MYR Bond

- **MYR Bond: (30/7/25) We are Market Perform on Petroleum Sarawak & Exploration Production Sdn Bhd (PSEP) (AAA).** We think that its MYR15bn Islamic Medium-Term Notes (IMTN) paper's yields are attractive and in-line with the indicative AAA-rating benchmark in addition to decent liquidity. The instrument is guaranteed by PSEP's parent, Petroleum Sarawak Berhad (PETROS) (AAA/P1, RAM Ratings). PSEP is mandated to undertake and house upstream O&G business and investments for PETROS Group. PSEP's upstream business has remained sound while the overall group's financial position has remained healthy. PETROS Group is considered as key player in Sarawak' economic development (Read here).

- **MYR Bond: (24/6/25) We are Market Perform on Farm Fresh Berhad (AA-IS).** We think that its Islamic Medium-term Notes (IMTN) paper is fairly priced and offer attractive relative value as well as decent liquidity. Farm Fresh has a solid metrics and commendable earnings performance which we view as positive for the company. Hence, we think that it warrants the paper yields to stand one-notch above its AA3-bond benchmark. The company has a decent revenue of around MYR981mn while D/E ratio remains healthy at 0.59x in FY25 (Read here).

- **MYR Bond: (7/5/25) We are Underperform on all tranches of UMW Holdings Bhd's (UMW) Islamic Medium-Term Notes (AA+) and Outperform its Perpetual Sukuk Musharakah 6.35% - Tranche 1 (AA-).** We think its AA+ paper is pricier and gives lower value across its tranches with the yields stood lower than benchmark and almost at parity to the level of AAA bond curve. Separately, we view the perpetual instrument offers attractive value as well as decent liquidity. The company holds a lion share in terms of total industrial volume sales via Perodua (43.8%) and UMW Toyota Motors (12.5%). Based on adjusted financials, UMW's segmental revenue stood at MYR17.1bn while its pre-tax and interest profit was around MYR920mn for 2024 (Read here).

- **MYR Bond: (11/4/25) We keep Outperform on Tropicana Corporation Bhd (Tropicana, A) given the attractive yields, improved gearing levels and strong product pipeline.** Tropicana's strategic focus on divesting non-core assets and reducing its debt burden has yielded positive results. Gearing and net gearing improved to 0.43 and 0.27 respectively versus 0.55 and 0.43 a year ago.

  In FY24, the Group completed and handed over five development projects in the Klang Valley and Southern Regions, supporting its overall financial performance. In 4Q24, the company reported strong improvements in revenue (MYR520.9mn, +41.1%) and profit (MYR344.1mn vs –MYR126.6mn). The growth was largely driven by higher progress billings from major developments in the Klang Valley, Southern, and Northern Regions, as well as proceeds from land disposals in Gelang Patah, which brought in MYR185.3mn. For the full year, the Group reported revenue of MYR1.4bn, a 6.3% YoY decline and posted a profit before tax of MYR172.7mn, excluding one-off losses (Read here).

- **MYR Bond: (19/3/25) We are Outperform on the subordinated and perpetual securities of CIMB Group, CIMB bank and CIMB Islamic, given its attractive YTM relative to its AAA rated banking peers.** CIMB Group's FY24 results were in line. Loan book stood at MYR452.2bn with the NPL ratio on a downward trend. Domestic portfolio is expected to support the group's target loan expansion of 5-7% in 2025, given the group's concern towards geopolitical uncertainties and tough operating conditions in Indonesia. CIMB Group's pre-tax profit rose 9.0% YoY to MYR10.4bn while NIM was largely stable at 2.21%. Its capitalisation levels remained relatively high and above regulatory requirements.

  The group's most recent strategic plan which includes, reshaping domestic and overseas portfolio, cost optimisation as well as digitalisation and automation to enhance productivity. CIMB Group has set out key target indicators under the plan, namely, revised ROE of 11.0%-11.5%, CIR of around 45%, dividend payout ratio of 40%-60%, CET1 ratio around 13.5% and lowering of its cost of funds by 10 to 20 bps by 2030. Based on FY24 financial report, the group was able to achieve its targets except for CIR. The group underwent notable changes in its top management in 2024 which include the appointment of a new Group CEO in July 2024. CIMB group will head towards its next strategic plan on much stronger footing, supported by improved asset quality and high capitalization (Read here).

- **MYR Bond: (12/3/25) We are Outperform all tranches in Affin Bank Bhd (AA3) within the double-A banking space.** We think its papers offer attractive relative value as well as decent liquidity across its tranches. The bank grew its loan book at 8% in 2024, above the industry's rate of 5.6%. Given the decent asset quality, high liquidity (LCR of 165%) and stable capital ratio, we perceive non-call risks for its subordinated and perpetual tranches to remain low.

The bank is guided by its new four-year strategy to focus on expanding its private banking services by targeting high-net-worth clients to boost fee income. The bank is also prioritizing growth in Sarawak, following the state government's increased stake to 31% through SG Assetfin Holdings Berhad's purchase of shares from LTAT and Boustead Holdings in September 2024. This development opens up opportunities for growth in direct lending, advisory services, and capital market fundraising (Read here).

- **MYR Bond: (10/3/25) We have a Stable credit outlook on the banking sector.** The banking system's liquidity and capitalization remains robust and well above regulatory minimum levels. As of Jan-25, the aggregate Liquidity Coverage Ratio (LCR) stood at 157% while the Common Equity Tier-1 (CET1) ratio stood at 14.3%. Asset quality wise, Gross Impaired Loan (GIL) ratio improved to 1.46% at Jan-25 from 1.60% a year ago, driven by both higher loans and decline in GILs. We think there are value in **Affin Bank** (All tranches), **Alliance Bank** (All tranches), **CIMB Group** (subordinated), and **UOB Malaysia** (Senior), offering attractive relative value as well as decent liquidity (Read here).

- **MYR Bond: (28/2/25) We keep Market Perform on Aeon Co. (M) Bhd given its fairly priced bonds, well established operations and robust consumer spending.** The retailer posted record FY24 net income of MYR128mn on the back of MYR4.26bn revenue. The property management segment saw strong improvement (+9.2%) thanks to higher occupancy and rental revisions while its retail segment grew 2%. Debt-to-equity rose moderately to 1.19x while CFO/interest expense and EBITDA/interest expense improved to 5.8x and 3.0x respectively. The higher minimum wage, hike in government worker wages and resilient consumer spending should be supportive of retail spending (Read here).

- **MYR Bond: (19/2/25) We are Outperform on UDA Holdings Bhd (AA-) given its attractive value, moderate gearing levels and implicit government support.** The company's full ownership by the Minister of Finance and the alignment of socioeconomic objectives with the government forms the basis for its two-notch rating uplift by the rating agency. UDA has in the past received equity and grants from the federal and state governments to facilitate real estate developments. Although historical earnings and cash flow generation has been volatile, gearing levels remains modest for now. Valuation wise, we believe the MTM value looks attractive with the 3YR offering YTM of close to 4.50% (Read here).

- **MYR Bond: (22/1/25) We think Alliance Bank's (ABMB, A1, positive) subordinated (A2) medium term notes (MTN) offer attractive relative value.** Within the sub MYR100bn total asset banking space, we think AMBM's subordinated A2 MTNs offer attractive relative value to peers. The bank also saw improving asset quality, with robust NIMs and growth outpacing industry peers. Its latest Sep-2024 results show the group is on track for an 8% to 10% loan growth for this financial year. RAM upgraded the bank's outlook to positive recently on its improving asset quality, established SME segment, favourable funding profile and excellent NIMs. Demand for its senior papers should rise once it gets into the double A rating territory (Read here).

- **MYR Bond: (15/1/25) In the automotive sector, we recommend switching from PONSB Capital (Market Perform) to APM Automotive Holdings (Outperform) for 40bps to 50bps pickup.** We think APM's (AA2) notable spread over PONSB (AA2) should compensate for the former's lower trading liquidity and the smaller business footprint. We like APM for conservative financial profile and attractive relative yields. Rated at AA2, the vehicle parts manufacturer indicative MTM values are priced closer to A1 levels which we think are not justified, given the conservative balance sheet, long operating track record and stable near-term prospects. In contrast, the valuation of PONSB, albeit the second largest automotive brand in Malaysia (i.e. Proton), are relatively rich, trading below the corporate AA2 curve (Read here).

- **MYR Bond: (3/10/24) We are Outperform on MEX I Capital Bhd (MEX Capital) (A1) given its strong traffic dynamics, potential upgrade and attractive yields**. MEX Capital receives cash flow from the Maju Expressway concessionaire, Maju Expressway Sdn Bhd (MESB). The expressway offers the fastest connection between Kuala Lumpur city and Kuala Lumpur International Airport. As reported by its rating agency RAM, both MESB and the expressway achieved record high revenue and traffic volume in 2023. The post-pandemic recovery led to traffic volume growing 17% YoY in 2023 and 6% YoY in 1H24.

  The issuer was upgraded to A1 from A2 in Sep 2024, as RAM cited sustained improvements in its operating performance and credit metrics. Its stronger corporate governance in place under its restructuring in 2022 has helped to safeguard its finance service coverage ratios (FSCR). Although uncertainty remains over potential concession agreement (CA) revisions, we note that recent CA revisions has resulted in concession extensions, which may lead to a situation where a restructuring of the sukuk is warranted to neutralize any credit stress. (Read here)

- **MYR Bond: (25/9/24) Outperform on STM Lottery Sdn Bhd (STM) (AA-) given its attractive pickup and entrenched domestic gaming position.** The company is the largest number forecast operator (NFO) in the country in terms of outlets and a key subsidiary of the main market listed Sports Toto Bhd. The bonds are secured against a third-party charge over the issued and paid up capital of the company and a corporate guarantee by Sports Toto Bhd.

NFOs operations require minimal assets and generates strong cash flow due to its cash business. As of Jun-23, the debt-equity ratio stands at 3.7x given its asset-light operations while CFO coverage stood at 5.7x. Unaudited FY Jun-24 revenue was MYR2.95bn (+4.3% YoY) while operating income was MYR382.5mn (+30% YoY). We think STM is attractive given its 70bps pickup over its AA3 benchmark. Key risks facing the company include licensing and regulatory risks, and competition from online gaming and illegal NFOs (Read here).

- **MYR Bond: (3/9/24) We are Outperform PONSB Capital Bhd (PONSB) (AA2) given its rich valuation, while the improved operating and financial performance of its obligor underpins its credit outlook.** PONSB is the funding special purpose vehicle for Perusahaan Otomobil Nasional Sdn Bhd (Proton), which is the principal operating subsidiary of Proton Holdings Bhd (Proton Holdings).

  PONSB was upgraded by one notch to AA2 in Jan 2024 given Proton Holdings' improved business and financial profiles, which RAM expects to further improve over the medium term. According to the rating agency, credit quality is also enhanced through its close relationship with Geely Automobile Holdings Ltd, which owns 49.9% in Proton Holdings. Despite its heavy capital expenditure, the Group's credit profile continues to improve while the Group's pipeline of new offerings, including electrified models, is expected to solidify its market position moving forward. Although total industry volume (TIV) has grown impressively in the past few years, the industry outlook is moderated by cyclicality and an increasingly competitive landscape. (Read here)

- **MYR Bond: (20/8/24) We are Outperform Sabah Development Bank Bhd (SDBB) (AA1, Stable).** SDBB is a wholly-owned development financial institution by the Sabah state government, which holds a AAA sub-sovereign rating with MARC and has cash reserves of about MYR6.78bn. The recommendation for SDBB are based on: 1) The substantial spread (Around 50bps) over its AA1 financial sector benchmark, 2) The key credit driver is the implicit state government support which is evident through public statements, capital commitments, and state driven reorganization efforts, 3) Ownership and management restructuring have been put in place last year to turn the bank around to adopt industry practices and BNM guidelines.

