

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

### GREATER CHINA

#### Economics

##### PMI

Policy easing may be gaining traction.

Page 2

#### Sector

##### Commodities

Weekly: Gold extended its losing streak from 25 sep 23; LME copper traded at the widest contango since 1994.

Page 4

#### Results

##### New World Development (17 HK/HOLD/HK\$15.24/Target: HK\$16.03)

FY23: Results and DPS below expectations; deleveraging to be a key focus. Downgrade to HOLD.

Page 7

### MALAYSIA

#### Sector

##### Banking

Our study shows that Public Bank, HLBank, CIMB and Maybank hold the top four ESG scores. Maintain MARKET WEIGHT.

Page 10

### SINGAPORE

#### Sector

##### REITs

S-REITs monthly update (Sep 23).

Page 14

### THAILAND

#### Strategy

##### Alpha Picks: Oct 23 Portfolio

Fund outflow leading to weakened baht.

Page 17

#### Update

##### Thai Oil (TOP TB/BUY/Bt49.75/Target: Bt68.00)

We anticipate 3Q23 to be the most profitable quarter this year.

Page 23

### KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	33374.2	(0.4)	(1.9)	(4.2)	0.7
S&P 500	4286.7	(0.0)	(1.2)	(5.1)	11.6
FTSE 100	7499.9	(1.4)	(1.6)	0.5	0.6
AS30	7235.5	(0.2)	(0.6)	(3.4)	0.2
CSI 300	3689.5	(0.3)	0.5	(2.7)	(4.7)
FSSTI	3208.9	(0.3)	(0.2)	(0.8)	(1.3)
HSCEI	6148.3	2.6	(1.8)	(2.9)	(8.3)
HSI	17809.7	2.5	(1.4)	(3.1)	(10.0)
JCI	6961.5	0.3	(0.8)	(0.2)	1.6
KLCI	1418.8	(0.4)	(2.2)	(3.1)	(5.1)
KOSPI	2465.1	0.1	(3.7)	(3.1)	10.2
Nikkei 225	31759.9	(0.3)	(2.8)	(2.9)	21.7
SET	1469.5	(0.1)	(2.5)	(5.9)	(11.9)
TWSE	16557.3	1.2	1.3	(0.5)	17.1
BDI	1737	2.1	7.6	63.1	14.7
CPO (RM/mt)	3687	0.5	1.2	(1.2)	(8.9)
Brent Crude (US\$/bbl)	91	(1.3)	(2.4)	2.8	5.9

Source: Bloomberg

### TOP PICKS

Ticker	CP (Icy)	TP (Icy)	Pot. +/- (%)	
BUY				
BYD	1211 HK	242.00	590.00	143.8
China Duty Free	601888 CH	105.97	138.00	30.2
Bank Neo Commerce	BBYB IJ	306.00	390.00	27.5
Bumi Serpong	BSDE IJ	1,055.00	1,420.00	34.6
HM Sampoerna	HMSP IJ	860.00	1,300.00	51.2
My EG Services	MYEG MK	0.79	1.18	50.3
Yinson	YNS MK	2.49	3.75	50.6
OCBC	OCBC SP	12.80	18.22	42.3
CP ALL	CPALL TB	60.75	78.00	28.4
Indorama	IVL TB	26.00	37.00	42.3

### KEY ASSUMPTIONS

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

Source: Bloomberg, UOB ETR, UOB Kay Hian

### CORPORATE EVENTS

	Venue	Begin	Close
Corporate Roadshow with United Overseas Bank (UOB SP)	Thailand	10 Oct	10 Oct
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
Post 3Q2023 Results Virtual Meeting with Keppel Pacific Oak US REIT (KORE:SP)	Singapore	19 Oct	19 Oct

### ECONOMICS – CHINA

#### PMI

##### Policy Easing May Be Gaining Traction

The manufacturing PMI returned to expansionary zone in September at 50.2%, supported by increased production and new orders. Non-manufacturing also improved to 51.7%, mainly led by better construction activities. The latest data suggest that the government's recent policy easing may be gaining traction, but we opine that further accommodative policy is needed to entrench the recovery.

##### WHAT'S NEW

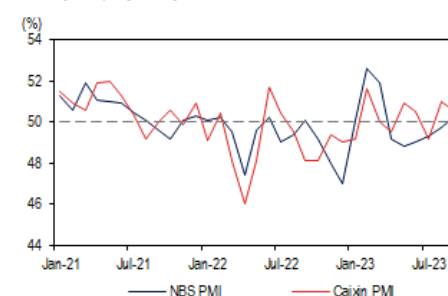
- **Manufacturing PMI improved to 50.2% in Sep 23** from 49.7% in Jul 23, but was below Bloomberg consensus estimate of 51.2%. Manufacturing output saw further improvement to 52.7% and new orders returned to expansionary zone, edging higher to 50.5%. The latter continues to reflect the government's recent efforts to improve FAI implementation, as new export orders are still weak at 47.8%. Raw material inventory and employment have stabilised, but are still in the contractionary zone with the import of raw materials weakening to 47.6%. These suggest that if any, we are still at the very early stages of a recovery. In addition, the PMIs for medium and small enterprises remain in the contractionary zone.
- **September non-manufacturing PMI rose to 51.7%** from 51.0% in Aug 23 and is slightly below market expectations of 52.0%. This was led by higher input prices, which rose 0.8ppt, while selling prices and new orders rose 0.3ppt. Construction saw bigger gains, up 2.4ppt to 56.2%, while services was up a modest 0.4ppt to 50.9%.
- **Policy stimulus should be maintained.** Despite the improvement in the PMI data, there are still pockets of weakness and employment sub-indices have stayed in the contractionary zone. While the improvement over August is encouraging, this could at best be the very early stages of a recovery, and further supportive policies are needed.

##### MANUFACTURING PMI

	Sep 23 (%)	mom ppt chg	Aug 23 (%)	Jul 23 (%)	
<b>Manufacturing PMI</b>	<b>50.2</b>	<b>0.5</b>	<b>49.7</b>	<b>49.3</b>	
Composite Indices	Manufacturing output	52.7	0.8	51.9	50.2
	New orders	50.5	0.3	50.2	49.5
	Raw material inventory	48.5	0.1	48.4	48.2
	Employment	48.1	0.1	48.0	48.1
	Suppliers' delivery time	50.8	-0.8	51.6	50.5
Relevant Indices	New export orders	47.8	1.1	46.7	46.3
	Imports	47.6	-1.3	48.9	46.8
	Purchases	50.7	0.2	50.5	49.5
	Purchase prices	59.4	2.9	56.5	52.4
	Outdoor prices	0.0	-52.0	52.0	48.6
	Inventory of finished goods	46.7	-0.5	47.2	46.3
	Backlog orders	45.3	-0.6	45.9	45.4
	Business expectations	55.5	-0.1	55.6	55.1

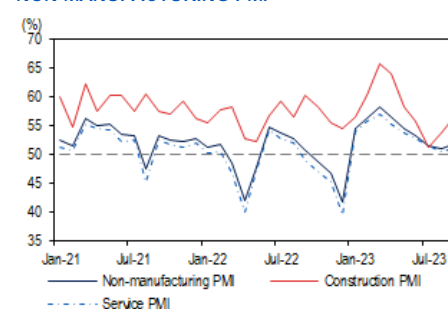
Source: NBS, Wind, UOB Kay Hian

##### MANUFACTURING PMI



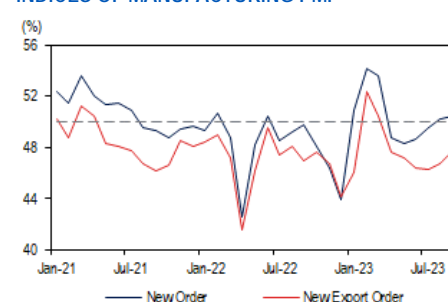
Source: NBS, Wind, UOB Kay Hian

##### NON-MANUFACTURING PMI



Source: NBS, Wind, UOB Kay Hian

##### NEW ORDERS AND NEW EXPORT ORDERS SUB-INDICES OF MANUFACTURING PMI



Source: NBS, Wind, UOB Kay Hian

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### NON-MANUFACTURING PMI

	Sep 23 (%)	mom ppt chg	Aug 23 (%)	Jul 23 (%)	
<b>Non-manufacturing PMI</b>	<b>51.7</b>	<b>0.7</b>	<b>51.0</b>	<b>51.5</b>	
Composite Indices	New orders	47.8	0.3	47.5	48.1
	Input prices	52.5	0.8	51.7	50.8
	Selling prices	50.3	0.3	50.0	49.7
	Employment	46.8	0.0	46.8	46.6
	Business expectations	58.7	0.5	58.2	59.0
Relevant Indices	New export orders	49.4	1.5	47.9	47.7
	Backlog orders	43.3	-0.4	43.7	43.8
	Inventory	46.9	0.7	46.2	45.9
	Suppliers' delivery time	51.3	-0.7	52.0	51.4
Industry Indices	Construction	56.2	2.4	53.8	51.2
	Services	50.9	0.4	50.5	51.5

Source: NBS, Wind, UOB Kay Hian

### PMI BY CORPORATE SIZE

	Sep 23 (%)	mom ppt chg	Aug 23 (%)	Jul 23 (%)	
Composite Indices	Large-sized enterprise	51.6	0.8	50.8	50.3
	Mid-sized enterprise	49.6	0.0	49.6	49.0
	Small-sized enterprise	48.0	0.3	47.7	47.4

Source: NBS, Wind, UOB Kay Hian

SECTOR UPDATE

Commodities – China

Weekly: Gold Extends Losing Streak From 25 Sep 23; LME Copper Trading At Widest Contango Since 1994

A hawkish Fed, which led to rising treasury yields and a strengthening US dollar, continued to weigh on gold prices, which have been on a losing streak since 25 Sep 23. LME copper saw the widest contango since 1994 with cash-to-three-month discount reaching US\$70/mt, partly dragged by concerns on near-term demand. Steel mills saw a steep margin deterioration amid weakening product spot prices and raw material price upticks, which should help moderate production activities.

WHAT'S NEW

- **Base metals (maintain MARKET WEIGHT): A hawkish Fed continues to drag on sentiment.**
  - COMEX gold/LME copper three-month futures were -4.1%/+0.6% wov to US\$1,848 per t oz/US\$8,271 per mt. Hawkish Fed remains an overhang, with the US dollar index strengthening further to 106.17 on 29 Sep 23 while 10-year Treasury yield climbed to 4.61% on 27 Sep 23, the highest since 2007.
  - **LME copper traded at widest contango since 1994.** LME copper recorded widest cash-to-three-month discount since 1994, hitting US\$70 per mt on 25 Sep 23, mainly due to: a) continued expansion of LME copper inventory, and b) concerns on global economic growth given the expected prolonged high interest rate environment. LME copper inventory was last reported at 167,825 mt as at 27 Sep 23, up 3% wov. Besides, China NBS's Sep 23 manufacturing PMI data came in above expectations at 50.2 (consensus: 50.1), having returned to the expansionary zone since Mar 23, which helped in easing market concerns on the weakening industrial activities.
  - **Gold prices on losing streak since 25 Sep 23; at seven-month low.** Gold prices remained under pressure last week amid rising treasury yield and strengthening USD, while news of the US averting a government shutdown over the weekend also contributed to the diminishing safe-haven attractiveness. The US' Sep 23 core PCE inflation released last Friday came in slightly below expectations at +0.4% mom/+3.9% yoy (consensus: +0.2% mom/+3.9% yoy), which did not ease concerns on another rate hike by the end of the year.
  - According to CME FedWatch Tool, market is still pricing in 71.1% odds of the Fed maintaining interest rate at 5.25-5.50% on 1 Nov 23, and is expecting a first rate cut in Jun 24 with a 42.60% probability.
  - The focus this week will be on the US' Sep 23 change in non-farm payroll data release, with consensus looking at +165k.

MARKET WEIGHT

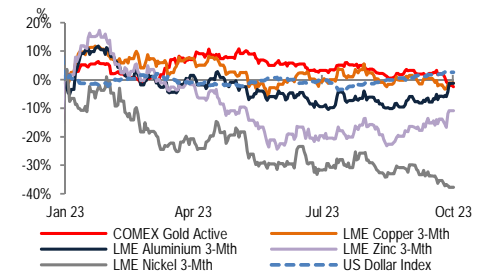
(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (lcy)	Target Price (lcy)
Anhui Conch	914 HK	BUY	20.85	28.30

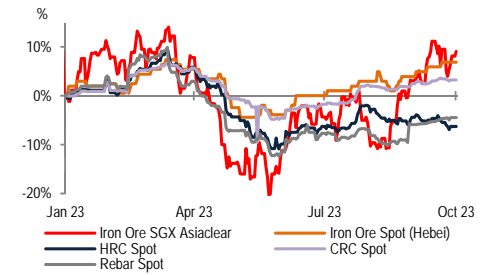
Source: UOB Kay Hian

METALS – YTD PRICE PERFORMANCE



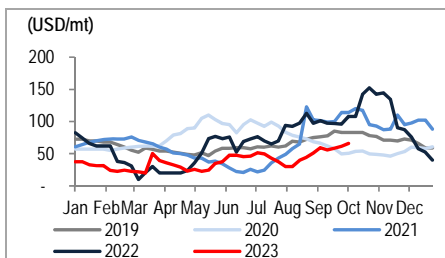
Source: Bloomberg, UOB Kay Hian

STEEL – YTD PRICE PERFORMANCE



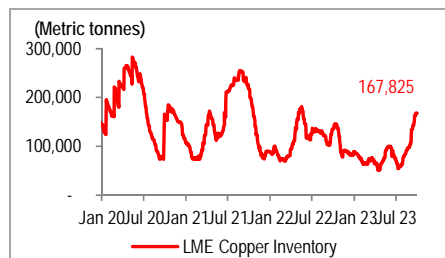
Source: Bloomberg, UOB Kay Hian

CHINA YANGSHAN COPPER PREMIUM



Source: Bloomberg, UOB Kay Hian

LME COPPER INVENTORY



Source: Bloomberg, UOB Kay Hian

PEER COMPARISON

Company	Ticker	Rec	Price @ 2 Oct 23 (lcy)	Target Price (lcy)	Upside/Downside to TP (%)	Market Cap (lcy m)	PE 2023F (x)	PE 2024F (x)	P/B 2023F (x)	P/B 2024F (x)	EV/EBITDA 2023F (x)	EV/EBITDA 2024F (x)	ROE (%)
Anhui Conch	914 HK	BUY	20.85	28.30	35.7	138,726.8	8.6	8.0	0.5	0.5	8.1	7.2	6.4
Baosteel	600019 CH	BUY	6.09	7.10	16.6	135,576.8	13.1	9.7	0.7	0.6	5.5	4.7	5.2
CR Cement	1313 HK	HOLD	2.01	3.10	54.2	14,035.7	7.4	5.8	0.3	0.3	6.7	5.5	3.8
Zijin Mining	2899 HK	BUY	11.98	15.00	25.2	336,515.3	12.6	10.7	2.7	2.3	10.3	9.0	23.7

Source: Bloomberg, UOB Kay Hian

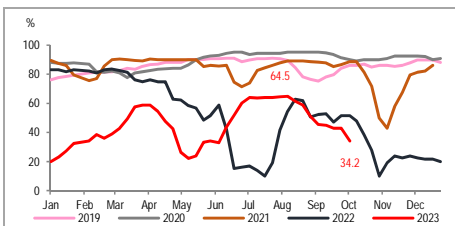
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• **Steel (maintain UNDERWEIGHT):** Steep deterioration of steel mills' margins.

