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KEY HIGHLIGHTS

Company Results

Alliance Bank Malaysia (ABMB MK/HOLD/RM3.43/Target: RM3.80) Page 2
2QFY24: Net profit was in line supported by NIM recovery and strong loans growth but partially offset by elevated opex growth. Maintain HOLD.

Capital A (CAPITALA MK/HOLD/RM0.87/Target: RM0.82) Page 5
3Q23: Earnings below expectations. Expect sequential earnings recovery on continued higher seat capacity and ongoing expansion plans. Maintain HOLD.

CIMB Group (CIMB MK/BUY/RM5.65/Target: RM6.56) Page 8
3Q23: Earnings beat our expectation, driven by lower-than-expected credit cost. Maintain BUY with a higher target price of RM6.56 (from RM6.00) after rolling forward to 2024.

Hong Leong Bank (HLBK MK/HOLD/RM19.96/Target: RM21.74) Page 11
1QFY24: Earnings in line, supported by strong growth from associate. Maintain HOLD and target price of RM21.74.

IHH Healthcare (IHH MK/HOLD/RM5.83/Target: RM6.40) Page 14
3Q23: Results within our expectations as all key markets largely delivered. Maintain HOLD.

IJM Corporation (IJM MK/HOLD/RM1.81/Target: RM1.70) Page 17
2QFY24: Earnings above expectations; expect a subsequent pick-up in earnings backed by higher revenue and profit margins. Maintain HOLD.

UOBKH Highlights

Ekovest (EKO MK/BUY/RM0.45/Target: RM1.10) Page 20
1QFY24: Turns profitable, boosted by higher construction margin.

Hong Leong Financial Group (HLFG MK/HOLD/RM18.22/Target: RM19.86) Page 21
1QFY24: Supported by recovery in brokerage and insurance income.

SKP Resources (SKP MK/BUY/RM0.75/Target: RM0.95) Page 22
1HFY24: Below expectations; headwinds persist but fairly priced in.

TRADERS' CORNER

Public Bank (PBBANK MK): Technical BUY

Hume Cement Industries (HUME MK): Technical BUY

KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,452.74	6.7	0.5
Bursa Emas	10,727.40	27.9	0.3
Ind Product	172.27	0.6	0.3
Finance	16,221.95	(50.0)	(0.3)
Consumer	561.08	3.5	0.6
Construction	185.77	1.6	0.9
Properties	844.00	(3.0)	(0.4)
Plantations	7,041.41	27.9	0.4

BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	30-Nov-23	% chg
Volume (m units)	4,249	29.7
Value (RMm)	4,970	118.6

By Investor type	(%)	ppt chg
Foreign investors	62.8	30.8
Local retail	13.5	(13.5)
Local institution	23.7	(17.3)

TOP TRADING TURNOVER / GAINERS / LOSERS

Top Trading Turnover	Price (RM)	Chg (%)	5-day ADT (RM'000)
Public Bank	4.27	0.7	143,683
Top Glove	0.81	(5.8)	120,648
Hong Leong Financial	16.10	(1.8)	108,471
CIMB Group	5.65	0.2	69,665
Malayan Banking	8.98	(0.7)	69,645

Top Gainers	Price (RM)	Chg (%)	5-day ADT (RM'000)
Dialog Group	2.21	6.8	10,322
Coastal Contracts	1.78	6.0	472
Digi.com	4.34	5.1	50,893
Gamuda	4.77	4.6	32,938
QL Resources	5.61	3.7	16,602

Top Losers	Price (RM)	Chg (%)	5-day ADT (RM'000)
Supermax Corp	0.93	(10.2)	20,826
Cahaya Mata Sarawak	1.04	(6.3)	4,837
Top Glove	0.81	(5.8)	120,648
Kossan Rubber	1.61	(5.3)	12,621
Malaysia Building Society	0.71	(4.7)	4,976

OTHER STATISTICS

	30-Nov-23	chg	% chg
RM/US\$	4.66	0.01	0.2
CPO 3rd mth future (RM/mt)	3,895	23.0	0.6

Notes:

ADT = Average daily turnover.

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

COMPANY RESULTS

Alliance Bank Malaysia (ABMB MK)

2QFY24: Supported By Strong Loans Growth Momentum

Alliance Bank's 2QFY24 net profit was in line, supported by a recovery in NIM and strong loans growth momentum. However, opex growth was elevated, resulting in a deterioration in cost to income ratio. Maintain HOLD and target price of RM3.80 (0.84x FY24F P/B, 9.3% ROE). The stock is currently trading at -0.5SD to its historical mean PBV. Coupled with the expectation of a flattish earnings trajectory in FY24, we think there is a well-balanced risk-to-reward profile at present.

RESULTS

- **2QFY24 earnings in line.** Alliance Bank Malaysia (Alliance Bank) reported 2QFY24 net profit of RM185.3m (+17.0% yoy, +23.3% qoq) bringing 1HFY24 results to RM335.8m (-9.4% yoy). 1HFY24 earnings were in line, representing 51% of our full-year estimate. 1HFY24 earnings declined 9.4% yoy due to: a) negative operating Jaws (opex outpacing revenue growth by 10ppt), and b) a 30.3% yoy rise in provisions.
- **Qoq trend.** 2QFY24 earnings rose 23.3% qoq due to: a) a 10bp qoq recovery in NIM, and b) 48% qoq improvement in non-interest income from stronger fee income (+18% qoq) and reversal in forex losses. However, we note that the strong fee income growth was attributed to a lumpy one-off bancassurance renewal fee with Manulife which is not expected to recur. Partially mitigating the improved qoq earnings performance was a 15% qoq increase in provisions.
- **Yoy trend.** 2QFY24 earnings rose 16.9% yoy due to: a) a 69% yoy rise in non-interest income, and b) a 47% yoy decline in provisions off a high base in 2QFY23. Growth was partially offset by negative operating Jaws as opex outpaced revenue growth by 8ppt.
- **Deterioration in cost to income ratio.** Alliance Bank experienced negative operating Jaws with opex rising 18% yoy in 2QFY24 and 14% yoy in 1HFY24. The elevated opex growth was attributed to: a) salary adjustments for collective assessment relating to its union staff, b) increased marketing and compliance headcounts, and c) IT expenses. This resulted in 2QFY24 and 1HFY24 cost to income ratio rising to 47% and 48% from 43% and 44% in 2QFY23 and 1HFY23 respectively.
- **NIM recovers trending in line with expectation.** The group registered a strong 10bp qoq NIM recovery in 1QFY24. Despite the recovery, 1HFY24 NIM still reflected a slippage of 16bp. Assuming NIM were to hold at the current level of 2.53% in 2HFY24, this would bring full-year NIM to 2.50% which is at the upper end of its target of 2.45-2.50% (-14bp). We are maintaining our 16bp full-year NIM compression assumption.

KEY FINANCIALS

Year to 31 Mar (RMm)	2022	2023	2024F	2025F	2026F
Net interest income	1,122	1,230	1,199	1,251	1,295
Non-interest income	349	237	276	293	310
Net profit (rep./act.)	573	678	660	715	762
Net profit (adj.)	573	678	660	715	762
EPS (sen)	36.9	43.6	42.4	46.0	49.0
PE (x)	9.3	7.9	8.1	7.5	7.0
P/B (x)	0.8	0.8	0.7	0.7	0.7
Dividend yield (%)	5.4	6.4	6.2	6.7	7.1
Net int margin (%)	2.5	2.7	2.5	2.5	2.5
Cost/income (%)	44.1	45.9	47.9	47.4	47.0
Loan loss cover (%)	135.9	102.8	46.6	57.7	66.6
Consensus net profit	-	-	668	715	754
UOBKH/Consensus (x)	-	-	0.99	1.00	1.01

Source: Alliance Bank, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM3.43
Target Price	RM3.80
Upside	+7.6%

COMPANY DESCRIPTION

Alliance Bank is the smallest financial group in Malaysia in terms of asset size. It focuses on the consumer and SME segments with a total 80% loan exposure.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	ABMB MK
Shares issued (m):	1,548.1
Market cap (RMm):	5,310.1
Market cap (US\$m):	1,139.2
3-mth avg daily t'over (US\$m):	0.7

Price Performance (%)

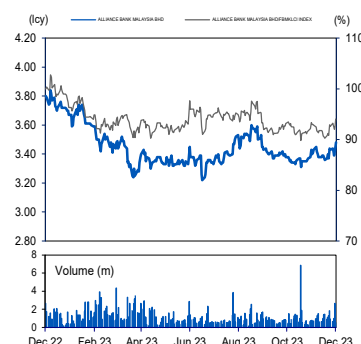
52-week high/low			RM3.88/RM3.22	
1mth	3mth	6mth	1yr	YTD
0.0	(0.6)	(0.6)	(11.4)	(6.5)

Major Shareholders

	%
Temasek Holdings (Private) Limited	29.1
Employees Provident Fund Board	10.1

FY24 NAV/Share (RM)	4.58
FY24 CAR Tier-1 (%)	13.38

PRICE CHART



Source: Bloomberg

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- **Loans growth intact with rising momentum.** 2QFY24 loans growth strengthened to 10.0% yoy vs 7.9% in 1QFY24. Loans growth was underpinned by SME and commercial loans which expanded 15% and 12% yoy respectively. Management expects the current loans growth momentum to sustain and as such has kept its robust 8-10% full-year growth target. Meanwhile, we have conservatively retained our 8% assumption.
- **GIL ratio improves partially due to more aggressive write-off.** The group's gross impaired loan (GIL) ratio edged downwards by 12bp to 2.51% qoq after having risen for three consecutive quarters. The improvement was due to more aggressive loan write-off and higher recoveries coupled with the group's strong loans growth momentum. Absolute GIL declined by only 1% qoq and would have increased 3% qoq if the loans written off amounted to a more normalised quarterly run-rate of RM50m vs the RM100m written off in 2QFY24.
- **Net credit cost normalises upwards.** 2QFY24 net credit cost came in at 32bp (1QFY24: 27bp) bringing 1HFY24 net credit cost to 30bp vs a net write-back in 1QFY23. Management has left its FY24 net credit cost guidance unchanged at 30-35bp, broadly in line with our 33bp estimates. This implies that 2HFY24 net credit cost is likely to trend upwards. 1HFY24 loans loss coverage ratio remains healthy at 120% vs pre-pandemic level of 75% given its pre-emptive provisions amounting to RM225m.

EARNINGS REVISION/RISK

- No change.

VALUATION/RECOMMENDATION

- **Maintain HOLD and target price of RM3.80 (0.84x FY24F P/B, 9.3% ROE).** The stock is currently trading at -0.5SD to its historical mean PBV. Coupled with the expectation of a flattish earnings trajectory in FY24, we think there is a well-balanced risk-to-reward profile at present.

2QFY24 RESULTS

Profit & Loss (RMm)	2QFY24	2QFY23	yoy % chg	1HFY24	yoy % chg
Net Interest Income	327.9	309.2	6.1	632.9	5.6
Islamic Banking	109.8	117.8	(6.8)	210.1	(6.3)
Fees & Commissions	42.3	22.6	87.1	76.9	37.2
Net Trading Income	38.4	(6.5)	(687.1)	73.1	201.8
Other Operating Income	9.6	37.5	(74.3)	1.2	(97.6)
Total Income	528.1	480.6	9.9	994.4	4.2
Operating Expenses	(246.7)	(208.1)	18.6	(476.8)	13.9
PPOP	281.4	272.5	3.3	517.5	(3.4)
Provision	(39.7)	(74.0)	(46.4)	(74.6)	31.5
PBT	241.7	198.5	21.8	443.0	(7.6)
Net Profit	185.3	158.4	17.0	335.9	(9.4)
EPS (sen)	12.0	10.2	17.0	21.7	(9.4)
DPS (sen)	10.9	12.0	(9.6)	10.9	(9.6)
BVPS (RM)	4.47	4.19	6.7	4.47	6.7
Financial Ratios (%)	2QFY24	2QFY23	yoy ppt chg	1QFY24	qoq ppt chg
NIM	2.64	2.77	(0.13)	2.51	0.13
Loan Growth	10.1	6.7	3.4	8.0	2.1
Deposit Growth	5.6	6.0	(0.4)	6.5	(0.8)
Loan/Deposit Ratio	97.2	93.2	4.0	93.9	3.3
Cost/Income Ratio	46.7	43.3	3.4	49.3	(2.6)
ROE	10.8	9.9	1.0	8.9	1.9
NPL Ratio	2.55	1.91	0.6	2.68	(0.1)
Credit Costs (bp)	30.8	63.2	(32.4)	27.9	2.8
Loan Loss Coverage	94.3	128.4	(34.1)	97.2	(3.0)
CET-1 CAR	13.3	15.1	(1.8)	13.7	(0.4)

Source: Alliance Bank, UOB Kay Hian

KEY ASSUMPTIONS

(%)	2024F	2025F	2026F
Loan Growth	8.0	7.8	7.5
NIM	2.48	2.49	2.49
Credit Cost (bp)	33	30	28
ROE	9.3	9.5	9.6

