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KEY HIGHLIGHTS

Sector Update

Banking – Malaysia

Page 2

Aug 23 loans growth continues to weaken with the sector's current loans growth of 4.1% trending below our full-year estimate of 4.5%. Maintain MARKET WEIGHT.

Company Results

Yinson Holdings (YNS MK/BUY/RM2.48/Target: RM3.75)

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1HFY24: Profit below expectations on higher-than-expected transition costs – an inescapable element for every company. We still like Yinson's bold long-term strategy.

UOBKH Highlights

Market Strategy

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Feedback from Singapore; possible changes to the Cabinet?

Kim Loong Resources (KIML MK/HOLD/RM1.86/Target: RM1.95)

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2QFY24: Within expectations.

TRADERS' CORNER

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Bonia Corporation (BON MK): Technical BUY

Autocount Dotcom (ADB MK): Technical BUY

KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,424.17	(15.9)	(1.1)
Bursa Emas	10,582.27	(80.9)	(0.8)
Ind Product	171.49	(1.2)	(0.7)
Finance	15,918.17	(205.5)	(1.3)
Consumer	552.62	(3.0)	(0.5)
Construction	184.62	2.0	1.1
Properties	875.30	(1.4)	(0.2)
Plantations	6,880.35	(10.9)	(0.2)

BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	29-Sep-23	% chg
Volume (m units)	3,037	2.2
Value (RMm)	2,436	25.3

By Investor type	(%)	ppt chg
Foreign investors	37.6	9.2
Local retail	23.7	(4.6)
Local institution	38.7	(4.6)

TOP VOLUME / GAINERS / LOSERS

Top Volume	Price (RM)	Chg (%)	Volume ('000)
SapuraEnergy	0.06	0.0	91,358
CIMB Group	5.43	(2.2)	36,340
YTL Power	2.05	0.5	33,152
UEM Sunrise	0.85	1.2	27,595
MY EG Services	0.80	1.9	27,392

Top Gainers

Tropicana	1.30	4.0	1,587
AEON Credit	12.18	3.2	790
Gamuda	4.43	2.8	14,120
GD Express Carrier	0.19	2.8	2,108
MY EG Services	0.80	1.9	27,392

Top Losers

Sports Toto	1.48	(3.6)	1,233
Media Prima	0.44	(3.3)	6
Parkson Holdings	0.31	(3.2)	4,832
MMHE	0.53	(2.8)	415
Faber Group	1.07	(2.7)	334

OTHER STATISTICS

	29-Sep-23	chg	% chg
RM/US\$	4.70	(0.01)	(0.3)
CPO 3rd mth future (RM/mt)	3,767	(4.0)	(0.1)

Top volume, gainers and losers are based on FBM100 component stocks

SECTOR UPDATE

Banking – Malaysia

Growth Moderation Resumes

Loans growth edged downwards to 4.1% in Aug 23 (July: 4.2%) on slower working capital loans growth. Current system loans growth of 4.1% is trending slightly below our full-year estimates of 4.5%. We find current sector valuations fair, at -0.5 SD from the historical mean, considering the absence of new catalysts. NIM is predicted to remain flattish in 2024 and loan growth is expected to slow down. However, this is balanced out by an attractive sector dividend yield of >5%. Maintain MARKET WEIGHT.

WHAT'S NEW

- Loans growth edges downwards.** Loans growth eased marginally to 4.1% yoy in Aug 23 (July: +4.2%) on the back of softer business loans growth of 2.1% (July: +2.3%) while household (HH) loans growth was relatively stable at 5.6% (July: 5.5%). HH loans growth was supported by both mortgage and auto loans growth of 7.1% (July: +6.9%) and 9.1% (July: +8.9%) respectively, while business loans witnessed a slowdown in working capital loans growth of 0.4% (July: +1.5%). Current system loans growth of 4.1% is trending slightly below our full-year 2023 estimates of 4.5%.
- Leading indicators showed a mixed trend,** with loan applications increasing 7.8% yoy in contrast to a 6.6% decrease in July. However, loan approvals decreased 7.7% yoy, vs a 0.5% increase in July. Both HH and businesses (Biz) applications expanded 2.0% (July: 2.5%) and 15.2% (July: -16.3%), respectively.
- Deposit growth moderates.** Deposits growth moderated to 4.6% yoy (July: +5.3%) on slower FD growth of 7.2% (July: +8.6%) but partially offset by slower CASA contraction of 2.3% (July: -4.2%). Loans-to-deposit ratio remained stable and healthy at 86.1%.
- Uptick in CASA mix; expecting a more gradual normalisation.** CASA ratio edged downwards to 29.3% (July: 31.9%). Peaking interest rate cycle coupled with an easing in deposit competition should lead to a more gradual normalisation in CASA mix from hereon. We expect NIM to stabilise in 3Q23 before registering a mild recovery in 4Q23 as fixed deposit competition abates.

