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SINGAPORE

Retail Market Monitor

Friday, 27 October 2023

MARKET NEWS

US stocks were lower on Thursday, as the losses in the communication services, information technology and consumer discretionary sectors led shares lower. At the close of the NYSE, the DJIA fell 0.76% while the S&P 500 index was down by 1.18%, and the NASDAQ Composite index slid 1.76%. Advancing stocks outnumbered advancing ones on the NYSE by 1,508 to 1,355 and 107 ended unchanged; on the Nasdaq Stock Exchange, 2,266 declined and 1,990 advanced, while 173 ended unchanged. (Source: WSJ, Bloomberg)

During the last trading session, the FSSTI index fell 7.47pt to 3,071.31. Among the top active stocks were Yangzijiang Shipbuilding (+1.4%), Genting Singapore (+2.3%), Seatrium (-0.9%), Rex International (-1.2%) and UMS (+3.2%). The FTSE ST Mid Cap index fell 0.5% while the FTSE ST Small Cap Index was down 0.7%. The broader market saw 294 gainers and 285 losers with total trading value of S$1.04b.

WHAT'S IN THE PACK

Singapore Company Results:

iFAST Corp - 3Q23: Record quarterly AUA; ePension has started contributing.

(IFAST SP/HOLD/S$6.13/Target: S$6.56)

iFAST hit a record-high quarterly AUA of S$19.1b (+12.6% yoy, +1.7% qoq). This was driven mainly by the Singapore market achieving a record AUA level. The net inflow of client assets…

United Overseas Bank - 3Q23: Building regional franchise for consumer businesses.

(UOB SP/NOT RATED/S$27.28)

UOB reported a net profit of S$1,382m for 3Q23 (-2% yoy). NIM eased by 3bp qoq to 2.09% as surplus US dollar liquidity was deployed into high-quality but low-yielding assets…

Wilmar International - 3Q23: Well within our expectations, but below market's.

(WIL SP/HOLD/S$3.47/Target: S$3.80)

Wilmar's 3Q23 results came in well within our expectations, but lower than the market's forecast. The qoq improvement was mainly due to: a) higher sales volume of…

Singapore Technical Analysis:

DBS Group Holdings (DBS SP) - Trading SELL

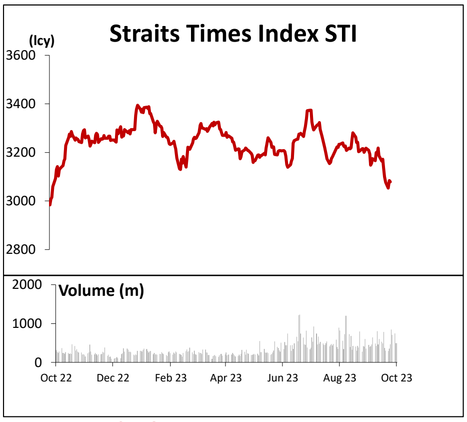
The price has been forming lower highs and lower lows, hinting at a possible trend reversal ahead. It broke below the rising trendline and retested it yesterday…

Singapore Exchange (SGX SP) - Trading SELL

The price broke and closed below the cloud, turning the chart outlook to bearish. A bearish conversion and base lines crossover is likely. The MACD has turned bearish and is moving lower…

Get up to speed by learning from our experts - Sign up for a seminar today!

PRICE CHART



KEY INDICES

	Prev Close	1M %	YTD %
DJIA	32784.3	(2.5)	(1.1)
S&P 500	4137.2	(3.2)	7.8
FTSE 100	7354.6	(3.6)	(1.3)
AS30	7001.1	(3.2)	(3.1)
CSI 300	3514.2	(5.0)	(9.2)
FSSTI	3071.3	(4.0)	(5.5)
HSCEI	5859.6	(3.5)	(12.6)
HSI	17044.6	(3.2)	(13.8)
JCI	6714.5	(3.2)	(2.0)
KLCI	1440.6	0.0	(3.7)
KOSPI	2299.1	(6.7)	2.8
Nikkei 225	30601.8	(5.5)	17.3
SET	1371.2	(8.4)	(17.8)
TWSE	16073.7	(1.5)	13.7
BDI	1662	(5.1)	9.7
CPO (RM/mt)	3592	(2.3)	(11.3)
Brent Crude (US$/bbl)	88	(6.4)	2.4

