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KEY HIGHLIGHTS

Company Results

Globetronics Technology (GTB MK/HOLD/RM1.40/Target: RM1.52) Page 2

9M23: Below expectations. Still not fully out of the woods yet, but fruition of its active engagements with potential Chinese and Taiwanese customers could be game changer.

Company Update

CIMB Group (CIMB MK/BUY/RM5.68/Target: RM6.00) Page 5

Management optimistic on hitting its ROE targets; driven by strong loans growth and NIM recovery.

PPB Group (PEP MK/BUY/RM15.38/Target: RM17.00) Page 8

Maintain BUY with a lower target price of RM17.00 with strong earnings from its core business.

TRADERS' CORNER

Page 11

Pantech Group Holdings (PGHB MK): Technical BUY

Elsoft Research (ELSR MK): Technical BUY

KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,435.65	(2.5)	(0.2)
Bursa Emas	10,591.33	13.5	0.1
Ind Product	171.11	0.9	0.5
Finance	16,181.11	(22.7)	(0.1)
Consumer	551.53	(0.8)	(0.1)
Construction	185.52	2.7	1.4
Properties	847.48	7.6	0.9
Plantations	6,857.24	(16.4)	(0.2)

BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	24-Oct-23	% chg
Volume (m units)	2,936	(13.1)
Value (RMm)	1,942	(2.8)

By Investor type	(%)	ppt chg
Foreign investors	34.3	3.3
Local retail	25.0	(4.7)
Local institution	40.7	1.4

TOP TRADING TURNOVER / GAINERS / LOSERS

Top Trading Turnover	Price (RM)	Chg (%)	5-day ADT (RM'000)
CIMB Group	5.68	0.4	116,332
Tenaga Nasional	9.85	0.0	65,695
Malayan Banking	8.96	(0.3)	64,891
YTL Corp	1.31	4.0	49,560
Public Bank	4.14	(0.5)	42,569

Top Gainers	Price (RM)	Chg (%)	5-day ADT (RM'000)
UEM Sunrise	0.77	5.5	32,965
YTL Corp	1.31	4.0	49,560
Astro Malaysia	0.42	3.7	3,264
MRCB	0.43	3.7	16,991
Eastern & Orient	0.59	3.5	5,354

Top Losers	Price (RM)	Chg (%)	5-day ADT (RM'000)
Parkson Holdings	0.29	(1.7)	5,954
Digi.com	4.14	(1.4)	7,751
PPB Group	15.38	(1.4)	11,741
DRB-Hicom	1.40	(1.4)	564
Bank Islam	2.14	(1.4)	5,074

OTHER STATISTICS

	24-Oct-23	chg	% chg
RM/US\$	4.78	(0.01)	(0.2)
CPO 3rd mth future (RM/mt)	3,667	(86.0)	(2.3)

Notes:

ADT = Average daily turnover.

Top trading turnover, gainers and losers are based on FBM100 component stocks.

COMPANY RESULTS

Globetronics Technology (GTB MK)

9M23: Below Expectations; Trudging Across Choppy Waters

We expect a soft 4Q23 performance amid weaker seasonality in Dec 23 alongside the sluggish ramp-up in its sensor segment. Cut 2023/24 earnings by 18%/8%. The company is rationalising its lower-margin business and pursuing new programmes with its existing and new customers. While Globetronics is still not fully out of the woods yet, the game changer could be the fruition of its active engagements with potential Chinese and Taiwanese customers. Maintain HOLD. Target price: RM1.52.

9M23 RESULTS

Year to 31 Dec (RMm)	3Q23	qoq% chg	yoy % chg	9M23	yoy % chg
Revenue	34.6	9.9	(24.8)	99.3	(27.2)
Gross profit	15.5	40.9	(8.2)	37.9	(29.6)
EBITDA	13.6	18.3	(30.4)	33.0	(36.9)
Operating profit	10.2	26.4	(30.8)	22.6	(37.5)
Finance cost	0.0	n.m.	n.m.	0.0	n.m.
Pre-tax profit	11.3	26.8	(25.0)	25.5	(31.2)
Tax	(1.8)	(3.6)	(22.7)	(5.5)	55.4
Net profit	9.5	34.7	(25.4)	19.9	(40.4)
Core net profit	9.0	136.8	(20.5)	15.9	(48.4)
Margins	%	qoq ppt chg	yoy ppt chg	%	yoy ppt chg
Gross	44.7	9.8	8.1	38.1	(1.3)
EBITDA	39.3	2.8	-3.2	33.2	(5.1)
PBT	32.6	4.3	-0.1	25.6	(1.5)
Core net profit	26.1	14.0	1.4	16.0	(6.6)

