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A more interesting recovery in 2H23.

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KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	34618.2	(0.8)	0.1	0.3	4.4
S&P 500	4450.3	(1.2)	(0.2)	1.8	15.9
FTSE 100	7711.4	0.5	3.1	6.2	3.5
AS30	7482.6	1.4	1.7	1.6	3.6
CSI 300	3708.8	(0.7)	(0.8)	(2.0)	(4.2)
FSSTI	3280.7	1.0	2.3	3.4	0.9
HSCEI	6309.6	0.5	(0.1)	2.6	(5.9)
HSI	18182.9	0.7	(0.1)	1.3	(8.1)
JCI	6982.8	0.3	0.8	1.8	1.9
KLCI	1459.0	0.7	0.3	0.9	(2.4)
KOSPI	2601.3	1.1	2.1	3.9	16.3
Nikkei 225	33533.1	1.1	2.8	6.6	28.5
SET	1542.0	(0.2)	(0.3)	1.5	(7.6)
TWSE	16920.9	0.7	2.1	3.3	19.7
BDI	1381	3.1	16.4	11.6	(8.8)
CPO (RM/mt)	3701	1.6	(1.4)	(0.1)	(8.6)
Brent Crude (US\$/bbl)	94	0.2	3.6	10.6	9.3

Source: Bloomberg

TOP PICKS

	Ticker	CP (1cy)	TP (1cy)	Pot. +/- (%)
BUY				
BYD	1211 HK	247.40	590.00	138.5
China Duty Free	601888 CH	106.06	138.00	30.1
Bank Neo Commerce	BBYB IJ	296.00	1,000.00	237.8
Bumi Serpong	BSDE IJ	1,040.00	1,420.00	36.5
HM Sampoerna	HMSP IJ	865.00	1,300.00	50.3
My EG Services	MYEG MK	0.78	1.18	51.3
Yinson	YNS MK	2.54	4.05	59.4
OCBC	OCBC SP	12.90	18.22	41.2
CP ALL	CPALL TB	63.75	78.00	22.4
Indorama	IVL TB	28.00	37.00	32.1

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

CORPORATE EVENTS

	Venue	Begin	Close
Virtual Analyst Marketing of S-Reits Sector	Singapore	21 Sep	21 Sep
Analyst Marketing on Malaysia Outlook and Technology Sector	Singapore	26 Sep	27 Sep
14th Asian Gems Conference 2023 (Virtual)	Singapore	10 Oct	13 Oct

ECONOMICS – CHINA

Economic Activity

August Data Mostly Beat Expectations, Property FAI Remains A Drag

August's economic data were mostly above market expectations, with the exception of FAI which was weighed down by the property sector's weak FAI. The unemployment rate improved slightly to 5.2%, but hours worked was unchanged. The data suggest that growth numbers may start to bottom after the recent policy easing, but we expect at best moderate improvements ahead.

ECONOMIC ACTIVITY DATA (MONTHLY)

(yoy % chg)	Aug 23	Consensus	Jul 23
FAI YTD	3.2	3.3	3.4
FAI*	1.8	-	1.0
Property FAI YTD	-8.8	-8.9	-8.5
Industrial Production	4.5	3.9	3.7
Surveyed Unemployment Rate (%)	5.2	5.3	5.3
Retail Sales	4.6	3.0	2.5

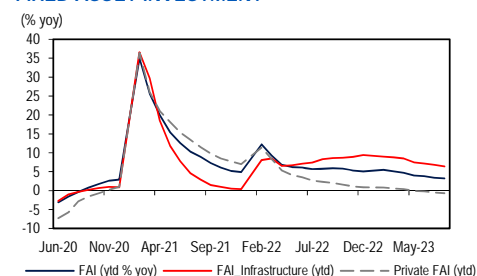
*Estimates by UOB KH

Source: NBS, Wind, UOB Kay Hian

WHAT'S NEW

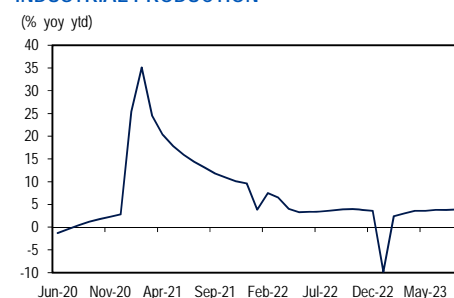
- **Retail sales growth rebounded to 4.6% yoy in August**, above Bloomberg consensus forecast of 3.0% yoy and July's 2.5% yoy. Excluding automobiles, retail sales rose 5.1% yoy, supported by a 12.4% yoy rise in catering activities. Goods retail sales also improved to 3.7% yoy vs 1.0% yoy a month ago, with better sales in cosmetics, communication devices and jewellery.
- **Industrial production growth rose to 4.5% yoy**, above July's 3.7% yoy and market expectations of 3.9% yoy. An improvement is expected given the improvement in the output sub-index of the manufacturing PMI over the past three months. Auto manufacturing growth slowed rebounded to 9.9% yoy, while the strongest growth was seen in the chemicals industry, up 14.8% yoy. Declines were however recorded in pharmaceuticals (-6.2% yoy) and alcohol and beverages (-2.9% yoy). Looking ahead, a major rebound in industrial production growth is not likely, given the marginal improvement in manufacturing PMI new orders.
- **FAI growth rebounded to an estimated 1.8% yoy in August**, but it is still the weakest link of the economy. This was mainly driven by government projects as state-led FAI grew 7.4% yoy in 8M23, while private FAI was down 0.7% yoy. Over this period, property FAI fell 8.8% yoy, compared with a decline of 8.5% for 7M23.
- **Overall unemployment rate edged lower to 5.2%**, with the average hours worked remaining unchanged at 48.7, which is consistent with the rebound in most economic indicators for August. That said, while we see some bright spots in the data release, the weakness in FAI and declining contribution by the automobile industry to both retail sales and industrial production suggest that investors should only expect moderate improvements in the yoy growth numbers in the coming months.

FIXED ASSET INVESTMENT



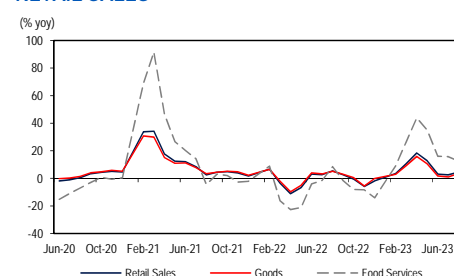
Source: NBS, Wind, UOB Kay Hian

INDUSTRIAL PRODUCTION



Source: NBS, Wind, UOB Kay Hian

RETAIL SALES



Source: NBS, Wind, UOB Kay Hian

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SECTOR UPDATE

Aviation – China

Airlines: Aug 23 Operation Data

Aug 23 pax loads of the three Chinese airlines were at 92-93% of their pre-pandemic levels, having retraced slightly from Jul 23's 93-95% and behind our projected 97-98%. Pax load factors were still 5.1-8.4ppt below pre-pandemic levels, signalling an overcapacity situation, although August was already a seasonally strong month. This may put pressure on airfare levels and pax yields. Maintain UNDERWEIGHT as we believe the recovery is well expected and likely priced in. Top pick: Air China.

WHAT'S NEW

- The three major Chinese airlines released Aug 23 operation data on 15 Sep 23.

ESSENTIALS

- Aug 23 data behind our projections; overall pax load still recovering, but momentum seemed to be moderating.**
 - Overall pax loads of the three airlines were behind our projections in August.** In absolute terms, pax loads of the three airlines still improved modestly by 1.1-3.6% mom. However, pax loads as a percentage of pre-pandemic levels, which effectively removes seasonality differences, have retraced to 92-93% from 93-95% in Jul 23 and were below our projected 97-98%. We believe this corresponds with some airlines' managements' observations that the summer peak travel period has tapered and ended earlier this year vs previous years.
 - Overall pax capacities of the three major Chinese airlines rose 0.1-3.3ppt mom to 98-103% of their respective pre-pandemic levels. Domestic capacity supply significantly surpassed pre-pandemic levels at 120-131%. Supply of international and regional capacities improved 0.4-4.7ppt mom, standing at 52-58% of pre-pandemic levels.
 - Air China's overall pax load factor improved 1.2ppt mom to 76.6%, thanks to pax load recovering faster than the growth in capacity supply during the month. China Southern Airlines' (CSA) pax load factor was flat mom at 80.9%. China Eastern Airlines' (CEA) pax load factor dipped 0.8ppt mom to 77.6% due to faster growth of capacity supply than pax load recovery.
 - Overcapacity issue still present, putting pressure on pax yields.** With pax load factors of three airlines still 5.1-8.4ppt below their respective pre-pandemic levels (little improvement achieved during the seasonally strong August), the aviation sector remains in an overcapacity situation. This overcapacity situation is likely to put pressure on airfare levels and hence pax yields.

AUG 23 PAX OPERATION DATA OF THE THREE MAJOR CHINESE AIRLINES

	Overall			Domestic			International & Regional		
	Air China	CSA	CEA	Air China	CSA	CEA	Air China	CSA	CEA
Pax capacity (m seat-km)	29,935	30,892	24,217	23,944	25,700	19,225	5,991	5,192	4,993
mom change	+1.9%	+1.1%	+2.5%	+1.3%	+1.0%	+1.3%	+4.6%	+1.8%	+7.5%
as % of pre-pandemic	103%	98%	102%	131%	120%	127%	55%	52%	58%
% recovery mom change	+1.9ppt	+0.1ppt	+3.3ppt	+0.8ppt	-0.1ppt	+2.4ppt	+2.9ppt	+0.4ppt	+4.7ppt
Pax load (m pax-km)	22,934	24,989	18,786	18,400	20,554	14,898	4,534	4,435	3,888
mom change	+3.6%	+1.1%	+1.4%	+2.5%	+0.4%	-	+8.3%	+4.5%	+7.6%
as % of pre-pandemic	93%	92%	93%	116%	111%	113%	51%	52%	55%
recovery % mom change	-0.6ppt	-3.2ppt	-1.8ppt	-2.1ppt	-5.1ppt	-4.5ppt	+1.9ppt	+0.4ppt	+2.7ppt
Pax load factors	76.6%	80.9%	77.6%	76.8%	80.0%	77.5%	75.7%	85.4%	77.9%
mom change	+1.2ppt	-0.0ppt	-0.8ppt	+0.9ppt	-0.5ppt	-1.1ppt	+2.6ppt	+2.2ppt	+0.1ppt
diff. vs pre-pandemic	-8.4ppt	-5.1ppt	-7.8ppt	-9.8ppt	-6.2ppt	-9.1ppt	-6.7ppt	-0.2ppt	-5.5ppt

Source: Respective companies, UOB Kay Hian

PEER COMPARISON

Company	Ticker	Rec	Price @ 15 Sep 23 (HK\$)	Target Price (HK\$)	Upside To TP (%)	Market Cap (US\$m)	2023F (x)	PE* 2024F (x)	2025F (x)	2023F (x)	EV/EBIT 2024F (x)	2025F (x)	P/B 2023F (x)	Yield 2023-25F (%)	Net Gearing End-1H23 (%)
Air China	753 HK	BUY	5.67	6.32	11.4	11,732	33.1	12.4	11.7	14.2	9.9	9.7	1.9	0.0	361.9
CSA	1055 HK	SELL	4.00	3.68	(8.0)	9,257	17.8	15.0	13.5	12.8	12.9	12.1	1.4	0.0	185.0
CEA	670 HK	SELL	2.76	2.35	(14.9)	7,857	n.a.	16.2	14.8	23.9	13.2	12.6	1.7	0.0	420.8
Average							25.5	14.5	13.3	17.0	12.0	11.4	1.7	0.0	322.6

*PE estimates were adjusted for potential dilutions from new equity raisings
Source: Bloomberg, UOB Kay Hian

UNDERWEIGHT

(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
Air China	753 HK	BUY	5.67	6.32
China Southern Airlines	1055 HK	SELL	4.00	3.68
China Eastern Airlines	670 HK	SELL	2.76	2.35

Source: UOB Kay Hian

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• **Expecting a turnaround in 3Q23.** We expect all three airlines to make a turnaround into profitability in 3Q23, partly helped by favourable seasonality (July-August is the summer peak travel period with student holidays). For the full year, we maintain our expectations that Air China and CSA would end the year positively while CEA is likely to record a slight loss due to the higher losses incurred in 1H23.

