are expected to support land sales in Thailand during 2H23. These customers are expected to acquire 400-500 rai of land each. Additionally, AMATA's earnings in 2H23 will be boosted by the sale of factories in Vietnam, which should contribute an estimated amount of Bt110m-130m.

EARNINGS REVISION/RISK

- None.**

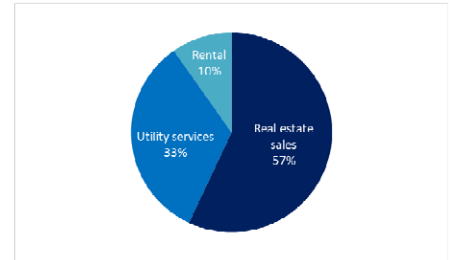
VALUATION/RECOMMENDATION

- Maintain BUY with a target price of Bt30.00.** Our target price is based on the SOTP methodology, where we value its investment in associate companies at Bt15.00/share pegged to 2023F PE of 23x (average PE of the power industry in Thailand) and its core business at Bt12.00/share based on 12x 2023F PE (average PE of the industrial estate industry in Thailand). We maintain BUY on AMATA as we expect its core earnings to remain strong in 2023, mainly supported by strong land sales and land transfers.

SHARE PRICE CATALYST

- a) Higher-than-expected volume of land sales, b) the government's stimulus package for the tourism industry, c) higher figures for FDI, BOI, and GDP, and d) a booming EV industry.

EXPECTED REVENUE BREAKDOWN (2023)



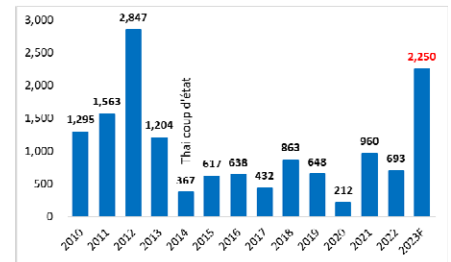
Source: AMATA, UOB Kay Hian

NET PROFIT OUTLOOK



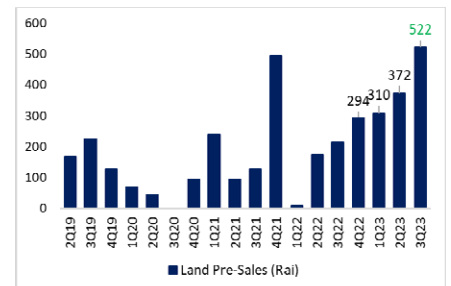
Source: AMATA, UOB Kay Hian

LAND SALES OUTLOOK (2023)



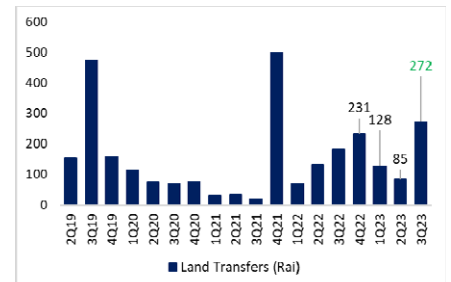
Source: AMATA, UOB Kay Hian

QUARTERLY LAND SALES OUTLOOK



Source: AMATA, UOB Kay Hian

QUARTERLY LAND TRANSFERS OUTLOOK



Source: AMATA, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	6,502	8,840	9,114	9,895
EBITDA	2,511	3,416	3,886	4,498
Deprec. & amort.	389	326	335	344
EBIT	2,123	3,090	3,551	4,154
Total other non-operating income	1,636	191	180	175
Associate contributions	342	550	724	753
Net interest income/(expense)	(472)	(400)	(400)	(400)
Pre-tax profit	3,629	3,431	4,055	4,682
Tax	(466)	(547)	(633)	(747)
Minorities	(822)	(600)	(684)	(787)
Net profit	2,341	2,284	2,738	3,149
Net profit (adj.)	2,341	2,284	2,738	3,149

CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	4,333	12	4,864	5,634
Pre-tax profit	3,629	3,431	4,055	4,682
Tax	(466)	(547)	(633)	(747)
Deprec. & amort.	389	326	335	344
Working capital changes	947	(4,070)	1,022	1,112
Non-cash items	(166)	873	85	242
Other operating cashflows	0	0	0	0
Investing	(3,761)	1,346	(2,279)	(2,052)
Capex (growth)	(896)	312	(300)	(300)
Investments	(2,322)	(1,598)	(1,862)	(1,876)
Others	(544)	2,632	(117)	125
Financing	(986)	(3,572)	(1,257)	(1,654)
Dividend payments	(735)	(739)	(1,257)	(1,654)
Issue of shares	0	(1,222)	0	0
Proceeds from borrowings	(229)	(1,778)	0	0
Others/interest paid	(22)	166	0	0
Net cash inflow (outflow)	(414)	(2,213)	1,327	1,928
Beginning cash & cash equivalent	2,997	2,582	369	1,696
Ending cash & cash equivalent	2,582	369	1,696	3,625

BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	8,047	7,409	7,374	7,330
Other LT assets	28,149	29,970	31,873	33,866
Cash/ST investment	2,582	369	1,696	3,625
Other current assets	8,881	13,702	12,760	11,874
Total assets	47,659	51,449	53,702	56,695
ST debt	5,015	3,237	3,237	3,237
Other current liabilities	3,680	5,304	5,468	5,937
LT debt	11,039	11,039	11,039	11,039
Other LT liabilities	3,510	6,365	6,289	6,531
Shareholders' equity	19,459	20,113	21,764	23,433
Minority interest	4,956	5,391	5,906	6,518
Total liabilities & equity	47,659	51,449	53,702	56,695

