Monday, 27 November 2023

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

#### **GREATER CHINA** Update Link REIT (823 HK/BUY/HK\$39.80/Target: HK\$50.70) Page 2 Takeaways from Shenzhen and Guangzhou property tour. **INDONESIA** Update Nippon Indosari Corpindo (ROTI IJ/BUY/Rp1,180/Target: Rp1,400) Page 5 Sales return to decline to 12-13% in 2024. MALAYSIA Results Sime Darby Plantation (SDPL MK/BUY/RM4.32/Target: RM5.00) Page 8 3Q23: Results within expectations, strong contribution from its Malaysia upstream operation. Tenaga Nasional (TNB MK/HOLD/RM10.00/Target: RM10.70) Page 11 9M23: Below expectations. We cut 2023 net profit by 11% to account for a negative fuel margin. Positively, the negative fuel margin should narrow further in 4Q23. Small-Mid Cap Highlights Oppstar (OPPSTAR MK/BUY/RM1.61/Target: RM2.18) Page 14 1HFY24: Below expectations; sowing seeds for exponential growth. SINGAPORE Update Rex International Holding (REXI SP/SELL/S\$0.17/Target: S\$0.10) Page 17 Not much to cheer about heading into the festive season as production problems at key Yumna field persist. Retain SELL rating. THAILAND Update PTT (PTT TB/BUY/Bt34.50/Target: Bt41.00) Page 20

Expect a qoq drop in 4Q23 core profit, but valuation to be interesting.

#### **KEY INDICES**

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	35390.2	0.3	1.3	9.2	6.8
S&P 500	4559.3	0.1	1.1	10.7	18.7
FTSE 100	7488.2	0.1	(0.2)	2.7	0.5
AS30	7244.1	0.1	(0.2)	3.3	0.3
CSI 300	3538.0	(0.7)	(0.8)	(0.7)	(8.6)
FSSTI	3094.8	(0.5)	(1.0)	1.1	(4.8)
HSCEI	6041.2	(2.1)	1.1	1.0	(9.9)
HSI	17559.4	(2.0)	0.6	0.9	(11.2)
JCI	7009.6	0.1	0.5	3.7	2.3
KLCI	1453.9	0.0	(0.5)	0.8	(2.8)
KOSPI	2496.6	(0.7)	1.1	8.4	11.6
Nikkei 225	33625.5	0.5	0.6	8.5	28.9
SET	1397.4	(0.7)	(1.3)	0.7	(16.3)
TWSE	17287.4	(0.0)	0.5	7.1	22.3
BDI	2102	13.3	15.5	34.5	38.7
CPO (RM/mt)	3827	(0.4)	(0.5)	4.1	(5.5)
Brent Crude (US\$/bbl)	81	(1.0)	(0.0)	(8.5)	(6.2)
Source: Bloomberg	7				

# TOP PICKS

I OF FICKS				
	Ticker	CP (lcy)	TP (lcy)	Pot. +/- (%)
BUY				
Anta Sports	2020 HK	81.25	128.00	57.5
BYD	1211 HK	228.40	630.00	175.8
Bank Neo Commerce	BBYB IJ	350.00	390.00	11.4
Bumi Serpong	BSDE IJ	1,060.00	1,420.00	34.0
HM Sampoerna	HMSP IJ	985.00	1,300.00	32.0
My EG Services	MYEG MK	0.80	1.21	51.3
Yinson	YNS MK	2.45	3.75	53.1
OCBC	OCBC SP	12.67	17.35	36.9
CP ALL	CPALL TB	55.00	76.00	38.2
Indorama	IVL TB	25.00	30.00	20.0

#### **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: Bloomber	g, UOB ETR, UC	)B Kay Hian		

# CORPORATE EVENTS

	Venue	Begin Close
Regional 1H2024 Strategy Conference	Malaysia	6 Dec 6 Dec

#### COMPANY UPDATE

## Link REIT (823 HK)

#### Takeaways From Shenzhen And Guangzhou Property Tour

We visited Central Walk, Liwan Link Plaza and Tianhe Link Plaza on 20-21 Nov 23. LINK REIT strengthened its mix of F&B tenants and shifted to more leisure and entertainment tenants to cater to the latest trend. Both Central Walk Shenzhen and Liwan Plaza saw record daily footfalls. Tenant sales are still below pre-COVID-19 levels due to the weaker performance of retail tenants. We expect the China retail portfolio to improve in 2024 on the adjusted tenant mix and completion of AEI. Maintain BUY. Target price: HK\$50.70.

#### WHAT'S NEW

• We visited Link Central Walk in Shenzhen, Link Plaza in Guangzhou Liwan and Link Plaza in Guangzhou Tianhe on 20-21 Nov 23.

#### **ESSENTIALS**

- Observation of retail trend: a) retail tenants (clothing, etc) and cinemas are facing downward pressure after the pandemic, causing negative rental reversion; b) sales of F&B tenants are resilient; and c) shoppers' demand for leisure and entertainment is notably rising. With such a trend, we think that foot traffic and tenant sales of community malls that focus on dining and experiences are expected to be more resilient.
- Highlights of Link REIT's China portfolio: a) upgrading of key infrastructure (car parks, washrooms, etc) through asset enhancement initiatives (AEI) to set a foundation for attracting good tenants (eg the ROI of AEI on Shenzhen Central Walk is well above 10%); b) adopting "first store" strategy by introducing a brand's first store of country/city/region; c) stabilising F&B proportion and improving the quality of F&B tenants; and d) increasing the proportion of leisure and entertainment tenants and introducing anchor tenants like Meland. These initiatives have led to phenomenal growth in foot traffic, with both Central Walk Shenzhen and Liwan Plaza seeing new record daily footfalls. However, we think the membership system is still relatively weak compared to leading mall operators.

#### STOCK IMPACT

• Expecting improvement of China retail portfolio in 2024 on the adjustment and AEIs done in 2023. The negative impact from the pandemic on the China retail portfolio's NPI and valuation has been reflected in LINK REIT's valuation. Looking forward to 2024, backed by premium locations and strong tenant mix, and with completion of major AEIs, we expect that Link REIT's major retail properties in China can achieve positive retail sales growth, which can help drive positive rental reversion.

#### EARNINGS REVISION/RISK

• We keep our DPU forecast unchanged.

#### **KEY FINANCIALS**

Year to 31 Mar (HK\$m)	2022	2023	2024F	2025F	2026F
Net turnover	11,602	12,234	13,225	13,975	14,737
EBITDA	8,348	8,634	9,287	9,814	10,349
Operating profit	8,264	8,545	9,191	9,713	10,242
Net profit (rep./act.)	6,894	15,451	6,582	7,096	7,710
Net profit (adj.)	6,479	6,134	6,582	7,096	7,710
EPU (HK\$ cent)	307.0	240.2	254.8	271.5	291.8
DPU (HK\$ cent)	305.7	274.3	254.8	271.5	291.8
PE (x)	12.7	16.4	15.4	14.5	13.5
Р/В (х)	0.5	0.5	0.5	0.5	0.6
DPU YId (%)	7.7	6.9	6.4	6.8	7.3
Net margin (%)	59.4	126.3	49.8	50.8	52.3
Net debt/(cash) to equity (%)	28.9	27.0	28.5	28.6	28.6
Interest cover (x)	9.2	5.2	5.2	5.8	6.9
ROE (%)	4.3	8.8	3.6	4.0	4.3
Consensus DPU (HK\$ cent)	n.a.	n.a.	259.3	273.6	290.1
UOBKH/Consensus (x)	-	-	0.98	0.99	1.01

Source: CIFI Ever Sunshine, Bloomberg, UOB Kay Hian

# BUY

# (Maintained)

Share Price	HK\$39.80
Target Price	HK\$50.70
Upside	+27.4%

#### **COMPANY DESCRIPTION**

Link REIT is the first REIT in Hong Kong and currently the largest in Asia in terms of market capitalisation. Spanning Hong Kong, Beijing, Shanghai, Shenzhen, Guangzhou, Sydney and London, its portfolio comprises mostly retail and office properties.

#### STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	823 HK
Shares issued (m):	2,561.9
Market cap (HK\$m):	101,964.88
Market cap (US\$m):	13,061.01
3-mth avg daily t'over (US\$m):	33.8

#### Price Performance (%)

52-week high/low			HK\$62.83/	HK\$35.45
1mth	3mth	6mth	1yr	YTD
1.9	(10.5)	(26.5)	(24.6)	(31.9)
Major Sh	areholde	rs		%
-				-
-				-
-				-
FY24 NAV	//Share (HK	\$)		69.25
FY24 Net	Debt/Share	(HK\$)		19.74

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

#### Liu Jieqi

+852 2826 1392 jieqi.liu@uobkayhian.com.hk

#### Damon Shen

+86 21 54047225 ext.820 damon.shen@uobkayhian.com

#### VALUATION/RECOMMENDATION

• Maintain BUY with an unchanged target price of HK\$50.70. Our target price implies 5.0% FY24 dividend yield. Link REIT is currently trading at 6.3% FY24 dividend yield. LINK REIT's resilient portfolio can support NPI growth, and high interest rate risks have been well under control as company has no major debt maturity in the next 12 months. We think company will regain growth momentum.

#### KEY INFORMATION OF PROPERTIES WE VISITED

Project	Central Walk	Link Plaza Liwan	Link Plaza Tianhe
City	Shenzhen	Guangzhou	Guangzhou
GFA	83,900 sqm	88,727 sqm	90,113 sqm
No. of car park	741	1043	1000
Year of opening	2007	2013	2012
Year of acquisition	March 2019	March 2017	June 2021
Cost of acquisition	RMB 6,600 million	RMB4,065 million	RMB3,205 million
Latest valuation	RMB4,660 million (4.65% cap rate)	RMB4,070 million (5.15% cap rate)	RMB3,050 million (5.15% cap rate)
Positioning	Destination mall	Community mall	Community mall
Tenant mix	F&B: 38% Retail: 24% Leisure: 13.2% Daily groceries: 5.9% Personal care: 5.4% Others: 13.1%	F&B: 36% Supermarket & department store: 21% Retail: 18% Leisure: 7.9% Personal care: 5.1% Others: 13.3%	F&B: 39% Retail: 21% Leisure: 12% Supermarket & department store: 8.4% Personal care: 7.2% Others: 6.9%
Major competitors	COCO Park, Wongtee Plaza, One Avenue	Rock Square (Capitaland), Taikoo Li (Swire), Mixc mall (CR Land)	IGC (SHKP), GT Land Plaza, K11 (NWD)
CAPEX of AEI	RMB 286 million	N/A	~RMB 200 million (Phase 1)
Completion of AEI	January 2022	N/A	September 2023
Foot traffic	30-40K/day during weekday 70-80K/day during weekend Peak is 75K/day	~90K/day during weekday ~12K/day during weekend Peak is 180K/day	Officially re-opened in Nov 2023

Source: LINK REIT, UOB Kay Hia

#### **CENTRAL WALK SHENZHEN**



#### Source: UOB Kay Hian

#### LINK PLAZA LIWAN



Source: OOB Kay Hian

#### LINK PLAZA TIANHE



Source: UOB Kay Hian

#### R e g i o n a l Morning Notes

#### **PROFIT & LOSS**

Year to 31 Mar (HK\$m)	2023	2024F	2025F	2026F
Net turnover	12,234.0	13,224.6	13,975.1	14,737.4
EBITDA	8,633.6	9,286.8	9,813.9	10,349.2
Deprec. & amort.	88.6	95.7	101.2	106.7
EBIT	8,545.0	9,191.1	9,712.7	10,242.5
Total other non-operating income	9,317.0	0.0	0.0	0.0
Associate contributions	85.0	150.0	150.0	150.0
Net interest income/(expense)	(1,648.0)	(1,774.8)	(1,680.7)	(1,471.4)
Pre-tax profit	16,299.0	7,566.2	8,181.9	8,921.1
Тах	(1,006.0)	(1,134.9)	(1,227.3)	(1,338.2)
Minorities	158.0	150.0	150.0	150.0
Net profit	15,451.0	6,581.3	7,104.6	7,732.9

