

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

KEY HIGHLIGHTS

Company Results

Kossan Rubber (KRI MK/BUY/RM1.48/Target: RM1.63) Page 2
3Q23: Bottom line turns around; within our expectation but above consensus'. Better sales volume and margin expansion on lower input costs and strengthening US dollar. Upgrade to BUY.

Company Update

RHB Bank (RHBBANK MK/HOLD/RM5.64/Target: RM6.35) Page 5
Risk to reward is balanced as potential upside risk in provisions is balanced by attractive dividend yields. Maintain HOLD.

UOBKH Highlights

UEM Sunrise (UEMS MK/SELL/RM0.80/Target: RM0.58) Page 8
3Q23: Results within expectations.

TRADERS' CORNER

Genting Bhd (GENTING MK): Technical BUY

Malaysia Steel Works (MASTEEL MK): Technical BUY

KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,466.84	15.1	1.0
Bursa Emas	10,832.06	102.5	1.0
Ind Product	174.56	1.3	0.8
Finance	16,430.10	108.4	0.7
Consumer	562.46	5.9	1.1
Construction	187.21	0.8	0.4
Properties	857.03	9.2	1.1
Plantations	7,022.23	69.2	1.0

BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	15-Nov-23	% chg
Volume (m units)	3,943	28.1
Value (RMm)	2,208	24.9

By Investor type	(%)	ppt chg
Foreign investors	33.3	3.5
Local retail	27.3	(2.9)
Local institution	39.4	(0.6)

TOP TRADING TURNOVER / GAINERS / LOSERS

Top Trading Turnover	Price (RM)	Chg (%)	5-day ADT (RM'000)
CIMB Group	5.80	1.2	61,113
Public Bank	4.23	1.2	47,080
Malayan Banking	9.14	0.3	43,041
Sime Darby	2.40	1.3	36,671
Top Glove	0.75	0.7	33,769

Top Gainers

Dialog Group	2.20	4.3	9,572
Supermax Corp	0.86	3.6	4,627
Hartalega	2.35	3.1	31,090
Kossan Rubber	1.48	2.8	7,302
Genting Plantations	5.73	2.7	2,329

Top Losers

SapuraEnergy	0.05	(10.0)	224
Velesto Energy	0.24	(2.1)	10,421
Berjaya Corp	0.30	(1.7)	1,345
M'sian Bulk Carriers	0.31	(1.6)	322
AirAsia X	1.95	(1.0)	4

OTHER STATISTICS

	15-Nov-23	chg	% chg
RM/US\$	4.67	(0.05)	(1.0)
CPO 3rd mth future (RM/mt)	3,978	74.0	1.9

Notes:

ADT = Average daily turnover.

Top trading turnover, gainers and losers are based on FBM100 component stocks.

COMPANY RESULTS

Kossan Rubber (KRI MK)

3Q23: Back In The Black

Kossan turned around its core losses in 3Q23 despite ASPs declining marginally, reflecting margin expansion amid better sales volume, product mix and lower input costs. Positively, sales volume also saw a better recovery following customers' inventory replenishment activities, which we deem sustainable in 4Q23-1H24. We anticipate better earnings in sequential quarters, anchored by higher volume sales and better utilisation rates. Upgrade to BUY with a higher target price of RM1.63.

3Q23 RESULTS

Year to 31 Dec	3Q23 (RMm)	qoq % chg	yoy % chg	Comments
Revenue	403.5	4.1	(28.0)	Glove segment: ASP (-3-5% qoq), volume (+5-15% qoq).
EBITDA	78.4	151.4	29.6	
EBIT	49.1	1,663.0	69.8	
Finance Costs	(0.2)	(30.4)	(84.4)	
Pre-tax Profit	49.0	1,835.1	76.1	
Tax	(7.2)	38.1	127.0	
Core Profit	46.2	(428.1)	98.8	Within our but way above consensus' earnings estimate.
Margins	%	+/- ppt	+/- ppt	
EBITDA Margin	19.4	11.4	8.6	Margins recovered on higher sales volume, favourable forex, and lower input cost.
EBIT Margin	12.2	11.5	7.0	
Eff. Tax Rate	(14.6)	190.3	(3.3)	
Core Margin	11.5	15.1	7.3	

