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KEY HIGHLIGHTS

Sector

Banking

3Q23 round-up: Building buffers to weather heightened geopolitical uncertainties.

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Results

AEM Holdings (AEM SP/BUY/S\$3.34/Target: S\$3.63)

9M23: Revenue in line with forecast; recovery expected in late-24.

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CSE Global (CSE SP/BUY/S\$0.435/Target: S\$0.61)

3Q23: Results in line; growth backed by strong orderbook.

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First Resources (FR SP/BUY/S\$1.43/Target: S\$1.65)

3Q23: Results slightly below expectation on lower-than-expected sales volume. This was mainly due to shipment timing. These sales will be booked in 4Q23.

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Genting Singapore (GENS SP/BUY/S\$0.85/Target: S\$1.25)

3Q23: Solid set of results within our expectations but beating consensus forecasts, with earnings exceeding pre-pandemic levels. Maintain BUY and target price of S\$1.25.

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Oversea-Chinese Banking Corp (OCBC SP/BUY/S\$13.06/Target: S\$17.35)

3Q23: Delivering consistency in execution and resilient earnings.

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SATS (SATS SP/BUY/S\$2.56/Target: S\$2.90)

2QFY24: Earnings turn around, though pace of recovery still moderate.

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Singapore Technologies Engineering

(STE SP/BUY/S\$3.76/Target: S\$4.20)

3Q23: Revenue broadly in line; growth ahead underpinned by strong orderbook. Maintain BUY.

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TRADERS' CORNER

Fraser Centrepoint Trust (FCT SP): Trading BUY

Yangzijiang Shipbuilding (YZJSGD SP): Trading BUY

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KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	34337.9	0.2	0.7	2.0	3.6
S&P 500	4411.6	(0.1)	1.0	1.9	14.9
FTSE 100	7425.8	0.9	0.1	(2.3)	(0.3)
AS30	7145.0	(0.4)	(0.7)	(1.4)	(1.1)
CSI 300	3579.4	(0.2)	(1.5)	(2.3)	(7.5)
FSSTI	3106.7	(0.9)	(1.2)	(2.5)	(4.4)
HSCEI	5989.1	1.5	(3.1)	(2.1)	(10.7)
HSI	17426.2	1.3	(3.0)	(2.2)	(11.9)
JCI	6838.3	0.4	(0.6)	(1.3)	(0.2)
KLCI	1445.2	(0.5)	(0.3)	0.1	(3.4)
KOSPI	2403.8	(0.2)	(3.9)	(2.1)	7.5
Nikkei 225	32585.1	0.1	(0.4)	0.8	24.9
SET	1387.1	(0.2)	(2.1)	(4.4)	(16.9)
TWSE	16839.3	0.9	1.1	0.3	19.1
BDI	1655	0.7	8.7	(14.9)	9.2
CPO (RM/mt)	3658	0.1	0.2	1.2	(9.6)
Brent Crude (US\$/bbl)	83	1.5	(3.0)	(9.1)	(3.8)

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (S\$)	Chg (%)	5-day ADT (S\$m)
DBS Group Holdings	33.17	(0.6)	107.7
Singapore Telecommunications	2.36	(1.7)	78.0
Oversea-Chinese Banking Corp	12.97	(0.7)	61.4
United Overseas Bank	27.40	(0.9)	58.8
Singapore Airlines	6.21	(1.1)	41.8

TOP GAINERS

Company	Price (S\$)	Chg (%)	5-day ADT (S\$m)
Sinarmas Land	0.19	8.0	0.0
Tianjin Pharmaceutical Da -S	1.76	2.9	0.2
Fraser And Neave	1.07	2.9	0.1
Emperador Inc	0.51	2.0	0.7
Hotel Properties	3.66	1.4	0.0

TOP LOSERS

Company	Price (S\$)	Chg (%)	5-day ADT (S\$m)
Top Glove Corp	0.22	(6.5)	0.7
Nio Inc-Class A	7.50	(5.2)	1.0
Aem Holdings	3.34	(4.6)	6.4
Yanlord Land Group	0.57	(4.2)	0.9
Olam Group	0.99	(3.4)	2.3

*ADT: Average daily turnover

KEY ASSUMPTIONS

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

Source: Bloomberg, UOB ETR, UOB Kay Hian

SECTOR UPDATE

Banking – Singapore

3Q23 Round-up: Building Buffers To Weather Heightened Geopolitical Uncertainties

Banks delivered resilient earnings in 3Q23 (DBS: +16% yoy, OCBC: +21% yoy) with NIM expansion yoy, enhanced cost discipline and benign asset quality. Geopolitical uncertainties have increased. Singapore banks can better weather the volatilities due to strong capital adequacy and stable asset quality. DBS and OCBC provide attractive 2024 dividend yields of 6.0% and 6.2% respectively. BUY OCBC (Target: S\$17.35), followed by DBS (Target: S\$44.28). Maintain OVERWEIGHT.

WHAT'S NEW

- DBS Group Holdings' (DBS) and Oversea-Chinese Banking Corp's (OCBC) 3Q23 results were slightly above our expectations. Assuming that consensus estimate of S\$1,483m excluded one-off expenses of S\$97m for Citi integration cost, United Overseas Bank (UOB) would have performed in line with expectations.
- **DBS and OCBC outperform in NIM expansion.** DBS and OCBC registered more sizeable NIM expansions of 29bp and 21bp yoy respectively in 3Q23 (UOB: +14bp yoy). On a sequential basis, DBS' and OCBC's NIM also expanded slightly by 3bp and 1bp qoq respectively (UOB: -3bp qoq). UOB deployed surplus liquidity to high-quality low-yielding assets, which resulted in moderation in NIM. Thus, DBS and OCBC achieved stronger growth in net interest income of 16% and 17% yoy respectively (UOB: 9% yoy).
- **UOB has strengthened deposit franchise.** UOB has maintained CASA ratio at 48.2% as of Sep 23 despite higher interest rates for fixed deposits. Conversely, DBS' and OCBC's CASA ratio has deteriorated 12.3ppt and 9.8ppt yoy respectively to 53.4% and 46.3%.
- **DBS and UOB saw stronger growth in fee income** of 9% and 14% yoy respectively (OCBC: +2% yoy). DBS benefitted from strong recovery of wealth management of 22% yoy (OCBC: 9% yoy, UOB: 11% yoy). DBS' loans and trade-related fees grew by 12% yoy (OCBC: -2% yoy, UOB: 5% yoy). UOB's credit card fees jumped by a sizeable 89% yoy to new record high of S\$104m due to higher customer spends and its enlarged regional franchise with the consolidation of Citi consumer businesses (DBS: 21% yoy).
- **Enhanced cost efficiency.** Banks delivered positive Jaws with revenue growth exceeding the increase in operating expenses. DBS, OCBC and UOB (exclude Citi integration costs) have controlled the increase in operating expenses at 12%, 5% and 4% yoy respectively. Cost-to-income ratios (CIR) have fallen below 40.0% at 39.3% for DBS and 39.1% for OCBC (UOB: 41% if we exclude Citi integration costs).
- **Asset quality was benign.** OCBC's and UOB's NPLs decreased by 5.5% and 3.5% qoq respectively due to benign NPL formation and continued upgrades and recoveries. DBS' NPLs jumped 6% qoq in 3Q23 due to the integration of Citibank Taiwan. DBS incurred specific provisions of about S\$100m due to exposures linked to the recent money laundering case in Singapore (financing for purchase of real estate).
- **Delivering high ROE.** DBS, OCBC and UOB reported high ROEs of 18.2%, 14.0% and 13.9% respectively.

PEER COMPARISON

Company	Ticker	Rec	Price @ 10 Nov 23 (\$)	Target Price (\$)	Market Cap (US\$m)	FY	PE		P/B		P/POP		Yield		ROE	
							2023F (x)	2024F (x)	2023F (x)	2024F (x)	2023F (x)	2024F (x)	2023F (%)	2024F (%)	2023F (%)	2024F (%)
DBS	DBS SP	BUY	33.17	44.28	62,906	12/2022	8.4	8.6	1.46	1.35	7.1	7.1	5.6	6.0	17.3	15.8
OCBC	OCBC SP	BUY	12.97	17.35	42,863	12/2022	8.3	8.4	1.13	1.06	7.2	7.4	6.2	6.2	13.1	12.5
UOB#	UOB SP	NR	27.40	n.a.	33,695	12/2022	8.0	7.8	1.02	0.96	6.2	5.7	6.3	6.6	13.3	12.9
Average							8.2	8.3	1.20	1.12	6.8	6.7	6.0	6.3	14.6	13.7

Source: Bloomberg, UOB Kay Hian # Forecast based on consensus estimates.

OVERWEIGHT

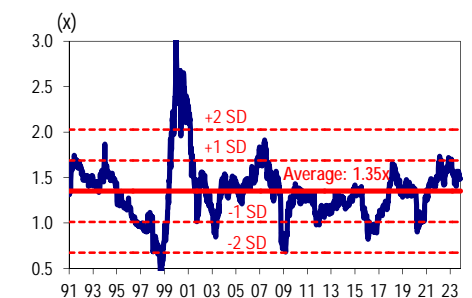
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TOP BUYS

Company	Rec	Share Price (\$)	Target Price (\$)
DBS	BUY	33.17	44.28
OCBC	BUY	12.97	17.35

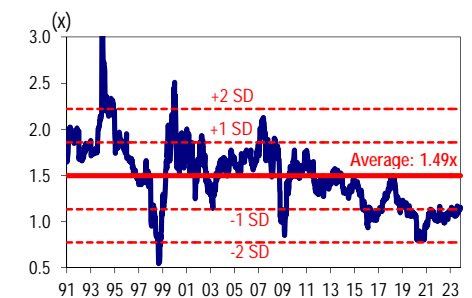
Source: UOB Kay Hian

P/B – DBS



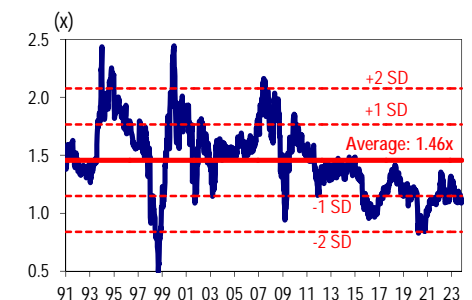
Source: UOB Kay Hian

P/B – OCBC



Source: UOB Kay Hian

P/B – UOB



Source: UOB Kay Hian

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ACTION

- Maintaining a delicate balance.** The US Fed has kept Fed Funds Rate unchanged for the second consecutive meeting on 1 Nov 23. Chair Jerome Powell described the current stance for monetary policy as significantly restrictive. Nevertheless, he cautioned that the Fed would not hesitate if it becomes appropriate to tighten monetary policy further to bring inflation back down to its long-term target of 2%. He indicated that the Fed would proceed cautiously to address both risks of being misled by a few months of positive data and risk of over tightening. The Fed still has a long way to go before achieving its goal for price stability.
- Banks as proxy to growth in ASEAN countries.** ASEAN countries have a large combined population of 680m and account for about 8% of global exports. Many multinational companies have adopted the China+1 strategy and plan to set up alternative production facilities within the ASEAN region. Malaysia, Thailand, Indonesia and Vietnam are seeing growth in foreign direct investments. OCBC and UOB benefit from the reorientation of supply chain due to their extensive network within ASEAN countries.
- Maintain OVERWEIGHT.** Banks provide attractive value proposition with low P/B of 1.12x and sustainably high yield of 6.3% for 2024. Our top BUY pick is OCBC (Target: S\$17.35) for its new dividend policy with payout ratio at 50%, focus on ASEAN and defensively low 2024F P/B of 1.06x. We like DBS (Target: S\$44.28) due to its excellence in execution and consistency in delivering good results.

COMPARISON OF PROFIT & LOSS

3Q23	DBS	OCBC	UOB
Net Interest Income	S\$3,504m +16.0% yoy +2.1% qoq	S\$2,456m +17.0% yoy +2.8% qoq	S\$2,429m +8.7% yoy -0.3% qoq
Fee Income	S\$843m +9.3% yoy +2.4% qoq	S\$461m +1.8% yoy +7.2% qoq	S\$591m +13.9% yoy +12.8% qoq
Insurance	n.a.	S\$220m -11.6% yoy -16.0% qoq	n.a.
Other Non-Interest Income	S\$845m +20.7% yoy +7.1% qoq	S\$292m +27.0% yoy -21.9% qoq	S\$436m +1.2% yoy -25.0% qoq
Provisions	S\$215m 20bp	S\$184m 17bp	S\$235m 19bp
Net Profit	S\$2,593m +16.0% yoy -1.4% qoq	S\$1,810m +21.4% yoy +5.8% qoq	S\$1,382m -1.5% yoy -2.3% qoq

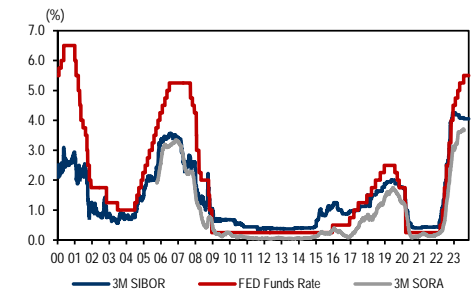
Source: Respective companies, UOB Kay Hian

COMPARISON OF KEY RATIOS

3Q23	DBS	OCBC	UOB
Net Interest Margin (NIM)	2.19% +3bp qoq	2.27% +1bp qoq	2.09% -3bp qoq
Loan Growth	-2.1% yoy +1.0% qoq	-1.8% yoy +0.3% qoq	-1.6% yoy -0.3% qoq
Deposit Growth	-0.3% yoy +2.2% qoq	+4.7% yoy -0.8% qoq	+1.8% yoy +1.3% qoq
NPL Ratio	1.2% +0.1ppt qoq	1.0% -0.1ppt qoq	1.6% Unchanged
Loan Loss Coverage	125% -2ppt qoq	139% +8ppt qoq	102% +3ppt qoq
Core Equity Tier-1 CAR	14.1% Unchanged	14.8% -0.6ppt qoq	13.0% -0.6ppt qoq
Book Value Per Share (BVPS)	S\$22.31 +8.0% yoy +2.1% qoq	S\$11.28 +3.8% yoy -0.4% qoq	S\$24.89 +5.7% yoy -0.9% qoq

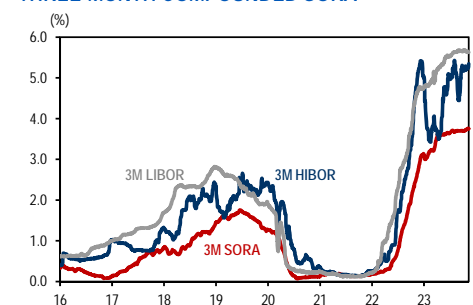
Source: Respective companies, UOB Kay Hian

US FED FUNDS RATE VS 3M SIBOR



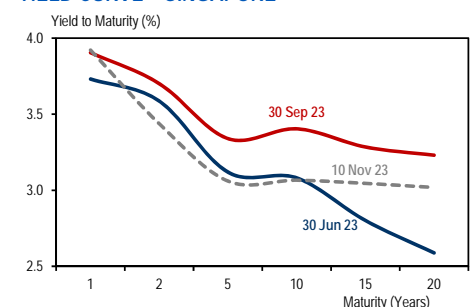
Source: Bloomberg

THREE-MONTH COMPOUNDED SORA



Source: Bloomberg

YIELD CURVE - SINGAPORE



Source: Bloomberg

ASSUMPTION CHANGES

- We raised our 2023 earnings forecast for DBS by 0.6% due to good 3Q23 results.