Source: UOB Kay Hian

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Green loan commitment. To provide RM30b in sustainable financing by 2040 - Zero new coal financing. Transition all stakeholders to zero carbon emission by 2050 • Social <ul style="list-style-type: none"> - Board and upper management gender diversity. Maintained 30% female directors on the Board - Enhanced financial inclusion to B40. Provide greater financial inclusion for vulnerable communities (affordable housing financing) and welfare assistance to vulnerable communities especially the B40 consumers • Governance <ul style="list-style-type: none"> - Non-independent board of directors composition. Composition of Independent Non-Executive Directors (INED) – 60 %
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Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
Interest income	1,976	2,136	2,287	2,399
Interest expense	(746)	(937)	(1,037)	(1,104)
Net interest income	1,230	1,199	1,251	1,295
Fees & commissions	111	121	130	141
Other income	126	156	162	169
Non-interest income	237	276	293	310
Income from islamic banking	453	485	518	555
Total income	1,920	1,960	2,062	2,160
Staff costs	(573)	(607)	(619)	(631)
Other operating expense	(309)	(332)	(357)	(384)
Pre-provision profit	1,038	1,021	1,085	1,144
Loan loss provision	(152)	(175)	(169)	(167)
Other provisions	0	0	0	0
Associated companies	0	0	0	0
Pre-tax profit	887	846	917	978
Tax	(209)	(186)	(202)	(215)
Minorities	0	0	0	0
Net profit	678	660	715	762
Net profit (adj.)	678	660	715	762

BALANCE SHEET

Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
Cash with central bank	980	1,060	1,123	1,191
Govt treasury bills & securities	5,352	5,352	5,352	5,352
Interbank loans	89	90	92	94
Customer loans	47,926	52,353	55,364	58,567
Investment securities	6,796	7,017	7,241	7,467
Derivative receivables	221	221	221	221
Associates & JVs	1	1	1	1
Fixed assets (incl. prop.)	58	179	188	197
Other assets	4,888	8,240	11,400	14,804
Total assets	66,311	74,514	80,982	87,895
Interbank deposits	1,719	1,857	2,005	2,166
Customer deposits	50,849	52,883	54,998	57,198
Derivative payables	366	26	26	26
Debt equivalents	1,572	595	594	593
Other liabilities	5,058	12,036	15,839	19,960
Total liabilities	59,564	67,397	73,463	79,943
Shareholders' funds	6,747	7,115	7,516	7,948
Minority interest - accumulated	0	0	0	0
Total equity & liabilities	66,311	74,514	80,982	87,895

OPERATING RATIOS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Capital Adequacy				
Tier-1 CAR	14.5	13.4	13.1	12.8
Total CAR	19.4	16.0	15.6	15.1
Total assets/equity (x)	9.8	10.5	10.8	11.1
Tangible assets/tangible common equity (x)	10.4	11.1	11.4	11.6
Asset Quality				
NPL ratio	2.6	2.6	2.5	2.5
Loan loss coverage	102.8	95.3	92.7	88.6
Loan loss reserve/gross loans	0.9	1.2	1.4	1.6
Increase in NPLs	44.5	11.4	(2.0)	(4.5)
Credit cost (bp)	31.0	33.0	30.0	28.0
Liquidity				
Loan/deposit ratio	94.3	97.0	98.0	98.0
Liquid assets/short-term liabilities	12.2	11.9	11.5	11.2
Liquid assets/total assets	9.7	8.7	8.1	7.6

KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Growth (yoy chg)				
Net interest income	9.7	(2.5)	4.3	3.6
Fees & commissions	(31.4)	9.0	8.0	8.0
Pre-provision profit	(0.6)	(1.7)	6.3	5.4
Net profit	18.3	(2.6)	8.3	6.6
Net profit (adj.)	18.3	(2.6)	8.3	6.6
Customer loans	6.2	8.0	7.5	7.2
Customer deposits	5.5	5.0	6.0	6.5
Profitability				
Net interest margin	2.7	2.5	2.5	2.5
Cost/income ratio	45.9	47.9	47.4	47.0
Adjusted ROA	1.1	0.9	0.9	0.9
Reported ROE	10.3	9.5	9.8	9.9
Adjusted ROE	10.3	9.5	9.8	9.9
Valuation				
P/BV (x)	0.8	0.7	0.7	0.7
P/NTA (x)	0.8	0.8	0.8	0.7
Adjusted P/E (x)	7.9	8.1	7.5	7.0
Dividend Yield	6.4	6.2	6.7	7.1
Payout ratio	50.5	50.0	50.0	50.0

COMPANY RESULTS

Capital A (CAPITALA MK)

3Q23: Missed Expectations On Elevated Operating Expenses

9M23 core net loss of RM77.7m (+96.2% yoy) came in below expectations due to higher-than-expected operating expenses. We anticipate a sequential earnings recovery on the gradual restoration of seat capacity and the implementation of expansion plans for both the aviation and non-aviation segments. The potential submission of the PN17 regularisation plan remains the key re-rating catalyst. Maintain HOLD on Capital A. Target price: RM0.82.

3Q23 RESULTS

Year to 31 Dec (RMm)	3QFY23	qoq % chg	yoy % chg	9M23	yoy % chg	Comments
Revenue	4,231.4	34.3	115.8	9,912.3	133.9	Higher aviation revenue
- Aviation	3,948.9	36.8	115.0	9,074.2	136.1	
- Engineering	164.6	19.3	106.7	405.8	92.2	
- Teleport	188.9	13.1	71.1	507.8	42.6	
- Others	(70.9)	(76.7)	(7.9)	(75.6)	56.4	
EBITDA/(LBITDA)	448.0	(3.0)	520.0	1,412.2	1,205.7	On higher operating expenses
- Aviation	385.1	(4.8)	258.5	1,290.6	11,594.8	
- Engineering	42.8	16.1	117.1	98.2	75.1	
- Teleport	(3.7)	(139.9)	(171.1)	14.5	157.5	
- Others	23.8	111.0	139.6	8.8	106.0	
PBT	(550.0)	(158.7)	52.3	417.0	112.5	
PATAMI	(178.8)	(116.0)	80.2	996.6	136.4	Higher losses from TAA
Core PATAMI	(11.2)	85.9	97.9	(77.7)	96.2	
Margins	%	+/-ppt	+/-ppt	%	+/-ppt	
EBITDA	10.6	(4.1)	6.9	14.2	17.3	
PBT/(LBT)	(13.0)	(42.7)	45.8	4.2	83.1	
Core PATAMI/(LATAMI)	(0.3)	2.2	27.2	(0.8)	46.9	

Source: Capital A Berhad, UOB Kay Hian

RESULTS

- **Below expectations.** Capital A recorded a narrowed 3Q23 core net loss of RM11.2m (+85.9% qoq, +97.9% yoy) after adjusting for RM170.0m in forex losses and RM2.3m in fair value loss on derivatives. Cumulatively, 9M23 core net loss of RM77.7m (+96.2% yoy) came in below expectations compared to our and consensus' profit forecasts of RM335.2m and RM155.0m respectively. We note that the underperformance is mainly due to higher-than-expected operating expenses in the aviation segment despite a rise in the revenue.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	1,683	6,437	13,071	14,528	14,914
EBITDA	(2,846)	(1,394)	1,199	1,763	1,957
Operating profit	(2,846)	(1,394)	1,199	1,763	1,957
Net profit (rep./act.)	(2,991)	(2,626)	180	520	634
Net profit (adj.)	(2,951)	(2,027)	180	520	634
EPS (sen)	(49.4)	(33.9)	3.0	8.7	10.6
PE (x)	n.m.	n.m.	28.9	10.0	8.2
P/B (x)	(1.0)	(0.6)	(0.7)	(0.7)	(0.8)
EV/EBITDA (x)	n.m.	n.m.	14.9	10.1	9.1
Dividend yield (n.a.)	n.a.	n.a.	n.a.	n.a.	n.a.
Net margin (%)	(177.7)	(40.8)	1.4	3.6	4.3
Net debt/(cash) to equity (%)	(456.1)	(308.4)	(323.0)	(345.1)	(383.3)
Interest cover (x)	(4.4)	(1.4)	1.3	1.9	2.2
ROE (%)	n.a.	n.a.	(3.2)	(9.8)	(13.5)
Consensus net profit	-	-	155	514	885
UOBKH/Consensus (x)	-	-	1.16	1.01	0.72

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

Source: Capital A, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM0.87
Target Price	RM0.82
Upside	-5.6%
(Previous TP	RM0.88)

COMPANY DESCRIPTION

AirAsia is a regional budget airline serving Malaysia and Southeast Asian destinations. The airline has operations in Thailand, Indonesia, and Philippines.

STOCK DATA

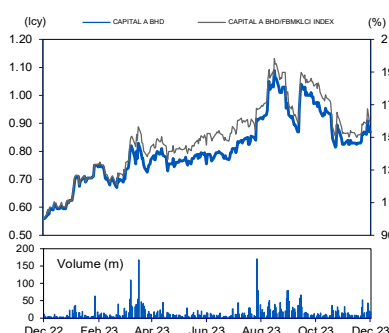
GICS sector	Industrials
Bloomberg ticker:	CAPITALA MK
Shares issued (m):	4,214.1
Market cap (RMm):	3,666.3
Market cap (US\$m):	786.5
3-mth avg daily t'over (US\$m):	3.7

Price Performance (%)

52-week high/low				RM1.09/RM0.560	
1mth	3mth	6mth	1yr	YTD	
5.5	(10.3)	11.5	47.5	39.2	
Major Shareholders					
				%	
Tune Air Sdn Bhd				12.3	
Tune Live Sdn Bhd				12.1	
Positive Boom Limited				7.9	

FY23 NAV/Share (RM)	(1.33)
FY23 Net Debt/Share (RM)	4.30

PRICE CHART



Source: Bloomberg

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• **Aviation segment: Gained from elevated airfares environment.** The aviation segment posted a stronger revenue of RM3.9b (+36.8% qoq, +115.0% yoy) and a slightly weaker EBITDA of RM385.1m (-4.8% qoq, +258.5% yoy). We understand that the qoq drop in EBITDA was mainly due to higher operating expenses, particularly fuel and maintenance expenses. This is despite a higher revenue in the quarter amid higher airfares and an increased number of operational aircraft (152 planes as of end-3Q23). Notably, the fuel prices averaged US\$115/barrel in 9M23, compared to our earlier projections of US\$110/100/95 for 2023/24/25. The group also stopped hedging fuel costs since 2020 amid volatile oil prices. The division also recorded a higher seat capacity of 16.5m (+29.5% qoq, +99.0% yoy) and a load factor of 89% (+2ppt qoq, +3ppt yoy).

• **Non-aviation segment: Higher earnings amid capacity additions.** On the other hand, the non-aviation segments' revenue also grew to RM650.0m (+12.2% qoq, +114.5% yoy) which resulted in a higher EBITDA of RM74.4m (+22.3% qoq, +1,072.5% yoy). The better performance was mainly underpinned by the earnings growth in Asia Digital Engineering (ADE) and Teleport following their recent capacity additions. ADE has achieved increases in the number of maintenance, repair and overhaul (MRO) services and sales of aircraft spare parts. Meanwhile, Teleport also benefitted from its extended network, having delivered higher tonnage by 28% qoq while improving its capacity utilisation to 15% (+2ppt qoq).

STOCK IMPACT

• **Delay in aircraft reactivation plan to be cushioned by higher airfares.** The group revised its aircraft reactivation plan downward amid longer maintenance duration for aging planes coupled with capacity bottlenecks in the MRO industry. The management now expects to reactivate around 187 planes by end-23 (vs earlier guidance for full activation of 204 planes), which represents only 74% of pre-pandemic capacity. While this may dampen the recovery of its seat capacity, we believe it would be partially cushioned by the elevated airfares environment. The airfares are anticipated to increase further in 4Q23 on seasonally stronger air travel demand and the recent exit of MyAirline.

• **ADE and Teleport remain on a high-growth path.** In addition, ADE is set to double its EBITDA in 2023 and grow substantially in 2024 on the back of higher capacity. While all seven of its existing hangar lines are fully booked until 3Q24, an additional fourteen new lines in Kuala Lumpur International Airport (KLIA) Aeropolis will fully commence operations in 2024 (six lines to be ready by 1H24, followed by another eight lines by 2H24). Furthermore, Teleport's earnings growth will also be leveraged on: a) addition of ten A321 freighters with around 27-tonne cargo capacity each by end-24, b) reactivation of the AirAsia fleet, and c) higher utilisation of third-party aircraft's belly capacity.

• **PN17 updates: Rushing for deadlines.** The PN17 regularisation plan remains on track to be submitted by end-23. We reiterate that the disposal of its aviation arm to sister company AirAsia X is still on the table, despite limited clarity of the details.

EARNINGS REVISION/RISK

• **Cut 2023/24/25 earnings by 46%/23%/20% respectively,** as we pencil in lower number of operational aircraft as well as higher fuel and maintenance expenses.