BALANCE SHEET				
Year to 31 Mar (HK\$m)	2023	2024F	2025F	2026F
Fixed assets	1,463.0	1,125.1	1,057.7	986.5
Other LT assets	246,622.0	237,642.3	239,642.3	241,642.3
Cash/ST investment	13,987.0	9,926.4	9,383.5	8,904.5
Other current assets	5,847.0	5,141.6	5,231.1	5,322.0
Total assets	267,919.0	253,835.4	255,314.6	256,855.4
ST debt	4,133.0	4,133.0	4,133.0	4,133.0
Other current liabilities	5,618.0	5,719.1	6,018.0	6,321.5

8,213.0

120.0

60,780.0 56,780.0 56,780.0 56,780.0

8,213.0 8,213.0

(180.0)

188,940.0 178,905.2 180,235.6 181,622.9

267,919.0 253,835.4 255,314.6 256,855.4

(30.0)

8,213.0

(330.0)

#### **CASH FLOW**

Year to 31 Mar (HK\$m)	2023	2024F	2025F	2026F
Operating	7,934.6	9,200.4	9,024.9	9,459.1
Pre-tax profit	16,299.0	7,566.2	8,181.9	8,921.1
Тах	(1,006.0)	(1,134.9)	(1,227.3)	(1,338.2)
Deprec. & amort.	88.6	95.7	101.2	106.7
Associates	n.a.	n.a.	n.a.	n.a.
Working capital changes	156.0	806.6	209.3	212.6
Non-cash items	(9,251.0)	92.0	79.0	85.5
Other operating cashflows	1,648.0	1,774.8	1,680.7	1,471.4
Investing	(923.5)	(674.8)	(765.3)	(679.6)
Capex (growth)	(29.5)	(31.9)	(33.7)	(35.6)
Investments	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	106.0	357.1	268.5	356.0
Financing	4,197.0	(12,586.3)	(8,802.5)	(9,258.5)
Distribution to unitholders	(6,360.0)	(6,454.3)	(6,853.3)	(7,431.2)
Issue of shares	12,049.0	0.0	0.0	0.0
Proceeds from borrowings	262.0	(4,000.0)	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(1,754.0)	(2,132.0)	(1,949.2)	(1,827.4)
Net cash inflow (outflow)	11,208.1	(4,060.7)	(542.8)	(479.0)

#### **KEY METRICS**

Other LT liabilities

Minority interest

Shareholders' equity

Total liabilities & equity

LT debt

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	70.6	70.2	70.2	70.2
Pre-tax margin	133.2	57.2	58.5	60.5
Net margin	126.3	49.8	50.8	52.5
ROA	6.3	2.5	2.8	3.0
ROE	8.8	3.6	4.0	4.3
Growth				
Turnover	5.4	8.1	5.7	5.5
EBITDA	3.4	7.6	5.7	5.5
Pre-tax profit	100.3	(53.6)	8.1	9.0
Net profit	124.1	(57.4)	8.0	8.8
Net profit (adj.)	(5.3)	7.3	8.0	8.8
EPU	(21.8)	6.1	6.7	7.6
Leverage				
Debt to total capital	25.6	25.4	25.3	25.1
Debt to equity	34.4	34.0	33.8	33.5
Net debt/(cash) to equity	27.0	28.5	28.6	28.6
Interest cover (x)	5.2	5.2	5.8	7.0

#### Monday, 27 November 2023

#### COMPANY UPDATE

# Nippon Indosari Corpindo (ROTI IJ)

Sales Return To Decline To 12-13% In 2024

ROTI mentioned that the high return rate in 3Q23 was a deliberate attempt to boost sales above Rp1t. Going forward, sales return should decline to 13% in 4Q23 and 12-13% in 2024 as products gain more acceptance. ROTI guides for 2023 NPAT of Rp350b and we forecast 2024 NPAT to rise by 19.8% yoy and reach Rp420b. We maintain BUY with a target price of Rp1,400 (18.6% upside).

WHAT'S NEW

- 3Q23 high return rate was a deliberate attempt to drive sales to above Rp1t. Nippon Indosari Corpindo (ROTI) mentioned that the high 15% return rate in 3Q23 was actually a deliberate attempt to drive sales. ROTI is aiming to drives sales over Rp1t and thus it has been filling up the shelf. Sales rose 14.8% qoq from Rp882.8b in 2Q23 and reached Rp1,013.6b in 3Q23. ROTI aims to have sales steady at above Rp1t per quarter while return rate may decline. Sales return is expected to decline to 13% in 4Q23 and for 2024, ROTI expects to be 12-13%.
- Issue in SGA in 3Q23 was due to return rate. 3Q23 selling, general and administrative (SGA) rose 4.5% yoy compared with a 5.3% decline in sales. The rise in SGA expenses in 3Q23 was caused by a 27.7% yoy and 51.4% qoq jump in defective inventory. Excluding this, 3Q23 non-defective inventory only rose by 0.4% yoy, which indicates that operating expense is managed pretty well.
- Daily sales in 4Q23 is stable, rising single digit qoq. ROTI indicates that daily sales in 4Q23 is stable. 4Q23 sales should be rising at low single digit qoq. If sales return rate declines from 15% in 3Q23 to 13% in 4Q23, 4Q23 NPAT growth should be quite encouraging on a qoq basis.
- We forecast Rp350b and Rp420b NPAT for 2023 and 2024 respectively. ROTI guides that 2023 NPAT could come in at Rp350b. We revisited our model and forecast a 2023 NPAT of Rp350b and Rp420b for 2024 NPAT. This level of NPAT translates to an 18.9% decline in 2023 NPAT and 19.8% yoy rise in 2024 NPAT.

Monday, 27 November 2023

# BUY

(Maintained)

Share Price	Rp1,180
Target Price	Rp1,400
Upside	+18.6%
(Previous TP	Rp1,600)

#### COMPANY DESCRIPTION

Nippon Indosari Corpindo is the largest bread manufacturer in Indonesia. It dominates mass bread production with its well-known brand Sari Roti.

#### STOCK DATA

GICS sect	or		Consume	r Staples	
Bloomberg	g ticker:		ROTI IJ		
Shares iss	sued (m)	:		6,186.5	
Market ca	p (Rpb):			7,300.1	
Market ca	p (US\$m	ı):		469.4	
3-mth avg daily t'over (US\$m): 0.1 Price Performance (%)					
52-week hig	h/low	Rp1,615/Rp1,170			
j			,	1 /	
1mth	3mth	6mth	1yr	YTD	
		<b>6mth</b> (8.2)	•	•	
1mth	<b>3mth</b> (13.6)	(8.2)	1yr	YTD	
<b>1mth</b> (11.6)	3mth (13.6) reholder	(8.2)	1yr	<b>YTD</b> (10.6)	
1mth (11.6) Major Sha	3mth (13.6) reholder	(8.2) r <b>s</b> nasional	1yr	<b>YTD</b> (10.6) <b>%</b>	
1mth (11.6) Major Sha Indoritel Mał	3mth (13.6) reholder kmur Interr	(8.2) r <b>s</b> nasional	1yr	<b>YTD</b> (10.6) <b>%</b> 25.8	
1mth (11.6) Major Sha Indoritel Mak Demeter Ind	3mth (13.6) reholder kmur Interr lo Investme estment	(8.2) rs nasional ent	1yr	<b>YTD</b> (10.6) <b>%</b> 25.8 21.4	

#### **PRICE CHART**



Source: Bloomberg

ANALYST(S)

**Stevanus Juanda** +6221 2993 3845

stevanusjuanda@uobkayhian.com

#### **KEY FINANCIALS**

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net turnover	3,288	3,935	4,132	4,397	4,685
EBITDA	556	817	699	800	863
Operating profit	410	638	503	584	626
Net profit (rep./act.)	281	432	350	420	457
Net profit (adj.)	281	432	350	420	457
EPS (Rp)	45.3	69.6	56.4	67.6	73.5
PE (x)	26.1	17.0	20.9	17.5	16.0
P/B (x)	2.6	2.7	2.1	2.0	1.9
EV/EBITDA (x)	11.7	8.0	9.3	8.1	7.5
Dividend yield (%)	2.7	4.1	3.3	4.0	4.4
Net margin (%)	8.6	11.0	8.5	9.5	9.8
Net debt/(cash) to equity (%)	(8.2)	(3.9)	(22.2)	(22.5)	(24.9)
Interest cover (x)	16.4	20.7	17.5	25.5	33.9
ROE (%)	9.2	15.6	11.2	11.6	12.1
Consensus net profit	-	-	352	439	504
UOBKH/Consensus (x)	-	-	1.00	0.96	0.91

Source: Nippon Indosari Corpindo, Bloomberg, UOB Kay Hian

## Regional Morning Notes

#### WHAT'S NEW

- **3Q23 high return rate was a deliberate attempt to drive sales to above Rp1t.** ROTI mentioned that the high 15% return rate in 3Q23 was actually a deliberate attempt to drive sales. ROTI is aiming to drives sales over Rp1t and thus it has been filling up the shelf. Sales rose 14.8% qoq from Rp882.8b in 2Q23 and reached Rp1,013.6b in 3Q23. ROTI aims to have sales steady at above Rp1t per quarter while return rate may decline. Sales return is expected to decline to 13% in 4Q23 and for 2024, ROTI expects to be 12-13%.
- No price increase in 2023 and 2024. ROTI did not raise prices in 2023 and for 2024, it also does not plan to increase prices. ROTI targets a mid-single-digit growth in revenue in 2024, which will be driven by volume.
- Wheat prices are stable. Bogasari lowered its wheat prices in Jul 23, causing a 264bp gross margin expansion in 3Q23 for ROTI. After 3Q23, ROTI mentioned that wheat prices remain stable and we think ROTI could continue to record a high level of gross margin in 4Q23.
- Sensitivity. NPAT is the most sensitive to ASP increases.
  - For every 5.0% rise in ASP and volume, ROTI's 2024 NPAT will rise 40.8%.
  - o For every 5.0% hike in cost, 2024 NPAT will decline 35.4%.
  - For every 5.0% depreciation of the rupiah against the US dollar, 2024 NPAT will fall 19.2%.
  - Flour makes up about 25.0% of COGS, and for every 5.0% rise in flour prices, 2024 NPAT will drop 4.8%.

#### PROFIT SENSITIVITY TO ASP

	Change	Sales		Op F	Op Profit		Net Income	
	%	2023F	2024F	2023F	2024F	2023F	2024F	
ASP	+5%	5.0%	5.0%	41.1%	37.6%	45.9%	40.8%	
Cost	+5%	0.0%	0.0%	-36.1%	-32.6%	-40.4%	-35.4%	
Volume	+5%	5.0%	5.0%	21.8%	19.9%	24.3%	21.6%	
Rp	-5%	0.0%	0.0%	-19.3%	-17.7%	-21.6%	-19.2%	
Wheat	+5%	0.0%	0.0%	-4.8%	-4.4%	-5.4%	-4.8%	
Packaging	+5%	0.0%	0.0%	-2.5%	-2.3%	-2.8%	-2.5%	
Sugar	+5%	0.0%	0.0%	-0.6%	-0.5%	-0.6%	-0.6%	
Labour	+5%	0.0%	0.0%	-4.3%	-3.9%	-4.8%	-4.2%	

Source: UOB Kay Hian

#### EARNINGS REVISION/RISK

• We lower our 2023/24 NPAT forecasts by 0.4%/7.0% respectively. With the weakness in 9M23 performance and new guidance from ROTI, we have lowered our 2023 and 2024 NPAT forecasts by 0.4% and 7.0% respectively.

