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GREATER CHINA

Strategy

Alpha Picks: January Conviction Calls

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Add CATL, JD Logistics, Miniso and Plover Bay to our BUY list, and Weimob to our SELL list.

INDONESIA

Strategy

Alpha Picks: Our Selections Outperform In 2024

Page 9

Our picks are ISAT, KLBF, BMRI, BBRI, EXCL, CTRA, JSMR, BBNI, CMRY and ASII.

MALAYSIA

Update

VS Industry (VSI MK/BUY/RM1.16/Target: RM1.50)

Page 17

Despite a 17% recovery in its share price since its low in mid-Nov24, VS remains attractively valued at 17.1x 2025F PE (slightly below its five-year mean), offering a compelling entry point on a transformational FY26.

SINGAPORE

Update

Mapletree Logistics Trust (MLT SP/HOLD/S\$1.29/Target: S\$1.41)

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Weighted down by exposure to Greater China.

Seatrium (STM SP/BUY/S\$2.07/Target: S\$2.80)

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More to look forward to after winning BP's Kaskida project. Maintain BUY with a target price of S\$2.80.

THAILAND

Strategy

Alpha Picks: Focusing On 4Q24 Earnings

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We remain cautiously optimistic of the Thai equity market in Jan 25. Switch TRUE and WHA to BTG and TFG, which have higher a probability of earnings upgrade by consensus.

Sector

Hotel

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Despite more long-haul travels, the European tourism outlook remains strong.

KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	42544.2	(0.1)	(0.8)	(5.0)	0.0
S&P 500	5881.6	(0.4)	(1.5)	(2.7)	0.0
FTSE 100	8205.9	0.4	1.3	(1.3)	0.4
AS30	8465.0	0.5	0.1	(3.3)	0.5
CSI 300	3820.4	(2.9)	(4.1)	(3.3)	(2.9)
FSSTI	3800.8	0.3	0.8	0.4	0.3
HSCEI	7090.6	(2.7)	(1.7)	0.3	(2.7)
HSI	19623.3	(2.2)	(1.3)	(0.6)	(2.2)
JCI	7163.2	1.2	2.6	(0.5)	1.2
KLCI	1632.9	(0.6)	1.9	1.6	(0.6)
KOSPI	2398.9	(0.0)	(1.8)	(4.0)	(0.0)
Nikkei 225	39894.5	(1.0)	1.9	2.1	0.0
SET	1379.9	(1.5)	(1.1)	(5.1)	(1.5)
TWSE	22832.1	(0.9)	(1.7)	(0.8)	(0.9)
BDI	997	0.3	(3.0)	(23.2)	0.0
CPO (RM/mt)	4920	(1.6)	0.3	(5.4)	32.4
Brent Crude (US\$/bbl)	76	1.5	2.9	5.4	1.5

Source: Bloomberg

TOP PICKS

	Ticker	CP (lcy)	TP (lcy)	Pot. +/- (%)
BUY				
Anta Sports	2020 HK	76.15	120.60	58.4
Bank Tabungan Negara	BBTN IJ	1,190.00	1,740.00	46.2
Yinson	YNS MK	2.62	3.90	48.9
OCBC	OCBC SP	16.64	21.00	26.2
CP ALL	CPALL TB	55.75	85.00	52.5
Major Cineplex	MAJOR TB	14.50	19.00	31.0

KEY ASSUMPTIONS

GDP (% yoy)	2023	2024F	2025F
US	2.5	2.3	1.8
Euro Zone	0.4	0.8	1.3
Japan	1.9	0.2	1.7
Singapore	1.1	2.9	3.2
Malaysia	3.6	5.4	4.7
Thailand	1.9	2.7	2.9
Indonesia	5.1	5.2	5.3
Hong Kong	3.3	2.7	2.8
China	5.2	4.5	4.2
CPO (RM/mt)	5,088	4,000	4,200
Brent (Average) (US\$/bbl)	99.0	81.0	84.0

Source: Bloomberg, UOB ETR, UOB Kay Hian

CORPORATE EVENTS

	Venue	Begin	Close
Virtual Meeting with Kuaishou Technology (1024 HK)	Hong Kong	07 Jan	07 Jan
Analyst Marketing on Singapore Tech and Mid-Caps	Kuala Lumpur	13 Jan	14 Jan
Riverstone Holdings Ltd (RSTON SP) Group Meeting	Kuala Lumpur	14 Jan	14 Jan
Virtual Presentation on Regional 1H2025 Outlook and Strategy	Singapore	15 Jan	16 Jan

STRATEGY – GREATER CHINA

Alpha Picks: January Conviction Calls

The HSI and MSCI China index rose 3.3% mom and 2.5% mom respectively in December, bringing full-year gains to 17.7% and 15.7%. Investors were encouraged by the reaffirmation of policy support in 2025 from December Economic Work Conference. Looking ahead, we expect a pick-up in market volatility as the US may impose higher tariffs on Chinese goods as early as end-January. We are adding CATL, JD Logistics, Miniso and Plover Bay to our BUY list, and Weimob to our SELL list.

WHAT'S NEW

- **Review of December.** The HSI and MSCI China Index saw increases of 3.3% mom and 2.5% mom respectively, bringing full-year gains to 17.7% and 15.7%. Investors were encouraged by the reaffirmation of policy support in 2025 from December Economic Work Conference. For the full year, our Alpha Picks on a market cap-weighted basis outperformed the HSI by 4ppt. Within our stock picks, the best performer of the month was Geely (175 HK), which achieved a return of 6.9% over this period.
- **Expecting a pick-up in market volatility.** Looking ahead, US President-elect Donald Trump will be inaugurated on 20 January, which could see increased market volatility. It remains uncertain if Trump would impose additional tariffs on Chinese goods immediately or impose the full 60%. We propose adding names less affected by the tariffs – CATL (300750 CH), JD Logistics (2618 HK), Miniso (MNSO US), and Plover Bay (1523 HK) – to our BUY list. We also have a SELL on Weimob (2013 HK), while cutting losses from Meituan (3690 HK).

ACTION

- **Add CATL (300750 CH) to our BUY list**, because of its growth of monthly EV battery shipment and strong 4Q24 results.
- **Add JD Logistics (2618 HK) to our BUY list**, supported by: a) steady 4Q24 financial performance, and b) further business growth in 2025 driven by the collaboration with Alibaba.
- **Add Miniso (MNSO US) to our BUY list**, catalysed by accelerated revenue growth and better profitability in overseas markets, as well as its enhanced operating efficiency of Yonghui.
- **Add Plover Bay (1523 HK) to our BUY list**, due to further collaborations with Starlink and higher-than-expected dividend payout.
- **Add Weimob (2013 HK) to our SELL list**, with its strong expansion of WeChat Mini-programme and Weimall and growth in e-commerce live streaming.
- **Cut losses from Meituan (3690 HK).**
- **Maintain BUY** on Crystal (2232 HK), CSCEC (601668 CH), Desay (002920 CH), Geely (175 HK), Hansoh Pharma (3692 HK), Mengniu (2319 HK), Sands China (1928 HK), Tencent (700 HK) and Trip.com (9961 HK).
- **Maintain SELL** on Sinopharm (1099 HK).

KEY RECOMMENDATIONS

Company	Rec	Share Price (1cy)	Target Price (1cy)	Upside/ (Downside) to TP (%)
CATL	BUY	258.78	350.00	35.3
Crystal	BUY	4.39	5.12	16.6
CSCEC	BUY	5.82	6.61	13.6
Desay	BUY	105.68	190.00	79.8
Geely	BUY	14.08	23.00	63.4
Hansoh Pharma	BUY	16.68	29.00	73.9
JD Logistics	BUY	12.68	22	73.5
Mengniu	BUY	16.72	23.50	40.6
Miniso	BUY	23.89	29.30	22.6
Plover Bay	BUY	4.45	6.10	37.1
Sands China	BUY	20.20	28.60	41.6
Tencent	BUY	416	570	37.0
Trip.com	BUY	520	640	23.1
Sinopharm	SELL	20.85	18.00	-13.7
Weimob	SELL	3.31	1.5	-54.7

Source: UOB Kay Hian

CHANGE IN SHARE PRICE

Company	Rec	Dec 24 (%)	To-Date* (%)
Crystal	BUY	3.3	12.0
CSCEC	BUY	0.3	-0.3
Desay	BUY	-11.8	-11.8
Geely	BUY	6.9	21.7
Hansoh Pharma	BUY	-10.5	-4.7
Meituan	BUY	-10.1	-10.1
Mengniu	BUY	3.4	3.4
Sands China	BUY	5.3	5.4
Tencent	BUY	4.8	4.8
Trip.com	BUY	6.2	6.2
Sinopharm	SELL	4.9	10.1

Hang Seng Index 3.3

*Share price change since stock was selected as alpha pick

Source: UOB Kay Hian

PORTFOLIO RETURN

(%)	1Q24	2Q24	3Q24	4Q24	2024
HSI return	-3.0	7.1	19.3	-5.1	17.7
Alpha Picks Return					
- Price-weighted	-2.1	1.7	12.4	0.1	12.2
- Market cap-weighted	1.8	2.4	18.2	-0.7	21.7
- Equal-weighted	0.2	0.8	8.5	1.9	11.4

Assumptions for the 3 methodologies:

- 1) Price-weighted: Assuming the same number of shares for each stock, a higher share price will have a higher weighting.
- 2) Market cap-weighted: Weighting is based on the market cap at inception date, a higher market cap will have a higher weighting.
- 3) Equal-weighted: Assuming the same investment amount for each stock, every stock will have the same weighting.

Source: UOB Kay Hian

ANALYST(S)

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VALUATION OF ANALYSTS' ALPHA PICKS

Company	Ticker	Rec	Price 2 Jan 25 (lcy)	Target Price (lcy)	Last Year End	2024F (x)	PE 2025F (x)	2026F (x)	Yield 2024F (%)	ROE 2024F (%)	Market Cap. (lcy m)	Price/ NTA ps (x)
BUY												
CATL	300750 CH	BUY	258.78	350.00	Dec 23	23.8	19.3	15.9	2.1	21.5	1,138,384	6.8
Crystal	2232 HK	BUY	4.39	5.12	Dec-23	7.9	7.0	6.2	7.7	13.6	12,524	0.8
CSCEC	601668 CH	BUY	5.82	6.61	Dec-23	4.8	4.3	3.9	4.3	11.2	242,172	0.4
Desay	002920 CH	BUY	105.68	190.00	Dec 23	29.5	22.2	16.7	1.0	22.8	555,274	6.7
Geely	175 HK	BUY	14.08	23.00	Dec 23	14.4	12.4	10.2	2.4	10.4	141,602	2.0
Hansoh Pharma	3692 HK	BUY	16.68	29.00	Dec-23	22.7	20.3	17.8	1.5	15.0	99,007	3.1
JD Logistics	2618 HK	BUY	12.68	22.00	Dec-23	10.5	10.5	9.7	0.0	13.1	84,035	1.5
Mengniu	2319 HK	BUY	16.72	23.50	Dec-23	14.0	11.3	9.8	2.8	10.3	65,527	1.4
Miniso	MNSO US	BUY	23.89	29.30	Dec-23	19.2	15.0	12.1	4.5	28.1	7,465	3.5
Plover Bay	1523 HK	BUY	4.45	6.10	Dec-23	16.5	13.5	11.3	6.5	69.1	4,899	10.9
Sands China	1928 HK	BUY	20.20	28.60	Dec-23	20.6	14.5	11.5	0.0	201.6	163,486	20.7
Tencent	700 HK	BUY	416.00	570.00	Dec-23	17.8	15.7	13.9	1.3	17.6	3,828,340	3.2
Trip.com	9961 HK	BUY	520.00	640.00	Dec-23	18.7	21.4	19.3	0.0	13.1	334,926	2.1
SELL												
Sinopharm	1099 HK	SELL	20.85	18.00	Dec-23	7.8	7.4	7.0	3.9	10.2	65,066	0.9
Weimob	2013 HK	SELL	3.31	1.50	Dec-23	n.a.	n.a.	63.3	0	-31.7	11,048	4

Source: Bloomberg, UOB Kay Hian

CATL – BUY (Ken Lee/Bella Lu)

- CATL's earnings will be driven by the 20% CAGR in global EV sales volume from 2023 to 2030, the launches of brand-new battery products and decline in lithium carbonate prices. The stock is trading at 19x 2025F PE, lower than its three-year historical mean one-year forward PE of 27x.
- Maintain BUY and raise target price from Rmb250.00 to Rmb350.00, as we lower WACC from 14% to 11% in our 10-year DCF (WACC: 12%/terminal growth: 4%) given a lower market discount rate. Our new target price of Rmb350.00 implies 26x 2025F PE, roughly on a par with its three-year historical mean one-year forward PE of 27x.

SHARE PRICE CATALYST

- Event: Growth of monthly EV battery shipment, strong 4Q24 results.
- Timeline: 1Q25.

Crystal International – BUY (Kate/Gigi)

- Management targets record-high revenue in 2024 (vs US\$2,491m in 2022) and remains confident in its growth potential in 2025 despite a high base in 2024 as it sees solid order growth momentum into 2Q-3Q25 across five product categories. We forecast 2024-26 revenue to grow 13.3%/11.0%/10.4% to US\$2,466m/US\$2,736m/US\$3,020m respectively and 2024-26 net profit to grow 23.9%/13.9%/12.6% to US\$203m/US\$231m/US\$260m respectively on improved operating efficiency and stringent cost controls. We believe it is well on track for wallet share gains from key customers, driven by continued vertical integration into fabric supply, strong R&D capabilities and enhanced automation. Its inclusion in Stock Connect during the next review in Feb 25 could be a key near-term catalyst.
- Maintain BUY with target price of HK\$5.12 based on 9.2x 2024F PE.

SHARE PRICE CATALYST

- Event: a) Stronger orderbook growth for 2025, b) inclusion in Stock Connect in Mar 25, and c) special dividends for 2024.
- Timeline: 1Q25.

CSCEC – BUY (Jieqi Liu/Damon Shen)

- The issuance of local government special bonds in 2024 was nearly completed by Nov 24, but growth in infrastructure fixed asset investment still slightly decelerated to 4.2% yoy in

11M24, from 4.3% yoy in 10M24. We think fund utilisation efficiency remains a key issue. On 25 December, the State Council published a guideline, which will decentralise special bonds funded project review authority to provincial levels, reducing the need for mandatory approvals from NDRC and MoF. This pilot programme includes several major provinces and cities, and is expected to enhance the efficiency of special bond fund usage. We expect accelerated infrastructure investment growth in Jan 25. For property development, COLI reported flat contract sales yoy in 2024, while property sales from its five major construction bureaus decreased by 11.9% yoy, which are still expected to outperform the market. We reiterate our view that China Construction will continue benefitting from supportive fiscal and real estate policies. We maintain BUY with target price of Rmb6.61, derived from an SOTP valuation model.

SHARE PRICE CATALYST

- Event: Stronger-than-expected fiscal and property policies in coming NPC & CPPCC meetings.
- Timeline: 1Q25.

Desay SV – BUY (Ken Lee/Bella Lu)

- Desay SV's earnings will be driven by the rapid intelligentisation of vehicles in China's automobile industry, given its strong product pipelines, eg the third- and fourth-generation smart cockpit domain controllers, IPU03/IPU04 ADAS domain controllers and cross-domain integrated solutions, and expanding customer base, eg BYD, Geely, GWM, GAC, Li Auto, XPeng. Maintain BUY with a target price of Rmb190.00 is based on 40x 2025F PE (on a par with historical mean one-year forward PE).

SHARE PRICE CATALYST

- Event: Signing of new contracts with OEMs, upbeat 4Q24 results.
- Timeline: 1Q25.

Hansoh Pharma – BUY (Carol Dou/Sunny Chen)

- Hansoh Pharma achieved contract renewal for four innovative products, ie Ameile, Hansoh Xinfu, Xinyue and Fulaimei, in 2024's updated National Reimbursement Drug List (NRDL). It indicated that its Ameile experienced insignificant NRDL price cut, and will continue its growth momentum of over 20% yoy in 2024. It targets sales revenue of Rmb6b by 2026 for Ameile and Rmb1.5b in five years for its potential blockbuster Saint Luolai. Meanwhile, it has more than 30 innovative products under >50 clinical trials, and continues to see significant progress in R&D programmes. We expect the enriched innovative drug portfolio will contribute to double-digit revenue growth for the company in 2024-26, with innovative drugs to see revenue contribution increasing to around 80% in 2025.
- It also recently out-licensed the global rights of its HS-10535 (oral small molecule GLP-1 receptor agonist) to MSD, which will bring an upfront payment of US\$112m, up to US\$1.9b milestone payments, and potential product sales in the overseas market. Moreover, the company saw three drugs included in the 10th round of national drug group purchasing organisation (GPO) tender, and won the bids for one drug. Yet it already put minimal resources into the generic drugs business, and saw its innovative drugs contributing around 72% of total revenue in 1H24 and expanding 33% yoy (excluding the collaboration revenue). We believe the company will continue to see limited impact from this round of GPO tender. Maintain BUY and target price of HK\$29.00 based on SOTP valuation, comprising: a) HK\$13.14/share at 15x 2025F PE for existing drugs, and b) NAV-derived pipeline value of HK\$15.86/share (12.3% WACC, 3.5% perpetual growth rate).