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (S$)	Chg (%)	5-day ADT (S$m)
United Overseas Bank	27.28	(1.6)	86.1
DBS Group Holdings	33.14	(0.0)	77.1
Singapore Telecommunications	2.37	(0.4)	46.0
Singapore Airlines	6.21	0.5	43.4
Oversea-Chinese Banking Corp	12.85	0.1	42.8

TOP GAINERS

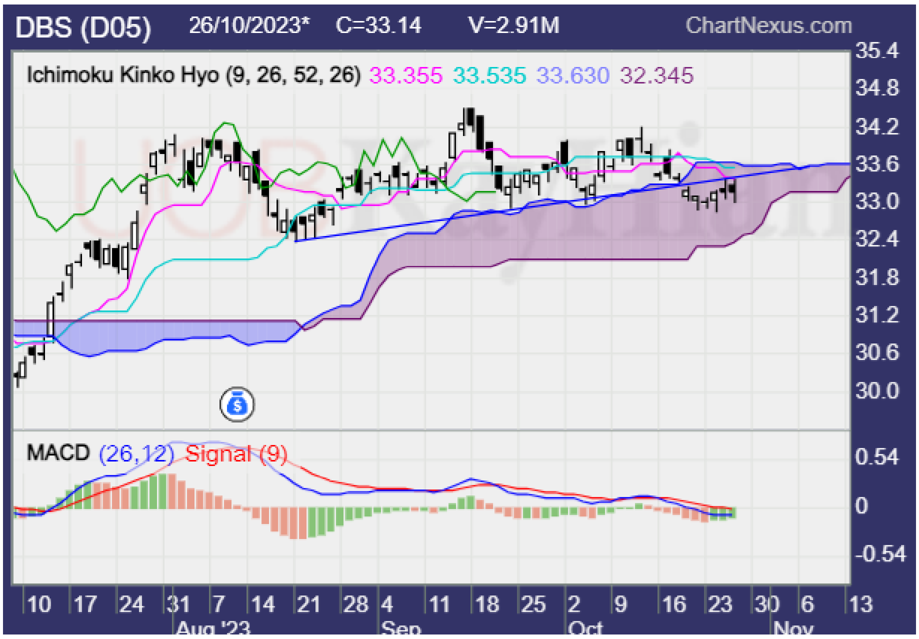
Company	Price (S$)	Chg (%)	5-day ADT (S$m)
iFast Corp	6.13	11.1	5.0
Olam Group	0.91	7.7	3.9
Yanlord Land Group	0.57	3.6	0.9
UMS Holdings	1.29	3.2	7.0
Top Glove Corp	0.21	2.4	0.3

TOP LOSERS

Company	Price (S$)	Chg (%)	5-day ADT (S$m)
CapitaLand India Trust	0.96	(5.9)	3.3
Digital Core REIT Management	0.48	(5.9)	2.4
ParkwayLife REIT	3.38	(3.4)	1.6
Frasers Logistics & Commercial	1.00	(2.9)	7.7
Frasers Centrepoint Trust	2.05	(2.8)	8.6

*ADT: Average daily turnover

TRADERS' CORNER



DBS Group Holdings (DBS SP)