Source: Globetronics, UOB Kay Hian

RESULTS

- Below expectations.** Globetronics Technology (Globetronics) reported a soft 3Q23 net profit of RM9.0m (+137% qoq, -21% yoy), bringing 9M23 core net profit to RM15.9m (-48%) which made up 50%/56% of our/consensus' full-year estimates respectively. The negative deviations came mainly from lower volume loadings across its sensor segments. Note that core net profit has been adjusted for unrealised forex gains and assets disposal gains.
- 9M23 sales decreased 27% yoy** on soft volume loadings across its sensor segment (-33%). Meanwhile, the quartz crystal and LED segments were down 64% and 21% respectively amid the slowdown of the semiconductor cycle. As a result of lower operational efficiency coupled with higher electricity tariff (+41%) and higher tax expense (on expired pioneer status), core net profit dropped by 48%.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	206	180	136	190	196
EBITDA	81	71	55	70	68
Operating profit	54	49	29	49	50
Net profit (rep./act.)	53	45	27	44	45
Net profit (adj.)	51	45	27	44	45
EPS (sen)	7.7	6.8	4.0	6.6	6.8
PE (x)	18.3	20.7	34.8	21.2	20.7
P/B (x)	3.1	3.1	3.1	3.1	3.1
EV/EBITDA (x)	9.2	10.5	13.6	10.6	10.9
Dividend yield (%)	5.4	5.0	2.7	4.5	4.6
Net margin (%)	25.7	25.3	19.9	23.2	23.1
Net debt/(cash) to equity (%)	(64.8)	(67.1)	(64.0)	(65.9)	(68.6)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	17.7	15.1	8.9	14.6	14.9
Consensus net profit	-	-	28	39	44
UOBKH/Consensus (x)	-	-	0.95	1.13	1.03

Source: Globetronics, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM1.40
Target Price	RM1.52
Upside	+8.6%
(Previous TP)	RM1.63)

COMPANY DESCRIPTION

Globetronics is an OSAT vendor, well-known for its sensors for smartphone, and focuses on quartz crystal & timing devices and LED products.

STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	GTB MK
Shares issued (m):	671.5
Market cap (RMm):	940.1
Market cap (US\$m):	196.5
3-mth avg daily t'over (US\$m):	0.6

Price Performance (%)

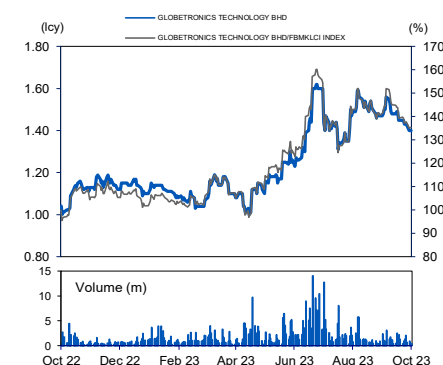
52-week high/low RM1.62/RM1.00

1mth	3mth	6mth	1yr	YTD
(4.8)	(12.5)	27.3	35.7	21.8

Major Shareholders

	%
Employees Provident Fund Board	14.8
General Produce Agency Sdn Bhd	7.1
Ooi Keng Thye	5.8
FY23 NAV/Share (RM)	0.45
FY23 Net Cash/Share (RM)	0.29

PRICE CHART



Source: Bloomberg

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- Qoq, while revenue rebounded 10% sequentially on the seasonal ramp-up, particularly in the sensor segment (22%), core net profit soared by 137% on better product mix alongside better operational efficiency.

STOCK IMPACT

- **Still expecting a soft 4Q23.** For 4Q23, while we expect the seasonal ramp-up to partially spillover into Oct 23, volume loadings for the light and motion sensors in Dec 23 could be lower than the run-rate of 24m-25m/month. Similarly for gesture sensors, we expect monthly volume loadings to be lower than 17m/month on seasonal weakness. For quartz crystal timing devices, volume loadings are expected to drop further.
- **Earmarked RM35m capex in 2023 for new growth engines.** The group has freed up capacity from low-margin quartz crystal timing devices (volume loadings are expected to drop further from 8m/month in 4Q21) alongside an upcoming build-up of 30,000sf floor space to take on new business from MNC customers. We believe the new business development could be accelerated in 1H24 upon the cyclical recovery. The group is currently creating a business portfolio that integrates its new generation sensors with LED, laser and optical devices, which will be done via collaboration with several partners in 2024. Meanwhile, it has also invested RM10m in a clean room facility at its Bayan Lepas plant, which has commenced mass production since 2H22, with meaningful earnings to come in 1H24. Note that we have yet to account for any earnings from such ventures, as we are waiting further details from management.
- **Starting on a clean slate.** Aside from the linearisation of the low-margin quartz crystal business, the group remains relevant as it is a proxy to 5G/IoT/VCSEL deployment with its Outsourced Semiconductor Assembly and Test (OSAT) capabilities. Further impetus could also come from the introduction of new sensors, which the group is working on with the same major customer with commercialisation to take place meaningfully in 2024. We have yet to account for this in our earnings estimates. Meanwhile, the group is in talks with new customers for new programme qualifications while having active engagement with potential China and Taiwan customers which could be the game changer. Qualification programmes for other automobile laser light devices are ongoing with this segment still being one of the key focuses going forward. Meanwhile, the expansion of factory space (30,000sf) has been completed.

