UOBKayHian

Malaysia Daily

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KEY HIGHLIGHTS

Company Results

AMMB Holdings (AMM MK/HOLD/RM3.94/Target: RM4.00) Page 2
2QFY24: Net profit was in line, underpinned by lower provisions. Maintain HOLD and target price of RM4.00.

Inari Amertron (INRI MK/BUY/RM3.00/Target: RM3.60) Page 5
1QFY24: Results missed expectations, dragged by one-off events. A sequentially stronger quarter is in sight, which will partially make up for the shortfall.

Kuala Lumpur Kepong (KLK MK/BUY/RM21.52/Target: RM25.90) Page 8
FY23: Results below expectations mainly due to higher-than-expected investment holdings losses and lower-than-expected CPO ASP.

Magnum (MAG MK/BUY/RM1.15/Target: RM1.50) Page 11
3Q23: Disappointing quarter below expectations due to higher prize payout. Nevertheless, re-affirm BUY on cheap valuations and attractive yield.

Malayan Banking (MAY MK/HOLD/RM9.10/Target: RM9.55) Page 14
3Q23: Results were largely in line. Earnings were supported by lower provisions and absence of prosperity tax. Pre-provision operating profit was weak, declining 12% yoy.

MISC (MISC MK/BUY/RM7.22/Target: RM8.80) Page 17
3Q23: Profits were in line. MISC stands a decent chance of benefitting from green retrofits/ventures, and new LNG demand.

Sunway Bhd (SWB MK/BUY/RM1.94/Target: RM2.38) Page 20
3Q23: Within expectations. We expect 4Q23 to be better on seasonally stronger property investment as well as a stronger performance from the property development and construction business.

UOBKH Highlights

Genting Plantations (GENP MK/BUY/RM5.48/Target: RM6.40) Page 23
3Q23: Within expectations.

TIME dotCom (TDC MK/BUY/RM5.16/Target: RM6.40) Page 24
3Q23: Inline with expectations, healthy EBITDA margin.

Uzma (UZMA MK/BUY/RM0.83/Target: RM0.92) Page 26
1QFY24: HWUs Shine.

TRADERS' CORNER Page 27

D&O Green Technologies (D&O MK): Technical BUY

Deleum (DLUM MK): Technical BUY

KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,455.89	(7.5)	(0.5)
Bursa Emas	10,795.57	(34.4)	(0.3)
Ind Product	174.05	(2.0)	(1.1)
Finance	16,396.48	(27.3)	(0.2)
Consumer	558.77	(0.0)	(0.0)
Construction	185.86	(1.5)	(0.8)
Properties	860.79	(0.3)	(0.0)
Plantations	6,960.68	(55.4)	(0.8)

BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	22-Nov-23	% chg
Volume (m units)	2,969	(18.8)
Value (RMm)	2,039	(3.2)

By Investor type	(%)	ppt chg
Foreign investors	26.3	(5.5)
Local retail	29.3	2.6
Local institution	44.4	2.9

TOP TRADING TURNOVER / GAINERS / LOSERS

Top Trading Turnover	Price (RM)	Chg (%)	5-day ADT (RM'000)
Malayan Banking	9.10	(0.1)	61,817
Public Bank	4.27	0.0	50,254
Top Glove	0.84	3.7	50,203
CIMB Group	5.77	(0.3)	49,187
YTL Power	2.30	(2.5)	35,342
Top Gainers			
AirAsia X	2.22	5.7	16
Kossan Rubber	1.69	5.6	25,693
Eastern & Orient	0.61	4.3	5,062
Top Glove	0.84	3.7	50,203
Supermax Corp	1.00	2.1	17,930
Top Losers			
Hap Seng Consolidated	4.72	(5.6)	6,578
Jobstreet Corp	1.57	(3.7)	2
Dayang Enterprise	1.82	(2.7)	7,088
IJM Corp	1.84	(2.6)	4,191
YTL Power	2.30	(2.5)	35,342

OTHER STATISTICS

	22-Nov-23	chg	% chg
RM/US$	4.68	0.02	0.5
CPO 3rd mth future (RM/mt)	3,988	35.0	0.9

Notes:
ADT = Average daily turnover.
Top trading turnover, gainers and losers are based on FBM100 component stocks.

COMPANY RESULTS

AMMB Holdings (AMM MK)

2QFY24: Supported By Lower Provisions

AMMB's 2QFY24 results were in line, supported largely by lower provisions on the back of reversal in management overlays. Pre-provision operating profit trends were weak due to a combination of NIM pressure and weaker fee income. Maintain HOLD and target price of RM4.00 (8.7% ROE, 0.70x FY23 P/B). We believe that the current risk-to-reward ratio is fair with valuations at -0.5SD to historical mean P/B and its flattish earnings trend in FY24.

RESULTS

- **In line.** AMMB Holdings (AMMB) reported 2QFY24 earnings of RM469.8m (+2.7% yoy, +8.9% qoq), bringing 1HFY24 earnings to RM848.1m (+1.3% yoy). The 1HFY24 earnings were in line with expectations, constituting 51% of both consensus and our full-year estimates. The 2.6% yoy decline in 1HFY24 earnings was attributed to a 33bp compression in NIM and a 32% yoy increase in provisions, partially offset by a 26% yoy rise in non-interest income.
- **YOY trend.** 2QFY24 earnings increased by a modest 2.7% yoy, with an 85% yoy decline in provisions offsetting a 33bp compression in NIM and negative operating Jaws, where revenue lagged opex growth by 8ppt. The significant drop in provisions was due to the reversal of additional management overlays.
- **QOQ trend.** 2QFY24 earnings rose 8.9% qoq, primarily driven by a sharp drop in net credit cost to 17bp (1QFY24: 51bp) due to reversal of further management overlays, coupled with the high base effect of 1QFY24 provisions which included additional macroeconomic variables. Pre-provision operating profit declined 3.1% qoq on weaker non-interest income, notably fee income and negative operating Jaws.
- **To benefit from tax credit from Global Settlements losses.** Management indicated that the group is set to recognise a one-off gain of RM537m in tax credit in 3QFY24, tied to its global settlement losses of RM2.8b which it had incurred in FY21. This is expected to elevate the group's CET1 ratio to 13.1% from the current 12.9%. While we have factored in this positive impact in our financial forecast, we treat the earnings impact as a one-off item. Consequently, the net impact on our valuations is relatively neutral, with the higher book value offset by a lower ROE, although the effect on CET1 is a slight net positive.

KEY FINANCIALS

Year to 31 Mar (RMm)	2022	2023	2024F	2025F	2026F
Net interest income	2,172	2,281	2,224	2,465	2,726
Non-interest income	786	956	1,013	1,043	1,074
Net profit (rep./act.)	1,242	1,683	1,658	1,775	1,927
Net profit (adj.)	1,238	1,683	1,658	1,775	1,927
EPS (sen)	41.0	55.8	50.0	53.5	58.1
PE (x)	9.6	7.1	7.9	7.4	6.8
P/B (x)	0.7	0.7	0.7	0.6	0.6
Dividend yield (%)	1.3	4.6	5.6	6.0	6.5
Net int margin (%)	1.9	2.0	1.8	1.8	1.8
Cost/income (%)	44.5	44.1	46.2	45.8	45.6
Loan loss cover (%)	115.0	104.6	78.1	72.6	68.7
Consensus net profit	-	-	1,668	1,779	1,899
UOBKH/Consensus (x)	-	-	0.99	1.00	1.01

Source: AMMB Holdings, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM3.94
Target Price	RM4.00
Upside	+1.5%

COMPANY DESCRIPTION

Malaysia's sixth largest domestic bank by assets with the second largest market share in auto financing.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	AMM MK
Shares issued (m):	3,310.1
Market cap (RMm):	13,041.7
Market cap (US$m):	2,785.3
3-mth avg daily t'over (US$m):	2.7

Price Performance (%)

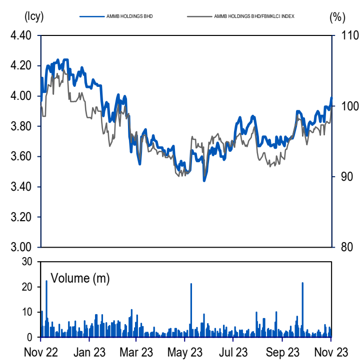
52-week high/low RM4.24/RM3.44

1mth	3mth	6mth	1yr	YTD
3.1	5.6	10.7	(0.3)	(4.8)

Major Shareholders	%
ANZ Funds	21.7
Clear Goal Snd Bhd	10.9
Employees Provident Fund Board	10.4

FY24 NAV/Share (RM)	5.77
FY24 CAR Tier-1 (%)	12.71

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **NIM recovered; to remain stable for rest of FY24.** 2QFY24 NIM rebounded by 6bp qoq to 1.82%, driven by more rational deposit competition. We anticipate a full-year FY24 NIM compression of 25bp to 1.80%, implying that 2HFY24 NIM will remain similar to 2QFY24's 1.82%.
- **Lower provisions on management overlay reversal**. 2QFY24 net credit cost declined to 17bp in 2QFY24 (1QFY24: 52bp) due to the reversal of RM48m in management overlays. The sharp drop in qoq net credit cost was also attributable to 1QFY24's high base effect due to additional macroeconomic variables. This brought 1HFY24 net credit cost to 34bp vs our full-year FY24 estimates of 28bp (management guidance: 30-35bp). Loan-loss coverage ratio stood at 96% (pre-pandemic: 70%) with existing management overlays amounting to RM314m.
- **GIL ratio stable.** GIL ratio was stable at 1.65% (1QFY24: 1.66%). Most sectors experienced a qoq decline in absolute GIL apart from manufacturing and retail which saw qoq increases of 6% and 32% respectively.
- **Loans growth trailing behind expectations.** 2QFY24 loans growth was flattish qoq and expanded 4.8% yoy (vs our full-year forecast of 6%). The drag came from 11% yoy contraction in corporate loans due to lumpy repayments. Mortgage (+3% yoy) and auto loans (+5% yoy) helped to anchor overall growth.

EARNINGS REVISION/RISK

- No changes.

VALUATION/RECOMMENDATION

- **Maintain HOLD and target price of RM4.00 (0.70x FY24 P/B, 8.7% ROE).** We believe that the current risk-to-reward ratio is fair considering the flattish earnings trend in FY24 and with current valuations (-0.5SD) close to its historical mean P/B.

2QFY24 RESULTS

Profit & Loss (RMm)	2QFY24	2QFY23	yoy % chg	1HFY24	yoy % chg
Net Interest Income	560.7	600.0	(6.6)	1,081.0	(7.3)
Islamic Banking	302.8	363.5	(16.7)	674.0	4.3
Fees & Commissions	149.2	135.2	10.4	305.0	11.1
Net Trading Income	83.8	54.7	53.2	167.0	66.3
Other Operating Income	9.1	7.8	16.8	19.5	35.5
Total Income	1,105.6	1,161.2	(4.8)	2,246.6	2.0
Operating Expenses	(492.6)	(477.6)	3.1	(1,000.4)	5.7
PPOP	613.0	683.6	(10.3)	1,246.2	(0.8)
Provision	(13.1)	(87.8)	(85.1)	(203.5)	32.4
PBT	618.0	599.1	3.1	1,070.6	(2.6)
Net Profit	469.8	426.8	2.7	848.1	(2.6)
EPS (sen)	14.2	12.9	10.1	25.6	1.3
DPS (sen)	6.0	6.0	0.0	6.0	0.0
BVPS (RM)	5.60	5.21	7.5	5.60	7.5
Financial Ratios	**2QFY24 (%)**	**2QFY23 (%)**	**yoy chg (ppt)**	**1QFY24 (%)**	**qoq chg (ppt)**
NIM	1.86	2.23	(0.37)	1.90	(0.04)
Loan Growth	1.4	5.1	(3.7)	(1.0)	2.4
Deposit Growth	3.9	(0.3)	4.2	(0.0)	3.9
Loan/Deposit Ratio	95.3	101.2	(6.0)	97.4	(2.1)
Cost/Income Ratio	44.6	41.1	3.4	44.5	0.1
ROE	10.5	10.0	0.6	8.3	2.3
Gross Impaired Loans Ratio	1.7	1.5	0.1	1.7	(0.0)
Credit Costs (bp)	17.1	23.7	(6.6)	51.5	(34.4)
CET-1 CAR	12.5	12.6	(0.1)	12.9	(0.4)

Source: AMMB, UOB Kay Hian

KEY ASSUMPTIONS

(%)	2024F	2025F	2026F
Gross Loan Growth	6.0	6.5	6.5
Credit Cost (bp)	28.0	28.0	25.0
ROE	8.7	8.4	8.7

Source: UOB Kayhian

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

- **Environmental**
  - **Green loan commitment.** The bank's credit policy prohibits lending to illegal business activities that cause environmental harm.
  - **Reducing carbon footprint.** Installed eco-friendly materials in all its office renovations and digitalisation initiatives helped reduce the use of paper in offices.
- **Social**
  - **Gender diversity.** In pursuit of diverse and equal gender participation, 61% of the workforce are women, of which 79% hold management positions (senior executives and above) while 18% are part of senior management (senior vice president and above).
  - **Staff welfare.** Conducts an annual employee engagement survey, the Voice of Employee ("VOE"), to gather constructive feedback from employees at all levels of the organisation. The feedback helps to design specific employee engagement initiatives to meet their needs.
- **Governance**
  - **Non-independent board of directors composition.** Composition of Independent Non-Executive Directors (INED) – 40 %.

