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KEY HIGHLIGHTS

Sector Update

Banks – Regional

ASEAN Banks: Quarterly update.

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Company Results

Top Glove (TOPG MK/HOLD/RM0.755/Target: RM0.820)

4QFY23: Losses narrowed within expectations, after stripping away one-off impairment. Maintain HOLD with lower target price of RM0.82.

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TRADERS' CORNER

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Agmo Holdings (AGMO MK): Technical BUY

MN Holdings (MNHLDG MK): Technical BUY

KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,416.88	1.3	0.1
Bursa Emas	10,503.84	10.0	0.1
Ind Product	170.82	0.9	0.5
Finance	15,869.59	5.9	0.0
Consumer	548.61	(1.4)	(0.3)
Construction	185.88	1.7	0.9
Properties	860.29	6.8	0.8
Plantations	6,837.20	(0.4)	(0.0)

BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	6-Oct-23	% chg
Volume (m units)	2,862	(7.9)
Value (RMm)	2,093	(7.3)

By Investor type	(%)	ppt chg
Foreign investors	32.2	(4.2)
Local retail	24.9	1.6
Local institution	42.9	2.6

TOP TRADING TURNOVER / GAINERS / LOSERS

Top Trading Turnover	Price (RM)	Chg (%)	5-day ADT (RM000)
Malayan Banking	8.77	0.1	133,460
CIMB Group	5.42	0.2	96,203
Public Bank	4.03	(0.2)	73,743
UEM Sunrise	0.79	0.6	43,976
YTL Corp	1.41	0.7	42,957

Top Gainers

IOI Properties	1.77	6.0	15,283
WCT Bhd	0.58	5.5	3,604
Parkson Holdings	0.30	5.3	4,978
Astro Malaysia	0.44	4.8	4,175
MMHE	0.53	4.0	531

Top Losers

Top Glove	0.76	(3.8)	28,922
PPB Group	14.92	(3.1)	9,135
Faber Group	1.03	(2.8)	1,551
Axiata Group Bhd	2.41	(2.4)	7,454
Eastern & Orient	0.61	(2.4)	9,832

OTHER STATISTICS

	6-Oct-23	chg	% chg
RM/US\$	4.71	(0.01)	(0.3)
CPO 3rd mth future (RM/mt)	3,600	(7.0)	(0.2)

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

SECTOR UPDATE

Banks – Regional

ASEAN Banks: Quarterly Update

Growth in ASEAN is supported by FDI inflows, which are already above pre-pandemic levels. NIMs are expected to remain stable as central banks have completed their rate hike cycles but are maintaining interest rates at current elevated levels in the near term. Maintain **OVERWEIGHT** on Singapore and Indonesian banks. The formation of the new government is also positive for Thai banks. Our top **BUYs** are OCBC (Target: S\$18.22), PBK (Target: RM5.10), SCB (Target: Bt130) and BBNi (Target: Rp11,200).

WHAT'S NEW

- **UOBKH ASEAN Banks Index was flat in 3Q23.** In local currency terms, Singapore banks gained 4.7%, followed by Malaysian banks at 4.1%.
- **Singapore: “Higher for longer” narrative gains traction.** US GDP expanded by a resilient 2.1% in 2Q23 (seasonally adjusted annual rate). Crude oil prices have been rising since Saudi Arabia and Russia imposed voluntary cuts in crude oil production in July. US CPI accelerated to 0.6% mom, driven by energy prices in Aug 23. The resultant “higher for longer” narrative caused 10-year Singapore government bond yield to expand 32bp to 3.40% in 3Q23. Competition for fixed deposits has, however, eased with interest rates for fixed deposits currently at 2.7% compared to 3.9% at end-22. Banks' share prices were lifted higher with DBS and OCBC gaining 6.7% and 4.6% respectively.
- **Malaysia: Leading loan growth indicators showed mixed trend.** Loan applications increased by 7.8% yoy in August, in contrast to a 6.6% decrease in July. However, loan approvals decreased by 7.7% yoy vs a 0.5% increase in July. In terms of applications, both households (HH) and businesses (Biz) expanded by 2.0% (July: 2.5%) and 15.2% (July: -16.3%) respectively. Meanwhile, current system loan growth of 4.1% is trending slightly below our full-year 2023 estimates of 4.5%.