• **Capacity and yield outlook.** During their analyst briefings at end-Aug 23, CSA and CEA guided for their international-route capacity to reach about 80% of pre-pandemic levels by end-23, while Air China targeted a 70% recovery. According to managements, as the capacity of international routes recover further and more wide-body aircrafts get deployed to long-haul international routes, the current overcapacity pressure for domestic routes would be alleviated. We believe that this would provide some support to domestic-route yields (1H23: only single-digit percentage higher than 1H19 levels) while driving the moderation of international-route yields (1H23: 67-90% higher than 1H19 levels).

EARNINGS REVISION

• **No change.** Even though Aug 23 operation statistics of the three airlines came in behind our projections, we have retained our earnings forecasts for now as we remain hopeful that the pace of recovery may catch up again in the remaining months of 2023.

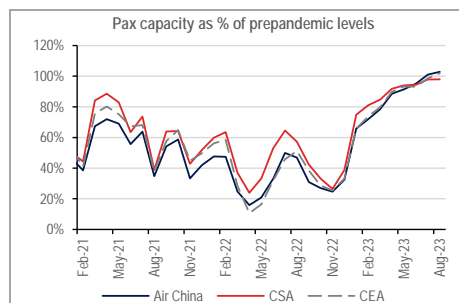
ACTION

• **Maintain UNDERWEIGHT.** While the Chinese aviation sector's recovery is expected to continue in the medium term, we note that the recovery is well expected by the market and hence largely, if not fully, priced in. We maintain our case that earnings in the next few years are likely to be fully retained by the three major Chinese airlines to rebuild their balance sheet strengths (making up for the huge negative earnings reserves before a dividend can be paid) and provide for their lifted capex plans. Air China (753 HK/BUY/Target: HK\$6.32) is our preferred pick among the three major Chinese airlines for its national flag carrier status and relatively cheaper valuation against its steady-state profit potential.

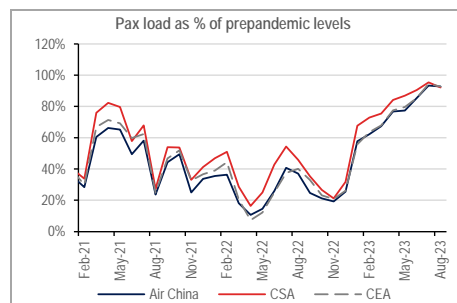
RISKS

- **Upside risks:** Market sentiments stirred up by: a) positive newsflow about China tourism spending and air travel recovery, and b) airlines potentially making a turnaround in earnings in 3Q23.
- **Downside risks:** a) Slower-than-expected earnings recovery due to macroeconomic headwinds damping demand, sharp rise of jet fuel price and/or weaker renminbi (rendering overseas travel more expensive), b) EPS-dilutive equity-raising, and c) dissipation of the market's excitement about the airlines' recovery story.

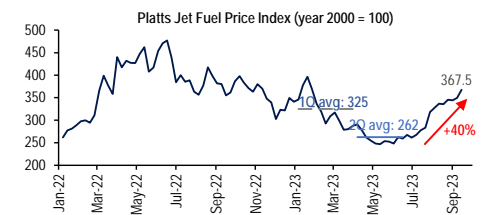
OVERALL PAX CAPACITY RECOVERY



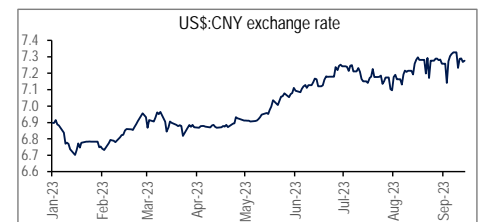
OVERALL PAX LOAD RECOVERY



JET FUEL PRICES ROSE 40% SINCE END-JUN 23



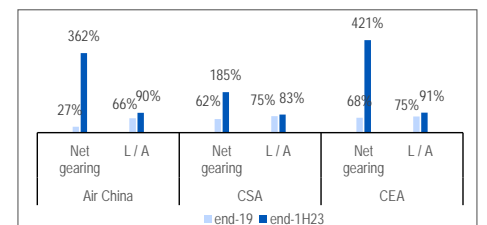
WEAKENED RENMINBI AGAINST US\$



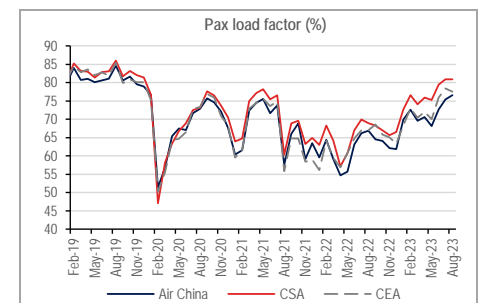
2023-25 EARNINGS NOT ENOUGH TO MAKE UP FOR THE HUGE NEGATIVE EARNINGS RESERVES



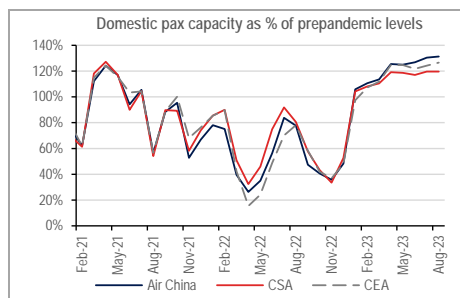
LOFTY GEARINGS OF THE THREE AIRLINES



OVERALL PAX LOAD FACTORS

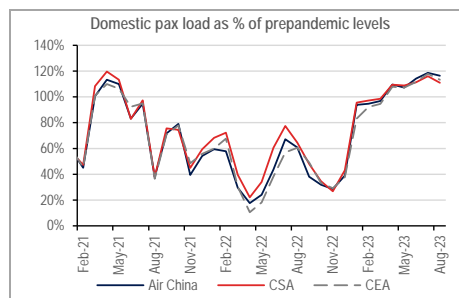


DOMESTIC PAX CAPACITY RECOVERY



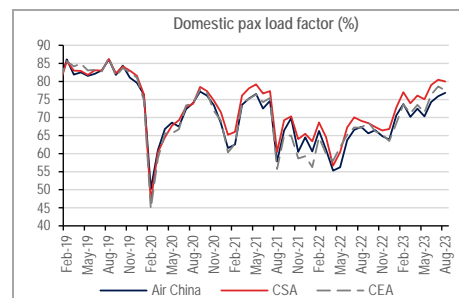
Source: Respective companies, UOB Kay Hian

DOMESTIC PAX LOAD RECOVERY



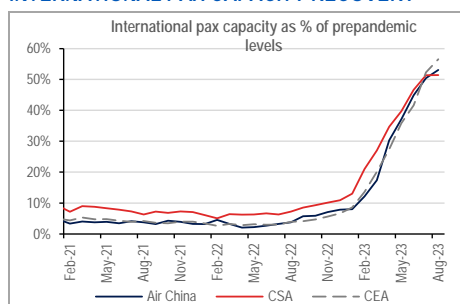
Source: Respective companies, UOB Kay Hian

DOMESTIC PAX LOAD FACTOR



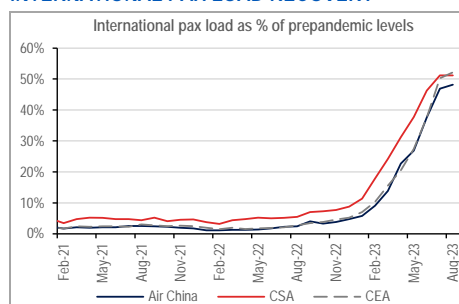
Source: Respective companies, UOB Kay Hian

INTERNATIONAL PAX CAPACITY RECOVERY



Source: Respective companies, UOB Kay Hian

INTERNATIONAL PAX LOAD RECOVERY



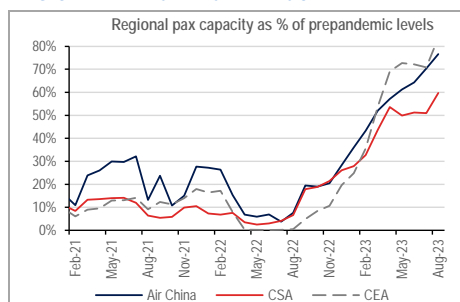
Source: Respective companies, UOB Kay Hian

INTERNATIONAL PAX LOAD FACTOR



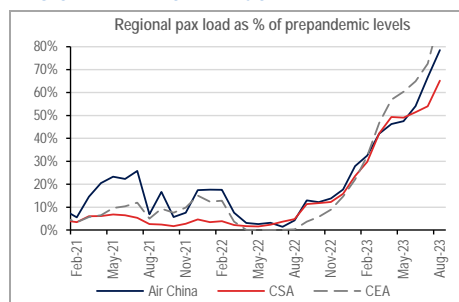
Source: Respective companies, UOB Kay Hian

REGIONAL PAX CAPACITY RECOVERY



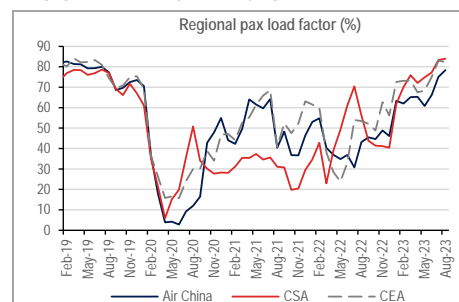
Source: Respective companies, UOB Kay Hian

REGIONAL PAX LOAD RECOVERY



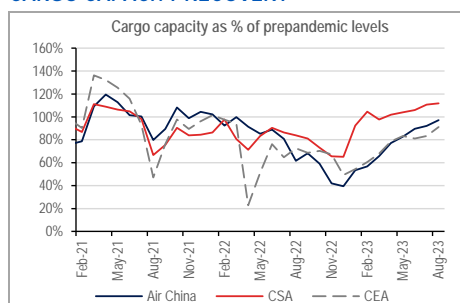
Source: Respective companies, UOB Kay Hian

REGIONAL PAX LOAD FACTOR



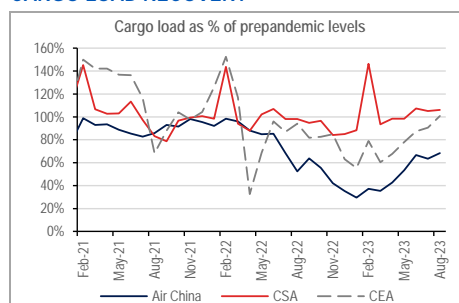
Source: Respective companies, UOB Kay Hian

CARGO CAPACITY RECOVERY



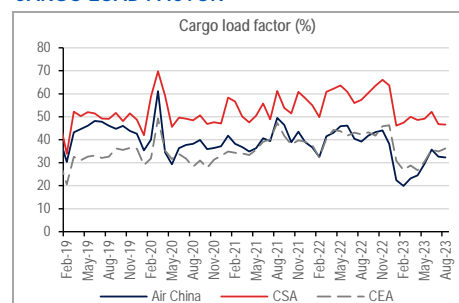
Source: Respective companies, UOB Kay Hian

CARGO LOAD RECOVERY



Source: Respective companies, UOB Kay Hian

CARGO LOAD FACTOR



Source: Respective companies, UOB Kay Hian

COMPANY UPDATE

Yum China Holdings Inc (9987 HK)

More Positive Outlook: Accelerated Store Openings, To Focus On Growth

Yum China expects full-year same-store sales to recover to 90% of 2019's level, implying a sequential recovery in 2H23. Despite more aggressive promotions in the sector, management showed confidence in the company by accelerating new store openings in 2023 on the back of a strong supply chain, improved labour cost efficiency and better unit economics per store. It has set a medium-term target of 20,000 stores by 2026, and aims for double-digit EPS and dividend growth for 2024-26.

