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KEY HIGHLIGHTS

Company Results

CapitaLand Malaysia Trust (CLMT MK/HOLD/RM0.56/Target: RM0.55) Page 2
3Q23: Results slightly above expectations.

Company Update

Velesto Energy (VEB MK/HOLD/RM0.26/Target: RM0.28) Page 5
Industry rig rates are now similar to those in the pre-2014 upcycle. Despite forecast upgrades, we still assume VEB will not fully benefit from the high rates.

UOBKH Highlights

Gamuda (GAM MK/BUY/RM4.60/Target: RM5.64) Page 8
Clinches civil engineering package for Kaohsiung MRT worth RM3.0b.

TRADERS' CORNER

Hup Seng Industries (HSI MK): Technical BUY

JCY International (JCY MK): Technical BUY

KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,442.51	6.9	0.5
Bursa Emas	10,638.32	47.0	0.4
Ind Product	172.38	1.3	0.7
Finance	16,236.18	55.1	0.3
Consumer	553.25	1.7	0.3
Construction	184.54	(1.0)	(0.5)
Properties	848.55	1.1	0.1
Plantations	6,882.58	25.3	0.4

BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	25-Oct-23	% chg
Volume (m units)	2,828	(3.7)
Value (RMm)	1,777	(8.5)

By Investor type	(%)	ppt chg
Foreign investors	30.6	(3.7)
Local retail	29.0	4.0
Local institution	40.4	(0.3)

TOP TRADING TURNOVER / GAINERS / LOSERS

Top Trading Turnover	Price (RM)	Chg (%)	5-day ADT (RM'000)
CIMB Group	5.69	0.2	105,218
Malayan Banking	9.00	0.4	57,959
Tenaga Nasional	9.88	0.3	49,127
Hong Leong Bank	19.48	0.3	47,449
Public Bank	4.16	0.5	42,920

Top Gainers

AirAsia X	2.11	14.7	23
Hap Seng Consolidated	5.30	3.7	10,049
Yinson	2.46	2.5	9,601
MMHE	0.52	2.0	232
Digi.com	4.22	1.9	8,076

Top Losers

Astro Malaysia	0.41	(3.6)	1,163
Eastern & Orient	0.57	(2.6)	3,916
MRCB	0.42	(2.4)	14,186
UEM Sunrise	0.75	(2.0)	27,651
SP Setia	0.87	(1.7)	14,454

OTHER STATISTICS

	25-Oct-23	chg	% chg
RM/US\$	4.78	(0.00)	(0.1)
CPO 3rd mth future (RM/mt)	3,679	12.0	0.3

Notes:

ADT = Average daily turnover.

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

COMPANY RESULTS

CapitaLand Malaysia Trust (CLMT MK)

3Q23: Results Slightly Above Expectations

CLMT's 3Q23 results were slightly higher than our estimates from the newly-acquired Queensbay Mall. Occupancy rates improved across the portfolio, and it achieved a positive rental reversion of 6.3%, except for 3 Damansara mall. Maintain HOLD. Target price: RM0.55.

3Q23 RESULTS

Year to 31 Dec (RMm)	3Q23	2Q23	qoq % chg	yoy % chg	9M23	yoy % chg
Rental income	83.4	84.6	(1.4)	48.2	229.8	38.8
Car park income	7.2	7.1	1.3	44.0	19.8	37.2
Other revenue	13.0	13.0	(0.1)	34.2	37.3	38.5
Total revenue	103.6	104.8	(1.1)	46.0	286.9	38.6
Operating expenses	(45.3)	(47.9)	(5.5)	38.2	(132.5)	39.2
Net property income	58.3	56.8	2.6	52.6	154.4	38.2
Non-operating expenses	(31.2)	(29.3)	6.4	80.1	(80.6)	62.7
Normalised PAT	27.8	29.7	(6.5)	29.6	77.5	19.1
Core EPU (sen)	1.0	1.1	(7.0)	(2.5)	2.9	(10.0)
DPU (sen)	1.05	1.06	(0.9)	4.0	2.98	0.7
Margins	%	%	+/- ppt chg	+/- ppt chg	%	+/- ppt chg
NPI	56.3	54.2	2.0	4.6	53.8	(0.2)
Normalised PAT	26.8	28.4	(1.6)	(11.2)	27.0	(4.4)

