UOBKayHian

Regional Morning Notes

Monday, 11 September 2023

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

KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	34576.6	0.2	(0.4)	(2.0)	4.3
S&P 500	4457.5	0.1	(1.1)	(0.1)	16.1
FTSE 100	7478.2	0.5	0.2	(0.6)	0.4
AS30	7358.1	(0.2)	(1.8)	(2.6)	1.9
CSI 300	3740.0	(0.5)	(1.4)	(3.7)	(3.4)
FSSTI	3207.8	(0.6)	(0.8)	(2.6)	(1.3)
HSCEI	6314.7	(1.4)	(0.7)	(4.1)	(5.8)
HSI	18202.1	(1.3)	(1.5)	(5.1)	(8.0)
JCI	6924.8	(0.4)	(0.8)	0.7	1.1
KLCI	1455.0	(0.4)	(0.6)	(0.2)	(2.7)
KOSPI	2547.7	(0.0)	(0.6)	(1.7)	13.9
Nikkei 225	32606.8	(1.2)	(0.3)	0.4	25.0
SET	1547.2	(0.2)	(0.9)	0.8	(7.3)
TWSE	16576.0	(0.3)	(0.4)	(0.2)	17.2
BDI	1186	3.9	11.4	5.0	(21.7)
CPO (RM/mt)	3754	(1.4)	(1.2)	(1.2)	(7.3)
Brent Crude (US$/bbl)	90	(0.4)	1.5	4.1	5.1

Source: Bloomberg

TOP PICKS

	Ticker	CP (lcy)	TP (lcy)	Pot. +/- (%)
BUY				
BYD	1211 HK	247.20	590.00	138.7
China Duty Free	601888 CH	108.40	138.00	27.3
Bank Neo Commerce	BBYB IJ	324.00	1,000.00	208.6
Bumi Serpong	BSDE IJ	1,050.00	1,420.00	35.2
HM Sampoerna	HMSP IJ	860.00	1,300.00	51.2
My EG Services	MYEG MK	0.78	1.18	52.3
Yinson	YNS MK	2.51	4.05	61.4
OCBC	OCBC SP	12.43	18.22	46.6
CP ALL	CPALL TB	64.25	78.00	21.4
Indorama	IVL TB	27.50	37.00	34.5

KEY ASSUMPTIONS

GDP (% yoy)		2022	2023F	2024F
US		2.1	0.8	1.2
Euro Zone		3.5	0.1	1.0
Japan		1.0	1.0	1.5
Singapore		3.6	0.7	3.0
Malaysia		8.7	4.4	4.6
Thailand		2.6	3.1	3.5
Indonesia		5.4	4.9	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
Palm Oil Webinar: Global Oilseeds and Vegoil Outlook	Singapore	12 Sep	12 Sep
Presentation by Wilmar International Ltd (WIL:SP)	Kuala Lumpur	13 Sep	13 Sep
Post-result Virtual Meeting with China Overseas Property Holdings Limited (2669 HK)	Hong Kong	14 Sep	14 Sep
Malaysia Marine and Heavy Engineering Holdings (MMHE MK) Investor Meeting	Kuala Lumpur	14 Sep	14 Sep

ECONOMICS – CHINA

Inflation

CPI Inflation Back In Positive Territory

CPI inflation edged higher to 0.1% yoy in Aug 23, as the fall in CPI goods prices moderated, while core CPI held steady at 0.8% yoy and services CPI was higher at 1.3% yoy. The fall in PPI narrowed to 3.0% yoy, in line with the moderation in the declines of global commodity prices over the past few months. The latter however fell by a greater extent in August (down 5.5% yoy) compared with July and could lead to renewed concerns of deflation.

OUR VIEWS

- **August consumer price inflation came in at 0.1% yoy,** in line with Bloomberg consensus forecast and above July's -0.3% yoy. Both food and core inflation held steady while the decline in goods CPI narrowed to -0.7% yoy and services CPI edged higher, rising 1.3% yoy. The decline in food price was mainly due to the 17.9% yoy decline in pork prices and 3.3% decline in vegetable prices. Among the sub-categories, the strongest inflation was seen in recreational, educational and cultural articles, which came in at 2.5% yoy, consistent with the better retail sales in this sub-segment.

- **PPI fell 3.0% yoy in August,** slightly below Bloomberg consensus forecast of -2.9% yoy, but better than July's -4.4% yoy. Both producer goods PPI and consumer goods PPI saw their yoy declines moderate, in line with the moderation in declines of global commodity prices over the past few months. The latter however fell 5.5% yoy in August compared to the 3.2% decline the month before. This could limit further moderation in the PPI declines and lead to renewed concerns of deflation in the coming months.

CPI

(yoy % chg)	Aug 23	ppt chg	Jul 23	Jun 23
Headline CPI	0.1	0.4	-0.3	0.0
Food	-1.7	0.0	-1.7	2.3
Core CPI	0.8	0.0	0.8	0.4
Goods	-0.7	0.6	-1.3	-0.5
Services	1.3	0.1	1.2	0.7
Food, Tobacco And Liquor	-0.5	0.0	-0.5	2.0
Clothing	1.1	0.1	1.0	0.9
Residence	0.1	0.0	0.1	0.0
Daily Necessities And Services	-0.5	-0.3	-0.2	-0.5
Transportation And Communication	-2.1	2.6	-4.7	-6.5
Recreational, Educational And Cultural Articles	2.5	0.1	2.4	1.5
Medical-Related Articles	1.2	0.0	1.2	1.1
Other Products And Services	3.8	-0.3	4.1	2.4

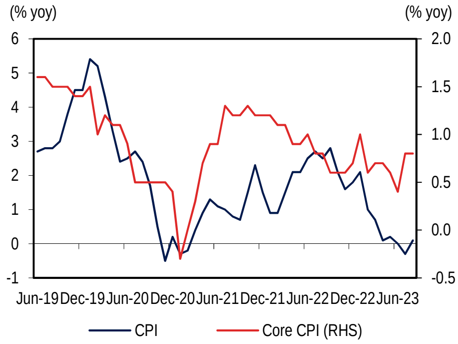
Source: NBS, Wind, UOB Kay Hian

PPI

(yoy % chg)	Aug 23	ppt chg	Jul 23	Jun 23
Headline PPI	-3.0	1.4	-4.4	-5.4
Producer Goods	-3.7	1.8	-5.5	-6.8
Mining And Quarrying	-9.9	4.8	-14.7	-16.2
Raw Materials	-4.0	3.6	-7.6	-9.5
Processing	-3.1	0.7	-3.8	-4.7
Consumer Goods	-0.2	0.2	-0.4	-0.5
Food	-0.2	0.7	-0.9	-0.6
Clothing	1.0	-0.5	1.5	1.0
Articles For Daily Use	0.6	-0.2	0.8	0.3
Durable Consumer Goods	-1.2	0.3	-1.5	-1.5
Purchasing Price Index	-4.6	1.5	-6.1	-6.5
Fuel And Power	-9.1	3.1	-12.2	-11.1
Ferrous Metal Materials	-5.6	2.5	-8.1	-11.2
Non-Ferrous Metal Materials And Wires	2.6	2.7	-0.1	-4.9
Chemical Raw Materials	-10.4	2.9	-13.3	-13.0
Wood And Pulp	-6.6	-0.7	-5.9	-4.4
Building Materials And Non-Metallic	-6.0	-0.4	-5.6	-5.5
Other Industrial Raw Materials And Semi-Products	-1.8	0.0	-1.8	-2.1
Agricultural And Sideline Products	-3.7	1.9	-5.6	-3.6
Textile Raw Materials	-2.4	1.4	-3.8	-4.9

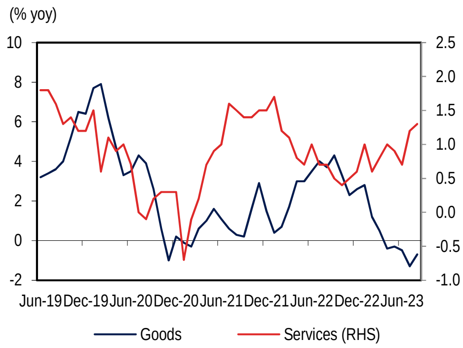
Source: NBS, Wind, UOB Kay Hian

CPI AND CORE CPI



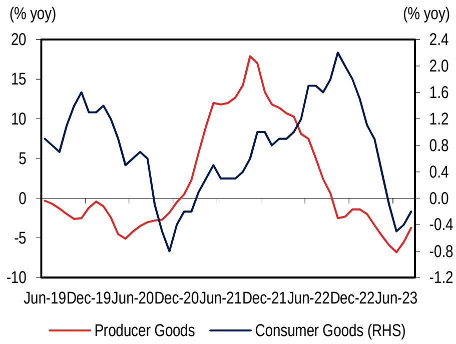
Source: National Bureau of Statistics of China (NBS), Wind, UOB Kay Hian

GOODS AND SERVICES INFLATION



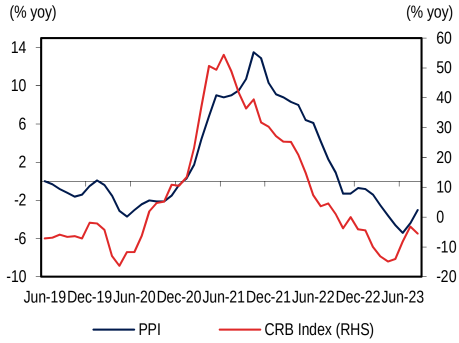
Source: NBS, Wind, UOB Kay Hian

PPI OF CONSUMER AND PRODUCER GOODS



Source: NBS, Wind, UOB Kay Hian

PPI AND CRB COMMODITY INDEX



Source: NBS, Wind, UOB Kay Hian

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SECTOR UPDATE

Industrial Automation – China

2Q23 Results Wrap-up: Robust Share Gains Offset By Slow Recovery

As foreign brands struggled to destock amid a tough macro environment, domestic automation names maintained the robust momentum in market share gains, with both Inovance and Estun seeing record-high market shares during 2Q23. The market's recovery is slower than expected, but we are starting to see more positive signs, such as a pick-up in demand from cyclical end-markets, and slightly better sentiments from consumer electronic names. Maintain OVERWEIGHT.

OVERWEIGHT

(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (Rmb)	Target Price (Rmb)
Inovance	300124 CH	BUY	70.11	82.00
Estun	002747 CH	BUY	22.60	31.50

Source: UOB Kay Hian

WHAT'S NEW

- **2Q23 results wrap-up: Domestic names outperformed on share gains; market conditions below expectations.** Names under our coverage delivered results ranging from in-line to below expectations. Shuanghuan Driveline (Shuanghuan) remained the best performer under our coverage with a 47% yoy net profit growth thanks to a much better-than-expected recovery in its commercial vehicle business, although the slowdown in EV gear business in 2Q was worse than our expectations. Inovance reported an in-line 6% yoy net profit growth, driven by strong share gains in general automation business, and a recovery in its EV business. Estun's earnings surged by 2.4x yoy from a low base, but still missed our and market expectations due to a lower-than-expected growth in its core automation business. Han's Laser remained the worst performer under our coverage due to its large exposure to consumer electronics and cyclicals with earnings declining 6% yoy to Rmb281m, but still saw a strong 98% qoq recovery by a very low base in 1Q23.

- **Domestic brands registered robust share gains in 2Q23…** Estun continued the trend of robust share gains in 2Q23, with market share expanding to 9% (+2ppt yoy and 1ppt qoq), surpassing Epson, ABB and Yaskawa to become the second largest industrial robot name in China for the first time. Inovance also registered share gains across all key products, with servo/inverter/small-sized programmable logic controllers (PLC) share expanding to 17.5%/24.3%/15.4% (+2.6ppt/2.8ppt/3.5ppt vs 2022) respectively in 1H23.

- **…and foreign brands were the losers again.** Foreign brands were plagued by share loss amid an on-going import substitution trend, a weaker-than-expected recovery, and the subsequent inventory destocking throughout 2Q. For the June quarter, FANUC was among the worst performers due to its exposure to machine tools and robots, and reported a whopping 41% yoy decline in new orders from China. Yaskawa and Omron were much better off thanks to their exposure to upstream components, with Omron reporting a flattish qoq orders growth in China for the i-automation business, and Yaskawa registering a strong 36% yoy and 97% qoq growth in its AC servo motor business primarily thanks to strong order flow from the solar industry. However, Yaskawa's robotics orders from China still registered a sharp 48% yoy decline. ABB's overall orders growth remained strong at +2% yoy thanks to its exposure to process automation, but its global robotics and China orders still registered a 22% and 9% yoy decline respectively during the period.

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PEER COMPARISON

Company	Ticker	Rec	Price @ 8 Sep 23 (Rmb)	Target Price (Rmb)	Upside/(Downside) to TP (%)	Market Cap (Rmbm)	PE 2023F (x)	PE 2024F (x)	P/B 2023F (x)	P/B 2024F (x)	ROE (%)	Net Gearing (Cash) (%)
Inovance	300124 CH	BUY	70.11	82.00	17.0	185,511	38.8	32.7	7.9	6.6	19.2	(23.1)
Estun	002747 CH	BUY	22.60	31.50	39.4	19,585	83.5	61.8	6.5	5.9	8.1	81.9
Shuanghuan Driveline	002472 CH	HOLD	33.29	36.20	8.7	28,393	36.2	27.8	3.5	3.1	10.2	1.2
Han's Laser	002008 CH	HOLD	23.71	25.50	7.5	24,937	24.8	20.0	1.9	1.8	5.6	(23.1)

Source: Bloomberg, UOB Kay Hian

Guidance has turned more cautious for 2H23. Progress of inventory destocking for foreign brands has been slower than expected, and it may take another quarter before inventory levels return to a more normal level. Demand recovery is also rather weak, as the slowdown in EV/Li-ion battery capex was sharper than we had anticipated at the beginning of the year. Domestic names have mostly kept or revised down their full-year guidances – Inovance and Shuanghuan have mostly kept full-year guidance unchanged, while Estun has a more cautious tone on top-line growth due to ASP competition for the robotics business and a weaker-than-expected growth in its core component business. **Opt Machine Vision** (688686 CH/Not rated), a leading domestic machine vision solutions provider, also revised down its full-year top-line growth guidance from 30% to 10% due to a slowdown in both the EV and semiconductor end-markets. **Leader Drive** (688017 CH/Not rated) was among the worst performers in the A share automation space due to its big exposure to light-payload robots and share loss. Most foreign players have turned cautious on China's recovery due to the lack of solid government stimulus, and they are now guiding for a recovery in the China market in 1H24 (vs previous guidance of end-2023)..

