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### KEY HIGHLIGHTS

#### Company Results

**CelcomDigi (CDB MK/HOLD/RM4.26/Target: RM4.50)** Page 2

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.

**Greotech Technology (GREATEC MK/BUY/RM4.71/Target: RM6.20)** Page 5

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

**Malaysia Smelting Corporation (SMELT MK/BUY/RM2.11/Target: RM2.44)** Page 8

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.

#### Small-Mid Cap Highlights

**SFP Tech Holdings (SFPTECH MK/BUY/RM0.99/Target: RM1.20)** Page 11

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

#### UOBKH Highlights

**Affin Bank (ABANK MK/HOLD/RM2.01/Target: RM2.25)** Page 14

3Q23: Within expectations; Significant reduction in provisions played a crucial role in Affin's return to profitability. Maintain HOLD with a higher target price of RM2.25.

**Automobile – Malaysia** Page 15

Oct 23 TIV: 10M23 TIV still registered solid numbers as national carmakers persist in robust sales figures

### TRADERS' CORNER

Page 16

**Eastern & Oriental (E&O MK):** Technical BUY

**DPS Resources (DPS MK):** Technical BUY

### KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,460.67	(4.0)	(0.3)
Bursa Emas	10,799.98	(28.3)	(0.3)
Ind Product	173.92	(0.5)	(0.3)
Finance	16,382.64	(50.8)	(0.3)
Consumer	561.10	(1.2)	(0.2)
Construction	187.44	(0.6)	(0.3)
Properties	862.05	5.4	0.6
Plantations	7,006.74	(0.2)	(0.0)

### BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	17-Nov-23	% chg
Volume (m units)	3,273	(6.1)
Value (RMm)	1,889	(8.6)

By Investor type	(%)	ppt chg
Foreign investors	29.7	(0.6)
Local retail	28.7	0.3
Local institution	41.5	0.3

### TOP TRADING TURNOVER / GAINERS / LOSERS

Top Trading Turnover	Price (RM)	Chg (%)	5-day ADT (RM'000)
Malayan Banking	9.12	(0.2)	64,244
CIMB Group	5.80	0.3	50,906
Public Bank	4.23	(0.2)	46,679
Sime Darby	2.44	1.7	38,281
YTL Power	2.39	1.3	34,383

#### Top Gainers

Eastern & Orient	0.60	6.2	2,670
Jobstreet Corp	1.63	4.5	5
Media Prima	0.42	2.4	7
AirAsia X	2.00	2.0	5
7- Eleven Malaysia Holdings	2.00	2.0	243

#### Top Losers

AEON Credit	5.85	(50.9)	4,094
Parkson Holdings	0.29	(6.6)	3,456
Dialog Group	2.14	(2.7)	11,959
Hong Leong Financial	16.70	(2.3)	13,009
Velesto Energy	0.23	(2.1)	5,739

### OTHER STATISTICS

	17-Nov-23	chg	% chg
RM/US\$	4.68	(0.01)	(0.2)
CPO 3rd mth future (RM/mt)	3,931	(67.0)	(1.7)

Notes:

ADT = Average daily turnover.

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

### 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
<b>Revenues</b>	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)
<b>Net profit</b>	<b>455.7</b>	<b>32.7</b>	<b>(4.5)</b>	<b>1,117.2</b>	<b>(23.3)</b>
<b>Core Net profit *</b>	<b>455.7</b>	<b>32.7</b>	<b>(4.5)</b>	<b>1,117.2</b>	<b>(23.3)</b>
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 ARPU (RM/mth)	40	(2.4)	(4.8)		
<b>Cost Structure (% of revenue)</b>	<b>3Q22</b>	<b>4Q22</b>	<b>1Q22</b>	<b>2Q23</b>	<b>3Q23</b>
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 (%)

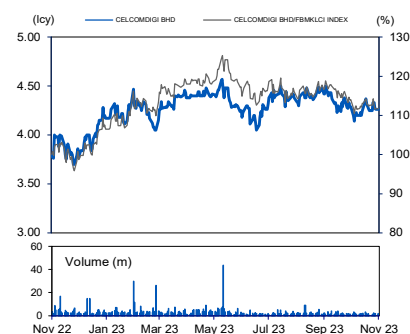
52-week high/low RM4.57/RM3.70

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

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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