#### NEW, ORIGINAL AND CONSENSUS FORECASTS

	Ne	W	Original		Difference (%)		Street		Difference (%)	
	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Revenue	4,132	4,397	4,173	4,587	-1.0%	-4.1%	4,015	4,492	2.9%	-2.1%
Gross Profit	2,189	2,330	2,190	2,433	-0.1%	-4.3%	2,150	2,420	1.8%	-3.7%
Op Profit	503	584	495	612	1.5%	-4.5%	496	598	1.3%	-2.4%
Net Income	350	420	352	451	-0.4%	-7.0%	352	439	-0.4%	-4.4%
Gross Margin	53.0	53.0	52.5	53.1	48	(7)	53.6	53.9	(58)	(89)
Op Margin	12.2	13.3	11.9	13.3	30	(5)	12.4	13.3	(19)	(4)
Net Margin	8.5	9.5	8.4	9.8	5	(29)	8.8	9.8	(29)	(23)

Source: UOB Kay Hian

#### VALUATION/RECOMMENDATION

• Maintain BUY with a lower target price of Rp1,400. The reduction in our earnings forecast resulted in us reducing our target price from Rp1,600 to Rp1,400. Our target price is derived using the historical five-year -0.5SD PE of 21.1x applied to 2024 EPS as we rolled over our time horizon. With 18.6% upside from the current level, we maintain BUY on ROTI with a target price of Rp1,400.

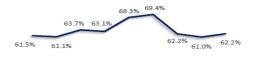
#### Monday, 27 November 2023

#### SALES RETURN RATE



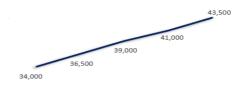
3Q21 4Q21 1Q22 2Q22 3Q22 4Q22 1Q23 2Q23 3Q23 Source: ROTI

#### RAW MATERIALS AND PACKAGING



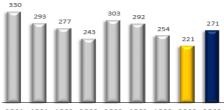
3Q21 4Q21 1Q22 2Q22 3Q22 4Q22 1Q23 2Q23 3Q23 Source: ROTI

#### MODERN TRADE POINT OF SALES



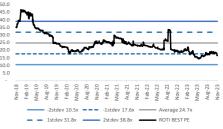


#### QUARTERLY GENERAL TRADE SALES



3q21 4q21 1q22 2q22 3q22 4q22 1q23 2q23 3q23 Source: ROTI

#### FORWARD PE BAND



Source: Bloomberg

# Regional Morning Notes

Monday, 27 November 2023

PROFIT & LOSS				
Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Net turnover	3,935	4,132	4,397	4,685
EBITDA	817	699	800	863
Deprec. & amort.	179	196	216	237
EBIT	638	503	584	626
Total other non-operating income	(26)	(13)	(14)	(14)
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(39)	(40)	(31)	(25)
Pre-tax profit	573	450	539	587
Тах	(141)	(99)	(119)	(130)
Minorities	(0.0)	(0.0)	(0.0)	(0.0)
Net profit	432	350	420	457
Net profit (adj.)	432	350	420	457

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Fixed assets	2,494	2,528	2,537	2,538
Other LT assets	351	483	554	567
Cash/ST investment	627	1,361	1,319	1,375
Other current assets	658	718	813	918
Total assets	4,130	5,090	5,223	5,399
ST debt	25	125	108	92
Other current liabilities	587	560	608	690
LT debt	498	444	382	328
Other LT liabilities	339	395	434	459
Shareholders' equity	2,681	3,566	3,692	3,829
Minority interest	0.1	0.0	0.0	0.0
Total liabilities & equity	4,130	5,090	5,223	5,399

**BALANCE SHEET** 

CASH FLOW				
Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Operating	727	991	592	679
Pre-tax profit	573	450	539	587
Тах	(141)	(99)	(119)	(130)
Deprec. & amort.	179	196	216	237
Working capital changes	(80)	(28)	(61)	(68)
Non-cash items	59	(18)	(0.5)	33
Other operating cashflows	136	491	18	20
Investing	(185)	5.9	(254)	(227)
Capex (growth)	(200)	(210)	(224)	(238)
Investments	(2.3)	(1.6)	(1.7)	(1.8)
Others	17	218	(28)	14
Financing	(674)	(249)	(365)	(381)
Dividend payments	(346)	(245)	(294)	(320)
Issue of shares	(273)	0.0	0.0	0.0
Proceeds from borrowings	(55)	(3.6)	(71)	(61)
Others/interest paid	0.0	0.0	0.0	0.0
Net cash inflow (outflow)	(133)	748	(27)	71
Beginning cash & cash equivalent	759	627	1,361	1,319
Changes due to forex impact	1.3	(15)	(15)	(15)
Ending cash & cash equivalent	627	1,361	1,319	1,375

KEY METRICS				
Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	20.8	16.9	18.2	18.4
Pre-tax margin	14.6	10.9	12.3	12.5
Net margin	11.0	8.5	9.5	9.8
ROA	10.4	7.6	8.1	8.6
ROE	15.6	11.2	11.6	12.1
Growth				
Turnover	19.7	5.0	6.4	6.5
EBITDA	47.0	(14.5)	14.4	7.9
Pre-tax profit	52.3	(21.5)	19.8	8.8
Net profit	53.6	(18.9)	19.8	8.8
Net profit (adj.)	53.6	(18.9)	19.8	8.8
EPS	53.6	(18.9)	19.8	8.8
Leverage				
Debt to total capital	16.3	13.8	11.7	9.9
Debt to equity	19.5	16.0	13.3	11.0
Net debt/(cash) to equity	(3.9)	(22.2)	(22.5)	(24.9)
Interest cover (x)	20.7	17.5	25.5	33.9

#### COMPANY RESULTS

## Sime Darby Plantation (SDPL MK)

3Q23: Results Within Expectations

9M23 results came in within expectations, as we expect a higher profit to be reported in 4Q23. 2024 earnings would be higher yoy, on the back of higher FFB production, lower cost of production and stable downstream operation. Note that SDPL is also exploring some strategic collaborations with China and India companies. We maintain BUY with a target price of RM5.00 in view of the CPO price uptrend, where SDPL's share price performance has a high correlation with CPO prices.

#### 3Q23 RESULTS

Year to 31 Dec (RMm)	3Q23	qoq % chg	yoy % chg	9M23	yoy % chg	Remarks
Turnover	4,774	10.9	(11.5)	13,148	(14.4)	
Upstream	2,594	22.9	11.3	7,073	(5.5)	
Downstream	4,303	10.2	(12.4)	11,667	(17.7)	
Operating Profit	782	91.2	41.4	1,504	(39.1)	
Upstream	547	191.0	119.7	955	(44.0)	
Downstream	225	81.5	(43.3)	417	(46.0)	
Net Profit	1,211	218.7	179.7	1,660	(15.4)	
Core Net Profit	348	29.4	5.1	698	(57.4)	
Margins (%)		+/(-) bps	+/(-) bps		+/(-) bps	
Operating profit	16.4	6.9	6.1	11.4	(4.6)	
Upstream	21.1	12.2	10.4	13.5	(9.3)	
Downstream	5.2	2.1	(2.9)	3.6	(1.9)	
Core net profit	7.3	1.0	1.2	5.3	(5.4)	
Source: SDPL, UOB Kay Hian						

#### WHAT'S NEW

- Within expectations. Sime Darby Plantation's (SDPL) 3Q23 core net profit came in at RM348 (+29% qoq, +5% yoy), bringing 9M23 core net profit to RM698m (-57% yoy). This accounts for 60% of our full-year forecast where we deem it still within our expectation, as we expect 4Q23 to be the highest quarterly earnings for 2023 on the back of higher CPO ASP and lower cost of production.
  - a) Qoq higher core net profit mainly due:
  - b) Strong improvement from its Malaysia upstream operation where its FFB production surged 43% qoq in 3Q23. We reckon that this was mainly due to the result of its previous rehabilitation practices and more harvesters in the Malaysian estates where yield has improved. This is partially offset by the lower-than-expected production from its Indonesian estates which were affected by the dryness.
  - c) Higher downstream margin, especially from its European operations with strong volumes and firm prices.

#### **KEY FINANCIALS**

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	18,695	21,030	19,884	22,706	22,642
EBITDA	5,051	3,563	3,310	4,535	4,298
Operating profit	3,720	2,190	1,903	3,108	2,851
Net profit (rep./act.)	2,336	2,069	1,174	2,036	1,856
Net profit (adj.)	2,336	2,069	1,174	2,036	1,856
EPS (sen)	34.3	30.4	17.3	29.9	27.3
PE (x)	12.6	14.3	25.1	14.5	15.9
P/B (x)	1.7	1.6	1.6	1.6	1.6
EV/EBITDA (x)	7.4	10.4	11.2	8.2	8.7
Dividend yield (%)	2.4	5.3	2.4	4.1	3.7
Net margin (%)	12.5	9.8	5.9	9.0	8.2
Net debt/(cash) to equity (%)	33.5	30.3	36.0	35.4	32.6
Interest cover (x)	68.3	29.0	27.5	35.0	34.9
ROE (%)	14.0	11.5	6.3	10.9	10.0
Consensus net profit	-	-	1,093	1,393	1,555
UOBKH/Consensus (x)	-	-	1.07	1.46	1.19

Monday, 27 November 2023

# BUY

#### (Maintained)

Share Price	RM4.32
Target Price	RM5.00
Upside	+15.7%

#### COMPANY DESCRIPTION

The largest oil palm plantation company in Malaysia.

#### **STOCK DATA**

GICS sect	or	Consum	er Staples	
Bloomberg	g ticker:		SDPL MK	
Shares iss	ued (m)	:		6,915.7
Market ca	p (RMm)	:		29,875.9
Market ca	p (US\$m	ı):		6,412.2
3-mth avg daily t'over (US\$ Price Performance (%)			5m):	2.5
52-week hig	h/low		RM	4.77/RM3.93
1mth	3mth	6mth	1yr	YTD
(4.6)	(3.6)	0.5	(1.8)	(7.1)
Major Sha		%		
Skim Amana	h Saham	a	42.1	
Employees F	Provident I		14.0	
FY24 NAV/S	hare (RM		2.70	
FY24 Net De	ebt/Share	(RM)		0.96

#### **PRICE CHART**



Source: Bloomberg

ANALYST(S)

Leow Huey Chuen +603 2147 1990 hueychuen@uobkayhian.com

## Jacquelyn Yow Hui Li

+603 2147 1995 jacquelyn@uobkayhian.com

Source: Sime Darby Plantation, Bloomberg, UOB Kay Hian

## Regional Morning Notes

• Higher yoy earnings were mainly thanks to higher FFB production and lower cost of production.

#### **STOCK IMPACT**

- **Production growth guidance**. Management maintained its production growth guidance for 2023 at mid-single-digit growth where the highest growth would come from Malaysia. This is the result of its rehabilitation practices and more skilled workers in the estates. Management also mentioned that its Malaysia rehabilitation and training for new harvesters programme would complete by Jun 24.
- Lower cost of production. We reckon that the cost of production would be lower in 2024 with higher FFB production and better yield (especially from the Malaysian estates). The fertiliser prices had also dropped by about 20% yoy for 2024.
- **Downstream margin may remain stable**, thanks to its European operations with higher quality refined products which command better pricing. This would be partially offset by the softer demand and lower margin from its Asia Pacific operations.
- Exploring further strategic collaborations. In 2024, SDPL targets to provide India with 1.3m germinated seeds, sourced from its operations in three countries. It is also exploring the possibility of establishing a shortening trading distribution centre in China and utilising existing bonded warehouses as a refined palm oil trading and distribution center as well as applying to become the delivery warehouse of Dalian Commodity Exchange.

