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KEY HIGHLIGHTS

Company Results

Bumi Armada (BAB MK/HOLD/RM0.55/Target: RM0.58) Page 2

3Q23: Kraken profit recovery was a positive surprise. We remain cautiously optimistic and see the stock's risk-reward as balanced. Upgrade to HOLD.

UOBKH Highlights

Hume Cement Industries (HUME MK/BUY/RM1.910/Target: RM2.54) Page 5

1QFY24: Greatly exceeded expectations, elevated cement price drive the earnings.

Sunway REIT (SREIT MK/HOLD/RM1.55/Target: RM1.68) Page 6

3Q23: Results boosted by strong hotel performance.

TRADERS' CORNER Page 7

Nationgate Holdings (NATGATE MK): Technical BUY

Naim Holdings (NHB MK): Technical BUY

KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,466.84	15.1	1.0
Bursa Emas	10,832.06	102.5	1.0
Ind Product	174.56	1.3	0.8
Finance	16,430.10	108.4	0.7
Consumer	562.46	5.9	1.1
Construction	187.21	0.8	0.4
Properties	857.03	9.2	1.1
Plantations	7,022.23	69.2	1.0

BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	15-Nov-23	% chg
Volume (m units)	3,943	28.1
Value (RMm)	2,208	24.9

By Investor type	(%)	ppt chg
Foreign investors	33.3	3.5
Local retail	27.3	(2.9)
Local institution	39.4	(0.6)

TOP TRADING TURNOVER / GAINERS / LOSERS

Top Trading Turnover	Price (RM)	Chg (%)	5-day ADT (RM'000)
CIMB Group	5.80	1.2	61,113
Public Bank	4.23	1.2	47,080
Malayan Banking	9.14	0.3	43,041
Sime Darby	2.40	1.3	36,671
Top Glove	0.75	0.7	33,769
Top Gainers			
Dialog Group	2.20	4.3	9,572
Supermax Corp	0.86	3.6	4,627
Hartalega	2.35	3.1	31,090
Kossan Rubber	1.48	2.8	7,302
Genting Plantations	5.73	2.7	2,329
Top Losers			
SapuraEnergy	0.05	(10.0)	224
Velesto Energy	0.24	(2.1)	10,421
Berjaya Corp	0.30	(1.7)	1,345
M'sian Bulk Carriers	0.31	(1.6)	322
AirAsia X	1.95	(1.0)	4

OTHER STATISTICS

	15-Nov-23	chg	% chg
RM/US$	4.67	(0.05)	(1.0)
CPO 3rd mth future (RM/mt)	3,978	74.0	1.9

Notes:
ADT = Average daily turnover.
Top trading turnover, gainers and losers are based on FBM100 component stocks.

COMPANY RESULTS

Bumi Armada (BAB MK)

3Q23: Profits Surprise On The Upside, Balanced Risk-reward

BAB surprised positively with a quick financial recovery of FPSO Kraken in 3Q23. However, we are still cautiously optimistic and prefer to see a sustainable trend of profit recovery. Given the lack of new contract catalysts, the India JV FPSO (ASV) should soon achieve first oil. Without this expected earnings growth catalyst, we view the risk-reward as balanced for now. Upgrade to HOLD. Target: RM0.58.

3Q23 RESULTS

Year to 31 Dec	3Q23 (RMm)	qoq % chg	yoy % chg	Ytd 2023	Yoy % chg
Revenue	**524.8**	**18.9**	**(19.6)**	**1510.1**	**(16.1)**
- Floating Operations (FPSO, Subsea)	524.3	19.2	(15.7)	1493.3	(13.0)
- Engineering, Technology & Others	0.5	(98.3)	(98.4)	46.2	(45.2)
EBIT	**189.1**	**89.3**	**(46.0)**	**529.7**	**(33.7)**
- Floating Operations (FPSO, Subsea)	222.6	98.6	2.5	572.6	(21.3)
- Engineering, Technology (include pre-FEED)	(33.5)	174.3	(173.2)	(42.8)	(160.7)
Operating Margin (%)	36.0%	13.4%	-17.6%	35.1%	-9.3%
Impairment Loss	0.5	(64.4)	n.a.	3.2	n.a.
Finance Cost	(83.0)	(0.7)	(267.3)	(258.4)	(3.3)
Associates	25.1	81.5	9.6	66.0	588.7
PBT	165.0	55.9	516.9	605.4	17.1
PATMI	**177.8**	**49.7**	**521.7**	**483.7**	**(7.3)**
Core PATMI	**182.5**	**269.4**	**(15.2)**	**430.6**	**(30.4)**

