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KEY HIGHLIGHTS

Sector Update

Plantation – Malaysia

Page 2

MPOB Nov 23: End-stock came in within our expectation. Peak inventory likely to be over but CPO pricing pressure is coming from the volatile soybean market at this point.

Technology – Malaysia

Page 5

Risk-reward calculus is tilting towards the favourable side after a Davis' Double Killing both on the industry's earnings and valuations.

Company Results

Bermaz Auto (BAUTO MK/BUY/RM2.30/Target: RM2.86)

Page 8

1HFY24: Results within expectations; overall outlook remains intact.

UOBKH Highlights

Market Strategy – PM Anwar Announces Cabinet Reshuffle

Page 11

Prime Minister Datuk Seri Anwar Ibrahim has announced a reshuffle of the Cabinet line-up and two ministry splits

TRADERS' CORNER

Page 12

Pelikan International Corporation (PELI MK): Technical BUY

Hap Seng Consolidated (HAP MK): Technical BUY

KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,447.12	0.7	0.1
Bursa Emas	10,682.08	2.8	0.0
Ind Product	170.10	(0.6)	(0.3)
Finance	16,376.27	11.9	0.1
Consumer	551.19	0.7	0.1
Construction	184.59	1.0	0.5
Properties	838.36	(5.7)	(0.7)
Plantations	6,973.58	(4.2)	(0.1)

BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	12-Dec-23	% chg
Volume (m units)	3,282	(14.1)
Value (RMm)	2,379	(3.8)

By Investor type	(%)	ppt chg
Foreign investors	34.5	4.0
Local retail	25.7	(1.1)
Local institution	39.8	(3.0)

TOP TRADING TURNOVER / GAINERS / LOSERS

Top Trading Turnover	Price (RM)	Chg 5-day ADT (%)	(RM'000)
YTL Corp	1.83	(2.1)	109,820
YTL Power	2.46	(2.0)	108,632
CIMB Group	5.79	0.2	82,097
Public Bank	4.25	0.0	69,946
Malayan Banking	9.07	0.2	58,452

Top Gainers

SapuraEnergy	0.05	12.5	325
Velesto Energy	0.23	4.7	12,677
Inari Amertron	2.96	4.6	24,192
Media Prima	0.43	3.7	69
Hap Seng Consolidated	4.75	2.8	4,423

Top Losers

Supermax Corp	0.87	(4.9)	7,538
Hartalega	2.29	(3.4)	14,586
Top Glove	0.80	(2.5)	28,507
Kossan Rubber	1.62	(2.4)	5,219
Genting Plantations	5.49	(2.3)	2,118

OTHER STATISTICS

	12-Dec-23	chg	% chg
RM/US\$	4.68	0.00	0.0
CPO 3rd mth future (RM/mt)	3,735	(6.0)	(0.2)

Notes:

ADT = Average daily turnover.

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

SECTOR UPDATE

Plantation – Malaysia

Short-term Pressure From Competing Oils; 1Q24 Should Be Better

Nov 23 palm oil inventory came in lower than the market's forecast, mainly due to lower production. We expect Malaysia's palm oil inventory to continue to trend down until end-Dec 23 due to weaker production. Current high rainfall has an impact on harvesting and fruits evacuation. CPO prices are expected to trade higher in 1Q24 on tighter supply as the low production cycle may be extended. Maintain **OVERWEIGHT**, top picks: IOI Corporation and Hap Seng Plantations.

WHAT'S NEW

- Palm oil inventory in Malaysia for Nov 23 came in below market estimate at 2.42m tonnes vs market expectation of 2.44m-2.48m tonnes. This was mainly due to the lower-than-market expectation CPO production and higher domestic use.
- Some of the key highlights are:
 - Inventory: Lower than market expectation**, mainly due to lower-than-expected CPO production and higher-than-expected domestic use. Domestic consumption continues to be higher than usual which is puzzling the market.
 - Production: Highest November production since 2018 but lower than market expectation**. Production came in within our expectation but lower than market estimate as we mentioned in our previous note that Oct 23 CPO production would be the peak for 2023. The recent high rainfall affected the harvesting round and FFB evacuation towards the last two weeks of November.
 - Exports: Lower than market expectation but within our estimate**. We attribute the lower mom exports due to the decrease in the demand for vegetable oil towards the end of the year, primarily influenced by the onset of the winter season.

MPOB'S NOV 23 STATISTICS

(m tonne)	Nov 23	mom % chg	yoy % chg	11M23	yoy % chg
CPO Production	1.79	(7.7)	6.4	17.00	1.0
Palm Oil Stocks	2.42	(1.1)	5.8	2.42	4.5
Palm Oil Domestic Use	0.46	23.7	40.5	3.89	71.7
Palm Oil Exports	1.40	(5.7)	(8.2)	13.74	22.2
Oleochemical	0.50	86.8	117.6	2.85	13.9
Biodiesel	0.02	(65.1)	(0.7)	0.23	(21.9)
Palm Oil Imports	0.04	(16.5)	(15.6)	0.86	(4.9)
CPO Price (RM/tonne)	3,700.5	(2.3)	(1.1)	3,845.2	(26.5)

