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## GREATER CHINA

### Economics

#### Inflation

Oct 23 inflation lower on pockets of weakness in consumer demand.

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### Results

#### Galaxy Entertainment Group (27 HK/BUY/HK\$44.10/Target: HK\$57.00)

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3Q23: Luck-adjusted EBITDA in line; expect higher opex to meet growing demand.

#### Li Auto (2015 HK/BUY/HK\$154.90/Target: HK\$312.00)

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3Q23: Net profit up 23% qoq to Rmb2.823b, 28% above consensus. Maintain BUY. Target price: HK\$312.00.

## INDONESIA

### Results

#### Ace Hardware Indonesia (ACES IJ/BUY/Rp825/Target: Rp1,000)

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3Q23: Strong and in line with NPAT growing 67.8% yoy.

## MALAYSIA

### Results

#### Westports Holdings (WPRTS MK/BUY/RM3.38/Target: RM4.10)

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3Q23: High-yield gateway volume surprised on the upside, showing it has more room for growth. We also see near-term trade opportunities on the new concession. Upgrade to BUY.

### Update

#### Bermaz Auto (BAUTO MK/BUY/RM2.48/Target: RM2.86)

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Outlook remains stable beyond seasonal sales moderation in 2Q-3QFY24.

## SINGAPORE

### Results

#### Food Empire (FEH SP/BUY/S\$1.11/Target: S\$1.63)

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3Q23: Results beat expectations as demand still reigns in core markets; raise target price by 20%.

#### Singapore Telecommunications (ST SP/BUY/S\$2.40/Target: S\$3.15)

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1HFY24: Results in line. We are positive on the company as management signals higher dividend policy going forward.

#### United Hampshire US REIT (UHU SP/BUY/US\$0.38/Target: US\$0.60)

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3Q23: Resilient and attractive yield from strip centres with long WALE.

### Update

#### CapitaLand Investment (CLI SP/BUY/S\$3.03/Target: S\$3.90)

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3Q23 business update showed short-term headwinds, but there should still be a growth story in 2024. Maintain BUY with lower target price of S\$3.90.

## THAILAND

### Results

#### Minor International (MINT TB/BUY/Bt27.75/Target: Bt38.00)

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3Q23: Earnings remain solid.

#### Muangthai Capital (MTC TB/HOLD/Bt39.75/Target: Bt40.00)

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3Q23: Results beat, but gloomy outlook persists.

#### PTT Oil & Retail Business (OR TB/BUY/Bt18.70/Target: Bt23.00)

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3Q23: Net profit up both qoq and yoy.

## KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	33891.9	(0.6)	0.2	0.9	2.2
S&P 500	4347.4	(0.8)	0.7	0.3	13.2
FTSE 100	7455.7	0.7	0.1	(0.5)	0.1
AS30	7215.1	0.2	1.7	(0.2)	(0.1)
CSI 300	3612.8	0.0	1.6	(1.2)	(6.7)
FSSTI	3135.3	0.2	1.7	(2.0)	(3.6)
HSCEI	6030.3	(0.2)	2.0	(0.4)	(10.1)
HSI	17511.3	(0.3)	1.6	(0.9)	(11.5)
JCI	6838.2	0.5	1.3	(1.2)	(0.2)
KLCI	1452.3	(0.4)	0.9	1.2	(2.9)
KOSPI	2427.1	0.2	3.6	1.0	8.5
Nikkei 225	32646.5	1.5	3.3	2.8	25.1
SET	1405.0	(0.5)	0.1	(2.1)	(15.8)
TWSE	16745.7	0.0	2.1	1.4	18.4
BDI	1598	4.4	15.4	(19.7)	5.5
CPO (RM/mt)	3653	0.1	1.3	2.1	(9.8)
Brent Crude (US\$/bbl)	80	0.5	(8.0)	(9.3)	(7.0)

Source: Bloomberg

## TOP PICKS

	Ticker	CP (1cy)	TP (1cy)	Pot. +/- (%)
BUY				
Anta Sports	2020 HK	91.00	128.00	40.7
BYD	1211 HK	246.00	630.00	156.1
Bank Neo Commerce	BBYB IJ	252.00	390.00	54.8
Bumi Serpong	BSDE IJ	1,020.00	1,420.00	39.2
HM Sampoerna	HMSP IJ	955.00	1,300.00	36.1
My EG Services	MYEG MK	0.79	1.18	50.3
Yinson	YNS MK	2.42	3.75	55.0
OCBC	OCBC SP	13.06	17.65	35.1
CP ALL	CPALL TB	55.00	78.00	41.8
Indorama	IVL TB	25.50	30.00	17.6

## KEY ASSUMPTIONS

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

Source: Bloomberg, UOB ETR, UOB Kay Hian

## CORPORATE EVENTS

	Venue	Begin	Close
Expert Talk (Virtual) on China GBA Property Market	Hong Kong	16 Nov	16 Nov
Regional 1H2024 Strategy Conference	Malaysia	6 Dec	6 Dec

### ECONOMICS – CHINA

#### Inflation

Oct 23 Inflation Lower On Pockets Of Weakness In Consumer Demand

**October CPI inflation came in at -0.2% yoy, slightly below market expectations and September level. Weaker food and core CPI inflation contributed to the declines in October. Prices of daily necessities saw bigger declines yoy, while inflation in the recreation and education category, which has been the strongest, also slowed. Upstream inflation was at -2.6% yoy, mainly lower due to a bigger fall in the prices of consumer goods.**

#### OUR VIEWS

- October consumer price inflation came in at -0.2% yoy**, below Bloomberg consensus forecast of -0.1% yoy and September's 0.0% yoy. Both services and core inflation edged lower on a yoy basis, while goods CPI and food CPI inflation fell to -1.1% yoy and -4.0% yoy respectively. Inflation in daily necessities and services fell to -0.6% yoy, while recreation and educational category, which has been the strongest, also saw inflation drop by 0.2ppt.
- PPI fell 2.6% yoy over the same period**, above Bloomberg consensus forecast of -2.7% yoy, but slightly below September's -2.5% yoy. The decline in producer goods PPI stayed at -3.0% yoy, helped by smaller yoy declines in global commodity prices. However, consumer goods PPI fell 0.9% yoy, down from -0.3% yoy a month ago as inflation in food, clothing, daily used articles and durable consumer goods all fell. Thus, consumer demand is likely to have weakened over this period, despite the relatively stable headline inflation data.

#### CPI

(yoy % chg)	Oct 23	ppt chg	Sep 23	Aug 23
Headline CPI	-0.2	-0.2	0.0	0.1
Food	-4.0	-0.8	-3.2	-1.7
Core CPI	0.6	-0.2	0.8	0.8
Goods	-1.1	-0.2	-0.9	-0.7
Services	1.2	-0.1	1.3	1.3
Food, Tobacco And Liquor	-2.1	-0.6	-1.5	-0.5
Clothing	1.1	0.0	1.1	1.1
Residence	0.3	0.1	0.2	0.1
Daily Necessities And Services	-0.6	-0.2	-0.4	-0.5
Transportation And Communication	-0.9	0.4	-1.3	-2.1
Recreational, Educational And Cultural Articles	2.3	-0.2	2.5	2.5
Medical-Related Articles	1.3	0.0	1.3	1.2
Other Products And Services	3.6	-0.3	3.9	3.8

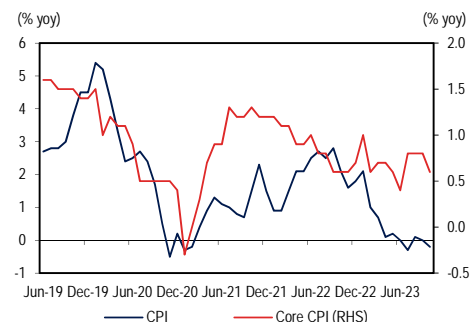
Source: NBS, Wind, UOB Kay Hian

#### PPI

(yoy % chg)	Oct 23	ppt chg	Sep 23	Aug 23
Headline PPI	-2.6	-0.1	-2.5	-3.0
Producer Goods	-3.0	0.0	-3.0	-3.7
Mining And Quarrying	-6.2	1.2	-7.4	-9.9
Raw Materials	-2.3	0.5	-2.8	-4.0
Processing	-3.0	-0.2	-2.8	-3.1
Consumer Goods	-0.9	-0.6	-0.3	-0.2
Food	-1.2	-0.9	-0.3	-0.2
Clothing	0.4	-0.4	0.8	1.0
Articles For Daily Use	0.4	-0.3	0.7	0.6
Durable Consumer Goods	-2.0	-0.8	-1.2	-1.2
Purchasing Price Index	-3.7	-0.1	-3.6	-4.6
Fuel And Power	-6.7	0.3	-7.0	-9.1
Ferrous Metal Materials	-2.1	1.3	-3.4	-5.6
Non-Ferrous Metal Materials And Wires	3.7	-0.5	4.2	2.6
Chemical Raw Materials	-6.3	1.0	-7.3	-10.4
Wood And Pulp	-7.1	0.0	-7.1	-6.6
Building Materials And Non-Metallic	-7.3	-0.7	-6.6	-6.0
Other Industrial Raw Materials And Semi-Products	-2.0	-0.2	-1.8	-1.8
Agricultural And Sideline Products	-6.2	-2.0	-4.2	-3.7
Textile Raw Materials	-0.7	0.6	-1.3	-2.4

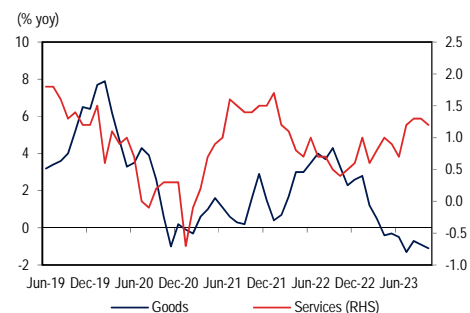
Source: NBS, Wind, UOB Kay Hian

#### CPI AND CORE CPI



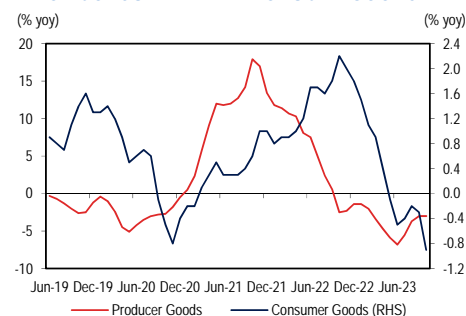
Source: National Bureau of Statistics of China (NBS), Wind, UOB Kay Hian

#### GOODS AND SERVICES INFLATION



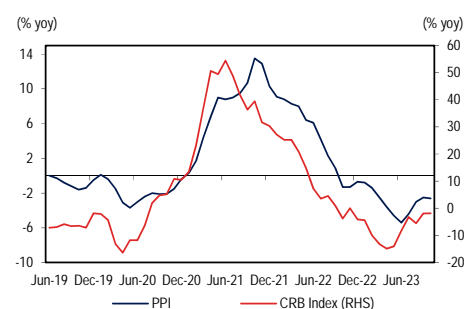
Source: NBS, Wind, UOB Kay Hian

#### PPI OF CONSUMER AND PRODUCER GOODS



Source: NBS, Wind, UOB Kay Hian

#### PPI AND CRB COMMODITY INDEX



Source: NBS, Wind, UOB Kay Hian

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## COMPANY RESULTS

### Galaxy Entertainment Group (27 HK)

3Q23: Luck-adjusted EBITDA In Line; Expect Higher Opex To Meet Growing Demand

**3Q23 luck-adjusted EBITDA is in line with our and consensus estimates. GGR growth outperformed the market in 3Q23, thanks to new property launches and the number of concerts held. Galaxy has gained more market share qtd, with mass GGR exceeding 10-20% vs 2019's level. To better satisfy growing demand in 4Q23, we expect Galaxy to incur a higher opex, as well as to reallocate tables from the Peninsula to Galaxy Macau. Maintain BUY. Trim target price to HK\$57.00 as we lift 2024 opex assumptions.**

#### 3Q23 RESULTS

Year to 31 Dec (HK\$m)	3Q19	3Q22	2Q23	3Q23	yoy chg	qoq chg	% of 3Q19
Net revenue	12,710	2,034	8,661	9,650	374.4%	11.4%	75.9%
Adjusted EBITDA	4,112	-581	2,473	2,768	-	11.9%	67.3%
EBITDA margin	32.4%	-28.6%	28.6%	28.7%	57.2pts	0.1pts	-
Gross Gaming Revenue	14,329	918	7,659	8,746	852.7%	14.2%	61.0%
VIP Revenue	6,369	56	931	813	1351.8%	-12.7%	12.8%
Mass Revenue	7,319	798	6,285	7,441	832.5%	18.4%	101.7%
Slot Revenue	641	64	443	492	668.8%	11.1%	76.8%
- VIP Rolling Chip Volume	160,269	2,782	29,054	32,459	1066.8%	11.7%	20.3%
Win Rate	4.0%	2.0%	3.2%	2.5%	0.5pts	-0.7pts	-
- Mass Market Chip Drop	30,424	3,301	26,254	29,906	806.0%	13.9%	98.3%
Hold Rate	24.1%	24.2%	23.9%	24.9%	0.7pts	0.9pts	-

Source: Galaxy Entertainment, UOB Kay Hian

#### RESULTS

- 3Q23 luck-adjusted EBITDA in line with our expectation.** Galaxy Entertainment Group (Galaxy) reported adjusted EBITDA of HK\$2,768m in 3Q23 (+12% qoq; 67% of 3Q19's), which was 3% below our and consensus' estimates. On a luck normalised basis, adjusted EBITDA was HK\$2,890m, 1% above our and consensus' estimates.
- Mass GGR sequentially grew 18% qoq in 3Q23.** Gross gaming revenue (GGR) was HK\$8,746m in 3Q23 (+14% qoq; 61% of 3Q19's), of which VIP/Mass/Slot GGR was HK\$813m/HK\$7,441m/HK\$492m (-13% qoq/+18% qoq/+11% qoq; 13%/102%/77% of 3Q19's), respectively. Revenue from mall rental in 3Q23 was HK\$379m (114% of 2019's level).
- Solid cash position.** As of end-Sep 23, cash and liquid investments stood at HK\$24.8b (vs HK\$24.4b as of end-Jun 23). Net cash position was higher at HK\$23.3b (vs HK\$22b as of end-Jun 23).

#### KEY FINANCIALS

Year to 31 Dec (HK\$m)	2021	2022	2023F	2024F	2025F
Net turnover	19,696	11,474	39,967	48,814	53,554
EBITDA	3,537	(553)	10,968	15,811	17,471
Operating profit	253	(3,884)	7,815	12,917	14,394
Net profit (rep./act.)	1,326	(3,434)	8,277	12,920	15,031
Net profit (adj.)	1,326	(3,434)	8,277	12,920	15,031
EPS (sen)	30.4	(78.7)	189.7	296.2	344.6
PE (x)	145.0	n.m.	23.2	14.9	12.8
P/B (x)	2.8	3.0	2.8	2.4	2.2
EV/EBITDA (x)	50.1	n.m.	16.2	11.2	10.1
Dividend yield (%)	0.7	0.0	1.3	2.0	2.3
Net margin (%)	6.7	(29.9)	20.7	26.5	28.1
Net debt/(cash) to equity (%)	(17.5)	(10.2)	(23.3)	(19.3)	(15.5)
ROE (%)	2.0	n.a.	12.4	17.4	17.9
Consensus net profit	-	-	8,584	13,113	15,893
UOBKH/Consensus (x)	-	-	0.96	0.99	0.95

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

## BUY

(Maintained)

Share Price	HK\$44.10
Target Price	HK\$57.00
Upside	+29.3%
(Previous TP)	HK\$60.50

#### COMPANY DESCRIPTION

Galaxy Entertainment Group is one of the six concessions which operate casinos in Macau. The company also manufactures, sells, and distributes construction materials.

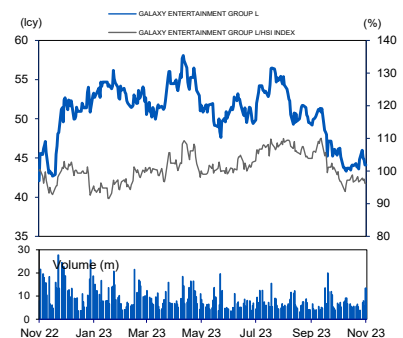
#### STOCK DATA

GICS sector	Consumer Discretionary				
Bloomberg ticker:	27 HK				
Shares issued (m):	4,373.6				
Market cap (HK\$m):	192,875.2				
Market cap (US\$m):	24,701.0				
3-mth avg daily t'over (US\$m):	40.4				
<b>Price Performance (%)</b>					
52-week high/low		HK\$58.07/HK\$42.09			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>	
(2.8)	(19.0)	(13.5)	3.0	(14.2)	

#### Major Shareholders

	%
City Lion Profits Corp	22.3
Lui Che Woo	9.1
FY23 NAV/Share (US\$)	15.98
FY23 Net Cash/Share (US\$)	3.73

#### PRICE CHART



Source: Bloomberg

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### STOCK IMPACT

- **Galaxy gained market share qtd (vs 18.5% in 3Q23)**, with mass GGR reaching 110-120% of 2019's level (vs 102% in 3Q23), which we attribute it to the launch of Raffles (Aug 23) and Andaz (mid-Sep 23), as well as concerts being held. The casino performance in Raffles has logged in the highest rolling drop and hold rates among all premium mass areas, according to management. The company intends to expand the casino areas next to Raffles in the coming few quarters, likely at the expense of StarWorld's table inventory (-54 tables as of end-3Q23).
- **Planning to reposition StarWorld.** The company explained that StarWorld has undergone casino floor layout changes during mid-Aug 23 to end-Sep 23, which resulted in slower EBITDA ramp-up in 3Q23 (-4.1% qoq). We expect a better performance in 4Q23 as operations have normalised in Oct 23. The company also sees unique opportunities to reposition its StarWorld property in Peninsula, which will take about one year to complete.
- **Expect higher opex run rate in 4Q23.** The daily opex run rate (c.US\$3.1m) is currently at 90% of pre-pandemic level, which we expect it to rise alongside higher frontline headcounts. Andaz has only ramped up to c.43% of full room capacity (700 rooms), and management expects rooms to be in full operation by Chinese New Year in 2024. Nevertheless, management expects >1,000 headcounts would be saved, vs pre-pandemic times, after the full opening of hotels and amenities.

### EARNINGS REVISION/RISK

- **Changes to earnings forecasts.** We lower our EBITDA estimates for 2024 and 2025 by 8% and 7% respectively as we increase our opex assumptions. We keep earnings for 2023 unchanged.

### VALUATION/RECOMMENDATION

- **Maintain BUY and lower target price to HK\$57.00.** We like Galaxy for its premium mass positioning and strong net cash position. Moreover, its strong presence in premium non-gaming amenities is poised to attract visitation in the coming quarters. Our target price is now based on 14.5x 2024F EV/EBITDA.

### INDIVIDUAL CASINO PERFORMANCE

(HK\$m)	3Q19	3Q22	2Q23	3Q23	qoq % chg	yoy % chg	% of 3Q19
<b>GALAXY MACAU</b>							
Net revenue	9,315	1,072	6,550	7,628	16.5%	611.6%	81.9%
Property EBITDA	3,172	(299)	2,172	2,562	18.0%	-	80.8%
EBITDA Margin (%)	34.1%	-27.9%	33.2%	33.6%	0.4 ppt	-	98.6%
VIP GGR	4,805	56	931	778	-16.4%	1289.3%	16.2%
VIP Rolling Chip Volume	110,279	2,782	29,054	31,090	7.0%	1017.5%	28.2%
VIP Win Rate (%)	4.4%	2.0%	3.2%	2.5%	-0.7 ppt	0.5 ppt	-
Mass GGR	5,129	641	5,038	6,197	23.0%	866.8%	120.8%
Mass Drop Volume	18,403	2,422	19,146	22,812	19.1%	841.9%	124.0%
Mass Win Rate (%)	2787%	26%	26%	27%	0.9 ppt	0.7 ppt	-
Slot GGR	523	52	379	411	8.4%	690.4%	78.6%
Slot Handle	11,359	1,021	8,414	10,188	21.1%	897.8%	89.7%
Slot Win Rate (%)	4.6%	5.1%	4.5%	4.0%	-0.5 ppt	-1.1 ppt	-
<b>STARWORLD MACAU</b>							
Net revenue	2,521	158	1,223	1,228	0.4%	677.2%	48.7%
Property EBITDA	828	(169)	362	347	-4.1%	-	41.9%
EBITDA Margin (%)	32.8%	-107.0%	29.6%	28.3%	-1.3 ppt	-	86.0%
VIP GGR	1,394	0	0	35	-	-	2.5%
VIP Rolling Chip Volume	49,990	0	0	1,369	-	-	2.7%
VIP Win Rate (%)	2.8%	-	-	2.6%	-	-	-
Mass GGR	1,694	144	1,206	1,204	-0.2%	736.1%	71.1%
Mass Drop Volume	8,915	795	6,842	6,830	-0.2%	759.1%	76.6%
Mass Win Rate (%)	19%	18%	18%	18%	0 ppt	-0.5 ppt	-
Slot GGR	55	6	48	62	29.2%	933.3%	112.7%
Slot Handle	2,226	228	2,250	2,981	32.5%	1207.5%	133.9%
Slot Win Rate (%)	2.5%	2.6%	2.1%	2.1%	-0.1 ppt	-0.6 ppt	-
<b>BROADWAY MACAU</b>							
Net revenue	141	10	23	24	4.3%	140.0%	17.0%
Property EBITDA	2	(16)	(10)	(14)	-	-	-
<b>CITY CLUB</b>							
Net revenue	33	19	56	57	1.8%	200.0%	172.7%
Property EBITDA	33	(26)	4	5	25.0%	-	15.2%

Source: Galaxy, UOB Kay Hian

**PROFIT & LOSS**

Year to 31 Dec (HK\$m)	2022	2023F	2024F	2025F
Net turnover	11,473.8	39,966.7	48,813.7	53,553.6
EBITDA	(552.8)	10,968.3	15,811.2	17,470.6
Deprec. & amort.	3,331.0	3,153.8	2,894.3	3,076.5
EBIT	(3,883.8)	7,814.5	12,916.8	14,394.1
Associate contributions	(89.6)	(91.4)	(94.2)	(97.0)
Net interest income/(expense)	621.1	662.3	818.7	993.3
Pre-tax profit	(3,352.3)	8,385.4	13,641.3	15,290.4
Tax	(95.9)	(83.9)	(682.1)	(183.5)
Minorities	14.4	(24.9)	(38.9)	(75.5)
Net profit	(3,433.8)	8,276.6	12,920.4	15,031.4
Net profit (adj.)	(3,433.8)	8,276.6	12,920.4	15,031.4