PEER COMPARISON – ASEAN BANKS

Company	Ticker	Rec	Share Price 29 Sep 23 (lcy)	Target Price (lcy)	Market Cap (US\$m)	FY	PE		P/B		P/POP		Yield		ROE	
							2023F (x)	2024F (x)	2023F (x)	2024F (x)	2023F (x)	2024F (x)	2023F (%)	2024F (%)	2023F (%)	2024F (%)
SINGAPORE																
DBS	DBS SP	BUY	33.64	44.35	63,710	12/2022	8.7	8.7	1.48	1.37	7.3	7.1	5.5	5.9	17.1	15.8
OCBC	OCBC SP	BUY	12.81	18.22	42,289	12/2022	8.1	8.0	1.10	1.03	7.1	7.1	6.2	6.2	13.1	12.8
UOB#	UOB SP	NOT RATED	28.50	n.a.	35,000	12/2022	8.3	7.9	1.06	1.00	6.3	5.9	6.0	6.3	13.2	13.0
Average							8.4	8.2	1.21	1.13	6.9	6.7	5.9	6.2	14.5	13.9
MALAYSIA																
Affin	ABANK MK	HOLD	2.13	2.14	1,065	12/2022	8.2	7.7	0.38	0.37	5.8	5.5	5.5	5.8	4.6	4.8
Alliance	ABMB MK	HOLD	3.38	3.80	1,115	03/2023	8.0	7.4	0.74	0.70	5.1	4.8	6.3	6.8	9.5	9.8
AMMB	AMM MK	HOLD	3.70	4.00	2,609	03/2023	7.3	6.8	0.64	0.61	5.0	4.6	6.0	6.4	9.0	9.1
BIMB	BIMB MK	HOLD	2.14	1.95	1,033	12/2022	9.2	9.0	0.63	0.61	3.2	3.1	4.9	5.0	7.0	6.8
CIMB	CIMB MK	BUY	5.43	6.00	12,335	12/2022	8.9	8.2	0.84	0.81	5.5	5.1	5.6	6.1	9.8	10.1
HLBK	HLBK MK	HOLD	19.50	21.74	9,004	06/2023	10.6	10.2	1.19	1.11	12.2	12.1	3.0	3.4	11.8	11.3
HL Fin	HLFG MK	HOLD	17.70	19.86	4,318	06/2023	7.3	6.9	0.77	0.70	4.9	4.7	2.7	2.8	11.0	10.7
MAY	MAY MK	HOLD	8.79	9.00	22,580	12/2022	10.9	10.3	1.11	1.06	7.5	7.2	6.9	7.3	10.4	10.6
PBK	PBK MK	BUY	4.06	5.10	16,786	12/2022	11.7	11.1	1.50	1.43	8.9	8.4	4.3	4.5	13.1	13.1
RHB	RHBBANK MK	HOLD	5.43	6.10	4,958	12/2022	8.0	7.6	0.70	0.68	5.9	5.4	6.9	7.3	9.1	9.1
Average							9.0	8.5	0.85	0.81	6.4	6.1	5.2	5.5	9.5	9.6
THAILAND																
BBL	BBL TB	HOLD	167.50	164.00	8,779	12/2022	8.3	7.6	0.60	0.57	3.9	3.8	3.1	3.5	7.4	7.7
KBANK	KBANK TB	HOLD	126.00	145.00	8,197	12/2022	7.3	6.9	0.56	0.53	2.8	2.7	3.0	3.5	7.9	7.9
KKP	KKP TB	BUY	55.25	69.00	1,285	12/2022	6.5	5.3	0.74	0.69	3.0	2.6	4.4	7.4	11.9	13.4
KTB	KTB TB	HOLD	19.00	21.50	7,292	12/2022	6.9	6.7	0.65	0.61	3.3	3.4	3.3	4.3	9.8	9.4
SCB	SCB TB	BUY	102.50	130.00	9,477	12/2022	8.6	7.9	0.72	0.69	3.5	3.3	6.1	6.1	8.5	8.9
TISCO	TISCO TB	HOLD	98.75	106.00	2,171	12/2022	10.8	9.8	1.78	1.72	7.9	7.1	7.2	8.2	16.9	17.9
TTB	TTB TB	HOLD	1.72	1.65	4,575	12/2022	9.7	8.8	0.72	0.68	4.3	4.1	3.1	4.5	7.6	7.9
Average							8.3	7.6	0.82	0.78	4.1	3.8	4.3	5.3	10.0	10.4
INDONESIA																
BBCA	BBCA IJ	BUY	8,825	10,300	70,381	12/2022	22.1	19.5	4.40	3.99	16.5	14.7	2.3	2.8	21.1	21.5
BBNI	BBNI IJ	BUY	10,325	11,200	12,457	12/2022	8.9	7.7	1.28	1.17	5.4	4.8	5.6	6.5	15.1	15.8
BBRI	BBRI IJ	BUY	5,225	6,100	51,231	12/2022	13.1	11.8	2.47	2.34	7.7	7.1	6.1	6.8	19.6	20.4
BBTN	BBTN IJ	BUY	1,220	1,700	1,108	12/2022	4.7	4.2	0.58	0.53	2.0	2.0	3.7	4.3	12.9	13.2
BBYB	BBYB IJ	BUY	310	390	241	12/2022	n.a.	42.6	1.15	1.12	2.0	1.6	n.a.	0.2	(14.2)	2.7
BMRI	BMRI IJ	BUY	6,025	6,500	36,380	12/2022	11.2	9.8	2.16	1.94	6.7	6.0	4.4	5.4	20.5	20.9
BTPS	BTPS IJ	BUY	1,905	2,900	949	12/2022	9.9	6.7	1.61	1.39	4.4	4.1	4.9	5.0	16.9	22.4
Average							11.6	14.6	1.95	1.78	6.4	5.8	4.5	4.4	13.1	16.7

Forecast based on consensus estimates.