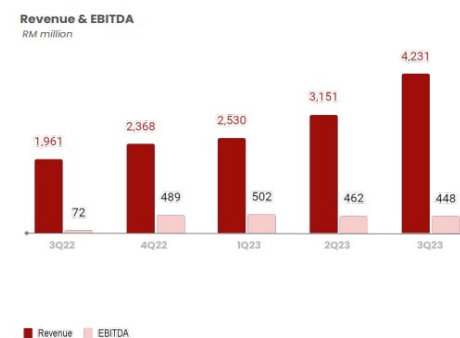
VALUATION/RECOMMENDATION

• **Maintain HOLD with a lower target price of RM0.82 (from RM0.88 previously),** upon tweaking earnings forecast. Our SOTP also factored in 50% discounts on AirAsia SuperApp's and Bigpay's fair values (which was derived based on latest available valuation from previous fundraising exercises) due to the smallish earnings contributions as well as the depressed valuation for technology companies amid a high interest rate environment.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• Environmental
- Avoided 54,360 tonnes of CO2 emissions in 2022 through fuel efficiency programme; targets to cap emissions at 85% of 2019 levels by 2026.
• Social
- Diversified workforce in terms of gender in 2022: female (34%) and male (66%).
• Governance
- Comprehended and applied Malaysian Code on Corporate Governance MCGG).

AVIATION REVENUE AND EBITDA TREND



Source: Capital A

3Q23 AVIATION OPERATIONAL PERFORMANCE

	3Q23	2Q23	qoq % chg
Passengers carried (mil)	14.7	11.1	32.6%
Seat capacity (mil)	16.5	12.7	29.6%
Average fare (RM)	216.0	205.0	5.4%
Seat load factor (%)	89.0	87.0	2.3%
RPK (mil)	17,550	12,868	36.4%
ASK (mil)	19,973	15,027	32.9%
RASK (sen)	19.6	18.7	4.7%
CASK (sen)	22.7	22.2	2.2%
CASK ex-fuel (sen)	13.8	14.7	-6.1%
Avg fuel price (USD/bbl)	121.0	104.0	16.3%

Source: Capital A

SOTP VALUATION

Segment	Valuation (RMm)
Aviation Group (10x 2024F PE)	5,694
Add: AirAsia SuperApp	2,200
(50% discount on US\$1b valuation)	
Add: BigPay	396
(50% discount on US\$180m valuation)	
Add: Proceeds from ESOS, RCUIDS and warrants	1,520
Sum-Of-Part valuation	9,810
Less: 50% discount	(5,272)
Diluted no. of shares (million shares)	5,973
Fair value (RM/share)	0.82

Source: Capital A, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	6,437	13,071	14,528	14,914
EBITDA	(1,394)	1,199	1,763	1,957
Deprec. & amort.	0	0	0	0
EBIT	(1,394)	1,199	1,763	1,957
Total other non-operating income	(600)	0	0	0
Associate contributions	(345)	(3)	(3)	(3)
Net interest income/(expense)	(965)	(945)	(943)	(904)
Pre-tax profit	(3,304)	251	817	1,050
Tax	(1)	(25)	(163)	(252)
Minorities	678	(46)	(134)	(164)
Net profit	(2,626)	180	520	634
Net profit (adj.)	(2,027)	180	520	634

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	(282)	38	862	808
Pre-tax profit	(3,304)	251	817	1,050
Tax	(36)	(25)	(163)	(252)
Deprec. & amort.	1,449	1,454	1,292	1,153
Associates	345	3	3	3
Working capital changes	184	(1,644)	(1,087)	(1,147)
Other operating cashflows	1,079	0	0	0
Investing	(210)	(294)	(291)	(298)
Capex (growth)	(91)	(294)	(291)	(298)
Others	(120)	0	0	0
Financing	(314)	563	(237)	(737)
Dividend payments	0	0	0	0
Issue of shares	0	0	0	0
Proceeds from borrowings	1,168	563	(237)	(737)
Loan repayment	(309)	0	0	0
Others/interest paid	(1,172)	0	0	0
Net cash inflow (outflow)	(806)	307	334	(228)
Beginning cash & cash equivalent	1,178	337	644	978
Changes due to forex impact	(35)	0	0	0
Ending cash & cash equivalent	337	644	978	750

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	11,065	9,905	8,903	8,049
Other LT assets	7,094	8,540	7,703	8,423
Cash/ST investment	337	644	978	750
Other current assets	1,432	2,911	3,520	3,964
Total assets	19,928	21,999	21,104	21,185
ST debt	4,872	5,055	5,095	5,043
Other current liabilities	5,406	6,575	5,380	5,399
LT debt	13,123	13,502	13,225	12,539
Other LT liabilities	6,044	6,158	6,041	6,043
Shareholders' equity	(5,725)	(5,545)	(5,026)	(4,391)
Minority interest	(3,792)	(3,746)	(3,611)	(3,448)
Total liabilities & equity	19,928	21,999	21,104	21,185

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	(21.7)	9.2	12.1	13.1
Pre-tax margin	(51.3)	1.9	5.6	7.0
Net margin	(40.8)	1.4	3.6	4.3
ROA	n.a.	0.9	2.4	3.0
ROE	n.a.	(3.2)	(9.8)	(13.5)
Growth				
Turnover	282.5	103.1	11.1	2.7
EBITDA	n.a.	n.a.	47.0	11.0
Pre-tax profit	n.a.	n.a.	225.5	28.5
Net profit	n.a.	n.a.	189.3	22.0
Net profit (adj.)	n.a.	n.a.	189.3	22.0
EPS	n.a.	n.a.	189.3	22.0
Leverage				
Debt to total capital	212.3	200.3	189.2	180.5
Debt to equity	(314.3)	(334.6)	(364.5)	(400.4)
Net debt/(cash) to equity	(308.4)	(323.0)	(345.1)	(383.3)
Interest cover (x)	(1.4)	1.3	1.9	2.2

COMPANY RESULTS

CIMB Group (CIMB MK)

3Q23: Underpinned By Lower Provisions And Non-Interest Income Recovery

CIMB reported 3Q23 earnings that exceeded our expectation due to lower-than-expected credit cost. 9M23 pre-provision operating profit grew a commendable 8% yoy. The group has also raised its dividend payout ratio to 55% given the group's improved CET1 ratio of 14.4%. Maintain BUY with a higher target price of RM6.56 (0.98x 2024F P/B, 10.4% ROE) as we roll forward our target price to 2024. We continue to like CIMB for its solid ROE trajectory and attractive valuations.

RESULTS

- **Above expectations.** CIMB Group (CIMB) reported 3Q23 net profit of RM1,644.6m (+31.5% yoy, +4.1% qoq), bringing 9M23 earnings to RM5,265.7m (+27.9% yoy). Results exceeded our expectation with 9M23 earnings representing 81% of our full-year estimates. The positive variance stemmed from lower-than-expected credit cost. 9M23 earnings grew 27.9% yoy underpinned by: a) absence of the prosperity tax, b) 31% yoy growth in non-interest income on lower financial derivative losses, and c) positive operating JAWS (revenue outpaced opex growth by 2ppt). Earnings growth was however partially offset by a 24bp NIM compression.
- **In 3Q23, earnings grew 4.1% qoq** as provisions decreased 28% qoq. However, the positive impact of declining provisions was partially offset by negative operating JAWS, with operating expenses outpacing revenue growth by 4ppt. The 3.5% qoq increase in operating expenses was driven by higher marketing and administrative costs. Revenue declined 0.5% qoq due to weaker non-interest income that was partly mitigated by a 1bp qoq improvement in NIM.
- **3Q23 earnings surged by a strong 31.2% yoy** due to: a) the absence of the prosperity tax, b) 39.3% yoy decline in provisions, and c) 44% increase in non-interest income on lower derivative financial losses. However, earnings growth was partly tempered by negative operating JAWS with opex outpacing revenue growth by 3ppt and a 30bp NIM compression.
- **Loans growth moderated.** The group's loans grew by a slower 6.9% in 9M23 (1H23: 8.3%) on lumpy corporate repayments. That said, 9M23 growth of 6.9% remains ahead of our 2023 5% assumption and management's 5-6% guidance. Geographically, growth rates (excluding forex impact) were: a) Malaysia: 4.2% yoy (22: 6.0% yoy), b) Indonesia: 5.2% yoy (22: 8.3% yoy), c) Singapore: +7.0% yoy (22: 6.5% yoy), and d) Thailand: 11.8% yoy (22: 11.3% yoy).
- **NIM stabilised.** 3Q23 NIM ticked up 1bp qoq as deposit competition abated. This brought 9M23 NIM to 2.25% (-24bp) vs management's full-year forecast of -20bp. Meanwhile, we expect 4Q23 NIM to experience a slight downtick due to the typical year-end deposit competition.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net interest income	10,936	11,623	11,295	11,794	12,464
Non-interest income	3,955	4,198	4,873	5,104	5,341
Net profit (rep./act.)	4,357	5,433	6,812	7,307	7,842
Net profit (adj.)	4,357	5,433	6,812	7,307	7,842
EPS (sen)	43.5	52.6	64.7	68.1	71.8
PE (x)	13.0	10.7	8.7	8.3	7.9
P/B (x)	1.0	0.9	0.9	0.8	0.8
Dividend yield (%)	4.1	4.6	6.3	6.6	7.0
Net int margin (%)	2.5	2.6	2.4	2.4	2.4
Cost/income (%)	51.1	47.2	47.8	47.4	46.8
Loan loss cover (%)	100.3	93.1	96.7	108.5	112.7
Consensus net profit	-	-	6,536	7,003	7,455
UOBKH/Consensus (x)	-	-	1.04	1.04	1.05

Source: CIMB Group, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM5.65
Target Price	RM6.56
Upside	+16.0%
(Previous TP)	RM6.00)

COMPANY DESCRIPTION

CIMB Group is Malaysia's largest investment bank and second-largest consumer bank and one of Southeast Asia's leading universal banking groups

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	CIMB MK
Shares issued (m):	10,665.1
Market cap (RMm):	60,257.8
Market cap (US\$m):	12,921.2
3-mth avg daily t'over (US\$m):	15.7

Price Performance (%)

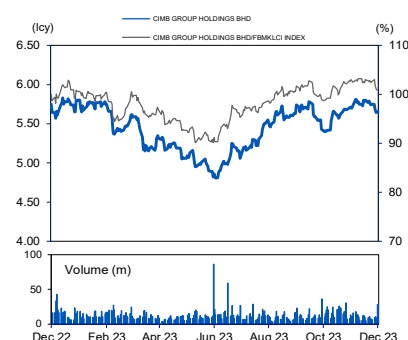
52-week high/low			RM5.83/RM4.81	
1mth	3mth	6mth	1yr	YTD
(1.1)	0.4	17.2	(2.6)	(2.6)

Major Shareholders

	%
Khazanah Nasional Berhad	23.6
EPF	15.6
Amanah Saham Nasional	9.9

FY23 NAV/Share (RM)	6.48
FY23 CAR Tier-1 (%)	16.24

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **Gross impaired loans remained benign.** 3Q23 group GIL ratio declined by 10bp qoq to 3.2% while loans-loss coverage ratio (LLC) rose to 95% from 92% in 2Q23.
- **Credit cost outlook improved.** In 3Q23, net credit costs decreased to 21bp (2Q23: 39bp), resulting in a 9M23 net credit cost of 32bp, compared with our full-year estimate of 40bp and management's guidance of 40-50bp. Considering the favourable asset quality outlook and substantial pre-emptive provisions, we have revised our 2023 net credit cost assumption downward to 35bp from 40bp, but maintained our conservative 2024 assumption at 39bp.
- **Sufficient management overlays to withstand potential macro slowdown** Management is confident that CIMB has ample pre-emptive provisions to address any potential GIL deterioration. Instead of reversing their surplus overlays, they have redistributed most of their RM2.0b in overlays across various portfolios.
- **2023 outlook.** Management has retained its 2023 ROE guidance of 10.2-11.0%. However, it has tweaked downwards its net credit cost assumption to 40-50bp and loans growth guidance to 6-7%. That said, management did allude that net credit cost could track below its full-year target of 40-50bp.

EARNINGS REVISION/RISK

- Following our lower credit cost assumption in 2023, we raise our 2023 earnings by 5%.

VALUATIONS AND RECOMMENDATIONS

- **Maintain BUY with a higher target price of RM6.56 (0.98x 2024F P/B, 10.4% ROE)** from RM6.00 as we roll forward our target price to 2024. We remain optimistic about CIMB, given the potential for positive ROE upside surprise, driven by lower credit costs and robust loans growth. The company has already increased its ROE from the pre-pandemic level of 8-9% to the current 10.5%. The stock is also an excellent proxy to a potential inflow of foreign funds into emerging markets in 1H24 in light of a peakish interest rate cycle in the US given CIMB's relatively high foreign shareholding and high stock beta.

