

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

### KEY HIGHLIGHTS

#### Company Results

**Genting Bhd (GENT MK/BUY/RM4.36/Target: RM5.78)** Page 2

3Q23: Above expectations. Earnings supercharged by GENS' and GENM's solid recovery, with multiple re-rating drivers in the pipeline.

**Genting Malaysia (GENM MK/BUY/RM2.58/Target: RM3.50)** Page 5

3Q23: Historical high quarterly earnings within expectations, mainly fuelled by RWG's stronger operations and recovery in its UK operations' EBITDA.

**Matrix Concepts Holdings (MCH MK/BUY/RM1.62/Target: RM1.92)** Page 8

2QFY24: Results in line. We expect a resilient performance going forward, backed by strong unbilled sales of RM1.3b and sales target of RM1.3b.

**Petronas Dagangan (PETD MK/HOLD/RM22.86/Target: RM24.70)** Page 11

3Q23: Profits in line. We believe the nation's fuel consumption patterns already reflect subsidy rationalisation. PETD's working capital is well-prepared for more volatilities ahead.

**SP Setia (SPSB MK/HOLD/RM0.85/Target: RM0.89)** Page 14

3Q23: Results below expectation; weaker quarter due to lower progressive billings.

**Telekom Malaysia (T MK/BUY/RM5.23/Target: RM6.00)** Page 17

9MFY23: Above expectations on low net finance cost and positive tax credits.

**WCT Holdings (WCTHG MK/HOLD/RM0.52/Target: RM0.56)** Page 20

3Q23: Earnings below expectations. Outlook to be backed by outstanding orderbook and progressive new property launches. Downgrade to HOLD with a lower target price.

#### UOBKH Highlights

**Syarikat Takaful Malaysia Keluarga (STMB MK /BUY/RM3.64/Target: RM4.98)** Page 23

3Q23: Results in line; negative impact of MFRS17 adequately priced in.

### TRADERS' CORNER

Page 24

**PT Resources Holdings (PTRB MK):** Technical BUY

**AYS Venture (AYS MK):** Technical BUY

### KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,453.29	(2.6)	(0.2)
Bursa Emas	10,773.19	(22.4)	(0.2)
Ind Product	173.34	(0.7)	(0.4)
Finance	16,383.24	(13.2)	(0.1)
Consumer	558.41	(0.4)	(0.1)
Construction	186.53	0.7	0.4
Properties	859.64	(1.1)	(0.1)
Plantations	6,947.47	(13.2)	(0.2)

### BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	23-Nov-23	% chg
Volume (m units)	3,707	24.9
Value (RMm)	2,085	2.2

By Investor type	(%)	ppt chg
Foreign investors	26.4	0.1
Local retail	29.3	(0.0)
Local institution	44.4	(0.1)

### TOP TRADING TURNOVER / GAINERS / LOSERS

Top Trading Turnover	Price (RM)	Chg (%)	5-day ADT (RM'000)
AirAsia X	2.19	(1.4)	17
AEON Credit	5.71	(0.3)	2,868
Alliance Bank Malaysia	3.44	2.1	4,450
AMMB Holdings	4.00	1.5	14,962
Astro Malaysia	0.41	(1.2)	1,561

#### Top Gainers

AirAsia X	2.22	5.7	16
Kossan Rubber	1.69	5.6	25,693
Eastern & Orient	0.61	4.3	5,062
Top Glove	0.84	3.7	50,203
Supermax Corp	1.00	2.1	17,930

#### Top Losers

Hap Seng Consolidated	4.72	(5.6)	6,578
Jobstreet Corp	1.57	(3.7)	2
Dayang Enterprise	1.82	(2.7)	7,088
IJM Corp	1.84	(2.6)	4,191
YTL Power	2.30	(2.5)	35,342

### OTHER STATISTICS

	23-Nov-23	chg	% chg
RM/US\$	4.68	0.00	0.1
CPO 3rd mth future (RM/mt)	3,951	(37.0)	(0.9)

Notes:

ADT = Average daily turnover.

Top trading turnover, gainers and losers are based on FBM100 component stocks.

### COMPANY RESULTS

## Genting Bhd (GENT MK)

3Q23: Unboxing Earnings Surprises

**Supercharged by subsidiaries GENS' and GENM's solid earnings growth, GENT reported impressive earnings enhancement that came in above street's expectations. We remain confident that GENT is well-positioned to restore its pre-pandemic earnings dynamics, with key re-rating drivers such as GENM securing a downstate New York concession in 1H24, GENS' better capital management and positive developments from TauRx's clinical trial. Maintain BUY. Target price: RM5.78.**

### 3Q23 RESULTS

Year to 31 Dec	3Q23 RMm	qoq % chg	yoy % chg	9M23 RMm	yoy % chg
Revenue	7,370	10.7	20.4	19,851.2	23.9
Core Adjusted EBITDA	2,814	20.9	34.1	7,079.2	28.4
Leisure & Hospitality	2,377	23.2	42.6	5,908.0	46.4
Power	133	(0.5)	(1.3)	363.9	19.6
Plantation	202	11.8	19.8	512.0	(37.2)
Property	12	72.9	(11.0)	37.3	5.7
Oil & Gas	90	17.1	(21.9)	258.0	(20.1)
Inv. & Others	(86)	(74.2)	102.8	(522.6)	327.7
Pre-tax profit	1,391	87.4	89.4	2,701.6	135.9
Net Profit	521	224.2	306.7	779.2	(694.0)
Core net profit	579.5	95.9	201.7	1,044.9	563.7
<b>Margin</b>	<b>%</b>	<b>qoq ppt chg</b>	<b>yoy ppt chg</b>	<b>%</b>	<b>yoy ppt chg</b>
Core Adjusted EBITDA	38.2	3.2	3.9	33.0	(0.6)
Core Net Profit	7.9	3.4	4.7	5.3	4.3

Source: Genting Bhd, UOB Kay Hian

### RESULTS

• **Above expectations.** Genting Bhd (GENT) reported 3Q23 core adjusted EBITDA of RM2.8b (+13% yoy, +20% qoq), after adjusting for exceptional items. 9M23 core EBITDA represents 81% of our and consensus' full-year forecasts. The yoy spike in EBITDA is testament of subsidiaries GENM's and GENS' swift earnings recoveries following business normalisation from pandemic-induced disruptions.

### KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	13,530	22,384	27,641	29,269	30,940
EBITDA	3,438	6,690	8,778	9,270	9,826
Operating profit	674	2,966	5,425	5,973	6,580
Net profit (rep./act.)	(1,949)	(906)	1,409	1,680	2,007
Net profit (adj.)	(1,949)	(906)	1,409	1,680	2,007
EPS (sen)	(50.3)	(23.4)	36.3	43.3	51.8
PE (x)	n.m.	n.m.	12.0	10.1	8.4
P/B (x)	0.5	0.5	0.5	0.5	0.5
EV/EBITDA (x)	15.3	7.8	6.0	5.7	5.3
Dividend yield (%)	1.9	3.6	5.0	5.5	6.0
Net margin (%)	(14.4)	(4.0)	5.1	5.7	6.5
Net debt/(cash) to equity (%)	51.9	53.7	42.2	29.6	16.5
Interest cover (x)	3.1	4.5	5.8	6.2	6.5
ROE (%)	n.a.	n.a.	4.4	5.2	6.0
Consensus net profit	-	-	922	1,532	1,791
UOBKH/Consensus (x)	-	-	1.23	1.10	1.12

n.m. : not meaningful; negative PE, EV/EBITDA reflected as "n.m."  
Source: Genting Bhd, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	RM4.36
Target Price	RM5.78
Upside	+32.6%

### COMPANY DESCRIPTION

Holding company of casino and other leisure assets.

### STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	GENT MK
Shares issued (m):	3,850.6
Market cap (RMm):	16,788.5
Market cap (US\$m):	3,587.1
3-mth avg daily t'over (US\$m):	3.0

### Price Performance (%)

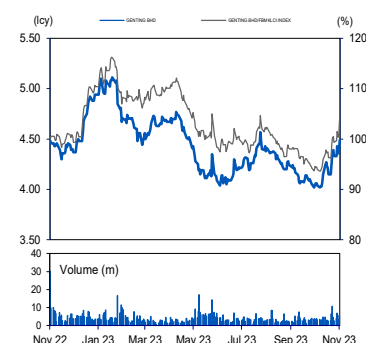
52-week high/low	RM5.11/RM4.02			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
8.5	(0.5)	(1.6)	3.6	(2.7)

### Major Shareholders

Kien Huat Realty	42.76
HSBC Nominees Asing Sdn Bhd	6.76
Vanguard Group	1.62

FY23 NAV/Share (RM)	8.19
FY23 Net Debt/Share (RM)	3.46

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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### STOCK IMPACT

- Fortune stacking up; remains optimistic.** With both main subsidiaries GENM and GENS continuing to ride on the post-pandemic recovery course as hoped, we expect GENT to post sequentially better results in subsequent quarters. Meanwhile, acceleration in the growth of international tourists (including China) amid regional flight capacity ramp-up will continue to be a key catalyst for the Genting group. We also expect RWLV to deliver robust performance in 4Q23-1H24, largely anchored on more convention events in Las Vegas which will continue to elevate visitations to the property.
- GENS: Painting a vibrant landscape.** GENS' 3Q23 revenue (+16% qoq) and EBITDA (+33% qoq) surged impressively as hoped. This was the best quarter since the onset of the pandemic, with revenue and net profit at c.124% and 138% of pre-pandemic levels. The impressive results reflect operational refinement across both gaming and non-gaming segments, boosted by higher operating capacity following Hotel Ora's reopening in May, ramp-up of regional tourist arrivals, the F1 event, and RWS' premiumisation. We remain convinced that GENS' steep valuation discount, vibrant earnings prospects and lush prospective yield of c.4% in 2024F (backed by net cash of S\$3.4b/28.6 S cents per share) provide palatable capital upside.
- GENM: Historical high earnings on RWG's recovery and strong UK operations.** GENM's 3Q23 revenue and EBITDA exceeded pre-pandemic numbers, lifted by better RWG and UK operations. Note that RWG's GGR charted a steep recovery to c.93% of 3Q19's figure. Being a direct proxy for the tourism recovery theme, we re-affirm our view that GENM possesses meaningful capital upside as market has priced in accelerating earnings momentum in 4Q23-1H24. This will be stoked by fully-restored operating capacity and improved international footfall to RWG's attractions, coupled with steady earnings delivery by the group's US and UK operations. Other immediate catalysts include securing a full gaming concession in downstate New York in 1H24.
- RWLV: Record-high quarterly earnings in 3Q23.** In 3Q23, Resorts World Las Vegas (RWLV) delivered revenue and adjusted EBITDA of about US\$235m and US\$52m respectively (2Q23 revenue: US\$206m; EBITDA: US\$34.4m). EBITDA was higher qoq on seasonality as visitations are higher due to more conventions being hosted during the quarter. Meanwhile, management alluded that its F&B and hotel operations continued to see strong performances (occupancy rate: 91%; RevPar: >US\$246) in 3Q23.
- China tourists shun Thailand, Cambodia and Myanmar on scamming compound fears; may indirectly benefit tourism to Malaysia and Singapore.** The release of a Chinese blockbuster film *No More Bets* in August disclosed human trafficking activities where victims are kidnapped to scam centres located in Thailand, Cambodia and Myanmar. Chinese visitations to these countries have since been largely affected and on a meaningful downtrend. Note that patronage of Chinese tourists has merely recovered to 17-36% of pre-pandemic level in these countries as compared with Malaysia's and Singapore's 43-59%. In our opinion, this may incentivise more China tourists to visit other popular ASEAN destinations such as Malaysia and Singapore, thus increasing RWG's and RWS' earnings.

### EARNINGS REVISION/RISK

- Raised our 2023 EBITDA forecast by 5%** to factor in stronger GENS operations.

### VALUATION/RECOMMENDATION

- Maintain BUY with SOTP-based target price of RM5.78**, implying 5.9x 2024F EV/EBITDA and 0.7x 2024F P/B.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

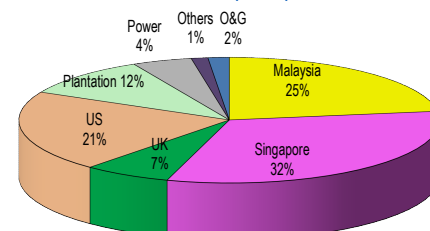
<ul style="list-style-type: none"> <li> <b>Environmental</b> <ul style="list-style-type: none"> <li>- 0.99m metric tonnes of biomass recycled from oil palm-based operations.</li> <li>- Protecting 64 endangered freshwater and marine species in Resorts World Sentosa.</li> <li>- Jangi wind farm produced over 184 kWh of clean energy.</li> </ul> </li> <li> <b>Social</b> <ul style="list-style-type: none"> <li>- Provided jobs for over 45,000 employees globally.</li> </ul> </li> <li> <b>Governance</b> <ul style="list-style-type: none"> <li>- Comprehended and applied Malaysian Code on Corporate Governance (MCCG).</li> </ul> </li> </ul>
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### 3Q23 SEGMENTAL HIGHLIGHTS

- Leisure & Hospitality**
  - Malaysia, Singapore and US operations delivered better performances, following ramp up of regional travel activities and capacity restoration post COVID-19.
  - RWG recorded significantly higher revenue and EBITDA on steep recovery of both gaming and non-gaming revenue.
  - GENS posted strong recovery, supported by Hotel Ora's reopening in May, ramp-up of regional tourist arrivals, the F1 event and RWS' premiumization.
  - UK premises posted stronger yoy EBITDA due to better business volume and consumer confidence.
  - US casinos recorded higher revenue and adjusted EBITDA due to higher contribution from non-gaming revenue following the opening of Hyatt Regency JFK Airport at Resorts World New York and improved performance from Resorts World Bimini as a result of relaxation of travel restrictions.
  - RWLV posted about US\$235m revenue, US\$52m EBITDA, hotel occupancy rate of 91% and ADR of US\$246.
- Plantation**
  - Revenue decreased due to weaker palm product prices. Consequently, adjusted EBITDA for Plantation segment was higher on the back of stronger FFB production. Downstream manufacturing segment recorded losses in 3Q23.
- Power**
  - Revenue and adjusted EBITDA increased primarily attributable to Banten Plant in Indonesia which arose from higher pass-through coal prices and strengthening of USD.
- Oil & Gas**
  - Lower revenue and adjusted EBITDA mainly due to weaker global crude oil prices in the current quarter