Source: AMMB, UOB Kay Hian

PROFIT & LOSS

Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
Interest income	4,976	4,991	5,349	5,734
Interest expense	(2,695)	(2,767)	(2,884)	(3,008)
Net interest income	2,281	2,224	2,465	2,726
Fees & commissions	597	627	646	665
Other income	359	386	397	409
Non-interest income	956	1,013	1,043	1,074
Income from islamic banking	1,301	1,314	1,327	1,341
Total income	**4,538**	**4,551**	**4,835**	**5,141**
Staff costs	(1,318)	(1,410)	(1,509)	(1,629)
Other operating expense	(681)	(692)	(704)	(717)
Pre-provision profit	2,539	2,450	2,622	2,795
Loan loss provision	(431)	(388)	(414)	(393)
Other provisions	78	0	0	0
Associated companies	70	75	78	82
Pre-tax profit	2,255	2,137	2,287	2,483
Tax	(513)	(479)	(512)	(556)
Minorities	(59)	0	0	0
Net profit	**1,683**	**1,658**	**1,775**	**1,927**
Net profit (adj.)	1,683	1,658	1,775	1,927

BALANCE SHEET

Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
Cash with central bank	2,447	0	0	0
Govt treasury bills & securities	1,702	1,736	1,771	1,806
Interbank loans	177	185	195	204
Customer loans	128,243	136,671	145,736	155,328
Investment securities	50,149	54,782	59,834	65,343
Derivative receivables	921	1,032	1,155	1,294
Associates & JVs	1,632	1,632	1,632	1,632
Fixed assets (incl. prop.)	392	450	518	595
Other assets	11,879	12,308	12,786	13,328
Total assets	**197,541**	**208,796**	**223,626**	**239,531**
Interbank deposits	11,462	12,150	12,879	13,652
Customer deposits	130,332	136,196	142,325	148,730
Derivative payables	964	964	964	964
Debt equivalents	4,395	4,395	4,395	4,395
Other liabilities	32,252	35,960	42,867	50,438
Total liabilities	**179,405**	**189,665**	**203,431**	**218,179**
Shareholders' funds	18,135	19,130	20,195	21,351
Minority interest - accumulated	1	1	1	1
Total equity & liabilities	**197,541**	**208,796**	**223,626**	**239,531**

OPERATING RATIOS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Capital Adequacy				
Tier-1 CAR	12.5	12.7	12.7	12.7
Total CAR	15.7	16.0	15.8	15.6
Total assets/equity (x)	10.9	10.9	11.1	11.2
Tangible assets/tangible common equity (x)	11.2	11.2	11.3	11.5
Asset Quality				
NPL ratio	1.5	1.9	1.8	1.8
Loan loss coverage	104.6	78.1	72.6	68.7
Loan loss reserve/gross loans	1.5	1.5	1.3	1.3
Increase in NPLs	13.2	36.4	5.0	6.1
Credit cost (bp)	33.1	28.0	28.0	25.0
Liquidity				
Loan/deposit ratio	98.4	100.3	102.4	104.4
Liquid assets/short-term liabilities	3.1	1.3	1.3	1.2
Liquid assets/total assets	2.2	0.9	0.9	0.8

KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Growth (yoy chg)				
Net interest income	5.0	(2.5)	10.8	10.6
Fees & commissions	(1.1)	5.0	3.0	3.0
Pre-provision profit	13.8	(3.5)	7.0	6.6
Net profit	35.5	(1.5)	7.0	8.6
Net profit (adj.)	36.0	(1.5)	7.0	8.6
Customer loans	8.6	6.6	6.6	6.6
Customer deposits	6.0	4.5	4.5	4.5
Profitability				
Net interest margin	2.0	1.8	1.8	1.8
Cost/income ratio	44.1	46.2	45.8	45.6
Adjusted ROA	0.9	0.8	0.8	0.8
Reported ROE	9.6	8.9	9.0	9.3
Adjusted ROE	9.6	8.9	9.0	9.3
Valuation				
P/BV (x)	0.7	0.7	0.6	0.6
P/NTA (x)	0.7	0.7	0.7	0.6
Adjusted P/E (x)	7.1	7.9	7.4	6.8
Dividend Yield	4.6	5.6	6.0	6.5
Payout ratio	32.8	44.0	44.0	44.0

COMPANY RESULTS

Inari Amertron (INRI MK)

1QFY24: Marginally Below Expectations; Gearing Up For Next Growth Engine

Results missed expectations, dragged by the following one-offs: a) electricity disruption (RM5m loss), b) startup cost (RM1m), and c) yield loss of new products. Cut FY24 earnings by 6%. 2QFY24 could see a stronger comeback on higher ramp-up, which could partially make up for the shortfall. Inari is poised for a strong recovery in FY24 after a gestation year premised on its new flagship programme, inventory replenishment and fruition of new business collaborations. Maintain BUY on Inari. Target price: RM3.60.

1QFY24 RESULTS

Year to 30 Jun (RMm)	1QFY24	qoq % chg	yoy % chg	1QFY24	yoy % chg
Revenue	383.9	28.5	1.8	383.9	1.8
Gross profit	92.3	72.6	(15.8)	92.3	(15.8)
EBITDA	119.8	19.3	(18.9)	119.8	(18.9)
Operating profit	90.4	23.8	(25.1)	90.4	(25.1)
Pre-tax profit	89.7	23.6	(25.9)	89.7	(25.9)
Net Profit	85.0	28.1	(20.0)	85.0	(20.0)
Core Net Profit	85.8	31.9	(13.7)	85.8	(13.7)
Margins (%)	**(%)**	**qoq ppt chg**	**yoy ppt chg**	**(%)**	**yoy ppt chg**
Gross	24.1	6.1	-5.0	24.1	-5.0
EBITDA	31.2	-2.4	-8.0	31.2	-8.0
PBT	23.4	-0.9	-8.7	23.4	-8.7
Core Net Profit	22.4	0.6	-4.0	22.4	-4.0

Source: Inari, UOB Kay Hian

RESULTS

- **Marginally below expectations.** Inari Amertron (Inari) reported 1QFY24 core net profit of RM85.8m (+32% qoq, -14% yoy), which accounts for 21%/22% of our/consensus' full-year forecasts. Note that 1QFY24 headline core net profit was at the lower end of its historical range of 22-31% for its past three years' full-year earnings, on utilisation rate of 75%. If not for the following one-off events of: a) electricity disruption (RM5m loss), b) startup cost (RM1m), and c) yield loss of new products, the results could have fared better.
- **1QFY24 sales inched up by 2% yoy,** with the stronger loading volume in RF (+7%) offset by softer sales in Optoelectronics (-4%) and Generic (-13%) segments. As a result of lower operational efficiency (dragged by the uneventful events) and lower forex gains, core net profit dropped by 14%. Qoq, revenue/core net profit soared 29%/32%, predominantly driven by higher RF revenue (+37%).

KEY FINANCIALS

Year to 30 Jun (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	1,548	1,354	1,583	1,838	2,060
EBITDA	550	463	526	611	685
Operating profit	447	356	414	492	561
Net profit (rep./act.)	391	324	379	450	513
Net profit (adj.)	392	320	379	450	513
EPS (sen)	10.6	8.6	10.1	12.1	13.7
PE (x)	28.3	35.0	29.6	24.9	21.8
P/B (x)	4.4	4.3	4.2	4.1	4.1
EV/EBITDA (x)	17.1	20.3	17.9	15.4	13.7
Dividend yield (%)	3.3	2.7	3.0	3.6	4.1
Net margin (%)	25.3	23.9	23.9	24.5	24.9
Net debt/(cash) to equity (%)	(78.7)	(70.4)	(69.4)	(66.7)	(64.7)
Interest cover (x)	531.8	247.2	n.a.	n.a.	n.a.
ROE (%)	20.2	12.7	14.4	16.8	18.7
Consensus net profit	-	-	399	455	493
UOBKH/Consensus (x)	-	-	0.95	0.99	1.04

Source: Inari Amertron , Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM3.00
Target Price	RM3.60
Upside	+20.0%
(Previous TP	*RM3.80)*

COMPANY DESCRIPTION

Inari is the largest semiconductor company in Malaysia and a top OSAT supplier for Broadcom's Radio Frequency (RF) components. It also manufactures and assembles optoelectronics and fibre-optics related components.

STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	INRI MK
Shares issued (m):	3,744.8
Market cap (RMm):	11,234.4
Market cap (US$m):	2,402.0
3-mth avg daily t'over (US$m):	4.8

Price Performance (%)

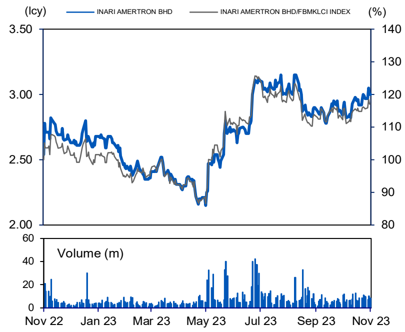
52-week high/low RM3.15/RM2.15

1mth	3mth	6mth	1yr	YTD
4.2	(1.3)	35.7	18.6	14.9

Major Shareholders	**%**
Insas Berhad	12.8
Kumpulan Wang Persaraan	9.5
Employees Provident Fund	9.3

FY24 NAV/Share (RM)	0.71
FY24 Net Cash/Share (RM)	0.50

PRICE CHART



Source: Bloomberg

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- **Bottoming out from cyclical weakness; poised for a strong rebound in FY24.** Inari ended its losing streak after the fifth consecutive yoy sales contraction in 4QFY23, thanks to higher loading volumes in RF after a series of inventory adjustments. If not for the one-off electricity disruption, utilisation rate could have been better than 75%. Going into 2QFY24, we gather that utilisation rate increase by 15ppt on continuous ramp-up in its RF segment. We expect revenue growth to resume in FY24 (+17% yoy after accounting for an uneventful 1QFY24), predominantly driven by its RF segment (with the group gearing up for new flagship programme) after a gestation year in FY23. At 24.8x ex-cash FY24 PE (-0.5x below its five-year forward mean) with negative de-ratings (FBMKLCI exclusion and cyclical bottom) being priced in, we see a balanced risk-reward ratio for a favourable entry point.
- **First multi-pronged growth strategy; scouting for OSAT jobs in China.** Recall that Inari had on 18 Oct 21 entered into a non-binding MOU with China Fortune-Tech Capital Co. (CFTC) with the intention to set up a JV company in China (CJV) to carry out OSAT manufacturing and related businesses in China for the China market. Amertron International Limited (AIL), an indirect wholly-owned subsidiary of the company, had on 28 Jun 22 entered into a JV contract with CFTC (Yiwu) Equity Investment Fund Partnership (Limited Partnership) and CFTC Equity Investment Management (Beijing) Co. This was done to bring together the strengths and expertise of all parties in carrying out OSAT manufacturing and related businesses in China for the China market under a JV company. The JV will enable Inari to expand and add onto Inari's existing operations in the China market.
- **AIL becomes majority shareholder with 54.5%** of the enlarged capital in the JV company. The registered capital of JV company has increased from Rmb770m to Rmb1,691m. As of end-Sep 23, AIL had subscribed for the registered capital amounting to Rmb210.7m by way of cash and Rmb240.6m by transferring 49% of the equity interest in ATK to the JV Company. The subscription for the remaining registered capital of Rmb469.7m comprising Rmb219.3m by way of cash and the transfer of the remaining 51% equity interest in ATK valued at Rmb250.4m to the JV Company are expected to be completed by end-23. Note that Inari has also extended the timeframe for the utilisation of the said proceeds for another 24 months from 30 Jan 24 to 29 Jan 26 to provide additional time for the utilisation of the balance of proceeds on the capex, acquisitions and investments (RM641.6m).

EARNINGS REVISION/RISK

- Post model updates, we cut our FY24 earnings by 6% to account for the uneventful 1QFY24.

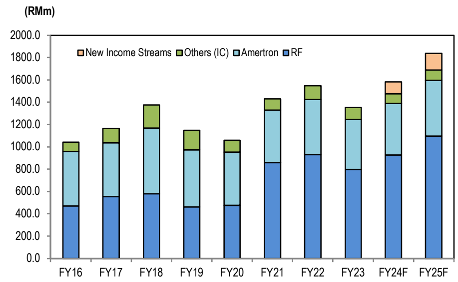
VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of RM3.60,** based on 35.0x FY24F PE (+1SD above five-year mean forward). Inari is trading at 24.8x ex-cash FY24F PE (-0.5SD below its five-year mean PE), notwithstanding the growth potential from its new venture and M&A activities which could lift its earnings base

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

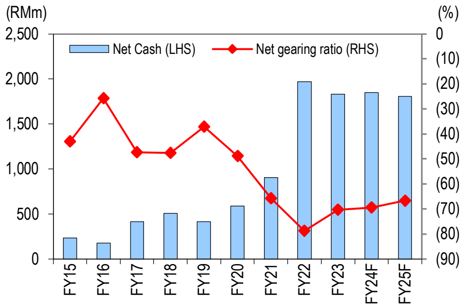
• **Environmental**
- Inari has met globally recognised standards and has been qualified for inclusion into the FTSE4Good Bursa Malaysia Index since 22 Jun 20.
• **Social**
- Only foreign workers with legal work permits are hired, while all employees receive at least minimum wages.
• **Governance**
- The company has an Anti-Corruption and Bribery Policy in place which complies with all applicable laws, including the MACC Act 2009 (Amendment 2018). No reported incidents of corruption or breaches against policy in 2020.