EARNINGS REVISION/RISK

- After the model updates, we lower our 2023 and 2024 earnings by 18% and 8% respectively to account for lower loadings across all segments.

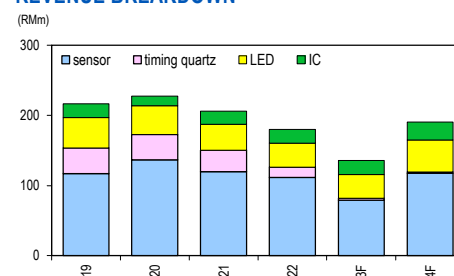
VALUATION/RECOMMENDATION

- **Maintain HOLD with a lower target price of RM1.52**, still based on 23.0x 2024F PE, which is at its -0.5SD below its five-year mean PE.
- Outlook-wise, mass production of new-generation light and gesture sensors with enhanced functionality, alongside new sensors for various applications, could drive sales volumes. Globetronics benefits from 5G/IoT/VCSEL deployment with its growing relevance in high-end smartphones. In the long term, we remain hopeful of the group's ability to improve its relevance in high-tech sensor products for various applications, which would continue to spearhead earnings growth. Meanwhile, the game changers could come from any form of new business collaboration or advanced packaging manufacturing solution.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Globetronics has taken various initiatives that have resulted in an energy reduction of about 10% below the theoretical usage in 2020.
<ul style="list-style-type: none"> • Social <ul style="list-style-type: none"> - Aligned to the Responsible Business Alliance Code of Conduct and will use the principles to ensure a safe and conducive working environment for all employees.
<ul style="list-style-type: none"> • Governance <ul style="list-style-type: none"> - Implemented anti-corruption and bribery prevention programme in view of the Corporate Liability Provision Section 17(A) of MACC 2009 (Amendment 2018) to further enhance transparency.

REVENUE BREAKDOWN



Source: Globetronics, UOB Kay Hian

TIMELINE: NEW PRODUCT COMMERCIALISATION

Type	Timeline
Bio & environmental sensor	Commenced in 2022
New generation light sensor	Commenced in 2023
New generation of gesture sensor	Commenced in 2023
Co-development of next gen sensors	2024
New sensors (unknown)	2024

Source: UOB Kay Hian

FIVE-YEAR FORWARD PE CHART



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	180	136	190	196
EBITDA	71	55	70	68
Deprec. & amort.	22	26	21	18
EBIT	49	29	49	50
Associate contributions	0	0	0	0
Net interest income/(expense)	2	1	1	1
Pre-tax profit	51	30	50	51
Tax	(6)	(3)	(6)	(6)
Minorities	0	0	0	0
Net profit	45	27	44	45
Net profit (adj.)	45	27	44	45

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	58	52	59	63
Pre-tax profit	51	30	50	51
Tax	(5)	(3)	(6)	(6)
Deprec. & amort.	22	26	21	18
Working capital changes	(8)	0	(6)	(1)
Other operating cashflows	(1)	0	0	0
Investing	(6)	(35)	(10)	(10)
Capex (growth)	(11)	(35)	(10)	(10)
Investments	(1)	0	0	0
Proceeds from sale of assets	3	0	0	0
Others	2	0	0	0
Financing	(47)	(26)	(42)	(43)
Dividend payments	(47)	(26)	(42)	(43)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	6	(8)	7	10
Beginning cash & cash equivalent	195	201	193	200
Changes due to forex impact	1	0	0	0
Ending cash & cash equivalent	201	193	200	210

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	58	67	56	48
Other LT assets	26	26	26	26
Cash/ST investment	201	193	200	210
Other current assets	41	38	52	54
Total assets	327	325	335	338
ST debt	0	0	0	0
Other current liabilities	26	23	31	32
LT debt	0	0	0	0
Other LT liabilities	0	0	0	0
Shareholders' equity	300	302	304	306
Minority interest	0	0	0	0
Total liabilities & equity	327	325	335	338

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	39.5	40.5	36.8	34.8
Pre-tax margin	28.5	22.4	26.2	26.0
Net margin	25.3	19.9	23.2	23.1
ROA	13.7	8.3	13.4	13.5
ROE	15.1	8.9	14.6	14.9
Growth				
Turnover	(12.6)	(24.6)	40.4	3.1
EBITDA	(12.6)	(22.8)	27.7	(2.7)
Pre-tax profit	(7.6)	(40.7)	64.2	2.5
Net profit	(14.1)	(40.7)	64.2	2.5
Net profit (adj.)	(11.7)	(40.5)	64.2	2.5
EPS	(11.7)	(40.5)	64.2	2.5
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	(67.1)	(64.0)	(65.9)	(68.6)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

COMPANY UPDATE

CIMB Group (CIMB MK)

Resilient In The Face Of Challenges

Management remains fairly optimistic of the group's overall outlook despite the potential negative impact of inflationary pressure and normalisation in interest rates on asset quality. This stems from the group's large stock of pre-emptive provisions. Meanwhile, strong loans growth momentum and potential cost optimisation could provide potential earnings tailwinds. Maintain BUY and target price of RM6.00 (0.93x 2023F P/B, 9.8% 2023 ROE).