#### EARNINGS REVISION/RISK

#### Maintain earnings forecast.

#### VALUATION/RECOMMENDATION

• Maintain BUY with a target price of RM5.00. We see SDPL as a trading BUY in view of the CPO price uptrend, where SDPL's share price performance has a high correlation towards CPO prices. We peg our valuation at 17x 2024F PE, based on -1SD to the sector's five-year mean

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

#### Environmental

 SDPL recently announced that the additional biogas plant would be built in Kedah and Negeri Sembilan. This allows SDPL to work towards its carbon reduction target of 40% by 2030 (current: 18%)

#### Social

 The US Customs and Border Protection says palm oil produced by SDPL is no longer "being mined, produced, or manufactured wholly or in part with the use of convict, forced, or indentured labour".

#### Governance

- Transparent governance along with an Anti-Bribery and Anti-Corruption Policy.

#### Monday, 27 November 2023

#### UPSTREAM CONTRIBUTION BY COUNTRY

((RMm)	3Q23	qoq % chg	yoy % chg
Malaysia	228	n.m	n.m
Indonesia	212	30.1	(41.9)
PNG	107	114.0	269.0
Total	547	191.0	119.7
0 0001			

Source: SDPL

#### **KEY STATISTICS SUMMARY**

	3Q23	qoq % chg	yoy % chg
FFB Production (m tonnes)	2.45	20.5	14.1
- Malaysia	1.24	42.5	37.8
- Indonesia	0.77	13.0	(1.2)
- PNG	0.45	(8.2)	<i>(5.9)</i>
CPO ASP (RM/tonne)	3,777	0.3	(11.7)
- Malaysia	3,993	(2.5)	(11.2)
- Indonesia	3,319	2.5	13.9
- PNG	3,965	2.0	(32.2)
Sourco: SDDI			

Source: SDPL

# Regional Morning Notes

#### **PROFIT & LOSS**

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	21,030	19,884	22,706	22,642
EBITDA	3,563	3,310	4,535	4,298
Deprec. & amort.	1,373	1,407	1,428	1,447
EBIT	2,190	1,903	3,108	2,851
Associate contributions	50	20	21	22
Net interest income/(expense)	(123)	(120)	(129)	(123)
Pre-tax profit	3,492	1,802	2,999	2,750
Тах	(809)	(451)	(750)	(688)
Minorities	(195)	(178)	(214)	(207)
Net profit	2,069	1,174	2,036	1,856
Net profit (adj.)	2,069	1,174	2,036	1,856

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	17,800	18,074	18,328	18,562
Other LT assets	6,108	6,090	6,090	6,090
Cash/ST investment	635	263	188	538
Other current assets	6,604	7,325	7,381	6,689
Total assets	31,147	31,752	31,986	31,879
ST debt	2,499	2,314	2,130	1,945
Other current liabilities	2,913	2,782	3,111	3,104
LT debt	3,780	4,647	4,647	4,648
Other LT liabilities	2,939	2,939	2,939	2,939
Shareholders' equity	18,598	18,598	18,598	18,598
Minority interest	418	472	562	645
Total liabilities & equity	31,147	31,752	31,986	31,879

# **CASH FLOW**

	2023F	2024F	2025F
3,640	2,076	2,900	3,213
3,196	1,923	3,129	2,873
(809)	(451)	(750)	(688)
1,373	1,407	1,428	1,447
310	(376)	(470)	11
(430)	(427)	(436)	(430)
(1,287)	(1,287)	(1,287)	(1,286)
(1,681)	(1,681)	(1,681)	(1,681)
0	0	0	1
380	380	380	380
14	14	14	14
(2,400)	(1,200)	(1,715)	(1,606)
(1,548)	(704)	(1,221)	(1,114)
0	0	0	0
4,749	0	0	0
(5,180)	(500)	(500)	(500)
(421)	4	6	8
(47)	(411)	(103)	321
665	646	263	188
11	28	28	28
635	263	188	538
	3,196 (809) 1,373 310 (430) (1,287) (1,681) 0 380 14 (2,400) (1,548) 0 4,749 (5,180) (421) (421) (47) 665 11	3,640         2,076           3,196         1,923           (809)         (451)           1,373         1,407           310         (376)           (430)         (427)           (1,287)         (1,287)           (1,681)         (1,681)           0         0           380         380           14         14           (2,400)         (1,200)           (1,548)         (704)           0         0           4,749         0           (5,180)         (500)           (421)         4           (47)         (411)           665         646           11         28	3,640         2,076         2,900           3,196         1,923         3,129           (809)         (451)         (750)           1,373         1,407         1,428           310         (376)         (470)           (430)         (427)         (436)           (1,287)         (1,287)         (1,287)           (1,681)         (1,681)         (1,681)           0         0         0           380         380         380           14         14         14           (2,400)         (1,200)         (1,715)           (1,548)         (704)         (1,221)           0         0         0           4,749         0         0           (5,180)         (500)         (500)           (421)         4         6           (47)         (411)         (103)           665         646         263           11         28         28

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	16.9	16.6	20.0	19.0
Pre-tax margin	16.6	9.1	13.2	12.1
Net margin	9.8	5.9	9.0	8.2
ROA	6.7	3.7	6.4	5.8
ROE	11.5	6.3	10.9	10.0
Growth				
Turnover	12.5	(5.4)	14.2	(0.3)
EBITDA	(29.5)	(7.1)	37.0	(5.2)
Pre-tax profit	(5.1)	(48.4)	66.4	(8.3)
Net profit	(11.4)	(43.3)	73.4	(8.8)
Net profit (adj.)	(11.4)	(43.3)	73.4	(8.8)
EPS	(11.4)	(43.3)	73.4	(8.8)
Leverage				
Debt to total capital	24.8	26.7	26.1	25.5
Debt to equity	33.8	37.4	36.4	35.4
Net debt/(cash) to equity	30.3	36.0	35.4	32.6
Interest cover (x)	29.0	27.5	35.0	34.9

#### Monday, 27 November 2023

#### COMPANY RESULTS

## **Tenaga Nasional (TNB MK)**

3Q23: Results Below Expectation, Negative Fuel Margin To Narrow In 4Q23

The group booked weak 3Q23 core net profit of RM861m (-47% yoy; -10% qoq). This brings 9M23 core net profit to RM2,971m (-27% yoy) – below our expectation but in line with the street's estimate. 9M23 EBITDA margin fell 6ppt to 28% - reflecting Genco negative fuel margin and higher repair & maintenance costs. Consequently, we cut 2023-24 net profit estimates by 11% and 3% respectively. Maintain HOLD with a marginally higher DCF-based target price of RM10.70 as we rollover to 2024.

#### 3Q23 RESULTS

Year to 31 Dec	3Q23 (RMm)	3Q22 (RMm)	qoq % chq	yoy % chq	9M23 (RMm)	yoy % chg
Revenue	13,466	12,962	1.1	3.9	39,414.9	3.9
Normalised EBITDA	3,750	4,628	3.7	(19.0)	11,168.1	(14.0)
Normalised EBITDA margin (%)	27.8	35.7	0.7	(7.9)	28.3	(5.9)
Pretax profit	1,056	1,534	94.9	(31.2)	2,699.7	(40.4)
Net profit	856	889	161.1	(3.7)	2,186.4	(17.6)
Core net profit	861	1,624	(9.9)	(47.0)	2,971.1	(26.8)
Operating Matrix			qoq %	yoy %		yoy %
Coal prices (US\$)	111.8	229.7	(18.6)	(51.3)	139.9	(33.3)
Coal consumption	8.8	8.3	(1.1)	6.0	25.2	4.6
Gas prices (RM)	37.5	36.7	(8.3)	2.0	41.5	23.9
Daily gas allocation	831	862	(1.1)	(3.6)	859.0	(3.8)
Elec. Sales gwth (yoy%)	9.6	5.9	0.7	3.7	2.7	(4.5)
Average tariff (sen/kwh)	38.0	41.6	(1.0)	(8.6)	37.9	(1.0)

Source: Tenaga, UOB Kay Hian

RESULTS

- **3Q23 net profit below expectations.** Tenaga Nasional (TNB) booked 3Q23 core net profit of RM861m (-47% yoy; -10% qoq). This brings 9M23 core net profit to RM2,971m (-27% yoy). The results are below our expectation but in line with the street's estimate. 9M23 electricity demand grew 3% yoy but EBITDA margin fell 6ppt yoy to 28%. This is due to 9M23 negative fuel margin of RM768m (vs a positive fuel margin of RM917m in 9M22), higher repair & maintenance costs and subsidiary opex.
- Regulated business net returns for 9M23 is RM3,563m. This is premised upon Regulatory Period 3 (RP3) return on asset of 7.3% and an approved capex of RM7b for 2023. 9M23 capex spent on regulated business was RM4.8b, or 69% of approved capex.

KE۱	/ FI	NAN	ICI	ALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	52,630	73,183	56,307	57,505	58,413
EBITDA	19,412	19,141	20,803	21,312	20,453
Operating profit	8,721	7,738	9,119	9,878	9,432
Net profit (rep./act.)	3,662	3,463	4,076	4,497	4,702
Net profit (adj.)	5,141	4,703	4,076	4,497	4,702
EPS (sen)	90.4	82.7	71.7	79.1	82.7
PE (x)	11.1	12.1	14.0	12.6	12.1
P/B (x)	1.0	1.0	1.0	1.0	1.0
EV/EBITDA (x)	6.4	6.5	6.0	5.8	6.1
Dividend yield (%)	4.0	4.6	4.6	4.9	5.0
Net margin (%)	7.0	4.7	7.2	7.8	8.0
Net debt/(cash) to equity (%)	76.5	100.8	115.4	95.5	81.6
Interest cover (x)	5.6	4.5	5.0	4.9	5.5
ROE (%)	6.5	6.0	7.2	8.1	8.2
Consensus net profit	-	-	4,067	4,594	4,766
UOBKH/Consensus (x)	-	-	1.00	0.98	0.99

Source: Tenaga Nasional, Bloomberg, UOB Kay Hian

# HOLD

(Maintained)

Share Price	RM10.00
Target Price	RM10.70
Upside	+7.0%
(Previous TP	RM10.40)

#### COMPANY DESCRIPTION

Generates and distributes electricity in Peninsular Malaysia and Sabah.

#### STOCK DATA

GICS secto	or			Utilities
Bloomberg	ticker:			TNB MK
Shares issued	ued (m):			5,787.3
Market cap	(RMm)	:		57,873.0
Market cap (US\$m):				12,352.1
3-mth avg daily t'over (US\$m):			:	9.5
Price Performance (%)				
52-week high/low			RM10	0.16/RM8.78
1mth	3mth	6mth	1yr	YTD
1.5	0.0	5.0	12.2	3.8

1.5	0.0	5.0	12.2	3.8
Major Sh	areholders	;		%
Khazanah	Nasional			22.5
EPF				16.5
Amanah Sa	aham Nasion	al		15.5
FY23 NAV/	Share (RM)			9.75
FY23 Net D	) Debt/Share (F	RM)		11.15

#### **PRICE CHART**



Source: Bloomberg

ANALYST(S)

Chong Lee Len

+603-2147 1992

leelen@uobkayhian.com

- Imbalance cost pass thorough (ICPT) recovery. ICPT cost recovery from the government is encouraging. TNB has received RM2.35b since early-Nov 23 for a period claim for Jul-Sep 23. The balance will be paid by monthly instalments until TNB fully recovers a total of RM4.6b for ICPT under recovery for Jul-Dec 23.
- We are positive on this as it implies the government's commitment towards the incentivebased regulation framework. This paves the way for a healthy balance sheet and sustainable dividend yield of about 5% for TNB.