REVENUE BY SEGMENT



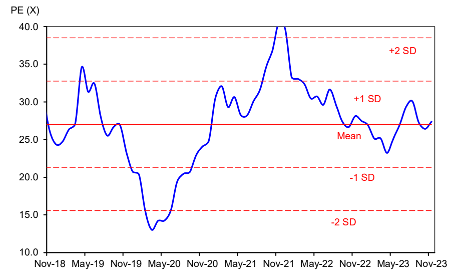
Source: UOB Kay Hian

NET CASH AND NET GEARING



Source: Inari, UOB Kay Hian

FIVE-YEAR FORWARD PE BAND



Source: Inari, UOB Kay Hian

PROFIT & LOSS

Year to 30 Jun (RMm)	2023	2024F	2025F	2026F
Net turnover	**1,354**	**1,583**	**1,838**	**2,060**
EBITDA	463	526	611	685
Deprec. & amort.	107	112	119	124
EBIT	356	414	492	561
Associate contributions	1	1	1	1
Net interest income/(expense)	(2)	0	0	0
Pre-tax profit	**356**	**415**	**494**	**562**
Tax	(31)	(35)	(42)	(48)
Minorities	(1)	(1)	(1)	(1)
Net profit	**324**	**379**	**450**	**513**
Net profit (adj.)	320	379	450	513

BALANCE SHEET

Year to 30 Jun (RMm)	2023	2024F	2025F	2026F
Fixed assets	509	537	568	594
Other LT assets	19	19	19	19
Cash/ST investment	1,831	1,846	1,806	1,785
Other current assets	608	658	764	856
Total assets	**2,967**	**3,060**	**3,157**	**3,254**
ST debt	0	0	0	0
Other current liabilities	332	371	421	465
LT debt	0	0	0	0
Other LT liabilities	29	29	29	29
Shareholders' equity	2,603	2,659	2,707	2,761
Minority interest	3	2	0	(1)
Total liabilities & equity	**2,967**	**3,060**	**3,157**	**3,254**

CASH FLOW

Year to 30 Jun (RMm)	2023	2024F	2025F	2026F
Operating	**256**	**467**	**515**	**590**
Pre-tax profit	356	415	494	562
Tax	(58)	(35)	(42)	(48)
Deprec. & amort.	104	112	119	124
Working capital changes	(148)	(25)	(55)	(48)
Other operating cashflows	2	0	0	0
Investing	**(86)**	**(150)**	**(150)**	**(150)**
Capex (growth)	(113)	(150)	(150)	(150)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	27	0	0	0
Financing	**(301)**	**(341)**	**(405)**	**(461)**
Dividend payments	(347)	(341)	(405)	(461)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	46	0	0	0
Net cash inflow (outflow)	**(130)**	**(23)**	**(40)**	**(21)**
Beginning cash & cash equivalent	**1,983**	**1,869**	**1,846**	**1,806**
Changes due to forex impact	(22)	0	0	0
Ending cash & cash equivalent	**1,831**	**1,846**	**1,806**	**1,785**

KEY METRICS

Year to 30 Jun (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	34.2	33.2	33.2	33.2
Pre-tax margin	26.3	26.2	26.8	27.3
Net margin	23.9	23.9	24.5	24.9
ROA	11.0	12.6	14.5	16.0
ROE	12.7	14.4	16.8	18.7
Growth				
Turnover	(12.5)	16.9	16.1	12.1
EBITDA	(15.8)	13.7	16.1	12.1
Pre-tax profit	(20.2)	16.7	18.8	13.8
Net profit	(17.2)	17.0	18.9	13.9
Net profit (adj.)	(18.4)	18.5	18.9	13.9
EPS	(19.3)	18.5	18.9	13.9
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(70.4)	(69.4)	(66.7)	(64.7)
Interest cover (x)	247.2	n.a.	n.a.	n.a.

COMPANY RESULTS

Kuala Lumpur Kepong (KLK MK)

FY23: Below Expectations

KLK's 4QFY23 results came in below our expectations, mainly due to higher-than-expected investment holdings losses and lower-than-expected CPO ASP. Earnings improved significantly qoq due to an improvement in the plantation segment's operating margin, but this was partially offset by higher losses from the manufacturing segment. We expect a strong earnings improvement with lower production costs and higher CPO ASP for FY24. Maintain BUY with a target price of RM25.90.

4QFY23 RESULTS

Year to 30 Sep (RMm)	4QFY23	qoq % chg	yoy % chg	FY23	yoy % chg	Remarks
Revenue	5,777	13.0	(17.2)	23,648	(12.9)	
EBIT	425	513.7	(38.9)	1,507	(51.9)	
Net finance cost	(104)	0.8	(2.1)	(406)	13.3	
Associate	(19)	230.6	(112.9)	(196)	n.m	
PBT	183	145.3	(74.9)	1,152	(64.2)	
Plantation	*417*	*231.7*	*(18.7)*	*1,164*	*(45.5)*	
Manufacturing	*(102)*	*38.5*	*(146.0)*	*265*	*(77.2)*	
Property	*15*	*(24.4)*	*(22.1)*	*62*	*(13.2)*	
Net Profit	116	38.3	(74.8)	834	(61.5)	
Core Net Profit	332	296.8	(45.1)	942	(60.0)	

Source: Kuala Lumpur Kepong, UOB Kay Hian

RESULTS

- **Below expectations.** Kuala Lumpur Kepong (KLK) reported core net profit of RM332m (+38% qoq, -75% yoy) for 4QFY23, bringing FY23 core net profit to RM942m (-60% yoy). This is below our and consensus' forecasts, with FY23 core net profit accounting for ~80% of our full-year forecast. The main variance was mainly due to higher-than-expected investment holdings losses and lower-than-expected CPO ASP.

- **Stronger qoq earnings in 4QFY23 mainly thanks to:**

  a) **Improvement in plantation margin,** which we attribute mainly to lower fertiliser prices and slower fertiliser application.

  b) **Higher sales volume,** along with higher FFB and CPO production which increased by 28% and 25% qoq respectively.

  c) **But partially offset by higher losses from the manufacturing segment,** as the oleochemical division was impacted by narrower profit margin and one-time restructuring cost of RM71m incurred by its European operations.

KEY FINANCIALS

Year to 30 Sep (RMm)	2021	2022	2023	2024F	2025F
Net turnover	19,916	27,149	23,648	26,996	31,121
EBITDA	2,831	4,277	1,277	3,407	3,507
Operating profit	2,197	3,346	311	2,500	2,592
Net profit (rep./act.)	2,258	2,166	(468)	1,648	1,712
Net profit (adj.)	1,765	2,357	(360)	1,648	1,711
EPS (sen)	163.6	218.4	(33.4)	152.7	158.3
PE (x)	13.2	9.9	n.m.	14.1	13.6
P/B (x)	2.0	1.6	1.6	2.2	2.0
EV/EBITDA (x)	11.5	7.6	25.4	9.5	9.2
Dividend yield (%)	4.6	4.7	1.8	3.5	3.7
Net margin (%)	11.3	8.0	(2.0)	6.1	5.5
Net debt/(cash) to equity (%)	44.6	45.6	51.6	78.8	69.0
Interest cover (x)	15.3	14.4	3.9	9.4	9.1
Consensus net profit	-	-	1,382	1,383	-
UOBKH/Consensus (x)	-	-	n.m.	1.19	-

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

BUY

(Maintained)

Share Price	RM21.52
Target Price	RM25.90
Upside	+20.4%

COMPANY DESCRIPTION

Plantation company also engaged in downstream manufacturing and property development.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	KLK MK
Shariah Compliant:	Yes
Shares issued (m):	1,078.4
Market cap (RMm):	23,207.9
Market cap (US$m):	4,962.1
3-mth avg daily t'over (US$m):	4.1

Price Performance (%)

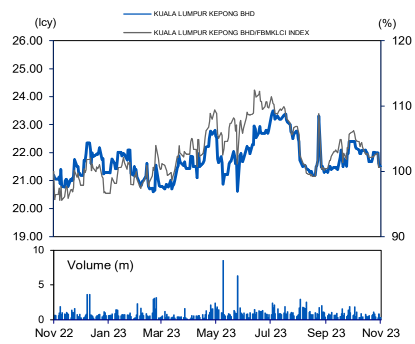
52-week high/low RM23.50/RM20.60

1mth	3mth	6mth	1yr	YTD
(3.9)	(5.5)	(5.6)	1.0	(3.8)

Major Shareholders	**%**
Batu Kawan Bhd	47.0
Employees Provident Fund Board	11.1

FY24 NAV/Share (RM)	9.92
FY24 Net Debt/Share (RM)	7.81

PRICE CHART



Source: Bloomberg

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- **FY23 earnings came in lower yoy,** mainly dragged by lower CPO and palm kernel ASP despite better sales volume and production. Profit of the manufacturing segment also fell sharply by 77% yoy due to lower profit contribution from its oleochemical division, which offset the higher profit from the refineries and kernel crushing operation.

STOCK IMPACT

- **FFB production growth for FY24.** We remain conservative on KLK's FFB production growth for FY24, factoring in 1% yoy growth as we expect lower growth from its Indonesia estate. This projection considers the anticipated lower growth from its Indonesian estate due to ongoing rehabilitation efforts of the acquired assets. We expect a more substantial contribution to materialise in the subsequent years as these rehabilitation efforts take effect.

- **Better downstream margin, but still challenging for FY24.** We expect a slightly better downstream margin in FY24 mainly thanks to higher ASP. Having said that, we believe that downstream operations may continue to face challenges, especially its oleochemical division, which may continue to see thin margins due to strong pricing competition from the Indonesian integrated players and new China new oleochemical entrants. Besides that, management also mentioned that its Europe operations could also face significant challenges in the form of persistently high energy costs and sluggish demand.

- **FY24 core net profit to increase 75% yoy.** We expect FY24 earnings to rise significantly with strong margin expansion, mainly on the back of:

  a) **Stronger CPO ASP for FY24,** with an expected 15% yoy increase.

  b) **Lower cost of production**, mainly due to lower fertiliser prices which have dropped by 40-50% yoy.

  c) **Slightly better sales volume,** as we expect demand in destination countries to recover, especially China and India.

EARNINGS REVISION/RISK

- Maintain earnings forecasts.

VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of RM25.90.** We peg our valuation at 17x FY24F PE.

SHARE PRICE CATALYST

- Better-than-expected CPO prices.
- Higher-than-expected FFB production.
- Sustainable demand and margins for downstream products.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• **Environmental**
- All Malaysian estates are MSPO certified, while Indonesian estates are 80% ISPO certified. - Committed to no deforestation, no peat land and no exploitation.
• **Social**
- Smallholders' development and best practices training programme.
• **Governance**
- Transparent governance along with an Anti-Bribery and Anti-Corruption Policy.

OPERATIONAL STATISTICS

	4QFY23	qoq % chg	yoy % chg
FFB production ('000 tonnes)	1,494	27.6	6.1
CPO production ('000 tonnes)	359	25.3	8.4
CPO ASP (RM/tonne)	3,476	(4.0)	(8.9)

Source: KLK

PBT MARGIN

Margin:	4QFY23	Qoq % chg (+/- bps)	Yoy % chg (+/- bps)
PBT	3.2	1.7	(7.3)
Plantation	*19.8*	*8.8*	*(15.1)*
Manufacturing	*(1.3)*	*0.4*	*(5.1)*
Core net profit	5.7	4.1	(2.9)

Source: KLK

PROFIT & LOSS

Year to 30 Sep (RMm)	2022	2023	2024F	2025F
Net turnover	**27,149**	**23,648**	**26,996**	**31,121**
EBITDA	4,277	1,277	3,407	3,507
Deprec. & amort.	931	966	908	915
EBIT	3,346	311	2,500	2,592
Total other non-operating income	178	168	166	171
Associate contributions	184	(196)	195	201
Net interest income/(expense)	(297)	(326)	(363)	(383)
Pre-tax profit	**3,219**	**(150)**	**2,498**	**2,581**
Tax	(781)	(162)	(599)	(619)
Minorities	(272)	(156)	(250)	(250)
Net profit	**2,166**	**(468)**	**1,648**	**1,712**
Net profit (adj.)	2,357	(360)	1,648	1,711

BALANCE SHEET

Year to 30 Sep (RMm)	2022	2023	2024F	2025F
Fixed assets	12,123	12,906	13,030	13,122
Other LT assets	6,272	7,740	7,641	7,657
Cash/ST investment	2,852	2,500	2,175	3,348
Other current assets	7,653	6,981	4,473	5,417
Total assets	**30,263**	**30,126**	**27,320**	**29,544**
ST debt	2,173	2,891	2,591	2,291
Other current liabilities	2,975	2,240	2,378	2,712
LT debt	7,209	7,003	8,018	9,031
Other LT liabilities	1,830	1,849	2,036	2,224
Shareholders' equity	14,312	14,341	10,705	11,561
Minority interest	1,765	1,825	2,075	2,325
Total liabilities & equity	**30,263**	**30,126**	**27,320**	**29,544**

CASH FLOW

Year to 30 Sep (RMm)	2022	2023	2024F	2025F
Operating	**2,673**	**1,978**	**989**	**2,316**
Pre-tax profit	3,219	1,152	2,498	2,581
Tax	(885)	(644)	(599)	(619)
Deprec. & amort.	931	966	908	915
Working capital changes	(578)	400	(1,669)	(406)
Other operating cashflows	(15)	103	(148)	(155)
Investing	**(2,472)**	**(1,609)**	**(1,000)**	**(1,000)**
Capex (growth)	(1,252)	(1,555)	(1,000)	(1,000)
Capex (maintenance)	0	0	0	0
Investments	(783)	0	0	0
Proceeds from sale of assets	10	9	0	0
Others	(436)	(54)	0	0
Financing	**(738)**	**(713)**	**(112)**	**(144)**
Dividend payments	(1,252)	(1,078)	(824)	(856)
Issue of shares	0	0	0	0
Proceeds from borrowings	3,055	1,012	1,012	1,012
Loan repayment	(2,535)	(562)	(300)	(300)
Others/interest paid	(6)	(85)	0	0
Net cash inflow (outflow)	**(537)**	**(344)**	**(123)**	**1,173**
Beginning cash & cash equivalent	**3,083**	**2,615**	**2,298**	**2,175**
Changes due to forex impact	60	19	0	0
Ending cash & cash equivalent	**2,605**	**2,289**	**2,175**	**3,348**

KEY METRICS

Year to 30 Sep (%)	2022	2023	2024F	2025F
Profitability				
EBITDA margin	15.8	5.4	12.6	11.3
Pre-tax margin	11.9	(0.6)	9.3	8.3
Net margin	8.0	(2.0)	6.1	5.5
Net profit (adj.)	33.6	(115.3)	n.a.	3.8
Leverage				
Debt to total capital	36.9	38.0	45.4	44.9
Debt to equity	65.6	69.0	99.1	97.9
Net debt/(cash) to equity	45.6	51.6	78.8	69.0
Interest cover (x)	14.4	3.9	9.4	9.1

COMPANY RESULTS

Magnum (MAG MK)

3Q23: Dragged By Higher Prize Payout; Dividends Stagnant

Magnum's 2Q23 results came in below expectations, although gaming revenue reached c.80% of pre-pandemic levels. This was mainly due to higher prize payout as Magnum Life was struck twice, resulting in flattish dividends. Despite a lacklustre quarter, we still like Magnum for its bargain valuations and lush dividend yield of c.10% for 2024F, backed by progressive ticket sales recovery. Maintain BUY with a lower target price of RM1.50 as we recalibrate earnings.

