Regional Morning Cuppa

Top Stories

Regional

Regional Oil & Gas : Stay Fuelled Up; Keep OVERWEIGHT

Energy & Petrochemicals | Regional Oil & Gas
Sector recommendation – OVERWEIGHT

Keep OVERWEIGHT; Top Picks: Dialog and Dayang Enterprise, PTT Exploration & Production (Thailand), and Elnusa (Indonesia). Premised on the expectation of stable oil prices, we continue to favour counters with upstream exposure and international diversification amidst flagging higher uncertainties between Petronas-Petroleum Sarawak in Malaysia.

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Singapore

ST Engineering : Rolling Forward Our Valuation; Still BUY

Industrials | Aerospace & Defence
BUY, SGD4.45, TP: SGD5 (+12%)
Market Cap: USD10,319m
ESG score: 3.3 (out of 4)
Avg Daily Turnover (SGD/USD): 19.5m/14.4m
Bloomberg Ticker: STE SP

Keep BUY,with new SGD5 TP from SGD4.50, 12% upside and c.4% yield. We roll forward our valuation to a blended FY24F-25F. In June, ST Engineering announced the development of a highly secure and artificial intelligence or AI-ready data centre in Singapore by 2026 costing SGD120m. It recently entered into a 2-year agreement (with an extension option) to provide module repair offload support for CFM LEAP-1A and LEAP-1B engines, thereby further strengthening its commercial aerospace capabilities. We maintain STE remains on track to deliver a c.15% profit CAGR during 2023-2026.

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Thematics / Ground Checks

Other Story	Recent Dailies
Indonesia Aneka Tambang (ANTM IJ, BUY, TP: IDR1,500) Aneka Tambang : Value Still Exists; Maintain BUY	Regional Morning Cuppa : 19 July 2024 Regional Morning Cuppa : 18 July 2024 Regional Morning Cuppa : 17 July 2024 Regional Morning Cuppa : 16 July 2024 Regional Morning Cuppa : 15 July 2024 Regional Morning Cuppa : 12 July 2024 Regional Morning Cuppa : 11 July 2024 Regional Morning Cuppa : 10 July 2024 Regional Morning Cuppa : 9 July 2024 Regional Morning Cuppa : 5 July 2024 Regional Morning Cuppa : 4 July 2024 Regional Morning Cuppa : 3 July 2024 Regional Morning Cuppa : 2 July 2024 Regional Morning Cuppa : 1 July 2024 Regional Morning Cuppa : 28 Jun 2024 Regional Morning Cuppa : 27 Jun 2024 Regional Morning Cuppa : 26 Jun 2024 Regional Morning Cuppa : 25 Jun 2024 Regional Morning Cuppa : 24 Jun 2024 Regional Morning Cuppa : 21 Jun 2024 Regional Morning Cuppa : 20 Jun 2024

Top BUYs

Stocks	TP	Upside (%)	Catalysts
Bank Mandiri (BMRi IJ)	8,160	25.06	• Management aims for loan growth surpassing industry standards and a ROE exceeding 20%. It expects loan growth to accelerate to meet its 10-12% YoY target despite 1H23 loan growth being at just 8.8% YoY – slightly below expectations. • BMRI's growth strategy, centered around a value chain ecosystem and bolstered by digital initiatives, shows promise. CIR fell from increased digital operations in subsidiaries. • Its ESG score has been upgraded from 3.0 to 3.3, primarily due to enhancements in the "E" pillar. Our GGM-based TP (includes 8% ESG premium) implies 2.7x and 2.6x FY23-24F P/BV and 19% and 20% FY23-24F ROE. • This improvement reflects the bank's sustained efforts to reduce emissions from its operations and initiation of reporting on financed emissions from the wholesale segment, indicating a commitment to environmental responsibility.
Bank Rakyat Indonesia (BBRI IJ)	6,300	28.57	• Bank Rakyat Indonesia saw a notable increase in 1Q24 PPOP, driven by robust loan growth and non-interest income. • BBRI is set to be more selective in disbursing micro loans, as it aims to improve asset quality. • Following a considerable increase in 1Q24 CoC to 3.83%, BBRI stated that the bank expects to book a maximum 3.0% CoC in FY24. As a result, CoC is expected to soften in the future quarters, enhancing bottom-line profitability.
Indah Kiat Pulp & Paper (INKP IJ)	15,250	79.41	• INKP, as an integrated pulp and paper producer, would benefit from recovering paper and board demand in China, and margins expansion due to its internal pulp supply (unaffected by pulp price increment). Concurrently, part of its pulp production for market would also support its GPM due to higher pulp prices • Going forward, INKP operational performance would not only supported by pulp and paper price increment but also volume growth from its expansion towards the industrial paper segment with its 3.9m tonne capacity • The expansion would allow the company to stabilised its GPM during a pulp price dip due to its integrated production facility from upstream to downstream, and remain profitable in a pulp price hike scenario
CIMB (CIMB MK)	7.60	6.29	• 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
Gamuda (GAM MK)	9.68	18.05	• 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
Dayang Enterprise (DEHB MK)	2.95	24.31	• 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
ComfortDelGro (CD SP)	1.65	18.71	• Ongoing improvement in public transport earnings in overseas operations, especially amidst cost indexation benefits. • Positive impact on taxi earnings from the introduction of a new platform fee. • The return of Chinese tourists could further boost Singapore's taxi and public transport ridership. • Valuation is compelling amid ongoing YoY earnings growth and strong improvements in ROE.