Humanoid robot exposure under our coverage. For our coverage, we believe Shuanghuan has the biggest exposure to humanoid robots, as the company should be cooperating with a key North American client on the development of a new planetary reducer for its humanoid robot product. We believe Inovance has also approached the same client for the cooperation of core components. We note that humanoid robots' actual contribution to top-/bottom lines will remain minimal in the coming 1-2 years. Nevertheless, share prices of key stocks may react strongly to newsflow related to the development of humanoid robots.

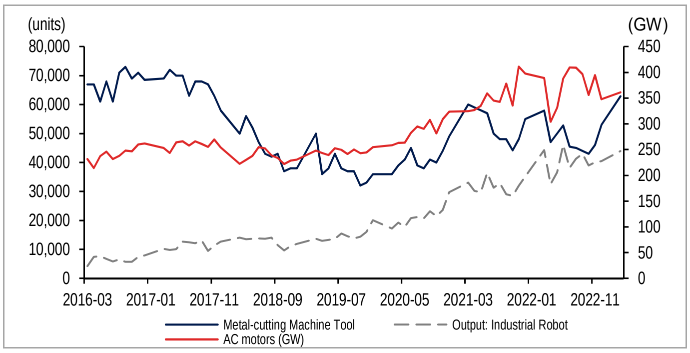
ACTION

- **Maintain OVERWEIGHT.** Despite a weaker-than-expected recovery, we believe the direction of the overall automation market in China is largely in line with our previous expectations (a slow recovery towards year-end), even though the shipment numbers for industrial robots have been slightly disappointing given the worse-than-expected slowdown in capex in the EV supply chain. As such, we trim our full-year growth estimates for China's industrial robot shipment from +5% to +3% yoy. Our estimates for automation demand remain largely unchanged at -1.4% yoy. Maintain OVERWEIGHT as we expect domestic players to benefit from robust share gains.

- **Inovance (300124 CH/BUY/Target: Rmb82.00).** We believe Inovance as the leader among domestic automation player will benefit the most from the on-going import substitution trend. We also expect Inovance to benefit more from the recovery in broader economy, given their larger exposure to end-markets such as property, semi and consumer electronics. Maintain BUY and keep our target price of Rmb82.00 unchanged, now pegged to 38.3x 2024F PE, on a par with its historical forward mean.

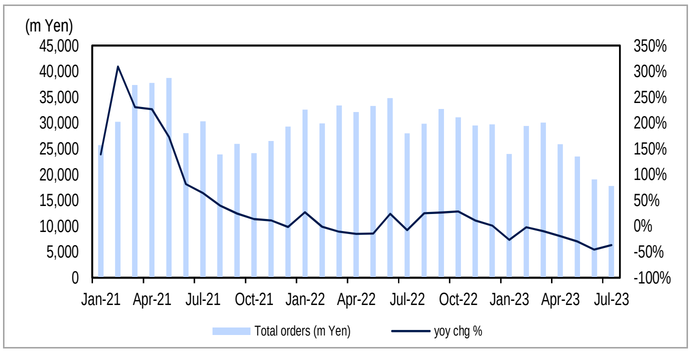
- **Estun (002747 CH/BUY/Target: Rmb31.50).** Despite a worse-than-expected pick-up in industrial robot sales, Estun's share gains have already surpassed our expectations at 9% in 2Q23 (vs our full-year estimates of 8%), primarily driven by its dominance in the solar robotics market. As such, we remain confident in Estun achieving its full-year sales target of >25,000 industrial robots for 2023. From 2024 onwards, growth will be supported by the development of new end-markets and applications, penetration into the automobile value chain, as well as the recovery in consumer electronics as demand growth from solar will likely slow from a high-base. Maintain BUY and keep target price at Rmb31.50, based on 86.1x 2024F PE, which is now based on 0.5SD below historical forward mean.

SALES VOLUME BASED ON MACHINE TYPES



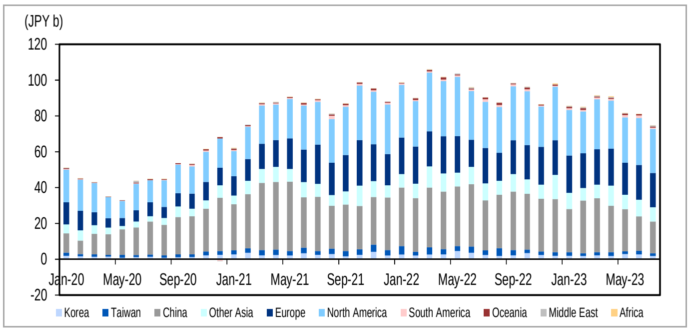
Source: National Bureau of Statistics of China, UOB Kay Hian

JAPANESE MACHINE TOOLS ORDER FROM CHINA



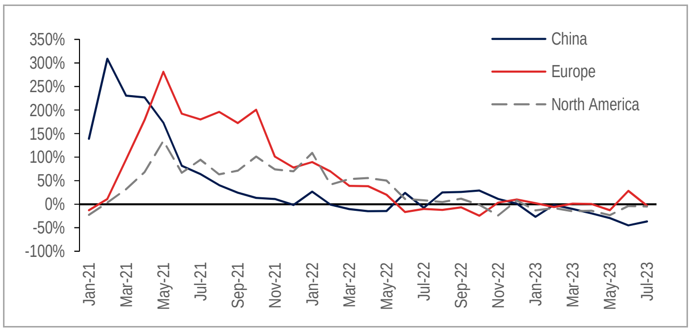
Source: JMTBA, UOB Kay Hian

JAPANESE MACHINE TOOLS SALES VOLUME GEOGRAPHICAL BREAKDOWN



Source: JMTBA, UOB Kay Hian

JAPANESE MACHINE TOOLS YOY GROWTH BASED ON REGION



Source: JMTBA, UOB Kay Hian

COMPANY RESULTS

Cutia Therapeutics (2487 HK)

1H23: Revenue Surges By 5,119% yoy, Stronger Than Expected

Cutia reported robust revenue growth of 5,119.3% yoy to Rmb34.3m in 1H23. The results are significantly higher than the company's previous revenue guidance of about Rmb30m for the full year of 2023. Tapping into the huge and fast-growing broader dermatology treatment and care market in China, Cutia expects to continue to enrich its product offerings and experience strong revenue expansion in the years ahead.

1H23 RESULTS

Year to 31 Dec (Rmbm)	1H22	1H23	yoy % chg
Revenue	0.7	34.3	5119.3%
Gross profit	0.5	21.3	4593.2%
Selling expenses	(6.0)	(58.0)	871.1%
G&A	(41.1)	(87.9)	113.7%
R&D	(83.5)	(90.1)	8.0%
Operating profit (EBIT)	(79.2)	(196.4)	148.0%
Finance income (cost), net	2.2	10.3	362.5%
Profit attributed to shareholders	(251.6)	(1,640.3)	551.9%
Adjusted Net Profit	(72.3)	(162.7)	125.1%
Ratios (%)	1H22	1H23	yoy ppt chg
GP margin	68.8%	61.9%	(6.9)
Selling expense	908.2%	169.0%	(739.2)
Admin expense	6253.3%	256.0%	(5,997.3)
R&D expense	12684.5%	262.5%	(12,422.0)
EBIT Margin	-12036.0%	-571.9%	11,464.1
Net margin	-38239.1%	-4776.3%	33,462.7
Adj. Net Margin	-10987.2%	-473.8%	10,513.4

Source: Cutia, UOB Kay Hian

RESULTS

- **Stronger-than-expected 1H23 results.** Cutia Therapeutics' (Cutia) revenue growth expanded by 5,119.3% yoy to Rmb34.3m in 1H23. Net loss attributable to shareholders increased by 551.9% yoy to Rmb1,640m in 1H23. Adjusted net earnings (excluding the one-off fair value losses on convertible redeemable preferred shares of Rmb1,454.3m and listing expenses of Rmb23.3m) rose 125.1% yoy to Rmb162.7m in 1H23. Top-line was stronger than the company's previously guided full-year revenue of approximately Rmb30m for 2023.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2018	2019	2020	2021	2022
Net turnover	n.a.	n.a.	n.a.	2.0	11.4
EBITDA	n.a.	n.a.	n.a.	(182.5)	(254.5)
Operating profit	n.a.	n.a.	n.a.	(176.5)	(243.5)
Net profit (rep./act.)	n.a.	n.a.	n.a.	(319.6)	(555.8)
Net profit (adj.)	n.a.	n.a.	n.a.	(199.3)	(205.2)
EPS (Fen)	n.a.	n.a.	n.a.	(65.5)	(67.5)
PE (x)	n.a.	n.a.	n.a.	n.m.	n.m.
P/B (x)	n.a.	n.a.	n.a.	n.m.	n.m.
EV/EBITDA (x)	n.a.	n.a.	n.a.	n.m.	n.m.
Dividend yield (%)	n.a.	n.a.	n.a.	0.0	0.0
Net margin (%)	n.a.	n.a.	n.a.	(15,681.1)	(4,890.3)
Net debt/(cash) to equity (%)	n.a.	n.a.	n.a.	25.7	37.4
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	n.a.	n.a.	n.a.	25.2	20.2

Source: Cutia Therapeutics, Bloomberg, UOB Kay Hian

NOT RATED

Share Price	HK$20.80
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

Cutia Therapeutics is an R&D-driven, dermatology-focused biopharmaceutical company focused on the broader dermatology treatment and care area in China.

STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	2487 HK
Shares issued (m):	304.0
Market cap (HK$m):	6,323.7
Market cap (US$m):	806.6
3-mth avg daily t'over (US$m):	n.a.

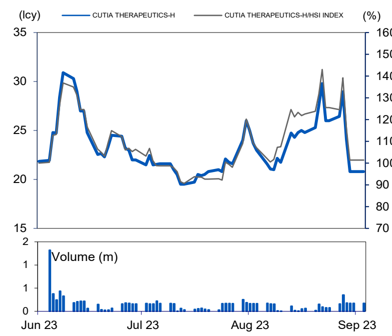
Price Performance (%)

52-week high/low HK$32.6/HK$18.2

1mth	3mth	6mth	1yr	YTD
(13.3)	n.a.	n.a.	n.a.	n.a.

Major Shareholders	%
6 Dimensions Entities	49.82
YF Dermatology Limited	13.16

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Robust revenue growth in 1H23.** Revenue was generated from sales of in-licensed and distributed scalp diseases and care products: CU-40102 (topical finasteride spray), CUP-MNDE (Bailleul®米諾地爾噴霧劑, minoxidil spray) and CUP-SFJH (ESTHECIN® hair growth serum), skin diseases and care products (ie CU-10201, topical 4% minocycline foam), certain scalp diseases and care products and certain skin care products in China. Cutia focuses on China's fast-growing broader dermatology treatment and care market.

  With a prioritised marketing strategy of developing e-commerce platforms and social media platforms, such as Tmall, JD, Bilibili, Douyin, Zhihu and Xiaohongshu, etc, Cutia has continued to achieve successful commercialisation. During the "6.18 campaign", gross merchandise value (GMV) of its scalp diseases and care products exceeded Rmb9.4m, surging by 4,348% yoy. Sales volume of CUP-MNDE (Bailleul, minoxidil spray) ranked first on both Tmall and JD platforms in the category of cross-border minoxidil single SKU (stock keeping unit). Revenue rose by 5,119.3% yoy from Rmb0.7m in 1H22 to Rmb34.3m in 1H23, which was primarily due to the increase in sales of scalp diseases and care products, and certain skincare products.
- **Three drug production lines commenced production, supporting robust revenue expansion in 2022-25.** The company is constructing its manufacturing capacity and has completed the construction of its three drug production lines (covering topical cream, ointment, aerosol and foam products) in Jiangsu province in Feb 23. These three drug production lines have commenced operation with an annual production capacity of about 5m doses. We believe the production facilities will support the clinical trials and near-term commercialisation plans for Cutia. Together with its well-established marketing strategy, management expects to achieve revenue of over Rmb70m in 2023.

- **R&D progress well on track.** Cutia has established a broad portfolio of nine products and product candidates with significant market potential. It has five clinical-stage and four pre-clinical-stage drug candidates**.** In 1H23, its R&D progress was well on track:

  a) Cutia has completed a database lock for the phase III trial for CU-40102 in Mainland China. The clinical data shows that CU-40102 can significantly improve total hair count and terminal hair count in targeted bald areas in the 24-week study, reaching primary endpoint and key secondary endpoint with efficacy beginning to show from week 12, with a favourable safety profile. Cutia expects to submit a new drug application (NDA) in 4Q23.

  b) It completed phase I trial for CU-20401 for submental adipose accumulation and is conducting another phase I clinical trial for abdominal adipose accumulation, and expects to initiate a phase II trial on submental adipose accumulation in 3Q23.

  c) The company is also working on phase III trial for CU-10201 for the treatment of moderate to severe acne vulgaris and has completed Phase III primary endpoint read-out in Feb 23. With significant efficacy and a favourable safety profile of CU-10201, the company expects to submit NDA to NMPA in 2024.

  d) It completed patient enrolment for the phase III trial of CU-30101 on localised topical lidocaine and tetracaine in Aug 23 and expects to submit the NDA to NMPA in 2025.

EARNING REVISION/RISK

- **Risks:** a) Possible failure in R&D, new product launches, and commercialisation; b) obstacles to business expansion and collaboration; c) intensifying competition; and d) changing macroeconomic conditions.

VALUATION/RECOMMENDATION

- **The company is trading at 7.79x 2023F P/B, according to Bloomberg.**

STOCK PRICE CATALYSTS

- Strong revenue growth in 2023 and the years ahead.
- Continuous market launch of new products.

