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GREATER CHINA

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Banking

3Q23 results preview: Earnings growth expected to reach bottom.

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Asian Gems Corporate Highlights

Hutchmed (China) (13 HK/NOT RATED/HK\$26.60)

Maintaining oncology revenue target of US\$450m-550m in 2023.

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Takeaways from Asian Gems Conference.

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Bukalapak.com (BUKA IJ/BUY/Rp212/Target: Rp265)

Leader in B2B focusing on niche specialty vertical programmes.

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Update

Farm Fresh (FFB MK/HOLD/RM1.19/Target: RM1.10)

Input cost remains favourable relative to Farm Fresh's hedged cost. However, its resurgent earnings recovery has been priced in by its current valuations. Maintain HOLD.

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Asian Gems Corporate Highlights

Petronas Dagangan (PETD MK/HOLD/RM22.64/Target: RM24.70)

We commend PETD for embracing peak fossil fuel risk. PETD may become a major enabler of EV adoption, even if share price sentiment is weighed by subsidy rationalisation.

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Asian Gems Corporate Highlights

Seatrium (STM SP/BUY/S\$0.128/Target: S\$0.190)

Enthusiasm unabated – Outlook remains bright in 2024.

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Asian Gems Corporate Highlights

CP ALL (CPALL TB/BUY/Bt59.75/Target: Bt78.00)

Resilient long-term growth outlook.

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Delta Electronics (DELTA TB/SELL/Bt80.50/Target: Bt70.00)

Concluding 2023 on a positive note and sustaining positivity into 2024.

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KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	33804.9	0.2	2.0	(2.5)	2.0
S&P 500	4377.0	0.4	2.7	(2.5)	14.0
FTSE 100	7620.0	(0.1)	2.8	1.6	2.3
AS30	7281.3	0.7	2.8	(1.6)	0.8
CSI 300	3667.6	0.3	(0.7)	(2.5)	(5.3)
FSSTI	3192.9	(0.2)	1.4	(0.7)	(1.8)
HSCEI	6132.9	1.3	4.3	(2.0)	(8.5)
HSI	17893.1	1.3	4.1	(0.7)	(9.5)
JCI	6931.8	0.1	0.7	(0.0)	1.2
KLCI	1436.5	0.1	1.5	(1.2)	(3.9)
KOSPI	2450.1	2.0	(0.6)	(3.4)	9.6
Nikkei 225	31936.5	0.6	2.2	(2.6)	22.4
SET	1456.0	1.5	0.3	(5.8)	(12.7)
TWSE	16672.0	0.9	0.7	0.6	17.9
BDI	1948	(1.8)	9.6	57.7	28.6
CPO (RM/mt)	3548	(1.8)	(3.4)	(5.4)	(12.4)
Brent Crude (US\$/bbl)	86	(2.1)	0.0	(5.3)	(0.1)

Source: Bloomberg

TOP PICKS

Ticker	CP (1cy)	TP (1cy)	Pot. +/- (%)
BUY			
BYD	1211 HK	241.20	590.00 144.6
China Duty Free	601888 CH	100.23	138.00 37.7
Bank Neo Commerce	BBYB IJ	302.00	390.00 29.1
Bumi Serpong	BSDE IJ	1,085.00	1,420.00 30.9
HM Sampoerna	HMSP IJ	845.00	1,300.00 53.8
My EG Services	MYEG MK	0.80	1.18 47.5
Yinson	YNS MK	2.40	3.75 56.3
OCBC	OCBC SP	13.00	18.22 40.2
CP ALL	CPALL TB	59.75	78.00 30.5
Indorama	IVL TB	25.75	30.00 16.5

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
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
Post 3Q2023 Results Virtual Meeting with Far East Hospitality Trust (FEHT SP)	Singapore	25 Oct	25 Oct

SECTOR UPDATE

Banking – China

3Q23 Results Preview: Earnings Growth Expected To Reach Bottom

We expect CCB's and CMB's earnings to grow 3.4% and 6.7% yoy due to lower impairment despite NIM dilution and subdued fee income. Although household loans remained sluggish in August, early signs of an economic recovery indicate that the current policy easing measures may be gaining traction, potentially stimulating effective credit demand. Maintain MARKET WEIGHT. CMB remains as our top pick given its attractive valuation and compelling 6.4% dividend yields.

WHAT'S NEW

- 3Q23 results preview.** We expect banks under our coverage, China Construction Bank (CCB) and China Merchants Bank (CMB), to deliver a net profit growth of 3.4% and 6.7% yoy, respectively, driven by the lower impairment charged against the backdrop of prolonged NIM compression and sluggish fee income.

3Q23 RESULTS ESTIMATES

(Rmbm)	----- CCB -----			----- CMB -----		
	3Q23F	3Q22	yoy	3Q23F	3Q22	yoy
Total Assets	38,771,636	34,299,695	13.0%	10,726,358	9,707,111	10.5%
Interest Earning Assets	37,220,770	33,042,588	12.6%	10,100,057	9,149,143	10.4%
Net Interest Margin	1.72%	2.05%	-33bp	2.14%	2.41%	-27 bp
Net Interest Income	160,049	165,367	-3.2%	54,035	54,438	-0.7%
Fee Income	25,570	26,054	-1.9%	21,403	22,347	-4.5%
Operating Income	187,029	186,604	0.2%	84,124	85,947	-2.0%
Operating Expenses	48,628	48,037	1.2%	30,125	30,793	-2.2%
PPOP	138,402	138,567	-0.1%	54,089	54,704	-1.1%
Provision	34,764	38,202	-9.0%	7,013	9,212	-23.9%
Net Profit	87,885	84,994	3.4%	40,533	37,977	6.7%

Source: CCB, CMB, UOB Kay Hian

ESSENTIALS

- Banks' asset expansion slowed after higher growth in 1H23.** According to data from the China Banking and Insurance Regulatory Commission (CBIRC), the asset growth of SOE banks and joint-stock banks decelerated to 12.9% and 6.8% yoy respectively in August, down from 13.7% and 7.0% yoy at end-1H23. As such, based on historical performance, we forecast that CCB and CMB will achieve asset growth of 10.5% and 13.0% yoy, respectively.
- Lack of effective credit demand from households led to slower loan growth in Aug 23.** The outstanding renminbi loan growth in Aug 23 also eased marginally to 11.1% yoy (Jun 23: 11.3% yoy) on the back of subdued household loans growth of 5.3% yoy (Jun 23: 5.9% yoy). Notably, long-term household consumer loans only grew 0.7% yoy in Aug 23, implying continued weak demand for mortgage loans. We also noticed the moderation of corporate loan growth to 14.1% yoy (Jun 23: 14.2%), mainly due to the slowdown of long-term corporate loan growth (Aug 23: 17.7%, Jun 23: 18.1%). In summary, the loan disbursement pattern in 3Q23 closely mirrored that in 1H23 while corporate loan demand remained robust, but demand for retail loans continued to be sluggish.

PEER COMPARISON

Company	Ticker	Rec	Price @	Target	Market	Upside/	----- PE -----		----- P/B -----		----- Yield -----		----- ROE -----		----- NIM -----	
			11 Oct 23	Price	Cap	(Downside)	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
			(HK\$)	(HK\$)	(HK\$ b)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
CCB	0939 HK	BUY	4.44	6.10	1,132.6	37.4	3.2	3.0	0.34	0.32	10.0	10.7	11.5	10.9	1.72	1.77
CMB	3968 HK	BUY	32.00	50.00	863.7	56.3	5.2	4.5	0.71	0.64	6.4	7.4	16.5	17.0	2.17	2.25

Source: Bloomberg, UOB Kay Hian

MARKET WEIGHT

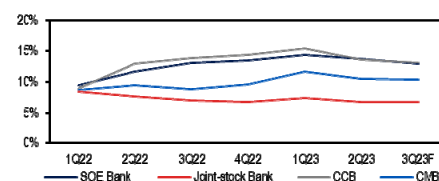
(Maintained)

SECTOR TOP PICK

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
CMB	3968 HK	BUY	32.00	50.00

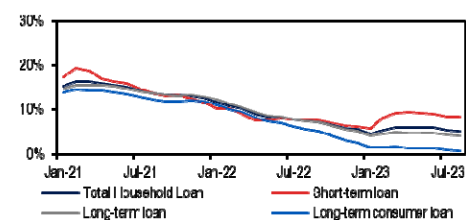
Source: UOB Kay Hian

ASSET GROWTH BY BANKS



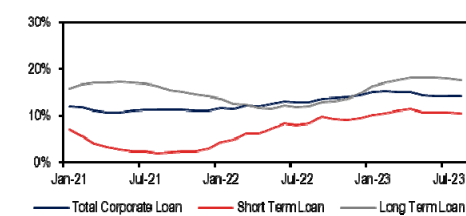
Source: CBIRC, iFinD, UOB Kay Hian

HOUSEHOLD LOAN GROWTH



Source: PBOC, iFinD, UOB Kay Hian

CORPORATE LOAN GROWTH



Source: PBOC, iFinD, UOB Kay Hian

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- Limited downside for NIM in 3Q23.** The central bank has rolled out several policy rate cuts to stimulate economic growth but we think that the measures had limited impact on banks' NIM performance in 3Q23. This is because the 10bp one-year LPR cut in Aug 23 and adjustment of deposit rates in Sep 23 may take some time to make an impact. While the repricing of existing mortgage rates will immediately impact banks' NIM, its negative effects may also be less pronounced in 3Q23, as it was only implemented at end-Sep 23.
- As such, we expect the NIM of CCB and CMB to contract by a smaller 3bp and 2bp qoq to 1.72% and 2.14% respectively.** We think CMB will see less NIM compression than CCB as we believe its funding cost may fall further in 3Q23. This drop comes after an unexpected surge in demand deposit costs in 2Q23, which was caused by the temporary return of wealth management products to CMB's balance sheet in the form of demand deposits.
- Expecting fee income to continue underperforming.** We forecast the fee income of CMB and CCB to decline by 1.9% and 4.5% yoy, attributed to the sluggish fee income from their agency distribution of mutual funds and wealth management business, influenced by the volatile market and the lower expected returns of bank wealth management products in 3Q23. The commissions income from the bancassurance business may also fall due to the relatively slower insurance sales in 2H23 and commission rate cut as instructed by regulator.
- Manageable NPL ratio allows for lower credit cost.** As the non-performing loan (NPL) ratios of CCB and CMB improved in 1H23, we expect that the banks continue decreasing the impairment charges on loans and other credit assets in order to bolster their profit in the face of sluggish revenue.

CCB & CMB LOAN QUALITY INDICATORS

%	2022			1H23			2023F		
	Credit Cost	NPL Ratio	Provision Coverage Ratio	Credit Cost*	NPL Ratio	Provision Coverage Ratio	Credit Cost	NPL Ratio	Provision Coverage Ratio
CCB	0.70	1.38	241.53	0.82	1.37	244.48	0.68	1.35	244.13
CMB	0.78	0.96	450.78	0.88	0.95	447.63	0.77	0.94	447.10

Source: CCB, CMB, UOB Kay Hian
*Annualized

ASSUMPTION CHANGES

- We reduced our 2023 NIM assumptions on CCB and CMB after assessing the impact of repricing existing mortgage rates.** Based on our calculations, the NIM of CCB and CMB will contract by 1.5bp and 3.3bp respectively after the implementation of the policy. Thus, we reduce our NIM assumptions of CCB and CMB in 2023 by 2bp and 3bp to 1.72% and 2.17% respectively.
- We also revised our 2023 credit cost assumptions on CMB** after taking account into its lower impairments charged on other credit assets in 1H23.
- All in all, we trimmed CCB's 2023/24/25 earnings forecasts by 1.8%/2.1%/2.9% and CMB's by 0.8%/0.6%/1.5%** after factoring in the assumption changes above.

EARNINGS REVISION

Net Profit (Rmb m)	2023F			2024F			2025F		
	New	Old	% Chg	New	Old	% Chg	New	Old	% Chg
CCB	338,736	345,018	-1.8	367,779	375,729	-2.1	395,231	406,923	-2.9
CMB	143,670	144,889	-0.8	165,603	166,629	-0.6	189,958	192,936	-1.5

Source: CCB, CMB, UOB Kay Hian

ACTION

- Maintain MARKET WEIGHT.** Despite the challenges posed by a slow top-line growth resulting from NIM compression and muted fee income growth, we expect the banks' earnings growth to get back on track slowly as we see more policy easing measures taking place gradually, especially those for boosting the consumer and property markets. We have observed some early signs of an economic recovery such as improvement in PMI data and positive CPI inflation. Consequently, we expect the banks' NIM dilution to ease further due to the recovery of effective credit demand.

CCB KEY ASSUMPTIONS

	2023F	2024F	2025F
NIM (%)	1.72	1.77	1.82
Credit cost (bp)	68.0	65.0	65.0

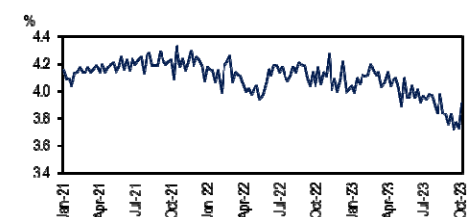
Source: UOB Kay Hian

CMB KEY ASSUMPTIONS

(%)	2023F	2024F	2025F
NIM (%)	2.17	2.25	2.35
Credit cost (bp)	77.0	72.0	70.0

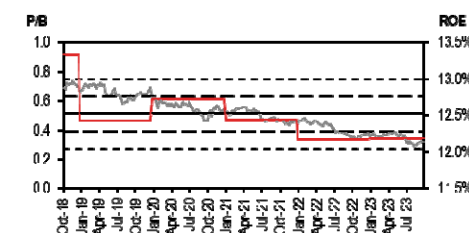
Source: UOB Kay Hian

EXPECTED RETURN OF BANKS WEALTH MANAGEMENT PRODUCT (1-YEAR)



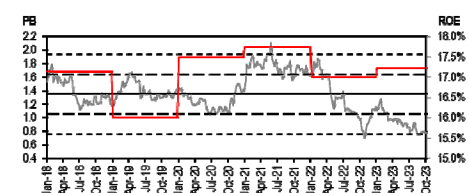
Source: iFinD, UOB Kay Hian

CCB P/B VS ROE BAND



Source: Bloomberg, UOB Kay Hian

CMB P/B VS ROE BAND



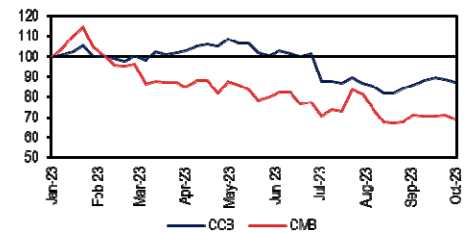
Source: Bloomberg, UOB Kay Hian

- Central Huijin increased stake in big 4 SOE banks to boost investor confidence.** On 11 Oct 23, Central Huijin increased its holdings in all four major SOE banks collectively for the first time since 2015. This was accomplished by purchasing their shares in the open market for about Rmb477m. Meanwhile, Central Huijin also announced that they will continue these purchases over the next six months. We believe that this will improve the market sentiment on Chinese banks and strong price movements are expected in the near term.
- Top pick.** CMB remains as our topic pick as it is: a) a proxy to economic recovery given its market-leading position in the retail banking and wealth management businesses, and b) offering attractive risk-to-reward profile given its depressed valuation (-1.8 SD) but relatively higher ROE and compelling dividend yield (6.4%), and c) CMB's share price performance is still laggard compared to its peers in the recent rebound.

RISKS

- Deterioration of asset quality from the contagion effect of the property sector.
- Weaker-than-expected economic recovery in 2H23.
- NIM compression reaccelerates due to asset yield trending down.

CCB AND CMB YTD SHARE PRICE PERFORMANCE



Source: Bloomberg, UOB Kay Hian

ASIAN GEMS CORPORATE HIGHLIGHTS

Hutchmed (China) (13 HK)

Maintaining Oncology Revenue Target Of US\$450m-550m In 2023

Hutchmed has built strong R&D capabilities with three self-developed innovative small molecule oncology drugs successfully marketed in China. It focuses on exploring overseas markets and expanding the number of indications for its existing products, and actively develops combination therapies for its pipeline products with domestic biologics drugs. It maintains its oncology revenue guidance of US\$450m-550m in 2023, and targets to achieve breakeven in 2025.

WHAT'S NEW

- Here are the key takeaways from HUTCHMED (China) Limited's (Hutchmed) meeting with investors at the Asian Gems Virtual Conference.

