

Market Strategy

Sep 2024 Quarter Earnings Review

Stocks Covered 145
 Rating (Buy/Neutral/Sell): 95 / 41 / 9
 Last 12m Earnings Revision Trend: Positive

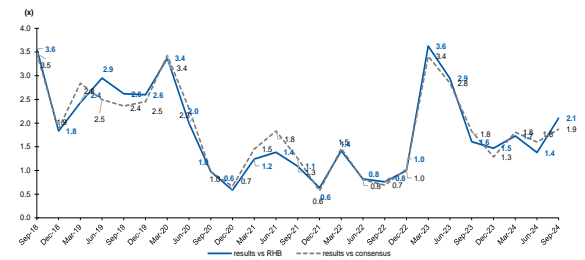
- Broadly in line.** Sep 2024 quarter corporate earnings showed some seasonal volatility, but with overall forward estimates intact, we deem the reporting season to be within expectations. Ten sectors reported in-line earnings, while five sectors chalked lower-than-estimated numbers. Just two sectors beat expectations (Jun 2024: three below, five above). RHB coverage universe earnings saw minor tweaks (FY24F: +0.3%, FY25F: -0.3%). Notwithstanding Donald Trump-induced policy uncertainties, we retain our positive baseline expectations for risk assets going forward – on the back of a stable domestic business environment, proactive government policies to drive growth and robust liquidity conditions.
- Misses-to-beats ratio spikes higher.** Within the RHB coverage universe, 14.8% of companies booked earnings that exceeded expectations while 31.3% missed estimates. The results of 53.9% of the companies we cover were in line, ie slightly worse than the preceding June quarter (22.1% above, 30.5% below, 47.3% in line). The misses-to-beats ratio fell back to 2.1, from 1.4 for the June quarter. Nonetheless, the September quarter and 9M24 net profit grew by 7.1% and 14.7% YoY, reinforcing expectations that corporate earnings continue to make headway. Healthcare and basic materials beat expectations, while technology, gaming, utilities, rubber products and consumer sector disappointed. There were no sector weighting changes post results although our rating for the plantation sector was raised to OVERWEIGHT ahead of the reporting season.
- KLCI large caps.** FBM KLCI stocks saw a small +0.6% positive net earnings revision for FY24F, offset by a 0.2% net cut for FY25F. Positive earnings revisions were contributed by plantations, banks, basic materials, healthcare, telecommunications and property – and offset by cuts for the O&G, utilities, gaming and consumer sectors. Guidance by the banks for 2025 was limited, but there appeared to be some concerns on the impact from external factors and domestic changes to subsidies, with most citing “volatility” risks although this scenario could also unlock new business opportunities, ie FX etc.
- Strategy.** Our house view on the macroeconomic backdrop remains positive, with the US Federal Reserve still easing interest rates – also helped by a stable domestic political environment allowing the Anwar Ibrahim-led administration to make steady progress on reforms, implementing various initiatives to drive growth. We expect robust liquidity conditions to buoy risk assets. Even as investor sentiment in emerging markets remains somewhat tentative as funds roll over to a new year, this should bring opportunities to accumulate fundamentally robust, quality names. We are OVERWEIGHT on banks, property, construction, plantations, technology, healthcare, basic materials, oil & gas, utilities and rubber products. Key risks include unpredictable geopolitical developments and a fallout from an escalation of the US-China trade war that could impact Malaysia.

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Misses-to-beats ratio trend (Sep 2018-Sep 2024)



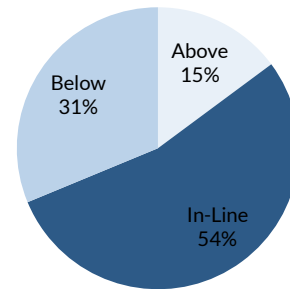
Source: Company data, RHB

Company Name	Rating	Target (MYR)	% Upside (Downside)	P/E (x) Dec-25F	P/B (x) Dec-25F	ROAE (%) Dec-25F	Yield (%) Dec-25F
AMMB	Buy	6.50	20.6	8.9	0.8	9.6	4.8
Dayang Enterprise	Buy	3.82	83.7	7.5	1.1	14.3	2.9
Gamuda	Buy	10.52	18.2	19.6	2.0	10.7	2.2
Guan Chong	Buy	6.22	85.6	8.1	1.6	21.4	3.1
Hartalega	Buy	3.70	5.1	77.3	2.5	3.3	0.3
Johor Plantations Group	Buy	1.55	12.4	13.0	1.2	9.3	4.0
Malayan Cement	Buy	6.59	37.3	11.2	0.9	8.4	2.7
Malaysian Pacific Industries	Buy	38.50	61.4	17.0	2.1	13.0	2.2
Mr DIY Group	Buy	2.35	30.0	23.4	7.8	35.2	3.0
SD Guthrie	Buy	5.55	15.4	21.1	1.8	8.7	2.7
Sime Darby Property	Buy	2.20	54.1	17.1	0.9	5.4	2.4
Telekom Malaysia	Buy	8.45	33.1	12.9	2.3	18.6	4.3
Tenaga Nasional	Buy	16.60	21.5	16.9	1.3	7.6	3.8

