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KEY HIGHLIGHTS

Company Update

Westports Holdings (WPRTS MK/BUY/RM3.57/Target: RM4.10) Page 2

The long-awaited CT10-17 expansion has been sanctioned. We expect a muted market reaction as valuations have partially factored this in, but key terms will take time to be finalised.

UOBKH Highlights

My EG Services (MYEG MK/BUY/RM0.76/Target: RM1.21) Page 7

Several China and domestic event catalysts coming into fruition.

TRADERS' CORNER

Page 8

YTL Corporation (YTL MK): Technical BUY

YTL Power International (YTLPOWR MK): Technical BUY

KEY INDICES

| | Index | pt chg | % chg |
|--------------|-----------|--------|-------|
| FBMKLCI | 1,441.97 | (0.9) | (0.1) |
| Bursa Emas | 10,630.68 | 11.6 | 0.1 |
| Ind Product | 169.70 | 1.2 | 0.7 |
| Finance | 16,333.94 | (1.8) | (0.0) |
| Consumer | 549.21 | 0.3 | 0.1 |
| Construction | 183.47 | 0.9 | 0.5 |
| Properties | 836.23 | 2.3 | 0.3 |
| Plantations | 6,956.99 | 2.6 | 0.0 |

BURSA MALAYSIA TRADING & PARTICIPATION

| <u>Malaysia Turnover</u> | 8-Dec-23 | % chg |
|--------------------------|----------|-------|
| Volume (m units) | 2,993 | (0.6) |
| Value (RMm) | 1,993 | 0.5 |

| <u>By Investor type</u> | (%) | ppt chg |
|-------------------------|------|---------|
| Foreign investors | 29.9 | (0.6) |
| Local retail | 27.7 | 0.2 |
| Local institution | 42.4 | 0.4 |

TOP TRADING TURNOVER / GAINERS / LOSERS

| <u>Top Trading Turnover</u> | Price (RM) | Chg (%) | 5-day ADT (RM'000) |
|-----------------------------|------------|---------|--------------------|
| AirAsia X | 1.91 | (0.5) | 5 |
| AEON Credit | 5.63 | (0.5) | 2,380 |
| Alliance Bank Malaysia | 3.49 | (0.3) | 4,604 |
| AMMB Holdings | 4.02 | (0.5) | 9,352 |
| Astro Malaysia | 0.37 | (1.4) | 2,769 |

| <u>Top Gainers</u> | Price (RM) | Chg (%) | 5-day ADT (RM'000) |
|---------------------|------------|---------|--------------------|
| Genting Plantations | 5.59 | 3.3 | 2,063 |
| GD Express Carrier | 0.20 | 2.6 | 189 |
| Velesto Energy | 0.21 | 2.4 | 25,088 |
| Sime Darby | 2.38 | 1.3 | 24,563 |
| POS Malaysia | 0.50 | 1.0 | 350 |

| <u>Top Losers</u> | Price (RM) | Chg (%) | 5-day ADT (RM'000) |
|-------------------|------------|---------|--------------------|
| Dayang Enterprise | 1.43 | (8.9) | 8,376 |
| UEM Sunrise | 0.69 | (2.8) | 11,666 |
| Petronas Dagangan | 22.02 | (2.8) | 9,905 |
| Eastern & Orient | 0.55 | (2.7) | 1,382 |
| Dialog Group | 1.98 | (2.5) | 9,821 |

OTHER STATISTICS

| | 8-Dec-23 | chg | % chg |
|----------------------------|----------|--------|-------|
| RM/US\$ | 4.66 | (0.01) | (0.2) |
| CPO 3rd mth future (RM/mt) | 3,740 | 38.0 | 1.0 |

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

COMPANY UPDATE

Westports Holdings (WPRTS MK)

WPRTS 2 Concession Sanctioned, But More Factors Need To Be Ironed Out

The long-awaited CT10-17 terminal expansion has been sanctioned. WPRTS 2 will boost capacity from 15m TEUs to 27m TEUs, and the concession period until 2082. Our target price has partially factored in the expansion, but in our view it is still not immune to political risks (exposed to projects like ECRL and Pulau Carey). Key terms (like tariff, capex and funding) are still being finalised, but without this guidance, it is not possible to project a realistic IRR and DCF upside for now. **Maintain BUY. Target: RM4.10.**