Source: MPOB, UOB Kay Hian

PEER COMPARISON

Company	Ticker	Rec	Share Price 12 Dec 23 (RM)	Target Price (RM)	Market Cap (US\$m)	PE			ROE (%)	P/B (x)	2023F Div (sen)	Div Yield (%)
						2022 (x)	2023F (x)	2024F (x)				
Hap Seng Plantations	HAPL MK	BUY	1.75	2.25	298.8	6.7	11.2	8.0	11.0	0.7	9.3	5.3
IOI Corporation	IOI MK	BUY	3.96	4.80	5,244.6	15.5	16.4	15.1	10.0	2.2	12.6	3.2
Kuala Lumpur Kepong	KLK MK	BUY	21.48	25.90	4,945.3	10.7	14.7	14.8	5.8	1.6	72.6	3.4
Sime Darby Plantation	SDPL MK	BUY	4.49	5.00	6,629.0	14.9	16.4	16.8	13.8	1.5	16.4	3.6
Genting Plantations	GENP MK	BUY	5.49	6.40	1,052.4	10.4	15.8	14.6	9.1	0.9	15.2	2.8
Kim Loong Resources	KIML MK	HOLD	1.99	1.95	412.8	10.5	11.2	11.4	19.7	2.2	14.2	7.1
Sarawak Oil Palms	SOP MK	HOLD	2.54	3.00	482.7	4.7	7.3	5.9	15.7	0.7	13.9	5.5

Source: Bloomberg, UOB Kay Hian

OVERWEIGHT

(Maintained)

SECTOR PICKS

Company	Rec	Share Price (RM)	Target Price (RM)
Hap Seng Plantations	BUY	1.79	2.65
IOI Corporation	BUY	3.94	4.80
KL Kepong	BUY	21.68	25.90
Sime Darby Plantation	BUY	4.33	5.00

Source: UOB Kay Hian

CPO PRICE ASSUMPTIONS (RM/TONNE)

	CPO Price (RM/tonne)
2020	2,686
2021	4,408
2022	5,088
11M23	3,850
<u>Our Forecast:</u>	
2023F	4,000
2024F	4,200
<u>CPO Price:</u>	
MPOB @ 12/13/2023	3,634.5
BMD 3rd Month Contract	3,608.0

Source: UOB Kay Hian

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ACTION

- **Maintain OVERWEIGHT.** We expect CPO prices to trade at the range of RM4,000-4,200/tonne in 1Q24 as we foresee CPO production being lower than market expectation due to the impact from prolonged El Nino in Indonesia and higher domestic consumption.
- In light of this outlook, we recommend investors to strategically accumulate positions in upstream plantation companies exhibiting robust production growth. Thus, we recommend investors to accumulate plantation stocks. Top picks: Hap Seng Plantations and IOI Corporation. Trading BUY: Sime Darby Plantation, Kuala Lumpur Kepong.
- We have also **upgraded Genting Plantations to BUY** after 3Q23 results as its Indonesia estate performance is reverting back to normal and on an uptrend after suffering from very wet conditions for the last 2-3 years. In addition, Indonesia's oil palm trees are also mainly at their high yielding age now which would continue to be supportive to the group's overall FFB production growth for 2024.

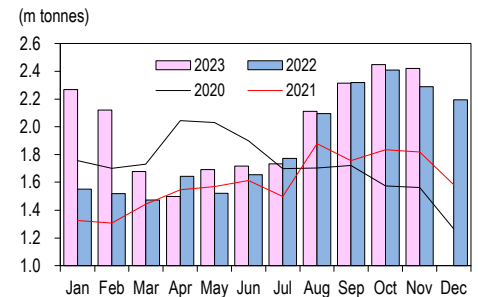
ESSENTIALS

- Dec 23 outlook:
 - Production.** Decreased anticipation in Dec 23 due to heightened rainfall or possible flooding, particularly in the East Coast of Peninsula Malaysia, Sabah and Sarawak regions.
 - Exports.** Expected decline in Dec 23 due to the winter season. However, there has been a gradual increase in purchases from some buyers in China and India, attributed to the more affordable pricing. Nevertheless, the overall exports of CPO are projected to be lower mom.
 - End-stock.** Predicted to be slightly lower in Dec 23 due to the significant drop in CPO production.

SECTOR CATALYSTS

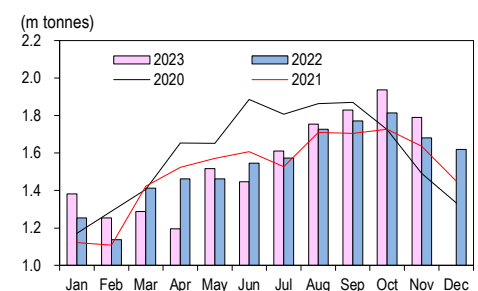
- **Higher CPO ASP in 2024.** We expect CPO prices to trade higher in 2024 with an average price of RM4,200/tonne. We expect prices to trade at a higher range in 1H24 on:
 - Potentially lower palm oil production.** CPO supply growth is expected to be lower at 1.0% yoy in 2024 vs 2.5% yoy in 2023. Indonesia's 2024 production may not see growth again as the dryness since Jul 23 will negatively impact productivity yield. As Indonesia is the world's largest palm oil producer (59% of global CPO production), its reduced production will lead to a tighter global supply.
 - Challenging outlook for global vegoil supply.** The global vegoil supply is expected to be tighter in 2024 because:
 - Soybean supply is also facing some challenges.** Dryness in the US has led to lower soybean production, while the dryness in Brazil's key soybean-producing states also poses a risk to Brazil's production. However, the downward adjustments of soybean output in the US and Brazil may be offset by a recovery in Argentina. South America's soybean planting is still ongoing, and weather remains as the main risk at this point.
 - Biodiesel usage also reduces vegoil supply to the global market.** Note that the US and Indonesia produced about 13.0m tonnes and 10.5m tonnes respectively in 2023. The commitment of their governments to prioritising domestic biodiesel consumption, as can be seen from Indonesia's B35 biodiesel mandate and the US' provision of tax credits and credit from California's low carbon fuel standard for biofuel programmes, will continue to crimp global vegoil oil supply.