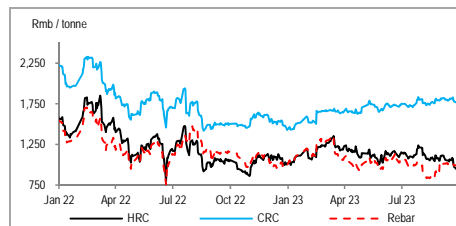
- **Iron ore prices boosted by China's encouraging set of economic data.** SGX iron ore futures continued declining last week, down 1.3% wov to US\$119.61 per mt. Concerns on peaking demand as restocking demand prior to long holidays coming to an end and the re-emergence of Evergrande's debt repayment issue have weighed on market sentiment. However, the price rebounded and it was later boosted by the encouraging set of economic data from China, particularly Sep 23 manufacturing PMI. Spot prices of rebar/rot-rolled coil (HRC)/cold-rolled coil (CRC) as at 28 Sep saw wov changes of +0.3%/-0.9%/-0.3%.

247 SAMPLED STEEL MILLS PROFIT-MAKING RATIO



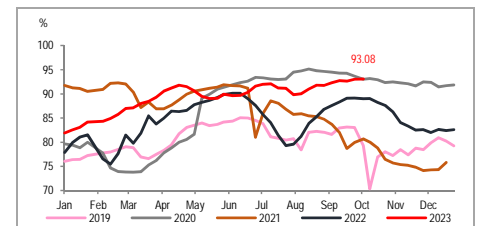
Source: Wind, UOB Kay Hian

STEEL-RAW MATERIAL SPREADS



Source: Bloomberg, UOB Kay Hian

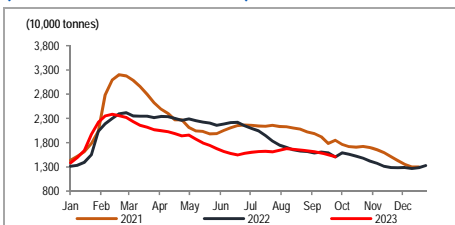
247 SAMPLED STEEL MILLS BLAST FURNACE UTILISATION RATIO



Source: Wind, UOB Kay Hian

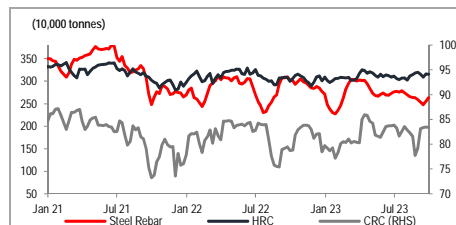
- **Steep deterioration of steel mills' margins.** Weekly average of HRC steel-raw materials spread was down 10.5% wov given the 1.7% slump in HRC average prices and 3.7% spike in domestic coke prices. Mysteel's survey also indicated that 34.20% of steel mills are currently profit-making (-8.66ppt wov).
- **Oct 23 production activities expected to stay active.** According to Mysteel's survey on 247 sampled steel mills, daily average molten iron production (as of 26 Sep) was 2.484m tonnes (+0.032m tonnes vs Aug 23's average), whereas ytd molten iron production was up 35.53m tonnes (+5.73% yoy). Mysteel projected Oct 23's daily average molten iron production to be 2.457m tonnes, based on currently known production schedule, merely 0.027m tonnes lower mom. Weekly output of five major steel products slowed to 9.3027m tonnes (+1.5% wov) this week.
- **Steel inventory down for seventh consecutive week.** Overall steel inventory based on Mysteel's survey was down 2.5% wov to 15.11m tonnes (+0.3% yoy), but worth noting that the sampled steel mills' inventory was up 0.5% wov to 4.32m tonnes. Weekly steel apparent consumption remained resilient at 9.5541m tonnes (+0.9% wov). Sep 23's weekly average apparent consumption of rebar/HRC/CRC was -12.1%/+0.5%/+5.5% yoy.

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



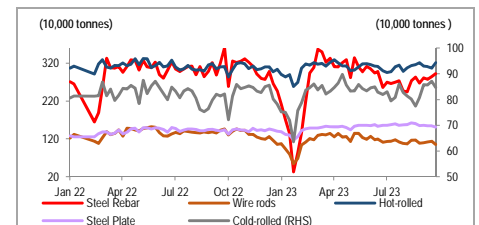
Source: Wind, UOB Kay Hian

WEEKLY PRODUCTION OUTPUT OF MAJOR STEEL PRODUCTS



Source: Wind, UOB Kay Hian

STEEL PRODUCTS WEEKLY APPARENT CONSUMPTION

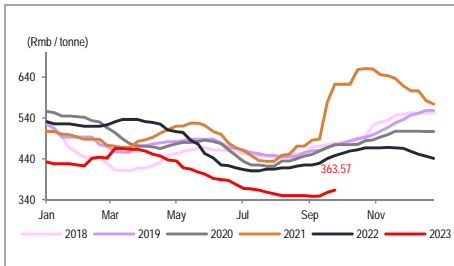


Source: Wind, UOB Kay Hian

• **Cement (maintain MARKET WEIGHT):** Easing thermal coal prices help in widening spread.

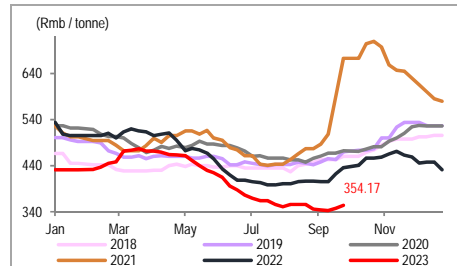
- **Rebound in cement prices accelerates.** National average PO42.5 cement prices (bulk) continued its upward trend, rising 0.7% wov to Rmb356.67 per tonne. Average cement prices for the eastern/central/southern regions saw changes of +1.6%/+3.9%/flat wov. Cement-coal spread recovered to Rmb246.23 per tonne (+1.5% wov/-3.7% yoy) thanks to the recent rebound of cement prices and correction of QHD5000 thermal coal price (Shanxi production).

### AVERAGE CEMENT PRICES – EAST



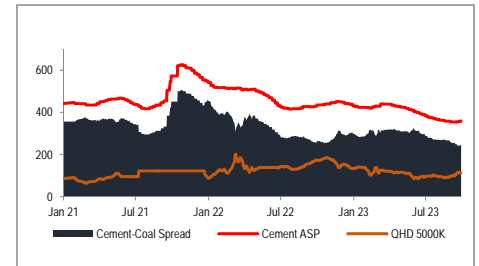
Source: CEIC, UOB Kay Hian

### AVERAGE CEMENT PRICES – CENTRAL-SOUTH



Source: CEIC, UOB Kay Hian

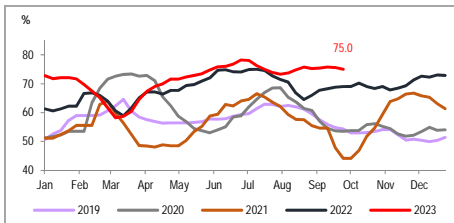
### CEMENT-COAL SPREAD



Source: CEIC, Wind, UOB Kay Hian

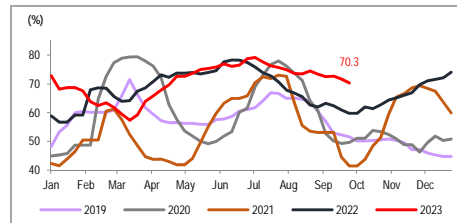
- **Weekly shipment reversed down.** According to 100NJZ's survey conducted on 250 cement enterprises, weekly cement shipment volume for the week of 20-26 Sep 23 was 5.7105m tonnes (-2.97% wow/-36.43% yoy). By region, the eastern/central/southern regions' shipment volume was -4.1%/-8.2%/+4.6% wow (-40.8%/-39.2%/-41.7% yoy) respectively. Construction activities in eastern and central regions were slowed by rainy weather while shipment in eastern region was also affected by construction restrictions due to a major sporting event. Shipment for infrastructure projects was 2.24m tonnes (-1.8% wow/-15.5% yoy).
- **Inventory level trimmed further on slowing production output.** Based on 100NJZ's survey on 274 cement enterprises, clinker production capacity utilisation has declined to 53.46% last week (-8.08ppt wow). National average cement storage capacity ratio was down 0.6ppt wow to 75.0%. Eastern and southern regions have both saw inventory digestion at -1.4ppt/-0.8ppt to 70.3%/78.2% respectively.

### CEMENT STORAGE CAPACITY RATIO – NATIONAL AVERAGE



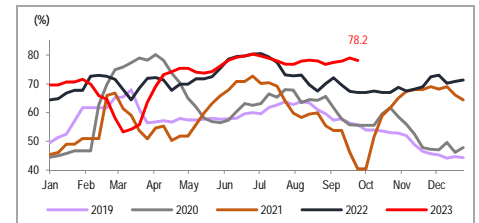
Source: CEIC, UOB Kay Hian

### CEMENT STORAGE CAPACITY RATIO – EAST CHINA



Source: CEIC, UOB Kay Hian

### CEMENT STORAGE CAPACITY RATIO – CENTRAL-SOUTH CHINA



Source: CEIC, UOB Kay Hian

### ESSENTIALS

- **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 the global copper demand given the prospect of a prolonged high interest rate environment and gloomy global economic outlook. Partly due to the high pace expansion of inventory level, copper prices are likely to fall below US\$8,000 by the end of the year and the downcycle is likely to last until 2H24, while the rebound in crude oil prices would also inflate miners' production costs and erode margins.
- **Maintain MARKET WEIGHT on the cement sector.** We expect construction activities to continue to normalise in the following weeks as the weather condition improves. We are still concerned about the high inventory level as it could cap the upside of price recovery. Sep 23's LGSB issuance expected to be over Rmb700b in order to complete utilisation of Rmb3.8t annual quota. The proceeds should be disbursed to the infrastructure projects by Oct 23 and we should see acceleration in construction progress in 4Q23.
- **Maintain UNDERWEIGHT on the steel sector.** We expect more production curbs to be announced in the following weeks with the authorities' intention to improve air quality. Steel production activities are expected to remain active in Oct 23 based on the current known production schedule, but we expect the growing inventory pressure and recent steep deterioration of profitability to help moderate production output in the following weeks.



COMPANY RESULTS

**New World Development (17 HK)**

FY23: Results And DPS Below Expectations; Deleveraging To Be A Key Focus

**NWD reported HK\$6,117m underlying profit for FY23, decreasing by 13.7% yoy and 11.4% lower than our estimate. The insurance business is a highlight, while lower margin of HKDP and higher finance cost are major draggers. Full-year DPS is cut by 63% to HK\$0.76/share, 55% lower than our forecast. Management targets 30s net gearing in FY26/27, backed by one-off dividend reset and the expanding IP portfolio. Cut earnings and DPS forecast. Downgrade to HOLD with target price of HK\$16.03.**

FY23 RESULTS

Year to 30 Jun (HK\$m)	FY23	FY22	yoy	UOBKH estimate	Actual vs UOBKH est.
Revenue	95,213.8	68,212.7	39.6%	91,976.7	3.52%
Attributable Net profit	900.9	1,249.2	-27.9%	4,527.2	n/m
Underlying profit	6,117.0	7,085.0	-13.7%	6,904.4	-11.40%
Attributable underlying net profit	3,739.8	4,707.4	-20.6%	4,527.2	-17.39%
Underlying EPS (HK\$)	1.48	1.87	-20.6%	1.80	-17.39%
DPS (HK\$) <sup>a</sup>	0.76	2.06	-63.1%	1.69	-55.03%
Net gearing	48.7%	43.2%	5.5pp	48.7%	-0.03pp
<b>Profit by segments</b>	<b>FY23</b>	<b>FY22</b>	<b>yoy</b>		
Development properties	8,669.3	7,671.6	13.0%		
Investment properties	3,161.7	3,042.6	3.9%		
Construction	341.8	820.4	-58.3%		
Roads	1,220.7	1,351.6	-9.7%		
Hotel operations	-225.2	-461.1	-51.2%		
Insurance	1,978.6	418.5	372.8%		
Others	-1,491.8	-1,990.1	-25.0%		
<b>Total</b>	<b>13,655.1</b>	<b>10,853.5</b>	<b>25.8%</b>		

<sup>a</sup>The proposed special dividend of HK\$1.59 from NWS sale is not included in annual DPS

Source: NWD, UOB Kay Hian

RESULTS

• **Underlying profit down by 14% yoy; resetting dividend payout.** New World Development (NWD) reported HK\$6,117m underlying profit for FY23, decreasing by 13.7% yoy and 11.4% lower than our estimate. The insurance business is a highlight, with revenue and profit increasing by 70% and 373% yoy respectively. Major draggers were: a) Hong Kong development properties' (HKDP) profit margin dropping from 40.8% in FY22 to 20.3% in FY23, b) profit margin of construction falling from 3.2% in FY22 to 1.1% in FY23, c) interest expense surging by 107% yoy. Full-year DPS fell 63% to HK\$0.76/share, 55% lower than our forecast. Net gearing rose by 1.8pp/5.5pp hoh/yoy respectively to 48.7%.

