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### KEY HIGHLIGHTS

#### Results

**CSE Global (CSE SP/BUY/\$\$0.355/Target: \$S\$0.420)** Page 2

2022: Earnings below expectations due to one-offs; attractive yield of c.8%.

**Delfi (DELFI SP/BUY/\$\$0.995/Target: \$S\$1.71)** Page 5

2022: Results above expectations; expect a strong year ahead.

**Food Empire (FEH SP/BUY/\$\$0.785/Target: \$S\$1.28)** Page 8

2022: Record-high earnings and dividend; expect a strong performance ahead.

**Frencken Group (FRKN SP/HOLD/\$\$1.03/Target: \$S\$1.08)** Page 11

2022: Earnings above expectation but outlook turning cautious; downgrade to HOLD.

**Propnex (PROP SP/BUY/\$\$1.81/Target: \$S\$2.14)** Page 14

2022: Stellar results with bumper cash and a one-for-one bonus issue announced. Maintain BUY with a higher target price of \$S\$2.14.

**Sembcorp Marine (SMM SP/BUY/\$\$0.127/Target: \$S\$0.156)** Page 17

2022: Losses as expected, but the focus will be on new order wins and the integration of KOM in 2023.

**Sheng Siong Group (SSG SP/BUY/\$\$1.63/Target: \$S\$1.91)** Page 20

2022: Results in line; value-for-money appeals in 2023.

#### TRADERS' CORNER

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**Singapore Tech Engineering (STE SP): Trading BUY**

**Jardine Cycle & Carriage (JCNC SP): Trading BUY**

### KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	32656.7	(0.7)	(1.4)	(4.2)	(1.5)
S&P 500	3970.2	(0.3)	(0.7)	(2.6)	3.4
FTSE 100	7876.3	(0.7)	(1.3)	1.3	5.7
AS30	7458.0	0.5	(1.1)	(3.3)	3.3
CSI 300	4069.5	0.6	(1.8)	(3.0)	5.1
FSSTI	3262.6	(0.0)	(1.3)	(3.4)	0.3
HSCEI	6581.5	(1.3)	(5.0)	(12.9)	(1.8)
HSI	19785.9	(0.8)	(3.6)	(10.4)	0.0
JCI	6843.2	(0.2)	(0.4)	(0.3)	(0.1)
KLCI	1454.2	(0.1)	(1.3)	(2.1)	(2.8)
KOSPI	2412.9	0.4	(1.9)	(1.5)	7.9
Nikkei 225	27445.6	0.1	(0.3)	0.4	5.2
SET	1622.4	(0.3)	(2.8)	(3.8)	(2.8)
TWSE	15503.8	(0.7)	0.2	3.8	9.7
BDI	990	5.9	66.7	45.4	(34.7)
CPO (RM/mt)	4150	(0.7)	0.4	8.2	2.5
Brent Crude (US\$/bbl)	84	1.7	1.0	(0.7)	(2.4)

Source: Bloomberg

### TOP VOLUME

Company	Price (\$)	Chg (%)	Volume ('000s)
Singapore Telecommunications	2.37	(0.4)	33,382
ESR-LOGOS REIT	0.34	3.1	29,764
Genting Singapore	1.02	1.0	25,381
CapitaLand Integrated Comm	1.94	0.5	21,475
Yangzijiang Shipbuilding	1.29	(1.5)	20,354

### TOP GAINERS

Company	Price (\$)	Chg (%)	Volume ('000s)
Bumitama Agri	0.65	4.0	2,705
ParkwayLife REIT	4.30	3.4	1,087
ESR-LOGOS REIT	0.34	3.1	29,764
Cromwell REIT EUR	1.69	2.4	495
Frasers Logistics & Commercial	1.27	2.4	9,088

### TOP LOSERS

Company	Price (\$)	Chg (%)	Volume ('000s)
AEM Holdings	2.18	(12.1)	1
Raffles Medical Group	1.39	(7.3)	8,727
AEM Holdings	2.88	(5.6)	6,942
Nio Inc	9.22	(3.5)	274
iFast Corp	4.98	(3.3)	431

### KEY ASSUMPTIONS

GDP (% yoy)	2021	2022F	2023F
US	5.9	1.6	-0.5
Euro Zone	5.4	3.1	-0.5
Japan	1.6	1.5	1.0
Singapore	7.6	3.5	0.7
Malaysia	3.1	8.3	4.0
Thailand	1.6	3.2	3.7
Indonesia	3.7	5.4	4.9
Hong Kong	6.3	-2.6	3.0
China	8.1	3.5	4.5
	2022	2023F	2024F
CPO (RM/mt)	5,088	5,200	4,000
Brent (Average) (US\$/bbl)	99.0	87.0	86.0

Source: Bloomberg, UOB ETR, UOB Kay Hian

## COMPANY RESULTS

### CSE Global (CSE SP)

2022: Earnings Below Expectations Due To One-offs; Attractive Yield Of c.8%

**CSE's 2022 earnings of S\$4.8m (-68% yoy) missed our expectations due to one-off restructuring and project overrun costs of S\$7.2m. Most importantly, the final dividend was maintained, indicating a dividend yield of c.8% which is a positive signal. 2022 orderbook increased 109% yoy to S\$480m. CSE expects to focus on integrating its latest acquisitions and executing backlog orders while closely monitoring its costs. Maintain BUY with a 7% lower target price of S\$0.42.**

#### 2022 RESULTS

Year to 31 Dec (S\$m)	2022	2021	yoy % chg
Revenue	557.7	468.7	19.0
Gross profit	146.2	135.9	7.6
Gross margin (%)	26.2	29.0	(2.8ppt)
Net profit	4.8	15.0	(68.2)
Net margin (%)	0.9	3.2	(2.8ppt)
New orders received	808.4	462.1	74.9
Outstanding orders	480.1	229.4	109.3

Source: CSE, UOB Kay Hian

#### RESULTS

- Earnings below expectations due to one-off costs; most importantly, dividend was maintained, offering c.8% yield.** CSE Global's (CSE) 2022 earnings of S\$4.8m (-68% yoy) missed our expectations by about 50% due to one-off restructuring and project overrun costs of S\$7.2m. This is not a major surprise as CSE had cautioned these in a profit warning earlier. Most importantly, the final dividend of 1.5 S cents was maintained, bringing the total dividend to 2.75 S cents, similar to the year before. This indicates a dividend yield of close to 8% from current price and can be seen as a positive signal for future outlook.
- Revenue growth driven by infrastructure segment.** CSE's 2022 revenue grew 19% yoy due to growth in infrastructure project revenues in Australia and the Americas region. However, gross margin fell 2.8ppt to 26.2%, from higher project execution costs and cost overruns, as well as higher operating expenses.
- Expect strong order wins and orderbook in 2022 to drive earnings recovery in 2023.** On the back of stronger order wins of 75% yoy and higher outstanding orders of 109% yoy for 2022, we expect CSE's 2023 earnings to more than double yoy from a low base. 2022 was where the diversification strategy of CSE built momentum. CSE has managed to reduce its revenue contribution from the energy segment to 50% in 2022 (vs 59% in 2021). Also, CSE has successfully completed the rights issue, that helped fund the acquisition of Logic Wireless and Radio One Group, which will further strengthen its offerings in the radio communications solutions space. Moving forward, CSE aims to be laser-focused on integrating its latest acquisitions and executing backlog orders while closely monitoring its costs.

#### KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	469	558	614	691	726
EBITDA	35	22	45	49	45
Operating profit	20	8	26	28	29
Net profit (rep./act.)	15	5	19	20	22
Net profit (adj.)	15	5	19	20	22
EPS (S\$ cent)	2.9	0.9	3.0	3.3	4.2
PE (x)	12.1	39.7	11.8	10.8	8.4
P/B (x)	0.9	1.0	1.0	1.0	1.0
EV/EBITDA (x)	8.5	13.4	6.6	6.1	6.5
Dividend yield (%)	7.7	7.7	7.7	7.7	7.7
Net margin (%)	3.2	0.9	3.0	2.9	3.0
Net debt/(cash) to equity (%)	25.5	34.0	35.3	38.0	37.4
Interest cover (x)	13.2	4.2	23.1	29.2	32.1
ROE (%)	7.8	2.4	8.7	9.4	9.9
Consensus net profit	-	-	20	21	-
UOBKH/Consensus (x)	-	-	0.95	0.95	-

Source: CSE, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$0.355
Target Price	S\$0.420
Upside	+18.3%
(Previous TP)	S\$0.450)

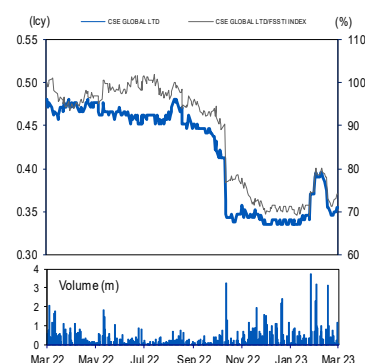
#### COMPANY DESCRIPTION

CSE Global Limited provides systems integration and information technology solutions, computer network systems, and industrial automation. The company also designs, manufactures, and installs management information systems.

#### STOCK DATA

GICS sector	Information Technology				
Bloomberg ticker:	CSE SP				
Shares issued (m):	614.9				
Market cap (S\$m):	218.3				
Market cap (US\$m):	161.9				
3-mth avg daily t'over (US\$m):	0.2				
<b>Price Performance (%)</b>					
52-week high/low		S\$0.481/S\$0.335			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>	
(5.3)	4.4	(20.5)	(26.3)	4.4	
<b>Major Shareholders</b>					<b>%</b>
Temasek Hldgs					25.0
FMR LLC					10.0
-					-
FY23 NAV/Share (S\$)					0.35
FY23 Net Debt/Share (S\$)					0.12

#### PRICE CHART



Source: Bloomberg

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### STOCK IMPACT

- **Supply chain disruptions easing, allowing for normalisation of project delivery.** We think that the supply chain disruptions, particularly in chip sets, should ease given the easing of restrictions across the regions and the falling demand of semiconductor chips recently announced by the major chip producers including Intel and Samsung. As a result, project execution timeframes which have been facing delays previously due to supply chain issues can normalise.
- **CSE continues to see stable financial performance in the Infrastructure and Mining & Minerals sectors,** supported by a steady stream of projects arising from requirements in digitalisation, communications and enhancements in physical and cyber security globally, and from data centres and water utilities in the Americas & Asia Pacific region. CSE will expand its engineering capabilities and technological solutions to pursue new market opportunities and diversify into new markets brought about by the emerging trends towards urbanisation, electrification and decarbonisation.
- **Dividend yield is attractive.** We expect CSE to maintain its full-year dividend at 2.75 S cents/share for 2023, translating to an above-average dividend yield of c.8% vs the FSSTI's of around 4.0%.

### EARNINGS REVISION/RISK

- We trim our 2023/24 earnings forecast by 5%/4% to S\$18.5m/S\$20.4m after reducing our revenue forecast by 9%/1% to S\$676m/S\$696m to factor in more conservative revenue recognition.

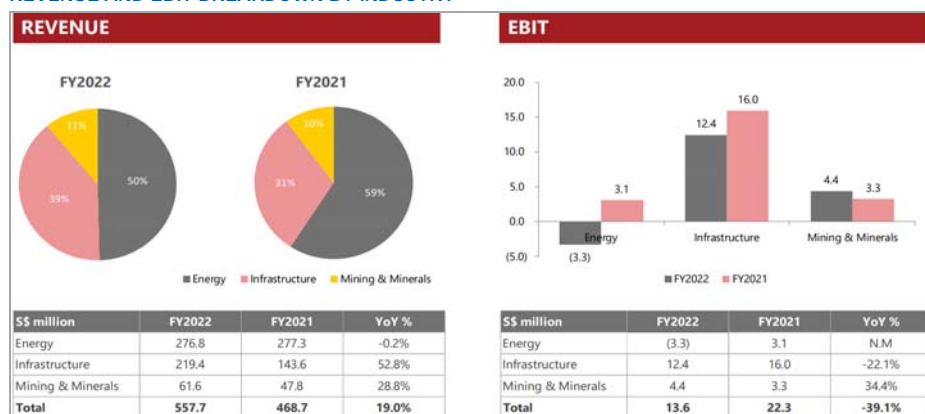
### VALUATION/RECOMMENDATION

- **Maintain BUY with a 7% lower target price of S\$0.42.** Our target price is pegged to 14x 2023 PE (based on an unchanged +1SD above mean). Our target price implies a 2023F dividend yield of 6.5% as we expect CSE to maintain a full-year dividend of 2.75 S cents/share for 2023.

### SHARE PRICE CATALYST

- Large infrastructure project wins.
- Accretive acquisitions.