3Q23 RESULTS

Profit & Loss (RMm)	3Q23	3Q22	yoy % chg	9M23	yoy % chg
Net Interest Income	2,842.8	2,980.0	(4.6)	8,312.9	(2.4)
Islamic Banking	1,089.5	1,066.1	2.2	3,140.1	5.8
Fees & Commissions	558.6	529.3	5.5	1,596.0	(3.1)
Net Trading	1,216.5	1,660.0	(26.7)	3,923.4	(23.1)
Other Income	(397.1)	(1,238.3)	>100	(1,330.6)	>100
Total Income	5,310.3	4,997.0	6.3	15,641.7	7.1
Operating Expenses	(2,491.8)	(2,281.0)	9.2	(7,240.3)	5.6
PPOP	2,818.5	2,716.1	3.8	8,401.4	8.4
Allowance for impairment on loans	(296.7)	(488.5)	(39.3)	(1,160.8)	(5.7)
Other impairments	(15.6)	(22.8)	(31.4)	(31.3)	(83.1)
PBT	2,494.3	2,201.8	13.3	7,212.5	26.8
Net Profit	1,850.0	1,407.2	31.5	5,268.3	27.9
EPS (sen)	20.4	15.5	31.3	58.2	28.0
DPS (sen)	17.5	0.0	n.a.	17.5	34.6
BVPS (RM)	6.40	5.90	8.4	6.40	8.4
Financial Ratios (%)	3Q23	3Q22	yoy ppt chg	2Q23	qoq ppt chg
NIM	2.25	2.55	(0.30)	2.24	0.01
Loan Growth, yoy	6.9	9.0	(2.6)	8.3	(1.9)
Deposit Growth, yoy	8.3	1.0	7.3	8.9	(0.6)
Loan/Deposit Ratio	88.3	89.5	(1.2)	87.8	0.5
Cost/Income Ratio	46.9	45.6	1.3	45.1	1.8
Reported ROE	10.9	9.2	1.7	10.7	0.2
NPL Ratio	3.2	3.5	(0.3)	3.3	(0.1)
Credit Costs (bp)	21.0	48.1	(27.0)	39.0	(18.0)
Loan Loss Coverage	95.0	99.9	(4.9)	91.6	3.4
CET-1 CAR	14.4	14.1	0.3	14.2	0.2

Source: UOB Kay Hian

KEY ASSUMPTIONS

(%)	2023F	2024F	2025F
Loan Growth	5.0	6.0	6.2
Credit Cost (bp)	30.0	39.0	38.0
ROE	10.4	10.4	10.6

Source: UOB Kay Hian

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Green loan commitment. To provide RM30b in sustainable financing by 2040. - Zero new coal financing. Transition all stakeholders to zero carbon emission by 2050. • Social <ul style="list-style-type: none"> - Board and upper management gender diversity. Maintained 30% female directors on the Board. - Enhanced financial inclusion to B40. Provide greater financial inclusion for vulnerable communities (affordable housing financing) and welfare assistance to vulnerable communities especially the B40 consumers. • Governance <ul style="list-style-type: none"> - Non-independent board of directors composition. Composition of Independent Non-Executive Directors (INED) – 60 %.

Source: UOB Kay Hian

3.8

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Interest income	18,639	19,698	21,158	22,808
Interest expense	(7,016)	(8,403)	(9,364)	(10,344)
Net interest income	11,623	11,295	11,794	12,464
Fees & commissions	2,227	2,383	2,454	2,602
Other income	1,971	2,490	2,650	2,740
Non-interest income	4,198	4,873	5,104	5,341
Income from islamic banking	4,000	4,520	5,107	5,771
Total income	19,820	20,687	22,005	23,577
Staff costs	(5,539)	(5,767)	(6,228)	(6,728)
Other operating expense	(3,806)	(4,119)	(4,200)	(4,307)
Pre-provision profit	10,475	10,801	11,578	12,542
Loan loss provision	(1,953)	(1,496)	(1,766)	(1,824)
Other provisions	(209)	(350)	(200)	(398)
Associated companies	40	71	72	73
Other non-operating income	10	0	0	0
Pre-tax profit	8,364	9,027	9,683	10,393
Tax	(2,778)	(2,076)	(2,227)	(2,390)
Minorities	(153)	(139)	(149)	(160)
Net profit	5,433	6,812	7,307	7,842
Net profit (adj.)	5,433	6,812	7,307	7,842

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Cash with central bank	10,905	14,956	15,853	16,804
Govt treasury bills & securities	15,602	15,914	16,232	16,557
Interbank loans	3,096	3,378	3,686	4,021
Customer loans	394,557	413,409	437,281	462,633
Investment securities	140,808	158,269	177,767	199,539
Derivative receivables	18,072	20,241	22,670	25,390
Associates & JVs	2,467	2,590	2,720	2,856
Fixed assets (incl. prop.)	2,656	2,545	2,431	2,315
Other assets	78,557	83,174	89,496	97,595
Total assets	666,721	714,477	768,136	827,711
Interbank deposits	34,189	36,413	38,793	41,340
Customer deposits	446,634	468,966	492,414	517,035
Derivative payables	53,384	55,694	58,105	60,621
Debt equivalents	20,933	20,933	20,933	20,933
Other liabilities	47,797	63,143	84,665	110,303
Total liabilities	602,937	645,149	694,911	750,232
Shareholders' funds	62,691	68,096	71,844	75,938
Minority interest - accumulated	1,093	1,232	1,381	1,541
Total equity & liabilities	666,721	714,476	768,136	827,711

OPERATING RATIOS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Capital Adequacy				
Tier-1 CAR	0.0	16.2	16.8	17.3
Total CAR	0.0	21.2	21.7	22.3
Total assets/equity (x)	10.6	10.5	10.7	10.9
Tangible assets/tangible common equity (x)	12.1	11.8	11.9	12.1
Asset Quality				
NPL ratio	3.3	3.4	3.2	3.2
Loan loss coverage	93.1	96.7	108.5	112.7
Loan loss reserve/gross loans	3.0	3.3	3.5	3.6
Increase in NPLs	0.3	7.8	0.5	7.4
Credit cost (bp)	49.5	35.0	39.0	38.0
Liquidity				
Loan/deposit ratio	88.3	88.2	88.8	89.5
Liquid assets/short-term liabilities	6.1	6.7	6.7	6.7
Liquid assets/total assets	4.4	4.8	4.7	4.5

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Growth (yoy chg)				
Net interest income	6.3	(2.8)	4.4	5.7
Fees & commissions	6.4	7.0	3.0	6.0
Pre-provision profit	16.3	3.1	7.2	8.3
Net profit	24.7	25.4	7.3	7.3
Net profit (adj.)	24.7	25.4	7.3	7.3
Customer loans	8.2	4.8	5.8	5.8
Customer deposits	3.2	5.0	5.0	5.0
Profitability				
Net interest margin	2.6	2.4	2.4	2.4
Cost/income ratio	47.2	47.8	47.4	46.8
Adjusted ROA	0.8	1.0	1.0	1.0
Reported ROE	8.9	10.4	10.4	10.6
Adjusted ROE	8.9	10.4	10.4	10.6
Valuation				
P/BV (x)	0.9	0.9	0.8	0.8
P/NTA (x)	1.1	1.0	1.0	0.9
Adjusted P/E (x)	10.7	8.7	8.3	7.9
Dividend Yield	4.6	6.3	6.6	7.0
Payout ratio	49.4	55.0	55.0	55.0

COMPANY RESULTS

Hong Leong Bank (HLBK MK)

1QFY24: Supported By Strong Showing From Associate

HLBank reported in-line 1QFY24 earnings, supported by strong performance from associates and a net provision write-back. We expect NIM to remain compressed in FY24, coupled with a slight moderation in loans growth. Maintain HOLD and target price of RM21.74 (11.3% ROE and 1.26x FY24F P/B). We note that HLBK's current valuation is not particularly attractive with current P/B at only 0.5SD below its historical P/B mean.

RESULTS

- 1QFY24 results: In line.** Hong Leong Bank (HLBank) reported 1QFY24 earnings of RM1,042.1m (+4.9% yoy, +19.1% qoq). 1QFY24 earnings was in line, accounting for 25.7% of our full-year estimates.
- In 1QFY24, the group reported a 4.9% yoy earnings increase**, primarily driven by the robust 33% yoy growth contribution from its associate, Bank of Chengdu and net write-back in provisions on recoveries. However, the core yoy operational performance was less favourable, as pre-provision operating profit declined by 12.7% yoy. This decline was attributed to a 34bp net interest margin (NIM) compression and negative operating JAWS, with operating expenses surpassing revenue growth by 10ppt.
- 4QFY23 earnings rose 19.1% qoq** due to: a) positive operating JAWS, b) 1bp qoq recovery in NIM, c) 5% qoq growth in contribution from associate Bank of Chengdu, and d) net write-back in provisions from recoveries. The 5% qoq decline in opex was partially due to the high-base effect of 4QFY23's staff cost base which had included lumpy unionised staff salary adjustments.
- NIM recovers marginally; looking to optimise LDR.** HLBK saw a slight 1bp qoq NIM improvement in 1QFY24 to 1.84%. Nevertheless, it still represents a hefty 34bp yoy compression. Management has retained its 1.80-1.90% NIM guidance for FY24, implying a full-year compression of 8-18bp. Additionally, management alluded that it intends to optimise its loans-to-deposit ratio (LDR) of 85% to be aligned with the industry's 87%. This is expected to have a 1-2bp accretion to NIM.
- Loans growth moderates downwards but within targets.** HLBK reported 1QFY24 loans growth of 7.2% yoy, which is a slight moderation from FY23's 8% growth but well within its 6-7% target. The moderation in growth was partly due to lumpy corporate loan repayments in 1QFY24. Overall growth was driven by various sectors, including SME (+10.4%), mortgages (+7.5%), auto loans (+9.2%) while loans growth from its Singapore operations declined significantly to 6.2% (FY23: +22.9%). We are maintaining our FY24 loans growth assumption of 6%.

KEY FINANCIALS

Year to 30 Jun (RMm)	2022	2023	2024F	2025F	2026F
Net interest income	3,756	3,684	3,637	3,771	3,945
Non-interest income	937	1,038	1,116	1,170	1,227
Net profit (rep./act.)	3,289	3,818	3,994	4,337	4,754
Net profit (adj.)	3,289	3,818	3,994	4,337	4,754
EPS (sen)	158.2	183.7	192.1	208.6	228.7
PE (x)	12.0	10.3	9.9	9.1	8.3
P/B (x)	1.3	1.2	1.1	1.0	0.9
Dividend yield (%)	2.9	3.1	3.5	3.8	4.8
Net int margin (%)	2.0	1.8	1.8	1.7	1.8
Cost/income (%)	37.5	39.3	39.9	39.4	38.7
Loan loss cover (%)	211.8	168.8	126.9	119.3	117.9
Consensus net profit	-	-	4,011	4,316	4,567
UOBKH/Consensus (x)	-	-	1.00	1.00	1.04

Source: Hong Leong Bank, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM19.90
Target Price	RM21.74
Upside	+14.4%

COMPANY DESCRIPTION

This is fourth largest bank in terms of asset size focusing on retail banking with presence in China through 20%-owned Bank of Chengdu.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	HLBK MK
Shares issued (m):	2,167.7
Market cap (RMm):	41,186.6
Market cap (US\$m):	8,831.7
3-mth avg daily t'over (US\$m):	4.5

Price Performance (%)

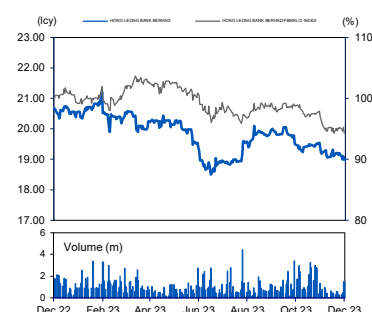
52-week high/low			RM21.20/RM18.50	
1mth	3mth	6mth	1yr	YTD
(2.1)	(4.8)	(1.9)	(8.9)	(7.6)

Major Shareholders

	%
Hong Leong Financial Group Berhad	61.8
Employees Provident Fund Board	9.4

FY24 NAV/Share (RM)	17.50
FY24 CAR Tier-1 (%)	13.90

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **GIL remains stable.** GIL ratio remained stable at 0.57% (4QFY23: 0.57%). Pre-emptive provision buffers remain solid as reflected by its strong loans-loss coverage ratio (LLC) ratio of 165%, supported by RM574m in management overlays.
- **Net credit cost settles below guidance.** HLBank reported a net write-back of 11bp in 1QFY24 (4QFY23: 3bp) on the back of recoveries. This is significantly lower than management's full-year guidance of ~10bp and our 7bp as we have not factored in any reversal in excess pre-emptive provisions in our FY24 forecast.
- **Bank of Chengdu's performance remains resilient.** 1QFY24 contribution from Bank of Chengdu grew a robust 4.7% qoq and 33.8% yoy. The yoy growth was underpinned by 26% loans growth and lower credit cost as GIL ratio declined by 10bp yoy to 0.71%. LLC ratio was also robust at 516%. In addition, management alluded that Bank of Chengdu does not have any exposure to real estate developers currently facing financial strain, and real estate developers only accounted for 7% of its loans book.
- **FY24 guidance.** Management has retained its key FY24 guidance as follows: a) ~10bp net credit cost; b) GIL ratio <0.70%; c) loans growth of 6-7%; d) cost-to-income ratio of <40%, e) NIM: 1.80-1.90%, and f) ROE of ~12%.