Source: Bloomberg, UOB Kay Hian

OVERWEIGHT

(Maintained)

COUNTRY RATING

ASEAN Banks	OVERWEIGHT
Singapore	OVERWEIGHT
Malaysia	MARKET WEIGHT
Thailand	MARKET WEIGHT
Indonesia	OVERWEIGHT

Source: UOB Kay Hian

TOP ASEAN BANKS PICKS

Company	Rec	Curr	Share Price (lcy)	Target Price (lcy)
OCBC	BUY	S\$	12.81	18.22
Public Bank	BUY	RM	4.06	5.10
SCB X	BUY	Bt	102.50	130.00
BBNI	BUY	Rp	10,325	11,200

Source: UOB Kay Hian

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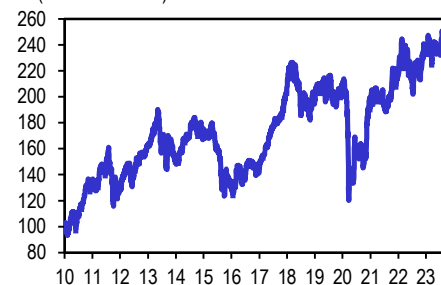
- Thailand: Rate hike cycle has come to an end.** The Bank of Thailand (BOT) made an unexpected move to increase the policy rate by 25bp to 2.5% in Sep 23. The BOT justified its decisions based on future economic outlooks. BOT expressed confidence in the country's economic prospects for 2024, projecting a GDP growth of 4.4%, up from the previous estimate of 3.8%. This anticipated growth is largely fuelled by government spending. BOT indicated that the current policy rate of 2.5% is likely to remain stable for the foreseeable future.
- Indonesia: Solid 2Q23 results.** Banks reported solid 2Q23 results by sustaining high ROEs, improving asset quality and maintaining robust CARs. Domestic economic recovery drove high single-digit loan growth and supported further decline in credit costs, despite higher interest rate putting pressure on cost of funds. Digitalisation and enhanced economies of scale helped banks to control their opex. All in all, the combined profit of the big four banks was flat qoq but grew 17.8% yoy.

SPOTLIGHT – OCBC, PBK, SCB and BBNi

- Singapore: Higher interest rates for a longer timeframe.** The Fed left interest rate unchanged during the FOMC meeting on 20 Sep 23 but is likely to hike Fed Funds Rate by another 25bp on 1 Nov 23. It is expected to hold interest rates at restrictive levels until inflation moves sustainably lower towards the objective of 2%. Banks benefit from resilient NIM as interest rates stay higher for longer.
- Banks provide low P/B of 1.13x and sustainably high yield of 6.2% for 2024.** DBS and OCBC have potential to return surplus capital to shareholders as their current CET-1 CAR of 14.1% and 15.4% are above their preferred operating range of 12.5-13.5%. Our top BUY pick is OCBC (Target: S\$18.22) for its new dividend policy with payout ratio at 50%, focus on ASEAN and defensively low 2024 P/B of 1.03x.
- Malaysia: All eyes on NIM.** Despite the Overnight Policy Rate (OPR) having normalised upwards to pre-pandemic levels, the sector's average NIM of 2.04% in 2Q23 remains below the pre-pandemic range of 2.10-2.20%. While we anticipate a modest NIM recovery in 4Q23, several factors are expected to limit further improvement in 2024. These include: a) no expected OPR hikes, b) competition in deposits from digital banks, and c) the potential for further normalisation of the CASA ratio from 29% to the pre-pandemic average of 26%. We have factored in a stable NIM trend in 2024 compared with 2023.
- Current sector valuations at -0.5 SD from historical mean is fair due to absence of new catalysts.** NIMs are predicted to remain flattish with downside risks, while loan growth is expected to slow down. The sector's dividend yields are attractive, surpassing 5%. Credit costs are anticipated to decrease, albeit at a modest rate. We like Public Bank (Target: RM5.10) for its high provision buffers providing scope for potential provision write-backs when macroeconomic conditions permit and CIMB (Target: RM6.00) for strong earnings growth and proxy to potential emerging market inflows.
- Thailand: Expect 3Q23 earnings to decline qoq.** We expect Thai banks to report aggregate net profit of Bt47b in 3Q23, up 4% yoy but down 11% qoq. The qoq decline is primarily attributed to a significant increase in credit costs, brought about by weaker-than-expected economic recovery. Additionally, we project a qoq decrease in the sector's non-interest income in 3Q23, largely driven by sluggish investment gains. On a positive note, the sector's NIM is expected to maintain its upward trend.
- BUY SCB X (SCB TB/Target: Bt130.00)** given its: a) laggard play in terms of share price performance, b) goal to raise ROE to 13-15% in the next 3-5 years, and c) intention to maintain a high dividend payout ratio (last payout ratio was 60%).
- Indonesia: Rising competition to gather third-party funds.** Loan to deposit ratio (LDR) gradually rose to 85.7% in Aug 23 as loan growth outpaced deposit growth. With current reserve requirement (GWM) of 9%, banks are facing rising competition to gather third-party funds. The time deposit rates increased across all tenors by 168.2bp yoy/53.6bp ytd on average. We believe Bank Indonesia could lower GWM before cutting rates as LDR gradually increases to >90% and inflation declines.
- Nevertheless, earnings will continue to grow.** We expect banks to deliver 19.7% yoy net profit growth this year despite pressure on cost of funds. Underpinned by domestic manufacturing optimism and more government spending in 2H23, loan growth will remain expansive. Political campaign for 2024 election will start in Nov 23, which should support purchasing power of the low-income class.