### REVENUE AND EBIT BREAKDOWN BY INDUSTRY



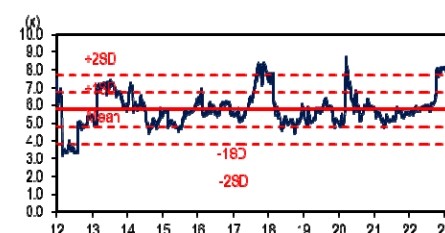
Source: CSE

### CSE FORWARD PE BAND SINCE 2016



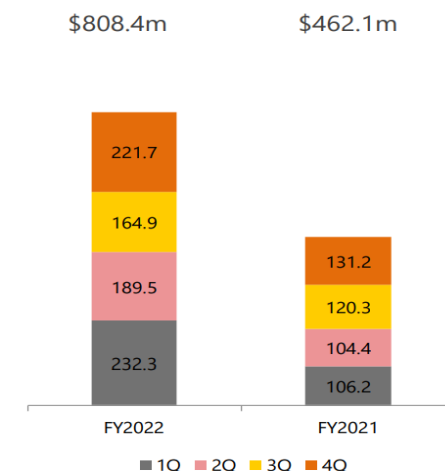
Source: Bloomberg, UOB Kay Hian

### CSE 10Y DIVIDEND YIELD BAND



Source: Bloomberg, UOB Kay Hian

### QUARTERLY ORDER INTAKE



Source: CSE

**PROFIT & LOSS**

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	557.7	613.8	690.7	726.0
EBITDA	22.0	44.6	48.6	45.2
Deprec. & amort.	13.9	18.9	20.8	15.8
EBIT	8.1	25.7	27.8	29.4
Total other non-operating income	5.4	0.0	0.0	0.0
Associate contributions	(0.0)	0.0	0.0	0.0
Net interest income/(expense)	(5.2)	(1.9)	(1.7)	(1.4)
<b>Pre-tax profit</b>	<b>8.3</b>	<b>23.8</b>	<b>26.1</b>	<b>28.0</b>
Tax	(3.5)	(5.2)	(5.7)	(6.2)
Minorities	(0.0)	0.0	0.0	0.0
<b>Net profit</b>	<b>4.8</b>	<b>18.5</b>	<b>20.4</b>	<b>21.8</b>
Net profit (adj.)	4.8	18.5	20.4	21.8

**BALANCE SHEET**

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	63.5	54.1	48.7	48.8
Other LT assets	102.8	97.9	93.1	88.2
Cash/ST investment	34.2	30.4	23.5	23.3
Other current assets	291.7	325.0	364.0	381.9
<b>Total assets</b>	<b>492.3</b>	<b>507.5</b>	<b>529.3</b>	<b>542.2</b>
ST debt	68.7	68.7	68.7	68.7
Other current liabilities	153.8	165.0	184.2	193.1
LT debt	37.7	37.7	37.7	37.7
Other LT liabilities	19.7	19.7	19.7	19.7
Shareholders' equity	212.3	215.5	218.1	222.2
Minority interest	(0.0)	0.8	0.8	0.8
<b>Total liabilities &amp; equity</b>	<b>492.3</b>	<b>507.4</b>	<b>529.3</b>	<b>542.2</b>

**CASH FLOW**

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	0.0	27.3	27.3	34.5
Pre-tax profit	8.3	23.8	26.1	28.0
Tax	(4.1)	(5.2)	(5.7)	(6.2)
Deprec. & amort.	13.9	18.9	20.8	15.8
Associates	(0.0)	0.0	0.0	0.0
Working capital changes	(21.2)	(16.1)	(19.8)	(9.1)
Non-cash items	(4.4)	0.0	0.0	0.0
Other operating cashflows	7.6	5.9	5.9	5.9
<b>Investing</b>	<b>(45.7)</b>	<b>(15.7)</b>	<b>(16.5)</b>	<b>(16.9)</b>
Capex (growth)	(15.5)	(9.8)	(10.6)	(11.0)
Investments	1.2	0.0	0.0	0.0
Proceeds from sale of assets	9.0	0.0	0.0	0.0
Others	(40.5)	(5.9)	(5.9)	(5.9)
<b>Financing</b>	<b>25.0</b>	<b>(14.7)</b>	<b>(17.0)</b>	<b>(17.0)</b>
Dividend payments	(14.1)	(14.7)	(17.0)	(17.0)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	5.8	0.0	0.0	0.0
Others/interest paid	33.4	0.0	0.0	0.0
<b>Net cash inflow (outflow)</b>	<b>(20.7)</b>	<b>(3.1)</b>	<b>(6.2)</b>	<b>0.6</b>
Beginning cash & cash equivalent	45.5	34.2	30.4	23.5
Changes due to forex impact	(0.7)	(0.7)	(0.7)	(0.7)
<b>Ending cash &amp; cash equivalent</b>	<b>34.2</b>	<b>30.4</b>	<b>23.5</b>	<b>23.3</b>

**KEY METRICS**

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	4.0	7.3	7.0	6.2
Pre-tax margin	1.5	3.9	3.8	3.9
Net margin	0.9	3.0	2.9	3.0
ROA	1.1	3.7	3.9	4.1
ROE	2.4	8.7	9.4	9.9
<b>Growth</b>				
Turnover	19.0	10.1	12.5	5.1
EBITDA	(36.5)	102.5	8.9	(7.0)
Pre-tax profit	(57.7)	186.5	9.8	7.2
Net profit	(68.2)	288.8	9.8	7.2
Net profit (adj.)	(68.2)	288.8	9.8	7.2
EPS	(69.5)	235.4	9.8	28.5
<b>Leverage</b>				
Debt to total capital	33.4	33.0	32.7	32.3
Debt to equity	50.1	49.4	48.8	47.9
Net debt/(cash) to equity	34.0	35.3	38.0	37.4
Interest cover (x)	4.2	23.1	29.2	32.1

## COMPANY RESULTS

## Delfi (DELFI SP)

2022: Results Above Expectations; Expect A Strong Year Ahead

**Delfi's 2022 net profit of S\$43.9m (+49.9% yoy) was above expectations, forming 125% of our full-year estimates. 2022 revenue increased 19.2% yoy as strong sales were recorded for both its business lines during the year. At the same time, gross margin improved 1.2ppt to 30.7%, driven by good performance in the premium product category, higher sales volume and timely cost management. We expect steady earnings growth moving forward. Maintain BUY with a 20% higher target price of S\$1.71.**

## 2022 RESULTS

Year to 31 Dec (US\$m)	2022	2021	yoy % chg
Disaggregation of revenue:			
Own Brands:			
- Indonesia	226.4	190.5	18.9
- Regional Markets	56.0	46.9	19.3
Agency Brands:			
- Indonesia	91.0	79.7	14.2
- Regional Markets	109.6	88.0	24.5
Total revenue	483.0	405.1	19.2
Gross profit	148.3	119.7	23.9
Gross margin (%)	30.7	29.5	1.2ppt
Net profit	43.9	29.3	49.9
Net margin (%)	9.1	7.2	1.9ppt

Source: Delfi, UOB Kay Hian

## RESULTS

- Results above expectations.** Delfi reported 2022 earnings of US\$43.9m (+49.9% yoy), accounting for 125% of our full-year forecast. Excluding 2021 non-recurring items of US\$4.2m - mainly consisting of a reduction in liabilities for employee retirement defined benefit obligations - core profit grew 68.7% yoy from US\$26m. This was mainly driven by strong performance in Delfi's main operating market, Indonesia, which recorded 17.5% yoy growth in revenue from US\$270.2m to US\$317.4m. Gross profit margin also expanded by 1.2ppt to 30.7%, due to greater contributions from the premium product segment, higher sales volume, and management's timely cost control measures over both ingredients and packaging costs and operating costs.
- Strong double-digit growth across both business lines.** In 2022, we noted solid performance in Delfi's two business lines, Own Brands and Agency Brands, across all markets as per the table above. Overall, Own Brands and Agency Brands recorded respective increases in sales of 19.0% and 19.6% yoy. In particular, Indonesia's growth in revenue is attributable to Delfi's premium brands SilverQueen and Cha Cha, which both saw double-digit growths. New products, largely healthier snacks targeting Millennials and Gen-Zs, were also launched during the year, supporting the segment's revenue growth.

## KEY FINANCIALS

Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Net turnover	405.1	483.0	518.0	555.7	597.0
EBITDA	58.9	75.6	83.1	87.9	93.1
Operating profit	45.3	63.8	72.9	78.0	83.4
Net profit (rep./act.)	29.3	43.9	47.0	50.3	53.9
Net profit (adj.)	29.3	43.9	47.0	50.3	53.9
EPS (S\$ cents)	4.8	7.2	7.7	8.2	8.8
PE (x)	15.4	10.3	9.6	9.0	8.4
P/B (x)	1.9	1.8	1.7	1.5	1.4
EV/EBITDA (x)	6.0	4.7	4.3	4.0	3.8
Dividend yield (%)	3.2	4.9	5.2	5.6	6.0
Net margin (%)	7.2	9.1	9.1	9.1	9.0
Net debt/(cash) to equity (%)	(31.8)	(23.6)	(35.6)	(38.7)	(40.7)
Interest cover (x)	55.7	120.0	79.5	84.1	89.0
ROE (%)	12.6	18.1	18.2	17.8	17.5
Consensus net profit	-	-	37	39	-
UOBKH/Consensus (x)	-	-	1.28	1.28	-

Source: Delfi, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$0.995
Target Price	S\$1.71
Upside	+71.9%
(Previous TP:	S\$1.42)

## COMPANY DESCRIPTION

Delfi manufactures, markets and distributes chocolate confectionery products. The company offers a broad range of chocolate and sugar confectionery products such as moulded chocolates, dragees, enrobed wafers, and biscuits. and increasingly more healthy snacks.

## STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	DELFI SP
Shares issued (m):	611.2
Market cap (S\$m):	608.1
Market cap (US\$m):	451.0
3-mth avg daily t'over (US\$m):	0.2

## Price Performance (%)

52-week high/low S\$0.995/S\$0.685

1mth	3mth	1mth	3mth	YTD
18.5	27.6	30.1	27.8	28.4

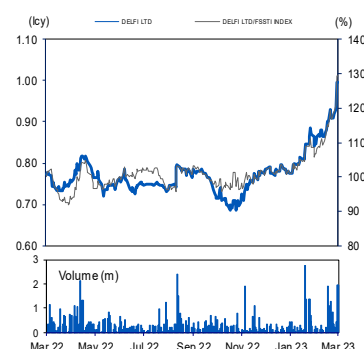
## Major Shareholders %

Aerodrome Int'l Ltd	52.0
First Pacific Advisors	8.0

FY23 NAV/Share (S\$) 0.44

FY23 Net Cash/Share (S\$) 0.16

## PRICE CHART



Source: Bloomberg

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### STOCK IMPACT

- **Healthy balance sheet and positive operating cash flow.** Having scaled down long-term borrowings since 2015, Delfi had zero long-term debt obligations as at end-22. The group does however have short-term borrowings that are mainly used for financing the working capital to purchase cocoa beans. Delfi's net cash position remains healthy at US\$58m, but lower than 2021's US\$76m due to management's heavy investment of US\$50.6m in inventories as they anticipate boosted sales in 2023. This was offset by Delfi's strong performance during the year. We think Delfi's healthy balance sheet and positive operating cash flow provide the group with a large enough cash buffer to weather any tough conditions.
- **Consistent dividend payout provides decent dividend yield of around 5% for 2023.** Delfi has consistently maintained a dividend payout ratio of around 50% for many years, except for 2020 where its payout ratio increased to 84% due to Delfi's move to maintain its absolute dividend, amid a decline in EPS due to the impact of COVID-19. In the recent announcement, management proposed a final dividend of 2 US cents/share and a special dividend of 0.72 US cents/share. Together with interim dividend of 1.58 US cents/share, total dividend of 4.3 US cents/share for 2022 is 51.9% higher than that of 2021, increasing the payout ratio to 60%. Given its strong net cash position of US\$58.1m, we expect payout ratio to be maintained at at least 50% in 2023-25.
- **Sustained healthy growth forecast as Indonesia's consumers emerge stronger from the pandemic.** We expect Delfi's revenue from the Indonesia market to grow 10% in 2023-25 as Indonesia's economy and consumers emerge stronger after the pandemic. Bank Indonesia projects Indonesia's economy to grow 4.9% in 2023 and 5.1% in 2024. For 2022, Indonesia's economy grew 5.3%, a solid recovery from the pandemic years where the economy contracted by 2.1% in 2020 and grew by only 3.7% in 2021. Increasing health consciousness and a surge in disposable income are seen to be the growth drivers.

### EARNINGS REVISION/RISK

- **We lift our 2023/24 earnings estimates by 22%/18% to S\$47m/S\$50m**, up from S\$39m/S\$43m, while adding 2025 estimates. These figures reflect the strong performance recorded in 2022 and improving margins moving forward.

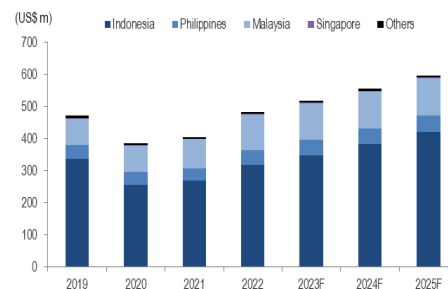
### VALUATION/RECOMMENDATION

- **Maintain BUY with a 20% higher PE-based target price of S\$1.71**, based on 17x 2023F PE, pegged to its long-term mean.

### SHARE PRICE CATALYST

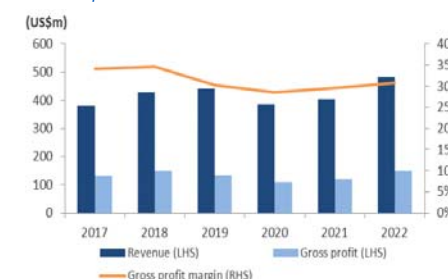
- Higher revenue contribution from Indonesia.
- Premiumisation of product offerings.

