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### GREATER CHINA

#### Sector

#### Property

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Property sales during National Day holiday weaker than expected; awaiting more stimuli in 4Q23 to restore confidence.

#### Update

#### Alibaba Group (9988 HK/BUY/HK\$82.10/Target: HK\$120.00)

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2QFY24 preview: Eyes on Taobao-Tmall's focus strategy; near-term growth to be spurred by Double 11.

#### Asian Gems Corporate Highlights

#### CSPC Pharmaceutical Group (1093 HK/BUY/HK\$5.52/Target: HK\$8.00)

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Innovative product launches to support double-digit revenue growth from 2024.

### INDONESIA

#### Asian Gems Corporate Highlights

#### Trimegah Bangun Persada (NCKL IJ/BUY/Rp990/Target: Rp1,300)

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Persistently growing through capacity expansion.

### MALAYSIA

#### Sector

#### Plantation

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MPOB Sep 23: Inventory below market estimates due to low CPO production and high domestic usage.

#### Asian Gems Corporate Highlights

#### Malaysia Airports Holdings (MAHB MK/BUY/RM7.25/Target: RM8.11)

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Resilient outlook ahead on recovery of passenger traffic and commercial and retail operations. Conclusion of 2024 PSC and the RAB model remain the key catalysts.

### SINGAPORE

#### Update

#### Thai Beverage (THBEV SP/BUY/\$\$0.535/Target: \$\$0.750)

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Temporary hiccup to tourism recovery.

### THAILAND

#### Update

#### Airports of Thailand (AOT TB/BUY/Bt68.75/Target: Bt76.00)

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Limited downside, awaiting robust earnings in 1HFY24.

#### Bangkok Expressway and Metro (BEM TB/BUY/Bt8.00/Target: Bt9.60)

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Expect Strong Earnings in 3Q23.

### KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	33739.3	0.4	2.2	(2.4)	1.8
S&P 500	4358.2	0.5	3.0	(2.2)	13.5
FTSE 100	7628.2	1.8	2.1	2.0	2.4
AS30	7231.0	1.0	1.3	(2.1)	0.1
CSI 300	3657.1	(0.7)	(1.5)	(2.9)	(5.5)
FSSTI	3199.1	1.0	0.2	(0.6)	(1.6)
HSCEI	6052.5	0.9	1.7	(3.9)	(9.7)
HSI	17664.7	0.8	1.9	(2.4)	(10.7)
JCI	6922.2	0.4	(0.3)	(0.6)	1.0
KLCI	1435.2	1.3	1.1	(1.4)	(4.0)
KOSPI	2402.6	(0.3)	(2.5)	(6.0)	7.4
Nikkei 225	31746.5	2.4	(0.0)	(2.2)	21.7
SET	1434.5	0.2	(0.9)	(6.9)	(14.0)
TWSE	16520.6	0.4	1.0	(0.3)	16.9
BDI	1983	(0.4)	11.4	64.0	30.9
CPO (RM/mt)	3613	0.9	(1.3)	(3.7)	(10.7)
Brent Crude (US\$/bbl)	88	(0.6)	(3.6)	(3.3)	2.0

Source: Bloomberg

### TOP PICKS

Ticker	CP (1cy)	TP (1cy)	Pot. +/- (%)	
BUY				
BYD	1211 HK	236.60	590.00	149.4
China Duty Free	601888 CH	100.87	138.00	36.8
Bank Neo Commerce	BBYB IJ	300.00	390.00	30.0
Bumi Serpong	BSDE IJ	1,045.00	1,420.00	35.9
HM Sampoerna	HMSP IJ	850.00	1,300.00	52.9
My EG Services	MYEG MK	0.80	1.18	48.4
Yinson	YNS MK	2.39	3.75	56.9
OCBC	OCBC SP	13.00	18.22	40.2
CP ALL	CPALL TB	59.25	78.00	31.6
Inorama	IVL TB	25.50	30.00	17.6

### KEY ASSUMPTIONS

GDP (% yoy)	2022	2023F	2024F
US	2.1	2.0	1.0
Euro Zone	3.5	0.5	0.8
Japan	1.0	1.5	1.0
Singapore	3.6	0.7	3.0
Malaysia	8.7	4.0	4.6
Thailand	2.6	3.1	3.5
Indonesia	5.4	5.1	5.2
Hong Kong	-3.5	4.6	3.0
China	3.0	5.0	4.6
CPO (RM/mt)	5,088	4,000	4,200
Brent (Average) (US\$/bbl)	99.0	81.0	84.0

Source: Bloomberg, UOB ETR, UOB Kay Hian

### CORPORATE EVENTS

	Venue	Begin	Close
NDR with Galaxy Entertainment (27 HK)	Taiwan	10 Oct	12 Oct
14th Asian Gems Conference 2023 (Virtual)	Singapore	10 Oct	13 Oct
Investor Luncheon with Crystal International Group Limited (2232 HK)	Hong Kong	11 Oct	11 Oct
Analyst Marketing by Jonathan Koh on Singapore Bank and REITs	Thailand	11 Oct	12 Oct
Analyst Marketing on Singapore Tech and Mid Caps	Malaysia	17 Oct	19 Oct
Virtual Meeting with China Overseas Land & Investment Ltd (688 HK)	Hong Kong	18 Oct	18 Oct
Post 3Q2023 Results Virtual Meeting with Keppel Pacific Oak US REIT (KORE:SP)	Singapore	19 Oct	19 Oct

SECTOR UPDATE

Property – China

Weaker-than-expected Property Sales; Awaiting More Stimuli In 4Q23 To Restore Confidence

Daily new home sales in 35 cities during the Golden Week dropped 17% yoy, with performance diverging between cities. Second-hand home sales did better, with 3% yoy growth in daily sales in 50 cities. We notice more signals that the government may ease control over property and land prices, which will help the market reach a new equilibrium. Maintain MARKET WEIGHT on the sector and BUY on CR Land and COLI.

WHAT'S NEW

- CREIS published new home sales data for the 2023 National Day Holiday.
- Beike published secondary home sales data for the 2023 National Day Holiday.

ESSENTIALS

- **New home sales during 2023 National Day holiday weaker than expected.** In the new home market, daily sales during the eight-day Golden Week holiday declined 17% from last year, and decreased 21% compared to 2019, according to data on 35 major cities tracked by CREIS. Performance varied across cities, with weak overall transaction volume performance except for the core cities where the property market was resilient, like Shanghai, Guangzhou, Wuhan, Suzhou, Qingdao and Dongguan.

2023 NATIONAL HOLIDAY NEW HOME TRANSACTION VOLUME IN 35 CITIES

Tier	Cities	2023 National Holiday Transaction volume (10,000sqm)	Change in average daily transaction over the 2022 National Holiday (10.1-10.7)	Change in average daily transaction over the 2019 National Holiday (10.1-10.7)
Tier 1	Shanghai	12.3	159%	745%
	Guangzhou	15.7	129%	122%
	Beijing	1.8	-31%	-27%
	ShenZhen	3.5	-46%	-25%
	<b>Sum of Tier 1</b>	<b>33.3</b>	<b>62%</b>	<b>113%</b>
Tier 2	Wuhan	21.1	225%	-38%
	Suzhou	4.2	49%	-54%
	Qingdao	10.4	27%	-33%
	Hangzhou	4.7	-14%	5%
	Nanchang	2.2	-15%	-54%
	Nanjing	1.7	-16%	/
	Changsha	20.1	-19%	133%
	Jinan	7.3	-20%	-16%
	Beihai	0.5	-33%	77%
	Hefei	4.8	-54%	99%
	Shenyang	6.2	-57%	-27%
	Wenzhou	1.4	-60%	-83%
	Ningbo	1.5	-69%	/
	Xining	0.2	-95%	-98%
	<b>Sum of Tier 2</b>	<b>86.1</b>	<b>-14%</b>	<b>-28%</b>
Tier 3&4	Ningde	0.4	112%	/
	Dongguan	3.1	63%	/
	Meizhou	2.5	33%	-50%
	Ganjiang	1.5	1%	-34%
	Weihai	0.3	-15%	/
	Heze	0.1	-18%	-92%
	Maoming	2.2	-33%	60%
	Xuzhou	12.3	-35%	-46%
	Putian	1.1	-39%	-82%
	Xiangyang	0.5	-40%	-51%
	Zibo	1.0	-41%	2%
	Jiangyin	0.2	-41%	-94%
	Hengyang	1.6	-54%	-73%
	Liuzhou	1.2	-64%	-75%
	Yangzhou	0.2	-70%	/
Jinan	1.2	-87%	-67%	
Huangshi	0.5	-92%	-77%	
<b>Sum of Tier 3&amp;4</b>	<b>28.2</b>	<b>-50%</b>	<b>-59%</b>	
<b>Sum of 35 cities</b>	<b>147.6</b>	<b>-17%</b>	<b>-24%</b>	

Source: CREIS, UOB Kay Hian

MARKET WEIGHT  
(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
CR LAND	1109 HK	BUY	30.00	47.48
COLI	688 HK	BUY	15.92	25.86

Source: UOB Kay Hian

ANALYST(S)

**Jieqi Liu**  
+852 2826 1392  
jieqi.liu@uobkayhian.com.hk

**Damon Shen**  
+86 21 54047225 ext.820  
damonshen@uobkayhian.com

### PEER COMPARISON

Company	Ticker	Rec	Price @	Target	Upside/(Downside)	Market	PE		P/B		Yield	
			10 Oct 23 (HK\$)	Price (HK\$)	to TP (%)	Cap (HK\$ m)	2022F (x)	2023F (x)	2022F (x)	2023F (x)	2022F (%)	2023F (%)
China Resources Land Ltd	1109 HK	BUY	30.00	47.48	58.3	212,858.5	7.2	6.3	0.7	0.6	5.1	5.8
China Overseas Land	688 HK	BUY	15.92	25.86	62.4	172,929.2	6.0	5.1	0.4	0.4	5.0	5.9

Source: Bloomberg, UOB Kay Hian.

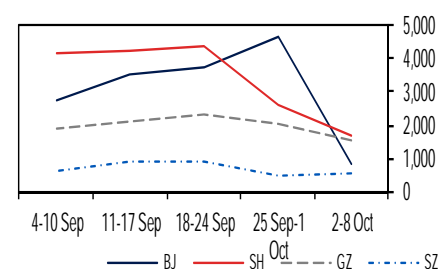
- Second-hand home sales saw a better yoy performance.** In the second-hand home market, daily sales in 50 cities during the eight-day Golden Week holiday rose 3% yoy, and the number of showings by agencies increased 13% yoy, according to data by Beike Research Institute. However, on a wov basis, second-hand home transactions in Tier 1 cities weakened. In the week of 2-8 October, the number of second-hand home units transacted in Beijing/Shanghai/Guangzhou/Shenzhen was -82%/-33%/-24%/+7% respectively. The weakening of sales momentum in the first week of October is partly due to the fact that sales and data registration were affected holiday travelling.

- More signals that the government may ease control over property and land prices.** On 26 Sep 23 and 9 Oct 23, Hefei and Jinan revised the rules of upcoming land auctions, with the price cap removed and the highest bidder winning. This is the first time that the price cap policy for land auctions has been loosened. Beijing will also no longer publish a guidance price for 29 residential communities in school districts. Instead, the seller can offer a price based on market conditions. With the removal of the government cap, property/land prices of different regions are expected to further diverge in the short term, but will converge again to reach the new equilibrium. Besides, the transaction volume will also increase. Overall, we see a rising possibility that price caps may be removed for the primary market.

### ACTIONS

- Maintain MARKET WEIGHT on China's property sector.** 4Q is a period for top leaders to discuss and make decisions for economic policies for the next year. Considering the greater downward pressure on the economy, we expect to see more stimuli to restore market confidence. Such stimuli will be positive catalysts for the property market and developers.
- Our top picks remain COLI and CR Land.** As leading SOEs, COLI and CR Land have been reporting strong sales growth ytd, backed by abundant saleable resources and strong presence in T1 and core T2 cities. The potential easing of price caps will be a positive catalyst for the two names. In Sep 23/9M23, COLI's contracted sales increased 22.7%/18.7% yoy to Rmb28.0b/Rmb 239.0b respectively. COLI is trading at 0.43x 2023 P/B (mean -1.1SD), 6.2x 2023PE (mean +1.2SD) and with 2023 dividend yield of 5.2% (mean -0.5SD). In Sep 23/9M23, CR Land's contracted sales decreased 1.9% and increased 17.7% yoy to Rmb30.1b/Rmb 227.8b respectively. CR Land is trading at 0.76x 2023F P/B (mean -1SD), 6.9x 2023F PE (nearly mean) and with 2023 dividend yield of 5.4% (nearly mean).

### WEEKLY NUMBER OF SECOND-HAND HOME UNITS SOLD IN TIER 1 CITIES



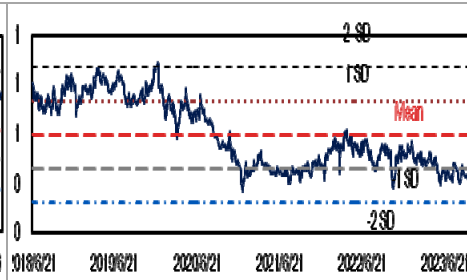
Source: Local government housing bureau, UOB Kay Hian

### PE-COLI



Source: UOB Kay Hian

### PB-COLI



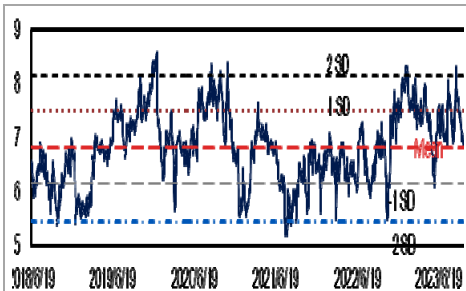
Source: UOB Kay Hian

### DIVIDEND YIELD-COLI



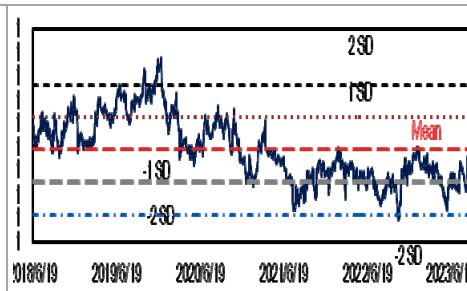
Source: UOB Kay Hian

### PE-CR LAND



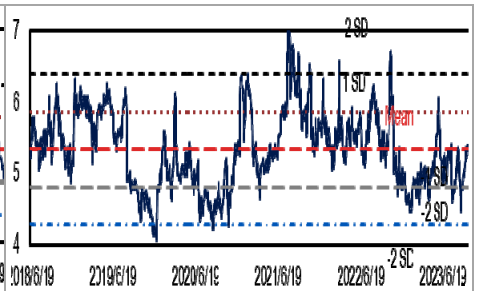
Source: NBS

### PB- CR LAND



Source: NBS

### DIVIDEND YIELD- CR LAND



Source: NBS

COMPANY UPDATE

**Alibaba Group (9988 HK)**

2QFY24 Preview: Eyes On Taobao-Tmall's Focus Strategy; Near-term Growth To Be Spurred By Double 11

Alibaba saw a gradual improvement in consumption recovery in September after a slowdown in July-August. We expect revenue to grow 7% yoy for 2QFY24, underpinned by merchant initiatives and offset by soft consumption demand. We reckon revenue growth should recover to high single digits in FY24. Alibaba still offers an attractive risk-reward opportunity on the back of its restructuring plan. Maintain BUY with a lower target price of HK\$120.00 (US\$120.00).