STOCK IMPACT

- R&D strategies.** Hutchmed has successfully marketed three self-developed innovative small molecule oncology drugs (namely Fruquintinib (ELUNATE), Surufatinib (SULANDA) and Savolitinib (ORPATHYS)) in China. It focuses on exploring overseas markets and expanding the number of indications for its existing products in the near term, and actively collaborates with MNC partners and carries out multi-centre global trials. It is also actively developing combination therapies (combo) for its small molecule drugs in the pipeline with leading domestic biologics drugs in the market (eg PD-1 inhibitors from Innovent, Junshi Biosciences, and BeiGene), aiming to offer better treatment options for patients. Aside from its R&D in small molecule drugs, it also owns a substantial team of biologists, and intends to move its large molecule drug candidates from pre-clinical development phase to clinical development phase in the future.
- Maintains oncology revenue guidance of US\$450m-550m in 2023.** Hutchmed's revenue surged 164% yoy to US\$532.9m in 1H23. Oncology/immunology products revenue soared 294% yoy to US\$359.2m (including US\$258.7m upfront payment income from Takeda) in 1H23. The company believes the Chinese government's anti-corruption campaign will have limited impact on its sales growth. With an established sales team (over 900 people as at end-Jun 23) covering >3,000 hospitals and >33,000 oncology physicians, it maintains its 2023 oncology/immunology revenue target at US\$450m-550m (including recognising about US\$280m upfront payment income from Takeda) vs US\$164m in 2022. Meanwhile, revenue from other ventures (prescription drug marketing and distribution platforms) increased by 57% yoy to US\$173.7m in 1H23. Hutchmed indicates the distribution business lays good infrastructure for the company to sell its oncology drugs.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2018	2019	2020	2021	2022
Net turnover	214.1	204.9	228.0	356.1	426.4
EBITDA	(88.9)	(141.1)	(189.8)	(321.0)	(398.9)
Operating profit	(92.6)	(146.4)	(196.7)	(328.3)	(407.7)
Net profit (rep./act.)	(74.8)	(106.0)	(125.7)	(194.6)	(360.8)
Net profit (adj.)	(74.7)	(105.9)	(125.1)	(194.6)	(360.7)
EPS (Fen)	(11.2)	(15.9)	(17.9)	(24.6)	(42.6)
PE (x)	n.a.	n.a.	n.a.	n.a.	n.a.
P/B (x)	7.6	11.7	9.4	6.3	4.5
EV/EBITDA (x)	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend yield (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Adjusted net margin (%)	(34.9)	(51.7)	(54.9)	(54.7)	(84.6)
Net debt/(cash) to equity (%)	(66.5)	(58.8)	(77.0)	(94.0)	(95.4)
Interest cover (x)	(91.8)	(142.1)	(249.9)	(554.6)	(625.3)
ROE (%)	n.a.	(36.9)	(41.3)	(39.0)	(37.0)

Source: Hutchmed, Bloomberg, UOB Kay Hian

NOT RATED

Share Price	HK\$26.60
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

Founded in 2000, Hutchmed (China) is an innovative commercial-stage biopharmaceutical company committed to the R&D of targeted therapies and immunotherapies for the treatment of cancer and immunological diseases.

STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	13 HK
Shares issued (m):	871.0
Market cap (HK\$m):	23,169.6
Market cap (US\$m):	2,963.1
3-mth avg daily t'over (US\$m):	7.4

Price Performance (%)

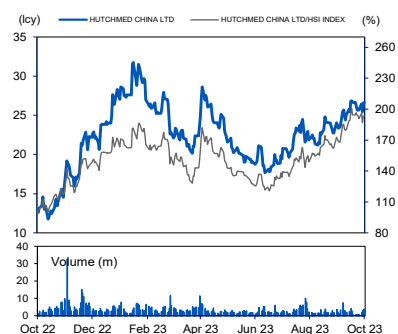
52-week high/low HK\$33.2/HK\$11.36

1mth	3mth	6mth	1yr	YTD
10.6	33.9	12.7	102.4	10.8

Major Shareholders

CK Hutchison	38.40%
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PRICE CHART



Source: Bloomberg

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- **Expects Fruquintinib to obtain US FDA market approval by end-Nov 23.** Hutchmed had submitted the new drug application (NDA) for Fruquintinib for the indication of metastatic colorectal cancer (mCRC) to the US FDA in May 23. The global phase III FRESCO-2 trial it conducted on Fruquintinib involved 691 patients from 14 countries (including the US, Europe, Japan and Australia), and did not even involve Chinese patients. With solid clinical data from phase III multi-regional clinical trials (MRCT) submitted, it is confident in obtaining marketing approval for Fruquintinib in the US, and expects the approval at end-Nov 23. Meanwhile, it submitted a marketing authorisation application (MAA) to European Medicines Agency (EMA) in Jun 23 and an NDA in Japan in Sep 23 for Fruquintinib, expecting to launch the product in Europe and Japan in 2024.
- **Oncology products' sales growth momentum to continue.** Hutchmed's oncology product revenue expanded by 26% yoy to US\$80.1m in 1H23. Fruquintinib, Surufatinib and Savolitinib delivered revenue of US\$42.0m, US\$22.6m, and US\$15.1m in 1H23, representing yoy growth of 16%, 66%, 10%, respectively. Tazemetostat (TAZVERIK), in-licensed from Epizyme, also recorded revenue of US\$0.4m in 1H23. The company out-licensed Fruquintinib's overseas rights to Takeda in Jan 23, which can potentially bring in up to US\$1.13b in payment (including upfront payment of US\$400m). Its Fruquintinib is under NDA review for second-line (2L) gastric cancer (GC) in China. Its Savolitinib is also under seven registrational studies, including three global studies led by AZ and four China studies led by Hutchmed. It expects the sales growth momentum of these oncology products to continue in the next few years, supported by the products' continuous overseas market expansion, and potential approvals of new indications/combination therapies. Expecting robust revenue expansion, Hutchmed maintains its target to achieve breakeven in 2025.
- **Smooth progress in R&D; sufficient cash to support business expansion.** Investing approximately US\$300m/year in R&D, Hutchmed sees smooth progress in R&D. It has more than 15 programmes for seven drug candidates supporting its potential near-term NDA filings. Aside from the global potential, Fruquintinib is also under review by National Medical Products Administration (NMPA) for 2L GC in combination with paclitaxel and is expected to be approved by NMPA in 2024. In addition, Hutchmed targets to file the first NDA for its drugs Sovleplenib (HMPL-523, Syk inhibitor), Amdizalisib (HMPL-689, PI3K δ inhibitor) and Tazemetostat (EZH2 inhibitor) in the next 12 months. With a strong cash position of US\$856.2m as at end-Jun 23, Hutchmed believes the sufficient cash and improving profitability will support its continuous R&D programmes and business expansion. Moreover, the company indicates that it has not seen impact from the US-China geopolitical tension on its R&D activities.

EARNINGS REVISION/RISKS

- **Risks:** a) Regulatory risks such as worse-than-expected impact from the anti-corruption campaign, and potential price pressure in NRDL negotiations, b) risks in new product development and market launch, c) intensifying competition, and d) risks in business expansion and collaboration activities.

VALUATION/RECOMMENDATION

- **Not rated.** Hutchmed is trading at 4.0x 2024F P/S and 4.5x 2024F P/B, according to Bloomberg.

PROFIT & LOSS

Year to 31 Dec (US\$m)	2019	2020	2021	2022
Net turnover	204.9	228.0	356.1	426.4
EBITDA	(141.1)	(189.8)	(321.0)	(398.9)
Deprec. & amort.	5.2	6.8	7.4	8.8
EBIT	(146.4)	(196.7)	(328.3)	(407.7)
Total other non-operating income	42.1	83.5	171.7	38.1
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	3.9	2.4	1.5	8.9
Pre-tax profit	(100.4)	(110.7)	(155.1)	(360.7)
Tax	(3.3)	(4.8)	(11.9)	0.3
Minorities	(2.3)	(10.2)	(27.6)	(0.4)
Net profit	(106.0)	(125.7)	(194.6)	(360.8)
Net profit (adj.)	(105.9)	(125.1)	(194.6)	(360.7)

CASH FLOW

Year to 31 Dec (US\$m)	2019	2020	2021	2022
Operating	(80.9)	(62.1)	(204.2)	(268.6)
Pre-tax profit	(100.4)	(110.7)	(155.1)	(360.7)
Tax	(3.3)	(4.8)	(11.9)	0.3
Deprec. & amort.	5.2	6.8	7.4	8.8
Associates	0.0	0.0	0.0	0.0
Working capital changes	16.4	28.2	39.4	39.5
Non-cash items	3.6	29.4	(56.2)	44.0
Other operating cashflows	(2.4)	(10.9)	(27.7)	(0.6)
Investing	119.0	(125.4)	(306.3)	296.6
Capex (growth)	8.6	21.9	15.8	36.7
Investments	118.9	(103.5)	(434.6)	316.4
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(8.4)	(43.8)	112.5	(56.5)
Financing	(1.5)	296.4	650.0	(82.8)
Dividend payments	0.0	0.0	0.0	0.0
Issue of shares	(0.1)	297.9	660.5	(48.0)
Proceeds from borrowings	26.8	0.0	0.0	17.8
Loan repayment	(26.9)	0.0	(0.6)	(26.9)
Others/interest paid	(1.3)	(1.5)	(9.9)	(25.6)
Net cash inflow (outflow)	36.6	108.9	139.5	(54.8)
Beginning cash & cash equivalent	86.0	121.2	235.6	377.5
Changes due to forex impact	(1.5)	5.5	2.4	(9.5)
Ending cash & cash equivalent	121.2	235.6	377.5	313.3

BALANCE SHEET

Year to 31 Dec (US\$m)	2019	2020	2021	2022
Fixed assets	20.9	24.2	41.3	75.9
Other LT assets	127.2	169.2	119.3	113.6
Cash/ST investment	121.2	235.6	377.5	313.3
Other current assets	195.9	295.1	834.5	526.6
Total assets	465.1	724.1	1,372.7	1,029.4
ST debt	0.0	0.0	26.9	0.0
Other current liabilities	113.1	158.4	284.8	353.9
LT debt	26.8	26.9	0.0	18.1
Other LT liabilities	12.3	19.9	21.5	20.6
Shareholders' equity	288.0	484.1	986.9	610.4
Minority interest	24.9	34.8	52.6	26.5
Total liabilities & equity	465.1	724.1	1,372.7	1,029.4

KEY METRICS

Year to 31 Dec (%)	2019	2020	2021	2022
Profitability				
EBITDA margin	(68.9)	(83.3)	(90.1)	(93.5)
Pre-tax margin	(49.0)	(48.6)	(43.6)	(84.6)
Adjusted net margin	(51.7)	(54.9)	(54.7)	(84.6)
ROA	(21.3)	(21.1)	(18.6)	(30.0)
ROE	(36.9)	(41.3)	(39.0)	(37.0)
Growth				
Turnover	n.a.	11.3	56.2	19.7
EBITDA	58.7	34.5	69.1	24.3
Pre-tax profit	49.1	10.2	40.1	132.5
Net profit	41.7	18.6	54.8	85.4
Net profit (adj.)	41.8	18.2	55.5	85.3
EPS	41.8	12.7	37.0	73.4
Leverage				
Debt to total capital	8.6	5.2	2.6	2.8
Debt to equity	9.3	5.5	2.7	3.0
Net debt/(cash) to equity	(58.8)	(77.0)	(94.0)	(95.4)
Interest cover (x)	(142.1)	(249.9)	(554.6)	(625.3)

ASIAN GEMS CORPORATE HIGHLIGHTS

Nio Inc (9866 HK)

Takeaways From Asian Gems Conference

Nio, one of the leading pure-play EV companies in China, joined the Asian GEM Conference yesterday. During the conference, management shared with us the latest developments of the company, including the sales trend, new product line-ups, the new EV brand, battery swap services, overseas sales, the smartphone business and competitive advantages. The takeaways are as follows.

WHAT'S NEW

- **Management remains optimistic on sales outlook despite recent setback.** Nio Inc's (Nio) quarterly deliveries bottomed at 23,520 units in 2Q23 and grew 75% yoy and 136% qoq to 39,791 units in 3Q23. Deliveries have started to rebound since July when it cut product prices by Rmb30,000 across the board for debundling the prices of EVs and the life-time battery swap services. Though monthly deliveries fell from the recent peak of 20,462 units in July to 19,329 units in August and 15,641 units in September, management remains optimistic on sales outlook. According to management, Nio was the best-selling premium car brand in China with price tag above Rmb300,000 in July-August, taking 15% market share.
- **Debundling the prices of EVs and the life-time battery swap services.** Before July, buyers of Nio electric vehicles (EV) were eligible for life-time battery swap services for free, as the battery swap fees were included into the car prices. Starting July, new car buyers are not eligible for the life-time battery swap service, but they pay Rmb30,000 less for the EVs. The change of pricing strategy is due to the fact that most customers prefer paying for the battery swap services separately. As such, Nio's sales spiked to over 20,000 units in July right after the Rmb30,000 price cut.
- **Battery swap services and charging stations improve user experience by facilitating energy replenishment.** Nio thinks it is crucial to increase its sales, as 50% of its customers do not have personal charging piles. Nio currently has 190 battery swap stations and 10,000 charging piles for its customers. The battery swap stations provide battery services that are comparable to the refuelling stations for ICE-cars at a fee of Rmb30-50/swap, roughly on a par with the charging fee in the local markets. The percentage of Nio's car owners that use the battery swap services has spiked from 15% initially to 50% currently. As such, Nio's products command a premium on comparable ICE-car models of premium brands such as Mercedes-Benz and BMW.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2018	2019	2020	2021	2022
Net turnover	4,951	4,951	7,825	16,258	36,136
EBITDA	(9,121)	(9,121)	(10,080)	(3,561)	(3,418)
Operating profit	(9,596)	(9,596)	(11,079)	(4,608)	(4,496)
Net profit (rep./act.)	(23,328)	(11,413)	(5,611)	(10,572)	(14,559)
Net profit (adj.)	(23,328)	(11,413)	(5,611)	(10,572)	(14,559)
EPS (fen)	(70.2)	(11.1)	(4.7)	(6.7)	(9.0)
PE (x)	n.a.	n.a.	n.a.	n.a.	n.a.
P/B (x)	6.7	n.a.	17.9	9.5	5.1
EV/EBITDA (x)	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend yield (%)	-	-	-	-	-
Net margin (%)	(471.2)	(230.5)	(71.7)	(65.0)	(40.3)
Net debt/(cash) to equity (%)	(62.0)	n.a.	(108.3)	(92.9)	(82.8)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	n.a.	n.a.	n.a.	(34.2)	(49.7)
Consensus net profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: Nio, Bloomberg, UOB Kay Hian

NOT RATED

Share Price	HK\$68.90
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

Nio Inc manufactures and sells automobiles. The company offers electric vehicles and parts, as well as battery charging services. It serves customers worldwide.

STOCK DATA

GICS sector	Automobile
Bloomberg ticker:	9866 HK
Shares issued (m):	1,671
Market cap (HK\$m):	115,100
Market cap (US\$m):	14,756
3-mth avg daily t'over (US\$m):	17.0

Price Performance (%)

52-week high/low HK\$123.80/HK\$57.60

1mth	3mth	6mth	1yr	YTD
(19.7)	(3.7)	(33.4)	(12.2)	(19.7)

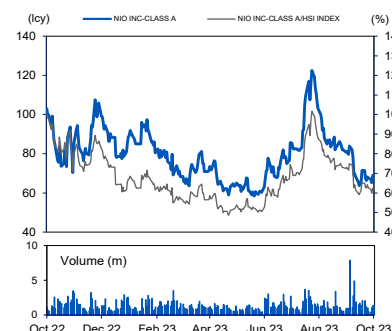
Major Shareholders

	%
Mr.Li Bin	13.80

FY22 NAV/Share (Rmb) 23.2

FY22 Net Cash/Share (Rmb) 25.3

PRICE CHART



Source: Bloomberg

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- **To roll out second generations of existing models and new brand for mass market in next 1-2 years.** Nio currently has eight battery electric vehicle (BEV) models - ES8, ES7, EC7, ET7, ES6, EC6, ET5 and ET5T. The ES series (ES8, ES7 and ES6) are SUVs; the EC series (EC7 and EC6) are crossover SUVs; and the ET series (ET7, ET5 and ET5T) are sedans. In regard to pricing, all models are positioned at premium with a price tag of above Rmb300,000. Among them, ES8, ES7, EC7 and ET7 are priced at above Rmb350,000; while ES6, EC6, ET5 and ET5T are priced at Rmb300,000-350,000. Nio believes its product portfolio covers all segments of China's premium EV market. Going forward, Nio will roll out the second generations of the existing models based on a new technology platform. The company will also launch the new model under its new mass-market brand Alps from 2H24.
- **As for overseas markets, Nio will focus on five countries in Northern and Western Europe.** These five countries include Sweden, Norway, Denmark, the Netherlands and Germany. Nio believes its products and brand positioning suit these markets more, so it will focus on these five countries in the foreseeable future. Only after Nio gains significant market share in these five countries will it expand into other countries.
- **Smartphone business as a complementary service for EV customers that improve their experience.** As such, Nio will not invest too much in the R&D of smartphones. It had hired many talents from the smartphone industry for software development, thus did not employ that many employees for the smartphone business. As for fixed asset investment, Nio has not spent much in capex as well, as the comprehensive supply chain of smartphone in China allows the company to outsource the production to third-party manufacturers.
- **Nio's competitive advantages.** Management believes Nio's edge lies in its comprehensive technologies in both hardware and software, eg self-developed electric powertrain, provision of multiple battery packs for users in collaboration with leading suppliers, proprietary operating system for smart cockpit, over-the-air updates and whole vehicle control, Navigate On Pilot advanced driver assist system etc. Nio's innovative Battery as a Service model makes the separation between EV and battery pack possible. That provides more flexibility for customers by allowing them to choose from various battery packs.