INVENTORY ENTERING DOWNTREND PHASE



Source: MPOB

SLOWER CPO PRODUCTION



Source: MPOB

- **Higher palm oil demand.** We project a 3.5% yoy increase in palm oil demand for 2024, driven primarily by heightened demand from both the Chinese and Indian markets. We expect lower soybean crushing in China for 2024 given its declining hog population. This was mainly due to the oversupply of hogs in the domestic market, caused by concerns over the return of the African Swine Flu which led to increased hog slaughtering due to fears of infection among pigs. Additionally, the lower margins in this sector contribute to the reduction in soybean crushing activities. India's demand for palm oil is expected to be steady with some growth as palm oil regains pricing competitiveness alongside good domestic vegoil demand growth.

ASSUMPTION CHANGES

- **No changes to CPO ASP assumptions.** We maintain our CPO price assumptions at RM4,000/tonne and RM4,200/tonne for 2023 and 2024 respectively.

CPO PRODUCTION BY REGION

(m tonne)	Nov 23	mom % chg	yoy % chg	11M23	yoy % chg
CPO Production	1.79	(7.7)	6.4	17.00	1.0
Peninsular Malaysia	0.96	(7.4)	9.2	8.99	(3.5)
Sabah	0.43	(6.4)	0.5	4.14	7.0
Sarawak	0.40	(9.7)	6.8	3.87	6.0

Source: MPOB

SECTOR UPDATE

Technology – Malaysia

On The Brink Of A New Dawn; In A Constellation Headed For A Spurt

The sector is in a constellation headed for a spurt again after multiple rounds of Davis' Double Killing effects especially after a disappointing 3Q report card which sent valuation rifts back to mean reversion. Most importantly, signs of recovery are more apparent backed by an imminent growth recovery towards 2024 on improved visibility guided by local bellwethers. We like companies that have strong orderbook backlogs and are frontrunners with structural growth themes. Maintain OVERWEIGHT.

WHAT'S NEW

- **Another quarter of disappointment; but valuation rifts back to mean reversion.** On the 3Q23 report cards, while disappointment underwhelmed on a wider rate of 64% (or nine out of 14; order push-out led to ineffective charge out of overhead costs), both the earnings disappointment and frail trading sentiment have set valuation right back to mean reversion. Note that BM Tech Index closed lower by 37% since 2022 and -3% ytd as of our time of writing, with most of the tech names under our coverage trading at average to +0.5SD above their five-year mean (from +2SD since end-21). Conditions for turning more bullish on the sector are ripe on a better risk-reward calculus, backed by an improving earnings outlook in 2024.
- **Coming out from negative territory; to start with a clean slate in 2024.** Global semiconductor sales are expected to accelerate by 13.1% yoy in 2024 after the sales contraction of 9.4% in 2023, according to World Semiconductor Trade Statistics (WSTS). This reflects decent growth across all segments, led by memory (43.2%, after a sharp drop in 2023), followed by logic (+6.8%) and discrete semiconductors (+6.4%). In our view, this suggests that sales of smartphones and smart devices are expected to rebound strongly. Concurrently, the global semiconductor sales yoy contraction is closing to its end and breaking out from its zero parity, which could see the cycle reversing back to positive growth trajectory imminently. Additionally, our empirical research on the sector's cyclicality against the Bursa Malaysia Technology Index also suggests that the index is already on the brink of an upswing again after multiple months of consolidation.
- **Look beyond short-term lull.** While there could still be earnings downside risks for 4Q23 report cards especially on the small-mid cap local tech companies (ineffective charge out of overhead costs owing to suboptimal efficiency), the earnings downcycle is bottoming out from a U-shape curve with clearer visibility of earnings recovery two quarters ahead following capex recommitment of MNC players in Malaysia (which require the local ecosystem support). Gushing waterfall effects from the China Plus One strategy and supply chain reconfiguration would be the imminent key growth driver for the outsourced semiconductor assembly and test (OSAT), semiconductor production equipment (SPE) and integrated engineering solutions sub-segments followed by order replenishment.

PEER COMPARISON

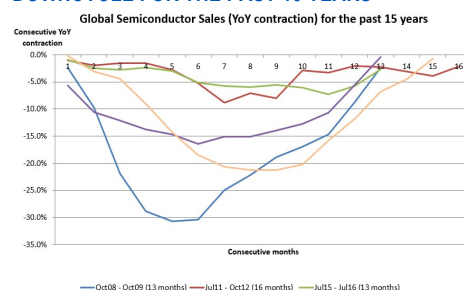
Company	Tickers	Rec	Share Price	Target	Market	PE			EV/EBITDA		P/BV	Dividend Yield	
			11 Dec 23 (RM)	Price (RM)	Cap (RMm)	Curr (x)	1Y Fwd (x)	2Y Fwd (x)	Curr (x)	1Y Fwd (x)	1Y Fwd (x)	Curr (x)	1Y Fwd (x)
Technology – Electronic Manufacturing Services (EMS)													
Cape EMS	CEB MK	BUY	1.07	1.68	987.6	29.4	17.6	11.6	17.0	12.5	2.6	1.3	1.7
NationGate	NATGATE MK	BUY	1.38	1.83	2,862.0	33.6	40.0	18.9	17.8	20.4	5.0	0.0	0.0
SKP Resources	SKP MK	BUY	0.770	0.960	1,203.0	8.4	12.8	10.6	5.4	7.2	1.3	7.4	4.9
VS Industry	VSI MK	BUY	0.865	1.18	3,332.7	17.7	12.5	10.6	9.2	7.2	1.5	2.5	3.7
Technology – Semiconductors (OSAT: Outsourced Semiconductor Assembly and Test, SPE: Semiconductor Production Equipment, Integrated Engineering Solution)													
Coraza Integrated	CORAZA MK	BUY	0.47	0.77	201.7	11.9	(111.7)	15.3	7.6	23.8	2.3	0.0	0.0
Globetronics Technology	GTB MK	HOLD	1.70	1.52	1,143.0	25.1	42.2	25.7	13.4	17.3	3.8	4.1	2.2
Greatech Technology	GREATEC MK	BUY	4.61	6.20	5,781.9	42.9	34.3	25.9	38.5	27.9	7.6	n.a.	n.a.
Inari Amertron	INRI MK	BUY	2.83	3.60	10,601.5	33.0	27.9	23.4	18.9	16.7	4.0	2.9	3.2
Oppstar	OPPSTAR MK	BUY	1.28	2.18	814.3	38.0	33.6	21.6	34.2	33.1	5.3	0.6	1.0
SFP Tech	SFP MK	BUY	1.02	1.20	2,448.0	75.5	55.9	30.4	57.7	42.1	11.6	0.0	0.0
Pentamaster Corp	PENT MK	BUY	4.47	5.80	3,179.6	36.9	36.2	27.4	23.4	18.5	3.6	0.4	0.5
TT Vision	TTVHB MK	BUY	0.76	0.96	355.7	31.8	40.7	27.7	10.7	11.4	3.9	0.0	0.0
Vitrox Corp	VITRO MK	BUY	7.30	8.10	6,901.1	34.4	46.1	31.9	29.8	37.7	7.2	1.3	0.9

