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### GREATER CHINA

#### Sector

#### Shipping And Ports

Page 2

Strong freight rates further raise container shipping earnings outlook. Upgrade OOIL to BUY and maintain HOLD on CSH.

### INDONESIA

#### Update

#### Trimegah Bangun Persada (NCKL IJ/BUY/Rp1,000/Target: Rp1,100)

Page 5

The largest nickel producer with the lowest cash cost yet.

### SINGAPORE

#### Update

#### CSE Global (CSE SP/BUY/S\$0.405/Target: S\$0.56)

Page 8

Outlook remains positive, backed by healthy orderbook and pipeline of new projects.

### THAILAND

#### Results

#### Aeon Thana Sinsap (Thailand)

Page 11

(AEONTS TB/HOLD/Bt130.00/Target: Bt148.00)

1QFY24: Results missed forecasts substantially; deterioration in asset quality. Downgrade to HOLD.

#### Update

#### Charoen Pokphand Foods (CPF TB/BUY/Bt23.60/Target: Bt29.00)

Page 14

Robust earnings turnaround.

#### PTT Exploration & Production

Page 17

(PTTEP TB/BUY/Bt152.50/Target: Bt200.00)

Increases in ASP and sales bolstered net profit for 2Q24.

### KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	39375.9	0.2	0.5	1.5	4.5
S&P 500	5567.2	0.5	1.5	4.1	16.7
FTSE 100	8203.9	(0.5)	0.5	(0.5)	6.1
AS30	8070.1	(0.1)	0.7	(0.5)	3.1
CSI 300	3431.1	(0.4)	(0.9)	(4.0)	(0.0)
FSSTI	3410.8	(0.8)	2.3	2.4	5.3
HSCEI	6382.3	(1.4)	0.9	(2.0)	10.6
HSI	17799.6	(1.3)	0.5	(3.1)	4.4
JCI	7253.4	0.4	2.7	5.2	(0.3)
KLCI	1611.0	(0.4)	1.3	(0.4)	10.7
KOSPI	2862.2	1.3	2.3	5.1	7.8
Nikkei 225	40912.4	(0.0)	3.4	5.8	22.3
SET	1312.0	0.8	0.8	(1.6)	(7.3)
TWSE	23556.6	0.1	2.3	7.8	31.4
BDI	1966	(2.7)	(4.1)	4.5	(6.1)
CPO (RM/mt)	4130	0.6	4.6	4.5	11.1
Brent Crude (US\$/bbl)	87	0.1	0.0	8.8	12.5

Source: Bloomberg

### TOP PICKS

	Ticker	CP (Icy)	TP (Icy)	Pot. +/- (%)
BUY				
Anta Sports	2020 HK	71.05	109.60	54.3
Bumi Serpong	BSDE IJ	960.00	1,200.00	25.0
My EG Services	MYEG MK	1.03	1.36	32.0
OCBC	OCBC SP	15.00	18.35	22.3
CP ALL	CPALL TB	55.50	84.00	51.4
Major Cineplex	MAJOR TB	12.70	18.00	41.7

### KEY ASSUMPTIONS

GDP (% yoy)	2023	2024F	2025F
US	2.5	1.2	2.5
Euro Zone	0.4	0.8	1.4
Japan	1.9	1.0	1.9
Singapore	1.1	2.9	3.2
Malaysia	3.6	4.6	4.7
Thailand	1.9	2.8	3.1
Indonesia	5.1	5.2	5.3
Hong Kong	3.3	2.7	2.8
China	5.2	4.5	4.2
CPO (RM/mt)	5,088	4,000	4,200
Brent (Average) (US\$/bbl)	99.0	81.0	84.0

Source: Bloomberg, UOB ETR, UOB Kay Hian

### CORPORATE EVENTS

	Venue	Begin	Close
Malaysia Tech Corporate Day	Malaysia	10 Jul	10 Jul
Analyst Marketing on Greater China AI Sector	Singapore	23 Jul	24 Jul

SECTOR UPDATE

Shipping And Ports – China

Strong Freight Rates Further Raise Container Shipping Earnings Outlook

The latest economic indicators for global trade remain mixed with some negative tilt. With the unabated Red Sea attacks, ocean freight futures prices rose further in the past weeks, reflecting the market’s expectations that upbeat freight rates may extend into 1H25. In line with the updated futures price curve, we raise earnings forecasts for our container shipping coverage by over 40% in FY24 and over 100% in FY25 (from a low base). We upgrade OOIL to BUY on its better dividend prospect (FY24 yield: 18%). Maintain MARKET WEIGHT.

WHAT’S NEW

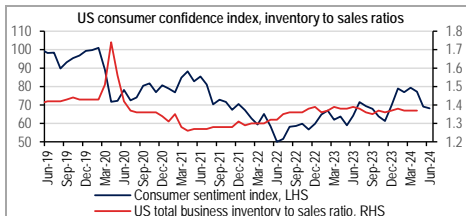
- Update on economic indicators for global trade outlook and sector statistics.
- Raise earnings forecasts for container shipping companies to reflect further strengthened ocean freight rates; upgrade Orient Overseas International (OOIL) to BUY.

ESSENTIALS

• Latest economic indicators for global trade were largely mixed with some negative tilt. New export order sub-indices for both global and China official manufacturing PMIs stood at below 50 in Jun 24, indicating potentially weakening global trade momentum. US consumer sentiment was largely flattish, while Europe’s retail confidence weakened mom in Jun 24.

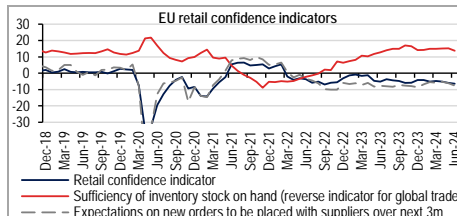
- Global manufacturing PMI, a composite index compiled by S&P Global and JP Morgan tracking 30 major manufacturing economies, stood in a slightly expansionary territory at 50.9 in Jun 24 (May 24: 51.0). After staying at above 50 for two consecutive months, new export order sub-index fell below 50 at 49.3 in Jun 24 (May 24: 50.4), indicating a slight slowdown in global trade activities.
- China manufacturing PMIs were mixed, with official manufacturing PMI and new export order sub-index staying below 50 at 49.5 and 48.3 respectively in Jun 24 (both unchanged from May 24). On the other hand, Caixin manufacturing PMI, a preferred proxy for export oriented private sector businesses, increased marginally to 51.8 in Jun 24 (May 24: 51.7), indicating improved private sector manufacturing activities.
- US consumer sentiment index was largely flat mom in Jun 24. Retail sentiment in Europe deteriorated, with mom weaker retail confidence index in Jun 24 and more of the retailers surveyed expecting to place fewer new orders with their suppliers in the near term.

US CONSUMER SENTIMENT WAS LARGELY FLATTISH MOM IN JUN 24 AT 68.2; INVENTORY TO SALES RATIO (1.37) REMAINED ADEQUATE AS OF APR 24



Source: US Census Bureau, University of Michigan

EU RETAIL CONFIDENCE REMAINED WEAKENED MOM IN JUN 24, WITH MORE OF SURVEYED RETAILERS EXPECTING TO PLACE LESSER NEW ORDERS WITH THEIR SUPPLIERS



Source: Eurostat

MARKET WEIGHT (Maintained)

SEGMENTAL RATING

Segment	Rating
Port	OVERWEIGHT
Container Shipping	MARKET WEIGHT

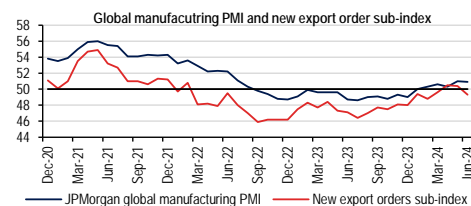
Source: UOB Kay Hian

SECTOR PICKS

Company	Ticker	Rec	Share Price (Icy)	Target Price (Icy)
CSP	1199 HK	BUY	5.34	6.75
CMP	144 HK	BUY	12.32	15.79
CSH	1919 HK	HOLD	13.46	13.86
OOIL	316 HK	BUY (U/G)	128.40	141.50

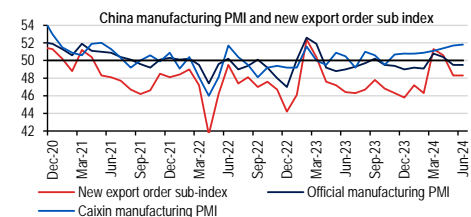
Source: Bloomberg, UOB Kay Hian

GLOBAL MANUFACTURING PMI STOOD AT 50.9 IN JUN 24 (MAY 24: 51.0); NEW EXPORT ORDER SUB-INDEX FELL BELOW 50 AT 49.3 (MAY 24: 50.4), POINTING TO SOME SLIGHT WEAKNESS IN GLOBAL TRADE DEMAND



Source: JP Morgan, S&P Global

CHINA OFFICIAL MANUFACTURING PMI AND NEW EXPORT ORDER SUB-INDEX STAYED BELOW 50 AT 49.5 AND 48.3 IN JUN 24 (BOTH UNCHANGED FROM MAY 24), WHILE CAIXIN PMI IMPROVED MARGINALLY TO 51.8 (MAY 24: 51.7)



Source: China National Bureau of Statistics, Caixin

ANALYST(S)

Roy Chen, CFA  
+65 6590 6627  
roychen@uobkayhian.com

PEER COMPARISON

Segment	Company	Ticker	Rec	Price @ 7 Jul 24 (HK\$)	Target Price (HK\$)	Upside to TP (%)	Market Cap (US\$m)	PE 2024F (x)	PE 2025F (x)	Yield 2024F (x)	Yield 2025F (x)	P/B FY24F (x)	ROE 2024F (%)	ROE 2025F (%)	Net Gearing (%)
Port	COSCO SHIPPING Ports	1199 HK	BUY	5.34	6.75	26.4	2,511	7.9	8.2	5.0	4.9	0.41	5.2	5.0	27.3
	China Merchants Port	144 HK	BUY	12.32	15.79	28.2	6,622	7.8	8.0	5.8	5.6	0.49	6.4	6.0	19.5
Container Shipping	COSCO SHIPPING Hldg	1919 HK	HOLD	13.46	13.86	3.0	27,507	3.1	5.1	16.4	9.8	0.83	24.2	13.3	(39.7)
	Orient Overseas Intl	316 HK	BUY	128.4	141.5	10.2	10,857	2.8	4.7	18.0	10.6	0.77	31.0	16.1	(56.2)

