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KEY HIGHLIGHTS

Results

Suntec REIT (SUN SP/HOLD/S\$1.12/Target: S\$1.12)

3Q23: Weakness in Australia and UK portfolios.

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Update

Sea (SE US/BUY/US\$44.61/Target: US\$72.25)

Reinvestment to impact near-term earnings; positive for the medium term.

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TRADERS' CORNER

Yangzijiang Shipbuilding (YZJSGD SP): Trading BUY

iFAST Corp (IFAST SP): Trading SELL

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KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	32936.4	(0.6)	(3.1)	(3.0)	(0.6)
S&P 500	4217.0	(0.2)	(3.6)	(2.4)	9.8
FTSE 100	7374.8	(0.4)	(3.4)	(4.0)	(1.0)
AS30	7030.0	(0.8)	(2.6)	(3.3)	(2.7)
CSI 300	3474.2	(1.0)	(4.2)	(7.1)	(10.3)
FSSTI	3053.4	(0.8)	(3.5)	(4.7)	(6.1)
HSCEI	5871.7	(0.9)	(4.0)	(6.2)	(12.4)
HSI	17172.1	(0.7)	(3.6)	(4.9)	(13.2)
JCI	6742.0	(1.6)	(2.2)	(3.9)	(1.6)
KLCI	1438.1	(0.2)	(0.1)	(0.8)	(3.8)
KOSPI	2357.0	(0.8)	(3.3)	(6.0)	5.4
Nikkei 225	30999.6	(0.8)	(2.1)	(4.3)	18.8
SET	1399.4	(1.7)	(3.5)	(8.1)	(16.1)
TWSE	16251.4	(1.2)	(2.4)	(0.6)	15.0
BDI	2017	(1.4)	2.3	26.6	33.1
CPO (RM/mt)	3691	(1.7)	1.4	0.0	(8.8)
Brent Crude (US\$/bbl)	90	(2.5)	0.2	(3.7)	4.6

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (S\$)	Chg (%)	5-day ADT (S\$m)
United Overseas Bank	27.62	(0.5)	88.3
DBS Group Holdings	33.01	(0.2)	77.4
Yangzijiang Shipbuilding	1.41	(1.4)	56.1
Singapore Airlines	5.95	(0.3)	50.4
CapitaLand Ascendas REIT	2.50	0.8	47.9

TOP GAINERS

Company	Price (S\$)	Chg (%)	5-day ADT (S\$m)
Keppel DC REIT	1.78	3.5	35.1
UMS Holdings	1.23	2.5	6.3
Hong Leong Finance	2.48	1.2	0.2
Singapore Post	0.48	1.1	1.2
Frasers Hospitality Trust	0.50	1.0	1.8

TOP LOSERS

Company	Price (S\$)	Chg (%)	5-day ADT (S\$m)
Yangzijiang Financial Holding	0.32	(7.4)	5.3
iFAST Corp	5.30	(5.0)	1.9
Digital Core REIT Management	0.48	(5.0)	2.5
Top Glove Corp	0.20	(4.8)	0.3
Olam Group	0.94	(4.6)	1.3

*ADT: Average daily turnover

KEY ASSUMPTIONS

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

Source: Bloomberg, UOB ETR, UOB Kay Hian

COMPANY RESULTS

Suntec REIT (SUN SP)

3Q23: Weakness In Australia And UK Portfolios

Resiliency was seen in Singapore with office and retail properties raking in positive rental reversion of 14% and 25% respectively in 3Q23. NPI from Australia dropped 7.6% yoy with the Australian dollar depreciating by 4.4% yoy against the Singapore dollar. Occupancy for The Minster dropped 12.7ppt qoq to 87.3% due to default by a co-working operator. 2024 distribution yield is fair at 5.7%, although P/NAV of 0.54x is attractive. Maintain HOLD. Target price: S\$1.12.