WHAT'S NEW

- **Alleviated CMR growth performance in 2QFY24 stemming from a subdued macro backdrop.** Alibaba Group's (Alibaba) 2QFY24 total revenue is estimated to deliver a decelerated growth of 7% yoy, compared with 14% yoy in 1QFY24. We estimate customer management revenue (CMR) to sustain its positive growth of 4% yoy in 2QFY24 from 10% yoy growth in 1QFY24, mainly driven by higher advertising revenue growth from the Adtech (ROI-based cost per sales) product upgrades, and partially offsetting the soft GMV growth. Adjusted EBITA is projected to grow 18% yoy to Rmb42.6b in 2QFY24, translating to adjusted EBITA margin of 19%.
- **Quick glimpse of NBS growth trajectory in the near term.** Based on NBS data, online physical retail goods GMV increased 5.0%/6.1% yoy in Jul/Aug 23, decelerating from 14.0% in 2Q23, representing a normalised period and weak seasonality. Alibaba's CMR grew 10% yoy in 1QFY24, and moderated during July/August, followed by a sequential improvement in September. With "user first" as the core strategy for the Taobao-Tmall business group, DAU saw a continuous improvement of 4% yoy in July-August, outpacing its peers. We expect Alibaba's GMV growth to continue to narrow the gap with the e-commerce industry, and we forecast Taobao-Tmall's GMV to grow at 1% yoy in 2QFY24.
- **AliCloud: Persistent headwinds that hinder growth.** We estimate cloud revenue to deliver sluggish growth of 2%/3% yoy in 2QFY24/FY24 (vs 1QFY24: 4% yoy). This is mainly dampened by the price cut (by 10-40%) of some AliCloud products which lowered the average ARPU as well as changed the product mix by scaling back content delivery network. In 2QFY24, AliCloud's EBITA margin is guided to remain stable at 2%. Despite short-term headwinds, AliCloud remains dedicated and outlined "AI-driven" as the strategic growth pillar.
- **Cainiao's application for Hong Kong Stock Exchange (HKEX) listing.** Alibaba plans to spin off Cainiao and list its shares on the HKEX while retaining over 50% ownership; the IPO planning process is well on track according to management. In 2QFY24, Cainiao is expected to deliver solid revenue growth of 21% to Rmb22.2b, largely anchored by rapid overseas expansion of AE Choice in Europe and resilient performance of domestic Alibaba refund logistics. Cainiao's adjusted EBITA is forecasted at Rmb500m, translating to adjusted EBITA margin of 2% in 2QFY24, improving from 1% a year ago.

KEY FINANCIALS

Year to 31 Mar (Rmbm)	2022	2023	2024F	2025F	2026F
Net turnover	853,062.0	868,687.0	949,874.2	1,044,689.7	1,143,848.7
EBITDA	110,207.0	141,874.0	200,247.8	219,482.7	254,000.2
Operating profit	69,638.0	100,351.0	155,981.3	179,253.1	217,384.9
Net profit (rep./act.)	61,959.0	72,509.0	132,323.2	154,941.0	187,380.7
Net profit (adj.)	136,388.0	141,379.0	165,213.6	202,571.2	231,274.1
EPS (Fen)	636.2	652.9	755.5	917.1	1,031.6
PE (x)	12.0	11.7	10.1	8.3	7.4
P/B (x)	1.8	1.7	1.4	1.2	1.1
EV/EBITDA (x)	14.0	10.9	7.7	7.0	6.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	7.3	8.3	13.9	14.8	16.4
Net debt/(cash) to equity (%)	(14.9)	(13.4)	(24.2)	(32.3)	(39.6)
Interest cover (x)	5.3	8.4	30.9	15.3	29.1
ROE (%)	6.5	7.4	12.0	12.0	12.4
Consensus net profit	-	-	171,225	183,275	205,014
UOBKH/Consensus (x)	-	-	0.96	1.11	1.13

Source: Alibaba Group, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$82.10
Target Price	HK\$120.00
Upside	+46.2%
(Previous TP)	HK\$133.00)

COMPANY DESCRIPTION

Alibaba Group is the largest e-commerce marketplace operator in China.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	9988 HK Equity
Shares issued (m):	20,347.4
Market cap (HK\$m):	1,670,521.0
Market cap (US\$m):	213,327.0
3-mth avg daily t'over (US\$m):	462.0

Price Performance (%)

52-week high/low	HK\$117.50/HK\$61.45			
1mth	3mth	1mth	3mth	1mth
(9.6)	(2.6)	(16.0)	0.9	(4.8)

Major Shareholders

Softbank	13.73
Ma Jack Yun	3.24
Vanguard Group	2.79

FY24 NAV/Share (RMB)	53.45
FY24 Net Cash/Share (RMB)	13.03

PRICE CHART



Source: Bloomberg

ANALYST(S)

**Julia Pan Meng Yao**  
+8621 5404 7225 ext 808  
juliapan@uobkayhian.com

**Soong Ming San**  
+603 21471912  
mingsan@uobkayhian.com

### ESSENTIALS

- 2QFY24 outlook for DME and other segments.** Management guided for the revenue of digital media & entertainment (DME) to grow 19% yoy to Rmb6.2b in 2QFY24. Alibaba International Digital Commerce (AIDC) is guided to deliver robust revenue growth of 35% yoy, mainly boosted by the strong performance of AE Choice and Trendyol. Meanwhile, local consumer service group is guided to deliver a solid revenue growth of 20% yoy. China's wholesale, international retail and international wholesale are expected to deliver accelerated growths of 2%/55%/1% yoy respectively compared with 1%/3%/6% in the same period last year.
- Promising Singles Day outlook.** Taobao-Tmall's Singles Day festival is likely to kick off on 26 October. The strength of Singles Day 2023 is expected to align with promotions during Singles Day 2022 and the 6.18 festival in 2023. Alibaba will offer a discount of Rmb50 for every Rmb300 spent (equivalent to 17% off) on Tmall and Rmb30 off for every Rmb200 spent (equivalent to 15% off) on Taobao.
- Alibaba's Alimama and Tencent Advertising,** on 25 September announced a deeper collaboration to seize market shares during Singles Day. High-quality advertising traffic from platforms such as WeChat Video Accounts, Moments, and Mini Programs will be connected directly with Taobao and Tmall merchants' stores, product details, and Taobao Live broadcasts through Alimama's UD Effect Advertising. They plan to launch the "Double 11 Super Boost Plan" for this year's Tmall Single Days event, investing hundreds of millions in subsidies for merchants.

### 12-MONTH FORWARD PE BAND



Source: Bloomberg, UOB Kay Hian

### EARNINGS REVISION/RISK

- We trimmed our revenue estimates by 2%/2% for 2QFY24/FY24 respectively. We forecast 7%/9% revenue growth and 17%/15% yoy net profit growth in 2QFY24/FY24. Our 2QFY24/FY24 net non-GAAP net margin forecasts are 18%/18% respectively vs 17% in FY23.
- Risks.** a) Intensified competition among e-commerce peers, and b) continued investment in new initiatives may drag on margin.

### VALUATION/RECOMMENDATION

- Maintain BUY with a lower target price of HK\$120.00 (US\$120.00).** We lower our EV/Sales for Alicloud to 4x from 6x due to the sluggish growth. We apply 5x EV/Sale to Cainiao's business. We believe Alibaba Group and each of its holding companies is valued at a steep discount and with ex-cash PE of 8x, with core commerce Taobao + Tmall businesses at 9x FY24F PE. Alibaba is trading at 9.2x 12-month forward PE, 2SD below its historical mean of 23x against 15% EPS CAGR from FY23-26.

### SHARE PRICE CATALYST

- a) New retail segment to see profits and economies of scale, b) continued strong growth in the international business, c) potential listing of Ant Financial, and d) incoming spin-off events over the next 6-12 months.

### SOTP VALUATION (BASED ON 12-MONTH FORWARD)

Description	Business Unit	FY24 Revenue (HK\$,b)	EBITA (HK\$,b)	EV / Revenue	EV / EBITA	Value (HK\$,b)	% BABA holding	Value to BABA (HK\$,b)	(HK\$) per share
<b>Core+initiatives</b>									
Core commerce business		347	80	2	8	638	100%	638	29
Online marketing service	Taobao Tmall Commerce Group	246	86				100%		
Commission		100	35				100%		
Direct sales + Alihealth		51		1		51	100%	51	2
International commerce	Global Digital Commerce Group	106		3		319	100%	319	15
Cainiao	Cainiao Smart Logistics	109		5		547	51%	279	13
Ele.me+ Amap	Local Services Group	70		3		211	100%	211	10
Cloud Computing, other	Cloud Intelligence Group	117	4	4		468	100%	468	21
Youku Tudou and other initiatives	Digital Media and Entertainment Group	248		1		248	100%	248	11
<b>Total Core+initiatives valuation</b>								<b>2,215</b>	<b>101</b>
<b>Investees</b>									
Ant Financial	Internet finance					624	33%	206	9
<b>Net cash</b>								<b>228</b>	<b>10</b>
<b>Total</b>								<b>2,634</b>	<b>120</b>
<b># of shares</b>								<b>21,991</b>	

Source: UOB Kay Hian

### PROFIT & LOSS

Year to 31 Mar (Rmbm)	2023	2024F	2025F	2026F
Net turnover	868,687	949,874	1,044,690	1,143,849
EBITDA	141,874	200,248	219,483	254,000
Deprec. & amort.	41,523	44,267	40,230	36,615
EBIT	100,351	155,981	179,253	217,385
Total other non-operating income	5,823	1,364	0	0
Associate contributions	(8,063)	10,453	25,537	19,261
Net interest income/(expense)	(16,989)	(6,482)	(14,300)	(8,738)
<b>Pre-tax profit</b>	<b>81,122</b>	<b>161,317</b>	<b>190,491</b>	<b>227,909</b>
Tax	(15,549)	(34,336)	(40,331)	(46,583)
Minorities	7,210	5,606	5,045	6,055
Preferred dividends	(274)	(264)	(264)	0
<b>Net profit</b>	<b>72,509</b>	<b>132,323</b>	<b>154,941</b>	<b>187,381</b>
Net profit (adj.)	141,379	165,214	202,571	231,274

### CASH FLOW

Year to 31 Mar (Rmbm)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>199,752</b>	<b>171,306</b>	<b>203,331</b>	<b>233,280</b>
Pre-tax profit	81,122	161,317	190,491	227,909
Tax	(15,549)	(34,336)	(40,331)	(46,583)
Deprec. & amort.	41,523	44,267	40,230	36,615
Associates	(5,518)	549	(3,282)	(14,344)
Working capital changes	(54,676)	58	12,942	15,339
Non-cash items	0	0	0	0
Other operating cashflows	152,850	(549)	3,282	14,344
<b>Investing</b>	<b>(135,506)</b>	<b>(84,867)</b>	<b>(88,125)</b>	<b>(91,085)</b>
Capex (growth)	(30,373)	(28,462)	(26,080)	(22,836)
Capex (maintenance)	0	0	0	0
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(105,133)	(56,404)	(62,045)	(68,249)
<b>Financing</b>	<b>(65,619)</b>	<b>75,653</b>	<b>51,579</b>	<b>56,737</b>
Dividend payments	n.a.	n.a.	n.a.	n.a.
Issue of shares	5,054	70,451	45,857	50,442
Proceeds from borrowings	15,399	5,202	5,723	6,295
Loan repayment	0	0	0	0
Others/interest paid	(86,072)	0	0	0
<b>Net cash inflow (outflow)</b>	<b>(1,373)</b>	<b>162,092</b>	<b>166,786</b>	<b>198,932</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>189,898</b>	<b>192,055</b>	<b>354,147</b>	<b>520,933</b>
Changes due to forex impact	3,530	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>193,086</b>	<b>354,147</b>	<b>520,933</b>	<b>719,866</b>

### BALANCE SHEET

Year to 31 Mar (Rmbm)	2023	2024F	2025F	2026F
Fixed assets	176,031	172,199	166,967	159,829
Other LT assets	879,047	923,479	976,606	1,038,214
Cash/ST investment	193,086	354,147	520,933	719,866
Other current assets	504,880	536,294	570,842	607,053
<b>Total assets</b>	<b>1,753,044</b>	<b>1,986,119</b>	<b>2,235,348</b>	<b>2,524,961</b>
ST debt	7,466	7,466	7,466	7,466
Other current liabilities	377,885	409,357	456,847	508,397
LT debt	52,023	57,225	62,948	69,243
Other LT liabilities	192,749	192,749	192,749	192,749
Shareholders' equity	999,515	1,196,947	1,392,963	1,624,732
Minority interest	123,406	123,406	123,406	123,406
<b>Total liabilities &amp; equity</b>	<b>1,753,044</b>	<b>1,986,119</b>	<b>2,235,348</b>	<b>2,524,961</b>

### KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	16.3	21.1	21.0	22.2
Pre-tax margin	9.3	17.0	18.2	19.9
Net margin	8.3	13.9	14.8	16.4
ROA	4.2	7.1	7.3	7.9
ROE	7.4	12.0	12.0	12.4
<b>Growth</b>				
Turnover	1.8	9.3	10.0	9.5
EBITDA	28.7	41.1	9.6	15.7
Pre-tax profit	9.8	98.9	18.1	19.6
Net profit	17.0	82.5	17.1	20.9
Net profit (adj.)	3.7	16.9	22.6	14.2
EPS	2.6	15.7	21.4	12.5
<b>Leverage</b>				
Debt to total capital	5.0	4.7	4.4	4.2
Debt to equity	6.0	5.4	5.1	4.7
Net debt/(cash) to equity	(13.4)	(24.2)	(32.3)	(39.6)
Interest cover (x)	8.4	30.9	15.3	29.1

### ASIAN GEMS CORPORATE HIGHLIGHTS

## CSPC Pharmaceutical Group (1093 HK)

Innovative Product Launches To Support Double-digit Revenue Growth From 2024

**CSPC recently received approvals for two new products, namely Irinotecan Liposome Injection and Narlumobart for Injection. With the extensive R&D pipeline rolling out an increasing number of innovative products, CSPC has entered the harvest season of innovation. We expect the new product launches to continue, supporting double-digit revenue and earnings growth for the company from 2024. Maintain BUY. Target price: HK\$8.00.**

#### WHAT'S NEW

- CSPC Pharmaceutical Group (CSPC) attended the Asian Gems Virtual Conference 2023. Here are the key takeaways.

#### STOCK IMPACT

- **Strong R&D platforms yield growing number of new products.** CSPC is a leading innovative pharmaceutical company in China. It has five R&D centres located in China and the US and established a strong R&D team consisting approximately 2,000 scientists and eight R&D platforms, ie Nano-formulation, mRNA vaccine, siRNA, ADC, BsAb, mAb, small molecule, and long-acting injections. Its extensive R&D pipeline covers approximately 300 R&D projects (including about 130 innovative projects).

The company has recently obtained market approvals for two innovative products, ie, Narlumobart for Injection (津立生, JMT10, the first IgG4 subtype fully human monoclonal antibody against RANKL) for the treatment of giant cell tumour of bone, and Irinotecan Hydrochloride Liposome Injection (伊立替康脂质体, a class 4 drug approved in combination with 5-fluorouracil (5-FU) and leucovorin (LV) for the treatment of patients with metastatic pancreatic cancer. CSPC targets to receive seven and 10 product approvals in 2024 and 2025 respectively, and about 12 per year thereafter.

- **Nurtures new blockbusters.** After receiving market approval in September, Irinotecan Liposome Injection and Narlumobart for Injection are expected to deliver sales revenue of Rmb500m-1b and Rmb200-300m for the first full year, respectively and bring in peak sales of Rmb2b-3b after reaching maturity. CSPC currently has 10,000 sales personnel covering more than 35,000 medical institutions in China. The strong sales and marketing teams and extensive distribution network will provide solid support for steady sales growth of the newly launched products.

#### KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	27,866.9	30,936.9	32,120.8	35,772.4	40,080.1
EBITDA	7,660.4	8,403.2	8,963.7	10,091.1	11,411.1
Operating profit	6,795.0	7,574.5	8,019.0	9,029.9	10,233.3
Net profit (rep./act.)	5,567.8	6,043.3	6,430.1	7,244.8	8,214.7
Net profit (adj.)	5,380.5	6,057.7	6,430.1	7,244.8	8,214.7
EPS (Fen)	45.0	50.8	54.0	60.8	68.9
PE (x)	11.4	10.1	9.5	8.5	7.5
P/B (x)	2.4	2.0	1.9	1.7	1.5
EV/EBITDA (x)	7.3	6.6	6.2	5.5	4.9
Dividend yield (%)	2.8	3.6	5.2	4.2	4.8
Net margin (%)	20.0	19.5	20.0	20.3	20.5
Net debt/(cash) to equity (%)	(34.9)	(25.9)	(22.5)	(28.4)	(35.9)
Interest cover (x)	999.5	337.6	360.1	405.4	458.4
ROE (%)	23.0	21.5	20.5	20.9	20.8
Consensus net profit	-	-	6,276	6,829	7,390
UOBKH/Consensus (x)	-	-	1.02	1.06	1.11

Source: CSPC, Bloomberg, UOB Kay Hian

## BUY (Maintained)

Share Price	HK\$5.52
Target Price	HK\$8.00
Upside	+45.0%

#### COMPANY DESCRIPTION

CSPC Pharmaceutical Group switched its core business focus from bulk medicine manufacturing to innovative drug manufacturing in 2012. It has become a leading pharmaceutical player in China.

#### STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	1093 HK
Shares issued (m):	11,903.2
Market cap (HK\$m):	65,705.8
Market cap (US\$m):	8,403.9
3-mth avg daily t'over (US\$m):	30.2

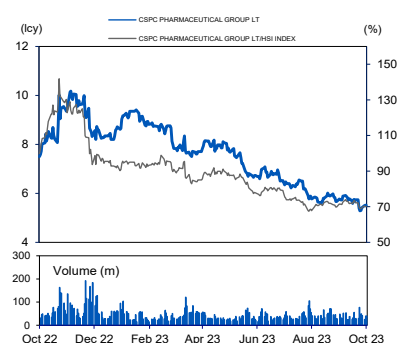
#### Price Performance (%)

52-week high/low	HK\$10.18/HK\$5.29			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(2.6)	(15.3)	(28.4)	(27.4)	(32.7)

#### Major Shareholders

	%
Cai Dongchen	23.7
FY23 NAV/Share (HK\$)	2.74
FY23 Net Cash/Share (HK\$)	0.62

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

**Carol Dou**  
+852 2236 6749  
carol.dou@uobkayhian.com.hk

**Sunny Chen**  
+852 2826 4857  
sunny.chen@uobkayhian.com.hk



- **Actively participates in NRDL price negotiation in 2023.** CSPC expects to have four or five products participating in the new round of NRDL price negotiation in Nov 23, including Desvenlafaxine (for treatment of depression), Duvelisib (PI3Kδ, for the treatment of Lymphoid Malignancies) Duoenda (mitoxantrone hydrochloride liposome injection) and Glumetinib (collaborated with Shanghai Haihe Biopharma Co, for the full-line treatment of non-small cell lung cancer). Management expects the drugs to experience mild price pressure in the NRDL price negotiations and potential NRDL inclusion will support sales growth for these products, especially when large indications are approved.
- **Expects double-digit revenue and earnings growth in 2024.** CSPC has seen limited impact from the anti-corruption campaign given its good anti-corruption system. By focusing on new product innovation and the market penetration of its existing products, it saw resilient revenue growth in August and the sales growth regained momentum in September. Management continues to guide for positive revenue growth for 2023, and a brighter outlook in 2024. Aside from the products (eg Duoenda, Mingfule and Anfulike) launched in the past two years, we anticipate the company's newly-launched products will bring in new revenue streams, which will support double-digit revenue and earnings growth in 2024.
- **Well prepared for future NBP market competition.** According to management, NBP will unlikely to face generic drug competition in the next two years. The company has also been well prepared for potential market competition once NBP's generics come into the market. It has extended R&D on NBP on new indication – vascular dementia (VaD) in both China and the US. Moreover, it has further enriched its central nervous system (CNS) drug pipeline by adding Mingfule (indicated for Acute ischemic stroke) and Batoclimab (for the treatment of myasthenia gravis (MG)) in its product pipeline/portfolio. The potential market approval of these two products/indications in 2024 will allow the company to fully utilise its extensive distribution network of NBP and generate potential peak sales of Rmb2b-3b from each them.
- **Transforming into a truly innovative drug producer.** CSPC further enhanced its R&D efforts by investing 17.8% of total finished drug revenue in R&D in 1H23 (2022: 16.4%). It expects the R&D/finished drug revenue to remain relatively stable at 17-18% in the next few years. The company has successfully obtained four new product approvals in 2023 and targets seven and 10 in 2024 and 2025, and approximately 12 per year from 2026 onwards. We believe the extensive pipeline of approximately 300 R&D projects will yield an increasing number of innovative drugs, and CSPC will soon transform into a true drug innovator.

#### EARNINGS REVISION/RISK

- None.

#### VALUATION/RECOMMENDATION

- **Maintain BUY and target price of HK\$8.00** based on: a) HK\$3.93/share, or 6x 2024F PE, for existing drugs, and b) NAV-derived pipeline value of HK\$4.07/share (WACC: 11.4%, perpetual growth rate: 3.5%). CSPC is now trading at an attractive valuation of 8.5x 2024F PE.

#### SHARE PRICE CATALYST

- New product launches in 2024, eg Batoclimab for MG, Mingfule for acute ischemic stroke, DBPR108 (DPP4) for diabetes, and SYSA1802 (pd-1) for cervical cancer.

### PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	30,936.9	32,120.8	35,772.4	40,080.1
EBITDA	8,403.2	8,963.7	10,091.1	11,411.1
Deprec. & amort.	828.7	944.8	1,061.2	1,177.7
EBIT	7,574.5	8,019.0	9,029.9	10,233.3
Associate contributions	(15.4)	(15.4)	(15.4)	(15.4)
Net interest income/(expense)	(24.9)	(24.9)	(24.9)	(24.9)
<b>Pre-tax profit</b>	<b>7,534.2</b>	<b>7,978.7</b>	<b>8,989.6</b>	<b>10,193.1</b>
Tax	(1,350.2)	(1,351.3)	(1,522.5)	(1,726.3)
Minorities	(140.7)	(197.3)	(222.3)	(252.1)
<b>Net profit</b>	<b>6,043.3</b>	<b>6,430.1</b>	<b>7,244.8</b>	<b>8,214.7</b>
Net profit (adj.)	6,057.7	6,430.1	7,244.8	8,214.7

### BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	9,582.1	10,538.0	11,326.2	11,997.9
Other LT assets	8,230.6	9,254.4	9,254.4	9,254.4
Cash/ST investment	8,000.9	7,425.1	10,490.2	15,222.8
Other current assets	15,956.3	16,353.7	17,310.6	18,492.0
<b>Total assets</b>	<b>41,769.8</b>	<b>43,571.3</b>	<b>48,381.4</b>	<b>54,967.2</b>
ST debt	153.5	55.4	55.4	55.4
Other current liabilities	8,804.5	8,125.0	8,683.1	9,410.2
LT debt	29.0	19.9	19.9	19.9
Other LT liabilities	1,140.9	1,115.8	1,115.8	1,115.8
Shareholders' equity	30,197.5	32,613.6	36,643.3	42,249.8
Minority interest	1,444.3	1,641.7	1,864.0	2,116.1
<b>Total liabilities &amp; equity</b>	<b>41,769.8</b>	<b>43,571.3</b>	<b>48,381.4</b>	<b>54,967.2</b>

### CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>7,627.1</b>	<b>6,442.2</b>	<b>8,020.2</b>	<b>9,031.3</b>
Pre-tax profit	7,582.3	7,978.7	8,989.6	10,193.1
Tax	(1,334.6)	(1,351.3)	(1,522.5)	(1,726.3)
Deprec. & amort.	828.7	944.8	1,061.2	1,177.7
Working capital changes	798.1	(1,054.4)	(398.8)	(454.3)
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	(247.5)	(75.6)	(109.3)	(158.9)
<b>Investing</b>	<b>(6,796.0)</b>	<b>(4,217.2)</b>	<b>(1,823.3)</b>	<b>(1,823.3)</b>
Capex (growth)	(1,816.0)	(1,823.3)	(1,823.3)	(1,823.3)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(4,980.0)	(2,393.9)	0.0	0.0
<b>Financing</b>	<b>(1,904.1)</b>	<b>(2,800.8)</b>	<b>(3,131.9)</b>	<b>(2,475.3)</b>
Dividend payments	(1,745.8)	(2,202.3)	(3,215.0)	(2,608.1)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	371.1	(565.9)	0.0	0.0
Others/interest paid	(529.4)	(32.5)	83.1	132.8
<b>Net cash inflow (outflow)</b>	<b>(1,073.0)</b>	<b>(575.7)</b>	<b>3,065.1</b>	<b>4,732.7</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>9,059.7</b>	<b>8,000.9</b>	<b>7,425.1</b>	<b>10,490.2</b>
Changes due to forex impact	14.1	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>8,000.9</b>	<b>7,425.1</b>	<b>10,490.2</b>	<b>15,222.8</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	27.2	27.9	28.2	28.5
Pre-tax margin	24.4	24.8	25.1	25.4
Net margin	19.5	20.0	20.3	20.5
ROA	15.8	15.1	15.8	15.9
ROE	21.5	20.5	20.9	20.8
<b>Growth</b>				
Turnover	11.0	3.8	11.4	12.0
EBITDA	9.7	6.7	12.6	13.1
Pre-tax profit	10.6	5.9	12.7	13.4
Net profit	8.5	6.4	12.7	13.4
Net profit (adj.)	12.6	6.1	12.7	13.4
EPS	12.9	6.2	12.7	13.4
<b>Leverage</b>				
Debt to total capital	0.6	0.2	0.2	0.2
Debt to equity	0.6	0.2	0.2	0.2
Net debt/(cash) to equity	(25.9)	(22.5)	(28.4)	(35.9)
Interest cover (x)	337.6	360.1	405.4	458.4

ASIAN GEMS CORPORATE HIGHLIGHTS

**Trimegah Bangun Persada (NCKL IJ)**

Persistently Growing Through Capacity Expansion

NCKL believes its production capacity expansion could offset the risk of lower ASP. Cash cost could continue to decline as the ramp-up stage ends and production is stabilising. Profit margins could remain robust on cost efficiency efforts. NCKL has its own nickel mines that have sufficient ore reserves to support the RKEF and HPAL ore needs. We expect 2023 and 2024 NPAT to come in at Rp5.9t (+27.2% yoy) and Rp8.4t (+41.5% yoy) respectively. Maintain BUY with a target price of Rp1,300.

WHAT'S NEW

- **NPAT could grow 27.2% yoy in 2023 and 41.5% yoy in 2024** despite potentially lower nickel prices. Trimegah Bangun Persada (NCKL) believes its production capacity expansion could offset the risk of lower ASP. In the longer term, NCKL believes the nickel demand for EV battery components would support the nickel price. NCKL expects the rotary kiln electric furnace (RKEF) production capacity to increase to 90,000 tonnes of ferronickel (FeNi) p.a. in 2023 and 120,000 tonnes of FeNi p.a. in 2024. On the high-pressured acid leach (HPAL), NCKL expects to produce 55,000 tonnes of mixed hydroxide precipitate (MHP) and 6,750 tonnes of cobalt in 2023 and 120,000 tonnes of MHP and 14,250 tonnes of cobalt in 2024.
- **Cash cost could continue to decline** as the ramp-up stage ends and production stabilises at nameplate capacity. NCKL stated that its cash cost could be potentially lower as energy prices soften in 2023-24 and the production capacity ramp-up stage ends. In 1H23, NCKL's RKEF experienced efficiency in their cash cost with a CAGR of -9%, following the increase in production capacity. We expect NCKL's RKEF cash cost at an average of US\$11,510/tonne in 2023 and US\$8,680/tonne in 2024 as we assume a lower average coal input cost in 2024.
- **Profit margins remain robust on cost efficiency efforts.** To reduce the risk of lower nickel prices, NCKL will also push its production and operational costs efficiency efforts to maintain its profit margins. Based on the current cash cost, NCKL believes it is one of the most efficient nickel producing companies with the lowest cash costs in the industry mainly due to its vertically integrated nickel operations on Obi Island. NCKL's cash cost in 1H23 is US\$11,185/tonne for the RKEF, US\$7,304/tonne after cobalt credit for the MHP and US\$10,464/tonne for the nickel sulphate.
- **Expect 2023 and 2024 NPAT to come in at Rp5.9t (+27.2% yoy) and Rp8.4t (+41.5% yoy) respectively** as sales volume will continue to increase on ramped-up nickel production in 2023-24. We maintain 2023 and 2024 average nickel prices at US\$22,785/tonne and US\$20,000/tonne respectively. As a result, NCKL's revenue for 2023 should come in at Rp23.5t, with Rp6.4t in EBITDA, which implies a 41.3% yoy growth, while 2024 revenue will be Rp27.5t with EBITDA of Rp9.7t.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net turnover	8,229	9,568	23,483	27,499	25,445
EBITDA	4,204	4,508	6,369	9,740	9,619
Operating profit	3,567	3,984	5,356	8,771	8,475
Net profit (rep./act.)	1,969	4,667	5,937	8,402	10,101
Net profit (adj.)	1,969	4,667	5,937	8,402	10,101
EPS (Rp)	31.2	74.0	94.1	133.2	160.1
PE (x)	31.7	13.4	10.5	7.4	6.2
P/B (x)	11.1	6.6	2.7	2.2	1.8
EV/EBITDA (x)	14.9	13.9	9.8	6.4	6.5
Dividend yield (%)	1.3	3.1	2.2	5.5	6.6
Net margin (%)	23.9	48.8	25.3	30.6	39.7
Net debt/(cash) to equity (%)	51.5	75.4	(19.9)	(22.3)	(34.0)
Interest cover (x)	13.7	16.4	29.9	83.6	n.a.
ROE (%)	41.2	61.7	36.4	32.8	32.5
Consensus net profit	-	-	5,820	8,693	9,798
UOBKH/Consensus (x)	-	-	1.02	0.97	1.03

Source: Trimegah Bangun Persada, Bloomberg, UOB Kay Hian

**BUY**  
(Maintained)

Share Price	Rp990
Target Price	Rp1,300
Upside	+31.3%
(Previous TP	Rp1,190)

COMPANY DESCRIPTION

Trimegah Bangun Persada is a vertically integrated pure-play nickel producer company located in Obi Island with more than 10 years of operational experience.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	NCKL IJ
Shares issued (m):	63,098.6
Market cap (Rpb):	62,467.6
Market cap (US\$m):	3,969.0
3-mth avg daily t'over (US\$m):	4.2

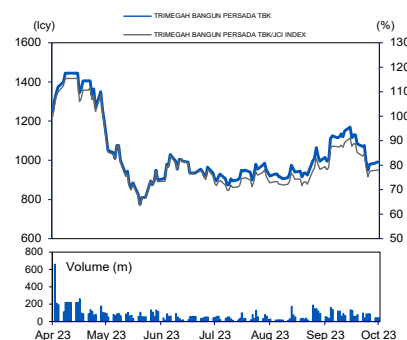
Price Performance (%)

52-week high/low	Rp1,445/Rp775				
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>	
(0.5)	5.9	n.a.	n.a.	n.a.	

Major Shareholders

	<b>%</b>
Harita Jayaraya	86.5
FY23 NAV/Share (Rpb)	367
FY23 Net Cash/Share (Rpb)	73

PRICE CHART



Source: Bloomberg

ANALYST(S)

**Limartha Adhiputra**  
+6221 2993 3914  
limarthaadhiputra@uobkayhian.com

### STOCK IMPACT

- **Sufficient nickel ore reserve to supply RKEF and HPAL operations.** Nickel smelters in Indonesia are experiencing difficulties in securing nickel ore supply as the government does not allow revisions to mining work plans and budgets (RKAB), thus nickel miners are not able to ramp up production until end-23. However, NCKL does not experience the same difficulties in its nickel ore supply as it has its own nickel mines that have sufficient ore reserves to support the RKEF and HPAL ore needs.
- **Capacity expansion is on track with management guidance.** We also recently visited NCKL's operation site in Obi Island. We found that NCKL's capacity expansion is progressing in line with management guidance.
  - a) NCKL's subsidiary, Obi Nickel Cobalt (ONC), is building the second HPAL facility with a total capacity of 65,000 tonnes of MHP p.a. The ONC HPAL construction progress has reached 30% and is expected to commence production by mid-24.
  - b) NCKL's third RKEF facility through Karunia Permai Sentosa (KPS) is currently on land clearing stage and expected to commence production by mid-25. KPS will have a production capacity of 185,000 tonnes of ferronickel p.a.
  - c) NCKL is also constructing a 2x380MW coal fired power plant to provide the power needs of ONC HPAL facility, KPS RKEF facility and for future Obi Stainless Steel (OSS) factory.
- **Successfully produced and exported the first cobalt sulphate in 3Q23.** After producing and exporting the first nickel sulphate in Jun 23, NCKL through Halmahera Persada Lygend (HPL) has also successfully produced and exported the first cobalt sulphate in Jul 23 and delivered two shipments of cobalt sulphate to customers. NCKL's converter plant is able to produce 2,000 tonnes of nickel sulphate per day and 300 tonnes of cobalt sulphate per day. Currently, 40% of the MHP produced by HPL is converted into nickel sulphate and cobalt sulphate. We see that NCKL could increase its MHP conversion to nickel sulphate and cobalt sulphate in 2H23 if the demand and prices are stronger.
- **Committed to implementing ESG standards.** On the site visit, we also visited NCKL's mine reclamation site, dry stack tailing facility (DSTF) and waste water treatment facility. NCKL uses slag and waste from the RKEF for brick and construction materials while the excess slag and tailings from the HPAL is used for land reclamation by using the DSTF. Waste water from the mine and smelter site is also treated in the sediment ponds before being released to the sea. We also visited the new Kawasi village developed by NCKL which has proper public facilities and is expected to replace the old Kawasi village.