WHAT'S NEW

- **Asset quality remains stable with possibility of improvement.** CIMB Group (CIMB) is confident about navigating the current economic challenges, including the impact of higher interest rates on asset quality. This confidence stems from the group's proactive measures to reduce risk in its loans in recent years, particularly in Indonesia and Thailand. These efforts are evident in its gross impaired loan (GIL) ratio, which has only increased by 8bp since 4Q22 to 3.35% in 2Q23. Management anticipates that the group's GIL ratio will remain stable and improve going forward. Furthermore, there are no specific large corporate accounts under significant asset quality stress, according to management.
- **Sufficient management overlays to withstand potential asset quality headwinds.** Management is confident that CIMB has ample pre-emptive provisions to address any potential GIL deterioration. Instead of reversing their surplus overlays, they have redistributed most of their RM2.0b in overlays across various portfolios.
- **Credit cost to remain stable.** With ample management overlays in place, there are no foreseen upside risks to the credit cost guidance. Recently, management revised its 2023 net credit cost guidance down to 40-50bp from 45-55bp, taking into account the positive GIL outlook and strategic allocation of overlays. We are maintaining our 40bp assumption for 2023 net credit costs, with a slight expected increase in the second half of 2023 to the 40-50bp range, compared to 38bp in the first half.
- **More rational deposit competition.** CIMB has reduced the rates for new fixed deposit campaigns in Malaysia by 25bp since Apr 23, signaling a more rational deposit competition.
- **Sequential recovery in NIM in 3Q23.** The easing of deposit competition and positive impact of the 25bp overnight policy rate (OPR) hike in May 23 has resulted in a slight overall qoq improvement in group NIM, with the gain in Malaysia more than compensating for slight NIM pressure in Indonesia. Nevertheless, we still expect a full-year 2023 NIM compression of 18bp, compared to a 22bp compression in the first half of the year. This aligns with management's forecast of -15bp to -20bp, implying a projected NIM recovery starting from 3Q23. In 2024, we project a flattish NIM trend.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net interest income	10,936	11,623	11,292	11,787	12,458
Non-interest income	3,955	4,198	4,452	4,671	4,908
Net profit (rep./act.)	4,357	5,433	6,421	7,072	7,615
Net profit (adj.)	4,357	5,433	6,421	7,072	7,615
EPS (sen)	43.5	52.6	61.0	65.9	69.7
PE (x)	13.1	10.8	9.3	8.6	8.2
P/B (x)	1.0	0.9	0.9	0.8	0.8
Dividend yield (%)	4.0	4.6	5.4	5.8	6.1
Net int margin (%)	2.5	2.6	2.4	2.4	2.4
Cost/income (%)	51.1	47.2	48.2	47.8	47.1
Loan loss cover (%)	100.3	93.1	98.2	110.0	114.1
Consensus net profit	-	-	6,512	6,975	7,531
UOBKH/Consensus (x)	-	-	0.99	1.01	1.01

Source: CIMB Group, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM5.68
Target Price	RM6.00
Upside	+10.6%

COMPANY DESCRIPTION

CIMB Group is Malaysia's largest investment bank and second-largest consumer bank and one of Southeast Asia's leading universal banking groups

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	CIMB MK
Shares issued (m):	10,665.1
Market cap (RMm):	60,911.5
Market cap (US\$m):	12,661.3
3-mth avg daily t'over (US\$m):	14.7

Price Performance (%)

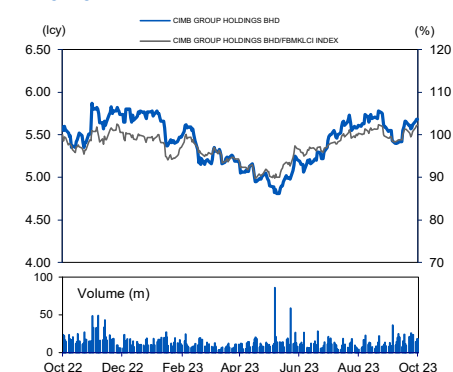
52-week high/low			RM5.87/RM4.81	
1mth	3mth	6mth	1yr	YTD
1.6	6.2	9.4	2.7	(2.1)

Major Shareholders

	%
Khazanah Nasional Berhad	24.1
Amanah Saham Nasional	13.5
Employees Provident Fund Board	13.2