EARNINGS REVISION/RISK

- No changes.

VALUATIONS AND RECOMMENDATIONS

- **Maintain HOLD and target price of RM21.74 (11.3% ROE and 1.26x FY24F P/B).** We note that HLBank's current valuation does not appear particularly appealing, as its current P/B of 1.15x FY24 is at -0.5SD from its historical average P/B. At this juncture, as an alternative investment, we favour Public Bank due to its similar defensive qualities and comparatively more attractive valuation of -1SD to its historical mean P/B.

1QFY24 RESULTS

Profit & Loss (RMm)	1QFY24	1QFY23	yoy % chg	4QFY23	qoq % chg
Net Interest Income	921.7	989.6	(6.9)	893.2	3.2
Islamic Banking	230.2	251.5	(8.5)	229.6	0.3
Fees & Commissions	160.0	155.5	2.8	147.0	8.8
Trading income	33.8	102.5	(67.0)	67.4	(49.8)
Other income	48.4	0.8	n.a.	(34.0)	n.a.
Total Income	1,394.1	1,499.9	(7.1)	1,303.2	7.0
Operating Expenses	(556.3)	(540.6)	2.9	(587.4)	(5.3)
PPOP	837.8	959.4	(12.7)	715.8	17.1
Provisions	50.8	(37.2)	(236.5)	(14.0)	(464.1)
Associate	354.5	265.0	33.8	338.5	4.7
PBT	1,243.1	1,187.1	4.7	1,040.4	19.5
Net profit	1,029.8	981.4	4.9	864.7	19.1
EPS (sen)	47.5	45.3	4.9	39.9	19.1
DPS (sen)	0.0	0.0	n.a.	38.0	n.a.
BVPS (RM)	16.68	15.21	9.7	16.59	0.5
Financial Ratios (%)	1QFY24	1QFY23	yoy chg (ppt)	4QFY23	qoq chg (ppt)
NIM	1.84	2.18	(0.34)	1.83	0.01
Loan Growth, yoy	6.2	8.8	(2.5)	8.0	(1.7)
Deposit Growth, yoy	5.8	9.0	(3.2)	7.0	(1.2)
Loan/Deposit Ratio	85.2	84.0	1.2	84.1	1.1
Cost/Income Ratio	39.9	36.0	3.9	45.1	(5.2)
ROE	12.1	12.6	(0.5)	10.8	1.3
NPL Ratio	0.6	0.5	0.1	0.6	(0.0)
Credit Costs (bp)	(11.4)	8.9	(20.2)	3.2	(14.5)
Loan Loss Coverage	165.0	212.0	(47.0)	165.0	-
CET-1 CAR	12.6	12.9	(0.3)	12.8	(0.2)

Source: HL Bank, UOB Kay Hian

KEY ASSUMPTIONS

(%)	2024F	2025F	2026F
Loan Growth	6.0	6.2	6.5
Credit Cost (bp)	7.0	6.0	6.0
ROE	11.3	11.1	11.2

Source: UOB Kay Hian

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Carbon emission commitment• Reduce Scope 1 and 2 emissions by 40%-50% by 2031 - Raising market share for hybrid vehicle financing. HLBank's market share for hybrid vehicle financing rose to 9% in 2021, comprising 2.8% of the group's outstanding HP loans • Social <ul style="list-style-type: none"> - Gender diversity. Female comprises 40% of the group's upper management • Governance <ul style="list-style-type: none"> - Non-independent board of directors composition. Composition of Independent Non-Executive Directors (INED) – 55 %
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Source: UOB Kay Hian

PROFIT & LOSS

Year to 30 Jun (RMm)	2023	2024F	2025F	2026F
Interest income	7,531	6,659	6,973	7,312
Interest expense	(3,847)	(3,022)	(3,203)	(3,367)
Net interest income	3,684	3,637	3,771	3,945
Fees & commissions	599	629	667	707
Other income	439	487	503	520
Non-interest income	1,038	1,116	1,170	1,227
Income from islamic banking	963	1,069	1,187	1,318
Total income	5,686	5,822	6,127	6,489
Staff costs	(1,203)	(1,263)	(1,326)	(1,393)
Other operating expense	(1,030)	(1,059)	(1,088)	(1,119)
Pre-provision profit	3,452	3,500	3,713	3,978
Loan loss provision	(115)	(135)	(123)	(131)
Other provisions	0	4	4	4
Associated companies	1,289	1,470	1,661	1,910
Pre-tax profit	4,627	4,839	5,255	5,761
Tax	(808)	(846)	(918)	(1,007)
Minorities	0	0	0	0
Net profit	3,818	3,994	4,337	4,754
Net profit (adj.)	3,818	3,994	4,337	4,754

BALANCE SHEET

Year to 30 Jun (RMm)	2023	2024F	2025F	2026F
Cash with central bank	3,397	3,851	4,098	4,360
Govt treasury bills & securities	39,542	41,123	42,768	44,479
Interbank loans	437	459	482	506
Customer loans	179,903	190,721	203,016	216,024
Investment securities	31,194	32,598	34,065	35,598
Derivative receivables	2,168	2,168	2,168	2,168
Associates & JVs	8,713	8,713	8,713	8,713
Fixed assets (incl. prop.)	1,231	1,281	1,332	1,385
Other assets	13,265	17,102	21,095	25,251
Total assets	279,850	298,016	317,737	338,484
Interbank deposits	9,594	10,169	10,780	11,426
Customer deposits	213,902	224,597	235,827	247,619
Derivative payables	2,388	2,579	2,785	3,008
Debt equivalents	3,221	3,215	3,215	3,215
Other liabilities	16,758	21,011	26,022	31,426
Total liabilities	245,864	261,572	278,629	296,694
Shareholders' funds	33,987	36,445	39,108	41,790
Minority interest - accumulated	0	0	0	0
Total equity & liabilities	279,850	298,016	317,737	338,484

OPERATING RATIOS

Year to 30 Jun (%)	2023	2024F	2025F	2026F
Capital Adequacy				
Tier-1 CAR	12.9	13.9	14.6	15.2
Total CAR	15.9	11.9	12.8	13.5
Total assets/equity (x)	8.2	8.2	8.1	8.1
Tangible assets/tangible common equity (x)	8.7	8.6	8.5	8.5
Asset Quality				
NPL ratio	0.6	0.8	0.8	0.8
Loan loss coverage	168.8	126.9	119.3	117.9
Loan loss reserve/gross loans	1.0	1.0	0.9	0.9
Increase in NPLs	27.1	39.2	8.0	6.9
Credit cost (bp)	6.4	7.0	6.0	6.0
Liquidity				
Loan/deposit ratio	84.1	84.9	86.1	87.2
Liquid assets/short-term liabilities	19.4	19.3	19.2	19.0
Liquid assets/total assets	15.5	15.2	14.9	14.6

KEY METRICS

Year to 30 Jun (%)	2023	2024F	2025F	2026F
Growth (yoy chg)				
Net interest income	(1.9)	(1.3)	3.7	4.6
Fees & commissions	(1.8)	5.0	6.0	6.0
Pre-provision profit	(1.3)	1.4	6.1	7.1
Net profit	16.1	4.6	8.6	9.6
Net profit (adj.)	16.1	4.6	8.6	9.6
Customer loans	8.1	6.0	6.4	6.4
Customer deposits	7.0	5.0	5.0	5.0
Profitability				
Net interest margin	1.8	1.8	1.7	1.8
Cost/income ratio	39.3	39.9	39.4	38.7
Adjusted ROA	1.4	1.4	1.4	1.4
Reported ROE	11.8	11.3	11.5	11.8
Adjusted ROE	11.8	11.3	11.5	11.8
Valuation				
P/BV (x)	1.2	1.1	1.0	0.9
P/NTA (x)	1.2	1.2	1.1	1.0
Adjusted P/E (x)	10.3	9.9	9.1	8.3
Dividend Yield	3.1	3.5	3.8	4.8
Payout ratio	32.1	35.0	35.0	40.0

COMPANY RESULTS

IHH Healthcare (IHH MK)

3Q23: All Segments Largely Delivered

IHH's 3Q23 earnings came in within our expectations. Both Singapore and Malaysia saw improved revenue intensity, while the former experienced flattish volume growth. Meanwhile, Acibadem continues to command resilient patient volume despite its steep pricing adjustment, but contributions have been curtailed by inflation. India sustained its positive momentum as GHK remained EBITDA positive despite a slight dip in bed occupancy rate. Maintain HOLD and target price of RM6.40.

3Q23 RESULTS

Year to 31 Dec (RMm)	3Q23	qoq % chg	yoy % chg	1H23	qoq % chg	Comments
Revenue	5,825.9	24.6	26.8	15,642.2	19.1	
Singapore	1,467.2	9.0	14.9	4,131.0	12.9	
Malaysia	967.8	10.4	15.2	2,719.6	21.3	
Acibadem	1,507.4	6.4	35.8	4,380.8	40.1	Underlying demand remains robust.
Others	1,883.4	82.5	35.1	4,407.8	6.8	
EBITDA	1,431.3	38.2	35.1	4,603.5	36.7	
Singapore	427.9	8.2	14.2	1,213.4	7.5	
Malaysia	257.3	16.7	3.7	726.0	15.1	
Acibadem	298.2	10.4	29.1	865.2	21.2	
Others	436.9	184.4	156.8	769.5	46.2	
Net profit	532.1	76.3	111.4	2,224.5	63.9	
Core profit	352.8	12.0	11.9	997.8	(4.1)	Within our but below consensus expectations.
		qoq +/- ppt	yoy +/- ppt		qoq +/- ppt	
Margins (%)	%	+/- ppt	+/- ppt	%	+/- ppt	
EBITDA	24.6	2.4	1.5	29.4	3.8	
Core profit	6.1	-0.7	-0.8	6.4	-1.5	

Source: IHH, UOB Kay Hian

RESULTS

- **Within our expectations.** IHH Healthcare (IHH) posted a 3Q23 core profit of RM352m (12.0% qoq, 11.9% yoy). This brought 9M23 core profit to RM998m (-4.1% yoy). Exceptionals amounting to RM163m, is largely attributed to RM224m of net monetary gain from hyperinflationary economies (Acibadem). Core profit is within our expectations, but below consensus' expectations, with earnings accounting for 76% and 59% of full-year earnings forecasts respectively.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	17,132	17,989	18,794	20,055	21,456
EBITDA	4,056	3,525	3,215	3,331	3,496
Operating profit	3,060	2,545	2,216	2,310	2,450
Net profit (rep./act.)	1,863	1,548	1,290	1,417	1,569
Net profit (adj.)	1,595	1,381	1,290	1,417	1,569
EPS (sen)	18.2	15.7	14.7	16.2	17.9
PE (x)	32.1	37.0	39.6	36.1	32.6
P/B (x)	2.3	2.0	1.9	1.8	1.8
EV/EBITDA (x)	14.3	16.4	18.0	17.4	16.5
Dividend yield (%)	0.7	1.2	0.9	0.9	0.9
Net margin (%)	10.9	8.6	6.9	7.1	7.3
Net debt/(cash) to equity (%)	17.1	20.9	11.7	7.6	3.5
Interest cover (x)	7.5	6.5	6.8	7.1	7.4
ROE (%)	8.4	6.4	4.8	5.1	5.5
Consensus net profit	-	-	1,691	1,767	1,979
UOBKH/Consensus (x)	-	-	0.76	0.80	0.79

Source: IHH Healthcare, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM5.83
Target Price	RM6.40
Upside	+9.8%

COMPANY DESCRIPTION

IHH Healthcare provides healthcare services. The company operates hospitals as well as medical centres, clinics and ancillary healthcare businesses across multiple countries, including Singapore, Malaysia, Turkey, India and Hong Kong.

STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	IHH MK
Shares issued (m):	8,806.0
Market cap (RMm):	52,131.8
Market cap (US\$m):	11,051.9
3-mth avg daily t'over (US\$m):	7.7

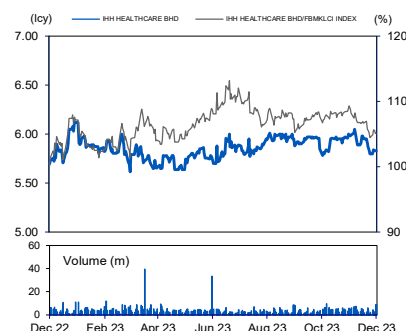
Price Performance (%)

52-week high/low		RM7.34/RM5.54		
1mth	3mth	6mth	1yr	YTD
0.2	(7.1)	(9.9)	(9.6)	(19.3)

Major Shareholders

	%
Mitsui & Co.	32.8
Khazanah Nasional	25.6
EPF	10.4
FY22 NAV/Share (RM)	2.69
FY22 Net Debt/Share (RM)	0.15

PRICE CHART



Source: Bloomberg

ANALYST(S)

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• **Singapore outshone Malaysia with sustained margins.** Top-line of its Singapore operations grew 14.9% yoy. This was primarily driven by inpatient revenue intensity (+17% yoy) as inpatient volume was flattish (+1% yoy). Positively, nursing strength is at full force while new ambulatory care centres should supplement some growth heading into 2024. Earnings grew at 14.2% yoy, in tandem with top-line as margins were sustained. In Malaysia, revenue grew by 18% yoy off improved revenue intensity (6% yoy) and inpatient volume (11% yoy). Apart from organic growth brought about by its budgeted RM1b capex over the next five years, inorganic acquisitions such as the acquisition of Timberland Medical Centre in Sarawak will supplement growth as well. Inflationary cost may have curtailed margins by 2.9ppt as earnings only grew 3.7% yoy

• **Resilient top-line growth but weaker Lira cut into margins.** Acibadem's revenue grew by 36% yoy, driven by 40% revenue intensity and 8% inpatient volume growth. A ramp-up in Acibadem Atasehir contributed to the latter, while the former is due to inflation adjusted pricing. Earnings were lifted by net monetary gain from its hyperinflationary accounting adjustment. Acibadem continues to strive for a more diversified revenue base given its economic circumstance, now with 58% of revenue being derived from domestic patients (2018: 67%).