SHARE PRICE CATALYST

- Event: a) Strong revenue and earnings growth for 2024, b) continued efforts in R&D and new

drug/indication approvals, c) productive business development programmes.

- Timeline: 1H25.

JD Logistics – BUY (Roy Chen)

- **Expecting to close 2024 with strong earnings.** We expect JDL to turn in satisfactory financial performance in the seasonally strong 4Q24 (due to the 11.11 sales promotion period), driven by healthy business volume growth (partly helped by initial positive impacts from the Alibaba collaboration) and sustained cost efficiencies. We forecast JDL to achieve core net profit of Rmb2.39b in 4Q24 (4Q23: Rmb1.53b), leading to 2024 full-year core net profit of Rmb7.42b (2023: Rmb1.99b).
- **Top pick for China logistics sector.** We like JDL for its: a) market leadership in the China integrated supply chain service and premium e-commerce logistics segments, making it a key beneficiary of China's pivot towards domestic consumption-driven economic growth, b) earnings growth outlook driven by potential business volume expansion thanks to its new collaboration with Alibaba, and c) very compelling valuation. It is trading at 10.5x 2025 core PE (4.4x only if excluding net cash). Maintain BUY with DCF-based target price of HK\$22.00.

SHARE PRICE CATALYST

- Event: a) Steady 4Q24 financial performance, and b) further business growth in 2025 driven by the collaboration with Alibaba.
- Timeline: 1Q-4Q25.

China Mengniu Dairy – BUY (Shirley Wang/Stella Guo)

- Among our coverage, Mengniu will benefit the most from the recovery of liquid milk sales thanks to its largest exposure to the liquid milk segment. Instead of pursuing purely revenue growth, the company prioritises enhancing operational efficiency, aiming to improve its operating margin by 30-50bp in 2H24. With a robust cash position, management intends to increase the dividend payout ratio to 50% within the next two years. Maintain BUY. Our DCF-based target price for Mengniu is HK\$23.50, implying 17.8x 2024F PE and 14.3x 2025F PE.

SHARE PRICE CATALYST

- Event: a) Raw milk supply and demand dynamics will reach a balance in mid-25, and b) better channel inventories status.
- Timeline: 1Q25.

Miniso – BUY (Stella Guo/Shirley Wang)

- Miniso's management is optimistic about the company's business operation in 2025, expecting both revenue and net profit growth to accelerate compared with 2024, mainly because the overseas directly operated markets have been scaling up, and thus the company is able to better control the costs and is more capable of achieving same-store sales growth. In addition, we expect Yonghui's operating efficiency to improve after the completion of transaction in 1H25. Maintain BUY. Our DCF-based target price for Miniso is US\$29.30, implying 23.5x 2024F PE and 18.3x 2025F PE.

SHARE PRICE CATALYST

- Event: a) Accelerated revenue growth and better profitability in overseas markets, and b) enhanced operating efficiency of Yonghui.
- Timeline: 1Q25.

Plover Bay Technologies – BUY (Kate/Gigi)

- Plover Bay's growth momentum continued into 2H24 with 10M24 net profit exceeding full-year 2023 net profit of US\$28.1m by more than 10% to no less than US\$30.9m, driven by increase in sales volume of routers, contribution from new connectivity products and improving net margin. Management is confident about achieving a 25% yoy revenue growth in 2024 despite a relatively high base in 2H23 and is positive on achieving a higher gross margin in 2H24 (vs 55.4% in 1H24), backed by stable raw material costs and a favourable product mix. We remain positive on Plover Bay's growth potential and forecast net profit to grow 35%/22%/19% in 2024-26 respectively, thanks to: a) continuous demand from various verticals, in particular maritime and public safety, b) stringent cost controls, and c) strong operating leverage. We see the 20% share price pullback since Nov 24 as a good window to accumulate shares. The company is now trading at 13.5x/11.3x PE in 2025-26, around its historical mean of 12.6x in 2018-24.

SHARE PRICE CATALYST

- Event: a) Further collaborations with Starlink, b) higher-than-expected dividend payout.
- Timeline: 2025.

Sands China – BUY (Stella Guo/Shirley Wang)

- We expect Sands China's GGR recovery to accelerate from 1Q25, as property renovations will be partially completed with a ramp-up of upgraded room inventory in Jan 25. Additionally, the company plans to resume dividend payout in 2025. Maintain BUY. Our target price for Sands China is HK\$28.60, based on 12.0x 2025F EV/EBITDA. Our target price implies 29.1x 2024F PE and 20.5x 2025F PE.

SHARE PRICE CATALYST

- Event: Accelerated GGR recovery momentum.
- Timeline: 1Q25.

Tencent (700 HK) – BUY (Julia Pan/Ming San Soong)

- We remain optimistic on Tencent in view of the rebound in domestic games grossing thanks to the rejuvenation of evergreen games and incremental contribution from its newly-launched game, DnF mobile. Tencent's deferred revenue ramped up 24% yoy to Rmb106.6b in 3Q24, implying a promising 1H25 momentum. In 3Q24, Tencent released Delta Force, its multi-platform first-person shooter game which achieved high average user daily time spent and retention rates, demonstrating evergreen potential. The monetisation of Delta Force has been particularly strong, outperforming some other large-scale player versus player games at launch. This would significantly contribute incremental grossing to Tencent in 2025.
- In the long term, the potential launch of Honor of Kings (HoK) World and HoK Breaking Dawn in 2025 is expected to be a key catalyst, with total monthly revenue projected to reach Rmb1.5b-2.5b. The strong pipeline in 2025 is also led by titles including Monster Hunter Outlanders Mobile. Healthy marketing services growth prospects stem from the upgraded Weixin ad ecosystem, mini programmes and Mini Shops. Despite the current subdued macro backdrop, Tencent is poised for further market share gains anchored by: a) video account (ad load increase), which boosted ad revenue by 60% yoy in 3Q24, with room for further ad load growth towards the double digits from the current low single digits; b) Weixin Search ad revenue (eCPM increase) which will unlock tangible benefits from adtech upgrade via AI deployment; c) mini programme ads with growing gross merchandise value (GMV) scale built on the enhanced transaction capabilities of Weixin. We maintain BUY with a target price of HK\$570.00, which implies 22x 2025F PE. Tencent is currently trading at 15.8x 2025F PE, below its historical mean of 26x.

SHARE PRICE CATALYST

- Event: a) Improving online advertising from Wechat video account, b) game licence approval, and c) collaboration with various internet platform operators on Tencent's WeChat ecosystem.
- Timeline: 1H25.

Trip.com (9961 HK) – BUY (Julia Pan/Ming San Soong)

- We anticipate strong international and outbound travel demand will fuel TCOM's 2025 momentum in view of revitalising travel enthusiasm during Spring Festival 2025. On 31 December, TCOM released the 2025 Spring Festival Travel Market Forecast Report, showing that consumer enthusiasm for travel this year has reached unprecedented levels. The orders for inbound tourists during the 2025 Spring Festival soared by 203% yoy. The primary source markets include South Korea, Malaysia, Singapore, Japan, the US, Australia, Thailand, the UK, Russia, and Vietnam. TCOM guided 4Q24 revenue to grow 17-22% yoy to Rmb12.1b-12.6b, mainly boosted by international tourism amid low seasonality for domestic tourism.
- Gross margin is expected to remain flattish yoy at 80.5% amid weak seasonality in 4Q24. Non-GAAP operating margin is guided to drop 5ppt yoy to 21% in 4Q24, with sales & marketing (S&M) ratio estimated to grow 5ppt yoy to 27%. Meanwhile, TCOM expects overall outbound revenue to recover to 120% of 2019 levels in 4Q24, outpacing the industry by 30-40%. International tourism revenue is guided to grow 30% yoy in 4Q24, with growth in booking outpacing revenue growth. This is primarily driven by Trip.com's revenue which is projected to surge by 50-60% yoy (11% of total revenue), and Skyscanner which is estimated to grow at high single-digit yoy.
- In 2025, domestic tourism revenue is expected to grow at mid-single-digit yoy. In contrast, outbound and international travel may see accelerated growth to 10% yoy and exceed the industry's average as reported by Civil Aviation Administration of China (CAAC). For instance, the growth in hotel bookings is expected to outpace the industry by 10%, while TCOM's revenue growth for transportation will lie closer to the industry average. TCOM anticipates outbound tourism to achieve 2-3x growth, outpacing the industry level. In 2025, TCOM also reckons operating margin will remain stable yoy at 30%, in view of continuous investment in Trip.com. We maintain BUY with an SOTP-based target price of HK\$640.00, implying 26.4x 2025F PE, in line with global peers.

SHARE PRICE CATALYST

- Event: Continuous penetration of OTA platforms into domestic offline and lower-tier cities travel market, implementation of travel bubbles and capacity expansion of outbound flights.
- Timeline: 1H25.

Sinopharm – SELL (Carol Dou/Sunny Chen)

- Sinopharm reported weaker-than-expected 9M24 results with revenue and net profit declining by 0.8% and 13.4% yoy, respectively. We believe the lower interest rate environment will help Sinopharm reduce financial costs. However, the policy uncertainties and weak economic conditions may continue to cloud its revenue and earnings growth visibility in 2024-26. Policy changes have negatively impacted the revenue growth and profit margin of the industry. Group purchasing organisation (GPO) and volume-based procurement (VBP) programmes have expanded coverage and lowered prices for drugs and medical devices. The anti-corruption campaign slowed hospital purchases. Diagnosis Related Groups (DRG)/Diagnosis-Intervention Packet (DIP) programmes are also reshaping the interests of all players in the value chain of the healthcare industry.
- With a vast distribution and business network in various fields of the industry, we remain conservative on the short-term growth prospects for distributors of drugs and medical devices like Sinopharm. We expect the company to record revenue growth of 0.6% and net profit decline of 13.0% yoy in 2024, and expect its revenue and net earnings to grow at a

5.1% and 5.4% CAGR in 2024-26, respectively. Maintain SELL and target price of HK\$18.00, based on 6.6x 2025F PE, or 1x PEG.

SHARE PRICE CATALYST

- Event: a) 9M24 results miss and weak growth visibility in 2024-26, b) policy uncertainties remain a key challenge for earnings growth.
- Timeline: 1H25.

Weimob – SELL (Julia Pan/Ming San Soong)

- We saw Weimob's lacklustre growth momentum from subscription solutions in 1H24. Weimob's subscription solutions (SS) segment saw revenue decline 24% hoh and 31% yoy to Rmb487m in 1H24 due to a drop in the number of paying merchants. In 1H24, the number of paying merchants fell 31% yoy to 68,725. ARPU inched up 1% yoy to Rmb7,083 due to Weimob's strategy of downsizing SS revenue contribution from low-ARPU and low-margin customers. Lately, Tencent announced that Weixin started beta-testing the new "gifting" function on Weixin Mini Shops since Dec 19. We believe that Weimob will benefit directly as a third-party merchant service provider for Weixin by offering merchants a suite of e-commerce tools through its Weimall (微商城) product. This comprehensive platform includes an online store builder, marketing and CRM tools, data analytics to enhance customer traffic and loyalty, as well as robust technical and multi-functional service support. We estimate Weimall's current annual revenue run rate exceeds Rmb300m, with over 30,000 merchant customers and an ARPPU of less than Rmb10,000.
- We maintain SELL with a higher target price of HK\$1.50, based on 2x P/S, as we foresee ongoing growth challenges in Weimob's subscription solutions revenue and merchant solutions take rates. In addition, we remain cautious about the WeChat gift function due to its SKU limitations. We recommend awaiting further details on the development of Mini Shops and their potential revenue contributions, expected to be disclosed at the Weixin Open Class in Jan 25. We assign 2x PS for the SaaS business and 6x EV/EBITA for the MS and digital media segments. The company currently trades at 2.6x 2025F EV sales, 2SD below its historical mean.

SHARE PRICE CATALYST

- Event: Strong expansion of WeChat mini-programme and Weimall, b) growth in e-commerce live streaming.
- Timeline: 1H25.

STRATEGY – INDONESIA

Alpha Picks: Our Selections Outperform In 2024

Due to the performance in 9M24, our portfolio outperformed in 2024. Our selections recorded a 2.2% return compared with the JCI's decline 2.7% in 2024. In Dec 24, our selections fell 6.2% while the JCI dropped only 0.5%. We add ISAT and KLBF into our portfolio to add defensiveness and foresee uncertainty in the market. We also triggered our stop-loss and dropped BBTN and NCKL. Our picks are ISAT, KLBF, BMRI, BBRI, EXCL, CTRA, JSMR, BBNI, CMRY and ASII.

WHAT'S NEW

- **Our portfolio underperformed in Dec 24, caused by declines in banks.** Our portfolio fell 6.2% in Dec 24, caused by declines in banks and the underperforming JCI that dropped by 0.5%. Losers are: BBNI (-12.7%), BBTN (-11.3%), NCKL (-9.0%), CTRA (-8.4%), BMRI (-7.3%), BBRI (-4.0%), ASII (-3.9%), CMRY (-3.6%), JSMR (-2.7%). Winner is EXCL, which rose 1.4%.
- **Our portfolio outperformed in 2024.** Using the market cap weighted method that mirrored the JCI, our portfolio delivered a 2.2% appreciation in 2024. The return of our portfolio outperformed the JCI's return of a 2.7% decline. Despite the underperformance in 4Q24, our portfolio outperformed in 9M24.
- **Add ISAT but take a stop-loss on BBTN and NCKL.** We add ISAT on the back of the growth in the non-mobile segment and the telco sector's defensiveness. We take a stop-loss on BBTN and NCKL as they have declined 17.6% and 16.8% since the inclusion in our portfolio and exceeded our stop-loss threshold of 15.0%.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Perf (%)	Catalyst
Posmarito Pakpahan	Bank Mandiri	BUY	-7.3%	FY24 results will be announced this month
Posmarito Pakpahan	Bank Negara Indonesia	BUY	-12.7%	FY24 results will be announced this month
Posmarito Pakpahan	Bank Rakyat Indonesia	BUY	-4.0%	FY24 results will be announced this month
Paula Ruth	XL Axiata	BUY	1.4%	4Q24 results could benefit from the Christmas and New Year festive seasons
Paula Ruth	Indosat	BUY	NA	4Q24 results could benefit from the Christmas and New Year festive seasons
Benyamin Mikael	Ciputra Development	BUY	-8.4%	Continuation of strong marketing sales and NPAT in 3Q24
Benyamin Mikael	Jasa Marga	BUY	-2.7%	Major tariff increases in 2025
Stevanus Juanda	Cisarua Mountain Dairy	BUY	-3.6%	Net income to rise by 25.6% in 2024
Stevanus Juanda	Astra International	BUY	-3.9%	70% of car and motorcycle unit sales are financed

* Denotes a timeframe of 1-3 months and not UOB Kay Hian's usual 12-month investment horizon for stock recommendation

* Share price change since stock was selected as Alpha Pick

Source: UOB Kay Hian

VALUATION

Company	Ticker	Rec	Price 2 Jan 25 (Rp)	Target Price (Rp)	Potential Upside (%)	Market Cap (US\$m)	3M Avg Turnover (US\$m)	PE 2024F	PE 2025F	P/B 2024F	P/B 2025F	ROE 2024F (%)	Net Gearing (%)
INDOSAT	ISAT	BUY	2,380	3,100	30.3	4,735	3.3	4.1	3.7	2.3	1.6	15.7	144.4
BANK MANDIRI	BMRI	BUY	5,850	8,120	38.8	33,681	38.8	9.7	8.8	1.9	1.7	20.2	(23.0)
BANK RAKYAT INDONESIA	BBRI	BUY	4,210	5,600	33.0	39,360	71.2	10.3	9.4	2.0	1.9	19.4	(23.4)
PT XL AXIATA	EXCL	BUY	2,250	3,200	42.2	1,822	3.6	18.6	14.5	1.1	1.0	6.4	169.6
CIPUTRA DEVELOPMENT	CTRA	BUY	995	1,570	57.8	1,138	1.8	9.2	9.5	0.8	0.8	9.6	(11.1)
JASA MARGA (PERSERO)	JSMR	BUY	4,360	6,000	37.6	1,952	1.2	10.9	8.0	0.9	0.8	11.7	161.8
BANK NEGARA INDONESIA	BBNI	BUY	4,590	6,560	42.9	10,560	15.3	7.8	7.1	1.1	1.0	14.1	(62.3)
CISARUA MOUNTAIN DAIRY	CMRY	BUY	4,920	6,000	22.0	2,408	0.6	26.8	22.7	5.6	4.8	21.8	(57.7)
ASTRA INTERNATIONAL	ASII	BUY	4,950	6,000	21.2	12,362	13.6	5.8	5.3	0.9	0.9	15.0	20.5
KALBE FARMA	KLBF	BUY	1340	1800	34.3	3,875.2	3.4	19.6	17.6	2.7	2.5	13.9	(12.5)

Source: Bloomberg, UOB Kay Hian

KEY RECOMMENDATIONS

Ticker	Rec	Price 2-Jan-25 (Rp)	Target Price (Rp)	Potential Upside (%)
ISAT	BUY	2,380	3,100	30.3
BMRI	BUY	5,850	8,120	38.8
BBRI	BUY	4,210	5,600	33.0
EXCL	BUY	2,250	3,200	42.2
CTRA	BUY	995	1,570	57.8
JSMR	BUY	4,360	6,000	37.6
BBNI	BUY	4,590	6,560	42.9
CMRY	BUY	4,920	6,000	22.0
ASII	BUY	4,950	6,000	21.2
KLBF	BUY	1340	1800	34.3

Source: UOB Kay Hian

CHANGE IN SHARE PRICE

Company	Rec	Dec-24 (%)	To Date (%)
BBTN	BUY	-11.3%	-17.6%
BMRI	BUY	-7.3%	-0.4%
BBRI	BUY	-4.0%	-5.9%
EXCL	BUY	1.4%	2.8%
CTRA	BUY	-8.4%	-1.5%
JSMR	BUY	-2.7%	-4.3%
BBNI	BUY	-12.7%	-6.3%
CMRY	BUY	-3.6%	28.8%
ASII	BUY	-3.9%	-2.9%
NCKL	BUY	-9.0%	-16.8%
JCI		-0.5%	
USD-IDR X-RATE		1.9%	

Source: UOB Kay Hian

PORTFOLIO RETURN

	1Q24	2Q24	3Q24	4Q24	2024
JCI return	0.2%	-3.1%	6.6%	-6.0%	-2.7%
Alpha Picks Return					
- Price-weighted	9.1%	-3.0%	5.9%	-9.4%	2.6%
- Market cap-weighted	8.4%	1.2%	5.9%	-13.3%	2.2%
- Equal-weighted	6.9%	-2.4%	3.7%	-11.1%	-2.9%

Assumptions for the 3 methodologies:

- 1) Price-weighted: Assuming the same number of shares for each stock, a higher share price will have a higher weighting.
- 2) Market cap-weighted: Weighting is based on the market cap at date of inclusion, a higher market cap will have a higher weighting.
- 3) Equal-weighted: Assuming the same investment amount for each stock, every stock will have the same weighting.