Source: Kossan, UOB Kay Hian

RESULTS

- **Within expectations; turned around losses as anticipated.** Kossan Rubber (Kossan) reported 3Q23 core profit of RM46.2m (2Q23: - RM14.1m). This was widely within our expectation but way above consensus' projected 2023 losses of RM66m. 9M23 core profit came in at RM5.2m, on track to achieve our 2023 net profit estimate of RM42m. The resilient set of results was mainly due to improvement in sales volume and margins recovery arising from lower raw material and energy costs, offsetting the marginally declining ASPs.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	6,657	2,316	1,473	2,059	2,211
EBITDA	3,754	217	107	269	298
Operating profit	3,754	217	5	174	207
Net profit (rep./act.)	2,900	157	52	189	219
Net profit (adj.)	2,900	157	52	189	219
EPS (sen)	113.6	6.1	2.0	7.4	8.6
PE (x)	1.3	24.1	72.2	20.0	17.3
P/B (x)	0.9	1.0	1.0	0.9	0.9
EV/EBITDA (x)	0.5	9.1	18.4	7.4	6.6
Dividend yield (%)	32.4	1.7	0.5	1.7	2.0
Net margin (%)	43.6	6.8	3.6	9.2	9.9
Net debt/(cash) to equity (%)	(59.1)	(33.8)	(46.7)	(45.0)	(46.4)
Interest cover (x)	620.5	49.4	n.a.	n.a.	n.a.
ROE (%)	90.4	4.0	1.3	4.7	5.3
Consensus net profit	-	-	(66)	85	129
UOBKH/Consensus (x)	-	-	n.m.	2.23	1.70

Source: Kossan Rubber, Bloomberg, UOB Kay Hian

BUY

(Upgraded)

Share Price	RM1.48
Target Price	RM1.63
Upside	+9.8%
(Previous TP)	RM1.42)

COMPANY DESCRIPTION

Rubber products manufacturer

STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	KRI MK
Shares issued (m):	2,551.6
Market cap (RMm):	3,776.4
Market cap (US\$m):	808.2
3-mth avg daily t'over (US\$m):	0.7

Price Performance (%)

52-week high/low	RM1.52/RM1.04			
1mth	3mth	6mth	1yr	YTD
8.8	11.3	11.3	31.0	34.5

Major Shareholders

	%
Kossan Holdings Sdn Bhd	35.0
Abrdn Plc	5.87
Employees Provident Fund Board	3.77

FY23 NAV/Share (RM)	1.53
FY23 Net Cash/Share (RM)	0.72

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Operational statistics rebounded swiftly from inflection point.** 3Q23 revenue ended the fourth quarter of sequential decline, improving 4.1% qoq (-28% yoy). Despite marginal ASPs decline of 3-5% during the quarter which we estimate could be close to US\$21-22 per '000 pieces, volume sales increased 5-15% qoq, complemented by the strengthening of the US dollar by 2.5% against the ringgit. Utilisation rates further recovered to around 46% (2Q23: around 42%) based on total capacity of about 30.5b pieces annually. Cleanroom and technical rubber sales surged 9% qoq and 18% qoq respectively.
- Glove operations charted meaningful recovery, turning around losses.** 3Q23 glove profit before tax improved to RM31.2m (2Q23: RM12.1m losses) as margins recovered by 13.5ppt qoq to 9.7%. The strong margin expansion reflects softening natural rubber and nitrile cost, down about 17% qoq and 7% qoq respectively. Furthermore, natural gas and electricity tariff rates declined. This was compounded by the sequential strengthening of the US dollar against the ringgit (+2.5%). As a result, Kossan turned around its overall 3Q23 PAT into RM46.2m from core losses of RM14.1m in 2Q23.

STOCK IMPACT

- Recovery tones echoing at the end of the tunnel.** Various tailwinds are flowing through the Malaysian glove sectors, which include: a) improving profitability outlook, b) depleting excess inventory which points to demand recovery, c) margin expansion on scaled back capacity, and d) moderating input costs. As such, we believe that the sector's losses have bottomed in end-1H23, and is on the cusp of progressive recovery. We expect Kossan to deliver sequentially stronger earnings in 4Q23-1H24, led by better demand recovery, and better margins amid cost efficiency and better utilisations.
- Scaled back capacity and inventory drawdowns navigating towards supply-demand equilibrium.** While current Malaysian gloves producers' utilisation rates remain lacklustre at 40-50%, we are optimistic that the excess inventories overstocked during the pandemic are progressively depleting, prompting customers to reinitiate their stockpiles replenishment activities. We forecast continuously improving sales demand in subsequent quarters, with the industry eventually achieving a supply-demand equilibrium in end-24 which would allow the glove producers to restore utilisation rates to the pre-pandemic optimal level of 80-90%.