#### **STOCK IMPACT**

- **3Q23 electricity demand grew 1% qoq** on the back of higher units sold to the industrial and commercial segment. 9M23 electricity demand jumped 3% yoy.
- **3Q23 generation cost fell 31% yoy and 13% qoq.** This mirrored the 51% yoy and 19% qoq drop in coal prices to US\$111.8/MT (2Q23: US\$137.3/MT; 3Q22: US\$229.7/MT). Repair & maintenance costs as well as subsidiary expenses are also higher qoq and yoy.
- Normalised EBITDA margin rose 0.7ppt qoq but fell 8ppt yoy to 27.8%. Apart from higher repair and maintenance costs, earnings were also dragged down by negative fuel margin yoy. Positively, the negative fuel margin has narrowed qoq and we expect improvement in EBITDA from Genco in 4Q23.

#### EARNINGS REVISION/RISK

• Cut 2023-24 net profit by 11% and 3% respectively. We take into account: a) 9M23 negative fuel margin – which is then expected to narrow into 4Q23 and 2024, b) higher repair & maintenance costs, and c) higher subsidiary expenses.

#### VALUATION/RECOMMENDATION

- **Reiterate HOLD** with a marginally higher DCF-based target price of RM10.70/share (discount rate: 8.5%, growth rate: 1%) as we roll over our valuation window to 2024.
- Key re-rating catalysts include: a) allowing TNB the autonomy to change electricity prices by 7% without seeking Cabinet approval every six months, b) listing of a profitable Genco, and c) earnings-accretive M&As.
- Key risks: a) lumpy and unprofitable overseas renewable energy (RE) projects, and b) forex risk to operating cashflow.
- Dividend yield of 4.6% and 4.9% over 2023-24. We expect TNB to pay out 60% of its net profit as dividends. This translates to a sustainable dividend yield of 4.6% and 5.0% over 2023-24.

#### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

#### Environmental

Besides targeting to have 8,300MW of RE generation capacity by 2025 (1.5x from 3,398MW in Dec 20), TNB has also made new pledges to reduce emission intensity by 2035 and achieve zero net emission on top of being coal-free by 2050.

#### Social

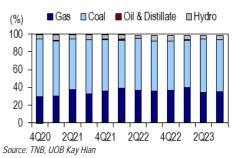
- TNB has donated: a) around RM4.36m to those affected by COVID-19, b) necessary medical supplies, such as ventilators, respirators, and personal protective equipment (PPE) to government hospitals, departments, and agencies totalling RM27.5m in 2020, and c) RM1m for lighting up official security posts during MCO enforcement throughout the nation from Mar-Nov 20.

#### Governance

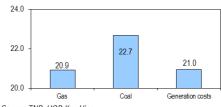
- Good company transparency along with an anti-bribery and whistle-blowing policy.
- Succession planning is also in place.

#### Monday, 27 November 2023

#### **GENERATION MIX**

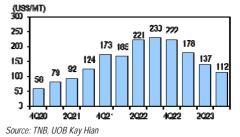


#### **GENERATION UNIT COST (3Q23)**



Source: TNB, UOB Kay Hian

#### QUARTERLY COAL PRICES



#### TNB GREEN JOURNEY



Source: TNB

# Regional Morning Notes

#### **PROFIT & LOSS**

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	73,183	56,307	57,505	58,413
EBITDA	19,141	20,803	21,312	20,453
Deprec. & amort.	11,403	11,684	11,434	11,022
EBIT	7,738	9,119	9,878	9,432
Total other non-operating income	966	940	940	940
Associate contributions	98	(298)	(312)	(328)
Net interest income/(expense)	(4,213)	(4,201)	(4,383)	(3,733)
Pre-tax profit	5,348	5,560	6,122	6,311
Тах	(1,791)	(1,390)	(1,531)	(1,515)
Minorities	(94)	(94)	(94)	(94)
Net profit	3,463	4,076	4,497	4,702
Net profit (adj.)	4,703	4,076	4,497	4,702

CASH FLOW				
Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating				
Pre-tax profit				
Тах	2,022	2023F	2024F	2025F
Deprec. & amort.	9,378	7,181	25,429	19,971
Associates	349	560	6,122	6,311
Working capital changes	(1,791)	(1,390)	(1,531)	(1,515)
Non-cash items	11,403	11,684	11,434	11,022
Other operating cashflows	(98)	298	312	328
Investing	(10,680)	(3,971)	4,707	92
Capex (growth)	0	0	0	0
Investments	10,196	0	4,383	3,733
Others	(14,553)	(9,000)	(8,869)	(5,936)
Financing	(8,445)	(9,000)	(9,000)	(7,000)
Dividend payments	3	0	0	0
Issue of shares	(6,111)	0	131	1,064
Proceeds from borrowings	3,896	(2,816)	(7,501)	(7,840)
Others/interest paid	(2,616)	(2,616)	(2,787)	(2,843)
Net cash inflow (outflow)	277	0	0	0
Beginning cash & cash equivalent	13,846	(200)	(200)	(200)
Changes due to forex impact	(7,611)	0	(4,514)	(4,797)
Ending cash & cash equivalent	(1,279)	(4,635)	9,059	6,195

BALANCE SHEET				
Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	116,577	113,893	111,459	107,437
Other LT assets	44,289	43,991	43,679	43,351
Cash/ST investment	4,893	259	9,318	15,513
Other current assets	40,163	39,140	34,567	34,892
Total assets	205,922	197,283	199,023	201,192
ST debt	13,262	13,162	13,062	12,962
Other current liabilities	24,335	19,342	19,476	19,893
LT debt	50,620	50,520	50,420	50,320
Other LT liabilities	56,739	56,739	56,739	56,739
Shareholders' equity	58,517	54,977	56,688	58,547
Minority interest	2,449	2,543	2,637	2,731
Total liabilities & equity	205,922	197,283	199,023	201,192

#### **KEY METRICS**

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	26.2	36.9	37.1	35.0
Pre-tax margin	7.3	9.9	10.6	10.8
Net margin	4.7	7.2	7.8	8.0
ROA	1.8	2.0	2.3	2.3
ROE	6.0	7.2	8.1	8.2
Crowth				
Growth				
Turnover	39.1	(23.1)	2.1	1.6
EBITDA	(1.4)	8.7	2.4	(4.0)
Pre-tax profit	12.9	4.0	10.1	3.1
Net profit	(5.4)	17.7	10.3	4.6
Net profit (adj.)	(8.5)	(13.3)	10.3	4.6
EPS	(8.5)	(13.3)	10.3	4.6
Leverage				
Debt to total capital	51.2	52.5	51.7	50.8
Debt to equity	109.2	115.8	112.0	108.1
Net debt/(cash) to equity	100.8	115.4	95.5	81.6
Interest cover (x)	4.5	5.0	4.9	5.5

#### SMALL-MID CAP HIGHLIGHTS

# **Oppstar (OPPSTAR MK)**

1HFY24: Below Expectations; Sowing Seeds For Exponential Growth

Results missed expectations owing to the absence of meaningful turnkey project contribution. Cut FY24-25 earnings by 16%/11%. Beyond the temporary blip, we see enormous growth opportunities premised on its multi-pronged strategies, cutting-edge knowhow alongside huge untapped potential augmented by Malaysia's geopolitical neutrality, which could anchor a three-year revenue/core net profit CAGR of 29%/31% from FY23. Maintain BUY. Target price: RM2.18.

#### **1HFY24 RESULTS**

Versite 21 Mars (DMars)	2051/24	·····		41151/04	
Year to 31 Mar (RMm)	2QFY24	qoq% chg	yoy % chg	1HFY24	yoy % chg
Revenue	14.0	(10.5)	n.a.	28.8	n.a.
EBITDA	5.1	(25.5)	n.a.	14.3	n.a.
EBIT	4.8	(26.8)	n.a.	14.9	n.a.
Pre-tax Profit	5.1	(25.5)	n.a.	13.8	n.a.
Тах	-1.1	(28.7)	n.a.	-3.4	n.a.
Net Profit	4.0	(24.8)	n.a.	10.4	n.a.
Core Net Profit	4.0	(24.8)	n.a.	10.4	n.a.
Margins (%)		qoq ppt chg	yoy ppt chg	49.8	yoy ppt chg
EBITDA	36.4	(7.3)	n.a.	51.6	n.a.
EBIT	34.1	(7.6)	n.a.	47.8	n.a.
Pre-tax Profit	36.3	(7.3)	n.a.	36.1	n.a.
Core Net Profit	28.6	(5.4)	n.a.	28.8	n.a.
0 0 1 1100 11 11					

Source: Oppstar, UOB Kay Hian

#### RESULTS

- Missed expectations. Oppstar reported a softer 2QFY24 core net profit of RM4.0m (-25%) qoq), bringing 1HFY24 core net profit to RM10.4m which made up 37% of our/consensus full-year estimates. The negative deviation was due to the lower-than-expected turnkey project contribution alongside the higher headcount costs.
- · While there are no comparative figures for the corresponding preceding quarter's results as the group was just listed in Mar 23, 1HFY24 revenue and core net profit made up 50%/49% of 2023 revenue and net profit, with strong 1QFY24 contribution offset by a softer 2QFY24. Note that the previous turnkey projects have been fully billed alongside the absence of meaningful turnkey project contribution, hence the gap of lower 2QFY24 revenue (-11% gog). Alongside the higher headcount costs, core net profit dropped 25% gog. Turnkey design services contributed 67.8% (-2.3ppt) of the group's total revenue.

0.6

32.9

-77.3

-181.5

115.1

0.5

37.0

-84.0

15.7

-881 8

0.8

35.4

-89.6

15.9

-134 8

#### **KEY FINANCIALS** 2022 2023 2024F Year to 31 Mar (RMm) Net Turnover 50.6 57.9 68.5 EBITDA 24.0 27 6 29 1 **Operating Profit** 23.2 26.5 27.0 Net Profit 166 20.4 20.6 Net Profit (Adjusted) 16.6 214 24.3 EPS (sen) 2.6 3.4 3.8 47.8 PE (x) 616 42 2 P/B(x)70.9 7.5 6.7 EV/EBITDA (x) 43 1 413 39.9

2025F

101.0

51.9

48 4

37.7

37.7

5.9

27.1

5.8

1.3

374

-85.6

21.3

-241 9

22.7

2026F

125.0

65.8

61.6

48 1

48 1

7.6

213

4.9

184

1.6

38.5

-88.1

-308.0

23.0

Monday, 27 November 2023

# BUY

(Maintained)

Share Price	RM1.61
Target Price	RM2.18
Upside	35.4%
(Previous TP:	RM2.53)

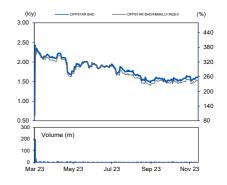
#### **COMPANY DESCRIPTION**

Oppstar is principally involved in the provision of IC design services covering front-end design, back-end design and complete turnkey solutions. It also provides other related services such as post-silicon validation services, training and consultancy services.