Source: UOB Kay Hian

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Indosat – BUY (Paula Ruth)

- **Revenue could grow 6% yoy in 2025**, partly supported by expansion to outer Java, including rural areas and the eastern part of Indonesia. We expect 2025 data traffic to be the main growth driver of ISAT's data revenue considering its expansion to new areas, ie the eastern part of Indonesia. Our data traffic growth forecast for 2025 is 12% yoy.
- **Targets to have 8-10% of home broadband market by 2026**. ISAT acquired the subscribers of MNC Kabel Mediacom (MNC Play) in Nov 23. ISAT's home broadband subscriber base rose to around 345,400 subscribers (based on 2Q24 data) from only 17,100 in 2Q23.
- **CAGR of 34% in Asia Pacific GPU market in 2024-34**. Precedence Research stated that graphics processing units (GPU) can be used for AI, deep learning, gaming, medical imaging, scientific computing, and cryptocurrency mining. The GPUaaS market could grow at a 29% CAGR in 2024-29, according to Mordor Intelligence.
- **Non-mobile segments' revenue contribution could reach around 25% in 2028**, based on ISAT's target. The adjacent (non-mobile) businesses refer to the fixed or home broadband, AI, cloud and cybersecurity businesses. ISAT secured 10 customers (contracts) for its GPUaaS service with an average contract period of three years. It expects US\$50m-72m of total revenue for 2025 from this service.
- **2025 core profit growth could reach 9% yoy**. This is partly supported by 2025 data revenue growth of 7% yoy. We also expect operating margin to improve slightly to 21% in 2025 from 20% in 2024.
- **Maintain BUY with a target price of Rp3,100** based on +1SD to 5.2x EV/EBITDA for 2025, applied to ISAT's 2025 EBITDA. ISAT trades at 4.2x 2025F EV/EBITDA, similar to its historical mean.

SHARE PRICE CATALYST

- Event: Effect from positive seasonality in 4Q24 from the Christmas and New Year festive seasons.
- Timeline: Announcement of 4Q24 results (likely in Feb 24).

Kable Farma – BUY (Stevanus Juanda)

- **Pharmaceutical**. Biosimilars to maintain margins earned. Unbranded generic products' sales growth has outpaced that of branded generics, leading to lower margins at KLBF's pharmaceutical division. To maintain margins, KLBF has invested in the development of biotechnology drug manufacturing with an initial focus on biosimilars. Since biosimilars have similar margins as branded generics, they can help maintain the division's margins.
- **Nutritional**. Affordability is key. In the nutritional division, raw materials costs are falling and KLBF saw a gradual margin improvement in 2024 which could persist in 2025. According to KLBF, the fastest-growing sub-segment in the nutritional division is affordable products. In the premium segment, value growth is only in the single digits. Nestle is focusing on ready-to-drink milk; Danone's market share is stable while Fonterra's market share is fluctuating.
- **Distribution**. Medical devices driving growth. In the distribution division, medical devices are the growth driver. KLBF's surgical suture production facility was completed in Apr 23; sales have ramped up in 2024 and the ramp-up will continue in 2025. KLBF and its partners are developing medical devices such as portable X-Ray, dialysis machines, endoscopy machines and USG machines, by way of technology transfer. Based on demand from the national health insurance programme, KLBF expects the abovementioned medical equipment to experience high demand if manufactured locally.
- **BUY with a target price of Rp1,800**, derived using the historical five-year average PE (23.1x) applied to 2025 EPS. We use the average PE as KLBF's share price should be in line with the historical valuation. BUY in view of the 15.0% upside.

SHARE PRICE CATALYST

- Event: Strong earnings growth in 2025.
- Timeline: Mar and Apr 25.

Astra International – BUY (Stevanus Juanda)

- **Rate cut to benefit ASII as 70% of car and motorcycle unit sales are financed.** The recent rate reduction by Bank Indonesia from 6.25% to 6.0% should mark the beginning of the rate cut cycle. Astra International (ASII) stated that 70% of its car and motorcycle unit sales are purchased using financing. The lower rate should cause the current weak car sales to reverse by 2025. Motorcycle sales could also grow at a faster rate in 2025, despite growing by 3% in 8M24.
- **Three new BEV models from Toyota in the next three years.** ASII stated that in the next three years, Toyota should introduce three new battery electric vehicle (BEV) models. ASII believes that the current conditions in Indonesia still favour hybrid car models, given the lack of infrastructure, especially outside of Jakarta. ASII mentioned that the current pricing of BEVs is still higher than the mass market price of Rp300m, with ICE cars still hold more than 93% of the market. ASII will continue to provide ICE products but will also introduce BEV products in the near future.
- **Seven new electric motorcycle products from now till 2030 that are more affordable and have better specifications.** ASII stated that Honda will introduce seven new products from now until 2030. The Honda EM1 e that was introduced in 2023 has yet to gain traction, with the wrong pricing and it being Honda's first e-motorcycle product. In 2025, a new model will be launched and priced more competitively. Based on the subsidy data by the government, the top three e-motorcycle brands are Polytron, Yadea and Smoot.
- **With NPL under control, FIF can offer motorcycle buyers lower downpayment.** In 8M24, motorcycle unit sales rose by 3% yoy to 4.3m units. For 2024, the association predicts that 6.2m-6.4m units will be sold. Motorcycle unit sales are still experiencing growth because of the size of the downpayment, as monthly payments are a more important factor than interest rate. Federal International Finance (FIF) and the industry are charging a 30% annual rate on motorcycle financing, and a 100bp rate differential only amounts to an additional several thousand rupiah in monthly payments. With FIF's NPL ratio standing at 1%, regulators allow FIF to offer downpayment of less than 25%.
- **Upgrade to BUY with a higher target price of Rp6,000.** Our target price is equivalent to 6.8x 2025F PE. We roll over our target price from Dec 24 to Dec 25 and raise it from Rp3,900 to Rp6,000. The increase is because the beta of ASII declined from 1.278x to 1.081x. ASII is now trading 6.8x 2025F PE or near -2SD 2025F PE. With a 9.95% upside, we upgrade ASII to BUY with a target price of Rp6,000.
- **Risks** include: a) competition from BYD and other EV manufacturers, b) late introduction of new EV cars and motorcycles, and c) new products that are not competitive in terms of pricing and quality.

SHARE PRICE CATALYST

- Event: Rate cuts and monthly car unit sales.
- Timeline: 2025.

Bank Negara Indonesia – BUY (Posmarito Pakpahan)

- **Expecting recovery in loan growth.** In the last few years, Bank Negara Indonesia (BBNI) has been focusing on restructuring its loans. Following the restructuring, we expect a recovery in loan growth following the improved liquidity environment in 2H24 and 2025. In Sep 24, loans grew 9.5% yoy, driven by the lower-risk segments (corporate, mortgage and personal loan). While its medium and small segments continued to book negative growth in

2024, we expect loan growth in both segments to recover in 2025.

- **Expecting NIM improvement.** NIM is expected to be higher in 2H24. In 3Q24, the bank booked a 40bp qoq NIM improvement on: a) US dollar loan repricing, and b) asset quality improvement. CoF declined 13bp qoq to 2.6% in 3Q24, driven by lower costs associated with current accounts and time deposits. Room for NIM improvement will depend on the reduction in cost of funds (CoF) which will come from rate cuts.
- **Asset quality under control.** Following its balance sheet restructuring in the last three years, BBNI has shown a significant improvement in asset quality. The loan at risk (LaR) ratio declined to 11.8% in Sep 24 from 12.3% in Jun 24 (Dec 23: 12.9%) due to a drop in current restructured loans. Given the improvement in asset quality, the bank has begun normalising its provision coverage, resulting in a stable CoC of 1% in 3Q24. NPL coverage stood at 284%, while LaR coverage was at 47.4% as of Sep 24.
- **Maintain BUY with an unchanged target price of Rp6,560.** We arrive at a fair P/B of 1.4x by using GGM and assumptions of ROE: 15%, cost of equity: 12.1%, and long-term growth: 5%. Our target price has been rolled forward to 2025. With easing monetary policies in the background, we believe BBNI's ROE could improve as we expect NIM to improve and loan growth to recover. In the last three years, the bank has been focusing on restructuring its loans, resulting in better risk profile and asset quality, with a low credit cost (CoC) and robust coverage.
- **Risks** include: a) adverse macroeconomic development, b) rupiah instability, c) geopolitical uncertainties which could lead to worsening asset quality, d) lower-than-expected NIM, e) lower-than-expected loan growth, and f) changes in management.

SHARE PRICE CATALYST

- Event: FY24 results.
- Timeline: Jan 25 to Feb 25.

Bank Mandiri – BUY (Posmarito Pakpahan)

- **Strong underwriting capabilities to capture loan growth.** Bank Mandiri (BMRI) has very strong underwriting capabilities in the wholesale segment. Given that Indonesian loans are expected to continue growing in 2025, BMRI is in a strong position to capture the growth from business loans. Moreover, in the last few years, the bank has improved its underwriting policies in the retail segment, allowing the bank to grow faster than its peers.
- **Asset quality remains under control.** CoC was at 0.87% in 9M24, which was below the bank's guidance due to manageable NPL formation and a decline in LaR ratio. Despite its very strong loan growth in the last few quarters, asset quality remained solid with net NPL formation down qoq and yoy which provides the bank confidence to lower its CoC guidance to <1% even though its loan reserve ratio (LLR) was at 3.1% in Sep 24 (lower than its peers). Management lowered the higher limit of its CoC guidance to 1%. Its NPL coverage remained robust at 281%.
- **Livin and KOPRA boosted CASA and e-channel income growth.** Supported by Livin and KOPRA, current account and savings account (CASA) grew 15% yoy, outpacing industry growth, leading to higher market share. The apps also boosted the bank's recurring income from digital channels, growing 15.9% yoy to Rp5.1t. The recurring income from digital channels accounted for 16.5% of total non-interest income. Income from Livin and KOPRA jumped 16.1% yoy to Rp3.6t, accounting for 11.7% of total non-interest income.
- **Maintain BUY with an unchanged target price of Rp8,120.** We arrived at a fair 2.35x 2025F P/B using Gordon Growth Model, assuming ROE of 20%, cost of equity of 11.4% and growth of 5%. Despite the challenging environment, BMRI delivered 21.7% ROE in 9M24. Asset quality remains solid despite strong loan growth in the last few quarters. Meanwhile, Livin and KOPRA helped the bank to boost its fee income and gain market share in the CASA market. BMRI is currently trading at 1.9x, above its mean of three-year forward P/B.

- **Risks** include: a) adverse macroeconomic development, b) rupiah instability, c) geopolitical uncertainties which could lead to worsening asset quality, d) lower-than-expected NIM, e) lower-than-expected loan growth, and f) changes in management.

SHARE PRICE CATALYST

- Event: FY24 results.
- Timeline: Jan 25 to Feb 25.

Bank Rakyat Indonesia – BUY (Posmarito Pakpahan)

- **Should benefit from rate cuts.** While banks could benefit from the rate cut cycle, banks which could benefit the most are (in pecking order): Bank Rakyat Indonesia (BBRI) > BBNI > BMRI > BBKA. BBRI will benefit the most from the rate cuts given most of its loans are fixed-rate loans while deposits are sensitive to changes in benchmark rates. 2024 NIM would likely be at the lower limit of its guidance of 7.6% as the bank focuses on restructuring micro loans.
- **Asset quality deterioration peaked; expect gradual improvement.** CoC was at 3.23% in 3Q24, 10bp higher than in 2Q24 as subsidiaries' CoC jumped 300bp to 5.55% in 3Q24, driven by Permodalan Nasional Madani's (PNM) higher CoC for potential asset quality deterioration. Meanwhile, bank-only CoC was at 2.94% in 3Q24 from 3.17% in 2Q24 as its KUPEDES' vintage analysis showed improvement while quarterly net new NPL formation trended down, especially the micro and small segments, although they remained elevated compared with 2022.
- **Attractive dividend yield.** Despite the challenging environment, we expect BBRI to deliver Rp60t-61t net profit in 2024, primarily driven by strong recovery income. With assumption of 90-95% dividend payout ratio, BBRI offers a 7-9% dividend yield. The bank targets Rp22t-24t of recovery income in 2024, up from Rp16.8t in 2023. The strong recovery income will be supported by the bank's focus on collection for its loan officers' KPI. According to the bank, Kredit Usaha Rakyat (KUR) loans could have a recovery rate of 90%.
- **Maintain BUY with an unchanged target price of Rp5,600.** We arrive at 2.4x fair P/B using the Gordon Growth Model with assumptions of ROE at 21%, growth at 6%, and cost of equity at 12.1%. Although the 2025 CoC outlook is still uncertain, management expects a lower CoC in 2025. We see net new NPL formation trending down, especially for the micro and small segments even though they remain elevated compared with 2022. BBRI would benefit from the rate cuts as well as the new government programmes and policies to improve social welfare.
- **Risks** include: a) adverse macroeconomic development, b) rupiah instability, c) geopolitical uncertainties which could lead to worsening asset quality, d) lower-than-expected NIM, e) lower-than-expected loan growth, and f) changes in management.

SHARE PRICE CATALYST

- Event: FY24 results.
- Timeline: Jan 25 to Feb 25.

XL Axiata – BUY (Paula Ruth)

- **Potential corporate actions.** XL Axiata (EXCL) and Smartfren Telecom (FREN) announced on 11 Dec 24 that they have entered into a definitive agreement for a proposed merger with a combined pre-synergy enterprise value (EV) of Rp104t (around US\$6.5b). EXCL will serve as the surviving entity, while FREN would dissolve upon completion of the merger (target: 1H25) to become part of XLSmart.
- **Indonesia's fibre penetration rate (8%) is still below the 23% average of Southeast Asian countries,** based on a report by Arthur D. Little, GlobalData, and FTTH Council Asia-Pacific. We note our 2025 fixed broadband (FBB) revenue forecast still excludes the impact from the transaction between EXCL and LINK which was completed on 27 Sep 24. We

expect the big telcos' FBB revenue to increase 3%/9% yoy in 2025/26 respectively.

- **EXCL becomes number two in FBB market with more than 1m FBB subscribers.** On 27 Sep 24, EXCL and Link Net (LINK) completed an affiliated transaction related to the purchase of a "ServeCo" (business-to-consumer segment of LINK) from LINK and leasing of a fibre network owned by LINK. EXCL said that the additional subscribers from LINK ("First Media" brand) resulted in EXCL's FBB subscribers reaching more than 1m.
- **Around 25% yoy growth in EXCL's 2025 NPAT.** This will be partly driven by data and digital revenue growth (7% yoy), due to an increase in data traffic and growth in the FBB subscriber base. We also expect EXCL's net margin to expand slightly to 5.8% in 2025 from 4.9% in 2024. We project a 25% yoy NPAT growth for 2025, lower than 2024's +34% yoy.
- **Maintain BUY with a target price of Rp3,200.** Our target price is based on EV/EBITDA of 4.8x, which is the historical mean of 2017-23 EV/EBITDA excluding the COVID-19 pandemic period of 2020-21, applied to the 2025 EBITDA. EXCL trades at EV/EBITDA of 4.1x for 2025, similar to -1SD (4.2x).