  We expect its bonds to be repriced closer to benchmark yields upon successful management review and balance sheet restructuring. Although, in the near-term, investors will likely wait for clarity on its financial position as severe provisioning is expected given the ongoing reorganization (Read here)

- **MYR Bond: (16/8/24) We keep out Outperform on Golden Agri Resources (GAR) ringgit funding vehicle Golden Assets International Finance (AA2) as the 4/27 continue to offer decent pickup even as the double A curve tightened YTD.** The double A corporate yield curve has shifted downwards YTD, particularly on the belly, and we think the pickup offered by GAR remains attractive at 21bps above its AA1 benchmark (Figure 2).

  In 1H24, the company reported headline net income of USD102mn, as lower-than-expected fresh fruit bunches (FFB) output (due to El-Nino) dragged on its earnings. Management believes output should recover in 2H as the weather impact subsides. Operationally, fertilizer costs improved due to softening input prices. The double A corporate yield curve has shifted downwards YTD, and we think the pickup offered by GAR remains attractive at 21bps above its AA1 benchmark (Read here).

- **MYR Bond: (23/7/24) Malaysia Property Bonds: Maintain Stable Outlook**. We keep our Stable outlook on the property sector bonds and our Outperform names are IOI Properties, LBS Bina, Mah Sing, and Tropicana. Our called are based on 1) attractive spread over its respective rating benchmarks, and 2) Our view of healthy demand for real estate, particularly the mass segment. Aggregate credit metrics for the sector has also improved in 2023. The sector's outlook remains robust with consensus expecting revenue and net income growth of 7.2% and 11% on average, respectively in FY24-25.

  Demand side factors points towards healthy demand for real estate. Factors such as the favourable demographic profile, stable income and labour market growth, low unemployment, and healthy economic growth points to healthy demand for residential properties going forward in the near to medium term.

  On the supply side, the property overhang situation continues to improve as unsold housing declined in 1Q24. Completed and unsold properties units continue to improve from 0.46% of total housing stock to 0.42%. A moderation in new planned supply of 370k units in 4Q23 suggests developers are exercising prudency in launches. Material prices has further softened in 2023 and this is likely to continue as the weak demand from China is expected to persist in the medium term (Read here).

- **MYR Bond: (23/7/24) Outperform Tropicana Corporation Bhd (TCB) (A, MARC, Stable) given the still elevated spread over its benchmark curve, its 9/26 and 4/27 perpetual looks attractive as well.** Outlook for TCB has improved given the exciting prospects in the Johor property market where the company holds most of its land bank. Still, the company needs working capital to undertake new developments and TCB could continue to unlock its vast land holdings (which totalled MYR6.6bn), or via borrowings. The moderating new national planned housing pipeline could also translate to better pricing power for developers and better secondary house prices.

Its weak financial performance and tight liquidity has led to depressed bond prices. Nevertheless, the recent land disposals have eased liquidity and credit metrics have improved since the post-pandemic period. In 9M24, revenue fell 22% to MYR878mn from MYR1,124mn YoY, while net losses recorded was -MYR420mn, due to a one-off charge for disposal of investment property and three parcel of development land, excluding the one-offs, net income would record a positive MYR38.9mn. With the disposals, net D/E ratio improved to 0.34 at Sep 2024 from 0.43 at Dec 2023 (Read here).

- **MYR Bond: (23/7/24) We are reassigning UEM Sunrise Bhd (UEMS) to Market Perform as yield premium has diminished since our initial Outperform recommendation**. Yields have tightened significantly since our recommendation last year and the long-end are now in line with the AA3 benchmark. UEMS is the property development arm of UEM Group Bhd. The company holds a sizeable landbank with a high concentration in the Johor Iskandar area. MARC Ratings assign a one-notch rating uplift for implicit parent company support due to Khazanah's 100%-ownership.

  In 1H24, the company's revenue fell 29% YoY to MYR430mn as certain projects have reached advanced stages, while PAT fell 33% to MYR27mn. Property sales reached MYR502.4mn, lower than the MYR1.49bn in 1H23. Gross gearing improved to 0.62 from 0.68 while inventory improved to MYR110.4mn from MYR146mn. Unbilled sales rose to MYR2.72bn (+2% YoY). As of Dec-23, its launched GDV stands at MYR22.6bn, while landbank is at 8,440 acres with around 90% concentrated in Johor. Majority of its current and upcoming projects are in Johor and will benefit from the revival of Iskandar Puteri, Johor and the potential KL-Singapore High Speed Railway project. Nevertheless, the recovery in development activities could see gearing rising in the near-term (Read here).

- **MYR Bond: (23/7/24) Outperform on LBS Bina Group Bhd's (LBS) as we think the non-rated IMTNs are significantly mispriced since the rated IMTN (AA-) are ranked pari-passu with the unrated ones. In addition, the rated IMTN's 100bps spread above the corporate AA3 curve is already unwarranted given the low leverage position.** The company is positioned to benefit from the sustained demand for affordable housing in the near to medium term. As highlighted in this report, we foresee sustained demand for housing from first-time homebuyers given the country's current demographics. We think the bonds are attractive if the mid-tier property developer premium continues to hold.

  9M24 revenue fell 6% to MYR1.15bn from MYR1.23bn a year ago, while net income rose 124% to MYR232mn from MYR104mn. As of Sep 2024, D/E and net D/E ratio stands at a healthy 0.48x and 0.12x respectively. The group will record a one-off MYR137mn gain from the disposal of a stake in Zhuhai International Circuit, which is credit positive.

  Typical of any property developer, the company is exposed to macro risks such as real estate cyclicality, particularly if the upcycle is extended for too long as we have seen in China, this forms the key credit risk, in our view. As such, we would like to see a disciplined approach to expansion and on taking up leverage. Looking at the past 10 years, peak gearing recorded was at 88% at end-2018. A bond covenant caps the D/E ratio to 1.25x under the new IMTN programme (Read here).

- **MYR Bond: (23/7/24) Outperform on Mah Sing given the elevated spreads versus the AA2 benchmark and we assess the company's rating to be equivalent to AA2 on account of its sector leading credit metrics**. The yield premium is attributable to its nonrated status. The company is an established property developer with projects in Klang Valley, Johor and Penang. which provides sufficient headroom for debt expansion if required to fund land acquisitions, capital expenditures and investments to drive business growth.

  The company achieved sales of MYR1.85bn for the 9M24 period with 41% contributed from Johor. Unbilled sales rose to MYR2.77bn. D/E ratio rose to 0.41 in Sep 2024 from 0.34 at end 2023 mainly due to a 500 acre land acquisition in Semenyih. MSGB has high cash balance, strong cash flow and low gearing ratio gives it sufficient headroom for debt expansion if required to fund land acquisitions, projects, capital expenditures and investments to drive business growth (Read here).

- **MYR Bond: (23/7/24) We are Outperform on IOI Properties Group Bhd (IOIPG) as the yield returns offer slight pickup over the comparative AA benchmark**. IOIPG issues bonds through its wholly owned SPV Fortune Premiere Sdn Bhd (FPSB) (AA) and provides an unconditional and irrevocable corporate guarantee. IOIPG has three main segments - property development, property investment, and hospitality & leisure. We think the weak sales and elevated unsold inventory in China has limited impact of its credit profile given the higher portion of earnings from domestic operations.

IOIPG's 9M6/24 net profit fell to MYR516mn, as it excludes the MYR716mn revaluation gain in 3QFY6/23. On a 9- month basis, excluding exceptional items recognised in FY23, 9MFY24 PBT of MYR658.7m only dropped by 4% vs 9MFY23's MYR688.5m. The company' net debt-to-equity ratio rose slightly to 0.73x from 0.68 in June-23. During the 9M period, IOIPG recorded property sales of MYR1.59bn, and launched MYR2.78bn worth of projects with average take up rate of only 37%. IOIPG's projects in Singapore, Marina View launch is delayed while the new IOI Central Boulevard Towers occupancy is now close to 50% (Read here).

- **MYR Bond: (23/7/24) We are Market Perform on Eco World Capital Bhd (AA-), the SPV of Eco World Development Group Bhd (EcoWorld), as its yield returns are similar to its AA- peers**. EcoWorld focuses on developing residential properties in the mid-range segment, has consistently high average take-up rates and has more than 3,400 acres landbank mainly in key populous areas such as Klang Valley (53%), Johor (40%) and Penang (7%) as at end-Aug 23. The property developer has a large amount of landbank and several projects in Iskandar Malaysia and is expected to benefit upon the completion of Rapid Transit System between Johor and Singapore. EcoWorld is looking to acquire more landbanks in Klang Valley and Iskandar Malaysia for industrial and township developments.

  The Company's credit quality remain above industry and debt-to-equity ratio have gradually improved over the years to 0.54x at 6MFY9/24 (FY9/20: 0.72x) and is well positioned for land bank expansion (Read here).

- **MYR Bond: (16/7/24) Outperform on APM (AA2) given the conservative financial profile and attractive relative yields.** Rated at AA2, vehicle parts manufacturer APM Automotive Holdings Bhd's (APM) indicative MTM values are priced near A1 levels which we think are not justified, given the conservative balance sheet, long operating track record and stable near-term prospects. The company generated record high revenue and bottom line in FY23 as total domestic vehicle sales reached an all-time-high that year. As at Mar-24, net debt/equity ratio stood at -0.18x, while full year credit metric was robust in FY23.

  APM has benefitted from the strong automotive demand in recent years, despite that, the company's negative net gearing was preserved, a year-end position it held for at least past 20 years. In addition, the demand fallout fear from the RON95 fuel subsidy rationalization should be allayed as APM has large client concentration to the Perodua brand, the country's largest small-to mid-size car manufacturer, which will likely see strong demand when the fuel hike materializes (Read here).

- **MYR Bond: (2/7/24) We keep Market Perform on Bumitama Agri Limited (AA2) given the favorable credit outlook and fair valuation.** In FY23, revenue declined 2% to IDR15.44tn primarily due to record-high commodity prices in FY22, the decline in prices is balanced by higher CPO volume, which climbed 13% YoY. With that, net income fell 13% YoY to IDR2.449tn. The company sees enduring structural change in demand and supply dynamics which have supported palm oil price fundamentals. With the sustained financial performance together with disciplined Capex, credit metrics was sustained at a healthy level with D/E improving further to 0.17x from 0.23x in FY22. Market momentum has shifted its MTM value of its 7/26 to 3.829% from 4.157% a year ago. We keep our Market Perform recommendation given the favorable credit outlook and as its 7/26 is trading at a fair valuation near the AA2 benchmark (Read here).

- **MYR Bond: (20/6/24) We see value in Cagamas (AAA) '25 to '26 given the elevated spreads over MGS/GII MTM values (figure 2).** Notwithstanding the higher supply of Cagamas in the front end, '25 to '26 appears to offer more value relative to the risk free MGS/GIIs. We rule out liquidity premium as the reason for the higher spread given that the part of the curve is actively traded, but rather the ample supply given the concentrated issuance at that part of the curve. We think the c. 25bps to 30bps pickup over MGS/GII for Cagamas '25 to '26 is attractive for a AAA name (Read here).

- **MYR Bond: (19/6/24) Insurance issuance picked up in the last 6 months.** The outstanding bond/sukuk for the insurance sector is relatively small at MYR2.64bn, nevertheless the sector has seen active issuance in the past six months with three issuances, 1) Great Eastern Capital (M) Sdn Bhd (GEC, NR, Senior) issuing MYR75mn on 25 April, 2) MNRB Holdings Bhd (MNRB, A1, Subordinated) issuing MYR420mn on 22 March and 3) Prudential BSN Takaful Bhd (PBSN, NR, Subordinated) issuing MYR100mn on 29 Dec 23. The GEC issued on 25 April was priced at 4.58%, 80bps above 5YR MGS while the MNRB was issued at coupon of 4.46% in 22 March. No secondary trades were seen for the recent non-rated papers (GEC and PBSN), but MNRB 3/29's has seen good secondary trading and demand and has been repriced to 4.147% post issuance, indicating good demand for quality insurance names (Read here).

- **MYR Bond: (14/6/24) We see value in additional tier-1 (AT1) bank bonds for AAA rated banks.** Given the healthy capital levels in the Malaysian banking system together with our constructive medium-term economic growth outlook, we see decent pickup in these contingent convertible bonds (Figure 2). AAA rated banks with outstanding AT1 issuance are CIMB, Hong Leong and Maybank. AT1s issuance are relatively scarce given that only seven commercial banks have outstanding issuances (Read here).