KEY ASSUMPTIONS – DBS

	2021	2022	2023F	2024F	2025F
Loan Growth (%)	9.9	1.3	2.4	4.9	4.9
NIM (%)	1.45	1.75	2.16	2.10	2.00
Fees, % Chg	15.2	(12.3)	11.4	15.3	7.5
NPL Ratio (%)	1.27	1.13	1.22	1.27	1.30
Credit Costs (bp)	0.6	5.4	14.6	20.1	20.1
Net Profit (\$m)	6,802	8,196	10,132	10,016	10,255
% Chg	44.1	20.5	23.6	(1.2)	2.4

Source: UOB Kay Hian

- We trimmed our 2024 earnings forecast for OCBC by 1% after factoring in slightly lower NIM.

KEY ASSUMPTIONS – OCBC

	2021	2022	2023F	2024F	2025F
Loan Growth (%)	8.6	1.8	1.5	3.4	4.9
NIM (%)	1.55	1.91	2.27	2.19	2.09
Fees, % Chg	12.0	(17.6)	(2.8)	5.4	6.1
NPL Ratio (%)	1.45	1.15	1.07	1.20	1.21
Credit Costs (bp)	31.3	20.0	23.9	22.3	23.3
Net Profit (\$m)	4,858	5,748	7,000	6,900	6,976
% Chg	35.4	18.3	21.8	(1.4)	1.1

Source: UOB Kay Hian

SECTOR CATALYSTS

- Banks delivering resilient earnings as interest rates stay higher for longer.
- Banks review capital management and returning surplus capital to shareholders.

RISKS

- Escalation of the Russia-Ukraine war and Israel-Hamas war.
- Geopolitical tension and trade conflict between the US, EU and China.

COMPANY RESULTS

AEM Holdings (AEM SP)

9M23: Revenue In Line With Forecast; Recovery Expected In Late-24

AEM's 9M23 revenue of S\$387m (-48% yoy) is in line with expectation, meeting 79% of our full-year estimate. 9M23 earnings fell 97% yoy to S\$4m due to a S\$27m arbitration settlement cost, above our full-year estimate of S\$1m. Overall weakness in the semiconductor industry has led to most customers pushing out their capex to 2024. AEM maintained its 2023 revenue guidance, with recovery expected in 2H24. Maintain BUY with a slightly lower target price of S\$3.63.

9M23 RESULTS

Year to 31 Dec (S\$m)	9M23	9M22	yoy % chg
Revenue	387.0	746.6	(48.2)
Pretax profit	10.1	141.4	(92.8)
Pretax margin	2.6%	18.9%	(16.3ppt)
Net profit	3.5	115.3	(96.9)
Net margin	0.9%	15.4%	(14.5ppt)

Source: AEM, UOB Kay Hian

RESULTS

- 9M23 revenue in line with expectation, earnings above expectation due to better cost management.** AEM Holdings' (AEM) 9M23 revenue of S\$387m (-48% yoy) is in line with expectation, meeting 79% of our full-year estimate. 9M23 earnings fell 97% yoy to S\$4m due to a S\$27m arbitration settlement cost, above our full-year estimate of S\$1m. The earnings beat was due to AEM's focus on managing operational costs and improved efficiencies, which has helped to reduce its selling, general and admin (SG&A) costs by 25% yoy. Also, we have been more conservative in our earlier forecast in expecting AEM to just breakeven in terms of profitability for 2023.
- Industry downturn continued in 3Q23.** During 3Q23, semiconductor device makers continued to reduce inventory due to a weak macroeconomic environment, compounded by a slower recovery in demand by China. Worldwide consumer purchases of electronic devices have taken a hit in the aftermath of the pandemic boom as consumers shift their spending towards services. This has driven tester utilisation rates down, resulting in device manufacturers delaying the release of new devices and similarly delaying the acquisition of new test platforms.
- 2023 revenue guidance maintained at S\$460m-490m; expect recovery in late-24.** AEM believes that the generative AI wave, especially in the data centre space, is expanding to edge computing devices, increasing the overall transistor counts and architectural complexity. These devices will face test challenges that will translate into longer test times due to the increased test complexity. AEM believes demand for test solutions to address this market will be realised towards the end of 2024.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	565	870	487	544	600
EBITDA	126	184	40	111	119
Operating profit	112	160	23	94	103
Net profit (rep./act.)	92	128	14	76	84
Net profit (adj.)	92	128	14	76	84
EPS (S\$ cents)	33.5	41.4	4.4	24.6	27.2
PE (x)	10.0	8.1	75.1	13.6	12.3
P/B (x)	2.3	2.1	2.1	1.9	1.7
EV/EBITDA (x)	7.9	5.4	24.9	9.0	8.4
Dividend yield (%)	2.3	3.1	0.3	1.8	2.0
Net margin (%)	16.3	14.7	2.8	13.9	14.0
Net debt/(cash) to equity (%)	(33.5)	3.2	(8.3)	(7.8)	(8.4)
Interest cover (x)	95.3	140.1	6.3	54.7	67.3
ROE (%)	30.0	28.8	2.8	14.5	14.4
Consensus net profit	-	-	9	90	112
UOBKH/Consensus (x)	-	-	1.53	0.85	0.75

Source: AEM, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$3.34
Target Price	S\$3.63
Upside	+8.8%
(Previous TP)	S\$3.65)

COMPANY DESCRIPTION

AEM prides itself on being a global leader in test innovation and provides comprehensive test solutions for the semiconductor and electronics industries, spanning test handlers, testers, consumables and data analytics.

STOCK DATA

GICS sector	Semiconductor Equipment
Bloomberg ticker:	AEM SP
Shares issued (m):	308.9
Market cap (S\$m):	1,031.7
Market cap (US\$m):	758.5
3-mth avg daily t'over (US\$m):	3.7

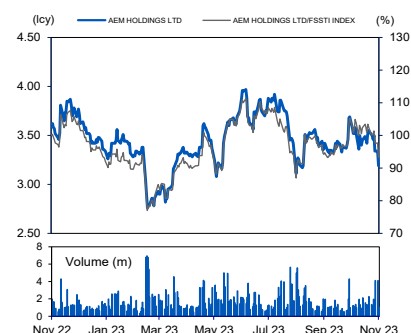
Price Performance (%)

52-week high/low	S\$ 3.97/S\$ 2.76			
1mth	3mth	6mth	1yr	YTD
(2.1)	(3.2)	(3.2)	(3.2)	(2.3)

Major Shareholders

	%
Temasek Hldgs	11.3
EPF	10.1
FY23 NAV/Share (S\$)	1.60
FY23 Net Cash/Share (S\$)	0.13

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **Customer engagements remain strong** with expected ramp-up of production in late-24 given the current visibility around customer product release schedules.
- **Signs of stabilisation in the smartphone and PC markets have begun to emerge**, with experts forecasting 2024 to be a year of growth for PCs and smartphones. Inventory levels are reducing across the board, and the semiconductor industry appears to be passing through the trough of the cycle. PC shipments recovered sequentially in 3Q23 and returned to pre-pandemic levels. Although the overall growth rate for the year remains negative, the percentage decline has moderated.
- **AEM is starting to see the beginnings of AI in the consumer space, with PCs that feature built-in generative AI capabilities powered by AI processors being put up for demonstration.** While the news is positive on the consumer side, analysts are of mixed views in terms of the pace and timing of recovery for the semiconductor test equipment market. Nonetheless, AEM is in a strong position to leverage the strong relationships it has fostered with its customers across a number of new programmes, and is prepared to support these customers' new product releases and subsequent production ramp-ups with its Test 2.0 test solutions in 2024 and beyond.

EARNINGS REVISION/RISK

- We have raised our 2023 earnings estimate to S\$14m from S\$1m previously to account for the earnings beat in 3Q23 from better-than-expected cost management in reducing the SG&A costs by 25% yoy.
- To account for AEM's expected delay in revenue recovery from early-24 to late-24, we have reduced our 2024 and 2025 revenue by 14% per year. As a result, our earnings estimates for 2024 and 2025 are reduced by 14% as well.

VALUATION/RECOMMENDATION

- **Maintain BUY with a 1% lower target price of S\$3.63.** This is based on 14.8x 2024F PE, pegged to 1SD above AEM's historical mean PE (up from 12.8x, based on 0.5SD above historical mean PE). This is to account for the potential recovery in the semiconductor industry in 2024 and better earnings quality from increasing contributions of more new customers.

SHARE PRICE CATALYST

- Positive surprise in future revenue guidance and winning of more new customers.

PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 10-Nov-23 (lcy)	Market Cap (US\$m)	PE		P/B		EV/EBITDA		ROE 2023 (%)	Yield 2023 (%)	Net Gearing (%)
					2023 (x)	2024 (x)	2023 (x)	2024 (x)	2023 (x)	2024 (x)			
AEM	AEM SP	SGD	3.34	759	75.1	13.6	2.1	1.9	24.9	9.0	2.8	0.3	(8.3)
SGX-listed peers													
UMS	UMSH SP	SGD	1.29	645	14.7	11.3	2.4	2.2	9.6	7.6	17.0	4.1	(11.3)
Frencken	FRKN SP	SGD	1.19	364	19.3	11.9	1.2	1.1	9.5	6.9	6.5	1.6	4.1
ISDN	ISDN SP	SGD	0.335	110	12.4	8.8	0.7	0.7	5.7	4.8	5.8	2.1	(6.8)
Grand Venture	GVTL SP	SGD	0.535	133	12.2	5.6	1.5	1.3	8.2	5.9	5.8	0.7	31.1
Avi-Tech	AVI SP	SGD	0.27	34	14.2	n.a.	0.9	n.a.	3.6	n.a.	6.3	3.7	(61.8)
Average					14.6	9.4	1.3	1.3	7.3	6.3	8.3	2.4	
Others													
Teradyne	TER US	USD	99.56	15,334	35.1	22.0	6.2	5.6	22.7	15.9	18.5	0.4	(28.5)
Advantest	6857 JP	JPY	4412	23,494	41.5	27.3	8.7	7.4	25.8	18.8	21.0	0.8	(1.9)
Cohu	COHU US	USD	35.78	1,703	20.9	14.7	1.8	1.6	10.7	8.4	6.9	0.0	(32.3)
Hirata	6258 JP	JPY	7230	537	16.0	13.2	1.2	1.1	11.0	9.4	7.7	1.4	36.5
Astronics	ATRO US	USD	16.31	529	n.a.	17.7	n.a.	n.a.	13.6	8.3	n.a.	n.a.	88.9
Average					28.4	19.0	4.5	3.9	16.8	12.2	13.5	0.7	

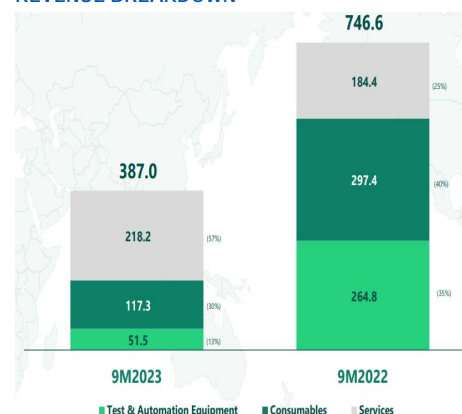
Source: Bloomberg, UOB Kay Hian

HISTORICAL PE RANGE



Source: Bloomberg, UOB Kay Hian

REVENUE BREAKDOWN



Source: AEM, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	870.5	487.0	544.4	599.7
EBITDA	183.8	40.1	110.6	118.9
Deprec. & amort.	23.5	16.9	16.9	15.8
EBIT	160.3	23.2	93.6	103.2
Associate contributions	(0.3)	(0.3)	(0.3)	(0.3)
Net interest income/(expense)	(1.3)	(6.3)	(2.0)	(1.8)
Pre-tax profit	158.7	16.5	91.3	101.1
Tax	(31.4)	(2.8)	(15.5)	(17.2)
Minorities	0.5	0.0	0.0	0.0
Net profit	127.8	13.7	75.8	83.9
Net profit (adj.)	127.8	13.7	75.8	83.9

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	(32.1)	106.4	62.9	71.2
Pre-tax profit	127.3	13.7	75.8	83.9
Tax	31.4	2.8	15.5	17.2
Deprec. & amort.	23.5	16.9	16.9	15.8
Associates	2.8	0.3	0.3	0.3
Working capital changes	(197.6)	69.2	(32.1)	(30.6)
Other operating cashflows	(19.5)	3.5	(13.5)	(15.4)
Investing	(38.4)	(39.2)	(38.9)	(39.0)
Capex (growth)	(4.3)	(40.0)	(40.0)	(40.0)
Investments	(12.8)	0.0	0.0	0.0
Proceeds from sale of assets	0.6	0.0	0.0	0.0
Others	(21.9)	0.8	1.1	1.0
Financing	(18.6)	(24.3)	(35.7)	(139.8)
Dividend payments	(36.2)	(3.4)	(19.0)	(21.0)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	50.0	0.0	0.0	0.0
Loan repayment	(15.4)	(13.7)	(13.7)	(116.0)
Others/interest paid	(17.1)	(7.2)	(3.1)	(2.8)
Net cash inflow (outflow)	(89.1)	43.0	(11.7)	(107.6)
Beginning cash & cash equivalent	216.2	127.8	170.8	159.1
Changes due to forex impact	0.7	0.0	0.0	0.0
Ending cash & cash equivalent	127.8	170.8	159.1	51.5

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	76.9	70.7	64.5	59.5
Other LT assets	138.1	167.1	196.9	226.3
Cash/ST investment	127.8	170.8	159.1	51.5
Other current assets	462.8	341.2	380.3	417.9
Total assets	805.6	749.8	800.8	755.2
ST debt	13.7	13.7	116.0	0.0
Other current liabilities	154.5	102.1	109.9	117.4
LT debt	129.7	116.0	0.0	0.0
Other LT liabilities	14.3	14.3	14.3	14.3
Shareholders' equity	485.0	495.3	552.2	615.1
Minority interest	8.4	8.4	8.4	8.4
Total liabilities & equity	805.6	749.8	800.8	755.2

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	21.1	8.2	20.3	19.8
Pre-tax margin	18.2	3.4	16.8	16.9
Net margin	14.7	2.8	13.9	14.0
ROA	16.9	1.8	9.8	10.8
ROE	28.8	2.8	14.5	14.4
Growth				
Turnover	53.9	(44.0)	11.8	10.2
EBITDA	45.5	(78.2)	175.8	7.6
Pre-tax profit	42.8	(89.6)	452.4	10.7
Net profit	38.6	(89.3)	452.4	10.7
Net profit (adj.)	38.6	(89.3)	452.4	10.7
EPS	23.7	(89.3)	452.4	10.7
Leverage				
Debt to total capital	22.5	20.5	17.1	0.0
Debt to equity	29.5	26.2	21.0	0.0
Net debt/(cash) to equity	3.2	(8.3)	(7.8)	(8.4)
Interest cover (x)	140.1	6.3	54.7	67.3

COMPANY RESULTS

CSE Global (CSE SP)

3Q23: Results In Line; Growth Backed By Strong Orderbook

3Q23 results are in line, with 9M23 revenue of S\$534.7m (+32.6% yoy) forming 74.8% of our 2023 estimate. This was due to growths in project revenue from the communications and electrification business segments. Order intake increased 82.9% yoy due to new major contracts in the infrastructure sector and should continue to grow steadily. With a record-high orderbook of S\$638m as of end-9M23 and an attractive above-average dividend yield of 6%, maintain BUY and target price of S\$0.61.