ACTIONS

- Maintain MARKET WEIGHT.** We find current sector valuations fair, at -0.5 SD from the historical mean, considering the absence of new catalysts. NIM is predicted to remain flattish and loan growth is expected to slow down. On the balance, overall sector dividend yields are attractive, surpassing 5%, and credit costs are anticipated to decrease, albeit at a more modest rate.
- Top picks.** Public Bank for its high provision buffers which provide scope for potential provision write-backs when macroeconomic conditions permit. We also like CIMB given its strong earnings growth and it being a proxy to potential emerging market inflows.

PEER COMPARISON

Company	Ticker	Rec	Share Price 29 Sep 23 (RM)	Target Price (RM)	Market Cap (US\$m)	PE			ROE 2023F (%)	P/B 2023F (x)	Div 2023F (sen)	Div Yield (%)
						2022 (x)	2023F (x)	2024F (x)				
Public Bank	PBK MK	BUY	4.23	5.10	17,701	12.4	12.2	11.6	13.1	1.6	17.3	4.1
CIMB Group	CIMB MK	BUY	5.63	6.00	12,945	10.7	9.2	8.5	9.8	0.9	30.5	5.4
Hong Leong Financial Group	HLFG MK	HOLD	18.22	19.86	4,499	7.5	7.1	6.7	10.7	0.7	50.2	2.8
Maybank	MAY MK	HOLD	9.11	9.00	23,674	12.4	11.3	10.7	10.4	1.2	60.6	6.7
Hong Leong Bank	HLBK MK	HOLD	19.96	21.74	9,328	11.3	10.4	9.6	11.3	1.1	67.2	3.4
RHB Bank	RHBBANK MK	HOLD	5.61	6.10	5,184	7.6	8.2	7.8	9.1	0.7	37.5	6.7
AMMB	AMM MK	HOLD	3.73	4.00	2,663	6.7	7.4	6.9	9.0	0.6	22.2	6.0
Alliance Bank	ABMB MK	HOLD	3.45	3.80	1,151	7.9	8.1	7.5	9.5	0.8	21.2	6.2
Bank Islam	BIMB MK	HOLD	2.09	1.95	1,021	8.8	9.0	8.8	7.0	0.6	10.5	5.0
Affin Bank	ABANK MK	HOLD	1.92	2.14	971	21.3	7.4	6.9	4.6	0.3	11.6	6.1

Source: Bloomberg, UOB Kay Hian

MARKET WEIGHT

(Maintained)

SECTOR PICKS

Company	Rec	Target Price (RM)	Share Price (RM)
Public Bank	BUY	5.10	4.23
CIMB Group	BUY	6.00	5.63

Source: UOB Kay Hian

BANKS' SHARE PRICE PERFORMANCE

Company	Share Price (RMm)	yoy % chg	ytd % chg
Maybank	9.11	1.6	4.7
HLFG	18.22	(6.2)	(2.0)
Public Bank	4.23	(10.2)	(2.1)
Hong Leong Bank	19.96	(4.5)	(2.9)
CIMB Group	5.63	4.8	(2.9)
RHB Bank	5.61	(2.3)	(3.1)
Affin Bank	1.92	(0.3)	(5.4)
Alliance Bank	3.45	(2.3)	(6.0)
AMMB	3.73	(10.8)	(9.9)
Bank Islam	2.09	(19.9)	(23.4)

Source: Bloomberg

SUMMARY OF BANKING DATA

	yoy % chg		
	Jun-23	Jul-23	Aug-23
Loan Outstanding	4.4	4.2	4.1
- Business	3.0	2.3	2.1
- Household	5.3	5.5	5.6
Loan Applied	(9.0)	(6.6)	7.8
- Business	(5.8)	(16.3)	15.2
- Household	(11.2)	2.5	2.0
Loan Approved	(13.7)	0.5	(7.7)
- Business	(18.7)	1.6	(17.2)
- Household	(8.4)	(0.7)	5.1
Loan Disbursed	0.2	(51.7)	(55.5)
- Business	(1.6)	8.2	2.8
- Household	8.7	13.4	17.8
Loan Repaid	1.7	7.3	6.5
- Business	0.2	6.9	5.4
- Household	8.9	9.3	11.5
Impaired Loans	2.4	(0.6)	0.8
- Business	(4.7)	(8.4)	(7.8)
- Household	12.8	11.0	14.1

