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GREATER CHINA

Sector

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Results	
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Results

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Results

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SINGAPORE

Results

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KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	32417.6	(1.1)	(2.1)	(3.3)	(2.2)
S&P 500	4117.4	(0.5)	(2.5)	(4.0)	7.2
FTSE 100	7291.3	(0.9)	(1.5)	(4.2)	(2.2)
AS30	6943.4	(1.0)	(1.2)	(4.2)	(3.9)
CSI 300	3562.4	1.4	1.5	(3.4)	(8.0)
FSSTI	3061.9	(0.3)	(0.5)	(4.8)	(5.8)
HSCEI	5979.0	2.0	0.9	(2.8)	(10.8)
HSI	17398.7	2.1	0.6	(2.3)	(12.0)
JCI	6758.8	0.7	(1.3)	(2.6)	(1.3)
KLCI	1441.9	0.1	0.1	1.2	(3.6)
KOSPI	2302.8	0.2	(3.0)	(6.6)	3.0
Nikkei 225	30991.7	1.3	(0.9)	(2.7)	18.8
SET	1388.2	1.2	(2.4)	(5.7)	(16.8)
TWSE	16134.6	0.4	(1.9)	(1.3)	14.1
BDI	1563	(6.0)	(23.6)	(8.1)	3.2
CPO (RM/mt)	3637	1.2	(3.2)	(0.2)	(10.2)
Brent Crude (US\$/bbl)	89	(1.2)	(0.5)	(6.2)	4.1

Source: Bloomberg

TOP PICKS

	Ticker	CP (Icy)	TP (Icy)	Pot. +/- (%)
BUY				
Ania Sports	2020 HK	89.85	128.00	42.5
BYD	1211 HK	245.80	630.00	156.3
Bank Neo Commerce	BBYB IJ	226.00	390.00	72.6
Bumi Serpong	BSDE IJ	1,000.00	1,420.00	42.0
HM Sampoerna	HMSP IJ	865.00	1,300.00	50.3
My EG Services	MYEG MK	0.78	1.18	52.3
Yinson	YNS MK	2.42	3.75	55.0
OCBC	OCBC SP	12.76	17.65	38.3
CP ALL	CPALL TB	55.00	78.00	41.8
Indorama	IVL TB	25.00	30.00	20.0

KEY ASSUMPTIONS

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

Source: Bloomberg, UOB ETR, UOB Kay Hian

CORPORATE EVENTS

	Venue	Begin	Close
Presentation by Wilmar International (WIL SP)	Malaysia	2 Nov	2 Nov
Virtual Meeting on 1H24 Results with SIA Engineering (SIE SP)	Singapore	6 Nov	6 Nov
1HFY24 Results Virtual Meeting with Singapore Airlines (SIA SP)	Singapore	8 Nov	8 Nov

Mapletree Logistics Trust (MLT SP/BUY/S\$1.47/Target: S\$1.72)

Page 48

2QFY24: Weathering near-term headwinds from China.

THAILAND

Results

PTT Exploration & Production (PTTEP TB/BUY/Bt169.00/Target: Bt200.00) Page 51

3Q23: Reported net profit in line with our expectations.

SECTOR UPDATE

Aviation – China

Airlines: 3Q23 Results Broadly In Line; Bottom Line Turns Around In Peak Season

The three airlines' 3Q23 results were broadly in line with our expectations, having achieved a turnaround in their headline net profit due to the strong seasonality. We expect the Chinese airlines to continue to recover in the rest of 2023 and 2024, though we caution that investors should not extrapolate the seasonally strong 3Q23 performance into the more muted 4Q. Maintain UNDERWEIGHT as we believe the recovery is well-expected and has been priced in. Top pick: Air China.

3Q/9M23 FINANCIAL AND OPERATING HIGHLIGHTS

	3Q23	3Q22	yoy	3Q19	3Q23 vs 3Q19	9M23	UOBKH's 2023F proj.	9M23 as % of 2023F
Air China								
Revenue (Rmbm)	45,864	18,136	+153%	37,764	+21%	105,477	145,920	72%
Net profit (Rmbm)	4,242	-8,668	n.a.	3,623	+17%	791	1,672	47%
Core net profit (Rmbm)	3,989	-6,287	n.a.	5,547	-28%	647		
ATK (m)	10,373	4,696	+121%	9,308	+11%	26,070	37,097	70%
RTK (m)	6,495	2,578	+152%	6,524	-0%	15,624	22,729	69%
Load factor	62.6%	54.9%	+7.7ppt	70.1%	-7.5ppt	59.9%	61.3%	-1.3ppt
Yield (Rmb/RTK)	7.06	7.03	+0%	5.79	+22%	6.75	6.42	105%
CSA								
Revenue	47,661	29,344	+70%	43,726	+9%	119,491	160,940	74%
Net profit	4,195	-6,099	n.a.	2,388	+76%	1,320	3,605	37%
Core net profit	3,634	-4,312	n.a.	4,564	-20%	1,087		
ATK (m)	12,367	7,830	+58%	12,181	+2%	32,833	44,374	74%
RTK (m)	8,269	4,945	+67%	8,632	-4%	21,548	30,399	71%
Load factor	66.9%	63.2%	+3.7ppt	70.9%	-4.0ppt	65.6%	68.5%	-2.9ppt
Yield (Rmb/RTK)	5.76	5.93	-3%	5.07	+14%	5.55	5.29	105%
CEA								
Revenue	36,113	16,496	+119%	34,616	+4%	85,538	120,197	71%
Net profit	3,642	-9,380	n.a.	2,424	+50%	-2,607	-1,627	n.a.
Core net profit	3,293	-7,849	n.a.	3,804	-13%	-2,049		
ATK (m)	8,333	4,430	+88%	8,608	-3%	21,249	30,295	70%
RTK (m)	5,370	2,547	+111%	5,818	-8%	13,192	18,883	70%
Load factor	64.4%	57.5%	+6.9ppt	67.6%	-3.2ppt	62.1%	62.3%	-0.2ppt
Yield (Rmb/RTK)	6.73	6.48	+4%	5.95	+13%	6.48	6.37	102%

Source: Respective companies, UOB Kay Hian

RESULTS

- 3Q23 results broadly in line with expectations, bottom line turned around.** In line with our expectations, all three major Chinese airlines achieved a breakeven in the seasonally strong 3Q23, with Air China, China Southern Airlines (CSA) and China Eastern Airlines (CEA) recording headline net profits of Rmb4.2b, Rmb4.2b and Rmb3.6b, respectively. Air China's revenue rose 151% yoy in 9M23 to Rmb105.5b, forming 72% of our 2023 full-year projection; CSA's revenue rose 70% yoy to Rmb119.5b, at 74% of our full-year projection; CEA's revenue rose 139% yoy to Rmb85.5b, at 71% of our full-year projection.
- 3Q23 headline net profit above, but core net profit still below pre-pandemic levels.** 3Q23 headline net profit of Air China, CSA and CEA exceeded their respective pre-pandemic (3Q19) levels by 17%, 76% and 50%. However, adjusted for impacts of: a) non-recurring items, and b) forex gains/losses, Air China, CSA and CEA's core net profit were Rmb4.0b, Rmb3.6b and Rmb3.3b respectively, still 28%, 20% and 13% below their pre-pandemic (3Q19) levels. 9M23 revenue of Air China, CSA and CEA were at 102%, 102% and 92% of pre-pandemic (9M19) levels. Note that Air China's 9M23 revenue figure was boosted by the consolidation of Shandong Airlines since Mar 23, excluding the impact of which Air China's 9M23 revenue would stand at about 86% of pre-pandemic levels.

PEER COMPARISON

Company	Ticker	Rec	Price @ 31 Aug 23 (HK\$)	Target Price (HK\$)	Upside To TP (%)	Market Cap (US\$m)	PE*			EV/EBIT			P/B	Yield 23-25F (%)	Net Gearing 23F (%)
							23F (x)	24F (x)	25F (x)	23F (x)	24F (x)	25F (x)			
Air China	753 HK	BUY	5.31	5.92	11.5	10,987	60.7	12.4	11.7	17.1	10.0	9.7	2.0	0.0	265
China Southern Air	1055 HK	HOLD	3.57	3.45	(3.4)	8,262	33.8	14.3	12.8	17.3	12.8	12.0	1.4	0.0	155
China Eastern Air	670 HK	SELL	2.68	2.20	(17.9)	7,630	n.a.	16.8	15.3	36.6	13.5	12.9	1.9	0.0	319
Average							47.2	14.5	13.3	23.7	12.1	11.6	1.8	0.0	246

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

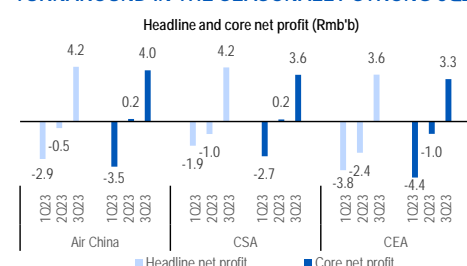
UNDERWEIGHT (Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
Air China	753 HK	BUY	5.31	5.92
China Southern Airlines	1055 HK	HOLD	3.57	3.45
China Eastern Airlines	670 HK	SELL	2.68	2.20

Source: Bloomberg, UOB Kay Hian

HEADLINE AND CORE EARNINGS ACHIEVED A TURNAROUND IN THE SEASONALLY STRONG 3Q23



Source: Respective companies, UOB Kay Hian

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- 9M23 yields at 102-105% of our projected 2023 full-year average, still deemed in line.** 9M23 overall yields (pax and cargo blended) of the three airlines were 102-105% of our projected full-year average levels. This is still deemed largely in line with our projections, given that the upcoming 4Q is a seasonally quiet quarter. In pre-pandemic years such as 2018-19, overall yields of the three airlines in the 4Q used to retrace 10-20% from the 3Q levels. We expect a largely similar seasonality pattern for the overall yields of the three airlines in the upcoming 4Q23.
- Gearings still very lofty.** Gross gearings (liability over asset ratios) of the three airlines remained lofty as at end-3Q23, at 92%, 81% and 90% for Air China, CSA and CEA, respectively. 3Q23 financial reporting (in China accounting standards) does not offer enough clarities for the accurate calculation of airlines' net gearings under IFRS, but we estimate that there was at best some moderate qoq improvement in net gearings of the three airlines from their respective end-1H23 levels (Air China: 362%, CSA: 185%, CEA: 421%). CSA's net gearing was lower than the other two, only because it raised the most equity (and hence saw more dilution) during the pandemic. Before the pandemic, net gearings of the three airlines ranged between 27-68%.

STOCK IMPACT

- Seasonally strong 3Q23 profitability should not be extrapolated into 4Q.** We note that 3Q is a seasonally stronger quarter thanks to the student summer holidays while 4Q is a typically muted quarter. In pre-pandemic years such as 2018-19, the three major Chinese airlines' 4Q earnings used to drop Rmb3b-4b qoq from 3Q, driven by qoq lower yields. We expect the upcoming 4Q23 to depict similar patterns of earnings seasonality, while remaining hopeful that the qoq earnings decline in 4Q this year may not be as drastic as pre-pandemic years, considering that airlines' businesses are still on the recovery track and 4Q23 may still somewhat benefit from the release of pent-up air travel demand. Our updated 2023 earnings forecasts imply 4Q23 earnings of Rmb0.88b, Rmb0.92b and Rmb0.72b for Air China, CSA and CEA, respectively, representing Rmb2.6b-3.1b drop from their respective 3Q23 levels. Nevertheless, we caution that the high sensitivity of airlines earnings' to yield levels (due to airlines' very high operating leverages) renders our quarterly earnings estimates subject to high margins of error.
- Recovery on track.** China's air traffic is expected to continue to recover in the rest of 2023 and 2024. As of end-Sep 23, overall pax capacity of the three airlines recovered to 96-98% of their respective pre-pandemic levels. Domestic capacity supply surpassed pre-pandemic levels at 113-117%; supplies of international and regional capacities were still subdued at 58-61% of the pre-pandemic levels. Overall pax loads of the three airlines recovered to 88-92% of their respective pre-pandemic levels, with domestic loads at 107-108% of the pre-pandemic levels and international and regional loads at 54-59%. Overall pax load factors stood that 73.6-78.7%, 3.0-6.8ppt below their respective pre-pandemic levels. This implies an oversupply situation of capacity relative to demand.

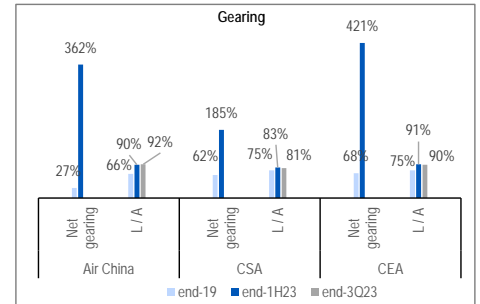
SEP 23 PAX OPERATION DATA OF THE THREE MAJOR CHINESE AIRLINES

	Overall			Domestic			International & Regional		
	Air China	CSA	CEA	Air China	CSA	CEA	Air China	CSA	CEA
Pax capacity (m seat-km)	26,365	27,717	22,019	20,375	22,453	16,951	5,990	5,264	5,068
as % of pre-pandemic	96%	96%	98%	117%	113%	119%	60%	58%	61%
Pax load (m pax-km)	19,561	21,815	16,209	15,326	17,512	12,490	4,234	4,303	3,719
as % of pre-pandemic	88%	92%	90%	107%	107%	108%	54%	59%	58%
Pax load factors	74.2%	78.7%	73.6%	75.2%	78.0%	73.7%	70.7%	81.7%	73.4%
diff. vs pre-pandemic	-6.8ppt	-3.0ppt	-6.2ppt	-7.0ppt	-4.3ppt	-7.8ppt	-8.1ppt	+1.1ppt	-3.8ppt

Source: Respective companies, UOB Kay Hian

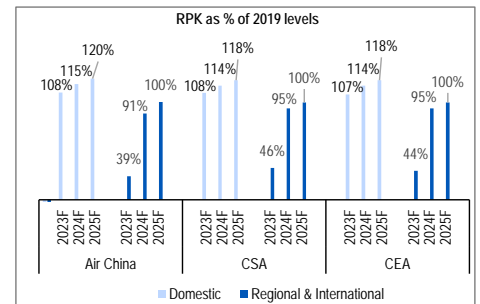
- Capacity and yield outlook.** International route capacity of Air China, CSA and CEA are expected to reach about 70%, 80% and 80% of their respective pre-pandemic levels by end-23. Further recovery is expected in 2024. We believe that as the capacity supplies of international routes recover further and more widebody aircrafts get redeployed to long-haul international routes, the current overcapacity pressure for domestic routes would be alleviated. This would help support domestic yields while driving further normalisation of international yields.

LOFTY GEARING OF THE THREE AIRLINES



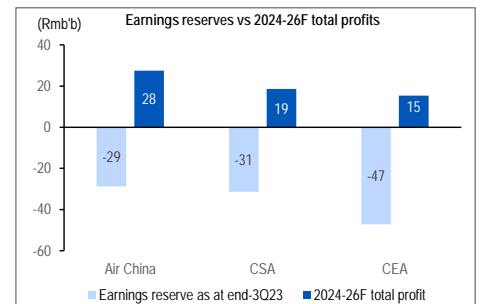
* The net gearing estimates here have excluded lease liabilities, which, if included, would make the three airlines' net gearing even higher. Source: Airline companies, UOB Kay Hian

UPDATED PROJECTION FOR AIR TRAFFIC RECOVERY OF THE THREE AIRLINES BY ROUTE REGION



Source: Respective companies, UOB Kay Hian

2024-26 EARNINGS NOT ENOUGH TO MAKE UP FOR NEGATIVE EARNINGS RESERVES



Source: Respective companies, UOB Kay Hian

- **Air China has higher potential for earnings upside.** Among the three airlines, Air China delivered the highest 3Q23 core net profit of Rmb4.0b vs CSA's Rmb3.6b and CEA's Rmb3.3b. This is despite Air China having the slowest recovery (Sep 23 overall pax load at 88% of pre-pandemic levels, vs CSA's 92% and CEA's 90%) due to its highest exposure to international (particularly US and Europe) routes. This means that Air China would have higher upside for earnings recovery than the other two, once the recovery for its international routes catches up.
- **Potential equity raising.** We maintain our case that the organic earnings recovery of the three airlines would not be able to pare down their debt levels fast enough and hence all three airlines are likely to tap equity-raising to strengthen their balance sheets. On 1 Jun 23, CSA announced its plan to raise up to Rmb17.5b via A-share issuance and up to HK\$2.9b from H-share issuance. This ongoing issuance follows the multiple rounds of equity raising already done by CSA during the pandemic, and may expand CSA's share base by up to 25.8%. Air China and CEA have not announced any new equity raising yet, but given their loftier gearing compared to CSA, we think it may not take long for them to tap the equity market.

EARNINGS REVISION

- **Trimming 2023 earnings estimates lower for CSA and CEA.** We maintain our earnings forecasts for Air China, while trimming our 2023 earnings lower for CSA and CEA by Rmb1.37b and Rmb0.26b respectively, reflecting our best-efforts estimates for a seasonally weaker 4Q23.

UPDATED 2023 EARNINGS FORECASTS FOR THE THREE AIRLINES

	Air China			CSA			CEA		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
2023F net profit	1,672	1,672	-	3,605	2,239	-38%	-1,627	-1,887	n.m.

Source: UOB Kay Hian

ACTION

- **Maintain UNDERWEIGHT on the Chinese airlines.** We believe that the airlines segment's recovery is well expected by the market and hence largely priced in. The three airlines' earnings in the next few years are likely to be fully retained to repair their balance sheets (reducing gearings and 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\$5.92) remains 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:** a) retail trading sentiment stirred up by positive newsflow about China tourism spending and air travel recovery, and b) possible general market bull run neglecting fundamentals – if this happens, airlines may take the opportunity of market frenzy to issue new equity at a good valuation to repair their balance sheets.
- **Downside risks:** a) Slower-than-expected earnings recovery due to macroeconomic headwinds damping demand, higher fuel cost and/or weak renminbi (rendering overseas travel more expensive), b) EPS-dilutive equity-raising, and c) dissipation of the market's excitement about the airlines' recovery story.

COMPANY RESULTS

China Longyuan Power (916 HK)

3Q23: In Line; 3Q23 Wind Power Utilisation Hours Down 34 Hours yoy

Longyuan reported 9M23 earnings of Rmb6,378.5m (+19.0% yoy), representing 75% of our full-year earnings forecast, and in line with expectations. The 7% yoy decline in 9M23 revenue was mainly attributed to the Rmb3b slump in coal trading revenue. The 4% growth in 3Q23 power generation was backed by high-pace capacity expansion of the solar power segment. 2023 new installation target remains at 5,500MW, and we should see meaningful progress in 4Q23. Maintain BUY. Target price: HK\$7.90.

3Q23 RESULTS

Year to 31 Dec (Rmbm)	9M22R	9M23	yoy chg	3Q22R	3Q23	yoy chg
Revenue	30,212.0	28,097.0	(7.0)	8,549.6	8,250.4	(3.5)
- Wind Power	20,146.7	20,857.3	3.5	5,840.5	5,642.7	(3.4)
- Coal Power	9,439.9	6,214.5	(34.2)	2,493.1	2,111.1	(15.3)
- Others	625.4	1,025.2	63.9	216.1	496.5	129.8
Other Net Income	851.1	908.3	6.7	238.7	243.5	2.0
Operating Expenses	(20,281.7)	(17,854.1)	(12.0)	(6,203.0)	(5,958.2)	(3.9)
Operating profit	10,781.4	11,151.2	3.4	2,585.4	2,535.7	(1.9)
Net finance expenses	(2,933.6)	(2,511.1)	(14.4)	(1,157.7)	(947.7)	(18.1)
Share of profits subsi/asso/JV	(167.4)	16.1	(109.6)	(167.4)	16.1	(109.6)
PBT	7,680.4	8,656.2	12.7	1,371.2	1,657.3	20.9
Tax	(1,358.8)	(1,322.7)	(2.7)	(190.5)	(158.3)	(16.9)
Minority interest	(959.1)	(955.0)	(0.4)	(150.9)	(244.8)	62.2
Net Profit	5,362.5	6,378.5	18.9	1,029.7	1,254.2	21.8
EBIT margin (%)	35.7	39.7	4.0	30.2	30.7	0.5
Net profit margin (%)	17.7	22.7	5.0	12.0	15.2	3.2

Source: China Longyuan Power, UOB Kay Hian

RESULTS

- In line.** China Longyuan Power reported 9M23 earnings of Rmb6,378.5m (+19.0% yoy), representing 75% of our full-year earnings forecast, and in line with expectations.
- 9M23 revenue down 7.0% yoy; dragged by coal power segment.** Consolidated revenue was mainly dragged by the 34.2% yoy decline in revenue contribution from the coal power segment at Rmb6,214.5m. Coal sales revenue declined by Rmb3,026m while coal power generation was also down 4.8% given weaker electricity demand.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover (Rmb)	37,195.5	39,861.6	42,176.1	46,527.5	53,361.4
EBITDA (Rmb)	20,739.6	22,030.9	26,138.1	30,171.7	35,067.3
Operating profit (Rmb)	12,557.9	11,902.9	14,719.5	17,417.3	20,699.0
Net profit (rep./act.) (Rmb)	6,158.6	4,903.5	7,533.3	9,197.3	11,076.4
Net profit (adj.) (Rmb)	6,158.6	4,903.5	7,533.3	9,197.3	11,076.4
EPS (sen)	76.6	58.6	90.1	109.7	132.1
PE (x)	8.3	10.8	7.1	5.8	4.8
P/B (x)	0.9	0.8	0.8	0.7	0.6
EV/EBITDA (x)	11.5	10.9	9.2	7.9	6.8
Dividend yield (%)	2.4	1.8	2.8	3.5	4.2
Net margin (%)	16.6	12.3	17.9	19.8	20.8
Net debt/(cash) to equity (%)	147.1	149.4	138.6	134.9	135.4
Interest cover (x)	6.4	5.8	8.3	8.8	9.0
ROE (%)	10.2	7.5	10.5	11.7	12.8
Consensus net profit	-	-	7,881	9,431	10,726
UOBKH/Consensus (x)	-	-	0.96	0.98	1.03

Source: China Longyuan Power, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$6.79
Target Price	HK\$7.90
Upside	+16.3%
(Previous TP)	HK\$8.80

COMPANY DESCRIPTION

China Longyuan is the largest listing wind farm operator in China. Its operational wind capacity grew to 18.6GW as of end 2018. It also operates solar farm and thermal power plants.

STOCK DATA

GICS sector	Utilities
Bloomberg ticker:	916 HK
Shares issued (m):	3,340.0
Market cap (HK\$m):	131,611.6
Market cap (US\$m):	16,829.3
3-mth avg daily t'over (US\$m):	12.7

Price Performance (%)

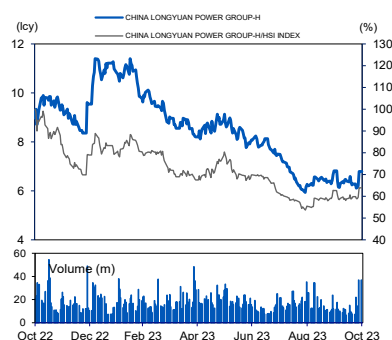
52-week high/low	HK\$11.40/HK\$5.94			
1mth	3mth	6mth	1yr	YTD
5.6	(8.7)	(17.5)	(36.2)	(28.8)

Major Shareholders

China Guodian Corporation	63.7%
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FY23 NAV/Share (RMB)	8.31
FY23 Net Debt/Share (RMB)	12.35

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **Installed capacity up 13.7% to 32,810MW.** 9M23 cumulative addition to installed capacity was 1,702MW, mainly driven by the high-paced capacity expansion of the solar power segment. The company's target of achieving 5,500MW new installations by year-end remained unchanged, and installation should pick up in 4Q23 after some minor delays in previous months. Renewable energy development quota secured ytd stands at 10.65GW while cumulative quota secured since 2021 is 47.38GW. These are sufficient to ensure the company achieves its target of doubling installed capacity by the end of the 14th Five-Year Plan period.

INSTALLED CAPACITY

Installed Capacity (MW)	2022	9M23	yoy chg
Wind power	26,192	26,772	580
Coal power	1,875	1,875	-
Other renewable power	3,041	4,163	1,122
Total	31,108	32,810	1,702

Source: China Longyuan Power, UOB Kay Hian

- **3Q23 power generation growth backed by solar power segment.** 3Q23 wind power generation was down 2.5% yoy to 11,565GWh despite a 4.1% yoy increase in installed capacity. The growth in power generation was mainly supported by other renewable energy (mainly solar power), which rose 136.4% yoy to 3,185.6GWh, thanks to the high-paced expansion of solar power generation capacity in recent months.

POWER GENERATION

Power Generation (GWh)	9M22	9M23	yoy chg	3Q22	3Q23	yoy chg
Wind power	42,078	44,673	6.2	11,863	11,565	(2.5)
Coal power	8,028	7,646	(4.8)	2,757	2,618	(5.0)
Other renewable power	1,347	3,186	136.4	529	1,575	197.9
Total	51,453	55,505	7.9	15,148	15,758	4.0

Source: China Longyuan Power, UOB Kay Hian

- **3Q23 wind power average utilisation hours down 34 hours yoy.** 9M23 wind power average utilisation hours was 1,715 hours, 64 hours higher yoy. For 3Q23, wind power average utilisation hours was 34 hours lower yoy at 444 hours. We believe this was due to lower wind velocity during the quarter, which weighed on the wind power segment's quarterly earnings performance. The company targets to maintain overall average utilisation hours at the same level as last year.
- **Lower collection of outstanding renewable subsidies.** The company collected Rmb3.19b of outstanding renewable subsidies in 9M23, much lower than over Rmb10b last year. The slower collection compared to last year was due to the special subsidies received last year. The outstanding receivable renewable subsidies as of end-Sep 23 was Rmb33.052b. The company is confident that the remaining 30% of their existing installed capacity will pass the renewable subsidies eligibility re-verification process.

EARNINGS REVISION/RISK

- We cut our earnings forecasts for 2023/2024/2025 by 10%/8%/5% to factor in weaker-than-expected wind power utilisation hours.

VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of HK\$7.90.** The development quota China Longyuan has secured since 2021 should ensure a sustainable pace of capacity growth in the short to medium term, and allow it to eventually achieve its target of doubling installed capacity by the end of the 14th Five-Year Plan period. The company has also guided that it will not be recognising any impairment loss from a wind turbine replacement scheme in 2023, and is not expecting exceptional items this year.