#### **STOCK DATA**

GICS see	ctor	Semico	on Manu	Ifacturing
Bloombe	rg ticker:		OPPS	STAR MK
Shares is	sued (m)	:		636.2
Market ca	ap (RMm)	:		1,024.3
Market ca	ap (US\$m	ı):		220.3
	g daily t'o <sup>.</sup> formance	ver (US\$m) • <b>(%)</b>	:	1.1
52-week high/low RM2.43/RM0				43/RM0.63
	0			
1mth	3mth	6mth	1yr	YTD
	<b>3mth</b> (4.2)	6mth -	1yr -	<b>YTD</b> 155.6
<b>1mth</b> 3.9		-	1yr -	
<b>1mth</b> 3.9	(4.2) areholder	-	1yr -	155.6
1mth 3.9 Major Sh	(4.2) <b>areholder</b> Wah	-	1yr -	155.6 <b>%</b>
<b>1mth</b> 3.9 <b>Major Sh</b> Cheah Hur	(4.2) <b>areholder</b> 1 Wah Thai	-	1yr -	155.6 <b>%</b> 21.1
<b>1mth</b> 3.9 <b>Major Sh</b> Cheah Hur Ng Meng T Tan Chun (	(4.2) <b>areholder</b> 1 Wah Thai	- 'S	1yr -	155.6 % 21.1 20.1

#### **PRICE CHART**



Source: Bloomberg

ANALYST(S)

**Desmond Chong** 

#### +603 2147 1980 desmondchong@uobkayhian.com

Source: Oppstar, Bloomberg, UOB Kay Hian

Net Debt/(Cash) to Equity (%)

Dividend Yield (%)

Interest Cover (x)

ROE (%)

Net Margin (%)

## Regional Morning Notes

#### STOCK IMPACT

- On a boiling point of expansion. Out of the gross proceeds of RM104.3m, Oppstar has earmarked RM50m for the expansion of its workforce to: a) support its existing and potential customers, and b) continue developing its human resource capabilities, thereby ensuring its long-term sustainability. Eventually, Oppstar aims to achieve this by increasing its total workforce by 280 (totalling to 500), comprising design engineers (locals or expatriates) for Integrated Circuit design and engineers/technicians for post-silicon validation services, to be based in Penang and Kuala Lumpur. The increase is expected to happen over 36 months. Note that the group's employees stand at 270 now (vs 253 in 1QFY24).
- New collaboration to spearhead growth. Oppstar had on 13 Jul 23 entered into an MOU with Chen Junhua and Shenzhen City Yixin Investment (Yixin) with an intention to jointly establish an investment holding company and an IC-related product company to be based in Shanghai. Chen Junhua is the controlling shareholder of Xiamen KirinCore IOT Technology (XMKC; one of the major customers of Oppstar) while Yixin's main business is to invest in emerging industries such as the IC industry. Note that the MOU will allow the parties to leverage on each other's strengths and expertise and allow the parties to develop and coown the IPs which can potentially create an additional revenue stream for the Oppstar Group. Following that, the holding company, Shanghai Longhuixin Integrated Circuit Group Co. (Longhuixin) has been incorporated in China on 15 Aug 23 with a shareholding stake of 50:45:5 and a paid-up capital of Rmb10m.
- Multi-pronged strategies to aggressively capture sea of opportunities. Besides a wider geographical expansion for its design services, continuous customers engagement for full and IP turnkey and China expansion for product development, the group is also building relationships with foundries for better business traction and sustainability. On this front, it has been gaining traction with a global leading foundry. Additionally, Oppstar has added two new customers (each from NEA and SEA) and is expecting to secure one more SEA customer with earnings traction to follow in subsequent quarters. In the NEA areas, its expansion to Japan is in progress with the group having to obtain the 'haken' licence which allows it to directly hire foreign engineers for projects in Japan. We believe the gap of earnings shortfall could be swiftly closed-up in the next two quarters.
- Forecasting a three-year revenue/core net profit CAGR of 29%/31%, on the back of assuming: a) increasingly higher revenue per engineer on an hourly basis, b) progressively higher utilisation rate on increasing available vs billable time, and c) increasing headcount of design engineers towards FY25. Note that the group's headcount stood at 270 as of 1QFY24. The group has earmarked RM50m for the expansion of its workforce to: a) support the needs of its existing and potential customers, and b) continue developing its human resources capabilities, ensuring its long-term sustainability.

#### EARNINGS REVISION/RISK

• After model updates, we cut our FY24-25 earnings by 16%/11% to account for slower turnkey project contribution.

#### VALUATION/RECOMMENDATION

• Maintain BUY with a lower target price of RM2.18 (from RM2.53), based on a rollover 50.0x 2024F PE. As there are no comparable local listed peers for valuation purposes, our valuation yardstick is based on a 10% premium of its global peers' average two-year forward PE.

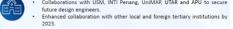
#### Monday, 27 November 2023

#### **FUTURE PLANS**

# Expansion of workforce Iso increase total workforce by 280 design engineers and technicians in der to compete for more ordera/contracts and tap into larger potential customers. to provide further flexibility in managing resources and timely services delivery. Expansing egographical footprint Iso provide denign services and support to the customers as well as to expand the design engineering team. Denotes expansion through investment and acquisitions essing portfolio assets. To tap into demand growth for IC design services / acquire complimentary. To ada in services subje and widen geographical reach and customer base. To applement the IC design business and is expected to increase the Group's review. Complement the IC design business and is expected to increase the customer base. Develop IPS for RISC-V based Soc, IPS for AI and machine gearning applications as well as IP for FIPGA

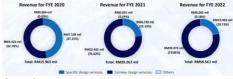
- learning applications as well as IP for FPGA
   To license these IPs separately or incorporate the IPs into future IC design projects.
- Licensing of IPs to diversify income and improve market profile of the Group.
   To provide a bidding advantage as it is able to shorten the IC design process.

# Collaborations with tertiary institutions Collaborations with USM, INTI Penang, UniMAP, UTAR and APU to secure



Source: Oppstar

#### REVENUE BREAKDOWN BY BUSINESS SEGMENT



Source: Oppstar

# Regional Morning Notes

Monday, 27 November 2023

2023

1.9

0.9

2024F

4.8

0.9

2025F

6.3

0.9

2026F

7.0

0.9

BALANCE SHEET Year to 31 Mar (RMm)

Fixed assets

Other LT assets

PROFIT & LOSS				
Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
Net Turnover	57.9	68.5	101.0	125.0
EBITDA	27.6	29.1	51.9	65.8
Depreciation & Amortisation	1.1	2.1	3.5	4.2
EBIT	26.5	27.0	48.4	61.6
Associate Contributions				
Net Interest Income/(Expense)	-0.0	-0.2	-0.2	-0.2
Pre-tax Profit	26.4	26.8	48.2	61.4
Тах	-6.2	-6.2	-10.6	-13.5
Minorities	-0.1	-0.1	-0.1	-0.2
Net Profit	20.4	20.6	37.7	48.1
Net Profit (Adjusted)	21.4	24.3	37.7	48.1

Cash/ST investment	114.7	136.5	151.7	184.1
Other current assets	18.1	7.7	16.6	16.6
Total assets	141.4	155.6	181.2	214.5
ST debt	0.7	0.7	0.7	0.7
Other current liabilities	3.7	2.2	2.9	4.3
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	0.3	0.3	0.3	0.3
Shareholders' equity	136.6	152.3	177.2	209.0
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	141.4	155.6	181.2	214.4
KEY METRICS				
Year to 31 Mar (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	47.6	42.5	51.4	52.7
Pre-tax margin	45.6	39.1	47.7	49.1
Net margin	37.0	35.4	37.4	38.5
ROA	15.2	13.2	20.8	22.4

CASH FLOW				
Year to 31 Mar (RMm)	2023	2024F	2025F	2026F
Operating	5.6	35.0	33.1	53.7
Pre-tax Profit	26.4	26.8	48.2	61.4
Тах	-6.4	-6.2	-10.6	-13.5
Depreciation & Amortisation	1.1	2.1	3.5	4.2
Associates				
Working Capital Changes	-15.5	12.1	-8.2	1.4
Other Operating Cashflows	0.0	0.2	0.2	0.2
Investing	-3.2	-5.0	-5.0	-5.0
Capex (Growth)	-3.2	-5.0	-5.0	-5.0
Investments				
Proceeds from Sale of Assets	0.0	0.0	0.0	0.0
Others	-0.1	0.0	0.0	0.0
Financing	101.2	-8.2	-12.8	-16.3
Dividend Payments	0.0	-8.2	-12.8	-16.3
Issue of Shares	101.8	0.0	0.0	0.0
Proceeds from Borrowings	0.0	0.0	0.0	0.0
Loan Repayment	0.0	0.0	0.0	0.0
Others/Interest Paid	0.0	0.0	0.0	0.0
Net Cash Inflow (Outflow)	103.6	21.7	15.3	32.4
Beginning Cash & Cash Equivalent	11.2	114.7	136.5	151.7
Changes Due to Forex Impact	-0.0	0.0	0.0	0.0
Ending Cash & Cash Equivalent	114.7	136.5	151.7	184.1

KEY METRICS				
Year to 31 Mar (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	47.6	42.5	51.4	52.7
Pre-tax margin	45.6	39.1	47.7	49.1
Net margin	37.0	35.4	37.4	38.5
ROA	15.2	13.2	20.8	22.4
ROE	15.7	15.9	21.3	23.0
Growth				
Turnover	14.5	18.3	47.5	23.8
EBITDA	14.6	5.6	78.3	26.8
Pre-tax profit	14.3	1.3	80.1	27.4
Net profit	22.4	1.3	83.1	27.4
Net profit (adj.)	29.0	13.1	55.5	27.4
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	-84.0	-89.6	-85.6	-88.1
Interest cover (x)	-881.8	-134.8	-241.9	-308.0

#### COMPANY UPDATE

# **Rex International Holding (REXI SP)**

Not Much To Cheer About Heading Into The Festive Season

Rex's latest production update for Oct 23 did not provide much cause for cheer due to continued travails at its Yumna Field. At present, it is shut down with no visibility as to when production can resume. The Brage Field meanwhile has brought on-stream two new wells; however, we note the lack of disclosure on production numbers. In early-Nov 23, Rex bought a 17% stake in the Brasse Field offshore Norway for an undisclosed sum. Maintain SELL. Target price: S\$0.10.

WHAT'S NEW

KEY EINANCIALS

- Yumna still hobbling towards the company's 20,000bpd production target. In Rex International's (Rex) latest production update for Oct 23, the company disclosed that its Yumna Field in offshore Block 50 in Oman (Rex equity stake: 91.81%) only managed an anaemic 1,304bpd of oil production, declining 20% mom and 65% yoy. The latest problem at Yumna was a production shutdown on 25 Oct 23 due to "damage to the internal pressure containing liner of the newly installed larger flowline". No guidance was given as to when the field, which produced an average of nearly 11,000bpd in 2021, would be re-started. With Yumna continuing to underperform, Rex's average production ytd stands at just over 9,000bpd and is far from its 20,000bpd target.
- Lack of disclosure continues to be an issue. While it is positive that the company's combined production from the Brage and Yme fields in Norway exceeded 10,000bpd in the last week of Oct 23, we highlight that unlike its previous production reports, the company did not present a breakdown of production from these two fields. This may imply that the Yme field continues to experience problems given the higher-than-expected water cuts that have been reported by its operator in the past. Brage meanwhile has remained a strong performer with a new well brought on-stream in late-Oct 23 and another in early-Nov 23, and recently made a 1mmbbl discovery.
- Acquiring long-term production potential. In early-Nov 23, Rex announced that its 91.65%-owned subsidiary Lime Petroleum will be acquiring a 17% stake in the Brasse Field located in the Norwegian sector of the North Sea. Production is expected to start in 2027 and the operator of the field has reported recoverable resources of between 21-29mmboe, of which 25-30% is gas (4mmboe net to Rex). According to Rex, it is unable to disclose the purchase price for Brasse given confidentiality issues. We have not incorporated this acquisition into our financial model given the paucity of information at present; however we note that Rex has indicated that the proximity of the Brasse field will have "significant positive synergies with Brage".

KEY FINANCIALS					
Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Net turnover	158	170	196	158	143
EBITDA	75	10	38	32	28
Operating profit	73	8	30	30	27
Net profit (rep./act.)	67	(1)	5	8	7
Net profit (adj.)	118	55	56	50	46
EPS (US\$ cent)	9.0	4.2	4.2	3.8	3.5
PE (x)	1.4	3.0	3.0	3.3	3.6
P/B (x)	0.9	0.9	1.0	1.1	1.0
EV/EBITDA (x)	3.2	23.4	6.2	7.5	8.5
Dividend yield (%)	2.9	2.9	11.7	11.7	0.0
Net margin (%)	42.4	(0.6)	2.3	5.3	4.8
Net debt/(cash) to equity (%)	(2.7)	(13.5)	33.8	22.7	3.0
Interest cover (x)	25.6	0.7	2.1	3.4	3.0
ROE (%)	42.8	n.a.	2.6	5.1	4.4
Consensus net profit	-	-	66	48	13
UOBKH/Consensus (x)	-	-	0.85	1.04	3.47

Source: REX International Holding, Bloomberg, UOB Kay Hian

# SELL

(Maintained)

Share Price	S\$0.17
Target Price	S\$0.10
Upside	-40.8%

#### **COMPANY DESCRIPTION**

Rex International Holding Limited is a production and exploration oil company with concessions in Norway and Oman.

