UOBKayHian

Regional Morning Notes

Wednesday, 27 September 2023

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GREATER CHINA

Sector

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New homes sales rebound in key cities; assessing impact of Evergrande event.

INDONESIA

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MALAYSIA

Results

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3QFY23: Losses narrow, but remain within expectations. Downgrade to SELL.

VS Industry (VSI MK/BUY/RM1.02/Target: RM1.18) — Page 9

FY23: Above expectations. After a gestation year in FY23, VS' main customers have started to replenish inventory again, which could fuel its growth in FY24.

SINGAPORE

Small/Mid Cap Highlights

Elite Commercial REIT (ELITE SP/NOT RATED/£0.25) — Page 12

A visit to Elite's buildings in the UK.

THAILAND

Sector

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Robust recovery may not be readily apparent in 3Q23.

KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	33618.9	(1.1)	(2.6)	(2.1)	1.4
S&P 500	4273.5	(1.5)	(3.8)	(3.0)	11.3
FTSE 100	7625.7	0.0	(0.5)	3.9	2.3
AS30	7238.3	(0.6)	(2.1)	(1.3)	0.2
CSI 300	3692.9	(0.6)	(0.7)	(0.4)	(4.6)
FSSTI	3215.1	(0.0)	(0.8)	0.8	(1.1)
HSCEI	6030.8	(1.6)	(3.3)	(2.3)	(10.1)
HSI	17466.9	(1.5)	(2.9)	(2.7)	(11.7)
JCI	6923.8	(1.1)	(0.8)	0.4	1.1
KLCI	1445.6	0.1	(0.8)	0.1	(3.3)
KOSPI	2463.0	(1.3)	(3.8)	(2.2)	10.1
Nikkei 225	32315.1	(1.1)	(2.8)	2.2	23.8
SET	1494.0	(0.9)	(1.9)	(4.2)	(10.5)
TWSE	16276.1	(1.1)	(2.2)	(1.2)	15.1
BDI	1694	5.0	11.0	56.9	11.8
CPO (RM/mt)	3677	0.9	(0.5)	(3.4)	(9.2)
Brent Crude (US$/bbl)	94	0.7	(0.4)	11.2	9.4

Source: Bloomberg

TOP PICKS

	Ticker	CP (lcy)	TP (lcy)	Pot. +/- (%)
BUY				
BYD	1211 HK	239.20	590.00	146.7
China Duty Free	601888 CH	106.83	138.00	29.2
Bank Neo Commerce	BBYB IJ	310.00	390.00	25.8
Bumi Serpong	BSDE IJ	1,025.00	1,420.00	38.5
HM Sampoerna	HMSP IJ	870.00	1,300.00	49.4
My EG Services	MYEG MK	0.80	1.18	47.5
Yinson	YNS MK	2.52	4.05	60.7
OCBC	OCBC SP	12.76	18.22	42.8
CP ALL	CPALL TB	61.00	78.00	27.9
Indorama	IVL TB	26.75	37.00	38.3

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
Analyst Marketing on Malaysia Outlook and Technology Sector	Singapore	26 Sep	27 Sep
14th Asian Gems Conference 2023 (Virtual)	Singapore	10 Oct	13 Oct
Analyst Marketing on Singapore Tech and Mid Caps	Malaysia	17 Oct	19 Oct

SECTOR UPDATE

Property – China

New Homes Sales Rebound In Key Cities; Assessing Impact Of Evergrande Event

China's easing of the mortgage policy has effectively boosted new home transactions in Tier 1 cities and core Tier 2 cities. We expect further improvement of markets empowered by continuous policy easing. Investigation into Evergrande came as a negative surprise. Very likely to fail on debt restructuring, Evergrande has a good chance of undergoing bankruptcy reorganisation. Binjiang and Longfor will remain resilient under short-term impact from Evergrande. Maintain MARKET WEIGHT.

MARKET WEIGHT

(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (HK$)	Target Price (HK$)
CR LAND	1109 HK	BUY	30.70	47.48
COLI	688 HK	BUY	15.62	25.86

Source: UOB Kay Hian

WHAT'S NEW

- China Real Estate Index System (CREIS) released sales data for the week of 18-24 Sep 23.
- Evergrande's offshore debt restructuring halted due to investigation by local authorities.

ESSENTIALS

- **Easing of mortgage policy continues to boost secondary home transactions in Tier 1 cities.** In the week of 18-24 September, the number of second-hand home units transacted in Beijing/Shanghai/Guangzhou/Shenzhen recorded wow growth of 6%/4%/9%/0% respectively, and mom growths of 46%/30%/25%/14% respectively. New home transactions continuously increased; the number of new home units transacted in Beijing/Shanghai /Guangzhou/Shenzhen recorded wow growth of 136%/139%/0%/8% and mom growth of 96%/40%/17%/-37% respectively. Beijing and Shanghai showed a resilient rebound in new home transactions.

FIRST-TIER CITIES MARKET SENTIMENT FOR SEP (18-24 SEPTEMBER)

	No. of new home sold				No. of 2nd hand home sold			
	BJ	SH	GZ	SZ	BJ	SH	GZ	SZ
18-24 Sep	2457	3,955	1108	661	3,713	4,381	2,325	888
- wow	136%	139%	0%	8%	6%	4%	9%	0%
- mom	96%	40%	17%	-37%	46%	30%	25%	14%
- yoy	41%	1%	-42%	-32%	6%	5%	17%	105%
11-17 Sep	1042	1,652	1109	613	3,490	4,209	2,129	892
- wow	24%	10%	31%	22%	26%	1%	13%	10%
- mom	-7%	-39%	19%	-10%	40%	25%	7%	15%
- yoy	-44%	-52%	-19%	-22%	28%	1%	27%	106%
4-10 Sep	843	1,507	845	502	2,780	4,163	1,877	591
- wow	18%	-49%	-8%	6%	3%	35%	4%	23%
- mom	1%	-11%	-7%	-23%	23%	44%	1%	8%
- yoy	-52%	-49%	-12%	-47%	22%	-8%	21%	62%

Source: Local government housing bureau, UOB Kay Hian

- **New home sales rebound in Sep 23.** According to CREIS, sales in Tier 1 cities increased 79.2% wow and decreased 4.6% yoy. Sales in Tier 2 cities jumped 10.3% wow and dropped 46.2% yoy. Sales in Tier 3 and 4 cities grew 28.8% wow and fell 37.5% yoy. The average weekly sales of new homes in 50 cities in Sep 23 rose 10.9% mom and declined 29.6% yoy. The top 10 cities with mom increases were: Kunshan (116%), Xuzhou (102%), Yantai (87%), Changsha (76%), Dongguan (66%), Shenyang (+65%), Xi'an (36%), Beijing (33%), Lanzhou (32%), Shanghai (28%).

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PEER COMPARISON

Company	Ticker	Rec	Price @ 26 Sep 23 (HK$)	Target Price (HK$)	Upside/(Downside) to TP (%)	Market Cap (HK$m)	PE 2022F (x)	PE 2023F (x)	P/B 2022F (x)	P/B 2023F (x)	Yield 2022F (%)	Yield 2023F (%)
China Resources Land	1109 HK	BUY	30.70	47.48	54.7	218,919.8	7.6	7.5	0.8	0.7	4.9	5.0
China Overseas Land	688 HK	BUY	15.62	25.86	65.6	170,959.1	6.5	5.9	0.5	0.4	4.9	5.0

Source: Bloomberg, UOB Kay Hian. .

- **Investigation into Evergrande came as a negative surprise.** On 18 September, senior management of Evergrande's wealth management unit was detained by police in Shenzhen. As announced by Evergrande on 22 and 24 September: a) Evergrande cancelled the meetings on debt restructuring on 25 and 26 September respectively; and b) in view of Hengda Real Estate Group being investigated, Evergrande is unable to meet the qualifications for the issuance of new notes under the rules of CSRC and NDRC. On 25 September, as reported by Caixin, Evergrande's CEO and CFO were detained by the authorities. The investigation and suspension of debt restructuring came as an unexpected negative event to the China property sector.
- **What's next for Evergrande?** Very likely to fail on debt restructuring and with negative equity, Evergrande may go into bankruptcy, which includes bankruptcy reorganisation and bankruptcy liquidation. Bankruptcy liquidation is the worst-case scenario: as a) Evergrande will no longer exist, and b) all the debts, which amounts to Rmb2.4t will be immediately marked to zero, leading to huge P/L losses at financial institutions. As the company's sold but uncompleted units will pose a risk to social stability, there is a good chance that Evergrande will likely seek bankruptcy reorganisation, ie following the path of Hainan Airlines. However, Evergrande will need government assistance and a new strategic shareholder. Recent investigation into Evergrande may help clear the way for government intervention.
- **Hit sentiment on POE developers in the short term.** The Evergrande crisis again clouded the future of POEs. We think the sentiment of home buyers as well as investors on POE developers will be weakened in the short term. To assess developers' resilience in a tightened financing and sales environment, we looked at the following indicators: a) adjusted cash to short-term debt ratio with puttable bonds included in debt maturity, b) net debt to attributable equity ratio, c) account payable to cash ratio, and d) estimated monthly construction cost to sales ratio. Among the major POEs, Binjiang has the highest score, followed by Longfor, while CGH, SEAZEN and Agile are in a much weaker financial condition. After all, we do not expect more developers to be investigated as this will damage confidence in the property industry that the government is trying hard to build.

