MARKET NEWS

US stocks were higher on Tuesday, as the gains in the technology, industrials and consumer discretionary sectors led shares higher. At the close of the NYSE, the DJIA rose 1.43% while the S&P 500 index was up by 1.91%, and the NASDAQ Composite index rose 2.13%. Advancing stocks outnumbered declining ones on the NYSE by 2,667 to 254 and 34 ended unchanged; on the Nasdaq Stock Exchange, 952 declined and 3,384 advanced, while 952 ended unchanged. (Source: WSJ, Bloomberg)

During the last trading session, the FSSTI index fell 2.02pt to 3,104.6 Among the top active stocks were Seatrium (+0.9%), Genting Singapore (-1.1%), Singtel (+0.4%), Rex International (-2.9%) and Jiutian Chemical (-11.4%). The FTSE ST Mid Cap index rose 0.8% while the FTSE ST Small Cap Index was up 0.9%. The broader market saw 309 gainers and 293 losers with total trading value of S$1.24b.

WHAT'S IN THE PACK

Singapore Company Results:

Bumitama Agri - 3Q23: Results beat our and consensus expectations on higher-than-expected external FFB purchase boosting CPO production and sales volume.

(BAL SP/BUY/S$0.605/Target: S$0.70)

BAL's 3Q23 results beat our and consensus expectations, thanks to higher-than-expected PK sales volume and higher-than-expected purchase…

ComfortDelGro Corporation - 3Q23: Strong results; riding on strong tailwinds.

(CD SP/BUY/S$1.31/Target: S$1.69)

For 9M23, CD reported a higher underlying PATMI (+9.6% yoy), driven by better contributions from both the public transport and taxi segments…

SEA - 3Q23: Results in line; 4Q23 could be better due to seasonality.

(SE US/BUY/US$46.03/Target: US$72.25)

SEA's 9M23 earnings were in line at 85% of our full-year estimate; 3Q23 net loss was expected due to increased sales and marketing expenses for its…

Singapore Company Results:

UMS Holdings - 3Q23: Results in line with expectations; outlook remains buoyant.

(UMSH SP/BUY/S$1.26/Target:S$1.56)

3Q23 earnings of S$15m (-64% yoy/+32% qoq) were in line with expectations, with 9M23 earnings of S$44m (-46% yoy) forming 73%...

Singapore Technical Analysis:

Olam Group (OLG SP) - Trading BUY

The price rebounded after being supported by the base line support. Conversion and base lines remain in a bullish crossover…

Propnex (PROP SP) - Trading BUY

The price managed to stay above the middle Bollinger band, aka the 20-day moving average. It rebounded from the middle band. The MACD is rising towards the zero line…

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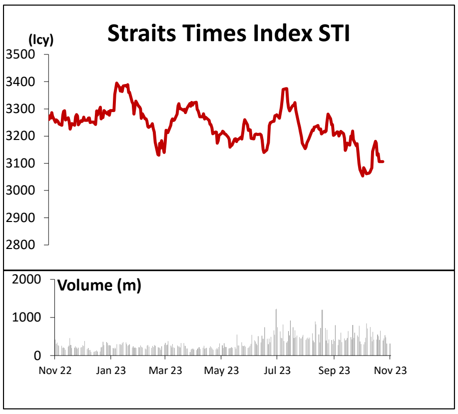
PRICE CHART



KEY INDICES

	Prev Close	1M %	YTD %
DJIA	34827.7	3.4	5.1
S&P 500	4495.7	3.9	17.1
FTSE 100	7440.5	(2.1)	(0.2)
AS30	7282.0	0.5	0.8
CSI 300	3582.1	(2.2)	(7.5)
FSSTI	3104.7	(2.5)	(4.5)
HSCEI	5964.5	(2.5)	(11.0)
HSI	17396.9	(2.3)	(12.1)
JCI	6862.1	(0.9)	0.2
KLCI	1451.7	0.5	(2.9)
KOSPI	2433.3	(0.9)	8.8
Nikkei 225	32695.9	1.2	25.3
SET	1386.0	(4.5)	(16.9)
TWSE	16915.7	0.8	19.6
BDI	1662	(14.6)	9.7
CPO (RM/mt)	3671	3.5	(9.3)
Brent Crude (US$/bbl)	82	(9.3)	(4.0)

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (S$)	Chg (%)	5-day ADT (S$m)
DBS Group Holdings	32.60	(0.3)	108.3
Singapore Telecommunications	2.35	(0.4)	84.6
United Overseas Bank	27.33	(0.3)	61.1
Oversea-Chinese Banking Corp	12.95	(0.2)	60.4
Singapore Airlines	6.11	(1.6)	42.6