#### **STOCK DATA**

GICS sector	Energy
Bloomberg ticker:	REXI SP
Shares issued (m):	1,302.3
Market cap (S\$m):	220.1
Market cap (US\$m):	164.3
3-mth avg daily t'over (US\$m):	3.2

#### Price Performance (%)

52-week h	nigh/low		S\$0.240/S\$0.12		
1mth	3mth	6mth	1yr	YTD	
(4.5)	7.6	(1.2)	(26.5)	(21.4)	
Major Sh	nareholder	s		%	
Limea Ltd				34.7	
Bevoy Inv	estment Ltd			6.0	
FY23 NA\	//Share (US\$	5)		0.13	
FY23 Net	Debt/Share (	(US\$)		0.04	

#### **PRICE CHART**



Source: Bloomberg

ANALYST(S)

#### Llelleythan Tan +65 6590 6624

yirong@uobkayhian.com

#### John Cheong

+65 6590 6623 johncheong@uobkayhian.com

#### Adrian Loh

+65 6590 6633 adrianloh@uobkayhian.com

## Regional Morning Notes

#### **STOCK IMPACT**

• Money not well spent. Nearly 1.5 years after the successful hook-up and commissioning of the new floating storage tanker and Mobile Offshore Production Unit (MOPU) at its key Yumna asset offshore Oman, production remains problematic. Prior to the upgrades, Rex had guided for the new facility to double its liquids processing capacity to 30,000bpd. However since Jun 22, production was 1,300bpd prior to the recent shutdown vs production of 7,500-10,600bpd in the six months prior to the change-out of the MOPU. We understand that this is partly attributable to the lack of availability of jack-up rigs offshore Oman to service the problematic field. With a number of Middle Eastern national oil companies having tied up such assets, and the prohibitive cost of bringing in rigs from Europe or Asia, we believe that Yumna will continue to face production issues in the near to medium term.

#### EARNINGS REVISION/RISK

 No changes to our earnings forecasts. However, we highlight downside risk to earnings given the company's continued poor production performance. Higher interest expense will also hit its bottom line given that as at end-1H23, it had net debt of US\$58.7m vs net cash of US\$27.0m at end-1H22.

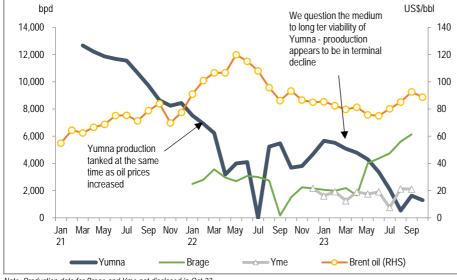
#### VALUATION/RECOMMENDATION

• We retain our SELL rating with a target price of \$\$0.10. While upstream oil & gas companies are traditionally valued using a discounted cash flow methodology, we have elected to use a target 0.5x P/B multiple instead due to our diminished confidence in the company's ability to execute on its oil production targets. On the asset valuation side, Rex currently trades on an EV/boe of US\$16.90 per barrel which appears attractive relative to current oil prices.

#### SHARE PRICE CATALYST

- · Refraining from related-party transactions in sectors that are unrelated to oil and gas.
- · Better consistency and reliability in delivering oil production numbers.
- Removal of the opacity surrounding its spending on M&A and capex items.

#### MONTHLY PRODUCTION FROM REX'S THREE KEY FIELDS VS BRENT OIL PRICE



Note: Production data for Brage and Yme not disclosed in Oct 23 Source: Rex International

#### Monday, 27 November 2023

#### POOR PRODUCTION AT KEY YUMNA FIELD

Month	bopd	Mgmt commentary
Mar 21	12,672	MOPU upgraded to handle 30kbd of *liquids processing*, wells tested at 20kbd during the month
Apr	12,210	Nil
May	11,858	Nil
Jun	11,682	Nil
Jul	11.552	Nil
Aug	10,655	Production choked back: annual calibration of
Aug	10,033	safety valves/upgrades to transfer pumps
Sep	9.709	Production choked back: planned maintenance
		& reservoir management
Oct	8,640	Production choked back: planned maintenance
		& reservoir management
Nov	8,234	Production choked back: planned maintenance
D	0.410	& reservoir management
Dec	8,440	Production choked back: planned maintenance
Jan 22	7.518	& reservoir management Production choked back: planned maintenance
Jdll ZZ	7,010	& reservoir management
Feb	6,919	Change out of the MOPU at Yumna
Mar	6.227	Change out of the MOPU at Yumna
Apr	3,178	Change out of the MOPU at Yumna
•		0
May	4,000	No data announced for Yumna in May - production estimated by UOBKH
Jun	4,097	Replacement of flowline at Yumna
Jul	0	Change out of the MOPU at Yumna
Aug	5,236	Changed out damaged flowline at the Yumna MOPU
Sep	5,474	NA
Oct	3,678	Reduced production at Yumna due to drilling activities
Nov	3,811	Reduced production at Yumna due to drilling activities
Dec	4,673	Reduced production at Yumna due to drilling activities
Jan 23	5.664	NA
Feb	5,515	NA
Mar	5.076	NA
Apr	4,782	NA
May	4,702	NA
,		
Jun	3,364	Yumna unplanned shutdown on 29/6/23
Jul	2,093	Yumna-3 unplanned electrical failure of ESP;
Δυσ	533	Yme compressor related issues Flowline issue at Yumna
Aug		
Sep	1,620	NA
Oct	1,304	Flowline issue at Yumna. Well shut down from 25 Oct

Note: Oil production numbers and management comments relate only to Yumna,

Source: Rex International

# Regional Morning Notes

**PROFIT & LOSS** Year to 31 Dec (US\$m) 2022 2023F 2024F 2025F Net turnover 158 143 170 196 EBITDA 10 38 32 28 Deprec. & amort. 2 9 1 1 EBIT 8 30 30 27 Total other non-operating income (1) (2) (2) (2) 0 0 Associate contributions 0 0 Net interest income/(expense) (14) (18) (9) (9) Pre-tax profit (7) 10 19 15 Тах 7 (4) (9) (7) Minorities (1) (1) (2) (1) Net profit (1) 5 8 7 Net profit (adj.) 55 50 56 46

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Fixed assets	39	35	33	33
Other LT assets	398	384	366	351
Cash/ST investment	116	53	72	97
Other current assets	125	158	134	125
Total assets	677	631	605	605
ST debt	14	31	31	31
Other current liabilities	130	77	77	77
LT debt	78	81	76	71
Other LT liabilities	267	255	254	254
Shareholders' equity	177	174	155	161
Minority interest	12	12	12	12
Total liabilities & equity	677	631	605	605

#### **CASH FLOW**

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Operating	170	(19)	66	48
Pre-tax profit	(7)	10	19	15
Тах	7	(4)	(9)	(7)
Deprec. & amort.	2	9	1	1
Associates	0	0	0	0
Working capital changes	66	(87)	23	9
Non-cash items	1	0	0	0
Other operating cashflows	101	54	31	30
Investing	(137)	(32)	(31)	(28)
Capex (growth)	(1)	0	0	0
Investments	(1)	1	0	0
Others	(135)	(33)	(31)	(28)
Financing	22	(11)	(16)	5
Issue of shares	0	0	0	0
Proceeds from borrowings	0	17	0	0
Loan repayment	(50)	(17)	(5)	(5)
Others/interest paid	72	(12)	(11)	10
Net cash inflow (outflow)	54	(62)	18	25
Beginning cash & cash equivalent	61	116	53	72
Changes due to forex impact	1	0	0	0
Ending cash & cash equivalent	116	53	72	97

# **KEY METRICS**

**BALANCE SHEET** 

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	5.9	19.5	20.0	19.3
Pre-tax margin	(3.9)	4.9	12.0	10.7
Net margin	(0.6)	2.3	5.3	4.8
ROA	n.a.	0.7	1.4	1.1
ROE	n.a.	2.6	5.1	4.4
Growth				
Turnover	7.5	15.2	(19.5)	(9.1)
EBITDA	(86.5)	280.0	(17.4)	(12.3)
Pre-tax profit	(109.5)	n.a.	98.1	(19.1)
Net profit	(101.5)	n.a.	85.4	(17.7)
Net profit (adj.)	(53.6)	1.8	(10.3)	(8.8)
EPS	(53.6)	1.8	(10.3)	(8.8)
Leverage				
Debt to total capital	32.8	37.6	39.0	37.0
Debt to equity	52.1	64.6	69.1	63.3
Net debt/(cash) to equity	(13.5)	33.8	22.7	3.0
Interest cover (x)	0.7	2.1	3.4	3.0

#### COMPANY UPDATE

# PTT (PTT TB)

Expect A gog Drop For 4Q23 Core Profit, But Valuation To Be Interesting

The tone from the analyst meeting was neutral. PTT has updated the progress of the Future Energy & Beyond project. It aims to increase profit to 30% of total net profit in 2030. Despite the short-term challenges stemming from a decline in core profit expectations in 4Q23, PTT's stock price remains appealing, featuring favourable dividend yields. Maintain BUY. Target price: Bt41.00.

WHAT'S NEW

- The tone from PTT's analyst meeting was neutral.
- Progress of the Future Energy & Beyond business group. The progress of projects within the Future Energy & Beyond business group is in line with PTT's business plan to increase the profit share from this business segment to 30% by 2030. Currently, the progress is as follows:
- a) Arun Plus (ARUN+) has partnered with Kwang Yang Motor Company Limited group (KYMCO group) to create a JV named Aionex, (Arun Plus holds 51%, KYMCO group holds 49%). The primary focus of Aionex is the manufacturing and marketing of two-wheel electric vehicles and 300 ionex electric motorcycle battery switching stations (ionex Energy Stations) by 2025.
- b) Nutra Regenerative Protein Co (NRPT), a JV between Innobic (Asia) Co and NR Instant Protein Co (NRF), began operating Plant & Bean (Thailand) which produces protein food from plants (plant-based food) with advanced production technology from England and it will be the largest factory in the ASEAN region. The first phase will start with a production capacity of 3,000 tonnes in 4Q23. The factory will be able to increase production capacity to a maximum of 25,000 tonnes.
- c) Global Power Synergy (GPSC) stands as the flagship of PTT Group's electricity business, and it is proud to present that Avaada Energy Private (Avaada Energy), a leading operator in the renewable energy sector in India (with GPSC holding 42.93% of shares through Global Renewables Synergy (GRSC)), has successfully secured a bid for a solar power project with a capacity of 1.4 gigawatts (GW) which includes a long-term power purchase agreement. Presently, Avaada Energy has total production capacity of 8.76 GW, while the long-term goal is to increase production capacity to 15.0 GW in 2030.

