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KEY HIGHLIGHTS

Company Results

Sime Darby Plantation (SDPL MK/BUY/RM4.32/Target: RM5.00) Page 2
3Q23: Results within expectations, strong contribution from its Malaysia upstream operation.

Tenaga Nasional (TNB MK/HOLD/RM10.00/Target: RM10.70) Page 5
9M23: Below expectations. We cut 2023 net profit by 11% to account for a negative fuel margin. Positively, the negative fuel margin should narrow further in 4Q23.

Small-Mid Cap Highlights

Oppstar (OPPSTAR MK/BUY/RM1.61/Target: RM2.18) Page 8
1HFY24: Below expectations; sowing seeds for exponential growth.

UOBKH Highlights

Malakoff Corporation (MLK MK/BUY/RM0.64/Target: RM0.70) Page 11
3Q23: Below expectations; but negative fuel margin narrows.

TRADERS' CORNER

Toyoven Ventures Holdings (TOYOVEN MK): Technical BUY

Tropicana Corporation (TRCB MK): Technical BUY

KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,453.92	0.6	0.0
Bursa Emas	10,768.73	(4.5)	(0.0)
Ind Product	174.11	0.8	0.4
Finance	16,384.32	1.1	0.0
Consumer	559.48	1.1	0.2
Construction	185.60	(0.9)	(0.5)
Properties	862.65	3.0	0.4
Plantations	6,931.35	(16.1)	(0.2)

BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	24-Nov-23	% chg
Volume (m units)	3,499	(5.6)
Value (RMm)	2,352	12.8

By Investor type	(%)	ppt chg
Foreign investors	29.2	2.8
Local retail	28.4	(0.8)
Local institution	42.4	(2.0)

TOP TRADING TURNOVER / GAINERS / LOSERS

Top Trading Turnover	Price (RM)	Chg (%)	5-day ADT (RM'000)
AirAsia X	2.18	(0.5)	16
AEON Credit	5.69	(0.4)	2,616
Alliance Bank Malaysia	3.43	(0.3)	4,105
AMMB Holdings	4.04	1.0	16,876
Astro Malaysia	0.40	(1.2)	2,034

Top Gainers

SapuraEnergy	0.05	11.1	284
Parkson Holdings	0.30	5.3	3,308
Genting	4.53	3.9	33,857
Genting Malaysia	2.65	2.7	30,634
Lafarge	4.04	2.5	13,157

Top Losers

Dayang Enterprise	1.68	(6.1)	13,000
Velesto Energy	0.23	(4.3)	7,388
SP Setia	0.81	(4.1)	6,332
WCT Bhd	0.50	(3.8)	1,087
Hartalega	2.52	(3.8)	27,258

OTHER STATISTICS

	24-Nov-23	chg	% chg
RM/US\$	4.69	0.00	0.1
CPO 3rd mth future (RM/mt)	3,890	(61.0)	(1.5)

Notes:

ADT = Average daily turnover.

Top trading turnover, gainers and losers are based on FBM100 component stocks.

COMPANY RESULTS

Sime Darby Plantation (SDPL MK)

3Q23: Results Within Expectations

9M23 results came in within expectations, as we expect a higher profit to be reported in 4Q23. 2024 earnings would be higher yoy, on the back of higher FFB production, lower cost of production and stable downstream operation. Note that SDPL is also exploring some strategic collaborations with China and India companies. We maintain BUY with a target price of RM5.00 in view of the CPO price uptrend, where SDPL's share price performance has a high correlation with CPO prices.

3Q23 RESULTS

Year to 31 Dec (RMm)	3Q23	qoq % chg	yoy % chg	9M23	yoy % chg
Turnover	4,774	10.9	(11.5)	13,148	(14.4)
Upstream	2,594	22.9	11.3	7,073	(5.5)
Downstream	4,303	10.2	(12.4)	11,667	(17.7)
Operating Profit	782	91.2	41.4	1,504	(39.1)
Upstream	547	191.0	119.7	955	(44.0)
Downstream	225	81.5	(43.3)	417	(46.0)
Net Profit	1,211	218.7	179.7	1,660	(15.4)
Core Net Profit	348	29.4	5.1	698	(57.4)
Margins (%)		+/(-) bps	+/(-) bps		+/(-) bps
Operating profit	16.4	6.9	6.1	11.4	(4.6)
Upstream	21.1	12.2	10.4	13.5	(9.3)
Downstream	5.2	2.1	(2.9)	3.6	(1.9)
Core net profit	7.3	1.0	1.2	5.3	(5.4)

Source: SDPL, UOB Kay Hian

WHAT'S NEW

• **Within expectations.** Sime Darby Plantation's (SDPL) 3Q23 core net profit came in at RM348 (+29% qoq, +5% yoy), bringing 9M23 core net profit to RM698m (-57% yoy). This accounts for 60% of our full-year forecast where we deem it still within our expectation, as we expect 4Q23 to be the highest quarterly earnings for 2023 on the back of higher CPO ASP and lower cost of production.

a) **Qoq higher core net profit** mainly due:

b) **Strong improvement from its Malaysia upstream operation** where its FFB production surged 43% qoq in 3Q23. We reckon that this was mainly due to the result of its previous rehabilitation practices and more harvesters in the Malaysian estates where yield has improved. This is partially offset by the lower-than-expected production from its Indonesian estates which were affected by the dryness.