SHARE PRICE CATALYST

- Acceleration of collection of renewable subsidies payment.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	39,862	42,176	46,527	53,361
EBITDA	22,031	26,138	30,172	35,067
Deprec. & amort.	10,128	11,419	12,754	14,368
EBIT	11,903	14,719	17,417	20,699
Total other non-operating income	0	0	0	0
Associate contributions	(419)	0	0	0
Net interest income/(expense)	(3,800)	(3,166)	(3,410)	(3,914)
Pre-tax profit	7,684	11,554	14,007	16,785
Tax	(1,554)	(2,311)	(2,801)	(3,357)
Minorities	(997)	(1,504)	(1,824)	(2,185)
Preferred dividends	(228)	(206)	(185)	(166)
Net profit	4,903	7,533	9,197	11,076
Net profit (adj.)	4,903	7,533	9,197	11,076

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	29,606	24,291	27,223	27,807
Pre-tax profit	7,684	11,554	14,007	16,785
Tax	(1,570)	(2,311)	(2,801)	(3,357)
Deprec. & amort.	10,260	11,549	12,880	14,490
Associates	419	0	0	0
Working capital changes	7,055	(66)	(791)	(4,559)
Non-cash items	2,470	0	0	0
Other operating cashflows	3,287	3,565	3,929	4,448
Investing	(19,009)	(20,446)	(28,855)	(33,741)
Capex (growth)	(22,320)	(21,664)	(30,157)	(36,083)
Investments	3,212	0	0	0
Proceeds from sale of assets	19	0	0	0
Others	81	1,217	1,302	2,342
Financing	3,839	4,646	10,266	14,070
Dividend payments	(1,232)	(1,508)	(1,841)	(2,217)
Proceeds from borrowings	169,537	62,998	71,034	78,145
Loan repayment	(153,802)	(53,279)	(54,999)	(57,410)
Others/interest paid	(10,664)	(3,565)	(3,929)	(4,448)
Net cash inflow (outflow)	14,436	8,491	8,634	8,136
Beginning cash & cash equivalent	3,913	18,338	26,829	35,463
Changes due to forex impact	(11)	0	0	0
Ending cash & cash equivalent	18,338	26,829	35,463	43,599

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	151,600	162,624	180,930	203,710
Other LT assets	18,755	17,716	16,561	15,253
Cash/ST investment	18,338	26,829	35,463	43,599
Other current assets	34,526	34,526	35,484	40,300
Total assets	223,219	241,694	268,438	302,862
ST debt	53,546	55,266	57,677	61,783
Other current liabilities	20,481	21,271	22,337	24,484
LT debt	67,071	75,070	88,694	105,323
Other LT liabilities	2,378	2,609	2,886	3,219
Shareholders' equity	68,448	74,678	82,220	91,245
Minority interest	11,296	12,800	14,623	16,809
Total liabilities & equity	223,219	241,694	268,438	302,862

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	55.3	62.0	64.8	65.7
Pre-tax margin	19.3	27.4	30.1	31.5
Net margin	12.3	17.9	19.8	20.8
ROA	2.4	3.2	3.6	3.9
ROE	7.5	10.5	11.7	12.8
Growth				
Turnover	7.2	5.8	10.3	14.7
EBITDA	6.2	18.6	15.4	16.2
Pre-tax profit	(12.2)	50.4	21.2	19.8
Net profit	(20.4)	53.6	22.1	20.4
Net profit (adj.)	(20.4)	53.6	22.1	20.4
EPS	(23.5)	53.6	21.8	20.4
Leverage				
Debt to total capital	60.2	59.8	60.2	60.7
Debt to equity	176.2	174.5	178.0	183.1
Net debt/(cash) to equity	149.4	138.6	134.9	135.4
Interest cover (x)	5.8	8.3	8.8	9.0

COMPANY RESULTS

Goldwind Science & Technology (2208 HK)

3Q23: Below Expectations; 3Q23 WTG Sales Growth Slows To +6.0% yoy

Goldwind reported 9M23 earnings of Rmb1,260.8m (-46.7% yoy), accounting for 43% of our full-year earnings estimate. Consolidated gross margin recovered to 18.2% in 3Q23, supported by the cost reduction initiatives and increasing ratio of export volume. Although 3Q23 WTG shipment growth slowed to +6.0% yoy, the company is maintaining 2023 shipment target of 16GW. Order backlog expanded further to 31,509MW as of end-Sep 23. Maintain HOLD. Target price: HK\$4.00.

3Q23 RESULTS

Year to 31 Dec (Rmbm)	9M22	9M23	yoy chg	3Q22	2Q23	3Q23	qoq chg	yoy chg
Revenue	26,163	29,319	12.1	9,500	13,436	10,318	-23.2	8.6
Cost of sales	(20,229)	(24,164)	19.5	(7,754)	(11,560)	(8,444)	-27.0	8.9
Gross profit	5,935	5,155	-13.1	1,746	1,877	1,875	-0.1	7.4
SG&A	(4,193)	(4,559)	8.7	(1,265)	(1,663)	(1,630)	-2.0	28.9
Net finance cost	(706)	(778)	10.2	(257)	(207)	(264)	27.6	2.6
Other income	1,878	2,350	25.1	340	120	167	39.7	-50.9
Operating profit	2,913	2,168	-25.6	564	127	148	16.6	-73.8
Non operating profit/loss	7	(38)	-647.5	(3)	(34)	1	-103.8	-145.8
PBT	2,920	2,130	-27.1	561	92	149	61.3	-73.4
Tax	(517)	(762)	47.4	(129)	(20)	(126)	529.1	-2.5
Minority interest	(39)	(108)	178.5	13	(56)	(14)	-75.5	-204.4
Net Profit	2,365	1,261	-46.7	445	17	9	-43.2	-97.9
Gross margin (%)	22.7	17.6	-5.1	18.4	14.0	18.2	4.2	-0.2
Net profit margin (%)	9.0	4.3	-4.7	4.7	0.1	0.1	0.0	-4.6

Source: Goldwind Science & Technology, UOB Kay Hian

RESULTS

- **Below expectations.** Goldwind Science & Technology (Goldwind) reported 9M23 earnings of Rmb1,260.8m, down 46.7% yoy, representing 42.9%/46.2% of our/consensus' earnings forecasts for 2023, below expectations. 3Q23 quarterly earnings was merely Rmb9.4m (-97.9% yoy), partly dragged by higher finance costs and tax expenses.
- **3Q23 consolidated gross margin rose 4.2ppt qoq to 18.2%.** Gross margin rebounded 4.2ppt qoq to 18.2%, but still 0.2ppt lower yoy. The sequential margin recovery in 3Q23 was mainly supported by the moderation of production cost and a higher ratio of products being exported to the overseas market.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	50,416	46,254	46,668	54,533	59,053
EBITDA	5,812	3,635	4,046	5,862	7,397
Operating profit	3,767	1,134	989	2,257	2,913
Net profit (rep./act.)	3,457	2,383	2,296	3,030	3,492
Net profit (adj.)	3,457	2,383	2,296	3,030	3,492
EPS (sen)	81.8	56.4	54.4	71.7	82.6
PE (x)	4.3	6.2	6.5	4.9	4.3
P/B (x)	0.4	0.4	0.4	0.4	0.3
EV/EBITDA (x)	9.6	15.4	13.8	9.5	7.5
Dividend yield (%)	7.1	4.7	4.6	6.1	7.0
Net margin (%)	6.9	5.2	4.9	5.6	5.9
Net debt/(cash) to equity (%)	65.4	61.3	51.5	52.1	51.5
Interest cover (x)	7.9	4.2	4.5	6.0	7.1
ROE (%)	9.9	6.5	5.9	7.4	8.1
Consensus net profit	-	-	2,727	3,327	3,962
UOBKH/Consensus (x)	-	-	0.84	0.91	0.88

Source: Goldwind, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	HK\$3.76
Target Price	HK\$4.00
Upside	+6.4%
(Previous TP)	HK\$5.10)

COMPANY DESCRIPTION

Goldwind is the largest WTG manufacturer in China. It accounted for >30% and 14.2% of market share in China and the world in 2018 respectively. In addition, it also accounted for 24.2% share in domestic offshore wind power market.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	2208 HK
Shares issued (m):	773.6
Market cap (HK\$m):	35,325.9
Market cap (US\$m):	4,517.1
3-mth avg daily t'over (US\$m):	3.3

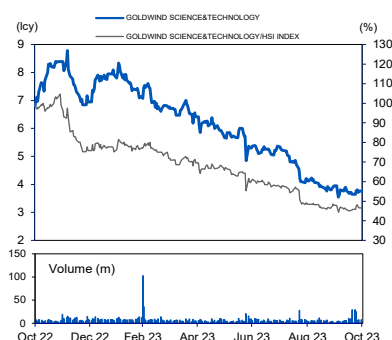
Price Performance (%)

52-week high/low	HK\$8.79/HK\$3.54			
1mth	3mth	6mth	1yr	YTD
(2.8)	(28.5)	(42.7)	(51.8)	(45.9)

Major Shareholders

	%
-	-
-	-
-	-
FY23 NAV/Share (Rmb)	9.40
FY23 Net Debt/Share (Rmb)	4.84

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **3Q23 WTG external sales volume growth slowed to +6.0% yoy.** Wind turbine generator (WTG) sales volume in 9M23 was 8,904MW (+26.7% yoy), 3Q23 sales volume was slowed to 3,120MW (+6.0% yoy). However, the company is maintaining its 2023 WTG shipment volume guidance at 16GW, which includes: a) 0.5GW offshore WTG; and b) 1.7GW exports. 2024 WTG shipment volume is guided at 20GW, comprising: a) 2.0GW offshore WTG; and b) 2.3 GW export.

WTG EXTERNAL SALES VOLUME

Sales Volume (MW)	9M22	9M23	yoy chg	3Q22	3Q23	yoy chg
< 4 MW	1,605	64	(96.0)	251	35	(86.1)
4 - 6 MW	4,318	5,587	29.4	1,937	1,365	(29.5)
> 6 MW	1,106	3,253	194.1	755	1,720	127.8
Total	7,029	8,904	26.7	2,943	3,120	6.0

Source: Goldwind Science & Technology, UOB Kay Hian

- **Order backlog expanded further to 31,509MW.** Order backlog has continued to create new highs and reached 31,509MW as of end-Sep 23, expanding by 5.0% from end-1H23. However, the volume of domestic wind turbine public tender market for 9M23 was 19.1% lower yoy at 61.7GW, indicating weakening domestic demand.
- **Intensifying competition held back pace of margin recovery.** The company expects 2023 gross margin to be higher than 3Q23's level. Gross margin of the medium-speed permanent magnet (MSPM) series should expand further as the results of its cost reduction initiatives and benefits of economies of scale continue to materialise. However, we remain cautious on margin outlook as the average bidding price of WTG in Sep 23 has again reversed down to Rmb1,553/kW, and is still searching for a bottom.

EARNINGS REVISION/RISK

- We cut our earnings forecasts for 2023/2024/2025 by 22%/11%/13% to mainly factor in slower-than-expected margin recovery.

VALUATION/RECOMMENDATION

- **Maintain HOLD and cut our target price to HK\$4.00.** We expect product shipments and margins to improve further in 4Q23. The worst is likely behind us, but we believe there is still a lack of catalysts ahead with the recent downturn of WTG average bidding price remaining a key concern. The company has started working on expanding sales ratio to the overseas market, with an expected 15-20% of 2023 new orders to be contributed by the overseas market. The company also planning to leverage on their expertise and expand the scale of their wind farm development segment instead of heavily relying on WTG sales. We will continue to monitor the effectiveness of these measures in achieving margin recovery.

SHARE PRICE CATALYST

- Stabilisation of WTG prices.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	46,254	46,668	54,533	59,053
EBITDA	3,635	4,046	5,862	7,397
Deprec. & amort.	2,501	3,057	3,605	4,485
EBIT	1,134	989	2,257	2,913
Total other non-operating income	2,272	2,800	2,100	2,037
Associate contributions	224	249	271	297
Net interest income/(expense)	(858)	(907)	(983)	(1,046)
Pre-tax profit	2,772	3,131	3,645	4,200
Tax	(335)	(783)	(547)	(630)
Minorities	(53)	(51)	(68)	(78)
Net profit	2,383	2,296	3,030	3,492
Net profit (adj.)	2,383	2,296	3,030	3,492

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	5,881	7,715	8,730	9,021
Pre-tax profit	2,772	3,131	3,645	4,200
Tax	(1,284)	(783)	(547)	(630)
Deprec. & amort.	2,743	3,313	3,641	4,503
Associates	(224)	(249)	(271)	(297)
Working capital changes	2,658	3,035	1,278	198
Non-cash items	(1,366)	(1,640)	0	0
Other operating cashflows	582	907	983	1,046
Investing	(6,139)	(4,904)	(6,678)	(6,770)
Capex (growth)	(7,948)	(6,401)	(6,401)	(6,401)
Investments	(553)	0	0	0
Proceeds from sale of assets	294	0	0	0
Others	2,068	1,497	(277)	(369)
Financing	6,917	2,321	(492)	(779)
Dividend payments	(1,194)	(689)	(909)	(1,048)
Issue of shares	0	0	0	0
Proceeds from borrowings	17,432	9,099	9,099	9,100
Loan repayment	(9,654)	(5,462)	(6,197)	(6,633)
Others/interest paid	333	(627)	(2,484)	(2,199)
Net cash inflow (outflow)	6,660	5,132	1,559	1,471
Beginning cash & cash equivalent	8,140	14,843	19,975	21,534
Changes due to forex impact	43	0	0	0
Ending cash & cash equivalent	14,843	19,975	21,534	23,005

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	37,461	41,266	44,606	47,199
Other LT assets	36,988	37,527	39,346	40,647
Cash/ST investment	14,843	19,975	21,534	23,005
Other current assets	47,530	42,581	49,444	53,387
Total assets	136,822	141,349	154,929	164,238
ST debt	6,484	6,197	6,633	7,004
Other current liabilities	52,646	52,431	60,572	64,713
LT debt	31,700	34,217	36,683	38,779
Other LT liabilities	5,646	6,497	6,847	7,025
Shareholders' equity	38,095	39,703	41,824	44,268
Minority interest	2,251	2,303	2,371	2,449
Total liabilities & equity	136,822	141,349	154,929	164,238

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	7.9	8.7	10.8	12.5
Pre-tax margin	6.0	6.7	6.7	7.1
Net margin	5.2	4.9	5.6	5.9
ROA	1.9	1.7	2.0	2.2
ROE	6.5	5.9	7.4	8.1
Growth				
Turnover	(8.3)	0.9	16.9	8.3
EBITDA	(37.4)	11.3	44.9	26.2
Pre-tax profit	(36.1)	12.9	16.4	15.2
Net profit	(31.1)	(3.6)	31.9	15.2
Net profit (adj.)	(31.1)	(3.6)	31.9	15.2
EPS	(31.1)	(3.6)	31.9	15.2
Leverage				
Debt to total capital	48.6	49.0	49.5	49.5
Debt to equity	100.2	101.8	103.6	103.4
Net debt/(cash) to equity	61.3	51.5	52.1	51.5
Interest cover (x)	4.2	4.5	6.0	7.1

COMPANY RESULTS

Great Wall Motor (2333 HK)

3Q23: Earnings Triple qoq On Margin Recovery; Upgrade To BUY

GWM's 3Q23 net profit came in above estimates at Rmb3,634m (+42% yoy/+206% qoq), with new product launches and a plunge in lithium carbonate prices boosting margins. EBIT margin spiked by 2.0ppt yoy and 5.7ppt qoq to 8.6% in 3Q23. Based on higher margins, we lift our 2023-25 net profit forecasts by 92%/204%/253% to Rmb7.81b/Rmb10.54b/Rmb11.54b. Upgrade from SELL to BUY. Raise target price from HK\$5.20 to HK\$13.50.

3Q23 RESULTS

Year to 31 Dec (Rmbm)	3Q22	2Q23	3Q23	yoy % chg	qoq % chg	9M23	yoy % chg
Sales volume ('000 units)	284	299	345	21.5	15.3	863.8	7.7
Revenue	37,346	40,933	49,532	32.6	21.0	119,504	20.1
Gross profit	8,392	7,124	10,728	27.8	50.6	22,519	13.7
Gross margin (%)	22.5	17.4	21.7	(0.8)	4.3	18.8	(1.1)
EBIT	2,474	1,163	4,252	71.9	265.5	5,229	11.3
EBIT margin (%)	6.6	2.8	8.6	2.0	5.7	4.4	(0.3)
Net profit	2,560	1,187	3,634	41.9	206.1	4,995	(38.8)
Net profit (adj)	2,281	966	3,058	34.0	216.4	3,807	(12.3)
Net margin (%)	6.1	2.4	6.2	0.1	3.8	2.6	(1.8)

Source: GWM, UOB Kay Hian

RESULTS

- **3Q23 earnings up 42% yoy and 206% qoq to Rmb3,634m; beating estimates.** This brings 9M23 net profit to Rmb4,995m (-39% yoy), compared to our 2023 net profit forecast of Rmb3.5b (-58% yoy) and consensus' forecast of Rmb5.3b (-36% yoy). The earnings best lies in ASP and margins.
- **Revenue beat estimates, growing 33% yoy and 21% qoq to Rmb49.53b in 3Q23** on 21.5% yoy/15% qoq sales volume growth and ASP increase. ASP spiked from Rmb110,000-120,000 in 1H22-1H23 to over Rmb150,000 in 3Q23, due to the launches of high value-added products such as Wey Blue Mountain, Tank 500, Haval Fierce Dragon Max and the second generation of Haval Dargo. Driven by the debuts of plug-in hybrid electric vehicle (PHEV) models, Great Wall Motor's (GWM) electric vehicle (EV) sales volume surged by 131% yoy/18% qoq to 79,700 units in 3Q23, representing 22% of the company's total sales volume during the quarter.
- **Sharp margin recovery.** Due to the ASP hike and plunge in raw material prices, especially lithium carbonate, gross margin hiked by 4.3ppt qoq to 21.7% in 3Q23, albeit still 0.8ppt below that in 2Q23. EBIT margin spiked by 2.0ppt yoy and 5.7ppt qoq to 8.6% in 3Q23, by virtue of gross margin recovery and reduction in expense ratio.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	136,405	137,340	183,096	228,166	253,518
EBITDA	10,450	9,673	15,354	19,926	22,119
Operating profit	4,856	3,063	7,965	11,636	12,929
Net profit (rep./act.)	6,726	8,266	7,810	10,537	11,542
Net profit (adj.)	4,203	4,477	6,010	8,737	9,742
EPS (fen)	45.5	51.1	70.8	103.0	114.8
PE (x)	22.2	19.8	14.3	9.8	8.8
P/B (x)	1.5	1.4	1.2	1.1	1.0
EV/EBITDA (x)	9.4	10.2	6.4	4.9	4.4
Dividend yield (%)	3.7	2.9	2.1	3.1	0.0
Net margin (%)	4.9	6.0	4.3	4.6	4.6
Net debt/(cash) to equity (%)	(18.6)	(7.7)	(0.4)	3.7	8.0
Interest cover (x)	n.a.	n.a.	n.a.	292.4	86.1
ROE (%)	11.3	13.0	11.5	14.1	13.8
Consensus net profit	-	-	5,301	7,384	9,170
UOBKH/Consensus (x)	-	-	1.47	1.43	1.26

Source: GWM, Bloomberg, UOB Kay Hian

BUY

(Upgraded)

Share Price	HK\$10.82
Target Price	HK\$13.50
Upside/(Downside)	+24.8%
(Previous:	HK\$5.20)

COMPANY DESCRIPTION

Based in Baoding, in Hebei province, Great Wall Motor produces and sells pick-up trucks, SUVs and sedans under its proprietary brand Great Wall.

STOCK DATA

GICS sector	Automobile
Bloomberg ticker:	2333 HK
Shares issued (m):	2,511
Market cap (HK\$m):	27,171
Market cap (US\$m):	3,483
3-mth avg daily t'over (US\$m):	32.1

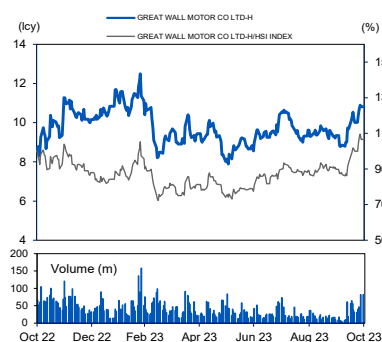
Price Performance (%)

52-week high/low	HK\$12.66/HK\$7.77			
1mth	3mth	6mth	1yr	YTD
15.9	8.0	19.0	26.3	5.5

Major Shareholders

Wei Jian Jun	56.04%
FY23 NTAV/Share (Rmb)	5.63
FY23 Net Debt/Share (Rmb)	0.04

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **We raise our 2023 sales volume estimates from 1.2m units to 1.25m units, based on upbeat 3Q23 sales, and keep those for 2024-25 unchanged at 1.35m/1.50m units.** The sales growth will be driven by the aforementioned new models and the new models to be launched, including Haval Fierce Dragon EV, Tank 400 and Wey High Mountain MPV. In September, GWM received over 4,000 units, 12,000 units and 30,000 units in orders for Tank 500, Tank 400 and Haval Fierce Dragon EV respectively. The Wey High Mountain MPV even booked over 5,000 units in orders within two hours of its debut.
- **We lift our ASP assumptions for 2023-25 from Rmb120,000/Rmb120,000/Rmb120,000 to Rmb130,000/Rmb150,000/Rmb150,000,** based on the upbeat ASP in 3Q23.
- **We raise our EBIT margin assumptions for 2023-25 from 1.9%/1.8%/1.8% to 4.4%/5.1%/5.1% respectively,** based on the upbeat 3Q23 EBIT margin and the launches of high-end products. Previously, we underestimated the margins of the new models.

EARNINGS REVISION/RISK

- **We raise our 2023-25 net profit forecasts by 123%/204%/253% to Rmb7,810m/Rmb10,537m/Rmb11,542m respectively,** based on higher assumptions on ASP and EBIT margin.
- **Risks.** Downsides to our earnings estimates lie in worse-than-expected sales of the new models and price competition.

VALUATION/RECOMMENDATION

- **Upgrade from SELL to BUY and lift target price from HK\$5.20 to HK\$13.50,** based on the unchanged 12x 2024F PE (on a par with historical mean one-year forward PE) and higher 2024 EPS. We believe GWM should have passed through its toughest period, with the new product cycle kick-starting.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	137,340	183,096	228,166	253,518
EBITDA	9,673	15,354	19,926	22,119
Depreciation & amortization	(6,609)	(7,389)	(8,289)	(9,189)
EBIT	3,063	7,965	11,636	12,929
Total other non-operating income	2,535	-	-	-
Associate contributions	721	800	800	800
Net interest income/(expense)	2,488	80	(40)	(150)
Pre-tax profit	8,807	8,845	12,397	13,579
Tax	(554)	(1,035)	(1,860)	(2,037)
Minorities	13	-	-	-
Net profit	8,266	7,810	10,537	11,542
Net profit (recurrent)	4,477	6,010	8,737	9,742

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	12,311	15,687	18,621	20,637
Pre-tax profit	8,807	8,845	12,397	13,579
Tax	(554)	(1,035)	(1,860)	(2,037)
Depreciation/amortisation	6,609	7,389	8,289	9,189
Associates	(721)	(800)	(800)	(800)
Working capital changes	(1,909)	1,368	555	556
Non-cash items	(1)	-	-	1
Other operating cashflows	80	(80)	40	149
Investing	(10,505)	(16,998)	(19,118)	(21,078)
Capex (growth)	16,301	18,000	20,000	22,000
Investments	18,945	20,000	20,000	20,000
Proceeds from sale of assets	442	-	-	-
Others	(46,192)	(54,998)	(59,118)	(63,078)
Financing	(3,133)	(3,456)	(2,725)	6,307
Dividend payments	(1,226)	(3,456)	(2,725)	(3,693)
Issue of shares	357	-	-	-
Proceeds from borrowings	22,106	10,000	10,000	20,000
Loan repayment	12,812	10,000	10,000	10,000
Others/interest paid	(37,183)	(20,000)	(20,000)	(20,000)
Net cash inflow (outflow)	(1,009)	(4,767)	(3,221)	5,866
Beginning cash & cash equivalent	27,908	26,899	22,132	18,910
Change due to forex impact	317	-	-	-
Ending cash & cash equivalent	26,899	22,132	18,910	24,777

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	26,949	33,949	42,849	53,649
Other LT assets	50,728	55,138	58,749	61,560
Cash/ST investment	26,899	22,132	18,910	24,777
Other current assets	80,782	99,440	117,509	127,844
Total assets	185,357	210,659	238,018	267,830
ST debt	10,827	10,827	10,827	20,827
Other current liabilities	84,975	105,001	123,625	134,516
LT debt	15,406	15,406	15,406	15,406
Other LT liabilities	46	46	46	46
Shareholders' equity	65,201	70,477	79,211	88,133
Minority interest	15	15	15	15
Total liabilities & equity	185,357	210,659	238,018	267,830

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	(0.6)	(0.4)	(0.4)	(0.3)
Pre-tax margin	6.4	4.8	5.4	5.4
Net margin	3.3	3.3	3.8	3.8
ROA	4.6	3.9	4.7	4.6
ROE	13.0	11.5	14.1	13.8
Growth				
Turnover	0.7	33.3	24.6	11.1
EBITDA	(29.4)	(8.0)	0.0	0.0
Pre-tax profit	17.7	0.4	40.2	9.5
Net profit	22.9	(5.5)	34.9	9.5
Net profit (adj.)	6.5	34.3	45.4	11.5
EPS	12.2	38.7	45.4	11.5
Leverage				
Debt to total capital	16.6	14.6	12.9	15.2
Debt to equity	47.1	43.6	38.8	46.2
Net debt/(cash) to equity	(7.7)	(0.4)	3.7	8.0
Interest cover (x)	n.a.	n.a.	292.4	86.1

COMPANY RESULTS

Ping An Insurance Group (2318 HK)

3Q23: Results In Line; NBV Continuing Its Recovery Path

Ping An's 9M23 results were in line, with NBV growing more than 40% yoy and margins improving. The operating and net profit declined by 9.8% and 5.6% yoy as higher underwriting cost due to natural disasters and weaker investment environments weighed on its P&C and asset management business. We find Ping An's risk-to-reward profile attractive given its strong recovery in life insurance business yet undemanding valuation (-1.6SD). Maintain BUY. Target price: HK\$73.00.

3Q23 RESULTS

Net Profit (Rmbm)	9M23	9M22 (restated)	yoy change
L&H Insurance	59,953	56,086	6.9
P&C Insurance	9,965	10,831	-8.0
Banking	22,972	21,247	8.1
Asset Management	-4,344	5,582	-177.8
Technology	2,314	3,683	-37.2
Group Net Profit	87,575	92,781	-5.6
Group Operating Profit	112,482	124,693	-9.8
New Business Value (NBV)	33,574	23,284	40.9
First-year premium (FYP)	144,764	100,001	44.8
Financial Ratios (%)	9M23	9M22(restated)	yoy change (ppt)
New business margin	23.2	23.8	-0.6
Combined ratio (P&C)	99.3	97.7	+1.6
Net interest margin (Bank)	2.47	2.77	-0.3

Source: Ping An., UOB Kay Hian

RESULTS

- **Results in line despite challenging environment.** Ping An Insurance Group's (Ping An) 9M23 and 3Q23 net profit attributable to shareholders declined by 5.6%/19.6% yoy, broadly within our expectations. The earnings drop was primarily dragged by: a) decline of underwriting profit in property and casualty (P&C) insurance business, b) negative profit growth in technology business, and c) loss-making asset management segment due to volatile market and weak investment demand. The three core businesses (life, P&C and banking) delivered a total profit of Rmb117,848m, which was a steady performance with a slight decline (-0.2% yoy) in operating profit attributable to shareholders.
- **Life & Health (L&H): NBV grew by 40.9% yoy** on a like-for-like basis to Rmb33.6b in 9M23 while new business value (NBV) margin turned around with a 0.4ppt improvement to 23.2%. Despite a product shift in Aug 23, the first-year premium and NBV in 3Q23 still achieved a commendable 29.3% and 79.1% yoy growth from a lower base, thanks to comprehensive advancement in channels, improved business quality, and diverse products and services.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Insurance revenue	355,327	385,932	395,582	397,501	407,976
Underwriting profit/(loss)	99,883	92,792	98,657	98,980	99,615
Net profit (rep./act.)	143,099	101,618	111,008	132,734	139,230
Net profit (adj.)	143,099	101,618	111,008	132,734	139,230
EPS (Fen)	812.7	582.2	627.0	749.7	786.4
PE (x)	4.7	6.5	6.1	5.1	4.8
P/EV (x)	0.5	0.5	0.5	0.4	0.4
Dividend yield (%)	6.2	6.6	7.1	7.2	7.3
Total investment yield (%)	3.8	2.5	4.1	4.7	4.7
Combined ratio (%)	98.0	99.6	98.5	97.3	96.7
NBV Margin (%)	27.8	24.2	23.1	23.4	23.9
ROE (%)	18.2	12.1	12.1	13.2	12.7
Consensus net profit	-	-	129,362	158,710	173,737
UOBKH/Consensus (x)	-	-	0.86	0.84	0.80

Source: Ping An., Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$40.60
Target Price	HK\$73.00
Upside	+79.8%

COMPANY DESCRIPTION

Ping An Insurance (Group) is one of the largest China Insurance companies. It provides products and services through its L&H Insurance, Property & Casualty Insurance, Banking, Asset Management and Technology segment

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	2318 HK
Shares issued (m):	7,447.6
Market cap (HK\$m):	821,944.1
Market cap (US\$m):	105,102.6
3-mth avg daily t'over (US\$m):	187.0

Price Performance (%)

52-week high/low HK\$64.75/HK\$31.40

1mth	3mth	6mth	1yr	YTD
(9.7)	(24.4)	(27.8)	20.5	(21.4)

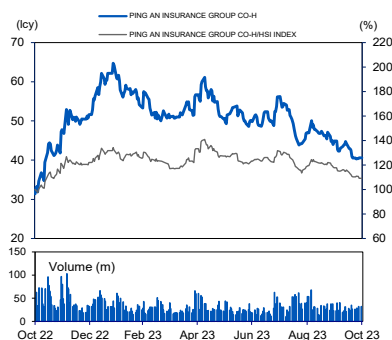
Major Shareholders

	%
-	-
-	-
-	-

FY23 NAV/Share (Rmb) 54.22

FY23 Solvency Ratio (%) 224.09

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- P&C: Rising CoR a concern.** In 9M23, Ping An P&C's insurance revenue growth accelerated to 6.8% yoy in 9M23, driven by robust auto insurance growth (11.5% yoy) but partly offset by negative growth of non-auto insurance (-2.0% yoy). Overall combined ratio (CoR) and auto CoR rose by 1.3ppt/0.3ppt qoq to 99.3%/97.3%, mainly due to natural catastrophes in 3Q23 and travel needs recovery. 9M23 underwriting profit declined by 67.5% yoy as the non-auto CoR hiked to 103.4% (based on our calculations) due to the credit quality deterioration in the guarantee insurance business amid macro headwinds.
- Banking: Maintained robust business performance.** Banking's 9M23 net profit attributable to group grew by 8.1% yoy to Rmb22.97b on lower credit cost despite a 30bp margin squeeze. Ping An bank's asset quality remained solid while non-performing loan ratio declined slightly by 0.01 ppt ytd to 1.03% and provision coverage ratio decreased by 7.66ppt to 282.62%.