TOP GAINERS

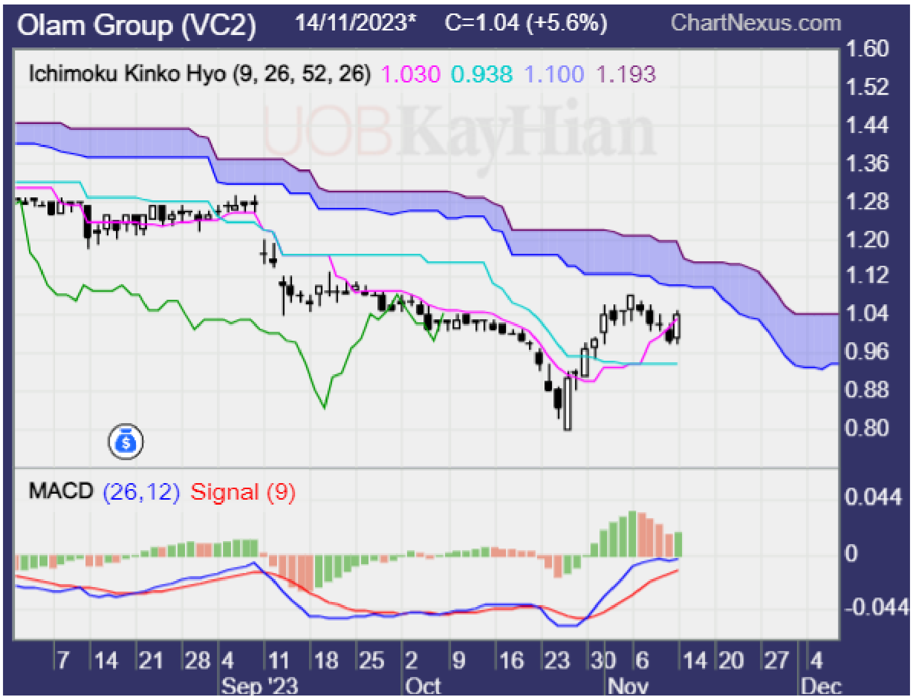
Company	Price (S$)	Chg (%)	5-day ADT (S$m)
Genting Singapore	0.94	10.6	37.8
Shangri-La Asia	5.23	6.7	0.0
Digital Core Reit Management	0.56	6.7	2.9
Cromwell Reit SGD	1.88	6.2	0.1
Bumitama Agri	0.61	6.1	0.5

TOP LOSERS

Company	Price (S$)	Chg (%)	5-day ADT (S$m)
Aem Holdings	3.19	(4.5)	7.4
First Resources	1.37	(4.2)	3.4
Nio Inc-Class A	7.32	(2.4)	1.0
Riverstone Holdings	0.63	(2.3)	1.5
UMS Holdings	1.26	(2.3)	3.4

**ADT: Average daily turnover*

TRADERS' CORNER



Olam Group (OLG SP)

Trading buy range: S$1.02-1.03

Last price: S$1.04

Target price: S$1.16

Protective stop: S$0.97

The price rebounded after being supported by the base line support. Conversion and base lines remain in a bullish crossover. The MACD is bullish and is rising. These could increase chances of the stock price rebounding to move higher.

The potential upside target is S$1.16. Stop-loss could be placed at S$0.97.

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

Propnex (PROP SP)

Trading buy range: S$0.835-0.840

Last price: S$0.840

Target price: S$0.930

Protective stop: S$0.805

The price managed to stay above the middle Bollinger band, aka the 20-day moving average. It rebounded from the middle band. The MACD is rising towards the zero line. These could increase chances of the stock price continuing to move higher.

The potential upside target is S$0.93. Stop-loss could be placed at S$0.805.

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$1.23.

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FROM THE REGIONAL MORNING NOTES...

Bumitama Agri (BAL SP)

3Q23: Beating Our And Consensus Expectations

BAL's 3Q23 results beat our and consensus expectations, thanks to higher-than-expected PK sales volume and higher-than-expected purchase of external FFB boosting CPO production and sales. The strong qoq and yoy earnings were mainly due to the strong sales volume and slightly lower cost of production. We expect 4Q23 earnings to come in slightly lower qoq, despite higher CPO ASP from lower CPO output and sales volume. Maintain BUY with a higher target price of S$0.70.