KEY FINANCIALS

Year to 30 Jun (HK\$m)	2022	2023	2024F	2025F	2026F
Net turnover	68,212.7	95,213.8	86,613.9	92,103.8	92,591.6
EBITDA	4,367.8	8,658.3	5,706.2	5,766.0	5,631.8
Operating profit	6,414.1	10,723.3	7,770.3	7,821.3	7,683.4
Net profit (rep./act.)	1,249.2	900.9	161.3	180.7	105.2
Net profit (adj.)	7,084.6	6,117.0	5,377.4	5,396.8	5,321.3
EPS (HK\$ cent)	281.2	243.1	213.7	214.4	211.4
PE (x)	5.4	6.3	7.1	7.1	7.2
P/B (x)	0.2	0.2	0.2	0.2	n.a.
EV/EBITDA (x)	46.8	23.6	35.8	35.4	36.3
Dividend yield (%)	13.5	15.4	5.0	5.0	5.0
Net margin (%)	1.8	0.9	0.2	0.2	0.2
Net debt/(cash) to equity (%)	52.0	54.0	61.9	70.3	n.a.
Interest cover (x)	n.a.	5.1	5.9	7.4	9.8
ROE (%)	0.5	0.3	0.1	0.1	n.a.
Consensus net profit	-	-	5,146	5,407	3,149
UOBKH/Consensus (x)	-	-	1.04	1.00	1.69

Source: New World Development, Bloomberg, UOB Kay Hian

HOLD

(Downgraded)

Share Price	HK\$15.24
Target Price	HK\$16.03
Upside	+5.2%
(Previous TP)	HK\$21.65)

COMPANY DESCRIPTION

New World Development's core business areas include property development, infrastructure and services, retail, and hotels and serviced apartments. The group's two listed companies are NWS Holdings and New World Department Store China. New World China Land.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	17 HK
Shares issued (m):	2,516.6
Market cap (HK\$m):	38,353.5
Market cap (US\$m):	4,896.6
3-mth avg daily t'over (US\$m):	13.0
<b>Price Performance (%)</b>	

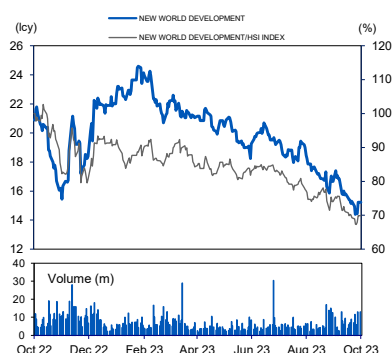
52-week high/low HK\$24.60/HK\$14.40

1mth	3mth	6mth	1yr	YTD
(8.5)	(21.0)	(27.6)	(31.7)	(30.7)

Major Shareholders

Shareholder	%
Cheng Yu Tung Family	40.3
-	-
-	-
FY24 NAV/Share (HK\$)	82.09
FY24 Net Debt/Share (HK\$)	62.48

PRICE CHART



Source: Bloomberg

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- **Contracted sales were slow in Hong Kong but relatively strong in the mainland.** In Hong Kong, NWD achieved HK\$8.9b of attributable contracted sales, with the commercial project at Wing Hong Street in Cheung Sha Wan being the major contributor. In China, NWD reported Rmb15.1b of contracted sales despite the challenging industry environment, completing 100% sales target.

- **For investment properties, the Hong Kong portfolio outperformed the mainland portfolio.** Segmental profit of the Hong Kong investment property (IP) portfolio increased by 7% yoy to HK\$2,263m in FY23, with segmental profit margin slightly decreasing to 73.3% from 75.8%. K11 Musea and Art Mall reported 39% and 40% yoy growth in tenant sales in FY23. Segmental profit of mainland IP portfolio tumbled by 10% yoy to HK\$931m while segmental profit margin slightly decreased to 48.8% from 50.9%. The profit contraction is due to the impact of the pandemic and depreciation of the renminbi.

- **Net gearing further edged up.** NWD's deleveraging progress was a bit behind schedule in 2HFY23, mainly due to the negative impact of the depreciation of the renminbi on shareholders' equity. Assuming the NWS Holdings (659HK) deal completes and having constant forex in 2HFY23, net gearing ratio will be 45.4% as of Jun 23, vs 46.9% as of Dec 22. Noted that funding cost was 4.0% for FY23, lower than management guidance of 4.9% as of Sep 22.

### STOCK IMPACT

- **Deleveraging will be a focus.** Management is committed to further lowering the company's net gearing ratios to mid-high 30s in FY26/27, through: a) capex and opex optimisation, b) disposal of non-core assets and corporate actions, c) dividend reset, d) treasury management, and e) ramp-up of recurring income from new openings. Management reiterated that it will not consider any rights issue or equity financing.

- **Targets Rmb15b/HK\$15b sales target for mainland/Hong Kong market.** In Mainland China, NWD has Rmb26.5b of newly-launched projects for sale during 2HFY23-FY24. In Hong Kong, NWD is expected to launch the sale for six projects: a) Wong Chuk Hang Phase 5, b) State Theatre Project, c) Miami Quay, Knights Bridge and Kaitak Mansion in Kai Tak Region, and d) 530-538 Canton Road.

- **Expects 30% CAGR in rental income from FY23 to FY27.** Management is confident in NWD's IP portfolio and expects better than rental reversion in FY24. With a strong pipeline and decent operating results, management expects recurring income to contribute about 50% profit by 2026 from around 30% in 2023. In FY24, retail part of 11 Skies (a major new IP in Hong Kong) and Shenzhen Qianhai K11 will open.

### EARNINGS REVISION/RISK

- **We lower our earnings forecast.** To factor in: a) slower-than-expected sales progress, and b) the lower profit margin of the HKDP business, we lower our FY24/25 forecast of underlying profit by 23.3%/29.9% respectively to HK\$5,377m/5,397m, and we lower our forecast of FY24/FY25 attributable underlying profit by 38.7%/46.3% respectively to HK\$2,837m/2,857m. Hence, we cut FY24/25 DPS by 55%/55% to HK\$0.76/0.76 respectively.

### VALUATION/RECOMMENDATION

- **We downgrade to HOLD with a lower target price of HK\$16.03** based on a 70% discount (from 65% previously) to NAV of HK\$53.42/share. Our target price corresponds to 4.7% FY24 dividend yield. A lower net gearing ratio will help narrow the NAV discount for NWD. However, execution is key.

### SHARE PRICE CATALYST

- Stronger-than-expected recovery of the China and Hong Kong economy.
- The Hong Kong government removes cooling measures on the residential market.

### LANDBANK OF NWD (ATTRIBUTABLE GFA)

	000 sq ft	Property Development	Property Investment & others
FY22	Hong Kong	4,553.50	4,765.20
FY23	Hong Kong	3,369.6	4,765.6

	000 sq ft	Residential	Others
FY22	Mainland China	2,849.50	2,356.30
FY23	Mainland China	2,641.4	2,131.40

Source: NWD, UOB Kay Hian

### AGRICULTURE LANDBANK OF NWD

Farmland	Attr. GFA (000 sq.ft)
Yuen Long	11,298.4
North District	2,177.7
Sha Tin District and Tai Po District	1,856.7
Sai Kung District	1,023.3
<b>Total</b>	<b>16,356.1</b>

Source: NWD, UOB Kay Hian

### CAPEX BUDGETING OF NWD (HK\$B)



Source: NWD, UOB Kay Hian



### PROFIT & LOSS

Year to 30 Jun (HK\$m)	2023	2024F	2025F	2026F
Net turnover	95,213.8	86,613.9	92,103.8	92,591.6
EBITDA	8,658.3	5,706.2	5,766.0	5,631.8
Deprec. & amort.	(2,065.0)	(2,064.1)	(2,055.4)	(2,051.5)
EBIT	10,723.3	7,770.3	7,821.3	7,683.4
Total other non-operating income	387.9	0.0	0.0	0.0
Associate contributions	682.3	750.5	825.6	908.1
Net interest income/(expense)	(1,697.2)	(973.5)	(779.6)	(576.1)
<b>Pre-tax profit</b>	<b>10,096.3</b>	<b>7,547.3</b>	<b>7,867.3</b>	<b>8,015.4</b>
Tax	(6,015.4)	(4,078.1)	(4,225.0)	(4,264.4)
Minorities	(639.9)	(767.9)	(921.5)	(1,105.7)
Preferred dividends	(2,540.1)	(2,540.1)	(2,540.1)	(2,540.1)
<b>Net profit</b>	<b>900.9</b>	<b>161.3</b>	<b>180.7</b>	<b>105.2</b>
Net profit (adj.)	6,117.0	5,377.4	5,396.8	5,321.3

### CASH FLOW

Year to 30 Jun (HK\$m)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>13.7</b>	<b>3,346.2</b>	<b>3,446.4</b>	<b>3,446.4</b>
Pre-tax profit	10,096.3	7,547.3	7,867.3	7,867.3
Tax	(5,413.9)	(3,670.2)	(3,802.5)	(3,802.5)
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	(1,165.5)	(1,223.8)	(1,285.0)	(1,285.0)
Working capital changes	(3,932.5)	4,171.8	4,024.4	4,024.4
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	429.3	(3,478.8)	(3,357.7)	(3,357.7)
<b>Investing</b>	<b>(9,580.0)</b>	<b>(11,000.0)</b>	<b>(12,535.0)</b>	<b>(12,535.0)</b>
Capex (growth)	(9,897.7)	(11,249.5)	(12,709.4)	(12,709.4)
Investments	317.7	249.5	174.4	174.4
Proceeds from sale of assets	0.0	0.0	0.0	0.0
<b>Financing</b>	<b>(3,763.0)</b>	<b>905.0</b>	<b>1,819.2</b>	<b>1,819.2</b>
Dividend payments	(8,454.1)	(4,455.2)	(4,454.1)	(4,454.1)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	12,114.1	12,996.6	13,960.6	13,960.6
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(7,423.0)	(7,636.4)	(7,687.3)	(7,687.3)
<b>Net cash inflow (outflow)</b>	<b>(13,329.3)</b>	<b>(6,748.8)</b>	<b>(7,269.4)</b>	<b>(7,269.4)</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>79,857.3</b>	<b>66,528.0</b>	<b>59,779.3</b>	<b>59,779.3</b>
Changes due to forex impact	0.0	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>66,528.0</b>	<b>59,779.3</b>	<b>52,509.9</b>	<b>52,509.9</b>

### BALANCE SHEET

Year to 30 Jun (HK\$m)	2023	2024F	2025F	2026F
Fixed assets	280,545.4	302,184.0	325,560.2	325,560.2
Other LT assets	182,985.4	183,841.7	184,778.3	184,778.3
Cash/ST investment	66,528.0	59,779.3	52,509.9	52,509.9
Other current assets	140,752.1	145,850.0	151,180.8	151,180.8
<b>Total assets</b>	<b>670,810.9</b>	<b>691,654.9</b>	<b>714,029.2</b>	<b>714,029.2</b>
ST debt	54,591.8	59,311.1	64,465.2	64,465.2
Other current liabilities	119,435.2	124,855.9	130,153.0	130,153.0
LT debt	150,190.8	157,700.4	165,585.4	165,585.4
Other LT liabilities	62,867.4	67,047.9	71,897.8	71,897.8
Shareholders' equity	255,961.2	254,207.3	252,474.0	252,474.0
Minority interest	27,764.4	28,532.3	29,453.7	29,453.7
<b>Total liabilities &amp; equity</b>	<b>670,810.9</b>	<b>691,654.9</b>	<b>714,029.2</b>	<b>714,029.2</b>

### KEY METRICS

Year to 30 Jun (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	9.1	6.6	6.3	6.1
Pre-tax margin	10.6	8.7	8.5	8.7
Net margin	0.9	0.2	0.2	0.1
ROA	0.1	0.0	0.0	n.a.
ROE	0.3	0.1	0.1	n.a.
<b>Growth</b>				
Turnover	39.6	(9.0)	6.3	0.5
EBITDA	98.2	(34.1)	1.0	(2.3)
Pre-tax profit	9.6	(25.2)	4.2	1.9
Net profit	(27.9)	(82.1)	12.1	(41.8)
Net profit (adj.)	(13.7)	(12.1)	0.4	(1.4)
EPS	(13.6)	(12.1)	0.4	(1.4)
<b>Leverage</b>				
Debt to total capital	41.9	43.4	44.9	n.a.
Debt to equity	80.0	85.4	91.1	n.a.
Net debt/(cash) to equity	54.0	61.9	70.3	n.a.
Interest cover (x)	5.1	5.9	7.4	9.8

SECTOR UPDATE

Banking – Malaysia

ESG In The Spotlight

ESG is gaining global prominence as stakeholders integrate it into their business models and risk frameworks. We anticipate banks will need to embrace sustainability more holistically, which will increasingly impact their reputation, success and ultimately valuations in the longer term. Public Bank, HLBank, CIMB and Maybank hold the top four ESG scores in our study. Maintain MARKET WEIGHT. Top picks: CIMB and Public Bank.

WHAT'S NEW

- Sustainability is an emerging global paradigm.** Environmental, social, and governance (ESG) concerns, along with the related opportunities and risks, are gaining increasing significance even within the realm of financial institutions. Regulators, rating agencies, and various stakeholders across the globe are showing an increasing concern in this subject, resulting in heightened compliance. As such, for banks, sustainability could evolve from a matter of ethics into a crucial economic and even existential consideration. Interestingly, the FTSE4 Good Bursa index has consistently outperformed the FBM Emas index since 2018.
- ESG scoring methodology.** Our ESG scoring methodology for banks consists of 19 parameters, grouped into three categories: Environmental (five parameters), Social (seven parameters), and Governance (seven parameters). Governance (G) carries the highest weight at 40%, while both Environmental (E) and Social (S) factors hold equal weightings of 30% each. We use a scoring range of 1 to 10 for each parameter. Additionally, certain parameters are given higher mean scores to reflect the sector's comparative strengths, such as inherently lower greenhouse gas (GHG) emissions, lower energy consumption, and greater gender diversity as compared to other sectors.
- Sector ranked among top 70% quartile in ESG scoring.** Using our methodology, we have determined an overall mean ESG score of 7.0 out of 10.0 for the banking sector. This positions the sector in the top 30% compared to other industries, reflecting its lower environmental risks and robust corporate governance due to strict regulatory oversight by Bank Negara Malaysia. Within the three categories, the sector excelled in G with an 8.3 mean score, followed by S at 6.3, and E at 5.9
- How do the banks stack up?** The top four banks with the highest ESG scores are Public Bank (7.73), HLBank (7.43), CIMB (7.39), and Maybank (7.37). Conversely, the bottom three scoring banks are AMMB (6.41), RHB (6.34), and Affin (6.27). Public Bank excelled extremely well in E with an average score of 9, outperforming the sector mean of 5.9, and performed adequately in S and G. HLBank demonstrated strength in all three ESG areas. CIMB and Maybank particularly excelled in S and G.