Source: Bloomberg, UOB Kay Hian

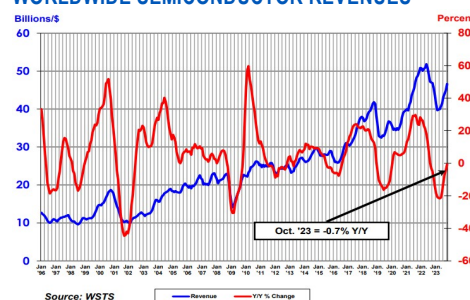
OVERWEIGHT

(Maintained)

GLOBAL SEMICONDUCTOR SALES GROWTH DOWNCYCLE FOR THE PAST 15 YEARS



WORLDWIDE SEMICONDUCTOR REVENUES



Source: Semiconductor Industry Association (SIA), UOB Kay Hian

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ACTION

- Maintain OVERWEIGHT on a cherry-picking approach to structural growth themes.** Despite earnings vulnerability, not all segments are gloom and doom. Our strategy prescription is on stocks with good growth prospects: a) front-runners of trade diversion, and b) equipment/solution providers of next-generation technologies ? medical devices and RE. For big-cap exposure, we like Inari and Greotech for their unique value propositions, alpha growth and strong demand visibility. For small/mid-cap exposure, we like NationGate Holdings (NationGate) and CAPE EMS (CAPE) for their alpha growth on strong visibility of better order loadings from their key customers in the recession-proof industrial segment.

ESSENTIALS

- Enormous potential from trade diversion and supply chain entrenchment.** Corporates and industry veterans that we met were in agreement that the emergence of MNC players in Malaysia has resulted in a waterfall effect which is benefitting the local ecosystem, especially bellwethers with ample capacity. The MNC players are: a) integrated device manufacturers and wafer fabrication equipment suppliers - Infineon, Intel, Lam Research, Applied Materials; b) global manufacturing solution providers - Teradyne, Jabil, Plexus; c) high-end substrate players - Simmtech Holdings, AT&S; d) Original Brand Manufacturer - DexCom; and e) OEM - Bosch.
- Local OSAT players' sales expected to contract 8% yoy in 2023 before rebounding 13% yoy in 2024.** While higher semiconductor content following the proliferation of electric vehicles (EV) and autonomous driving is still expected to drive growth in the long term, there is a temporary blip caused by demand slowdown, particularly from China. Note that bellweather component makers championing the EV space, ie OnSemi and Wolfspeed, have recently lowered their guidance, citing a slowdown in the EV space. On the other hand, while shipments of smartphones mark the ninth consecutive quarter of decline for the smartphone market, the yoy drop has narrowed significantly to a 0.1% drop on a healthy inventory level after the adjustment. On the local front, while providers of smartphone-related OSAT are still guiding for a soft outlook in the next two quarters, the common view is that the worst could be over.
- Local equipment makers: At its inflection point for a better 2024.** Although the growth is coming off from a high base with sales in 2023 expected to dip into negative territory, equipment makers expect 2024 to make a strong comeback spearheaded by the ongoing investment cycle for medical devices and RE, followed by demand resumption for EV/autonomous driving in 2Q24. Notably, 2024 sales growth of 38% is expected to outperform global benchmarks due to the US-China trade diversion and the entrenchment of manufacturing capabilities, with RE and medical-centric equipment makers championing the orderbook record.
- Local EMS players: Better risk-reward trade-off after a long overcast; be selective.** Since 3Q22, most of the end-brand owners of EMS companies have been pulling the brakes on aggressive order loadings, which has resulted in subpar earnings among local EMS players. This is especially apparent for consumer-oriented EMS players (cEMS). While channel checks suggest that there could be supply chain decentralisation in this space for diversification purposes, we understand that the respective EMS players are on the aggressive lookout for trade diversion-related opportunities. Note that some of these new prospects have borne fruit, contributing >5% of the total revenue of these affected EMS players. We gather that there are enquiries for trade diversion-related supply chain reconfiguration, mainly from the industrial segment. Note that industrial EMS players, namely CAPE and NationGate, are seeing promising prospects related to communication and server products, with some already in the advanced stage of commercialisation since 3Q23.
- Downside risks include:** a) longer-than-expected inflation, b) deeper recession, c) more hawkish US monetary policies, d) slower-than-expected sales, e) higher-than-expected cost, and f) more disruptions caused by the COVID-19 pandemic.