EARNINGS REVISION/RISK

- Recalibrated earnings upwards.** We raised our 2023-24 earnings by 3% and 25% respectively to account for better margins and sales volume.

VALUATION/RECOMMENDATION

- Upgrade to BUY with a higher target price of RM1.63,** pegged to 22.0x 2024F PE (five-year mean PE). While severe under-utilisation continues to permeate the industry, the bottoming of industry earnings should modestly improve sentiment. We still like Kossan for its attractive valuations and palatable capital upside, besides strong balance sheet (net cash position at about 33% of its market cap) which is sufficient to weather through near-term volatilities.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

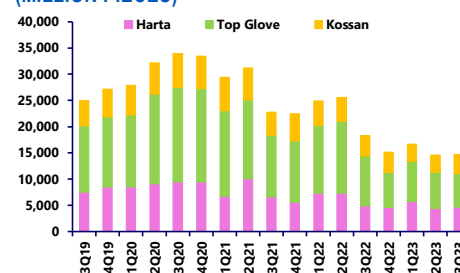
<ul style="list-style-type: none"> Environmental <ul style="list-style-type: none"> Environmental compliance. Kossan's plants are ISO14001:2015 certified for Environmental Management Systems and have completed the installation of photovoltaic solar panels. Waste management. Maintains a standard B rating target for effluent discharge. Social <ul style="list-style-type: none"> Human rights and labour management. Practices a Zero-Cost Recruitment Policy. In 2020, Kossan remediated RM50m to address foreign workers who may have unknowingly paid their agents. Kossan maintains a Supplier (B) membership in Sedex and conducts social compliance audits at its plants. Governance <ul style="list-style-type: none"> Board composition. Kossan's Board currently has nine members, comprising six executive directors and three independent non-executive directors.
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ASSUMPTIONS

	2023F	2024F	2025F
Revenue (RMm)	1,472.5	2,059.3	2,210.8
Growth yoy (%)	-36.4%	39.8%	7.4%
ASP (US\$/'000)	-10.2%	2.2%	0.2%
Volume (%)	-35.1%	40.0%	7.1%
Net Profit	52.3	189.3	211.4
Growth yoy (%)	-66.6%	261.8%	11.7%
Margin (%)	3.6%	9.2%	9.6%

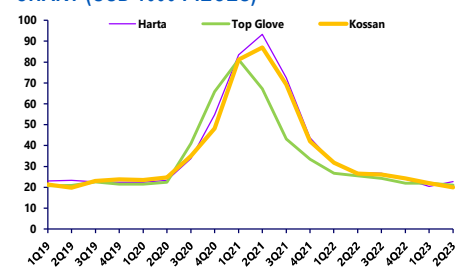
Source: UOB Kay Hian

MALAYSIAN GLOVE PLAYERS VOLUME SALES (MILLION PIECES)



Source: Respective companies, UOB Kay Hian

MALAYSIAN GLOVE PLAYERS QUARTERLY ASP CHART (USD'1000 PIECES)



Source: Respective companies, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	2,316	1,473	2,059	2,211
EBITDA	217	107	269	298
Deprec. & amort.	0	103	95	91
EBIT	217	5	174	207
Associate contributions	0	0	0	0
Net interest income/(expense)	(4)	72	80	87
Pre-tax profit	213	76	254	293
Tax	(54)	(19)	(62)	(72)
Minorities	(3)	(6)	(3)	(3)
Net profit	157	52	189	219
Net profit (adj.)	157	52	189	219

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	(224)	593	81	194
Pre-tax profit	213	76	254	293
Tax	(554)	(19)	(62)	(72)
Deprec. & amort.	105	103	95	91
Associates	0	0	0	0
Working capital changes	(157)	505	(126)	(32)
Non-cash items	4	(72)	(80)	(87)
Other operating cashflows	165	0	0	0
Investing	(818)	23	32	38
Capex (growth)	(100)	(50)	(50)	(50)
Others	(718)	73	82	88
Financing	(168)	(73)	(126)	(109)
Dividend payments	0	(18)	(66)	(77)
Proceeds from borrowings	0	0	0	0
Loan repayment	(167)	26	0	0
Others/interest paid	(2)	(80)	(60)	(32)
Net cash inflow (outflow)	(1,211)	544	(14)	124
Beginning cash & cash equivalent	2,557	1,347	1,891	1,877
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	1,347	1,891	1,877	2,001