c) **Higher downstream margin**, especially from its European operations with strong volumes and firm prices.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	18,695	21,030	19,884	22,706	22,642
EBITDA	5,051	3,563	3,310	4,535	4,298
Operating profit	3,720	2,190	1,903	3,108	2,851
Net profit (rep./act.)	2,336	2,069	1,174	2,036	1,856
Net profit (adj.)	2,336	2,069	1,174	2,036	1,856
EPS (sen)	34.3	30.4	17.3	29.9	27.3
PE (x)	12.6	14.3	25.1	14.5	15.9
P/B (x)	1.7	1.6	1.6	1.6	1.6
EV/EBITDA (x)	7.4	10.4	11.2	8.2	8.7
Dividend yield (%)	2.4	5.3	2.4	4.1	3.7
Net margin (%)	12.5	9.8	5.9	9.0	8.2
Net debt/(cash) to equity (%)	33.5	30.3	36.0	35.4	32.6
Interest cover (x)	68.3	29.0	27.5	35.0	34.9
ROE (%)	14.0	11.5	6.3	10.9	10.0
Consensus net profit	-	-	1,093	1,393	1,555
UOBKH/Consensus (x)	-	-	1.07	1.46	1.19

Source: Sime Darby Plantation, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM4.32
Target Price	RM5.00
Upside	+15.7%

COMPANY DESCRIPTION

The largest oil palm plantation company in Malaysia.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	SDPL MK
Shares issued (m):	6,915.7
Market cap (RMm):	29,875.9
Market cap (US\$m):	6,412.2
3-mth avg daily t'over (US\$m):	2.5

Price Performance (%)

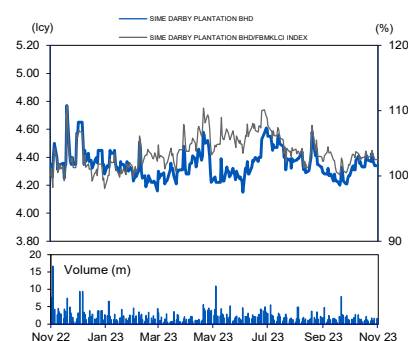
52-week high/low RM4.77/RM3.93

1mth	3mth	6mth	1yr	YTD
(4.6)	(3.6)	0.5	(1.8)	(7.1)

Major Shareholders

Skim Amanah Saham Bumiputera	42.1
Employees Provident Fund	14.0
FY24 NAV/Share (RM)	2.70
FY24 Net Debt/Share (RM)	0.96

PRICE CHART



Source: Bloomberg

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- Higher yoy earnings were mainly thanks to higher FFB production and lower cost of production.

STOCK IMPACT

- **Production growth guidance.** Management maintained its production growth guidance for 2023 at mid-single-digit growth where the highest growth would come from Malaysia. This is the result of its rehabilitation practices and more skilled workers in the estates. Management also mentioned that its Malaysia rehabilitation and training for new harvesters programme would complete by Jun 24.
- **Lower cost of production.** We reckon that the cost of production would be lower in 2024 with higher FFB production and better yield (especially from the Malaysian estates). The fertiliser prices had also dropped by about 20% yoy for 2024.
- **Downstream margin may remain stable,** thanks to its European operations with higher quality refined products which command better pricing. This would be partially offset by the softer demand and lower margin from its Asia Pacific operations.
- **Exploring further strategic collaborations.** In 2024, SDPL targets to provide India with 1.3m germinated seeds, sourced from its operations in three countries. It is also exploring the possibility of establishing a shortening trading distribution centre in China and utilising existing bonded warehouses as a refined palm oil trading and distribution center as well as applying to become the delivery warehouse of Dalian Commodity Exchange.

EARNINGS REVISION/RISK

- **Maintain earnings forecast.**

VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of RM5.00.** We see SDPL as a trading BUY in view of the CPO price uptrend, where SDPL's share price performance has a high correlation towards CPO prices. We peg our valuation at 17x 2024F PE, based on -1SD to the sector's five-year mean

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

<ul style="list-style-type: none"> • Environmental - SDPL recently announced that the additional biogas plant would be built in Kedah and Negeri Sembilan. This allows SDPL to work towards its carbon reduction target of 40% by 2030 (current: 18%)
<ul style="list-style-type: none"> • Social - The US Customs and Border Protection says palm oil produced by SDPL is no longer "being mined, produced, or manufactured wholly or in part with the use of convict, forced, or indentured labour".
<ul style="list-style-type: none"> • Governance - Transparent governance along with an Anti-Bribery and Anti-Corruption Policy.

UPSTREAM CONTRIBUTION BY COUNTRY

(RMm)	3Q23	qoq % chg	yoy % chg
Malaysia	228	n.m	n.m
Indonesia	212	30.1	(41.9)
PNG	107	114.0	269.0
Total	547	191.0	119.7

Source: SDPL

KEY STATISTICS SUMMARY

	3Q23	qoq % chg	yoy % chg
FFB Production (m tonnes)	2.45	20.5	14.1
- Malaysia	1.24	42.5	37.8
- Indonesia	0.77	13.0	(1.2)
- PNG	0.45	(8.2)	(5.9)
CPO ASP (RM/tonne)	3,777	0.3	(11.7)
- Malaysia	3,993	(2.5)	(11.2)
- Indonesia	3,319	2.5	13.9
- PNG	3,965	2.0	(32.2)

Source: SDPL

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	21,030	19,884	22,706	22,642
EBITDA	3,563	3,310	4,535	4,298
Deprec. & amort.	1,373	1,407	1,428	1,447
EBIT	2,190	1,903	3,108	2,851
Associate contributions	50	20	21	22
Net interest income/(expense)	(123)	(120)	(129)	(123)
Pre-tax profit	3,492	1,802	2,999	2,750
Tax	(809)	(451)	(750)	(688)
Minorities	(195)	(178)	(214)	(207)
Net profit	2,069	1,174	2,036	1,856
Net profit (adj.)	2,069	1,174	2,036	1,856