Source: Bloomberg, UOB Kay Hian

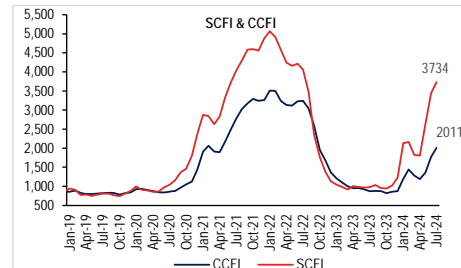
CONTAINER SHIPPING

- Further strengthened ocean freight rates...** Advancing deeper into the peak season, ocean freights continue to rise in the past few weeks. Shanghai Containerised Freight Index (SCFI), a composite index reflecting spot freight rates for containers sailing out of China, rose 23% in the past month, with its latest reading on 5 Jul 24 standing at 3,734. China Containerised Freight Index (CCFI) rose 34% during the same period, reaching 2,011. While the increases in both SCFI and CCFI were largely in line with our expectations, prices of futures contracts expiring in the forward months have risen higher than our projections, with prices of Shanghai-Europe freight futures contracts expiring between Aug 24 and Jun 25 having risen 28-75% from the 4 Jun 24 levels (ie when we raised forward ocean freight rate assumptions last time). Notably, the far-end futures contract prices rose more significantly than nearer month contracts due to: a) their previous low bases, and b) the market pricing with the increasing likelihood that the Red Sea situation may potentially extend into 1H25. On the other hand, the Aug 24 contract price was only a tad higher than the latest spot rates, since we are not far from the season peak.
- ...boost our earnings projections in FY24 and FY25.** Assuming that the futures prices are a fair reflection of spot ocean freight rate outlook, we update our earnings projections for container shipping companies. We raised our FY24/25 earnings forecasts for COSCO SHIPPING Holdings (CSH) by 40%/109% and for OOIL by 47%/149%, reflecting: a) the updated futures price curve, and b) the shipping companies' high operating leverage.
- Risk-reward getting more favourable.** Since our last update, share prices of OOIL and CSH dropped 8% and 4% respectively. The share price drops, together with strengthened freight rate futures curves (and resultant increases in our earnings estimates), have rendered the container shipping stocks' valuation more palatable.
- Upgrade OOIL to BUY (Target: HK\$141.5) and maintain HOLD on CSH (Target: HK\$13.86).** We recommend investors to stay invested with container shipping stocks. Our updated target prices for CSH and OOIL remain based on 0.85x 2024F P/B, or 1SD below segmental historical mean. With our raised earnings estimates and assuming a 50% payout ratio (pegged at the top end of OOIL's and CSH's stated policies of a 30-50% payout for 2024), OOIL and CSH would offer outsized dividend yields of 18.0% and 16.4% in FY24.
- We prefer OOIL to CSH,** taking into account: a) OOIL's slightly cheaper valuation (0.77x FY24F P/B) compared to CSH (0.83x); b) OOIL's stronger net cash position (estimated at 56% of OOIL's FY24F equity base) compared to CSH (40%); and c) OOIL's track record of rewarding shareholders more generously than the stated dividend policy in past good years; OOIL's FY24 dividend yield will increase to 25% if it raises dividend payout ratio to 70%.
- Truce talk between Israel and Hamas a key watch point.** Israel announced last Friday (5 Jul 24) that it will send a delegation to Qatar for fresh talks with Hamas through Qatari mediators this week. We believe this is a key event and the outcome of which may cause volatility to shipping stocks in the days/weeks to come. While we have hopes for a Gaza cease-fire deal, it remains unclear: a) if the two sides can reach an agreement immediately, since Israel said "there are still gaps between the parties", and b) if a Gaza cease-fire deal will automatically lead to an end to the attacks by the Iran-backed Houthis at the Red Sea. Even with positive developments for both, our best guess is that it may take a few more months before the Red Sea can restore normal navigation. As such, we believe shipping companies' strong 2024F earnings performance to be largely secured.

PORTS

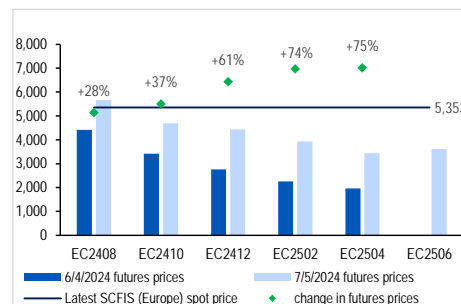
- Healthy container throughput growth in 5M24; expect steady performance for the full year.** Despite rising geopolitical tensions, China's ports sector achieved a respectable 8.8% yoy growth in throughput volume in 5M24, partly helped by the low-base effect a year ago when China's manufacturing activities were disrupted by the outbreak of COVID-19 cases immediately after the country's reopening. Within our coverage, both COSCO SHIPPING Ports (CSP) and China Merchants Port (CMP) achieved high-single-digit gross throughput growth in 5M24. Both CSP and CMP previously guided for low single-digit throughput for 2024, which we believe are on the low side.

DRIVEN BY TIGHT CAPACITY SUPPLY-DEMAND DYNAMICS, SCFI AND CCFI CONTINUED TO RISE STRONGLY IN THE PAST MONTH



Source: Shanghai Shipping Exchange

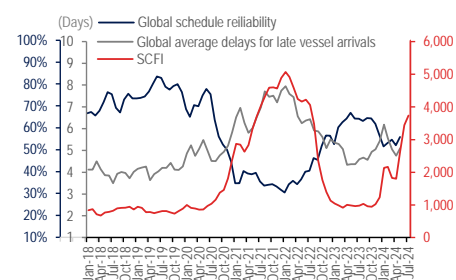
PRICES OF FREIGHT FUTURES FOR THE SHANGHAI-EUROPE ROUTE STRENGTHENED FURTHER SINCE OUR LAST UPDATE



\*SCFIS: Shanghai Containerised Freight Index based on Settled Rates  
\*EC2406: Europe Containerised Freight futures contract expiring in Jun 24

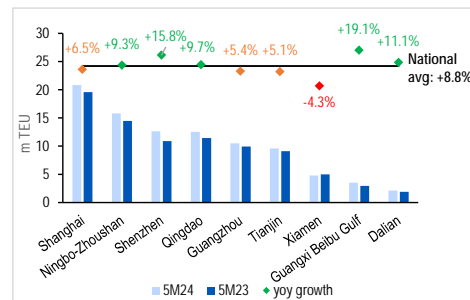
Source: Shanghai Futures Exchange

STABILISING LINER SCHEDULE RELIABILITY



Source: Sea Intelligence

CHINESE PORTS' TOTAL CONTAINER VOLUME ROSE 8.8% YOY IN 5M24



Source: Bloomberg

• **Maintain BUY on CSP (1199 HK/Target: HK\$6.75) and CMP (144 HK/Target: HK\$15.79).**

We continue to like port operators for their attractive risk-reward. With China potentially scrapping dividend tax charged to Chinese investors on Hong Kong stocks purchased via the Stock Connect, Hong Kong-listed port operators, which offer stable yields and trade at a sizeable discount to their A-share listed peers, should enjoy a re-rating. Our target prices for CSP and CMP remain based on 10.3x 2025F PE, pegged to the segment's historical mean. Based on our estimates, CSP and CMP offer stable dividend yields of 5.0% (based on a 40% payout ratio) and 5.8% (based on a 45% payout ratio) respectively in 2024.

### EARNINGS REVISION

- Our earnings adjustments for CSH and OOIL in 2024-26 reflect our updated ocean freight rate assumptions, taking into considerations the ocean freight futures price curve. Our earnings adjustment for CMP is due to its indirect earnings exposure to container shipping investments via Shanghai International Port Group (SIPG/600018 CN/Not Rated), which is CMP's associated company and has a number of container shipping investments. We raise FY24 earnings estimate for CSP to reflect lesser earnings dilution in FY24 from its major associate Qingdao Port International's (QPI/6198 HK/Not Rated) delay in material asset reorganisation.

### EARNINGS FORECASTS UPDATE FOR SHIPPING AND PORT COMPANIES

	----- Net profit forecast – old -----			----- Net profit forecast – new -----			----- Adjustment -----		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
CSP	US\$298m	US\$299m	US\$314m	US\$307m	US\$299m	US\$314m	+3%	-	-
CMP	HK\$6.36b	HK\$6.11b	HK\$6.26b	HK\$6.66b	HK\$6.43b	HK\$6.28b	+5%	+5%	+0%
CSH	Rmb46.9b	Rmb18.7b	Rmb13.2b	Rmb65.7b	Rmb39.2b	Rmb13.8b	+40%	+109%	+5%
OOIL	US\$2,663m	US\$927m	US\$611m	US\$3,915m	US\$2,312m	US\$686m	+47%	+149%	+12%

Source: UOB Kay Hian

COMPANY UPDATE

**Trimegah Bangun Persada (NCKL IJ)**

The Largest Nickel Producer With The Lowest Cash Cost Yet

NCKL believes the nickel business outlook is still promising despite the oversupply condition. It will continue to maintain its cash cost at below US\$10,000/tonne to maintain profitability amid the low nickel price environment. NCKL's business expansion and production ramp-up are progressing in a timely way in line with the company's plan. Hence, we maintain our 2024 and 2025 NPAT forecasts at Rp6.3t (+12.1% yoy) and Rp8.2t (+30.8% yoy) respectively. Maintain BUY. Target price: Rp1,100.

WHAT'S NEW

- **Nickel business outlook still promising despite the oversupply condition.** Trimegah Bangun Persada (NCKL) believes that nickel prospects are still promising amid the oversupply condition. However, it believes that the most important thing is to become a low-cost nickel producer amid the oversupply so that Indonesian nickel producers would be able to make decent profits in a low nickel price environment. In 1Q24, when the price of nickel dropped to US\$16,648/tonne, NCKL's cash margin was still more than 20%, with cash costs below US\$10,000/tonne, lower than that of other nickel players.
- **Commencing nickel ore production from GTS mine in 2H24 to support revenue growth.** NCKL plans to start producing nickel ore from its new mine Gane Tambang Sentosa (GTS) in 2H24. This is expected to increase the saprolite and limonite ore supply to its rotary kiln electric furnace (RKEF) and high-pressured acid leach (HPAL) smelters as the production capacity will increase gradually along with the operation of the Karunia Permai Sentosa (KPS) RKEF plant and Obi Nickel Cobalt (ONC) HPAL plant in 2024-25. We expect NCKL to produce 25m-27m wet metric tonnes (wmt) of nickel ore in 2024.
- **Bigger shares of profits from associates to come from commissioning of Obi Nickel Cobalt's (ONC) HPAL smelter.** NCKL has started the production of mixed hydroxide precipitate (MHP) from its ONC HPAL plant with total nameplate capacity of 65,000 tonnes p.a. The first line of ONC's HPAL was commissioned in Apr 24, the second line in Jun 24, and the third line will go on stream in Aug 24. NCKL expects an additional 30,000-35,000 tonnes of MHP to be produced by ONC HPAL in 2024 and the first shipment of MHP to be ready in Jun 24.
- **Maintain our 2024 and 2025 NPAT forecasts at Rp6.3t (+12.1% yoy) and Rp8.2t (+30.8% yoy) respectively.** We maintain our 2024 and 2025 NPAT forecasts as sales volume will continue to increase on a ramp-up in nickel production in 2024-25. We expect 2024 and 2025 ferronickel sales volume at 125,000 tonnes and assume 2024 and 2025 average nickel prices at US\$17,000/tonne and US\$17,500/tonne respectively. As a result, NCKL's revenue for 2024 could come in at Rp25.9t, with Rp8.2t in EBITDA, while 2025 revenue should come in at Rp28.5t, with EBITDA of Rp9.9t.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2022	2023	2024F	2025F	2026F
Net turnover	9,568	23,858	25,950	28,474	30,440
EBITDA	4,508	8,294	8,233	9,864	11,128
Operating profit	3,984	7,024	7,086	8,330	9,520
Net profit (rep./act.)	4,667	5,619	6,299	8,237	9,883
Net profit (adj.)	4,667	5,619	6,299	8,237	9,883
EPS (Rp)	74.0	89.1	99.9	130.6	156.7
PE (x)	13.5	11.2	10.0	7.7	6.4
P/B (x)	6.7	2.7	2.3	2.0	1.7
EV/EBITDA (x)	14.0	7.6	7.7	6.4	5.7
Dividend yield (%)	3.0	2.2	4.1	5.4	6.4
Net margin (%)	48.8	23.6	24.3	28.9	32.5
Net debt/(cash) to equity (%)	75.4	19.8	17.6	8.7	3.5
Interest cover (x)	16.4	19.4	22.7	36.2	54.4
ROE (%)	61.7	34.1	24.8	27.8	28.2
Consensus net profit	-	-	5,564	7,397	9,688
UOBKH/Consensus (x)	-	-	1.13	1.11	1.02