STOCK IMPACT

- Channel development and "product + service" strategy gaining traction.** Although the agent numbers decreased by 3.7% qoq to 360,000 in 3Q23, Ping An is gradually refining its agent team structure as part of the life reform to increase its productivity. As a result, the NBV per agent surged by 94.4% yoy in 9M23. Ping An is also aggressively expanding its innovative channels including the bancassurance and Community Grid channels, with both channels contributing 15.8% of NBV in 9M23. Additionally, Ping An has established distinctive advantages compared to its competitors by integrating healthcare and elderly care services with its insurance products. Currently, the customers entitled to "+ service" benefits accounted for 68% of Ping An Life's NBV.
- New "3+2" life insurance profit reform introduced by new co-CEO.** Under the "3+2" framework, the new co-CEO Mr Michael Guo is aiming to increase life insurance profit by improving "NBV + investment yield + persistency ratio" to enhance income sources and optimising "expenses + claim costs" to refine underwriting profit. We are confident that the new strategy will help to maintain a more sustainable premium growth and NBV margin in the long run. Besides life insurance, the management also mentioned that they will focus more on new energy vehicle insurance from sales, pricing and claims perspectives in order to capture the opportunities in this incremental market.
- Insurance funds investment performance and outlook.** The company's insurance funds investment portfolio grew 7.1% ytd to nearly Rmb4.64t as of 3Q23. Meanwhile, the annualised comprehensive investment yield (CII) and net investment yield for insurance funds investment portfolio achieved 3.7% and 4.0% in 9M23 (vs 4.1% and 3.5% in 1H23). As the 30y treasury yield is trending below 3%, management believes that the lower market rate will benefit the risky asset movement and they will continuously optimise strategic asset allocation across the macroeconomic cycles. In September, the regulator eased the stock market investment rules for insurers by lowering the risk weighting and we believe Ping An may increase its equity investment allocation (1H23: 13.5%) following the eased regulations to achieve its 5% long-run investment return assumption in the low rate environment.

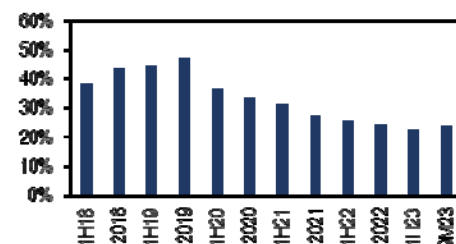
EARNINGS REVISION/RISK

- No change to earnings forecasts.

VALUATION/RECOMMENDATION

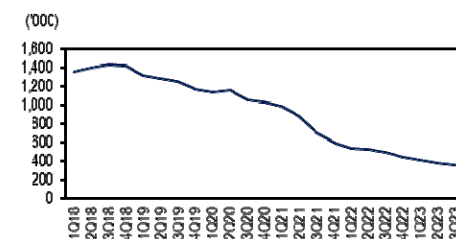
- Maintain BUY and keep our target price at HK\$73.00.** Our target price is derived from the SOTP valuation method, and it implies 0.78x of 2024F group EV. The share price has plummeted 15% since the release of the 1H23 results and it is currently trading at -1.6SD below its historical mean. We find Ping An's risk-to-reward profile attractive given its strong recovery in the life insurance business with its investment assets also set to recover. Ping An is well-positioned as a capital market recovery proxy due to its high beta characteristics (1.23).

PING AN NBV MARGIN



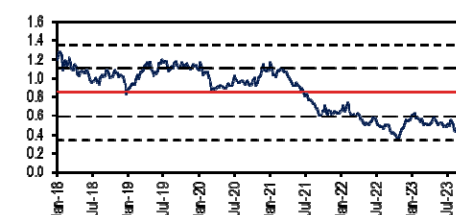
Source: Ping An, UOB Kay Hian

PING AN LIFE INSURANCE AGENT NUMBERS



Source: Ping An, UOB Kay Hian

PING AN P/EV BAND



Source: Bloomberg, UOB Kay Hian

PING AN AND PEERS PERFORMANCE

9M23 (%)	Net Profit Growth	NBV Growth
Ping An	-5.6	+40.9
CPIC	+24.4	+36.8
China Life	-47.8	+14.0
New China Life	-15.5	n.a.

Source: Companies, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
CSM Release (L&H)	80,950	78,328	76,933	75,755
Other adjustments (L&H)	11,120	15,945	13,754	13,363
Premium Income (P&C)	294,222	301,310	306,813	318,858
Insurance Revenue	385,932	395,582	397,501	407,976
Claims and expenses (P&C)	(293,140)	(296,925)	(298,521)	(308,361)
Underwriting profit/(loss)	92,792	98,657	98,980	99,615
Investment income	38,860	51,518	60,785	59,604
Interest inc. (Banking ops)	130,130	130,580	143,645	157,507
Other income	48,547	46,738	49,109	51,600
G&A exp of non-insurance ops	(120,915)	(114,541)	(124,268)	(135,508)
OPAT	152,151	165,657	176,205	178,287
Net profit attrb to shareholders	101,618	111,008	132,734	139,230
Net profit (adj.)	101,618	111,008	132,734	139,230
NB Value	28,820	36,623	41,378	46,613
CSM Base	818,682	791,981	777,881	765,966

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Cash	1,055,956	1,151,026	1,232,076	1,327,844
Loans and advances	3,238,054	3,562,202	3,811,556	4,097,423
Investments (equity & fixed inc)	5,873,883	6,354,382	6,859,185	7,404,462
Reinsurers' share of ins liabilities	20,615	22,677	24,944	27,439
Associates & JVs	280,793	367,839	481,869	631,248
Fixed assets (incl prop)	168,420	172,608	184,521	189,593
Other assets	372,219	409,783	452,072	499,745
Total assets	11,009,940	12,040,517	13,046,223	14,177,754
Assets sold (repo agreement)	271,737	298,911	328,802	361,682
Customer deposits	3,431,999	3,575,088	3,568,025	3,507,663
Insurance payables	105	105	105	106
Insurance contract liabilities	3,671,177	4,038,295	4,361,358	4,710,267
Subordinated debts	931,098	1,182,494	1,501,768	1,907,245
Other liabilities	1,517,828	1,697,780	1,920,314	2,202,484
Total liabilities	9,823,944	10,792,673	11,680,372	12,689,448
Shareholders' funds	869,191	959,880	1,050,654	1,144,851
Minority interest - accumulated	316,805	287,964	315,196	343,455
Total equity & liabilities	11,009,940	12,040,517	13,046,223	14,177,754
L&H EV	874,785	935,976	967,933	1,036,213
Group EV	1,423,762	1,524,452	1,652,954	1,796,217

OPERATING RATIO

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Capital-related				
Solvency ratio	219.7	224.1	228.6	233.1
Shareholders' funds/total assets	7.9	8.0	8.1	8.1
Total Assets/equity (x)	12.7	12.5	12.4	12.4
Liquidity				
Liquid assets/short-term liabilities	99.0	104.0	110.3	118.9
Liquid assets/total assets	42.6	43.3	43.5	43.9
Valuation (%)				
P/EV (x)	0.5	0.5	0.4	0.4
Adjusted P/E (x)	6.5	6.1	5.1	4.8
Dividend Yield	6.6	7.1	7.2	7.3
Payout ratio	43.1	43.3	36.5	35.2

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Growth				
Gross premiums, yoy chg	9.3	1.3	1.1	2.8
FYP, yoy chg	(7.4)	39.9	12.0	10.6
APE, yoy chg	(4.3)	11.5	7.8	8.4
Investment income, yoy chg	(30.4)	68.3	40.2	12.2
Net profit, yoy chg	(29.0)	9.2	19.6	4.9
Profitability				
Combined ratio (P&C)	99.6	98.5	97.3	96.7
Net investment yield	4.6	4.0	4.1	4.2
Total investment yield	2.5	4.1	4.7	4.7
NBM as % of APE	5.3	6.0	6.3	6.6
NBM as % of FYP	24.2	23.1	23.4	23.9
Reported ROE	12.1	12.1	13.2	12.7

Footnotes: FYP: first year premium; EV: embedded value; NB: new business; NBM: new business margin; APE: annual premium equivalent; CSM: contractual service margin

COMPANY RESULTS

Shenzhen Inovance (300124 CH)

3Q23: Results In Line; Traditional Verticals And Overseas Expansion To Drive Growth In 2024

Inovance's 3Q23 results arrived slightly above the mid-point of the preliminary results. Blended margins deteriorated as 3Q23 growth was driven by the low-margin EV business. Management kept their guidance unchanged for 2023, and expect traditional industries and overseas expansion to support growth from 2024 while the energy verticals slow down going forward. Maintain BUY and target price of Rmb82.00.

3Q23 RESULTS

Year to 31 Dec (Rmbm)	3Q22	2Q23	3Q23	yoy % chg	qoq % chg	9M22	9M23	yoy % chg
Revenue	5,844	7,669	7,670	31.2	0.0	16,241	20,121	23.9
Gross profit	2,060	2,770	2,683	30.3	(3.1)	5,841	7,200	23.3
OP	905	1,312	1,189	31.4	(9.4)	2,535	2,975	17.3
Net profit	1,110	1,330	1,242	11.9	(6.6)	3,085	3,319	7.6
Margins (%)								
GPM	35.2	36.1	35.0	(0.3)	(1.1)	36.0	35.8	(0.2)
OPM	15.5	17.1	15.5	0.0	(1.6)	15.6	14.8	(0.8)
NPM	19.0	17.3	16.2	(2.8)	(1.1)	19.0	16.5	(2.5)

Source: Inovance, UOB Kay Hian

RESULTS

- 3Q23 results in line with preliminary results.** Shenzhen Inovance's (Inovance) 3Q23 revenue grew +31.2% yoy to Rmb7,670m, with net profit growing 11.9% yoy but declining 6.6% qoq to Rmb1,242m. Both are in line with the preliminary results (+25% to 35% yoy for revenue, +5% to 15% for net profit).
- Product mix deteriorated sequentially as growth was led by low margin EV business.** In 3Q23, the EV business was the strongest performing sector in growth with revenue growing 83.2% yoy and 11.5% qoq to Rmb2,301m. General automation also registered a decent 29.0% yoy growth, but weakened sequentially by 8.8% as all products registered a qoq decline during the quarter. Industrial robots also registered a 49.3% yoy growth but 2.9% qoq decline to Rmb204m. The elevator business is steadily recovering on a sequential basis at +2.4% qoq to Rmb1,482m, and the rail transit business also registered a robust 73.2% yoy growth (7.2% qoq decline) sales growth from a low base.

Given that the EV business has a significantly lower margin (<20%) compared to the automation business (>45%), Inovance's blended gross margins declined by 1.1ppt qoq to 35.0%.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	17,943	23,008	27,950	31,350	34,300
EBITDA	3,095	3,845	4,759	5,689	6,690
Operating profit	2,723	3,350	4,180	4,998	5,902
Net profit (rep./act.)	3,573	4,320	4,767	5,642	6,586
EPS (fen)	135.7	164.1	181.1	214.3	250.2
PE (x)	45.2	37.4	33.9	28.6	24.5
P/B (x)	10.2	8.2	6.9	5.8	4.9
EV/EBITDA (x)	52.0	41.8	33.2	27.3	22.7
Dividend yield (%)	0.5	0.7	0.7	0.9	1.0
Net margin (%)	16.3	14.7	14.9	16.1	17.5
Net debt/(cash) to equity (%)	(13.3)	(12.8)	(22.7)	(29.6)	(35.6)
Interest cover (x)	39.0	21.9	21.3	32.7	38.6
ROE (%)	22.0	19.0	19.3	19.6	19.6
Consensus net profit	-	-	5,015	6,360	7,986
UOBKH/Consensus (x)	-	-	0.951	0.887	0.825

Source: Inovance, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Rmb61.38
Target Price	Rmb82.00
Upside	33.6%

COMPANY DESCRIPTION

Shenzhen Inovance develops, manufactures and sells automated control products. Products include low frequency converters, servo drivers and programmable logic controllers.

STOCK DATA

GICS sector	Electrical Equipment
Bloomberg ticker:	300124 CH
Shares issued (m):	2,646
Market cap (Rmbm):	162,411
Market cap (US\$m):	23,538
3-mth avg daily t'over (US\$m):	73.7

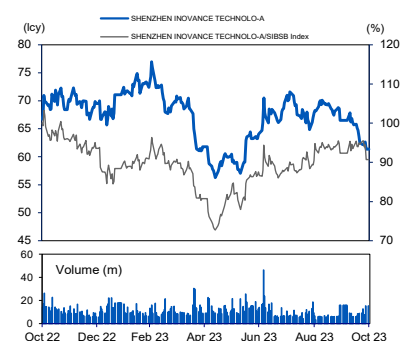
Price Performance (%)

52-week high/low	Rmb77.40/Rmb54.86			
1mth	3mth	6mth	1yr	YTD
(7.7)	(11.8)	(0.7)	(5.3)	(11.7)

Major Shareholders

Zhu Xingming	19.67%
FY23 NAV/Share (RMB)	7.56
FY23 Net Debt/Share (RMB)	(2.03)

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- Management's guidance for 2023 unchanged...** Key financial guidance included: a) full-year 2023 revenue/net profit growth guidance of +20-40%/+10-30%, and b) breakeven for the EV business. The guidance implies a 4Q23 revenue of Rmb7.5b-12.1b (+11%-79% yoy), and a net profit of Rmb1,432m-2,296m (+16%-86% yoy). Given that China's automation demand recovery remains slow, we are expecting Inovance to achieve the lower end of its 2023 guidance.
- ...and provided insights for 2024.** Despite ongoing concerns with the slowing investment into automation, management remains optimistic regarding the growth in 2024 as they expect the cyclical/traditional end-markets, especially the OEM market, to support the automation market from 2024 onwards. By verticals, management pointed out that pneumatic equipment, logistics and textiles had started to see a more meaningful recovery, while smartphones and metallurgy remains weak. On the other hand, verticals like Li-ion battery and solar which supported growth in the past 2-3 years should slow down in 2024.

Management believes that on top of the recovery in automation end-demand, digitalisation and energy management solutions will be the primary development direction for smart manufacturing going forward. There is still plenty of room for Inovance to grow (eg better software, more complete product portfolio to replace foreign brands etc) before the market's ceiling is reached.

- Overseas business was a key topic of discussion during the call.** Currently, Inovance is primarily focusing on: a) sales of products to Chinese companies moving into the overseas market, and b) the development of local clients in foreign markets. Inovance is now focusing on penetrating Spain, France and Italy where local manufacturers are more receptive to Chinese suppliers. For the German-speaking countries, progress might be slow due to the exceptionally high technical requirements. For Southeast Asia, Inovance will focus on supporting Chinese manufacturers' expansions in the near term.

EARNING REVISION/RISK

- Fine-tune assumptions; net profit estimates remain largely unchanged.** We raised our revenue forecast for the EV business, but slightly trim our revenue assumptions for the automation business. The higher top-line assumption is offset by a lower blended gross margin, due to the higher contribution from the lower margin EV business.

VALUATION/RECOMMENDATION

- Maintain BUY and target price of Rmb82.00.** Our target price of Rmb82.00 is based on 38.3x 2024F PE, on a par with its five-year average historical forward mean PE.

CHANGES TO KEY ASSUMPTION

(Rmbm)	----- OLD -----			----- New -----			----- Change (%) -----		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	27,500	31,350	34,300	27,950	31,350	34,300	1.6	-	-
Gross Profit	9,927	11,343	12,605	9,921	11,343	12,605	(0.1)	0.0	(0.0)
Operating Profit	4,168	4,998	5,902	4,180	4,998	5,902	0.3	(0.0)	0.0
Reported NP	4,757	5,641	6,586	4,767	5,642	6,586	0.2	0.0	0.0
GPM (%)	36.1	36.2	36.7	35.5	36.2	36.7	(0.6)	0.0	(0.0)
OPM (%)	15.2	15.9	17.2	15.0	15.9	17.2	(0.2)	(0.0)	0.0
Reported NPM (%)	17.3	18.0	19.2	17.1	18.0	19.2	(0.2)	0.0	0.0

Source: Inovance, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	23,008	27,950	31,350	34,300
EBITDA	3,845	4,759	5,689	6,690
Depreciation & amortization	495	579	691	788
EBIT	3,350	4,180	4,998	5,902
Total other non-operating income	7	11	12	12
Associate contributions	526	200	200	200
Net interest income/(expense)	(125)	19	113	193
Pre-tax profit	4,477	4,970	5,882	6,867
Tax	(152)	(199)	(235)	(275)
Minorities	(5)	(5)	(6)	(7)
Net profit	4,320	4,767	5,642	6,586

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	3,201	5,751	5,924	6,728
Pre-tax profit	3,350	4,180	4,998	5,902
Tax	(1,014)	(199)	(235)	(275)
Depreciation/amortization	495	579	691	788
Associates	(526)	(200)	(200)	(200)
Working capital changes	(1,572)	419	(302)	(459)
Non-cash items	2,467	971	972	972
Other operating cashflows	-	-	-	-
Investing	(2,741)	(1,650)	(1,650)	(1,650)
Capex (growth)	(1,662)	(1,650)	(1,650)	(1,650)
Investments	(4,713)	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	3,634	-	-	-
Financing	2,449	(2,381)	(1,345)	(1,563)
Dividend payments	909	(1,307)	(1,345)	(1,563)
Issue of shares	-	-	-	-
Proceeds from borrowings	4,942	2,029	2,029	2,029
Loan repayment	(2,012)	(3,102)	(2,029)	(2,029)
Others/interest paid	- 1,389	-	-	-
Net cash inflow (outflow)	2,909	1,720	2,929	3,515
Beginning cash & cash equivalent	3,029	5,964	7,684	10,613
Ending cash & cash equivalent	5,964	7,684	10,613	14,128

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	2,944	3,959	4,573	5,099
Other LT assets	10,355	10,411	10,755	11,091
Cash/ST investment	5,964	7,684	10,613	14,128
Other current assets	19,949	16,942	22,287	20,003
Total assets	39,212	38,996	48,228	50,322
ST debt	2,074	1,000	1,000	1,000
Other current liabilities	13,985	11,183	15,960	12,871
LT debt	1,796	1,796	1,796	1,796
Other LT liabilities	1,244	1,244	1,244	1,244
Shareholders' equity	19,816	23,472	27,922	33,097
Minority interest	296	300	306	313
Total liabilities & equity	39,212	38,996	48,228	50,322

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	16.7	17.0	18.1	19.5
Pretax margin	17.0	15.8	17.0	18.4
Net margin	14.7	14.9	16.1	17.5
ROA	10.2	10.7	11.6	12.1
ROE	19.0	19.3	19.6	19.6
Growth				
Turnover	28.2	21.5	12.2	9.4
EBITDA	24.2	23.8	19.5	17.6
Pre-tax profit	17.2	11.0	18.3	16.7
Net profit	20.9	10.4	18.3	16.7
Net profit (adj)	16.1	22.9	21.0	18.7
EPS	20.9	10.4	18.3	16.7
Leverage				
Debt to total capital	12.5	9.8	7.9	7.6
Debt to equity	24.7	16.3	13.7	11.6
Net debt to equity	(12.8)	(22.7)	(29.6)	(35.6)
Interest cover (x)	21.9	21.3	32.7	38.6

COMPANY RESULTS

Tsingtao Brewery (168 HK)

3Q23: Results Missed; Volume Impacted By Bad Weather While ASP Was Resilient

Tsingtao Brewery's 3Q23 results missed on weaker-than-expected top-line growth and higher selling expenses. Beer sales volume declined 11% yoy and 15% qoq due to a high base and impact from the bad weather. However, ASP was resilient in 3Q23, demonstrating that Tsingtao's premiumisation remained intact. We expect the price hikes and premiumisation as well as lower raw material prices to drive further margin expansion in 2024. Maintain BUY with a new target price of HK\$86.70.

3Q23/9M23 RESULTS

Year to 31 Dec (Rmbm)	3Q23	2Q23	3Q22	qoq chg (%)	yoy chg (%)	9M23	9M22	yoy chg (%)
Total revenue	9,386	10,886	9,837	(13.8)	(4.6)	30,978	29,110	6.4
Gross profit margin	40.9%	40.1%	38.0%	0.8ppt	2.9ppt	39.7%	38.1%	1.7ppt
EBIT	1,878	2,520	1,759	(25.5)	6.7	6,259	5,419	15.5
EBIT margin	20.0%	23.1%	17.9%	-3.1ppt	2.1ppt	20.2%	18.6%	1.6ppt
Net profit	1,368	1,878	1,270	(27.2)	7.8	4,596	3,860	19.1
Net profit margin	14.6%	17.3%	12.9%	-2.7ppt	1.7ppt	14.8%	13.3%	1.6ppt
Sales volume (m hl)	2,271	2,660	2,559	(14.6)	(11.3)	7,294	7,279	0.2
ASP (Rmb/kl)	4,133	4,092	3,844	1.0	7.5	4,247	3,999	6.2
COGS (Rmb/kl)	2,442	2,452	2,383	(0.4)	2.4	2,560	2,477	3.3

Source: Tsingtao Brewery, UOB Kay Hian

RESULTS

• **3Q23 results missed.** Tsingtao Brewery (Tsingtao) reported 9M23 revenue of Rmb30,978m (+6% yoy), mainly driven by 6% ASP yoy growth and the largely flattish sales volume. Gross margin was 39.7% (+1.7ppt yoy). EBIT was Rmb6,259m (+16% yoy), and EBIT margin was 20.2% (+1.6ppt yoy). Net profit was Rmb4,596m (+19% yoy), and net profit margin was 14.8% (+1.6ppt yoy). This implies that in 3Q23, revenue was Rmb9,386m (-5% yoy, -14% qoq), missing market consensus by 2%, mainly dragged by the slowdown in the sales volume (-11% yoy, -15% qoq). Gross margin was 40.9% (+2.9ppt yoy, +0.8ppt qoq), benefitting from the price hikes and premiumisation. EBIT was Rmb1,878m (+7% yoy, -26% qoq), and EBIT margin was 20.0% (+2.1ppt yoy, -3.1ppt qoq), dragged by the higher selling expenses (+0.5ppt yoy, +3.3ppt qoq). Net profit was Rmb1,368m (+8% yoy, -27% qoq), missing market consensus by 7%, and net profit margin was 14.6% (+1.7ppt yoy, -2.7ppt qoq).

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	30,167	32,172	36,958	40,154	42,056
EBITDA	4,073	4,845	6,741	7,560	8,180
Operating profit	2,937	3,727	5,077	5,753	6,288
Net profit (rep./act.)	3,155	3,711	4,650	5,303	5,845
Net profit (adj.)	3,155	3,711	4,650	5,303	5,845
EPS (Fen)	233.6	273.6	340.8	388.7	428.4
PE (x)	24.1	20.6	16.5	14.5	13.2
P/B (x)	3.3	3.0	2.8	2.5	2.2
EV/EBITDA (x)	18.6	15.7	11.3	10.0	9.3
Dividend yield (%)	1.6	2.7	2.3	2.6	2.9
Net margin (%)	10.5	11.5	12.6	13.2	13.9
Net debt/(cash) to equity (%)	(61.9)	(68.8)	(78.6)	(85.0)	(89.7)
ROE (%)	14.5	15.3	17.5	18.1	18.0
Consensus net profit	-	-	4,441	5,186	5,851
UOBKH/Consensus (x)	-	-	1.05	1.02	1.00

Source: Tsingtao Brewery, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$60.25
Target Price	HK\$86.70
Upside	+43.9%
(Previous TP)	HK\$91.80

COMPANY DESCRIPTION

Tsingtao Brewery is China's second largest brewery in China, and its beer is exported to more than 100 countries around the world. The company owns Tsingtao Beer and its sub-brands, such as Laoshan Beer and Hans Beer.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	168 HK
Shares issued (m):	655.1
Market cap (HK\$m):	103,422.1
Market cap (US\$m):	13,224.7
3-mth avg daily t'over (US\$m):	21.6

Price Performance (%)

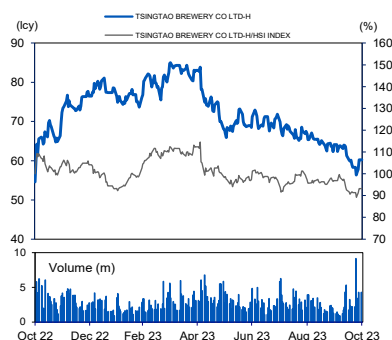
52-week high/low HK\$85.04/HK\$54.57

1mth	3mth	6mth	1yr	YTD
(5.2)	(15.4)	(27.1)	1.1	(21.2)

Major Shareholders

TsingTao Brewery Group	32.51%
FY23 NAV/Share (Rmb)	20.29
FY23 Net Cash/Share (Rmb)	15.94

PRICE CHART



Source: Bloomberg

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SEGMENTAL REVENUE

Year to 31 Dec (Rmbm)	3Q23	2Q23	3Q22	qoq chg (%)	yoy chg (%)	9M23	9M22	yoy chg (%)
Total shipment (m hl)	22.71	26.60	25.59	(14.6)	(11.3)	72.94	72.79	0.2
- Tsingtao brand	12.78	14.11	13.53	(9.4)	(5.5)	40.90	39.53	3.5
- Secondary brand	9.93	12.49	12.06	(20.5)	(17.7)	32.04	33.26	(3.7)
- Mid to high-end	9.27	9.91	8.38	(6.5)	10.6	29.02	24.98	16.2
- Others	13.44	16.69	17.21	(19.5)	(21.9)	43.92	47.81	(8.1)

Source: Tsingtao Brewery, UOB Kay Hian

STOCK IMPACT

- Beer sales volume slowed down in 3Q23.** Total beer sales volume in 9M23 was 72.9m hl, largely flat yoy. This implies 22.7m hl of beer sales in 3Q23, down 11% yoy and 15% qoq, due to a high base and impact of bad weather. By brand, sales volumes of Tsingtao brand/secondary brand were 40.9m/32.0m respectively, implying 3Q23 sales volume of 12.8m/9.9m, down 6%/18% yoy and 9%/20% qoq, respectively. The significant decline in secondary brand's sales volume was mainly due to the company's cutting of supply of low-end products, in our view.
- Resilient ASP growth.** In 9M23, sales volume of products above mid- to high- end reached 29.0m hl, up by 16% yoy. This implies sales volume of products above mid- to -high- end in 3Q23 reached 9.3m hl, up by 11% yoy but down by 6% qoq. Although sales of mid- to- high-end products slowed down sequentially, ASP recorded resilient growth, reaching Rmb4,133/kl in 3Q23, up 8% yoy and 1% qoq, implying the company's premiumisation trend remained intact.
- Expect per-unit COGS to further trend down.** Per-unit COGS trended down slightly by 0.4% qoq to Rmb2,442/kl, given the continued digestion of higher-cost raw materials. We expect per-unit COGS to further trend down in 4Q23 as well as in 2024, benefitting from China's lifting of anti-dumping and anti-subsidy tariffs on Australian barley that has been in effect since August this year.

EARNINGS REVISION/RISK

- Cut 2023-24 earnings forecasts by 5%/1%.** We cut our 2023-24 revenue forecasts by 7%/6% respectively, to factor in the slowdown of beer sales in 3Q23. We raise our gross margin estimates by 0.4ppt/0.8ppt to factor in the price hikes and premiumisation, as well as the moderating raw material costs. We also raise the selling expense ratio estimate for 2023 by 0.2ppt to 13.5% to reflect the increase in promotional activities in 3Q23. Thus, our 2023-24 earnings forecasts are lowered by 5%/1%, respectively.