WHAT'S NEW

- **Growth in industry container volume justifies capacity expansion.** Westports (WPRTS) has finally sealed the third additional agreement on Westports Privatisation, and sanctioned the long-awaited WPRTS 2 which expands: a) Container Terminals (CT) from 9 to 17 (new CT10-17), b) capacity (to almost double), and c) concession expiry (for CT1-17) from Aug 2054 to 2082 (or to 2070, if it is only CT1-13). Effectively, the concession extension for both phases is 28 years (instead of 58 years as per announcement), as the operating licence expiry is actually in 2054. Despite economic concerns on high interest rate and inflationary environment, market conditions support port expansion. Container growths continued to chart new highs, especially from Port Klang, Port of Tanjung Pelepas and Singapore Port.
- **However, more parameters need to be ironed out; otherwise, not likely to be a major market mover.** The Port Klang Authority (PKA) has no plans to consider revising up the container tariff. It was the same scenario when the first concession was signed. Without this government assurance, it is difficult to project the minimum IRR.
- **Secondly, the projected capex of RM40b for both WPRTS 1 and WPRTS 2 may shock investors** (our capex assumption for WPRTS 1 until 2054 is around RM6b). Moreover, we understand that the capex estimates are still subject to changes, as they included feedback from vendors since three years ago, and we assume that WPRTS has not yet locked in long-lead items, as the agreement was only finalised last week. Also, WPRTS 1 lease payments will spike by 40% after 2023, as they reflect the revaluation of the Pulau Indah Land. The revaluation is so huge that extending the concession expiry (to smoothen the lease payment) may be the only reasonable choice.
- **Thirdly, there are funding structure uncertainties.** For equity funding, WPRTS has opted to use a RM5b perpetual sukuk and a dividend reinvestment plan (DRP) of RM0.8b-1.2b. Although WPRTS has ample time to raise equity by 2027 (ie close to CT10 startup), securing a strategic partner will be the best-case scenario. However, we are unsure if any potential partner is in consideration, and whether it will be for the whole concession or a CT.

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) | 16.6 | 19.5 | 16.6 | 15.3 | 14.5 |
| P/B (x) | 3.9 | 3.7 | 3.5 | 3.3 | 3.1 |
| EV/EBITDA (x) | 9.0 | 10.1 | 9.8 | 9.2 | 8.7 |
| Dividend yield (%) | 5.0 | 4.0 | 4.5 | 4.8 | 5.1 |
| Net margin (%) | 40.9 | 34.0 | 36.1 | 36.9 | 36.9 |
| Net debt/(cash) to equity (%) | 14.2 | 12.9 | 3.6 | (3.3) | (9.2) |
| Interest cover (x) | 22.0 | 23.2 | 27.2 | 30.8 | 24.4 |
| ROE (%) | 27.2 | 21.9 | 21.9 | 22.3 | 22.2 |
| Consensus net profit | - | - | 739 | 780 | 808 |
| UOBKH/Consensus (x) | - | - | 0.99 | 1.02 | 1.04 |

Source: Westports Holdings, Bloomberg, UOB Kay Hian

BUY

(Maintained)

| | |
|--------------|--------|
| Share Price | RM3.57 |
| Target Price | RM4.10 |
| Upside | +14.8% |

COMPANY DESCRIPTION

An integrated facility situated at the Port Klang, Malaysia's premier port. It offers container-handling - whereby volumes are in the unit of twenty-foot equivalent units (TEUs) - 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): | 12,173.7 |
| Market cap (US\$m): | 2,609.9 |
| 3-mth avg daily t'over (US\$m): | 1.5 |

Price Performance (%)

52-week high/low RM3.85/RM3.15

| 1mth | 3mth | 6mth | 1yr | YTD |
|------|------|-------|-----|-------|
| 6.9 | 6.3 | (7.0) | 1.4 | (6.1) |

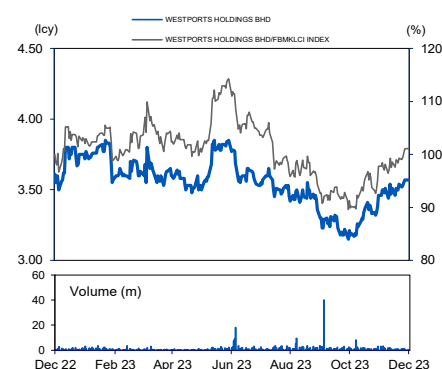
Major Shareholders

| | % |
|--------------------|------|
| Gnanalingam Family | 45.5 |
| EPF | 9.2 |

