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KEY HIGHLIGHTS

Sector

REITs

3QFY23: FLT (in line); 2Q23: SASSR (in line).

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Results

Bumitama Agri (BAL SP/BUY/\$0.560/Target: S\$0.650)

1H23: Results beat our and consensus expectations, thanks to its higher-than-peers CPO ASP and higher CPO output.

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CapitaLand Investment (CLI SP/BUY/\$3.18/Target: S\$4.25)

1H23: Still waiting on sustained recovery in China.

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First Resources (FR SP/HOLD/\$1.54/Target: S\$1.65)

1H23: Above expectations. Expect better 2H23 on higher production and downstream improvement. FR declared tax-exempted dividend of S\$0.025/share.

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Food Empire (FEH SP/BUY/\$1.08/Target: S\$1.36)

1H23: Steaming ahead with strong growth.

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Nanofilm Technologies International

(NANO SP/HOLD/\$1.01/Target: S\$1.00)

1H23: Results within expectation but slower-than-expected recovery for 2H23. Upgrade to HOLD.

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Singapore Technologies Engineering

(STE SP/BUY/\$3.78/Target: S\$4.20)

1H23: Results beat; better conviction on earnings growth outlook.

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Wilmar International (WIL SP/BUY/\$3.81/Target: S\$4.35)

1H23: Results below expectation. Almost all segments disappoint. May review earnings after briefing. Declares interim dividend of S\$0.06 per share or 1.6% yield.

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MONTHLY TECHNICAL - INDICES OUTLOOK

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FTSE Straits Times Index (STI IND): Price is consolidating within a triangle pattern

KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	35281.4	0.3	0.6	2.2	6.4
S&P 500	4464.1	(0.1)	(0.3)	(0.9)	16.3
FTSE 100	7524.2	(1.2)	(0.5)	1.2	1.0
AS30	7554.2	(0.2)	0.2	0.5	4.6
CSI 300	3884.3	(2.3)	(3.4)	(0.4)	0.3
FSSTI	3294.3	(0.9)	(0.3)	1.4	1.3
HSCEI	6540.6	(1.3)	(2.9)	(0.3)	(2.5)
HSI	19075.2	(0.9)	(2.4)	(1.7)	(3.6)
JCI	6880.0	(0.2)	0.4	0.2	0.4
KLCI	1457.2	(0.1)	0.8	3.2	(2.6)
KOSPI	2591.3	(0.4)	(0.4)	(1.4)	15.9
Nikkei 225	32473.7	0.8	1.0	0.8	24.4
SET	1535.2	0.1	0.3	1.1	(8.0)
TWSE	16601.3	(0.2)	(1.4)	(3.9)	17.4
BDI	1129	(0.7)	(0.6)	3.6	(25.5)
CPO (RM/mt)	3756	0.7	(1.1)	(1.7)	(7.2)
Brent Crude (US\$/bbl)	86	(0.5)	1.2	8.2	0.5

Source: Bloomberg

TOP VOLUME

Company	Price (S\$)	Chg (%)	Volume ('000s)
Seatrium	0.14	(0.7)	303,603
Genting Singapore	0.96	3.8	62,108
Yangzijiang Shipbuilding	1.68	(1.2)	23,862
Singapore Telecommunications	2.44	(1.2)	17,736
Thai Beverage	0.58	0.9	17,400

TOP GAINERS

Company	Price (S\$)	Chg (%)	Volume ('000s)
Genting Singapore	0.96	3.8	62,108
Fraser And Neave	1.08	1.9	16
Hutchison Port Holdings Trust	0.18	1.7	3,518
Tianjin Pharmaceutical Da -S	1.97	1.5	91
UOB-Kay Hian Holdings	1.37	1.5	55

TOP LOSERS

Company	Price (S\$)	Chg (%)	Volume ('000s)
Top Glove Corp	0.25	(3.9)	5,084
Nio Inc-Class A	13.12	(3.5)	158
Oue Commercial Real Estate	0.29	(3.4)	5,355
Esr-Logos Reit	0.32	(3.0)	14,289
UOL Group	6.74	(2.9)	1,904

KEY ASSUMPTIONS

GDP (% yoy)	2022	2023F	2024F
US	2.1	0.8	1.2
Euro Zone	3.5	0.1	1.0
Japan	1.0	1.0	1.5
Singapore	3.6	0.7	3.0
Malaysia	8.7	4.4	4.6
Thailand	2.6	3.1	3.5
Indonesia	5.4	4.9	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

SECTOR UPDATE

REITs – Singapore

3QFY23: FLT (In Line); 2Q23: SASSR (In Line)

BUY FLT (Target: S\$1.56) for growth in logistics rents in Australia and Germany and defensively low aggregate leverage of 28.6%. BUY SASSR (Target: S\$0.96) for recovery in domestic consumption and shift in consumer preference towards domestic fashion brands in China. Maintain OVERWEIGHT on S-REITs.

RESULTS

Frasers Logistics & Commercial Trust (FLT SP/BUY/Target: S\$1.56)

- Frasers Logistics & Commercial Trust (FLT) provided a business update for 3QFY23:
- **Strong rental reversion from logistics.** FLT achieved average rental reversion of +21.4% on average rent vs average rent basis and +9.8% on an incoming rent vs outgoing rent basis in 3QFY23. Logistics properties in New South Wales, Victoria and Germany registered strong positive rental reversions of +16.7%, +31.1% and +18.9% respectively on average rent vs average rent basis. Business Park in the UK saw green shoots of recovery with an uptick in positive rental reversion of +23.4%.
- **Portfolio occupancy inched higher by 0.3ppt qoq to 95.9%.** FLT has maintained full occupancy of 100% for logistics properties across Australia, Europe and the UK. Occupancy for Alexandra Technopark improved slightly by 1ppt qoq to 95.3%. In the UK, occupancy for Maxis Business Park improved by a significant 14.3ppt qoq to 80.3% after securing two new tenants (an accounting firm and a rating agency). FLT has also maintained a long portfolio WALE of 4.4 years.
- **Value-accretive developments in the UK.** FLT has completed the development of two UK logistics properties, namely Connexion II at Blythe Valley Business Park (£23.3m, 10,800sqm) (three standalone units) and Worcester at West Midlands (£28.3m, 16,900sqm), in 1HFY23. Development of logistics facility at Ellesmere Port at North West England (£101.0m, 62,000sqm) is pre-committed to Peugeot for 15 years and is expected to be completed by Dec 23.
- **Resilient balance sheet.** Aggregate leverage remained low at 28.6% as of Jun 23. Cost of debt inched slightly higher by 0.2ppt qoq to 2.0% on a trailing 12-month basis. 75% of its borrowings is hedged to fixed interest rates. Interest coverage ratio is healthy at 8.0x. NAV per unit was S\$1.27 as at Mar 23.
- **Australian logistics delivered strong rental growth.** Australia's logistics sector remains healthy with low vacancy rates and strong market rental growth in 2Q23 (Sydney: +31.6% yoy, Melbourne: +12.5% yoy and Brisbane: +18.9% yoy). The German and Dutch logistics market registered positive take-up and prime rents increased by 18.8% and 2.3% ytd respectively in 9MFY23.
- **Melbourne office sector under pressure.** The Melbourne office sector is hampered by lower physical occupancy of 47% and high vacancy rates at 16.2%. New supply is elevated with 10 new projects totalling 286,600sqm in the CBD and 18 projects totalling 177,500sqm. Occupancy for 357 Collins Street remains stable at 88.5%.
- **Leadership renewal.** FLT has appointed Anthea Lee as new CEO. She will officially take over with effect from 14 Aug 23. Anthea was previously CEO of Keppel DC REIT.
- **Maintain BUY** and target price of S\$1.56 based on DDM (cost of equity: 7.25%, terminal growth: 2.8%).

KEY OPERATING METRICS – FLT

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	yoy Chg	qoq Chg*
DPU (S cents)	n.a.	3.77	n.a.	3.52	n.a.	n.a.	n.a.
Occupancy	96.5%	96.4%	95.9%	95.9%	96.2%	-0.3ppt	0.3ppt
Aggregate Leverage	29.2%	27.4%	27.9%	27.8%	28.6%	-0.6ppt	0.8ppt
Weighted All-in Financing Cost	1.6%	1.6%	1.7%	1.8%	2.0%	0.4ppt	0.2ppt
% Borrowing in Fixed Rates	80.6%	81.7%	78.7%	76.2%	75.4%	-5.2ppt	-0.8ppt
WALE by GRI (years)	4.6	4.5	4.6	4.5	4.4	-0.2yrs	-0.1yrs
Debt Maturity (years)	3.0	2.7	2.7	2.4	2.2	-0.8yrs	-0.2yrs
Rental Reversion	9.9%	9.8%	11.0%	23.2%	21.4%	11.5ppt	-1.8ppt

Source: FLT, UOB Kay Hian * hoh % chg for DPU

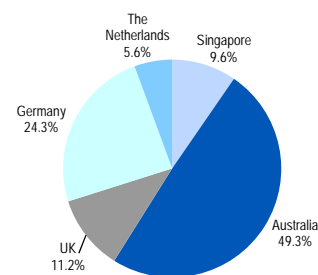
OVERWEIGHT (Maintained)

KEY PICKS

Company	Rec	Share Price (\$)	Target Price (\$)
CLAS	BUY	1.01	1.39
CLAR	BUY	2.75	3.30
FLT	BUY	1.22	1.56
MINT	BUY	2.23	2.89

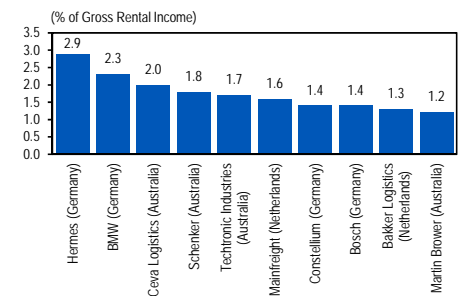
Source: UOB Kay Hian

PORTFOLIO VALUATION BY COUNTRY (JUN 23)



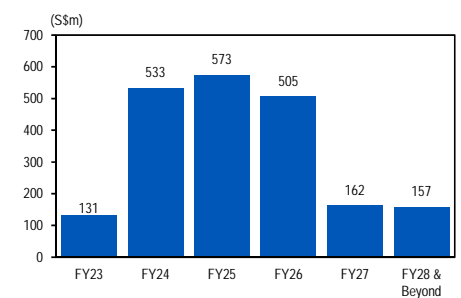
Source: FLT

TOP 10 LOGISTICS TENANTS (JUN 23)



Source: FLT

DEBT MATURITY PROFILE (JUN 23)



Source: FLT

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Sasseur REIT (SASSR SP/BUY/Target: S\$0.96)

2023 RESULTS

Year to 31 Dec (\$m)	2023	yoy % chg	Remarks
Outlet Sales (Rmb m)	961.5	+24.1	Boosted by China's reopening and recovery in domestic tourism and inter-city travel.
EMA Rental Income (Rmb m)	155.4	+8.4	
- Fixed Components (Rmb m)	111.9	+3.0	
- Variable Components (Rmb m)	43.5	+25.0	Rises in tandem with outlet sales.
EMA Rental Income (\$m)	29.5	-0.5	RMB depreciated -10.1% yoy against the SGD.
Distributable Income (\$m)	20.2	-0.4	Affected by higher average cost of debt.
Amount Retained (\$m)	-2.0	n.m.	Retained S\$0.9m in 2Q22.
DPU (S cents)	1.473	-7.2	

Source: SASSR, UOB Kay Hian

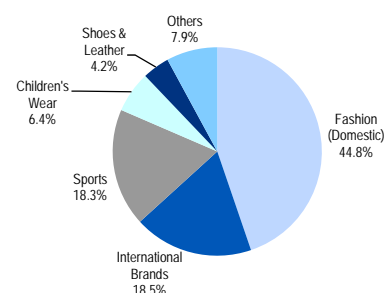
- Sasseur REIT (SASSR) reported 2Q23 DPU of 1.473 S cents (-7.2% yoy), which is in line with our expectations. SASSR retained S\$2.0m for principal amortisation of onshore RMB loans (2Q22: S\$0.9m). Payout ratio was 90.1% in 2Q23.
- **Held back by depreciation of Chinese Renminbi.** EMA rental income increased 8.4% yoy to Rmb155.4m in 2Q23. Fixed component increased 3% yoy while variable component surged 25% yoy in tandem with the rise in outlet sales of 24.1% yoy. In Singapore Dollar terms, EMA rental income declined 0.5% yoy to S\$29.5m as Chinese Renminbi depreciated 10.1% yoy against the Singapore Dollar.
- **Occupancy at all-time high.** The average occupancy across SASSR's four properties improved 0.6ppt yoy to 97.2% in 2Q23. Occupancy at Kunming Outlet improved 2ppt yoy. It completed asset enhancement in Jul 23, which added new food & beverage offerings KFC and Erlanggang Chongqing Hotpot. Occupancy at Chongqing Bishan Outlet improved 1.4ppt yoy to 95.9% after completing asset enhancement in 2022.
- **Sustained recovery from China's reopening.** Portfolio outlet sales of Rmb961.5m hit an all-time high and surpassed pre-pandemic levels. SASSR benefitted from sustained consumption recovery since China reopened. Outlet sales at Chongqing Liangjiang and Kunming increased 20.3% and 15.3% yoy respectively. Outlet sales at Hefei rebounded 50.2% yoy due to a low base as 2Q22 was affected by Shanghai's COVID-19 lockdown (Mar-May 22). Outlets' sales are expected to be stronger in 2H23 due to retail seasonality and mega sales events, such as anniversary sales.
- **Resiliency from low leverage.** Aggregate leverage was stable at 26.2% as of Jun 23, which remains the lowest amongst S-REITs. Average cost of debt was 5.8% in 2Q23 after completing refinancing in Mar 23. Average debt maturity has increased from 0.2 years to 3.3 years. There is no refinancing till 2026.
- **Benefitting from down trading as consumers seek affordable alternatives.** The outlet industry in China is counter-cyclical and has displayed greater resilience as economic growth slowed. Consumer preference has shifted towards lower-price products that do not compromise on quality. Affordable pricing offered at SASSR's outlet malls attracts patronage by middle-income families seeking value-for-money bargains. SASSR has curated a diverse range of experiential brand concepts that continues to capture consumers' mindshare, especially for domestic fashion brands.
- **Maintain BUY** and target price of S\$0.96 based on DDM (cost of equity: 8.5%, terminal growth: 1.5%).