PEER COMPARISON

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)	Market Cap (US\$m)	PE			ROE 2023F (%)	P/B 2023F (x)	Div 2023F (sen)	Div Yield (%)
						2022 (x)	2023F (x)	2024F (x)				
Public Bank	PBK MK	BUY	4.06	5.10	16,785	11.9	11.7	11.1	13.1	1.5	17.3	4.3
CIMB Group	CIMB MK	BUY	5.40	6.00	12,335	10.3	8.9	8.2	9.8	0.8	30.5	5.6
Maybank	MAY MK	HOLD	8.75	9.00	22,579	12.0	10.9	10.3	10.4	1.1	50.2	2.8
HL Bank	HLBK MK	HOLD	19.46	21.74	9,003	10.6	10.2	9.3	11.3	1.1	60.6	6.9
RHB Bank	RHBBANK MK	HOLD	5.40	6.10	4,957	7.4	8.0	7.6	9.1	0.7	67.2	3.4
HLFG	HLFG MK	HOLD	17.68	19.68	4,318	7.3	6.9	6.5	10.7	0.7	37.5	6.9
AMMB	AMM MK	HOLD	3.72	4.00	2,609	6.6	7.3	6.8	9.0	0.6	22.2	6
Alliance	ABMB MK	HOLD	3.38	3.80	1,115	7.8	8.0	7.4	9.5	0.7	21.2	6.3
Affin	ABANK MK	HOLD	2.07	2.14	1,065	23.7	8.2	7.7	4.6	0.4	11.6	5.5
BIMB	BIMB MK	HOLD	2.12	1.95	1,033	9.0	9.2	9.0	7.0	0.6	10.5	4.9

Source: Bloomberg, UOB Kay Hian

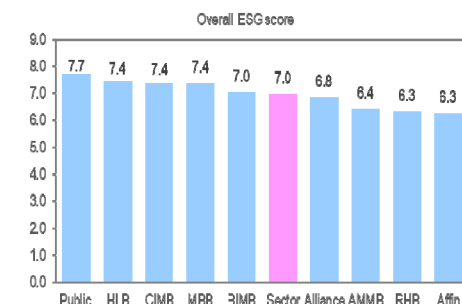
MARKET WEIGHT (Maintained)

SECTOR PICKS

Company	Rec	Target Price (RM)	Share Price (RM)
Public Bank	BUY	5.10	4.06
CIMB Group	BUY	6.00	5.40

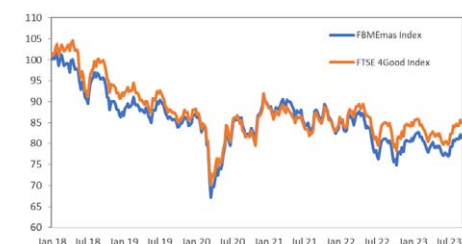
Source: UOB Kay Hian

BANKS' ESG SCORE



Source: UOB Kay Hian

FTSE 4GOOD BURSA INDEX HAS OUTPERFORMED FBMEMAS INDEX



Source: Bloomberg

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### ACTION

- **Maintain MARKET WEIGHT.** We find current sector valuations fair, at -0.5 SD to historical mean, considering the absence of new catalysts. NIM is predicted to remain flattish, with downside risks, and loan growth is expected to slow down. On the balance, overall sector dividend yields are attractive, surpassing 5%, and credit costs are anticipated to decrease, albeit at a more modest rate.
- **Top picks.** Public Bank for its high provision buffers which provide scope for potential provision write-backs when macroeconomic conditions permit. We also like CIMB given its strong earnings growth and it being a proxy to potential emerging market inflows.

### ESSENTIALS

- **ESG impact on valuation in its infancy stage.** Our study underscores that bank price/book valuations (P/B) continue to be closely tied to essential stock fundamentals like ROE and long-term growth rates, supported by a substantial 92% correlation between P/B and ROE. Illustrated in the accompanying charts overleaf, CIMB, with an above-average ESG score, exhibited a five-year share price performance that was broadly in line with KL Finance index, while RHB, with a below-average ESG score, outperformed it. Consequently, in the short term, a strong correlation between ESG scores and bank valuation metrics may not be evident. In fact, it is worth noting that sustainable loans like EV financing are, on average, 6bp cheaper than non-EV auto loans and hence have lower margins.

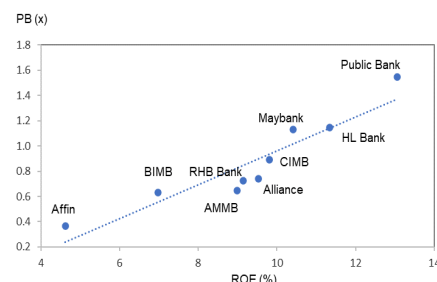
- **ESG may play a more crucial role in banks' valuations on a longer-term basis.** As global stakeholders increasingly incorporate ESG into their business models and risk frameworks, we anticipate that ESG will shift from a supplementary to a more pivotal role in determining bank valuations. For instance, organisations are facing growing accountability for GHG emissions' environmental impact. Banks should be cautious of their exposure in this regard. Banks with substantial GHG financing emissions could face heightened default risk from customers with lower sustainability standards, potentially leading investors to consider factoring banks with high ESG financing risk into future bank valuations.

- **Environment metrics winners: Public, RHB and HLBank.** Regarding environmental factors, Public Bank, RHB, and HLBank all performed well, with scores of 9.0, 6.6, and 6.2, respectively, surpassing the sector average of 5.9. Our environmental criteria include GHG emission intensity, energy consumption intensity, water consumption intensity, the percentage of green deals to total assets, and high-risk ESG financing mix. Public Bank excelled in all five areas, while RHB showed strength in GHG emission, energy and water consumption, and HLBank demonstrated proficiency in low high-risk ESG financing mix, GHG emission and water consumption. It is worth noting that many other banks are also making progress in reducing their high-risk ESG financing mix, GHG emissions, and energy consumption. For instance, CIMB, despite having one of the highest high-risk ESG financing mixes, has managed to reduce it from 7% in 2015 to 4% in 2022.

- **Social metrics winners: HLBank, Maybank, CIMB and Alliance.** In terms of social factors, HLBank, Maybank, CIMB and Alliance performed well, scoring 7.1, 7.0, 6.6, and 6.6, respectively, exceeding the sector average of 6.3. Our social criteria encompass talent retention, the composition of female board members, senior female management, female management overall, learning and development spending as a percentage of total income, average training hours per employee, and community investment plus zakat spending. HLBank stood out for its talent retention, high proportion of female board members, overall female management, and staff training hours. Meanwhile, CIMB and Maybank displayed strengths in the composition of senior female management, overall female management and board of director and average training hours per staff. Finally, Alliance performed well in talent retention, composition of female management and staff training hours.

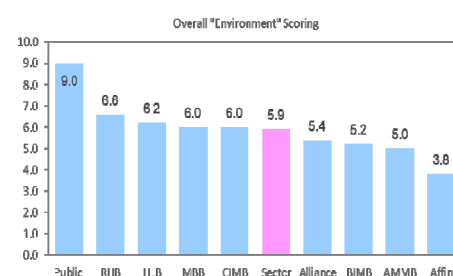
- **Governance metrics winners: Maybank, BIMB, CIMB and HLBank.** Implementing strong corporate governance practices can fortify a firm's long-term sustainability. To bolster corporate credibility and governance standards, independent directors are appointed to serve as vigilant overseers. Key parameters we analysed included the

### BANKS' P/B VS ROE



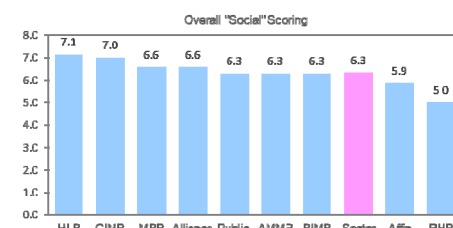
Source: Respective companies, UOB Kay Hian

### BANKS' ENVIRONMENTAL SCORE



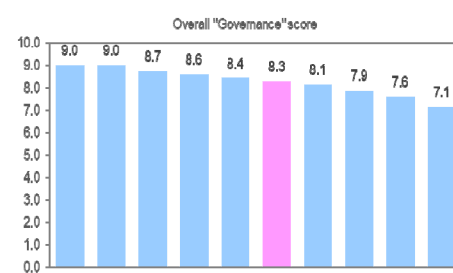
Source: UOB Kay Hian

### BANKS' SOCIAL SCORE



Source: UOB Kay Hian

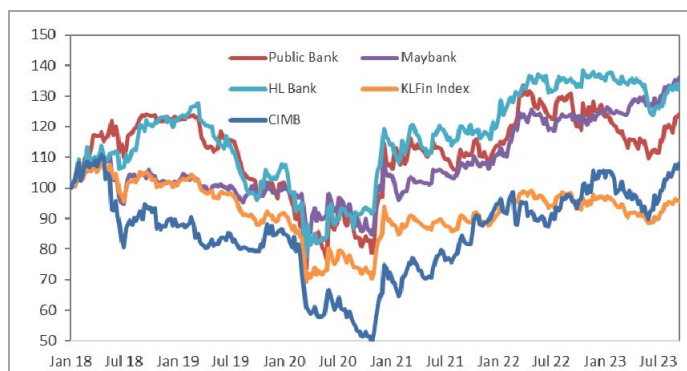
### BANKS' GOVERNANCE SCORE



Source: UOB Kay Hian

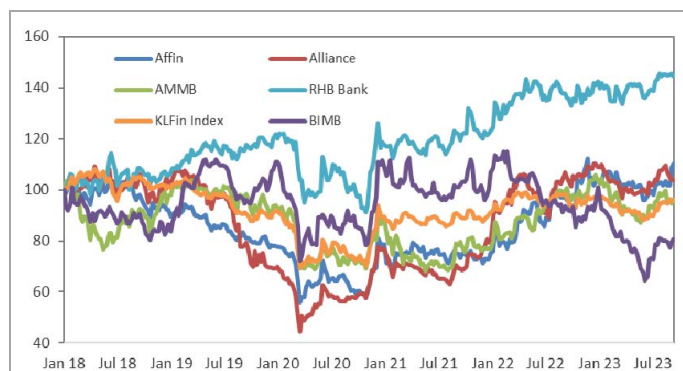
composition of independent board of directors, independent audit committee and risk committee. In addition, we also scrutinise director compensation and length of tenure. Among Malaysian banks, Maybank and CIMB excelled in all aspects, with BIMB's and HLBank's only drawback being their relatively high director compensation as a percentage of revenue. Additionally, evaluating directors' compensation is vital for fairness. Notably, Alliance and Public Bank have the highest director compensation as a percentage of total income, while Maybank has the lowest.

### TOP 4 ESG SCORING BANKS' SHARE PRICE PERFORMANCE



Source: UOB Kay Hian, Bloomberg

### BOTTOM 5 ESG SCORING BANKS' SHARE PRICE PERFORMANCE



Source: UOB Kay Hian, Bloomberg

### BANKS' ENVIRONMENT SCORING METRICS

Data	Maybank	CIMB	Public	RHB	AMMB	Alliance	Affin	BIMB	HLB	Sector
Green House Gas (GHG) emission intensity (tCO2e/RM'm revenue)	2.3	3.9	2.1	3.0	3.4	3.9	n/a	3.5	4.2	3.3
Energy consumption intensity (MWh/RM'm revenue)	5.4	6.1	3.0	4.9	4.7	6.5	7.3	5.9	7.1	5.7
Water consumption intensity (m3/RM'm revenue)	28.5	20.2	21.1	15.2	n/a	n/a	44.2	83.5	11.2	30.4
% of green deals	2.2%	4.2%	8.5%	2.7%	5.6%	12.2%	2.9%	3.2%	1.4%	4.8%
High Risk ESG financing mix (%)	2.3%	4.0%	0.9%	2.3%	4.0%	3.0%	2.7%	1.9%	1.4%	2.5%

Score	Maybank	CIMB	Public	RHB	AMMB	Alliance	Affin	BIMB	HLB	Sector
Green House Gas (GHG) emission intensity (tCO2e/RM'm revenue)	9	7	10	8	8	7	1	8	7	7
Energy consumption intensity (MWh/RM'm revenue)	7	7	10	8	8	6	5	7	6	7
Water consumption intensity (m3/RM'm revenue)	8	9	9	10	1	1	5	2	10	6
% of green deals	1	4	7	2	5	9	3	3	1	4
High Risk ESG financing mix (%)	5	3	9	5	3	4	5	6	7	5
Overall score	6.0	6.0	9.0	6.6	5.0	5.4	3.8	5.2	6.2	5.9

Scoring band	1	2	3	4	5	6	7	8	9	10
Total greenhouse emission (Mt/Revenue 'RMm)	11.8	9.8	8.2	6.8	5.7	4.7	3.9	3.3	2.6	2.1
Energy consumption per unit of revenue (MWh/RM'm)	16.9	14.1	11.7	9.8	8.1	6.8	5.7	4.5	3.6	2.9
Total water consumption (m3/Revenue 'RM'm)	90.7	75.6	63.0	52.5	43.8	36.5	30.4	24.3	19.4	15.6
% of green deals	2.1%	2.7%	3.3%	4.1%	5.2%	6.2%	7.5%	8.9%	10.7%	12.9%
High Risk ESG financing mix (%)	6.1%	4.9%	3.9%	3.1%	2.5%	1.9%	1.4%	1.1%	0.8%	0.7%

Source: UOB Kay Hian

**BANKS' SOCIAL SCORING METRICS**

Data	Maybank	CIMB	Public	RHB	AMMB	Alliance	Affin	BIMB	HLB	Sector
Talent retention rate (%)	86.0%	83.7%	91.8%	84.7%	82.5%	91.0%	89.0%	95.9%	87.8%	88.0%
Composition of female board of directors (%)	33.3%	30.0%	37.0%	30.0%	33.3%	30.0%	30.0%	30.0%	37.5%	32.4%
Composition of senior female management (%)	41.0%	43.9%	n/a	30.3%	44.0%	32.0%	34.0%	33.3%	39.3%	37.2%
Composition of female management (%)	49.0%	49.4%	48.8%	52.6%	49.0%	56.0%	n/a	n/a	57.6%	51.8%
% Learning and Development of total income	0.40%	0.48%	0.38%	0.16%	0.44%	0.36%	0.56%	0.45%	n/a	0.40%
Average training hours per employee	30.2	82.0	72.0	20.0	38.0	33.6	49.0	35.0	69.4	47.7
% Community investments + Zakat spending of net profit	1.11%	0.80%	0.04%	0.44%	0.26%	0.41%	1.17%	4.27%	0.02%	0.95%
<b>Score</b>	<b>Maybank</b>	<b>CIMB</b>	<b>Public</b>	<b>RHB</b>	<b>AMMB</b>	<b>Alliance</b>	<b>Affin</b>	<b>BIMB</b>	<b>HLB</b>	<b>Sector</b>
Talent retention rate (%)	6	5	9	5	4	9	8	10	7	7
Composition of female board of directors (%)	7	6	9	6	7	6	6	6	9	7
Composition of senior female management (%)	9	10	4	4	10	5	6	5	9	7
Composition of female management (%)	7	7	7	8	7	10	1	1	10	6
% Learning and Development of total income	5	6	5	2	6	5	7	6	5	5
Average training hours per employee	7	10	9	6	7	7	8	7	9	8
% Community investments + Zakat spending of net profit	5	5	1	4	3	4	5	9	1	4
Overall score	6.6	7.0	6.3	5.0	6.3	6.6	5.9	6.3	7.1	6.3
<b>Scoring Band</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
Talent retention rate (%)	78.0%	79.5%	81.2%	82.8%	84.5%	86.2%	88.0%	89.8%	91.6%	93.4%
Composition of female board of directors (%)	19.6%	21.3%	23.2%	25.2%	27.4%	29.8%	32.4%	34.9%	37.7%	40.8%
Composition of senior female management (%)	26.9%	28.3%	29.8%	31.3%	33.0%	34.7%	36.5%	38.4%	40.3%	42.3%
Composition of female management (%)	36.2%	38.1%	40.1%	42.2%	44.4%	46.7%	49.2%	51.8%	54.4%	57.1%
% Learning and Development of total income	0.2%	0.2%	0.3%	0.3%	0.4%	0.5%	0.6%	0.7%	0.8%	1.0%
Average training hours per employee	3.9	5.6	8.0	11.5	16.4	23.4	33.4	47.7	62.0	80.6
% Community investments + Zakat spending of net profit	0.12%	0.20%	0.34%	0.57%	0.95%	1.32%	1.85%	2.60%	3.63%	5.09%