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	3,640	2,076	2,900	3,213
Pre-tax profit	3,196	1,923	3,129	2,873
Tax	(809)	(451)	(750)	(688)
Deprec. & amort.	1,373	1,407	1,428	1,447
Working capital changes	310	(376)	(470)	11
Other operating cashflows	(430)	(427)	(436)	(430)
Investing	(1,287)	(1,287)	(1,287)	(1,286)
Capex (maintenance)	(1,681)	(1,681)	(1,681)	(1,681)
Investments	0	0	0	1
Proceeds from sale of assets	380	380	380	380
Others	14	14	14	14
Financing	(2,400)	(1,200)	(1,715)	(1,606)
Dividend payments	(1,548)	(704)	(1,221)	(1,114)
Issue of shares	0	0	0	0
Proceeds from borrowings	4,749	0	0	0
Loan repayment	(5,180)	(500)	(500)	(500)
Others/interest paid	(421)	4	6	8
Net cash inflow (outflow)	(47)	(411)	(103)	321
Beginning cash & cash equivalent	665	646	263	188
Changes due to forex impact	11	28	28	28
Ending cash & cash equivalent	635	263	188	538

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	17,800	18,074	18,328	18,562
Other LT assets	6,108	6,090	6,090	6,090
Cash/ST investment	635	263	188	538
Other current assets	6,604	7,325	7,381	6,689
Total assets	31,147	31,752	31,986	31,879
ST debt	2,499	2,314	2,130	1,945
Other current liabilities	2,913	2,782	3,111	3,104
LT debt	3,780	4,647	4,647	4,648
Other LT liabilities	2,939	2,939	2,939	2,939
Shareholders' equity	18,598	18,598	18,598	18,598
Minority interest	418	472	562	645
Total liabilities & equity	31,147	31,752	31,986	31,879

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	16.9	16.6	20.0	19.0
Pre-tax margin	16.6	9.1	13.2	12.1
Net margin	9.8	5.9	9.0	8.2
ROA	6.7	3.7	6.4	5.8
ROE	11.5	6.3	10.9	10.0
Growth				
Turnover	12.5	(5.4)	14.2	(0.3)
EBITDA	(29.5)	(7.1)	37.0	(5.2)
Pre-tax profit	(5.1)	(48.4)	66.4	(8.3)
Net profit	(11.4)	(43.3)	73.4	(8.8)
Net profit (adj.)	(11.4)	(43.3)	73.4	(8.8)
EPS	(11.4)	(43.3)	73.4	(8.8)
Leverage				
Debt to total capital	24.8	26.7	26.1	25.5
Debt to equity	33.8	37.4	36.4	35.4
Net debt/(cash) to equity	30.3	36.0	35.4	32.6
Interest cover (x)	29.0	27.5	35.0	34.9

COMPANY RESULTS

Tenaga Nasional (TNB MK)

3Q23: Results Below Expectation, Negative Fuel Margin To Narrow In 4Q23

The group booked weak 3Q23 core net profit of RM861m (-47% yoy; -10% qoq). This brings 9M23 core net profit to RM2,971m (-27% yoy) – below our expectation but in line with the street's estimate. 9M23 EBITDA margin fell 6ppt to 28% - reflecting Genco negative fuel margin and higher repair & maintenance costs. Consequently, we cut 2023-24 net profit estimates by 11% and 3% respectively. Maintain HOLD with a marginally higher DCF-based target price of RM10.70 as we rollover to 2024.

3Q23 RESULTS

Year to 31 Dec	3Q23 (RMm)	3Q22 (RMm)	qoq % chg	yoy % chg	9M23 (RMm)	yoy % chg
Revenue	13,466	12,962	1.1	3.9	39,414.9	3.9
Normalised EBITDA	3,750	4,628	3.7	(19.0)	11,168.1	(14.0)
Normalised EBITDA margin (%)	27.8	35.7	0.7	(7.9)	28.3	(5.9)
Pretax profit	1,056	1,534	94.9	(31.2)	2,699.7	(40.4)
Net profit	856	889	161.1	(3.7)	2,186.4	(17.6)
Core net profit	861	1,624	(9.9)	(47.0)	2,971.1	(26.8)
Operating Matrix			qoq %	yoy %		yoy %
Coal prices (US\$)	111.8	229.7	(18.6)	(51.3)	139.9	(33.3)
Coal consumption	8.8	8.3	(1.1)	6.0	25.2	4.6
Gas prices (RM)	37.5	36.7	(8.3)	2.0	41.5	23.9
Daily gas allocation	831	862	(1.1)	(3.6)	859.0	(3.8)
Elec. Sales growth (yoy%)	9.6	5.9	0.7	3.7	2.7	(4.5)
Average tariff (sen/kwh)	38.0	41.6	(1.0)	(8.6)	37.9	(1.0)

Source: Tenaga, UOB Kay Hian

RESULTS

- **3Q23 net profit below expectations.** Tenaga Nasional (TNB) booked 3Q23 core net profit of RM861m (-47% yoy; -10% qoq). This brings 9M23 core net profit to RM2,971m (-27% yoy). The results are below our expectation but in line with the street's estimate. 9M23 electricity demand grew 3% yoy but EBITDA margin fell 6ppt yoy to 28%. This is due to 9M23 negative fuel margin of RM768m (vs a positive fuel margin of RM917m in 9M22), higher repair & maintenance costs and subsidiary opex.
- **Regulated business net returns for 9M23 is RM3,563m.** This is premised upon Regulatory Period 3 (RP3) return on asset of 7.3% and an approved capex of RM7b for 2023. 9M23 capex spent on regulated business was RM4.8b, or 69% of approved capex.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	52,630	73,183	56,307	57,505	58,413
EBITDA	19,412	19,141	20,803	21,312	20,453
Operating profit	8,721	7,738	9,119	9,878	9,432
Net profit (rep./act.)	3,662	3,463	4,076	4,497	4,702
Net profit (adj.)	5,141	4,703	4,076	4,497	4,702
EPS (sen)	90.4	82.7	71.7	79.1	82.7
PE (x)	11.1	12.1	14.0	12.6	12.1
P/B (x)	1.0	1.0	1.0	1.0	1.0
EV/EBITDA (x)	6.4	6.5	6.0	5.8	6.1
Dividend yield (%)	4.0	4.6	4.6	4.9	5.0
Net margin (%)	7.0	4.7	7.2	7.8	8.0
Net debt/(cash) to equity (%)	76.5	100.8	115.4	95.5	81.6
Interest cover (x)	5.6	4.5	5.0	4.9	5.5
ROE (%)	6.5	6.0	7.2	8.1	8.2
Consensus net profit	-	-	4,067	4,594	4,766
UOBKH/Consensus (x)	-	-	1.00	0.98	0.99

Source: Tenaga Nasional, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM10.00
Target Price	RM10.70
Upside	+7.0%
(Previous TP)	RM10.40

COMPANY DESCRIPTION

Generates and distributes electricity in Peninsular Malaysia and Sabah.