SHARE PRICE CATALYST

- Event: Effect from positive seasonality in 4Q24 from the Christmas and New Year festive seasons.
- Timeline: Announcement of 4Q24 results (likely in Feb 24).

Cisarua Mountain Dairy – BUY (Stevanus Juanda)

- **Product innovation to drive sales and profit growth.** Cisarua Mountain Dairy (CMRY) is known for its yogurt pouches and single-serve ready-to-eat sausages and meatballs. It recently launched affordable yogurt sticks. CMRY has also launched the Crème Dessert product line, plant-based beverages and seafood-based products. New and innovative products will be launched, driving sales and profit growth.
- **Strong push into consumer products to drive growth.** In 9M24, CMRY experienced a >40% yoy growth in its premium consumer food sales (chicken nuggets, sausages, meatballs, egg products, etc). Going forward, the strong growth is likely to persist as CMRY will continue to introduce new products and further penetrate the market via new outlets in modern and general trade. CMRY has a 9.7% share of the chilled processed meat market (worth US\$167m) and 3.7% share of the frozen processed meat market (US\$641m).
- **Large milk market with room for growth.** Dairy products accounted for 55% of CMRY's total sales in 2022. In 9M23, yogurt sales were soft, while strong growth was recorded in the UHT milk segment. Yogurt has a much smaller market which could be worth US\$421m in 2025, and CMRY already holds a market share of more than 50%. Flavoured milk, fresh white milk and UHT milk are expected to have a market size of US\$1,891m, US\$97m and US\$721m respectively in 2025. CMRY sees opportunities to grab more sales and market share as it holds 2.4%, 4.3% and less than 1.0% of the flavoured milk, fresh white milk and UHT milk markets respectively.
- **Maintain BUY and target price of Rp6,000.** CMRY expects sales and NPAT to grow at a CAGR of above 15% in 2022-25. CMRY's NPAT is likely to rise by 24.1% in 2024. We have rolled over the time horizon of our target price from Dec 24 to mid-25. We maintain BUY with a target price of Rp5,800 based on a historical +1SD PE of 27.3x applied to 2024 and 2025 EPS. We think the high growth could result in a re-rating of the PE multiple.

SHARE PRICE CATALYST

- Event: Potentially strong 4Q24 results driving earnings recovery.
- Timeline: Mar 25.

Jasa Marga – BUY (Benyamin Mikael)

- **Finalised JTT divestment.** Jasa Marga (JSMR) will use the proceeds from the divestment for debt payment and future expansion. JSMR expects savings from lower interest costs to offset reduced cash flow from the JTT divestment, providing long-term benefits. By divesting JTT, JSMR aims to lower its debt and secure funding to expand its toll road networks. Over the next five years, JSMR needs funds for five new toll roads, totalling Rp84t (equity portion: Rp15.7t), and two potential projects with an investment value of Rp34t (equity portion: Rp2.9t).
- **The primary catalyst for JSMR is its plan to increase tariffs on 21 out of 29 toll roads.** The tariff adjustment in 2025 will be based on two years of regional CPI in 2023-24, with special adjustments planned for Semarang-Batang and Solo-Ngawi in 2025, which may be significantly higher. Capex for 2025 is expected to match 2024's at Rp8t-10t. The addition of 101km of new toll roads in 2025 may weigh on its medium-term financial performance, as it will be in the early stages of operation.
- **Expect 9.4% yoy core NPAT growth in 2025.** We expect JSMR to generate earnings of Rp3.9t in 2025 (-6.2% yoy) (after excluding the one-time gain of Rp600b in 1H24 from tax benefits from the new accounting rule), which extends the toll road amortisation period beyond 20 years. This reduces amortisation charges and lifts profits. On the other hand, we expect JSMR's core profit to grow by 9.4% yoy in 2025.
- **Maintain BUY with a target price of Rp6,000.** We maintain BUY with a lower target price of Rp6,000, based on -1SD of 2025 EV/EBITDA of 7.7x. We have assigned a lower EBITDA multiple as: a) JTT divestment has a neutral impact on EBITDA but reduces JSMR's EV, while significantly increasing minority interest in net profit, distorting EBITDA figures; and b) we anticipate a smaller core profit growth in 2025.

SHARE PRICE CATALYST

- Event: Major tariff increases in 2025.
- Timeline: 1Q25-4Q25.

Ciputra Development – BUY (Benyamin Mikael)

- **To achieve 2024 marketing sales target.** With a remaining target of Rp2.4t for 2024, Ciputra Development (CTRA) plans to launch several new developments in 4Q24, projected to contribute Rp1.9t in marketing sales. Key launches include the Lake Villa Cluster and Elaia Cluster Phase 2 in CitraGarden Serpong (Rp885b combined), Emerald Stone and Stone Gate Park in CitraLand Surabaya (Rp381b), and Sentosa Cove Phase 2 in CitraLand Gama City Medan (Rp239b). Other notable launches include The Venetian in Makassar (Rp196b), Chianti Cluster in Sentul (Rp136b), and Aero Prime Phase 2 in CitraGarden City Jakarta (Rp100b).
- **Potential structural change in the industry landscape for the medium term.** The new government is considering the elimination of the Property and Housing Taxes of 16%. This plan was announced by Hashim Djojohadikusumo, Prabowo Subianto's brother and head of the Housing Task Force. The proposed tax cuts include an 11% value-added tax (VAT) and a 5% land and building acquisition duty (BPHTB), potentially coming into effect within the first 1-3 years of the new administration.
- **Expect stronger earnings in 4Q24.** In 3Q24, CTRA saw a temporary performance dip due to handover timing in property development, reducing quarterly revenue. This was partly offset by gains in investment property assets, though fixed costs weighed on margins. A strong 4Q24 recovery is expected as VAT-exempt unit completions align with the revenue schedule. CTRA remains on track to meet its 2024 targets of Rp10t in revenue (+8% yoy) and Rp2t in core profits (+9% yoy).
- **Maintain BUY with a target price of Rp1,570** based on +1.5SD of five-year average discount to RNAV, or at a 75.5% discount to our RNAV. We think CTRA deserves an above-average valuation as it has: a) consistent solid marketing sales and earnings growth in the

last three years with our expectation of all-time high net profit generation in 2024, b) potential structural change in the industry landscape for the medium term, and c) a further potential interest rate cut within the next 12 months which should be a catalyst for property companies. CTRA is trading at slightly below +1SD of five-year mean discount to 2024 RNAV/share.

SHARE PRICE CATALYST

- Event: Stronger earnings in 4Q24, in-line marketing sales growth in 2024 (+8.4% yoy), and further interest rate cuts.
- Timeline: 4Q24-1Q25.

COMPANY UPDATE

VS Industry (VSI MK)

Poised For A Stronger 2HFY25, Further Growth On An Explosive Take-off In FY26

Despite a 17% recovery in its share price since mid-Nov 24, VS remains attractively valued at 17.1x 2025F PE (slightly below its five-year mean), offering a compelling entry point. Its strong growth outlook for 2HFY25 and a transformative FY26, driven by a shifting business landscape, underscore its strong value proposition. Additionally, its potential foray into the medical industry marks a pivotal step toward unlocking new growth avenues. Maintain BUY. Target price: RM1.50.

WHAT'S NEW

- **A whacky 4Q24; fortune favours the bold!** 4Q24 was nothing short of eventful, including unfavourable headlines in mid-Nov 24 regarding its major customer (causing an 11% intraday share price swing) and forex headwinds slowing 1QFY25. Despite these challenges, the volatility presented attractive entry opportunities as highlighted in our Nov and Dec 24 notes. While its share price has recovered 17% from its low in mid-Nov 24, VS Industry (VS) is still trading at 17.1x 2025F PE (even after our latest forecast adjustments), slightly below its five-year mean PE, which we see as a compelling entry point considering a robust FY26 outlook driven by a transformative business landscape.
- **New year, new opportunities.** The new financial year ushers in fresh prospects for VS, particularly with its major customer, X. Our observation suggests that a strategic shift in X's direction has driven operational changes, enhancing integration among contract manufacturers and consolidating supply chains back to core operational countries. Note that VS' accreditation with the prestigious CM+ status has further strengthened its position, allowing it to offer enhanced supply chain flexibility and a more extensive product range. Combined with its expanded regional footprint, VS is now strategically to cross-sell its advanced capabilities across diverse markets, driving margin growth and boosting the company's success in securing multi-site job tenders. Operationally, VS has secured two new product lines in Malaysia (revenue potential of RM100m annually), and is bidding for two additional floor care lines in Malaysia and the Philippines, potentially adding RM800m annually. We have yet to account this into our earnings forecast.
- **Expect sequentially stronger quarters ahead.** VS had a slow start on its FY25 with 1QFY25 core earnings of RM32.1m (-60% qoq, -30% yoy) impacted by inventory destocking from a key customers (ahead of new models launching in 2025) alongside unfavourable forex fluctuations. However, these challenges are largely one-off. Looking ahead, a stronger US dollar — now at RM4.48/USD (vis-a-vis low of RM4.12/USD at end-Sep 24), seasonal tailwinds, alongside pipelines of new product launches by key customers, would position VS for a stronger recovery in 2HFY25 and explosive growth prospects in FY26.

KEY FINANCIALS

Year to 31 Jul (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	4555	4248	4605	5842	6288
EBITDA	412	413	442	597	629
Operating profit	292	287	321	469	501
Net profit (rep./act.)	196	246	221	331	355
Net profit (adj.)	200	210	221	331	355
EPS (sen)	5.0	6.3	5.6	8.4	9.0
PE (x)	22.8	21.8	20.7	13.8	12.9
P/B (x)	2.1	2.0	1.9	1.7	1.6
EV/EBITDA (x)	11.8	11.4	10.5	7.9	7.3
Dividend yield (%)	1.9	1.6	1.4	2.2	2.3
Net margin (%)	4.3	5.8	4.8	5.7	5.6
Net debt/(cash) to equity (%)	7.7	-5.8	-6.1	-5.1	1.9
Interest cover (x)	14.2	22.5	15.6	21.1	22.2
ROE (%)	9.2	11.1	9.3	12.9	13.2
Consensus net profit			237	323	359
UOBKH/Consensus (x)			0.93	1.02	0.99

Source: VS Industry, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.16
Target Price	RM1.50
Upside	+28.2%
(Previous TP)	RM1.35)

COMPANY DESCRIPTION

VS Industry is involved in the manufacturing of plastic parts and components, contract manufacturing, precision mould making, the sub-assembly of electronic and electrical equipment and other secondary processes. It has plants in Malaysia, China, and Indonesia.

STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	VSI MK
Shares issued (m):	3,933.0
Market cap (RMm):	4,562.3
Market cap (US\$m):	1,018.4
3-mth avg daily t'over (US\$m):	2.4

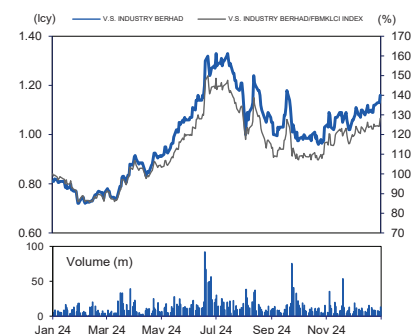
Price Performance (%)

52-week high/low				RM1.33/RM0.720	
1mth	3mth	6mth	1yr	YTD	
9.4	19.0	39.4	58.5	2.7	

Major Shareholders

	%
Employees Provident Fund	8.7
Beh Kim Ling	7.7
Kumpulan Wang Persaraan Diperbadankan	4.9
FY25 NAV/Share (RM)	0.61
FY25 Net Cash/Share (RM)	0.04

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **New foray – Major rerating of its CE-centric profile.** VS continues to attract interest from new MNC customers, with discussions on potential contracts currently in the early evaluation stages. Among these opportunities, we understand that the most imminent one could be a potential collaboration with a medical industry customer. While we are not assuming any new customer wins for now, any RM300m contract being secured with full contribution in FY26 on a net margin of 5.7% could lead to an earnings accretion of 5%. This diversification into the medical industry could not only enhance VS' growth prospects (wider offerings and better margins) but also catalyse a rerating of its consumer electronics (CE)-focused profile.

STOCK IMPACT

- **Eto Na Ako Pilipinas!** Following VS' incorporation of a new subsidiary in the Philippines, it was announced in Bursa Malaysia that the group's wholly owned subsidiary – VS Industry Philippines (VSIP) entered into a lease agreement with ALogis Artico Inc, for the lease of a factory building (around 570,000 sf) located at Light Industry and Science Park III of Batangas, Philippines. Additionally, the group has also secured new orders from its key customer to manufacture selected consumer electronics products on a box-build assembly basis, with expected recurring revenue contribution of RM300m for FY25 and RM1.2b for FY26, which we believe will entail two lines of products.
- **On a stronger regional footing to spearhead growth.** While we are cognisant of the execution risk considering the different market landscapes, we are net positive to the announcement considering: a) stronger orders visibility, b) its vast experience in supporting its key customers' sub-operations, c) favourable export tariffs from the Philippines to the US, d) margin enhancement on the cross-selling of its new capabilities, and e) more job tender wins on multi-site offerings. More so, the adoption of an asset light model could lead to a lower breakeven point for margin accretion. In terms of upside potential, the factory building size of around 570,000 sf is capable of generating RM2b revenue size on full utilisation.
- **Our FY26 assumption is a tad lower than RM1.2b orders secured,** which we err on the conservative side to buffer for any risk of execution (assuming only RM800m). In terms of sensitivity analysis, a full delivery of RM1.2b of orders (or RM400m revenue bump) will lead to an earnings accretion of 4% to our FY26 estimate.

EARNINGS REVISION/RISK

- We cut our FY25 earnings by 11% to account for lower margins arising from forex impact and HT Press but made a marginal adjustment of +2% to our FY26 earnings.

VALUATION/RECOMMENDATION

- **Maintain BUY with a higher target price of RM1.50** based on a rollover 18x FY26F PE (at average five-year forward PE).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

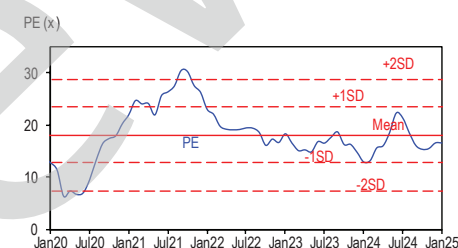
<ul style="list-style-type: none"> • Environmental
<ul style="list-style-type: none"> - VS has been certified with the ISO 14001:2015 Environment Management System for assembly services for mechanical and electrical products.
<ul style="list-style-type: none"> • Social
<ul style="list-style-type: none"> - VS held an In-House Vaccination Programme in Aug 21 and achieved a 99.8% vaccination record for the entire workforce. - It is engaging with migrant worker rights specialists and independent auditors proactively for the betterment migrant workers' welfare in Malaysia.
<ul style="list-style-type: none"> • Governance
<ul style="list-style-type: none"> - The company has in place an Anti-Corruption Framework which fulfils the requirements in the Guidelines on Adequate Procedures to Section 17A (5) of the Malaysian Anti-Corruption Commission Act 2009.

SALES ASSUMPTION

(RMm)	FY23	FY24	FY25F	FY26F
Sales	4,555	4,248	4,605	5,842
Key customer	2,480	2,007	2,554	3,436
Customer Z	400	400	417	459
China	72	30	30	72
Indonesia	344	350	333	366
New key customers	1000	1070	900	1100
Others	259	391	372	409
US\$/RM	4.51	4.70	4.30	4.40
Core net margin (%)	4.4%	4.9%	4.8%	5.7%

Source: UOB Kay Hian

FIVE-YEAR FORWARD PE BAND



Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Jul (RMm)	2024	2025F	2026F	2027F
Net turnover	4248	4605	5842	6288
EBITDA	413	442	597	629
Deprec. & amort.	126	120	128	129
EBIT	287	321	469	501
Associate contributions	0	3	3	3
Net interest income/(expense)	-18	-28	-28	-28
Pre-tax profit	269	296	443	475
Tax	-74	-78	-117	-126
Minorities	9	3	5	5
Net profit	246	221	331	355
Net profit (adj.)	210	221	331	355

BALANCE SHEET

Year to 31 Jul (RMm)	2024	2025F	2026F	2027F
Fixed assets	903	933	955	976
Other LT assets	271	274	276	279
Cash/ST investment	755	840	742	854
Other current assets	2,148	2,225	2,753	2,944
Total assets	4,078	4,272	4,725	5,053
ST debt	337	337	337	337
Other current liabilities	828	871	1,097	1,180
LT debt	571	571	571	571
Other LT liabilities	49	49	49	49
Shareholders' equity	2,293	2,448	2,681	2,930
Minority interest	(0)	(4)	(9)	(14)
Total liabilities & equity	4,078	4,272	4,725	5,053

CASH FLOW

Year to 31 Jul (RMm)	2024	2025F	2026F	2027F
Operating	299.0	223.1	72.8	289.9
Pre-tax profit	269	296	443	475
Tax	(70)	(78)	(117)	(126)
Deprec. & amort.	126	120	128	129
Working capital changes	(36)	(48)	(315)	(122)
Non-cash items	(72)	(72)	(72)	(72)
Other operating cashflows	83	6	6	6
Investing	(183)	(115)	(115)	(115)
Capex (growth)	(147)	(150)	(150)	(150)
Investments	0	0	0	0
Proceeds from sale of assets	8	0	0	0
Others	(44)	35	35	35
Financing	(49)	(23)	(56)	(63)
Dividend payments	(77)	(66)	(98)	(106)
Issue of shares	45	20	20	20
Proceeds from borrowings	0	0	0	0
Loan repayment	10	50	50	50
Others/interest paid	(28)	(28)	(28)	(28)
Net cash inflow (outflow)	67	85	(98)	112
Beginning cash & cash equivalent	689	755	840	742
Changes due to forex impact	8	0	0	0
Ending cash & cash equivalent	764	840	742	854

KEY METRICS

Year to 31 Jul (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	9.7	9.6	10.2	10.0
Pre-tax margin	6.3	6.4	7.6	7.6
Net margin	5.8	4.8	5.7	5.6
ROA	6.1	5.3	7.4	7.6
ROE	11.1	9.3	12.9	13.2
Growth				
Turnover	(8.1)	10.9	37.6	51.2
EBITDA	0.3	9.0	49.4	59.6
Pre-tax profit	2.6	13.1	69.9	85.0
Net profit	31.0	(13.3)	69.7	84.8
Net profit (adj.)	4.7	5.3	49.8	7.2
EPS	5.6	6.9	69.7	84.8
Leverage				
Debt to total capital	39.6	37.1	34.0	31.1
Debt to equity	39.6	37.1	33.9	31.0
Net debt/(cash) to equity	6.7	2.8	6.2	1.9
Interest cover (x)	22.5	15.6	21.1	22.2

COMPANY UPDATE

Mapletree Logistics Trust (MLT SP)

Weighted Down By Exposure To Greater China

We remain concerned about MLT's exposure to China as a high vacancy rate of 21.5% continues to exert downward pressure on rents. Demand could further weaken if the US-China trade conflict resurfaces and intensifies. Fortunately, weakness in China is offset by positive rental reversion in Singapore and Australia. MLT provides FY26 distribution yield of 6.3% (FLT: 7.3%). Maintain HOLD. Target price: S\$1.41.