WHAT'S NEW

- Our key takeaways from Yum China Holdings Inc (YUMC) investor day are as follows:
- More positive outlook for 2023.** YUMC expects same-store sales to reach 90% of 2019's level in 2023 (vs 83%/90% in 1Q23/2Q23). It has revised up its net new store opening target for 2023 to 1,400-1,600 (from 1,100-1,300) while maintaining capex at US\$700m-900m.
- Shifting focus to growth.** The company is shifting its focus from its "resilient, growth and moat" (RGM) strategy to growth, which will entail expanding store footprint, increasing sales and boosting profits. Management intends to have 20,000 stores by end-26 (end-1H23: 13,602), which implies 1,800 net new stores annually. Based on a three-year CAGR from 2023 to 2026, it aims to grow system sales and operating profit by high single to double digits and EPS by double digits. YUMC also targets to return US\$3b in cash to shareholders from 2024 to 2026, with a significant increase in stock buyback and double-digit growth in dividend. The company plans to invest US\$3.5b in capex in 2024-26 (2022-23: US\$1.5b), of which US\$2.0b-3.0b (or 57-86%) will be invested in store network expansion, US\$700m-1.0b in remodelling for supply chain enhancement, and US\$500m-1.0b in digitisation. The company expects capex per store to continue declining, even after reducing capex per store by 50%/60% for KFC/Pizza Hut respectively from 2014 to 2022.
- Management expects to maintain and potentially expand store margins**, on: a) stable cost of sales through utilisation of supply chain, and b) stable labour cost through utilisation of central support, technology and automation, despite having increased store-level wages by low-to-mid single digit in 1H23. Management is confident that its general and administrative growth would be below sales growth in the long term.

KEY FINANCIALS

Year to 31 Dec (USDm)	2018	2019	2020	2021	2022
Net turnover	8,415	8,776	8,263	9,853	9,569
Gross Profit	1,910	2,046	1,900	2,055	1,706
Operating Profit	941	901	961	1,386	629
Net Profit	708	713	784	990	442
EPS (cents)	184.0	189.0	201.0	234.0	105.0
P/E (x)	4.1	4.0	3.8	3.2	7.2
Book value per share	7.6	8.2	14.8	16.5	15.5
P/BV(x)	1.0	0.9	0.5	0.5	0.5
EBITDA	1,386	1,774	1,883	2,440	1,772
EV/EBITDA (x)	18.1	14.1	13.3	10.3	14.2
DPS (fen)	42.0	48.0	24.0	48.0	48.0
Dividend yield (%)	4.9	5.6	2.8	5.6	5.6
Net margin (%)	8.4	8.1	9.5	10.0	4.6
Net debt to equity (%)	(45.8)	17.5	(28.9)	(14.6)	(10.5)
Interest cover (x)	N/A	N/A	N/A	N/A	N/A
ROE (%)	25.0	23.2	16.9	14.9	6.8
Consensus net profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: Yum China, Bloomberg, UOB Kay Hian

NOT RATED

Share Price	HK\$452.00
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

Yum China is a leading restaurant company in China, owning two of China's outstanding Western fast food brands, KFC and Pizza Hut, as well as exclusively rights to Taco Bell, Lavazza, Little Sheep, Huang Ji Huang and others. Yum China had 13,602 restaurants, with 9,562 KFC and 3,072 Pizza Hut stores as of end Jun 23.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	9987 HK
Shares issued (m):	417.3
Market cap (HK\$m):	188,620
Market cap (US\$m):	24,521
3-mth avg daily t'over (US\$m):	19.0

Price Performance (%)

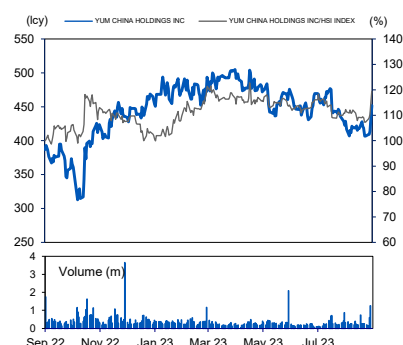
52-week high/low HK\$514.50/HK\$300.00

1mth	3mth	6mth	1yr	YTD
5.4	(-5.0)	(8.4)	15.1	3.0

Major Shareholders

	%
JPMorgan Chase & Co	10.4
Invesco Ltd	8.0
-	-
FY23 NAV/Share (USD)	15.53
FY23 Net Debt/Share (USD)	1.96

PRICE CHART



Source: Bloomberg

ANALYST(S)

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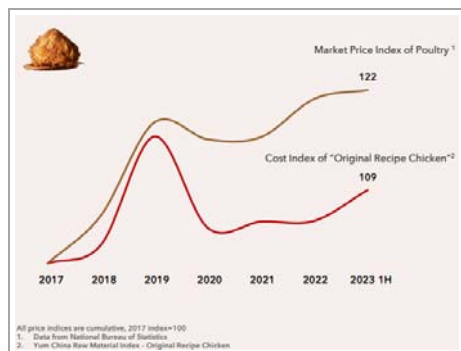
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- **Outlook for KFC.** The company targets to open >1,200 new stores annually during 2024-26, via: a) adoption of different store models/modules, and b) leveraging franchise partners in strategic locations (highway service centres, tourist areas, gas stations and universities), lower-tier cities and remote areas, bringing franchise models to account for 15-20% of new store opening. Growth drivers of sales and purchasing frequency will be supported by: a) new categories and innovative products, b) diversified product offerings with a wide price range (1H23: 12%/80%/8% of sales were from premium/core/entry), and c) signature promotional campaigns.
- **Outlook for Pizza Hut.** Management targets to open 400-500 new stores annually during 2024-26, driven by: a) increased store density in high tier cities (to improve delivery speed), b) penetration into lower tier cities, transportation hubs and tourist areas through franchising. Other than geographic expansion, it sees opportunity to gain share in the casual dining market through: a) more focus on the younger generation and budget-conscious customers, and b) introduction of new items (ie burgers and coffee drinks). It targets to reduce workload in-store by 30% for 2024-26, via: a) reduced administrative workload with a centralised support, b) shifting towards one store manager in charge of multiple stores, and c) more self-service facilities.
- **Outlook for its JV Lavazza.** It aims to achieve 1,000 stores in the next 3-5 years, vs the current >100 stores. Digital orders accounted for 70% of total sales in 1H23, of which delivery sales contributed 37% of total sales.

VALUATION

- According to Bloomberg, Yum China currently trades at 23.4x blended forward PE, representing -1SD below historical average.

BENEFITTED FROM INNOVATION OF UPSTREAM VALUE CHAIN



Source: Yum China, UOB Kay Hian

KFC FLEXIBLE STORE MODELS AND MODULES



Source: Yum China, UOB Kay Hian

KFC PARTNERS WITH CHANNEL FRANCHISEES IN STRATEGIC LOCATIONS



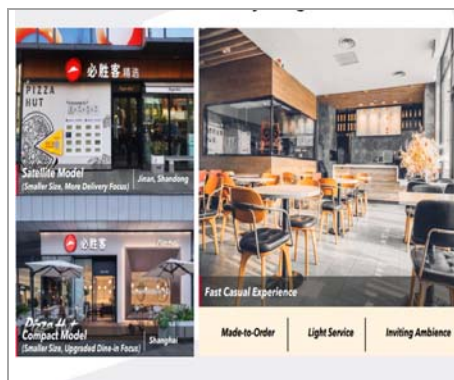
Source: Yum China, UOB Kay Hian

KFC PARTNERS WITH LOCAL FRANCHISE OPERATORS



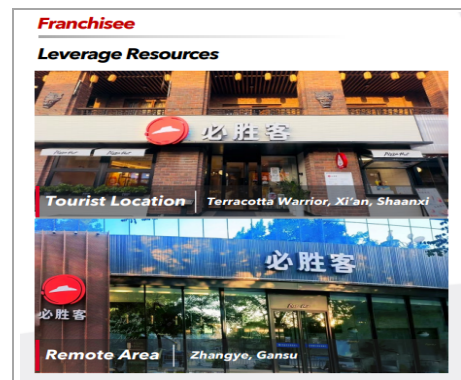
Source: Yum China, UOB Kay Hian

PIZZA HUT FLEXIBLE MODELS TO INCREASE DENSITY IN HIGHER TIER CITIES



Source: Yum China, UOB Kay Hian

PIZZA HUT FRANCHISE IN TOURIST LOCATION AND REMOTE AREAS



Source: Yum China, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (USDm)	2019	2020	2021	2022
Net turnover	8,776	8,263	9,853	9,569
EBITDA	1,774	1,883	2,440	1,772
Depreciation & amortization	(873)	(922)	(1,054)	(1,143)
EBIT	901	961	1,386	629
Total other non-operating income	6	(42)	10	26
Associate contributions	(69)	(62)	44	-
Net interest income/(expense)	(39)	(43)	(60)	(84)
Pre-tax profit(USDm)	1,003	1,108	1,392	687
Tax	260	295	369	207
Minorities	30	29	33	36
Net profit	713	784	990	442
Net profit (recurrent)	713	784	990	442

BALANCE SHEET

Year to 31 Dec (USDm)	2019	2020	2021	2022
Fixed assets	3,579	3,929	4,863	4,337
Long term investment	-	-	-	680
Other LT assets	1,112	2,010	3,644	2,869
Cash/ST investment	1,046	1,158	1,136	1,130
Other current assets	1,213	3,778	3,580	2,810
Total assets	6,950	10,875	13,223	11,826
ST debt	-	-	-	-
Other current liabilities	1,736	2,067	2,383	2,166
Total current liabilities	1,736	2,067	2,383	2,166
LT debt	1,829	1,943	2,326	1,948
Other LT liabilities	210	394	592	552
Total non current liabilities	2,039	2,337	2,918	2,500
Shareholders' equity	3,077	6,206	7,056	6,482
Minority interest	98	265	866	678
Total liabilities & equity	6,950	10,875	13,223	11,826