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	38.6	38.6	42.6	45.5
Pre-tax margin	55.8	38.8	44.5	47.3
Net margin	36.0	25.8	30.0	31.8
ROA	5.0	4.6	5.2	5.7
ROE	12.6	11.5	13.1	13.9
Growth				
Turnover	27.6	36.0	3.1	8.6
EBITDA	32.3	36.0	13.8	15.7
Pre-tax profit	56.9	(5.4)	18.2	15.5
Net profit	67.0	(2.5)	19.9	15.0
Net profit (adj.)	67.0	(2.5)	19.9	15.0
EPS	67.0	(2.5)	19.9	15.0
Leverage				
Debt to total capital	39.7	35.9	34.0	32.3
Debt to equity	82.5	71.0	65.6	60.9
Net debt/(cash) to equity	69.2	69.1	57.8	45.5
Interest cover (x)	5.3	8.5	9.7	11.3

COMPANY RESULTS

BTS Group Holdings (BTS TB)

2QFY24: Turnaround In Profit From Associates And One-off Items, Still Lower Than Expected

BTS reported a core profit of Bt34m in 2QFY24, pressured by: a) weakened core operation, b) higher SGA-to-sales, and c) higher interest expense. Results are below our and consensus expectations. Hence, we still foresee a sluggish earnings improvement in 3QFY24 due to continuing losses of KEX and RABBIT, coupled with upcoming losses from the Yellow Line operation. Maintain HOLD. Target price: Bt7.00.

2QFY24 RESULTS

Year to Mar (Btm)	2QFY24	2QFY23	1QFY24	yoy chg (%)	qoq chg (%)
Sales	3,981	4,580	5,080	-13%	-22%
Gross Profit	1,316	1,487	1,359	-11%	-3%
EBITDA	507	890	729	-43%	-30%
Pre-tax Profit	778	773	(412)	1%	-289%
Net Profit	257	474	(772)	-46%	-133%
Core Profit	34	390	(998)	-91%	-103%
EPS (Bt)	0.020	0.034	(0.059)	-43%	-133%
Gross Margin (%)	33.1%	32.5%	26.7%		
EBITDA Margin (%)	12.7%	19.4%	14.4%		
Net Margin (%)	6.5%	10.4%	-15.2%		

Source: BTS, UOB Kayhian

RESULTS

- **Earnings below expectations.** BTS Group Holdings (BTS) reported 2Q24 net profit of Bt257m (-46% yoy, +133% qoq), and a core profit of Bt34m (-91% yoy, -103% qoq). One-off items in 2Q24 included: a disposal of Rabbit Line Pay (RLP) from VGI. The key pressures on 2QFY24's core earnings were: a) weakened core operation, b) higher SGA-to-sales, and c) higher interest expenses. However, this was partly offset by a lower share of losses from KEX and RABBIT, driven by KEX's cost reduction via outsourced transportation during Sep 23 and the absence of impairment loss from Singer Thailand through RABBIT.
- **Revenue severely plummeted.** 2QFY24 revenue decreased 13% yoy and 22% qoq, pressured by the drop in construction revenue from MRT Pink and Yellow Lines, which decreased 47% and 61% qoq to only Bt808m in 2Q24. As for the MIX Business (media business, operated under VGI), its revenue dropped on a qoq basis due to the lower sales from Fanslink as well as a decline in advertising revenue as a result of a shift in product mix and revamp towards digitalisation.

KEY FINANCIALS

Year to 31 Mar (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	26,056	18,311	16,589	16,603	17,396
EBITDA	4,277	3,056	2,502	2,665	3,402
Operating profit	3,406	2,089	1,377	1,073	1,472
Net profit (rep./act.)	3,826	1,836	821	963	1,539
Net profit (adj.)	2,527	2,078	742	963	1,539
EPS (Bt)	0.2	0.1	0.0	0.1	0.1
PE (x)	49.0	63.7	97.4	164.0	92.3
P/B (x)	1.6	1.7	1.5	1.8	1.6
EV/EBITDA (x)	66.0	92.3	111.7	132.1	96.8
Dividend yield (%)	4.2	4.2	4.2	0.7	1.1
Net margin (%)	14.7	10.0	4.9	5.8	8.8
Net debt/(cash) to equity (%)	236.4	283.1	254.3	166.8	154.8
Interest cover (x)	1.3	0.8	0.6	0.5	0.7
ROE (%)	6.3	3.1	1.5	1.5	2.2
Consensus net profit	-	-	1,863	2,426	2,782
UOBKH/Consensus (x)	-	-	0.40	0.40	0.55

Source: BTS Group Holdings, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	Bt7.30
Target Price	Bt7.00
Upside	-4.0%

COMPANY DESCRIPTION

BTS Group Holdings is a multi-industry conglomerate specialised in mass transit business, especially rail transport, media, digital services and property businesses seeking to amplify value from data integration and cross-business synergies.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	BTS TB
Shares issued (m):	13,167.6
Market cap (Btm):	96,123.8
Market cap (US\$m):	2,746.4
3-mth avg daily t'over (US\$m):	6.8

Price Performance (%)

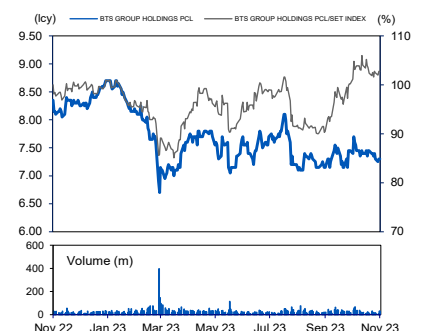
52-week high/low	Bt8.80/Bt5.40			
1mth	3mth	6mth	1yr	YTD
(2.0)	(5.2)	(4.5)	(10.1)	(13.1)

Major Shareholders

	%
Kanjanapas Group	24.8
THAI NVDR COMPANY LIMITED	10.6
UBS AG SINGAPORE BRANCH	7.1

