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KEY HIGHLIGHTS

Company Results

Mr D.I.Y. Group (MRDIY MK/BUY/RM1.61/Target: RM2.10) Page 2

3Q23: Results within expectations despite some SSSG softness. Dividend payout policy is raised further. Maintain BUY.

My E.G. Services (MYEG MK/BUY/RM0.805/Target: RM1.21) Page 5

3Q23: Above expectations with another record-high core net profit quarter, boosted by solid blockchain segment's earnings. Maintain BUY with higher target price of RM1.21.

Small-Mid Cap Highlights

Cape EMS (CEB MK/BUY/RM1.09/Target: RM1.68) Page 8

3Q23: Within expectations on a record-high profit; on track for a stellar 2023.

UOBKH Highlights

Hap Seng Plantations (HAPL MK/BUY/RM1.81/Target: RM2.65) Page 11

3Q23: Slightly below our expectations.

TRADERS' CORNER

Page 12

Malaysia Building Society (MBS MK): Technical BUY

PGF Capital (PGF MK): Technical BUY

KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,456.92	(3.8)	(0.3)
Bursa Emas	10,790.12	(9.9)	(0.1)
Ind Product	173.58	(0.3)	(0.2)
Finance	16,359.27	(23.4)	(0.1)
Consumer	559.75	(1.4)	(0.2)
Construction	187.13	(0.3)	(0.2)
Properties	858.02	(4.0)	(0.5)
Plantations	6,986.00	(20.7)	(0.3)

BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	20-Nov-23	% chg
Volume (m units)	3,227	(1.4)
Value (RMm)	1,698	(10.1)

By Investor type	(%)	ppt chg
Foreign investors	27.0	(2.8)
Local retail	31.4	2.6
Local institution	41.7	0.2

TOP TRADING TURNOVER / GAINERS / LOSERS

Top Trading Turnover	Price (RM)	Chg (%)	5-day ADT (RM'000)
Malayan Banking	9.11	(0.1)	65,092
CIMB Group	5.77	(0.5)	55,076
Public Bank	4.21	(0.5)	44,745
Top Glove	0.80	1.9	40,300
Sime Darby	2.38	(2.5)	38,714

Top Gainers

SapuraEnergy	0.05	11.1	263
Supermax Corp	0.96	5.5	13,305
Velesto Energy	0.24	4.3	5,846
AirAsia X	2.07	3.5	5
GD Express Carrier	0.20	2.6	334

Top Losers

Eastern & Orient	0.59	(2.5)	3,206
Sime Darby	2.38	(2.5)	38,714
Berjaya Auto	2.43	(2.0)	13,133
Westports Holdings	3.44	(2.0)	7,181
IOI Properties	1.72	(1.7)	3,647

OTHER STATISTICS

	20-Nov-23	chg	% chg
RM/US\$	4.67	(0.01)	(0.3)
CPO 3rd mth future (RM/mt)	3,934	3.0	0.1

Notes:

ADT = Average daily turnover.

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

COMPANY RESULTS

Mr D.I.Y. Group (MRDIY MK)

3Q23: Driving Home Growth Despite Soft Sentiment

SSSG softened off a myriad of factors, chief among others, the high base effect from EPF Special Withdrawals and lacklustre sentiment. However, Mr DIY continues to deliver on earnings. Positively, Mr DIY increased its dividend payout policy given its net cash position and high cash generation. We continue to like Mr DIY for its execution, attractive earnings growth and bargain valuations. Maintain BUY and target price of RM2.10.

3Q23 RESULTS

Year to 31 Dec	3Q23 (RMm)	qoq % chg	yoy % chg	9M23 (RMm)	yoy % chg	Comments
Revenue	1,066.5	-3.0	10.4	3,212.6	10.0	Top-line driven by 17.2% higher store count but partially offset by softer revenue per store of -5.8% (SSSG: -2.2%).
GP	479.5	-5.8	20.9	1,451.8	22.9	
EBITDA	260.6	-10.3	20.6	812.4	18.0	
PBT	167.1	-17.0	24.1	540.9	19.6	
Core profit	123.9	-17.5	22.5	402.0	19.3	Within expectations at 71% of both our and consensus expectations.
Store count	1208	3.4	17.2	1079	8.9	
Revenue per store	883	-6.2	-5.8			
Margins	%	+/- ppt	+/- ppt	%	+/- ppt	
Gross profit	45.0	-1.3	3.9	45.2	4.7	
EBITDA	24.4	-2.0	2.1	25.3	1.7	
Eff. tax rate	-25.8	-0.5	-1.0	-25.7	-0.1	
Core Profit	11.6	-2.0	1.1	12.5	1.0	

Source: Mr DIY, UOB Kay Hian

RESULTS

- **Within expectations as dividend payout increased yet again.** Mr D.I.Y. Group (Mr DIY) registered a 3Q23 net profit of RM123.9m (-17.5% qoq, 22.5% yoy). This brought 9M23 earnings to RM402m (+19.3% yoy). This was largely within our and consensus expectations at 71% of both our and consensus full-year earnings forecasts respectively. 4Q is seasonally the strongest quarter that should shore up full-year contributions. An interim DPS of 0.8 sen was declared, bringing 9M23 DPS to 2.2 sen (9M22: 1.8 sen). Positively, Mr DIY has revised its dividend payout policy upwards to >50% payout from 40-50% previously.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	3,373	3,986	4,522	5,322	6,152
EBITDA	842	939	1,144	1,345	1,524
Operating profit	623	677	806	947	1,063
Net profit (rep./act.)	432	473	569	669	748
Net profit (adj.)	432	473	569	669	748
EPS (sen)	4.6	5.0	6.0	7.1	7.9
PE (x)	35.1	32.1	26.7	22.7	20.3
P/B (x)	13.2	10.6	8.8	7.4	6.3
EV/EBITDA (x)	17.9	16.1	13.2	11.2	9.9
Dividend yield (%)	1.2	1.3	1.9	2.2	2.5
Net margin (%)	12.8	11.9	12.6	12.6	12.2
Net debt/(cash) to equity (%)	1.4	13.4	(5.1)	(12.4)	(19.9)
Interest cover (x)	13.9	14.8	17.7	17.8	17.1
ROE (%)	42.6	36.6	36.1	35.5	33.4
Consensus net profit	-	-	570	664	761
UOBKH/Consensus (x)	-	-	1.00	1.01	0.98