FY23 NAV/Share (RM)	6.48
FY23 CAR Tier-1 (%)	16.23

PRICE CHART



Source: Bloomberg

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ESSENTIALS

- **Non-interest income normalising downwards sequentially.** Given the high base effect of 2Q23 non-interest income, due to the strong NPL recovery from CIMB Niaga, management expects non-interest income to normalise downwards in 3Q23. Additionally, trading and forex income has decreased qoq, but this has been partly offset by stronger fee income. Our forecast incorporates the high base effect of non-interest income in 1H23, and we anticipate a 41.6% qoq contraction in non-interest income for 2H23.
- **Investment and trading income to face weakness in 4Q23.** Tracking higher US Treasury yields, the 10-year MGS has climbed from 3.92% at end-Aug 23 to the current rate of 4.22%. This increase may result in a possibility of weakness in investment and trading income into 4Q23.
- **Loans growth momentum continues to track above guidance.** With no significant disbursements of large corporate loans, the momentum in loans growth for 3Q23 has slowed. However, it is worth noting that despite this slowdown, it remains in line with management's 6-7% growth guidance for 2023 and above our relatively conservative forecast of 5%. To recap, in the first half of 2023, the group achieved robust loans growth at 8.3%, driven by a strong 11.2% growth in wholesale banking loans and commendable growth of 8.0% and 6.7% in commercial and consumer banking respectively.
- **Slight uptick in opex growth.** We anticipate opex growth to increase to around 6% yoy in 2H23, compared to 4% in the first half, primarily due to higher IT and marketing expenses. This is expected to result in a full-year opex growth of approximately 5%, which is commendable considering the current inflationary environment.
- **Opex to creep upwards in 2024.** Looking ahead to 2024, we project opex growth of 6%, compared to the past four-year average of 2.4% per annum. This higher growth assumption is to account for an anticipated salary increase for unionised staff, even though negotiations have not yet commenced. Management has indicated their intention to start accruing this cost in 2024. Overall, we anticipate a slight improvement in the group's operating Jaws into 2024. Notably, despite the significant pressure on net interest margin (NIM) in 1H23, the group still managed to achieve positive operating Jaws.
- **Outlook.** Management has far and large retained its key 2023 guidance of: a) ROE: 10.0-11.0%, b) cost-to-income ratio of <46.5%, c) net credit cost range of 45-55bp, d) loans growth of 5-6%, and e) 15-20bp NIM slippage. In comparison, we have assumed a slightly more conservative ROE of 9.8% as inherent in management's ROE target is a non-interest income growth in excess of 10% vs our 6% growth assumption.

EARNINGS REVISION/RISK

- Unchanged.

VALUATIONS AND RECOMMENDATIONS

- **Maintain BUY and target price of RM6.00 (0.93x 2023F P/B, 9.8% ROE).** Our optimism for CIMB is grounded in the potential for a positive ROE upside surprise, primarily fueled by reduced credit costs, strong loan growth and cost optimisation. The company has successfully elevated its ROE from the pre-pandemic range of 8-9% to its current level of 10%. To offer a glimpse of the potential for upside in our target price, if we were to extend our valuations into 2024, our target price would elevate to RM6.45.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Green loan commitment. To provide RM30b in sustainable financing by 2040. - Zero new coal financing. Transition all stakeholders to zero carbon emission by 2050. • Social <ul style="list-style-type: none"> - Board and upper management gender diversity. Maintained 30% female directors on the Board. - Enhanced financial inclusion to B40. Provide greater financial inclusion for vulnerable communities (affordable housing financing) and welfare assistance to vulnerable communities especially the B40 consumers. • Governance <ul style="list-style-type: none"> - Non-independent board of directors composition. Composition of Independent Non-Executive Directors (INED) – 60 %.

KEY ASSUMPTIONS

(%)	2023F	2024F	2025F
Loan Growth	5.0	6.0	6.2
Credit Cost (bp)	40.0	39.0	38.0
ROE	9.8	10.1	10.2

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Interest income	18,639	19,695	21,151	22,801
Interest expense	(7,016)	(8,403)	(9,364)	(10,344)
Net interest income	11,623	11,292	11,787	12,458
Fees & commissions	2,227	2,383	2,454	2,602
Other income	1,971	2,069	2,217	2,307
Non-interest income	4,198	4,452	4,671	4,908
Income from islamic banking	4,000	4,520	5,107	5,771
Total income	19,820	20,263	21,566	23,137
Staff costs	(5,539)	(5,767)	(6,228)	(6,728)
Other operating expense	(3,806)	(3,999)	(4,071)	(4,169)
Pre-provision profit	10,475	10,498	11,267	12,240
Loan loss provision	(1,953)	(1,709)	(1,766)	(1,824)
Other provisions	(209)	(350)	(200)	(398)
Associated companies	40	71	72	73
Other non-operating income	10	0	0	0
Pre-tax profit	8,364	8,510	9,372	10,091
Tax	(2,778)	(1,957)	(2,156)	(2,321)
Minorities	(153)	(131)	(144)	(155)
Net profit	5,433	6,421	7,072	7,615
Net profit (adj.)	5,433	6,421	7,072	7,615