3Q23 FINANCIALS

Year to 31 Dec (S\$m)	3Q23	3Q22	yoy % chg
Revenue	185.4	141.1	31.4
New orders received	301.6	164.9	82.9
Outstanding orders	638.0	412.8	54.6

Source: CSE, UOB Kay Hian

RESULTS

- Results in line with expectations.** CSE Global's (CSE) 9M23 revenue of S\$534.7m (+32.6% yoy) is in line with our expectations, forming 74.8% of our full-year estimate. This was mainly due to higher revenue contributions from the communications and electrification business segments, which grew 45.4% yoy and 53.1% yoy respectively. Communications revenue grew as a result of its recent acquisitions, including Radio One Group in Jan 23. Meanwhile, electrification revenue increased with higher project revenue recognition under the infrastructure sector in the US.
- Revenue growth across energy and infrastructure segments for the quarter.** CSE's 3Q23 revenue growth of 31.4% yoy was mainly attributable to higher energy project revenues of S\$85.9m (+18.6% yoy) across the Americas region. In addition, revenue from the infrastructure segment surged 59.4% yoy to S\$85.4m due to higher revenue contributions in the Americas region and contributions from its recent acquisitions. Mining & minerals revenue of S\$14.1m (-6.5% yoy) declined due to project delivery delays in 3Q23.
- Solid organic growth with strong order intake.** CSE's 9M23 order intake rose 18.1% yoy to S\$692.6m, while its 9M23 orderbook reached an all-time high of S\$638m (+54.6% yoy). By industry, strong order intake is observed in the Infrastructure segment, which grew 90.1% yoy to S\$396.9m (making up 57% of 9M23 order intake). By business segment, order intake for the communications and electrification segments rose by 68% yoy and 32.3% yoy respectively. The communications segment saw new orders from recent acquisitions and a major multi-year maintenance contract awarded by the Singapore government, while major electrification projects were secured in Aug 23 in the Americas region for the electrification segment. Together with two major contracts wins for electrification solutions of S\$150.6m announced on 17 Oct 23, management believes the company is on track to achieving a record S\$1b order intake in 2023.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	469	558	714	785	863
EBITDA	35	22	51	59	55
Operating profit	20	8	33	39	41
Net profit (rep./act.)	15	5	21	25	27
Net profit (adj.)	15	5	21	25	27
EPS (S\$ cent)	2.9	0.9	3.4	4.1	5.3
PE (x)	14.9	48.7	12.9	10.7	8.2
P/B (x)	1.2	1.3	1.2	1.2	1.1
EV/EBITDA (x)	10.5	16.6	7.2	6.2	6.7
Dividend yield (%)	6.3	6.3	6.3	6.3	6.3
Net margin (%)	3.2	0.9	2.9	3.2	3.2
Net debt/(cash) to equity (%)	25.5	34.0	44.4	42.7	41.4
Interest cover (x)	13.2	4.2	8.6	8.8	8.5
ROE (%)	7.8	2.4	9.7	11.4	11.9
Consensus net profit	-	-	21	27	30
UOBKH/Consensus (x)	-	-	1.00	0.95	0.90

Source: CSE Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.435
Target Price	S\$0.61
Upside	+40.2%

COMPANY DESCRIPTION

CSE Global Limited provides systems integration and information technology solutions, computer network systems, and industrial automation. The company also designs, manufactures, and installs management information systems.

STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	CSE SP
Shares issued (m):	614.9
Market cap (S\$m):	267.5
Market cap (US\$m):	196.6
3-mth avg daily t'over (US\$m):	0.5

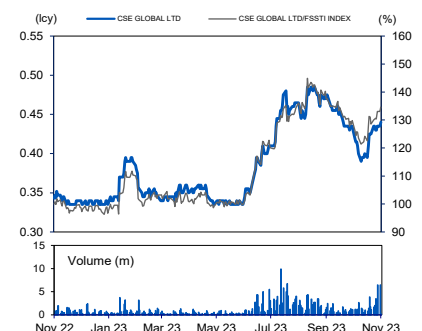
Price Performance (%)

52-week high/low	S\$0.485/S\$0.335			
1mth	3mth	6mth	1yr	YTD
1.2	(6.5)	27.9	27.0	27.9

Major Shareholders

	%
Temasek Hldgs	25.0
FMR LLC	10.0
FY23 NAV/Share (S\$)	0.35
FY23 Net Debt/Share (S\$)	0.16

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **Expect strong earnings recovery in 2023.** We expect CSE to achieve 338% yoy growth in 2023 earnings as it recovers from low base earnings of S\$5m in 2022. As the supply chain disruptions ease, CSE will be able to deliver its contracts faster and enjoy margins recovery. Also, CSE's strong orderbook of S\$638m as of 9M23 (+54.6% yoy) should ensure robust earnings in 2H23 and 2024.
- **The infrastructure segment remains a key focus area in CSE's ongoing diversification strategy.** These contract wins reaffirm the strength of CSE's approach. CSE anticipates more order opportunities in the infrastructure sector in the next few quarters, which will hopefully translate to higher contribution from this sector going forward.
- **CSE continues to see a stable financial performance in the infrastructure and mining & minerals sectors,** supported by a steady stream of projects arising from requirements in digitalisation, communications and enhancements in physical and cyber security globally, and from data centres and water utilities in the Americas and Asia Pacific region. CSE will expand its engineering capabilities and technology solutions to pursue new market opportunities and diversify into new markets brought about by the emerging trends towards urbanisation, electrification and decarbonisation.
- **Dividend yield is attractive.** We expect CSE to maintain its full-year dividend at 2.75 S cents/share for 2023, translating to an above-average dividend yield of about 6% vs the FSSTI's of around 4.0%.

EARNINGS REVISION/RISK

- None.

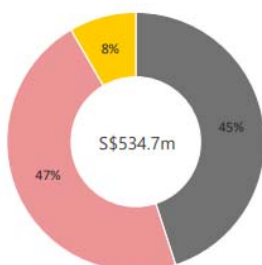
VALUATION/RECOMMENDATION

- **Maintain BUY and target price of S\$0.61.** Our target price is pegged to 15x 2024 PE (based on +1SD above mean). Our target price implies a 2023 dividend yield of 6.3% as we expect CSE to maintain a full-year dividend of 2.75 S cents/share for 2023.

SHARE PRICE CATALYST

- Large infrastructure project wins.
- Accretive acquisitions.

REVENUE BREAKDOWN BY INDUSTRY



■ Energy ■ Infrastructure ■ Mining & Minerals

Source: CSE

S\$m	9M23	9M22	yoy % chg
Energy	240.7	202.4	18.9
Infrastructure	249.2	157.5	58.2
Mining & Minerals	44.8	43.3	3.4
Total	534.7	403.3	32.6

FORWARD PE BAND SINCE 2016



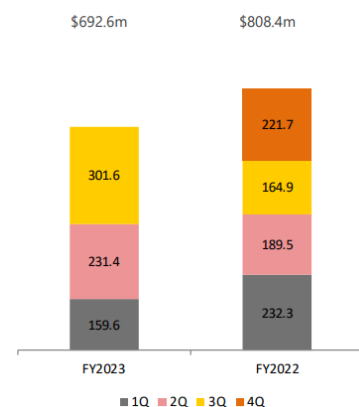
Source: Bloomberg, UOB Kay Hian

10-YEAR DIVIDEND YIELD BAND



Source: Bloomberg, UOB Kay Hian

QUARTERLY ORDER INTAKE



Source: CSE

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	557.7	714.0	784.6	863.4
EBITDA	22.0	51.0	58.6	54.7
Deprec. & amort.	13.9	18.3	19.6	13.3
EBIT	8.1	32.7	39.0	41.4
Total other non-operating income	5.4	0.0	0.0	0.0
Associate contributions	(0.0)	0.0	0.0	0.0
Net interest income/(expense)	(5.2)	(5.9)	(6.7)	(6.4)
Pre-tax profit	8.3	26.8	32.3	35.0
Tax	(3.5)	(5.9)	(7.1)	(7.7)
Minorities	(0.0)	0.0	0.0	0.0
Net profit	4.8	20.9	25.2	27.3
Net profit (adj.)	4.8	20.9	25.2	27.3

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	63.5	51.5	43.7	39.2
Other LT assets	102.8	97.9	93.1	88.2
Cash/ST investment	34.2	9.7	10.3	9.3
Other current assets	291.7	375.9	410.9	451.1
Total assets	492.3	535.1	558.0	587.8
ST debt	68.7	68.7	68.7	68.7
Other current liabilities	153.8	190.3	205.8	225.9
LT debt	37.7	37.7	37.7	37.7
Other LT liabilities	19.7	19.7	19.7	19.7
Shareholders' equity	212.3	217.8	225.3	234.9
Minority interest	(0.0)	0.8	0.8	0.8
Total liabilities & equity	492.3	535.1	558.0	587.7

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	0.0	3.4	31.2	26.5
Pre-tax profit	8.3	26.8	32.3	35.0
Tax	(4.1)	(5.9)	(7.1)	(7.7)
Deprec. & amort.	13.9	18.3	19.6	13.3
Associates	(0.0)	0.0	0.0	0.0
Working capital changes	(21.2)	(41.8)	(19.6)	(20.0)
Non-cash items	(4.4)	0.0	0.0	0.0
Other operating cashflows	7.6	5.9	5.9	5.9
Investing	(45.7)	(12.5)	(12.9)	(9.8)
Capex (growth)	(15.5)	(6.6)	(6.9)	(3.9)
Investments	1.2	0.0	0.0	0.0
Proceeds from sale of assets	9.0	0.0	0.0	0.0
Others	(40.5)	(5.9)	(5.9)	(5.9)
Financing	25.0	(14.7)	(17.0)	(17.0)
Dividend payments	(14.1)	(14.7)	(17.0)	(17.0)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	5.8	0.0	0.0	0.0
Others/interest paid	33.4	0.0	0.0	0.0
Net cash inflow (outflow)	(20.7)	(23.8)	1.3	(0.3)
Beginning cash & cash equivalent	45.5	34.2	9.7	10.3
Changes due to forex impact	(0.7)	(0.7)	(0.7)	(0.7)
Ending cash & cash equivalent	34.2	9.7	10.3	9.3

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	4.0	7.1	7.5	6.3
Pre-tax margin	1.5	3.7	4.1	4.1
Net margin	0.9	2.9	3.2	3.2
ROA	1.1	4.1	4.6	4.8
ROE	2.4	9.7	11.4	11.9
Growth				
Turnover	19.0	28.0	9.9	10.0
EBITDA	(36.5)	131.6	14.8	(6.7)
Pre-tax profit	(57.7)	222.6	20.8	8.3
Net profit	(68.2)	337.8	20.8	8.3
Net profit (adj.)	(68.2)	337.8	20.8	8.3
EPS	(69.5)	277.6	20.8	29.8
Leverage				
Debt to total capital	33.4	32.7	32.0	31.1
Debt to equity	50.1	48.9	47.2	45.3
Net debt/(cash) to equity	34.0	44.4	42.7	41.4
Interest cover (x)	4.2	8.6	8.8	8.5

COMPANY RESULTS

First Resources (FR SP)

3Q23: Results Slightly Below Expectation

FR's 3Q23 earnings came in slightly below our expectations, primarily attributable to a substantial inventory build-up on high production and some shipments being scheduled for Oct 24. We expect 4Q23 earnings to be the highest in 2023 due to: a) the carried-forward inventory from 3Q23 being delivered and thus increasing sales volume, b) higher CPO ASP, and c) improvement in downstream margin. Maintain BUY with target price of S\$1.65.