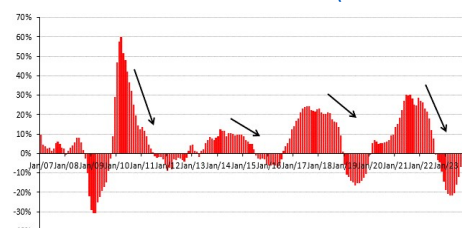
GLOBAL SEMICONDUCTOR SALES FORECAST

	Amounts in US\$M			Year on Year Growth in %		
	2022	2023	2024	2022	2023	2024
Americas	141,136	132,536	162,154	16.2	-6.1	22.3
Europe	53,853	57,049	59,490	12.8	5.9	4.3
Japan	48,158	47,209	49,275	10.2	-2.0	4.4
Asia Pacific	330,937	283,333	317,455	-3.5	-14.4	12.0
Total World - \$M	574,084	520,126	588,364	3.3	-9.4	13.1
Discrete Semiconductors	33,993	35,951	37,459	12.0	5.8	4.2
Optoelectronics	43,908	42,583	43,324	1.2	-3.0	1.7
Sensors	21,782	19,417	20,127	13.7	-10.9	3.7
Integrated Circuits	474,402	422,174	487,454	2.5	-11.0	15.5
Analog	88,983	81,051	84,056	20.1	-8.9	3.7
Micro	79,073	76,579	81,937	-1.4	-3.2	7.0
Logic	176,578	174,944	191,693	14.0	-0.9	9.6
Memory	129,767	89,601	129,768	-15.6	-31.0	44.8
Total Products - \$M	574,084	520,126	588,364	3.3	-9.4	13.1

Note: Numbers in the table are rounded to whole millions of dollars, which may cause totals by region and totals by product group to differ slightly.

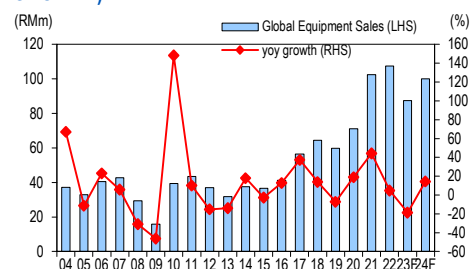
Source: World Semiconductor Trade Statistics (WSTS)

GLOBAL SEMICONDUCTOR SALES (YOY GROWTH)



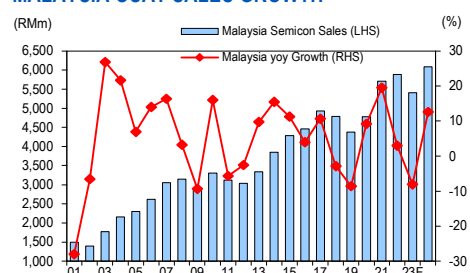
Source: SIA, UOB Kay Hian

GLOBAL EQUIPMENT MAKER SALES (YOY GROWTH)



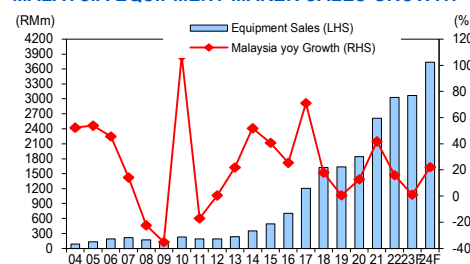
Source: SEMI, UOB Kay Hian

MALAYSIA OSAT SALES GROWTH



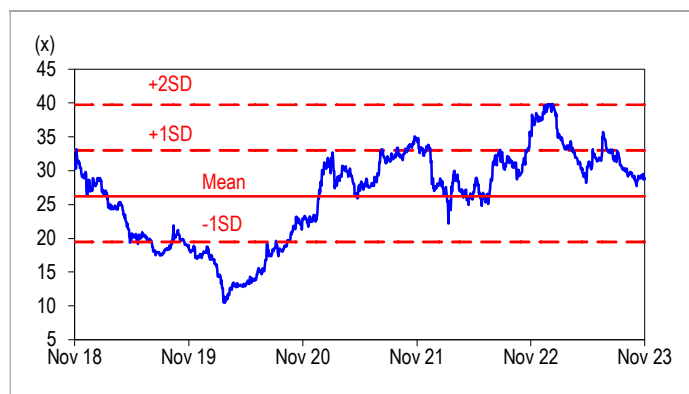
Source: Bloomberg, UOB Kay Hian

MALAYSIA EQUIPMENT MAKER SALES GROWTH



Source: Bloomberg, UOB Kay Hian

MALAYSIA OSAT FIVE-YEAR PER BAND



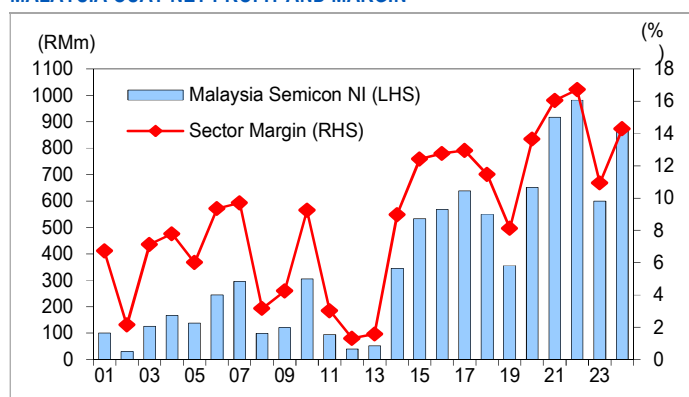
Source: Bloomberg, UOB Kay Hian

MALAYSIA SPE FIVE-YEAR PER BAND



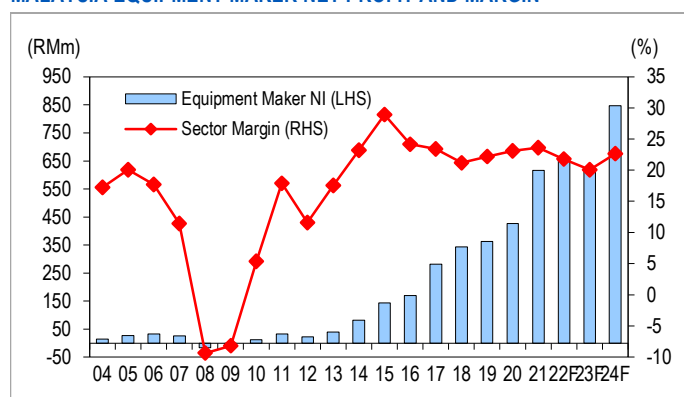
Source: Bloomberg, UOB Kay Hian

MALAYSIA OSAT NET PROFIT AND MARGIN



Source: Bloomberg, UOB Kay Hian

MALAYSIA EQUIPMENT MAKER NET PROFIT AND MARGIN



Source: Bloomberg, UOB Kay Hian

TECHNOLOGY DOWNCYCLE PLOT AGAINST BURSA MALAYSIA TECHNOLOGY INDEX



Source: Bloomberg, UOB Kay Hian

COMPANY RESULTS

Bermaz Auto (BAUTO MK)