Source: UOB Kay Hian

**BANKS' GOVERNANCE SCORING METRICS**

Data	Maybank	CIMB	Public	RHB	AMMB	Alliance	Affin	BIMB	HLB	Sector
Composition of independent directors (%)	75.0%	80.0%	62.5%	60.0%	77.8%	80.0%	70.0%	80.0%	62.5%	72.0%
BoD meeting attendance (%)	99.6%	97.1%	100.0%	96.3%	96.3%	99.0%	96.4%	98.1%	100.0%	98.1%
Average tenure (yrs)	4.4	4.6	6.9	3.6	6.0	5.1	2.9	1.9	2.1	4.2
Directors' remuneration as % of total revenue	0.09%	0.07%	0.57%	0.13%	0.36%	0.99%	0.45%	0.33%	0.35%	0.37%
Composition of independent Audit Com (%)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Audit Com meeting attendance (%)	98.8%	95.8%	100.0%	97.2%	93.3%	100.0%	98.2%	100.0%	100.0%	98.2%
Composition of independent Risk Com (%)	100.0%	75.0%	71.4%	100.0%	75.0%	80.0%	83.3%	75.0%	100.0%	84.4%
<b>Score</b>	<b>Maybank</b>	<b>CIMB</b>	<b>Public</b>	<b>RHB</b>	<b>AMMB</b>	<b>Alliance</b>	<b>Affin</b>	<b>BIMB</b>	<b>HLB</b>	<b>Sector</b>
Composition of independent directors (%)	9	10	6	5	9	10	8	10	6	8
BoD meeting attendance (%)	10	8	10	8	8	9	8	9	10	9
Average tenure (yrs)	7	7	5	8	5	6	9	9	9	7
Directors' remuneration as % of total revenue	8	8	4	7	5	2	5	5	5	5
Composition of independent Audit Com (%)	10	10	10	10	10	10	10	10	10	10
Audit Com meeting attendance (%)	9	8	10	8	6	10	9	10	10	9
Composition of independent Risk Com (%)	10	10	10	4	10	10	10	10	10	9
Overall score	9.0	8.7	7.9	7.1	7.6	8.1	8.4	9.0	8.6	8.3
<b>Scoring band</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
Composition of independent directors (%)	50.3%	52.9%	55.7%	58.6%	61.7%	65.0%	68.4%	72.0%	75.6%	79.4%
BoD meeting attendance (%)	83.5%	85.2%	86.9%	88.7%	90.5%	92.3%	94.2%	96.1%	98.1%	100.1%
Average tenure (yrs)	15.9	12.7	10.2	8.1	6.5	5.2	4.2	3.1	2.3	1.8
Directors' remuneration as % of total revenue	1.4%	1.0%	0.7%	0.5%	0.4%	0.2%	0.1%	0.1%	0.0%	0.0%
Composition of independent Audit Com (%)	63.0%	66.3%	69.8%	73.5%	77.4%	81.5%	85.7%	90.3%	95.0%	100.0%
Audit Com meeting attendance (%)	83.5%	85.2%	87.0%	88.7%	90.5%	92.4%	94.3%	96.2%	98.2%	100.0%
Composition of independent Risk Com (%)	91.7%	92.6%	93.6%	94.5%	95.5%	96.4%	97.4%	98.4%	99.4%	100.0%

Source: UOB Kay Hian



SECTOR UPDATE

REITs – Singapore

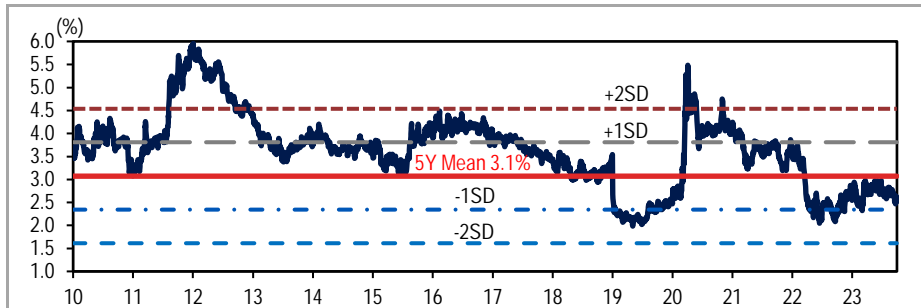
S-REITs Monthly Update (Sep 23)

S-REITs have to weather headwinds as interest rates are expected to stay higher for longer. We focus on blue-chip S-REITs with resilient balance sheets as they are better able to cope with higher interest rates. Maintain OVERWEIGHT. BUY a diversified portfolio of blue-chip S-REITs: CICT (Target: S\$2.20), CLAR (Target: S\$3.30), CLAS (Target: S\$1.35), FLT (Target: S\$1.56) and MINT (Target: S\$2.89).

WHAT HAPPENED IN SEPTEMBER

- The Seletar Mall is up for sale.** According to *The Business Times*, Cuscaden Peak Investments and United Engineers will be putting The Seletar Mall on the market with guide price at S\$500m. The suburban mall is located in the Sengkang HDB Estate. Paragon REIT has the right of first refusal to acquire The Seletar Mall.
- 30 Raffles Place is up for sale.** According to *The Business Times*, AEW has put its 27 office floors at 30 Raffles Place (formerly known as Chevron House) with NLA of 251,465sf on the market. The guide price is S\$725m or S\$2,883psf. The office space is 75% leased and WeWork is an anchor tenant.
- Chinese tourists making their mark.** Visitor arrivals increased 80% yoy but eased 8% mom to 1.3m in Aug 24, reaching 75% of pre-pandemic levels. Visitor arrivals from China have surged since Jul 23. The number of Chinese tourists eased 7% mom to 214,491 in Aug 23, reaching 54% of pre-pandemic levels. They accounted for 16.4% of total visitor arrivals compared with 19% in 2019. The Singapore Tourism Board (STB) expects visitor arrivals to reach 12m-14m in 2023 (2022: 6.3m). Visitor arrivals are likely to hit the higher end of the range given the strong momentum seen in July and August.

S-REIT YIELD SPREAD



Source: UOB Kay Hian

TOP-20 S-REITs RANKED BY MARKET CAPITALISATION – VITAL STATISTICS

Name	Ticker	Rec	Currency	Price 29 Sep 23	Target Price	Mkt Cap (US\$m)	DPU (¢)		Yield (%)		Yield Spread* (%)		Interest Coverage (x)	Aggregate Leverage (%)	WALE (years)
							Curr	Fwd	Curr	Fwd	Curr	Fwd			
CapLand Int Comm	CICT SP	BUY	S\$	1.85	2.20	9,037	10.7	10.9	5.8	5.9	2.3	2.4	3.3	40.4	3.7
CapLand Ascendas	CLAR SP	BUY	S\$	2.75	3.30	8,863	15.4	15.5	5.6	5.6	2.1	2.2	4.3	36.7	3.9
Mapletree Log	MLT SP	BUY	S\$	1.68	1.86	6,117	8.5	8.2	5.0	4.9	1.6	1.4	3.9	39.5	3.1
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.43	1.90	5,507	9.2	9.4	6.4	6.6	2.9	3.1	3.2	40.7	2.6
Mapletree Ind	MINT SP	BUY	S\$	2.26	2.89	4,700	13.8	14.1	6.1	6.3	2.6	2.8	4.9	38.2	3.9
Frasers L&C Trust	FLT SP	BUY	S\$	1.07	1.56	2,929	7.1	7.2	6.6	6.8	3.2	3.3	8.0	28.6	4.4
Frasers CT	FCT SP	BUY	S\$	2.19	2.50	2,747	12.2	11.6	5.6	5.3	2.1	1.8	3.9	40.2	2.0
CapLand Ascott	CLAS SP	BUY	S\$	0.96	1.35	2,649	5.6	6.2	5.8	6.5	2.4	3.0	4.3	38.6	n.a.
Keppel DC REIT	KDCREIT SP	NR	S\$	2.08	n.a.	2,628	10.0	10.6	4.8	5.1	1.3	1.6	6.0	36.3	8.0
Suntec REIT	SUN SP	HOLD	S\$	1.16	1.37	2,464	7.8	7.6	6.7	6.6	3.2	3.1	2.1	42.6	2.7
Keppel REIT	KREIT SP	BUY	S\$	0.86	1.12	2,366	5.7	5.8	6.7	6.8	3.2	3.3	3.7	39.2	5.7
PARAGON REIT	PGNREIT SP	NR	S\$	0.84	n.a.	1,738	5.0	5.3	6.0	6.3	2.5	2.9	4.4	29.8	3.0
PLife REIT	PREIT SP	BUY	S\$	3.69	4.49	1,639	14.0	14.0	3.8	3.8	0.3	0.3	13.8	35.3	16.7
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.28	n.a.	1,580	2.8	2.8	10.0	10.0	6.5	6.5	2.5	39.4	3.1
CapLand China	CLCT SP	NR	S\$	0.885	n.a.	1,097	7.9	8.4	8.9	9.5	5.5	6.0	3.4	40.2	1.8
CDL HTrust	CDREIT SP	BUY	S\$	1.04	1.48	950	6.1	7.0	5.9	6.7	2.4	3.2	3.2	37.9	n.a.
QUE Comm REIT	QUECT SP	NR	S\$	0.235	n.a.	945	1.8	1.8	7.7	7.7	4.2	4.2	2.4	39.1	3.1
Lendlease REIT	LREIT SP	BUY	S\$	0.55	0.83	940	4.4	4.3	8.0	7.9	4.6	4.4	4.2	40.6	5.5
Far East HTrust	FEHT SP	BUY	S\$	0.64	0.75	932	3.8	4.0	6.0	6.3	2.5	2.9	3.6	32.0	n.a.
Starhill Global	SGREIT SP	NR	S\$	0.485	n.a.	803	3.9	4.0	8.0	8.2	4.6	4.8	3.4	36.7	4.3

\* Yield spread above 10-year government bond yield

Source: Bloomberg, UOB Kay Hian

OVERWEIGHT

(Maintained)

SEGMENTAL RATING

S-REITs	OVERWEIGHT
Healthcare REITs	OVERWEIGHT
Hospitality REITs	OVERWEIGHT
Industrial REITs	OVERWEIGHT
Office REITs	OVERWEIGHT
Retail REITs	OVERWEIGHT

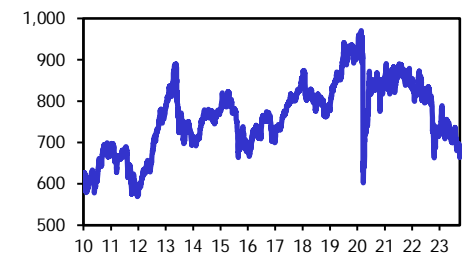
Source: UOB Kay Hian

TOP S-REIT PICKS

Company	Rec	Share Price (S\$)	Target Price (S\$)
CICT	BUY	1.85	2.20
CLAR	BUY	2.75	3.30
CLAS	BUY	0.96	1.35
FLT	BUY	1.07	1.56
MINT	BUY	2.26	2.89

Source: UOB Kay Hian

FTSE ST ALL-SHARE REITS INDEX (FSTREI)



Source: UOB Kay Hian

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• **FSTREI declined 3.2% in September, underperforming the STI's 0.5% fall.** The Fed left interest rate unchanged during the FOMC meeting on 20 Sep 23 but is likely to hike Fed funds rate by another 25bp on 1 Nov 23. The Fed is expected to hold interest rates at restrictive levels until inflation moves sustainably lower towards the objective of 2%. Yield for 10Y Singapore government bonds rose 26bp to 3.40% in September.

• **Top outperformer:** Hospitality REITs FHT, CDREIT and FEHT gained 7.4%, 1.0% and 0.8% respectively. UHU moved against the tide by gaining 1.2%.

• **Top underperformer:** US office REITs led the losers with MUST and KORE dropping 20.8% and 6.4% respectively. CERT and FLT declined 11.1% and 8.5% respectively due to their exposure to Europe.