KEY OPERATING METRICS – SASSR

	2022	3Q22	4Q22	1Q23	2Q23	yoy	qoq
DPU (S cents)	1.588	1.838	1.302	1.849	1.473	-7.2%	-20.3%
Occupancy	96.0%	96.9%	97.2%	96.6%	97.2%	1.2ppt	0.6ppt
Aggregate Leverage	26.5%	26.4%	27.6%	25.7%	26.2%	-0.3ppt	0.5ppt
Average Cost of Debt	4.5%	4.7%	4.9%	5.9%	5.8%	1.3ppt	-0.1ppt
Weighted Average Debt Maturity (years)	0.7	0.5	0.2	3.5	3.3	2.6yrs	-0.2yrs

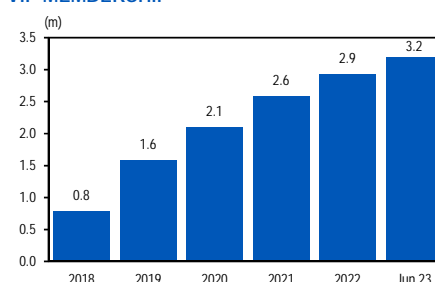
Source: SASSR, UOB Kay Hian

GROSS REVENUE BY TRADE SECTOR MIX



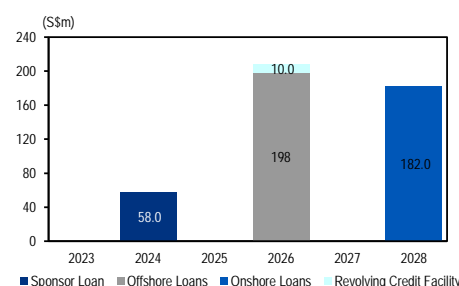
Source: SASSR

VIP MEMBERSHIP



Source: SASSR

DEBT MATURITY PROFILE



Source: SASSR

ACTION

- BUY FLT (Target: S\$1.56) and SASSR (Target: S\$0.96).

SECTOR CATALYSTS

- Hospitality, retail and office REITs benefitting from the reopening and easing of COVID-19 restrictions in Singapore and around the region.
- Limited new supply for logistics and retail segments in Singapore.

PEER COMPARISON

Name	Ticker	Rec	Price	Target	Mkt Cap (US\$m)	Yield (%)				Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
			11 Aug 23	Price		Hist	Curr	Fwd 1Y	Fwd 2Y			
Frasers L&C Trust	FLT SP	BUY	1.22	1.56	3,371	6.2	5.8	5.9	6.0	43.4	28.6	0.96
Sasseur REIT	SASSR SP	BUY	0.725	0.96	665	9.0	8.6	9.0	9.4	43.5	26.2	0.87

Source: Bloomberg, UOB Kay Hian

COMPANY RESULTS

Bumitama Agri (BAL SP)

1H23: Above Our Expectations; Surprisingly Good ASP

BAL's 1H23 results beat our and consensus expectations, thanks to its higher-than-peers CPO ASP and higher CPO production. 2H23 earnings may come in stronger hoh with higher CPO ASP and lower production cost. The management revised down its FFB production growth guidance due to slower recovery of its older trees, which is in line with our assumption. We revise earnings to capture the higher-than-expected CPO ASP. Maintain BUY with a target price of S\$0.65.

1H23 RESULTS

Year to 31 Dec (Rpb)	1H22	2H22	1H23	hoh % chg	yoy % chg	Remarks
Revenue	8,968	6,861	7,496	9.3	(16.4)	
EBITDA	3,389	1,442	1,643	13.9	(51.5)	
PBT	3,279	1,292	1,834	42.0	(44.1)	
Net Profit	2,179	647	1,189	83.6	(45.4)	
Core Net Profit	2,304	819	1,015	23.9	(56.0)	Above our expectation, thanks to higher palm oil output and higher than market CPO ASP.
EBITDA Margin	37.8	21.0	21.9	0.9	(15.9)	
Net Profit Margin	24.3	9.4	15.9	6.4	(8.4)	

Source: BAL, UOB Kay Hian

RESULTS

- **Results above expectation.** Bumitama Agri's (BAL) 1H23 earnings came in at Rp1,015b (+24% hoh, -56% yoy), accounting for 58% of our full-year forecast. Not only did the 1H23 earnings beat our and consensus estimates, BAL also reported a stronger qoq net profit of Rp760b (+77% qoq, -42% yoy) when we expected most of the plantation companies to report weaker qoq results due to higher fertiliser cost incurred in 2Q23. We attribute the positive variance mainly to the higher CPO production and higher-than-market CPO and PK selling prices.
- **Higher qoq net profit in 2Q23,** thanks to higher FFB and CPO production which had increased by 30% and 8% respectively. Interestingly, BAL'S CPO ASP had strengthened by 1% qoq to reach Rp11,756/kg in 2Q23, despite the market price of CPO dropping by 10% qoq.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net turnover	12,249	15,829	18,324	15,737	15,465
EBITDA	3,498	5,571	4,001	4,213	3,606
Operating profit	2,777	4,830	3,176	3,298	2,615
Net profit (rep./act.)	1,721	2,826	2,176	2,322	1,899
Net profit (adj.)	1,677	3,123	2,176	2,322	1,899
EPS (Rp)	957.9	1,783.5	1,242.6	1,325.9	1,084.4
PE (x)	6.6	3.5	5.1	4.8	5.8
P/B (x)	1.1	0.9	0.8	0.7	0.7
EV/EBITDA (x)	4.1	2.6	3.6	3.4	3.9
Dividend yield (%)	3.4	10.2	7.9	8.4	6.9
Net margin (%)	14.1	17.9	11.9	14.8	12.3
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	16.3	15.8	11.9
Consensus net profit	-	-	1,816	1,907	1,853
UOBKH/Consensus (x)	-	-	1.20	1.22	1.02

Source: Bumitama Agri Ltd, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.560
Target Price	S\$0.650
Upside	+16.1%

COMPANY DESCRIPTION

Pure upstream palm oil player in Indonesia

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	BAL SP
Shares issued (m):	1,734.1
Market cap (S\$m):	971.1
Market cap (US\$m):	719.4
3-mth avg daily t'over (US\$m):	0.2

Price Performance (%)

52-week high/low S\$0.640/S\$0.521

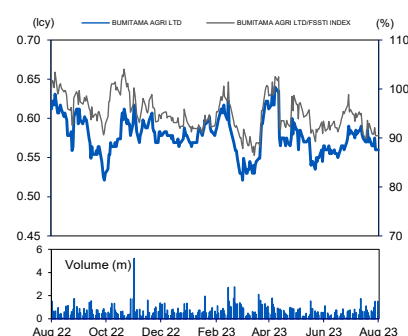
1mth	3mth	6mth	1yr	YTD
(2.6)	(3.4)	(4.0)	(7.0)	(1.5)

Major Shareholders

	%
Fortune Holdings Ltd	52.3
IOI Corporation	32.1

FY23 NAV/Share (Rp)	7,973
FY23 Net Debt/Share (Rp)	538

PRICE CHART



Source: Bloomberg

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• **1H23 results came in higher hoh, due to:**

- a) **Higher-than-expected production and sales volume**, especially in 2Q23. The higher-than-expected output was mainly supported by the 29% qoq rise in FFB yield and the improving oil extraction rates at 22.6% in 2Q23 (1Q23: 22.1%). We reckon that the strong FFB yield and OER improvement was mainly due to the better agro-management that led to better productivity.
- b) **Higher-than-market CPO and PK ASP**. Note that BAL's CPO ASP usually lags by 1-2 months due to the timing of delivery and hence BAL's 2Q23 CPO ASP outperformed its peers.

STOCK IMPACT

- **3Q23 may come in flat or lower qoq**, mainly due to lower CPO ASP. Recall that BAL's CPO ASP is always lagging by 1-2 months, and we reckon that the sharp decline in CPO prices in end-May 23 to early-Jun 23 would only be captured in BAL's 3Q23 CPO ASP. Having said that, this would be well-cushioned by the higher upcoming production and sales volume.
- **Higher margin in 2H23**. We expect 2H23 earnings to come in strongly hoh on the back of: a) lower fertiliser prices, b) higher production, and c) higher CPO prices in 2H23. On top of that, we also witnessed BAL's efficiency with improving FFB yield and oil extraction rate (OER) despite the challenging weather conditions.
- **Revised FFB production guidance**. The management revised down the FFB production guidance from 3-7% yoy to 0-5% yoy due to slower recovery of its older trees. Our forecast has already factored in 2% yoy FFB production growth for 2023 and is in line with the management's guidance.

EARNINGS REVISION/RISK

- **Revised earnings forecast**. We have revised our 2023 earnings forecasts, factoring in higher-than-expected CPO ASP. Our 2023-25 net profit forecasts are at Rp2.18t, Rp2.32t and Rp1.90t respectively.

VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of S\$0.65**, based on 6x 2024F PE. BAL had declared an interim dividend of S\$1.25 cent, translating to a dividend yield of 2.2%.

SHARE PRICE CATALYST

- Higher-than-expected CPO prices.
- Higher-than-expected FFB production.

HIGHER THAN PEERS ASP IN 2023



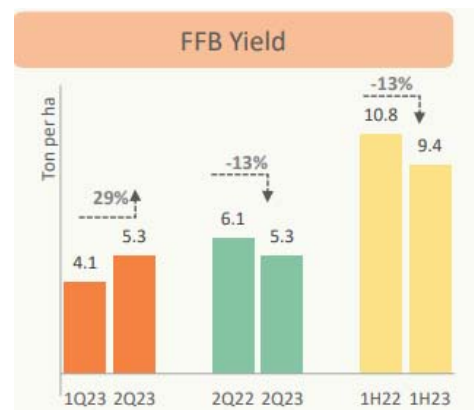
Source: BAL

HIGHER QOQ AND YOY SALES VOLUME



Source: BAL

STRONG FFB YIELD IMPROVEMENT



Source: BAL

PROFIT & LOSS

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Net turnover	15,829	18,324	15,737	15,465
EBITDA	5,571	4,001	4,213	3,606
Deprec. & amort.	740	825	915	991
EBIT	4,830	3,176	3,298	2,615
Total other non-operating income	0	0	0	0
Associate contributions	0	0	1	2
Net interest income/(expense)	37	237	343	361
Pre-tax profit	4,571	3,413	3,642	2,978
Tax	(1,172)	(853)	(910)	(745)
Minorities	(573)	(384)	(410)	(335)
Net profit	2,826	2,176	2,322	1,899
Net profit (adj.)	3,123	2,176	2,322	1,899

CASH FLOW

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Operating	3,513	3,628	3,217	3,160
Pre-tax profit	4,571	3,413	3,642	2,978
Tax	(737)	(853)	(910)	(745)
Deprec. & amort.	740	825	915	991
Working capital changes	(1,147)	243	(429)	(64)
Other operating cashflows	86	0	0	0
Investing	(494)	(1,400)	(1,400)	(1,400)
Capex (maintenance)	(182)	(1,400)	(1,400)	(1,400)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(312)	0	0	0
Financing	(2,378)	(1,868)	(1,926)	(1,755)
Dividend payments	(1,170)	(870)	(929)	(759)
Issue of shares	0	0	0	0
Proceeds from borrowings	72	0	0	0
Loan repayment	(1,158)	(1,000)	(1,000)	(1,000)
Others/interest paid	(121)	2	3	4
Net cash inflow (outflow)	642	359	(109)	5
Beginning cash & cash equivalent	176	818	1,177	1,068
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	826	1,414	1,302	1,303

BALANCE SHEET

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Fixed assets	14,989	15,564	16,049	16,458
Other LT assets	372	304	305	306
Cash/ST investment	826	1,414	1,302	1,303
Other current assets	3,712	3,542	3,896	3,953
Total assets	19,698	19,699	19,700	19,701
ST debt	79	79	79	79
Other current liabilities	1,780	1,852	1,777	1,769
LT debt	3,277	2,277	1,277	277
Other LT liabilities	307	307	307	307
Shareholders' equity	12,655	13,960	15,353	16,493
Minority interest	1,962	2,346	2,756	3,091
Total liabilities & equity	19,698	19,699	19,700	19,701

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	35.2	21.8	26.8	23.3
Pre-tax margin	28.9	18.6	23.1	19.3
Net margin	17.9	11.9	14.8	12.3
ROA	14.5	11.0	11.8	9.6
ROE	24.6	16.3	15.8	11.9
Growth				
Turnover	29.2	15.8	(14.1)	(1.7)
EBITDA	59.3	(28.2)	5.3	(14.4)
Pre-tax profit	59.6	(25.3)	6.7	(18.2)
Net profit	64.2	(23.0)	6.7	(18.2)
Net profit (adj.)	86.2	(30.3)	6.7	(18.2)
EPS	86.2	(30.3)	6.7	(18.2)
Leverage				
Debt to total capital	18.7	12.6	7.0	1.8
Debt to equity	26.5	16.9	8.8	2.2
Net debt/(cash) to equity	20.0	6.7	0.3	(5.7)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

COMPANY RESULTS

CapitaLand Investment (CLI SP)

1H23: Still Waiting On Sustained Recovery In China

CLI's weaker-than-expected 1H23 results, with PATMI declining 19% yoy, again underline the problems that China-focused companies have had in the past 6-12 months. High interest rates continue to be a burden on deal-making and its capital recycling target will likely be missed. However, we note the steady contribution of its fee-related earnings. Maintain BUY. Target price slightly lowered to S\$4.25.