VALUATION/RECOMMENDATION

- Cut target price by 6% to HK\$86.70.** We are optimistic on Tsingtao's premiumisation trend in 2023. We maintain BUY with a new target price of HK\$86.70. The stock currently trades at 16.5x 2023F PE and 11.3x 2023F EV/EBITDA, 2SD and 1.5SD below the five-year historical average, respectively.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	32,171.6	36,957.7	40,154.4	42,056.0
EBITDA	4,844.8	6,740.6	7,560.4	8,180.3
Deprec. & amort.	1,117.7	1,663.1	1,806.9	1,892.5
EBIT	3,727.1	5,077.5	5,753.4	6,287.8
Total other non-operating income	543.3	624.1	678.1	710.2
Associate contributions	169.9	169.9	169.9	169.9
Net interest income/(expense)	420.8	485.6	648.5	822.9
Pre-tax profit	5,006.1	6,357.1	7,250.0	7,990.7
Tax	(1,201.4)	(1,589.3)	(1,812.5)	(1,997.7)
Minorities	(94.1)	(117.9)	(134.5)	(148.2)
Net profit	3,710.6	4,649.9	5,303.0	5,844.8

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	4,878.8	7,305.1	7,195.6	7,467.1
Pre-tax profit	5,006.1	6,357.1	7,250.0	7,990.7
Tax	(1,201.4)	(1,589.3)	(1,812.5)	(1,997.7)
Deprec. & amort.	938.9	972.7	1,064.5	1,119.0
Associates	(169.9)	(169.9)	(169.9)	(169.9)
Working capital changes	878.7	1,734.4	863.6	524.9
Non-cash items	211.1	0.0	0.0	0.0
Other operating cashflows	(784.7)	0.0	0.0	0.0
Investing	(2,198.6)	(630.2)	(569.2)	(546.4)
Capex (growth)	(1,780.1)	(560.0)	(560.0)	(560.0)
Investments	(17,258.7)	0.0	0.0	0.0
Proceeds from sale of assets	16,188.6	0.0	0.0	0.0
Others	651.7	(70.2)	(9.2)	13.6
Financing	(1,676.2)	(2,543.0)	(2,145.5)	(2,446.9)
Dividend payments	(1,576.4)	(2,455.6)	(2,145.5)	(2,446.9)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	228.8	138.0	138.0	138.0
Loan repayment	(328.7)	(225.4)	(138.0)	(138.0)
Others/interest paid	0.0	0.0	0.0	0.0
Net cash inflow (outflow)	1,004.0	4,131.9	4,480.9	4,473.9
Beginning cash & cash equivalent	11,813.8	12,839.9	16,971.8	21,452.7
Changes due to forex impact	5,037.2	5,015.1	5,015.1	5,015.1
Ending cash & cash equivalent	17,854.9	21,986.8	26,467.8	30,941.7

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	11,009.1	10,596.3	10,091.9	9,532.9
Other LT assets	7,300.1	7,470.0	7,639.9	7,809.9
Cash/ST investment	17,854.9	21,986.8	26,467.8	30,941.7
Other current assets	14,147.6	13,932.9	14,287.3	14,479.0
Total assets	50,311.7	53,986.1	58,486.9	62,763.4
ST debt	225.4	138.0	138.0	138.0
Other current liabilities	19,446.4	20,896.0	22,104.8	22,835.1
LT debt	98.4	98.4	98.4	98.4
Other LT liabilities	4,269.2	4,269.2	4,269.2	4,269.2
Shareholders' equity	25,494.8	27,689.1	30,846.6	34,244.6
Minority interest	777.5	895.4	1,029.9	1,178.1
Total liabilities & equity	50,311.7	53,986.1	58,486.9	62,763.4

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	15.1	18.2	18.8	19.5
Pre-tax margin	15.6	17.2	18.1	19.0
Net margin	11.5	12.6	13.2	13.9
ROA	7.7	8.9	9.4	9.6
ROE	15.3	17.5	18.1	18.0
Growth				
Turnover	6.6	14.9	8.6	4.7
EBITDA	19.0	39.1	12.2	8.2
Pre-tax profit	11.8	27.0	14.0	10.2
Net profit	17.6	25.3	14.0	10.2
Net profit (adj.)	17.6	25.3	14.0	10.2
EPS	17.1	24.6	14.0	10.2
Leverage				
Debt to total capital	1.2	0.8	0.7	0.7
Debt to equity	1.3	0.9	0.8	0.7
Net debt/(cash) to equity	(68.8)	(78.6)	(85.0)	(89.7)

COMPANY RESULTS

Wuliangye Yibin (000858 CH)

3Q23: Better-than-expected Results; Improving Marketing Efficiency And Channel Inventories

3Q23 results beat the street's estimates by 5%, due to higher-than-expected revenue. The company's marketing efforts that target retail consumers have improved bottle opening rates and channel inventories during the holidays, laying a solid foundation for future sales growth. Wuliangye is on track to register a double-digit revenue and earnings growth in 2023, underpinned by an upgraded product mix and higher marketing precision. Maintain BUY with an unchanged target price of Rmb231.40.

3Q23/9M23 RESULTS

Year to 31 Dec (Rmbm)	3Q23	3Q22	yoy % chg	9M23	9M22	yoy % chg
Total revenue	17,030	14,557	17.0	62,536	55,780	12.1
Overall gross profit	12,501	10,669	17.2	47,440	42,377	11.9
Overall gross profit margin	73.4%	73.3%	0.1ppt	75.9%	76.0%	-0.1ppt
EBIT	7,341	6,287	16.8	29,571	26,263	12.6
EBIT margin	43.1%	43.2%	-0.1ppt	47.3%	47.1%	0.2ppt
Attributable net profit	5,796	4,888	18.6	22,833	19,987	14.2
Attributable net profit margin	34.0%	33.6%	0.5ppt	36.5%	35.8%	0.7ppt
Core attributable net profit	5,800	4,907	18.2	22,742	20,017	13.6
Core attributable net profit margin	34.1%	33.7%	0.4ppt	36.4%	35.9%	0.5ppt

Source: Wuliangye, UOB Kay Hian

RESULTS

- Results exceeded market's expectation by 5%.** Wuliangye Yibin (Wuliangye) reported revenue of Rmb62.5b (+12.1% yoy) and attributable net profit of Rmb22.8b (+14.2% yoy) in 9M23. This implies that the company registered a revenue of Rmb17.0b (+17.0% yoy) and attributable net profit of Rmb5.8b (+18.6% yoy) in 3Q23, which were higher than the market's expectations by ~5%.
- Stronger profitability in 9M23 thanks to higher marketing efficiency.** In 9M23, overall gross profit margin declined 0.1ppt yoy to 75.9% while EBIT margin was up 0.2ppt yoy to 47.3%, due to lower sales & marketing and administrative expense ratio (-0.7ppt yoy). In 3Q23, overall gross profit margin was up 0.1ppt yoy to 73.4% while EBIT margin was down by 0.1ppt yoy to 43.1%, as tax and surcharges expense ratio was up by 0.8ppt yoy to 14.9%.
- Higher advances from dealers as of end-3Q23.** As of end-3Q23, customer advances stood at Rmb4.0b, up 8.2% qoq and 33.3% yoy. Cash received from selling goods and services was Rmb23.8b in 3Q23, up by 35.1% yoy. Operating cash flow was Rmb11.1b in 3Q23, up by 24.3% yoy.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	66,209	73,969	84,136	96,122	108,222
EBITDA	30,717	34,802	39,623	46,642	52,824
Operating profit	30,520	34,893	39,714	46,733	52,915
Net profit (rep./act.)	23,377	26,691	30,453	35,819	40,651
Net profit (adj.)	23,328	26,663	30,453	35,819	40,651
EPS (Fen)	601.0	686.9	784.6	922.8	1,047.3
PE (x)	25.5	22.3	19.5	16.6	14.6
P/B (x)	6.0	5.2	4.6	3.9	3.4
EV/EBITDA (x)	16.0	14.1	12.4	10.5	9.3
Dividend yield (%)	2.0	2.5	2.6	3.0	3.4
Net margin (%)	35.3	36.1	36.2	37.3	37.6
Net debt/(cash) to equity (%)	(83.1)	(81.0)	(82.9)	(84.2)	(85.7)
ROE (%)	25.3	25.1	25.0	25.6	25.1
Consensus net profit	-	-	30,115	34,392	39,219
UOBKH/Consensus (x)	-	-	1.01	1.04	1.04

Source: Wuliangye, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Rmb152.99
Target Price	Rmb231.40
Upside	+51.3%

COMPANY DESCRIPTION

Wuliangye is the second-most famous baijiu brand in China. It used to be the leader in China's baijiu sector before 2013 in terms of revenue. It is a leader in strong-flavoured baijiu.

STOCK DATA

GICS sector	Food & Beverage
Bloomberg ticker:	000858 CH
Shares issued (m):	3,881.6
Market cap (Rmbm):	593,847.2
Market cap (US\$m):	81,138.9
3-mth avg daily t'over (US\$m):	377.1

Price Performance (%)

52-week high/low Rmb217.60/Rmb133.50

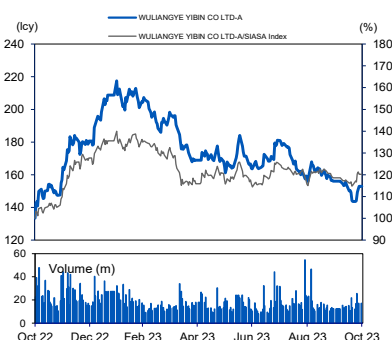
1mth	3mth	6mth	1yr	YTD
(2.3)	(14.3)	(9.6)	11.6	(15.3)

Major Shareholders

	%
Yibin Development Holding Group	33.44
Yibin Wuliangye Group	27.72

FY23 NAV/Share (Rmb)	33.44
FY23 Net Cash/Share (Rmb)	27.72

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **On-track to meet full-year target.** We expect the company to achieve double-digit revenue growth in 2023, given the good progress in 9M23 and the upcoming traditional peak season in 4Q23. We expect net profit to grow by 14.1% yoy in 2023, thanks to the improving product mix structure and the higher investment precision in traditional channels, as it matched supply and demand in the various regions.
- **Promotions received good feedback.** The large-scale and differentiated promotions, such as code scanning activities and its participation in the Mid-Autumn Festival Gala of CCTV (China Central Television), launched during the holidays received good feedback from consumers. According to Weijiu, dealers reported that Wuliangye's bottle opening rates improved steadily during the Mid-Autumn and National Day holidays. Primary products (such as the eighth generation Wuliangye, Classic Wuliangye, Wuliangye 1618, and 39 Degree Wuliangye) had good sell-through rates, and inventory was tight in some markets. We think the lower overall channel inventory as of end-3Q23 has laid a solid foundation for better sales growth and dealers' demand for Wuliangye products.

EARNINGS REVISION/RISK

- **Earnings revision.** No changes to our earnings forecasts.
- **Risks.** a) Sharp decline in economic growth, b) economic recovery may be below expectations, and c) intensified competition in the "thousand-price" range products.

VALUATION/RECOMMENDATION

- **Maintain BUY with target price unchanged at Rmb231.40.** Our target price implies 29.5x 2023F PE and 25.1x 2024F PE.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	73,968.6	84,136.4	96,121.7	108,221.5
EBITDA	34,802.3	39,622.6	46,641.9	52,823.8
Deprec. & amort.	(91.0)	(91.0)	(91.0)	(91.0)
EBIT	34,893.3	39,713.6	46,732.9	52,914.7
Total other non-operating income	115.6	141.3	171.5	202.0
Associate contributions	92.6	147.3	172.3	197.3
Net interest income/(expense)	2,026.4	2,328.4	2,712.9	3,192.6
Pre-tax profit	37,103.5	42,333.9	49,792.9	56,510.0
Tax	(9,132.9)	(10,420.3)	(12,256.3)	(13,909.7)
Minorities	(1,280.0)	(1,460.4)	(1,717.7)	(1,949.4)
Net profit	26,690.7	30,453.2	35,818.8	40,650.8
Net profit (adj.)	26,662.7	30,453.2	35,818.8	40,650.8

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	24,431.1	28,464.1	32,708.2	38,089.0
Pre-tax profit	37,103.5	42,333.9	49,792.9	56,510.0
Tax	(9,132.9)	(10,420.3)	(12,256.3)	(13,909.7)
Deprec. & amort.	829.2	(91.0)	(91.0)	(91.0)
Working capital changes	(4,119.4)	(3,358.5)	(4,737.4)	(4,420.3)
Other operating cashflows	(249.3)	0.0	0.0	0.0
Investing	(1,716.5)	1,467.8	1,547.0	1,615.4
Capex (growth)	(1,780.5)	369.3	369.3	369.3
Investments	(5.6)	(78.1)	(81.2)	(84.4)
Proceeds from sale of assets	46.7	0.0	0.0	0.0
Others	23.0	1,176.5	1,258.9	1,330.5
Financing	(11,331.6)	(12,906.5)	(13,452.8)	(16,135.6)
Dividend payments	(12,681.4)	(14,680.2)	(15,226.6)	(17,909.4)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Others/interest paid	1,349.8	1,773.8	1,773.8	1,773.8
Net cash inflow (outflow)	11,383.0	17,025.4	20,802.4	23,568.8
Beginning cash & cash equivalent	80,975.3	90,584.6	105,836.3	124,864.9
Changes due to forex impact	0.1	0.0	0.0	0.0
Ending cash & cash equivalent	92,358.4	107,610.1	126,638.7	148,433.7

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	5,313.0	5,034.6	4,756.2	4,477.9
Other LT assets	9,836.0	9,914.1	9,995.3	10,079.7
Cash/ST investment	n.a.	n.a.	n.a.	n.a.
Other current assets	n.a.	n.a.	n.a.	n.a.
Total assets	92,358.4	107,610.1	126,638.7	148,433.7
ST debt	45,207.3	51,421.6	58,746.6	66,141.6
Other current liabilities	152,714.7	173,980.3	200,136.9	229,132.9
LT debt	35,759.1	39,791.4	43,638.0	47,943.1
Other LT liabilities	271.4	271.4	271.4	271.4
Shareholders' equity	114,025.1	129,798.0	150,390.2	173,131.7
Minority interest	2,659.1	4,119.5	5,837.3	7,786.7
Total liabilities & equity	152,714.7	173,980.3	200,136.9	229,132.9

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	47.1	47.1	48.5	48.8
Pre-tax margin	50.2	50.3	51.8	52.2
Net margin	36.1	36.2	37.3	37.6
ROA	18.5	18.6	19.1	18.9
ROE	25.1	25.0	25.6	25.1
Growth				
Turnover	11.7	13.7	14.2	12.6
EBITDA	13.3	13.9	17.7	13.3
Pre-tax profit	14.3	14.1	17.6	13.5
Net profit	14.2	14.1	17.6	13.5
Net profit (adj.)	14.3	14.2	17.6	13.5
EPS	14.3	14.2	17.6	13.5
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(81.0)	(82.9)	(84.2)	(85.7)

COMPANY RESULTS

Matahari Department Store (LPPF IJ)

3Q23: A Loss Of Rp53.4b – Below Expectations

LPPF reported a weak 3Q23 with a loss of Rp53.4b, compared with a Rp135.7b profit in 3Q22. The loss is caused by inventory discount clearance and weak operating expense management in 3Q23. 9M23 NPAT came in at Rp630.5b, down 40.2% yoy, below both UOCKH's and the street's expectations. EBITDA guidance is reduced to Rp1.4t while it maintains a minimum 50% dividend payout ratio. LPPF targets four Matahari and two Muku new store openings in 2024. Maintain HOLD with target price of Rp2,100.

9M23 AND 3Q23 RESULTS

Year to 31 Dec (Rpb)	9M23	yoy (%)	3Q23	3Q22	yoy (%)	qoq (%)	Remarks
Revenue	4,980	0.3%	1,128.3	1,202.8	-6.2%	-53.2%	Inventory
Gross Profit	3,334	-1.0%	737.7	804.0	-8.2%	-54.7%	discount and weak
Op Profit	1,027	-30.1%	36.1	216.4	-83.3%	-95.5%	opex management
Net Profit	631	-40.2%	-53.4	135.7	-139.3%	-109.2%	caused 3Q23 NPAT
Core Net Profit	630	-40.2%	-54.2	240.7	-122.5%	-109.2%	to be at a loss
	9M23	yoy (%)	3Q23	3Q22	yoy (%)	qoq (%)	
Gross Margin	66.9	-86	65.4	66.8	-146	-217	
Op Margin	20.6	-899	3.2	18.0	-1,479	-2,977	
Net Margin	12.7	-857	-4.7	11.3	-1,601	-2,892	
Core Net Margin	12.7	-857	-4.8	20.0	-2,482	-2,919	

Source: LPPF, UOB Kay Hian

RESULTS

- **LPPF recorded a loss of Rp53.4b in 3Q23, compared with a profit of Rp135.7b in 3Q22.** 3Q23 sales declined by 6.2% yoy but sales decline (-6.2% yoy). inventory clearance discount and weak operating expense caused operating profit to decline by 83.3% yoy. Interest expense rose from Rp64.8b in 3Q22 to Rp104.8b, causing NPAT to swing to a loss of Rp53.4b in 3Q23 from a Rp135.7b profit in 3Q22.
- **9M23 NPAT of Rp630.5b is below expectations.** Matahari Department Store (LPPF) recorded a 9M23 NPAT of Rp630.5b, declining 40.2% yoy. We think that the reported 9M23 NPAT is below both UOBKH's (53.5% level) 2023 NPAT forecast of Rp1,178.8b and consensus (53.3% level) forecast of Rp1,184b. We think that LPPF's overall performance is weak. The company lowers its EBITDA guidance to Rp1.4t in 2023 while it will maintain a minimum dividend payout ratio of 50%.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net turnover	5,586	6,455	6,537	6,975	7,659
EBITDA	1,418	2,161	1,787	1,982	2,212
Operating profit	1,122	1,848	1,439	1,592	1,771
Net profit (rep./act.)	913	1,383	849	989	1,140
Net profit (adj.)	913	1,383	849	989	1,140
EPS (Rp)	313.0	517.7	317.9	370.2	426.5
PE (x)	7.7	4.6	7.5	6.5	5.6
P/B (x)	7.0	11.1	239.4	79.4	42.3
EV/EBITDA (x)	4.1	2.7	3.2	2.9	2.6
Dividend yield (%)	3.6	23.9	25.1	16.7	19.1
Net margin (%)	16.3	21.4	13.0	14.2	14.9
Net debt/(cash) to equity (%)	(65.7)	(61.1)	1,325.7	313.3	92.4
Interest cover (x)	72.8	10.2	5.8	5.8	6.4
ROE (%)	115.0	174.4	279.9	1,839.4	980.8
Consensus net profit	-	-	1,104	1,216	1,262
UOBKH/Consensus (x)	-	-	0.77	0.81	0.90

Source: Matahari Department Store, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	Rp2,160
Target Price	Rp2,100
Upside	-2.8%
(Previous TP)	Rp2,700)

COMPANY DESCRIPTION

Matahari Department Store is engaged in the retail business for products such as clothes, accessories, bags, shoes, cosmetics and household appliances.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	LPPF IJ
Shares issued (m):	2,260.3
Market cap (Rpb):	5,424.7
Market cap (US\$m):	340.7
3-mth avg daily t'over (US\$m):	0.6

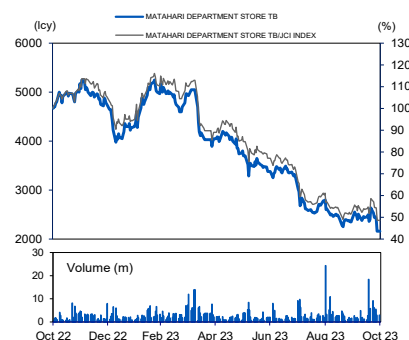
Price Performance (%)

52-week high/low	Rp5,250/Rp2,250
1mth	0.8
3mth	(27.1)
6mth	(38.3)
1yr	(49.2)
YTD	(49.5)

Major Shareholders

	%
Multipolar	19.4
FY23 NAV/Share (Rp)	10
FY23 Net Debt/Share (Rp)	133

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- Store expansion focuses on quality rather than quantity.** Capex in 2023 was Rp300b compared to the Rp500b budgeted, falling by 40%; 37 stores in 30 cities generated 50% of sales. LPPF targets four Matahari and two Muku new store openings in 2024. Capex will be allocated to invest in A+ and A stores to tap middle to upper class markets. LPPF is trying to rebrand its stores to be more attractive to customers. It also opened new stores in areas with high potential. In 2022, LPPF opened 20 stores. In 2023, LPPF opened eight new stores in areas with high potential, with the last being Kediri Mall. In 2024, LPPF plans to open six new stores. LPPF is working with landlords to negotiate better lease terms. An excellent relationship with landlords and other optimised practices should support company NPAT growth.
- Merchandising initiatives are promising.** LPPF is working on its merchandising in the following areas:
 - MUKU** curated multibrand store targeting millennials, young professionals and families aged 20-45 years within the middle income segment
 - SUKO** will launch 34 stores in 2023. It is now at 20 stores and plans to roll out the brand in additional 14 locations by year-end.
 - Driven by pressure of living cost, LPPF launched Anyday concept stores in Oct 23 to target the price sensitive customer segment; it targets to open 30 stores in 2023 and 100 stores in 2024.
- Lebaran season will be longer in 2024 compared with 2023.** Lebaran could be more promising for LPPF in 2024 as the season will last for six weeks compared with three weeks in 2023, so LPPF can be ready and more well-prepared. Campaigns will be conducted for seasons such as Christmas, Chinese New Year and the Lebaran season. LPPF also mentions that historically it generated higher sales during election years.
- Impact of LPPF's negative equity to dividend.** As at end-Sep 23, equity was positive at Rp3.5b. The negative equity of Rp3.6t is the result of the 2018 transaction between Metro and LPPF, when Matahari Department Stores were injected into LPPF. By regulation, even negative equity can deliver dividend but interim dividend cannot be delivered.

EARNINGS REVISION/RISK

- Adjust 2023/24 NPAT forecasts by -27.9%/-25.6%.** We adjust our 2023/24 NPAT forecasts by -27.9%/-25.6% respectively to adjust for the weak 9M23 results. Our 2022/23 NPAT forecasts are 28.3%/28.0% below that of consensus'.

NEW, ORIGINAL AND CONSENSUS FORECASTS

	New		Original		Change (%)		Street		Change (%)	
	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Sales	6,537	6,975	6,828	7,501	-4.3%	-7.0%	6,916	7,519	-5.5%	-7.2%
Gross Profit	4,458	4,743	4,605	5,048	-3.2%	-6.1%	4,661	5,079	-4.4%	-6.6%
Operating Profit	1,439	1,592	1,691	1,885	-15.0%	-15.6%	1,474	1,597	-2.4%	-0.3%
Net Profit	849	989	1,179	1,330	-27.9%	-25.6%	1,184	1,374	-28.3%	-28.0%
Gross Margin	68.2	68.0	67.4	67.3	74	70	67.4	67.5	79	46
Operating Margin	22.0	22.8	24.8	25.1	(277)	(231)	21.3	21.2	70	158
Net Margin	13.0	14.2	17.3	17.7	(427)	(355)	17.1	18.3	(413)	(409)

Source: LPPF, UOB Kay Hian

VALUATION/RECOMMENDATION

- Maintain HOLD with a target price of Rp2,100.** Our target price is derived using -1SD five-year PE or 5.6x to 2024F EPS. We use -1SD as we believe that given the weak Lebaran sales and 9M23 results, LPPF's valuation could remain low in the next 6-12 months. Given the potential 2.8% downside, we maintain HOLD on LPPF.

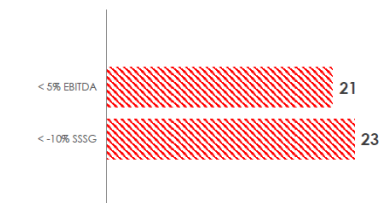
OPERATING EXPENSES

	9M23	9M22	YoY(%)	3Q23	3Q22	YoY(%)	QoQ(%)	2023	1Q23
Revenue	4,980.0	4,964.5	0.3%	1,128.3	1,202.8	-6.2%	-53.2%	2,408.5	1,413.3
Total Opex	2,332.1	2,156.9	8.1%	1,022.2	943.6	8.3%	53.7%	665.2	644.7
	9M23	9M22	YoY(%)	3Q23	3Q22	YoY(%)	QoQ(%)	2023	1Q23
Rental	429.48	392.94	9.3%	135.8	166.6	-18.5%	-16.2%	362.0	131.7
Salary & Allowance	751.82	684.92	9.8%	223.1	207.1	7.7%	-15.2%	263.0	265.8
Utilities	184.95	162.69	13.7%	58.8	49.6	18.6%	-8.3%	64.1	62.0
Depreciation	171.34	147.33	16.3%	66.3	51.1	29.6%	21.3%	54.7	50.4
Depreciation Right Use of Assets	413.74	431.59	-4.1%	133.1	142.9	-6.8%	-5.5%	140.9	139.8
Operational Services	100.76	69.09	45.8%	28.5	21.2	34.6%	-24.3%	37.6	34.7
Marketing	85.71	69.19	23.9%	17.4	21.7	-19.8%	-59.9%	43.4	25.0
Credit Card	31.58	26.21	20.5%	8.5	5.2	63.8%	-39.7%	14.0	9.1
Insurance	56.25	52.94	6.2%	18.8	14.5	29.8%	11.6%	16.9	20.6
Business Travel	6.59	4.00	64.6%	2.8	1.4	98.3%	66.0%	1.7	2.1
Repair & Maintenance	33.97	26.83	26.6%	12.4	7.2	72.0%	11.9%	11.1	10.5
Tax & Licenses	7.66	7.77	-1.3%	2.3	3.0	-23.7%	-19.0%	2.8	2.6
Telecommunication	21.98	15.27	44.0%	7.4	4.3	70.2%	-1.5%	7.5	7.1
Consultant	14.45	13.89	4.0%	5.2	4.9	7.2%	15.8%	4.5	4.8
Consumables	3.23	2.58	25.1%	0.3	0.2	60.6%	-77.5%	1.2	1.8
Amortization	16.70	13.49	23.9%	7.5	4.7	59.2%	-53.5%	4.9	4.4
Uniform	0.33	3.22	-89.8%	0.1	1.0	-93.5%	2133.3%	0.0	0.3
Others	1.00	32.97	-95.2%	0.4	10.8	-96.3%	-113.8%	(2.9)	4.1
Total Opex	2332.1	2156.9	8.1%	1,022.2	943.6	8.3%	53.7%	665.2	644.7

Source: LPPF

29 STORES UNDER WATCH LIST FOR CLOSURE OR IMPROVEMENT

29 Stores under watchlist and identification



Source: LPPF

PE BAND CHART



Source: Bloomberg

PROFIT & LOSS

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Net turnover	6,455	6,537	6,975	7,659
EBITDA	2,161	1,787	1,982	2,212
Deprec. & amort.	313	348	390	441
EBIT	1,848	1,439	1,592	1,771
Total other non-operating income	0.0	0.0	0.0	0.0
Net interest income/(expense)	(211)	(310)	(340)	(346)
Pre-tax profit	1,637	1,128	1,252	1,425
Tax	(254)	(279)	(263)	(285)
Minorities	0.0	0.0	0.0	0.0
Net profit	1,383	849	989	1,140
Net profit (adj.)	1,383	849	989	1,140

BALANCE SHEET

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Fixed assets	686	766	908	1,136
Other LT assets	3,619	3,727	3,839	3,954
Cash/ST investment	354	645	747	860
Other current assets	1,092	1,141	1,223	1,333
Total assets	5,750	6,279	6,717	7,283
ST debt	0.0	1,000	1,000	1,000
Other current liabilities	2,356	2,422	2,599	2,827
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	2,814	2,830	3,037	3,304
Shareholders' equity	580	27	81	152
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	5,750	6,279	6,717	7,283

CASH FLOW

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Operating	2,331	1,214	1,475	1,700
Pre-tax profit	1,637	1,128	1,252	1,425
Tax	(254)	(279)	(263)	(285)
Deprec. & amort.	313	348	390	441
Working capital changes	286	(208)	2.9	2.8
Other operating cashflows	349	224	92	116
Investing	(278)	(537)	(644)	(785)
Capex (growth)	(352)	(428)	(532)	(670)
Investments	0.0	0.0	0.0	0.0
Others	74	(109)	(112)	(115)
Financing	(2,360)	(387)	(728)	(802)
Dividend payments	(1,112)	(1,403)	(935)	(1,069)
Issue of shares	(296)	0.0	0.0	0.0
Proceeds from borrowings	0.0	1,000	0.0	0.0
Others/interest paid	(951)	16	207	267
Net cash inflow (outflow)	(307)	291	102	113
Beginning cash & cash equivalent	661	354	645	747
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	354	645	747	860

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	33.5	27.3	28.4	28.9
Pre-tax margin	25.4	17.3	18.0	18.6
Net margin	21.4	13.0	14.2	14.9
ROA	23.8	14.1	15.2	16.3
ROE	174.4	279.9	1,839.4	980.8
Growth				
Turnover	15.5	1.3	6.7	9.8
EBITDA	52.4	(17.3)	10.9	11.6
Pre-tax profit	48.4	(31.1)	11.0	13.8
Net profit	51.5	(38.6)	16.5	15.2
Net profit (adj.)	51.5	(38.6)	16.5	15.2
EPS	65.4	(38.6)	16.5	15.2
Leverage				
Debt to total capital	0.0	97.4	92.5	86.8
Debt to equity	0.0	3,733.2	1,238.2	659.5
Net debt/(cash) to equity	(61.1)	1,325.7	313.3	92.4
Interest cover (x)	10.2	5.8	5.8	6.4

COMPANY RESULTS

Vale Indonesia (INCO IJ)

3Q23: NPAT Down 25.3% qoq Due To Lower ASP; Within Expectations

INCO's NPAT declined 25.3% qoq to US\$52.6m in 3Q23, driven by lower ASP, slightly higher cost of revenue and higher operating expenses. 9M23 NPAT rose 31.3% yoy to US\$221m, within expectations and accounting for 83% and 82% of our and consensus' 2023 NPAT forecast respectively. 2023 NPAT is still on track to grow 32.2% yoy to US\$265m, with a potential 4.9% yoy decline in 2024 due to lower average nickel price. Upgrade to BUY with a target price of Rp6,000.