**CASH FLOW**

Year to 31 Dec (HK\$m)	2022	2023F	2024F	2025F
Operating	(3,091.9)	24,526.1	19,585.9	19,870.3
Pre-tax profit	(3,352.3)	9,112.9	14,514.4	16,338.1
Tax	(96.5)	(83.9)	(682.1)	(183.5)
Deprec. & amort.	2,088.3	2,017.3	1,948.9	2,283.9
Associates	89.6	91.6	94.4	97.2
Working capital changes	(1,579.6)	14,115.6	4,583.3	2,382.3
Non-cash items	(627.8)	(727.6)	(873.1)	(1,047.7)
Other operating cashflows	386.4	0.0	0.0	0.0
Investing	3,035.4	(12,290.3)	(16,748.3)	(16,748.3)
Capex (growth)	(5,062.7)	(12,052.5)	(16,748.3)	(16,748.3)
Investments	(14.5)	0.0	0.0	0.0
Proceeds from sale of assets	62.0	0.0	0.0	0.0
Others	8,050.7	(237.7)	0.0	0.0
Financing	(43.4)	(4,734.6)	(3,876.1)	(4,509.4)
Dividend payments	(1,351.4)	(2,483.0)	(3,876.1)	(4,509.4)
Issue of shares	256.2	0.0	0.0	0.0
Proceeds from borrowings	11,077.1	0.0	0.0	0.0
Loan repayment	(9,938.6)	(2,251.6)	0.0	0.0
Others/interest paid	(86.8)	0.0	0.0	0.0
Net cash inflow (outflow)	(99.9)	7,501.2	(1,038.6)	(1,387.4)
Beginning cash & cash equivalent	13,606.7	13,495.8	20,997.0	19,958.5
Changes due to forex impact	515.9	527.0	527.0	527.0
Ending cash & cash equivalent	14,022.7	21,524.0	20,485.4	19,098.0

**BALANCE SHEET**

Year to 31 Dec (HK\$m)	2022	2023F	2024F	2025F
Fixed assets	50,330.1	60,719.7	75,641.9	90,229.2
Other LT assets	12,719.0	12,504.6	12,287.4	12,067.3
Cash/ST investment	14,022.7	21,524.0	20,485.4	19,098.0
Other current assets	3,889.4	7,731.7	8,768.5	9,324.9
<b>Total assets</b>	<b>80,961.3</b>	<b>102,479.9</b>	<b>117,183.2</b>	<b>130,719.5</b>
ST debt	7,511.5	5,253.7	5,253.7	5,253.7
Other current liabilities	7,787.5	25,745.4	31,365.5	34,304.2
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	1,197.0	1,197.0	1,197.0	1,197.0
Shareholders' equity	63,913.9	69,707.6	78,751.8	89,273.8
Minority interest	551.4	576.3	615.2	690.7
<b>Total liabilities &amp; equity</b>	<b>80,961.3</b>	<b>102,479.9</b>	<b>117,183.2</b>	<b>130,719.5</b>

**KEY METRICS**

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	(4.8)	27.4	32.4	32.6
Pre-tax margin	(29.2)	21.0	27.9	28.6
Net margin	(29.9)	20.7	26.5	28.1
ROA	n.a.	9.0	11.8	12.1
ROE	n.a.	12.4	17.4	17.9
<b>Growth</b>				
Turnover	(41.7)	248.3	22.1	9.7
EBITDA	(115.6)	n.a.	44.2	10.5
Pre-tax profit	(320.4)	n.a.	62.7	12.1
Net profit	(358.9)	n.a.	56.1	16.3
Net profit (adj.)	(358.9)	n.a.	56.1	16.3
EPS	(358.9)	n.a.	56.1	16.3
<b>Leverage</b>				
Debt to total capital	10.4	7.0	6.2	5.5
Debt to equity	11.8	7.5	6.7	5.9
Net debt/(cash) to equity	(10.2)	(23.3)	(19.3)	(15.5)
Interest cover (x)	(4.8)	27.4	32.4	32.6



## COMPANY RESULTS

### Li Auto (2015 HK)

3Q23: Net Profit Up 23% qoq To Rmb2.823b, 28% Above Consensus

Li Auto posted upbeat 3Q23 results with net profit growing 23% qoq to Rmb2.823b on delivery growth and margin improvement. Looking ahead, management guides for 4Q23 deliveries of between 125,000 units (+170% yoy/+19% qoq) and 128,000 units (+176% yoy/+22% qoq) and revenue of between Rmb38.46b (+118% yoy/+11% qoq) and Rmb39.38b (+123% yoy/+14% qoq). We raise 2023 net profit forecast by 7% and keep those for 2024-25 unchanged. Maintain BUY. Target price: HK\$312.00.

#### 3Q23 RESULTS

Year to 31 Dec (Rmbm)	3Q22	2Q23	3Q23	yoy % chg	qoq % chg	9M23	yoy % chg
Deliveries ('000 units)	26,524	86,533	105,108	296.3	21.5	244,225	181.0
Revenue	9,342	28,653	34,679	271.2	21.0	82,119	197.1
Gross profit	1,182	6,235	7,644	546.8	22.6	17,710	239.0
Gross margin (%)	12.7	21.8	22.0	9.4	0.3	21.6	2.7
EBIT	(2,130)	1,626	2,339	(209.8)	43.9	4,370	n.a
EBIT margin (%)	(1.3)	5.7	6.7	(636.3)	18.9	5.3	18.1
Net profit / (loss)	(1,640)	2,293	2,823	n.a.	23.1	6,050	n.a.
Net margin (%)	(17.6)	8.0	8.1	25.7	0.1	7.4	15.6
Operating cash flow	(508)	11,112	14,507	(2,953.9)	30.5	33,399	1,260.5
FCF	(1,959)	9,621	13,225	(775.2)	37.5	29,548	n.a.

Source: Li Auto, UOB Kay Hian

#### RESULTS

- **3Q23 earnings up 23% qoq, in line.** Li Auto Inc (Li Auto) posted 3Q23 net profit of Rmb2.823b (+23% qoq), roughly in line with our estimate of Rmb2.8b and 28% above consensus estimate of Rmb2.2b. Net profit reached Rmb6.05b in 9M23, representing 70% of our estimated 2023 net profit of Rmb8.7b and 75% of consensus' 2023 net profit of Rmb8.1b.
- **Deliveries beat guidance.** Li Auto's deliveries quadrupled yoy and grew 21.5% qoq to 105,775 units in 3Q23, beating management's guidance of 100,000-103,000 units. The buoyant sales growth was driven by L9 and L8. Monthly deliveries of L9 and L8 grew 51%/40% qoq to 32,242 units/33,735 units in 3Q23.
- **ASP remained flat qoq at Rmb320,000 units, albeit down 6%,** with the launch of the cheaper L7 dragging down overall ASP.

#### KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	27,010	45,287	124,284	192,964	279,491
EBITDA	(427)	(2,441)	10,839	16,600	23,717
Operating profit	(1,017)	(3,655)	8,699	13,556	19,707
Net profit (rep./act.)	(321)	(2,012)	9,278	14,577	21,285
Net profit (adj.)	(321)	(2,012)	9,278	14,577	21,285
EPS (sen)	(15.6)	(96.5)	445.1	699.3	1,021.1
PE (x)	n.a.	n.a.	30.3	19.3	13.2
P/B (x)	6.8	6.3	5.2	4.1	3.1
EV/EBITDA (x)	n.a.	n.a.	23.6	15.4	10.8
Dividend yield (%)	-	-	-	-	-
Net margin (%)	(1.2)	(4.4)	7.5	7.6	7.6
Net debt/(cash) to equity (%)	(103.1)	(103.0)	(146.1)	(166.6)	(181.7)
Interest cover (x)	n.a.	4.2	39.4	61.4	89.3
ROE (%)	(0.9)	(4.7)	18.7	23.7	26.8
Consensus net profit	-	-	8,099	13,967	21,170
UOBKH/Consensus (x)	-	-	1.15	1.04	1.01

Source: Li Auto, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	HK\$154.90
Target Price	HK\$312.00
Upside	+101.2%

#### COMPANY DESCRIPTION

Li Auto Inc develops and manufactures smart electric vehicles under the brand Lixiang.

#### STOCK DATA

GICS sector	Automobile
Bloomberg ticker:	2015 HK
Shares issued (m):	2,085
Market cap (HK\$m):	322,901
Market cap (US\$m):	41,398
3-mth avg daily t'over (US\$m):	126.3
Price Performance (%)	

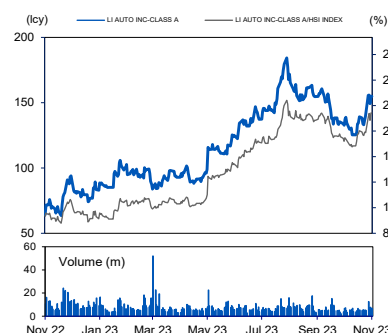
52-week high/low HK\$185.50/HK\$62.20

1mth	3mth	6mth	1yr	YTD
15.7	(7.6)	61.3	124.5	101.7

#### Major Shareholders

	%
Mr. Li Xiang	21.4
Mr. Wang Xing	18.0
FY23 NAV/Share (HK\$)	29.0
FY23 Net Cash/Share (HK\$)	41.7

#### PRICE CHART



Source: Bloomberg

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- **3Q23 revenue grew 271% yoy and 21% qoq to Rmb34.68b**, beating guidance of Rmb32.33b-33.33b, due to upbeat deliveries and steady ASP.
- **3Q23 earnings beat lies in margins.** Gross margin improved by 0.3ppt qoq to 22% in 3Q23, due to halt of the production of the lower-margin Li ONE. Due to the improvement in gross margin and drop in expense ratio as a percentage of revenue, EBIT margin rose 1.1ppt qoq to 6.7%.
- **Strong cash flows.** Operating cash flow and free cash flow surged by 31%/37% qoq to Rmb14.5b/Rmb13.2b in 3Q23. This boosted net cash by 27% qoq to a record of Rmb80.2b as of 30 Sep 23.

#### STOCK IMPACT

- **We raise our delivery estimates for 2023 by 6%** to 370,000 units and keep those for 2024-25 at 580,000 units/840,000 units respectively, based on the upbeat 3Q23 deliveries and 4Q23 guidance of 125,000-128,000 units. These compare with the company's delivery targets of 600,000 units and 1.2m units for 2024-25. Due to capacity expansion at the Changzhou Plant, Li Auto's deliveries grew to over 40,000 units in Oct 23. Going forward, Li Auto's deliveries will be driven by the launches of new models. It will roll out eight new models from now till 2025, including Mega, L6 and others. By 2025, Li Auto targets to have 11 models in total, including six battery electric vehicle (BEV) models and five extended range electric vehicle (EREV) models. These models will include mid- to large-sized SUVs, MPVs or crossover models with prices ranging from Rmb200,000 to Rmb500,000. The EREV models and BEV models are produced at the Changzhou Plant and Beijing Plant respectively. Li Auto will start the presale of its first BEV model Mega at the Guangzhou Auto Show on 17 Nov 23 and the deliveries of Mega will kickstart by the beginning of 2024. Mega is a streamline-shaped large-sized electric MPV with big interior space and the lowest drag coefficient of 0.215 among all MPVs. Equipped with 800V high-voltage 5C fast-charging technology, Mega can be charged up to 500km in range within 12 minutes at a maximum power of 520kW. The next new model of Li Auto for 2024 will be L6, a mid-sized five-seat SUV priced below Rmb300,000, in 2024.
- **We maintain 2023-25 assumptions on ASP at Rmb324,000/Rmb321,000/Rmb320,000 and gross margin at 22%**, as we expect the improving economies of scale from sales volume growth and platformisation and strong product pipelines to offset promotions and discounting on the model models.

#### EARNINGS REVISION/RISK

- We raise 2023 net profit forecast by 7% to Rmb9.3b, based on higher deliveries and keep those for 2024-25 at Rmb14.6b/Rmb21.3b respectively.

#### VALUATION/RECOMMENDATION

- **Maintain BUY and keep target price at HK\$312.00**, based on higher FCF estimates in our 10-year DCF model (WACC: 20%; terminal growth: 4%). Our target price of HK\$264.00 implies 30.5x 2024F PE.

**PROFIT & LOSS**

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	45,287	124,284	192,964	279,491
EBITDA	(2,441)	10,839	16,600	23,717
Depreciation & amortization	(1,214)	(2,141)	(3,044)	(4,010)
EBIT	-	-	-	-
Total other non-operating income	(3,029)	9,499	14,798	21,506
Associate contribution	-	-	-	-
Net interest income/(expense)	870	(221)	(221)	(221)
Pre-tax profit	(2,159)	9,278	14,577	21,285
Tax	127	-	-	-
Minorities	-	-	-	-
Net profit	(2,012)	9,278	14,577	21,285
Net profit (recurrent)	(2,012)	9,278	14,577	21,285

**CASH FLOW**

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	7,380	39,935	42,842	57,055
Pre-tax profit	(2,159)	9,278	14,577	21,285
Tax	-	-	-	-
Depreciation/amortization	1,214	2,141	3,044	4,010
Associates	-	-	-	-
Working capital changes	-	-	-	-
Non-cash items	8,326	28,517	25,221	31,760
Other operating cashflows	-	-	-	-
Investing	5,639	-	-	-
Capex (growth)	(5,128)	(7,000)	(7,500)	(8,000)
Investments	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	10,767	7,000	7,500	8,000
Financing	5,639	-	-	-
Dividend payments	-	-	-	-
Issue of shares	7	-	-	-
Proceeds from borrowings	3,741	1,000	1,000	1,000
Loan repayment	(661)	(1,000)	(1,000)	(1,000)
Others/interest paid	2,552	-	-	-
Net cash inflow (outflow)	9,925	32,935	35,342	49,055
Beginning cash & cash equivalent	30,493	40,418	73,354	108,696
Changes due to forex impact	1,270	-	-	-
Ending cash & cash equivalent	40,418	73,354	108,696	157,751

**BALANCE SHEET**

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	11,188	15,968	20,348	24,264
Other LT assets	8,358	8,436	8,513	8,587
Cash/ST investment	40,418	73,354	108,696	157,751
Other current assets	26,574	40,607	53,071	68,766
Total assets	86,538	138,365	190,627	259,367
ST debt	391	391	391	391
Other current liabilities	26,982	69,531	107,216	154,670
LT debt	9,231	9,231	9,231	9,231
Other LT liabilities	4,748	4,748	4,748	4,748
Shareholders' equity	44,859	54,137	68,714	89,999
Minority interest	-	-	-	-
Total liabilities & equity	86,538	138,365	190,627	259,367

**KEY METRICS**

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	(5.4)	8.7	8.6	8.5
Pretax margin	(4.8)	7.5	7.6	7.6
Net margin	(4.4)	7.5	7.6	7.6
ROA	(2.7)	8.3	8.9	9.5
ROE	(4.7)	18.7	23.7	26.8
Growth				
Turnover	67.7	174.4	55.3	44.8
EBITDA	n.a.	n.a.	53.1	42.9
Pre-tax profit	n.a.	n.a.	57.1	46.0
Net profit	n.a.	n.a.	57.1	46.0
Net profit (adj.)	n.a.	n.a.	57.1	46.0
EPS	n.a.	n.a.	57.1	46.0
Leverage				
Debt to total capital	14.2	8.9	6.4	4.7
Debt to equity	27.3	22.7	17.8	13.6
Net debt to equity	(103.0)	(146.1)	(166.6)	(181.7)
Interest cover (x)	4.2	39.4	61.4	89.3



## COMPANY RESULTS

### Ace Hardware Indonesia (ACES IJ)

3Q23: Strong And In Line, With NPAT Growing 67.8% yoy

ACES reported 3Q22 NPAT of Rp183.8b, rising 67.8% yoy and 27.3% qoq, and in line with expectations. Traffic at its stores continues to improve and currently stands at 10% below pre-pandemic levels. Strong SSSG growth of 13.1% was recorded at its stores outside Java, outpacing the overall SSSG growth of 7.4%. The #BisaKejadian advertising campaigns have generated more than 10m views. In view of potential 21.2% upside, we maintain BUY on ACES with a target price of Rp1,000.

#### 3Q22 AND 9M23 RESULTS

(Rpb)	9M23	yoy (%)	3Q23	3Q22	yoy (%)	qoq (%)	Remarks
Revenue	5,494	12.2%	1,859	1,587	17.1%	-3.8%	Traffic in the
Gross Profit	2,644	11.8%	885	770	15.0%	-5.1%	stores continues
Operating Profit	622	32.3%	235	146	61.3%	28.0%	to recover
Net Profit	486	38.1%	183	109	67.8%	27.3%	
Margin	9M23	yoy (bp)	3Q23	3Q22	yoy (bp)	qoq (bp)	
Gross Margin	48.1	(17)	47.6	48.5	(86)	(65)	
Op Margin	11.3	172	12.6	9.2	346	314	
Net Margin	8.8	166	9.9	6.9	298	241	

Source: ACES, UOB Kay Hian

## RESULTS

- **Reported 3Q23 NPAT of Rp183.4b, up 67.8% yoy and 27.3% qoq.** The reported 3Q23 NPAT is very strong and in line with our and consensus' expectations. Ace Hardware Indonesia (ACES) stated that traffic at its stores continues to recover and now stands at 10% below the pre-COVID-19 level. Traffic at its stores continued to improve in Oct and Nov 23, which we believe could serve as indication of higher NPAT in 4Q23.
- **9M23 NPAT came in at Rp485.8b, rising 38.1% yoy.** Given potentially higher 4Q23 NPAT compared to that in 3Q23, the reported 9M23 NPAT is in line with our (67.6%) and consensus' (68.8% level) 2023 NPAT forecasts of Rp718.8b and Rp706.3b respectively. 74% are currently in Java, which implies ample room for expansion. ACES has also raised its SSSG guidance for 2023 from 5% to 6.5% and intends to open 13 new stores for 2023.
- **Renovation of stores yielded positive outcomes.** After renovation, Living World Alam Sutera store experienced a 20% improvement in sales. After scaling down Alam Sutera's store size and renovation, sales per sqm improved more than 50% compared with the sales per sqm before renovation. ACES plans to renovate 50 stores from now to 2025, with 10 planned for 2023 and 20 for 2024.

## KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net turnover	6,543	6,763	7,085	8,086	8,981
EBITDA	925	876	925	1,045	1,065
Operating profit	925	876	925	1,045	1,065
Net profit (rep./act.)	704	664	719	812	823
Net profit (adj.)	704	664	719	812	823
EPS (Rp)	41.1	38.7	41.9	47.3	48.0
PE (x)	20.1	21.3	19.7	17.4	17.2
P/B (x)	2.6	2.4	2.3	2.1	2.0
EV/EBITDA (x)	13.0	13.7	13.0	11.5	11.3
Dividend yield (%)	3.9	2.3	2.5	2.9	2.9
Net margin (%)	10.8	9.8	10.1	10.0	9.2
Net debt/(cash) to equity (%)	(41.1)	(31.8)	(34.3)	(34.6)	(33.3)
Interest cover (x)	14.5	17.3	21.0	20.8	19.1
ROE (%)	13.1	11.6	11.8	12.6	12.0
Consensus net profit	-	-	712	796	882
UOBKH/Consensus (x)	-	-	1.01	1.02	0.93

Source: Ace Hardware Indonesia, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	Rp825
Target Price	Rp1,000
Upside	+21.2%

## COMPANY DESCRIPTION

Ace Hardware Indonesia is a retailer of tools, home improvement products, lawn and garden supply, plumbing, furniture, sporting goods and pet supplies.

## STOCK DATA

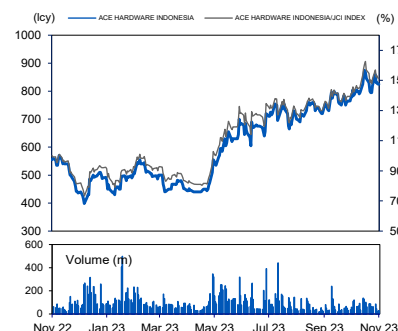
GICS sector	Consumer Discretionary
Bloomberg ticker:	ACES IJ
Shares issued (m):	17,150.0
Market cap (Rpb):	14,148.8
Market cap (US\$m):	903.8
3-mth avg daily t'over (US\$m):	3.0
Price Performance (%)	

52-week high/low Rp875/Rp398

1mth	3mth	6mth	1yr	YTD
7.8	15.4	48.6	46.0	66.3

Major Shareholders	%
Kawan Lama Sejahtera	60.0
FY23 NAV/Share (Rp)	364
FY23 Net Cash/Share (Rp)	125

## PRICE CHART



Source: Bloomberg

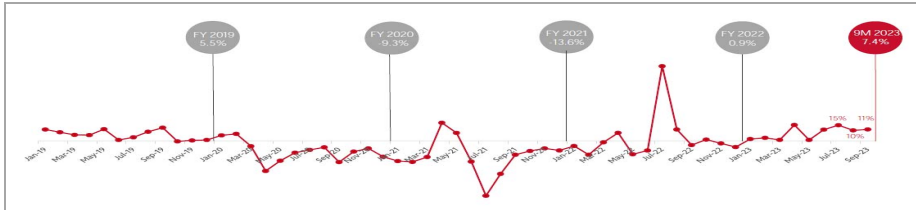
## ANALYST(S)

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## STOCK IMPACT

- **Strong growth in SSSG outside Java.** ACES has raised its SSSG guidance for 2023 from 5% to 6.5%, which is conservative as 9M23 SSSG came in at 7.4%. ACES stated that in 9M23, the highest SSSG growth was recorded outside Java at 13.1%. With 74% of its sales generated by its Java stores, ACES sees room for expansion outside Java island.

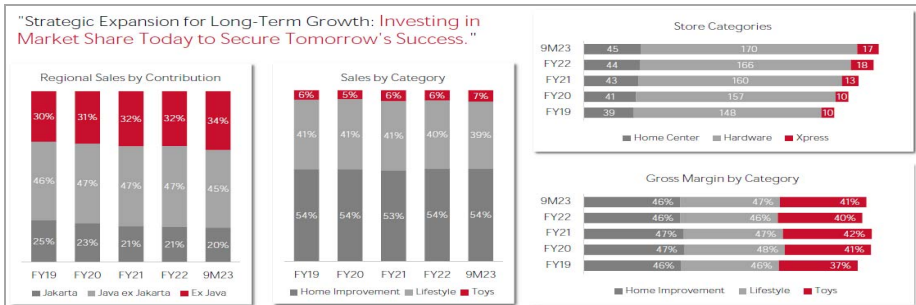
## MONTHLY SSSG



Source: ACES

- **Continuous improvement in store productivity.** The number of employees in 2022 is 20% lower than that of 2019. In 9M23, the employee count only rose by 2% compared with 2022. Sales per employee rose from Rp456m in 2019 to Rp555m in 9M23. Space per employee rose from 28sqm in 2019 to 44 sqm in 9M23.