### PEER COMPARISON

Name	Ticker	Rec	Curr	Price 29 Sep 23	Target Price	Mkt Cap (US\$m)	----- Hist	----- Curr	----- Yield (%)	----- Fwd 1Y	----- Fwd 2Y	Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
<b>HEALTHCARE</b>														
First REIT	FIRT SP	NR	S\$	0.23	n.a.	350	11.5	22.2	22.6	11.7	73.3	38.7	0.74	
PLife REIT	PREIT SP	BUY	S\$	3.69	4.49	1,639	3.9	3.8	3.8	3.9	57.3	35.3	1.59	
<b>HOSPITALITY</b>														
CapLand Ascott	CLAS SP	BUY	S\$	0.96	1.35	2,649	5.9	5.8	6.5	6.6	74.5	38.6	0.84	
CDL HTrust	CDREIT SP	BUY	S\$	1.04	1.48	950	5.4	5.9	6.7	6.7	64.3	37.9	0.74	
Far East HTrust	FEHT SP	BUY	S\$	0.64	0.75	932	5.1	6.0	6.3	5.8	40.9	32.0	0.70	
Frasers HTrust	FHT SP	NR	S\$	0.51	n.a.	714	3.2	4.6	5.1	6.1	57.2	35.3	0.79	
<b>INDUSTRIAL</b>														
AIMS APAC REIT	AAREIT SP	NR	S\$	1.30	n.a.	772	7.6	7.3	7.4	7.5	80.1	32.9	0.97	
CapLand Ascendas	CLAR SP	BUY	S\$	2.75	3.30	8,863	5.7	5.6	5.6	5.7	64.3	36.7	1.18	
Digi Core REIT USD	DCREIT SP	BUY	US\$	0.53	0.73	597	7.5	6.9	6.7	6.8	54.2	34.2	0.64	
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.28	n.a.	1,580	10.7	10.0	10.0	10.0	74.6	39.4	0.83	
Keppel DC REIT	KDCREIT SP	NR	S\$	2.08	n.a.	2,628	4.9	4.8	5.1	5.3	60.6	36.3	1.49	
Mapletree Ind Trust	MINT SP	BUY	S\$	2.26	2.89	4,700	6.0	6.1	6.3	6.4	58.9	38.2	1.22	
Mapletree Log Trust	MLT SP	BUY	S\$	1.68	1.86	6,117	5.4	5.0	4.9	4.9	79.2	39.5	1.18	
<b>OFFICE</b>														
Keppel REIT	KREIT SP	BUY	S\$	0.86	1.12	2,366	6.9	6.7	6.8	6.8	73.2	39.2	0.64	
<b>RETAIL</b>														
Frasers CT	FCT SP	BUY	S\$	2.19	2.50	2,747	5.6	5.6	5.3	5.4	57.1	40.2	0.94	
Lendlease REIT	LREIT SP	BUY	S\$	0.55	0.83	940	8.6	8.0	7.9	8.0	84.9	40.6	0.69	
Sasseur REIT	SASSR SP	BUY	S\$	0.675	0.96	614	9.7	9.3	9.6	10.1	43.5	26.2	0.81	
PARAGON REIT	PGNREIT SP	NR	S\$	0.835	n.a.	1,738	6.5	6.0	6.3	6.5	49.7	29.8	0.93	
Starhill Global	SGREIT SP	NR	S\$	0.485	n.a.	803	7.8	8.0	8.2	8.5	63.6	36.7	0.66	
<b>DIVERSIFIED</b>														
CapLand China Trust	CLCT SP	NR	S\$	0.89	n.a.	1,097	8.5	8.9	9.5	9.8	87.8	40.2	0.67	
CapLand Int Comm Trust	CICT SP	BUY	S\$	1.85	2.20	9,037	5.7	5.8	5.9	6.0	68.3	40.4	0.87	
Frasers L&C Trust	FLT SP	BUY	S\$	1.07	1.56	2,929	7.1	6.6	6.8	6.8	43.4	28.6	0.84	
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.43	1.90	5,507	6.7	6.4	6.6	6.7	74.7	40.7	0.82	
OUE Comm REIT	OUECT SP	NR	S\$	0.235	n.a.	945	9.0	7.7	7.7	8.1	72.7	39.1	0.40	
Suntec REIT	SUN SP	HOLD	S\$	1.16	1.37	2,464	7.7	6.7	6.6	6.7	70.5	42.6	0.55	
<b>INTERNATIONAL (US/EUROPE)</b>														
Cromwell REIT EUR	CERT SP	NR	€	1.28	n.a.	764	13.4	12.5	12.9	13.3	82.9	41.5	0.56	
Elite Comm REIT GBP	ELITE SP	NR	£	0.25	n.a.	148	19.2	14.4	14.8	15.6	90.9	46.0	0.49	
IREIT Global	IREIT SP	NR	S\$	0.395	n.a.	390	9.8	7.7	7.0	11.0	56.3	33.1	0.54	
Keppel REIT USD	KORE SP	BUY	US\$	0.22	0.50	230	26.4	22.8	17.7	18.1	69.2	38.4	0.27	
Manulife REIT USD	MUST SP	BUY	US\$	0.057	0.22	101	83.3	0.0	23.1	24.2	139.4	49.5	0.14	
Prime US REIT USD	PRIME SP	BUY	US\$	0.138	0.59	164	47.5	36.3	21.0	22.0	77.4	42.8	0.18	
Utd Hampshire REIT USD	UHU SP	BUY	US\$	0.43	0.76	250	13.7	11.8	12.6	12.7	74.3	42.0	0.58	

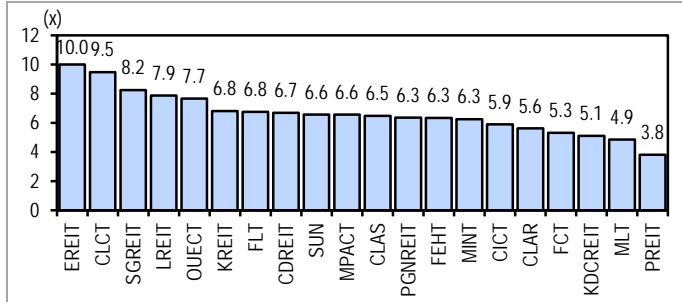
Source: Bloomberg, UOB Kay Hian

### TOP-10 OUTPERFORMERS AND TOP-10 UNDERPERFORMERS RANKED BY WEEKLY SHARE PRICE PERFORMANCE

TOP OUTPERFORMERS (%)						TOP UNDERPERFORMERS (%)					
NAME	1MTH	3MTH	6MTH	1Y	YTD	NAME	1MTH	3MTH	6MTH	1Y	YTD
Frasers HTrust	7.4	7.4	12.2	5.2	13.5	Manulife REIT USD	-20.8	-66.5	-74.1	-86.3	-81.0
AIMS APAC REIT	2.4	6.6	0.2	3.3	5.0	Cromwell REIT EUR	-11.1	-19.5	-14.7	-28.9	-14.7
Utd Hampshire REIT USD	1.2	0.0	-4.4	-18.9	-7.5	ESR-LOGOS REIT	-11.1	-17.6	-13.7	-21.0	-24.2
CDL HTrust	1.0	-13.3	-11.1	-6.3	-16.8	Frasers L&C Trust	-8.5	-14.4	-15.7	-11.6	-7.8
Far East HTrust	0.8	3.3	6.7	11.4	2.4	First REIT	-8.0	-11.5	-11.5	-13.2	-11.5
Mapletree Log	0.6	2.4	-1.2	8.4	5.7	PARAGON REIT	-7.2	-12.6	-9.7	-5.1	-7.2
Mapletree Ind	0.0	1.3	-3.0	-4.6	1.8	Mapletree Pan Asia	-6.5	-12.3	-19.7	-15.9	-14.4
CapLand Ascott	0.0	-11.9	-2.5	-0.5	-8.6	Keppel REIT USD	-6.4	-26.7	-39.7	-58.5	-52.2
Prime US REIT USD	0.0	-34.3	-55.5	-73.7	-65.9	Lendlease REIT	-6.0	-17.4	-19.3	-27.8	-22.7
CapLand Ascendas	-0.4	1.1	-2.1	3.8	0.4	Suntec REIT	-4.9	-9.4	-18.3	-23.7	-15.9

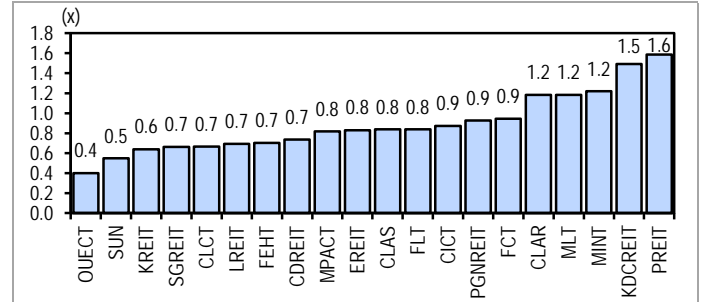
Source: Bloomberg, UOB Kay Hian

### RANKING BY DISTRIBUTION YIELD (FORWARD)



Source: UOB Kay Hian

### RANKING BY P/NAV (CURRENT)



Source: UOB Kay Hian

### STRATEGY – THAILAND

#### Alpha Picks: Oct 23 Portfolio

Our Alpha Picks aligned with the market (-6.0% vs -6.0%) in Sep 23. The Thai market declined for the whole month along with the global market, which was pressured by the Fed's guidance and rising bond yields. For Oct 23, our picks are BDMS, CPALL, ERW, KKP, MAJOR, MINT, OR, PTTEP, SCB, TIDLOR, TOP and TU.

#### WHAT'S NEW

- Portfolio in line with the market in September.** Our portfolio's return equaled the benchmark (-6.0% vs -6.0%). The only gainer in our portfolio was PTTEP (+7.9%) due to the positive crude oil outlook. The worst performers were: a) SCB (-13.1%) due to concerns on credit cost, b) TIDLOR (-11.9%) due to concerns on asset quality from higher interest rates, and c) RATCH (-11.3%), which was pressured by higher bond yields and weakening baht.
- Downside from 3Q23 earnings.** For this month, there might be downside risks for the market due to: a) the low season of earnings in 3Q each year as it is the pre-harvesting period, b) possible droughts which would lower farm income, and c) the delay in government spending due to the delay in election results. These factors broadly impact on private consumption and corporate earnings in 3Q23. We expect the SET index to move around 1,440-1,460 points at -0.5 S.D based on the 10-year average forward PE.
- Fund outflow from Thai bond and stock markets.** Recently, there was fund outflow from both fixed income and equity markets, leading to the weakening of THB by +4.49% in September. This was due to the wide policy rate gap between the US and Thailand despite the MPC raising the policy rate by 0.25% (from 2.25% to 2.50%) and signaling that it was appropriate for long-term growth. However, we foresee that the potential end of the rate hike cycle would not prevent fund outflow from bonds due to the wide policy rate gap. For equity, we foresee limited positive effect to fund flow since the earnings yield gap is relatively low.
- Prefer beneficiaries of weakening baht but cautious of the rate-sensitive sector.** As the baht has the potential to remain weak for a longer period, there are two groups of beneficiaries, namely the: a) electronics and food sectors (as a direct impact of weakening baht), and b) tourism and healthcare sectors (as an indirect impact of the weakening baht). On the contrary, the prolonged high level of interest rates might put pressure on the rate-sensitive sector which consist of power and high-debt stocks.

#### ACTION

- Add BDMS.** BDMS has a promising outlook in 3Q23 and benefits from international patients.
- Add TU.** TU is expected to have improve qoq and might turn around in 3Q23.
- Drop CPN.** The higher-for-longer rates are negative to the company growing strategy.
- Drop RATCH.** High exposure in foreign debt will be a risk with the weakening baht.

#### ANALYSTS' TOP ALPHA PICKS\*

Analyst	Company	Rec	Performance	Catalyst
Kochakorn Sutaruksanon	BDMS	BUY		Impressive outlook in 3Q23; benefits from international patients.
Kampon Akaravarinchai	CPALL	BUY	(2.4)	Domestic consumption recovery due to more foreign tourists and the election.
Kochakorn Sutaruksanon	ERW	BUY	14.1	Outstanding RevPar compared with domestic peers.
Kwanchai Atiphopchai/ Thanawat Thangchadakorn	KKP	BUY	(12.6)	Substantial credit costs decline in 3Q23.
Tanaporn Visaruthaphong/ Thachasorn Jutagon	MAJOR	BUY	(9.7)	Continued growth momentum in 3Q23.
Kochakorn Sutaruksanon	MINT	BUY	(0.8)	Expect higher yoy earnings.
Tanaporn Visaruthaphong/ Benjaphol Suthwanish	OR	BUY	(14.6)	An increase in marketing margins in 2H23.
Tanaporn Visaruthaphong/ Benjaphol Suthwanish	PTTEP	BUY	7.2	A recovery of crude oil prices in 2H23.
Kwanchai Atiphopchai/ Thanawat Thangchadakorn	SCB	BUY	(1.4)	Increasing policy rate and NIM.
Kwanchai Atiphopchai/ Thanawat Thangchadakorn	TIDLOR	BUY	(11.9)	Beneficiary of government stimulus and improving asset quality.
Tanaporn Visaruthaphong/ Benjaphol Suthwanish	TOP	BUY	(1.9)	Increasing GRM and limited impact of oil leakage.
Kampon Akaravarinchai	TU	BUY		Core profit expected to improve qoq.
Kasemsun Koonnara	CPN	BUY	(8.0)	Dropped.
Arsit Pamaranont	RATCH	BUY	(13.1)	Dropped.

\* Denotes a timeframe of 1-3 months and not UOBKH's usual 12-month investment horizon for stock recommendation

# Share price change since stock was selected as alpha pick

Source: UOB Kay Hian

#### KEY RECOMMENDATIONS

Company	Share Price 29 Sep 23 (Bt)	Target Price (Bt)	Upside/ (Downside) to TP (%)
BDMS	26.75	33.00	23.36
CPALL	60.50	78.00	28.93
ERW	5.50	6.50	18.18
KKP	55.25	69.00	24.89
MAJOR	14.00	18.00	28.57
MINT	31.25	42.00	34.40
OR	18.70	29.00	55.08
PTTEP	171.00	182.00	6.43
SCB	102.50	130.00	26.83
TIDLOR	20.80	28.00	34.62
TOP	49.75	68.00	36.70
TU	14.50	17.40	20.00

Source: UOB Kay Hian

#### CHANGE IN SHARE PRICE

Company	Sep 23 (%)	To-date* (%)
CPALL	(7.3)	(2.4)
CPN	(8.0)	(8.0)
ERW	(0.9)	14.1
KKP	(7.9)	(12.6)
MAJOR	(3.4)	(9.7)
MINT	(6.0)	(0.8)
OR	(8.3)	(14.6)
PTTEP	7.9	7.2
RATCH	(11.3)	(13.1)
SCB	(13.1)	(1.4)
TIDLOR	(11.9)	(11.9)
TOP	(1.9)	(1.9)
SET Index	(6.0)	

\*Share price change since stock was selected as alpha pick

Source: UOB Kay Hian

#### PORTFOLIO RETURNS

(%)	2022	1Q23	2Q23	3Q23
SET return	0.7	(3.6)	(6.6)	(2.1)
<b>Alpha Picks Return</b>				
- Price-weighted	4.1	2.2	(1.2)	(1.1)
- Market cap-weighted	4.4	0.8	(0.1)	(1.4)
- Equal-weighted	2.7	0.3	(5.5)	(2.3)

Assumptions for the three methodologies:

1. Price-weighted: Assuming the same number of shares for each stock, a higher share price will have a higher weighting.
2. Market cap-weighted: Weighting is based on the market cap at inception date, a higher market cap will have a higher weighting.
3. Equal-weighted: Assuming the same investment amount for each stock, every stock will have the same weighting.