Trading sell range: S$33.14-33.20

Last price: S$33.14

Target price: S$31.48

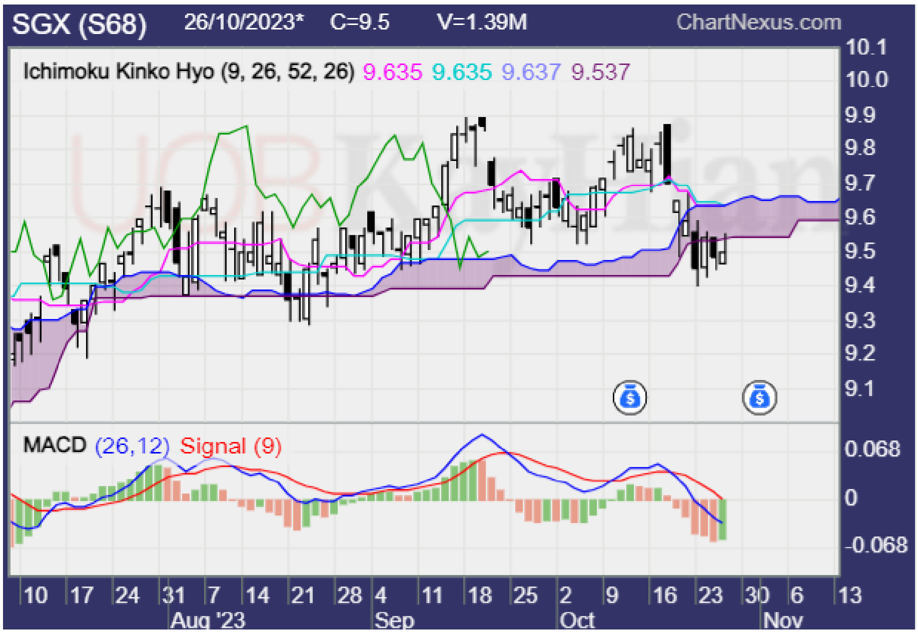
Protective stop: S$34.00

The price has been forming lower highs and lower lows, hinting at a possible trend reversal ahead. It broke below the rising trendline and retested it yesterday. Conversion and base lines remain in a bearish crossover. The MACD is bearish as well. These could increase chances of the stock price moving lower.

The potential downside target is S$31.48. Stop-loss could be placed at S$34.00.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S$44.35.



Singapore Exchange (SGX SP)

Trading sell range: S$9.50-9.55

Last price: S$9.50

Target price: S$9.04

Protective stop: S$9.71

The price broke and closed below the cloud, turning the chart outlook to bearish. A bearish conversion and base lines crossover is likely. The MACD has turned bearish and is moving lower. These could increase chances of the stock price moving lower.

The potential downside target is S$9.04. Stop-loss could be placed at S$9.71.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental HOLD and target price of S$10.46.

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FROM THE REGIONAL MORNING NOTES...

iFAST Corporation (IFAST SP)

3Q23: Record Quarterly AUA; ePension Has Started Contributing

iFAST hit a record-high quarterly AUA of S$19.1b (+12.6% yoy, +1.7% qoq). This was driven mainly by the Singapore market achieving a record AUA level. The net inflow of client assets continued to drive AUA growth while the Hong Kong eMPF project made an initial one-month contribution. We expect revenue and profit to grow more substantially in 2024-25 with the eMPF project contributing. Maintain HOLD with a 36% higher PE-based target price of S$6.56 (S$4.81 previously).

3Q23 RESULTS

Year to 31 Dec (S$m)	3Q23	3Q22	yoy % chg	9M23	9M22	yoy % chg
Revenue	66.2	53.5	23.8	174.4	160.3	8.7
Net revenue	41.7	30.1	38.7	104.5	88.5	18.1
Net revenue margin (%)	63.0	56.2	6.8ppt	60.0	55.2	4.8ppt
PATMI	8.2	2.1	308.4	14.2	4.4	322.7
PATMI margin (%)	12.4	3.9	8.5ppt	8.1	2.7	5.4ppt