• **India delivered.** India sustained its yoy revenue growth with 11% yoy. Revenue intensity was up 8% yoy amid flattish volume of 2%. Margins improved alongside revenue intensity as earnings grew 15.4% yoy. Higher insurance penetration and increasing income are structural trends that will support long-term growth. While Gleneagles Hong Kong (GHK) saw occupancy rates dip to 64% (23Q2: 67%), it remained EBITDA positive at 10.6%. Opening of new beds and expansion of clinical offerings and labs should aide GHK's path to profitability.

SOTP VALUATION

Sum of parts valuation	Value (RM m)	Value per share (RM)	Remarks
Parkway Pantai Limited (100% equity stake)	32052	3.65	NPV of FCFF (8.0% WACC, 1.5% LTG)
Acibadem (90% equity stake)	14345	1.64	NPV of FCFF (17.6% WACC, 2.5% LTG)
Fortis (31.1% equity stake)	6544	0.75	NPV of FCFF (9.4% WACC, 3.0% LTG)
Parkway Life REIT (35.7% equity stake)	2846	0.32	
SOP Equity Value	55786	6.40	

Source: UOB Kay Hian

EARNINGS REVISION/RISK

• **No changes to earnings.** Key downside risks are: a) execution risk, b) shortfall in turning around Fortis, and c) heightened regulatory hurdles.

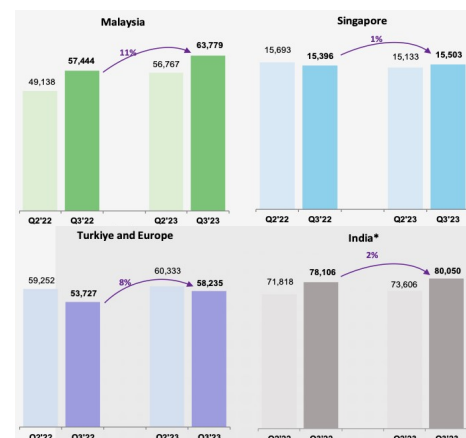
VALUATION

• **Maintain HOLD and SOTP-based target price of RM6.40.** Our SOTP-based target price implies 39.7x 2024F PE, or close to -1SD of its five-year mean PE. While valuations appear decent relative to its historical valuations, it is not as attractive vs other similarly-profiled large defensive stocks. While the nature of its operations is defensive, certain regions in which IHH operates in can be tumultuous. Furthermore, valuations have factored in an earnings recovery in 2024. As such, we have a HOLD recommendation.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

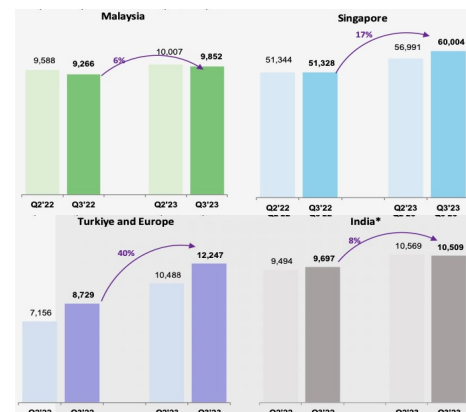
• Environmental <ul style="list-style-type: none"> - Waste management. 15% of non-scheduled waste generated was diverted from landfills in 2020. Ensures that all medical waste and other toxins are treated before discharge or incinerated to protect public health.
• Social <ul style="list-style-type: none"> - Diversity & inclusion. Hiring practices are non-discriminatory and equal opportunity is practiced at the workplace.
• Governance <ul style="list-style-type: none"> - Board composition. IHH has a majority of Independent Non-Executive Directors (INED) on the board. INEDs make up 54% of the board composition.

INPATIENT ADMISSION VOLUMES



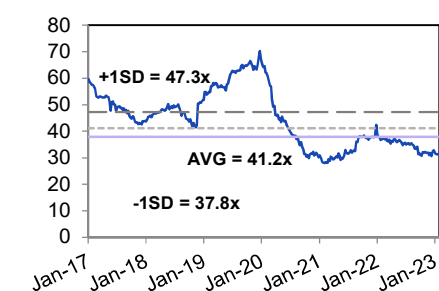
Source: IHH

AVERAGE REVENUE PER INPATIENT ADMISSION



Source: IHH

FIVE-YEAR PE BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	17,989	18,794	20,055	21,456
EBITDA	3,525	3,215	3,331	3,496
Deprec. & amort.	980	999	1,021	1,046
EBIT	2,545	2,216	2,310	2,450
Associate contributions	216	38	40	43
Net interest income/(expense)	(544)	(470)	(470)	(470)
Pre-tax profit	2,217	1,783	1,880	2,023
Tax	(572)	(365)	(424)	(407)
Minorities	(97)	(128)	(39)	(47)
Net profit	1,548	1,290	1,417	1,569
Net profit (adj.)	1,381	1,290	1,417	1,569

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	3,668	4,181	3,018	3,191
Pre-tax profit	2,217	1,783	1,880	2,023
Tax	(616)	(365)	(424)	(407)
Deprec. & amort.	1,791	999	1,021	1,046
Associates	(216)	(38)	(40)	(43)
Working capital changes	55	1,440	219	210
Non-cash items	544	470	470	470
Other operating cashflows	(108)	(108)	(108)	(108)
Investing	(1,854)	(1,039)	(1,152)	(1,204)
Capex (growth)	(1,668)	(1,202)	(1,252)	(1,302)
Investments	(122)	60	0	0
Others	(64)	102	100	97
Financing	(2,920)	(1,231)	(827)	(874)
Dividend payments	(528)	(438)	(438)	(486)
Issue of shares	0	0	0	0
Proceeds from borrowings	429	(403)	0	0
Others/interest paid	(2,821)	(390)	(389)	(388)
Net cash inflow (outflow)	(1,106)	1,911	1,039	1,113
Beginning cash & cash equivalent	5,018	3,687	5,598	6,637
Changes due to forex impact	(225)	0	0	0
Ending cash & cash equivalent	3,687	5,598	6,637	7,750

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	11,883	11,338	11,630	11,947
Other LT assets	28,302	29,232	29,359	29,492
Cash/ST investment	3,687	5,598	6,637	7,750
Other current assets	4,596	4,773	5,005	5,259
Total assets	48,467	50,941	52,630	54,447
ST debt	1,592	940	940	940
Other current liabilities	5,667	7,343	7,795	8,259
LT debt	7,565	7,814	7,814	7,814
Other LT liabilities	4,485	4,485	4,485	4,485
Shareholders' equity	26,192	27,043	28,021	29,105
Minority interest	2,967	3,315	3,575	3,844
Total liabilities & equity	48,467	50,941	52,630	54,447

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	19.6	17.1	16.6	16.3
Pre-tax margin	12.3	9.5	9.4	9.4
Net margin	8.6	6.9	7.1	7.3
ROA	3.3	2.6	2.7	2.9
ROE	6.4	4.8	5.1	5.5
Growth				
Turnover	5.0	4.5	6.7	7.0
EBITDA	(13.1)	(8.8)	3.6	5.0
Pre-tax profit	(13.3)	(19.6)	5.4	7.6
Net profit	(16.9)	(16.7)	9.9	10.8
Net profit (adj.)	(13.4)	(6.6)	9.9	10.8
EPS	(13.4)	(6.6)	9.9	10.8
Leverage				
Debt to total capital	23.9	22.4	21.7	21.0
Debt to equity	35.0	32.4	31.2	30.1
Net debt/(cash) to equity	20.9	11.7	7.6	3.5
Interest cover (x)	6.5	6.8	7.1	7.4

COMPANY RESULTS

IJM Corporation (IJM MK)

2QFY24: Above Expectations

IJM's 1HFY24 results were above expectations due to higher-than-expected earnings from both the construction and property development divisions. We expect a pick-up in earnings in the coming quarters on higher progress billings with eased labour issues and more projects in advanced construction stages. The property division is backed by strong unbilled sales of RM2.5b, new launches of RM2b and its progressive inventory monetisation. Maintain HOLD. Target price: RM1.70.

2QFY24 RESULTS

Year to 31 Mar	2QFY24 (RMm)	qoq % chg	yoy % chg	1HFY24 (RMm)	yoy % chg	Remarks
Revenue	1,458.4	19.0	36.1	2,684.2	25.2	Higher revenue from construction and property divisions
EBIT	269.9	9.6	72.6	516.1	69.4	Lower profit margins
Finance cost	(77.2)	11.6	31.9	(146.4)	33.3	
JVs and associates	(1.6)	(152.5)	(81.8)	1.5	(110.0)	
PBT	191.0	6.0	115.1	371.1	106.2	
Tax	(78.6)	20.4	72.0	(143.9)	63.5	Higher effective tax rate
Non-controlling interests	(7.0)	161.3	61.0	(9.6)	16.6	
Perpetual sukuk	(11.8)	2.0	0.0	(23.3)	0.0	
PATAMI	93.7	(6.9)	246.6	194.3	221.5	
Core PATAMI	139.2	109.7	94.3	205.6	38.8	Exclude impairment & forex losses
Margins	%	+/-ppt	+/-ppt	%	+/-ppt	-
EBIT	18.5	(1.6)	3.9	19.2	5.0	
PBT	13.1	(1.6)	4.8	13.8	5.4	
PATAMI	6.4	(1.8)	3.9	7.2	4.4	
Core PATAMI	9.5	4.1	2.9	7.7	0.8	

Source: IJM Corporation, UOB Kay Hian

RESULTS

• **Above expectations.** IJM Corporation (IJM) reported a stronger 2QFY24 core net profit of RM139.2m (+109.7% qoq, +94.3% yoy) on the back of a revenue of RM1.5b (+19.0% qoq, +36.1% yoy). Core net profit is arrived after stripping off mainly RM12.8m impairments and RM35m forex losses. This brought 1HFY24 earnings to RM205.6m (+38.8% yoy), coming in above our expectation at 61% of our forecast but in line with consensus at 50% of the street's estimates. The positive variance mainly stemmed from higher-than-expected earnings contributions from both the construction and property development divisions.

KEY FINANCIALS

Year to 31 Mar (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	4,409	4,572	5,339	5,475	5,698
EBITDA	873	1,091	1,145	1,182	1,207
Operating profit	537	741	787	819	841
Net profit (rep./act.)	102	158	375	421	457
Net profit (adj.)	102	158	375	421	457
EPS (sen)	2.8	4.3	10.3	11.5	12.5
PE (x)	64.6	41.7	17.6	15.7	14.4
P/B (x)	0.7	0.7	0.7	0.6	0.6
EV/EBITDA (x)	10.5	8.4	8.0	7.8	7.6
Dividend yield (%)	11.3	4.4	3.4	3.8	4.2
Net margin (%)	2.3	3.5	7.0	7.7	8.0
Net debt/(cash) to equity (%)	24.4	23.8	27.8	25.9	24.7
Interest cover (x)	4.6	4.3	4.7	5.4	6.2
ROE (%)	1.9	1.5	3.5	3.9	4.1
Consensus net profit	-	-	358	409	461
UOBKH/Consensus (x)	-	-	1.05	1.03	0.99

Source: IJM Corporation, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM1.81
Target Price	RM1.70
Upside	-6.0%
(Previous TP)	RM1.62)

COMPANY DESCRIPTION

A conglomerate with exposure in construction, property, plantation and concession assets.