Source: UOB Kay Hian

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**BDMS (Kochakorn Sutaruksanon)**

- A group of leading private hospitals with a nationwide network offering world-class medical treatment to both local and international patients with new greenfield projects, M&As and digitalisation of healthcare services as key long-term growth drivers.
- We are bullish on BDMS in 3Q23, with earnings set to hit a new quarterly record-high with 3Q the high season for Middle Eastern patients. The continuous recovery in the number of international arrivals will also benefit BDMS in the wellness segment (BDMS Wellness Clinic) as well as Mövenpick BDMS Wellness Resort, which is well-prepared for increasing arrivals. In addition, BDMS is also one of the beneficiaries of the new policy by Beijing's government to cover expenses for assisted reproduction technology from 1 Jul 23, including in-vitro fertilisation (IVF).
- Maintain BUY with a target price of Bt33.00 based on DCF methodology (WACC: 7.3%, terminal growth 3.6%). We favour BDMS due to its earnings resilience in 2Q23, which is the off-season, and the possibility of a new quarterly record-high earnings in 3Q23. In addition, BDMS has the least downside risk among its peers due to its greatest diversification of patient bases. The target price corresponds to 39x 2023F PE and 37x 2024F PE respectively, close to -1SD of its five-year pre-COVID-19 historical average.

**SHARE PRICE CATALYST**

- Event: Strong growth of the wellness industry and support from the Thai government to promote Thailand as a medical hub, synergies created with BDMS' hospital network and the digital healthcare ecosystem, better-than-expected recovery in the number of international patients and accretive M&A deals.
- Timeline: 2H23.

**CPALL (Kampon Akaravarinchai)**

- CP All (CPALL) is the operator of Thai 7-Eleven stores, controlling more than 50% of the convenience store market in Thailand.
- We are still positive on 2H23 earnings growth momentum. We expect 2H23 earnings to continue improving yoy, driven by the strong top-line growth from both the convenience stores and wholesale businesses. Also, the pressure from higher electricity costs is expected to be lower on a yoy basis. MAKRO was already refinancing all of the short-term USD loans with THB loans in Apr 23. Therefore, we believe that the interest expenses have already peaked in 1H23. Overall, 2023 earnings should grow by 25% yoy, driven by the aforementioned factors.
- 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. The overhang on MAKRO's cost of funds in US dollar-debt is also gradually easing, and management guided that all of its US dollar-denominated loans will be converted to Thai baht by 2023. Although we expect consensus to revise down its earnings forecast for CPALL, we like the company's long-term growth outlook and believe that this is a good accumulation opportunity.

**SHARE PRICE CATALYST**

- Event: Better-than-expected gross profit margin improvement in 2Q23 and lower SGA-to-sales following the lower fuel adjustment charge (FT) rate.
- Timeline: 2H23.

### ERW (Kochakorn Sutaruksanon)

- The Erawan Group (ERW) 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.
- We expect 2Q23 earnings to surge yoy but decline qoq due to the low season of travel in Thailand. Although the number of international arrivals in April was down by 4% mom to 2.1m, we expect that it should recover from 3Q23 due to the pent-up demand from China.
- Maintain BUY with a target price of Bt5.70. Our valuation is based on EV/EBITDA multiple of 20.0x, 2SD above its historical mean. We prefer ERW as it is the key beneficiary of Thailand's reopening and it is the only pure-play hotel operator.

### SHARE PRICE CATALYST

- Event: Government stimulus package, better-than-expected recovery in foreign tourists and better cost control.
- Timeline: 2H23.

### KKP (Kwanchai Atiphopchai, CFA)

- Kiatnakin Phatra Bank (KKP) is a small-sized bank that has roughly 2% of the credit market. It has a strong focus on auto hire purchase lending which accounts for about half of its loanbook.
- KKP's loan portfolio has grown well in the past three years, demonstrating a consistent average growth rate of 17% CAGR over 2020-22. Notably, in 1H23, its loan portfolio expanded by an impressive 17.4% yoy, surpassing its projected target of 13% yoy growth for the entire year of 2023. However, the bank faced a rapid credit cost increase in 2Q23, especially in the hire purchase segment. Given the current circumstances, we believe that KKP has no necessity to engage in aggressive lending practices and instead anticipates a heightened emphasis on maintaining loan quality. Therefore, we expect KKP's loan growth to slow down in 2H23 and reach 13% yoy for 2023.
- Maintain BUY with a lower target price of Bt78.00 based on the Gordon Growth Model (cost of equity: 12.5%, long-term growth: 2.0%). Our target price implies 1.1x 2023F P/B, slightly above its five-year mean.

### SHARE PRICE CATALYST

- Event: Substantial credit cost decline in 3Q23.
- Timeline: 2H23.

### MAJOR (Tanaporn Visaruthaphong/ Thachasorn Jutaganon)

- Major Cineplex Group (MAJOR) is a cinema operator with related businesses like bowling, karaoke, rentals, cinema media and film distribution.
- We anticipate sustained growth in admission revenue in 3Q23 through strong box office performance. We expect sustained growth in admission revenue for 2023, building on the momentum generated by upcoming blockbuster releases in 3Q23. Notable titles like Aquaman and the Lost Kingdom, Mission: Impossible - Dead Reckoning Part One, The Marvels, Barbie, Oppenheimer and the Thai movie Long Live Love are poised to drive this recovery. Looking ahead to 4Q23, the earnings outlook might drop slightly qoq due to off-season movies.
- Maintain BUY on MAJOR with a lower target price of Bt18.00 (previous: Bt23.00). We roll over our valuation to 2024 and de-rate valuation from mean PE to -1SD PE to reflect

earnings that might be softer from 1H23 due to off-season movies. Our target price is based on 13x 2024F PE and -1SD to its five-year PE mean. We still like MAJOR due to many blockbuster movies in 3Q23. The stock is also less impacted by advertising expenditure compared to other players in the media industry.

### SHARE PRICE CATALYST

- Event: More blockbuster movies, growth in cinema advertising income, recovery in the economy that could accelerate consumer spending and a higher GDP.
- Timeline: 2H23.

### MINT (Kochakorn Sutaruksanon)

- Minor International (MINT) is one of the largest hospitality companies in the Asia-Pacific region. It also operates restaurants in Thailand and overseas and is involved in residential property development and retail trading.
- 2Q23 earnings are likely to surge yoy and qoq. The yoy surge should turn the net loss in 1Q23 to a profit of Bt1.8b-2.0b in 2Q23. The key driver is a recovery in all business units, especially hotels in Europe. EBITDA margin should improve yoy and qoq from the economies of scale of the hotel operations. Alongside this, MINT also maintains food EBITDA margin through optimising the menu prices and entering into contracts to lock in raw material prices.
- Maintain BUY with a target price of Bt42.00 based on EV/EBITDA multiple at 13.0x, at -0.5SD of its historical mean. MINT is one of our picks in the hotel sector as: a) the valuation is undemanding, trading at EV/EBITDA of 11.0x, which is lower than the hotel sector at 15x-18x, and b) 2Q23 earnings are likely to outperform its peers.

### SHARE PRICE CATALYST

- Event: Better-than-expected cost control and ability to increase ADR.
- Timeline: 2H23.

### OR (Tanaporn Visaruthaphong/Benjaphol Suthwanish)

- PTT Oil And Retail Business (OR) operates an integrated oil and non-oil retailing platform both in Thailand and abroad, including the sales and distribution of petroleum products and other products in retail and commercial marketing, coffee shops, other food and beverage outlets, convenience stores and space management offerings.
- We expect core profit to continue growing in 2Q23. This positive outlook is supported by increased oil sales and the expectation of marketing margin not being lower than 1Q23. According to the Energy Policy and Planning Office (EPPO) report, the marketing margin for diesel fuel in Bangkok in Apr 23 was Bt1.9/litre, surpassing the figures recorded in Feb 23 (Bt1.66/litre) and Mar 23 (Bt1.86/litre). This suggests a positive trend in marketing margins, and we expect 2Q23 marketing margin to be at least as high as 1Q23.
- Maintain BUY with a target price of Bt29.00, based on a five-year average PE of 24x. The projected outlook seems reasonable, with improving marketing margins, increased oil sales volume and the alleviation of pressure from the oil fund. These factors have the potential to facilitate a sustained growth in OR's earnings in the forthcoming two quarters.

### SHARE PRICE CATALYST

- Event: An increase in marketing margin will improve earnings.
- Timeline: 2023.



### SCB (Kwanchai Atiphopchai, CFA/Thanawat Thangchadakorn)

- SCB X is one of the largest commercial banks with a roughly 15% share of Thailand's credit market. It has a strong focus on retail lending, which accounts for 46% of its loanbook.
- SCB reported return on equity (ROE) at 10.1% in 2Q23, the first time since the start of the pandemic (3Q19 ROE: 15%). According to management's guidance, the company set a goal to raise ROE to a range of 13-15% in the next 3-5 years, which is a medium-term plan. Furthermore, SCB intends to maintain a high dividend payout ratio, with the last payout at 60%.
- Maintain BUY with a lower target price of Bt130.00, based on the Gordon Growth Model (cost of equity: 11%, long-term growth: 2%). SCB currently trades at 7.9x 2023F PE, -1SD to its five-year mean, and at 0.8x 2023F P/B, approximately its five-year mean.

#### SHARE PRICE CATALYST

- Event: The Bank of Thailand (BOT) implementing policy rate hikes.
- Timeline: 2H23.

### TIDLOR (Kwanchai Atiphopchai, CFA/Thanawat Thangchadakorn)

- The non-bank company TIDLOR provides auto title loans, hire purchase financing services for second-hand used trucks, and other types of non-lending products include life and non-life insurance brokerage services under the brand "Ngern Tid Lor".
- TIDLOR has a better asset quality outlook but is maintaining a conservative credit cost guidance. Management reaffirmed that TIDLOR's NPL ratio should peak in early-3Q23. The company has tightened its lending policies, and the delinquency rate has shown signs of slowing down. However, management maintains its credit cost guidance at 3.00-3.35% as uncertainties revolving around the establishment of the new government could delay the implementation of the stimulus scheme. Also, prices of second-hand vehicles are continuing to trend downward, which could widen losses from the sales of repossessed items.
- Upgrade to BUY. TIDLOR's share price has fallen sharply due to the large sell-off by one of its major shareholders. However, this sell-off does not impact the company's fundamentals. Its share price is undervalued. We upgrade to BUY with an unchanged target price of Bt28.00 based on the Gordon Growth Model.

#### SHARE PRICE CATALYST

- Event: Strong 3Q23 results.
- Timeline: 2H23.

### TOP (Tanaporn Visaruthaphong/Benjaphol Suthwanish)

- Thai Oil (TOP) is an oil refinery company. It also produces oil-related products including LPG, kerosene, fuel oil and chemicals.
- Crude oil prices and refining margin is expected to support a strong recovery in 3Q23 net profit. We expect 3Q23 net profit to grow on both qoq and yoy bases. This growth will be primarily boosted by: a) a jump in revenue due to an increase in crude oil prices, b) strong recovery in core profit due to GRM improving on both qoq and yoy bases, and c) utilisation rate being sustained at a notably high level, which will support the escalating seasonal demand and counter the reduction in regional output stemming from unplanned shutdowns of regional refineries.
- We maintain our BUY recommendation with a target price of Bt68.00, based on regional forward PE of 11x in 2024. We continue to expect a recovery in GRM and core profit in 3Q23.

### SHARE PRICE CATALYST

- Event: Crude oil prices rebounding in 2H23, and the driving season and hurricane season in the US which will cause demand for refined oil to increase.
- Timeline: 2H23.

### TU (Kampon Akaravarinchai)

- TU manufactures and exports frozen and canned seafood, including canned food, frozen food and snacks. It is also involved in pet food, value-added products and animal feed.
- We foresee continuous qoq earnings recovery. We expect TU's 4Q23 earnings to see a qoq recovery, as its US and EU customers are restocking inventory, which will benefit TU's top-line. Also, we expect to see a gross margin recovery following higher ASPs and lower raw material costs. Overall, we still maintain our forecast of 2023 net profit declining by 32% yoy, mainly pressured by weak operations in 1H23. For 2024, we estimate a net profit growth of 22.5% yoy, driven by higher ASPs, a decline in costs, and a recovery in the pet food business.
- Maintain BUY with a target price of Bt17.40. We peg the forward PE target to TU's five-year mean of its latest PE band, which is equivalent to 14.5x. Our target price is based on 2024's EPS. We expect TU's earnings momentum to improve on a qoq basis in 2H23 and 2024 following lower raw material costs and sales recovery.

### SHARE PRICE CATALYST

- Event: Stronger-than-expected 2H23 earnings recovery momentum, and a significant improvement in TU's profitability from lower raw material costs.
- Timeline: 2H23 and 2024.

