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3Q23: Above expectations. Earnings driven by gross synergy savings from the integration. Raise 2023-24 net profit by 15% to account for lower O&M and marketing costs.

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Greotech (GREATEC MK/BUY/RM4.71/Target: RM6.20)

9M23: Within expectations. Orderbook is at a record high of RM1.07b; aiming to secure more projects in 2024.

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Malaysia Smelting Corporation (SMELT MK/BUY/RM2.11/Target: RM2.44)

3Q23: Below expectations. Downgrade FY23-25 earnings by 15-35%, mainly to account for lower LME tin prices. Maintain BUY with a lower target price of RM2.44.

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9M23: Within expectations; SFP is bucking the industry's slow trend with a higher number of AVLS translating to sales.

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PTT Oil & Retail Business (OR TB/BUY/Bt19.90/Target: Bt23.00)

EBITDA margins to rebound in each business segment in 2024.

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KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	34947.3	0.0	1.9	5.5	5.4
S&P 500	4514.0	0.1	2.2	6.9	17.6
FTSE 100	7504.3	1.3	2.0	1.4	0.7
AS30	7261.0	(0.1)	1.2	2.4	0.5
CSI 300	3568.1	(0.1)	(0.5)	1.6	(7.8)
FSSTI	3124.7	(0.3)	(0.3)	1.6	(3.9)
HSCEI	5974.5	(2.3)	1.2	1.8	(10.9)
HSI	17454.2	(2.1)	1.5	1.6	(11.8)
JCI	6977.7	0.3	2.5	1.9	1.9
KLCI	1460.7	(0.3)	0.6	1.4	(2.3)
KOSPI	2469.9	(0.7)	2.5	4.0	10.4
Nikkei 225	33585.2	0.5	3.1	7.4	28.7
SET	1415.8	0.0	1.9	1.2	(15.2)
TWSE	17209.0	0.2	3.2	4.7	21.7
BDI	1820	3.5	10.8	(11.0)	20.1
CPO (RM/mt)	3846	1.1	5.2	3.7	(5.0)
Brent Crude (US\$/bbl)	81	4.1	(1.0)	(10.3)	(6.2)

Source: Bloomberg

TOP PICKS

Ticker	CP (Icy)	TP (Icy)	Pot. +/- (%)	
BUY				
Ania Sports	2020 HK	81.65	128.00	56.8
BYD	1211 HK	244.20	630.00	158.0
Bank Neo Commerce	BBYB IJ	270.00	390.00	44.4
Bumi Serpong	BSDE IJ	1,040.00	1,420.00	36.5
HM Sampoerna	HMSP IJ	945.00	1,300.00	37.6
My EG Services	MYEG MK	0.80	1.18	48.4
Yinson	YNS MK	2.44	3.75	53.7
OCBC	OCBC SP	12.97	17.35	33.8
CP ALL	CPALL TB	56.75	76.00	33.9
Indorama	IVL TB	25.50	30.00	17.6

KEY ASSUMPTIONS

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

Source: Bloomberg, UOB ETR, UOB Kay Hian

CORPORATE EVENTS

	Venue	Begin	Close
Virtual Meeting on S-Reits 3Q2023 Results	Singapore	22 Nov	22 Nov
Regional 1H2024 Strategy Conference	Malaysia	6 Dec	6 Dec

SECTOR UPDATE

Property – China

A Closer Look At China's GBA Property Market

We hosted an expert talk on China's GBA property market on 16 Nov 23. Key takeaways involved the recent policy impacts, the continuing decline in prices of secondary home, recent situation of defaulted developers, impact of urban village redevelopment, and future property investment advice in the GBA. Maintain MARKET WEIGHT.

WHAT'S NEW

- We hosted an expert talk on China's Greater Bay Area (GBA) property market on 16 Nov 23.

ESSENTIALS

- Impact of recent easing policies in GBA.** There was a short-term boost from the policies which gradually diminished. In the first week after the new policy of "recognising a house but not a loan", the transaction volume in Guangzhou rebounded significantly by 51% mom. However, the transaction volume fell back to the pre-policy level in the second week. Relaxing purchase restrictions seems to be the most effective policy. The Panyu district of Guangzhou relaxed purchase restrictions on 20 Sep 23, resulting in a significant increase in transactions. The district's transactions ranked first in the city for two consecutive months, increasing 122% mom in Sep 23 and 14% mom in Oct 23. Even for the same policy, the impact on the market differs among cities. Dongguan and Foshan lifted the home purchase restrictions in Dec 22, causing transaction volume to decrease 10.2% yoy in Dongguan and 17.4% yoy in Foshan.
- Secondary home prices may stabilise in 2024 in core cities in GBA.** The overall secondary home prices in Guangzhou have fallen by 15-20% since 2H21. The price decline ytd is about 10%, dropping by 10-20% in Guangzhou's suburbs and 5-10% in the central areas. The current secondary home listings have hit a historical high (Guangzhou: 140,000 units, Shenzhen: 60,000 units). The secondary home price is expected to fall further by less than 10% if the market bottoms out and stabilises, backed by more policy easing. For those Tier 3 and 4 cities like Zhaoqing, Huizhou, and Jiangmen, the future secondary home price will still show a downward trend. For new home price, the price floor limit of new homes may not be cancelled (the maximum price drop is 15% of the filed price), and it can only be adjusted downwards gradually on a quarterly basis, so the prices of new homes will be more resilient than those of secondary homes.

MARKET WEIGHT

(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
CR LAND	1109 HK	BUY	29.00	47.48
COLI	688 HK	BUY	14.64	25.86
Longfor	960 HK	BUY	12.78	17.68

Source: UOB Kay Hian

NEW HOME TRANSACTION VOLUME IN TIER-2 CITIES

	10M23	10M22	yoy
Dongguan	254.9	283.8	-10.2%
Foshan	554.5	671.3	-17.4%

Source: UOB Kay Hian

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PEER COMPARISON

Company	Ticker	Rec	Price @ 17 Nov 23 (HKD)	Target Price (HK\$)	Upside/ (Downside) to TP (%)	Market Cap (HK\$ m)	PE		P/B		Yield	
							2023F (x)	2024F (x)	2023F (x)	2024F (x)	2023F (%)	2024F (%)
China Resources Land	1109 HK	BUY	29.00	47.48	63.7	214,997.8	7.3	6.4	0.7	0.6	5.1	5.8
China Overseas Land	688 HK	BUY	14.64	25.86	76.6	164,173.3	5.7	4.8	0.4	0.4	5.3	6.2
Longfor Properties	960 HK	BUY	12.78	17.68	38.3	84,638.1	3.8	4.1	0.5	0.4	7.9	7.3

Source: Bloomberg, UOB Kay Hian.

- **Recent situation of defaulted developers.** Sales deteriorated sharply as home buyers lost confidence in defaulted developers' ability to deliver the homes. Even for developers who defaulted, the sales performance of their projects also depends on the locations. Projects of defaulted developers in the core region of Guangzhou still achieved decent sales. The defaulted developers have adopted more aggressive price-cutting strategies, pricing their projects 10-20% lower than nearby projects.
- **Impact of urban village redevelopment on property market and developers.** On 24 Oct 23, Guangzhou launched the "Housing Voucher" policy for the first time, which will help to unleash demand in the property market, and may destock the new home inventory. The Guangzhou government has mandated that only local developers can participate in the redevelopment, and local SOE developers like Yuexiu might be the biggest beneficiaries in the urban village redevelopment.
- **New homes in core areas of core cities still have certain investment value in the future.** Prices in different locations have varied sharply over the past two years, and those in the core areas will still have room for appreciation, with the prices more resilient in a bearish environment. For example, the northern areas of the Tianhe and Haizhu districts in Guangzhou are worth purchasing, especially the areas near the Pearl River. Some suburbs like Panyu and Huangpu districts are also good places for investment.

ACTIONS

- **Maintain MARKET WEIGHT on China's property sector.** The redevelopment of urban villages may unleash new demand in 2024. We expect the market will bottom out and stabilise, backed by more policy easing next year. Housing in core regions will retain its investment value. Thus, we maintain MARKET WEIGHT on the sector. Our top pick for SOEs and POEs are CR Land (1109 HK) and Longfor (960 HK) respectively for their strong presence in Tier 1 and Tier 2 cities.

COMPANY UPDATE

Hong Kong Exchanges and Clearing (388 HK)

October Headline ADT Slumped To Lowest Level In Four Years

October headline ADT plunged 12.7% mom to HK\$78.8b mainly due to weak investor sentiment as concerns over the economic recovery momentum persisted. Although November ADT rebounded 14.4% after the levy cut announcement, it still remains below the HK\$100b level. Nonetheless, we still expect the potential year-end rally and earlier rate cut bets to contribute to improved ADT and stock price performance. Maintain BUY. Target price: HK\$370.00.

OCT 23 MARKET STATISTICS

	Oct 23	Sep 23	Oct 22	mom%	yoy%
Headline ADT (HK\$b)	78.8	90.3	104.6	(12.7)	(24.7)
Northbound Trading ADT (Rmbb)	110.5	100.4	101.6	10.1	8.8
Southbound Trading ADT (HK\$b)	25.2	29.1	26.9	(13.4)	(6.3)
Derivatives contracts ADV ('000 contracts)	1,300.8	1,239.5	1,490.7	4.9	(12.7)
LME ADV ('000 lots)	560.9	578.4	491.8	(3.0)	14.1

Source: Hong Kong Exchanges and Clearing, UOB Kay Hian

WHAT'S NEW

- Lowest turnover since Dec 19.** Last week, Hong Kong Exchanges and Clearing (HKEX) released its monthly market highlights for Oct 23. The Hang Seng Index (HSI) and total market capitalisation dropped 3.9% and 4.3% respectively in October, mainly due to the disappointing macro data and lacklustre stimulus measures in China. As the result, the headline average daily turnover (ADT) plummeted 12.7% mom to HK\$78.8b in Oct 23, marking the lowest single-month volume since Dec 19.
- Other market performance.** For stock connect trading, the northbound ADT increased by 10.1% mom to Rmb110.5b but southbound volume dropped 13.4% to HK\$25.2b. Additionally, the ADT for ETF products and average daily volume (ADV) of derivatives contracts rose 6.6% and 4.9% mom to HK\$11.8b and 1.3m contracts respectively.
- Five IPOs in Oct 23, longer wait for recovery.** Five companies joined the exchange in Oct 23, including J&T Express, the largest logistics giant in ASEAN, which raised HK\$3.5b to fund in its IPO. This brings the ytd number of IPOs and funds raised to 52 and HK\$31.7b, down 16.1% and 62.8% yoy. The Hong Kong IPO market was only ranked eighth among global bourses, far behind its Shanghai and Shenzhen peers. Although management mentioned that the IPO pipeline remains strong with 120 companies in the queue, the companies' appetite for public listings remain weak due to valuation concerns, as reflected in Alibaba's decision to delay the spin-off of its logistics arm, Cainiao.

KEY FINANCIALS

Year to 31 Dec (HK\$m)	2021	2022	2023F	2024F	2025F
Net turnover	20,800	18,280	20,628	22,193	23,983
EBITDA	16,271	13,185	15,309	16,624	18,067
Operating profit	14,916	11,726	13,822	15,062	16,427
Net profit (rep./act.)	12,497	10,078	12,220	13,274	14,406
Net profit (adj.)	12,497	10,078	12,220	13,274	14,406
EPS (HK\$ cent)	988.7	799.1	963.9	1,050.1	1,134.3
PE (x)	29.5	36.5	30.3	27.8	25.7
P/B (x)	7.4	7.4	7.3	7.1	6.9
EV/EBITDA (x)	22.0	27.2	23.4	21.6	19.8
Dividend yield (%)	3.0	2.4	3.0	3.2	3.5
Net margin (%)	60.1	55.1	59.2	59.8	60.1
Net debt/(cash) to equity (%)	(18.6)	(21.5)	(23.2)	(24.9)	(26.7)
ROE (%)	25.4	20.3	24.3	25.8	27.3
Consensus net profit	-	-	11,981	12,983	13,888
UOBKH/Consensus (x)	-	-	1.02	1.02	1.04

Source: Hong Kong Exchanges and Clearing, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$285.40
Target Price	HK\$370.00
Upside	+29.6%

COMPANY DESCRIPTION

Hong Kong Exchanges and Clearing Limited (HKEX) owns and operates the stock exchange, futures exchange and their related clearing houses in Hong Kong.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	388 HK
Shares issued (m):	1,267.8
Market cap (HK\$m):	361,840.6
Market cap (US\$m):	46,404.1
3-mth avg daily t'over (US\$m):	169.8

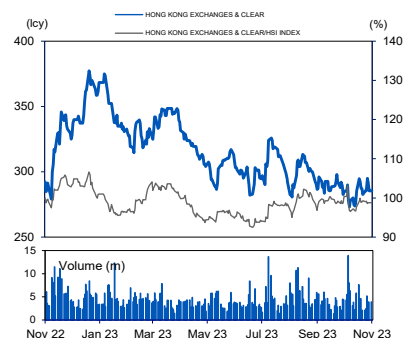
Price Performance (%)

52-week high/low	HK\$377.40/HK\$209.00			
1mth	3mth	6mth	1yr	YTD
(2.3)	(4.0)	(6.7)	(5.9)	(15.4)

Major Shareholders

The Government of Hong Kong SAR	5.8
FY23 NAV/Share (HK\$)	40.11
FY23 Net Cash/Share (HK\$)	9.30

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Mtd Nov ADT rebounded by 14.4% after levy cut announcement, but it still remains below the HK\$100b level.** We saw the headline ADT picking up to HK\$90.1b in November after Chief Executive John Lee proposed to cut the stamp duty rate to 0.1% in his recent policy address. However, this figure is still significantly lower than the average ADT level in 2023, reflecting the persistent lack of investor confidence in China's macroeconomic outlook. With the new stamp duty rate taking effect on 17 Nov 23 following the completion of the legislative process, we expect a further recovery in Hong Kong trading activities, fueled by easing Sino-US tensions and a decline in the US 10-year Treasury yield.
- Few reforms in progress to enhance trading rules and rebuild investor confidence.** Among these developments, the HKEX has initiated a public consultation on the arrangements for operating the stock market during typhoons. To recall, the city exchange has been shut down four times in 2023 due to severe weather conditions. Additionally, the HKEX also proposed a new treasury share regime and suggested to abolish the requirement to cancel repurchased shares. We believe that the new stock repurchase mechanism provides listed companies with greater flexibility and will encourage more share buyback activities in the future. Therefore, we expect these efforts could enhance the competitiveness of the Hong Kong stock market and its attractiveness to listed companies and investors.

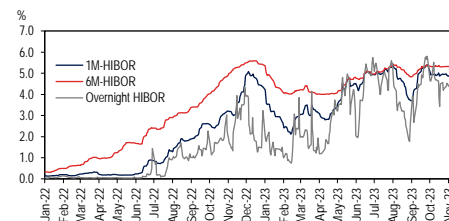
EARNINGS REVISION/RISK

- We slightly trimmed our headline ADT assumptions to HK\$103.7b** after factoring in Oct 23 and mtd trading volume.
- Downside risks:** a) Sluggish headline ADT and IPO market, and b) one-off legal provision from LME nickel lawsuit.

