Malaysia Morning Cuppa

Top Story

Market Strategy
Mar 2024 Quarter Earnings Review
Malaysia Strategy
Steady as she goes. Corporate Malaysia emerged from the 1Q24 reporting season in pretty good shape. Overall results pointed to a QoQ improvement, with three sectors above estimates, and seven below (Dec 2023: One above, eight below). Results were marred by some high-profile large-cap misses in the oil & gas, and plantation sectors, offset by positive revisions in the basic materials, telecoms and property sectors. The palpable pick-up in business and investor sentiment, positive news flow, encouraging macroeconomic backdrop and swelling liquidity conditions prompts us to raise our end-2024 FBM KLCI target to 1,720pts from 1,600 pts.
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Today's Report: Market Strategy : Mar 2024 Quarter Earnings Review (5 Jun 2024)
Previous Report: Market Strategy : Dec 2023 Quarter Earnings Review (4 Mar 2024)

Thematics / Ground Checks

- Real Estate : When Technology Meets Real Estate
- Construction : Malaysia DC Construction To Strengthen Job Flows
- Gamuda : Moving Pho-Ward In HCMC; Stay BUY
- RHB Top 20 Malaysia Small Cap Companies Jewels 2024
- Technology, Property, and Construction : Penang: Silicon Hub Of ASEAN
- TASCO : Brighter Prospects In FY25; Maintain BUY
- Banks : In Pursuit Of Net Zero
- UEM Sunrise : From Seeing To Envisioning; BUY
- ESG Diamonds In The Rough : Our Best Investment Ideas
- Sarawak : Transitioning Into An Economic Powerhouse
- Gamuda : In a Sweet Spot To Leverage On Data Centre Growth

Other Stories

Datasonic Group (DSON MK, BUY, TP: MYR0.68)
Ensuring Supply Continuity; Keep BUY
Company Update
Analyst: Lee Meng Horng +603 2302 8115
Today's Report: Datasonic Group : Ensuring Supply Continuity; Keep BUY (5 Jun 2024)
Previous Report: Datasonic Group : Still Optimistic On FY25 Outlook; Maintain BUY (4 Jun 2024)

Malaysia Marine & Heavy Engineering (MMHE MK, BUY, TP: MYR0.60)
Another Wind Project In The Bag; Keep BUY
Company Update
Analysts: Miza Izaimi +603 2302 8121, Sean Lim CFA +603 2302 8128
Today's Report: Malaysia Marine & Heavy Engineering : Another Wind Project In The Bag; Keep BUY (5 Jun 2024)
Previous Report: Malaysia Marine & Heavy Engineering : A Good Start To The Year; Keep BUY (27 May 2024)

Recent Stories

Malaysia Morning Cuppa: 4 Jun 2024
Banks : System Loans Continue To Grow In April
CIMB : A Robust Start; Stay BUY
Integrated Oil & Gas : The Upstream Wave Continues; Still OVERWEIGHT
Tenaga Nasional : More Reasons For a Re-rating; U/G To BUY
UEM Sunrise : Developing a DC Campus With LOGOS; BUY
AME Elite Consortium : Acquiring New Land In a Matured Area; BUY
Sime Darby Plantation : Disappointing 1Q24, Big Long-Term Plans For Solar
KTI Landmark : Asset-Light Sabah-Based Developer
Advancecon : Ceasing Coverage
Datasonic Group : Still Optimistic On FY25 Outlook; Maintain BUY
SKP Resources : Demand Recovery To Propel Earnings Upcycle; U/G

Bulletins

STOCK/SECTOR	NEWS	COMMENT	RATING
CIMB (CIMB MK)	CIMB announced yesterday the appointment of Novan Amirudin as its incoming Group CEO. The new appointment takes effect on 1 Jul and follows the departure of current Group CEO Dato' Abdul Rahman, on 30 Jun. Novan is currently the Co-CEO of Group Wholesale Banking (GWB) as well as the CEO of CIMB Investment Bank. He joined CIMB in 2022 and, according to the announcement, has transformed GWB and implemented a new operating model to simplify, de-layer and specialise to sharpen its focus and execution. Novan has over 20 years experience in banking and advisory across Malaysia, Indonesia and Singapore. Prior to joining CIMB, he spent close to 16 years with JP Morgan. *(Bursa Malaysia, Company, Various news)*	The news is not totally surprising, given that the press had previously mentioned names such as Effendy Shahul (CEO of Group Consumer & Digital Banking) and Chu Kok Wei (Co-CEO of GWB) alongside Novan's as potential candidates to replace Dato' Rahman. With F23+ running until end-2024, the incoming Group CEO will have an opportunity to have a say in the course ahead. That said, we are not expecting any major departures from the journey so far, but rather to build upon the positive outcomes from F23+ such as improved cost efficiencies, Bank CIMB Niaga's reshape and the Singapore portfolio, and the turnaround in CIMB Digital Assets, among others. In the press release, CIMB said Novan's appointment is expected to provide a continuity of strategy and execution, leveraging on the success and achievements of F23+. We maintain our calls and TPs on CIMB and Bank CIMB Niaga.	**Stocks:** CIMB: BUY, TP: MYR7.60 Bank CIMB Niaga: BUY, TP: IDR2,500
AEON Co M (AEON MK)	AEON Co M has entered into a sale & purchase agreement with Real Attraction to acquire two pieces of land situated in Seremban, Negeri Sembilan. The lands are identified as Pajakan Negeri 49354, Lot 50880, measuring approximately 2.4 acres (103.8k sq ft), and Geran 281688, Lot 50465, measuring approximately 20.7 acres (900k sq ft). The lands are strategically located, immediately adjacent to the existing AEON Mall Seremban 2, which will enable the company to construct a building-commercial shopping centre link to the existing mall under one of its strategic expansion plans. The total purchase consideration is MYR102.9m. *(Bursa Malaysia)*	Based on our channel checks with industry players, the acquisition is considered slightly expensive at MYR102.50 per sq ft, but we are nominally positive as it gives AEON an opportunity to expand in Seremban – a second-tier city with less competition. The acquisition will be funded through a combination of internally generated funds and bank borrowings. Assuming 50% funding (c.MYR50m) from bank borrowings, finance expenses are expected impact net earnings by 1-3%. Meanwhile, net gearing will increase to 0.13x from 0.08x. The transaction is expected to be completed by 4Q25. We make no changes to our earnings forecasts at this juncture, pending further details on the funding arrangements and potential revenue contributions in FY26. We maintain our call and TP on AEON.	NEUTRAL, TP: MYR1.26

