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GREATER CHINA

Strategy

Small-Mid Cap Biweekly

Eyeing VR events in 4Q23; beneficiary: Shenzhen Zhaowei Machinery.

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Sector

Commodities

Weekly: Safe-haven assets rally on flight-to-safety bids.

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Update

Xtep International Holdings (1368 HK/BUY/HK\$7.08/Target: HK\$11.00)

Expect good sales momentum to continue; potential introduction of investors for new brands to be catalyst.

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INDONESIA

Update

Gojek Tokopedia (GOTO IJ/BUY/Rp66/Target: Rp121)

Likely growth in GTV and improvement in adjusted EBITDA in 3Q23.

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MALAYSIA

Sector

Property

We believe IWH Group and property-construction player Ekovest are clear winners for the Iskandar Malaysia theme. Maintain MARKET WEIGHT.

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SINGAPORE

Results

Aztech Global (AZTECH SP/BUY/\$\$0.855/Target:\$S1.11)

3Q23: Record-high earnings beat expectations; moderately optimistic about outlook.

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THAILAND

Asian Gems Corporate Highlights

The Erawan Group (ERW TB/BUY/Bt5.20/Target: Bt6.50)

Outlook remains positive; expect RevPar growth to continue in 2024.

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WHA Corporation (WHA TB/BUY/Bt5.45/Target: Bt6.30)

3Q23 results preview: Positive momentum to persist throughout the year. Upgrade to BUY.

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KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	34014.0	1.0	1.2	(1.7)	2.6
S&P 500	4372.0	1.0	0.8	(1.8)	13.9
FTSE 100	7630.6	0.4	1.8	(1.0)	2.4
AS30	7214.6	(0.4)	0.8	(3.6)	(0.1)
CSI 300	3626.6	(1.0)	(1.6)	(2.2)	(6.3)
FSSTI	3163.9	(0.7)	(0.1)	(3.6)	(2.7)
HSCEI	6049.8	(1.1)	0.9	(4.1)	(9.8)
HSI	17640.4	(1.0)	0.7	(3.0)	(10.8)
JCI	6896.3	(0.4)	0.1	(1.2)	0.7
KLCI	1439.0	(0.4)	1.5	(1.4)	(3.8)
KOSPI	2436.2	(0.8)	1.1	(6.3)	8.9
Nikkei 225	31659.0	(2.0)	2.1	(5.6)	21.3
SET	1427.1	(1.6)	(0.8)	(7.5)	(14.5)
TWSE	16652.2	(0.8)	1.2	(1.6)	17.8
BDI	1972	1.4	(1.0)	42.8	30.2
CPO (RM/mt)	3641	2.0	1.7	(0.1)	(10.1)
Brent Crude (US\$/bbl)	90	(1.0)	2.1	(4.2)	4.8

Source: Bloomberg

TOP PICKS

Ticker	CP (1cy)	TP (1cy)	Pot. +/- (%)	
BUY				
BYD	1211 HK	240.40	590.00	145.4
China Duty Free	601888 CH	94.88	138.00	45.4
Bank Neo Commerce	BBYB IJ	268.00	390.00	45.5
Bumi Serpong	BSDE IJ	1,040.00	1,420.00	36.5
HM Sampoerna	HMSP IJ	850.00	1,300.00	52.9
My EG Services	MYEG MK	0.82	1.18	43.9
Yinson	YNS MK	2.47	3.75	51.8
OCBC	OCBC SP	13.00	18.22	40.2
CP ALL	CPALL TB	57.25	78.00	36.2
Indorama	IVL TB	25.25	30.00	18.8

KEY ASSUMPTIONS

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

Source: Bloomberg, UOB ETR, UOB Kay Hian

CORPORATE EVENTS

	Venue	Begin	Close
Analyst Marketing on 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
Presentation by Wilmar International (WIL SP)	Malaysia	2 Nov	2 Nov
1HFY24 Results Virtual Meeting with Singapore Airlines Ltd (SIA SP)	Singapore	8 Nov	8 Nov

KEY CALLS

Virtual Reality Plays

- Meta officially launched the Quest 3 Mixed Reality (MR) headset at Meta Connect 2023 in late-Sep 23 and global shipments began on 10 Oct 23. Compared with Quest 2, Quest 3 boasts: a) an enhanced field of view with a 110 degree field of view, vs Quest 2's 89-96 degree and Quest Pro's 106 degree; b) full-colour pass-through, vs Quest 2's greyscale pass through; and c) lightness of lens, which reduces the thickness of the display module by 40% vs Quest 2.
- 2023 World Conference on VR Industry will be held on 19-20 Oct 23 in Nanchang, China. The conference will present the latest achievements in the VR industry and promote VR applications through forums with topics such as Metaverse, AI models and digital education development. The conference may be a catalyst for key suppliers of VR headsets.
- Future upgrades to VR headsets will focus on providing a more enjoyable user experience through: a) thinner and wider lenses, and b) more accurate inter-pupillary distance (IPD) adjustment to ensure image symmetry and reduce potential vertigo.
- We see Shenzhen Zhaowei Machinery (003021 CH) as a beneficiary of the upcoming VR events. The company is Apple's exclusive supplier of IPD adjustment micro drive modules. Zhaowei's IPD micro drive module improves user experience by automatically measuring the user's pupil distance and focusing on the appropriate pupil distance. It can also adjust the distance according to users' viewing habits.
- The company has recently received an order of IPD micro drive modules for 300,000-400,000 sets of VisionPro, which corresponds to Rmb43m-58m in revenue and represents 3-4% of 2023 consensus' revenue estimates. As the market expects the ASP of VisionPro2's IPD modules to reach US\$55/set (2.8x that of VisionPro), we believe order wins for VisionPro2 will make a more meaningful revenue contribution to Zhaowei in the coming years.
- Catalyst: Roblox's launch on Sony's PlayStation in Oct 23, and China Hi-tech Fair on 9 Nov 23 in Shenzhen.
- Risk: Soft demand for VR headsets amid weakening economies.

Click [here](#) for Blue Top dated 16 Oct 23

VR PLAYERS PEER COMPARISON

Ticker	Company Name	Market Cap (Rmbm)	Fwd PE (x)	Net Gearing (%)
003021 CH	Shenzhen Zhaowei Machinery	12,883	64.2	(53.0)
002876 CH	Shenzhen Sunnypol Optoelectronics	5,806	27.3	27.1
000810 CH	Skyworth Digital	16,103	17.5	(40.2)
002957 CH	Shenzhen Colibri Technologies	7,472	19.5	17.6
002045 CH	Guoguang Electric	6,815	35.5	31.5
Average			50.8	30.3

Source: Bloomberg, UOB Kay Hian

META'S QUEST 3 MIXED REALITY HEADSET



Source: Meta

ZHAOWEI'S IPD MODULE AUTOMATICALLY FOCUSES ON APPROPRIATE PUPIL DISTANCE



Source: Zhaowei Machinery

ZHAOWEI'S IPD MODULE



Source: Zhaowei Machinery

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UPDATES

Crystal International (2232 HK/NOT RATED/HK\$2.38)

- We hosted a luncheon with Crystal International on 11 Oct 23. Management shared the company's outlook and its strategies to enhance share gains from key customers.
- Management believes its revenue has bottomed out in 1H23 and expects a high single-digit revenue growth in 2H23, compared with US\$1.0b in 1H23. Regarding profitability, Crystal expects a mild increase in gross margin and net margin in 2H23. Management expects the 2024 Summer Olympics to have a positive impact on its sportswear category and remains positive on the outlook for 2024.
- Crystal focuses on share gains from Uniqlo's LifeWear products, which have the potential to achieve sustainable growth in the long term. On the other hand, it targets to enhance its share gains from Lululemon by supplying high-quality new products, such as men's ABC pants in 2H23 and Define jackets in 2024.
- Management previously announced a plan to achieve a 60% dividend payout in the long run, and planned to increase its dividend payout ratio by 5ppt every 1-2 years from 35% in 2022. Currently, Crystal plans to step up the process of raising the dividend payout ratio and achieve its long-term target ahead of schedule.
- Catalyst: Fabric certification from key sportswear customers, such as Under Armour, PUMA and Lululemon.
- Valuation: Trading at 5.1x one-year forward PE, which is about 1SD below its historical mean of 8.4x.

Giordano International (709 HK/BUY/HK\$2.33/Target: HK\$3.89)

- Giordano's 3Q23 revenue came in at HK\$869m, down 1% yoy, largely in line with management's previous guidance of flattish yoy growth in the quarter. The decline in revenue was mainly due to: a) a traditionally low season in 3Q in Southeast Asian markets, b) earlier Hajj Muslim Festival in 2Q23, and c) adverse weather in Greater China.
- 9M23 revenue rose 3% yoy to HK\$2,839m, representing 68% of our 2023 estimate of HK\$4,155m. Same-store sales growth in 3Q23 and 9M23 came in at +0.5% yoy and +9.0% yoy respectively.
- We expect stronger sales in 4Q23 on the back of: a) franchised store expansion in Mainland China, especially from October onwards; b) continued overseas franchisee expansion; and c) a traditionally peak season in 4Q.
- Catalyst: Faster-than-expected Mainland China franchised store additions in 4Q23 and strong same-store sales growth in 4Q23.
- Valuation: Trading at 8.7x 2024F PE, which is about 2SD below its pre-pandemic mean of 15.6x in 2014-18.

SECTOR UPDATE

Commodities – China

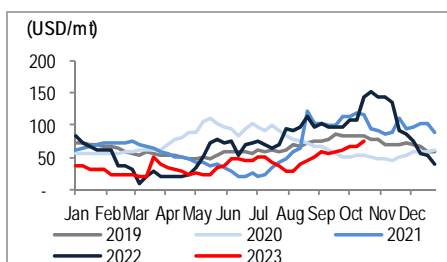
Weekly: Safe-Haven Assets Rally On Flight-to-safety Bids

The flight to safety and a dovish Fed have continued to weigh on treasury yields, which have declined from its 16-year high to 4.58%. The US' Sep 23 CPI has stoked expectations of another rate hike in Dec 23. More Chinese steel mills are commencing plant maintenance amid deteriorating margins, which has weighed on iron ore demand prospect. Resumption of construction activities remains still slower than expected, with weekly rebar/cement consumption still down 18% and 36% yoy respectively.

WHAT'S NEW

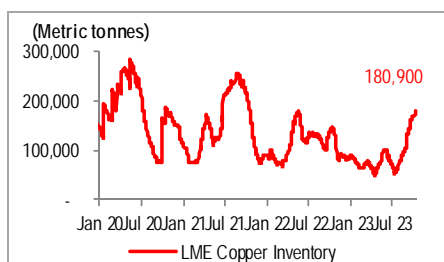
- **Base metals (maintain MARKET WEIGHT):** Flight to safety amid escalation of geopolitical tensions.
 - COMEX gold/LME copper three-month futures were +5.3%/-1.2% wov to US\$1,927 per t oz/US\$7,949 per mt.
 - Gold prices were supported by the growing demand for safe-haven assets given the escalation of geopolitical tensions. The flight to safety and dovish comments from the Fed officials last week have dragged 10-year treasury yields down from its 16-year high of 4.78% to 4.58% on 11 October. Copper is also facing headwinds from the rising inventory and looming worries about global growth outlook under the "higher for longer" environment.
 - The US' Sep 23 CPI came in slightly above expectations at +3.7% yoy (consensus: +3.60% yoy), stoking expectations of another rate hike by the end of the year. The US dollar index was up 0.7% to 106.65 subsequent to the data release. According to CME FedWatch Tool, market is still pricing in 93.8% odds of the Fed maintaining interest rate at 5.25-5.50% on 1 Nov 23, but sees a higher probability of a 25bp rate hike in Dec 23 at 28.8% probability (9 October: 24.4%).
 - This week, the market's focus will be on: a) Federal Reserve Chair Jerome Powell's speech (20 October), ahead of the US central bank's blackout period begins before the next interest rate decision, and b) the release of Fed Beige Book (19 October). Also, China will be releasing 3Q23 GDP numbers (18 October), Sep 23 industrial production (18 October), Sep 23 retail sales (18 October), new home prices (19 October).