Furthermore, Nio has 190 battery swap stations and 10,000 recharging piles to provide customers with comprehensive energy replenishment services. Last but not least, it has a group of loyal customers who are more than willing to refer the brand to the people they know. Referred purchases accounted for 60% of total new car purchases of Nio in 2022. As such, Nio has spent less on advertisement and marketing compared with peers.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2019	2020	2021	2022
Net turnover	7,825	16,258	36,136	49,269
EBITDA	(10,080)	(3,561)	(3,418)	(12,788)
Depreciation & amortization	999	1,046	1,078	2,852
EBIT	(11,079)	(4,608)	(4,496)	(15,641)
Total other non-operating income	66	(365)	185	(283)
Associate contribution	(64)	(66)	63	378
Net interest income/(expense)	(210)	(259)	274	1,026
Pre-tax profit	(11,288)	(5,298)	(3,975)	(14,382)
Tax	(8)	(6)	(42)	(55)
Minorities	(117)	(307)	(6,555)	(122)
Net profit	(11,413)	(5,611)	(10,572)	(14,559)
Net profit (recurrent)	(11,413)	(5,611)	(10,572)	(14,559)

BALANCE SHEET

Year to 31 Dec (Rmbm)	2019	2020	2021	2022
Fixed assets	5,533	4,996	7,400	15,659
Other LT assets	4,121	3,439	11,843	21,456
Cash/ST investment	863	38,426	15,334	19,888
Other current assets	4,065	7,781	48,308	39,262
Total assets	14,582	54,642	82,884	96,264
ST debt	886	1,550	5,230	4,039
Other current liabilities	8,613	12,426	23,968	41,813
LT debt	7,155	5,938	9,739	10,886
Other LT liabilities	2,750	2,865	5,883	11,879
Shareholders' equity	(6,300)	27,169	34,710	23,868
Minority interest	1,478	4,693	3,353	3,779
Total liabilities & equity	14,582	54,642	82,884	96,264

CASH FLOW

Year to 31 Dec (Rmbm)	2019	2020	2021	2022
Operating	(8,722)	1,951	1,966	(3,866)
Pre-tax profit	(11,288)	(5,298)	(3,975)	(14,382)
Tax	-	-	-	-
Depreciation/amortization	999	1,046	1,078	2,852
Associates	64	66	(63)	(378)
Working capital changes	437	4,830	2,068	4,251
Non-cash items	1,066	1,306	2,858	3,790
Other operating cashflows	-	-	-	-
Investing	3,382	(5,071)	(39,765)	10,385
Capex (growth)	(1,738)	(1,379)	(4,671)	(7,252)
Investments	(2,203)	(7,594)	(134,316)	(87,632)
Proceeds from sale of assets	7,323	3,902	101,123	106,949
Others	-	-	(1,900)	(1,680)
Financing	3,095	41,357	18,129	(1,616)
Dividend payments	-	-	-	-
Issue of shares	51	34,762	12,822	79
Proceeds from borrowings	5,673	4,711	9,168	(874)
Loan repayment	(2,611)	(965)	(2,432)	(8,550)
Others/interest paid	(18)	2,850	(1,429)	7,729
Net cash inflow (outflow)	(2,235)	37,555	(20,171)	4,781
Beginning cash & cash equivalent	3,224	990	38,545	18,375
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	990	38,545	18,375	23,155

KEY METRICS

Year to 31 Dec (%)	2019	2020	2021	2022
Profitability				
EBITDA margin	(128.8)	(21.9)	(9.5)	(26.0)
Pretax margin	(144.3)	(32.6)	(11.0)	(29.2)
Net margin	(145.9)	(34.5)	(29.3)	(29.6)
ROA	(78.3)	(10.3)	(12.8)	(15.1)
ROE	n.a.	n.a.	(34.2)	(49.7)
Growth				
Turnover	n.a.	58.0	107.8	122.3
EBITDA	n.a.	(64.7)	(4.0)	274.1
Pre-tax profit	n.a.	(53.1)	(25.0)	261.8
Net profit	n.a.	(50.8)	88.4	37.7
Net profit (adj.)	n.a.	(50.8)	88.4	37.7
EPS	n.a.	(57.2)	41.8	33.9
Leverage				
Debt to total capital	57.4	14.4	20.6	16.8
Debt to equity	(132.8)	29.0	49.1	67.7
Net debt to equity	n.a.	(108.3)	(92.9)	(82.8)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

ASIAN GEMS CORPORATE HIGHLIGHTS

Xiaomi Corp (1810 HK)

Takeaways From Asian Gems Conference

Xiaomi expects the smartphone market to recover sequentially in 2H23 on the back of a healthy inventory level and end-demand, and believes the company should face limited impact from Huawei's re-entry as the two brands have different positioning in terms of price range. On the other hand, the EV business is on track for mass production by 1H24, and expenses will be well-controlled at <Rmb8b in 2023. Maintain BUY. Target price: HK\$15.30.

WHAT'S NEW

- Xiaomi Corp (Xiaomi) attended the 2023 Asian Gems Virtual Conference on 11 October. Here are the key takeaways.

STOCK IMPACT

- **Smartphone business to see healthier inventory and recovery.** Management expects the smartphone market to see sequential improvements in 2H23, as the inventory level is now back to a healthier level and end-demand gradually recovers. On the margin side, the prices of components (such as memory and display panel) are starting to pick up, and Xiaomi may potentially start to prioritise market share gains (vs prioritising profitability in 1H23) by providing more aggressive promotions which imply that margins may moderate going forward from a historical high level in 2Q23. In the medium to long term, management's premiumisation strategy should continue to contribute to margin expansion as Xiaomi expands its high-end smartphones coverage in Europe, and the company optimises the operating efficiency of its offline stores in China (which attract more high-end sales vs online channels.)
- **Impacts from Huawei's re-entry into China's smartphone market controllable.** Management highlighted that Huawei's presence is strongest in the price range of >Rmb7,000, whereas Xiaomi's flagship series is mainly in the range of Rmb4,000-6,000. At the same time, Huawei should have limited resources to expand outside of China, whereas Xiaomi has a strong presence in key overseas regions such as Europe, Middle East, Latin America and Southeast Asia. Management also pointed out that Honor and Apple benefitted more to Huawei's absence in China compared with Xiaomi, and as such it believes the impact from Huawei should be a lot more controllable compared to its competitors.

KEY FINANCIALS

Year to 31 Dec (Rmb)	2021	2022	2023F	2024F	2025F
Net turnover (Rmbm)	328,309	280,044	268,290	309,390	335,747
EBITDA (Rmbm)	23,263	9,955	17,051	21,549	22,865
Operating profit (Rmbm)	20,201	6,247	13,194	17,423	18,455
Net profit (rep./act.) (Rmbm)	19,339	2,474	13,557	15,045	15,870
Net profit (adj.) (Rmbm)	22,040	8,518	15,032	15,045	15,870
EPS (Fen)	88.4	34.3	60.1	60.2	63.5
PE (x)	11.6	33.2	17.0	17.9	17.0
P/B (x)	3.0	2.2	1.9	1.9	1.7
EV/EBITDA (x)	9.4	22.0	12.9	10.2	9.6
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	5.9	0.9	5.1	4.9	4.7
Net debt/(cash) to equity (%)	(20.6)	(23.6)	(45.4)	(42.9)	(36.4)
Interest cover (x)	12.5	(5.6)	(9.6)	(7.0)	(7.3)
ROE (%)	16.9	6.1	10.0	9.1	8.8
Consensus net profit (Rmbm)	-	-	12,798	13,781	15,858
UOBKH/Consensus (x)	-	-	1.17	1.09	1.00

Source: Xiaomin, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$12.30
Target Price	HK\$15.30
Upside	+24.4%

COMPANY DESCRIPTION

Xiaomi Corporation manufactures communication equipment and parts. The company produces and sells mobile phones, smart phone software, set-top boxes and related accessories. Xiaomi markets its products worldwide.

STOCK DATA

GICS sector	Communications Equipment
Bloomberg ticker:	1810 HK
Shares issued (m):	25,001
Market cap (HK\$m):	308,512
Market cap (US\$m):	45,369
3-mth avg daily t'over (US\$m):	98.7

Price Performance (%)

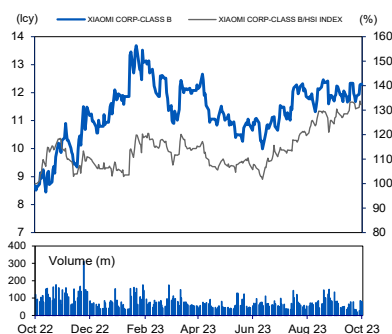
52-week high/low	HK\$14.10/HK\$8.30			
1mth	3mth	6mth	1yr	YTD
5.1	13.1	0.2	40.7	12.4

Major Shareholders

-	-
-	-
-	-

FY23 NAV/Share (Rmb)	7.17
FY23 Net Cash/Share (Rmb)	3.25

PRICE CHART



Source: Bloomberg

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- **Europe and emerging markets as key development focus for its overseas business.** Similar to China, Xiaomi is now focusing on bringing its premium products to the European market given the region's higher purchasing power compared with other emerging markets; while for the emerging markets, Xiaomi sees strong growth opportunities from Middle East, Latin America, Southeast Asia and Africa and expects the brand to gain more market share by providing high quality products and expanding sales channels. For India, Xiaomi will retain its strategy to prioritise profitability over market share given the tough operating environment for Chinese companies.
- **EV business well on track for mass production in 1H24.** Xiaomi's EV production line in Beijing is ready for production, and its first EV model had passed a round of Winter Testing and Summer testing. There will be another round of Winter testing by 4Q23, but generally Xiaomi's EV is well on-track for mass production by 1H24. Management disclosed that its Beijing EV factory is ready for production, and its first EV model is scheduled for another round of Winter testing by 4Q23. After that, Xiaomi's EV will be on-track for mass production in 1H24. Management believes Xiaomi has the competitive edge of: a) having a strong brand name such that there are less marketing efforts/expenses, b) ample cash reserves at Rmb113.2b as of 2Q23 (vs Rmb7.5b-8b in R&D expenses + Rmb2b in capex in 2023), and c) a strong online presence as well as offline channel with >10,600 offline retail stores in China.

EARNINGS REVISION/RISK

- No changes to earnings.

VALUATION/RECOMMENDATION

- **Maintain BUY and keep target price at HK\$15.30**, based on 23.5x 2024F PE, on a par with historical forward mean valuation.

SHARE PRICE CATALYST

- Better-than-expected market share data by end-October, better-than-expected 3Q23 results in November.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	280,044	268,290	309,390	335,747
EBITDA	9,955	17,051	21,549	22,865
Deprec. & amort.	(3,707)	(3,857)	(4,126)	(4,410)
EBIT	6,247	13,194	17,423	18,455
Total other non-operating income	(3,431)	3,366	-	-
Associate contributions	(400)	74	-	-
Net interest income/(expense)	1,117	1,369	2,473	2,532
Pre-tax profit	3,934	17,928	19,896	20,987
Tax	(1,431)	(4,303)	(4,775)	(5,037)
Minorities	(29)	(68)	(76)	(80)
Net profit	2,474	13,557	15,045	15,870
Net profit (adj.)	8,518	15,032	15,045	15,870

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	(4,390)	44,167	8,134	28,296
Pre-tax profit	3,934	17,928	19,896	20,987
Tax	(3,420)	(4,303)	(4,775)	(5,037)
Deprec. & amort	3,707	3,857	4,126	4,410
Associates	400	(74)	-	-
Working capital changes	(21,255)	28,053	(8,640)	10,468
Non-cash items	12,244	(1,295)	(2,473)	(2,532)
Other operating cashflows	-	-	-	-
Investing	15,549	(8,000)	(8,000)	(6,500)
Capex (growth)	(5,800)	(8,000)	(8,000)	(6,500)
Investments	(80,563)	-	-	-
Proceeds from sale of assets	98,068	-	-	-
Others	3,843	-	-	-
Financing (Rmbm)	(7,855)	1,511	2,473	2,532
Dividend payments	-	-	-	-
Issue of shares	84	-	-	-
Proceeds from borrowings	19,858	20,000	20,000	20,000
Loan repayment	(22,649)	(19,858)	(20,000)	(20,000)
Others/interest paid	(5,147)	1,369	2,473	2,532
Net cash inflow (outflow)	3,304	37,678	2,607	24,328
Beginning cash & cash equivalent	23,512	27,607	65,285	67,891
Changes due to forex impact	791	-	-	-
Ending cash & cash equivalent	27,607	65,285	67,891	92,220

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	9,138	14,828	20,326	24,115
Other LT assets	103,954	102,407	100,784	99,084
Cash/ST investment	27,607	65,285	67,891	92,220
Other current assets	132,808	113,967	136,804	128,505
Total assets	273,507	296,487	325,805	343,924
ST debt	2,151	2,293	2,293	2,293
Other current liabilities	87,477	96,689	110,886	113,055
LT debt	21,493	21,493	21,493	21,493
Other LT liabilities	18,463	18,463	18,463	18,463
Shareholders' equity	143,658	157,216	172,261	188,131
Minority interest	265	333	408	488
Total liabilities & equity	273,507	296,487	325,805	343,924

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
Gross margin	17.0	20.3	20.3	19.7
Pre-tax margin	1.9	6.6	6.4	6.3
Net margin	0.9	5.1	4.9	4.7
ROA	3.0	5.3	4.8	4.7
ROE	6.1	10.0	9.1	8.8
Growth				
Turnover	(14.7)	(4.2)	15.3	8.5
Gross profit	(18.3)	14.6	15.1	5.4
Pre-tax profit	(83.9)	355.7	11.0	5.5
Net profit	(87.2)	448.0	11.0	5.5
Net profit (adj.)	(61.4)	76.5	0.1	5.5
EPS (adj.)	(61.2)	75.3	0.1	5.5
Leverage				
Debt to total capital	8.6	8.0	7.3	6.9
Debt to equity	16.5	15.1	13.8	12.6
Net debt/(cash) to equity	(23.6)	(45.4)	(42.9)	(36.4)
Interest cover (x)	(5.6)	(9.6)	(7.0)	(7.3)

SMALL/MID CAP HIGHLIGHTS

Crystal International (2232 HK)

Takeaways From Luncheon

In our luncheon with Crystal International yesterday, management shared its strategies to enhance share gains from key customers. Looking ahead, management guides for a high single-digit hoh revenue growth in 2H23 and remains positive on the outlook in 2024. The company plans to step up the process of raising the dividend payout ratio and achieve its long-term target of a 60% dividend payout ahead of schedule.

WHAT'S NEW

- Ongoing share gains from key customers.** Crystal International (Crystal) continues to enhance share gains from key lifestyle and sportswear customers such as Uniqlo and Lululemon. For its largest customer Uniqlo, who currently accounts for approximately 32% of total revenue, Crystal focuses on share gains from its LifeWear products, which have the potential to achieve sustainable growth in the long term. On the other hand, Crystal targets to enhance its share gains from Lululemon by supplying high-quality new products, such as men's ABC pants (men's wear that is more ergonomic around the waist) in 2H23 and Define jackets in 2024.
- Expecting recoveries in 2H23.** Crystal has seen demand pick up for denim recently and expects further recoveries in 2H23. Management believes that its sales have bottomed out in 1H23, and expects revenue in 2H23 to register a high single-digit hoh growth, compared with US\$1.0b in 1H23. Regarding profitability, Crystal expects a mild increase in both gross margin and net margin in 2H23, vs 19.1% and 7.3% in 1H23 respectively.
- Positive 2024 outlook.** Management remains positive on the outlook in 2024, as it expects positive impact of the 2024 Summer Olympics on the sales of its sportswear product category. Crystal previously guided for a mid-teens yoy revenue growth in 2024.
- Stepping up dividend payout ratio.** As per our previous update, management planned to increase its dividend payout ratio by 5ppt every 1-2 years and targeted to achieve 60% dividend payout in the long term (2022: 35%). Currently, Crystal plans to achieve 60% payout ratio ahead of schedule.