Note: All segments are reclassified restated after removing earnings from discontinued Offshore Support Vessels (OSV)
Source: Bumi Armada, UOB Kay Hian

RESULTS

- **9M23 core profit beat expectations, at 114%/ 85% of our/consensus estimates.** We were overly conservative by assuming a slow financial recovery from adverse events such as FPSO Armada Kraken's downtime due to faulty hydraulic submersible pumps (HSP) transformers, and delayed startup of FPSO Armada Sterling (ASV). There were several positive surprises: a) FPSO Kraken's charter payments appeared correlated to production recovery, and b) higher JV/associate income on more ad-hoc works, despite ASV not yet first oil. These offset weaknesses from two idle subsea vessels and wider loss from asset-light segment (more engineers, but global FPSO/gas projects bids slowed down in 2H23).
- **3Q23 EBITDA recovered to RM291m** (2Q23: RM183m; 1Q22-1Q23 quarterly average: RM340m), as ytd EBITDA of RM814m (-21% yoy) was mainly due to 2Q23's weakness. While there are no details like the extent of reimbursement for all additional repair costs and loss charter payments, we assume the FPSO Kraken's income has recovered to about 80-90% of its original base, given that BAB's quarterly earnings base used to be RM340m.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	2,163	2,406	2,591	3,273	3,136
EBITDA	1,391	1,382	1,184	1,335	1,294
Operating profit	926	1,040	851	1,012	968
Net profit (rep./act.)	659	732	601	776	759
Net profit (adj.)	698	841	601	776	759
EPS (sen)	11.8	14.2	10.1	13.1	12.8
PE (x)	4.6	3.8	5.4	4.2	4.3
P/B (x)	0.8	0.6	0.6	0.5	0.5
EV/EBITDA (x)	4.8	4.8	5.6	5.0	5.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	30.5	30.4	23.2	23.7	24.2
Net debt/(cash) to equity (%)	154.5	90.7	62.8	36.0	24.3
Interest cover (x)	3.5	3.8	3.6	4.9	5.1
ROE (%)	18.5	16.1	11.3	13.1	11.3
Consensus net profit	-	-	597	789	684
UOBKH/Consensus (x)	-	-	1.01	0.98	1.11

Source: Bumi Armada, Bloomberg, UOB Kay Hian

HOLD

(Upgraded)

Share Price	RM0.55
Target Price	RM0.58
Upside	+5.4%
(Previous TP	*RM0.43)*

COMPANY DESCRIPTION

Floating Production Storage and Offloading (FPSO) platform and offshore marine services owner.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	BAB MK
Shariah Compliant:	Yes
Shares issued (m):	5,922.7
Market cap (RMm):	3,227.9
Market cap (US$m):	688.5
3-mth avg daily t'over (US$m):	2.9

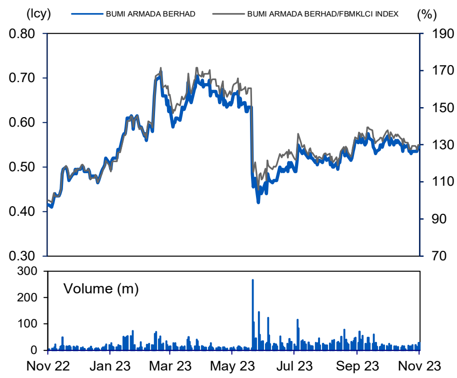
Price Performance (%)

52-week high/low RM0.715/RM0.410

1mth	3mth	6mth	1yr	YTD
(3.5)	3.8	(14.8)	28.2	13.5

Major Shareholders	**%**
Objektif Bersatu	34.9
FY23 NAV/Share (RM)	0.94
FY23 Net Debt/Share (RM)	0.59