Source: iFAST

RESULTS

- **Results below expectations, record-high quarterly AUA achieved.** iFAST Corporation's (iFAST) 9M23 revenue and PATMI were below our expectations, making up 65% and 49% of our full-year estimates respectively while 3Q23 revenue and PATMI accounted for 25%/29% of our forecasts respectively. Assets under administration (AUA) for iFAST reached S$19.1b as at 30 Sep 23, growing 1.7% qoq and 12.6% yoy (30 Jun 23: S$18.8b). This beat its previous record of S$19.0b in end-21. The Singapore market remains the main growth driver for the group, accounting for a quarterly record-high S$13.9b in AUA (+12.9% yoy; +0.9% qoq). The AUA for Singapore's B2B division achieved another record high during the quarter, growing 14.9% yoy and 0.9% qoq. With the current interest rate environment, bonds were one of the growth drivers, making up 9.9% of group AUA (+2ppt qoq). For unit trusts, AUA remained steady at S$12.1b, accounting for 63.5% of overall AUA.

- **Positive net inflows despite volatile market.** AUA growth is expected to remain stable, supported by the improving net inflows of client assets of S$751m in 3Q23 (2Q23: S$559m; 1Q23: S$329m).

- **Operating leverage improving; dividend maintained.** Profitability for iFAST grew significantly on the back of higher net revenue from non-banking operations. In 3Q23, net revenue rose 37.9% yoy to S$38.4m, mainly due to the Hong Kong ePension division and the steady development of iFAST's core wealth management platform business. 3Q23 EBIT and PATMI surged 263.2% and 402.6% yoy to S$11.2m and S$8.2m respectively. The operating leverage is expected to remain positive with AUA growing steadily. The third interim dividend was maintained at 1.3 S cents (3Q22: 1.3 S cents).

KEY FINANCIALS

Year to 31 Dec (S$m)	2021	2022	2023F	2024F	2025F
Net turnover	216	205	270	411	511
EBITDA	54	32	38	69	108
Operating profit	36	12	23	50	83
Net profit (rep./act.)	30	6	24	50	84
Net profit (adj.)	30	6	24	50	84
EPS (S$ cents)	10.5	2.1	7.9	16.6	27.7
PE (x)	58.4	288.0	77.8	36.8	22.1
P/B (x)	13.2	8.1	7.6	6.6	5.4
EV/EBITDA (x)	31.3	52.2	44.9	24.4	15.6
Dividend yield (%)	0.8	0.8	0.4	0.8	1.4
Net margin (%)	13.9	3.1	8.8	12.2	16.4
Net debt/(cash) to equity (%)	(34.3)	(62.4)	(54.8)	(34.3)	(30.5)
Interest cover (x)	n.a.	n.a.	1,348.4	n.a.	n.a.
ROE (%)	25.9	3.7	10.3	19.6	27.5
Consensus net profit	-	-	22	53	96
UOBKH/Consensus (x)	-	-	1.09	0.94	0.87

Source: iFast, Bloomberg, UOB Kay Hian

STOCK IMPACT

- **UK bank expected to continue making losses but deposit book sees substantial growth.** iFAST Global Bank (iGB) has incurred a S$2.1m loss in 3Q23, narrowing 5% qoq (2Q23: S$2.2m loss). Management continues to actively market its Digital Personal Banking services to retail customers, as illustrated by its customer deposit amounts doubling qoq to S$232m as at 30 Sep 23. As management continues to expand iGB's product offerings, they expect profitability by 2H24.

- **Hong Kong ePension division contributing more significantly moving forward; Hong Kong targets unchanged.** The ePension platform has contributed an initial one month in 3Q23, and remains slated to be fully operational per the initial scheduled timeframe of end-25. For the overall Hong Kong market, management is maintaining its Apr 22 guidance – 2024 and 2025 net revenues of >HK$900m (S$153m) and HK$1.3b (S$222m) respectively, vs 2022's HK$142m (S$24m), and 2024 and 2025 profit before tax margins of >22% and >31% respectively, vs 2022's 18.9%. As the ePension division is mostly immune to market volatility, the group's Hong Kong business is expected to be an earnings growth driver in the long term.