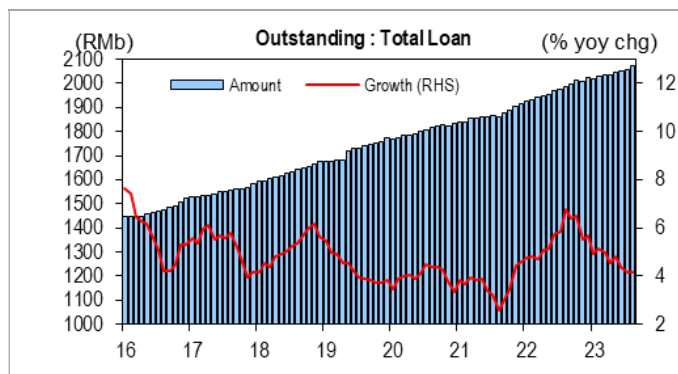
Source: BNM

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- **GIL ratio remains manageable.** System gross impaired loans (GIL) ratio ticked up 2bp mom to 1.78%, dragged by the climb in Biz GIL ratio (+5bp) while HH remained stable at 1.33%. We expect system GIL ratio to continue edging upwards and potentially peak at 2.0-2.3% as the repayment assistance continues to unwind, coupled with the impact of higher interest rate. However, banks have made sufficient pre-emptive provisions, which should help keep sector net credit cost stable at 29bp in 2023 (2022: 33bp).

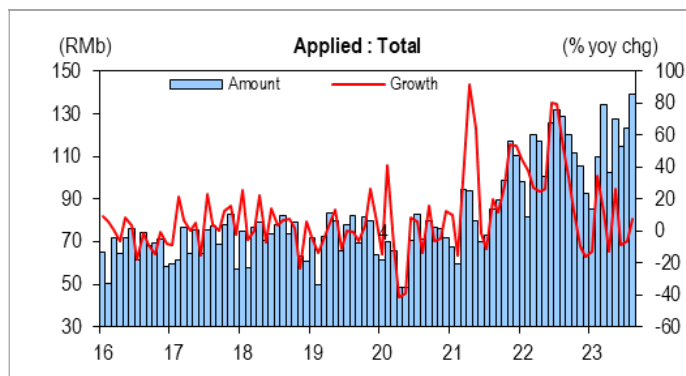
TOTAL OUTSTANDING LOANS



- Loans growth eased marginally to 4.1% yoy in Aug 23 (July: +4.2%) on the back of moderating business loans growth while HH loans growth was relatively stable at 5.6% (July: 5.5%).
- HH loans growth was supported by both mortgage and auto loans growth of 7.1% (July: +6.9%) and 9.1% (July: +8.9%) respectively.

Source: BNM

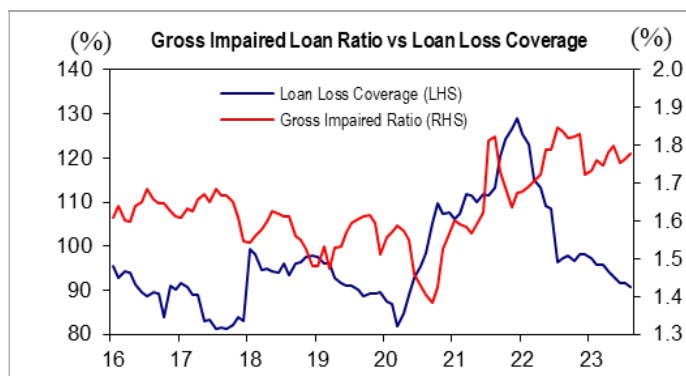
TOTAL LOAN APPLICATION



- Loan applications increased by 7.8% yoy in contrast to a 6.6% decrease in July while loan approvals decreased by 7.7% yoy, vs a 0.5% increase in July.
- In terms of applications, both HH and Biz expanded by 2.0% (July: 2.5%) and 15.2% (July: -16.3%), respectively.