Source: Trimegah Bangun Persada, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Rp1,000
Target Price	Rp1,100
Upside	+10.0%

COMPANY DESCRIPTION

Trimegah Bangun Persada is a vertically integrated pure-play nickel producer company located in Obi Island with more than 10 years of operational experience.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	NCKL IJ
Shares issued (m):	63,098.6
Market cap (Rpb):	63,098.6
Market cap (US\$m):	3,876.3
3-mth avg daily t'over (US\$m):	1.9

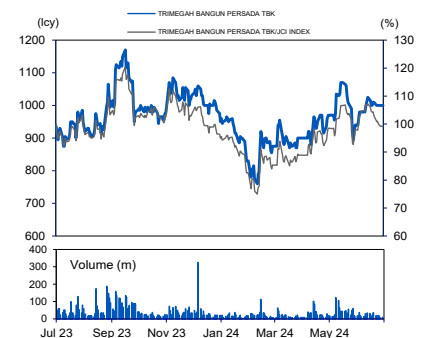
Price Performance (%)

52-week high/low	Rp1,170/Rp760			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
11.7	11.1	1.5	8.1	0.0

Major Shareholders

Harita Jayaraya	86.7
FY24 NAV/Share (Rpb)	432
FY24 Net Debt/Share (Rpb)	76

PRICE CHART



Source: Bloomberg

ANALYST(S)

**Limartha Adhiputra**  
 +6221 2993 3914  
 limarthaadhiputra@uobkayhian.com

### STOCK IMPACT

- Timely construction progress of KPS RKEF.** As of May 24, the construction progress of KPS RKEF stage 1 has reached 45%, with the commissioning target in 2025. The construction progress of a 380MW power plant to support the smelters is at 42% as at end-May 24. The first stage of KPS RKEF will have four production lines, with an annual production capacity of 60,000 tonnes of ferronickel.
- Updates on ongoing equity fundraising plan.** NCKL intends to have a non-pre-emptive private placement with a maximum issuance of 10% in new shares (equal to 6.3b new shares) offered to three strategic investors who have completed the due diligence process and are currently discussing the terms and conditions with the company. The potential investors are nickel companies from Europe, East Asia, and domestic nickel players. NCKL also plans to issue a maximum of 30% of its total issued and paid-up capital, equal to 18.9b new shares to be subscribed by public investors. Proceeds of the non-pre-emptive private placement and rights issue will be used for nickel business expansions such as acquisition of new nickel mines, increasing smelter capacity, and possibly increasing the stake in the HPAL business. We think the private placement and rights issue will have a positive impact on NCKL's cash flow as well as increasing its exposure in the HPAL business.
- Investments in waste material recycling and limestone production to optimise nickel production value chain.** NCKL and Lygend Resources through its subsidiary, Hongkong Blue Whale International (HBWI), established two new joint venture companies Bhakti Bumi Sentosa (BBS) and Cipta Kemakmuran Mitra (CKM) in May 24. BBS will operate to recycle the tailing/waste from the HPAL operation and CKM will operate to turn limestone into quicklime. With these investments, NCKL expects to be able to reduce as much as 1.5m tonnes of tailings p.a. and optimise the potential value of its nickel production chains.
- Potential share price stabilisation with share buyback.** We expect a more stable share price movement on NCKL as the company will buy back shares for the next 12 months. NCKL believes its current share price does not reflect its true fundamental value and will conduct shares buyback in a 12-month period from 27 Jun 24. The share buyback has been approved by the annual general meeting of shareholders (AGMS) on 27 Jun 24 with a maximum value of Rp1t.

### EARNINGS REVISION/RISK

- No earnings revision.** We made no earnings revision as we are waiting for 2Q24 results.

### VALUATION/RECOMMENDATION

- Maintain BUY with an SOTP-based target price of Rp1,100.** Our target price of Rp1,100 implies an average 2024 EV/EBITDA of 7.3x and average 2024F PE of 10.0x. We maintain BUY on the back of a potentially higher EBITDA and net profit in 2024-25. Sales volume will increase as NCKL ramps up its production capacity which could offset the risk of lower average nickel prices in 2024. We also believe nickel demand could improve if China's economy recovers with higher usage of nickel in stainless steel and EV battery production.

### ONC'S HPAL PLANT



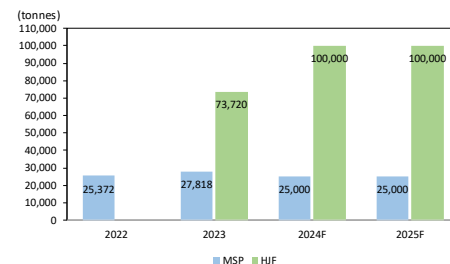
Source: NCKL

### KPS' RKEF SMELTER



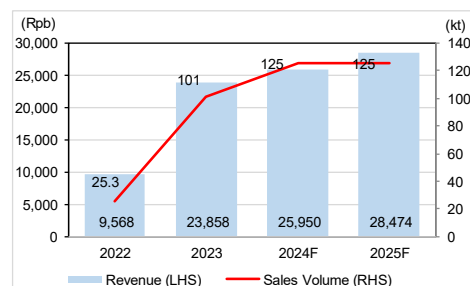
Source: NCKL

### FERRONICKEL PRODUCTION



Source: NCKL, UOB Kay Hian

### REVENUE AND FENI SALES VOLUME FORECAST



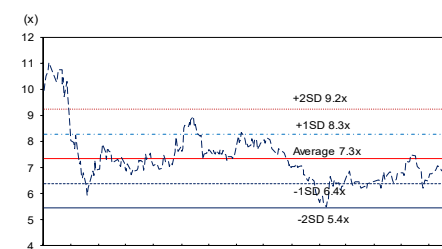
Source: NCKL, UOB Kay Hian

### SOTP VALUATION

Assets	Method	Multiple (x)	EV (Rpb)
TBP and GPS (Mining)	EV/EBITDA	12.0	28,482
MSP (RKEF)	EV/EBITDA	12.0	8,015
HJF (RKEF)	EV/EBITDA	12.0	22,552
Jikodolong & Tabuji Lalwai & GTS	EV/Reserve	1.0	5,623
HPL (HPAL)	PE	13.0	9,253
<b>Total EV</b>			<b>73,925</b>
Net cash (debt)			(5,475)
<b>SOTP</b>			<b>68,450</b>
Share Outstanding (m)			63,087
<b>SOTP / share (Rp)</b>			<b>1,085</b>
Final TP			1,100

Source: Bloomberg, UOB Kay Hian

### FORWARD EV/EBITDA



Source: NCKL, UOB Kay Hian

### FORWARD PE



Source: NCKL, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Rpb)	2023	2024F	2025F	2026F
Net turnover	23,858	25,950	28,474	30,440
EBITDA	8,294	8,233	9,864	11,128
Deprec. & amort.	1,270	1,147	1,533	1,608
EBIT	7,024	7,086	8,330	9,520
Total other non-operating income	0.0	0.0	0.0	0.0
Associate contributions	1,578	2,315	3,761	4,971
Net interest income/(expense)	(427)	(363)	(273)	(205)
<b>Pre-tax profit</b>	<b>8,175</b>	<b>9,038</b>	<b>11,818</b>	<b>14,287</b>
Tax	(1,107)	(1,164)	(1,522)	(1,907)
Minorities	(1,449)	(1,575)	(2,059)	(2,497)
<b>Net profit</b>	<b>5,619</b>	<b>6,299</b>	<b>8,237</b>	<b>9,883</b>
Net profit (adj.)	5,619	6,299	8,237	9,883

### CASH FLOW

Year to 31 Dec (Rpb)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>6,785</b>	<b>6,258</b>	<b>9,320</b>	<b>10,880</b>
Pre-tax profit	6,726	7,463	9,759	11,790
Tax	(1,107)	(1,164)	(1,522)	(1,907)
Deprec. & amort.	1,078	780	1,098	1,081
Working capital changes	(5,364)	(492)	(6.9)	(139)
Other operating cashflows	5,452	(329)	(8.1)	54
<b>Investing</b>	<b>(6,676)</b>	<b>(4,521)</b>	<b>(3,921)</b>	<b>(5,007)</b>
Capex (growth)	(1,779)	(3,378)	(2,854)	(3,738)
Others	(4,897)	(1,142)	(1,068)	(1,269)
<b>Financing</b>	<b>2,594</b>	<b>(3,478)</b>	<b>(4,690)</b>	<b>(5,458)</b>
Dividend payments	(2,304)	(2,583)	(3,377)	(4,052)
Proceeds from borrowings	432	68	0.0	0.0
Loan repayment	(1,531)	(984)	(960)	(1,178)
Others/interest paid	5,997	20	(353)	(227)
<b>Net cash inflow (outflow)</b>	<b>2,704</b>	<b>(1,741)</b>	<b>709</b>	<b>415</b>
Beginning cash & cash equivalent	1,277	3,935	2,194	2,903
Changes due to forex impact	(46)	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>3,935</b>	<b>2,194</b>	<b>2,903</b>	<b>3,318</b>

### BALANCE SHEET

Year to 31 Dec (Rpb)	2023	2024F	2025F	2026F
Fixed assets	22,459	25,834	28,683	32,417
Other LT assets	11,071	12,217	13,288	14,562
Cash/ST investment	3,935	2,194	2,903	3,318
Other current assets	7,825	8,232	8,928	9,556
<b>Total assets</b>	<b>45,289</b>	<b>48,476</b>	<b>53,803</b>	<b>59,852</b>
ST debt	1,803	2,134	1,807	1,546
Other current liabilities	7,503	7,417	8,108	8,597
LT debt	6,781	4,850	3,883	3,105
Other LT liabilities	809	1,656	2,534	3,041
Shareholders' equity	23,497	27,278	32,074	37,897
Minority interest	4,895	5,139	5,396	5,666
<b>Total liabilities &amp; equity</b>	<b>45,289</b>	<b>48,476</b>	<b>53,803</b>	<b>59,852</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	34.8	31.7	34.6	36.6
Pre-tax margin	34.3	34.8	41.5	46.9
Net margin	23.6	24.3	28.9	32.5
ROA	14.1	13.4	16.1	17.4
ROE	34.1	24.8	27.8	28.2
<b>Growth</b>				
Turnover	149.4	8.8	9.7	6.9
EBITDA	84.0	(0.7)	19.8	12.8
Pre-tax profit	23.0	10.6	30.8	20.9
Net profit	20.4	12.1	30.8	20.0
Net profit (adj.)	20.4	12.1	30.8	20.0
EPS	20.4	12.1	30.8	20.0
<b>Leverage</b>				
Debt to total capital	23.2	17.7	13.2	9.6
Debt to equity	36.5	25.6	17.7	12.3
Net debt/(cash) to equity	19.8	17.6	8.7	3.5
Interest cover (x)	19.4	22.7	36.2	54.4