UOBK ASEAN BANKS INDEX

(31 Dec 09=100)



Source: UOB Kay Hian

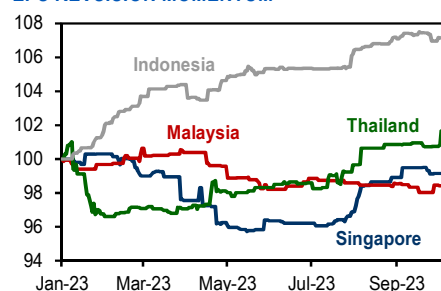
COUNTRY PERFORMANCE

(% chg)	Weighting (%)	1MTH	3MTH	6MTH	1Y	YTD
ASEAN*	100	-3.8	-0.2	-0.6	-0.3	8.0
Singapore#	34	1.1	4.7	0.8	-0.7	5.0
Malaysia#	15	-3.5	4.1	1.3	-3.4	0.7
Thailand#	8	-5.5	-1.0	4.2	-0.9	3.7
Indonesia#	42	-2.6	1.1	7.5	8.1	12.5

*In US\$ terms. #In local currency terms.

Source: UOB Kay Hian

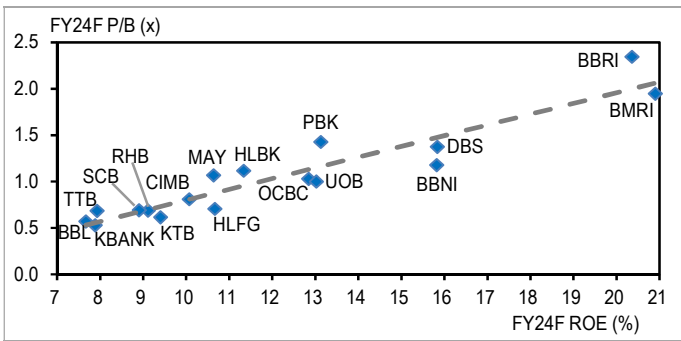
EPS REVISION MOMENTUM



Source: Bloomberg, UOB Kay Hian

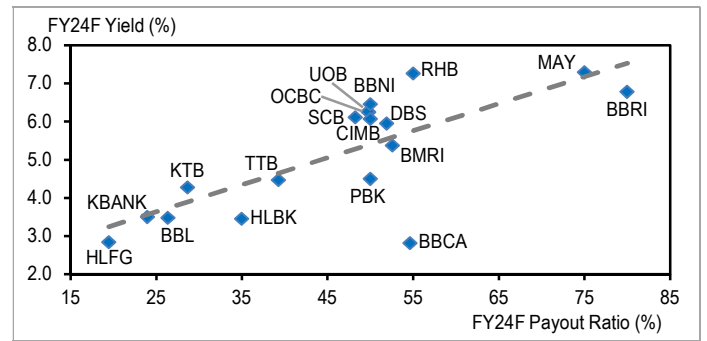
- BUY Bank Negara Indonesia (BBNI IJ/Target: Rp11,200). BBNI showed improving fundamental credit risk profile which resulted in: a) higher CAR ratio, b) higher LaR coverage, and c) lower exposure to SoE construction companies. Focusing on the low-risk loan segment going forward, we expect BBNI to have better earnings quality and gradually recover its ROE to the high-teens.

P/B VS ROE



Source: UOB Kay Hian

DIVIDEND YIELD VS PAYOUT RATIO



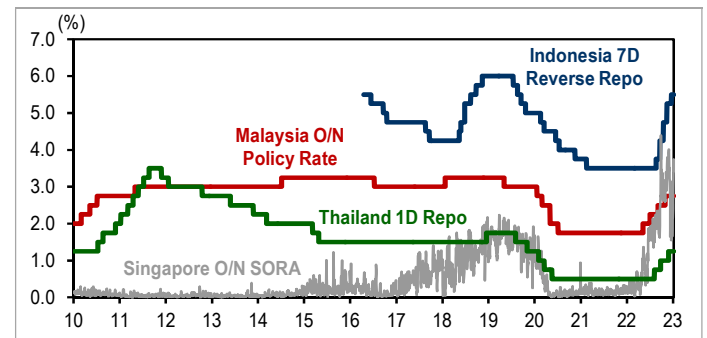
Source: UOB Kay Hian

CONSENSUS ESTIMATES FOR GDP GROWTH

(%)	2020	2021	2022	2023F	2024F
Singapore	-3.9	8.9	3.6	1.0	2.5
Malaysia	-5.5	3.3	8.7	4.0	4.5
Thailand	-6.1	1.5	2.6	3.0	3.6
Indonesia	-2.1	3.7	5.3	5.0	5.0