- **ORSO ePension services to contribute to Hong Kong's AUA from 1Q25.** On 28 Jun 23, iFAST's Hong Kong subsidiary launched ORSO ePension services, a one-stop digital pension solution for Hong Kong Occupational Retirement Schemes Ordinance (ORSO) pension schemes. Besides AUA, revenue from this service will depend on the number of trustees or partners secured. Following its launch, management has secured one partner, and continues to be in talks with potential partners.

EARNINGS REVISION/RISK

- **We trim our 2023 earnings forecast by 13.8%,** after factoring in lower-than-expected contributions from the Hong Kong electronic Mandatory Provident Fund (eMPF) project and ORSO ePension services. 2024 and 2025 estimates remain unchanged.

VALUATION/RECOMMENDATION

- **Maintain HOLD with a higher PE-based target price of S$6.56 (S$4.81 previously),** based on 23x 2025F EPS valuation. This is pegged to 1.0SD below its historical mean, down from 0.5SD previously to reflect a more reasonable valuation and steady earnings state of the Hong Kong eMPF project. We have also rolled over our valuation base year to 2025, as contributions from the Hong Kong ePension division are expected to stabilise.

SHARE PRICE CATALYST

- Higher-than-expected ePension division contributions from 4Q23.
- Earlier-than-expected breakeven for iGB.

FROM THE REGIONAL MORNING NOTES…

United Overseas Bank (UOB SP)

3Q23: Building Regional Franchise For Consumer Businesses

UOB reported a net profit of S$1,382m for 3Q23 (-2% yoy). NIM eased by 3bp qoq to 2.09% as surplus US dollar liquidity was deployed into high-quality but low-yielding assets. Credit card fees grew 89% yoy to a new record high of S$104m due to higher customer spends and UOB's enlarged regional franchise with the consolidation of the Citi consumer businesses. UOB generated ROE of 13.9% in 3Q23.

RESULTS

- United Overseas Bank (UOB) reported net profit of S$1,382m for 3Q23 (-2% yoy), which is below consensus estimate of S$1,483m. The results included one-off expenses of S$97m for Citi integration cost.
- **NIM drifting lower.** NIM expanded by 14bp yoy but eased by 3bp qoq to 2.09% in 3Q23. Interbank & securities margin eased 3bp qoq to 2.09% as surplus US$ liquidity was deployed into high quality but low-yielding assets. Loans contracted 2% yoy (Singapore: -6% yoy and ASEAN-4: +9% yoy) but were flat qoq. Net interest income grew 9% yoy.
- **Fee income scaling greater heights.** Fees expanded 14% yoy and 13% qoq to S$591m in 3Q23, nearly an all-time high. Loans & trade-related fees and wealth management fees grew 5% and 11% yoy respectively. Credit card fees grew by a sizeable 89% yoy to a new record high of S$104m due to higher customer spends and UOB's enlarged regional franchise with the consolidation of Citi consumer businesses.
- **Trading & investment income dropped 22% qoq** to S$375m in 3Q23. Customer-related treasury income was stable but trading & investment income was affected by valuation volatility on investments.
- **Disciplined cost management.** Operating expenses increased 4% yoy (excluding Citi integration costs). Staff costs and IT-related expenses increased 7% and 12% respectively to support strategic investments. Cost-to-income ratio (CIR) was healthy at 41% (3Q22: 42.6%). Including Citi integration costs, CIR would be 44.4%.
- **Credit costs moderated qoq.** Credit costs were lower at 19bp (2Q23: 30bp) due to write-back of S$78m from release of pre-emptive general provisions. UOB incurred higher specific provisions of S$229m (+13% qoq) after factoring in lower valuation for collaterals. NPL ratio was stable at 1.6%.
- **UOB achieved ROE of 13.9%** and CET-1 remains robust at 13.0% in 3Q23.