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	1,350	1,250	1,205	1,163
Other LT assets	112	112	112	112
Cash/ST investment	1,347	1,891	1,877	2,001
Other current assets	1,510	1,104	1,344	1,421
Total assets	4,320	4,357	4,539	4,698
ST debt	27	33	33	33
Other current liabilities	236	207	263	277
LT debt	7	27	27	27
Other LT liabilities	140	140	140	140
Shareholders' equity	3,884	3,918	4,040	4,183
Minority interest	26	31	35	38
Total liabilities & equity	4,320	4,357	4,539	4,698

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	9.4	7.3	13.1	13.5
Pre-tax margin	9.2	5.2	12.3	13.3
Net margin	6.8	3.6	9.2	9.9
ROA	3.3	1.2	4.2	4.7
ROE	4.0	1.3	4.7	5.3
Growth				
Turnover	(65.2)	(36.4)	39.8	7.4
EBITDA	(94.2)	(50.5)	150.2	10.9
Pre-tax profit	(94.3)	(64.1)	232.2	15.5
Net profit	(94.6)	(66.6)	261.1	15.8
Net profit (adj.)	(94.6)	(66.6)	261.1	15.8
EPS	(94.6)	(66.6)	261.1	15.8
Leverage				
Debt to total capital	0.9	1.5	1.5	1.4
Debt to equity	0.9	1.5	1.5	1.4
Net debt/(cash) to equity	(33.8)	(46.7)	(45.0)	(46.4)
Interest cover (x)	49.4	n.a.	n.a.	n.a.

COMPANY UPDATE

RHB Bank (RHBBANK MK)

Lacking Fresh Catalysts

We see RHB's risk-reward ratio as balanced, with a lack of new positive catalysts. We remain cautious on the group's relatively low LLC of 83% as it is well below the sector average of 124%. This could give rise to a potential near-term upside risk in provisions due to the potential negative effects of macroeconomic slowdown and higher interest rates. That said, we roll over our target price to 2024 and raise it to RM6.35 (9.0% ROE, 0.80x 2024 P/B) from RM6.10. Maintain HOLD.

WHAT'S NEW

- NIM stabilised in 3Q23.** We understand that RHB Bank (RHB) has successfully halted the significant contraction in net interest margin (NIM) which has stabilised in 3Q23. Recall that RHB's NIM compressed by 46bp qoq in 1Q23 and 8bp qoq in 2Q23. The positive recovery trend in 3Q23 can be attributed to several factors: a) the release of certain costly deposits, b) the repricing of fixed deposits (FD) on the downward side as expensive ones matures, and c) a relatively benign competitive environment in the FD market. The current management approach is cautious regarding deposit acquisition, with a preference for waiting until the loan-to-deposit ratio (LDR) exceeds 95% (2Q23: 93%) and the liquidity coverage ratio (LCR) drops below 130% (2Q23: 137%).
- Hefty 2023 NIM compression of 34-44bp expected.** Management maintains its 2023 NIM guidance at 1.80-1.90%, suggesting a full-year compression of 34-44bp. Anticipating a modest sequential NIM recovery in 3Q23, we forecast 2023 average NIM of 1.87% (1H23: 1.85%) implying a compression of 37bp. Moving into 2024, management expects the Overnight Policy Rate (OPR) to remain unchanged. As such, any potential uplift in NIM in 2024 would come from the further easing of deposit competition. As of now, we have penciled in a flattish NIM trend in 2024.
- GIL ratio to trend upwards but remain below pre-pandemic levels.** The group's GIL ratio increased by 5bp to 1.64% in 2Q23 but is still below the pre-pandemic level of approximately 2.1%. Management is particularly watchful of the SME segment, especially smaller SMEs relying on imports, as well as specific segments in construction, real estate and manufacturing. The bank's exposure to construction and real estate is 12% and 8% of total loans respectively while O&G exposure is only 1.5% of total loans and bonds. While management expects a gradual increase in the GIL ratio, they are confident it will not surpass pre-pandemic levels. Our projection indicates RHB's GIL ratio peaking at around 2.0% in 2024.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net interest income	4,062	4,174	3,467	3,820	4,209
Non-interest income	1,876	1,736	1,940	2,121	2,299
Net profit (rep./act.)	2,863	2,708	2,796	2,933	3,211
Net profit (adj.)	3,281	2,953	2,796	2,933	3,211
EPS (sen)	81.8	73.6	69.7	73.1	80.1
PE (x)	6.9	7.7	8.1	7.7	7.0
P/B (x)	0.8	0.8	0.7	0.7	0.7
Dividend yield (%)	7.1	7.1	6.8	7.1	8.2
Net int margin (%)	2.2	2.2	1.9	1.9	2.0
Cost/income (%)	43.8	44.7	49.4	48.0	47.3
Loan loss cover (%)	122.4	112.8	95.7	92.8	99.3
Consensus net profit	-	-	2,848	2,985	3,137
UOBKH/Consensus (x)	-	-	0.98	0.98	1.02