VALUATION/RECOMMENDATION

- Trading at below historical mean.** According to Bloomberg, Crystal is trading at 4.8x one-year forward PE, which is below the historical average of 8.4x PE.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2018	2019	2020	2021	2022
Net turnover	2,496	2,428	1,985	2,341	2,491
Gross Profit	470	463	386	448	463
Operating Profit	185	189	134	204	209
Net Profit	149	152	108	163	173
EPS (cent)	5.2	5.3	3.8	5.7	6.1
P/E (x)	6.1	6.0	8.4	5.6	5.3
Book value per share	0.3	0.4	0.4	0.5	0.5
P/BV (x)	0.9	0.8	0.8	0.7	0.7
EBITDA	259	286	231	297	301
EV/EBITDA (x)	2.0	1.8	2.3	1.8	1.8
DPS (cent)	11.2	1.1	1.1	1.8	2.2
Dividend yield (%)	34.2	3.3	3.4	5.4	6.6
Net margin (%)	6.0	6.3	5.4	7.0	6.9
Net debt to equity (%)	13.4	3.7	(15.5)	(15.7)	(24.0)
Interest cover (x)	10.4	12.5	13.5	27.5	19.0
ROE (%)	15.7	14.6	9.6	13.3	13.1

Source: Crystal International, Bloomberg, UOB Kay Hian

NOT RATED

Share Price	HK\$2.45
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

Crystal International Group Limited manufactures apparels. The Company produces casual clothes, jeans, personal under wears, sweaters, sports garments, and other products. Crystal International Group markets its products in Hong Kong.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	2232 HK
Shares issued (m):	2,853
Market cap (HK\$m):	6,989
Market cap (US\$m):	957
3-mth avg daily t'over (US\$m):	0.1

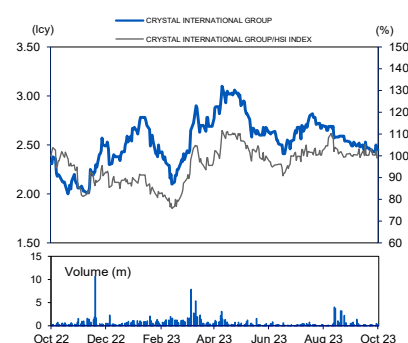
Price Performance (%)

52-week high/low	HK\$3.12/HK\$1.99			
1mth	3mth	6mth	1yr	YTD
(3.2)	(6.1)	(10.3)	6.5	0.8

Major Shareholders

Lo Lok Fung Kenneth & Family	80.06
FY22 NAV/Share (US\$)	0.47
FY22 Net Debt/Share (US\$)	-0.11

PRICE CHART



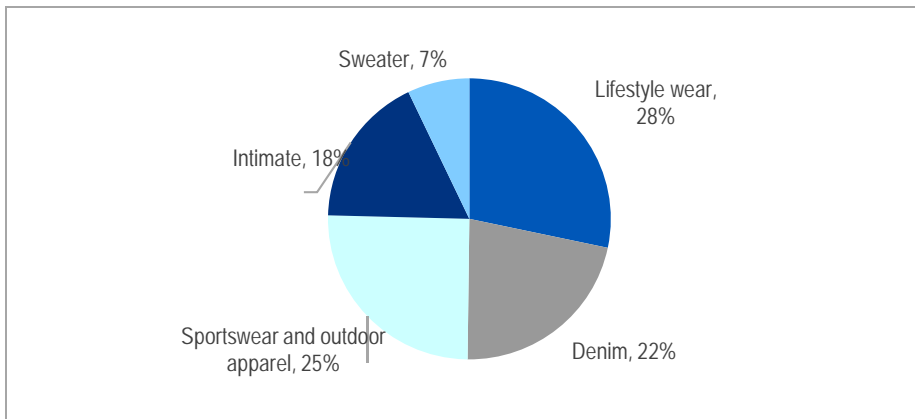
Source: Bloomberg

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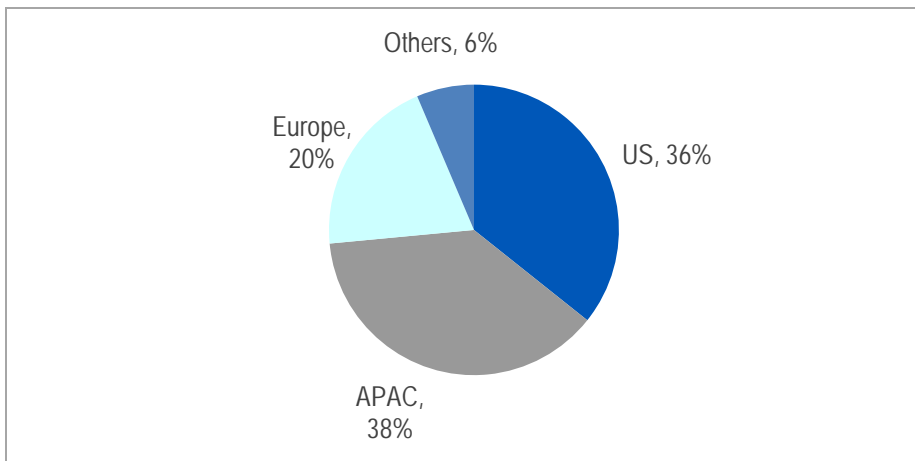
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REVENUE BY SEGMENT



Source: Crystal International, Bloomberg, UOB Kay Hian

REVENUE BY REGION



Source: Crystal International, Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (US\$m)	2019	2020	2021	2022
Net turnover	2,428	1,985	2,341	2,491
EBITDA	286	231	297	301
Deprec. & amort.	(98)	(97)	(93)	(93)
EBIT	189	134	204	209
Total other non-operating income	4	13	13	(10)
Associate contributions	(2)	(2)	(1)	(1)
Net interest income/(expense)	13	-	-	7
Pre-tax profit	174	123	192	213
Tax	22	15	29	39
Minorities	-	-	0	1
Net profit	152	108	163	173
Net profit (recurrent)	152	108	163	173

CASH FLOW

Year to 31 Dec (US\$m)	2019	2020	2021	2022
Operating	313	324	190	343
Pre-tax profit	174	123	192	213
Tax	(22)	(15)	(29)	(39)
Deprec. & amort.	(98)	(97)	(93)	(93)
Associates	(2)	(2)	(1)	(1)
Working capital changes	85	139	109	78
Non-cash items	50	40	25	41
Other operating cashflows	126	137	(14)	143
Investing	(111)	(43)	(85)	(140)
Capex (growth)	(110)	(58)	(65)	(92)
Investments	-	-	-	-
Proceeds from sale of assets	6	8	2	1
Others	(1)	15	(20)	(48)
Financing	(242)	(157)	(87)	(149)
Dividend payments	-	(42)	(54)	(54)
Issue of shares	-	-	-	-
Proceeds from borrowings	419	255	230	253
Loan repayment	(163)	(94)	(15)	(78)
Others/interest paid	(498)	(277)	(248)	(270)
Net cash inflow (outflow)	(40)	123	18	54
Beginning cash & cash equivalent	300	260	383	401
Changes due to forex impact	(2)	4	7	(15)
Ending cash & cash equivalent	260	383	401	455

BALANCE SHEET

Year to 31 Dec (US\$m)	2019	2020	2021	2022
Fixed assets	732	675	711	681
Other LT assets	199	188	185	194
Cash/ST investment	267	383	401	455
Other current assets	616	535	663	566
Total assets	1,816	1,783	1,959	1,895
ST debt	277	178	168	102
Other current liabilities	400	396	444	388
LT debt	16	12	19	21
Other LT liabilities	34	32	36	39
Shareholders' equity	1,088	1,164	1,289	1,341
Minority interest	-	-	4	4
Total liabilities & equity	1,816	1,783	1,959	1,895

KEY METRICS

Year to 31 Dec (%)	2019	2020	2021	2022
Profitability				
Gross margin	19.1	19.4	19.1	18.6
Pre-tax margin	7.2	6.2	8.2	8.5
Net margin	6.3	5.4	7.0	6.9
ROA	8.3	6.0	8.7	9.0
ROE	14.6	9.6	13.3	13.1
Growth				
Turnover	(2.7)	(18.2)	17.9	6.4
EBITDA	4.6	(17.9)	(3.3)	20.1
Pre-tax profit	2.5	(29.4)	55.8	10.9
Net profit	1.8	(28.8)	50.9	5.9
Net profit (adj.)	1.8	(28.8)	50.9	5.9
EPS	1.7	(28.9)	50.9	5.8
Leverage				
Debt to total capital	22.0	14.8	13.3	9.0
Debt to equity	28.2	17.4	15.3	9.9
Net debt/(cash) to equity	3.7	(15.5)	(15.7)	(24.0)
Interest cover (x)	12.5	13.5	27.5	19.0

ASIAN GEMS CORPORATE HIGHLIGHTS

Bukalapak.com (BUKA IJ)

Leader In B2B Focusing On Niche Speciality Vertical Programmes

BUKA states that so far, the impact of the closure of TikTok Shop has been negligible as it is selling different merchandise compared with TikTok Shop. BUKA's Mitra is the market leader in B2B e-commerce. Although marketplace competition could intensify, BUKA will focus on speciality vertical programmes and be the leader in these programmes. BUKA now has three speciality programmes and white/private label goods could be next. Maintain BUY with a target price of Rp265.

WHAT'S NEW

- **Negligible impact from TikTok Shop closure thus far.** With new regulations splitting e-commerce and social media, TikTok Shop has closed its doors in Indonesia since the past week. Bukalapak.com (BUKA) did not see an increase or decrease in volume in its operation. The main reason is there is minimal overlap in the merchandise sold on TikTok Shop compared with merchandise sold on BUKA's platform. BUKA continues to monitor the next action from TikTok and its implication on Indonesia e-commerce.
- **Mitra: Market leader with competitors exiting.** BUKA is the market leader in B2B Mitra programme and points out that competitors such as Mitra Tokopedia and Mitra Shopee have been exiting from this space while others such as Ula and Gudang Aja have reduced their capacity. BUKA's market share in B2B e-commerce has risen from 42% in 2021 to 52% in 2022 and likely to rise with the exit of its competitors.
- **E-commerce marketplace: Focusing on speciality programmes to mitigate competition.** Facing a potential stiffer competition from Sea Limited (SEA) and Gojek Tokopedia (GOTO), BUKA acknowledges that the competition in e-commerce is likely to increase. However, BUKA points out that its strategy is to choose specific speciality programmes that it could monetise and be a market leader in rather than serving the mass markets. It will not go head on with SEA and GOTO in e-commerce but has decided to adopt a niche strategy.
- **White and private labels as a candidate for new speciality vertical programme.** BUKA is doing market testing of hundreds of products from non-national producers to see whether consumers would like to purchase these products. These white label and private label products carry 3x-15x higher take rates compared with national brands. BUKA's take rate from national brands could be 1% but the take rate from these white label products could be above 3%. BUKA mentions that if this is successful, it will become a speciality vertical programme by late-24.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net turnover	1,869	3,618	4,646	5,324	6,398
EBITDA	(1,709)	1,760	(813)	276	1,068
Operating profit	(1,709)	1,760	(813)	276	1,068
Net profit (rep./act.)	(1,676)	1,801	(424)	(352)	510
Net profit (adj.)	(1,690)	(2,484)	(306)	(152)	625
EPS (Rp)	(1.6)	(2.4)	(0.3)	(0.1)	0.6
PE (x)	n.m.	n.m.	n.m.	n.m.	349.5
P/B (x)	9.3	8.2	8.4	8.5	8.3
EV/EBITDA (x)	n.m.	5.3	n.m.	33.6	8.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(89.7)	49.8	(9.1)	(6.6)	8.0
Net debt/(cash) to equity (%)	(96.7)	(61.4)	(48.2)	(48.0)	(48.7)
ROE (%)	n.a.	7.2	n.a.	n.a.	2.0
Consensus net profit	-	-	(330)	283	723
UOBKH/Consensus (x)	-	-	0.93	n.m.	0.86

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

BUY
(Maintained)

Share Price	Rp212
Target Price	Rp265
Upside	+25.0%

COMPANY DESCRIPTION

BUKA is one of Indonesia's top three e-commerce operators. It has three divisions: Bukalapak.com, Mitra, and Buka Pegadaian.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	BUKA IJ
Shares issued (m):	103,100.0
Market cap (Rpb):	21,857.2
Market cap (US\$m):	1,392.2
3-mth avg daily t'over (US\$m):	3.7

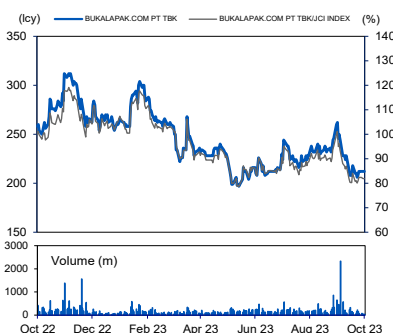
Price Performance (%)

52-week high/low	Rp312/Rp197			
1mth	3mth	6mth	1yr	YTD
(18.5)	(3.6)	(10.2)	(20.3)	(19.1)

Major Shareholders

	%
PT Kreatif Media Karya	24.6
API Hong Kong Invt Ltd	13.1
FY23 NAV/Share (Rp)	25
FY23 Net Cash/Share (Rp)	122

PRICE CHART



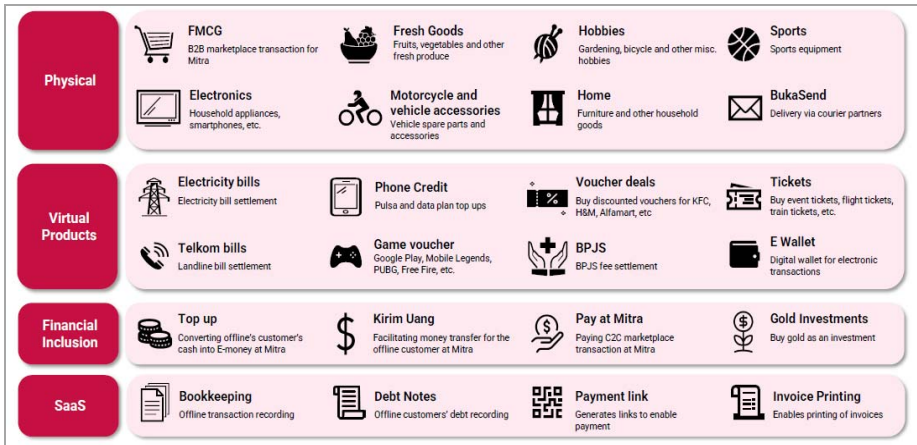
Source: Bloomberg

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STOCK IMPACT

SERVICE OFFERED BY MITRA



Source: BUKA

- 3Q23 and 4Q23 adjusted EBITDA are in line with guidance.** BUKA mentions that 3Q23 adjusted EBITDA should come in in line with the guidance of a loss of Rp100b-125b. It reiterated that it should be adjusted EBITDA-positive by 4Q23, despite the potential intensifying competition in the market place segment.
- Three speciality vertical programmes are now implemented.** BUKA currently has three speciality vertical programmes:
 - Reconditioned second-hand cell phones.** The second-hand cell phone re-commerce business is US\$2.0b-2.5b with a 9% take rate, which is accretive compared with Mitra's take rate of 2.86% in 2Q23.
 - Itemku game vouchers programme.** Itemku is a marketplace speciality programme with gaming vouchers (with high single-digit take rate), and is growing fast and profitable. Itemku is the market leader in gaming vouchers and it sells its vouchers at 10% cheaper than its competitors.
 - King Kong programme which supplies chicken, eggs and five core ingredients (chili, garlic, onion, etc) to eateries.** Because of the bulk purchase, BUKA is able to get discounts and sell them at lower prices. The take rate of this programme is 5% which is higher than the current take rate of 2.86%. BUKA has signed 100,000 eateries in 20 regencies across Indonesia and believes that future growth is likely as there are 400 regencies in Indonesia.

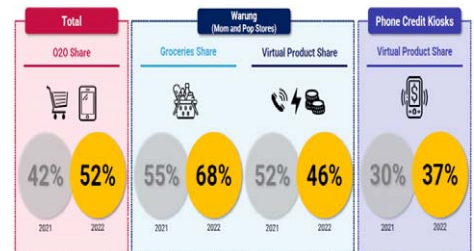
EARNINGS REVISION/RISK

- No change in our forecasts.** We will wait for 3Q23 results that will be released on 27 Oct 23 before adjusting our model.