3Q23 RESULTS

Year to 31 Dec (S\$m)	3Q23	yoy % chg	Remarks
Gross Revenue	123.4	+15.0	Growth from Suntec City Office, Suntec City Mall and Suntec Convention, offset by weakness from the Australian dollar.
Net Property Income	84.6	+9.7	Growth from ORQ and MBFC negated by higher interest rates.
Income Contribution from JVs	23.8	-20.4	Affected by higher interest rates.
Distributable Income	52.0	-13.3	
-From Operations	46.2	-14.8	
-From Capital	5.8	0.0	
DPU (S cents)	1.793	-14.0	Included capital distribution of 0.198 S cents

Source: SUN, UOB Kay Hian

RESULTS

- Suntec REIT (SUN) reported 3Q23 DPU of 1.793 S cents (-14% yoy), which is below our expectations due to lower contributions from Australia and higher interest rates.
- Singapore Office: 21st consecutive quarter of positive reversion.** NPI from Singapore Office portfolio increased 1.5% yoy in 3Q23. Occupancy inched higher by 0.2ppt qoq to 99.5% and achieved positive rental reversion of 14% (2Q23: +10.5%). Occupancies remain high at 100.0% for Suntec City Office, 99.7% for One Raffles Quay (ORQ) and 98.2% for Marina Bay Financial Centre (improved 0.6ppt qoq). Average pass rent for Suntec City Office increased 6% yoy to S\$9.84psf pm in 3Q23.
- Suntec City Mall: 6th consecutive quarter of positive reversion.** NPI from Suntec City Mall increased 10.8% yoy in 3Q23. Occupancy for Suntec City Mall improved 0.4ppt to 98.7%. Rental reversion surged to 25.3% (2Q23: +18.2%). SUN introduced six new-to-market and five new-to-Suntec brands in 3Q23. Shopper traffic and tenant sales have improved by 2% and 0.4% yoy respectively.
- Suntec Convention resumed dividend payout.** Recovery was driven by international, domestic and consumer events. Suntec Convention contributed dividends of S\$1.9m in 3Q23. Management expects dividends to exceed S\$10m in 2024.
- Contributions from Australia hit by weak Australian dollar.** NPI from Australia dropped 7.6% yoy in 3Q23 due to higher operating expense and higher interest expense. The Australia portfolio registered positive rental reversion of 12% but the Australian dollar depreciated by 4.4% yoy against the Singapore dollar.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	358	427	452	469	487
EBITDA	191	249	247	266	276
Operating profit	191	249	247	266	276
Net profit (rep./act.)	465	463	164	140	148
Net profit (adj.)	164	238	142	140	148
EPU (S\$ cent)	5.7	8.3	4.9	4.8	5.0
DPU (S\$ cent)	8.7	8.9	7.3	6.4	6.6
PE (x)	19.5	13.5	22.8	23.4	22.3
P/B (x)	0.5	0.5	0.5	0.5	0.5
DPU Yld (%)	7.7	7.9	6.5	5.7	5.9
Net margin (%)	130.0	108.3	36.3	29.9	30.3
Net debt/(cash) to equity (%)	72.7	70.8	62.3	63.4	64.5
Interest cover (x)	2.0	2.2	1.7	1.7	1.7
ROE (%)	7.5	7.2	2.5	2.2	2.3
Consensus DPU (S\$ cent)	n.a.	n.a.	7.1	7.1	7.4
UOBKH/Consensus (x)	-	-	1.02	0.90	0.89

Source: Suntec REIT, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$1.12
Target Price	S\$1.12
Upside	+0.0%
(Previous TP)	S\$1.30

COMPANY DESCRIPTION

SUN owns Suntec City, comprising Suntec City Office and Suntec City Mall, and a 60.8% stake in Suntec Convention & Exhibition Centre. It has one-third stake in Marina Bay Financial Centre Tower 1 & 2, Marina Bay Link Mall and One Raffles Quay. It has expanded overseas to Australia and the UK.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	SUN SP
Shares issued (m):	2,893.4
Market cap (S\$m):	3,240.6
Market cap (US\$m):	2,361.8
3-mth avg daily t'over (US\$m):	4.6

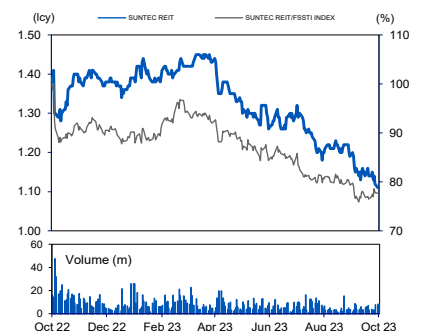
Price Performance (%)