VALUATION/RECOMMENDATION

- Maintain BUY with target price of HK\$370.00.** Our target price is derived from the Gordon Growth Model with the assumption of 6.6% cost of equity and 4.0% terminal growth, implying to 2024F PE of 36.6x, on par with its historical mean. Despite the cautious market sentiment due to rising headwind in China economic outlook, we expect positive price action of HKEX in near term, underpinned by the expectations on potential year-end rally and earlier rate cut in US to enhance the market sentiments.

HIBOR TREND



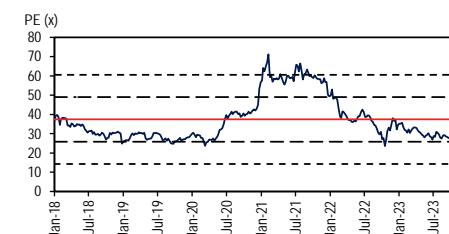
Source: Bloomberg, UOB Kay Hian

HKEX TRADING REVENUE KEY ASSUMPTIONS

(%)	2023F	2024F	2025F
Cash ADT (HK\$b)	103.7	112.0	131.1
Futures ADV ('000)	744.4	778.6	834.4
Stock Option ADV ('000)	627.2	659.3	704.8
LME ADV ('000)	550.7	575.2	599.6

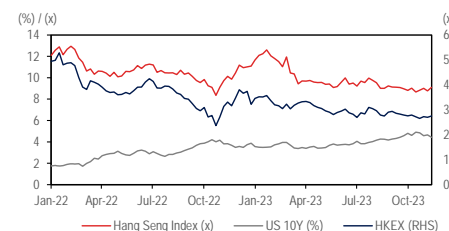
Source: UOB Kay Hian

HKEX FORWARD PE BAND



Source: Bloomberg, UOB Kay Hian

HKEX, HANG SENG INDEX AND US10Y TREND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (HK\$m)	2022	2023F	2024F	2025F
Net turnover	18,280.0	20,628.3	22,193.4	23,983.5
EBITDA	13,185.0	15,309.0	16,623.6	18,066.5
Deprec. & amort.	1,459.0	1,487.4	1,561.7	1,639.8
EBIT	11,726.0	13,821.7	15,061.9	16,426.7
Associate contributions	(67.0)	(59.0)	(80.0)	(80.0)
Pre-tax profit	11,659.0	13,762.7	14,981.9	16,346.7
Tax	(1,564.0)	(1,450.0)	(1,662.1)	(1,873.8)
Minorities	(17.0)	(92.4)	(46.2)	(67.0)
Net profit	10,078.0	12,220.2	13,273.6	14,405.9
Net profit (adj.)	10,078.0	12,220.2	13,273.6	14,405.9

CASH FLOW

Year to 31 Dec (HK\$m)	2022	2023F	2024F	2025F
Operating	17,092.2	18,390.7	19,790.4	21,299.3
Pre-tax profit	13,688.4	14,646.6	15,671.9	16,768.9
Other operating cashflows	3,403.7	3,744.1	4,118.5	4,530.4
Investing	(5,950.1)	(5,611.8)	(5,502.7)	(5,607.6)
Proceeds from sale of assets	67.8	74.5	82.0	90.2
Others	(6,017.9)	(5,686.3)	(5,584.7)	(5,697.8)
Financing	(9,022.6)	(10,748.0)	(674.8)	(1,607.6)
Dividend payments	(8,449.4)	(9,294.4)	0.0	0.0
Proceeds from borrowings	(44.6)	(53.6)	(64.3)	(77.1)
Others/interest paid	(528.6)	(1,400.1)	(610.6)	(1,530.4)
Net cash inflow (outflow)	2,119.4	2,030.9	13,612.9	14,084.1
Beginning cash & cash equivalent	11,689.8	12,274.3	12,888.0	13,532.4
Changes due to forex impact	26.0	26.0	26.0	27.0
Ending cash & cash equivalent	13,011.1	14,312.2	15,743.5	17,317.8

BALANCE SHEET

Year to 31 Dec (HK\$m)	2022	2023F	2024F	2025F
Fixed assets	1,640.0	1,804.0	1,984.4	2,182.8
Other LT assets	21,933.0	24,126.3	26,538.9	29,192.8
Cash/ST investment	13,011.1	14,312.2	15,743.5	17,317.8
Other current assets	369,466.9	402,564.9	438,982.4	479,022.3
Total assets	406,051.0	442,807.4	483,249.2	527,715.7
ST debt	809.0	866.7	953.4	1,048.7
Other current liabilities	352,139.0	387,376.1	426,113.7	468,725.1
LT debt	1,509.0	1,659.9	1,825.9	2,008.5
Other LT liabilities	1,495.0	1,644.5	1,809.0	1,989.8
Shareholders' equity	49,728.0	50,852.1	52,098.4	53,449.8
Minority interest	371.0	408.1	448.9	493.8
Total liabilities & equity	406,051.0	442,807.4	483,249.2	527,715.7

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	72.1	74.2	74.9	75.3
Pre-tax margin	63.8	66.7	67.5	68.2
Net margin	55.1	59.2	59.8	60.1
ROA	2.5	2.9	2.9	2.8
ROE	20.3	24.3	25.8	27.3
Growth				
Turnover	(12.1)	12.8	7.6	8.1
EBITDA	(19.0)	16.1	8.6	8.7
Pre-tax profit	(21.2)	18.0	8.9	9.1
Net profit	(19.4)	21.3	8.6	8.5
Net profit (adj.)	(19.4)	21.3	8.6	8.5
EPS	(19.2)	20.6	8.9	8.0
Leverage				
Debt to total capital	4.4	4.7	5.0	5.4
Debt to equity	4.7	5.0	5.3	5.7
Net debt/(cash) to equity	(21.5)	(23.2)	(24.9)	(26.7)

SECTOR UPDATE

Automobile – Indonesia

Cost Reduction Incentives For EV Are Lacking Compared With Asia

According to IESR, Indonesia’s cost reduction incentive for EV is only about 10%, below the 15-25% given in Asia. The cost of long-term ownership of an EV is lower (32% for E-2W and 14% for E-4W) than their ICEV counterparts. Availability of charging stations and high upfront costs are the main reasons for low EV adoption. EV adoption in Greater Jakarta is projected to reach 2.9m units by 2050. Downgrade the sector to MARKET WEIGHT and downgrade ASII to HOLD with a target price of Rp6,200.

WHAT'S NEW

- Indonesia’s incentives for EVs are still lacking compared with Asia. Indonesia’s EV policy still lacks cost reduction incentives of about 10%, compared with 15-25% cost incentives given in other Asian countries. The cost of a mid-class E-4W in Indonesia is US\$44,000 after the 10% incentive. This compares with US\$29,000 in Thailand after the 15% incentive. Indonesia GDP per capita and high cost of borrowing also play a role in EV-car adoption. Lack of products from major Japanese producers is also a contributing factor as consumers are reluctant to purchase Chinese EVs.
- A 191% surge in e-motorcycle sales, reaching 35,000 units. Electric motorcycle (e-motorcycle) sales had risen 191% from around 12,000 units in 2021 to 35,000 in 2022. Yet, Indonesia would need a continuous annual growth rate of 60-70% each year until 2030 to get to 1.9m electric motorcycle sales. With Rp7m incentive, Greater Jakarta is expected to adopt 67,000 units of e-motorcycle(E-2W) in 2023, followed by 301,000 units in 2024 and 2,869,000 units in 2050. In Bali, it is projected that 16,000 E2Ws will be adopted in 2023, and 677,000 units in 2030.
- Long-term ownership of EVs is cheaper than internal combustion engine vehicles (ICEV). Under the current incentives, the long-term ownership costs of e-cars is cheaper by 14% for 200,000km milage and e-motorcycles is cheaper 32% for 40,000km milage compared to the ICEV. According to Institute for Essential Service Reform (ISER), cost of electricity per km in an EV could be 1.5x to 7x cheaper than the cost of gasoline per km.
- Adoption is hindered by concerns over availability of charging stations and high upfront cost. EV adoption is below target in Indonesia because of concerns over the availability of charging stations and high upfront cost. Most EVs have lower driving/riding range than ICEVs. The 50-60km range per charging cycle (which is inadequate for daily usage) is particularly relevant in E-2W ride hailing drivers. The majority of E-2W costs Rp35m-45m compared with Rp15m-Rp25m for ICE motorcycles. To be affordable and attractive to consumers, an E-4W should be priced at 1.2x-1.4x that of the ICEV. Cheaper EV products priced below Rp400m are now being offered by Neta and Citroen. However, the resale value of these brands is still doubtful to consumers.

ACTION

- Downgrade to MARKET WEIGHT. We downgrade the automobile sector to MARKET WEIGHT as prolonged high level of interest rate could work against 4W and 2W unit sales volume.
- Astra International (ASII IJ/HOLD/Target: Rp6,200). We downgrade ASII to HOLD with a target price of Rp6,200, derived using the fair values of UNTR and AALI at their respective target prices of Rp20,000 and Rp8,975. The automobile division is valued using DCF, and the financial services division is at 1.0x 2023F P/B. Our target price is equivalent to 7.6x 2024F core PE.
- United Tractors (UNTR IJ/SELL/Target: Rp20,000). We downgrade to SELL with a target price of Rp20,000, pegged to five-year -1.5SD to 6.5x 2023F PE. We use a lower multiple -1.5SD PE because we are concerned about coal prices affecting 2024 NPAT growth. Pre-pandemic (in 2019), coal prices averaged US\$79/tonne and we think that there could be more downside risks. Our new target price of Rp20,000 (from Rp28,000) offers a 12.6% downside. Downgrade to SELL.

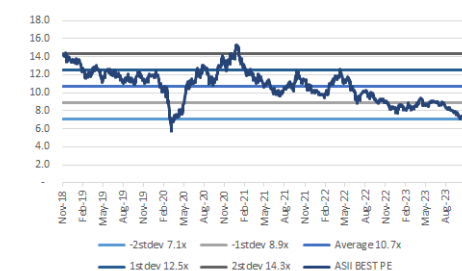
PEER COMPARISON

Company	Ticker	Rec	Price 17-Nov-23 (Rp)	Target Price (Rp)	Potential Upside (%)	Market Cap (US\$m)	3M Avg Turnover (US\$m)	PE 2023F (x)	PE 2024F (x)	P/B 2023F (x)	P/B 2024F (x)	ROE 2024F (%)	Net Gearing (%)
Astra International	ASII	HOLD	5,700	6,200	8.8%	14,998	15.8	6.8	7.6	1.1	1.0	17.5	5.0
United Tractors	UNTR	SELL	22,875	20,000	-12.6%	5,546	7.7	4.4	6.3	1.0	0.9	22.3	(39.4)

Source: Bloomberg, UOB Kay Hian

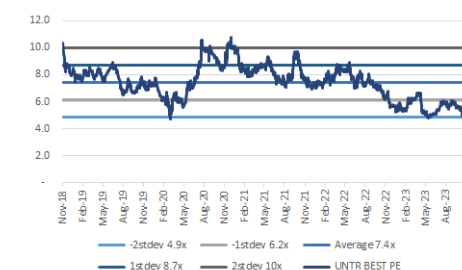
MARKET WEIGHT (Downgraded)

ASII PE BAND CHART (BEST 12-M FORWARD)



Source: Bloomberg, UOB Kay Hian

UNTR PE BAND CHART (BEST 12-M FORWARD)

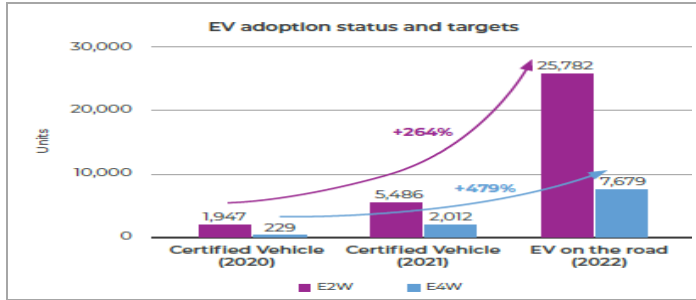


Source: Bloomberg, UOB Kay Hian

ANALYST(S)

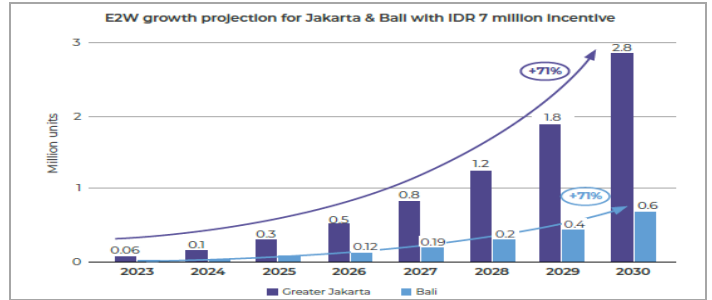
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INDONESIA EV ADOPTION STATUS AND TARGETS



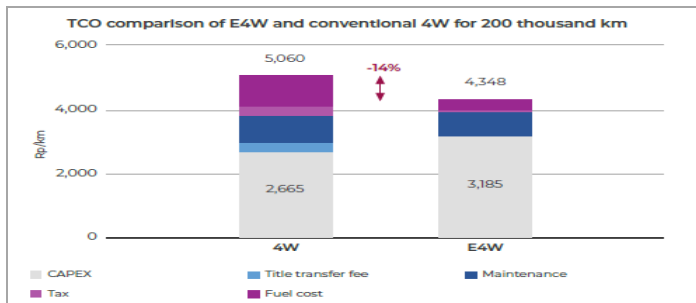
Source: IESR Analysis, UOB Kay Hian

E-2W GROWTH PROJECTION IN GREATER JAKARTA AND BALI



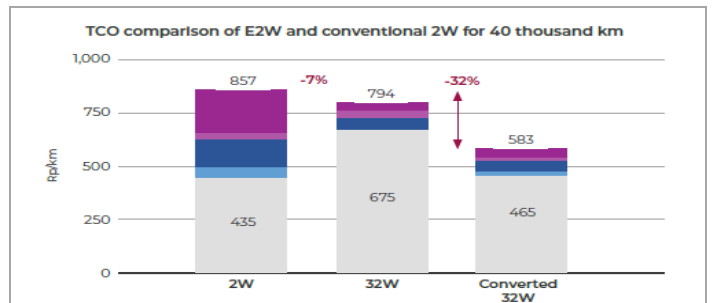
Source: ADB, UOB Kay Hian

TOTAL OPERATING COST FOR E-4W COMPARED WITH ICE 4W



Source: IESR Analysis, UOB Kay Hian

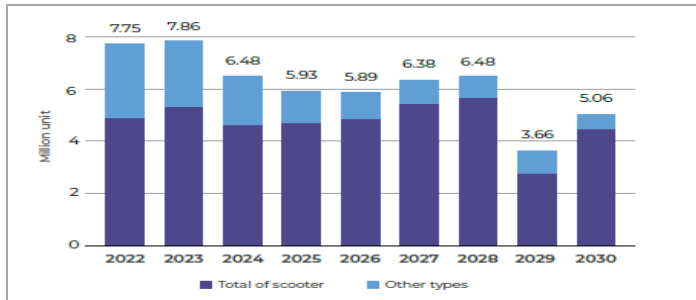
TOTAL OPERATING COST FOR E 2W COMPARED WITH ICE 2W



Source: IESR Analysis, UOB Kay Hian

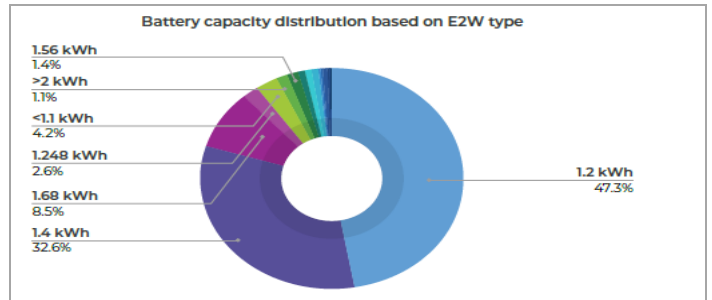
• **E-2W conversion programme needs more incentives.** E-2W conversion programmes only reached 126 units in 2022, far below the targeted 1,000 units. However, if the programme is successful between 2022 and 2030, an average of 6m motorcycles per year will be ready to be converted to E-2W. Conversion cost in India is only one-third of the price of a new E-2W. The cost of conversion programme is Rp15m-23m, about 20% lower than buying a new 2W. Consumers are willing to pay only Rp5m-8m per unit. The warranty period of 6-12 months, lack of knowledge about the conversion programme and lack of experience trying a converted 2W lead to low consumer confidence in the programme.