KEY FINANCIALS

Year to 31 Dec (S$m)	2018	2019	2020	2021	2022
Net interest income	6,220	6,563	6,035	6,388	8,343
Non-interest income	2,897	3,467	3,141	3,401	3,232
Net profit (rep./act.)	4,009	4,342	2,915	4,086	4,573
Net profit (adj.)	4,009	4,342	2,915	4,086	4,819
EPS (S$ cent)	234	255	169	239	269
P/E (x)	11.7	10.7	16.1	11.4	10.1
P/BV (x)	1.3	1.2	1.2	1.1	1.1
Dividend yield (%)	4.4	4.8	2.9	4.4	4.9
Net int margin (%)	1.8	1.8	1.6	1.6	1.9
Cost/income (%)	43.9	44.6	45.6	43.9	45.6
Loan loss cover (%)	87.0	87.0	107.0	96.0	98.0
Consensus net profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: United Overseas Bank, Bloomberg, UOB Kay Hian

ESSENTIALS – HIGHLIGHTS FROM RESULTS BRIEFING

- **Guidance for 2024.** UOB guided mid-single-digit loan growth for 2024 (2023: low- to mid-single-digit). NIM is expected to be stable at current levels. Fee income is expected to increase by double-digits (2023: high single-digit). Management expects CIR to be stable and one-off integration expenses from Citi acquisition to substantially roll off. Management guided credit costs at 25-30bp for 2024 (2023: 25bp).
- **Enhancing cost efficiency.** UOB has completed the operational integration of Citi's Malaysia consumer businesses in Jul 23. Indonesia is expected to complete operational integration at end-23 with Thailand to follow suit in 2Q24. One-off expenses from integration of Citi consumer businesses are estimated at S$350m in 2023. The amount is expected to be reduced by half in 2024. Management plans to further streamline cost and improve cost efficiency so as to improve CIR to 40% by 2026.
- **Building regional franchise through lifestyle offerings.** British singer-songwriter Ed Sheeran will perform for one night at Singapore’s National Stadium on 16 Feb 24 as part of his + - = ÷ x (Mathematics) tour. Pre-sales for UOB cardholders will be held on 27-29 Oct 23. Each UOB customer is limited to purchase a maximum of six tickets per transaction. UOB cardholders in Singapore will also be able to participate in the pre-sales for Sheeran’s concerts in Bangkok (10 Feb 24), Kuala Lumpur (24 Feb 24) and Jakarta (2 Mar 24).
- **Asia Pacific contributing to global growth.** According to IMF, growth in Asia is expected to accelerate from 3.9% in 2022 to 4.6% in 2023, driven by reopening in China and stronger-than-expected growth from India and Japan in 1H23. There is notable strength in the services sector. There are signs of slower growth and investment, resulting in weaker external demand. On a more positive note, inflation in most Asian countries is expected to return to the targeted range in 2024.
- **Concerns over exposure to commercial real estate.** Offices accounted for only 8% of total loans for commercial real estate as of Sep 23, of which 1.3% is for offices in the US. The loans are largely secured by Grade A offices and overall LTV is 50-60%. The exposure to US offices is small and backed by good sponsors and low LTV of 50%.