WHAT'S NEW

- Rents on a downward trend in China.** Consumer confidence and retail sales continue to be weighed down by a downturn in the property market and tepid wage growth. Demand from domestic e-commerce and express delivery, mainly involving short-term leases, remains weak. Large integrated e-commerce platforms are consolidating to their self-built warehouses. Thus, rents are under pressure as landlords adjusted rents lower to attract tenants and shore up occupancies. According to CBRE Group (CBRE), on a nation-wide basis, rents for logistics space declined 3% qoq and 6.4% ytd in 3Q24.
- Limited exposure to South China.** Pockets of strength are seen in South China, boosted by growth in cross-border e-commerce. Apart from South China, vacancies in other markets are at historical highs. Mapletree Logistics Trust (MLT) does not benefit from the boom in cross-border e-commerce as the Guangdong province accounted for only 5% of floor space for its China portfolio. According to CBRE, the nationwide vacancy rate remained elevated at 21.5% in 3Q24.
- Tier 2 cities in China suffered negative rental reversion.** MLT incurred negative rental reversion of -12.2% for China in 2QFY25 (Tier 1 cities: -3.5%, Tier 2 cities: -13%). Weighted average lease expiry (WALE) is only 1.6 years due to the prevalence of short-term leases. As such, China accounted for a sizeable 43% and 44% respectively of leases expiring by NLA in 2HFY25 and FY26. About 90% of leases in China have already been marked to lower market rents. Management expects the negative double-digit rental reversion to persist for another two quarters and moderate to negative single digit thereafter.
- Looming threats from escalation of trade conflict.** The incoming Trump Administration has threatened to impose tariff of up to 60% on imports from China. Additional tariff imposed by the US, its largest export market, could lead to job losses in the manufacturing sector, causing further weakness in consumer confidence and domestic consumption. Thus, demand for logistics space is likely to be affected, further postponing any potential recovery.

KEY FINANCIALS

Year to 31 Mar (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	731	734	732	744	748
EBITDA	512	508	520	518	521
Operating profit	512	508	520	518	521
Net profit (rep./act.)	545	303	272	277	273
Net profit (adj.)	274	281	280	277	273
EPU (\$ cent)	5.7	5.7	5.5	5.4	5.3
DPU (\$ cent)	9.0	9.0	8.2	8.1	7.9
PE (x)	22.7	22.8	23.3	23.7	24.3
P/B (x)	0.9	0.9	1.0	1.0	1.0
DPU Yld (%)	7.0	7.0	6.3	6.3	6.1
Net margin (%)	74.6	41.3	37.2	37.2	36.5
Net debt/(cash) to equity (%)	60.9	67.0	74.0	77.2	80.6
Interest cover (x)	4.1	3.7	3.3	3.0	2.9
ROE (%)	7.2	4.0	3.7	3.9	3.9
Consensus DPU (\$ cent)	-	-	8.1	8.0	8.2
UOBKH/Consensus (x)	-	-	1.01	1.01	0.97

Source: Mapletree Logistics Trust, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$1.29
Target Price	S\$1.41
Upside	+9.3%
(Previous TP)	S\$1.45

COMPANY DESCRIPTION

MLT is an Asia-focused logistics REIT with a portfolio of 188 logistics properties with AUM of S\$13.4b across Australia, China, Hong Kong, India, Japan, Malaysia, Singapore, South Korea and Vietnam as of Jun 24.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MLT SP
Shares issued (m):	5,057.8
Market cap (\$m):	6,524.6
Market cap (US\$m):	4,790.5
3-mth avg daily t'over (US\$m):	18.3

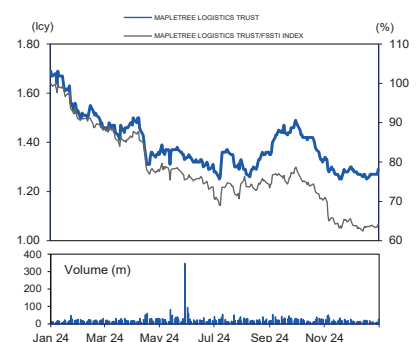
Price Performance (%)

52-week high/low				S\$1.71/S\$1.24
1mth	3mth	6mth	1yr	YTD
(0.8)	(13.4)	(1.5)	(24.6)	1.6

Major Shareholders

Temasek Hldgs	33.5
FY25 NAV/Share (\$)	1.31
FY25 Net Debt/Share (\$)	1.06

PRICE CHART



Source: Bloomberg

ANALYST(S)

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• **Singapore: Rents paused for breather after stellar rise.** According to CBRE, prime logistics rents were flat qoq but increased 3.3% yoy in 3Q24. Tenants are resisting further increase as rents have already risen 42.7% since the trough in 1Q20. Third-party logistics (3PL) and e-commerce players are in consolidation mode. Nevertheless, occupancy for FLT's Singapore portfolio was stable at 95.9% in 2QFY25. Supply of prime logistics space is expected to surge to 4.9m sf in 2025 (2024: 2.0m sf). Thus, landlords are focusing on maintaining occupancy and have toned down their expectations on rent growth. Management expects positive rental reversion to moderate to high single-digit in FY26 (2QFY25: 12.5%).

• **Australia: Industry dynamic remains positive.** E-commerce penetration improved 0.7ppt yoy to 13.5% in 3Q24. Rental growth has slowed 7.4%, 8.2% and 12.9% yoy respectively across Sydney, Melbourne and Brisbane. Nevertheless, its logistic properties in Australia are under-rented by 30%, which ensures continued positive rental reversion. Take-up was healthy in Sydney but leasing activities weakened in Melbourne. Vacancy rate has bounced off the historical low in 1H23 but remains low at 1.9%. Pipeline of new supply is 60% pre-committed for 2024 and over one-third pre-committed for 2025. New supply is expected to ease in 2026.

STOCK IMPACT

• **Repositioning towards modern logistics properties in growth markets.** MLT will focus on acquiring modern high-specs logistics properties in growth markets, such as India, Malaysia and Vietnam, which benefit from supply chain repositioning, e-commerce growth and limited supply of modern logistics properties. It has completed the acquisitions of three modern Grade A logistics properties in Malaysia (Shah Alam) and Vietnam (Ho Chi Minh City and Hanoi) from its sponsor for S\$227m in 1QFY25. MLT is keen to expand in Japan, which is a matured market, due to the attractive yield spread.

• **Acquisitions are primarily funded by divestments** as MLT's aggregate leverage was elevated at 40.2% as of Sep 24. Management has identified S\$1b of logistics properties with older specifications and limited redevelopment potential to be divested over the next three years. Hong Kong and China accounted for half of the list of targeted divestments. As part of the capital recycling, MLT aims to execute S\$300m of the targeted divestments in FY25. It had completed/announced eight divestments in Singapore, Malaysia and China totalling S\$131m in 1HFY25.

• **Cost of debt still inching higher.** MLT cautioned that cost of debt would continue to rise as loans are refinanced and interest rate swaps are rolled over at higher interest rates in 2HFY25 and FY26. MLT has swapped a portion of its USD, AUD and HKD loans into CNH to benefit from lower interest rates in China. It issued S\$180m of 4.30% fixed rate perpetual securities in Aug 24 to redeem S\$180m of perpetual securities with a higher rate of 5.2074%. MLT's average cost of debt was stable at 2.7% for 2QFY25. Management guided for cost of debt to be slightly higher at 2.8% at end-FY25 and 3.0% at end-FY26.

EARNINGS REVISION/RISK

• We trimmed our DPU forecast by 3% for FY25 and FY26 after factoring in recent divestments in Singapore and Malaysia and weakness in exchange rates for JPY, AUD and KRW against the SGD.

VALUATION/RECOMMENDATION

• **Maintain HOLD.** Our target price of S\$1.41 is based on the Dividend Discount Model (cost of equity: 7.0%, terminal growth: 1.5%).

SHARE PRICE CATALYST

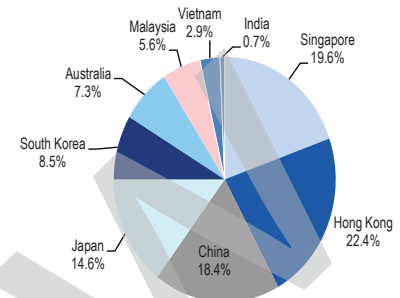
• Accretive acquisitions to rejuvenate and reposition towards modern specifications logistics facilities, domestic consumption and e-commerce; positive contributions from redevelopment projects in Singapore and Malaysia.

KEY OPERATING METRICS

Key Metrics	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	yoy % Chg	qoq % Chg
DPU (S cents)	2.268	2.253	2.211	2.068	2.027	-10.6%	-2.0%
Occupancy	96.9%	95.9%	96.0%	95.7%	96.0%	-0.9ppt	0.3ppt
Aggregate Leverage	38.9%	38.8%	38.9%	39.6%	40.2%	1.3ppt	0.6ppt
Weighted Financing Cost	2.5%	2.5%	2.7%	2.7%	2.7%	0.2ppt	0ppt
% Borrowing in Fixed Rates	83%	83%	84%	83%	84%	1ppt	1ppt
WALE by NLA (years)	3.0	2.9	3.0	2.9	2.8	-0.2yrs	-0.1yrs
Debt Maturity (years)	3.8	3.7	3.8	3.7	3.6	-0.2yrs	-0.1yrs
Rental Reversions	0.2%	3.8%	2.9%	2.6%	-0.6%	-0.8ppt	-3.2ppt

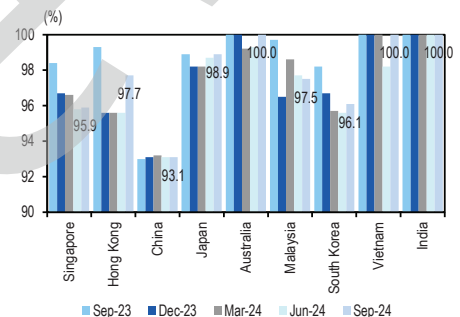
Source: MLT

PORTFOLIO VALUATION BY COUNTRY



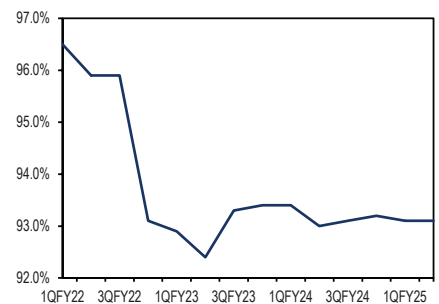
Source: MLT

OCCUPANCY LEVELS BY COUNTRY



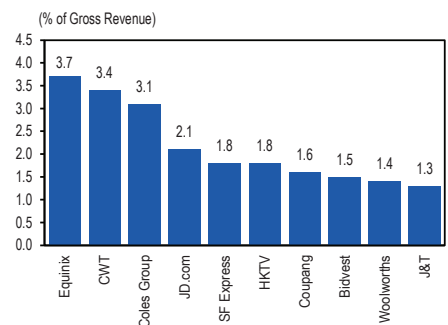
Source: MLT

OCCUPANCY RATE – MAINLAND CHINA



Source: MLT

TOP 10 TENANTS BY GROSS REVENUE



Source: MLT

PROFIT & LOSS

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Net turnover	733.9	732.2	744.1	747.6
EBITDA	508.2	520.0	518.0	520.9
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	508.2	520.0	518.0	520.9
Total other non-operating income	22.2	(7.4)	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(137.2)	(157.1)	(175.1)	(182.0)
Pre-tax profit	393.1	355.5	342.9	338.8
Tax	(63.1)	(57.6)	(41.2)	(40.7)
Minorities	(2.6)	(0.4)	(0.8)	(0.8)
Perpetual Securities	(24.3)	(25.1)	(24.3)	(24.3)
Net profit	303.1	272.4	276.7	273.1
Net profit (adj.)	281.0	279.8	276.7	273.1

CASH FLOW

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Operating	573.5	550.3	474.0	474.6
Pre-tax profit	371.0	362.8	342.9	338.8
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	15.0	7.8	4.6	1.3
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	187.5	179.6	126.5	134.4
Investing	(844.3)	(314.7)	0.0	0.0
Capex (growth)	(1,027.6)	(432.2)	0.0	0.0
Capex (maintenance)	0.0	0.0	0.0	0.0
Proceeds from sale of assets	177.8	117.5	0.0	0.0
Others	5.6	0.0	0.0	0.0
Financing	280.6	(217.5)	(464.1)	(477.4)
Distribution to unitholders	(409.6)	(412.6)	(410.7)	(407.1)
Issue of shares	200.0	0.0	0.0	0.0
Proceeds from borrowings	665.3	369.8	140.0	130.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(175.1)	(174.6)	(193.4)	(200.3)
Net cash inflow (outflow)	9.8	18.1	10.0	(2.9)
Beginning cash & cash equivalent	302.5	304.8	322.9	332.9
Changes due to forex impact	(7.5)	0.0	0.0	0.0
Ending cash & cash equivalent	304.8	322.9	332.9	330.0

BALANCE SHEET

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Fixed assets	13,140.3	13,433.1	13,433.1	13,433.1
Other LT assets	186.8	162.3	162.3	162.3
Cash/ST investment	304.8	322.9	332.9	330.0
Other current assets	180.4	107.0	108.5	108.9
Total assets	13,812.3	14,025.4	14,036.9	14,034.4
ST debt	275.0	299.4	299.4	299.4
Other current liabilities	346.1	366.4	371.8	373.4
LT debt	5,034.6	5,380.0	5,520.0	5,650.0
Other LT liabilities	672.2	715.6	715.6	715.6
Shareholders' equity	7,466.4	7,238.7	7,104.8	6,970.8
Minority interest	18.0	25.2	25.2	25.2
Total liabilities & equity	13,812.3	14,025.4	14,036.9	14,034.4

KEY METRICS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	69.2	71.0	69.6	69.7
Pre-tax margin	53.6	48.6	46.1	45.3
Net margin	41.3	37.2	37.2	36.5
ROA	2.2	2.0	2.0	1.9
ROE	4.0	3.7	3.9	3.9
Growth				
Turnover	0.4	(0.2)	1.6	0.5
EBITDA	(0.7)	2.3	(0.4)	0.5
Pre-tax profit	(40.2)	(9.6)	(3.5)	(1.2)
Net profit	(44.4)	(10.1)	1.6	(1.3)
Net profit (adj.)	2.7	(0.4)	(1.1)	(1.3)
EPU	(0.7)	(1.9)	(2.0)	(2.1)
Leverage				
Debt to total capital	41.5	43.9	44.9	46.0
Debt to equity	71.1	78.5	81.9	85.3
Net debt/(cash) to equity	67.0	74.0	77.2	80.6
Interest cover (x)	3.7	3.3	3.0	2.9

COMPANY UPDATE

Seatrium (STM SP)

Positive Developments In 4Q24 Close Out The Year

Seatrium's business activity did not flag in 4Q24 with a notable contract win for a floating production unit for the Gulf of Mexico as well as the delivery of a fifth jack-up rig to Borr Drilling. A tie-up with an Indian shipyard presents interesting growth opportunities for the company in the medium to longer term. Key near-term share price catalysts are the conclusion of the MAS/CAD investigation, and the completion of two low-margin contracts in the US. Maintain BUY. Target price: S\$2.80.