Source: RHB Bank, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM5.64
Target Price	RM6.35
Upside	+12.6%
(Previous TP)	RM6.10)

COMPANY DESCRIPTION

Fifth largest fully integrated financial services groups in Malaysia by total assets size. Provides universal banking services to customers.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	RHBBANK MK
Shares issued (m):	4,286.3
Market cap (RMm):	24,175.0
Market cap (US\$m):	5,173.9
3-mth avg daily t'over (US\$m):	4.9

Price Performance (%)

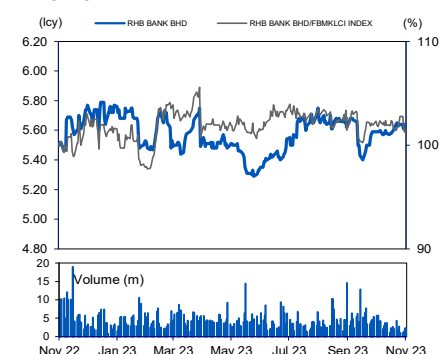
52-week high/low RM5.79/RM5.29

1mth	3mth	6mth	1yr	YTD
0.9	(1.6)	2.5	2.2	(2.6)

Major Shareholders

EPF	41.0
OSK Holdings	10.2
FY23 NAV/Share (RM)	7.76
FY23 CAR Tier-1 (%)	18.56

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- Sharp upward reversal in 2H23 credit cost trend.** We anticipate a significant shift in the credit cost trend in the second half of 2023, transitioning from a net writeback of 4bp in 1H23 to a net positive charge of 30bp in 2H23. Excluding the writebacks, 1H23's gross credit cost of 21bp was broadly aligned with the 20-25bp guidance. In 2Q23, the group reported a net writeback of 25bp, attributed to management overlays. However, with the majority of overlays written back and reallocated, we foresee no further provision writebacks in 2H23. Consequently, the overall loan loss provision is expected to reverse from a net writeback of RM125m in 1H23 to a positive provision charge of RM330m (30bp) in 2H23, resulting in a shift from a net writeback of 4bp in 1H23 to a positive charge of 10bp for full-year 2023.
- Low LLC could give rise to upside risk in provisions.** The group's loan loss coverage (LLC) has dropped to 83% (-27ppt in 2Q23). This decline is attributed to writebacks in management overlays and a specific corporate GIL. Management is optimistic that LLC will improve to ~100%, particularly after restructuring a specific corporate loan. Despite this optimism, the current low LLC poses a challenge for the group to absorb any short-term increase in the GIL ratio. This vulnerability, combined with potential macro headwinds and tight monetary policy, introduces potential upside risk in credit cost, in our view. Our current credit cost forecast of 30bp in 2H23 (vs management guidance of 20-25bp) has taken this into account.
- Loans growth to gain momentum in 2H23.** RHB's loans growth in 1H23 was modest, with a ytd increase of just 0.9% by end-Jun 23. This sluggish growth was influenced by significant corporate loan repayments and the seasonal impact of weaker consumer loans during festive periods. However, management anticipates a recovery in loans growth for 2H23, evident from stronger corporate loan disbursements between July and October. Consequently, the bank maintains its 2023 loans growth guidance at 4-5% (our estimate: +4.5%). The overall growth will be supported by the drawdown of old mortgage loans, improved corporate loan disbursements without lumpy repayments, and contributions from the Singapore operations.
- Opex growth capped at ~5%.** Management has highlighted a number of cost-cutting initiatives by focusing on ways to drive further efficiencies in systems and administrative processes. 1H23 opex growth came in at 6.5% yoy but would have been lower at 4.7% yoy excluding the impact of the one-off union staff salary adjustments. Management aims to limit expense growth to approximately 5%. However, due to intense NIM pressure in 1H23, the group's cost/income ratio (CIR) stands at 46.5%, surpassing the 2023 target of <45.0%. With the 1H23 CIR at 47.5%, it appears unlikely that the management's FY23 target of achieving a sub-45% CIR will be met.
- Non-interest income trend.** Management alluded that robust gains from treasury forex income, particularly from derivative swap gains against USD borrowings, are anticipated to support non-interest income (NII) remaining near the RM500m run-rate in 3Q23. Additionally, RHB expects fee income to strengthen with robust commercial loan formation. Overall, our projection indicates an 11% expansion in NIIs for FY23 (vs 1H23: +24%).
- Dividend outlook unchanged.** RHB has maintained a minimum dividend payout policy of 30%. Management indicated that FY22's relatively high dividend payout ratio of 62.5% was due to the lower earnings base caused by the negative impact of Cukai Makmur, indirectly hinting that FY23 dividend payout ratio could normalise slightly downwards. We are maintaining our current dividend payout assumption of 55%, which implies a current yield of 6.8%.
- Impact of Basel 4 still fluid but impact well-absorbed by robust CET1 ratio.** Management indicated that they are still studying the adoption of Basel 4 on its capital ratios. However, given the group's robust CET1 ratio of 16.7%, management believes that there is adequate buffer to absorb the negative impact on capital ratios.
- Outlook.** 2023 key guidance are as follows: a) loans growth: 4-5%, b) net credit cost: 10-15bp, and c) ROE: 11%.