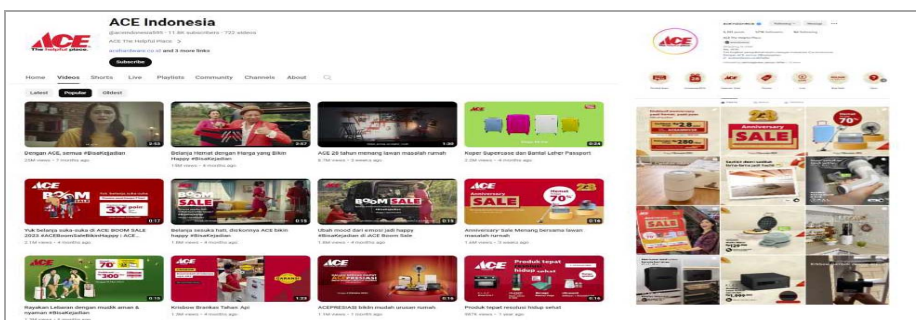
## OPERATIONAL SNAPSHOT



Source: ACES

- **#BisaKejadian advertising campaign is a success.** ACES launched three campaigns titled #BisaKejadian on YouTube. The first (launched on 26 Mar 23), second (19 Jun 23) and third (4 Oct 23) campaigns have received 35m, 18m and 8.8m views respectively on YouTube.

## DIGITAL CAMPAIGNS



Source: ACES

## EARNINGS REVISION/RISK

- **No change to our forecasts.** As 9M23 NPAT is in line with our expectation, we do not change our forecasts.

## VALUATION/RECOMMENDATION

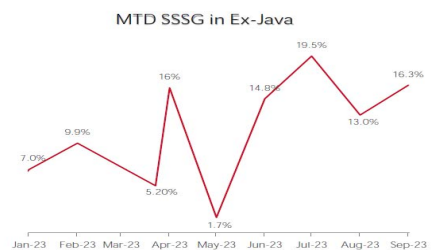
- **Maintain BUY with a target price of Rp1,000.** Our target price of Rp1,000 is derived using historical average of 22.1x PE applied to average of 2024F EPS. ACES is currently trading at an attractive 17.4x 2024F PE, which is at historical -1SD PE of 17.4x.

## ACES STORE AT LIVING WORLD ALAM SUTRA



Source: ACES

## SSSG IN EX\_JAVA



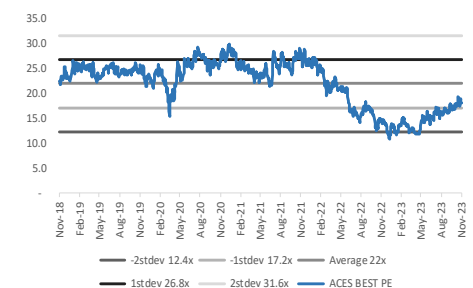
Source: ACES, UOB Kay Hian

## STORE PRODUCTIVITY



Source: ACES, UOB Kay Hian

## FIVE-YEAR PE BAND (BEST)



Source: Bloomberg, UOB Kay Hian

**PROFIT & LOSS**

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Net turnover	6,763	7,085	8,086	8,981
EBITDA	876	925	1,045	1,065
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	876	925	1,045	1,065
Total other non-operating income	(4.7)	(4.9)	(5.6)	(6.2)
Net interest income/(expense)	(51)	(44)	(50)	(56)
Pre-tax profit	821	876	989	1,003
Tax	(147)	(147)	(166)	(169)
Minorities	(9)	(10)	(11)	(12)
Net profit	664	719	812	823
Net profit (adj.)	664	719	812	823

**BALANCE SHEET**

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Fixed assets	1,261	1,144	1,284	1,421
Other LT assets	625	730	833	925
Cash/ST investment	2,133	2,412	2,614	2,697
Other current assets	3,230	3,405	3,553	3,823
<b>Total assets</b>	<b>7,249</b>	<b>7,690</b>	<b>8,284</b>	<b>8,866</b>
ST debt	258	271	309	343
Other current liabilities	411	359	411	460
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	645	776	886	984
Shareholders' equity	5,890	6,249	6,655	7,067
Minority interest	44	34	23	11
<b>Total liabilities &amp; equity</b>	<b>7,249</b>	<b>7,690</b>	<b>8,284</b>	<b>8,866</b>

**CASH FLOW**

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Operating	619	1,018	842	744
Pre-tax profit	821	876	989	1,003
Tax	(147)	(147)	(166)	(169)
Deprec. & amort.	119	125	142	158
Working capital changes	(441)	(148)	(78)	(203)
Other operating cashflows	267	312	(46)	(46)
Investing	(102)	(393)	(272)	(283)
Capex (growth)	(107)	(403)	(282)	(295)
Investments	(2.6)	(0.2)	(0.4)	(0.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	7.7	10	11	12
Financing	(939)	(347)	(368)	(378)
Dividend payments	(353)	(359)	(406)	(412)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	(4.5)	12	38	34
Others/interest paid	(582)	0.0	0.0	0.0
<b>Net cash inflow (outflow)</b>	<b>(423)</b>	<b>278</b>	<b>202</b>	<b>83</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>2,544</b>	<b>2,133</b>	<b>2,412</b>	<b>2,614</b>
Changes due to forex impact	13	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>2,133</b>	<b>2,412</b>	<b>2,614</b>	<b>2,697</b>

**KEY METRICS**

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	13.0	13.1	12.9	11.9
Pre-tax margin	12.1	12.4	12.2	11.2
Net margin	9.8	10.1	10.0	9.2
ROA	9.2	9.6	10.2	9.6
ROE	11.6	11.8	12.6	12.0
<b>Growth</b>				
Turnover	3.4	4.8	14.1	11.1
EBITDA	(5.3)	5.6	13.0	2.0
Pre-tax profit	(4.4)	6.7	12.9	1.4
Net profit	(5.7)	8.2	12.9	1.4
Net profit (adj.)	(5.7)	8.2	12.9	1.4
EPS	(5.7)	8.2	12.9	1.4
<b>Leverage</b>				
Debt to total capital	4.2	4.1	4.4	4.6
Debt to equity	4.4	4.3	4.6	4.9
Net debt/(cash) to equity	(31.8)	(34.3)	(34.6)	(33.3)
Interest cover (x)	17.3	21.0	20.8	19.1

## COMPANY RESULTS

### Westports Holdings (WPRTS MK)

3Q23: Profits Beat Expectations On Gateway Volume Charging Up

**9M23 core profit surprised positively against our forecasts, as container volume held up well and is above the group's conservative guidance. The key driver was the high-yield gateway business, which again reached a new all-time high. We now believe gateway has more room for growth, in tandem with foreign investments (to set up distribution hubs, including those in Westports Logistic Center). We upgrade forecasts by 4-6%, and take the opportunity to upgrade Westports to BUY. Target: RM4.10.**

#### 3Q23 RESULTS

Year to 31 Dec (RMm)	3Q23	qoq % chg	yoy % chg	Ytd 22	yoy % chg
Operating Revenue	542.6	0.0	4.2	1,598.2	3.3
- Container	458.0	1.3	3.9	1,345.0	0.8
- Conventional	33.0	0.0	(23.3)	100.0	(15.3)
EBIT	260.2	(0.0)	11.5	765.7	54.2
Operating margin (%)	47.9%	0.0%	3.1%	47.9%	15.8%
Net finance cost	(10.3)	5.4	(17.1)	(20.8)	(47.7)
JV/associates	2.5	(27.1)	(31.9)	8.5	186.1
PBT	252.4	(0.6)	12.7	743.1	7.3
Tax	(57.4)	(3.0)	(22.1)	(169.8)	(25.6)
Net Profit	195.0	0.1	29.7	573.4	23.4
Core Profit	194.7	(0.1)	29.4	568.6	22.5
Net Margin (%)	35.9%	0.0%	7.0%	35.6%	5.6%

Source: Westports Holdings, UOB Kay Hian

#### RESULTS

- 9M23 core profit beat, at 82%/79% of our/consensus estimates, on exceptionally strong volumes.** 3Q23 container volume (2.77m TEUs, +3%/+7% qoq/yoy) saw some recovery in transshipment business (1.61m TEUs, +2%/+4% qoq/yoy), and yet another record high for the high-yield gateway volume (1.15m TEUs, +3%/+11% qoq/yoy). Ytd volume growth of 7% is slightly ahead of management's earlier conservative 2023 guidance of 0-5%, although the container revenue was moderated by lower value-added services (VAS) income (2Q23: 18% revenue mix).
- Cost was well contained, at -2% growth on 9M23 basis.** Westports was not spared from higher staff (minimum wage) and utility costs, the latter due to tariff changes in relation to the Imbalance Cost Pass-Through (ICPT). More recently, Westports saw greater fuel costs (+19% qoq). However, overall cost of sales in 3Q23 only increased by 3% qoq due to efficiency gains. Also, electricity consumption was reduced due to fewer reefer days, and the ICPT had moderated recently from 20sen/kWh to 17 sen/kWh in 3Q23.

#### KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	1,978	2,056	2,047	2,164	2,277
EBITDA	1,361	1,215	1,256	1,342	1,420
Operating profit	1,102	950	978	1,053	1,122
Net profit (rep./act.)	809	700	740	798	841
Net profit (adj.)	732	623	735	798	841
EPS (sen)	21.5	18.3	21.6	23.4	24.7
PE (x)	15.8	18.5	15.7	14.4	13.7
P/B (x)	3.7	3.5	3.3	3.1	3.0
EV/EBITDA (x)	8.6	9.6	9.3	8.9	8.4
Dividend yield (%)	5.3	4.3	4.7	5.1	5.4
Net margin (%)	40.9	34.0	36.1	36.9	36.9
Net debt/(cash) to equity (%)	14.2	12.9	3.6	n.a.	n.a.
Interest cover (x)	22.0	23.2	27.2	30.8	24.4
ROE (%)	27.2	21.9	21.9	21.5	21.4
Consensus net profit	-	-	721	765	776
UOBKH/Consensus (x)	-	-	1.02	1.04	1.08

Source: Westports Holdings, Bloomberg, UOB Kay Hian

## BUY

(Upgraded)

Share Price	RM3.38
Target Price	RM4.10
Upside	+21.3%
(Previous TP)	RM3.80)

#### COMPANY DESCRIPTION

An integrated facility situated at the Port Klang, Malaysia's premier port. It offers container-handling, dry bulk, liquid bulk and other conventional cargo services.

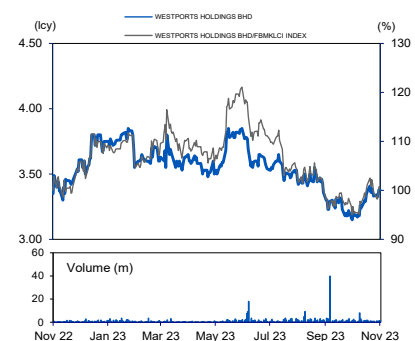
#### STOCK DATA

GICS sector	Industrials			
Bloomberg ticker:	WPRTS MK			
Shares issued (m):	3,410.0			
Market cap (RMm):	11,525.8			
Market cap (US\$m):	2,456.5			
3-mth avg daily t'over (US\$m):	1.7			
<b>Price Performance (%)</b>				
52-week high/low RM3.85/RM3.15				
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
6.6	(4.2)	(3.4)	0.9	(11.1)

#### Major Shareholders

	%
Gnanalingam Family	45.5
EPF	9.2
FY23 NAV/Share (RM)	1.02
FY23 Net Debt/Share (RM)	0.04

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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## STOCK IMPACT

- **Volume growth remains on track...** We understand the volume growths in Oct 23 and early-Nov 23 are similar to the 7% growths recorded in 9M23. Port Klang Authority (PKA) has a more conservative expectation of 2% volume growth for Westports in 2023. Having said that, management remains cautious on 2024 container volume growth (also at 0-5%). We believe it is also a strategic decision to moderate container growth to avoid another scenario of congestion like during the COVID-19 pandemic, until the group is able to operate the new CT10 terminal (part of Westports 2 concession) in 2027.
- **...and there is room for gateway volume to grow, albeit moderately.** Contrary to our early assumption of the risk of margin compression assuming the high-yield gateway volume mix had maxed out, we now believe there is still room for the gateway business to grow. Firstly, Port Klang does benefit slightly from the influx of foreign direct investments, or an alternative location against global trade wars. Other than factories set up for paper mills and solar panel, the Pulau Indah vicinity saw new hubs with factories, which include the IKEA regional distribution centre (RDC), CPL Aroma (a global fragrance company), and Daiso (to launch a new RDC by 2027).

In addition, the 85-acre Westports Logistics Center that is adjacent to CT9 terminal is for integrated warehousing and logistics services, and will have a captive volume of ~0.2m TEUs (from 0.05m TEUs secured currently) if its fully rented out. This potentially captive gateway business will benefit Westports' group on both fronts, ie boosting gateway volume/yields, and also rental revenue which is merely 3% of total revenue. At one point, several logistics companies have committed interest for the Logistics Center, including Infinity Logistics & Transport, Syarikat Logistik Petikemas, Alfred Talke Logistic Services, Sea Hawk Global Lines and SH Cogent Logistics.

- **WPRTS 2 concession may see conclusion by end-23 or 2024.** The conditional period for settling the payment for the acquisition of the Marina Land (from a related party) was further extended by six months until 8 Feb 24, as the government has approved the new concession (for up to CT17, another 14m TEUs), but needs more time to complete the necessary signing, after being vetted through by the Attorney General Chambers. WPRTS 2 may cost up to RM12.6b capex over 20 years, and the first four years may see RM2-3b spending for land reclamation and dredging. Westports guided on dividend reinvestment plan for the equity funding, and is not ruling out potential partners.

## EARNINGS REVISION/RISK

- **Upgrade 2023-25 profit by 6%/4%/4%.** We upgrade gateway assumptions while keeping transshipment volume unchanged, resulting in total container volume growth boosted by another 3% across our forecast years.

## VALUATION/RECOMMENDATION

- **Upgrade to BUY, and DCF target price to RM4.10 (from RM3.80).** This implies 18x 2024F PE (at -1SD of mean). As our forecasts still excludes the Westports 2 concession, it implies limited upside until the concession details are revealed in order to remove any uncertainties, eg a 318-acres of free trade zone land adjacent to Port Klang Free Zone. We understand the land is still up for sale (previous owner: 1MDB) and is not part of the WPRTS 2 negotiations. However, as share price has retraced, we now foresee price volatility and trading opportunities, as both the next FBM KLCI semi-annual review and the new concession signing by the government draw near to a close.

## ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

<ul style="list-style-type: none"> <li>• <b>Environmental</b> <ul style="list-style-type: none"> <li>- <b>Carbon (CO2) emission reduction.</b> WPRTS is formulating plans to enhance energy-efficient equipment, or may upgrade assets to become a smart/automated port.</li> <li>- <b>Enhance safety.</b> Fewer incidents in 2022 (699) vs 2021 (836) after better reporting.</li> </ul> </li> <li>• <b>Social</b> <ul style="list-style-type: none"> <li>- <b>Diversity.</b> &gt;30% female representation on the Board of Directors (2021: &gt;30%).</li> <li>- Social investments in 2020/2021/2022 amounted to RM2.8 m/RM5.6m/RM3.0m.</li> </ul> </li> <li>• <b>Governance</b> <ul style="list-style-type: none"> <li>- 6 out of 9 board members are independent, despite having family representation within the management team.</li> </ul> </li> </ul>
--

## VOLUME PERFORMANCE BY TRADE ROUTES

Container m TEU	3Q23	3Q22	% YoY	% Split	2Q23
Transshipment	1.61	1.55	4%	58.4%	1.58
Gateway / OD	1.15	1.04	11%	41.6%	1.12
<b>Total TEUs*</b>	<b>2.77</b>	<b>2.59</b>	<b>7%</b>	<b>100%</b>	<b>2.70</b>
Intra-Asia	1.83	1.65	11%	66.1%	1.75
Asia-Europe	0.33	0.43	-23%	12.0%	0.41
Asia-Australasia	0.23	0.24	-6%	8.3%	0.21
Asia-America	0.25	0.17	46%	8.9%	0.21
Asia-Africa	0.09	0.05	77%	3.3%	0.09
Others	0.04	0.03	18%	1.4%	0.03

Source: Westports, UOB Kay Hian

## COGS BREAKDOWN

Cost RM million	3Q23	3Q22	% YoY	% Split	2Q23
Op. Workforce	72	66	8%	33.2%	72
Depreciation	51	52	-1%	23.6%	51
Fuel	43	54	-20%	20.0%	36
M&R	23	20	12%	10.6%	23
Electricity	14	12	18%	6.5%	16
Others	13	16	-19%	6.2%	12
<b>Op. Cost*</b>	<b>217</b>	<b>221</b>	<b>-2%</b>	<b>100%</b>	<b>210</b>
Construction	14	4	269%	-	22
<b>Total Cost Of Sales*</b>	<b>231</b>	<b>225</b>	<b>3%</b>	<b>-</b>	<b>231</b>

Source: Westports, UOB Kay Hian

## CONTAINER REVENUE, THROUGHPUT AND YIELDS

(RMm)	2022	2023F	2024F
Container Revenue	1,774.0	1,848.0	1,958.8
- Growth (%)	2.2	4.1	5.9
Throughput (TEUs)	10.05	10.74	11.33
- Growth (%)	-3.4	6.9	5.5
- Transshipment	6.08	6.39	6.74
- Gateway	3.97	4.35	4.59
Container yields/ box	271.84	268.93	270.28

Source: Westports, UOB Kay Hian

## DCF VALUATION AND TARGET PRICE

	Stage 1 (2024-29)	Stage 2 (-2054)
EBITDA CAGR (tariff hike)	4.0%	3.0%
EBITDA CAGR (no tariff hike)	3.0%	1.1%
Maintenance Capex (RMm)	110	110
Max Capacity on TEU/hectare	47,550	59,488
Max Capacity on TEU/crane	146,074	182,748
DCF (RMm)	4,493.0	9,393.0
Risk Free Rate		5.5%
Beta (x)		0.9
Tax Rate		25%
Cost of Equity		8.7%
Cost of Debt		5.5%
WACC		7.9%
Enterprise Value (RMm)		13,886.0
- Net Debt, FY24F (RMm)		(116.4)
Target Price		RM4.10

Source: UOB Kay Hian

**PROFIT & LOSS**

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	2,056	2,047	2,097	2,206
EBITDA	1,215	1,256	1,314	1,420
Deprec. & amort.	265	278	289	299
EBIT	950	978	1,053	1,122
Associate contributions	46	12	13	15
Net interest income/(expense)	(52)	(46)	(44)	(58)
<b>Pre-tax profit</b>	<b>944</b>	<b>948</b>	<b>1,023</b>	<b>1,078</b>
Tax	(244)	(209)	(225)	(237)
Minorities	0	0	0	0
<b>Net profit</b>	<b>700</b>	<b>740</b>	<b>798</b>	<b>841</b>
Net profit (adj.)	623	735	798	841

**CASH FLOW**

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>899</b>	<b>1,037</b>	<b>1,049</b>	<b>1,098</b>
Pre-tax profit	944	948	980	1,032
Tax	(320)	(209)	(216)	(227)
Deprec. & amort.	265	278	289	299
Associates	(46)	(12)	(13)	(15)
Working capital changes	35	31	9	9
Other operating cashflows	22	0	0	0
<b>Investing</b>	<b>(184)</b>	<b>(187)</b>	<b>(185)</b>	<b>(187)</b>
Capex (growth)	(215)	(137)	(135)	(137)
Investments	(31)	(50)	(50)	(50)
Others	62	0	0	0
<b>Financing</b>	<b>(820)</b>	<b>(625)</b>	<b>(651)</b>	<b>(705)</b>
Dividend payments	(552)	(542)	(563)	(593)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	103	102	103
Loan repayment	(175)	(125)	(125)	(150)
Others/interest paid	(93)	(61)	(64)	(65)
<b>Net cash inflow (outflow)</b>	<b>(105)</b>	<b>225</b>	<b>213</b>	<b>206</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>615</b>	<b>510</b>	<b>715</b>	<b>928</b>
Changes due to forex impact	42	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>552</b>	<b>735</b>	<b>928</b>	<b>1,134</b>

**BALANCE SHEET**

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	1,776	1,487	1,423	1,353
Other LT assets	2,668	2,630	2,591	2,549
Cash/ST investment	552	735	928	1,134
Other current assets	286	296	303	318
<b>Total assets</b>	<b>5,282</b>	<b>5,148</b>	<b>5,245</b>	<b>5,355</b>
ST debt	125	125	125	150
Other current liabilities	495	536	547	571
LT debt	850	734	711	664
Other LT liabilities	538	287	204	100
Shareholders' equity	3,274	3,467	3,658	3,870
Minority interest	0	0	0	0
<b>Total liabilities &amp; equity</b>	<b>5,282</b>	<b>5,148</b>	<b>5,245</b>	<b>5,355</b>

**KEY METRICS**

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	59.1	61.3	61.9	62.3
Pre-tax margin	45.9	46.3	46.7	46.8
Net margin	34.0	36.1	36.4	36.5
ROA	13.1	14.2	14.7	15.2
ROE	21.9	21.9	21.5	21.4
<b>Growth</b>				
Turnover	3.9	(0.4)	5.8	5.2
EBITDA	(10.7)	3.4	8.1	5.9
Pre-tax profit	(9.2)	0.5	10.2	5.4
Net profit	(13.5)	5.7	10.2	5.4
Net profit (adj.)	(14.9)	18.0	10.2	5.4
EPS	(14.9)	18.0	10.2	5.4
<b>Leverage</b>				
Debt to total capital	22.9	19.9	18.6	17.4
Debt to equity	29.8	24.8	22.9	21.0
Net debt/(cash) to equity	12.9	3.6	(2.5)	(8.3)
Interest cover (x)	23.2	27.2	29.8	23.6



## COMPANY UPDATE

### Bermaz Auto (BAUTO MK)

Outlook Remains Stable Despite A Temporary Blip

Despite the seasonal sales moderation in 2Q-3QFY24, we took comfort from the group's strategic market positioning backed by its stable orderbook alongside healthy booking run rate. Volume drivers, namely CX5 and CX30, are seeing an uptick in bookings, supplemented by improving demand for Kia and Peugeot. Meanwhile, the Philippines market is expected to gain stronger traction. Additional impetus will come from its attractive dividend yield of 6.9%. Maintain BUY. Target price: RM2.86.