- **MYR Bond: (6/6/24) We are Outperform on Sime Darby Plantation (SDPL) (AA) callable 3/26 bond as its yield returns of 3.94% gives good pick up against its AA peers.** Recently, SDPL official changed its name to Sime Darby Guthrie as a tribute to its founder Alexander Guthrie. SDPL is one of the largest integrated plantation company in the world with both upstream and downstream activities and total planted area of 577,344 ha across Malaysia, Indonesia and Papua New Guinea/ Solomon Islands as at End-Jun 2023. MARC gave SDPL a one-notch rating uplift on implicit support from parent Permodalan Nasional Berhad.

  In 1Q24, net profit rose 6% QoQ and jumped 206% YoY to MYR211mn. Downstream EBIT fell 26% QoQ as its margin fell to 3.4% from 3.9% in 4Q24. FFB production rose 9% YoY, average CPO selling price little changed YoY at MYR3,880/tonne, while average PK selling price increase 8% YoY to MYR1,940/tonne. Debt-to-equity ratio remains low at 0.30x, while cash flow remains healthy with high cash balance of MYR715mn (Read here).

- **MYR Bond: (5/6/24) We are Market perform DRB-Hicom Bhd (DRB) (A+, perpetual A-, MARC), and we prefer the longer-end tenures as well as the perpetual given the attractive pickup.** We think current yields reflect the improvements in its business and financial performance as well as the potential rating upgrade. The strong improvement in the automotive segment (Proton, Honda, Mitsubishi and Isuzu) has prompted its rating agency to upgrade its outlook to positive late last year. The postal division is expected to see improvements in FY24 after poor performance in recent years. The jump in the group's CFO in FY23 should be one-off, which was contributed by the aggressive expansion on term deposits from its banking division. DRB continued to moderate its borrowings, with the D/E ratio falling from 0.92x in FY22 to 0.77x in 1Q23 while net D/E also fell from 0.39x in FY22 to 0.19x in 1Q23 (Read here).

- **MYR Bond: (30/5/24) We maintain Market perform on Point Zone (M) Sdn Bhd (PZSB, AA-, MARC).** PZSB's valuation near AA1 levels (Figure 2) suggests market have priced in the potential rating upgrade by MARC. The funding vehicle for KPJ Healthcare Bhd (KPJ) saw strong earnings expansion in FY23 and on track to achieve another record high revenue and earnings this year, in addition, the ongoing asset recycling will lower leverage and offers new capex opportunities. In FY23, full-year revenue grew 19% to MYR3.42bn and net income grew 58% to MYR263bn. Meanwhile capex remained flat at MYR237mn on account of limited headroom for additional leverage. As of Mar-23, net gearing stood at 1.19x, an improvement over 1.39x in end-22 (Read here).

- **MYR Bond: (28/5/24) We are Outperform on AmBank Bhd Tier-2 while reassigning its Senior sukuk to Market perform given its relative outperformance.** AMMB Holdings Bhd (AMMB, Senior AA2, Tier-2 AA3) reported FY3/24 full year results with a flat net revenue of MYR4.5bn (-0.0% YoY) and net income of MYR 1.87bn (+7.7% YoY). Capital ratios strengthened with CET-1 at 13.7% versus 12.8% in FY3/23 and total capital ratio at 16.9% versus 16.0% previously. Our analysts loan growth to accelerate in FY25 as management targets loan growth of 1 to 1.5x of Malaysia GDP while has plans to beef up its net interest margin (NIM), which saw an 28bps compression in FY3/24. The group's GIL ratio trended higher by to 1.7% from 1.5% a year ago largely due to a single corporate account (Read here).

- **MYR Bond: (24/4/24) We are Outperform Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd (Kesturi) senior sukuk given the mature brownfield concession and the 24bps to 25bps pickup over AA3 benchmarks.** The inter-city highway concession operator saw strong traffic growth in FY 6/23, recording an average annual daily traffic (AADT) of 223.1k vehicles, a 33.5% YoY improvement and 15.6% higher than pre-pandemic levels in FY 6/19. In 1H FY24, AADT further improved to 235.6k, which is 6.1% above MARC Ratings base case. The growing number of vehicles (record vehicle sales in 2023) and increased traffic congestion during peak hours have benefitted toll ways linking densely populated and well-established areas in the Klang valley and Kuala Lumpur.

  The remaining 35 years of its concession agreement ending in August 2059 should ensure even the longest maturing sukuk at 2033 have sufficient repayment capacity. The MYR1.89bn of outstanding sukuk offers relatively better supply and liquidity to investors. The highway's coverage metrics are expected to perform strong even under stressed scenario which assumes no toll rate increases and a one-year delay in compensation payment from the government, under these scenarios, the minimum finance service coverage ratio is projected at 1.79x, with an average of 3.80x from FY24 to FY34, according to MARC Ratings (Read here).

- **MYR Bond: (4/4/24) We maintain Outperform on construction player Malaysian Resources Corporation Bhd (MRCB, AA-) as we think that the more than 60bps pickup over the AA3 benchmark is fair compensation for the sector's cyclical risks.** MRCB is majority owned by EPF (36%) and is an established property developer and construction company that is known for its flagship transit-oriented development (TOD), KL Sentral CBD. MARC incorporates the support extended by its key shareholder EPF, 36% stake, into the rating that owns.

  In FY23, net profit rose 55.8% YoY, while core earnings fell 202% YoY to record a loss of MYR66.2mn due to one-off gains from the sale of buildings and adjoining land. Its construction segment EBIT grew 25% YoY as progress billings of its LRT3 project rose, while its property segment EBIT fell 16% YoY due to completion of some projects in 2Q23. Outstanding orderbook is at MYR15.7bn, while unbilled sales is at MYR234.9mn Unsold units improved in 4Q23 to MYR389.4mn from MYR587mn in 2Q23. Cash from operations to interest coverage jumped to 4.0x, while net debt-to-equity ratio improved to 0.17x, freeing up room to gear up for future projects (Read here).

- **MYR Bond:** (27/3/24) **Market perform on SP Setia Berhad (SPSB) (AA) based on its tight yield spread from its AA peers and strong balance sheet.** SP Setia is the largest developer by revenue in Malaysia with sizeable landbanks of 7,022 acres (63% in Klang Valley). Most of SP Setia's projects that are priced below MYR1mn recorded take-up rates of above 90%. Also, the Company's has strong notable shareholders – Permodalan Nasional Berhad (26.0%), Amanah Saham Bumiputera (24.7%), Kumpulan Wang Persaran (8.8%) and EPF (5.8%).

  In FY23, SPSB's revenue was slightly lower by 2% YoY due to the completion of its Daintree Residence project in Singapore in FY22, while contribution FY23 saw better sales for its Malaysia and Australia operations. In 4Q23, revenue grew 28% QoQ due to the handover of its UNO Melbourne project, while EBIT margin rose 26.5% from 15.4% in 4Q22, driven by land sales and cost saving from project accounts finalisation. Unsold inventory rose 2.9% QoQ to MYR1.77bn, while unbilled sales fell 16.6% QoQ to MYR5.64bn. Debt-to-equity ratio improved to 0.49x, while net interest expense fell 13% QoQ as SPSB plans to lower its borrowings to MYR9.4bn in FY24 from MYR10.2bn in FY23, through land sales. Debt could ease further as SPSB is looking to expand its industrial developments that could drive land disposals or JVs (Read here).

- **MYR Bond:** (19/3/24) **We are Market Perform on Aeon Credit Service (M) Bhd (AA3/A1, Stable) Senior and Subordinated sukuk.** ACSB's sukuk yields are tight against similarly rated peers in the financial sector, signifying investors' confidence in the lending company. The leading consumer financier boasts industry leading net interest margins in relation to its exposure its higher risk lending profile. Expectations of extraordinary support from its ultimate parent, AEON Co., Ltd, also underpins the financial flexibility attributed to ACSB.

  Its recent third financial quarter ended 11/23 saw mixed results with revenue higher by 3.1% QoQ to MYR486mn while profit before tax fell by 30% QoQ to MYR111.4mn. Impairment losses crept higher by 51.6% QoQ to MYR182.8mn. Gearing improved to 3.3x from 3.4x in FYE2/22, while NPL saw uptick to 2.73% from 1.75% from a year ago in 11/22 (Read here).

- **MYR Bond: (12/3/24) We are Market perform on IJM Land's (IJML) perpetual sukuk (A2), although yields are below-benchmark, the credit quality is underpinned by a subordinated guarantee by IJM Corporation (IJMC, AA3).** IJMC extends an unconditional and irrevocable subordinated guarantee to IJML. IJML was previously listed on the Main Market of Bursa Malaysia before becoming a wholly owned subsidiary property arm of IJMC through the privatisation which was completed in Mar 2015. Constructions activities are taken by IJMC, while its property developments are mostly under IJML.

  IJMC 9MFY24, net profit rose 118% YoY, while core net profit increased 34% YoY. This was mainly due to better than expected property division that saw its profit before tax (PBT) rose 97% YoY as its work in progress for ongoing projects with higher profit margins were good. PBT of its industrial segment increased 17% YoY due to higher deliveries of piles and ready-mixed concrete. Construction arm PBT fell 27% YoY as its new projects have yet to pick up pace. Meanwhile, its orderbook rose to 43% YoY to MYR6.6bn. Unbilled sales dropped 26% YoY to MYR2.5bn. Credit metrics remains healthy with debt-to-equity ratio at 0.51x, while CFO interest coverage ratio is at 3.7x (Read here).

- **MYR Bond:** (7/3/24) **We are changing Press Metal Aluminium Holdings Berhad (PMAH) (AA2) to Market perform from Outperform as yields have compressed considerably since our initial coverage in May-23.** PMAH is in the business of extrusion and smelting aluminium and has total annual extrusion capacity of 370k MT in Malaysia and China.

  In FY23, net profit fell 13.7% YoY as the average market price for aluminium declined. LME aluminium in 2023 fell 16% YoY to an average of USD2,261/MT, while alumina prices fell 5% to USD344/MT. In 4Q23, revenue rose 2.7% QoQ, while core net profit rose 8% QoQ due to better contributions from associates (+8% QoQ, +78% YoY) and lower costs in raw material (alumina and carbon anode). FY23 debt-to-equity ratio improved to 0.55x from 0.64x in FY22 as its cash balances and CFO rose to MYR1.23bn and MYR2.57bn from MYR604mn and MYR1.83bn, respectively (Read here).

- **MYR Bond:** (27/2/24) **We are Market perform on YTL Power International Berhad (YTLP) (AA1) given the tight spread over the AA1 curve, the company's earnings are anchored by its solid concession business, which also mitigates execution risks from expansion into new businesses.** YTLP is a utilities company that is 56% owned by YTL Corporation Berhad. YTLP is an investment holding company that relies on its investee companies to support its operations. YTLP operating entities are in the business of providing power generation, electricity transmission, water supply, communications services and data centres. Its power generation segment contributes most to its revenue at around 70%, followed by its water and sewerage segment at around 20%.

In 1HFY24, YTLP net profit jumped 355% to MYR1,693bn as contributions from its Singaporean power generation, PowerSeraya, rose, while the non-household retail market improved. The company debt-to-equity improved to 1.78x, from 1.94x in FY23, albeit still highly geared. Total debt stood at MYR31.86bn. CFO interest coverage ratio improved to 2.8x from 2.4x in FY23. Majority of its debt at its investee companies are ring-fenced, concession-related and has no recourse to the holding company (Read here).

- **MYR Bond:** (20/2/24) **We are Outperform on Malakoff Power Bhd (MPower) (AA-) given its attractive yields**. The company is a wholly owned subsidiary, financing conduit and independent power plants (IPP) operations & maintenance (O&M) operator of Malakoff Corporation Bhd (MLK). MLK guarantees that it will provide any liquidity shortfalls of MPower through inter-company loan advances, repayments. Hence the credit profile of MPower is hinged on MLK. MLK is an independent power company that owns, construct, operate and maintain its IPP with total generation capacity of 5,342MW in Malaysia.