3Q23 RESULTS

Year to 31 Dec (US\$m)	9M23	9M22	yoy (%)	3Q23	2Q23	qoq (%)	yoy (%)
Sales	938	874	7.3	279	296	-5.7	-9.8
Gross Profit	287	259	10.7	66.4	85.5	-22.3	30.6
Operating Profit	258	237	8.9	59.4	78.9	-24.7	43.8
EBITDA	401	383	4.8	105	103	-15.1	1.5
Net Income	221	168	31.3	52.6	70.4	-25.3	193
Profitability	9M23	9M22	yoy (bp)	3Q23	2Q23	qoq (bp)	yoy (bp)
GPM (%)	30.6	29.7	94	23.8	28.9	-510	737
OPM (%)	27.5	27.1	40	21.3	26.7	-538	794
EBITDA margin (%)	42.8	43.8	-102	37.5	33.3	3,746	416
NPM (%)	23.6	19.3	430	18.8	23.8	-494	1,305

Source: Vale Indonesia, UOB Kay Hian

RESULTS

- **3Q23 NPAT decreased 25.3% qoq to US\$52.6m but jumped 193% yoy.** Vale Indonesia (INCO) recorded a 25.3% qoq net profit decline in 3Q23, driven by: a) lower ASP of US\$16,204/tonne (-9.8% qoq and -9.2% yoy), b) slightly higher cost of revenue at US\$213m (+1.1% qoq), and c) higher operating expenses of US\$5m (+4.8% qoq). INCO's 3Q23 revenue came in at US\$279m, decreasing 5.7% qoq following the 9.8% qoq lower ASP of US\$16,204/tonne, while the nickel matte deliveries rose 4.6% qoq to 17,214 tonnes. 3Q23 EBITDA also declined 15.1% qoq to US\$105m with improvement in 3Q23 EBITDA margin to 37.5%.
- **9M23 NPAT rose 31.3% yoy to US\$221m.** Nickel delivery volumes rose 13.7% yoy but nickel ASP softened to US\$18,596/tonne, allowing 9M23 revenue to grow 7.3% yoy to US\$938m and 9M23 EBITDA to increase 4.8% yoy to US\$401m. INCO's 9M23 NPAT accounted for 83% and 82% of our and consensus' 2023 NPAT forecasts respectively, which we deem within expectations as INCO's 9M22 NPAT is 82% of its full-year 2022 NPAT.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Net turnover	953.2	1,179.5	1,278.4	1,224.7	1,253.9
EBITDA	380.6	436.4	503.6	489.8	499.9
Operating profit	223.0	272.0	357.2	339.9	346.4
Net profit (rep./act.)	165.8	200.4	265.0	252.0	257.6
Net profit (adj.)	165.8	200.4	265.0	252.0	257.6
EPS (US\$ cent)	1.7	2.0	2.7	2.5	2.6
PE (x)	19.3	15.9	12.1	12.7	12.4
P/B (x)	1.5	1.4	1.2	1.1	1.0
EV/EBITDA (x)	8.4	7.3	6.3	6.5	6.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	17.4	17.0	20.7	20.6	20.5
Net debt/(cash) to equity (%)	(23.6)	(26.9)	(17.9)	3.9	21.7
Interest cover (x)	160.0	n.a.	129.1	125.6	172.3
ROE (%)	7.9	8.9	10.7	9.1	8.4
Consensus net profit	-	-	270	239	239
UOBKH/Consensus (x)	-	-	0.98	1.05	1.08

Source: Vale Indonesia, Bloomberg, UOB Kay Hian

BUY
(Upgraded)

Share Price	Rp5,125
Target Price	Rp6,000
Upside	+17.1%

COMPANY DESCRIPTION

Vale Indonesia produces nickel in matte, an intermediate product, from lateritic ores at its integrated mining and processing facilities near Soroako, Sulawesi.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	INCO IJ
Shares issued (m):	9,936.3
Market cap (Rpb):	50,923.7
Market cap (US\$m):	3,194.9
3-mth avg daily t'over (US\$m):	3.1

Price Performance (%)

52-week high/low Rp7,600/Rp5,125

1mth	3mth	6mth	1yr	YTD
(8.9)	(22.9)	(22.3)	(24.1)	(27.8)

Major Shareholders

	%
Vale Canada Limited	43.8
Mineral Industri Indonesia	20.0
Sumitomo Metal Mining	15.0
FY23 NAV/Share (US\$)	0.26
FY23 Net Cash/Share (US\$)	0.05

PRICE CHART



Source: Bloomberg

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3Q23 OPERATIONAL HIGHLIGHTS

	9M23	9M22	yoy (%)	3Q23	2Q23	qoq (%)	yoy (%)
Nickel Matte Production (tonne)	51,644	43,907	17.6	17,953	16,922	6.1	2.51
Nickel Matte Deliveries (tonne)	50,435	44,347	13.7	17,214	16,463	4.6	-0.69
Avg Realized Price (US\$/tonne)	18,596	19,703	-5.6	16,204	17,967	-9.8	-9.2
HSFO volume (barrels)	1,258,759	880,724	42.92	337,351	363,865	-7.3	-22.5
HSFO average price per barrel (US\$)	80.5	89.6	-10.1	85.6	80.3	6.6	-13.4
Diesel volume (kilolitre)	48,594	44,796	8.5	17,109	16,244	5.3	9.78
Diesel average price per litre (US\$)	0.93	0.83	12.0	0.86	0.92	-6.5	-12.2
Coal volume (tonne)	284,918	289,311	-1.5	121,464	107,186	13.3	2.6
Coal average price per tonne (US\$)	287	309	-7.1	223	337	-33.8	-49.3

Source: Vale Indonesia, UOB Kay Hian

- **3Q23 net margin compressed by 494bp to 18.8%** due to higher cost of revenue and operating expenses. Cost of revenue rose 1.1% qoq on higher depreciation, contractor services, employee and royalty costs. On the other hand, 3Q23 cash cost/tonne decreased to US\$9,832/tonne (-4.5% qoq). INCO maintained coal as the primary energy source for the burner throughout 3Q23 which resulted in a 13.3% qoq increase in coal consumption, partially offset by a 7.3% qoq decline in high sulphur fuel oil (HSFO) consumption. Diesel consumption rose 5.3% qoq, primarily driven by increased mining support activities in 3Q23. All in all, 9M23 cost of revenue rose 5.9% yoy, primarily attributed to fuel consumption and associated expenses.

STOCK IMPACT

- **NPAT still on track to grow 32.2% yoy to US\$265m in 2023** with potential 4.9% yoy decline in 2024 due to lower average nickel price expectation. We expect INCO's 2023 revenue to grow 8.4% yoy to US\$1.3b with ASP assumption of US\$18,306/tonne. In 2024, INCO's revenue could shrink 4.2% yoy to US\$1.2b, mainly due to lower ASP assumption of US\$17,010/tonne. Meanwhile, 2023/24 production would increase to 70,000 tonnes/72,000 tonnes respectively. All in all, we expect 2023 and 2024 NPAT at US\$265m (+32.2% yoy) and US\$252m (-4.9% yoy) respectively, with potential net profit margin of more than 20%.
- **Updates on development progress on mining and smelter projects.**
 - INCO's Bahodopi mining land acquisition progress reached 86% in 3Q23 and the rotary kiln electric furnace (RKEF) project's ground piling construction work plan has been finalised with expected Environment Impact Analysis (AMDAL) approval in Nov 23.
 - The second project, Pomalaa mine, gained approval in Oct 23, and early construction work has started. Meanwhile, the Pomalaa high pressured acid leach (HPAL) smelter is expected to gain permits in Dec 23.
 - Lastly, the Sorowako HPAL project is currently on feasibility study and expected to be completed in Dec 23.
- **Share divestment discussion is still ongoing with high level officials and expected to be finalised soon.** INCO's management is still waiting for the final decisions regarding the share divestment to Mineral Industry Indonesia (MIND ID). The Indonesian government still requires a minimum 14% share divestment from Vale Canada Limited (VCL) and Sumitomo Metal Mining (SMM) in order to extend the special mining permit (IUPK) which will expire on Dec 25.

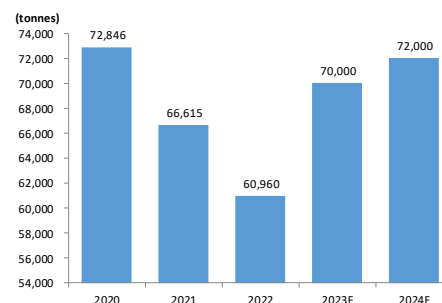
EARNINGS REVISION/RISK

- No earnings revision.

VALUATION/RECOMMENDATION

- **Upgrade to BUY with unchanged target price of Rp6,000**, based on 6.9x blended forward 2023-24 EV/EBITDA, or the stock's -1SD to its 2023-24 forward EV/EBITDA. We upgrade to buy on INCO as: a) recent share price decline might not reflect its fundamentals as the stock is currently trading at below -1.5SD, which has been attractively undervalued, b) it has a potential further margin expansion on lower cost of fuel, c) it has promising prospect on new mining and smelter developments, and d) increasing use of nickel in EV battery production in the future.

NICKEL PRODUCTION FORECAST



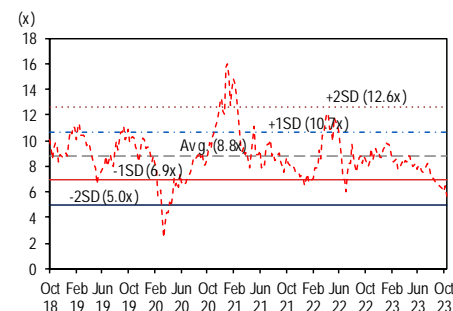
Source: Vale Indonesia, UOB Kay Hian

SENSITIVITY TEST ON 5% INCREASE IN VOLUME, NICKEL PRICE, AND FUEL PRICE (VICE VERSA)

	2023		----- 5% chg -----	
	Base	EBITDA	NPAT	
Vol (Tonne)	70,000	5.2%	7.4%	
LME (US\$/tonne)	22,600	10.4%	14.9%	
ASP (US\$/tonne)	18,306	10.4%	14.9%	
Fuel Price: (US\$)				
HSFO per barrel	78.0	-1.3%	-1.9%	
Diesel per liter	0.84	-0.6%	-0.8%	
Coal price per ton	210	-0.7%	-0.9%	

Source: UOB Kay Hian

FORWARD EV/EBITDA BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Net turnover	1,179.5	1,278.4	1,224.7	1,253.9
EBITDA	436.4	503.6	489.8	499.9
Deprec. & amort.	164.4	146.4	149.9	153.5
EBIT	272.0	357.2	339.9	346.4
Total other non-operating income	0.0	0.0	0.0	0.0
Net interest income/(expense)	3.8	(3.9)	(3.9)	(2.9)
Pre-tax profit	275.8	353.3	335.9	343.5
Tax	(75.4)	(88.3)	(84.0)	(85.9)
Net profit	200.4	265.0	252.0	257.6
Net profit (adj.)	200.4	265.0	252.0	257.6

BALANCE SHEET

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Fixed assets	1,549.9	1,954.8	2,857.7	3,758.9
Other LT assets	118.5	153.0	137.3	134.6
Cash/ST investment	634.0	466.1	387.2	299.8
Other current assets	355.8	407.0	380.0	383.2
Total assets	2,658.1	2,980.9	3,762.1	4,576.6
ST debt	0.0	0.0	0.0	50.0
Other current liabilities	175.0	211.8	195.4	196.1
LT debt	0.0	0.0	500.0	950.0
Other LT liabilities	128.3	158.1	150.9	152.4
Shareholders' equity	2,354.8	2,611.0	2,915.7	3,228.1
Total liabilities & equity	2,658.1	2,980.9	3,762.1	4,576.6

CASH FLOW

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Operating	348.2	392.2	421.1	412.7
Pre-tax profit	275.8	353.3	335.9	343.5
Tax	(75.4)	(88.3)	(84.0)	(85.9)
Deprec. & amort.	164.4	146.4	149.9	153.5
Working capital changes	(39.8)	29.1	0.0	(7.4)
Other operating cashflows	23.2	(48.3)	19.2	8.9
Investing	(218.1)	(500.0)	(1,000.0)	(1,000.0)
Capex (growth)	(100.0)	(100.0)	(99.0)	(98.0)
Capex (maintenance)	(103.7)	(400.0)	(901.0)	(902.0)
Others	(14.4)	0.0	0.0	0.0
Financing	(1.5)	(60.1)	500.0	500.0
Dividend payments	0.0	(60.1)	0.0	0.0
Proceeds from borrowings	0.0	0.0	500.0	500.0
Loan repayment	(1.5)	0.0	0.0	0.0
Others/interest paid	0.0	0.0	0.0	0.0
Net cash inflow (outflow)	128.6	(168.0)	(78.9)	(87.3)
Beginning cash & cash equivalent	508.3	634.0	466.1	387.2
Changes due to forex impact	(2.9)	0.0	0.0	0.0
Ending cash & cash equivalent	634.0	466.1	387.2	299.8

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	37.0	39.4	40.0	39.9
Pre-tax margin	23.4	27.6	27.4	27.4
Net margin	17.0	20.7	20.6	20.5
ROA	7.8	9.4	7.5	6.2
ROE	8.9	10.7	9.1	8.4
Growth				
Turnover	23.7	8.4	(4.2)	2.4
EBITDA	14.7	15.4	(2.7)	2.1
Pre-tax profit	25.0	28.1	(4.9)	2.2
Net profit	20.9	32.2	(4.9)	2.2
Net profit (adj.)	20.9	32.2	(4.9)	2.2
EPS	20.9	32.2	(4.9)	2.2
Leverage				
Debt to total capital	0.0	0.0	14.6	23.7
Debt to equity	0.0	0.0	17.1	31.0
Net debt/(cash) to equity	(26.9)	(17.9)	3.9	21.7
Interest cover (x)	n.a.	129.1	125.6	172.3

COMPANY RESULTS

CTOS Digital (CTOS MK)

3Q23: Results Within Expectations; Growth Adequately Priced In

CTOS' 3Q23 core net profit of RM29.2m was largely in line, fueled by yoy improving Malaysia operations as momentum ramps up across all three business segments, and stronger associate contribution. While we anticipate CTOS to continue charting earnings growth driven by better services penetration, customer base expansion and synergies with associates, we maintain our view that these have been fairly priced in. Maintain HOLD. Target price: RM1.52.

3Q23 RESULTS

Year to 31 Dec (RMm)	3Q23	qoq % chg	yoy % chg	9M23	yoy % chg
Revenue	66.5	6.8	25.7	188.3	32.6
Key Accounts	29.7	7.2	47.2	83.1	55.5
Commercial	30.9	6.9	7.8	88.4	14.1
Direct-to-business	5.8	3.7	46.3	16.8	50.6
International B2B	0.0	n.a.	n.a.	0.0	n.a.
Gross Profit	50.7	6.3	11.6	146.0	21.0
EBITDA	23.6	(9.0)	(4.0)	73.3	20.1
PBT	30.4	16.6	10.1	78.4	17.1
Tax Expense	(6.1)	22.7	24.9	(16.4)	77.0
Net Profit	24.3	15.2	7.0	62.1	7.5
Core Net Profit	29.2	14.6	10.8	75.5	17.1
Margins (%)	(%)	qoq ppt chg	yoy ppt chg	(%)	yoy ppt chg
EBITDA	35.5	(6.2)	(11.0)	38.9	(4.1)
PBT	45.8	3.9	(6.5)	41.7	(5.5)
Core net profit	44.0	3.0	(5.9)	40.1	(5.3)

Source: CTOS Digital Berhad, UOB Kay Hian

RESULTS

- **Within expectations.** CTOS Digital's (CTOS) 3Q23 core net profit came in at RM29.2m (+10.8% yoy, +24.6% qoq), excluding RM4.9m in exceptional items. 9M23 core net profit accounted for 71% and 72% of our and consensus full-year estimates respectively.
- **Declared third interim dividend of 0.64 sen.** The group has announced a third interim dividend of 0.64 sen, bringing 9M23 dividend to 1.62 sen. This represents a payout ratio of 60% and is in line with the group's minimum dividend policy of 60%.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	153	195	238	285	343
EBITDA	47	62	86	105	127
Operating profit	51	67	91	109	132
Net profit (rep./act.)	43	71	106	125	149
Net profit (adj.)	55	71	106	125	149
EPS (sen)	2.5	3.1	4.6	5.4	6.5
PE (x)	58.0	46.6	31.5	26.5	22.3
P/B (x)	10.3	6.5	6.1	5.6	5.1
EV/EBITDA (x)	72.9	55.8	40.0	32.9	27.1
Dividend yield (%)	0.8	1.3	1.9	2.3	2.7
Net margin (%)	28.1	36.7	44.3	44.0	43.6
Net debt/(cash) to equity (%)	(5.6)	25.3	22.2	12.8	3.1
Interest cover (x)	9.1	16.2	n.a.	n.a.	n.a.
ROE (%)	20.6	17.5	20.0	22.1	24.1
Consensus net profit	-	-	105	123	147
UOBKH/Consensus (x)	-	-	1.00	1.02	1.02

Source: CTOS Digital Berhad, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM1.44
Target Price	RM1.52
Upside	+5.6%

COMPANY DESCRIPTION

CTOS is mainly involved in the business of credit reporting, digital software-related services, software development, outsourcing and training services, and investment holding. It also facilitates credit extension and commercialises credit risk management

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	CTOS MK
Shares issued (m):	2,310.0
Market cap (RMm):	3,326.4
Market cap (US\$m):	696.3
3-mth avg daily t'over (US\$m):	0.9

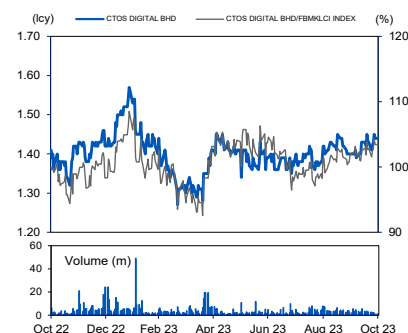
Price Performance (%)

52-week high/low	RM1.57/RM1.27			
1mth	3mth	6mth	1yr	YTD
2.9	4.3	2.9	7.5	1.4

Major Shareholders

Jade Vine Sdn Bhd	18.4
Employees Provident Fund Board	11.5
Abrdn Asset Management	5.6
FY23 NAV/Share (RM)	0.24
FY23 Net Debt/Share (RM)	0.05

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **Revenue and profit improved 6.8% and 14.6% qoq respectively.** In 3Q23, CTOS recorded commendable revenue of RM66.5m (+25.7% yoy, +6.8% qoq), mainly reflecting strong growth for all three business segments in its Malaysian operations as well as impressive international operations. The earnings growth also reflects better demand of CTOS Data Systems reports and comprehensive portfolio review and analytics services within the key accounts and commercial customers' segments. On a qoq basis, bottom line grew 14.6% qoq due to the higher net margin and stronger contribution from share of associates (+24.7% qoq), aided by discipline cost control.

STOCK IMPACT

- **Extension of the group's pioneer status and tax incentives.** CTOS' subsidiary, CTOS Data Systems, was awarded pioneer status incentives under the PIA 1986 for MSC Malaysia Qualifying Activities. While its pioneer status expired in Jun 21, CTOS has finally secured the extension with another relief period of five years until Nov 26 after rounds of applications and approval.

- **Recent three acquisitions and partnership synergistic...** With the recent acquisitions and partnership, CTOS is paving its way to become an established multinational platform with comprehensive data analytics and performance insights. The acquisition of Prime Analytics and Finscore as well as strategic partnership with FICO are deemed to enhance CTOS' ability to penetrate and address the emerging digital lending space in Philippines, Indonesia and Thailand, besides strengthening its core business with strong synergies that will be realised moving forward.

- **... and bridging the gap for ASEAN's underserved and unbanked population.** Within ASEAN, Indonesia and Philippines are among the countries that have the lowest household debt vs GDP per capita ratio at <20% of GDP. This is opposed to Malaysia and Thailand at >75%. Meanwhile, the Indonesia and Philippines markets are also largely underbanked, with unbanked population at 81% and 75% respectively, making it difficult for lenders to evaluate consumers' new loans application with traditional methods. As such, we deem that the recent acquisition of Prime Analytics and Finscore is able to help CTOS further penetrate into these underserved countries and provide analytics for lenders to limit the potentially high credit risk within these underserved market segments.

- **Credit growth moderation resumes, but well-weathered by CTOS' inelastic business model.** Malaysia's loans growth sustained its downward momentum and declined to 4.1% in Aug 23 (July: 4.2%) on slower working capital loans growth. Nevertheless, CTOS' products and digital solutions are counter-cyclical in nature and widely utilised in assessing counterparty risk and creditworthiness during periods of economic expansion or recessions. Furthermore, a big chunk of the company's business is habitually recurring income (>75% for key accounts). As such, we believe that CTOS will chart strong revenue growth of 20-22% in 2023-25, riding on more activations and income pulls for its various business analytic and credit assessment solutions.

EARNINGS REVISION/RISK

- **No changes.**

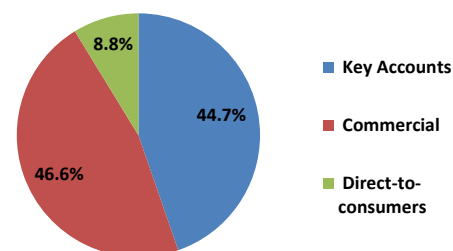
VALUATION/RECOMMENDATION

- **Maintain HOLD with a target price of RM1.52.** Our target price implies 28x 2023F PE (industry's five-year mean). We still reckon that CTOS is well-positioned to be the direct proxy to growing demand for Malaysia's credit reporting industry, but current risk-reward appears neutral at this juncture.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

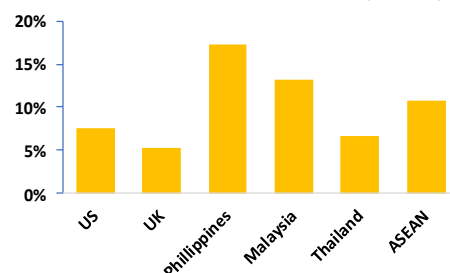
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - No environmental issues which may materially impact biodiversity or climate change in any significant way.
<ul style="list-style-type: none"> • Social <ul style="list-style-type: none"> - Conducted over 200 financial education roadshows for Malaysia's consumers.
<ul style="list-style-type: none"> • Governance <ul style="list-style-type: none"> - Comprehended and applied Malaysian Code on Corporate Governance (MCCG).

REVENUE BY SEGMENT (3Q23)



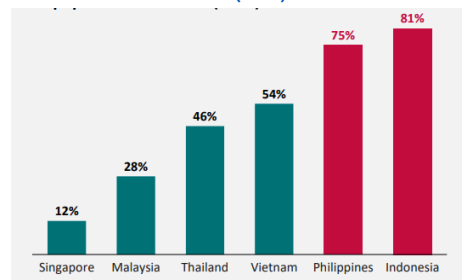
Source: CTOS, UOB Kay Hian

CREDIT REPORTING INDUSTRY CAGR (2023-25)



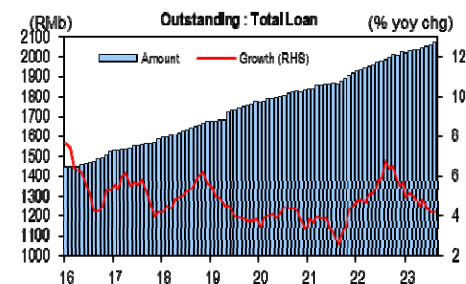
Source: IDC Malaysia, CTOS, UOB Kay Hian

UNBANKED AND UNDERBANKED AS % OF POPULATION IN ASEAN (2022)



Source: CTOS, Bain & Company, Temasek, Google

MALAYSIA TOTAL LOANS GROWTH



Source: BNM, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	195	238	285	343
EBITDA	62	86	105	127
Deprec. & amort.	(5)	(5)	(5)	(4)
EBIT	67	91	109	132
Associate contributions	23	20	23	26
Net interest income/(expense)	(4)	0	0	0
Pre-tax profit	85	111	132	157
Tax	(14)	(6)	(7)	(8)
Minorities	0	0	0	0
Net profit	71	106	125	149
Net profit (adj.)	71	106	125	149

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	82	106	125	149
Pre-tax profit	85	111	132	157
Tax	(14)	(6)	(7)	(8)
Deprec. & amort.	8	5	5	4
Associates	(23)	(20)	(23)	(26)
Working capital changes	(2)	(3)	(2)	(3)
Non-cash items	13	19	21	24
Investing	(359)	(35)	(5)	(5)
Capex (growth)	(13)	(5)	(5)	(5)
Investments	(336)	(30)	0	0
Proceeds from sale of assets	0	0	0	0
Others	(11)	0	0	0
Financing	271	(63)	(75)	(90)
Dividend payments	(42)	(63)	(75)	(90)
Proceeds from borrowings	224	0	0	0
Loan repayment	(74)	0	0	0
Others/interest paid	163	0	0	0
Net cash inflow (outflow)	(6)	8	46	55
Beginning cash & cash equivalent	17	11	18	64
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	11	18	64	119

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	16	26	25	25
Other LT assets	657	658	659	659
ST debt	n.a.	n.a.	n.a.	n.a.
Cash/ST investment	11	18	64	119
Other current assets	47	56	66	77
Total assets	731	758	813	880
Other current liabilities	70	62	70	80
LT debt	139	139	139	139
Other LT liabilities	2	2	2	2
Shareholders' equity	510	545	591	648
Total liabilities & equity	731	758	813	880

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	31.7	36.2	36.7	37.1
Pre-tax margin	43.8	46.6	46.3	45.9
Net margin	36.7	44.3	44.0	43.6
ROA	13.1	14.2	16.0	17.6
ROE	17.5	20.0	22.1	24.1
Growth				
Turnover	27.2	22.4	19.7	20.1
EBITDA	30.7	39.4	21.5	21.3
Pre-tax profit	61.2	30.2	18.8	19.0
Net profit	65.8	47.8	18.8	19.0
Net profit (adj.)	30.9	47.8	18.8	19.0
EPS	24.7	47.8	18.8	19.0
Leverage				
Debt to total capital	21.5	20.4	19.1	17.7
Debt to equity	27.4	25.6	23.6	21.5
Net debt/(cash) to equity	25.3	22.2	12.8	3.1
Interest cover (x)	16.2	n.a.	n.a.	n.a.

COMPANY UPDATE

Ekovest (EKO MK)

Latest Details From Restructuring Enhance Earnings Accretion

The latest details of the restructuring involve a lower acquisition price (for land acquisition of TOD 2 & 3 and Credence), resulting in reduced dilution and making it more earnings-accretive for Ekovest. There are no changes to our earnings and target price pending completion of the exercise. Maintain BUY. Target price: RM1.10.