3Q23 RESULTS

Year to 31 Dec (Rpb)	3Q23	% chg qoq	% chg yoy	9M23	% chg ©yoy	Remarks
Revenue	4,307	10.4	20.0	11,803	(6.0)	
EBITDA	1,620	69.6	28.6	3,263	(29.8)	
Net Profit	874	15.0	33.4	2,062	(27.2)	
EBITDA Margin	37.6	13.1	2.5	27.6	(9.4)	
Net Profit Margin	20.3	0.8	2.0	17.5	(5.1)	

Source: BAL, UOB Kay Hian

RESULTS

- **Results above expectations.** Bumitama Agri's (BAL) results came in above our and consensus expectations with net profit at Rp874b (+15%qoq, +33% yoy), bringing 9M23 net profit to Rp2,062b (-27% yoy). This is above our expectations, accounting for 95% of our full-year forecast. The positive deviation mainly comes from the higher-than-expected Palm Kernel (PK) and CPO sales volume. In addition, BAL's external FFB purchases were also higher than expected, which contributed to higher CPO production and sales.
- **3Q23 net profit was stronger qoq and yoy,** mainly thanks to the strong sales volume with net inventory drawdown of 11,000 tonnes. The sales volume of CPO and PK increased by 20% qoq and 30% qoq respectively, while cost pressure from fertilisers dissipated. The strong CPO production was due to higher external FFB which increased by 10% qoq and 19% yoy in 3Q23.
- **BAL's 3Q23 performance was the first period of positive growth in 2023,** with the improvement in EBITDA margin at 38% in 3Q23 (2Q23: 25%, 3Q22: 35%) on the back of better output and lower cost of production (especially fertiliser price) and also slight increase in CPO ASP (+4% yoy).

KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net turnover	12,249	15,829	21,073	17,114	16,228
EBITDA	3,498	5,571	4,335	4,350	3,635
Operating profit	2,777	4,830	3,510	3,435	2,643
Net profit (rep./act.)	1,721	2,826	2,388	2,409	1,917
Net profit (adj.)	1,677	3,123	2,389	2,409	1,917
EPS (Rp)	957.9	1,783.5	1,364.2	1,375.8	1,094.7
PE (x)	7.3	3.9	5.1	5.1	6.4
P/B (x)	1.2	1.0	0.9	0.8	0.7
EV/EBITDA (x)	4.4	2.8	3.6	3.5	4.2
Dividend yield (%)	3.1	9.3	7.8	7.9	6.3
Net margin (%)	14.1	17.9	11.3	14.1	11.8
Net debt/(cash) to equity (%)	38.5	20.0	6.7	0.3	(5.7)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	17.7	24.6	17.9	16.3	11.9
Consensus net profit	-	-	2,150	2,043	2,001
UOBKH/Consensus (x)	-	-	1.11	1.18	0.96

Source: Bumitama Agri Ltd, Bloomberg, UOB Kay Hian

- **Key highlights from the analyst briefing:**

  a) **Lower FFB production in 4Q23.** Production peaked in 3Q23 and the management mentioned that production would be flat or slightly lower qoq for 4Q23. There was no revision of management guidance on the FFB production growth for 2023 at 0-5% yoy.

  b) **Higher external FFB purchases.** BAL has added new FFB suppliers since 2022 and this contributed to stronger external FFB purchases (9M23: 30% of total FFB processed vs 9M22). This contributed positively to better CPO production growth. Higher third-party FFB contributions are expected to accommodate BAL's upcoming new mills. There are two new mills coming up with one commencing in Nov 23 and another in 2024.

  c) **Secured sales commitment until 2024.** The management mentioned that BAL has committed 95% of their CPO sales volume for 2024 with their two largest buyers accounting for 80% of total volume. Having said that, the pricing for the commitment is based on market prices.

  d) **Not catching up in fertiliser application in 4Q23.** Fertiliser application is at 60-65% as of Sep 23. However, the management mentioned that BAL will not catch up in its fertiliser application in 4Q23 as there are sufficient nutrients in their estates as per their internal field test.

  e) **Slight decline in cost of production.** Cost of production is expected to only decline marginally in 4Q23, despite the weakening fertiliser prices. This is due to the upkeep and maintenance cost in the estates for pruning and road maintenance. On top of that, the management also mentioned that they are trying to keep the moisture in the estates during this drier weather via mulching, where they would be covering the soil around trees with empty fruit bunch to help retain moisture in the soil, suppress weed growth, and improve soil fertility.

STOCK IMPACT

- **4Q23 earnings may be lower qoq.** We reckon that 4Q23 earnings may be lower qoq mainly due to the slower production growth and lower sales volume, despite CPO ASP increasing qoq. We reckon that the slight decline in cost of production is not enough to compensate the decline in sales volume.

