

# Malaysia Morning Cuppa

## Top Story & Regional Research

### Regional Oil & Gas (OVERWEIGHT)

Geopolitical Tensions Intensify Again; Still O/W

Sector Update

Maintain OVERWEIGHT on sector; Top Picks: Yinson and Dayang Enterprise in Malaysia, PTT Exploration & Production and Star Petroleum Refining in Thailand. Although Hamas' attack on Israel should have a limited effect on oil supply, we will continue to monitor the situation to see if geopolitical tensions ramp up in the Middle East. A relatively minor event may result in a knee-jerk surge of USD3-8/bbl in the price premium, while a long, dragged-out event could lift oil prices by >USD10/bbl. For now, we maintain 2023-2024 Brent crude oil price estimates at USD84-85/bbl.

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*Today's Report:* [Regional Oil & Gas : Geopolitical Tensions Intensify Again; Still O/W \(10 Oct 2023\)](#)

*Previous Report:* [Regional Oil & Gas : Tight Oil Market; Still OVERWEIGHT \(29 Sep 2023\)](#)

## Other Stories

### Construction (OVERWEIGHT)

Full Steam Ahead; Stay OVERWEIGHT

Sector Update

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*Today's Report:* [Construction : Full Steam Ahead; Stay OVERWEIGHT \(10 Oct 2023\)](#)

*Previous Report:* [Construction : Gauging The Mood In Johor \(25 Sep 2023\)](#)

### Basic Materials (OVERWEIGHT)

Recovery On The Horizon; Stay OVERWEIGHT

Sector Update

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*Today's Report:* [Basic Materials : Recovery On The Horizon; Stay OVERWEIGHT \(10 Oct 2023\)](#)

*Previous Report:* [Basic Materials : 2Q23 Results Missed Expectations; Still O/W \(15 Sep 2023\)](#)

### Banks (NEUTRAL)

BNM's 1H23 Financial Stability Review Highlights

Sector Update

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*Today's Report:* [Banks : BNM's 1H23 Financial Stability Review Highlights \(10 Oct 2023\)](#)

*Previous Report:* [Banks : System Loans Growth Remains Steady \(2 Oct 2023\)](#)

## Thematics / Ground Checks

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- ♦ [Power : NETR Phase 2 Launched; Keep OVERWEIGHT](#)
- ♦ [Energy : Carbon Trading In The Era Of Decarbonisation](#)
- ♦ [Power : NETR Launch; Keep OVERWEIGHT](#)
- ♦ [Regional Market Strategy : ASEAN On the Mend](#)
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- ♦ [Sunway Construction : Ground Checks: Quarrying In Strong Internal Job Contributions; BUY](#)

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[Banks : System Loans Growth Remains Steady](#)  
[Yinson : Anna Nery Earnings Kicking In; Keep BUY](#)

## Top BUYs

	TP (MYR)	Upside (%)	Shariah	Catalysts
<b>CIMB (CIMB MK)</b>	6.88	26.9	N	<ul style="list-style-type: none"> <li>Continued ROE recovery, with FY23F earnings target at 10-11% (FY22: 10.2%)</li> <li>Asset quality issues mostly addressed, credit cost stabilising at 45-55bps (FY22: 51bps)</li> <li>Loan portfolio reshaping and cost take-outs bearing fruit</li> </ul>
<b>CTOS Digital (CTOS MK)</b>	1.89	35.0	Y	<ul style="list-style-type: none"> <li>Unique leading position and growth proposition (3-year CAGR of 34%) in secular digitalisation trends such as e-KYC and credit rating-related solutions</li> <li>Synergy from new acquisitions to accelerate growth avenue via its various digital solutions, analytical insights, and exposure to fintech firms on the back of the growing digital economy</li> </ul>
<b>Dayang Enterprise (DEHB MK)</b>	2.47	33.5	Y	<ul style="list-style-type: none"> <li>We expect earnings to remain resilient in 2H23 backed by robust work orders and better vessel utilisation</li> <li>Dayang Enterprise stands a good chance to win a portion of the newly-tendered asset integrity backlog clearance or ABC project, which could be awarded by 4Q23</li> </ul>
<b>Hong Leong Bank (HLBK MK)</b>	23.20	20.6	N	<ul style="list-style-type: none"> <li>Considered defensive given its strong asset quality</li> <li>Above-industry loans growth that is well supported by regional operations</li> <li>Liquid balance sheet to support growth and/or leaves headroom for NIM optimisation</li> </ul>
<b>IOI Properties (IOIPG MK)</b>	2.10	21.4	Y	<ul style="list-style-type: none"> <li>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</li> <li>Projects in Xiamen will likely benefit from China's reopening</li> <li>Long-term plan to REIT the property assets will be a significant value-unlocking exercise, which should benefit shareholders</li> </ul>
<b>Kerjaya Prospek (KPG MK)</b>	1.56	13.9	Y	<ul style="list-style-type: none"> <li>Steady job replenishment trends with YTD new job wins already reaching MYR1bn vs target of MYR1.3bn for FY23</li> <li>Job replenishment prospects backed by ongoing developments such as the Seri Tanjung Pinang Phase 2 in Penang and Bukit Bintang City Centre</li> <li>A major catalyst includes securing industrial building jobs via its collaboration with Samsung C&amp;T</li> </ul>
<b>KPJ Healthcare (KPJ MK)</b>	1.46	25.9	Y	<ul style="list-style-type: none"> <li>Pick-up in patients visits to drive improvements in operating efficiencies</li> <li>Synergies from Damansara Specialist Hospital 2 and potential growth driver for the health tourism division</li> <li>Successful disposal of loss-making Indonesian unit should translate to a 3% upside to 2023F core earnings</li> </ul>
<b>Malaysia Airports (MAHB MK)</b>	8.70	20.3	N	<ul style="list-style-type: none"> <li>Clear beneficiary from recovery in tourism and aviation industry – passenger traffic is recovering with encouraging momentum</li> <li>Incoming operating agreement with the Government to support airports development and services uplift with the establishment of the Airport Development Fund</li> <li>Additional boost from China's travelers from 2H23 onwards</li> </ul>
<b>Solarvest (SOLAR MK)</b>	1.53	14.2	Y	<ul style="list-style-type: none"> <li>Beneficiary of the country's transition towards renewable energy (RE) being at the forefront of the local pure-play solar EPCC sector</li> <li>Recurring income of c.MYR8-9m to PAT annually from its three Large-Scale Solar 4 or LSS4 assets (50MW total)</li> <li>Significant advancement of its regional expansion, especially in Taiwan and the Philippines</li> </ul>
<b>Sunway Construction (SCGB MK)</b>	2.22	16.8	Y	<ul style="list-style-type: none"> <li>Steady job replenishment from its parent, which contributes c.30% to the overall outstanding construction orderbook</li> <li>Venturing into industrial building jobs to provide buffer to downside risks from the Mass Rapid Transit 3 project</li> <li>Potential foray into Vietnam as an EPCC contractor for the Song Hau 2 power plant</li> </ul>
<b>Yinson (YNS MK)</b>	3.06	30.2	N	<ul style="list-style-type: none"> <li>We continue to like this counter for its exponential growth trajectory (3-year CAGR of 41%) backed by maiden contributions from three upcoming vessels</li> <li>Monetisation of a partial stake of these projects are on the cards once they start contributing stable cash flows</li> <li>The 485MW wind projects in Brazil progressed into pre-construction activities while the photovoltaic projects in Peru and Italy are targeting to achieve final investment decisions in the next 12 months.</li> </ul>

## RHB Guide to Investment Ratings

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

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