FY23 NAV/Share (RM) 1.02

FY23 Net Debt/Share (RM) 0.04

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Potential ESG issues or targets.** The Environmental Impact Assessment (EIA) report cited one major risk, which is the material loss of mangrove (of up to 97 ha) and related ecosystems due to site clearing. In response, WPRTS proposed to replant 100 ha of mangroves (>250,000 trees) over 25 years. In addition, in a state government's proposal document dated 2021, there were recommendations dictating that the WPRTS 2 development has to embrace green port and automation technology. Several other ESG parameters were mentioned, but we are unsure if these terms were carried over to the final agreement. Examples are a 45% carbon emissions abatement, and utilisation of LNG fuel.
- We also do not discount "political risks".** The state document also recommended that WPRTS 2 must align to other adjacent developments that are of national importance, such as East Coast Rail Link (ECRL) and Pulau Carey. The East Coast Rail Link (ECRL) rail yard was proposed to be installed at Ph 1, and will house electric freight trains, designed to run at 80km per hour, 22.5 hours daily. Theoretically, ECRL offers huge value accretion to WPRTS 2 and land value; however ECRL has had a notorious history, with the Malaysian government flip-flopping on cost amendments and track alignment several times.
- There is a 381-acre free trade zone land adjacent to the Port Klang Free Zone that is likely to still be up for sale today. Any potential buyer of that land may demand different terms. In addition, WPRTS will have to consider buying a third parcel of land (605 acres) for the CT14-17 expansion. There was also speculation that dredging and reclamation for all Federal Ports will be handled by a concessionaire, vs an open tender market to vendors.

EARNINGS REVISION/RISK

- Retain forecasts as key parameters are still unknown.** The only known parameter that materially deviate forecasts is the lease payments to PKA, whereby the fixed portion will be increased from RM64m to RM91m, and the variable lease cost is also increased, leading to potentially RM110-150m of opex p.a.. If all other parameters are unchanged and effective from 2025, this change may potentially cut our 2025 profit forecast by 10%.

VALUATION/RECOMMENDATION

- Retain BUY, and DCF target price of RM4.10**, which implies 18x 2024F PE (at -1SD of mean). Our current valuation (until 2054 horizon) implies the expansion is partially factored in, and also factors in resilient near-term container volume growth. We continue to exclude the full WPRTS 2 expansion in our valuation, assuming a wait-and-see approach, and likewise expect a muted market reaction this week. We still give the benefit of the doubt to WPRTS' proven track record as it is a world-class private port operator, and that it will continue to secure favourable terms to improve the viability of the project, but over time. If we only assume the latest capex guidance and lease payments throughout the concession until 2082, our back-of-the-envelope target prices may range between RM3.10-5.40.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

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

KEY TERMS OF WPRTS 2 CONCESSION SIGNED ON DEC 23 (PART 1)

| | Existing | New Concession, Details |
|-------------------|---|---|
| Concession expiry | 30 year till 2024 Operating license until 2054 | <ul style="list-style-type: none"> For WPRTS 2, Ph 1 (CT10-13) only: 46 years until 2070 For WPRTS 2, Ph 1 and 2 (including CT14-17): 58 years until 2082 (a 3rd underwater land must be transferred by 2045) <i>Our view: The concession extension was effectively 16 years or 28 years for both scenarios (vs 58 years). This is because the original concession's expiry was extended to 2054, governed by the expiry of the operating licence. But because the lease payments beyond 2023 were not finalised, hence the announcement worded the new concession period of 2024-2082</i> |
| Land costs | 2 parcels of land i.e. PKNS and Marina Land, total RM610m costs | <ul style="list-style-type: none"> 381 acres Underwater land from a Selangor unit (PKNS), RM116m (double the reserve price) – transfer by Sep 24 362 acres Marina Land from a related party, RM478m (include conversion cost) – transfer by Aug 26 605 acres of Government Land (not yet negotiated. Please refer to appendix) – transfer by 2045, WPRTS 2 Ph 2 expansion <i>Our view: Assuming the Government Land is mostly submerged under the sea, and priced at comparable market prices of RM21 per psf, it is possible that WPRTS may need to incur another RM0.6b (before transfer and reclamation costs).</i> |