1H23 RESULTS

Year to 31 Dec (S\$m)	1H22	1H23	yoy %	Remarks
Revenue	1,354	1,345	-0.7	- Due to lower real estate investment business
Gross profit	634	628	-0.9	
Operating EBITDA	730	764	4.7	- Improved operating performance from lodging
Finance costs	-197	-239	21.3	- 1H23 implied interest cost 3.8%: +1.0ppt over 12mths
Associate results	232	213	-8.2	
Pre-tax profit	605	448	-26.0	
PATMI	433	351	-18.9	- Due to lower portfolio gains, higher interest expense
Gross profit margin	46.8%	46.7%	-0.1	
Pre-tax margin	44.7%	33.3%	-11.4	
Net margin	32.0%	26.1%	-5.9	

Source: CapitaLand Investment, UOB Kay Hian

RESULTS

- A weaker-than-expected 1H23...** CapitaLand Investment (CLI) reported 1H23 revenue of S\$1.35b (-0.7% yoy) and PATMI of S\$351m (-19% yoy), both of which missed our and consensus estimates on a run-rate basis. The miss was due to a multitude of factors including higher financing costs, lower portfolio gains, the absence of event-driven performance fees and lower contribution from properties in China. The key highlight in the result was clearly lodging which saw higher fee-related earnings as well as contributions from new management contracts.
- ...but CLI should turn the corner soon.** We note that while CLI is well short of its annual capital recycling target of S\$3b, it has achieved S\$839m ytd (-48% yoy) – note that S\$800m of this was completed after 30 Jun 23 and thus not captured in the company's 1H23 results.
- In our view, 1H23 demonstrated the resiliency of CLI's business** as seen by its recurring fund management fees which grew by 10% yoy in 1H23 to S\$183m, while in 2Q23, its fund management FRE was stable on a qoq basis at S\$106m.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	2,293	2,876	3,172	3,270	3,363
EBITDA	1,251	1,435	1,354	1,361	1,410
Operating profit	1,091	1,289	1,205	1,207	1,252
Net profit (rep./act.)	1,349	862	909	1,048	1,087
Net profit (adj.)	1,349	862	909	1,048	1,086
EPS (S\$ cent)	38.4	16.8	17.7	20.4	21.2
PE (x)	8.3	18.9	17.9	15.6	15.0
P/B (x)	1.0	1.1	1.1	1.0	1.0
EV/EBITDA (x)	22.3	19.5	20.6	20.5	19.8
Dividend yield (%)	3.8	3.8	3.3	3.8	4.0
Net margin (%)	58.8	30.0	28.7	32.1	32.3
Net debt/(cash) to equity (%)	51.7	54.2	51.5	47.2	43.4
Interest cover (x)	2.9	2.7	2.7	3.6	3.8
ROE (%)	9.4	5.4	5.8	6.5	6.6
Consensus net profit	-	-	900	1,008	1,146
UOBKH/Consensus (x)	-	-	1.01	1.04	0.95

Source: CapitaLand Investment Limited, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$3.18
Target Price	S\$4.25
Upside	+33.6%
(Previous TP)	S\$4.27

COMPANY DESCRIPTION

CLI is a global real estate manager with an Asian foothold and a diversified exposure across retail, office, lodging and new economy asset classes.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CLI SP
Shares issued (m):	5,121.8
Market cap (S\$m):	16,287.4
Market cap (US\$m):	12,072.8
3-mth avg daily t'over (US\$m):	18.4

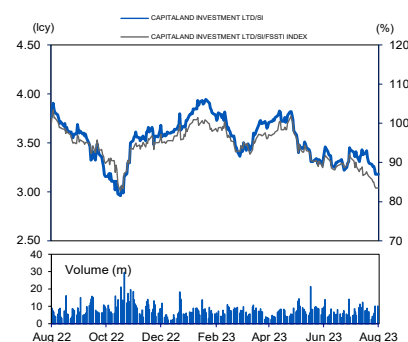
Price Performance (%)

52-week high/low	S\$4.03/S\$2.96			
1mth	3mth	6mth	1yr	YTD
(3.3)	(15.0)	(16.5)	(17.5)	(12.6)

Major Shareholders

Temasek Hldgs	52.8
FY23 NAV/Share (S\$)	2.96
FY23 Net Debt/Share (S\$)	1.57

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Ready to deploy capital.** While interest rates continue to be a problem for CLI and other market players, management remains cautiously optimistic that it has peaked. CLI stated that it has witnessed the lowest amount of capital raised in the market as investors have not been able to grapple with where interest rates are heading, resulting in a slowdown in deals. Nevertheless, the company pointed out that its REITs raised over S\$1b for the right deals in the past year, and on the private funds side, it has raised S\$3.2b in equity (2022: S\$2.5b). As a result, CLI's embedded FUM is now close to S\$10b and ready for deployment into areas like self-storage, credit and special situations.
- China still a point of focus.** During the results briefing, much time was spent on China with CLI stating that its recovery will take longer than initially expected. While there are many China portfolios for sale, these require extensive due diligence and it will look for more special situations and credit deals in 2H23, especially in sectors which have policy support. CLI noted in particular that its key strength is being able to provide exit opportunities for its investors, either via their own funds or its REITs. The company stated that while it is potentially looking at a China REIT (CREIT) listing, it cautioned that this is not an easy transaction given the differing and more stringent rules vs Singapore, eg 90% of proceeds from asset recycling needs to be reinvested.
- Seeing "unprecedented attention" on India.** CLI stated that it continues to see high investor interest in India and highlighted that it has the right assets in the right cities and is well-positioned for growth in the country's economy. Note that on 12 Aug 23, the company launched a business park development fund (CapitaLand India Growth Fund 2) with a target fund size of S\$525m to invest in Grade A business parks in prime locations across gateway cities in India. CLI has secured S\$263m (Rp16.3b) from a global institution for a 50% stake in the fund's first closing with CLI maintaining a sponsor stake of 20%.
- Lodging:** As expected, and similar to other Singapore property companies, CLI experienced very strong performance in its lodging segment with RevPAU increase driven by higher occupancy (+11pp) and average daily rates (+11%). Its current aggregate RevPAU of S\$87 is 6% higher than that in 1H19. Of note was Japan where the lifting of travel restrictions has seen its RevPAU rise to 23% higher than pre-COVID-19 levels while Singapore and Europe RevPAU were 29% and 20% higher than pre-COVID-19 levels. Ytd, CLI has c.7,000 new units signed across 40 properties. As at end-1H23, CLI had 162,000 units in its portfolio, a 17% yoy increase from 139,000 at end-1H22.

EARNINGS REVISION/RISK

- Downgrading earnings estimates.** We have lowered earnings estimates for 2023-25E by between 2-13% to take into account higher-than-expected financing costs for 2023, lower EBITDA margins for its fund management business and slower recovery for its China properties.

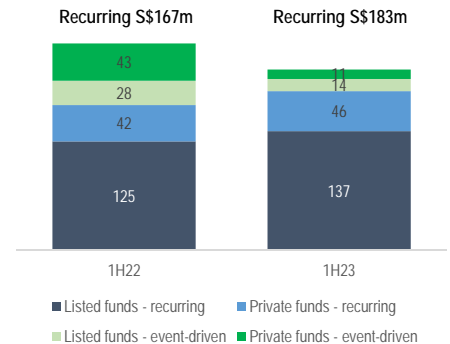
VALUATION/RECOMMENDATION

- Maintain BUY with a slightly lower SOTP-based target price of S\$4.25 (\$4.27 previously).** The slightly lower target price is the result of CLI's comparable companies experiencing EBITDA multiples expansion, offset by our earnings downgrades as highlighted above. We believe that the company's current P/B valuation is inexpensive at 1.0x for 2024F vs its peak P/B of 1.4x for 2022.

SHARE PRICE CATALYST

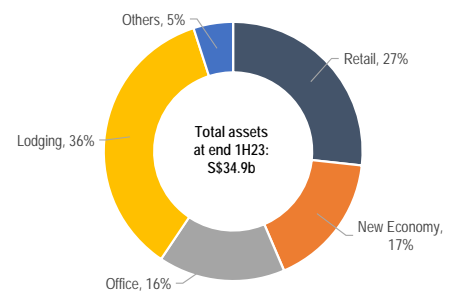
- a) Cap rate compression and stronger-than-expected growth in its FUM, and b) faster-than-expected recovery of the Chinese economy leading to overall better business in the lodging business and FUM given CLI's leverage in China.

RECURRING FUND MANAGEMENT FEES ROSE 10% YOY (S\$m)



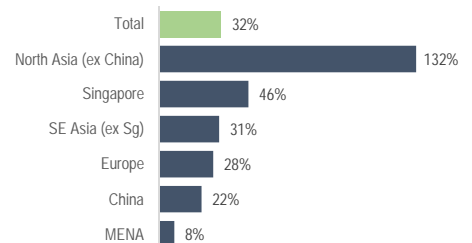
Source: CLI

DISTRIBUTION OF ASSETS BY ASSET CLASS



Source: CLI

REVPAU: STRONG GROWTH ACROSS ALL MARKETS IN 1H23 (% YOY)



Note: MENA = Middle East & North Africa
Source: CLI

SOTP VALUATION

Business units	S\$m	S\$/share
Investment management	4,137	0.81
Lodging management	1,056	0.21
Property investment	9,020	1.76
Unlisted funds	7,900	1.54
Listed funds	8,107	1.58
Less: overheads	-300	-0.06
Gross asset value	29,919	5.83
Less: other adjustments	-8,145	-1.59
Enterprise value	21,774	4.25

Source: UOB Kay Hian

FORECAST EARNINGS CHANGES

S\$m	2023E	2024E	2025E
NPAT - old	1,138	1,100	1,122
NPAT - new	907	1,046	1,084
% change	-12.7%	-2.9%	-1.6%

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	2,876	3,172	3,270	3,363
EBITDA	1,435	1,354	1,361	1,410
Deprec. & amort.	146	150	153	157
EBIT	1,289	1,205	1,207	1,252
Total other non-operating income	1	2	2	3
Associate contributions	531	650	750	750
Net interest income/(expense)	(432)	(390)	(332)	(318)
Pre-tax profit	1,389	1,466	1,627	1,687
Tax	(318)	(337)	(325)	(337)
Minorities	(209)	(220)	(254)	(263)
Preferred dividends	0	0	0	0
Net profit	862	909	1,048	1,087
Net profit (adj.)	862	909	1,048	1,086

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	735	1,017	1,036	1,073
Pre-tax profit	1,389	1,466	1,627	1,687
Tax	(318)	(337)	(325)	(337)
Deprec. & amort.	146	150	153	157
Associates	0	0	0	1
Working capital changes	(21)	0	0	0
Non-cash items	0	0	0	1
Other operating cashflows	(461)	(262)	(420)	(437)
Investing	(382)	(2)	(19)	(14)
Capex (growth)	(999)	(250)	(250)	(250)
Capex (maintenance)	0	0	0	1
Investments	738	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(121)	248	231	235
Financing	(1,370)	(3,371)	(814)	(638)
Dividend payments	(958)	(797)	(725)	(810)
Issue of shares	(133)	0	0	0
Proceeds from borrowings	104	0	0	0
Loan repayment	0	(2,630)	(250)	0
Others/interest paid	(383)	56	162	172
Net cash inflow (outflow)	(1,017)	(2,355)	203	421
Beginning cash & cash equivalent	3,815	2,624	269	472
Changes due to forex impact	(130)	44	44	44
Ending cash & cash equivalent	2,668	313	516	937

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	1,225	1,325	1,422	1,515
Other LT assets	29,464	29,419	29,444	29,470
Cash/ST investment	2,668	313	516	936
Other current assets	1,753	1,759	1,765	1,772
Total assets	35,110	32,816	33,147	33,692
ST debt	1,208	1,208	1,208	1,208
Other current liabilities	2,954	2,954	2,954	2,954
LT debt	9,880	7,250	7,000	7,000
Other LT liabilities	2,139	2,107	2,107	2,116
Shareholders' equity	15,529	15,812	16,306	16,753
Minority interest	3,400	3,485	3,572	3,661
Total liabilities & equity	35,110	32,816	33,147	33,692

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	49.9	42.7	41.6	41.9
Pre-tax margin	48.3	46.2	49.8	50.2
Net margin	30.0	28.7	32.1	32.3
ROA	2.4	2.7	3.2	3.3
ROE	5.4	5.8	6.5	6.6
Growth				
Turnover	25.4	10.3	3.1	2.8
EBITDA	14.7	(5.6)	0.5	3.6
Pre-tax profit	(29.0)	5.6	11.0	3.7
Net profit	(36.1)	5.5	15.3	3.7
Net profit (adj.)	(36.1)	5.5	15.3	3.6
EPS	(56.2)	5.5	15.3	3.7
Leverage				
Debt to total capital	36.9	30.5	29.2	28.7
Debt to equity	71.4	53.5	50.3	49.0
Net debt/(cash) to equity	54.2	51.5	47.2	43.4
Interest cover (x)	2.7	2.7	3.6	3.8

COMPANY RESULTS

First Resources (FR SP)

1H23: Results Above Expectations On Higher-than-expected Sales Volume

FR's 2Q23 results came in above expectations as sales volume was higher than expected. However, we are keeping our forecast as the 2H23 sales volume may be weaker than that in 1H23 (as it was supported by the high carry forward inventory from end-22). Management has guided for 0% production growth for 2023F which is in line with our expectations. It has declared an interim dividend of S\$0.025/share for a 1.6% dividend yield. Maintain HOLD with a target price of S\$1.65.

