

PLEASE CLICK ON THE PAGE NUMBER TO MOVE TO THE RELEVANT PAGE.

### KEY HIGHLIGHTS

#### Sector Update

#### Automobile – Malaysia

Sep 23 TIV: Mom slowdown in sales as consumers waited for Budget 2024.

Page 2

#### UOBKH Highlights

#### CIMB Group (CIMB MK/BUY/RM5.62/ Target: RM6.00)

CIMB Thai's 3Q23 results.

Page 4

#### Sapura Energy (SAPE MK/HOLD/RM0.06/Target: RM0.07)

Trading angle on potential SapuraOMV stake sale vs oil price sentiment; more needed to uplift PN17.

Page 5

### TRADERS' CORNER

Page 6

**FoundPac Group (FPG MK):** Technical BUY

**Nextgreen Global (NGB MK):** Technical BUY

### KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,441.04	(1.6)	(0.1)
Bursa Emas	10,620.44	(21.0)	(0.2)
Ind Product	172.39	(2.5)	(1.4)
Finance	16,190.33	49.0	0.3
Consumer	554.73	0.3	0.1
Construction	183.85	(1.4)	(0.8)
Properties	841.64	(4.8)	(0.6)
Plantations	6,909.97	(28.3)	(0.4)

### BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	20-Oct-23	% chg
Volume (m units)	3,511	14.4
Value (RMm)	1,903	(5.6)

By Investor type	(%)	ppt chg
Foreign investors	36.3	(0.3)
Local retail	26.9	0.7
Local institution	36.8	(0.4)

### TOP TRADING TURNOVER / GAINERS / LOSERS

Top Trading Turnover	Price (RM)	Chg (%)	5-day ADT (RM'000)
CIMB Group	5.62	0.7	116,203
Tenaga Nasional	9.82	(1.6)	81,713
Malayan Banking	8.99	0.3	77,816
Hong Leong Bank	19.48	0.1	42,206
Public Bank	4.14	0.5	40,459

#### Top Gainers

SapuraEnergy	0.06	22.2	1,209
Bumi Armada	0.57	2.7	9,454
7- Eleven Malaysia	2.00	2.0	24
SP Setia	0.88	1.7	11,234
Berjaya Auto	2.49	1.6	19,605

#### Top Losers

AirAsia X	2.01	(3.8)	15
PETRONAS Chemicals	7.20	(3.7)	37,864
Mah Sing Group	0.78	(3.7)	4,588
Hap Seng Consolidated	5.24	(3.0)	18,829
UEM Sunrise	0.75	(2.6)	32,459

### OTHER STATISTICS

	20-Oct-23	chg	% chg
RM/US\$	4.77	(0.00)	(0.0)
CPO 3rd mth future (RM/mt)	3,771	13.0	0.3

Notes:

ADT = Average daily turnover.

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

### SECTOR UPDATE

## Automobile – Malaysia

Sep 23 TIV: Mom Slowdown In Sales As Consumer Waited For Budget 2024

MAA's September TIV came in at 68,156 units, bringing ytd TIV to 571,767 units (+11% ytd). We revise our forecast upwards by 4.5% to 700,000 units in 2023, taking into consideration the stronger-than-expected demand primarily for national car brands. However, we maintain a neutral outlook for the rest of 2023 and 2024, due to an expectation of limited catalysts, and the subsequent softening in numbers. Maintain MARKET WEIGHT.

#### WHAT'S NEW

- Sep 23 TIV dropped mom, but improved yoy.** The Malaysia Automotive Association's (MAA) Sep 23 total industry volume (TIV) decreased 6.4% mom, but improved 5% yoy to 68,156 units. 9M23 TIV was 571,767 units (+11% yoy). We believe the lower sales in Sep 23 was due to consumers' wait-and-see approach in anticipation of new incentives to be unveiled in Malaysia's Budget 2024. EV sales have surged over 100% yoy to 5,630 units ytd compared with 2,631 units, bolstered by the continuous introduction of new models and the government's commitment to enhancing the EV ecosystem in Malaysia, which suggests promising potential for further expansion.
- National brands: Mom dip in sales, but maintaining healthy numbers.** In Sep 23, Perodua maintained its lead in the auto market, selling 28,995 units (-7% mom, +18% yoy) with a 40% market share, while second-place Proton sold 12,006 units (-12% mom, -18% yoy). The A and B car segments continued to demonstrate a favourable performance, driven by models such as Bezza, Myvi and Axia for Perodua and Iriz, Saga and Persona for Proton. We understand that most brands experienced a decline in mom sales due to customers' wait-and-see approach for incentives to be unveiled during Malaysia's Budget 2024.
- Non-national brands affected as customers awaited Malaysia Budget 2024.** For non-national brands, Toyota retained its market leadership with sales of 9,020 units (+0.7% mom, -0.8% yoy), followed by Honda with 6,514 units sold (-16% mom, -9% yoy). Meanwhile, Mazda recorded sales of 1,378 units (-26% mom, +40% yoy) in Sep 23. This monthly performance suggested a slowdown in demand for non-national brands due to the same aforementioned reason, but still maintains strong figures on a yoy basis.