52-week high/low	S\$1.45/S\$1.12			
1mth	3mth	6mth	1yr	YTD
(8.2)	(13.2)	(21.7)	(21.1)	(18.8)

Major Shareholders

Tang Gordon & family	23.7
ESR Group	9.0
FY23 NAV/Share (S\$)	2.10
FY23 Net Debt/Share (S\$)	1.38

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **The UK: Lower occupancy at The Minster.** NPI from the UK increased 19.6% in 3Q23 due to higher occupancy and rent at Minster Building. Pound sterling also strengthened 3.9% yoy against the Singapore dollar (low base effect). Occupancy for The Minster dropped 12.7ppt qoq to 87.3% in 3Q23 due to default by a co-working operator. SUN is in discussion with an existing tenant looking to expand within the same building to take up two out of the three vacated floors.
- **Steep increase in cost of debts.** All-in financing cost increased 1.02ppt yoy and 0.14ppt qoq 3.78% in 3Q23. Aggregate leverage remains elevated at 42.6%. The proportion of borrowings hedged to fixed rates is low at 55%. Management guided for cost of debt at 4.25% for 2024 after refinancing bank facility of S\$900m in 2Q24.

STOCK IMPACT

- **Shadow office space significantly absorbed.** According to CBRE, rents for Grade A office space in core CBD increased 2.2% yoy and 0.4% qoq to S\$11.85psf/month in 3Q23. Vacancy has tightened significantly by 0.8ppt qoq to 3.2%. There was healthy demand from private wealth, asset management and consumer goods companies. The positive momentum was underpinned by limited supply, companies tightening hybrid work arrangements and completion of IOI Central Boulevard Towers being delayed to 1Q24. CBRE estimated that the amount of shadow space was halved to 0.33m sf compared with a record high of 0.7m sf in 1Q23. CBRE expects rents for Grade A office space in core CBD to increase 1.5-2.0% in 2023 (previous: flat).
- **Singapore provides resiliency.** Management expects office demand and rent growth to moderate due to geopolitical and macro uncertainties. Tenants are focusing on cost containment. Rental reversion for Singapore Office is expected to remain positive. MICE events and tourism recovery are expected to drive growth in shopper traffic and tenant sales. Tenant sales are expected to maintain above pre-pandemic levels. Management expects Suntec City Mall to achieve positive rental reversion of 10-15% in 2024.
- **Headwinds Down Under.** Office vacancy in Sydney and Melbourne CBD is expected to increase due to slowdown in leasing momentum and new supply. In particular, Adelaide will be impacted by higher incentives and significant new supply in 4Q23. Occupancy at 55 Currie Street in Adelaide is expected to drop by 40ppt to 60% in 4Q23 due to non-renewal by an anchor government tenant. Management anticipates downtime of up to 12 months. SUN is investing S\$20m to enhance 177 Pacific Highway, Southgate Complex and 55 Currie Street, which is already underway. Management plans to build fully-fitted office suites to attract cost-conscious tenants.
- **Divestments mitigate negative impact from revaluation losses.** Management will explore potential divestment of mature assets and strata units at Suntec City Office to deleverage. SUN has divested three strata units with total NLA of 11,000sf at Suntec City Office at above S\$3,000psf. Management targets to divest S\$100m worth of office properties in Singapore this year, which will help to mitigate negative impact from revaluation losses from overseas office properties at end-23.

EARNINGS REVISION/RISK

- We cut our 2024 DPU forecasts by 16% due to higher cost of debt and lower occupancy for Minster Building. We did not factor in any capital distribution for 2024 and 2025.

VALUATION/RECOMMENDATION

- **Maintain HOLD.** Our target price of S\$1.12 is based on DDM (cost of equity: 7.25%, terminal growth: 1.5%). SUN trades at a discount of 46% to NAV per unit of S\$2.09.