1HFY24: Results Within Expectations; Overall Outlook Remains Intact

BAUTO's 1HFY24 core net profit came in within expectations, driven by the stronger sales volume from both Malaysia and the Philippines. We anticipate the outlook to remain resilient, strengthened by advancements in its CKD line-up, a robust monthly booking run-rate to support orderbook, and margin improvement following price adjustments for selected models. This is expected despite Stellantis' strategic shift in Peugeot development. Maintain BUY. Target price: RM2.86.

1HFY24 RESULTS

Year to 30 Apr (RMm)	2QFY24	1QFY24	qoq % chg	yoy % chg	1HFY24	yoy % chg
Revenue	1,007.0	1,089.3	-7.6	28.6	2,096.2	40
- Malaysia	918.0	988.9	-7.2	25.6	1,906.9	37
- Philippines	88.9	100.3	-11.4	70.1	189.3	70
EBIT	107.6	130.7	-17.7	32.5	238.3	57
- Malaysia	91.7	116.1	-21.0	21.9	207.8	50
- Philippines	16.5	14.9	10.8	150.5	31.4	124
Associates	14.4	8.6	66.9	54.8	23.0	73
PBT	122.8	140.7	-12.7	34.1	263.5	59
Core Net Profit	90.1	100.2	-10.1	37.1	190.3	64
Cars Sold (units)	6,148.0	6,648.0	-7.5	30.0	12,796.0	41
- Malaysia	5,574.0	5,918.0	-5.8	28.4	11,492.0	39
- Philippines	610.0	730.0	-16.4	57.6	1,340.0	66
Margins	%	%	+/- ppt	+/- ppt	%	+/- ppt
EBIT	10.7	12.0	-1.3	0.3	11.4	1.3
- Malaysia	10.0	11.7	-1.7	-0.3	10.9	0.9
- Philippines	18.6	14.9	3.7	6.0	16.6	4.0
PBT	12.2	12.9	-0.7	0.5	12.6	1.5
Core Net Profit	8.9	9.2	-0.3	0.6	9.1	1.4

Source: Bermaz Auto, UOB Kay Hian

RESULTS

- **Within expectations.** Bermaz Auto (BAUTO) reported 1HFY24 core net profit of RM190.3m (+64% yoy) which accounted for 68% and 62% of our and consensus full-year estimates respectively. This was backed by a higher sales volume which surged by 41% yoy for both, Malaysia (+39% yoy) and the Philippines (+66% yoy). The company has declared a second interim dividend of 5.00 sen/share, bringing the total dividend for 1HFY24 to 10 sen/share.
- **Recorded lower numbers qoq.** 2QFY24 revenue and profit before tax declined by 7.6% and 12.7% respectively, due to the lower sales recorded for all its three brands, Mazda (-2% qoq), Kia (-34% qoq) and Peugeot (-16% qoq). In addition, EBIT margin decreased 1.3ppt, impacted by the higher promotional activities in 2QFY24.

KEY FINANCIALS

Year to 30 Apr (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	2,324	3,541	3,487	3,356	3,681
EBITDA	216	400	367	335	325
Operating profit	210	391	358	325	314
Net profit (rep./act.)	162	319	278	252	267
Net profit (adj.)	162	319	278	252	267
EPS (sen)	13.9	27.3	23.9	21.7	23.0
PE (x)	16.6	8.4	9.7	10.7	10.1
P/B (x)	4.2	3.5	3.2	2.9	2.7
EV/EBITDA (x)	10.8	5.8	6.4	7.0	7.2
Dividend yield (%)	3.8	9.5	7.2	6.6	7.0
Net margin (%)	7.0	9.0	8.0	7.5	7.3
Net debt/(cash) to equity (%)	(78.0)	(57.2)	(72.7)	(73.8)	(69.5)
Interest cover (x)	53.5	n.a.	162.2	148.2	143.6
ROE (%)	27.0	45.6	34.4	28.4	27.7
Consensus net profit	-	-	305	293	298
UOBKH/Consensus (x)	-	-	0.91	0.86	0.90

Source: Bermaz Auto, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM2.30
Target Price	RM2.86
Upside	+24.3%

COMPANY DESCRIPTION

Bermaz Auto is involved in the distribution, assembling, retailing and also the provision of after sales service of Mazda vehicles in Malaysia. The group also involved in distribution of locally assembled Mazda vehicles in Malaysia and Philippines.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	BAUTO MK
Shares issued (m):	1,167.6
Market cap (RMm):	2,697.2
Market cap (US\$m):	578.2
3-mth avg daily t'over (US\$m):	3.4

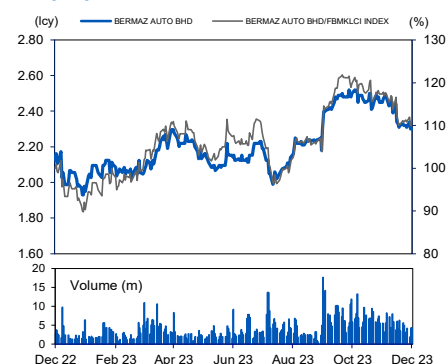
Price Performance (%)