Source: GENT, UOB Kay Hian

### REVENUE BY SEGMENT (3Q23)



Source: GENT, UOB Kay Hian

### GEN'S SOTP VALUATION

Asset	Stake	Basis	(RMm)
Genting Singapore	52.8%	TP	22,264
Genting Malaysia	49.3%	TP	10,250
Genting Plantations	50.7%	TP	2,363
Management fees		DCF	5,969
Power		EV/MW	4,245
O&G		PE	927
RWLV		DCF	7,087
Other investments and net cash			(12,103)
<b>RNAV</b>			<b>40,904</b>
Holding co discount (%)			45%
<b>Discounted RNAV</b>			<b>22,404</b>
Fully-diluted shares (m)			3,876
<b>Target price (RM)</b>			<b>5.78</b>

Source: UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Net turnover</b>	<b>22,384</b>	<b>27,641</b>	<b>29,269</b>	<b>30,940</b>
EBITDA	6,690	8,778	9,270	9,826
Deprec. & amort.	3,725	3,353	3,297	3,246
EBIT	2,966	5,425	5,973	6,580
Total other non-operating income	n.a.	n.a.	n.a.	n.a.
Associate contributions	(199)	(199)	(199)	(199)
Net interest income/(expense)	(1,503)	(1,503)	(1,503)	(1,503)
<b>Pre-tax profit</b>	<b>659</b>	<b>3,423</b>	<b>3,972</b>	<b>4,580</b>
Tax	(1,221)	(959)	(1,112)	(1,282)
Minorities	(344)	(1,056)	(1,179)	(1,290)
<b>Net profit</b>	<b>(906)</b>	<b>1,409</b>	<b>1,680</b>	<b>2,007</b>
Net profit (adj.)	(906)	1,409	1,680	2,007

### BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	49,083	48,230	47,432	46,687
Other LT assets	26,966	26,966	26,966	26,966
Cash/ST investment	21,919	25,652	29,381	33,444
Other current assets	4,543	5,073	5,317	5,565
<b>Total assets</b>	<b>102,731</b>	<b>104,861</b>	<b>107,438</b>	<b>110,406</b>
ST debt	2,309	2,309	2,309	2,309
Other current liabilities	6,648	7,892	8,307	8,734
LT debt	36,743	36,743	36,743	36,743
Other LT liabilities	3,919	3,919	3,919	3,919
Shareholders' equity	31,896	31,726	32,709	33,961
Minority interest	21,215	22,271	23,450	24,740
<b>Total liabilities &amp; equity</b>	<b>102,731</b>	<b>104,861</b>	<b>107,438</b>	<b>110,406</b>

### CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>7,308</b>	<b>8,311</b>	<b>8,108</b>	<b>8,501</b>
Pre-tax profit	659	3,423	3,972	4,580
Tax	(1,221)	(959)	(1,112)	(1,282)
Deprec. & amort.	3,725	3,353	3,297	3,246
Associates	0	0	0	0
Working capital changes	537	713	171	178
Other operating cashflows	3,609	1,780	1,780	1,780
<b>Investing</b>	<b>(2,953)</b>	<b>(1,320)</b>	<b>(1,320)</b>	<b>(1,320)</b>
Capex (growth)	(2,086)	(2,500)	(2,500)	(2,500)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(868)	1,180	1,180	1,180
<b>Financing</b>	<b>(5,959)</b>	<b>(3,002)</b>	<b>(3,060)</b>	<b>(3,118)</b>
Dividend payments	(693)	(640)	(698)	(756)
Issue of shares	0	0	0	0
Proceeds from borrowings	1,898	1,898	1,898	1,898
Loan repayment	(4,250)	(2,000)	(2,000)	(2,000)
Others/interest paid	(2,915)	(2,261)	(2,261)	(2,261)
<b>Net cash inflow (outflow)</b>	<b>(1,604)</b>	<b>3,989</b>	<b>3,728</b>	<b>4,063</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>23,268</b>	<b>21,663</b>	<b>25,652</b>	<b>29,381</b>
Changes due to forex impact	0	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>21,663</b>	<b>25,652</b>	<b>29,381</b>	<b>33,444</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	29.9	31.8	31.7	31.8
Pre-tax margin	2.9	12.4	13.6	14.8
Net margin	(4.0)	5.1	5.7	6.5
ROA	n.a.	1.4	1.6	1.8
ROE	n.a.	4.4	5.2	6.0
<b>Growth</b>				
Turnover	65.4	23.5	5.9	5.7
EBITDA	94.6	31.2	5.6	6.0
Pre-tax profit	n.a.	419.7	16.0	15.3
Net profit	n.a.	n.a.	19.3	19.5
Net profit (adj.)	n.a.	n.a.	19.3	19.5
EPS	n.a.	n.a.	19.3	19.5
<b>Leverage</b>				
Debt to total capital	42.4	42.0	41.0	40.0
Debt to equity	122.4	123.1	119.4	115.0
Net debt/(cash) to equity	53.7	42.2	29.6	16.5
Interest cover (x)	4.5	5.8	6.2	6.5

### COMPANY RESULTS

## Genting Malaysia (GENM MK)

3Q23: Historically High Quarterly Earnings; Feeling The Recovery Thrills

GENM's revenue and EBITDA exceeded pre-pandemic numbers, lifted by an improvement in RWG and UK operations. Note that RWG's GGR saw a steep recovery to c.93% of 3Q19's figure. We reiterate our view that GENM possesses meaningful capital upside as market has priced in accelerating earnings momentum in 4Q23-1H24. Current discounted valuations and lush dividend yields (c.7.6%) remain as strong re-rating catalysts. Maintain BUY and target price of RM3.50.

### 3Q23 RESULTS

Year to 31 Dec (RMm)	3Q23	qoq % chg	yoy % chg	9M23	yoy % chg	Remarks
Revenue	2,709.8	9.5	19.3	7,192.7	16.6	Lifted by RWG and UK operations' earnings recovery
Adjusted EBITDA	747.6	66.9	22.6	1513.7	(7.9)	
Leisure – Malaysia	563.9	5.9	26.7	1436.1	23.1	Strong GGR at 93% of 3Q19's
Leisure – UK	99.1	66.6	34.1	162.2	(32.4)	Surged on higher volume
Leisure – US	135.5	(7.2)	5.7	432.9	31.5	
Others	(50.9)	(82.4)	36.5	(517.5)	460.7	
Core Adjusted EBITDA	803.3	8.6	41.1	2021.4	31.5	
Pretax profit	243.3	155.0	154.3	(235.7)	(880.6)	
Net Profit	177.4	276.2	1457.0	(374.1)	196.8	
Core net Profit	264.4	47.6	130.2	367.1	281.7	Deducting exceptional items
Margins (%)		+/- ppt	+/- ppt		+/- ppt	
Core adjusted EBITDA	29.6	(0.2)	4.6	28.1	3.2	
Core net profit	9.8	2.5	4.7	5.1	3.5	

Source: GENM, UOB Kay Hian

### RESULTS

- **Impressive quarter within our expectation, but above street's.** Genting Malaysia (GENM) reported core adjusted EBITDA of RM803m (+41.1% yoy, +8.6% qoq) in 3Q23. 9M23 EBITDA made up 74% and 78% of our and consensus' forecasts respectively.
- **Stellar results mainly driven by RWG's recovery.** The qoq improvement in EBITDA mainly reflects higher gaming volume at Resorts World Genting (RWG), following the restoration of operating capacity and higher hilltop visitations. Note that RWG's GGR saw a commendable recovery to around 93% of 3Q19's figure (2Q23: 87%) on surging VIP GGR (103% of 3Q19's figure). This offset weaker non-gaming statistics: a) flattish hotel occupancy and room rates; b) Genting SkyWorlds' daily attendance slipped 8% qoq to 2,400 tickets/day (2Q23: 2,600) due to bad weather.

### KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	4,157	8,603	10,423	10,697	10,984
EBITDA	727	1,996	2,715	2,790	2,967
Operating profit	(379)	757	1,523	1,643	1,860
Net profit (rep./act.)	(947)	(640)	818	960	1,151
Net profit (adj.)	(401)	174	858	960	1,151
EPS (sen)	(6.8)	2.9	14.4	16.2	19.4
PE (x)	n.m.	88.2	17.9	16.0	13.3
P/B (x)	1.1	1.2	1.2	1.2	1.2
EV/EBITDA (x)	30.9	11.2	8.3	8.0	7.6
Dividend yield (%)	3.3	5.4	7.6	7.6	7.9
Net margin (%)	(22.8)	(7.4)	7.8	9.0	10.5
Net debt/(cash) to equity (%)	61.3	72.5	68.2	64.0	58.6
Interest cover (x)	1.3	2.8	4.2	4.7	5.2
ROE (%)	n.a.	n.a.	6.5	7.7	9.1
Consensus net profit	-	-	445	953	1,184
UOBKH/Consensus (x)	-	-	1.93	1.01	0.97

n.m. : not meaningful; negative PE, EV/EBITDA reflected as "n.m."

Source: GENM, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	RM2.58
Target Price	RM3.50
Upside	+35.7%

### COMPANY DESCRIPTION

Casino, resort and theme park operator.

### STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	GENM MK
Shares issued (m):	5,667.7
Market cap (RMm):	14,622.8
Market cap (US\$m):	3,124.3
3-mth avg daily t'over (US\$m):	3.0

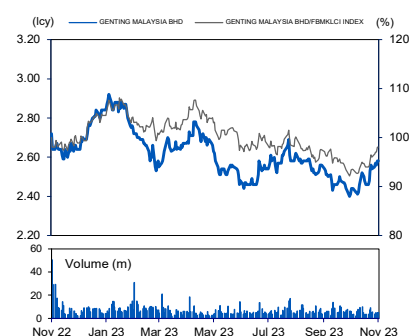
### Price Performance (%)

52-week high/low	RM2.92/RM2.40				
1mth	3mth	6mth	1yr	YTD	
7.5	(0.8)	(3.0)	2.4	(4.1)	

### Major Shareholders

Shareholder	%
Genting Bhd	49.33
AIA Bhd	1.65
Blackrock Inc	1.39
FY23 NAV/Share (RM)	2.11
FY23 Net Debt/Share (RM)	1.44

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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- US operations: Resilient EBITDA steadies above pre-pandemic levels.** GENM's US operations – comprising Resorts World New York City (RWNYC) and Bimini (Bahamas) - delivered an improved EBITDA of RM135.5m (+6% yoy) on the back of resilient revenue growth (+12% yoy). The commendable earnings growth was mainly due to higher non-gaming revenue following: a) RWNYC's opening of Hyatt Regency at JFK Airport, and b) a higher number of cruise calls that contributed positively to Resorts World Bimini following the removal of pandemic restrictions.
- Empire registered impressive qoq EBITDA growth.** 76%-owned Empire Resorts (Empire) delivered a qoq higher adjusted EBITDA of US\$12.3m (2Q23: US\$5.5m) on an improvement in operations and the absence of Resorts World Hudson Valley's (RWHV) pre-operating costs in 1H23. On a yoy basis however, adjusted EBITDA declined 36% (3Q22: US\$19.3m) on higher opex and payroll costs. Positively, we note that RWHV is ramping up and should achieve EBITDA breakeven in 2024.
- UK operations: Earnings improve on higher business volume.** EBITDA surged 34% yoy on the back of higher revenue (+26% yoy), reflecting margin expansion (+1.2ppt yoy) on better business volume which largely offset higher payroll costs.

### STOCK IMPACT

- RWG regaining pre-pandemic earnings momentum.** With the progressive return of international tourists following the ramp-up of intra-regional flight capacities, we believe that RWG is on course to chart sequential EBITDA recovery in 4Q23-1H24 and reinstate its pre-pandemic earnings dynamic. This will also be stoked by fully-restored operating capacity and improved footfall to its attractions. We understand that: a) available hotel rooms in RWG have been restored to around 10,000 rooms; b) EBITDA margin expanded on higher gaming contributions and average spending (3Q23: 33.5% vs pre-COVID-19's 26-31%); and c) the earlier croupier shortage issues have been fully resolved.
- China outbound patronage on a steady uptrend.** The international flight capacity of China's top three airlines further recovered to 58-61% of pre-pandemic levels as of Sep 23 (2Q23: 40-45%). This reflects the resolution of the earlier shortage of affordable flights as well as protracted waiting times for travel visas to go abroad. To recap, Chinese visitors made up 11%/12% of Malaysia's pre-pandemic tourist arrivals in 2018/2019. Moving forward, we expect China's international flight capacity and frequencies to further ramp up in 4Q23-2024, which will elevate RWG's footfall and earnings inflow from China tourists.
- Fundamental qualities and lush dividend yield stood out even after factoring in sector's structural de-rating.** We expect investors' fragmented sentiment on GENM due to its political risk premium to reverse as the overall political landscape has largely stabilised after the state elections. We believe that the sequential earnings improvement (from 3Q23's record high) will shade previous quarters' disappointment. GENM has: a) a highly appealing current risk-reward with discounted valuations (-1.5SD below mean), and b) a lush dividend yield of about 7.6%, which make it palatable for mid- to long-term positioning.

### EARNINGS REVISION/RISK

- None.

### VALUATION/RECOMMENDATION

- **Maintain BUY and SOTP-based target price of RM3.50**, which implies 11x 2024F EV/EBITDA (historical mean).