### REVENUE BREAKDOWN, BY GEOGRAPHY



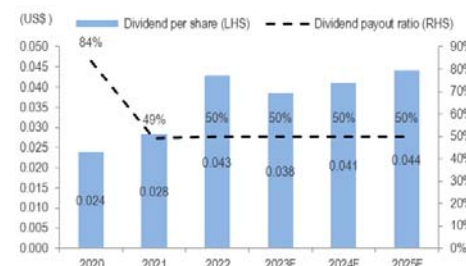
Source: Delfi, UOB Kay Hian

### REVENUE, GROSS PROFIT & GROSS PROFIT MARGIN, FROM 2017 - 2022



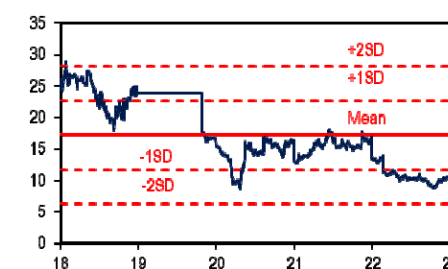
Source: Delfi, UOB Kay Hian

### DPS AND DIVIDEND PAYOUT RATIO



Source: Delfi, UOB Kay Hian

### FORWARD PE BAND



Source: Bloomberg, UOB Kay Hian



## PROFIT & LOSS

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Net turnover	483.0	518.0	555.7	597.0
EBITDA	75.6	83.1	87.9	93.1
Deprec. & amort.	11.8	10.2	9.9	9.7
EBIT	63.8	72.9	78.0	83.4
Associate contributions	(0.2)	(0.1)	(0.1)	(0.1)
Net interest income/(expense)	(0.6)	(1.0)	(1.0)	(1.0)
Pre-tax profit	63.0	71.7	76.8	82.2
Tax	(19.1)	(24.8)	(26.5)	(28.4)
Minorities	0.0	0.0	0.0	0.0
Net profit	43.9	47.0	50.3	53.9
Net profit (adj.)	43.9	47.0	50.3	53.9

## BALANCE SHEET

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Fixed assets	82.3	80.1	78.2	78.5
Other LT assets	26.8	26.8	26.8	26.8
Cash/ST investment	77.1	115.0	133.1	150.1
Other current assets	208.9	194.6	207.1	220.9
<b>Total assets</b>	<b>395.1</b>	<b>416.4</b>	<b>445.2</b>	<b>476.3</b>
ST debt	19.0	19.0	19.0	19.0
Other current liabilities	117.1	115.0	118.6	122.7
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	12.8	12.8	12.8	12.8
Shareholders' equity	246.2	269.7	294.9	321.8
Minority interest	0.0	0.0	0.0	0.0
<b>Total liabilities &amp; equity</b>	<b>395.1</b>	<b>416.4</b>	<b>445.2</b>	<b>476.3</b>

## CASH FLOW

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>7.7</b>	<b>70.4</b>	<b>52.4</b>	<b>55.0</b>
Pre-tax profit	63.0	71.7	76.8	82.2
Tax	(17.1)	(24.8)	(26.5)	(28.4)
Deprec. & amort.	11.8	10.2	9.9	9.7
Associates	0.2	0.0	0.0	0.0
Working capital changes	(50.5)	12.2	(8.9)	(9.6)
Non-cash items	(0.3)	0.0	0.0	0.0
Other operating cashflows	0.7	1.0	1.0	1.0
<b>Investing</b>	<b>(3.6)</b>	<b>(8.0)</b>	<b>(8.0)</b>	<b>(9.0)</b>
Capex (growth)	(3.1)	(8.0)	(8.0)	(9.0)
Proceeds from sale of assets	0.3	0.0	0.0	0.0
Others	(0.9)	0.0	0.0	0.0
<b>Financing</b>	<b>(13.1)</b>	<b>(24.5)</b>	<b>(26.2)</b>	<b>(28.0)</b>
Dividend payments	(19.2)	(23.5)	(25.2)	(26.9)
Proceeds from borrowings	1.1	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	5.0	(1.0)	(1.0)	(1.0)
<b>Net cash inflow (outflow)</b>	<b>(9.0)</b>	<b>37.9</b>	<b>18.1</b>	<b>18.0</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>87.3</b>	<b>77.1</b>	<b>115.0</b>	<b>132.1</b>
Changes due to forex impact	(1.2)	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>77.1</b>	<b>115.0</b>	<b>133.1</b>	<b>150.1</b>

## KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	15.7	16.0	15.8	15.6
Pre-tax margin	13.1	13.9	13.8	13.8
Net margin	9.1	9.1	9.1	9.0
ROA	11.6	11.6	11.7	11.7
ROE	18.1	18.2	17.8	17.5
<b>Growth</b>				
Turnover	19.2	7.2	7.3	7.4
EBITDA	28.4	9.9	5.8	5.8
Pre-tax profit	43.1	13.8	7.1	7.0
Net profit	49.9	7.0	7.1	7.0
Net profit (adj.)	49.9	7.0	7.1	7.0
EPS	49.9	7.0	7.1	7.0
<b>Leverage</b>				
Debt to total capital	7.2	6.6	6.1	5.6
Debt to equity	7.7	7.0	6.4	5.9
Net debt/(cash) to equity	(23.6)	(35.6)	(38.7)	(40.7)
Interest cover (x)	120.0	79.5	84.1	89.0

## COMPANY RESULTS

## Food Empire Holdings (FEH SP)

2022: Record-High Earnings And Dividend; Expect Strong Performance Ahead

FEH reported core earnings of US\$45m (+134% yoy), pulling off a record high and forming 125% of our estimates. Higher revenue across all but its South-East Asia segment and improved profitability contributed to the strong performance. In our view, the results are a testament to the group's strong brand equity, and earnings growth will continue as demand in all markets remains strong. We raise 2023 and 2024 core earnings by 33% and 41% respectively. Maintain BUY with a 64% higher target price of S\$1.28.

## 2022 RESULTS

Year to 31 Dec (US\$m)	2022	2021	yoy % chg
Revenue	398.4	320.1	24.5
Gross profit	118.8	93.7	26.9
Gross margin (%)	29.8	29.3	0.5ppt
Net profit	60.1	19.3	210.6
Net margin (%)	15.1	6.0	9.1ppt
Core net profit	45.1	19.3	133.7
Core net margin (%)	11.3	6.0	5.3ppt

Source: FEH, UOB Kay Hian

## RESULTS

- Record core earnings; above expectations.** Food Empire (FEH) reported net profit of US\$60.1m for 2022, pulling off a new record high. Excluding a one-off gain of US\$15m from the disposal of non-core assets, core net profit increased 133.7% yoy to US\$45.1m, outperforming our expectations and forming 125% of our estimates.
- Cost control and higher revenue from most segments mitigated lower sales from the Southeast Asia market.** Revenue increased 24.5% yoy to US\$398.4m, which is above our expectations. Its largest market, Russia, reported revenue growth of 29.1% to S\$148.4m, mainly due to strong consumer demand, the appreciation of the Russian ruble against the US dollar, and higher ASP. Similarly, despite fluctuating currencies from geopolitical uncertainties, its Ukraine, Kazakhstan and Commonwealth of Independent States (CIS) segments achieved a 28.6% yoy revenue growth. However, we note that revenue from the Southeast Asia segment fell 4.2% to US\$92.7m, attributable to post-pandemic normalisation in Vietnam, but partially offset by improved contributions from Malaysia's non-dairy creamer and snacks manufacturing facilities. In 2022, selling and marketing expenses fell by 17.2% yoy due to lower advertising and promotion expenses, but partially offset by higher manpower costs, as seen by the 11.6% yoy increase in administrative expenses. With that, core net profit margin expanded a substantial 5.3ppt to 11.3% in 2022, indicating the group's successful cost-control measures and optimised operations.
- Record dividend payout.** The group has proposed a record first and final dividend of 4.4 S cents per share, double that of 2021's dividend of 2.2 S cents per share. This translates to a dividend yield of 5.5% (2021: dividend yield of 2.8%).

## KEY FINANCIALS

Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Net turnover	321	398	431	460	493
EBITDA	34	61	69	71	78
Operating profit	25	53	59	62	68
Net profit (rep./act.)	20	60	48	52	55
Net profit (adj.)	20	45	48	52	55
EPS (US\$ cent)	3.6	8.5	9.0	9.7	10.4
PE (x)	16.0	6.9	6.4	6.0	5.6
P/B (x)	1.4	1.1	1.0	0.9	0.8
EV/EBITDA (x)	5.7	3.2	2.8	2.7	2.5
Dividend yield (%)	2.8	5.6	5.6	5.6	5.6
Net margin (%)	6.1	15.1	11.2	11.2	11.3
Net debt/(cash) to equity (%)	(4.7)	(31.6)	(37.7)	(43.2)	(48.1)
Interest cover (x)	28.7	50.0	60.4	n.a.	55.2
ROE (%)	8.7	23.8	16.5	15.9	15.4
Consensus net profit	-	-	41	43	-
UOBKH/Consensus (x)	-	-	1.17	1.20	-

Source: FEH, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$0.785
Target Price	S\$1.28
Upside	+63.1%
(Previous TP:	S\$0.78)

## COMPANY DESCRIPTION

Food Empire Holdings manufactures and markets instant beverage products, frozen convenience food, confectioneries and snacks. The company exports its products to markets such as Russia, Eastern Europe, Central Asia, the Middle East and Indochina.

## STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	FEH SP
Shares issued (m):	533.2
Market cap (S\$m):	418.5
Market cap (US\$m):	310.4
3-mth avg daily t'over (US\$m):	0.2

## Price Performance (%)

52-week high/low	S\$0.825/S\$0.430
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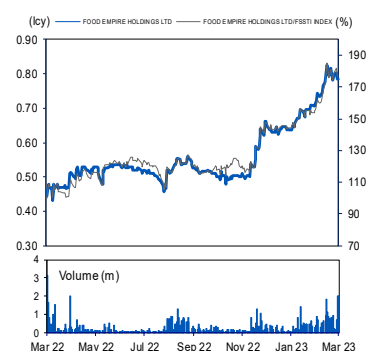
1mth	3mth	6mth	1yr	YTD
10.6	18.9	49.5	52.7	23.6

## Major Shareholders

	%
Anthoni Salim	24.6
Tan Wang Cheow	22.5

FY23 NAV/Share (US\$)	0.58
FY23 Net Cash/Share (US\$)	0.22

## PRICE CHART



Source: Bloomberg

## ANALYST(S)

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### STOCK IMPACT

- **Strong consumer demand across segments.** Despite rising inflationary pressures and ASPs, FEH does not see major changes in consumption patterns. Given the consumer-staple nature of FEH's products, demand is relatively price inelastic. For instance, the group's products in the coffee segment continue to be affordable enough for mass appeal, leading to sustainable or even stronger demand in 2022. Hence, we see that sales volumes are more sheltered from the market volatilities. With supply chain disruptions easing in some markets, we forecast higher earnings and improved margins moving forward.
- **Positive brand equity built.** Despite challenges in 2022, including geopolitical tensions in its core markets and rising inflation, the group has managed to generate record-level profits. Additionally, the group was once again recognised as the Top 100 "Most Valuable Singaporean Brands" by Brand Finance, for the twelfth consecutive year, with its estimated brand value increasing 17% yoy to US\$101m. We believe this is a testament to its strong brand equity.
- **Double-digit growth in top-line and improved margins lift earnings.** With the strong levels of demand sustained amid inflationary pressures and currency volatility from geopolitical uncertainties, our forecast incorporates a 32%/31% increase in 2023/24 revenue. Furthermore, management expects higher revenues from: a) India with freight costs normalising, and b) Vietnam, as the new capacity expansion of its non-dairy creamer facility is underway and expected to contribute in 4Q23.

### EARNINGS REVISION/RISK

- **We raise our 2023/24 core earnings estimates by 33%/41% to S\$48m/S\$52m**, up from S\$36m/S\$33m, while adding 2025 estimates. These figures reflect the better-than-expected core earnings for 2022 and improving net margins.

### VALUATION/RECOMMENDATION

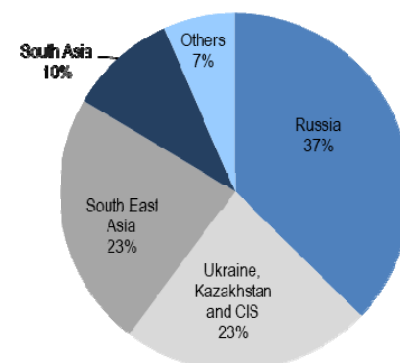
- **Maintain BUY with a 64% higher PE-based target price of S\$1.28 (S\$0.78 previously)**, as we raise our PE peg to 10.5x 2023F EPS, its long-term historical mean. Previously, we valued FEH at 8.4x 2023F EPS, or 1SD below its long-term historical average. The raise in PE peg is to reflect the improved outlook given sustained strong consumer demand.

### PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 28-Feb-22 (lcy)	Market Cap (US\$m)	PE			P/B			ROE 2022 (%)	Yield 2022 (%)	Net Gearing (%)
					2021 (x)	2022 (x)	2023 (x)	2021 (x)	2022 (x)	2023 (x)			
Food Empire Singapore	FEH SP	SGD	0.785	319	8.9	8.7	8.0	1.2	1.1	1.0	12.7	2.7	(0.4)
Thai Beverage	THBEV SP	SGD	0.645	12,030	14.0	13.9	13.0	2.0	1.9	1.8	14.1	3.7	64.5
Fraser And Neave	FNN SP	SGD	1.17	1,351	13.6	n.a.	n.a.	0.6	n.a.	n.a.	n.a.	n.a.	18.9
Yeo Hiap Seng	YHS SP	SGD	0.685	307	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(32.5)
<b>Average</b>					<b>13.8</b>	<b>13.9</b>	<b>13.0</b>	<b>1.3</b>	<b>1.9</b>	<b>1.8</b>	<b>14.1</b>	<b>3.7</b>	<b>17.0</b>
<b>Regional</b>													
Nestle (Malaysia)	NESZ MK	MYR	135.2	7,087	51.1	44.5	41.0	50.6	47.7	45.1	114.5	2.2	147.9
Fraser & Neave	FNH MK	MYR	27.18	2,228	26.0	22.9	20.9	3.3	3.1	2.9	14.1	2.5	4.7
Coca-Cola Conso	COKE US	USD	579.36	5,431	12.6	n.a.	n.a.	5.1	n.a.	n.a.	n.a.	n.a.	50.0
Dydo Group	2590 JP	JPY	4820	587	n.a.	86.7	70.2	0.9	0.9	0.9	n.a.	1.2	(16.6)
Power Root	PWRT MK	MYR	2.15	204	17.2	16.2	15.4	3.4	3.2	3.4	21.2	5.8	(21.4)
Tac Consumer	TACC TB	THB	6.15	107	15.8	13.8	12.6	n.a.	4.6	4.6	34.1	7.0	(22.3)
<b>Average (Excl. NESZ MK)</b>					<b>17.9</b>	<b>34.9</b>	<b>29.8</b>	<b>3.2</b>	<b>3.0</b>	<b>2.9</b>	<b>23.1</b>	<b>3.7</b>	<b>23.7</b>

Source: Bloomberg, UOB Kay Hian

### REVENUE IN 2022



Source: FEH, UOB Kay Hian

### LONG TERM HISTORICAL PE BAND



Source: FEH, UOB Kay Hian

**PROFIT & LOSS**

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Net turnover	398.4	430.5	460.4	492.6
EBITDA	61.3	68.9	71.4	77.8
Deprec. & amort.	8.6	9.9	9.8	9.6
EBIT	52.7	59.0	61.6	68.2
Total other non-operating income	16.6	1.0	1.0	1.0
Associate contributions	2.7	0.6	0.6	0.6
Net interest income/(expense)	(1.2)	(1.1)	0.4	(1.4)
<b>Pre-tax profit</b>	<b>70.7</b>	<b>59.4</b>	<b>63.6</b>	<b>68.4</b>
Tax	(10.6)	(11.3)	(12.1)	(13.0)
Minorities	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>60.1</b>	<b>48.2</b>	<b>51.5</b>	<b>55.4</b>
Net profit (adj.)	45.1	48.2	51.5	55.4

**BALANCE SHEET**

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Fixed assets	101.3	99.4	97.7	96.2
Other LT assets	37.9	37.8	37.8	37.7
Cash/ST investment	125.6	151.7	180.7	213.4
Other current assets	116.7	124.8	132.9	141.0
<b>Total assets</b>	<b>381.5</b>	<b>413.7</b>	<b>449.1</b>	<b>488.3</b>
ST debt	13.5	13.5	13.5	13.5
Other current liabilities	57.8	61.7	65.5	69.1
LT debt	24.8	22.2	19.6	17.0
Other LT liabilities	9.8	9.8	9.8	9.8
Shareholders' equity	276.7	307.6	341.9	380.2
Minority interest	(1.1)	(1.1)	(1.2)	(1.2)
<b>Total liabilities &amp; equity</b>	<b>381.5</b>	<b>413.7</b>	<b>449.1</b>	<b>488.3</b>

**CASH FLOW**

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>72.8</b>	<b>55.4</b>	<b>57.4</b>	<b>62.8</b>
Pre-tax profit	70.7	59.4	63.6	68.4
Tax	(10.6)	(11.3)	(12.1)	(13.0)
Deprec. & amort.	8.6	9.9	9.8	9.6
Associates	2.7	0.6	0.6	0.6
Working capital changes	11.0	(4.6)	(4.3)	(4.5)
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	(9.5)	1.4	(0.1)	1.7
<b>Investing</b>	<b>19.0</b>	<b>(7.0)</b>	<b>(7.0)</b>	<b>(7.0)</b>
Capex (growth)	(13.8)	(8.0)	(8.0)	(8.0)
Proceeds from sale of assets	0.1	0.0	0.0	0.0
Others	32.7	1.0	1.0	1.0
<b>Financing</b>	<b>(26.2)</b>	<b>(23.0)</b>	<b>(21.5)</b>	<b>(23.2)</b>
Dividend payments	(2.3)	(1.1)	0.4	(1.4)
Issue of shares	0.6	0.0	0.0	0.0
Proceeds from borrowings	65.6	(2.0)	(2.0)	(2.0)
Loan repayment	(76.9)	(2.6)	(2.6)	(2.6)
Others/interest paid	(13.2)	(17.2)	(17.2)	(17.2)
<b>Net cash inflow (outflow)</b>	<b>65.6</b>	<b>25.5</b>	<b>29.0</b>	<b>32.6</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>60.6</b>	<b>125.6</b>	<b>151.7</b>	<b>180.7</b>
Changes due to forex impact	(0.5)	0.6	0.1	0.1
<b>Ending cash &amp; cash equivalent</b>	<b>125.6</b>	<b>151.7</b>	<b>180.7</b>	<b>213.4</b>

**KEY METRICS**

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	15.4	16.0	15.5	15.8
Pre-tax margin	17.7	13.8	13.8	13.9
Net margin	15.1	11.2	11.2	11.3
ROA	16.7	12.1	11.9	11.8
ROE	23.8	16.5	15.9	15.4
<b>Growth</b>				
Turnover	24.2	8.1	6.9	7.0
EBITDA	80.4	12.3	3.6	9.1
Pre-tax profit	168.7	(15.9)	7.0	7.6
Net profit	208.2	(19.8)	7.0	7.6
Net profit (adj.)	131.3	6.8	7.0	7.6
EPS	132.3	6.8	7.0	7.6
<b>Leverage</b>				
Debt to total capital	12.2	10.4	8.8	7.4
Debt to equity	13.8	11.6	9.7	8.0
Net debt/(cash) to equity	(31.6)	(37.7)	(43.2)	(48.1)
Interest cover (x)	50.0	60.4	n.a.	55.2

## COMPANY RESULTS

### Frencken Group (FRKN SP)

2022: Earnings Above Expectation, But Outlook Turning Cautious; Downgrade To HOLD

Frencken's 2022 earnings of S\$52m (-12% yoy) beat our estimate by 11%. 2023 revenue grew 2.5% yoy, with semiconductor (+5% yoy), medical (+7% yoy) and industrial automation segments (+5%) recording growths, while automobile (-12% yoy) declined. Frencken expects 1H23 revenue to be softer than 2H22 due to a slowdown across most of its key segments on the challenging macroeconomic environment. We cut our 2023 earnings by 19%. Downgrade to HOLD with a 21% lower target price of S\$1.08.

#### 2022 RESULTS

Year to 31 Dec (S\$m)	2022	2021	% chg (yoy)	4Q22	4Q21	% chg (yoy)
Revenue	786.1	767.1	+2.5	201.8	195.3	+3.3
Net Profit	51.9	58.7	(11.7)	14.8	12.6	+17.5
Gross margin (%)	15.1	16.8	(1.7ppt)	15.5	15.3	+0.2ppt
Net margin (%)	6.6	7.7	(1.1ppt)	7.3	6.5	+0.8ppt

Source: Frencken, UOB Kay Hian

#### RESULTS

- 2022 earnings of S\$52m (-12% yoy) beat our estimate by 11% on net margin recovery.** Frencken Group (Frencken) reported better-than-expected net margin in 4Q22, increasing 0.8ppt yoy to 7.3%. Gross margin also improved 0.2ppt to 15.5% in 4Q22. We believe these were due to normalising of energy costs in Europe and improving results of cost-sharing efforts undertaken by Frencken since the start of 2022.
- Marginal revenue growth with mixed performance across different segments.** Frencken's 2022 earnings growth of 2.5% yoy was led by growth from the semiconductor (+5% yoy), medical (+7% yoy) and automation (+5% yoy) segments. Growth in the semiconductor space was lifted by higher orders for front-end semiconductor equipment from customers in Europe and Asia. However, sales in the automobile (-12% yoy) sector was impacted by weak recovery of the global automobile industry amid supply chain disruptions. The analytical & life science segment's revenue was stable.
- Cautious outlook for 2023; 1H23 to weaken vs 2H22.** Given the challenging and uncertain macroeconomic backdrop, Frencken is adopting a cautious view for 2023. Based on current indicators and barring unforeseen circumstances, Frencken expects revenue in 1H23 to soften compared to 2H22 as present business visibility is hampered by volatile market conditions. Frencken's outlook for the various segments is as follows: a) semiconductor: lower revenue, b) medical: decreasing revenue, c) analytical & life sciences: higher revenue, d) industrial automation: decreasing revenue, and e) automobile: stable revenue.

#### KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	767	786	733	757	792
EBITDA	87	82	79	83	87
Operating profit	64	54	49	52	55
Net profit (rep./act.)	59	52	46	48	51
Net profit (adj.)	59	52	46	48	51
EPS (S\$ cents)	13.8	12.1	10.8	11.2	12.0
PE (x)	7.5	8.5	9.5	9.2	8.6
P/B (x)	1.2	1.1	1.0	1.0	0.9
EV/EBITDA (x)	3.7	4.0	4.1	3.9	3.8
Dividend yield (%)	4.0	3.5	3.1	3.3	3.5
Net margin (%)	7.7	6.6	6.3	6.3	6.4
Net debt/(cash) to equity (%)	(25.4)	(14.8)	(27.8)	(33.1)	(38.4)
Interest cover (x)	62.2	22.8	23.6	24.0	24.0
ROE (%)	16.5	13.5	11.3	10.9	10.7
Consensus net profit	-	-	56	60	-
UOBKH/Consensus (x)	-	-	0.82	0.80	-

Source: Frencken, Bloomberg, UOB Kay Hian

## HOLD

(Downgraded)

Share Price	S\$1.03
Target Price	S\$1.08
Upside	+4.7%
(Previous TP)	S\$1.36)

#### COMPANY DESCRIPTION

Frencken is a global integrated technology solutions company. The group provides ODM and OEM services for the automotive, healthcare, industrial, analytical & life sciences and semiconductor industries.

#### STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	FRKN SP
Shares issued (m):	427.0
Market cap (S\$m):	439.8
Market cap (US\$m):	326.2
3-mth avg daily t'over (US\$m):	3.7

#### Price Performance (%)

52-week high/low				S\$ 1.70/S\$ 0.775
1mth	3mth	6mth	1yr	YTD
(12.0)	1.0	(10.4)	(36.0)	9.0

#### Major Shareholders

Dato' Gooi Soon Chai	23.5
FY23 NAV/Share (S\$)	0.99
FY23 Net Cash/Share (S\$)	0.28

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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### STOCK IMPACT

- **Long-term growth supported by diversified segments and new programmes.** Frencken has built long-term customer relationships with multinational companies that are leaders in their own fields. For the semiconductor segment, Frencken serves several customers in the front-end and back-end capital equipment industry. While the semiconductor industry is currently in the midst of a cyclical slowdown, particularly for back-end equipment, the extent and outlook vary. Frencken is leveraging on its capacity expansion in Malaysia to support its key customer in Europe to build its presence in Asia. Frencken has also made inroads with a new USA customer by successfully building and delivering semiconductor vacuum transfer platforms for wafer processing equipment. With its global footprint, expanded capacity and capability to manufacture products with submicron accuracy, Frencken has successfully secured new programmes from a leading instrumentation company in the analytical & life sciences segment. It has also been winning new programmes from customers in the medical segment.

### EARNINGS REVISION/RISK

- We reduce our 2023/24 earnings forecasts by 19%/21% after reducing our revenue estimates by 12%/15% to reflect the latest cautious outlook by Frencken due to the challenging and uncertain macroeconomic backdrop.

### VALUATION/RECOMMENDATION

- **Downgrade to HOLD with a 21% lower target price of S\$1.08**, pegged to 10x 2023F PE, based on mean PE. We note that Frencken has a diverse stream of revenue sources, which could help the company remain more resilient amid a volatile macro environment.

### SHARE PRICE CATALYST

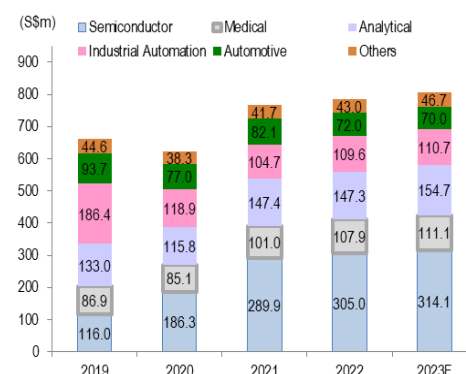
- Higher-than-expected factory utilisation rates and better cost management.