#### ACTION

- The sector is trading at 8x 2024F PE, which is still at a discount to its five-year PE mean of 12x. We have revised our TIV forecast upwards to 700,000 units in 2023, given the positive numbers and stronger-than-expected demand recorded, especially for national car brands. However, we retain our MARKET WEIGHT call on the sector and maintain our neutral view as there are no significant catalysts to boost the industry volume currently. Thus, we expect sector revenue and earnings to decline 11% and 16% in 2H23 respectively.
- Bermaz Auto (BAUTO MK/BUY/Target: RM2.86).** We expect BAUTO's 2QFY24 revenue and earnings to decline 26-44% and 57-60% qoq respectively. We anticipate a decrease in demand for BAUTO's key brand, Mazda, over the remaining three months of 2023, primarily due to the impact of price increases introduced for some models in Apr 23 and the shift in customers' interest to EV cars. Nevertheless, the outlook will remain stable, supported by progress in its CKD line-up, a steady orderbook, and an attractive dividend yield of 6.9%. The target price is still based on an ascribed PE of 12x to its FY24F EPS.

#### PEER COMPARISON

Company	Ticker	Rec	Share Price 20 Sep 23 (RM)	Target Price (RM)	Upside/ (Downside) to TP (%)	Market Cap (RMm)	PE		P/B		EV/EBITDA		ROE 2023F (%)
							2023F (x)	2024F (x)	2023F (x)	2024F (x)	2023F (x)	2024F (x)	
Bermaz Auto	BAUTO MK	BUY	2.45	2.86	16.7	2,855.1	10.3	11.3	3.4	3.1	6.8	7.4	34.4
UMW Holdings	UMWH MK	BUY	4.81	5.00	3.9	5,619.5	12.7	13.4	1.0	0.9	7.2	8.0	7.9

Source: UOB Kay Hian

## MARKET WEIGHT

(Maintained)

#### SEGMENTAL RATING

Segment	Rating
Automobile	MARKET WEIGHT (MAINTAINED)

Source: UOB Kay Hian

#### SECTOR PICKS

Company	Ticker	Rec	Share Price	Target Price
Bermaz Auto	BAUTO MK	BUY	2.45	2.86

Source: Bloomberg, UOB Kay Hian

#### AUTOMOBILE SECTOR OUTPERFORMED KLCI



Source: Bloomberg, UOB Kay Hian

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• **UMW Holdings (BAUTO MK/BUY/Target: RM5.00).** We forecast UMW's revenue and earnings to decrease 26-28% and 33-36% qoq respectively. We expect a slowdown in new bookings for Toyota in 2H23, but anticipate a recovery in the equipment, M&E and aerospace segments that should offset the impact of lower vehicle sales. The target price is based on the offer price of RM5.00, which implies 14x 2024F PE (UMW's five-year mean).

### ESSENTIALS

• **Increase 2023 TIV forecast to 700,000 units (from 670,000) (4.5% yoy).** We revise our forecast upwards by 4.5% to 700,000 units, taking into consideration the stronger-than-expected demand. We have incorporated an additional 30,000 units into our projection, primarily based on the expectation that national brands like Perodua and Proton will continue to bolster demand, particularly among budget-conscious mass-market customers attracted to affordable models. Brands that have a wide range of affordable choices in the A and B car segments in the market will be able to attract more customers. Hence, this will bolster our forecast for the remaining months in 2023, resulting in an estimated total industry volume (TIV) of 128,233 units (or 42,744 units per month).

• **Remaining conservative for 2024.** For 2024, we expect TIV to come in at 650,000-680,000 units. However, this assumption surpasses the five-year pre-pandemic average (2016-20) of 577,841 units, indicating that our forecast is above historical figures, which we consider to be a healthy sign in the industry. We foresee limited catalysts in 2024 that can significantly boost TIV numbers further, in contrast to 2022 and 2023, except for the ongoing introduction of new models by certain brands.