EARNINGS REVISION/RISK

- **Revised earnings forecast.** We have revised our net profit forecast by adjusting for higher external FFB production, given that BAL would continue to purchase more from the third party. We have also factored in higher mill utilisation rate.

- We have adjusted the net profit by 10/5/1% for 2023/24/25F respectively after the revision.

VALUATION/RECOMMENDATION

- **Maintain BUY with higher target price of S$0.70 (previous: S$0.65),** based on 6x 2024F PE.

SHARE PRICE CATALYST

- Higher-than-expected CPO prices.

- Higher-than-expected FFB production.

FROM THE REGIONAL MORNING NOTES...

ComfortDelGro Corporation (CD SP)

3Q23: Strong Results; Riding On Strong Tailwinds

For 9M23, CD reported a higher underlying PATMI (+9.6% yoy), driven by better contributions from both the public transport and taxi segments. The public transport segment reported higher margins on the back of ongoing cost indexation and contract renewals in the UK. The taxi segment also posted better profitability despite stiff domestic pricing competition. As CD is backed by improving fundamentals and a decent 4.6% dividend yield, we maintain BUY with a higher target price of S$1.69.

3Q23 RESULTS

Year to 31 Dec (S$m)	3Q23	yoy % chg	qoq % chg	9M23	yoy % chg	Comments
Revenue	996.6	3.8	4.3	2,858.9	2.0	
Operating expenses	(833.4)	(2.2)	(4.3)	(2,399.7)	(2.1)	
Operating profit	75.4	34.6	13.7	192.6	(15.2)	Including S$30.5m exceptional gain from Alperton disposal in 1Q22.
Core operating profit	73.6	31.0	12.7	189.0	0.3	
PATMI	49.9	54.5	9.2	128.4	(13.0)	9M23 PATMI grew 9.6% yoy excluding Alperton disposal.
Core operating profit margin (%)	7.4ppt	1.5ppt	0.6ppt	6.6ppts	(0.1ppt)	
PATMI margin (%)	5.0ppt	1.6ppt	0.2ppt	4.5ppts	(0.8ppt)	9M23 PATMI margin expanded 0.3ppt yoy to 4.5% excluding Alperton disposal.

	Revenue			Core Operating Profit		
Year to 31 Dec (S$m)	3Q23	yoy % chg	qoq % chg	3Q23	yoy % chg	qoq % chg
Public Transport	758.5	3.4	3.9	32.9	19.6	13.8
Taxi & Private Hire	147.6	3.3	4.8	28.5	38.3	10.5
Other Private Transport	37.9	6.5	7.1	(1.2)	53.8	(50.0)
Inspection & Testing Services	26.6	(0.7)	(3.6)	7.9	(2.5)	(7.1)
Other Segments	26.0	23.2	17.6	5.5	120.0	89.7

Source: CD, UOB Kay Hian

RESULTS

- **3Q23: Strong underlying performance.** ComfortDelgro Corporation (CD) reported 9M23 revenue, core operating profit and PATMI of S$2,858.9m (+2.0% yoy), S$189.0m (+0.3% yoy) and S$128.4m (+31.0% yoy) respectively, accounting for 70.5%, 65.7% and 65.6% of our full-year forecasts respectively and slightly below our expectations. The slight miss on our estimates was largely due to lower-than-expected margins for the public transport and taxi segments. Nonetheless, 3Q23 was still a robust quarter whereby revenue (+3.8% yoy, +4.3% qoq), core operating profit (+31.0% yoy, +12.7% qoq) and PATMI (+54.5% yoy, +9.2% qoq) all surged, backed by improving business fundamentals. 3Q23 revenue and PATMI were driven largely by higher contributions from most of CD's business segments. 3Q23 core operating (+1.5ppt yoy, +0.6ppt qoq) and PATMI (+1.6ppt yoy, +0.2ppt qoq) margins expanded, on the back of UK bus indexation and new contract renewals coupled with the new taxi platform fees implemented since start-3Q23.

KEY FINANCIALS

Year to 31 Dec (S$m)	2021	2022	2023F	2024F	2025F
Net turnover	3,503	3,781	3,924	4,090	4,214
EBITDA	576	627	647	739	795
Operating profit	200	270	284	367	413
Net profit (rep./act.)	120	173	183	238	272
Net profit (adj.)	120	137	183	238	272
EPS (S$ cent)	5.5	6.3	8.5	11.0	12.5
PE (x)	23.7	20.8	15.5	11.9	10.4
P/B (x)	1.1	1.1	1.1	1.1	1.0
EV/EBITDA (x)	4.5	4.1	4.0	3.5	3.2
Dividend yield (%)	3.2	6.5	4.6	6.1	6.9
Net margin (%)	3.4	4.6	4.7	5.8	6.5
Net debt/(cash) to equity (%)	(21.6)	(26.3)	(27.1)	(30.7)	(35.3)
Interest cover (x)	51.0	47.2	31.6	36.1	54.4
ROE (%)	4.5	6.6	7.1	9.0	10.0
Consensus net profit	-	-	183	207	227
UOBKH/Consensus (x)	-	-	1.00	1.15	1.20