3Q23 RESULTS

Year to 31 Dec	3Q23 (RMm)	qoq % chg	yoy % chg	9M23 (RMm)	yoy % chg	Remarks
Revenue	520.5	(3.1)	2.2	1,603.6	7.5	Higher yoy despite four lesser draw days
Gaming	520.3	(3.1)	2.2	1,603.4	7.5	Jackpot games accounted for 22% of gaming revenue
Others	0.2	705.0	666.7	0.2	(1.9)	
Gross profit	65.6	(31.6)	(14.4)	229.9	(3.8)	
EBIT	51.0	(30.5)	11.2	162.5	16.4	
PBT	39.8	(36.1)	21.3	129.3	25.0	
Gaming	34.0	(43.7)	(0.7)	127.9	11.5	
Others	5.8	212.8	(511.1)	1.3	(111.9)	
Net profit	29.8	(31.7)	48.5	89.2	41.3	
Core net profit	29.8	(35.8)	47.4	97.3	35.6	Higher yoy as ticket sales recovered
Margin	%	+/- ppt	+/- ppt	%	+/- ppt	
EBIT	9.8	(3.9)	0.8	10.1	0.8	Declined qoq on higher prize payout
PBT	7.7	(3.9)	1.2	8.1	1.1	
Net Profit	5.7	(2.4)	1.8	5.6	1.3	

Source: Magnum, UOB Kay Hian

RESULTS

- **Below expectations.** Magnum reported 3Q23 revenue of RM521m (+2.2% yoy, -3.1% qoq) and core net profit of RM29.8m (+48.5% yoy, -31.7% qoq). Commendably, revenue surged 2.2% yoy from 3Q22 despite four fewer draw days in the quarter. Net profit, however, came in below our expectations due to unfavorable ticket sales mix and higher prize payout. 9M23 core net profit accounts for only 55% and 65% of our and consensus forecasts respectively.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	1,260	2,031	2,122	2,443	2,566
EBITDA	59	193	242	331	347
Operating profit	72	206	256	345	362
Net profit (rep./act.)	13	101	148	210	222
Net profit (adj.)	13	101	148	210	222
EPS (sen)	0.9	7.0	10.3	14.6	15.4
PE (x)	125.4	16.4	11.2	7.9	7.4
P/B (x)	0.7	0.7	0.7	0.7	0.7
EV/EBITDA (x)	39.0	12.0	9.5	7.0	6.6
Dividend yield (%)	1.3	4.3	5.2	10.4	11.4
Net margin (%)	1.0	5.0	7.0	8.6	8.7
Net debt/(cash) to equity (%)	32.0	27.5	25.8	23.5	21.7
Interest cover (x)	1.3	4.2	5.4	7.3	7.7
ROE (%)	0.6	4.2	6.1	8.5	8.9
Consensus net profit	-	-	148	161	166
UOBKH/Consensus (x)	-	-	1.00	1.30	1.33

Source: Magnum, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.15
Target Price	RM1.50
Upside	+30.8%
(Previous TP	*RM1.56)*

COMPANY DESCRIPTION

Number forecasting operator

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	MAG MK
Shares issued (m):	1,437.2
Market cap (RMm):	1,652.8
Market cap (US$m):	353.4
3-mth avg daily t'over (US$m):	0.2

Price Performance (%)

52-week high/low RM1.41/RM0.995

1mth	3mth	6mth	1yr	YTD
5.5	(0.9)	11.7	(14.8)	(10.9)

Major Shareholders	%
Casi Management	30.44
Credit Suisse Group AG	11.02

FY23 NAV/Share (RM)	1.71
FY23 Net Debt/Share (RM)	0.44

PRICE CHART

Source: Bloomberg

ANALYST(S)

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- **Stronger yoy classic 4D games and jackpot ticket sales.** We estimate that Magnum's classic 4D ticket sales per draw rose by 12% yoy in 3Q23. For jackpot sales, we estimate sales per draw to have improved by 17% yoy on longer jackpot runs, and estimate that the more lucrative jackpot games accounted for about 21.7% of total gaming revenue, up 0.9ppt yoy. Overall, Magnum's revenue improved 2.2% yoy, showing signs of accelerated ticket sales recovery as anticipated.
- **Prize payout surged above theoretical level; dampening earnings.** We estimate 3Q23 prize payout at c.70% (theoretical: 63-64%), higher than 2Q23 and 3Q22's 66-69%.
- **Flattish interim DPS of 1 sen.** Magnum declared a 1 sen DPS in 3Q23 (3Q22: 1 sen), bringing 9M23 dividend yield to 4 sen. This implies a 3.5% yield and represents a 48% payout.

STOCK IMPACT

- **Dissipating political risk premium promises stable business outlook.** We expect better clarity for Magnum as the political landscape stabilises and investors can now focus on the companies' fundamental qualities. Meanwhile, the conclusion of the state elections with political status quo as well as Budget 2024 solidifies our view that there will not be any detrimental policies such as gaming tax hike and outlet closures for Magnum in other states in coming years.
- **Rooting for meaningful capital upside; pricing in defensive business nature.** Magnum is still trading close to the pandemic lows at attractive valuations of 8x FY24F PE, well below the NFO sector's five-year mean of 14-15x. Such valuations are appealing given the stock's low beta, and the business' defensive nature and steady cashflow streams. Risk-averse investors would also be increasingly attracted to Magnum's earnings resilience and high prospective dividend yield of 5.2% in FY23F and close to 10% in FY24F.
- **Ticket sales to chart sequential recovery.** We deem that Magnum's lottery ticket sales will recover to c.95% of the pre-pandemic level in 4Q23-1H24 (currently 85-90%). We anticipate that earlier trends of Magnum's market share losses to illegal operators amid a shift in punters' habits will gradually reverse following authorities' stricter raids on these illegal bookies. Potential amendments in the online gaming act which may allow Magnum to operate through mobile applications will be a strong catalyst, if they materialise.
- **Monetisation of stake in U-Mobile remains a key catalyst, but timeline remains unknown.** A key catalyst for Magnum would be the monetisation of its 6.3% stake in U-Mobile. According to earlier media reports, U-Mobile could be seeking an IPO to raise US$500m. The successful monetisation of its 6.3% stake in U-Mobile (book value of RM270m, or 16% of its market cap) could fetch RM400m, representing 24% of its market cap. Note that U-Mobile has turned EBITDA positive and has >10% market share of the country's mobile subscriptions.

EARNINGS REVISION/RISK

- **Reduced our FY23 net profit forecasts by 17%** to factor in higher prize payout.

VALUATION/RECOMMENDATION

- **Maintain BUY with lower DCF-based target price of RM1.50.** Our target price implies 11x FY24F PE (-1.5SD below five-year mean). We advocate investors to accumulate on weakness and we expect the stock to re-rate as previous overly depressed sentiments due to political overcast are uprooted, besides lush dividend yield.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

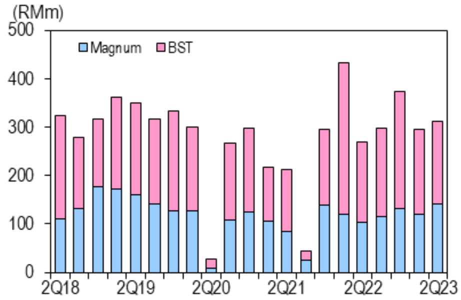
• **Environmental**
- Providing 300+ employees with indoor potted plants for their workstations, and implementing a plastic-free week.
• **Social**
- Attained World Lottery Association's Responsible Gaming Level 2 Certification. - Donated to more than 240 non-government/non-profit organisations.
• **Governance**
- Comprehended and applied Malaysian Code on Corporate Governance (MCCG).

KEY ASSUMPTIONS

	2022	2023F	2024F
Outlets	485	485	485
Draw day/annum	168	172	172
Prize payout (%)	69	67	63

Source: UOB Kay Hian

NFO BIG 2'S TICKET SALES



Source: UOB Kay Hian

SNAPSHOT OF MAGNUM

No. of outlets	485
Location	Peninsular Malaysia & Sarawak
No. of games	5
Types of games	4D, 4D Jackpot, 4D Jackpot GOLD, mGOLD, Magnum Life

Source: Magnum, UOB Kay Hian

U-MOBILE SHAREHOLDING

Company	Stake (%)
Singapore Technologies Telemedia	49
Berjaya Group's Tan Sri Vincent Tan*	29.7
Sultan Ibrahim of Johor	15
Magnum	6.3
Total	**100**

** Stake owned via: a) U Telemedia Sdn Bhd's 21.44%, b) a direct stake of 6.2%, and c) Berjaya*

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	**2,031**	**2,122**	**2,443**	**2,566**
EBITDA	193	242	331	347
Deprec. & amort.	(13)	(14)	(14)	(14)
EBIT	206	256	345	362
Associate contributions	0	0	0	0
Net interest income/(expense)	(46)	(45)	(45)	(45)
Pre-tax profit	**160**	**211**	**300**	**317**
Tax	(59)	(63)	(89)	(94)
Minorities	0	0	0	0
Net profit	**101**	**148**	**210**	**222**
Net profit (adj.)	101	148	210	222

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	59	98	101	104
Other LT assets	3,158	3,158	3,158	3,158
Cash/ST investment	238	260	309	348
Other current assets	106	109	121	125
Total assets	**3,514**	**3,591**	**3,655**	**3,700**
ST debt	190	190	190	190
Other current liabilities	203	212	238	249
LT debt	704	704	704	704
Other LT liabilities	5	12	12	12
Shareholders' equity	2,391	2,453	2,491	2,524
Minority interest	20	21	21	22
Total liabilities & equity	**3,514**	**3,591**	**3,655**	**3,700**

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	**177**	**167**	**239**	**244**
Pre-tax profit	160	211	300	317
Tax	(44)	(63)	(89)	(94)
Deprec. & amort.	13	14	14	14
Working capital changes	13	5	14	7
Other operating cashflows	34	0	0	0
Investing	**(2)**	**(17)**	**(17)**	**(17)**
Capex (growth)	(17)	(17)	(17)	(17)
Proceeds from sale of assets	0	0	0	0
Others	15	0	0	0
Financing	**(130)**	**(86)**	**(172)**	**(189)**
Dividend payments	(73)	(86)	(172)	(189)
Issue of shares	0	0	0	0
Proceeds from borrowings	(57)	0	0	0
Loan repayment	n.a.	n.a.	n.a.	n.a.
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	**45**	**63**	**49**	**38**
Beginning cash & cash equivalent	**176**	**175**	**238**	**287**
Changes due to forex impact	16	22	22	22
Ending cash & cash equivalent	**238**	**260**	**309**	**348**

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	9.5	11.4	13.5	13.5
Pre-tax margin	7.9	9.9	12.3	12.3
Net margin	5.0	7.0	8.6	8.7
ROA	2.9	4.2	5.8	6.0
ROE	4.2	6.1	8.5	8.9
Growth				
Turnover	61.3	4.5	15.2	5.0
EBITDA	225.2	25.8	36.5	5.0
Pre-tax profit	533.7	31.8	42.1	5.7
Net profit	663.5	46.6	42.3	5.7
Net profit (adj.)	663.5	46.6	42.3	5.7
EPS	663.5	46.6	42.3	5.7
Leverage				
Debt to total capital	27.0	26.5	26.3	26.0
Debt to equity	37.4	36.5	35.9	35.4
Net debt/(cash) to equity	27.5	25.8	23.5	21.7
Interest cover (x)	4.2	5.4	7.3	7.7

COMPANY RESULTS

Malayan Banking (MAY MK)

3Q23: Risk To Reward Well Balanced

Maybank's 3Q23 net profit was in line, underpinned by the absence of the prosperity tax and lower provisions. However, NIM compression and weaker non-interest income impacted the group's pre-provision operating profit which declined 12% yoy in 3Q23. Maintain HOLD with a higher target price of RM9.55 (1.16x 2024F PBV, 10.5% ROE) from RM9.00 after rolling forward our target price to 2024. The group is trading at 0.5SD below its mean P/B valuations which we deem to be fair.

RESULTS

- **In line.** Malayan Banking (Maybank) reported 3Q23 net profit of RM2,358.0m (+12.3% yoy, flattish qoq), bringing 9M23 earnings to RM6,962.0m (+20.9% yoy). Results were in line, with 9M23 earnings representing 76% and 75% of our and consensus full-year estimates respectively. 9M23 earnings grew 20.9% yoy underpinned by: a) absence of the prosperity tax, b) two-fold rise in non-interest income on a strong recovery in treasury income to RM1.4b from a loss of RM800m in 9M22, and c) a 54% yoy decline in provisions partly offset by negative operating Jaws as opex outpaced revenue growth by 6ppt which resulted in a 2% yoy decline in pre-provision operating profit.

- **Qoq.** 3Q23 earnings were flattish as a 11.3% qoq decline in pre-provision operating profit was offset by a 40% qoq decline in provisions. Pre-provision operating profit was impacted by a 25% qoq decline in non-interest income and negative operating Jaws with revenue declining 9ppt more than opex. The decline in non-interest income was due to a sharp contraction in treasury-related income (-92% qoq) but partly offset by stronger fee income on stronger commission income.

- **Yoy.** 3Q23 earnings rose 12.3% yoy attributed to: a) absence of the prosperity tax, and b) a 27% yoy decline in provisions. Pre-provision operating profit contracted 11.7% yoy due to 33bp compression in NIM and negative operating Jaws with revenue declining 5ppt more than opex.

- **NIM compression continued.** NIM declined 5bp qoq (2Q23: -5bp qoq) on the back of more aggressive wholesale deposit gathering which tends to be more expensive than retail deposits. This resulted in a 25bp slippage in 9M23 NIM vs our full-year forecast of -20bp assumption. Management expects NIM to start stabilising in 4Q23 and does not expect any further changes to the overnight policy rate (OPR) in the near term.