• **National brand still supporting the numbers.** Perodua and Proton have shown significant ytd sales growth in 2023, with Perodua units experiencing a 19% yoy increase and Proton units achieving a 17% yoy growth. Notably, new bookings for Perodua are robust, resulting in shorter waiting times of 2-5 months compared with 2-8 months in 2022, depending on the models. This has led to a healthy decrease in order backlog (Sep 23: 155,000 units, Aug 23: 155,000 units, Jul 23: 190,000 units), while new orders will be further supported by year-end promotions. Proton's monthly sales declined 12.4% yoy, attributed to buyers awaiting the announcement of new incentives in Malaysia Budget 2024. However, the continuous debut of new models and collaborations with Geely are expected to bolster sales. Proton's transition to a hybrid model (X90) represents a positive step toward full electric vehicle (EV) adoption.

• **Malaysia Budget 2024: Neutral on automobile sector.** The recent budget announcements will further enhance the EV and sustainability ecosystem by introducing additional incentives, which include: a) extension of income tax relief for EV charging expenses, b) tax deductions for EV rental costs, and c) introduction of the Electric Motorcycle Adoption Incentive Scheme. We have gathered information indicating that over 90% of EV car buyers belong to the T20 group. We believe the numbers can be further supported by the ongoing government incentives and plans, ultimately benefitting the B40 and M40 groups. Note that EV sales have surged over 100% yoy to 5,630 units ytd compared with 2,631 units, indicating promising potential for further growth.

### TOP KEY MARQUES YTD

Make	Sales (units)		Market Share (%)		Ranking	
	Jan-Sep 23	Jan-Sep 22	Jan-Sep 23	Jan-Sep 22	Jan-Sep 23	Jan-Sep 22
Perodua	233,227	196,354	40.8	38.2	1	1
Proton	114,806	98,028	20.1	19.1	2	2
Toyota	75,398	70,132	13.2	13.6	3	3
Honda	54,017	60,183	9.4	11.7	4	4
Mazda	14,213	10,536	2.8	2.0	5	5
Others	80,106	79,216	14.0	15.4	n.a.	n.a.
<b>TIV</b>	<b>571,767</b>	<b>514,449</b>	<b>100</b>	<b>100</b>	<b>n.a.</b>	<b>n.a.</b>
<b>Passenger</b>	<b>512,852</b>	<b>456,572</b>	<b>90</b>	<b>89</b>	<b>n.a.</b>	<b>n.a.</b>
<b>Commercial</b>	<b>58,915</b>	<b>57,877</b>	<b>10</b>	<b>11</b>	<b>n.a.</b>	<b>n.a.</b>

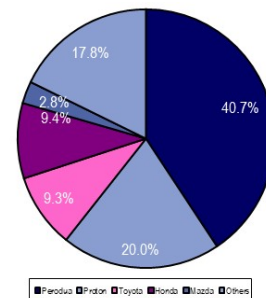
Source: MAA

### KEY ASSUMPTIONS

Financial Year	TIV Forecasts (units)
2019	604,281
2020	529,514
2021	508,911
2022	720,658
2023F	670,000
2023F (New forecast)	700,000