### EARNINGS REVISION/RISK

- **Earnings revision.** We revise up our 2024-25 EBITDA and NPAT assumptions due to changes in additional capacity assumptions from ONC and KPS. We expect NCKL's 2024 and 2025 EBITDA at Rp9.7t and Rp9.6t respectively. All in all, the 2024 and 2025 NPAT are expected to come in at Rp8.4t and Rp10.1t respectively.

### VALUATION/RECOMMENDATION

- **Maintain BUY with a higher target price of Rp1,300** (previously: Rp1,190). Our target price of Rp1,300 implies its average blended 2023-24F EV/EBITDA of 12.0x and its average blended 2023-24F PE of 13.0x. We maintain BUY on the back of potential higher EBITDA and net profit in 2023-24. Sales volume will increase as NCKL ramps up its production capacity and could offset the risk of lower nickel price in 2024. We also see that nickel demand could improve if China's economy recovers with higher usage of nickel in stainless steel and EV battery productions.

### NICKEL SULPHATE AND COBALT SULPHATE CONVERTER



Source: UOB Kay Hian

### DRY STACK TAILING FACILITY



Source: UOB Kay Hian

### NCKL'S OPERATION SITE IN OBI ISLAND



Source: UOB Kay Hian

### HJF'S FERRONICKEL PACKAGING PROCESS



Source: UOB Kay Hian

### HPL'S MHP PACKAGING PROCESS



Source: UOB Kay Hian

### MHP, NICKEL SULPHATE, AND COBALT SULPHATE



Source: UOB Kay Hian

### SOTP VALUATION

Assets	Method	Multiple (x)	EV (Rpbn)
Nickel Mining (TBP & GPS)	EV/EBITDA	12.0	18,475
MSP (RKEF)	EV/EBITDA	12.0	12,587
HJF (RKEF)	EV/EBITDA	12.0	30,598
Jikodolong & Tabuji Laiwui	EV/Reserve	1	5,623
Investment in HPL (HPAL)	PE	13.0	12,505
<b>Total EV</b>			<b>79,789</b>
Net cash (debt)			<b>1,851</b>
<b>SOTP</b>			<b>81,640</b>
Share Outstanding (m)			63,087
<b>SOTP / share (Rp)</b>			<b>1,294</b>
<b>Final TP</b>			<b>1,300</b>

Source: Bloomberg, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Net turnover	9,568	23,483	27,499	25,445
EBITDA	4,508	6,369	9,740	9,619
Deprec. & amort.	524	1,013	969	1,144
EBIT	3,984	5,356	8,771	8,475
Total other non-operating income	25	0.0	0.0	0.0
Associate contributions	2,916	2,133	2,102	4,616
Net interest income/(expense)	(275)	(213)	(117)	34
<b>Pre-tax profit</b>	<b>6,649</b>	<b>7,276</b>	<b>10,756</b>	<b>13,125</b>
Tax	(812)	(1,455)	(2,689)	(3,281)
Minorities	78	116	334	258
<b>Net profit</b>	<b>4,667</b>	<b>5,937</b>	<b>8,402</b>	<b>10,101</b>
Net profit (adj.)	4,667	5,937	8,402	10,101

### CASH FLOW

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>3,525</b>	<b>8,023</b>	<b>11,848</b>	<b>10,138</b>
Pre-tax profit	5,479	7,393	11,091	13,382
Tax	(812)	(1,455)	(2,689)	(3,281)
Deprec. & amort.	524	1,013	969	1,144
Working capital changes	6,907	(1,318)	1,968	(884)
Other operating cashflows	(8,573)	2,391	509	(224)
<b>Investing</b>	<b>(6,588)</b>	<b>(2,896)</b>	<b>(2,944)</b>	<b>(1,895)</b>
Capex (growth)	(8,715)	(1,177)	(3,804)	(1,466)
Others	2,127	(1,719)	859	(430)
<b>Financing</b>	<b>1,634</b>	<b>4,467</b>	<b>(8,822)</b>	<b>(4,554)</b>
Dividend payments	(1,908)	(2,434)	(3,445)	(4,141)
Proceeds from borrowings	7,275	1,108	1.0	1.0
Loan repayment	(4,218)	(1,771)	(1,004)	(1,844)
Others/interest paid	485	7,564	(4,374)	1,430
<b>Net cash inflow (outflow)</b>	<b>(1,429)</b>	<b>9,595</b>	<b>81</b>	<b>3,688</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>2,578</b>	<b>1,277</b>	<b>10,872</b>	<b>10,953</b>
Changes due to forex impact	128	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>1,277</b>	<b>10,872</b>	<b>10,953</b>	<b>14,641</b>

### BALANCE SHEET

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Fixed assets	20,725	21,579	24,645	25,531
Other LT assets	7,546	6,374	6,960	6,667
Cash/ST investment	1,277	10,872	10,953	14,641
Other current assets	5,057	5,100	6,464	5,823
<b>Total assets</b>	<b>34,605</b>	<b>43,925</b>	<b>49,022</b>	<b>52,662</b>
ST debt	117	1,224	1,225	1,226
Other current liabilities	10,092	6,844	7,448	7,205
LT debt	8,309	5,047	3,456	1,865
Other LT liabilities	1,858	3,702	4,485	4,124
Shareholders' equity	9,484	23,159	28,121	34,021
Minority interest	4,745	3,949	4,289	4,221
<b>Total liabilities &amp; equity</b>	<b>34,605</b>	<b>43,925</b>	<b>49,022</b>	<b>52,662</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	47.1	27.1	35.4	37.8
Pre-tax margin	69.5	31.0	39.1	51.6
Net margin	48.8	25.3	30.6	39.7
ROA	16.8	15.1	18.1	19.9
ROE	61.7	36.4	32.8	32.5
<b>Growth</b>				
Turnover	16.3	145.4	17.1	(7.5)
EBITDA	7.2	41.3	52.9	(1.2)
Pre-tax profit	67.3	9.4	47.8	22.0
Net profit	137.1	27.2	41.5	20.2
Net profit (adj.)	137.1	27.2	41.5	20.2
EPS	137.1	27.2	41.5	20.2
<b>Leverage</b>				
Debt to total capital	37.2	18.8	12.6	7.5
Debt to equity	88.8	27.1	16.6	9.1
Net debt/(cash) to equity	75.4	(19.9)	(22.3)	(34.0)
Interest cover (x)	16.4	29.9	83.6	n.a.

SECTOR UPDATE

Plantation – Malaysia

Supply Below Market Estimates But Still Supportive Of Prices

Sep 23 palm oil inventory came in lower than market forecasts, mainly due to CPO production falling short of estimates and high domestic usage despite palm oil exports coming in below estimates. We expect Malaysia's inventory to hover at 2.3m-2.4m tonnes until year-end. Supply, although lower than estimates, would still support CPO prices. Maintain OVERWEIGHT, accumulate on weakness with the upcoming strong earnings.

MPOB'S SEP 23 STATISTICS

(m tonne)	Sep 23	mom % chg	yoy % chg	3Q23	qoq % chg	yoy % chg	9M23	yoy % chg
CPO Production	1.83	4.3	3.3	5.19	24.8	2.4	13.27	(0.5)
Palm Oil Stocks	2.31	9.6	(0.1)	2.31	34.8	(0.1)	2.31	(0.1)
Palm Oil Domestic Use	0.48	80.8	84.4	1.09	4.6	41.0	3.06	35.1
Palm Oil Exports	1.20	(2.1)	(15.8)	3.77	13.0	(6.7)	10.86	(3.4)
<i>Oleochemical</i>	<i>0.24</i>	<i>11.7</i>	<i>19.0</i>	<i>0.72</i>	<i>8.5</i>	<i>7.4</i>	<i>2.09</i>	<i>2.1</i>
<i>Biodiesel</i>	<i>0.03</i>	<i>19.2</i>	<i>(23.7)</i>	<i>0.07</i>	<i>113.5</i>	<i>(6.2)</i>	<i>0.16</i>	<i>(37.9)</i>
Palm Oil Imports	0.05	(55.7)	(62.9)	0.26	1.6	(35.5)	0.77	(14.6)
CPO Price (RM/tonne)	3727.0	(2.0)	(0.3)	3809.7	(0.9)	(4.5)	3,884.1	(29.8)

Source: MPOB, UOB Kay Hian

WHAT'S NEW

- Malaysia's palm oil inventory for Sep 23 came in at 2.31m tonnes, lower than market forecast of 2.38m-2.41m tonnes. This was mainly due to lower-than-expected production and significant increase in local consumption in Sep 23, despite exports coming in below market expectation.
- Some of the key highlights are:
  - Inventory: Lower than market expectation**, mainly due to lower-than-market- expectation CPO production in Sep 23 despite exports coming in below market forecast. Interestingly, local domestic consumption was at a record high at 0.48m tonnes, increasing by 81% mom and 84% yoy in Sep 23.
  - Production: Lower than market expectation**. Despite the CPO production increasing mom and yoy in Sep 23, it only jumped 4% mom to 1.83m tonnes. Even though this is lower than market estimates, it is within our in-house forecast where we mentioned in our previous note that we only expect a marginal increase in Sep 23 as we forecast production to remain strong in the first half of September as earlier rainfall induces FFB ripening; however, the upcoming drier weather would affect the FFB yield moving forward.
  - Exports: Weaker than expected**. Sep 23 Malaysia palm oil export dropped mom and yoy in Sep 23 as destination markets stocked up comfortably and domestic demand in China is also slowing down.
  - Record-high domestic consumption**. We attribute the high domestic consumption to better biodiesel uptake in more favourable biodiesel prices now vs diesel. In addition, the market has also been talking about the rationing of subsidies for cooking oil and hence there could be some upfront CPO purchased by some of the cooking oil producers who get government subsidies ahead of Budget 2024.

PEER COMPARISON

Company	Ticker	Rec	Price @ 10 Oct 23	Target Price	Market Cap (US\$m)	PE			ROE (%)	P/B (x)	2023F Div	Div Yield (%)
			(RM)	(RM)		2022 (x)	2023F (x)	2024F (x)		(x)	(sen)	
Malaysia												
Hap Seng Plantations	HAPL MK	BUY	1.85	2.65	316	7.0	11.9	8.5	11.0	0.8	9.3	5.0
IOI Corporation	IOI MK	BUY	4.04	4.80	5,358	15.8	16.7	15.4	10.0	2.2	12.6	3.1
KL Kepong	KLK MK	BUY	21.50	25.90	4,956	10.7	15.8	13.4	16.6	1.6	68.0	3.2
Sime Darby Plantation	SDPL MK	BUY	4.31	5.00	6,372	14.3	25.3	14.6	13.8	1.5	10.2	2.4
Genting Plantations	GENP MK	HOLD	5.20	6.40	997	9.9	15.0	13.8	9.1	0.9	15.2	2.9
Kim Loong	KIML MK	HOLD	1.81	1.95	376	9.6	9.9	9.4	19.7	2.0	15.5	8.6
Sarawak Oil Palms	SOP MK	HOLD	2.56	3.00	487.6	4.7	7.4	5.9	15.7	0.7	13.9	5.4

Source: UOB Kay Hian

OVERWEIGHT  
(Maintained)

STOCK PICKS

Company	Rec	Share Price (RM)	Target Price (RM)
Hap Seng Plantations	BUY	1.85	2.65
IOI Corporation	BUY	4.04	4.80
KL Kepong	BUY	21.50	25.90
Sime Darby Plantation	BUY	4.31	5.00

Source: UOB Kay Hian

CPO PRICE ASSUMPTIONS (RM/TONNE)

	CPO Price (RM/tonne)
2020	2,686
2021	4,408
2022	5,088
<b>Our forecast:</b>	
2023F	4,000
2024F	4,200
<b>CPO Price:</b>	
MPOB @ 10/10/2023	3,613
BMD 3 <sup>rd</sup> Month Contract	3,541

Source: UOB Kay Hian

ANALYST(S)

**Leow Huey Chuen**  
+603 2147 1990  
hueychuen@uobkayhian.com

**Jacquelyn Yow**  
+603 2147 1995  
jacquelyn@uobkayhian.com

### ACTION

- **Maintain OVERWEIGHT.** The recent weakness in CPO prices was largely due to the pressure from sunflower oil (SFO) as SFO sellers are undercutting prices to get more market share. We maintain our view that CPO prices would trade at the range of RM3,800-4,200/tonne given the upcoming lower-than-market forecast supply. We recommend investors to accumulate upstream plantation players with strong production growth. We expect CPO prices to trend higher with CPO production to be lower than market forecast due to El Nino disruption, as well as strong earnings recovery in 2H23. Thus, we recommend investors to accumulate plantation stocks. Top picks: Hap Seng Plantations and IOI Corporation. Trading BUY: Sime Darby Plantation, Kuala Lumpur Kepong.

### ESSENTIALS

#### • Oct 23 outlook:

- Production: Flat or drop mom.** We reckon that the production in 4Q23 would start to decline slowly mom as it has already peaked. On top of that, we reckon that the recent haze would affect the oil extraction rate in the near term due to the lack of sunlight for photosynthesis.
- Exports: Lower or flat mom,** mainly due to weaker demand from China and Malaysia palm oil exports losing market share to Indonesia. Having said that, we observed that the price discount between Indonesia and Malaysia pricing is narrowing, ranging at only US\$0-5/tonne. This is likely due to Indonesia's lower-than-expected production as compared with Malaysia.
- End-stock: Higher mom.** We expect the inventory level to increase to 2.3m-2.4m tonnes, which may be bearish for the immediate term. Having said that, Indonesia's potentially lower-than-market expectation palm oil supply and inventory may continue to support the global palm oil prices.

### SECTOR CATALYSTS

- **2H23 earnings to be stronger hoh.** Based on most of the plantation companies under our coverage, 1H23 earnings only account for about 30% of our full-year estimate. We reckon that 2H23 earnings would come in strongly with margin expansion mainly from the softer fertiliser prices as well as lower fertiliser application (most of the companies had applied more fertiliser in 1H23).
- **Watch out for rising crude oil prices.** The recent increase in crude oil prices may trigger non-mandated biodiesel blending as vegoil prices corrected lately. Palm oil – gasoil oil (POGO) price spread has narrowed with palm oil now at a discount of US\$143/tonne to gasoil after both prices diverged recently.
- **Ample SFO in the market.** Recent weeks have seen a notable oversupply and price pressure in the SFO market, negatively impacting the vegetable oil market. The global market is grappling with an excess of SFO, primarily from Russia, Ukraine, and certain EU countries in recent months. Indian SFO imports remained significantly higher than the previous year's levels in September, leading to unusually high stockpiles. Conversely, Indian palm oil imports experienced a sharp decline both on a monthly and yearly basis in response to the substantial build-up of palm oil inventories in preceding months.

### ASSUMPTION CHANGES

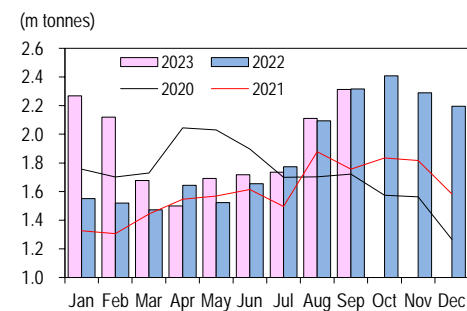
- **No changes to CPO ASP assumptions.** We maintain our CPO price assumption at RM4,000/tonne and RM4,200/tonne for 2023 and 2024 respectively.