Source: Capitaland Malaysia Trust, UOB Kay Hian

RESULTS

- **Slightly above expectations.** CapitaLand Malaysia Trust (CLMT) reported 3Q23 revenue of RM103.6m (-1.1% qoq, +46% yoy) and core net profit of RM27.8m (-6.5% qoq, +29.6% yoy). Cumulatively, 9M23 core net profit of RM77.5m (+19% yoy) accounted for 77% and 73% of our and consensus' full-year estimates respectively. The increase in 9M23 earnings was driven by: a) contribution from the newly-acquired Queensbay Mall (completed on 21 Mar 23), and b) higher occupancies across the portfolio (89.6% in 9M23 vs 83% in 9M22).
- 9M23 core net profit of RM77.5m was arrived at after excluding fair value loss of RM8m from reported net profit of RM69.5m.
- **Declared 1.05 sen dividend for the quarter**, bringing 9M23 dividend to 2.98 sen (9M22: 2.96 sen), below our expectation on dilution from the recent placement and dividend reinvestment plan.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	224	276	373	417	446
EBITDA	89	136	180	201	215
Operating profit	87	134	178	199	213
Net profit (rep./act.)	(30)	50	106	112	126
Net profit (adj.)	(30)	50	106	112	126
EPS (sen)	(1.5)	2.5	4.2	4.4	5.0
PE (x)	n.m.	22.6	13.4	12.6	11.3
P/B (x)	0.4	0.4	0.5	0.5	0.5
EV/EBITDA (x)	41.3	27.0	20.4	18.3	17.0
Dividend yield (%)	3.3	7.2	6.9	7.3	7.8
Net margin (%)	(13.6)	18.3	28.4	27.0	28.2
Net debt/(cash) to asset (%)	34.0	34.0	42.9	42.8	42.8
Interest cover (x)	1.9	3.0	2.5	2.3	2.5
ROE (%)	n.a.	2.1	4.2	4.3	4.8
Consensus net profit (sen)	-	-	4.2	4.5	5.0
UOBKH/Consensus (x)	-	-	1.0	1.0	1.0

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

Source: CapitaLand Malaysia Trust, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM0.56
Target Price	RM0.55
Upside	-1.8%

COMPANY DESCRIPTION

CapitaLand Malaysia Trust is a real estate investment trust. The trust makes long-term investments in income-producing real estate primarily used for retail purposes and located in Malaysia.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CLMT MK
Shares issued (m):	2,733.4
Market cap (RMm):	1,530.7
Market cap (US\$m):	320.2
3-mth avg daily t'over (US\$m):	0.2

Price Performance (%)

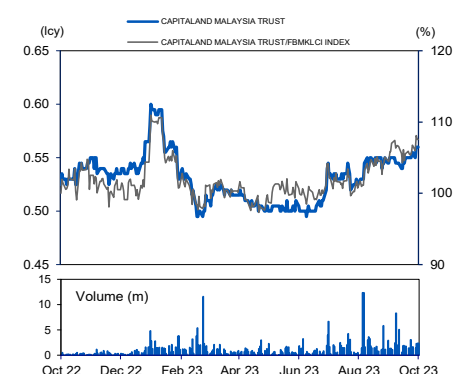
52-week high/low	RM0.600/RM0.495
1mth	2.8
3mth	3.7
6mth	8.7
1yr	7.7
YTD	4.7