CHINA YANGSHAN COPPER PREMIUM



Source: Bloomberg, UOB Kay Hian

LME COPPER INVENTORY



Source: Bloomberg, UOB Kay Hian

PEER COMPARISON

Company	Ticker	Rec	Price @ 16 Oct 23 (lcy)	Target Price (lcy)	Upside/ (Downside) to TP (%)	Market Cap (lcy m)	PE		P/B		EV/EBITDA		ROE (%)
							2023F (x)	2024F (x)	2023F (x)	2024F (x)	2023F (x)	2024F (x)	
Anhui Conch	914 HK	BUY	19.72	28.30	43.5	132,675.6	8.2	7.6	0.5	0.5	7.9	7.0	6.4
Baosteel	600019 CH	BUY	5.90	7.10	20.3	131,347.0	12.7	9.4	0.6	0.6	5.4	4.6	5.2
CR Cement	1313 HK	HOLD	2.06	3.10	50.5	14,384.9	7.6	5.9	0.3	0.3	6.8	5.5	3.8
Zijin Mining	2899 HK	BUY	11.76	15.00	27.6	334,739.6	12.5	10.7	2.7	2.3	10.3	9.0	23.7

Source: Bloomberg, UOB Kay Hian

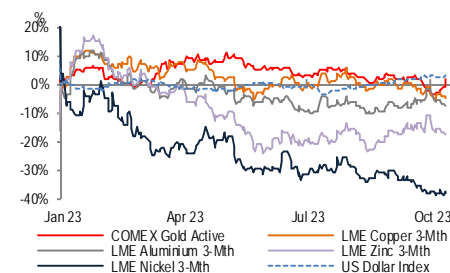
MARKET WEIGHT (Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (lcy)	Target Price (lcy)
Anhui Conch	914 HK	BUY	19.72	28.30

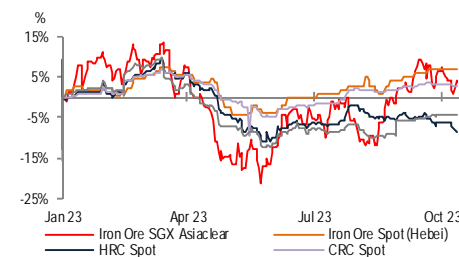
Source: UOB Kay Hian

METALS – YTD PRICE PERFORMANCE



Source: Bloomberg, UOB Kay Hian

STEEL – YTD PRICE PERFORMANCE



Source: Bloomberg, UOB Kay Hian

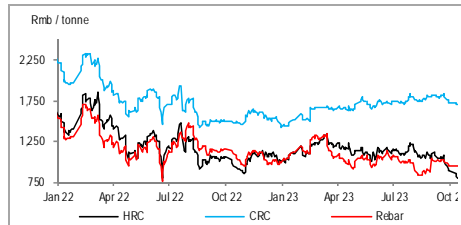
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• **Steel (maintain UNDERWEIGHT):** Moderating steel production activities weighed on iron ore demand prospect.

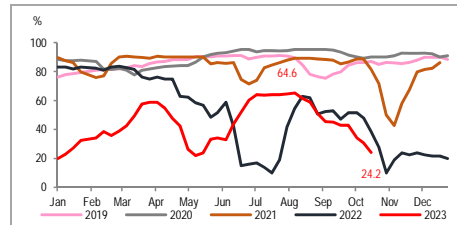
- **Iron ore prices corrected on moderating demand outlook.** SGX iron ore futures stayed flattish at US\$114.29 (-0.5% wow/-2.2% mom). Iron ore prices remained under pressure as Chinese steel mills are seeing moderating output given the further deterioration of margins in recent weeks. Sentiment was also dragged by a 4.9% mom decline in China's Sep 23 iron ore import volume. Spot prices of rebar/hot-rolled coil (HRC)/cold-rolled coil (CRC) as at 13 Oct saw wow changes of -0.1%/-2.2%/-0.4%.
- **Continued deterioration of steel mills' margins.** Weekly average of HRC steel-raw materials spread slumped another 11.3% from pre-holiday levels to Rmb825 per tonne, mainly due to the recent slump in steel products' prices and an uptick in iron ore and coke prices. Mysteel's survey indicated that only 24.22% out of the 247 sampled steel mills are currently profit-making (-6.54ppt wow).

STEEL-RAW MATERIAL SPREADS



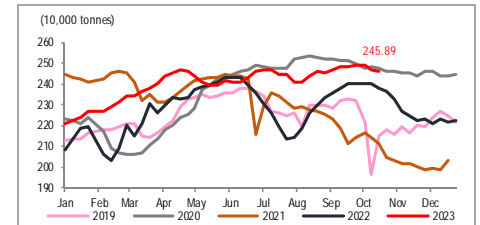
Source: Bloomberg, UOB Kay Hian

RATIO OF PROFIT-MAKING OUT OF 247 SAMPLED STEEL MILLS



Source: Wind, UOB Kay Hian

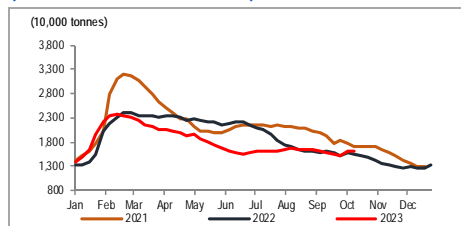
247 SAMPLED STEEL MILLS DAILY AVERAGE MOLTEN IRON OUTPUT



Source: Wind, UOB Kay Hian

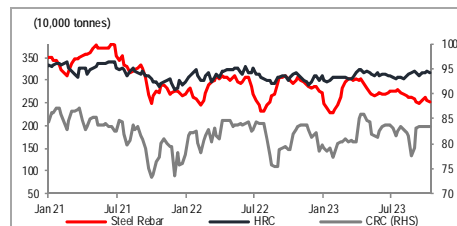
- **Steel production moderated further.** According to Mysteel's survey on 247 sampled steel mills, daily average molten iron production (for the week ended 13 October) was 2.4589m tonnes (-0.43% wow), and blast furnace capacity utilisation ratio was down 0.39ppt wow to 91.9%. More steel mills which were loss-making have commenced maintenance work and halted productions. Weekly output of five major steel products slowed to 9.1821m tonnes (-0.6% wow).
- **Flattish steel products' inventory; post-holiday rebar consumption -17.5% yoy.** Overall steel inventory based on Mysteel's survey was down 0.57% wow to 16.03 tonnes (+2.7% yoy). Weekly steel apparent consumption rebounded by 12.9% wow to 9.2734m tonnes (-6.8% yoy). Post-holiday recovery of rebar's consumption was rather slow, with weekly consumption at 2.6866m tonnes (-17.5% yoy).
- China's Sep 23/9M23 Komatsu excavator working hours was reported at 90 hours/781 hours respectively, down 9.7% and 4.2% yoy. Sep 23's working hours were flat mom, which indicated no meaningful pick-up in construction activities, and is in line with the declining trend of rebar's apparent consumption at -11.4% yoy.

INVENTORY OF FIVE MAJOR STEEL PRODUCTS (TRADERS & STEEL MILLS)



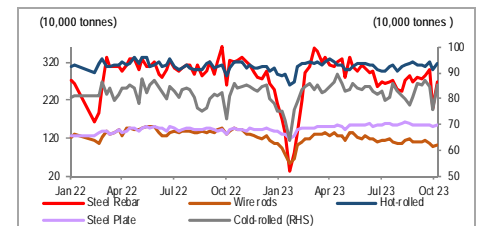
Source: Wind, UOB Kay Hian

WEEKLY PRODUCTION OUTPUT OF MAJOR STEEL PRODUCTS



Source: Wind, UOB Kay Hian

STEEL PRODUCTS WEEKLY APPARENT CONSUMPTION



Source: Wind, UOB Kay Hian

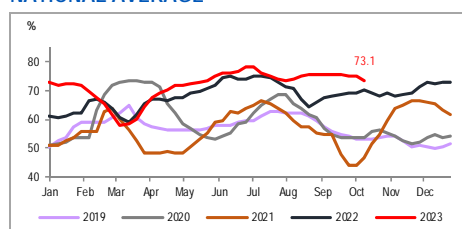
• **Cement (maintain MARKET WEIGHT):** Margins recovery on correction of thermal coal prices; weekly shipment still 3% below pre-holiday levels.

- **Fourth consecutive week of price rebound.** National average PO42.5 cement prices (bulk) continued its upward trend, rising 0.5% wow to Rmb361.00 per tonne. Average cement prices for the eastern/central/southern regions saw changes of flat/-0.9%/flat

wow. Cement-coal spread declined by 0.9% from pre-holiday levels given the spike in thermal coal prices. However, as thermal coal prices have started to reverse down since last week, coupled with the rebound of cement prices, we believe the spread should expand further.

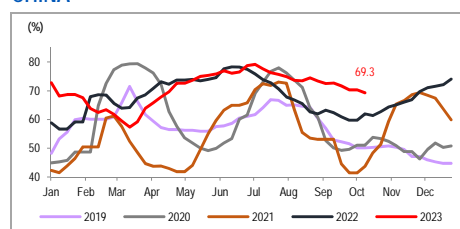
- **Post-holiday weekly shipments up 6.5%.** According to 100NJZ's survey conducted on 250 cement enterprises, weekly cement shipment volume for the week of 4-10 Oct 23 was 5.56m tonnes (+6.5% wow/-35.9% yoy). By region, the eastern/central/southern regions' shipment volumes were +8.0%/+8.0%/+4.0% wow (-40.7%/-32.4%/-43.9% yoy) respectively. Shipment for infrastructure projects was 2.18m tonnes (+5.8% wow/-16.5% yoy). Although construction activities are recovering, they have yet to return to pre-holiday levels, partly dragged by the rainy weather in the eastern and central regions.
- **Inventory level pressure has started easing; still at a historical high.** Based on 100NJZ's survey on 274 cement enterprises, clinker production capacity utilisation declined to 53.42% last week (+4.27ppt wow). National average cement storage capacity ratio was down 1.9ppt wow to 73.1%. Eastern and southern regions both saw inventory digestion at -1.1ppt/-3.9ppt to 69.3/74.2% respectively.

CEMENT STORAGE CAPACITY RATIO – NATIONAL AVERAGE



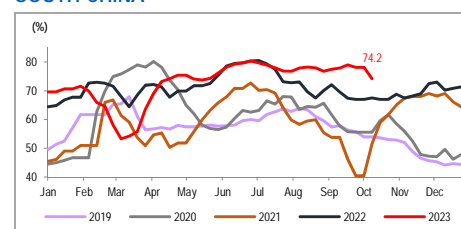
Source: Wind, UOB Kay Hian

CEMENT STORAGE CAPACITY RATIO – EAST CHINA



Source: Wind, UOB Kay Hian

CEMENT STORAGE CAPACITY RATIO – CENTRAL-SOUTH CHINA



Source: Wind, UOB Kay Hian

ESSENTIALS

- **We maintain MARKET WEIGHT on the base metals sector.** A hawkish Fed and strong US dollar have continued to weigh on metal prices. We are concerned on global copper demand given the prospects of a prolonged high interest rate environment and gloomy global economic outlook, especially with China's property sector remaining in the doldrums. The release of China 3Q23 GDP numbers should give more clarity on the demand outlook on copper. The downcycle is likely to last until 2H24, while the rebound in crude oil prices would also inflate miners' production costs and erode margins.
- **We maintain MARKET WEIGHT on the cement sector.** We expect construction activities to continue to normalise in the following weeks as the weather condition improves and construction activities resume after the long holidays. However, we are still concerned about: a) the high inventory level, as it could cap the upside of the price recovery, and b) the intensifying competition given the slower-than-expected demand recovery. We expect share prices to be under pressure in the following weeks as companies are expected to release weak 3Q23 results.
- **We maintain UNDERWEIGHT on the steel sector.** Given the steep deterioration of steel mills' margins, we should see further moderation of steel mills' production output. We are still concerned about the demand for long products as construction activities remained lacklustre even during the peak season. We have also yet to see meaningful pick-up in property sales in recent weeks even after the authorities announced a series of easing measures. Steel mills are generally pessimistic on the demand prospects for 4Q, with steel prices expected to be under pressure in the coming weeks.

COMPANY UPDATE

Xtep International Holdings (1368 HK)

Expect Good Sales Momentum To Extend; Potential Introduction Of Investors For New Brands As Catalyst

The core Xtep brand recorded high-teens% and >30% retail sales yoy growth in 3Q23 and during the Golden Week, mainly driven by volume growth. Management is optimistic that the company will achieve >30% retail sales yoy growth in 4Q23 and the full-year targets. New brands performed better than management's expectations. The potential introduction of investors for new brands will drive the stock's re-rating, in our view. Maintain BUY and target price of HK\$11.00.

WHAT'S NEW

- Xtep International Holdings (Xtep) announced its 3Q23 operational updates.