3Q23 RESULTS

Profit & Loss (S$m)	3Q23	3Q22	yoy % Chg	2Q23	qoq % Chg
Net Interest Income	2,429	2,234	8.7	2,437	-0.3
Fees & Commissions	591	519	13.9	524	12.8
Other Non-Interest Income	436	431	1.2	581	-25.0
Total Income	3,456	3,184	8.5	3,542	-2.4
Operating Expenses	(1,513)	(1,357)	11.5	(1,539)	-1.7
PPOP	1,943	1,827	6.3	2,003	-3.0
Provisions	(235)	(104)	126.0	(365)	-35.6
Associates & JVs	20	18	11.1	26	-23.1
PBT	1,728	1,741	-0.7	1,664	3.8
Net Profit	1,382	1,403	-1.5	1,415	-2.3
EPS (S cents)	80.8	82.5	-2.1	82.5	-2.1
DPS (S cents)	0.0	0.0	n.m.	85.0	n.m.
BVPS (S$)	24.89	23.54	5.7	25.11	-0.9
Financial Ratios (%)	**3Q23**	**3Q22**	**yoy Chg (ppt)**	**2Q23**	**qoq Chg (ppt)**
NIM	2.09	1.95	0.14	2.12	-0.03
Loan Growth, yoy	-1.6	5.7	-7.3	-0.8	-0.8
Deposit Growth, yoy	1.8	5.7	-3.9	5.2	-3.4
Loan/Deposit Ratio	82.5	85.2	-2.7	83.5	-1.0
Cost/Income Ratio	41.0	42.6	-1.6	40.9	0.1
ROE	13.9	14.0	-0.1	14.1	-0.2
NPL Ratio	1.6	1.5	0.1	1.6	0.0
Credit Costs (bp)	19	17	2.0	30	-11.0
Loan Loss Coverage	102	98	4.0	99	3.0
CET-1 CAR	13.0	12.8	0.2	13.6	-0.6

Source: UOB

FROM THE REGIONAL MORNING NOTES...

Wilmar International (WIL SP)

3Q23: Results Within Expectations

Wilmar's 3Q23 results came in well within our expectations, but lower than the market's forecast. The qoq improvement was mainly due to: a) higher sales volume of the feed & industrial products segment, and b) margin improvement from a decline in raw material costs. However, the yoy decline in earnings was mainly due to the normalisation of tropical oil refining margins in 3Q23. Maintain HOLD with a target price of S$3.80.

3Q23 FINANCIAL SUMMARY

Year to 31 Dec (US$m)	3Q23	qoq %chg	yoy %chg	9M23	yoy % chg	Remarks
Revenue	17,672.9	13.1	(6.4)	50,211	(8.7)	
EBITDA	1,022.6	53.2	(20.8)	2,661	(22.2)	
Net Profit	313.9	96.7	(59.0)	865	(55.2)	
Core Net Profit	323.6	84.8	(59.4)	881	(50.4)	Within expectation.
Margins (%)						
EBITDA	5.8	1.5	(1.1)	5.3	(0.9)	
Core Net Profit	1.8	0.7	(2.4)	1.8	(1.5)	

Source: Wilmar International, UOB Kay Hian

RESULTS

- **Within expectations**. Wilmar International (Wilmar) reported 3Q23 core net profit of US$324m (+85% qoq, -59% yoy), accounting for 79% of our full-year forecast. This is within our expectation, but lower than market's forecast.
- **3Q23 earnings higher qoq.** This was driven by strong sales volume and an improvement in EBITDA margin. The strong sales volume came mainly from the feed & industrial products segment which saw a 43% qoq increase. We reckon that the improvement in EBITDA margin was mainly contributed by the decline in raw material costs.
- **3Q23 and 9M23 earnings declined yoy** largely due to the weaker performance from the tropical oils and fertilisers subsegments. Recall that Wilmar achieved record-breaking earnings in 3Q22, primarily due to significant contribution from the tropical oils sub-segment. This exceptional performance was driven by a record-high processing margin, which was the result of crude palm product prices decreasing more than refined palm products. This drop in prices was influenced by Indonesia's palm oil policies. Since 1Q23, palm downstream processing margins have returned to normal. We thus expect tropical oil refining margins to normalise and lead to weaker performance in 3Q23-4Q23.