3Q23 RESULTS

Year to 31 Dec (US\$m)	3Q23	qoq % chg	yoy % chg	9M23	yoy % chg	Comments
Revenue	248.3	(0.9)	(31.4)	697.1	(22.3)	
EBITDA	82.8	6.4	(48.4)	215.7	(44.8)	
Net Profit	51.1	(2.0)	(56.1)	122.6	(49.8)	Slightly below expectations.
EBITDA Margin	33.3	2.3	(11.0)	30.9	(12.6)	
Net profit margin	20.6	(0.2)	(11.6)	17.6	(9.6)	

Source: First Resources, UOB Kay Hian

RESULTS

- Results slightly below expectation.** First Resources' (FR) 3Q23 net profit came in at US\$51m (-2% qoq, -56% yoy), bringing 9M23 net profit to US\$123m (-50%yoy). This accounts for 71% of our full-year forecast, slightly below our expectation. The main deviation mainly due to the large inventory build-up of 50,000 tonnes as of end-Sep 23 (vs net drawdown of 3,000 tonnes as of Jun 23). The lower yoy earnings was mainly dragged by lower CPO ASP in 3Q23.
- Inventory build-up in 3Q23.** The qoq decline in earnings in 3Q23 can be primarily attributed to a substantial inventory build-up, on higher production and the timing of shipment. Notably, over 50% of the accumulated inventory is in the form of CPO, and the majority of this build-up is merely a result of timing differences in delivery. This situation is poised to positively impact profit margins in the upcoming quarter, as the some of the sales of 3Q23 production would be booked in 4Q23, while the costs for these had already been charged out in 3Q23.
- Downstream in the red in 3Q23.** Overall downstream operation remained in the red in 3Q23 due largely to negative refining margins. However the refining negative margin in 3Q23 had narrowed compared with 1H23, and was also partially offset by better profit contributions from biodiesel.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Net turnover	1,032	1,225	1,250	1,425	1,455
EBITDA	344	425	332	408	361
Operating profit	260	346	258	340	300
Net profit (rep./act.)	161	251	172	229	205
Net profit (adj.)	161	266	172	229	205
EPS (US\$ cent)	10.2	16.7	10.9	14.4	12.9
PE (x)	10.3	6.3	9.7	7.3	8.2
P/B (x)	1.4	1.3	1.2	1.1	1.0
EV/EBITDA (x)	4.5	3.6	4.6	3.8	4.2
Dividend yield (%)	6.6	13.8	7.2	9.6	8.6
Net margin (%)	15.6	20.5	13.8	16.1	14.1
Net debt/(cash) to equity (%)	2.1	(11.0)	(15.1)	(33.5)	(35.7)
Interest cover (x)	25.9	58.4	95.2	186.4	n.a.
ROE (%)	14.3	20.0	12.7	15.8	13.1
Consensus net profit	-	-	178	197	195
UOBKH/Consensus (x)	-	-	0.97	1.16	1.05

Source: First Resources, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.43
Target Price	S\$1.65
Upside	+15.4%

COMPANY DESCRIPTION

Business activities include plantation, palm oil mill, refinery, fractionation, biodiesel and kernel crushing plants

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	FR SP
Shares issued (m):	1,566.2
Market cap (S\$m):	2,239.7
Market cap (US\$m):	1,646.5
3-mth avg daily t'over (US\$m):	1.1

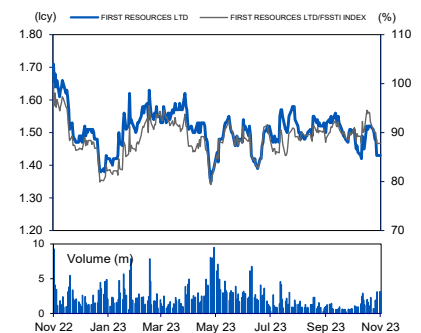
Price Performance (%)

52-week high/low	S\$1.71/S\$1.35				
1mth	3mth	6mth	1yr	YTD	
(4.7)	(9.5)	3.6	(4.7)	(3.4)	

Major Shareholders

Eight Capital	66.2
FY23 NAV/Share (US\$)	0.88
FY23 Net Cash/Share (US\$)	0.13

PRICE CHART



Source: Bloomberg

ANALYST(S)

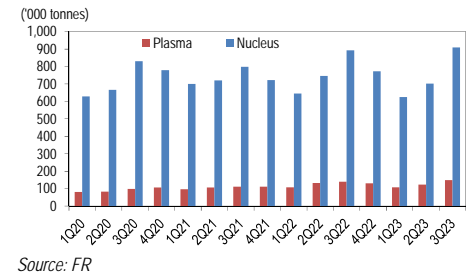
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STOCK IMPACT

- **Not expecting a large qoq drop in CPO production for 4Q23.** FR's peak production was in 3Q23 (peaked in Aug 23) and trees are now entering a low production cycle. However, management is expecting a milder qoq decline this time, and still expects a positive yoy growth. Thus, management still expects 2023 nucleus production to be flat yoy despite 9M23 declining 2.1% yoy; this is line with our expectation. This was mainly due to estate operations normalising with higher operational efficiency as well as the resumption of fertiliser application since early-23.
- **4Q23: Potentially the highest earnings for 2023.** We expect 4Q23 to be the highest earnings for the year, driven by several key factors:
 - a) **Higher sales volume.** We reckon that most of the inventory build-up in 3Q23 will be delivered in 4Q23, coupled with relatively good CPO production level in 4Q23 despite slower production growth.
 - b) **Higher CPO ASP.** We expect CPO prices to exhibit an upward trend in 4Q23 due to global constraints in vegoil supply, which would lift CPO prices. Note that FR has recently shifted towards shipping more CPO in order to take advantage of the better CPO prices and demand vs refined products. In recent months, Indonesia's domestic CPO price has been more stable than Malaysia's due to domestic supply tightness and improved demand from biodiesel blending since Aug 23.
 - c) **Improvement in downstream operation.** With the attractive palm oil – gasoil spread, we expect high utilisation rate of FR's biodiesel plant. On top of that, management mentioned negative downstream margins have further narrowed. Thus, 4Q23 could see smaller losses from downstream operations. Overall, 2023 downstream is expected to be in the red.
- **Fertiliser application to continue in 4Q23.** FR has applied 60% of its budgeted fertiliser as of end-Sep 23, and will continue to apply the remaining in 4Q23. The delay in fertiliser application was mainly due to the wet weather in 1H23. Hence, FR's cost of production may remain relatively high in 4Q23.

FFB PRODUCTION TREND



EARNINGS REVISION/RISK

- **Maintain earnings forecast.** We maintain our earnings forecast as we expect the high inventory level in 3Q23 to be reflected in 4Q23, mainly due to the timing issues in delivery. Our net profit forecasts for 2023-25 are US\$172m, US\$229m and US\$204m respectively.

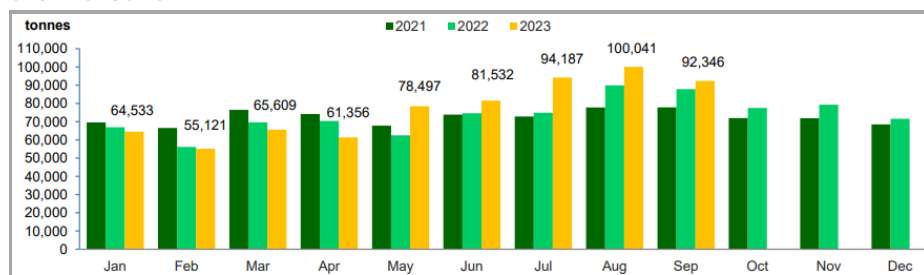
VALUATION/RECOMMENDATION

- **Maintain BUY with target price of S\$1.65. Our valuation is pegged to 8x 2024F PE.**

SHARE PRICE CATALYST

- Stronger-than-expected CPO price recovery.
- Higher-than-expected FFB and CPO production.

CPO PRODUCTION TREND



PROFIT & LOSS

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Net turnover	1,225	1,250	1,425	1,455
EBITDA	425	332	408	361
Deprec. & amort.	79	73	67	62
EBIT	346	258	340	300
Total other non-operating income	15	0	0	0
Net interest income/(expense)	(7)	(3)	(2)	3
Pre-tax profit	353	255	338	302
Tax	(88)	(71)	(95)	(85)
Minorities	(14)	(11)	(15)	(13)
Net profit	251	172	229	205
Net profit (adj.)	266	172	229	205

CASH FLOW

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Operating	326	282	311	294
Pre-tax profit	428	255	338	302
Tax	(99)	(71)	(95)	(85)
Deprec. & amort.	79	73	67	62
Working capital changes	(99)	2	(25)	(16)
Other operating cashflows	18	23	25	31
Investing	(56)	(43)	(43)	(43)
Capex (growth)	(58)	(44)	(43)	(42)
Capex (maintenance)	(19)	(19)	(19)	(19)
Investments	0	0	0	0
Proceeds from sale of assets	4	5	6	7
Others	21	20	19	18
Financing	(217)	(71)	(100)	(87)
Dividend payments	(87)	(86)	(115)	(102)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	30	30	30
Loan repayment	(114)	(15)	(15)	(15)
Others/interest paid	(16)	0	0	0
Net cash inflow (outflow)	53	167	168	163
Beginning cash & cash equivalent	381	434	601	771
Changes due to forex impact	(4)	(114)	(4)	(114)
Ending cash & cash equivalent	440	492	771	827

BALANCE SHEET

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Fixed assets	395	360	330	305
Other LT assets	695	722	733	760
Cash/ST investment	440	492	771	827
Other current assets	302	249	279	295
Total assets	1,833	1,824	2,114	2,188
ST debt	93	93	93	93
Other current liabilities	106	58	63	64
LT debt	202	187	172	157
Other LT liabilities	32	(11)	160	133
Shareholders' equity	1,310	1,396	1,510	1,613
Minority interest	89	100	115	128
Total liabilities & equity	1,833	1,824	2,114	2,188

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	34.7	26.5	28.6	24.8
Pre-tax margin	28.8	20.4	23.7	20.8
Net margin	20.5	13.8	16.1	14.1
ROA	13.5	9.4	11.6	9.5
ROE	20.0	12.7	15.8	13.1
Growth				
Turnover	18.7	2.0	14.0	2.1
EBITDA	23.3	(21.9)	22.9	(11.3)
Pre-tax profit	43.6	(27.9)	32.8	(10.6)
Net profit	55.8	(31.3)	32.8	(10.6)
Net profit (adj.)	64.8	(35.1)	32.8	(10.6)
EPS	64.8	(35.1)	32.7	(10.7)
Leverage				
Debt to total capital	17.5	15.8	14.1	12.6
Debt to equity	22.6	20.1	17.6	15.5
Net debt/(cash) to equity	(11.0)	(15.1)	(33.5)	(35.7)
Interest cover (x)	58.4	95.2	186.4	n.a.

COMPANY RESULTS

Genting Singapore (GENS SP)

3Q23: Painting A Vibrant Landscape

GENS' 3Q23 results reflect operational refinement across both gaming and non-gaming segments. Earnings exceeded pre-pandemic levels, boosted by higher operating capacity following Hotel Ora's reopening in May, ramp-up of regional tourist arrivals, the F1 event and RWS' premiumisation. We remain convinced that GENS offers meaningful capital upside, given its steep valuation discount and vibrant earnings prospects. Maintain BUY and target price of S\$1.25.

3Q23 RESULTS

Year to 31 Dec (S\$m)	3Q23	qoq % chg	yoy % chg	9M23	yoy % chg
Revenue	689.9	15.8	32.7	1,770.3	49.7
- Singapore	689.7	15.8	32.8	1,769.8	51.1
- Gaming	459.6	12.9	20.3	1,206.5	40.8
- Non-gaming	230.1	21.9	67.6	563.3	79.3
Core adjusted EBITDA	345.4	32.5	38.5	797.8	54.0
Core Net profit	215.5	34.2	62.9	507.4	110.5

Source: GENS, UOB Kay Hian

RESULTS

- 3Q23: Beats consensus' expectations but within ours.** Resort World Sentosa's (RWS) 3Q23 revenue (+16% qoq, 33% yoy) and EBITDA (+33% qoq; +39% yoy) leapt impressively as hoped. This was the best quarter since COVID-19 with revenue and net profit at c.124% and 138% of pre-pandemic (3Q19) levels. 9M23 EBITDA represented 75% and 82% of our and consensus full-year forecasts respectively.
- Both gaming and non-gaming statistics on a winning streak.** On a hold-adjusted basis, GGR improved c.27% qoq to S\$715m, bolstering gaming revenue by c.13% qoq and at 127% of the pre-pandemic level. This was despite VIP win percentage being lower at 3.19% (2Q23: 3.95%). Meanwhile, non-gaming revenue also resumed its winning streak and surged 22% qoq to S\$230m. Hotel occupancy rate of 91% (2Q23: 75%) was also remarkable on the back of higher average daily available rooms of c.1530 rooms (boosted by Hotel Ora), besides sharply higher average room rate of S\$480.
- Earnings strength attributed to confluence of catalysts.** We deem that GENS' stellar 3Q23 results were due to: a) elevated foreign tourist visitations amid higher flight capacity and summer holiday season, b) remarkable growth in average customer spending driven by RWS premiumisation and intensified marketing efforts, and c) reopening of Hotel Ora in May lifting total key inventories by 30%.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	1,067	1,725	2,385	2,880	3,024
EBITDA	448	774	1,067	1,288	1,354
Operating profit	176	440	720	914	943
Net profit (rep./act.)	183	340	625	782	805
Net profit (adj.)	150	374	625	782	805
EPS (S\$ cent)	1.2	3.1	5.2	6.5	6.7
PE (x)	68.6	27.4	16.4	13.1	12.7
P/B (x)	1.3	1.3	1.3	1.2	1.2
EV/EBITDA (x)	16.0	9.2	6.7	5.6	5.3
Dividend yield (%)	1.2	3.5	4.7	4.7	5.3
Net margin (%)	17.2	19.7	26.2	27.2	26.6
Net debt/(cash) to equity (%)	(39.0)	(43.2)	(38.2)	(36.0)	(31.4)
ROE (%)	2.3	4.3	7.7	9.4	9.4
Consensus net profit	-	-	595	710	764
UOBKH/Consensus (x)	-	-	1.05	1.10	1.05

Source: Genting Singapore, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.85
Target Price	S\$1.25
Upside	+47.1%

COMPANY DESCRIPTION

Genting Singapore is a Singapore-based regional leisure, hospitality and integrated resorts development specialist.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	GENS SP
Shares issued (m):	12,072.0
Market cap (S\$m):	10,261.2
Market cap (US\$m):	7,543.4
3-mth avg daily t'over (US\$m):	16.6
Price Performance (%)	

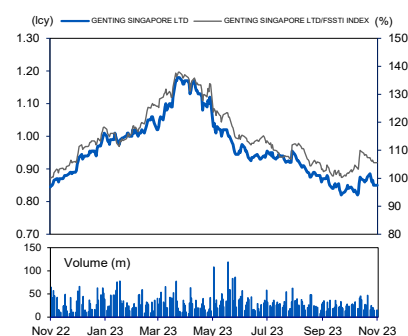
52-week high/low S\$1.18/S\$0.820

1mth	3mth	6mth	1yr	YTD
1.8	(7.6)	(22.7)	4.3	(11.0)

Major Shareholders

	%
Genting Bhd	52.6
Vanguard Group	1.8
BlackRock	1.7
FY23 NAV/Share (S\$)	0.67
FY23 Net Cash/Share (S\$)	0.26