- **Loans growth stable.** Loans grew 5.1% yoy in 3Q23 vs 5.2% yoy in 2Q23. Growth was anchored by auto (+9% yoy) and residential loans (+7% yoy) while working capital loans grew a modest 2% yoy and purchase of securities contracted 10% yoy on weaker demand for Amanah Saham loans. We have pencilled in a 5.0% group loans growth for 2023.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net interest income	12,034	13,834	12,524	12,834	13,297
Non-interest income	5,842	6,367	7,700	8,115	8,524
Net profit (rep./act.)	8,066	8,235	9,091	9,606	10,136
Net profit (adj.)	8,066	8,235	9,091	9,606	10,136
EPS (sen)	71.7	73.2	80.9	85.4	90.2
PE (x)	12.7	12.4	11.3	10.7	10.1
P/B (x)	1.2	1.2	1.2	1.1	1.1
Dividend yield (%)	6.4	6.4	6.7	7.0	7.4
Net int margin (%)	2.4	2.5	2.3	2.3	2.3
Cost/income (%)	45.3	46.4	50.1	50.3	50.5
Loan loss cover (%)	107.8	127.4	125.5	136.8	150.0
Consensus net profit	-	-	9,330	9,849	10,399
UOBKH/Consensus (x)	-	-	0.97	0.98	0.97

Source: Malayan Banking, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM9.10
Target Price	RM9.55
Upside	+4.9%
(Pervious TP	*RM9.00)*

COMPANY DESCRIPTION

The largest banking group in Malaysia in terms of asset size. Maybank also has sizeable exposure to foreign markets, with foreign loans, mainly in Singapore and Indonesia, making up 33% of its loan base

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	MAY MK
Shares issued (m):	12,060.2
Market cap (RMm):	109,748.2
Market cap (US$m):	23,438.9
3-mth avg daily t'over (US$m):	16.4

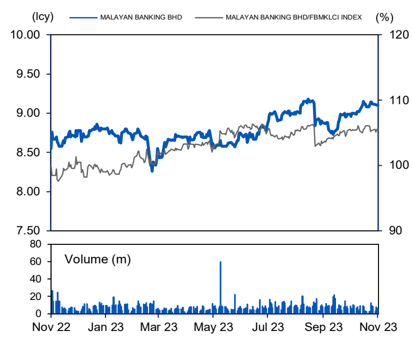
Price Performance (%)

52-week high/low RM9.18/RM8.26

1mth	3mth	6mth	1yr	YTD
1.2	1.0	6.1	6.6	4.6

Major Shareholders	%
AmanahRaya Trustees Berhad	37.2
Employees Provident Fund Board	13.5
Permodalan Nasional Berhad	6.8
FY23 NAV/Share (RM)	7.90
FY23 CAR Tier-1 (%)	17.74

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **Asset quality relatively stable, reinforced by adequate provision buffers.** In 3Q23, the group's gross impaired loans (GIL) ratio slightly decreased to 1.42% (from 1.47% in 2Q23) largely due to write-off of selective corporate GILs in Malaysia. Domestically, GIL ratio declined to 1.30% (from 1.34% in 2Q23) due to write-offs, while Singapore and Indonesian operations experienced increases to 0.7% (from 0.61% in 2Q23) and 4.45% (from 4.06% in 2Q23) respectively. Singapore witnessed some deterioration in business banking GIL, and Indonesia saw an uptick in corporate GIL. However, we are not overly concerned, given the group's adequate provisioning reflected in the loans loss coverage ratio (LLC) of 127%, compared with the pre-pandemic average level of 75%.
- **Credit cost in line with expectations.** Net credit cost declined to 30bp in 3Q23 (from 38bp in 2Q23) due to provision write-back of a specific corporate borrower. This brings 9M23 net credit cost to 31bp (9M22: 45bp), which is broadly in line with management's 30-35bp guidance and our 32bp assumption. Management alluded that net credit cost is expected to come in at the lower end of management's guidance in 2023.
- **Opex growth has started to normalise downwards.** In 2Q23, opex showed a more modest increase of 2.3% yoy (compared with +18.2% yoy in 2Q22), contributing to a 10.6% yoy growth in 9M23. This was influenced by the absence of significant backdated collective agreement adjustments on union salaries that had impacted opex in 1H23. Overall, we anticipate opex growth to remain elevated at 9% yoy in 2023 before reverting to more sustainable levels of 5-6% in 2024-25.
- **Outlook.** Management has retained its key 2023 guidance of: ROE: 10.5-11.0%, NIM: -25bp and net credit cost guidance of 30-35bp.

EARNINGS REVISION

- Unchanged.

VALUATION/RECOMMENDATION

- **Maintain HOLD with a higher target price of RM9.55 (1.16x 2024F P/B, 10.5% ROE)** from RM9.00 after rolling forward our valuations to 2024. The stock is currently trading at -0.5SD from its historical mean P/B which we deem to be fair. Given our expectation of a more risk on environment in 1H24 on the back of peakish interest rate cycle in developed markets, we think that CIMB has a better scope to outperform, given its higher beta and cheaper valuations.

3Q23 RESULTS

Profit & Loss (RMm)	3Q23	3Q22	yoy % chg	9M23	qoq % chg	Remarks
Net Interest Income	3,167.0	3,463.3	(8.6)	9,602.9	(6.8)	
Islamic Banking	1,876.9	1,996.0	(6.0)	5,519.0	1.6	
Fees & Commissions	49.7	781.1	(93.6)	1,675.9	(31.1)	
Net insurance income	(158.8)	181.7	(187.4)	(827.9)	(172.0)	
Net trading income	976.7	120.7	709.1	2,315.6	(392.9)	
Other Operating Income	838.6	578.9	44.9	2,098.7	81.8	
Total Income	6,750.1	7,121.7	(5.2)	20,384.2	3.6	
Operating Expenses	(3,297.2)	(3,210.5)	2.7	(9,769.8)	10.6	
PPOP	3,452.9	3,911.2	(11.7)	10,614.4	(2.1)	
Provisions	(440.2)	(599.6)	(26.6)	(1,362.0)	(27.6)	
Writeback/(Impairment)	98.1	(241.6)	(140.6)	152.5	(121.4)	
Associate	45.6	29.6	53.8	177.1	44.4	
PBT	3,156.4	3,099.7	1.8	9,582.0	14.4	
Net Profit	2,358.1	2,100.0	12.3	6,962.0	21.0	
EPS (sen)	21.0	18.7	12.2	61.9	20.9	
DPS (sen)	0.0	0.0	n.a.	29.0	3.6	
BVPS (RM)	7.55	7.04	7.3	7.49	5.8	
Financial Ratios (%)	**3Q23**	**3Q22**	**yoy chg (ppt)**	**2Q23**	**qoq chg (ppt)**	
Loan Growth, yoy	(1.7)	2.0	(3.8)	2.3	(4.1)	
Deposit Growth, yoy	1.4	0.9	0.5	0.6	0.8	
Loan/Deposit Ratio	95.2	93.8	1.4	94.7	0.5	
Cost/Income Ratio	48.8	45.1	3.8	46.8	2.1	
ROE	10.4	9.9	0.5	10.6	(0.2)	
Gross Impairment Loan Ratio	1.5	1.7	(0.2)	1.5	0.0	
Credit Costs (bp)	29.6	40.8	(11.3)	37.1	(7.5)	
CET-1 CAR	15.4	13.8	1.6	16.0	(0.6)	

Source: Maybank, UOB Kay Hian

KEY ASSUMPTIONS

(%)	2023F	2024F	2025F
Loan Growth	5.0	5.2	5.5
Credit Cost (bp)	32.0	30.0	29.0
ROE	10.2	10.5	11.0

Source: Maybank, UOB Kay Hian

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

- **Environmental**
  - **Green loan commitment.** To provide RM50b in sustainable financing by 2025.
  - **Zero new coal financing.** Transition all stakeholders to zero carbon emission by 2050.
- **Social**
  - **Board and upper management gender diversity.** Maintained 25% female directors on the Board and 40% female senior management.
  - **Enhanced financial inclusion to B40.** Provide greater financial inclusion for vulnerable communities (affordable housing financing) and welfare assistance to vulnerable communities especially the B40 consumers.
- **Governance**
  - **Composition of independent directors.** Composition of Independent Directors (INED) – 75%.

Source: Maybank, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Interest income	21,628	22,669	23,813	25,103
Interest expense	(7,793)	(10,145)	(10,979)	(11,806)
Net interest income	13,834	12,524	12,834	13,297
Fees & commissions	3,343	3,543	3,685	3,795
Other income	3,024	4,157	4,430	4,729
Non-interest income	6,367	7,700	8,115	8,524
Income from islamic banking	7,414	7,933	8,647	9,425
Total income	**27,615**	**28,157**	**29,596**	**31,246**
Staff costs	(7,504)	(8,629)	(9,233)	(9,972)
Other operating expense	(5,304)	(5,474)	(5,645)	(5,821)
Pre-provision profit	14,808	14,054	14,717	15,453
Loan loss provision	(2,189)	(1,969)	(1,942)	(1,980)
Other provisions	(596)	0	0	0
Associated companies	131	139	147	156
Other non-operating income	0	0	0	0
Pre-tax profit	12,153	12,224	12,922	13,629
Tax	(3,780)	(2,880)	(3,050)	(3,211)
Minorities	(138)	(252)	(267)	(281)
Net profit	**8,235**	**9,091**	**9,606**	**10,136**
Net profit (adj.)	8,235	9,091	9,606	10,136

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Cash with central bank	13,777	18,459	19,419	20,487
Govt treasury bills & securities	49,540	50,531	51,541	52,572
Interbank loans	16,096	16,257	16,420	16,584
Customer loans	575,387	600,455	631,364	665,839
Investment securities	181,550	194,701	208,761	223,793
Derivative receivables	24,687	24,687	24,687	24,687
Associates & JVs	2,207	2,207	2,207	2,207
Fixed assets (incl. prop.)	3,319	3,485	3,659	3,842
Other assets	81,249	85,717	90,565	95,839
Total assets	**947,813**	**996,498**	**1,048,622**	**1,105,849**
Interbank deposits	51,894	53,451	55,054	56,706
Customer deposits	639,396	672,645	709,640	748,670
Derivative payables	27,874	27,874	27,874	27,874
Debt equivalents	13,067	13,067	13,067	13,067
Other liabilities	126,664	137,466	147,767	160,932
Total liabilities	**858,896**	**904,503**	**953,403**	**1,007,250**
Shareholders' funds	85,957	88,782	91,739	94,838
Minority interest - accumulated	2,960	3,213	3,480	3,761
Total equity & liabilities	**947,813**	**996,497**	**1,048,622**	**1,105,849**

OPERATING RATIOS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Capital Adequacy				
Tier-1 CAR	15.5	17.7	17.1	16.4
Total CAR	15.2	23.5	23.0	22.5
Total assets/equity (x)	10.9	11.1	11.3	11.6
Tangible assets/tangible common equity (x)	11.8	12.0	12.2	12.4
Asset Quality				
NPL ratio	1.6	1.5	1.7	1.6
Loan loss coverage	127.4	158.4	143.2	157.2
Loan loss reserve/gross loans	2.3	2.4	2.5	2.5
Increase in NPLs	(16.6)	1.8	18.7	(2.5)
Credit cost (bp)	37.3	32.0	30.0	29.0
Liquidity				
Loan/deposit ratio	90.0	89.3	89.0	88.9
Liquid assets/short-term liabilities	11.5	11.7	11.4	11.1
Liquid assets/total assets	8.4	8.6	8.4	8.2

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Growth (yoy chg)				
Net interest income	15.0	(9.5)	2.5	3.6
Fees & commissions	(8.1)	6.0	4.0	3.0
Pre-provision profit	6.3	(5.1)	4.7	5.0
Net profit	2.1	10.4	5.7	5.5
Net profit (adj.)	2.1	10.4	5.7	5.5
Customer loans	6.2	4.4	5.1	5.5
Customer deposits	3.5	5.2	5.5	5.5
Profitability				
Net interest margin	2.5	2.3	2.3	2.3
Cost/income ratio	46.4	50.1	50.3	50.5
Adjusted ROA	0.9	0.9	0.9	0.9
Reported ROE	9.6	10.4	10.6	10.9
Adjusted ROE	9.6	10.4	10.6	10.9
Valuation				
P/BV (x)	1.2	1.2	1.1	1.1
P/NTA (x)	1.3	1.3	1.2	1.2
Adjusted P/E (x)	12.4	11.3	10.7	10.1
Dividend Yield	6.4	6.7	7.0	7.4
Payout ratio	79.2	75.0	75.0	75.0

COMPANY RESULTS

MISC (MISC MK)

9M23: Core Profits In Line Despite Slightly Weaker Tanker Rates

9M23 core performance was expectedly strong due to the resilient crude tanker markets (albeit dropping slightly qoq). Unlike other shipowners that purchase new ships aggressively, MISC remains conservative in capital management (dividend payments), while ensuring it delivers on existing projects (like Mero-3). Given its balance sheet and branding, MISC stands a decent chance of benefitting from green retrofits/ventures, and new LNG demand. We retain our forecasts. Maintain BUY and target price of RM8.80.

3Q23 RESULTS

Year to 31 Dec	3Q23 (RMm)	qoq % chg	yoy % chg	YTD FY23 (RMm)	yoy % chg	Comments
Revenue	**3,365.1**	**(5.2)**	**(6.9)**	**9,993.4**	**3.1**	
-LNG	860.6	11.5	8.9	2,388.3	57.1	Higher relet/ spot rates
-Petroleum	1,210.1	(0.7)	(4.4)	3,640.4	80.8	Time charter rates remained strong
-Offshore, heavy engineering	1,253.9	(17.7)	(18.0)	3,857.7	55.6	
EBIT	**649.9**	**22.3**	**(36.9)**	**1,231.3**	**14.4**	
-LNG	427.9	2.2	20.5	933.9	51.1	Higher average rates
-Petroleum	296.2	(8.9)	(37.1)	(14.1)	(103.5)	Higher spot mix (spot rates declined)
-Offshore, heavy engineering	(42.2)	(71.0)	Na	1,231.3	14.4	US$40m-50m MMHE provision
Impairment losses	Na	Na	Na	Na	Na	US$20m provision for Benchamas 2
Finance cost	(186.7)	5.7	8.2	(539.6)	14.1	
Associates	1.4	(26.3)	(105.5)	75.6	(563.8)	One off FL gain in 1Q23
Pre-tax profit	**464.6**	**37.0**	**(44.5)**	**1,431.4**	**16.9**	
Income tax	(65.9)	280.9	327.9	(99.8)	148.9	
Net profit	**430.4**	**(5.0)**	**(47.6)**	**1,496.2**	**27.0**	Core profit exclude provisions from
Core profit	**546.8**	**(9.1)**	**1.8**	**1,733.5**	**20.6**	MMHE, Benchamas, Mero-3 gains

*Source: MISC, UOB Kay Hian *Note: Malaysia Marine & Heavy Engineering*

RESULTS

- **9M23 core earnings deemed in line, at 76%/77% of our/consensus forecasts.** We excluded in 3Q23 a near US$10m finance lease (FL) gains for FPSO Mero-3 (1H23: US$10-15m), RM50m cost provisions for MMHE's projects that faced delays and cost escalation, and US$20m provisions for the FSO Benchamas HSE incident. MISC Berhad's (MISC) performance was a clean quarter that correlated to the industry's conditions ie a) crude tanker earnings remaining profitable despite a qoq decline in industry spot rates, b) rising LNG demand, and c) on-track execution on FPSO Mero-3.