Source: CEIC, Bloomberg

POLICY INTEREST RATES



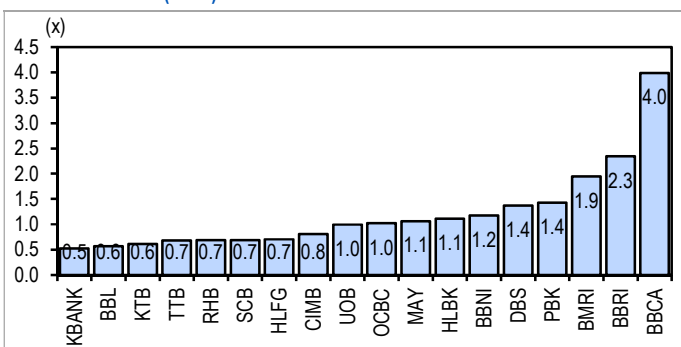
Source: Bloomberg

TOP 10 OUTPERFORMERS AND TOP 10 UNDERPERFORMERS RANKED BY MONTHLY SHARE PRICE PERFORMANCE

TOP OUTPERFORMERS (%)						TOP UNDERPERFORMERS (%)					
BANK	1MTH	3MTH	6MTH	1Y	YTD	BANK	1MTH	3MTH	6MTH	1Y	YTD
BMRI IJ	1.3	15.9	16.4	30.3	21.4	BBRI IJ	(6.7)	(3.7)	8.6	16.6	5.8
TTB TB	(2.3)	14.7	18.6	42.1	22.0	BBCA IJ	(4.6)	(3.6)	0.3	5.4	3.2
BBNI IJ	12.8	12.8	12.2	15.0	11.9	SCB TB	(12.4)	(1.9)	(1.0)	(1.9)	(4.2)
BBL TB	(1.8)	7.0	7.4	21.4	13.2	KBANK TB	(4.9)	(1.6)	(6.3)	(12.8)	(14.6)
DBS SP	0.8	6.7	1.7	3.7	0.7	KTB TB	(2.1)	0.0	13.1	13.8	7.3
CIMB MK	(3.6)	5.4	2.3	5.4	(6.4)	RHBBANK MK	(4.7)	0.2	(2.0)	(2.3)	(6.2)
PBK MK	(1.9)	4.9	2.5	(3.3)	(6.0)	HLFG MK	(3.7)	0.2	(1.9)	(4.0)	(4.8)
OCBC SP	2.2	4.6	2.2	9.4	5.2	MAY MK	(3.3)	0.7	2.7	2.7	1.0
HLBK MK	(1.9)	3.2	(3.7)	(3.8)	(5.2)	UOB SP	(0.1)	2.8	(4.8)	9.1	(7.2)
UOB SP	(0.1)	2.8	(4.8)	9.1	(7.2)	HLBK MK	(1.9)	3.2	(3.7)	(3.8)	(5.2)

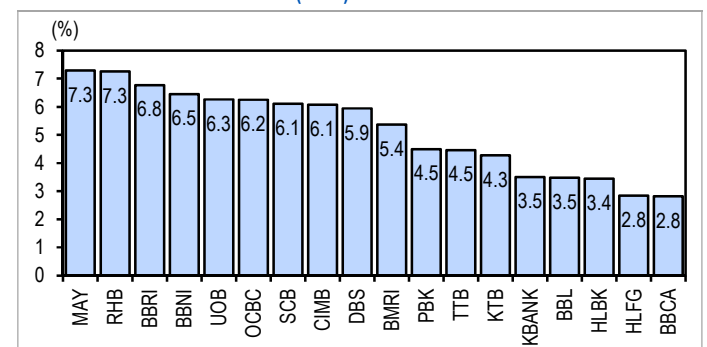
Source: Bloomberg, UOB Kay Hian

RANKING BY P/B (2024)



Source: UOB Kay Hian

RANKING BY DIVIDEND YIELD (2024)



Source: UOB Kay Hian

COMPANY RESULTS

Top Glove (TOPG MK)

4QFY23: Living To Fight Another Day

Top Glove reported a fifth consecutive quarter of core net losses, albeit narrowed. This is after adjusting for a one-off impairment of RM389m related to the decommissioning of its production lines. Market dynamics remain soft, dampened by declining sales volume and ASPs. Positively, some light was shed from margin expansion following moderating input costs and favourable forex, besides leaner opex after recent capacity rationalisation exercises. Maintain HOLD with a lower target price of RM0.82.