Source: BNM

TOTAL LOAN APPLICATION



- System gross impaired loans (GIL) ratio ticked up 2bp mom due to a rise in Biz GIL ratio.

Source: BNM

COMPANY RESULTS

Yinson Holdings (YNS MK)

1HFY24: Embracing The Reality Of Rising "Transition" Costs

1HFY24 core profit (despite Anna Nery's full contribution effective 7 May 23) missed expectations, on higher-than-expected costs to advance its non-O&G businesses. Balance sheet will remain stretched, as other funding avenues will not be in the near term ie K-Line's decision on Anna Nery's 10% stake, and Farosson's licence update. The reality of rising transition costs has led to us cutting our forecasts by 9-28%, but we still like Yinson's bold long-term strategy. Retain BUY. Reduce target price to RM3.75.

1HFY24 RESULTS

Year to 31 Jan	2QFY24 (RMm)	qoq % chg	yoy % chg	1HFY24 (RMm)	yoy % chg	Comments
Revenue	3,113.0	3.1	92.2	6,131.0	133.6	+RM230m revenue from Anna Nery
EBIT	643.0	28.3	66.6	1,144.0	65.8	2Q/ 1HFY24 EPCIC : RM169m/RM387m
EBIT margin (%)	20.7%	4.1%	-3.2%	18.7%	-7.6%	2Q/1HFY24 non-EPCIC: RM104m/RM159m
Finance costs	(202.0)	0.5	51.9	(403.0)	65.2	Reflecting higher loan and interest rates
Associates	8.0	(300.0)	(300.0)	4.0	(144.4)	Extension of Lam Son, Bien Dong charters
Pre-tax profit	449.0	51.7	81.8	745.0	70.5	
Reported profit	230.0	10.6	60.8	438.0	66.5	+RM52m PATAMI from Anna Nery
Core profit	151.0	31.9	46.6	265.5	22.9	Non-EPCIC only, and some one-off profits

Note: We do not forecast EPCIC FL gains given the complex nature of forecasting construction progress

Source: Yinson, UOB Kay Hian

RESULTS

- 1HFY24 core profit missed expectations, at 34%/39% of our/consensus forecasts.** The negative deviation was largely due to higher-than-expected "transition costs", as Yinson is still aggressively developing its non-O&G and green ecosystem. Its renewable business segment recorded RM5m LBITDA and RM30m loss in 1HFY24 (1QFY24: RM6m LBITDA; RM5m loss), of which GreenTech's portion was RM27m loss (1QFY24: RM7m loss). Also, our previous forecast had not adjusted for about RM50m profit of FPSO Anna Nery that was not recognised in 1QFY24, ie about 90% of bareboat charter since the FPSO's readiness in Jan 23. This income, which has yet to be claimed back from Petrobras, will likely be amortised over the contract tenure instead. Nevertheless, FPSO Anna Nery's first oil on 7 May 23 was the key driver for the qoq profit growth.
- Loan base surged qoq from RM10b to RM11b**, and net gearing increased from 1.5x to 2.0x. If the RM1.7b perpetual securities are treated as debt and factored into net gearing, the ratio would reflect 3.6x vs 3.1x qoq. While this large loan base may worry investors, note that the average firm contract tenure of 21 years more than outweighs the project loans' average tenure of 5.7 years. The adjusted net debt/EBITDA (including associates) was up slightly from 3.5x to 3.7x, and is still very healthy relative to peers' covenants of 5x.

KEY FINANCIALS

Year to 31 Jan (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	3,607	6,324	2,599	3,052	4,291
EBITDA	1,391	1,448	1,938	2,347	3,116
Operating profit	1,086	1,137	1,540	1,890	2,288
Net profit (rep./act.)	401	588	624	798	1,038
Net profit (adj.)	403	467	624	798	1,038
EPS (sen)	11.8	13.6	18.2	23.3	30.3
PE (x)	21.1	18.2	13.6	10.7	8.2
P/B (x)	3.5	2.1	2.0	1.8	1.6
EV/EBITDA (x)	11.4	10.9	8.2	6.7	5.1
Dividend yield (%)	4.0	4.0	4.0	4.0	4.0
Net margin (%)	11.1	9.3	24.0	26.1	24.2
Net debt/(cash) to equity (%)	138.7	136.3	149.8	165.8	166.0
Interest cover (x)	3.6	2.5	3.0	3.1	3.7
ROE (%)	10.1	11.6	10.4	12.8	15.5
Consensus net profit	-	-	673	834	988
UOBKH/Consensus (x)	-	-	0.93	0.96	1.05