- **Revert to interim DPS of RM0.07 (2Q23: RM0.10).** Although the MMHE provision is the main culprit behind slightly lower EBITDA of RM3.3b in 3Q23, MISC is treading very carefully to invest in O&G or non-O&G projects. This is also consistent with our view that MISC will benefit from market opportunities in gas, green fuels and vessel redeployment.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	10,672	13,867	14,455	15,010	15,029
EBITDA	3,898	5,132	5,056	5,254	5,268
Operating profit	1,948	3,102	2,800	2,836	2,708
Net profit (rep./act.)	1,831	1,823	2,285	2,339	2,328
Net profit (adj.)	1,319	2,214	2,285	2,339	2,328
EPS (sen)	29.6	49.6	51.2	52.4	52.2
PE (x)	24.4	14.6	14.1	13.8	13.8
P/B (x)	0.9	0.9	0.8	0.8	0.8
EV/EBITDA (x)	11.8	8.9	9.1	8.7	8.7
Dividend yield (%)	4.6	4.6	4.6	4.6	4.6
Net margin (%)	17.2	13.1	15.8	15.6	15.5
Net debt/(cash) to equity (%)	26.6	28.6	33.5	31.8	33.0
Interest cover (x)	9.3	7.9	7.4	6.6	6.9
ROE (%)	5.5	5.1	6.0	6.0	5.9
Consensus net profit	-	-	2,305	2,401	2,554
UOBKH/Consensus (x)	-	-	0.99	0.97	0.91

Source: MISC, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM7.22
Target Price	RM8.80
Upside	+21.9%

COMPANY DESCRIPTION

Shipping company

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	MISC MK
Shares issued (m):	4,463.7
Market cap (RMm):	32,228.2
Market cap (US$m):	6,883.0
3-mth avg daily t'over (US$m):	2.6

Price Performance (%)

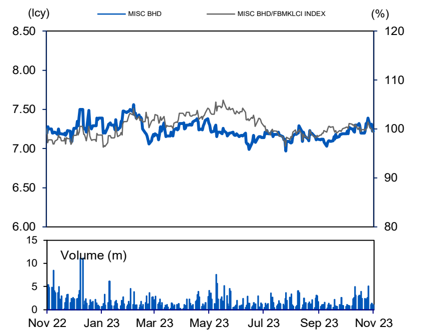
52-week high/low RM7.56/RM6.97

1mth	3mth	6mth	1yr	YTD
0.4	2.0	(2.2)	0.3	(3.7)

Major Shareholders	%
Petroliam Nasional Bhd	62.7
Employees Provident Fund	12.2

FY23 NAV/Share (RM)	8.57
FY23 Net Debt/Share (RM)	2.87

PRICE CHART



Source: Bloomberg

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- **Petroleum term mix remained high at 85%, vs 88% qoq.** Spot exposure by fleet was: Very Large Crude Carriers (VLCC) (25%), Aframax (7%), and Suezmax (22%). In 2Q23, the spot days exposure was: VLCC (28%), Aframax (11%), and Suezmax (3%). Industry spot rates declined materially throughout 2Q23 due to a series of OPEC+ cuts. Long-term rates were still resilient and at all-time highs, driven by higher tonne-mile demand and recalibration of crude trade flows.
- **Mero-3 construction now at 87% completion rate, financially speaking.** Construction progress alone is at 92% completion rate, and on track for the 1Q24 sailaway and May 24 delivery targets. Financially speaking, in 9M23, about US$273m out of the US$2.1b FPSO capex (1H23: RM194m) was recognised as work-in-progress working capital. This is essentially the cash capex done for the construction progress, and under FL accounting, this item is classified as an operating cash flow. FPSO Mero-3's remaining capex value yet to be recognised amounts to RM1.6b (2022: RM2.2b).
- **Total capex incurred for 9M23 is close to RM3.2b (1H23: RM2.4b).** Note that this includes the RM1.2b cash capex for the FPSO and RM2b (non-FPSO). As per our theme, while other shipowners are aggressively ordering greener newbuilds (albeit at a high cost) in the yards, MISC is taking a more conservative approach. A pleasant surprise came from the expiring Steam Turbine LNG tankers which were earlier perceived to be impossible to redeploy, and are now able to "gain new life" for projects like Pengerang LNG, or sale-and-leaseback agreements. It is possible for MISC to manage the vessel residual value, and identify a portion of its fleet up for expiry for new redeployment. MISC also confirmed it is bidding for Qatar's new LNG newbuilds (our base case assumption is to secure three).
- **ESG updates: Greener ventures.** MISC has been actively involved in not just green ammonia and dual-fuel LNG engines, but also penetrating the Liquid Carbon Carrier (LCO2) and storage industry. While being mindful of its capital constraints, we would not rule out possibilities of MISC roping in partners, or considerations for spin-offs.
- **ESG updates: CII.** 2024 marks the first year for global vessels to operate after attaining an annual operating Carbon Intensity Indicator (CII) for their performance in 2023. The CII is one of the major green rules mandated by International Maritime Organisation (IMO). We understand that MISC is still conducting its vessel review but guides that if any, the additional opex and capex p.a. to the group is US$20m-30m.

EARNINGS REVISION/RISKS

- **Retain forecasts.** We continue to expect resilient strength in petroleum earnings, and this should more than offset LNG earnings base decline in 2024, before rising again in 2025. MISC should enjoy a step-up in 2025's cash flow and earnings from Mero-3's new contribution, at US$100m on a gross basis although MISC intends to divest 50% stake. This implies the company is expecting 2025 EBITDA to be as high as US$1.2b

VALUATION/RECOMMENDATION

- **Retain BUY with target price of RM8.80,** implying 17x 2024F PE (at +1SD to five-year average PE band). We believe MISC deserves to trade at the top end, from the angle of strong EBITDA from an upcycle in petroleum earnings, followed by a step-up in long-term earnings base from Mero-3 (to compensate for the cyclical nature of tankers), and further contract wins (MISC still has room to absorb projects before breaching the 3x net debt/ EBITDA ratio limit by rating agencies; our forecast: 2.7x).
- From an industry perspective, vessel rates are at multi-year highs due to supply tightness vs demand. From a P/B perspective, MISC (at our target price) appears to be trading at a discount to its pure crude tanker peers worldwide. The peers are all trading at a very inexpensive 4-5x forward PE but at 1.3-1.4x P/B, which also reflects the more persistent bullishness of the crude tanker upcycle. Hence, it is possible that markets have yet to digest the full impact of the LNG and crude tanker market opportunities.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

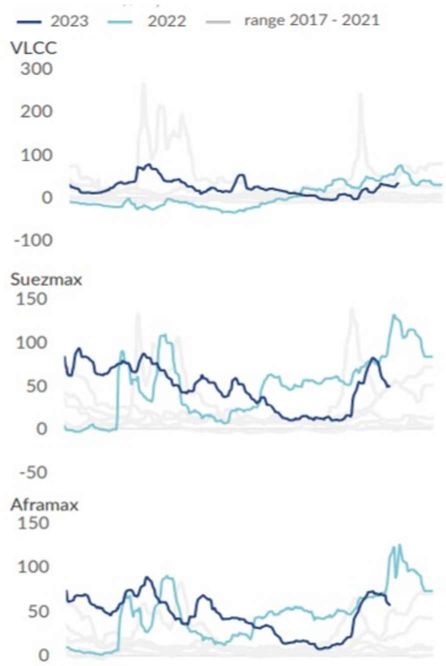
- **Environmental**
  - **Carbon (CO2) reduction**. Adding new vessels with LNG-dual/ ammonia fuel to meet net-zero emission by 2050 (50% reduction of greenhouse gas by 2030).
  - **Promoting circular economy via green ship recycling**. Aims to avoid wastage while disposing aged vessels that do not meet carbon reduction criteria.
- **Social**
  - **Diversity.** >20 nationalities; >40% female proportion among onshore staff.
  - **Safety (HSE).** Lost Time Injury Frequency (LTIF) remains low at 0.08 (2021: 0.15).
- **Governance**
  - **Achieved 5/5 rating (FTSE4Good)** for governance & supply chain management.

PBT SEGMENTAL BREAKDOWN

US$m	3Q23	2Q23	3Q22
PBT	**100.0**	**78.0**	**91.0**
LNG	73.0	76.0	67.0
Petroleum	52.0	60.0	16.0
Offshore	(15.0)	27.0	(11.0)
MMHE	(22.0)	(87.0)	5.0

Source: MISC presentation

CRUDE TANKER TCE EARNINGS (US$'000/DAY)



Source: Allied Shipping Research

LONG-TERM TANKER RATES STILL RESILIENT

		17 Nov	w-o-w %	min (last 12 months)	avg (last 12 months)	max (last 12 months)
Baltic tanker indices						
BDTI		1,317	-5.4%	713	1,268	2,496
BCTI		826	5.1%	563	931	2,143
VLCC						
VLCC-TCE	$/day	$ 33,375	25.2%	-$ 5,934	$ 24,945	$ 77,648
1 year period	$/day	$ 45,500	0.0%	$ 36,500	$ 41,236	$ 50,000
Suezmax						
Suezmax-TCE	$/day	$ 49,932	-15.3%	$ 9,442	$ 55,526	$ 132,006
1 year period	$/day	$ 43,500	0.0%	$ 36,250	$ 40,759	$ 45,000
Aframax						
Aframax-TCE	$/day	$ 57,186	-16.5%	$ 7,552	$ 51,495	$ 125,722
1 year period	$/day	$ 41,000	0.0%	$ 32,500	$ 41,632	$ 50,000

Source: Allied Shipping Research

SOTP BREAKDOWN (AT RM4.4/US$)
SEGMENTAL FORECASTS

Segments	Valuation	RM/share	(RMm)	2023F	2024F	2025F
LNG	DCF, 8.2% WACC	3.17	**Revenue**	**14,455.2**	**15,009.9**	**15,028.5**
Petroleum	1.2x P/B	2.95	LNG	3,007.2	3,019.6	3,159.1
MMHE (66.5%)	Based on RM0.70 TP	0.16	Petroleum	4,582.6	4,774.1	4,515.1
Gumusut	1x (no more cash flow discount)	1.65	MMHE	2,230.0	2,815.0	3,020.0
Kikeh (51%)	1x P/B	0.18	Offshore	4,635.4	4,401.2	4,334.3
FPSO Mero 3	JV DCF, lesser 10% discount	0.38	**EBIT**	**2,799.8**	**2,836.0**	**2,708.0**
Other offshore	0.9x P/B	0.05	LNG	1,383.3	1,419.2	1,453.2
(-) Net debt	LNG (RM5b); others RM4b	(0.99)	Petroleum	939.3	947.4	775.4
(+) New contracts	Potential contracts; FPSO and LNG	1.25	MMHE	13.7	29.2	35.9
SOTP	**18x 2024F PE**	8.80	Offshore	463.5	440.1	443.5

Source: Allied Shipping Research

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	**13,867**	**14,455**	**15,010**	**15,029**
EBITDA	5,132	5,056	5,254	5,268
Deprec. & amort.	2,030	2,257	2,418	2,560
EBIT	3,102	2,800	2,836	2,708
Total other non-operating income	(551)	n.a.	n.a.	n.a.
Associate contributions	(25)	226	356	451
Net interest income/(expense)	(651)	(687)	(793)	(769)
Pre-tax profit	**1,874**	**2,339**	**2,399**	**2,390**
Tax	(39)	(49)	(50)	(50)
Minorities	(12)	(5)	(10)	(12)
Net profit	**1,823**	**2,285**	**2,339**	**2,328**
Net profit (adj.)	2,214	2,285	2,339	2,328

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	24,286	26,266	28,576	30,833
Other LT assets	25,634	24,545	22,615	21,973
Cash/ST investment	7,134	4,653	6,613	6,391
Other current assets	5,611	7,178	7,448	7,457
Total assets	**62,665**	**62,641**	**65,252**	**66,654**
ST debt	3,606	2,640	3,080	3,010
Other current liabilities	5,162	4,699	4,878	4,880
LT debt	14,256	14,844	15,960	16,562
Other LT liabilities	1,337	1,337	1,337	1,337
Shareholders' equity	37,459	38,271	39,137	39,992
Minority interest	846	850	860	872
Total liabilities & equity	**62,665**	**62,641**	**65,252**	**66,654**

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	**2,994**	**2,918**	**4,491**	**5,218**
Pre-tax profit	1,874	2,339	2,399	2,390
Tax	(2,138)	(2,138)	(763)	(50)
Other operating cashflows	3,258	2,718	2,855	2,877
Investing	**(1,943)**	**(3,610)**	**(1,270)**	**(4,165)**
Capex (growth)	(2,294)	(3,960)	(4,620)	(4,515)
Others	351	351	3,351	351
Financing	**(1,992)**	**(1,790)**	**(1,262)**	**(1,276)**
Others/interest paid	(1,992)	(1,790)	(1,262)	(1,276)
Net cash inflow (outflow)	**(941)**	**(2,482)**	**1,959**	**(223)**
Beginning cash & cash equivalent	**7,952**	**7,134**	**4,653**	**6,613**
Changes due to forex impact	123	1	1	1
Ending cash & cash equivalent	**7,134**	**4,653**	**6,613**	**6,391**

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	37.0	35.0	35.0	35.1
Pre-tax margin	13.5	16.2	16.0	15.9
Net margin	13.1	15.8	15.6	15.5
ROA	3.0	3.6	3.7	3.5
ROE	5.1	6.0	6.0	5.9
Growth				
Turnover	29.9	4.2	3.8	0.1
EBITDA	31.7	(1.5)	3.9	0.3
Pre-tax profit	5.6	24.8	2.6	(0.4)
Net profit	(0.5)	25.4	2.4	(0.5)
Net profit (adj.)	67.8	3.2	2.4	(0.5)
EPS	67.8	3.2	2.4	(0.5)
Leverage				
Debt to total capital	31.8	30.9	32.3	32.4
Debt to equity	47.7	45.7	48.6	48.9
Net debt/(cash) to equity	28.6	33.5	31.8	33.0
Interest cover (x)	7.9	7.4	6.6	6.9

COMPANY RESULTS

Sunway Bhd (SWB MK)

Strong 3Q on Lumpy Singapore Contribution; Achieved 85% of Sales Target

Sunway saw its 9M23 revenue grow 17% while net profit rose 21% mainly due to strong performance from the property development (lumpy Singapore contribution), property investment (higher leisure and hospitality contribution), and healthcare (strong operational results from SMC Sunway City segments). 9M23 effective property sales stood at RM1.86b (85% of target). Maintain BUY. Target price: RM2.38.