Source: Mr DIY, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.61
Target Price	RM2.10
Upside	+30.4%

COMPANY DESCRIPTION

Homegrown Mr DIY is the largest home improvement retailer in Malaysia, with more than 40% of the home improvement market share and growing. It also operates in Brunei and is involved in toy and dollar concept stores.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	MRDIY MK
Shariah Compliant:	Yes
Shares issued (m):	9,441.0
Market cap (RMm):	14,350.4
Market cap (US\$m):	3,041.1
3-mth avg daily t'over (US\$m):	2.5

Price Performance (%)

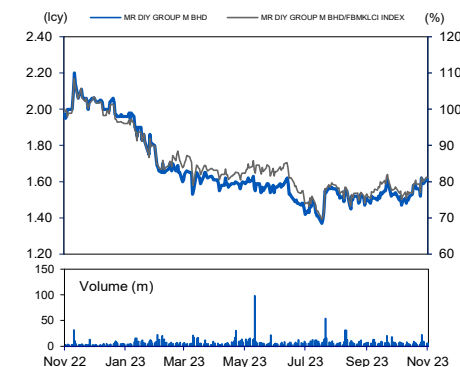
52-week high/low RM2.20/RM1.37

1mth	3mth	6mth	1yr	YTD
(3.8)	(3.2)	(5.0)	(25.5)	(24.0)

Major Shareholders

	%
Bee Family	50.9
EPF	5.4
Hyptis	4.9
FY23 NAV/Share (RM)	0.19
FY23 Net Cash/Share (RM)	0.01

PRICE CHART



Source: Bloomberg

ANALYST(S)

Philip Wong
+603 2147 1996
philipwong@uobkayhian.com

• **SSSG slippage but revenue grew handsomely.** 3Q23 revenue grew by 10.4% yoy but contracted sequentially by 3.0% qoq. This was lifted by increased store count (+17.2%) amid lower revenue per store (-5.8%). Mr DIY registered an SSSG of -2.2%. The SSSG slippage was due to weak consumer sentiment (basket size shrank 5.1% yoy), smaller store size and 3Q22 enjoying spillover from the EPF special withdrawal forming a high base effect. Management expects 180 new stores per annum over the near term and to achieve a 2,000-store count by 2028. This translates to a store growth of 15.4/13.3% for 2024-25, that would largely drive top-line growth over the foreseeable future.

• **Margins holding up well.** Gross margins grew 3.9ppt yoy but slipped marginally by 1.3ppt qoq to 45.0%. Margins should be sustained over the near term with no particular cost spiking. The lower cost of sales were partially offset by higher opex as EBITDA margins only gained 2.1ppt yoy to 24.4% following lower economies of scale and higher labour and utility costs. 3Q23 PATAMI margins sustained yoy margin enhancement by 1.1ppt to 11.6%. On the back of robust sales growth and enhanced margins, earnings jumped by 22.5% yoy.

STOCK IMPACT

• **Three-pronged approach beyond core brands.** Firstly, the company will explore one or two formats of new brands or franchise opportunities a year to leverage on existing relationships. Something similar it did previously with Emtop, a hardware brand for sophisticated DIY and tradesmen. Secondly, to explore horizontal and/or vertical acquisitions that are opportunistic in nature and modest in transaction size. Lastly, further warehouse automation to increase throughput and picking accuracy in order to realise opex savings of RM10m per annum from labour and warehouse rental savings.

EARNINGS REVISION/RISK

• **No changes to our earnings.** Key downside risks are a sharp weakening of the ringgit against the renminbi and trade restrictions by China.

VALUATION/RECOMMENDATION

• **Maintain BUY and target price of RM2.10.** While sentiment on the consumer sector teeters on concerns of high cost of living, Mr DIY should be among the best poised to navigate such headwinds given its low-cost leadership. Despite being a large cap, Mr DIY continues to offer an attractive three-year profit CAGR of 16.5%. Given its underlying resiliency and attractive growth, our PE peg of 30x based on 2024 earnings is at a 45% discount to large-cap domestic consumer peers Nestle and QL Resources, which historically traded at 54x is well justified.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

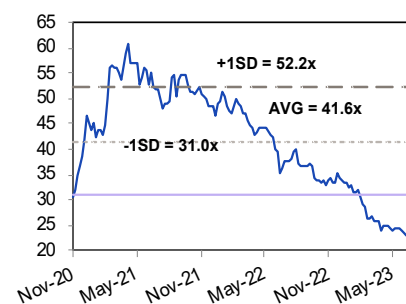
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Energy management. Mr DIY targets to increase renewable energy sources by 30% from base year 2021 for its warehouses. - Emission. By 2030, Mr DIY aims to reduce Scope 1 and 2 emissions by 20% and 30% respectively from base year 2021. • Social <ul style="list-style-type: none"> - Diversity & inclusion. Among its workforce, 57% are male, while 43% are female. Mr DIY also employs 26 less-abled and four Orang Asli employees. • Governance <ul style="list-style-type: none"> - Board gender diversity. Male to female ratio of 4:2. - Board balance and composition. Three board members are independent directors, amounting to 50% of the board members.