  In 9M23, MLK recorded net loss of MYR480mn from profit of MYR260mn in 9M22 mainly due to the loss of GB3 power plant revenue as the power purchase agreement (PPA) expired in Dec 2022, and received lower energy payments from its Tanjung Bin Power plant. Nevertheless, CFO turned positive to MYR733mn as PPA payment receipts rose. MLK expects capex of MYR2.7-3.0bn in the next few years to fund its renewable energy projects which will replace two of its IPP that are expiring in 2024 and 2027. Two PPA of its IPP with a total capacity of 1,653MW will expire in the next four years which will result in lower cashflows. Debt-to-equity ratio rose slightly to 1.51x as total debt rose due to consolidation of its plant RP Hydro's outstanding project financing of RM955.2 million. In 1H23, all of its domestic IPP unplanned outage rate (UOR) and heat rates were within PPA-stipulated limits, except its Tanjung Bin Energy IPP due to damage to its turbine blades that resulted in higher UOR (Read here).

- **MYR Bond: (16/2/24) We are Market perform on Petroleum Sarawak Exploration & Production Sdn Bhd (PSEP) (AAA) as PSEP yields are tightly compressed against its AAA peers. PSEP is Petroleum Sarawak Berhad's (PETROS) wholly owned upstream oil & gas (O&G) arm that accounts for majority of PETROS's profit and cashflow.** PETROS is a Sarawak state-owned O&G company that is authorized to plan and develop the O&G sector in Sarawak under Ministers of the State Government Order. In addition, the company has received injection of MYR520mn of cash and MYR35mn worth of land from the state, signifying its strategic importance to Sarawak's O&G development. As such, we view that the company's financial strength to be aligned with the state and believes the company will be able to derive substantial financial flexibility from this alignment.

  In 1H23, revenue rose 121% YoY to MYR2.1bn due to strong performance in its farm in production sharing contracts (PSC). OCF in 1H23 was strong at MYR1.2bn, while its OCF debt coverage ratio is at 0.5x. Gearing ratio increased to 2.6x due the issuance of MYR3.0bn sukuk to fund its addition of three new PSCs. Its expansion in the next few years could see its gearing and debt level increase due to capex-intensive upstream O&G business nature (Read here).

- **MYR Bond: (30/1/24) We are Marketperform on Dialog Group Bhd (DLG) (AA2) 1/32 bond. We think the tight spreads over the AA2 curve reflects the strong credit metrics.** Dialog operates in the upstream, midstream and downstream segments of petrochemicals industries and oil and gas. Its services range from engineering, procurement, fabrication, construction, maintenance, operations and project management services. The Company's operation spans across 8 countries with 54% of its revenue in FY23 from Malaysia.

  The Company's core net profit rose 6% YoY mainly due to better performance in its international operations. Total debt continued to trend lower to MYR1.5bn from MYR1.7bn in FY23, while cash balances remains high at MYR1.8bn. Debt-to-equity improved to 0.24x from 0.27x in FY23. Its net margin remains compressed at 17% due to elevated cost, while margins remains low in the downstream segment. We expect downstream activities to remain robust, while Cost challenges and margin pressures are likely to persist in the near term (Read here).

- **MYR Bond: (9/1/24) We think PASB (AAA) offers better relative value compared to Air Selangor (AAA), especially for papers after 2030 given the higher spreads offered**, in addition, we think PASB derives better financial flexibility through its ownership by federal government versus Air Selangor, which is controlled by the Selangor state government. As such, we think PASB should command a smaller yield premium versus Air Selangor. Nevertheless, both entities require equity/financial support given the subdued revenue from heavy water tariff subsidies.

  PASB is involved in the consolidation of the national water infrastructure while Air Selangor is the sole supplier of water treatment and distribution in Selangor, Kuala Lumpur and Putrajaya. Both entities enjoy implicit federal and state financial support respectively and have good market accessibility for funding. Nevertheless, both entities require equity/financial support given the subdued revenue from heavy water tariff subsidies (Read here).

- **MYR Bond:** (19/12/23) We are **Marketperform on Aeon Co. Bhd** (AA2, Positive) as we think its bond yields are well priced relative to its rating. Aeon's credit metrics has improved over the past few years given the smaller investment on mall rejuvenation and the recovery from the pandemic lockdowns. Despite being one of the leading mall operators with a long track record, we are cognizant of the growing competition in the retail real estate space. Furthermore, CAPEX spending is expected to rise in 2025 as expansion activities resume.

  RAM upgraded the company's outlook to positive on 6 October 2023 referencing the expectations for the improvement in credit metrics to be sustained and to further improve and supported by recovery in footfall and the return to optimum mall occupancy (Read here).

- **MYR Bond: (2/11/23) The 15bps pickup over the AAA benchmark and the stable asset quality warrants an Outperform rating on IGB REIT Capital (IRC), based on the 9/27 call date.** IRC is the funding SPV of IGB REIT Bhd (IGB). The Second Tranche MTN is secured (among others) via a legal charge over Mid Valley Megamall (MVM) and its rental income. The mall is strategically located in a mature and well-established integrated development with office towers, commercial offices, residential buildings and retail outlets. Furthermore, MVM has great connectivity to major highways such as Federal Highway and New Pantai Expressway. The mall also has proven strong track record since the opening of the mall.

  MVM has over 500 tenants with 1.79mn sf of net rental area, while its average occupancy rate stands at a healthy 97.5% with an average rental rate of MYR16.1psf as at end-Jun 23. The mall's lease maturity profile is healthy with 90% of the leases expiring in 2023 renewed at end-Aug 2023 with a mid-single digit upward revision. In FY22, the mall's net income grew significantly by 53% YoY to MYR307mn, while net profit margin rose to 78.4% from 71.5% as footfall continues to recover following the removal of COVID-19 restrictions. In 9M23, IGB REIT's debt-to-equity ratio remains stable at 0.30x, while CFO/debt service is healthy at 2.1x (Read here).

- **MYR Bond:** (26/10/23) We are **Market Perform on Tenaga Nasional Berhad (TNB)** (AAA) as its yields are relatively on par with its AAA peers. The Malaysian national electric utility company is a strategically important entity to Malaysia's power sector with a state-ownership of 69%. With a peak electricity demand of 19,716MW reached in May recently, we expect demand to remain resilient in 2H23. Furthermore, the National Energy Transition Roadmap will benefit TNB greatly due to its major share in generation capacity and monopoly in electricity distribution in West Malaysia.

  Imbalance cost pass-through (ICPT) mechanism mitigates the recent volatile fuel prices and protects TNB's earnings, while delays in ICPT collection occurred due to the elevated fuel prices. However, 1H23's MYR10.4bn ICPT was fully received in July and TNB is expected to recover MYR4.7bn ICPT cost in 2H23. In 1H23, debt-to-equity ratio is at 1.53x given its capital-intensive nature of its power generation projects and overseas expansion plans. Meanwhile, CFO-to-interest ratio rose to 6.7x as improvement in collection improved its cash flow (Read here).

- **MYR Bond:** (10/10/23): We are **Marketperform on TNB Western Energy Berhad** (TNB WE) (AAA) as it yields pick up spread are low compared to its AAA peers. TNB WE is an SPV of TNB Manjung Five Sdn Bhd (TNB MF) that owns and operate a 1,000MW coal-fired power plant in Majung, Perak and is ultimately 100% owned by Tenaga Nasional Berhad (TNB). Moreover, TNB provides unconditional and irrevocable rolling guarantee to fund any shortfall on TNB WE finance service account. The plant's unplanned outage rate (UOR) reached 45% in 2021 due to recurring issue related to CIDF blades. This issue has been rectified, the UOR has gradually improved to 7.23% in Mar-23. However, UOR is still above the power purchase agreement limit of 6%. Actual capacity payment (CP) in 2020 and 2021 were significantly lower than budgeted CP due to low plant availability from high UOR. In 2022, actual CP has improved to MYR298.8mn which is slightly below the budgeted CP of MYR304mn.

  In FY22, CFO interest coverage decreased to 1.17x from 1.65x in FY21 as CFO decreased from purchasing higher inventory of consumable for its scheduled maintenance in 2023. According to MARC Ratings base case forecast, financial service coverage ratio (FSCR) is expected to have a minimum of 1.25x and average 2.05x from 2023 to 2034. That said, it is above the covenanted FSCR of 1.20x for distribution purposes (Read here).

- **MYR Bond:** (5/10/23) We are **Marketperform on VS Capital Management Sdn Bhd** (VSC) (AA) as its bond yields are on par with its AA peers. VSC is a wholly owned SPV of **VS Industry Berhad** (VSI), an Electronics Manufacturing Services (EMS) provider, and has and unconditional and irrevocable guarantee by the parent. VSI is the sixth largest EMS provider by revenue in ASEAN and manufactures and assembles numerous types of finished and semi-finished consumer electronic products. VSI is exposed to concentration risk as its top five customer make-up 83% of its total revenue in FY22. That said, the concentration risk is mitigated by the Company's longstanding relationships with some relationship spanning up to 22 years. CFO/Interest improved to 10.5x as CFO returned to positive in FY23 due to normalisation of supply change, labour shortages and reduction in inventory build-up. Its debt-to-equity ratio mildly increased to 0.37x as it took up more borrowings for expansion purpose and machinery upgrades (Read here).

- **MYR Bond: (29/9/23) We are Marketperform on TNB Northern Energy Berhad (TNB NE) (AAA) as its bond yields provide little additional yields compared to its AAA peers**. TNB NE is the SPV of TNB Prai Sdn Bhd (TNB Prai) that operates a 1,071MW combined-cycle gas turbine power plant and is wholly owned by TNB Power Generation Sdn Bhd which is wholly-owned by Tenaga Nasional Berhad (TNB). Moreover, TNB extends an unconditional and irrevocable rolling guarantee on TNB NE. The plant consists of two generation units, Unit 10 and Unit 20, where Unit 10 unplanned outage rate (UOR) is above the 4% UOR limit at 19%, while Unit 20 UOR is at 1.9% as at end-Dec 22. TNB Prai expects UOR of unit 10 to fall within UOR limit by Oct-23. In 2019-2022 actual capacity payment (CP) is MYR41.9mn below budgeted CP mainly due to UOR and not meeting its contracted average availability target. In 2022, its heat rate was higher than its contracted target which has resulted in failure to fully pass through fuel costs to TNB and MYR19.4mn of cost that it has to absorb by itself. CFO-to-interest ratio is at 1.75x at end 2022, while MARC projected financial service coverage ratio to be within 0.64-1.04 from 2023-2031 (Read here).

- **MYR Bond: (29/8/23) We are Outperform on Lebuhraya DUKE Fasa 3 Sdn Bhd (LDF3) (AA-) given the attractive 60bps pickup over the AA3 curve**. LDF3 is the concession holder through Aug 2069 for the 32km Setiawangsa-Pantai Expressway (SPE) that connects Middle Ring Road 2 (MRR2) at Wangsa Maju to Kerinchi Link adjoining Federal Highway. SPE already received its Certificate of Practical Completion and is set to fully operate by the end-Aug 2023. A section of SPE has begun operation in Mar-22 with annual average daily traffic (AADT) of 5,058 that is significantly below its opening estimate of 32k vehicles and is expected to pick up when the expressway is in full operation. The toll prices are from MYR1.80 to MYR10.50 depending on the vehicle class and prices will increase by 20% every five years. Under MARC's base case, average financial service coverage ratio (FSCR) is expected to average at 1.4x. Given the removal of the construction risk, remaining key risk to this concession is meeting the traffic projection (Read here).

- **MYR Bond: (9/8/23) We are downgrading Country Garden Real Estate Sdn Bhd (CGRE) (AA3) to speculative category bond as liquidity concerns have mounted after residential property sales has deteriorated rather than recover after the pandemic reopening as previously expected**. On a YoY basis, July sales are reportedly lower by -67% YoY at RMB12.1bn, according to Bloomberg. Moody recently downgraded the firm's rating to B1 from Ba3 as they highlighted liquidity concerns on the worsening outlook. Noteholders of Country Garden Holdings (CGH) USD bonds, the ultimate guarantor to CGRE bonds, yesterday reported that the company missed two coupon payments totalling USD22.5mn, any declaration of default will also trigger cross-default clause in CGRE MYR bonds.