Source: Yinson, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM2.48
Target Price	RM3.75
Upside	+51.0%
(Previous TP)	RM4.05

COMPANY DESCRIPTION

One of the largest pure global FPSO operators.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	YNS MK
Shares issued (m):	2,906.8
Market cap (RMm):	7,208.8
Market cap (US\$m):	1,535.4
3-mth avg daily t'over (US\$m):	1.0

Price Performance (%)

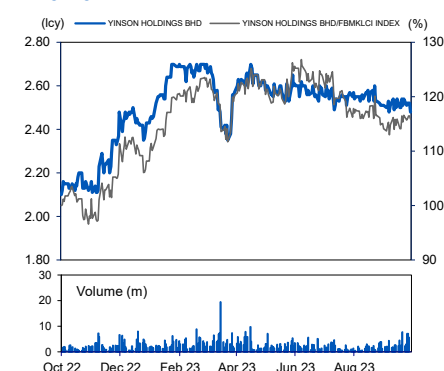
52-week high/low	RM2.70/RM2.10			
1mth	3mth	6mth	1yr	YTD
(1.2)	(4.2)	(3.1)	17.0	2.1

Major Shareholders

Yinson Legacy	16.6
EPF	15.9

FY24 NAV/Share (RM)	1.25
FY24 Net Debt/Share (RM)	2.66

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- EPCIC operations update.** Our forecasts exclude Engineering, Construction, Procurement, Installation and Commissioning (EPCIC) finance lease (FL) profit of RM387m in 1HFY24. In 2QFY24, the EPCIC segment commenced FPSO Agogo's construction and ramp-up of FPSO Atlanta's revenue. FPSO Atlanta and FPSO Maria Quiteria are at >50% completion.
- Yinson remains optimistic on a tight FPSO market outlook.** FPSO demand is resilient (albeit more greener solutions to reduce carbon emissions), but there is a scarcity of operators with track record and funding ability. For Yinson, it continues to anticipate updates on the FPSO Palas, Astrea and Juno (PAJ), a redeployed FPSO using FPSO Nghanhurra for Azule Energy, under an exclusivity negotiation with Yinson since July 22. As of last Friday, we understand that Yinson is considering a new project – the FPSO Baleine for Eni (in Ivory Coast), although it is still at very early stages. Eni will use FPSO Firenze to start production in Aug 23, Voyageur Spirit FPSO by Alterra Infrastructure for the second phase (first oil: end-24), followed by a third mega-size FPSO with a capacity of 100,000 bpd.

EARNINGS REVISION/RISK

- Cut FY24-26 earnings forecasts by 28%/12%/9%.** For FY24, we cut about RM60m profits from FPSO Anna Nery to reflect that its profit entitlement from Jan 23 to 7 May 23 (first oil date) will see negligible reimbursement (staggered throughout the >22-year tenure). For all forecast years, we assume up to RM100m of "transition" costs for Yinson's non-O&G businesses. While this is not the group's guidance, we assume the upside risk is real given that: a) we do not expect any major non-O&G development to bring sizeable profits in the near term (refer to table below); and b) we assume Farosson's licence will only be approved beyond the FY24 horizon, and hence be unavailable to offload any non-O&G projects.

VALUATION/RECOMMENDATION

- Maintain BUY with adjusted SOTP-based target price of RM3.75 (from RM4.05).** This implies 21x FY24F PE, or 8x long-term PE once FPSO Agogo contributes to earnings fully by 2026 (lifting earnings base to about RM2b). We continue to favour Yinson for its execution and bold ESG strategy that will allow it to be a winner in the energy transition. We acknowledge that its current price may remain undervalued, discounted by the reality of rising transition costs, but the non-O&G developments' profit payback is a long-term game and will not bring near-term upside. Our SOTP still ignores the non-O&G long-term value.