INDONESIA EV CONVERSION POTENTIAL



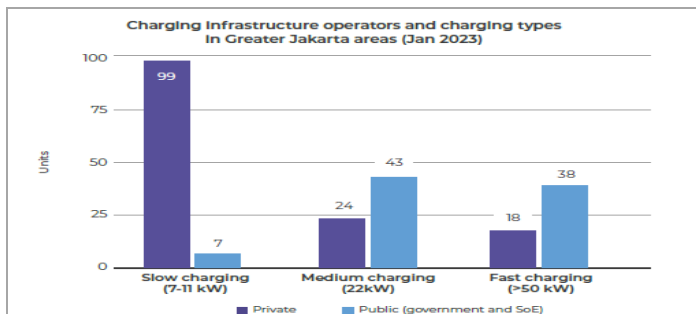
Source: IESR Analysis, UOB Kay Hian

BATTERY CAPACITY DISTRIBUTION BY E2W TYPE



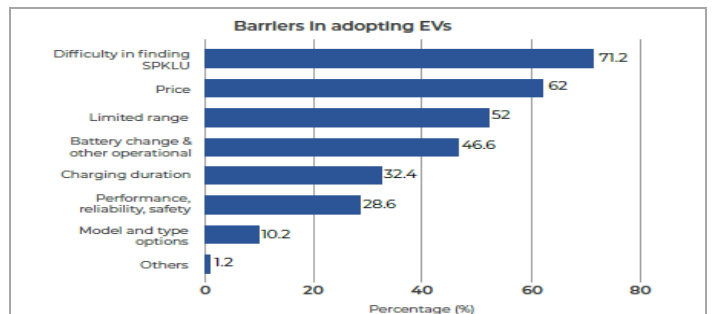
Source: ADB, UOB Kay Hian

CHARGING INFRASTRUCTURE IN GREATER JAKARTA AREA



Source: IESR Analysis, UOB Kay Hian

BARRIERS IN ADOPTING ELECTRIC VEHICLE



Source: IESR Analysis, UOB Kay Hian

COMPANY RESULTS

CelcomDigi (CDB MK)

3Q23: Results Above Expectations; Earnings Driven By Gross Synergy Savings

CelcomDigi's 3Q23 net profit fell 5% yoy but rose 33% qoq to RM456m. The strong qoq growth was mainly due to lower O&M costs given synergistic savings. 9M23 net profit of RM1.1b (-23% yoy) is above our expectations. As such, we raise 2023-24 net profit by 15% on lower O&M costs. Maintain HOLD with a higher target price of RM4.50 (from RM4.00). Dividend yield is muted at 3.8% with the group focusing on integration works in 2023-24.

3Q23 RESULTS

Year to 31 Dec (RMm)	3Q23	qoq % chg	yoy % chg	9M23	yoy % chg
Revenues	3,104.4	(0.6)	1.1	9,407.1	2.2
Reported EBITDA	1,567.0	5.9	7.2	4,558.0	3.6
EBITDA Margin (%)	50.5	3.1	2.9	48.5	0.6
Pre-tax profits	572.373	22.3	(16.9)	1,500.4	(29.0)
Net profit	455.7	32.7	(4.5)	1,117.2	(23.3)
Core Net profit *	455.7	32.7	(4.5)	1,117.2	(23.3)
EPS (sen)	3.9	32.7	14.3	9.5	2.7
DPS (sen)	3.3	3.1	(2.9)	9.7	7.8
Subscribers ('000)	20,478	0.6	3.1		
Blended ARPUs (RM/mth)	40	(2.4)	(4.8)		
Cost Structure (% of revenue)	3Q22	4Q22	1Q22	2Q23	3Q23
Direct expenses	20.3%	24.5%	23.1%	20.6%	20.5%
S&M	5.9%	4.8%	5.4%	6.3%	5.3%
Staff cost	7.7%	6.7%	6.9%	7.0%	6.9%
Bad debts	0.6%	0.7%	0.6%	0.7%	1.1%
G&A, others	18.0%	16.2%	16.5%	18.0%	15.8%

* our calculation of core earnings for 2023 includes accelerated depreciation. 3Q23 normalised net profit would have grown 25% yoy and 14% qoq if we exclude the accelerated depreciation. 9M23 normalised net profit would have grown 13% yoy to RM1,643m in the absence of accelerated depreciation.

Source: CelcomDigi, UOB Kay Hian

RESULTS

- **3Q23 results above expectations.** CELCOMDIGI (CelcomDigi) reported a 5% yoy decline but a 33% qoq increase in net profit to RM455.7m. The qoq growth was mainly due to lower marketing and O&M costs, reflecting synergistic savings from the merger. Meanwhile, the yoy decline was due to the accelerated depreciation arising from a revision in assets' useful life (from 10 years to 7 years) and rationalisation of sites. All in all, 9M23 net profit of RM1.1b is above our expectations but in line with street estimates.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	6,336	6,224	12,115	12,745	13,028
EBITDA	3,035	2,796	6,057	6,373	6,254
Operating profit	1,771	1,572	2,557	3,173	3,254
Net profit (rep./act.)	1,162	833	1,438	1,883	1,950
Net profit (adj.)	1,190	544	1,149	1,883	1,950
EPS (sen)	15.3	7.0	9.8	16.0	16.6
PE (x)	27.8	60.9	43.5	26.5	25.6
P/B (x)	52.3	2.0	3.1	3.1	3.1
EV/EBITDA (x)	20.6	22.4	10.3	9.8	10.0
Dividend yield (%)	3.5	2.9	2.9	3.8	3.9
Net margin (%)	18.3	13.4	11.9	14.8	15.0
Net debt/(cash) to equity (%)	751.4	84.3	77.0	71.1	67.0
Interest cover (x)	14.1	12.5	9.5	9.6	9.6
ROE (%)	187.6	9.9	8.9	11.6	12.0
Consensus net profit	-	-	1,649	1,936	2,182
UOBKH/Consensus (x)	-	-	0.70	0.97	0.89

Source: CelcomDigi, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM4.26
Target Price	RM4.50
Upside	+5.6%
(Previous TP)	RM4.00)

COMPANY DESCRIPTION

Mobile operator in Malaysia, providing 2G, 3G and 4G services.

STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	CDB MK
Shares issued (m):	11,731.5
Market cap (RMm):	49,976.2
Market cap (US\$m):	10,677.5
3-mth avg daily t'over (US\$m):	1.9

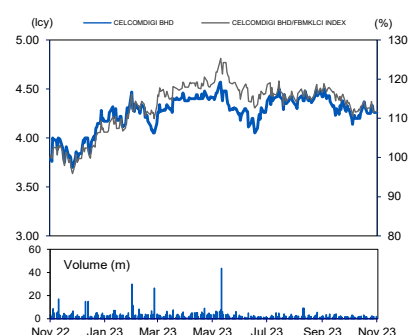
Price Performance (%)

52-week high/low	RM4.57/RM3.70				
1mth	3mth	6mth	1yr	YTD	
(0.2)	(3.6)	(3.0)	10.1	6.5	

Major Shareholders

	%
Telenor ASA	33.1
Axiata Group Bhd	33.1
Employees Provident Fund	9.8
FY23 NAV/Share (RM)	1.38
FY23 Net Debt/Share (RM)	1.06

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **Dividends in line.** The group declared its third interim net DPS of 3.3 sen/share (85% payout). We project 2023-24 net DPS of 12.3 sen and 16 sen respectively. This is based on 100% dividend payout and translates to net dividend yield of 3% and 3.8% for 2023-24.

STOCK IMPACT

- **3Q23 revenue rose 1% yoy but fell 1% qoq to RM3,104m.** The yoy growth was mainly due to half a million subscriber additions and home fibre segment growth. The qoq revenue decline was mainly due to softer device sales.
- **Postpaid revenue fell 2% yoy and 1% qoq to RM1,257m.** There were 92,000 net adds qoq given continuous pre-to-post migration. ARPU was diluted to RM67/month (2Q23: RM68/month, 3Q22: RM71/month).
- **Prepaid revenue rose 2% yoy and was flat qoq to RM1,146m** due to net adds of 22,000 yoy. ARPU stabilised at RM28/month (2Q23: RM28/month, 3Q22: RM29 /month). CelcomDigi continues to focus on Malaysian prepaid customers (accounting for two-thirds of its prepaid customer base) while benefitting from the return of migrant workers.
- **3Q23 service EBITDA margin rose 3ppt to 57.8% in 3Q23** thanks to gross synergy savings from the integration (RM98m in 9M23). We expect margin to drop in the subsequent quarters as the group intends to ramp up its integration activities.

EARNINGS REVISION/RISK

- **We raised 2023-24 net profit by 15% to account for lower O&M and marketing costs.**
- **Integration costs in 2023.** In a CelcomDigi briefing, management reiterated that full network integration is expected to be completed within 2023-25 with estimated integration costs of RM200m in 2023. This will be partially offset by gross synergies of RM200m-250m in 2023.

VALUATION/RECOMMENDATION

- **Maintain HOLD with a higher DCF-based target price of RM4.50** (discount rate of 7.4%, growth rate of 2%), in tandem with the higher earnings. At our fair value, the stock trades at its mean EV/EBITDA of 10.0x. Dividend yield is muted at 3.6% for 2024.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• Environmental

- Achieved lower carbon footprint per unit of data consumed.
- Converted 31 fuel powered off-grid sites to grid power, switched 15 off-grid sites to hybrid with lithium-ion battery, progressively shut down remaining 30 BSC and 41 RNC in 2022 (3G Sunset).
- Deployed tools to automatically analyse and implement power saving mode at 102 RAN sites and managed to reduce 3.77 energy (kWh consumed) per site on average. Scaling the initiative to more than 50% of sites in 2022.

• Social

- Supported government-led CERDIK initiative by providing discounted packages and connectivity options to students from low-income households.
- Offered over RM500,000 worth of digital solutions and mobile plans to help local SME business owners go digital through #KamiCareMbiz programme.

• Governance

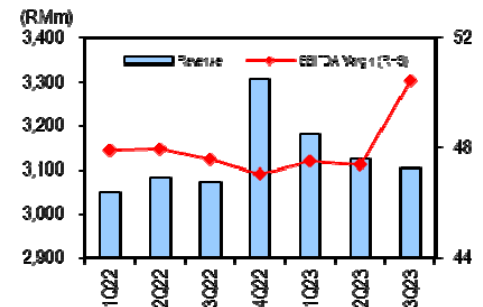
- Strengthened cyber security controls and enhanced standard contractual clauses for data protection.

PERFORMANCE GUIDANCE FOR 2023

	2023 guidance
Service Revenue	Maintaining growth momentum underpinned by momentum in postpaid, B2B and fibre.
EBITDA	Flat to low-single digit increase (from low-single digit decline).
Capex intensity	Around 15% to 18% of total revenue which includes all BAU planned investments and ongoing merger integration activities.