VALUATION/RECOMMENDATION

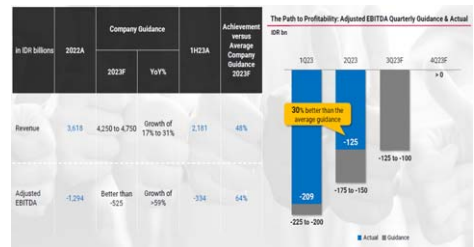
- Maintain BUY with a target price of Rp265.** We change the way we value BUKA as we decided to use GOTO as a reference, as GOTO is the market leader in Indonesia's e-commerce market. We assume BUKA commands a 30% discount to GOTO's EV/GMV value and we also assume a 40% discount to account for potential earnings miss. Maintain BUY with a target price of Rp265.

MARKET SHARE



Source: Bloomberg

ADJUSTED EBITDA GUIDANCE



Source: BUKA

VALUATION

	2023F	2024F
BUKA TPV (Rp b)	172,705	194,781
TPV as % of GMV	70.0%	70.0%
BUKA GMV (Rp b)	246,721	278,259
Fair EV/GMV (Using GOTO with 30% discount)	0.13	0.12
BUKA EV (Rp b)	31,461	34,635
Minus Debt (Rp b)	0	0
Plus, Cash (RpB)	12,575	12,349
BUKA Market Cap (Rp b)	44,036	46,984
No of Shares (b shares)	103	103
Fair Value (Rp per share)	427	456
Fair Value after 40% discount (Rp per share)	256	274
Target Price	260	270

Source: Bloomberg

PROFIT & LOSS

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Net turnover	3,618	4,646	5,324	6,398
EBITDA	1,760	(813)	276	1,068
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	1,760	(813)	276	1,068
Associate contributions	(23)	(28)	(300)	(200)
Net interest income/(expense)	357	617	222	224
Pre-tax profit	2,094	(224)	198	1,092
Tax	(293)	(200)	(550)	(582)
Minorities	0.0	0.0	0.0	0.0
Net profit	1,801	(424)	(352)	510
Net profit (adj.)	(2,484)	(306)	(152)	625

BALANCE SHEET

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Fixed assets	23	585	854	1,213
Other LT assets	5,378	7,757	7,151	6,612
LT debt	n.a.	n.a.	n.a.	n.a.
Cash/ST investment	16,256	12,575	12,349	12,766
Other current assets	5,749	6,174	6,556	7,015
Total assets	27,406	27,092	26,909	27,606
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	809	933	1,085	1,267
Other LT liabilities	99	84	100	104
Shareholders' equity	26,487	26,064	25,712	26,222
Minority interest	11	11	12	13
Total liabilities & equity	27,406	27,092	26,909	27,606

CASH FLOW

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Operating	(632)	91	340	1,987
Pre-tax profit	2,094	(224)	198	1,092
Tax	(293)	(200)	(550)	(582)
Deprec. & amort.	120	126	123	125
Working capital changes	(4,799)	(301)	(229)	(277)
Other operating cashflows	2,246	690	798	1,629
Investing	(6,008)	(3,552)	(757)	(1,348)
Capex (growth)	(12)	(562)	(268)	(359)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	10	10	11	12
Others	(6,006)	(3,000)	(500)	(1,000)
Financing	(2,010)	(14)	(15)	(15)
Issue of shares	0.0	0.0	0.0	0.0
Others/interest paid	(2,010)	(14)	(15)	(15)
Net cash inflow (outflow)	(8,650)	(3,475)	(432)	623
Beginning cash & cash equivalent	24,700	16,256	12,575	12,349
Changes due to forex impact	206	(206)	205	(206)
Ending cash & cash equivalent	16,256	12,575	12,349	12,766

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	48.6	(17.5)	5.2	16.7
Pre-tax margin	57.9	(4.8)	3.7	17.1
Net margin	49.8	(9.1)	(6.6)	8.0
ROA	6.7	n.a.	n.a.	1.9
ROE	7.2	n.a.	n.a.	2.0
Growth				
Turnover	93.6	28.4	14.6	20.2
EBITDA	n.a.	(146.2)	n.a.	286.5
Pre-tax profit	n.a.	(110.7)	n.a.	450.8
Net profit	n.a.	(123.5)	n.a.	n.a.
Net profit (adj.)	n.a.	n.a.	n.a.	n.a.
EPS	n.a.	n.a.	n.a.	n.a.
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(61.4)	(48.2)	(48.0)	(48.7)

COMPANY UPDATE

Farm Fresh (FFB MK)

Easing Cost Pressures But Valuations Remain Lofty

Over the coming quarters, both top-line and earnings should improve sequentially. A host of new products, increased capacity and full quarter's contribution from Inside Scoop will provide an uplift to sales. Meanwhile, revised ASPs and lower hedged input costs bode well for margins. This is captured by FY25 earnings close to doubling. Despite that, valuations are trading in line with its peers', thus leaving limited upside at this juncture. Maintain HOLD and target price of RM1.10.

WHAT'S NEW

- **WMP still trending favourably.** Current whole milk powder (WMP) prices have inched up recently but at US\$2,931/MT, it is still 9.5% lower vis-à-vis Farm Fresh's current hedge of US\$3,240/MT. Global demand, driven by China is only expected to firm up in 2H24 and therefore it still bodes favourably for Farm Fresh at this juncture when it rolls over its WMP hedge in late-23. WMP accounts for close to 49% of FY24 milk requirements. We estimate for every -1.0% to its hedge cost, FY25 earnings are positively impacted by +0.9%. Meanwhile, Australia farmgate milk prices have only softened marginally as demand has remained robust arising from extreme competition among dairy processors in Australia. Global dairy prices could place external pressure on domestic pricing. But given the duration of Farm Fresh's farmgate milk hedge till mid-24 and the insignificant fluctuations in pricing, it does not necessitate a change in our FY25 assumptions at this juncture.
- **Sequentially, earnings should be on a significantly stronger footing.** This is owing to:
 - Full quarter's contribution from Inside Scoop.** Contributions from Inside Scoop were only consolidated in the month of June during the 1QFY24 quarter. Inside Scoop's sales contribution was estimated to have accounted for 2% of revenue from a single month's contribution. Furthermore, its gross margins are accretive at 10-11% higher vis-à-vis Farm Fresh's margins.
 - Higher ASPs.** +5% ASP revision for its chilled products, effective mid-July.
 - Lower input cost.** Lower raw milk and WMP costs. Farm Fresh's raw milk and WMP hedged cost is 4% and 15% lower respectively than its previous hedge cost. Following the complete exhaustion of costlier inventory over the course of 2QFY24, Farm Fresh will be able to fully enjoy lower input cost.
 - Relief of capacity constrain.** Increased throughput with an additional UHT processing line in mid-August and early-September. Recall that Farm Fresh was previously supply capped in FY23 until additional capacity kicked in with its Taiping and Muadzam Shah in 1QFY24.

KEY FINANCIALS

Year to 31 Mar (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	502	630	739	857	981
EBITDA	86	88	113	180	192
Operating profit	61	54	71	133	140
Net profit (rep./act.)	86	59	65	126	137
Net profit (adj.)	86	59	65	126	137
EPS (sen)	4.6	3.2	3.5	6.8	7.4
PE (x)	25.8	37.2	33.8	17.6	16.2
P/B (x)	3.6	3.5	3.2	2.8	2.5
EV/EBITDA (x)	29.4	28.9	22.5	14.1	13.2
Dividend yield (%)	0.2	0.7	0.7	1.4	1.5
Net margin (%)	17.1	9.4	8.8	14.7	13.9
Net debt/(cash) to equity (%)	42.0	49.3	42.3	32.1	24.3
Interest cover (x)	9.4	7.7	6.1	10.5	12.1
ROE (%)	20.1	9.5	9.9	17.0	16.2
Consensus net profit	-	-	67	111	144
UOBKH/Consensus (x)	-	-	0.98	1.14	0.95

Source: Farm Fresh, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM1.19
Target Price	RM1.10
Upside	-7.6%

COMPANY DESCRIPTION

Homegrown Farm Fresh is the largest integrated dairy producer in Malaysia. Farm Fresh commands more than half of the RTD fresh milk segment. It also looks to expand its exports to the likes of Singapore, Indonesia and the Philippines.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	FFB MK
Shares issued (m):	1,871.9
Market cap (RMm):	2,227.6
Market cap (US\$m):	472.6
3-mth avg daily t'over (US\$m):	1.2

Price Performance (%)

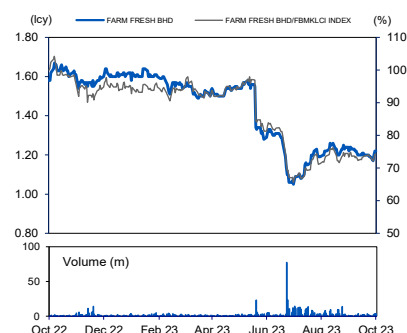
52-week high/low	RM1.67/RM1.05			
1mth	3mth	6mth	1yr	YTD
(4.8)	8.2	(21.7)	(25.2)	(26.1)

Major Shareholders

	%
Loi Tuan Ee and family	44.5
Agrifood Resources	11.8
EPF	5.4

FY24 NAV/Share (RM)	0.37
FY24 Net Debt/Share (RM)	0.16

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **Exciting launches on the horizon.** Farm Fresh has a host of product launches in its pipeline over the next few months. For dairy products, this includes plant-based spoonable yogurt, organic milk, juniors culture milk and growing up milk (GUM). The latter is of particular significance seeing that it takes aim at a currently untapped RM2.2b segment. In addition, Farm Fresh is due to commence operations in the Philippines and introduce consumer package goods (CPG) for its Inside Scoop ice cream.

STOCK IMPACT

- **Competition over the medium-term horizon.** F&N and a JV between Baladna (largest dairy group in Qatar), FGV Holdings and Touch Group are expected to make significant investments into upstream dairy activity. Over the next 10 years, both these initiatives target to produce 200m and 300m litres of fresh milk, a combined 500m litres of fresh milk locally.

EARNINGS REVISION/RISK

- No changes to earnings. Downside risks: Elevated raw material prices as well as milk quality and yield.

VALUATION/RECOMMENDATION

- **Maintain HOLD and target price of RM1.10.** While Farm Fresh offers more exciting growth and avenues of growth relative to its domestic peers, it is balanced by impending competition kicking-in over the medium term and potentially displacing Farm Fresh's strangle hold on dominant market share. Our valuation PE peg to 18.3x is based on 2024. The current PE peg is based on the average valuations of its direct peers.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

<ul style="list-style-type: none"> • Environmental
<ul style="list-style-type: none"> - Climate action. A target for a reduction of 25% of greenhouse gas emissions in five years. Also a target of 21% total Scope 1 and Scope 2 emissions reduction by 2026, primarily through the use of renewable energy. Scope 3 emissions represent less than 1% of its GHG emissions and therefore its environmental impact is considered less significant.
<ul style="list-style-type: none"> • Social
<ul style="list-style-type: none"> - Animal health and welfare. Farm Fresh is the first dairy farm operator in Asia who has earned the internationally recognised Certified Humane certification by Humane Farm Animal Care for its on-farm operations.
<ul style="list-style-type: none"> • Governance
<ul style="list-style-type: none"> - Board balance and composition. 4 of 7 directors are independent directors, amounting to 57% of its board members.

KEY ASSUMPTIONS

	2023F	2024F	2025F
Revenue (RMm)	621.3	726.4	837.7
Growth yoy (%)	23.8	16.9	15.3
PATAMI (RMm)	74.8	99.4	120.4
Growth yoy (%)	-12.6	32.9	21.1
3-yr CAGR (%)	36.6	11.8	12.0
Gross margin (%)	26.8	28.1	28.2
EBITDA margin (%)	20.3	22.5	22.6
ASPs - Malaysia (dairy) (RM/litre)	6.35	6.41	6.47
ASPs - Malaysia (Plant based) (RM/litre)	7.06	7.13	7.21
Volume (m litres)	98	113	129
Growth yoy (%)	15.0	15.8	14.2

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
Net turnover	630	739	857	981
EBITDA	88	113	180	192
Deprec. & amort.	33	42	47	52
EBIT	54	71	133	140
Total other non-operating income	9	13	15	17
Associate contributions	0	0	0	0
Net interest income/(expense)	(11)	(18)	(17)	(16)
Pre-tax profit	52	65	130	141
Tax	(2)	(5)	(10)	(11)
Minorities	0	5	6	7
Net profit	59	65	126	137
Net profit (adj.)	59	65	126	137

CASH FLOW

Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
Operating	(20)	146	157	160
Pre-tax profit	52	65	130	141
Tax	(2)	(5)	(10)	(11)
Deprec. & amort.	33	42	47	52
Associates	0	0	0	0
Working capital changes	(114)	25	(28)	(37)
Other operating cashflows	10	18	17	16
Investing	1	(90)	(70)	(75)
Capex (growth)	(147)	(90)	(70)	(75)
Proceeds from sale of assets	148	0	0	0
Others	0	0	0	0
Financing	15	(7)	(99)	(50)
Dividend payments	(20)	(16)	(31)	(34)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	11	59	(50)	0
Others/interest paid	24	(49)	(17)	(16)
Net cash inflow (outflow)	(3)	50	(12)	35
Beginning cash & cash equivalent	28	23	73	61
Changes due to forex impact	(2)	0	0	0
Ending cash & cash equivalent	23	73	61	96

BALANCE SHEET

Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
Fixed assets	414	537	561	587
Other LT assets	163	196	206	206
Cash/ST investment	23	73	61	96
Other current assets	464	369	404	463
Total assets	1,063	1,175	1,232	1,352
ST debt	93	62	62	62
Other current liabilities	68	97	104	121
LT debt	243	302	252	252
Other LT liabilities	23	23	23	17
Shareholders' equity	636	690	790	900
Total liabilities & equity	1,063	1,175	1,232	1,352

KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	13.9	15.3	21.1	19.6
Pre-tax margin	8.3	8.9	15.2	14.4
Net margin	9.4	8.8	14.7	13.9
ROA	5.7	5.8	10.5	10.6
ROE	9.5	9.9	17.0	16.2
Growth				
Turnover	25.5	17.3	16.0	14.5
EBITDA	1.7	28.7	59.7	6.6
Pre-tax profit	(20.6)	25.5	99.2	8.3
Net profit	(30.6)	10.0	92.6	8.6
Net profit (adj.)	(30.6)	10.0	92.6	8.6
EPS	(30.6)	10.0	92.6	8.6
Leverage				
Debt to total capital	34.6	34.6	28.5	25.9
Debt to equity	52.9	52.8	39.8	35.0
Net debt/(cash) to equity	49.3	42.3	32.1	24.3
Interest cover (x)	7.7	6.1	10.5	12.1

ASIAN GEMS CONFERENCE HIGHLIGHTS

Petronas Dagangan (PETD MK)

Look Beyond Targeted Fuel Subsidy, To The Role Of EV Adoption Enabler

PETD is optimistic on growth in certain fuel segments, although we remain more conservative for 2H23. We commend PETD for embracing peak fossil fuel demand risk, as it has invested across the circular economy, biodiesel and renewable fuels, and green mobility. Share price sentiment may be weighed by fuel subsidy rationalisation, but investors should look beyond this once PETD becomes a major enabler of EV adoption. Maintain HOLD. Target price: RM24.70.

WHAT'S NEW

- **Peak fossil fuel demand may come...** Petronas Dagangan (PETD) recorded 11% fuel volume growth in 1H23, and noted that most fuel segments (including jet fuel) had seen volumes recovering almost to pre-pandemic levels. Positively, Malaysia's new auto sales had been encouraging at 10.3% growth in 1H23 (Aug 23: 13%), prompting the auto association to upgrade their end-23 targets. Beyond 2024, consultants like BMI expects Malaysia's refined fuel consumption growth to slow to 1.5% p.a. (vs GDP growth of >4%). This is driven by a sticky high inflation, emissions abatement and maturing green technologies (to substitute the growth of new combustion engine vehicles), which depend on the pace of consumer adaption and sustainable government policies.
- **...but there are still pockets of growth.** Even if PETD regained its dominant market share as a jet fuel supplier, management remains optimistic on growth, as more aviation customers are looking to set up base in local airports. Hence, it is possible for jet fuel mix to surge beyond pre-COVID-19's 19%. PETD will also focus on enhancing its non-fuel avenues. PETD had mobilised 41 Café Mesra within its existing 800 Kedai Mesra network, and expanded in-brand "Mesra" offerings from 41 to 85 in 2022. PETD has plans to open 100 Café Mesra, even outside Petronas stations. More importantly, it is embracing green mobility/fuels and circular economy, and maturing digital apps like SETEL will enable the advancement of traditional and "transition" businesses.
- **Capex may mirror parent company's direction, though having RM10b Wakalah programme helps.** Currently, PETD's steady-state yearly capex is about RM0.4b, vs our more conservative forecasts of RM0.5b, which also mirrors Petronas' higher capex allocation ie additional 20-25% of capex (to RM60b p.a.) for green/"transition" projects. PETD had made various "transition" investments, but none of them are material. Also, there are no plans for major overseas expansion. But, having access to the RM10b Wakalah line (despite being FCF positive) signals to us that PETD is ready for any inorganic M&A or major investments. While this is not likely a near-term event, we are not ruling out such scenarios (of a major shift in capex plans).