1H23 RESULTS SUMMARY

Year to 31 Dec (US\$m)	1H22	2H22	1H23	hoh % chg	yoy % chg	Comments
Revenue	535.2	690.4	448.8	(35.0)	(16.1)	
- Plantation and Palm Oil Mills	363.1	482.6	338.8	(29.8)	(6.7)	
- Refinery and Processing	514.8	556.9	339.2	(39.1)	(34.1)	
EBITDA	230.3	278.4	132.9	(52.3)	(42.3)	
- Plantation and Palm Oil Mills	197.8	253.3	151.5	(40.2)	(23.4)	Lower ASP
- Refinery and Processing	58.2	(2.5)	(24.0)	869.7	(141.3)	
EBIT	190.7	240.1	103.0	(57.1)	(46.0)	
PBT	179.4	248.1	92.9	(62.6)	(48.2)	
Net Profit	128.0	197.2	71.5	(63.8)	(44.1)	
Core Net Profit	137.6	196.6	67.7	(65.6)	(50.8)	Above our expectations.

Source: First Resources, UOB Kay Hian

RESULTS

- **Results came in above our expectations.** 1H23 core net profit came in at US\$67.7m, with 2Q23 core net profit at US\$52.2m, which is way above our estimate of US\$25-28m. 1H23 core net profit accounts 39% of our full-year estimates, above our expectations as we expect higher profit in 2H23. The main positive variance mainly comes from higher-than-expected sales volume with a new inventory drawdown.
- **2Q23 results came in higher qoq.** First Resources (FR) reported strong 2Q23 results compared to its peers as most plantation companies reported 2Q23 earnings which were lower qoq. We reckon that the main difference between FR and its peers is mainly the higher sales volume with a net inventory drawdown of 3,000 tonnes in 1H23 despite lower CPO ASP.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Net turnover	1,032	1,225	1,250	1,403	1,455
EBITDA	344	425	332	368	361
Operating profit	260	346	258	301	300
Net profit (rep./act.)	161	251	172	202	204
Net profit (adj.)	161	266	172	202	204
EPS (US\$ cent)	10.2	16.7	10.9	12.7	12.9
PE (x)	11.2	6.8	10.5	9.0	8.9
P/B (x)	1.5	1.4	1.3	1.2	1.1
EV/EBITDA (x)	4.9	3.9	5.1	4.6	4.6
Dividend yield (%)	6.1	12.7	6.7	7.8	7.9
Net margin (%)	15.6	20.5	13.8	14.4	14.0
Net debt/(cash) to equity (%)	2.1	(11.0)	(15.1)	(32.6)	(35.1)
Interest cover (x)	25.9	58.4	95.2	168.5	n.a.
ROE (%)	14.3	20.0	12.7	14.0	13.2
Consensus net profit	-	-	174	194	189
UOBKH/Consensus (x)	-	-	0.99	1.05	1.08

Source: First Resources, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$1.54
Target Price	S\$1.65
Upside	+7.1%

COMPANY DESCRIPTION

Business activities include plantation, palm oil mill, refinery, fractionation, biodiesel and kernel crushing plants

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	FR SP
Shares issued (m):	1,566.4
Market cap (S\$m):	2,412.3
Market cap (US\$m):	1,787.0
3-mth avg daily t'over (US\$m):	3.1

Price Performance (%)

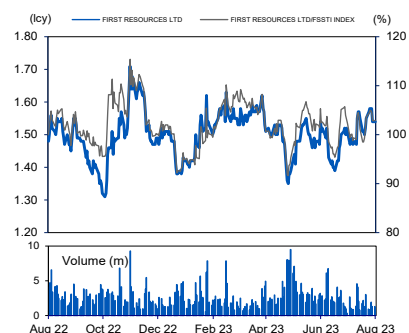
52-week high/low S\$1.71/S\$1.31

1mth	3mth	6mth	1yr	YTD
1.3	11.6	0.7	7.7	4.1

Major Shareholders

Shareholder	%
Eight Capital	66.2
FY23 NAV/Share (US\$)	0.88
FY23 Net Cash/Share (US\$)	0.13

PRICE CHART



Source: Bloomberg

ANALYST(S)

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• **1H23 net core profit came in lower hoh and yoy**, mainly due to:

- a) **Lower FFB and CPO production**, with both declining by 20% hoh and 15% hoh respectively. The FFB yield also dropped from 9.9 tonne/ha in 2H22 to 7.9 tonne/ha in 1H23. We attribute the lower FFB yield to the different recovery pattern (eg the production recovery from its Riau region comes in a bit later compared to its Kalimantan regions).
- b) **Lower CPO ASP**. FR's CPO ASP in 1H23 dropped by 7.8% hoh and 7.2% yoy to US\$777/tonne.

STOCK IMPACT

• **2H23 earnings to be higher hoh**, on the back of:

- a) **Higher CPO ASP**, which is in line with our assumptions.
- b) **Lower cost of production in 2H23** on the back of lower fertiliser cost, higher utilisation rate of the downstream operation and higher production.
- c) **Higher sales volume in 2H23** thanks to higher biodiesel delivery volume as the take-up on B35 improves and higher external demand with palm oil price now more competitive than soybean and sunflower oil vs 1H23, especially in India.

- **Revised FFB production growth**. The management revised its FFB production guidance from 0-5% yoy to flat yoy for 2023. This is in line with our assumption factoring in a flat yoy FFB production for 2023. The yield recovery was below expectations in 1H23, especially in Kalimantan. Management attributed this to seasonality and impact from under-fertilisation in the past.

EARNINGS REVISION/RISK

- **Maintain earnings forecast**. Our net profit forecasts for 2023-25 are at US\$173m, US\$229m and US\$205m respectively.

VALUATION/RECOMMENDATION

- **Maintain HOLD with target price of S\$1.65**. We peg our valuation at 8x 2024F PE.
- FR has declared an interim dividend of S\$0.025/share, or 1.6% dividend yield.

SHARE PRICE CATALYST

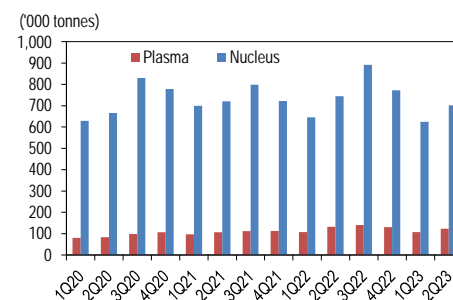
- Stronger-than-expected CPO price recovery.
- Higher-than-expected FFB and CPO production.

PRODUCTION HIGHLIGHTS

	2Q23	qoq % chg	yoy % chg	1H23	yoy % chg
FFB yield/ha	4.2	13.5	(4.5)	7.9	(3.7)
OER (%)	22.6	0.4	0.9	22.6	0.9
Total FFB ('000 tonne)	825	12.8	(6.0)	1,557	(4.5)
Nucleus	702	12.4	(5.8)	1,326	(4.6)
Plasma	123	14.8	(6.8)	231	(3.8)
CPO	221	19.5	6.7	407	1.6

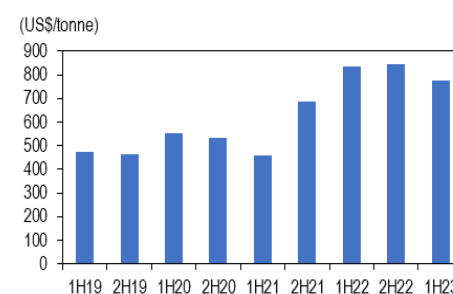
Source: FR

FFB PRODUCTION TREND



Source: FR, UOB Kay Hian

CPO ASP STILL HIGH



Source: F, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Net turnover	1,225	1,250	1,403	1,455
EBITDA	425	332	368	361
Deprec. & amort.	79	73	67	62
EBIT	346	258	301	300
Total other non-operating income	15	0	0	0
Net interest income/(expense)	(7)	(3)	(2)	2
Pre-tax profit	353	255	299	302
Tax	(88)	(71)	(84)	(85)
Minorities	(14)	(11)	(13)	(13)
Net profit	251	172	202	204
Net profit (adj.)	266	172	202	204

CASH FLOW

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Operating	326	282	280	296
Pre-tax profit	428	255	299	302
Tax	(99)	(71)	(84)	(85)
Deprec. & amort.	79	73	67	62
Working capital changes	(99)	2	(28)	(13)
Other operating cashflows	18	23	25	30
Investing	(56)	(43)	(43)	(43)
Capex (growth)	(58)	(44)	(43)	(42)
Capex (maintenance)	(19)	(19)	(19)	(19)
Investments	0	0	0	0
Proceeds from sale of assets	4	5	6	7
Others	21	20	19	18
Financing	(217)	(71)	(86)	(87)
Dividend payments	(87)	(86)	(101)	(102)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	30	30	30
Loan repayment	(114)	(15)	(15)	(15)
Others/interest paid	(16)	0	0	0
Net cash inflow (outflow)	53	167	150	166
Beginning cash & cash equivalent	381	434	601	753
Changes due to forex impact	(4)	(114)	(4)	(114)
Ending cash & cash equivalent	440	492	753	811

BALANCE SHEET

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Fixed assets	395	360	330	305
Other LT assets	695	722	733	760
Cash/ST investment	440	492	753	811
Other current assets	302	249	281	295
Total assets	1,833	1,824	2,098	2,173
ST debt	93	93	93	93
Other current liabilities	106	58	62	64
LT debt	202	187	172	157
Other LT liabilities	32	(11)	160	133
Shareholders' equity	1,310	1,396	1,497	1,599
Minority interest	89	100	113	126
Total liabilities & equity	1,833	1,824	2,098	2,173

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	34.7	26.5	26.2	24.8
Pre-tax margin	28.8	20.4	21.3	20.8
Net margin	20.5	13.8	14.4	14.0
ROA	13.5	9.4	10.3	9.6
ROE	20.0	12.7	14.0	13.2
Growth				
Turnover	18.7	2.0	12.3	3.7
EBITDA	23.3	(21.9)	11.1	(1.8)
Pre-tax profit	43.6	(27.9)	17.4	1.0
Net profit	55.8	(31.3)	17.4	1.0
Net profit (adj.)	64.8	(35.1)	17.4	1.0
EPS	64.8	(35.1)	17.3	1.0
Leverage				
Debt to total capital	17.5	15.8	14.2	12.7
Debt to equity	22.6	20.1	17.8	15.7
Net debt/(cash) to equity	(11.0)	(15.1)	(32.6)	(35.1)
Interest cover (x)	58.4	95.2	168.5	n.a.

COMPANY RESULTS

Food Empire Holdings (FEH SP)

1H23: Steaming Ahead With Strong Growth

FEH's 1H23 net profit of US\$26.6m (-1.6% yoy) is in line with expectations, forming 54% of our full-year estimate. Revenue from its core markets recorded impressive double-digit growth due to higher volumes and pricing, partially offset by unfavourable exchange rates and negative contribution from associates. The company's resilient performance reflects its strong brand power. Maintain BUY with a 2% higher target price of S\$1.36 (S\$1.33 previously).