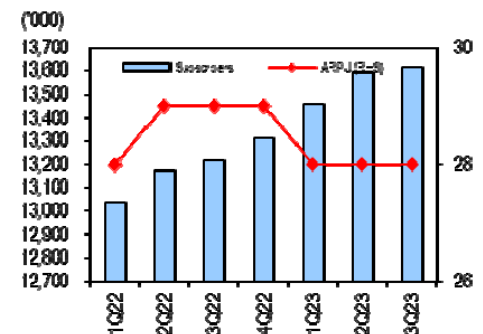
Source: Celcom Digi, UOB Kay Hian

REVENUE AND EBITDA MARGIN



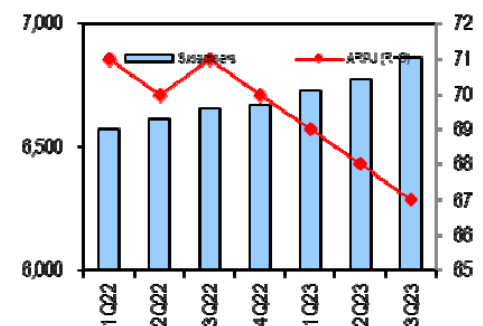
Source: CelcomDigi, UOB Kay Hian

QUARTERLY PREPAID ARPU AND SUBS



Source: CelcomDigi, UOB Kay Hian

QUARTERLY POSTPAID ARPU AND SUBS



Source: CelcomDigi, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	6,224	12,115	12,745	13,028
EBITDA	2,796	6,057	6,373	6,254
Deprec. & amort.	1,224	3,500	3,200	3,000
EBIT	1,572	2,557	3,173	3,254
Net interest income/(expense)	(224)	(640)	(662)	(653)
Pre-tax profit	1,311	1,917	2,510	2,600
Tax	(478)	(479)	(628)	(650)
Minorities	0	0	0	0
Net profit	833	1,438	1,883	1,950
Net profit (adj.)	544	1,149	1,883	1,950

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	2,575	5,448	5,787	5,622
Pre-tax profit	1,218	1,917	2,510	2,600
Tax	(478)	(479)	(628)	(650)
Deprec. & amort.	1,224	3,500	3,200	3,000
Associates	37	0	0	0
Working capital changes	658	(130)	42	19
Other operating cashflows	(85)	640	662	653
Investing	(2,422)	(2,139)	(2,253)	(2,272)
Capex (maintenance)	(755)	(2,181)	(2,294)	(2,345)
Others	(1,667)	41	41	73
Financing	864	(1,619)	(2,086)	(2,176)
Dividend payments	(1,011)	(1,438)	(1,883)	(1,950)
Issue of shares	0	0	0	0
Proceeds from borrowings	1,874	500	500	500
Others/interest paid	0	(681)	(704)	(726)
Net cash inflow (outflow)	1,017	1,689	1,448	1,174
Beginning cash & cash equivalent	205	1,221	2,910	4,358
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	1,221	2,910	4,358	5,532

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	6,409	5,090	4,184	3,529
Other LT assets	27,077	27,077	27,077	27,077
Cash/ST investment	1,221	2,910	4,358	5,532
Other current assets	2,835	6,174	6,483	6,621
Total assets	37,543	41,251	42,102	42,759
ST debt	4,139	3,639	3,139	2,639
Other current liabilities	4,222	7,430	7,781	7,938
LT debt	10,748	11,748	12,748	13,748
Other LT liabilities	2,119	2,119	2,119	2,119
Shareholders' equity	16,212	16,212	16,212	16,212
Minority interest	103	103	103	103
Total liabilities & equity	37,543	41,251	42,102	42,759

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	44.9	50.0	50.0	48.0
Pre-tax margin	21.1	15.8	19.7	20.0
Net margin	13.4	11.9	14.8	15.0
ROA	3.7	3.7	4.5	4.6
ROE	9.9	8.9	11.6	12.0
Growth				
Turnover	(1.8)	94.6	5.2	2.2
EBITDA	(7.9)	116.6	5.2	(1.9)
Pre-tax profit	(13.5)	46.3	30.9	3.6
Net profit	(28.3)	72.6	30.9	3.6
Net profit (adj.)	(54.3)	111.2	63.8	3.6
EPS	(54.3)	40.0	63.8	3.6
Leverage				
Debt to total capital	47.7	48.5	49.3	50.1
Debt to equity	91.8	94.9	98.0	101.1
Net debt/(cash) to equity	84.3	77.0	71.1	67.0
Interest cover (x)	12.5	9.5	9.6	9.6

COMPANY RESULTS

Greatech (GREATEC MK)

9M23: In Line; Record Orderbook A Positive Surprise

Results were in line on record high revenue and earnings. The record-high orderbook of RM1.07b (mostly from solar, followed by EV and life science) was a positive surprise and is expected to last until 1H25. Meanwhile, expansion is on track with the group scouting for new lands to support aggressive uptake from solar, e-mobility and life science customers. We trimmed 2023 earnings by 5% for house-keeping purposes. Maintain BUY on Greatech. Target price: RM6.20.

9M23 RESULTS

Year to 31 Dec (RMm)	3Q23	qoq% chg	yoy % chg	9M23	yoy % chg
Revenue	224.8	35.8	43.3	504.1	33.7
Gross profit	63.8	71.5	28.7	146.0	29.5
EBITDA	54.3	15.2	23.1	132.9	27.2
Operating profit	50.3	15.5	21.5	121.9	25.5
Finance cost	(0.2)	1.9	19.0	(0.5)	24.7
Pre-tax profit	50.1	15.5	21.5	121.4	25.5
Net Profit	46.7	21.8	13.9	112.8	17.8
Core Net Profit	50.8	27.2	34.8	125.1	32.4
Margins (%)		qoq ppt chg	yoy ppt chg		yoy ppt chg
Gross Profit	28.4	5.9	(3.2)	29.0	(0.9)
EBITDA	24.2	(4.3)	(4.0)	26.4	(1.3)
PBT	22.3	(3.9)	(4.0)	24.1	(1.6)
Net profit	20.8	(2.4)	(5.4)	22.4	(3.0)
Core Net Profit	22.6	(1.5)	(1.4)	24.8	(0.2)

Source: Greatech, UOB Kay Hian

RESULTS

• **Within expectations on record revenue and earnings.** Greatech Technology (Greatech) reported 3Q23 core net profit of RM50.8m (+27% qoq, +35% yoy), bringing 9M23 core net profit to RM125.1m (+32%) which made up 69%/70% of our/consensus estimates. We deem the results to be in line as we expect the strong momentum to spill over into 4Q23, backed by its solid orderbook. Note that 3Q23 revenue and earnings were at record highs thanks to the strong traction from the e-mobility, life science and solar industries. While weaker margin was observed during the quarter due to lower profitability in the project phase and higher taxation with the expiry of pioneer status, we expect margin recovery upon normalisation.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	402	546	710	889	1,065
EBITDA	153	139	192	252	308
Operating profit	146	128	170	224	274
Net profit (rep./act.)	142	132	168	222	271
Net profit (adj.)	142	134	168	222	271
EPS (sen)	11.3	10.7	13.4	17.8	21.7
PE (x)	41.6	43.9	35.1	26.5	21.8
P/B (x)	13.7	10.1	7.8	6.0	4.7
EV/EBITDA (x)	35.8	39.4	28.6	21.7	17.8
Dividend yield (n.a.)	n.a.	n.a.	n.a.	n.a.	n.a.
Net margin (%)	35.2	24.1	23.7	27.5	30.5
Net debt/(cash) to equity (%)	(69.1)	(52.0)	(57.3)	(49.5)	(53.6)
Interest cover (x)	229.0	246.1	277.8	294.1	285.8
ROE (%)	39.5	25.9	25.1	25.7	24.4
Consensus net profit	-	-	179	211	239
UOBKH/Consensus (x)	-	-	0.94	1.06	1.13

Source: Greatech, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM4.71
Target Price	RM6.20
Upside	+31.6%

COMPANY DESCRIPTION

Greatech Technology is primarily a manufacturer of automated equipment. Its products range from single automated equipment up to a production line system which comprises multiple automated equipment.

STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	GREATEC MK
Shares issued (m):	1,254.2
Market cap (RMm):	5,907.3
Market cap (US\$m):	1,262.1
3-mth avg daily t'over (US\$m):	0.7

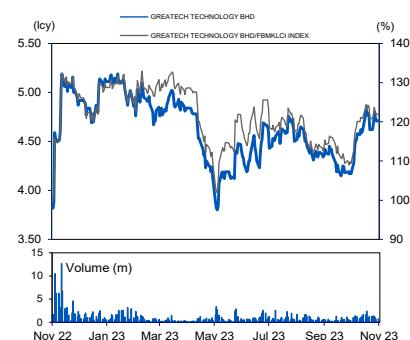
Price Performance (%)

52-week high/low	RM5.19/RM3.80			
1mth	3mth	6mth	1yr	YTD
12.4	1.7	12.4	26.3	(2.7)

Major Shareholders

Gtech Holdings Sdn Bhd	61.3
AIA Bhd	3.5
Lembaga Tabung Haji	2.9
FY23 NAV/Share (RM)	0.60
FY23 Net Cash/Share (RM)	0.35

PRICE CHART



Source: Bloomberg

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- **9M23 revenue increased 34% yoy**, predominantly driven by new capital investment plans from its solar customer and the commercialisation of new production line system (PLS) from the e-mobility, life science and solar industries. Despite higher employee expenses and higher taxation, core profit margin remained stable at 24.8%, cushioned by better contribution from the higher margin life science segment.
- **3Q23 revenue soared 36% qoq** on higher PLS revenue contribution from the e-mobility and solar industries. That said, net profit grew by a narrower quantum of 27% qoq due to higher forex losses.

STOCK IMPACT

- **Record orderbook of RM1.07b to last until 1H25.** Note that Greatech had secured >RM72m worth of new orders from its life science customers, on top of the strong traction from its US incumbent solar customer following its massive expansion plans in Ohio, India and Alabama. Overall, orderbook backlog as of 10 Nov 23 stood at a record quantum of RM1.07b, with more than half coming from solar, followed by e-mobility, life science and semiconductor automation. This will last until 1H25. Meanwhile, the management remains confident in securing sizeable jobs in 2024 which we believe could be anchored by solar/EV/medical/semiconductor automation. Note that most tenders have been submitted in proportion to the segmental allocation.
- **Charting next growth phase via multi-pronged approach.** To cater for the ongoing global demand for climate sustainability solutions and decarbonisation efforts, Greatech is scouting for new land (5 acres) to house CNC and metal fabrication in supporting its solar customer's aggressive expansion. It is also looking to acquire additional new land (7 acres) following the wider solution offerings to its new and existing life science customers. Meanwhile, with the group's ambitions in spearheading both automation advancement as well as vertical integration for its four key segments, management is currently exploring the most cost-effective collaborations for synergy integration in technology advancement and IP/market/customer expansion beyond the US.

EARNINGS REVISION/RISK

- After model updates, our 2023 earnings estimates have been trimmed by 5% for house-keeping purposes.

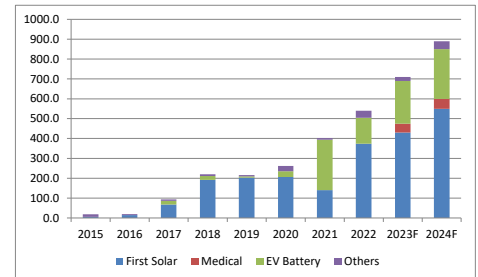
VALUATION/RECOMMENDATION

- **Maintain BUY with an unchanged target price of RM6.20**, still based on 35.0x 2024F PE, which is at the SPE industry's five-year mean. We believe such valuation is justified given its unique value proposition (strategic exposure in the renewable energy (RE), medical and EV industries offers better dynamics to weather cyclicity vs peers) as opposed to peers alongside its robust growth.
- The valuation ascribed is still undermining the growth beyond 2023 which will be anchored by stable earnings from First Solar and the enormous potential from both the automobile EV and medical segments. Meanwhile, in terms of earnings up to 2024, a two-year net profit CAGR of 30% will be anchored by a resilient earnings base, superior growth outlook and its new business venture, not to mention the unique proposition with the strategic exposure to the game-changing technologies.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

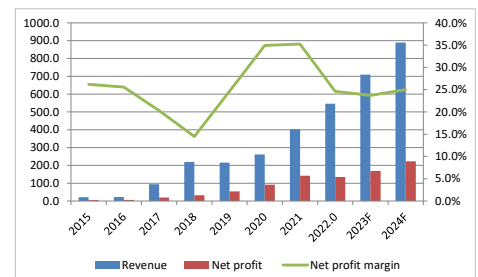
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Its operations and production as a machine manufacturer are generally not energy-intensive. - New headquarters include energy-saving features like LED lighting and sensors to control and minimise the energy usage in the building.
<ul style="list-style-type: none"> • Social <ul style="list-style-type: none"> - Contributed RM1.7m/RM2.9m in cash and in-kind to >25 charities, non-profit organisations and educational institutions across the region in 2020-21.
<ul style="list-style-type: none"> • Governance <ul style="list-style-type: none"> - The company has in place an Anti-Bribery and Anti-Corruption Policy. There were zero whistle-blowing and bribery instances in 2020.

REVENUE DRIVERS ASSUMPTIONS



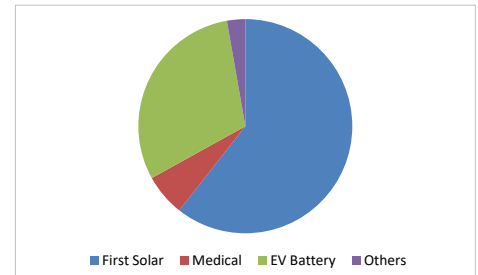
Source: Greatech, UOB Kay Hian

GROWTH AND MARGIN OUTLOOK



Source: Greatech, UOB Kay Hian

REVENUE BY PRODUCT (2023F)



Source: Greatech, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	546	710	889	1,065
EBITDA	139	192	252	308
Deprec. & amort.	10	22	28	35
EBIT	128	170	224	274
Associate contributions	0	0	0	0
Net interest income/(expense)	(1)	(1)	(1)	(1)
Pre-tax profit	128	169	224	272
Tax	4	(1)	(1)	(1)
Minorities	0	0	0	0
Net profit	132	168	222	271
Net profit (adj.)	134	168	222	271

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	109	248	172	306
Pre-tax profit	128	169	224	272
Tax	4	(1)	(1)	(1)
Deprec. & amort.	10	22	28	35
Working capital changes	(33)	58	(78)	0
Non-cash items	1	1	1	1
Other operating cashflows	(1)	(1)	(1)	(1)
Investing	(101)	(120)	(120)	(120)
Capex (growth)	(101)	(120)	(120)	(120)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	0	0	0	0
Financing	(2)	(1)	(1)	(1)
Dividend payments	0	0	0	0
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(2)	0	0	0
Others/interest paid	0	(1)	(1)	(1)
Net cash inflow (outflow)	7	127	51	185
Beginning cash & cash equivalent	314	320	447	499
Changes due to forex impact	(1)	0	0	0
Ending cash & cash equivalent	320	447	499	684

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	194	292	384	469
Other LT assets	98	98	98	98
Cash/ST investment	320	447	499	684
Other current assets	335	383	422	469
Total assets	947	1,219	1,403	1,720
ST debt	1	1	1	1
Other current liabilities	333	437	398	444
LT debt	14	14	14	14
Other LT liabilities	13	13	13	13
Shareholders' equity	587	755	977	1,248
Minority interest	0	0	0	0
Total liabilities & equity	947	1,219	1,403	1,720

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	25.4	27.0	31.2	34.7
Pre-tax margin	23.4	23.8	27.7	30.7
Net margin	24.1	23.7	27.5	30.5
ROA	17.0	15.5	17.0	17.4
ROE	25.9	25.1	25.7	24.4
Growth				
Turnover	35.8	29.9	25.3	19.8
EBITDA	(9.3)	38.1	31.5	22.2
Pre-tax profit	(11.9)	32.1	32.3	21.9
Net profit	(7.0)	27.5	32.3	21.9
Net profit (adj.)	(5.2)	25.1	32.3	21.9
EPS	(5.2)	25.1	32.3	21.9
Leverage				
Debt to total capital	2.5	2.0	1.5	1.2
Debt to equity	2.6	2.0	1.5	1.2
Net debt/(cash) to equity	(52.0)	(57.3)	(49.5)	(53.6)
Interest cover (x)	246.1	277.8	294.1	285.8

COMPANY RESULTS

Malaysia Smelting Corporation (SMELT MK)

3Q23: Below Expectations; LME Inventory Still At High Level

The qoq drop in sales and earnings was mainly due to the planned two-month annual shutdown and maintenance of the TSL furnace at Pulau Indah. MSC is well-positioned for a more meaningful growth in 2024 backed by stronger production, rebound of tin prices and better margins from the full utilisation of its new eco-friendly plant at Pulau Indah. Downgrade FY23-25 earnings by 15-35% mainly to account for lower LME tin price. Maintain BUY with a lower target price of RM2.44.