CASH FLOW

Year to 31 Dec (USDm)	2019	2020	2021	2022
Operating	1,185	1,114	1,131	1,413
Pre-tax profit	1,003	1,108	1,392	687
Tax	(260)	(295)	(369)	(207)
Depreciation/amortization	(428)	(450)	(516)	(602)
Associates	(69)	(62)	44	-
Working capital changes	(176)	2,346	(536)	(559)
Non-cash items	(30)	(189)	(418)	141
Other operating cashflows	1,145	(1,344)	1,534	1,953
Investing	(910)	(3,109)	(855)	(522)
Capex (growth)	(435)	(419)	(689)	(679)
Investments	-	-	(25)	-
Proceeds from sale of assets	n/a	n/a	n/a	n/a
Others	(475)	(2,690)	(141)	157
Financing	(486)	2,098	(298)	(897)
FA	(181)	(95)	(203)	(202)
Issue of shares	-	2,195	n/a	-
Proceeds from borrowings	-	-	-	-
Loan repayment	-	-	-	-
Others/interest paid	(305)	(2)	(95)	(695)
Net cash inflow (outflow)	(211)	103	(22)	(6)
Beginning cash & cash equivalent	1,266	1,055	1,158	1,136
Changes due to forex impact	(6)	40	15	(53)
Ending cash & cash equivalent	1,055	1,158	1,136	1,130

KEY METRICS

Year to 31 Dec (%)	2019	2020	2021	2022
Profitability				
Gross margin	23.3	23.0	20.9	17.8
Pretax margin	11.4	13.4	14.1	7.2
Net margin	8.1	9.5	10.0	4.6
ROA	10.3	8.8	8.2	3.7
ROE	23.2	16.9	14.9	6.8
Growth				
Turnover	4.3	(5.8)	19.2	(2.9)
Gross profit	28.0	6.1	29.6	(27.4)
Pre-tax profit	96.2	5.6	14.3	8.4
Net profit	(4.3)	6.7	44.2	(54.6)
Net profit (adj)	(93.5)	(800.0)	(123.8)	160.0
EPS (adj.)	6.2	(10.1)	(171.0)	(100.0)
Leverage				
Debt to total capital	41.1	27.0	26.4	25.1
Debt to equity	69.7	37.0	35.8	33.5
Net debt to equity	17.5	(28.9)	(14.6)	(10.5)
Interest cover (x)	n/a	n/a	n/a	n/a

COMPANY UPDATE

Nippon Indosari Corpindo (ROTI IJ)

Expect qoq Sales And NPAT Recovery In 3Q23

3Q23 daily sales point to 15-16% higher daily sales qoq. Flour prices continue to fall and spot wheat future prices have dropped below US\$6/bushel. A strong recovery in general trade is observed in 3Q23. 1Q23's high return rate is a thing of the past and return rate should hover around 12-13% for 2H23 and 2024. We have forecasted Rp352b and Rp452b NPAT in 2023 and 2024 respectively. We maintain BUY with a target price of Rp1,600 (16.8% upside).

WHAT'S NEW

- **Daily sales in Jul 23 and Aug 23 rose 15-16% compared to 2Q23.** We expect Nippon Indosari Corpindo's (ROTI) daily sales to rebound in 3Q23. The first two months of 3Q23 saw daily sales rising 15-16% compared with daily sales in 2Q23. Daily sales averaged Rp9.6m in 2Q23 and Rp11.0m in Jul-Aug 23. 3Q23 net margin is higher compared with that in 2Q23 (7.9% NPAT margin) and could be in high double digits. On a yoy basis, 3Q23 NPAT and 2H23 growth could be flattish as 3Q22 and 2H22 were record periods.
- **Wheat prices continue to decline to below US\$6/bushel currently.** ROTI indicates that its flour prices are continuing to decline. Wheat future continues to fall from the peak of US\$12.78/bushel at the start of the Ukraine-Russia war to US\$5.96/bushel currently. Wheat future prices averaged US\$6.48/bushel in 2Q23 and US\$7.26/bushel in 1Q23. Considering the 29-day inventory days, 3Q23 wheat prices should be 10.7% lower than that in 2Q23. Every 5% decrease in wheat prices could have a 5.5% impact on 2023 NPAT; 3Q23 NPAT could be higher by 11.77% compared with 2Q23 from the impact of lower wheat prices.
- **Sales return to 12-13% for 3Q23 and 2024 as ROTI pulls the brakes.** ROTI attributed the 20.1% sales return rate in 1Q23 to the introduction of new products, weak purchasing power and its sales growth forecast of 18% yoy growth in 1Q23 not materialising because of the wet weather that caused general trade sales to decline. Since then, ROTI has pulled the brakes and has been supplying less to the market. It expects its return rate to decline to 12-13% in 3Q23 and 2024.
- **We forecast Rp352b and Rp452b NPAT for 2023 and 2024 respectively.** We revisited our model and forecast a 2023 NPAT of Rp352b and Rp452b for 2024 NPAT. The lower 2023 NPAT is because of the weak 1Q23 results from the higher-than-expected sales return rate. Our 2024 NPAT represents a potential 28.3% yoy growth in NPAT.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net turnover	3,288	3,935	4,173	4,587	5,047
EBITDA	556	817	693	834	980
Operating profit	410	638	495	612	731
Net profit (rep./act.)	281	432	352	451	549
Net profit (adj.)	281	432	352	451	549
EPS (Rp)	45.3	69.6	56.6	72.7	88.3
PE (x)	30.2	19.7	24.2	18.9	15.5
P/B (x)	3.0	3.2	2.4	2.3	2.2
EV/EBITDA (x)	13.8	9.4	11.1	9.2	7.8
Dividend yield (%)	2.3	3.6	2.9	3.7	4.5
Net margin (%)	8.6	11.0	8.4	9.8	10.9
Net debt/(cash) to equity (%)	(8.2)	(3.9)	(22.1)	(22.4)	(25.2)
Interest cover (x)	16.4	20.7	16.1	26.6	38.4
ROE (%)	9.2	15.6	11.3	12.4	14.5
Consensus net profit	-	-	398	471	554
UOBKH/Consensus (x)	-	-	0.88	0.96	0.99

Source: Nippon Indosari Corpindo, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Rp1,370
Target Price	Rp1,600
Upside	+16.8%
(Previous TP)	Rp2,000)

COMPANY DESCRIPTION

Nippon Indosari Corpindo is the largest bread manufacturer in Indonesia. It dominates mass bread production with its well-known brand Sari Roti.

STOCK DATA

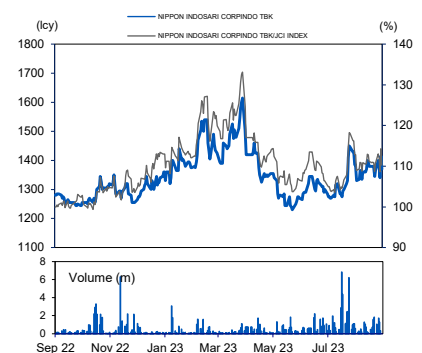
GICS sector	Consumer Staples
Bloomberg ticker:	ROTI IJ
Shares issued (m):	6,186.5
Market cap (Rpb):	8,475.5
Market cap (US\$m):	551.9
3-mth avg daily t'over (US\$m):	0.1
Price Performance (%)	
52-week high/low	Rp1,615/Rp1,230

1mth	3mth	6mth	1yr	YTD
(4.2)	7.5	(4.5)	6.6	3.8

Major Shareholders

	%
Indoritel Makmur Internasional	25.8
Demeter Indo Investment	21.4
Bonlight Investment	20.8
FY23 NAV/Share (Rp)	574
FY23 Net Cash/Share (Rp)	127

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **Operating expenses remain under control.** ROTI indicates that its operating expenses should be under control. Advertising & promotional spending will be capped at 6% of sales as purchasing power is still weak. ROTI will not spend in advertising to drive sales as consumer purchasing power remains weak. Salary will remain at 12% of sales and logistics cost still remain at 8.0-8.5% of sales despite the recent rise in fuel cost.
- **Sales recovery in general trade channel in 3Q23 and expansion in modern trade.** In 3Q23, ROTI noticed an improvement in sales in general trade which was very soft in 2Q23. Vendors are reopening after Lebaran and direct sales force is returning to work. In modern trade, store count growth should be in high single digits each year and ROTI will focus on growing its total value sales in this channel.
- **Sensitivity.** NPAT is the most sensitive to ASP increases.
 - For every 5.0% rise in ASP and volume, ROTI's 2024 NPAT will rise 39.6% and 21.0%.
 - For every 5.0% hike in cost, 2024 NPAT will decline 34.3%.
 - For every 5.0% depreciation of the rupiah against the US dollar, 2024 NPAT will fall 18.6%.
 - Flour makes up about 25.0% of COGS, and for every 5.0% rise in flour prices, 2024 NPAT will drop 4.6%.

PROFIT SENSITIVITY TO ASP

	Change (%)	2023F Sales	2024F Sales	2023F Op Profit	2024F Op Profit	2023F Net Income	2024F Net Income
ASP	+5%	5.0%	5.0%	42.1%	37.5%	46.2%	39.6%
Cost	+5%	0.0%	0.0%	-37.1%	-32.5%	-40.7%	-34.3%
Volume	+5%	5.0%	5.0%	22.1%	19.9%	24.2%	21.0%
Rp	-5%	0.0%	0.0%	-20.0%	-17.6%	-21.9%	-18.6%
Wheat	+5%	0.0%	0.0%	-5.0%	-4.4%	-5.5%	-4.6%
Packaging	+5%	0.0%	0.0%	-2.6%	-2.3%	-2.9%	-2.4%
Sugar	+5%	0.0%	0.0%	-0.6%	-0.5%	-0.7%	-0.6%
Labor	+5%	0.0%	0.0%	-4.5%	-3.9%	-4.9%	-4.1%

Source: UOB Kay Hian

EARNINGS REVISION/RISK

- **We lower our 2023/2024 NPAT forecasts by 29.2%/20.9% respectively.** With the weakness in 1H23 performance and new guidance from ROTI, we have lowered our 2023 and 2024 NPAT forecasts by 29.2% and 20.9% respectively.

NEW, ORIGINAL AND CONSENSUS FORECASTS

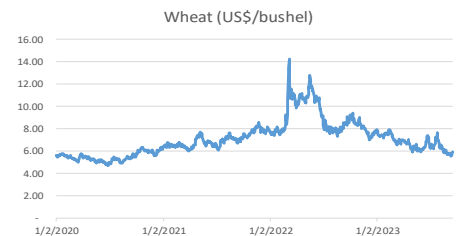
	New		Original		Difference (%)	
	2023F	2024F	2023F	2024F	2023F	2024F
Revenue	4,173	4,587	4,447	5,090	-6.2%	-9.9%
Gross Profit	2,190	2,433	2,410	2,772	-9.1%	-12.2%
Op Profit	495	612	728	821	-32.0%	-25.5%
Net Income	352	451	497	570	-29.2%	-20.9%
Gross Margin	52.5	53.1	54.2	54.5	(171)	(141)
Op Margin	11.9	13.3	16.4	16.1	(451)	(279)
Net Margin	8.4	9.8	11.2	11.2	(275)	(136)

Source: UOB Kay Hian

VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of Rp1,600.** The reduction in our earnings forecast resulted in us reducing our target price from Rp2,000 to Rp1,600. Our target price is derived using the historical five-year average PE of 25.4x applied to average 2023 and 2024 EPS as we rolled over our time horizon. With 16.8% upside from the current level, we maintain BUY on ROTI with a target price of Rp1,600.