### CPO PRODUCTION BY REGION

(m tonne)	Sep 23	mom % chg	yoy % chg	9M23	yoy % chg
CPO Production	0.97	3.3	1.6	7.00	(6.2)
Pen Malaysia	0.42	8.3	2.5	3.25	8.2
Sabah	0.44	3.1	8.3	3.03	5.3
Sarawak	0.97	3.3	1.6	7.00	(6.2)

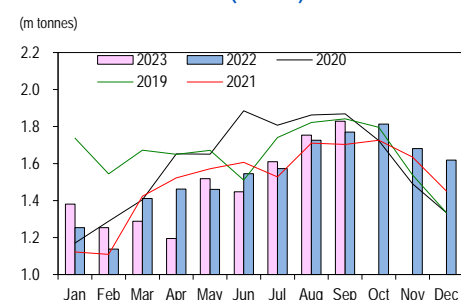
Source: MPOB

### INVENTORY LEVEL REMAINED HIGH (SEP 23)



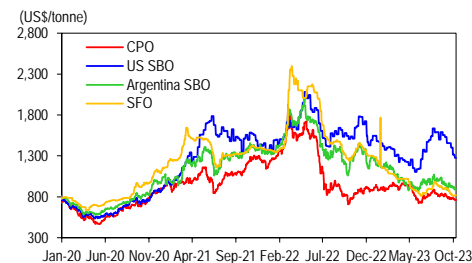
Source: MPOB

### STRONG PRODUCTION (SEP 23)



Source: MPOB

### SUNFLOWER OIL PRICE WEAKENING



Source: Bloomberg

ASIAN GEMS CORPORATE HIGHLIGHTS

Malaysia Airports Holdings (MAHB MK)

To Conclude 2023 On An Upbeat Note

The outlook remains resilient as MAHB rides on the recovery of passenger traffic and the improving commercial and retail operations. The upcoming expansions in Subang and Penang are expected to gain traction pending the government's approval. The finalisation of the revision in 2024 airport charges and the regulated asset base model remains the key re-rating catalyst. Maintain BUY. Target price: RM8.11.

WHAT'S NEW

- Riding on higher airlines' seat capacity.** Malaysia Airports Holdings (MAHB) is leveraging on the increase in airlines' seat capacity to drive the recovery in passenger throughput in Malaysia. Having said that, the weekly international seat capacity has reached 81.2% recovery compared with Aug 19 levels, which would help bring in more international passengers. Meanwhile, management highlighted that a total of 67 airlines are operating at its airports in Malaysia (which represents 91% of 2019 levels). The group envisions the number of airlines operating at its airports to increase to 80 (108% of 2019 level) in 2024-25, which suggests an accelerating recovery of passenger counts is underway.
- Revamping commercial and retail business.** The group is also banking on its ongoing commercial reset strategy to grow its non-aeronautical portfolio and tap into the resumption of commercial activities at its airports. Recall that the Commercial Reset strategy, which started back in 2018, aims to raise the retail profile of its commercial and retail assets via various initiatives including additions of more attractive brands and optimisation of floor areas. An immediate target for this segment would be to achieve 85% operational occupancy for its commercial and retail spaces across Malaysia by end-23. Note that as of end-Jun 23, the operational occupancy rate of its commercial and retail spaces stood at only 64%, compared with slightly below 90% back in 2019.
- Optimistic on the revisions of PSCs and the third consultation paper.** Despite the rumours of a potential delay in the upcoming review of 2024 passenger service charge (PSC) due to the absence of the proposal by MAVCOM, management assured that MAHB's earnings outlook remains unaffected. As stated in the operating agreement, the benchmark PSCs will be revised upward by inflation rates every five years with the upcoming revision scheduled for Feb 24. Thus, even in the event of further delay in MAVCOM's proposal to raise PSCs, MAHB will still be able to book higher earnings from 2024 onwards on higher government compensation to make up for the widened differential in benchmark and gazetted PSCs. Meanwhile, the third consultation paper on the regulated asset base model is expected to be published in Oct/Nov 23.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	1,673	3,127	4,879	5,568	6,121
EBITDA	133	903	2,066	2,513	2,808
Operating profit	(464)	265	1,233	1,506	1,736
Net profit (rep./act.)	(767)	187	441	725	965
Net profit (adj.)	(791)	163	417	701	941
EPS (sen)	(47.7)	9.9	25.1	42.3	56.7
PE (x)	n.m.	73.6	28.9	17.2	12.8
P/B (x)	2.3	2.2	2.1	1.8	1.6
EV/EBITDA (x)	115.5	17.0	7.4	6.1	5.5
Dividend yield (%)	0.0	0.5	1.9	2.3	3.1
Net margin (%)	(45.8)	6.0	9.0	13.0	15.8
Net debt/(cash) to equity (%)	59.6	51.5	48.0	31.8	18.7
Interest cover (x)	0.2	8.3	2.8	3.8	4.7
ROE (%)	n.a.	3.0	6.6	10.1	12.0
Consensus net profit	-	-	431	740	848
UOBKH/Consensus (x)	-	-	0.97	0.95	1.11

Source: Malaysia Airports Holdings, Bloomberg, UOB Kay Hian  
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY

(Maintained)

Share Price	RM7.25
Target Price	RM8.11
Upside	+11.8%

COMPANY DESCRIPTION

Airport operator with exposure in Malaysia and the Middle East.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	MAHB MK
Shares issued (m):	1,668.6
Market cap (RMm):	12,097.0
Market cap (US\$m):	2,558.4
3-mth avg daily t'over (US\$m):	4.9

Price Performance (%)

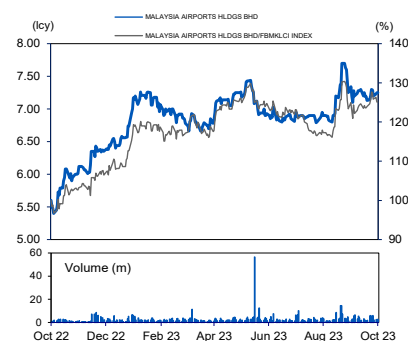
52-week high/low	RM7.70/RM5.40			
1mth	3mth	6mth	1yr	YTD
0.0	6.5	6.9	27.2	10.5

Major Shareholders

Khazanah Nasional Bhd	36.7
Kumpulan Wang Simpanan Perkerja	11.3
Skim Amanah Saham Bumiputera	7.9

FY23 NAV/Share (RM)	3.52
FY23 Net Debt/Share (RM)	1.98

PRICE CHART



Source: Bloomberg

ANALYST(S)

Lucas Tan Jun Sian  
+603 2147 1913  
junsian@uobkayhian.com



STOCK IMPACT

• **Capacity expansions in the pipeline to drive future growth.** The group also has a number of future capex investments in the pipeline including the track transit system and baggage handling system. The two projects, which are expected to collectively cost about RM1.5b, would be completed by end-25. In addition, the group is targeting to commence another two sizeable expansion projects soon, namely the upcoming expansion of Subang Airport from 1.5 million passengers per annum (mppa) to 8.0 mppa under the Subang Airport Regeneration Plan (SARP) and the expansion of Penang International Airport from 6.5mppa to 12mppa.

While further assessments and approvals from the government are required in order to officially kick off these expansion projects, management remains confident that it will be carried out eventually given the constrained capacity of the two airports which has caused severe congestion in the past. We also note that the group will first carry out an interim expansion of Subang Airport (which requires insignificant capex as per management guidance) by end-23 to increase the airport's capacity to 3.0 mppa. This paves the path for the second phase of capacity expansions to 8.0 mppa in the next few years as soon as the government grants approval for the SARP.

• **Traffic continued to improve in Aug 23.** Meanwhile, traffic stats for Aug 23 continue to demonstrate resilient performance as the group rides on the imminent recovery of air travel demand. Traffic in Malaysia improved significantly by 52.8% yoy to 7.4m passengers in Aug 23, reaching 82.7% of Aug 19 levels, boosted by school holidays and the increase in airlines' seat capacity. Note that in 8M23, the recovery rates for domestic and international passengers were 85% and 69% respectively as compared with 8M19. This is fairly in line with our earlier projections that full-year 2023 domestic and international traffic volume in Malaysia will recover to 87% and 76% of 2019's volume respectively.

• **Multiple traffic catalysts for ISG.** On the other hand, Sabiha Gokcen International's (ISG) traffic remains robust, having seen passenger throughput improve by 21.4% yoy to 3.8m pax in Aug 23 (110% of Aug 19). Its 8M23 traffic also improved by 23.5% yoy to 24.7m pax, surpassing 8M19 levels by 5.0%. We expect ISG to continue to benefit from a brighter operating environment in Turkiye, backed by: a) the continued depreciation of the Turkish Lira (down by ~31% ytd) which leads to cheaper costs of travelling to Turkiye, as well as b) the airport's widened network to European countries. Also note that a majority (more than 90%) of ISG's revenue and debts are denominated in Euro instead of Turkish Lira, thus mitigating the negative impacts of the weaker local currency.

• **Compelling valuation that offers palatable upsides.** MAHB's earnings are set to grow further in 2023 boosted by stronger passenger traffic in both Malaysia and Turkiye. Furthermore, MAHB is currently trading at a compelling valuation of 6x 2024 EV/EBITDA, well below its pre-pandemic five-year mean of 10x EV/EBITDA.

EARNINGS REVISION/RISK

• We keep our forecasts unchanged.

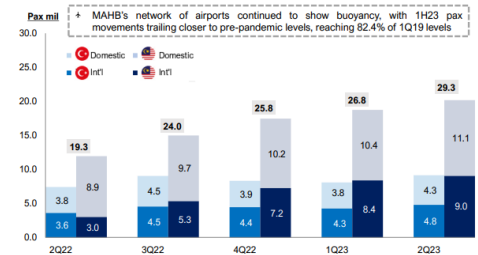
VALUATION/RECOMMENDATION

• **Maintain BUY with an unchanged target price of RM8.11.** We value MAHB's Malaysian operations at 10.8x 2024 EBITDA (mean) and ISG operations with the DCF methodology. We prefer MAHB as it is the direct proxy to the recovery in the aviation sector that is en route to see a strong rebound in earnings in the upcoming quarters, backed by solid passenger throughput performance.

VALUATION/RECOMMENDATION

<ul style="list-style-type: none"> <li>• <b>Environmental</b> <ul style="list-style-type: none"> <li>- Installation of solar PV systems which can generate &gt;12,000MWh of energy per year, translating into a reduction of 8,700 tonnes of CO2 emissions yearly.</li> </ul> </li> <li>• <b>Social</b> <ul style="list-style-type: none"> <li>- Zero retrenchments or salary cuts in 2020-21 despite being badly hit by COVID-19.</li> </ul> </li> <li>• <b>Governance</b> <ul style="list-style-type: none"> <li>- Comprehended and applied Malaysian Code on Corporate Governance.</li> </ul> </li> </ul>
--

PASSENGER MOVEMENT SNAPSHOT



Source: MAHB

PAX TRAFFIC ASSUMPTIONS

----- Pax traffic assumption (as a % of 2019) -----

Malaysia	2019	2022	2023F	2024F	2025F
International	53,287	31%	76%	86%	94%
Domestic	51,977	70%	87%	96%	100%

Source: UOB Kay Hian

EBITDA BREAKDOWN BY SEGMENTS

	2022	2023F	2024F	2025F
Malaysia	245	835	1,165	1,453
ISGA	941	1,232	1,348	1,356
<b>Total</b>	<b>1,186</b>	<b>2,066</b>	<b>2,513</b>	<b>2,808</b>

Source: UOB Kay Hian

MAHB'S CURRENT PSC RATE

PSC for Malaysia	Benchmark (RM/pax)	Gazetted Rates (RM/pax)
<b>International (Non-ASEAN)</b>		
KLIA & other airports	80.00	73.00
klia2	40.00	73.00
<b>International (ASEAN)</b>		
KLIA & other airports	80.00	35.00
klia2	40.00	35.00
BIMP-EAGA, IIMT-GT & Secondary (Note 1)	32.00	35.00
<b>Domestic</b>		
KLIA & other airports	11.00	11.00
Klia2	8.00	11.00

Source: MAHB

MAHB'S SOTP VALUATION

(RMm)	2024
Malaysian Operations EBITDA	1,321
EV/EBITDA (x)	10.8
Enterprise value	14,263
Net debt	-3,005
ISG Fair value (WACC: 9.0%)	1,845
Est. incremental value from Aeropolis	348
Equity Value	13,452
No. of Shares (m)	1,659
Equity Value (RM)	8.11

Source: UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	3,127	4,879	5,568	6,121
EBITDA	903	2,066	2,513	2,808
Deprec. & amort.	638	834	1,006	1,072
EBIT	265	1,233	1,506	1,736
Total other non-operating income	n.a.	n.a.	n.a.	n.a.
Associate contributions	29	36	45	57
Net interest income/(expense)	(109)	(725)	(657)	(602)
<b>Pre-tax profit</b>	<b>185</b>	<b>544</b>	<b>895</b>	<b>1,191</b>
Tax	3	(103)	(170)	(226)
Minorities	0	0	0	0
<b>Net profit</b>	<b>187</b>	<b>441</b>	<b>725</b>	<b>965</b>
Net profit (adj.)	163	417	701	941

### CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>1,040</b>	<b>1,573</b>	<b>2,556</b>	<b>2,597</b>
Pre-tax profit	185	544	895	1,191
Tax	(46)	148	89	(44)
Deprec. & amort.	836	834	1,006	1,072
Working capital changes	(67)	(679)	(91)	(223)
Other operating cashflows	132	725	657	602
<b>Investing</b>	<b>239</b>	<b>(180)</b>	<b>(200)</b>	<b>(221)</b>
Capex (growth)	(140)	(180)	(200)	(221)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	378	0	0	0
<b>Financing</b>	<b>(1,360)</b>	<b>(1,611)</b>	<b>(1,719)</b>	<b>(1,813)</b>
Dividend payments	0	(232)	(280)	(376)
Issue of shares	0	0	0	0
Proceeds from borrowings	1,273	0	0	0
Loan repayment	(1,757)	(247)	(247)	(246)
Others/interest paid	(876)	(1,133)	(1,192)	(1,191)
<b>Net cash inflow (outflow)</b>	<b>(82)</b>	<b>(219)</b>	<b>637</b>	<b>563</b>
Beginning cash & cash equivalent	1,583	1,530	1,311	1,948
Changes due to forex impact	28	0	0	2
<b>Ending cash &amp; cash equivalent</b>	<b>1,530</b>	<b>1,311</b>	<b>1,948</b>	<b>2,513</b>

### BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	550	505	540	579
Other LT assets	16,315	15,415	15,580	15,578
Cash/ST investment	1,530	1,311	1,948	2,513
Other current assets	1,055	1,092	1,183	1,406
<b>Total assets</b>	<b>19,450</b>	<b>18,510</b>	<b>18,955</b>	<b>20,560</b>
ST debt	697	697	697	697
Other current liabilities	2,160	1,518	1,725	1,997
LT debt	4,144	3,897	3,650	3,404
Other LT liabilities	5,022	4,555	4,338	4,976
Shareholders' equity	6,429	6,845	7,546	8,487
Minority interest	0	0	0	0
<b>Total liabilities &amp; equity</b>	<b>19,450</b>	<b>18,510</b>	<b>18,955</b>	<b>20,560</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	28.9	42.4	45.1	45.9
Pre-tax margin	5.9	11.1	16.1	19.5
Net margin	6.0	9.0	13.0	15.8
ROA	0.9	2.3	3.9	4.9
ROE	3.0	6.6	10.1	12.0
<b>Growth</b>				
Turnover	86.9	56.0	14.1	9.9
EBITDA	578.1	128.8	21.6	11.8
Pre-tax profit	n.a.	194.6	64.5	33.1
Net profit	n.a.	135.3	64.5	33.1
Net profit (adj.)	n.a.	155.0	68.2	34.2
EPS	n.a.	155.0	68.2	34.2
<b>Leverage</b>				
Debt to total capital	39.5	36.9	33.7	30.2
Debt to equity	90.8	81.7	70.8	60.1
Net debt/(cash) to equity	51.5	48.0	31.8	18.7
Interest cover (x)	8.3	2.8	3.8	4.7

COMPANY UPDATE

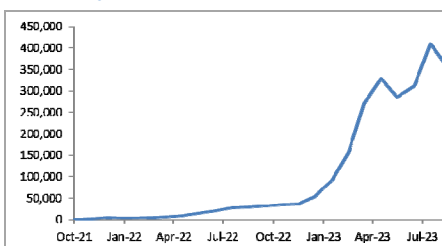
Thai Beverage (THBEV SP)

Temporary Hiccup To Tourism Recovery

Thailand's tourist arrivals continue to improve yoy despite lower-than-expected Chinese tourist arrivals. In a bid to revive tourism, Thailand has simplified visa requirements for Chinese tourists, its largest feeder market. However, the recent shooting in Bangkok is poised to partially offset any improvement in the near term. With the recent share price weakness, we reckon that THBEV is trading at attractive valuations, supported by favourable tailwinds. Maintain BUY but with a lower SOTP-based target price of S\$0.75.