Source: CD, Bloomberg, UOB Kay Hian

STOCK IMPACT

- **Public transport: Margin expansion to continue into 2024...** Both 9M23 segmental revenue and operating profit formed 69.7% and 65.8% of our full-year forecasts, with operating profit slightly below our expectations. The slight miss was largely due to lower-than-expected core operating margins of 4.3% in 3Q23, which we expected at around 4.8-5.0% and would have brought CD's 9M23 operating profit to around 70% of our full-year forecasts. However, 3Q23 revenue (+3.4% yoy, +3.9% qoq) and core operating profit (+19.6% yoy, +13.8% qoq) still outperformed, aided by improving rail ridership in Singapore and more importantly, UK bus contract renewals and indexation which have started to come through.

- **... as overseas operations recover.** It was noted that roughly 70% of CD's UK bus contracts underwent cost indexation by end-3Q23 with the remaining contracts expected to be completed within the next two quarters. Also, roughly 10% of CD's UK bus contracts were renewed at healthier margins, given increasingly rational competition post-COVID-19. This led to CD's UK operations 3Q23 posting a robust operating profit of S$6.1m versus an S$2.0m operating loss in 3Q22. Coupled with the upcoming 7% fare increase in Singapore starting early-Dec 23, we expect the ongoing UK indexation and renewals to help support and expand segmental margins going into 2024. It was also noted that margins for CD's Australian operations softened slightly sequentially but is expected to stay largely stable going into 4Q23.

- **Taxi: Stiff competition.** 9M23 taxi revenue grew 3.2% yoy, forming 72.8% of our full-year forecasts and in line with expectations. However, despite 9M23 operating profit surging 58.3% yoy, it only formed 61.1% of our full-year forecasts and was below our expectations. The miss on operating profit was largely due to lower-than-expected 3Q23 results despite segmental quarterly revenue inching higher (+3.3% yoy, +4.8% qoq) and core operating profit surging to S$28.5m (+38.3% yoy, +10.5% qoq). Given the platform fee from 3Q23, we expected 3Q23 core operating profit of around S$32-33m, a qoq increase of around S$6-7m from 2Q23. Aside from higher qoq operating costs of S$4.1m, we understand the lower-than-expected core operating profit was largely due to intense pricing competition in Singapore whereby the average taxi fare in 3Q23 was slightly lower than in 2Q23. Furthermore, despite 3Q23 taxi booking volumes being roughly the same qoq at 8.1m, the rate of cancellation was higher due to stiffer domestic competition, ultimately dragging down CD's overall commission on completed jobs and offsetting the platform fees. Moving forward, in our view, we expect potential upward revisions to CD's 5% online commission rate in 4Q23/2024, closing in on CD's peers and boosting segmental margins.

EARNINGS REVISION/RISK

- **We decrease our 2023 PATMI forecasts but increase our 2024-25 PATMI forecasts,** on the back of lower margin assumptions for 2023 and higher contributions from the public transport segment for our 2024-25 PATMI forecasts. Our new 2023/24/25 PATMI forecasts are S$183.4m (S$195.7m previously), S$238.2m (S$226.9m previously) and S$271.9m (S$256.6m previously) respectively.

VALUATION/RECOMMENDATION

- **Maintain BUY with a higher PE-based target price of S$1.69 (S$1.61 previously),** pegged to the same 15x 2024F PE, CD's average long-term PE. The higher target price is largely due to our increased 2024 PATMI estimates.

- With improving fundamentals, a decent 4.6% dividend yield and a robust balance sheet, we reckon that most negatives have already been priced in. Backed by upcoming favourable tailwinds, we reckon that better sequential earnings improvement for CD would help support share price performance moving forward.

SHARE PRICE CATALYST

- Earnings-accretive overseas acquisitions.
- Bus tender contract wins.
- Increase in taxi commission rates.

FROM THE REGIONAL MORNING NOTES...

SEA (SE US)

3Q23: Results In Line; 4Q23 Could Be Better Due To Seasonality

SEA's 9M23 earnings were in line at 85% of our full-year estimate; 3Q23 net loss was expected due to increased sales and marketing expenses for its e-commerce segment despite revenue growth. We expect 4Q23 earnings to improve qoq with all segments seeing improvement during the festive season. However, e-commerce margin may remain low due to the high trade-off cost. Maintain BUY with a target price of US$72.25.