### PEER COMPARISON

Company	Ticker	Trading Curr (TC)	Price @ 28 Feb 23 (TC)	Market Cap (USD)	PE		PB		EV/EBITDA		Yield 2023F (%)	Net Gearing (%)
					2023F (x)	2024F (x)	2023F (x)	2024F (x)	2023F (x)	2024F (x)		
Frencken	FRKN SP	SGD	1.03	326	9.5	9.2	1.0	1.0	4.1	3.9	3.1	(18.0)
<b>SGX-listed peers</b>												
Venture	VMS SP	SGD	17.17	3,704	13.1	12.6	1.7	1.6	8.9	8.6	4.7	(25.1)
AEM	AEM SP	SGD	2.88	660	10.4	9.2	1.6	1.4	6.6	6.0	2.4	(17.6)
UMS	UMSH SP	SGD	1.08	537	7.9	7.0	1.8	1.5	6.1	5.5	4.6	(8.9)
<b>Average</b>					<b>10.5</b>	<b>9.6</b>	<b>1.7</b>	<b>1.5</b>	<b>7.2</b>	<b>6.7</b>	<b>3.9</b>	
<b>Semiconductor (39% of Frencken's 2022 sales)</b>												
Asml Hol	ASML NA	EUR	590.2	252,375	31.6	25.6	22.5	18.0	25.4	20.8	1.1	(43.8)
Intel Corp	INTC US	USD	24.9	103,011	53.7	13.9	1.0	1.0	9.2	6.3	5.2	7.9
Kulicke & Soffa	KLIC US	USD	53.11	3,011	29.2	17.3	n.a.	n.a.	19.0	12.1	n.a.	(63.6)
Benchmark Elec	BHE US	USD	23.74	835	10.8	9.2	n.a.	n.a.	0.0	0.0	n.a.	21.1
<b>Average</b>					<b>31.3</b>	<b>16.5</b>	<b>11.8</b>	<b>9.5</b>	<b>13.4</b>	<b>9.8</b>	<b>3.2</b>	
<b>Industrial automation (16% of 2022 sales)</b>												
Seagate Tech	STX US	USD	64.25	13,267	42.6	12.4	n.a.	n.a.	16.0	9.9	4.4	4,661.5
Western Digital	WDC US	USD	38.51	12,297	n.a.	29.5	1.1	1.2	30.6	9.5	0.0	45.3
<b>Average</b>					<b>42.6</b>	<b>20.9</b>	<b>1.1</b>	<b>1.2</b>	<b>23.3</b>	<b>9.7</b>	<b>2.2</b>	
<b>Analytical &amp; Medical (31% of 2022 sales)</b>												
Thermo Fisher	TMO US	USD	541.35	208,653	22.8	20.3	4.3	3.9	19.8	17.9	0.2	62.4
Oxford Instruments	OXIG LN	GBP	2460	1,714	24.1	22.8	372.7	315.4	n.a.	n.a.	0.8	(20.8)
Koninklijke Philips	PHIA NA	EUR	15,608	14,723	15.3	11.6	1.1	1.1	8.9	7.3	5.5	52.8
Siemens Healthineers	SHL GR	EUR	49.58	59,321	24.2	20.6	2.7	2.6	16.4	14.2	1.9	78.5
<b>Average</b>					<b>21.6</b>	<b>18.8</b>	<b>95.2</b>	<b>80.8</b>	<b>15.0</b>	<b>13.1</b>	<b>2.1</b>	
<b>Automotive peers (15% of 2022 sales)</b>												
Valeo	FR FP	EUR	19.815	5,118	12.3	7.6	1.2	1.0	3.6	3.1	3.0	87.0
Visteon	VC US	USD	166.53	4,694	22.8	16.8	6.1	4.9	11.2	9.0	0.0	(5.6)
Thyssenkrupp	TKA GR	EUR	7.054	4,658	13.1	7.8	0.3	0.3	1.1	0.9	2.4	(20.6)
Bosch	BOS IN	INR	18030.15	6,433	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.0	(25.7)
Denso	6902 JP	JPY	7239	41,714	12.1	10.5	1.2	1.1	6.5	5.9	2.8	5.7
Johnson Contr	JCI US	USD	62.74	43,116	17.9	15.7	2.5	2.4	13.0	11.9	2.3	55.4
<b>Average</b>					<b>15.6</b>	<b>11.7</b>	<b>2.2</b>	<b>1.9</b>	<b>7.1</b>	<b>6.2</b>	<b>1.9</b>	
<b>Blended average (Based on 2022 sales composition)</b>					<b>27.0</b>	<b>17.0</b>	<b>36.2</b>	<b>30.6</b>	<b>14.1</b>	<b>10.3</b>	<b>2.5</b>	

Source: Bloomberg, UOB Kay Hian

### 2019-23 REVENUE BY SEGMENT



Source: Frencken, UOB Kay Hian

### FORWARD PE BAND



Source: Bloomberg, UOB Kay Hian

## PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	786.1	732.5	756.8	791.7
EBITDA	82.2	79.2	83.1	87.1
Deprec. & amort.	27.8	29.8	31.2	32.6
EBIT	54.3	49.4	52.0	54.6
Total other non-operating income	12.3	10.4	10.0	11.4
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(3.6)	(3.4)	(3.5)	(3.6)
Pre-tax profit	63.0	56.5	58.5	62.3
Tax	(11.4)	(10.2)	(10.5)	(11.2)
Minorities	0.2	(0.2)	(0.1)	(0.1)
Net profit	51.9	46.1	47.9	51.0

## BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	166.5	159.7	151.5	142.0
Other LT assets	26.3	26.6	26.9	27.1
Cash/ST investment	167.0	204.1	244.7	290.5
Other current assets	365.4	322.9	341.3	358.0
<b>Total assets</b>	<b>725.2</b>	<b>713.3</b>	<b>764.4</b>	<b>817.6</b>
ST debt	107.7	85.4	92.2	99.6
Other current liabilities	182.2	174.9	182.9	187.6
LT debt	1.1	1.1	1.1	1.1
Other LT liabilities	37.7	24.1	26.7	30.6
Shareholders' equity	391.9	423.3	457.3	494.0
Minority interest	4.5	4.5	4.5	4.5
<b>Total liabilities &amp; equity</b>	<b>725.2</b>	<b>713.3</b>	<b>764.8</b>	<b>817.5</b>

## CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>37.8</b>	<b>97.6</b>	<b>71.4</b>	<b>75.6</b>
Pre-tax profit	63.0	56.5	58.5	62.3
Tax	(8.9)	(11.4)	(10.2)	(10.5)
Deprec. & amort.	27.8	29.8	31.2	32.6
Working capital changes	(16.6)	22.8	(8.2)	(8.7)
Non-cash items	(27.5)	0.0	0.0	0.0
<b>Investing</b>	<b>(44.5)</b>	<b>(22.7)</b>	<b>(22.7)</b>	<b>(22.7)</b>
Capex (growth)	(42.6)	(23.0)	(23.0)	(23.0)
Proceeds from sale of assets	1.2	0.0	0.0	0.0
Others	(3.1)	0.3	0.3	0.3
<b>Financing</b>	<b>(30.4)</b>	<b>(41.8)</b>	<b>(11.0)</b>	<b>(11.2)</b>
Dividend payments	(17.6)	(15.5)	(13.8)	(14.4)
Issue of shares	0.0	0.0	0.0	0.0
Loan repayment	11.6	(22.4)	6.9	7.4
Others/interest paid	(24.4)	(3.9)	(4.0)	(4.2)
<b>Net cash inflow (outflow)</b>	<b>(37.1)</b>	<b>33.1</b>	<b>37.7</b>	<b>41.7</b>
Beginning cash & cash equivalent	192.6	167.0	204.1	244.7
Changes due to forex impact	11.5	4.0	3.0	4.0
<b>Ending cash &amp; cash equivalent</b>	<b>167.0</b>	<b>204.1</b>	<b>244.7</b>	<b>290.5</b>

## KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	10.5	10.8	11.0	11.0
Pre-tax margin	8.0	7.7	7.7	7.9
Net margin	6.6	6.3	6.3	6.4
ROA	7.3	6.4	6.5	6.5
ROE	13.5	11.3	10.9	10.7
<b>Growth</b>				
Turnover	2.5	(6.8)	3.3	4.6
EBITDA	(5.9)	(3.6)	5.0	4.8
Pre-tax profit	(10.6)	(10.4)	3.7	6.4
Net profit	(11.7)	(11.2)	3.9	6.6
Net profit (adj.)	(11.7)	(11.2)	3.9	6.6
EPS	(11.7)	(11.2)	3.9	6.6
<b>Leverage</b>				
Debt to total capital	21.5	16.8	16.8	16.8
Debt to equity	27.8	20.4	20.4	20.4
Net debt/(cash) to equity	(14.8)	(27.8)	(33.1)	(38.4)
Interest cover (x)	22.8	23.6	24.0	24.0

## COMPANY RESULTS

### PropNex (PROP SP)

2022: Stellar Results With Bumper Cash And Bonus Issue Announced

PropNex reported a stellar set of results as the company's revenue exceeded S\$1b for the first time. Its agent base grew 8% yoy in 2022 to just over 11,800 and a stretch target of 15,000 agents by 2025 should underpin its growth going forward. Along with a final cash dividend, PropNex also proposed a one-for-one bonus issue. We upgrade our earnings forecasts and maintain our BUY rating, raising target price to S\$2.14 (previously S\$1.92).

#### 2022 RESULTS

Year to 31 (\$m)	2021	2022	Yoy %	Remarks
Revenue	957.5	1,029.2	7.5%	- Due to strength in private resale segment
Gross profit	101.8	104.7	2.8%	
Operating profit	77.8	77.4	-0.5%	- Affected by higher impairments
PATMI	60.0	62.4	4.0%	

Profit Margins			±ppt
Gross profit margin	10.6%	10.2%	-0.5ppt
Net profit margin	6.3%	6.1%	-0.2ppt

Source: Propnex, UOB Kay Hian

#### RESULTS

- Better than expected.** PropNex reported a strong set of results with revenue up 8% yoy to S\$1.0b while net profit after minorities rising 4% yoy to S\$62.4m. These results were better than our and consensus' estimates, with outperformance coming from the robust residential and resale market in particular. With around an 8% yoy increase to nearly 12,000 agents as at end-22 (2025 target: 15,000 agents), the company appears to be in a strong position to continue to generate over S\$1b per annum in revenue going forward.
- Cash and stock dividend proposed.** The company proposed a final dividend of S\$0.08/share, which together with the S\$0.055/share interim dividend brings total 2022 dividend to S\$0.135/share. In addition, PropNex is proposing a one-for-one bonus issue of up to 370m new ordinary shares, ostensibly to increase and broaden the company's accessibility to investors and to increase liquidity.
- Still in a net cash position.** Despite paying out nearly S\$50m in dividends in 2022, the company ended the year in a net cash position of S\$139m (or S\$0.38/share in cash) which represents over one-fifth of the company's market capitalisation.

#### KEY FINANCIALS

Year to 31 Dec (\$m)	2021	2022	2023F	2024F	2025F
Net turnover	957	1,029	1,080	1,016	1,034
EBITDA	81	81	86	91	84
Operating profit	78	77	82	87	80
Net profit (rep./act.)	60	62	64	69	63
Net profit (adj.)	60	62	64	69	63
EPS (S\$ cent)	16.2	16.9	17.4	18.5	17.1
PE (x)	11.2	10.7	10.4	9.8	10.6
P/B (x)	6.1	5.3	4.8	4.3	3.9
EV/EBITDA (x)	6.3	6.3	6.0	5.6	6.1
Dividend yield (%)	6.9	4.4	7.7	8.3	7.7
Net margin (%)	6.3	6.1	6.0	6.8	6.1
Net debt/(cash) to equity (%)	(133.1)	(110.6)	(116.3)	(122.3)	(120.0)
ROE (%)	61.9	53.1	48.4	46.3	38.7
Consensus net profit	-	-	55	58	-
UOBKH/Consensus (x)	-	-	1.16	1.19	-

Source: Propnex, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$1.81
Target Price	S\$2.14
Upside	+18.0%
(Previous TP)	S\$1.92)

#### COMPANY DESCRIPTION

Singapore's largest real estate agency with a dominant market share of the residential primary private and HDB resale market.

#### STOCK DATA

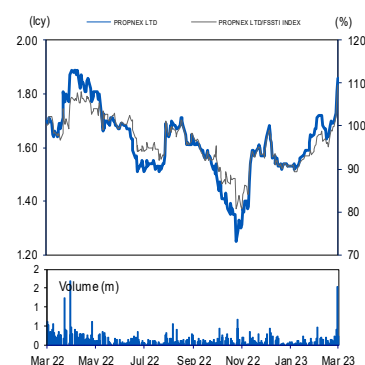
GICS sector	Real Estate
Bloomberg ticker:	PROP SP
Shares issued (m):	370.0
Market cap (S\$m):	669.7
Market cap (US\$m):	496.7
3-mth avg daily t'over (US\$m):	0.2
Price Performance (%)	

52-week high/low S\$1.89/S\$1.25

1mth	3mth	6mth	1yr	YTD
9.7	13.1	10.4	5.2	18.3

Major Shareholders	%
P&N Holdings	55.6
Fong Kelvin	8.6
Ismail Mohamed	9.3
FY23 NAV/Share (S\$)	0.38
FY23 Net Cash/Share (S\$)	0.44

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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### STOCK IMPACT

- **Property market outlook.** Of interest was PropNex's property market outlook which we would classify as guardedly positive.