FY24 NAV/Share (Bt)	5.12
FY24 Net Debt/Share (Bt)	10.45

PRICE CHART



Source: Bloomberg

ANALYST(S)

Kampon Akaravarinchai
+662 659 8031
kampon@uobkayhian.co.th

ASSISTANT ANALYST(S)

Sarit Srinavakul

STOCK IMPACT

- **Slower-than-expected mobility on existing lines.** BTSGIF reported a slight drop in Green Line Core ridership in Oct 23 to around 16.0m trips (-2.5% mom, +9.8% yoy). For the Yellow Line, ridership during Jun-Sep 23 averaged 40,298 trips/day, which is still far from the company's target of 50,000-60,000 trips/day. Note that we expect the Bt20 flat rate to not significantly boost ridership in BTS' rail lines, as we still see limited ridership pass-through in MRT Blue Line even after the Bt20 flat rate was implemented.
- **Diversifying its core mobility business.** BGSR, a BTS JV company, has expressed its interest in bidding for the M82, a 24.7-kilometer motorway. This project is now valued at Bt14b. Separately, BGSR is also planning to bid for the rest area service center for Motorway M81 and M6, for which they have already won the O&M contracts. Although we believe that these projects will not be able to bring in as much as cash flows as its existing rail businesses, we are positive on the company's strategic move to diversify its core operation in the MOVE businesses.

EARNINGS REVISION/RISK

- **None.**

VALUATION/RECOMMENDATION

- **Maintain HOLD with a SOTP-based target price of Bt7.00.** There is still uncertainty amidst E&M debt repayment. However, we expect the E&M repayment to happen in late-Dec. We have also foreseen worsening core operation outlook for BTS from 3Q24 onward, and expect some operating losses during the ramp-up period for both Yellow Line and Pink Lines during the first few years, due to the lower ridership we have seen so far on the Yellow Line. MIX and MATCH businesses have seen a slight improvement, as a result from one-time items (eg, disposal of shares from RABBIT and TNL). We expect these businesses to start growing organically in 2024.

SHARE PRICE CATALYST

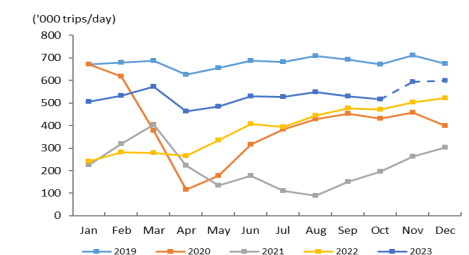
- Yellow Line ridership growth and pass-through ridership from other mono-rail lines.
- Supreme Court ruling on outstanding O&M debt and repayment of E&M debt in Nov 23 from BMA.
- Better associate and JV performance.

SOTP-BASED VALUATION

Business(es)	Value (Btm)	Note
Mass Transit - Green Line O&M	59,048	DCF, WACC 5.2%
Mass Transit - BTSGIF	18,617	DCF, WACC 6.4%
Mass Transit - Pink Line	19,863	DCF, WACC 4.9%
Mass Transit - Yellow Line	20,151	DCF, WACC 4.9%
MIX Business (Media)	17,871	Based on VGI's Fair value
Thanulux PCL	4,362	Market Price
RABBIT Holdings	12,077	BV
Intercity Motorways	5,274	DCF, WACC 5.0%
- Adjusted Net Debt	(65,108)	
Total Value	92,157	
number of shares (m)	13,169	
Fair Value (Bt)	7.00	

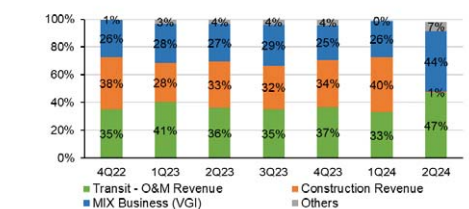
Source: BTS, UOB Kay Hian

AVERAGE RIDERSHIP - GREEN LINE



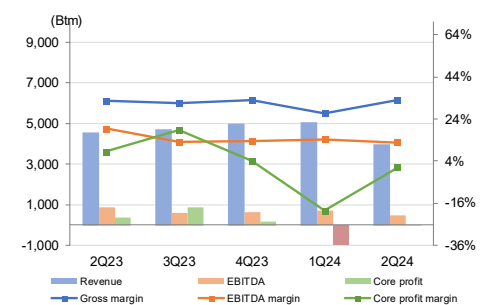
Source: BTS, UOB Kay Hian

REVENUE BREAKDOWN BY SEGMENT



Source: BTS, UOB Kay Hian

QUARTERLY RESULTS AND MARGINS



Source: BTS, UOB Kay Hian

PROFIT & LOSS

Year to 31 Mar (Btm)	2023	2024F	2025F	2026F
Net turnover	18,311	16,589	16,603	17,396
EBITDA	3,056	2,502	2,665	3,402
Deprec. & amort.	967	1,125	1,592	1,929
EBIT	2,089	1,377	1,073	1,472
Total other non-operating income	4,936	4,168	4,433	4,715
Associate contributions	257	(612)	481	712
Net interest income/(expense)	(3,818)	(3,960)	(5,074)	(4,686)
Pre-tax profit	3,464	972	914	2,213
Tax	(1,539)	(322)	(244)	(590)
Minorities	214	36	293	(85)
Net profit	1,836	920	962	1,538
Net profit (adj.)	2,078	733	962	1,538