3Q23 RESULTS

Year to 31 Dec (RMm)	2Q23	3Q23	qoq % chg	yoy % chg	9M23	qoq % chg
Revenue	327.0	364.0	11.3	5.8	1,031.1	(7.3)
Sale of Tin	311.8	357.1	14.5	6.5	992.3	(8.8)
Smelting Revenue	9.4	6.2	(34.3)	(20.4)	25.1	29.5
Sale of By-Products	5.5	0.3	(94.6)	(66.6)	12.3	195.0
Mining	70.0	74.3	6.1	15.2	217.2	(19.5)
EBIT	46.2	24.8	(46.3)	171.8	127.3	6.8
Tin Smelting	24.9	0.8	(96.9)	101.3	62.9	N.A.
Tin Mining	23.8	24.4	2.3	114.4	72.5	(40.9)
Associates & JV	0.2	0.5	126.9	287.5	0.8	88.0
PBT	42.2	20.4	(51.7)	151.4	114.3	8.7
Net Profit	28.4	11.8	(58.4)	137.7	75.7	4.4
Core Net Profit	24.9	10.7	(57.2)	142.7	70.0	(12.0)
Margins (%)						
EBIT	14.1	6.8	(7.3)	16.8	12.3	1.6
Core Net Profit	7.6	2.9	(4.7)	10.2	7.3	0.8

Source: MSC, UOB Kay Hian

RESULTS

• **Below expectations.** Malaysia Smelting Corporation (MSC) reported a core net profit of RM10.7m (-27.6%qoq, 3Q22: -RM24.9) in 3Q23. This brought 9M23 core net profit to RM70m, forming 63% of our and consensus' full-year estimate, below expectations. The lower qoq earnings was mainly due to the tin smelting segment incurring a pre-tax loss of RM3.4m primarily due to the annual shutdown and maintenance of the TSL furnace at Pulau Indah from June to August, resulting in reduced smelting activities, lower sales of refined tin from process tin intermediates, and the absence of by-product sales. On the positive side, MSC reported strong revenue of RM364m (+11.3% qoq, +5.8% yoy) predominantly driven by higher tin prices at RM123,800/mt (+6%qoq, +18%yoy) and higher sales quantity of refined tin in 3Q23.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net Turnover	1,076.6	1,031.1	1,239.6	1,780.0	1,896.9
EBITDA	181.7	137.4	217.1	250.4	252.7
Operating Profit	169.7	127.3	200.8	233.8	236.0
Net Profit (Reported/Actual)	118.1	81.7	94.5	113.9	116.7
Net Profit (Adjusted)	121.2	70.0	94.5	113.9	116.7
EPS (sen)	28.8	16.7	22.5	27.1	27.8
PE (x)	6.5	11.2	8.3	6.9	6.7
P/B (x)	1.4	1.0	0.9	0.9	0.8
EV/EBITDA (x)	6.2	7.5	4.1	4.3	3.3
Dividend Yield (%)	3.7	3.7	5.1	6.1	6.2
Net Margin (%)	11.3	6.8	7.6	6.4	6.2
Net Debt/(Cash) to Equity (%)	69.3	59.6	47.1	32.5	32.5
Interest Cover (x)	5.4	6.9	8.2	11.4	11.4
ROE (%)	20.9	9.7	12.6	14.5	14.2

Source: MSC, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM2.11
Target Price	RM2.44
Upside	+15.6%
(Previous TP)	RM2.69

COMPANY DESCRIPTION

Malaysia Smelting Corporation is a leading integrated producer of tin metal and tin-based products and a global leader in custom tin smelting. The company is also involved in tin mining.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	SMELT MK
Shares issued (m):	420.0
Market cap (RMm):	886.2
Market cap (US\$m):	189.3
3-mth avg daily t'over (US\$m):	0.1

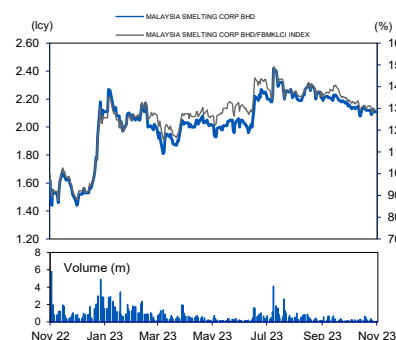
Price Performance (%)

52-week high/low	RM2.42/RM1.44			
1mth	3mth	6mth	1yr	YTD
(3.2)	(6.2)	5.0	22.0	37.9

Major Shareholders

The Straits Trading Company Ltd (STC)	52.2
Neoh Choo Ee & Company SB	1.6
Lim Khoon	1.0
FY23 NAV/Share (RM)	1.78
FY23 Net Debt/Share (RM)	-

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- Mining continues to support growth.** Mining recorded a profit of RM24.4m in 3Q23 (+2% qoq, +114% yoy) on revenue of RM74.3m (+6% qoq, +15% yoy). Both qoq and yoy growth was mainly due to higher tin prices, higher production quantity and one-off provision for legal case settlement of RM4.7m in 3Q22. Nevertheless, MSC still managed to increase its average daily mining output to around 10.5mt/day (from 9.5mt/day last year). The company will continue to boost output to 12mt/day in 2023 with the utilisation of new technology and exploration of new deposits. With the new mining area from ABSB, MSC is expected to enhance its mining output to over 15/mt day (boost earnings by around 20%) in the next 2-3 years. MSC plans to undertake geological studies of the land and will construct additional tailing ponds once the studies are completed.
- Smelting dragged the earnings down.** Smelting recorded a profit of RM0.8m in 3Q23 (-97% qoq) while its margin dropped to 0.2% (-7.5ppt qoq). The qoq weakness was due to annual shutdown and maintenance of the TSL furnace at Pulau Indah from June to August, resulting in reduced smelting activities, lower sales of refined tin from process tin intermediates, and the absence of by-product sales. As the furnace has resumed operation in Aug 23, MSC can allocate higher capacity and achieve a good balance between smelting of third-party ore and intermediates to improve margins.
- Pulau Indah plant will help to improve margin in 2024.** With full commission, MSC expects higher operational efficiency to boost margin this year. As at end-Sep 23, the Pulau Indah plant has reached 90% capacity (targets to hit 100% in 2023). It has a 50% higher capacity, yielding an additional 20,000mt/year. The plant boasts production costs that are at least 20% lower than the old ones in Penang as it has better efficiency. Higher average tin prices will help to partially offset the elevated production cost (energy, fuel, reductant, labour) amid the ongoing inflation. MSC's smelting of tin intermediates at the Butterworth smelter is progressing well. The intermediates now stand at around 5.5kmt and it will take about two years to complete the smelting. This will help to boost earnings going forward.
- Tin price outlook.** Due to China's reopening, tin prices have surged to US\$32,000/mt before retracing to around US\$25,000/mt currently (still up about 40% from its bottom last year). Inventory at LME warehouses increased significantly at 7,380mt in Oct 23 (+286% compared to the 3Q23 average). However, we think that the inventory at LME warehouses will ease in the coming months due to the suspension of all mining activities in Myanmar's Wa region. The duration of this suspension remains unknown. According to the International Tin Association, Myanmar's Wa region contributes approximately 10% of global tin production and 26% of China's demand.

EARNINGS REVISION/RISK

- Downgrade FY23/24/25 earnings by 15%/23%/35% respectively,** mainly to account for lower tin prices due to elevated LME tin inventory.

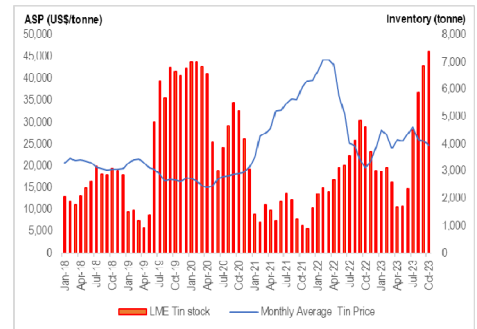
VALUATION/RECOMMENDATION

- Maintain BUY with a lower target price of RM2.44** (9x 2024F PE, pegging close to -1SD to its five-year mean PE). Based on our analysis, every US\$2,000/mt change in our tin price assumptions would affect earnings by about 10% a year.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

<ul style="list-style-type: none"> Environmental <ul style="list-style-type: none"> - MSC is upgrading the mini hydro plant at RHT mine from 0.75MW to 5.00MW. Social <ul style="list-style-type: none"> - In 2020, 76% of its total workforce was local Malaysians. Governance <ul style="list-style-type: none"> - Majority of MSC's board members are independent (four out of six board members).
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TIN PRICES AND INVENTORY



Source: Bloomberg, UOB Kay Hian

KEY ASSUMPTIONS

Year to 31 Dec	2022	2023F	2024F
Production (mt)			
- Mining	2,837	3,512	4,052
- Smelting	23,117	22,794	31,666
ASP - Tin (US\$/mt)	30,000	25,000	26,000

Source: UOB Kay Hian

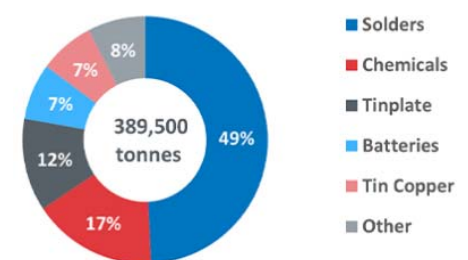
TOP REFINED TIN PRODUCERS (2022)

Order	Company	2021	2022	YOY Change (%)
1	Yunnan Tin (China)	82,000	77,100	-6.0%
2	Minsur* (Peru)	31,800	32,700	2.8%
3	Yunnan Chengfeng (China)	17,600	26,600	21.2%
4	PT Timah (Indonesia)	26,500	19,900	-25.3%
5	Malaysia Smelting Corp (Malaysia)	16,400	18,800	14.6%
6	Guangxi China Tin (China)	9,200	10,900	18.5%
7	Jiangxi New Nanshan (China)	11,600	10,800	-6.9%
8	EM Vinto (Bolivia)	12,100	10,300	-14.9%
9	Thaisarco (Thailand)	12,100	9,500	-21.5%
10	Aurubis Beersel (Belgium)	9,800	8,200	-16.3%

Data: Provisional data reported to IFA and rounded to the nearest 100t. *Includes production from Minsur's Brazilian subsidiary, Taboco

Source: IFA

TIN APPLICATIONS BY USAGE



Source: IFA, MSC

ABSB POTENTIAL MINING AREA



Source: MSC

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	1,031	1,240	1,780	1,897
EBITDA	137	217	250	253
Deprec. & amort.	(10)	(16)	(17)	(17)
EBIT	127	201	234	236
Associate contributions	1	1	1	1
Net interest income/(expense)	(14)	(16)	(15)	(14)
Pre-tax profit	114	186	220	223
Tax	(29)	(65)	(77)	(78)
Minorities	3	27	29	28
Net profit	82	94	114	117
Net profit (adj.)	70	94	114	117

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	244	223	(83)	335
Pre-tax profit	114	186	220	223
Tax	(29)	(65)	(77)	(78)
Deprec. & amort.	14	14	15	15
Working capital changes	122	88	(241)	174
Other operating cashflows	-	-	-	1
Investing	16	(19)	(19)	(19)
Capex (growth)	(19)	(19)	(19)	(19)
Investments	2	-	-	-
Proceeds from Sale of Assets	0	-	-	-
Others	-	-	-	-
Financing	(231)	(80)	(88)	(89)
Dividend payments	(39)	(40)	(48)	(49)
Issue of shares	-	-	-	-
Proceeds from borrowings	(86)	(30)	(30)	(30)
Loan repayment	(51)	(10)	(10)	(10)
Others/interest paid	1	2	3	4
Net cash inflow (outflow)	29	125	(190)	227
Beginning cash & cash equivalent	123	151	276	86
Changes due to forex impact	(0)	-	-	-
Ending cash & cash equivalent	151	276	86	313

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	156	225	228	231
Other LT assets	305	257	270	283
Cash/ST investment	151	276	86	313
Other current assets	690	645	954	794
Total assets	1,302	1,404	1,538	1,621
ST debt	269	239	209	179
Other current liabilities	131	174	241	256
LT debt	69	59	49	39
Other LT liabilities	56	100	141	182
Shareholders' equity	719	747	785	824
Minority interest	58	85	114	142
Total liabilities & equity	1,302	1,404	1,538	1,621

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	13.3	17.5	14.1	13.3
Pre-tax margin	11.1	15.0	12.3	11.8
Net margin	6.8	7.6	6.4	6.2
ROA	5.4	6.7	7.4	7.2
ROE	9.7	12.6	14.5	14.2
Growth				
Turnover	(4.2)	20.2	43.6	6.6
EBITDA	(24.4)	58.0	15.3	0.9
Pre-tax profit	(27.9)	62.9	18.1	1.4
Net profit	(42.2)	35.0	20.6	2.4
Net profit (adj.)	(42.2)	35.0	20.6	2.4
EPS	(42.2)	35.0	20.6	2.4
Leverage				
Debt to total capital	(26.0)	(21.2)	(16.8)	(13.4)
Debt to equity	(47.0)	(39.8)	(32.9)	(26.4)
Net debt/(cash) to equity	26.0	2.9	21.9	(11.6)
Interest cover (x)	9.2	12.9	15.5	16.8

SMALL/MID CAP HIGHLIGHTS

SFP Tech Holdings (SFPTECH MK)

9M23: Within Expectations; On Track For A Record 2023

SFP's strong 9M23 results bucked the soft industry trend thanks to the trade diversion and its unique positioning in the supply chain. The newly-completed plant 3 has started production which could drive revenue growth by several multiples in a blue-sky scenario. We see multiple legs of growth that can supercharge a three-year core net profit CAGR of 48%. Maintain BUY. Target price: RM1.20.