#### WHAT'S NEW

- **Minimal impact from the upcoming luxury tax implementation.** Recall that the government is set to impose the new High Value Goods Tax (HVGT) starting from May 24 on luxury or big-ticket items. The rate will be 5-10%, and could include luxury cars. For illustration purpose, assuming cars are priced above RM200,000: While we understand that Bermaz does have products priced above RM200,000, we are not overly perturbed on the group's potential earnings impact (if any). This is because the primary revenue drivers/high volume models namely the CX30 and CX5, are priced below RM200,000. Meanwhile, the products offering fall under this range (CX8 premium version, Kia Sorento and Carnival) are estimated to contribute only <10% group's total sales.
- **Orderbook remains healthy despite a temporary blip.** BAUTO was not spared from the industry-wide sequential slowdown in Sep 23 (based on Sep 23 TIV numbers) as customers adopted a wait-and-see approach in anticipation of new incentives to be unveiled in Malaysia's Budget 2024. However, we take comfort in BAUTO's current backlog orders of 3,000 units (all from Mazda with a delivery period of 2-2.5 months), backed by a healthy booking run-rate. While the orderbook was a tad below Sep 23's orderbook of 4,500 units, all three brands under the group (namely Mazda, Kia and Peugeot) are now seeing an average run-rate of 1,700, which could replenish the shortfall going forward. In terms of volume drivers, Mazda's CKD flagship models (CX30 and CX5) are seeing an uptick in bookings.
- **Outlook to remain stable.** Recall that BAUTO reported strong 1QFY24 core net profit of RM100m (-6.9% qoq, +99.8% yoy), thanks to the improvement in Mazda's sales and higher revenue from its Philippines business (+39.6% qoq, +73% yoy). While we expect a seasonally weaker 2QFY24 on lower sales arising from the wait-and-see approach by customers during 3Q23, we expect the group to sustain growth post normalisation from the SST exemption which saw a high base in FY23. Organic growth for the group is intact which we believe will be bolstered by advancements in its CKD line-up, a consistently stable orderbook, and margin enhancement after price hikes for certain models.

#### KEY FINANCIALS

Year to 31 Dec (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	2,324	3,541	3,487	3,356	3,681
EBITDA	216	400	367	335	325
Operating profit	210	391	358	325	314
Net profit (rep./act.)	162	319	278	252	267
Net profit (adj.)	162	319	278	252	267
EPS (sen)	13.9	27.3	23.9	21.7	23.0
PE (x)	17.8	9.0	10.4	11.4	10.8
P/B (x)	4.5	3.8	3.4	3.1	2.9
EV/EBITDA (x)	11.7	6.3	6.9	7.5	7.8
Dividend yield (%)	3.5	8.9	6.8	6.1	6.5
Net margin (%)	7.0	9.0	8.0	7.5	7.3
Net debt/(cash) to equity (%)	(78.0)	(57.2)	(72.7)	(73.8)	(69.5)
Interest cover (x)	53.5	n.a.	162.2	148.2	143.6
ROE (%)	27.0	45.6	34.4	28.4	27.7
Consensus net profit	-	-	308	301	310
UOBKH/Consensus (x)	-	-	0.90	0.84	0.86

Source: Bermaz Auto, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	RM2.48
Target Price	RM2.86
Upside	+15.9%

#### COMPANY DESCRIPTION

Bermaz Auto is involved in the distribution, assembling, retailing and also the provision of after sales service of Mazda vehicles in Malaysia. The group also involved in distribution of locally assembled Mazda vehicles in Malaysia and Philippines.

#### STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	BAUTO MK
Shares issued (m):	1,166.2
Market cap (RMm):	2,880.6
Market cap (US\$m):	615.1
3-mth avg daily t'over (US\$m):	3.0

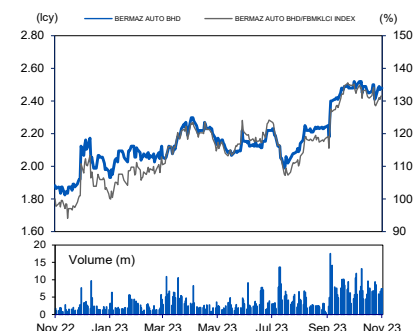
#### Price Performance (%)

52-week high/low			RM2.52/RM1.82	
1mth	3mth	6mth	1yr	YTD
(0.4)	17.1	13.7	32.6	20.1

#### Major Shareholders

	%
Dynamic Milestone Sdn Bhd	14.8
Employee Provident Fund	10.6
Amanah Saham Nasional Bhd	7.2
FY24 NAV/Share (RM)	0.73
FY24 Net Cash/Share (RM)	0.53

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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### STOCK IMPACT

- 9M23 sales still riding on resilient numbers.** Mazda's 9M23 sales surged 35% yoy to 14,213 units (10,536 units in 9M22). The majority of Mazda's more popular models such as the CX30, CX5 and CX8 made up about 38% of vehicle sales in the SUV 4x4 (E segment), accounting for 57% of BAUTO's total sales. Note that despite the price increase in Apr 23, demand for specific models has remained robust, particularly for CKD models such as the CX30, CX5, and CX8. Meanwhile we expect the group's margin to improve from Oct 23 onwards, backed by a better product mix.
- Philippines market to gain more traction.** Note that the group's operations in the Philippines have improved significantly in the latest 1QFY24's performance, backed by higher revenue of RM100.3m (+39.6% qoq, +73% yoy) on a higher number of vehicles sold at 730 units (+28% qoq, +59% yoy). Despite the ongoing inflationary pressure and high interest rates, we understand that the group is still gaining good traction from its healthy booking run-rate of around three months.
- EV selection is growing.** In light of the expanding range of EVs available in the Malaysian market, the group is also staying ahead of the curve by consistently introducing new EV models. Presently, there are four EV models presented by the group, which are Mazda MX-30, Kia EV6, Kia Niro and Peugeot e-2008. Although the overall EV market share remains relatively small at just 1% (5,630 units ytd as of Sep 23) of total industry volume (TIV), the ongoing support from government incentives and plans suggests a promising outlook for further growth.

### EARNINGS REVISION/RISK

- None.

### VALUATION/RECOMMENDATION

- Maintain BUY with a target price of RM2.86.** The target price is still based on ascribed PE of 12x to its FY24F EPS (which is the sector's five-year mean). Given that BAUTO is currently trading at 10x FY24F PE, we see potential upside as we are positive on BAUTO's current prospects, including a healthy orderbook and lush dividend payout.

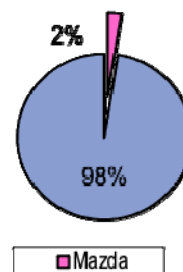
### SHARE PRICE CATALYST

- Key rating catalysts include:** a) Mazda's continued traction with a supported CKD line-up and stable orderbook, b) Kia's and Peugeot's sales improvement from low base numbers, c) improvement in the Philippines market d) improvement in localisation models, and e) lush 6.9% dividend yield backed by net cash.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

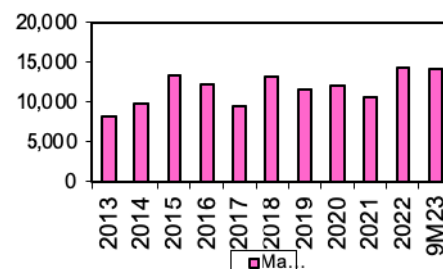
<b>Environmental</b> <ul style="list-style-type: none"> <li>The Environmental Performance Monitoring Committee and the Environmental Regulatory Compliance Monitoring Committee are responsible for monitoring compliance and the effectiveness of the policy.</li> <li>BAUTO supports the Republic Act 11285 (Energy Efficiency and Conservation Act), which institutionalises energy efficiency and conservation as a national way of life.</li> <li>Renewable energy promoted – assessing viability of installing solar energy system in the headquarters &amp; its 3S centres.</li> </ul>
<b>Social</b> <ul style="list-style-type: none"> <li>In 2021, its societal contributions have focused on assisting those affected by COVID-19, with RM100,000 contributed to the Ministry of Health and approximately RM640,000 spent on PPE, PCR tests etc to combat the pandemic.</li> <li>Mazda Medicare Fund (MMF) dialysis programme channelled 100% funds to charity.</li> </ul>
<b>Governance</b> <ul style="list-style-type: none"> <li>Complies with Malaysian code on Corporate Governance which requires independent directors (4 out of 7) to comprise the majority of the board.</li> </ul>

### MAZDA'S MARKET SHARE (9M23)



Source: MAA

### TOTAL BAUTO VEHICLES SALES VOLUME



Source: MAA

### UPCOMING LAUNCHES

Model	Launch Date
Facelift CX-5	Jan 2024
Mazda New CX-60	TBC
Peugot New 408	TBC
KIA All-new sportage	TBC
KIA Carens	TBC

Source: BAUTO

### KEY ASSUMPTIONS

Financial Year	TIV Forecasts (units)
2022	14,666
2023	21,370
2024F	20,255
2025F	19,057
2026F	19,657

Source: UOB Kay Hian

**PROFIT & LOSS**

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Net turnover	3,541	3,487	3,356	3,681
EBITDA	400	367	335	325
Deprec. & amort.	8	9	10	11
EBIT	391	358	325	314
Associate contributions	41	30	33	41
Net interest income/(expense)	3	(2)	(2)	(2)
Pre-tax profit	436	386	356	352
Tax	(94)	(93)	(85)	(84)
Minorities	(23)	(15)	(18)	0
Net profit	319	278	252	267
Net profit (adj.)	319	278	252	267

**CASH FLOW**

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Operating	108	393	261	224
Pre-tax profit	436	386	356	352
Tax	(102)	(93)	(85)	(84)
Deprec. & amort.	8	9	11	12
Associates	(41)	(30)	(33)	(41)
Working capital changes	(245)	119	10	(17)
Other operating cashflows	52	2	2	2
Investing	3	(8)	(8)	(8)
Capex (growth)	(10)	(15)	(16)	(16)
Investments	0	0	1	1
Proceeds from sale of assets	0	0	0	0
Others	13	7	7	7
Financing	(269)	(104)	(184)	(196)
Dividend payments	(154)	(195)	(177)	(187)
Issue of shares	8	0	0	0
Proceeds from borrowings	n.a.	n.a.	n.a.	n.a.
Loan repayment	(100)	100	2	0
Others/interest paid	(23)	(9)	(9)	(9)
Net cash inflow (outflow)	(158)	282	69	20
Beginning cash & cash equivalent	694	538	825	893
Changes due to forex impact	1	(2)	(8)	(11)
Ending cash & cash equivalent	538	818	886	902

**BALANCE SHEET**

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Fixed assets	45	50	58	65
Other LT assets	494	524	557	598
Cash/ST investment	538	818	886	902
Other current assets	712	538	517	567
Total assets	1,788	1,930	2,018	2,132
ST debt	100	100	101	101
Other current liabilities	503	444	436	469
LT debt	0	100	101	101
Other LT liabilities	344	344	345	345
Shareholders' equity	765	850	926	1,006
Minority interest	77	92	110	110
Total liabilities & equity	1,788	1,930	2,018	2,132

**KEY METRICS**

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	11.3	10.5	10.0	8.8
Pre-tax margin	12.3	11.1	10.6	9.6
Net margin	9.0	8.0	7.5	7.3
ROA	19.0	14.9	12.8	12.9
ROE	45.6	34.4	28.4	27.7
Growth				
Turnover	52.4	(1.5)	(3.8)	9.7
EBITDA	85.0	(8.2)	(8.6)	(3.1)
Pre-tax profit	94.4	(11.5)	(7.9)	(1.0)
Net profit	97.0	(12.8)	(9.2)	6.0
Net profit (adj.)	97.0	(12.8)	(9.2)	6.0
EPS	97.0	(12.8)	(9.2)	6.0
Leverage				
Debt to total capital	10.6	17.5	16.3	15.3
Debt to equity	13.1	23.5	21.8	20.1
Net debt/(cash) to equity	(57.2)	(72.7)	(73.8)	(69.5)
Interest cover (x)	n.a.	162.2	148.2	143.6

## COMPANY RESULTS

### Food Empire Holdings (FEH SP)

3Q23: Results Beat Expectations As Demand Still Reigns In Core Markets; Raise Target Price By 20%

FEH's 3Q23 net profit of US\$15.7m (+106.6% yoy, +22.7% qoq) was above expectations, with 9M23 making up 84.6% of our full-year forecast. Despite currency fluctuations, FEH reported record-high 9M23 revenue. Margins also improved with an optimised product mix, higher volumes and higher ASPs. We believe earnings growth will continue as demand across its core markets remains robust, and raise 2023/24/25 earnings by 8%/9%/6%. Maintain BUY with a 20%-higher target price of S\$1.63 (S\$1.36 previously).

#### 3Q23 RESULTS

Year to 31 Dec (US\$m)	3Q23	3Q22	yoy % chg	2Q23	qoq % chg
Revenue	106.8	108.6	(1.6)	94.8	12.7
Gross profit	36.6	31.5	16.4	33.0	10.9
Gross margin (%)	34.3	29.0	5.3ppt	34.5	(0.2ppt)
EBITDA	23.4	28.5	(18.1)	19.6	19.4
Core net profit*	15.7	7.6	106.6	12.8	22.7
Core net margin* (%)	14.7	7.0	7.7ppt	13.5	1.2ppt

Source: Food Empire, UOB Kay Hian

\*Excluding a one-off gain on disposal of non-core assets of US\$15m in 3Q22

#### RESULTS

- **Results above expectations.** Food Empire Holdings' (FEH) 3Q23 core earnings of US\$15.7m (+107% yoy) exceeded our expectations, with 9M23 forming 84.6% of our full-year estimate. Excluding a one-off gain of US\$15m on the disposal of a non-core asset in 3Q22, 3Q23 earnings recorded a substantial 106.6% yoy and 22.7% qoq growth. The record-high 9M23 revenue of US\$305.1m (+6.7% yoy) was mainly driven by higher volumes and/or higher ASPs across FEH's core business segments. Gross margin also improved 5.3ppt yoy to 34.3% as a result of a favourable sales mix of products with higher margins.
- **Revenue growth in spite of currency depreciation.** Revenue for 9M23 grew 6.7% yoy despite the depreciation of the Russian ruble and Ukrainian hryvnia against the US dollar. This was mainly due to the double-digit growth in the Ukraine, Kazakhstan and CIS and South Asia segments, as higher contributions were made by the Kazakhstan market and India's freeze-dry coffee manufacturing plants. FEH's other core markets, Russia and Southeast Asia, also achieved revenue growth of 4.9% in 9M23. However, 3Q23 revenue fell 1.6% yoy to US\$106.8m as a result of the Russian ruble depreciating against the US dollar, where Russia's 3Q23 revenue fell to US\$33.8m (-20.3% yoy). We note that in local currency terms, all core markets achieved higher revenue during the quarter, pointing to robust demand across the markets.

#### KEY FINANCIALS

Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Net turnover	321	398	402	430	460
EBITDA	34	61	76	80	85
Operating profit	25	53	66	70	75
Net profit (rep./act.)	20	60	54	58	61
Net profit (adj.)	20	45	54	58	61
EPS (US\$ cent)	3.6	8.5	10.2	11.0	11.6
PE (x)	22.5	9.7	8.0	7.5	7.1
P/B (x)	1.9	1.6	1.4	1.2	1.1
EV/EBITDA (x)	9.0	5.0	4.0	3.8	3.6
Dividend yield (%)	2.0	4.0	4.0	4.0	4.0
Net margin (%)	6.1	15.1	13.4	13.5	13.3
Net debt/(cash) to equity (%)	(4.7)	(31.6)	(40.5)	(46.8)	(52.0)
Interest cover (x)	28.7	50.0	66.7	n.a.	60.3
ROE (%)	8.7	23.8	18.3	17.4	16.3
Consensus net profit	-	-	50	54	57
UOBKH/Consensus (x)	-	-	1.07	1.08	1.07

Source: FEH, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$1.11
Target Price	S\$1.63
Upside	+46.8%
(Previous TP)	S\$1.36)

#### COMPANY DESCRIPTION

Food Empire Holdings manufactures and markets instant beverage products, frozen convenience food, confectioneries and snacks. The company exports its products to markets such as Russia, Eastern Europe, Central Asia, the Middle East and Indochina.

#### STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	FEH SP
Shares issued (m):	528.6
Market cap (S\$m):	586.8
Market cap (US\$m):	432.5
3-mth avg daily t'over (US\$m):	0.4

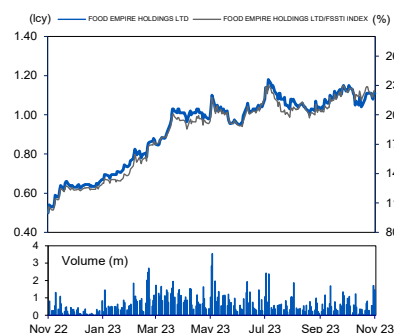
#### Price Performance (%)

52-week high/low		S\$1.18/S\$0.500		
1mth	3mth	6mth	1yr	YTD
(0.9)	2.8	13.3	119.8	74.8

#### Major Shareholders

	%
Anthoni Salim	24.6
Tan Wang Cheow	22.5
FY23 NAV/Share (US\$)	0.59
FY23 Net Cash/Share (US\$)	0.24

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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### STOCK IMPACT

- **Resilient consumer demand and strong brand equity.** Despite implementing pricing adjustments across most of its operating markets during the year, FEH's sales volumes continued to rise, demonstrating the price inelasticity of its products. Additionally, FEH's overall performance has surpassed our expectations in the face of currency devaluations in 9M23. We believe that this is testament to its strong brand equity and experience in navigating currency fluctuations effectively.
- **Potentially higher dividend with strong cash flows.** Amid inflationary pressures and currency volatility from geopolitical uncertainties, FEH has shown a strong performance in 9M23. Volume growth and its price adjustments (averaging 8%) in Sep 23 have translated to improved margins, while its cash position is relatively stable at US\$115.6m (2022: US\$125.6m). Given its performance thus far, we opine that FEH may propose a higher dividend for 2023. To recap, in 2022, FEH reported record-high core earnings of US\$45m, and proposed a record first and final dividend of 4.4 S cents per share (2021: 2.2 S cents per share).
- **Frequent share buybacks to date reflect confidence.** Since Jul 23, FEH has bought back 2.9m shares at up to S\$1.11. This is close to the 52-week high share price of S\$1.18, showing management's confidence in the future growth outlook.

### EARNINGS REVISION/RISK

- We raised our 2023/24/25 core earnings estimates by 8%/9%/6% to S\$54m/S\$58m/S\$61m, up from S\$50m/S\$54m/S\$57m, to reflect the better-than-expected earnings for 9M23 and improving net margins from the successful increase of product ASPs.

### VALUATION/RECOMMENDATION

- **Maintain BUY with a 20%-higher PE-based target price of S\$1.63 (S\$1.36 previously),** pegged to 11x 2024F EPS, or its long-term historical mean. With 9M23 revenue reaching a record high despite currency headwinds, we are of the view that FEH has demonstrated its ability to deliver strong results and will continue to perform moving forward.

### SHARE PRICE CATALYST

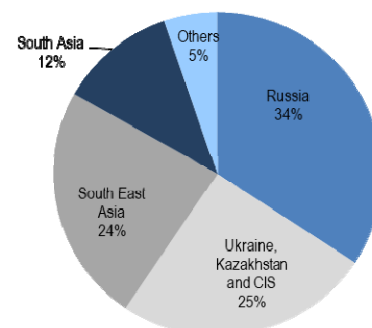
- Dividend surprise from robust financials.
- Better-than-expected sales volumes across all business segments.
- Improving net margin from higher ASPs and effective cost management.

### PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 9 Nov 23 (lcy)	Market Cap (US\$m)	PE			P/B 2023 (x)	ROE 2023 (%)	Yield 2023 (%)	Net Gearing (%)
					2022 (x)	2023 (x)	2024 (x)				
Food Empire Singapore	FEH SP	SGD	1.11	433	7.3	8.7	8.1	1.4	17.2	4.0	(22.6)
Thai Beverage	THBEV SP	SGD	0.53	9,815	11.6	10.9	10.2	1.6	15.0	4.6	73.2
Fraser And Neave	FNN SP	SGD	1.04	1,193	12.1	n.a.	n.a.	n.a.	n.a.	n.a.	(1.4)
Delfi	DELFI SP	SGD	1.28	577	13.1	12.3	11.5	2.1	18.3	4.1	(18.7)
Yeo Hiap Seng	YHS SP	SGD	0.63	287	157.5	n.a.	n.a.	n.a.	n.a.	n.a.	(23.9)
Average (Excl. YHS SP)					12.3	11.6	10.8	1.9	16.7	4.3	
<b>Regional</b>											
Nestle (Malaysia)	NESZ MK	MYR	122	6,097	46.0	40.2	36.9	44.7	112.4	2.5	99.1
Fraser & Neave	FNH MK	MYR	27.48	2,148	26.3	18.8	19.3	3.0	17.0	1.0	(7.9)
Coca-Cola Conso	COKE US	USD	673.78	6,316	14.7	n.a.	n.a.	n.a.	n.a.	n.a.	7.9
Dydo Group	2590 JP	JPY	5790	635	n.a.	189.3	41.7	1.1	1.1	1.0	(16.5)
Power Root	PWRT MK	MYR	2.01	198	14.3	14.9	14.1	2.9	19.7	5.6	(31.7)
Tac Consumer	TACC TB	THB	4.3	73	11.0	12.8	10.9	3.3	30.6	7.0	(18.9)
Average (Excl. NESZ MK & 2590 JP)					16.6	15.5	14.8	3.1	22.4	4.5	

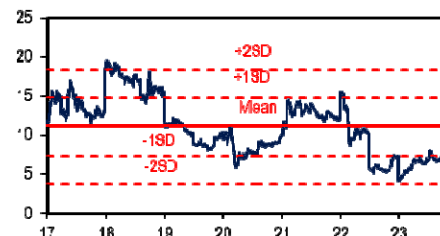
Source: Bloomberg, UOB Kay Hian

### REVENUE BY GEOGRAPHY (9M23)



Source: FEH, UOB Kay Hian

### LONG TERM HISTORICAL PE BAND



Source: FEH, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Net turnover	398.4	402.3	429.9	459.5
EBITDA	61.3	76.0	79.5	85.0
Deprec. & amort.	8.6	9.9	9.8	9.6
EBIT	52.7	66.1	69.8	75.4
Total other non-operating income	16.6	1.0	1.0	1.0
Associate contributions	2.7	0.6	0.6	0.6
Net interest income/(expense)	(1.2)	(1.1)	0.4	(1.4)
Pre-tax profit	70.7	66.6	71.7	75.6
Tax	(10.6)	(12.7)	(13.6)	(14.4)
Minorities	0.0	0.0	0.0	0.0
Net profit	60.1	54.0	58.1	61.2
Net profit (adj.)	45.1	54.0	58.1	61.2

### CASH FLOW

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Operating	72.8	66.4	64.5	69.0
Pre-tax profit	70.7	66.6	71.7	75.6
Tax	(10.6)	(12.7)	(13.6)	(14.4)
Deprec. & amort.	8.6	9.9	9.8	9.6
Associates	2.7	0.6	0.6	0.6
Working capital changes	11.0	0.5	(3.9)	(4.2)
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	(9.5)	1.4	(0.1)	1.7
Investing	19.0	(7.0)	(7.0)	(7.0)
Capex (growth)	(13.8)	(8.0)	(8.0)	(8.0)
Proceeds from sale of assets	0.1	0.0	0.0	0.0
Others	32.7	1.0	1.0	1.0
Financing	(26.2)	(23.0)	(21.4)	(23.2)
Dividend payments	(2.3)	(1.1)	0.4	(1.4)
Issue of shares	0.6	0.0	0.0	0.0
Proceeds from borrowings	65.6	(2.0)	(2.0)	(2.0)
Loan repayment	(76.9)	(2.6)	(2.6)	(2.6)
Others/interest paid	(13.2)	(17.2)	(17.1)	(17.1)
Net cash inflow (outflow)	65.6	36.4	36.1	38.8
Beginning cash & cash equivalent	60.6	125.6	162.6	198.8
Changes due to forex impact	(0.5)	0.6	0.1	0.1
Ending cash & cash equivalent	125.6	162.6	198.8	237.7

### BALANCE SHEET

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Fixed assets	101.3	99.4	97.7	96.2
Other LT assets	37.9	37.8	37.8	37.7
Cash/ST investment	125.6	162.6	198.8	237.7
Other current assets	116.7	114.3	121.4	129.0
Total assets	381.5	414.1	455.7	500.6
ST debt	13.5	13.5	13.5	13.5
Other current liabilities	57.8	56.3	59.5	63.0
LT debt	24.8	22.2	19.6	17.0
Other LT liabilities	9.8	9.8	9.8	9.8
Shareholders' equity	276.7	313.4	354.4	398.5
Minority interest	(1.1)	(1.1)	(1.2)	(1.2)
Total liabilities & equity	381.5	414.1	455.7	500.6

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	15.4	18.9	18.5	18.5
Pre-tax margin	17.7	16.6	16.7	16.4
Net margin	15.1	13.4	13.5	13.3
ROA	16.7	13.6	13.4	12.8
ROE	23.8	18.3	17.4	16.3
Growth				
Turnover	24.2	1.0	6.9	6.9
EBITDA	80.4	24.0	4.6	6.9
Pre-tax profit	168.7	(5.8)	7.7	5.3
Net profit	208.2	(10.2)	7.7	5.3
Net profit (adj.)	131.3	19.7	7.7	5.3
EPS	132.3	20.3	7.7	5.3
Leverage				
Debt to total capital	12.2	10.2	8.6	7.1
Debt to equity	13.8	11.4	9.3	7.6
Net debt/(cash) to equity	(31.6)	(40.5)	(46.8)	(52.0)
Interest cover (x)	50.0	66.7	n.a.	60.3



## COMPANY RESULTS

### Singapore Telecommunications (ST SP)

1HFY24: Results in Line, Higher Dividend Policy

For 1HFY24, Singtel reported a higher underlying net profit of S\$1.1b (+11.6% yoy), driven by higher contributions from its growth engines and regional associates. The group's ROIC improved from 5% in FY22 to 8.3% in FY23 and is on track to hit low double-digit ROIC in the medium term, backed by the divestment of Trustwave and cost optimisation initiatives (S\$600m by FY26). Positively, Singtel has raised dividend payout to 70-90% of underlying net profit. Maintain BUY. Target price: S\$3.15.

#### 1HFY24 RESULTS

Year to 31 Mar (\$m)	2QFY24	qoq % chg	yoy % chg	1HFY24	yoy % chg
Group Operating Revenue:*	3,541	1.5	(3.7)	7,028	(3.2)
Optus	1,787	0.1	(5.9)	3,572	(7.1)
Singapore Consumer	957	2.1	(4.7)	1,893	(3.3)
NCS	716	5.2	4.4	1,396	8.8
Digital InfraCo	100	(2.4)	8.5	203	12.6
Group EBITDA:*	885	(1.9)	(1.7)	1,787	(4.8)
Optus	461	1.1	(8.2)	917	(11.2)
Singapore Consumer	366	(2.2)	(1.9)	741	(1.2)
NCS	62	(17.4)	55.0	136	24.1
Digital InfraCo	51	(16.1)	(2.3)	112	4.7
EBITDA margin (%)	25.0	(0.9ppt)	0.5ppt	25.4	(0.5ppt)
Regional Mobile Associates	604	3.4	4.5	1,187	2.8
Underlying Net Profit	550	(3.7)	8.7	1,121	11.6

\*Including intercompany eliminations, Trustwave, corporate overheads and currency movements. Source: Singtel, UOB Kay Hian

#### RESULTS

- Stable 1HFY24 results.** Singapore Telecommunications' (Singtel) 1HFY24 overall group revenue (-3.2% yoy), EBITDA (-4.8% yoy) and underlying net profit (+11.6% yoy) are in line with our expectations, forming 46-47% of our full-year forecasts. Excluding currency movements, operating revenue (+1.5% yoy), EBITDA (-0.5% yoy) and underlying net profit (+15.8% yoy) would have performed better, driven by higher contributions from Singtel's growth engines (NCS and Digital InfraCo), along with better contributions from regional associates. On a quarterly basis, 2QFY24 revenue (-3.7% yoy) and EBITDA (-1.7% yoy) were slightly lower yoy, dragged by weaker business sentiment and inflationary pressures. A S\$600m cost-out programme was initiated, which would help support margins till FY26.
- Higher dividend policy.** Singtel announced a 13% yoy higher 1HFY24 interim dividend of 5.2 S cents/share (1HFY23: 4.6 S Cents/share), implying a 77% dividend payout ratio and annualised dividend yield of 4.3%. Although no special dividend was declared, the group has adjusted its dividend policy higher to 70-90% of underlying net profit (60-80% of underlying net profit previously) which could bring potentially bring its full-year FY24 dividend to around 13.0 S cents/share, implying an annualised dividend of around 5.4%. Thus, we have raised our FY24 dividend estimate from 11.5 S cents/share to 12.0 S cents/share.

#### KEY FINANCIALS

Year to 31 Mar (\$m)	2021	2022	2023F	2024F	2025F
Net turnover	15,339	14,624	15,053	15,637	16,317
EBITDA	3,767	3,686	3,872	4,108	4,441
Operating profit	1,045	1,112	1,395	1,654	2,019
Net profit (rep./act.)	1,948	2,226	3,563	2,750	3,108
Net profit (adj.)	1,923	2,054	2,371	2,750	3,108
EPS (S\$ cent)	11.7	12.4	14.3	16.6	18.8
PE (x)	20.5	19.3	16.8	14.4	12.8
P/B (x)	1.4	1.5	1.4	1.4	1.4
EV/EBITDA (x)	13.0	13.3	12.6	11.9	11.0
Dividend yield (%)	3.9	6.2	5.0	5.5	6.4
Net margin (%)	12.7	15.2	23.7	17.6	19.0
Net debt/(cash) to equity (%)	34.6	35.5	29.3	28.3	27.3
Interest cover (x)	12.0	10.3	11.1	11.3	11.8
ROE (%)	7.1	8.2	13.3	9.9	10.9
Consensus net profit	-	-	2,388	2,787	3,201
UOBKH/Consensus (x)	-	-	0.99	0.99	0.97

Source: Singapore Telecommunications, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$2.40
Target Price	S\$3.15
Upside	+31.1%

#### COMPANY DESCRIPTION

Singtel is a telecommunications company offering a diverse range of services, including fixed-line, mobile, data, internet, TV, and digital solutions. It also has operations in Australia, India, Indonesia, Thailand and the Philippines.

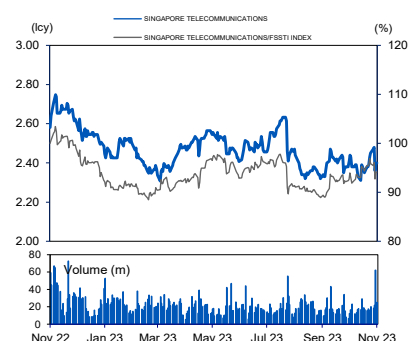
#### STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	ST SP
Shares issued (m):	16,510.9
Market cap (S\$m):	39,626.2
Market cap (US\$m):	29,201.3
3-mth avg daily t'over (US\$m):	32.3

#### Price Performance (%)

52-week high/low				S\$2.75/S\$2.31
1mth	3mth	6mth	1yr	YTD
0.8	(2.4)	(6.1)	(4.1)	(5.7)
<b>Major Shareholders</b>				<b>%</b>
Temasek Hldgs				52.0
FY24 NAV/Share (S\$)				1.67
FY24 Net Debt/Share (S\$)				0.49

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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# STOCK IMPACT

- Optus: Rising costs.** On a constant currency basis, 1HFY24 operating revenue increased 1.4% yoy on the back of increased mobile service revenue (+3.4% yoy), driven by higher postpaid ARPU, prepaid customer growth and robust content revenue from Optus Sport. However, faced with higher operating costs coupled with lower margins from the Enterprise Fixed business, EBITDA fell 3.2% yoy. Postpaid ARPU increased to A\$42/month (1QFY24: A\$41/month) due to implemented price uplifts with subscribers also increasing 31,000 qoq. Prepaid ARPU was stable qoq while subscribers grew 52,000 qoq. Management noted that an increasing number of customers have started to trade down to lower tier plans due to inflationary pressures. Although tier 2 mobile data providers have started to raise prices, the price gap between tier 1 and tier 2 providers remains too wide, resulting in a market shift to lower-priced plans. Regarding the recent network outage, it was noted that it was too early to notice any significant changes to customer churn. In our view, Optus would likely face increased customer churn in 2HFY24, similar to the data security breach incident in FY23.
- Singapore: Stable results.** Despite 1HFY24 mobile service revenue increasing 2.3% yoy, overall operating revenue (-3.3% yoy) and EBITDA (-1.2% yoy) fell, dragged by a sharp decline in ICT revenue amid weak business sentiment. As global travel recovers, outbound roaming revenue is currently at 90% of pre-COVID-19 levels. On the back of the ongoing roaming recovery, postpaid ARPU improved qoq to S\$33/month (1QFY24: S\$32/month), while postpaid subscribers increased 34,000 qoq respectively. Due to stiff competition and ongoing promotions, prepaid ARPU dropped to S\$11/month qoq (1QFY24: S\$12/month) while subscribers was lifted by 22,000 qoq. Mobile customer market share fell to 44.9% (1QFY24: 45.4%, 2QFY23: 46.6%) due to a market shift to lower-end plans.
- NCS: Expanding margins.** Driven by broad-based growth across all business groups, NCS reported robust 1HFY24 revenue and EBITDA growth of 8.8% yoy and 24.1% respectively. The better-than-expected margins were supported by a strong 2QFY24 whereby EBITDA surged 55% yoy while EBITDA margin expanded by 2.9ppt yoy. We reckon that this was driven by realised operational cost efficiencies and the absence of post-acquisition losses. 1HFY24 orderbook amounted to S\$1.4b (1QFY24: S\$691m), driven by new contract wins and contract renewals across various sectors.
- Digital InfraCo: Investing for the future.** Both revenue (+8.7% yoy) and EBITDA (+4.7% yoy) grew in 1HFY24, backed by higher contributions from both regional data centres (RDC) and satellite services. Although the RDC segment reported higher revenue (+9% yoy) from price uplifts, EBITDA fell 4% yoy due to a ramp-up in investment costs. With upcoming new additional capacity from DC Tuas, Batam and Thailand, we expect these investment costs to continue moving forward and would likely weigh on margins till FY25-26.
- Unlocking shareholder value.** Management noted that the group has about S\$4b of capital recycling post-stake sale of its RDC business which we reckon would likely come from paring down its stakes in its regional associates (valued at around S\$49b as of end-1QFY24). Furthermore, with additional proceeds from the RDC stake sale, Singtel currently has S\$2b-3b of excess cash after accounting for current growth initiatives and 5G capex. We opine that the excess cash may lead to larger dividends towards the higher end of the group's new 70-90% of underlying PATMI dividend policy in 2HFY24.

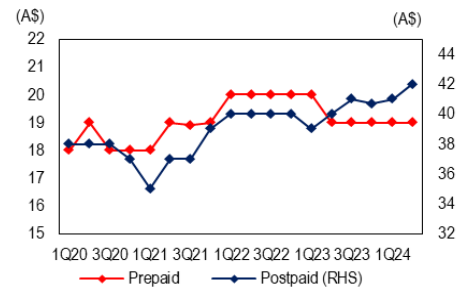
# EARNINGS REVISION/RISK

- We fine-tune our FY24-26 underlying net profit estimates slightly higher by 0-1%.

# VALUATION/RECOMMENDATION

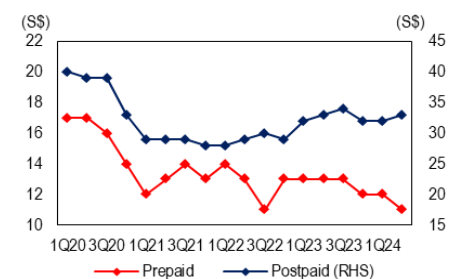
- Maintain BUY with an unchanged DCF-based target price of S\$3.15** (discount rate: 7%, growth rate: 2.0%). At our target price, the stock will trade at 15x FY24 EV/EBITDA. In our view, Singtel remains an attractive play against elevated market volatility, underpinned by improving business fundamentals.
- Key re-rating catalysts include:** a) successful monetisation of 5G, b) monetisation of data centres and/or NCS, and c) market repair in Singapore.

# AUSTRALIA CONSUMER ARPU TREND



Source: Singtel, UOB Kay Hian

# SINGAPORE CONSUMER ARPU TREND



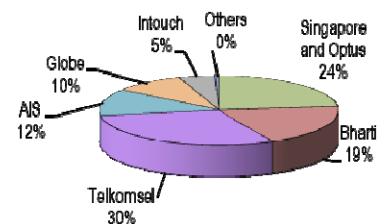
Source: Singtel, UOB Kay Hian

# FORWARD EV/EBITDA (X)



Source: Bloomberg, UOB Kay Hian

# 1HFY24 POST-TAX CONTRIBUTION



Source: Singtel, UOB Kay Hian

# PRE-TAX CONTRIBUTION

Associates (S\$m)	2QFY24	qoq % chg	yoy % chg
Telkomsel (Indonesia)	212	(3.2)	(7.0)
AIS (Thailand)	90	11.1	36.4
Intouch (Thailand)	36	12.5	33.3
Globe (Philippines)	71	1.4	(7.8)
Bharti Airtel (India)	195	7.1	8.3
Total	578	3.4%	4.5%

Source: Singtel, UOB Kay Hian

**PROFIT & LOSS**

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Net turnover	14,624.4	15,052.5	15,637.0	16,317.2
EBITDA	3,685.9	3,871.9	4,108.1	4,441.2
Deprec. & amort.	2,574.1	2,476.6	2,453.8	2,422.0
EBIT	1,111.8	1,395.2	1,654.3	2,019.2
Associate contributions	2,287.0	2,450.6	2,637.9	2,796.5
Net interest income/(expense)	(358.9)	(350.2)	(363.2)	(375.8)
Pre-tax profit	3,211.9	4,687.8	3,929.0	4,439.8
Tax	(978.0)	(1,125.1)	(1,178.7)	(1,331.9)
Minorities	(8.4)	0.0	0.0	0.0
Net profit	2,225.5	3,562.7	2,750.3	3,107.9
Net profit (adj.)	2,053.5	2,370.6	2,750.3	3,107.9

**CASH FLOW**

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Operating	4,775.8	6,327.3	5,509.9	5,827.3
Pre-tax profit	3,211.9	4,687.8	3,929.0	4,439.8
Tax	(978.0)	(1,125.1)	(1,178.7)	(1,331.9)
Deprec. & amort.	2,574.1	2,476.6	2,453.8	2,422.0
Associates	(172.0)	0.0	0.0	0.0
Working capital changes	(130.1)	(62.2)	(57.4)	(78.4)
Non-cash items	358.9	350.2	363.2	375.8
Other operating cashflows	(89.0)	0.0	0.0	0.0
Investing	(2,301.7)	(2,842.5)	(2,824.2)	(2,797.0)
Capex (maintenance)	(2,162.4)	(2,107.4)	(2,032.8)	(1,958.1)
Proceeds from sale of assets	(679.2)	(735.2)	(791.4)	(838.9)
Others	539.9	0.0	0.0	0.0
Financing	(2,941.2)	(1,915.2)	(2,158.4)	(2,517.0)
Dividend payments	(1,964.3)	(1,986.5)	(2,201.7)	(2,532.8)
Issue of shares	0.1	0.0	0.0	0.0
Proceeds from borrowings	(974.7)	421.5	406.6	391.6
Others/interest paid	(2.3)	(350.2)	(363.2)	(375.8)
Net cash inflow (outflow)	(467.1)	1,569.6	527.3	513.3
Beginning cash & cash equivalent	2,130.0	1,667.9	3,237.5	3,764.8
Changes due to forex impact	5.0	0.0	(0.1)	(0.1)
Ending cash & cash equivalent	1,667.9	3,237.5	3,764.7	4,278.0

**BALANCE SHEET**

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Fixed assets	10,384.6	10,327.4	10,218.5	10,066.7
Other LT assets	27,562.6	27,985.7	28,464.9	28,991.8
Cash/ST investment	1,667.9	3,237.5	3,764.8	4,278.1
Other current assets	5,428.4	5,581.0	5,791.4	6,035.3
<b>Total assets</b>	<b>46,530.0</b>	<b>48,618.1</b>	<b>49,726.1</b>	<b>50,858.4</b>
ST debt	982.7	982.7	982.7	982.7
Other current liabilities	7,316.4	7,406.9	7,559.8	7,725.3
LT debt	9,910.6	10,332.1	10,738.6	11,130.2
Other LT liabilities	2,306.0	2,306.0	2,306.0	2,306.0
Shareholders' equity	26,004.9	27,581.1	28,129.6	28,704.7
Minority interest	9.4	9.4	9.4	9.4
<b>Total liabilities &amp; equity</b>	<b>46,530.0</b>	<b>48,618.1</b>	<b>49,726.1</b>	<b>50,858.4</b>

**KEY METRICS**

Year to 31 Mar (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	25.2	25.7	26.3	27.2
Pre-tax margin	22.0	31.1	25.1	27.2
Net margin	15.2	23.7	17.6	19.0
ROA	4.7	7.5	5.6	6.2
ROE	8.2	13.3	9.9	10.9
<b>Growth</b>				
Turnover	(4.7)	2.9	3.9	4.3
EBITDA	(2.1)	5.0	6.1	8.1
Pre-tax profit	11.0	45.9	(16.2)	13.0
Net profit	14.3	60.1	(22.8)	13.0
Net profit (adj.)	6.8	15.4	16.0	13.0
EPS	6.1	15.4	16.0	13.0
<b>Leverage</b>				
Debt to total capital	29.5	29.1	29.4	29.7
Debt to equity	41.9	41.0	41.7	42.2
Net debt/(cash) to equity	35.5	29.3	28.3	27.3
Interest cover (x)	10.3	11.1	11.3	11.8

## COMPANY RESULTS

### United Hampshire US REIT (UHU SP)

3Q23: Resilient And Attractive Yield From Strip Centres With Long WALE

**UHU provides stability amid the current geopolitical uncertainties. Its strip centres in suburban locations have outperformed other asset classes due to entrenched hybrid work arrangements. They cater to necessity spending and have a long WALE of 7.2 years. Management has switched to paying management fees fully in cash to protect unitholders' interest. UHU provides resilient and attractive 2024 distribution yield of 11.7% and trades at P/NAV of 0.56x. Maintain BUY. Target price: US\$0.60.**

#### 3Q23 RESULTS

Year to 31 Dec (US\$m)	3Q23	yoy % Chg	Remarks
Gross Revenue	18.4	+8.2	Contribution from newly-acquired Upland Square and organic
Net Property Income (NPI)	12.9	+8.4	growth from its existing properties.
Distributable Income	7.1	-14.5	Switched to paying management fees fully in cash.

Source: UHU, UOB Kay Hian

#### RESULTS

- **United Hampshire US REIT (UHU)** reported distributable income of US\$7.1m for 3Q23 (-14.5% yoy). The decline was caused by a change in policy as the manager has elected to receive management fees of S\$0.8m fully in cash. On a like-for-like basis, distributable income decreased by a smaller 4.8% yoy.
- **Growing organically and via acquisitions.** Gross revenue and NPI grew 8.5% and 8.7% yoy respectively for 3Q23, driven by its third and largest acquisition of Upland Square in Pottstown, Pennsylvania (completion: 28 Jul 22), positive rental reversion from new and renewed leases, and rental escalation from its existing properties.
- **Resiliency from long WALE.** UHU signed eight new and renewal leases totalling 97,098sf in 3Q23 (two new leases and six renewals). It achieved positive low single-digit rental reversion in 9M23. It has maintained high tenant retention ratio of 92% since its IPO. Committed occupancy eased 0.7ppt qoq to 97.2% in 3Q23. UHU's grocery and necessity properties have a long WALE of 7.2 years. There is minimal roll-over risk with leases expiring in 2024 accounting for only 3.4% of base rental income.
- **Resiliency from essential services.** As of end-Sep 23, 63.6% of UHU's base rental income was derived from tenants providing essential services. Its triple net leases require tenants to reimburse the landlord for property taxes, insurance and maintenance for common areas, which shelter UHU from the negative impact of inflation. Leases for anchor tenants typically have built-in rental escalation of 5-10% for every 5-10 years. Tenants typically do not have early termination rights.
- **Self-storage properties: Rents on an upward trajectory.** Occupancies at self-storage properties Carteret and Millburn were 89.2% and 92.1% respectively as of Sep 23. Average net rent rate for Carteret and Millburn increased 6.5% and 7.5% yoy respectively to US\$24.50 and US\$27.40psf per year in 3Q23.