CASH FLOW

Year to 31 Mar (Btm)	2023	2024F	2025F	2026F
Operating	5,195	22,646	8,120	7,764
Pre-tax profit	3,162	1,206	914	2,213
Tax	(1,539)	(322)	(244)	(590)
Deprec. & amort.	967	1,125	1,592	1,929
Associates	257	(612)	481	712
Working capital changes	(10,803)	20,634	5,338	3,455
Non-cash items	13,152	614	40	44
Other operating cashflows	0	0	0	0
Investing	(9,249)	99	(2,278)	(3)
Capex (growth)	(6,377)	(1,647)	(2,389)	(33)
Investments	(4,532)	542	(543)	(766)
Others	1,660	1,204	654	796
Financing	12,263	(14,557)	9,042	(15,110)
Dividend payments	(4,082)	(4,082)	(789)	(1,154)
Issue of shares	13	4	5,271	4
Proceeds from borrowings	20,239	0	0	0
Loan repayment	0	(12,596)	(5,851)	(13,968)
Others/interest paid	(3,906)	2,117	10,411	8
Net cash inflow (outflow)	8,209	8,188	14,884	(7,350)
Beginning cash & cash equivalent	5,676	13,885	22,073	36,957
Ending cash & cash equivalent	13,885	22,073	36,957	29,607

BALANCE SHEET

Year to 31 Mar (Btm)	2023	2024F	2025F	2026F
Fixed assets	66,542	67,064	67,862	65,966
Other LT assets	181,677	164,574	160,086	157,980
Cash/ST investment	13,885	22,073	36,957	29,607
Other current assets	8,822	5,401	5,668	5,894
Total assets	270,926	259,112	270,572	259,447
ST debt	33,783	28,062	36,176	30,576
Other current liabilities	7,052	8,101	8,487	9,101
LT debt	138,830	131,955	117,990	109,623
Other LT liabilities	9,939	11,360	12,241	13,277
Shareholders' equity	56,073	54,385	70,428	71,621
Minority interest	25,248	25,248	25,248	25,248
Total liabilities & equity	270,926	259,112	270,572	259,447

KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	16.7	15.1	16.0	19.6
Pre-tax margin	18.9	5.9	5.5	12.7
Net margin	10.0	5.5	5.8	8.8
ROA	0.7	0.3	0.4	0.6
ROE	3.1	1.7	1.5	2.2
Growth				
Turnover	(29.7)	(9.4)	0.1	4.8
EBITDA	(28.6)	(18.1)	6.5	27.7
Pre-tax profit	0.2	(71.9)	(6.0)	142.2
Net profit	(52.0)	(49.9)	4.6	59.8
Net profit (adj.)	(17.7)	(64.7)	31.3	59.8
EPS	(23.1)	(64.7)	31.3	59.8
Leverage				
Debt to total capital	68.0	66.8	61.7	59.1
Debt to equity	307.8	294.2	218.9	195.7
Net debt/(cash) to equity	283.1	253.6	166.4	154.4
Interest cover (x)	0.8	0.6	0.5	0.7

COMPANY RESULTS

Supalai (SPALI TB)

3Q23: Disappointing Earnings, But Expected To Recover In 4Q23

SPALI reported disappointing earnings in 3Q23, down 57% yoy and 30% qoq, coming in below our and consensus forecasts. We expect earnings to improve qoq in 4Q23, driven by huge backlogs and substantial launches with ready-to-move-in units. In 2024, earnings are expected to see yoy growth. Its undemanding valuation and an attractive dividend yield will the underpin share price. Maintain BUY. Target price: Bt24.20.

3Q23 RESULTS

Year to 31 Dec (Btm)	3Q22	2Q23	3Q23	yoy %	qoq %
Sales and services	11,133	8,165	7,166	(35.6)	(12.2)
Gross profit	4,404	2,859	2,620	(40.5)	(8.4)
SG&A	1,124	957	982	(12.6)	2.7
Operating EBIT	3,281	1,903	1,638	(50.1)	(13.9)
Equity income	85	127	4	(95.4)	(96.9)
Net profit	2,749	1,701	1,191	(56.7)	(30.0)
Percent	3Q22	2Q23	3Q23	yoy ppt	qoq ppt
Gross margin	39.6	35.0	36.6	(3.0)	1.5
SG&A to sales	10.1	11.7	13.7	3.6	2.0
EBIT margin	29.5	23.3	22.9	(6.6)	(0.4)
Net margin	24.7	20.8	16.6	(8.1)	(4.2)

Source: Supalai, UOB Kay Hian

RESULTS

- **Disappointing earnings in 3Q23.** Supalai (SPALI) reported a net profit of Bt1,191m in 3Q23 (-57% yoy, +30% qoq). The results are below our and consensus' forecasts by 21% and 14% respectively, reflecting lower-than-expected other income.
- In 3Q23, revenue declined to Bt7.2b (-36% yoy, -12% qoq) following decreased transfers from the low-rise segment and condos. The transfers were pressured by its feeble presales, and only one newly-completed condo (Supalai Premier Si Phraya-Samyang) began transfers. SPALI's gross margin decreased from the previous year to 36.6% (-3.0ppt yoy, +1.5ppt qoq) following the increased proportion of low-rise transfers (62% in 3Q23 compared to 47% in 3Q22). SG&A-to-sales ratio rose to 13.7%, owing to a lower revenue base. In 3Q23, the share of profit from investments came in only at Bt4m (3Q22: Bt85m, 2Q23: Bt127m), and most transfers of projects in Australia will be recognised in 4Q23.