#### **KEY FINANCIALS**

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	2,258,818	3,367,203	2,570,493	2,634,409	2,699,914
EBITDA	378,028	480,495	372,380	377,869	381,276
Operating profit	231,238	313,165	208,397	217,165	223,786
Net profit (rep./act.)	108,363	91,175	91,160	98,445	103,087
Net profit (adj.)	100,790	160,536	91,160	98,445	103,087
EPS (Bt)	3.5	5.6	3.2	3.4	3.6
PE (x)	9.8	6.2	10.9	10.1	9.6
P/B (x)	0.9	0.9	0.9	0.9	0.8
EV/EBITDA (x)	3.9	3.1	4.0	3.9	3.9
Dividend yield (%)	5.8	5.8	5.8	6.0	6.2
Net margin (%)	4.8	2.7	3.5	3.7	3.8
Net debt/(cash) to equity (%)	53.8	67.4	44.6	44.3	43.2
Interest cover (x)	13.4	13.0	9.7	11.0	11.9
ROE (%)	10.8	8.4	8.2	8.7	8.7
Consensus net profit	-	-	100,999	102,554	109,846
UOBKH/Consensus (x)	-	-	0.90	0.96	0.94
Source: PTT, Bloomberg, UOB Kay Hian					

Monday, 27 November 2023

# BUY

(Maintained)

Share Price	Bt34.50
Target Price	Bt41.00
Upside	+18.8%

#### **COMPANY DESCRIPTION**

PTT is a Thailand-based oil & gas company engaged in the upstream petroleum, downstream petroleum, coal business and other related businesses.

#### STOCK DATA

GICS sector	or			Energy
Bloomberg	ticker:			PTT TB
Shares iss	ued (m)	:		28,563.0
Market cap	o (Btm):		ę	992,564.1
Market cap	o (US\$m	ı):		28,186.6
3-mth avg Price Perfo		· ·	n):	51.0
52-week high	n/low		Bt36	.25/Bt29.50
4	0	0	4	
1mth	3mth	6mth	1yr	YTD
4.5	(4.1)	<b>6mtn</b> 11.2	1 <b>yr</b> 4.5	<b>YTD</b> 4.5
	(4.1)	11.2	-	
4.5	(4.1)	11.2	-	4.5
4.5 Major Shar	(4.1) reholder	11.2	-	4.5 %
4.5 <b>Major Shar</b> MOF	(4.1) reholder	11.2	-	4.5 % 51.2
4.5 <b>Major Shar</b> MOF Vayupak Fun	(4.1) reholder	11.2	-	4.5 % 51.2 15.3
4.5 <b>Major Shar</b> MOF Vayupak Fur NVDR	(4.1) reholder nd 1 hare (Bt)	11.2 rs	-	4.5 % 51.2 15.3 3.0

#### **PRICE CHART**



Source: Bloomberg

#### ANALYST(S)

Tanaporn Visaruthaphong +662 659 8305

tanaporn@uobkayhian.co.th

#### **Benjaphol Suthwanish**

+662 659 8301

benjaphol@uobkayhian.co.th

## Regional Morning Notes

• NGV business' loss has decreased. We have a positive view after the announcement of an increase in the selling price of NGV gas for all customer groups until the end of 2023. As a result, the loss in the NGV business decreased significantly, with a loss of Bt672m in 3Q23 (vs a loss of Bt1.3b in 2Q23 and a loss of Bt4.2b in 2Q23).

#### STOCK IMPACT

- Expect core profit in 4Q23 to decrease qoq. While profits from the gas separation plant business (GSP) have been consistently increasing qoq due to a rise in gross profit attributed to lower production costs and increased sales volume, we expect a qoq decrease in core profit for 4Q23, as: a) gas sales volume is expected to decline due to the seasonal demand for gas within the electricity generation sector; b) there is a significant decrease in profit sharing from investments in the petrochemical and refinery businesses (P&R), and oil station business, primarily influenced by a decline in the gross refinery margin (GRM), spread of petrochemical and marketing margin; c) the current price of Dubai crude oil is under US\$80.0/bbl, a decrease from the average of US\$93.0/bbl in Sep 23. Consequently, the operating results for 4Q23 are expected to reflect a stock loss, reversing the significant stock gains seen in the P&R businesses during 3Q23, and d) there is an increase in selling, general, and administrative expenditures due to seasonality.
- Core profit trend in 2024 continues to grow. Despite the anticipated weakness in core profit for 4Q23 due to seasonality, we expect a qoq recovery in 1Q24 from the increase in gas sales volume in the power generation sector. The sustained growth of the Thai economy for 2024 is on an upward trajectory. As a result, we expect core profit in 2024 to increase 8% yoy. This optimistic outlook is supported by sustained high crude oil prices driven by global oil demand which is expected to increase by 1.3m barrels per day in 2024. Notably, 46% of this demand growth is attributed to the increased demand for oil from China, which is experiencing economic recovery, the continued implementation of the OPEC+ production reduction policy, and the US policy interest rate cut. Consequently, we are maintaining our assumption for crude oil prices at US\$84.0/bbl, (vs US\$81.0/bbl in 2023).

EARNINGS REVISION/RISK

#### • None.

#### VALUATION/RECOMMENDATION

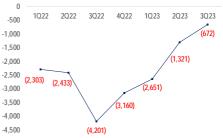
• Maintain BUY with an SOTP-based target price of Bt41.00. Our positive view on PTT remains strong, primarily due to its appealing valuation and dividend potential. Currently, PTT's stock is trading at a P/B of 0.87x, and we anticipate the company will maintain an average dividend yield of 6.0% over the next three years, reaching this level by 2023-25. Additionally, our expectations are for PTT to distribute dividends of Bt2.0/share and Bt2.1/share in 2023/24 (based on a dividend payout ratio at 60%). As for the top picks in the energy sector, we prefer PTT Exploration and Production (PTTEP TB/Target: Bt200.00) and ESSO (ESSO TB/Target: Bt15.00).

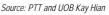
#### Monday, 27 November 2023

#### **INCREASED NGV PRICES**

Туре	NGV Price (Bt/Kg)	Period		
Taxi	From 13.62 to 14.62	16 Jun - 31 Dec-23		
Public car	From 17.59 to 18.59	16 Jun - 31 Dec-23		
General car	From 18.59 to 19.59	16 Sep - 31 Dec-23		
Source: PTT and UOB Kay Hian				

#### PERFORMANCE IN NGV BUSINESS





#### **BUSINESS OUTLOOK (2024)**



Source: PTT and UOB Kay Hian

#### PROJECT UPDATE



#### Source: PTT and UOB Kay Hian

#### 2024 PRODUCT PRICE OUTLOOK



#### SOTP VALUATION

	Share Holding	Fair Value (Bt/share)	Value (Btm)	Value (Bt/share)	Methodology
Gas Business (PTT's Operations)	100.0%		589,906	20.7	DCF @ WACC 7.0% G =1%
(-) Net Debt (PTT Only)			-215,184	-7.5	
1) PTT - Equity Value			374,722	13.1	
2) Associates and Subsidiaries					
PTTEP	65.3%	182.00	471,745	16.5	5-yrs regional PE mean of 10x
TOP	48.0%	68.00	72,912	2.6	5-yrs regional PE mean of 11x
IRPC	48.1%	2.20	21,601	0.8	PBV -1.0 S.D. of 0.6x
PTTGC	48.2%	41.00	89,067	3.1	PBV -1.0 S.D. of 0.6x
GPSC	55.2%	70.00	109,014	3.8	DCF Valuation
OR	75.0%	29.00	261,000	9.1	5-yes avg. PE mean of 24x
3) Affiliates					
Others Affiliates			76,008	2.7	
Total				52	
Discount to NAV (2021-2022)				-20%	
PTT's TP (UOB Kay Hian)				41	

Source: PTT and UOB Kay Hian

# Regional Morning Notes

#### **PROFIT & LOSS**

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	3,367,203	2,570,493	2,634,409	2,699,914
EBITDA	480,495	372,380	377,869	381,276
Deprec. & amort.	167,330	163,983	160,703	157,489
EBIT	313,165	208,397	217,165	223,786
Associate contributions	5,849	6,426	6,586	6,750
Net interest income/(expense)	(37,091)	(38,208)	(34,409)	(32,127)
Pre-tax profit	212,562	176,616	189,343	198,409
Тах	(90,462)	(52,985)	(56,803)	(59,523)
Minorities	(30,925)	(32,471)	(34,095)	(35,799)
Net profit	91,175	91,160	98,445	103,087
Net profit (adj.)	160,536	91,160	98,445	103,087

CASH FLOW				
Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	191,700	346,163	324,543	329,554
Pre-tax profit	212,562	176,616	189,343	198,409
Тах	(90,462)	(52,985)	(56,803)	(59,523)
Deprec. & amort.	167,330	163,983	160,703	157,489
Working capital changes	(178,970)	58,549	31,299	33,178
Other operating cashflows	81,241	0	0	0
Investing	(186,690)	(37,891)	(285,298)	(277,174)
Investments	(188,292)	(253,203)	(246,415)	(232,595)
Others	1,602	215,312	(38,883)	(44,579)
Financing	50,668	(201,113)	(112,933)	(122,304)
Dividend payments	(85,923)	(57,126)	(54,696)	(59,067)
Issue of shares	n.a.	n.a.	n.a.	n.a.
Proceeds from borrowings	136,591	(143,987)	(58,237)	(63,237)
Net cash inflow (outflow)	55,678	107,160	(73,688)	(69,924)
Beginning cash & cash equivalent	312,730	340,054	447,214	373,525
Changes due to forex impact	(28,354)	0	0	0
Ending cash & cash equivalent	340,054	447,214	373,525	303,601

BALANCE SHEET				
Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	1,499,330	1,588,550	1,674,262	1,749,367
Other LT assets	875,440	367,646	408,318	454,731
Cash/ST investment	340,054	447,214	373,525	303,601
Other current assets	700,809	627,172	605,785	583,009
Total assets	3,415,632	3,030,582	3,061,890	3,090,708
ST debt	163,995	78,241	83,241	88,241
Other current liabilities	428,546	413,459	423,371	433,773
LT debt	924,943	866,710	803,473	735,235
Other LT liabilities	364,456	71,974	73,763	75,598
Shareholders' equity	1,110,365	1,115,188	1,158,937	1,202,957
Total liabilities & equity	3,415,632	3,030,582	3,061,890	3,090,708

#### **KEY METRICS**

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	14.3	14.5	14.3	14.1
Pre-tax margin	6.3	6.9	7.2	7.3
Net margin	2.7	3.5	3.7	3.8
ROA	2.8	2.8	3.2	3.4
ROE	8.4	8.2	8.7	8.7
Growth				
Turnover	49.1	(23.7)	2.5	2.5
EBITDA	27.1	(22.5)	1.5	0.9
Pre-tax profit	(3.2)	(16.9)	7.2	4.8
Net profit	(15.9)	0.0	8.0	4.7
Net profit (adj.)	59.3	(43.2)	8.0	4.7
EPS	59.3	(43.2)	8.0	4.7
Leverage				
Debt to total capital	41.5	37.1	34.6	31.9
Debt to equity	98.1	84.7	76.5	68.5
Net debt/(cash) to equity	67.4	44.6	44.3	43.2
Interest cover (x)	13.0	9.7	11.0	11.9

## Monday, 27 November 2023



Monday, 27 November 2023

#### Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

#### IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered brokerdealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

# Regional Morning <u>Notes</u>

Monday, 27 November 2023

#### Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or
	located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to
	applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has
	trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed
	corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under
	Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong
	Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong
	Kong in respect of any matters arising from, or in connection with, the analysis or report; and
	(ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong
	who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the
	analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority
	of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a
	foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant
	foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the
	recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia,
	at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the
0.	registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore.Where the
	report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note:
	(i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore
	in respect of any matters arising from, or in connection with, the analysis or report; and
	(ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore
	who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the
Thailand	contents of the analyses or reports only to the extent required by law. This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated
Thalland	by the Securities and Exchange Commission of Thailand.
United	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning
Kingdom	of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in
ranguonn	the UK is intended only for institutional clients.
United	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S.
States of	laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its
America	contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in
('U.S.')	the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2023, UOB Kay Hian Pte Ltd. All rights reserved.

http://research.uobkayhian.com

RCB Regn. No. 197000447W