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Kraken operational updates.** The HSP transformers' progressive repairs allowed for production to recover to 90-100% by late-Jul 23, BAB had installed one of two new HSP transformers by Sep 23 (the other pump awaiting good weather for full transportation and installation). The root cause analysis to "troubleshoot" the HSP failure will take time to complete, but this process is not a key criterion for BAB to claim 100% compensation. To determine if the Kraken's recovery is sustainable, we prefer to observe for a few more quarters. Our own channel checks indicate that the tanker offloads to FPSO Kraken had been consistent (one tanker per month), relative to Enquest' 1H23 production rates of 16,000 bpd (implied gross: 23,000 bpd). However, we observed that a supply/tug boat and a safety vessel had docked at the FPSO since 8 Nov 23.
- **ASV's startup may be imminent.** Recently, both Upstream and India media articles laid out that the Oil and Natural Gas Corp (ONGC) has informed Sharpoorji Energy and BAB to expect first oil by Nov 23 from its flagship deepwater Cluster-2 project in KG-DWN-98/2 block, after several missed deadlines (May 23, Aug 23, Sep 23 and Oct 23). A key factor for the delays was the treacherous terrain that may cause sand/water ingress. ONGC eventually realized a better option was to start small and not rush in for big volumes at the start, while drilling more wells and slowly ramping up production. We understand that the JV FPSO had already generated standby rates since Mar 23, and more recently, the US$930m loan facility for the FPSO had successfully achieved financial close on 9 Sep 23, although still contingent on a final acceptance cert.
- **Armada Akia (JV of BAB and related-company Pexco) not expected to be meaningful to financials for next three years.** The recent award of the Akia Block (north of Kalimantan) was followed by the official signing of the production sharing agreement on 21 Sep 23. Akia PSC contains the Aster and Tulip discoveries, with estimated recoverable resource of 860BCF of gas and 60MMboe oil. We believe these figures are the discoveries by previous owner Eni, because other Indonesian sources tout the estimated resource to be much larger at 9TCF of gas and 2b boe (ie 4x the size of Gumusut-Kakap's resources). This we think is likely why BAB is the operator, with the know-how of Pexco (existing Indonesia O&G upstream track record) as a partner.
- **While the upside potential is great,** the consortium has a three-year timeline (pre-development phase) with minimum US$8m commitment for 3D seismic studies and appraisal. This means BAB can safely relinquish its involvement with minimal loss, before Sep 27, if the field is deemed unfeasible. One key risk is that the Akia Block is adjacent to the controversial Ambalat Block, that is under a long territorial dispute between Malaysia and Indonesia, which may delay vessel operations in that area.

EARNINGS REVISION/RISK

- **Upgrade 2023-25F profit by 60%/51%/50%.** We turned more positive on FPSO Kraken's recovery, although we remain cautiously optimistic, leaving room for further earnings upgrades depending on: a) outcome of Kraken's root cause analysis and more consistent quarters of high uptime, and b) ASV's first oil.

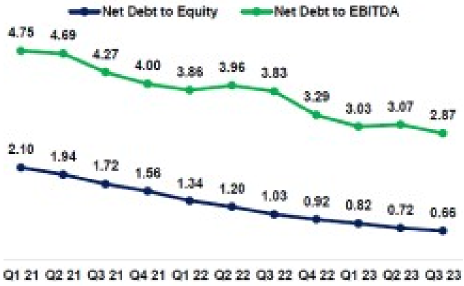
VALUATION/RECOMMENDATION

- **Upgrade to HOLD and higher target price of RM0.58** (5x 2024F PE); also revert ASV JV valuation from nil to RM0.03/share. BAB still remains a discount to Yinson's 15x PE valuation, but both peers are valued within 5-7x EV/EBITDA. While Yinson holds many growth projects to justify a higher 7x EV/EBITDA, we think BAB's risk-reward is now balanced, after factoring BAB's execution risk and the lack of new contract catalysts, we are concerned that BAB's lower gearing (and hence, ability to win projects) may not be reflected as a positive market factor. BAB is increasingly focused on securing gas projects (capex: US$0.2b-1b) vs the FPSO markets (mega capex: US$3b).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

- **Environmental**
  - **Carbon (CO2) reduction.** Set targets using 2022 levels as the baseline.
  - **Safety (HSE).** Lost Time Injury Frequency (LTIF) was 0.53 in 2022, vs 0.55 previously. BAB has allocated additional safety officers.
- **Social**
  - **Diversity.** 42% female proportion among onshore staff.
  - Charities in various countries of operations ie the UK, Angola and India.
- **Governance**
  - 4 out of 7 board members are independent.