  CGH's RMB bonds have been trading at highly distressed levels and has slumped even lower recently. The policy measures announced by Chinese regulators so far have been unable to reverse the sales slump in the market, actual implementation of support to the property market has been also very slow. Ultimately, we think an asset exchange program is needed to revive the Chinese property sector bonds, whereby regulators acquire developer's bonds and debts and restructure them, lifting liquidity pressures to private developers to ensure timely completion of projects to end buyers (Read here).

- **MYR Bond (26/7/23): Benih Restu Berhad (AA2) is a wholly owned funding conduit and backed by an irrevocable and unconditional corporate guarantee by Genting Plantations (GenP) (AA2)**. In 1Q23, the Company's upstream division's fell 52% YoY to MYR119mn due to lower CPO average selling price and higher fertiliser cost, while its downstream division recorded higher profit of MYR11mn on higher revenue and margins. Historically, its credit metrics are strong with low net debt-to-equity ratio and healthy CFO/interest. Its net debt-to-equity ratio rose slightly to 0.21x as cash balances fell, while CFO/interest is at 1.3x (Read here).

- **MYR Bond: (13/7/23) We are Marketperform Mercedes-Benz Services Malaysia (MBSM) (AAA, RAM) as its yields are near to indicative AAA peers due to strong credit metrics of the single A (International rating) rated guarantor and parent company, Mercedes-Benz AG**. The Germany based parent company has an irrevocable and unconditional guarantee on MBSM bonds. The locally based entity provides leasing services and vehicle financing for its Mercedes Benz automobiles in Malaysia. As at end-Dec 2022 gross impaired financing (GIF) coverage is at 136%, while GIF ratio eased to 0.9% as repossessions rebounded following the end of temporary suspension on repossessions (Read here).

- **MYR Bond: (27/6/23) We are Marketperform Malaysia Rail Link (MRL) as the bond yields are on par with the the Quasi-GG curve**. MRL is wholly owned by Malaysia's Minister of Finance (MoF) and is the owner of the 665km East Coast Rail Link (ECRL) project that began in 2017. The ECRL will link the east coast states with the west of Klang Valley. As of March-23, the project is 40.8% completed, while its target completion date is end of 2026 (Read here).

- **MYR bond: (16/6/23) We are Underperform Kimanis Power Sdn Bhd (KPSB) (AA) due to lower yields, c 3.57-4.07%, which is below the indicative AA curve as the issuer has solid credit metrics**. KPSB owns and operates a 285MW gas-fired power plant in Kimanis Bay. The company is Petronas Gas Berhad (60%) and NRG Consortium (Sabah) Sdn Bhd (40%), an indirect wholly-owned subsidiary of the Sabah state development vehicle, Yayasan Sabah Group. The plant rolling unplanned outage rate (UOR) in 2022 is 1.93% which is below the power purchase agreement (PPA) limit of 4.0%, while heat rates also remained below PPA heat rates which allowed KPSB to fully pass through its fuel costs. In 2022, financial service coverage ratio (FSCR) rose to 2.57x, well above the minimum covenanted FSCR of 1.25x. Its cash balances at end-2022 is at RM171.2mn, which is more than sufficient to meet its total sukuk commitments of RM110.3 mn in 2023. KPSB is jointly owned by PGB and NRG Consortium (Sabah) Sdn Bhd (NRG), an indirect whollyowned subsidiary of the Sabah state development vehicle, Yayasan Sabah Group (YSG) with the former having a 60% stake and the latter owning the remaining 40% (Read here).

- **MYR bond: (14/6/23) We are Outperform Ranhill Powertron II (RPII) (AAA) as its bonds are at attractive levels of c. 4.15-4.45%, well above its AAA peers**. RPII's RM350mn issuance is backed by an irrevocable and unconditional guarantee provided by Bank Pembangunan Malaysia Berhad. The plant owned and operated by RPII is a 190MW combined-cycle gas turbine Rugading Power Station in Sabah that has been operational since 2011. For the past few years, the plant's unplanned outage rate was within the PPA-stipulated limit of 4%, entitling RPII to full capacity payments. Meanwhile, in the past few years its heat rate was also within the PPA requirement, it managed to fully pass through its fuel cost, receiving energy payments. For FYE Dec-22 the Company's FSCR is high at 2.58x, well above the covenanted 1.25x (Read here).

IDR Bond

- **IDR Bond: (17/5/24) We like Telkom Indonesia (AAA, PEFINDO) (TLKM) longer end bonds, 6/30 and 6/45 bonds given the additional c. 70-100bps pickup compared to IndoGBs.** TLKM is a good entry to high quality IDR Space with 52% of the company owned by the Government of Indonesia. The Telco is the largest and most dominant integrated telecommunications company in the country. The company also holds 72% in Dayamitra Telekomunikasi, which is Indonesia's largest tower company with over 35k towers (around 36% market share).

  In 1Q24, net profit fell 19% QoQ and rose 6% YoY. Total revenue for the quarter fell 1.4% as better revenue in its Legacy (50% QoQ) and Interconnection (6% QoQ) segment was offset by its other segments. Average revenue per user (ARPU) fell QoQ across all it segments – Cellular (-2.9%), Data (-12.2%) and IndiHome (-4.4%). Resulting in ARPU contracting 12.2% QoQ(6% YoY). IndiHome ARPU is expected to continue its fall in anticipation of another series of promotions and discounts to expand market share. TLKM's credit metrics remains strong with high cash holdings of IDR31trn, stable debt-to-equity ratio at 0.4x, while cash from operations interest coverage is high at 13.2x.

- **IDR bond: (7/5/2024) We recommend to tactically overweight IndoGBs versus Perusahaan Listrik Negara Persero (PLN, Baa2) given the recent spike in Indonesia sovereign yields**. Markets have moved against IndoGB due to the recent rally in USD rates. Meanwhile, corporate IDR bonds have yet to catch up with the rising IndoGB yields given its relatively lower liquidity and sensitivity to global rates. PLN is a 100% government-owned integrated electricity utility company, with a monopoly position in Indonesia's electricity transmission and distribution, and dominant position in power generation. International rating agencies view PLN's credit as equal to that of Indonesia due to its importance in providing a key public service, its strong linkage to the state and expectations of a likelihood of sovereign support.

  In 9M24, its D/E ratio improved to 0.36x from 0.38x in FY23, while net income fell marginally by 3% to IDR25.1tn from IDR26.0tn in 9M23. PLN's credit metrics may strain as large capital expenditure is required for its plans to increase 14.3-gigawatt capacity over the next 10 years. In return for meeting the country's public-service obligation, PLN receives support from the Indonesian government through electricity subsidies payments. Average gap of actual and budgeted subsidy paid in the past 5 years is at 11%, down from recent high of 17% in 2020, while there are delays in the actual payment of the subsidies in recent years. The irregularity of the timing of payment could strain the Company's credit profile.

- **IDR bond: (3/5/2024) Outperform on Sinar Mas Agro Resources & Technology (SMAR, AA-, Stable, Pefindo), we prefer 2026 and beyond given the higher pickup against IndoGBs.** Closely owned by Golden Agri Resources, SMAR and its subsidiaries develop oil palm and tea plantations. The Company produces and trades crude palm oil, palm kernel oil, tea, and refined palm products such as cooking oil and margarine. Sinar Mas also manufactures packaging products such as bottles and caps as well as provides management services. Strong cash flow coverage ratio and improving debt ratios underpin its credit profile.

  9M24 revenue rose by 15% YoY to IDR56.3rn from IDR48.9trn in 9M23 as CPO prices took an upswing in 2024 due to structurally low supply; still, the group is highly dependent on palm oil sourced from external parties. 9M24 net income rose by 98% to IDR1.0trn from a weak cyclical IDR0.52trn in 9M23. Key credit metrics as of Sep 2024 overall improved marginally YoY, with net D/E rising to 0.80 from 0.76 previously. Pefindo highlights that rating could be lifted if its conservative capital structure is sustained and revenue and EBITDA continues to exceed target.

- **IDR Bond: Market perform on Merdeka Copper Gold Tbk PT (MDKA) as the front-end yields are compressed while the longer-end offers better pick-up against IndoGB.** The Company mines for gold, copper, minerals and metals. PEFINDO withdrew its rating on MDKA in Mar-24 following the repayment of Continuous Bond IV Merdeka Copper Gold Phase II Year 2023. Before the withdraw, MDKA was assigned A+ by PEFINDO.

  In FY23, revenue jumped 96.2% to USD1.7bn due to strong gold performance and reflection of a full year of nickel operations. MDKA turned net loss of USD21mn as cost of revenue cost rose 121% YoY following the acquisition of a 60% interest in HNMI nickel matte converter and successful commissioning of ZHN smelter. Its average realized price of gold rose 7.5% YoY to USD1,939/oz, while copper and NPI decreased 2.8% and 19.1% YoY to USD8,578/t, USD13,536/t, respectively. Nickel matte and limonite is at USD15,592/t and USD17/wmt, respectively. Debt-to-equity improved to 0.4x.

- **IDR Bond:** (18/1/24) **We are Market perform on Indosat TBK PT (ISAT) (AAA, Pefindo) and we prefer '26 and above given the better yield pickup over IndoGBs.** ISAT is among the top telecommunication company in Indonesia that provides cellular, multimedia, internet, and telecommunication services.

  In 9M23, ISAT's normalized net profit, excluding its one-off gain from tower sale, jumped 254.8% YoY to IDR2,215bn as all its businesses performed well. Its cellular, MIDI and fixed telecom business revenue increased 7.8%, 10.8% and 26.8% YoY, respectively. Normalized EBITDA margin grew 5.1bps YoY to 46.7%, Average revenue per user (ARPU) grew 2.5% YoY, while data traffic rose 16.5% YoY. Its net debt-to-equity ratio is at 1.46x, wits EBITDA-to-debt service ratio is at 1.4x.

- **IDR Bond:** (12/12/23) **We maintain Outperform on Indah Kiat Pulp & Paper TBK (Indah Kiat) (A+, Pefindo) due to its strong credit metrics, while its medium duration bonds are attractive.** INKP is a leading pulp and paper manufacturer globally that produces pulp, tissue, cultural & industrial paper and packaging. It has mills in Sumatra and West Java of Indonesia.

  9M24 revenue fell 10% to USD2.4bn from USD2.7bn in 9M23, while net profit contracted by 30% to USD226mn from USD321mn. Global pulp shipments were weaker given soft demand dynamics. As at Sep 2024, the company saw credit metrics weaken across the board with D/E ratio rising to 0.71 from 0.58 a year ago, due to plan expansion capex, nevertheless cash buffer remains strong with net D/E remaining healthy at 0.25 from 0.15 a year ago.

- **IDR Bond:** (8/11/23) **We are Market Weight on Hutama Karya Persero PT (HK) (AA-, Pefindo) as the yield returns are relatively on par with IndoGB.** However, the yield returns of the three 2025-2027 secured bonds are above 7.50%. HK is a stated owned construction company and toll road operator. There is high likelihood of government support due to the importance of HK's role in constructing the Trans-Sumatra toll road. This is evident with the government injecting capital of IDR83.7tn since 2015 and IDR31.4tn in 2022. Under the presidential decrees, the government is to provide unconditional and irrevocable guarantee for loans use to finance the Trans-Sumatra project and it states that HK is the sole developer and operator of the 2,749km long Trans-Sumatra toll road project. The toll will be the longest toll road in Indonesia upon completion. The Trans-Sumatra toll road project consists of 4 stages and the first stage is expected to be completed by 2024. As at end 2022, 596km of the Trans-Sumatra project are in operation.

  The Trans-Sumatra toll road makes up 54% of HK's revenue in FY22 and is expected to continue being the major contributor to its earnings for the next few years. The Company's CFO/Interest ratio remains low at 0.2x, while debt-to-equity ratio is at 0.58x. HK is expected to rely on government support as internally generated funds are insufficient to fund the construction of the Trans-Sumatra project. However, credit risk is mitigated as 87% of HK's debt in FY22 are related to the Trans-Sumatra project that are government guaranteed.