SHARE PRICE CATALYST

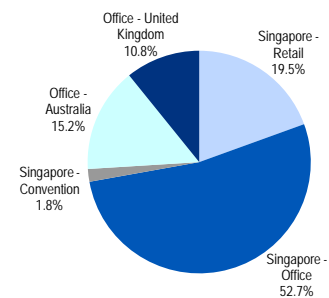
- Positive rent reversion at Suntec City Office and Suntec City Mall in Singapore.
- Employees returning to work at Suntec City Office and resumption of events at Suntec Convention could trigger recovery in shopper traffic and tenant sales at Suntec City Mall.

KEY OPERATING METRICS

Key Metrics	3Q22	4Q22	1Q23	2Q23	3Q23	yoy % Chg	qoq % Chg
DPU (S cents)	2.084	1.99	1.737	1.739	1.793	-14.0%	3.1%
Office Occupancy	97.9%	98.3%	98.6%	98.6%	97.4%	-0.5ppt	-1.2ppt
Retail Occupancy	95.9%	97.5%	97.6%	97.5%	97.9%	2ppt	0.4ppt
Aggregate Leverage	43.1%	42.4%	42.8%	42.6%	42.7%	-0.4ppt	0.1ppt
All-in-Financing Cost	2.76%	2.94%	3.68%	3.64%	3.78%	1.02ppt	0.14ppt
% Borrowing in Fixed Rates	58.0%	66.0%	72.0%	58.0%	55.0%	-3ppt	-3ppt
Debt Maturity (years)	2.73	2.85	2.55	2.90	2.72	0yrs	-0.2yrs
Suntec Office Passing Rent (S\$ psf pm)	9.28	9.35	9.71	9.79	9.84	6.0%	0.5%

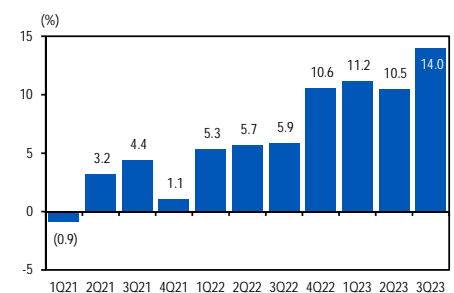
Source: SUN

PORTFOLIO VALUATION BY ASSET TYPE (DEC 22)



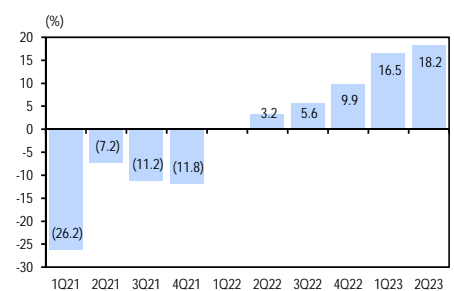
Source: SUN

RENT REVERSION – SINGAPORE OFFICE



Source: SUN

RENT REVERSION – SUNTEC CITY MALL



Source: SUN

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	427.3	452.1	468.6	487.4
EBITDA	248.6	247.4	266.0	276.2
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	248.6	247.4	266.0	276.2
Total other non-operating income	8.1	4.9	5.0	5.0
Associate contributions	144.9	68.3	55.8	55.8
Net interest income/(expense)	(112.2)	(148.1)	(157.1)	(159.2)
Pre-tax profit	513.9	194.3	169.7	177.8
Tax	(16.2)	(13.3)	(8.5)	(8.9)
Minorities	(20.8)	(3.2)	(8.0)	(8.0)
Preferred dividends	(14.0)	(13.5)	(13.2)	(13.2)
Net profit	462.8	164.3	140.0	147.7
Net profit (adj.)	238.3	142.4	140.0	147.7

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	273.0	743.9	292.0	297.0
Pre-tax profit	238.3	171.0	140.0	147.7
Associates	(144.9)	(68.3)	(55.8)	(55.8)
Working capital changes	30.1	(35.6)	4.0	1.2
Non-cash items	28.4	27.7	27.4	27.7
Other operating cashflows	121.0	649.0	176.4	176.2
Investing	126.0	199.9	47.8	48.8
Capex (growth)	0.0	0.0	0.0	0.0
Capex (maintenance)	(13.9)	(8.0)	(8.0)	(8.0)
Investments	162.4	107.9	55.8	55.8
Proceeds from sale of assets	0.0	100.0	0.0	0.0
Others	(22.5)	0.0	0.0	1.0
Financing	(383.6)	(990.0)	(330.5)	(340.6)
Distribution to unitholders	(263.4)	(210.6)	(186.2)	(194.1)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	(75.5)	(594.4)	50.0	50.0
Others/interest paid	(44.6)	(185.1)	(194.3)	(196.5)
Net cash inflow (outflow)	15.4	(46.2)	9.2	5.1
Beginning cash & cash equivalent	268.3	269.6	223.4	232.6
Changes due to forex impact	(14.1)	0.0	0.0	1.0
Ending cash & cash equivalent	269.6	223.4	232.6	238.7