Source: Company data, RHB

Figure 1: Comparison of Sep 2024 quarterly earnings vs RHB estimates

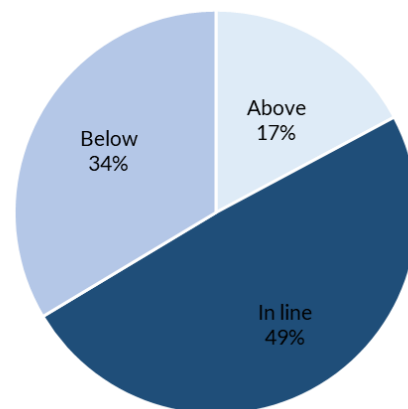
Sector	Total	Above	In line	Below
Auto	4	0	3	1
REITs	7	0	7	0
Plantations	9	1	5	3
Technology	9	0	5	4
Oil & Gas	10	2	5	3
Banks	8	1	6	1
Non-Bank Financials	6	0	4	2
Transport	4	1	1	2
Construction	10	1	6	3
Gaming	4	1	2	1
Healthcare	5	3	2	0
Utilities	8	0	5	3
Rubber products	4	0	1	3
Telecoms	6	1	4	1
Property	11	2	5	4
Basic Materials	3	1	2	0
Consumer	20	5	6	9
Total	128	19	69	40
% of Total		14.8	53.9	31.3



Source: RHB

Figure 2: Comparison of Sep 2024 quarter earnings vs Street estimates

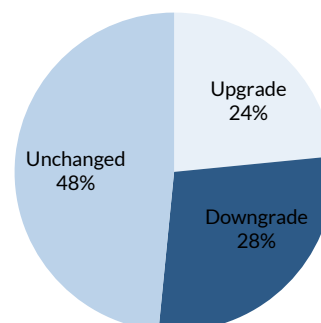
Sector	Total	Above	In line	Below
Auto	4	1	2	1
REITs	7	0	7	0
Plantations	9	2	3	4
Technology	9	0	4	5
Oil & Gas	10	2	5	3
Banks	8	0	7	1
Non-Bank Financials	6	0	3	3
Transport	4	1	1	2
Construction	10	2	5	3
Gaming	4	1	1	2
Healthcare	5	3	2	0
Utilities	8	0	5	3
Rubber products	4	0	1	3
Telecoms	6	2	3	1
Property	11	1	6	4
Basic Materials	3	2	1	0
Consumer	20	5	7	8
Total	128	22	63	43
% of Total		17.2	49.2	33.6



Source: RHB

Figure 3: Changes to TPs by sector

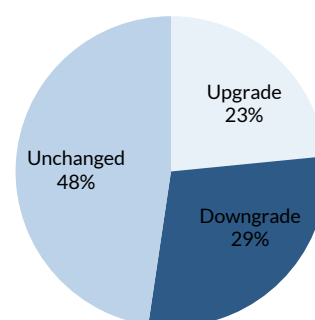
Sector	Total	Upgrade	Downgrade	Unchanged
Auto	4	1	2	1
REITs	7	3	1	3
Plantations	9	2	3	4
Technology	9	0	3	6
Oil & Gas	10	1	3	6
Banks	8	2	2	4
Non-Bank Financials	6	2	2	2
Transport	4	1	2	1
Construction	10	1	3	6
Gaming	4	0	1	3
Healthcare	5	4	0	1
Utilities	8	0	3	5
Rubber products	4	3	1	0
Telecoms	6	2	1	3
Property	11	2	0	9
Basic Materials	3	1	1	1
Consumer	20	5	8	7
Total	128	30	36	62
% of Total		23.4	28.1	48.4



Source: RHB

Figure 4: Changes to earnings estimates by sector

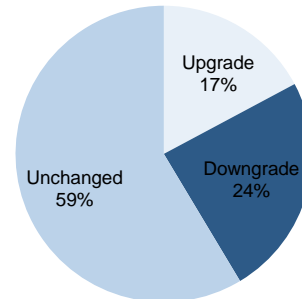
Sector	Total	Upgrade	Downgrade	Unchanged
Auto	4	0	2	2
REITs	7	1	1	5
Plantations	9	5	3	1
Technology	9	0	3	6
Oil & Gas	10	2	3	5
Banks	8	6	1	1
Non-Bank Financials	6	0	4	2
Transport	4	1	2	1
Construction	10	1	2	7
Gaming	4	1	2	1
Healthcare	5	1	0	4
Utilities	8	0	2	6
Rubber products	4	0	3	1
Telecoms	6	3	0	3
Property	11	3	2	6
Basic Materials	3	1	0	2
Consumer	20	5	7	8
Total	128	30	37	61
% of Total		23.4	28.9	47.7