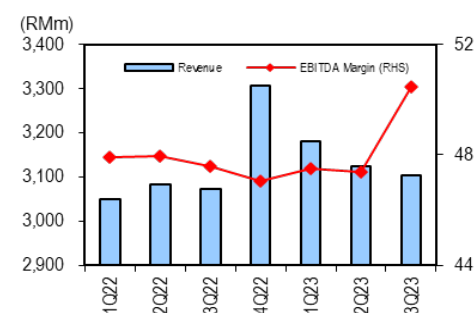
- Strengthened cyber security controls and enhanced standard contractual clauses for data protection.

### 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.

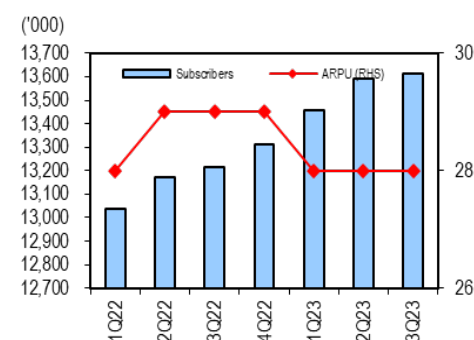
Source: CelcomDigi, UOB Kay Hian

### REVENUE AND EBITDA MARGIN



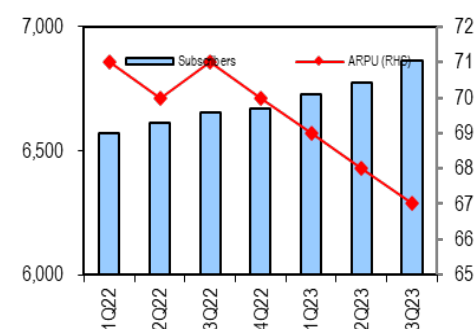
Source: CelcomDigi, UOB Kay Hian

### 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
<b>Net turnover</b>	<b>6,224</b>	<b>12,115</b>	<b>12,745</b>	<b>13,028</b>
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)
<b>Pre-tax profit</b>	<b>1,311</b>	<b>1,917</b>	<b>2,510</b>	<b>2,600</b>
Tax	(478)	(479)	(628)	(650)
Minorities	0	0	0	0
<b>Net profit</b>	<b>833</b>	<b>1,438</b>	<b>1,883</b>	<b>1,950</b>
Net profit (adj.)	544	1,149	1,883	1,950

### 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
<b>Total assets</b>	<b>37,543</b>	<b>41,251</b>	<b>42,102</b>	<b>42,759</b>
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
<b>Total liabilities &amp; equity</b>	<b>37,543</b>	<b>41,251</b>	<b>42,102</b>	<b>42,759</b>

### CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>2,575</b>	<b>5,448</b>	<b>5,787</b>	<b>5,622</b>
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
<b>Investing</b>	<b>(2,422)</b>	<b>(2,139)</b>	<b>(2,253)</b>	<b>(2,272)</b>
Capex (maintenance)	(755)	(2,181)	(2,294)	(2,345)
Others	(1,667)	41	41	73
<b>Financing</b>	<b>864</b>	<b>(1,619)</b>	<b>(2,086)</b>	<b>(2,176)</b>
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)
<b>Net cash inflow (outflow)</b>	<b>1,017</b>	<b>1,689</b>	<b>1,448</b>	<b>1,174</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>205</b>	<b>1,221</b>	<b>2,910</b>	<b>4,358</b>
Changes due to forex impact	0	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>1,221</b>	<b>2,910</b>	<b>4,358</b>	<b>5,532</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
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
<b>Growth</b>				
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
<b>Leverage</b>				
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 Technology (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

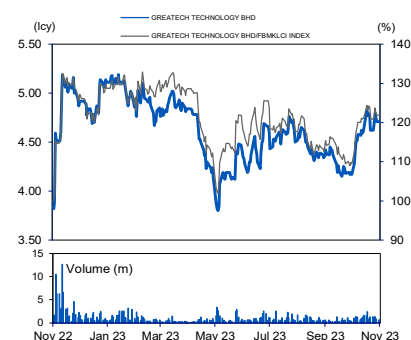
### Price Performance (%)

52-week high/low	RM5.19/RM3.80			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
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.

