

Malaysia Morning Cuppa

Top Story

Non-Bank Financials (NEUTRAL)

Stay Selective

Sector Update

Top Picks: Bursa Malaysia and AEON Credit Service. Sector results for the Jun 2024 quarter were largely in line with our estimates. We see several catalysts for the sector in the near term, such as the start of the US Federal Reserve's rate cut cycle and the civil servant salary revision. However, valuation profiles are mixed across the sector – so we advocate a more selective approach, prioritising undervalued high-growth stocks and/or companies with potential dividend upsides. NEUTRAL.

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Today's Report: [Non-Bank Financials : Stay Selective \(24 Sep 2024\)](#)

Previous Report: [Non-Bank Financials : Look To The Laggards: D/G To NEUTRAL \(5 Feb 2024\)](#)

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Top BUYs

	TP	Upside	Shariah	Catalysts
	(MYR)	(%)		
AMMB (AMM MK)	5.90	13.2	N	<ul style="list-style-type: none"> 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
Cahaya Mata Sarawak (CMSB MK)	1.57	11.3	Y	<ul style="list-style-type: none"> We like CMS as a direct beneficiary of the resurgence in construction and property activities in Sarawak, given its prominent role as the leading cement provider in the state The potential road maintenance contract for Pan Borneo Sarawak, which is nearing its construction completion stage, should provide good re-ratings for CMS
Dayang Enterprise (DEHB MK)	3.90	86.6	Y	<ul style="list-style-type: none"> 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	8.0	Y	<ul style="list-style-type: none"> 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	52.9	Y	<ul style="list-style-type: none"> 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)	9.68	18.0	Y	<ul style="list-style-type: none"> 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	76.5	Y	<ul style="list-style-type: none"> 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	36.0	Y	<ul style="list-style-type: none"> 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	-0.5	Y	<ul style="list-style-type: none"> 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 be 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	29.9	Y	<ul style="list-style-type: none"> 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)	44.80	64.7	Y	<ul style="list-style-type: none"> 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)	2.40	20.6	Y	<ul style="list-style-type: none"> 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	29.0	Y	<ul style="list-style-type: none"> 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	13.3	Y	<ul style="list-style-type: none"> 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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