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

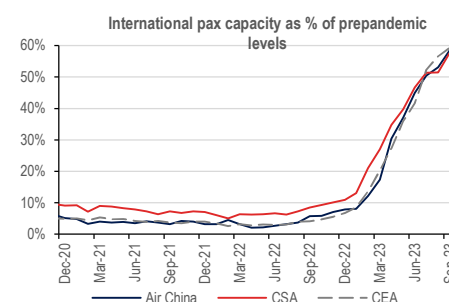
<ul style="list-style-type: none"> <li>• <b>Environmental</b></li> </ul>
- 1,180 tonnes of recyclable waste collected globally in 2020, 0.433 million metric tonnes of carbon dioxide reduction for carbon footprint.
<ul style="list-style-type: none"> <li>• <b>Social</b></li> </ul>
- Provided jobs for over 14,000 employees globally.
- Over RM8m worth of community investments.
<ul style="list-style-type: none"> <li>• <b>Governance</b></li> </ul>
- Comprehended and applied Malaysian Code on Corporate Governance (MCCG).

### GENTING HIGHLANDS 3Q23 HIGHLIGHTS

- RWG
  - j) GGR volume back to about c.93% of 2019 levels
  - k) VIP GGR at 103% of pre-pandemic's level; mass 84%
  - l) VIP win rate close to theoretical levels
  - m) 3Q23 total visitors to RWG hilltop about 5.4m, mostly day trippers. Foreign visitor arrival +53% yoy, mainly from SG, Indo, China and India, as well as Thai.
  - n) China visitors 43k in 3Q23 vs 22k in 3Q22
  - o) 3Q23 hotel rooms available daily about 10000, occupancy rate 98%, Revpar RM220.
  - p) Genting SkyWorlds Outdoor theme park average ticket sales about 2400/day (2Q23: c.2600/day; 1Q23:c.2000/day).

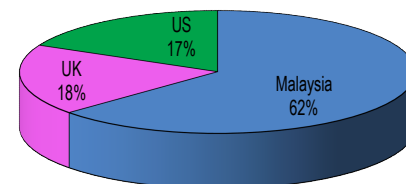
Source: GENM

### CHINA BIG 3 AIRLINES' INTERNATIONAL PAX CAPACITY RECOVERY



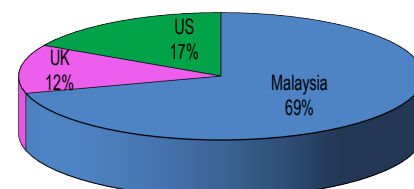
Source: Respective companies, UOB Kay Hian

### REVENUE BY COUNTRY (3Q23)



Source: GENM, UOB Kay Hian

### EBITDA BY COUNTRY (3Q23)



Source: GENM, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Net turnover</b>	<b>8,603</b>	<b>10,423</b>	<b>10,697</b>	<b>10,984</b>
EBITDA	1,996	2,715	2,790	2,967
Deprec. & amort.	1,239	1,191	1,147	1,107
EBIT	757	1,523	1,643	1,860
Associate contributions	0	0	0	0
Net interest income/(expense)	(716)	(654)	(592)	(574)
<b>Pre-tax profit</b>	<b>(463)</b>	<b>829</b>	<b>1,051</b>	<b>1,286</b>
Tax	(325)	(156)	(197)	(241)
Minorities	147	144	106	106
<b>Net profit</b>	<b>(640)</b>	<b>818</b>	<b>960</b>	<b>1,151</b>
Net profit (adj.)	174	858	960	1,151

### CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>2,363</b>	<b>2,170</b>	<b>2,059</b>	<b>2,176</b>
Pre-tax profit	(463)	829	1,051	1,286
Tax	(325)	(156)	(197)	(241)
Deprec. & amort.	1,239	1,191	1,147	1,107
Associates	(440)	0	0	0
Working capital changes	332	305	58	24
Other operating cashflows	2,020	0	0	0
<b>Investing</b>	<b>(1,134)</b>	<b>(600)</b>	<b>(600)</b>	<b>(600)</b>
Capex (growth)	(653)	(600)	(600)	(600)
Investments	(440)	0	0	0
Proceeds from sale of assets	5	0	0	0
Others	(45)	0	0	0
<b>Financing</b>	<b>(2,862)</b>	<b>(940)</b>	<b>(941)</b>	<b>(989)</b>
Dividend payments	849	(940)	(941)	(989)
Issue of shares	0	0	0	0
Proceeds from borrowings	394	0	0	0
Loan repayment	(1,741)	0	0	0
Others/interest paid	(2,365)	0	0	0
<b>Net cash inflow (outflow)</b>	<b>(1,633)</b>	<b>629</b>	<b>518</b>	<b>587</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>4,641</b>	<b>3,044</b>	<b>3,673</b>	<b>4,191</b>
Changes due to forex impact	36	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>3,044</b>	<b>3,673</b>	<b>4,191</b>	<b>4,778</b>

### BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	15,381	14,821	14,274	13,768
Other LT assets	9,453	9,453	9,453	9,453
Cash/ST investment	3,044	3,673	4,191	4,778
Other current assets	753	893	915	936
<b>Total assets</b>	<b>28,631</b>	<b>28,841</b>	<b>28,834</b>	<b>28,934</b>
ST debt	977	977	977	977
Other current liabilities	2,771	3,216	3,296	3,340
LT debt	11,233	11,233	11,233	11,233
Other LT liabilities	1,721	1,608	1,502	1,397
Shareholders' equity	12,636	12,513	12,532	12,694
Minority interest	(707)	(707)	(707)	(707)
<b>Total liabilities &amp; equity</b>	<b>28,631</b>	<b>28,841</b>	<b>28,834</b>	<b>28,934</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	23.2	26.0	26.1	27.0
Pre-tax margin	(5.4)	8.0	9.8	11.7
Net margin	(7.4)	7.8	9.0	10.5
ROA	n.a.	2.8	3.3	4.0
ROE	n.a.	6.5	7.7	9.1
<b>Growth</b>				
Turnover	107.0	21.2	2.6	2.7
EBITDA	174.6	36.0	2.8	6.3
Pre-tax profit	n.a.	n.a.	26.7	22.4
Net profit	n.a.	n.a.	17.4	19.9
Net profit (adj.)	n.a.	393.9	11.9	19.9
EPS	n.a.	393.9	11.9	19.9
<b>Leverage</b>				
Debt to total capital	50.6	50.8	50.8	50.5
Debt to equity	96.6	97.6	97.4	96.2
Net debt/(cash) to equity	72.5	68.2	64.0	58.6
Interest cover (x)	2.8	4.2	4.7	5.2

### COMPANY RESULTS

## Matrix Concepts Holdings (MCH MK)

2QFY24: A Resilient Quarter

**MCH's 2QFY24 results are within expectations. Both qoq and yoy revenue and earnings were resilient thanks to steady progressive billings. Net profit margin saw some decrease due to a change in product mix (more affordable products) but remained healthy at 18%. We expect a resilient performance going forward, backed by strong unbilled sales of RM1.3b and sales target of RM1.3b. Maintain BUY. Target price: RM1.92.**

### 2QFY24 RESULTS

Year to 31 Mar	2QFY24 (RMm)	1QFY24 (RMm)	qoq % chg	yoy % chg	1HFY24 (RMm)	yoy chg (%)
<b>Total revenue</b>	<b>359.4</b>	<b>331.4</b>	<b>8.4</b>	<b>61.6</b>	690.8	53.0
Gross Profit	156.7	152.2	3.0	37.8	308.9	38.5
EBIT	86.9	88.2	(1.5)	28.9	175.1	32.6
PBT	83.8	87.2	(3.9)	26.0	171.0	31.2
Net profit	64.0	64.6	(0.9)	26.6	128.6	31.8
<b>Core net profit</b>	<b>64.0</b>	<b>64.6</b>	<b>(0.9)</b>	<b>26.6</b>	<b>128.6</b>	<b>31.8</b>
<b>Margins</b>	<b>(%)</b>	<b>(%)</b>	<b>+/- ppt</b>	<b>+/- ppt</b>		<b>+/- ppt</b>
Gross Profit	43.6	45.9	(2.3)	(7.5)	44.7	(4.7)
EBIT	24.2	26.6	(2.4)	(6.1)	25.3	(3.9)
PBT	23.3	26.3	(3.0)	(6.6)	24.8	(4.1)
Core net profit	17.8	19.5	(1.7)	(4.9)	18.6	(3.0)

Source: Matrix Concepts, UOB Kay Hian

### RESULTS

- **2QFY24 earnings within expectations.** Matrix Concepts Holdings (MCH) posted a core net profit of RM64m (-0.9% qoq, +26.6% yoy) for 2QFY24 on revenue of RM359m (+8.4% qoq, +62% yoy). This is within our estimate and accounts for 54% of our and 52% of consensus' full-year estimates. Both qoq and yoy revenue and earnings were resilient, on higher progressive billings (normalisation of construction activities). Net profit margin saw a slight decrease due to a change in product mix (higher affordable products), but remains healthy at 18%.
- **Dividend of 2.5 sen for 2QFY24** (1HFY24: 5 sen) represents an annualised yield of 6.2% and payout ratio of 49%.

### KEY FINANCIALS

Year to 31 Mar (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	892	1,113	1,170	1,246	1,339
EBITDA	293	279	336	358	388
Operating profit	281	268	306	329	360
Net profit (rep./act.)	210	212	238	248	256
Net profit (adj.)	220	225	238	248	256
EPS (sen)	17.6	18.0	19.1	19.8	20.5
PE (x)	9.2	9.0	8.5	8.2	7.9
P/B (x)	1.1	1.0	1.0	0.9	0.9
EV/EBITDA (x)	6.8	7.1	5.9	5.5	5.1
Dividend yield (%)	5.1	5.7	5.8	6.0	6.2
Net margin (%)	23.5	19.0	20.4	19.9	19.1
Net debt/(cash) to equity (%)	4.2	(1.4)	13.7	9.5	5.1
Interest cover (x)	25.1	57.7	20.8	13.7	15.1
ROE (%)	11.3	10.8	11.5	11.3	11.1
Consensus net profit	-	-	248	261	267
UOBKH/Consensus (x)	-	-	0.96	0.95	0.96

Source: Matrix Concepts, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	RM1.62
Target Price	RM1.92
Upside	+18.7%

### COMPANY DESCRIPTION

A pure township developer based in Negeri Sembilan.

### STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MCH MK
Shares issued (m):	1,251.3
Market cap (RMm):	2,027.2
Market cap (US\$m):	433.4
3-mth avg daily t'over (US\$m):	0.8

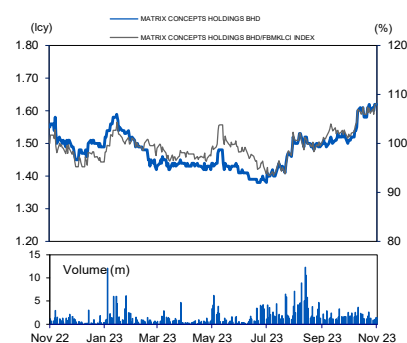
### Price Performance (%)

52-week high/low	RM1.62/RM1.38			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
6.6	8.7	13.3	13.3	10.2

### Major Shareholders

Shi Ning Term Sdn Bhd	12.7
Lee Tian Hock	11.1
Employees Provident Fund	4.7
FY24 NAV/Share (RM)	1.70
FY24 Net Debt/Share (RM)	0.23

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

**Nazira Abdullah**  
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nurulnazira@uobkayhian.com



### STOCK IMPACT

- Resilient sales with an 85% average take-up rate.** MCH secured RM311m worth of property sales in the quarter, bringing 1HFY24 sales to RM616m (47% of its full-year target of RM1.3b). 92% of 1HFY24 sales came from Bandar Sri Sendayan (BSS) township, with the rest from Bandar Seri Impian (BSI) township. In terms of launches, MCH launched RM610m worth of products for 1HFY24, of which about 70% are from affordable projects such as Tiara Sendayan, Irama Sendayan and Eka Heights. MCH also launched Levia Residence (GDV: RM532m) in Oct 23 with encouraging presales booking of >30%. We expect sales to increase further in 2HFY24 as this Levia Residence is strategically located in Cheras and is in close proximity to the future circle line MRT3 alignment (station Taman Cheras and Taman Kencana).
- Completed inventory declined to RM45.2m (1QFY24: RM80.2m).** Unbilled sales was largely unchanged at RM1.3b, providing earnings visibility over the next 15-18 months. Net cash position swelled to RM250m (or 20 sen per share) vs RM92m (or 7.3 sen per share) in 1QFY24. We estimate net gearing to be 0.14x by end-FY24 on its recent new Labu land acquisition (RM460m purchase price).
- Menara Syariah project expected to be completed in 3QFY24.** Menara Syariah has two towers with GDV of US\$250m (c.RM1b) on 3.5 acres in the prime Islamic Financial District area. MCH is currently seeking to either sell or keep the towers for recurring income. We recently visited these towers, and left feeling confident about the steady prospects of this JV. The entire masterplan development known as Pantai Indah Kapuk 2 Waterfront City is being marketed as both the New Jakarta City and Indonesia's first seaside metropolis. This development aims to promote sustainable economic growth, including tourism ventures, an education city, and a central business district, among others. While the current priority is capitalising on Menara Syariah (we estimate sale of one tower to contribute c.RM22m to bottom line), we anticipate that plans for the next phase will also start taking shape in the near future (the JV company is looking at another three blocks of commercial development on the remaining land of about 5 acres).
- Earnings outlook.** For FY24, we forecast 5% revenue growth, largely from strong unbilled sales of RM1.4b (with cover ratio of 1.4x) and higher sales of RM1.3b (+8% yoy). We expect net profit to grow slightly faster at 6% on contribution from Menara Syariah, but this should be partly offset by higher interest expenses from increased borrowings (from new Labu land acquisition). Potential earnings upside could be from higher-than-expected contribution from Menara Syariah, as land sales in the area now is already transacted at 3x its original cost.