WHAT'S NEW

- **An offshore production platform win.** In late-Dec 24, Seatrium (STM) announced that it had successfully converted a Letter of Intent to a firm contract for the engineering, procurement, construction and commissioning (EPCC) for BP's Kaskida project in the Gulf of Mexico (GoM) which we estimate to be worth S\$500m-600m. As at end-3Q24, STM's net orderbook stood at S\$24.4b excluding this contract, with deliveries out to 2031.
- **Strong contender for two more follow-on projects.** While this project win was largely expected, we highlight that it is the first of BP's three large deepwater discoveries in the GoM, the others being Tiber and Gila. In its 3Q24 results presentation, BP stated that Tiber will progress to final investment decision in 2025 and thus we should expect a contract announcement for its production platform 6-9 months thereafter. In total, the three fields contain an estimated 9b bbls of recoverable reserves and are thus strategically and economically important to BP. In our view, the Kaskida EPCC contract puts STM in a very strong position to clinch the Tiber and Gila production units as both proceed towards final investment decision in the next few years. A single yard winning all the production assets is not unprecedented as we point to STM winning Shell's trio of deepwater production assets in the GoM, namely Whale, Vito and Sparta. Importantly, the building of a series of such assets will enable STM to capture higher profit margins given economies of scale.
- **Legacy contracts should be completed by end-24.** In our view, one of the key overhangs on STM's share price at the moment is its legacy contracts which have been a drag on its gross profit margins. We believe that these projects were completed by end-24 and in line with management's projections. Whether its US yards are closed down remains to be seen given that the new Trump administration may look favourably on companies with US assets.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	1,947	7,291	8,343	7,281	6,715
EBITDA	(7)	(1,116)	657	823	860
Operating profit	(206)	(1,573)	201	355	417
Net profit (rep./act.)	(261)	(1,940)	105	296	366
Net profit (adj.)	(261)	(1,940)	105	295	365
EPS (S\$ cent)	(0.8)	(2.8)	3.1	8.7	10.7
PE (x)	n.a.	n.a.	67.1	23.8	19.3
P/B (x)	17.2	19.9	1.1	1.0	1.0
EV/EBITDA (x)	n.a.	n.a.	12.2	9.7	9.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(13.4)	(26.6)	1.3	4.1	5.5
Net debt/(cash) to equity (%)	26.5	11.5	14.7	4.8	(8.0)
Interest cover (x)	(0.2)	(12.1)	5.9	99.5	n.a.
ROE (%)	(6.5)	(37.9)	1.6	4.4	5.2
Consensus net profit	-	-	127	394	541
UOBKH/Consensus (x)	-	-	0.83	0.75	0.68

Source: Seatrium, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.07
Target Price	S\$2.80
Upside	36.7%

COMPANY DESCRIPTION

Seatrium is an integrated shipyard offering one-stop engineering solutions for the offshore oil & gas and renewables industries. It merged with Keppel Offshore Marine in 1Q23.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	STM SP
Shares issued (m):	3,386.1
Market cap (S\$m):	7,009.1
Market cap (US\$m):	5,147.7
3-mth avg daily t'over (US\$m):	32.8

Price Performance (%)

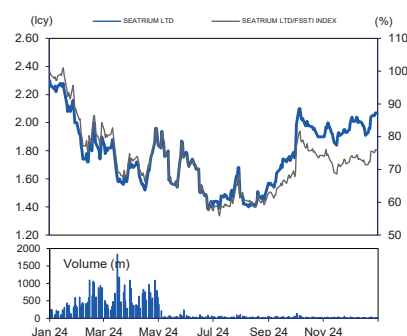
52-week high/low				S\$2.40/S\$1.36
1mth	3mth	6mth	1yr	YTD
6.2	18.3	47.9	(13.8)	0.0

Major Shareholders

	%
Temasek Hldgs	37.9
-	-

FY24 NAV/Share (S\$)	1.93
FY24 Net Debt/Share (S\$)	0.28

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- Successful delivery of fifth jack-up rig to Borr Drilling.** In mid-Nov 24, STM announced that it had delivered its fifth newbuild jack-up rig "Var" to Borr Drilling. Importantly, this was nearly one year ahead of schedule and was executed within budget and bodes well for the company's sequential EBITDA trend in 2H24 since completion of projects will see final payments paid to STM. "Var" is a KFELS Super B Class 400-foot jack-up rig and comes on the heels of the fourth jack-up "Vali" that was delivered in Aug 24. In total, we estimate that STM will receive at least S\$400m-420m in final payments for both jack-up rigs.
- A small step into the busy Indian market.** In late-Nov 24, STM announced that it had signed an MOU with Cochin Shipyard of Kerala, India, to jointly design and supply critical equipment for jack-up rigs for the Indian market with Mobile Offshore Drilling Units specifically mentioned. Cochin Shipyard is an Indian Government enterprise with a market capitalisation of INR345b (US\$4.1b).
- Oil & gas drilling offshore India has seen support from the government** via an increasing intent to push domestic oil manufacturers to increase the domestic production of oil and gas to reduce the country's import dependency. In 1H24, India's Petroleum & Natural Gas minister stated that upstream capex could total US\$100b by 2030. As seen in the chart on RHS, India's national oil company (NOC), ONGC, has drilled an average of 480 wells per year in the past five years and this number has been relatively stable with little correlation to the Brent oil price. With NOCs often prioritising national interests over profits or return on capital, India's pursuit of self-sufficiency in energy could be an interesting theme for STM to ride on via its MOU with Cochin Shipyard.
- Share buyback update.** In 2024, STM spent >S\$43m buying back around 25.2m shares at an aggregate share price of around S\$1.72. With less than 44% of its authorised amount spent on its buyback, we expect the company to further support its share price in the lead-up to its 2024 results (expected in late-Feb 25). Since its 3Q business update announced on 11 Nov 24, the company has bought back over 7m shares worth nearly S\$14m.

EARNINGS REVISION/RISK

- No changes to forecasts.** Key risks in the near term include weaker oil prices which could negatively impact sentiment on STM.

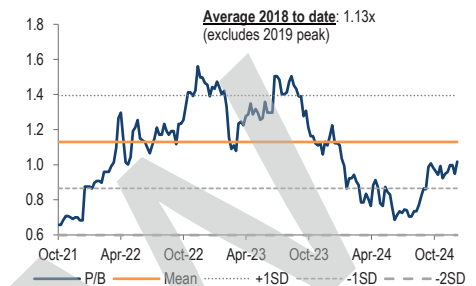
VALUATION/RECOMMENDATION

- We maintain our BUY recommendation with an unchanged P/B-based target price of S\$2.80.** Our target P/B multiple of 1.4x is 1SD above the company's five-year average and applied to its 2025 book value of S\$2.04. In our view, this P/B multiple appears reasonable considering the company's strong competitive position globally as many of its peers have shuttered over the past decade. In the near term, the key re-rating catalyst is the completion of the investigation by the MAS/CAD.
- Maintain sector view at OVERWEIGHT.** We continue to like STM as we believe that the company will benefit from stronger offshore marine dynamics in 2025 as well as demand for offshore vessels and structures related to the renewables industry.

SHARE PRICE CATALYST

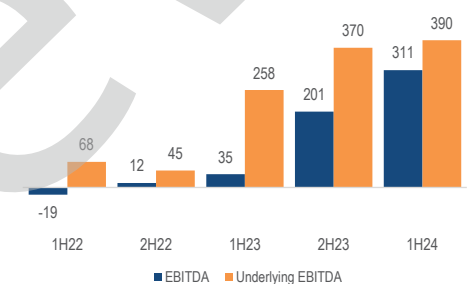
- Completion of the MAS/CAD investigations.
- New orders for rigs, offshore renewable installations or fabrication works.
- Repairs and upgrade works for cruise ships and other commercial vessels.
- Changes in US regulations and policies which may result in higher demand for offshore assets.

P/B CHART FROM 2018 TO PRESENT



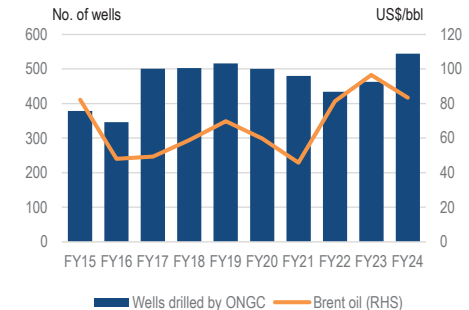
Source: STM, UOB Kay Hian estimates

SEQUENTIAL IMPROVEMENT IN EBITDA (\$M)



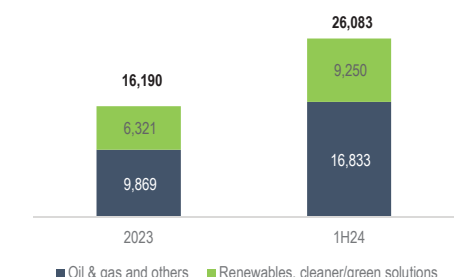
Source: STM

NO. OF WELLS DRILLED BY ONGC VS OIL PRICE



Note: 12 months ending 31 March
Source: ONGC, Bloomberg

NET ORDERBOOK (\$M)



Source: STM

PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Net turnover	7,291	8,343	7,281	6,715
EBITDA	(1,116)	657	823	860
Deprec. & amort.	456	456	468	443
EBIT	(1,573)	201	355	417
Total other non-operating income	(282)	0	1	1
Associate contributions	7	28	28	28
Net interest income/(expense)	(92)	(111)	(8)	24
Pre-tax profit	(1,939)	118	375	470
Tax	(14)	(30)	(94)	(117)
Minorities	13	17	15	13
Net profit	(1,940)	105	296	366
Net profit (adj.)	(1,940)	105	295	365

BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Fixed assets	4,081	3,855	3,618	3,405
Other LT assets	5,826	5,763	5,564	5,398
Cash/ST investment	2,270	2,574	2,811	3,620
Other current assets	4,050	4,423	3,842	3,540
Total assets	16,227	16,616	15,835	15,963
ST debt	743	743	743	743
Other current liabilities	5,445	5,219	4,558	4,434
LT debt	2,274	2,800	2,400	2,300
Other LT liabilities	1,272	1,272	1,272	1,272
Shareholders' equity	6,471	6,576	6,872	7,237
Minority interest	21	4	(10)	(24)
Total liabilities & equity	16,227	16,616	15,835	15,963

CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Operating	600.8	(311.1)	595.7	836.9
Pre-tax profit	(1,572.6)	200.6	354.6	417.2
Tax	(23.5)	19.0	(124.6)	85.8
Deprec. & amort.	456.3	456.3	468.1	442.7
Associates	0.0	0.0	0.0	0.0
Working capital changes	122.1	(715.5)	18.3	12.0
Non-cash items	25.6	0.0	0.0	0.0
Other operating cashflows	1,593.0	(271.5)	(120.7)	(120.7)
Investing	654.4	89.0	40.4	72.8
Capex (growth)	(115.9)	(100.0)	(100.0)	(100.0)
Investments	755.4	179.0	130.4	162.8
Proceeds from sale of assets	14.5	10.0	10.0	10.0
Others	0.3	0.0	0.0	0.0
Financing	(1,071.5)	526.2	(400.0)	(100.0)
Dividend payments	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	526.2	0.0	0.0
Loan repayment	(1,016.6)	0.0	(400.0)	(100.0)
Others/interest paid	(54.9)	0.0	0.0	0.0
Net cash inflow (outflow)	183.6	304.1	236.2	809.7
Beginning cash & cash equivalent	2,090.8	2,270.2	2,574.3	2,810.5
Changes due to forex impact	(4.3)	0.0	0.0	0.0
Ending cash & cash equivalent	2,270.2	2,574.3	2,810.5	3,620.2

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	(15.3)	7.9	11.3	12.8
Pre-tax margin	(26.6)	1.4	5.2	7.0
Net margin	(26.6)	1.3	4.1	5.5
ROA	(15.3)	0.6	1.8	2.3
ROE	(37.9)	1.6	4.4	5.2
Growth				
Turnover	274.5	14.4	(12.7)	(7.8)
EBITDA	n.a.	n.a.	25.2	4.5
Pre-tax profit	n.a.	n.a.	217.8	25.3
Net profit	n.a.	n.a.	181.5	23.7
Net profit (adj.)	n.a.	n.a.	180.6	23.8
EPS	n.a.	n.a.	181.5	23.7
Leverage				
Debt to total capital	31.7	35.0	31.4	29.7
Debt to equity	46.6	53.9	45.7	42.1
Net debt/(cash) to equity	11.5	14.7	4.8	(8.0)
Interest cover (x)	(12.1)	5.9	99.5	n.a.

STRATEGY – THAILAND

Alpha Picks: Focusing On 4Q24 Earnings

Our Alpha Picks aligned with the market in December (-1.9%). During the month, the market moved down broadly, pressured by a potential US policy rate cut in 2025 and CPAXT and TOP. We remain cautiously optimistic in Jan 25, while 4Q24 earnings reports should be the top focus. For Jan 25, our picks are BTG, CK, CPALL, CPN, ERW, KBANK, MAJOR, MTC, RATCH, TIDLOR and TFG.

WHAT'S NEW

- Portfolio aligned with the market in December (at -1.9%).** The strongest performers were CK (5.5%), KBANK (+3.3%) and MAJOR (+1.4%), while the worst performers were CPALL (-9.0%), CPN (-5.0%) and ERW (-4.5%)
- The SET Index moved down in December.** The SET Index declined by 1.91% mom in December. It fell after the US central bank indicated that it will cut the policy rate by only 50 bp in 2025, lower than market expectations of 75-100bp. However, during the last week of the month, the index recovered due to: a) the cabinet approving the Easy E-receipt measure, b) Bt10,000 cash handout for 3.2-4.0m elderly citizens, and c) minimum wage hike.
- Earnings will be key in January.** We maintain a cautiously optimistic outlook for Thai equities in Jan 25. The index should be supported by domestic factors such as: a) potentially impressive earnings of the retail and tourism sectors in 4Q24, which benefit from the accelerated number of foreign tourists in Dec 24, b) the potential recovery of the stocks prices in the oil & gas sector, due to slightly higher crude oil prices compared with 3Q24, and c) positive momentum from the implementation of the Easy E-Receipt measure and phase 2 of the digital wallet policy. However, the Thai equity market may be volatile due to external factors such as: a) The US debt ceiling issue, which is expected to reach its ceiling in 14-23 Jan 25, and b) changes in the US' economic and trade policies with Donald Trump sworn in as president 20 Jan 25.
- Focusing on laggard stocks with potential earnings upgrade.** As the index will be volatile in Jan 25, we suggest accumulating laggard stocks with a high probability of earnings upgrade, especially the livestock sector which has mostly priced in the negative factors.

ACTION

- Switch TRUE and WHA to BTG and TFG.** We recommend switching TRUE and WHA to BTG and TFG and we foresee BTG and TFG having a higher potential of an earnings upgrade in 2025 by market consensus due to higher livestock prices and lower raw material cost compared with market expectations.

Analyst	Company	Rec	Performance	Catalyst
Kasemsun Koonnara	CK	BUY	5.5	Strong backlog and tactical play from share repurchase
Kampon Akaravarinchai	CPALL	BUY	(9.0)	Strong gross margin improvement in 2024
Kasemsun Koonnara	CPN	BUY	(5.0)	Announcement of new projects
Benjaphol Suthwanich / Nonpawit Vathanadachakul	ERW	BUY	(4.5)	Strong stability in revenue stream during the low travel season
Thanawat Thangchadakorn	KBANK	BUY	3.3	Sooner-than-expected normalisation in credit costs
Kampon Akaravarinchai / Nichapa Ratchabandit	MAJOR	BUY	1.4	More blockbuster movies
Thanawat Thangchadakorn	MTC	BUY	(2.5)	Outstanding loan growth and expect to see reduction in provisioning to boost earnings in 4Q24
Arsit Pamaranon	RATCH	BUY	(2.4)	Expected announcement of new power development plan
Thanawat Thangchadakorn	TIDLOR	BUY	(4.5)	Reduction in provisioning to boost earnings in 4Q24
Kitpon Praipaisarnkit / Thachasorn Jutagonon	TRUE	BUY	-	Dropped
Tanaporn Visaruthaphong / Thachasorn Jutagonon	WHA	BUY	(3.5)	Dropped
Kampon Akaravarinchai	BTG	BUY		Increase in swine and poultry selling prices
Kampon Akaravarinchai	TFG	BUY		Recovery in domestic swine and broiler ASPs

* Denotes a timeframe of 1-3 months and not UOBKH's usual 12-month investment horizon for stock recommendation

Share price change since stock was selected as alpha pick

Source: UOB Kay Hian

KEY RECOMMENDATIONS

Company	Share Price 30 Dec 24 (Bt)	Target Price (Bt)	Upside/ (Downside) to TP (%)
BTG	18.80	24.20	28.72
CK	19.20	27.30	42.19
CPALL	55.75	85.00	52.47
CPN	57.00	84.00	47.37
ERW	3.82	4.60	20.42
KBANK	155.50	190.00	22.19
MAJOR	14.70	19.00	29.25
MTC	48.00	64.00	33.33
RATCH	30.00	40.00	33.33
TFG	3.38	6.00	77.51
TIDLOR	17.00	22.00	29.41

Source: UOB Kay Hian

CHANGE IN SHARE PRICE

Company	Dec 24 (%)	To-date* (%)
CK	5.5	5.5
CPALL	(9.0)	(10.1)
CPN	(5.0)	3.2
ERW	(4.5)	0.5
KBANK	3.3	18.3
MAJOR	1.4	(5.2)
MTC	(2.5)	(2.5)
RATCH	(2.4)	13.2
TIDLOR	(4.5)	(4.5)
TRUE	-	(9.8)
WHA	(3.5)	(6.0)
SET Index	(1.9)	

*Share price change since stock was selected as alpha pick

Source: UOB Kay Hian

PORTFOLIO RETURNS

(%)	1Q24	2Q24	3Q24	4Q24	2024
SET return	(2.7)	(5.6)	11.4	(3.4)	(1.1)
Alpha Picks Return					
- Price-weighted	(5.0)	0.5	14.6	(3.2)	7.0
- Market cap-weighted	(3.9)	2.0	14.0	(6.9)	5.4
- Equal-weighted	(2.8)	0.7	8.9	(3.4)	3.4

Assumptions for the three methodologies:

1. Price-weighted: Assuming the same number of shares for each stock, a higher share price will have a higher weighting.
2. Market cap-weighted: Weighting is based on the market cap at inception date, a higher market cap will have a higher weighting.
3. Equal-weighted: Assuming the same investment amount for each stock, every stock will have the same weighting.