MAJOR NEAR-TERM R&D CATALYSTS

Year	Product	R&D Catalyst	Est. Time Frame
2023	CU-40102 (Androgenic Alopecia)	Phase III primary data readout	4Q2023
		NDA submission to NMPA	4Q2023
	CU-10201 (Acne Vulgaris)	NDA submission to NMPA	4Q2023
	CU-20401 (Adipose Accumulation)	Initiate Phase II trial for submental adipose accumulation	3Q2023
	CU-40101 (Androgenic Alopecia)	Complete Phase I trial	4Q2023
2024	CU-40102 (Androgenic Alopecia)	Market launch	4Q2024
	CU-40103 (Alopecia)	ANDA submission to NMPA	3Q2024
	CU-40104 (Androgenic Alopecia)	IND submission to NMPA	4Q2024
	CU-10101 (Atopic Dermatitis)	IND submission to NMPA	2Q2024
	CU-10201 (Acne Vulgaris)	Market launch	4Q2024
2025+	CU-10401 (Psoriasis)	ANDA submission to NMPA	2026
	CU-30101 (Surface Dermatologic Operations)	NDA submission to NMPA	2025

Source: Cutia, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2019	2020	2021	2022
Net turnover	n.a.	n.a.	2.0	11.4
EBITDA	n.a.	n.a.	(182.5)	(254.5)
Deprec. & amort.	n.a.	n.a.	(6.0)	(11.0)
EBIT	n.a.	n.a.	(176.5)	(243.5)
Total other non-operating income	n.a.	n.a.	(142.9)	(310.5)
Net interest income/(expense)	n.a.	n.a.	(0.2)	(1.9)
Pre-tax profit	n.a.	n.a.	(319.6)	(555.8)
Tax	n.a.	n.a.	0.0	0.0
Minorities	n.a.	n.a.	0.0	0.0
Net profit	n.a.	n.a.	(319.6)	(555.8)
Net profit (adj.)	n.a.	n.a.	(199.3)	(205.2)

BALANCE SHEET

Year to 31 Dec (Rmbm)	2019	2020	2021	2022
Fixed assets	n.a.	n.a.	26.2	179.4
Other LT assets	n.a.	n.a.	66.9	122.0
Cash/ST investment	n.a.	n.a.	203.1	465.9
Other current assets	n.a.	n.a.	1,198.6	679.6
Total assets	n.a.	n.a.	1,494.9	1,446.8
ST debt	n.a.	n.a.	0.0	0.0
Other current liabilities	n.a.	n.a.	19.3	77.4
LT debt	n.a.	n.a.	0.0	0.0
Other LT liabilities	n.a.	n.a.	2,266.1	2,615.7
Shareholders' equity	n.a.	n.a.	(790.5)	(1,246.3)
Minority interest	n.a.	n.a.	0.0	0.0
Total liabilities & equity	n.a.	n.a.	1,494.9	1,446.8

CASH FLOW

Year to 31 Dec (Rmbm)	2019	2020	2021	2022
Operating	n.a.	n.a.	(159.9)	(236.2)
Pre-tax profit	n.a.	n.a.	(319.6)	(555.8)
Tax	n.a.	n.a.	0.0	0.0
Deprec. & amort.	n.a.	n.a.	5.8	10.8
Working capital changes	n.a.	n.a.	(29.5)	(21.1)
Other operating cashflows	n.a.	n.a.	183.4	330.0
Investing	n.a.	n.a.	(410.7)	462.1
Capex (growth)	n.a.	n.a.	(16.6)	(163.9)
Investments	n.a.	n.a.	(272.1)	369.7
Proceeds from sale of assets	n.a.	n.a.	1.5	6.5
Others	n.a.	n.a.	(123.5)	249.9
Financing	n.a.	n.a.	480.8	(10.2)
Dividend payments	n.a.	n.a.	0.0	0.0
Issue of shares	n.a.	n.a.	0.0	0.0
Proceeds from borrowings	n.a.	n.a.	0.0	0.0
Loan repayment	n.a.	n.a.	484.0	0.0
Others/interest paid	n.a.	n.a.	(3.2)	(10.2)
Net cash inflow (outflow)	n.a.	n.a.	(89.8)	215.6
Beginning cash & cash equivalent	n.a.	n.a.	300.2	203.1
Changes due to forex impact	n.a.	n.a.	(7.3)	47.1
Ending cash & cash equivalent	n.a.	n.a.	203.1	465.9

KEY METRICS

Year to 31 Dec (%)	2019	2020	2021	2022
Profitability				
EBITDA margin	n.a.	n.a.	(8,953.6)	(2,238.8)
Pre-tax margin	n.a.	n.a.	(15,681.1)	(4,890.3)
Adjusted net margin	n.a.	n.a.	(15,681.1)	(4,890.3)
ROA	n.a.	n.a.	n.a.	n.a.
ROE	n.a.	n.a.	25.2	20.2
Growth				
Turnover	n.a.	n.a.	n.a.	457.7
EBITDA	n.a.	n.a.	(4.2)	39.5
Pre-tax profit	n.a.	n.a.	59.8	73.9
Net profit	n.a.	n.a.	204.0	73.9
Net profit (adj.)	n.a.	n.a.	89.5	3.0
EPS	n.a.	n.a.	n.a.	n.a.
Leverage				
Debt to total capital	n.a.	n.a.	0.0	0.0
Debt to equity	n.a.	n.a.	0.0	0.0
Net debt/(cash) to equity	n.a.	n.a.	25.7	37.4
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

SMALL/MID CAP HIGHLIGHTS

Cisarua Mountain Dairy (CMRY IJ)

Near -2SD Valuation With Potential 15% CAGR NPAT Growth

CMRY is the largest yogurt manufacturer in Indonesia. The company also sells milk and consumer food. CMRY is making a strong push into consumer products to drive growth (chicken nuggets, sausages and meat balls). It also plans to penetrate the milk market as the market is much larger than that for yogurt, and CMRY's market share is still below 5%. It will further expand its penetration into general trade and expand its Miss Cimory sales force. Management guides 15%% CAGR revenue and NPAT growth.

WHAT'S NEW

- **Strong push into consumer products to drive growth.** In 1H23, Cisarua Mountain Dairy (CMRY) experienced 50% yoy growth in its premium consumer food sales (chicken nuggets, sausages, meatballs, egg products, etc). Going forward, the strong growth is likely to persist as CMRY will continue to introduce new products and further penetrate the market via new outlets in modern and general trade. CMRY has a 9.7% share of the chilled processed meat market (US$167m market size) and 3.7% share of the frozen processed meat market (US$641m market size).
- **Milk market is large and has room for growth.** Dairy products account for 55% of CMRY's total sales. In 1H23, yogurt sales was soft, while strong growth was recorded in UHT. Yogurt is a much smaller market with an expected market size of US$421m in 2025; of this, CMRY already holds a market share of more than 50%. Flavoured milk, fresh white milk and UHT white milk are expected to have a market size of US$1,891m, US$97m and US$721m respectively in 2025. Thus, CMRY sees opportunities to grab more sales and market share in the milk market. CMRY holds 2.4%, 4.3% and less than 1% of the flavoured milk, fresh white milk and UHT white milk markets.
- **Introduction of yogurt sticks to cater to middle low-income segment.** As purchasing power of the middle low-income segment remained weak in 1H23, CMRY introduced single-serving yogurt sticks and single sausage products. These are priced at affordable unit price points and are packaged so that they can be consumed on the go. These are ideal for the younger demographic groups and smaller households.
- **NPAT CAGR growth of 15% for three years.** CMRY believes it should be able to generate sales and NPAT CAGR growth above 15% in the next three years. This will be driven by: a) introduction of new products, b) further penetration into general trade by expanding the outlet reach from 100,000 currently and installing cold chain distribution, and c) expansion of Miss Cimory sales force from the current 4,332 people.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2018	2019	2020	2021	2022
Net turnover	1,087	1,391	1,865	4,096	6,378
EBITDA	136	172	292	1,072	1,353
Operating profit	111	145	236	1,007	1,256
Net profit (rep./act.)	84	108	177	790	1,061
Net profit (adj.)	81	102	177	790	1,061
EPS (Rp)	10	13	22	100	134
PE (x)	367.5	292.7	169.0	37.9	28.2
P/B (x)	66.2	53.5	40.7	6.4	5.7
EV/EBITDA (x)	220.2	173.6	90.0	25.9	22.1
Dividend yield (%)	-	-	-	1.34	1.67
Net margin (%)	7.7	7.8	9.5	19.3	16.6
Net debt/(cash) to equity (%)	-	7.1	(3.6)	(77.1)	(40.4)
Interest cover (x)	-	(39.1)	(91.3)	194.9	18.5
ROE (%)		21.4	27.4	29.1	21.3

Source: CMRY, Bloomberg, UOB Kay Hian

NOT RATED

Share Price	Rp3,770
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

Cisarua Mountain Dairy manufactured and sell yogurt, milk and consumer products.

STOCK DATA

GICS sector	Consumer
Bloomberg ticker:	CMRY IJ
Shares issued (m):	7,934.7
Market cap (Rpb):	29,913.8
Market cap (US$m):	1,949.7
3-mth avg daily t'over (US$m):	0.4

Price Performance (%)

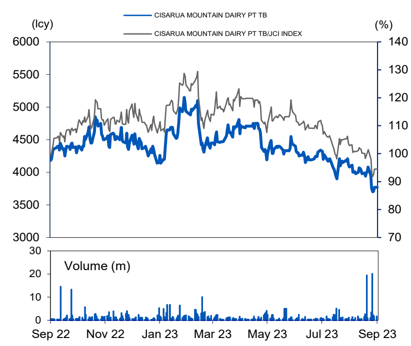
52-week high/low Rp4,810/Rp3,700

1mth	3mth	6mth	1yr	YTD
(9.59)	(15.28)	(13.04)	(7.36)	(9.98)

Major Shareholders	%
Sutantio Bambang	53.55
Sutantio Farell Grandisuri	7.66
Sutantio Wenzel	7.18
Sutantio Axel	6.77

FY23 NAV/Share (Rp)	662.7
FY2 Net Debt/Share (Rp)	n.a

PRICE CHART



Source: Bloomberg

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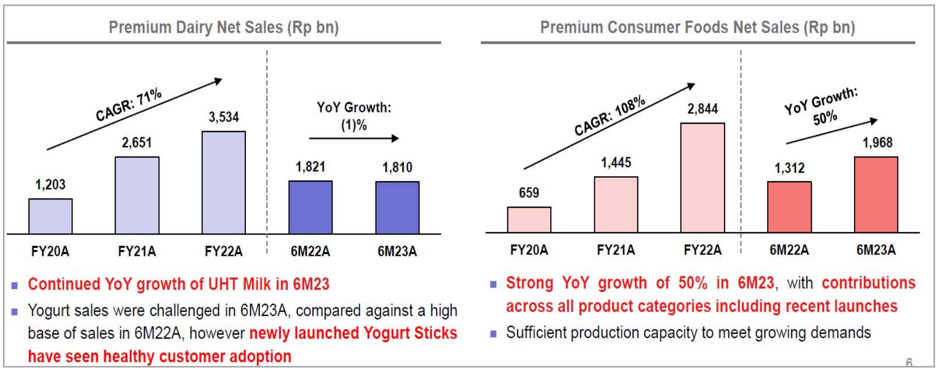
- **Beneficiary of decline in skim milk powder prices.** Skim milk powder is a main ingredient in CMRY's dairy products, with 80% of the total milk used being imported. CMRY should experience margin expansion in its dairy products as skim milk powder price has declined by 33% from US$4,596/tonne in 15 Mar 22 to the current US$3,100/tonne.

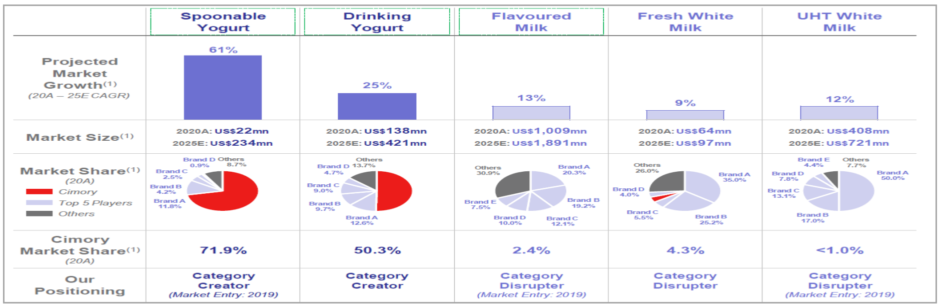
SALES AND SALES GROWTH BY PRODUCTS



Source: CMRY

- **Chiller presence to more than quadruple.** A key challenge in general trade is in the lack of cold chain capabilities and availability. CMRY plans to invest in chillers over the next three years to quadruple the chillers installed to carry its products from 8,110 in 1H23 to 70,000 by 2024. Note that these chillers will be used to display and sell CMRY products only.

DAIRY PRODUCTS, MARKET SIZE AND CMRY'S MARKET SHARE



Source: CMRY

VALUATION

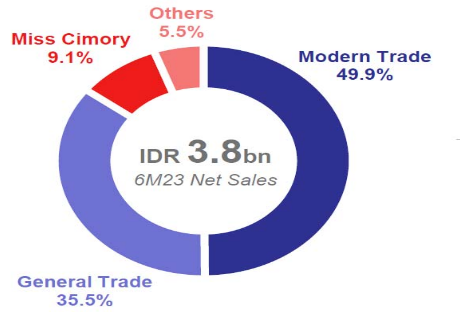
- **Trading near -2SD 12-month forward PE.** CMRY's share price has declined 15.3% in the past three months on slower NPAT growth in 1H23. Note the 15% CAGR for three-year NPAT growth target set by the company. CMRY currently trades at 18.7x 2024F consensus forecast.

