Malaysia Morning Cuppa

Top Story

Market Strategy
New Growth Cycle Brings Fresh Opportunities
Market Outlook
Near-term caution, but outlook remains positive. While near-term market risks will stay elevated, our base case expectation for 2025 remains constructive for equities. The US Federal Reserve's dovish pivot and recent economic data should support a soft landing scenario for the global economy. News flow will retain a positive bias with the strong MYR offering upside to corporate earnings, as stable politics support further progress on the reform agenda. Our investment strategy is centred on navigating 4Q volatility, protecting realised gains, and positioning for 2025.
Analyst: Alexander Chia +603 2302 8119
Today's Report: Market Strategy : New Growth Cycle Brings Fresh Opportunities (10 Oct 2024)
Previous Report: Market Strategy : Building Momentum For a New Cycle (5 Jul 2024)

Thematics / Ground Checks

- Data Centres : The Story Continues
- Mynews : Maru Café's Debut; Stay BUY
- Construction : Paying a Visit To The MRT3 Public Inspection Kiosk
- Hong Leong Bank : Chengdu-ing Just Fine; Keep BUY
- Consumer Products : Net Zero In a Consumer World
- Power : Data To Power Growth; Keep OVERWEIGHT
- Medical Tourism In ASEAN : Connecting Wellness And Tourism
- Invest Johor 2024 : Johor: Transitioning Into A Supercharged Growth Phase
- Plantation : At The Crossroads
- YTL Power : Sneak Peek At Green DC; Keep BUY
- YTL Power : Wessex Water Visit; Keep BUY
- Net Zero Transportation : Transitioning Towards Low-Carbon Transport

Other Story

Guan Chong (GUAN MK, BUY, TP: MYR5.10)
Mutually Beneficial Tie-Up With Regulator; BUY
Company Update
Analyst: Lee Meng Horng +603 2302 8115
Today's Report: Guan Chong : Mutually Beneficial Tie-Up With Regulator; BUY (10 Oct 2024)
Previous Report: Guan Chong : Selling Overdone, Time To Accumulate; BUY (28 Aug 2024)

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Astro Malaysia : Ceasing Coverage
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Malayan Banking : Highlights From Investor Day
Padini : Baking In Stronger MYR Assumptions

Bulletin

STOCK/SECTOR	NEWS	COMMENT	RATING
Leong Hup Industries (LHIB MK) QL Resources (QLG MK)	The Ministry of Agriculture and Food Security is reviewing the subsidy for chicken eggs (Grades A, B, and C). Minister Datuk Seri Haji Mohamad Sabu said ending the egg subsidy will save the Government MYR100m a month. *(The Edge Malaysia)*	This is not a surprising development following the termination of the subsidy programme for broiler chickens at end 2023 – in view of the egg supply recovery and easing of feed costs, which should lead to more stable ASPs. We understand that the retail egg prices are now at the regulated ceiling price level, ie 42 sen, 40 sen, and 38 sen per Grades A, B. and C eggs (last revised in June and factoring in a 3 sen reduction). If the Government decides to stop providing subsidies for eggs, we foresee the impact to the egg producers as a slight negative. The removal of subsidies (10 sen per egg) will prompt the lifting of the ceiling price regulation. This will lead to free competition in the market and, consequently, allow the industry players to adjust ASPs accordingly to their respective efficiency levels and market share ambitions. In addition, the lower feed costs – as a result of the fall in commodity prices and weakened USD – will provide margins buffers to the efficient players to be more aggressive with pricing. Therefore, we believe the ASP hikes – if the subsidy removals were to materialise – may not be as much as 10 sen per egg, as the implied quantum of 24-26% would be fairly steep to be passed on without inflationary concerns or affecting demand. We maintain the recommendations and TPs for Leong Hup International (HLIB) and QL Resources (QLG) for now.	LHIB: BUY, TP: MYR0.84 QLG: NEUTRAL, TP: MYR4.24