Source: Westports

PORT STATISTICS

| m TEUs | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Westports | 2.59 | 2.58 | 2.55 | 2.70 | 2.77 |
| Growth (%) | -1.5 | 4.5 | 6.7 | 8.4 | 6.9 |
| Port Klang | 3.39 | 3.34 | 3.29 | 3.45 | 3.62 |
| Growth (%) | -1.1 | 1.6 | 2.6 | 5.2 | 6.6 |
| PTP | 2.81 | 2.47 | 2.33 | 2.65 | 2.67 |
| Growth (%) | 0.6 | -13.3 | -10.6 | 0.7 | -4.7 |
| PSA Singapore | 9.66 | 9.27 | 9.01 | 10.02 | 9.96 |
| Growth (%) | 2.5 | -0.5 | -0.7 | 7.4 | 3.1 |
| SOM* | 15.86 | 15.08 | 14.63 | 16.12 | 16.25 |
| Growth (%) | 1.4 | -2.4 | -1.7 | 5.8 | 2.5 |
| WPRTS Market Share (%) | 16.3 | 17.1 | 17.4 | 16.7 | 17.0 |
| 11 Malaysia Ports | 7.08 | 6.70 | 6.47 | 7.01 | 7.19 |

* Straits Of Malacca (SOM) combines Port Klang, PTP and PSA
Source: Westports, MOT, PSA Singapore, 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

KEY TERMS OF WPRTS 2 CONCESSION SIGNED ON DEC 23 (PART 2)

| | Existing | New Concession, Details |
|-------------------------------------|---|--|
| Target Operational Date | CT9: 2018 started | CT10 target operations at 2H17 (3 years' delay); prior to this period, financing costs have to be capitalised |
| Funding | Equity funding: Structure guided was for dividend reinvestment plan (DRP); will avoid rights issue | <ul style="list-style-type: none"> • Perpetual Wakalah of RM5b, incorporates green and sustainability commitments. Indicatively, is 4-4.5% interest rate • Between RM0.8-1.2b equity injection via strategic investor entry, DRP or share placements <p>Note: Existing sukuk (RM850m), as well as its covenant ratios (<2x debt-equity, >1.25x debt service cover) are maintained.</p> <p>Our view: We think securing a strategic investor is the most ideal option, but WPRTS has yet to enter into late-stage discussions with potential partners, despite having engaged with the top three shipping liners CMA CGM, Maersk and Hapag-Lloyd, and other major port players like Shanghai Port. Hence, WPRTS is unable to guide if any potential partners are keen on investing in the whole concession, or co-funding on the CT development level (owning one CT implies a business proposition of locking the security of an allocated port capacity for its own cargoes). Hence, we are unable to realistically forecast potential dilution from the said funding.</p> |
| Container tariff | None secured initially | None secured for WPRTS 2 concession negotiations. Recap for WPRTS 1, the 30% tariff hike was only allowed in 2015-19. |
| Capex (may exclude Government Land) | RM4 - 4.5b (2010-22) | <ul style="list-style-type: none"> • Total projected capex (include all maintenance and replacement capex) for both WPRTS 1 + WPRTS 2 = RM39.6b • WPRTS 2 Ph 1 and Ph 2 Initial Development Capex = RM6.3b each • WPRTS 2 Ph 1, initial reclamation, dredging and containment bund (free trade zone) capex = RM0.3-0.6b p.a. for four years <p>Our view: WPRTS had three years ago sent request for proposals to vendors to quote prices for initial construction works. Given the inflation, it is possible that the capex guidance included feedback from the vendors during the past three years, but are not representative of today's costs.</p> <p>For instance, WPRTS guided that CT10-13 reclamation and dredging costs may be RM1.1b and RM0.6b respectively. But a recent Edge article quoted industry sources estimating that the said costs per year will be RM0.5b (total >RM2b). Also, another Edge article highlighted a possibility of one company being appointed as concessionaire holder to execute capital dredging and reclamation works for ALL Federal ports, instead of appointment via open tender (with many players available).</p> <p>Out of the total projected RM39.6b, there was no guidance on the rough split of capex until 2054, or until 2070.</p> <p>There was also no guidance mix between inorganic capex for ports, replacement capex, and green or sustainability capex.</p> |
| Lease payments to PKA | RM64m as of Aug 2023 | <ol style="list-style-type: none"> 1) WPRTS 1: 40% revision from RM64m to RM90m eff Sep 24, any increase in container tariff will alter further this payment 2) WPRTS 2: RM1m annually, as the RM600m PKNS and Marina lands will be transferred to PKA <p>Our view: This is the biggest fixed cost increase vs the existing concession that is known so far. Along with the variable lease rate (below), the potential cost items that may be recognised in the accounts could reach RM150m. The cost will be even higher if the container tariff rates are adjusted higher in tandem.</p> <p>These cost changes reflect the updated lease liabilities, as the land area of WPRTS 1 had been revalued significantly higher. On hindsight, if the WPRTS 2 concession was not approved and the concession period ends in 2054, the lease payment will be far higher vs RM150m (due to shorter lease period).</p> <p>For the Government Land (third parcel of land for CT14-17 development), after transferring back the land to PKA, we do not expect the lease payment of WPRTS 2 to spike from RM1m annually.</p> |
| Container variable lease | RM1 per TEU | <p>RM3 per local (gateway box), RM2 per transshipment box .</p> <p>Our view: Typically, ports handle about 60-70% boxes are 20-ft boxes, which implies an average of 1 box handled = 1.56 TEUs.</p> <p>WPRTS' gateway business was around 30-40% TEU mix. The new change in "profit-sharing" cost structure to PKA from TEU to boxes. Theoretically it also means WPRTS can "pay less profit-sharing" if it is able to handle more 40-ft and 60-ft boxes in its container mix. Maximising larger boxes mix in the gateway business may be the best route, as gateway margins are high.</p> |
| ITA | 20% tax rate guidance | 10-year ITA from 2022-Dec 2031. With WPRTS 2, estimate average Effective Tax Rate 18-21% for 2024-28. |