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	22,674	36,749	35,924	36,110	37,963
EBITDA	1,134	1,588	1,877	2,010	2,082
Operating profit	751	1,149	1,429	1,507	1,584
Net profit (rep./act.)	530	777	1,064	1,116	1,169
Net profit (adj.)	549	753	1,064	1,116	1,169
EPS (sen)	55.2	75.8	107.1	112.4	117.7
PE (x)	41.0	29.9	21.1	20.1	19.2
P/B (x)	4.0	3.9	3.8	3.7	3.7
EV/EBITDA (x)	18.0	12.8	10.9	10.1	9.8
Dividend yield (%)	3.1	3.4	4.2	4.4	4.6
Net margin (%)	2.3	2.1	3.0	3.1	3.1
Net debt/(cash) to equity (%)	(32.1)	(47.1)	(36.7)	(37.9)	(38.9)
Interest cover (x)	97.4	63.0	135.0	95.3	75.9
ROE (%)	9.4	13.7	18.3	18.8	19.2
Consensus net profit	-	-	1,015	1,039	1,103
UOBKH/Consensus (x)	-	-	1.05	1.07	1.06

Source: Petronas Dagangan Bhd, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM22.64
Target Price	RM24.70
Upside	+9.1%

COMPANY DESCRIPTION

The principal domestic marketing arm of Petronas for downstream products, in retail, commercial, liquefied petroleum gas (LPG) and lubricants.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	PETD MK
Shares issued (m):	993.5
Market cap (RMm):	22,491.8
Market cap (US\$m):	4,768.0
3-mth avg daily t'over (US\$m):	2.6

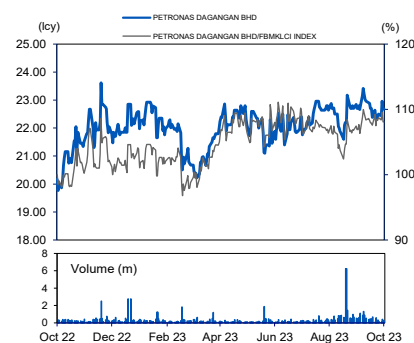
Price Performance (%)

52-week high/low	RM23.62/RM19.77			
1mth	3mth	6mth	1yr	YTD
(2.3)	2.0	6.1	13.8	(0.9)

Major Shareholders

	%
Petronas	63.9
EPF	12.4
FY23 NAV/Share (RM)	5.91
FY23 Net Cash/Share (RM)	2.17

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Green mobility: PETD's partnership with Blueshark may be an area to watch out for.** Recent national policies and industrial roadmaps enable an accelerated customer adoption of EV. For instance, the National Transition Roadmap (NETR) targets for EVs to form 20%/50%/80% of total industry volume (TIV) by 2030/40/50. PETD is already providing its avenues for EV chargers, with about 32 Direct Current (DC) charge points installed at major highways. The government pledged to make EV ownership accessible to all citizens, and this may involve targeted subsidies. While the four-wheeled EVs may still be perceived to be big-tickets items for the rich, the two-wheeled EVs and battery swaps systems may be the segments that require the most attention.
- The Blueshark partnership officially begun in Nov 22. Today, Blueshark has commercialised its revolutionary R1 Smart Electric scooters which cost RM7,190 (excluding battery) or RM12,600 (including battery). Interestingly, the battery packs can be easily swapped and can cover a distance of 110km at full charge, which makes this vehicle ideal for B2C/gig-economy/delivery drivers. We believe this is among PETD's more promising green mobility ventures, and observed that Blueshark had secured clientele like Pos Malaysia, Tenaga Nasional and Maxis. We will not discount a likelihood of PETD injecting further investments, and if this materialises, PETD may become a major enabler of EV adoption alongside Gentari (another potential green mobility player).
- We still expect a slightly weaker 2H23 outlook (vs 1H23),** as factors such as inflation and GDP downgrades will impact consumption. For instance, many local F&B restaurants and tourism businesses were closed, as costs continued to go up. In this case, it may impact PETD's commercial and LPG volumes. Transition-related projects will not be earnings accretive at early development stages.
- Targeted diesel subsidy may be implemented by Jan 24.** This may be of national importance as according to the Auditor General 2022 report, the nation's fuel subsidy had reached RM46b mark in 2022 (2021: RM13b), and this was based on subsidy receipts of 15 manufacturers for Dec 21-Oct 22. The mode of implementation is unclear. In our view, the most seamless adoption with the least earnings hiccups is to enable the fleet card system for commercial vehicles, as PETD already has existing "Skim Kawalan Diesel Bersubsidi" for its commercial customers to use unsubsidised diesel. The targeted petrol subsidy may take time to implement later alongside the nationwide database (PADU) that will look at net disposable income, rather than income level segregation.

EARNINGS REVISION/RISK

- Retain 2023-25 earnings.**

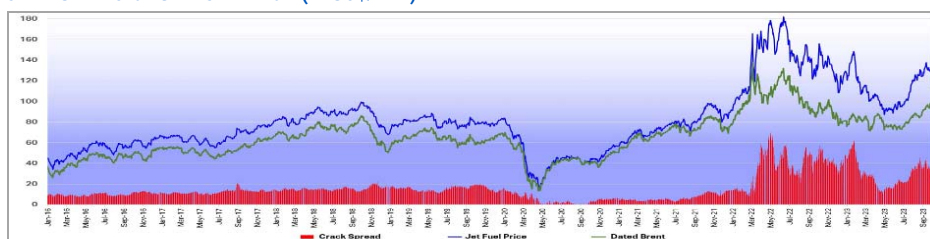
VALUATION/ RECOMMENDATION

- Maintain HOLD with DCF-based target price of RM24.70.** This implies 2024F PE and dividend yields of 22x (in line with past five-year average) and 4% respectively. There is opportunity to accumulate at low prices. Near-term sentiment may be weighed by targeted fuel subsidy, but its potential role in green mobility may influence longer-term valuations.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

<ul style="list-style-type: none"> Environmental <ul style="list-style-type: none"> Green energy in its fuel stations. Installing solar panels, and collaborating with GreenTech to provide ChargeEV facilities Circular economy. Reduce single-use plastics. Collect recycled items at stations. Social <ul style="list-style-type: none"> Supply chain. Support enterprises as station dealers or Kedai Mesra suppliers Donations. Regularly sponsors community services, provided COVID-19 donations. Governance <ul style="list-style-type: none"> 6 out of 10 board members are independent
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JET FUEL VS CRUDE OIL PRICE (IN US\$/BBL)



Source: IATA, Platts, UOB Kay Hian

SNAPSHOT, QOQ AND YOY CHANGES (2023)

	qoq	yoq
Retail volume (%)	+6	+9
Commercial volume (%)	+10	+21
Liquefied Petroleum Gas (LPG) volume (%)	-2	+1
Lubricant volume (%)	-2	+6
Opex (RM709m) (%)	+3	+2

Source: PETD

MALAYSIA AUTO TOTAL INDUSTRY VOLUME (TIV)

Fig. 2: TIV January to June 2023 vs 2022; trend by month



Source: Malaysia Auto Association (MAA)

EARNINGS, CASH FLOW AND FCF FORECASTS

	2022	2023F	2024F
Revenue (RMb)	35,924	36,110	37,963
Sales Volume (m litres)	15,033.7	14,696.4	14,772.4
Core profit (RMm)	776.6	1,063.7	1,116.2
Receivable days *	40.00	40.50	34.85
Payable days *	43.83	39.83	35.83
Inventory days**	1.50	1.20	0.90
Capex (RMm)	(434.8)	(481.8)	(530.0)
FCF (RMm)	505.1	1,225.1	1,264.2
Dividend (RMb)	(755.0)	(936.0)	(982.3)
DPS (RM)	0.76	0.94	0.98
ROE (%)	13.7%	18.3%	18.8%
Cash (RMb)	2.9	2.5	2.7

*Note: Excludes other receivables and payables to related companies
Source: PETD, UOB Kay Hian

DCF-BASED VALUATION

	Current
Risk-free Rate	Implied 5%
Beta	0.9x
Risk premium	6.5%
Long-term growth	4.0%
EBITDA p.a.	RM1.8-2.0b
Capex p.a.	RM482-530m
Working capital p.a.	RM0.6b loss to RM0.1b
Target Price	RM24.70

Source: UOB Kay Hian

BLUESHARK'S SMART R1 E-SCOOTERS



Source: Blueshark

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	36,749	35,924	36,110	37,963
EBITDA	1,588	1,877	2,010	2,082
Deprec. & amort.	439	449	503	498
EBIT	1,149	1,429	1,507	1,584
Associate contributions	11	11	11	11
Net interest income/(expense)	(25)	(14)	(21)	(27)
Pre-tax profit	1,135	1,426	1,497	1,568
Tax	(347)	(357)	(374)	(392)
Minorities	(11)	(6)	(6)	(7)
Net profit	777	1,064	1,116	1,169
Net profit (adj.)	753	1,064	1,116	1,169

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	1,995	987	1,755	1,794
Pre-tax profit	1,135	1,426	1,497	1,568
Tax	347	357	374	392
Deprec. & amort.	439	448	502	529
Associates	11	11	11	11
Working capital changes	853	(520)	141	101
Other operating cashflows	(790)	(736)	(771)	(807)
Investing	(321)	(445)	(493)	(493)
Capex (growth)	(435)	(482)	(530)	(530)
Investments	(14)	(14)	(14)	(14)
Proceeds from sale of assets	77	0	0	0
Others	52	52	52	52
Financing	(696)	(953)	(1,033)	(1,079)
Dividend payments	(755)	(936)	(982)	(1,029)
Loan repayment	59	(17)	(50)	(50)
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	978	(410)	230	222
Beginning cash & cash equivalent	1,911	2,889	2,479	2,708
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	2,889	2,479	2,708	2,931

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	4,115	4,502	4,702	4,877
Other LT assets	86	7	7	7
Cash/ST investment	2,889	2,479	2,708	2,931
Other current assets	4,167	4,095	3,530	3,166
Total assets	11,258	11,083	10,948	10,980
ST debt	49	50	50	50
Other current liabilities	5,156	4,747	4,363	4,138
LT debt	135	272	381	490
Other LT liabilities	129	93	93	93
Shareholders' equity	5,743	5,870	6,004	6,145
Minority interest	45	51	57	64
Total liabilities & equity	11,258	11,083	10,948	10,980

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	4.3	5.2	5.6	5.5
Pre-tax margin	3.1	4.0	4.1	4.1
Net margin	2.1	3.0	3.1	3.1
ROA	7.4	9.5	10.1	10.7
ROE	13.7	18.3	18.8	19.2
Growth				
Turnover	62.1	(2.2)	0.5	5.1
EBITDA	40.0	18.2	7.0	3.6
Pre-tax profit	53.2	25.7	4.9	4.7
Net profit	46.6	37.0	4.9	4.7
Net profit (adj.)	37.2	41.3	4.9	4.7
EPS	37.2	41.3	4.9	4.7
Leverage				
Debt to total capital	3.1	5.2	6.6	8.0
Debt to equity	3.2	5.5	7.2	8.8
Net debt/(cash) to equity	(47.1)	(36.7)	(37.9)	(38.9)
Interest cover (x)	63.0	135.0	95.3	75.9

ASIAN GEMS CORPORATE HIGHLIGHTS

Seatrium (STM SP)

Enthusiasm Unabated – Outlook Remains Bright In 2024

Seatrium’s outlook in 2024 remains bright, in our view, as we expect new order wins in both the oil & gas as well as renewables sectors. In the near term, this could come in the form of two Brazilian FPSOs while in the medium to longer term, renewables demand remains well supported. The company’s strategic review remains on track to be completed by end-23. Maintain BUY. Target price: S\$0.19.

WHAT’S NEW

- **Positive outlook – Stay invested.** Seatrium presented an upbeat outlook on the offshore marine and renewables industry to nearly 40 institutional investors at the UOB Kay Hian Asian Gems conference earlier this week. While new rig orders may be 1-2 years away, the company will continue to focus on a return to profitability, safe and on-time execution of its current S\$19.7b orderbook as well as to fill up the gap in its orderbook pipeline for 2026-29.
- **Strategic review to be completed by end-23.** Management commented that its “ambitious” strategic review is ongoing and, among other issues, will address: a) extraction of cost and revenue synergies between the merged companies, b) the inevitable consolidation of its global network of yards, c) the company’s ideal capital structure going forwards, d) potential consolidation of its shares (which appears to be a 2024 event in our view), and e) target orderbook mix between renewables and oil & gas projects. In addition, the strategic review will also look at what sort of investments the company will need to make in the areas of digitisation, robotics and artificial intelligence, which will partially address the issue of a chronic labour shortage that has affected many industries globally.
- **Update on Brazilian FPSOs.** The company has submitted its tender for the P-84 and P-85 FPSOs for Petrobras’ Atapu and Sépia fields respectively and, as is standard procedure, Seatrium is currently going through the negotiation with Petrobras regarding the price as well as a technical review. Management appeared somewhat optimistic that the results of the tender could be known by year end.
- **Headwinds in the offshore wind sector not a worry.** While price growth and rising interest rates have driven up costs for offshore wind projects, Seatrium’s wind projects are related to infrastructure that has received Final Investment Decision and thus management strongly believes that its projects have no cancellation risk.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	1,862	1,947	4,621	5,353	6,942
EBITDA	(1,028)	(7)	256	502	839
Operating profit	(1,224)	(206)	(35)	211	501
Net profit (rep./act.)	(1,171)	(261)	(270)	158	353
Net profit (adj.)	(1,171)	(261)	(270)	158	352
EPS (S\$ cent)	(6.5)	(0.8)	(0.4)	0.2	0.5
PE (x)	n.m.	n.m.	n.m.	53.9	24.2
P/B (x)	0.5	1.0	1.0	1.0	1.0
EV/EBITDA (x)	n.m.	n.m.	41.7	21.3	12.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(62.9)	(13.4)	(5.8)	3.0	5.1
Net debt/(cash) to equity (%)	45.8	26.5	25.2	19.1	9.1
Interest cover (x)	(14.8)	(1.5)	(0.2)	n.a.	n.a.
ROE (%)	n.a.	n.a.	n.a.	1.9	4.1
Consensus net profit	-	-	(278)	195	497
UOBKH/Consensus (x)	-	-	0.97	0.81	0.71

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

BUY

(Maintained)

Share Price	S\$0.128
Target Price	S\$0.190
Upside	+48.4%

COMPANY DESCRIPTION

Seatrium is an integrated shipyard offering one-stop engineering solutions for the offshore oil & gas and renewables industries. It merged with Keppel Offshore Marine in 1Q23.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	STM SP
Shares issued (m):	68,217.1
Market cap (S\$m):	8,731.8
Market cap (US\$m):	6,405.4
3-mth avg daily t'over (US\$m):	35.2

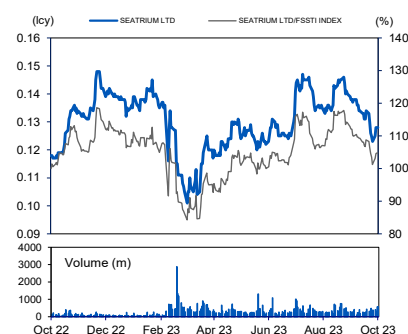
Price Performance (%)

52-week high/low	S\$0.148/S\$0.101			
1mth	3mth	6mth	1yr	YTD
(7.9)	(3.0)	9.4	8.5	(7.2)

Major Shareholders

	%
Temasek Hldgs	38.1
FY23 NAV/Share (S\$)	0.12
FY23 Net Debt/Share (S\$)	0.03

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **New rig orders – not so soon.** Management commented that while jack-up dayrates have, in some cases, exceeded US\$180,000/day with a large number of rigs having been reactivated, it does not believe that rig owners will order new assets in the next 1-2 years. Seatrium attributed this to the health of the drillers which, as a group, has only just regained a modicum of financial health. Instead, it believes that national oil companies and perhaps brave speculators will likely be the first to order rigs in the medium to longer term.
- **Repairs and upgrades segment – remaining bullish.** In 1H23, Seatrium successfully delivered 144 repairs & upgrades projects and on the investor call highlighted that it remains bullish on this business segment into 2024 given greater volumes of trade flows and cruise liner activity after COVID-19. In addition, it noted that new decarbonisation rules and regulations promulgated by the International Maritime Organisation (IMO) will lead to retrofitting of older vessels, thus opening up a new business segment for the company.
- **1H23 results season saw positive comments from oilfield services CEOs** which bolster our positive view on the offshore marine sector. SLB stated that the offshore market is being driven by “resilient long-cycle offshore developments, production capacity expansions, (and) the return of global exploration and appraisal”. This was echoed by Subsea 7 which stated that “there is a very long cycle in oil and gas coming, there are a number of good years ahead of us”. TechnipFMC meanwhile commented that many projects are “in advanced stages (and) moving towards final investment decision”. Thus far in 2H23, our channel checks indicate that offshore marine companies remain bullish heading into 2024.