### PROPNE X VIEW ON THE PROPERTY MARKET

Segment	Forecast price increase: 2023	View
Rental market	4-6%	Will moderate given resistance to double-digit increases in 2022. >17,000 keys to enter market in 2023 so potentially a lot of supply entering market
Landed resale	4-5%	Should slow down vs 2022 due to resistance to the high asking prices
Private residential	5-6%	Sentiment still fearful due to high interest rates but should taper in 2024
HDB resale	7-9%	Driven by continued lack of supply in BTO segment

Source: PropNex

- **57% increase in receivables for 2022.** PropNex disclosed that this was due to two developers, namely Oxley Holdings and Kingsford Development, not having paid a material amount of commissions. The company stated that it expects to be paid once the two companies' projects (Oxley's Mayfair Modern and Kingsford's Normanton Park) receive their Temporary Occupation Permits in 2023.
- **En bloc projects will be difficult.** During the results call, management commented that property developers are still very cautious and thus en bloc projects that are above \$0.5b (especially those that are leasehold) will not be likely. Management also noted the large price expectations between owners and developers which have been exacerbated by various new rules and regulations that have been implemented by the Singapore government in the past 12-18 months.

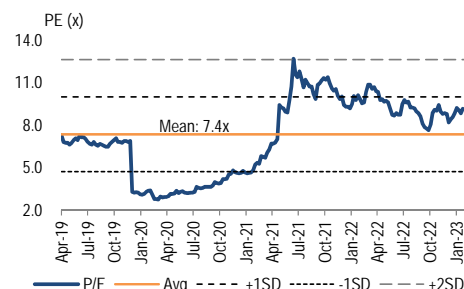
### EARNINGS REVISION/RISK

- **Putting through higher earnings forecasts.** We have increased our admittedly conservative 2023 and 2024 net profit forecasts by 23-25% on the back of higher volumes of potential transactions in 2023 given that there are: a) over 17,400 units that are expected to be handed over to their owners in 2023, b) over 12,000 new homes in the launch pipeline, and c) over 7,700 Government Land Sales residential units ytd in 2023 which represents 56% of 2022's total. We also highlight that revenue from the Tenet executive condo will only be captured by the company in 2H23. PropNex also noted that underlying demand for property remains robust, underpinned by rising costs of construction and materials as well as limited inventory and high land prices.

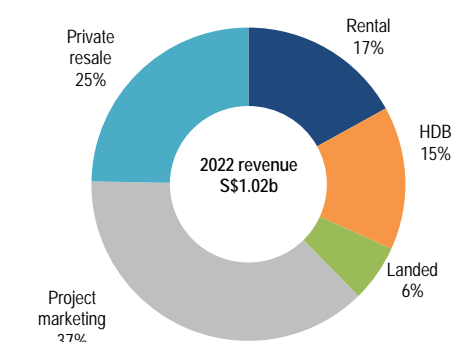
### VALUATION/RECOMMENDATION

- **We maintain our BUY rating on Propnex with higher PE-based target price of S\$2.14 (previously S\$1.92).** We have raised our target PE multiple from 0.5SD to 1SD given: a) our greater confidence in the company's ability to maintain and grow its market share as it grows the number of agents under its banner, and b) over 12,000 units of new apartments being launched in 2023 which could underpin earnings growth for the company. As a result, our new target multiple is 10.0x vs the company's historical PE average of 7.4x.
- **Inexpensive metrics.** Given the company's net cash position of S\$139m as at end-22, we note that Propnex's ex-cash PE is only 8.2x. During 4Q22, the company generated over S\$13m in free cash flow while for 2022 it generated S\$47m in free cash flow. On an annualised basis, this represents around 7% free cash flow yield.
- **SHARE PRICE CATALYSTS**
  - Strong sell-through of new property launches in 2H22.
  - Higher-than-expected final dividend for 2022 indicating company's willingness to return cash to shareholders.

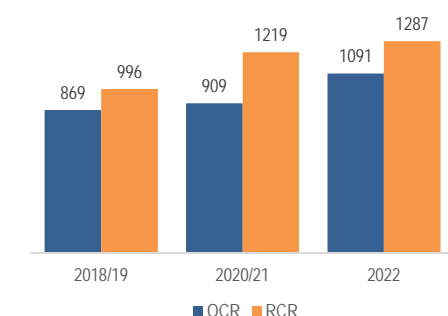
### PE CHART SINCE 2019



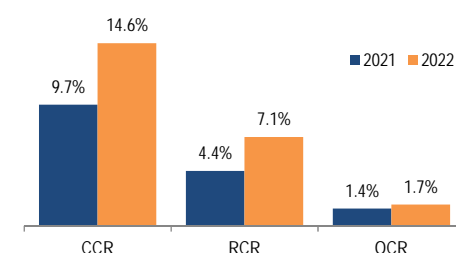
### REVENUE BY SEGMENT IN 2022



### AVERAGE LAND PRICES FOR GLS RESIDENTIAL & COLLECTIVE SALE (\$SPSF PER PLOT RATIO)



### % OF FOREIGNERS BUYING PRIVATE HOMES\*



## PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	1,029.2	1,079.7	1,016.1	1,034.3
EBITDA	81.0	85.5	90.9	83.9
Deprec. & amort.	3.6	3.7	3.8	3.8
EBIT	77.4	81.9	87.1	80.0
Total other non-operating income	0.5	0.0	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	1.2	1.6	1.9	2.0
<b>Pre-tax profit</b>	<b>79.1</b>	<b>83.5</b>	<b>89.0</b>	<b>82.1</b>
Tax	(13.7)	(14.2)	(15.1)	(14.0)
Minorities	(3.0)	(4.9)	(5.3)	(4.9)
<b>Net profit</b>	<b>62.4</b>	<b>64.3</b>	<b>68.6</b>	<b>63.3</b>
Net profit (adj.)	62.4	64.3	68.6	63.3

## CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>51.4</b>	<b>74.3</b>	<b>79.6</b>	<b>69.1</b>
Pre-tax profit	79.1	83.5	89.0	82.1
Tax	(13.4)	(14.2)	(15.1)	(14.0)
Deprec. & amort.	3.6	3.7	3.8	3.8
Associates	0.0	0.0	0.0	0.0
Working capital changes	(17.2)	(0.3)	0.1	(4.9)
Non-cash items	(1.0)	1.6	1.9	2.0
Other operating cashflows	0.3	0.0	0.0	0.0
<b>Investing</b>	<b>(4.4)</b>	<b>(2.0)</b>	<b>(2.3)</b>	<b>(2.4)</b>
Capex (growth)	(0.4)	(0.4)	(0.4)	(0.4)
Capex (maintenance)	0.0	0.0	0.0	0.0
Investments	(5.9)	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	1.9	(1.6)	(1.9)	(2.0)
<b>Financing</b>	<b>(53.8)</b>	<b>(48.1)</b>	<b>(49.6)</b>	<b>(52.9)</b>
Dividend payments	(51.5)	(48.1)	(49.6)	(52.9)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(2.3)	0.0	0.0	0.0
<b>Net cash inflow (outflow)</b>	<b>(6.8)</b>	<b>24.2</b>	<b>27.7</b>	<b>13.8</b>
Beginning cash & cash equivalent	145.6	138.9	163.1	190.8
Changes due to forex impact	0.0	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>138.9</b>	<b>163.1</b>	<b>190.8</b>	<b>204.6</b>

## BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	1.4	1.5	1.4	1.4
Other LT assets	6.0	0.0	0.0	0.0
Cash/ST investment	138.9	163.1	190.8	204.6
Other current assets	229.1	234.4	220.6	224.5
<b>Total assets</b>	<b>375.4</b>	<b>399.0</b>	<b>412.8</b>	<b>430.5</b>
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	245.9	252.6	245.4	243.8
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	2.9	0.1	0.1	0.1
Shareholders' equity	125.5	140.3	156.0	170.5
Minority interest	0.9	5.9	11.2	16.0
<b>Total liabilities &amp; equity</b>	<b>375.4</b>	<b>399.0</b>	<b>412.8</b>	<b>430.5</b>

## KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	7.9	7.9	8.9	8.1
Pre-tax margin	7.7	7.7	8.8	7.9
Net margin	6.1	6.0	6.8	6.1
ROA	18.6	16.6	16.9	15.0
ROE	53.1	48.4	46.3	38.7
<b>Growth</b>				
Turnover	7.5	4.9	(5.9)	1.8
EBITDA	(0.3)	5.6	6.2	(7.7)
Pre-tax profit	0.5	5.6	6.6	(7.8)
Net profit	3.9	3.2	6.6	(7.8)
Net profit (adj.)	3.9	3.2	6.6	(7.8)
EPS	3.9	3.2	6.6	(7.8)
<b>Leverage</b>				
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	(110.6)	(116.3)	(122.3)	(120.0)

## COMPANY RESULTS

## Sembcorp Marine (SMM SP)

2022: Losses As Expected, But The Focus Is On A Brighter Future

**SMM reported losses that were slightly higher than our and consensus' estimates. However, free cash flow of over S\$1b for 2022 and a much stronger balance sheet put the company in a strong position for 2023, in our view. Importantly, SMM generated positive EBITDA in 2H22, potentially indicating that SMM has turned a corner. We believe market attention will be on its new order wins and the integration of KOM in the near to medium term. Maintain BUY. Target price: S\$0.156.**

## 2022 RESULTS

Year to 31 Dec, S\$m	1H22	2H22	% HoH	2021	2022	% YoY
Revenue	1,095.0	852.2	-22.2%	1,862.2	1,947.2	4.6%
COGS	(1,187.9)	(891.5)	25.0%	(2,944.6)	(2,079.4)	29.4%
Gross profit/(loss)	(92.9)	(39.3)	57.7%	(1,082.4)	(132.2)	87.8%
Operating profit/(loss)	(115.1)	(91.4)	20.6%	(1,224.1)	(206.4)	83.1%
Financial expenses	(54.6)	(82.1)	-50.4%	(82.6)	(136.7)	-65.5%
Pre-tax loss	(134.3)	(105.5)	21.4%	(1,254.8)	(239.7)	80.9%
Tax credit/(expense)	(10.8)	(15.1)	39.8%	79.4	(25.8)	132.5%
Net loss	(142.9)	(118.3)	17.2%	(1,170.6)	(261.1)	77.7%

Source: Sembcorp Marine, UOB Kay Hian

## 2022 RESULTS

- Losses for 2022 as expected.** Sembcorp Marine (SMM) reported a 5% yoy increase in 2022 revenue to S\$1.95b and a loss of S\$261m which the company had previously guided for. The two key positives from the result were: a) a turnaround at the EBITDA line from a loss of S\$19m in 1H22 to positive EBITDA of S\$12m in 2H22, and b) a major narrowing of losses at the bottom line to S\$261m in 2022 vs S\$1.17b loss in 2021. Free cash flow in 2022 was S\$1.01b vs 2021's free cash outflow of S\$545m, demonstrating the large amount of cash inflow due to the completion of 12 key projects during the year.
- A much stronger balance sheet that will stand SMM in good stead in 2023.** As at end-22, the company's net debt of S\$998m (with cash and equivalents of c.S\$2.1b) was a significant improvement vs end-21's S\$1.97b. As a result, net debt/equity fell to 0.26x at end-22 vs 0.49x in the year-ago period. In our view, a strong balance sheet is important for an offshore & marine company given the large amounts of working capital needed, especially when tendering for large multi-billion dollar projects for the offshore industry.
- Current net orderbook of S\$6.8b.** 93% of this comprises projects under execution, with another S\$0.44b in ongoing repairs and upgrading projects. The company noted that 37% of its total orderbook relates to greener solutions.

## KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	1,862	1,947	2,297	2,720	2,705
EBITDA	(1,028)	(7)	305	345	413
Operating profit	(1,224)	(206)	106	146	213
Net profit (rep./act.)	(1,171)	(261)	58	87	138
Net profit (adj.)	(1,171)	(261)	58	87	137
EPS (S\$ cent)	(6.5)	(0.8)	0.2	0.3	0.4
PE (x)	n.m.	n.m.	68.8	45.6	28.9
P/B (x)	0.5	1.1	1.0	1.0	1.0
EV/EBITDA (x)	n.m.	n.m.	19.0	16.8	14.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(62.9)	(13.4)	2.5	3.2	5.1
Net debt/(cash) to equity (%)	45.8	26.5	46.6	47.1	37.2
Interest cover (x)	(14.8)	(1.5)	0.8	1.1	1.6
ROE (%)	n.a.	n.a.	1.5	2.3	3.5
Consensus net profit	-	-	(252)	(6)	75
UOBKH/Consensus (x)	-	-	n.m.	n.m.	1.83

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

## BUY

(Maintained)

Share Price	S\$0.127
Target Price	S\$0.156
Upside	+22.8%

## COMPANY DESCRIPTION

Sembcorp Marine is an integrated shipyard offering one-stop engineering solutions for the offshore, marine and energy industries. It demerged from Sembcorp Industries in 3Q20.