4QFY23 RESULTS

Year to 31 Aug	4QFY23 (RMm)	qoq % chg	yoy % chg	FY23 (RMm)	yoy % chg	Comment
Revenue	475.9	(10.3)	(51.9)	2,257.0	(59.5)	Volume (-9.5% qoq), ASP (-0.5% qoq)
Operating exp.	(883.7)	57.6	(10.2)	(2,846.4)	(46.5)	
EBITDA	(407.8)	1,256.9	(6,438.1)	(589.4)	(203.2)	Includes impairment of RM389m
EBIT	(485.5)	308.5	483.0	(932.4)	(518.6)	Includes impairment of RM389m
Pre-tax profit	(461.9)	233.4	949.0	(898.0)	(345.7)	
Tax	7.9	(56.7)	243.6	11.0	(115.1)	
Net PATAMI	(463.1)	254.7	780.7	(926.6)	(492.7)	Impairment of RM389m in 4QFY23
Core PATAMI	(74.6)	(30.8)	41.9	(515.4)	(318.4)	Within expectations.
	%	+/- ppt	+/- ppt	%	+/- ppt	
EBITDA margin	(85.7)	(80.0)	(86.3)	(26.1)	(36.4)	
EBIT margin	(102.0)	(79.6)	(93.6)	(41.3)	(45.3)	
PBT margin	(97.1)	(71.0)	(92.6)	(39.8)	(46.3)	
Eff. tax rate	(1.7)	11.4	3.5	(1.2)	18.8	
Core margin	(15.7)	4.6	(10.4)	(22.8)	(27.1)	

Source: Top Glove, UOB Kay Hian

RESULTS

• **Within expectations.** Top Glove reported a narrowing 4QFY23 core net loss of RM74.6m (-30.8% qoq, +41.9% yoy), despite revenue declining significantly to RM476m (-10.3% qoq). This is after stripping off a one-off impairment of RM389m relating to decommissioning of its production lines. For FY23, cumulative core losses of RM515m were well within expectations, accounting for c.99% and c.100% of our and consensus' full-year estimates respectively.

KEY FINANCIALS

Year to 31 Aug (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	5,573	2,257	3,850	4,893	5,553
EBITDA	602	(163)	482	925	971
Operating profit	254	(506)	134	566	601
Net profit (rep./act.)	236	(927)	98	415	440
Net profit (adj.)	236	(515)	98	415	440
EPS (sen)	2.9	(11.5)	1.2	5.1	5.4
PE (x)	25.9	n.m.	62.5	14.7	13.9
P/B (x)	1.1	1.3	1.3	1.2	1.2
EV/EBITDA (x)	12.5	n.m.	15.6	8.1	7.7
Dividend yield (%)	3.4	(3.9)	0.8	3.4	3.6
Net margin (%)	4.2	(41.1)	2.5	8.5	7.9
Net debt/(cash) to equity (%)	(0.8)	5.6	3.3	(2.8)	(9.2)
Interest cover (x)	136.5	n.a.	27.3	61.7	79.0
ROE (%)	4.1	n.a.	2.1	8.5	8.7
Consensus net profit	-	-	65	265	-
UOBKH/Consensus (x)	-	-	1.49	1.57	-

n.m. : not meaningful; negative PE, EV/EBITDA reflected as "n.m."
Source: Top Glove, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM0.755
Target Price	RM0.820
Upside	+8.6%
(Previous TP)	RM0.95)

COMPANY DESCRIPTION

Latex glove manufacturer.

STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	TOPG MK
Shares issued (m):	8,008.2
Market cap (RMm):	6,046.2
Market cap (US\$m):	1,282.7
3-mth avg daily t'over (US\$m):	6.8

Price Performance (%)

52-week high/low RM1.22/RM0.625

1mth	3mth	6mth	1yr	YTD
(3.8)	(11.2)	(26.0)	11.9	(16.6)

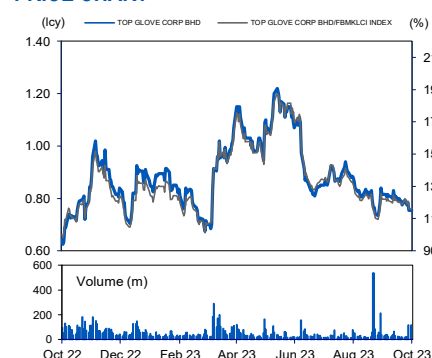
Major Shareholders

	%
Tan Sri Lim Wee Chai	35.5
Firstway United Corp	6.9
EPF	4.9

FY24 NAV/Share (RM) 0.59

FY24 Net Debt/Share (RM) 0.02

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Operating statistics reflect industry-wide slowdown; ASP and volume sales contracted qoq.** 4QFY23 volume sales softened c.9.5% qoq, mainly due to overall softer demand. Meanwhile, ASP contracted marginally to c.US\$21/000 pcs (-0.5% qoq) in tandem with cost pass-through from lower raw material prices. Utilisation rate for the quarter remains sluggish at c.31% based on current effective capacity of c.60b pieces annually. Given depressed industry utilisation rates, stiff price competition continues to linger and orders remain smaller due to short delivery times.
- Bottom line losses continue to narrow; likely to break even in upcoming quarter.** 4QFY23 bottom line losses narrowed from -RM108m to -RM75m. This was primarily due to leaner opex as well as moderating natural gas tariffs. Input costs such as nitrile and latex were 8% and 22% lower qoq off reducing feedstock and excess supply. Natural gas tariff also softened by 13% in the quarter and may further decline by an additional 5% from Oct 23 onwards.