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- Recovery of tourist arrivals remains a crucial earnings catalyst.** Based on the Singapore Tourism Board (STB), tourist arrivals in 3Q23 recovered to c.77% of pre-pandemic levels (2Q23: 73%). GENS' resilient 3Q23 results were also boosted by higher China tourist arrivals, elevated by improvement in scheduled flight seat capacity from China (reaching c.77% of 2019 levels). We continue to expect steady improvement in foreign visitation in 4Q23-1H24 as intra-Asia flight capacities slowly get restored to pre-pandemic levels, prompting GENS' GGR to significantly recover to 2019 levels.
- Meanwhile, China outbound patronage is on a steady uptrend.** The international flight capacity of China's top-three airlines further recovered to 58-61% of pre-pandemic levels as of Sep 23 (2Q23: 40-45%), reflecting the earlier lack of affordable flights and protracted waiting times for travel visas to go abroad. Chinese visitors made up 19-20% of Singapore's pre-pandemic tourist arrivals in 2018-19. Moving forward, we expect China's international flight capacity and frequencies to further ramp up in 4Q23-2024, which will elevate RWS' footfall and earnings from China tourists.
- Revised S\$6.8b expansion plan will anchor RWS as one of Asia's most sought-after tourism destination.** RWS has significantly increased commitment to spend S\$6.8b (initially S\$4.5b) over five years to elevate the resort's vibrancy, with various attractions targeted to be rolled out in phases (refer to RHS table). While the remake of Hotel Ora was completed in May 23 and boosted RWS' room inventory by 389 keys, we understand that construction works on both Minion Land and the Singapore Oceanarium are progressing well. Earlier this month, GENS also received provisional permission from the Urban Redevelopment Authority (URA) to develop its 21,243 sqm Waterfront development which will eventually add 700 hotel rooms to RWS.
- RWS' premiumisation fruitful over mid- to long-term horizon.** We retain our view that RWS' ongoing revamp will allow it to capitalise on the thus-far sustained higher spending per capita at the integrated resort, with the premiumisation being led by its non-gaming segment. Spending per capita has also risen markedly since Singapore emerged from the COVID-19-related lockdown, with spending at the theme park and average hotel room rate rising c.20% and >50% from pre-pandemic levels.
- Healthy balance sheet and huge cash pile entrench better capital and yield management.** With the pandemic-related disruptions coming to a tail end, we anticipate that management now has more flexibility to better utilise its sizeable capital which includes net cash of S\$3.4b (28.6 S cents/share) as of 2Q23. After dropping its decade-long pursuit of clinching a pricey Japan IR concession last year, and with no new compelling projects to consider, we also do not rule out GENS exploring potential brownfield and greenfield opportunities in the region.

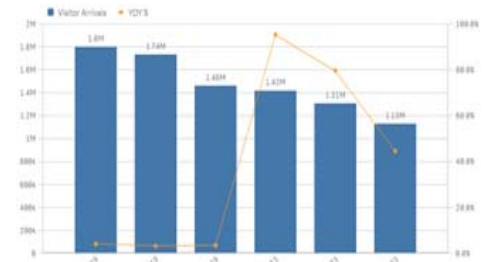
EARNINGS REVISION/RISK

- None.

VALUATION/RECOMMENDATION

- Maintain BUY with unchanged target price of S\$1.25,** which implies 9x 2024F EV/EBITDA (-0.3SD below 10-year mean).
- We expect the stock to re-rate and break out from the current range-bound as investors react to the strong 3Q23 results and look forward to sequential earnings growth in 4Q23-1H24. GENS also offers a prospective 4.1-4.7% dividend yield, backed by S\$0.29 net cash/share (34% of market cap).

SINGAPORE'S TOURIST ARRIVAL (3Q19 VS 3Q23)



Source: Singapore Tourism Analytics Network, UOB Kay Hian

SINGAPORE'S HOTEL AVERAGE ROOM RATES (2Q19 vs 2Q23)



Source: Singapore Tourism Analytics Network, UOB Kay Hian

TIMELINE DEVELOPMENT FOR RWS 2.0 NON-GAMING ATTRACTIONS

Attraction	Timeline
Van Gogh: The Immersive Experience in new theater	Mar-Oct 2023
Hotel Ora (Renovated Festive Hotel)	May 2023
Gourmet Park at The Bull Ring	June 2024
Enhancement of convention center Forum and Coliseum	End 2024
Singapore Oceanarium	Early 2025
Minion park (replace Madagascar zone)	Early 2025

Source: GENS

KEY ASSUMPTIONS

Year	FY23F	FY24F	FY25F
Revenue (S\$m)	2,679	2,880	3,024
EBITDA (S\$m)	1,198	1,288	1,354
Hotel Occupancy (%)	90%	90%	90%

Source: UOB Kay Hian

EARNINGS TREND OF GENS AND MBS

----- Genting Singapore (GENS) -----					
(S\$m)	3Q22	4Q22	1Q23	2Q23	2Q23
Revenue	519.7	542.5	484.5	595.9	689.9
EBITDA	249.4	256.0	191.7	260.7	345.4
Gaming	382.0	371.7	339.9	407.0	459.6
Revenue					
----- Marina Bay Sands (MBS) -----					
(S\$m)	3Q22	4Q22	1Q23	2Q23	3Q23
Revenue	1056.8	942.8	1,130.5	1,238.9	1,369.9
EBITDA	479.5	377.4	525.2	578.6	662.7
Gaming	712.5	555.7	790.5	869.2	942.1
Revenue					

Source: Respective companies, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	1,725	2,385	2,880	3,024
EBITDA	774	1,067	1,288	1,354
Deprec. & amort.	335	348	374	411
EBIT	440	720	914	943
Associate contributions	3	3	3	3
Net interest income/(expense)	49	49	49	49
Pre-tax profit	457	771	965	994
Tax	(117)	(146)	(183)	(189)
Minorities	0	0	0	0
Preferred dividends	0	0	0	0
Net profit	340	625	782	805
Net profit (adj.)	374	625	782	805

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	807	938	1,213	1,233
Pre-tax profit	457	771	965	994
Tax	(64)	(146)	(183)	(189)
Deprec. & amort.	335	348	374	411
Associates	0	0	0	0
Working capital changes	37	(34)	57	16
Other operating cashflows	42	0	0	1
Investing	(187)	(800)	(800)	(1,000)
Capex (growth)	(113)	(800)	(800)	(1,000)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(74)	0	0	0
Financing	(447)	(484)	(484)	(544)
Dividend payments	(241)	(484)	(484)	(544)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(204)	0	0	0
Others/interest paid	(2)	0	0	0
Net cash inflow (outflow)	173	(346)	(71)	(311)
Beginning cash & cash equivalent	3,326	3,465	3,119	3,048
Changes due to forex impact	(34)	0	0	0
Ending cash & cash equivalent	3,465	3,119	3,048	2,737

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	4,928	5,585	6,011	6,600
Other LT assets	262	262	262	262
Cash/ST investment	3,465	3,119	3,048	2,737
Other current assets	146	192	230	241
Total assets	8,800	9,156	9,550	9,839
ST debt	3	3	3	3
Other current liabilities	587	599	694	721
LT debt	2	2	2	2
Other LT liabilities	208	413	412	411
Shareholders' equity	7,999	8,140	8,439	8,702
Minority interest	0	0	0	0
Total liabilities & equity	8,800	9,156	9,550	9,839

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	44.9	44.7	44.7	44.8
Pre-tax margin	26.5	32.3	33.5	32.9
Net margin	19.7	26.2	27.2	26.6
ROA	3.9	7.0	8.4	8.3
ROE	4.3	7.7	9.4	9.4
Growth				
Turnover	61.7	38.2	20.7	5.0
EBITDA	72.8	37.8	20.7	5.1
Pre-tax profit	101.8	68.8	25.2	3.0
Net profit	85.5	83.6	25.2	3.0
Net profit (adj.)	150.3	66.9	25.2	3.0
EPS	150.3	66.9	25.2	3.0
Leverage				
Debt to total capital	0.1	0.1	0.1	0.1
Debt to equity	0.1	0.1	0.1	0.1
Net debt/(cash) to equity	(43.2)	(38.2)	(36.0)	(31.4)

COMPANY RESULTS

Oversea-Chinese Banking Corp (OCBC SP)

3Q23: Delivering Consistency In Execution And Resilient Earnings

OCBC delivered earnings growth of 21% yoy in 3Q23, powered by NIM expansion of 21bp yoy and growth in net interest income of 17% yoy. Loan-loss coverage improved 8ppt qoq to 139% after setting aside specific provisions of S\$220m despite NPL declining 5.5% qoq. CET-1 CAR remains robust at 14.8%. OCBC provides an attractive dividend yield of 6.1% for 2024. Maintain BUY. Target price: S\$17.35.

RESULTS

- Oversea-Chinese Banking Corp (OCBC) reported net profit of S\$1,810m for 3Q23 (up 21% yoy and up 6% qoq), above our forecast of S\$1,726m.
- Net interest income hit record high as NIM remains resilient.** NIM expanded 21bp yoy and 1bp qoq to 2.27% in 3Q23, driven by rising interest rates. Loans contracted 2% yoy but were flat qoq (constant currency: +1% yoy and +1% qoq). Singapore and "rest of the world" categories expanded 1% and 2% yoy respectively. Sustainable financing loans increased 28% yoy and accounted for 12% of total loans. Net interest income grew 17% yoy to a record high of S\$2,456m.
- Fee income grew 2% yoy and 7% qoq in 3Q23.** Contribution from wealth management increased 9% yoy and 8% qoq due to increased customer activities. Assets under management (AUM) grew 8% yoy to S\$270b with positive inflow of net new money. OCBC also benefitted from higher credit card fees due to higher customer spend accompanied by the recovery in leisure and business travel.
- Growth in other non-interest income.** Contributions from life and general insurance were resilient at S\$220m with improved investment performance offset by higher medical claims. Net trading income was S\$216m (flat yoy) with growth in customer flow treasury income. OCBC recognised gains from disposal of investment securities of S\$76m.
- Keeping expenses under control.** Operating expenses increased 5% yoy in 3Q23 with continued investment in talent and technology to grow its regional franchise. Cost-to-income ratio improved 3.1ppt yoy to 39.1%. Staff costs increased by 6% yoy.
- NPLs decreased 5.5% qoq due to recoveries and upgrades.** NPL ratio receded 0.1ppt qoq to 1.0% in 3Q23, the lowest among the three Singapore banks. NPLs receded across key markets, such as Singapore, Malaysia, Indonesia and Greater China. Total provisions were S\$184m in 3Q23. OCBC set aside specific provisions of S\$220m for corporate accounts across various sectors. There was also write-back in general provisions of S\$36m due to the migration of vulnerable accounts to NPLs, resulting in transfer of general provisions previously set aside to specific provisions.
- OCBC achieved ROE of 14.0% for 3Q23.** CET-1 CAR remains strong at 14.8%.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net interest income	5,855	7,688	9,622	9,674	9,646
Non-interest income	4,741	3,987	4,011	3,957	4,113
Net profit (rep./act.)	4,858	5,748	7,000	6,900	6,976
Net profit (adj.)	4,858	5,748	7,000	6,900	6,976
EPS (S\$ cent)	107.9	127.9	156.1	153.8	155.5
PE (x)	12.1	10.2	8.4	8.5	8.4
P/B (x)	1.1	1.1	1.1	1.1	1.0
Dividend yield (%)	4.1	5.2	6.1	6.1	6.1
Net int margin (%)	1.5	1.9	2.3	2.2	2.1
Cost/income (%)	45.9	43.9	40.5	41.8	41.9
Loan loss cover (%)	90.0	114.5	133.7	122.8	124.0
Consensus net profit	-	-	7,086	7,197	7,391
UOBKH/Consensus (x)	-	-	0.99	0.96	0.94

Source: Oversea-Chinese Banking Corporation, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$13.06
Target Price	S\$17.35
Upside	+32.8%
(Previous TP)	S\$17.65

COMPANY DESCRIPTION

OCBC has a longstanding presence in Singapore and Malaysia and entered the Indonesian market through the acquisition of Bank NISP in 2004. It strengthened its presence in Greater China through the acquisition of Wing Hang Bank in 2014. OCBC owns 88% of life insurer Great Eastern and has a 20% stake in Bank of Ningbo.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	OCBC SP
Shares issued (m):	4,494.5
Market cap (S\$m):	58,698.2
Market cap (US\$m):	43,255.9
3-mth avg daily t'over (US\$m):	41.8

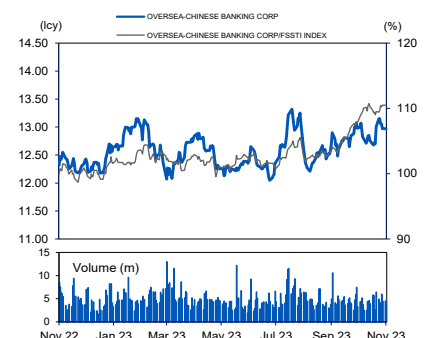
Price Performance (%)

52-week high/low	S\$13.32/S\$12.05			
1mth	3mth	6mth	1yr	YTD
1.4	(0.8)	6.6	6.6	7.2

Major Shareholders

Selat P/L	14.4
Lee Foundation	5.1
FY23 NAV/Share (S\$)	11.49
FY23 CAR Tier-1 (%)	16.49

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **Staying vigilant amid growing uncertainties.** OCBC will stay vigilant amid geopolitical uncertainties, inflationary pressures and tighter monetary conditions. It will maintain its sound asset quality and resilient balance sheet. It will impose discipline on pacing expenditure with income growth, while investing to enhance its regional franchise.
- **Management guided low single-digit loan growth for 2023,** driven by: a) cross-border flows between ASEAN and China, b) build-up of supply chain in ASEAN, and c) supporting network customers' overseas expansion in energy, utilities, lodging and digital infrastructure. OCBC has reached its target for sustainable financing of S\$50b at Sep 23, two years ahead of schedule. CIR is expected to be around 40%. Credit costs are estimated at 20bp. Management targets to achieve ROE of 14% for 2023.
- **Anticipating lower NIM in 4Q23.** Exit NIM was lower at 2.23% in Sep 23 due to higher deposit and wholesale funding costs. Management guided NIM at 2.25% for 2023 (9M23: 2.28%).
- **Strategic initiatives to deliver incremental S\$3b revenue.** Management aims to deliver incremental revenue of S\$3b cumulatively over 2023-25, driven by four growth pillars: a) Asian wealth, b) trade and investment flows, c) new economy, and d) sustainable financing. Management aims to deliver ROE of 12-13% with additional contribution of 1ppt from the incremental revenue of S\$3b. OCBC is on track to achieve its targets for its strategic initiatives for 2023.
- **Exposure to the office sector accounted for 13% of total loans.** These office loans are mostly secured with low average loan-to-value ratio of 50-60%. Two-thirds are to key markets Singapore, Malaysia, Indonesia and Greater China. Office loans to developed markets, including Australia, the UK and the US, accounted for 4% of total loans and are largely to network customers with strong sponsors. Office loans for the US accounted for 0.8% of total loans and are mostly secured to Grade A office properties.