COMPANY UPDATE

**CSE Global (CSE SP)**

Outlook Remains Positive, Backed By Healthy Orderbook And Pipeline Of New Projects

**CSE maintains its positive outlook. Backed by an orderbook of more than S\$700m and healthy order wins which grew 17% yoy in 1Q24, earnings could grow at a healthy rate of 11% for 2024. CSE is looking at a robust project pipeline in electrification and communication solutions in the infrastructure and energy industries. The electrification business is CSE's largest contributor, at 46% of its 2024 revenue. Also, CSE is exploring potential acquisition targets. Maintain BUY. Target price: S\$0.56.**

WHAT'S NEW

- CSE maintains positive outlook and commitment to growth.** CSE Global (CSE) is maintaining its positive outlook in achieving a stronger financial performance in 2024, on the back of its strong orderbook of S\$719m in 1Q24 that is 50% higher yoy. We are expecting earnings growth of 11% yoy for 2024. CSE is committed to expanding its business as it sees opportunities arising on the back of megatrends such as urbanisation, electrification and decarbonisation. CSE sees promising prospects in the electrification trend as it is one of the most important strategies for reducing carbon emissions via substituting fossil-fuel sources of power with electricity generated from renewable energy sources. As a result of the emerging trend, there is increasing demand for key products including power systems protection and control solutions, critical communications, wind and solar systems, battery energy storage systems and electric-vehicle charging infrastructure.
- Building on diversification initiatives, with a focus on electrification and communications.** CSE is planning to build its electrification business in the US and New Zealand by securing more water and power distribution projects to support rising demand for power. In addition, it is actively pursuing opportunities in renewables, energy storage, data centres and related infrastructure. The electrification business is CSE's largest contributor, accounting for 46% of its total revenue in 2023. On the other hand, CSE is strengthening its communications business in ANZ/UK through integration of acquired businesses and focusing on critical communications and security solutions. Communication business is CSE's second-largest revenue contributor, forming 30% of revenue in 2023.
- Acquisition remains a key growth strategy.** CSE's acquisition strategy will focus on the electrification and critical communications businesses in the US, Europe, Australia and New Zealand. Management has shared that it is currently in talks with potential targets in the critical communications sector in Australia and the Americas region. This approach will help CSE scale growth. To recap, CSE has completed 30-40 acquisitions to date with a high rate of integration. CSE's S\$24m gross proceeds from the recent share placement will be used to finance value-accretive acquisitions.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	558	725	781	837	895
EBITDA	22	54	59	63	66
Operating profit	8	38	39	42	45
Net profit (rep./act.)	5	23	25	28	30
Net profit (adj.)	5	23	25	28	30
EPS (S\$ cent)	0.9	3.7	3.7	4.1	4.5
PE (x)	45.3	11.1	10.9	9.9	9.0
P/B (x)	1.2	1.2	1.1	1.1	1.0
EV/EBITDA (x)	14.5	5.9	5.4	5.1	4.9
Dividend yield (%)	6.8	6.8	6.8	6.8	6.8
Net margin (%)	0.9	3.1	3.2	3.3	3.4
Net debt/(cash) to equity (%)	34.0	35.2	15.0	9.0	2.7
Interest cover (x)	4.2	5.4	8.9	9.8	10.7
ROE (%)	2.4	10.5	10.8	10.9	11.4
Consensus net profit	-	-	27	33	38
UOBKH/Consensus (x)	-	-	0.92	0.84	0.79

Source: CSE, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.405
Target Price	S\$0.560
Upside	+38.3%

COMPANY DESCRIPTION

CSE Global provides systems integration and information technology solutions, computer network systems, and industrial automation. The company also designs, manufactures, and installs management information systems. CSE Global develops, manufactures, and sells electronic and micro-processor monitoring equipment.

STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	CSE SP
Shares issued (m):	692.9
Market cap (S\$m):	280.6
Market cap (US\$m):	207.9
3-mth avg daily t'over (US\$m):	0.7

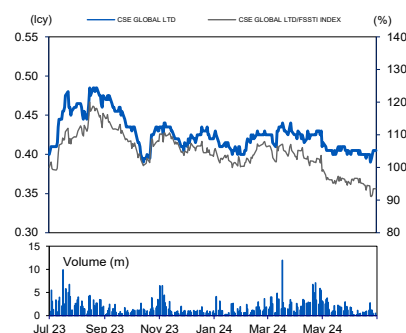
Price Performance (%)

52-week high/low	S\$0.485/S\$0.390				
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>	
0.0	(5.8)	(3.6)	(1.2)	(5.8)	

Major Shareholders

	%
Temasek Hldgs	23.0
FMR LLC	10.0
FY24 NAV/Share (S\$)	0.37
FY24 Net Debt/Share (S\$)	0.06

PRICE CHART



Source: Bloomberg

ANALYST(S)

**John Cheong**  
 +65 6590 6623  
 johncheong@uobkayhian.com

**Heidi Mo**  
 +65 6590 6630  
 heidimo@uobkayhian.com



### STOCK IMPACT

• **CSE continues to see stable financial performance in the infrastructure and mining & minerals sectors.** This is supported by a steady stream of projects arising from requirements in digitalisation, communications and enhancements in physical and cyber security globally, and from data centres and water utilities in the Americas and Asia Pacific regions. In 1Q24, CSE successfully generated >60% of its business from infrastructure and mining/minerals customers, which brought in S\$91m or 49% of 1Q24's order intake. This allows CSE to diversify into new markets and ride on the trends of urbanisation, electrification and decarbonisation.

• **Dividend yield remains attractive.** We expect CSE to maintain its full-year dividend at 2.75 S cents/share for 2024, translating to an above-average dividend yield of about 6% vs the FSSTI's of around 4.0%.

### EARNINGS REVISION/RISK

• We maintain our earnings forecast.

### VALUATION/RECOMMENDATION

• **Maintain BUY with a target price of S\$0.56.** Our target price is pegged to 15x 2024F PE (based on +1SD above mean) and implies a 2024 dividend yield of 6.8% as we expect CSE to maintain a full-year dividend of 2.75 S cents/share for 2024.

### SHARE PRICE CATALYST

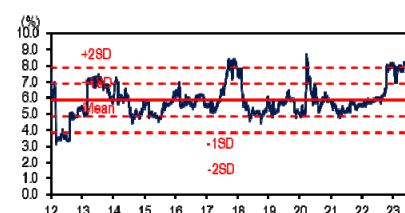
- Large infrastructure project wins.
- Accretive acquisitions.

### FORWARD PE BAND SINCE 2016



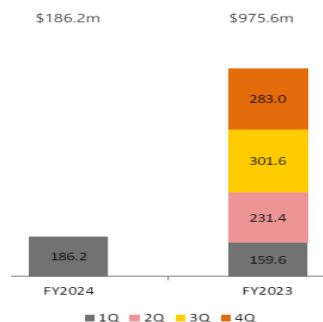
Source: Bloomberg, UOB Kay Hian

### 10-YEAR DIVIDEND YIELD BAND



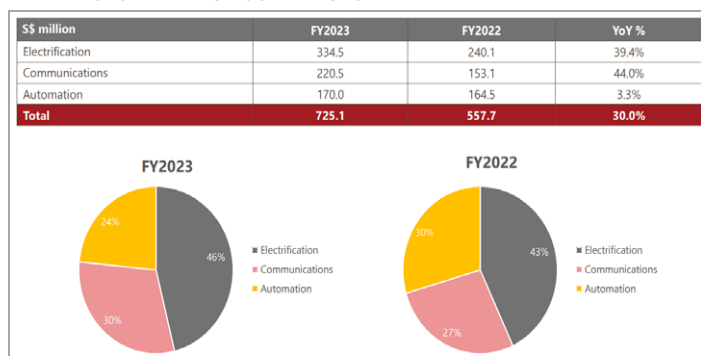
Source: Bloomberg, UOB Kay Hian

### QUARTERLY ORDER INTAKE



Source: CSE

### REVENUE BREAKDOWN BY BUSINESS SEGMENTS – ELECTRIFICATION IS THE LARGEST REVENUE CONTRIBUTOR



Source: CSE, UOB Kay Hian

### CSE'S ELECTRIFICATION SOLUTIONS

**Power Systems Protection & Control Solutions**

- Power system protection and control
- Automation and communications systems for substations and switchyards
- Power asset management, monitoring and diagnostics
- Power transformers for renewable energy generation and storage
- Motor starting equipment and management
- Electrical equipment sales, maintenance and onsite servicing
- Device data collection, analytics and advisory

**Data Centres**

Provision of data center electrification solutions to power 24/7 operations with switchgears, RPPs, busway, and prefabricated modular solutions in modular eHouses and skids.

**Electric Vehicle Charging Infrastructure**

Design, engineering and integration of charging station systems to the grid.

**Solar Skids Package**

Design, engineer and manufacture of solar skids which provide a reliable and efficient transportable solution, including the capacity to provide solar power with battery backup for deployment in remote or harsh environments.

Source: CSE, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Net turnover	725.1	780.7	836.6	894.7
EBITDA	54.4	59.4	62.5	65.7
Deprec. & amort.	16.9	20.7	20.7	20.7
EBIT	37.6	38.8	41.8	45.0
Total other non-operating income	1.3	0.0	0.0	0.0
Associate contributions	(0.0)	0.0	0.0	0.0
Net interest income/(expense)	(10.1)	(6.7)	(6.4)	(6.1)
<b>Pre-tax profit</b>	<b>28.8</b>	<b>32.1</b>	<b>35.5</b>	<b>38.9</b>
Tax	(6.3)	(7.1)	(7.8)	(8.6)
Minorities	0.1	0.0	0.0	0.0
<b>Net profit</b>	<b>22.5</b>	<b>25.1</b>	<b>27.7</b>	<b>30.3</b>
Net profit (adj.)	22.5	25.1	27.7	30.3

### CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>55.9</b>	<b>44.5</b>	<b>45.6</b>	<b>47.9</b>
Pre-tax profit	28.8	32.1	35.5	38.9
Tax	(6.6)	(7.1)	(7.8)	(8.6)
Deprec. & amort.	16.9	20.7	20.7	20.7
Associates	(0.0)	0.0	0.0	0.0
Working capital changes	6.5	(8.3)	(9.8)	(10.2)
Non-cash items	(0.1)	0.0	0.0	0.0
Other operating cashflows	10.4	7.1	7.1	7.1
<b>Investing</b>	<b>(24.4)</b>	<b>(14.0)</b>	<b>(14.3)</b>	<b>(14.5)</b>
Capex (growth)	(17.9)	(6.9)	(7.2)	(7.5)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	1.3	0.0	0.0	0.0
Others	(7.8)	(7.1)	(7.1)	(7.1)
<b>Financing</b>	<b>(16.8)</b>	<b>8.5</b>	<b>(16.9)</b>	<b>(16.9)</b>
Dividend payments	(16.9)	(14.7)	(16.9)	(16.9)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	0.1	0.0	0.0	0.0
Others/interest paid	0.0	23.2	0.0	0.0
<b>Net cash inflow (outflow)</b>	<b>14.7</b>	<b>39.0</b>	<b>14.5</b>	<b>16.5</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>24.1</b>	<b>39.4</b>	<b>78.0</b>	<b>92.0</b>
Changes due to forex impact	(0.4)	(0.4)	(0.4)	(0.4)
<b>Ending cash &amp; cash equivalent</b>	<b>39.4</b>	<b>78.0</b>	<b>92.0</b>	<b>108.1</b>

### BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Fixed assets	70.3	62.2	53.6	45.3
Other LT assets	128.3	123.5	118.6	113.7
Cash/ST investment	39.4	78.0	92.0	108.1
Other current assets	361.6	387.6	414.7	442.9
<b>Total assets</b>	<b>599.6</b>	<b>651.2</b>	<b>678.9</b>	<b>709.9</b>
ST debt	95.9	95.9	95.9	95.9
Other current liabilities	239.8	257.5	274.9	292.9
LT debt	19.5	19.5	19.5	19.5
Other LT liabilities	28.4	28.4	28.4	28.4
Shareholders' equity	216.1	249.2	259.5	272.5
Minority interest	(0.1)	0.7	0.7	0.7
<b>Total liabilities &amp; equity</b>	<b>599.6</b>	<b>651.3</b>	<b>678.9</b>	<b>710.0</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	7.5	7.6	7.5	7.3
Pre-tax margin	4.0	4.1	4.2	4.3
Net margin	3.1	3.2	3.3	3.4
ROA	4.1	4.0	4.2	4.4
ROE	10.5	10.8	10.9	11.4
<b>Growth</b>				
Turnover	30.0	7.7	7.2	6.9
EBITDA	147.0	9.2	5.2	5.1
Pre-tax profit	246.5	11.7	10.4	9.7
Net profit	372.0	11.3	10.4	9.7
Net profit (adj.)	372.0	11.3	10.4	9.7
EPS	309.6	1.4	10.4	9.7
<b>Leverage</b>				
Debt to total capital	34.8	31.6	30.7	29.7
Debt to equity	53.4	46.3	44.5	42.4
Net debt/(cash) to equity	35.2	15.0	9.0	2.7
Interest cover (x)	5.4	8.9	9.8	10.7

COMPANY RESULTS

**Aeon Thana Sinsap (Thailand) (AEONTS TB)**

1QFY24: Results Miss Forecasts Substantially; Deterioration In Asset Quality

AEONTS posted a 1QFY24 net profit of Bt524m, down 15% yoy and 52% qoq. The results were below our and consensus expectations by 39% and 31% respectively. The sharp qoq drop in earnings was primarily due to a significant increase in provision expenses by 61% qoq to almost Bt2.1b. We saw a deterioration in asset quality and are concerned about a worsening asset quality outlook. Downgrade to HOLD with a lower target price of Bt148.00.

1QFY24 RESULTS (MAR-MAY 24)

Year to 29 Feb (Btm)	1QFY24	4QFY23	1QFY23	qoq chg (%)	yoy chg (%)
Total gross loans	92,478	92,206	94,443	0.3	(2.1)
Net interest income	4,098	4,072	4,199	0.6	(2.4)
Non-interest income	851	803	734	6.0	16.0
Loan loss provision	(2,089)	(1,298)	(2,094)	60.9	(0.2)
Non-Interest Expenses	(2,188)	(2,183)	(2,033)	0.2	7.6
Pre-provision operating profit	2,760	2,692	2,899	2.5	(4.8)
Net income	524	1,094	617	(52.1)	(15.1)
EPS (Bt)	2.10	4.37	2.47	(52.1)	(15.1)
<b>Ratio (%)</b>					
NPL Ratio	5.4%	5.0%	5.9%		
Loan loss coverage ratio (%)	168%	183%	184%		
Net interest margin (NIM %)	17.9%	17.6%	17.9%		
Credit cost (bp)	905	556	886		
Cost to income (%)	44%	45%	41%		

Source: Aeon Thana Sinsap (Thailand), UOB Kay Hian

RESULTS

• **1QFY24 results below our and consensus estimates.** Aeon Thana Sinsap (Thailand) (AEONTS) posted a 1QFY24 net profit of Bt524m, down 15% yoy and 52% qoq. The results were substantially below our and consensus expectations by 39% and 31%. The sharp qoq drop in earnings was primarily due to the significant increase in provision expenses by 61% qoq to almost Bt2.1b. Excluding provisioning, the company's pre-provision operating profit was down 5% yoy but up 3% qoq. We expect it to increase on the sale of written-off receivables in 2QFY24, boosting the earnings in 2QFY24. However, we are pessimistic about the asset quality outlook. AEONTS could experience many headwinds ahead, such as: a) ongoing impact from an increase in minimum payment to 8%, and b) another increase in minimum payment for credit cards to 10% on Jan 25. We are concerned that we may see another deterioration in asset quality for AEONTS.

KEY FINANCIALS

Year to 28 Feb (Btm)	2022	2023	2024F	2025F	2026F
Net interest income	17,151	16,605	16,365	16,749	17,144
Non-interest income	3,277	3,198	3,499	3,525	3,606
Net profit (rep./act.)	3,815	3,259	2,482	3,025	3,226
Net profit (adj.)	3,815	3,259	2,482	3,025	3,226
EPS (Bt)	15.3	13.0	9.9	12.1	12.9
PE (x)	8.5	10.0	13.1	10.7	10.1
P/B (x)	1.4	1.3	1.2	1.2	1.1
Dividend yield (%)	4.0	4.2	3.2	3.3	3.6
Net int margin (%)	18.5	17.9	17.7	17.8	17.9
Cost/income (%)	40.2	42.4	42.1	41.6	42.0
Loan loss cover (%)	189.6	182.8	166.5	163.0	155.0
Consensus net profit	-	-	3,567	3,829	4,037
UOBKH/Consensus (x)	-	-	0.70	0.79	0.80

Source: Aeon Thana Sinsap (Thailand), Bloomberg, UOB Kay Hian

HOLD

(Downgraded)

Share Price	Bt130.00
Target Price	Bt148.00
Upside	+13.8%
(Previous TP)	Bt188.00

COMPANY DESCRIPTION

AEONTS is a non-bank consumer finance operator that mainly provides personal loans and credit cards to customers. The company principally focuses on the middle- to lower-income groups.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	AEONTS TB
Shares issued (m):	250.0
Market cap (Btm):	32,500.0
Market cap (US\$m):	888.9
3-mth avg daily t'over (US\$m):	1.3

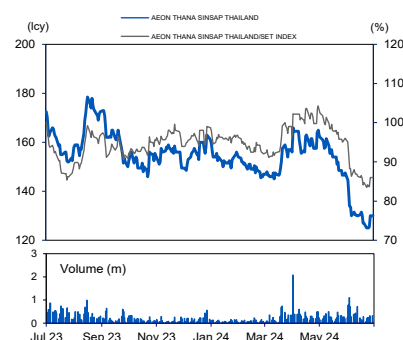
Price Performance (%)

52-week high/low	Bt178.50/Bt125.00
1mth	(11.6)
3mth	(17.2)
6mth	(20.2)
1yr	(29.2)
YTD	(18.8)

Major Shareholders

AEON Financial Service Co., Ltd. / Japan	35.1
ACS Capital Corporation Limited	19.2
AEON Holdings (Thailand) Co., Ltd	8.8
FY25 NAV/Share (Bt)	112.20
FY25 Solvency Ratio (%)	

PRICE CHART



Source: Bloomberg

ANALYST(S)

**Thanawat Thangchadakorn**  
 +662 659 8439  
 thanawat@uobkayhian.co.th

### STOCK IMPACT

- **Flat loan growth signifies a risky environment ahead.** Management reiterated that restrictive loan growth will be maintained to prioritise asset quality. Therefore, the flat qoq loan growth in 1QFY24 was in line with our forecast. However, after the 1QFY24 results, we reckon that freezing the lending portfolio implies that the company foresees a risky environment and worsening asset quality outlook due to many headwinds and an uneven economic recovery.
- **Deterioration in asset quality illustrates a worsening outlook.** The company reported a huge increase in provision expenses by 61% qoq to about Bt2.1b in 1QFY24. As a result, credit costs spiked by 349bp qoq to 905bp in 1QFY24. The NPL ratio rose from 5.0% in 4QFY23 to 5.4% in 1QFY24. In addition, the new NPL returned to the previous average level at 11.4% (4QFY23: 5.4%, 3QFY23: 11.4%, 2QFY23: 10.5%). The loan loss coverage (LLC) ratio declined from 183% in 4QFY23 to 168% in 1QFY24.

### EARNINGS REVISION/RISK

#### NET PROFIT FORECASTS

(Btm)	2024F	2025F	2026F
Old	3,597	3,744	3,969
New	2,482	3,025	3,226
% chg	-31.0%	-19.2%	-18.7%

Source: UOB Kay Hian

- We revise our FY24-26 earnings forecasts downward by 31.0%, 19.2%, and 18.7% respectively on the significantly worsened asset quality outlook.

### VALUATION/RECOMMENDATION

- **Downgrade to HOLD with a lower target price of Bt148.00.** We use the Gordon Growth Model. Our target price implies 1.4x 2024F P/B, which is slightly below -1SD to its five-year average. We recommend HOLD as there remains foreseeable risks.