STOCK IMPACT

- Expect >30% retail sell-through in 4Q23.** The core Xtep brand achieved high-teens% retail sell-through yoy growth in 3Q23, with sales momentum showing a sequential improvement trend (Jul 23: >10%/Aug 23: mid-to-high-teens%/Sep 23: ~25-30%). With: a) the good sales trend extending into the Golden Week, recording >30% yoy growth, b) more de-stocking promotions ahead, and c) the low base (high-single-digit yoy decline in 4Q22), management expects retail sell-through to reach >30% yoy growth in 4Q23, and is confident that the company will achieve the full-year sell-through target of 20-25% yoy growth. Furthermore, with the recovery in consumer sentiment, management has turned more optimistic and expects the company to achieve 20% revenue yoy growth in 2024.
- Volume-driven same-store sales growth of about 8%.** Management attributed the sell-through growth to: a) on-track store expansion (core Xtep brand stores saw 130 net additions by end-2Q23 vs annual planned net additions of ~200), with more ninth-generation stores to be opened, and b) 7-8% same-store sales growth, which was mainly driven by volume growth. The core Xtep brand's average per store monthly sales currently stands at Rmb190,000-195,000, and management aims to boost the average per store monthly sales to Rmb300,000 in the long term by upgrading the store format.
- Discounts to deepen but inventory turnover to improve in 4Q23.** Discounts deepened by low-single-digit qoq to 25-30% (vs ~25% in 2Q23 and 25-30% in 3Q22), given the rising competition in the sportswear industry and the company's promotional efforts to digest winter stocks carried over from last year. Although discounts will further deepen in 4Q23, management aims to maintain the discounts ~30% off in 4Q23. Inventory turnover improved sequentially to 4.5-5 months by end-3Q23 (vs <5 months by end-2Q23). With continuous destocking efforts, management targets to improve the inventory level to ~4 months by end-4Q23, and lower the inventory value to <Rmb2b in 2023.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	10,013	12,930	15,473	18,248	21,426
EBITDA	1,550	1,688	2,195	2,525	2,860
Operating profit	1,396	1,464	1,942	2,262	2,587
Net profit (rep./act.)	908	922	1,234	1,458	1,675
Net profit (adj.)	908	922	1,234	1,458	1,675
EPS (Fen)	35.5	35.7	46.8	55.3	63.5
PE (x)	18.6	18.5	14.1	12.0	10.4
P/B (x)	2.2	2.1	1.9	1.7	1.6
EV/EBITDA (x)	10.9	10.0	7.7	6.7	5.9
Dividend yield (%)	2.9	2.5	3.4	4.0	4.6
Net margin (%)	9.1	7.1	8.0	8.0	7.8
Net debt/(cash) to equity (%)	(14.8)	0.6	(6.2)	(9.4)	(11.2)
Interest cover (x)	24.5	18.5	20.5	26.4	28.4
ROE (%)	11.9	11.1	13.9	15.1	15.9
Consensus net profit	-	-	1,159	1,432	1,733
UOBKH/Consensus (x)	-	-	1.07	1.02	0.97

Source: Xtep Int'l Holdings, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$7.08
Target Price	HK\$11.00
Upside	+55.4%

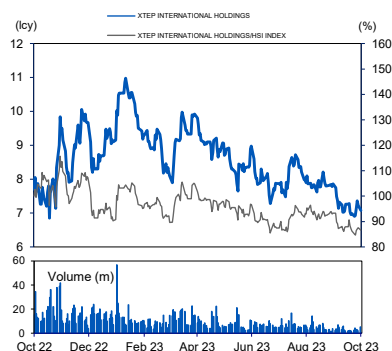
COMPANY DESCRIPTION

Founded in 2001, Xtep is a leading international sporting goods company in China. While dedicated to the production of professional sports goods, Xtep insists on the unique positioning of sports fashion and provides consumers with sports goods with both individuality and cost performance through the differentiated marketing strategy of dual track of sports and entertainment.

STOCK DATA

GICS sector	Consumer Discretionary			
Bloomberg ticker:	1368 HK			
Shares issued (m):	2,638.5			
Market cap (HK\$m):	18,680.5			
Market cap (US\$m):	2,389.1			
3-mth avg daily t'over (US\$m):	4.8			
Price Performance (%)				
52-week high/low	HK\$10.98/HK\$6.85			
1mth	3mth	6mth	1yr	YTD
(9.9)	(10.0)	(28.6)	(8.5)	(18.5)
Major Shareholders				
				%
Success group corporation limited				46.65
FY23 NAV/Share (Rmb)				3.51
FY23 Net Cash/Share (Rmb)				0.22

PRICE CHART



Source: Bloomberg

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- **Potential introduction of investors for new brands to be catalyst.** New brands performed better than management's expectations, with average per store monthly sales of K-Swiss/Palladium/Saucony reaching Rmb300,000/Rmb200,000/Rmb300,000 respectively. We expect the potential introduction of investors for K-Swiss and Palladium to happen by the end of this year, probably in early-November at the earliest.

EARNINGS REVISION/RISK

- **No earnings revisions.**
- **Risks include:** a) lower-than-expected sales recovery; and b) higher A&P expenses.

VALUATION/RECOMMENDATION

- **Maintain BUY and target price of HK\$11.00.** We are optimistic that Xtep's good sales momentum will extend into 4Q23, given Xtep's value-for-money features and the recent recovery in consumer sentiment. We believe that the potential introduction of investors for new brands, which might happen sometime in early-November at the earliest, will be near-term catalysts for the company. The stock is trading at 14.1x 2023F PE, 0.25 SD below five-year historical average.

XTEP RETAIL SELL-THROUGH GROWTH RATE (YOY)

	Retail sell-through growth	Retail discount (% off)	Retail inventory turnover
1Q21	(+) Mid-fifties	25-30%	4.5 months
2Q21	(+) 30-35%	20-25%	4 months
3Q21	(+) Mid-teens	20-25%	4 months
4Q21	(+) 20-25%	20-25%	4 months
1Q22	(+) 30-35%	~ 25%	4 months
2Q22	(+) Mid-teens	25-30%	~4.5 months
3Q22	(+) 20-25%	25-30%	4.5-5 months
4Q22	(-) High-SD	~ 30%	~5.5 months
1Q23	(+) ~ 20%	25-30%	<5 months
2Q23	(+) High-teens	~ 25%	<5 months
3Q23	(+) High-teens	25-30%	4.5-5 months

Source: Xtep, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	12,930.4	15,472.8	18,247.9	21,425.7
EBITDA	1,688.3	2,194.8	2,525.0	2,860.1
Deprec. & amort.	224.0	252.3	263.1	272.6
EBIT	1,464.3	1,942.5	2,261.9	2,587.5
Associate contributions	(12.1)	(12.0)	(12.0)	(12.0)
Net interest income/(expense)	(91.2)	(106.9)	(95.7)	(100.8)
Pre-tax profit	1,361.0	1,823.5	2,154.2	2,474.7
Tax	(448.7)	(601.6)	(710.7)	(816.4)
Minorities	9.4	12.5	14.3	16.4
Net profit	921.7	1,234.4	1,457.8	1,674.7
Net profit (adj.)	921.7	1,234.4	1,457.8	1,674.7

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	571.8	927.1	1,334.1	1,366.9
Pre-tax profit	11,355.0	1,823.5	2,154.2	2,474.7
Tax	(524.0)	(601.6)	(710.7)	(816.4)
Deprec. & amort.	239.4	252.3	263.1	272.6
Working capital changes	(678.2)	(547.1)	(372.5)	(564.0)
Non-cash items	43.9	0.0	0.0	0.0
Other operating cashflows	(9,864.3)	0.0	0.0	0.0
Investing	(872.6)	159.8	(346.0)	(346.0)
Capex (growth)	(365.0)	(200.0)	(200.0)	(200.0)
Investments	(4.7)	354.3	(146.0)	(146.0)
Proceeds from sale of assets	(458.9)	0.0	0.0	0.0
Others	(44.1)	5.4	0.0	0.0
Financing	(236.1)	(1,299.6)	(376.4)	(543.5)
Dividend payments	(550.4)	(460.8)	(617.2)	(728.9)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	364.1	1,500.0	1,500.0	1,500.0
Loan repayment	0.0	(2,338.8)	(1,259.2)	(1,314.6)
Others/interest paid	(49.9)	0.0	0.0	0.0
Net cash inflow (outflow)	(536.9)	(212.7)	611.7	477.4
Beginning cash & cash equivalent	3,929.8	3,414.2	3,201.5	3,813.2
Changes due to forex impact	21.2	0.0	0.0	0.0
Ending cash & cash equivalent	3,414.2	3,201.5	3,813.2	4,290.6

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	1,367.5	1,424.6	1,475.7	1,521.4
Other LT assets	2,787.7	3,052.0	3,083.8	3,111.5
Cash/ST investment	3,414.2	3,201.5	3,813.2	4,290.6
Other current assets	8,922.0	9,747.0	11,019.4	12,616.5
Total assets	16,491.4	17,425.1	19,392.1	21,540.0
ST debt	2,338.8	1,259.2	1,314.6	1,357.2
Other current liabilities	4,305.6	5,089.3	5,989.1	7,022.2
LT debt	1,127.1	1,367.8	1,553.2	1,696.0
Other LT liabilities	415.0	415.0	415.0	415.0
Shareholders' equity	8,470.1	9,243.7	10,084.3	11,030.1
Minority interest	(165.1)	50.1	35.8	19.5
Total liabilities & equity	16,491.4	17,425.1	19,392.1	21,540.0

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	13.1	14.2	13.8	13.3
Pre-tax margin	10.5	11.8	11.8	11.6
Net margin	7.1	8.0	8.0	7.8
ROA	5.9	7.3	7.9	8.2
ROE	11.1	13.9	15.1	15.9
Growth				
Turnover	29.1	19.7	17.9	17.4
EBITDA	8.9	30.0	15.0	13.3
Pre-tax profit	5.8	34.0	18.1	14.9
Net profit	1.5	33.9	18.1	14.9
Net profit (adj.)	1.5	33.9	18.1	14.9
EPS	0.6	31.1	18.1	14.9
Leverage				
Debt to total capital	29.4	22.0	22.1	21.6
Debt to equity	40.9	28.4	28.4	27.7
Net debt/(cash) to equity	0.6	(6.2)	(9.4)	(11.2)
Interest cover (x)	18.5	20.5	26.4	28.4

COMPANY UPDATE

Gojek Tokopedia (GOTO IJ)

Likely Growth In GTV And Improvement In Adjusted EBITDA In 3Q23

GOTO has seen an increase in GTV after the closure of TikTok Shop. GOTO indicates that 3Q23 GTV growth should be positive, reversing from the declining trend of GTV growth in the past two quarters. Adjusted EBITDA is likely to improve qoq in 3Q23, and GOTO could achieve its 2023 adjusted EBITDA guidance. GOTO and IFC World Bank recently struck a US\$125m investment deal via exchangeable bonds with strike price at Rp135 (potential 1.4% dilution). Maintain BUY and target price of Rp121.

WHAT'S NEW

- **IFC World Bank has struck a US\$125m investment deal with GOTO.** Gojek Tokopedia (GOTO) recently received an investment from IFC, a subsidiary of World Bank. The investment includes US\$125m from IFC and US\$25m from private investment firm Franke & Company. The equity-linked bonds issued by Bhinneka Holdings (an independent company for IFC exchangeable Bond) are exchangeable into Series A shares of the company to be owned by Bhinneka Holdings (22) Limited at an exchange price of Rp135, which represents a premium of 50% to the one-month volume weighted average price of the shares up to and including 2 Oct 23, being the last market date prior to the date of announcement. The equity-linked bonds have a coupon of 5% p.a. payable semi-annually, and will mature in Oct 28. GOTO mentioned that this investment will be used for working capital purpose and it will affect 17.04b shares with only 1.4% dilution. Note that the 17.04b shares are less than our assumption of dilution of 130b shares we have incorporated in 2024.
- **Closure of TikTok Shop has translated into higher GTV at GOTO.** GOTO saw an increase in its GTV after the closure of TikTok Shop. GOTO also mentioned that Shopee has seen the highest GTV increase as Shopee is aggressively approaching TikTok Shop customers. GOTO expects the TikTok Shop to be relaunched in Indonesia as Indonesia is very important to TikTok.
- **GTV growth is likely in 3Q23 and 3Q23 adjusted EBITDA will continue to improve.** GOTO is likely to report positive GTV growth in 3Q23. The growth reverses the declining trend of GTV over the past two quarters. GOTO also stated that its adjust EBITDA will continue to improve in 3Q23. 2023 adjusted EBITDA is expected to be in line with management's guided loss of Rp3.8t-4.5t.
- **Progress in Hemat programme.** GOTO is also seeing positive progress in its Hemat programme, which is a more affordable, on-demand and e-commerce service that allows it to tap into larger addressable markets. The positive progress will be reflected in the qoq improvement in on-demand and e-commerce GTV in 3Q23.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net turnover	4,536	11,349	13,852	17,854	22,998
EBITDA	(17,266)	(24,504)	(4,213)	(1,045)	10,639
Operating profit	(22,100)	(30,330)	(12,677)	(10,798)	1,616
Net profit (rep./act.)	(23,468)	(39,571)	(13,546)	(10,577)	1,319
Net profit (adj.)	(23,468)	(39,571)	(13,546)	(10,577)	1,319
EPS (Rp)	(1,981.4)	(3,341.0)	(1,039.7)	(738.0)	83.7
PE (x)	n.m.	n.m.	n.m.	n.m.	0.8
P/B (x)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	n.m.	n.m.	n.m.	n.m.	5.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(517.4)	(348.7)	(97.8)	(59.2)	5.7
Net debt/(cash) to equity (%)	(20.5)	(21.3)	(14.6)	(13.4)	(17.0)
Interest cover (x)	n.a.	n.a.	n.a.	(195.3)	895.9
ROE (%)	n.a.	n.a.	n.a.	n.a.	1.3
Consensus net profit	-	-	(11,884)	(5,614)	(347)
UOBKH/Consensus (x)	-	-	1.14	1.88	n.m.

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

BUY

(Maintained)

Share Price	Rp66
Target Price	Rp121
Upside	+82.6%

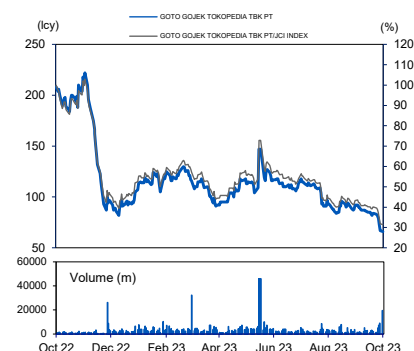
COMPANY DESCRIPTION

As Indonesia's biggest tech company, GOTO is the leader in Indonesia's on-demand services, e-commerce, e-wallet and digital payment gateway markets. Its on-demand services division includes GoJek, GoCar, GoSend and logistics. It also owns Tokopedia and Go.