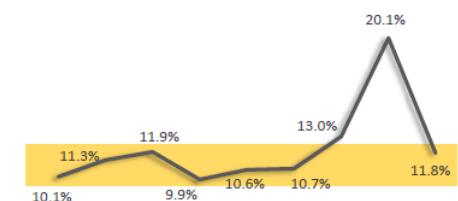
WHEAT FUTURE PRICES



Source: Bloomberg

SALES RETURN RATE

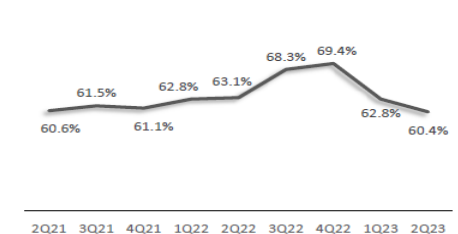
ROTI – Return Rate



Source: ROTI

RAW MATERIALS AND PACKAGING

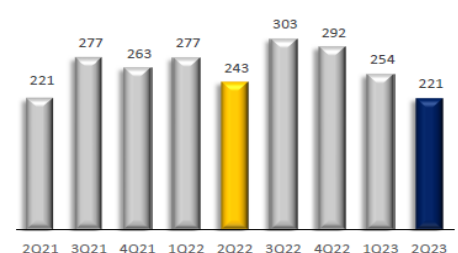
ROTI – Raw Material & Packaging to COGS



Source: ROTI

QUARTERLY GENERAL TRADE SALES

ROTI – Quarterly Sales GT (Rpbn)



Source: ROTI

FORWARD PE BAND



Source: Bloomberg

PROFIT & LOSS

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Net turnover	3,935	4,173	4,587	5,047
EBITDA	817	693	834	980
Deprec. & amort.	179	197	222	249
EBIT	638	495	612	731
Total other non-operating income	(26)	(0.5)	(0.5)	(0.6)
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(39)	(43)	(31)	(25)
Pre-tax profit	573	452	580	705
Tax	(141)	(100)	(128)	(156)
Minorities	(0.0)	(0.0)	(0.0)	(0.0)
Net profit	432	352	451	549
Net profit (adj.)	432	352	451	549

CASH FLOW

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Operating	727	994	637	791
Pre-tax profit	573	452	580	705
Tax	(141)	(100)	(128)	(156)
Deprec. & amort.	179	197	222	249
Working capital changes	(80)	(31)	(64)	(72)
Non-cash items	59	(15)	8.9	45
Other operating cashflows	136	491	18	20
Investing	(185)	1.5	(273)	(255)
Capex (growth)	(200)	(212)	(234)	(257)
Investments	(2.3)	(1.8)	(2.4)	(2.7)
Others	17	216	(37)	4.4
Financing	(674)	(250)	(387)	(446)
Dividend payments	(346)	(246)	(316)	(384)
Issue of shares	(273)	0.0	0.0	0.0
Proceeds from borrowings	(55)	(3.6)	(71)	(61)
Others/interest paid	0.0	0.0	0.0	0.0
Net cash inflow (outflow)	(133)	746	(24)	90
Beginning cash & cash equivalent	759	627	1,359	1,320
Changes due to forex impact	1.3	(15)	(15)	(15)
Ending cash & cash equivalent	627	1,359	1,320	1,395

BALANCE SHEET

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Fixed assets	2,494	2,529	2,541	2,549
Other LT assets	351	487	578	611
Cash/ST investment	627	1,359	1,320	1,395
Other current assets	658	720	819	929
Total assets	4,130	5,095	5,258	5,484
ST debt	25	125	108	92
Other current liabilities	587	561	614	703
LT debt	498	444	382	328
Other LT liabilities	339	398	452	495
Shareholders' equity	2,681	3,566	3,702	3,866
Minority interest	0.1	0.0	0.0	0.0
Total liabilities & equity	4,130	5,095	5,258	5,484

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	20.8	16.6	18.2	19.4
Pre-tax margin	14.6	10.8	12.6	14.0
Net margin	11.0	8.4	9.8	10.9
ROA	10.4	7.6	8.7	10.2
ROE	15.6	11.3	12.4	14.5
Growth				
Turnover	19.7	6.0	9.9	10.0
EBITDA	47.0	(15.2)	20.3	17.5
Pre-tax profit	52.3	(21.1)	28.3	21.6
Net profit	53.6	(18.6)	28.3	21.6
Net profit (adj.)	53.6	(18.6)	28.3	21.6
EPS	53.6	(18.6)	28.3	21.6
Leverage				
Debt to total capital	16.3	13.8	11.7	9.8
Debt to equity	19.5	16.0	13.2	10.9
Net debt/(cash) to equity	(3.9)	(22.1)	(22.4)	(25.2)
Interest cover (x)	20.7	16.1	26.6	38.4

COMPANY UPDATE

My EG Services (MYEG MK)

Connecting The Dots

MYEG's prospects have been rejuvenated with the earlier extension of its e-government concessions, which allays previous scepticism on business continuity. Plenty of catalysts are also emerging, such as the potential reinstatement of GST, roll-out of JPJ's E-testing, and NIISe re-tender. Meanwhile, the upcoming commercialisation of the Zetrix blockchain will unfold uncharted earnings potential. We retain our view that risk-reward is appealing on depressed valuations. Maintain BUY. Target price: RM1.18.

WHAT'S NEW

- **Blockchain roll-out reaching its boiling point.** My EG Services' (MYEG) Zetrix blockchain roll-out is coming to a head as the potential becomes increasingly clear ahead of the upcoming initial coin offering (ICO) at end-September. The official launch of its certificate of origin (COO) authentication service alongside China Customs is slated for Oct 23 and represents the maiden commercial deployment of the Zetrix platform. Contributions from both Malaysian and Philippines transactions are expected to drive up demand for Zetrix tokens, underpinning our assumptions of a good subscription rate for the ICO.
- **Potential reinstatement of GST?** Recent government administrations' discussions are showing signs that the Goods and Services Tax (GST), which was abolished in 2018, may potentially be reintroduced eventually. The reinstatement of GST may benefit MYEG which was selected to deploy the GST monitoring system before the tax regime was abolished. To recall, MYEG secured a lucrative RM180m tax monitoring contract from the Royal Malaysian Customs back in 2014.
- **Adequate catalysts to drive earnings momentum and re-rate valuations.** With the dissipating concerns of its e-government concession's relevance, we expect investors to focus on the group's impressive earnings track record (six consecutive quarters of record-high core earnings) and unfolding catalysts. These include: a) roll-out of E-testing for the road transport segment in 4Q23; b) re-tender of the National Integrated Immigration System (NIISe) contract which was previously valued at RM1b-1.5b; c) potential revival of the GST system; and d) Zetrix blockchain's commercial deployment of its China customs services and Zetrix token ICO in 4Q23.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	724	651	789	842	907
EBITDA	374	425	573	607	640
Operating profit	326	365	432	441	451
Net profit (rep./act.)	315	350	413	434	467
Net profit (adj.)	315	350	413	434	467
EPS (sen)	4.2	4.7	5.6	5.9	6.3
PE (x)	18.5	16.6	14.1	13.4	12.5
P/B (x)	3.8	3.1	2.6	2.3	2.0
EV/EBITDA (x)	14.8	13.0	9.7	9.1	8.6
Dividend yield (%)	1.6	1.8	2.1	2.2	2.4
Net margin (%)	43.4	53.7	52.3	51.5	51.5
Net debt/(cash) to equity (%)	4.6	19.5	(12.3)	(13.2)	(13.3)
Interest cover (x)	55.6	46.0	40.7	290.9	n.a.
ROE (%)	23.3	20.4	20.1	18.2	17.3
Consensus net profit (RM m)	-	-	405	448	476
UOBKH/Consensus (x)	-	-	1.02	0.97	0.98

Source: My EG Services, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM0.78
Target Price	RM1.18
Upside	+51.3%

COMPANY DESCRIPTION

My EG Services provides e-services between the Malaysian government and its citizens and businesses. Services includes road transport segment, immigration segment, and healthcare segment.

STOCK DATA

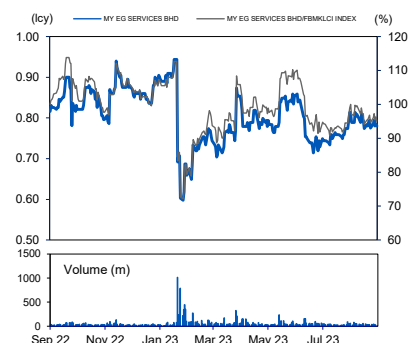
GICS sector	Industrials
Bloomberg ticker:	MYEG MK
Shares issued (m):	7,397.4
Market cap (RMm):	5,807.0
Market cap (US\$m):	1,242.3
3-mth avg daily t'over (US\$m):	6.9
Price Performance (%)	

52-week high/low RM0.944/RM0.598

1mth	3mth	6mth	1yr	YTD
1.4	(6.4)	7.0	(4.9)	(8.8)

Major Shareholders	%
Asian Internet Holdings	16.38
Wong Thean Soon	11.71
Kumpulan Wang Persaraan Diperbadankan	7.49
FY24 NAV/Share (RM)	0.34
FY24 Net Cash/Share (RM)	0.05

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- E-government's foundation to remain firm...** Following the renewal of MYEG's road transport and immigration (pending finalisation) concessions, earnings visibility from the e-government related businesses shall remain largely unaffected. While the earlier NISe contract extension (which has since been terminated) and digital road-tax renewals did cast some doubts on the status of MYEG's relationship with the government, the impact on transaction volume seems to have been minimal as noticed in the past two quarterly results where the group continues to deliver record-high earnings.
- ...with new opportunities on the horizon.** Following the termination of the NISe contract, we believe MYEG is at the forefront of securing the project should the government choose to initiate a re-tender or handpick the leading bidders from the previous bidding exercise. Recall that in the previous tender, MYEG formed a consortium with S5 and HTpadu, and was the second favourite bidder to clinch the project which has an indicative contract value of RM1.2b-1.5b. Aside from NISe, the recent 12th Malaysia Plan revealed the government's plan to establish a National Digital Identity (NDI) system, which may potentially represent another sizeable concession up for MYEG's bidding.
- JPJ's automated Driving Test and Training System (e-Testing) launching at end-23.** Transport minister Anthony Loke recently revealed that e-testing is expected to be rolled out nationwide at end-23. We understand that MYEG is currently conducting the Proof of Concept (POC) for e-Testing in five driving institutes in Peninsular Malaysia, and there are procedures and details that need to be refined before it can be implemented. Our earlier assessments revealed that e-testing may potentially lift MYEG's profit by RM40m-50m upon commercial rollout. Our earnings assumptions are in the RHS table.
- Zetrix advancing to deep monetisation stages.** Zetrix's potential is gaining more clarity as the blockchain platform is on track to be integrated into China's and the Philippines' customs, with the China blockchain services targeted to be commercially launched in Oct 23. The key scope of services includes the issuance and authentication of the certificate of origin (COO), smart contract information verification and blockchain-based digital signing. We expect more Zetrix token sales in 2H23 as the customs project is commercially launched and starts generating transaction fees and gas fees which are settled with Zetrix tokens. We understand that the exchange has underwritten US\$5m Zetrix tokens.
- Discounted valuation appeals as overly-depressed sentiment reverses.** MYEG's shares now trade at just 13.8x 2023F PE, which is close to GE14's historical trough of around 12x after plunging approximately 17% ytd. Such valuations are highly attractive and shall regain investors' focus especially after factoring in the dissipating concerns of its e-government concessions' relevance and impressive earnings track record (six consecutive quarters of record-high core earnings, besides tremendous earnings potential from the Zetrix blockchain if executions are on point.