OPERATING RATIOS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Capital Adequacy				
Tier-1 CAR	15.1	16.2	16.9	17.5
Total CAR	19.5	21.2	21.8	22.4
Total assets/equity (x)	10.6	10.5	10.6	10.8
Tangible assets/tangible common equity (x)	12.1	11.8	11.9	12.0
Asset Quality				
NPL ratio	3.3	3.4	3.2	3.2
Loan loss coverage	93.1	98.2	110.0	114.1
Loan loss reserve/gross loans	3.0	3.3	3.5	3.7
Increase in NPLs	0.3	7.8	0.5	7.4
Credit cost (bp)	49.5	40.0	39.0	38.0
Liquidity				
Loan/deposit ratio	88.3	88.1	88.8	89.4
Liquid assets/short-term liabilities	6.1	6.7	6.7	6.7
Liquid assets/total assets	4.4	4.8	4.7	4.5

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Cash with central bank	10,905	14,956	15,853	16,804
Govt treasury bills & securities	15,602	15,914	16,232	16,557
Interbank loans	3,096	3,378	3,686	4,021
Customer loans	394,557	413,196	437,067	462,419
Investment securities	140,808	158,269	177,767	199,539
Derivative receivables	18,072	20,241	22,670	25,390
Associates & JVs	2,467	2,590	2,720	2,856
Fixed assets (incl. prop.)	2,656	2,545	2,431	2,315
Other assets	78,557	83,174	89,496	97,595
Total assets	666,721	714,263	767,922	827,497
Interbank deposits	34,189	36,413	38,793	41,340
Customer deposits	446,634	468,966	492,414	517,035
Derivative payables	53,384	55,694	58,105	60,621
Debt equivalents	20,933	20,933	20,933	20,933
Other liabilities	47,797	62,843	84,177	109,606
Total liabilities	602,937	644,849	694,422	749,536
Shareholders' funds	62,691	68,190	72,132	76,438
Minority interest - accumulated	1,093	1,224	1,368	1,523
Total equity & liabilities	666,721	714,263	767,922	827,497

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Growth (yoy chg)				
Net interest income	6.3	(2.9)	4.4	5.7
Fees & commissions	6.4	7.0	3.0	6.0
Pre-provision profit	16.3	0.2	7.3	8.6
Net profit	24.7	18.2	10.1	7.7
Net profit (adj.)	24.7	18.2	10.1	7.7
Customer loans	8.2	4.7	5.8	5.8
Customer deposits	3.2	5.0	5.0	5.0
Profitability				
Net interest margin	2.6	2.4	2.4	2.4
Cost/income ratio	47.2	48.2	47.8	47.1
Adjusted ROA	0.8	0.9	1.0	1.0
Reported ROE	8.9	9.8	10.1	10.3
Adjusted ROE	8.9	9.8	10.1	10.3
Valuation				
P/BV (x)	0.9	0.9	0.8	0.8
P/NTA (x)	1.1	1.0	1.0	0.9
Adjusted P/E (x)	10.8	9.3	8.6	8.2
Dividend Yield	4.6	5.4	5.8	6.1
Payout ratio	49.4	50.0	50.0	50.0

COMPANY UPDATE

PPB Group (PEP MK)

Strong Earnings Contribution From Its Core Business

We reiterate **BUY** on PPB on the back of strong earnings recovery from its core business, with operating profit expected to surge 314% yoy in 2023 mainly on the back of higher margin for its grains and agribusiness and strong earnings from the film exhibition and distribution segment. We have revised our earnings and target price lower mainly to reflect lower projected earnings and target price for its associate Wilmar. Maintain **BUY** with a lower target price of RM17.00.

WHAT'S NEW

- **PPB Group (PPB) would have a strong recovery in its core businesses** with operating earnings expected to soar by more than 314% yoy, resulting in improved margins. Notably, Wilmar International (Wilmar), an associate of PPB, played a significant role in the earnings, contributing 70-80% historically. This contribution surged to nearly 100% of PPB's earnings during 2020-22 due to heightened raw material costs and COVID-19-related restrictions. Anticipated for 2023 is a return to a more balanced composition, with PPB's core segments expected to contribute around 30% of earnings, while the remainder is projected to come from Wilmar. This is mainly on the back of:

a) Grains and agribusiness' margin continue to grow, thanks to the weakening wheat prices. Wheat prices have dropped by 21% since its latest peak in Mar 23. Note that, wheat is the main cost of production for flour and usually takes up 60-80% of the total cost of production, depending on the raw material prices.

b) Strong earnings from film exhibition and distribution segment. We expect the film exhibition and distribution segment to continue to deliver good earnings, supported by strong movie titles in 2H23, eg Barbie, Oppenheimer, No More Bets etc. On top of that, GSC is also one of the producers for some local movies, which may result in higher film distribution income.