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	7,907.7	7,865.6	7,865.6	7,865.6
Other LT assets	3,505.7	2,948.7	2,948.7	2,948.7
Cash/ST investment	269.6	223.4	232.6	237.7
Other current assets	27.5	71.3	74.5	75.5
Total assets	11,710.5	11,109.0	11,121.5	11,127.5
ST debt	645.6	999.1	999.1	999.1
Other current liabilities	161.1	157.8	166.5	169.1
LT debt	4,197.9	3,250.0	3,300.0	3,350.0
Other LT liabilities	121.7	119.2	119.2	119.2
Shareholders' equity	6,464.4	6,463.4	6,417.2	6,370.7
Minority interest	119.7	118.9	118.9	118.9
Total liabilities & equity	11,710.5	11,108.5	11,120.9	11,127.0

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	58.2	54.7	56.8	56.7
Pre-tax margin	120.3	43.0	36.2	36.5
Net margin	108.3	36.3	29.9	30.3
ROA	4.0	1.4	1.3	1.3
ROE	7.2	2.5	2.2	2.3
Growth				
Turnover	19.3	5.8	3.6	4.0
EBITDA	30.5	(0.5)	7.5	3.8
Pre-tax profit	(0.3)	(62.2)	(12.7)	4.8
Net profit	(0.5)	(64.5)	(14.8)	5.5
Net profit (adj.)	45.5	(40.2)	(1.7)	5.5
EPU	44.3	(40.7)	(2.4)	4.7
Leverage				
Debt to total capital	42.4	39.2	39.7	40.1
Debt to equity	74.9	65.7	67.0	68.3
Net debt/(cash) to equity	70.8	62.3	63.4	64.5
Interest cover (x)	2.2	1.7	1.7	1.7

COMPANY UPDATE

Sea (SE US)

Reinvestment To Impact Near-term Earnings; Positive For The Medium Term

3Q23 earnings are expected to turn negative due to increased reinvestment in Shopee and a potential drop in contributions from the digital entertainment segment. We have adjusted our earnings projections to factor in higher costs in e-commerce and digital financial services, along with a decrease in gaming activity for 2023. However, we maintain our BUY recommendation, with a revised target price of US\$72.25 (US\$94.34 previously). We foresee a positive upturn in 4Q23 and 2024.

WHAT'S NEW

• **3Q23 earnings in the red.** We expect Sea Limited's (SEA) 3Q23 earnings to be in the red. This is primarily due to:

a) **A pivot to reinvesting in Shopee.** Management's strategic shift towards reinvestment in Shopee is driven by the competitive e-commerce landscape in the ASEAN region. The emphasis lies in bolstering the platform's live-streaming features (Shopee Live), short-form videos and offering shipping subsidies. We gather that this reinvestment has brought positive outcomes, with a significant influx of top influencers and sellers utilising the platform to drive customer acquisition and retention. While this approach is poised to drive long-term GMV growth, it is expected to impact adj. EBITDA in the short term. Consequently, we have revised down segment earnings by 34% for FY23F, reflecting increased sales and marketing expenses as well as higher cost of services.

b) **Weaker active game users.** Based on Active Players' data, Free Fire's average monthly players remained stable mom in Aug 23 but experienced an 11% mom drop in Sep 23. Consequently, we anticipate a decline in Garena's active user base in 3Q23, considering Free Fire's significant contribution to Garena's earnings.