9M23 RESULTS

Year to 31 Dec (RMm)	3Q23	qoq% chg	yoy % chg	9M23	yoy % chg
Revenue	37.5	5.3	74.4	108.5	78.5
EBITDA	15.0	8.2	47.2	42.2	26.6
EBIT	11.9	5.3	54.2	34.2	26.5
Profit Before Tax	11.6	4.6	62.0	33.4	30.8
Tax	-0.5	-5.6	40.3	-1.6	45.6
Core Net Profit	11.0	5.2	63.2	31.8	30.2
Margins (%)	qoq ppt chg	yoy ppt chg	yoy ppt chg	yoy ppt chg	yoy ppt chg
EBITDA	40.0	1.3	-16.0	38.8	-15.9
EBIT	31.7	0.3	-14.6	31.5	-13.0
Profit Before Tax	30.9	0.2	-12.8	30.8	-11.2
Core net profit	29.4	0.3	-13.2	29.3	-12.3

Source: SFP, UOB Kay Hian

RESULTS

- Within expectations on record-high earnings.** SFP Tech Holdings (SFP) reported another record core net profit of RM11.0m (+5% qoq, +30% yoy) in 3Q23, bringing 9M23 core net profit to RM31.8m (+30%) which made up 67%/69% of our/consensus full-year expectations. We expect a sequentially stronger 4Q23 to spearhead a record profit year in 2023. While core net profit margin appeared lower on a yoy basis, strong absolute earnings were evidenced as a result of higher value chain integration. Note that the balanced margin mix was a result of the group undertaking higher value jobs such as assembly (compared with 1H22 which was predominantly driven by parts), which requires higher take-up of material cost to deliver more complete products.
- YOY, 9M23 revenue soared 79% as a result of higher job uptakes related to the mechanical assembly segment on the back of new customer acquisition from both Malaysia and Hong Kong.** While core net profit margin appeared lower, this was a result of the group undertaking higher value jobs which require higher take-up of material cost to deliver more complete products. All in, net profit soared 30%.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	50.4	85.8	141.9	222.9	292.5
EBITDA	25.5	45.5	57.7	99.5	126.4
Operating profit	22.1	37.0	48.3	87.1	113.9
Net profit (rep./act.)	19.4	32.0	43.8	80.5	106.0
Net profit (adj.)	19.4	32.4	43.8	80.5	106.0
EPS (sen)	0.8	1.4	1.8	3.4	4.4
PE (x)	122.3	73.3	54.3	29.5	22.4
P/B (x)	31.9	14.2	11.3	8.2	6.0
EV/EBITDA (x)	93.8	51.8	40.7	23.1	17.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	38.5	37.8	30.8	36.1	36.2
Net debt/(cash) to equity (%)	18.6	(11.1)	(14.9)	(26.8)	(42.9)
Interest cover (x)	-17.4	(17.0)	(24.5)	(46.4)	(64.2)
ROE (%)	26.1	19.2	20.8	27.7	26.7
Consensus net profit				72	447
UOBKH/Consensus (x)				12.45	2.56

Source: SFP, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM0.99
Target Price	RM1.20
Upside	+21.2%

COMPANY DESCRIPTION

SFP Tech Group is an engineering supporting service provider with automated equipment solutions that ultimately provides customised integrated factory setup solutions.

STOCK DATA

GICS sector	Metalworking Machinery
Bloomberg ticker:	SFPTECH MK
Shares issued (m):	2,400.0
Market cap (RMm):	2,376.0
Market cap (US\$m):	508.8
3-mth avg daily t'over (US\$m):	2.0

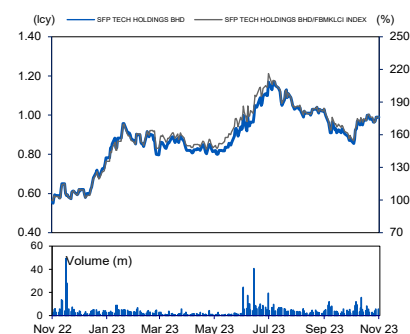
Price Performance (%)

52-week high/low	1.17/0.37			
1mth	3mth	6mth	1yr	YTD
11.9	-3.9	21.7	64.9	65.0

Major Shareholders

Keoh Beng Huat	67.6
Great Eastern Life	2.8
Norges Bank	2.3
FY23 NAV/Share (RM)	0.09
FY23 Net Cash/Share (RM)	0.01

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **QOQ**, revenue continues to grow by 5% despite a challenging industry landscape on higher contribution from the mechanical assembly segment. On a stable core net profit of 29%, earnings grew 5%.

STOCK IMPACT

- **Brighter prospects post-IPO and plant 3 completion.** Recall that SFP observed a surge in customer visits of 10 per month on average post-IPO after its listing, vis-à-vis two per month pre-IPO. The traction became even stronger after its plant 3 completion (+3x floorspace) with an average 20 per month run rate in 1Q23. Note that the group secured an additional seven new approved vendor lists (AVL), mostly with MNCs (vs 21 AVLs in 2022), from its engineering supporting services (ESS) segment and an additional nine new AVLs (vs eight in 2022) from its automated equipment solution (AES) segment. Upon new business commencement by year-end, the group targets to achieve 65-70% floorspace utilisation vs 50-ish% currently.

- **Realising huge potential; scouting for space and capacity expansion.** Despite a seasonally weaker 1H, the group reported a solid growth of +31% yoy on the back of record-high contribution from the mechanical assembly segment. Note that this segment, which contributed two-thirds of total revenue, was driven by full turnkey assembly orders from new and existing customers consisting of both first article as well as production units. While margin is relatively lower than sheet metal fabrication and computer numerical control (CNC) machining, the quantum of absolute revenue was much higher. SFP aims to integrate these services by securing full assembly businesses which require more space and capacity expansion. Note that the group is also in talks with a handful of new customers which could require new premises to house these services should they materialise.

- **Record-high orderbook to spearhead growth on palatable PEG valuation.** SFP recorded a four-year revenue/net profit CAGR of 33%/37% from 2018 and is on track to resume its growth momentum in 2023. As of end-Jul 23, the group had a record-high outstanding orderbook of RM59.7m (+3x yoy) which has not been recognised in its revenue. We are forecasting a three-year revenue/core net profit CAGR of 51%/48% (vs 29.5x 2024F PE), on the back of better order loadings from its key customers in tandem with SFP's capacity expansion. Note that the industries where its key customers are operating in are relocating their supply chain to Malaysia which prompted SFP to expand its capacity and improve its service offerings.

EARNINGS REVISION/RISK

- After model updates, we trimmed our earnings by 4% for house-keeping purposes.

VALUATION/RECOMMENDATION

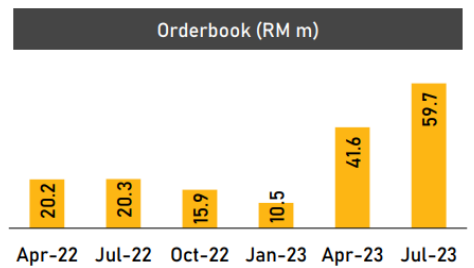
- **Maintain BUY with an unchanged target price of RM1.20**, based on 35.0x 2024F PE. This is based on average five-year forward mean PE of the semiconductor production equipment segment. Our PE multiple yardstick implies an undemanding PEG ratio of 0.7x given its multi-year growth story (superior three-year CAGR growth potential of 48%), while a blue-sky valuation priced at 1x PEG ratio suggests a potentially higher target price of RM1.63 (at 48x 2024F PE).

OVERVIEW OF SFP'S PRODUCTS AND SERVICES

	Engineering Supporting Services			Automated Equipment Solutions
PRINCIPAL ACTIVITIES	Sheet Metal Fabrication	CNC Machining	Mechanical Assembly	
OUR SERVICES	<ul style="list-style-type: none"> Laser Cut Laser Cut & Punch Laser Tube Cutting Fibre Optic Laser Welding (Laser, TIG, MIG, Spot, Robotic) Banding Heatset Polishing 	<ul style="list-style-type: none"> CNC Milling (3 & 5-axis) Large Format 5 Faces Milling Surface grinding CNC Turn-Mill CNC Turning EDM CNC Wire Cut 	<ul style="list-style-type: none"> Sub-module assembly Turnkey Full assembly 	<ul style="list-style-type: none"> Automation Conceptual Design Assembly, Test & Commissioning Engineering & Development On-Site Installation & Support
PRODUCTS PRODUCED / ASSEMBLED	Sheet metal parts	Precision machined components	Assembled metal chassis, frames, structures and enclosures	Automated equipment (e.g. Vision Inspection System, Robotic Handling Equipment, Assembly System etc.)
CUSTOMER INDUSTRIES	Semiconductor, E&E and Solar PV			Semiconductor, E&E and Automotive
TYPE OF CUSTOMERS	Original Equipment Manufacturer and Electronic Manufacturing Service Providers			

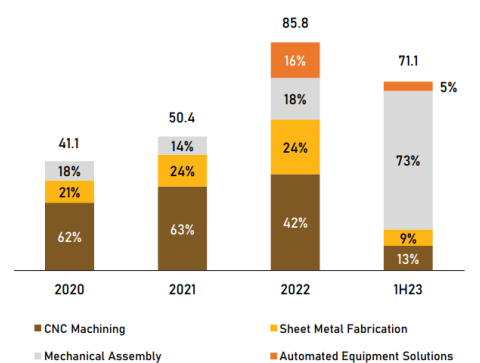
Source: SFP

ORDERBOOK UPDATES



Source: SFP

REVENUE BREAKDOWN (2020-1Q23)



Source: SFP

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net Turnover	85.8	141.9	222.9	292.5
EBITDA	45.5	57.7	99.5	126.4
Depreciation & Amortisation	8.5	9.4	12.4	12.5
EBIT	37.0	48.3	87.1	113.9
Associate Contributions				
Net Interest Income/(Expense)	(2.2)	(2.0)	(1.9)	(1.8)
Pre-tax Profit	34.8	46.3	85.2	112.1
Tax	(2.8)	(2.5)	(4.7)	(6.2)
Minorities	0.0	0.0	0.0	0.0
Net Profit	32.0	43.8	80.5	106.0
Net Profit (Adjusted)	32.4	43.8	80.5	106.0

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	25.7	58.9	78.4	109.2
Pre-tax Profit	34.8	46.3	85.2	112.1
Tax	(2.8)	(2.5)	(4.7)	(6.2)
Depreciation & Amortisation	8.5	9.4	12.4	12.5
Associates	0.0	0.0	0.0	0.0
Working Capital Changes	(16.3)	3.7	(16.4)	(11.0)
Other Operating Cashflows	(0.6)	0.0	0.0	0.0
Investing	(24.1)	(43.0)	(30.0)	(15.0)
Capex (Growth)	(26.5)	(43.0)	(30.0)	(15.0)
Investments	0.0	0.0	0.0	0.0
Proceeds from Sale of Assets	0.0	0.0	0.0	0.0
Others	2.4	0.0	0.0	0.0
Financing	45.8	(5.0)	(4.9)	(4.8)
Dividend Payments	(4.0)	0.0	0.0	0.0
Issue of Shares	62.2	0.0	0.0	0.0
Proceeds from Borrowings	13.7	0.0	0.0	0.0
Loan Repayment	(22.8)	(3.0)	(3.0)	(3.0)
Others/Interest Paid	(3.4)	(2.0)	(1.9)	(1.8)
Net Cash Inflow (Outflow)	47.5	10.9	43.5	89.4
Beginning Cash & Cash	23.8	71.2	82.0	125.5
Changes Due to Forex Impact	(0.1)	0.0	0.0	0.0
Ending Cash & Cash Equivalent	71.2	82.0	125.5	215.0

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed Assets	122.3	155.9	173.5	176.1
Other LT Assets	4.8	4.8	4.8	4.8
Cash/ST Investment	72.2	82.0	125.5	215.0
Other Current Assets	40.8	65.5	101.6	133.9
Total Assets	240.1	308.3	405.4	529.7
ST Debt	14.8	14.8	14.8	14.8
Other Current Liabilities	14.4	42.4	61.9	83.3
LT Debt	38.8	35.8	32.8	29.8
Other LT Liabilities	3.1	3.1	3.1	3.1
Shareholders' Equity	166.9	210.7	291.2	397.2
Minority Interest	0.0	0.0	0.0	0.0
Total Liabilities & Equity	240.1	308.3	405.4	529.7

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA Margin	53.0	40.6	44.6	43.2
Pre-tax Margin	40.6	32.6	38.2	38.3
Net Margin	37.8	30.8	36.1	36.2
ROA	13.3	14.2	19.9	20.0
ROE	19.2	20.8	27.7	26.7
Growth				
Turnover	70.2	65.4	57.1	31.2
EBITDA	78.4	26.8	72.5	27.0
Pre-tax Profit	67.4	33.1	83.9	31.6
Net Profit	64.7	36.9	83.9	31.6
Net Profit (Adjusted)	66.9	35.1	83.9	31.6
EPS	66.9	35.1	83.9	31.6
Leverage				
Debt to Total Capital	22.3	16.4	11.7	8.4
Debt to Equity	32.1	24.0	16.4	11.2
Net Debt/(Cash) to Equity	(11.1)	(14.9)	(26.8)	(42.9)
Interest Cover (x)	(17.0)	(24.5)	(46.4)	(64.2)

SECTOR UPDATE

REITs – Singapore

3Q23 Round-up: Gaining A Stronger Footing

Results from the 20 S-REITs under our coverage were mostly in line with forecasts. The hospitality sub-sector registered the strongest NPI growth averaging 26% yoy. We saw resiliency from Singapore with positive rental reversions across retail, office and industrial properties despite external uncertainties. We focus on S-REITs with resilient balance sheets that could weather a protracted period of elevated interest rates. Maintain OVERWEIGHT. BUY CDREIT, FCT, FEHT, KREIT, LREIT and MINT.

WHAT'S NEW

- The hospitality sub-sector saw the strongest recovery**, benefitting from recovery and reopening in a seasonally stronger 3Q23. In Singapore, the average length of stay increased 0.28 days to 3.55 days, which is 9% above pre-pandemic levels. CLAS reported 17% yoy growth in RevPAR globally, while CDREIT and FEHT registered growth in RevPAR of 20% and 44% yoy respectively for assets in Singapore in 3Q23. CLAS' gross profit grew 13% yoy, while CDREIT and FEHT saw NPI growth of 23% and 42% yoy respectively. FEHT has committed to utilising additional incentive fee of S\$18m from the divestment of Central Square to cushion the negative impact from higher interest rates.
- Recovery from downtown malls; resiliency from suburban malls.** Retail rents are rising supported by retailers' optimism on consumer sentiment. Most downtown malls achieved positive double-digit rental reversion, such as Suntec City Mall (2Q23: +18.2%, 3Q23: +25.3%) and MPACT's VivoCity (1HFY24: +14.2%), due to recovery in tourism. FCT saw steady positive rental reversion of +4.7% for its suburban malls in FY23, driven by Causeway Point (+5.4%), Waterway Point (+5.1%) and Northpoint City North Wing (+6.9%). CICT's retail leases registered positive rental reversions of 8.8% in 3Q23 (suburban: 7.4%, downtown: 8.4%). LREIT also experienced strong positive rental reversion of 16.3% (313@Somerset: >20%, Jem: high single-digit) in 1QFY24. FCT is scheduled to complete AEI for Tampines 1 in Nov 23 and additional prime retail space of 8,000sf will open in Dec 23, ahead of the festive season.
- Resiliency for office confounding sceptics.** According to CBRE, vacancy rate within core CBD has tightened significantly by 0.8ppt qoq to 3.2% in 3Q23. The amount of shadow space was estimated to have reduced by half to 0.33m sf compared to a record high of 0.7m sf in 1Q23. KREIT achieved positive rental reversion of 10.7% in 3Q23 (1H23: 8.1%). In Sydney, its new government tenant took up two additional floors at 8 Chifley Square, which increased occupancy by 9.7ppt qoq to 97.1%. CICT achieved positive rent reversions of 8.8% for its office properties in 9M23. SUN's Singapore office portfolio achieved positive rental reversion of 14% in 3Q23 (2Q23: +10.5%).