52-week high/low		RM2.52/RM1.93		
1mth	3mth	6mth	1yr	YTD
(6.5)	3.1	6.8	20.2	12.3

Major Shareholders

	%
Dynamic Milestone Sdn Bhd	14.5
Employees Provident Fund	13.3
Amanah Saham Nasional Bhd	6.1
FY24 NAV/Share (RM)	0.73
FY24 Net Cash/Share (RM)	0.53

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Sales continue to improve propelled by robust demand for CKD models.** BAUTO's 2QFY24 sales improved by 41% yoy to 12,770 units (9,059 units in 10M22) driven by the higher sales volume for its CKD models, with a focus on the Mazda brand. Meanwhile, the demand for its products continues with a healthy booking run-rate, with all three brands under the group (namely Mazda, Peugeot and Kia) recording an average run-rate of 1,700 unit/monthly. We gather that despite the price increase in Apr 23, demand for specific models has remained robust, particularly for Mazda's CKD models such as CX30, CX5 and CX8.
- **Outlook to remain healthy amid Stellantis' strategic shift.** We anticipate the outlook to remain resilient, strengthened by advancements in its CKD line-up, a robust monthly booking run-rate to support orderbook, and margin improvement following price adjustments for selected models. Following Stellantis' announcement in Nov 23 to take direct control of sales and distribution for Peugeot in Malaysia, we reckon that this could potentially impact the sales volume if Stellantis decides to continue on its direct control path. Notably, Peugeot's sales remain insignificant within the group, accounting for about 5% of BAUTO's total sales. While the impact may influence future sales volume, the overall outlook for the group remains resilient.

EARNINGS REVISION/RISK

- **None.**

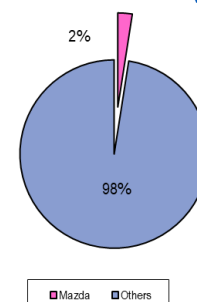
VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of RM2.86.** The target price is still based on ascribed PE of 12x to its FY24 EPS (which is the sector's five-year mean). Given BAUTO's undemanding valuation that is currently trading at 8x FY24F PE, we see potential upside as we are positive on BAUTO's outlook, including a healthy orderbook and lush dividend payout.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

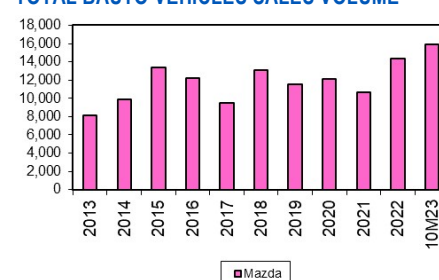
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - The Environmental Performance Monitoring Committee and the Environmental Regulatory Compliance Monitoring Committee are responsible for monitoring compliance and the effectiveness of the policy. - BAUTO supports the Republic Act 11285 (Energy Efficiency and Conservation Act), which institutionalises energy efficiency and conservation as a national way of life. - Renewable energy promoted - assessing viability of installing solar energy system in the headquarters & its 3S centres. • Social <ul style="list-style-type: none"> - In 2021, its societal contributions have focused on assisting those affected by COVID-19, with RM100,000 contributed to the Ministry of Health and approximately RM640,000 spent on PPE, PCR tests etc to combat the pandemic. - Mazda Medicare Fund dialysis programme channelled 100% funds to charity. • Governance <ul style="list-style-type: none"> - Complies with Malaysian code on Corporate Governance which requires independent directors (4 out of 7) to comprise the majority of the board.

MAZDA'S MARKET SHARE (10M23)



Source: MAA

TOTAL BAUTO VEHICLES SALES VOLUME



Source: MAA

UPCOMING LAUNCHES

Model	Launch Date
CX-5 IPM6	Jan 2024
CX-3 IPM5	Jan 2024
Mazda New CX-60	TBC
Peugot New 408	TBC
KIA All-new Sportage	TBC
KIA Carens	TBC

Source: BAUTO

KEY ASSUMPTIONS

Financial Year	TIV Forecasts (units)
2022	14,666
2023	21,370
2024F	20,255
2025F	19,057
2026F	19,657

Source: UOB Kay Hian

PROFIT & LOSS

Year to 30 Apr (RMm)	2023	2024F	2025F	2026F
Net turnover	3,541	3,487	3,356	3,681
EBITDA	400	367	335	325
Deprec. & amort.	8	9	10	11
EBIT	391	358	325	314
Associate contributions	41	30	33	41
Net interest income/(expense)	3	(2)	(2)	(2)
Pre-tax profit	436	386	356	352
Tax	(94)	(93)	(85)	(84)
Minorities	(23)	(15)	(18)	0
Net profit	319	278	252	267
Net profit (adj.)	319	278	252	267

CASH FLOW

Year to 30 Apr (RMm)	2023	2024F	2025F	2026F
Operating	108	393	261	224
Pre-tax profit	436	386	356	352
Tax	(102)	(93)	(85)	(84)
Deprec. & amort.	8	9	11	12
Associates	(41)	(30)	(33)	(41)
Working capital changes	(245)	119	10	(17)
Other operating cashflows	52	2	2	2
Investing	3	(8)	(8)	(8)
Capex (growth)	(10)	(15)	(16)	(16)
Investments	0	0	1	1
Proceeds from sale of assets	0	0	0	0
Others	13	7	7	7
Financing	(269)	(104)	(184)	(196)
Dividend payments	(154)	(195)	(177)	(187)
Issue of shares	8	0	0	0
Proceeds from borrowings	n.a.	n.a.	n.a.	n.a.
Loan repayment	(100)	100	2	0
Others/interest paid	(23)	(9)	(9)	(9)
Net cash inflow (outflow)	(158)	282	69	20
Beginning cash & cash equivalent	694	538	825	893
Changes due to forex impact	1	(2)	(8)	(11)
Ending cash & cash equivalent	538	818	886	902