WHAT'S NEW

THAILAND'S MONTHLY CHINESE TOURIST ARRIVALS



Source: Thailand's Ministry of Tourism and Sports, UOB Kay Hian

THAILAND'S MONTHLY INTERNATIONAL TOURIST ARRIVALS



Source: Thailand's Ministry of Tourism and Sports, UOB Kay Hian

• **Muted tourism recovery.** Thailand reported approximately 2.47m (-0.9% mom, +1.1x yoy) tourist arrivals in Aug 23, roughly 71.2% of pre-COVID-19 levels. This is on the back of the country's fully reopened international borders, relaxed global travel restrictions and a sharp rebound in Chinese tourists. Despite continuing its overall upward momentum, Chinese tourist arrivals were lower than expected in Aug 23, falling 13.4% mom but still 11.8x yoy higher in Aug 23. Excluding seasonal factors, we opine that insufficient flight capacity from China to Thailand, a slowing domestic economy in China, long visa approval times and mainly ongoing safety concerns about Thailand led to the lower-than-expected Chinese visitor numbers. In our view, it is unlikely that the Chinese tourist arrivals would hit the estimated 5m-7m goal set by Thailand's authorities for 2023.

• **Visa-free entry.** In a bid to revive sluggish Chinese tourist arrivals, Thailand's authorities implemented a temporary scheme from end-Sep 23 onwards to allow visa-free entry for Chinese tourists into the kingdom, simplifying the previous lengthy visa scheme that was driving Chinese tourists away. According to estimates from the Thai government, the visa waiver programme is expected to bring in an additional 2.9m Chinese tourists for the five-month period as compared with the 2.2m that arrived ytd. With Chinese tourists being the largest source of visitors pre-COVID-19, coupled with the largest expenditure, we reckon that this would benefit consumer companies such as Thai Beverage (THBEV).

KEY FINANCIALS

Year to 30 Sep (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	240,543	272,359	277,743	298,190	322,324
EBITDA	41,613	46,343	46,839	48,792	51,505
Operating profit	33,782	38,583	38,871	40,610	43,103
Net profit (rep./fact.)	24,645	30,106	31,961	34,092	36,858
Net profit (adj.)	24,645	30,106	31,961	34,092	36,858
EPS (Bt)	1.0	1.2	1.3	1.4	1.5
PE (x)	14.7	12.0	11.3	10.6	9.8
P/B (x)	2.1	1.8	1.6	1.5	1.4
EV/EBITDA (x)	13.9	12.5	12.3	11.8	11.2
Dividend yield (%)	3.5	4.2	4.4	4.7	5.1
Net margin (%)	10.2	11.1	11.5	11.4	11.4
Net debt/(cash) to equity (%)	109.7	79.2	75.8	67.4	58.4
Interest cover (x)	6.1	7.4	7.6	7.4	7.4
ROE (%)	15.7	16.0	15.0	14.8	14.8
Consensus net profit	-	-	29,404	31,844	33,674
UOBKH/Consensus (x)	-	-	1.09	1.07	1.09

Source: THBEV, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.535
Target Price	S\$0.750
Upside	+40.2%
(Previous TP)	S\$0.830

COMPANY DESCRIPTION

Thai Beverage Public Company is Thailand's largest beverage producer with the largest market share in spirits. Its products include spirits, beer, non-alcohol beverage and food.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	THBEV SP
Shares issued (m):	25,124.8
Market cap (S\$m):	13,441.7
Market cap (US\$m):	9,846.0
3-mth avg daily t'over (US\$m):	9.9

Price Performance (%)

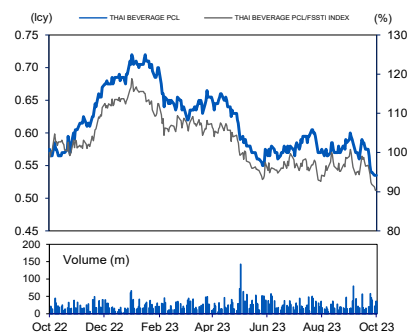
52-week high/low S\$0.720/S\$0.535

1mth	3mth	6mth	1yr	YTD
(8.5)	(7.0)	(18.3)	(5.3)	(21.9)

Major Shareholders

Major Shareholders	%
Siriwana Co., Ltd	54.0
MM Group	11.9
FY23 NAV/Share (Bt)	8.82
FY23 Net Debt/Share (Bt)	6.69

PRICE CHART



Source: Bloomberg

ANALYST(S)

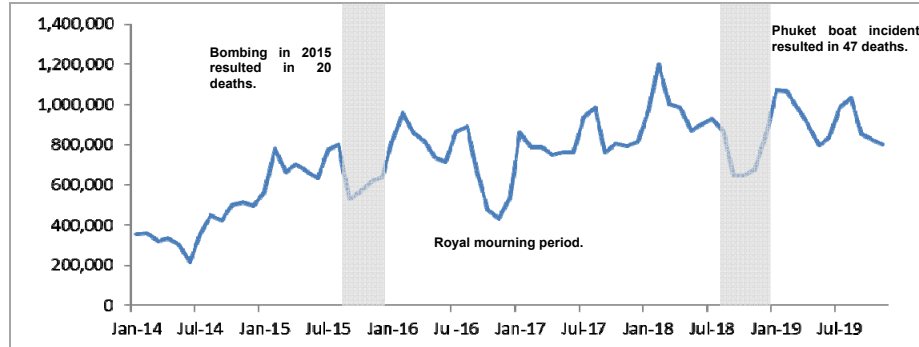
Llalleythan Tan Yi Rong  
+65 6590 6624  
yirong@uobkayhian.com

Heidi Mo

+65 6590 6630  
heidimo@uobkayhian.com

STOCK IMPACT

HISTORICAL EVENTS THAT IMPACTED CHINESE TOURIST ARRIVALS



Source: Thailand's Ministry of Tourism and Sports, UOB Kay Hian, Various Sources.

• **Thailand: Delayed recovery.** Despite the visa-waiver scheme starting in Sep 23, we do expect a near-term temporary delay in Chinese tourism recovery due to the recent shooting in Bangkok. In our view, increased safety concerns after this incident is likely to deter Chinese tourists from travelling to Thailand. Looking back to Aug 15, a fatal bombing incident in Bangkok caused a sharp fall in Chinese tourist arrivals immediately from around 800,000 in Aug 15 to 530,000-640,000 in Sep-Dec 15, before recovering back to pre-incident levels in Jan 16. Similarly in Jul 18, a boat capsizing incident in Phuket which caused the deaths of 47 Chinese tourists dragged Chinese tourist arrivals from around 930,000 in Jul 18 to 646,000-867,000 in Aug-Dec 18. Similar to the bombing incident, it took 4-5 months for Chinese tourist arrivals to return to pre-incident levels in Jan 19. Based on this, we expect Chinese tourist arrivals to fall in the coming one to two quarters, offsetting Thailand's overall tourism recovery. We reckon that this may also offset the ongoing recovery for THBEV's brown spirits and beer segments, given the on-trade consumption nature of these products. We note that sales volumes/EBITDA margins for the spirits segment fell one to two quarters after these two incidents, implying a loss in sales volumes for the higher-margin brown spirits. We reckon that the beer segment would also suffer a similar loss in sales volumes as well.

• **Vietnam: Easing visa policies.** According to statistics from General Statistics Office of Vietnam, 9M23 international tourist arrivals to Vietnam had recovered back to around 70% of pre-pandemic levels at 8.9m, beating the government's original 8m target. A new target of 12m-13m has been set by Vietnam's authorities, backed by the relaxation of the country's visa application process. Starting Aug 23, Vietnam has offered 90-day e-visas to citizens of all countries with multiple entries. Also, 13 countries have been unilaterally exempted from visas and are allowed to stay for 45 days, up from 15 days previously. We reckon that there is still room for further recovery for 2023, given that Chinese tourist arrivals in Sep 23 accounted for only 16.4% of total tourist arrivals (30-40% pre-pandemic) and 28.5% of pre-pandemic levels. 9M23 Chinese tourist arrivals to Vietnam are currently at 28.2% of pre-pandemic levels.

EARNINGS REVISION/RISK

• **We lower our FY24-25 PATMI forecasts by 1-2%**, after accounting for slightly lower sales volumes for the brown spirits and beer segments. Our new FY23-25 PATMI estimates are Bt31,961m (unchanged), Bt34,092m (Bt34,613m previously) and Bt36,858m (Bt37,534m previously) respectively.

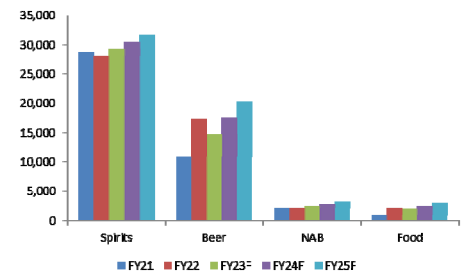
VALUATION/RECOMMENDATION

• **Maintain BUY with a lower SOTP-based target price of S\$0.75 (from S\$0.83).** Our new target price is due to lower valuations for the beer segment as well as a stronger Singapore dollar since our last update. We still reckon that THBEV remains attractively priced at -2SD to its five-year mean PE, backed by an expected fundamental earnings recovery underpinned by favourable tailwinds and a decent 4.4% FY23 dividend yield. We opine that the recent share price weakness presents an attractive entry level.

SHARE PRICE CATALYST

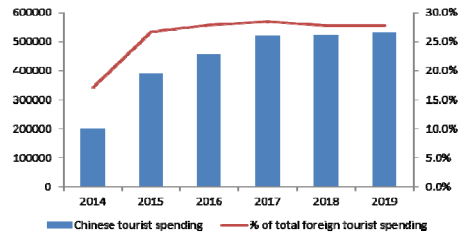
• a) Gaining market share in the beer segment, b) lower-than-expected operating costs.

SEGMENTAL OPERATING PROFIT (BTM)



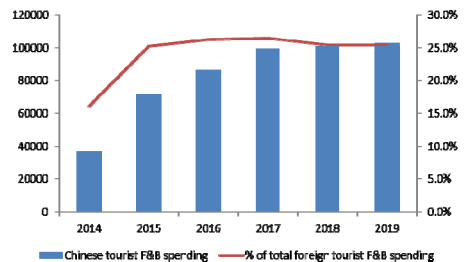
Source: UOB Kay Hian, THBEV

TOTAL CHINESE TOURIST SPENDING IN THAILAND (BTM)



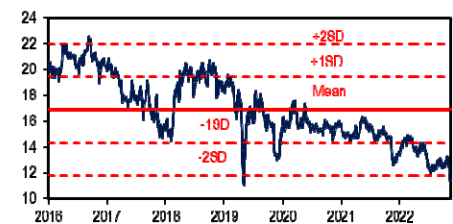
Source: Thailand's Ministry of Tourism and Sports, UOB Kay Hian

TOTAL CHINESE TOURIST F&B SPENDING IN THAILAND (BTM)



Source: Thailand's Ministry of Tourism and Sports, UOB Kay Hian

FORWARD PE (X)



Source: Bloomberg, UOB Kay Hian.

SOTP VALUATION

Methodology	(Btm)
Spirits 17x FY23 EV/EBITDA	497,584
Beer 12x FY23 EV/EBITDA	177,465
NAB 16x FY23 EV/EBITDA	39,064
Food 14x FY23 EV/EBITDA	27,780
FPL Market Value	23,890
FNN Market Value	11,642
<b>Total</b>	<b>777,424</b>
Less: Net debt, Minority Interest	(267,219)
<b>Value</b>	<b>510,205</b>
Per share (S\$)	0.75

Source: UOB Kay Hian

### PROFIT & LOSS

Year to 30 Sep (Btm)	2022	2023F	2024F	2025F
Net turnover	272,359	277,743	298,190	322,324
EBITDA	46,343	46,839	48,792	51,505
Deprec. & amort.	7,761	7,968	8,182	8,402
EBIT	38,583	38,871	40,610	43,103
Total other non-operating income	2,541	3,137	3,137	3,137
Associate contributions	5,044	5,044	6,044	7,044
Net interest income/(expense)	(6,227)	(6,201)	(6,601)	(7,001)
<b>Pre-tax profit</b>	<b>39,941</b>	<b>40,852</b>	<b>43,191</b>	<b>46,283</b>
Tax	(5,436)	(5,578)	(5,786)	(6,112)
Minorities	(4,399)	(3,313)	(3,313)	(3,313)
<b>Net profit</b>	<b>30,106</b>	<b>31,961</b>	<b>34,092</b>	<b>36,858</b>
Net profit (adj.)	30,106	31,961	34,092	36,858

### CASH FLOW

Year to 30 Sep (Btm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>45,013</b>	<b>30,350</b>	<b>38,439</b>	<b>43,765</b>
Pre-tax profit	39,941	40,852	43,191	46,283
Tax	(5,436)	(5,578)	(5,786)	(6,112)
Deprec. & amort.	7,761	7,968	8,182	8,402
Working capital changes	3,502	(9,221)	(6,744)	(4,682)
Non-cash items	(755)	(3,670)	(403)	(127)
Other operating cashflows	0.0	0.0	0.0	0.0
<b>Investing</b>	<b>(10,472)</b>	<b>(13,971)</b>	<b>(9,487)</b>	<b>(9,521)</b>
Capex (growth)	(6,219)	(15,827)	(10,018)	(10,149)
Investments	(10,101)	0.0	0.0	0.0
Others	5,848	1,855	532	627
<b>Financing</b>	<b>(19,917)</b>	<b>11,848</b>	<b>(6,581)</b>	<b>(8,047)</b>
Dividend payments	(12,559)	(15,073)	(15,981)	(17,046)
Issue of shares	38	0.0	0.0	0.0
Proceeds from borrowings	(10,840)	33,121	16,000	16,000
Others/interest paid	3,444	(6,201)	(6,601)	(7,001)
<b>Net cash inflow (outflow)</b>	<b>14,624</b>	<b>28,227</b>	<b>22,371</b>	<b>26,197</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>38,292</b>	<b>51,867</b>	<b>80,094</b>	<b>102,464</b>
Changes due to forex impact	(1,049)	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>51,867</b>	<b>80,094</b>	<b>102,464</b>	<b>128,661</b>

### BALANCE SHEET

Year to 30 Sep (Btm)	2022	2023F	2024F	2025F
Fixed assets	277,769	292,646	302,611	312,812
Other LT assets	119,327	117,661	117,989	118,375
Cash/ST investment	51,867	80,094	102,464	128,661
Other current assets	58,826	66,042	73,727	79,519
<b>Total assets</b>	<b>507,789</b>	<b>556,443</b>	<b>596,791</b>	<b>639,367</b>
ST debt	57,122	83,892	83,892	83,892
Other current liabilities	32,008	28,052	30,117	32,555
LT debt	157,795	164,146	180,146	196,146
Other LT liabilities	11,476	11,665	12,524	13,538
Shareholders' equity	205,748	221,474	239,585	259,397
Minority interest	43,640	47,214	50,527	53,840
<b>Total liabilities &amp; equity</b>	<b>507,789</b>	<b>556,443</b>	<b>596,791</b>	<b>639,367</b>