STOCK IMPACT

- Industry slowdown seemingly bottomed out through the lens of operating matrix...** With several headwinds filtering through, we reiterate our view that the Malaysian glove sector is heading towards an inflection point. Our thesis is premised on: a) diminishing excess inventories, b) imminent ASP revision, c) moderating input costs, and d) supply rationalisation and capacity reduction escalating supply-demand equilibrium.
- ...but restoration to pre-pandemic earnings dynamic takes time.** Although the worst is over, we believe that Malaysian glove manufacturers will face an upward slope to restore their pre-pandemic profitability, given that the pandemic-induced oversupply and suboptimal utilisation will potentially take another 6-8 quarters to normalise. Furthermore, there is no urgency for distributors to place bulk orders due to short delivery times and sluggish utilisation rates among producers.
- Turnaround plan still in motion.** Top Glove is pursuing its "T6" in its path to recovery. Its six pillars are: a) boosting sales volume with a focus on rubber and surgical gloves, b) enhancing product quality, c) consolidating facilities to focus on efficient factories, d) enhancing people productivity, e) strengthening cashflow position through cost rationalisation (mutual separation scheme of close to 600 employees) and liquidating excess land bank, and f) optimising supply chain by eliminating non-essential expenses and renegotiating procurement contracts.

EARNINGS REVISION/RISK

- We reduce our FY24-25 earnings by 28% and 6% respectively** as we trim our utilisation rate and ASP forecast in anticipation of a milder-than-expected recovery pace. Key downside risks include: a) softer volume sales, and b) inability to pass through costs.
- We introduce our FY26 earnings forecasts.**

VALUATION/RECOMMENDATION

- Maintain HOLD with lower target price of RM0.82**, which implies 29x 2024 PE (+1.5SD above mean). Our target price also implies 16x PE based on 2025 earnings (-1.SD below mean). Risk-reward for Top Glove appears neutral at this juncture, given that an inflection point was discovered but restoration of the pre-pandemic industry-wide operating matrix requiring more patience.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

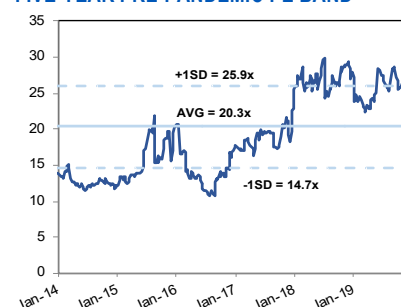
<ul style="list-style-type: none"> Environmental <ul style="list-style-type: none"> Water management. To reduce municipal water consumption intensity by 34% to 0.151m³/1,000 pcs gloves by FY25 with the use of in-house water cycling facilities. Energy management. To reduce electricity and natural gas consumption intensity by 26% and 25% by 2025. Social <ul style="list-style-type: none"> Human rights and labour management. Verified by independent third-party consultant that the company is free of all 11 International Labour Organisation (ILO) forced labour indicators. Governance <ul style="list-style-type: none"> Gender diversity. 42% of its board of directors is female.
--

ASSUMPTIONS

	FY24F	FY25F	FY26F
Revenue (RMm)	3,850	4,893	5,553
ASP Growth yoy (%)	15	10	1
EBITDA Margin (%)	14.7	20.7	19.0
PAT (RMm)	98	415	440
Growth yoy (%)	-149	309	5
Margin (%)	2.7	8.5	7.9

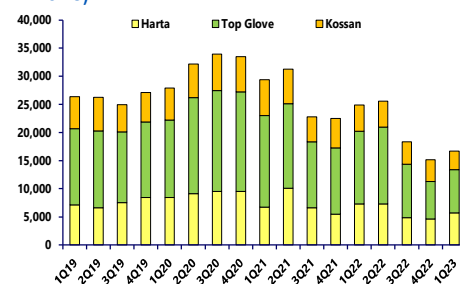
Source: UOB Kay Hian

FIVE-YEAR PRE-PANDEMIC PE BAND



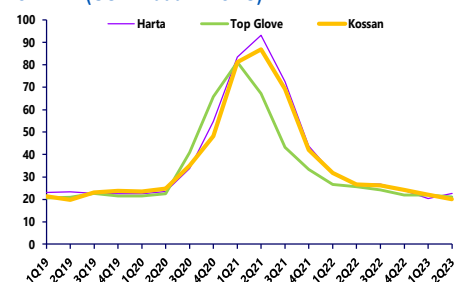
Source: Bloomberg, UOB Kay Hian

MALAYSIAN GLOVE PLAYERS VOLUME SALES (M' PIECES)