### EARNINGS REVISION/RISK

- No change to our earnings forecasts.**

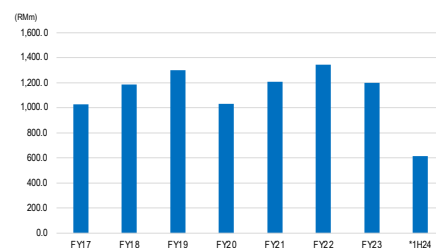
### VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged target price of RM1.92**, or a 35% discount (1.1x implied FY24F P/B, largely within its five-year mean) to its RNAV/share of RM2.96. The pegged 35% discount is lower than its five-year historical average discount to RNAV of 40% as we are more positive on the recent expansion of its landbank. We like MCH for its above-industry margin and ROE, resilient earnings, strong balance sheet, and sustainable dividend yield (averages around 6%). The stock is currently trading at undemanding valuation of 1.0x FY24F P/B (-1SD to its five-year mean of 1.1x P/B). In term of PE, the stock is currently trading at 8.5x FY24F PE, within its five-year average.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

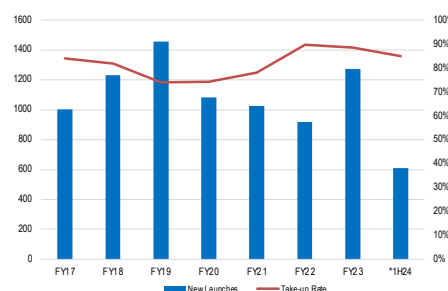
<ul style="list-style-type: none"> <li> <b>Environmental</b> <ul style="list-style-type: none"> <li>- d'Tempat Country Club received certified Gold Standard (Provisional) on Green Building Index (GBI)</li> </ul> </li> <li> <b>Social</b> <ul style="list-style-type: none"> <li>- MCH contributed RM8.4m for CSR in FY22-23.</li> </ul> </li> <li> <b>Governance</b> <ul style="list-style-type: none"> <li>- Ranked BBB by MSCI for ESG rating and constituent of the FTSE4Good Index Series.</li> </ul> </li> </ul>
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### ANNUAL SALES



Sources: MCH, UOB Kay Hian

### ANNUAL NEW LAUNCHES AND TAKE-UP RATE



Sources: MCH, UOB Kay Hian

### ASSUMPTIONS

	2023F	2024F	2025F
Sales (RMb)	1.30	1.35	1.40
Takup rate (%)	90	90	90
EBIT margin (%)	28.7	28.7	29.0

Source: UOB Kay Hian

### RNAV CALCULATIONS FOR RM1.92/SHARE

	NPV @ avg 10% (RMm)
<b>Seremban (BSS)</b>	1,395
- Ongoing	477
- Future Development	437
- New Labu land	481
<b>Johor (BSI)</b>	131
- Ongoing	33
- Future Development	98
<b>Klang Valley</b>	94
- Ongoing	3
- Future Development	91
<b>Others</b>	20
<b>Sub total</b>	1,640
Australia	15
Jakarta	43
<b>Total NPV</b>	<b>1,698</b>
Shareholders' Funds	2,004
<b>Total RNAV</b>	<b>3,702</b>
Share Base (m)	1,251
<b>RNAV/share (RM)</b>	<b>2.96</b>
Discount (%)	35%
<b>Target Price (RM)</b>	<b>1.92</b>

Source: MCH, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
<b>Net turnover</b>	<b>1,113</b>	<b>1,170</b>	<b>1,246</b>	<b>1,339</b>
EBITDA	279	336	358	388
Deprec. & amort.	10	30	29	28
EBIT	268	306	329	360
Associate contributions	2	22	22	2
Net interest income/(expense)	(5)	(16)	(26)	(26)
<b>Pre-tax profit</b>	<b>265</b>	<b>312</b>	<b>325</b>	<b>336</b>
Tax	(58)	(78)	(81)	(84)
Minorities	4	4	4	4
<b>Net profit</b>	<b>212</b>	<b>238</b>	<b>248</b>	<b>256</b>
Net profit (adj.)	225	238	248	256

### CASH FLOW

Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>211</b>	<b>251</b>	<b>235</b>	<b>253</b>
Pre-tax profit	261	312	325	336
Tax	(58)	(78)	(81)	(84)
Deprec. & amort.	10	30	29	28
Associates	(2)	(22)	(22)	(2)
Working capital changes	6	(7)	(42)	(51)
Other operating cashflows	(5)	16	26	26
<b>Investing</b>	<b>19</b>	<b>(438)</b>	<b>(9)</b>	<b>(9)</b>
Capex (growth)	(2)	(438)	(9)	(9)
Investments	2	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	20	0	0	0
<b>Financing</b>	<b>(171)</b>	<b>304</b>	<b>(148)</b>	<b>(152)</b>
Dividend payments	(113)	(117)	(122)	(126)
Issue of shares	0	0	0	0
Loan repayment	(60)	438	0	0
Others/interest paid	2	(16)	(26)	(26)
<b>Net cash inflow (outflow)</b>	<b>60</b>	<b>118</b>	<b>79</b>	<b>93</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>202</b>	<b>250</b>	<b>368</b>	<b>447</b>
Changes due to forex impact	(10)	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>250</b>	<b>368</b>	<b>447</b>	<b>540</b>

### BALANCE SHEET

Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
Fixed assets	984	1,391	1,371	1,352
Other LT assets	219	241	263	265
Cash/ST investment	250	368	447	540
Other current assets	1,185	1,237	1,306	1,391
<b>Total assets</b>	<b>2,638</b>	<b>3,238</b>	<b>3,387</b>	<b>3,548</b>
ST debt	145	145	145	145
Other current liabilities	401	446	474	508
LT debt	78	515	515	515
Other LT liabilities	27	27	27	27
Shareholders' equity	2,004	2,125	2,251	2,382
Minority interest	(16)	(20)	(25)	(29)
<b>Total liabilities &amp; equity</b>	<b>2,638</b>	<b>3,238</b>	<b>3,387</b>	<b>3,548</b>

### KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	25.0	28.7	28.7	29.0
Pre-tax margin	23.8	26.7	26.1	25.1
Net margin	19.0	20.4	19.9	19.1
ROA	8.1	8.1	7.5	7.4
ROE	10.8	11.5	11.3	11.1
Net profit (adj.)	2.1	6.1	4.2	3.3
<b>Leverage</b>				
Debt to total capital	10.1	23.9	22.9	21.9
Debt to equity	11.1	31.1	29.3	27.7
Net debt/(cash) to equity	(1.4)	13.7	9.5	5.1
Interest cover (x)	57.7	20.8	13.7	15.1

### COMPANY RESULTS

## Petronas Dagangan (PETD MK)

3Q23: Results In Line, Fuel Subsidy May Still Surprise On Volatility

**PETD's 9M23 profit is in line, as we think consensus had assumed that the nation's fuel consumption is somewhat already reflecting a subsidy rationalisation scenario. However, there may be more volatilities ahead, especially on the timing/implementation mode of targeted subsidies, and most importantly working capital buffers required. We retain our forecasts as PETD's balance sheet is well-prepared for such uncertainties. Retain HOLD and RM24.70 target price.**

### 3Q23 RESULTS

Year to 31 Dec (RMm)	3Q23	qoq % chg	yoy % chg	Ytd FY23	yoy % chg	Comments
Revenue	9,916.0	11.3	(2.1)	27,474.0	0.8	3Q23/9M23 volume: +9%/+9% yoy
-Retail	4,768.5	4.5	5.1	13,743.3	7.2	3Q23/9M23: +2%/+7% yoy
-Commercial	5,083.8	18.6	(39.1)	13,543.6	(5.1)	3Q23/9M23 volume: +20%/+12% yoy
-Convenience	63.5	6.0	23.4	187.1	12.5	Higher demand from Mesra stores / Cafe
EBIT	271.7	(28.2)	(33.2)	1,046.4	16.1	Volume growth +2% qoq
-Retail	167.7	(25.8)	39.9	622.2	(4.3)	But higher opex qoq
-Commercial	81.0	(42.0)	(69.8)	380.9	67.4	Lower qoq due to spike in jet fuel price
-Convenience	11.4	(12.1)	48.5	43.3	88.7	
Operating margin (%)	2.7	(1.5)	(1.3)	3.8	0.5	
Finance cost	(2.6)	(1.7)	(66.1)	(7.9)	(46.7)	
Associates	3.4	(584.0)	(4.4)	7.2	1.3	
Pre-tax profit	261.7	(30.3)	(34.4)	1,045.7	17.1	
Income tax	(61.6)	(37.4)	(48.5)	(262.6)	3.4	Exceptional items (EI): RM11m impairment
Net profit	184.7	(33.0)	(33.1)	762.3	20.6	RM2m inventory writedown,
Core profit	202.1	(28.7)	(29.0)	783.9	36.1	RM2m assets written off

Source: Petronas Dagangan, UOB Kay Hian

### RESULTS

- 9M23 profit deemed within expectations**, meeting 74%/77% of our/consensus estimates, as 2H23 earnings are influenced by structural changes in consumer behaviour due to inflation and climate change, even when fuel prices remain subsidised. Commercial profit's qoq decline is attributable to unfavourable price movements in: a) jet fuel, as global market prices spiked between Jun 23-early Sep 23 (please see chart overleaf); and b) diesel, which incentivises more customers to switch to subsidised retail diesel.
- The flattish retail volume growth in 2Q-3Q23**, despite Petronas Dagangan (PETD) incurring more opex for promotional activities to drive sales, appears to us that local consumer gasoline consumption has reached saturation point, even though new auto sales were very encouraging in Malaysia. This reinforces our earlier view on fuel volume growth. This assumes retail diesel was the main driver of retail volume for 2023. Prime Minister Anwar Ibrahim remarked in Budget 2024 that local subsidised diesel sales surged by >40% since 2019, when vehicle usage was generally unchanged.

### KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	22,674	36,749	35,924	36,110	37,963
EBITDA	1,134	1,588	1,877	2,010	2,082
Operating profit	751	1,149	1,429	1,507	1,584
Net profit (rep./act.)	530	777	1,064	1,116	1,169
Net profit (adj.)	549	753	1,064	1,116	1,169
EPS (sen)	55.2	75.8	107.1	112.4	117.7
PE (x)	41.4	30.2	21.4	20.3	19.4
P/B (x)	4.1	4.0	3.9	3.8	3.7
EV/EBITDA (x)	18.2	13.0	11.0	10.3	9.9
Dividend yield (%)	3.1	3.3	4.1	4.3	4.5
Net margin (%)	2.3	2.1	3.0	3.1	3.1
Net debt/(cash) to equity (%)	(32.1)	(47.1)	(36.7)	(37.9)	(38.9)
Interest cover (x)	97.4	63.0	135.0	95.3	75.9
ROE (%)	9.4	13.7	18.3	18.8	19.2
Consensus net profit	-	-	1,023	1,042	1,097
UOBKH/Consensus (x)	-	-	1.04	1.07	1.07

Source: Petronas Dagangan, Bloomberg, UOB Kay Hian

## HOLD

(Maintained)

Share Price	RM22.86
Target Price	RM24.70
Upside	+8.1%

### COMPANY DESCRIPTION

The principal domestic marketing arm of Petronas for downstream products, in retail, commercial, liquefied petroleum gas (LPG) and lubricants.

### STOCK DATA

GICS sector	Energy
Bloomberg ticker:	PETD MK
Shares issued (m):	993.5
Market cap (RMm):	22,710.4
Market cap (US\$m):	4,852.3
3-mth avg daily t'over (US\$m):	2.8

### Price Performance (%)

52-week high/low RM23.62/RM20.22

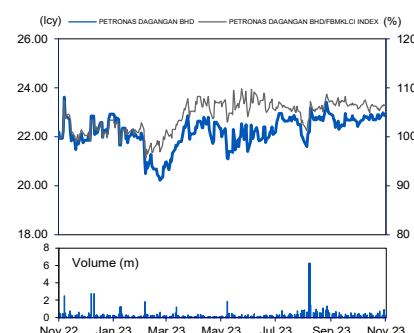
1mth	3mth	6mth	1yr	YTD
1.1	3.9	2.3	6.6	0.1

### Major Shareholders

Petroliam Nasional	63.9
EPF	12.2

FY23 NAV/Share (RM)	5.91
FY23 Net Cash/Share (RM)	2.17

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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### STOCK IMPACT

- Cash declined by around 10% qoq to RM2.7b.** The lower profit margin and higher opex resulted in lower EBITDA of RM352m in 3Q23 (1H23: RM942m). Operating cash flow was also nil, as receivables surged qoq from RM3.6b to RM5b, while trade receivables amounted to RM2.3b (vs RM1.8b qoq). This implies the subsidy receivables level had increased qoq from RM2b to RM3b levels. On the RM10b perpetual sukuk programme, only RM2m was utilised as of end-Jul 23 (and of this, RM1m was repaid).
- Challenges for targeted fuel subsidies?** Earlier this year, we were expecting minor disruptions to initial fuel volume after the launch of the targeted diesel and petrol subsidies nationwide. Although this implementation is now expected to be in phases and may delay further, the nation's fuel consumption is already reflecting a subsidy rationalisation scenario. However, we think there may be more unforeseen issues, like:
  - The mode of implementing diesel subsidy** (whether by fleet card, or direct cash subsidy), and the accuracy of the Central Database System (PADU) which is targeted for Jan 24 startup. Economy Minister Rafizi Ramli recently suggested three mechanisms for targeted subsidy removal, ie. individual net disposable income, household net disposable income (via social assistance database), and then a fleet card mechanism that combines the previous two mechanisms (net individual and household earnings).
  - The political importance of timing targeted subsidy rollout.** Recently, Prime Minister Anwar Ibrahim's daughter and politician Nurul Izzah, commented her stance in favour of rationalising the "counterproductive" fuel subsidy, and rechanneling the funds to development expenditure (like healthcare and education). Nurul - now co-chairwoman of a special advisory body to the finance ministry - publicly said that she is "grappling with four major issues" with advisory panel chairman Hassan Merican, namely: a) structuring subsidy rationalisation, b) increasing government's revenue vs operating expenses, c) reviewing government-linked companies in the current economic context, and d) controlling national debt.
  - Petrol station dealers need additional working capital,** in the face of upcoming uncertainties. After Budget 2024, the Petrol Dealers Association Malaysia (PDAM) made a critical remark - even though industry and retail diesel prices may equalise (for groups that qualified for subsidy), the impact to the retail industry remains. For example, when market price for diesel was RM3.80/litre against subsidised price of RM2.15/litre, PDAM said the additional working capital needed in due to the market price impact was RM3.80/litre, ie >70% of additional working capital for diesel purchase. In 2022, this was RM5/litre.
- Retain 2023-25 earnings.**

### VALUATION/ RECOMMENDATION

- Maintain HOLD and DCF-based target price of RM24.70.** This implies 2024F PE and dividend yield of 22x and 4% respectively. Still, there is opportunity to accumulate when low, especially if near-term sentiment may be weighed by targeted fuel subsidy uncertainties, but should also factor its future role as enabler of green mobility and fuels.