### KEY METRICS

Year to 30 Sep (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	17.0	16.9	16.4	16.0
Pre-tax margin	14.7	14.7	14.5	14.4
Net margin	11.1	11.5	11.4	11.4
ROA	6.1	6.0	5.9	6.0
ROE	16.0	15.0	14.8	14.8
<b>Growth</b>				
Turnover	13.2	2.0	7.4	8.1
EBITDA	11.4	1.1	4.2	5.6
Pre-tax profit	24.9	2.3	5.7	7.2
Net profit	22.2	6.2	6.7	8.1
Net profit (adj.)	22.2	6.2	6.7	8.1
EPS	22.2	6.2	6.7	8.1
<b>Leverage</b>				
Debt to total capital	46.3	48.0	47.6	47.2
Debt to equity	104.5	112.0	110.2	108.0
Net debt/(cash) to equity	79.2	75.8	67.4	58.4
Interest cover (x)	7.4	7.6	7.4	7.4

COMPANY UPDATE

**Airports of Thailand (AOT TB)**

Limited Downside, Awaiting Robust Earnings In 1HFY24

**4QFY23 earnings are likely to improve yoy and qoq to Bt3.7b (+379% yoy, +18% qoq), driven by a continued increase in passengers and new revenue collection methods. Although we have revised FY24 earnings down by 14%, we believe the downside risk is limited. We prefer AOT as it stands to benefit significantly from the recovery of Thailand's tourism sector. Maintain BUY. Target price: Bt76.00.**

4QFY23 EARNINGS PREVIEW

Year to 31 Sep (Btm)	4QFY22	3QFY23	4QFY23F	yoy (%)	qoq (%)
Aero revenue	3,118	6,055	6,179	98.1	2.0
Non-aero revenue	3,431	6,900	7,504	118.7	8.8
Total revenue	6,550	12,954	13,683	108.9	5.6
Operating EBIT	(237)	5,507	6,146	2,693.5	11.6
Operating EBITDA	2,034	7,677	8,346	310.3	8.7
Core profit	(1,112)	3,233	3,718	434.3	15.0
Net profit	(1,333)	3,156	3,718	379.0	17.8
Percent	4Q22	3Q23	4Q23	yoy (ppts)	qoq (ppts)
EBIT margin	(3.6)	42.5	44.9	48.5	2.4
EBITDA margin	31.1	59.3	61.0	29.9	1.7
Core profit margin	(17.0)	25.0	27.2	44.2	2.2
Net profit margin	(20.3)	24.4	27.2	47.5	2.8

Source: AOT, UOB Kay Hian

WHAT'S NEW

- **4QFY23 earnings expected to improve.** We expect Airports of Thailand (AOT) to post 4QFY23 earnings of Bt3.7b (+379% yoy, +18% qoq), driven by an improvement in the total number of passengers (+48% yoy, +3% qoq, 25% below pre-COVID-19 levels) and new revenue collection methods for airline operators and concessionaires.
- **Revenue growth supported by passenger numbers and new revenue collection methods.** Total revenue should continue to rise by 109% yoy and 6% qoq, fuelled by aeronautical and non-aeronautical sales. Aeronautical sales are expected to benefit from the rising number of international passengers (+102% yoy, +8% qoq). However, the growth in domestic travel demand is expected to be more moderate (+7% yoy, -3% qoq) due to the low season of travel during the rainy season, the reopening of other countries in the region, and a reduction in travel revenue trends. Non-aeronautical sales is expected to see growth due to the discontinuation of supportive measures implemented during the pandemic, such as the removal of a 50% discount for airline operators and the implementation of new revenue collection methods for concessionaires.

KEY FINANCIALS

Year to 30 Sep (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	7,086	16,560	47,561	70,824	82,586
EBITDA	(6,605)	684	26,872	48,160	56,984
Operating profit	(15,632)	(8,248)	17,420	37,251	45,473
Net profit (rep./act.)	(16,322)	(11,088)	9,591	25,397	31,552
Net profit (adj.)	(16,322)	(11,088)	9,591	25,397	31,552
EPS (Bt)	(1.1)	(0.8)	0.7	1.8	2.2
PE (x)	n.m.	n.m.	102.4	38.7	31.1
P/B (x)	8.7	9.7	8.9	7.5	6.7
EV/EBITDA (x)	n.m.	1,517.1	38.6	21.6	18.2
Dividend yield (%)	0.0	0.0	0.6	1.6	1.9
Net margin (%)	(230.4)	(67.0)	20.2	35.9	38.2
Net debt/(cash) to equity (%)	49.7	58.3	49.2	32.7	21.1
Interest cover (x)	(2.4)	0.2	8.9	15.8	18.3
ROE (%)	n.a.	n.a.	9.0	21.0	22.7
Consensus net profit	-	-	10,052	27,339	33,892
UOBKH/Consensus (x)	-	-	0.95	0.93	0.93

Source: Airports of Thailand, Bloomberg, UOB Kay Hian  
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY

(Maintained)

Share Price	Bt68.75
Target Price	Bt76.00
Upside	+10.5%
(Previous TP)	Bt83.00)

COMPANY DESCRIPTION

AOT operates 6 of the 38 airports in Thailand, but collectively these 6 airports account for 83% of the total pax throughput

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	AOT TB
Shares issued (m):	14,285.7
Market cap (Btm):	982,141.9
Market cap (US\$m):	26,460.7
3-mth avg daily t'over (US\$m):	36.6

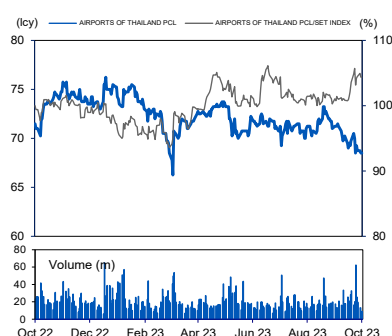
Price Performance (%)

52-week high/low	Bt76.25/Bt66.25
1mth	(3.2)
3mth	(3.5)
6mth	(4.5)
1yr	(5.8)
YTD	(8.3)

Major Shareholders

Finance Ministry	70.0
Thai NVDR Co Ltd	4.5
FY24 NAV/Share (Bt)	9.15
FY24 Net Debt/Share (Bt)	2.99

PRICE CHART



Source: Bloomberg

ANALYST(S)

**Kochakorn Sutaruksanon**  
+662 090 8303  
kochakorn@uobkayhian.co.th

### KEY STATISTICS

Key Stats	4QFY19	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	yoy (%)	qoq (%)	To Pre-COVID
Inter	124,315	50,443	66,829	79,117	84,569	90,506	79.4	7.0	73%
Domestic	94,825	72,123	83,549	84,588	76,230	74,496	3.3	-2.3	79%
Total Aircraft	219,140	122,566	150,378	163,705	160,799	165,038	34.7	2.6	75%
Inter PAX (m)	20.7	7.4	11.0	14.0	13.9	15.0	101.6	7.6	73%
Domestic PAX (m)	13.4	9.9	12.0	12.5	11.0	10.7	7.4	-3.0	80%
Total PAX (m)	34.0	17.4	23.0	26.4	24.9	25.7	47.8	2.9	75%

Source: AOT, UOB Kay Hian

### STOCK IMPACT

- Earnings outlook for 1HFY24.** We expect earnings in 1QFY24 and 2QFY24 continue to improve yoy and qoq, underpinned by: a) the high season of travel in Thailand, and b) new revenue collection methods for airline operators and concessionaires.
- Despite slower travel demand growth from China, we expect the growth of total international arrivals to remain positive.** Historical incidents such as the Bangkok bombing in 2015 and the Phuket boat accident in 2018, have shown that the number of Chinese visitors tends to decline for 4-5 consecutive months after such events. Hence, the recent shooting at Siam Paragon in Oct 23 may raise safety concerns for Chinese travellers, potentially resulting in a slower growth rate as they may choose different travel destinations or postpone their trips. However, we expect total international arrivals to continue to improve in 1HFY24 (Oct 23-Mar 24), supported by the high season of travel in Thailand, the ongoing growth in the number of non-Chinese travellers, and a lower base of Chinese visitors.

### IMPACT OF TRAGIC ACCIDENTS

Date	Situation	Impact on Chinese arrivals	Impact on Non-Chinese arrivals	Time to recover (months)	Chinese arrivals impact on 4Q	Total arrivals impact on 4Q
Aug-15	Bangkok Bomb	Yes	Yes	4	(+21% yoy, -14% qoq)	(+4% yoy, +6% qoq)
Jul-18	Phuket Boat Accident	Yes	No	5	(-10% yoy, -12% qoq)	(+4% yoy, +7% qoq)

Source: MOTs, UOB Kay Hian

### EARNINGS REVISION/RISK

- Cut FY24 earnings by 14% to reflect slow travel demand growth from China.** We are revising our assumptions to be more conservative, with the assumption of a total number of passengers at 130m for FY24, which is lower than the corporate guidance of 142m as we expect Chinese visitors to delay their travel decisions to Thailand following the shooting incident at Siam Paragon in Oct 23.

### KEY EARNINGS REVISION

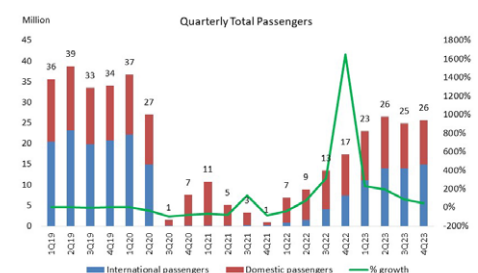
(Bt m)	FY23			FY24		
	New	Old	% Chg	New	Old	% Chg
Aero revenue	22,240	22,240	0.0%	31,239	34,684	-9.9%
Non- aero revenue	25,321	25,321	0.0%	39,585	44,046	-10.1%
Total revenue	47,561	47,561	0.0%	70,824	78,730	-10.0%
Gross profit	17,420	17,420	0.0%	37,251	42,628	-12.6%
Operating EBITDA	26,872	26,872	0.0%	48,160	53,537	-10.0%
Net profit	9,591	9,591	0.0%	25,397	29,470	-13.8%
<b>Margin</b>	<b>New</b>	<b>Old</b>	<b>ppt chg</b>	<b>New</b>	<b>Old</b>	<b>ppt chg</b>
Gross margin	36.6%	36.6%	0.00	52.6%	54.1%	-1.55
Net profit margin	20.2%	20.2%	0.00	35.9%	37.4%	-1.57
Assumption	New	Old	chg	New	Old	chg
Aircraft movement	650,000	650,000	0%	840,000	900,000	-7%
No. PAX (m)	96	96	0%	130	140	-7%
Avg. concession revenue/head	164	164	0%	205	216	-5%

Source: AOT, UOB Kay Hian

### VALUATION/RECOMMENDATION

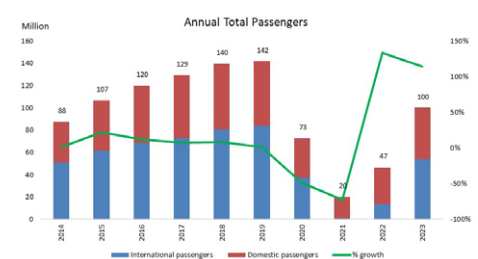
- Maintain BUY with a lower target price of Bt76.00.** based on 2024 EV/EBITDA of 24x, 1SD above its historical pre-COVID-19 trading level. Although we have revised FY24 earnings down by 14%, we believe the downside risk is limited. We prefer AOT as it stands to benefit significantly from the recovery of Thailand's tourism sector.

### QUARTERLY PASSENGERS



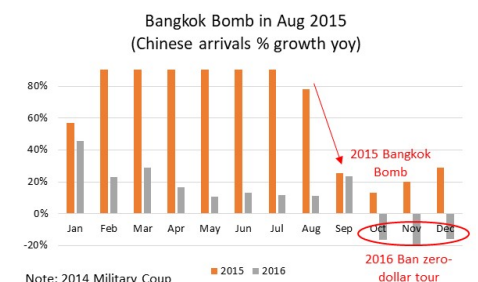
Source: MOTs, UOB Kay Hian

### ANNUAL PASSENGERS



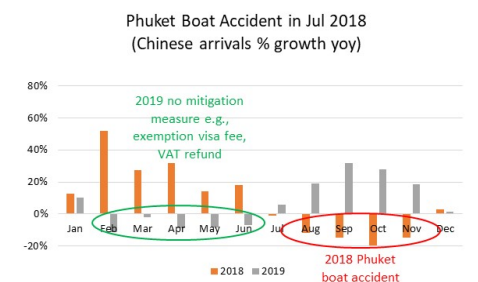
Source: MOTs, UOB Kay Hian

### BANGKOK BOMB 2015



Note: 2014 Military Coup  
Source: MOTs, UOB Kay Hian

### PHUKET BOAT ACCIDENT 2018



Source: MOTs, UOB Kay Hian

### PROFIT & LOSS

Year to 30 Sep (Btm)	2022	2023F	2024F	2025F
Net turnover	16,560	47,561	70,824	82,586
EBITDA	684	26,872	48,160	56,984
Deprec. & amort.	8,932	9,452	10,909	11,511
EBIT	(8,248)	17,420	37,251	45,473
Total other non-operating income	(2,934)	(2,235)	(2,196)	(2,593)
Associate contributions	0	0	0	0
Net interest income/(expense)	(2,882)	(3,013)	(3,053)	(3,121)
<b>Pre-tax profit</b>	<b>(13,864)</b>	<b>12,172</b>	<b>32,003</b>	<b>39,759</b>
Tax	2,888	(2,434)	(6,401)	(7,952)
Minorities	(112)	(146)	(205)	(254)
<b>Net profit</b>	<b>(11,088)</b>	<b>9,591</b>	<b>25,397</b>	<b>31,552</b>
Net profit (adj.)	(11,088)	9,591	25,397	31,552

### CASH FLOW

Year to 30 Sep (Btm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>(3,764)</b>	<b>26,110</b>	<b>35,629</b>	<b>43,795</b>
Pre-tax profit	(13,864)	12,172	32,003	39,759
Tax	2,888	(2,434)	(6,401)	(7,952)
Deprec. & amort.	8,932	9,452	10,909	11,511
Working capital changes	165	3,289	(499)	784
Non-cash items	(1,885)	3,631	(383)	(307)
Other operating cashflows	n.a.	n.a.	n.a.	n.a.
<b>Investing</b>	<b>(8,756)</b>	<b>(21,813)</b>	<b>(18,238)</b>	<b>(17,112)</b>
Capex (growth)	(17,019)	(21,640)	(18,060)	(16,930)
Investments	8,702	(172)	(178)	(182)
Others	(438)	0	0	0
<b>Financing</b>	<b>(1,056)</b>	<b>(3,707)</b>	<b>(5,600)</b>	<b>(15,611)</b>
Dividend payments	(8)	0	(5,755)	(15,238)
Issue of shares	0	0	0	0
Proceeds from borrowings	(1,233)	(3,899)	(97)	(677)
Others/interest paid	185	191	252	304
<b>Net cash inflow (outflow)</b>	<b>(13,576)</b>	<b>590</b>	<b>11,791</b>	<b>11,072</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>8,479</b>	<b>3,798</b>	<b>4,388</b>	<b>16,149</b>
Changes due to forex impact	8,895	0	(30)	(129)
<b>Ending cash &amp; cash equivalent</b>	<b>3,798</b>	<b>4,388</b>	<b>16,149</b>	<b>27,092</b>

### BALANCE SHEET

Year to 30 Sep (Btm)	2022	2023F	2024F	2025F
Fixed assets	156,998	169,361	176,721	182,450
Other LT assets	18,339	15,926	17,717	18,807
Cash/ST investment	3,798	4,388	16,149	27,092
Other current assets	4,679	3,365	4,899	5,702
<b>Total assets</b>	<b>183,813</b>	<b>193,039</b>	<b>215,487</b>	<b>234,051</b>
ST debt	3,738	948	1,066	600
Other current liabilities	10,757	13,715	15,960	18,158
LT debt	59,094	57,985	57,770	57,559
Other LT liabilities	7,705	8,090	8,495	8,920
Shareholders' equity	101,324	110,961	130,651	147,015
Minority interest	1,195	1,341	1,546	1,800
<b>Total liabilities &amp; equity</b>	<b>183,813</b>	<b>193,039</b>	<b>215,487</b>	<b>234,051</b>