• **Better visibility expected in 4Q23 and 2024,** on the back of:

a) **Lesser threat to Shopee's dominant market share.** The recent ban on TikTok Shop in Indonesia, announced by the government on 4 Oct 23, eliminates a potential threat to Shopee's dominant market position. As the TikTok Shop feature operated directly on TikTok's social media platform, its exit from the Indonesian market aligns with regulatory compliance. This development favours pure e-commerce platforms and diminishes the competitive threat posed by TikTok. However, we remain vigilant regarding potential future developments, including TikTok's potential re-entry into the market with a standalone e-commerce platform and the emergence of new marketplace competitors.

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.	81.1	36.9	27.8
P/B (x)	3.2	4.4	3.7	3.0	2.4
EV/EBITDA (x)	n.m.	n.m.	31.0	15.9	13.0
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	-	-	926	1,048	1,588
UOBKH/Consensus (x)	-	-	0.33	0.71	0.65

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

BUY

(Maintained)

Share Price	US\$44.61
Target Price	US\$72.25
Upside	+62.0%
(Previous TP)	US\$94.34

COMPANY DESCRIPTION

Sea has developed an integrated platform consisting of digital entertainment, e-commerce and digital financial services, each localised to meet the unique characteristics of its markets.

STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	SE US
Shares issued (m):	521.2
Market cap (US\$m):	25,283.1
Market cap (US\$m):	25,283.1
3-mth avg daily t'over (US\$m):	349.7

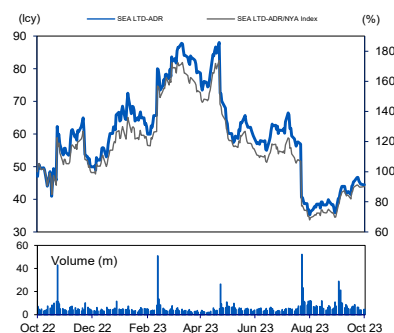
Price Performance (%)

52-week high/low	US\$88.07/US\$35.21				
1mth	3mth	6mth	1yr	YTD	
24.1	(27.1)	(43.7)	(3.4)	(14.3)	

Major Shareholders

	%
Forrest Li	25.2
Tencent	18.6
FY23 NAV/Share (US\$)	12.02
FY23 Net Cash/Share (US\$)	11.49

PRICE CHART



Source: Bloomberg

ANALYST(S)

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b) **Revival of Free Fire India.** Garena's plan to relaunch Free Fire India as an India-exclusive application addresses previous concerns regarding national security, which led to a 1.5-year ban. Although the launch date has been postponed from 5 Sep 23, we anticipate a 20% yoy increase in FY24F, reflecting India's substantial user base. Prior to the ban imposed in Feb 22, India accounted for approximately 20% of Free Fire downloads and 25% of its monthly active users. Additionally, with Garena's paying users experiencing growth for the first time in seven quarters in 2Q23, we anticipate a stable contribution from its active user base.

STOCK IMPACT

• **DFS on strong growth trajectory.** SEA's Digital Financial Services (DFS) segment saw considerable adj. EBITDA growth of 38.4% qoq in 2Q23, mainly from its credit business through its digital bank subsidiary, SeaBank Indonesia. We note that SeaBank Indonesia's deposits have grown 22% hoh in its recent results, which is a positive sign for SEA. With the rapid growth of digital banks in recent years, the financial landscape has also become collaborative, as evidenced by some traditional banks partnering with SeaMoney to scale banking services. We opine that DFS has strong growth potential, with good operating margins and synergy with the Shopee platform.