GEARING LEVEL



Source: BAB

KEY DEVELOPMENTS RELATED TO KRAKEN

Timeline	Developments
29 May 23	Production offline following 3rd HSP pump failure. 0% production
11 June 23	HSP Charlie restarted. ~60% production
20 July 23	HSP Delta restarted. ~90% production
07 Aug 23	HSP Alpha restarted. 100% production
Sep 23	Additional 2 new HSP pumps. One installed
3Q23	Planned maintenance was shifted forward. No planned shutdown for 2H23
Tanker Offloads	Tide Spirit : 4 Nov (unconfirmed) Amundsen Spirit : 16 Oct Tide Spirit : 17 Sep Altera Wind shuttle tanker : 8 Aug Altera Wind shuttle tanker : 27 Aug Ingrid Knutsen tanker: July Torill Knutsen tanker: 7 May
Others	**FS Cygnus (Tug/ Supply Vessel) : 15 Nov** **VOS Faithful (Emergency Evacuation and Standby Safety Vessel) : 8 Nov**

Source: Enquest, BAB, Marinetraffic

SEGMENT FORECASTS

(RMm)	2023F	2024F	2025F
Revenue	2,591.1	3,273.2	3,135.6
FPSO	2,314.2	2,615.4	2,467.8
Subsea	216.6	347.6	457.6
Others	60.2	310.2	210.2
EBIT	850.9	1,012.3	967.9
FPSO	903.8	916.7	879.0
Subsea	(0.6)	29.0	37.3
Others	(72.2)	46.5	31.5

Source: UOB Kay Hian

SOTP VALUATION (RM4.3/US$)

Item	Valuation	Current SOTP (RM)
FPSO	DCF based on WACC of 10%, up to firm value. The WACC is higher than peers (Yinson and MISC) given its shorter average FPSO firm tenures and lack of new FPSOs	0.86
JV FPSO, Sterling V (ONGC)	30% stake, based on US$1.17b capex, IRR of 12% on firm tenure, 30% residual value	0.03
- Net Debt		(0.31)
SOTP	**on 5.9b shares**	**0.58**
2024F PE		4.5x

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	**2,406**	**2,591**	**3,273**	**3,136**
EBITDA	1,382	1,184	1,335	1,294
Deprec. & amort.	343	333	323	326
EBIT	1,040	851	1,012	968
Associate contributions	49	47	68	82
Net interest income/(expense)	(367)	(331)	(272)	(254)
Pre-tax profit	**709**	**625**	**809**	**796**
Tax	16	(31)	(40)	(44)
Minorities	8	8	8	8
Net profit	**732**	**601**	**776**	**759**
Net profit (adj.)	841	601	776	759

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	8,362	8,119	7,887	8,264
Other LT assets	1,544	1,411	1,459	1,517
Cash/ST investment	839	886	1,303	1,943
Other current assets	981	885	1,118	1,071
Total assets	**11,726**	**11,302**	**11,767**	**12,794**
ST debt	1,018	768	518	518
Other current liabilities	597	740	932	1,063
LT debt	4,486	3,594	3,054	3,164
Other LT liabilities	528	715	1,002	937
Shareholders' equity	5,147	5,535	6,311	7,163
Minority interest	(51)	(51)	(51)	(51)
Total liabilities & equity	**11,726**	**11,302**	**11,767**	**12,794**

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	**1,350**	**1,040**	**1,057**	**1,230**
Pre-tax profit	1,040	851	1,012	968
Tax	16	(31)	(40)	(44)
Deprec. & amort.	343	333	323	326
Working capital changes	9	(56)	(182)	37
Other operating cashflows	(56)	(56)	(56)	(56)
Investing	**346**	**(100)**	**(100)**	**(700)**
Capex (growth)	0	0	0	0
Capex (maintenance)	(1)	(100)	(100)	(700)
Proceeds from sale of assets	0	0	0	0
Others	348	0	0	0
Financing	**(1,750)**	**(892)**	**(540)**	**110**
Dividend payments	0	0	0	0
Issue of shares	0	0	0	0
Proceeds from borrowings	(3)	75	75	525
Loan repayment	(1,747)	(967)	(615)	(415)
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	**(53)**	**47**	**417**	**640**
Beginning cash & cash equivalent	**795**	**839**	**886**	**1,303**
Changes due to forex impact	97	0	0	0
Ending cash & cash equivalent	**839**	**886**	**1,303**	**1,943**