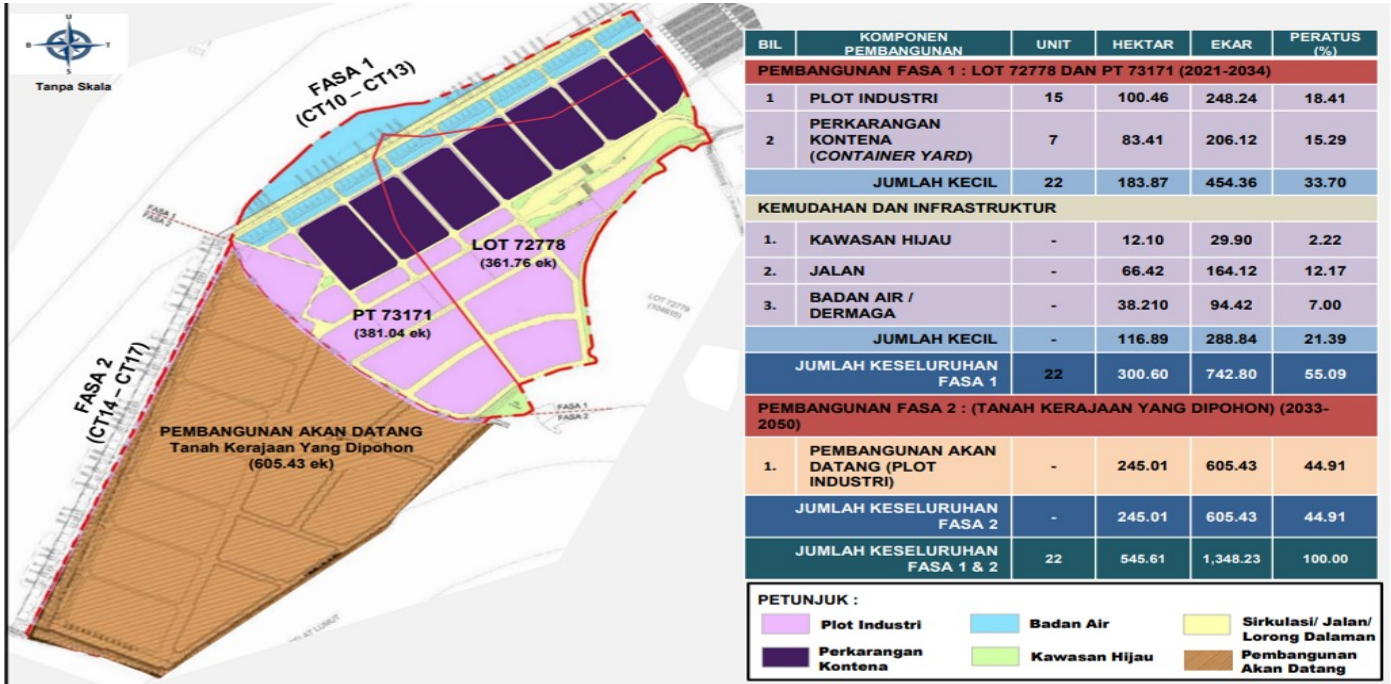
Source: Westports

WPRTS 2 EXPANSION, INCLUDING 3 PARCELS OF LAND (LHS: PKNS LAND, MARINA LAND B, AND GOVERNMENT LAND C), AND 1MDB FTZ LAND (RHS)