PROGRESS OF NON-O&G/ENERGY TRANSITION RELATED BUSINESSES

Unit	Description	Important Date
FPSO	Carbon Circle AS to create a world-first post-combustion carbon capture and storage (CCS) unit on FPSO Agogo, which will perform partial capture of CO2 from the gas turbine exhaust using amine-based capture technology.	Jun 23 – appointed Carbon Circle End-Sep 23 – First steel cut 3Q24 – Delivery date
Solar	Inecosolar, an 80% owned subsidiary and a solar player in Indonesia, signed a landmark agreement with Lazada Indonesia to install 396kWp of solar panels at their largest logistics facility in Cimanggis, Depok, West Java.	NA
MarineEV	The all-electric cargo vessel, HydroMover, commenced operations for Singapore Port under the Goal Zero Consortium. The passenger craft, HydroGlider is targeted for readiness by end 2023.	3Q23 - HydroMover End 23 – HydroGlider
ChargEV	Installed 359 chargers. Note that its sister company, Handal Indah (private unit of the Yinson family), recently launched the Kempower chargers. Yinson have roaming agreements with Gentari, JomCharge and Handal.	Owens 270 out of 510 charters on roaming in Malaysia. Singapore roaming may add another 600
Renewables	Interested in the renewable energy (RE) export business opportunities, but requires a partner to develop the Battery Energy Storage System (BESS). Also keen on wind (New Zealand, Brazil) and solar project (Peru).	NA

Source: Yinson, UOB Kay Hian

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

<ul style="list-style-type: none"> Environmental <ul style="list-style-type: none"> Advanced in carbon (CO2) reduction. Outlined climate goals roadmap to reach carbon-neutral status by 2030 and net-zero carbon status by 2050. Advanced in non-O&G diversification. Targets 3GW renewable energy (RE) pipeline by end-22, and 5-10GW operating portfolio by 2029. Safety (HSE). Nil Lost Time Injury (LTI) Frequency in FY21 (FY20: 0.71). Social <ul style="list-style-type: none"> Ranked top for active stakeholder engagements with bankers/ clients/ investors. Governance <ul style="list-style-type: none"> Most advanced in self-monitoring and reporting of its environmental contribution. 50% of its board members are independent despite having family representation.

GEARING MOVEMENT, QUARTERLY



Residual contract duration to project debt tenure²



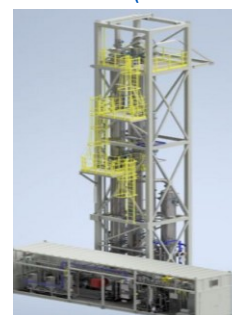
Source: Yinson

SOTP VALUATION @ RM4.30/US\$; 8.2% WACC

FY23F	Valuation	RM
FPSO Adoon	DCF (Blended IRR 12%)	0.07
FPSO JAK, firm contract only	DCF (IRR 14%, 74% stake)	0.75
FPSO Helang (Layang), firm	DCF, US\$280m capex + US\$50m residual value	0.29
FPSO Abigail-Joseph (AJ), firm	DCF (IRR 25%)	0.34
MOPU	11x PE	0.02
Lam Son	redeployment	0.07
FPSOs Anna Nery and Maria Quiteria	DCF (IRR 17%, both assume 75% stake)	2.51
FPSO Agogo	DCF (IRR 20%, 85% stake from 100%)	1.41
Enauta, PAJ and others	Include chance of more contract wins	1.22
(-) Minus net debt	Refinanced loan of FPSO JAK, FPSO Helang and all perpetuals	(2.98)
SOTP (diluted)	RM3.4b shares include warrants conversion	3.75
Implied FY24F PE	-	20.6x
Implied FY26F PE	-	14.3x

Source: UOB Kay Hian

FPSO AGOGO CCS UNIT (AMINE TECHNOLOGY)



Source: Carbon Circle AS

PROFIT & LOSS

Year to 31 Jan (RMm)	2023	2024F	2025F	2026F
Net turnover	6,324	2,599	3,052	4,291
EBITDA	1,448	1,938	2,347	3,116
Deprec. & amort.	312	398	457	828
EBIT	1,137	1,540	1,890	2,288
Total other non-operating income	424	0	0	0
Associate contributions	(16)	(4)	(4)	(4)
Net interest income/(expense)	(577)	(655)	(768)	(846)
Pre-tax profit	847	880	1,117	1,437
Tax	(257)	(224)	(273)	(337)
Minorities	(2)	(33)	(47)	(63)
Net profit	588	624	798	1,038
Net profit (adj.)	467	624	798	1,038