STOCK DATA

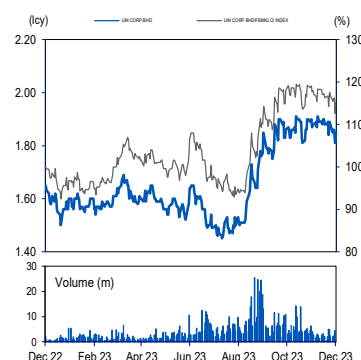
GICS sector	Industrials
Bloomberg ticker:	IJM MK
Shares issued (m):	3,506.2
Market cap (RMm):	6,346.2
Market cap (US\$m):	1,361.5
3-mth avg daily t'over (US\$m):	2.1

Price Performance (%)

52-week high/low			RM1.91/RM1.45	
1mth	3mth	6mth	1yr	YTD
(4.7)	2.3	11.9	14.7	14.7
Major Shareholders				%
Amanah Saham Nasional Bhd				17.1
Employees Provident Fund				16.9
Kumpulan Wang Persaraan Diperbadankan				9.4

FY24 NAV/Share (RM)	2.74
FY24 Net Debt/Share (RM)	0.83

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Construction: Accelerated progress billing despite weaker margins.** The construction segment reported a higher pretax profit of RM15.3m (+36.2% qoq, -37.3% yoy) on a revenue of RM416.1m (+35.5% qoq, +54.9% yoy) in 2QFY24. The stronger performance was supported by the accelerated progress billing although being partially offset by weaker margins on a yoy basis as most projects were still at their initial stages. We expect the segment's earnings to continue growing over the coming quarters as the group gradually ramps up progress billings with eased labour issues and more projects in the advanced construction stages.
- Property development: Stronger earnings masked by forex losses.** The property development division posted a decline in pretax profit to RM76.2m (-6.2% qoq, +159.7% yoy) on a higher revenue of RM463.7m (+25.5% qoq, +42.0% yoy). We highlight that the drop in pretax profit was mainly due to the forex losses of RM17.7m in 2QFY24 as opposed to forex gains of RM42.2m back in 1QFY24. The group also booked in new property sales of RM851m as of 1HFY24, and is expected to record better performance in 2HFY24 to meet its sales target of RM2b for the full-year FY24. We believe the division's earnings outlook remains resilient, backed by strong unbilled sales of around RM2.5b, a robust line-up of new property launches with gross development value (GDV) of RM3b, and its progressive inventory monetisation plan.
- Infrastructure: Delivered resilient earnings.** Meanwhile, the infrastructure segment also recorded higher revenue of RM242.4m (+0.3% qoq, +11.6% yoy) in 2QFY24, driven by higher contributions from Kuantan Port and Malaysian highways. In addition to the higher revenue, profit before tax surged to RM53.7m (+11.0% qoq, +423.6% yoy) driven by better margins amid favourable foreign exchange rates and lower operating expenses. Going ahead, Kuantan Port is expected to achieve resilient earnings backed by a stable throughput, while the outlook for its highway assets remains challenging due to heightened interest expenses despite the steady traffic recovery.
- Orderbook grew substantially qoq.** IJM's orderbook increased substantially to RM6.4b as of end-2QFY24 (from RM4.9b 1QFY24), which would provide earnings visibility for the next two to three years (cover ratio of 1.4x of FY23 revenue). The group has also secured several new jobs collectively worth RM2.4b as of Nov 23 (excluding RM400m internal projects), on track to meet its RM3b targeted orderbook replenishment for FY24. Among the major contracts secured in ytd FY24 is the RM1.3b contract for the Package 2A Immigration Customs and Quarantine Complex (ICQC) and Package 2B ICQC External Works for Johor Bahru-Singapore Rapid Transit System Link. Potential sizeable projects that are up for grabs for the group include MRT3, extension of New Pantai Expressway, Indian highway projects and various industrial building jobs.

EARNINGS REVISION/RISK

- Raise earnings FY24/25/26 earnings by 12%/7%/7% respectively,** as we revised upward the progress billing and property sales assumptions.

VALUATION/RECOMMENDATION

- Maintain HOLD with a higher target price of RM1.70 (from RM1.62 previously),** upon making earnings adjustments. Our target price is based on a 10% discount to SOTP valuation of RM1.89/share and implies around 15x 2024F PE (close to historical mean PE).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

Environmental
- Achieved emissions avoidance of 5,176 tCO ₂ e in FY23 from renewable energy generation, waste recycled and the purchase of renewable energy certificates.
Social
- Spent RM2.4m for social contributions to support community in FY23.
Governance
- Aligned with the principles of the Malaysian Code on Corporate Governance.

2QFY24 RESULTS – REVENUE BREAKDOWN

	2QFY24 (RMm)	qoq % chg	yoy % chg
Construction	416.1	35.5	54.9
Property dev.	463.7	25.5	42.0
Industrial	316.0	2.8	21.9
Infrastructure	242.4	0.3	11.6
Others	20.1	27,125.7	7,502.6
Total	1,458.4	19.0	36.1

Source: IJM

2QFY24 RESULTS – PRETAX PROFIT BREAKDOWN

	2QFY24 (RMm)	qoq % chg	yoy % chg
Construction	15.3	36.2	(37.3)
Property dev.	76.2	(6.2)	159.7
Industrial	44.7	0.7	(11.6)
Infrastructure	53.7	11.0	423.6
Others	1.1	120.7	(6.2)
Total	191.0	6.0	115.1

PBT Margins	%	+/-ppt	+/-ppt
Construction	3.7	0.0	(5.4)
Property dev.	16.4	(5.5)	7.4
Industrial	14.2	(0.3)	(5.4)
Infrastructure	22.2	2.1	29.8

Source: IJM

SEGMENTAL EBIT BREAKDOWN

FYE 31 Dec (RMm)	FY23	FY24F	FY25F	FY26F
Total EBIT	739	787	819	841
Construction	171	182	205	246
Property dev.	410	346	315	286
Industrial	155	166	171	177
Infrastructure	(14)	92	126	129
Others	16	1	2	3

Source: IJM, UOB Kayhian

VALUATION

	Value (RMm)	Remarks
Construction & Industry	1,664	12x FY24F PE
Infrastructure assets	4,423	Cost of equity 8%
Property	3,057	45% discount to RN
Other Investments	300	
Less: Net debt	(2,547)	End-2023
Total SOP value	6,897	
Enlarged sharebase	3,648	
FD SOP/share	1.89	
Discount	10%	
Fair value/share (RM)	1.70	
Implied 2024F PE (x)	15.4	

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
Net turnover	4,572	5,339	5,475	5,698
EBITDA	1,091	1,145	1,182	1,207
Deprec. & amort.	350	359	362	366
EBIT	741	787	819	841
Associate contributions	(2)	(2)	(3)	(3)
Net interest income/(expense)	(256)	(244)	(219)	(194)
Pre-tax profit	483	541	597	644
Tax	(271)	(130)	(143)	(154)
Minorities	(7)	10	14	15
Preferred dividends	(47)	(47)	(47)	(47)
Net profit	158	375	421	457
Net profit (adj.)	158	375	421	457

BALANCE SHEET

Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
Fixed assets	5,207	5,098	4,986	4,870
Other LT assets	3,469	3,467	3,464	3,461
Cash/ST investment	2,808	2,087	1,752	1,340
Other current assets	9,027	10,288	10,510	10,890
Total assets	20,511	20,940	20,712	20,561
ST debt	1,704	1,531	1,381	1,231
Other current liabilities	3,097	3,615	3,722	3,888
LT debt	3,651	3,573	3,223	2,873
Other LT liabilities	1,098	1,120	1,129	1,144
Shareholders' equity	10,692	10,841	11,010	11,193
Minority interest	269	259	246	231
Total liabilities & equity	20,511	20,940	20,712	20,561

CASH FLOW

Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
Operating	1,078	51	714	659
Pre-tax profit	483	541	597	644
Tax	(229)	(130)	(143)	(154)
Deprec. & amort.	350	359	362	366
Associates	2	2	3	3
Working capital changes	458	(721)	(105)	(200)
Other operating cashflows	14	0	0	0
Investing	(159)	(250)	(250)	(250)
Capex (growth)	(196)	(250)	(250)	(250)
Proceeds from sale of assets	11	0	0	0
Others	26	0	0	0
Financing	(1,001)	(521)	(799)	(821)
Dividend payments	(211)	(225)	(253)	(274)
Proceeds from borrowings	(206)	(250)	(500)	(500)
Others/interest paid	(584)	(47)	(47)	(47)
Net cash inflow (outflow)	(82)	(720)	(335)	(412)
Beginning cash & cash equivalent	2,887	2,808	2,087	1,752
Changes due to forex impact	2	0	0	0
Ending cash & cash equivalent	2,808	2,087	1,752	1,340

KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	23.9	21.5	21.6	21.2
Pre-tax margin	10.6	10.1	10.9	11.3
Net margin	3.5	7.0	7.7	8.0
ROA	0.8	1.8	2.0	2.2
ROE	1.5	3.5	3.9	4.1
Growth				
Turnover	3.7	16.8	2.5	4.1
EBITDA	25.0	5.0	3.2	2.1
Pre-tax profit	52.0	11.9	10.5	7.8
Net profit	55.1	136.7	12.4	8.7
Net profit (adj.)	55.1	136.7	12.4	8.7
EPS	55.0	136.7	12.4	8.7
Leverage				
Debt to total capital	32.8	31.5	29.0	26.4
Debt to equity	50.1	47.1	41.8	36.7
Net debt/(cash) to equity	23.8	27.8	25.9	24.7
Interest cover (x)	4.3	4.7	5.4	6.2

UOBKH HIGHLIGHTS

Ekovest (EKO MK/BUY/RM0.45/Target: RM1.10)

1QFY24: Turns Profitable, Boosted By Higher Construction Margin

Year to 30 Jun	1QFY24 (RMm)	4QFY23 (RMm)	1QFY23 (RMm)	qoq % chg	yoy % chg	Year to 30 Jun (RMm)	FY23	FY24F	FY25F	FY26F
Revenue	271.9	279.9	322.9	(2.9)	(15.8)	Net Turnover	1,117	1,209	1,220	1,093
- Construction	165.3	186.0	156.9	(11.1)	5.3	EBIT	237	304	352	363
- Property Development	5.9	10.0	66.4	(41.0)	(91.1)	Net Profit (Reported/Actual)	(111)	(62)	(41)	(37)
- Toll Operation	56.5	52.7	51.0	7.3	10.8	Net Profit (Adjusted)	(26)	43	64	68
- Plantation	31.7	21.8	37.8	45.5	(15.9)	EPS (sen)	-0.9	1.4	2.2	2.3
- F&B	2.6	2.9	3.4	(8.0)	(22.2)	PE (x)	n.m.	31.0	20.8	19.6
- Others	9.9	6.6	7.5	50.3	32.6	P/B (x)	0.5	0.5	0.5	0.5
Operating profit	99.2	66.2	79.5	49.7	24.8	EV/EBITDA (x)	27.2	21.4	18.6	18.0
- Construction	45.6	19.9	13.2	129.3	245.7	Dividend Yield (%)	0	0	0	0
- Property Development	(0.2)	(2.7)	10.7	94.3	(101.4)	Net Margin (%)	n.m.	3.6	5.3	6.2
- Toll Operation	46.1	50.0	42.9	(7.9)	7.5	Net Debt/(Cash) to Equity (%)	231	214	208	206
- Plantation	6.4	(4.3)	11.2	249.3	(42.7)	Interest Cover (x)	1.23	1.55	1.8	1.9
- F&B	(1.4)	(1.0)	(0.2)	(31.8)	(443.8)	ROE (%)	(1.1)	1.8	2.7	2.9
- Others	2.2	4.3	1.4	(48.7)	61.8	Consensus Net Profit	-	-	-	-
- Elimination	0.3	0.8	0.3	(57.5)	18.6	UOBKH/Consensus (x)	-	-	-	-
Pre-tax Profit	23.0	(65.4)	3.2	135.2	623.1					
PATAMI	3.1	(95.4)	0.2	103.2	1,594.0					
Core PATAMI	12.1	(24.2)	(2.8)	150.1	529.4					

Source: Ekovest, UOB Kay Hian

RESULTS

- **Above expectations.** Ekovest (EKO) reported 1QFY24 revenue of RM271.9m (-2.9% qoq, -15.8% yoy) and core net profit of RM12.1m (+150.1% qoq, +529% yoy). The results were above our expectation, accounting for 62% of our full-year forecast, on higher-than-expected construction margin. Administrative expense was lower 58% qoq (normalisation of cost) and finance expense was lower 9% qoq due to repayment of the sukuk principal in Duke 1 & 2. However, both administrative and finance expenses were stable yoy.
- 1QFY24 core net profit of RM12.1m was derived after excluding exceptional items amounting to -RM9m (on deferred tax expense) from reported net profit of RM3.1m.

COMMENTS

- **Construction:** Revenue declined 11% qoq on absence of one-off claim from RTS preliminary work but increased 5% yoy from higher contribution from SPE highway (as the highway is nearing completion). EBIT margin expanded by 17ppt qoq and 19 ppt yoy on cost saving upon the completion of the highway. As SPE has been completed, we expect the margin next quarter to be lower. However, we still expect higher contribution from the construction segment as the RTS projects gradually pick up pace with accelerating progress billing going ahead.
- **Property development:** While revenue declined 41% qoq (lower sales), operating losses narrowed to RM0.2m from RM2.7m in 4QFY23, likely on normalisation of marketing expenses. However, results were weaker yoy on lower sales as well as preliminary expenses incurred for the new upcoming project, EkoTitiwangsa. We expect better contribution from this segment moving forward from EkoTitiwangsa.
- **Toll operation:** Recorded higher revenue qoq and yoy on higher traffic volume, but margin was lower likely on the start-up cost from the commencement of SPE highway. We expect the segment to be stronger moving forward from full quarter contribution of SPE highway (commenced on 3 Nov 23).
- **Plantation:** Qoq, there was improvement in revenue and margin as last quarter (4QFY23) was hit by lower sales of oil palm as well as impairment charged. However, the segment still posted weaker results yoy on lower sales contribution from oil palm plantation and weaker commodity prices for crude palm oil. We think the segment will remain weak in view of the lack of drivers in the coming years.