### JET FUEL VS CRUDE OIL PRICE (IN US\$/BBL)

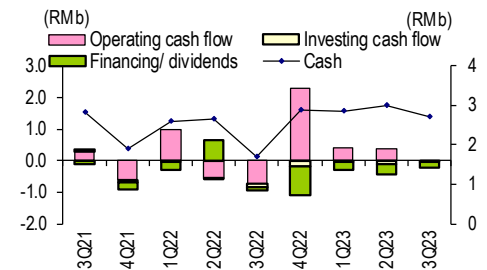


Source: IATA, Platts, UOB Kay Hian

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

<ul style="list-style-type: none"> <li> <b>Environmental</b> <ul style="list-style-type: none"> <li> <b>Green Energy on its fuel stations.</b> Installing solar panels, and collaborating with GreenTech to provide ChargeEV facilities.                             </li> <li> <b>Circular economy.</b> Reduce single-use plastics. Collect recycled items at stations                             </li> </ul> </li> <li> <b>Social</b> <ul style="list-style-type: none"> <li> <b>Supply chain.</b> Support enterprises as station dealers or Kedai Mesra suppliers.                             </li> <li> <b>Donations.</b> Regularly sponsor community services, provided COVID-19 donations                             </li> </ul> </li> <li> <b>Governance</b> <ul style="list-style-type: none"> <li>                             6 out of 10 board members are independent.                             </li> </ul> </li> </ul>
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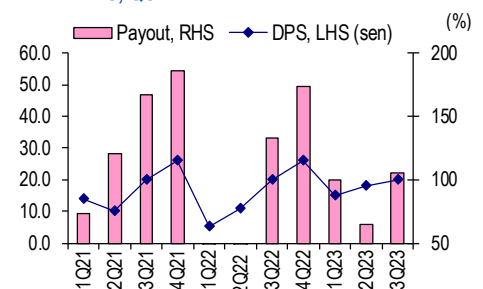
### CASH BALANCE, QUARTERLY



Note: Cash levels reflected on RHS axis

Source: PETD, UOB Kay Hian

### DIVIDENDS, QUARTERLY



Source: PETD, UOB Kay Hian

### EARNINGS, CASH FLOW AND FCF FORECASTS

	2022	2023F	2024F
Revenue (RMb)	35,924	36,110	37,963
Sales Volume (m litres)	15,033.7	14,696.4	14,772.4
Core profit (RMm)	776.6	1,063.7	1,116.2
Receivable days *	40.00	40.50	34.85
Payable days *	43.83	39.83	35.83
Inventory days**	1.50	1.20	0.90
Capex (RMm)	(434.8)	(481.8)	(530.0)
FCF (RMm)	505.1	1,225.1	1,264.2
Dividend (RMb)	(755.0)	(936.0)	(982.3)
DPS (RM)	0.76	0.94	0.98
ROE (%)	13.7%	18.3%	18.8%
Cash (RMb)	2.9	2.5	2.7

\*Note: Excludes other receivables and payables to related companies

Source: PETD, UOB Kay Hian

### DCF-BASED VALUATION

	Current
Risk-free Rate	Implied 5%
Beta	0.9x
Risk premium	6.5%
Long-term growth	4.0%
EBITDA p.a.	RM1.8-2.0b
Capex p.a.	RM482-530m
Working capital p.a.	RM0.6b loss to RM0.1b
Target Price	RM24.70

Source: UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Net turnover</b>	<b>36,749</b>	<b>35,924</b>	<b>36,110</b>	<b>37,963</b>
EBITDA	1,588	1,877	2,010	2,082
Deprec. & amort.	439	449	503	498
EBIT	1,149	1,429	1,507	1,584
Associate contributions	11	11	11	11
Net interest income/(expense)	(25)	(14)	(21)	(27)
<b>Pre-tax profit</b>	<b>1,135</b>	<b>1,426</b>	<b>1,497</b>	<b>1,568</b>
Tax	(347)	(357)	(374)	(392)
Minorities	(11)	(6)	(6)	(7)
<b>Net profit</b>	<b>777</b>	<b>1,064</b>	<b>1,116</b>	<b>1,169</b>
Net profit (adj.)	753	1,064	1,116	1,169

### BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Fixed assets</b>	<b>4,115</b>	<b>4,502</b>	<b>4,702</b>	<b>4,877</b>
Other LT assets	86	7	7	7
Cash/ST investment	2,889	2,479	2,708	2,931
Other current assets	4,167	4,095	3,530	3,166
<b>Total assets</b>	<b>11,258</b>	<b>11,083</b>	<b>10,948</b>	<b>10,980</b>
ST debt	49	50	50	50
Other current liabilities	5,156	4,747	4,363	4,138
LT debt	135	272	381	490
Other LT liabilities	129	93	93	93
Shareholders' equity	5,743	5,870	6,004	6,145
Minority interest	45	51	57	64
<b>Total liabilities &amp; equity</b>	<b>11,258</b>	<b>11,083</b>	<b>10,948</b>	<b>10,980</b>

### CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>1,995</b>	<b>987</b>	<b>1,755</b>	<b>1,794</b>
Pre-tax profit	1,135	1,426	1,497	1,568
Tax	347	357	374	392
Deprec. & amort.	439	448	502	529
Associates	11	11	11	11
Working capital changes	853	(520)	141	101
Other operating cashflows	(790)	(736)	(771)	(807)
<b>Investing</b>	<b>(321)</b>	<b>(445)</b>	<b>(493)</b>	<b>(493)</b>
Capex (growth)	(435)	(482)	(530)	(530)
Investments	(14)	(14)	(14)	(14)
Proceeds from sale of assets	77	0	0	0
Others	52	52	52	52
<b>Financing</b>	<b>(696)</b>	<b>(953)</b>	<b>(1,033)</b>	<b>(1,079)</b>
Dividend payments	(755)	(936)	(982)	(1,029)
Loan repayment	59	(17)	(50)	(50)
Others/interest paid	0	0	0	0
<b>Net cash inflow (outflow)</b>	<b>978</b>	<b>(410)</b>	<b>230</b>	<b>222</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>1,911</b>	<b>2,889</b>	<b>2,479</b>	<b>2,708</b>
Changes due to forex impact	0	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>2,889</b>	<b>2,479</b>	<b>2,708</b>	<b>2,931</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	4.3	5.2	5.6	5.5
Pre-tax margin	3.1	4.0	4.1	4.1
Net margin	2.1	3.0	3.1	3.1
ROA	7.4	9.5	10.1	10.7
ROE	13.7	18.3	18.8	19.2
<b>Growth</b>				
Turnover	62.1	(2.2)	0.5	5.1
EBITDA	40.0	18.2	7.0	3.6
Pre-tax profit	53.2	25.7	4.9	4.7
Net profit	46.6	37.0	4.9	4.7
Net profit (adj.)	37.2	41.3	4.9	4.7
EPS	37.2	41.3	4.9	4.7
<b>Leverage</b>				
Debt to total capital	3.1	5.2	6.6	8.0
Debt to equity	3.2	5.5	7.2	8.8
Net debt/(cash) to equity	(47.1)	(36.7)	(37.9)	(38.9)
Interest cover (x)	63.0	135.0	95.3	75.9



### COMPANY RESULTS

#### SP Setia (SPSB MK)

3Q23: Weak Quarter On Lower Contribution From Malaysia Projects

SPSB 9M23's net profit was below expectation, accounting 54% for both our and consensus' full-year estimates, on lower-than-expected progressive billings. There was a slight improvement in the share of profit from JV/associate as Battersea's sales have started to come back. However, overall margin remains weak on higher finance costs and admin expenses. Maintain HOLD. Target price: RM0.89.

#### 3Q23 RESULTS

Year to 31 Dec (RMm)	3Q23 (RMm)	2Q23 (RMm)	qoq % chg	yoy % chg	9M23 (RMm)	yoy % chg
<b>Total Revenue</b>	<b>1,079.4</b>	<b>942.7</b>	<b>14.5</b>	<b>25.4</b>	<b>2,989.8</b>	<b>8.9</b>
Property Development	994.5	870.7	14.2	22.8	2,760.9	6.1
Construction	4.3	4.3	2.1	10.2	13.0	11.9
<b>Gross Profit</b>	<b>291.7</b>	<b>311.3</b>	<b>(6.3)</b>	<b>22.4</b>	<b>869.6</b>	<b>20.3</b>
<b>EBIT</b>	<b>237.7</b>	<b>251.1</b>	<b>(5.3)</b>	<b>23.8</b>	<b>695.9</b>	<b>26.0</b>
PBT	135.7	120.1	13.0	16.4	371.8	0.5
Net Profit	51.8	43.1	20.3	(26.2)	150.3	(30.9)
<b>Core Net Profit</b>	<b>43.2</b>	<b>60.2</b>	<b>(28.3)</b>	<b>(32.1)</b>	<b>153.9</b>	<b>(19.1)</b>
<b>Margins</b>	<b>%</b>	<b>%</b>	<b>+/- ppt</b>	<b>+/- ppt</b>	<b>%</b>	<b>+/- ppt</b>
Gross Profit	27.0	33.0	(6.0)	(0.7)	29.1	2.8
EBIT	22.0	26.6	(4.6)	(0.3)	23.3	3.2
PBT	12.6	12.7	(0.2)	(1.0)	12.4	(1.0)
Core Net Profit	4.0	6.4	(2.4)	(3.4)	5.1	(1.8)

Source: SP Setia, UOB Kay Hian

#### RESULTS

- **Below expectation.** SP Setia recorded a 3Q23 core net profit of RM43.2m (-28% qoq, -32% yoy) on the back of revenue of RM1,079m (+15% qoq, +25% yoy). Cumulatively, 9M23 core net profit of RM154m (-19% yoy) was below expectation, accounting 54% for both our and consensus' full-year estimates, on lower-than-expected progressive billings from Malaysia projects. While 3Q23 and 9M23 revenue were stronger, core net profit was weaker mainly due to higher admin cost (on its new hotel commencing operation) and higher finance cost.
- 9M23 core net profit of RM154m was derived after excluding exceptional items amounting RM3.6m (mainly on forex loss) from reported net profit of RM150.3m.

#### KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	3,763	4,454	4,068	4,932	4,624
EBITDA	695	820	587	788	721
Operating profit	665	786	542	735	661
Net profit (rep./act.)	284	308	216	357	309
Net profit (adj.)	295	277	216	357	309
EPS (sen)	7.3	6.8	5.3	8.8	7.6
PE (x)	11.6	12.4	15.9	9.6	11.1
P/B (x)	0.2	0.2	0.2	0.2	0.2
EV/EBITDA (x)	18.5	15.6	21.9	16.3	17.8
Dividend yield (%)	0.0	0.8	1.7	1.4	2.2
Net margin (%)	7.6	6.9	5.3	7.2	6.7
Net debt/(cash) to equity (%)	66.9	62.1	56.6	49.9	45.4
Interest cover (x)	5.1	4.1	3.1	4.3	4.3
ROE (%)	2.0	2.2	1.5	2.5	2.1
Consensus net profit	-	-	290	280	296
UOBKH/Consensus (x)	-	-	0.75	1.28	1.05

Source: SP Setia, Bloomberg, UOB Kay Hian

### HOLD

(Maintained)

Share Price	RM0.85
Target Price	RM0.89
Upside	+5.1%

#### COMPANY DESCRIPTION

SP Setia is one of the leading property developer in Malaysia with vast landbanks in Klang Valley, Penang and Iskandar.

#### STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	SPSB MK
Shares issued (m):	4,153.1
Market cap (RMm):	3,509.4
Market cap (US\$m):	749.8
3-mth avg daily t'over (US\$m):	3.2

#### Price Performance (%)

52-week high/low RM1.04/RM0.510

1mth	3mth	6mth	1yr	YTD
(3.4)	4.3	56.5	49.6	40.8

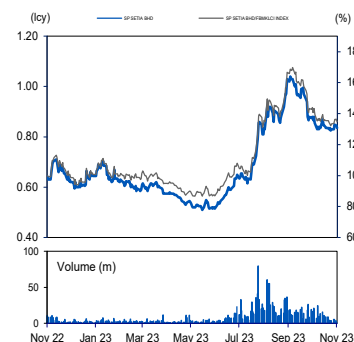
#### Major Shareholders

	%
PNB	59.9
KWAP	9.6
EPF	4.7

FY24 NAV/Share (RM) 3.52

FY24 Net Debt/Share (RM) 1.76

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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### STOCK IMPACT

- **After including preferential dividends payment to RCPS holders (RM60.8m), 3Q23 turned into losses.** Despite revenue increasing 15% qoq on contribution from Australia projects (UNO Melbourne, about RM265m), core net profit fell 28% qoq on: a) lower gross profit margin (from a higher base due to cost savings from completed projects in 2Q23), as well as b) higher finance cost despite a slight improvement in share of profit from JV/associates (Battersea's sales have started to resume).
- **Achieved property sales of RM1.3b in 3Q23.** This brought 9M23 sales to RM3.89b (93% of its full-year 2023 sales target of RM4.2b). Despite generating RM804m in sales from completed inventories in 9M23, overall inventory level experienced an increase (+RM632m in 3Q23 alone), which we believe was due to unsold completed overseas units (likely from UNO Melbourne). Total land sales for 9M23 was RM1b (9M22: RM73m), of which only RM124m was recognised as revenue in 9M23, while the rest will be recorded as revenue in 2024 (we expect minimal land revenue recognition in 4Q23). Excluding land sales, 9M23 property sales increased by 8% yoy.
- **SPSB also announced 17.99 acres of land sales to KSL Berhad yesterday for RM228.8m,** which will be recorded in 4Q23 sales. This and the other two announced land sales (500 acres in Glengowrie Semenyih and 959.7 acres in Tebrau, Johor) are expected to be recognised in 2024 revenue (total sales proceeds of RM1.17b) and should de-gear its balance sheet further to 0.48x (3Q23 net gearing: 0.53x).
- **Launched RM1.95b of properties in 9M23.** This falls short of its full-year target of RM6.17b. 3Q23's launches included RM500m of landed properties in the Central and Southern regions as well as commercial retail and office units of the Setia Fontaines City Centre Business Hub in Penang. The take-up rate for these new developments has been encouraging, with a 97% occupancy rate observed in the new phase of landed residential units in Bandar Kinrara and approximately 60% of units sold in townships such as Setia Bayuemas and Setia Fontaines.