Major Shareholders

CMMT Investment	35.7
Employees Provident Fund	13.8
Amanah Saham Nasional	13.2

FY23 NAV/Share (RM)	1.18
FY23 Net Debt/Share (RM)	0.95

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **NPI margin declined to 53.8% for 9M23 (9M22: 54.1%, 2022: 54%) due to higher property operating expenses (+40%) on higher utilities charges.** We gather that while the utilities charges have been trending lower from Jul 23 onwards, it will still be higher for full-year 2023 with impact of about RM4m (or 4% of 2023 net profit). Nonetheless, NPI margin improved by 2.0 ppt qoq and 4.6ppt yoy, attributable to the accretive Queensbay Mall acquisition. Other operating expenses were higher by 6% qoq and 80% yoy mainly relating to new acquisition expenses. We expect 2023 net profit to surge 110% from the newly-acquired Queensbay Mall and Valdor Logistics (acquired in Dec 22).
- **The proposed acquisition of a freehold logistics warehouse at the Hicom Glenmarie Industrial Park in Shah Alam** is anticipated to make a positive contribution to portfolio revenue from 2024. The gross annual rental revenue is estimated at RM3.5m and generates a yield of approximately 6.5%. This should cushion revenue loss (about RM3.8m) from its proposed disposal of 3 Damansara office, which is expected to be completed by 1Q24 (disposal value of RM52m).
- **Achieved positive rental reversion of 6.3%.** All malls contributed to the positive rental reversion except for 3 Damansara Mall (-27% variance over preceding average rental), likely due to occupancy and rent pressure from the oversupply of nearby malls.
- **Overall portfolio occupancy saw slight uptick to 89.6% in 3Q23 vs 88.0% in 2Q23,** mainly due to higher occupancy in Queensbay Mall and Sungei Wang Plaza. 3Q23 same store shopper traffic was -0.5% vs 3Q19 and +21.6% vs 3Q22. 3Q23 tenant sales psf was strong at +23.4% vs 3Q19 and +9.1% vs 3Q22, driven by improvements in consumer sentiment after the pandemic.
- **Balance sheet wise,** 83% of total debt was on fixed financing rate with average cost of debt of 3.98%. Net gearing level is at 44%, within the Securities Commission's limit of 50%.

EARNINGS REVISION/RISK

- **We increase our 2023-25 net profit by 5-10%** to account for higher contribution from Queensbay Mall. Nonetheless, our DPU forecast was largely unchanged after we properly accounted for a larger share base from the recent placement and dividend reinvestment plan.

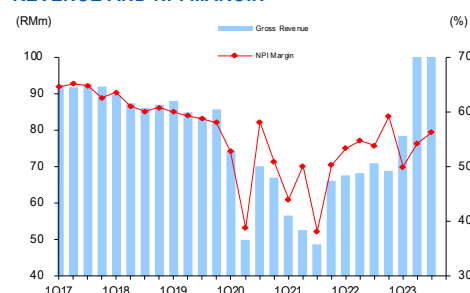
VALUATION/RECOMMENDATION

- **Maintain HOLD with an unchanged target price of RM0.55.** Our target price implies a 7.1% 2023 dividend yield and is based on a dividend discount model (required rate of return: 9.3%, terminal growth: 1.0%). We reckon the current valuation now is fair given that its forward yield spread to MGS of 2.8ppt has already narrowed to its five-year historical mean (2.44ppt).

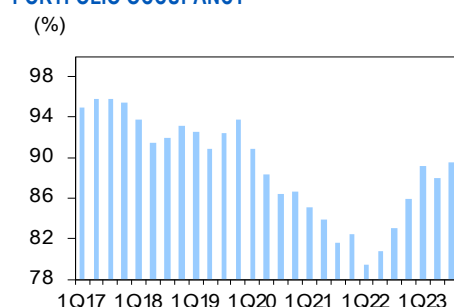
ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• Environmental	
- CLMT is committed to working towards the long term and annual targets under CapitaLand's 2030 SMP Framework: a) reduce carbon emission intensity by 78% by 2030, b) reduce energy intensity by 35% by 2030, and c) reduce water intensity by 45% by 2030 (using 2009 as base year).	
• Social	
- About 20% of senior management are women. Staff engagement score was 81% with 98% survey participation.	
- Invested close to RM64,000 through CapitaLand's philanthropic arm, CapitaLand Hope Foundation, to benefit to benefit over 1,200 underprivileged children.	
• Governance	
- The Board comprises five independent directors and three non-independent directors. Female representation on board is 12.5%.	
- Adopted the anti-bribery and anti-corruption policy for the Manager's compliance (ABC Policy).	

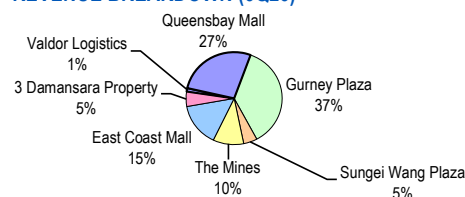
REVENUE AND NPI MARGIN



PORTFOLIO OCCUPANCY



REVENUE BREAKDOWN (3Q23)



ASSUMPTIONS

	2023F	2024F	2025F
Portfolio Occupancy (%)	89.6	90.6	90.6
Blended Rental Step-up (%)	+3.4	+4.0	+4.7