Top BUYs

	TP (MYR)	Upside (%)	*Shariah*	Catalysts
AMMB (AMM MK)	5.90	17.5	N	• Focus on manufacturing sector and public infrastructure projects to drive loans growth, while provision buffers are ample with over 100% LLC (including regulatory reserves). • Near-completion of capital rebuilding exercises to enable greater dividend payout – management has committed to a c.15% 5-year DPS CAGR between FY24 and FY29F (Mar). • Attractive valuation of 0.8x P/BV against our more than 9% ROE forecast and management's 11-12% guidance
Dayang Enterprise (DEHB MK)	3.90	64.6	Y	• We like DEHB, as it is a direct beneficiary of higher maintenance, construction and modification (MCM) and hook-up commissioning (HUC) activities – as guided by Petronas – with an extra earnings boost from its 3-year Asset Integrity Findings or AIF contract win • DEHB's marine segment is also likely to benefit from stronger daily charter rates and better vessel utilisation • Further contract flows are expected from the new tender for Petronas' 5-year HUC and MCM contracts
Farm Fresh (FFB MK)	1.88	4.4	Y	• Relentless topline growth momentum to be sustained by the penetration into the ice cream and chocolate malt drinks markets • Cost tailwinds to driver margin expansion, further aided by the favourable FX • Continuous market share gains in UHT and growing up milk markets as well as the positive hotel, restaurant, and café/catering or HORECA momentum
Focus Point (FOCUSP MK)	1.20	57.9	Y	• We like FOCUSP for its industry-leading growth in the optical sector, underpinned by effective brand-building initiatives and a rising population of myopic people • We expect the F&B segment to ride on the expansion of its largest customer, FamilyMart. Additional orders from existing clients, along with new customers (eg ZUS Coffee and Cotti Coffee) are expected to drive a turnaround
Gamuda (GAM MK)	9.79	19.7	Y	• Commendable earnings visibility backed by a c.MYR27bn outstanding orderbook spread across Malaysia, Taiwan, Singapore, and Australia • Job prospects are bright with the group being pre-qualified for infrastructure projects in Australia easily worth >MYR10bn in total • A frontrunner to be involved in the Bayan Lepas Light Rail Transit project (estimated cost: MYR10bn) via subsidiary SRS Consortium
Guan Chong (GUAN MK)	5.10	78.9	Y	• We remain bullish on GUAN's anticipated robust performance in FY24, driven by margin expansion (higher ratio and revenue) • GUAN stands to benefit from more than just a one-off advantage stemming from securing low raw material costs early in the current environment of elevated bean prices • Proactive hedging strategy aiming to safeguard margins in the forward-selling mechanisms
Kerjaya Prospek (KPG MK)	2.57	34.6	Y	• Steady PAT margin of around 10%, which is considered better than that of most peers • Consistent job wins – this has yet to include industrial building jobs • International partner like Samsung C&T can facilitate KPG in securing more sophisticated jobs such as skyscrapers and semiconductor manufacturing facilities

KPJ Healthcare (KPJ MK)	2.13	1.9	Y	• We like KPJ on the back of its encouraging growth from hospitals under gestation, and strategic initiatives to upscale existing hospitals into tertiary and quaternary care centres that should transform KPJ's ability to tap into more complex and uncommon procedures – resulting in better revenue intensity ahead • Its health tourism segment should poised for a stronger growth in 2024 underpinned by expansion into new market, collaboration with Mayo Clinic Care Network and strengthening its local presence in Indonesia
Mah Sing Group (MSGB MK)	2.26	33.7	Y	• The recent approval of a 500MW power allocation for MSGB's Southville DC Hub is expected to significantly enhance the value of its 150-acre land earmarked for data centre projects • The company is likely to acquire more sites that are suitable for its M-series projects and industrial development. This should provide further upside to our RNAV estimate
Malaysian Pacific Industries (MPI MK)	38.50	69.6	Y	• We believe its valuation remains relatively attractive on the back of an expected strong earnings recovery vs peers • The recovery in semiconductor sales in China is expected to swing MPI's performance in Suzhou into the black, while the cessation of Dynacraft's leadframe business should yield positive earnings • MPI also stands to benefit from the overall recovery of the semiconductor industry and reacceleration of the automotive industry in 2025
Mr DIY (MRDIY MK)	2.59	19.4	Y	• Major proxy to capitalise on the positive sector developments, including the flexible Employees Provident Funds withdrawals and salary hikes for civil servants • Exciting potential of new venture in KKV as the second leg of growth • Increasing dividend payout ratio
Sime Darby Property (SDPR MK)	2	35.1	Y	• SDPR has both landbank and a robust balance sheet to accommodate more data centre demand going forward. We believe there could be further investments from Google for subsequent phases, given the latter's investment commitment of USD2bn in Malaysia • The company's property sales are expected to surpass its target of MYR3bn again by the year's end. SDPR already raked in MYR956m in property sales in 1Q24
Tenaga Nasional (TNB MK)	16.70	15.8	Y	• We continue to like TNB, as it is a proxy to Malaysia's energy transition growth journey under the National Energy Transition Roadmap or NETR • TNB should also continue benefiting from the continuous upgrade in transmission and distribution assets, where the demand for energy can be anchored by the mushrooming data centre developments.

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Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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