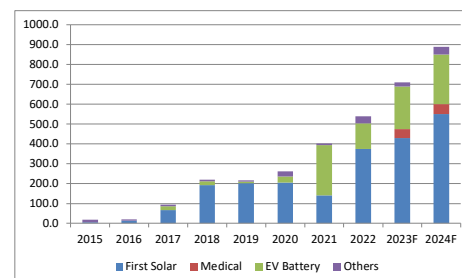
### VALUATION/RECOMMENDATION

- **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 cyclical 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)

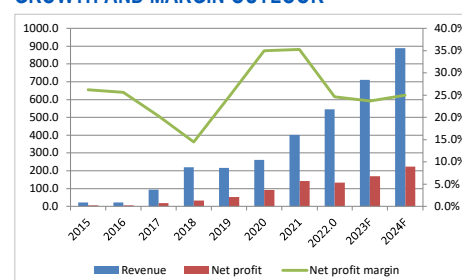
<ul style="list-style-type: none"> <li>• <b>Environmental</b> <ul style="list-style-type: none"> <li>- Its operations and production as a machine manufacturer are generally not energy-intensive.</li> <li>- New headquarters include energy-saving features like LED lighting and sensors to control and minimise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

### REVENUE DRIVERS ASSUMPTIONS



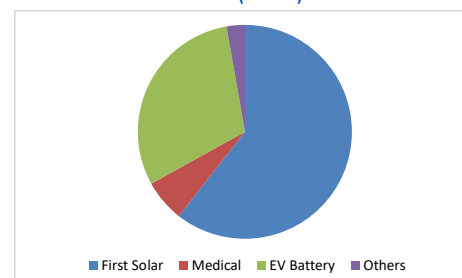
Source: Greatech, UOB Kay Hian

### 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
<b>Net turnover</b>	<b>546</b>	<b>710</b>	<b>889</b>	<b>1,065</b>
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)
<b>Pre-tax profit</b>	<b>128</b>	<b>169</b>	<b>224</b>	<b>272</b>
Tax	4	(1)	(1)	(1)
Minorities	0	0	0	0
<b>Net profit</b>	<b>132</b>	<b>168</b>	<b>222</b>	<b>271</b>
Net profit (adj.)	134	168	222	271

### 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
<b>Total assets</b>	<b>947</b>	<b>1,219</b>	<b>1,403</b>	<b>1,720</b>
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
<b>Total liabilities &amp; equity</b>	<b>947</b>	<b>1,219</b>	<b>1,403</b>	<b>1,720</b>

### CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>109</b>	<b>248</b>	<b>172</b>	<b>306</b>
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)
<b>Investing</b>	<b>(101)</b>	<b>(120)</b>	<b>(120)</b>	<b>(120)</b>
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
<b>Financing</b>	<b>(2)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>
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)
<b>Net cash inflow (outflow)</b>	<b>7</b>	<b>127</b>	<b>51</b>	<b>185</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>314</b>	<b>320</b>	<b>447</b>	<b>499</b>
Changes due to forex impact	(1)	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>320</b>	<b>447</b>	<b>499</b>	<b>684</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
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
<b>Growth</b>				
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
<b>Leverage</b>				
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
<b>Revenue</b>	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)
<b>EBIT</b>	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
<b>PBT</b>	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
<b>Core Net Profit</b>	24.9	10.7	(57.2)	142.7	70.0	(12.0)
<b>Margins (%)</b>						
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 (%)

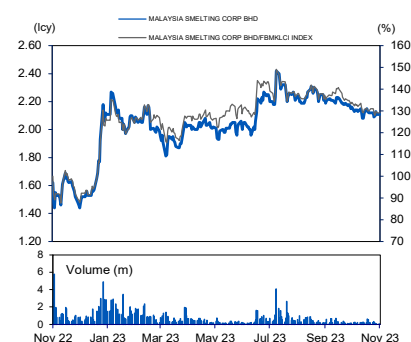
52-week high/low RM2.42/RM1.44

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.