KEY FINANCIAL METRICS OF DEVELOPERS

1H23	Cash to Short Term Debt Ratio	Adjusted Cash to Short Term Debt Ratio	Net Gearing Ratio	Net Debt Ratio (attributable equity)	Ratio of Account Payable to Cash	Estimated Monthly Construction Cost to Sales Ratio	Total Score (the higher the better)
COLI	2.38	2.38	39.0%	0.38	0.49	0.05	70
BINJIANG	2.07	1.95	85.9%	0.52	0.17	0.09	65
YUEXIU	2.54	2.54	77.0%	1.26	0.05	0.15	57
CR LAND	2.16	2.16	31.9%	0.39	0.62	0.15	57
GEMDALE	1.13	0.95	56.6%	0.97	0.54	0.11	45
CMSK	1.72	1.72	53.6%	1.30	0.52	0.10	48
LONGFOR	1.85	1.68	56.2%	0.94	0.97	0.18	40
CHINA VANKE	2.44	2.37	37.3%	0.82	2.16	0.22	42
POLY	2.38	2.20	64.7%	1.05	0.96	0.20	42
GREENTOWN	2.16	1.69	74.5%	2.11	0.66	0.17	36
CHINA JINMAO	1.29	1.29	81.6%	2.27	1.20	0.11	30
CGH	0.93	0.85	56.2%	1.01	2.00	0.73	25
SEAZEN	0.77	0.77	52.3%	0.82	1.98	0.73	29
AGILE	0.32	0.31	62.7%	1.39	3.24	0.22	15

Source: Respective companies, UOB Kay Hian

ACTIONS

- **Maintain MARKET WEIGHT on China's property sector.** On 26 September, Chengdu announced the lifting of purchase curbs on properties 144sqm and above by no longer conducting qualification reviews of home buyers, which is a surprise. We expect more core Tier 2 cities like Hangzhou to follow suit. The relaxation of purchase restrictions in Chengdu reflects the government's strong willingness to support the market. China's real estate industry is in a period characterised by policy easing and deteriorating fundamentals, thus we expect range trading of the sector. Evergrande's recent crisis offers a good buying opportunity for other quality names. Our top picks remain COLI and CR Land.

BANKCRUPCY REORGANISATION OF HNA GROUP

Jun 17	CBRC asked major banks to check their exposure to Wanda/Hainan Airlines Group/Fosun
Mar 18	Hainan Airlines found it difficult to pay its bill with China Aviation Oil Corporation
2018	Hainan Airlines sold Rmb300b of assets
Jul 18	Chairman Wangjian passed away
Jul 19	Hainan Airlines default on 16HA02 Bond
Sep 19	Meilan Airport defaulted on US$200m US$ bond
Feb 20	The Hainan Provincial Government took the lead in establishing the Hainan Joint Working Group to promote the group's risk management work
2020	After the working group was established, all loans were extended or interest rates were suspended.
2020	After the working group moved in, it comprehensively investigated the assets and liabilities and determined that HNA's assets were insolvent.
Jun 20	Working group made preliminary plan of reorganization
Oct 20	Hainan Airlines published reorganisation plan and debt repayment arrangement
Jan 21	HNA Group announced that the bondholders applied to the court for bankruptcy reorganisation of the group
Feb 21	CSRC and the Supreme People's Court approved HNA's bankruptcy and reorganisation plan
Sep 21	HNA and Meilan Airport respectively introduced Fangda Group and Haifa Holdings as strategic investors

Source: Caixin, UOB Kay Hian

SECTOR UPDATE

Banking – Indonesia

Bank To Have A Dividend Policy; OJK May Halt Dividend Payment

OJK has issued an updated governance regulation of banks' dividend payment policy and OJK has the authority to halt dividend payment. The impact may differ across the industry, but a strong CAR will improve banks' stability and provide room for higher growth. Given solid CAR and robust provision coverage, there is an opportunity for banks under our coverage to maintain their DPR. Our top picks: BBNI and BBRI. Maintain OVERWEIGHT.

WHAT'S NEW

- **An updated bank governance regulation.** Financial Services Authority (OJK) issued an updated bank governance regulation, namely, POJK No.17 2023 this month. Following the rapid development of Indonesia's banking industry, OJK thinks it is essential for the institution to review the old bank governance regulation and implement the new regulation into the current banking environment. The new regulation aligned with the international standard of Basel Committee on Banking Services (BCBS), Organisation for Economic Corporation (OECD), and International Finance Corporation (IFC). Overall, the regulation controls management's responsibilities and authorities. This new regulation covers comprehensive points of good bank governance, from management's responsibilities and authorities, dividend policy, antifraud strategies, etc.

- **Banks must have a dividend payment policy and OJK now has the authority to halt the dividend payment.** Motivated by huge dividend disbursement by some of Indonesian banks in the last two years, OJK thinks it is necessary to regulate banks' dividend payment. According to the regulation, OJK does not regulate the dividend payment ratio, but will require banks to have dividend policies and disseminate their dividend policies to investors. The policy will later contain, among others, banks consideration in determining the amount of dividend distribution, including the necessary approval mechanism. The policy also can contain banks' rights to delay the dividend payment and to cancel the dividend payment. OJK has the authority to order banks to delay, limit, or cancel the dividend payment.

- **Banks' CAR could further increase from current 25%, but ROE to remain high.** We believe the new regulation which enforces the implementation of good bank governance should positively impact to all stakeholders, including minority shareholders. Meanwhile, led by the new regulation, banks might be more disciplined and allocate lower dividend payment which will result in a stronger capital position, translating into high capital adequacy ratio (CAR). Investors may lose upside from dividend yield, but the new regulation will provide banks with solid CAR which could: a) support banks during the unexpected economic downturn by having sufficient capital to absorb the loss, and b) support banks' inorganic and organic growth. Given the high lending rate, the Indonesian banking industry has high NIM while banks continue to digitalise operations which supports efficiency. With robust CAR, we expect higher loan growth which will help the banks to maintain ROE. We also think OJK's authority to halt dividend payment to prepare for any losses and downturn should have a positive impact to the overall economy.

OVERWEIGHT

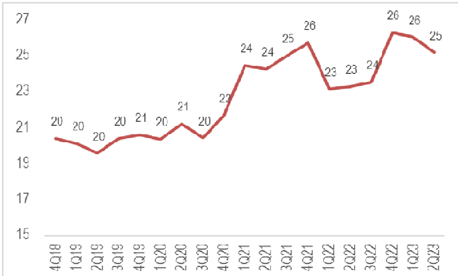
(Maintained)

TOP SECTOR PICKS

Company	Ticker	Rec	Share Price (Rp)	Target Price (Rp)
Bank Negara Ind	BBNI IJ	BUY	9,975	11,200
Bank Rakyat Ind	BBRI IJ	BUY	5,200	6,100

Source: UOB Kay Hian

INDUSTRY CAR TIER 1 RATIO



Source: Bloomberg

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PEER COMPARISON

Ticker	Rec	Price 26-Sep-23 (Rp)	Target Price (Rp)	Market Cap (Rpt)	PE 2022F (x)	PE 2023F (x)	P/B 2022F (x)	P/B 2023F (x)	Div Yield 2022F (%)	Div Yield 2023F (%)	ROE 2023F (%)
BBCA	BUY	8,950	10,300	1,103	22.4	19.7	4.5	4.0	2.3	2.8	21.1
BMRI	BUY	5,925	6,500	553	11.0	9.6	2.1	1.9	4.5	5.5	20.5
BBNI	BUY	9,975	11,200	180	8.6	7.5	1.2	1.1	5.8	6.7	15.1
BBRI	BUY	5,200	6,100	788	13.0	11.8	2.5	2.3	6.2	6.8	19.6
BBTN	BUY	1,225	1,700	17.2	4.7	4.2	0.6	0.5	3.7	4.3	12.9
BTPS	BUY	1,880	2,900	14.5	9.8	6.6	1.6	1.4	4.9	5.1	16.9
BDMN	HOLD	2,870	2,500	28.1	7.6	6.8	0.6	0.5	4.6	5.1	7.6