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	57.5	45.7	40.8	41.3
Pre-tax margin	29.5	24.1	24.7	25.4
Net margin	30.4	23.2	23.7	24.2
ROA	6.2	5.2	6.7	6.2
ROE	16.1	11.3	13.1	11.3
Growth				
Turnover	11.2	7.7	26.3	(4.2)
EBITDA	(0.6)	(14.4)	12.8	(3.1)
Pre-tax profit	6.2	(11.9)	29.4	(1.6)
Net profit	11.1	(17.9)	29.0	(2.2)
Net profit (adj.)	20.4	(28.5)	29.0	(2.2)
EPS	19.9	(28.5)	29.0	(2.2)
Leverage				
Debt to total capital	51.9	44.3	36.3	34.1
Debt to equity	107.0	78.8	56.6	51.4
Net debt/(cash) to equity	90.7	62.8	36.0	24.3
Interest cover (x)	3.8	3.6	4.9	5.1

UOBKH HIGHLIGHTS

Hume Cement Industries (HUME MK/BUY/RM1.910/Target: RM2.54)

1QFY24: Greatly Exceeded Expectations, Elevated Cement Price Drive The Earnings

1QFY24 RESULTS

Year to 30 Jun	1QFY23 (RMm)	4QFY23 (RMm)	1QFY24 (RMm)	qoq % chg	yoy % chg
Revenue	206.8	263.2	306.7	16.5	20.1
EBITDA	7.5	69.7	86.7	24.5	186.0
Operating Profit	(9.3)	52.5	69.5	32.4	418.3
Finance Costs	(6.3)	(6.5)	(5.9)	(9.0)	(17.6)
PBT	(15.4)	46.5	63.9	37.4	869.2
Tax	3.4	(5.9)	(15.5)	163.8	631.9
PAT	(12.0)	40.6	48.3	19.0	982.1
Core Profit/Loss	(9.3)	40.6	48.3	19.0	1217.2
Margins	**%**	**%**	**%**	**+/- ppt**	**+/- ppt**
EBITDA Margin	3.6	26.5	28.3	1.8	16.4
EBIT Margin	(4.5)	19.9	22.6	2.7	17.4
PBT Margin	(7.4)	17.7	20.8	3.2	18.2
Net Margin	(4.5)	15.4	15.8	0.3	14.3

Source: Hume, UOB Kay Hian

SUMMARY EARNINGS FORECAST

Year to 30 Jun (RMm)	2023	2024F	2025F	2026F
Net Turnover	1,014.3	1213.8	1,186.1	1,125.4
EBITDA	167.1	321.7	296.5	196.3
Net Profit (Reported/Actual)	60.0	182.6	172.0	157.6
Net Profit (Adjusted)	60.0	182.6	172.0	157.6
EPS (sen)	8.40	25.4	23.9	21.9

RESULTS

- **Greatly exceeded expectations.** Hume Industries (Hume) reported 1QFY24 core net profit of RM48.3m (vs core net profit of RM40.6m in 4QFY23 and core net loss of RM9.3m in 1QFY23) on revenue of RM306.7m (+16.5% qoq, +20.1% yoy), which account for 40% of our full year forecast. The strong qoq and yoy growths in revenue and earnings was mainly attributed to higher cement ASP and increased cement volume sales, driven by the recovery in construction activities. This was partly offset by higher energy prices.