DBS (DBS SP)	41.20	12.29	• Amid a scenario of flattish earnings as the interest rate cycle turns, DBS' commitment to increase DPS by 24 cents pa means its absolute DPS will continue to grow, and investors will have a good line of sight as to its growth trajectory. Management expects to sustain this commitment over the next 2-3 years • The above commitment excludes further initiatives to return excess capital to shareholders, given that its CET-1 ratio will move up by 2ppts (transitional basis) when the Basel IV regime kicks in later this year • Its rates sensitivity has declined to c. SGD9-10m NII impact per bp change in rate – half of that previously. This is due to: i) A shift in deposit mix, ie its CASA mix has declined, which means a greater proportion of deposits will now reprice lower when rates fall; and ii) a higher proportion of fixed rate duration assets. As such, DBS is guiding for "a few bps" NIM squeeze for 2024 • Mid-term ROE guidance of 15-17% takes into account a normalised US FFR level. This compares favourably vs the pre-pandemc ROEs of 9.5-12.8%
ST Engineering (STE SP)	5	12.40	• A record-high orderbook provides close to three years of revenue visibility. • A defensive business model that will allow it to sustain a DPS of at least SGD0.16 • Sustained recovery in earnings driven by a gradual improvement in commercial aerospace (CA) • The acquisition of Transcore, along with the recent restructuring of the urban solutions & satellite communications (USS) segment, should boost growth
Airports of Thailand (AOT TB)	75	27.66	• 1HFY23F (Sep) will be the first lively peak travel season for AOT in two years. Medium- to long-haul flights from East Asia, the Middle East, and Europe are likely ramping up, and acting as key performance drivers • China's border re-opening from 8 Jan onwards will strongly benefit both AOT's aeronautical and commercialised activities. With air traffic being unlocked, we expect the scheduled flights between Thailand and China to increase six-fold to c.180 per week by end 2023 (1QFY24) • AOT implemented measures to help concessionaires until 31 Mar and is applying the minimum guarantee sharing per head for its duty-free and commercial area concessions from 1 Apr. This should bring FY23 concession revenue up 226% to THB13.13bn (29% of revenue) • Expect FY23F core profit of THB11.5bn, with total aircrafts and passengers at 74% and 67% of 2019 levels. Stronger operations may improve profit margins
Bangkok Dusit Medical Services (BDMS TB)	37	38.32	• Stabilised earnings growth to be driven by ongoing recovery of general treatments from locals, expatriates, and fly-in demand – ie medical tourism (eg Chinese patients) – and growing new markets (eg Saudi Arabia). We expect normalising foreign patient revenue mix of 30%, with well-balanced contributions from COVID-19 treatments • BDMS targets a 3-year organic revenue of 6-8% CAGR (2022-2025) and superior 23-24% EBITDA margin – to be driven by more revenue intensity and case mix (ie fly-in patients and Centres of Excellence) • BDMS is looking to increase market share in Social Security and enhance health insurance revenues for Thai and expatriate patients • Expect healthy core profit expansion by 6% in 2023. Stable bed occupancy rates vs 2022's 73% (including COVID-19 treatment) are assumed. Profit margins may jointly benefit from patients and price intensity
Central Retail Corp (CRC TB)	47.50	46.15	• We expect THB8.26bn core profit for 2023, expanding 19% to pre-pandemic levels. Key drivers: i) Aggressive new store openings (mainly hardline stores, retail malls, and various small-format outlets), ii) back-to-normal fashion and leasable property segments, iii) high-spending customers via omni-channel platforms, and iv) full-year tourism recovery with the potential return of Chinese visitors to the kingdom • Enhancing food segment performance post rebranding, with potential development of its wholesale business unit in early 2023 • Ramping up cost optimisations for all its business segments – mainly fashion – to attain profit margin increases

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