PEER COMPARISON

			Price	Market	3M Avg	---PE----		----- P/B -----		ROE	Net
			8-Sep-23	Cap	Turnover	2023F	2024F	2023F	2024F	2023F	Gearing
Company	Ticker	Rec	(Rp)	(US$m)	(US$m)	(x)	(x)	(x)	(x)	(%)	(%)
CISARUA MOUNTAIN DAIRY	CMRY	NR	3,770	1,948	0.5	23.69	18.73	4.86	4.08	21.3	(55.9)
ULTRAJAYA MILK IND & TRADING	ULTJ	NR	1,675	1,260	0.7	NA	NA	NA	NA	17.8	(25.2)
DIAMOND FOOD INDONESIA	DMND	NR	815	503	0.0	NA	NA	NA	NA	7.3	(15.1)
KALBE FARMA	KLBF	HOLD	1,720	5,251	4.7	23.48	20.88	3.58	3.26	16.9	(13.2)
INDOFOOD CBP SUKSES	ICBP	BUY	11,125	8,450	4.8	13.88	13.23	2.99	2.62	13.0	52.4
CAMPINA ICE CREAM INDUSTRY P	CAMP	NR	350	134	0.0	NA	NA	NA	NA	12.3	(53.8)
Average Dairy Related						20.35	17.62	3.81	3.32	14.78	(18.47)
GARUDAFOOD PUTRA PUTRI JAYA	GOOD	NR	430	1,033	0.1	NA	NA	NA	NA	15.5	37.2
NIPPON INDOSARI CORP	ROTI	BUY	1365	550	0.09	17.06	14.87	NA	NA	15.6	(3.5)
JAYA SWARASA AGUNG	TAYS	NR	153	11	0.20	NA	NA	NA	NA	5.6	122.7
FORMOSA INGREDIENT FACTORY	BOBA	NR	146	11	0.00	NA	NA	NA	NA	7.8	(4.3)
MAYORA INDAH	MYOR	BUY	2500	3,641	1.28	22.76	19.53	3.82	3.30	16.4	17.1
Average Food Producers						20.17	17.45	3.81	3.32	13.59	5.31

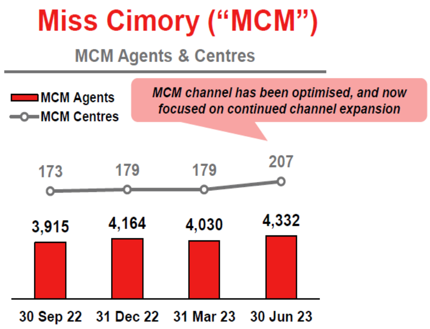
Source: Bloomberg

SALES BREAKDOWN BY CHANNEL



Source: CMRY

MISS CIMORY AGENTS AND CENTERS

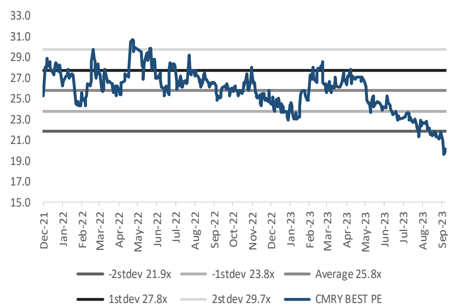


Source: CMRY

GENERAL TRADE CHILLERS EXPANSION PLAN

Source: CMRY

CMRY BEST PE



Source: Bloomberg

PROFIT & LOSS

Year to 31 Dec (Rpb)	2019	2020	2021	2022
Net turnover	1,390.8	1,865.0	4,095.7	6,378.3
EBITDA	172.2	292.1	1,071.9	1,352.6
Deprec. & amort.	27.4	56.1	65.2	97.0
EBIT	144.8	236.0	1,006.7	1,255.6
Total other non-operating income	(5.8)	(13.5)	15.0	160.4
Associate contributions				
Net interest income/(expense)	4.4	3.2	(5.5)	(73.3)
Pre-tax profit	143.5	225.7	1,016.1	1,342.7
Tax	(35.4)	(48.7)	(225.9)	(282.1)
Minorities	(0.0)	(0.0)	(0.0)	(0.0)
Net profit	108.0	177.0	790.2	1,060.5
Net profit (adj.)	102.2	177.0	790.1	1,060.8

BALANCE SHEET

Year to 31 Dec (Rpb)	2019	2020	2021	2022
Fixed assets	418.7	473.8	674.5	1,276.3
Other LT assets	55.5	56.0	97.0	921.7
Cash/ST investment	20.4	67.0	3,661.8	2,159.3
Other current assets	320.7	489.9	1,170.5	1,865.9
Total assets	815.3	1,086.8	5,603.8	6,223.3
ST debt	15.0	0.0	8.9	10.0
Other current liabilities	166.2	275.4	836.0	905.9
LT debt	45.2	40.6	32.8	23.6
Other LT liabilities	30.1	36.4	29.1	25.5
Shareholders' equity	558.7	734.4	4,696.9	5,258.2
Minority interest	0.0	(0.0)	0.1	0.1
Total liabilities & equity	815.3	1,086.7	5,603.8	6,223.3

CASH FLOW

Year to 31 Dec (Rpb)	2019	2020	2021	2022
Operating	48.867	198.9	725.6	486.0
Pre-tax profit	143.5	225.7	1,016.1	1,342.7
Tax	(35.4)	(48.7)	(225.9)	(282.1)
Deprec. & amort.	27.4	56.1	65.2	97.0
Working capital changes	(86.5)	(34.3)	(129.8)	(671.7)
Non-cash items				
Investing	(47.5)	(105.3)	(288.5)	(1,475.1)
Capex (growth)	-29.9	(104.4)	(244.9)	(667.0)
Investments	0.1	0.4	4.5	62.0
Others	-17.7	(1.3)	(48.2)	(870.1)
Financing	5.214	(32.0)	3,157.7	(513.4)
Dividend payments			(400.0)	(500.0)
Issue of shares			3,569.7	
Proceeds from borrowings	16.6	(18.3)	(3.2)	(3.5)
Loan repayment	(10.4)	(13.7)	(8.8)	(9.9)
Others/interest paid	-0.941			
Net cash inflow (outflow)	6.6	61.6	3,594.8	(1,502.6)
Beginning cash & cash equivalent	-1.196	5.4	67.0	3,661.8
Ending cash & cash equivalent	5.4	67.0	3,661.8	2,159.3

KEY METRICS

Year to 31 Dec (%)	2019	2020	2021	2022
Profitability				
EBITDA margin	12.4	15.7	26.2	21.2
Pre-tax margin	10.3	12.1	24.8	21.1
Net margin	7.8	9.5	19.3	16.6
ROA	14.7	18.6	23.6	17.9
ROE	21.4	27.4	29.1	21.3
Growth				
Turnover	28.0	34.1	119.6	55.7
EBITDA	26.6	69.6	267.0	26.2
Pre-tax profit	28.1	57.3	350.2	32.1
Net profit	29.4	63.8	346.4	34.2
Net profit (adj.)	25.6	73.2	346.4	34.3
EPS	29.4	63.8	346.4	34.2
Leverage				
Debt to total capital	12.7	7.7	5.4	1.5
Debt to equity	10.8	5.5	0.9	0.6
Net debt/(cash) to equity	7.1	(3.6)	(77.1)	(40.4)
Interest cover (x)	(39.1)	(91.3)	194.9	18.5

SECTOR UPDATE

Property – Malaysia

Strong 2Q23 Results Overall

The property sector recorded strong qoq and yoy earnings growth in 2Q23, supported by pent-up demand, border reopening, easing of labour shortage, and higher billings. There could be some weakness in property share prices in September since it is a historically weaker month, but we expect trading interest to regain some footing closer to the Budget 2024. Maintain MARKET WEIGHT. Top picks: Matrix, Sunway and Mah Sing.

WHAT'S NEW

- **2Q23 results round-up.** Within our coverage, companies' 2Q23 earnings generally came in within expectations, improving 24.5% qoq and 12.9% yoy, while 1H23 net profit grew 6%. This was largely due to: a) the pent-up local demand, b) better contribution from overseas projects, c) gradual easing of the labour shortage issue, and d) higher productivity level resulting in better progress billings amid the continued economic reopening. Mah Sing's results were slightly above expectation on higher progress billing recognition (with several projects such as M Vertica and M Adora being completed).
- **Expect some weakness in property share prices in September.** The KL Property Index (KLPRP) outperformed the KLCI, recording a 35% gain for Jan-Aug 23 (vs the FBMKLCI's -3% index return for Jan-Aug 23)**.** UEMS and IWC were the outperformers, registering 192% and 183% share price returns respectively. However, we expect a choppy Sep 23 as the KLCI's historically stormy month of September (10Y/20Y: -1.7%/-0.8%) may spill over to the property sector, which saw an average monthly decline of -2% in the last 10 years, underperforming the broader market historically. For September mtd, the KLPRP saw a 2% decline, underperforming the KLCI's 0.2% gain.
- **Nonetheless, we expect property share prices to regain some footing in October.** Malaysia's Budget 2024 is tentatively scheduled to be tabled on 13 Oct 23. For property, we expect a more lenient and foreign-friendly policy revision for Malaysia My Second Home (MM2H). The requirements were significantly elevated in 2021, with the fixed deposit requirement rising from RM300,000 to RM1m and the monthly offshore income requirement increasing from RM10,000 to RM40,000. Other than that, we think Budget 2024 may provide more clarity on the proposal to revive the High-Speed Rail (HSR) project, revival of Forest City, and the special economic zone in Johor, which in turn may spur trading interest in the sector.

ACTION

- **Maintain MARKET WEIGHT.** We maintain our MARKET WEIGHT stance for the sector as current valuation looks fair, trading largely around its 10-year P/B mean as a result of the recent rally. However, for those with a higher risk appetite, we reckon there is still some room for upside leveraging on the investment theme, such as Johor vibrancy, Penang LRT and traction from industrial property landscape (see table at the back) Taking cue from the previous Johor theme property rally that started around Sep 12 until May 13 (due to the announcement of the HSR project), KLPRP gained about 45% and the sector P/B was trading close to +3SD at the peak.

MARKET WEIGHT

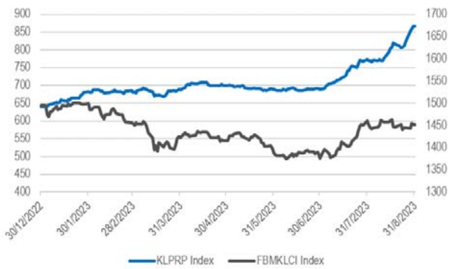
(Maintained)

2Q23 RESULTS SUMMARY

	2Q23 (RMm)	qoq % chg	yoy % chg	Results
Sunway Bhd	158.5	13.5	23.7	In Line
SP Setia	60.2	19.3	(16.3)	In Line
Mah Sing	47.3	(3.8)	(1.8)	Above
UEM Sunrise	23.6	93.8	(2.6)	In Line
Matrix Concepts*	64.6	14.2	37.3	In Line
Eco World**	62.7	10.0	37.3	In Line
Sector	441.9	24.5	12.9	

**1QFY24 results (FYE: Mar)*
***2QFY23 results (FYE: Oct; results was released in June 2023)*
Source: Respective companies, UOB Kay Hian

KLPRP VS KLCI JAN-AUG 2023



Source: Bloomberg, UOB Kay Hian

MM2H REQUIREMENT

Criteria	Past requirements since 2002	Revised requirements in 2021
Fixed deposit	RM300,000	RM1,000,000
Liquid asset	RM500,000	RM1,500,000
Monthly offshore income	RM10,000	RM40,000

Source: https://www.mm2h.com, UOB Kay Hian

10-YEAR SECTOR P/B

Source: Respective companies, UOB Kay Hian

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PEER COMPARISON

Company	Tickers	Rec	Share Price 8 Sept 23 (RM)	Target Price (RM)	Market Cap (RMm)	P/B FY22 (x)	P/B FY23F (x)	PE FY22 (x)	PE FY23F (x)	Div Yield FY23F (%)	ROE FY23F (%)	Revenue FY23F (RMm)	Net Profit FY23F (RMm)	Net Margin FY23F (%)
Sunway Bhd	SWB MK	BUY	1.95	2.38	9,661.6	1.0	0.8	18.3	15.4	2.7	5.4	5,348	664	12.4
SP Setia	SPSB MK	BUY	0.90	0.89	3,672.9	0.3	0.3	11.9	16.1	1.7	1.8	4,571	287	6.3
Mah Sing Group	MSGB MK	BUY	0.79	0.93	1,905.7	0.5	0.5	12.1	9.8	4.1	5.3	2,501	192	7.7
UEM Sunrise	UEMS MK	HOLD	0.72	0.58	3,642.1	0.5	0.5	45.0	42.4	0.4	1.1	1,473	81	5.5
Matrix Concepts	MCH MK	BUY	1.50	1.92	1,877.0	0.6	0.9	7.6	7.8	6.3	10.4	1,170	238	20.4
Eco World	ECW MK	BUY	1.05	1.20	3,091.6	0.6	0.6	19.7	12.4	4.8	5.2	1,837	241	13.1

Source: UOB Kay Hian

- **We prefer companies with strong fundamentals and proven track records of execution.** Among our coverage, we like laggards like **Mah Sing, Sunway Berhad** and **Matrix Concepts** for their healthy balance sheets (<0.5x), strong sales momentum and strong unbilled sales.

- **Other laggards** that are not in our coverage but have good track records are **Eastern & Oriental** (trading at steep discount of 60%), **IOI Properties Group** (trading at steep discount of 56%), **Paramount Corporation** (trading at steep discount of 57%), **Sunsuria** (trading at steep discount of 57%) and **OSK** (trading at steep discount of 56%).

- **Other compelling investment themes include:** a) Johor's economic vibrancy from two key factors: the commencement of the rail transit system (RTS) in 4Q26, which is expected to boost demand for properties in Johor due to its improved connectivity with Singapore, and the potential appointment of the Johor Sultan as the 17th Agung of the country in 2024; b) potential increase in industrial property demand from the launch of New Industrial Master Plan 2023; c) the construction sector's expectations of the rollout of mega projects (ie MRT3 and Penang LRT) in Budget 2024, which may generate spillover interest in the property sector.

- **We also see some construction players with property development business playing catch-up.** Among our coverage, MRCB's share price has risen the most ytd at +55%, followed by Gabungan AQRS (+37% ytd) and WCT (+30% ytd). Laggard players are Gamuda (+15% ytd), IJM (+14% ytd) and Kerjaya Property Group (+4% ytd).

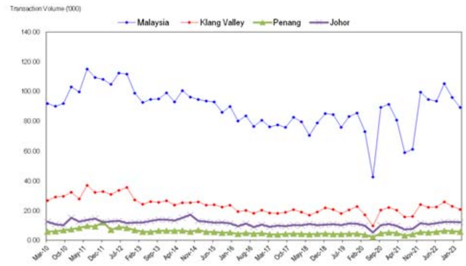
ESSENTIALS

- **2H23 targets.** We expect 2H23 earnings to be stronger than that of 1H23, backed by developers' strong unbilled sales and catch-up in construction work on the back of the improved labour shortage as well as lumpy earnings from overseas projects. Developers with property investment (leisure and hospitality business), such as Sunway, are expected to benefit from the return of China tourists in 2H23. For full-year 2023, we expect companies in our coverage to post an average revenue and net profit growth of 4% and 10%, respectively, with Mah Sing recording the most growth on the completion of a few projects. Meanwhile for 2024, we expect average revenue and net profit to grow 5% and 6%, respectively, with Eco World recording the most growth on contribution of higher-margin industrial property.

- **NAPIC data: Decline in property sales volume but property transactions still above pre-pandemic level.** 1Q23 saw 89,179 transactions (-7% qoq, -6% yoy) with residential transaction volume of 53,923 (-7% qoq, -13% yoy). Overhang properties eased further to 94,073 units (-3% qoq, -23% yoy) as reflected by developers' declining inventory level as well. Companies that have the lowest inventory in our coverage are Matrix (RM80m) and UEMS (RM145m) while SP Setia has a high level of inventory (RM1.1b).