EARNINGS REVISION/RISK

- We trim our earnings forecast for 2024 by 1% after factoring in slightly lower NIM.

VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$17.35 is based on 1.42x 2024F P/B, derived from the Gordon Growth Model (ROE: 12.8%, COE: 9.0%, growth: 0.0%).

3Q23 RESULTS

Profit & Loss (S\$m)	3Q23	3Q22	yoy % Chg	UOBKH Estimate	Deviation (%)
Net Interest Income	2,456	2,099	17.0	2,422	1.4
Fees & Commissions	461	453	1.8	450	2.4
Insurance	220	370	-40.5	200	10.0
Net Trading Income	216	194	11.3	200	8.0
Other Non-Interest Income	76	36	111.1	60	26.7
Total Income	3,429	3,152	8.8	3,332	2.9
Operating Expenses	(1,366)	(1,295)	5.5	(1,358)	0.6
PPOP	2,063	1,857	11.1	1,974	4.5
Provisions	(184)	(154)	19.5	(186)	-1.2
Associates	254	256	-0.8	269	-5.5
PBT	2,133	1,959	8.9	2,057	3.7
Net Profit	1,810	1,605	12.8	1,726	4.9
EPS (S cents)	39.5	35.0	12.9	38.5	2.6
DPS (S cents)	0.0	0.0	n.m.	0.0	n.m.
BVPS (S\$)	11.28	10.87	3.8	11.31	-0.3
Financial Ratios (%)	3Q23	3Q22	yoy Chg (ppt)	2Q23	qoq Chg (ppt)
NIM	2.27	2.06	0.21	2.26	0.01
Loan Growth, yoy	-1.7	6.5	-8.2	-0.2	-1.5
Deposit Growth, yoy	4.7	6.0	-1.3	6.8	-2.0
Loan/Deposit Ratio	79.7	85.0	-5.3	78.8	0.9
Cost/Income Ratio	39.1	42.2	-3.1	38.5	0.6
ROE	14.0	11.9	2.1	13.5	0.5
NPL Ratio	1.0	1.2	-0.2	1.1	-0.1
Credit Costs (bp)	17	14	3	31	-14
Loan Loss Coverage	139	108	31	131	8
CET-1 CAR	14.8	14.4	0.4	15.4	-0.6

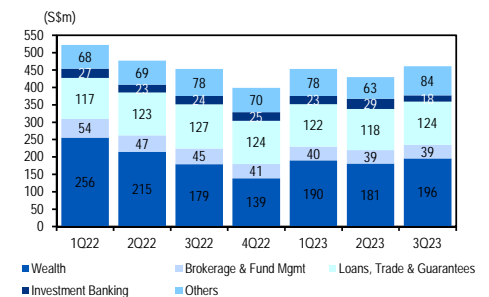
Source: OCBC, UOB Kay Hian

KEY ASSUMPTIONS

	2021	2022	2023F	2024F	2025F
Loan Growth (%)	8.6	1.8	1.5	3.4	4.9
NIM (%)	1.55	1.91	2.27	2.19	2.09
Fees, % Chg	12.0	(17.6)	(2.8)	5.4	6.1
NPL Ratio (%)	1.45	1.15	1.07	1.20	1.21
Credit Costs (bp)	31.3	20.0	23.9	22.3	23.3
Net Profit (S\$m)	4,858	5,748	7,000	6,900	6,976
% Chg	35.4	18.3	21.8	(1.4)	1.1

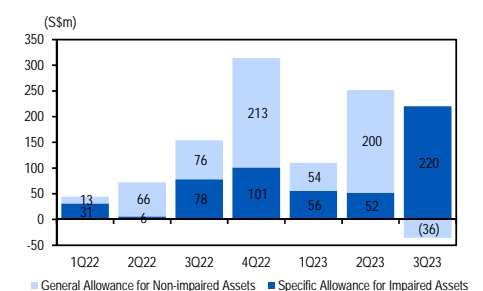
Source: UOB Kay Hian

FEE INCOME



Source: OCBC

TOTAL ALLOWANCE ON LOANS



Source: OCBC

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Interest income	11,609	20,463	21,221	21,399
Interest expense	(3,921)	(10,841)	(11,547)	(11,754)
Net interest income	7,688	9,622	9,674	9,646
Fees & commissions	1,851	1,799	1,897	2,013
Other income	2,136	2,212	2,060	2,100
Non-interest income	3,987	4,011	3,957	4,113
Total income	11,675	13,633	13,631	13,759
Staff costs	(3,233)	(3,600)	(3,730)	(3,767)
Other operating expense	(1,897)	(1,928)	(1,972)	(1,993)
Pre-provision profit	6,545	8,106	7,929	7,998
Loan loss provision	(577)	(711)	(671)	(703)
Other provisions	(7)	0	0	0
Associated companies	978	998	1,048	1,100
Pre-tax profit	6,939	8,393	8,306	8,396
Tax	(1,057)	(1,255)	(1,246)	(1,259)
Minorities	(134)	(138)	(160)	(160)
Net profit	5,748	7,000	6,900	6,976
Net profit (adj.)	5,748	7,000	6,900	6,976

OPERATING RATIOS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Capital Adequacy				
Tier-1 CAR	15.9	16.5	17.1	17.4
Total CAR	17.7	18.1	18.6	18.8
Total assets/equity (x)	8.7	9.1	8.9	8.8
Tangible assets/tangible common equity (x)	9.4	9.9	9.6	9.4
Asset Quality				
NPL ratio	1.1	1.1	1.2	1.2
Loan loss coverage	114.5	133.7	122.8	124.0
Loan loss reserve/gross loans	1.2	1.3	1.4	1.4
Increase in NPLs	(19.7)	(4.8)	15.5	5.4
Credit cost (bp)	20.0	23.9	22.3	23.3
Liquidity				
Loan/deposit ratio	84.3	80.7	81.0	81.0
Liquid assets/short-term liabilities	29.0	31.6	32.2	32.5
Liquid assets/total assets	22.6	24.9	25.3	25.5

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Cash with central bank	34,966	36,620	38,868	41,253
Govt treasury bills & securities	39,367	45,826	48,639	51,623
Interbank loans	30,244	39,196	40,385	42,358
Customer loans	291,467	295,771	305,814	320,663
Investment securities	28,010	32,810	32,810	32,810
Derivative receivables	15,605	18,743	18,743	18,743
Associates & JVs	6,340	6,623	6,623	6,623
Fixed assets (incl. prop.)	4,246	4,242	4,242	4,242
Other assets	109,711	109,236	118,369	130,215
Total assets	559,956	589,068	614,492	648,531
Interbank deposits	10,046	13,751	14,168	14,861
Customer deposits	350,081	371,279	382,539	401,234
Derivative payables	16,048	18,851	18,851	18,851
Debt equivalents	21,938	15,491	15,491	15,491
Other liabilities	107,175	114,829	125,259	136,515
Total liabilities	505,288	534,201	556,308	586,952
Shareholders' funds	53,087	53,525	56,787	60,126
Minority interest - accumulated	1,581	1,342	1,397	1,454
Total equity & liabilities	559,956	589,068	614,492	648,531

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Growth				
Net interest income, yoy chg	31.3	25.2	0.5	(0.3)
Fees & commissions, yoy chg	(17.6)	(2.8)	5.4	6.1
Pre-provision profit, yoy chg	14.2	23.9	(2.2)	0.9
Net profit, yoy chg	18.3	21.8	(1.4)	1.1
Net profit (adj.), yoy chg	18.3	21.8	(1.4)	1.1
Customer loans, yoy chg	1.8	1.5	3.4	4.9
Customer deposits, yoy chg	2.2	6.1	3.0	4.9
Profitability				
Net interest margin	1.9	2.3	2.2	2.1
Cost/income ratio	43.9	40.5	41.8	41.9
Adjusted ROA	1.3	1.5	1.4	1.3
Reported ROE	10.9	13.1	12.5	11.9
Adjusted ROE	10.9	13.1	12.5	11.9
Valuation				
P/BV (x)	1.1	1.1	1.1	1.0
P/NTA (x)	1.3	1.2	1.2	1.1
Adjusted P/E (x)	10.2	8.4	8.5	8.4
Dividend Yield	5.2	6.1	6.1	6.1
Payout ratio	53.2	51.3	52.0	51.4

COMPANY RESULTS

SATS (SATS SP)

2QFY24: Earnings Turn Around, Though Pace Of Recovery Still Moderate

SATS' earnings turned around in 2QFY24 with headline net profit of S\$22m. Excluding the impacts of the PPA change for WFS and one-off items, SATS' 2QFY24 earnings would have been in line with our expectation. Global air cargo volume growth is stabilising but outlook is still largely subdued. We expect SATS' earnings to remain on the recovery track in the next 1.5 years and look at FY26 as the year that it can realise its full earnings potential. Maintain BUY. Target price: S\$2.90.

2Q/1HFY24 RESULTS

Year to 31 Mar (\$m)	2Q FY24	1Q FY24	qoq % change	2Q FY23	yoy % change	1H FY24	1H FY23	yoy % change
Revenue	1,282.0	1,198.6	+7.0	429.0	+198.8	2,481	805	+208.3
- food solutions	275.7	240.4	+14.7	216.4	+27.4	516	403	+28.2
- gateway services (incl. WFS)	1,006.2	958.4	+5.0	212.6	+373.3	1,964	402	+388.7
Total operating cost	1,216.5	1,188.4	+2.4	437.0	+178.4	2,405	847	+184.0
EBITDA	194.4	158.2	+22.9	34.7	+460.2	352.6	41.7	+745.6
EBIT	65.5	10.2	+542.2	-8.0	n.m.	75.7	-42.3	n.m.
- food solutions	2.7	-4.0	n.m.	-7.2	n.m.	-0.9	-24.5	n.m.
- gateway services	80.8	10.7	+655.1	-3.2	n.m.	91.3	-20.6	n.m.
JV/associate contribution	22.7	21.3	+6.6	10.7	+112.1	44.0	17.6	+150.0
Net Profit (reported)	22.1	-29.9	n.m.	-10.0	n.m.	-7.8	-32.5	n.m.
Core net profit*	16.8	-17.4	n.m.	3.8	+342.1	-0.6	-15.8	n.m.
Core net profit excl. reliefs*	16.8	-17.4	n.m.	-6.0	n.m.	-0.6	-34.9	n.m.

*Core net profits are baseded on SATS' adjustment
Source: SATS, UOB Kay Hian

RESULTS

- **2QFY24 results deemed largely in line.** SATS made a turnaround in bottom line in 2QFY24 with headline net profit of S\$22.1m (1HFY24 still a minor loss of S\$7.8m). We note that 2QFY24 net profit was helped by the following items, including a) reduction in amortisation (about S\$4m) of intangible asset due to provisional change in purchase price allocation (PPA) related to the Worldwide Flight Services (WFS), b) forex gains (about S\$7m), and c) write-back of restructuring cost (S\$6m-8m), partly offset by WFS integration expenses (S\$1.9m). Excluding all these items, SATS' 2QFY24 net profit would have been about S\$6m, falling within our guided range of ±S\$10m.
- **Qoq improvement in core net profit driven by WFS' turnaround.** Based on SATS' reporting, its core net profit improved significantly qoq to S\$16.8m from 1QFY24's S\$17.4m loss. The improvement was mainly driven by WFS' turnaround, which recorded a core net profit of S\$6.3m in 2QFY24, compared with 1QFY24's S\$32m loss. We believe the improvement has been driven by WFS': a) better flight (+4.8% qoq) and cargo handling (+4.3% qoq) volume, and b) some cost rationalisation measures. SATS' original business turned in core net profit of S\$10.4m in 2QFY24, a small drop from 1QFY24's S\$14.7m.
- **Net gearing remained adequate.** SATS' net gearing stood at 89.8% as at end-1HFY24, in line with our estimate. We deem this level of gearing as adequate, as we expect SATS' profit and free cash flow to improve ahead as its business volume recovers.

KEY FINANCIALS

Year to 31 Mar (\$m)	2022	2023	2024F	2025F	2026F
Net turnover	1,177	1,758	5,089	5,518	5,906
EBITDA	77	128	769	930	1,094
Operating profit	(43)	(48)	215	359	506
Net profit (rep./act.)	20	(27)	41	158	285
EPS (\$ cent)	1.7	(2.2)	2.7	10.6	19.1
PE (x)	150.1	n.m.	93.3	24.1	13.4
P/B (x)	1.8	1.7	1.6	1.5	1.4
EV/adj. EBITDA (x)	59.6	28.2	11.5	9.0	7.3
Dividend yield (%)	0.0	0.0	0.0	1.7	3.0
Net margin (%)	1.7	(1.5)	0.8	2.9	4.8
Net debt/(cash) to equity (%)	(15.0)	(39.8)	84.3	76.2	65.1
ROE (%)	1.3	n.a.	1.7	6.5	10.8
Consensus net profit	-	-	90	204	278
UOBKH/Consensus (x)	-	-	0.45	0.78	1.03

Source: SATS, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.56
Target Price	S\$2.90
Upside	+13.5%
(Previous TP)	S\$2.99

COMPANY DESCRIPTION

A leading food solutions provider in Asia and a global leader in aviation gateway services.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	SATS SP
Shares issued (m):	1,490.6
Market cap (S\$ m):	3,816.0
Market cap (US\$m):	2,805.3
3-mth avg daily t'over (US\$m):	5.8

Price Performance (%)

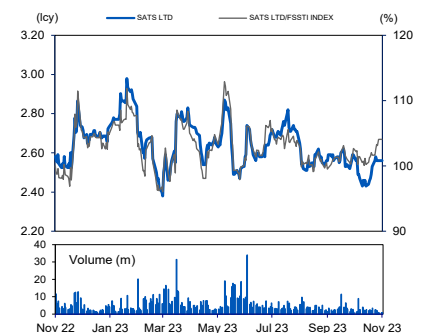
52-week high/low S\$ 2.98/S\$ 2.38

1mth	3mth	6mth	1yr	YTD
0.8	(5.5)	(3.8)	6.2	(4.7)

Major Shareholders

Major Shareholders	%
Temasek Hldgs	39.7
FY24 NAV/Share (S\$)	1.60
FY24 Net Debt/Share (S\$)	2.39

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- Stabilising but still largely subdued global trade outlook.** According to the International Air Transport Association (IATA), global air cargo load rose 1.9% yoy in Sep 23, marking a second consecutive month of yoy growth (Aug 23: +1.5% yoy), partially thanks to a low base in similar periods last year. Despite the yoy improvement Sep 23, global cargo load was still 1.3% below Sep 19 (pre-pandemic) levels. Global manufacturing PMI and new exports order sub-index stood at 48.8 and 47.6 respectively in Oct 23, still in contractionary territory, indicating a subdued global trade outlook in the near term. In a recent industry summit, air cargo executives expect air cargo demand to be flat or at best slightly above 2023 levels, highlighting macroeconomic and geopolitical situations as key uncertainties.
- SATS still has meaningful room for recovery, expecting positive Jaws to help.** Asia has been a laggard in the global air travel and cargo recovery. For SATS' original businesses (ie excluding WFS), the numbers of flights handled, aviation meals catered and cargo tonnage handled were at only 82%, 83% and 93% of pre-pandemic levels respectively. Since SATS' workforce strength should have largely stabilised after the early round of recruitment, moving forward, we expect operating leverage to kick in and help with SATS' earnings recovery as business volume continues to recover.
- Staying on the recovery track in the next 1.5 years.** Given the still largely-subdued air cargo outlook and the slower-than-expected return of Chinese international travellers, we now expect it to take another 1.5 years (looking at FY26) for SATS to return to its normalised level of earnings.