Source: Companies, UOB Kay Hian

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



Source: Companies, UOB Kay Hian

PROFIT & LOSS

Year to 31 Aug (RMm)	2023	2024F	2025F	2026F
Net turnover	2,257	3,850	4,893	5,553
EBITDA	(163)	482	925	971
Deprec. & amort.	343	348	359	369
EBIT	(506)	134	566	601
Total other non-operating income	(390)	23	23	23
Associate contributions	(6)	(6)	(6)	(6)
Net interest income/(expense)	3	(18)	(15)	(12)
Pre-tax profit	(898)	134	568	606
Tax	11	(36)	(153)	(167)
Minorities	(40)	0	0	0
Net profit	(927)	98	415	440
Net profit (adj.)	(927)	98	415	440

CASH FLOW

Year to 31 Aug (RMm)	2023	2024F	2025F	2026F
Operating	131	374	717	774
Pre-tax profit	(898)	134	568	606
Tax	185	(36)	(153)	(167)
Deprec. & amort.	343	348	359	369
Associates	6	6	6	6
Working capital changes	71	(96)	(77)	(53)
Non-cash items	427	0	0	0
Other operating cashflows	(3)	18	15	12
Investing	(382)	(200)	(200)	(200)
Capex (growth)	(297)	(200)	(200)	(200)
Proceeds from sale of assets	0	0	0	0
Others	(85)	0	0	0
Financing	93	(145)	(301)	(311)
Dividend payments	0	(49)	(207)	(220)
Proceeds from borrowings	155	(79)	(79)	(79)
Loan repayment	(47)	0	0	0
Others/interest paid	(16)	(18)	(15)	(12)
Net cash inflow (outflow)	(158)	28	216	264
Beginning cash & cash equivalent	444	290	318	534
Changes due to forex impact	4	0	0	0
Ending cash & cash equivalent	290	318	534	797

BALANCE SHEET

Year to 31 Aug (RMm)	2023	2024F	2025F	2026F
Fixed assets	3,932	4,010	3,851	3,682
Other LT assets	1,441	1,467	1,467	1,467
Cash/ST investment	290	318	534	797
Other current assets	1,418	1,617	1,757	1,873
Total assets	7,081	7,412	7,609	7,819
ST debt	540	540	540	540
Other current liabilities	403	784	847	910
LT debt	14	(65)	(143)	(222)
Other LT liabilities	205	179	179	179
Shareholders' equity	4,707	4,756	4,963	5,183
Minority interest	1,212	1,217	1,223	1,229
Total liabilities & equity	7,081	7,412	7,609	7,819

KEY METRICS

Year to 31 Aug (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	(7.2)	12.5	18.9	17.5
Pre-tax margin	(39.8)	3.5	11.6	10.9
Net margin	(41.1)	2.5	8.5	7.9
ROA	n.a.	1.3	5.5	5.7
ROE	n.a.	2.1	8.5	8.7
Growth				
Turnover	(59.5)	70.6	27.1	13.5
EBITDA	(127.1)	n.a.	91.7	5.0
Pre-tax profit	(345.7)	n.a.	324.9	6.7
Net profit	(492.7)	n.a.	324.9	6.0
Net profit (adj.)	(492.7)	n.a.	324.9	6.0
EPS	(492.7)	n.a.	324.9	6.0
Leverage				
Debt to total capital	8.6	7.4	6.0	4.7
Debt to equity	11.8	10.0	8.0	6.1
Net debt/(cash) to equity	5.6	3.3	(2.8)	(9.2)
Interest cover (x)	n.a.	27.3	61.7	79.0

TRADERS' CORNER

AGMO (0258) 06/10/2023* O=0.595 H=0.625 L=0.59 C=0.62 V=9.14M Chg=+0.025 (+4.2%)



Source: UOBKH ChartGenie

MNHLDG (0245) 06/10/2023* O=0.34 H=0.37 L=0.34 C=0.365 V=14.5M Chg=+0.02 (+5.8%)



Source: UOBKH ChartGenie

Agmo Holdings (AGMO MK)

Technical BUY with +19.4% potential return
Last price: RM0.620
Target price: RM0.680, RM0.740
Support: RM0.585
Stop-loss: RM0.580

BUY with a target price of RM0.740 and stop-loss at RM0.580. Yesterday's gain could be considered a significant breakthrough as the breakout has placed share price in new territory. Backed by surging trading volumes and positive momentum, there should be an upward follow-through from here. Furthermore, an uptick in the RSI and a bullish crossover in the DMI and MACD imply a stronger upward move ahead. We peg our targets at RM0.680 and RM0.740 in the near term.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading

MN Holdings (MNHLDG MK)

Technical BUY with +16.4% potential return
Last price: RM0.365
Target price: RM0.395, RM0.425
Support: RM0.310
Stop-loss: RM0.300

BUY with a target price of RM0.425 and stop-loss at RM0.300. Based on the daily chart, MNHLDG formed higher highs and higher lows that indicate an uptrend. This bullish movement is supported by an uptick in the RSI and a bullish crossover in the MACD and DMI. Based on Fibonacci Extension, we expect MNHLDG will continue in its bullish momentum towards our targets of RM0.395 and RM0.425 respectively.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading

ANALYST

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