CASH FLOW

Year to 31 Jan (RMm)	2023	2024F	2025F	2026F
Operating	(1,226)	1,602	1,257	1,798
Pre-tax profit	845	880	1,117	1,437
Tax	448	(224)	(273)	(337)
Deprec. & amort.	312	398	457	828
Associates	16	4	4	4
Working capital changes	(3,184)	544	(49)	(135)
Other operating cashflows	338	0	0	0
Investing	(1,056)	(1,697)	(1,824)	(1,800)
Capex (growth)	(1,357)	(2,300)	(2,500)	(2,000)
Investments	301	0	0	0
Others	0	603	676	200
Financing	793	235	327	(289)
Dividend payments	(157)	(343)	(343)	(343)
Issue of shares	0	0	0	0
Proceeds from borrowings	668	1,758	2,007	1,559
Loan repayment	(926)	(1,194)	(1,355)	(1,531)
Others/interest paid	1,208	13	19	25
Net cash inflow (outflow)	(1,489)	140	(240)	(291)
Beginning cash & cash equivalent	2,859	1,507	1,647	1,407
Changes due to forex impact	137	0	0	0
Ending cash & cash equivalent	1,507	1,647	1,407	1,116

BALANCE SHEET

Year to 31 Jan (RMm)	2023	2024F	2025F	2026F
Fixed assets	4,266	6,171	8,137	9,222
Other LT assets	11,798	11,298	11,298	11,898
Cash/ST investment	1,507	1,647	1,407	1,116
Other current assets	1,688	1,144	1,194	1,329
Total assets	19,259	20,261	22,036	23,565
ST debt	1,194	1,355	1,531	1,721
Other current liabilities	1,446	1,037	924	1,966
LT debt	8,390	9,404	10,505	10,984
Other LT liabilities	1,767	1,833	2,097	1,320
Shareholders' equity	5,927	6,083	6,412	6,982
Minority interest	535	548	567	592
Total liabilities & equity	19,259	20,261	22,036	23,565

KEY METRICS

Year to 31 Jan (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	22.9	74.5	76.9	72.6
Pre-tax margin	13.4	33.9	36.6	33.5
Net margin	9.3	24.0	26.1	24.2
ROA	3.4	3.2	3.8	4.6
ROE	11.6	10.4	12.8	15.5
Growth				
Turnover	75.3	(58.9)	17.4	40.6
EBITDA	4.1	33.8	21.1	32.8
Pre-tax profit	18.3	3.9	26.9	28.6
Net profit	46.7	6.0	27.9	30.1
Net profit (adj.)	15.9	33.5	27.9	30.1
EPS	15.9	33.5	27.9	30.1
Leverage				
Debt to total capital	59.7	61.9	63.3	62.7
Debt to equity	161.7	176.9	187.7	182.0
Net debt/(cash) to equity	136.3	149.8	165.8	166.0
Interest cover (x)	2.5	3.0	3.1	3.7

UOBKH HIGHLIGHTS**Market Strategy**

Feedback From Singapore; Possible Changes To The Cabinet?

WHAT'S NEW

- While there is no doubt that Singapore fund managers (FM) remain very UNDERWEIGHT on Malaysian equities, there is clearly high interest in developments in the Iskandar region. Every FM we have met has planned or is planning a trip to Iskandar. There is also clear diligence in monitoring Malaysian E&E companies, but we sense that most remain light on this sector due to the high valuations. Interestingly, there is some interest in Tenaga for its potential to capitalise on Malaysia's exports of renewable energy to Singapore, but we gauge that Tenaga's potential tolling profits would only be modest relative to its current earnings base.
- On politics, PM Anwar told reporters that the previous week's meeting with the Agong was a scheduled briefing, and that there is no urgency for a reshuffle of the Cabinet, although potential changes to the Cabinet have been discussed. Recall that there was recent speculation of a significant reshuffling of the Cabinet, eg Johari Abdul Ghani being made the Second Finance Minister.

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UOBKH HIGHLIGHTS

Kim Loong Resources (KIML MK/HOLD/RM1.86/Target: RM1.95)