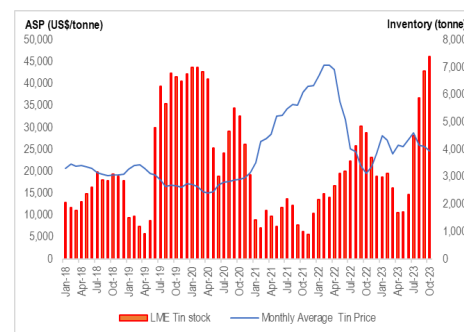
### VALUATION/RECOMMENDATION

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



Source: Bloomberg, UOB Kay Hian

### KEY ASSUMPTIONS

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

Source: UOB Kay Hian

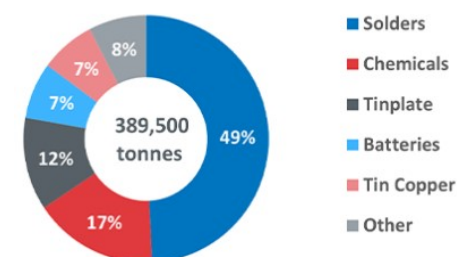
### TOP REFINED TIN PRODUCERS (2022)

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)	17,000	20,600	21.2%
4	PT Timah (Indonesia)	26,500	19,800	-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	EMA Winto (Bolivia)	12,100	10,300	-14.9%
9	Thaisarco (Thailand)	12,100	9,500	-21.5%
10	Aurubis Beerse (Belgium)	9,800	8,200	-16.3%

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

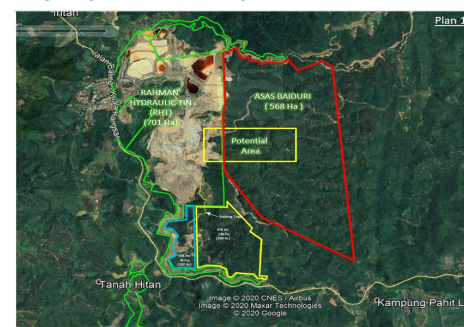
Source: ITA

### TIN APPLICATIONS BY USAGE



Source: ITA, MSC

### ABSB POTENTIAL MINING AREA



Source: MSC

### PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Net turnover</b>	<b>1,031</b>	<b>1,240</b>	<b>1,780</b>	<b>1,897</b>
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)
<b>Pre-tax profit</b>	<b>114</b>	<b>186</b>	<b>220</b>	<b>223</b>
Tax	(29)	(65)	(77)	(78)
Minorities	3	27	29	28
<b>Net profit</b>	<b>82</b>	<b>94</b>	<b>114</b>	<b>117</b>
Net profit (adj.)	70	94	114	117

### 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
<b>Total assets</b>	<b>1,302</b>	<b>1,404</b>	<b>1,538</b>	<b>1,621</b>
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
<b>Total liabilities &amp; equity</b>	<b>1,302</b>	<b>1,404</b>	<b>1,538</b>	<b>1,621</b>

### CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>244</b>	<b>223</b>	<b>(83)</b>	<b>335</b>
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
<b>Investing</b>	<b>16</b>	<b>(19)</b>	<b>(19)</b>	<b>(19)</b>
Capex (growth)	(19)	(19)	(19)	(19)
Investments	2	-	-	-
Proceeds from Sale of Assets	0	-	-	-
Others	-	-	-	-
<b>Financing</b>	<b>(231)</b>	<b>(80)</b>	<b>(88)</b>	<b>(89)</b>
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
<b>Net cash inflow (outflow)</b>	<b>29</b>	<b>125</b>	<b>(190)</b>	<b>227</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>123</b>	<b>151</b>	<b>276</b>	<b>86</b>
Changes due to forex impact	(0)	-	-	-
<b>Ending cash &amp; cash equivalent</b>	<b>151</b>	<b>276</b>	<b>86</b>	<b>313</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
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
<b>Growth</b>				
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
<b>Leverage</b>				
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

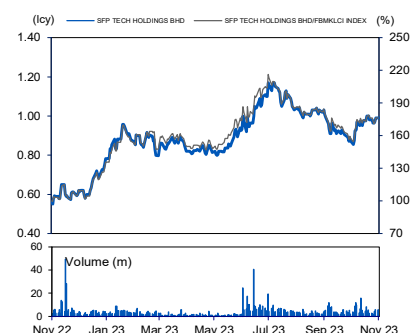
#### Price Performance (%)