EARNINGS REVISION/RISK

- **None.**

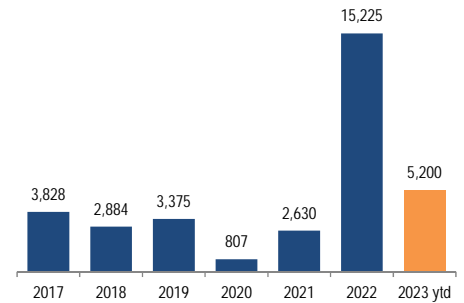
VALUATION/RECOMMENDATION

- **We maintain our BUY rating on Seatrium with a P/B-based target price of S\$0.19.** Our target P/B multiple of 1.5x is 2SD above the company’s five-year average of 1.0x and is pegged to its 2024 book value of S\$0.125. Given the company’s exposure to the offshore marine upcycle, we strongly believe that Seatrium’s current P/B valuation is inexpensive. Risks include higher-than-expected provisions for 2023, negative news flow regarding its CPIB case and volatile oil prices.
- **Maintain sector view at OVERWEIGHT.** We continue to like Seatrium as we believe that the company will benefit from stronger offshore marine dynamics as well as demand for offshore vessels and structures related to the renewables industry. In addition, the normalisation of economic activity should result in a greater volume of shipping activities thus positively impacting its repairs/upgrades segment. While 40% of Seatrium’s current orderbook is in the renewable energy space (with the remainder related to oil and gas projects), its addressable market is arguably much larger when taking into account carbon capture usage and storage, floating LNG, and ammonia storage and transport which feeds into the hydrogen energy chain.

SHARE PRICE CATALYST

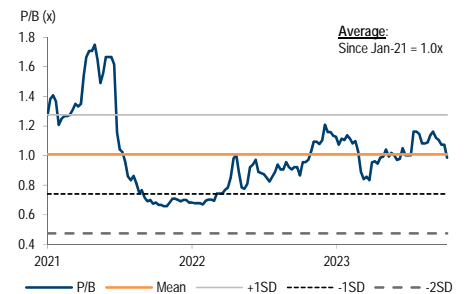
- New orders for rigs, offshore renewable installations or fabrication works as well as repairs and upgrade works for cruise ships and other commercial vessels.

NEW ORDER WINS BY YEAR (\$M)



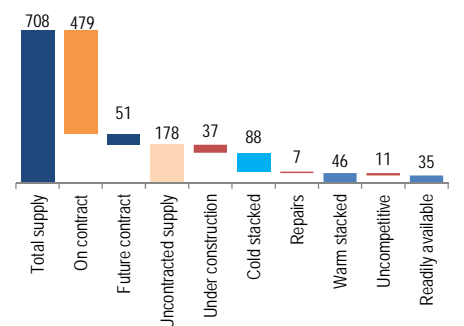
Note: data relates to the combined Keppel and Semb Marine/ Seatrium order wins
Source: Keppel, Seatrium

P/B SINCE 2021



Source: Bloomberg

TOTAL SUPPLY OF RIGS IN THE GLOBAL MARKET



Source: Esglan

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	1,947	4,621	5,353	6,942
EBITDA	(7)	256	502	839
Deprec. & amort.	200	291	291	337
EBIT	(206)	(35)	211	501
Total other non-operating income	0	80	0	0
Associate contributions	1	16	16	16
Net interest income/(expense)	(34)	(17)	11	11
Pre-tax profit	(240)	45	238	528
Tax	(26)	(9)	(48)	(106)
Minorities	4	(6)	(32)	(71)
Preferred dividends	0	0	0	1
Net profit	(261)	(270)	158	353
Net profit (adj.)	(261)	(270)	158	352

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	1,039	(474)	418	745
Pre-tax profit	(206)	(35)	211	501
Tax	(2)	19	337	472
Deprec. & amort.	200	291	291	337
Associates	0	0	0	0
Working capital changes	1,050	145	(290)	(436)
Non-cash items	(36)	(60)	0	0
Other operating cashflows	34	(835)	(130)	(130)
Investing	(26)	13	69	69
Capex (growth)	(23)	(40)	(100)	(100)
Capex (maintenance)	0	0	0	0
Investments	0	(101)	159	159
Proceeds from sale of assets	3	10	10	10
Others	(6)	144	0	0
Financing	(21)	286	(729)	(600)
Dividend payments	0	0	0	0
Issue of shares	0	0	0	0
Proceeds from borrowings	0	938	0	0
Loan repayment	0	0	(729)	(600)
Others/interest paid	(20)	(652)	0	0
Net cash inflow (outflow)	992	(175)	(243)	214
Beginning cash & cash equivalent	1,104	2,091	1,916	1,674
Changes due to forex impact	(6)	0	0	0
Ending cash & cash equivalent	2,091	1,916	1,674	1,887

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	3,860	5,020	4,844	4,622
Other LT assets	2,109	6,558	6,803	7,366
Cash/ST investment	2,091	1,916	1,674	1,887
Other current assets	1,042	3,838	4,277	5,216
Total assets	9,102	17,333	17,598	19,092
ST debt	1,669	1,197	1,197	1,197
Other current liabilities	1,765	4,067	4,871	6,543
LT debt	1,420	2,829	2,100	1,500
Other LT liabilities	460	838	838	838
Shareholders' equity	3,769	8,359	8,517	8,869
Minority interest	19	43	75	146
Total liabilities & equity	9,102	17,333	17,598	19,092

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	(0.3)	5.5	9.4	12.1
Pre-tax margin	(12.3)	1.0	4.4	7.6
Net margin	(13.4)	(5.8)	3.0	5.1
ROA	n.a.	n.a.	0.9	1.9
ROE	n.a.	n.a.	1.9	4.1
Growth				
Turnover	4.6	137.3	15.8	29.7
EBITDA	n.a.	n.a.	95.8	67.1
Pre-tax profit	n.a.	n.a.	431.9	122.1
Net profit	n.a.	n.a.	n.a.	122.7
Net profit (adj.)	n.a.	n.a.	n.a.	122.1
EPS	n.a.	n.a.	n.a.	122.7
Leverage				
Debt to total capital	44.9	32.4	27.7	23.0
Debt to equity	81.9	48.2	38.7	30.4
Net debt/(cash) to equity	26.5	25.2	19.1	9.1
Interest cover (x)	(1.5)	(0.2)	n.a.	n.a.

ASIAN GEMS CORPORATE HIGHLIGHTS

CP ALL (CPALL TB)

Resilient Long-term Growth Outlook

We remain positive on CPALL for its mid to long-term strategy to continuously open new stores and raise the current stores' profit. CPALL will benefit from being the first mover in Cambodia and Laos. In the short term, we expect CPALL's 2H23 earnings to be impressive. Maintain BUY. Target price: Bt78.00.

WHAT'S NEW

- Leveraging on its current strengths.** CP ALL PCL (CPALL) is targeting its total 7-11 convenience stores to reach 20,000 stores from around 14,000 currently. It plans to add 700 stores per year, which implies that CPALL will achieve its target by the end of 2031. CPALL sees further room to expand its store count, citing Thailand's convenience store per population of around 3,500 persons/store, compared with Japan's 2,200 persons/store. Also, although there are some competitors who have partnered with traditional trade shops, 7-11 shops are still better organised and offer a larger variety of products to customers, compared with traditional trade stores.
- Larger store format will boost growth.** Currently, most of CPALL's new 7-11 stores are of the standalone format with a parking area and larger store size. Management guided that the larger store size will allow for more product SKUs to customers as well as services such as: a) EV-car charging space, b) rental areas for food shop vendors, and c) 7-11 online delivery services.
- Overseas business expansion is another long-term catalyst.** CPALL expects the 7-11 business in Cambodia to breakeven in 2025 with a targeted store count of 150-200 stores, vs around 100 by the end of 2023. Also, the company has opened its first 7-11 store in Laos. CPALL plans to add 50-60 stores per year for overseas expansion. We expect CPALL to benefit from the first mover in these markets, and will ride the urbanisation wave in these countries.
- Update on new government policies.** The new government policies will have both positive and negative impacts on CPALL. The positive impacts are: a) Bt10,000 giveaways for digital wallets in 2023. Even in a worst-case scenario that this is not allowed to be used in modern trade, we still expect limited impact to CPALL, and b) lower electricity price in 4Q23-2024. In terms of negative impact, it has not been confirmed that the minimum wage will be raised to Bt400/day nationwide. Some authorities have mentioned that this might be lower than Bt400/day.

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	565,207	829,099	881,133	918,139	957,133
EBITDA	26,349	45,266	50,120	56,805	61,315
Operating profit	3,502	12,585	16,711	20,298	21,486
Net profit (rep./act.)	12,986	13,272	16,654	20,100	21,336
Net profit (adj.)	12,986	13,272	16,654	20,100	21,336
EPS (Bt)	1.4	1.5	1.9	2.2	2.4
PE (x)	41.3	40.4	32.2	26.7	25.2
P/B (x)	5.2	5.3	4.9	4.4	4.0
EV/EBITDA (x)	41.4	24.1	21.8	19.2	17.8
Dividend yield (%)	1.0	1.3	1.6	1.9	2.0
Net margin (%)	2.3	1.6	1.9	2.2	2.2
Net debt/(cash) to equity (%)	350.6	372.3	325.9	294.6	269.7
Interest cover (x)	2.1	2.7	2.8	3.6	4.0
Consensus net profit	-	-	17,304	21,306	25,026
UOBKH/Consensus (x)	-	-	0.96	0.94	0.85

Source: CP ALL PCL, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt59.75
Target Price	Bt78.00
Upside	+30.5%

COMPANY DESCRIPTION

Operator of Thai 7-Eleven stores, controlling more than 50% share of convenience store market in Thailand.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	CPALL TB
Shares issued (m):	8,983.1
Market cap (Btm):	536,740.2
Market cap (US\$m):	14,909.5
3-mth avg daily t'over (US\$m):	47.5

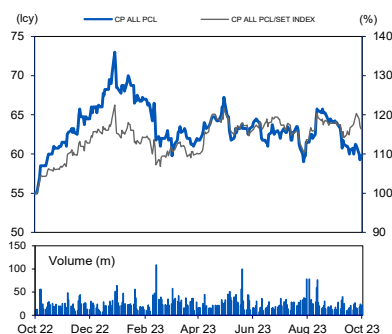
Price Performance (%)

52-week high/low	Bt73.00/Bt53.75			
1mth	3mth	6mth	1yr	YTD
(5.2)	(9.1)	(10.8)	(2.4)	(12.5)

Major Shareholders

	%
CPF	31.82
NVDR	10.78
SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	5.36
FY23 NAV/Share (Bt)	12.32
FY23 Net Debt/Share (Bt)	40.14

PRICE CHART



Source: Bloomberg

ANALYST(S)

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3Q23 EARNINGS PREVIEW

Year to 31 Dec (Btm)	3Q22	2Q23	3Q23F	yoy (%)	qoq (%)
Sales and services	207,617	225,603	215,922	4.0	(4.3)
Gross profit	45,188	49,561	47,536	5.2	(4.1)
Operating EBIT	3,272	3,694	3,590	9.7	(2.8)
Net profit	3,677	4,438	4,200	14.2	(5.4)
Percent	3Q22	2Q23	3Q23F	yoy (ppts)	qoq (ppts)
Gross margin	21.8	22.0	22.0	0.3	0.0
SG&A to sales	20.2	20.3	20.4	0.2	0.0
Net profit margin	1.8	2.0	1.9	0.2	(0.0)

Source: CPALL, UOB Kay Hian

- Resilient net profit growth.** We expect CPALL to report 3Q23 net profit of Bt4,200m, up 14.2% yoy but down 5.4% qoq due to seasonality. 3Q23's yoy earnings growth drivers will be improvements in top-line and gross profit margin.
- Positive top-line growth momentum.** CPALL's 3Q23 total sales is expected to grow 4% yoy on the back of: a) positive same-store-sales (SSS) growth of 7-11 convenience stores and Makro wholesales business of around 3% yoy, and b) an additional 700 stores of 7-11 on a yoy basis (+5.1% yoy). Although Lotus' 3Q23 SSS is expected to increase 2-3% yoy, this should be offset by the closing of Lotus Go Fresh, a small format store. As a result, we expect Lotus's 3Q23 top-line to be flattish on a yoy basis. Lotus' rental income is expected to continue to recover in 3Q23. Note that we only see 0.3-0.4% yoy negative impact on Makro's SSS in 3Q23 from the declines in pork and chicken prices.
- We expect profitability improvement on a yoy basis.** CPALL's 3Q23 operating margin is expected to improve on a yoy basis. We expect CPALL gross profit margin to increase to 22% in 3Q23, up from 21.8% in 3Q22, mainly driven by an increase in ASPs and the better product sales mix. However, this should be partly offset by the slight increase in SGA-to-sales to 20.4% in 3Q23 from 20.2% in 3Q22, pressured by higher expenses from advertising and promotion campaigns such as the 7-11 stamp.
- Lower pressure from interest expenses burden.** We expect CPALL to realise some benefit from CP Axta's (CPAXT, 59.92%-owned by CPALL) lower interest expenses burden. Currently, CPAXT has transformed all of its US dollar-term loans to Thai baht which has lower cost of debt, and 81% of its debt is currently at fixed interest rates.

STOCK IMPACT

- Resilient earnings growth in 2023-24.** We expect CPALL to continue to deliver impressive yoy earnings growth in 4Q23, driven by better top-line, margin, and lower interest expenses. We estimate its 2023 earnings to increase 25.5% yoy, and 2024 earnings to grow 20.7% yoy on the back of positive sales growth and profitability improvement.

EARNINGS REVISION/RISK

- None.**

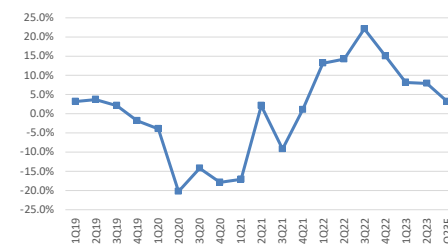
VALUATION/RECOMMENDATION

- Maintain BUY on CPALL with a target price of Bt78.00.** Our target price is pegged to 42x 2023F PE or 1SD above its 10-year historical mean. We believe CPALL will be one of the biggest beneficiaries of the resumption in tourist arrivals and better consumption in suburban areas. We still like the company's long-term growth outlook and believe this would be a good accumulation opportunity.