TOP-20 S-REITS RANKED BY MARKET CAPITALISATION – VITAL STATISTICS

Name	Ticker	Rec	Curncy	Price 17 Oct 23	Target Price	Mkt Cap (US\$m)	DPU (¢)		Yield (%)		Yield Spread* (%)		Interest Coverage (x)	Aggregate Leverage (%)	WALE (years)
							Curr	Fwd	Curr	Fwd	Curr	Fwd			
CapLand Int Comm Trust	CICT SP	BUY	S\$	1.86	2.02	9,196	10.6	10.6	5.7	5.7	2.7	2.7	3.1	40.8	3.5
CapLand Ascendas	CLAR SP	BUY	S\$	2.80	3.13	9,134	15.4	15.5	5.5	5.5	2.5	2.5	4.0	37.2	3.9
Mapletree Log Trust	MLT SP	BUY	S\$	1.58	1.72	5,831	8.7	8.0	5.5	5.1	2.5	2.1	3.8	38.9	3.0
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.38	1.80	5,383	9.2	9.4	6.6	6.8	3.7	3.8	3.0	40.7	2.5
Mapletree Ind Trust	MINT SP	BUY	S\$	2.27	2.69	4,779	13.2	13.7	5.8	6.0	2.8	3.1	4.6	37.9	4.2
Fraser's L&C Trust	FLT SP	BUY	S\$	1.08	1.47	3,005	7.2	7.3	6.7	6.8	3.7	3.8	7.1	30.2	4.3
Fraser's Centrepoint	FCT SP	BUY	S\$	2.19	2.42	2,786	11.7	12.0	5.3	5.5	2.4	2.5	3.5	39.3	2.0
CapLand Ascott	CLAS SP	BUY	S\$	0.915	1.25	2,558	5.6	6.1	6.1	6.7	3.2	3.7	4.2	35.2	n.a.
Suntec REIT	SUN SP	HOLD	S\$	1.12	1.12	2,411	7.3	6.4	6.5	5.7	3.5	2.7	2.0	42.7	2.8
Keppel DC REIT	KDCREIT SP	NR	S\$	1.87	n.a.	2,392	10.0	10.0	5.3	5.3	2.4	2.4	5.4	37.2	7.8
Keppel REIT	KREIT SP	BUY	S\$	0.85	1.06	2,389	5.8	5.7	6.8	6.8	3.8	3.8	3.3	39.5	5.6
PARAGON REIT	PGNREIT SP	NR	S\$	0.84	n.a.	1,769	4.6	5.1	5.5	6.1	2.5	3.1	3.8	30.1	3.1
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.30	n.a.	1,715	2.7	2.5	9.0	8.3	6.0	5.4	2.4	37.7	3.4
PLife REIT	PREIT SP	BUY	S\$	3.56	4.19	1,600	14.0	14.0	3.9	3.9	0.9	1.0	12.8	36.0	16.5
CapLand China Trust	CLCT SP	NR	S\$	0.815	n.a.	1,023	7.5	7.8	9.2	9.6	6.2	6.6	3.2	42.4	1.8
OUE Comm REIT	OUECT SP	NR	S\$	0.25	n.a.	1,019	2.0	2.0	8.0	8.0	5.0	5.0	2.4	39.4	3.3
Lendlease REIT	LREIT SP	BUY	S\$	0.575	0.80	991	4.4	4.3	7.7	7.5	4.7	4.6	3.9	40.6	5.3
Far East HTrust	FEHT SP	BUY	S\$	0.64	0.76	952	4.1	4.3	6.4	6.8	3.5	3.8	3.7	32.2	n.a.
CDL HTrust	CDREIT SP	BUY	S\$	1.01	1.41	935	6.1	7.0	6.1	6.9	3.1	3.9	2.9	38.4	n.a.
Starhill Global	SGREIT SP	NR	S\$	0.49	n.a.	822	3.9	3.9	8.0	8.0	5.0	5.0	3.3	37.4	4.2

* Yield spread above 10-year government bond yield

Source: Bloomberg, UOB Kay Hian

OVERWEIGHT
(Maintained)

SEGMENTAL RATING

S-REITs	OVERWEIGHT
Healthcare REITs	OVERWEIGHT
Hospitality REITs	OVERWEIGHT
Industrial REITs	OVERWEIGHT
Office REITs	OVERWEIGHT
Retail REITs	OVERWEIGHT

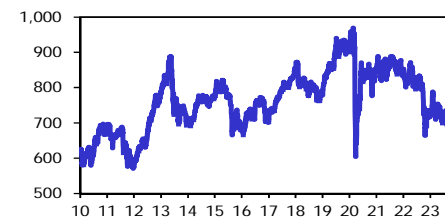
Source: UOB Kay Hian

TOP S-REIT PICKS

Company	Rec	Share Price (S\$)	Target Price (S\$)
CDREIT	BUY	1.01	1.41
FCT	BUY	2.19	2.42
FEHT	BUY	0.64	0.76
KREIT	BUY	0.85	1.06
LREIT	BUY	0.575	0.80
MINT	BUY	2.27	2.69

Source: UOB Kay Hian

FTSE ST ALL-SHARE REITS INDEX (FSTREI)



Source: UOB Kay Hian

ANALYST(S)

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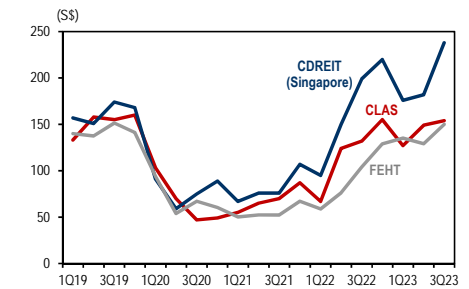
ESSENTIALS

- **Strong positive reversions from logistics properties except China.** CLAR's logistics properties registered exceptionally strong rental reversion at 25.5% in Singapore and 28.8% in the UK/Europe due to tight supply and adoption of just-in-case supply chain management. FLT saw growth in logistics rents in Australia (New South Wales: +30.6%, Victoria: +46.6% and Queensland: +21.4%) in 4QFY23. MLT achieved positive rental reversion of +9.1% excluding China in 2QFY24 (including China: +0.6%). Management cautioned that weakness for China could persist for the next 12 months.
- **Broad-based positive reversion for industrial properties.** CLAR recorded positive rental reversion of +9.8% for multi-tenant buildings in 3Q23 (business space & life science: +6.4%, industrial & data centre: +8.6%). MINT achieved positive rental revision of 8.8% for renewed leases across all property types in Singapore in 2QFY24 (flatted factories: +9.9%, business parks: +8.8%, stack-up/ramp-up buildings: +7.6% and hi-tech buildings: +4.7%). MPACT's MBC achieved positive rental reversion of 7.1% in 1HFY24.
- **Early signs of stabilisation in cost of debt.** Three-month SORA edged marginally higher by 7bp to 3.71% in 3Q23. Average cost of debt for CICT, KREIT and MLT were stable at 3.3%, 2.85% and 2.5% respectively. MINT's average cost of debt improved 0.3ppt qoq to 3.2% in 2QFY24 due to drawdown of JPY-denominated loans to fund the acquisition of a data centre in Osaka, Japan.
- **Turnaround situations.** DCREIT's second-largest tenant, Cyxtera, is on the cusp of emerging from chapter 11 bankruptcy restructuring. It entered into a series of six agreements, which reduces exposure to Cyxtera/Brookfield from 22% to 5%. MUST is negotiating with lenders on a waiver for the breach of financial covenant and working with its sponsor on formulating a sponsor support scheme. It targets to announce the loan restructuring by end-23 and hold its EGM in 1Q24.

ACTION

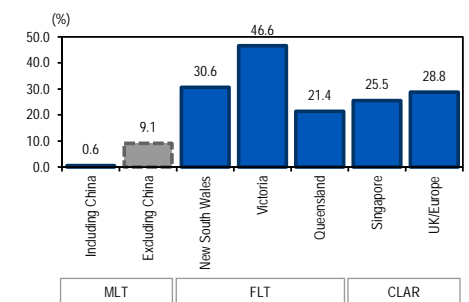
- **Gaining a stronger footing.** Results from the 20 S-REITs under our coverage (results: eight, business and operational updates: 12) were mostly in line with our expectations. We saw a strong recovery for the hospitality sub-sector and resiliency from the retail, office and industrial sub-sectors. Interest rates have peaked but could stay higher for longer. Nevertheless, we have observed early signs of stabilisation in S-REITs' average cost of debt.
- **Maintain OVERWEIGHT.** S-REITs is a defensive sector that could weather geopolitical uncertainties and potential slowdown in economic growth. We focus on blue chip S-REITs with resilient balance sheets that are better able to withstand a protracted period of elevated interest rates. BUY CDREIT (Target: S\$1.41), FCT (Target: S\$2.42), FEHT (Target: S\$0.76), KREIT (Target: S\$1.06), LREIT (Target: S\$0.80) and MINT (Target: S\$2.69).

REVPAR – HOSPITALITY



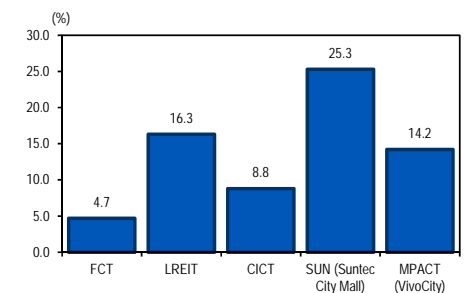
Source: Respective S-REITs

RENTAL REVERSION – LOGISTICS



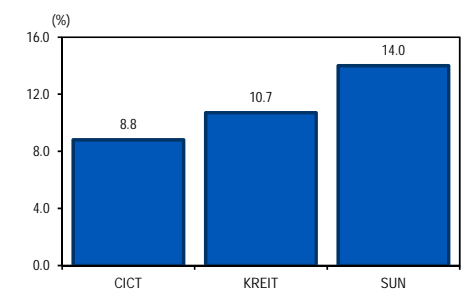
Source: Respective S-REITs

RENTAL REVERSION – SINGAPORE RETAIL



Source: Respective S-REITs

RENTAL REVERSION – SINGAPORE OFFICE



Source: Respective S-REITs

SUMMARY OF FINANCIAL RESULTS – AT A GLANCE

Name	Ticker	Rec	Curr	Price 17 Oct 23	Target Price	Period	NPI (\$m)	yoy % Chg	DI (\$m)	yoy % Chg	DPU (¢)	yoy % Chg	Payout Ratio (%)	Remarks
HEALTHCARE														
PLife REIT	PREIT SP	BUY	S\$	3.56	4.19	3Q23	34.5	+28.6	22.4	+1.8	3.70	+1.6	96.6	In Line
HOSPITALITY														
CapLand Ascott	CLAS SP	BUY	S\$	0.915	1.25	3Q23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	In Line
CDL HTrust	CDREIT SP	BUY	S\$	1.01	1.41	3Q23	39.0	+23.3	n.a.	n.a.	n.a.	n.a.	n.a.	In Line
Far East HTrust	FEHT SP	BUY	S\$	0.64	0.76	3Q23	28.1	+42.4	22.9	+51.0	n.a.	n.a.	n.a.	In Line
INDUSTRIAL														
CapLand Ascendas	CLAR SP	BUY	S\$	2.80	3.13	3Q23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	In Line
Digi Core REIT USD	DCREIT SP	BUY	US\$	0.57	0.69	3Q23	15.8	-9.9	10.0	-10.5	n.a.	n.a.	n.a.	In Line
Mapletree Ind Trust	MINT SP	BUY	S\$	2.27	2.69	2QFY24	128.6	-1.4	94.1	+3.5	3.32	-1.2	99.7	In Line
Mapletree Log Trust	MLT SP	BUY	S\$	1.58	1.72	2QFY24	162.0	+1.2	112.5	+4.2	2.27	+0.9	108.5	In Line
OFFICE														
Keppel REIT	KREIT SP	BUY	S\$	0.85	1.06	3Q23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	In Line
RETAIL														
Frasers Centrepoint	FCT SP	BUY	S\$	2.19	2.42	2HFY23	129.6	+1.1	103.1	-0.7	6.02	-1.2	101.9	In Line
Lendlease REIT	LREIT SP	BUY	S\$	0.575	0.80	1QFY24	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	In Line
Sasseur REIT	SASSR SP	BUY	S\$	0.695	0.93	3Q23	30.3	-1.5	18.7	-20.3	1.51	-17.7	100.0	In Line
DIVERSIFIED														
CapLand Int Comm Trust	CICT SP	BUY	S\$	1.86	2.02	3Q23	275.0	+0.6	n.a.	n.a.	n.a.	n.a.	n.a.	In Line
Frasers L&C Trust	FLT SP	BUY	S\$	1.08	1.47	2HFY23	157.1	-4.9	131.6	-5.8	3.52	-6.6	109.8	In Line
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.38	1.80	2QFY24	183.2	8.7	118.0	+0.3	2.24	-8.2	100.0	In Line
Suntec REIT	SUN SP	HOLD	S\$	1.12	1.12	3Q23	84.6	+9.7	52.0	-13.3	1.79	-14.0	112.4	In Line
INTERNATIONAL (US)														
Keppel REIT USD	KORE SP	BUY	US\$	0.28	0.56	3Q23	22.1	+3.7	13.1	-10.7	n.a.	n.a.	n.a.	In Line
Manulife REIT USD	MUST SP	BUY	US\$	0.095	0.18	3Q23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	In Line
Prime US REIT USD	PRIME SP	BUY	US\$	0.161	0.53	3Q23	23.4	-3.3	14.7	-23.4	n.a.	n.a.	n.a.	In Line
Utd Hampshire REIT USD	UHU SP	BUY	US\$	0.40	0.60	3Q23	12.9	+8.4	7.1	-14.5	n.a.	n.a.	n.a.	In Line

Source: Bloomberg, UOB Kay Hian

NPI = net property income, DI = distributable income and DPU = distribution per unit.