1H23 RESULTS

Year to 31 Dec (US\$m)	1H23	1H22	yoy % chg
Revenue	198.2	177.4	11.8
Gross profit	69.5	52.0	33.7
Gross margin (%)	35.1	29.3	5.8ppt
EBITDA	41.3	38.2	8.0
Net profit	26.6	27.1	(1.6)
Net margin (%)	13.4	15.3	(1.9ppt)
Core net profit	27.7	19.7	40.4
Core net profit margin (%)	14.0	11.1	2.8ppt

Source: FEH, UOB Kay Hian

RESULTS

- Results in line with expectations; growth negated by currency headwinds.** Food Empire Holdings (FEH) reported net profit of US\$26.6m (-1.6% yoy) for 1H23, accounting for 54% of our full-year forecast. The fall in net profit is largely attributable to currency fluctuations (1H23: US\$1.1m forex loss; 1H22: US\$7.3m forex gain), as well as negative contribution from associates (1H23: US\$0.1m loss; 1H22: US\$4.0m profit). We note that upon exclusion of currency movements, core profit has substantially improved by 40.4% yoy, demonstrating impressive performance.
- Top-line growth across core markets.** Revenue for 1H23 grew 11.8% yoy as a result of higher volumes and pricing across most markets, contributing to gross margin expansion (+5.8ppt yoy). FEH's three largest markets reported encouraging double-digit sales growth during the period. Revenue from Russia grew 23.6% yoy to US\$70.6m, despite the depreciation of the Russian ruble against the US dollar. Strong growth momentum was also observed in the South Asia segment (+15.3% yoy) due to higher contributions from the freeze dry coffee plant in India, which is operating at maximum capacity. For the Ukraine, Kazakhshtan and CIS segments, revenue recorded a 20% yoy growth to US\$49.5m in spite of significant depreciation of Ukrainian Hryvnia. Southeast Asia's 1H23 and 2Q23 sales also improved 1.0% yoy and 7.1% qoq respectively, on the back of higher contributions from Malaysia's non-dairy creamer facility, offset by marginally lower revenue from the Vietnam market.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Net turnover	321	398	445	476	510
EBITDA	34	61	71	74	81
Operating profit	25	53	61	64	71
Net profit (rep./act.)	20	60	50	54	58
Net profit (adj.)	20	45	50	54	58
EPS (US\$ cent)	3.6	8.5	9.4	10.0	10.8
PE (x)	22.0	9.4	8.5	8.0	7.4
P/B (x)	1.9	1.5	1.4	1.2	1.1
EV/EBITDA (x)	9.0	5.0	4.3	4.2	3.8
Dividend yield (%)	2.0	4.0	4.0	4.0	4.0
Net margin (%)	6.1	15.1	11.2	11.2	11.3
Net debt/(cash) to equity (%)	(4.7)	(31.6)	(37.4)	(43.2)	(48.3)
Interest cover (x)	28.7	50.0	62.4	n.a.	57.1
ROE (%)	8.7	23.8	17.1	16.3	15.7
Consensus net profit	-	-	50	53	56
UOBKH/Consensus (x)	-	-	1.00	1.01	1.03

Source: FEH, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.08
Target Price	S\$1.36
Upside	+25.6%
(Previous TP:	S\$1.33)

COMPANY DESCRIPTION

Food Empire Holdings manufactures and markets instant beverage products, frozen convenience food, confectioneries and snacks. The company exports its products to markets such as Russia, Eastern Europe, Central Asia, the Middle East and Indochina.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	FEH SP
Shares issued (m):	530.7
Market cap (S\$m):	573.1
Market cap (US\$m):	424.6
3-mth avg daily t'over (US\$m):	0.6

Price Performance (%)

52-week high/low S\$1.10/S\$0.455

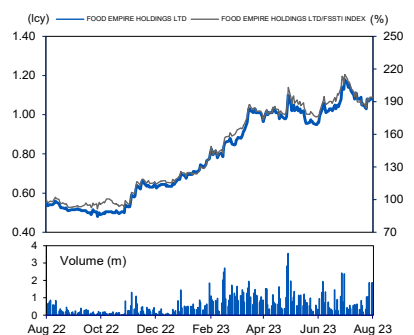
1mth	3mth	6mth	1yr	YTD
(5.3)	3.8	41.2	96.4	70.1

Major Shareholders

	%
Anthoni Salim	24.6
Tan Wang Chew	22.5

FY23 NAV/Share (US\$)	0.58
FY23 Net Cash/Share (US\$)	0.22

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Resilient consumer demand and strong brand equity.** Despite implementing pricing adjustments across most of its operating markets during the year, FEH's sales volumes continued to rise, demonstrating the price inelasticity of its products. Additionally, the company's overall performance is relatively stable in the face of currency devaluations in 1H23. We believe that this is testament to its strong brand equity and experience in navigating currency fluctuations effectively.
- **Top-line growth to lift earnings.** With the strong levels of demand sustained amid inflationary pressures and currency volatility from geopolitical uncertainties, our forecast incorporates a 5% increase in revenue. Furthermore, management expects higher revenues from: a) Southeast Asia, with increased marketing efforts in Vietnam and stable demand in its potato chips and non-dairy creamer businesses in Malaysia, and b) South Asia, as its spray dry and new freeze dry coffee plants in India continue to see demand exceeding supply which may push prices upward.
- **Frequent share buybacks to date reflects confidence.** From Apr 23, FEH has bought back 1.8m shares at up to S\$1.06. This is close to the 52-week high share price of S\$1.18, showing management's confidence in the future growth outlook.

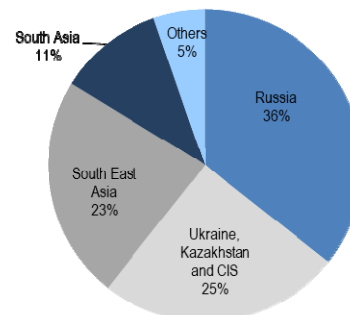
EARNINGS REVISION/RISK

- **None.**

VALUATION/RECOMMENDATION

- **Maintain BUY with a 2%-higher PE-based target price of S\$1.36**, pegged to 10x 2024F EPS, or its long-term historical mean. We have rolled over our valuation base year from 2023.

REVENUE BREAKDOWN, BY GEOGRAPHY (1H23)



Source: FEH, UOB Kay Hian

LONG-TERM HISTORICAL PE BAND



Source: FEH, UOB Kay Hian

PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 11 Aug 23 (lcy)	Market Cap (US\$m)	PE			P/B 2023 (x)	ROE 2023 (%)	Yield 2023 (%)	Net Gearing (%)
					2022 (x)	2023 (x)	2024 (x)				
Food Empire	FEH SP	SGD	1.08	425	7.1	8.5	8.0	1.4	17.1	4.0	(29.4)
Singapore											
Thai Beverage	THBEV SP	SGD	0.575	10,708	12.4	11.7	10.8	1.7	15.1	4.3	73.2
Fraser And Neave	FNN SP	SGD	1.08	1,246	12.6	n.a.	n.a.	n.a.	n.a.	n.a.	(1.4)
Delfi	DELFI SP	SGD	1.32	598	13.6	12.7	11.9	2.2	18.2	3.9	(18.7)
Yeo Hiap Seng	YHS SP	SGD	0.66	303	165.0	n.a.	n.a.	n.a.	n.a.	n.a.	(34.6)
Average (Excl. YHS SP)					12.9	12.2	11.4	2.0	16.7	4.1	
Regional											
Nestle (Malaysia)	NESZ MK	MYR	132	6,752	49.8	43.2	38.9	47.4	113.5	2.3	119.6
Fraser & Neave	FNH MK	MYR	25.1	2,008	24.0	20.2	19.2	2.8	14.3	2.6	(1.4)
Coca-Cola Conso	COKE US	USD	713.9	6,692	15.6	n.a.	n.a.	n.a.	n.a.	n.a.	22.6
Dydo Group	2590 JP	JPY	5440	623	n.a.	63.0	32.5	1.0	0.6	1.1	(12.6)
Power Root	PWRT MK	MYR	2.05	207	14.6	14.3	13.4	3.1	21.0	6.1	(15.6)
Tac Consumer	TACC TB	THB	4.92	85	12.6	14.9	12.0	3.8	26.0	6.1	(17.9)
Average (Excl. NESZ MK & 2590 JP)					16.7	16.5	14.9	3.2	20.4	4.9	

Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Net turnover	398.4	445.0	476.2	509.9
EBITDA	61.3	71.2	73.8	80.6
Deprec. & amort.	8.6	9.9	9.8	9.6
EBIT	52.7	61.3	64.1	70.9
Total other non-operating income	16.6	1.0	1.0	1.0
Associate contributions	2.7	0.6	0.6	0.6
Net interest income/(expense)	(1.2)	(1.1)	0.4	(1.4)
Pre-tax profit	70.7	61.8	66.0	71.1
Tax	(10.6)	(11.7)	(12.5)	(13.5)
Minorities	0.0	0.0	0.0	0.0
Net profit	60.1	50.0	53.5	57.6
Net profit (adj.)	45.1	50.0	53.5	57.6

CASH FLOW

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Operating	72.8	55.2	59.2	64.8
Pre-tax profit	70.7	61.8	66.0	71.1
Tax	(10.6)	(11.7)	(12.5)	(13.5)
Deprec. & amort.	8.6	9.9	9.8	9.6
Associates	2.7	0.6	0.6	0.6
Working capital changes	11.0	(6.7)	(4.5)	(4.7)
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	(9.5)	1.4	(0.1)	1.7
Investing	19.0	(7.0)	(7.0)	(7.0)
Capex (growth)	(13.8)	(8.0)	(8.0)	(8.0)
Proceeds from sale of assets	0.1	0.0	0.0	0.0
Others	32.7	1.0	1.0	1.0
Financing	(26.2)	(23.0)	(21.5)	(23.2)
Dividend payments	(2.3)	(1.1)	0.4	(1.4)
Issue of shares	0.6	0.0	0.0	0.0
Proceeds from borrowings	65.6	(2.0)	(2.0)	(2.0)
Loan repayment	(76.9)	(2.6)	(2.6)	(2.6)
Others/interest paid	(13.2)	(17.2)	(17.2)	(17.2)
Net cash inflow (outflow)	65.6	25.3	30.8	34.6
Beginning cash & cash equivalent	60.6	125.6	151.5	182.3
Changes due to forex impact	(0.5)	0.6	0.1	0.1
Ending cash & cash equivalent	125.6	151.5	182.3	217.0

BALANCE SHEET

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Fixed assets	101.3	99.4	97.7	96.2
Other LT assets	37.9	37.8	37.8	37.7
Cash/ST investment	125.6	151.5	182.3	217.0
Other current assets	116.7	128.6	137.1	145.6
Total assets	381.5	417.4	454.9	496.5
ST debt	13.5	13.5	13.5	13.5
Other current liabilities	57.8	63.5	67.4	71.2
LT debt	24.8	22.2	19.6	17.0
Other LT liabilities	9.8	9.8	9.8	9.8
Shareholders' equity	276.7	309.5	345.8	386.2
Minority interest	(1.1)	(1.1)	(1.2)	(1.2)
Total liabilities & equity	381.5	417.4	454.9	496.5

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	15.4	16.0	15.5	15.8
Pre-tax margin	17.7	13.9	13.9	14.0
Net margin	15.1	11.2	11.2	11.3
ROA	16.7	12.5	12.3	12.1
ROE	23.8	17.1	16.3	15.7
Growth				
Turnover	24.2	11.7	7.0	7.1
EBITDA	80.4	16.1	3.7	9.1
Pre-tax profit	168.7	(12.7)	6.9	7.7
Net profit	208.2	(16.7)	6.9	7.7
Net profit (adj.)	131.3	11.0	6.9	7.7
EPS	132.3	11.0	6.9	7.7
Leverage				
Debt to total capital	12.2	10.4	8.7	7.3
Debt to equity	13.8	11.5	9.6	7.9
Net debt/(cash) to equity	(31.6)	(37.4)	(43.2)	(48.3)
Interest cover (x)	50.0	62.4	n.a.	57.1

COMPANY UPDATE

Nanofilm Technologies International (NANO SP)

1H23: Results Within Expectation But Slower-Than-Expected Recovery For 2H23

Nanofilm reported 1H23 net loss of S\$8m (vs S\$19m earnings in 1H22), in line with our expectation. 1H23 revenue fell 34% yoy due to softer end-consumer demand, particularly in its 3C segment and the slower-than-expected recovery in China. 2H23 revenue is expected to be higher than 1H23, but will be lower than 2H22, due to the uncertain macro environment. We trimmed our 2023/24 EPS by 38%/8%. Our target price fell 10% to S\$1.00. Upgrade to HOLD.