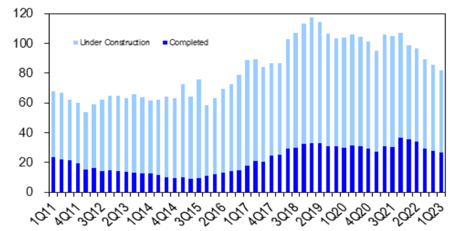
- **Mortgage application and approval remain above pre-pandemic level.** Despite the OPR hike, mortgage applications remained strong at above pre-pandemic level. For Jul 23, mortgage application and approval value eased slightly by -1.6% yoy and -2.5% yoy respectively. Mortgage approval rate remained healthy at 42.6% in Jul 23.

PROPERTY TRANSACTION VOLUME



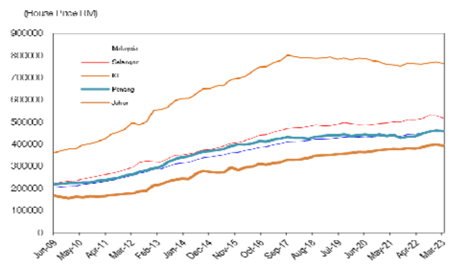
Source: NAPIC, CEIC, UOB Kay Hian

RESIDENTIAL OVERHANG UNIT



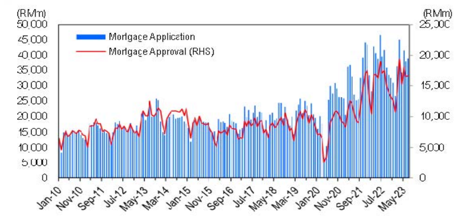
Source: NAPIC, CEIC, UOB Kay Hian

HOUSE PRICE INDEX



Source: NAPIC, CEIC, UOB Kay Hian

MORTGATE APPLICATION AND APPROVAL



Source: BNM, UOB Kay Hian

INVESTMENT THEMES FOR 2H23 AND 2024

Themes	Key Players
Johor vibrancy from RTS and potential appointment of Sultan Johor as Agong	Developers with substantial landbank in Johor are UEMS (7,801 acres; GDV: RM75.9b), IOIPG (3,905 acres; GDV: RM8.6b), IWH Group (3,324 acres; GDV: RM25b), SP Setia (2,063 acres; GDV: RM19.4b), Scientex (1,995 acres; GDV: RM5b), Sunway (1,632 acres; GDV: RM29.4b), Mah Sing (1,120 acres; GDV: RM4.8b), Lagenda (1,070 acres; GDV: RM4b) and Eco World (1,000 acres; GDV: RM10b)
Penang LRT	Renowned Penang developers are SP Setia (1,153 acres; GDV: RM11.9b), Eastern & Oriental (760 acres; GDV: RM17b), Tambun Indah (420 acres; GDV: RM3.3b), Eco World (208 acres; GDV: RM6.3b) and Paramount (82.8 acres; GDV: RM1.7b).
Beneficiaries from New Industrial Master Plan (NIMP) 2030	Developers with substantial industrial landbank are Sime Darby Property (3,000 acres; GDV: RM15b), EcoWorld (1,197 acres; GDV: RM5.8b), SP Setia (967 acres; GDV: RM7b), IOIPG (590 acres; GDV: RM3.9b), NCT Alliance (489 acres; GDV: RM3b), Sunway (245 acres; GDV: RM2b) and AME Elite (200 acres; GDV: RM1.5b).
Construction players with property development business	Construction players with substantial landbank are IJM (3,764 acres; GDV: RM42.9b), Gamuda (2,823 acres; GDV: RM52b), MRCB (1,153 acres; GDV: RM33b), Gabungan AQRS (353 acres; GDV: RM0.8b), WCT (221 acres; GDV: RM1.4b), Kerjaya Prospek Group (11 acres; GDV: RM0.8b)

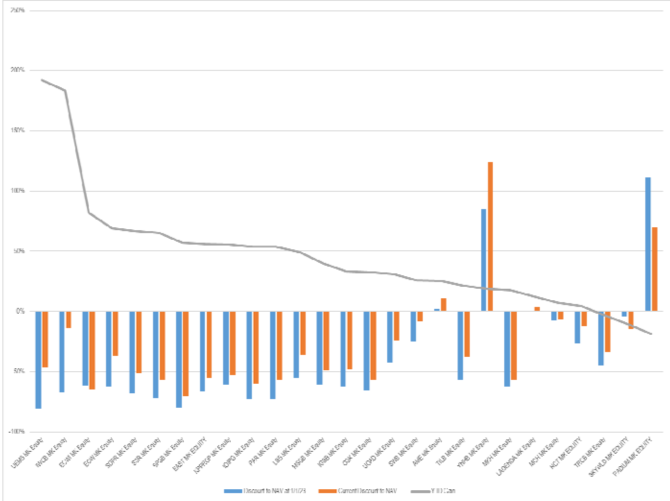
Source: Respective companies, UOB Kay Hian

ABSOLUTE SHARE PRICE RETURN

Developers Ticker	Jan-Aug 23	Sep-to-date	Discount to NAV at 1/1/23	Current Discount to NAV	Average Discount to NAV	2023F P/B (x)	2023F P/E (x)
UEMS	192%	-1%	-81%	-47%	-75%	0.5	42.4
IWCB	183%	-8%	-67%	-14%	-52%	0.9*	-20.1*
ECWI	82%	-4%	-62%	-65%	-47%	0.3	-16.1
ECW	69%	2%	-62%	-37%	-52%	0.6	12.4
SDPR	67%	-3%	-68%	-51%	-64%	0.5	19.3
SSR	65%	-6%	-72%	-57%	-62%	0.4	21.5
SPSB	57%	-2%	-80%	-71%	-79%	0.3	16.1
EAST	56%	-6%	-66%	-56%	-71%	0.5	25.0
KPPROP	56%	-11%	-61%	-53%	-61%	0.5	6.8
IOIPG	54%	0%	-73%	-60%	-70%	0.4	10.1
PAR	54%	-2%	-73%	-57%	-67%	0.4	9.0
LBS	49%	0%	-55%	-37%	-53%	0.6	7.7
MSGB	40%	3%	-61%	-49%	-58%	0.5	9.8
KLPRP Index	35%	-2%					
IGBB	33%	3%	-63%	-48%	-54%	0.7	11.8
OSK	33%	2%	-66%	-56%	-64%	0.4	6.0
UOAD	31%	-1%	-43%	-24%	-38%	0.8	20.1
SWB	26%	-2%	-25%	-8%	-24%	0.8	15.4
AME	25%	-4%	2%	11%	6%	1.1	13.3
TILB	21%	-2%	-57%	-38%	-51%	0.5	7.5
YNHB	19%	0%	85%	124%	111%	2.2*	114.5*
MKH	18%	0%	-62%	-57%	-60%	0.4	10.0
LAGENDA	12%	0%	0%	3%	-1%	1.0	6.3
MCH	7%	-2%	-8%	-7%	-9%	0.9	7.8
NCT	5%	0%	-27%	-13%	-13%	0.9*	7.6*
TRCB	-3%	7%	-45%	-34%	-35%	0.7*	30.2*
SKYWLD	-11%	-3%	-4%	-15%	-15%	0.7	6.8
RADIUM	-19%	-3%	111%	70%	60%	1.4*	17*

Source: Bloomberg, UOB Kay Hian
**2022 figures*

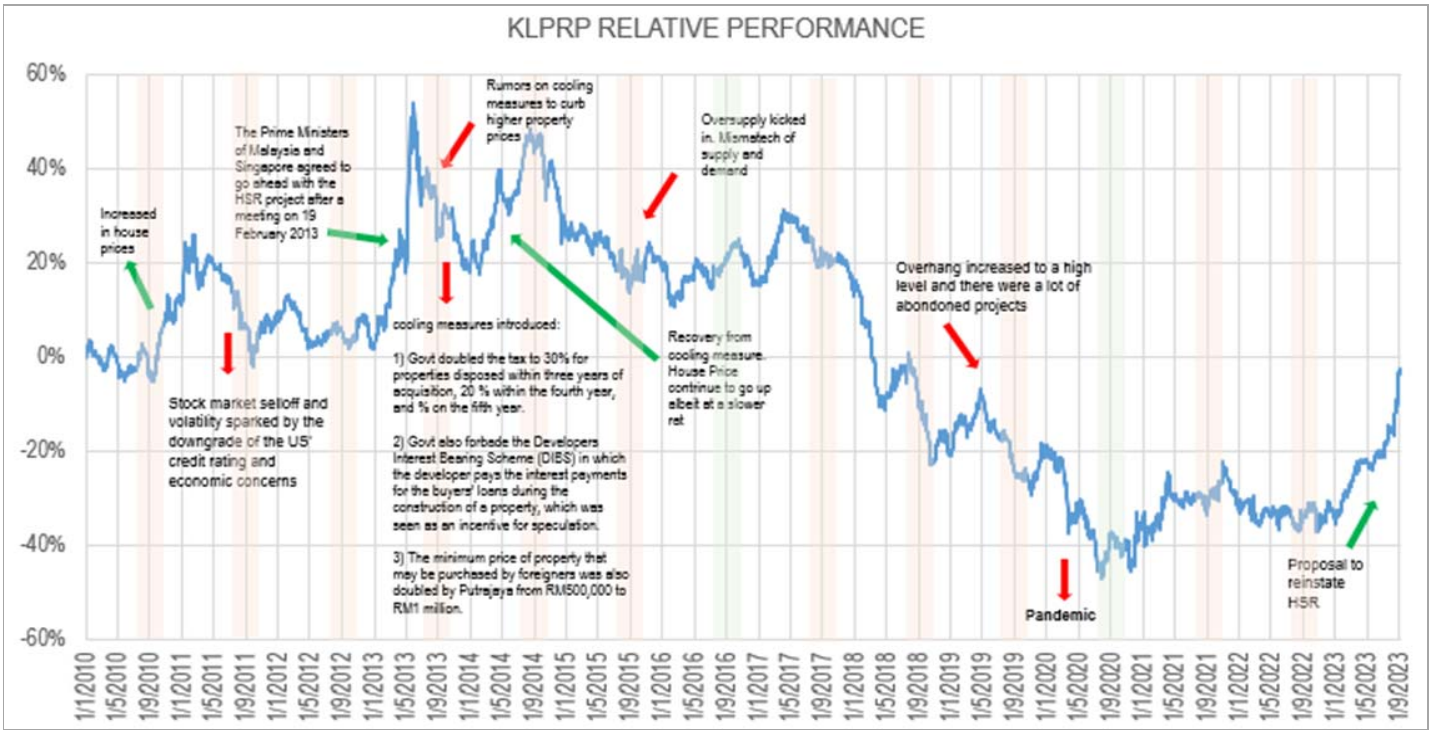
YTD ABSOLUTE SHARE PRICE RETURN VS NAV DISCOUNT



Source: Bloomberg, UOB Kay Hian

Comment: Almost all property counters reported substantial gain in share price except Tropicana and newly listed Skyworld and Radium. While UEMS and IWCB gains were >100% as both are linked as the beneficiaries from the reinstatement of HSR project, other developers that are not related to proposal of reinstatement of HSR also shown some significant gains. Hence, we think those companies that gain the most from recent rally were mostly the ones that have biggest discount to NAV.

KLPRP RELATIVE PERFORMANCE SINCE 2010



Source: Bloomberg, UOB Kay Hian, Various News Source

COMPANY UPDATE

Uzma (UZMA MK)

Favoured By Hopeful Sentiment On LSS4 Turnaround And More O&G Works

We think it is crucial for Uzma to maintain strong earnings delivery, earnings delivery that was seen in 4Q23. On this note, we commend Uzma for resuming the LSS4 construction, and current market conditions are favourable now for solar projects (capex reduction opportunity). We also opine O&G decommissioning and its geospatial satellite data (for emissions reduction) may be potentially huge ESG opportunities. Upgrade our forecasts by 4-11%, and our call to BUY with a diluted target price of RM0.92.

WHAT'S NEW

- **4QFY23 – a quarter of O&G contract mobilisation and LSS4 progress.** We understand the bulk of 4QFY23's capex of RM63m (FY23: RM93m) was working capital to support O&G jobs as mobilisation has picked up pace since Mar 23. Another RM25m of 4QFY23's capex is related to non-O&G projects, such as the Net Energy Metering (NEM) and progress on the Large Scale Solar (LSS4). Having said, note that Uzma's 4QFY23 core profit of RM10m and its full-year performance also benefitted from an extremely low tax (9% of PBT). This was because Uzma utilised some of its tax credits. Moving forward, management has guided for a 20% tax rate for FY24 and beyond.
- **O&G: Local decommissioning demand may surprise on the upside**. Aside from peers Velesto Energy and T7Global, Uzma has a strong track record in the local hydraulic workover unit (HWU) and especially for the plug & abandonment (P&A) market, with market share of >60%. The 2023-25 Petronas Activity Outlook dictates 28/32/43 wells for P&A, with only several matured offshore facilities earmarked for decommission. However, we understand that Petronas had a recent closed-door engagement with the industry, and it revealed a five-year outlook of up to 309 wells for P&A, and 42 facilities via Engineering, Preparation, Removal & Disposal (EPRD) contracts.
- **Uzma is also bidding for another water injection module**. Petronas hinted that Malaysia will hit a peak O&G production of 2m bpd by 2025 (current: 1.6m bpd), suggesting greenfield projects will fall over time. But this also implies maintenance and production work to offset the natural decline from Malaysia's existing O&G assets will still continue. Hence, Uzma will continue to gain from local offshore P&A works in the near term. Uzma is also bidding for at least one long-term contract similar to its existing D18. While D18 was a 10+5 year contract, the new contract has a tenure of 5+2 years with a similar capex of about US$70m. Also, a recent partnership was formed with Malaysia Marine & Heavy Engineering (MMHE), and we believe this is to potentially bid for more offshore platforms.