KEY ASSUMPTIONS

	2023F	2024F	2025F
Revenue (RMm)	4,804	5,654	6,536
Growth yoy (%)	20.5%	17.7%	15.6%
Avg store count for the year	1,170	1,350	1,530
Net store addition	180	180	180
Growth yoy (%)	18.2%	15.4%	13.3%
Revenue per store (in '000)	4,106	4,188	4,272
Growth yoy (%)	2.0%	2.0%	2.0%

Source: UOB Kay Hian

PE BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	3,986	4,522	5,322	6,152
EBITDA	939	1,144	1,345	1,524
Deprec. & amort.	262	338	398	461
EBIT	677	806	947	1,063
Total other non-operating income	24	27	31	36
Associate contributions	4	4	4	4
Net interest income/(expense)	(63)	(65)	(76)	(89)
Pre-tax profit	641	772	907	1,014
Tax	(168)	(203)	(238)	(266)
Minorities	0	0	0	0
Net profit	473	569	669	748
Net profit (adj.)	473	569	669	748

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	429	1,009	987	1,136
Pre-tax profit	641	772	907	1,014
Tax	(171)	(203)	(238)	(266)
Deprec. & amort.	262	338	398	461
Associates	(4)	(4)	(4)	(4)
Working capital changes	(398)	5	(187)	(194)
Other operating cashflows	99	100	111	125
Investing	(196)	(228)	(228)	(228)
Capex (growth)	(200)	(228)	(228)	(228)
Proceeds from sale of assets	0	0	0	0
Others	4	0	0	0
Financing	(295)	(551)	(592)	(680)
Dividend payments	(204)	(285)	(334)	(374)
Issue of shares	0	0	0	0
Proceeds from borrowings	230	0	0	0
Loan repayment	(110)	0	0	0
Others/interest paid	(210)	(266)	(258)	(306)
Net cash inflow (outflow)	(62)	230	166	227
Beginning cash & cash equivalent	193	138	368	535
Changes due to forex impact	7	0	0	0
Ending cash & cash equivalent	138	368	535	762

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	682	793	898	982
Other LT assets	1,265	1,050	1,155	1,282
Cash/ST investment	138	368	535	762
Other current assets	1,238	1,230	1,447	1,672
Total assets	3,324	3,441	4,034	4,698
ST debt	318	268	268	268
Other current liabilities	402	378	438	503
LT debt	12	12	12	12
Other LT liabilities	1,158	1,066	1,265	1,489
Shareholders' equity	1,433	1,718	2,052	2,426
Total liabilities & equity	3,324	3,441	4,034	4,698

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	23.6	25.3	25.3	24.8
Pre-tax margin	16.1	17.1	17.0	16.5
Net margin	11.9	12.6	12.6	12.2
ROA	15.7	16.8	17.9	17.1
ROE	36.6	36.1	35.5	33.4
Growth				
Turnover	18.2	13.4	17.7	15.6
EBITDA	11.5	21.9	17.5	13.3
Pre-tax profit	9.4	20.4	17.4	11.9
Net profit	9.5	20.4	17.4	11.9
Net profit (adj.)	9.5	20.4	17.4	11.9
EPS	9.5	20.4	17.4	11.9
Leverage				
Debt to total capital	18.7	14.0	12.0	10.4
Debt to equity	23.1	16.3	13.7	11.6
Net debt/(cash) to equity	13.4	(5.1)	(12.4)	(19.9)
Interest cover (x)	14.8	17.7	17.8	17.1

COMPANY RESULTS

My E.G. Services (MYEG MK)

3Q23: Record-high Core Earnings Lifted By Blockchain Ventures

MYEG delivered another record-high core net profit of RM120m (+8% qoq), premised on steady momentum of its e-government services and stellar contribution from sales of Zetrix token. We reiterate our view that the confluence of catalysts within both its e-government and blockchain segments will continue to unfold, allowing the group to achieve its uncharted earnings potential. Risk-reward is also highly appealing on current depressed valuations. Maintain BUY. Target price: RM1.21.

3Q23 RESULTS

Year to 30 Dec	3Q23 (RMm)	qoq % chg	yoy % chg	9M23 (RMm)	yoy % chg
Revenue	194.1	5.0	19.4	552.2	13.6
EBITDA	149.5	9.5	33.8	405.4	28.3
EBIT	135.0	10.9	41.4	361.3	33.5
Interest Expense	(15.4)	66.4	428.7	(28.3)	332.0
Pre-tax profit	120.5	7.9	(22.0)	337.7	2.6
Tax	(0.4)	10.8	(82.2)	(0.9)	(75.5)
Core net profit	120.0	7.6	35.1	337.5	28.8
	%	+/- ppt	+/- ppt	%	+/- ppt
EBIT Margin	69.5	3.7	10.8	65.4	9.8
PBT Margin	62.1	1.7	(32.9)	61.1	(6.6)
Net Profit Margin	61.8	1.5	7.2	61.1	7.2

Source: MYEG, UOB Kay Hian

RESULTS

- **Above street expectations; seventh consecutive record-high core earnings.** My E.G. Services' (MYEG) 3Q23 core net profit came in at RM120m (+7.6% qoq, +35.1% yoy) on revenue of RM194.1m (+5.0% qoq, +19.4% yoy). 9M23 results were above our and consensus' expectations, accounting for 82% and 87% of our and consensus' full-year forecasts respectively.
- **Top-line and bottom line improved qoq on stronger business volume and Zetrix contributions.** 3Q23 revenue rose 5.0% qoq to RM194m, mainly reflecting stronger performances from the blockchain segment (c.16% of total revenue). Meanwhile, contribution from road-transport and immigration concessions remained resilient despite earlier misgivings on losing relevance. Net profit also improved 7.6% qoq in tandem with net margin expansion of 1.5ppt, driven by earnings from newly-launched services from Zetrix blockchain platform and higher contribution from the sale of Zetrix tokens.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	724	651	857	881	935
EBITDA	374	425	630	649	676
Operating profit	326	365	490	482	486
Net profit (rep./act.)	315	350	470	474	502
Net profit (adj.)	315	350	470	474	502
EPS (sen)	4.2	4.7	6.3	6.4	6.8
PE (x)	19.0	17.0	12.7	12.6	11.9
P/B (x)	3.9	3.2	2.6	2.3	2.0
EV/EBITDA (x)	15.3	13.5	9.1	8.8	8.5
Dividend yield (%)	1.6	1.8	2.4	2.4	2.5
Net margin (%)	43.4	53.7	54.8	53.8	53.7
Net debt/(cash) to equity (%)	4.6	19.5	(12.0)	(14.0)	(15.3)
Interest cover (x)	55.6	46.0	44.8	310.6	n.a.
ROE (%)	23.3	20.4	22.6	19.4	18.0
Consensus net profit (RM m)	-	-	411	445	476
UOBKH/Consensus (x)	-	-	1.14	1.06	1.06