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**

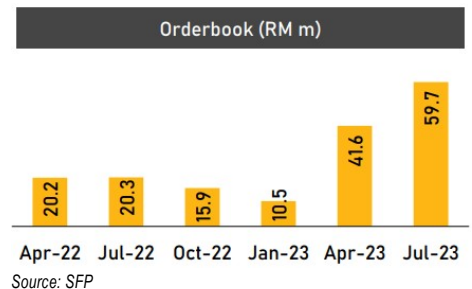
- **Maintain BUY with an unchanged target price of RM1.20**, based on 35.0x 2024F PE. This is based on average five-year forward mean PE of the semiconductor production equipment segment. Our PE multiple yardstick implies an undemanding PEG ratio of 0.7x given its multi-year growth story (superior three-year 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**

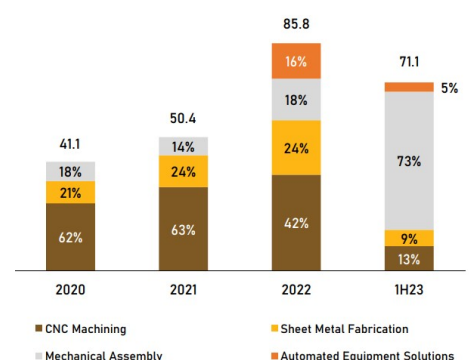
	Engineering Supporting Services			Automated Equipment Solutions
PRINCIPAL ACTIVITIES	Sheet Metal Fabrication	CNC Machining	Mechanical Assembly	
OUR SERVICES	<ul style="list-style-type: none"> <li>Laser Cut</li> <li>Laser Cut &amp; Punch</li> <li>Laser Tube Cutting</li> <li>Fiber Optic Laser</li> <li>Welding (Laser, TIG, MIG, Spot, Resistance)</li> <li>Bending</li> <li>Hairline Polishing</li> </ul>	<ul style="list-style-type: none"> <li>CNC Milling (3 &amp; 5-axis)</li> <li>Large Format 5 Faces Milling</li> <li>Surface grinding</li> <li>CNC Turn-Mill</li> <li>CNC Turning</li> <li>Etch</li> <li>CNC Wire Cut</li> </ul>	<ul style="list-style-type: none"> <li>Sub-module assembly</li> <li>Turnkey Full assembly</li> </ul>	<ul style="list-style-type: none"> <li>Automation Conceptual Design</li> <li>Assembly, Test &amp; Commissioning</li> <li>Engineering &amp; Development</li> <li>On-Site Installation &amp; Support</li> </ul>
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**



**REVENUE BREAKDOWN (2020-1Q23)**



### PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Net Turnover</b>	<b>85.8</b>	<b>141.9</b>	<b>222.9</b>	<b>292.5</b>
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)
<b>Pre-tax Profit</b>	<b>34.8</b>	<b>46.3</b>	<b>85.2</b>	<b>112.1</b>
Tax	(2.8)	(2.5)	(4.7)	(6.2)
Minorities	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>32.0</b>	<b>43.8</b>	<b>80.5</b>	<b>106.0</b>
Net Profit (Adjusted)	32.4	43.8	80.5	106.0

### 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
<b>Total Assets</b>	<b>240.1</b>	<b>308.3</b>	<b>405.4</b>	<b>529.7</b>
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
<b>Total Liabilities &amp; Equity</b>	<b>240.1</b>	<b>308.3</b>	<b>405.4</b>	<b>529.7</b>

### CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>25.7</b>	<b>58.9</b>	<b>78.4</b>	<b>109.2</b>
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
<b>Investing</b>	<b>(24.1)</b>	<b>(43.0)</b>	<b>(30.0)</b>	<b>(15.0)</b>
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
<b>Financing</b>	<b>45.8</b>	<b>(5.0)</b>	<b>(4.9)</b>	<b>(4.8)</b>
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)
<b>Net Cash Inflow (Outflow)</b>	<b>47.5</b>	<b>10.9</b>	<b>43.5</b>	<b>89.4</b>
<b>Beginning Cash &amp; Cash</b>	<b>23.8</b>	<b>71.2</b>	<b>82.0</b>	<b>125.5</b>
Changes Due to Forex Impact	(0.1)	0.0	0.0	0.0
<b>Ending Cash &amp; Cash Equivalent</b>	<b>71.2</b>	<b>82.0</b>	<b>125.5</b>	<b>215.0</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
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
<b>Growth</b>				
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
<b>Leverage</b>				
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)