COMMENTS

- **Strong earnings and margin ahead.** Hume's earnings managed to rebound after the lockdown as a result of: a) improved demand, b) better ASPs, c) cost rationalisation efforts, and d) strategic raw materials procurement amid the economic reopening. Based on our channel checks, bulk cement ASPs have rebounded from RM250-270/mt in 4Q21 to RM350-380/mt currently. The increase in cement prices can be attributed to the long period of losses for industry players, necessitating a rise to ensure industry survival. Additionally, the drop in coal prices to US$119/mt (-46% ytd), which accounts for 50-60% of total COGS currently, has further boosted Hume's earnings and margin. We believe current cement prices are sustainable, especially considering the current subdued property market and the delay in key mega projects like MRT 3, Pan Borneo Highway, East Coast Rail Line (ECRL), Rapid Transit System (RTS) and Penang South Reclamation (PSR).
- **Outlook.** We expect expect Hume to record stronger earnings in 2024, supported by stronger demand and more construction activities on the back of improved foreign labour intake. We expect prices to remain elevated at >RM350/mt in FY24. With coal prices having retreated recently and ASPs remaining elevated, cement players should see better margins ahead. The industry is expected to grow this year with utilisation rates normalising as construction activities rebound with the acceleration of infrastructure projects and some affordable housing projects. This will lead to stronger demand and stable prices, which act as the primary drivers of improvements in the earnings outlook. Long-term prospects still rest on key projects including MRT3, Pan Borneo Highway, ECRL, RTS and PSR.

EARNINGS REVISION/RISK

- Upgrade FY24/25/26 earnings by 50%/26%/27% respectively, mainly to account for higher cement ASP and higher utilization rate.

VALUATION/RECOMMENDATION

- **Maintain BUY** with an unchanged target price of RM2.54, based on 10x FY24F PE, lower than the industry's 2011-13 average 19x PE, prior to earnings disappointment in 2017 to reflect the positive outlook for the industry on the back of economic recovery. We continue to like Hume for its strong clinker capacity with a healthy utilisation rate of 80-90% (vs industry average of 60-70%) and better cost management. We expect FY24 results to gradually improve due to: a) better demand from the resumption of construction activities, b) recovery of cement ASP, and c) effective cost rationalisation.

ANALYST

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UOBKH HIGHLIGHTS

Sunway REIT (SREIT MK/HOLD/RM1.55/Target: RM1.68)

3Q23: Results Boosted by Strong Hotel Performance

3Q23 RESULTS

Year to 31 Dec	3Q23 (RMm)	2Q23 (RMm)	qoq % chg	yoy % chg	9M23 (RMm)	yoy % chg
Gross revenue	**175.8**	**166.5**	**5.6**	**5.8**	**525.2**	**13.0**
Retail	111.8	110.9	0.8	1.3	349.0	12.5
Hotel	27.9	17.5	59.8	51.3	63.8	48.6
Office	20.7	20.5	0.9	3.4	61.6	4.0
Others	15.5	17.7	(12.5)	(11.4)	50.8	(3.1)
Operating Expenses	(39.1)	(50.3)	(22.4)	2.9	(133.9)	21.0
Net Property Income	**136.8**	**116.2**	**17.7**	**6.6**	**391.2**	**10.5**
Retail	81.8	69.5	17.8	1.7	241.2	8.5
Hotel	26.9	16.5	62.9	53.4	60.9	52.2
Office	12.8	12.9	(0.5)	0.4	39.2	0.0
Others	15.2	17.3	(12.2)	(12.9)	49.9	(4.9)
PAT	**92.0**	**72.2**	**27.4**	**0.1**	**260.6**	**2.4**
EPU (sen)	2.7	2.1	27.4	0.1	7.6	2.4
DPU (sen)	0.0	4.6	n.m.	n.m.	4.6	9.5

Source: Sunway REIT, UOB Kay Hian

SUMMARY EARNINGS FORECAST

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net Turnover	639.5	719.4	763.7	779.3
Operating Profit	488.3	531.0	563.0	574.5
Net Profit (Reported/Actual)	263.6	365.0	383.0	390.0
Net Profit (Adjusted)	345.9	365.0	383.0	390.0
EPU (sen)	10.2	10.8	11.3	11.5
DPU (sen)	9.2	10.1	10.6	10.8
PE (x)	15.2	14.4	13.7	13.5
P/B (x)	1.0	1.0	1.0	1.0
DPU Yld (%)	5.9	6.5	6.8	7.0
Net Margin (%)	54.1	50.7	50.1	50.0
Net Debt/(Cash) to Asset (%)	34.0	34.9	35.4	35.2
Interest Cover (x)	4.9	4.3	4.1	4.1
Consensus DPU (sen)		9.8	10.5	10.9
UOBKH/Consensus (x)		1.0	1.0	1.0