EARNINGS REVISION/RISK

- **We raise our FY24 net profit forecast by 115%** to RM43m from RM20m to account for lower admin expenses and lower finance cost. We keep FY25-26 forecasts unchanged for now.

VALUATION/RECOMMENDATION

- **Maintain BUY with an unchanged target price of RM1.10**, based on a 50% discount to its SOTP of RM2.21, which is largely anchored by the valuation of its highways. We believe the recent share price weakness mainly stemmed from subsided sentiment on the Johor property market, but we expect that to be mitigated by the smooth progress made on its corporate restructuring exercises as well as the potential monetization of DUKE highways.

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UOBKH HIGHLIGHTS

Hong Leong Financial Group (HLFG MK/HOLD/RM18.22/Target: RM19.86)

1QFY24: Supported By Recovery In Brokerage And Insurance Income

Year to 30 Jun	1QFY24 (RMm)	1QFY23 (RMm)	yoy % chg	4QFY23 (RMm)	qoq % chg	Year to 30 Jun (RMm)	2023	2024F	2025F	2026F
Net Interest Income	947.8	1,011.8	(6.3)	918.3	3.2	Net Interest Income	3,786	3,907	4,051	4,246
Islamic Banking	230.2	251.5	(8.5)	229.6	0.3	Non-interest Income	1,679	1,746	1,798	1,879
Insurance Income	60.5	29.7	103.5	66.5	(9.0)	Net Profit (Reported/Actual)	2,828	3,016	3,214	2,828
Brokerage income	13.5	9.5	42.1	10.7	26.1	Net Profit (Adjusted)	2,828	3,016	3,214	2,828
Unit trust & AM income	12.1	11.7	3.2	11.6	4.1	EPS (sen)	243.2	246.3	262.7	279.9
Fee Income	198.5	199.4	(0.4)	186.8	6.3	PE (x)	7.9	7.8	7.4	6.9
Investment and Trading	48.2	97.9	(50.8)	(202.8)	(123.8)	P/B (x)	0.9	0.8	0.7	0.7
Other Income	54.6	(8.0)	(779.7)	244.8	(77.7)	Dividend Yield (%)	2.3	2.4	2.6	2.8
Total Income	1,565.3	1,603.5	(2.4)	1,465.5	6.8	Net Interest Margin (%)	1.8	1.8	1.9	1.9
Operating Expenses	(641.2)	(600.1)	6.9	(675.5)	(5.1)	Cost/Income (%)	37.3	37.0	36.7	36.4
PPOP	924.1	1003.4	(7.9)	790.0	17.0	ROE (%)	10.6	10.5	10.8	11.0
Credit Costs	51.2	(37.5)	(236.8)	(14.3)	(457.7)					
Associate	377.6	275.3	37.2	354.3	6.6					
PBT	1,352.5	1,241.5	8.9	1,130.8	19.6					
Net Profit	741.6	669.5	10.8	626.3	18.4					
EPS (sen)	64.6	58.3	10.8	54.6	18.4					
DPS (sen)	0.0	0.0	n.a.	32.0	n.a.					

Source: HLFG, UOB Kay Hian

RESULTS

- **In line.** Hong Leong Financial Group (HLFG) reported 1QFY24 net profit of RM626.3m (+10.8% yoy, +18.4% qoq). This is in line with 1QFY24 earnings, representing 24.5% of our full-year forecast. HLFG's 1QFY24 yoy earnings growth was largely attributed to strong growth performance from Hong Leong Bank's (HLBank) associate – Bank of Chengdu, recovery in brokerage income (+42% yoy) and insurance income (+103.5% yoy). HLBank's yoy performance was impacted by NIM compression, a decline in treasury income and negative operating Jaws.
- **Brokerage and insurance recovers.** As expected, brokerage income recovered on the back of a 32% yoy improvement in market average daily trading value while its insurance unit benefitted from higher surplus transfer and stronger premium growth.
- **Robust contribution from Bank of Chengdu.** 1QFY24 contribution from Bank of Chengdu grew a robust 4.7% qoq and 33.8% yoy. The yoy growth was underpinned by 26% loans growth and lower credit cost as GIL ratio declined by 10bp yoy to 0.71%. Loans loss coverage ratio was also robust at 516%.

EARNINGS REVISION

- No changes.

RECOMMENDATION

- **Maintain HOLD and SOTP-based target price of RM19.86.** Our target price implies a 25% holding company discount, in line with the 10-year historical mean discount.

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UOBKH HIGHLIGHTS

SKP Resources (SKP MK/BUY/RM0.75/Target: RM0.95)

1HFY24: Below Expectations; Headwinds Persist But Fairly Priced In

Year to 31 Mar	2QFY24 (RMm)	qoq % chg	yoy % chg	1HFY24 (RMm)	yoy % chg	Year to 31 Mar (RMm)	2022	2023	2024F	2025F	2026F
Revenue	519.9	20.5	(29.4)	951.5	(26.3)	Net Turnover (RM)	2,321.4	2,531.8	1,777.0	1,965.1	2,315.1
EBITDA	46.0	17.8	(36.0)	85.0	(35.1)	EBITDA (RM)	259.4	226.9	168.4	191.6	229.0
EBIT	34.3	24.9	(43.7)	61.8	(43.6)	Operating Profit (RM)	220.5	182.2	118.4	141.7	179.0
PBT	35.4	26.3	(42.2)	63.4	(42.4)	Net Profit (Reported/Actual) (RM)	173.4	144.5	94.2	113.7	142.4
Tax	(8.3)	29.3	(43.6)	(14.7)	(44.2)	Net Profit (Adjusted) (RM)	167.5	143.1	94.2	113.7	142.4
Net Profit	27.1	25.4	(41.8)	48.7	(41.8)	EPS (sen)	10.7	9.2	6.0	7.3	9.1
Core Net Profit	27.1	25.4	(41.8)	48.7	(41.8)	PE (x)	7.0	8.2	12.4	10.3	8.2
						P/B (x)	1.4	1.3	1.3	1.2	1.1
Margins	%	+/- ppt	+/- ppt	%	+/- ppt	EV/EBITDA (x)	4.6	5.2	7.0	6.2	5.2
EBITDA	8.8	(0.2)	(0.9)	8.9	(1.2)	Dividend Yield (%)	8.9	7.6	5.0	6.1	7.6
EBIT	6.6	0.2	(1.7)	6.5	(2.0)	Net Margin (%)	7.5	5.7	5.3	5.8	6.2
PBT	6.8	0.3	(1.5)	6.7	(1.9)	Net Debt/(Cash) to Equity (%)	(6.3)	1.6	(10.5)	(12.5)	(12.8)
Core Net Profit	5.2	0.2	(1.1)	5.1	(1.4)	Interest Cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
						ROE (%)	22.8	17.1	10.5	12.0	14.1
						Consensus Net Profit	-	-	111	142	170
						UOBKH/Consensus (x)	-	-	0.85	0.80	0.84

Source: SKP, UOB Kay Hian, Bloomberg

RESULTS

- **Below expectations.** SKP Resources (SKP) reported a soft 2QFY24 core net profit of RM27.1m (+25% qoq, -42% yoy), bringing 1HFY24 core net profit to RM48.7m (-42% yoy) which made up 42%/44% of our and consensus forecasts respectively. The negative deviation was due to ongoing demand softness for consumer electronics products. The group has approved a final net DPS of 4.5 sen for FY23 (or DPR of 50%), and paid on 26 Oct 23.
- **1HFY24 sales dropped 26% yoy**, on the back of softening global demand on top of the high base in 1HFY23 which was a record-high half yearly revenue. Meanwhile, core net profit dropped 42% on rising production costs alongside sub-optimal utilisation which also resulted in lower operational efficiency amid the ineffective charged out of overhead costs. Qoq, revenue and core net profit rebounded by 21% and 25% respectively on seasonally stronger ramp-up.
- **Not spared from the industry-wide slowdown.** While local tech players are still receiving enquiries from new customers for production transfers, most of the EMS players with meaningful exposure to consumer electronics products are not spared from the prolonged demand softening globally. Note that most of the end-brand owners of the EMS companies have been pulling brakes on aggressive order loadings since 3Q22, which have resulted in subpar earnings among local cEMS players. In view of the industry headwinds, SKP adopted stringent cost optimisation measures to navigate the challenging period while continuously seeking to diversify its customer base.
- **Enhancing capabilities vertically to take advantage of widened product assortment.** To leverage on its vertical integration capabilities, the group is currently focusing on to expand its printed circuit board assembly, injection moulding and engineering capabilities to take advantage of a widened product assortment. Note that the group has also successfully obtained certificate of completion and compliance for its new factory building measuring 6.4 acres (or 50% from the current base).

EARNINGS REVISION/RISK

- After model updates, we cut our FY24/25 earnings by 17%/25% to account for lower loadings and slower-than-expected product launches alongside higher material content costs.
- **Key risks include:** a) Single customer concentration risk, given that its largest customer will account for 75-80% of FY24-25 total sales, and b) new production lines not coming on stream in time.

VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of RM0.95 (from RM1.13)**, based on a rollover 15x 2024F PE (average five-year PE).

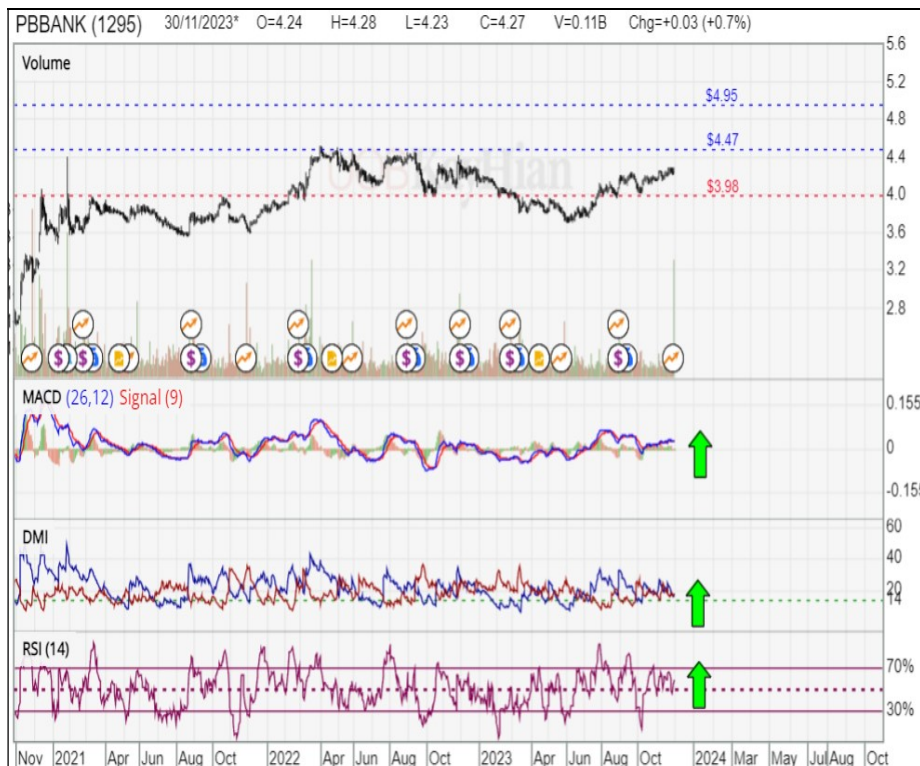
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Source: UOBKH ChartGenie



Source: UOBKH ChartGenie

Public Bank (PBBANK MK)

Technical BUY with +15.7% potential return

Last price: RM4.270

Target price: RM4.46, RM4.94

Support: RM3.98

Stop-loss: RM3.97

BUY with a target price of RM4.94 and stop-loss at RM3.97. Based on the chart, PBBANK is on an uptrend by forming a series of higher high and higher low. This is supported by the rising RSI and DMI indicators, which show positive momentum would strengthen in the near term. Currently, the MACD is on the verge of making a golden cross to the positive signal. We expect PBBANK will continue the bullish momentum towards our targets of RM4.46 and RM4.94 in the near to medium term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

Hume Cement Industries (HUME MK)

Technical BUY on breakout with +20.5% potential return

Last price: RM2.15

Target price: RM2.34, RM2.59

Support: RM2.00

Stop-loss: RM1.99

BUY with a target price of RM2.59 and stop-loss at RM1.99. Based on the daily chart, HUME managed to close above the BBI line yesterday. This is supported by the DMI's bullish crossover and is consistent with the uptick in the RSI which suggests stronger buying momentum ahead. Based on Fibonacci Extension, we expect HUME to continue the bullish movement towards our targets at RM2.34 and RM2.59.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

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