Source: UOB Kay Hian

FORWARD YIELD SPREAD



PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	276	373	417	446
EBITDA	136	180	201	215
Deprec. & amort.	1	1	2	2
EBIT	134	178	199	213
Associate contributions	0	0	0	0
Net interest income/(expense)	(45)	(72)	(86)	(87)
Pre-tax profit	49	106	112	126
Tax	2	0	0	0
Minorities	0	0	0	0
Net profit	50	106	112	126
Net profit (adj.)	50	106	112	126

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	156	191	206	219
Pre-tax profit	90	106	112	126
Tax	0	0	0	0
Deprec. & amort.	1	1	2	2
Associates	(81)	(990)	0	0
Working capital changes	20	11	5	3
Other operating cashflows	126	1,062	86	87
Investing	(114)	(1,004)	(14)	(20)
Capex (growth)	(14)	(14)	(14)	(20)
Investments	(81)	(990)	0	0
Others	(20)	0	0	0
Financing	(33)	746	(162)	(177)
Distribution to unitholders	(27)	(108)	(115)	(129)
Issue of shares	0	228	0	0
Proceeds from borrowings	157	700	40	40
Loan repayment	(118)	0	0	0
Others/interest paid	(45)	(74)	(87)	(88)
Net cash inflow (outflow)	8	(67)	30	21
Beginning cash & cash equivalent	76	84	17	47
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	84	17	47	69

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	3,892	4,904	4,904	4,928
Other LT assets	3	3	3	3
Cash/ST investment	84	17	47	69
Other current assets	36	49	54	58
Total assets	4,016	4,973	5,009	5,058
ST debt	184	184	184	184
Other current liabilities	111	142	153	160
LT debt	1,267	1,967	2,007	2,047
Other LT liabilities	35	34	19	21
Shareholders' equity	2,418	2,646	2,646	2,646
Minority interest	0	0	0	0
Total liabilities & equity	4,016	4,973	5,009	5,058

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	49.2	48.1	48.2	48.2
Pre-tax margin	17.7	28.4	27.0	28.2
Net margin	18.3	28.4	27.0	28.2
ROA	1.3	2.4	2.3	2.5
ROE	2.1	4.2	4.3	4.8
Growth				
Turnover	23.1	35.3	11.6	7.0
EBITDA	52.9	32.4	11.7	7.2
Pre-tax profit	n.a.	117.9	6.0	12.0
Net profit	n.a.	110.4	6.0	12.0
Net profit (adj.)	n.a.	110.4	6.0	12.0
EPU	n.a.	68.3	6.0	12.0
Leverage				
Debt to total capital	37.5	44.8	45.3	45.7
Debt to asset	36.1	43.3	43.8	44.1
Net debt/(cash) to asset	34.0	42.9	42.8	42.8
Interest cover (x)	3.0	2.5	2.3	2.5

COMPANY UPDATE

Velesto Energy (VEB MK)

Pricing In Another Rate Hike For 2024 Horizon

Despite the expectedly weak 3Q23 results (Naga 3 had idle periods), we note that the industry JU DCR continued to rise, and has now reached the same levels as the pre-2014 rig upcycle (US\$170,000). Contract tenures are also getting longer. However, looking at factors such as competition (PV Drilling), we still assume VEB will not fully benefit from the high industry rates, and upside is capped on the basis of peer valuation. Retain HOLD, with adjusted target of RM0.28.