#### KEY FINANCIALS

Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Net turnover	55	67	72	73	74
EBITDA	37	43	49	48	50
Operating profit	37	43	49	48	50
Net profit (rep./act.)	46	28	30	29	31
Net profit (adj.)	25	28	30	29	31
EPU (US\$ cent)	4.8	4.9	5.3	5.0	5.3
DPU (US\$ cent)	6.1	5.9	4.7	4.6	4.6
PE (x)	7.9	7.7	7.1	7.6	7.1
P/B (x)	0.5	0.5	0.5	0.5	0.5
DPU Yld (%)	16.1	15.5	12.3	12.1	12.1
Net margin (%)	83.6	41.6	41.1	39.4	41.8
Net debt/(cash) to equity (%)	61.0	71.1	72.0	72.8	73.6
Interest cover (x)	5.1	3.6	3.2	3.0	3.1
ROE (%)	11.6	6.7	7.0	6.7	7.2
Consensus DPU (US\$ cent)	n.a.	n.a.	5.2	5.4	5.5
UOBKH/Consensus (x)	-	-	0.90	0.85	0.84

Source: United Hampshire US REIT, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	US\$0.38
Target Price	US\$0.60
Upside	+57.9%
(Previous TP)	US\$0.76)

#### COMPANY DESCRIPTION

UHREIT invests in income-producing real estate used primarily for grocery-anchored & necessity-based retail and self-storage purposes in the US.

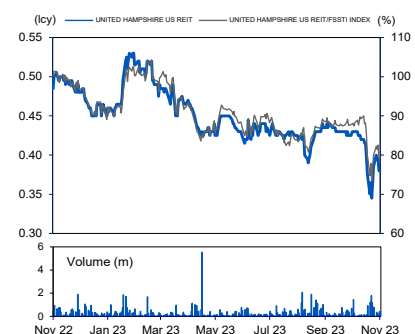
#### STOCK DATA

GICS sector	Real Estate			
Bloomberg ticker:	UHU SP			
Shares issued (m):	581.7			
Market cap (US\$m):	221.0			
Market cap (US\$m):	221.0			
3-mth avg daily t'over (US\$m):	0.2			
<b>Price Performance (%)</b>				
52-week high/low	US\$0.53/US\$0.345			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(10.6)	(10.6)	(13.6)	(22.4)	(18.3)

#### Major Shareholders

	%
U.S. RE Fund II Offshore Feeder 1	7.7
The Hampshire Generational Fund LLC	8.0
Golden Sun (China)	5.9
FY23 NAV/Share (US\$)	0.74
FY23 Net Debt/Share (US\$)	0.54

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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- **Opportunistic divestment.** On 25 Aug 23, UHU completed the divestment of Big Pine Center at Florida for US\$9.9m, which is 3.7% above the appraised value of US\$9.5m and 7.7% above the purchase price of US\$9.2m. The net proceeds from divestment were utilised to repay existing debt.
- **Prudent capital management.** Aggregate leverage improved 0.3ppt qoq 41.7% as of Sep 23 due to the divestment of Big Pine Center. Weighted average interest rate on a trailing 12-month basis rose 0.47ppt qoq to 4.04% in 3Q23 (excluding upfront costs). Interest coverage ratio remains healthy at 2.7x. About 81% of its borrowings are hedged to fixed rates.
- **Successfully completed refinancing for 2023-24.** UHU's key bankers are Canadian Imperial Bank of Commerce (Bloomberg ticker: CM CN) and M&T Bank (Bloomberg ticker: MTB US). It has completed the refinancing of its term loans due in 2023 and 2024. It only has a small mortgage loan of US\$21.1m maturing in Mar 24. There is no significant refinancing requirement until Nov 26. The weighted average debt maturity was 3.2 years.

#### STOCK IMPACT

- **Strip centres benefit from hybrid and remote work arrangements** as consumers are spending more time at home at suburban locations than city centres where their offices are located. Thus, foot traffic at strip centres has recovered to pre-pandemic levels. Physical retail at strip centres also serve to fulfil e-commerce orders and process returns. Thus, asking rents at suburban locations are growing.
- **Strip centres at the forefront of retail recovery.** Retail real estate is recovering after many years of minimal construction. According to CBRE, availability for neighbourhood and community strip centres saw the largest drop of 0.5ppt yoy to a record low of 6.6% in 3Q23. Retailers are redesigning the layout of their stores to align and complement the usage of e-commerce app and mobile devices.
- **Asset enhancement initiative (AEI).** UHU has invested US\$12m to develop a new 63,000sf store on excess land within its St Lucie West property in Florida. Academy Sports + Outdoors, a Fortune 500 sporting goods retailer has leased the new store for 15 years. Construction was completed ahead of schedule and Academy Sports has commenced interior build-out. The new store is scheduled to open in Nov 24, ahead of the festive season, and provides high single-digit ROI.

#### EARNINGS REVISION/RISK

- We cut our 2024 DPU forecast by 15% due to the change to paying management fees in cash rather than new units as well as the divestment of Big Pine Center.

#### VALUATION/RECOMMENDATION

- **Attractive and irresistible yield spread.** UHU trades at 2024 distribution yield of 11.7%, which represents an attractive yield spread of 7.1% above the 10-year US government bond yield of 4.6%. It trades at P/NAV of 0.56x.
- **Maintain BUY.** Our target price of US\$0.60 is based on the dividend discount model (cost of equity: 9.0% (previous: 8.5%), terminal growth: 1.5%).

#### SHARE PRICE CATALYST

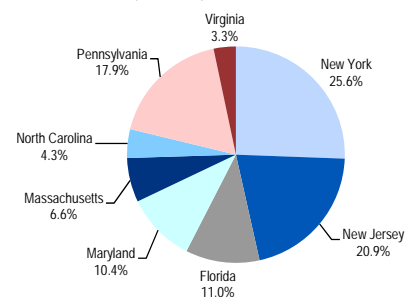
- Stability of spending on necessity products and essential services.
- Yield-accretive acquisitions of grocery & necessity retail properties.

#### KEY OPERATING METRICS

		3Q22	4Q22	1Q23	2Q23	3Q23	yoy	qoq*
DPU	US cents	n.a.	2.97	n.a.	2.65	n.a.	n.a.	n.a.
Occupancy	%	96.7%	96.9%	97.0%	97.9%	97.2%	0.5ppt	-0.7ppt
Aggregate Leverage	%	42.1%	41.8%	42.6%	42.0%	41.7%	-0.4ppt	-0.3ppt
Average Cost of Debt	%	3.05%	2.77%	3.02%	3.57%	4.04%	1ppt	0.5ppt
Weighted Average Lease Expiry (WALE)	year	7.6	7.5	7.4	7.2	7.2	-0.4yrs	0yrs
Weighted Debt Maturity	year	2.1	4.0	3.7	3.5	3.2	1.1yrs	-0.3yrs
% Borrowing in Fixed Rates	%	82.0	81.4	80.2	80.9	80.9	-1.3%	0.0%

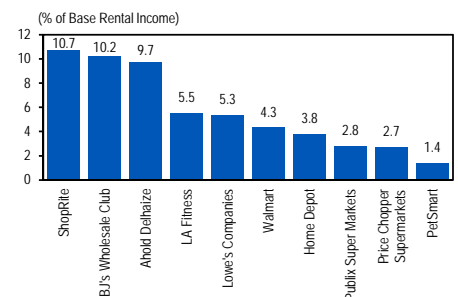
Source: UHU, UOB Kay Hian \* hoh % chg for DPU

#### NPI BY STATE (JUN 23)



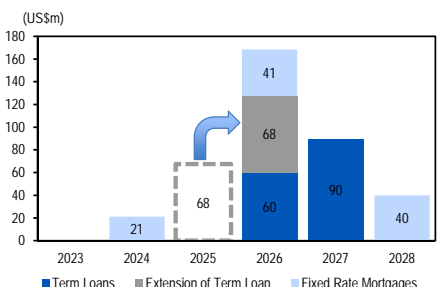
Source: UHU

#### TOP-10 TENANTS - GROCERY & NECESSITY RETAIL PROPERTIES



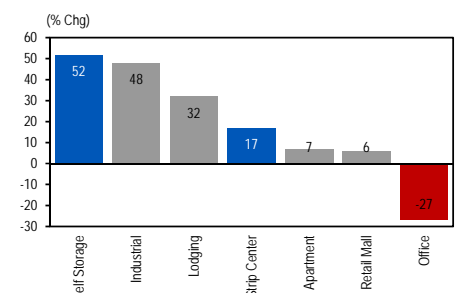
Source: UHU

#### DEBT MATURITY PROFILE



Source: UHU

#### GREEN STREET COMMERCIAL PROPERTY PRICE INDEX (JUN 20 TO SEP 23)



Source: UHU



**PROFIT & LOSS**

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Net turnover	67.5	71.8	72.6	73.6
EBITDA	43.4	49.2	47.9	50.3
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	43.4	49.2	47.9	50.3
Total other non-operating income	0.2	0.0	0.0	0.0
Net interest income/(expense)	(12.2)	(15.5)	(15.9)	(16.1)
<b>Pre-tax profit</b>	<b>31.6</b>	<b>32.8</b>	<b>32.0</b>	<b>34.2</b>
Tax	(3.1)	(3.1)	(3.2)	(3.2)
Minorities	(0.4)	(0.2)	(0.2)	(0.2)
<b>Net profit</b>	<b>28.0</b>	<b>29.5</b>	<b>28.6</b>	<b>30.8</b>
Net profit (adj.)	27.8	30.4	28.6	30.8

**BALANCE SHEET**

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Fixed assets	761.1	763.5	768.0	772.5
Other LT assets	0.0	0.0	0.0	0.0
Cash/ST investment	12.2	13.6	13.8	15.9
Other current assets	12.6	11.8	11.9	12.0
<b>Total assets</b>	<b>785.9</b>	<b>788.9</b>	<b>793.6</b>	<b>800.4</b>
ST debt	0.0	21.1	21.1	21.1
Other current liabilities	12.3	10.9	11.1	11.2
LT debt	314.3	298.0	302.0	308.0
Other LT liabilities	31.7	32.7	32.7	32.7
Shareholders' equity	425.1	424.1	424.7	425.3
Minority interest	2.5	2.0	2.0	2.0
<b>Total liabilities &amp; equity</b>	<b>785.9</b>	<b>788.9</b>	<b>793.6</b>	<b>800.4</b>

**CASH FLOW**

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>43.6</b>	<b>46.2</b>	<b>41.8</b>	<b>42.3</b>
Pre-tax profit	28.8	30.4	30.4	30.7
Deprec. & amort.	(1.7)	(1.8)	(1.8)	(1.8)
Working capital changes	7.5	2.5	0.2	0.1
Non-cash items	3.3	3.2	3.0	3.3
Other operating cashflows	5.7	12.0	10.0	10.0
<b>Investing</b>	<b>(9.8)</b>	<b>(6.1)</b>	<b>(4.5)</b>	<b>(4.5)</b>
Capex (growth)	(47.6)	0.0	0.0	0.0
Capex (maintenance)	(6.2)	(16.0)	(4.5)	(4.5)
Proceeds from sale of assets	43.9	9.9	0.0	0.0
Others	0.0	0.0	0.0	0.0
<b>Financing</b>	<b>(32.8)</b>	<b>(38.7)</b>	<b>(37.2)</b>	<b>(35.6)</b>
Distribution to unitholders	(21.4)	(29.7)	(26.4)	(26.7)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	3.4	4.8	4.0	6.0
Others/interest paid	(14.7)	(13.9)	(14.7)	(14.9)
<b>Net cash inflow (outflow)</b>	<b>1.0</b>	<b>1.4</b>	<b>0.2</b>	<b>2.2</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>11.2</b>	<b>12.2</b>	<b>13.6</b>	<b>13.8</b>
<b>Ending cash &amp; cash equivalent</b>	<b>12.2</b>	<b>13.6</b>	<b>13.8</b>	<b>15.9</b>

**KEY METRICS**

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	64.3	68.5	66.0	68.3
Pre-tax margin	46.9	45.7	44.0	46.4
Net margin	41.6	41.1	39.4	41.8
ROA	3.7	3.7	3.6	3.9
ROE	6.7	7.0	6.7	7.2
<b>Growth</b>				
Turnover	22.2	6.4	1.1	1.4
EBITDA	17.6	13.5	(2.6)	5.0
Pre-tax profit	(40.9)	3.9	(2.6)	6.8
Net profit	(39.2)	5.3	(3.2)	7.6
Net profit (adj.)	9.8	9.5	(6.1)	7.6
EPU	3.1	8.5	(6.8)	6.7
<b>Leverage</b>				
Debt to total capital	42.4	42.8	43.1	43.5
Debt to equity	73.9	75.2	76.1	77.4
Net debt/(cash) to equity	71.1	72.0	72.8	73.6
Interest cover (x)	3.6	3.2	3.0	3.1



COMPANY UPDATE

CapitaLand Investment (CLI SP)

Short-term Headwinds But There Should Still Be A Growth Story In 2024

CLI reported a weaker-than-expected 3Q23 business update and, with the exception of its lodging business, guided for a difficult medium-term outlook with fair value losses and impairments likely at its 2023 annual results in Feb 24. In the longer term, CLI's slight pivot away toward Southeast Asia and India with its inaugural wellness & healthcare fund should provide an interesting avenue of growth. Maintain BUY. EPS is lowered for 2023-25, and target price reduced to S\$3.90 (previously S\$4.25).

WHAT'S NEW

- **Working through tough times.** CapitaLand Investment (CLI) reported a difficult 3Q23 business update with revenue of S\$2.1b (-3% yoy) that was below estimates, making up only 60% of our full-year numbers. On the analyst call, management guided for a difficult medium-term outlook, with the exception of lodging management which continues to perform strongly due to robust travel trends globally.
- **A resilient business in parts but dragged down by lack of capital recycling.** 9M23 demonstrated the resiliency of CLI's business as seen by its recurring fund management fees which grew by 9% yoy to S\$272m. Largely as the result of a stagnant market in China, CLI remains well short of its annual capital recycling target of S\$3b, achieving S\$1.2b ytd. The company commented that it remains "tough to do deals" and with unequal economic growth across their markets, the outlook remains decidedly mixed in 2024. Nevertheless, CLI has raised S\$3.5b ytd in 2023 (42% higher than the whole of 2022) and currently has S\$9b of dry powder for deployment.
- **A mild change in strategic direction.** CLI's historical focus has been on Singapore and China. However, one of the interesting comments during the analyst call was CLI highlighting an adjustment in geographic focus beyond its two core countries and towards Southeast Asia and India as it sees strong growth opportunities in these markets. For example, CLI's new fund in partnership with Thailand's Puksha Holding, with initial close of S\$350m, looks to tap into the wellness and healthcare sector in Southeast Asia.
- **Fair value gains and losses highly likely for this year.** Management commented that there is a high likelihood for fair value losses for 2023. We highlight that Frasers Property Limited issued a profit warning in Oct 23 related to its property in UK and Europe, and with valuers taking guidance from each other, CLI warned that its properties in China, Australia, US and Europe could be affected.

KEY FINANCIALS

Year to 31 Dec (\$m)	2021	2022	2023F	2024F	2025F
Net turnover	2,293	2,876	2,946	3,044	3,135
EBITDA	1,251	1,435	1,180	1,249	1,296
Operating profit	1,091	1,289	1,030	1,095	1,139
Net profit (rep./act.)	1,349	862	788	974	1,012
Net profit (adj.)	1,349	862	788	974	1,011
EPS (\$ cent)	38.4	16.8	15.4	19.0	19.7
PE (x)	7.9	18.0	19.7	16.0	15.4
P/B (x)	1.0	1.0	1.0	1.0	1.0
EV/EBITDA (x)	21.8	19.0	23.1	21.8	21.0
Dividend yield (%)	4.0	4.0	3.0	3.8	3.9
Net margin (%)	58.8	30.0	26.7	32.0	32.3
Net debt/(cash) to equity (%)	51.7	54.2	52.9	48.6	45.1
Interest cover (x)	2.9	2.7	2.2	3.2	3.5
ROE (%)	9.4	5.4	5.0	6.1	6.2
Consensus net profit	-	-	858	1,012	1,168
UOBKH/Consensus (x)	-	-	0.92	0.96	0.87

Source: CapitaLand Investments, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$3.03
Target Price	S\$3.90
Upside	+28.7%
(Previous TP)	S\$4.25)

COMPANY DESCRIPTION

CLI is a global real estate manager with an Asian foothold and a diversified exposure across retail, office, lodging and new economy asset classes.

STOCK DATA

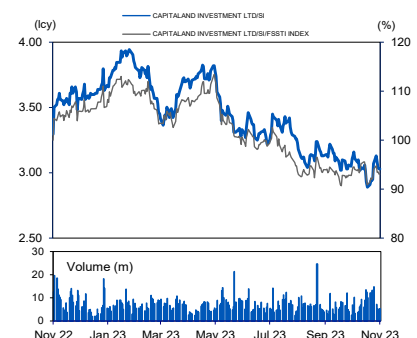
GICS sector	Real Estate
Bloomberg ticker:	CLI SP
Shares issued (m):	5,105.6
Market cap (\$m):	15,470.0
Market cap (US\$m):	11,400.1
3-mth avg daily t'over (US\$m):	16.3
<b>Price Performance (%)</b>	

52-week high/low S\$3.94/S\$2.89

1mth	3mth	6mth	1yr	YTD
(0.7)	(7.1)	(20.7)	(8.0)	(16.7)

<b>Major Shareholders</b>	%
Temasek Hldgs	52.8
FY23 NAV/Share (\$)	2.96
FY23 Net Debt/Share (\$)	1.57

PRICE CHART



Source: Bloomberg

ANALYST(S)

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## STOCK IMPACT

- **CLI's lodging segment continues to be the beneficiary of strong demand tailwinds** with North Asia ex China displaying the best RevPAU growth, up a strong 110% yoy for 9M23 driven by higher occupancy (+9pp) and average daily rates (+8pp). As seen in the chart on RHS, only the Middle East/Africa/India business displayed single-digit growth while others had comfortable double-digit RevPAU growth.
- **A tale of the second half.** Despite having embedded funds under management of S\$10b (which includes the wellness fund which has raised \$350m and targeting S\$500m), the company's deployed capital has moved slower than expected with management forecasting that it will be slow in the medium term. On the analyst call, management stated that given the market's softer conditions, 1H24 will likely be quiet with hopes of a potential mild recovery in 2H24.
- **Market comments – Mixed in the medium term.** CLI remains cautious on China and presaged negative rental reversions in the retail sector, balanced out by the fact that the office sector has been reasonably solid and seeing positive rental reversions. On the other hand, the company struck a brighter note in India where it is seeing a lot of investor interest, strong leasing momentum and positive rental reversions overall.
- **Longer term resilient, recurrent fee platform.** On the analyst call, management highlighted its desire to scale its commercial management (previously known as property management) business which it views as a capital-efficient, high ROE and asset-light way to support its platform and to grow its AUM and fees. For 9M23, it earned S\$246m of fee-related earnings in its commercial management arm (+6% yoy). With 60% of this derived from Singapore, CLI will look at expanding this business into China and India which only contribute 29% and 11% respectively to the commercial management pie at present.

## EARNINGS REVISION/RISK

- **Downgrading earnings estimates.** We have lowered earnings estimates for 2023-25 by 7-14% to take into account higher interest rates costs for 2023-24, lower EBITDA margins and revenue growth for its fund management business and slower recovery for its China properties. We have not factored in any impairment charges for its assets for 2023.

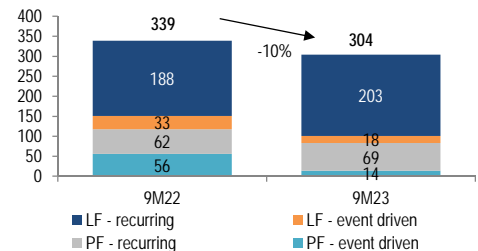
## VALUATION/RECOMMENDATION

- **Maintain BUY with a lower SOTP-based target price of S\$3.90 (\$4.25 previously).** The slightly lower target price is the result of CLI's comparable companies experiencing EBITDA multiples contraction coupled with our earnings downgrades as highlighted above. We believe that the company's current P/B valuation is inexpensive at 1.0x for 2024F vs its peak P/B of 1.4x for 2022. In our view, the company's active share buyback program should provide a floor at current levels.

## SHARE PRICE CATALYST

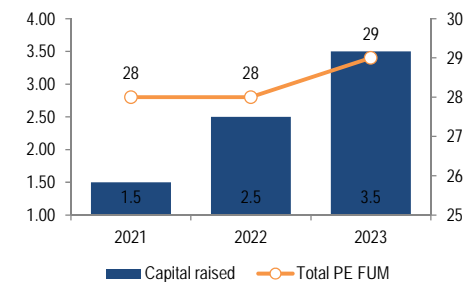
- a) Cap rate compression and stronger-than-expected growth in its FUM, and b) faster-than-expected recovery of the Chinese economy leading to overall better business in the lodging business and FUM given CLI's leverage in China.