## UOBKH HIGHLIGHTS

### Affin Bank (ABANK MK/HOLD/RM2.01/Target: RM2.25)

3Q23: Underpinned By Lower Provisions

#### 3Q23 RESULTS

#### SUMMARY EARNINGS FORECASTS

Year to 31 Dec	3Q23 (RMm)	3Q22 (RMm)	yoy % chg	9M23 (RMm)	yoy % chg	Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net Interest Income	169.4	266.5	(36.4)	605.6	(19.8)	Net Interest Income	1,023	1,095	1,139	1,199
Islamic Banking	144.9	190.2	(23.8)	444.3	(11.8)	Non-interest Income	344	365	384	403
Fees & Commissions	56.7	55.9	1.5	188.4	6.5	Net Profit (Reported/Actual)	1,300	502	538	565
Net Trading Income	83.1	11.4	626.9	135.6	224.7	Net Profit (Adjusted)	280	502	538	565
Other Operating Income	46.3	10.5	341.2	125.7	1139.7	EPS (sen)	9.0	25.8	27.7	29.1
Total Income	500.4	534.5	(6.4)	1,499.6	0.8	PE (x)	22.3	7.8	7.3	6.9
Operating Expenses	(374.3)	(368.3)	1.6	(1,020.7)	4.9	P/B (x)	0.4	0.4	0.3	0.3
PPOP	126.1	166.2	(24.1)	478.9	(6.9)	Dividend Yield (%)	15.1	5.8	6.2	6.5
Provision	(27.4)	(315.9)	(91.3)	(63.9)	(81.9)	Cost/Income (%)	64.1	61.4	61.6	62.2
Associate/JV	7.3	(4.7)	(256.9)	37.4	48.8	ROE (%)	6.6	4.6	4.7	4.8
PBT	106.1	(154.4)	(168.7)	452.4	143.9					
Net Profit	100.5	(94.5)	>100	362.5	86.1					
EPS (sen)	5.1	(4.0)	>100	18.3	86.1					
DPS (sen)	0.0	0.0	n.a.	0.0	n.a.					
BVPS (RM)	4.69	4.95	(5.3)	4.7	(5.3)					
	<b>3Q23</b>	<b>3Q22</b>	<b>yoy</b>	<b>2Q23</b>	<b>qoq</b>					
<b>Financial Ratios</b>	<b>%</b>	<b>%</b>	<b>ppt chg</b>	<b>%</b>	<b>ppt chg</b>					
Loan Growth	2.9	2.0	0.9	2.1	0.8					
Deposit Growth	0.2	(0.8)	0.9	8.6	(8.4)					
Loan/Deposit Ratio	87.7	87.7	0.0	85.4	2.3					
Cost/Income Ratio	74.8	68.9	5.9	62.7	12.1					
ROE	3.7	33.2	(29.5)	4.2	(0.5)					
NPL Ratio	1.9	1.9	(0.1)	1.8	0.1					
Credit Costs (bp)	17.0	223.5	(206.5)	31.9	(14.9)					
Loan Loss Coverage	123.9	43.0	80.9	128.3	(4.5)					
CET-1 CAR	14.4	16.3	(1.9)	14.8	(0.4)					