EARNINGS REVISION/RISKS

- Cut FY24 and FY25 net profit forecasts to S\$41m and S\$159m respectively while maintaining our FY26 forecast at S\$285m,** to reflect a more moderate pace of earnings recovery for SATS.
- Key risks:** a) prolonged weakness in global trade outlook, and b) integration risks between SATS and WFS.

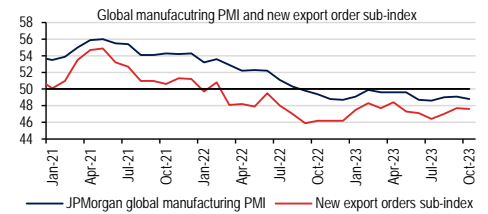
VALUATION/RECOMMENDATION

- Maintain BUY with a slightly lower target price of S\$2.90.** Our target price remains based on 9.7x FY25F EV/adjusted EBITDA (same as SATS' acquisition multiple for WFS). The 9.7x multiple applied is at 1.7SD below SATS FY14-19 mean EV/EBITDA of 12.8x. SATS' current price implies an undemanding FY25F EV/adjusted EBITDA multiple of 9.0x, 2.1SD below its historical mean. Current price translates to FY25/26 PE of 24.1x/13.4x.

SHARE PRICE CATALYST

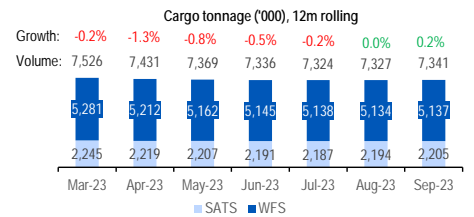
- Successful integration of WFS; delivery of earnings improvement and forecasted synergy.**

GLOBAL MANUFACTURING PMI AND NEW EXPORT ORDERS SUB-INDEX STAYED IN THE CONTRACTIONARY TERRITORY IN OCT 23.



Source: JP Morgan, S&P Global

CARGO VOLUME HANDLED BY SATS AND WFS ARE STABILISING ON A 12M ROLLING BASIS



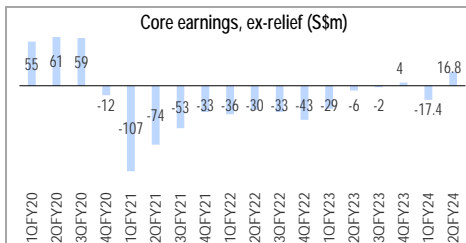
Source: SATS

HISTORICAL EV/EBITDA BAND



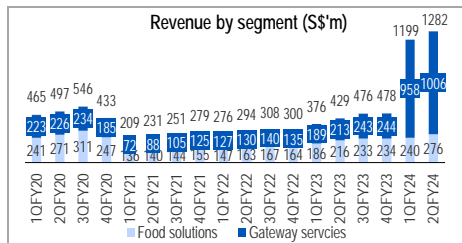
Source: SATS, UOB Kay Hian, Bloomberg

CORE EARNINGS TURNED AROUND IN 2QFY24 THANKS TO TURNAROUND OF WFS



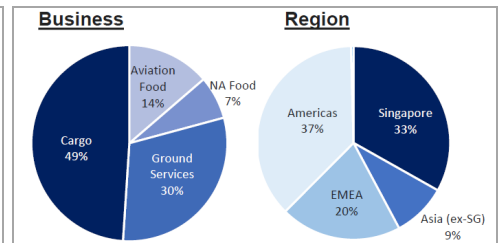
Source: SATS, UOB Kay Hian

REVENUE ROSE QOQ DRIVEN BY HIGHER REVENUE OF SATS' ORIGINAL BUSINESS AND WFS (2QFY24)



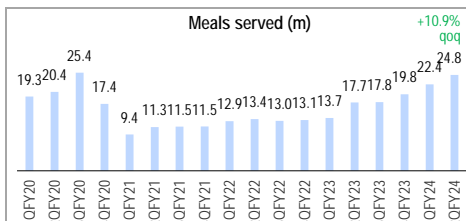
Source: SATS, UOB Kay Hian

REVENUE BREAKDOWN BY GEOGRAPHY AND BUSINESS (1HFY24)



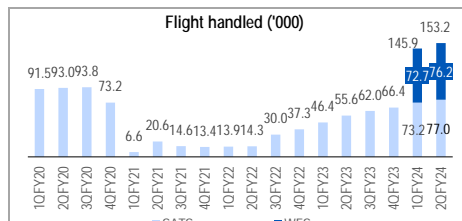
Source: SATS, UOB Kay Hian

NUMBER OF MEALS SERVED ROSE QOQ DRIVEN BY BOTH AVIATION AND NON-AVIATION FOOD



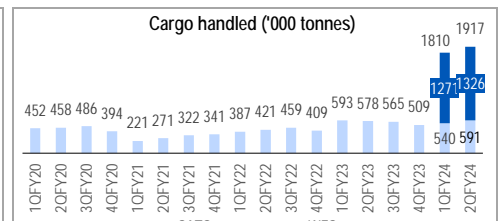
Source: SATS, UOB Kay Hian

NUMBER OF FLIGHTS HANDLED IMPROVED QOQ



Source: SATS, UOB Kay Hian

CARGO VOLUME HANDLED IMPROVED QOQ



Source: SATS, UOB Kay Hian

PROFIT & LOSS

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Net turnover	1,758.3	5,088.6	5,518.4	5,905.8
EBITDA	127.8	768.6	929.9	1,093.9
Deprec. & amort.	175.8	553.8	570.4	587.5
EBIT	(48.0)	214.8	359.5	506.4
Total other non-operating income	(32.5)	2.3	0.0	0.0
Associate contributions	45.4	90.0	91.8	93.6
Net interest income/(expense)	(8.7)	(218.0)	(200.2)	(183.1)
Pre-tax profit	(43.8)	89.1	251.1	416.9
Tax	5.2	(49.4)	(82.6)	(116.4)
Minorities	12.1	1.2	(10.0)	(15.0)
Net profit	(26.5)	41.0	158.5	285.5

CASH FLOW

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Operating	79.6	532.8	623.6	770.5
Pre-tax profit	(43.8)	89.5	251.1	416.9
Tax	(2.7)	(49.4)	(82.6)	(116.4)
Deprec. & amort.	175.8	553.8	570.4	587.5
Associates	(45.4)	(90.0)	(91.8)	(93.6)
Working capital changes	8.0	100.8	(11.5)	(11.8)
Non-cash items	(33.9)	(57.3)	0.0	0.0
Other operating cashflows	21.6	(14.7)	(12.0)	(12.0)
Investing	(57.9)	(2,032.8)	(248.7)	(248.3)
Capex (maintenance)	(119.4)	(214.4)	(322.3)	(323.0)
Investments	(0.1)	(1,890.7)	0.0	0.0
Proceeds from sale of assets	28.6	0.0	0.0	0.0
Others	33.0	72.3	73.5	74.7
Financing	1,340.0	(194.7)	(295.6)	(575.4)
Dividend payments	0.0	0.0	0.0	(63.4)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	752.9	720.0	0.0	0.0
Loan repayment	(106.4)	(635.7)	0.0	(200.0)
Others/interest paid	693.5	(279.0)	(295.6)	(312.1)
Net cash inflow (outflow)	1,361.7	(1,694.7)	79.3	(53.2)
Beginning cash & cash equivalent	786.0	2,148.4	453.7	533.0
Changes due to forex impact	0.7	0.0	0.0	0.0
Ending cash & cash equivalent	2,148.4	453.7	533.0	479.8

BALANCE SHEET

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Fixed assets	900.2	2,239.7	2,347.5	2,455.6
Other LT assets	1,050.7	4,064.3	4,034.2	4,004.6
Cash/ST investment	2,148.4	453.7	533.0	479.8
Other current assets	574.4	1,239.5	1,263.8	1,288.6
Total assets	4,673.7	7,997.2	8,178.5	8,228.5
ST debt	54.1	321.7	321.7	321.7
Other current liabilities	552.3	1,311.1	1,323.9	1,336.9
LT debt	1,424.3	3,681.2	3,681.2	3,481.2
Other LT liabilities	128.2	128.2	128.2	128.2
Shareholders' equity	2,333.6	2,375.0	2,533.4	2,755.5
Minority interest	181.2	180.0	190.0	205.0
Total liabilities & equity	4,673.7	7,997.2	8,178.5	8,228.5

KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	7.3	15.1	16.9	18.5
Pre-tax margin	(2.5)	1.8	4.6	7.1
Net margin	(1.5)	0.8	2.9	4.8
ROA	n.a.	0.6	2.0	3.5
ROE	n.a.	1.7	6.5	10.8
Growth				
Turnover	49.4	189.4	8.4	7.0
EBITDA	65.8	501.4	21.0	17.6
Pre-tax profit	n.a.	n.a.	181.7	66.0
Net profit	(229.9)	n.a.	287.0	80.1
EPS	(226.8)	n.a.	287.0	80.1
Leverage				
Debt to total capital	37.0	61.0	59.5	56.2
Debt to equity	45.6	102.1	95.8	81.4
Net debt/(cash) to equity	(39.8)	84.3	76.2	65.1

COMPANY RESULTS

Singapore Technologies Engineering (STE SP)

3Q23: Revenue Broadly In Line; Growth Ahead Underpinned By Strong Orderbook
STE's 3Q23 revenue of S\$2.43b (+8.8% yoy) was largely in line with our expectations, with 3Q23/9M23 revenue at 25%/76% of our full-year projections. One small incremental negative this quarter was management's moderated profit guidance for the USS division due to the ongoing transformation of the Satcom business. Overall, STE's growth outlook is largely intact, underpinned by its strong orderbook (close to record high). Maintain BUY and target price of S\$4.20.

3Q/9M23 REVENUE PERFORMANCE

Year to 31 Dec (\$M)	3Q23	3Q22	yoy % chg	2Q23	qoq % chg	9M23	9M22	yoy % chg	3Q/9M as % of FY23F
Revenue	2,434	2,238	+8.8	2,574	-5.4	7,297	6,508	+12.1	25%/76%, broadly in line
- CA	982	776	+26.5	983	-0.1	2,838	2,181	+30.1	26%/76%, slightly above
- USS	478	452	+5.8	457	+4.6	1,369	1,209	+13.2	25%/73%, in line
- DPS	973	930	+4.6	1,135	-14.3	3,090	3,118	-0.9	24%/77%, broadly in line

Source: STE, UOB Kay Hian

RESULTS

- **3Q23 group revenue broadly in line.** Singapore Technologies Engineering's (STE) 3Q23/9M23 group revenue of S\$2.43b/7.30b was broadly in line with our expectations, at 25%/76% of our full-year forecasts. Revenue dipped 5.4% qoq, likely due to the timing of project revenue recognition.
 - **Commercial aerospace (CA):** 3Q23 CA revenue of S\$982m (+26.5% yoy) was slightly ahead of our projection, with 3Q23/9M23 revenue at 26%/76% of our full-year forecasts. 3Q23 saw strong/improving performance across all CA business lines (MRO, P2F, nacelle OEM, etc).
 - **Defence & public security (DPS):** 3Q23 DPS revenue of S\$973m (+4.6% yoy) was broadly in line with our expectations, with 3Q23/9M23 revenue at 24%/77% of our full-year forecasts. 3Q23 DPS revenue dropped 14.3% qoq, mainly due to the timing of project revenue recognition (2Q23 was a high base).
 - **Urban solutions & satcom (USS):** 3Q23 USS revenue of S\$478m (+5.8% yoy) was in line with our projections, with 3Q23/9M23 revenue at 25%/73% of our full-year forecasts. The yoy growth was driven by higher revenue of TransCore, in line with management's previous guidance that TransCore's project deliveries and revenue recognition will be more weighted in 2H23.
 - **Strong orderbook of S\$27.5b at end-3Q23.** This was only a tad lower than the record level of S\$27.7b a quarter ago. STE expects to deliver S\$2.5b in revenue from its current orderbook in 4Q23, flat versus the guidance for the same period last year. STE recorded S\$2.2b in new contract wins in 3Q23 (CA: S\$0.8m, DPS: S\$1.1b and USS: S\$0.3b), slower than the S\$4.7b-4.8b quarterly new contract wins in the preceding two quarters. Management noted that quarterly new contract wins ebb and flow, but the underlying demand trajectory has remained very healthy.