Source: MYEG, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM0.805
Target Price	RM1.21
Upside	+50.3%
(Previous TP)	RM1.18)

COMPANY DESCRIPTION

MY EG Services provides e-services between the Malaysian government and its citizens and businesses. Services include the road transport segment, immigration segment, and blockchain segment.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	MYEG MK
Shares issued (m):	7,459.5
Market cap (RMm):	6,004.9
Market cap (US\$m):	1,286.4
3-mth avg daily t'over (US\$m):	6.3

Price Performance (%)

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

1mth	3mth	6mth	1yr	YTD
2.5	2.1	2.7	1.1	(6.4)

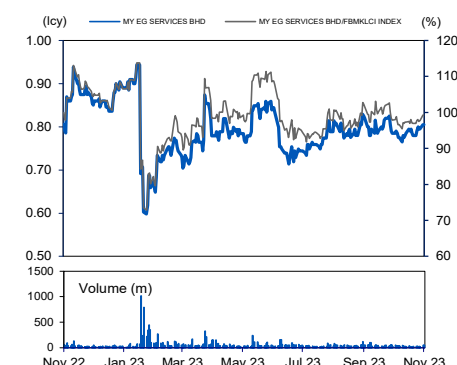
Major Shareholders

	%
Asian Internet Holdings	16.23
Wong Thean Soon	12.64
Kumpulan Wang Persaraan Diperbadankan	7.43

FY24 NAV/Share (RM) 0.35

FY24 Net Cash/Share (RM) 0.05

PRICE CHART



Source: Bloomberg

ANALYST(S)

Jack Goh
+603 2147 1983
jackgoh@uobkayhian.com

STOCK IMPACT

- **Plenty of catalysts to drive earnings momentum and re-rate valuations.** With the dissipating concerns of its e-government concession's relevance, we expect investors to focus on the group's impressive earnings track record (seventh consecutive quarters of record-high earnings) and unfolding catalysts. These include: a) roll-out of e-testing for the road transport segment in 4Q23; b) re-tender of National Integrated Immigration System (NIISe) contract which was previously valued at RM1b-1.5b; and c) Zetrix blockchain's commercial deployment of its China customs services and initial exchange offering (IEO) in 4Q23.
- **Zetrix advancing into deep monetisation stages...** Zetrix's potential is gaining more clarity as the blockchain platform is on track to be commercially integrated into the China and Philippines customs in 4Q23-1Q24. The key scope of services includes the issuance and authentication of the certificate of origin (COO), smart contract information verification and blockchain-based digital signing. We expect more Zetrix token sales in 2H23 as the customs project is commercially launched and starts generating transaction fees and gas fees which are settled with Zetrix tokens. We understand that the exchange has underwritten US\$5m Zetrix tokens.
- **...with recent soft IEO gaining good traction.** We understand that Zetrix's IEO in Coinbase's platform has been a success, with the over 1m Zetrix coins issued fully subscribed by >1000 investors. We anticipate the proceeds from the coins' issuance and sales of nodes to potentially translate into c.US\$16m earnings accretion in 4Q23. We retain our assumption of 2023 token sales at c.5.5m Zetrix coins (estimated ytd sales: c.5m coins).
- **Bread and butter business segments remain firm.** Following the renewal of MYEG's road transport and immigration (pending finalisation) concessions, earnings visibility from the e-government related businesses shall remain largely unaffected. While the earlier NIISe contract extension (which has since been terminated) and digital road-tax renewals did cast some doubts on the status of MYEG's relationship with the government, the impact on transaction volume seems to have been minimal as seen in the past three quarterly results with the group continuing to deliver record-high earnings.
- **Bargain valuation appeals as overly-depressed sentiment reverses.** MYEG's shares now trade at just 12.6x 2024F PE, which is close to GE14's historical trough of around 12x after plunging approximately 6% ytd. Such valuations are highly attractive and shall regain investors' focus especially after factoring in the dissipating concerns of its e-government concessions' relevance and impressive earnings track record (six consecutive quarters of record-high core earnings, alongside tremendous earnings potential from the Zetrix blockchain if executions are on point).

EARNINGS REVISION/RISK

- **We raised our 2023F and 2024F net profit forecasts by 14% and 9% respectively** as earnings contribution from e-government concessions and Zetrix blockchain came in stronger than our expectations.

VALUATION/RECOMMENDATION

- **Maintain BUY with higher SOTP target price of RM1.21 (from RM1.18)**, which implies 19x 2024F PE (-0.5SD below five-year mean).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

<ul style="list-style-type: none"> • Environmental
<ul style="list-style-type: none"> - MYEG's carbon footprint is limited to energy consumed in an office environment and does not impact biodiversity or climate change in any significant way.
<ul style="list-style-type: none"> • Social
<ul style="list-style-type: none"> - Subscribed to the United Nations International Bill of Human Rights. - Spent RM2.5m in community investment to support >50 charity groups in 2021.
<ul style="list-style-type: none"> • Governance
<ul style="list-style-type: none"> - Comprehended and applied Malaysian Code on Corporate Governance (MCCG).