3Q23 RESULTS

Year to 31 Dec (RMm)	3Q23	2Q23	qoq % chg	yoy % chg	9M23	yoy % chg
Revenue	**1539.1**	**1468.2**	**4.8**	**21.1**	**4271.0**	**16.6**
Property Development	309.5	362.1	-14.5	11.3	919.4	27.2
Construction	424.0	404.1	4.9	39.0	1156.0	16.7
Property Investment	232.8	199.4	16.8	23.4	642.1	39.8
Pre-tax profit	**247.8**	**203.0**	**22.1**	**10.7**	**642.8**	**2.7**
Property Development	70.4	49.1	43.5	96.8	142.6	67.9
Construction	51.1	44.5	14.7	43.5	135.1	5.7
Property Investment	55.2	33.9	63.0	-35.6	156.3	-15.1
*Healthcare PAT (equity accounting)	44.4	37.7	17.8	7.2	111.0	5.7
PATAMI	**180.3**	**149.9**	**20.3**	**9.5**	**471.9**	**1.2**
Core net profit	**189.0**	**158.5**	**19.3**	**32.2**	**487.1**	**20.7**
Pre-tax Margins (%)	%	%	+-ppt	+-ppt	%	+-ppt
Property Development	22.8	13.6	9.2	13.8	15.5	3.8
Construction	12.1	11.0	1.0	(2.0)	11.7	(1.2)
Property Investment	23.7	17.0	6.7	(12.0)	24.3	(15.7)

Source: Sunway, UOB Kay Hian

RESULTS

- **3Q23 results within expectations.** Sunway Bhd (Sunway) reported a 2Q23 core net profit of RM189m (+19.3% qoq, +32.2% yoy) on revenue of RM1.54b (+5% qoq, +21% yoy). Cumulatively, 9M23 core net profit of RM487 (+21% yoy) accounts for around 73% of our and consensus' full-year forecasts. We deem the results in line as we expect seasonally stronger 4Q property investment contribution coupled with resilient performance from other segments (especially construction and property development from higher progressive billings).

- 9M23 core net profit was derived after excluding exceptional items amounting to -RM15.2m (mostly on impairment of trade receivables and inventories) from reported net profit of

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	3,717	5,195	5,348	5,502	5,675
EBITDA	544	702	712	740	776
Operating profit	328	583	598	614	638
Net profit (rep./act.)	293	677	664	696	730
Net profit (adj.)	321	626	664	696	730
EPS (sen)	6.6	12.8	13.6	14.2	14.9
PE (x)	29.6	15.1	14.3	13.6	13.0
P/B (x)	0.8	0.8	0.7	0.7	0.7
EV/EBITDA (x)	30.5	23.6	23.3	22.4	21.3
Dividend yield (%)	1.3	2.8	2.8	2.9	3.1
Net margin (%)	7.9	13.0	12.4	12.7	12.9
Net debt/(cash) to equity (%)	44.1	51.8	45.1	39.5	39.2
Interest cover (x)	6.0	(40.3)	7.3	7.5	7.8
ROE (%)	2.7	5.5	5.2	5.3	5.4
Consensus net profit	-	-	668	740	793
UOBKH/Consensus (x)	-	-	0.99	0.94	0.92

Source: Sunway Bhd, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.94
Target Price	RM2.38
Upside	+22.7%

COMPANY DESCRIPTION

A leading construction company and property developer in Malaysia.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	SWB MK
Shares issued (m):	4,960.0
Market cap (RMm):	9,622.4
Market cap (US$m):	2,057.4
3-mth avg daily t'over (US$m):	3.8

Price Performance (%)

52-week high/low RM2.04/RM1.47

1mth	3mth	6mth	1yr	YTD
3.7	2.1	23.6	28.5	19.8

Major Shareholders	%
Sungei Way Corp Sdn Bhd	57.9
EPF	7.8
Active Equity Sdn Bhd	3.4
FY23 NAV/Share (RM)	2.65
FY23 Net Debt/Share (RM)	1.19

PRICE CHART

Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **Property development: 9M23 revenue and net profit saw strong growth** of 27% yoy and 68% yoy respectively, mainly due lumpy contribution from Singapore (Parc Canberra) amounting to RM46.3m. Sunway had RM3.8b worth of launches in 10M23, surpassing its target of RM3.5b. Some new recent launches were: a) Sunway Aviana in Johor with GDV of RM94m in Oct 23 (booking currently at 57%), and b) China's Sunway Garden (GDV: RM120m). Take-up rates for Singapore projects The Continuum (GDV: RM2b) and Terra Hills (GDV: RM700m) were within expectations at 30-40%. We expect the take-up rate to improve gradually as the Singapore property market conditions stabilise. Historically, Sunway's Singapore projects were fully taken up with the recent one Ki Residence (still under construction) at 98% take-up rate. Meanwhile, local projects' take-up rates are expected to remain resilient with a >70% take-up rate historically.

- **Effective property sales in 9M23 stood at RM1.86b** (85% of its full-year sales target of RM2.2b for 2023), mainly contributed by Singapore projects (49% of total sales) with the rest mostly being local projects. We believe target sales of RM2.2b is achievable with possible upside from higher-than-expected sales from Singapore projects. Sunway Sunway's overall property segment is expected to remain resilient on higher sales (+22% yoy), strong unbilled sales of RM4.2b (4.2x cover ratio) and lumpy recognition from its Singapore projects (we estimate RM110m-130m for Parc Central in 1Q24).

- **Healthcare: Spearing growth going forward.** The healthcare arm reported 3Q23 core PAT of RM44m (+18% qoq, +7% yoy). The qoq performance was strong, mainly on strong operational results from SMC Sunway City and SMC Velocity which mitigated the start-up operational losses from SMC Penang and Sunway Sanctuary.

- **Construction: Prime beneficiary of mega projects.** 9M23 PBT of the construction segment came in at RM135m (+6% yoy) on the back of revenue of RM1.2b (+17%). Operating margin was lower due to high-base effect in 9M22 on cost savings from completed projects. We expect higher earnings ahead from stronger progress billings on improved labour intake. Orderbook remained robust at RM5.8b (2.7x cover ratio).

- **Property Investment: Strong revenue from the leisure and hospitality businesses.** While 9M23 saw property investment revenue grow 40% (mainly on higher hotel and theme park occupancy), PBT declined by 15% due to higher utility charges. Nonetheless, we expect a better performance in 4Q23 from seasonally stronger quarter from festivities.

EARNINGS REVISION/RISK

- **None.**

VALUATION/RECOMMENDATION

- **Maintain BUY with an unchanged target price of RM2.38,** based on a 10% discount to our SOTP-based valuation of RM2.64/share. Our target price implies a 2023F PE of 14.3x (within its five-year mean) and P/B of 0.7x (close to -1SD from its five-year mean). Sunway's 1,632 acres of landbank in Johor with GDV of RM29b (57% of its remaining total GDV of RM51.4b) may stand to benefit from the positive prospects of Johor's property landscape in light of developments such as the Rapid Transit System and special economic zone.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• **Environmental**
- Installed photovoltaic (PV) solar panels at most of its properties, with the latest being Sunway Carnival Mall.
• **Social**
- Launched Sunway Cancer Support Fund worth RM2.5m in Oct 22.
• **Governance**
- Good company transparency along with an anti-bribery and anti-corruption policy.

SOTP-BASED VALUATION

	(RMm)	Remarks
Property development	4,270	20% discount to property RNAV
REIT (40.9% stake)	2,325	Valuation based on target price of RM1.66, based on DDM
Construction (54.4% stake)	1,189	Valuation based on target price of RM1.69, 14x 2024F PE
Quarry & building materials	218	8x PE 2023F quarry profits
Trading	374	8x PE 2023F trading profits
Investment Properties	1,777	Valuation based on DDM
Healthcare	4,346	25x PE 2023F healthcare profit
Less: Holding co (debt)/ cash	-589	
Total SOTP value (A)	**13,909**	
Share base (m) (B)	4,955	
Warrants proceeds (C)	951	Assume conversion price at RM1.42/share (expiring in Oct 24)
Total SOTP value post warrants proceeds (A+C)	**14,859**	
Enlarged share base (m)	5,624	
SOTP/share (RM)	**2.64**	
Discount	10%	
Target price (RM)	**2.38**	

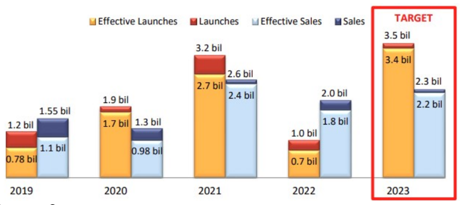
Source: Sunway, UOB Kay Hian

EXPANSION PLAN FOR MEDICAL CENTRES

State	Location	Total beds	Exp. completion
Existing Medical Centre			
Kuala Lumpur	Sunway City *(Tower A,B,C)*	616	Completed
	Velocity	121	Completed
Penang	Seberang Jaya	333	Opened Nov 22
Kuala Lumpur	Sunway City (Tower D and E)	108	Opened May 23
Expansion plan			
Kuala Lumpur	Sunway City *(Tower F)*	357	TBD
	Velocity (Phase 2)	229	4Q23
Selangor	Damansara	336	4Q24
Perak	Ipoh	260	1Q25
Kelantan	Kota Bharu	200	TBD
Penang	Paya Terubong	120**	Planning stage
Johor	Iskandar	200**	Planning stage
Total		**2,880**	

*** Estimates*
Source: Sunway, UOB Kay Hian

SALES AND LAUNCHES



Source: Sunway

ASSUMPTIONS

	2023F	2024F	2025F
Property Sales (RMb)	2.2	2.3	2.4
Overall Takeup Rate (%)	60	70	70

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	**5,195**	**5,348**	**5,502**	**5,675**
EBITDA	702	712	740	776
Deprec. & amort.	118	114	126	138
EBIT	583	598	614	638
Associate contributions	351	309	339	371
Net interest income/(expense)	(14)	81	81	81
Pre-tax profit	**920**	**988**	**1,034**	**1,090**
Tax	(167)	(247)	(259)	(273)
Minorities	(76)	(77)	(79)	(87)
Net profit	**677**	**664**	**696**	**730**
Net profit (adj.)	626	664	696	730

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	5,548	5,816	6,065	6,310
Other LT assets	12,167	12,476	12,815	13,186
Cash/ST investment	1,958	2,277	2,834	2,702
Other current assets	6,383	6,577	6,743	6,929
Total assets	**26,057**	**27,146**	**28,456**	**29,128**
ST debt	5,361	4,093	4,093	4,093
Other current liabilities	2,644	3,598	4,409	4,553
LT debt	3,095	4,021	4,021	4,021
Other LT liabilities	1,384	1,384	1,384	1,384
Shareholders' equity	12,541	12,941	13,361	13,801
Minority interest	1,032	1,109	1,188	1,276
Total liabilities & equity	**26,057**	**27,146**	**28,456**	**29,128**

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	**337**	**1,225**	**1,127**	**461**
Pre-tax profit	920	988	1,034	1,090
Tax	(167)	(247)	(259)	(273)
Deprec. & amort.	118	114	126	138
Associates	(351)	(309)	(339)	(371)
Working capital changes	(482)	759	645	(43)
Non-cash items	298	(81)	(81)	(81)
Investing	**(845)**	**(382)**	**(375)**	**(384)**
Capex (growth)	(324)	(267)	(275)	(284)
Investments	(8)	(115)	(100)	(100)
Proceeds from sale of assets	249	0	0	0
Others	(762)	0	0	0
Financing	**(325)**	**(523)**	**(195)**	**(209)**
Dividend payments	(271)	(264)	(277)	(290)
Issue of shares	0	0	0	0
Proceeds from borrowings	334	(341)	0	0
Others/interest paid	(387)	81	81	81
Net cash inflow (outflow)	**(832)**	**319**	**557**	**(131)**
Beginning cash & cash equivalent	**2,795**	**1,958**	**2,277**	**2,834**
Changes due to forex impact	(5)	0	0	0
Ending cash & cash equivalent	**1,958**	**2,277**	**2,834**	**2,702**

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	13.5	13.3	13.5	13.7
Pre-tax margin	17.7	18.5	18.8	19.2
Net margin	13.0	12.4	12.7	12.9
ROA	2.6	2.5	2.5	2.5
ROE	5.5	5.2	5.3	5.4
Growth				
Turnover	39.8	2.9	2.9	3.1
EBITDA	29.0	1.5	3.9	4.9
Pre-tax profit	98.3	7.4	4.7	5.4
Net profit	131.4	(1.9)	4.9	4.9
Net profit (adj.)	95.2	6.0	4.9	4.9
EPS	95.2	6.0	4.9	4.9
Leverage				
Debt to total capital	38.4	36.6	35.8	35.0
Debt to equity	67.4	62.7	60.7	58.8
Net debt/(cash) to equity	51.8	45.1	39.5	39.2
Interest cover (x)	(40.3)	7.3	7.5	7.8

UOBKH HIGHLIGHTS

Genting Plantations (GENP MK/BUY/RM5.48/Target: RM6.40)