- **IDR Bond:** (31/10/23) **We are Underperform on Kereta Api Indonesia PT (KAI) (AAA, Pefindo) as its yields are unattractive with yields below the IndoGB.** KAI provides, regulates and manages rail transportation services in Indonesia and is wholly owned by the Indonesian Government. KAI is highly likely to receive extraordinary government support as its role is important to the Indonesia's railway system. Furthermore, its importance is reflected in a presidential decree that states KAI is to operate the Greater Jakarta Light Rail Transit (LRT) and Jakarta-Bandung High-Speed Rail (HSR) projects. Government support is evident in the past as the railway received a series of state capital injections of IDR17.7tn in 2015-2022.

In FY22, KAI turned to net profit as ridership rose 84% YoY to 284.6mn following the easing COVID-19 restrictions, while its freight transportation rose by an average 22% in 2022. Despite the change in commuting patterns such as hybrid work arrangements, ridership is expected to improve as there are no longer any travel restrictions. The railway's freight transport will continue to be supported by the long-term contract to transport coal production from mining sites with Bukit Asam Tbk PT. The Company's debt-to-equity is at 1.01x and is excepted to continue to be highly levered as it takes more debts for several capacity expansion projects. 48% of KAI's total debt in FY22 is made up of syndicated loans on the Greater Jakarta LRT and they are government guaranteed (GG). Any additional loans under the Greater Jakarta LRT would be automatically GG.

- **IDR bond:** (13/6/23) **We are Outperform Bank Rakyat Indonesia (BRI) as its April-27 and June-27 4Y bonds are attractive with indicative yield of c. 6.22-6.38% that are above IndoGB.** BRI's liquidity position remains healthy with strong loan growth in 1Q23. NPL coverage stood high at 282.49%, tier 1 CAR remains high at 23.93%, loan growth grew +9.7% YoY while NIM rose +10bps YoY to 7.82%. BRI is one of the largest banks in Indonesia and its largest shareholder is the Government of Republic Indonesia with 53% holdings.

- **IDR bond:** (30/5/23) **We are giving Underperform rating to Semen Indonesia Group (SIG) (rated AA+ by domestic rating agency) as its bond yields are lower than IndoGB.** The Company mainly manufactures cement and its derivatives with market share of c. 50% in the domestic cement market. It's largest shareholder of 51% is the Government of Republic of Indonesia, through the Ministry of State-owned Enterprises. SIG's net profit increased 11.1% QoQ as they managed to control cost despite continued trend of slowing demand and high coal price 1Q23. In 1Q23, debt-to-equity remains low at 0.3x, while CFO/interest deteriorated to 1.6x.

- **IDR bond:** (27/4/22) **PT Chandra Asri Petrochemical Tbk (CAP) (rated AA- by domestic rating agency) is an integrated petrochemical producer, a regional market leader in its sector, the company serves both the domestic downstream industries and regional export markets in Indonesia.** Credit metrics for CAP are healthy with 0.0 net gearing and gross gearing of 0.5x at Dec-FY22. Nevertheless, the company suffered losses in FY22 due to high input cost from volatile oil prices. However, yields are attractive as it offers between 6.0 to 8.5% for tenures from 1 year to 9 years.

SGD Bonds

- **SGD Bond: (29/8/25) We are Outperform on CapitaLand Ascendas REIT (CLAR) (Moody's, A3).** We think that its longer-end pick up yield to SGS at around 50bps-130bps are attractive. While the 9/25 tranche has a higher positive spread to SGS, it is set to mature next month. The trust is a renowned industrial REIT player in Singapore with good overseas presence. CLAR's diversified portfolio of 229 properties across Singapore, Australia, Europe, and the US is valued at SGD16.8bn as of 30 June 2025. The financial performance has remained sound while the portfolio quality is set to be enhanced via M&A and assets disposal (Read here).
- **SGD Bond:** (29/2/24) **We are Outperform on Nanyang Technological University (NTU) (Aaa) given the better relative value (vs NUS), prudent financial management and the expected extraordinary financial support from the state due to their strong operational and policy interlinkages.** NTU is one of Singapore's largest universities that is highly ranked worldwide with over 34k undergraduate and postgraduate students. The university has strong linkages to the government as the Board of Trustees also have positions in the public sector and government-linked entities. Moreover, the members of the Board of Trustees can be removed and appointed by the Minister of Education under the Nanyang Technological University (Corporatisation) Act of 2005. The government is NTU's important source of funding with it received through three main grants programs – operating grants, research grants and development grants.

  In FY23, the state-owned university recorded net loss of SGD20mn mainly due to higher expenditure from manpower expenditure and other expenses that grew 6.0% and 23.6% YoY, respectively. Meanwhile, tuition & other student-related income rose and research & grants rose 5.4% and 35% YoY, respectively. Undergraduate and post-graduate students continued to grow at 0.8% and 14.1%, respectively. Debt-to-equity remains low at 0.13x, while its cash holdings remains high at SGD5,778 which will provide sufficient buffer for its substantial debt coverage and operations. NTU 10/36 also offers a slightly better 7bps pickup compared to NUS 3/33 albeit at a longer duration.

- **SGD Bond:** (5/12/23) We remain **Market Perform on Housing & Development Board** (AAA) (HDB) given the close spreads over SGS. HDB the Singapore government's arm that mainly deals with primary public housing and related social policy. HDB has high likelihood of support from the government due to its strong link with the government and its special status as a key statutory board under the Fifth Schedule of the Constitution of Republic of Singapore and incorporation under the Housing Development Act 1959 which does not allow it enter bankruptcy.

In FY23, its deficit rose to SGD5.36bn (57.4% of revenue) from SGD4.34bn (55.4% of revenue) in FY22 as constructions costs rose, while construction activities increased follow the slowdown during the pandemic. However, the government provided grants to preserve HDB's capital and deficits. HDB's total debt stood at SGD65.73 (FY22 SGD65.65bn), while 57% of its debts are owed to the government.

- **SGD Bond:** (23/11/23) We maintain **Outperform on Singtel Telecommunications Ltd** (A3) (Singtel) as we think the 7/31 is attractive with a MTM of 4.73%. Singtel is an integrated telecommunications service provider that is 52% owned by Temasek and has strong market positions in Singapore and Australia (Optus).

  The group's 1H25 revenue fell 3% YoY to SGD14.1bn due to translation losses from its Australian operations and weaker Singapore operations, which fell 3.4% YoY. The balance sheet remains strong, with a low D/E ratio of 0.41x and a high CFO-to-interest ratio of 18.0x. Singtel plans to reduce core costs by SGD200m annually until FY26 by decreasing operational complexity, increasing digitalisation & automation and decommissioning legacy systems.

- **SGD Bond:** (24/10/23) We are **Market Perform on StarHub Ltd (Unrated)** and prefer the 1/31 over the 6/26 given the shorter-end bond's deep negative spread over SGD Corporate Curve. The fully integrated info-communication company offers communications, entertainment and digital services for both corporates and consumers in Singapore, and is 56.2% indirectly owned by Temasek Holdings Pte Ltd, through Singapore Technologies Telemedia Pte Ltd. Its 1H23 revenue are mainly made up of its Enterprise Business (37.6%) and Mobile segments (27.4%). In 1H23, Starhub's total number of subscribers were relatively stable with around 3.1mn subscribers – 2.2mn mobile (1.6mn post-paid, 0.6mn prepaid), 342mn entertainment and 576mn broadband subscribers. Meanwhile, the average revenue per user was mostly stable in 1H23 for its post-paid, prepaid, entertainment and broadband segments at SGD32 (1H22: SGD 29), SGD7 (1H22: SGD8), SGD45 (1H22: SGD0) and SGD34 (1H22: SGD34) respectively. Its net debt-to-equity ratio is at 1.08x, while its EBITDA-to-interest ratio is at 5.4x. Our equity analyst expects the Company's FY23-25 core earnings to improve by 3-11% mainly due to stronger opex efficiencies. Read more from our equity team here.

- **SGD Bond:** (17/10/23) We are **Market Perform on Changi Airport Group (Singapore) Pte Ltd** (CAG) (Aaa) as its yield are slightly below the SGD Corporate curve, while giving additional pick up yield of about 60bps from SGS. The Ministry of Finance owns 100% of CAG, the sole airport operator in Singapore and it owns and operates Singapore Airport (Changi Airport), the dominant international airport in the country. The top rating of Aaa given by Moody's reflects its strategically important role in providing a key infrastructure and receives implied support from the state. CAG credit metrics and traffic is on track to recover to pre-pandemic levels following the removal of COVID-19 restrictions. Passenger movements rose to 42.6mn in FY23 (FY22: 5.2mn, FY19: 66.3mn) and commercial aircraft movements rose to 257mn in FY23 (FY22: 123mn, FY19: 386mn). Capex is expected to pick up as there are plans to increase capacity of total passengers with the resumption of terminal 5 construction at Changi Airport in 2024. Terminal 5 targets to operate by mid-2030s and is expected to handle around 50mn passengers per annum. Its financial profile is strong with CFO/debt service of 2.0x in FY23 and debt/equity of 0.49x.

- **SGD Bond:** (18/7/23) We are **Outperform National University of Singapore** (NUS), rated Aaa by Moody's, as its yields are above SGS at c.3.55-3.72%. As at end FY22, NUS have high endowment balance reflected by its total cash and investments of USD10.4bn, while its liquidity is strong with total cash and investments to operating expenditures at 5.3x. Total undergraduate and postgraduate enrolment for academic year ending July from 2018 to 2021 were c. 35- 40k with total enrolment growth rate of c. 3-5%. NUS have a close relationship with the Singapore government and has historically received government grants that amount to 40-50% of its total adjusted operating revenue. The university is Singapore's top higher education provider that has a strong global presence and enjoys implied extraordinary support from the government due to its importance in Singapore's university system.

- **SGD Bond:** (11/7/23) We are **Outperform Keppel Corporation Limited** (Keppel) 2026-2030 bonds as the spread are 60-80bps higher than SGS. Keppel is a conglomerate that is 21% owned by Temasek Holdings and operates in the energy & environment, urban development, connectivity and asset management sector. Majority of its revenue are from its energy and environment division.

  In 1H24, adjusted PATAMI, fell 25% YoY to SGD364mn as real estate losses dragged, still, asset management profits rose from SGD30m to SGD75mn due to a bump in performance and management fees, AUM grew by 13% YoY to SGD60bn. The company should see lower earnings as property sales decline. Nevertheless, balance sheet could see a boost from monetisation of Rigco and Floatel. In its full financial year 2023, credit metrics weakened with D/E ratio rising to 1.01 from 0.87 YoY while CFO/debt service fell to 0.2 from 0.5 previously

- **SGD Bond:** (19/5/23) We reiterate our buy call for **Singapore Airlines** (SIA). As travel recovered, SIA's revenue for its full-year Mar 2024 grew by 7% YoY from SGD17.8bn to SGD19.0bn, sustaining its post-covid recovery momentum, similarly, net income grew by 24% over the same period from SGD2.16bn to SGD2.68bn. Meanwile credit metrics moderated as the company carry out a capital reassessment and undertook a repayment of its convertible bonds, lifting its D/E ratio to 0.93 as at Sep 2024 from 0.76 at end-2023. Robust travel outlook should sustain cash flows while SIA's longer-term outlook is supported by its majority shareholding by Singapore's sovereign wealth fund.

- Hospitality REITs like **CapitaLand Ascott Trust** (CLAS) are primary beneficiaries of the rising rental rates and heathy employment environment in Singapore, CLAS has seen revenue growth from higher occupancy rates, and has stable to improving credit metrics in the past two years. And the inverted front-end SGD yield curve offers more than 4.0% YTM for an 8-month bond. CLAS is a REIT primarily invested in income-producing real estate and real estate-related assets which are as serviced residences, hotels, rental housing properties, and other hospitality assets. The Company serves customers worldwide and is a primary beneficiary of the rising rental rates and stable employment environment in Singapore, CLAS has seen revenue growth from higher occupancy rates, and has stable to improving credit metrics in the past two years.