Source: Affin, UOB Kay Hian

#### RESULTS

- In line.** Affin Bank (Affin) reported 3Q23 net profit of RM101m (-11% qoq, vs core loss of -RM94m in 3Q22, excluding goodwill impairment, divestment gains and related opex), bringing 9M23 earnings to RM363m (+86%). This was within expectations, making up 72% of our and consensus full-year forecasts. We expect Affin to register stronger sequential 4Q23 earnings on the back of improved NIM trajectory given the redemption of expensive Sukuk in Oct 23. 9M23 earnings rose 86% given lower provision for impaired loans (-76%). However, pre-provision operating profit was weak (-6.9% yoy), capped by negative Jaws as total income growth was lacklustre (+1%) while opex climbed 5%.
- QOQ.** 3Q23 earnings declined by 11% due to unfavorable Jaws resulting from increased operating expenses (+18%). Additionally, the revenue was lacklustre, experiencing a slight decrease of 1%, primarily affected by a 9bp NIM compression. Nevertheless, the reduction in loan loss provisions (-48%) and a lower effective tax rate offered some relief.
- YOY.** The significant reduction in provisions for bad loans (-91%) played a crucial role in Affin's return to profitability. Despite a 6% decline in total income, attributed to a contraction in net interest margin (NIM) by 77bp, this was offset by a substantial increase in non-interest income (NOII), which doubled. The strength in treasury and forex-related gains effectively cushioned the impact on overall income.
- GIL ratio edged upwards.** In terms of asset quality, the gross impaired loans (GIL) ratio edged upwards by 6bp to 1.84% due to uptick in corporate loans GIL. However, we are not overly worried on any asset quality weakness as we believe Affin is better equipped with LLC now at 124% vs pre-pandemic level of c.35%.
- Loans and deposit growth remains steady.** Both loans and deposits expansion remained steady at +12.3% yoy (2Q23: +12.7%) and +12.0% yoy (2Q23: +11.0%) respectively. Loans growth continued to be driven by mortgages and auto which expanded 20.3% yoy and 14.2% yoy respectively.

#### EARNINGS REVISION/RISK

- No changes.

#### VALUATION/RECOMMENDATION

- Maintain HOLD with a higher target price of RM2.25 (0.37x 24F P/B, ROE: 4.7%) from RM2.14** as we roll forward our target price to 2024. This is slightly below its historical mean P/B of 0.40x. The discount seems justified considering Affin's lower ROE of 4.7% vs 5.5% before the disposal of its asset management business.

#### ANALYST

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### UOBKH HIGHLIGHTS

## Automobile (MARKET WEIGHT)

10M23 TIV Still Registered Solid Numbers

#### WHAT'S NEW

- The Malaysia Automotive Association's (MAA) Oct 23 total industry volume (TIV) increased by 9.9% mom and 22.8% yoy to 74,896 units. 10M23 TIV was 646,840 (+12.4% yoy), driven by the improved sales from both passenger (+9.6% mom) and commercial (+12.5% mom) vehicles. We believe this positive result was driven not only by stellar performance from national brands which contributed over 60% of market share, but also the low base effect in Sep 23 due to customers' wait-and-see approach for incentives to be unveiled during Malaysia's Budget 2024 (tabled on 13 Oct 23), hence, base-loading sales numbers in Oct 23.
- **National carmakers persist in robust sales figures.** In Oct 23, Perodua maintained its leading position, selling 33,836 units (+17% mom, +31% yoy) with a 50% market share, followed by Proton, which sold 12,188 units with a 18% market share (+2% mom, -3% yoy). Perodua continues to stand strong, achieving record-breaking sales numbers in a single month in Oct 23. Among other factors, the A and B car segments continue to bolster demand, particularly among budget-conscious mass-market customers attracted to affordable models. Meanwhile, Proton is continuing to debut new models including S70 as an effort to enhance its market share in the mass market segment.
- New bookings for Perodua are robust, supported by year-end promotions. Meanwhile, its backlog orders have seen a healthy depletion (Sep 23: 155,000 units, Aug 23: 155,000 units, Jul 23: 190,000 units) due to improvements in the supply chain. This, in turn, has led to enhanced production efficiency and shorter waiting periods (2-5 months compared to 2-8 months in 2022) depending on the model.
- **Non-national brands and all top brands experienced a surge in sales**, including Toyota (+21% mom), Honda (+12% mom), and Mazda (+26% mom). We believe this was also supported by the improvement in the supply chain and low base effect due to customers' wait-and-see approach for Malaysia's Budget 2024 incentives boosting the numbers. The near-term outlook is expected to remain robust, supported by year-end promotions aimed at clearing current-year production models. Therefore, we anticipate strong sales in 4Q23.