WHAT'S NEW

- Recall that on 27 Sept 23, Tan Sri Lim Kang Hoo (TSLKH), who is a major shareholder of Ekovest Bhd (Ekovest), Knusford Bhd (Knusford), Iskandar Waterfront Holdings (IWH) and Iskandar Waterfront City (IWC), proposed to streamline its businesses under an enlarged Ekovest. Following this, on 27 Oct 23, all respective companies involved announced the details of the proposal, as compiled in Table 1 (see the back).

COMMENT

- Positive on the proposal.** As mentioned in our [initiation report](#), we are positive on the restructuring proposal as Ekovest after restructuring will have a stronger asset portfolio and vast strategic landbank. The new details of the restructuring involve a lower acquisition price (for land in Transit Oriented Development (TOD) 2 & 3, as well as the Credence acquisition), resulting in reduced dilution (9% vs 15% in old assumption) and making it more earnings-accretive for Ekovest.

EARNINGS REVISION/RISK

- No changes to our earnings pending completion of the restructuring.**

VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged target price of RM1.10**, based on a 50% discount to its SOTP of RM2.21, which is largely anchored by the valuation of its highways. We hold an optimistic view on the company's outlook, riding on the potential monetisation of its DUKE highways as well as the rising vibrancy of the Johor property market (through its access of IWC-IWH landbanks and TOD 2 & 3 near RTS Bukit Chagar).

- We estimate our new theoretical target price after the restructuring under the new assumption to be RM1.68** (vs RM1.32 under the old assumption) after considering higher value accretion from TOD 2 & 3 (new NPV of RM792m vs RM660m), higher Ekovest stake in IWC-IWH (leading to higher earnings/value recognition) as well as lower dilution from lower acquisition price.

KEY FINANCIALS

Year to 30 Jun (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	809	1,117	1,209	1,220	1,093
EBITDA	241	304	341	420	431
Operating profit	180	237	272	352	363
Net profit (rep./act.)	(124)	(111)	(85)	(41)	(37)
Net profit (adj.)	(90)	(26)	20	64	68
EPS (sen)	(3.0)	(0.9)	0.7	2.2	2.3
PE (x)	n.m.	n.m.	72.6	22.2	21.0
P/B (x)	0.5	0.6	0.6	0.6	0.6
EV/EBITDA (x)	34.7	27.5	24.6	20.0	19.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(15.4)	(9.9)	(7.1)	(3.3)	(3.4)
Net debt/(cash) to equity (%)	269.8	280.2	260.5	257.9	259.0
Interest cover (x)	1.1	1.2	1.4	1.8	1.9
ROE (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Consensus net profit	-	-	20	64	68
UOBKH/Consensus (x)	-	-	0.98	1.00	1.00

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

BUY

(Maintained)

Share Price	RM0.48
Target Price	RM1.10
Upside	+130.1%

COMPANY DESCRIPTION

A conglomerate with exposure in construction, property development, highway concessionaires and plantation operations.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	EKO MK
Shares issued (m):	2,965.4
Market cap (RMm):	1,423.4
Market cap (US\$m):	297.9
3-mth avg daily t'over (US\$m):	6.4

Price Performance (%)

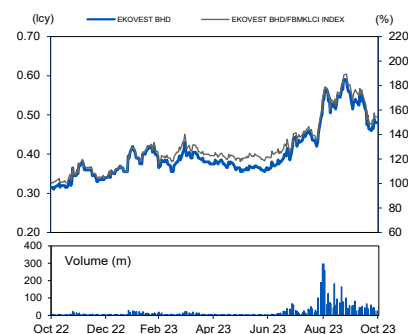
52-week high/low	RM0.590/RM0.310			
1mth	3mth	6mth	1yr	YTD
(14.3)	14.3	28.0	43.3	41.2

Major Shareholders

	%
Tan Sri Dato' Lim Kang Ho	28.01
Norges Bank	4.58
Khoong Chang Chiang	3.51

FY24 NAV/Share (RM)	0.79
FY24 Net Debt/Share (RM)	2.07

PRICE CHART



Source: Bloomberg

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ESSENTIALS

TABLE 1: CORPORATE RESTRUCTURING PROPOSALS

Proposals	Old Assumption	New Assumption (based on latest announcement)
Proposal 1: Knusford to acquire Ekovest Construction Sdn Bhd (ECSB), Ekovest's wholly-owned construction arm, through issuance of new Knusford shares with an issue price of RM0.60 apiece.	We make no valuation assumption on the Ekovest side since Knusford is the acquirer. We understand Ekovest was guided to own an effective stake of at least 65% in the Knusford-Ekovest Construction merged entity.	Knusford to acquire ECSB for RM450m (indicative P/E of 13-14x). Ekovest's estimated effective stake in the Knusford-Ekovest Construction entity would be around 65-66% which is well within management's earlier guidance.
Proposal 2: Ekovest to acquire 15.82 acres of land along the alignment of RTS Bukit Chagar for potential TOD 2 & 3 through issuance of new shares in Ekovest at RM0.60 per share.	We assume purchase price of RM500m, equivalent to RM725psf. TOD 2 & 3 are expected to yield NPV of RM660m assuming a five-year development period with GDV of RM5b, net margin of 20%, 80% take-up rate and WACC of 5.9%. We estimate Ekovest to issue 833m new shares based on share price of RM0.60.	Total purchase price of RM310m (RM210m for TOD 2's 6.18 acres land or RM780psf; RM100m for TOD 3's 9.64 acres land or RM238psf) implies a blended purchase price of RM450psf, 38% cheaper than our initial assumption. TOD 2 & 3 are expected to yield NPV of RM792m assuming a five-year development period with GDV of RM5b, net margin of 24% (cost saving from cheaper purchase price), 80% take-up rate and WACC of 5.9%. We estimate Ekovest to issue 517m new shares based on share price of RM0.60.
Proposal 3: Ekovest to acquire at least 51% and up to 70% of the issued share capital of Credence (currently 100% owned by TSLKH and family) through issuance of new shares in Ekovest at RM0.60 per share.	We estimate Ekovest to acquire Credence at RM1.3b with a 51% stake. Based on IWH's net asset value of RM4b as of end-21 (which already includes its 34%-owned IWC), we value Credence at RM2.56b (as Credence owns 63% of IWH). This proposal will allow Ekovest to have a 27% stake in IWC-IWH. Assuming a RM1.3b purchase value, we estimate Ekovest is only paying RM26.04psf for a 27% stake in IWC-IWH with a 4,212-acre landbank. We estimate Ekovest to issue 2.17b new shares based on share price of RM0.60.	Ekovest to acquire Credence at RM1.15b with a 70% stake, hence the implied 100% value of Credence is RM1.64b (36% cheaper than our initial assumption). Ekovest is expected to have a 37% stake in the merged IWC-IWH, equivalent to RM16.69psf purchase price for a 37% stake in IWC-IWH with a 4,212-acre landbank. We estimate Ekovest to issue 1.9b new shares based on share price of RM0.60.
Proposal 4: IWC to acquire IWH and all its direct subsidiaries through issuance of new shares in IWC at RM0.80 per share. The merged entity will have a 4,212-acre landbank.	We estimate IWC to acquire IWH based on IWH's net asset value (RM3.8b). This would mean IWC is only paying RM26.90psf for IWH's 3,250-acre landbank. We estimate IWC to issue 4.8b new shares, hence the total enlarged shares will be 5.7b.	No change in assumption. According to announcement, the IWC-IWH merger deal will need an extension of 3 months with an option for an additional 3-month extension to allow for thorough assessment, evaluation, and negotiations on the binding heads of agreement. This is in line with our expectations, as we understand that a merger deal of the size of IWC-IWH typically requires more time to materialise.

Source: Respective companies, UOB Kay Hian

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

• Environmental
- Implementation of ISO14001:2015 on environmental management system.
• Social
- No material accident and injury reported in the workplace during the year.
• Governance
- Five of its nine directors are independent directors.

SOTP

Segment	Stake	Fair Value (RMm)	Remarks
Property development	100%	766.0	RNAV
Construction	100%	972.8	10x FY24 PE
Duke 1&2	60%	4,557.0	DCF to concension expiry, 5.5% WACC
Duke 3	100%	5,170.1	DCF to concension expiry, 6.6% WACC
Plantation	62%	204.6	Book value
Enterprise Value		11,670.4	
(-) Net debt		(5,120.5)	End-FY23
Equity Value		6,549.9	
Enlarged no. of shares (mil shares)		2,965.4	After the latest private placement
Equity Value/share		2.21	
Discount		50%	
Target Price (RM)		1.10	

* Net debt took out 40% of RM2.4b debt from DUKE Phase 1 and Phase 2 (40% owned by EPF)
Source: Ekovest, UOB Kay Hian

PREVIOUS THEROICAL SOTP AFTER CORPORATE EXERCISE UNDER OLD ASSUMPTION

Segment	Stake	Fair Value (RMm)	Remarks
Property development	100%	766.0	RNAV
Construction/Knusford	65%	671.5	10x FY24 PE
Duke 1&2	60%	4,557.0	DCF to concension expiry, 5.5% WACC
Duke 3	100%	5,170.1	DCF to concension expiry, 6.6% WACC
Plantation	62%	204.6	Book value
TOD 2 & 3	100%	660.3	NPV based on GDV of RM5b, 20% net profit margin, 5.9% WACC
IWH-IWC	27%	4,320.0	After tax net realisable value of RM116b (100% basis)
Enterprise Value		16,349.4	
(-) Net debt		(5,120.49)	End-FY23
Equity Value		11,228.9	
Enlarged no. of shares (mil shares)		5,973.4	
Equity Value per share		1.88	
Discount		30%	
Target Price (RM)		1.32	

Source: Ekovest, UOB Kay Hian

NEW THEROICAL SOTP AFTER CORPORATE EXERCISE UNDER NEW ASSUMPTION

Segment	Stake	Fair Value (RMm)	Remarks
Property development	100%	766.0	RNAV
Construction/Knusford	65%	671.5	10x FY24 PE
Duke 1&2	60%	4,557.0	DCF to concension expiry, 5.5% WACC
Duke 3	100%	5,170.1	DCF to concension expiry, 6.6% WACC
Plantation	62%	204.6	Book value
TOD 2 & 3	100%	792.4	NPV based on GDV of RM5b, 24% net profit margin, 5.9% WACC
IWH-IWC	37%	5,920.0	After tax net realisable value of RM16b (100% basis)
Enterprise Value		18,081.5	
(-) Net debt		(5,120.5)	End-FY23
Equity Value		12,961.0	
Enlarged no. of shares (mil shares)		5,395.4	
Equity Value per share		2.40	
Discount		30%	
Target Price (RM)		1.68	

Source: Ekovest, UOB Kay Hian

PROFIT & LOSS

Year to 30 Jun (RMm)	2023	2024F	2025F	2026F
Net turnover	1,117	1,209	1,220	1,093
EBITDA	304	341	420	431
Deprec. & amort.	67	68	68	68
EBIT	237	272	352	363
Associate contributions	0	0	0	0
Net interest income/(expense)	(247)	(240)	(232)	(226)
Pre-tax profit	(10)	32	119	137
Tax	(99)	(114)	(137)	(142)
Minorities	(2)	(4)	(23)	(32)
Net profit	(111)	(85)	(41)	(37)
Net profit (adj.)	(26)	20	64	68

CASH FLOW

Year to 30 Jun (RMm)	2023	2024F	2025F	2026F
Operating	507	224	200	104
Pre-tax profit	(10)	32	119	137
Tax	(9)	(114)	(137)	(142)
Deprec. & amort.	67	68	68	68
Associates	0	0	0	0
Working capital changes	194	237	150	40
Other operating cashflows	265	0	0	0
Investing	(83)	(34)	(35)	(32)
Capex (growth)	(332)	(34)	(35)	(32)
Proceeds from sale of assets	5	0	0	0
Others	244	0	0	0
Financing	(427)	(30)	(245)	(85)
Dividend payments	0	0	0	0
Issue of shares	0	135	0	0
Proceeds from borrowings	(429)	(165)	(245)	(85)
Others/interest paid	2	0	0	0
Net cash inflow (outflow)	(4)	160	(80)	(13)
Beginning cash & cash equivalent	24	20	181	101
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	20	181	101	88

BALANCE SHEET

Year to 30 Jun (RMm)	2023	2024F	2025F	2026F
Fixed assets	1,369	1,370	1,372	1,370
Other LT assets	8,688	8,653	8,618	8,583
Cash/ST investment	20	181	101	88
Other current assets	1,308	1,172	1,134	1,086
Total assets	11,386	11,376	11,225	11,127
ST debt	568	631	607	598
Other current liabilities	895	996	1,108	1,100
LT debt	5,910	5,682	5,462	5,385
Other LT liabilities	1,216	1,216	1,216	1,216
Shareholders' equity	2,305	2,355	2,314	2,277
Minority interest	491	495	518	550
Total liabilities & equity	11,386	11,376	11,225	11,127

KEY METRICS

Year to 30 Jun (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	27.2	28.2	34.4	39.5
Pre-tax margin	(0.9)	2.7	9.8	12.6
Net margin	(9.9)	(7.1)	(3.3)	(3.4)
ROA	n.a.	n.a.	n.a.	n.a.
ROE	n.a.	n.a.	n.a.	n.a.
Growth				
Turnover	38.1	8.3	0.9	(10.4)
EBITDA	26.0	12.0	23.2	2.8
Pre-tax profit	n.a.	n.a.	269.7	15.2
Net profit	n.a.	n.a.	n.a.	n.a.
Net profit (adj.)	n.a.	n.a.	227.1	5.8
EPS	n.a.	n.a.	227.1	5.8
Leverage				
Debt to total capital	69.8	68.9	68.2	67.9
Debt to equity	281.0	268.1	262.3	262.8
Net debt/(cash) to equity	280.2	260.5	257.9	259.0
Interest cover (x)	1.2	1.4	1.8	1.9

COMPANY UPDATE

OM Holdings (OMH MK)

9M23 Production Within Expectations; Awaiting More Clarity On MetSi Production

OMH's 9M23 production output is in line with our expectations, as operations have gradually recovered amid ongoing major maintenance work. We anticipate even stronger production in 2H23, as the group has successfully converted another MetSi furnace to FeSi. OMH could see a meaningful rebound in 2024 on the reversal of US interest rate cycle alongside expansion of capacity. Maintain BUY with a lower target price of RM2.26.

WHAT'S NEW

- Ferroalloy production is expected to improve...** 3Q23 production volumes of ferrosilicon (FeSi) and manganese (Mn) alloy improved to 39,296mt (+32% qoq) and 86,934mt (+23% qoq) respectively. The strong production improvement in both FeSi and Mn alloys was due to an increase in furnace operation from 14 to 15 units following the conversion of its dual-use silicon metals (MetSi) furnace, higher utilisation rate and higher production capacity being allocated to produce high carbon ferromanganese, HCFeMn (a product with higher daily output). As at end-September, 15 out of its 16 furnaces were in operation (seven FeSi and eight Mn alloy). The remaining FeSi furnace was shut down for scheduled major maintenance. For the operating FeSi furnaces, one is scheduled to commence major maintenance in 4Q23, while the other two are scheduled for 2025 after further assessment on the furnace condition.
- ...with the new expanded capacity.** In 3Q23, OM Holdings (OMH) successfully adapted another dual-use silicon metals (MetSi) furnace to produce FeSi (total: two MetSi furnaces to produce FeSi). The furnace has entered production phase and is expected to provide an additional capacity of 23,000mt/year to bring OMH's total production to 176,000mt/year. The rationale behind the conversion is to minimise overhead costs while generating earnings at the same time. OMH has the flexibility to convert its furnace to different metals and alloys, with a conversion period as short as six months.
- Ferroalloy: Still not out of the woods.** In 3Q23, prices of FeSi and Mn alloy were range-bound at US\$1,360-1,400/mt and US\$935-945/mt respectively, given the slow recovery of the steel market. Prices were mainly pressured by: a) the fear of recession, b) soft demand from steel mills, and c) elevated global power costs and weak sentiment in the current rising rates environment. According to the International Manganese Institute, world crude steel production during July and August 2023 was 319.4m tonnes, which represented an increase of 2.4% as compared with the same corresponding period in 2022. We expect prices to improve gradually in 2024 as demand recovers following the reversal of the US interest rate cycle.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	3,510	3,854	3,296	3,990	4,620
EBITDA	601	643	277	387	524
Operating profit	429	521	156	218	356
Net profit (rep./act.)	277	305	92	209	322
Net profit (adj.)	341	348	92	209	322
EPS (sen)	46.2	47.1	12.4	28.3	43.7
PE (x)	3.6	3.5	13.3	5.8	3.8
P/B (x)	0.7	0.7	0.7	0.6	0.5
EV/EBITDA (x)	0.7	0.7	0.7	0.6	0.5
Dividend yield (%)	5.5	2.7	0.7	1.6	2.5
Net margin (%)	7.9	7.9	2.8	5.2	7.0
Net debt/(cash) to equity (%)	62.5	50.9	48.7	32.1	15.9
Interest cover (x)	9.0	7.7	2.8	5.8	8.5
ROE (%)	16.0	17.8	5.0	10.7	14.7

Source: OMH, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.45
Target Price	RM2.26
Upside	+55.9%
(Previous TP)	RM2.95

COMPANY DESCRIPTION

ASX-listed OM Holdings is a manganese and silicon smelting company, with vertical exposure in mining and trading. It is engaged in the business of trading raw ores, smelting and marketing of processed ferroalloys (manganese alloys and ferrosilicon). Its smelting plants in Sarawak operate using low-cost sustainable energy – hydropower.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	OMH MK
Shares issued (m):	738.6
Market cap (RMm):	1,071.0
Market cap (US\$m):	224.2
3-mth avg daily t'over (US\$m):	0.0

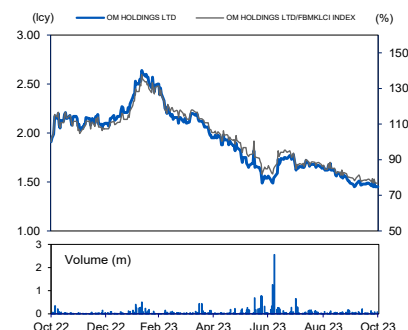
Price Performance (%)

52-week high/low	RM2.64/RM1.45			
1mth	3mth	6mth	1yr	YTD
(4.0)	(17.6)	(26.8)	(23.7)	(31.0)

Major Shareholders

	%
Huang Gang	14.0
Amplewood Resourced Ltd	13.6
Low Ngee Tong	9.2
FY23 NAV/Share (RM)	2.53
FY23 Net Debt/Share (RM)	1.23

PRICE CHART



Source: Bloomberg

ANALYST(S)

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• **Update on MetSi furnace.** Recall that in Jan 23, OMH announced that it had successfully converted one of its FeSi furnaces to produce MetSi. However, there are technical issues being addressed during the commissioning process, including challenges related to yield and recovery, as OMH has no prior experience with MetSi (recall that OMH took about a year for commissioning of FeSi). On a positive note, OMH did manage to achieve the target grade of 5-5-3 MetSi (around 98.5% purity) during its short initial commissioning phase, and are striving to produce an even higher grade of 4-4-1 MetSi (around 99% purity), which has superior purity and higher ASP. Currently, both of the dual-use MetSi furnaces have already been converted into production of FeSi and management targets to recommence the hot commission of the two furnaces for the production of silicon metal in 1Q24.

STOCK IMPACT

- **Favourable structural supply-demand dynamics** may have yet to be fully reflected in OMH's share price as rising global energy prices have widened the cost differential gap between OMH and other fossil-fuel dependent smelters. This gives OMH significant low-cost advantage due to its long-term access to 350MW of inexpensive hydropower in Sarawak. Generally, electricity accounts for 40% of smelting cost. For OMH, we estimate electricity costs at US\$0.04-0.06/kwhr, with a 1.5-2.5% p.a. escalation; this places OMH in the lowest quartile for production costs (fifth-largest FeSi producer, ex-China). Comparable global smelters run at a cost that can be 2-3x higher.
- **Diversification of product offerings to capture further growth potential.** OMH is diversifying into MetSi in order to deliver higher value-added products. It aims to produce the highest grade (98-99% purity level) it possibly can as silicon metal commands higher margins. It is used in different industries based on the level of contaminants and is typically used for manufacturing microchips, steel and solar cells. This marks OMH's first step in diversifying into the aluminium, chemicals and solar downstream industries. Depending on the grade and region sold, MetSi prices are currently hovering at US\$1,900-2,235/mt vs historical average of around US\$2,245/mt. The price trajectory and cost structure are similar to FeSi. The only major difference is that it requires 40-50% more in terms of power intensity.
- **Flexibility of conversion of furnace.** OMH's decision to convert its furnaces will be based on profitability and long-term outlooks for each alloy. Management believes that Mn alloys and MetSi would generate higher returns per furnace compared to FeSi. The furnaces' flexibility allows for potential future conversions if market demand for metals or alloys changes. The conversion process involves dismantling, civil works, equipment installation, modifications, furnace lining, and performance testing before hot commissioning. The conversion can be completed in as soon as six months

EARNINGS REVISION/RISK

- Upgrade 2023 earnings by 12% but downgrade 2024 earnings by 5% mainly to account for: a) higher FeSi production resulting from the conversion of both MetSi furnaces in 2023, and b) a temporary halt in production to undergo the hot commission phase of MetSi in 1Q24.
- Based on our sensitivity analysis, every US\$100/mt increase in our FeSi and Mn alloy price assumptions would boost OMH's earnings by about 25% annually.

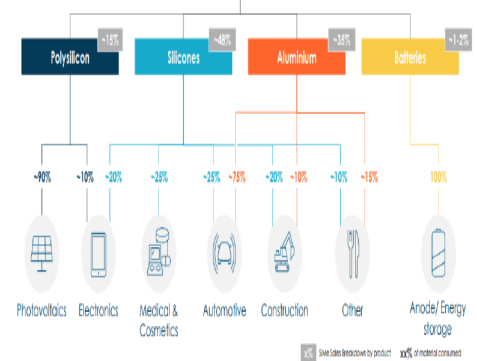
VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of RM2.26**, implying 8x 2024F PE. The assigned target PE of 8x represents a slight discount compared to the 10x PE, which is the average for selected mining and smelting companies listed on Bursa Malaysia. This discount is attributed to OMH's secondary listing on Bursa and its relatively tight liquidity.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• Environmental
- Eco-friendly smelters help to reduce carbon dioxide emissions by 2.2m mt p.a.
• Social
- OMH offers career opportunities and provides training to the indigenous community.
• Governance
- Majority of the board are independent directors (5 out of 7 non-exec directors).

SILICON METAL CONSUMPTION

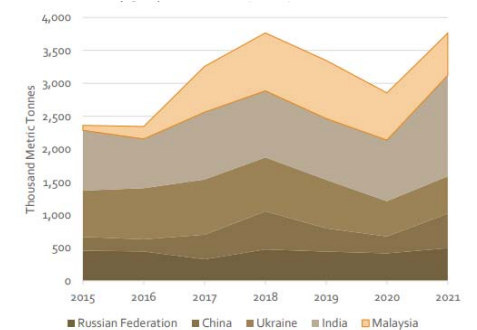


KEY ASSUMPTIONS

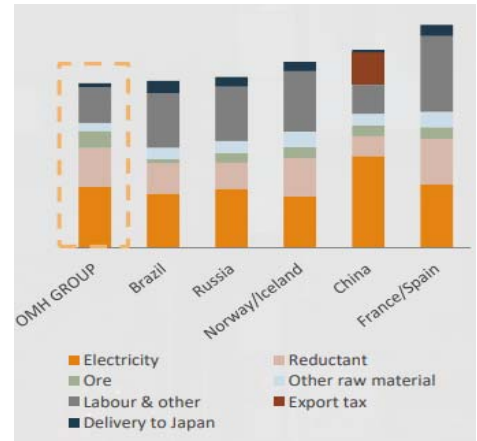
	2022	2023F	2024F	2025F
Production ('000 mt)				
Alloy				
Malaysia - FeSi	140	140	147	153
Malaysia - Mn	217	260	320	400
ASP (US\$/mt)				
FeSi alloy	1,900	1,300	1,400	1,500
Mn alloy	1,400	900	950	1,100
MetSi	2,950	-	-	-

Source: OMH, UOB Kay Hian

TOP MANGANESE ALLOY PRODUCING COUNTRIES



FESI PRODUCTION COST COMPARISON



PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	3,854	3,296	3,990	4,620
EBITDA	643	277	387	524
Deprec. & amort.	122	121	169	169
EBIT	521	156	218	356
Associate contributions	38	65	118	119
Net interest income/(expense)	(84)	(100)	(67)	(62)
Pre-tax profit	475	121	269	412
Tax	(104)	(29)	(64)	(99)
Minorities	(66)	0	5	9
Net profit	305	92	209	322
Net profit (adj.)	348	92	209	322

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	48	40	40	40
Other LT assets	2,446	2,676	2,676	2,666
Cash/ST investment	240	161	334	543
Other current assets	1,253	1,211	1,356	1,563
Total assets	3,987	4,088	4,405	4,811
ST debt	225	327	430	533
Other current liabilities	653	682	819	944
LT debt	922	742	562	382
Other LT liabilities	389	456	523	590
Shareholders' equity	1,782	1,865	2,050	2,332
Minority interest	16	16	21	30
Total liabilities & equity	3,987	4,088	4,405	4,811

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	886	146	366	399
Pre-tax profit	475	121	269	412
Tax	(104)	(29)	(64)	(99)
Deprec. & amort.	122	121	169	169
Working capital changes	128	114	(7)	(83)
Other operating cashflows	265	(180)	0	0
Investing	(139)	(47)	(38)	(34)
Capex (growth)	(2)	(2)	(2)	(7)
Capex (maintenance)	(177)	(45)	(45)	(45)
Investments	5	0	5	9
Proceeds from sale of assets	0	0	5	9
Others	35	0	0	0
Financing	(813)	(186)	(160)	(161)
Dividend payments	(49)	(9)	(20)	(31)
Issue of shares	0	0	5	9
Proceeds from borrowings	103	103	103	103
Loan repayment	(297)	(180)	(180)	(180)
Others/interest paid	(570)	(100)	(67)	(62)
Net cash inflow (outflow)	(66)	(87)	168	204
Beginning cash & cash equivalent	314	248	161	329
Changes due to forex impact	(8)	0	5	9
Ending cash & cash equivalent	240	161	334	543

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	16.7	8.4	9.7	11.4
Pre-tax margin	12.3	3.7	6.7	8.9
Net margin	7.9	2.8	5.2	7.0
ROA	7.3	2.3	4.9	7.0
ROE	17.8	5.0	10.7	14.7
Growth				
Turnover	9.8	(14.5)	21.1	15.8
EBITDA	7.1	(57.0)	39.9	35.6
Pre-tax profit	25.0	(74.6)	122.6	53.5
Net profit	10.3	(70.0)	127.5	54.5
Net profit (adj.)	1.9	(73.6)	127.5	54.5
EPS	1.9	(73.6)	127.5	54.5
Leverage				
Debt to total capital	38.9	36.2	32.4	27.9
Debt to equity	64.3	57.3	48.4	39.2
Net debt/(cash) to equity	50.9	48.7	32.1	15.9
Interest cover (x)	7.7	2.8	5.8	8.5

COMPANY RESULTS

CapitaLand Integrated Commercial Trust (CICT SP)

3Q23: Resilient Growth From Both Retail And Office In Singapore

Singapore provided resilient growth with office and retail leases registering positive rent reversions of 7.8% and 8.8% respectively in 3Q23. Retention rate was high at 82.9% for retail and 90.4% for office. CICT will stay defensive by optimising yield from its properties, including through asset enhancement initiatives. CICT provides 2024 distribution yield of 6.1%. Maintain BUY. Target price: S\$2.02.