Source: UOB Kay Hian

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BTG — BUY (Kampon Akaravarinchai)

- **Strong 3Q24 earnings.** Betagro (BTG) reported a net profit of Bt979m for 3Q24 from a net loss of Bt784m in 3Q23 and up 56% qoq from 2Q24. Excluding one-off items, 3Q24's core profit came in at Bt884m, improving from a core loss of Bt798m in 3Q23 and up 47% qoq from 2Q24. The results are in line with our and market estimates.
- **We saw some recovery in swine prices in early-Nov 24.** Although 4Q24 earnings are expected to soften qoq due to the lower ASPs of both chicken and swine, we saw a recovery in swine prices in Nov 24 on the back of government stimulus and the high season. Therefore, we expect only a slight decline qoq as BTG will also benefit from the lower raw material costs of both corn and soybean meal. We still maintain our 2024-25 earnings of Bt2.4b and Bt3.0b respectively.
- **Maintain BUY with a lower target price of Bt24.20.** We roll over our target price to 2025. Our target price is based on 2025 EPS. As BTG is a newly-listed company, we peg its PE target to CPF's five-year PE mean of 15x, excluding the abnormal period from 4Q22-1Q23.

SHARE PRICE CATALYST

- Increase in swine and poultry selling prices.
- Decreasing cost of animal feed production (eg corn and imported soybean).

CK — BUY (Kasemsun Koonnara)

- CK is a leading construction firm in Thailand, specialising in large-scale infrastructure projects. Investing in CK offers exposure to Thailand's infrastructure development and the company's strategic initiatives.
- **Solid backlogs.** As of 30 Sep 24, CK's backlog reached Bt200b. This substantial backlog provides revenue visibility and underscores the company's strong market position.
- **Strategic investments.** Share of profits from associates have a positive outlook. BEM's (Bangkok Expressway and Metro Public Company) performance is expected to continue improving with an increase in the number of passengers from MRT and expressways. CKP (CH. Karnchang Power) is expected to deliver a decent performance. These investments diversify CK's income streams and enhance its earnings outlook.
- **Maintain BUY with a new target price of Bt27.30,** based on 1.6x 2025F P/B. We roll over our target price to end-25. We still like CK as a key player in Thailand's construction services sector, supported by a solid backlog that underpins earnings growth. Additionally, CK stands to benefit from more project bidding opportunities in 2025, with potential for involvement in high-margin projects.

SHARE PRICE CATALYST

- Higher-than-expected gross margin due to an increasing proportion of high-margin works and effective management of construction materials.
- Additional backlog from winning new projects.

CPALL — BUY (Kampon Akaravarinchai)

- CP ALL (CPALL) is the operator of 7-Eleven stores in Thailand, controlling more than 50% of the convenience store market in the country.
- **Strongest earnings growth momentum in retail sector.** We expect CPALL to report robust earnings in 2024 following the solid SSS growth momentum ytd, coupled with a strong improvement in profitability. Also, CPALL will be a prime beneficiary of the digital wallet policy to be implemented in 4Q24 and 1Q25. We expect 2024-25 earnings to grow 29% and 11% yoy respectively.
- **Resilient long-term outlook among peers.** CPALL is one of the largest retail players in

ASEAN and the largest domestic operator of convenience stores, wholesalers and hypermarkets. CPALL is also expanding into ASEAN markets such as Cambodia, Laos and Myanmar. Although there is concern over the stiff competition in Thailand, we remain positive on CPALL, given its significant competitive advantages in size (one-third of Thailand's retail market), its ecosystem, and synergies with CP Group, such as Charoen Pokphand Food (CPF) in the food sector and True Corporation (TRUE) in digital innovation.

- **Maintain BUY with a target price of Bt84.00.** Our target price is pegged to 31.8x 2024F PE, which is equivalent to CPALL's five-year mean from 2017-19 and 2022-24 (we excluded 2020-21 due to the COVID-19 pandemic). We remain positive on CPALL's earnings outlook in 2024 as well as its long-term business outlook. Currently, CPALL is trading at 21.8x 2024F PE, equivalent to -1.5SD to its five-year mean.

SHARE PRICE CATALYST

- a) Strong gross margin improvement in 2024, b) lower SGA-to-sales following a drop in electricity costs, and c) the government's stimulus packages in 2024.

CPN — BUY (Kasemsun Koonnara)

- CPN is Thailand's largest retail property developer, specialising in retail-led mixed-use developments that integrate shopping centres, residential projects, office buildings and hotels. The company stands out as a key beneficiary of the ongoing tourism recovery.
- **Well-positioned to report a record-high net profit for 2024.** We expect 4Q24 earnings to improve yoy but remain flat qoq. We foresee 4Q24 earnings growing yoy, primarily driven by increased rentals and hotel revenues which were boosted by the high tourism season and contributions from new project launches. However, on a qoq basis, earnings are likely to remain flat as SG&A expenses are expected to weigh on profitability.
- **Maintain BUY with a target price of Bt84.00.** We like CPN for its fundamentals and undemanding valuation. We remain confident on the company's resilient financials, business strategy and expansion plans for Central Krabi and Central Park in 2025, as well as additional projects in the pipeline that have yet to be announced, which we believe will support CPN's continued earnings growth in 2025. In addition, the company is trading at an undemanding valuation of below -1SD forward PE.

SHARE PRICE CATALYST

- a) Better-than-expected performance, especially from the rental and service businesses, b) announcement of new projects, and c) better profitability.

ERW — BUY (Benjaphol Suthwanish/Nonpawit Vathanadachakul)

- The Erawan Group (ERW) is a leading hotel investment company in Thailand. Its hotel portfolio ranges from luxury to mid-scale and economy across Thailand's major tourist destinations.
- ERW's earnings in 3Q24 were weak as a result of several pressuring factors such as: a) the Grand Hyatt incident which affected occupancy rate until end-Oct 24, b) the renovation of Holiday Inn Pattaya which lasted the whole quarter, c) the slow ramp-up of the new hotel in the Philippines and the impact of the gambling ban, d) the flood in the northern provinces of Thailand, and e) the strengthening of the Thai baht in Sep 24. The most notable was the casino ban in the Philippines which could be a prolonged issue, but ERW is actively trying to compensate the Chinese market.
- The Golden Week period in Oct 24 ended up as a disappointment and Oct 24 ended quite softly. However, we saw a pickup in occupancy rate in Nov 24 especially at the Grand Hyatt which returned to a normal strong occupancy rate of >80%. The Holiday Inn is back operating with its full inventory at a higher ADR of >10% after the renovation. ERW's cost of debt will also substantially decrease in 4Q24 as its debt is all in floating rates.

- **Maintain BUY with a target price of Bt6.60.** Our target price is based on 17x 2025F EV/EBITDA, 1SD above its historical trading levels. We see solid fundamentals in ERW and see the current price level as an opportunity to buy.

KBANK — BUY (Thanawat Thangchadakorn)

- Kasikorn Bank (KBANK) is the fourth largest commercial bank in Thailand with a 14% share of the credit market. The bank focuses on SME lending which accounts for 34% of its loan book.
- Kasikorn Research maintains its 2024 GDP forecast at 2.6%, factoring in both the impact of government stimulus packages and the pressure from an uneven economic recovery. It also expects the policy rate to be maintained at 2.25% throughout 2024, with the possibility of another rate cut in 2025. We estimate that a 25bp rate cut will pressure net profit by 5.7% and cause NIM to decline 6bp.
- KBANK set aside provisions of Bt11.7b which were stable qoq. As a result, credit cost was reported at 188bp, similar to that of the previous quarter. NPL ratio increased slightly from 3.18% in 2Q24 to 3.20% in 3Q24. Loan-loss coverage ratio edged down from 152% in 2Q24 to 151% in 3Q24. KBANK reiterated that the cleaning process will be finished by end-24. Additionally, it expects credit costs to normalise to 140-160bp in 2025.
- **Maintain BUY with an unchanged target price of Bt190.00,** based on the Gordon Growth Model (cost of equity: 11%, long-term growth: 2%). This implies 0.75x 2025F P/B, which is +1.5SD to its five-year mean.

SHARE PRICE CATALYST

- Sooner-than-expected normalisation in credit costs.

MAJOR — BUY (Kampon Akaravarinchai/Nichapa Ratchabandit)

- Major Cineplex (MAJOR) is a cinema operator with related businesses like bowling, karaoke, rentals, cinema media and film distribution.
- We expect MAJOR to report earnings of Bt42m (-60% yoy, -82% qoq) for 3Q24. Earnings should decrease qoq due to lower admission revenue caused by the low season in 3Q24. Meanwhile, the yoy decrease in earnings is mainly due to the recognition of deferred tax gain from the divestment of M Pictures Entertainment Public Company in 3Q23. However, EBT is expected to come in at Bt47m (+46% yoy).
- We anticipate significant earnings growth in 2025 following the 2023 TV and film industry strikes, which resulted in fewer blockbusters released in 2024. Note that several blockbusters will be released in 2025 (ie Captain America: Brave New World, Avatar 3, Thunderbolts, and Jurassic World). Additionally, the positive momentum of Thai movies is expected to contribute to MAJOR's earnings.
- **Maintain BUY with a target price of Bt19.00.** Our target price is based on 2025F EPS and pegged at 16x PE, equivalent to its three-year mean. We still like MAJOR as we expect it to report strong 2025 earnings as a higher number of blockbusters and the positive sentiment of Thai movies will underpin revenue in 2025.

SHARE PRICE CATALYST

- a) More blockbuster movies, b) growth in cinema advertising income, and c) economic recovery that could accelerate consumer spending and improve the country's GDP.

MTC — BUY (Thanawat Thangchadakorn)

- **Outstanding loans continued to expand yoy and qoq.** MTC posted a loan growth of 15% yoy and 3% qoq in 3Q24. Although the economy remains weak, MTC reported strong loan

growth in 3Q24. We expect MTC to continue opening new network stores for the rest of 2024 but at a slower pace. The loan portfolio grew 11.2% ytd. Although the loan growth target of 15-20% in 2024 is quite challenging, management guided that MTC will strive to achieve its 2024 loan growth target of 15-20%.

- **Asset quality under control.** MTC made an effort to clean up its portfolio, which resulted in NPL ratio decreasing from 2.9% in 2Q24 to 2.8% in 3Q24. The LLC ratio rose 5ppt qoq to 130% in 3Q24. Credit cost decreased 71bp yoy but edged up 7bp qoq in 3Q24 to 311bp. Management previously guided that credit cost and NPL ratio had peaked in 3Q23. The slight qoq increase in credit cost in 3Q24 is not a big concern. MTC intends to raise the coverage ratio to cushion the potential impact of an uneven economic recovery and future uncertainties. We reckon that MTC's asset quality will continue improving and we are optimistic about its asset quality outlook.
- **Maintain BUY with an unchanged target price of Bt64.00**, based on the Gordon Growth Model (cost of equity: 13%, long-term growth: 4%). Our target price implies 3.1x 2025F P/B, which is slightly above -0.5SD to its five-year average.

SHARE PRICE CATALYST

- A qoq reduction in credit cost will reaffirm an improvement in its asset quality outlook.

RATCH — BUY (Arsit Pamarant)

- **Healthy 4Q24 earnings outlook with good long-term outlook.** We are still confident about RATCH's 4Q24 earnings outlook despite the weak seasonal demand in Thailand (winter season), backed by healthy contributions from the Paiton project and HKP (Hin Kong Power Company). We expect RATCH to keep its core profit at around Bt1.7b in 4Q24. For 2025, we still believe RATCH can deliver a 14% earnings growth on full-year contributions from HKP unit-I, the Paiton project and commencement of HKP unit-II's commercial operations in Mar 25.
- **Lower interest rate trend should support performance through 2025.** Interest rates are expected to trend downwards, with the Fed potentially lowering rates by 100bp in 2025. We expect RATCH's earnings to benefit from this trend through 2025 and the company to still benefit from lower funding costs when refinancing in 2025.
- **Maintain BUY with a target price of Bt40.00**, based on the DCF valuation of all projects (WACC of 6.0% to reflect the higher market risk in 2024). We still like RATCH for its impressive growth outlook in 2024-25 and we continue to see upside for its share price from here on.

TIDLOR — BUY (Thanawat Thangchadakorn)

- Credit cost spiked in 3Q24 due to more active management and write-offs. However, TIDLOR reaffirms that it should see a significantly lower credit cost qoq in 4Q24. Additionally, credit cost should continue to improve in 1Q25. TIDLOR saw good quality loans coming in. Meanwhile, vintage loans were under control.
- The NPL ratio in 3Q24 ticked up a little due to a loan contraction. TIDLOR expects to see healthy asset quality going forward due to its clean portfolio and prudent credit policy. Therefore, TIDLOR has started easing its lending policy since Oct 24. The company continues to prioritise selective quality while growing.
- For the truck portfolio, management has guided for the company to be cautious since late-22. TIDLOR saw an increase in the credit cost of the truck portfolio. However, it reaffirms its good control on quality, differentiating from peers. Its lending yield is quite high, in the high teens. As a result, the net return on credit cost remains profitable. It will wait and see on this category.
- Based on management's guidance, we should see easing lending resulting in a resumption of loan growth going forward. Meanwhile, we expect to see a continuous improvement in

asset quality in the future.

- **Maintain BUY on TIDLOR with a target price of Bt22.00**, based on the Gordon Growth Model (cost of equity: 13%, long-term growth: 4%). Our target price implies 1.7x 2025F P/B, which is slightly above -0.5SD to its five-year average.

SHARE PRICE CATALYST

- NPL ratio peaking.

TFG — BUY (Kampon Akaravarinchai)

- **Suitable format for both market penetration and internal improvement.** We are positive on Thai Foods Group's (TFG) business expansion through the retail business Thai Foods Fresh Market. The company achieved a store count of 420 in end-24 and expects it to reach 650 by end-25. Retail sales accounted for 36% of TFG's 9M24 total sales. The intercompany sales from the swine and chicken businesses (to the retail business) in 9M24 accounted for 63% and 35% of the total swine and chicken business sales. This implies more business to consumer sales which will help the company achieve more stable sales and profitability.
- **4Q24 earnings to improve qoq.** We expect 4Q24 earnings to improve qoq, driven by lower raw material costs and a continuous increase in Vietnam swine sales volume. In addition, we expect positive contribution from the retail business as 4Q is a high season
- **Expect earnings to remain high in 2025.** Given the strong turnaround of the commodities business, we expect TFG's earnings for 2025 to grow 5.3% yoy. The key drivers will be the strong Vietnam swine business, lower raw material costs and its retail business expansion
- **Maintain BUY with a target price of Bt6.00.** We adopt the PE valuation method and peg the stock to 10x 2025F PE, the forward PE of TFG's five-year mean where we exclude the periods of 4Q20-1Q21 and 4Q22-1Q23 which were characterised by unusual fluctuations in livestock price trends. We still like TFG as our top pick as it is one of the beneficiaries of ASF in Vietnam, has lower raw material costs, and will see earnings growth from its retail business.

SHARE PRICE CATALYST

- Recovery in domestic swine and broiler ASPs.
- Lower raw material costs of corn and soybean meal.
- Resumption of retail expansion plan and a continuous improvement in the retail business' same-store sales growth.