- **Quarterly dividend of 4 S cents has been maintained by STE.**

KEY FINANCIALS

Year to 31 Dec (\$M)	2021	2022	2023F	2024F	2025F
Net turnover	7,693	9,035	9,850	10,500	11,000
EBITDA	1,044	1,181	1,397	1,450	1,530
Operating profit	646	665	857	894	960
Net profit (rep./act.)	571	535	598	613	672
Net profit (adj.)	321	435	561	613	672
EPS (\$ cent)	10.3	13.9	17.9	19.6	21.4
PE (x)	36.7	27.1	21.0	19.2	17.5
P/B (x)	4.9	4.9	4.7	4.5	4.2
EV/EBITDA (x)	12.2	14.7	11.9	11.4	10.7
Dividend yield (%)	4.0	4.3	4.3	4.3	4.3
Net margin (%)	7.4	5.9	6.1	5.8	6.1
Net debt/(cash) to equity (%)	26.8	198.5	161.7	154.8	138.8
ROE (%)	24.3	22.2	24.4	24.0	24.9

Source: STE, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$3.76
Target Price	S\$4.20
Upside	+11.6%

COMPANY DESCRIPTION

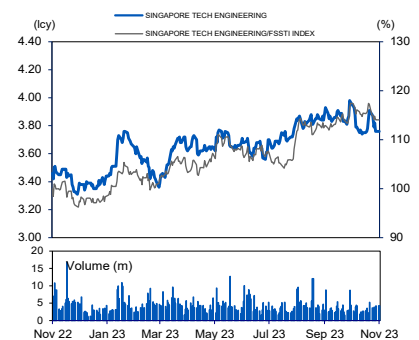
ST Engineering is a global technology, defence and engineering group with a diverse portfolio of businesses across the aerospace, smart city, defence and public security segments.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	STE SP
Shares issued (m):	3,115.0
Market cap (S\$ m):	11,712.6
Market cap (US\$m):	8,610.3
3-mth avg daily t'over (US\$m):	10.9
Price Performance (%)	

52-week high/low	S\$ 3.98/S\$ 3.31			
1mth	3mth	6mth	1yr	YTD
(2.3)	0.5	3.6	11.2	12.2
Major Shareholders				
Temasek Hldgs	51.1			
FY23 NAV/Share (S\$)	0.80			
FY23 Net Debt/Share (S\$)	1.65			

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

• **Moderated USS guidance due to Satcom Transformation was a small incremental negative...** We note that in the 3Q23 results briefing management has moderated its guidance for USS' 2023 operating performance from "comparable yoy" previously to "profitable but lower than 2022". The change in guidance was mainly due to weaker-than-expected performance of Satcom, which faces greater-than-expected transformation execution challenges and a more uncertain demand outlook due to delayed customer spending. We note that USS contributed only 4% of STE's operating profit in 2022, and hence the moderated guidance has very limited impact on our 2023 financial projections.

• **...but overall growth outlook stays largely intact.** Despite the moderated guidance for USS, we expect STE's overall growth outlook to remain largely intact, underpinned by its strong orderbook.

- **CA: Upbeat outlook.** Products and services offered by STE's CA businesses continue to see very strong demand. Driven by the continued recovery of global air travel, STE's base maintenance MRO capacities are near full utilisation today and the utilisation of its engine and component MRO capacities is at about 85% and still improving. Management noted that its Airbus P2F programme remains on track to turn EBIT-accretive in 2H23, as its A320/A330 PTF programme continues to mature; this is expected to bolster the overall operating margin of the CA division. STE is also ramping up its nacelle OEM capacity, in line with Airbus' plan to expand A320neo monthly production rate to 75 by 2026 (from 45-50 per month currently).

- **DPS: Steady business.** Steady revenue outlook of DPS is underpinned by its strong orderbook with a record S\$6.2b in contract wins in 9M23. The DPS division has been focusing on automation and digitalisation to drive business and cost efficiency. Management noted that the DPS division's profitability has been significantly enhanced after the disposal of the loss-making US marine business at the end of last year.

- **USS: Performance supported by TransCore's turnaround.** Despite the weaknesses of Satcom, the performance of the USS division is expected to be supported by TransCore, for which management expects to turn earnings-accretive within the next half year. In addition, management noted that some major projects, such as the Taiwan rail mobility project and New Jersey tolling project, are expected to shift to high gear in deliveries from 2024 onwards, bolstering the USS division revenue recognition.

EARNINGS REVISION/RISKS

• **Trim 2023-24 core net profit forecast by 2.2%.** We trim our 2023/24 core net profit forecasts by 1.7%/2.2% to S\$561m/S\$613m, as we finetune our interest cost estimate slightly and reflect the transformational pain for Satcom. Our 2025 projection has remained intact.

• **Key risks:** Negative margin surprises due to project cost overrun and/or inflationary cost pressure.

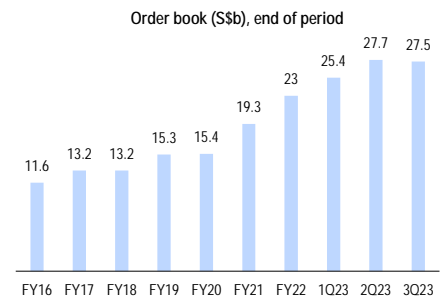
VALUATION/RECOMMENDATION

• **Maintain BUY and DCF-based target price of S\$4.20.** Our target price has remained unchanged, based on a WACC assumption of 7.75% and terminal growth rate assumption of 2.5%. STE currently trades at 19.2x 2024F PE, 1.1SD below its historical mean PE of 21.7x. Our target price implies a 21.5x 2024F PE, broadly in line with STE's historical mean.

SHARE PRICE CATALYST

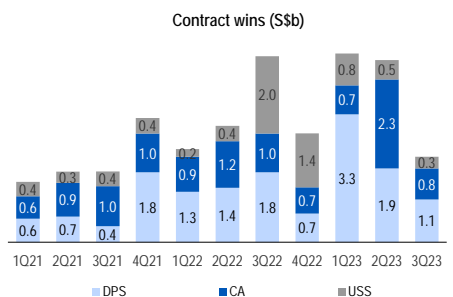
- Delivery of core profitability growth.
- Monetisation of non-core businesses.

ORDERBOOK REMAINED STRONG



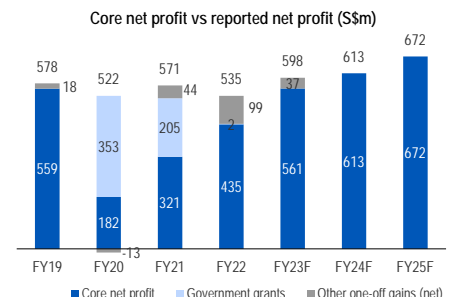
Source: STE

CONTRACT WIN BY BUSINESS SEGMENT



Source: STE

STE'S 2023 CORE NET PROFIT SET TO EXCEED 2019 LEVELS



Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	9,035.1	9,850.0	10,500.0	11,000.0
EBITDA	1,181.4	1,396.6	1,450.2	1,529.6
Deprec. & amort.	516.9	539.4	556.5	569.3
EBIT	664.5	857.2	893.7	960.3
Total other non-operating income	37.3	16.1	0.0	0.0
Associate contributions	33.3	47.6	48.0	50.0
Net interest income/(expense)	(137.6)	(182.0)	(184.3)	(178.9)
Pre-tax profit	597.5	738.9	757.5	831.4
Tax	(54.1)	(124.4)	(120.6)	(132.8)
Minorities	(8.3)	(16.8)	(23.8)	(26.7)
Net profit	535.0	597.6	613.0	671.9
Core net profit	434.6	560.5	613.0	671.9

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	673.1	1,808.7	1,345.8	1,412.5
Pre-tax profit	597.5	738.9	757.5	831.4
Tax	(108.0)	(124.4)	(120.6)	(132.8)
Deprec. & amort.	516.9	539.4	556.5	569.3
Associates	(33.3)	(47.6)	(48.0)	(50.0)
Working capital changes	(441.6)	520.1	6.2	4.8
Other operating cashflows	141.6	182.4	194.3	189.9
Investing	(4,571.5)	(199.4)	(569.0)	(433.6)
Capex (maintenance)	(966.1)	(617.0)	(617.0)	(483.6)
Investments	(3,630.1)	0.0	0.0	0.0
Others	24.7	417.6	48.0	50.0
Financing	3,697.8	(1,738.8)	(886.7)	(932.3)
Dividend payments	(685.6)	(498.1)	(498.6)	(498.6)
Proceeds from borrowings	6,690.1	0.0	0.0	0.0
Loan repayment	(2,239.2)	(934.5)	(100.0)	(150.0)
Others/interest paid	(67.5)	(306.2)	(288.1)	(283.7)
Net cash inflow (outflow)	(200.6)	(129.5)	(109.8)	46.6
Beginning cash & cash equivalent	815.9	601.7	472.3	362.4
Changes due to forex impact	(13.6)	0.0	0.0	0.0
Ending cash & cash equivalent	601.7	472.3	362.4	409.0

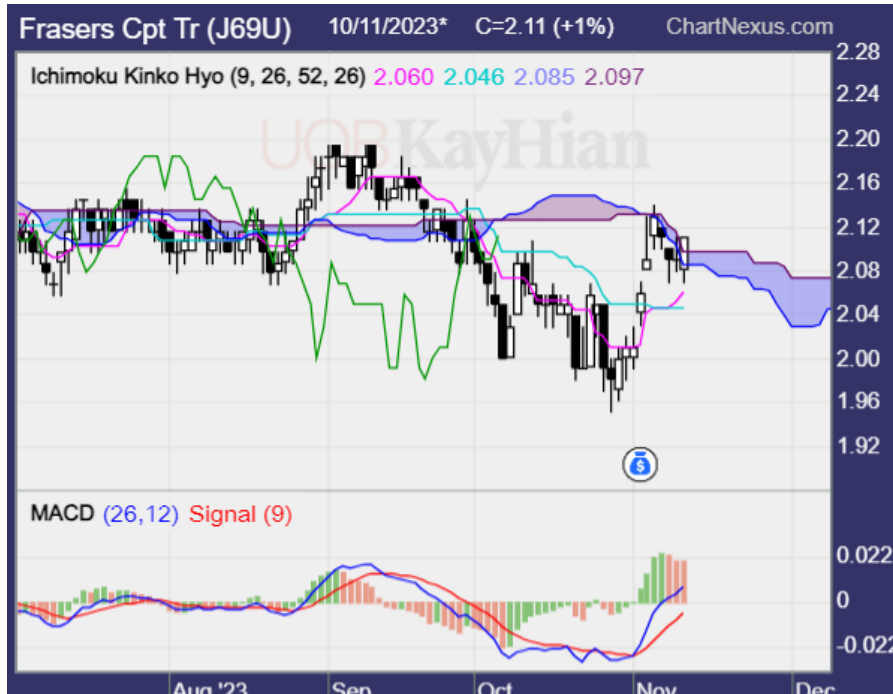
BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	2,658.1	2,543.3	2,751.4	2,812.4
Other LT assets	6,178.7	6,115.7	6,052.7	5,990.7
Cash/ST investment	601.8	472.3	362.4	409.0
Other current assets	5,525.3	5,188.9	5,381.3	5,529.3
Total assets	14,964.0	14,320.3	14,547.9	14,741.4
ST debt	3,628.0	3,628.0	3,628.0	3,628.0
Other current liabilities	4,377.2	4,560.9	4,759.5	4,912.3
LT debt	2,906.6	1,972.0	1,872.0	1,722.0
Other LT liabilities	1,399.4	1,399.4	1,399.4	1,399.4
Shareholders' equity	2,398.0	2,497.5	2,612.0	2,785.3
Minority interest	254.9	262.5	277.1	294.5
Total liabilities & equity	14,964.0	14,320.3	14,547.9	14,741.4

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	13.1	14.2	13.8	13.9
Pre-tax margin	6.6	7.5	7.2	7.6
Net margin	5.9	6.1	5.8	6.1
ROA	4.2	4.1	4.2	4.6
ROE	22.2	24.4	24.0	24.9
Growth				
Turnover	17.4	9.0	6.6	4.8
EBITDA	13.2	18.2	3.8	5.5
Pre-tax profit	(6.3)	23.7	2.5	9.8
Net profit (reported)	(6.2)	11.7	2.6	9.6
Core net profit	35.2	29.0	9.4	9.6
EPS	35.2	29.0	9.4	9.6
Leverage				
Debt to total capital	71.1	67.0	65.6	63.5
Debt to equity	246.3	202.9	190.4	173.7
Net debt/(cash) to equity	198.5	161.7	154.8	138.8

TRADERS' CORNER



Frasers Centrepoint Trust (FCT SP)

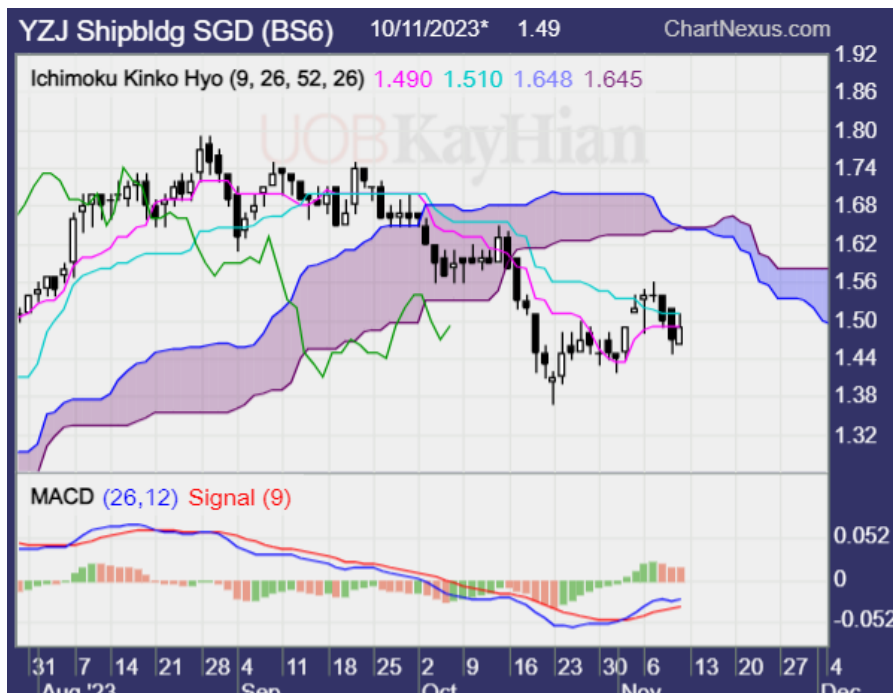
Trading Buy Range: S\$2.09-2.10
 Last price: S\$2.11
 Target price: S\$2.23
 Protective stop: S\$2.05

Price rebounded from the gap support that was created on 3 November, suggesting a strong upward momentum. There is a bullish conversion and base lines crossover that hints at potential upside ahead. The MACD is bullish and is rising. These could increase chances of the stock price moving higher.

We see increasing odds of stock price testing S\$2.23. Stops could be placed at S\$2.05.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$2.52.



Yangzijiang Shipbuilding (YZJSGD SP)

Trading Buy Range: S\$1.47-1.48
 Last price: S\$1.49
 Target price: S\$1.62
 Protective stop: S\$1.41

Price has been moving higher after forming a bottom on 23 October. It rebounded from the Fibonacci 50% correction point. The MACD is moving higher after a bullish crossover. These could increase chances of the stock price moving higher.

We see increasing odds of stock price testing S\$1.62. Stops could be placed at S\$1.41.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$1.88.

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