STOCK DATA

GICS sector	Consumer Discretionary			
Bloomberg ticker:	GOTO IJ			
Shares issued (m):	1,150,838.0			
Market cap (Rpb):	79,293.0			
Market cap (US\$m):	5,043.8			
3-mth avg daily t'over (US\$m):	16.0			
Price Performance (%)				
52-week high/low	Rp222/Rp66			
1mth	3mth	6mth	1yr	YTD
(28.3)	(41.6)	(28.3)	(67.3)	(27.5)
Major Shareholders				
				%
GOTO Peopleverse Fund				9.4
Alibaba Group				9.2
SVF GT SUBC				9.1
FY23 NAV/Share (Rp)				8,500
FY23 Net Cash/Share (Rp)				12,393

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Hemat programme: Consumers enjoy lower pricing but have to wait longer for rides and food.** Consumers will also use smaller cars. For drivers, it could translate to higher revenue as this programme will be zoned for short-term rides, thus enabling drivers to take on more short-term trips. In Go Food, consumers will need to wait for 40-45 minutes (compared with the traditional 20-30 minutes) so that GOTO can bundle the deliveries alongside other orders. Also, restaurants will be within a 2km radius to encourage more orders and delivery bundling.
- **Implementation of Hemat programme in e-commerce will be in the form of merchandise assortment and lower delivery cost.** Consumers can save on delivery costs but suppliers will be closer to customers. Merchandise items can also be cheaper, but orders could be more frequent as the total cost to consumers including shipping will be lower.

GOTO CONTRIBUTION MARGIN AND ADJUSTED EBITDA TREND



Source: GOTO

GOTO OPERATING AND FINANCIAL METRIC

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2023	2022 ¹	2023	2022 ¹
On-demand services	13,242	14,491	26,980	28,908
E-commerce	58,685	67,343	121,485	132,478
Financial technology	90,482	87,317	182,003	164,767
Logistics	n/a	n/a	n/a	n/a
All other segments	718	338	1,029	351
Adjustments and eliminations	(19,388)	(18,952)	(39,220)	(35,969)
Group GTV	143,739	150,537	292,277	290,535
On-demand services	2,880	2,783	5,868	5,452
E-commerce	2,220	2,047	4,480	3,919
Financial technology	399	390	823	728
Logistics	562	510	1,142	1,029
All other segments	29	62	97	116
Adjustments and eliminations	(257)	(285)	(596)	(506)
Group Gross Revenues	5,833	5,507	11,814	10,738
Take rate	4.1%	3.7%	4.0%	3.7%
Incentives to customers	(2,281)	(3,604)	(4,930)	(7,338)
Group Net Revenues	3,552	1,903	6,884	3,400
Total cost of revenues	(1,222)	(1,255)	(2,575)	(2,471)
Sales and marketing expenses ²	(1,253)	(2,616)	(2,538)	(5,378)
Others ³	(32)	(55)	(90)	(111)
Contribution Margin	1,045	(2,023)	1,681	(4,540)
As Percentage of Gross Revenues	18%	(37)%	14%	(42)%
Non-variable expenses ⁴	(2,436)	(5,187)	(6,411)	(9,683)
Other (expenses)/income (ex. interest exp/ income)	(1,318)	271	(1,501)	1,360
Group EBITDA	(2,709)	(6,939)	(6,231)	(12,883)
Adjustments	1,501	2,616	3,426	3,701
Group Adjusted EBITDA	(1,208)	(4,323)	(2,805)	(9,182)
As Percentage of Gross Revenue	(21)%	(78)%	(24)%	(50)%

Source: GOTO

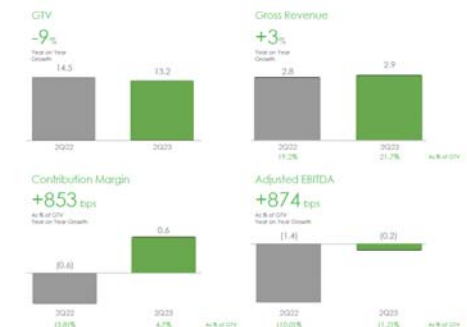
EARNINGS REVISION/RISK

- **No changes to our forecast.** At this point, we will wait until 3Q23 results are announced to adjust our model, if necessary.

VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of Rp121.** We derive a fair value of Rp121 for GOTO, which is derived from multiple of EV/GTV of 0.18x, which is the EV/GTV multiple used on both GOTO and BUKA. With 82.6% upside from the current level, we maintain BUY on GOTO, with a target price of Rp121.

ON-DEMAND SERVICE DATA



Source: GOTO

E-COMMERCE DATA



Source: GOTO

FINANCIAL SERVICES DATA



Source: GOTO

VALUATION

	2023F	2024F
GOTO GMV (Rp b)	769,451	886,699
Fair EV/GMV	0.18	0.18
GOTO EV (Rp b)	140,166	157,669
Minus Debt (Rp b)	4,123	4,416
Plus Cash (RpB)	21,431	19,036
GOTO Market Cap (Rp b)	157,475	172,290
No of Shares (b shares)	1,303	1,433
Fair Value (Rp per share)	121	120
Target Price	121	120

Source: GOTO

PROFIT & LOSS

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Net turnover	11,349	13,852	17,854	22,998
EBITDA	(24,504)	(4,213)	(1,045)	10,639
Deprec. & amort.	5,826	8,464	9,754	9,023
EBIT	(30,330)	(12,677)	(10,798)	1,616
Associate contributions	(10,600)	(1,678)	101	102
Net interest income/(expense)	385	252	(5.4)	(12)
Pre-tax profit	(40,545)	(14,103)	(10,703)	1,706
Tax	136	462	53	(375)
Minorities	837	96	73	(12)
Net profit	(39,571)	(13,546)	(10,577)	1,319
Net profit (adj.)	(39,571)	(13,546)	(10,577)	1,319

CASH FLOW

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Operating	(17,206)	(11,772)	(9,087)	395
Pre-tax profit	(40,545)	(14,103)	(10,703)	1,706
Tax	136	462	53	(375)
Deprec. & amort.	5,826	8,464	9,754	9,023
Working capital changes	804	231	(529)	(648)
Other operating cashflows	16,572	(6,824)	(7,662)	(9,311)
Investing	1,134	4,891	7,424	4,439
Capex (growth)	(348)	(146)	(160)	(176)
Investments	165	5,037	7,584	4,615
Proceeds from sale of assets	(46)	0.0	0.0	0.0
Others	1,363	0.0	0.0	0.0
Financing	13,374	(700)	(735)	(771)
Issue of shares	13,739	(732)	(769)	(807)
Proceeds from borrowings	1,491	1,566	1,644	1,726
Loan repayment	(1,528)	(1,604)	(1,684)	(1,768)
Others/interest paid	(329)	70	74	78
Net cash inflow (outflow)	(2,698)	(7,580)	(2,397)	4,062
Beginning cash & cash equivalent	31,151	29,009	21,431	19,036
Changes due to forex impact	556	2.3	2.4	2.6
Ending cash & cash equivalent	29,009	21,431	19,036	23,101

BALANCE SHEET

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Fixed assets	1,457	1,603	1,763	1,940
Other LT assets	103,579	98,648	91,258	86,943
Cash/ST investment	29,009	21,431	19,036	23,101
Other current assets	5,171	6,116	7,666	9,577
Total assets	139,217	127,798	119,723	121,560
ST debt	615	3,368	3,623	3,753
Other current liabilities	11,547	11,446	13,783	13,747
LT debt	1,826	1,918	2,013	2,114
Other LT liabilities	2,505	2,630	2,761	2,899
Shareholders' equity	124,921	110,745	99,965	101,591
Minority interest	(2,198)	(2,308)	(2,423)	(2,544)
Total liabilities & equity	139,217	127,798	119,723	121,560

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	(215.9)	(30.4)	(5.9)	46.3
Pre-tax margin	(357.2)	(101.8)	(59.9)	7.4
Net margin	(348.7)	(97.8)	(59.2)	5.7
ROA	n.a.	n.a.	n.a.	1.1
ROE	n.a.	n.a.	n.a.	1.3
Growth				
Turnover	150.2	22.1	28.9	28.8
EBITDA	n.a.	n.a.	n.a.	n.a.
Pre-tax profit	n.a.	n.a.	n.a.	n.a.
Net profit	n.a.	n.a.	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	2.0	4.6	5.5	5.6
Debt to equity	2.0	4.8	5.6	5.8
Net debt/(cash) to equity	(21.3)	(14.6)	(13.4)	(17.0)
Interest cover (x)	n.a.	n.a.	(195.3)	895.9

SECTOR UPDATE

Property – Malaysia

A Study Trip To Iskandar Malaysia

We came away from our recent trip to Iskandar Malaysia (IM) feeling positive, having learnt of the mutual economic and societal benefits that could be reaped upon the full operation of the RTS by end-26, which could stimulate the growth in and around the JB City Centre. We opine that IWH Group and property-construction player Ekovest (BUY, Target: RM1.10) are clear winners for the IM theme, and from a more long-term perspective, we like Sunway (BUY, Target: RM2.38). Maintain MARKET WEIGHT.

WHAT'S NEW

- We met with the Malaysian Federal Government's statutory body, Iskandar Regional Development Authority (IRDA), as well as Johor Knight Frank to get the latest updates on Iskandar Malaysia (IM) and overall property sector in Johor. We also visited the Bukit Chagar station of the Johor Bahru-Singapore Rapid Transit System (RTS) Link to assess its progress. Additionally, we met with prominent developers like Iskandar Waterfront Holdings (IWH), Sunway and UEM Sunrise (UEMS) to gain first-hand insights into their Johor projects. Below are the key takeaways:
- IM received RM391.6b in investment from 2006 to Jun 23 with 60% realised, with the rest expected to be realised within 3-5 years.** RM60.6b of the total investment came from China with RM33.3b from Singapore. Manufacturing segment, mixed development and residential properties were the biggest contributors, receiving RM102.7b, RM103.3b and RM72b in investments respectively.
- Sedenak is Iskandar Malaysia's sixth flagship known as Flagship F.** Sedenak is home to the Ibrahim Technopolis (IBTEC), a 7,290-acre integrated industrial smart township project. Develop by Johor Corporation, IBTEC focuses on technology-driven sectors like data centres, medical device manufacturing, green renewable energy, biotechnology and food technology, among others. The Sedenak Tech Park (STeP) Phase 1 is a 745-acre area (inside IBTEC) meant to attract the development of data centres. Notable data centre investors in STeP include the Yondr Group (RM7.2b investment), Princeton Digital Group (RM2b investment), Keppel Data Centre (RM2.1b investment) and ChinData's subsidiary Bridge Data Centres (RM2.5b investment).
- RTS to substantially reduce travelling time.** RTS is progressing well and is now 52% completed. It is on schedule to be completed by Dec 26. After the RTS Link is operational, the travel time for passenger traffic between the Johor border and Singapore can be significantly shortened to just 15 minutes (vs the usual one to two hours required via the Johor Causeway). The immigration facilities of both nations will be co-located at Woodlands North and Bukit Chagar stations, streamlining the clearance process for passengers who will only need to go through immigration once at their departure point. Other infrastructure in the IM area includes the Iskandar Malaysia Bus Rapid Transit (IRT) set to be operational by 2026 and the Johor Electric Train System (from Gemas to Johor Bharu Sentral) expected to be operational by 2025.