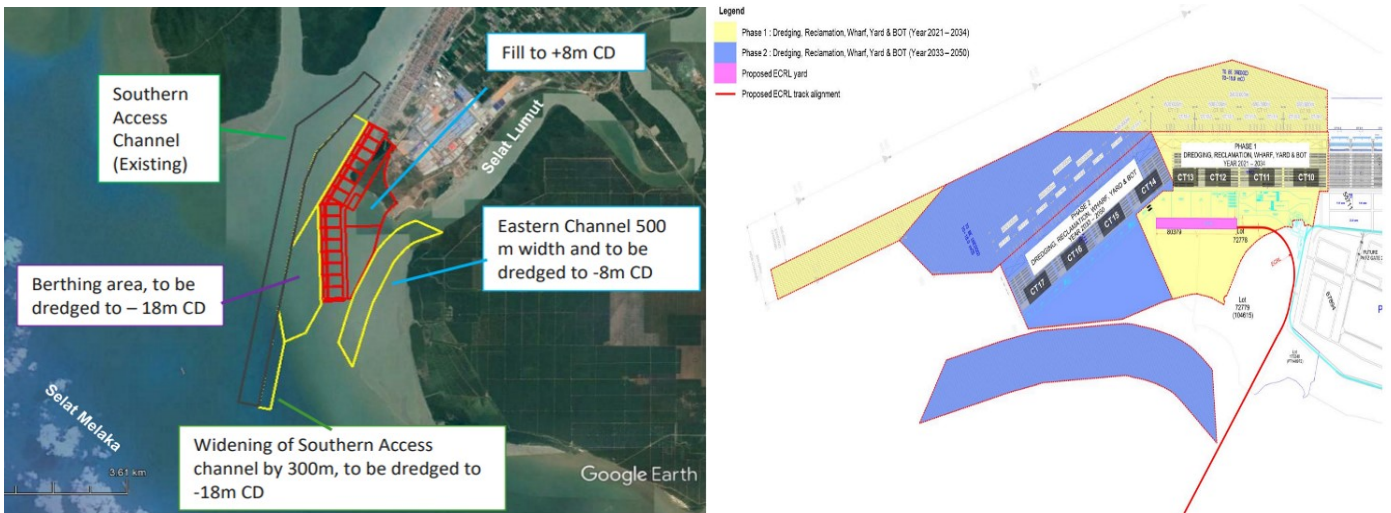
Source: Cadangan Pembangunan Tambahan Terminal Kontena CT10-CT13 (Fasa 1) dan CT14-CT17 (Fasa 2), PLANMalaysia dated 2021, The Edge Financial Daily

PROPOSED AREA OF WPRTS 2 EXPANSION, INCLUDING THREE PARCELS OF LAND



Notes:
 We believe WPRTS has yet to begin negotiations to acquire the 605 acres of Government Land, but the transfer back to government has to be done by 2045 in order for CT14-17 development to happen. The parameters in this 2021 government proposal document are not the finalised parameters. We intend to display this document as reference on the parcel of lands and the development concept of both phases. Source: Cadangan Pembangunan Tambahan Terminal Kontena CT10-CT13 (Fasa 1) dan CT14-CT17 (Fasa 2), PLANMalaysia dated 2021

DREDGING PLANS OF WPRTS 2, FOR 18 METERS CHART DATUM (CD, LHS) ECRL RAIL YARD PROPOSAL AT CT10-13 TERMINAL



Notes:
 CT10-13: Involve Southern Access Channel Widening and Dredging for -18m CD (to allow safer navigation conditions)
 CT14-17: Involve Eastern Channel "Compensation Dredging" for -8m CD on Selat Lumut (offset reclamation issues)
 Source: Westport's EIA Report for the project

PROJECTIONS OF CONTAINER VOLUME AND OTHER TYPE OF GOODS BY ECRL

| M tonnes | 2027 | 2032 | 2037 | 2042 | 2047 |
|---------------------|------|------|------|------|------|
| Gateway Volume | 3.5 | 6.0 | 10.1 | 15.8 | 22.2 |
| Iron Ore | 2.5 | 3.8 | 5.7 | 8.3 | 7.9 |
| Coal | 0.5 | 1.1 | 2.1 | 3.8 | 5.4 |
| Cement | 0.3 | 0.9 | 2.5 | 4.9 | 7.2 |
| Rubber (Containers) | 0.2 | 0.2 | 0.5 | 0.6 | 0.7 |
| Polyethylene | 0.2 | 0.4 | 0.5 | 0.7 | 0.7 |