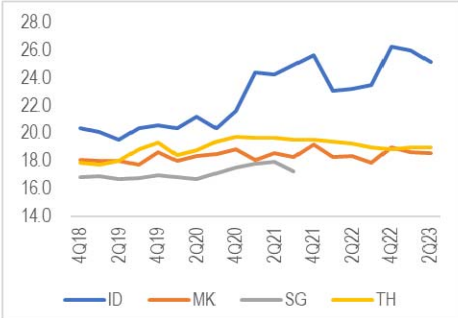
Source: Bloomberg, UOB Kay Hian

- **Impact may different across industry.** The Indonesian banking system's CAR stood at 27% in Jun 23, the highest in region (Malaysia: 18.5% and Thailand: 19%). CAR Tier 1 trended up from to 25% in Jun 23 from 20.4% in Dec 18, driven by: a) the solid earnings growth and b) new equity to fulfil OJK's requirement of Rp3t minimum capital by end-22. We believe the impact of the new regulation may be different across the industry, depending on: a) CAR, b) asset quality, and c) management. Historically, some of the banks could be categorised as over capitalising as CAR could reach 30% (above OJK's maximum requirement) while some banks have a low CAR ratio of around 11%, close to OJK's minimum requirement. Therefore, we think the impact may be different across the industry. We believe small and mid-sized banks which are: a) typically family-owned banks, and b) regional banks will be affected the most by the new regulations.
- **Big SOE banks could maintain their high DPR.** Despite the implementation of the new regulation, we believe there is possibility for big SOE banks to maintain or raise their dividend payout ratio (DPR) on the back of strong CAR and robust provision coverage. SOE banks' dividend payment was the biggest contributor to the government's dividend income as of May 23. In May 23, it was reported that the combined dividend payment of the Big Three SOE banks to the government reached Rp40.4t. Given their contribution to the government's dividend income, we believe there is opportunity for the SOE banks to maintain or raise their high DPR. Bank Negara Indonesia plans to raise its DPR to 50% from current DPR of 40% due to improving credit profile, leading to improving CAR. Bank Rakyat Indonesia (BBRI) guides for 85% DPR this year due to high CAR ratio of 26.6%. Meanwhile, we expect Bank Mandiri (BMRI) will maintain its DPR of 60%.

VALUATION/RECOMMENDATION

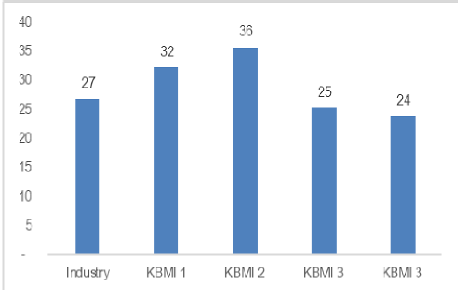
- **Maintain OVERWEIGHT.** The new regulation could lead to excessive capital for some banks which we believe provide room for banks to grow organically (investing in technologies, human capital, and networks) and inorganically (acquire other financial institutions to build ecosystem). The solid CAR also provides sufficient buffer for the banks to absorb loss during the uncertain environment, especially since OJK has lifted the COVID-19 restructured loans which will impact the asset quality.
- Our economist expects Indonesia's GDP to grow 4.9% in 2023 and Bank Indonesia to cut 7DRR in 1Q24. Historically, the rate cut positively impacted banks' earnings through NIM and loan growth. We have BUY calls for the Big Four banks: BBRI (Rp6,100), BBNI (Rp11,200), BMRI (Rp6,500), BBCA (Rp10,300). Our top picks are BBNI and BBRI. BBNI is the cheapest and has the highest beta among banks which makes it more sensitive to the changes in the economic environment and expectation. Focusing on the low-risk loan segment and robust coverage, we expect BBNI to have a better earnings quality and gradually recover its ROE to the high-teens. Meanwhile, BBRI is building synergies with Pegadaian and Permodal Nasional Mandiri (PNM). It plans to balance its growth between KUPEDES and KUR loans. BBRI also plans to restore its high ROE (19-20%) by 2025. As most of its loan portfolio is fixed-rate loans, BBRI could benefit most from a lower 7DRR. The rate cuts may serve as catalysts for small banks whose valuations have been lagging compared with the Big Four banks. However, we believe investors are waiting for more improvement in asset quality.
- Risks include adverse macro developments, uncertain geopolitical issues, regulatory changes, worsening asset quality, lower-than-expected NIM, lower-than-expected loan growth, heightening competition, and higher expenses.

CAR RATIO (%) TREND



Source: Bloomberg

CAR RATIO (%) BY BANKS' SIZE



Source: OJK

BANKS UNDER OUR COVERAGE CAPITAL RATIO

Tickers	NPL Ratio (%)	Tier-1 CAR (%)	Total CAR (%)	Leverage (x)	ROE (%)
BBCA IJ	1.7	25.9	26.8	6.0	21.9
BBNI IJ	2.8	18.8	20.6	7.7	14.9
BBRI IJ	2.7	22.3	23.3	6.0	19.4
BBTN IJ	3.4	16.1	20.2	n.a.	12.9
BBYB IJ	2.6	36.2	37.5	5.3	n.m.
BDMN IJ	2.8	27.9	28.8	4.3	6.7
BMRI IJ	1.9	18.4	19.5	8.6	21.3
BTPS IJ	3.0	46.2	46.6	2.5	23

Source: OJK

COMPANY RESULTS

MyNews Holdings (MNHB MK)

3QFY23: Loss Making But Within Expectations

MyNews' sequential improvement in store revenue more than offset a net contraction in store count. A better sales mix lifted margins while its food processing centre saw losses narrow. These cushioned overall losses, which came in within expectations. The recent surge in its valuation appears at odds with its near-term challenging outlook. Downgrade to SELL with an unchanged target price of RM0.47.

3QFY23 RESULTS

Year to 31 Oct (RMm)	3QFY23	qoq % chg	yoy % chg	9MFY23	yoy % chg	Comment
Revenue	185.8	6.7	9.2	544.1	20.7	Sequential growth owing to recovery off a low-base.
Gross profit	65.8	10.1	8.7	187.9	23.9	
EBITDA	15.5	-29.0	-18.4	56.8	61.7	
Pretax profit	-1.2	-77.8	-47.1	-9.7	-57.1	
Core earnings	-2.2	-65.6	48.6	-11.7	-40.4	Losses but within expectations.
Store count	593	-0.3	3.5			
Revenue per store	313	7.0	5.5			
		qoq ppt chg	yoy ppt chg		yoy ppt chg	
Gross margin (%)	35.4	1.1	-0.2	34.5	0.9	
EBITDA margin (%)	8.4	-4.2	-2.8	10.4	2.6	
Effective tax rate (%)	164.1	125.2	161.5	60.0	59.2	
Core margin (%)	-1.2	2.4	-0.3	-2.1	2.2	

Source: MyNews, UOB Kay Hian

RESULTS

- **Within expectations despite losses.** MyNews Holdings' (MyNews) 3QFY23 losses narrowed to RM2.2m (2QFY23: -RM6.3m). 9MFY23 losses amounted to RM11.7m (9MFY22: -RM19.5m). This is within our and consensus expectations, with cumulative losses amounting to 97% and 92% of estimates respectively. We expect MyNews to continue to make headway albeit at a gradual pace. The sequential improvement was largely due to the fasting month falling in 2QFY23.