RECENT EVENTS IN E-COMMERCE/SOCIAL MEDIA LANDSCAPE IN SOUTHEAST ASIA AND BRAZIL

Country	Month	Event
Indonesia	Jun 23	TikTok pledged to invest billions into Southeast Asia, mainly in Indonesia, over the next few years to grow TikTok Shop.
	Sep 23	Indonesian government introduced Regulation No. 31 of 2023 to ban e-commerce transactions on social media platforms after merchants voiced concerns.
	Oct 23	TikTok discontinued access to TikTok Shop's e-commerce features.
Philippines	Sep 23	Senate passed Senate Bill No. 1846 to ensure all goods and services transacted digitally will be advertised.
Vietnam	Oct 23	Vietnam government found TikTok in violation of information security, child protection and e-commerce laws due to stored illegal information on servers.
Malaysia	Oct 23	The Ministry of Communications and Digital are examining TikTok Shop and the actions taken by the Indonesian government after multiple large retailers raised pricing concerns. TikTok's law compliance is also deemed unsatisfactory. TikTok said that it will take proactive measures to address the issues raised.
Brazil	Jun 23	Brazilian government announced Programa Remessa Conforme (PRC), a new tax compliance program to exempt participating companies from paying federal taxes on e-commerce purchases up to US\$50. The criteria include declaring imports, detailing product origins and more. This comes after complaints from local retailers about unfair competition from Asian companies like AliExpress, Shopee and Shein.
	Aug 23	Commencement of PRC.
	Sep 23	Sinerlog, AliExpress and Shein have been authorized to enter the program. Shopee has asked to join the program.
	Oct 23	The Finance and Taxation Commission held a public hearing on a proposal that aims to tax international online purchases. The project is still in discussion and will also need to be approved by the Constitution and Justice Commission afterward.

Source: Indonesia Ministry of Trade, TikTok, Senate of the Philippines, Vietnam Ministry of Information and Communications, Malay Mail, Reuters, The Brazilian Report, Folha de S.Paulo, Conquista de Fato

EARNINGS REVISION/RISK

• **Revised earnings.** We have revised down our earnings for SEA for 2023-25F by 68%/41%/40%, mainly factoring in the higher expenses for the e-commerce segment and digital financial services. On top of that, we have pencilled in slower growth for the gaming sector for FY23F due to the delayed launch of Free Fire India and drop in active gaming users.

VALUATION/RECOMMENDATION

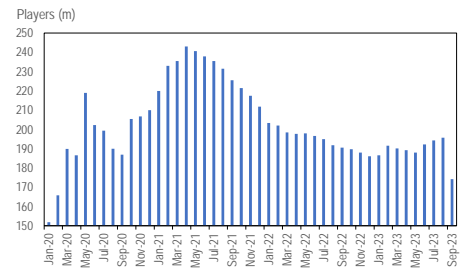
• **Maintain BUY with a lower target price of US\$72.25 (US\$94.34 previously).** We have rolled over our valuation to 2024F and adjusted earnings lower for 2023-25F. We have also pegged the e-commerce segment lower at 1.5x P/S for 2024F as compared to its peers at 2.0x P/S 2024F, given the strong e-commerce competition environment in its operating region.

• We expect a short-term kneejerk reaction from the upcoming results in 3Q23 and we recommend investors to accumulate on weakness with positive news coming on stream and the potential better than the market's expected e-commerce growth and contribution in the following quarters.

SHARE PRICE CATALYST

- New release of self-developed games.
- Earlier-than-expected annual net profit in 2023F.

DROP IN FREE FIRE MONTHLY AVERAGE PLAYERS



Source: Active Player

SOTP VALUATION SUMMARY

	2024F net profit/sales (US\$m)	Valuation Method	Valuation (x)	Fair Value (US\$)
Digital Entertainment (net profit)	1,424	PE	9.0	23.02
E-Commerce (sales)	8,303	PS	1.5	22.38
Digital Financial Services (net profit)	749	PE	20.0	26.85
Total (rounding off)				72.25

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Net turnover	12,449.7	12,751.1	14,050.5	14,930.2
EBITDA	(1,132.6)	612.7	1,190.9	1,456.6
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	(1,132.6)	612.7	1,190.9	1,456.6
Associate contributions	11.2	0.0	0.0	0.0
Net interest income/(expense)	70.1	14.3	54.7	108.1
Pre-tax profit	(1,334.1)	419.7	1,038.2	1,357.3
Tax	(168.4)	(117.8)	(299.5)	(339.1)
Minorities	6.4	4.4	6.0	6.5
Net profit	(1,496.2)	306.4	744.7	1,024.7
Net profit (adj.)	(1,496.2)	306.4	744.7	1,024.7