2QFY24: Within Expectations

2QFY24 RESULTS

2QFY24 RESULTS						SUMMARY EARNINGS FORECASTS			
Year to 31 Jan	2QFY24 (RMm)	qoq % chg	yoy % chg	1HFY24 (RMm)	yoy % chg	Year to 31 Dec (RMm)	2023	2024F	2025F
Turnover	385.6	18.0	(31.7)	712.3	(33.7)	Net Profit (Reported/Actual)	162.6	176.4	185.8
EBIT	60.5	27.5	(22.5)	107.9	(22.0)	EPS (sen)	16.8	18.2	19.2
Plantation	29.8	0.1	(7.9)	59.5	(31.0)	PE (x)	11.0	10.2	9.7
Milling	34.4	58.6	(23.0)	56.2	0.5	Dividend Yield (%)	7.3	8.3	10.3
Pre-tax Profit	66.6	31.4	(15.9)	117.2	(19.0)				
Net Profit	43.4	37.6	(12.7)	74.9	(15.8)				
Core Net Profit	41.1	33.0	(18.3)	71.9	(19.0)				
Margins	%	+/- bps	+/- bps	%	+/- bps				
Operating Profit	15.7	1.2	1.9	15.2	2.3				
Core Net Profit	10.7	1.2	1.7	10.1	1.8				
Operational Statistics		% chg	% chg		% chg				
FFB Production (tonne)	83,007	14.0	31.1	155,838	25.3				
FFB Processed (tonne)	395,462	21.1	(2.1)	722,151	0.7				
CPO Production (tonne)	81,307	21.0	(3.3)	148,507	(0.3)				
CPO Sale Volumes (tonne)	85,207	24.9	3.4	153,442	3.1				
CPO Prices (RM/tonne)	3,799	(6.2)	(34.6)	3,911	(35.2)				
FFB Yield (tonne/ha)	5.5	14.2	14.2	10.3	8.9				
OER (%)	20.6	(0.0)	(1.3)	20.6	(1.0)				

Source: Kim Loong, UOB Kay Hian

RESULTS

- **Results within expectation.** Kim Loong's (KIML) 2QFY24 core net profit came in at RM41.1m (+33% qoq, -18%yoy). 1HFY24 core net profit was RM72m (-19% yoy), accounting 41% of our full-year forecast, which we deem within our expectation as we are expecting higher contribution in 2HFY24.
- **Earnings increased qoq in 2QFY24**, mainly thanks to higher contribution from its milling operation with higher volume of FFB processed which resulted in higher CPO production in the quarter. CPO sales volume also increased by 25% qoq in 2QFY24. The yoy decline was mainly due to lower CPO ASP.

STOCK IMPACT

- **Maintain our FFB production growth for FY24.** Management previously guided for FY24 FFB production growth to be 15% higher than that of FY23 on account of more replanted areas coming into maturity and a better age profile of the young palms' productive area. KIML's 1HFY24 FFB production accounts for 48% of our full-year forecast for FY24. Hence, we maintain our forecast of a 12% yoy FFB production growth for FY24 as we remain conservative on the impact of the high rainfall in 1Q23.
- **Higher earnings contribution from 2HFY24.** We expect 2HFY24 earnings to be higher hoh mainly on the back of higher oil extraction rate and CPO production. This would also be further backed by better CPO ASP in 2H23.

RECOMMENDATION

- We maintain our earnings forecasts at RM176m, RM186m and RM209m for FY24-26 respectively.
- KIML has declared a final dividend of 5 sen/share, which translates into a dividend yield of 2.6%. This will be payable on 15 Nov 23.
- **Maintain HOLD with target price of RM1.95** based on 10x FY24F PE, -2SD from its five-year mean.

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TRADERS' CORNER



Source: UOBKH Chart Genie

Bonia Corporation (BON MK)

Technical BUY on breakout with +17.9% potential return

Last price: RM1.79

Target price: RM2.04, RM2.17

Support: RM1.72

Stop-loss: RM1.71

BUY on breakout with a target price of RM2.17 and stop-loss at RM1.71. Based on the daily chart, BON's upside trend is intact if prices can penetrate RM1.84. Positive readings from the RSI show buying momentum has overcome selling momentum. This is supported by a bullish crossover in the DMI and MACD. We peg our targets at RM2.04 and RM2.17 in the near term.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading



Source: UOBKH Chart Genie

Autocount Dotcom (ADB MK)

Technical BUY with +23.3% potential return

Last price: RM0.645

Target price: RM0.715, RM0.795

Support: RM0.595

Stop-loss: RM0.59

BUY with a target price of RM0.795 and stop-loss at RM0.59. Based on the daily chart, ADB has formed a bullish candlestick on last Friday's movement, and closed higher at RM0.645 with higher trading volume. Positive readings in both the DMI and RSI should translate into stronger momentum for share price. We peg our targets at RM0.715 and RM0.795 in the near term.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading

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