PEER COMPARISON

Company	Tickers	Rec	Share Price 16 Oct 23 (RM)	Target Price (RM)	Market Cap (RMm)	P/B		PE		Div Yield FY23F (%)	ROE FY23F (%)	Revenue FY23F (RMm)	Net Profit FY23F (RMm)	Net Margin FY23F (%)
						FY22 (x)	FY23F (x)	FY22 (x)	FY23F (x)					
Sunway	SWB MK	BUY	1.90	2.38	9,413.9	0.9	0.9	19.4	18.2	2.6	5.4	5,348	664	12.4
SP Setia	SPSB MK	HOLD	0.95	0.89	3,889.0	0.3	0.3	14.0	13.4	2.2	1.8	4,571	287	6.3
Mah Sing Group	MSGB MK	BUY	0.855	0.93	2,075.7	0.6	0.6	14.6	10.9	3.7	5.3	2,501	192	7.7
UEM Sunrise	UEMS MK	SELL	0.795	0.58	4,021.5	0.6	0.6	53.9	41.6	0.0	1.1	1,473	81	5.5
Matrix Concepts	MCH MK	BUY	1.52	1.92	1,902.0	0.9	0.9	7.3	7.7	6.4	10.4	1,170	238	20.4
Eco World	ECW MK	BUY	1.05	1.21	3,091.6	0.6	0.6	19.7	12.4	4.8	5.2	1,837	241	13.1
Ekovest	EKO MK	BUY	0.515	1.10	1,527.0	0.5	0.5	n.m	77.9	n.a.	0.8	1,207	20	1.6

Source: Bloomberg, UOB Kay Hian

MARKET WEIGHT

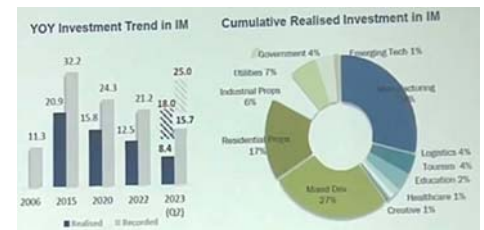
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IBTEC MASTERPLAN



Source: Johor Corporation

ISKANDAR MALAYSIA INVESTMENT



Source: IRDA

RTS PROGRESS (52%)



Source: UOB Kay Hian

IM BRT CORRIDOR MAP



Source: IMBRT, Sunway, UEMS, UOB Kay Hian

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ACTION

- **We believe IWH Group and Ekovest (BUY, Target: RM1.10) are clear winners for the Iskandar Malaysia theme.** Given the limited availability of land in JB's city centre, with its high population density compared to other areas in IM, IWH's substantial landbank of >4,000 acres in the Danga Bay area, near RTS Bukit Chagar, appears to be the most promising for property market development, in our opinion. Ekovest also recently acquired 20 acres of land near RTS to develop Transit-Oriented Developments (TOD) 2 and 3 with a minimum GDV of RM5b. We believe Ekovest's TOD 2 and 3 will create a vibrant hub for business, leisure and residential activities, making it a sought-after destination for both investors and residents. Furthermore, we opine that Ekovest's corporate restructuring plan of acquiring Credence (which owns 63% of IWH Group) will give it exposure to IWH's landbank, solidifying its position as the prime proxy for Iskandar Malaysia's growth.
- **Apart from that, we prefer companies with proven track records of execution.** From a more long-term perspective, we like Sunway Berhad (BUY, Target: RM2.38) for its track record as a master township developer which we believe positions it well for the development of Sunway Iskandar. We also take this opportunity to downgrade UEMS to SELL from HOLD with an unchanged target price of RM0.58 as we believe its share price had run ahead of its fundamental earnings and the potential revival of High-Speed Railway (HSR) is already reflected in the share price. The stock is trading at 0.6x 2023F P/B (+2SD above its five-year P/B of 0.3x). In terms of PE, UEMS is trading at 42x for 2023F (vs five-year average of 23x and industry average of 13x for 2023F). We also downgrade SP Setia to HOLD from BUY with unchanged target price of RM0.89 as its share price had run ahead of its fundamental earnings.

ESSENTIALS

- **LRT still in discussion phase; preference still skewing towards bus system.** We are aware of a proposal for the construction of a Light Rail Transit (LRT) system by a private consortium. However, this proposal is still in the discussion phase and would require funding from the federal government. We understand that currently the choice is to develop a bus system rather than the LRT system due to the relatively lower population in IM. IM currently has a population of 2m, with the highest population density concentrated in the Johor Bharu (JB) city centre. Meanwhile, Johor has a population of about 4m.
- **The Iskandar Puteri area, which includes Medini, may require a significant period for development and population growth.** While it is indisputable that land holds paramount value in this region, we believe that the area will need substantial time for development due to its currently lower population density (compared to JB city centre) and the fact that public transport connectivity in this area is still lacking (currently only a planned bus rapid transit system). It is noteworthy that both UEMS (which owns 5,103 acres of landbank in Iskandar Puteri with GDV of RM59.1b) and Sunway (which owns 1,632 acres in Medini and Pendas with GDV of RM29b) have observed strong interest in property demand within this region, particularly landed properties. However, we are aware that they are exercising caution in their launch strategies to avoid another overhang issue.
- **We anticipate that people will continue to prefer living in proximity to RTS Bukit Chagar because of its exceptional connectivity.** For instance, consider Malaysian or Singaporean professionals working in Marina Bay Sands area. Currently, it takes them approximately 30 minutes to reach the Woodlands checkpoint from Marina Bay Sands. With the availability of RTS, if these professionals choose to reside near RTS Bukit Chagar, it will take them around 45 minutes in total (including 15 minutes for travel and immigration clearance from RTS Woodlands to Bukit Chagar) to get home from work. Given Singapore's higher rental and housing prices, this RTS connectivity presents a compelling incentive for individuals to purchase/rent property near RTS Bukit Chagar.
- **In contrast, if professionals opt to live in the Iskandar Puteri area, they face a significantly longer commute** of 1-2 hours, depending on traffic conditions, to reach Marina Bay Sands via the Second Link. However, as the Iskandar Puteri area evolves and infrastructure continues to mature (assuming the HSR is confirmed), they hold the potential to become prime locations for future growth and investment over the longer term. It is

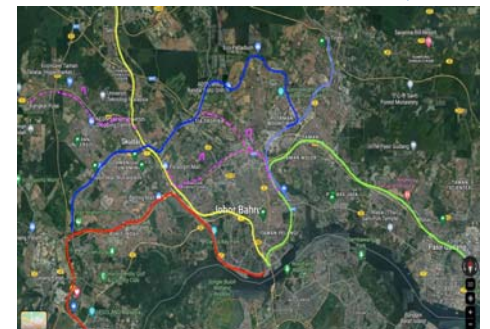
TOD 2 AND 3 LOCATION WHICH ARE NEAR TO RTS



It's worth mentioning that IWH Group owns undeveloped land (the green area in Iskandar Bonded City) which is in close proximity to RTS Bukit Chagar.

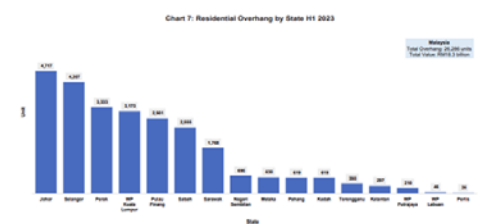
Source: Ekovest, IWH Group, UOB Kay Hian

CONCEPT MAP LRT (POSSIBLE ROUTES FOR 2 LINES: MEDINI-RTS AND UTM-JB SENTRAL)



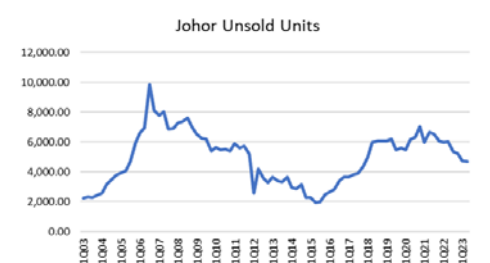
Source: Reddit, <https://futuresoutheastasia.com/johor-bahru-lrt/>

RESIDENTIAL OVERHANG UNIT BY STATE



Source: NAPIC, UOB Kay Hian

JOHOR RESIDENTIAL OVERHANG TREND

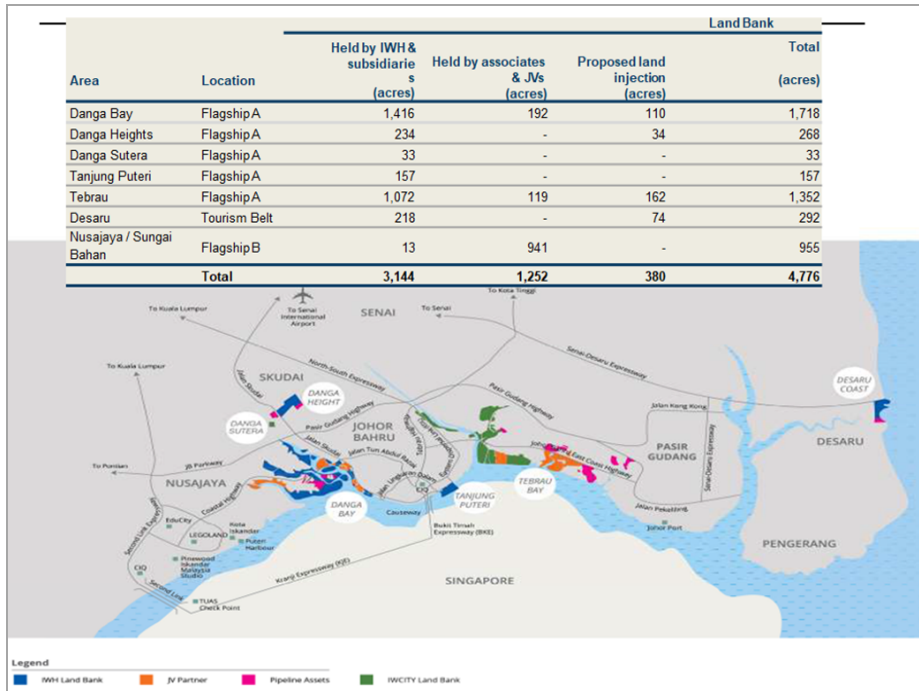


Source: NAPIC, CEIC, UOB Kay Hian

Comment: Based on NAPIC data, the number unsold units in Johor has subsequently reduced to 4,717 units during the 2Q23 from its recent peak of 7,030 units in the 4Q20. Based on our channel check, it appears that a significant portion of these unsold units can be attributed to Forest City. As reported by Channel News Asia, Forest City has seen the completion of a total of 28,000 residential units, with approximately 9,000 residents currently residing there. Furthermore, it has come to our attention that Forest City has successfully sold 90% of its total units, leaving 10% unsold. This implies that the overhang from Forest City is estimated to be around 2,800 unsold units, constituting 60% of Johor's overall unsold units.

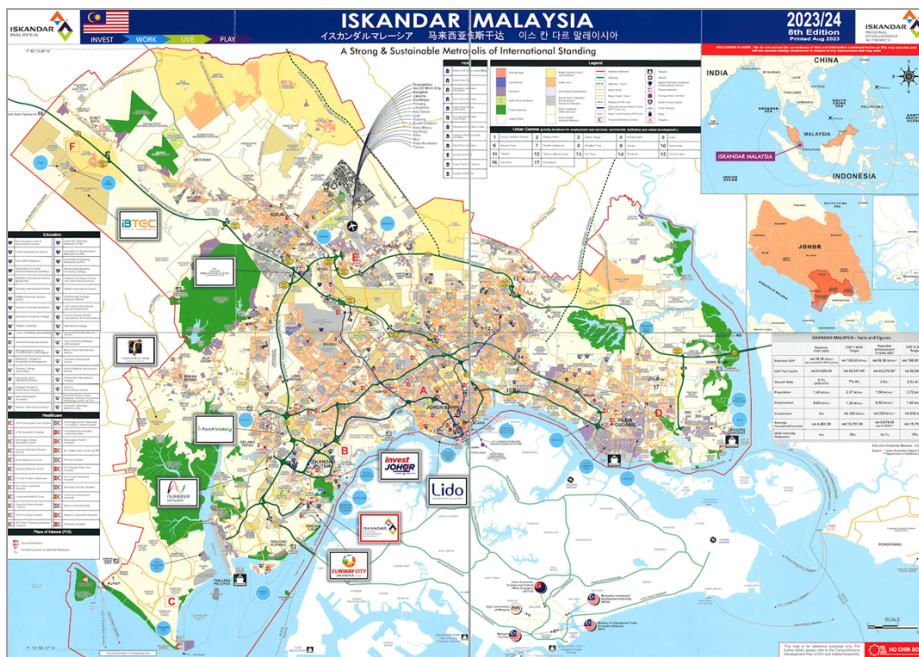
important to note that the HSR project is in its early stages, with the government exploring the project's feasibility using a fully privately funded framework, and likely spanning nearly a decade for its completion.

IWH GROUP LANDBANK-IN CLOSE PROXIMITY TO RTS BUKIT CHAGAR



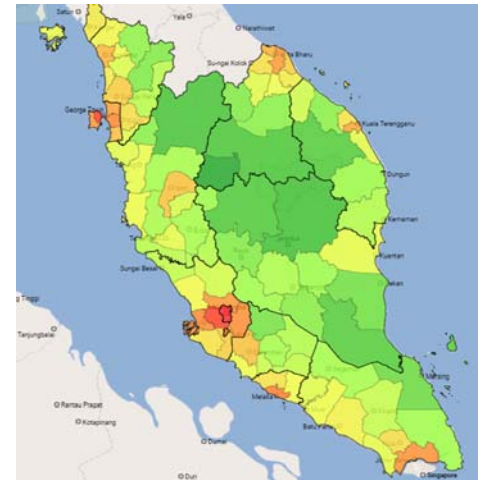
Source: IWH Group

ISKANDAR MALAYSIA



Source: IRDA

MALAYSIA POPULATION DENSITY - ISKANDAR MALAYSIA STILL NOT AS DENSE AS IN GREATER KUALA LUMPUR AND PENANG



Source: <https://www.citypopulation.de/en/malaysia/admin/>, UOB Kay Hian

JOHOR POPULATION - JB CITY CENTRE IS THE MOST DENSE



Source: <https://www.citypopulation.de/en/malaysia/admin/>, UOB Kay Hian

COMPANY RESULTS

Aztech Global (AZTECH SP)

3Q23: Record-High Earnings Beat Expectations; Moderately Optimistic About Outlook

Aztech's 3Q23 record-high earnings of S\$30.9m (+48.6% yoy/+0.5% qoq) beat our forecast, with 9M23 forming 82% of our full-year estimate. IoT devices continued to be a key growth driver, driving an 11.1% yoy revenue growth. Orderbook remained healthy at S\$322m as of 16 Oct 23, of which the majority is planned for completion in 2023. Amid the volatile environment, the outlook remains cautiously optimistic. Maintain BUY with an 11% higher target price of S\$1.11 after raising our EPS forecasts.