KEY FINANCIALS

Year to 31 Oct (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	401	631	684	740	804
EBITDA	6	53	58	75	80
Operating profit	(51)	(16)	(10)	7	13
Net profit (rep./act.)	(43)	(18)	(11)	2	10
Net profit (adj.)	(43)	(18)	(11)	2	10
EPS (sen)	(6.3)	(2.7)	(1.6)	0.4	1.5
PE (x)	n.m.	n.m.	n.m.	150.9	37.9
P/B (x)	1.5	1.7	1.7	1.7	1.7
EV/EBITDA (x)	86.5	9.1	8.2	6.4	6.0
Dividend yield (%)	0.0	0.0	(0.9)	0.0	0.5
Net margin (%)	(10.8)	(2.9)	(1.6)	0.3	1.2
Net debt/(cash) to equity (%)	22.6	34.9	31.9	6.8	(19.2)
Interest cover (x)	0.9	6.0	7.4	16.2	91.4
ROE (%)	n.a.	n.a.	n.a.	1.2	4.5
Consensus net profit	-	-	(13)	9	19
UOBKH/Consensus (x)	-	-	0.83	0.27	0.52

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

SELL

(Downgraded)

Share Price	RM0.55
Target Price	RM0.47
Upside	-14.5%

COMPANY DESCRIPTION

MyNews operates the largest homegrown convenience store chain in Malaysia.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	MNHB MK
Shares issued (m):	750.4
Market cap (RMm):	412.7
Market cap (US$m):	88.0
3-mth avg daily t'over (US$m):	0.1

Price Performance (%)

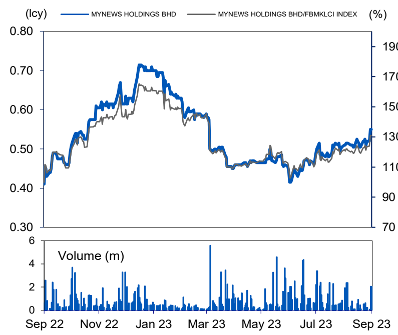
52-week high/low RM0.715/RM0.410

1mth	3mth	6mth	1yr	YTD
8.9	20.9	(5.2)	31.0	(12.7)

Major Shareholders	%
D&D Consolidated	57.4
Aberdeen	5.1
EPF	4.9

FY23 NAV/Share (RM)	0.32
FY23 Net Debt/Share (RM)	0.10

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **Robust in-store performance.** 3QFY23 top-line grew 9.2% yoy and 6.7% qoq. Store revenue generation improved 5.5% yoy as MyNews appears to have benefitted from increased commercial activity following a full economic reopening. Apart from that, store count grew by 20 stores to 593 stores, up 3.5% yoy. MyNews saw sequential growth due to February being the fasting month as well as a shorter month that fell in 2QFY23. During the quarter, MyNews had successfully rebranded, repositioned and upgraded its MyNews Supervalue concept store. This store concept is aimed at the general trade segment as opposed to the CVS segment. MyNews aims to reach 31 Supervalue minimarts by year-end vs its existing 19 stores.

- **Gross margins improve alongside lower FPC losses but still minimally loss making.** 3QFY23 gross margins improved by 1.1ppt qoq to 35.4%. With the change in sales mix due to higher F&B sales in 3QFY23 vis-à-vis 2QFY23, margins improved sequentially. This more than offset the margin-dilutive Supervalue minimart sales. Apart from that, a lower effective tax rate resulted in better margins as losses narrowed to -RM2.2m (LATAMI margin: -1.2%). Given the stronger F&B sales, MyNews' food processing centre (FPC) saw losses shrink to RM2.2m (2QFY23: -RM3.0m). MyNews should continue to see recovery; however, we caution it could be uneven.

STOCK IMPACT

- **Placement of new shares.** On 27 June, MyNews announced its intention to undertake a placement of 68.2m new MyNews shares. This represents 10% of MyNews' existing share base. The placement is expected to generate proceeds of RM27.8m, which would be primarily utilised to fund MyNews' capex (RM22.9m) and working capital (RM4.9m). While the placement does not come as a surprise given its net gearing of -0.19x and its loss-making position, it ultimately dilutes MyNews' EPS. Following the completion of the placement, our target price will be adjusted to RM0.43 from RM0.47.

EARNINGS REVISION/RISK

- No changes to earnings. Key risks include CU store execution and slowdown in consumer spending.

VALUATION/RECOMMENDATION

- **Downgrade to SELL with an unchanged target price of RM0.47.** MyNews' valuation is relatively detached from its near-term prospects. Furthermore, the upcoming placement will be EPS dilutive. Our target price is based on a price-to-book valuation given that its earnings over FY24 is negligible. Our P/B peg is based on 1.5x FY24F P/B or -1.5SD of its five-year mean.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

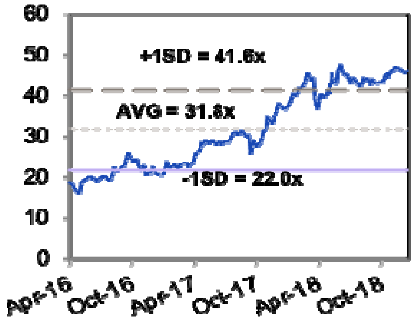
• **Environmental**
- **Renewable energy.** MyNews is embarking on solar energy for its HQ and food processing centres. This project will reduce 546 tonnes of CO_2 emission.
• **Social**
- **Diversity & inclusion.** 48% of its over 2,000-strong workforce is female.
• **Governance**
- **Board composition.** Independent Non-Executive Directors make up 50% of the board.

REVENUE DRIVERS ASSUMPTIONS

	2023F	2024F	2025F
Revenue (RMm)	684	740	804
Growth yoy (%)	8.4%	8.2%	8.7%
Avg store count for the year	610	660	710
Net store addition	50	50	50
Growth yoy (%)	10.6%	8.2%	7.6%
Revenue per store (in '000)	1121.9	1121.9	1133.1
Growth yoy (%)	-2.0%	0.0%	1.0%

Source: MyNews, UOB Kay Hian

FORWARD PE BAND (PRE-COVID-19)



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Oct (RMm)	2022	2023F	2024F	2025F
Net turnover	631	684	740	804
EBITDA	53	58	75	80
Deprec. & amort.	68	68	69	68
EBIT	(16)	(10)	7	13
Total other non-operating income	3	0	0	0
Associate contributions	1	1	1	1
Net interest income/(expense)	(9)	(8)	(5)	(1)
Pre-tax profit	(21)	(17)	3	12
Tax	(1)	5	0	(3)
Minorities	4	1	0	0
Net profit	(18)	(11)	2	10
Net profit (adj.)	(18)	(11)	2	10

BALANCE SHEET

Year to 31 Oct (RMm)	2022	2023F	2024F	2025F
Fixed assets	248	225	189	154
Other LT assets	226	226	226	226
Cash/ST investment	12	1	35	62
Other current assets	142	151	158	166
Total assets	628	603	608	608
ST debt	53	33	23	13
Other current liabilities	183	186	211	236
LT debt	37	37	27	7
Other LT liabilities	132	132	132	132
Shareholders' equity	224	215	215	220
Total liabilities & equity	628	603	608	608

CASH FLOW

Year to 31 Oct (RMm)	2022	2023F	2024F	2025F
Operating	92	60	93	95
Pre-tax profit	(21)	(18)	1	9
Tax	(1)	5	0	(3)
Deprec. & amort.	68	68	69	68
Associates	(3)	(3)	(3)	(3)
Working capital changes	16	(24)	(3)	(3)
Other operating cashflows	32	32	30	27
Investing	(71)	(45)	(33)	(33)
Capex (growth)	(72)	(45)	(33)	(33)
Proceeds from sale of assets	0	0	0	0
Others	1	0	0	0
Financing	(24)	(26)	(27)	(36)
Dividend payments	0	3	0	(2)
Issue of shares	0	0	0	0
Proceeds from borrowings	52	0	0	0
Loan repayment	(33)	0	(10)	(20)
Others/interest paid	(43)	(29)	(17)	(14)
Net cash inflow (outflow)	(4)	(10)	34	27
Beginning cash & cash equivalent	15	12	1	35
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	12	1	35	62

KEY METRICS

Year to 31 Oct (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	8.3	8.5	10.2	10.0
Pre-tax margin	(3.3)	(2.5)	0.4	1.5
Net margin	(2.9)	(1.6)	0.3	1.2
ROA	n.a.	n.a.	0.4	1.6
ROE	n.a.	n.a.	1.2	4.5
Growth				
Turnover	57.6	8.4	8.2	8.7
EBITDA	846.4	11.0	29.2	6.1
Pre-tax profit	n.a.	n.a.	n.a.	366.7
Net profit	n.a.	n.a.	n.a.	298.2
Net profit (adj.)	n.a.	n.a.	n.a.	298.2
EPS	n.a.	n.a.	n.a.	298.2
Leverage				
Debt to total capital	28.7	24.5	18.8	8.3
Debt to equity	40.2	32.5	23.2	9.0
Net debt/(cash) to equity	34.9	31.9	6.8	(19.2)
Interest cover (x)	6.0	7.4	16.2	91.4

COMPANY RESULTS

VS Industry (VSI MK)

4QFY23: Above Expectations; Sunshine After The Rain

VS reported a record-high 4QFY23 on the back of strong sales orders from key customers augmented by favourable forex gains. We tweak FY24-25 earnings by +1% after model updates. After a gestation year in FY23, VS' main customers have started to replenish inventory again, which could fuel its growth in FY24. Note that it is also being approached by new MNC customers, with discussions of prospective contracts at different stages of evaluation. Maintain BUY. Target price: RM1.18.