STOCK DATA

GICS sector	Utilities
Bloomberg ticker:	TNB MK
Shares issued (m):	5,787.3
Market cap (RMm):	57,873.0
Market cap (US\$m):	12,352.1
3-mth avg daily t'over (US\$m):	9.5

Price Performance (%)

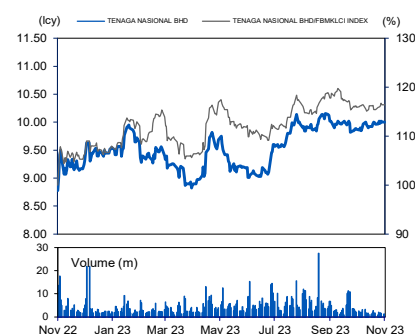
52-week high/low RM10.16/RM8.78

1mth	3mth	6mth	1yr	YTD
1.5	0.0	5.0	12.2	3.8

Major Shareholders

	%
Khazanah Nasional	22.5
EPF	16.5
Amanah Saham Nasional	15.5
FY23 NAV/Share (RM)	9.75
FY23 Net Debt/Share (RM)	11.15

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **Imbalance cost pass through (ICPT) recovery.** ICPT cost recovery from the government is encouraging. TNB has received RM2.35b since early-Nov 23 for a period claim for Jul-Sep 23. The balance will be paid by monthly instalments until TNB fully recovers a total of RM4.6b for ICPT under recovery for Jul-Dec 23.
- We are positive on this as it implies the government's commitment towards the incentive-based regulation framework. This paves the way for a healthy balance sheet and sustainable dividend yield of about 5% for TNB.

STOCK IMPACT

- **3Q23 electricity demand grew 1% qoq** on the back of higher units sold to the industrial and commercial segment. 9M23 electricity demand jumped 3% yoy.
- **3Q23 generation cost fell 31% yoy and 13% qoq.** This mirrored the 51% yoy and 19% qoq drop in coal prices to US\$111.8/MT (2Q23: US\$137.3/MT; 3Q22: US\$229.7/MT). Repair & maintenance costs as well as subsidiary expenses are also higher qoq and yoy.
- **Normalised EBITDA margin rose 0.7ppt qoq but fell 8ppt yoy to 27.8%.** Apart from higher repair and maintenance costs, earnings were also dragged down by negative fuel margin yoy. Positively, the negative fuel margin has narrowed qoq and we expect improvement in EBITDA from Genco in 4Q23.

EARNINGS REVISION/RISK

- **Cut 2023-24 net profit by 11% and 3% respectively.** We take into account: a) 9M23 negative fuel margin – which is then expected to narrow into 4Q23 and 2024, b) higher repair & maintenance costs, and c) higher subsidiary expenses.

VALUATION/RECOMMENDATION

- **Reiterate HOLD** with a marginally higher DCF-based target price of RM10.70/share (discount rate: 8.5%, growth rate: 1%) as we roll over our valuation window to 2024.
- **Key re-rating catalysts** include: a) allowing TNB the autonomy to change electricity prices by 7% without seeking Cabinet approval every six months, b) listing of a profitable Genco, and c) earnings-accretive M&As.
- Key risks: a) lumpy and unprofitable overseas renewable energy (RE) projects, and b) forex risk to operating cashflow.
- Dividend yield of 4.6% and 4.9% over 2023-24. We expect TNB to pay out 60% of its net profit as dividends. This translates to a sustainable dividend yield of 4.6% and 5.0% over 2023-24.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• Environmental

- Besides targeting to have 8,300MW of RE generation capacity by 2025 (1.5x from 3,398MW in Dec 20), TNB has also made new pledges to reduce emission intensity by 2035 and achieve zero net emission on top of being coal-free by 2050.

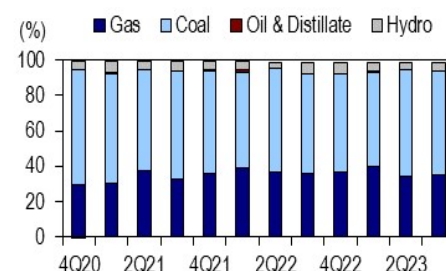
• Social

- TNB has donated: a) around RM4.36m to those affected by COVID-19, b) necessary medical supplies, such as ventilators, respirators, and personal protective equipment (PPE) to government hospitals, departments, and agencies totalling RM27.5m in 2020, and c) RM1m for lighting up official security posts during MCO enforcement throughout the nation from Mar-Nov 20.

• Governance

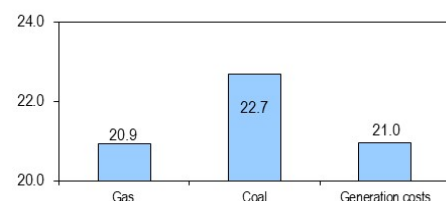
- Good company transparency along with an anti-bribery and whistle-blowing policy.
- Succession planning is also in place.