KEY FINANCIALS

Year to 31 Dec (US$m)	2021	2022	2023F	2024F	2025F
Net turnover	65,794	73,399	73,996	80,411	87,992
EBITDA	3,943	4,442	3,155	3,929	4,374
Operating profit	2,800	3,291	1,971	2,721	3,148
Net profit (rep./act.)	1,890	2,402	1,118	1,599	1,952
Net profit (adj.)	1,842	2,244	1,118	1,599	1,952
EPS (US$ cent)	28.8	35.0	17.5	25.0	30.5
PE (x)	8.8	7.2	14.5	10.1	8.3
P/B (x)	0.8	0.8	0.8	0.8	0.7
EV/EBITDA (x)	11.1	9.8	13.8	11.1	10.0
Dividend yield (%)	4.2	4.6	2.8	3.5	4.3
Net margin (%)	2.9	3.3	1.5	2.0	2.2
Net debt/(cash) to equity (%)	114.3	123.6	122.9	124.1	123.4
Interest cover (x)	15.6	9.9	4.1	4.8	5.6
ROE (%)	9.7	12.0	5.5	7.7	9.0
Consensus net profit	-	-	1,427	1,816	1,987
UOBKH/Consensus (x)	-	-	0.78	0.88	0.98

Source: Wilmar International, Bloomberg, UOB Kay Hian

- Some other key highlights from Wilmar's 3Q23 results are:
  a) **Tropical oils and fertiliser segments both reported weaker results.** This was mainly due to compressed refining margins from the tropical oils business (within our expectation) and weaker performance reported by fertiliser operations due to the drop in fertiliser prices.

  b) **Sugar divisions.** The milling and merchandising segments both reported strong performance on higher sugar prices and good white sugar premium.

  c) **Soybean crushing margins improved** qoq and yoy, arising from tightness of soybean availability in China, higher volume and good coverage of raw materials.

  d) **Consumer products business** improved yoy due to better margins and higher sales volume (3Q22 sales volume was affected by the COVID-19 lockdown(s)).

- **Yihai Kerry Arawana results snapshot.** Yihai Kerry Arawana (YKA) is Wilmar's subsidiary, and usually contributes 60-70% of Wilmar's net profit. In 3Q23, YKA reported a net profit of Rmb895b (+701% qoq, + 643% yoy), while 9M23 net profit came in at Rmb909b (-60% yoy). This was mainly due to:
  a) Increased sales of kitchen food, animal feed, and oleochemical products being offset by falling product prices

  b) There was significant growth in sales of catering and food industry channel products, but lower gross profit margins led to a decrease in overall profit.

  c) Feed ingredients and industrial: The strong yoy profit growth can be attributed to tight domestic soybean supply, increases in feed ingredient prices, and increased sales of industrial products.

STOCK IMPACT

- **Management outlook comments:**
  a) Operating conditions in China were better in 3Q23 and will likely remain positive for the rest of the year.

  b) Sugar merchandising, milling and refining segments are expected to deliver better profit with higher sugar prices.

  c) Tropical oils refining margins will continue to normalise after exceptional conditions last year.

- **4Q23 core net profit may come in slightly lower qoq** as we expect margins of the tropical oil segment to return to normal (lower yoy, but flat qoq). However, this would be partially offset by the good margins from its sugar merchandising, milling and refining operations and better operating conditions in China.

EARNINGS REVISION/RISK

- **Maintain earnings forecasts.** We maintain our 2023-25 earnings forecasts at US$1.12b, US$1.56b and US$1.95b respectively.

VALUATION/RECOMMENDATION

- **Maintain HOLD with target price of S$3.80.** Our valuation is based on 2024F EPS and uses the SOTP valuation by pegging PE of 25x, 10x and 11x for food products, feeds & industrial products and plantations & sugar mills respectively.

SHARE PRICE CATALYST

- **Stronger recovery in China.** As YKA is still the largest profit contributor to Wilmar, a surprise recovery would be positive to earnings and market sentiment towards Wilmar's performance

- **Global restocking after subdued purchases in 2023.** There was subdued demand for some palm by-products such as oleochemical and glycerin due to overstocking back in 2022, but these may see a restocking cycle in 2024. Wilmar is the largest palm base ingredient producer, and could benefit in terms of better sales volume and margins as prices of by-products recover.

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