FY23 RESULTS

Year to 31 Jul (RMm)	4QFY23	qoq % chg	yoy % chg	FY23	yoy % chg
Sales	1,161.7	16.5	15.7	4,599.8	17.5
Gross Profit	121.6	56.0	(8.8)	442.6	8.6
EBIT	99.3	156.4	169.3	273.8	29.4
PBT	94.4	199.9	176.4	245.6	22.0
Net Profit	66.1	146.9	91.2	183.9	8.4
Core net profit	73.1	173.4	3.6	188.8	(7.5)
Sales					
Malaysia	833.4	20.1	5.2	3,402.0	25.3
Singapore	230.1	(2.2)	85.4	808.0	2.0
Indonesia	80.7	36.5	7.0	340.7	4.0
China	17.5	102.1	40.2	49.0	(38.5)
PBT					
Malaysia	94.9	143.7	53.3	251.4	7.4
Singapore	1.2	(9.2)	(141.8)	4.4	939.4
Indonesia	0.7	(152.7)	(699.2)	7.5	(10.6)
China	(3.0)	(62.9)	(86.0)	(19.1)	(47.6)

Source: VS, UOB Kay Hian

RESULTS

- **Above expectations; back to its previous glory days again.** VS Industry (VS) reported a much stronger 4QFY23 core earnings of RM73.1m (+173% qoq, +4% yoy), bringing FY23 core net profit to RM188.8m (-8% yoy) which made up 107% and 104% of our and consensus' expectations respectively. Note that the positive deviation was mainly driven by: a) favourable forex gains, b) a better product mix, and c) record-high 4Q sales. The group has also declared a fourth interim DPS of 0.5 sen alongside a proposed 0.5 sen final DPS, with total DPS at 2.2sen.

KEY FINANCIALS

Year to 31 Jul (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	3,914	4,600	5,336	5,788	5,928
EBITDA	330	394	505	570	593
Operating profit	212	274	383	444	462
Net profit (rep./act.)	166	184	268	314	327
Net profit (adj.)	201	189	268	314	327
EPS (sen)	5.2	4.9	6.9	8.1	8.5
PE (x)	19.6	20.8	14.7	12.5	12.0
P/B (x)	1.9	1.8	1.7	1.6	1.5
EV/EBITDA (x)	12.8	10.7	8.4	7.4	7.1
Dividend yield (%)	2.0	2.1	3.1	3.7	3.8
Net margin (%)	4.3	4.0	5.0	5.4	5.5
Net debt/(cash) to equity (%)	15.5	7.7	3.2	(0.4)	(6.7)
Interest cover (x)	34.1	13.3	19.3	21.8	22.6
ROE (%)	8.1	8.7	12.0	13.2	12.8
Consensus net profit	-	-	242	288	327
UOBKH/Consensus (x)	-	-	1.11	1.09	1.00

Source: VS Industry, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.02
Target Price	RM1.18
Upside	+15.8%
(Previous TP	*RM1.10)*

COMPANY DESCRIPTION

VS Industry is involved in the manufacturing of plastic parts and components, contract manufacturing, precision mould making, the sub-assembly of electronic and electrical equipment and other secondary processes. It has plants in Malaysia, China, and Indonesia.

STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	VSI MK
Shares issued (m):	3,844.3
Market cap (RMm):	3,921.2
Market cap (US$m):	836.2
3-mth avg daily t'over (US$m):	1.0

Price Performance (%)

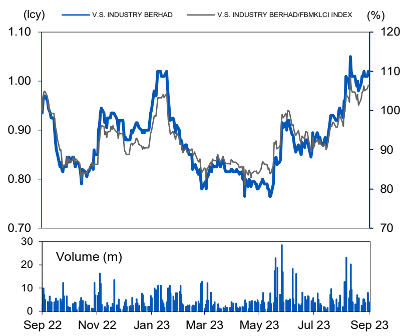
52-week high/low RM1.05/RM0.765

1mth	3mth	6mth	1yr	YTD
7.9	11.5	30.8	10.9	15.9

Major Shareholders	%
Kumpulan Wang Persaraan Diperbadankan	9.1
Beh Kim Ling	7.7
Beh Hwee See	7.3

FY24 NAV/Share (RM)	0.60
FY24 Net Debt/Share (RM)	0.02

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **FY23 revenue jumped 18% yoy,** anchored by strong sales from the Malaysia segment which improved by 25% following new labour onboarding and a full quarter's recognition of its key customers' order rechannelling. Revenue from the Singapore segment returned to growth trajectory again after dropping 14% in 9MFY23. Meanwhile, sales growth from China remained in the negative territory amid the streamlining of non-profitable operations. That being said, core net profit dropped 8% due to suboptimal utilisation in 1H (amid customers' inventory adjustment) alongside unfavourable forex exchange. Qoq, revenue and net profit jumped 17% and 173% respectively on stronger sales orders from existing customers, better operational efficiency and favourable forex gains.

STOCK IMPACT

- **Light at the end of the tunnel; expect a much stronger FY24.** After a gestation period during Jan-Jun 23 amid customers' inventory adjustment, management noted that most of its key customers have ramped up orders from 2QFY23 onwards, and this will be followed by the launch of new models from its US customers and which would be growth drivers for FY24. Country-wise, sales from Indonesia is picking up steam, anchored by trade diversion-related orders. Meanwhile, for China, the group will continue to adopt an asset-light business model to minimise losses. For better value chain integration, the group is vertically enhancing its services by insourcing parts

- **Sunshine after the rain.** Beyond the current slowdown, we see bright spots stemming from: a) order rechannelling that would cushion the general weakness, b) a relief in systemic disruption ie labour shortage and supply chain disruption, and c) undemanding valuation with de-rating catalysts being sufficiently priced in. Note that VS is benefitting from the fallout of its peer on the common customer's business engagement, where it has secured three various segments of new models. This would rake in at least >RM500m in revenue, with earnings potential of >RM25m (better margins) to cushion the demand softness from other key customers.

- **Eyeing new contracts; discussions still in infancy stage.** We understand that VS is still being approached by new MNC customers, with discussions of prospective contracts at the early stages of evaluation. Based on the recent customer acquisition trend, we believe any prospective contracts could carry better margins. We are not assuming any new customer wins for now. Assuming that a RM500m contract is secured with full contribution in FY24 on a net margin of 5.7%, the earnings accretion would be 9%.

EARNINGS REVISION/RISK

- After making the model updates, we tweak our earnings by 1-2% for house-keeping purposes.

VALUATION/RECOMMENDATION

- **Maintain BUY with a higher target price of RM1.18** as we peg our valuation back to mean valuation of 17x (from 15x being -0.5SD below its five-year mean previously). VS is now back to its high-growth cycle again, offering a two-year net profit CAGR of 29% (from FY23-25), notwithstanding the new meaningful contract pipeline for VS.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

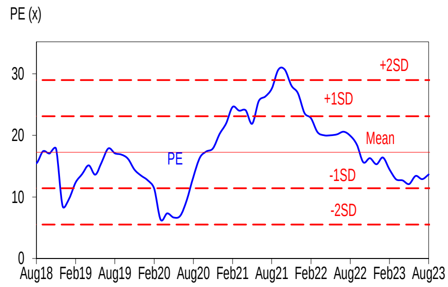
- **Environmental**
  - VS has been certified with the ISO 14001:2015 Environment Management System for assembly services for mechanical and electrical products.
- **Social**
  - VS held an In-House Vaccination Programme in Aug 21 and achieved a 99.8% vaccination record for the entire workforce.
  - It is engaging with migrant worker rights specialists and independent auditor proactively for the betterment migrant workers' welfare in Malaysia.
- **Governance**
  - The company has in place an Anti-Corruption Framework which fulfils the requirements in the Guidelines on Adequate Procedures to Section 17A (5) of the Malaysian Anti-Corruption Commission Act 2009.