KEY FINANCIALS

Year to 30 Jun (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	378	453	639	834	1,014
EBITDA	85	98	122	137	144
Operating profit	34	47	67	68	71
Net profit (rep./act.)	5	43	34	31	31
Net profit (adj.)	16	32	34	31	31
EPS (sen)	4.7	8.3	8.9	8.0	8.1
PE (x)	16.6	9.3	8.8	9.7	9.6
P/B (x)	0.6	0.6	0.6	0.5	0.5
EV/EBITDA (x)	8.0	7.0	5.6	5.0	4.8
Dividend yield (%)	0.0	0.0	1.3	2.6	3.9
Net margin (%)	1.3	9.6	5.4	3.7	3.1
Net debt/(cash) to equity (%)	72.1	65.9	86.4	118.0	139.6
Interest cover (x)	4.2	5.5	4.7	4.5	4.5
ROE (%)	1.0	8.4	6.4	5.7	5.6
Consensus net profit	-	-	48	50	62
UOBKH/Consensus (x)	-	-	0.72	0.62	0.50

Source: Uzma, Bloomberg, UOB Kay Hian

BUY

(Upgraded)

Share Price	RM0.78
Target Price	RM0.92
Upside	+18.8%
(Previous TP	*RM0.68)*

COMPANY DESCRIPTION

Uzma is an oil & gas company that provides integrated reservoir services to upstream players. Its three main businesses are: a) geoscience and petroleum engineering services, b) drilling and well services, and c) project oilfield and operation services.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	UZMA MK
Shares issued (m):	387.2
Market cap (RMm):	300.1
Market cap (US$m):	64.2
3-mth avg daily t'over (US$m):	0.4

Price Performance (%)

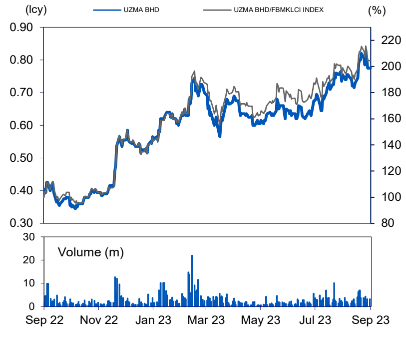
52-week high/low RM0.820/RM0.345

1mth	3mth	6mth	1yr	YTD
2.0	25.0	7.6	98.7	47.6

Major Shareholders	**%**
Tenggiri Tuah	34.5

FY24 NAV/Share (RM)	1.36
FY24 Net Debt/Share (RM)	1.18

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **LSS4: Progress should accelerate after Jul 23.** Uzma successfully closed the project loan of RM225m from Affin Islamic in Jun 23, while the private placement (PP) was completed in July 23. With the required funding in place, LSS4 is now 30% completed, vs 25% as of Apr 23. To recap, LSS players were facing a myriad of challenges including rising costs, interest rates and supply chain disruptions, all of which delayed project execution and cut IRRs (vs competitive tariff). In Mar 23, Uzma's revised capex assumption for LSS4 surged by nearly 50% to RM229m. Currently, we note that the target commercial operations date (COD) has now been updated to Jun 24, vs end-23.
- **Sentiment on LSS players now favourable.** The Energy Commission (EC) recently updated that the nation's projects under the LSS scheme are resuming progress in 2Q23, rising from 56% completion as of 3Q22 to 59% (or 1411MW). The notable capacity progresses were from Penang, Perak and Kelantan. On the ground, JAKS Resources has also become the first LSS4 owner to achieve commercial operations in Aug 23.
- **Costs for solar panel and material polysilicon have come off significantly** from the peak, to pre-pandemic levels by mid-23. This is an opportunity for LSS players like Uzma to capture price savings (relative to the budgeted capex of RM229m). Solar panels typically comprise up to 50% of total project. There is also a capex related to connectivity to the grid, in which Uzma guided on the potential to develop only half of the original budgeted 10km of transmission length - based on this, the cost savings may be 3-4% of total costs.
- **Solar: More to come.** Given there are no new LSS awards, the EC rolled out the corporate green power programme (CGPP), which allows solar power producers to negotiate tariffs directly with offtaker. Although the maximum capacity is capped at 30MW per project, the returns are clearly better vs the LSS tariffs. Uzma and Solarvest via consortium Angelaxy Power and Uzma Environergy secured 12MW CGPP capacities.
- **ESG: Geospatial may have big potential.** As a subsidiary that deals with satellite and other "Space" solutions, we see this business to be more promising (vs the solar subsidiary Uzma Environergy) with potential huge markets to tap on. Firstly, Uzma won Solarweek's "Smart Innovation Of The Year" award, for using power of satellite data and Interferometric Synthetic Aperture Radar (InSAR) to uncover ground deformations across solar farm sites. This may bring material changes to the solar industry as it reduces redundancy or error for choosing the most optimal site for solar installations.
- **ESG: Space satellite imaging for Decarbonisation/GHG emissions tracking.** We see a greater potential in this monetisation pathway, as only Uzma's technology have an exclusive Memorandum of Agreement with SIRIM Berhad, for: a) GHG Emissions monitoring, b) GHG Accounting via Geospatial, and c) ESG. Having the SIRIM accreditation allows Uzma to be more nimble in deploying these services.

EARNINGS REVISION/RISK

- **Adjust FY24-26F earnings by +11%/+5%/+4%.** Given Uzma's past track record of volatile earnings delivery, and while we like its diversification strategy, we assume the development timefame will incur costs. Hence, our forecasts are below consensus, but we see the fundamental recovery to be strong in the long term. As long as execution remains, Uzma will continue to be a major beneficiary of near-term O&G works, and its nimble efforts on diversification should reward Uzma over the long-term energy transition.

VALUATION/RECOMMENDATION

- **Upgrade to BUY (from HOLD), with a higher target price of RM0.92 (from RM0.68)** based on an unchanged valuation of 10x FY24F PE. Although Uzma remains highly dependent on Petronas' work orders, and earnings execution remains a paramount importance for the stock to sustainably recover to >RM0.90, we now see more upside in share price as the LSS4 concerns are removed, while near-term O&G demand is strong.

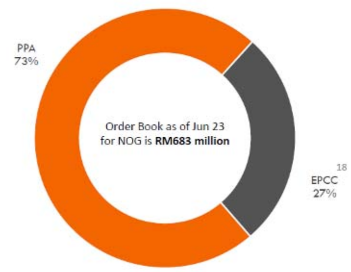
ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

- **Environmental**
  - **Carbon (CO2) reduction**. Uzma is in the midst of formulating emissions disclosure, and is clearly serious on net-zero carbon targets in line with the below point
  - **Clear non-O&G diversification roadmap**. Non-O&G targeted to be 40% of revenue mix by FY25. Long-term target revenue generation from solar at >RM1b beyond 2030
- **Social**
  - **Diversity.** >20% female proportion amongst 880 staff force (as per FY21 report)
  - **Safety (HSE).** Lost Time Injury Frequency (LTIF) remains low at almost 0
- **Governance**
  - **5 out of 8 board members are independent,** with wide industry expertise

O&G ORDERBOOK AND BIDBOOK, AS OF JUNE 23

Source: Uzma, UOB Kay Hian

NON-O&G (NOG) ORDERBOOK, JUNE 23



*Source: Uzma *Note: PPA: Power Purchase Agreement; EPCC: Engineering, Procurement, Construction and Commissioning*

UZMA 5-YEAR TRANSITION

Revenue mix (%)	FY22	FY23	FY25*
1) Overseas	20	28	30
2) Non-O&G	18	19	40
3) Recurring	35	40	60

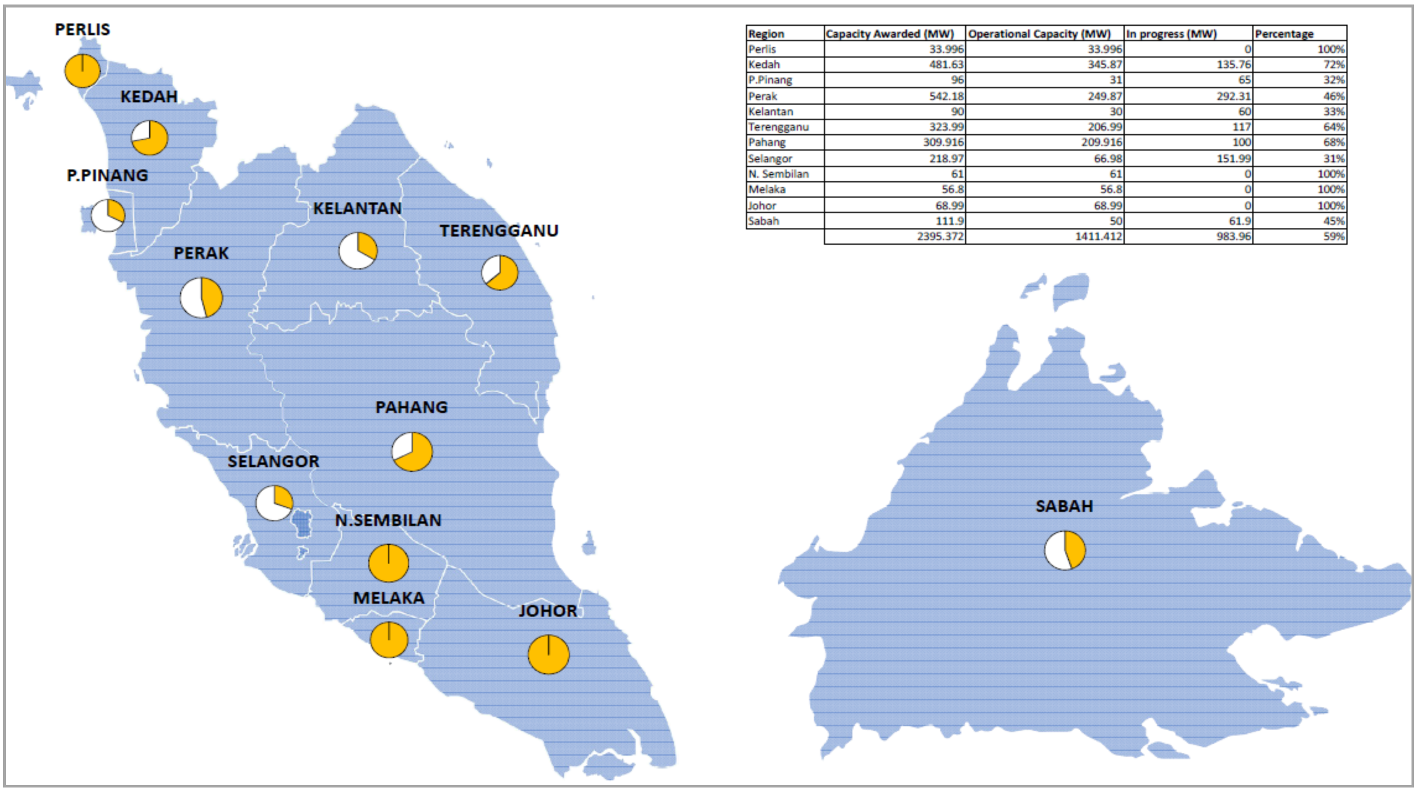
Source: Uzma Note: FY25 are the long-term targets

SEGMENTAL FORECASTS

RMm	FY24F	FY25F	FY26F
Group revenue	833.6	1,013.6	1,044.0
- Services	396.7	444.2	270.6
- Trading	56.9	59.4	33.4
- Setegap (85%)	123.8	123.8	61.9
- Non-O&G	380.0	510.0	740.0
EBIT	68.3	70.9	54.7
- Services	29.1	35.2	30.6
- Trading	7.0	3.5	0.0
- Setegap (85%)	32.2	32.2	24.1
- Non-O&G	19.0	26.3	33.6
EBIT margins (%)	8.2%	7.0%	5.2%
- Services (%)	7.3%	7.9%	11.3%
- Trading (%)	12.3%	5.9%	0.0%
- Setegap (%)	26.0%	26.0%	39.0%
- Non-O&G	6.0%	5.0%	5.0%
FCF	(197.2)	(165.9)	(122.9)

Source: UOB Kay Hian

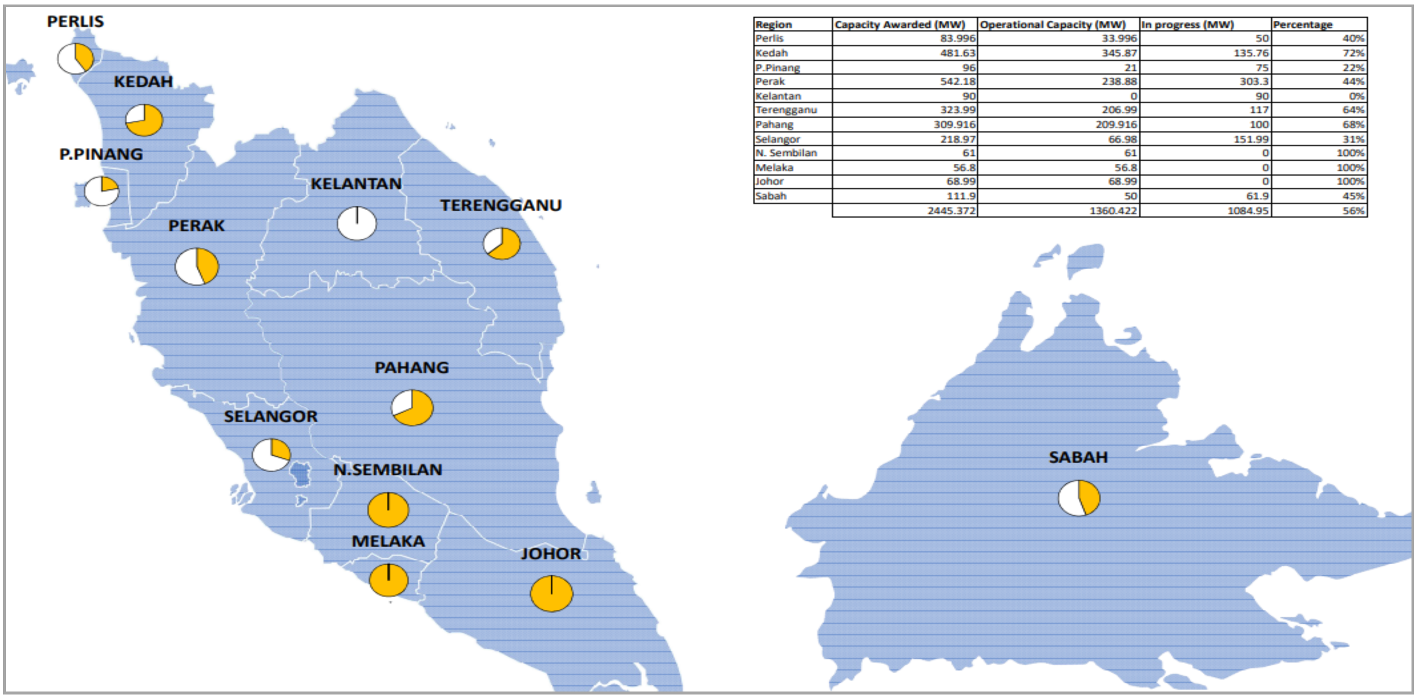
LSS PROJECTS STATUS AS OF JUNE 23



Region	Capacity Awarded (MW)	Operational Capacity (MW)	In progress (MW)	Percentage
Perlis	33.996	33.996	0	100%
Kedah	481.63	345.87	135.76	72%
P.Pinang	96	31	65	32%
Perak	542.18	249.87	292.31	46%
Kelantan	90	30	60	33%
Terengganu	323.99	206.99	117	64%
Pahang	309.916	209.916	100	68%
Selangor	218.97	66.98	151.99	31%
N. Sembilan	61	61	0	100%
Melaka	56.8	56.8	0	100%
Johor	68.99	68.99	0	100%
Sabah	111.9	50	61.9	45%
	2395.372	1411.412	983.96	59%