GENERATION MIX



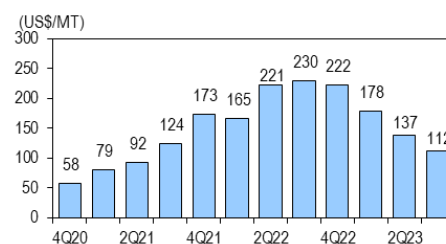
Source: TNB, UOB Kay Hian

GENERATION UNIT COST (3Q23)



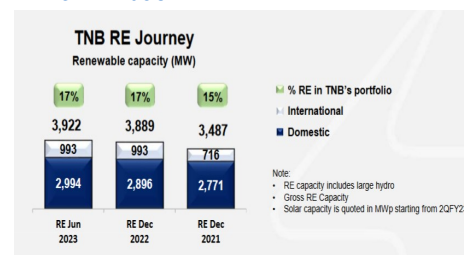
Source: TNB, UOB Kay Hian

QUARTERLY COAL PRICES



Source: TNB, UOB Kay Hian

TNB GREEN JOURNEY



Source: TNB

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	73,183	56,307	57,505	58,413
EBITDA	19,141	20,803	21,312	20,453
Deprec. & amort.	11,403	11,684	11,434	11,022
EBIT	7,738	9,119	9,878	9,432
Total other non-operating income	966	940	940	940
Associate contributions	98	(298)	(312)	(328)
Net interest income/(expense)	(4,213)	(4,201)	(4,383)	(3,733)
Pre-tax profit	5,348	5,560	6,122	6,311
Tax	(1,791)	(1,390)	(1,531)	(1,515)
Minorities	(94)	(94)	(94)	(94)
Net profit	3,463	4,076	4,497	4,702
Net profit (adj.)	4,703	4,076	4,497	4,702

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	116,577	113,893	111,459	107,437
Other LT assets	44,289	43,991	43,679	43,351
Cash/ST investment	4,893	259	9,318	15,513
Other current assets	40,163	39,140	34,567	34,892
Total assets	205,922	197,283	199,023	201,192
ST debt	13,262	13,162	13,062	12,962
Other current liabilities	24,335	19,342	19,476	19,893
LT debt	50,620	50,520	50,420	50,320
Other LT liabilities	56,739	56,739	56,739	56,739
Shareholders' equity	58,517	54,977	56,688	58,547
Minority interest	2,449	2,543	2,637	2,731
Total liabilities & equity	205,922	197,283	199,023	201,192

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating				
Pre-tax profit				
Tax	2,022	2023F	2024F	2025F
Deprec. & amort.	9,378	7,181	25,429	19,971
Associates	349	560	6,122	6,311
Working capital changes	(1,791)	(1,390)	(1,531)	(1,515)
Non-cash items	11,403	11,684	11,434	11,022
Other operating cashflows	(98)	298	312	328
Investing	(10,680)	(3,971)	4,707	92
Capex (growth)	0	0	0	0
Investments	10,196	0	4,383	3,733
Others	(14,553)	(9,000)	(8,869)	(5,936)
Financing	(8,445)	(9,000)	(9,000)	(7,000)
Dividend payments	3	0	0	0
Issue of shares	(6,111)	0	131	1,064
Proceeds from borrowings	3,896	(2,816)	(7,501)	(7,840)
Others/interest paid	(2,616)	(2,616)	(2,787)	(2,843)
Net cash inflow (outflow)	277	0	0	0
Beginning cash & cash equivalent	13,846	(200)	(200)	(200)
Changes due to forex impact	(7,611)	0	(4,514)	(4,797)
Ending cash & cash equivalent	(1,279)	(4,635)	9,059	6,195

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	26.2	36.9	37.1	35.0
Pre-tax margin	7.3	9.9	10.6	10.8
Net margin	4.7	7.2	7.8	8.0
ROA	1.8	2.0	2.3	2.3
ROE	6.0	7.2	8.1	8.2
Growth				
Turnover	39.1	(23.1)	2.1	1.6
EBITDA	(1.4)	8.7	2.4	(4.0)
Pre-tax profit	12.9	4.0	10.1	3.1
Net profit	(5.4)	17.7	10.3	4.6
Net profit (adj.)	(8.5)	(13.3)	10.3	4.6
EPS	(8.5)	(13.3)	10.3	4.6
Leverage				
Debt to total capital	51.2	52.5	51.7	50.8
Debt to equity	109.2	115.8	112.0	108.1
Net debt/(cash) to equity	100.8	115.4	95.5	81.6
Interest cover (x)	4.5	5.0	4.9	5.5

SMALL-MID CAP HIGHLIGHTS

Oppstar (OPPSTAR MK)

1HFY24: Below Expectations; Sowing Seeds For Exponential Growth

Results missed expectations owing to the absence of meaningful turnkey project contribution. Cut FY24-25 earnings by 16%/11%. Beyond the temporary blip, we see enormous growth opportunities premised on its multi-pronged strategies, cutting-edge knowhow alongside huge untapped potential augmented by Malaysia's geopolitical neutrality, which could anchor a three-year revenue/core net profit CAGR of 29%/31% from FY23. Maintain BUY. Target price: RM2.18.

1HFY24 RESULTS

Year to 31 Mar (RMm)	2QFY24	qoq% chg	yoy % chg	1HFY24	yoy % chg
Revenue	14.0	(10.5)	n.a.	28.8	n.a.
EBITDA	5.1	(25.5)	n.a.	14.3	n.a.
EBIT	4.8	(26.8)	n.a.	14.9	n.a.
Pre-tax Profit	5.1	(25.5)	n.a.	13.8	n.a.
Tax	-1.1	(28.7)	n.a.	-3.4	n.a.
Net Profit	4.0	(24.8)	n.a.	10.4	n.a.
Core Net Profit	4.0	(24.8)	n.a.	10.4	n.a.
Margins (%)	qoq ppt chg	yoy ppt chg	49.8	yoy ppt chg	
EBITDA	36.4	(7.3)	n.a.	51.6	n.a.
EBIT	34.1	(7.6)	n.a.	47.8	n.a.
Pre-tax Profit	36.3	(7.3)	n.a.	36.1	n.a.
Core Net Profit	28.6	(5.4)	n.a.	28.8	n.a.