SALES ASSUMPTION

(RMm)	FY22	FY23	FY24F	FY25F
Sales	3,914	4,600	5,336	5,788
Key customer	1,730	2,454	2,760	2,790
Customer Z	470	400	439	483
China	80	72	72	72
Indonesia	328	344	327	311
New key customers	1020	1000	1300	1650
Others	287	329	438	482
Core net margin (%)	5.1%	4.1%	5.0%	5.4%

Source: UOB Kay Hian

FIVE-YEAR FORWARD PE BAND



Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Jul (RMm)	2023	2024F	2025F	2026F
Net turnover	4,600	5,336	5,788	5,928
EBITDA	394	505	570	593
Deprec. & amort.	120	122	126	131
EBIT	274	383	444	462
Associate contributions	2	2	2	2
Net interest income/(expense)	(30)	(26)	(26)	(26)
Pre-tax profit	246	359	420	438
Tax	(71)	(95)	(111)	(116)
Minorities	9	4	5	5
Net profit	184	268	314	327
Net profit (adj.)	189	268	314	327

BALANCE SHEET

Year to 31 Jul (RMm)	2023	2024F	2025F	2026F
Fixed assets	985	1,154	1,127	1,097
Other LT assets	271	38	40	42
Cash/ST investment	689	781	865	1,033
Other current assets	2,102	2,309	2,483	2,538
Total assets	4,047	4,281	4,516	4,710
ST debt	270	270	270	270
Other current liabilities	843	936	1,006	1,028
LT debt	585	585	585	585
Other LT liabilities	64	64	64	64
Shareholders' equity	2,154	2,298	2,468	2,644
Minority interest	132	128	123	118
Total liabilities & equity	4,047	4,281	4,516	4,710

CASH FLOW

Year to 31 Jul (RMm)	2023	2024F	2025F	2026F
Operating	428	305	364	454
Pre-tax profit	246	359	420	438
Tax	(42)	(95)	(111)	(116)
Deprec. & amort.	120	122	126	131
Working capital changes	38	(114)	(104)	(32)
Non-cash items	28	28	28	28
Other operating cashflows	38	6	6	6
Investing	(135)	(100)	(100)	(100)
Capex (growth)	(136)	(100)	(100)	(100)
Investments	0	0	0	0
Proceeds from sale of assets	5	0	0	0
Others	(4)	0	0	0
Financing	134	(123)	(180)	(186)
Dividend payments	(77)	(123)	(144)	(150)
Issue of shares	13	0	0	0
Proceeds from borrowings	n.a.	n.a.	n.a.	n.a.
Loan repayment	212	0	0	0
Others/interest paid	(15)	0	(36)	(36)
Net cash inflow (outflow)	427	82	84	168
Beginning cash & cash equivalent	279	689	781	865
Changes due to forex impact	(16)	9	0	0
Ending cash & cash equivalent	689	781	865	1,033

KEY METRICS

Year to 31 Jul (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	8.6	9.5	9.9	10.0
Pre-tax margin	5.3	6.7	7.3	7.4
Net margin	4.0	5.0	5.4	5.5
ROA	4.7	6.4	7.1	7.1
ROE	8.7	12.0	13.2	12.8
Growth				
Turnover	17.5	16.0	8.5	2.4
EBITDA	19.2	28.2	13.0	3.9
Pre-tax profit	22.0	46.1	17.0	4.2
Net profit	10.5	45.7	17.0	4.2
Net profit (adj.)	(6.0)	42.0	17.0	4.2
EPS	(6.0)	42.0	17.0	4.2
Leverage				
Debt to total capital	27.2	26.1	24.8	23.6
Debt to equity	39.7	37.2	34.6	32.3
Net debt/(cash) to equity	7.7	3.2	(0.4)	(6.7)
Interest cover (x)	13.3	19.3	21.8	22.6

SMALL/MID CAP HIGHLIGHTS

Elite Commercial REIT (ELITE SP)

A Visit To Elite's Buildings In The UK

Elite is Singapore's first and only UK-focused S-REIT, with a portfolio of mostly freehold office spaces in the UK. Our visit of 14 properties covered London, North West and Scotland, and these were mainly leased to the UK government's DWP which made up 92% of its 1H23 gross rental income. According to Bloomberg, Elite currently trades at above average yield of 14.4% vs its peers.

WHAT'S NEW

- **Recession-proof REIT with stable cashflow.** We visited the office premises of 14 properties in Elite Commercial REIT's (Elite) portfolio across three regions. These are a mostly a mix of Jobcentre Plus and back offices for its key tenant, the Department for Work and Pensions (DWP). The DWP, which generated 92% of 1H23 gross rental income, is the UK's largest public service department administering pension services and welfare benefits to over 20m persons. The UK government is rated AA and Aa3 by S&P and Moody's respectively and has one of the lowest debt-to-GDP ratios among the G7 countries, ensuring credit stability for Elite. On top of this, the weighted average lease expiry (WALE) was 4.5 years as at end-1H23, providing strong income visibility.
- **Strong asset mix.** Elite's portfolio of 155 buildings as of 30 Jun 23 is geographically diversified across the UK with total NLA of 3.9m sf and site area of 72ha. Around 97% of its properties are freehold, and portfolio valuation as at 31 Dec 22 stood at £466.2m, while the majority of its gross rental income is derived from triple net leases.
- **Prioritising vacant asset management, capital management and portfolio future-proofing.** In Elite's portfolio, a total of 12 assets have been vacated, of which two have been divested at an overall 14.4% premium above valuation as of 31 Jul 23, and three in advanced stages of divestment. A portion of the recycled gross proceeds was subsequently been used to improve gearing to 46.0% as of 1H23 (1Q23: 46.6%). During our visit, we observed that physical occupancy at front-facing Jobcentre Plus remains high, as the services provided require claimants to be physically present. Services provided by the DWP are highly essential to local communities, and Elite's strategically located assets (ie easily accessible by bus or train) allow the DWP to serve the public effectively.
- **Positive rental reversions despite some challenges.** Meanwhile, back offices such as call centres have lower physical occupancy due to the hybrid work model, where staff are only required to be in office at least twice a week. We note that management has reduced rent across 11 properties to effectively retain the tenant, and is actively sourcing for potential tenants for unused spaces in the meantime. Despite this, there is a net annualised rent increase of approximately 13.1% across the remaining portfolio, cushioning the negative impact from vacated assets and rental cuts.
- **Trading at above average yield.** Elite's 2023 yield of 14.4% is higher than 5.1% for peers investing in UK commercial properties and 6.2% for SGX-listed office REITS.

KEY FINANCIALS

Year to 31 Dec (£m)	2020*	2021	2022	1H23
Net turnover	21	35	37	21
EBITDA	16	29	32	18
Operating profit	16	29	32	18
Net profit (rep./act.)	7	23	23	11
Net profit (adj.)	7	23	23	11
EPU (GBP pence)	2.2	5.2	4.8	4.6
DPU (GBP pence)	4.4	5.4	4.8	3.6
PE (x)	11.2	4.8	5.2	6.9
P/B (x)	0.4	0.4	0.5	0.5
DPU Yld (%)	17.8	21.7	19.2	14.4
Net margin (%)	35.6	66.1	62.1	51.7
Net debt/(cash) to equity (%)	37.6	70.7	85.9	88.5
Interest cover (x)	6.6	6.0	4.3	3.1
ROE (%)	n.a.	9.1	8.6	4.1
Consensus DPU	n.a.	n.a.	n.a.	n.a.
UOBKH/Consensus (x)	-	-	-	-

** Period from 6 Feb 20 to 31 Dec 20.*
Source: Elite Commercial REIT, Bloomberg, UOB Kay Hian

NOT RATED

Share Price	£0.25
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

Elite is the first UK-focused S-REIT listed on the SGX. It principally invests in commercial real estate in the UK.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	ELITE SP
Shares issued (m):	483.0
Market cap (£m):	120.7
Market cap (US$m):	147.1
3-mth avg daily t'over (US$m):	0.1

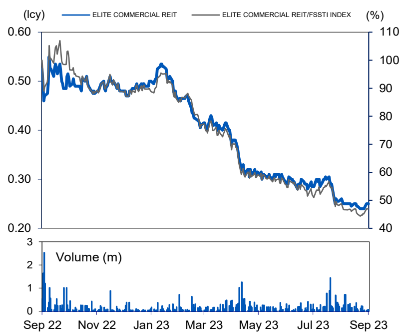
Price Performance (%)

52-week high/low £0.550/£0.240

1mth	3mth	6mth	1yr	YTD
(2.0)	(15.3)	(39.0)	(52.4)	(46.8)