Source: Energy Commission Of Malaysia, UOB Kay Hian

LSS PROJECTS STATUS AS OF 4Q22



Region	Capacity Awarded (MW)	Operational Capacity (MW)	In progress (MW)	Percentage
Perlis	83.996	33.996	50	40%
Kedah	481.63	345.87	135.76	72%
P.Pinang	96	21	75	22%
Perak	542.18	238.88	303.3	44%
Kelantan	90	0	90	0%
Terengganu	323.99	206.99	117	64%
Pahang	309.916	209.916	100	68%
Selangor	218.97	66.98	151.99	31%
N. Sembilan	61	61	0	100%
Melaka	56.8	56.8	0	100%
Johor	68.99	68.99	0	100%
Sabah	111.9	50	61.9	45%
	2445.372	1360.422	1084.95	56%

Source: Energy Commission Of Malaysia, UOB Kay Hian

PROFIT & LOSS

Year to 30 Jun (RMm)	2023	2024F	2025F	2026F
Net turnover	453	639	834	1,014
EBITDA	98	122	137	144
Deprec. & amort.	51	54	68	73
EBIT	47	67	68	71
Total other non-operating income	n.a.	n.a.	n.a.	n.a.
Associate contributions	2	2	2	2
Net interest income/(expense)	(18)	(26)	(31)	(32)
Pre-tax profit	48	44	40	41
Tax	(3)	(8)	(8)	(8)
Minorities	(1)	(2)	(2)	(2)
Net profit	43	34	31	31
Net profit (adj.)	32	34	31	31

BALANCE SHEET

Year to 30 Jun (RMm)	2023	2024F	2025F	2026F
Fixed assets	513	681	777	808
Other LT assets	275	150	154	160
Cash/ST investment	96	181	123	70
Other current assets	463	609	831	1,057
Total assets	1,347	1,620	1,885	2,095
ST debt	225	290	403	491
Other current liabilities	264	365	470	568
LT debt	226	346	371	376
Other LT liabilities	61	61	61	61
Shareholders' equity	540	528	551	571
Minority interest	30	30	29	28
Total liabilities & equity	1,347	1,620	1,885	2,095

CASH FLOW

Year to 30 Jun (RMm)	2023	2024F	2025F	2026F
Operating	51	22	(16)	(23)
Pre-tax profit	48	44	40	41
Tax	(3)	(8)	(8)	(8)
Deprec. & amort.	51	54	68	73
Working capital changes	(34)	(68)	(117)	(129)
Other operating cashflows	(11)	0	0	0
Investing	(44)	(219)	(150)	(100)
Capex (growth)	(44)	(219)	(150)	(100)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	0	0	0	0
Financing	20	160	105	65
Dividend payments	(5)	(5)	(5)	(5)
Issue of shares	0	0	0	0
Proceeds from borrowings	86	225	170	130
Loan repayment	(60)	(60)	(60)	(60)
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	27	(38)	(61)	(58)
Beginning cash & cash equivalent	146	175	141	83
Changes due to forex impact	(78)	43	44	45
Ending cash & cash equivalent	96	181	123	70

KEY METRICS

Year to 30 Jun (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	21.7	19.1	16.4	14.2
Pre-tax margin	10.6	6.8	4.8	4.1
Net margin	9.6	5.4	3.7	3.1
ROA	3.3	2.3	1.8	1.6
ROE	8.4	6.4	5.7	5.6
Growth				
Turnover	19.9	40.9	30.5	21.6
EBITDA	15.4	23.6	12.3	5.1
Pre-tax profit	181.4	(8.8)	(8.4)	2.9
Net profit	760.7	(21.1)	(10.0)	1.7
Net profit (adj.)	96.6	6.3	(10.0)	1.7
EPS	78.7	6.3	(10.0)	1.7
Leverage				
Debt to total capital	44.2	53.3	57.2	59.1
Debt to equity	83.6	120.6	140.4	151.9
Net debt/(cash) to equity	65.9	86.4	118.0	139.6
Interest cover (x)	5.5	4.7	4.5	4.5

COMPANY UPDATE

Seatrium (STM SP)

Positive Vibes From A Tour Of An FLNG Vessel

Our recent tour to Seatrium and Golar's FLNG project showed that there continues to be a high level of interest in such vessels from an energy supply and financing standpoint. The imminent completion of this complex vessel underscores Seatrium's ability to safely and successfully deliver a quality project, which is key to maintaining its competitive edge in winning new orders. We are confident that newsflow on new orders will be robust in the next 6-12 months. Maintain BUY. Target price: S$0.19.

WHAT'S NEW

- **Another quality project will be safely delivered.** We recently had the fortune to visit Golar LNG's newest floating LNG (FLNG) vessel Golar Gimi at Seatrium's (formerly Keppel's) Benoi yard. The vessel was previously an LNG carrier but through extensive works carried out here in Singapore, it has now been converted into a four-train FLNG vessel capable of processing 2.7mtpa.

- **Key highlights of the tour which involved over 100 of Golar and Seatrium's stakeholders, partners and associates are:** a) the presence of a number of banks, which indicates a high level of interest in financing such energy transition/infrastructure projects; b) industry participants viewing the LNG landscape as being the key growth area in energy in the next decade; c) Seatrium's very clear emphasis on safety, which we believe adds to the company's overall appeal as a constructor of choice for its multinational clients – the Gimi project completed 37m man hours of work with no lost-time incidents (or >4,200 years of work); and d) immense complexity of the project which involved the addition of 1,500km of new cables and 44,000 tonnes of steel to the original LNG vessel.

GOLAR LNG'S VESSELS

Vessel name	Built/ converted	Operational from:	Capacity (mtpa)	Charterer	Total conversion cost (US$b)	Conversion done at:
Hilli Episeyo	1975/2017	2018	2.40	Perenco	1.20	Keppel
Golar Gimi	1976/2023	2023	2.70	BP	1.30	STM
Fuji	2004/TBC	TBC	3.50*	Candidate for future FLNG project	TBC	TBC

Note: Golar has placed orders for items targeted for a 3.5mtpa Mark II FLNG vessel
Source: Golar LNG

KEY FINANCIALS

Year to 31 Dec (S$m)	2021	2022	2023F	2024F	2025F
Net turnover	1,862	1,947	4,621	5,353	6,942
EBITDA	(1,028)	(7)	256	502	839
Operating profit	(1,224)	(206)	(35)	211	501
Net profit (rep./act.)	(1,171)	(261)	(270)	158	353
Net profit (adj.)	(1,171)	(261)	(270)	158	352
EPS (S$ cent)	(6.5)	(0.8)	(0.4)	0.2	0.5
PE (x)	n.m.	n.m.	n.m.	60.3	27.1
P/B (x)	0.6	1.2	1.1	1.1	1.1
EV/EBITDA (x)	n.m.	n.m.	45.7	23.3	14.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(62.9)	(13.4)	(5.8)	3.0	5.1
Net debt/(cash) to equity (%)	45.8	26.5	25.2	19.1	9.1
Interest cover (x)	(14.8)	(1.5)	(0.2)	n.a.	n.a.
ROE (%)	n.a.	n.a.	n.a.	1.9	4.1
Consensus net profit	-	-	(205)	286	524
UOBKH/Consensus (x)	-	-	1.32	0.55	0.67

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

BUY

(Maintained)

Share Price	S$0.14
Target Price	S$0.19
Upside	+35.7%

COMPANY DESCRIPTION

Seatrium is an integrated shipyard offering one-stop engineering solutions for the offshore oil & gas and renewables industries. It merged with Keppel Offshore Marine in 1Q23.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	STM SP
Shares issued (m):	68,217.1
Market cap (S$m):	9,550.4
Market cap (US$m):	6,998.7
3-mth avg daily t'over (US$m):	34.7

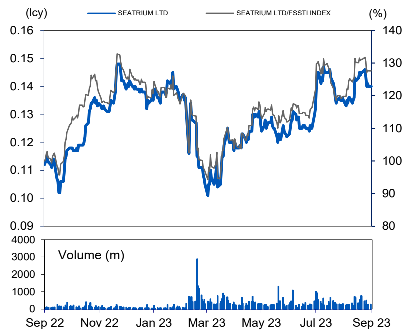
Price Performance (%)

52-week high/low S$0.148/S$0.101

1mth	3mth	6mth	1yr	YTD
3.7	13.8	29.6	25.0	1.4

Major Shareholders	%
Temasek Hldgs	38.1
FY23 NAV/Share (S$)	0.12
FY23 Net Debt/Share (S$)	0.03

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Other background information on Gimi.** During our visit, the vessel was undergoing final testing and will imminently sail away in the next 2-3 weeks. While the initial conversion contract was 2.45mtpa, the vessel's capacity has now been been upgraded to 2.7mtpa. Gimi will be deployed to BP's Greater Tortue Ahmeyin project located 120km offshore Mauritania and Senegal in 2850m water depth, making it one of the deepest subsea developments in Africa.

- **With a S$19.7b orderbook, the outlook for new orders remains strong, in our view.** We believe that Seatrium is in pole position to win Golar's third FLNG project subject to it meeting the former's profit margin hurdles. On our estimates, the former's Tuas yard has ample capacity from 2026 onwards and a large FLNG project would be a welcome addition to the company's orderbook. At present, Seatrium has bid for two remaining Petrobras FPSOs; however the company was unable to give any guidance on the timeline for this. While 40% of Seatrium's current orderbook is in the renewable energy space (with the remainder related to oil and gas projects), its addressable market is arguably much larger when taking into account carbon capture usage and storage, floating LNG, and ammonia storage and transport which feeds into the hydrogen energy chain.

EARNINGS REVISION/RISK

- **None.**

VALUATION/RECOMMENDATION

- **We maintain our BUY rating on Seatrium with a P/B-based target price of S$0.19**. Our target P/B multiple of 1.5x is 2SD above the company's five-year average of 1.0x and is pegged to its 2024 book value of S$0.125. Our positive view on the stock reflects our belief that the company will benefit from bullish trends in the offshore marine space. These include: a) the tailwinds from increased construction in the renewables space, and b) the current offshore marine upcycle. Risks include higher-than-expected provisions for 2023, negative newsflow regarding its CPIB case, and volatile oil prices.

SHARE PRICE CATALYST

- New orders for rigs, offshore renewable installations or fabrication works as well as repairs and upgrade works for cruise ships and other commercial vessels.

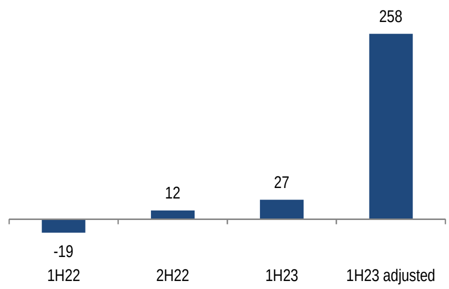
VIEW OF ONE OF FOUR LNG PROCESSING TRAINS ON THE VESSEL

Source: UOB Kay Hian

VIEW FROM THE TOPSIDE WITH LNG TANK VISIBLE AT THE BOTTOM

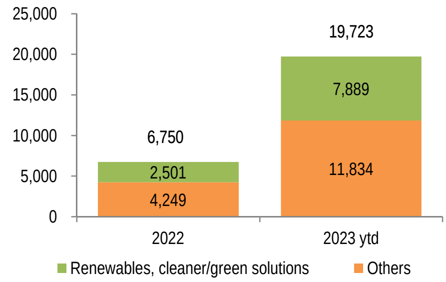
Source: UOB Kay Hian

SIGNIFICANT SEQUENTIAL IMPROVEMENT IN EBITDA (S$M)



Note: Adjusted EBITDA excludes provisions for contracts and merger expenses
Source: STM

COMPOSITION OF NET ORDERBOOK (S$M)



Source: STM

VALUATION SENSITIVITY

	Past 5 years	Past 10 years
Average P/B	1.01x	1.25x
+1SD	1.27x	1.70x
+2SD	1.53x	2.16x
2024F BVPS	S$0.125	S$0.125
Target price at +1SD	S$0.159	S$0.213
Target price at +2SD	S$0.191	S$0.270

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (S$m)	2022	2023F	2024F	2025F
Net turnover	1,947	4,621	5,353	6,942
EBITDA	(7)	256	502	839
Deprec. & amort.	200	291	291	337
EBIT	(206)	(35)	211	501
Total other non-operating income	0	80	0	0
Associate contributions	1	16	16	16
Net interest income/(expense)	(34)	(17)	11	11
Pre-tax profit	(240)	45	238	528
Tax	(26)	(9)	(48)	(106)
Minorities	4	(6)	(32)	(71)
Preferred dividends	0	0	0	1
Net profit	(261)	(270)	158	353
Net profit (adj.)	(261)	(270)	158	352

BALANCE SHEET

Year to 31 Dec (S$m)	2022	2023F	2024F	2025F
Fixed assets	3,860	5,020	4,844	4,622
Other LT assets	2,109	6,558	6,803	7,366
Cash/ST investment	2,091	1,916	1,674	1,887
Other current assets	1,042	3,838	4,277	5,216
Total assets	9,102	17,333	17,598	19,092
ST debt	1,669	1,197	1,197	1,197
Other current liabilities	1,765	4,067	4,871	6,543
LT debt	1,420	2,829	2,100	1,500
Other LT liabilities	460	838	838	838
Shareholders' equity	3,769	8,359	8,517	8,869
Minority interest	19	43	75	146
Total liabilities & equity	9,102	17,333	17,598	19,092

CASH FLOW

Year to 31 Dec (S$m)	2022	2023F	2024F	2025F
Operating	1,039	(474)	418	745
Pre-tax profit	(206)	(35)	211	501
Tax	(2)	19	337	472
Deprec. & amort.	200	291	291	337
Associates	0	0	0	0
Working capital changes	1,050	145	(290)	(436)
Non-cash items	(36)	(60)	0	0
Other operating cashflows	34	(835)	(130)	(130)
Investing	(26)	13	69	69
Capex (growth)	(23)	(40)	(100)	(100)
Capex (maintenance)	0	0	0	0
Investments	0	(101)	159	159
Proceeds from sale of assets	3	10	10	10
Others	(6)	144	0	0
Financing	(21)	286	(729)	(600)
Dividend payments	0	0	0	0
Issue of shares	0	0	0	0
Proceeds from borrowings	0	938	0	0
Loan repayment	0	0	(729)	(600)
Others/interest paid	(20)	(652)	0	0
Net cash inflow (outflow)	992	(175)	(243)	214
Beginning cash & cash equivalent	1,104	2,091	1,916	1,674
Changes due to forex impact	(6)	0	0	0
Ending cash & cash equivalent	2,091	1,916	1,674	1,887

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	(0.3)	5.5	9.4	12.1
Pre-tax margin	(12.3)	1.0	4.4	7.6
Net margin	(13.4)	(5.8)	3.0	5.1
ROA	n.a.	n.a.	0.9	1.9
ROE	n.a.	n.a.	1.9	4.1
Growth				
Turnover	4.6	137.3	15.8	29.7
EBITDA	n.a.	n.a.	95.8	67.1
Pre-tax profit	n.a.	n.a.	431.9	122.1
Net profit	n.a.	n.a.	n.a.	122.7
Net profit (adj.)	n.a.	n.a.	n.a.	122.1
EPS	n.a.	n.a.	n.a.	122.7
Leverage				
Debt to total capital	44.9	32.4	27.7	23.0
Debt to equity	81.9	48.2	38.7	30.4
Net debt/(cash) to equity	26.5	25.2	19.1	9.1
Interest cover (x)	(1.5)	(0.2)	n.a.	n.a.