### SHARE PRICE CATALYST

- A stimulus package from the government to improve domestic purchasing power.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

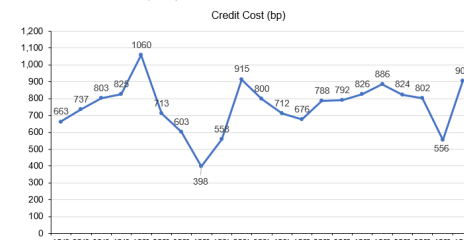
<b>CG Report: 5</b>
<b>SET ESG Rating: N/A</b>
<ul style="list-style-type: none"> <li>• <b>Environmental</b> <ul style="list-style-type: none"> <li>- <b>Reducing paper and plastic usage.</b> The company plans to convince and achieve 100% of customers to switch to e-statements in the next 3-5 years.</li> <li>- <b>Waste management.</b> AEONTS expects waste segregation at 95% in the next 2-3 years.</li> <li>- <b>Electrical energy, water, and fuel energy management.</b> The company is focusing on clean energy consumption.</li> </ul> </li> <li>• <b>Social</b> <ul style="list-style-type: none"> <li>- <b>Complaints and disputes with the community.</b> The company plans to achieve the handling of complaints and disputes with a satisfaction result of 85% in the next few years.</li> <li>- The satisfaction rate from the financial literacy provided by AEONTS is expected to exceed 85% in the next 2-3 years.</li> </ul> </li> <li>• <b>Governance</b> <ul style="list-style-type: none"> <li>- The number of complaints regarding violations of the company's ethics and policies, and incidents of corporate corruption should be less than five times in the next 2-3 years.</li> <li>- The Corporate Governance Report (CGR) score assessed by Institute of Director (IOD) should exceed 85% in the next few years.</li> </ul> </li> </ul>

### LOAN PORTFOLIO BREAKDOWN (1QFY24)



Source: AEONTS, UOB Kay Hian

### CREDIT COST (BP)



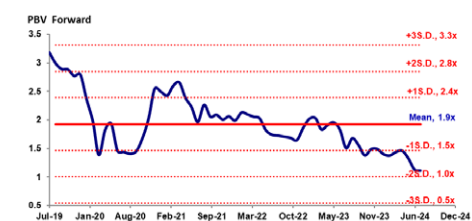
Source: AEONTS, UOB Kay Hian

### PE BAND



Source: AEONTS, UOB Kay Hian

### P/B BAND



Source: AEONTS, UOB Kay Hian

### PROFIT & LOSS

Year to 28 Feb (Btm)	2023	2024F	2025F	2026F
Interest income	18,767	18,624	18,861	19,172
Interest expense	(2,162)	(2,259)	(2,113)	(2,028)
Net interest income	16,605	16,365	16,749	17,144
Fees & commissions	864	1,082	1,298	1,376
Other income	2,334	2,418	2,227	2,231
Non-interest income	3,198	3,499	3,525	3,606
<b>Total income</b>	<b>19,803</b>	<b>19,864</b>	<b>20,274</b>	<b>20,750</b>
Staff costs	(8,219)	(8,164)	(8,232)	(8,502)
Other operating expense	(183)	(198)	(208)	(218)
Pre-provision profit	11,402	11,502	11,833	12,029
Loan loss provision	(7,240)	(8,313)	(7,944)	(7,881)
Other provisions	0	0	0	0
Associated companies	0	0	0	0
Other non-operating income	0	0	0	0
Pre-tax profit	4,161	3,189	3,889	4,148
Tax	(824)	(636)	(778)	(830)
Minorities	(79)	(71)	(86)	(92)
<b>Net profit</b>	<b>3,259</b>	<b>2,482</b>	<b>3,025</b>	<b>3,226</b>
Net profit (adj.)	3,259	2,482	3,025	3,226

### OPERATING RATIOS

Year to 28 Feb (%)	2023	2024F	2025F	2026F
<b>Capital Adequacy</b>				
Total assets/equity (x)	3.8	3.6	3.4	3.3
Tangible assets/tangible common equity (x)	3.9	3.7	3.5	3.3
<b>Asset Quality</b>				
NPL ratio	4.9	5.4	5.2	5.0
Loan loss coverage	182.8	166.5	163.0	155.0
Loan loss reserve/gross loans	7.9	8.9	8.4	8.2
Increase in NPLs	(15.1)	11.0	(2.0)	(2.2)
Credit cost (bp)	775.4	896.6	844.8	823.7
<b>Liquidity</b>				
Loan/deposit ratio	146.1	148.0	150.4	152.3
Liquid assets/short-term liabilities	5.2	6.6	6.8	6.8
Liquid assets/total assets	3.0	3.8	3.8	3.7

### BALANCE SHEET

Year to 28 Feb (Btm)	2023	2024F	2025F	2026F
Cash with central bank	2,797	3,563	3,625	3,689
Govt treasury bills & securities	0	0	0	0
Interbank loans	0	0	0	0
Customer loans	83,017	83,927	85,894	88,125
Investment securities	0	0	0	0
Derivative receivables	0	0	0	0
Associates & JVs	0	0	0	0
Fixed assets (incl. prop.)	530	299	205	184
Other assets	6,156	6,560	6,621	6,696
<b>Total assets</b>	<b>92,499</b>	<b>94,349</b>	<b>96,345</b>	<b>98,694</b>
Interbank deposits	0	0	0	0
Customer deposits	0	0	0	0
Derivative payables	0	0	0	0
Debt equivalents	8,453	8,390	8,536	8,686
Other liabilities	58,984	59,261	59,253	59,502
<b>Total liabilities</b>	<b>67,437</b>	<b>67,652</b>	<b>67,789</b>	<b>68,189</b>
Shareholders' funds	24,472	26,106	28,051	30,092
Minority interest - accumulated	589	591	505	413
<b>Total equity &amp; liabilities</b>	<b>92,499</b>	<b>94,349</b>	<b>96,344</b>	<b>98,694</b>

### KEY METRICS

Year to 28 Feb (%)	2023	2024F	2025F	2026F
<b>Growth</b>				
Net interest income, yoy chg	(3.2)	(1.4)	2.3	2.4
Fees & commissions, yoy chg	(5.5)	25.1	20.0	6.0
Pre-provision profit, yoy chg	(6.6)	0.9	2.9	1.7
Net profit, yoy chg	(14.6)	(23.8)	21.9	6.6
Net profit (adj.), yoy chg	(14.6)	(23.8)	21.9	6.6
Customer loans, yoy chg	(0.9)	1.1	2.3	2.6
<b>Profitability</b>				
Net interest margin	17.9	17.7	17.8	17.9
Cost/income ratio	42.4	42.1	41.6	42.0
Adjusted ROA	3.5	2.7	3.2	3.3
Reported ROE	13.8	9.8	11.2	11.1
Adjusted ROE	13.8	9.8	11.2	11.1
<b>Valuation</b>				
P/BV (x)	1.3	1.2	1.2	1.1
P/NTA (x)	1.4	1.3	1.2	1.1
Adjusted P/E (x)	10.0	13.1	10.7	10.1
Dividend Yield	4.2	3.2	3.3	3.6
Payout ratio	42.3	42.4	35.7	36.7

COMPANY UPDATE

**Charoen Pokphand Foods (CPF TB)**

Robust Earnings Turnaround

We expect CPF to report 2Q24 core profit of Bt3,819m, up from a core loss of Bt4,105m in 2Q23 and a significant 1,310% qoq increase from 1Q24 on the back of profitability improvement. We revised up our 2024-25 profit forecasts to reflect the robust turnaround. We foresee 2H24 earnings remaining strong following better swine prices in all key countries. Maintain BUY. Target price: Bt29.00.

WHAT'S NEW

2024 RESULTS PREVIEW

Year to 31 Dec (Btm)	2Q23	1Q24	2Q24F	yoy % chg	qoq % chg
Revenue	150,246	140,037	150,708	0.3%	7.6%
Gross profit	14,590	14,557	16,809	15.2%	15.5%
SG&A/Sales	11,798	16,130	12,178	3.2%	-24.5%
EBIT	2,627	4,632	7,291	177.5%	57.4%
Net profit	(792)	1,152	4,718	NA	309.6%
Core profit	(4,105)	271	3,819	NA	1309.9%
Core EPS (Bt)	(0.48)	0.03	0.45	NA	1309.9%
<b>Ratio (%)</b>					
Gross margin	11.0%	12.0%	13.5%	2.6%	1.5%
SG&A/Sales	9.2%	8.7%	8.7%	-0.5%	0.0%
Net profit margin	-0.5%	0.8%	3.1%	3.7%	2.3%

Source: CPF, UOB Kay Hian

- **Strong earnings improvement yoy and qoq.** We expect Charoen Phokphand Food (CPF) to report 2Q24 net profit of Bt4,718m, up 310% qoq, from a net loss of Bt792m in 2Q23. Excluding one-off items, we expect 2Q24 core profit of Bt3,819m, up 1310% qoq, from a core loss of Bt4,105m in 2Q23.
- **Robust 2Q24 earnings on better profitability.** We attribute the strong earnings improvement in 2Q24 to: a) an improvement in domestic swine prices to Bt69/kg, up by 4.5% qoq from 1Q24; b) strong Vietnam swine prices; and c) better equity income on the back of China's swine prices which broke even, together with biological asset mark-to-market gain from higher end-quarter prices. We expect CPF's gross profit margin to come in at 13.5% in 2Q24, up from 12% and 11% in 1Q24 and 2Q23 respectively.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	614,197	585,844	593,528	607,663	622,161
EBITDA	51,691	30,447	50,446	51,437	50,385
Operating profit	26,872	5,326	25,844	27,241	26,560
Net profit (rep./act.)	13,970	(5,207)	15,035	16,713	17,565
Net profit (adj.)	7,720	(18,863)	12,527	15,066	15,869
EPS (Bt)	0.9	(2.2)	1.5	1.8	1.9
PE (x)	26.3	n.m.	15.9	13.2	12.5
P/B (x)	0.8	0.9	0.9	0.9	0.8
EV/EBITDA (x)	12.9	21.9	13.2	13.0	13.3
Dividend yield (%)	3.2	0.0	3.5	3.9	4.1
Net margin (%)	2.3	(0.9)	2.5	2.8	2.8
Net debt/(cash) to equity (%)	175.8	189.4	170.5	156.9	144.0
Interest cover (x)	2.5	1.2	2.0	2.1	2.2
ROE (%)	5.9	n.a.	6.1	6.5	6.6
Consensus net profit	-	-	6,921	9,786	12,620
UOBKH/Consensus (x)	-	-	1.81	1.54	1.26

Source: Charoen Pokphand Foods Plc., Bloomberg, UOB Kay Hian  
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY

(Maintained)

Share Price	Bt23.60
Target Price	Bt29.00
Upside	+22.9%
(Previous TP)	Bt25.10)

COMPANY DESCRIPTION

CPF, which is Thailand's leading conglomerate, engages in the agro-industrial processing of feed, farm and food.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	CPF TB
Shares issued (m):	8,413.6
Market cap (Btm):	198,560.9
Market cap (US\$m):	5,515.6
3-mth avg daily t'over (US\$m):	15.3

Price Performance (%)

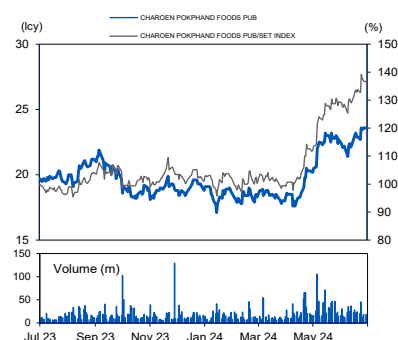
52-week high/low	Bt23.60/Bt17.10			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
3.1	31.1	22.3	19.8	20.4

Major Shareholders

Charoen Pokphand Group Co., Ltd.	25.61
Charoen Pokphand Holding Co., Ltd.	9.15
Charoen Pokphand Food Plc.	7.12

FY24 NAV/Share (Bt)	26.60
FY24 Net Debt/Share (Bt)	50.81

PRICE CHART



Source: Bloomberg

ANALYST(S)

**Kampon Akaravarinchai**  
+662 659 8031  
kampon@uobkayhian.co.th

STOCK IMPACT

- **Resilient earnings turnaround in 2H24.** Overall, 2Q24 earnings were better than expected, mainly from a strong gross profit margin improvement. Also, we foresee the African Swine Fever (ASF) outbreaks to hit harder than in Vietnam. Management guided that the impact from ASF could possibly hit 30% of Vietnam’s swine supply in 2024, compared to 40% lower supply in 2020, so the ASPs should stay higher for longer. Therefore, we have raised our 2024-25 earnings projections to reflect the stronger earnings turnaround. We expect 2024 core earnings to come in at Bt12,527m, from a core loss of Bt18,863m in 2023.
- We maintain our view of better domestic swine prices on the back of improvement in both supply and demand. There are also benefits from the business restructuring in 2023 that will bear fruit this year. In addition, we expect the China swine prices to remain at around breakeven level in 2H24 following the better supply situation and the trade retaliation between China and EU over the pork imports to China.