WHAT'S NEW

- **Southeast Asia JU rig leading DCR jumped by >25% qoq to US\$170,000** based on Borr Drilling's latest contracts. Firstly, it announced a two-year contract in Thailand for jackup (JU) rig Idun from Oct 23, valued at US\$124m (or daily rate (DCR) of US\$170,000). Borr Drilling also has a US\$25m, two-well contract for 151 days in Indonesia from Dec 23 (estimated day rate: US\$165,000). According to industry sources, the job is believed to be for Petronas Carigali Indonesia. The latest DCR is above the previous high of US\$130,000 three months ago (1H23 average: US\$106,000). For harsh environment jobs, DCR can be higher at US\$200,000. The Middle East players (Aramco and ADNOC) continue to drive up JU contracting. Hence, the 500-JU rig market will continue to be tight. The prospects of a 100% industry utilisation are on the horizon.
- **Average contract duration is longer, and in favour of the rig contractors.** According to Esgian, global JU rigs' average contract duration in 1H23 reached 624 days (>1.5 years). For example, Petrovietnam (PV) had a six-year firm contract for JU rig PV Drilling V, for Brunei Shell. As the contract was secured in 2019 and PV Drilling was desperate to boost its rig utilisation amid a lack of sustainable drilling demand in Vietnam, the day rate was as low as US\$75,000. More recently, Saipem secured a 10-year contract extension for its JU rig Perro Negro 7 in Middle East.
- **Price renegotiations for 2024 contracts have started**, as per management guidance in 2Q23 briefing. To recap, the two-year Petronas umbrella contracts will expire in early-24. We observed that Petronas had recently hired rigs PV Drilling I (two-year tenure until 4Q25) and PV Drilling VI (one-year tenure) respectively on call-out basis. If we assume the timing of those contracts are close to when VEB commenced the 2024 price negotiations (ie in 3Q23), we believe Petronas will most likely retain the umbrella contracts for VEB (for up to five rigs) under a price consideration of US\$120,000-140,000 levels. This is because the latest US\$170,000 contract rate is similar to JU rates seen in the pre-2014 oil upcycle, and historically Petronas has had a track record of shying away from day rates that are too high.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	378	581	830	1,063	973
EBITDA	83	107	291	441	318
Operating profit	(74)	(54)	111	257	132
Net profit (rep./act.)	(91)	(100)	71	193	90
Net profit (adj.)	(145)	(63)	68	193	90
EPS (sen)	(1.4)	(0.6)	0.7	1.8	0.9
PE (x)	n.m.	n.m.	39.9	14.1	30.2
P/B (x)	1.2	1.2	1.2	1.1	1.0
EV/EBITDA (x)	29.9	23.2	8.6	5.6	7.8
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(24.1)	(17.2)	8.6	18.1	9.3
Net debt/(cash) to equity (%)	12.8	19.3	15.0	6.7	2.0
Interest cover (x)	2.2	3.9	12.4	17.9	14.7
ROE (%)	n.a.	n.a.	3.1	7.9	3.5
Consensus net profit	-	-	67	123	163
UOBKH/Consensus (x)	-	-	1.02	1.57	0.55

n.m. : not meaningful; negative PE, EV/EBITDA reflected as "n.m."
Source: Velesto Energy, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM0.26
Target Price	RM0.28
Upside	+7.3%
(Previous TP	RM0.204)

COMPANY DESCRIPTION

Velesto Energy, formerly UMW O&G, is the premier local jackup rig service provider in Malaysia.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	VEB MK
Shares issued (m):	8,215.6
Market cap (RMm):	2,136.1
Market cap (US\$m):	446.5
3-mth avg daily t'over (US\$m):	1.7

Price Performance (%)

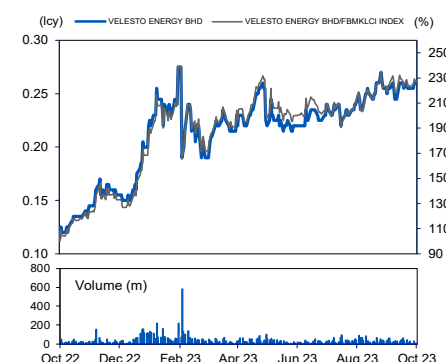
52-week high/low			RM0.275/RM0.110	
1mth	3mth	6mth	1yr	YTD
2.0	13.0	20.9	136.4	73.3