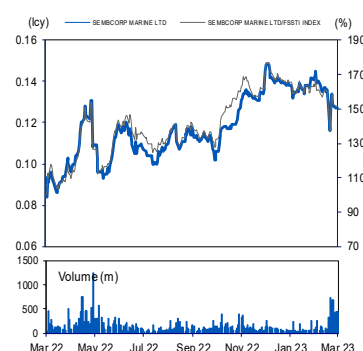
## STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	SMM SP
Shares issued (m):	31,389.1
Market cap (S\$m):	3,986.4
Market cap (US\$m):	2,954.0
3-mth avg daily t'over (US\$m):	13.6

## Price Performance (%)

52-week high/low				S\$0.148/S\$0.083
1mth	3mth	6mth	1yr	YTD
(10.6)	(5.9)	8.5	49.4	(8.0)
Major Shareholders				%
Temasek Hldgs				54.6
FY23 NAV/Share (S\$)				0.12
FY23 Net Debt/Share (S\$)				0.06

## PRICE CHART



Source: Bloomberg

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### STOCK IMPACT

- **Revenue to continue trending upwards, even without KOM.** During the results call, management stated that revenue will continue its positive momentum from 2022 with gross profit margins potentially normalising and heading above 10% in the medium to long term. SMM reiterated that it will continue to try to move up the value chain to capture more margins in a particular project.
- **Outlook for new order wins.** SMM disclosed that that current new-order enquiries encompass a wide range of assets, from cleaner and greener FPSO solutions to FLNG platforms, wind turbine installation vessels, cable lay vessels and floating wind farms, etc. For oil and gas exploration assets, SMM has clearly not received any enquiries for jackups, semi-submersibles or drillships; however, it highlighted that the strength seen in its ship repair & upgrading segment in 2H22 should continue in 2023 given the higher economic activity relative to the 2020-21 period. Thus, with more shipping activity, such vessels will need to catch-up on their regular maintenance schedule.
- **Cost issues that bedeviled SMM appear to be a thing of the past.** SMM highlighted that 2022's elevated worker costs have been dealt with as these expensive workers have been repatriated; thus, such costs should normalise in 2023. In addition, it noted that supply chain issues have moderated in the past 12 months and have incrementally improved. While management suggested that costs could increase at the margin as it has some fixed price contracts, all of its projects have costs locked in as much as possible (eg equipment, labour, forex, etc) before it commits to a price for a contract.
- **Integration of SMM and Keppel Offshore Marine (KOM).** During the results briefing, SMM stated that the integration between the two companies will start as soon as possible. However, it cautioned that this may take slightly longer than expected as the primary concern at present is to execute its current orderbook and meet delivery timelines for its clients. Management stated that both the SMM and KOM yards are currently busy, and that it will study where and how new orders will be executed, and thus will not look to consolidate all activities in SMM's Tuas yard immediately. At present, management was unable to provide any guidance on integration costs (eg yard restoration costs, impairments, etc).

### EARNINGS REVISION/RISK

- **Mild earnings changes.** The changes to our 2023 and 2024 earnings estimates are <3%. We continue to expect SMM to make a small profit this year on the back of new project start-ups and higher yoy revenue recognition from its S\$6.8b orderbook.

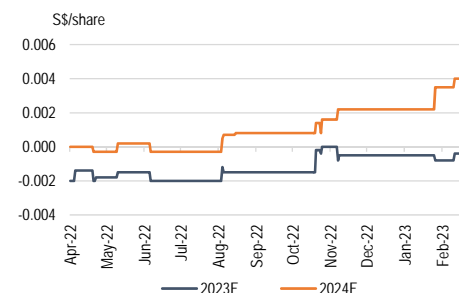
### VALUATION/RECOMMENDATION

- **We maintain our BUY rating on SMM with a P/B-based target price of S\$0.156.** While we acknowledge that there may be selling of SMM's stock by KEP shareholders, we highlight that in SMM's circular to its shareholders dated 31 Jan 23, the unaudited pro forma book value of the enlarged group was S\$8.402b (including S\$3.4b in goodwill) as at end-1H22, or S\$0.123/share. We believe that in an offshore marine upcycle, stocks like SMM should not trade <1.0x P/B but instead be between 1.2-1.5x P/B, which equates to S\$0.148-0.185/share.
- **SMM will need to start delivering profits in 1H23** in order to prove that it is able to reliably and profitably construct its projects, and continue its momentum of new-order wins from 2022. Our target book-value multiple for SMM of 1.3x reflects our confidence that it will garner such orders, thus leading to positive share price performance. In our view, the offshore construction cycle for both conventional oil and gas and renewables has room for growth in the next few years, especially given the lack of spending by the global oil and gas industry, thus constraining energy supply.

### SHARE PRICE CATALYST

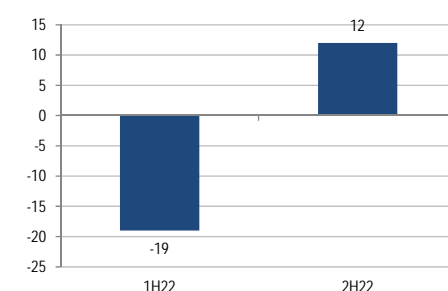
- New orders for rigs, offshore renewable installations or fabrication works as well as repairs and upgrade works for cruise ships and other commercial vessels.

### EARNINGS REVISION MOMENTUM



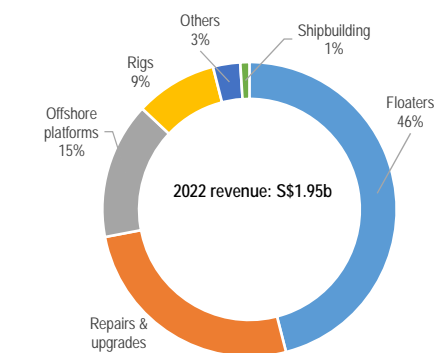
Source: Bloomberg, UOB Kay Hian

### EBITDA (\$M): 2H22 VS 1H22



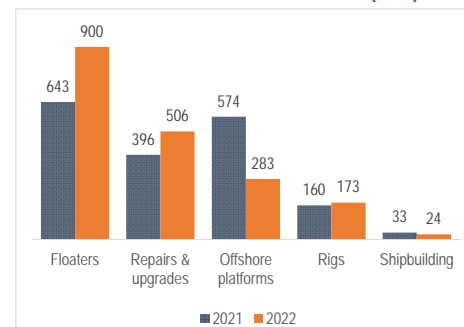
Source: Bloomberg, UOB Kay Hian

### 2022 SEGMENTAL REVENUE



Source: SMM

### REVENUE BY SEGMENT: 2022 VS 2021 (\$M)



Source: SMM

**PROFIT & LOSS**

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	1,947	2,297	2,720	2,705
EBITDA	(7)	305	345	413
Deprec. & amort.	200	200	200	200
EBIT	(206)	106	146	213
Total other non-operating income	0	0	0	0
Associate contributions	1	1	1	1
Net interest income/(expense)	(34)	(28)	(28)	(28)
<b>Pre-tax profit</b>	<b>(240)</b>	<b>79</b>	<b>119</b>	<b>186</b>
Tax	(26)	(20)	(30)	(46)
Minorities	4	(1)	(1)	(2)
Preferred dividends	0	0	0	1
<b>Net profit</b>	<b>(261)</b>	<b>58</b>	<b>87</b>	<b>138</b>
Net profit (adj.)	(261)	58	87	137

**BALANCE SHEET**

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	3,860	3,780	3,699	3,619
Other LT assets	2,109	2,334	2,615	2,559
Cash/ST investment	2,091	1,215	1,257	992
Other current assets	1,042	1,976	2,294	2,245
<b>Total assets</b>	<b>9,102</b>	<b>9,304</b>	<b>9,865</b>	<b>9,415</b>
ST debt	1,669	1,000	1,000	1,000
Other current liabilities	1,765	1,997	2,369	2,377
LT debt	1,420	2,000	2,100	1,500
Other LT liabilities	460	460	460	460
Shareholders' equity	3,769	3,827	3,915	4,053
Minority interest	19	20	21	24
<b>Total liabilities &amp; equity</b>	<b>9,102</b>	<b>9,304</b>	<b>9,865</b>	<b>9,415</b>

**CASH FLOW**

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>1,039</b>	<b>(817)</b>	<b>(89)</b>	<b>306</b>
Pre-tax profit	(206)	106	146	213
Tax	(2)	(41)	5	12
Deprec. & amort.	200	200	200	200
Associates	0	0	0	1
Working capital changes	1,050	(951)	(309)	11
Non-cash items	(36)	0	0	0
Other operating cashflows	34	(130)	(130)	(130)
<b>Investing</b>	<b>(26)</b>	<b>30</b>	<b>30</b>	<b>31</b>
Capex (growth)	(23)	(100)	(100)	(100)
Capex (maintenance)	0	0	0	1
Investments	0	120	120	120
Proceeds from sale of assets	3	10	10	10
Others	(6)	0	0	0
<b>Financing</b>	<b>(21)</b>	<b>(89)</b>	<b>100</b>	<b>(600)</b>
Dividend payments	(0)	0	0	0
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	100	0
Loan repayment	0	(89)	0	(600)
Others/interest paid	(20)	0	0	0
<b>Net cash inflow (outflow)</b>	<b>992</b>	<b>(876)</b>	<b>42</b>	<b>(262)</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>1,104</b>	<b>2,091</b>	<b>1,215</b>	<b>1,257</b>
Changes due to forex impact	(6)	0	0	1
<b>Ending cash &amp; cash equivalent</b>	<b>2,091</b>	<b>1,215</b>	<b>1,257</b>	<b>995</b>

**KEY METRICS**

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	(0.3)	13.3	12.7	15.3
Pre-tax margin	(12.3)	3.4	4.4	6.9
Net margin	(13.4)	2.5	3.2	5.1
ROA	n.a.	0.6	0.9	1.4
ROE	n.a.	1.5	2.3	3.5
<b>Growth</b>				
Turnover	4.6	18.0	18.4	(0.6)
EBITDA	n.a.	n.a.	13.1	19.5
Pre-tax profit	n.a.	n.a.	50.9	56.9
Net profit	n.a.	n.a.	50.9	58.0
Net profit (adj.)	n.a.	n.a.	50.9	56.9
EPS	n.a.	n.a.	50.9	58.0
<b>Leverage</b>				
Debt to total capital	44.9	43.8	44.1	38.0
Debt to equity	81.9	78.4	79.2	61.7
Net debt/(cash) to equity	26.5	46.6	47.1	37.2
Interest cover (x)	(1.5)	0.8	1.1	1.6

## COMPANY RESULTS

## Sheng Siong Group (SSG SP)

2022: Results In Line, Value-For-Money Appeals In 2023

**SSG's 2022 net profit of S\$137m (+0.4% yoy) was in line with expectations, forming 101% of our full-year estimates. 2022 revenue fell 2.2% yoy as demand continued to normalise from the easing of restrictions during the year. Meanwhile, gross margin improved 0.7ppt to 29.4% due to an improved sales mix. We expect consumers to shift toward SSG's value offerings, as inflationary pressures persist in 2023. Maintain BUY and target price of S\$1.91.**

## 2022 RESULTS

Year to 31 Dec (\$m)	2022	2021	yoy % chg
Revenue	1,339.5	1,369.8	(2.2)
Gross profit	393.5	393.3	0.1
Gross margin (%)	29.4	28.7	0.7ppt
PATMI	133.6	133.1	0.4
Net margin (%)	10.0	9.7	0.3ppt

Source: CSE, UOB Kay Hian

## RESULTS

- Results in line with expectations.** Sheng Siong Group (SSG) reported 2022 earnings of S\$133.6m (+0.4% yoy), making up 101% of our full-year estimates. Revenue declined by 2.2% yoy, due to normalised demand as the Singapore government announced further easing of community measures in Apr 22, leading to more consumers dining out. Comparable same-store sales declined by 4.8% yoy, partially offset by a 2.1% contribution from the full-year operations of five new stores opened in end-21 and 2022 in Singapore.
- Marginally higher margins despite rising costs.** Despite the decline in revenue, gross profit margin improved by 0.7ppt to 29.4% while net profit margin increased by 0.3ppt to 10%, attributable to a favourable sales mix of products with higher margins. Other income has also increased significantly by 42.9% yoy to S\$17.3m, mainly due to one-off recognition of rebates from suppliers. Excluding this one-off gain of approximately S\$5.7m, EBITDA margin has declined by a marginal 0.2ppt to 13.1% in 2022. However, costs continued to escalate, as we see a S\$6.0m (+2.6% yoy) overall increase in administrative expenses incurred in 2022. This is mainly due to rising rental, utilities, cleaning expenses and stamp duty, making up S\$2.8m or 46.7% of the increase. We note that SSG, in spite of these, has shown sustainable growth in its gross margin over the years, proving its ability to pass rising costs on to customers. The defensive nature of consumer staples enables the firm to raise prices without losing consumers.