PBT BY SEGMENT

	FY23F	FY24F	FY25F
Core PBT Breakdown	465.05	480.30	508.35
Foreign Worker	192.14	184.61	176.94
Accommodation	2.77	2.83	2.89
Road Transportation	136.87	157.40	160.55
Others	14.78	14.93	15.08
COVID-19 Related Services	0.98	0.00	0.00
Zetrix	117.51	120.53	152.90

Source: UOB Kay Hian

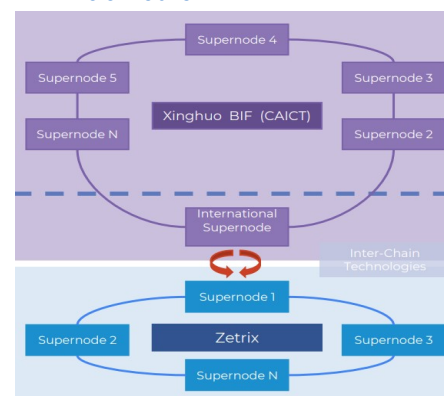
E-TESTING'S FORECASTED INCREMENTAL PBT (2024-25F)

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

* Assuming 800k driving test conducted in 2024F (2019:1m tests), MYEG's revenue per test of RM150, PBT margin of 35%

Source: MYEG, UOB Kay Hian

ZETRIX'S STRUCTURE



Source: MYEG

ZETRIX'S PRODUCT ROADMAP

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

Source: MYEG, Various sources, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	651	857	881	935
EBITDA	425	630	649	676
Deprec. & amort.	60	140	166	190
EBIT	365	490	482	486
Associate contributions	n.a.	n.a.	n.a.	n.a.
Net interest income/(expense)	(9)	(14)	(2)	22
Pre-tax profit	356	476	480	508
Tax	(4)	(5)	(5)	(5)
Minorities	(2)	(1)	(1)	(1)
Net profit	350	470	474	502
Net profit (adj.)	350	470	474	502

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	303	796	631	639
Pre-tax profit	404	476	480	508
Tax	(4)	(5)	(5)	(5)
Deprec. & amort.	111	140	166	190
Associates	0	0	0	0
Working capital changes	(112)	184	(11)	(54)
Other operating cashflows	(97)	0	0	0
Investing	(522)	(400)	(399)	(399)
Capex (growth)	(527)	(400)	(400)	(400)
Investments	0	0	0	0
Proceeds from sale of assets	1	0	0	0
Others	4	0	1	1
Financing	206	(156)	(155)	(163)
Dividend payments	(95)	(141)	(142)	(151)
Issue of shares	49	0	0	0
Proceeds from borrowings	336	0	0	0
Loan repayment	(59)	(15)	(13)	(13)
Others/interest paid	(26)	0	0	0
Net cash inflow (outflow)	(13)	240	77	77
Beginning cash & cash equivalent	89	76	316	393
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	76	316	393	470

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	494	1,262	1,496	1,706
Other LT assets	1,253	652	653	656
Cash/ST investment	76	316	393	470
Other current assets	717	412	423	447
Total assets	2,540	2,405	2,726	3,037
ST debt	149	3	0	(3)
Other current liabilities	187	87	88	59
LT debt	294	40	30	20
Other LT liabilities	37	3	3	3
Shareholders' equity	1,876	2,275	2,607	2,958
Minority interest	(4)	(3)	(1)	0
Total liabilities & equity	2,540	2,404	2,726	3,037

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	65.3	73.5	73.6	72.3
Pre-tax margin	54.6	55.5	54.5	54.4
Net margin	53.7	54.8	53.8	53.7
ROA	15.8	19.0	18.5	17.4
ROE	20.4	22.6	19.4	18.0
Growth				
Turnover	(10.1)	31.6	2.8	6.2
EBITDA	13.8	48.3	2.9	4.2
Pre-tax profit	11.4	33.9	0.9	5.8
Net profit	11.2	34.3	0.9	5.9
Net profit (adj.)	11.2	34.3	0.9	5.9
EPS	11.2	34.3	0.9	5.9
Leverage				
Debt to total capital	19.1	1.8	1.1	0.6
Debt to equity	23.6	1.9	1.1	0.6
Net debt/(cash) to equity	19.5	(12.0)	(14.0)	(15.3)
Interest cover (x)	46.0	44.8	310.6	n.a.

SMALL/MID CAP HIGHLIGHTS

Cape EMS (CEB MK)

3Q23: Within Expectations; On Track For A Record 2023

CAPE's record-high profit in 3Q23 bucked the softening industry trend thanks to the trade diversion and positive spillover from its end customers' M&A activities. We see multiple legs of growth that can supercharge a three-year revenue/core net profit CAGR of 25%/32%, premised on its strategic portfolio exposure, trade diversion-related supply chain reconfiguration and aggressive expansionary plans. Maintain BUY. Target price: RM1.60.

3Q23 RESULTS

Year to 31 Dec (RMm)	3Q23	qoq% chg	yoy % chg	9M23	yoy % chg
Revenue	136.0	12%	5%	395.1	24%
Gross Profit	21.3	-2%	49%	64.5	55%
Operating profit	12.3	-18%	-15%	36.2	54%
Pre-tax profit	15.2	-17%	24%	45.1	46%
Net Profit	15.2	0%	47%	38.9	58%
Core Net Profit	15.2	0%	47%	43.0	75%
Margins	%	qoq ppt chg	yoy ppt chg	%	yoy ppt chg
Gross Profit	15.6	-2.1	4.7	16.3	3.3
EBIT	9.1	-3.3	-2.1	9.2	1.8
PBT	11.2	-3.8	1.7	11.4	1.7
Core Net Profit	11.2	-1.3	3.2	10.9	3.2