Major Shareholders

	%
Skim Amanah Saham Bumiputera	37.9
Yayasan Pelaburan Bumiputera	11.1

FY23 NAV/Share (RM)	0.22
FY23 Net Debt/Share (RM)	0.03

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Competition landscape and costs not to be ignored.** Given the high oil price sentiment and demand for production enhancement (Malaysia's production targeted to reach 2m bpd by 2025 vs 1.5m bpd currently), we believe Petronas may upgrade its local JU rig demand (14/12 rigs for 2024/25) in the upcoming Activity Outlook. Although Icon Offshore is no longer a local competition, the competition landscape is still not to be ignored. Borr Drilling is the foreign rig operator to watch, along with Noble Corp, and these foreign operators usually have a few rigs allocated for Malaysia waters.
- Another rising (or returning) competitor is PV Drilling, which re-entered the Malaysia market in 2017, and now has about 2-3 rigs allocated for the Malaysia market (in tandem with its long-term strategy), alongside Thailand, Brunei and Indonesia. 2-3 years ago, PV Drilling was aggressive in bidding for overseas jobs at below-market rates, given that domestic opportunities were scarce. According to Upstream, this might be one of the reasons for Petronas' "hesitation" to award contracts with rates aligning to the market.
- Moving forward, although we do not expect PV Drilling to be aggressively securing more market share in Malaysia, we assume that local JU long-term contract rates will remain below market rates. Here, we assume the likes of PV Drilling will be able to compete at lower EBITDA breakeven (vs VEB's >US\$50,000). This is based on PV Drilling's 2023 guidance for a surge in EBITDA margins and profit, despite its revenue target being similar to that of 2022, which suggests aggressive cost cuts.

EARNINGS REVISION

- **Upgrade 2023-25 earnings by 7%/104%/101%; EBITDA by 2%/37%/18%.** Given the more persistent tight rig markets and oil price outlook, our new base-case scenario is a high chance of VEB securing contracts for at least five of its rigs at a daily rate of US\$125,000 for 2024, hence lifting our 2024 average rate assumption from US\$99,000, and utilisation assumption from 75%. The uncertainty here is costs, although we understand that the recent costs increases (rig manpower, inventories etc) have normalised, unlike back in late-22 to early-23. To be conservative, we upgrade our opex breakeven assumption from US\$52,000 for 2024.

VALUATION/ RECOMMENDATION

- **Retain HOLD with adjusted target price of RM0.28, which implies 15x 2024F PE (previous target: RM0.20).** Although its 3Q23 results are expected to be weak (more maintenance periods and Naga 3 was partially idle), given the high oil price sentiment, investors are now looking at 2024 horizon. However, we retain our view that VEB's valuation (7x EV/EBITDA) is not exactly cheap, unlike other rig players that can fully benefit from the JU rates upside.
- Our previous valuation was based on a peak DCR of US\$120,000 to be secured for 2024. Our new target price suggests there is still some minor trading upside – assuming that new contract DCR can go as high as US\$140,000 (note that Naga 5 is also bidding for overseas contracts, which implies that only Naga 5 may potentially be able to leverage on the current industry JU rates of US\$170,000). This essentially implies 7x PE on a 2024 earnings scenario of peak utilisation of 85%, DCR of US\$140,000, and opex breakeven of US\$69,000 respectively.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

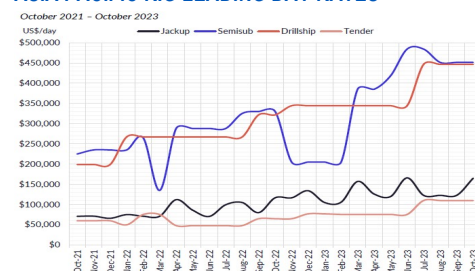
Environmental	
- Greenhouse gas (GHG) emission compliance. Achieved 15% reduction of carbon intensity of operational emissions, and is developing emission reduction guidelines	
- Safety. Loss time injury frequency (LTIF) was 0.50 in 2022 (2021: 0.54).	
Social	
- Diversity. 16% of total staff are female; 29% of total staff are non-Malaysians.	
- COVID-19 policies. Set up compliance measures and hired a health advisor.	
Governance	
- 5 out of 9 board members are independent.	

KEY ASSUMPTION (ON DAILY RATE BASIS)

	2023F	2024F	2025F
US\$/ RM Forex Rate	4.40	4.40	4.40
Rig Number	6	6	6
Utilisation (%)	80	83	78
Daily Charter Rate (US\$'000)	94.0	119.0	114.0
Rigs Revenue (RMm)	724.6	951.7	856.8
Workover Revenue (RMm)	42.9	47.9	52.9
Workover Revenue (%)	5.6	4.8	5.8
Daily OPEX (US\$'000)	56.0	64.5	67.9
- Utilised (US\$'000)	64.5	72.9	80.2
- Stacking (US\$'000)	22.0	23.1	24.3
Daily Depreciation	18.6	19.1	19.4
Daily Finance Cost	2.8	3.0	3.6
Daily Tax Cost (US\$'000)	2.1	4.2	2.1
Profit Breakeven at 100% Utilization (US\$'000)	79.5	90.8	93.0