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	29,160.1	34,485.9	30,091.9	32,092.2	31,151.1
EBITDA	8,443.9	9,514.3	7,035.6	7,988.7	7,921.5
Operating profit	8,321.2	9,386.9	6,908.0	7,852.9	7,777.4
Net profit (rep./act.)	7,070.3	8,173.3	5,659.2	6,749.5	6,342.5
Net profit (adj.)	7,070.3	8,173.3	5,659.2	6,749.5	6,342.5
EPS (Bt)	3.6	4.2	2.9	3.5	3.3
PE (x)	4.9	4.3	6.2	5.2	5.5
P/B (x)	0.8	0.8	0.7	0.6	0.6
EV/EBITDA (x)	7.4	6.6	8.9	7.8	7.9
Dividend yield (%)	6.4	8.1	5.7	6.8	6.4
Net margin (%)	24.2	23.7	18.8	21.0	20.4
Net debt/(cash) to equity (%)	43.4	49.9	53.9	50.7	37.8
Interest cover (x)	32.6	34.4	14.8	16.9	16.9
ROE (%)	18.0	18.5	11.8	13.0	11.4
Consensus net profit	-	-	6,468	7,013	7,378
UOBKH/Consensus (x)	-	-	0.87	0.96	0.86

Source: Supalai, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt17.90
Target Price	Bt24.20
Upside	+35.2%
(Previous TP)	Bt26.00

COMPANY DESCRIPTION

Property developer focused on low-rise properties and condominiums in mid to low-end.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	SPALI TB
Shares issued (m):	1,953.1
Market cap (Btm):	34,959.7
Market cap (US\$m):	969.5
3-mth avg daily t'over (US\$m):	3.2

Price Performance (%)

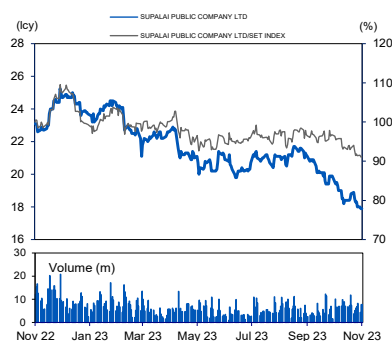
52-week high/low	Bt25.25/Bt17.90
1mth	(10.1)
3mth	(15.2)
6mth	(14.8)
1yr	(22.5)
YTD	(26.3)

Major Shareholders

Mr. Prateep Tangmatitham	28.8
Thai NVDR Company Limited	13.5
Mrs. Ajchara Tangmatitham	6.3

FY23 NAV/Share (Bt)	25.38
FY23 Net Debt/Share (Bt)	13.68

PRICE CHART



Source: Bloomberg

ANALYST(S)

Kasemsun Koonnara
+662 659 8027
Kasemsun@uobkayhian.co.th

STOCK IMPACT

- **Expect a recovery in 4Q23.** Improvements in customer site visits and the launch of substantial projects will likely enhance presales momentum in 4Q23. Meanwhile, 4Q23 earnings are expected to see a significant increase compared with the previous quarter, driven by: a) huge backlogs valued at Bt8.5b for 4Q23, and b) the introduction of new projects, particularly in the low-rise segment with ready-to-move units.

EARNINGS REVISION

Year to 31 Dec (Btm)	2023F			2024F			2025F		
	New	Old	Change	New	Old	Change	New	Old	Change
Gross revenue	30,092	32,622	-7.8%	32,092	33,086	-3.0%	31,151	33,163	-6.1%
Gross profit	10,782	12,080	-10.7%	11,884	12,317	-3.5%	11,691	12,511	-6.6%
EBIT	6,908	8,268	-16.4%	7,853	8,452	-7.1%	7,777	8,636	-9.9%
Net profit	5,659	7,104	-20.3%	6,749	7,241	-6.8%	6,343	7,398	-14.3%
Percent	New	Old	Change	New	Old	Change	New	Old	Change
Gross margin	35.8%	37.0%	-1.2	37.0%	37.2%	-0.2	37.5%	37.7%	-0.2
SG&A to sales	12.9%	11.7%	1.2	12.6%	11.7%	0.9	12.6%	11.7%	0.9
Net margin	18.8%	21.8%	-3.0	21.0%	21.9%	-0.9	20.4%	22.3%	-1.9

Source: UOB Kay Hian

EARNINGS REVISION/RISKS

- We have revised down earnings forecasts for 2023-25 by 7-20% to reflect lower-than-expected presales and transfers, including multiple headwinds in the residential market.
- Risks include: a) demand for residential properties slowing down, b) higher inflation and interest rates affecting purchasing power, and c) higher cancellation and rejection rates.

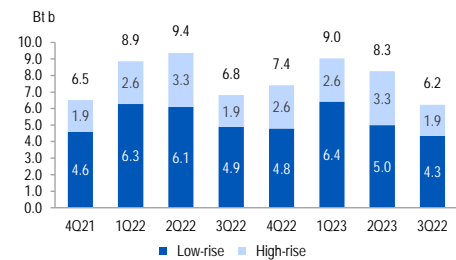
VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of Bt24.20.** The earnings revision led to a lower target price, based on 7x 2024F PE, or around its 10-year historical mean. We recommend trading buy for SPALI as its earnings are expected to improve qoq in 4Q23. We also expect it to see earnings growth in 2024 due to five newly-completed condo projects and its more aggressive launch plan. The undemanding valuation and an attractive dividend yield of about 7% will help to limit the downside of share price.

SHARE PRICE CATALYST

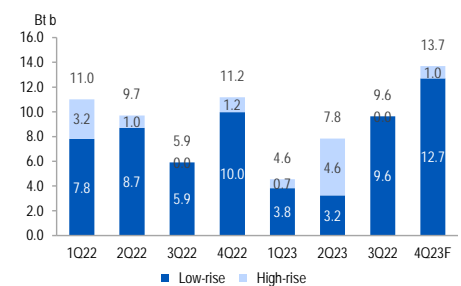
- a) Better-than-expected presales and faster-than-expected unit transfers, and b) improvement in gross margin and SG&A-to-sales-ratio.