EARNINGS REVISION/RISK

- We have revised our 2024-25 projections by 36% and 23% respectively to reflect the strong turnaround in 2Q24, based on better gross margin and a higher share of profit.

EARNINGS REVISION

(Btm)	2024F			2025F		
	Old	New	chg	Old	New	chg
Sales (Btm)	601,260	593,528	-1.3%	615,568	607,663	-1.3%
GPM (%)	12.4%	13.3%	0.9%	13.1%	13.8%	0.7%
SG&A/Sales (%)	9.2%	8.9%	-0.3%	9.4%	9.3%	-0.1%
Share of profit (Btm)	10,988	12,266	11.6%	12,561	13,678	8.9%
Net profit (Btm)	11,054	15,035	36.0%	13,594	16,713	22.9%
Core profit (Btm)	7,865	12,527	59.3%	12,370	15,066	21.8%

Source: UOB Kay Hian

VALUATION/RECOMMENDATION

- **Maintain BUY with a higher target price of Bt29.00**, based on 2024 core EPS of Bt1.49. We adopt the PE valuation method and peg the stock to the latest 2024F PE band of 19.1x, the forward PE of CPF’s five-year mean excluding the period of 4Q22-1Q23 when livestock price trends saw unusual changes. We expect the swine prices to continue a positive trend in 2H24 in all key countries: Thailand, Vietnam, and China. This will result in a strong earnings turnaround in 2024.

SHARE PRICE CATALYST

- a) Increase in China’s swine prices, b) recovery of domestic swine and chicken prices in 2024, and c) a decline in raw material prices.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

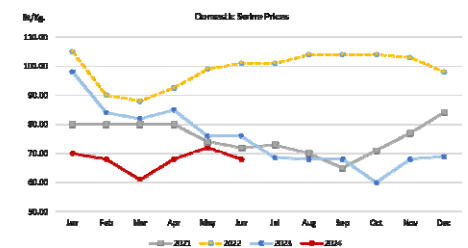
<b>CG Report: 5</b>
<b>SET ESG Rating: AAA</b>
<b>• Environmental</b>
- <b>Net zero.</b> CPF aims to be a net zero company by 2050 and plans to reduce its greenhouse gas emissions from land use and fossil fuels by 30.3% and 42% by 2030. The company plans to reduce its greenhouse gas emissions from land use and fossil fuels by 72% and 90% by 2050.
<b>• Social</b>
- The company focuses on personnel development to train both ethical and talented employees. It pledges to improve employees’ skills through lifelong learning and innovative organisation.
<b>• Governance</b>
- <b>Good governance practices.</b> CPF is committed to operating its business in accordance with good corporate governance policy and management excellence. CPF received the “Excellent” rating on good corporate governance from the Thai Institute of Directors (IOD).

CHINA SWINE PRICES



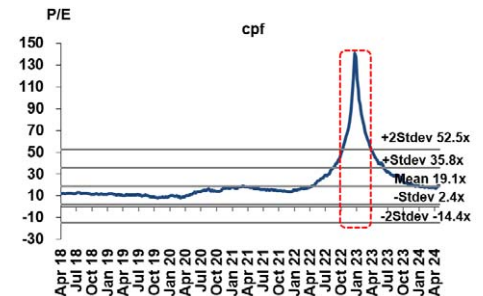
Source: Zhuji, UOB Kay Hian

DOMESTIC SWINE PRICES



Source: CPF, UOB Kay Hian

CPF PE BAND



Source: UOB Kay Hian, Bloomberg

### PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	585,844	593,528	607,663	622,161
EBITDA	30,447	50,446	51,437	50,385
Deprec. & amort.	25,121	24,602	24,196	23,825
EBIT	5,326	25,844	27,241	26,560
Total other non-operating income	13,845	4,594	4,806	4,931
Associate contributions	(810)	12,266	13,678	15,131
Net interest income/(expense)	(25,506)	(24,961)	(23,931)	(22,944)
<b>Pre-tax profit</b>	<b>(7,331)</b>	<b>18,743</b>	<b>21,795</b>	<b>23,678</b>
Tax	(600)	(1,874)	(3,269)	(4,144)
Minorities	(1,044)	(1,834)	(1,813)	(1,970)
<b>Net profit</b>	<b>(5,207)</b>	<b>15,035</b>	<b>16,713</b>	<b>17,565</b>
Net profit (adj.)	(18,863)	12,527	15,066	15,869

### CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>35,360</b>	<b>52,522</b>	<b>49,824</b>	<b>50,616</b>
Pre-tax profit	(7,331)	18,743	21,795	23,678
Tax	(600)	(1,874)	(3,269)	(4,144)
Deprec. & amort.	25,121	24,602	24,196	23,825
Associates	(810)	12,266	13,678	15,131
Working capital changes	(8,570)	12,885	8,916	9,226
Non-cash items	n.a.	n.a.	n.a.	n.a.
Other operating cashflows	27,549	(14,100)	(15,491)	(17,100)
<b>Investing</b>	<b>(19,616)</b>	<b>(22,978)</b>	<b>(23,016)</b>	<b>(23,053)</b>
Capex (growth)	(21,449)	(20,000)	(20,000)	(20,000)
Investments	n.a.	n.a.	n.a.	n.a.
Others	1,833	(2,978)	(3,016)	(3,053)
<b>Financing</b>	<b>(19,282)</b>	<b>(24,221)</b>	<b>(25,577)</b>	<b>(26,828)</b>
Dividend payments	(3,566)	(3,707)	(7,365)	(7,937)
Issue of shares	31	0	0	0
Proceeds from borrowings	50,398	(43,212)	(38,891)	(35,002)
Loan repayment	(66,012)	0	0	0
Others/interest paid	(133)	22,699	20,679	16,111
<b>Net cash inflow (outflow)</b>	<b>(3,538)</b>	<b>5,323</b>	<b>1,232</b>	<b>734</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>32,950</b>	<b>26,136</b>	<b>31,458</b>	<b>32,690</b>
Changes due to forex impact	(3,275)	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>26,136</b>	<b>31,458</b>	<b>32,690</b>	<b>33,424</b>

### BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	265,144	260,760	256,764	253,121
Other LT assets	412,959	416,330	419,765	423,261
Cash/ST investment	26,136	31,458	32,690	33,424
Other current assets	182,980	182,291	177,231	172,398
<b>Total assets</b>	<b>887,218</b>	<b>890,839</b>	<b>886,449</b>	<b>882,204</b>
ST debt	192,751	215,450	236,128	252,239
Other current liabilities	66,712	78,922	82,788	87,185
LT debt	286,740	243,528	204,637	169,635
Other LT liabilities	55,981	56,579	57,187	57,808
Shareholders' equity	239,416	250,744	260,092	269,720
Minority interest	45,617	45,617	45,617	45,617
<b>Total liabilities &amp; equity</b>	<b>887,218</b>	<b>890,839</b>	<b>886,449</b>	<b>882,204</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	5.2	8.5	8.5	8.1
Pre-tax margin	(1.3)	3.2	3.6	3.8
Net margin	(0.9)	2.5	2.8	2.8
ROA	n.a.	1.7	1.9	2.0
ROE	n.a.	6.1	6.5	6.6
<b>Growth</b>				
Turnover	(4.6)	1.3	2.4	2.4
EBITDA	(41.1)	65.7	2.0	(2.0)
Pre-tax profit	(135.9)	n.a.	16.3	8.6
Net profit	(137.3)	n.a.	11.2	5.1
Net profit (adj.)	(344.3)	n.a.	20.3	5.3
EPS	(350.1)	n.a.	20.3	5.3
<b>Leverage</b>				
Debt to total capital	62.7	60.8	59.0	57.2
Debt to equity	200.3	183.0	169.5	156.4
Net debt/(cash) to equity	189.4	170.5	156.9	144.0
Interest cover (x)	1.2	2.0	2.1	2.2



COMPANY UPDATE

**PTT Exploration & Production (PTTEP TB)**

Increases In ASP And Sales Bolster Net Profit For 2Q24

We expect PTTEP to report a net profit of Bt21.4b for 2Q24, up qoq and yoy, driven by higher sales volume and increased ASP. However, the core profit in 3Q24 is expected to decline qoq due to low sales volume and increased unit costs. We also foresee PTTEP lowering its sales volume forecast for 2024. Additionally, close monitoring of the Mozambique project remains necessary. Maintain BUY. Target price: Bt200.00.

2024 RESULTS PREVIEW

Year to 31 Dec (Btm)	2Q23	1Q24	2Q24F	chg. %yoy	chg. %qoq	6M23	6M24F	chg. %yoy
Revenue	67,479	75,737	87,573	30%	16%	142,972	163,310	14%
EBITDA	49,181	55,924	56,958	16%	2%	110,967	112,882	2%
Core Profit	19,759	19,185	21,672	10%	13%	39,793	40,857	3%
Net Profit	21,036	18,683	21,362	2%	14%	40,318	40,045	-1%
EPS	5.30	4.71	5.38	2%	14%	10.16	10.09	-1%
Gross Profit Margin (%)	60.0	58.5	55.8			60.0	51.9	
EBITDA Margin (%)	75.6	72.9	70.6			77.6	69.1	
Net profit margin (%)	27.3	31.2	23.1			28.2	24.5	

Source: PTT Exploration & Production, UOB Kay Hian

WHAT'S NEW

- We expect an increase in qoq and yoy net profit in 2Q24. We expect PTT Exploration & Production (PTTEP) will post a net profit of Bt21.4b for 2Q24, up 14% qoq and 2% yoy. Non-recurring items had minimal impact on 2Q24 operating results, leading us to expect a core profit of Bt21.7b for 2Q24, up 13% qoq and 10% yoy. This is due to several factors:
  - The total sales volume reached 508 thousand barrels per day (KBD), up 7% qoq and 14% yoy, from the Erawan and Algeria Hassi Bir Rekaiz (HBR) projects. Notably, the Erawan project operated at its full production capacity of 800 million cubic feet per day (MMSCFD) for the first full quarter in 2Q24. However, total sales volume fell short of PTTEP's guidance of 514 KBD, partly because sales in Malaysia underperformed targets due to scheduled maintenance at the SK309 and SK311 field.
  - The ASP was US\$47.8/bbl, up 1% qoq and 5% yoy. The gas sales price remained steady at US\$5.9/Metric Million British Thermal Unit (MMBTU), while the liquid oil price rose to US\$83.2/bbl, up 5% qoq and 13% yoy.
  - Revenue recognition increased from the Pipeline Transportation business, and new revenue began to be recognised from the Seagreen offshore wind farm project in Scotland, starting from 31 May 24.
  - The unit cost was stable qoq at US\$29/bbl but increased by 10% yoy due to accelerated production at the Erawan project.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	331,350	300,694	319,617	345,503	352,148
EBITDA	253,734	232,446	251,346	273,102	281,601
Operating profit	170,566	151,124	142,122	150,888	150,097
Net profit (rep./act.)	70,901	76,705	79,400	84,167	83,747
Net profit (adj.)	90,721	78,654	79,400	84,167	83,747
EPS (Bt)	22.9	19.8	20.0	21.2	21.1
PE (x)	6.7	7.7	7.6	7.2	7.2
P/B (x)	1.4	1.3	1.2	1.1	1.0
EV/EBITDA (x)	2.6	2.8	2.6	2.4	2.3
Dividend yield (%)	6.1	6.2	6.6	7.2	7.2
Net margin (%)	21.4	25.5	24.8	24.4	23.8
Net debt/(cash) to equity (%)	2.3	(1.6)	9.0	11.8	11.2
Interest cover (x)	30.9	22.7	25.1	25.2	26.0
ROE (%)	16.7	16.6	15.8	15.5	14.2
Consensus net profit	-	-	75,631	70,578	65,702
UOBKH/Consensus (x)	-	-	1.05	1.19	1.27