Source: ECRL Section C Railway Scheme, Malaysia Rail Line

PROFIT & LOSS

| Year to 31 Dec (RMm) | 2022 | 2023F | 2024F | 2025F |
|-------------------------------|--------------|--------------|--------------|--------------|
| Net turnover | 2,056 | 2,047 | 2,164 | 2,277 |
| EBITDA | 1,215 | 1,256 | 1,342 | 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) |
| Pre-tax profit | 944 | 948 | 1,023 | 1,078 |
| Tax | (244) | (209) | (225) | (237) |
| Minorities | 0 | 0 | 0 | 0 |
| Net profit | 700 | 740 | 798 | 841 |
| Net profit (adj.) | 623 | 735 | 798 | 841 |

CASH FLOW

| Year to 31 Dec (RMm) | 2022 | 2023F | 2024F | 2025F |
|---|--------------|--------------|--------------|--------------|
| Operating | 899 | 1,037 | 1,082 | 1,134 |
| Pre-tax profit | 944 | 948 | 1,023 | 1,078 |
| Tax | (320) | (209) | (225) | (237) |
| 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 |
| Investing | (184) | (187) | (185) | (187) |
| Capex (growth) | (215) | (137) | (135) | (137) |
| Investments | (31) | (50) | (50) | (50) |
| Others | 62 | 0 | 0 | 0 |
| Financing | (820) | (625) | (676) | (732) |
| Dividend payments | (552) | (542) | (588) | (620) |
| 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) |
| Net cash inflow (outflow) | (105) | 225 | 222 | 215 |
| Beginning cash & cash equivalent | 615 | 510 | 735 | 957 |
| Changes due to forex impact | 42 | 0 | 0 | 0 |
| Ending cash & cash equivalent | 552 | 735 | 957 | 1,172 |

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 | 957 | 1,172 |
| Other current assets | 286 | 296 | 312 | 328 |
| Total assets | 5,282 | 5,148 | 5,283 | 5,403 |
| ST debt | 125 | 125 | 125 | 150 |
| Other current liabilities | 495 | 536 | 562 | 587 |
| LT debt | 850 | 734 | 711 | 664 |
| Other LT liabilities | 538 | 287 | 209 | 104 |
| Shareholders' equity | 3,274 | 3,467 | 3,676 | 3,897 |
| Minority interest | 0 | 0 | 0 | 0 |
| Total liabilities & equity | 5,282 | 5,148 | 5,283 | 5,403 |

KEY METRICS

| Year to 31 Dec (%) | 2022 | 2023F | 2024F | 2025F |
|---------------------------|--------|-------|-------|-------|
| Profitability | | | | |
| EBITDA margin | 59.1 | 61.3 | 62.0 | 62.4 |
| Pre-tax margin | 45.9 | 46.3 | 47.3 | 47.3 |
| Net margin | 34.0 | 36.1 | 36.9 | 36.9 |
| ROA | 13.1 | 14.2 | 15.3 | 15.7 |
| ROE | 21.9 | 21.9 | 22.3 | 22.2 |
| Growth | | | | |
| Turnover | 3.9 | (0.4) | 5.7 | 5.2 |
| EBITDA | (10.7) | 3.4 | 6.8 | 5.9 |
| Pre-tax profit | (9.2) | 0.5 | 7.9 | 5.4 |
| Net profit | (13.5) | 5.7 | 7.9 | 5.4 |
| Net profit (adj.) | (14.9) | 18.0 | 8.5 | 5.4 |
| EPS | (14.9) | 18.0 | 8.5 | 5.4 |
| Leverage | | | | |
| Debt to total capital | 22.9 | 19.9 | 18.5 | 17.3 |
| Debt to equity | 29.8 | 24.8 | 22.7 | 20.9 |
| Net debt/(cash) to equity | 12.9 | 3.6 | (3.3) | (9.2) |
| Interest cover (x) | 23.2 | 27.2 | 30.8 | 24.4 |

UOBKH HIGHLIGHTS**My EG Services (MYEG MK/BUY/RM0.76/Target: RM1.21)**

Several China And Domestic Event Catalysts Coming Into Fruition

WHAT'S NEW

In several announcements released in December, My EG Services (MYEG) officially launched Zcert with its JV partner Beitou Investment Group, secured a RM108m foreign worker accommodation project in Penang, and received approval from JPJ for its MYEG Drive Testing System's pilot phase.