EARNINGS REVISION/RISK

- No changes.

VALUATION/RECOMMENDATION

- Maintain HOLD with a higher target price of RM6.35** (9.0% ROE 2024, 0.80x 2024F P/B) from RM6.10 after rolling forward our target price to 2024. We think that current valuations of -1SD to its historical mean P/B is fair as modest earnings growth coupled with upside risk to provisions is balanced by its relatively attractive dividend yields of 6.8% and high CET1.

KEY ASSUMPTIONS

(%)	2023F	2024F	2025F
Loan Growth	4.2	4.5	5.5
Credit Cost (bps)	10.0	20.0	20.0
ROE	8.8	9.0	9.7

Source: UOB Kay Hian

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

• Environmental

- Green loan commitment.** RM3.3b extended as of Jun 21, of which 20% is for renewable energy projects. Targeting RM5b in Green Financing Commitment by 2025.
- Zero new coal financing.** With effect from 2022, RHB will not be pursuing opportunities or providing financing for any new thermal coal mine projects and coal-fired power plant projects.

• Social

- Board and upper management gender diversity.** Maintained 30% female directors on the Board and 26.1% for top and senior management as at Jun 21.
- Scholarship for underprivileged children.** >RM2m allocated for RHB X-Cel programme to assist B40 (underprivileged) students to achieve academic excellence - benefiting more than 1,400 B40 students annually.

• Governance

- Non-independent board of directors composition.** Composition of Independent Non-Executive Directors (INED) – 60 % as at 15 Mar 21, from 55% as at 16 Mar 20.

Source: UOB Kay Hian

P/B



Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Interest income	7,382	7,879	8,411	8,972
Interest expense	(3,208)	(4,412)	(4,591)	(4,762)
Net interest income	4,174	3,467	3,820	4,209
Fees & commissions	866	927	1,038	1,163
Other income	870	1,013	1,082	1,136
Non-interest income	1,736	1,940	2,121	2,299
Income from islamic banking	2,398	2,470	2,544	2,620
Total income	8,309	7,878	8,485	9,129
Staff costs	(2,250)	(2,385)	(2,528)	(2,731)
Other operating expense	(1,467)	(1,505)	(1,544)	(1,584)
Pre-provision profit	4,592	3,988	4,413	4,814
Loan loss provision	(421)	(221)	(462)	(489)
Other provisions	0	0	0	0
Associated companies	0	0	0	0
Other non-operating income	0	0	0	0
Pre-tax profit	4,171	3,767	3,951	4,326
Tax	(1,459)	(967)	(1,014)	(1,110)
Minorities	(4)	(4)	(4)	(4)
Net profit	2,708	2,796	2,933	3,211
Net profit (adj.)	2,953	2,796	2,933	3,211