- **Positive news from Budget 2024.** The Malaysian government had also recently announced in the Budget 2024 to phase out the price control on eggs which would benefit PPB Group as it has a livestock farming sub-segment under the grain and agribusiness segment. It operates a layer farm, producing more than 20m eggs a month under the Seri Murni brand,

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	4,653	6,151	6,977	7,561	7,910
EBITDA	(3)	151	402	371	358
Operating profit	(3)	151	402	371	358
Net profit (rep./act.)	1,585	2,261	1,060	1,414	1,668
Net profit (adj.)	1,689	2,372	1,060	1,414	1,668
EPS (sen)	118.7	166.6	74.5	99.4	117.2
PE (x)	13.0	9.2	20.6	15.5	13.1
P/B (x)	0.9	0.8	0.8	0.8	0.8
EV/EBITDA (x)	n.m.	151.1	56.7	61.5	63.7
Dividend yield (%)	2.1	2.6	1.7	2.4	3.0
Net margin (%)	34.1	36.8	15.2	18.7	21.1
Net debt/(cash) to equity (%)	(0.8)	(0.9)	0.6	0.2	(0.5)
Interest cover (x)	n.a.	8.0	9.7	7.5	7.5
Consensus net profit	-	-	1,364	1,719	1,748
UOBKH/Consensus (x)	-	-	0.78	0.82	0.95

n.m. : not meaningful; negative PE, EV/EBITDA reflected as "n.m."

Source: PPB Group, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM15.38
Target Price	RM17.00
Upside	+10.5%
(Previous TP)	RM19.10)

COMPANY DESCRIPTION

Core businesses are grains trading, flour trading and animal feed milling as well as downstream activities such as livestock farming, food processing, bakery, and marketing and distribution of consumer products.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	PEP MK
Shariah Compliant:	Yes
Shares issued (m):	1,422.6
Market cap (RMm):	21,879.6
Market cap (US\$m):	4,573.0
3-mth avg daily t'over (US\$m):	2.1

Price Performance (%)

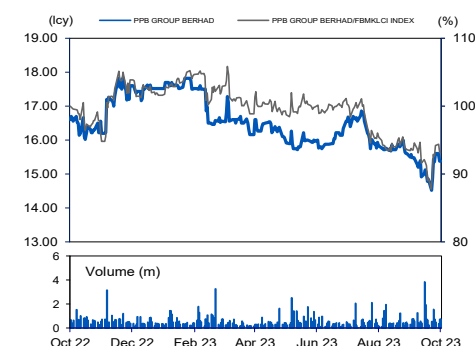
52-week high/low			RM17.84/RM14.52	
1mth	3mth	6mth	1yr	YTD
(1.4)	(7.1)	(4.8)	(8.5)	(11.8)

Major Shareholders

	%
Kuok Brothers Sdn Bhd	50.2
Employees Provident Fund Board	7.2
Kumpulan Wang Persaraan	3.5

FY23 NAV/Share (RM)	18.76
FY23 Net Debt/Share (RM)	0.10

PRICE CHART



Source: Bloomberg

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EARNINGS REVISION/RISK

- **Adjusted earnings forecast** for 2023-25 by -15%/-7%/-7% to RM1,060m, RM1,414m and RM1668m respectively, factoring in lower earnings contribution from Wilmar.
- Note that we have adjusted our in-house Wilmar earnings forecasts by 18%, 9% and 8% for 2023/24/25 due to lower palm downstream processing and soybean crushing margin.

Refer here for our report on Wilmar:

https://research.uobkayhian.com/content_download.jsp?id=75669&h=3529a11e71e87beb51d0191d65638c50

VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of RM17.00 (previous: RM19.10)** after lowering Wilmar's contribution. We still like PPB on the back of the strong recovery from its core business. Our target price is based on SOTP valuation.

SHARE PRICE CATALYST

- Higher-than-expected operation margin, especially from its grains and agribusiness segment.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• Environmental

- Five-year target to reduce the energy-use intensity for flour and feed production by 5% by 2023.
- Target to reduce GHG emission of flour and feed mills by 3% by 2025 and 5% by 2031.

• Social

- Commenced implementation of Group's Human Rights Policy in its supply chain.
- Zero fatalities in all business divisions.

• Governance

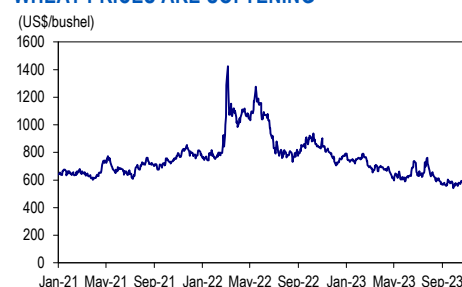
- Transparent governance along with an Anti-Bribery and Anti-Corruption Policy.