3Q23 RESULTS

Year to 31 Dec (US$m)	3Q23	qoq % chg	yoy % chg	9M23	yoy % chg	Remarks
Revenue	3,310	6.9	4.9	9,447	5.0	
Gross profit	1,441	(0.7)	17.4	4,309	23.5	
Adj. EBITDA	35	(93.1)	(109.9)	1,052	n.m	
Digital Entertainment	*234*	*(2.3)*	*(19.3)*	*704*	*-33.3*	
E-Commerce	*(346)*	*(330.5)*	*(30.1)*	*12*	*n.m*	
Digital Financial Service	*166*	*21.0*	*(344.6)*	*402*	*n.m*	
Net profit	(144)	(143.5)	(74.7)	1,052	n.m	
Core net profit	(149)	(146.4)	(73.6)	274	n.m	
		(+/- bps)	(+/- bps)		(+/- bps)	
Gross margin (%)	43.5	(3.3)	4.6	45.6	6.8	
Adj EBITDA margin (%)	1.1	(15.4)	12.4	11.1	26.4	

Source: SEA LTD, UOB Kay Hian

RESULTS

- **In the red in 3Q23, within our expectation.** SEA Limited (SEA) was in the red again with a net loss of US$144m in 3Q23 (down 75% yoy). 9M23 net profit is at US$261m, accounting for 85% of our full-year forecast. This is within our expectation as we highlighted in our previous note that SEA had switched into reinvestment mode, especially for its e-commerce segment.
- **The weaker qoq performance in 3Q23** was mainly dragged by the huge increase in e-commerce sales and marketing expenses which surged 155% qoq and 50% yoy despite qoq and yoy revenue growth for the segment. Management shared that the higher sales and marketing expenses to capture market leadership given the entrance of new players has caused intensified competition in the e-commerce market, such as more investment in livestreaming operations and logistic network expansion.

KEY FINANCIALS

Year to 31 Dec (US$m)	2021	2022	2023F	2024F	2025F
Net turnover	9,955	12,450	12,751	14,050	14,930
EBITDA	(1,583)	(1,133)	613	1,191	1,457
Operating profit	(1,583)	(1,133)	613	1,191	1,457
Net profit (rep./act.)	(2,045)	(1,496)	306	745	1,025
Net profit (adj.)	(2,045)	(1,496)	306	745	1,025
EPS (US$ cent)	(383.4)	(268.1)	55.0	120.7	160.2
PE (x)	n.m.	n.m.	83.7	38.1	28.7
P/B (x)	3.3	4.5	3.8	3.1	2.5
EV/EBITDA (x)	n.m.	n.m.	32.3	16.6	13.6
Dividend yield (n.a.)	n.a.	n.a.	n.a.	n.a.	n.a.
Net margin (%)	(20.5)	(12.0)	2.4	5.3	6.9
Net debt/(cash) to equity (%)	(98.2)	(73.0)	(95.6)	(98.8)	(99.6)
Interest cover (x)	(15.7)	n.a.	n.a.	n.a.	n.a.
ROE (%)	n.a.	n.a.	4.9	9.4	9.7
Consensus net profit	-	-	943	1,079	1,586
UOBKH/Consensus (x)	-	-	0.32	0.69	0.65

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

- **Key segments performance in 3Q23:**
  - a) **Digital entertainment (-2% qoq, -19% yoy):** Quarterly active users remained flat; however, the quarterly paying users' ratio had dropped slightly.
  - b) **E-commerce (-330% qoq, -30% yoy):** Reported EBITDA loss of US$428m mainly due to higher sales and marketing expenses, despite revenue growth of 6% qoq and 16% yoy. The average monthly active buyers grew 11% qoq, with increased order frequency and improved buyer retention. Gross orders and gross merchandise value (GMV) achieved 24% and 11% sequential growth respectively, further increasing market share.
  - c) **Digital financial services (+21% qoq):** Continued to perform well as expected with increasing gross loans receivables. NPL continued to remain low at 1.6%, improving qoq. Noted that as of end-3Q23, total credit portfolio was at US$2.9b, growing 5% sequentially. The portfolio included US$2.4b of gross loans receivable on our balance sheet. The remaining US$0.5b of principal amount of loans outstanding were from channeling arrangements, which is lending by other financial institutions on their platform.