3Q23: Within Expectations

3Q23 RESULTS

Year to 31 Dec	3Q23 (RMm)	qoq % chg	yoy % chg	9M23 (RMm)	yoy % chg	Comments
Revenue	775.8	(3.7)	(5.7)	2,166.0	(9.7)	
EBIT	137.0	23.0	34.5	312.4	(48.9)	
PBT	123.7	18.6	16.6	283.6	(54.4)	
Net Profit	80.5	13.5	10.0	190.3	(54.0)	
Core Net Profit	86.6	21.5	45.4	198.2	(49.2)	Within expectations
Segmental						
EBITDA:						
Plantation	207.9	12.1	29.1	514.8	(34.0)	
Property	7.8	34.5	(29.1)	23.4	8.2	
Downstream	(3.2)	(11.1)	(141.0)	4.1	(88.4)	
Margins:	**%**	**+/- ppt**	**+/- ppt**	**%**	**+/- ppt**	
EBITDA	27.5	4.2	6.5	24.8	(9.4)	
Operational Statistics						
FFB (tonne)	580,587	16.7	10.1	1,534,739	5.3	
CPO Price (RM/tonne)	3,409	(4.9)	1.2	10,613.0	148.1	
PK Price (RM/tonne)	1,776	(8.7)	(11.3)	5,740.0	85.6	

Source: GENP, UOB Kay Hian

SUMMARY EARNINGS FORECAST

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net Profit (Reported/Actual)	494.0	311.0	337.7	248.8
EPS (sen)	52.5	34.7	37.6	27.7
PE (x)	10.4	15.8	14.6	19.8
Dividend Yield (%)	5.6	2.8	2.9	2.2

RESULTS

- **Within expectations.** Genting Plantations' (GENP) 3Q23 core net profit came in at RM87m (+22% qoq, +45% yoy), bringing 9M23 core net profit to RM198m (-49% yoy). This is in line with our expectations, accounting for 65% of our full-year forecast.
- **Net profit was higher qoq and yoy in 3Q23** due largely to better FFB production which increased by 17% qoq and 10% yoy. Its Indonesia estates posted double-digit growth on the back of cyclical uptrend and better yield recovery from last year's stress. Higher production also led to lower cost per tonne for 3Q23, coupled with the utilisation of cheaper fertiliser vs 1H23. Downstream reported losses due to weaker sales volume and pricing on the back of intense competition from Indonesia.
- **9M23 net profit was down by 54% yoy** due to lower CPO and PK ASP (-18% yoy and -39% yoy) and higher fertiliser cost. FFB production was up 5% yoy, on track to meet management guidance of 5% yoy.

STOCK IMPACT

- **Production for 4Q23 could be flat to a marginal decrease.** The management mentioned that they still see strong production in Oct 23 and Nov 23, despite trees entering a low production cycle. This could be due to the depressing yield from its Indonesia estates over the last two years on due to the high rainfall.
- **Experienced dryness but not severe.** Indonesia estates did experience dryness in Aug 23 but rainfall was back in Sep 23 and Oct 23 with the exception of Central Kalimantan. In Malaysia, the dry spell was less than two months. Thus, management is not expecting any severe impact to its production in 2024, with FFB production growth of 5% yoy expected for 2024.
- **Downstream operations may continue to report a negative margin in 4Q23,** mainly due to lower utilisation rate and lower exports.
- **Positive trend expected from its premium outlets** as the management sees growth with better footfall. The year-end festive season should boost its 4Q23 contribution.
- **Property would see better contribution in 2024** with some residential launches in 4Q23 and the potential launch of its Industry Park in Batu Pahat.

EARNINGS REVISION

- **Maintain earnings for 2023-25** at RM311m, RM338m and RM249m respectively.

RECOMMENDATION

- **Upgrade to BUY with unchanged target price of RM6.40,** in view of the cheap valuation after the share price had weaken by 5% from its recent peak. We peg the valuation at 17x 2024F PE.

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UOBKH HIGHLIGHTS

TIME dotCom (TDC MK/BUY/RM5.16/Target: RM6.40)

3Q23: In Line With Expectations, Healthy EBITDA Margin

3Q23 RESULTS

Year to 31 Dec	3Q22 (RMm)	3Q23 (RMm)	qoq % chg	yoy % chg	9M23 (RMm)	yoy % chg
Revenue	**389.2**	**411.1**	**5.6**	**14.0**	**1,168s.7**	**10.4**
EBITDA	68.5	180.7	163.8	5.1	417.6	(14.7)
EBIT	**21.2**	**135.2**	**537.6**	**1.1**	**283.8**	**(25.2)**
Associates	6.9	9.1	32.1	36.4	23.1	33.5
PBT	35.2	149.8	325.7	8.0	317.3	(18.6)
Tax	(32.7)	(41.4)	26.5	17.3	(102.5)	5.8
Net Profit	2,264.7	106.6	(95.3)	(10.2)	2,484.0	658.1
Core Net Profit	**96.9**	**106.3**	**9.6**	**6.5**	**306.8**	**7.0**
Margins	%	%	+/- ppt	+/- ppt	%	+/- ppt
EBITDA	16.8	43.5	26.7	-1.70	34.9	-9.6
EBIT	5.4	32.9	27.5	-4.21	24.3	-11.6

Source: TIME, UOB Kay Hian

SUMMARY EARNINGS FORECAST

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net Turnover	1,576	1,679	1,808	1,984
EBITDA	758	782	817	858
Operating Profit	609	596	609	628
Net Profit (Reported/Actual)	428	440	500	524
Net Profit (Adjusted)	430	440	500	524
EPS (sen)	23.6	24.7	27.5	28.8
PE (x)	22.1	21.2	19.0	18.1
P/B (x)	3.1	2.4	2.4	2.5
EV/EBITDA (x)	11.4	11.1	10.6	10.1
Dividend Yield (%)	5.9	16.5	6.3	6.6

RESULTS

- **3Q23 core earnings in line with expectations.** TIME dotCom (TIME) recorded 3Q23 core net profit of RM106.3m (+7% yoy, +10% qoq). The strong yoy and qoq growth was mainly attributable to robust revenue across all segment with strongest growth coming from the retail (+19% yoy, +4% qoq) and enterprise (+17% yoy, +6%qoq) segments. alongside higher share of profit from associates (+36% yoy, +32% qoq). Note that AIMS was deconsolidated since 20 Apr 23 and thereafter was accounted for as a share of profits in a JV. This brings 9M23 core net profit to RM306.8m (+7% yoy), accounting for 69% of our full-year forecasts, in line with expectation. We expect stronger 4Q23 on the back of higher wholesale and enterprise solution revenue while maintaining healthy EBITDA margin of ~ 40%. We understand contribution from AIMS is likely lower yoy on the back of higher CAPEX to expand data centres. AIMS revenue and EBITDA continue to remain healthy in terms of growth trajectory.
- **Dividend outlook.** In view of the group net cash position of RM1.4b, we expect 2023-24 (normalised) net DPS of 32 sen/share, translating to a net dividend yield of 6%.
- **Retail.** 3Q23 retail revenue jumped 19% yoy and 4% qoq, driven by higher household penetration given the accelerated fibre network expansion. The group maintains its target to expand by an additional 250,000 home passes in 2023.
- **Cloud and other solutions.** Revenue rose 2% yoy but drop 3% qoq. The qoq dropped in revenue was driven by the absence of one-off non-recurring revenue of RM4.1m.
- **3Q23 core EBITDA margin rose 2.93ppt qoq to 43%.** The improvement in margin was mainly due to lower spend on network costs, leading to a 2.4ppt decline in cost-to-revenue ratio (to 69.5% from 72% in 2Q23), as well as positive operating leverage.

EARNINGS REVISION/RISK

- None.

VALUATION/RECOMMENDATION

- **Maintain BUY with a DCF-based target price of RM6.40 (WACC: 7%, terminal growth: 4%).** At our target price, the stock will trade at 14x 2023 EV/EBITDA, +2 SD from mean.
- **To replenish revenue lost from AIMS stake sale in 18-24 months.** Conservatively, we expect TIME to replenish the loss of revenue from the AIMS stake sale within 18-24 months. There is also a possibility that management can grow the core retail, DC and wholesale businesses quickly enough to "patch back" the loss of revenue in a year. The group continues to experience strong growth in retail, wholesale, DC and cloud computing segments.

ASSOCIATES' PERFORMANCE

		AIMS N1	CMC TELECOM	SYMPHONY
YTD Sep 23		30.00%	45.27%	46.84%
As Reported by Investee	Revenue	102.1	339.5	192.0
	Profit/(Loss) After Tax and Other Comprehensive Income	8.4	20.9	23.6
Time's Shares in Proportion To Its Interest	Share of Profit on Investment of Associates	2.5	9.5	11.1
Total Share of Profit on Investment of Associates		23.1		

Notes:
1) Regarding AIMS:
   - Following the divestment of stakes in AIMS Data Centre Holdings Sdn Bhd and AIMS Thailand, the Group reports AIMS' financial results up to 20 April 2023 as discontinued operations. Thereafter, reported as a share of profits in a joint venture. AIMS's share of profits only reflects from May 2023 onwards
   - The 30% holding is the underlying economic interest of Time in AIMS
2) Numbers are in RM millions

Source: TIME

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UOBKH HIGHLIGHTS

Uzma (UZMA MK/BUY/RM0.83/Target: RM0.92)

1QFY24: HWUs Shine

1QFY24 RESULTS

Year to 30 Jun	1QFY24 (RMm)	qoq % chg	yoy % chg	Remarks
Revenue	**151.2**	**19.3**	**24.1**	
- Oil & Gas	177.5	27.7	37.7	Boost from HWUs and coiled tubing (CT)
- New Energy, Digital	0.5	(66.9)	(86.0)	Rising costs
EBIT	**25.4**	**99.5**	**41.7**	
- Oil & Gas	38.0	31.9	35.5	Better margin leverage from more O&G
- New Energy, Digital	0.1	(111.8)	(96.9)	Non-O&G still at the start of the
Operating Margin (%)	16.8%	6.7%	2.1%	
Impairment Loss	0.0	0.0%	n.a.	
Net Finance Cost	(2.8)	17.4	(44.1)	Higher interest rate
Associates	0.2	(89.7)	(125.1)	
PBT	**20.4**	**67.7**	**67.8**	
Tax	(6.3)	751.2	178.5	
Net Profit	**11.9**	**11.9**	**35.2**	
Core Profit	**14.3**	**33.0**	**21.3**	Excluding net forex loss
EPS (sen)	1.2			
DPS (sen)	-			

Source: Uzma, UOB Kay Hian

SUMMARY EARNINGS FORECAST

Year	EPS (sen)	Revision (%)	DPS (sen)	PE (x)
2024F	8.9	-	-	9.4
2025F	8.0	-	-	10.2
2026F	8.0	-	-	10.2

RESULTS

- **1QFY24 core profit was above expectations,** at 41%/33% of our/consensus' full-year forecasts. This was mainly due to higher activity rollout, and hence higher utilisation for Uzma's key O&G assets ie hydraulic workover units (HWU) and coiled tubing (CT) fleets. Integrated well services (IWS) revenue increased notably qoq and now contributes about 61% of revenue mix, followed by production services (PS) (37% of revenue mix).
- **Net gearing 0.67x unchanged qoq.** The ratio included RM42m perpetual sukuk. As of latest disclosure, Uzma's orderbook for O&G-related works was boosted yoy from RM2b to RM2.4b. The bulk of the O&G orderbook was for well solutions (at RM0.9b), with the remainder for production solutions (RM0.65b). Some of the bidbook, like HWUs, may require Uzma to acquire more HWUs given the increased demand for workover in the region.
- **Non-O&G updates.** The 50MW Large Scale Solar 4 (LSS4) project has progressed positively with the development order obtained from Majlis Perbandaran Sungai Petani (MPSPK) on 28 May 22. Subsequently, the project received the Earthwork Plan Approval from MPSPK on 12 Jun 23. The project achieved Financial Close in Jul 23. The project has made significant progress with solar panel installation works and construction of interconnection facilities having started. In addition, Uzma also secured several Net Energy Metering (NEM) and Corporate Green Power Programme (CGPP) contracts

EARNINGS REVISION

- **Maintain FY24-26 earnings forecasts of RM34m/RM30m/RM31m.** While we like Uzma's diversification strategy, given its past track record of volatile earnings delivery, we assume the development timefame will incur costs. Hence, our forecasts are below consensus, but we see the fundamental recovery to be strong in the long term. If execution remains on track, Uzma continues to be a major beneficiary of near-term O&G works, and its nimble efforts on diversification should reward Uzma over the long-term energy transition. That said, along with the robust high demand of maintenance and production enhancement works in the O&G segment in the near term, there is a high possibility of forecast upgrade towards 1HFY24 horizon.

RECOMMENDATION

- **Maintain BUY with target price of RM0.92m,** based on an unchanged valuation of 10x FY24F PE. We now see more upside in share price as the LSS4 concerns are removed, while near-term O&G demand is strong. Ultimately, these also hinge on Uzma to consistently and sustainably maintain its earnings execution, in order for the stock price to recover to >RM0.90.

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TRADERS' CORNER

Source: UOBKH ChartGenie

D&O Green Technologies (D&O MK)

Technical BUY with +38.0% potential return

Last price: RM3.58

Target price: RM3.92, RM4.94

Support: RM3.17

Stop-loss: RM3.16

BUY with a target price of RM4.94 and stop-loss at RM3.16. Based on the daily chart, D&O has penetrated the breakout level, and closed higher at RM3.58 with high trading volume yesterday. This is supported by an uptick in RSI. Positive readings in both the DMI and MACD should translate into stronger momentum for share price. We peg our targets at RM3.92 and RM4.94 in the near to medium term.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading

Source: UOBKH ChartGenie

Deleum (DLUM MK)

Technical BUY with +14.7% potential return

Last price: RM1.02

Target price: RM1.05, RM1.17

Support: RM0.975

Stop-loss: RM0.97

BUY with a target price of RM1.17 and stop-loss at RM0.97. Based on the daily chart, share price has since consolidated and yesterday's closing placed DLUM in new territory, suggesting renewed buying interest, which in our view will establish a new up-leg. This is supported by the MACD and DMI, which are both currently on a bullish crossover. We peg our targets at RM1.05 and RM1.17 in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

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