RESULTS

- **Above expectations.** Sunway REIT (SREIT) reported 3Q23 revenue of RM175.8m (+6% qoq, +6% yoy) and core net profit of RM92m (+27% qoq, +0.1% yoy). Cumulative 9M23 core net profit of RM261m (+2.4% yoy) accounted for 75% and 78% of our and consensus' forecasts respectively. We deem the results above expectation on a seasonally stronger 4Q ahead, partly offset by one quarter's revenue loss from the disposal of Sunway Medical Center (net property income contribution of about RM6m per quarter).
- On a qoq basis, revenue and earnings were strong, boosted by robust hotel performance, higher Sunway Carnival Mall contribution (opening of new wing) as well as easing of electricity charges. On a yoy basis, 3Q23 and cumulative 9M23 revenue were boosted by the retail and hotel segments but margin was affected by higher utility and finance costs.

COMMENTS

- **Retail: 3Q23 tenants' sales grew by almost 10% yoy.** This was driven by sustained consumer spending, buoyed by its unique retail offerings**.** Occupancy rates for the segment held steady at 97%. Rental reversion for 9M23 was positive (low double-digit teens). With many individuals opting to postpone overseas travel, there has been a noticeable shift towards increased local expenditures, which we think will continue to support SREIT's retail segments.
- **Hotel: Strong recovery.** 9M23 hotel revenue improved 60% qoq and 51% yoy with occupancy improving to 63% (2Q23: 60%; 3Q22: 48%). **I**nternational tourist arrivals from the Middle East, Singapore, China and Indonesia have been the biggest contributor to SREIT's hotel portfolio. We expect momentum to build up further in 4Q23 and hotel occupancy to reach closer to 70% level, in line with its pre-pandemic level. Sunway Resort (which has reopened its refurbished rooms since May 22) has seen its room rates trend higher, reaching RM600-700, compared with around RM400 before the pandemic. We believe this has contributed significantly to the overall strength of the hotel portfolio.
- **Office: 3Q23 revenue up 3% yoy.** This was on the back of stable occupancies (83%) and slight increments in rental reversion. We expect total portfolio rental reversion to be about mid-single digit as the higher reversion from retail segment expected to be offset by the office segment's rental reversion. There will be a considerable number of expiring tenancies in the office segment, with Menara Sunway expecting 66% of its tenancies to expire and Pinnacle anticipating 58% to expire in 2024. We believe this will put pressure on near-term rental reversion for the office segment.
- The completion of acquisition six Giant hypermarkets acquired from EPF still on track and should start contributing in 2024.

EARNINGS REVISION/RISK

- **We increased our net profit forecasts by 3-5% for 2023-25** to account for the stronger hotel and retail performance.

VALUATION/RECOMMENDATION

- **Maintain HOLD with a slightly higher target price of RM1.68 (from RM1.66) as we increase our earnings base.** Our target price is based on a dividend discount model (required rate of return: 8.1%, terminal growth: 1.6%) and implied dividend yield of 5.8%. We reckon current valuation now is fair as SREIT's forward yield spread to MGS of 2.58ppt has narrowed to its five-year historical mean.

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Source: UOBKH ChartGenie

Nationgate Holdings (NATGATE MK)

Technical BUY with +29.4% potential return

Last price: RM1.26

Target price: RM1.49, RM1.63

Support: RM1.18

Stop-loss: RM1.17

BUY with a target price of RM1.63 and stop-loss at RM1.17. NATGATE has just passed the consolidation phase and managed to close above the BBI line yesterday. The uptick in the DMI and the increase in trading volumes suggest buying momentum is set to continue in the near term. This is supported by positive readings in the RSI. We expect the stock to continue trending upwards towards our targets in the current up-leg.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading

Source: UOBKH ChartGenie

Naim Holdings (NHB MK)

Technical BUY with +22.0% potential return

Last price: RM0.795

Target price: RM0.92, RM0.97

Support: RM0.70

Stop-loss: RM0.695

BUY with a target price of RM0.97 and stop-loss at RM0.695. Share price has recovered recently. It moved above the 7- and 21-day EMAs yesterday to reverse its short-term bearish movement. The last few days' gain was also accompanied by high trading volume as well as rising DMI and RSI indicators, which indicate that positive momentum would strengthen in the near term. We peg our targets at RM0.92 and RM0.97 in the near term.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading

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