Source: Oppstar, UOB Kay Hian

RESULTS

- **Missed expectations.** Oppstar reported a softer 2QFY24 core net profit of RM4.0m (-25% qoq), bringing 1HFY24 core net profit to RM10.4m which made up 37% of our/consensus full-year estimates. The negative deviation was due to the lower-than-expected turnkey project contribution alongside the higher headcount costs.
- While there are no comparative figures for the corresponding preceding quarter's results as the group was just listed in Mar 23, 1HFY24 revenue and core net profit made up 50%/49% of 2023 revenue and net profit, with strong 1QFY24 contribution offset by a softer 2QFY24. Note that the previous turnkey projects have been fully billed alongside the absence of meaningful turnkey project contribution, hence the gap of lower 2QFY24 revenue (-11% qoq). Alongside the higher headcount costs, core net profit dropped 25% qoq. Turnkey design services contributed 67.8% (-2.3ppt) of the group's total revenue.

KEY FINANCIALS

Year to 31 Mar (RMm)	2022	2023	2024F	2025F	2026F
Net Turnover	50.6	57.9	68.5	101.0	125.0
EBITDA	24.0	27.6	29.1	51.9	65.8
Operating Profit	23.2	26.5	27.0	48.4	61.6
Net Profit	16.6	20.4	20.6	37.7	48.1
Net Profit (Adjusted)	16.6	21.4	24.3	37.7	48.1
EPS (sen)	2.6	3.4	3.8	5.9	7.6
PE (x)	61.6	47.8	42.2	27.1	21.3
P/B (x)	70.9	7.5	6.7	5.8	4.9
EV/EBITDA (x)	43.1	41.3	39.9	22.7	18.4
Dividend Yield (%)	0.6	0.5	0.8	1.3	1.6
Net Margin (%)	32.9	37.0	35.4	37.4	38.5
Net Debt/(Cash) to Equity (%)	(77.3)	(84.0)	(89.6)	(85.6)	(88.1)
Interest Cover (x)	(181.5)	(881.8)	(134.8)	(241.9)	(308.0)
ROE (%)	115.1	15.7	15.9	21.3	23.0

Source: Oppstar, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.61
Target Price	RM2.18
Upside	35.4%
(Previous TP:	RM2.53)

COMPANY DESCRIPTION

Oppstar is principally involved in the provision of IC design services covering front-end design, back-end design and complete turnkey solutions. It also provides other related services such as post-silicon validation services, training and consultancy services.

STOCK DATA

GICS sector	Semicon Manufacturing
Bloomberg ticker:	OPPSTAR MK
Shares issued (m):	636.2
Market cap (RMm):	1,024.3
Market cap (US\$m):	220.3
3-mth avg daily t'over (US\$m):	1.1

Price Performance (%)

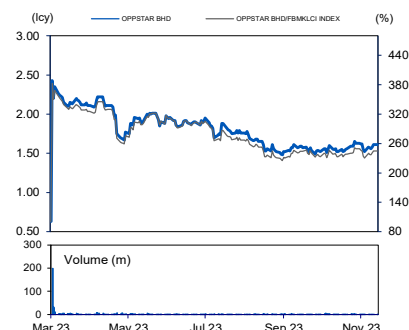
52-week high/low	RM2.43/RM0.63
1mth	3.9
3mth	(4.2)
6mth	-
1yr	-
YTD	155.6

Major Shareholders

Cheah Hun Wah	21.1
Ng Meng Thai	20.1
Tan Chun Chiat	13.4

FY24 NAV/Share (RM)	0.24
FY24 Net Cash/Share (RM)	(0.21)

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- On a boiling point of expansion.** Out of the gross proceeds of RM104.3m, Oppstar has earmarked RM50m for the expansion of its workforce to: a) support its existing and potential customers, and b) continue developing its human resource capabilities, thereby ensuring its long-term sustainability. Eventually, Oppstar aims to achieve this by increasing its total workforce by 280 (totalling to 500), comprising design engineers (locals or expatriates) for Integrated Circuit design and engineers/technicians for post-silicon validation services, to be based in Penang and Kuala Lumpur. The increase is expected to happen over 36 months. Note that the group's employees stand at 270 now (vs 253 in 1QFY24).
- New collaboration to spearhead growth.** Oppstar had on 13 Jul 23 entered into an MOU with Chen Junhua and Shenzhen City Yixin Investment (Yixin) with an intention to jointly establish an investment holding company and an IC-related product company to be based in Shanghai. Chen Junhua is the controlling shareholder of Xiamen KirinCore IOT Technology (XMKC; one of the major customers of Oppstar) while Yixin's main business is to invest in emerging industries such as the IC industry. Note that the MOU will allow the parties to leverage on each other's strengths and expertise and allow the parties to develop and co-own the IPs which can potentially create an additional revenue stream for the Oppstar Group. Following that, the holding company, Shanghai Longhuixin Integrated Circuit Group Co. (Longhuixin) has been incorporated in China on 15 Aug 23 with a shareholding stake of 50:45:5 and a paid-up capital of Rmb10m.
- Multi-pronged strategies to aggressively capture sea of opportunities.** Besides a wider geographical expansion for its design services, continuous customers engagement for full and IP turnkey and China expansion for product development, the group is also building relationships with foundries for better business traction and sustainability. On this front, it has been gaining traction with a global leading foundry. Additionally, Oppstar has added two new customers (each from NEA and SEA) and is expecting to secure one more SEA customer with earnings traction to follow in subsequent quarters. In the NEA areas, its expansion to Japan is in progress with the group having to obtain the 'haken' licence which allows it to directly hire foreign engineers for projects in Japan. We believe the gap of earnings shortfall could be swiftly closed-up in the next two quarters.
- Forecasting a three-year revenue/core net profit CAGR of 29%/31%**, on the back of assuming: a) increasingly higher revenue per engineer on an hourly basis, b) progressively higher utilisation rate on increasing available vs billable time, and c) increasing headcount of design engineers towards FY25. Note that the group's headcount stood at 270 as of 1QFY24. The group has earmarked RM50m for the expansion of its workforce to: a) support the needs of its existing and potential customers, and b) continue developing its human resources capabilities, ensuring its long-term sustainability.