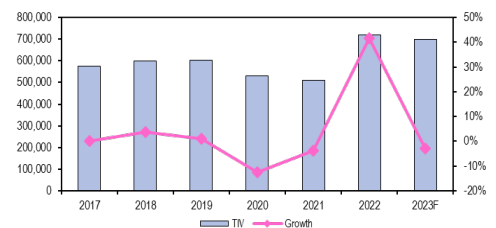
Source: MAA, UOB Kay Hian

### MARKET SHARE AS OF 9M23



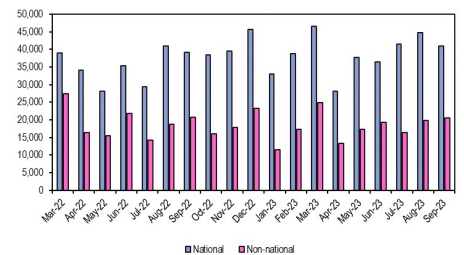
Source: MAA

### YEARLY TIV NUMBERS



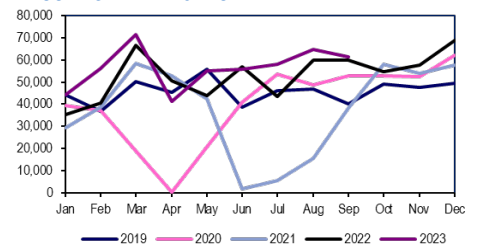
Source: MAA

### NATIONAL AND NON-NATIONAL VEHICLES



Source: MAA

### PASSENGER VEHICLES TREND



Source: MAA

## UOBKH HIGHLIGHTS

### CIMB Group (CIMB MK/BUY/RM5.62/Target: RM6.00)

#### CIMB Thai's 3Q23 Results

Year to 31 Dec (Btm)	3Q22	3Q23	yoy % chg	qoq % chg	9M23	yoy % chg
Net-Interest Income	2,415.8	2,476.1	2.5	(2.2)	7,355	3.9
Fee Income	298.7	269.5	(9.8)	(20.7)	935	(18.6)
Treasury & Trading Income	889.1	419.7	(52.8)	(8.2)	2,032	(18.1)
Operating Expenses	(1,942.2)	(2,199.6)	13.3	5.1	(6,251)	9.7
Loan Loss Provision	(775.8)	(502.5)	(35.2)	(8.2)	(1,880)	26.6
PBT	885.7	463.2	(47.7)	(32.9)	2,191	(37.9)
Net Income	696.0	367.4	(47.2)	(31.8)	1,736	(38.2)

Source: CIMB, UOB Kay Hian

#### COMMENT

- CIMB Thai's 3Q23 earnings within expectations.** CIMB Thai (95%-owned) reported 3Q23 net profit of Bt367m (-32% qoq, -47% yoy), bringing 9M23 total net profit to Bt1.7b (-38% yoy). This is in line with expectations, accounting for 72-73% of both our and consensus full-year forecasts; note that its contribution to overall group PBT is minimal at less than 2%. CIMB Thai's earnings fell 32% qoq, dragged down by negative JAWS where total income decreased 5% while opex escalated by 5%. At the top, non-interest income (NOII) declined 14% given weaker fees and sale of non-performing loans. Also, the slippage in net interest margin (NIM, -40bp) led to the sluggishness. That said, the smaller bad loan provision (-8%) helped to cushion some of the damage.
- CIMB Group: Maintain BUY and target price of RM6.00 (0.93x 2023F P/B, 9.8% ROE).** 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%.

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### UOBKH HIGHLIGHTS

## Sapura Energy (SAPE MK/HOLD/RM0.06/Target: RM0.07)

Trading Angle On Potential SapuraOMV Stake Sale Vs Oil Price Sentiment; More Needed To Uplift PN17

### WHAT'S NEW

- Several media outlets, including Reuters and Upstream, have reported that a number of oil and gas companies, such as Mubadala Energy, Inpex, and Medco Energi, have expressed interest in bidding for the acquisition of SapuraOMV Upstream. A price tag of US\$1.2b was touted. SapuraOMV is a 50: 50 associate company under Sapura Energy and OMV of Austria. Lambert Energy Advisory is acting as financial advisor to Sapura, while OMV has enlisted JP Morgan.
- In Sep 23, a media source reported that OMV had started the "marketing" process since Feb 23, for 50% of its Malaysian portfolio and 100% of its New Zealand portfolio, for a value of "more than US\$1b". Its New Zealand assets include five offshore exploration permits in the Taranaki Basin and the Toutouwai oil discovery made in 2020. Upstream reported that the rationale behind appointing different financial advisors for the two partners was not least because they report to different shareholders, although the co-venturers agreed to the same schedule and will work together to both get the right value for their respective stakes.
- Recap that back in 2018, OMV came in at a purchase of US\$1b, or an entry cost of close to US\$1.6b on EV basis. Oil prices were trading at around US\$80/bbl, and this worked out to be US\$6.30/boe on 253mmboe of 2P reserves and 2C resources. In 2021, SapuraOMV sold the Peninsular Oil Assets (12.5 mmboe of 2P reserves only) to Jadestone for US\$9m-15m, or US\$0.70/boe. SapuraOMV currently has some 500 MSCFD of gas production (net: 40,000 boepd), and when Jerun comes on-stream in Apr 24, the output will almost double. However, the issues of Malaysia LNG terminals have impacted SapuraOMV gas production in recent years, ie FY23 net production was 29,000 boepd.