Source: CAPE, UOB Kay Hian

RESULTS

- **Record-high profit; on track for a stellar 2023.** Cape EMS (CAPE) reported a record core net profit of RM15.2m (flat qoq, +47% yoy) in 3Q23, bringing 9M23 core net profit to RM43.0m (+75%) which made up 77%/75 of our and consensus full-year expectations respectively. Note that 1H23 core net profit has been adjusted for the non-recurring listing expenses of RM4.1m. Meanwhile, a second interim net DPS of 0.55sen was also declared.
- **Yoy, 9M23 revenue grew 24% predominantly driven by strong demand from wire communication equipment and electronic cigarettes products alongside new sales contribution related to thermal energy devices.** Meanwhile, core net profit grew by 75% on better operational efficiency alongside favourable product mix. Qoq, while revenue improved 12% on stronger sales from wireless communication equipment and electronic cigarettes products, core net profit came in flat due to the absence of favourable forex compared to 2Q23.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2024F
Net turnover	344.3	438.0	647.4	821.7	907.8
EBITDA	41.3	67.8	92.0	146.8	161.2
Operating profit	30.7	49.5	69.8	114.9	123.5
Net profit (rep./act.)	26.3	33.5	49.5	85.2	91.4
Net profit (adj.)	26.3	33.5	56.1	85.2	91.4
EPS (sen)	2.8	3.6	6.1	8.4	9.0
PE (x)	38.3	30.0	17.9	13.0	12.1
P/B (x)	5.9	5.2	2.4	1.7	1.5
EV/EBITDA (x)	24.5	15.0	11.0	6.9	6.3
Dividend yield (%)	0.0	(1.3)	(1.7)	(2.3)	(2.5)
Net margin (%)	7.6	7.7	8.7	10.4	10.1
Net debt/(cash) to equity (%)	31.5	49.9	(6.2)	(6.5)	(22.7)
Interest cover (x)	(5.8)	(5.7)	(7.3)	(10.3)	(10.1)
ROE (%)	15.5	17.2	13.4	13.4	12.1

Source: CAPE, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.09
Target Price	RM1.68
Upside	+54.1%

COMPANY DESCRIPTION

CAPE EMS is principally an investment holding company and is involved in electronics manufacturing services. Through its subsidiaries, it is also involved in aluminium die casting and electronics manufacturing services, and supply of electronic products and related activities.

STOCK DATA

GICS sector	Electrical Components
Bloomberg ticker:	CEB MK
Shares issued (m):	923.0
Market cap (RMm):	1,006.1
Market cap (US\$m):	215.5
3-mth avg daily t'over (US\$m):	0.4

Price Performance (%)

52-week high/low RM1.51/RM0.90

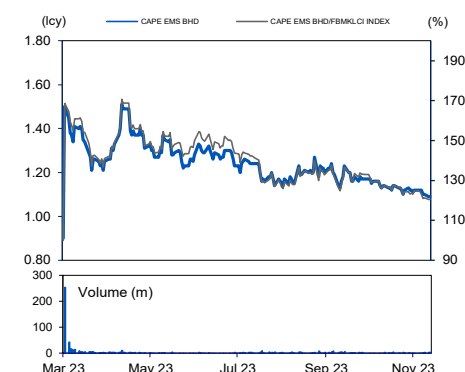
1mth	3mth	6mth	1yr	YTD
(4.4)	(5.2)	(19.3)	-	21.1

Major Shareholders

	%
Tee Kim Chin	40.6
Fortress Capital	11.7
Tee Kim Yok	4.4

2022 NAV/Share (RM)	0.55
2023 Net Cash/Share (RM)	(0.01)

PRICE CHART



Source: Bloomberg

ANALYST(S)

Desmond Chong
+603 2147 1980
desmondchong@uobkayhian.com

STOCK IMPACT

- A marriage cum double happiness.** CAPE has proposed to acquire iConn Inc and proposes to undertake a 10% private placement to independent third-party investor(s). Note that iConn comes with profit guarantee terms of an aggregate of US\$8m (about RM37.1m) for the period commencing 1 Jan 24-31 Dec 26, with the sellers to make up for the shortfall should the aggregate PAT fall below this amount during these periods. With the consideration of US\$16.5m (or RM76.6m), the acquisition PE of 6.1x on an average profit amount per year appears to be earnings accretive even after the private placement exercise (if any). We understand that such acquisition enables the group to expand its range of services under its EMS segment, thereby improving its appeal to existing and potential customers. With iConn's strong design capabilities and involvement in customers' product infancy stage, this allows CAPE to gain first mover advantage and traction with customers which are looking to scale for mass production.
- Frontrunner of US-China trade diversion; at the boiling point of expansion.** Since the US-China trade war in 2018, CAPE has been benefitting immensely from the trade diversion which saw its earnings base from merely RM3.8m in 2019 jumped nine-fold to RM33.5m in 2022. This marks an impressive three-year revenue/core net profit CAGR of 117%/106% thanks to a rejigged product portfolio towards an industrial-centric EMS business. As of 2022, CAPE had five anchor customers (all being the bellwethers in its own niche) with a strategic portfolio exposure of 60:40 between industrial electronic and consumer electronic. This gives CAPE a balanced growth profile on high growth and steady volume loaders. Note that these customers have made CAPE their preferred partner amid the accelerating trade diversion.
- Turbocharging growth with structurally booming prospects.** Despite a strong pipeline visibility from its existing key customers, CAPE remains uptight in scouting for new prospects that best fit into its mid-volume high mix model. Besides promising growth prospects from: a) its wire communication equipment (riding on a new replacement cycle and new markets penetration), and b) Customer A (consumer electronics products; carries the highest gross margin; volume could more than double following its synergistic M&A activities), the group is eyeing for at least three new prospects that could see meaningful earnings contribution as soon as 4Q23. These products are related to the LED lighting and EV charging station, renewable energy devices, IoT control modules (US-based MNC leading in communication standards) and others.