COMPANY UPDATE

Aeon Thana Sinsap (Thailand) (AEONTS TB)

2QFY23 Results Preview: A Higher NPL Ratio Will Pressure Earnings

We expect AEONTS to post a 2QFY23 net profit of Bt462m (-49% yoy, -25% qoq). We have seen an ongoing rise in NPL ratio among other consumer finance operators in 2Q23. The dominant pressure will come from a higher NPL ratio and an uplift in credit cost. On the bright side, the digital cash handout scheme, which will commence in Feb 24, should improve AEONTS's asset quality in the mid-to-long term. We maintain BUY with a target price of Bt211.00.

2QFY23 RESULTS PREVIEW (JUN-AUG 23)

Year to 28 Feb (Btm)	2QFY23	1QFY23	2QFY22	qoq chg (%)	yoy chg (%)
Total gross loans	99,123	94,443	94,533	5.0	4.9
Net interest income	4,324	4,199	4,292	3.0	0.7
Non-interest income	864	734	715	17.8	20.9
Loan loss provision	(2,489)	(2,094)	(1,851)	18.8	34.4
Non-Interest Expenses	(2,097)	(2,033)	(1,986)	3.1	5.6
Pre-provision operating profit	3,091	2,899	3,021	6.6	2.3
Net income	462	617	904	(25.1)	(48.8)
EPS (Bt)	1.85	2.47	3.61	(25.1)	(48.8)
Ratio (%)					
NPL Ratio	6.0%	5.9%	5.4%		
Loan loss coverage ratio (%)	180%	184%	207%		
Net interest margin (NIM %)	17.9%	17.9%	18.4%		
Credit cost (bp)	1029	886	788		
Cost to income (%)	40%	41%	40%		

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

WHAT'S NEW

- **Increase in NPL ratio will pressure 2QFY23 earnings.** We expect Aeon Thana Sinsap (Thailand) (AEONTS) to report a 2QFY23 net profit of Bt462m, down 49% yoy and 25% qoq. As other consumer finance operators experienced an escalation in the NPL ratio in the recent 2Q23, AEONTS may inevitably face a higher NPL ratio in 2QFY23. Due to weak asset quality, credit costs should increase to 1,029bp in 2QFY23 from 886bp in 1QFY23. In terms of pre-provision operating profit (PPOP), we expect the company to post a growth of 2% yoy and 7% qoq, as its loans are seeing steady growth.

KEY FINANCIALS

Year to 28 Feb (Btm)	2021	2022	2023F	2024F	2025F
Net interest income	16,158	17,151	17,416	18,792	20,178
Non-interest income	2,888	3,277	3,295	3,283	3,511
Net profit (rep./act.)	3,553	3,815	3,591	4,148	4,492
Net profit (adj.)	3,553	3,815	3,591	4,148	4,492
EPS (Bt)	14.2	15.3	14.4	16.6	18.0
PE (x)	12.1	11.2	11.9	10.3	9.5
P/B (x)	2.2	1.9	1.7	1.5	1.4
Dividend yield (%)	3.0	3.0	2.2	3.6	3.9
Net int margin (%)	18.1	18.5	18.0	18.3	18.3
Cost/income (%)	41.2	40.2	41.5	40.8	40.7
Loan loss cover (%)	247.4	189.6	170.0	165.0	158.0
Consensus net profit	-	-	3,825	4,167	4,783
UOBKH/Consensus (x)	-	-	0.94	1.00	0.94

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

BUY

(Maintained)

Share Price	Bt171.50
Target Price	Bt211.00
Upside	+23.0%
(Previous TP	*Bt230.00)*

COMPANY DESCRIPTION

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

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	AEONTS TB
Shares issued (m):	250.0
Market cap (Btm):	42,875.0
Market cap (US$m):	1,204.1
3-mth avg daily t'over (US$m):	1.7

Price Performance (%)

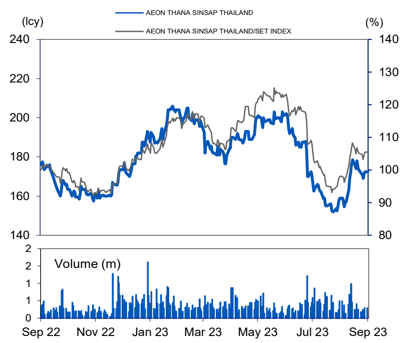
52-week high/low Bt206.00/Bt152.00

1mth	3mth	6mth	1yr	YTD
11.7	(13.4)	(13.4)	(0.6)	(5.8)

Major Shareholders	%
AEON Financial Service Co., Ltd. / Japan	35.1
ACS Capital Corporation Limited	19.2
AEON Holdings (Thailand) Co., Ltd	8.8

FY24 NAV/Share (Bt)	111.87
FY24 Solvency Ratio (%)	

PRICE CHART



Source: Bloomberg

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ASSISTANT ANALYST(S)

Thanawat Thangchadakorn

STOCK IMPACT

- **Expect a higher NPL ratio.** As other consumer finance operators have seen a continued increase in NPL ratio in 2Q23, AEONTS' NPL ratio should also be higher in 2QFY23, caused by an uneven economic recovery. We estimate NPL ratio to come in at 6.0% in 2QFY23, increasing from 5.9% in 1QFY23. However, we are optimistic that NPL ratio should see an improvement in 3QFY23 due to the benefit of the government's stimulus packages.

- **Moderate loan growth in 2QFY23.** We expect the total gross loans of AEONTS to continue to grow 5% yoy and 5% qoq. Credit card spending for the whole industry still expanded 8.6% yoy in July 23. Meanwhile, the industry's credit card outstanding grew 1% yoy. On the other hand, the industry's personal loans contracted for the third consecutive months, down 11% yoy as of end-Jul 23. Nevertheless, we remain optimistic that AEONTS will be able to generate loan growth (+5% yoy, +5% qoq), in line with our expectation in 2QFY23.

- **Expect low participation from debtors in persistent debt measure.** AEONTS will be impacted by the persistent debt measure as personal loans make up 55% of its total loans. Management stated that the company has already launched the debt structuring programme to help clients repay their entire debts. However, participation rate has been relatively low due to debtors choosing to maintain liquidity amidst the uneven economic recovery. AEONTS may be impacted by persistent debt measures commencing in Apr 24, but will see limited impact. However, management has not provided any further guidance about the potential effects of this measure.

- **Government stimulus policy will boost domestic purchasing power.** Thailand has already nominated an official government. One of the government's policies to boost the economy is the Bt10,000 digital wallet scheme. We expect this policy to increase domestic consumption as Thai people will have excess money by using this Bt10,000 digital wallet to pay for groceries, entertainment, and others; note that it cannot be used to repay debt, buy illegal items, or buy alcohol. Meanwhile, they will have excess money, which is fiat money, to repay debt and use to spend. This Bt10,000 digital wallet scheme is expected to commence in Feb 24. This stimulus would benefit AEONTS as it will see better repayment and asset quality.

EARNINGS REVISION/RISK

- We have lowered AEONTS's FY23-25 earnings forecasts by 9.6%, 2.2%, and 3.2% respectively, on the back of higher cost of fund and a worsening bad debt outlook.

NET PROFIT FORECASTS

(Btm)	2023F	2024F	2025F
Old	3,974	4,243	4,641
New	3,591	4,148	4,492
% chg	-9.6%	-2.2%	-3.2%

Source: UOB Kay Hian

VALUATION/RECOMMENDATION

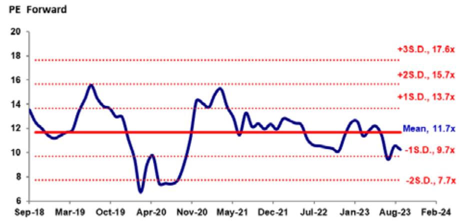
- **Maintain BUY with a lower target price of Bt211.00** using the Gordon Growth Model with cost of equity at 13.0% and long-term growth rate at 3.0%. The stock trades at FY23F PE of 10.3x, which is almost -1SD to its five-year mean, and FY23F P/B of 1.6x, which is approximately -1SD to its five-year mean.

SHARE PRICE CATALYST

- NPL ratio peaking.

- Implementation of government stimulus package(s).

PE BAND



Source: AEONTS, UOB Kay Hian

P/B BAND

Source: AEONTS, UOB Kay Hian

PROFIT & LOSS

Year to 28 Feb (Btm)	2022	2023F	2024F	2025F
Interest income	19,055	19,710	21,100	22,542
Interest expense	(1,904)	(2,293)	(2,308)	(2,364)
Net interest income	17,151	17,416	18,792	20,178
Fees & commissions	915	1,032	1,157	1,301
Other income	2,362	2,263	2,126	2,210
Non-interest income	3,277	3,295	3,283	3,511
Total income	20,428	20,711	22,075	23,690
Staff costs	(8,061)	(8,432)	(8,848)	(9,474)
Other operating expense	(155)	(155)	(163)	(171)
Pre-provision profit	12,213	12,124	13,065	14,044
Loan loss provision	(7,263)	(7,441)	(7,655)	(8,187)
Other provisions	0	0	0	0
Associated companies	0	0	0	0
Other non-operating income	0	0	0	0
Pre-tax profit	4,950	4,683	5,410	5,857
Tax	(996)	(936)	(1,082)	(1,171)
Minorities	(139)	(155)	(179)	(194)
Net profit	3,815	3,591	4,148	4,492
Net profit (adj.)	3,815	3,591	4,148	4,492

BALANCE SHEET

Year to 28 Feb (Btm)	2022	2023F	2024F	2025F
Cash with central bank	3,816	3,789	4,071	4,359
Govt treasury bills & securities	0	0	0	0
Interbank loans	0	0	0	0
Customer loans	83,812	88,746	96,071	103,524
Investment securities	0	0	0	0
Derivative receivables	0	0	0	0
Associates & JVs	0	0	0	0
Fixed assets (incl. prop.)	523	573	631	687
Other assets	7,055	7,435	8,276	9,133
Total assets	95,207	100,542	109,049	117,703
Interbank deposits	0	0	0	0
Customer deposits	0	0	0	0
Derivative payables	0	0	0	0
Debt equivalents	9,580	8,922	9,587	10,264
Other liabilities	62,278	65,842	71,258	76,630
Total liabilities	71,859	74,763	80,845	86,894
Shareholders' funds	22,821	25,363	27,967	30,766
Minority interest - accumulated	527	416	236	42
Total equity & liabilities	95,207	100,542	109,048	117,702

OPERATING RATIOS

Year to 28 Feb (%)	2022	2023F	2024F	2025F
Capital Adequacy				
Total assets/equity (x)	4.2	4.0	3.9	3.8
Tangible assets/tangible common equity (x)	4.3	4.1	4.1	4.0
Asset Quality				
NPL ratio	5.6	5.8	5.6	5.5
Loan loss coverage	189.6	170.0	165.0	158.0
Loan loss reserve/gross loans	7.7	7.5	7.2	7.2
Increase in NPLs	20.6	7.7	3.8	5.1
Credit cost (bp)	780.1	768.4	744.5	742.4
Liquidity				
Loan/deposit ratio	141.2	142.0	141.1	140.5
Liquid assets/short-term liabilities	6.8	6.3	6.3	6.2
Liquid assets/total assets	4.0	3.8	3.7	3.7

KEY METRICS

Year to 28 Feb (%)	2022	2023F	2024F	2025F
Growth				
Net interest income, yoy chg	6.1	1.5	7.9	7.4
Fees & commissions, yoy chg	2.6	12.8	12.2	12.4
Pre-provision profit, yoy chg	9.0	(0.7)	7.8	7.5
Net profit, yoy chg	7.4	(5.9)	15.5	8.3
Net profit (adj.), yoy chg	7.4	(5.9)	15.5	8.3
Customer loans, yoy chg	4.7	5.9	8.3	7.8
Profitability				
Net interest margin	18.5	18.0	18.3	18.3
Cost/income ratio	40.2	41.5	40.8	40.7
Adjusted ROA	4.1	3.7	4.0	4.0
Reported ROE	17.9	14.9	15.6	15.3
Adjusted ROE	17.9	14.9	15.6	15.3
Valuation				
P/BV (x)	1.9	1.7	1.5	1.4
P/NTA (x)	2.0	1.8	1.6	1.5
Adjusted P/E (x)	11.2	11.9	10.3	9.5
Dividend Yield	3.0	2.2	3.6	3.9
Payout ratio	34.2	26.7	37.2	37.7

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