3Q23 RESULTS

Year to 31 Dec (S\$m)	3Q23	3Q22	yoy % chg	2023	qoq % chg
Revenue	283.4	242.4	+16.9	227.0	+24.8
PBT	43.7	26.2	+66.8	35.5	+23.1
PBT margin (%)	15.4	10.8	+4.6ppt	15.6	-0.2ppt
Net profit	30.9	20.8	+48.6	29.5	+0.5
Net margin (%)	10.9	8.6	+2.3ppt	13.0	-2.1ppt

Source: Aztech Global, UOB Kay Hian

RESULTS

- 3Q23 earnings above expectations.** Aztech Global's (Aztech) 3Q23 net profit of S\$30.9m (+48.6% yoy/+0.5% qoq) is a record high and exceeded our forecast. 9M23 net profit of S\$73.8m (+15.9% yoy) accounts for 82% of our full-year estimate. The strong results came from a 10.7% yoy growth in revenue, driven by sales of IoT devices and data-communication products. Aztech also enjoyed greater economies of scale, higher interest income and lower net fair value loss on its foreign exchange contracts. Despite higher income tax expenses incurred due to a S\$5.5m one-time deferred tax provision from an overseas subsidiary's retained earnings, Aztech recorded an improvement in net margin to 10.9% (+2.3ppt yoy).
- Orderbook remains resilient with normalised lead time.** Aztech has secured a total of \$322.7m orders as at 16 Oct 23 (vs S\$595m as of 21 Jul 23). Majority of these are scheduled for completion in 2023 across Aztech's manufacturing facilities in Dongguan, China and Johor, Malaysia. Post pandemic, order lead time has normalised from 9-12 months to 2-3 months. Aztech continues to actively engage its customers and suppliers to manage forecasts and component requirements.
- Moderately optimistic on business outlook.** As the external environment remains volatile and fraught with geopolitical tensions, Aztech remains cautiously optimistic about its near-term business prospects. The operating environment remains challenging with higher interest rates, inflationary cost pressures and foreign currency fluctuations. Aztech continues to strengthen its balance sheet, with net cash of S\$215.4m as at end-Sep 23 (32.6% of market cap), and stringent cost and foreign exchange management.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	624	820	875	904	921
EBITDA	91	142	127	135	139
Operating profit	81	134	116	128	131
Net profit (rep./act.)	74	67	95	105	107
Net profit (adj.)	74	67	95	105	107
EPS (S\$ cents)	10.0	8.7	12.3	13.5	13.8
PE (x)	8.6	9.8	7.0	6.3	6.2
P/B (x)	2.2	2.3	1.8	1.5	1.4
EV/EBITDA (x)	4.3	2.7	3.1	2.9	2.8
Dividend yield (%)	5.8	5.3	6.5	7.1	7.3
Net margin (%)	11.9	8.2	10.9	11.6	11.6
Net debt/(cash) to equity (%)	(63.8)	(74.3)	(73.5)	(83.6)	(95.2)
Interest cover (x)	134.2	n.a.	217.3	640.6	1,042.4
ROE (%)	44.5	23.3	29.1	26.3	23.4
Consensus net profit	-	-	91	101	105
UOBKH/Consensus (x)	-	-	1.04	1.04	1.02

Source: Aztech Global, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.855
Target Price	S\$1.11
Upside	+29.9%
(Previous TP)	S\$1.00)

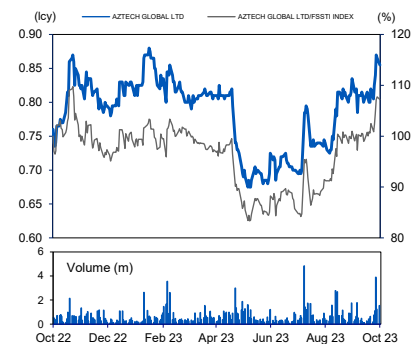
COMPANY DESCRIPTION

Aztech Global is an electronics manufacturer with 34 years of proven track record in adapting to evolving trends and transforming from an OEM into a full-fledged manufacturer.

STOCK DATA

GICS sector	Information Technology			
Bloomberg ticker:	AZTECH SP			
Shares issued (m):	772.0			
Market cap (S\$m):	660.0			
Market cap (US\$m):	481.8			
3-mth avg daily t'over (US\$m):	0.5			
Price Performance (%)				
52-week high/low	S\$ 0.880/S\$ 0.675			
1mth	3mth	6mth	1yr	YTD
2.4	22.1	5.6	12.5	3.0
Major Shareholders				
Azventure Investments	70.2			
-	-			
-	-			
FY23 NAV/Share (S\$)	0.48			
FY23 Net Cash/Share (S\$)	0.35			

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- New Pasir Gudang Facility commences production.** After the acquisition of the 300,000sf Pasir Gudang Facility was completed in Apr 23, Aztech commenced production in 3Q23. With this and its other facilities in Malaysia and China, Aztech's total production requirements are met. The additional capacity at Pasir Gudang has lifted Aztech's total manufacturing built-up area to 846,000sf for growth and for production diversification to meet the needs of customers.
- New product line to capture market growth.** On 28 Aug 23, management announced its vision technology product line launch under its Kyla brand. The two new products are power-over-Ethernet internet protocol (IP) CCTV, which targets Singapore's pre-school educational segment, and digital microscope. Aztech intends to launch these products overseas by end-23. According to Verified Market Research, the video surveillance market is projected to reach US\$157.1b by 2030 (7-year CAGR of 12.9%). This portfolio allows Aztech to capture market demand for high quality vision technology at an opportune time. Aztech's new product line is therefore likely to contribute to earnings growth moving forward.

EARNINGS REVISION/RISK

- We have raised our 2023/24/25 revenue forecasts by 3%/5%/5%**, on the back of its better-than-expected results and steady orderbook. Accordingly, our net profit estimates are increased by 5%/7%/7% for the same period.

VALUATION/RECOMMENDATION

- Maintain BUY and 11% higher target price of S\$1.11**, pegged to 8.2x 2024F EPS. This is based on Aztech's long-term mean PE. We have rolled over our valuation base year to 2024. We continue to like Aztech as it is a proxy to high-growth IoT products, for which we believe orders will continue to grow in 2024.

SHARE PRICE CATALYST

- Steady order wins.
- Better-than-expected forex gain and cost management.
- Interim dividend surprise.

PEER COMPARISON

Company	Ticker	Price @ 16 Oct 23 (lcy)	Market Cap (US\$m)	PE		P/B		EV/EBITDA 2023 (x)	ROE 2023 (%)	Yield 2023 (%)
				2023 (x)	2024 (x)	2023 (x)	2024 (x)			
Singapore Peers										
AEM	AEM SP	3.57	911	805	n.a.	12.5	2.3	2.0	0.2	0.0
Frencken	FRKN SP	1.15	284	359	19.2	11.8	1.2	1.1	6.5	1.6
Fu Yu	FUYU SP	0.129	102	71	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
UMS	UMSH SP	1.31	555	641	14.7	11.3	2.4	2.2	17.0	4.1
Valuetronics	VALUE SP	0.525	170	158	9.5	8.6	0.9	0.8	9.7	4.2
Venture Corp	VMS SP	12.07	3,196	2,562	12.5	12.0	1.2	1.2	9.8	6.2
Average					13.9	11.3	1.6	1.5	8.6	3.2
Malaysia Peers										
V.S. Industry	VSI MK	0.965	732	785	20.1	15.8	1.7	1.6	8.5	2.1
ATA IMS	AIB MK	0.335	66	85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Skp Resources	SKP MK	0.98	315	323	13.6	10.8	1.6	1.5	12.8	3.8
Average					16.9	13.3	1.7	1.5	10.6	2.9
Aztech	AZTECH SP	0.855	407	482	7.3	6.8	1.8	1.6	27.8	6.1

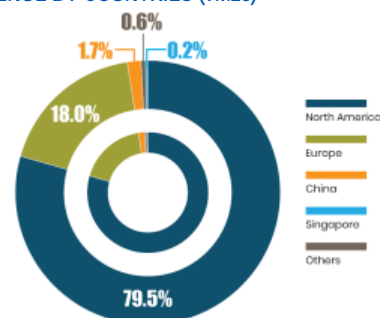
Source: Bloomberg, UOB Kay Hian

HISTORICAL PE BAND



Source: Bloomberg, UOB Kay Hian

REVENUE BY COUNTRIES (9M23)



Source: Aztech

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	820.2	875.3	904.1	920.7
EBITDA	142.3	126.7	134.9	138.8
Deprec. & amort.	8.6	10.3	6.9	8.1
EBIT	133.7	116.4	128.0	130.6
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	1.1	(0.6)	(0.2)	(0.1)
Pre-tax profit	80.7	115.8	127.8	130.5
Tax	(13.5)	(20.9)	(23.0)	(23.5)
Minorities	0.0	0.0	0.0	0.0
Net profit	67.2	95.0	104.8	107.0
Net profit (adj.)	67.2	95.0	104.8	107.0

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	95.6	56.3	112.2	134.7
Pre-tax profit	80.7	115.8	127.8	130.5
Tax	(10.9)	(13.4)	(20.9)	(23.0)
Deprec. & amort.	8.6	10.3	6.9	8.1
Working capital changes	38.8	(56.4)	(1.6)	19.1
Non-cash items	(21.7)	0.0	0.0	0.0
Investing	(6.0)	(1.1)	(12.0)	(14.0)
Capex (growth)	(8.3)	(12.0)	(12.0)	(12.0)
Proceeds from sale of assets	0.2	0.0	0.0	0.0
Others	2.0	10.9	0.0	(2.0)
Financing	(72.7)	(15.7)	(45.5)	(50.2)
Dividend payments	(61.8)	(11.6)	(45.6)	(50.3)
Issue of shares	0.0	0.0	0.0	0.0
Loan repayment	(9.1)	(3.5)	0.3	0.3
Others/interest paid	(1.9)	(0.6)	(0.2)	(0.1)
Net cash inflow (outflow)	16.8	39.4	54.7	70.5
Beginning cash & cash equivalent	201.5	216.2	273.2	360.1
Changes due to forex impact	(2.2)	17.6	32.3	33.3
Ending cash & cash equivalent	216.2	273.2	360.1	464.0

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	25.8	27.5	32.6	36.4
Other LT assets	0.0	0.0	0.0	0.0
Cash/ST investment	216.2	273.2	360.1	464.0
Other current assets	299.5	390.3	380.0	375.6
Total assets	541.4	691.0	772.7	876.0
ST debt	1.3	1.8	2.0	2.3
Other current liabilities	249.9	301.6	292.1	305.3
LT debt	3.9	0.0	0.0	0.0
Other LT liabilities	2.2	18.4	50.1	83.3
Shareholders' equity	284.0	369.2	428.4	485.1
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	541.4	691.0	772.7	876.0

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	17.3	14.5	14.9	15.1
Pre-tax margin	9.8	13.2	14.1	14.2
Net margin	8.2	10.9	11.6	11.6
ROA	12.7	15.4	14.3	13.0
ROE	23.3	29.1	26.3	23.4
Growth				
Turnover	31.4	6.7	3.3	1.8
EBITDA	56.6	(10.9)	6.5	2.9
Pre-tax profit	(5.0)	43.5	10.4	2.1
Net profit	(9.7)	41.4	10.4	2.1
Net profit (adj.)	(9.7)	41.4	10.4	2.1
EPS	(13.2)	41.4	10.4	2.1
Leverage				
Debt to total capital	1.8	0.5	0.5	0.5
Debt to equity	1.9	0.5	0.5	0.5
Net debt/(cash) to equity	(74.3)	(73.5)	(83.6)	(95.2)
Interest cover (x)	n.a.	217.3	640.6	1,042.4

ASIAN GEMS CORPORATE HIGHLIGHTS

The Erawan Group (ERW TB)

Outlook Remains Positive; Expect RevPar Growth To Continue In 2024

ERW's management anticipates a continued RevPar growth of 6% in 2024, driven by sustained pent-up travel demand, and expects the impact from the Siam Paragon shooting incident and the Israel-Hamas conflict to be short term in nature. 3Q23 net profit is likely to improve yoy but drop slightly qoq, with robust RevPar (+37% yoy, +5% qoq, 17% above pre-COVID-19 levels). Maintain BUY. Target price: Bt6.50.

WHAT'S NEW

- 2023 performance: Strategic location is its key competitive strength.** Despite international arrivals in Thailand not having fully recovered to pre-COVID-19 levels, The Erawan Group's (ERW) RevPar has exceeded the normalised levels since 2Q23 (13% above pre-COVID-19 levels), driven by both occupancy rate and average room rate (ADR). Chinese guests accounted for 16% of ERW's total guests in 2Q23, vs 12% in 2019. ERW's key competitive advantages lie in: a) the strategic locations of its hotels, especially those in Bangkok (contributing 60-65% of revenue) which have seen a strong rebound in performance, and b) its focus on Chinese travel partners.
- 2024 outlook: expect continued RevPar growth.** ERW targets RevPar growth of at least 6% in 2024, underpinned by ongoing pent-up travel demand and inflation. The company's strategy to increase RevPar and widen margins involves increasing contribution from retail guests, which have better margins, from 30-35% in 2019 to 40-45%. Retail guests are primarily driven by marketing efforts and strong brand awareness. Regarding its hotel expansion plan, the company aims to establish 10 budget hotels in Thailand and seven budget hotels outside Thailand. Of these, three will be developed in Philippines, while the remaining four hotels will be located in Japan and are expected to open in 1Q24.
- Long-term target: To become leading budget hotel chain in Southeast Asia.** ERW expects RevPar growth to grow at an organic rate of 3-4% per year from 2025 onward, following the end of the travel revenge trend. Its long-term strategy involves more aggressive expansion in the budget hotel segment, which should lead to an increase in revenue contribution from the budget segment to 40% within the next five years (budget revenue contribution in 1H23: 20%). Additionally, the company is actively seeking golden investment opportunities in the Asia Pacific region, including Japan, South Korea, Indonesia, Vietnam, and Singapore, with the aim of increasing revenue contribution from overseas to 20-25% in the next five years (vs outside Thailand revenue contribution in 1H23: 7%).