EARNINGS REVISION/RISK

- None.

VALUATION/RECOMMENDATION

- Maintain BUY with unchanged SOTP-based target price of RM1.18**, which implies 21x 2023F PE (-0.5SD below five-year mean).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

Environmental <ul style="list-style-type: none"> MYEG's carbon footprint is limited to energy consumed in an office environment and does not impact biodiversity or climate change in any significant way.
Social <ul style="list-style-type: none"> Spent RM2.5m in community investment to support >50 charity groups in 2020.
Governance <ul style="list-style-type: none"> Comprehended and applied Malaysian Code on Corporate Governance (MCCG).

PBT BY SEGMENT

	FY23F	FY24F	FY25F
Core PBT Breakdown	418.40	439.15	472.70
Foreign Worker	170.49	168.46	166.29
Accommodation	2.77	2.83	2.89
Road Transportation	136.87	157.40	160.55
Others	14.78	14.93	15.08
COVID-19 related services	0.98	0.00	0.00
Zetrix	92.51	95.53	127.90

Source: UOB Kay Hian

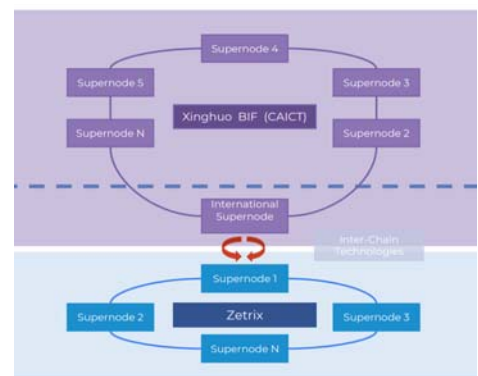
E-TESTING'S FORECASTED INCREMENTAL PBT (2024-25F)

Base Case Scenario			
Number of driving test conducted	ASP/pax (RM)	PBT Margin (%)	PBT (RMm)
800000	150	35	42.0
Blue-sky Scenario			
Number of driving test conducted	ASP/pax (RM)	PBT Margin (%)	PBT (RMm)
1000000	150	35	52.5

* Assuming 800k driving test conducted in 2042F (2019:1m tests), MYEG's revenue per test of RM150, PBT margin of 35%

Source: MYEG, UOB Kay Hian

ZETRIX'S STRUCTURE



Source: MYEG

ZETRIX'S PRODUCT ROADMAP

2022	<ul style="list-style-type: none"> Launch of ZTX mainnet Build and test the proof of concept iteratively with NFT marketplace and Covinsure dapps. Developer SDK published Develop operating models and governance
3Q22	<ul style="list-style-type: none"> Achieve interoperability with other chains, i.e. Xinghuo, Ethereum, Polygon. Launch of crosschain BID/VC with Xinghuo Launch of ZTX token sale Marketing of BID registration in all market ex China
4Q22	<ul style="list-style-type: none"> Launch of crosschain NFT transfers with Xinghuo Launch of Web 3 Domain Name Registry Launch of Self Sovereign Identity usecase for both product and individual
1Q23	<ul style="list-style-type: none"> Pilot of Cross border deep tier supply chain financing and traceability
2Q23	<ul style="list-style-type: none"> Announced co-research of AI development with CAICT as part of initial inter-government blockchain research
4Q23F	<ul style="list-style-type: none"> Expected rollout of cross-border blockchain trade facilitation services with China Targets to launch Zetrix coins' ICO in Hong Kong

Source: MYEG, various sources, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	651	789	842	907
EBITDA	425	573	607	640
Deprec. & amort.	60	140	166	190
EBIT	365	432	441	451
Associate contributions	n.a.	n.a.	n.a.	n.a.
Net interest income/(expense)	(9)	(14)	(2)	22
Pre-tax profit	356	418	439	473
Tax	(4)	(4)	(4)	(5)
Minorities	(2)	(1)	(1)	(1)
Net profit	350	413	434	467
Net profit (adj.)	350	413	434	467

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	303	780	589	585
Pre-tax profit	404	418	439	473
Tax	(4)	(4)	(4)	(5)
Deprec. & amort.	111	140	166	190
Associates	0	0	0	0
Working capital changes	(112)	226	(12)	(72)
Other operating cashflows	(97)	0	0	0
Investing	(522)	(400)	(399)	(399)
Capex (growth)	(527)	(400)	(400)	(400)
Investments	0	0	0	0
Proceeds from sale of assets	1	0	0	0
Others	4	0	1	1
Financing	206	(139)	(143)	(153)
Dividend payments	(95)	(124)	(130)	(140)
Issue of shares	49	0	0	0
Proceeds from borrowings	336	0	0	0
Loan repayment	(59)	(15)	(13)	(13)
Others/interest paid	(26)	0	0	0
Net cash inflow (outflow)	(13)	241	48	33
Beginning cash & cash equivalent	89	76	318	365
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	76	318	365	399

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	494	1,262	1,496	1,706
Other LT assets	1,253	652	653	656
Cash/ST investment	76	318	365	399
Other current assets	717	382	405	434
Total assets	2,540	2,375	2,680	2,953
ST debt	149	3	0	(3)
Other current liabilities	187	98	111	68
LT debt	294	40	30	20
Other LT liabilities	37	3	3	3
Shareholders' equity	1,876	2,235	2,539	2,865
Minority interest	(4)	(3)	(1)	0
Total liabilities & equity	2,540	2,375	2,680	2,953

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	65.3	72.5	72.1	70.6
Pre-tax margin	54.6	53.0	52.1	52.1
Net margin	53.7	52.3	51.5	51.5
ROA	15.8	16.8	17.1	16.6
ROE	20.4	20.1	18.2	17.3
Growth				
Turnover	(10.1)	21.2	6.7	7.6
EBITDA	13.8	34.7	6.1	5.4
Pre-tax profit	11.4	17.7	5.0	7.6
Net profit	11.2	18.0	5.0	7.7
Net profit (adj.)	11.2	18.0	5.0	7.7
EPS	11.2	18.0	5.0	7.7
Leverage				
Debt to total capital	19.1	1.9	1.2	0.6
Debt to equity	23.6	1.9	1.2	0.6
Net debt/(cash) to equity	19.5	(12.3)	(13.2)	(13.3)
Interest cover (x)	46.0	40.7	290.9	n.a.

COMPANY UPDATE

UMS Holdings (UMSH SP)

Well-positioned For Semiconductor Industry Recovery And Boost From New Customer

UMS's key customer AMAT has recently raised earnings guidance significantly for the coming quarter due to improving demand for chips. Together with its new customer, which is actively seeking new production capacity in Malaysia based on our channel check, UMS is in a good position to benefit from the semiconductor industry recovery. We raise our 2024 earnings by 17% and target price by 26% to S\$1.56. Maintain BUY.

WHAT'S NEW

- **Key customer's better-than-expected guidance indicates improving demand for chips and should benefit UMS.** UMS Holdings (UMS) is well-positioned to benefit from an improving outlook of its key customer Applied Materials (AMAT). In Aug 23, AMAT reported earnings that beat analyst estimates, and also guided for earnings in the coming quarter to be around 10% higher than analyst estimates. This is mainly due to improving demand from AI-related chips and increasing orders from customers in China who are looking to increase purchases of equipment that are capable of older manufacturing processes. AMAT also highlighted that over the past few years, it has focused its strategy and investments on key technologies to accelerate the Internet of Things and AI era, enabling AMAT to consistently deliver strong results.
- **Channel check indicates that UMS' new customer is actively seeking to expand in Malaysia and is expected to contribute meaningfully from 2024 onwards.** Our recent channel check suggests that UMS' new customer (Customer L) is seeking more production capacity from several local semiconductor-related manufacturers to support its expansion/relocation of its Malaysian operation. UMS estimates that this new customer should contribute at least US\$30m in 2024, which will make up a meaningful 11% contribution to our 2024 forecasted revenue. For the longer term, UMS targets to grow Customer L's contribution to be around the level of its existing largest customer.
- **SEMI expects global fab equipment spending to recover in 2023.** In the 12 Sep 23 quarterly World Fab Forecast Report by Semiconductor Equipment and Materials International (SEMI), global fab equipment spending for front-end facilities in 2023 is expected to decline 15% yoy before rebounding 15% yoy in 2024. Next year's fab equipment spending recovery will be partly driven by the end of the semiconductor inventory correction in 2023 and strengthening demand for semiconductors in the high-performance computing (HPC) and memory segments. The 2023 decline in equipment investment is proving shallower than expected, while the rebound in 2024 should be better than expected. The trend suggests the semiconductor industry is turning the corner on the downturn and on a path back to robust growth, fuelled by healthy chip demand.

KEY FINANCIALS

Year to 31 Dec (\$m)	2021	2022	2023F	2024F	2025F
Net turnover	271	372	320	378	408
EBITDA	92	120	90	114	124
Operating profit	80	104	70	89	98
Net profit (rep./act.)	53	98	60	77	85
Net profit (adj.)	53	98	60	77	85
EPS (\$ cents)	7.9	14.7	8.9	11.5	12.7
PE (x)	15.9	8.6	14.1	10.9	9.9
P/B (x)	3.1	2.5	2.3	2.1	1.9
EV/EBITDA (x)	8.6	6.6	8.8	7.0	6.4
Dividend yield (%)	4.0	4.0	4.3	4.4	4.4
Net margin (%)	19.7	26.4	18.7	20.5	20.9
Net debt/(cash) to equity (%)	(11.1)	(9.3)	(21.0)	(24.5)	(32.4)
Interest cover (x)	123.2	134.7	n.a.	n.a.	n.a.
ROE (%)	20.2	31.9	17.0	20.1	19.9
Consensus net profit	-	-	62	75	84
UOBKH/Consensus (x)	-	-	0.96	1.03	1.02

Source: UMS Holdings, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.26
Target Price	S\$1.56
Upside	+23.8%
(Previous TP)	S\$1.24)

COMPANY DESCRIPTION

UMS provides high precision components and complex electromechanical assembly and final testing for semiconductor equipment manufacturers.