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Cash with central bank	3,430	2,979	3,139	3,356
Govt treasury bills & securities	69,070	75,197	81,875	89,154
Interbank loans	652	718	789	868
Customer loans	208,379	216,929	226,447	239,384
Investment securities	0	0	0	0
Derivative receivables	1,960	1,852	1,743	1,635
Associates & JVs	0	0	0	0
Fixed assets (incl. prop.)	1,213	1,236	1,260	1,285
Other assets	26,084	27,837	29,849	32,223
Total assets	310,788	326,747	345,104	367,905
Interbank deposits	24,594	26,561	28,686	30,981
Customer deposits	227,160	236,246	249,240	263,197
Derivative payables	1,939	1,939	1,939	1,939
Debt equivalents	3,841	3,841	3,841	3,841
Other liabilities	24,508	26,996	29,442	35,147
Total liabilities	282,042	295,584	313,148	335,106
Shareholders' funds	28,715	31,127	31,915	32,755
Minority interest - accumulated	31	36	40	44
Total equity & liabilities	310,788	326,747	345,104	367,905

OPERATING RATIOS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Capital Adequacy				
Tier-1 CAR	16.9	18.6	18.1	17.5
Total CAR	19.3	22.1	21.4	20.6
Total assets/equity (x)	10.8	10.5	10.8	11.2
Tangible assets/tangible common	12.1	11.7	12.0	12.4
Asset Quality				
NPL ratio	1.6	1.9	2.1	2.0
Loan loss coverage	112.8	95.7	92.8	99.3
Loan loss reserve/gross loans	1.7	1.8	1.9	2.0
Increase in NPLs	11.5	29.3	13.9	3.0
Credit cost (bp)	19.9	10.0	20.0	20.0
Liquidity				
Loan/deposit ratio	91.7	91.8	90.9	91.0
Liquid assets/short-term liabilities	29.0	30.0	30.8	31.7
Liquid assets/total assets	23.5	24.1	24.9	25.4

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Growth (yoy chg)				
Net interest income	2.8	(16.9)	10.2	10.2
Fees & commissions	(20.8)	7.0	12.0	12.0
Pre-provision profit	1.8	(13.2)	10.7	9.1
Net profit	(5.4)	3.3	4.9	9.5
Net profit (adj.)	(10.0)	(5.3)	4.9	9.5
Customer loans	6.9	4.1	4.4	5.7
Customer deposits	3.9	4.0	5.5	5.6
Profitability				
Net interest margin	2.2	1.9	1.9	2.0
Cost/income ratio	44.7	49.4	48.0	47.3
Adjusted ROA	1.0	0.9	0.9	0.9
Reported ROE	9.5	9.3	9.3	9.9
Adjusted ROE	10.4	9.3	9.3	9.9
Valuation				
P/BV (x)	0.8	0.7	0.7	0.7
P/NTA (x)	0.9	0.8	0.8	0.8
Adjusted P/E (x)	7.6	8.0	7.7	7.0
Dividend Yield	7.1	6.8	7.2	8.3
Payout ratio	59.2	55.0	55.0	58.0

UOBKH HIGHLIGHTS

UEM Sunrise (UEMS MK/SELL/RM0.80/Target: RM0.58)

3Q23: Results Within Expectations

3Q23 RESULTS

SUMMARY EARNINGS FORECAST

Year to 31 Dec	3Q23 (RMm)	2Q22 (RMm)	qoq % chg	yoy % chg	9M23 (RMm)	yoy % chg	Year to 31 Dec(RMm)	2022	2023F	2024F	2025F
Revenue	312.4	364.0	(14.2)	(14.4)	917.1	(19.4)	Net Turnover	1,473	1,483	1,516	1,552
EBIT	42.5	68.8	(38.3)	(30.7)	174.8	0.5	Operating Profit	249.0	239.0	249.8	262.7
Profit Before Tax	13.6	44.9	(69.8)	(57.9)	86.1	(7.6)	Net Profit (Reported/Actual)	80.5	81.2	87.2	94.7
Net Profit	8.5	24.7	(65.7)	(59.1)	48.5	(19.2)	Net Profit (Adjusted)	74.6	81.2	87.2	94.7
Core PATAMI	8.5	23.6	(63.9)	(64.9)	44.3	(28.0)	EPS (sen)	1.5	1.6	1.7	1.9
							PE (x)	42.0	38.6	36.0	33.1
							P/B (x)	0.5	0.5	0.5	0.4
							Net Margin (%)	5.1	5.5	5.5	5.7
							Net Debt/(Cash) to Equity (%)	47.9	47.0	42.4	37.6
							Consensus Net Profit	-	84.3	88.9	98.4
							UOBKH/Consensus (x)	-	1.0	1.0	1.0
Margins	%	%	+/- ppt	+/- ppt	%	+/- ppt					
Gross Profit	13.6	18.6	(5.0)	(4.6)	18.6	3.2					
EBIT	4.3	12.3	(8.0)	(2.7)	9.4	1.2					
PBT	2.7	6.8	(4.1)	(3.0)	5.3	0.0					
Core Net Profit	2.7	6.5	(3.8)	(4.3)	4.8	(0.6)					