### EARNINGS REVISION/RISK

- **We cut 2023 net profit forecast by 25% but raise 2024 net profit by 22%** as we move the timing of land sales recognition to 2024. We keep 2025 net profit unchanged.

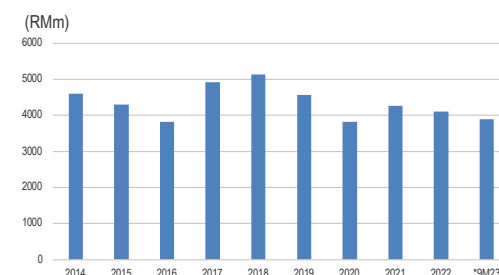
### VALUATION/RECOMMENDATION

- **Maintain HOLD with unchanged target price of RM0.89** based on 70% discount to RNAV. The stock is currently trading at 0.2x 2023F P/B (-1SD to its five-year mean of 0.4x P/B) and 15.9x 2023F P/E (largely around its mean). The pegged 70% discount is higher than its five-year historical average discount to RNAV of 62% and reflects the company's vulnerability to the high interest rates environment and the industry's long-term structural concerns.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

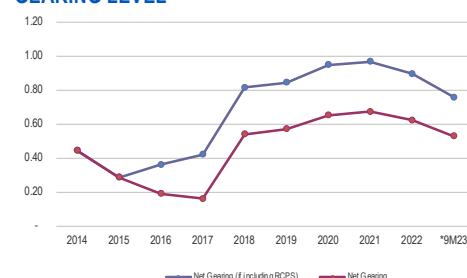
<ul style="list-style-type: none"> <li>• <b>Environmental</b></li> </ul>
- Energy intensity ratio decreased to 12.6kW/h from 17.9kW/h
<ul style="list-style-type: none"> <li>• <b>Social</b></li> </ul>
- Total investment for communities by S P Foundation: RM405,154
<ul style="list-style-type: none"> <li>• <b>Governance</b></li> </ul>
- Good company transparency with an anti-bribery and anti-corruption policy.

### PROPERTY SALES



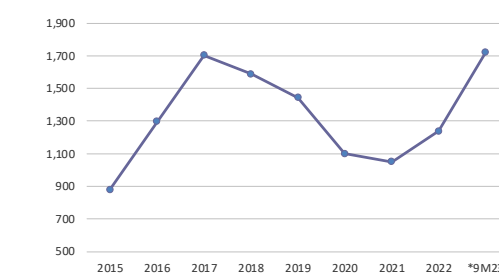
Source: SP Setia, UOB Kay Hian

### GEARING LEVEL



Source: SP Setia, UOB Kay Hian

### INVENTORY LEVEL



### RNAV TARGET PRICE OF RM0.89/SHARE

NPV of Development Profits	(RMm)
Central Region	2,068.5
Northern Region	328.1
Southern Region	310.6
Eastern Region	20.5
Battersea Power Station	138.7
Vietnam, China & Others	162.4
<b>Total</b>	<b>3,028.8</b>
Shareholders' Funds	12,058.0
Proceeds from RCPS conversion	2,132.1
<b>RNAV</b>	<b>17,218.9</b>
Existing Share Base (m)	4,073.9
RCPS-i A	563.0
RCPS-i C	1,180.0
Enlarged Sharebase (m)	5,817
RNAV/share (RM)	2.96
Discount (%)	70%
<b>Target Price (RM/share)</b>	<b>0.89</b>

Source: SP Setia, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Net turnover</b>	<b>4,454</b>	<b>4,068</b>	<b>4,932</b>	<b>4,624</b>
EBITDA	820	587	788	721
Deprec. & amort.	35	44	52	60
EBIT	786	542	735	661
Associate contributions	(21)	15	15	16
Net interest income/(expense)	(201)	(188)	(184)	(167)
<b>Pre-tax profit</b>	<b>564</b>	<b>369</b>	<b>566</b>	<b>510</b>
Tax	(201)	(92)	(141)	(128)
Minorities	(55)	(61)	(67)	(74)
<b>Net profit</b>	<b>308</b>	<b>216</b>	<b>357</b>	<b>309</b>
Net profit (adj.)	277	216	357	309

### BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	13,312	13,093	12,347	12,018
Other LT assets	6,244	6,259	6,274	6,290
Cash/ST investment	2,633	3,380	4,229	4,812
Other current assets	7,630	7,339	7,990	7,759
<b>Total assets</b>	<b>29,819</b>	<b>30,070</b>	<b>30,840</b>	<b>30,879</b>
ST debt	4,420	4,420	4,420	4,420
Other current liabilities	2,502	2,639	3,146	2,966
LT debt	6,959	6,959	6,959	6,959
Other LT liabilities	592	592	592	592
Shareholders' equity	14,083	14,136	14,330	14,476
Minority interest	1,264	1,325	1,392	1,466
<b>Total liabilities &amp; equity</b>	<b>29,819</b>	<b>30,070</b>	<b>30,840</b>	<b>30,879</b>

### CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>1,692</b>	<b>801</b>	<b>502</b>	<b>644</b>
Pre-tax profit	564	369	566	510
Tax	(167)	(92)	(141)	(128)
Deprec. & amort.	35	44	52	60
Associates	21	(15)	(15)	(16)
Working capital changes	1,111	307	(144)	51
Other operating cashflows	129	188	184	167
<b>Investing</b>	<b>(122)</b>	<b>297</b>	<b>693</b>	<b>269</b>
Capex (growth)	(98)	(203)	(247)	(231)
Investments	(306)	500	940	500
Proceeds from sale of assets	0	0	0	0
Others	282	0	0	0
<b>Financing</b>	<b>(2,052)</b>	<b>(350)</b>	<b>(347)</b>	<b>(330)</b>
Dividend payments	(189)	(163)	(163)	(163)
Issue of shares	0	0	0	0
Proceeds from borrowings	n.a.	n.a.	n.a.	n.a.
Loan repayment	(1,176)	0	0	0
Others/interest paid	(686)	(188)	(184)	(167)
<b>Net cash inflow (outflow)</b>	<b>(482)</b>	<b>747</b>	<b>849</b>	<b>583</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>3,071</b>	<b>2,633</b>	<b>3,380</b>	<b>4,229</b>
Changes due to forex impact	43	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>2,633</b>	<b>3,380</b>	<b>4,229</b>	<b>4,812</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	18.4	14.4	16.0	15.6
Pre-tax margin	12.7	9.1	11.5	11.0
Net margin	6.9	5.3	7.2	6.7
ROA	1.0	0.7	1.2	1.0
ROE	2.2	1.5	2.5	2.1
<b>Growth</b>				
Turnover	18.4	(8.7)	21.2	(6.2)
EBITDA	18.0	(28.5)	34.3	(8.5)
Pre-tax profit	4.0	(34.5)	53.2	(9.8)
Net profit	8.3	(29.9)	65.4	(13.5)
Net profit (adj.)	(6.1)	(22.0)	65.4	(13.5)
EPS	(6.4)	(22.1)	65.4	(13.5)
<b>Leverage</b>				
Debt to total capital	42.6	42.4	42.0	41.7
Debt to equity	80.8	80.5	79.4	78.6
Net debt/(cash) to equity	62.1	56.6	49.9	45.4
Interest cover (x)	4.1	3.1	4.3	4.3

### COMPANY RESULTS

## Telekom Malaysia (T MK)

3QFY23: EBITDA In Line, Net Profit sAbove Expectations Due To Tax Credit

The group reported yoy stronger 3QFY23 net profit of RM527m (+155%) on the back of lower finance cost and positive tax credit. Sequentially, however, earnings fell 3% due to a lower contribution from TM One. 9M23 EBITDA is in line with expectations but net profit of RM1.4b exceeded house and the street's estimates. We raised 2023 net profit by 12% to account for tax credit but leave 2024 net profit unchanged. Maintain BUY. Target price: RM6.00.

#### 3Q23 RESULTS

Year to 31 Dec (RMm)	3Q23 (RMm)	qoq % Chg	yoy % chg	9M23 (RMm)	yoy % chg
Turnover	3,076.3	(0.7)	(2.6)	9,126.3	(0.1)
COGS	(1,874.1)	2.3	(4.0)	(5,422.2)	(1.0)
EBITDA	1,256.9	(3.5)	(0.2)	3,808.7	2.1
Pre-Tax Profit	505.0	3.5	9.7	1,414.0	(4.0)
Tax	37.2	(55.0)	(119.0)	30.2	(106.2)
Reported Net Profit	538.2	(5.2)	102.9	1,437.0	46.2
<b>Core net profit</b>	<b>526.7</b>	<b>(2.6)</b>	<b>154.8</b>	<b>1,393.6</b>	<b>60.6</b>
				<b>+/- ppt</b>	<b>+/- ppt</b>
EBITDA Margin (%)	39.8%	(0.9)	2.4	40.8%	1.6%
PBT Margin (%)	16.0%	1.2	3.3	15.0%	0.2%
Net Margin (%)	17.1%	(0.3)	10.6	15.3%	5.8
<b>Segmental Revenue Breakdown</b>	<b>3Q22</b>	<b>4Q22</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23</b>
Unifi	44.4%	48.0%	48.7%	45.5%	45.8%
TM One	28.2%	26.7%	24.5%	23.6%	23.2%
TM Global	24.4%	21.6%	22.0%	26.3%	26.3%
Others	3.0%	3.6%	4.9%	4.7%	4.7%

Source: Telekom Malaysia, UOB Kay Hian

#### RESULTS

• **Strong 3Q23; above expectations due to positive tax credits.** Telekom Malaysia (TM) reported yoy strong net profit of RM526.7m in 3Q23 (+155% yoy). This is driven by lower finance cost and the recognition of tax credits from the utilisation of previously unrecognised tax losses (to be recognised up to early-24). Revenue however, fell 1% qoq and 3% yoy mainly due to lower TM One revenue (due to impact from price reduction from large contracts and delay in customer project). Sequentially, 3Q23 net profit fell 3% on relatively flat Unifi revenue and few TM One jobs. 9M23 net profit of RM1,394m (+61% yoy) is above expectations but revenue and EBITDA are in line with expectations.

#### KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	11,529	12,118	12,948	13,165	13,704
EBITDA	4,345	4,953	5,088	5,064	5,266
Operating profit	1,710	2,090	2,072	2,018	2,336
Net profit (rep./act.)	895	1,143	1,741	1,542	1,566
Net profit (adj.)	1,201	1,342	1,741	1,542	1,566
EPS (sen)	31.9	35.6	46.2	41.0	41.6
PE (x)	16.4	14.7	11.3	12.8	12.6
P/B (x)	2.6	2.5	2.2	2.0	1.8
EV/EBITDA (x)	4.9	4.3	4.2	4.2	4.1
Dividend yield (%)	2.5	3.2	3.8	3.3	3.4
Net margin (%)	7.8	9.4	13.4	11.7	11.4
Net debt/(cash) to equity (%)	39.8	33.9	12.5	(5.2)	(17.9)
Interest cover (x)	10.6	15.9	20.1	23.8	37.8
ROE (%)	12.2	14.8	20.6	16.5	15.3
Consensus net profit	-	-	1,527	1,516	1,507
UOBKH/Consensus (x)	-	-	1.14	1.02	1.04

Source: Telekom Malaysia, Bloomberg, UOB Kay Hian

### BUY

(Maintained)

Share Price	RM5.23
Target Price	RM6.00
Upside	+14.7%

#### COMPANY DESCRIPTION

Fixed line operator that provides services including fixed voice, mobile, fixed broadband, and leasing of fibre optics. It also provides ICT solutions to corporates/SMEs.

#### STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	T MK
Shares issued (m):	3,836.6
Market cap (RMm):	20,065.4
Market cap (US\$m):	4,287.2
3-mth avg daily t'over (US\$m):	2.8

#### Price Performance (%)

52-week high/low	RM5.64/RM4.74			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
3.4	3.6	4.8	(4.6)	(3.1)

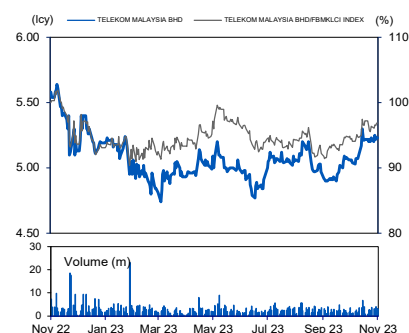
#### Major Shareholders

	%
Khazanah Nasional Bhd	28.7
Skim Amanah Saham	13.4
Employees Provident Fund	13.0

FY23 NAV/Share (RM) 2.34

FY23 Net Debt/Share (RM) 0.33

#### PRICE CHART



Source: Bloomberg

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### STOCK IMPACT

- **Moderating UniFi growth.** 3Q23 UniFi revenue was relatively flat qoq at RM1.4b (accounting for 46% of group revenue) despite a 7% yoy and 1% qoq subscriber growth to 3.08m. This was driven by aggressive sales, promotions and retention programmes. UniFi's ARPU was healthy at RM131/month (2Q23: RM130/month, 3Q22: RM132/month).
- **TM One.** 3Q23 revenue fell 20% yoy and 3% qoq to RM713m, mainly due to price reduction from large contracts, deferred customer projects and projects in delivery. We continue to expect a challenging 4Q23 for TM One.
- **TM Wholesale.** 3Q23 revenue rose 5% yoy but fell 1% qoq to RM809m, driven by higher consumption of domestic and international data.
- **3Q23 core EBITDA margin improved 2.4ppt yoy but dropped 0.9ppt qoq to 39.8%.** The group was able to control its operating cost at 61.6% (-0.2ppt yoy, +1.8ppt qoq).