Source: UOB Kay Hian

ASIA PACIFIC RIG LEADING DAY RATES



Source: Westwood Global

PV DRILLING 2023 PLAN VS 2022

Indicators, Bil VND	1H23	2023F	2022A
Revenue	2,637	5,400	5,431
EBITDA	887	n.a.	959
PBT	278	140	(139)
PAT	209	100	(155)
Capex	(56)	(297)	(155)
Assets	20,816	20,534	20,704
Rig Utilization	n.a.	~6	3/6

Source: PV Drilling

PEER VALUATIONS

	Last 4Q	2023F	2024F	2025F
Forward PE (x)				
Velesto Energy*	87.7	28.9	15.3	13.7
PV Drilling	n.a.	36.0	23.2	15.5
Borr Drilling	9.4	38.8	6.6	4.9
COSL**	16.2	113.1	10.5	8.9
Noble Corp	13.7	18.9	9.5	6.8
Seadrill	12.7	11.8	10.3	6.5
Shelf Drilling	n.a.	14.3	3.1	2.3
Diamond Offshore	6.8	6.1	15.2	5.7
Forward EV/EBITDA (x)				
Velesto Energy*	9.4	8.8	6.7	6.0
PV Drilling	12.5	10.0	7.6	5.8
Borr Drilling	7.4	9.2	6.2	5.2
COSL**	9.9	8.1	7.4	6.9
Noble Corp	7.0	8.9	5.8	4.6
Seadrill	6.5	6.9	5.9	4.4
Shelf Drilling	9.9	6.4	4.5	3.8
Diamond Offshore	19.4	15.3	6.4	4.0

* Velesto's data is based on consensus forecast;

** COSL = China Oilfield Services Limited

Source: Bloomberg

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	581	830	1,063	973
EBITDA	107	291	441	318
Deprec. & amort.	162	179	184	187
EBIT	(54)	111	257	132
Associate contributions	0	0	0	0
Net interest income/(expense)	(27)	(23)	(25)	(22)
Pre-tax profit	(81)	91	233	110
Tax	(19)	(20)	(40)	(20)
Minorities	0	0	0	0
Net profit	(100)	71	193	90
Net profit (adj.)	(63)	68	193	90

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	(25)	21	231	318
Pre-tax profit	(81)	91	233	110
Tax	(19)	(20)	(40)	(20)
Deprec. & amort.	162	179	184	187
Associates	0	0	0	0
Working capital changes	(81)	(226)	(141)	55
Other operating cashflows	(6)	(4)	(5)	(14)
Investing	(103)	(50)	(50)	(200)
Capex (growth)	(153)	(50)	(50)	(200)
Investments	58	58	58	58
Proceeds from sale of assets	3	0	0	0
Others	(12)	(58)	(58)	(58)
Financing	(56)	35	35	140
Dividend payments	0	0	0	0
Issue of shares	0	0	0	0
Proceeds from borrowings	0	35	35	140
Loan repayment	(52)	0	0	0
Others/interest paid	(4)	0	0	0
Net cash inflow (outflow)	(184)	6	216	258
Beginning cash & cash equivalent	293	109	116	331
Changes due to forex impact	11	0	0	0
Ending cash & cash equivalent	120	116	331	590

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	2,423	2,146	2,012	2,025
Other LT assets	9	9	10	10
Cash/ST investment	120	116	331	590
Other current assets	546	898	1,139	1,061
Total assets	3,098	3,169	3,492	3,686
ST debt	255	183	183	183
Other current liabilities	251	344	439	403
LT debt	306	285	320	460
Other LT liabilities	4	4	4	4
Shareholders' equity	2,282	2,353	2,546	2,636
Minority interest	0	0	0	0
Total liabilities & equity	3,098	3,169	3,492	3,686

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	18.5	35.0	41.5	32.7
Pre-tax margin	(14.0)	11.0	21.9	11.3
Net margin	(17.2)	8.6	18.1	9.3
ROA	n.a.	2.3	5.8	2.5
ROE	n.a.	3.1	7.9	3.5
Growth				
Turnover	53.9	43.0	28.0	(8.5)
EBITDA	29.1	170.8	51.9	(27.9)
Pre-tax profit	n.a.	n.a.	154.8	(52.7)
Net profit	n.a.	n.a.	170.1	(53.2)
Net profit (adj.)	n.a.	n.a.	183.2	(53.2)
EPS	n.a.	n.a.	183.2	(53.2)
Leverage				
Debt to total capital	19.7	16.6	16.5	19.6
Debt to equity	24.6	19.9	19.8	24.4
Net debt/(cash) to equity	19.3	15.0	6.7	2.0
Interest cover (x)	3.9	12.4	17.9	14.7