Source: Uem Sunrise, Uob Kay Hian

RESULTS

- In line.** UEM Sunrise (UEMS) recorded a 3Q23 core net profit of RM8.5m (-64% qoq, -65% yoy) on the back of revenue of RM312m (-14% qoq, -14% yoy). Cumulatively, 9M23 core net profit of RM44.3m (-28%) accounted for 55% of both our and consensus' full-year estimates. We deem the results in line as we expect: a) stronger earnings ahead from land sales (we estimate about RM20m contribution to net profit from land sales), as well as b) completion of a few projects (Southern region: Aspira Gardens and Senadi Square; Central region: Astrea).
- Excluding exceptional items amounting to RM5.2m (mainly on forex gain and losses from discontinued operation) from reported net profit of RM49.5m, 9M23 core net profit would be RM44.3m.

COMMENTS

- Weaker qoq/yoy results.** Revenue and earnings were weaker qoq and yoy due to a lower number of ongoing projects, lower land sales, a higher number of lower-margin products, higher expenses from marketing cost (for new launches) as well as weaker results for JV and associates. We estimate 3Q23 could have been loss making if not for RM31m of land sales from the Iskandar Puteri region (2Q23 land sales: RM69m; 3Q22 land sales estimated at RM5.9m). We estimate net gain of around RM10m from this land sales assuming 30% net margin.
- 1H23 revenue declined 23%** due to land sales of 19 industrial plots in SiLC (to AME Elite) and the sale of non-strategic lands (collectively RM246m) in 1H22 (vs RM127m of land sales in 9M23). However, core net profit declined at a higher rate of 28% on higher finance cost (+10%) as well as weaker profit contribution from JV and associate.
- Property sales for 9M23 came in at RM1.8b (exceeding its full-year target of RM1.5b)**, mainly attributed to its fund-through project in Collingwood, Australia (RM874m). 3Q23 inventory was further reduced by 7% qoq to RM135.9m. As inventories continue to decline, future sales will rely more on the upcoming new product launches ahead. Unbilled sales was maintained at RM2.7b, which will be recognised in the next 18-36 months. RM3.4b worth of projects have been launched to date, exceeding the target GDV of RM2.5b. Management also unveiled about RM2.3b of new product launches (mostly landed houses) in the Johor region. These will be launched from 2Q24 onwards, which we think will be well-received. UEMS's total Johor landbank currently stands at 7,632 acres (with 4,933 in Iskandar Puteri), with GDV of RM76b (71% of total remaining GDV of RM106b).

VALUATION/RECOMMENDATION

- Maintain SELL with an unchanged price of RM0.58** based on 68% discount to RNAV of RM1.84 (in line with its five-year historical average discount to RNAV). Our target price implies 0.5x 2023F P/B (1.2SD above its five-year historical mean). In terms of PE, the stock is trading at an expensive valuation of 38.6x 2023F PE (1.6SD above its five-year forward PE).

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TRADERS' CORNER



Genting Bhd (GENTING MK)

Technical BUY with +11.9% potential return

Last price: RM4.38

Target price: RM4.65, RM4.90

Support: RM4.15

Stop-loss: RM4.10

BUY with a target price of RM4.90 and stop-loss at RM4.10. GENTING has consolidated in recent months, potentially forming a double-bottom chart pattern with a breakout level at RM4.50. Persistent buying interest as shown by the DMI should drive share price higher. Additionally, the positive MACD reading suggests a stronger uptrend ahead. We expect the stock to continue to move toward our targets at RM4.65 and RM4.90 in the near to medium term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading



Malaysia Steel Works (MASTEEL MK)

Technical BUY on breakout with +16.2% potential return

Last price: RM0.34

Target price: RM0.370, RM0.395

Support: RM0.310

Stop-loss: RM0.305

BUY on breakout with a target price of RM0.395 and stop-loss at RM0.305. The stock has been trading above the BBI line, and rebounded on yesterday's gain to establish a new up-leg. Persistent buying interest as shown by the DMI should drive share price higher. Additionally, the positive MACD reading suggests a stronger uptrend ahead. We expect the stock to continue to move toward our targets at RM0.375 and RM0.395 in the near to medium term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

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