- **CapitaLand Ascendas REIT** (CLAR). CLAR is an industrial REIT which invests in business and science park properties, integrated development, amenities, and retail (IDAR) properties, high-specifications industrial properties and data centers, light industrial and flatted factories, and logistics and distribution centers. It has assets globally and generates 80% of revenue from Singapore. CLAR, similar to CLAS, is part of the real estate conglomerate CapitaLand, and is expected to generate better income due to higher rents (+8%) and good occupancy (94.6%). Credit health is underpinned by conservative leverage and healthy credit metrics.

- **Land Transport Authority** (LTA). Land Transport Authority of Singapore plans, operates, and maintains land transport infrastructure and systems. The Authority manages, assesses, collects, and enforces various taxes, fees, charges, and other services relating to the land transport. In the Quasi government space, we like the government owned LTA which are important state agencies and offers good pickup versus government benchmark yields.

THB Bond

- **THB Bond: (23/1/24) We are Underperform on Siam Cement PCL (SCC) (A, Fitch) as its bond yields returns are below its A rated peers, while we expect SCC's 4Q23 financial performance results to disappoint given the weak demand seen in its business segments.** SCC is a diversified industrial company that manufactures, cement, petrochemicals, paper and building materials. The Company has about 9k dealers in Thailand and 57% of its revenue comes from Thailand. Its main divisions are cement & building materials, petrochemicals and packaging businesses.

  In 9M23, SCC's net profit was little changed on YoY basis but it fell significantly by 70% QoQ. This is mainly due to weak performance in all three of its business division, especially the petrochemicals segment which was affected by lower polyolefin spreads that fell USD50-70/Mt QoQ. There was a THB176m asset impairment in the cement & building materials segment, while the packaging segment saw lower sales volume and pulp & paper prices. SCC's net debt-toequity ratio remains stable at 0.62x.

- **THB Bond: (7/12/23) We are downgrading Charoen Pokphand Foods (CPF) (A+ Neg, TRIS) to Underperform from Marketperform as we are turning negative on the group's credit outlook on the back of deteriorating credit metrics as the company has been experiencing increasing debt levels and widening debt service deficits on the back of persistently weak post-CAPEX cash flow turnaround.** Although we see the 9M23 net losses as transitory, the company will likely face hurdles to bring gearing and debt service to sustainable levels.

  In 9M23, CPF made net loss of THB5.5bn from profit of THB12.2bn in 9M22 as broiler, swine and shrimp price fell 8%, 28% and 13% YoY, respectively. Its net debt-to-equity ratio rose to 1.82x as interest-payment burden rose 30% YoY to THB18.6bn in tandem with the higher Fed Fund rate as 85% of its total long-term debt is USD denominated at the end of 2022. CPF is a Thailand based integrated food and agro-industrial company that produces and distributes a wide range of food products. Its products include animal feed, pet snacks, ready-to-eat meals, meat and food products. The Company operates in 17 countries and exports products to over 40 countries globally.

- **THB Bond: (30/11/23) We maintain Outperform on Thai Beverage PCL (THBEV) (Baa3) as it yields are attractive in comparison with its BBB- peers.** THBEV produces a wide range of branded beer and spirits in Thailand and Vietnam. The Company has 27 distilleries, 20 manufacturing facilities and three local breweries.

  Its Sep FY24 revenue rose by 2% YoY to THB340bn from RHB333bn in FY23, net profit was flat at THB27.2bn from RHB27.4bn previously. THBEV's D/E ratio rose to 1.05 from 0.77 in FY23 due to capital reduction while debt levels remain stable. Other credit metrics remain robust with CFO/interest ratio at 6.2x.

- **THB Bond:** (17/11/23) **We maintain Market Perform on Berli Jucker PCL (BJC) (A+, TRIS) as BJC's yields are on par with its A+ peers.** BJC owns the retailer Big C, manufactures, distributes consumer products and operates online and physical retail stores.

  In 9M23, BJS's net profit fell 6.6% YoY to THB3,157mn mainly due to increase in finance cost and electricity cost, while the opex-to-sales ratio increased 0.6% YoY on the back of higher opex from the opening of new stores. Credit metrics remains decent with debt-to-equity ratio and EBITDA/interest ratio at 1.34x and 2.1x, respectively. Net margin has been low but stable at 3%. We believe that the Company's performance is bottoming out and will improve along with better tourism activities in Thailand.

- **THB Bond:** (21/7/23) **We are Underperform Global Power Synergy (GPS) as its bond yields are below the indicative yield of its A+ peers.** The Company is rated A+ by international rating agency with a two-notch uplift from its parent, PTT PCL with 47% stake, as there are strategic and operational benefits for the parent to support GPS. GPS generates 10% of Thailand's power with predictable cash flow from its power-generation assets. Around 43% of the Company's revenue is contracted under long-term take-or-pay power purchase agreements with state-owned Electricity Generating Authority of Thailand and an additional 31% comes from PTT group. In 1Q23, its debt-to-equity ratio is high at 1.16x given its large capex and investment plans.

- **THB bond:** (22/6/23) **We are Outperform PTT Global Chemical (PTTGC) (AA+) as its bonds gives attractive yields, c. 2.07-4.06%, versus TGB.** The petrochemical company produces, refines and distribute olefins and aromatics products globally with Thailand being its largest market. PTTGC largest shareholder is PTT that owns 45% and has long term feedstock supply and product off-take agreements with PTT as it plays a key to its parent's energy value chain. PTTGC's earnings are vulnerable to volatility as shown in the past few years, while weak petrochemical margins remain a pressure.

  In 9M24, revenue rose by 4% to THB475bn from THB458bn in 9M23. Net loss worsened to -THB18bn from –THB4bn previously due to a mostly non-cash impairment charge for Vencorex. Borrowings remain stable with D/E ratio at 1.02 as at Sep 2024. PTTGC enjoys implied credit rating support from its parent PTT in rating agencies' view.

- **THB bond: CP ALL - We recommend THB bond CP ALL PCL, as the group will benefit from the economic recovery and return of foreign travellers.** The company operates convenience store chains in Thailand and China.

  Recent 9M24 revenue grew 7% YoY to THB709bn from THB661bn in 9M23, while net income grew 42% to THB17.9bn from THB12.6bn previously. The improvement in cash flow saw gearing improving to 1.35 at Sep 2024 from 1.42 at Dec 2023. Other credit metrics remain healthy.

- **THB bond: PTT PCL (PTT) operates as an oil, gas and petrochemical company based in Thailand.** The Company produces, transports, and sells natural gas, crude oil, lubricants, aviation and marine, and petrochemical products. PTT's strategic importance to Thailand's Energy sector and 63.3% state ownership indicates a high likelihood of extraordinary support from the Thai Government. As such the group enjoys credit uplift from the rating agency from this relationship.

  In 9M24, revenue rose by 1% to THB2.366bn from THB2.338bn in 9M23 while net income rose by 2% to THB80.8bn from THB79bn previously. Meanwhile, the net D/E ratio remained stable at 0.44 at 24 September. The impending price revision should help earnings move higher, while the operation remain vulnerable to currency volatility given the pricing of the commodity.

USD Bond

- **USD Bond: (17/4/24) We are keeping our Outperform call on Resorts World Las Vegas LLC (RWLV, BB+, S&P) given the still-attractive c. 74bps spread against the BB+ benchmark**. Meanwhile, we downgrade Genting New York (GENNY, BB+, S&P) to Market perform, as we think valuations are fair post rally. Since our Overweight call on RWLV and GENNY in Aug2023 (Read here), both names benefitted from the spread tightening due to the US HY rally as well as idiosyncratic factors. RWLV generated total returns of between 12.6% to 14.5%, while GENNY recorded returns of between 8.5% to 9.1%, both significantly outperformed the Bloomberg USD HY index return of 6.61%.

  We keep the outperform call on RWLV despite the halving of the spread against BB+ curve from c.140bps to c.74bps, in addition, the healthy pickup should be able to cushion any near-term rise in UST yields. In FY23, Genting Bhd's US and Bahamas operation (which includes RWLV) reported jump in revenue and earnings, recording a higher 16% YoY revenue to MYR5.97bn and higher 46% YoY in adjusted EBITDA to MYR1.4bn.

Meanwhile we downgrade GENNY's to Marketperform as spreads are now at fair levels post the recent rally, in addition, uncertainty could surround credit profile of the company as there could be potential for new major CAPEX as the GENNY is among the few favoured for a new casino license in New York, although financial support from the parent company is expected. In FY23, Genting Malaysia Bhd's US and Bahamas operation (which includes GENNY), reported improved revenue and earnings, reporting a higher 13% YoY revenue to MYR1.88bn and higher 15% YoY in adjusted EBITDA to MYR550mn. We think Fitch's negative rating watch on GENNY is immaterial as their rationale is due to potential change in implied financial support from its parent entity.

- **USD Bond:** (22/3/24) **Market Perform TNB Global Ventures Capital Berhad (TNBGV) (BBB+, S&P).** We like TNBGV's strong balance sheet and the 10/26 bond over the 11/28, given the higher spread at the front-end. Tenaga Nasional Berhad (TNB) is the obligor of TNBGV SPV that issues USD bonds. TNB is Malaysia's largest vertically integrated electric utility in Malaysia and produces most of the power in Peninsular Malaysia. Its generation mixed are mostly made up of coal (56%) and gas (38%) as of Sep-23. The government is highly likely to support TNB as the Company plays a core role in the country's power utility.

  In FY23, net profit fell 20% YoY due to weaker domestic generation arm that turned into losses of MYR527mn, larger general expenses and fuel margin losses. This is despite the higher electricity sales and lower tax from the absence of prosperity tax. In 4Q23, net profit fell 32% QoQ due to increase in opex, offsetting its positive fuel margins and lower finance costs. Electricity demand in FY23 rose 3,6% YoY mainly due to stronger commercial (+7.6% YoY) and domestic (+6.7% YoY) segments, while industrial segment fell -2.6% YoY. TNB's strong balance sheet is supported by its high cash holdings of MYR21bn, while its cash flow from operations interest coverage ratio is high at 6.9x in FY23. The Company's debt-to-equity ratio is at 1.52x due to drawdown additional borrowings for working capital and capex needs. Due to the business capital intensive nature, there is risk that TNB's gearing will increase as it plans to venture into the overseas market such as South Korea, Taiwan and Australia.

- **USD Bond:** (22/2/24) **We are Market perform on Pertamina Geothermal Energy Tbk (PGEO) (Baa3) as its strong credit metrics is reflected in its bond yield return. PGEO one of Indonesia's top geothermal independent power producer (IPP) with total installed capacity of 1,877MW.** It is indirectly 75% owned by Pertamina (Persero), a state-owned entity, while Moody's is in view that its ultimate parent will provide the energy company support in times of stress due to strong operational linkages and strategic importance.

  In 9M23, net profit rose by 20% YoY to USD134mn due to 34% YoY increase in foreign exchange gains, while blended average selling price increased by 1.6% YoY to USD8.16 cent/kWh. Blended cost of production rose by 5.4% to USD4.10 cents/kWh. Outage rate fell to 0.44% from 1.06% in 9M22. Debt-to-equity ratio improved to 0.38x due to large increase in cash. PGEO capex is expected to increase as it plans to increase its geothermal capacity by 600MW by 2027, this will be mainly funded by additional debt.

- **USD Bond:** (6/2/24) **We are Underperform on Perusahaan Gas Negara PT (PGAS) (Baa2) given the compressed 5/24 yields.** PGAS is a gas transmission & distribution company with over 90% market share in Indonesia. The company has around 5.8k km of pipelines with gas distribution volume of 900 billion British thermal unit per day. An International rating agency assigned a one notch rating uplift based on the high likelihood of support from the government through PGAS's parent, Pertamina Persero PT, due to PGAS's strategic role in the sector and Indonesia. Moreover, the government owns a golden share in the Company.

  In 9M23, net profit dwindled to 57% YoY to USD198mn due to higher gas cost and lower distribution margin. The Company faces challenges in passing on its cost to protect its margin due to the law enacted in 2017 which gives the Ministry of Energy and Mineral Resources the power to determine the gas price based on a formula that caps PGAS's returns. In late 2023, PGAS'S proposal to raise industrial gas pricing for unregulated gas users was rejected by the government. The company's CFO/debt service is strong at 4.6x, while debt-to-equity ratio is low at 0.32x.