EARNINGS REVISION/RISK

- None.

VALUATION/RECOMMENDATION

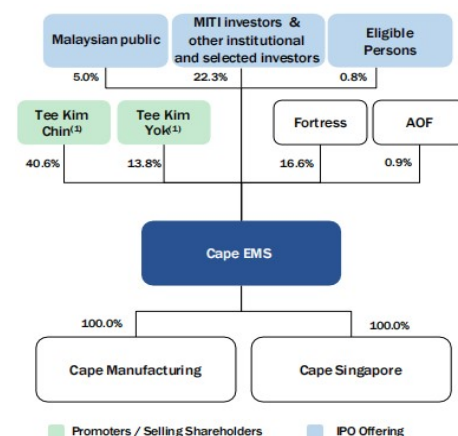
- Maintain BUY with an unchanged target price of RM1.68**, based on 20.0x 2024F PE, which is at a 10% discount to its closest industry peers' average forward PE. We see ample upside from here and also expect a three-year net profit CAGR of 32% from 2022. Blue-sky valuation if pricing CAPE at 1x PEG ratio suggests a potentially higher target price of RM1.98 (at 32x 2023F PE).

UTILISATION OF IPO PROCEEDS

Description	Proposed Utilisation (RM 'mil)	Actual Utilisation (RM 'mil)	Reallocation (RM 'mil)	Timeframe for Utilisation Upon Listing
Construction of New Senai 226 Warehouse and installation of automated storage facilities	53.1	-	-	Within 48 months
Setting-up of new cleanroom facility and purchase of new automated production lines for EMS operations	62.8	-	-	Within 24 months
Installation of energy saving cooling system	3.7	-	-	Within 24 months
Purchase of new machinery and equipment for die cast manufacturing related services	4.6	-	-	Within 12 months
Working capital	20.5	-	1.5 ¹	Within 12 months
Estimated listing expenses	11.0	9.5	(1.5) ¹	Within 3 months
Total estimated proceeds	155.7	9.5	-	

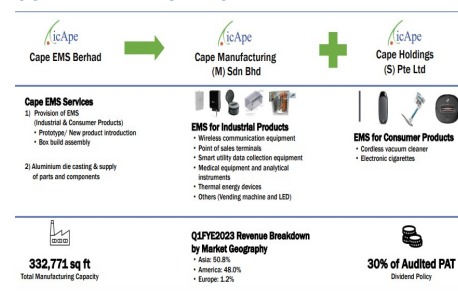
Source: CAPE

GROUP STRUCTURE AFTER THE LISTING



Source: CAPE

COMPANY AT A GLANCE



Source: CAPE

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net Turnover	438.0	647.4	821.7	907.8
EBITDA	67.8	92.0	146.8	161.2
Depreciation & Amortisation	18.3	22.2	32.0	37.7
EBIT	49.5	69.8	114.9	123.5
Associate Contributions				
Net Interest Income/(Expense)	(8.7)	(9.6)	(11.1)	-12.2
Pre-tax Profit	40.8	60.2	103.7	111.3
Tax	(7.3)	(10.8)	(18.5)	-19.9
Minorities	0.0	0.0	0.0	0.0
Net Profit	33.5	49.5	85.2	91.4
Net Profit (Adjusted)	33.5	56.1	85.2	91.4

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	20.6	46.7	64.9	122.6
Pre-tax Profit	40.8	60.2	103.7	111.3
Tax	(3.8)	(10.8)	(18.5)	(19.9)
Depreciation & Amortisation	18.3	22.2	32.0	37.7
Associates				
Working Capital Changes	(46.2)	(27.6)	(56.4)	(11.9)
Other Operating Cashflows	11.6	2.6	4.1	5.4
Investing	(12.8)	(95.8)	(105.0)	(20.0)
Capex (Growth)	(16.0)	(95.8)	(105.0)	(20.0)
Investments				
Proceeds from Sale of Assets	3.2	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing	(19.9)	172.5	131.7	27.4
Dividend Payments	(13.0)	16.8	25.6	27.4
Issue of Shares	0.0	155.7	106.1	0.0
Proceeds from Borrowings	26.3	0.0	0.0	0.0
Loan Repayment	(6.1)	0.0	0.0	0.0
Others/Interest Paid	(15.1)	0.0	0.0	0.0
Net Cash Inflow (Outflow)	(12.0)	123.4	91.6	130.0
Beginning Cash & Cash	37.8	25.7	149.1	240.6
Changes Due to Forex Impact	(0.1)	0.0	0.0	0.0
Ending Cash & Cash Equivalent	25.7	149.1	240.6	370.7

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed Assets	217.4	291.0	440.6	422.9
Other LT Assets	16.9	16.9	16.9	16.9
Cash/ST Investment	41.3	164.7	179.7	309.7
Other Current Assets	207.9	276.4	361.5	389.2
Total Assets	484.3	749.7	999.5	1139.5
ST Debt	64.4	64.4	64.4	64.4
Other Current Liabilities	98.3	139.5	172.3	193.5
LT Debt	74.2	74.2	74.2	74.2
Other LT Liabilities	52.4	52.4	52.4	52.4
Shareholders' Equity	195.0	419.2	636.1	754.9
Minority Interest	0.0	0.0	0.0	
Total Liabilities & Equity	484.3	749.7	999.5	1139.5