STOCK DATA

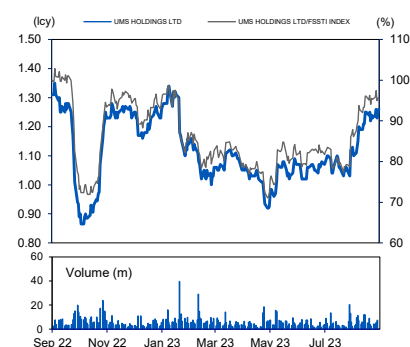
GICS sector	Information Technology
Bloomberg ticker:	UMSH SP
Shares issued (m):	670.5
Market cap (\$m):	844.9
Market cap (US\$m):	620.1
3-mth avg daily t'over (US\$m):	3.9
Price Performance (%)	

52-week high/low S\$ 1.35/S\$ 0.865

1mth	3mth	6mth	1yr	YTD
12.5	16.7	22.3	(5.3)	6.8

Major Shareholders	%
Andy Luong (Founder)	15.9
-	-
-	-
FY23 NAV/Share (\$)	0.54
FY23 Net Cash/Share (\$)	0.11

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **Global semiconductor industry is increasing capacity by 5% in 2023 after an 8% rise in 2022; capacity growth is expected to continue in 2024.** Taiwan is expected to retain the global lead in fab equipment spending in 2024 with US\$23b in investments (+4% yoy). Korea is projected to rank second in spending, with an estimated US\$22b in investments in 2024 (+41% yoy), reflecting a memory sector recovery. With export controls expected to limit China's spending in leading-edge technologies and foreign investment, the region is forecast to place third in equipment spending worldwide in 2024 at US\$20b, a decline from 2023. Despite the constraints, Chinese foundry suppliers are expected to continue investments in mature process nodes.
- **Near-term conditions for the semiconductor industry may remain cloudy, but mid- to longer-term prospects are expected to brighten.** Moving into 3Q23, there are signs that demand may stabilise. UMS' customer has shared it expects to outperform the industry this year and UMS has successfully renewed its Integrated System contract.
- **AI- related and automotive chips are expected to drive double-digit growth of spending in fab equipment spending in the next three years.** Global 300mm fab equipment spending for front-end facilities next year is expected to begin a growth streak to hit a US\$119b record high in 2026, following a decline in 2023, according to SEMI. Strong demand for high-performance computing, automotive applications and improved demand for memory will fuel double-digit growth of spending in equipment investments over the three-year period. After the projected 18% drop to US\$74b this year, global 300mm fab equipment spending is forecast to rise 12% to US\$82b in 2024, 24% to US\$101.9b in 2025 and 17% to US\$118.8b in 2026.

EARNINGS REVISION/RISK

- We raise our 2024/25 earnings estimates by 17%/14%, after raising our revenue estimates by 4%/3% to factor in the potential recovery in the semiconductor industry from AMAT's improved guidance. We also raise our gross margin assumption by 1.5% to 48.5% to account for better operating leverage from improved revenue.

VALUATION/RECOMMENDATION

- **Maintain BUY with a 26% higher target price of S\$1.56 (from S\$1.24),** based on a PE-based valuation of 13.5x 2024F EPS. This is pegged at 0.5SD above UMS' historical mean PE, up from the average of 12.5x previously. The reason for raising our PE-based valuation multiple from below mean is to reflect the improving semiconductor industry outlook and potential increase in UMS' earnings quality from new contributions from its new customer.

SHARE PRICE CATALYST

- Better-than-expected factory utilisation rates and cost management, dividend surprise.

PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 15 Sep 23 (lcy)	Market Cap (US\$m)	PE		P/B		EV/EBITDA		ROE	Yield
					2023 (x)	2024 (x)	2023 (x)	2024 (x)	2023 (x)	2024 (x)	2023 (%)	2023 (%)
AEM	AEM SP	SGD	3.42	775	n.a.	12.0	2.2	1.9	45.5	8.9	0.2	0.0
Venture	VMS SP	SGD	13.13	2,803	13.6	13.1	1.3	1.3	8.1	7.9	9.8	5.7
Frencken	FRKN SP	SGD	1.12	351	18.7	13.5	1.2	1.1	9.2	7.3	6.5	1.6
Singapore average					16.1	12.9	1.6	1.4	20.9	8.0	5.5	2.4
Kulicke & Soffa	KLIC US	USD	48.10	2,716	27.8	24.0	n.a.	n.a.	18.1	13.5	8.6	n.a.
Applied Materials	AMAT US	USD	144.57	120,938	18.3	18.4	7.7	7.4	14.8	15.1	46.6	0.8
Lam Research	LRCX US	USD	656.43	86,985	19.7	23.8	10.7	11.1	15.5	19.1	62.3	1.1
KLA Corp	KLAC US	USD	479.9	65,612	19.8	21.2	22.5	18.0	15.4	17.1	156.8	1.1
Teradyne	TER US	USD	97.96	15,087	34.5	21.5	6.3	5.9	22.3	15.6	18.5	0.5
Global average					24.0	21.8	11.8	10.6	17.2	16.1	58.6	0.8
UMS	UMSH SP	SGD	1.26	620	14.1	10.9	2.3	2.1	8.8	7.0	17.0	4.3

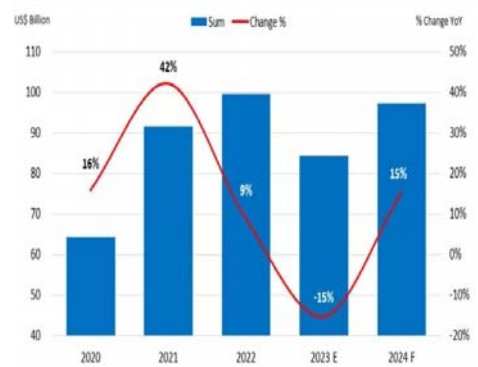
Source: Bloomberg, UOB Kay Hian

HISTORICAL PE BAND



Source: Bloomberg, UOB Kay Hian

FAB EQUIPMENT SPENDING (FRONT END)



Source: World Fab Forecast Report 3Q23 update, SEMI

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	372.4	320.3	377.9	408.1
EBITDA	120.0	90.1	113.9	124.4
Deprec. & amort.	15.6	20.4	24.7	26.6
EBIT	104.4	69.7	89.2	97.8
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(0.9)	1.1	1.1	1.2
Pre-tax profit	103.5	70.8	90.3	99.0
Tax	(1.2)	(7.1)	(9.0)	(9.9)
Minorities	(3.8)	(3.8)	(3.8)	(3.8)
Net profit	98.5	59.9	77.4	85.3
Net profit (adj.)	98.5	59.9	77.4	85.3

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	135.4	135.0	130.3	123.8
Other LT assets	100.8	100.7	100.7	100.7
Cash/ST investment	61.7	111.0	135.9	183.9
Other current assets	190.3	157.1	192.7	204.3
Total assets	488.2	503.8	559.6	612.7
ST debt	11.5	16.1	18.5	18.8
Other current liabilities	69.5	59.1	67.8	72.3
LT debt	18.4	18.4	18.4	18.4
Other LT liabilities	20.4	17.4	22.3	21.9
Shareholders' equity	340.4	364.9	404.8	452.5
Minority interest	27.9	27.9	27.9	27.9
Total liabilities & equity	488.1	503.8	559.6	611.8

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	95.3	104.8	84.8	110.0
Pre-tax profit	103.2	70.8	90.3	99.0
Tax	(8.5)	(10.2)	(6.3)	(10.4)
Deprec. & amort.	15.6	20.4	24.7	26.6
Working capital changes	(36.0)	22.0	(24.8)	(7.0)
Non-cash items	21.1	1.8	0.9	1.8
Investing	(56.2)	(19.0)	(20.0)	(20.0)
Capex (growth)	(38.5)	(20.0)	(20.0)	(20.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(17.6)	1.0	0.0	0.0
Financing	(37.6)	(30.6)	(34.1)	(36.1)
Dividend payments	(30.8)	(36.2)	(37.6)	(37.6)
Issue of shares	0.0	0.0	0.0	0.0
Loan repayment	(4.4)	4.6	2.4	0.3
Others/interest paid	(2.4)	1.1	1.1	1.2
Net cash inflow (outflow)	1.6	55.2	30.7	53.9
Beginning cash & cash equivalent	65.1	61.5	111.0	135.9
Changes due to forex impact	(5.1)	(5.7)	(5.8)	(5.8)
Ending cash & cash equivalent	61.5	111.0	135.9	183.9

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	32.2	28.1	30.1	30.5
Pre-tax margin	27.8	22.1	23.9	24.2
Net margin	26.4	18.7	20.5	20.9
ROA	21.3	12.1	14.6	14.5
ROE	31.9	17.0	20.1	19.9
Growth				
Turnover	37.3	(14.0)	18.0	8.0
EBITDA	29.9	(24.9)	26.4	9.2
Pre-tax profit	30.0	(31.6)	27.6	9.6
Net profit	84.7	(39.2)	29.3	10.1
Net profit (adj.)	84.7	(39.2)	29.3	10.1
EPS	84.7	(39.2)	29.3	10.1
Leverage				
Debt to total capital	7.5	8.1	7.8	7.2
Debt to equity	8.8	9.5	9.1	8.2
Net debt/(cash) to equity	(9.3)	(21.0)	(24.5)	(32.4)
Interest cover (x)	134.7	n.a.	n.a.	n.a.

COMPANY UPDATE

Land and Houses (LH TB)

A More Interesting Recovery In 2H23

Following project launches in high-demand areas, we expect a recovery in 3Q23 presales and continued improvement in 4Q23. The new condo would be a highlight and would boost presales in 4Q23. Earnings are expected to be a quarterly peak in 4Q23, driven by its core business. The extra gain will limit downside risks in transfers. LH's valuation is undemanding. Maintain BUY. Target price: Bt11.10.

WHAT'S NEW

- **Expect an improvement in 3Q23 presales.** Land and Houses' (LH) presales is expected to see a recovery in 3Q23 after recording weak presales of Bt8.8b (-43% yoy) in 1H23, which accounted for 25% of its full-year target. Management revealed that presales had improved in Jul-Aug 23 compared with Apr-May 23, especially in the low-rise segment. This was mainly due to faster construction in high-demand projects. We also expect presales to continue ramping up following new luxury project launches in Sep 23 (Vive Krungthep Kritha, Vive Bangna KM 13 and Chaiyapruk) in prime areas. We expect 3Q23 presales of Bt6b-7b (1Q23: Bt4.8b, 2Q23: Bt4.0b).
- **New condo project to boost presales in 4Q23.** Apart from substantial low-rise project launches in 2H23, a new condo project will also boost presales in 4Q23. LH has started VIP campaigns for a new condo project launch (Wan Vayla Na Chaopraya, value of Bt15b with 1,512 units) following the absence of condo project launches since 2020. The new project is located at Samsen Road near Rajinibon School and is conveniently connected to transport systems. Management expects a take-up rate of 30% in 2023. In our view, the target is quite challenging due to market conditions.
- **Outstanding earnings in 4Q23.** We expect 4Q23 core earnings to be a quarterly peak. The substantial low-rise project launches slated for the final quarter as well as improving presales will underpin LH's transfers in 4Q23. Meanwhile, revenue from the rental business is expected to be more robust following the high season of tourism, and a new hotel project (Grande Centre Point Surawong, 399 keys) is scheduled to be launched in 4Q23. In addition, there will be extra gains recognised from LH's plan to sell its hotels (GCP Pattaya and GCP Space Pattaya) for integration into a REIT (LHHOTEL), with an expected selling price not exceeding Bt9.8b. We expect a gain before tax of Bt2.5b-3.5b.