BALANCE SHEET

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Fixed assets	1,387.9	1,417.7	1,421.7	1,427.7
Other LT assets	2,909.2	2,946.4	2,980.9	3,016.9
Cash/ST investment	7,597.2	10,545.2	13,182.6	16,009.1
Other current assets	5,108.6	3,611.5	3,878.0	4,101.9
Total assets	17,002.8	18,520.8	21,463.2	24,555.6
ST debt	88.4	0.0	0.0	0.0
Other current liabilities	6,847.3	6,670.9	7,169.9	7,507.8
LT debt	3,338.8	4,148.0	4,148.0	4,148.0
Other LT liabilities	917.5	917.5	917.5	917.5
Shareholders' equity	5,715.7	6,693.7	9,143.1	11,904.1
Minority interest	95.1	90.7	84.7	78.2
Total liabilities & equity	17,002.8	18,520.8	21,463.2	24,555.6

CASH FLOW

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Operating	(2,124.5)	2,753.3	3,071.0	2,247.8
Pre-tax profit	(1,500.5)	419.7	1,038.2	1,357.3
Tax	(168.4)	(117.8)	(299.5)	(339.1)
Deprec. & amort.	0.0	404.9	417.3	423.5
Associates	11.2	0.0	0.0	0.0
Working capital changes	(615.7)	1,297.7	214.3	97.4
Non-cash items	149.0	748.8	1,700.7	708.8
Other operating cashflows	n.a.	n.a.	n.a.	n.a.
Investing	(200.7)	(448.9)	(437.6)	(448.9)
Capex (growth)	0.0	(416.4)	(396.9)	(398.1)
Investments	(200.7)	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	0.0	(32.5)	(40.6)	(50.8)
Financing	(328.9)	643.6	4.0	1,027.5
Dividend payments	0.0	0.0	0.0	1.0
Issue of shares	0.0	573.8	505.8	537.5
Proceeds from borrowings	(11.6)	(88.4)	0.0	0.0
Loan repayment	0.0	0.0	0.0	1.0
Others/interest paid	(317.3)	158.2	(501.9)	488.1
Net cash inflow (outflow)	(2,654.1)	2,948.0	2,637.4	2,826.5
Beginning cash & cash equivalent	10,838.1	7,597.2	10,545.2	13,182.6
Changes due to forex impact	n.a.	n.a.	n.a.	n.a.
Ending cash & cash equivalent	7,597.2	10,545.2	13,182.6	16,009.1

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	(9.1)	4.8	8.5	9.8
Pre-tax margin	(10.7)	3.3	7.4	9.1
Net margin	(12.0)	2.4	5.3	6.9
ROA	n.a.	1.7	3.7	4.5
ROE	n.a.	4.9	9.4	9.7
Growth				
Turnover	25.1	2.4	10.2	6.3
EBITDA	n.a.	n.a.	94.4	22.3
Pre-tax profit	n.a.	n.a.	147.4	30.7
Net profit	n.a.	n.a.	143.1	37.6
Net profit (adj.)	n.a.	n.a.	143.1	37.6
EPS	n.a.	n.a.	119.4	32.7
Leverage				
Debt to total capital	37.1	37.9	31.0	25.7
Debt to equity	60.0	62.0	45.4	34.8
Net debt/(cash) to equity	(73.0)	(95.6)	(98.8)	(99.6)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

TRADERS' CORNER



Yangzijiang Shipbuilding (YZJSGD SP)

Trading Buy range: S\$1.40-1.41
 Last price: S\$1.41
 Target price: S\$1.55
 Protective stop: S\$1.35

The price has reached its gap support zone that was formed since 27 June. A potential hammer reversal candlestick was formed yesterday. The RSI is giving potential divergence warning. These could increase chances of the stock price rebounding to move higher.

We see increasing odds of stock price testing S\$1.55. Stops could be placed at S\$1.35.

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

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



iFAST Corp (IFAST SP)

Trading Sell range: S\$5.60-5.62
 Last price: S\$5.30
 Target price: S\$5.10
 Protective stop: S\$5.72

The price broke and closed below its previous low support zone, as well as the two months' consolidation zone. The 20MA is falling, suggesting a bearish price trend. The RSI is falling below its neutral level. These could increase chances of the stock price moving lower.

We see increasing odds of stock price testing S\$5.10. Stops could be placed at S\$5.72.

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 HOLD and target price of S\$4.81.

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