3Q23 RESULTS

Year to 31 Dec (S\$m)	3Q23	yoy % chg	Remarks
Gross Revenue			
Retail	142.3	+2.0	Benefitting from recovery in retail rents.
Office	131.4	+4.2	Organic growth from existing properties.
Integrated Developments	117.6	+8.4	Comprises Raffles City Singapore, Funan, Plaza Singapura and The Atrium.
Total	391.3	+4.6	
Net Property Income (NPI)			
Retail	98.8	-1.1	Affected by higher operating expenses, including utilities.
Office	93.3	-2.2	New leases contribute to cash flow starting 2Q23.
Integrated Developments	82.9	+6.3	
Total	275.0	+0.6	

Source: CICT, UOB Kay Hian

RESULTS

- CapitaLand Integrated Commercial Trust (CICT) provided its 3Q23 business update:
- Growth led by integrated developments.** Gross revenue and NPI increased 4.6% and 0.6% respectively in 3Q23 due to higher rental income from existing properties. Gross turnover rents range from 5% to 15% of gross rental income. Operating expenses rose in tandem with higher occupancy and shopper traffic. Integrated developments, comprising Raffles City, Funan, Plaza Singapura & The Atrium and CapitaSpring, registered growth in gross revenue and NPI of 8.4% and 6.3% yoy respectively.
- Retail: Downtown malls outperforming and catching up.** CICT achieved positive rent reversions of 7.8% for its retail properties based on average to average basis in 9M23 (suburban: 7.4% and downtown: 8.4%). Retention rate was high at 82.9%. Leasing enquiries were mainly from the food & beverage, beauty & health and fashion sectors. Tenant sales psf increased 4.0% (suburban: 3.0% and downtown: 6.3%). Occupancy for its retail properties edged higher by 0.3ppt qoq to 99.0%.
- Office: Resiliency from Singapore.** CICT achieved positive rent reversions of 8.8% for its office properties in 9M23. Retention rate was high at 90.4%. Leasing enquiries were mainly from the financial services, legal and manufacturing & distribution sectors. Average rent increased 0.4% qoq to S\$10.45psf pm. Occupancy for its office properties improved 1.0ppt qoq to 96.4%, led by Singapore (+1.4ppt qoq to 98.0%). Overseas, occupancy was stable at 95.5% for Germany but eased 0.9ppt qoq to 87.7% for Australia.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	1,305	1,442	1,558	1,609	1,624
EBITDA	862	947	1,013	1,051	1,062
Operating profit	862	947	1,013	1,051	1,062
Net profit (rep./act.)	1,083	723	745	714	716
Net profit (adj.)	813	756	745	714	716
EPU (S\$ cents)	12.4	11.4	11.2	10.7	10.7
DPU (S\$ cents)	10.4	10.6	10.6	10.6	10.6
PE (x)	14.0	15.3	15.5	16.3	16.3
P/B (x)	0.8	0.8	0.8	0.8	0.8
DPU Yld (%)	6.0	6.1	6.1	6.1	6.1
Net margin (%)	83.0	50.2	47.8	44.4	44.1
Net debt/(cash) to equity (%)	57.2	66.3	65.9	65.7	65.6
Interest cover (x)	5.1	4.2	3.8	3.1	3.1
ROE (%)	8.1	5.2	5.3	5.1	5.1
Consensus DPU (S\$ cent)	n.a.	n.a.	11.0	11.1	11.5
UOBKH/Consensus (x)	-	-	0.97	0.96	0.92

Source: CapitaLand Integrated Commercial Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.74
Target Price	S\$2.02
Upside	+16.1%
(Previous TP)	S\$2.09

COMPANY DESCRIPTION

CICT is the first and largest S-REIT listed on the SGX. It was established as CapitaLand Mall Trust (CMT) in Jul 02 and was renamed CICT in Nov 20 following the merger with CapitaLand Commercial Trust (CCT).

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CICT SP
Shares issued (m):	6,654.6
Market cap (S\$m):	11,579.0
Market cap (US\$m):	8,454.9
3-mth avg daily t'over (US\$m):	20.3

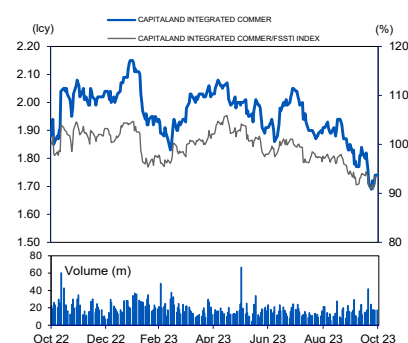
Price Performance (%)

52-week high/low	S\$2.15/S\$1.69			
1mth	3mth	6mth	1yr	YTD
(4.9)	(15.1)	(13.9)	(9.4)	(14.7)

Major Shareholders

Temasek Hldgs	24.0%
FY23 NAV/Share (S\$)	2.12
FY23 Net Debt/Share (S\$)	1.40

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Integrated developments: Providing resiliency and diversification.** Committed occupancy for integrated developments was stable at 98.0% in 3Q23. CICT benefits from higher room rates at the two hotels at Raffles City Singapore and serviced residence at CapitaSpring, which provide an uplift from variable rents.
- Prudent capital management.** Aggregate leverage is stable at 40.8% as of Sep 23. Average cost of debt was relatively stable at 3.3%. The bulk of refinancing for 2024 will occur in 2H24. Management estimated average cost of debt at 3.5-3.9% for 2024.

STOCK IMPACT

- Staying defensive due to heightened uncertainties.** CICT will stay defensive by optimising yield from its properties, including through asset enhancement initiatives, which supports valuations of its properties. Management will drive occupancy and rents higher, while managing operating cost prudently.
- Retail market remains resilient.** Leasing activities remained strong, supported by retailers' optimism on consumer sentiment. Demand was driven by F&B operators and services (wellness and travel). Recovery for Orchard Road is supported by recovery in tourism due to strong pipeline of MICE events and sell-out concerts. Rents at Orchard Road increased by 3.8% yoy to S\$35.75psf, while rents at suburban malls jumped by 3.1% yoy to S\$31.45psf in 3Q23. CBRE expects higher retail rents in 2023 due to tourism recovery and below-average new retail supply.
- Shadow office space significantly absorbed.** According to CBRE, rents for Grade A office space in core CBD increased 2.2% yoy and 0.4% qoq to S\$11.85psf/month in 3Q23 as vacancy tightened significantly by 0.8ppt qoq to 3.2%. There was healthy demand from private wealth, asset management and consumer goods companies. The positive momentum was underpinned by limited supply, companies tightening hybrid work arrangements and completion of IOI Central Boulevard Towers being delayed to 1Q24. CBRE estimated that the amount of shadow space was halved to 0.33m sf compared to a record high of 0.7m sf in 1Q23. CBRE expects rents for Grade A office space in core CBD to increase 1.5-2.0% in 2023 (previous: flat).
- Close to securing replacement tenant for Gallileo.** Management sees pick-up in leasing interest in Frankfurt from financial services, renewable energy and aviation sectors. Gallileo will undergo asset enhancement initiative (AEI) for 18 months after the lease with Commerzbank expires in Jan 24. CICT is in advanced negotiations with a prospective replacement tenant from the financial services industry.

EARNINGS REVISION/RISK

- We trimmed our 2024 DPU forecast by 3% after fine-tuning cost of debt on refinancing borrowings of S\$1,530m (15% of total borrowings).

VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$2.02 is based on the Dividend Discount Model (cost of equity: 7.25%, terminal growth: 2.2%).

SHARE PRICE CATALYST

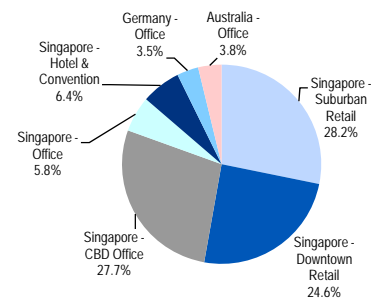
- Steady recovery in shopper traffic and tenant sales at CICT's downtown malls driven by workers returning to offices and recovery in visitor arrivals.
- Asset enhancement and redevelopment of existing properties.

KEY OPERATING METRICS – CICT

	3Q22	4Q22	1Q23	2Q23	3Q23	yoy % change	qoq % change*
DPU (S cents)	n.a.	5.36	n.a.	5.30	n.a.	n.a.	n.a.
NAV per unit (S\$)	n.a.	2.12	n.a.	2.12	n.a.	n.a.	n.a.
Occupancy	95.1%	95.8%	96.2%	96.7%	97.3%	2.2ppt	0.6ppt
Aggregate Leverage	41.2%	40.4%	40.9%	40.4%	40.8%	-0.4ppt	0.4ppt
All-in-Financing Cost	2.5%	2.7%	3.1%	3.2%	3.3%	0.8ppt	0.1ppt
% Borrowing in Fixed Rates	80%	81%	77%	78%	78%	-2ppt	0ppt
WALE by Gross Rental	3.8	3.7	3.7	3.6	3.5	-0.3yrs	-0.1yrs
Debt Maturity	4.1	3.9	4.2	4.3	4.1	0yrs	-0.2yrs

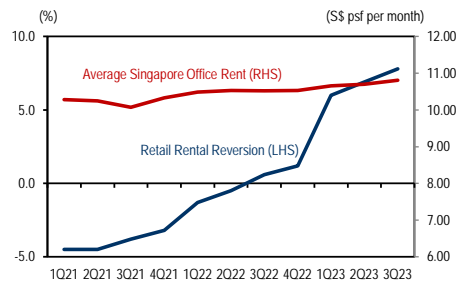
Source: CICT, UOB Kay Hian * hoh % chg for DPU and NAV per unit.

GROSS REVENUE BY ASSET TYPE (1H23)



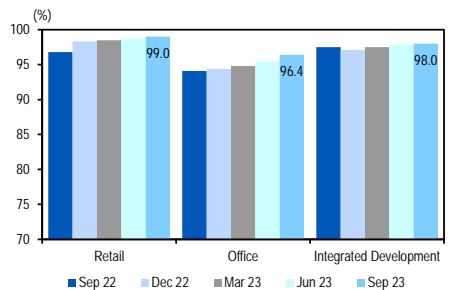
Source: CICT

RENTAL REVERSION FOR RETAIL AND AVERAGE SINGAPORE OFFICE RENT



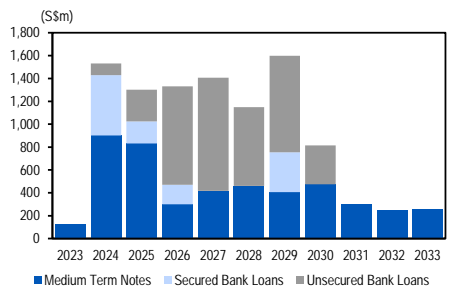
Source: CICT

OCCUPANCY RATES



Source: CICT

DEBT MATURITY PROFILE (JUN 23)



Source: CICT

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	1,441.7	1,558.2	1,608.9	1,624.3
EBITDA	946.8	1,013.5	1,051.1	1,061.6
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	946.8	1,013.5	1,051.1	1,061.6
Associate contributions	42.5	16.0	20.9	20.9
Net interest income/(expense)	(226.5)	(264.4)	(337.4)	(346.4)
Pre-tax profit	730.0	765.1	734.6	736.1
Tax	(4.1)	(14.3)	(20.0)	(20.0)
Minorities	(2.5)	(6.0)	(0.4)	(0.4)
Net profit	723.4	744.8	714.2	715.7
Net profit (adj.)	756.1	744.8	714.2	715.7

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	1,023.5	1,023.4	1,057.7	1,052.4
Pre-tax profit	762.8	765.1	734.6	736.1
Associates	(42.5)	(16.0)	(20.9)	(20.9)
Working capital changes	(151.9)	23.2	10.4	3.2
Other operating cashflows	455.1	251.1	333.6	334.0
Investing	(926.0)	30.0	30.0	30.0
Capex (growth)	(1,153.9)	0.0	0.0	0.0
Capex (maintenance)	(126.9)	(30.0)	(30.0)	(30.0)
Proceeds from sale of assets	331.1	0.0	0.0	0.0
Others	23.6	60.0	60.0	60.0
Financing	(214.3)	(1,048.1)	(1,083.2)	(1,082.2)
Distribution to unitholders	(684.8)	(707.7)	(709.8)	(709.8)
Issue of shares	(3,684.8)	0.0	0.0	0.0
Proceeds from borrowings	4,376.1	(23.9)	(20.0)	(10.0)
Others/interest paid	(220.8)	(316.5)	(353.4)	(362.4)
Net cash inflow (outflow)	(116.7)	5.3	4.4	0.2
Beginning cash & cash equivalent	365.1	248.4	253.7	258.1
Ending cash & cash equivalent	248.4	253.7	258.1	258.3

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	23,750.1	23,831.8	23,831.8	23,831.8
Other LT assets	587.6	579.0	579.0	579.0
Cash/ST investment	248.4	253.7	258.1	258.3
Other current assets	80.5	68.4	70.5	71.2
Total assets	24,666.6	24,733.0	24,739.5	24,740.3
ST debt	1,155.0	431.3	431.3	431.3
Other current liabilities	485.0	526.7	542.7	547.5
LT debt	8,430.2	9,130.0	9,110.0	9,100.0
Other LT liabilities	317.0	317.7	323.9	325.8
Shareholders' equity	14,073.4	14,119.6	14,123.9	14,128.0
Minority interest	205.9	207.7	207.7	207.7
Total liabilities & equity	24,666.6	24,733.0	24,739.5	24,740.3

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	65.7	65.0	65.3	65.4
Pre-tax margin	50.6	49.1	45.7	45.3
Net margin	50.2	47.8	44.4	44.1
ROA	3.1	3.0	2.9	2.9
ROE	5.2	5.3	5.1	5.1
Growth				
Turnover	10.5	8.1	3.3	1.0
EBITDA	9.8	7.0	3.7	1.0
Pre-tax profit	(33.8)	4.8	(4.0)	0.2
Net profit	(33.2)	3.0	(4.1)	0.2
Net profit (adj.)	(6.9)	(1.5)	(4.1)	0.2
EPU	(8.1)	(1.8)	(4.4)	(0.1)
Leverage				
Debt to total capital	40.2	40.0	40.0	39.9
Debt to equity	68.1	67.7	67.6	67.5
Net debt/(cash) to equity	66.3	65.9	65.7	65.6
Interest cover (x)	4.2	3.8	3.1	3.1

COMPANY RESULTS

Mapletree Industrial Trust (MINT SP)

2QFY24: Osaka Data Centre To Start Contributing In 3QFY24

MINT achieved positive rental revision of 8.8% in 2QFY24 for renewed leases across all property segments in Singapore. The acquisition of Osaka data centre was completed on 28 Sep 23 (only three days of contributions in 2QFY24) and will contribute more meaningfully in 3QFY24. MINT provides FY24 distribution yield of 6.2% (DCREIT: 7.4% and KDCREIT: 5.9%). Maintain BUY. Target price: S\$2.69.

2QFY24 RESULTS

Year to 31 Mar (\$m)	2Q FY24	yoy % chg	Remarks
Gross Revenue	174.1	-0.8	Average rental rates in Singapore and North America increased 0.5% and
Net Property Income (NPI)	128.6	-1.4	0.4% qoq respectively.
Distributable income	94.1	+3.5	Include capital distribution of S\$3.2m.
DPU (S cent)	3.32	-1.2	Number of units increased 4.8% yoy.

Source: MINT, UOB Kay Hian

RESULTS

- Mapletree Industrial Trust (MINT) reported 2QFY24 DPU of 3.32 S cents (-1.2% yoy), which is in line with our expectations.
- Resilient financial performance.** Gross revenue and NPI declined marginally by 0.8% and 1.4% yoy respectively in 2QFY24. Distribution declared by JV increased 23.4% yoy to S\$8.5m. Distributable income, which included release of compensation from the compulsory acquisition of land at 2 and 4 Loyang Lane and divestment gain from 65 Tech Park Crescent, increased by a healthy 3.5% yoy.
- Broad-based positive rental reversion.** MINT achieved positive rental revision of 8.8% for renewed leases across all property segments in Singapore in 2QFY24 (flatted factories: +9.9%, business park: +8.8%, stack-up/ramp-up buildings: +7.6% and hi-tech buildings: +4.7%). The average rental rate of the Singapore and North America portfolios increased 0.5% and 0.4% qoq respectively to S\$2.19psf pm and US\$2.42psf pm.
- Portfolio occupancy was stable at 93.2%.** Occupancy for data centres improved 0.3ppt qoq to 93.4% due to the acquisition of the Osaka data centre. Occupancies for hi-tech buildings and flatted factories were stable at 84.8% and 98.8% respectively. Committed occupancy at Mapletree Hi-Tech Park@Kallang Way improved 4.1ppt qoq to 48.2%.
- Osaka data centre to start contributing in 3QFY24.** MINT has completed the acquisition of a data centre in Osaka, Japan at a purchase consideration of ¥52.0b on 28 Sep 23 (only three days of contributions in 2QFY24). The data centre is being fitted out over four phases. The Osaka data centre provides long WALE of 19.1 years.

KEY FINANCIALS

Year to 31 Mar (\$m)	2022	2023	2024F	2025F	2026F
Net turnover	610	685	695	725	740
EBITDA	409	451	455	477	488
Operating profit	409	451	455	477	488
Net profit (rep./fact.)	433	282	366	382	395
Net profit (adj.)	416	388	366	382	395
EPU (S\$ cent)	16.1	14.6	13.3	13.8	14.3
DPU (S\$ cent)	13.8	13.6	13.2	13.7	14.2
PE (x)	13.2	14.6	16.0	15.4	14.9
P/B (x)	1.1	1.1	1.2	1.2	1.2
DPU Yld (%)	6.5	6.4	6.2	6.4	6.7
Net margin (%)	71.0	41.1	52.7	52.6	53.4
Net debt/(cash) to equity (%)	45.6	47.6	47.5	47.3	47.1
Interest cover (x)	5.8	4.6	4.6	4.4	4.5
ROE (%)	9.4	5.3	6.8	7.1	7.3
Consensus DPU (S\$ cent)	n.a.	n.a.	13.2	13.5	14.0
UOBKH/Consensus (x)	-	-	1.00	1.02	1.01

Source: Mapletree Industrial Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.13
Target Price	S\$2.69
Upside	+26.3%
(Previous TP)	S\$2.74

COMPANY DESCRIPTION

MINT invests in a diversified portfolio of income-producing real estate used primarily for industrial purposes in Singapore and income-producing real estate used primarily as data centres worldwide beyond Singapore.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MINT SP
Shares issued (m):	2,832.9
Market cap (S\$m):	6,034.0
Market cap (US\$m):	4,406.0
3-mth avg daily t'over (US\$m):	7.5

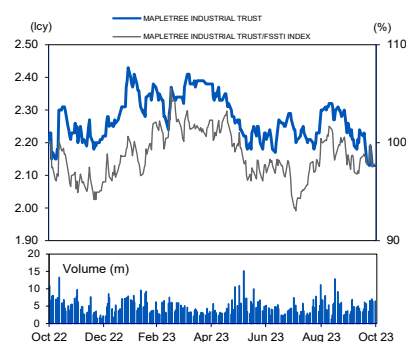
Price Performance (%)

52-week high/low	S\$2.43/S\$2.13			
1mth	3mth	6mth	1yr	YTD
(5.3)	(7.0)	(10.5)	(5.3)	(4.1)

Major Shareholders

Temasek Hldgs	27.3
FY24 NAV/Share (S\$)	1.84
FY24 Net Debt/Share (S\$)	0.93

PRICE CHART



Source: Bloomberg

ANALYST(S)

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• **Prudent capital management.** Aggregate leverage improved 0.3ppt qoq to 37.9% as of end-Sep 23. MINT issued two series of notes, ¥6.5b of 1.686% fixed-rate notes due 2035 (tenure: 12 years) and ¥10.0b of 1.85% fixed-rate notes due 2038 (tenure: 15 years), to fund the acquisition of a data centre in Osaka, Japan (equity: 40%, debt: 60%). Average cost of debt improved 0.3ppt qoq to 3.2%. Management guided average cost of debt at 3.2-3.5% for 2HFY24. Cost of debt is expected to increase slightly in FY25 due to replacement of expiring interest rate swaps.

STOCK IMPACT

- **Outlook is clouded by geopolitical uncertainties** and tight financial conditions. Management will focus on tenant retention to ensure stable portfolio occupancy, while maintaining discipline in cost containment.
- **On the lookout for data centres to acquire.** Data centres in Japan provide positive yield spread with cap rates of 3-4%. MINT has the right of first refusal from the sponsor Mapletree Investments to acquire the remaining 50% stake in their second data centre, JV Mapletree Rosewood Data Centre Trust (MRODCT), which owns 13 data centres in the US. It is also keen to acquire high-tech, R&D and life science properties.
- **Asset recycling.** MINT is exploring the feasibility of recycling assets in Singapore to finance its expansion for data centres in Japan:
 - a) Three business park properties at International Business Park (The Strategy and The Synergy) and Changi Business Park (The Signature). Valuation for the three business park properties was S\$543m in aggregate as of Mar 23.
 - b) Several flatted factories with shorter land tenure.
- **Increasing geographical diversification.** We like MINT's ongoing expansion to acquire data centres in Japan coupled with asset recycling in Singapore, which brings MINT closer to being a pure play on data centres. Tapping on funding in Japanese yen will also reduce its cost of debt.

EARNINGS REVISION/RISK

- We trim our FY25 DPU forecast by 3.5% after fine-tuning our assumption for cost of debt.

VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$2.69 is based on DDM (cost of equity: 7.25%, terminal growth: 2.2%).

SHARE PRICE CATALYST

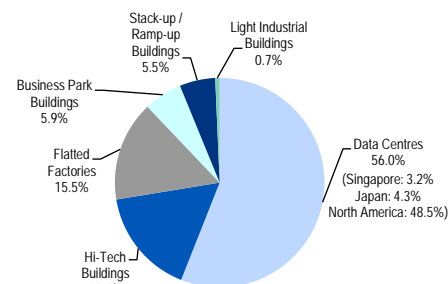
- Growth from data centres located in Japan and North America.
- Acquisition of the remaining 50% stake in portfolio of 13 data centres (second JV) from sponsor Mapletree Investments.
- Redevelopment projects in Singapore.

KEY OPERATING METRICS – MINT

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	yoy % Chg	qoq % Chg
DPU (S cents)	3.36	3.39	3.33	3.39	3.32	-1.2%	-2.1%
Occupancy	95.6%	95.7%	94.9%	93.3%	93.2%	-2.4ppt	-0.1ppt
Aggregate Leverage	37.8%	37.2%	37.4%	38.2%	37.9%	0.1ppt	-0.3ppt
Average Cost of Debt	2.9%	3.3%	3.5%	3.5%	3.2%	0.3ppt	-0.3ppt
% Borrowings in Fixed Rates	74.2%	74.3%	75.5%	78.0%	79.2%	5ppt	1.2ppt
WALE by Gross Rental (years)	4.0	3.9	3.9	3.9	4.2	0.2yrs	0.3yrs
Average Debt Maturity (years)	3.5	3.1	3.7	3.7	3.3	-0.2yrs	-0.4yrs
Passing Rents (S\$psf pm)	2.15	2.15	2.16	2.18	2.19	1.9%	0.5%
Tenant Retention	86.5%	92.2%	80.7%	83.0%	83.2%	-3.3ppt	0.2ppt

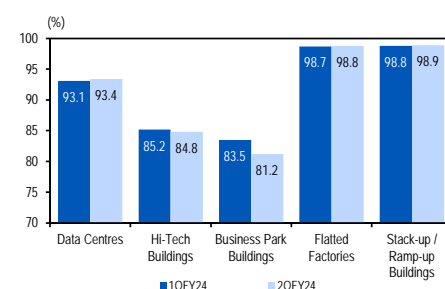
Source: MINT, UOB Kay Hian

PORTFOLIO VALUATION BY AUM (SEP 23)



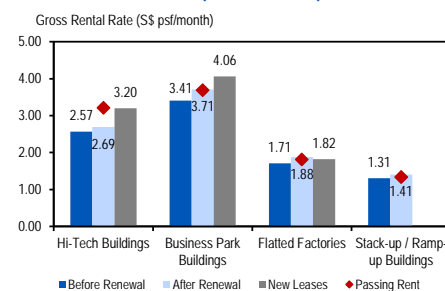
Source: MINT

SEGMENTAL OCCUPANCY RATES



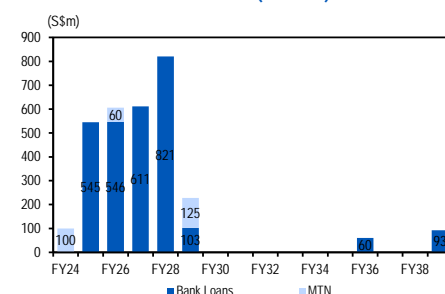
Source: MINT

RENTAL REVISIONS (SINGAPORE)



Source: MINT

DEBT MATURITY PROFILE (SEP 23)



Source: MINT

PROFIT & LOSS

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Net turnover	684.9	695.3	725.1	740.2
EBITDA	450.6	455.4	476.8	487.6
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	450.6	455.4	476.8	487.6
Associate contributions	67.9	33.1	35.7	38.4
Net interest income/(expense)	(96.9)	(100.0)	(108.7)	(108.7)
Pre-tax profit	315.1	388.4	403.8	417.3
Tax	(23.9)	(12.6)	(12.8)	(12.8)
Minorities	0.0	0.0	0.0	0.0
Preferred dividends	(9.5)	(9.5)	(9.5)	(9.5)
Net profit	281.7	366.4	381.6	395.0
Net profit (adj.)	388.2	366.4	381.6	395.0

BALANCE SHEET

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Fixed assets	7,658.7	7,658.7	7,658.7	7,658.7
Other LT assets	709.1	709.9	710.7	711.5
Cash/ST investment	146.6	151.2	161.1	167.2
Other current assets	32.4	39.7	41.2	41.9
Total assets	8,546.8	8,559.5	8,571.8	8,579.3
ST debt	0.2	0.2	0.2	0.2
Other current liabilities	338.0	341.1	348.1	351.6
LT debt	2,705.0	2,705.0	2,705.0	2,705.0
Other LT liabilities	127.7	134.4	136.8	138.1
Shareholders' equity	5,375.9	5,378.8	5,381.7	5,384.5
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	8,546.8	8,559.5	8,571.8	8,579.3

CASH FLOW

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Operating	448.1	439.2	470.1	478.2
Pre-tax profit	397.6	375.8	391.0	404.5
Associates	(67.9)	(33.1)	(35.7)	(38.4)
Working capital changes	16.1	(4.2)	5.5	2.8
Non-cash items	1.0	0.6	0.6	0.6
Other operating cashflows	101.2	100.0	108.7	108.7
Investing	(100.6)	(10.0)	(10.0)	(10.0)
Capex (growth)	(155.0)	(10.0)	(10.0)	(10.0)
Proceeds from sale of assets	26.1	0.0	0.0	0.0
Others	28.3	0.0	0.0	0.0
Financing	(350.5)	(424.6)	(450.1)	(462.2)
Distribution to unitholders	(225.1)	(363.5)	(378.8)	(392.2)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(24.4)	0.0	0.0	0.0
Others/interest paid	(101.0)	(61.2)	(71.4)	(69.9)
Net cash inflow (outflow)	(3.0)	4.6	10.0	6.0
Beginning cash & cash equivalent	149.6	146.6	151.2	161.1
Changes due to forex impact	(0.0)	0.0	0.0	0.0
Ending cash & cash equivalent	146.6	151.2	161.1	167.2

KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	65.8	65.5	65.8	65.9
Pre-tax margin	46.0	55.9	55.7	56.4
Net margin	41.1	52.7	52.6	53.4
ROA	3.3	4.3	4.5	4.6
ROE	5.3	6.8	7.1	7.3
Growth				
Turnover	12.3	1.5	4.3	2.1
EBITDA	10.3	1.1	4.7	2.3
Pre-tax profit	(33.2)	23.3	4.0	3.3
Net profit	(35.0)	30.1	4.2	3.5
Net profit (adj.)	(6.6)	(5.6)	4.2	3.5
EPU	(9.4)	(8.9)	4.1	3.4
Leverage				
Debt to total capital	33.5	33.5	33.5	33.4
Debt to equity	50.3	50.3	50.3	50.2
Net debt/(cash) to equity	47.6	47.5	47.3	47.1
Interest cover (x)	4.6	4.6	4.4	4.5

COMPANY RESULTS

Mapletree Logistics Trust (MLT SP)

2QFY24: Weathering Near-term Headwinds From China

MLT achieved positive rental reversion of 0.6% and portfolio occupancy was stable at 96.9% in 2QFY24. Excluding China, positive rental reversion was much higher at 9.1%. On a constant currency basis, revenue and NPI would have grown by a stronger 6.1% and 5.7% yoy respectively. Management cautioned that weakness for China could persist for the next 12 months. MLT provides FY24 distribution yield of 5.9% (FLT: 7.0%). **Maintain BUY. Target price: S\$1.72.**

2QFY24 RESULTS

Year to 31 Mar (\$m)	2Q FY24	yoy % chg	Remarks
Gross Revenue	186.7	+1.5	Affected by depreciation of CNY, JPY and AUD against the SGD.
Net Property Income (NPI)	162.0	+1.2	
Distributable income	112.5	+4.2	Includes distribution of divestment gains of S\$8.8m.
DPU (S cent)	2.268	+0.9	Number of units increased 3.3% yoy.