QUARTERLY PRESALES



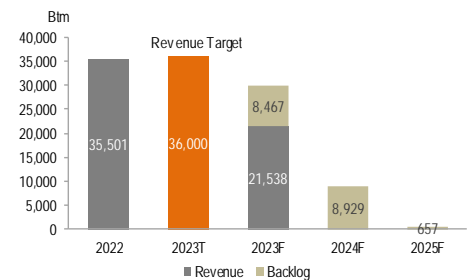
Source: SPALI, UOB Kay Hian

QUARTERLY LAUNCHES



Source: SPALI, UOB Kay Hian

REVENUE & BACKLOG AS OF 30 SEP 23



Source: SPALI, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	34,486	30,092	32,092	31,151
EBITDA	9,514	7,036	7,989	7,921
Deprec. & amort.	127	128	136	144
EBIT	9,387	6,908	7,853	7,777
Total other non-operating income	1,015	573	1,000	500
Associate contributions	390	347	400	450
Net interest income/(expense)	(277)	(475)	(472)	(468)
Pre-tax profit	10,515	7,353	8,781	8,260
Tax	(2,212)	(1,618)	(1,932)	(1,817)
Minorities	(130)	(76)	(100)	(100)
Net profit	8,173	5,659	6,749	6,343
Net profit (adj.)	8,173	5,659	6,749	6,343

CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	3,431	(2,292)	2,411	8,739
Pre-tax profit	10,515	7,353	8,781	8,260
Tax	(2,212)	(1,618)	(1,932)	(1,817)
Deprec. & amort.	127	128	136	144
Working capital changes	(3,088)	(7,844)	(4,694)	2,209
Non-cash items	(1,910)	(312)	120	(56)
Other operating cashflows	(1)	1	0	0
Investing	(4,623)	1,400	(676)	(736)
Capex (growth)	(154)	(200)	(200)	(200)
Investments	(4,459)	1,774	(500)	(525)
Others	(9)	(174)	24	(11)
Financing	881	1,839	(2,772)	(2,891)
Dividend payments	(2,865)	(2,403)	(2,172)	(2,291)
Issue of shares	(582)	0	0	0
Proceeds from borrowings	4,646	4,443	(400)	(400)
Others/interest paid	(319)	(200)	(200)	(200)
Net cash inflow (outflow)	(311)	947	(1,037)	5,112
Beginning cash & cash equivalent	1,626	1,315	2,262	1,225
Ending cash & cash equivalent	1,315	2,262	1,225	6,336

BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	1,693	1,765	1,829	1,885
Other LT assets	9,138	7,336	7,853	8,370
Cash/ST investment	1,315	2,262	1,225	6,336
Other current assets	67,778	75,984	81,035	78,658
Total assets	79,924	87,347	91,942	95,250
ST debt	20,650	21,534	21,134	20,734
Other current liabilities	7,122	7,171	7,648	7,423
LT debt	3,886	7,445	7,445	7,445
Other LT liabilities	804	602	642	623
Shareholders' equity	46,514	49,570	53,948	57,800
Minority interest	949	1,025	1,125	1,225
Total liabilities & equity	79,924	87,347	91,942	95,250

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	27.6	23.4	24.9	25.4
Pre-tax margin	30.5	24.4	27.4	26.5
Net margin	23.7	18.8	21.0	20.4
ROA	10.8	6.8	7.5	6.8
ROE	18.5	11.8	13.0	11.4
Growth				
Turnover	18.3	(12.7)	6.6	(2.9)
EBITDA	12.7	(26.1)	13.5	(0.8)
Pre-tax profit	15.8	(30.1)	19.4	(5.9)
Net profit	15.6	(30.8)	19.3	(6.0)
Net profit (adj.)	15.6	(30.8)	19.3	(6.0)
EPS	15.3	(30.8)	19.3	(5.8)
Leverage				
Debt to total capital	34.1	36.4	34.2	32.3
Debt to equity	52.7	58.5	53.0	48.8
Net debt/(cash) to equity	49.9	53.9	50.7	37.8
Interest cover (x)	34.4	14.8	16.9	16.9

COMPANY RESULTS

The Erawan Group (ERW TB)

3Q23: Despite Incurring Expenses For New Hotel, Earnings Continued To Improve qoq

ERW posted a 3Q23 net profit of Bt148m (+1,387% yoy, +5% qoq) while core profit was Bt153m (+1,126% yoy, +26% qoq). The results surpassed our estimates but are in line with market projections. RevPar remained robust (+37% yoy, +5% qoq, 17% above pre-COVID-19 levels), driven by all hotel segments in the portfolio. Maintain BUY. Target price: Bt6.50.

3Q23 RESULTS

(Btm)	3Q22	2Q23	3Q23	yoy (%)	qoq (%)
Total revenue	1,283	1,623	1,736	35.2	6.9
Gross profit	456	675	746	63.5	10.5
SG&A	362	441	454	25.4	2.8
Operating EBIT	100	250	298	198.3	19.3
Operating EBITDA	261	472	531	103.2	12.5
Core profit	(15)	121	153	1,125.7	26.4
Net profit	(12)	142	148	1,387.3	4.5
(%)	3Q22	2Q23	3Q23	yoy (ppts)	qoq (ppts)
Gross margin	35.5	41.6	43.0	7.4	1.4
SG&A to sales	28.2	27.2	26.2	(2.0)	(1.0)
EBIT margin	12.1	26.3	30.1	18.0	3.8
EBITDA margin	20.3	29.0	30.6	10.2	1.5
Core profit margin	(1.2)	8.7	8.8	10.0	0.1
Net profit margin	(0.9)	8.7	8.5	9.4	(0.2)

Source: The Erawan Group, UOB Kay Hian

RESULTS

• **3Q23 earnings beat.** The Erawan Group (ERW) reported a 3Q23 net profit of Bt148m (+1,387% yoy, +5% qoq). Excluding extraordinary items (Bt3m share of profit from associates and Bt8m expenses for its new hotel in Japan), core profit improved both yoy and qoq to Bt153m (+1,126% yoy, +26% qoq). This surpassed our estimates by 20% but is in line with street projections. 9M23 earnings accounted for 75% of our full-year forecast. The key beats were better-than-expected margins and lower expenses associated with the new hotel investment in Japan.