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	32,269.9	35,597.0	37,434.4	38,338.9	39,515.5
EBITDA	7,699.5	8,500.7	8,877.3	9,000.3	9,180.2
Operating profit	6,182.6	6,834.0	7,086.9	7,261.7	7,489.8
Net profit (rep./act.)	6,936.1	8,312.5	8,662.0	9,014.9	9,222.1
Net profit (adj.)	6,936.1	8,312.5	8,662.0	9,014.9	9,222.1
EPS (Bt)	0.6	0.7	0.7	0.8	0.8
PE (x)	14.2	11.9	11.4	10.9	10.7
P/B (x)	2.0	1.9	1.9	1.8	1.8
EV/EBITDA (x)	19.3	17.5	16.8	16.5	16.2
Dividend yield (%)	6.1	7.3	7.5	7.8	8.0
Net margin (%)	21.5	23.4	23.1	23.5	23.3
Net debt/(cash) to equity (%)	96.4	96.6	93.3	88.3	83.5
Interest cover (x)	7.2	8.3	8.3	8.5	8.7
ROE (%)	13.9	16.4	16.6	16.8	16.7
Consensus net profit	-	-	8,252	8,724	9,584
UOBKH/Consensus (x)	-	-	1.05	1.03	0.96

Source: Land and Houses, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt8.25
Target Price	Bt11.10
Upside	+34.5%

COMPANY DESCRIPTION

LH is the leading property developer in Thailand. The company develops residential projects ranging from single detached houses, townhouses and condominiums. Another source of income is rental income from its serviced apartments and rental properties.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	LH TB
Shares issued (m):	11,949.7
Market cap (Btm):	98,585.1
Market cap (US\$m):	2,754.2
3-mth avg daily t'over (US\$m):	9.0

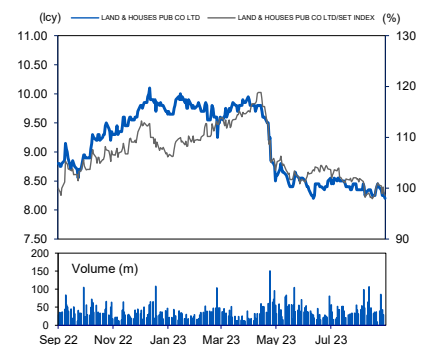
Price Performance (%)

52-week high/low			Bt10.10/Bt8.20	
1mth	3mth	6mth	1yr	YTD
(2.4)	(3.5)	(10.8)	(6.8)	(16.7)

Major Shareholders

	%
Mr. Anant Asavabhokhin	23.9
Thai NVDR	18.5
Mayland Co.,Ltd.	5.7
FY23 NAV/Share (Bt)	4.43
FY23 Net Debt/Share (Bt)	4.14

PRICE CHART



Source: Bloomberg

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NEW PROJECTS PLANNED FOR LAUNCH IN 2023

No.	Project Name	Location	Type	Size (Rai)	Unit	Unit Price	Project Value	Launch Date
1	Chaiyapruk 1	Serene Lake	SH	4.1	10	9.8	98	Jan
2	Chaiyapruk 2	Serene Lake	SH	4.1	9	10.4	94	Jan
3	Chaiyapruk 3	Serene Lake	SH	10.1	20	10.2	203	Feb
4	inizio	Srinakarin	Semi	27.1	176	5.5	970	Feb
5	Mantana	Kanchana - Bangbon 5	SH	97.8	200	17.0	3,400	May
6	Chaiyapruk	Chaengwattana	SH	74.5	233	11.7	2,730	Jun
7	Vive	Krungthep Kritha	SH	19.4	49	41.8	2,050	Sep
8	Vive	Bangna KM 13	SH	40.4	95	33.2	3,150	Sep
9	Chaiyapruk	Prannok - Sai 2	SH	25.7	56	19.3	1,080	Sep
10*	Villaggio 3	Srinakarin - Bangna	SH	51.4	204	7.1	1,450	Q.4
	Villaggio 3	Srinakarin - Bangna	TH	14.9	154	3.6	560	
11	Wan Vayla Na Chaopraya	Samsen	CD	18.3	1,512	9.9	15,000	Q.4
12	Pruklada	Pinklao - Salaya	SH	36.7	142	7.2	1,025	Q.4
13	Chaiyapruk	Rangsit Klong 4	SH	99.6	324	11.4	3,700	Q.4
14	Chaiyapruk	Phetkasem 69	SH	94.3	219	12.8	2,800	Q.4
15	Chaiyapruk	Bangna KM 13	SH	53.7	170	13.5	2,300	Q.4
16	Mantana	Motorway - Rama 9	SH	22.6	52	15.4	800	Q.4
17	Mantana	Maliwan - Khonkaen	SH	66.7	182	11.3	2,050	Q.4
Total				761.4	3,807	11.4	43,460	

Source: LH

STOCK IMPACT

- **Expect 3Q23 earnings to improve yoy but decrease qoq.** We expect earnings to improve qoq following project launches with higher presales, especially in the single-detached house segment in prime areas. Also, residential gross margin is expected to increase qoq, driven by higher transfers. However, earnings might decrease yoy due to its low level of backlog.

EARNINGS REVISION/RISK

- **None.**

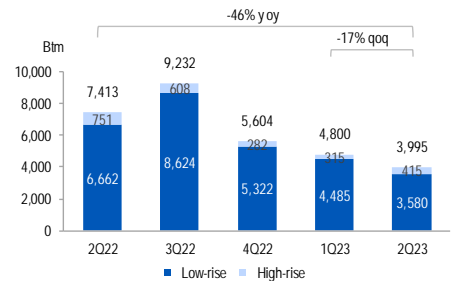
VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of Bt11.10.** Our SOTP-based target price values: a) the residential business at Bt5.20/share, based on 12.8x 2023F PE, or its mean historical PE; and b) affiliated companies (LHFG, Q-CON, HMPRO, QH, LHPF II) at Bt5.90/share.
- Although there are downside risks in presales and transfers, we recommend a trading BUY for LH as: a) it will see gains from selling assets in 4Q23, b) its performance has already bottomed out in 2Q23, and c) its valuation is inexpensive.

SHARE PRICE CATALYST

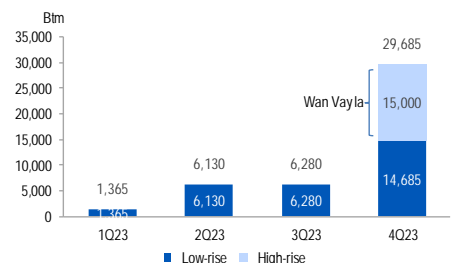
- a) Better-than-expected presales and faster-than-expected transfers; and b) improvement in gross margin, SG&A-to-sales ratio, and the sale of assets going according to plan.

QUARTERLY PRESALES



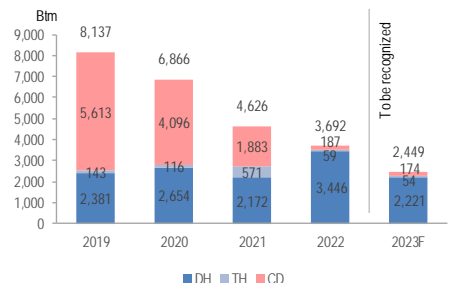
Source: LH, UOB Kay Hian

LAUNCH PLAN IN 2023



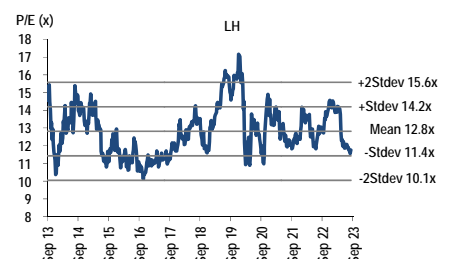
Source: LH, UOB Kay Hian

BACKLOG AS OF JUN 23



Source: LH, UOB Kay Hian

PE BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	35,597	37,434	38,339	39,516
EBITDA	8,501	8,877	9,000	9,180
Deprec. & amort.	1,667	1,790	1,739	1,690
EBIT	6,834	7,087	7,262	7,490
Total other non-operating income	857	857	883	909
Associate contributions	2,911	3,196	3,388	3,391
Net interest income/(expense)	(1,021)	(1,066)	(1,064)	(1,061)
Pre-tax profit	9,830	10,074	10,469	10,729
Tax	(1,511)	(1,396)	(1,437)	(1,490)
MinLHties	(6)	(16)	(16)	(17)
Net profit	8,313	8,662	9,015	9,222
Net profit (adj.)	8,313	8,662	9,015	9,222

CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	10,227	10,652	10,598	10,899
Pre-tax profit	9,830	10,074	10,469	10,729
Tax	(1,511)	(1,396)	(1,437)	(1,490)
Deprec. & amort.	1,667	1,790	1,739	1,690
Working capital changes	(924)	746	(307)	(187)
Non-cash items	1,165	(562)	134	156
Other operating cashflows	0	0	0	0
Investing	(5,192)	(3,021)	(1,760)	(1,749)
Capex (growth)	(4,444)	(450)	(451)	(452)
Investments	(970)	(686)	(1,355)	(1,356)
Others	221	(1,884)	46	60
Financing	(11,134)	(7,266)	(7,513)	(7,751)
Dividend payments	(5,975)	(7,266)	(7,513)	(7,751)
Issue of shares	0	0	0	0
Proceeds from borrowings	(4,454)	0	0	0
Others/interest paid	(706)	0	0	0
Net cash inflow (outflow)	(6,100)	365	1,325	1,400
Beginning cash & cash equivalent	10,926	4,826	5,191	6,516
Ending cash & cash equivalent	4,826	5,191	6,516	7,915

BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	38,438	37,098	35,810	34,572
Other LT assets	30,049	31,499	32,990	34,521
Cash/ST investment	4,826	5,191	6,516	7,915
Other current assets	50,636	50,247	50,618	50,906
Total assets	123,949	124,035	125,933	127,915
ST debt	16,479	16,479	16,479	16,479
Other current liabilities	8,421	8,215	8,413	8,672
LT debt	38,158	38,158	38,158	38,158
Other LT liabilities	8,606	7,487	7,668	7,903
Shareholders' equity	51,579	52,975	54,477	55,948
MinLHty interest	706	722	738	755
Total liabilities & equity	123,949	124,035	125,933	127,915

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	23.9	23.7	23.5	23.2
Pre-tax margin	27.6	26.9	27.3	27.2
Net margin	23.4	23.1	23.5	23.3
ROA	6.7	7.0	7.2	7.3
ROE	16.4	16.6	16.8	16.7
Growth				
Turnover	10.3	5.2	2.4	3.1
EBITDA	10.4	4.4	1.4	2.0
Pre-tax profit	19.6	2.5	3.9	2.5
Net profit	19.8	4.2	4.1	2.3
Net profit (adj.)	19.8	4.2	4.1	2.3
EPS	19.8	4.2	4.1	2.3
Leverage				
Debt to total capital	51.1	50.4	49.7	49.1
Debt to equity	105.9	103.1	100.3	97.7
Net debt/(cash) to equity	96.6	93.3	88.3	83.5
Interest cover (x)	8.3	8.3	8.5	8.7

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