## FUND MANAGEMENT FEE RELATED EARNINGS (\$M)



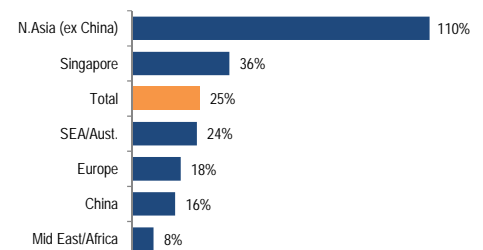
Source: CLI

## PRIVATE CAPITAL RAISED (\$B)



Source: CLI

## REVPAU: STRONG GROWTH ACROSS ALL MARKETS IN 9M23 (% YOY)



Source: CLI

## SOTP VALUATION

Business units	S\$m	S\$/share
Investment management	3,446	0.67
Lodging management	918	0.18
Property investment	9,020	1.76
Unlisted funds	7,900	1.54
Listed funds	7,498	1.46
Less: overheads	-500	-0.10
<b>Gross asset value</b>	<b>28,282</b>	<b>5.51</b>
Less: other adjustments	-8,296	-1.62
<b>Enterprise value</b>	<b>19,985</b>	<b>3.90</b>

Source: UOB Kay Hian

## FORECAST EARNINGS CHANGES

S\$m	2023E	2024E	2025E
NPAT – old	909	1,048	1,086
NPAT – new	786	972	1,009
% change	-13.6%	-7.2%	-7.1%

Source: UOB Kay Hian

**PROFIT & LOSS**

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	2,876	2,946	3,044	3,135
EBITDA	1,435	1,180	1,249	1,296
Deprec. & amort.	146	150	153	157
EBIT	1,289	1,030	1,095	1,139
Total other non-operating income	1	2	2	3
Associate contributions	531	650	750	750
Net interest income/(expense)	(432)	(412)	(335)	(321)
<b>Pre-tax profit</b>	<b>1,389</b>	<b>1,270</b>	<b>1,512</b>	<b>1,570</b>
Tax	(318)	(292)	(302)	(313)
Minorities	(209)	(191)	(236)	(245)
Preferred dividends	0	0	0	0
<b>Net profit</b>	<b>862</b>	<b>788</b>	<b>974</b>	<b>1,012</b>
Net profit (adj.)	862	788	974	1,011

**BALANCE SHEET**

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	1,225	1,325	1,422	1,515
Other LT assets	29,464	29,419	29,444	29,470
Cash/ST investment	2,668	162	347	718
Other current assets	1,753	1,759	1,765	1,772
<b>Total assets</b>	<b>35,110</b>	<b>32,665</b>	<b>32,978</b>	<b>33,475</b>
ST debt	1,208	1,208	1,208	1,208
Other current liabilities	2,954	2,954	2,954	2,954
LT debt	9,880	7,250	7,000	7,000
Other LT liabilities	2,139	2,078	2,060	2,050
Shareholders' equity	15,529	15,690	16,184	16,601
Minority interest	3,400	3,485	3,572	3,661
<b>Total liabilities &amp; equity</b>	<b>35,110</b>	<b>32,665</b>	<b>32,978</b>	<b>33,475</b>

**CASH FLOW**

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>735</b>	<b>888</b>	<b>947</b>	<b>982</b>
Pre-tax profit	1,389	1,270	1,512	1,570
Tax	(318)	(292)	(302)	(313)
Deprec. & amort.	146	150	153	157
Associates	0	0	0	1
Working capital changes	(21)	0	0	0
Non-cash items	0	0	0	1
Other operating cashflows	(461)	(240)	(417)	(434)
<b>Investing</b>	<b>(382)</b>	<b>(2)</b>	<b>(22)</b>	<b>(17)</b>
Capex (growth)	(999)	(250)	(250)	(250)
Capex (maintenance)	0	0	0	1
Investments	738	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(121)	248	228	232
<b>Financing</b>	<b>(1,370)</b>	<b>(3,393)</b>	<b>(739)</b>	<b>(593)</b>
Dividend payments	(958)	(797)	(651)	(765)
Issue of shares	(133)	0	0	0
Proceeds from borrowings	104	0	0	0
Loan repayment	0	(2,630)	(250)	0
Others/interest paid	(383)	34	162	172
<b>Net cash inflow (outflow)</b>	<b>(1,017)</b>	<b>(2,506)</b>	<b>185</b>	<b>372</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>3,815</b>	<b>2,624</b>	<b>118</b>	<b>303</b>
Changes due to forex impact	(130)	44	44	44
<b>Ending cash &amp; cash equivalent</b>	<b>2,668</b>	<b>162</b>	<b>347</b>	<b>719</b>

**KEY METRICS**

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	49.9	40.1	41.0	41.3
Pre-tax margin	48.3	43.1	49.7	50.1
Net margin	30.0	26.7	32.0	32.3
ROA	2.4	2.3	3.0	3.0
ROE	5.4	5.0	6.1	6.2
<b>Growth</b>				
Turnover	25.4	2.4	3.3	3.0
EBITDA	14.7	(17.8)	5.8	3.8
Pre-tax profit	(29.0)	(8.6)	19.1	3.8
Net profit	(36.1)	(8.6)	23.7	3.9
Net profit (adj.)	(36.1)	(8.6)	23.7	3.8
EPS	(56.2)	(8.6)	23.7	3.9
<b>Leverage</b>				
Debt to total capital	36.9	30.6	29.4	28.8
Debt to equity	71.4	53.9	50.7	49.4
Net debt/(cash) to equity	54.2	52.9	48.6	45.1
Interest cover (x)	2.7	2.2	3.2	3.5

## COMPANY RESULTS

### Minor International (MINT TB)

3Q23: Earnings Remain Solid

MINT posted 3Q23 net profit of Bt2.1b (-54% yoy, -34% qoq), while core profit was Bt2.3b (+13% yoy, -24% qoq). The hotel business remained strong with RevPar growing 13% yoy but dropping 5% qoq, surpassing pre-COVID-19 levels by 42%. Food sales was supported by strong consumption in Thailand, but this was partially offset by softer performance in other regions. Maintain BUY. Target price: Bt38.00.

#### 3Q23 RESULTS

(Btm)	3Q22	2Q23	3Q23	yoy (%)	qoq (%)
Hotel revenue	25,147	30,062	29,688	18.1	(1.2)
Food revenue	7,035	7,346	7,275	3.4	(1.0)
Total revenue	33,930	39,738	38,904	14.7	(2.1)
Gross profit	15,690	18,910	18,216	16.1	(3.7)
SG&A	11,906	13,304	12,479	4.8	(6.2)
Operating EBIT	4,770	6,078	6,283	31.7	3.4
Operating EBITDA	8,667	10,525	10,432	20.4	(0.9)
Core profit	2,011	3,005	2,273	13.0	(24.4)
Net profit	4,608	3,255	2,144	(53.5)	(34.1)
(%)	3Q22	2Q23	3Q23	yoy (ppts)	qoq (ppts)
Gross margin	46.2	47.6	46.8	0.6	(0.8)
SG&A to sales	35.1	33.5	32.1	(3.0)	(1.4)
EBIT margin	14.1	15.3	16.1	2.1	0.9
EBITDA margin	25.5	26.5	26.8	1.3	0.3
Core profit margin	5.9	7.6	5.8	(0.1)	(1.7)
Net profit margin	13.6	8.2	5.5	(8.1)	(2.7)

Source: Minor International, UOB Kay Hian

#### RESULTS

- **3Q23 earnings continued to improve yoy but declined qoq.** Minor International (MINT) posted a net profit of Bt2.1b (-54% yoy, -34% qoq) in 3Q23. Excluding extraordinary items, core profit improved yoy but declined qoq to Bt2.3b (+13% yoy, -24% qoq), which was lower than our estimate by 9% but in line with market expectations. The key miss was lower-than-expected share of profit from associates as well as other income.
- **Total sales supported by an improvement in all businesses, especially hotels.** Total sales improved by 15% yoy but declined slightly by 2% qoq. A significant yoy growth in the top-line was boosted by hotel operations, meanwhile, a qoq declining growth in the top-line was driven by both hotel and food operations.

#### KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	74,427.8	122,908.7	133,697.7	140,130.8	144,809.1
EBITDA	12,610.5	32,405.8	35,098.4	38,243.4	39,378.5
Operating profit	(7,331.3)	13,131.1	15,235.0	17,835.7	18,513.1
Net profit (rep./act.)	(13,166.5)	4,286.4	5,578.0	7,310.4	7,811.3
Net profit (adj.)	(13,166.5)	4,286.4	5,578.0	7,310.4	7,811.3
EPS (Bt)	(2.5)	0.8	1.0	1.4	1.5
PE (x)	n.m.	35.3	27.5	21.0	19.6
P/B (x)	2.2	2.1	1.9	1.8	1.7
EV/EBITDA (x)	28.6	11.1	10.3	9.4	9.1
Dividend yield (%)	0.0	0.0	1.2	1.5	1.7
Net margin (%)	(17.7)	3.5	4.2	5.2	5.4
Net debt/(cash) to equity (%)	293.3	259.2	242.6	215.5	196.9
Interest cover (x)	1.7	4.0	4.2	4.4	4.5
ROE (%)	n.a.	6.2	7.5	9.1	9.1
Consensus net profit	-	-	6,395	7,858	9,403
UOBKH/Consensus (x)	-	-	0.87	0.93	0.83

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

## BUY

(Maintained)

Share Price	Bt27.75
Target Price	Bt38.00
Upside	+36.9%
(Previous TP)	Bt42.00)

#### COMPANY DESCRIPTION

MINT is one of the largest hospitality companies in the Asia-Pacific region. It also operates restaurants in Thailand and overseas and is involved in residential property development and retail trading.

#### STOCK DATA

GICS sector	Consumer Discretionary				
Bloomberg ticker:	MINT TB				
Shares issued (m):	5,595.8				
Market cap (Btm):	159,480.2				
Market cap (US\$m):	4,480.4				
3-mth avg daily t'over (US\$m):	12.4				
<b>Price Performance (%)</b>					
52-week high/low					Bt34.75/Bt27.75
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>	
(7.3)	(9.5)	(14.9)	(2.6)	(11.6)	
<b>Major Shareholders</b>					<b>%</b>
Minor Group & Heinecke Family					34.0
Foreign Fund					27.0
Local Fund					12.0
FY23 NAV/Share (Bt)					14.69
FY23 Net Debt/Share (Bt)					35.63

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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### KEY STATISTICS

Hotel Stats	3Q19	3Q22	4Q22	1Q23	2Q23	3Q23	yoy chg	qoq chg	to Pre-COVID
Occupancy rate (%)	74%	68%	63%	59%	70%	70%	2.0 ppt	0.0 ppt	95%
ADR (Bt/night)	3,763	5,122	5,009	4,645	5,842	5,610	9.5%	-4.0%	149%
RevPar (Bt/night)	2,773	3,476	3,176	2,737	4,118	3,927	13.0%	-4.6%	142%
Key rooms	53,448	54,554	54,512	54,408	54,373	54,493	-0.1%	0.2%	102%
Food Stats	3Q19	3Q22	4Q22	1Q23	2Q23	3Q23	yoy chg	qoq chg	
SSSG - Portfolio	-3.7%	16.6%	4.4%	11.4%	8.1%	-2.0%	-18.6 ppt	-10.1 ppt	
SSSG - Thailand	-5.0%	11.4%	4.1%	5.8%	7.9%	-1.1%	-12.5 ppt	-9.0 ppt	
SSSG - China	-1.9%	-10.5%	-26.4%	15.1%	39.8%	-9.9%	0.6 ppt	-49.7 ppt	
SSSG - Australia	-1.9%	35.6%	15.1%	24.0%	3.3%	-2.8%	-38.4 ppt	-6.1 ppt	
Number of stores	2,297	2,484	2,531	2,540	2,581	2,607	5.0%	1.0%	

Source: MINT, UOB Kay Hian

- **Hotels driven by robust performance in Europe and Thailand.** Sales from hotel operations continued to increase 18% yoy but declined marginally by 1% qoq, led by a robust hotel performance in Europe and Thailand. Occupancy rate of the portfolio increased yoy but stayed flat qoq at 70% (vs 68% in 3Q23, flat qoq, 74% in 3Q19). Meanwhile, the average room rate (ADR) rose 10% yoy but dropped 4% qoq, surpassing pre-COVID-19 levels by 49%. Hence, the portfolio's RevPar grew 13% yoy but dropped 5% qoq and surpassed the pre-COVID-19 levels by 42%. Hotels in Europe remained strong with RevPar growing 11% yoy but dropping 4% qoq due to the seasonal impact, surpassing pre-COVID-19 levels by 19%. Furthermore, RevPar of hotels in Thailand grew 38% yoy and 4% qoq and reached normalised levels. However, RevPar of hotels in the Maldives remained weak, declining 26% yoy and 17% qoq and still below pre-COVID-19 levels by 12%.

- **Food sales outside Thailand saw a slowdown.** Food sales increased 3% yoy but dropped slightly by 1% qoq, underpinned by the strong performance in Thailand, which was partially offset by softer performance in China and Australia. The portfolio's SSSG was -2% yoy (Thailand: -1% yoy, China: -10% yoy, Australia: -3% yoy) due to: a) a weak consumption in CLMV region, and b) high-base impact in China after the easing of COVID-19-related restrictions. Meanwhile, the total same-store-sale growth of the portfolio was strong at +5% yoy, mainly driven by Thailand.

- **EBITDA margin remained robust.** EBITDA margin improved yoy but stayed flat qoq at 26.8% (+1.3ppt yoy, +0.3ppt qoq). EBITDA margin from the hotel business declined qoq due to lower economies of scale, but this was offset by an improved EBITDA margin from the food business, thanks to lower material costs.

### STOCK IMPACT

- **4Q23 earnings are likely to decline qoq.** We expect earnings in 4Q23 and 1Q24 to improve yoy but decline qoq. An improvement of earnings on a yoy basis should come from higher travel mobility in all regions. However, earnings should decline qoq due to the low season of travel in Europe.

### EARNINGS REVISION/RISK

- None.

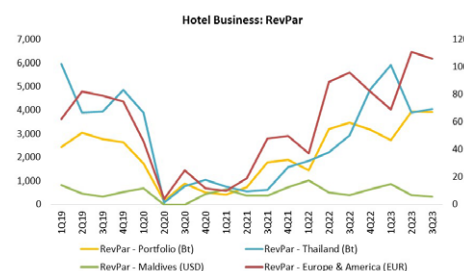
### VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of Bt38.00.** We roll over our target price to 2024 and de-rate the EV/EBITDA multiple to 11x, or at 1SD below its historical trading, to reflect: a) the slower growth rate from the high base in 2023 (2023 earnings growth: 176% yoy, 2024 earnings growth: 31% yoy), and b) the end of revenge travel, especially in Europe due to its earlier reopening as compared with countries in the Asian region. However, stock price is currently trading at EV/EBITDA of 9-10x or at about -1.5SD its own historical trading. Hence, we believe MINT's valuation is undemanding.

### SHARE PRICE CATALYST

- End of revenge travel.

### HOTEL PERFORMANCE



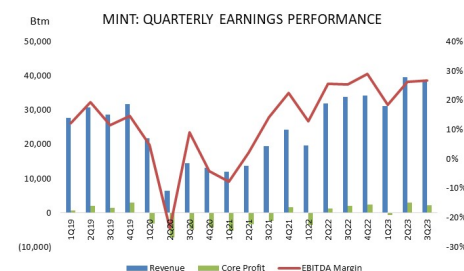
Source: MINT, UOB Kay Hian

### FOOD PERFORMANCE



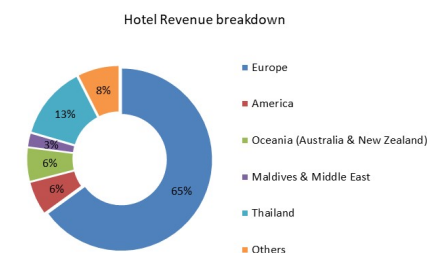
Source: MINT, UOB Kay Hian

### FOOD PERFORMANCE



Source: MINT, UOB Kay Hian

### HOTEL REVENUE BREAKDOWN (2019)



Source: MINT, UOB Kay Hian



**PROFIT & LOSS**

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	122,909	133,698	140,131	144,809
EBITDA	32,406	35,098	38,243	39,378
Deprec. & amort.	19,275	19,863	20,408	20,865
EBIT	13,131	15,235	17,836	18,513
Total other non-operating income	2	1	1	1
Associate contributions	136	300	386	401
Net interest income/(expense)	(8,138)	(8,272)	(8,700)	(8,738)
<b>Pre-tax profit</b>	<b>6,877</b>	<b>7,264</b>	<b>9,522</b>	<b>10,178</b>
Tax	(2,354)	(1,393)	(1,827)	(1,955)
Minorities	(236)	(294)	(385)	(411)
<b>Net profit</b>	<b>4,286</b>	<b>5,578</b>	<b>7,310</b>	<b>7,811</b>
Net profit (adj.)	4,286	5,578	7,310	7,811

**CASH FLOW**

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>24,634</b>	<b>22,067</b>	<b>27,711</b>	<b>29,229</b>
Pre-tax profit	6,877	7,264	9,522	10,178
Tax	(2,354)	(1,393)	(1,827)	(1,955)
Deprec. & amort.	19,275	19,863	20,408	20,865
Working capital changes	51	(709)	(95)	(69)
Non-cash items	2,112	(4,285)	(297)	211
Other operating cashflows	(1,326)	1,326	0	0
<b>Investing</b>	<b>(9,234)</b>	<b>(26,701)</b>	<b>(16,708)</b>	<b>(22,158)</b>
Capex (growth)	(6,035)	(33,219)	(17,194)	(24,829)
Investments	(95)	(120)	(154)	(160)
Others	(3,104)	6,638	641	2,831
<b>Financing</b>	<b>(17,531)</b>	<b>15,526</b>	<b>(6,785)</b>	<b>(7,339)</b>
Dividend payments	0	0	(1,785)	(2,339)
Issue of shares	1,475	0	0	0
Proceeds from borrowings	(17,451)	15,526	(5,000)	(5,000)
Others/interest paid	(1,555)	0	0	0
<b>Net cash inflow (outflow)</b>	<b>(2,130)</b>	<b>10,892</b>	<b>4,218</b>	<b>(268)</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>25,097</b>	<b>22,966</b>	<b>33,858</b>	<b>38,077</b>
<b>Ending cash &amp; cash equivalent</b>	<b>22,966</b>	<b>33,858</b>	<b>38,077</b>	<b>37,808</b>

**BALANCE SHEET**

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	274,392	287,747	284,534	288,498
Other LT assets	33,522	36,987	37,341	39,066
Cash/ST investment	22,966	33,858	38,077	37,808
Other current assets	27,330	33,326	34,252	36,818
<b>Total assets</b>	<b>358,210</b>	<b>391,919</b>	<b>394,203</b>	<b>402,191</b>
ST debt	34,838	57,481	67,481	67,481
Other current liabilities	32,716	33,718	34,252	36,960
LT debt	172,288	165,171	150,171	145,171
Other LT liabilities	35,759	45,742	46,582	50,979
Shareholders' equity	71,059	77,807	83,332	88,804
Minority interest	11,550	12,000	12,384	12,796
<b>Total liabilities &amp; equity</b>	<b>358,210</b>	<b>391,919</b>	<b>394,203</b>	<b>402,191</b>

**KEY METRICS**

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	26.4	26.3	27.3	27.2
Pre-tax margin	5.6	5.4	6.8	7.0
Net margin	3.5	4.2	5.2	5.4
ROA	1.2	1.5	1.9	2.0
ROE	6.2	7.5	9.1	9.1
<b>Growth</b>				
Turnover	65.1	8.8	4.8	3.3
EBITDA	157.0	8.3	9.0	3.0
Pre-tax profit	n.a.	5.6	31.1	6.9
Net profit	n.a.	30.1	31.1	6.9
Net profit (adj.)	n.a.	30.1	31.1	6.9
EPS	n.a.	28.5	31.1	6.9
<b>Leverage</b>				
Debt to total capital	71.5	71.3	69.5	67.7
Debt to equity	291.5	286.2	261.2	239.5
Net debt/(cash) to equity	259.2	242.6	215.5	196.9
Interest cover (x)	4.0	4.2	4.4	4.5



## COMPANY RESULTS

### Muangthai Capital (MTC TB)

3Q23: Results Beat, But Gloomy Outlook Persists

MTC reported a 3Q23 net profit of Bt1,285m (+7% yoy, +7% qoq). The results were above consensus estimate by 7%. The company's credit costs increased qoq, but asset quality saw a slight improvement. However, there are still lingering uncertainties surrounding credit default risks. Also, MTC's NIM is likely to decline further going into 2024. Maintain HOLD. Target price: Bt40.00.

#### 3Q23 RESULTS

Year to 31 Dec (Btm)	3Q23	2Q23	3Q22	qoq chg (%)	yoy chg (%)
Total gross loans	138,742	132,851	114,586	4.4	21.1
Net interest income	5,059	4,845	4,222	4.4	19.8
Non-interest income	236	287	226	(17.8)	4.5
Loan loss provision	(1,300)	(1,200)	(923)	8.3	40.7
Non-Interest expenses	(2,391)	(2,463)	(2,008)	(2.9)	19.1
Pre-provision operating profit	2,585	2,400	2,129	7.7	21.4
Net income	1,285	1,200	1,205	7.1	6.6
EPS (Bt)	0.61	0.57	0.57	7.1	6.6
<b>Ratio (%)</b>					
NPL ratio (%)	3.2	3.4	2.3		
Loan loss coverage ratio (%)	110.3	105.1	102.3		
Net interest margin (NIM %)	14.9	15.0	15.1		
Credit cost (bp)	383	371	333		
Cost to income (%)	45.2	48.0	45.1		
Number of network store	7,365	7,260	6,547		
Baseline Total Loans/Store	18.6	18.1	17.3		

Source: MTC, UOB Kay Hian

#### RESULTS

- **3Q23 performance slightly exceeded estimates.** Muangthai Capital (MTC) reported 3Q23 net profit of Bt1,285m, surpassing consensus' estimate by 7%. The company's net profit increased by 7% yoy and 7% qoq. Although MTC's credit cost continued to increase, its asset quality showed signs of recovery. MTC's strong loan growth momentum was carried forward into 3Q23. Excluding the provision expenses, the company's pre-provision operating profit (PPOP) grew 21% yoy and 8% qoq.

#### KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net interest income	13,068	16,386	19,623	22,793	26,450
Non-interest income	824	869	1,007	1,159	1,317
Net profit (rep./act.)	4,945	5,093	4,820	6,415	8,024
Net profit (adj.)	4,945	5,093	4,820	6,415	8,024
EPS (Bt)	2.3	2.4	2.3	3.0	3.8
PE (x)	17.0	16.5	17.5	13.1	10.5
P/B (x)	3.4	2.9	2.5	2.2	1.9
Dividend yield (%)	0.9	0.9	0.9	1.1	1.5
Net int margin (%)	16.3	15.6	15.1	15.0	15.2
Cost/income (%)	50.1	46.8	48.2	47.9	47.2
Loan loss cover (%)	143.6	105.1	125.0	138.0	157.0
Consensus net profit	-	-	4,774	5,899	7,286
UOBKH/Consensus (x)	-	-	1.01	1.09	1.10

Source: Muangthai Capital, Bloomberg, UOB Kay Hian

## HOLD

(Maintained)

Share Price	Bt39.75
Target Price	Bt40.00
Upside	+0.6%

#### COMPANY DESCRIPTION

The Company provides motorcycle, commercial/passenger cars, agriculture cars, and title deed, personal, and nano loan to individuals.