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	1,562.6	4,714.6	7,334.3	8,124.3	8,623.2
EBITDA	(636.3)	1,055.0	2,181.7	2,498.3	2,744.3
Operating profit	(1,571.9)	183.1	1,210.3	1,454.9	1,601.0
Net profit (rep./act.)	(2,050.2)	(224.2)	705.0	841.5	923.5
Net profit (adj.)	(2,050.2)	(224.2)	705.0	841.5	923.5
EPS (Bt)	(0.8)	0.0	0.1	0.2	0.2
PE (x)	n.m.	n.m.	35.7	29.9	27.3
P/B (x)	2.1	4.1	3.5	3.3	3.1
EV/EBITDA (x)	n.m.	33.3	16.1	14.1	12.8
Dividend yield (%)	0.0	0.0	1.3	1.5	1.6
Net margin (%)	(131.2)	(4.8)	9.6	10.4	10.7
Net debt/(cash) to equity (%)	226.4	221.7	164.8	172.9	160.6
Interest cover (x)	(1.2)	2.3	4.3	4.4	4.9
ROE (%)	n.a.	n.a.	11.0	11.4	11.7
Consensus net profit	-	-	731	849	975
UOBKH/Consensus (x)	-	-	0.96	0.99	0.95

Source: The Erawan Group, Bloomberg, UOB Kay Hian

n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY

(Maintained)

Share Price	Bt5.15
Target Price	Bt6.50
Upside	+26.2%

COMPANY DESCRIPTION

The Erawan Group is a leading hotel investment company in Thailand. Its hotel portfolio ranges from luxury to mid-scale and economy across Thailand's major tourist destinations.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	ERW TB
Shares issued (m):	4,531.6
Market cap (Btm):	23,337.5
Market cap (US\$m):	646.6
3-mth avg daily t'over (US\$m):	2.9

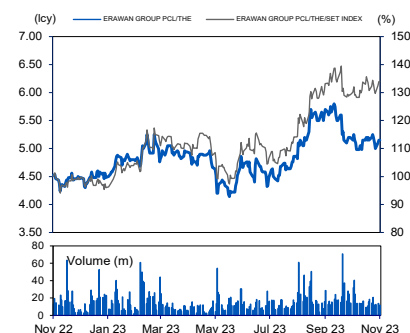
Price Performance (%)

52-week high/low	Bt5.80/Bt4.14			
1mth	3mth	6mth	1yr	YTD
(1.0)	6.0	10.5	16.5	15.0

Major Shareholders

Wattanavekin family	28.2
Vongkusolkit family	28.4
FY23 NAV/Share (Bt)	1.45
FY23 Net Debt/Share (Bt)	2.40

PRICE CHART



Source: Bloomberg

ANALYST(S)

Kochakorn Sutaruksanon
 +662 090 8303
 kochakorn@uobkayhian.co.th

KEY STATISTICS

	3Q19	3Q22	4Q22	1Q23	2Q23	3Q23	yoy chg	qoq chg	To pre-COVID
Occupancy (%)									
Avg exc. budget hotel	74%	67%	82%	84%	81%	82%	15.0 ppt	1.0 ppt	110.8%
Avg inc. budget hotel	74%	69%	79%	81%	80%	81%	12.6 ppt	1.7 ppt	110.4%
ARR (Bt/night)									
Avg exc. budget hotel	2,470	2,552	3,023	3,079	2,936	3,028	18.7%	3.1%	122.6%
Avg inc. budget hotel	1,661	1,521	1,760	1,794	1,709	1,763	15.9%	3.2%	106.1%
RevPar (Bt/night)									
Avg exc. budget hotel	1,824	1,710	2,470	2,591	2,361	2,492	45.7%	5.5%	136.6%
Avg inc. budget hotel	1,223	1,045	1,391	1,459	1,361	1,430	36.8%	5.1%	116.9%

Source: ERW, UOB Kay Hian

- **Top-line was supported by all hotel segments, surpassing pre-COVID-19 levels.** Total revenue continued to increase (+35% yoy and 7% qoq), primarily led by the luxury hotel segment. RevPar across the portfolio improved by 37% yoy and 5% qoq, exceeding pre-COVID-19 levels by 17%, driven by solid occupancy rates and average room rates (ADR) across all hotel segments.
- **Non-budget hotel segment: RevPar remained above pre-COVID-19 levels.** The strong hotel performance of the non-budget hotel segment (contributing 79% of revenue in 3Q23) was primarily driven by significant growth in Chinese and Middle Eastern travellers. This growth resulted in a strong RevPar growth for the luxury hotels segment (+29% yoy, +10% qoq, 32% above pre-COVID-19 levels). Additionally, the performance of the midscale segment (RevPar +58% yoy, +3% qoq, 13% above pre-COVID-19 levels) and the economy segment (+68% yoy, +3% qoq, 58% above pre-COVID-19 levels) remained healthy.
- **Budget hotels segment: Robust performance.** Despite the rainy season in Thailand, RevPar of Hop Inn Thailand (contributing 12% to revenue in 3Q23) continued to grow by 16% yoy and remained flat qoq, surpassing pre-COVID-19 levels by 25%. In addition, RevPar of Hop Inn Philippines (contributing 8% to revenue in 3Q23) improved significantly by 45% yoy, 11% qoq, and stood 16% above pre-COVID-19 levels.
- **EBITDA margin continued to expand.** EBITDA margin improved yoy and qoq to 30.6% (+10.2ppt yoy, +1.5ppt qoq), thanks to operating leverage, especially with margin expansion from the luxury hotels segment (+400ppt qoq).

STOCK IMPACT

- **4Q23 earnings outlook.** We expect 4Q23 earnings to rise yoy and qoq, driven by: a) the high season of travel in Thailand, and b) short-term policies enhancing travel.