### EARNINGS REVISION/RISK

- **Raised 2023 net profit by 12% to account for the positive tax credit.** Based on a 45% dividend payout, our net DPS projection for 2023 is raised to 20 sen (from 18 sen previously), translating to a net dividend yield of slightly under 4%.
- For 2024, we keep our earnings unchanged as lower effective tax rate (ETR) (15% ETR) will be offset by lower TM Wholesale income due to Mandatory Statutory on Access Pricing revision over 2023-25 for wholesale fibre leasing over 2023-25. TM continues to undertake good cost discipline.

### VALUATION/RECOMMENDATION

- **Maintain BUY with a DCF-based target price of RM6.00.** We see compelling risk-reward for the stock as underlying earnings performance remains robust. At our target price, the stock trades at 4.4x 2024 EV/EBITDA (below its mean of 5x EV/EBITDA). The stock offers 3.5% dividend yield.
- **Key risk:** A recession may dampen TM One's corporate sales and lead to heightened risk of ballooning trade receivables.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

#### • Environmental

- Aiming to reduce carbon emission by 45% in 2030 through reduce and offset approach.

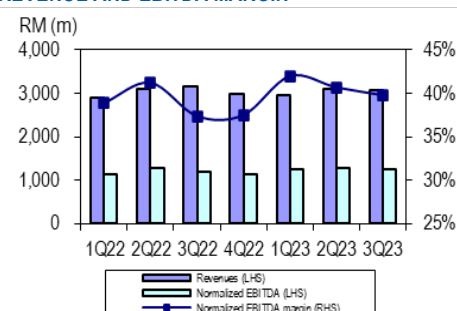
#### • Social

- Contributed RM6.5m (including PERMAI Funds) to COVID-19 relief efforts to ease burden of those affected during COVID-19 lockdown.
- Devoted RM300,000 to educational programmes from primary and secondary schools through TM Future Skills with accumulated contribution of RM7.2m for helping students with online learning.

#### • Governance

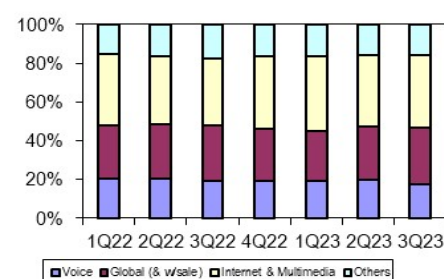
- Good company transparency along with an anti-bribery and anti-corruption policy.
- Integrity screening on background of new vendors through MACC's Integrity Screening E-System.

### REVENUE AND EBITDA MARGIN



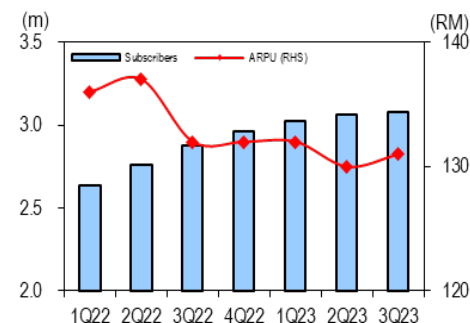
Source: Telekom Malaysia, UOB Kay Hian

### REVENUE BY SEGMENT



Source: Telekom Malaysia, UOB Kay Hian

### UNIFI SUBSCRIBER AND ARPU



Source: Telekom Malaysia, UOB Kay Hian

### KEY ASSUMPTIONS

Key Assumptions	2023F	2024F	2025F
Revenue growth (%)	7.2	4.7	0.8
UniFi subs ('000)	3,406	3,917	4,113
Streamyx subs (m)	0.1	0.1	0.1
UniFi ARPU (RM)	135	128	122
Streamyx ARPU (RM)	124	118	112
EBITDA margin (%)	39.4	39.6	38.4
CAPEX to revenue (%)	18.0	18.0	18.0

Source: Telekom Malaysia, UOB Kay Hian



### PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Net turnover</b>	<b>12,118</b>	<b>12,948</b>	<b>13,165</b>	<b>13,704</b>
EBITDA	4,953	5,088	5,064	5,266
Deprec. & amort.	2,863	3,017	3,046	2,930
EBIT	2,090	2,072	2,018	2,336
Associate contributions	11	15	10	10
Net interest income/(expense)	(312)	(253)	(212)	(139)
<b>Pre-tax profit</b>	<b>1,687</b>	<b>1,834</b>	<b>1,815</b>	<b>2,206</b>
Tax	(542)	(92)	(272)	(640)
Minorities	(1)	(1)	(1)	(1)
<b>Net profit</b>	<b>1,143</b>	<b>1,741</b>	<b>1,542</b>	<b>1,566</b>
Net profit (adj.)	1,342	1,741	1,542	1,566

### BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	13,547	12,861	12,185	11,721
Other LT assets	3,185	3,185	3,185	3,185
Cash/ST investment	2,579	3,840	5,174	6,301
Other current assets	3,820	4,214	4,265	4,390
<b>Total assets</b>	<b>23,131</b>	<b>24,099</b>	<b>24,808</b>	<b>25,596</b>
ST debt	310	298	280	263
Other current liabilities	5,148	5,428	5,551	5,722
LT debt	4,960	4,662	4,382	4,119
Other LT liabilities	4,625	4,625	4,625	4,625
Shareholders' equity	7,937	8,933	9,815	10,711
Minority interest	153	154	154	155
<b>Total liabilities &amp; equity</b>	<b>23,131</b>	<b>24,099</b>	<b>24,808</b>	<b>25,596</b>

### CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>3,266</b>	<b>4,645</b>	<b>4,662</b>	<b>4,543</b>
Pre-tax profit	1,687	1,834	1,815	2,206
Tax	(542)	(92)	(272)	(640)
Deprec. & amort.	2,863	3,017	3,046	2,930
Associates	0	0	0	0
Working capital changes	(295)	(113)	72	46
Non-cash items	(447)	0	0	0
<b>Investing</b>	<b>(1,335)</b>	<b>(2,331)</b>	<b>(2,370)</b>	<b>(2,467)</b>
Capex (growth)	(2,429)	(2,331)	(2,370)	(2,467)
Investments	(133)	0	0	0
Others	1,227	0	0	0
<b>Financing</b>	<b>(1,466)</b>	<b>(1,054)</b>	<b>(957)</b>	<b>(949)</b>
Dividend payments	(390)	(745)	(660)	(670)
Issue of shares	258	0	0	0
Proceeds from borrowings	(450)	(310)	(298)	(280)
Others/interest paid	(883)	0	0	0
<b>Net cash inflow (outflow)</b>	<b>465</b>	<b>1,260</b>	<b>1,335</b>	<b>1,127</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>1,880</b>	<b>2,579</b>	<b>3,840</b>	<b>5,174</b>
Changes due to forex impact	234	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>2,579</b>	<b>3,840</b>	<b>5,174</b>	<b>6,301</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	40.9	39.3	38.5	38.4
Pre-tax margin	13.9	14.2	13.8	16.1
Net margin	9.4	13.4	11.7	11.4
ROA	5.0	7.4	6.3	6.2
ROE	14.8	20.6	16.5	15.3
<b>Growth</b>				
Turnover	5.1	6.8	1.7	4.1
EBITDA	14.0	2.7	(0.5)	4.0
Pre-tax profit	35.3	8.7	(1.0)	21.5
Net profit	27.7	52.3	(11.4)	1.5
Net profit (adj.)	11.7	29.8	(11.4)	1.5
EPS	11.7	29.8	(11.4)	1.5
<b>Leverage</b>				
Debt to total capital	39.4	35.3	31.9	28.7
Debt to equity	66.4	55.5	47.5	40.9
Net debt/(cash) to equity	33.9	12.5	(5.2)	(17.9)
Interest cover (x)	15.9	20.1	23.8	37.8

### COMPANY RESULTS

## WCT Holdings (WCTHG MK)

3Q23: Below Expectations

WCT's 9M23 core net loss of RM6.9m came in broadly below expectations, weighed by weaker performance from the construction and property development divisions. Outstanding orderbook remains manageable at RM3.0b (cover ratio of 1.4x of 2022 revenue) while the property development segment is also backed by: a) unbilled sales of RM383m as of end-2Q23, and b) upcoming new project launches with a combined GDV of RM264m. Downgrade to HOLD. Target price: RM0.56.

### 3Q23 RESULTS

Year to 31 Dec	3Q23 RMm	qoq % chg	yoy % chg	9M23 RMm	yoy % chg	Comments
<b>Revenue</b>	<b>496.6</b>	17.0	5.6	<b>1,325.7</b>	(19.0)	Higher construction revenue
Construction	349.3	27.4	(0.5)	927.9	(15.7)	
Property Development	93.7	(3.9)	29.2	239.6	(39.6)	
Investment Property	53.5	1.6	15.4	158.1	13.9	
<b>EBIT / Operating Income</b>	<b>28.8</b>	(38.0)	(57.0)	<b>118.0</b>	(38.0)	
Construction	(5.0)	(137.1)	(110.9)	17.6	(76.8)	Dragged by lower margin
Property Development	8.5	(11.5)	356.3	24.5	(40.4)	High base in 1Q22
Investment Property	25.3	8.4	4.2	76.0	3.5	
<b>PBT</b>	<b>6.0</b>	(73.7)	(86.2)	<b>48.6</b>	(55.0)	
<b>PATAMI</b>	<b>(13.5)</b>	(204.1)	(208.4)	<b>(8.2)</b>	(108.1)	
<b>Core PATAMI</b>	<b>(12.3)</b>	(203.3)	(269.2)	<b>(6.9)</b>	(107.4)	
<b>Margins</b>	<b>%</b>	<b>+/-ppt</b>	<b>+/-ppt</b>	<b>%</b>	<b>+/-ppt</b>	
EBIT - Construction	(1.4)	(6.4)	(14.6)	1.9	(5.0)	Projects in tail-end stages
EBIT - Property Development	9.1	(0.8)	13.7	10.2	(0.1)	
EBIT - Investment Property	47.3	3.0	(5.1)	48.0	(4.9)	

Source: WCT Holdings, UOB Kay Hian

### RESULTS

• **Below expectations.** WCT Holdings Berhad (WCT) reported a core net loss of RM12.3m (-203.3% qoq, +269.2% yoy) in 3Q23 notwithstanding a higher revenue of RM496.6m (+17.0% qoq, +5.6% yoy). This dragged 9M23 earnings to a core net loss of RM6.9m (-107.4% yoy), coming in below expectations vs our and consensus' profit forecasts of RM65.8m and RM55.0m respectively. The negative variance was mainly due to weaker-than-expected earnings contributions from the construction and property development segments.

### KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	1,700	2,105	2,151	2,627	2,147
EBITDA	472	262	224	277	280
Operating profit	430	223	184	235	238
Net profit (rep./act.)	97	129	16	56	70
Net profit (adj.)	97	36	16	56	70
EPS (sen)	6.9	2.5	1.2	3.9	4.9
PE (x)	7.6	20.6	44.9	13.2	10.6
P/B (x)	0.2	0.2	0.2	0.2	0.2
EV/EBITDA (x)	6.5	11.6	13.6	11.0	10.9
Dividend yield (n.a.)	n.a.	n.a.	n.a.	n.a.	n.a.
Net margin (%)	5.7	6.1	0.8	2.1	3.2
Net debt/(cash) to equity (%)	68.7	66.0	59.8	64.1	58.8
Interest cover (x)	4.0	2.4	1.7	2.0	2.3
ROE (%)	2.6	3.3	0.4	1.4	1.7
Consensus net profit	-	-	55	74	93
UOBKH/Consensus (x)	-	-	0.30	0.76	0.75

Source: WCT Holdings, Bloomberg, UOB Kay Hian

## HOLD

(Downgraded)

Share Price	RM0.52
Target Price	RM0.56
Upside	+7.7%
(Previous TP)	RM0.69

### COMPANY DESCRIPTION

Construction company with growing focus in property development.

### STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	WCTHG MK
Shares issued (m):	1,417.2
Market cap (RMm):	737.0
Market cap (US\$m):	157.5
3-mth avg daily t'over (US\$m):	0.7

### Price Performance (%)

52-week high/low RM0.585/RM0.395

1mth	3mth	6mth	1yr	YTD
0.0	13.0	23.8	31.6	30.0

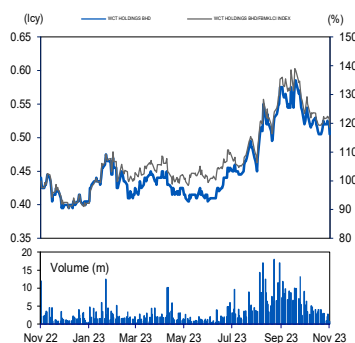
### Major Shareholders

	%
Dominion Nexus Sdn Bhd	18.2
Lim Siew Choon	7.4
CIMB Group Holdings Bhd	6.7

FY23 NAV/Share (RM) 2.22

FY23 Net Debt/Share (RM) 1.67

### PRICE CHART



Source: Bloomberg

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### STOCK IMPACT

- Construction division: Dragged by margin compression.** The division posted an operating loss of RM5.0m (-137.1% qoq, -110.9% yoy) in 3Q23 despite a higher revenue of RM349.3m (+27.4% qoq, -0.5% yoy), mainly weighed down by margin compression. We understand that the drastic decline in profit margins was due to slower progress of construction works as some projects are gradually reaching the tail-end stages. We also think the weaker margins may be attributable to the heightened operating costs. Note that WCT is highly susceptible to an increase in building material costs as around 60% of its current projects are from the private sector with no cost escalation clauses embedded in the contracts.