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
Profitability				
EBITDA Margin	15.5	14.2	17.9	17.8
Pre-tax Margin	9.3	9.3	12.6	12.3
Net Margin	7.7	8.7	10.4	10.1
ROA	6.9	6.6	8.5	8.0
ROE	17.2	13.4	13.4	12.1
Growth				
Turnover	27.2	47.8	26.9	10.5
EBITDA	64.2	35.7	59.6	9.8
Pre-tax Profit	61.1	47.5	72.2	7.3
Net Profit	27.7	47.5	72.2	7.3
Net Profit (Adjusted)	27.7	67.2	51.9	7.3
EPS	27.7	67.2	38.1	7.3
Leverage				
Debt to Total Capital	28.6	18.5	13.9	12.2
Debt to Equity	71.1	33.1	21.8	18.4
Net Debt/(Cash) to Equity	49.9	(6.2)	(6.5)	(22.7)
Interest Cover (x)	(5.7)	(7.3)	(10.3)	(10.1)

UOBKH HIGHLIGHTS

Hap Seng Plantations (HAPL MK/BUY/RM1.81/Target: RM2.65)

3Q23: Slightly Below Our Expectations

3Q23 RESULTS

Year to 31 Dec	3Q23 (RMm)	qoq % chg	yoy % chg	9M23 (RMm)	yoy % chg	Comments	Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Revenue	164.6	(2.5)	(9.6)	493.3	(26.5)		Net Profit (Reported/Actual)	220.8	124.5	174.7	104.6
EBIT	50.0	257.9	177.5	96.2	(59.6)		EPS (sen)	26.3	15.6	21.8	13.1
PBT	37.8	301.7	65.4	70.7	(63.1)		PE (x)	6.9	11.6	8.3	13.8
Net Profit	37.8	301.7	65.4	70.7	(63.1)		Dividend Yield (%)	5.8	5.1	7.2	4.3
Core Net Profit	22.8	67.5	(51.6)	58.3	(69.1)	Slightly below our expectation					
Margins (%)											
EBIT	30.4	22.1	20.5	19.5	(16.0)						
Core Net Profit	13.9	5.8	(12.0)	11.8	(16.3)						
Operational Statistics											
FFB (tonne)	158,853	11.9	13.2	457,062	12.6						
Sale Volume (tonne)	36,726	(2.4)	18.0	108,267	11.9						
CPO Price (RM/tonne)	3,924	(1.4)	(24.8)	3,997	(33.3)						
PK Price (RM/tonne)	2,142	(1.2)	(15.8)	2,164	(41.1)						

Source: Hap Seng, UOB Kay Hian

RESULTS

- **Results slightly below our expectations.** Hap Seng Plantations (HAPL) reported a core net profit of RM23m (+68% qoq, -52% yoy), bringing 9M23 core net profit to RM58.3m. This accounts about 50% of our full-year forecast. Despite the higher qoq earnings reported in 3Q23 with margin expansion, the results were still slightly below our expectations. The negative difference was mainly due to the lower-than-expected FFB production and lower sales volume.
- **The stronger qoq results** mainly resulted from the strong improvement of operating margin, thanks to lower cost of production (especially lower fertiliser price) and slower fertiliser application.
- Lower yoy earnings were mainly dragged by lower CPO ASP.

STOCK IMPACT

- **9M23 FFB production came in below our expectations, accounting 72% of our full-year forecast.** We reckon this may be the result of slightly slower-than-peers' recovery given its older age profile.
- **Highest CPO ASP among peers.** HAPL's 3Q23 CPO ASP is at RM3,924/tonne, while the average CPO ASP for 9M23 is at RM3,997/tonne. This is in line with our in-house CPO price forecast for 2023 at RM4,000/tonne and it is higher than Malaysia Palm Oil Board average price at RM3,884/tonne. The premium of HAPL's CPO ASP was mainly due to its sustainable and food grade related certifications.
- **4Q23 earnings to be the highest.** We expected 4Q23 earnings to be the highest for 2023 on the back of higher CPO ASP and the most cost-effective production in the same period. The low cost of production was mainly due to minimised fertiliser application and its cost-efficient operations. Note that HAPL had already applied 60% of its 2023 budgeted fertiliser in 1H23.

EARNINGS REVISION

- **Maintain earnings forecasts,** pending more updates from the upcoming analyst briefing. If we reduce our FFB production forecast by 5% from our current forecast, our earnings forecast would be revised down by 17%.

RECOMMENDATION

- **Maintain BUY with a target price of RM2.65,** based on 11x 2023F PE, or -2SD to its five-year mean. We like HAPL for its high earnings sensitivity towards CPO prices. HAPL only sells its products at spot.
- We await more information from the upcoming analyst results briefing.

ANALYSTS

Jacquelyn Yow
+603 2147 1995
jacquelyn@uobkayhian.com

Leow Huey Chuen
+603 2147 1990
hueychuen@uobkayhian.com

TRADERS' CORNER



Source: UOBKH ChartGenie

Malaysia Building Society (MBS MK)

Technical BUY with +18.5% potential return

Last price: RM0.755

Target price: RM0.82, RM0.895

Support: RM0.72

Stop-loss: RM0.715

BUY with a target price of RM0.895 and stop-loss at RM0.715. Yesterday, the stock closed above the BBI line, indicating upward potential in the near term. This is consistent with the uptick in the RSI and a bullish crossover in both MACD and DMI indicators, which suggests stronger buying momentum ahead. We peg our targets at RM0.82 and RM0.895.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading



Source: UOBKH ChartGenie

PGF Capital (PGF MK)

Technical BUY with +19.2% potential return

Last price: RM1.25

Target price: RM1.41, RM1.49

Support: RM1.15

Stop-loss: RM1.14

BUY with a target price of RM1.49 and stop-loss at RM1.14. Since correcting from the previous high of RM1.50, the share price is recovering gradually and moving above the 7-day and 21-day EMA. A successful close above the BBI line on the back of higher trading volumes points to improving sentiment as PGF looks set to resume the uptrend. This is supported by positive readings in the RSI and a bullish crossover in the MACD. We peg our targets at RM1.41 and RM1.49 in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

ANALYST

Mohd Fakhurul Asyraq, MSTA, CFTe

+603 2147 1994

mohdfakhurulasyraq@uobkayhian.com

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