Major Shareholders	%
Exor Nederland	22.6
Ho Lee Group Trust	7.6
Sunway RE Capital	5.6
FY23 NAV/Share (£)	0.51
FY23 Net Cash/Share (£)	0.43

PRICE CHART



Source: Bloomberg

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PROPERTIES VIEWED ON SITE VISIT

Building	Region	Valuation (GBPm)	NLA (sf)
Collyer Court, Peckham	London	7.8	16,786
Peckham High Street	London	9.0	17,470
Crown House, Romford	London	10.2	35,119
High Road, Ilford	London	6.2	18,741
Oates House, Stratford	London	8.0	14,424
Great Western House, Birkenhead	North West	8.7	80,141
Peel Park, Blackpool	North West	25.0	156,542

Building	Region	Valuation (GBPm)	NLA (sf)
Tomlinson House, Blackpool Norcross Lane	North West	10.6	93,502
Duchy House, Preston	North West	3.2	43,217
Palatine House, Preston	North West	2.7	36,522
Whitburn Road, Bathgate	Scotland	1.9	31,484
Parklands, Falkirk	Scotland	9.3	81,350
Heron House, Falkirk	Scotland	3.1	25,454
Glasgow Benefits Centre, Glasgow	Scotland	30.0	137,287

CROWN HOUSE, ROMFORD

Source: Elite Commercial REIT, UOB Kay Hian

OATES HOUSE, STRATFORD

Source: Elite Commercial REIT, UOB Kay Hian

GREAT WESTERN HOUSE, BIRKEN HEAD

Source: Elite Commercial REIT, UOB Kay Hian

PEEL PARK, BLACKPOOL

Source: Elite Commercial REIT, UOB Kay Hian

PEER COMPARISON

Company	Ticker	Rec	Curr	Price @ 26 Sep 23 (lcy)	Target Price	Market Cap (US$m)	------------------- Yield 2022 (x)	2023F (x)	2024F (x) -------------------	Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
UK												
Great Portland Estates	GPE LN	NR	£	430.2	n.a.	1,330.3	2.9	2.9	3.0	27.5	21.0	0.57
Land Securities Group	LAND LN	NR	£	608.2	n.a.	5,518.1	6.3	6.5	6.6	50.5	32.3	0.64
British Land	BLND LN	NR	£	321	n.a.	3,625.6	7.1	6.9	7.1	43.4	28.9	0.54
Derwent London	DLN LN	NR	£	1905	n.a.	2,605.7	4.1	4.2	4.3	30.6	22.7	0.55
Average							5.1	5.1	5.2	38.0	26.2	0.58
SINGAPORE												
CapitaLand Comm	CICT SP	BUY	S$	1.86	2.20	9,050.4	5.7	5.7	5.9	68.3	40.4	0.88
Keppel REIT	KREIT SP	BUY	S$	0.87	1.12	2,398.1	6.8	6.6	6.7	73.2	39.2	0.65
Average							6.2	6.1	6.3	70.7	39.8	0.76
Elite Commercial REIT	ELITE SP	NR	£	0.25	n.a.	147.1	19.2	14.4	14.8	90.9	46.0	0.49

Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (£m)	2020*	2021	2022
Net turnover	21.0	34.7	37.1
EBITDA	15.6	29.2	32.0
Deprec. & amort.	0.0	0.0	0.0
EBIT	15.6	29.2	32.0
Net interest income/(expense)	(2.4)	(4.9)	(7.4)
Pre-tax profit	13.2	24.3	24.5
Tax	(5.7)	(1.4)	(1.5)
Net profit	7.5	23.0	23.0
Net profit (adj.)	7.5	23.0	23.0

BALANCE SHEET

Year to 31 Dec (£m)	2020*	2021	2022
Fixed assets	311.9	501.3	460.0
Other LT assets	0.0	0.5	0.1
Cash/ST investment	20.2	19.5	7.4
Other current assets	0.9	12.0	19.3
Total assets	332.9	533.4	486.8
ST debt	0.0	6.6	7.2
Other current liabilities	7.9	15.4	15.2
LT debt	101.9	217.3	213.1
Other LT liabilities	5.9	5.0	3.4
Shareholders' equity	217.2	289.0	247.9
Total liabilities & equity	332.9	533.4	486.8

CASH FLOW

Year to 31 Dec (£m)	2020*	2021	2022
Operating	16.5	22.7	27.9
Pre-tax profit	29.1	(3.4)	(16.8)
Tax	(2.6)	(2.9)	(2.4)
Working capital changes	(2.5)	(6.3)	(1.7)
Non-cash items	(14.4)	30.7	41.4
Other operating cashflows	6.9	4.6	7.4
Investing	0.0	(9.4)	(7.4)
Capex (growth)	0.0	(9.4)	(7.4)
Capex (maintenance)	0.0	0.0	0.0
Financing	(15.6)	(14.1)	(33.2)
Distribution to unitholders	(16.3)	(17.6)	(22.8)
Issue of shares	130.9	0.0	0.0
Proceeds from borrowings	(105.6)	8.6	(3.4)
Others/interest paid	(24.6)	(5.1)	(7.0)
Net cash inflow (outflow)	0.8	(0.8)	(12.7)
Beginning cash & cash equivalent	18.1	20.2	19.5
Restricted cash	1.2	0.1	0.7
Ending cash & cash equivalent	20.2	19.5	7.4

KEY METRICS

Year to 31 Dec (%)	2020*	2021	2022
Profitability			
EBITDA margin	74.2	84.1	86.2
Pre-tax margin	63.0	70.1	66.2
Net margin	35.6	66.1	62.1
ROA	n.a.	5.3	4.5
ROE	n.a.	9.1	8.6
Growth			
Turnover	n.a.	65.7	6.7
EBITDA	n.a.	87.5	9.5
Pre-tax profit	n.a.	84.2	0.8
Net profit	n.a.	207.5	0.3
Net profit (adj.)	n.a.	207.5	0.3
EPU	n.a.	131.5	(7.3)
Leverage			
Debt to total capital	31.9	43.6	47.0
Debt to equity	46.9	77.5	88.9
Net debt/(cash) to equity	37.6	70.7	85.9

** Period from 6 Feb 20 to 31 Dec 20.*

SECTOR UPDATE

Media – Thailand

Robust Recovery May Not Be Readily Apparent In 3Q23

We have a neutral perspective on the media sector in 3Q23 due to subdued adex from diminished consumer confidence and the ambiguous stimulus policies of the new government. Looking ahead to 4Q23, an immediate robust recovery may not be readily apparent. However, we believe the sector's share prices have already factored in numerous challenges, and we anticipate a gradual improvement in the outlook. Maintain MARKET WEIGHT. Top picks: MAJOR and ONEE.

WHAT'S NEW

- **Slower-than-anticipated recovery of TV adex continuously pressures ads revenue in 3Q23.** From our channel check with TV broadcasting firms, TV adex is foreseen to be flat qoq due to: a) MNCs cutting their adex budgets on the back of weak consumer confidence, b) the sluggish pace of economic recovery, and c) the unclear landscape of stimulus policy after the election. In addition, according to Nielsen data, TV adex for Jul 23 stood at Bt5.1b, showing a stable yoy and qoq performance. For TV adex in Aug 23, the level did not deviate much from TV adex in Jul 23. Considering this, we anticipate that advertising income per minute and utilisation rates will remain steady. Despite the presence of compelling content, advertising revenue of Bec World (BEC) and The One Enterprise (ONEE) may not experience a robust recovery yet.

- **Revenue diversification will underpin TV players for the rest of the year.** Although advertising revenue is recovering slowly, we anticipate other businesses − such as selling copyright through over-the-top (OTT) platforms like VIU, Netflix, and Amazon Prime; organising events and concerts; and undertaking movie production with partners − to underpin overall revenue.

  BEC has maintained its target of copyright revenue at Bt800m in 2023, bolstered by content sales through OTT platforms on the Date on Broadcasting (DOB) business model, including "The Betrayal", "Doctor Detective", and "Love Destiny 2". Note that the company has reached 23% of its total copyright revenue target. Meanwhile, ONEE focuses on events and concerts, such as "The Golden Song The Golden Show Concert" and "Gemini Fourth My Turn Concert", as well as the artiste management business.