### VALUATION

Company	Ticker	Rec.	Last Price	Target	Upside	Market	PE			EPS	PEG	P/B	Yield	ROE
			29 Sep 23 (Bt)	Price (Bt)	Downside (%)	Cap (US\$m)	2022 (x)	2023F (x)	2024F (x)	Growth 2023F (%)	2023F (x)	2023F (x)	2023F (%)	2023F (%)
Bangkok Dusit Medical Services	BDMS TB	BUY	26.75	33.00	23.36	11,799	33.7	31.4	29.8	5.5	5.7	4.3	2.2	14.1
CP All	CPALL TB	BUY	60.50	78.00	28.93	15,084	41.0	32.6	27.0	20.7	1.6	4.4	1.8	6.4
The Erawan Group	ERW TB	BUY	5.50	6.50	18.18	692	n.a.	38.2	32.0	19.4	2.0	3.5	1.4	11.3
Kiatnakin Phatra Bank	KKP TB	BUY	55.25	69.00	24.89	1,298	6.2	7.5	6.7	10.9	0.7	0.7	5.9	10.9
Major Cineplex Group	MAJOR TB	BUY	14.00	18.00	28.57	348	49.7	14.0	11.0	27.3	0.5	1.9	9.1	16.0
Minor International	MINT TB	BUY	31.25	42.00	34.40	4,526	38.7	30.1	23.0	31.1	1.0	2.0	1.4	7.9
PTT Oil And Retail Business	OR TB	BUY	18.70	29.00	55.08	6,228	21.6	15.3	14.5	5.2	2.9	0.9	2.0	6.5
PTT Exploration and Production	PTTEP TB	BUY	171.00	182.00	6.43	18,842	9.6	11.1	9.4	17.4	0.6	1.3	5.3	14.8
SCB X	SCB TB	BUY	102.50	130.00	26.83	9,579	9.2	8.3	7.6	9.3	0.9	0.7	6.6	9.3
Ngern Tid Lor	TIDLOR TB	BUY	20.80	28.00	34.62	1,339	13.9	14.2	12.8	10.7	1.3	2.0	1.5	15.9
Thai Oil	TOP TB	BUY	49.75	68.00	36.70	2,859	3.5	6.9	8.1	(14.6)	(0.5)	0.6	5.3	8.1
Thai Union Group	TU TB	BUY	14.50	17.40	20.00	1,920	9.7	14.3	11.7	22.5	0.6	0.8	4.8	6.6

Source: UOB Kay Hian

COMPANY UPDATE

Thai Oil (TOP TB)

3Q23 To Be The Most Profitable Quarter This Year

We anticipate a robust net profit in 3Q23 due to the boost provided by elevated crude oil prices and improved GRM. This surge is a consequence of robust demand in conjunction with reduced refined product inventory. These favourable conditions should sufficiently offset the adverse impact stemming from weakened petrochemical price spreads, as well as any losses incurred from hedging and foreign exchange. **Maintain BUY. Target price: Bt68.00.**

WHAT'S NEW

- We forecast 3Q23 net profit of **Bt9.5b**, increasing both qoq and yoy. This positive performance is attributed to the elevated crude oil prices and improved gross refinery margin (GRM). We also expect the company to report a market gross integrated margin (market GIM) of US\$19.40/bbl, (vs -US\$0.70/bbl in 3Q22 and US\$4.20/bbl in 2Q23). This healthy market GIM is expected to counterbalance the impact of weak petrochemical spreads, factoring in hedging and foreign exchange losses.
- We anticipate a strong GRM of **US\$12.00/bbl for 3Q23**, vs US\$6.70/bbl in 3Q22 and US\$4.50/bbl in 2Q23. This boost is driven by: a) increased demand for core products, b) low reserves of refined oil, c) decreased production capacity resulting from regional refineries being temporarily shut down for maintenance, and d) a crude premium of US\$1.80/bbl (vs US\$10.50/bbl in 3Q22 and US\$2.80/bbl in 2Q23). As a result of these factors, the refining margins for gasoline, diesel and jet fuel in 3Q23 are expected to increase by 20% qoq, 87% qoq and 90% qoq respectively.
- **Significant stock gain ahead.** The price of crude oil has been on the rise, with the Dubai crude oil price in 3Q23 reaching US\$86.00/bbl. This represents a significant increase of 10.6% qoq. The tight supply situation can be attributed to ongoing production cuts by OPEC+ members, including Saudi Arabia and Russia. Furthermore, we anticipate that the company will experience a stock gain of US\$6.20/bbl, vs stock loss of US\$9.50/bbl in 3Q22 and stock loss of US\$1.90/bbl in 2Q23.
- **The decrease in spreads for aromatics and the lubricant business** can be attributed to: a) the commencement of production in numerous new aromatics plants in the region, b) elevated raw material costs for both gasoline and fuel oil, and c) lower demand during the low season in the lubricant business, which often coincides with the rainy season. Consequently, the spreads for paraxylene, benzene and lubricant witnessed a decline of 24% qoq, 27% qoq and 25% qoq respectively.

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	345,496	529,589	553,771	530,144	479,272
EBITDA	16,050	49,264	30,646	27,910	38,757
Operating profit	8,626	41,520	22,461	19,604	27,112
Net profit (rep./act.)	12,578	32,668	16,380	13,989	17,698
Net profit (adj.)	4,184	27,791	16,380	13,989	17,698
EPS (Bt)	1.1	12.4	7.3	6.3	7.9
PE (x)	47.9	4.1	6.9	8.1	6.4
P/B (x)	1.6	0.7	0.7	0.6	0.6
EV/EBITDA (x)	14.2	4.6	7.5	8.2	5.9
Dividend yield (%)	5.1	5.1	5.0	5.3	6.4
Net margin (%)	3.6	6.2	3.0	2.6	3.7
Net debt/(cash) to equity (%)	95.3	84.4	68.6	61.6	48.6
Interest cover (x)	4.5	12.8	8.7	8.6	6.2
ROE (%)	10.4	23.2	10.0	8.1	9.8
Consensus net profit	-	-	14,551	13,522	20,132
UOBKH/Consensus (x)	-	-	1.13	1.03	0.88

Source: Thai Oil, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt49.75
Target Price	Bt68.00
Upside	+36.7%

COMPANY DESCRIPTION

TOP is an oil refinery company. It also produces oil related products including LPG, kerosene, fuel oil and chemicals.

STOCK DATA

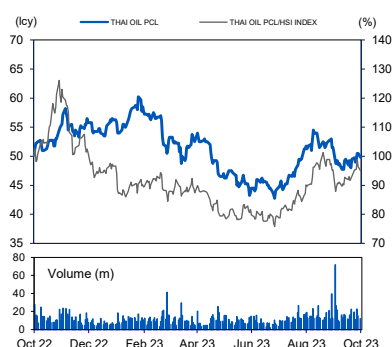
GICS sector	Energy
Bloomberg ticker:	TOP TB
Shares issued (m):	2,233.8
Market cap (Btm):	112,808.7
Market cap (US\$m):	3,096.3
3-mth avg daily t'over (US\$m):	19.9
<b>Price Performance (%)</b>	
52-week high/low	Bt60.25/Bt42.75

1mth	3mth	6mth	1yr	YTD
(4.3)	14.8	(5.2)	(2.4)	(10.2)

Major Shareholders

Major Shareholders	%
PTT	49.1
NVDR	4.5
HSBC (Singapore) Nominees Pte. Ltd.	2.6
FY23 NAV/Share (Bt)	75.58
FY23 Net Debt/Share (Bt)	51.83

PRICE CHART



Source: Bloomberg

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### 3Q23 PREVIEW

Year to 31 Dec (Btm)	3Q22	2Q23	3Q23F	yoy % chg	qoq % chg	9M22	9M23F	yoy % chg
Revenue	127,901	108,662	122,515	-4%	13%	276,261	225,482	-18%
EBITDA	8,805	6,003	12,843	46%	114%	31,522	17,100	-46%
Interest expenses	940	1,081	1,144			1,926	2,004	
EBT	6,038	3,302	9,955	65%	n.a.	25,954	11,987	-54%
Core Profit	6,090	3,801	7,840	29%	106%	16,500	10,637	-36%
Net Profit	12	1,117	9,511	n.a.	n.a.	32,510	5,671	-83%
EPS	0.01	0.50	4.66			6.17	16.01	
Gross Profit Margin	6.1%	4.5%	9.6%			10.6%	6.5%	
EBITDA Margin	6.9%	5.5%	10.5%			11.4%	7.6%	
SG&A Exp. / Sales	0.7%	0.7%	0.7%			0.6%	0.7%	
Net profit margin	0.0%	1.0%	7.8%			11.8%	2.5%	

Source: Thai Oil, UOB Kay Hian

- **Operating costs experienced a slight increase**, primarily due to the oil spill. We anticipate that the effects of the oil spill will become apparent in 3Q23. Consequently, we expect the total costs (operating, financial and depreciation) to reach US\$4.20/bbl in 3Q23. This increase can be primarily attributed to operating costs rising to US\$1.70/bbl, surpassing the average of US\$1.50/bbl. We also anticipate hedging losses of Bt3.40b and foreign exchange losses of Bt1.00b.

### STOCK IMPACT

- **Expect crude oil prices in 4Q23 to remain at a high level.** Qtd, the Dubai crude oil price stands at US\$93.00/bbl, up 7.2% qoq and 9.8% yoy. This price surge can be attributed to: a) reduced seasonal demand for gasoline, b) limited supply due to production cuts by OPEC+ members, particularly Saudi Arabia and Russia, and c) a decrease in production capacity of non-OPEC members, with a significant decline in the US. Baker Hughes reported that the number of crude oil drilling rigs in the US at end-Sep 23 hit a low of 502 rigs, the lowest since Feb 22. As a result, the number of crude oil drilling rigs in the US ytd is expected to decrease by 19%. Meanwhile, a notable risk factor involves apprehensiveness about the global economic slowdown on a broader scale, coupled with ongoing issues within the Chinese economy, specifically the challenges persisting in the real estate sector.
- **GRM to decline as gasoline demand weakens.** 4Q23 GRM is forecasted to decline, primarily driven by sluggish gasoline demand from Europe and the US as they transition into the winter season. Additionally, there is short-term pressure stemming from heightened gasoline exports from South Korea, contributing to a decrease in gasoline refining margins. However, there is a counterbalancing factor to this decline. Strong demand persists within the Middle Distillate oil category due to seasonal factors, along with China's decision not to issue additional diesel export quotas. This decision acts as a limiting factor, preventing a more significant downturn in GRM.

### EARNINGS REVISION/RISK

- **None.** If our projected core profit for 3Q23, which is 3Q23, is accurate, then the core profit for 9M23 will represent 65% of our anticipated total core profit for the year 2023, which is estimated to be Bt16.4b.

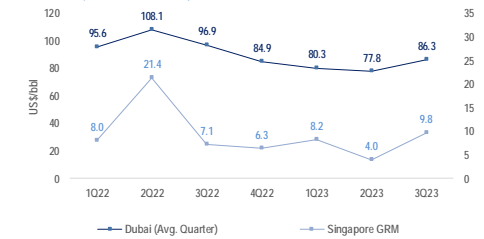
### VALUATION/RECOMMENDATION

- **Maintain BUY with a 2024 target price of Bt68.00**, based on a forward PE mean of 11x. Nonetheless, we hold the view that the diminishing GRM represents an unfavorable outlook for TOP and the refinery business. Our sector top picks are: PTT Exploration and Production (PTTEP TB/BUY/Target: Bt182.00) and ESSO (ESSO TB/BUY/Target: Bt15.00).

### SHARE PRICE CATALYST

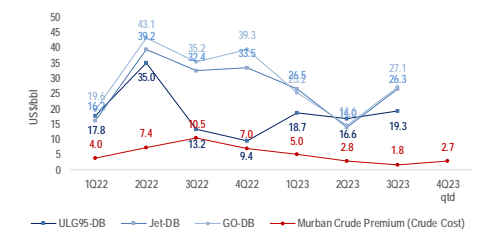
- Slowdown of the global economy.
- Fluctuations in crude oil prices and GRM.
- The Atlantic hurricane season between September and October.

### DUBAI (CRUDE OIL) AND GRM



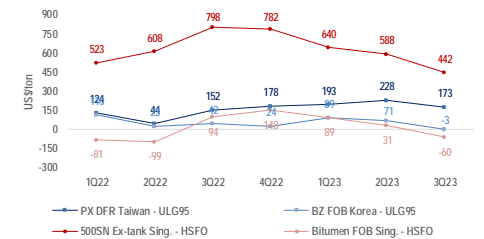
Source: Thai Oil, UOB Kay Hian

### PETROLEUM SPREAD AND CRUDE PREMIUM



Source: Thai Oil, UOB Kay Hian

### PETROCHEMICAL SPREAD



Source: Thai Oil, UOB Kay Hian

### EXTRAORDINARY ITEMS

	3Q22	2Q23	3Q23F
Fx Gain (Loss)	-1,710	-1,017	-1,000
Hedging Gain (Loss)	5,090	-187	-3,462
Stock Gain (Loss)	-9,002	-1,914	6,132
Total	-5,622	-3,118	2,570

Source: Thai Oil, UOB Kay Hian

### GASOLINE SPREAD TREND



Source: Bloomberg, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	529,589	553,771	530,144	479,272
EBITDA	49,264	30,646	27,910	38,757
Deprec. & amort.	7,744	8,185	8,306	11,645
EBIT	41,520	22,461	19,604	27,112
Associate contributions	(513)	1,315	1,756	1,858
Net interest income/(expense)	(3,860)	(3,503)	(3,259)	(6,202)
Pre-tax profit	42,024	20,274	18,102	22,768
Tax	(8,918)	(3,425)	(3,620)	(4,554)
Minorities	(438)	(469)	(492)	(517)
Net profit	32,668	16,380	13,989	17,698
Net profit (adj.)	27,791	16,380	13,989	17,698

### CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	43,251	(6,475)	26,426	34,756
Pre-tax profit	42,024	20,274	18,102	22,768
Tax	(8,918)	(3,425)	(3,620)	(4,554)
Deprec. & amort.	7,744	8,185	8,306	11,645
Working capital changes	13,384	(31,509)	3,638	4,896
Other operating cashflows	(10,984)	0	0	0
Investing	(9,049)	30,437	(11,411)	(11,240)
Investments	(31,929)	(11,751)	(11,411)	(11,240)
Others	22,880	42,188	0	0
Financing	(20,253)	(10,544)	(9,871)	(28,795)
Dividend payments	(8,547)	(5,808)	(7,371)	(6,295)
Issue of shares	0	0	0	0
Proceeds from borrowings	(11,706)	(4,736)	(2,500)	(22,500)
Others/interest paid	n.a.	n.a.	n.a.	n.a.
Net cash inflow (outflow)	13,949	13,418	5,144	(5,279)
Beginning cash & cash equivalent	30,039	43,576	56,994	62,138
Changes due to forex impact	(69)	0	0	0
Ending cash & cash equivalent	43,919	56,994	62,138	56,859

### BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	206,476	210,042	213,146	212,742
Other LT assets	84,277	38,141	37,904	37,396
Cash/ST investment	43,919	56,994	62,138	56,859
Other current assets	109,909	92,928	88,938	79,332
<b>Total assets</b>	<b>444,581</b>	<b>398,105</b>	<b>402,128</b>	<b>386,329</b>
ST debt	4,736	2,500	22,500	22,500
Other current liabilities	98,937	50,105	49,753	45,043
LT debt	172,765	170,265	147,765	125,265
Other LT liabilities	9,486	5,538	5,301	4,793
Shareholders' equity	158,268	168,840	175,458	186,861
<b>Total liabilities &amp; equity</b>	<b>444,581</b>	<b>398,105</b>	<b>402,128</b>	<b>386,329</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	9.3	5.5	5.3	8.1
Pre-tax margin	7.9	3.7	3.4	4.8
Net margin	6.2	3.0	2.6	3.7
ROA	8.1	3.9	3.5	4.5
ROE	23.2	10.0	8.1	9.8
<b>Growth</b>				
Turnover	53.3	4.6	(4.3)	(9.6)
EBITDA	206.9	(37.8)	(8.9)	38.9
Pre-tax profit	178.3	(51.8)	(10.7)	25.8
Net profit	159.7	(49.9)	(14.6)	26.5
Net profit (adj.)	564.3	(41.1)	(14.6)	26.5
EPS	1,080.5	(41.1)	(14.6)	26.5
<b>Leverage</b>				
Debt to total capital	52.8	50.4	49.1	43.9
Debt to equity	112.2	102.3	97.0	79.1
Net debt/(cash) to equity	84.4	68.6	61.6	48.6
Interest cover (x)	12.8	8.7	8.6	6.2

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