SOTP VALUATION

SOTP	PE (x)	(RM/share)
Grains & Agribusiness	38	5.60
Consumer Products	38	0.40
Film Exhibition & Distribution	25	1.30
Property	8	0.10
Stakes in Associates		
Wilmar International		9.70
Malaysian Bulk Carriers		0.04
Fair Value (RM) (rounding off)		17.00

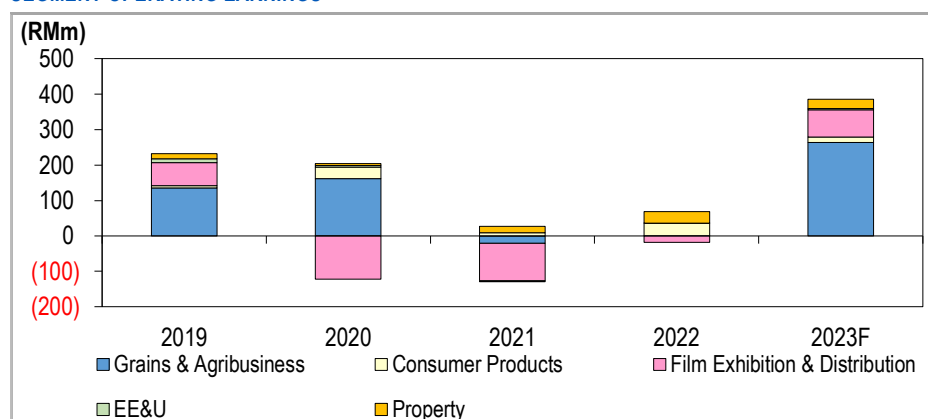
Source: UOB Kay Hian

WHEAT PRICES ARE SOFTENING



Source: Bloomberg

SEGMENT OPERATING EARNINGS



Source: Companies reports, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	6,151	6,977	7,561	7,910
EBITDA	151	402	371	358
Deprec. & amort.	0	0	0	0
EBIT	151	402	371	358
Associate contributions	2,182	753	1,164	1,442
Net interest income/(expense)	(19)	(42)	(50)	(48)
Pre-tax profit	2,314	1,114	1,486	1,752
Tax	(30)	(15)	(20)	(23)
Minorities	(23)	(38)	(51)	(61)
Net profit	2,261	1,060	1,414	1,668
Net profit (adj.)	2,372	1,060	1,414	1,668

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	(64)	220	233	249
Pre-tax profit	2,250	1,114	1,486	1,752
Tax	(30)	(15)	(20)	(23)
Deprec. & amort.	0	0	0	0
Working capital changes	(116)	(147)	(85)	(51)
Other operating cashflows	(2,169)	(732)	(1,148)	(1,429)
Investing	437	18	159	257
Capex (growth)	(210)	(210)	(210)	(210)
Capex (maintenance)	0	0	0	0
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	647	228	369	467
Financing	(400)	(300)	(300)	(299)
Dividend payments	(400)	(300)	(300)	(299)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	(27)	(62)	92	207
Beginning cash & cash equivalent	1,292	1,264	1,202	1,296
Changes due to forex impact	323	0	1	2
Ending cash & cash equivalent	1,587	1,202	1,296	1,504

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	1,323	1,533	1,743	1,953
Other LT assets	23,694	24,633	25,083	25,490
Cash/ST investment	1,587	1,202	1,296	1,504
Other current assets	2,329	2,249	2,432	2,542
Total assets	28,933	29,618	30,553	31,489
ST debt	1,279	1,279	1,279	1,279
Other current liabilities	517	299	321	333
LT debt	69	72	73	74
Other LT liabilities	500	500	500	500
Shareholders' equity	25,831	26,693	27,554	28,416
Minority interest	738	776	827	888
Total liabilities & equity	28,933	29,618	30,553	31,489

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	2.5	5.8	4.9	4.5
Pre-tax margin	37.6	16.0	19.6	22.2
Net margin	36.8	15.2	18.7	21.1
Net profit (adj.)	40.5	(55.3)	33.4	17.9
Leverage				
Debt to total capital	4.8	4.7	4.5	4.4
Debt to equity	5.2	5.1	4.9	4.8
Net debt/(cash) to equity	(0.9)	0.6	0.2	(0.5)
Interest cover (x)	8.0	9.7	7.5	7.5

TRADERS' CORNER



Source: UOBKH ChartGenie

Pantech Group Holdings (PGHB MK)

Technical BUY with +17.5% potential return

Last price: RM0.885

Target price: RM0.995, RM1.04

Support: RM0.825

Stop-loss: RM0.82

BUY with a target price of RM1.04 and stop-loss at RM0.82. Yesterday, share price closed above the BBI line to maintain the bullish momentum towards the previous high of RM0.895. This was supported by the MACD's bullish crossover and is consistent with the uptick in the RSI which suggests stronger buying momentum ahead. We peg our target prices at RM0.995 and RM1.04 in the near term.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading



Source: UOBKH ChartGenie

Elssoft Research (ELSR MK)

Technical BUY on breakout with +18.3% potential return

Last price: RM0.525

Target price: RM0.605, RM0.645

Support: RM0.495

Stop-loss: RM0.49

BUY on breakout with a target price of RM0.645 and stop-loss at RM0.49. Yesterday, share price consolidated near the immediate support of RM0.495, and then closed positively above the BBI and set a new tone for the short-term outlook. We expect ELSR to continue making higher highs and higher lows if it penetrates the breakout level at RM0.545. The bullish bias has been established following an uptick in the RSI and a bullish crossover in the DMI. We peg our targets at RM0.605 and RM0.645 in near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

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