1H23 RESULTS

Year to 31 Dec (S\$m)	1H23	1H22	yoy % chg
Revenue	73.2	111.3	-34.4
Gross profit	23.4	50.0	-53.1
Gross margin	32.0%	44.9%	-12.9ppt
PATMI	-7.7	18.8	n/a
Net margin	n/a	16.4	n/a

Source: Nanofilm, UOB Kay Hian

RESULTS

- **Reported 1H23 net loss is in line with expectation and profit warning released.** Nanofilm Technologies International (Nanofilm) reported 1H23 net loss of S\$8m (vs S\$19m positive earnings in 1H22), this is in line with our expectation and Nanofilm's profit warning released earlier on 10 Jul 23. 1H23 revenue fell 34% yoy and Nanofilm reported a net loss due to a number of factors including softer end-consumer demand, particularly in its 3C segment, and the slower-than-expected recovery of China.
- **Largest revenue segment suffered due to weak demand in consumer electronics market.** Nanofilm's Advanced Materials Business Unit (AMBU), which contributes 81% of total revenue in 1H23, suffered a 30% yoy decline in revenue mainly due to lower sales in the computer, communication and consumer (3C) sub-segment. The 3C sub-segment saw a 42% yoy sales decline mainly due to a softer consumer electronics market which resulted in inventory reduction in the supply chain. This was further compounded by a comparatively strong 1H22 that was lifted by the prior year's spillover production and a weaker foreign exchange translation of RMB to SGD.
- **2H23 to be better hoh is no surprise, but 2H23 to be weaker yoy is a negative surprise.** Looking ahead to 2H23, revenue is expected to be higher than 1H23, driven by seasonality peak production for the consumer segment. However, 2H23 will not be comparable to 2H22, where Nanofilm reported S\$25m earnings, due to the uncertain macro environment. The full-year profitability is subject to the level of demand from end-consumers in the upcoming new 3C product launches and customers' capex. Nanofilm's new guidance that 2H23 will be weaker yoy came in as a new negative surprise.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	247	237	160	209	285
EBITDA	94	77	47	76	101
Operating profit	68	46	18	45	68
Net profit (rep./act.)	62	44	15	38	57
Net profit (adj.)	62	44	15	38	57
EPS (S\$ cent)	9.4	6.6	2.3	5.7	8.7
PE (x)	10.7	15.2	44.1	17.7	11.6
P/B (x)	1.6	1.6	1.5	1.4	1.3
EV/EBITDA (x)	5.8	7.1	11.6	7.2	5.4
Dividend yield (%)	2.0	1.3	0.5	1.1	1.7
Net margin (%)	25.2	18.5	9.4	18.0	20.1
Net debt/(cash) to equity (%)	(34.5)	(29.0)	(35.9)	(32.3)	(31.1)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	14.5	10.3	3.6	8.4	11.8
Consensus net profit	-	-	34	51	58
UOBKH/Consensus (x)	-	-	0.45	0.74	0.99

Source: Nanofilm, Bloomberg, UOB Kay Hian

HOLD

(Upgraded)

Share Price	S\$1.01
Target Price	S\$1.00
Upside	-1.3%
(Previous TP)	S\$1.11)

COMPANY DESCRIPTION

Nanofilm Technologies International Pte Ltd manufactures industrial machinery. The company specialises in batch and load-lock systems, as well as materials with special surface properties and nano-engineering capabilities.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	NANO SP
Shares issued (m):	647.0
Market cap (S\$m):	653.5
Market cap (US\$m):	484.1
3-mth avg daily t'over (US\$m):	2.1

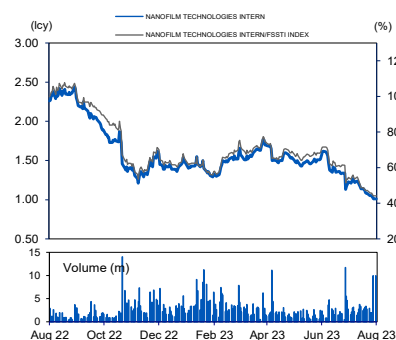
Price Performance (%)

52-week high/low	S\$2.44/S\$1.01			
1mth	3mth	6mth	1yr	YTD
(10.6)	(34.0)	(22.9)	(52.1)	(27.3)

Major Shareholders

	%
Dr Shi Xu	52.0
Temasek Holdings	7.2
FY23 NAV/Share (S\$)	0.66
FY23 Net Cash/Share (S\$)	0.23

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **The operating environment has remained challenging**, with softer demand for consumer electronics exacerbated by the macroeconomic environment, inflationary pressures and geopolitical tensions. This has also weighed on the Nanofilm's customers, particularly Industrial Equipment Business Unit (IEBU) customers who remain tight on capital expenditure. However, the 3C consumer business' (AMBU) inventory rebalancing is improving. Demand and production volume for the peak season in 2H23 will be predicated on end-consumer interest in upcoming new product launches.
- **Despite the ongoing challenges, the mid- to long-term prospects for Nanofilm remains strong**, especially as the choice solution provider with deeper penetration and geographical strategic sites coverage of 3C supply chain and its world leading customers' new product range; new segments such as green plating applications including EV battery connectors in new energy end-market and functional coating applications in industrial end-market are expected to provide new revenue streams from 2024 onwards.

EARNINGS REVISION/RISK

- We have reduced our earnings forecasts for 2023/24/25 by 38%/8%/6% after reducing our revenue forecasts by 6%/6%/6% to factor in the potential slowdown in end-consumer demand amid a challenging macro environment with geopolitical tensions, inflationary pressures and rising interest rates. We are also factoring in the new profit guidance of Nanofilm which expects weaker yoy results for 2H23. In addition, we have also reduced our 2023/24/25 gross margin estimates by 6.5%/0.5%/0% to 36.0%/44.5%/47.0% to incorporate the lower operating leverage from reduced revenue.

VALUATION/RECOMMENDATION

- **Upgrade to HOLD with a 10% lower target price of S\$1.00.** We value Nanofilm based on 17.5x 2024F EPS, pegged to -1SD to its long-term forward mean to reflect the challenging environment it is facing.

SHARE PRICE CATALYST

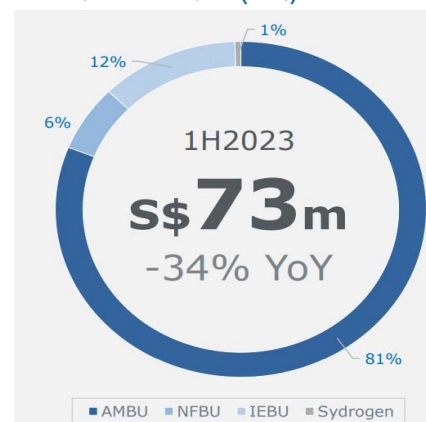
- Better-than-expected ramp-up of the nanofabrication business.
- New application in the advanced material segment such as EVs, bi-polar plate electrodes in fuel cells and solar energy.

PEER COMPARISON

Company	Ticker	Price @ 11 Aug 23 (Icy)	Market Cap (US\$m)	PE			3-yr EPS CAGR (%)	P/B 2023 (x)	Yield 2023 (%)	ROE 2023 (%)	Net Gearing (%)	Net Margin 2023 (%)
				2022 (x)	2023 (x)	2024 (x)						
3M Co	MMM US	106.08	58,500	10.4	12.3	11.2	(2.6)	3.8	5.8	30.0	87.3	14.8
PPG Industries	PPG US	140.55	33,080	32.4	20.5	17.8	9.2	4.9	1.8	22.4	96.6	8.7
EMS-Chemie	EMSN SW	779	20,324	34.2	33.0	30.2	3.1	9.5	2.8	29.5	(18.3)	22.6
OC Oerlikon	OERL SW	5,055	1,916	18.7	10.0	10.1	0.0	1.2	6.9	11.8	35.8	6.7
Rogers Corp	ROG US	160.09	2,979	25.8	40.3	28.6	(1.0)	n.a.	n.a.	n.a.	(0.5)	6.5
Red Avenue	603650 CH	40.3	3,490	80.6	56.2	43.8	18.7	7.1	0.5	12.5	73.4	12.9
Bodycote	BOY LN	662.5	1,576	17.2	14.8	13.1	17.3	1.7	3.4	11.5	12.7	11.1
Average				31.3	26.7	22.1		4.7	3.5	19.6	41.0	11.9
Singapore Peers												
Venture Corp	VMS SP	14.55	3,796	13.7	13.3	12.7	8.3	1.7	4.6	13.0	(27.7)	9.5
AEM	AEM SP	3.70	759	8.0	11.8	10.5	(0.4)	1.8	2.1	16.6	(25.9)	14.2
Frencken	FRKN SP	0.88	333	8.6	9.6	9.3	(6.6)	1.0	3.1	11.3	(4.2)	6.3
UMS	UMSH SP	1.05	528	7.1	9.2	8.0	18.0	1.8	4.8	20.9	(5.9)	23.8
Aztech Global	AZTECH SP	0.705	477	9.5	6.6	6.3	9.5	1.7	6.7	29.4	(82.5)	11.9
Average				9.4	10.1	9.4		1.6	4.3	18.2	(29.2)	13.2
Nanofilm Tech	NANO SP	1.01	484	15.2	44.1	17.7	9.4	1.5	0.5	3.6	(35.9)	9.4

Source: Bloomberg, UOB Kay Hian

REVENUE BREAKDOWN (1H23)



Source: NanoFilm

HISTORICAL PE BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	237.4	160.4	209.1	284.9
EBITDA	76.7	47.0	75.9	101.3
Deprec. & amort.	30.9	28.9	31.0	32.9
EBIT	45.8	18.0	44.9	68.4
Total other non-operating income	(0.1)	0.0	0.0	0.0
Associate contributions	(0.0)	0.0	0.0	0.0
Net interest income/(expense)	0.4	0.3	0.2	0.2
Pre-tax profit	46.1	18.3	45.1	68.6
Tax	(2.8)	(2.9)	(7.2)	(11.0)
Minorities	0.5	(0.3)	(0.3)	(0.3)
Net profit	43.8	15.1	37.6	57.3
Net profit (adj.)	43.8	15.1	37.6	57.3

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	72.4	86.1	51.3	70.1
Pre-tax profit	46.1	18.3	45.1	68.6
Tax	(2.8)	(2.9)	(7.2)	(11.0)
Deprec. & amort.	30.9	28.9	31.0	32.9
Associates	(0.0)	0.0	0.0	0.0
Working capital changes	(0.0)	42.1	(17.4)	(20.3)
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	(1.7)	(0.3)	(0.2)	(0.2)
Investing	(68.9)	(49.5)	(49.5)	(49.5)
Capex (growth)	(50.8)	(50.0)	(50.0)	(50.0)
Investments	(4.1)	0.0	0.0	0.0
Proceeds from sale of assets	0.2	0.0	0.0	0.0
Others	(14.2)	0.5	0.5	0.5
Financing	(27.9)	(4.3)	(8.9)	(12.9)
Dividend payments	(13.8)	(3.0)	(7.5)	(11.5)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(5.2)	0.0	0.0	0.0
Others/interest paid	(8.9)	(1.3)	(1.3)	(1.4)
Net cash inflow (outflow)	(24.4)	32.3	(7.1)	7.7
Beginning cash & cash equivalent	176.2	148.9	182.3	176.3
Changes due to forex impact	(4.0)	0.0	0.0	0.0
Ending cash & cash equivalent	147.8	181.2	175.2	184.0

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	289.2	310.2	329.2	346.3
Other LT assets	40.5	40.5	40.5	40.5
Cash/ST investment	147.8	181.2	175.2	184.0
Other current assets	140.4	99.7	123.5	160.6
Total assets	617.9	631.7	668.5	731.4
ST debt	1.9	1.9	1.9	1.9
Other current liabilities	55.7	57.2	63.6	80.4
LT debt	24.4	24.4	24.4	24.4
Other LT liabilities	71.3	71.3	71.3	71.3
Shareholders' equity	418.8	430.9	460.9	506.8
Minority interest	45.7	46.0	46.3	46.6
Total liabilities & equity	617.9	631.7	668.5	731.4

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	32.3	29.3	36.3	35.6
Pre-tax margin	19.4	11.4	21.6	24.1
Net margin	18.5	9.4	18.0	20.1
ROA	6.9	2.4	5.8	8.2
ROE	10.3	3.6	8.4	11.8
Growth				
Turnover	(3.8)	(32.5)	30.4	36.3
EBITDA	(18.5)	(38.8)	61.6	33.5
Pre-tax profit	(34.0)	(60.3)	146.0	52.0
Net profit	(29.6)	(65.5)	148.9	52.4
Net profit (adj.)	(29.6)	(65.5)	148.9	52.4
EPS	(29.5)	(65.5)	148.9	52.4
Leverage				
Debt to total capital	5.4	5.2	4.9	4.5
Debt to equity	6.3	6.1	5.7	5.2
Net debt/(cash) to equity	(29.0)	(35.9)	(32.3)	(31.1)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

COMPANY RESULTS

Singapore Technologies Engineering (STE SP)

1H23: Results Beat; Better Conviction On Earnings Growth Outlook

1H23 headline net profit of S\$281m was driven by the significantly improved core earnings (S\$285m, +41% yoy), which formed 54% of our full-year forecast. The beat was due to exceptionally strong DPS margins in 1H23. Record-high orderbook of S\$27.7b underpins STE's medium-term revenue growth. Its fine execution so far and clearer guidance on target margins for respective businesses have also led to our better conviction on its earnings growth outlook. Maintain BUY. Target: S\$4.20.