### KEY METRICS

Year to 30 Sep (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	4.1	56.5	68.0	69.0
Pre-tax margin	(83.7)	25.6	45.2	48.1
Net margin	(67.0)	20.2	35.9	38.2
ROA	n.a.	5.1	12.4	14.0
ROE	n.a.	9.0	21.0	22.7
<b>Growth</b>				
Turnover	133.7	187.2	48.9	16.6
EBITDA	n.a.	3,827.5	79.2	18.3
Pre-tax profit	n.a.	n.a.	162.9	24.2
Net profit	n.a.	n.a.	164.8	24.2
Net profit (adj.)	n.a.	n.a.	164.8	24.2
EPS	n.a.	n.a.	164.8	24.2
<b>Leverage</b>				
Debt to total capital	38.0	34.4	30.8	28.1
Debt to equity	62.0	53.1	45.0	39.6
Net debt/(cash) to equity	58.3	49.2	32.7	21.1
Interest cover (x)	0.2	8.9	15.8	18.3



COMPANY UPDATE

**Bangkok Expressway and Metro (BEM TB)**

Expect Strong Earnings in 3Q23

**BEM is expected to announce 3.9% earnings growth in 3Q23 due to ridership recovery and a minor reduction in electricity expenses. We expect a continuous qoq growth in 4Q23 as travel demand has fully normalised. In addition, there is a possible upside from MRT Orange line after the speculation and uncertainties around MRT Orange Line are resolved. Maintain BUY. Target price: Bt9.60.**

WHAT'S NEW

- Mobility nearly normalised.** Both average daily expressway traffic volume and MRT Blue Line ridership are expected to improve qoq in 3Q23 and slightly drop in 4Q23. For expressway, average traffic volume increased to 1,125,345 trips/day (+2.2% mom), and slightly decreased in Sep 23 (1,112,632 trips/day, -1.1% mom). Similarly, the average MRT Blue Line ridership also reached the highest in 12 years, as the average daily MRT Blue Line ridership in Aug 23 reached 420,379 trips/day (+7.6% mom), and still growing further in Sep 23, 420,941 trips/day (+0.1% mom). We believe travel demand will continue to improve throughout 2024 with the opening of key points of interest around the inner city of Bangkok (eg One Bangkok, Dusit Central Park and The Emsphere).
- Minor cost improvement.** Due to government policies, the electricity costs have been reduced from Bt4.70/unit to Bt3.99/unit in Sep-Dec 23. We expect minimal impact with only a one-month reduction in 3Q23. The cost of operation for the expressway and railway segments is expected to be maintained at around 20% and 87% of the total revenue in 3Q23, close to that in 3Q22 with a 4% reduction in COGs margin in the rail business.
- Possible upside from MRT Orange Line.** The Bangkok Mass Transit System (BTSC) has appealed to the Supreme Court over Mass Rapid Transit Authority of Thailand (MRTA) regarding unlawful criteria changes over the second round bidding. However, we believe it is unlikely that BTSC will win this appeal as: a) the ruling will ultimately be based on the operator with the ability to deliver the project at the agreed date and specification, b) the current government is unlikely to re-bid for the third time as it will lose the original bid and incur opportunity costs, and c) re-bidding will open up further litigation between MRTA and Bangkok Expressway and Metro (BEM), and may cause further delay on the project.
- Seeking new projects.** BEM has continuously shown interest in infrastructure projects from the public sector (eg Double Deck, Sriracha Service Center), which we believe can potentially add more synergies to its existing expressway (FES & SES) while also diversifying from its current investments.

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	10,727	14,029	16,065	16,946	17,567
EBITDA	3,706	6,012	7,441	8,135	8,482
Operating profit	2,577	4,423	5,577	6,170	6,443
Net profit (rep./act.)	1,010	2,436	3,294	3,967	4,044
Net profit (adj.)	1,010	2,436	3,294	3,967	4,044
EPS (Bt)	0.1	0.2	0.2	0.3	0.3
PE (x)	120.3	49.9	36.9	30.6	30.0
P/B (x)	3.2	3.3	3.2	3.0	2.9
EV/EBITDA (x)	50.7	31.3	25.3	23.1	22.2
Dividend yield (%)	1.3	1.0	1.5	1.6	2.0
Net margin (%)	9.4	17.4	20.5	23.4	23.0
Net debt/(cash) to equity (%)	183.6	181.5	173.3	158.9	149.2
Interest cover (x)	1.7	2.5	3.1	3.7	3.5
ROE (%)	2.7	6.5	8.7	10.1	9.8
Consensus net profit	-	-	3,631	4,220	4,618
UOBKH/Consensus (x)	-	-	0.91	0.94	0.88

Source: Bangkok Expressway and Metro, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt8.00
Target Price	Bt9.60
Upside	+20.0%
(Previous TP)	Bt10.00

COMPANY DESCRIPTION

BEM is an operator of expressway and train services in Bangkok and suburban areas under the concessions of the Expressway Authority of Thailand and the Mass Rapid Transit Authority of Thailand.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	BEM TB
Shares issued (m):	15,285.0
Market cap (Btm):	121,515.8
Market cap (US\$m):	3,280.0
3-mth avg daily t'over (US\$m):	6.5

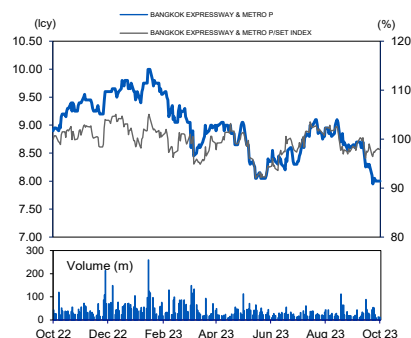
Price Performance (%)

52-week high/low	Bt10.00/Bt7.95			
1mth	3mth	6mth	1yr	YTD
(8.6)	(7.6)	(10.7)	(10.7)	(18.9)

Major Shareholders

	%
CH Karnchang group	34.4
Mass Rapid Transit Authority of Thailand	8.2
Thai NVDR	6.9
FY23 NAV/Share (Bt)	2.51
FY23 Net Debt/Share (Bt)	4.35

PRICE CHART



Source: Bloomberg

ANALYST(S)

**Kampon Akaravarinchai**  
 +662 659 8031  
 kampon@uobkayhian.co.th

ASSISTANT ANALYST(S)

**Sarit Srinavakul**

### STOCK IMPACT

- 3Q23 earnings preview.** BEM is expected to report a 3Q23 net profit of Bt936m (+8.5% yoy, +3.9% qoq). The qoq earnings growth is mainly contributed by higher revenue from the rail business. We expect that revenue for 3Q23 will likely surpass 3Q19 results, in line with guidance from the company indicating that in the absence of COVID-19, the rail business has already resumed its organic growth. We also expect higher gross margin qoq following better economies of scale.
- 2023-24 earnings outlook.** We expect 2023 net profit of Bt3,297m (+35.3% yoy), largely driven by increasing pass-through ridership from MRT Yellow Line, higher traffic volume and minor electricity cost reduction. In 2024, we expect a net profit of Bt3,971m (+20.4% yoy), largely driven by the full recovery of economic activity, and the benefit from government policies to reduce MRT Purple and Red Lines to Bt20/trip effective from 16 Oct 23 onwards. For the expressway business, we also expect to see the average daily traffic volume to reach pre-COVID-19 levels by 2Q24 at the latest.
- Growing organically.** However, in long term, we believe that there will still be demand for existing MRT and expressway to help quickly commute around the city, as road traffics worsen. Moreover, with urbanization, there are needs for the government to foster community and infrastructure, and we strongly believe that one of the fastest way to achieve this goal is to have Transit Oriented Development or "TOD", as mentioned in the national strategy plan in Thailand for transportation infrastructure.

### EARNINGS REVISION/RISK

- Forecast revised.** We have made slight adjustments to our earnings forecast due to revision in both short-term growth of traffic volume and ridership assumptions.

(Btm)	2023F			2024F		
	Old	New	chg	Old	New	chg
Sales (Btm)	16,552	16,065	-2.9%	17,629	16,946	-3.9%
GPM (Btm)	6,951	6,798	-2.2%	7,716	7,458	-3.3%
GPM (%)	41.9%	42.3%	0.4%	43.8%	44.0%	0.2%
EBITDA	7,569	7,441	-1.7%	8,371	8,135	-2.8%
Core profit (Btm)	2,656	2,514	-5.3%	3,143	3,159	0.5%
Avg D Traffic (k)	1,140	1,140	0.0%	1,191	1,176	-1.3%
Avg D Ridership (k)	384	379	-1.3%	415	409	-1.4%

Source: BEM, UOB Kay Hian

### VALUATION/RECOMMENDATION

- Maintained BUY with a SOTP-based target price of Bt9.60 (previous: Bt10.00).** We revised our cash flow forecast mainly due to the changing underlying assumption for the hurdle rate used for DCF. We believe that the 2024 target price should reflect the increasing risks in a high interest rate environment and Thailand's economic uncertainty. BEM should look to target lower IBD/E due to interest burdens and higher risk free rate. However, we continue to be positive on BEM from its ability to generate stable operating cash flow. Our current 2024 target has not included Bt0.50/share from MRT Orange Line yet and coupled with the recent price correction, we believe BEM is currently one of the most attractive picks in the sector.

### SHARE PRICE CATALYST

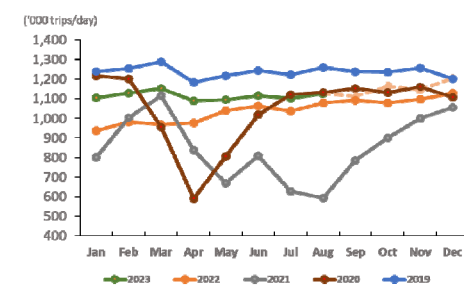
- Possible synergies in MRT riderships as a result from the recent approval of minimum Bt20 fare for the MRT Red, Purple and Pink Lines.**
- Rulings from the Supreme Court and Cabinet's approval and signing of the MRT Orange Line project.**
- New bidding announcement for future projects and renewal of the concession contracts for expressway, railway and related projects.**

### SOTP-BASED VALUATION

Business(es)	Value (Btm)	Note
BEMs Existing Operation	135,968	Using DCF WACC 5.38%
MRT Orange Line Project	7,696	Using DCF WACC 5.38%
Key investment(s)	10,699	
CKP	5,312	Using consensus TP
TTW	5,387	Using consensus TP
<b>Total Value</b>	<b>154,363</b>	
number of shares (m)	15,285	
<b>Fair Value (Bt)</b>	<b>10.10</b>	

Source: BEM, UOB Kay Hian

### AVERAGE DAILY TRAFFIC VOLUME



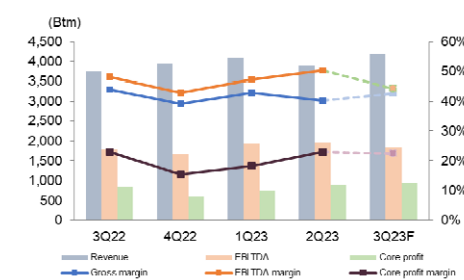
Source: BEM, UOB Kay Hian

### AVERAGE DAILY MRT BLUE LINE RIDERSHIP

	2016	2017	2018	2019	2020	2021	2022	2023
Jan	256	274	299	317	397	151	175	374
Feb	278	300	323	319	364	218	199	395
Mar	283	308	315	330	234	273	191	376
Apr	248	266	278	297	78	147	179	329
May	245	274	295	302	119	90	230	345
Jun	279	303	316	312	203	121	283	381
Jul	269	282	301	317	253	77	275	391
Aug	286	314	331	339	288	62	320	420
Sep	294	320	325	352	310	100	344	421
Oct	291	300	321	375	300	136	342	415
Nov	290	322	343	413	312	187	354	408
Dec	264	282	292	366	269	204	351	402

Source: BEM, UOB Kay Hian

### QUARTERLY RESULTS AND FORECAST



Source: BEM, UOB Kay Hian

### 3Q23 EARNINGS PREVIEW

Year to 31 Dec (Btm)	3Q22	2023	3Q23F	yoy (%)	qoq (%)
Sales	3,739	3,907	4,173	11.6%	6.8%
Gross Profit	1,644	1,574	1,784	8.5%	13.3%
EBITDA	1,797	1,962	1,844	2.6%	-6.0%
Pre-tax Profit	1,028	1,043	1,104	7.4%	5.9%
Net Profit	863	901	936	8.5%	3.9%
Core Profit	863	901	936	8.5%	3.9%
EPS (Bt)	0.056	0.059	0.061	8.5%	3.9%
Gross Margin (%)	44.0%	40.3%	42.7%		
EBITDA Margin (%)	48.1%	50.2%	44.2%		
Net Margin (%)	23.1%	23.1%	22.4%		

Source: BEM, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	14,029	16,065	16,946	17,567
EBITDA	6,012	7,441	8,135	8,482
Deprec. & amort.	1,589	1,864	1,964	2,039
EBIT	4,423	5,577	6,170	6,443
Total other non-operating income	772	783	812	838
Associate contributions	0	0	0	0
Net interest income/(expense)	(2,361)	(2,399)	(2,188)	(2,395)
<b>Pre-tax profit</b>	<b>2,834</b>	<b>3,961</b>	<b>4,794</b>	<b>4,886</b>
Tax	(398)	(663)	(823)	(837)
Minorities	0	(3)	(4)	(4)
<b>Net profit</b>	<b>2,436</b>	<b>3,294</b>	<b>3,967</b>	<b>4,044</b>
Net profit (adj.)	2,436	3,294	3,967	4,044

### CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>4,137</b>	<b>5,253</b>	<b>5,918</b>	<b>6,837</b>
Pre-tax profit	2,834	3,961	4,794	4,886
Tax	(398)	(663)	(823)	(837)
Deprec. & amort.	1,589	1,864	1,964	2,039
Associates	0	0	0	0
Working capital changes	96	106	(35)	731
Non-cash items	16	(15)	17	18
Other operating cashflows	0	0	0	0
<b>Investing</b>	<b>(1,336)</b>	<b>(2,228)</b>	<b>(1,559)</b>	<b>(3,004)</b>
Capex (growth)	(1,357)	(202)	(15)	(206)
Investments	2,491	419	(234)	(238)
Others	(2,470)	(2,445)	(1,310)	(2,560)
<b>Financing</b>	<b>(1,959)</b>	<b>(4,275)</b>	<b>(3,575)</b>	<b>(3,654)</b>
Dividend payments	(1,223)	(1,834)	(1,987)	(2,380)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(736)	(2,441)	(1,588)	(1,273)
Others/interest paid	0	0	0	0
<b>Net cash inflow (outflow)</b>	<b>843</b>	<b>(1,251)</b>	<b>783</b>	<b>179</b>
Beginning cash & cash equivalent	2,122	2,965	1,714	2,497
Ending cash & cash equivalent	2,965	1,714	2,497	2,676

### BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	78,306	76,645	74,696	72,862
Other LT assets	30,257	32,146	33,773	36,656
Cash/ST investment	2,965	1,714	2,497	2,676
Other current assets	2,601	2,609	2,650	1,994
<b>Total assets</b>	<b>114,128</b>	<b>113,114</b>	<b>113,617</b>	<b>114,189</b>
ST debt	9,741	13,198	13,246	8,156
Other current liabilities	2,351	2,450	2,474	2,567
LT debt	60,872	54,973	53,337	57,154
Other LT liabilities	3,901	4,146	4,229	4,313
Shareholders' equity	37,262	38,342	40,322	41,986
Minority interest	2	5	9	13
<b>Total liabilities &amp; equity</b>	<b>114,128</b>	<b>113,114</b>	<b>113,617</b>	<b>114,189</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	42.9	46.3	48.0	48.3
Pre-tax margin	20.2	24.7	28.3	27.8
Net margin	17.4	20.5	23.4	23.0
ROA	2.1	2.9	3.5	3.6
ROE	6.5	8.7	10.1	9.8
<b>Growth</b>				
Turnover	30.8	14.5	5.5	3.7
EBITDA	62.2	23.8	9.3	4.3
Pre-tax profit	147.5	39.8	21.0	1.9
Net profit	141.2	35.2	20.4	1.9
Net profit (adj.)	141.2	35.2	20.4	1.9
EPS	141.2	35.2	20.4	1.9
<b>Leverage</b>				
Debt to total capital	65.5	64.0	62.3	60.9
Debt to equity	189.5	177.8	165.1	155.6
Net debt/(cash) to equity	181.5	173.3	158.9	149.2
Interest cover (x)	2.5	3.1	3.7	3.5

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