## KEY FINANCIALS

Year to 31 Dec (\$m)	2021	2022	2023F	2024F	2025F
Net turnover	1,370	1,339	1,482	1,536	1,590
EBITDA	183	182	185	190	194
Operating profit	162	162	165	171	175
Net profit (rep./act.)	133	133	137	142	146
Net profit (adj.)	133	133	137	142	146
EPS (S\$ cent)	8.8	8.9	9.1	9.5	9.7
PE (x)	18.4	18.4	17.8	17.2	16.8
P/B (x)	5.9	5.4	5.0	4.6	4.2
EV/EBITDA (x)	11.7	11.7	11.5	11.2	11.0
Dividend yield (%)	3.8	3.8	3.9	4.1	4.2
Net margin (%)	9.7	10.0	9.3	9.3	9.2
Net debt/(cash) to equity (%)	(58.5)	(60.9)	(65.6)	(70.7)	(75.1)
Interest cover (x)	146.2	n.a.	n.a.	n.a.	n.a.
ROE (%)	33.8	30.8	29.1	27.6	26.2
Consensus net profit	-	-	136	145	-
UOBKH/Consensus (x)	-	-	1.01	0.98	-

Source: Sheng Siong Group, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$1.63
Target Price	S\$1.91
Upside	+17.2%

## COMPANY DESCRIPTION

Sheng Siong Group is a mass-market supermarket operator in Singapore. It is the third-largest player in Singapore by market share.

## STOCK DATA

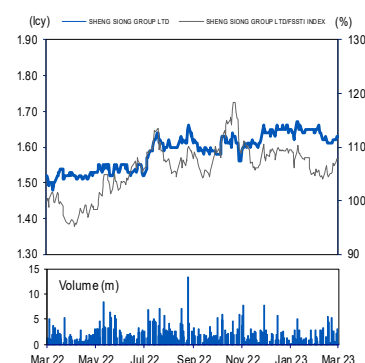
GICS sector	Consumer Staples
Bloomberg ticker:	SSG SP
Shares issued (m):	1,503.5
Market cap (\$m):	2,450.8
Market cap (US\$m):	1,817.7
3-mth avg daily t'over (US\$m):	2.2
<b>Price Performance (%)</b>	

52-week high/low S\$1.67/S\$1.48

1mth	3mth	6mth	1yr	YTD
(0.6)	(1.2)	0.6	7.2	(1.2)

Major Shareholders	%
Sheng Siong Hldgs	29.9
Lim Hock Chee	9.2
Lim Hock Eng	9.1
FY23 NAV/Share (\$)	0.33
FY23 Net Cash/Share (\$)	0.22

## PRICE CHART



Source: Bloomberg

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### STOCK IMPACT

- New store openings outlook.** SSG opened four new stores in 2022 and has 67 stores and a retail area of 607,822sf (+5.4% yoy) in Singapore. Management has also just announced its recent successful bid to open a store along Jalan Satu in Mar 23, increasing total retail area to approximately 612,822 sf. With HDB flats likely to be completed at a faster pace, the supply of new HDB commercial space is expected to rise. Management therefore expects to continue achieving its annual target of 3-5 store openings per year. SSG also announced the expansion of its China-based operations on 5 Jan 23. Its fifth store is expected to open by 2Q23, increasing the total retail space in China to 107,802sf (+40.7% yoy).
- Elevated inflationary environment to increase consumer spending.** According to the Ministry of Trade and Industry, overall inflation is forecast at 4.5-5.5% in 2023, while core inflation is forecast at 2.5-3.5% after excluding impacts of the increase in goods and services tax (GST) from 7% to 8% on 1 Jan 23. The sustained inflationary pressures will likely lead to a shift in consumer preferences toward more value-for-money purchases. As consumers cut back on dining out, SSG will stand to benefit from boosted sales. According to the latest retail sales index published by Singstat on 3 Feb 23, retail sales of supermarkets and hypermarkets continued to record a 1.5% mom growth in Dec 22. This is in line with our expectations amid the rising inflationary environment. SSG should continue to enjoy healthy demand for groceries and its house brand products with its competitive pricing going forward.

### EARNINGS REVISION/RISK

- We maintain our earnings forecast while adding 2025 estimates.

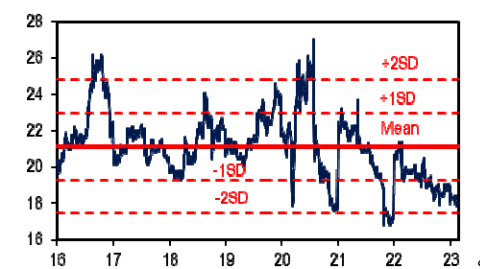
### VALUATION/RECOMMENDATION

- Maintain BUY and target price of S\$1.91**, pegged to 2023F PE of 21x, or five-year average mean PE.

### SHARE PRICE CATALYST

- Boosted demand arising from inflationary environment and GST hike.
- New store openings.

### PE CHART SINCE 2016



Source: Bloomberg, UOB Kay Hian

**PROFIT & LOSS**

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	1,339.5	1,481.9	1,536.0	1,590.2
EBITDA	181.7	185.1	189.9	193.9
Deprec. & amort.	19.5	19.9	19.1	18.4
EBIT	162.2	165.3	170.8	175.5
Net interest income/(expense)	0.9	1.0	1.1	1.1
Pre-tax profit	163.1	166.3	171.8	176.6
Tax	(29.4)	(28.8)	(29.7)	(30.6)
Minorities	(0.3)	0.0	0.0	0.0
Net profit	133.3	137.5	142.1	146.1
Net profit (adj.)	133.3	137.5	142.1	146.1

**BALANCE SHEET**

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	291.6	281.1	270.8	261.2
Other LT assets	97.3	97.3	97.3	97.3
Cash/ST investment	275.5	323.8	379.0	434.8
Other current assets	120.7	139.9	145.1	150.2
<b>Total assets</b>	<b>785.1</b>	<b>842.1</b>	<b>892.1</b>	<b>943.5</b>
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	265.8	281.4	289.2	297.2
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	64.1	64.1	64.1	64.1
Shareholders' equity	452.2	493.6	535.8	579.2
Minority interest	2.9	2.9	2.9	2.9
<b>Total liabilities &amp; equity</b>	<b>785.1</b>	<b>842.1</b>	<b>892.1</b>	<b>943.5</b>

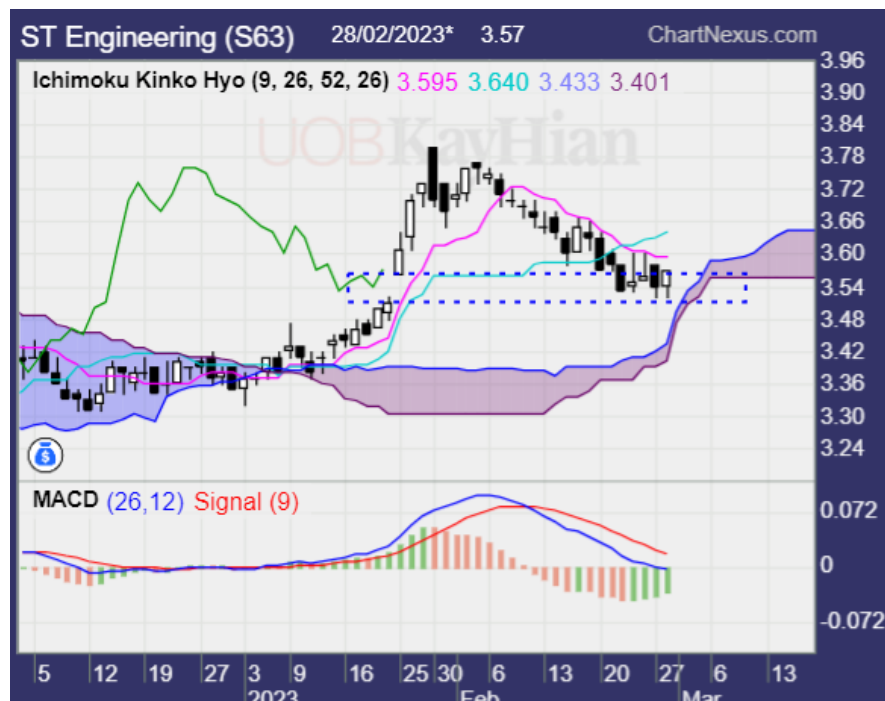
**CASH FLOW**

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	166.8	181.9	193.5	198.0
Pre-tax profit	163.1	166.3	171.8	176.6
Tax	(21.2)	(28.8)	(29.7)	(30.6)
Deprec. & amort.	19.5	19.9	19.1	18.4
Working capital changes	(25.7)	(3.6)	2.7	2.8
Non-cash items	(0.0)	0.0	0.0	0.0
Other operating cashflows	31.1	28.1	29.7	30.7
Investing	(5.0)	(5.1)	(5.1)	(5.1)
Capex (growth)	(8.8)	(8.8)	(8.8)	(8.8)
Proceeds from sale of assets	0.1	0.0	0.0	0.0
Others	3.7	3.7	3.7	3.7
Financing	(133.5)	(128.4)	(133.2)	(137.0)
Dividend payments	(94.0)	(96.1)	(99.9)	(102.7)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	(5.0)	0.0	0.0	0.0
Others/interest paid	(34.5)	(32.3)	(33.3)	(34.3)
Net cash inflow (outflow)	28.4	48.3	55.2	55.8
Beginning cash & cash equivalent	246.6	275.5	323.8	379.0
Changes due to forex impact	0.5	0.0	0.0	0.0
Ending cash & cash equivalent	275.5	323.8	379.0	434.8

**KEY METRICS**

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	13.6	12.5	12.4	12.2
Pre-tax margin	12.2	11.2	11.2	11.1
Net margin	10.0	9.3	9.3	9.2
ROA	17.5	16.9	16.4	15.9
ROE	30.8	29.1	27.6	26.2
<b>Growth</b>				
Turnover	(2.2)	10.6	3.6	3.5
EBITDA	(0.5)	1.9	2.6	2.1
Pre-tax profit	1.3	1.9	3.4	2.8
Net profit	0.4	3.1	3.4	2.8
Net profit (adj.)	0.4	3.1	3.4	2.8
EPS	0.4	3.1	3.4	2.8
<b>Leverage</b>				
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	(60.9)	(65.6)	(70.7)	(75.1)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

## TRADERS' CORNER



### Singapore Tech Engineering (STE SP)

Trading Buy Range: S\$3.57-3.58

Last price: S\$3.57

Target price: S\$3.80

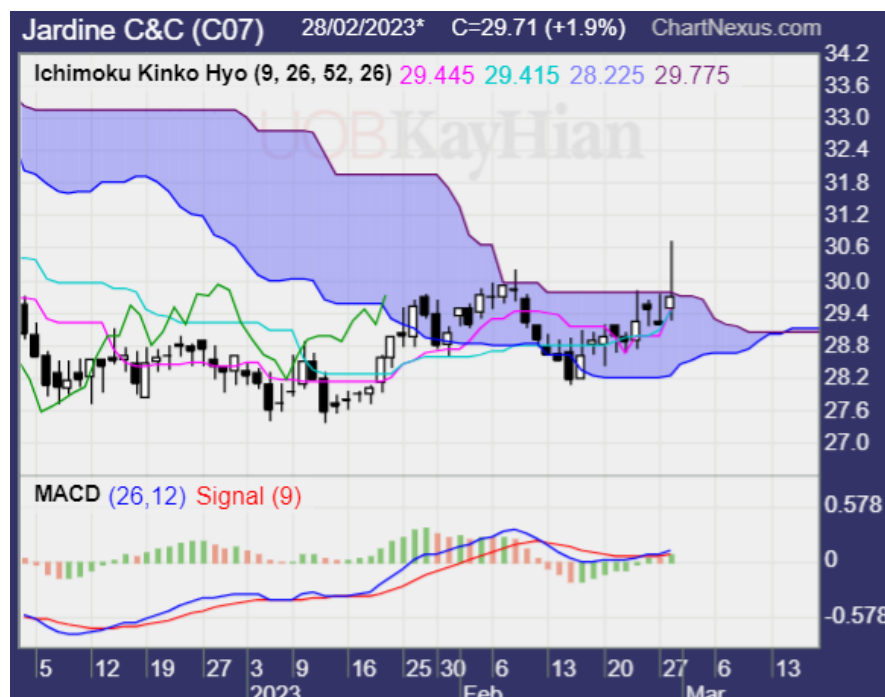
Protective stop: S\$3.48

The chart outlook remains bullish as price is trading above the cloud. The price decline appears to halt at the gap support zone created on 25 Jan 23. MACD remains bullish at the moment. These could increase chances of the stock price moving higher.

The potential upside target is S\$3.80. Stop-loss could be placed at S\$3.48.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$4.07.



### Jardine Cycle & Carriage (JCNC SP)

Trading Buy Range: S\$29.70-29.75

Last price: S\$29.71

Target price: S\$32.10

Protective stop: S\$28.70

Price has been moving higher after being supported by the cloud support. There is a bullish conversion and base lines crossover that hints at potential upside ahead. MACD is bullish and is rising. These could increase chances of the stock price breaking above the cloud to move higher.

The potential upside target is S\$32.10. Stop-loss could be placed at S\$28.70.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

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