STOCK IMPACT

- **Key highlights from the result briefing:**
  - **a) Continuing emphasis on reinvestment,** with management highlighting ongoing investments in user acquisition for the festive season. Having said that, gross merchandise value (GMV) is expected to grow with enhanced users' retention and a rise in the average monthly active buyers.
  - b) **Positive sign of investment – solid growth from Shopee Live.** Management reported significant traction in live streaming, with a 10% qoq increase in average daily orders in 3Q23. SEA has successfully attracted numerous new buyers and deepened engagement levels among existing buyers. Notably, in Indonesia, one in every five daily active users engaged in live streaming on average in Oct 23.
  - c) **Digital financial services would continue to improve.** Management articulated intentions to further refine the digital financial services by diversifying the credit portfolio across various markets and products, both within and beyond Shopee platforms. Additionally, efforts will be made to optimise funding sources to reduce costs and mitigate risks through diversification.
- **4Q23 outlook.** We reckon that 4Q23 earnings may be better qoq, attributable to:
  - **a) Higher GMV from the e-commerce segment** during the festive season. Having said that, we reckon that margin will remain low for the e-commerce segment due to the higher sales and marketing expenses.
  - **b) Expectation of stability in digital entertainment,** supported by a larger active user base resulting from heightened user engagement and an enriched social experience for gamers.
  - **c) Healthy growth from digital financial services** leveraging on Shopee platform. Additionally, offline products such as digital banks are steadily growing, demonstrated by continued performance improvements in Indonesia, the Philippines, and Singapore.

EARNINGS REVISION/RISK

- **Maintain our earnings forecast** for SEA at US$306m, US$745m and US$1.03b for 2023-25 respectively. Having said that, we reckon there is a possibility that the financial performance in 4Q23 might remain in the negative if GMV growth fails to offset the increased expenses related to sales and marketing during that period.

VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of US$72.25.** We maintain BUY with the positive sign of its investment and we reckon that SEA would be able to turn black in 6-12 months' time as it solidifies its market leadership in the e-commerce industry.

SHARE PRICE CATALYST

- New release of self-developed game.
- Stronger-than-expected growth from the e-commerce and digital financial services segments.

FROM THE REGIONAL MORNING NOTES...

UMS Holdings (UMSH SP)

3Q23: Results In Line With Expectations; Outlook Remains Buoyant

3Q23 earnings of S$15m (-64% yoy/+32% qoq) were in line with expectations, with 9M23 earnings of S$44m (-46% yoy) forming 73% of our full-year estimate. UMS benefitted from improved material margins which grew 0.7ppt yoy due to higher USD/SGD exchange rates and renewal of its integrated system contract with its key customer. UMS has a buoyant outlook, supported by sanguine guidance of key semiconductor equipment makers. Maintain BUY and target price of S$1.56.

3Q23 RESULTS

Year to 31 Dec (S$m)	3Q23	3Q22	% chg yoy	2Q23	% chg qoq
Revenue	71.3	100.1	(29)	74.4	(4)
Gross profit	36.5	50.6	(28)	34.4	6
Gross margin (%)	51.2	50.5	0.7ppt	46.2	5.0ppt
PATMI	15.3	42.5	(64)	11.6	32
Net margin (%)	21.6	42.5	(20.9ppt)	15.6	6.0ppt

Source: UMS Holdings, UOB Kay Hian

RESULTS

- **3Q23 earnings in line with expectations, margins expanded due to forex and new contract terms.** UMS Holdings (UMS) reported 3Q23 earnings of S$15m (-64% yoy/+32% qoq), with 9M23 earnings of S$44m (-46% yoy) being in line, forming 73% of our full-year estimate. UMS benefitted from improved material margins which grew to 51.2% in 3Q22 from 50.5%, mainly due to higher USD/SGD exchange rates and better margins arising from the renewal of its integrated system contract with its key customer.

- **Revenue continued to show signs of stabilisation in 3Q23,** falling 29% yoy but only declining 4% qoq. Revenue in the semiconductor segment fell 30% yoy due to slower global semiconductor demand while revenue in the others segment plunged 55% mainly due to the weaker material and tooling distribution business affected by the general business slowdown. The decline in semiconductor revenue was due to a 34% drop in component sales (from S$45m in 3Q22 to S$30m in 3Q23) and 25% yoy decline in Semiconductor Integrated System sales from S$45m in 2Q22 to S$33m in 3Q23. All the key geographical markets posted lower sales in 2023. Revenue in Singapore fell 28% yoy. US sales decreased 12% due to lower component sales for new equipment. Revenue in Taiwan declined 37% as a result of lower component sales.

- **Outlook remains buoyant.** UMS expects its performance in the coming months to be supported by the sanguine guidance of some major semiconductor equipment makers expecting to deliver sustainable outperformance going forward.