COMMENT

- **Potentially huge returns from the launch of Zcert with China's Beitou Investment Group.** Over the weekend, MYEG officially launched ZCert, a cross-border credential service on Zetrix-XInghuo Blockchain with its 50% JV partner - China's state-owned Guangxi Beitou IT Innovation Technology Investment Group (Beitou Investment Group). The launching of Zcert and signing ceremony was witnessed by Deputy Prime Minister, Dato' Seri Ahmad Zahid Bin Haimidi. The JV between MYEG and Beitou Investment Group offers cross-border credential service for China domestic users to digitise their driving license and other documents on the Zetrix-Xinghuo blockchain.
- **Zcert's cross-border digitisation credential service for driving licences can theoretically raise MYEG's revenue by >RM100m.** For the driver licence business segment, Zcert will offer a digitised-blockchain (and competing) version of China's first and largest outbound car rental platform Zuzuche's services that provide a translated and notarised version of china's driving licence. We assess the earnings potential to be huge for MYEG, given the guesstimate Zuzuche's international car rental users of c.11m. Assuming around 20% of these 11m users convert into using Zcert which charges around Rmb220 (vs Zuzuche's Rmb250), potential revenue accretion to MYEG's 50% stake could be as much as RM159m. We expect Zcert to soon launch more digitised-blockchain services.
- **In Malaysia, MYEG secures a RM108m foreign worker accommodation project in Penang.** On 6 Dec 23, MYEG's subsidiary MYEG Lodging (NC) Sdn Bhd signed a lease agreement with the Penang Development Corporation (PDC) to build a RM108m foreign workers' housing in Batu Kawan. The workers' village project, located at Batu Kawan Industrial Park 3 (BKIP3), is expected to house at least 8,000 foreign workers upon completion. We estimate that the RM108m foreign worker accommodation project in Penang will contribute annually >RM30m revenue and c.RM10m pre-tax profit upon completion by 2026 (Assumptions: 8,000 foreign workers, RM400/month rental).
- **Receives approval from JPJ for MyEG Drive Testing System's (MYDTS) pilot phase.** Earlier this month, MYEG received approval from the Road Transport Department (JPJ) to proceed with the pilot phase of the MyEG Drive Testing System (MYDTS) involving actual test candidates. The pilot phase will run from 18 Dec 23 till 16 Feb 24 before being commercially launched. Our earlier assessments revealed that e-testing may potentially lift MYEG's profit by RM40m-50m upon commercial rollout.
- **Zetrix possesses huge option value on earnings and valuations for MYEG upon maturity.** We had previously assessed that Zetrix's services can produce annual revenues of >RM650m via charging gas fees, service fees per credentials/contract and annual fees upon optimal utilisation of Ztrade services. Zetrix will also charge gas fees on its cross-border supply chain traceability and financing services after it is launched tentatively in 4Q23.

EARNINGS REVISION

- None.

RECOMMENDATION

- **Maintain BUY with a SOTP-based target price of RM1.21**, which implies 19x 2024F PE (-0.5SD below five-year mean). We maintain our view that 4Q23 results (released in Feb 24) would form a major catalyst for the group, mainly driven by the strong subscription for Zetrix coin's initial exchange offering.

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TRADERS' CORNER



YTL Corporation (YTL MK)

Technical BUY on breakout with +26.7% potential return

Last price: RM1.69

Target price: RM1.905, RM2.14

Support: RM1.60

Stop-loss: RM1.59

BUY with a target price of RM2.14 and stop-loss at RM1.59. Based on the daily chart, YTL managed to close above the resistance-turned-support level of RM1.60 on Friday, accompanied by an uptick in volume. This was supported by the DMI's bullish crossover and is consistent with the uptick in the RSI which suggests stronger buying momentum ahead. Currently, the MACD is on the verge of making a golden cross to the positive signal. We peg our targets at RM1.905 and RM2.14 in the near to medium term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading



YTL Power International (YTLPOWR MK)

Technical BUY with +21.9% potential return

Last price: RM2.42

Target price: RM2.59, RM2.95

Support: RM2.19

Stop-loss: RM2.18

BUY with a target price of RM2.95 and stop-loss at RM2.18. Based on the chart, YTLPOWR is on an uptrend by forming a series of higher highs and higher lows. This is supported by the rising RSI and DMI indicators, which show positive momentum would strengthen in the near term. Currently, the MACD is on the verge of making a golden cross to the positive signal. We expect YTLPOWR will continue the bullish momentum towards our targets of RM2.59 and RM2.95 in the near to medium term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

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