- **USD Bond:** (2/2/24) **We are on Marketperform on Indofood CBP Sukses Makmur Tbk PT (ICBP) (Baa3) as the bond yield returns as similar to its peers, while there is risk that its high USD debt service would affect its earnings.** ICBP is based in Indonesia and is a packed food products manufacturer. Products that it manufactures include instant noodles, snacks, dairy products, seasonings and beverages. The manufacturer has a production capacity of 35bn packs of instant noodles per year, 80 factories across Indonesia, Malaysia, South Eastern Europe, Middle East and Africa. Around 70% of its revenue are from Indonesia and from its instant noodles product segment.

  In 9M23, net income surged 113% YoY to IDR7.1bn as sales of its noodles (+5% YoY) and snack food (+17% YoY) segment jumped. The manufacturer's revenue in Indonesia fell 1.5% YoY but was offset by its 15% YoY increase sales in other countries. Pinehill that was acquired by ICBP in 2020 for IDR43.5tn saw strong growth of 11% YoY. The movement of USD/IDR would impact the company's performance as 95% of the acquisition of

Pinehill was funded by USD debt borrowings. That. ICBP debt-to-equity ratio remains stable at 0.7x, while its CFO/interest is strong at 14.3x.

- **USD Bond:** (11/1/24) **We maintain Outperform on IOI Corporation Berhad (IOI) (Baa2, Moody's) given the 5/31's attractive spread over the Asian BBB curve.** The company issues its bond through its SPV, IOI Investment L Berhad. IOI is one of Malaysia's biggest palm oil company with a total oil palm area of around 174k hectares with an average age of 14, as at Jun-23. The Company also has downstream manufacturing facilities like refineries, oleochemical, and specialty fats manufacturing plants. Moreover, IOI owns 32% of Bumitama Agri (AA2), a pure upstream player in Indonesia.

  In 1Q23, net profit rose 77% YoY to MYR304mn and attained CPO price of MYR3,789/tonne (-16% YoY), FFB production rose to 734k MT (+10% YoY), while CPO production increased to 165k MT (+13% YoY). Credit metrics remain strong with low debt-to-equity ratio of 0.32x. With the confirmation of El Nino that is expected to last through 1H24, pure planters such as IOI is expected to benefit from the CPO price upcycle. We expect to see the impact of price upcycle from El Nino in late 2Q24 and we project CPO prices to reach MYR3,900/tonne for FY24F.

- **USD Bond:** (21/9/23) We maintain **Market Perform on Thai Oil PCL** (TOP) (BBB-) and **Thaioil Treasury Center Company Ltd** (TTCC) as its pickup yields are low when compared to its USD US Energy BBB- peers. TTCC bonds are guaranteed by TOP. TOP is Thailand's largest oil refiner with capacity of 275k barrels per day (bpd) and has long-term feedstock supply and product off-take agreements with subsidiaries of PTT PCL. TOP is strategically important to its parent PTT's (48% stake) downstream oil business, it is likely to receive extraordinary support from its parent PTT that is 51% owned by the Thai Government.

  In 3Q23, net profit rose by 869% QoQ to THB10.8bn as its oil refinery business contributed higher due to gross refining margin increasing 176% QoQ to USD12.4/bbl. Debt-to-equity ratio was little changed at 1.18x. Performance in 4Q23 is expected to be weaker as gasoline crack spread in October fell 51% MoM to about USD6/bbl due to soft gasoline demand following the end of US driving season, peak demand season for gasoline.

- **USD Bond:** (11/10/23) We are **Marketperform on Pertamina Persero PT** (Pertamina) (BBB) as it yields provides little pick up compared to the US Energy AAA curve. Pertamina is the largest integrated oil and gas player in Indonesia and is state-owned with 100% ownership by the Indonesian government. This reflects the high likelihood of extraordinary support from the Government of Indonesia. Pertamina is strategic to Indonesia as it produces c. 45% of Indonesia's fuel requirements and fuel that it sells are at a subsidized priced mandated by the government, while receiving subsidy reimbursement from Indonesia. Pertamina produces an average of 967 thousand barrels of oil equivalent per day (kboepd) and to plans achieve 1,000 kboepd per day by 2030. To achieve this, it plans to drill more than 800 development wells and 29 exploration wells in 2023. The higher kboepd will contribute to higher revenue over the years.

  In FY22, Revenue rose 48% YoY to USD3.8bn as oil prices were strong, product price increase and both upstream & downstream business were better. Furthermore, oil production increased 8% YoY, while sales volume increased 5% YoY. FY22 capex of USD4.5bn is mainly due to upstream investment and refinery investment. Pertamina plans to spend USD65bn from 2023-2027 to expand its drilling production and refinery capacity. Historically the Company capex is lower than the budgeted amount.

- **USD Bond:** (26/9/23) We are **Outperform on MISC Berhad** (MISC) (BBB) USD bonds that it issues through its SPV and guarantees, **MISC Capital Two (Labuan) Ltd**. The yield returns are good as it is above the USD US Corporate BBB curve. MISC is an international energy shipping company with business activities in liquefied natural gas & petroleum shipping and offshore & heavy engineering and is 51% owned by Petroliam Nasional Berhad, a state-owned integrated energy entity. The Company operates 12 offshore floating facilities and 97 chartered-in vessels and has a combined capacity of more than 13mn dead weight tonnage. International rating agencies views that the parent will provide extraordinary support to MISC due to the close integration between them. The operation of Mero 3, which started in 3Q24 will improve CFO and earnings over the next 22 years. 9M24 revenue were flattish at MYR9.93bn compared to MYR9.99bn in 9M23 while net income rose 10% to MYR1.64bn from MYR1.5bn. CFO softened to MYR2.46bn from MYR4.1bn a year ago due to a one-off prepayment previously. Sep 2024 D/E ratio remains healthy at 0.44 while other credit metrics remain robust as well.

- **USD Bond:** (19/9/23) We are **Outperform on Keppel Corporation Ltd** (Keppel) (Unrated) as the 6/25 bond yield of 5.87% is above the USD Corporate A curve. Keppel is 21% owned by Temasek and has segments in Energy & Environment, Urban Development, Connectivity and Asset Management which makes up 63%, 14%, 20% and 3% of 2022 revenue respectively.

  In 1H23, net profit excluding one off divestment gain of SGD3.3bn grew 2.5% YoY to SGD445mn mainly due to better performance in infrastructure from better integrated power business. Keppel gained SGD3.3bn from disposal of its offshore & marine business as it is shifting to remove its conglomerate structure and become a global alternative real asset manager with deep operating capabilities in Infrastructure, Real Estate and Connectivity. Its CFO/Interest weakened to -1.6 as interest expense rose to SGD148mn with average interest cost of 3.53%.

- **USD Bond:** (14/9/23) We are **Outperform on Singapore Exchange Ltd** (SGX) (AA) as the SGXSP 9/26 gives additional 30 plus bps above similar rated bonds. SGX enjoys monopoly in Singapore as it is the sole equities exchange, equities clearinghouse and central depositor, while it has 18 offices globally apart from Singapore. International rating agencies view the exchange to have high probability of support from the Singapore Government due to its strategic and systematic importance in the country. FY23 Revenue rose 8.7% YoY mainly due to fixed income, currencies and commodities (FICC) business that grew 30.6% YoY. The Company's debt-to-equity ratio improved to 0.43x. while capex is expected to increase to SGD75-80mn in FY24 due to SGD8mn deferment in FY23.

- **USD Bond:** (7/9/23) We are **Outperform on PTT PCL** (PTT) as its 12YR bond yields gives additional pickup of 20bps against its USD US Energy BBB+ peers. PTT operates as an oil, gas and petrochemical company based in Thailand. The Company produces, transports, and sells natural gas, crude oil, lubricants, aviation and marine, and petrochemical products. PTT's strategic importance to Thailand's Energy sector and 63.3% state ownership indicates a high likelihood of extraordinary support from the Thai Government. As such, the group enjoys credit uplift due to its strategic importance to the energy sector and close link to the Government of Thailand.

  In 9M24, revenue rose by 1% to THB2.366bn from THB2.338bn in 9M23 while net income rose by 2% to THB80.8bn from RHB79bn previously. Meanwhile, the net D/E ratio remained stable at 0.44 at 24 September. The impending price revision should help earnings move higher, while the operation remain vulnerable to currency volatility given the pricing of the commodity.

- **USD Bond:** (5/9/23): We are **Outperform on Perusahaan Listrik Negara Persero** (PLN) (BBB) as its USD bond offers yield pickup of 5.5% to 6.6 % that are above its corporate peers, especially at the long-end. International rating agencies view the Company's credit as equal to that of Indonesia due to its importance in providing a key public service, its strong linkage to the state and expectations of a likelihood of sovereign support. PLN is a 100% government-owned integrated electricity utility company, with a monopoly position in Indonesia's electricity transmission and distribution, and dominant position in power generation. In return for meeting the country's public-service obligation, PLN receives support from the Indonesian government through electricity subsidies payments.

  However, there is an average of 17% gap of actual and budgeted subsidy paid, while there are delays in the actual payment of the subsidies in recent years. The irregularity of the timing of payment could strain the Company's credit profile. PLN's credit metrics may be strained as large capital expenditure is required for its plans to increase to a 14.3-gigawatt capacity over the next ten years. In 9M24, its D/E ratio improved to 0.36x from 0.38x in FY23, while net income fell marginally by 3% to IDR25.1tn from IDR26.0tn in 9M23.

- **USD Bond:** (23/8/23) We are **Outperform on PT Freeport Indonesia** (PTFI) (BBB-) as its bond yields are well above the USD Indonesia Corporate curve. PTFI has exclusive rights to mine and operate the largest gold and copper mining deposits globally in terms of production and reserves, the Grasberg mine in Indonesia. The Indonesian Government owns 52% of the Company, while the remaining 48% is owned by an American mining company, Freeport-McMoRan Inc. The copper and gold reserve at Grasberg mines are estimated to have a reserve life up to 2041 if PTFI mines within its planned production of 1.6bn pound of copper annually. PTFI's performance is exposed to metal prices as its revenue are mostly from copper followed by gold sales. Copper and gold prices had remains well above its pre-pandemic levels at c. USD374/lb and USD1,900/oz respectively. PTFI's EBIT margin is high at 54% in FY22 due to its low production cost. Its low debt/EBIT of 0.5x gives it room to take up more capex and build more smelters.

- **USD Bond:** (4/8/23) **Petroliam Nasional Berhad** (Petronas) (A2, Moody's) is a leading multinational, integrated energy company with global presence in over 50 countries, a strategic to Malaysia state-owned entity. International rating agency Fitch assess Petronas's standalone credit profile to be stronger than that of its shareholder, **meaning implied rating is at least A1**. The company benefits from exclusive rights to Malaysia's oil and gas reserves by law. As of 1 Jan 2023, Petronas' entitlement to proven oil and gas reserves was 6.78 billion barrels oil equivalent, with around 53% are located in Malaysia. The Company's strong financial metrics and robust liquidity as of 1Q23 is supported by sturdy balance sheet profile with robust net cash position of MYR110bn and stable debt-to-equity ratio of 0.29x. Petronas' CFO/debt-service ratio is at 4.5x. In 1H22, the Company reported higher EBITDA of 80% to MYR82bn due to high oil prices. The company's bonds are trading well above USTs but tighter than the Bloomberg USD Asia materials curve with average rating of A2, as such, we are **Marketperform** on Petronas USD bonds.

RHB Credit Strategy Rating Definitions

Recommendation	Time Horizon	Definition
Outperform	6 to 12 months	A corporate bond's expected relative performance versus a defined reference (i.e. AA3 peers or a corporate bond index)
Market perform	6 to 12 months	
Underperform	6 to 12 months	
Speculative	Indefinitely	The bond's repayment ability is highly uncertain
Not Rated (NR)	Indefinitely	Not under coverage

Disclaimer Economics and Market Strategy

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