PEER COMPARISON

Name	Ticker	Rec	Curr	Price 17 Oct 23	Target Price	Mkt Cap (US\$m)	Yield (%)				Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)	
							Hist	Curr	Fwd 1Y	Fwd 2Y				
HEALTHCARE														
First REIT	FIRT SP	NR	S\$	0.23	n.a.	354	11.5	10.9	10.9	11.7	74.3	39.0	0.76	
PLife REIT	PREIT SP	BUY	S\$	3.56	4.19	1,600	4.0	3.9	3.9	4.0	59.3	35.9	1.55	
HOSPITALITY														
CapLand Ascott	CLAS SP	BUY	S\$	0.92	1.25	2,558	6.2	6.1	6.7	6.8	74.5	35.2	0.80	
CDL HTrust	CDREIT SP	BUY	S\$	1.01	1.41	935	5.6	6.1	6.9	6.9	65.5	38.4	0.71	
Far East HTrust	FEHT SP	BUY	S\$	0.64	0.76	952	5.1	6.4	6.8	6.2	40.9	32.2	0.71	
Frasers HTrust	FHT SP	NR	S\$	0.51	n.a.	730	4.8	5.1	5.3	5.1	54.9	34.0	0.77	
INDUSTRIAL														
AIMS APAC REIT	AAREIT SP	NR	S\$	1.28	n.a.	770	7.8	7.6	7.7	7.7	63.0	32.1	0.95	
CapLand Ascendas	CLAR SP	BUY	S\$	2.80	3.13	9,134	5.6	5.5	5.5	5.6	64.3	37.2	1.20	
Digi Core REIT USD	DCREIT SP	BUY	US\$	0.57	0.69	641	7.0	6.4	6.1	5.6	54.2	34.4	0.69	
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.30	n.a.	1,715	10.0	9.0	8.3	9.0	68.2	37.7	0.91	
Keppel DC REIT	KDCREIT SP	NR	S\$	1.87	n.a.	2,392	5.5	5.3	5.3	5.7	60.6	37.2	1.34	
Mapletree Ind Trust	MINT SP	BUY	S\$	2.27	2.69	4,779	6.0	5.8	6.0	6.3	57.4	37.9	1.20	
Mapletree Log Trust	MLT SP	BUY	S\$	1.58	1.72	5,831	5.7	5.5	5.1	5.1	76.7	38.9	1.12	
OFFICE														
Keppel REIT	KREIT SP	BUY	S\$	0.85	1.06	2,389	7.0	6.8	6.8	6.7	73.2	39.2	0.64	
RETAIL														
Frasers CT	FCT SP	BUY	S\$	2.19	2.42	2,786	5.5	5.3	5.5	5.5	55.7	39.3	0.94	
Lendlease REIT	LREIT SP	BUY	S\$	0.58	0.80	991	8.2	7.7	7.5	7.7	84.4	40.6	0.73	
Sasseur REIT	SASSR SP	BUY	S\$	0.695	0.93	640	9.4	9.0	9.4	9.8	42.8	25.4	0.82	
PARAGON REIT	PGNREIT SP	NR	S\$	0.84	n.a.	1,769	6.5	5.5	6.1	6.4	49.7	30.1	0.93	
Starhill Global	SGREIT SP	NR	S\$	0.49	n.a.	822	7.8	8.0	8.0	8.4	64.6	37.4	0.67	
DIVERSIFIED														
CapLand China Trust	CLCT SP	NR	S\$	0.815	n.a.	1,023	9.2	9.2	9.6	9.9	89.9	42.4	0.61	
CapLand Int Comm Trust	CICT SP	BUY	S\$	1.86	2.02	9,196	5.7	5.7	5.7	5.7	68.3	40.8	0.88	
Frasers L&C Trust	FLT SP	BUY	S\$	1.08	1.47	3,005	6.5	6.7	6.8	0.0	46.5	30.2	0.92	
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.38	1.80	5,383	7.0	6.6	6.8	6.9	74.7	40.7	0.79	
OUE Comm REIT	OUECT SP	NR	S\$	0.25	n.a.	1,019	8.5	8.0	8.0	8.4	72.9	39.4	0.43	
Suntec REIT	SUN SP	HOLD	S\$	1.12	1.12	2,411	7.9	6.5	5.7	5.9	70.2	42.7	0.54	
INTERNATIONAL (US/EUROPE)														
Cromwell REIT EUR	CERT SP	NR	€	1.32	n.a.	805	13.0	12.1	12.3	12.3	80.3	41.2	0.59	
Elite Comm REIT GBP	ELITE SP	NR	£	0.28	n.a.	168	17.2	12.9	13.6	14.6	90.9	45.8	0.55	
IREIT Global	IREIT SP	NR	S\$	0.36	n.a.	360	10.9	7.7	8.5	9.7	62.8	36.9	0.48	
Keppel REIT USD	KORE SP	BUY	US\$	0.28	0.56	292	20.7	17.9	17.3	17.1	69.2	38.4	0.35	
Manulife REIT USD	MUST SP	BUY	US\$	0.095	0.18	169	50.0	0.0	15.6*	16.5*	139.4	56.0	0.24	
Prime US REIT USD	PRIME SP	BUY	US\$	0.161	0.53	191	40.7	30.5	19.3*	20.0*	79.4	43.7	0.22	
Utd Hampshire REIT USD	UHU SP	BUY	US\$	0.40	0.60	233	14.7	11.7	11.5	11.5	74.3	41.7	0.54	

* Based on theoretical ex-rights unit price and fully diluted for 873:1,000 rights issue at US\$0.14 for PRIME and 2,427:1,000 rights issue at US\$0.05 for MUST.

Source: Bloomberg, UOB Kay Hian

COMPANY UPDATE

PTT Oil & Retail Business (OR TB)

EBITDA Margins To Rebound In Each Business Segment In 2024

OR is in a strong financial position with cash flow growth that is sufficient to support a five-year capex plan without impacting dividend payments. In the long term, we foresee an improvement in EBITDA margins across all business segments due to a more comprehensive investment strategy in each business. We believe the market has taken negative factors like a downtrend in 4Q23 net profit into account. Maintain BUY. Target price: Bt23.00.

WHAT'S NEW

The tone from PTT Oil and Retail PCL's (OR) analyst meeting was slightly positive.

• OR announced a five-year investment plan totalling Bt67.4b, with:

- a) **54% for the Mobility business.** The objective here is to sustain a leadership position in the oil and retail business. This involves various initiatives such as expanding the network of electric charging stations (EV Station PluZ), optimizing infrastructure, and enhancing product distribution within this business domain.
- b) **27% for the Lifestyle business.** This includes substantial contributions to the Café Amazon business, focusing on both upstream and downstream aspects. Upstream efforts involve the careful selection and procurement of high-quality coffee. In terms of downstream activities, there is a strategic expansion of the Value Chain to augment the proportion of revenue generated from the non-beverage segment, with the goal of surpassing 10% of the overall revenue derived from the Café Amazon business. Additionally, there are plans to allocate more investment to the hotel and Health & Wellness business. This initiative aligns with the broader objective of supporting the expansion of the tourism sector.
- c) **19% for Global business and Innovation & New Business.** The emphasis is placed on investing in foreign countries exhibiting high growth potential. This aligns with OR's strategic plan to establish Cambodia as a second home base. Within this framework, there is a focus on expanding investment in infrastructure, specifically in areas such as oil pipelines and oil storage. Additionally, the investment portfolio includes endeavors to diversify products by introducing new offerings like liquefied petroleum gas (LPG) and asphalt.

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	511,799	789,785	769,159	780,888	807,918
EBITDA	20,675	20,134	23,617	26,990	23,230
Operating profit	14,601	13,632	16,219	19,780	16,182
Net profit (rep./act.)	11,466	10,370	12,458	15,475	12,666
Net profit (adj.)	11,000	10,326	12,458	15,475	12,666
EPS (Bt)	0.9	0.9	1.0	1.3	1.1
PE (x)	21.6	23.0	19.1	15.4	18.8
P/B (x)	1.1	1.1	1.0	1.0	1.0
EV/EBITDA (x)	11.1	11.4	9.7	8.5	9.9
Dividend yield (%)	2.3	2.5	3.3	3.5	3.0
Net margin (%)	2.2	1.3	1.6	2.0	1.6
Net debt(cash) to equity (%)	(9.6)	1.9	(3.4)	(8.8)	(11.9)
Interest cover (x)	16.5	17.4	20.3	27.6	25.3
Consensus net profit	-	-	11,985	12,729	13,900
UOBKH/Consensus (x)	-	-	1.04	1.22	0.91

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

BUY

(Maintained)

Share Price	Bt19.90
Target Price	Bt23.00
Upside	+15.6%

COMPANY DESCRIPTION

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

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	OR TB
Shares issued (m):	12,000.0
Market cap (Btm):	237,600.0
Market cap (US\$m):	6,697.9
3-mth avg daily t'over (US\$m):	8.4

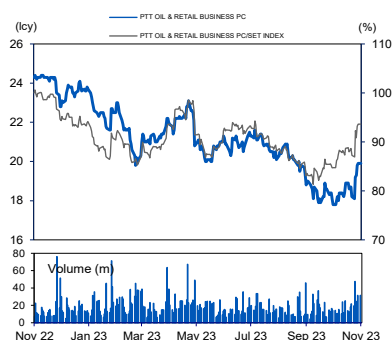
Price Performance (%)

52-week high/low	Bt24.40/Bt17.80			
1mth	3mth	6mth	1yr	YTD
8.2	(2.5)	(12.4)	(18.5)	(16.8)

Major Shareholders

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

PRICE CHART



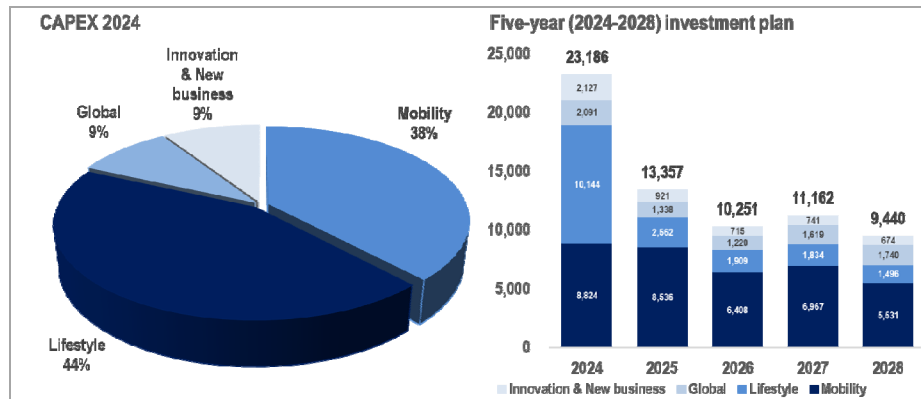
Source: Bloomberg

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INVESTMENT PLAN IN 2024 AND FIVE-YEARS 2024-28



Source: PTT Oil & Retail Business, UOB Kay Hian

- Strong financials to support capex plans in the next five years.** OR's management guided that all investment funds will be sourced from internal cash flow. Based on our projection of OR's financial strength and the sustained positive cash flow from operations, we are confident that the proposed capex will not lead to an increase in interest-bearing debt. Additionally, we expect that this capex will not have an adverse impact on dividend payments. We expect the average operating cash flow minus dividends for OR at Bt18.4b. As of 3Q23, OR's total cash on hand amounts to Bt42.0b.
- Expect 4Q23 oil sales volume at all-time high.** We expect oil sales volume to reach a new record in 4Q23 due to the heightened economic activity. Despite the recent adjustment by the Bank of Thailand (BoT), which lowered the GDP forecast for Thailand in 2023-24 to 2.8% yoy and 4.4% yoy as of 27 Sep 23, the outlook for domestic GDP growth in 4Q23 is optimistic at 4.7% yoy, aligning with the BoT's expectations. The market consensus for the growth rate of Thai GDP in 3Q23 is expected at 1.9-2.0%. There has also been a notable increase in the number of tourists. The projection for the total number of tourists in 2023 stands at 27.5m travelers, with 22.2m foreign tourists expected. Therefore, the forecast indicates an average of 2.6m foreign tourists per month during the last couple months of 2023.

STOCK IMPACT

- 4Q23 net profit to decrease qoq.** While we expect that oil sales volume will hit a record high and income from the Lifestyle business will benefit from seasonality and increased economic activity, these positive factors may be offset by rising expenses from marketing promotions and operating. It is worth noting that the expected decrease in marketing margin is attributed to a high base effect, due to a stock gain in 3Q23.
- Adopting a more optimistic perspective for the long term.** In the long term, we are adopting a more optimistic outlook, driven by the synergy benefits derived from the PTT Group in the execution of Project One. This is complemented by a well-structured investment plan and a commitment to establishing robust physical and digital platforms, aimed at enhancing operational efficiency. Additionally, there is a focus on prudent management to operate and control operating costs effectively. Consequently, our expectations indicate an overall increase in the EBITDA margin, with the: a) Lifestyle business poised for growth through business expansion, coupled with improved control over operating costs, and b) Global business anticipated to benefit from infrastructure development and the application of successful Thai business models implemented in Cambodia. In alignment with its strategic goals, OR aims to elevate the proportion of EBITDA generated from the global business segment to 15% by 2027.

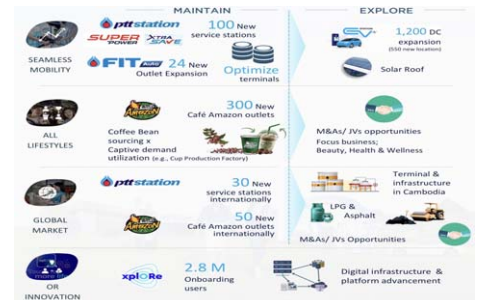
EARNINGS REVISION/RISK

- None.**

VALUATION/RECOMMENDATION

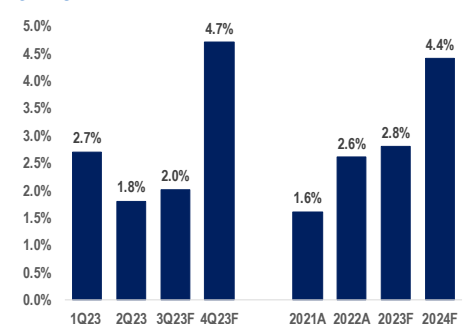
- Maintain BUY with a 2024 target price of Bt23.00,** based on its average three-year PE at -1.0SD of 18.0x. We prefer the upstream business (exploration and production of oil and gas). Our top picks include PTT Exploration and Production (PTTEP TB/Target: Bt200.00) and ESSO (ESSO TB/Target: Bt15.00).

KEY EXPANSION PLAN 2024



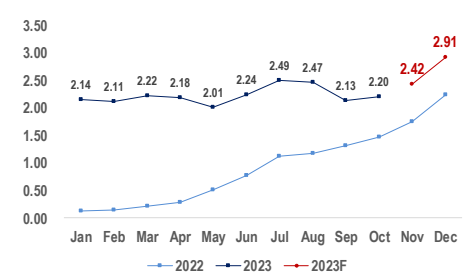
Source: PTT Oil & Retail Business, UOB Kay Hian

GDP'S THAILAND



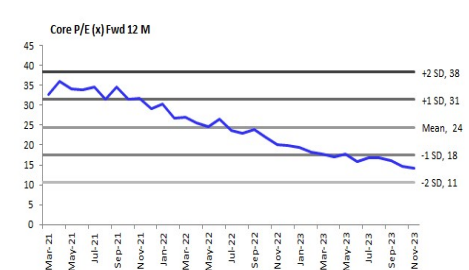
Source: BoT, UOB Kay Hian

INTERNATIONAL TOURIST ARRIVALS TO THAILAND 2022-23F



Source: PTT Oil & Retail Business, Ministry of Tourism & sport, UOB Kay Hian

AVERAGE THREE YEAR PE



Source: PTT Oil & Retail Business, UOB Kay Hian

PROFIT & LOSS

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

CASH FLOW

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

BALANCE SHEET

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

KEY METRICS

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

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