BALANCE SHEET

Year to 30 Apr (RMm)	2023	2024F	2025F	2026F
Fixed assets	45	50	58	65
Other LT assets	494	524	557	598
Cash/ST investment	538	818	886	902
Other current assets	712	538	517	567
Total assets	1,788	1,930	2,018	2,132
ST debt	100	100	101	101
Other current liabilities	503	444	436	469
LT debt	0	100	101	101
Other LT liabilities	344	344	345	345
Shareholders' equity	765	850	926	1,006
Minority interest	77	92	110	110
Total liabilities & equity	1,788	1,930	2,018	2,132

KEY METRICS

Year to 30 Apr (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	11.3	10.5	10.0	8.8
Pre-tax margin	12.3	11.1	10.6	9.6
Net margin	9.0	8.0	7.5	7.3
ROA	19.0	14.9	12.8	12.9
ROE	45.6	34.4	28.4	27.7
Growth				
Turnover	52.4	(1.5)	(3.8)	9.7
EBITDA	85.0	(8.2)	(8.6)	(3.1)
Pre-tax profit	94.4	(11.5)	(7.9)	(1.0)
Net profit	97.0	(12.8)	(9.2)	6.0
Net profit (adj.)	97.0	(12.8)	(9.2)	6.0
EPS	97.0	(12.8)	(9.2)	6.0
Leverage				
Debt to total capital	10.6	17.5	16.3	15.3
Debt to equity	13.1	23.5	21.8	20.1
Net debt/(cash) to equity	(57.2)	(72.7)	(73.8)	(69.5)
Interest cover (x)	n.a.	162.2	148.2	143.6

UOBKH HIGHLIGHTS

Market Strategy – PM Anwar Announces Cabinet Reshuffle

Prime Minister Datuk Seri Anwar Ibrahim has announced a reshuffle of the Cabinet line-up and two ministry splits

WHAT'S NEW

- Prime Minister Datuk Seri Anwar Ibrahim has announced a Cabinet reshuffle, including 10 major changes to the existing Cabinet line-up and two new minister positions.
- PM Anwar also announced that the Natural Resources, Environment and Climate Change (NRECC) Ministry and the Communications and Digital Ministry will each be split into two separate ministries:
 - The NRECC Ministry will be split into: a) the Energy Transition and Public Utilities Ministry, and b) the Natural Resources and Sustainability Ministry.
 - The Communications and Digital Ministry will be split into: a) the Communications Ministry, and b) the Digital Ministry.

COMMENTS

- Fresh faces as ministers are Datuk Seri Amir Hamzah (Finance Minister 2), Datuk Seri Johari Ghani (Plantation and Commodities Minister), Gorbinder Singh (Digital Minister) and Steven Sim (Human Resources Minister)
- The Cabinet change is market neutral. The new ministers are qualified. The most prominent appointment is that of non-politician Datuk Seri Amir Hamzah, the CEO of EPF.

MAJOR CHANGES TO CABINET

Name	Position	Previous Post (if any)
Datuk Seri Amir Hamzah Azizan	Finance Minister 2	N.A.
Dato' Sri Haji Fadillah	Energy Transition and Public Utilities Minister*	Deputy Prime Minister (Retained)
Dato' Seri Mohamad Hasan	Foreign Minister	Defence Minister
Dato' Seri Mohamed Khaled	Defence Minister	Higher Education Minister
Nik Nazmi Nik Ahmad	Natural Resources and Sustainability*	Natural Resources, Environment and Climate Change Minister**
Datuk Seri Dr Zambry Abdul Khadir	Higher Education Minister	Foreign Minister
Ahmad Fahmi bin Mohamed Fadzil	Communications Minister*	Communications and Digital Minister**
Dr Zaliha Mustafa	Minister in Prime Minister's Department	Health Minister
Datuk Armizan Mohd Ali	Domestic Trade and Cost of Living Minister	Minister for Sabah, Sarawak Affairs and Special Functions in the Prime Minister's Department
Datuk Seri Johari Abdul Ghani	Plantation and Commodities Minister	N.A.
Datuk Seri Dr Haji Dzulkafly Ahmad	Health Minister	N.A.
Gobind Singh	Digital Minister*	N.A.
Steven Sim Chee Kong	Human Resources Minister	Deputy Finance Minister

* Indicates new ministry

** Indicates ministry that was split

Source: Parliament, various media sources, UOB Kay Hian

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TRADERS' CORNER



Source: UOBKH ChartGenie

Pelikan International Corporation (PELI MK)

Technical BUY with +17.5% potential return

Last price: RM0.885

Target price: RM0.995, RM1.04

Support: RM0.835

Stop-loss: RM0.83

BUY with a target price of RM1.04 and stop-loss at RM0.83. Based on the daily chart, PELI has formed a series of higher highs and higher lows that indicates an uptrend pattern. This bullish momentum is supported by an uptick in the RSI. Currently, the MACD and the DMI indicators are on a bullish crossover. We peg our targets at RM0.995 and RM1.04 in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading



Source: UOBKH ChartGenie

Hap Seng Consolidated (HAP MK)

Technical BUY with +22.7% potential return

Last price: RM4.75

Target price: RM5.26, RM5.83

Support: RM4.25

Stop-loss: RM4.24

BUY with a target price of RM5.83 and stop-loss at RM4.24. A successful closing above the BBI line on the back of higher trading volumes points to improving sentiment as HAP looks set to resume the uptrend. An uptick in the RSI suggests a strong momentum that will push share price higher in the near term. Additionally, the MACD and DMI are currently on a bullish crossover, indicating a stronger uptrend ahead. Moving forward, we expect HAP will continue the upward movement toward resistance level of RM5.84 in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

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