VALUATION

Company	Ticker	Rec.	Last Price	Target	Upside	Market	PE			EPS	PEG	P/B	Yield	ROE
			30 Dec 24 (Bt)	Price (Bt)	Downside (%)	Cap (US\$m)	2023 (x)	2024F (x)	2025F (x)	Growth 2024F (%)	2024F (x)	2024F (x)	2024F (%)	2024F (%)
Betagro	BTG TB	BUY	18.80	24.20	28.72	1,100	n.a.	15.0	11.7	273.2	0.1	1.3	2.0	9.1
Ch. Karnchang	CK TB	BUY	19.20	27.30	42.19	983	21.7	18.0	14.9	20.1	0.9	1.2	2.1	6.6
CP All	CPALL TB	BUY	55.75	85.00	52.47	15,139	27.1	20.3	18.3	33.4	0.6	4.0	2.5	7.9
Central Pattana	CPN TB	BUY	57.00	84.00	47.37	7,733	17.0	15.0	14.1	12.9	1.2	2.5	3.3	16.2
The Erawan Group	ERW TB	BUY	3.82	4.60	20.42	564	23.7	15.5	20.2	52.8	0.3	2.4	2.0	17.1
Kasikornbank	KBANK TB	BUY	155.50	190.00	22.19	11,138	8.7	7.5	7.1	15.7	0.5	0.7	5.2	9.0
Major Cineplex Group	MAJOR TB	BUY	14.70	19.00	29.25	368	13.0	16.7	12.4	(22.2)	(0.8)	2.3	3.8	12.0
Muangthai Capital	MTC TB	BUY	48.00	64.00	33.33	3,076	20.7	16.9	13.1	22.6	0.7	2.7	1.1	17.4
Ratch Group	RATCH TB	BUY	30.00	40.00	33.33	1,972	12.6	9.0	7.9	40.7	0.2	0.6	5.7	6.8
Thaifoods Group	TFG TB	BUY	3.38	6.00	77.51	594	n.a.	6.3	6.1	419.9	0.0	1.3	5.3	23.4
Ngern Tid Lor	TIDLOR TB	BUY	17.00	22.00	29.41	1,497	12.8	11.7	9.4	10.2	1.1	1.5	1.6	13.9

Source: UOB Kay Hian

SECTOR UPDATE

Hotel – Thailand

Despite More Long-haul Travels, European Tourism Outlook Remains Strong

The outlook for Europe's tourism sector remains strong. Tourism spending and demand remain robust as most travellers are confident they will have more budget for travelling in 2025. European tourists tend to take more long-haul trips, especially to Asia, but Europe will remain as the top destination. We believe MINT is poised to benefit from this as Thailand's European arrival growth has been compelling. Maintain MARKET WEIGHT. Our top pick is MINT.

WHAT'S NEW

- **Arrivals in 2024 concluded at 35m.** The latest (29 Dec 24) number of international arrivals to Thailand was 35.3m (+26% yoy) and Chinese tourists remain as the top contributor. The recovery of Chinese tourist arrivals in Oct and Nov 24 was notably sluggish, reaching only 60% of the figures from 2019. We expect this stagnant trend from Chinese tourists to continue as many Chinese travellers are favouring domestic trips or exploring new international destinations such as Japan. On the other hand, the overall recovery of foreign tourist arrivals has been more promising, with Nov 24 figures reaching 94% of the levels seen in Nov 19. The number of arrivals in 2024 concluded at around 35m and our arrival estimates for 2025 is at 40m.
- **European tourists' strong confidence going into 2025.** Despite Europe facing headwinds from economic pressure and geopolitical issues, the tourism sentiment remains strong. Foreign tourist arrivals to Europe have risen 6% compared with 2019, with a yoy growth of 7%. This upward trajectory is fuelled by key events, improved air connectivity, particularly from China, and sustained pent-up demand. However, recovery to pre-pandemic levels remains gradual in Central and Eastern Europe, largely due to the ongoing effects of the war in Ukraine. From the travel budget survey of Europeans in 2025 compared with 2024, 53% expect their travel budget in 2025 will increase from 2024 and only 10% expect their budget to decrease. Travellers are also expected to take an average of 2.15 international leisure trips in 2025 – up from 1.8 in last year's survey
- **Speculation on entertainment complex investment.** When asked about potential involvement in the entertainment complex business in the latest analyst meeting, MINT did not rule out the possibility, stating it is open to exploring all opportunities while prioritising profitability. Similarly, AOT was questioned about its potential investment in the Airport City project at Suvarnabhumi Airport (BKK). The company responded that further studies would be necessary before making any decisions.

ACTION

- **Maintain MARKET WEIGHT; our top pick is MINT.** Even without stimulus policies from the government, Thailand's hotel statistics remain strong. Hotel performance in Europe is also robust and travel demand is strong. European travellers' confidence is high as most believe that they will have more travelling expense in 2025 and will take more trips than in 2024. With European travellers leaning more towards long-haul travels to Asia but still having Europe as their top destination, MINT is poised to benefit from this trend. The prospect of an entertainment complex also remains an exciting possibility and hence we remain firm on MINT as our top pick.

PEER COMPARISON

Company	Rec.	Last Price (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	Net Profit		PE		Net EPS Growth 2024F(%)	P/B 2024F (x)	Yield 2024F (%)	ROE 2024F (%)
						2024F (Btm)	2025F (Bt m)	2024F (x)	2025F (x)				
CENTEL TB	SELL	34.50	47.00	36.2	1,530	1,443	1,670	35.1	30.3	15.6	2.4	1.1	7.0
ERW TB	BUY	3.82	4.60	20.4	606	1,205	923	16.6	21.7	52.8	2.6	1.9	17.1
MINT TB	BUY	26.00	38.00	46.2	4,756	8,007	9,202	19.9	16.9	41.0	1.9	1.7	8.8
Sector					6,892	10,656	11,795	23.0	20.3	36.4	2.1	1.6	9.1

Source: UOB Kay Hian, Bloomberg

MARKET WEIGHT

(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Current Price (Bt)	Target Price (Bt)
Minor International	MINT TB	BUY	26.00	38.00

Source: Respective companies, UOB Kay Hian

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3Q24 RESULTS WRAP-UP

Core profit	3Q23	2Q24	3Q24	yoy chg	qoq chg	UOBKH	Street
CENTEL	71	168	163	128.5%	-2.6%	Above	In-line
ERW	153	151	124	-18.6%	-17.8%	In-line	In-line
MINT	2,273	3,230	2,636	16.0%	-18.4%	In-line	Above
Total	2,497	3,549	2,924	17.1%	-17.6%	In-line	In-line

Source: Respective companies, UOB Kay Hian

3Q24 RESULTS WRAP-UP

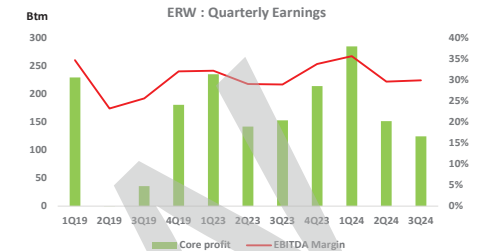
- ERW: Weak 3Q24 performance attributed to multiple factors.** ERW reported a net profit of Bt124m in 3Q24 (-18.6% yoy, -17.8% qoq). The results aligned with our and market expectations. The subdued earnings are attributed to several key challenges: a) occupancy rates being adversely affected by the Grand Hyatt incident, lasting until late-Oct 24; b) the ongoing renovation of the Holiday Inn Pattaya throughout the quarter which hindered revenue generation; c) a slow ramp-up in performance from a newly-launched hotel in the Philippines, exacerbated by a gambling ban; d) flooding in northern Thailand, which impacted tourist activities; and e) Thai baht appreciation in Sep 24. Given these factors, the weaker earnings are well within expectations.
- MINT: Strong core earnings in 3Q24.** MINT achieved a core profit of Bt2.6b in 3Q24 (+16% yoy, +18.4% qoq). This performance matched our projection but exceeded market expectation. Total revenue reached Bt41.3b (+3.9% yoy, -5.6% qoq). The positive results were primarily driven by robust hotel performance in Europe and Thailand. RevPAR showed a yoy increase of 9% in Europe and 12% in Thailand, underpinned by sustained growth in average daily rate (ADR). Despite a notable non-core foreign exchange loss from derivative revaluations, the company's core earnings remained unaffected. Furthermore, movements in the Thai baht during 4Q24 are expected to yield gains, partially offsetting the forex losses recorded in 9M24.
- CENTEL: Better-than-expected earnings in 3Q24.** CENTEL reported a net profit of Bt163m for 3Q24 (+128.5% yoy, +121.1% qoq). This performance exceeded our expectation but aligned with market consensus. The deviation from our forecast was primarily due to uncertainties in recognising the closing expenses of Brown Café during the quarter and fluctuations in the effective tax rate. Total revenue came in at Bt5.4b (+3.7% yoy, -2.4% qoq). Strong RevPAR growth drove these results, with Bangkok showing a 15% yoy increase and Japan achieving a 34% yoy growth from a low base. However, RevPAR in the Maldives declined by 4% yoy due to a weaker outlook, while the Central Grand Mirage renovation contributed to a 3% yoy drop in RevPAR for upcountry locations. Food revenue reached Bt3.2b (+3.8% yoy, -5.4% qoq). The top-performing brands, particularly Mister Donut, were the main drivers of this segment.

KEY PERFORMANCE IN 3Q24

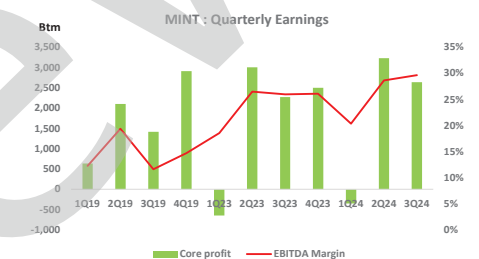
Hotel Business	3Q19	3Q23	2Q24	3Q24	yoy chg	qoq chg	vs pre-COVID-19
Occupancy rate							
CENTEL	75%	68%	69%	67%	-1.3 ppt	-2.5 ppt	89.6%
ERW	74%	81%	79%	77%	-4.3 ppt	-2.4 ppt	104.6%
MINT	74%	70%	71%	71%	1.0 ppt	0.0 ppt	95.9%
Avg	74%	72%	72%	72%	0.2 ppt	-0.5 ppt	96.9%
ADR (Bt/night)							
CENTEL	3,825	4,534	4,875	4,944	9.0%	1.4%	129.3%
ERW	1,661	1,763	1,834	1,823	3.4%	-0.6%	109.7%
MINT	3,763	5,610	6,570	6,007	7.1%	-8.6%	159.6%
Avg	3,489	4,899	5,634	5,214	6.4%	-7.5%	149.4%
RevPar (Bt/night)							
CENTEL	2,858	3,096	3,378	3,319	7.2%	-1.7%	116.1%
ERW	1,223	1,430	1,454	1,405	-1.7%	-3.4%	114.9%
MINT	2,773	3,927	4,692	4,272	8.8%	-9.0%	154.1%
Avg	2,582	3,505	4,070	3,739	6.7%	-8.1%	144.8%
Food Business - SSSG (%)							
CENTEL	-8.4%	0.0%	2.0%	2.0%	2.0 ppt	0.0 ppt	
MINT	-3.7%	-2.0%	-2.8%	-2.7%	-0.7 ppt	0.1 ppt	
Avg	-6.1%	-1.0%	-0.4%	-0.4%	0.7 ppt	0.1 ppt	

Source: Respective companies, UOB Kay Hian

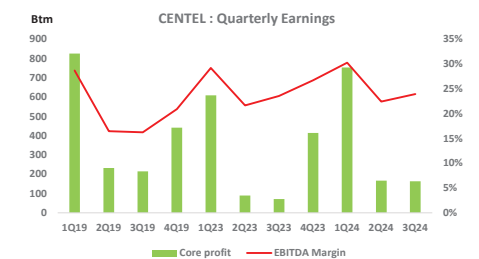
ERW QUARTERLY EARNINGS PERFORMANCE



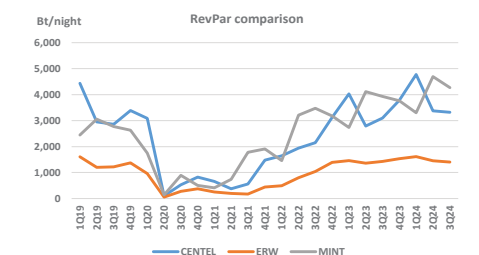
MINT QUARTERLY EARNINGS PERFORMANCE



CENTEL QUARTERLY EARNINGS PERFORMANCE



RevPAR COMPARISON BY QUARTER



SECTOR CATALYSTS

- Stimulus measures are much needed.** The lack of government stimulus measures for the high travel season in 4Q24 remains a concern. No new policies have been introduced to attract foreign tourists, with the earliest initiatives expected to roll out Jan or Feb 25 as part of the “Amazing Thailand Grand Tourism and Sports Year 2025” campaign. This delay risks ending the festive season without leveraging opportunities to boost tourism. Current policies primarily focus on reviving domestic tourism in northern provinces by offering subsidies, but these have seen limited success due to high airfare costs. Domestic tourist spending remains significantly lower than inbound spending, which is a critical driver for the hotel and aviation businesses (Bt4,743/head domestically vs. Bt46,580/head for inbound tourists). The industry anticipates more impactful measures from the government, such as tax refund schemes for foreign tourists, similar to those implemented in countries like Japan, to enhance Thailand's competitiveness in the global tourism market.
- Europeans are leaning more towards long-haul travels.** According to the European travel 2025 survey, Europe still remains as the most popular destination for European travellers despite the decrease in popularity from last year's survey. Meanwhile, other continents, especially Asia, are all gaining more popularity compared with last year as European tourists are keen to make more long-haul trips in 2025. Thailand tourist arrivals from several countries in Europe especially Russia have been robust and already exceeded pre-pandemic figures. Therefore, the tourism sector in Thailand is poised to continue its momentum and welcome more European tourists in 2025.

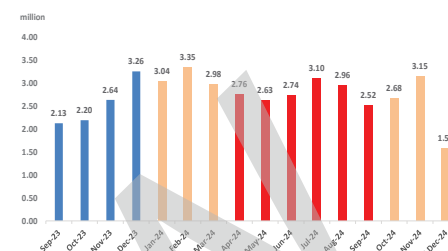
OUTLOOK IN 4Q24

- Positive hotel statistics heading into high season.** Hotel operators faced challenges in 3Q24, reporting underwhelming operational results due to several factors: a) renovations at some high-margin properties; b) flooding in Thailand's northern provinces; and c) a stronger Thai baht, which reduced demand for hotel stays. The sector showed robust yoy growth in both room rates and occupancy in 4Q24. Notably, MINT's hotel bookings in Europe for Nov and Dec 24 exhibited high single-digit yoy revenue growth, exceeding expectations. Concerns remain for ERW, as its statistics (up to 27 Nov 24) revealed weaker performance in the luxury segment. RevPAR in this category has yet to recover yoy, primarily due to low occupancy at the Grand Hyatt in Oct 24 following an incident. Optimism persisted in Dec 24, with expectations of a rebound in Grand Hyatt occupancy during the festive season.
- Encouraging winter flight schedule.** The winter flight schedule for AOT reflects strong growth, with yoy passenger traffic rising by 23.3%. This is supported by a substantial increase in international passenger numbers (+30.6% yoy) and consistent growth in domestic passengers (+11.6% yoy). AOT will also be a main beneficiary as there are more European tourists travel to Asia. To enhance efficiency at BKK, AOT has implemented automated immigration gates, and an automated baggage drop system. These innovations are expected to increase the airport's capacity to accommodate up to 80m passengers annually following the completion of the East Expansion project.

RISKS

- CENTEL: Pre-opening expenses to significantly impact 4Q24 earnings.** CENTEL's 3Q24 performance exceeded expectations, primarily due to only Bt10m of pre-opening expenses for its new Maldives hotels being accounted for during the quarter. However, the remaining Bt140m-190m of pre-opening expenses should be recorded in 4Q24, which will weigh heavily on the company's earnings. We maintain a SELL recommendation and suggest revisiting CENTEL as an investment opportunity only after all the pre-opening expenses for its new hotels have been fully realised.

INTERNATIONAL TOURIST ARRIVALS



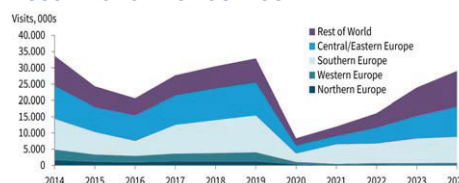
Source: Ministry of Tourism and Sports, UOB Kay Hian

TRAVEL BUDGET EXPECTATION 2025 VS 2024

	Increased budget	Decreased budget
Poland	65%	8%
Germany	62%	8%
Spain	55%	12%
Netherlands	52%	12%
GB	52%	10%
Italy	45%	9%
France	44%	12%

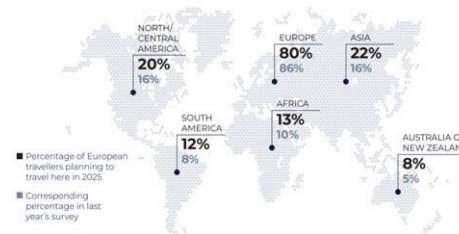
Source: Accor, UOB Kay Hian

RUSSIA LONG-HAUL OUTBOUND TRAVEL



Source: Tourism Economics, ETC, UOB Kay Hian

EUROPEAN TRAVEL DESTINATION (2025)



Which parts of the world do you plan to travel to in 2025? N=6,737

Source: Accor, UOB Kay Hian

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