KEY FINANCIALS

Year to 31 Dec (S$m)	2021	2022	2023F	2024F	2025F
Net turnover	271	372	320	378	408
EBITDA	92	120	90	114	124
Operating profit	80	104	70	89	98
Net profit (rep./act.)	53	98	60	77	85
Net profit (adj.)	53	98	60	77	85
EPS (S$ cents)	7.9	14.7	8.9	11.5	12.7
PE (x)	15.9	8.6	14.1	10.9	9.9
P/B (x)	3.1	2.5	2.3	2.1	1.9
EV/EBITDA (x)	8.6	6.6	8.8	7.0	6.4
Dividend yield (%)	4.0	4.0	4.3	4.4	4.4
Net margin (%)	19.7	26.4	18.7	20.5	20.9
Net debt/(cash) to equity (%)	(11.1)	(9.3)	(21.0)	(24.5)	(32.4)
Interest cover (x)	123.2	134.7	n.a.	n.a.	n.a.
ROE (%)	20.2	31.9	17.0	20.1	19.9
Consensus net profit	-	-	62	81	87
UOBKH/Consensus (x)	-	-	0.96	0.96	0.98

Source: UMS Holdings, Bloomberg, UOB Kay Hian

STOCK IMPACT

- **SEMI expects global fab equipment spending to recover in 2024.** According to Semiconductor Equipment and Materials International (SEMI), a 2024 rebound is expected to continue through 2026, with wafer shipments setting new highs as silicon demand increases to support artificial intelligence (AI), high-performance computing (HPC), 5G, automotive and industrial applications. SEMI also predicts fab equipment spending to recover to US$97b (rising 15.5% yoy) and total foundry capacity (including foundry/integrated device manufacturer) to increase 7% in 2024. Investments into fab construction projects which hit a historical high in 2023 are expected to continue at a higher level in 2024.

- **UMS has secured an in-principle agreement with its new customer** for a new renewable three-year contract. This new customer contract win will boost UMS's buoyant outlook as its new Penang facilities will be ready for volume production by Sep 23. The production ramp-up will enable it to take on new orders from its new customer which is estimated to reach at least US$30m next year.

EARNINGS REVISION/RISK

- We maintain our financial forecasts.

VALUATION/RECOMMENDATION

- **Maintain BUY with and target price of S$1.56,** based on a PE-based valuation of 13.5x 2024F EPS. This is pegged at 0.5SD above UMS' historical mean PE. The reason for pegging our PE-based valuation multiple to above mean is to reflect the improving semiconductor industry outlook and potential increase in UMS' earnings quality from new contributions from its new customer.

SHARE PRICE CATALYST

- Higher-than-expected factory utilisation rates.
- Return of orders for aircraft components to benefit recently-acquired subsidiary JEP Holdings.
- Better-than-expected cost management.

PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 14 Nov 23 (lcy)	Market Cap (US$m)	------------ PE ------------ 2023 (x)	2024 (x)	------------ P/B ------------ 2023 (x)	2024 (x)	------ EV/EBITDA ------ 2023 (x)	2024 (x)	ROE 2023 (%)	Yield 2023 (%)
AEM	AEM SP	SGD	3.19	724	71.8	13.0	2.0	1.8	26.0	9.4	2.8	0.3
Venture	VMS SP	SGD	12.69	2,709	13.7	13.1	1.3	1.3	8.1	7.9	9.4	5.9
Frencken	FRKN SP	SGD	1.06	333	17.7	10.9	1.1	1.0	8.7	6.3	6.5	1.7
Singapore average					34.4	12.3	1.5	1.4	14.3	7.9	6.2	2.7
Kulicke & Soffa	KLIC US	USD	44.89	2,535	25.9	22.4	n.a.	n.a.	16.3	12.3	8.6	n.a.
Applied Materials	AMAT US	USD	149.74	125,263	18.9	19.1	7.9	7.5	15.3	15.8	46.3	0.8
Lam Research	LRCX US	USD	673.43	88,753	20.2	23.9	10.9	11.0	15.8	19.1	62.3	1.0
KLA Corp	KLAC US	USD	528.25	71,806	21.8	22.4	24.7	23.3	16.7	17.7	156.8	1.0
Teradyne	TER US	USD	86.62	13,242	30.2	23.3	5.4	5.0	18.7	16.0	18.6	0.5
Global average					23.4	22.2	12.3	11.7	16.6	16.2	58.5	0.8
UMS	UMSH SP	SGD	1.26	621	14.1	10.9	2.3	2.1	8.8	7.0	17.0	4.3

Source: Bloomberg, UOB Kay Hian

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