SHARE PRICE CATALYST

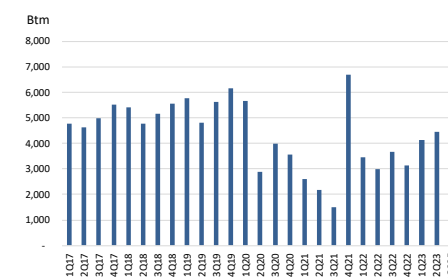
- Strong gross margin improvement in 2H23 and lower SGA-to-sales following the decrease in electricity costs.**

SAME-STORE SALES GROWTH



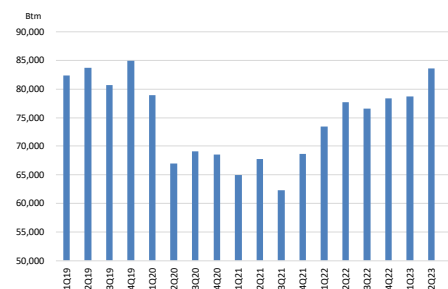
Source: CPALL

NET PROFIT BY QUARTER



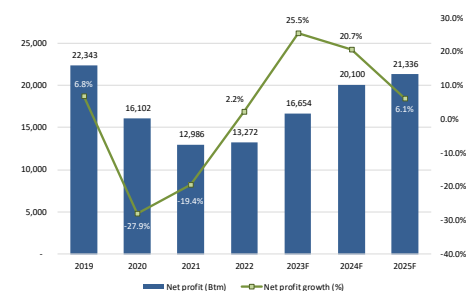
Source: CPALL

AVERAGE DAILY SALES PER STORE



Source: CPALL

NET PROFIT AND GROWTH



Source: CPALL, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	829,099	881,133	918,139	957,133
EBITDA	45,266	50,120	56,805	61,315
Deprec. & amort.	32,681	33,409	36,506	39,829
EBIT	12,585	16,711	20,298	21,486
Total other non-operating income	23,223	24,892	25,019	25,364
Associate contributions	831	1,042	1,146	1,203
Net interest income/(expense)	(16,548)	(17,877)	(15,733)	(15,317)
Pre-tax profit	20,082	24,768	30,731	32,736
Tax	(3,861)	(4,271)	(5,325)	(5,676)
Minorities	(2,949)	(3,844)	(5,306)	(5,725)
Net profit	13,272	16,654	20,100	21,336
Net profit (adj.)	13,272	16,654	20,100	21,336

CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	52,021	71,349	54,237	74,134
Pre-tax profit	20,082	24,768	30,731	32,736
Tax	(3,861)	(4,271)	(5,325)	(5,676)
Deprec. & amort.	32,681	33,409	36,506	39,829
Working capital changes	(180)	19,891	(9,042)	6,812
Non-cash items	3,299	(2,448)	1,367	432
Other operating cashflows	0	0	0	0
Investing	(43,143)	(50,163)	(45,985)	(63,997)
Capex (growth)	(40,866)	(45,386)	(46,043)	(43,505)
Investments	(1,120)	(417)	(458)	(481)
Others	(1,157)	(4,360)	517	(20,011)
Financing	(34,122)	(21,033)	(7,577)	(9,300)
Dividend payments	(5,390)	(6,737)	(8,327)	(10,050)
Issue of shares	0	0	0	0
Proceeds from borrowings	(15,395)	(14,296)	750	750
Others/interest paid	(13,337)	0	0	0
Net cash inflow (outflow)	(25,243)	153	676	836
Beginning cash & cash equivalent	97,134	71,891	72,044	72,720
Ending cash & cash equivalent	71,891	72,044	72,720	73,556

BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	393,589	405,566	415,103	418,779
Other LT assets	381,517	391,737	391,433	413,567
Cash/ST investment	71,891	72,044	72,720	73,556
Other current assets	77,065	67,319	80,154	81,883
Total assets	924,061	936,666	959,409	987,785
ST debt	53,011	38,415	38,865	39,315
Other current liabilities	154,433	162,128	167,288	176,262
LT debt	393,872	394,172	394,472	394,772
Other LT liabilities	32,446	37,889	37,644	39,285
Shareholders' equity	100,724	110,641	122,414	133,699
Minority interest	189,577	193,421	198,727	204,451
Total liabilities & equity	924,061	936,665	959,409	987,785

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	5.5	5.7	6.2	6.4
Pre-tax margin	2.4	2.8	3.3	3.4
Net margin	1.6	1.9	2.2	2.2
Net profit (adj.)	2.2	25.5	20.7	6.1
Leverage				
Debt to total capital	60.6	58.7	57.4	56.2
Debt to equity	443.7	391.0	354.0	324.7
Net debt/(cash) to equity	372.3	325.9	294.6	269.7
Interest cover (x)	2.7	2.8	3.6	4.0

ASIAN GEMS CORPORATE HIGHLIGHTS

Delta Electronics (DELTA TB)

Concluding 2023 On A Positive Note And Sustaining Positivity Into 2024

We have a favourable outlook for DELTA's performance in 2023 and anticipate the sentiment to persist into 2024. Key contributors to revenue growth include robust demand for EV power and data centres. Gross margin is expected to improve due to subdued raw material prices and enhanced product mix from a higher proportion of EV power. Despite the positive momentum moving forward, there is a view that the current valuation may not be justified. Maintain SELL. Target price: Bt70.00.

WHAT'S NEW

- **UOB Kay Hian Asian Gems Virtual Conference 2023.** Delta Electronics (DELTA) attended the conference. Below are the key takeaways.
- **Concluding 2023 on a positive note and sustaining positivity into 2024.** DELTA is maintaining a positive outlook for 2023, with a strong focus on achieving its target revenue and gross margin. The company anticipates notable revenue growth of 20-25% yoy and a gross margin of 22-23%, which aligns with our own projections. We expect revenue to improve 18% hoh in 2H23 and gross margin of around 25.8% in 2H23 (+3.7ppt hoh). Hence, we anticipate 2H23 earnings of Bt9.7b (+17% yoy, +18% hoh). Looking ahead in 2024, DELTA expects positive sentiment to continue with double-digit growth for revenue and gross margin of 22-25%, in line with our projection of revenue growth of 10% and expected gross margin of 25.3% in 2024.
- **Anticipate ample capacity to serve demand of fast-growing products in 2024.** DELTA is aiming for a robust revenue growth in the next 1-3 years, targeting double-digit expansion, primarily driven by sales of electric vehicle (EV)-related products, with an ambitious goal of reaching US\$2.0b in revenue. Note that we expect EV-related products' sale to hit US\$1.0 in 2023. Looking ahead to 2024, as the company is actively in the process of increasing production capacity, we believe this can adequately satisfy the demand. However, by doubling the existing US\$1.0b to US\$2.0b after 2024, the company needs to add more production capacity.
- **No discernible impact of Israel-Hamas conflict on both supply and demand sides.** Given that the company does not procure raw materials from the regions of conflict and the Middle East area, we believe there is no supply-side impact. As for the demand side, there have been no indications of reduced orders yet and we also found no customers from the Middle East area. Note that DELTA's customer base primarily consists of clients from Asia, North America, and Europe.

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	84,318.4	118,558.0	151,776.6	167,333.9	176,599.1
EBITDA	8,291.6	17,579.7	20,257.0	23,963.5	24,882.3
Operating profit	5,923.2	14,493.1	17,150.8	21,084.1	22,251.5
Net profit (rep./act.)	6,699.0	15,344.5	17,479.1	20,797.1	21,813.7
Net profit (adj.)	6,103.9	14,595.2	17,197.0	20,888.4	21,902.0
EPS (Bt)	4.9	11.7	1.4	1.7	1.8
PE (x)	16.5	6.9	58.4	48.1	45.8
P/B (x)	2.4	1.8	15.2	12.4	10.5
EV/EBITDA (x)	118.5	55.9	48.5	41.0	39.5
Dividend yield (%)	2.1	5.0	0.6	0.7	0.7
Net margin (%)	7.9	12.9	11.5	12.4	12.4
Net debt/(cash) to equity (%)	(13.6)	(16.2)	(32.4)	(47.5)	(59.0)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
Consensus net profit	-	-	17,326	20,237	23,965
UOBKH/Consensus (x)	-	-	0.99	1.03	0.91

Source: Delta Electronics, Bloomberg, UOB Kay Hian

SELL

(Maintained)

Share Price	Bt80.50
Target Price	Bt70.00
Upside	-13.0%

COMPANY DESCRIPTION

Delta Electronics is an electronics exporter / manufacturer of power supplies and electronic components comprising cooling fans, EMI filters and solenoids.

STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	DELTA TB
Shares issued (m):	12,473.8
Market cap (Btm):	1,004,142.2
Market cap (US\$m):	27,152.2
3-mth avg daily t'over (US\$m):	42.3

Price Performance (%)

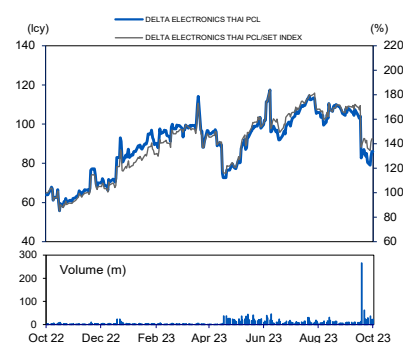
52-week high/low	Bt117.50/Bt55.80				
1mth	3mth	6mth	1yr	YTD	
(25.5)	(15.3)	(8.7)	15.0	(3.0)	

Major Shareholders

	%
Delta Electronics Int'l (Singapore) Pte. Ltd	42.9
Delta International Holding Limited	15.4
Delta Electronics Inc	5.5

FY23 NAV/Share (Bt)	5.31
FY23 Net Cash/Share (Bt)	1.72

PRICE CHART



Source: Bloomberg

ANALYST(S)

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ASSISTANT ANALYST

Thachasorn Jutaganon

- Alleviation of chip shortage situation subdued raw material prices.** DELTA has revealed that the chip shortage situation has been improving since 2Q23 and this led to the dropping of raw material prices and alleviating of supply constraints. We anticipate a notably positive impact in 2H23 and further improvements in 2024. In terms of passive components, such as capacitor and resistor, the situation is also improving. However, in terms of active components like integrated circuits (IC) and MOSFETs, there have been ongoing challenges. The company is trying to carry out alternative sourcing of these materials. Due to the improvement of the situation since 2Q23, we believe the positive impact would be in 2H23 and ahead in 2024.

- Prepare for new investment in AI-related products.** In 2023, DELTA's capital expenditure amounts to approximately US\$250m, with a strong focus on enhancing smart manufacturing capabilities and expanding production capacity in locations such as Thailand, India, and Slovakia. Given the momentum of artificial intelligence (AI) frenzy, DELTA has proactively invested in data centre-related businesses and products designed to complement AI applications. While specific capex figures are not currently disclosed, the company anticipates a substantial investment and healthy gross margins for these products. We project that the development of these products will play a vital role in driving DELTA's future revenue growth.

STOCK IMPACT

- Anticipate earnings to be firm yoy and qoq.** We anticipate DELTA to report 3Q23 earnings of Bt4.8b, up 19% yoy and 5% qoq, mainly buoyed by solid revenue and higher gross margin. Revenue is projected to experience a significant 27% yoy and 11% qoq increase to reach Bt40.0b, primarily supported by the seasonal effect, strong performance of EV products and currency effect. Excluding forex movement, top-line should come in at US\$1.1b (+34% yoy and +12% qoq). Gross margin is forecasted to improve 1.1ppt yoy and 1.0ppt qoq to 24.4% due to product mix and fewer issues regarding inventory management.

3Q23 RESULTS PREVIEW

Year to 31 Dec (Btm)	3Q23F	3Q22	2Q23	yoy chg (%)	qoq chg (%)
Net turnover	39,921	31,324	35,840	27.4	11.4
Gross profit	9,741	7,298	8,369	33.5	16.4
EBIT	5,110	3,774	4,573	35.4	11.7
EBITDA	6,010	4,603	5,663	30.6	6.1
Net profit	4,882	4,110	4,668	18.8	4.6
EPS (Bt)	0.42	3.50	0.40	(88.1)	4.6
Core profit	4,882	3,906	4,446	25.0	9.8
Ratio (%)			yoy chg (%)		qoq chg (%)
Gross margin	24.4	23.3	23.4	1.1	1.0
SG&A-to-sales	11.6	11.2	10.6	0.4	1.0
Net profit margin	12.2	13.1	13.0	(0.9)	(0.8)

Source: DELTA, Bloomberg, UOB Kay Hian

EARNINGS REVISION/RISK

- We keep our forecasts unchanged.

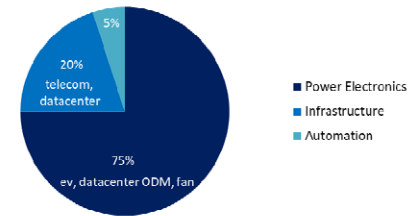
VALUATION/RECOMMENDATION

- Maintain SELL with a target price of Bt70.00.** Our target price is based on 50x 2023F PE and pegged at +1SD to its five-year mean PE. Despite our expectation of strong earnings growth in 2023-24, we are still conservative on DELTA as we believe its valuation is too high compared with DELTA Taiwan and with this earnings growth, we do not think that this valuation is justified. Moreover, the share price of DELTA has dropped around 20% after the announcement of the placement of DELTA Taiwan, but the share price is still higher than our target price. Therefore, we maintain SELL on DELTA.

SHARE PRICE CATALYST

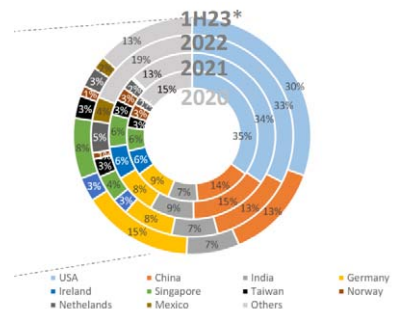
- Positive:** Baht depreciation, chip production stimulus, easing of global tensions, acceleration of 5G technology, growth of EV trend, and a booming economy.
- Negative:** Baht appreciation, rising inflation, higher cost of raw materials, higher costs of transportation, and the Russia-Ukraine war being prolonged.

REVENUE BREAKDOWN



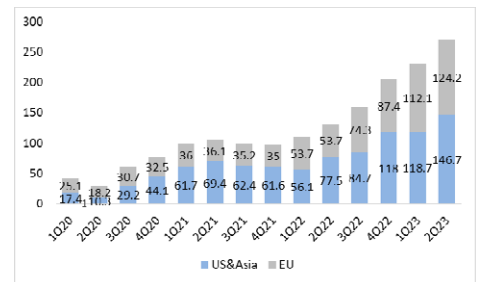
Source: DELTA, UOB Kay Hian

CUSTOMER BREAKDOWN BY REGIONS



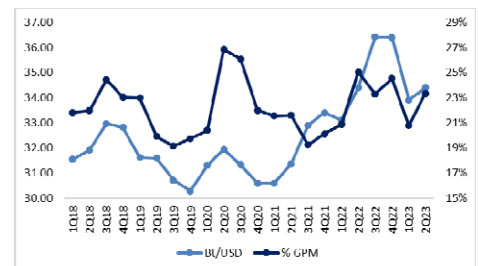
Source: DELTA

SALES OF EV POWER



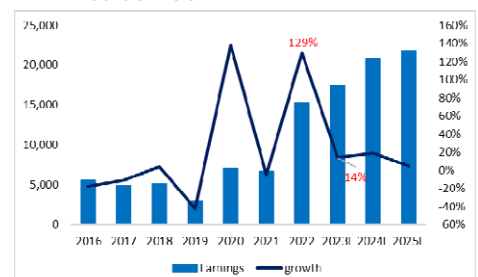
Source: DELTA, UOB Kay Hian

GPM VS FOREX RATE



Source: DELTA, UOB Kay Hian

EARNINGS OUTLOOK



Source: DELTA, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	118,558	151,777	167,334	176,599
EBITDA	17,580	20,257	23,963	24,882
Deprec. & amort.	3,087	3,106	2,879	2,631
EBIT	14,493	17,151	21,084	22,251
Total other non-operating income	1,272	825	236	240
Associate contributions	0	61	61	61
Net interest income/(expense)	46	168	168	168
Pre-tax profit	15,811	18,205	21,549	22,720
Tax	(467)	(726)	(752)	(906)
Minorities	0	0	0	0
Net profit	15,345	17,479	20,797	21,814
Net profit (adj.)	14,595	17,197	20,888	21,902

CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	12,738	13,978	20,582	22,602
Pre-tax profit	15,811	18,205	21,549	22,720
Tax	(467)	(726)	(752)	(906)
Deprec. & amort.	3,087	3,106	2,879	2,631
Working capital changes	(5,503)	(6,174)	(2,891)	(1,722)
Non-cash items	(191)	(434)	(203)	(121)
Other operating cashflows	0	0	0	0
Investing	(7,454)	4,601	2,557	2,356
Capex (growth)	(7,075)	2,106	2,074	2,069
Investments	(403)	0	0	0
Others	24	2,495	482	287
Financing	(1,713)	(6,929)	(6,223)	(6,926)
Dividend payments	(2,121)	(5,337)	(6,223)	(6,926)
Issue of shares	0	(2,739)	0	0
Proceeds from borrowings	356	(964)	0	0
Others/interest paid	51	2,111	0	0
Net cash inflow (outflow)	3,571	11,650	16,916	18,032
Beginning cash & cash equivalent	6,572	10,142	21,792	38,707
Ending cash & cash equivalent	10,142	21,792	38,707	56,739

BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	24,024	18,812	13,859	9,159
Other LT assets	935	1,958	2,113	2,206
Cash/ST investment	10,142	21,792	38,707	56,739
Other current assets	55,883	71,541	78,874	83,241
Total assets	90,984	114,103	133,553	151,345
ST debt	369	335	335	335
Other current liabilities	32,301	41,351	45,589	48,114
LT debt	930	0	0	0
Other LT liabilities	2,705	6,223	6,861	7,241
Shareholders' equity	54,680	66,194	80,768	95,655
Minority interest	0	0	0	0
Total liabilities & equity	90,984	114,103	133,553	151,345

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	14.8	13.3	14.3	14.1
Pre-tax margin	13.3	12.0	12.9	12.9
Net margin	12.9	11.5	12.4	12.4
Growth				
Turnover	40.6	28.0	10.3	5.5
EBITDA	112.0	15.2	18.3	3.8
Pre-tax profit	132.5	15.1	18.4	5.4
Net profit	129.1	13.9	19.0	4.9
Net profit (adj.)	139.1	17.8	21.5	4.9
EPS	139.1	(88.2)	21.5	4.9
Leverage				
Debt to total capital	2.3	0.5	0.4	0.3
Debt to equity	2.4	0.5	0.4	0.4
Net debt/(cash) to equity	(16.2)	(32.4)	(47.5)	(59.0)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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