Source: MLT, UOB Kay Hian

RESULTS

- Mapletree Logistics Trust (MLT) reported 2QFY24 DPU of 2.268 S cents (+0.9% yoy), which is slightly above expectations.
- Held back by strong Singapore Dollar.** Gross revenue and NPI grew 1.5% and 1.2% yoy respectively in 2QFY24 due to contributions from existing assets mainly in Singapore and Hong Kong, and recent acquisitions in Japan, Australia and South Korea. Growth was held back by depreciation of Chinese Yuan, Japanese Yen and Australian Dollar against the Singapore Dollar. On a constant currency basis, revenue and NPI would have grown by 6.1% and 5.7% yoy respectively.
- Geographical diversification cushioned negative impact from China.** MLT signed new/renewed leases for 9.2m sf of logistics space in 2QFY24 and achieved positive rental reversion of 0.2%. China registered negative rental reversion of -8.6% due to weakness in Tier 2 cities. Excluding China, positive rental reversion was much higher at 9.1%. Logistics properties in Hong Kong, Singapore and South Korea generated strong positive rental reversions of 16.5%, 8.1% and 7.7% respectively.
- Stable occupancies across markets.** Portfolio occupancy eased marginally by 0.2ppt qoq to 96.9%. Hong Kong, Malaysia, Vietnam, Australia and India have maintained near-full or 100% occupancy rates. There is transitional vacancy in Japan (-1.1ppt qoq to 98.9%), which is expected to be backfilled by 3QFY24.

KEY FINANCIALS

Year to 31 Mar (\$m)	2022	2023	2024F	2025F	2026F
Net turnover	679	731	743	754	771
EBITDA	503	512	532	558	572
Operating profit	503	512	532	558	572
Net profit (rep./act.)	767	550	350	324	333
Net profit (adj.)	179	279	310	324	333
EPU (S\$ cent)	4.5	6.3	6.5	6.5	6.7
DPU (S\$ cent)	8.8	9.0	8.7	8.0	8.0
PE (x)	32.7	23.4	22.8	22.5	22.0
P/B (x)	0.9	1.0	1.0	1.1	1.1
DPU Yld (%)	6.0	6.1	5.9	5.4	5.5
Net margin (%)	113.1	75.3	47.1	43.0	43.2
Net debt/(cash) to equity (%)	60.4	60.9	67.3	70.3	72.1
Interest cover (x)	5.4	4.2	3.8	3.4	3.4
ROE (%)	11.2	7.3	4.6	4.3	4.5
Consensus DPU (S\$ cent)	n.a.	n.a.	8.7	8.7	8.9
UOBKH/Consensus (x)	-	-	1.00	0.92	0.90

Source: Mapletree Logistics Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.47
Target Price	S\$1.72
Upside	+17.0%
(Previous TP)	S\$1.75)

COMPANY DESCRIPTION

MLT is an Asia-focused logistics REIT with a portfolio of 193 logistics properties with AUM of S\$13.5b across Australia, China, Hong Kong, India, Japan, Malaysia, Singapore, South Korea and Vietnam as of Jun 23.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MLT SP
Shares issued (m):	4,960.3
Market cap (S\$m):	7,291.7
Market cap (US\$m):	5,324.3
3-mth avg daily t'over (US\$m):	16.1

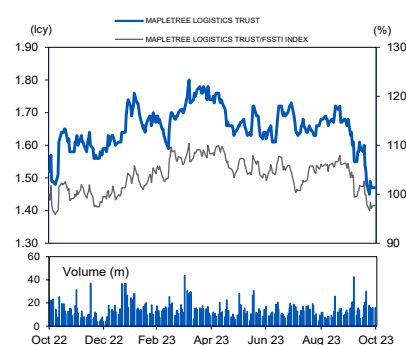
Price Performance (%)

52-week high/low	S\$1.80/S\$1.45			
1mth	3mth	6mth	1yr	YTD
(12.0)	(14.5)	(16.5)	(3.9)	(7.5)

Major Shareholders

Temasek Hldgs	33.0%
FY24 NAV/Share (S\$)	1.45
FY24 Net Debt/Share (S\$)	1.06

PRICE CHART



Source: Bloomberg

ANALYST(S)

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• **Prudent capital management.** Aggregate leverage eased slightly by 0.6ppt qoq to 38.9% as of Sep 23. Average cost of debt was stable at 2.5% in 2QFY24. 83% of MLT's total debt was hedged on fixed rates. Average debt duration is 3.8 years. Management guided average cost of debt at 3.0% in FY25.

STOCK IMPACT

- **Stability from geographical diversification.** Outlook is clouded by geopolitical uncertainties and tight financial conditions. Rental rates across most of MLT's markets are expected to remain stable despite economic slowdown. Unfortunately, rental reversion in China is likely to remain negative in the near term.
- **Focus on portfolio rejuvenation through asset recycling.** MLT has completed S\$904m of acquisitions, announced S\$152m of divestments and working on S\$370m of AEIs in 1HFY24 to rejuvenate its logistics portfolio.
- **Acquisition funded by divestments.** MLT is on the lookout for opportunities to acquire logistics properties in growth markets, such as India, Malaysia and Vietnam. Hong Kong and Japan are attractive due to tight supply, especially at prime locations. Australia and South Korea have experienced cap rate expansion but capital values remain elevated. Acquisitions will primarily be funded by proceeds from divestments.
- **Staying relevant by divesting older logistics properties.** MLT has divested five properties in Singapore (17% above valuation), Malaysia (11% above valuation) and Japan (12% above valuation) for an aggregate sale price of S\$152m in 1HFY24. Total divestment gains are estimated at S\$17.2m. Management targets to complete divestments of older logistics properties with low specifications worth S\$500m over the next few years.
- **Consumer confidence remains weak in China.** Consumers were mainly preoccupied with spending on services and domestic tourism during the Golden Week in October. Management expects demand to be soft over the next 12 months. Management expects negative rental reversion at high single-digit to low teens. Occupancy eased marginally by 0.4ppt qoq to 93.0% 2QFY24 (Tier 1: 95% versus Tier 2: 92%).

EARNINGS REVISION/RISK

- We trimmed our FY25 DPU forecast by 2% after fine-tuning our assumption for cost of debt.

VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$1.72 is based on Dividend Discount Model (cost of equity: 7.25%, terminal growth: 2.8%).

SHARE PRICE CATALYST

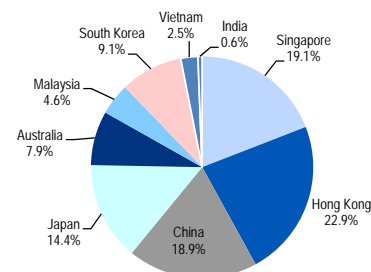
- Accretive acquisitions to rejuvenate and reposition towards modern specifications logistics facilities, domestic consumption and e-commerce.
- Positive contributions from redevelopment projects.

KEY OPERATING METRICS

Key Metrics	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	yoy % chg	qoq % chg
DPU (S cents)	2.248	2.227	2.268	2.271	2.268	0.9%	-0.1%
Occupancy	96.4%	96.9%	97.0%	97.1%	96.9%	0.5ppt	-0.2ppt
Aggregate Leverage	37.0%	37.4%	36.8%	39.50%	38.90%	1.9ppt	-0.6ppt
Weighted Financing Cost	2.5%	2.6%	2.7%	2.50%	2.50%	0ppt	0ppt
% Borrowing in Fixed Rates	82%	83%	84%	82.0%	83.0%	1ppt	1ppt
WALE by NLA (years)	3.3	3.2	3.1	3.1	3.0	-0.3yrs	-0.1yrs
Debt Maturity (years)	3.6	3.6	3.8	3.8	3.8	0.2yrs	0yrs
Rental Reversions	3.5%	2.9%	3.1%	4.2%	0.2%	-3.3ppt	-4ppt

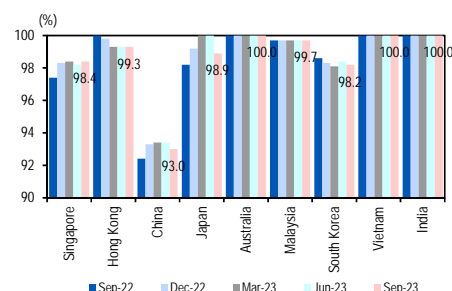
Source: MLT

AUM BY COUNTRY (SEP 23)



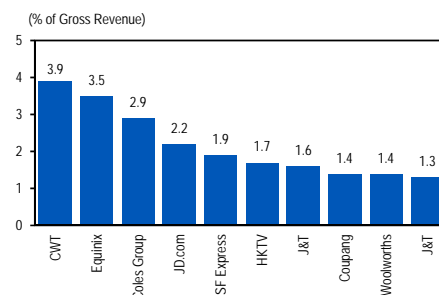
Source: MLT

OCCUPANCY LEVELS BY COUNTRY



Source: MLT

TOP 10 TENANTS BY GROSS REVENUE



Source: MLT

51 BENOI ROAD



Source: MLT

PROFIT & LOSS

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Net turnover	730.6	743.3	753.6	770.8
EBITDA	512.0	532.2	558.0	572.1
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	512.0	532.2	558.0	572.1
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(122.3)	(138.5)	(164.6)	(168.8)
Pre-tax profit	661.2	434.2	393.3	403.4
Tax	(88.4)	(58.6)	(46.7)	(47.9)
Minorities	(1.0)	(2.4)	(1.4)	(0.8)
Preferred dividends	(21.5)	(22.9)	(21.5)	(21.5)
Net profit	550.3	350.2	323.7	333.2
Net profit (adj.)	278.8	309.7	323.7	333.2

CASH FLOW

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Operating	609.7	1,074.8	510.1	525.5
Pre-tax profit	385.9	389.9	389.3	399.4
Working capital changes	34.9	37.9	4.1	6.8
Other operating cashflows	189.0	647.0	116.7	119.4
Investing	(230.7)	(998.3)	(100.0)	0.0
Capex (growth)	(221.2)	(1,013.6)	(100.0)	0.0
Capex (maintenance)	0.0	0.0	0.0	0.0
Proceeds from sale of assets	21.7	15.3	0.0	0.0
Others	(31.3)	0.0	0.0	0.0
Financing	(386.2)	(50.0)	(405.4)	(528.9)
Distribution to unitholders	(431.7)	(429.9)	(399.3)	(408.6)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	205.0	542.8	180.0	70.0
Others/interest paid	(159.5)	(162.9)	(186.1)	(190.3)
Net cash inflow (outflow)	(7.1)	26.5	4.7	(3.4)
Beginning cash & cash equivalent	338.6	302.5	329.0	333.7
Changes due to forex impact	(29.0)	0.0	0.0	0.0
Ending cash & cash equivalent	302.5	329.0	333.7	330.3

BALANCE SHEET

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Fixed assets	12,769.4	13,367.9	13,467.9	13,467.9
Other LT assets	201.9	254.2	254.2	254.2
Cash/ST investment	302.5	329.0	333.7	330.3
Other current assets	149.3	122.4	123.9	126.2
Total assets	13,423.2	14,073.5	14,179.6	14,178.6
ST debt	374.1	550.2	550.2	550.2
Other current liabilities	335.7	392.3	397.4	405.8
LT debt	4,503.3	4,870.0	5,050.0	5,120.0
Other LT liabilities	687.7	668.2	668.2	668.2
Shareholders' equity	7,508.4	7,569.4	7,490.4	7,410.9
Minority interest	14.0	23.5	23.5	23.5
Total liabilities & equity	13,423.2	14,073.5	14,179.6	14,178.6

KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	70.1	71.6	74.0	74.2
Pre-tax margin	90.5	58.4	52.2	52.3
Net margin	75.3	47.1	43.0	43.2
ROA	4.1	2.5	2.3	2.3
ROE	7.3	4.6	4.3	4.5
Growth				
Turnover	7.7	1.7	1.4	2.3
EBITDA	1.7	3.9	4.8	2.5
Pre-tax profit	(33.8)	(34.3)	(9.4)	2.5
Net profit	(28.3)	(36.4)	(7.6)	2.9
Net profit (adj.)	55.5	11.1	4.5	2.9
EPU	40.0	2.6	1.2	2.2
Leverage				
Debt to total capital	39.3	41.7	42.7	43.3
Debt to equity	65.0	71.6	74.8	76.5
Net debt/(cash) to equity	60.9	67.3	70.3	72.1
Interest cover (x)	4.2	3.8	3.4	3.4

COMPANY RESULTS

PTT Exploration & Production (PTTEP TB)

3Q23: Reported Net Profit In Line With Our Expectations

PTTEP's 3Q23 net profit aligned with our and consensus expectations. Although there was a qoq increase in ASP and sales volume, this was offset by a rise in effective tax rates. Consequently, the net profit for 3Q23 declined both qoq and yoy. It is worth noting that the upward trajectory of crude oil prices is a significant factor bolstering the anticipated strength in earnings and adding to the appeal of investing in PTTEP. **Maintain BUY. Target price: Bt200.**

3Q23 RESULTS

	3Q22 (Btm)	2Q23 (btm)	3Q23 (Btm)	chg. % yoy	chg. % qoq	9M22 (Btm)	9M23 (Btm)	chg. % yoy
Year to 31 Dec								
Revenue	88,503	67,479	78,206	-12%	16%	239,740	221,178	-8%
Operating Profit	43,958	32,597	35,925	-18%	10%	122,879	106,642	-13%
EBITDA	66,930	36,437	40,353	-40%	11%	182,382	119,337	-35%
EBT	42,291	33,042	35,996	-15%	9%	120,388	107,272	-11%
Core Profit	25,286	19,759	18,961	-25%	-4%	65,904	58,754	-11%
Net Profit	24,172	21,036	18,099	-25%	-14%	55,291	58,417	6%
EPS	6.09	5.30	4.56	-25%	-14%	13.93	14.71	6%
Gross Profit Margin	60.0%	58.5%	55.8%			62.8%	58.5%	
EBITDA Margin	75.6%	54.0%	51.6%			76.1%	54.0%	
Net profit margin	27.3%	31.2%	23.1%			23.1%	26.4%	

Source: PTT Exploration & Production PCL, UOB Kay Hian

RESULTS

- Reported 3Q23 net profit decreased both qoq and yoy.** PTT Exploration & Production (PTTEP) announced a 3Q23 net profit of Bt18.1b, down 14% qoq and 25% yoy, in line with our and consensus expectations. Although there was a qoq rise in average selling prices (ASP) and petroleum sales volume in 3Q23, these gains were offset by higher effective tax rates. Consequently, the net profit for 3Q23 declined both qoq and yoy. The cumulative profit for 9M23 reached Bt58.8b, down 11% yoy, accounting for 80% of the estimated full-year net profit for 2023.
- Crude oil prices increased to support the ASP.** Dubai crude oil prices saw an increase of 11.4% qoq due to a tight supply situation, which resulted from Saudi Arabia's decision to extend the reduction in oil production capacity. These factors successfully offset the decline in gas selling prices. Consequently, PTTEP achieved an average product selling price of US\$48.6/bbl, an increase of 6.3% qoq. Additionally, the ASP rose, which proved sufficient to cover the unit costs of US\$29.1/bbl in 3Q23 (a 10% qoq increase following heightened sales). As a result, PTTEP maintained a stable margin per unit (ASP to unit cost) at US\$19.5/bbl.

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	219,068	331,350	291,117	311,193	310,902
EBITDA	160,693	253,734	231,523	240,520	238,594
Operating profit	90,399	170,566	138,087	155,528	160,334
Net profit (rep./act.)	38,864	70,901	72,437	79,400	81,992
Net profit (adj.)	42,888	90,721	72,437	79,400	81,992
EPS (Bt)	10.8	22.9	18.2	20.0	20.7
PE (x)	15.6	7.4	9.3	8.4	8.2
P/B (x)	1.7	1.5	1.4	1.3	1.2
EV/EBITDA (x)	4.0	2.5	2.8	2.7	2.7
Dividend yield (%)	3.0	5.5	5.3	5.9	5.9
Net margin (%)	17.7	21.4	24.9	25.5	26.4
Net debt/(cash) to equity (%)	12.7	2.3	(5.8)	(19.1)	(30.1)
Interest cover (x)	24.8	30.9	28.0	30.3	30.1
ROE (%)	9.8	16.7	15.7	15.9	15.1
Consensus net profit	-	-	72,238	67,849	65,244
UOBKH/Consensus (x)	-	-	1.00	1.17	1.26

Source: PTT Exploration & Production PCL, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt169.00
Target Price	Bt200.00
Upside	+18.3%

COMPANY DESCRIPTION

PTTEP explores for crude oil and natural gas, develops fields for production.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	PTTEP TB
Shares issued (m):	3,970.0
Market cap (Btm):	670,927.5
Market cap (US\$m):	18,511.9
3-mth avg daily t'over (US\$m):	50.7

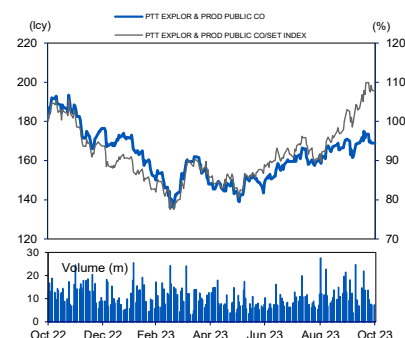
Price Performance (%)

52-week high/low	Bt193.50/Bt136.00				
1mth	3mth	6mth	1yr	YTD	
0.3	6.0	11.9	(2.6)	(4.2)	

Major Shareholders

PTT	64.8
NVDR	6.2
Social Security Office	2.0
FY23 NAV/Share (Bt)	120.44
FY23 Net Cash/Share (Bt)	7.04

PRICE CHART



Source: Bloomberg

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KEY PERFORMANCE

	3Q22	2Q23	3Q23	chg. % yoy	chg. % qoq	9M22	9M23	chg. % yoy
Sales volume (BOED)	478,323	444,868	467,452	-2%	5%	457,050	457,712	0%
Gas price (US\$ per MMBTU)	6.2	5.9	5.8	-7%	-2%	6.1	6.0	-1%
Avg. selling price (US\$ per BOE)	53.7	45.7	48.6	-9%	6%	53.5	48.1	-10%
Avg. Dubai (US\$ per bbl)	97.7	77.8	86.7	-11%	11%	100.6	81.6	-19%
Liquid price (US\$ per BOE)	63.2	66.2	67.2	6%	2%	62.2	66.2	6%
Unit Cost (US\$ per bbl)	28.8	26.4	26.6	-8%	1%	28.1	26.4	-6%

Source: PTT Exploration & Production PCL, UOB Kay Hian

• **Sales volume increased qoq.** In 3Q23, PTTEP disclosed that their total sales volume amounted to 467 thousand barrels' oil equivalent per day (KBOED), up 5.1% qoq. This uptick was primarily a consequence of the planned expansion in sales at the Erawan project. Sales at this project surged from 210 million cubic feet per day (MMSCFD) to 400 MMSCFD from Jun 23. Additionally, sales volumes from the Malaysia project (Sabah K) were factored into 3Q23. This inclusion was due to a maintenance-related shutdown in 2Q23, which was undertaken to store oil in the Floating Production Storage and Offloading (FPSO) vessel. However, this growth in sales volumes led to a higher tax rate in 3Q23, which reached 48.5% (vs 38.7% in 2Q23 and 41.3% in 3Q22). The elevated tax rate in 3Q23 was a contributing factor to the decline in net profit both qoq and yoy.

• **Losses from non-recurring items increased qoq.** In 3Q23, PTTEP incurred losses from non-recurring items amounting to Bt862m (vs Bt1.3b gain in 2Q23). The losses in 3Q23 were due to: a) foreign exchange losses totalling Bt197m, and b) hedging loss of contracts due to fluctuations in crude oil prices of about Bt665m.

STOCK IMPACT

• **The Erawan Project maintained its Apr 24 production target at 800 MMSCFD as originally planned.** It was revealed at the last analyst meeting that the timeline for petroleum production will be slightly delayed. Specifically, PTTEP will adhere to its petroleum production target for the Erawan project, maintaining it at 400 MMSCFD throughout the remainder of 2023 (vs initial plan of 500 MMSCFD). Subsequently, there will be a gradual increase in production to reach 550 MMSCFD by end-1Q24 (vs initial plan of 600 MMSCFD). In order to make up for the delayed production in the Erawan Project, the company will initiate petroleum production in the Bongkot and Arthit projects. Despite this delay, PTTEP remains confident in its ability to achieve the originally planned production level of 800 MMSCFD for the Erawan project by Apr 24.

• **Mozambique project expected to start in 1H28.** The TOTAL E&P Mozambique Area 1 Limitada Company, which serves as the operator (with PTTEP holding 8.5% of its shares), is gearing up to recommence construction by end-23. Their target for the first phase involves producing a total of 13.5 m tonnes of LNG per year to supply customers with long-term LNG gas sales contracts in 1H28. This timeline reflects a delay of approximately one year from the original plan. As a result of this delay, we anticipate that PTTEP may incur an impairment charge of around US\$100-200m in 4Q23. Notably, PTTEP had previously recognized impairments for the Mozambique project twice (US\$160m in 4Q21 and US\$190m in 4Q22). However, the impairments expected for 2023 have not been factored into our projection.

• **Expect stable core profit in 4Q23.** Based on PTTEP's guidance regarding the main key factors for 2023, we anticipate that in 4Q23, PTTEP will experience higher sales and an uptick in ASP. These increases are expected to offset the rise in production costs. Consequently, we predict that the core profits for 4Q23 will remain relatively stable qoq.

EARNINGS REVISION/RISK

• None.

VALUATION/RECOMMENDATION

• **Maintain BUY with a 2024 target price of Bt200.00,** based on average five-year regional forward PE of 10x. We maintain our positive outlook on crude oil price for the rest of 2023-24. As for the top pick in the energy sector, we prefer PTT Exploration and Production (PTTEP TB/Target: Bt200.00) and ESSO (ESSO TB/Target: Bt15.00).

PTTEP'S GUIDANCE

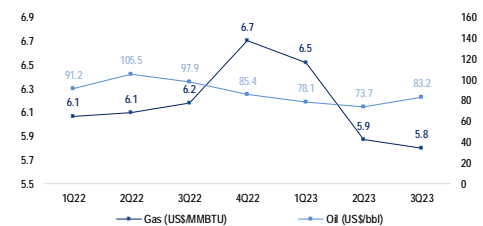
	1Q23	2Q23	3Q23	4Q23F	2023F
Sales Volume (KBD)	461	445	467	479	463
%Chg. yoy	7.8%	-4.4%	-2.3%	-4.3%	-1.1%
%Chg. qoq	-7.9%	-3.5%	5.1%	2.4%	
Gas Price (US\$/MMBTU)	6.5	5.9	5.8	5.9	6.0
%Chg. yoy	7.4%	-3.8%	-7.0%	-12.5%	-4.3%
%Chg. qoq	-2.7%	-10.0%	-2.0%	1.9%	
ASP (US\$/BOE)	50.0	45.7	48.6	51.0	
%Chg. yoy	-2.6%	-17.8%	-9.4%	-3.3%	
%Chg. qoq	-5.2%	-8.6%	6.3%	4.9%	
Unit cost (US\$/BOE)	26.1	26.4	29.1	30.4	28.0
%Chg. yoy	-1.8%	-8.3%	1.0%	3.7%	-1%
%Chg. qoq	-11.1%	1.3%	10.2%	4.5%	

** ASP's 4Q23 = US\$51/BOE

Base on Dubai = US\$90/BOE and Liquid Pctn = 30%

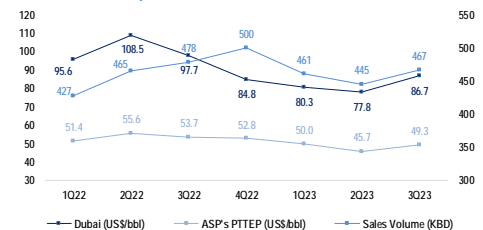
Source: PTTEP, Bloomberg and UOB Kay Hian

GAS AND LIQUID PRICE



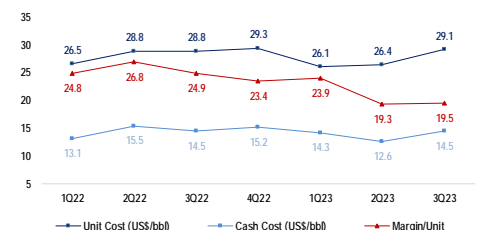
Source: PTTEP, UOB Kay Hian

DUBAI PRICE, ASP AND SALES VOLUME



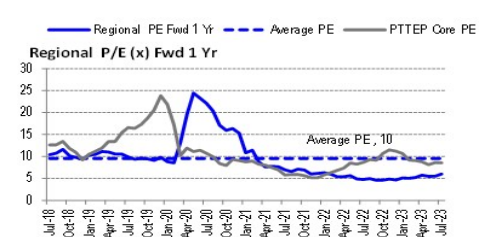
Source: PTTEP, UOB Kay Hian

COST AND MARGIN UNIT



Source: PTTEP, UOB Kay Hian

5-YEAR REGIONAL FORWARD PE BAND



Source: PTTEP, Bloomberg and UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	331,350	291,117	311,193	310,902
EBITDA	253,734	231,523	240,520	238,594
Deprec. & amort.	83,168	93,436	84,993	78,259
EBIT	170,566	138,087	155,528	160,334
Associate contributions	668	701	736	773
Net interest income/(expense)	(8,218)	(8,271)	(7,930)	(7,930)
Pre-tax profit	143,196	130,517	148,334	153,177
Tax	(72,295)	(58,080)	(68,934)	(71,185)
Minorities	0	0	0	0
Net profit	70,901	72,437	79,400	81,992
Net profit (adj.)	90,721	72,437	79,400	81,992

CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	164,916	114,985	164,923	161,261
Pre-tax profit	143,196	130,517	148,334	153,177
Tax	(72,295)	(58,080)	(68,934)	(71,185)
Deprec. & amort.	83,168	93,436	84,993	78,259
Working capital changes	(30,141)	(50,888)	531	1,010
Other operating cashflows	40,987	0	0	0
Investing	(58,760)	(40,170)	(57,001)	(51,674)
Investments	(61,755)	(50,694)	(51,750)	(51,750)
Others	2,995	10,524	(5,251)	76
Financing	(69,958)	(47,201)	(36,219)	(39,700)
Dividend payments	(28,670)	(36,722)	(36,219)	(39,700)
Proceeds from borrowings	(41,288)	(10,479)	0	0
Net cash inflow (outflow)	36,198	27,614	71,703	69,887
Beginning cash & cash equivalent	85,528	122,324	149,938	221,641
Changes due to forex impact	598	0	0	0
Ending cash & cash equivalent	122,324	149,938	221,641	291,528

BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	410,614	367,872	334,629	308,120
Other LT assets	262,408	231,712	247,029	246,807
Cash/ST investment	122,324	149,938	221,641	291,528
Other current assets	74,519	68,805	71,670	70,845
Total assets	869,864	818,327	874,969	917,300
ST debt	10,479	0	0	0
Other current liabilities	104,137	47,536	50,931	51,116
LT debt	121,999	121,999	121,999	121,999
Other LT liabilities	166,129	145,957	156,022	155,877
Shareholders' equity	442,422	478,137	521,318	563,611
Total liabilities & equity	869,864	818,327	874,969	917,300

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	76.6	79.5	77.3	76.7
Pre-tax margin	43.2	44.8	47.7	49.3
Net margin	21.4	24.9	25.5	26.4
ROA	8.6	8.6	9.4	9.1
ROE	16.7	15.7	15.9	15.1
Growth				
Turnover	51.3	(12.1)	6.9	(0.1)
EBITDA	57.9	(8.8)	3.9	(0.8)
Pre-tax profit	78.1	(8.9)	13.7	3.3
Net profit	82.4	2.2	9.6	3.3
Net profit (adj.)	111.5	(20.2)	9.6	3.3
EPS	111.5	(20.2)	9.6	3.3
Leverage				
Debt to total capital	22.1	19.5	18.3	17.2
Debt to equity	29.9	25.5	23.4	21.6
Net debt/(cash) to equity	2.3	(5.8)	(19.1)	(30.1)
Interest cover (x)	30.9	28.0	30.3	30.1

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