EARNINGS REVISION/RISK

- **None**

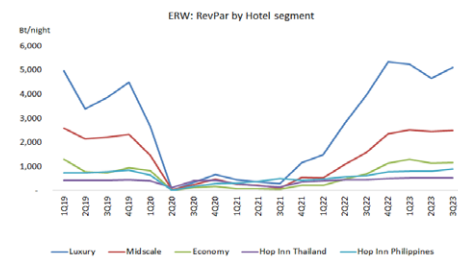
VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of Bt6.50.** Our valuation is based on EV/EBITDA multiple to 18x, 1SD above its historical trading levels. ERW is our top pick due to its robust operating performance, with earnings surpassing pre-COVID-19 levels despite international traveller numbers not having yet returned to normal.

SHARE PRICE CATALYST

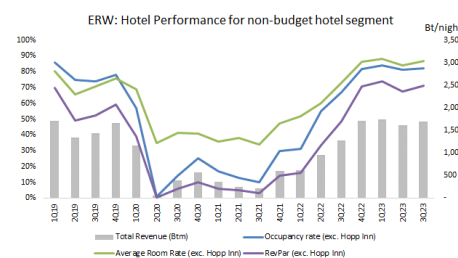
- End of revenge travel.

REVPAR PERFORMANCE



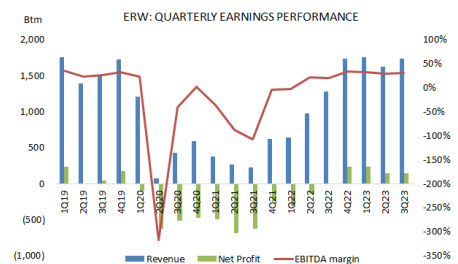
Source: ERW, UOB Kay Hian

HOTELS PERFORMANCE



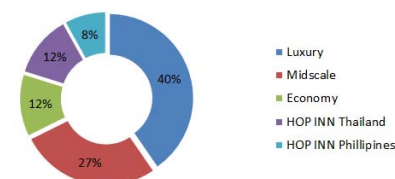
Source: ERW, UOB Kay Hian

EARNINGS PERFORMANCE



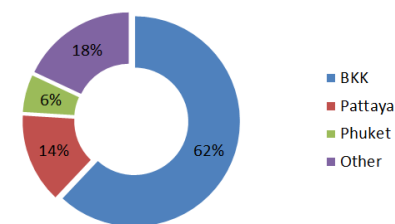
Source: ERW, UOB Kay Hian

REVENUE BREAKDOWN BY SEGMENTS



Source: ERW, UOB Kay Hian

REVENUE BREAKDOWN BY DESTINATION



Source: ERW, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	4,715	7,334	8,124	8,623
EBITDA	1,055	2,182	2,498	2,744
Deprec. & amort.	872	971	1,043	1,143
EBIT	183	1,210	1,455	1,601
Total other non-operating income	5	0	0	0
Associate contributions	29	21	30	30
Net interest income/(expense)	(455)	(511)	(564)	(565)
Pre-tax profit	(239)	720	921	1,066
Tax	26	14	(45)	(104)
Minorities	(11)	(29)	(35)	(38)
Net profit	(224)	705	842	923
Net profit (adj.)	(224)	705	842	923

CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	2,051	1,463	1,950	2,275
Pre-tax profit	(239)	720	921	1,066
Tax	26	14	(45)	(104)
Deprec. & amort.	872	971	1,043	1,143
Working capital changes	28	(39)	(17)	32
Non-cash items	1,177	(16)	47	138
Other operating cashflows	188	(188)	0	0
Investing	(796)	(1,453)	(3,121)	(1,834)
Capex (growth)	(745)	(1,011)	(3,000)	(2,200)
Investments	(15)	(8)	(12)	(12)
Others	(36)	(434)	(109)	378
Financing	(966)	1,440	1,683	(324)
Dividend payments	0	0	(317)	(379)
Issue of shares	0	899	0	0
Proceeds from borrowings	(690)	541	2,000	55
Others/interest paid	(276)	0	0	0
Net cash inflow (outflow)	290	1,450	512	117
Beginning cash & cash equivalent	1,242	1,532	2,982	3,494
Ending cash & cash equivalent	1,532	2,982	3,494	3,611

BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	19,320	19,359	21,316	22,373
Other LT assets	366	471	486	582
Cash/ST investment	1,532	2,982	3,494	3,611
Other current assets	494	553	629	745
Total assets	21,712	23,366	25,925	27,310
ST debt	783	795	795	795
Other current liabilities	979	983	1,089	1,375
LT debt	13,382	13,910	15,910	15,965
Other LT liabilities	846	510	403	865
Shareholders' equity	5,698	7,116	7,640	8,185
Minority interest	23	51	86	125
Total liabilities & equity	21,712	23,366	25,925	27,310

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	22.4	29.7	30.8	31.8
Pre-tax margin	(5.1)	9.8	11.3	12.4
Net margin	(4.8)	9.6	10.4	10.7
ROA	n.a.	3.1	3.4	3.5
ROE	n.a.	11.0	11.4	11.7
Growth				
Turnover	201.7	55.6	10.8	6.1
EBITDA	n.a.	106.8	14.5	9.8
Pre-tax profit	n.a.	n.a.	27.9	15.7
Net profit	n.a.	n.a.	19.4	9.7
Net profit (adj.)	n.a.	n.a.	19.4	9.7
EPS	n.a.	n.a.	19.4	9.7
Leverage				
Debt to total capital	71.2	67.2	68.4	66.9
Debt to equity	248.6	206.7	218.6	204.8
Net debt/(cash) to equity	221.7	164.8	172.9	160.6
Interest cover (x)	2.3	4.3	4.4	4.9

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