1H23 RESULTS

Year to 31 Dec (S\$m)	1H23	1H22	yoy % chg	Prev. 23F proj.	1H as % of 23F	Comment
Revenue	4,863	4,270	+13.9	9,650	50.4%	In line
- CA	1,856	1,404	+32.2	3,500	53.0%	slightly ahead of our projection
- USS	891	757	+17.7	1,880	47.4%	In line
- DPS	2,117	2,108	+0.4	4,270	49.6%	in line
Core EBIT	441	287	+53.7	807	54.6%	
- CA	154	103	+49.9	291	53.1%	Slightly above expectations
- USS	0	11	-96.3	90	0.5%	Missed; guided to catch up in 2H
- DPS	297	195	+52.3	427	69.6%	Beat expectations on margin expansion
Headline net profit	281	280	+0.2	526	53.4%	
Core net profit	285	202	+41.2	526	54.2%	Beat our expectations
Core EBIT margin (%)	9.1	6.7	+2.3ppt	8.4		
- CA	8.3	7.3	+1.0ppt	8.3		Margin expansion in line with our expectations
- USS	0.0	1.5	-1.4ppt	4.8		Missed; guided to catch up in 2H
- DPS	14.0	9.3	+4.8ppt	10.0		Exceptionally strong margin (likely unsustainable)
Core net profit margin	5.9	4.7	+1.1ppt	5.4		

Source: STE

1H23 RESULTS

• **Strong 1H23 results driven by core performance.** While Singapore Technologies Engineering's (STE) 1H23 headline net profit appeared flat yoy at S\$281m, note that last year's 1H profit was significantly helped by one-offs, whereas this year's performance was driven by core performance. Excluding impacts of one-offs, 1H23 core net profit of S\$285m was 41% higher yoy, beating our expectations at 54% of our full-year forecast.

- **Commercial aerospace (CA):** CA's 1H23 operating profit of S\$154m (+50% yoy) was slightly ahead of our projection at 53% of our full-year forecast, driven by slightly faster-than-expected revenue growth (+32% yoy) and a largely in-line core operating profit margin of 8.3%.

- **Defence & public security (DPS):** The strong DPS core operating profit (S\$297m in 1H23, +52% yoy) was the primary contributor to the group's results beat. While revenue performance was in line with our projection, DPS' 1H23 core operating profit was boosted by an exceptionally strong margin of 14.0% (1H22: 9.3%), which management attributed to the lumpiness of project delivery and revenue recognition and hence is unlikely sustainable ahead.

- **Urban solutions & satcom (USS):** USS disappointed with its core operating profit merely breaking even (after excluding disposal losses and severance costs from restructuring), as the segment was still facing chip shortage in 1H23.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	7,693	9,035	9,650	10,300	10,650
EBITDA	1,044	1,181	1,391	1,469	1,526
Operating profit	646	665	857	918	966
Net profit (rep./act.)	571	535	596	627	672
Net profit (adj.)	321	435	570	627	672
EPS (S\$ cent)	10.3	13.9	18.2	20.0	21.4
PE (x)	36.9	27.3	20.8	18.9	17.6
P/B (x)	4.9	4.9	4.7	4.5	4.2
EV/EBITDA (x)	12.3	14.7	12.0	11.3	10.8
Dividend yield (%)	4.0	4.2	4.2	4.2	4.2
Net margin (%)	7.4	5.9	6.2	6.1	6.3
Net debt/(cash) to equity (%)	26.8	198.5	162.4	154.5	138.7
ROE (%)	24.3	22.2	24.4	24.5	24.8

Source: STE, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$3.78
Target Price	S\$4.20
Upside	+11.1%
(Previous TP)	S\$ 4.00)

COMPANY DESCRIPTION

ST Engineering is a global technology, defence and engineering group with a diverse portfolio of businesses across the aerospace, smart city, defence and public security segments.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	STE SP
Shares issued (m):	3,117.0
Market cap (S\$ m):	11,782.4
Market cap (US\$m):	8,728.3
3-mth avg daily t'over (US\$m):	11.1

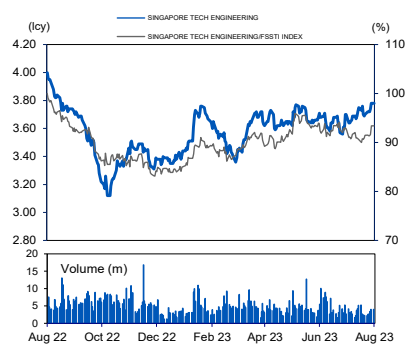
Price Performance (%)

52-week high/low	S\$ 4.06/S\$ 3.12			
1mth	3mth	6mth	1yr	YTD
4.7	3.6	3.0	(7.1)	12.8

Major Shareholders

	%
Temasek Hldgs	51.1
FY23 NAV/Share (S\$)	0.81
FY23 Net Debt/Share (S\$)	1.65

PRICE CHART



Source: Bloomberg

ANALYST(S)

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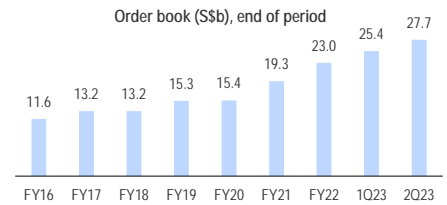
- **Orderbook rose further to S\$27.7b, an all-time high.** The rise in orderbook was driven by strong order wins of S\$4.7b in 2Q23, which was contributed by healthy order wins in all three segments, including S\$1.9b by DPS, S\$2.3b by CA and S\$0.5b by USS. STE guided that S\$4.4b of the orderbook is expected to be delivered in 2H23; this is slightly lower compared with the S\$4.6b guidance given a year ago for 2H22.

- **Quarterly dividend of 4 S cents** has been maintained by STE.

STOCK IMPACT

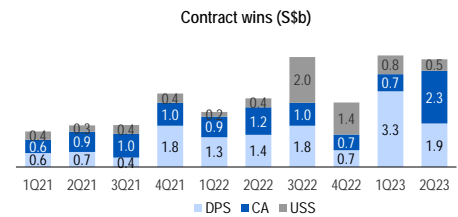
- **Better conviction on earnings growth outlook.** We draw confidence from STE's delivery of the promised core performance recovery and applaud its fine execution evidenced by: a) upbeat new contract wins, b) improving portfolio quality and positive outcome from the rationalisation non-core/non-competitive businesses, and c) proactive capital management. Besides the good visibility of revenue growth underpinned by orderbook, management's clearer guidance provided during the briefing regarding its profit and/or margin targets for the respective business segments has led to our better conviction about STE's earnings growth outlook ahead.

ORDERBOOK ROSE TO ALL-TIME HIGH



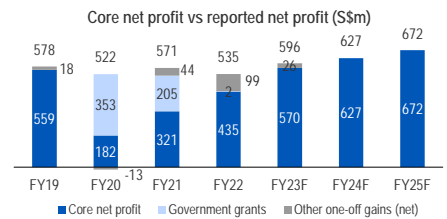
Source: STE

CONTRACT WIN BY BUSINESS SEGMENT



Source: STE

2023 CORE NET PROFIT SET TO EXCEED 2019 LEVELS



Source: UOB Kay Hian

- **CA: Capturing strong demand with potential for margin improvement.** Revenue has recovered to pre-pandemic levels in 1H23 and is likely to grow further given that the regional air travel recovery was at less than 70% of pre-pandemic levels during 1H23. Thanks to the consistent investment in capacities even during the trough of the pandemic, STE is well-positioned to capture further recovery/growth of the MRO and P2F demand. To address the strong demand, STE is building four new hangers — two in Pensacola US, one in Erzhou China and one in Singapore. Another key positive for CA is that management targets for its Airbus P2F conversation programme to turn EBIT-positive in 2023 (still negative in 1H23) driven by an improving learning curve and to reach high single-digit EBIT margin by 2025. Since the Airbus P2F conversion programme has been a key drag to STE's overall CA margin (8.3% in 1H23), its turnaround in operating margin should raise overall CA margin in the medium term.

- **USS: Profitability to catch up in 2H23, future core earnings potential lifted by Satcom restructuring.** Despite the 1H23 underperformance, management is guiding for a strong 2H which will render USS' 2023 operating profit level comparable to that of 2022 (S\$29m). The stronger 2H23 for USS would be mainly driven by: a) stronger contribution of TransCore, which has more project deliveries weighted in 2H (management expects TransCore to turn earnings-accretive in 2023), and b) cost saving from Satcom division's restructuring – STE streamlined its Satcom product lines and cut the Satcom headcount by 20% in Jun and Jul 23. Based on STE's estimates, the restructuring would lift Satcom's EBIT by S\$30m-60m per annum going forward.

- **DPS: Steady business targeting double-digit EBIT margins.** Steady revenue outlook of DPS should be underpinned by its strong orderbook. While the exceptionally strong 14% core EBIT margin achieved in 1H23 is unlikely sustainable ahead, management guided that the company would continue striving for double-digit margins for DPS going forward.

- **Realising fair and reasonable gains from aircraft asset disposal.** STE announced on 10 Aug 23 regarding the sale of 11 narrowbody aircraft to its 50% JV with Sojitz, a Japanese general trading firm. Although it did not disclose the size of the sale, management noted that the deal would allow STE to recycle capital while realising some "fair and reasonable" gain for its holding period and asset enhancement work done on these aircraft assets. Our guestimates are that the disposal consideration could be in the range of S\$300m-400m and the resultant disposal gain (to be recognised in 2H23) in the range of S\$20m-40m.

- **Paring down debts.** With the sale proceeds from the aircraft disposal and healthy operating cash flow, STE guided to pare down its gross borrowing from S\$6.2b as at end-1H23 to mid-S\$5b by end-23, leading to a net gearing of 160-180% by our estimate. Although this net gearing (measured against book value) appears high for an average business, we argue that it fails to account for STE's business quality, which is testified by STE's high 4.8x P/B (supported by steady mid-20% ROEs). STE's net debt over market cap (instead of book value), which is a fairer measure for STE's gearing adequacy in our view, stands at only 40-

45%. In addition, thanks to STE's proactive and skilful capital management, its effective blended interest cost is estimated at low-3% in 2023 and mid-3% in 2024.

EARNINGS REVISION/RISKS

- **Raise 2023/24/25 core earnings by 8.5%/6.3%/8.3%** to reflect 1H23 results beat and better margin outlook in the medium term.
- **Key risks:** Negative margin surprises due to project cost overrun and/or inflationary cost pressure.

VALUATION/RECOMMENDATION

- **Maintain BUY with a higher DCF-based target price of S\$4.20.** Our target price has been raised on the back of lifted earnings projection, even though our WACC assumption for DCF has also been lifted slightly to 7.75% (from previously 7.5%) to reflect the higher risk-free rate environment. Terminal growth rate assumption is kept unchanged at 2.5%. STE currently trades at 18.9x 2024F PE, 1.3SD below its historical mean PE of 21.7x. Our new target price implies a 21.0x 2024F PE, 0.3SD below historical mean.

SHARE PRICE CATALYST

- Delivery of core profitability growth.
- Monetisation of non-core businesses and paring down of debt.

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	9,035.1	9,650.0	10,300.0	10,650.0
EBITDA	1,181.4	1,390.7	1,468.7	1,525.8
Deprec. & amort.	516.9	533.8	550.9	559.6
EBIT	664.5	856.9	917.8	966.2
Total other non-operating income	37.3	(0.2)	0.0	0.0
Associate contributions	33.3	47.6	42.0	45.0
Net interest income/(expense)	(137.6)	(172.9)	(184.3)	(178.9)
Pre-tax profit	597.5	731.4	775.5	832.3
Tax	(54.1)	(116.2)	(124.7)	(133.8)
Minorities	(8.3)	(19.1)	(23.8)	(26.7)
Net profit	535.0	596.0	627.0	671.8
Core net profit	434.6	570.3	627.0	671.8

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	2,658.1	2,548.9	2,762.6	2,821.6
Other LT assets	6,178.7	6,115.7	6,052.7	5,990.7
Cash/ST investment	601.8	450.0	347.6	394.0
Other current assets	5,525.3	5,129.7	5,322.1	5,425.7
Total assets	14,964.0	14,244.4	14,485.0	14,632.1
ST debt	3,628.0	3,628.0	3,628.0	3,628.0
Other current liabilities	4,377.2	4,484.3	4,681.9	4,788.3
LT debt	2,906.6	1,972.0	1,872.0	1,722.0
Other LT liabilities	1,399.4	1,399.4	1,399.4	1,399.4
Shareholders' equity	2,398.0	2,495.9	2,624.4	2,797.6
Minority interest	254.9	264.7	279.3	296.8
Total liabilities & equity	14,964.0	14,244.4	14,485.0	14,632.1

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	673.1	1,777.4	1,359.2	1,405.8
Pre-tax profit	597.5	731.4	775.5	832.3
Tax	(108.0)	(116.2)	(124.7)	(133.8)
Deprec. & amort.	516.9	533.8	550.9	559.6
Associates	(33.3)	(47.6)	(42.0)	(45.0)
Working capital changes	(441.6)	502.7	5.2	2.8
Other operating cashflows	141.6	173.3	194.3	189.9
Investing	(4,571.5)	(199.4)	(575.0)	(427.0)
Capex (maintenance)	(966.1)	(617.0)	(617.0)	(472.0)
Investments	(3,630.1)	0.0	0.0	0.0
Others	24.7	417.6	42.0	45.0
Financing	3,697.8	(1,729.7)	(886.7)	(932.3)
Dividend payments	(685.6)	(498.1)	(498.6)	(498.6)
Proceeds from borrowings	6,690.1	0.0	0.0	0.0
Loan repayment	(2,239.2)	(934.5)	(100.0)	(150.0)
Others/interest paid	(67.5)	(297.1)	(288.1)	(283.7)
Net cash inflow (outflow)	(200.6)	(151.7)	(102.4)	46.5
Beginning cash & cash equivalent	815.9	601.7	450.0	347.6
Changes due to forex impact	(13.6)	0.0	0.0	0.0
Ending cash & cash equivalent	601.7	450.0	347.6	394.0

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	13.1	14.4	14.3	14.3
Pre-tax margin	6.6	7.6	7.5	7.8
Net margin	5.9	6.2	6.1	6.3
ROA	4.2	4.1	4.4	4.6
ROE	22.2	24.4	24.5	24.8
Growth				
Turnover	17.4	6.8	6.7	3.4
EBITDA	13.2	17.7	5.6	3.9
Pre-tax profit	(6.3)	22.4	6.0	7.3
Net profit (reported)	(6.2)	11.4	5.2	7.1
Core net profit	35.2	31.2	10.0	7.1
EPS	35.2	31.2	10.0	7.1
Leverage				
Debt to total capital	71.1	67.0	65.4	63.4
Debt to equity	246.3	202.8	189.4	172.9
Net debt/(cash) to equity	198.5	162.4	154.5	138.7

COMPANY RESULTS

Wilmar International (WIL SP)

1H23: Below Expectations

Wilmar's 1H23 core net profit came in below expectations, only sugar and shipping performed better but contributions from these segments were relatively small. The main variance was due to the poor performance from YKA. YKA's profit fell 55% yoy on poor sales volume from consumer packs, weaker flour margins due to high feedstock prices and losses from feed and oleochemical in 1H23. Earnings are under review pending update from today's briefing. Maintain BUY. Target price: S\$4.35.