- **TV players are nearing the end of a challenging year.** In 2023, the prospects of TV broadcaster players are heavily influenced by a multitude of factors, such as: a) a sluggish economy resulting in reduced consumer spending and increased cost control by TV agencies, b) the ongoing downward trend in the TV industry as online platforms continue to gain market share, and c) the prevailing uncertainty in Thai politics. Looking ahead in 4Q23, a robust recovery may not be immediately evident, but we believe the share prices of the sector have discounted many headwinds and we expect a gradual improvement in the outlook ahead.

MARKET WEIGHT

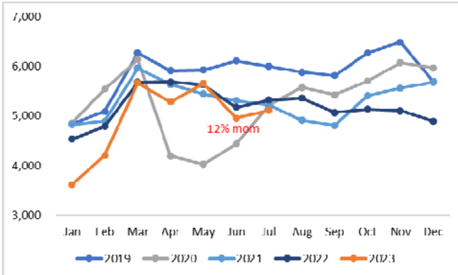
(Maintained)

TOP PICK

Company	Rec	Share price (Bt)	Target price (Bt)
ONEE	BUY	4.24	5.55
MAJOR	BUY	13.60	18.00

Source: UOB Kay Hian

TV ADEX REVENUE



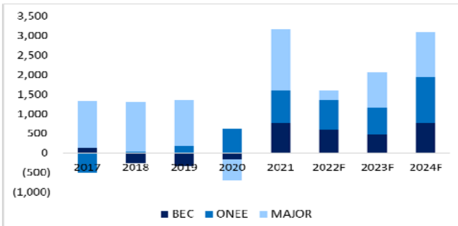
Source: Nielsen, UOB Kay Hian

TV ADEX BY SEASONALITY

Year	Q1	Q2	Q3	Q4
2017	17,624	17,356	17,269	13,901
2018	16,242	18,269	17,957	17,913
2019	16,199	17,947	17,691	18,452
2020	16,533	12,656	16,218	17,742
2021	15,686	16,388	14,941	16,644
2022	15,000	16,485	15,749	15,139
Total	97,284	99,101	99,825	99,791

Source: Nielsen, UOB Kay Hian

NET PROFIT OUTLOOK IN 2023



Source: BEC, ONEE, MAJOR, UOB Kay Hian

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ASSISTANT ANALYST

Thachasorn Jutaganon

PEER COMPARISON

Company	Ticker	Rec.	Last Price (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US$m)	PE 2022 (x)	PE 2023F (x)	PE 2024F (x)	EPS CAGR 2022-24F (%)	PEG 2023F (x)	P/B 2023F (x)	Yield 2023F (%)	ROE 2023F (%)
Bec World	BEC TB	HOLD	7.10	8.20	15.5	394	34.2	30.1	21.4	26.3	2.2	3.3	2.7	7.5
Major Cineplex Group	MAJOR TB	BUY	13.60	18.00	32.4	338	48.3	13.6	10.6	112.9	0.1	1.9	7.4	12.4
The One Enterprise	ONEE TB	BUY	4.24	5.55	30.9	280	13.5	19.1	16.0	(8.2)	(0.7)	1.3	2.1	7.2
Sector						1,012	33.1	21.5	16.3			2.3	4.1	9.1

Source: UOB Kay Hian

- **Limited number of movie releases leads decent outlook of MAJOR in 3Q23.** For cinema operators like Major Cineplex (MAJOR), we expect a softer revenue qoq due to a smaller number of blockbuster movies. 3Q23's movies lined up for screening include Mission: Impossible – Dead Reckoning Part One (Bt85m), Oppenheimer (Bt68m), Meg 2: The Trench (Bt68m), Long Live Love (Bt65m), and Barbie (Bt54m). The combined revenue of these movies was Bt340m, decreasing from Bt566m in 2Q23. Our analysis also indicates a correlation between admission revenue and revenue reported from box office of 90% over the last five years and over the last 22 quarters. Consequently, we anticipate a decrease in admission revenue in 3Q23.

- **Expect number of cinema-goers to continuously grow.** We have started to see a positive signal from solid occupancy rate in 2Q23 with the number of cinema-goers reaching 7.1m (a remarkable increase of 62% yoy and 58% qoq). This surge in attendance, leading to an occupancy rate of 52% in 2Q23 (2Q22: 31%, 1Q23: 32%), has made us positive of a recovery to pre-pandemic levels. Before the pandemic, the projected occupancy rate was in the range of 50-70%, but the pandemic caused a precipitous decline in occupancy rate to 0-30%. Looking ahead, we believe the robust occupancy rate in 2H23 will improve consistently, riding on a number of blockbuster movies and heightened enthusiasm among consumers for the cinema experience.

ACTION

- **Maintain MARKET WEIGHT on the media sector with ONEE and MAJOR as our top picks.** We maintain MARKET WEIGHT on the media sector mainly due to concerns on TV adex direction due to a cloudy outlook of the stimulus policy of the new government and the sluggish economy leading to reduced budget spending of many agencies. Also, there is a downside risk where the market might revise down earnings, putting pressure on share prices. Considering these factors, we advise investors to consider stocks that are less affected by adex, such as MAJOR. We also like ONEE as it has several revenue streams due to its diversified portfolio.

VALUATION

- **BEC: Maintain HOLD with a target price of Bt8.20.** Our target price is based on 25x 2023F PE, in line with the domestic media industry's 2023F PE mean. We peg valuation of BEC at mean PE as BEC has the copyright revenue to support in 2H23. Also, we expect earnings rebound for BEC in 2024 due to low base earnings in 2023. Hence, we see downside risk as the market might revise down earnings in 2023 and thus maintain HOLD on BEC.

- **ONEE: Maintain BUY with a target price of Bt5.55.** Our target price is based on 21x 2024F PE, in line with the domestic media industry's -0.5SD to 2023F PE. ONEE's share price has fallen 58% since our downgrade recommendation on 10 Feb 23 on concerns of weak TV adex. We believe the negatives have been priced in. We also expect ONEE's 2H23 outlook to improve due to the variety of revenue streams.

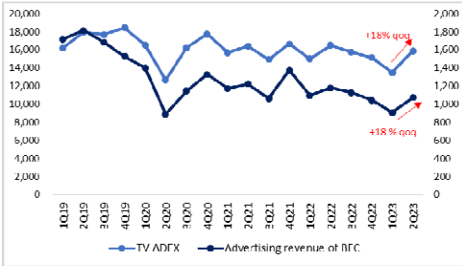
- **MAJOR: Maintain BUY with a target price of Bt18.00.** Our target price is based on 13x 2024F PE and -1SD to its five-year PE mean. We still like MAJOR as there are many blockbuster movies in 3Q23. The stock is also less impacted by adex compared with other players in the media industry.

SECTOR CATALYSTS

- **For TV broadcaster players:** Solid economic growth, strong consumer spending, robust TV adex, and impressive contents of dramas, news, and series.

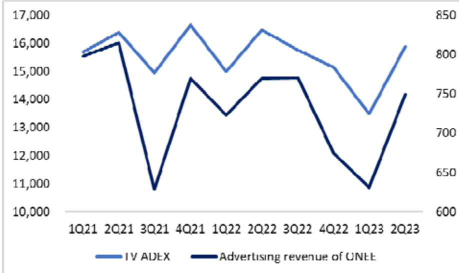
- **For cinema operators:** Strong line-up of blockbuster movies, growth in cinema adex, and higher number of cinema-goers.

CORRELATION OF TV ADEX AND BEC'S ADVERTISING REVENUE



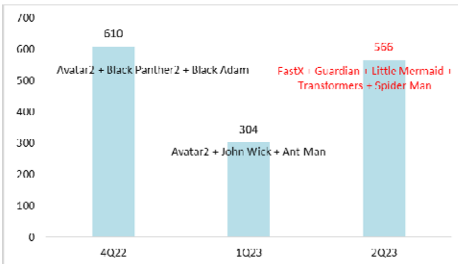
Source: BEC, UOB Kay Hian

ONEE'S ADVERTISING REVENUE AND TV ADEX



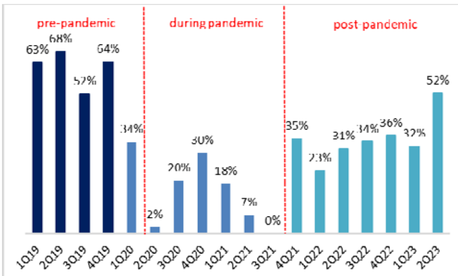
Source: ONEE, UOB Kay Hian

BLOCKBUSTER REVENUE (2Q23)



Source: MAJOR, UOB Kay Hian

OUR FORECASTED OCCUPANCY RATE



Source: MAJOR, UOB Kay Hian

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