### COMMENT

- **Near-term trading upside, supported by oil price sentiment.** We are unsure if the price tag is on a EV basis (ie whether it includes half of the RM1.5b loans), and are unable to ascertain the metrics as SAPE has stopped disclosing its 2P and 2C resources, which theoretically should be boosted by Jerun startup. As can be observed below, SapuraOMV had major impairments of up to RM1.3b, and the latest impairment was a result of well write-offs and higher discount rate. However, with oil prices likely heading towards US\$100bbl as per UOB Economics Research forecasts, and even more so for the high quality gas assets, they would be able fetch a high price. To recap, SAPE guided its plans to raise about RM4.8b, comprising RM1.8b injection from a white knight, RM2.3b for selling SapuraOMV (at a minimum) and internal cash flow generation (RM0.2b EBITDA per quarter). Hence, if the sale can be done at a touted value of US\$1b-1.2b, it will be a significant upside to SAPE's own minimum divestment value of RM2.3b, and perhaps large enough that the white knight may not be needed.
- **We also foresee a high chance for a successful sale,** in view of the active upstream O&G landscape this year. Note that three potential suitors have track records of Malaysia E&P operations: a) UAE state giant Mubadala is the operator behind Pegaga (Mar 22 first gas), b) Inpex operates blocks 4E and SK 418 offshore Sarawak, and was involved in Sabah more than 10 years ago, and c) Indonesia's Medco acquired the shallow-water Block PM 322 PSC offshore Peninsular Malaysia. There are risks that may derail the sale, including: a) if the partners (and PNB as one of SAPE's major shareholders) are unable to agree on a sale price, and b) the New Zealand government's stance on fossil fuel projects may complicate the OMV-JP Morgan side of the stake sale.
- **Retain HOLD, raising diluted target price to RM0.07.** Despite the group equity being at a loss of RM0.16/share, our previous valuation of RM0.04 already assumes a successful scenario of SAPE raising at least RM4b for its financial restructuring. Our new target price is a trading valuation, as we now assume a SapuraOMV sale of close to RM5b, vs its RM1.6b net assets. However, the trading upside is mostly priced in, and it is still risky to assume that this deal alone can manoeuvre SAPE out of the woods and towards uplifting PN17. Securing the white knight's RM1.8b injection is also crucial in our view, as SAPE is still facing troubles of customer terminations amid rising inflationary and financing costs, while its low EBITDA in 2QFY24 is a concern, and one of its rigs will be reported as being idle in the upcoming 3QFY24 results.

### SAPURAOMV FINANCIALS

RMm	FY19	FY20	FY21	FY22	FY23	1HFY24
Revenue	n.a.	839.4	1,051.6	1,212.1	1,501.5	n.a.
Opex	n.a.	(472.1)	(422.9)	(487.7)	(629.6)	n.a.
Impairments	n.a.	-	(47.5)	(281.7)	(1,008.8)	n.a.
PBT (Gross Stake)	n.a.	(15.3)	10.2	(221.7)**	(536.6)**	105.5
Assets	8,078.6	8,789.6	8,146.8*	7,699.7	7,480.2	n.a.
Non Current Loans	n.a.	1,839.8	1,716.9	1,519.6	1,480.3	n.a.
Net Assets at 50% Stake	2,208.1	2,132.1	2,077.3	2,006.1	1,666.0	n.a.

\* Sold Peninsular Oil Assets; \*\* Impairments for well-write offs

Source: SAPE Annual reports

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### TRADERS' CORNER



Source: UOBKH ChartGenie

### FoundPac Group (FPG MK)

Technical BUY with +23.5% potential return

Last price: RM0.425

Target price: RM0.495, RM0.525

Support: RM0.39

Stop-loss: RM0.385

**BUY with a target price of RM0.525 and stop-loss at RM0.385.** FPG's share price has been climbing higher gradually after having established a support level at RM0.39. Positive readings in both the DMI and MACD should translate into stronger momentum, which will in turn lift the share price higher. We peg our targets at RM0.495 and RM0.525 respectively in the near term.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading



Source: UOBKH ChartGenie

### Nextgreen Global (NGB MK)

Technical BUY on breakout with +16.2% potential return

Last price: RM0.89

Target price: RM0.995, RM1.04

Support: RM0.83

Stop-loss: RM0.825

**BUY on breakout with a target price of RM1.04 and stop-loss at RM0.825.** A successful rebound from the previous low of RM0.83 has sent the stock higher. Last Friday's breakout above the BBI line has kick-started a new up-leg. Given higher trading volumes and the positive readings from both the MACD and the DMI, we expect an upward continuation from here. We thus peg our upside targets at RM0.995 and RM1.04 once it manages to penetrate above the breakout level of RM0.895.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading

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