EARNINGS REVISION/RISK

- After model updates, we cut our FY24-25 earnings by 16%/11% to account for slower turnkey project contribution.

VALUATION/RECOMMENDATION

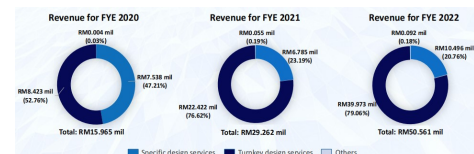
- Maintain BUY with a lower target price of RM2.18 (from RM2.53)**, based on a rollover 50.0x 2024F PE. As there are no comparable local listed peers for valuation purposes, our valuation yardstick is based on a 10% premium of its global peers' average two-year forward PE.

FUTURE PLANS

- Expansion of workforce**
 - To increase total workforce by 280 design engineers and technicians in order to compete for more orders/contracts and tap into larger potential customers.
 - To provide further flexibility in managing resources and timely services delivery.
- Expanding geographical footprint**
 - To establish, by renting, new offices in Penang, India, Singapore, and Taiwan over 36 months.
 - To broaden services suite and support to the customers as well as to expand the design engineering team.
- Business expansion through investment and acquisitions**
 - To tap into demand growth for IC design services / acquire complimentary design portfolio assets.
 - Revenue stream diversification.
 - Broaden services suite and widen geographical reach and customer base.
- Expanding post-silicon validation services**
 - To complement the IC design business and is expected to increase the Group's revenue.
 - Expansion of customer base and capabilities in delivering post-silicon validation services.
- Develop IPs for RISC-V based SoC, IPs for AI and machine learning applications as well as IP for FPGA**
 - To license these IPs separately or incorporate the IPs into future IC design projects.
 - Licensing of IPs to diversify income and improve market profile of the Group.
 - To provide a bidding advantage as it is able to shorten the IC design process.
- Collaborations with tertiary institutions**
 - Collaborations with USM, INTI Penang, UniMAP, UTAR and APU to secure future design engineers.
 - Enhanced collaboration with other local and foreign tertiary institutions by 2023.

Source: Oppstar

REVENUE BREAKDOWN BY BUSINESS SEGMENT



Source: Oppstar

PROFIT & LOSS

Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
Net Turnover	57.9	68.5	101.0	125.0
EBITDA	27.6	29.1	51.9	65.8
Depreciation & Amortisation	1.1	2.1	3.5	4.2
EBIT	26.5	27.0	48.4	61.6
Associate Contributions				
Net Interest Income/(Expense)	-0.0	-0.2	-0.2	-0.2
Pre-tax Profit	26.4	26.8	48.2	61.4
Tax	-6.2	-6.2	-10.6	-13.5
Minorities	-0.1	-0.1	-0.1	-0.2
Net Profit	20.4	20.6	37.7	48.1
Net Profit (Adjusted)	21.4	24.3	37.7	48.1

BALANCE SHEET

Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
Fixed assets	1.9	4.8	6.3	7.0
Other LT assets	0.9	0.9	0.9	0.9
Cash/ST investment	114.7	136.5	151.7	184.1
Other current assets	18.1	7.7	16.6	16.6
Total assets	141.4	155.6	181.2	214.5
ST debt	0.7	0.7	0.7	0.7
Other current liabilities	3.7	2.2	2.9	4.3
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	0.3	0.3	0.3	0.3
Shareholders' equity	136.6	152.3	177.2	209.0
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	141.4	155.6	181.2	214.4

CASH FLOW

Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
Operating	5.6	35.0	33.1	53.7
Pre-tax Profit	26.4	26.8	48.2	61.4
Tax	-6.4	-6.2	-10.6	-13.5
Depreciation & Amortisation	1.1	2.1	3.5	4.2
Associates				
Working Capital Changes	-15.5	12.1	-8.2	1.4
Other Operating Cashflows	0.0	0.2	0.2	0.2
Investing	-3.2	-5.0	-5.0	-5.0
Capex (Growth)	-3.2	-5.0	-5.0	-5.0
Investments				
Proceeds from Sale of Assets	0.0	0.0	0.0	0.0
Others	-0.1	0.0	0.0	0.0
Financing	101.2	-8.2	-12.8	-16.3
Dividend Payments	0.0	-8.2	-12.8	-16.3
Issue of Shares	101.8	0.0	0.0	0.0
Proceeds from Borrowings	0.0	0.0	0.0	0.0
Loan Repayment	0.0	0.0	0.0	0.0
Others/Interest Paid	0.0	0.0	0.0	0.0
Net Cash Inflow (Outflow)	103.6	21.7	15.3	32.4
Beginning Cash & Cash Equivalent	11.2	114.7	136.5	151.7
Changes Due to Forex Impact	-0.0	0.0	0.0	0.0
Ending Cash & Cash Equivalent	114.7	136.5	151.7	184.1

KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	47.6	42.5	51.4	52.7
Pre-tax margin	45.6	39.1	47.7	49.1
Net margin	37.0	35.4	37.4	38.5
ROA	15.2	13.2	20.8	22.4
ROE	15.7	15.9	21.3	23.0
Growth				
Turnover	14.5	18.3	47.5	23.8
EBITDA	14.6	5.6	78.3	26.8
Pre-tax profit	14.3	1.3	80.1	27.4
Net profit	22.4	1.3	83.1	27.4
Net profit (adj.)	29.0	13.1	55.5	27.4
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	-84.0	-89.6	-85.6	-88.1
Interest cover (x)	-881.8	-134.8	-241.9	-308.0

UOBKH HIGHLIGHTS

Malakoff Corporation (MLK MK/BUY/RM0.64/Target: RM0.70)

3Q23: Below Expectations; But Negative Fuel Margin Narrows

Year to 31 Dec	3Q23 (RMm)	3Q22 (RMm)	qoq % chg	yoy % chg	9M23 (RMm)	yoy % chg	Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Revenue	2,154.5	3,180.2	(8.9)	(32.3)	6,804.5	(7.8)	Net Turnover	10,355	10,097	9,795	9,790
EBITDA	257.0	865.9	(406.7)	(70.3)	465.5	(76.2)	EBITDA	2,955.5	952.9	2,050.6	2,050.6
EBIT	(21.6)	552.2	n.m.	n.m.	(361.1)	(135.3)	Pre-tax Profit	736.8	(606.4)	504.9	591.8
Associates	38.4	57.8	30.3	(33.6)	87.5	(45.8)	Net Profit (Reported/Actual)	302.2	(446.0)	277.7	325.5
Pre-tax Profit	(107.0)	280.7	n.m.	n.m.	(645.1)	n.m.	Net Profit (Adjusted)	637.9	(396.0)	277.7	325.5
Tax	21.4	(156.0)	n.m.	n.m.	133.6	(153.7)	EPS (sen)	12.7	(7.9)	5.5	6.5
Net Profit	(85.6)	90.3	n.m.	n.m.	(480.0)	n.m.	PE (x)	5.0	n.m.	11.5	9.8
Core Net profit	(85.6)	285.3	n.m.	n.m.	(480.0)	n.m.	P/B (x)	0.5	0.5	0.5	0.5
Margin	%	%	+/- ppt	+/- ppt	%	+/- ppt	EV/EBITDA (x)	3.5	10.3	4.3	3.9
EBITDA	11.9	27.2	15.5	(15.3)	6.8	(19.6)	Dividend Yield (%)	8.2	7.0	7.5	7.8
EBIT	(1.0)	17.4	14.2	(18.4)	(5.3)	(19.2)					

Source: Malakoff, UOB Kay Hian

RESULTS

- **9M23 results below expectations.** Malakoff Corporation (Malakoff) narrowed 3Q23 net loss to RM86m (vs net loss of RM319m in 2Q23), following a lower fluctuation in global coal prices in the quarter. Associate earnings were also lower due to the absence of GB3 contribution with the expiry of its Power Purchase Agreement and lower overseas associate profits. Results are below expectations.
- **3Q23 negative fuel margin narrowed by almost 68% qoq (from RM571m in 2Q23 to RM182m in 3Q23).** Due to a lower fluctuation in global coal prices in the 2H23 (and well within our expectation), Malakoff recorded lower negative fuel margin in Tanjung Bin Power (TBP) and Tanjung Bin Energy (TBE) of RM149m and RM33m respectively (3Q23) vs RM556m and RM14.9m (2Q23).
- **3Q23 revenue fell 32% yoy and 9% qoq to RM2,155m** due to lower energy payment from TBP and TBE given lower coal prices as well as the absence of GB3's contribution.
- **Alam Flora reported a net profit of RM16m in 3Q23**, lower by 37% yoy as a result of fewer waste collection. On the operational front, Alam Flora's total waste collected/handled decreased from 492,600 MT (3Q22) to 299,779 MT (3Q23) – a decline of 39% yoy. This was mainly due to a reduction in the volume of waste handled in the non-concession business. Notwithstanding this, domestic waste in Pahang and Putrajaya as well as recyclable material collected increased by 7% and 22% respectively.

STOCK IMPACT

- **We trim 2023 net loss from RM196m to RM396m.** We expect negative fuel margin to continue narrowing in 4Q23, with the group likely recording a profit for the quarter. Full year loss, as such may narrow closer to RM396m.

RECOMMENDATION

- **BUY on share price weakness with a target price of RM0.70/share.** The stock trades at an attractive single-digit PER of 10x vs five-year average PER of 13x. This is 2SD below the stock's mean PER valuation in the past five years. We gather that Malakoff will continue to pay out dividend from profits at company level. We project net DPS of 4.5-5.0 sen/share over 2023-24. This translates to an attractive net dividend yield of 7-8%.

ANALYST

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TRADERS' CORNER



Toyoven Ventures Holdings (TOYOVEN MK)

Technical BUY with +13.9% potential return

Last price: RM1.44

Target price: RM1.56, RM1.64

Support: RM1.35

Stop-loss: RM1.34

BUY with a target price of RM1.64 and stop-loss at RM1.34. Based on the daily chart, share price is recovering gradually and moved above the 7- and 21-day EMAs to close higher at RM1.44 last Friday. Last Friday's gain was also accompanied by high trading volume as well as rising RSI and DMI indicators, which show that positive momentum will strengthen in the near term. We peg our targets at RM1.56 and RM1.64 in the near term.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading



Tropicana Corporation (TRCB MK)

Technical BUY on breakout with +18.5% potential return

Last price: RM1.21

Target price: RM1.38, RM1.47

Support: RM1.15

Stop-loss: RM1.14

BUY on breakout with a target price of RM1.47 and stop-loss at RM1.14. Share price has consolidated around the immediate support of RM1.15 before last Friday's positive closing above the BBI set a new tone for the short-term outlook. We expect TRCB to trend up if it penetrates the breakout level of RM1.24. A bullish bias has been established following an uptick in the DMI. We peg our targets at RM1.38 and RM1.47 in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

ANALYST

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