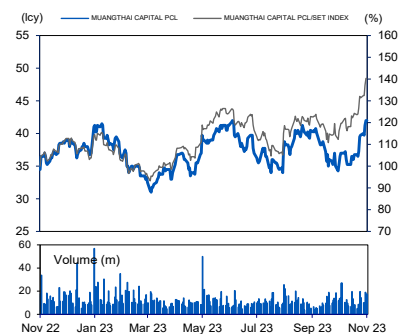
#### STOCK DATA

GICS sector	Financials
Bloomberg ticker:	MTC TB
Shares issued (m):	2,120.0
Market cap (Btm):	84,270.0
Market cap (US\$m):	2,368.3
3-mth avg daily t'over (US\$m):	11.4
<b>Price Performance (%)</b>	
52-week high/low	Bt42.00/Bt31.00

1mth	3mth	6mth	1yr	YTD
13.6	14.4	12.0	6.0	4.6

<b>Major Shareholders</b>		%
Daonapa Petampai		34.0
Chuchat Petaumpai		33.5
Thai NVDR		7.7
FY23 NAV/Share (Bt)		15.64
FY23 Solvency Ratio (%)		

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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#### ASSISTANT ANALYST(S)

**Thanawat Thangchadakorn**

### STOCK IMPACT

- MTC downsizes motorcycle HP business but maintains strong loan growth.** During 3Q23, MTC strategically reduced its motorcycle hire-purchase (HP) business. As a result, MTC's motorcycle HP portfolio fell 18% yoy and 6% qoq. Despite the motorcycle HP business being downsized, MTC's overall loan portfolio maintained a strong growth momentum. The company's total loans expanded by 21% yoy and 4% qoq, bringing total loans to Bt139b. MTC opened 105 new branches across its network in 3Q23, bringing the total number of MTC network stores to 7,365.
- Credit costs rose, but asset quality showed signs of improvement.** The company's credit cost continued to increase, growing 12bp qoq to reach 383bp in 3Q23. This signifies a continued elevation in costs associated with the company's efforts to clean up its portfolio. On the other hand, there were some positive developments in asset quality. NPL ratio decreased by 20bp qoq to 3.2%. Also, loan-loss coverage (LLC) ratio increased slightly by 5ppt qoq to 110%. Meanwhile, NPL ratio of the motorcycle HP business further deteriorated, rising from 8.9% in the previous quarter to 10.4% in 3Q23.
- NIM fell in 3Q23; likely to decline further going into 2024.** The ongoing trend of rising interest rates poses challenges for MTC. While there was a slight increase of 10bp qoq in MTC's loan yield, it was not sufficient to counterbalance the escalating costs of funding. Funding costs increased by 20bp qoq. Due to the increase in funding costs, which outweighed the growth in loan yield, MTC's NIM declined by 10bp qoq to 14.9% in 3Q23. Furthermore, the company has bonds amounting to Bt25b due within the next 12 months, which account for 34% of its total holdings. Management estimates the funding costs for 2024 at 4-4.2% (vs 3Q23: 3.6%). This situation highlights the narrower NIM outlook.
- While asset quality improved in 3Q23, many uncertainties are waiting ahead.** While MTC's asset quality in 3Q23 showed signs of improvement, there are still lingering uncertainties surrounding credit default risks. One key factor adding to this uncertainty is the expiration of the relaxed classification for distressed loans, which is scheduled to end on 31 Dec 23. As the measures come to an end, the new NPL formation is likely to increase again. Additionally, the El Nino phenomenon has brought forth drought issues, which could further compound the challenges faced by MTC. This is particularly concerning as most of MTC's customer base consists farmers who rely heavily on their agricultural activities for income.

### EARNINGS REVISION/RISK

- No earnings revision.

### VALUATION/RECOMMENDATION

- Maintain HOLD with an unchanged target price of Bt40.00** based on Gordon Growth Model (GGM). Our target price implies 2023F 17x PE, which is -1SD to its five-year average.

### SHARE PRICE CATALYST

- No short-term share price catalyst.

### PE BAND



### P/B BAND



### PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Interest income	19,199	23,451	27,424	31,657
Interest expense	(2,813)	(3,828)	(4,631)	(5,207)
Net interest income	16,386	19,623	22,793	26,450
Fees & commissions	792	945	1,096	1,255
Other income	78	62	62	62
Non-interest income	869	1,007	1,159	1,317
<b>Total income</b>	<b>17,255</b>	<b>20,631</b>	<b>23,952</b>	<b>27,767</b>
Staff costs	(8,069)	(9,953)	(11,478)	(13,099)
Other operating expense	0	0	0	0
Pre-provision profit	9,187	10,678	12,473	14,668
Loan loss provision	(2,827)	(4,626)	(4,454)	(4,637)
Pre-tax profit	6,360	6,052	8,019	10,030
Tax	(1,267)	(1,232)	(1,604)	(2,006)
Minorities	0	0	0	0
<b>Net profit</b>	<b>5,093</b>	<b>4,820</b>	<b>6,415</b>	<b>8,024</b>
Net profit (adj.)	5,093	4,820	6,415	8,024

### BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Cash with central bank	3,213	4,055	4,714	5,383
Customer loans	116,928	136,862	158,297	179,149
Fixed assets (incl. prop.)	2,085	2,160	2,251	2,397
Other assets	5,841	7,147	8,132	9,130
<b>Total assets</b>	<b>128,066</b>	<b>150,224</b>	<b>173,393</b>	<b>196,059</b>
Customer deposits	36,418	40,805	46,694	50,528
Debt equivalents	59,725	73,146	84,467	96,043
Other liabilities	2,833	3,109	3,614	4,127
<b>Total liabilities</b>	<b>98,976</b>	<b>117,060</b>	<b>134,776</b>	<b>150,698</b>
Shareholders' funds	29,091	33,164	38,617	45,360
Minority interest - accumulated	0	0	0	0
<b>Total equity &amp; liabilities</b>	<b>128,066</b>	<b>150,224</b>	<b>173,393</b>	<b>196,058</b>

### OPERATING RATIOS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Capital Adequacy</b>				
Total assets/equity (x)	4.4	4.5	4.5	4.3
Tangible assets/tangible common	5.0	5.2	5.2	4.9
<b>Asset Quality</b>				
NPL ratio	2.9	3.4	3.2	3.2
Loan loss coverage	105.1	125.0	138.0	157.0
Loan loss reserve/gross loans	3.1	4.2	4.4	5.0
Increase in NPLs	0.0	0.0	0.0	0.0
Credit cost (bp)	266.2	351.2	300.0	262.0
<b>Liquidity</b>				
Loan/deposit ratio	195.8	187.1	187.4	186.5
Liquid assets/short-term liabilities	8.8	9.9	10.1	10.7
Liquid assets/total assets	2.5	2.7	2.7	2.7

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Growth</b>				
Net interest income, yoy chg	25.4	19.8	16.2	16.0
Fees & commissions, yoy chg	3.0	19.4	16.0	14.4
Pre-provision profit, yoy chg	32.6	16.2	16.8	17.6
Net profit, yoy chg	3.0	(5.4)	33.1	25.1
Net profit (adj.), yoy chg	3.0	(5.4)	33.1	25.1
Customer loans, yoy chg	29.9	17.0	15.7	13.2
<b>Profitability</b>				
Net interest margin	15.6	15.1	15.0	15.2
Cost/income ratio	46.8	48.2	47.9	47.2
Adjusted ROA	4.5	3.5	4.0	4.3
Reported ROE	18.9	15.5	17.9	19.1
Adjusted ROE	18.9	15.5	17.9	19.1
<b>Valuation</b>				
P/BV (x)	2.9	2.5	2.2	1.9
P/NTA (x)	3.4	3.0	2.6	2.2
Adjusted P/E (x)	16.5	17.5	13.1	10.5
Dividend Yield	0.9	0.9	1.1	1.5
Payout ratio	15.4	15.1	15.0	16.0

## COMPANY RESULTS

### PTT Oil & Retail Business (OR TB)

3Q23: Net Profit Up Both qoq and yoy

OR reported a qoq and yoy increase in 3Q23 net profit as a result of a significant increase in marketing margins sufficient to compensate for seasonal declines in oil sales volumes and revenue of the non-oil business. However, we expect 4Q23 core profit to fall qoq, due to lower stock gains. We cut our 2023 net profit forecast by 15% as a result of adjusting our oil sales and EBITDA margin assumptions in the non-oil business. Maintain BUY. Target price: Bt23.00.

#### 3Q23 RESULTS

Year to 31 Dec (Btm)	3Q22 (Btm)	2Q23 (Btm)	3Q23 (Btm)	yoy %Chg.	qoq %Chg.	9M22 (Btm)	9M23 (Btm)	yoy %Chg.
Revenue	194,796	187,708	191,560	-2%	2%	583,517	576,682	-1%
COGS	187,363	177,666	179,766	-4%	1%	551,116	544,602	-1%
Gross profit	7,433	10,042	11,794	59%	17%	32,401	32,080	-1%
EBITDA	1,872	4,168	6,126	227%	47%	16,833	14,624	-13%
Core Profit	770	2,561	4,678	508%	83%	10,935	10,269	-6%
Net Profit	701	2,756	5,170	637%	88%	11,114	10,901	-2%
EPS	0.06	0.23	0.43	637%	88%	0.93	0.91	-2%
Financial ratio (%)								
Gross Profit Margin	3.8%	5.4%	6.2%			5.6%	5.6%	
EBITDA Margin	1.0%	2.2%	3.2%			2.9%	2.5%	
SG&A Exp. / Sales	3.7%	4.0%	3.8%			3.5%	3.9%	
Net profit margin	0.4%	1.5%	2.7%			1.9%	1.9%	

Source: PTT Oil & Retail Business, UOB Kay Hian

## RESULTS

- **Reported 3Q23 net profit increase of 88% qoq.** PTT Oil & Retail Business (OR) reported 3Q23 net profit of Bt5.2b, up 88% qoq and 637% yoy, as a result of EBITDA of the mobility business increasing 72% qoq despite the low season of the business, and sufficient to compensate for EBITDA from non-oil business decreasing due to seasonality.
- **Strong marketing margin.** Marketing margin in 3Q23 was at Bt1.26/litre (vs 2Q23 at Bt0.96/litre and 3Q22 at Bt0.68/litre) as a result of increased gross margins per litre of diesel oil and fuel oil. In addition, the decrease in marketing expenses is also a result of efficient cost management, especially logistics costs. In addition, in 3Q23, the company's net operating expenses decreased partly due to increased other income from synergistic benefit from PTT Group under the PTT One Project (PTT Group Supply Chain Collaboration) based on a jump in sales volume.

## KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	511,799	789,785	769,159	780,888	807,918
EBITDA	20,675	20,134	23,617	26,990	23,230
Operating profit	14,601	13,632	16,219	19,780	16,182
Net profit (rep./act.)	11,466	10,370	12,458	15,475	12,666
Net profit (adj.)	11,000	10,326	12,458	15,475	12,666
EPS (Bt)	0.9	0.9	1.0	1.3	1.1
PE (x)	20.4	21.7	18.0	14.5	17.7
P/B (x)	1.0	1.0	1.0	0.9	0.9
EV/EBITDA (x)	10.5	10.8	9.2	8.0	9.3
Dividend yield (%)	2.5	2.7	3.5	3.7	3.2
Net margin (%)	2.2	1.3	1.6	2.0	1.6
Net debt/(cash) to equity (%)	(9.6)	1.9	(3.4)	(8.8)	(11.9)
Interest cover (x)	16.5	17.4	20.3	27.6	25.3
Consensus net profit	-	-	11,904	12,731	13,900
UOBKH/Consensus (x)	-	-	1.05	1.22	0.91

Source: PTT Oil & Retail Business, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	Bt18.70
Target Price	Bt23.00
Upside	+23.0%
(Previous TP)	Bt29.00)

## COMPANY DESCRIPTION

The company operates an integrated oil and non-oil retailing platform both in Thailand and abroad, including the sales and distribution of petroleum products and other products in retail and commercial marketing, coffee shops, other food and beverage outlet.

## STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	OR TB
Shares issued (m):	12,000.0
Market cap (Btm):	224,400.0
Market cap (US\$m):	6,305.1
3-mth avg daily t'over (US\$m):	7.9

## Price Performance (%)

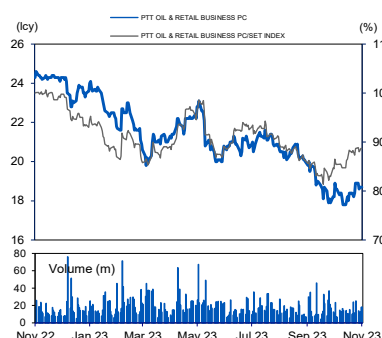
52-week high/low		Bt24.60/Bt17.80		
1mth	3mth	6mth	1yr	YTD
2.7	(10.5)	(15.8)	(23.0)	(21.4)

## Major Shareholders

	%
-	-
-	-
-	-

FY23 NAV/Share (Bt)	19.18
FY23 Net Cash/Share (Bt)	0.65

## PRICE CHART



Source: Bloomberg

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- **Sales volume decreased due to seasonality.** In 3Q23, total sales volume was 6,756 m litres, a decrease of 2.2% qoq but an increase of 7.5% yoy. Sales fell qoq due to the low season. However, positive factors from marketing margins which increased both qoq and yoy caused EBITDA of the mobility business to expand 72% qoq with EBITDA margin of 3.2% (vs 1.9% in 2Q23 and 3Q22).
- **EBITDA margin of non-oil business dropped.** The non-oil business' performance decreased due to seasonality. OR's total revenue was Bt5.5b, down 2.3% qoq, including increased operating expenses which resulted in EBITDA margin of 25.1% in 3Q23 (vs 22.9% in 3Q22 and 26.6% in 2Q23).

#### KEY STATISTICS

	3Q22	2Q23	3Q23	yoy % chg.	qoq % chg.	9M22	9M23	yoy % chg.
<b>EBITDA Margin</b>								
Mobility	0.6%	1.9%	3.2%			2.6%	2.5%	
Lifestyle	22.9%	26.6%	25.1%			26.2%	25.3%	
Global	2.0%	3.4%	4.4%			3.1%	3.7%	
Other	2.3%	-21.6%	-19.9%			-1.6%	-9.4%	
<b>Mobility</b>								
Number of stations	2,111	2,183	2,203	4.4%	0.9%	2,111	2,203	4%
Total Volume Sold (m Litres)	6,284	6,905	6,756	7.5%	-2.2%	19,867	20,663	4%
Gross Profit: Bt/Litre	0.68	0.96	1.26	85%	31.3%	1.14	1.08	-6%
EBITDA (Million Baht)	1,084	3,298	5,669	423%	72%	14,104	13,206	-6%
<b>Lifestyle (Non-oil)</b>								
Café Amazon (No. of Outlets)	3,786	4,007	4,065	7%	1%	11,199	12,019	7%
Total cups sold (m cups)	93	93	92	-1%	-1%	267	276	3%
EBITDA (Btm)	1,210	1,501	1,383	14%	-8%	4,012	4,173	4%
<b>Global</b>								
Number of stations	373	387	391	5%	1%	373	391	5%
Total Volume Sold	375	510	420	12%	-18%	1,134	1,324	17%
Café Amazon (No. of Outlets)	334	364	367	10%	1%	334	367	10%
Total cups sold (m cups)	6.3	7.2	7.0	11%	-3%	17.50	20.80	19%
EBITDA (Btm)	270	450	550	104%	22%	1,217	1,396	15%

Source: PTT Oil & Retail Business, UOB Kay Hian

#### STOCK IMPACT

- **4Q23 core profit to remain weak.** Despite positive factors from the high season of domestic tourism and continued branch expansion, we expect oil sales to increase both qoq and yoy. However, these positive factors will be offset by operating expenses increasing due to seasonality, including both SG&A and marketing expenses. Meanwhile, marketing margin in 4Q23 is expected to decrease qoq to a normal level of Bt1.0/litre as oil prices in 4Q23 increased at a lower rate compared with 3Q23, resulting in expected stock gains in 4Q23 decreasing qoq compared with 3Q23 which had stock gain of Bt4.0b.
- **The adoption of diesel Euro 5 standard has had little impact on marketing margins.** Thailand is one of the countries that will adopt Euro 5 oil standards (sulphur less than 10 ppm) for diesel from 1 Jan 24. In the analyst meeting yesterday, management stated that the enforcement of Euro 5 standard for diesel fuel will not affect marketing margins. We reduce our concerns over the outlook for marketing costs in 2024.

#### EARNINGS REVISION/RISK

- **We reduce net profit forecast for 2023.** We cut our 2023 net profit forecast by 15% to Bt12.5b from our previous estimate of 2023 net profit at Bt14.7b, based on a reduction in assumptions including: a) oil sales volume in the mobility business will be at 28.1b litres (previously 30.0b litres), increasing 5% yoy, b) cutting our target of opening new Café Amazon shops down to 4,145 branches in 2023, and c) EBITDA margin of the lifestyle business remaining at 25% (previously 27%), with our assumption of marketing margin in 2023 still maintained at Bt1.0b/ litre.

#### VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of Bt23.00,** based on its average three-year PE at -1.0 SD of 18.0x. Even though OR's share price in 2023 ytd will drop by more than 21.4%, there is still concern over the 4Q23 net profit trend which is expected to decrease qoq. We prefer the upstream business (exploration and production of oil and gas). Our top picks include PTT Exploration and Production (PTTEP TB/Target: Bt200.00) and ESSO (ESSO TB/Target: Bt15.00)

#### SHARE PRICE CATALYST

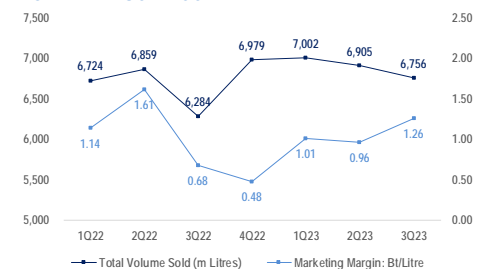
- Oil price fluctuations.
- Government policy controls retail oil prices.

#### KEY ASSUMPTION

	2021	2022	Old	New	% Chg.
<b>Mobility Business</b>					
Number of station	2,369	2,525	2,647	2,647	0%
Volume Sold (MML)	23,145	26,846	30,068	28,100	-7%
%Growth	-5%	16%	12%	5%	-7%
Gross Profit: Baht/Litre	1.15	0.98	1.00	1.00	0%
<b>Lifestyle Business</b>					
Number of Café Amazon	3,628	3,895	4,295	4,145	-3%
Café Amazon total cups sold (m.cups)	298	357	365	365	0%
%Growth	9%	20%	2%	2%	-10%
Lifestyle EBITDA Margin (%)	24.7%	24.8%	27.0%	25.0%	-2%
<b>Global Business</b>					
Number of station	356	390	420	420	0%
Total Volume Sold	1,290	1,497	1,572	1,572	0%
%Growth	6%	16%	5%	5%	-7%
Café Amazon total cup sold (m.cups)	17	24	26	26	0%
%Growth	-18%	45%	10%	10%	-35%

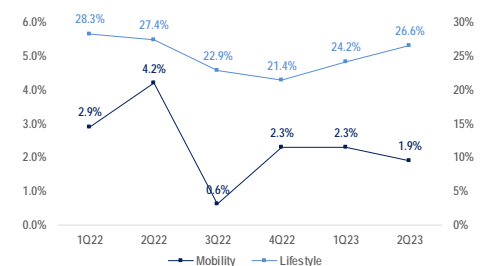
Source: PTT Oil & Retail Business, UOB Kay Hian

#### MOBILITY BUSINESS



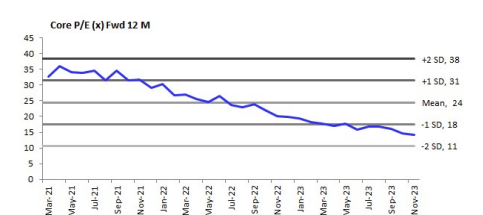
Source: PTT Oil & Retail Business, UOB Kay Hian

#### EBITDA MARGIN OF MOBILITY AND LIFESTYLE BUSINESSES



Source: PTT Oil & Retail Business, UOB Kay Hian

#### AVERAGE THREE YEAR PE



Source: PTT Oil & Retail Business, UOB Kay Hian



**PROFIT & LOSS**

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	789,785	769,159	780,888	807,918
EBITDA	20,134	23,617	26,990	23,230
Deprec. & amort.	6,503	7,398	7,209	7,048
EBIT	13,632	16,219	19,780	16,182
Associate contributions	490	514	540	567
Net interest income/(expense)	(1,155)	(1,161)	(977)	(917)
Pre-tax profit	13,011	15,573	19,344	15,833
Tax	(2,638)	(3,115)	(3,869)	(3,167)
Minorities	(3)	0	0	0
Net profit	10,370	12,458	15,475	12,666
Net profit (adj.)	10,326	12,458	15,475	12,666

**CASH FLOW**

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	(4,200)	25,576	26,197	22,932
Pre-tax profit	13,011	15,573	19,344	15,833
Tax	(2,638)	(3,115)	(3,869)	(3,167)
Deprec. & amort.	6,503	7,398	7,209	7,048
Working capital changes	(23,922)	5,720	3,513	3,217
Other operating cashflows	2,847	0	0	0
Investing	5,753	(5,815)	(6,278)	(6,497)
Investments	(6,110)	(6,110)	(6,110)	(6,110)
Others	11,863	295	(168)	(387)
Financing	(9,853)	(16,263)	(8,852)	(10,511)
Dividend payments	(6,464)	(6,000)	(6,852)	(8,511)
Proceeds from borrowings	(3,389)	(10,263)	(2,000)	(2,000)
Others/interest paid	n.a.	n.a.	n.a.	n.a.
Net cash inflow (outflow)	(8,299)	3,498	11,067	5,923
Beginning cash & cash equivalent	47,724	37,910	41,408	52,475
Changes due to forex impact	37	0	0	0
Ending cash & cash equivalent	39,461	41,408	52,475	58,398

**BALANCE SHEET**

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	44,363	43,075	41,976	41,038
Other LT assets	44,589	43,784	44,242	45,297
Cash/ST investment	39,461	41,408	52,475	58,398
Other current assets	97,091	94,316	95,494	99,035
Total assets	225,504	222,583	234,186	243,767
ST debt	10,263	2,000	2,000	2,000
Other current liabilities	58,397	59,790	64,480	71,239
LT debt	33,556	31,556	29,556	27,556
Other LT liabilities	19,527	19,017	19,307	19,975
Shareholders' equity	223,701	230,159	238,782	242,937
Total liabilities & equity	225,504	222,583	234,186	243,767

**KEY METRICS**

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	2.5	3.1	3.5	2.9
Pre-tax margin	1.6	2.0	2.5	2.0
Net margin	1.3	1.6	2.0	1.6
Net profit (adj.)	(6.1)	20.7	24.2	(18.2)
Leverage				
Debt to total capital	29.7	23.3	21.0	19.4
Debt to equity	19.6	14.6	13.2	12.2
Net debt/(cash) to equity	1.9	(3.4)	(8.8)	(11.9)
Interest cover (x)	17.4	20.3	27.6	25.3

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