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	1,562.6	4,714.6	7,334.3	8,124.3	8,623.2
EBITDA	(636.3)	1,055.0	2,181.7	2,498.3	2,744.3
Operating profit	(1,571.9)	183.1	1,210.3	1,454.9	1,601.0
Net profit (rep./act.)	(2,050.2)	(224.2)	705.0	841.5	923.5
Net profit (adj.)	(2,050.2)	(224.2)	705.0	841.5	923.5
EPS (Bt)	(0.8)	0.0	0.1	0.2	0.2
PE (x)	n.m.	n.m.	36.1	30.2	27.5
P/B (x)	2.2	4.1	3.6	3.3	3.1
EV/EBITDA (x)	n.m.	33.5	16.2	14.1	12.9
Dividend yield (%)	0.0	0.0	1.2	1.5	1.6
Net margin (%)	(131.2)	(4.8)	9.6	10.4	10.7
Net debt/(cash) to equity (%)	226.4	221.7	164.8	172.9	160.6
Interest cover (x)	(1.2)	2.3	4.3	4.4	4.9
ROE (%)	n.a.	n.a.	11.0	11.4	11.7
Consensus net profit	-	-	719	829	948
UOBKH/Consensus (x)	-	-	0.98	1.02	0.97

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

BUY

(Maintained)

Share Price	Bt5.20
Target Price	Bt6.50
Upside	+25.0%

COMPANY DESCRIPTION

The Erawan Group is a leading hotel investment company in Thailand. Its hotel portfolio ranges from luxury to mid-scale and economy across Thailand's major tourist destinations.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	ERW TB
Shares issued (m):	4,531.6
Market cap (Btm):	23,564.1
Market cap (US\$m):	647.2
3-mth avg daily t'over (US\$m):	2.6
Price Performance (%)	

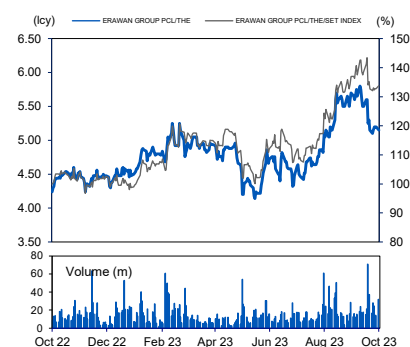
52-week high/low Bt5.80/Bt4.14

1mth	3mth	6mth	1yr	YTD
(8.0)	15.0	4.8	25.6	16.1

Major Shareholders

	%
Wattanavekin family	28.2
Vongkusolkit family	28.4
-	-
FY23 NAV/Share (Bt)	1.45
FY23 Net Debt/Share (Bt)	2.40

PRICE CHART



Source: Bloomberg

ANALYST(S)

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• **Impact of Siam Paragon shooting incident and Israel-Hamas conflict.** Following the shooting incident at Siam Paragon, the company has not experienced any booking cancellations as yet. Although there was a recent slowdown in booking growth from Chinese guests in the past week, ERW expects this to be a short-term impact, as booking rates have started to pick up again. On the other hand, with respect to the Israel-Hamas conflict, the company has observed some booking cancellations from Israeli guests in Phuket hotels. However, this impact is expected to be insignificant since other nationalities are anticipated to fully offset the decrease during the high travel season. Furthermore, the Israel-Hamas conflict has had no impact on guests from other Middle Eastern countries.

STOCK IMPACT

• **3Q23 earnings to exceed normalised levels.** We expect 3Q23 net profit to exceed pre-COVID-19 levels, reaching Bt132m (+1,250% yoy, -7% qoq). Excluding extraordinary items, core profit is expected to reach Bt127m (+954% yoy, +5% qoq), driven by the continued influx of international tourists and RevPar growth. However, we expect a Bt20m expense associated with hotel investments in Japan in 3Q23.

• **Rise in revenue aligns with ongoing RevPar growth.** ERW's revenue is expected to reach Bt1.7b (+34% yoy, +6% qoq). The key driver is the continuous increase in international arrivals (+96% yoy, +10% qoq, 27% below pre-COVID-19 levels), resulting in continued growth in RevPar (+37% yoy, +5% qoq, 17% above pre-COVID-19 levels). All figures, including the occupancy rate and ADR, for both budget and non-budget hotel segments, are likely to show strong yoy and qoq growths, with the exception of budget hotels in Thailand, which remained flat qoq in 3Q23.

3Q23 EARNINGS PREVIEW

(Btm)	3Q22	2Q23	3Q23	yoy (%)	qoq (%)
Total revenue	1,283	1,623	1,713	33.5	5.5
Gross profit	456	675	719	57.7	6.5
SG&A	362	441	465	28.6	5.4
Operating EBIT	100	250	269	169.3	7.6
Operating EBITDA	261	472	495	89.6	5.0
Core profit	(15)	121	127	954.4	5.3
Net profit	(12)	142	132	1,249.4	(6.7)
(%)	3Q22	2Q23	3Q23	yoy (ppts)	qoq (ppts)
Gross margin	35.5	41.6	42.0	6.4	0.4
SG&A to sales	28.2	27.2	27.2	(1.0)	(0.0)
EBIT margin	12.1	26.3	27.1	15.0	0.7
EBITDA margin	20.3	29.0	28.9	8.6	(0.1)
Net profit margin	(0.9)	8.7	7.7	8.6	(1.0)

Source: ERW, UOB Kay Hian

KEY STATISTICS

Occupancy (%)	3Q19	3Q22	4Q22	1Q23	2Q23	3Q23	yoy chg	qoq chg	To pre-COVID
Avg exc. budget hotel	74%	67%	82%	84%	81%	82%	15.4 ppt	1.4 ppt	111.3%
Avg inc. budget hotel	74%	69%	79%	81%	80%	81%	12.6 ppt	1.7 ppt	110.4%
ARR (Bt/night)									
Avg exc. budget hotel	2,470	2,552	3,023	3,079	2,936	3,033	18.8%	3.3%	122.8%
Avg inc. budget hotel	1,661	1,521	1,760	1,794	1,709	1,762	15.9%	3.1%	106.1%
RevPar (Bt/night)									
Avg exc. budget hotel	1,824	1,710	2,470	2,591	2,361	2,499	46.1%	5.8%	137.0%
Avg inc. budget hotel	1,223	1,045	1,391	1,459	1,361	1,433	37.1%	5.3%	117.1%

Source: ERW, UOB Kay Hian

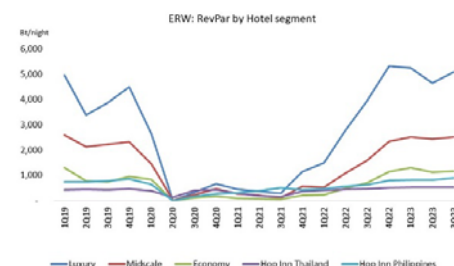
EARNINGS REVISION/RISK

• None.

VALUATION/RECOMMENDATION

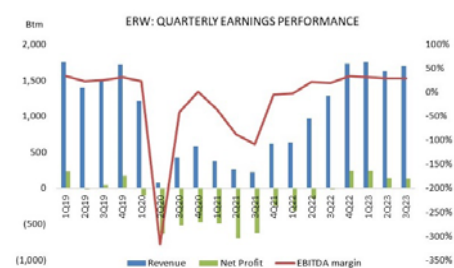
• **Maintain BUY with a target price of Bt6.50.** Our valuation is based on EV/EBITDA multiple to 18x, 1SD above its historical trading levels. Our projection has potential upside from a better-than-expected RevPar growth vs management's guidance of 6%, which is higher than our assumption at 2%.

REVPAR HOTEL PERFORMANCE



Source: ERW, UOB Kay Hian

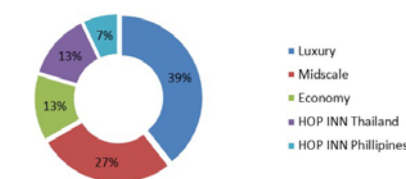
EARNINGS PERFORMANCE



Source: ERW, UOB Kay Hian

REVENUE CONTRIBUTION IN 2023

Revenue Contribution by Hotel Segment as of 2Q23



Source: ERW, UOB Kay Hian

INTERNATIONAL ARRIVALS



Source: MOTS, ERW, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	4,715	7,334	8,124	8,623
EBITDA	1,055	2,182	2,498	2,744
Deprec. & amort.	872	971	1,043	1,143
EBIT	183	1,210	1,455	1,601
Total other non-operating income	5	0	0	0
Associate contributions	29	21	30	30
Net interest income/(expense)	(455)	(511)	(564)	(565)
Pre-tax profit	(239)	720	921	1,066
Tax	26	14	(45)	(104)
Minorities	(11)	(29)	(35)	(38)
Net profit	(224)	705	842	923
Net profit (adj.)	(224)	705	842	923

CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	2,051	1,463	1,950	2,275
Pre-tax profit	(239)	720	921	1,066
Tax	26	14	(45)	(104)
Deprec. & amort.	872	971	1,043	1,143
Working capital changes	28	(39)	(17)	32
Non-cash items	1,177	(16)	47	138
Other operating cashflows	188	(188)	0	0
Investing	(796)	(1,453)	(3,121)	(1,834)
Capex (growth)	(745)	(1,011)	(3,000)	(2,200)
Investments	(15)	(8)	(12)	(12)
Others	(36)	(434)	(109)	378
Financing	(966)	1,440	1,683	(324)
Dividend payments	0	0	(317)	(379)
Issue of shares	0	899	0	0
Proceeds from borrowings	(690)	541	2,000	55
Others/interest paid	(276)	0	0	0
Net cash inflow (outflow)	290	1,450	512	117
Beginning cash & cash equivalent	1,242	1,532	2,982	3,494
Ending cash & cash equivalent	1,532	2,982	3,494	3,611

BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	19,320	19,359	21,316	22,373
Other LT assets	366	471	486	582
Cash/ST investment	1,532	2,982	3,494	3,611
Other current assets	494	553	629	745
Total assets	21,712	23,366	25,925	27,310
ST debt	783	795	795	795
Other current liabilities	979	983	1,089	1,375
LT debt	13,382	13,910	15,910	15,965
Other LT liabilities	846	510	403	865
Shareholders' equity	5,698	7,116	7,640	8,185
Minority interest	23	51	86	125
Total liabilities & equity	21,712	23,366	25,925	27,310

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	22.4	29.7	30.8	31.8
Pre-tax margin	(5.1)	9.8	11.3	12.4
Net margin	(4.8)	9.6	10.4	10.7
ROA	n.a.	3.1	3.4	3.5
ROE	n.a.	11.0	11.4	11.7
Growth				
Turnover	201.7	55.6	10.8	6.1
EBITDA	n.a.	106.8	14.5	9.8
Pre-tax profit	n.a.	n.a.	27.9	15.7
Net profit	n.a.	n.a.	19.4	9.7
Net profit (adj.)	n.a.	n.a.	19.4	9.7
EPS	n.a.	n.a.	19.4	9.7
Leverage				
Debt to total capital	71.2	67.2	68.4	66.9
Debt to equity	248.6	206.7	218.6	204.8
Net debt/(cash) to equity	221.7	164.8	172.9	160.6
Interest cover (x)	2.3	4.3	4.4	4.9

ASIAN GEMS CORPORATE HIGHLIGHTS

WHA Corporation (WHA TB)

3Q23 Results Preview: Positive Momentum To Persist Throughout The Year

We attended a conference with WHA and learned that the strong land sales and land transfer momentum will likely continue till the end of the year and into 2024. WHA is expected to post core profit of Bt705m (+170% yoy, -20% qoq) for 3Q23, riding on the strong land transfers. Looking forward, we expect WHA's 4Q23 earnings to be this year's peak, driven by robust land transfers brought about by seasonality. Upgrade from HOLD to BUY with a higher target price of Bt6.30.