UOBKH HIGHLIGHTS

Gamuda (GAM MK/BUY/RM4.60/Target: RM5.64)

Clinches Civil Engineering Package For Kaohsiung MRT Worth RM3.0b

WHAT'S NEW

- Gamuda and Taiwan-based Asia World Engineering & Construction Co. (AWEC) have been awarded a civil engineering package worth NTD23.4b (equivalent to around RM3.5b) to design and build the Kaohsiung Mass Rapid Transit (MRT) Metropolitan Line in Taiwan by the Taiwan Kaohsiung City Government. The contract is awarded to Gamuda and AWEC in an unincorporated JV arrangement, with Gamuda holding the majority share at 88% and AWEC at 12%. This translates into an effective contract value of NTD20.6b (around RM3.0b) for Gamuda's share.
- We understand that the Kaohsiung MRT Metropolitan Line is a 4.4km railway track located within the NiaoSong district, comprising 3.5km underground twin bored tunnels (with three underground stations) and 0.9KM elevated tracks (with one elevated station).
- The project is expected to commence later this year for a construction period of 107 months (~9 years).

COMMENTS

- **Started off FY24 with another sizeable contract win.** This contract award raises Gamuda's orderbook to around RM23.6b currently (compared with RM20.6b as of end-4QFY23) which translates into a commendable cover ratio of 2.9x. While we are generally positive on the project win, we note that the additional earnings contribution from the project may not be significant given the lengthy construction period of close to nine years. Assuming a PBT margin of 8-10%, we expect the project to contribute an additional PBT of RM27m-34m p.a. over the project period. Meanwhile, recall that management guided for new job wins of RM25b in FY24-25, averaging RM12.5b p.a.. We also believe the group stands a good chance of clinching new jobs from MRT3, Penang LRT and Australia's Suburban Rail Loop (SRL) Phase 2.
- **Set to deliver higher earnings in FY24.** Gamuda's earnings outlook remains promising as we anticipate Gamuda to post higher earnings in FY24, after posting a record-high profit for FY23. This is backed by robust progress billing from its current projects on hand coupled with the progressive property launches and recognition of unbilled sales (stood at RM6.7b as of end-4Q23) within the property development division.

EARNINGS REVISION

- We keep our forecasts unchanged as the contract win is well within our earlier orderbook replenishment assumptions.

VALUATION/RECOMMENDATION

- **Maintain BUY with an unchanged SOTP-based target price of RM5.64.** Our target price implies 17x FY24F PE (+1SD to the five-year historical average). Gamuda stands to be the prime beneficiary of the upcoming mega infrastructure projects both locally and regionally. We also like the company for its superior earnings visibility backed by a robust orderbook coupled with progressive new property launches.

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TRADERS' CORNER



Source: UOBKH ChartGenie

Hup Seng Industries (HSI MK)

Technical BUY on breakout with +17.3% potential return

Last price: RM0.695

Target price: RM0.795, RM0.815

Support: RM0.67

Stop-loss: RM0.665

BUY on breakout with a target price of RM0.815 and stop-loss at RM0.665. Based on the chart, we can see HSI attempted to penetrate the breakout level at RM0.72 and closed above the BBI line yesterday. Aggressive traders can buy at the breakout level of RM0.72 and set the short-term target at RM0.795. Currently, the DMI is on the verge of making a golden cross to the positive signal. This is supported by an uptick in the RSI, which indicates that positive momentum would strengthen in the near term.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading



Source: UOBKH ChartGenie

JCY International (JCY MK)

Technical BUY with +35.0% potential return

Last price: RM0.20

Target price: RM0.245, RM0.27

Support: RM0.165

Stop-loss: RM0.16

BUY with a target price of RM0.27 and stop-loss at RM0.16. The emergence of fresh buying yesterday indicates selling pressure has eased. A breach above the BBI line will likely spur further buying interest and potentially catapult the stock higher. This is supported by a bullish crossover in the DMI and a positive reading in the RSI, which indicate strong momentum and could push share price higher. We peg our targets at RM0.245 and RM0.27 in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

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