#### COMMENT

- **Expect 2024 TIV to register 660,000 units, down 5% yoy (2023: 700,000 units).** Moving into 2024, we expect TIV to drop from a high base to 660,000 units as we foresee limited catalysts in 2024 that can significantly boost TIV numbers further, in contrast to 2022 and 2023, except for the ongoing introduction of new models by certain brands. However, this assumption surpasses the five-year pre-pandemic average (2016-20) of 577,841 units, indicating that our forecast is above historical figures, which we consider to be a healthy sign in the industry. We anticipate a significant drop in consumption due to: a) absence of major catalysts like SST exemption, b) higher inflation environment which will somehow erode end-consumers' purchasing power, and c) the introduction of the new luxury tax which may have, at most, a minimal impact on demand upfront. However, stronger-than-expected sales can result from national brands, appealing to mass-market customers, especially those seeking budget-conscious products.

#### ACTION

- **Maintain MARKET WEIGHT.** Sector valuation is trading at a 2024F PE of 8x, slightly below -1SD of 9.7x (average peers five-year mean of 12x). Valuation appear lofty but are fair, in our view, given the sector's catalysts are currently subdued. Bermaz Auto remains our top sector pick.
- **Bermaz Auto (BAUTO MK/BUY/Target: RM2.86).** Our target price is still based on ascribed PE of 12x to its FY24F EPS (which is the sector's five-year mean). Key re-rating catalysts include: a) Mazda's continued traction with a supported CKD line-up and stable orderbook, b) Kia's and Peugeot's sales improvement from low base numbers, c) improvement in the Philippines market, d) improvement in localisation models, and e) lush 6.9% dividend yield backed by net cash.

#### TOP KEY MARQUES YTD

Make	Sales (Units)		Market Share (%)		Ranking	
	Jan-Oct 23	Jan-Oct 22	Jan-Oct 23	Jan-Oct 22	Jan-Oct 23	Jan-Oct 22
Perodua	267,063	222,203	41.3	38.4	1	1
Proton	126,994	110,625	19.6	19.1	2	2
Toyota	86,107	79,307	13.3	13.7	3	3
Honda	61,331	66,032	9.5	11.4	4	4
Mazda	15,955	11,487	2.7	2.0	5	5
Others	89,390	89,263	13.8	15.4	n.a.	n.a.
<b>TIV</b>	<b>646,840</b>	<b>578,917</b>	<b>100</b>	<b>100</b>	<b>n.a.</b>	<b>n.a.</b>
<b>Passenger</b>	<b>580,421</b>	<b>514,515</b>	<b>90</b>	<b>89</b>	<b>n.a.</b>	<b>n.a.</b>
<b>Commercial</b>	<b>66,419</b>	<b>64,402</b>	<b>10</b>	<b>11</b>	<b>n.a.</b>	<b>n.a.</b>

Source: MAA

#### ANALYST

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### TRADERS' CORNER

E&O (3417) 17/11/2023\* O=0.565 H=0.605 L=0.565 C=0.6 V=14.1M Chg=+0.035 (+6.2%)



Source: UOBKH ChartGenie

DPS (7198) 17/11/2023\* O=0.59 H=0.615 L=0.57 C=0.61 V=4.36M Chg=+0.02 (+3.4%)



Source: UOBKH ChartGenie

### Eastern & Oriental (E&O MK)

Technical BUY with +20.8% potential return

Last price: RM0.60

Target price: RM0.665, RM0.725

Support: RM0.540

Stop-loss: RM0.535

**BUY with a target price of RM0.725 and stop-loss at RM0.535.** E&O has just passed the consolidation phase and managed to close above the BBI line yesterday. The uptick in the DMI and the increase in trading volumes suggest buying momentum is set to continue in the near term. This is supported by positive readings in the RSI. We expect the stock to continue trending upwards towards our targets in the current up-leg.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading

### DPS Resources (DPS MK)

Technical BUY with +27.1% potential return

Last price: RM0.610

Target price: RM0.665, RM0.775

Support: RM0.535

Stop-loss: RM0.530

**BUY with a target price of RM0.775 and stop-loss at RM0.530.** The share price has recently recovered, exhibiting an uptrend by forming higher highs and higher lows. The last few days' gain was also accompanied by high trading volume as well as rising DMI and RSI indicators, which indicate that positive momentum would strengthen in the near term. Using Fibonacci extensions, near-term target prices would be RM0.665 and RM0.775.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading

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