WHAT'S NEW

- **Positive sentiment of land sales to continue into 2024 and beyond.** WHA Corporation (WHA) is actively working to sustain its land sales at levels similar to those achieved in 2023, with a target of selling 2,000-2,700 rai in 2024. Due to the ongoing surge in the number of electric vehicles (EV) and many businesses from various industries relocating from China, we believe WHA is highly likely to sell 2,000-2,700 rai of land or more than 2,700 rai in 2024. Also, it is worth noting that the company adjusted its land sales projections twice in 2022 and 2023 due to skyrocketing demand. In the longer term with an assumed normal demand for land sales, WHA expects land sales of 1,000-1,500 rai per year in Thailand and 1,000-1,200 rai per year in Vietnam in the next three years. We believe WHA should be able to sell 2,000 rai of land per year in the long term.
- **Sufficient land inventory to serve robust demand in the long run.** WHA disclosed that 5,700 rai of land is currently under development in Thailand, and expects this to be sufficient to serve demand for the next 2-3 years. The company expects to develop about 5,000 rai of land in 2024 and another 10,000 rai afterwards in Thailand. In Vietnam, WHA has 1,400 rai of land under development in the Nghe An province under phase 2. WHA also plans to develop more about 3,000 rai in Than Hoa province in 3Q-4Q24 and expects this industrial estate to be ready for sale within 2025.
- **Expect strong margins and elevated selling prices in the next 2-3 years.** WHA typically revises its ASPs upwards by 2-3% annually. However, in 2023, there was a notable surge of more than 10% in ASPs, and this trend is expected to be sustained with the new pipeline of land sales. Due to strong sentiment for the industrial estate industry, selling prices are likely to continue increasing in the next 1-2 years. However, in the next three years, prices and gross margins are expected to return to normal.

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	10,417	13,729	15,467	18,102	17,597
EBITDA	3,770	4,765	5,272	6,292	6,282
Operating profit	3,150	4,155	4,764	5,756	5,719
Net profit (rep./act.)	2,590	4,046	4,490	5,467	5,704
Net profit (adj.)	2,590	4,046	4,490	5,467	5,704
EPS (Bt)	0.2	0.3	0.3	0.4	0.4
PE (x)	31.4	20.1	18.1	14.9	14.3
P/B (x)	2.7	2.5	2.4	2.2	2.0
EV/EBITDA (x)	31.8	25.2	22.7	19.1	19.1
Dividend yield (%)	1.7	2.6	2.9	3.5	3.6
Net margin (%)	24.9	29.5	29.0	30.2	32.4
Net debt/(cash) to equity (%)	115.1	104.3	100.1	92.8	81.1
Interest cover (x)	3.3	4.2	4.6	5.4	5.3
Consensus net profit	-	-	4,336	4,751	5,127
UOBKH/Consensus (x)	-	-	1.04	1.15	1.11

Source: WHA Corporation, Bloomberg, UOB Kay Hian

BUY
(Upgraded)

Share Price	Bt5.45
Target Price	Bt6.30
Upside	+15.6%
(Previous TP)	Bt5.20)

COMPANY DESCRIPTION

WHA is the leader of one-stop logistics services covering four business hubs – logistics, industrial development, utilities & power, and Digital platform.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	WHA TB
Shares issued (m):	14,946.8
Market cap (Btm):	81,460.2
Market cap (US\$m):	2,237.0
3-mth avg daily t'over (US\$m):	8.9

Price Performance (%)

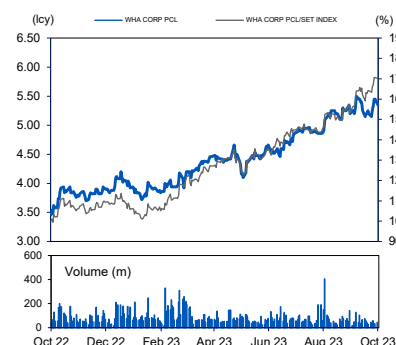
52-week high/low	Bt5.50/Bt3.46				
1mth	3mth	6mth	1yr	YTD	
2.8	15.5	22.2	56.6	33.6	

Major Shareholders

	%
Miss Jareeporn Jarukornsakul	23.3
Miss Chatchamol Anantaprayoon	9.0
Mr. Chaiwat Phupisut	4.6

FY23 NAV/Share (Bt)	2.30
FY23 Net Debt/Share (Bt)	2.30

PRICE CHART



Source: Bloomberg

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ASSISTANT ANALYST(S)

Thachasorn Jutaganon

- EV industry to continue to thrive in 2024.** Several EV companies have entered WHA's industrial estate in the last 1-2 years, such as Great Wall Motor (GWM), MG, BYD, and most recently, Changan. In 2024, the company expects more EV companies and suppliers of those companies to come. Two EV customers could potentially purchase 600 rai of land each in 2024. One of these two customers expects to purchase the land for development within 2024, while the other has to wait for land development. Both are global EV brands, of which one is from China. If WHA is able to attract both customers, its land sales will be robust in 2024 and beyond.

3Q23 RESULTS PREVIEW

Year to 31 Dec (Btm)	3Q23F	3Q22	2Q23	yoy chg (%)	qoq chg (%)
Net turnover	2,367	1,976	2,671	19.8	(11.4)
Gross profit	1,179	870	1,281	35.4	(8.0)
EBIT	736	475	844	55.0	(12.8)
EBITDA	856	575	1,016	48.9	(15.8)
Net profit	705	259	866	172.8	(18.6)
EPS	0.66	0.24	0.81	172.8	(18.6)
Core profit	705	259	866	172.8	(18.6)
				yoy chg (%)	qoq chg (%)
Gross margin	49.8	44.0	47.9	5.8	1.9
SG&A% of sales	18.7	20.0	16.3	(1.3)	2.4
Net profit margin	29.8	13.1	32.4	16.7	(2.6)

Source: WHA Corporation, UOB Kay Hian

- Consistently solid earnings.** WHA is poised to deliver outstanding financial results in 3Q23, with a projected core profit of Bt705m, surging 170% yoy, but dropping 20% qoq, riding on the strong land sales and an improvement in its utilities and power businesses. The company expects a substantial 350 rai of land transfers in 3Q23, improving 20% yoy, but dropping 20% qoq, and accounting for about 50% of our total land transfers target in 2023. Note that land transfers in 3Q22 and 2Q23 were 290 rai and 437 rai respectively. In addition, share of profit from associates should slightly improve qoq due to lower inventory loss from Gheco-one. In terms of land sales, WHA should report land sales of 1,500 rai in 3Q23, the highest in the company's history and achieving the previous full-year target of 2,500 rai. Due to the robust land sales registered in 3Q23, the company has revised up its full-year target by approximately 20% to 2,750 rai for 2023.

STOCK IMPACT

- Anticipating strong yoy and qoq earnings growth in 4Q23.** We foresee a robust performance in 4Q23, with earnings expected to rise both yoy and qoq. This favourable outlook is underpinned by strong revenue from land sales, bolstered by a seasonal increase in land transfers. Additionally, WHA's performance is set to benefit from the sale of investment properties totalling approximately Bt3.3b in 4Q23.

EARNINGS REVISION/RISK

- Raise earnings projections for 2023-24.** We have revised up our earnings projection for 2023-24 by 3% and 12% respectively, primarily due to the rising number of land transfers from a higher number of land sales.

EARNINGS REVISION

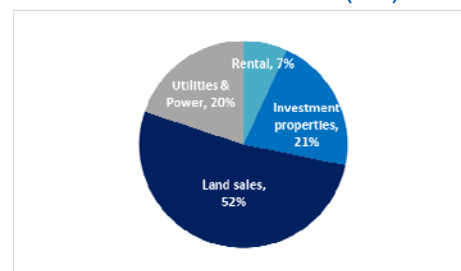
(Bt m)	2023F			2024F		
	New	Previous	Change	New	Previous	Change
Total revenue	15,467	14,065	10.0%	18,102	15,773	14.8%
Land sales (rai)	2,750	2,500	10.0%	2,900	2,310	25.5%
Land transfers (rai)	2,260	2,100	7.6%	2,400	2,150	11.6%
Net profit	4,490	4,345	3.3%	5,467	4,396	24.4%
GPM (%)	48.8	47.5	1.3	50.1	47.8	2.3

Source: WHA Corporation, UOB Kay Hian

VALUATION/RECOMMENDATION

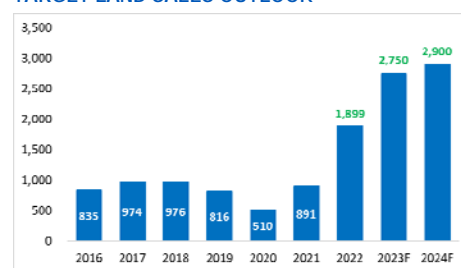
- Upgrade to BUY with a higher target price of Bt6.30 (previously: Bt5.20).** Our target price is based on the SOTP methodology, where we value its investment in associate companies at Bt1.4/share pegged to 2024F PE of 18x (average PE of power industry in Thailand) and its core business at Bt4.9/share based on 2024F PE of 17x (average PE of industrial estate business in Thailand). Due to better-than-expected sentiment of land sales and strong demand of EV industry, we upgrade WHA to BUY. Also, we expect WHA's earnings to continuously improve in 2024.

EXPECTED REVENUE BREAKDOWN (2023)



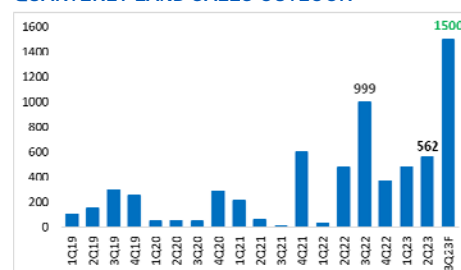
Source: WHA, UOB Kay Hian

TARGET LAND SALES OUTLOOK



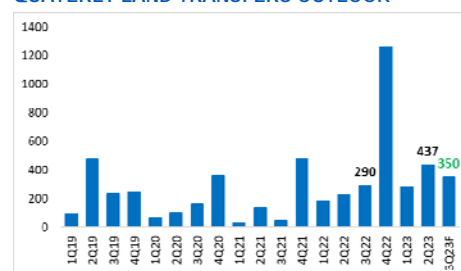
Source: WHA, UOB Kay Hian

QUARTERLY LAND SALES OUTLOOK



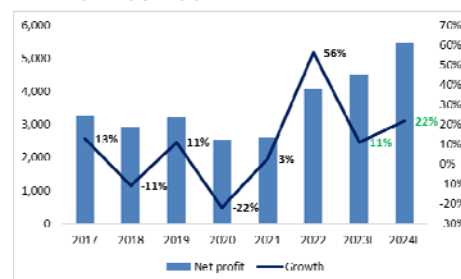
Source: WHA, UOB Kay Hian

QUARTERLY LAND TRANSFERS OUTLOOK



Source: WHA, UOB Kay Hian

NETPROFIT OUTLOOK



Source: WHA, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	13,729	15,467	18,102	17,597
EBITDA	4,765	5,272	6,292	6,282
Deprec. & amort.	611	508	535	563
EBIT	4,155	4,764	5,756	5,719
Total other non-operating income	1,253	1,100	1,300	1,300
Associate contributions	585	900	1,125	1,463
Net interest income/(expense)	(1,126)	(1,148)	(1,162)	(1,176)
Pre-tax profit	4,867	5,616	7,019	7,305
Tax	(546)	(566)	(1,002)	(1,052)
Minorities	(276)	(560)	(550)	(550)
Net profit	4,046	4,490	5,467	5,704
Net profit (adj.)	4,046	4,490	5,467	5,704

CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	7,298	(1,305)	3,335	7,417
Pre-tax profit	4,867	5,616	7,019	7,305
Tax	(546)	(566)	(1,002)	(1,052)
Deprec. & amort.	611	508	535	563
Working capital changes	1,982	(6,594)	(3,068)	449
Non-cash items	385	(269)	(150)	152
Other operating cashflows	0	0	0	0
Investing	(2,780)	2,651	(931)	(2,405)
Capex (growth)	(2,285)	8	(1,000)	(1,000)
Investments	223	(450)	(563)	(731)
Others	(718)	3,093	632	(674)
Financing	(943)	(1,821)	(2,089)	(2,404)
Dividend payments	(2,424)	(2,216)	(2,589)	(2,904)
Issue of shares	0	(24)	0	0
Proceeds from borrowings	1,797	420	500	500
Others/interest paid	(316)	0	0	0
Net cash inflow (outflow)	3,575	(474)	315	2,608
Beginning cash & cash equivalent	3,573	7,148	6,674	6,989
Ending cash & cash equivalent	7,148	6,674	6,989	9,597

BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	41,528	41,012	41,477	41,914
Other LT assets	25,644	26,484	27,049	27,886
Cash/ST investment	7,148	6,674	6,989	9,597
Other current assets	11,982	20,558	24,016	23,169
Total assets	86,302	94,728	99,531	102,567
ST debt	13,144	13,121	13,121	13,121
Other current liabilities	3,254	4,967	5,208	4,962
LT debt	27,436	27,878	28,378	28,878
Other LT liabilities	6,856	10,340	10,974	10,406
Shareholders' equity	32,050	34,299	37,177	39,977
Minority interest	3,562	4,122	4,672	5,222
Total liabilities & equity	86,302	94,728	99,531	102,567

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	34.7	34.1	34.8	35.7
Pre-tax margin	35.5	36.3	38.8	41.5
Net margin	29.5	29.0	30.2	32.4
Growth				
Turnover	31.8	12.7	17.0	(2.8)
EBITDA	26.4	10.6	19.3	(0.2)
Pre-tax profit	37.0	15.4	25.0	4.1
Net profit	56.2	11.0	21.8	4.3
Net profit (adj.)	56.2	11.0	21.8	4.3
EPS	56.2	11.0	21.8	4.3
Leverage				
Debt to total capital	53.3	51.6	49.8	48.2
Debt to equity	126.6	119.5	111.6	105.1
Net debt/(cash) to equity	104.3	100.1	92.8	81.1
Interest cover (x)	4.2	4.6	5.4	5.3

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