Source: PTT Exploration & Production, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt152.50
Target Price	Bt200.00
Upside	+31.1%

COMPANY DESCRIPTION

PTTEP explores for crude oil and natural gas, develops fields for production.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	PTTEP TB
Shares issued (m):	3,970.0
Market cap (Btm):	605,422.8
Market cap (US\$m):	16,557.9
3-mth avg daily t'over (US\$m):	35.6

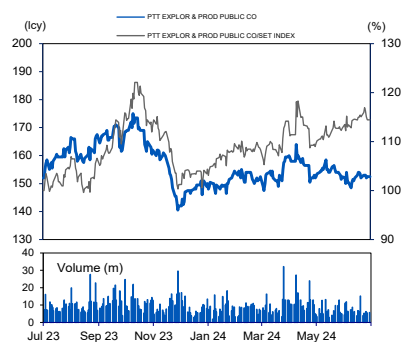
Price Performance (%)

52-week high/low	Bt175.00/Bt140.50				
1mth	3mth	6mth	1yr	YTD	
(0.3)	(4.4)	1.0	(0.3)	2.0	

Major Shareholders

Major Shareholders	%
PTT	64.8
NVDR	6.2
Social Security Office	2.0
FY24 NAV/Share (Bt)	131.52
FY24 Net Debt/Share (Bt)	11.83

PRICE CHART



Source: Bloomberg

ANALYST(S)

**Tanaporn Visaruthaphong**  
+662 659 8305  
tanaporn@uobkayhian.co.th

**Benjaphol Suthwanish**  
+662 659 8301  
Benjaphol@uobkayhian.co.th

e) Non-recurring items included a minor loss, with PTTEP experiencing a foreign exchange gain of Bt\$25m, which was offset by a US\$30m write-off of the Oliver project in Australia. The hedging loss for 2Q24 was insignificant.

**STOCK IMPACT**

- **Core profit for 3Q24 to decline qoq due to reduced sales.** We expect that core profit for 3Q24 will decrease qoq due to a reduction in sales. We expect total sales volume for 3Q24 to be 490 KBD, down 3% qoq but up 5% yoy. The qoq decrease is primarily due to planned maintenance at the Bongkot and Contract 4 fields. Additionally, unit costs are projected to rise further from US\$29/bbl in 2Q24. Consequently, we estimate core profit for 3Q24 to be between Bt19b to Bt20b, down 8-10% qoq. The sales volume in 2Q24 was below the target, which leads us to believe that the 2024 sales target of 509 KBD, as per PTTEP's guidance, is likely to be revised downward.
- **The Mozambique project requires ongoing monitoring through the end of 2024.** TOTAL E&P Mozambique Area 1 Limitada, the operator of the Mozambique project (with PTTEP holding 8.5% ownership), is currently facing delays in resuming operations. PTTEP expects access to the project area to be granted by 3Q24 or by the end of 2024 at the latest, with ongoing close monitoring of the situation. If TOTAL continues to be unable to enter the construction area throughout 2024, there is a possibility of additional impairments from the Mozambique project, similar to previous years. PTTEP previously recorded impairments for the Mozambique project in 4Q21 (US\$163m), 4Q22 (US\$190m), and 4Q23 (US\$120m).
- **PTTEP prepared to increase investments in Yadana project.** The Yadana project is experiencing a decline in gas production, down from 770 MMSCFD in 2023 to 570 MMSCFD in 2024, with an anticipated further decrease to 400 MMSCFD by 2025. Despite this, PTTEP plans to extend and expand the project's contract. PTTEP currently operates as the producer and holds a total ownership stake of 62.96% in the Yadana project. The original Production Sharing Contract (PSC) is set to expire between 2028-29.

**EARNINGS REVISION/RISK**

- **Earnings revision:** None.

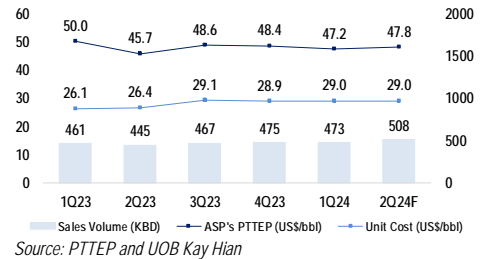
**VALUATION/RECOMMENDATION**

- **Maintain BUY with target price of Bt200.00**, based on average five-year regional forward PE of 10x. PTTEP will continue to benefit from strong crude oil prices. Our top picks in the oil and gas sector are PTT Exploration and Production (PTTEP TB/BUY/Target: Bt200.00), Bangchak Corporation (BCP TB/BUY/Target: Bt52.00), and Bangchak Sriracha (BSRC TB/BUY/Target: Bt15.00).

**ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)**

<p><b>CG Report: 5</b>  <b>SET ESG Rating: AAA</b></p>
<p>• <b>Environmental</b></p> <p>a) <b>Carbon capture and storage:</b> PTTEP is leading Thailand's first carbon capture project, set for completion by 2026. This project is key to PTTEP's plan to reach carbon neutrality by 2050 and net-zero emissions by 2065, focusing on reducing oil production emissions with potential for broader industry applications.</p> <p>b) <b>Renewable energy investments:</b> PTTEP has invested in a 25.5% stake in Scotland's Seagreen Offshore Wind Farm. This investment is part of their strategy to shift to cleaner energy, aiming to cut their carbon footprint and diversify their energy sources.</p>
<p>• <b>Social</b></p> <p>a) <b>Community engagement:</b> PTTEP invests in education, healthcare, and infrastructure in its operating regions to improve quality of life and support sustainable development.</p> <p>b) <b>Employee welfare:</b> PTTEP prioritises fair labour, safety and continuous training to ensure a safe and supportive work environment for its employees.</p>
<p>• <b>Governance</b></p> <p>a) <b>Supplier ESG assessment:</b> PTTEP requires suppliers to meet strict ESG criteria, including business ethics, safety, and environmental impacts, to ensure sustainable and ethical procurement.</p> <p>b) <b>ESG risk management:</b> PTTEP maintains a strong ESG risk management framework with regular assessments to comply with international standards and address operational risks, as reflected in its Sustainalytics ESG rating.</p>

**KEY STATISTICS**



**DIVERSIFY FOR THE FUTURE**



Source: PTTEP and UOB Kay Hian

**SEAGREEN OFFSHORE WIND FARM**



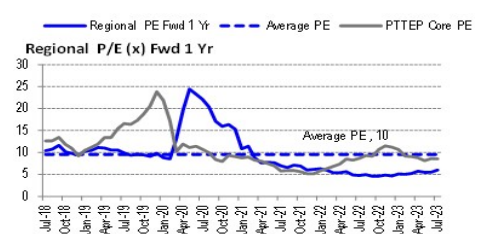
Source: PTTEP and UOB Kay Hian

**2024 FOCUS AREAS**



Source: PTTEP and UOB Kay Hian

**FIVE-YEAR REGIONAL FORWARD PE BAND**



Source: PTTEP, Bloomberg, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	300,694	319,617	345,503	352,148
EBITDA	232,446	251,346	273,102	281,601
Deprec. & amort.	81,322	109,224	122,214	131,505
EBIT	151,124	142,122	150,888	150,097
Associate contributions	1,477	1,550	1,628	1,709
Net interest income/(expense)	(10,243)	(10,002)	(10,820)	(10,820)
Pre-tax profit	140,408	133,670	141,696	140,986
Tax	(63,704)	(54,271)	(57,529)	(57,241)
Minorities	0	0	0	2
Net profit	76,705	79,400	84,167	83,747
Net profit (adj.)	78,654	79,400	84,167	83,747

### CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Operating	151,851	135,580	200,678	213,254
Pre-tax profit	140,408	133,670	141,696	140,986
Tax	(63,704)	(54,271)	(57,529)	(57,241)
Deprec. & amort.	81,322	109,224	122,214	131,505
Working capital changes	(22,089)	(53,043)	(5,702)	(1,996)
Other operating cashflows	15,914	0	0	0
Investing	(82,447)	(152,533)	(181,565)	(173,032)
Investments	(76,751)	(151,060)	(179,550)	(172,515)
Others	(5,696)	(1,473)	(2,015)	(517)
Financing	(51,416)	(47,327)	(39,040)	(41,384)
Dividend payments	(36,720)	(37,715)	(39,040)	(41,384)
Proceeds from borrowings	(14,696)	(9,612)	0	0
Net cash inflow (outflow)	17,988	(64,279)	(19,927)	(1,162)
Beginning cash & cash equivalent	122,324	137,542	73,262	53,336
Changes due to forex impact	(2,770)	0	0	0
Ending cash & cash equivalent	137,542	73,262	53,336	52,174

### BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	440,271	482,107	539,443	580,454
Other LT assets	227,750	241,467	260,231	265,048
Cash/ST investment	137,542	73,262	53,336	52,174
Other current assets	97,259	106,129	115,176	117,998
<b>Total assets</b>	<b>902,821</b>	<b>902,966</b>	<b>968,186</b>	<b>1,015,673</b>
ST debt	9,612	0	0	0
Other current liabilities	78,978	34,806	38,150	38,976
LT debt	120,225	120,225	120,225	120,225
Other LT liabilities	194,563	206,807	223,557	227,856
Shareholders' equity	480,462	522,147	567,274	609,633
<b>Total liabilities &amp; equity</b>	<b>902,821</b>	<b>902,966</b>	<b>968,186</b>	<b>1,015,673</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	77.3	78.6	79.0	80.0
Pre-tax margin	46.7	41.8	41.0	40.0
Net margin	25.5	24.8	24.4	23.8
ROA	8.7	8.8	9.0	8.4
ROE	16.6	15.8	15.5	14.2
<b>Growth</b>				
Turnover	(9.3)	6.3	8.1	1.9
EBITDA	(8.4)	8.1	8.7	3.1
Pre-tax profit	(1.9)	(4.8)	6.0	(0.5)
Net profit	8.2	3.5	6.0	(0.5)
Net profit (adj.)	(13.3)	0.9	6.0	(0.5)
EPS	(13.3)	0.9	6.0	(0.5)
<b>Leverage</b>				
Debt to total capital	20.6	18.2	17.0	16.1
Debt to equity	27.0	23.0	21.2	19.7
Net debt/(cash) to equity	(1.6)	9.0	11.8	11.2
Interest cover (x)	22.7	25.1	25.2	26.0

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