Top BUYs

	TP (MYR)	Upside (%)	*Shariah*	Catalysts
AMMB (AMM MK)	4.90	14.8	N	• Focus on manufacturing sector and public infrastructure projects to drive loans growth, with provisions expected to be strengthened using one-off tax credit in 3QFY24 (Mar) • Near-completion of capital rebuild exercises to enable greater dividend payout from current 35-40% range • Attractive valuation of 0.7x P/BV (sub-historical and peer mean) against 9% ROE
Axiata (AXIATA MK)	3.40	18.5	Y	• Key big cap stock laggard with valuation at -1.5SD from historical EV/EBITDA mean • Value unlocking from asset monetisation and balance sheet de-leveraging • Earnings tailwinds from frontier markets' economic recovery and peaking US interest rates
CIMB (CIMB MK)	7.60	8.7	N	• Continued ROE recovery, with FY23F earnings target at 10-11% (FY22: 10.2%) • Asset quality issues mostly addressed, credit cost stabilising at 45-55bps (FY22: 51bps) • Loan portfolio reshaping and cost take-outs bearing fruit
Dayang Enterprise (DEHB MK)	3.58	35.6	Y	• We like DEHB as a direct beneficiary of higher maintenance, construction and modification (MCM) and hook-up commissioning (HUC) activities guidance from Petronas with additional earnings boost from its recent 3-year Asset Integrity Findings or AIF contract win. • Its 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.
Gamuda (GAM MK)	7.08	14.2	Y	• Commendable earnings visibility backed by a c.MYR27bn outstanding orderbook spread across Malaysia, Taiwan, Singapore, and Australia • Job prospects appear bright with the group being pre-qualified for infrastructure projects in Australia easily worth >MYR10bn in total • A front runner to be involved in the Bayan Lepas Light Rail Transit project (estimated cost: MYR10bn) via subsidiary SRS Consortium
Guan Chong (GUAN MK)	5.10	29.1	Y	• We remain bullish on Guan Chong's anticipated robust performance in FY24F, 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.
IOI Properties (IOIPG MK)	2.75	12.2	Y	• The property investment division is expected to grow strongly with the recent opening of IOI City Mall Phase 2 and upcoming completion of IOI Central Boulevard office in Singapore • Projects in Xiamen will likely benefit from China's reopening • Long-term plan to REIT the property assets will be a significant value-unlocking exercise, which should benefit shareholders
Kerjaya Prospek (KPG MK)	2.15	16.8	Y	• Steady job replenishment trends with YTD new job wins already reaching MYR1bn vs target of MYR1.3bn for FY23 • Job replenishment prospects backed by ongoing developments such as the Seri Tanjung Pinang Phase 2 in Penang and Bukit Bintang City Centre • A major catalyst includes securing industrial building jobs via its Samsung C&T collaboration
KKB Engineering (KKB MK)	2.11	15.3	Y	• Poised to benefit from Sarawak-centric development projects by virtue of Sarawak Economic Development Corp's 10.7% stake in the group • A front-runner for fabrication jobs for hydrogen and methanol production projects • Robust capex spending could see more wellhead platform fabrication jobs for the group
Samaiden Group (SAMAIDEN MK)	1.58	19.7	N	• Beneficiary of Malaysia's transition towards renewable energy (RE), being a diversified player in the space – solar, bioenergy and hydro • Recurring income from its expanding RE assets with a current gross capacity of c.51.5MW • Potential venture into the Cambodian bioenergy market from its MoU with Mong Sotheary Trading, Management Venture Asia (Cambodia), and Panna Energy
UEM Sunrise (UEMS MK)	1.60	42.9	Y	• Johor could see a major railway infrastructure boom, especially if the Government proceeds with the Light Rail Transit and Kuala Lumpur-Singapore High Speed Rail projects • Given the emphasis on the smooth movement of people and cargo by the Malaysia and Singapore Governments, we believe areas closer to the borders could be included in the Johor-Singapore Special Economic Zone • UEMS remains the best proxy for Johor's multi-year growth story, as 92% of its landbank is located in Iskandar Malaysia. It also has 2,334 acres of land at Gerbang Nusajaya near the Tuas Link.
Yinson (YNS MK)	2.96	27.6	N	• We continue to like this counter for its exponential growth trajectory (3-year CAGR of 41%) backed by maiden contributions from three upcoming vessels • Monetisation of a partial stake of these projects are on the cards once they start contributing stable cash flows • Global FPSO demand remains robust and Yinson is comfortable of securing another project once either of the projects reach their tail-end conversion stages.

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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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