1H23 RESULTS

Year to 31 Dec (US\$m)	1H22	2H22	1H23	hoh % chg	yoy % chg	Remark
Total Revenue	36,134	37,265	32,538	(12.7)	(10.0)	
Total PBT	1,611	1,505	698	(53.6)	(56.7)	
Food Products	521	203	83	(59.3)	(84.1)	Lower contribution from consumer packs and flour. Poor palm mid-to-downstream margins and negative crushing margins.
Feed and Industrial Products	503	1,054	399	(62.2)	(20.6)	
Plantations & Sugar Milling	436	134	63	(52.9)	(85.6)	Lower palm products ASP. Better sugar compensated the weakness.
Others	2	(2)	0	(100.0)	(100.0)	
Share of results of JV	28	24	24	0.0	(13.9)	
Share of results of associates	125	97	97	0.0	(22.8)	
Net Profit	1,166	1,238	551	(55.5)	(52.7)	
Core Net Profit	980	1,264	557	(55.9)	(43.2)	
PBT Margin (%)	4.46	4.04	2.14	(1.9)	(2.3)	
Food Products	3.27	1.30	0.58	(0.7)	(2.7)	
Feed and Industrial Products	2.32	4.61	2.06	(2.6)	(0.3)	
Plantations & Sugar Milling	20.01	5.22	3.35	(1.9)	((16.7)	
Core Net Profit Margin (%)	2.71	3.39	1.71	(1.7)	(1.0)	

Source: Wilmar, UOB Kay Hian

RESULTS

- **Results came in below our expectations.** Wilmar International's (Wilmar) 1H23 core net profit came in at US\$557m (-56% hoh, - 43% yoy), accounting for 32% of our full-year forecast, below our expectation. The main disappointment came from Yihai Kerry Arawana (YKA) (30999 CN/Not Rtaed), where both sales volume and margin disappointed. 2Q23 core net profit came in at US\$195.1m, dropping 49% qoq and 59% yoy.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Net turnover	65,794	73,399	72,447	79,051	86,636
EBITDA	3,943	3,291	3,010	2,913	3,359
Operating profit	2,800	3,291	3,010	2,913	3,359
Net profit (rep./act.)	1,890	2,402	1,760	2,024	2,236
Net profit (adj.)	1,842	2,244	1,760	2,024	2,236
EPS (US\$ cent)	28.8	35.0	27.5	31.6	34.9
PE (x)	9.8	8.1	10.3	8.9	8.1
P/B (x)	0.9	0.9	0.9	0.9	0.8
EV/EBITDA (x)	11.6	13.9	15.2	15.7	13.6
Dividend yield (%)	3.8	5.4	5.1	5.0	5.6
Net margin (%)	2.9	3.3	2.4	2.6	2.6
Net debt/(cash) to equity (%)	114.3	123.6	123.7	129.9	134.9
Interest cover (x)	15.6	7.3	3.6	7.5	5.9
ROE (%)	9.7	12.0	8.7	9.7	10.4
Consensus net profit	-	-	1,819	2,002	2,083
UOBKH/Consensus (x)	-	-	0.97	1.01	1.07

Source: Wilmar International, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$3.81
Target Price	S\$4.35
Upside	+14.2%

COMPANY DESCRIPTION

Wilmar's business encompassing the entire value chain of the agricultural commodity business, from origination, processing, merchandising to manufacturing of a wide range of branded consumer products.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	WIL SP
Shares issued (m):	6,242.7
Market cap (S\$m):	23,784.8
Market cap (US\$m):	17,619.7
3-mth avg daily t'over (US\$m):	14.6

Price Performance (%)

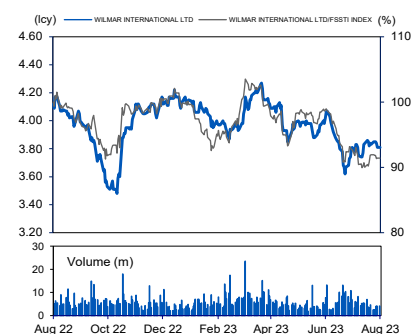
52-week high/low	S\$4.27/S\$3.48			
1mth	3mth	6mth	1yr	YTD
2.1	(3.8)	(3.8)	(9.3)	(8.6)

Major Shareholders

Archer Daniels Midland	22.3
Kuok Brothers	18.8
Kuok Khoon Hong	12.8

FY23 NAV/Share (US\$)	3.19
FY23 Net Debt/Share (US\$)	3.94

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

• **All segments disappointed and the most disappointing segment was food products**

- a) **Food products:** YKA is the major contributor to this segment. Thus, the poor performance from YKA dragged down contributions. Lower feedstocks prices benefitted the sales from the medium and bulk division but margin is much lower compared with consumer packs. In addition, the margins of its flour operation in China were still affected by the wheat stock in hand that was secured at higher prices.
- b) **Feed & industrial:** Good sales volume but dragged down by weak palm mid-downstream margins and negative soybean crushing margins in China. Sugar & shipping delivered better performance.
- c) **Plantation & sugar milling:** The palm segment was affected by lower ASP and production. Sugar saw weaker production but was compensated by firmer prices. Fertiliser reported losses as prices collapse sharply from its peak in 1H22.

- **YKA's 1H23 performance below expectations.** 1H23 PATAMI declined 55.1% to Rmb966m, mainly dragged down by losses from the feed and oleochemical division (due mainly to negative crushing margin) and poorer performance from flour operations (due to high feedstock prices) as well. In addition, sales in the retail and catering segments contributed higher sales volume in 1H23 with improvement in margins but margins from this segment was softer compared with consumer packs as margin from kitchen food was lower.

EARNINGS REVISION/RISK

- **Earnings under review pending update from analyst briefing.** In our previous note, we trimmed our earnings by 7-8% to a core net profit of US\$1.76m (revised down by 7.2%), US\$2.02m (revised down by 7.7%) and US\$2.24m (revised down by 8.2%) for 2023, 2024 and 2025 respectively.

VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of S\$4.35.** Our target price is derived using the SOTP valuation by pegging a 2023F PE of 25x, 11x and 12x for food products, feeds & industrial products and plantations & sugar mills respectively. The fair value of S\$4.35 translates to a blended 2023F PE of 11x.
- Interim tax-exempt dividend maintained at S\$0.06 per share or 1.6% yield.

SHARE PRICE CATALYST

- Stronger-than-expected performance of its China operations.
- Surprise margin upside with its strategic procurement activities.

1H23 FINANCIAL SUMMARY

Year to 31 Dec (Rmbm)	1H22	1H23	yoy % change
Turnover	119,483	118,714	(0.6)
Gross Profit	8,992	4,922	(45.3)
Kitchen Food	5,395	4,851	(10.1)
Feed and Oleo	3,418	(141)	(104.1)
Others	179	213	19.0
Pre-Tax Profit	3,072	847	(72.4)
PATAMI	1,976	966	(51.1)
			+/(-) bps
Gross Profit Margin (%)	7.5	4.1	(3.4)
Kitchen Food	7.1	6.6	(0.5)
Feed and Oleo	8.0	(0.3)	(8.4)
			Sales Volume ('000 tonnes)
Total	20,207	22,792	12.8
Kitchen Food	10,133	11,092	9.5
Feed and Oleo	10,074	11,700	16.1

Source: Bloomberg, UOB KayHian

PROFIT & LOSS

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Net turnover	73,399	72,447	79,051	86,636
EBITDA	3,291	3,010	2,913	3,359
Deprec. & amort.	0	0	0	0
EBIT	3,291	3,010	2,913	3,359
Total other non-operating income	0	0	0	1
Associate contributions	274	246	266	287
Net interest income/(expense)	(448)	(839)	(390)	(565)
Pre-tax profit	3,117	2,417	2,790	3,082
Tax	(547)	(483)	(558)	(616)
Minorities	(167)	(174)	(208)	(229)
Net profit	2,402	1,760	2,024	2,236
Net profit (adj.)	2,244	1,760	2,024	2,236

CASH FLOW

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Operating	2,746	969	(74)	(103)
Pre-tax profit	3,117	2,417	2,790	3,081
Tax	(685)	(483)	(558)	(616)
Deprec. & amort.	1,093	0	0	0
Working capital changes	(778)	(294)	(1,615)	(1,855)
Other operating cashflows	0	(671)	(691)	(712)
Investing	(2,542)	(1,601)	(1,601)	(1,401)
Capex (maintenance)	(2,483)	(1,541)	(1,541)	(1,341)
Investments	24	24	24	24
Proceeds from sale of assets	86	86	86	86
Others	(83)	(83)	(83)	(83)
Financing	1,789	2,405	667	(12)
Dividend payments	(699)	(1,050)	(803)	(644)
Issue of shares	23	41	33	33
Proceeds from borrowings	685	6,339	621	600
Others/interest paid	1,780	(2,925)	817	0
Net cash inflow (outflow)	1,992	1,773	(1,008)	(1,515)
Beginning cash & cash equivalent	2,588	2,847	2,289	696
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	4,580	4,620	1,281	(819)

BALANCE SHEET

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Fixed assets	14,814	16,314	17,814	19,114
Other LT assets	12,955	12,030	11,537	11,101
Cash/ST investment	5,722	5,789	4,195	3,107
Other current assets	26,911	27,789	30,459	33,220
Total assets	60,402	61,922	64,005	66,543
ST debt	23,435	23,435	23,435	23,435
Other current liabilities	6,508	6,898	7,537	7,833
LT debt	6,994	7,594	8,194	9,194
Other LT liabilities	865	796	729	965
Shareholders' equity	19,986	20,411	21,114	21,890
Minority interest	2,615	2,789	2,996	3,226
Total liabilities & equity	60,402	61,922	64,005	66,543

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	4.5	4.2	3.7	3.9
Pre-tax margin	4.2	3.3	3.5	3.6
Net margin	3.3	2.4	2.6	2.6
ROA	4.0	2.9	3.2	3.4
ROE	12.0	8.7	9.7	10.4
Growth				
Turnover	11.6	(1.3)	9.1	9.6
EBITDA	(16.5)	(8.5)	(3.2)	15.3
Pre-tax profit	12.7	(22.4)	15.4	10.5
Net profit	27.1	(26.8)	15.0	10.5
Net profit (adj.)	21.8	(21.6)	15.0	10.5
EPS	21.8	(21.6)	15.0	10.5
Leverage				
Debt to total capital	57.4	57.2	56.7	56.5
Debt to equity	152.3	152.0	149.8	149.1
Net debt/(cash) to equity	123.6	123.7	129.9	134.9
Interest cover (x)	7.3	3.6	7.5	5.9

MONTHLY TECHNICAL – INDICES OUTLOOK

FTSE Straits Times Index (STI IND)

Price is consolidating within a triangle pattern



Source: TechAnalyzer

Tradable ETF(s) in Singapore:

Singapore STI ETF by Nikko AM (G3B), Straits Times Index ETF by SPDR (ES3)

Last close: 3,294.28

Outlook:

The FSSTI index is still consolidating within a triangle pattern in a weekly timeframe. It is capped by its falling trendline for a third occasion. MACD is still bullish and the RSI is above its neutral level. Price is going to test its cloud support in the coming week. We are likely to see price falling to test its lower trendline at 3,095 again if it breaks and closes below the cloud.

Strategy:

Investors could accumulate high momentum stocks if price maintains above the cloud or breaks out above the cloud. Conservative investors could accumulate if price is trading near to the lower rising trendline support.

Support: 3,095 / 2,970

Resistance: 3,390 / 3,465

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