- Property division: Supported by improving property sales.** Meanwhile, the property development segment recorded a lower operating profit of RM8.5m (-11.5% qoq, +356.3% yoy) in 3Q23 on a slightly lower revenue of RM93.7m (-3.9% qoq, +29.2% yoy). The revenue was mainly underpinned by the continued improvement in take-up rates for its ongoing projects, namely Adenia Apartment in Klang (GDV:RM68m) and Maple Residences (GDV: RM870m). The group has also launched another high-rise residential project named the Pavilion Mont Kiara, Kuala Lumpur in Aug 23. The project entails 341 condominium units with a total GDV of RM808m, and has quickly recorded a commendable take-up rate of 47% as of ytd Nov 23.

The property development segment's near-term outlook remains resilient on the back of: a) unbilled sales of RM383m as of end-3Q23, and b) upcoming new project launches with a combined GDV of RM264m. In addition, its ongoing projects are also well-received with gradual improvement in take-up rates. We are also upbeat on the group's property investment and management segment which will benefit from a gradual recovery in occupancy and rental rates of its malls and hotels.

- Commendable orderbook.** The group's outstanding orderbook remains manageable at RM3.0b (cover ratio of 1.4x of its 2022 revenue) as of end-3Q23, providing earnings visibility for the next 2-3 years. The group also has a sizeable tenderbook of >RM12b (local civil and infrastructure jobs: RM7b, local building works: RM5b). Among the submitted bids for local infrastructure projects, we believe replenishment opportunities may likely come from MRT3, Subang Airport Regeneration Plan (SARP), as well as other highway extensions. Also note that WCT is expanding its foothold overseas, with targets to secure projects in Indonesia and Middle Eastern countries.

### EARNINGS REVISION/RISK

- Slash 2023/24/25 forecasts by 75%/43%/52%,** after pencilling in lower orderbook replenishment and profit margin assumptions. Given that the group has not secured any sizeable projects in 2023, we cut our 2023 replenishment assumption to RM500m from RM1.5b previously. Subsequently, we also conservatively lower 2024-2025 replenishment projection to RM1.0b (from RM1.5b previously) in view of the limited clarity on its project win rates.

### VALUATION/RECOMMENDATION

- Downgrade to HOLD with a lower target price of RM0.56,** upon lowering the orderbook replenishment and profit margin assumptions. Our target price now implies 14x 2024F PE which is its five-year historical mean. We believe the current valuation is fair as we expect the group to achieve sequential earnings recovery while riding on a huge pipeline of domestic infrastructure projects.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

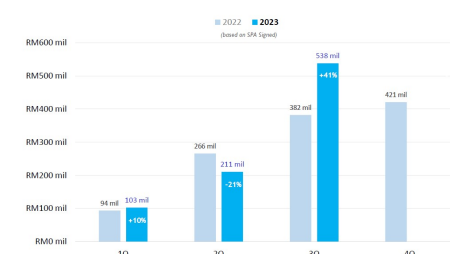
<ul style="list-style-type: none"> <li> <b>Environmental</b> <ul style="list-style-type: none"> <li>- Increased recycled waste, achieving 14% yoy cut in total waste produced.</li> </ul> </li> <li> <b>Social</b> <ul style="list-style-type: none"> <li>- Positively impact local economy as 99% of WCT's suppliers are local businesses.</li> </ul> </li> <li> <b>Governance</b> <ul style="list-style-type: none"> <li>- Half of its Board composition consists of independent directors.</li> </ul> </li> </ul>
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### SEGMENTAL REVENUE AND EBIT BREAKDOWN

(RMm)	2023F	2024F	2025F
<b>Revenue</b>	<b>2,151</b>	<b>2,627</b>	<b>2,147</b>
- Construction	1,390	1,804	1,283
- Property development	579	632	664
- Property investment	182	191	200
<b>EBIT</b>	<b>184</b>	<b>235</b>	<b>238</b>
- Construction	28	65	64
- Property development	29	33	33
- Property investment	127	137	140

Source: WCT

### PROPERTY SALES PERFORMANCE



Source: WCT

### ORDERBOOK REPLENISHMENT ASSUMPTIONS

Year	RMm
2022	-
2023F	500
2024F	1,000
2025F	1,000

Source: WCT, UOB Kay Hian

### VALUATION

	RMm	Remarks
Property development	1,880	10% discount to RNAV
Construction	543	11x 2024F PE
Investment property	1,429	Cap Rates of 7%
Dubai Settlement	516	NPV at 8%
Less: Net debt	(2,564)	End-2022
Perpetual sukuk	(819)	
<b>Total SOP value</b>	<b>985</b>	
No. of shares	1,417	
<b>SOTP/share (RM)</b>	<b>0.69</b>	
<b>Target price (RM)</b>	<b>0.56</b>	

Source: WCT, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Net turnover</b>	<b>2,105</b>	<b>2,151</b>	<b>2,627</b>	<b>2,147</b>
EBITDA	262	224	277	280
Deprec. & amort.	39	40	42	42
EBIT	223	184	235	238
Associate contributions	26	29	31	32
Net interest income/(expense)	(110)	(132)	(135)	(122)
<b>Pre-tax profit</b>	<b>139</b>	<b>81</b>	<b>130</b>	<b>148</b>
Tax	33	(19)	(31)	(35)
Minorities	4	3	5	6
Preferred dividends	(48)	(48)	(48)	(48)
<b>Net profit</b>	<b>129</b>	<b>16</b>	<b>56</b>	<b>70</b>
Net profit (adj.)	36	16	56	70

### BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	521	546	574	602
Other LT assets	4,364	4,393	4,423	4,455
Cash/ST investment	183	325	27	108
Other current assets	3,236	2,939	3,323	2,909
<b>Total assets</b>	<b>8,304</b>	<b>8,202</b>	<b>8,348</b>	<b>8,074</b>
ST debt	1,630	1,484	1,299	999
Other current liabilities	1,052	1,036	1,212	1,026
LT debt	1,168	1,214	1,299	1,499
Other LT liabilities	548	553	586	551
Shareholders' equity	3,958	3,970	4,012	4,065
Minority interest	(52)	(55)	(60)	(65)
<b>Total liabilities &amp; equity</b>	<b>8,304</b>	<b>8,202</b>	<b>8,348</b>	<b>8,074</b>

### CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>213</b>	<b>359</b>	<b>(66)</b>	<b>316</b>
Pre-tax profit	139	81	130	148
Tax	(70)	(19)	(31)	(35)
Deprec. & amort.	39	40	42	42
Associates	(26)	(29)	(31)	(32)
Working capital changes	128	287	(176)	194
Other operating cashflows	3	0	0	0
<b>Investing</b>	<b>(18)</b>	<b>(65)</b>	<b>(70)</b>	<b>(70)</b>
Capex (growth)	(65)	(65)	(70)	(70)
Proceeds from sale of assets	31	0	0	0
Others	16	0	0	0
<b>Financing</b>	<b>(254)</b>	<b>(152)</b>	<b>(162)</b>	<b>(166)</b>
Dividend payments	(7)	(4)	(14)	(17)
Issue of shares	0	0	0	0
Proceeds from borrowings	(41)	(100)	(100)	(100)
Others/interest paid	(207)	(48)	(48)	(48)
<b>Net cash inflow (outflow)</b>	<b>(60)</b>	<b>142</b>	<b>(298)</b>	<b>80</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>222</b>	<b>183</b>	<b>325</b>	<b>27</b>
Changes due to forex impact	21	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>183</b>	<b>325</b>	<b>27</b>	<b>108</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	12.5	10.4	10.5	13.0
Pre-tax margin	6.6	3.8	5.0	6.9
Net margin	6.1	0.8	2.1	3.2
ROA	1.6	0.2	0.7	0.8
ROE	3.3	0.4	1.4	1.7
<b>Growth</b>				
Turnover	23.8	2.2	22.1	(18.3)
EBITDA	(44.4)	(14.7)	23.7	1.1
Pre-tax profit	(49.9)	(41.9)	60.8	13.5
Net profit	32.3	(87.2)	239.2	25.3
Net profit (adj.)	(63.2)	(54.1)	239.2	25.3
EPS	(63.2)	(54.1)	239.2	25.3
<b>Leverage</b>				
Debt to total capital	41.7	40.8	39.7	38.4
Debt to equity	70.7	67.9	64.7	61.4
Net debt/(cash) to equity	66.0	59.8	64.1	58.8
Interest cover (x)	2.4	1.7	2.0	2.3

## UOBKH HIGHLIGHTS

### Syarikat Takaful Malaysia Keluarga (STMB MK /BUY/RM3.64/Target: RM4.98)

3Q23: Results In Line; Negative Impact Of MFRS17 Adequately Priced In

#### 3Q23 RESULTS

#### SUMMARY EARNINGS FORECASTS

Year to 31 Dec	3Q23 (RMm)	3Q22 (RMm)	Yoy % chg	9M23 (RMm)	Yoy % chg	Year to 31 Dec (RMm)	2023F	2024F	2025F
Takaful Service Result Before Retakaful	116.2	(74.2)	n.m.	308.6	129.3	Takaful Service Results	201.3	213.4	228.3
Net Expense from Retakaful	(66.8)	101.3	n.m.	(163.1)	(651.4)	Takaful Financial Results	(177.7)	(179.9)	(191.2)
Takaful Service Result	49.4	27.2	81.7	145.5	(11.4)	Investment Income	499.2	514.2	529.2
Net Investment Income	141.2	126.7	11.5	393.1	55.7	Net profit	379.6	410.2	432.2
Net Takaful Financial Results	(55.7)	(38.0)	46.8	(140.5)	50.3	PE (x)	8.0	7.5	7.1
Other Operation Income	(4.0)	2.8	(242.1)	(5.8)	(194.2)	ROE (%)	25.8	23.4	22.9
PBT	130.9	118.7	10.3	392.3	0.7				
Tax & Zakat	(39.8)	(45.8)	(13.1)	(115.5)	1.4				
<b>Net Profit</b>	<b>91.1</b>	<b>72.9</b>	<b>25.0</b>	<b>277.4</b>	<b>28.9</b>				

Source: Syarikat Takaful, UOB Kay Hian

#### RESULTS

- **3Q23 results in line.** Syarikat Takaful Malaysia Keluarga (STMB) reported 3Q23 earnings of RM91.1m (+25.0% yoy, -1% qoq), bringing 9M23 earnings to RM277.4m (+28.9% yoy). Earnings are broadly in line, with 9M23 earnings representing 73% and 77% of our and consensus' full-year estimates respectively.
- **9M23 earnings** rose 28.9% yoy, largely attributed to the 55.7% yoy increase in net investment income but partially offset by the 11.4% yoy contraction in Takaful service results, which were impacted by higher claims.
- **3Q23 yoy.** Strong takaful service results (+82%), higher net investment income (+12%) and lower effective tax rate and zakat contribution (-9ppt) boosted 3Q23 earnings by 25% yoy.
- **3Q23 qoq.** Earnings declined 1% qoq due to higher takaful finance expense from takaful contracts issued (+21%) and other opex (rose three-fold). That said, these were cushioned by stronger takaful service results (+5%) and net investment income (+9%).
- **Impact of MFRS17 on earnings more muted than expected.** Annualised 9M23 earnings came in at RM369.8m vs our MFRS4 earnings forecast of RM389.4m, representing a decline of only 5%. Recall that management had guided for an estimated negative impact of around 15%. ROE came in at 25% vs our initial MFR17 2023 forecast of 28%. This was attributed to higher-than-expected book value as there was a lower-than-expected claw-back of premiums of contractual service margin liability into retained earnings.
- **Outlook.** We expect STMB to continue delivering steady earnings growth of 8% despite a soft macro environment as it will continue to benefit from the spillover effects of Islamic banking growth, which is expected to continue outpacing conventional banking growth. This growth is expected to extend to the bancatakaful business. Additionally, STMB is poised to benefit from its recent banca partnership with Affin and Agrobank. However, the temporary shrinkage of the LPPSA market may impact Family's top-line growth, partially offsetting steady growth from its bancatakaful business.

#### EARNINGS REVISION/RISK

- No change.

#### VALUATION/RECOMMENDATION

- **Maintain BUY with a higher target price of RM4.98 after rolling forward our target price to 2024.** Our target price is based on a blended SOTP of P/B and PE, and implies a 10.2x 24F EPS which is slightly below its 10-year historical mean PE of 11x. Given that the stock is already trading at an undemanding 7.5x 2024F PE (vs historical mean of 11x), we believe that the market has more than priced in the negative impact of MFR17 on the group's earnings and shareholder's base.

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### TRADERS' CORNER



Source: UOBKH ChartGenie



Source: UOBKH ChartGenie

### PT Resources Holdings (PTRB MK)

Technical BUY with +19.0% potential return

Last price: RM0.50

Target price: RM0.565, RM0.595

Support: RM0.445

Stop-loss: RM0.44

**BUY** with a target price of RM0.595 and stop-loss at RM0.44. Based on the daily chart, the stock has been climbing up gradually and penetrated the breakout level of RM0.49 yesterday. This is supported by an uptick in the RSI which is currently in a bullish mode. Additionally, the positive MACD and DMI readings suggest stronger momentum, which should lift the stock towards our targets of RM0.565 and RM0.595 in the near term.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading

### AYS Venture (AYS MK)

Technical BUY with +11.3% potential return

Last price: RM0.40

Target price: RM0.425, RM0.445

Support: RM0.37

Stop-loss: RM0.365

**BUY** with a target price of RM0.445 and stop-loss at RM0.365. Based on the daily chart, AYS's share price has recovered gradually and moved above the 7- and 21-day EMAs following yesterday's spike to close higher at RM0.40. This is supported by an uptick in the RSI and a bullish crossover in both MACD and DMI indicators. We peg our targets at RM0.425 and RM0.445 in near term.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading

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