Source: RHB

Figure 5: Changes to revenue estimates by sector

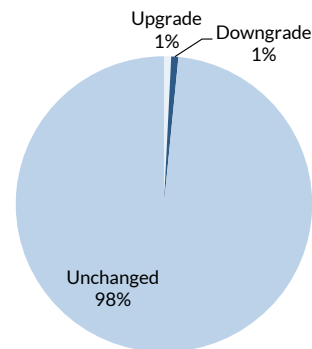
Sector	Total	Upgrade	Downgrade	Unchanged
Auto	4	0	1	3
REITs	7	1	0	6
Plantations	9	2	5	2
Technology	9	0	2	7
Oil & Gas	10	2	2	6
Banks	8	5	2	1
Non-Bank Financials	6	2	2	2
Transport	4	0	2	2
Construction	10	1	1	8
Gaming	4	1	2	1
Healthcare	5	1	1	3
Utilities	8	1	0	7
Rubber products	4	1	1	2
Telecoms	6	0	1	5
Property	11	1	1	9
Basic Materials	3	1	0	2
Consumer	20	3	8	9
Total	128	22	31	75
% of Total		17.2	24.2	58.6



Source: RHB

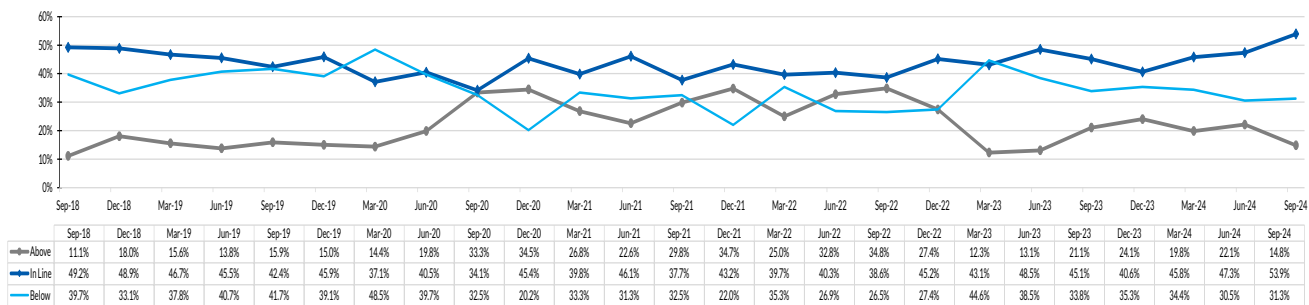
Figure 6: Changes to recommendations by sector

Sector	Total	Upgrade	Downgrade	Unchanged
Auto	4	0	0	4
REITs	7	0	0	7
Plantations	9	0	0	9
Technology	9	0	0	9
Oil & Gas	10	0	0	10
Banks	8	0	0	8
Non-Bank Financials	6	0	1	5
Transport	4	0	0	4
Construction	10	0	0	10
Gaming	4	0	0	4
Healthcare	5	0	0	5
Utilities	8	0	0	8
Rubber products	4	0	0	4
Telecoms	6	0	0	6
Property	11	1	0	10
Basic Materials	3	0	0	3
Consumer	20	0	0	20
Total	128	1	1	126
% of Total		0.8	0.8	98.4



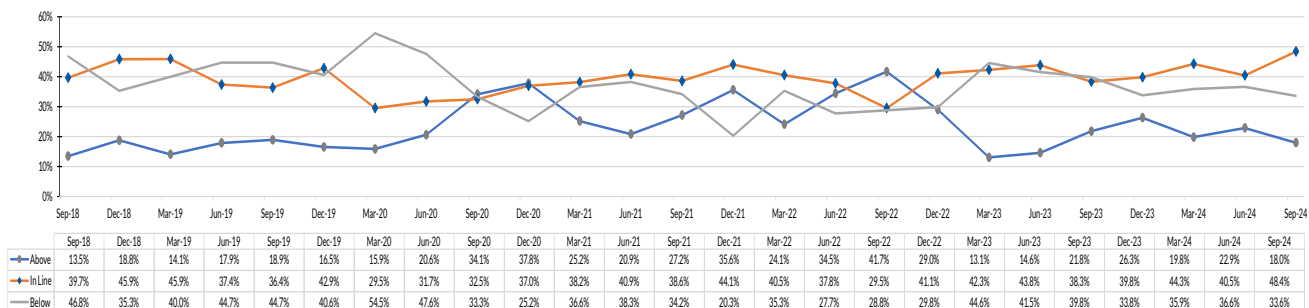
Source: RHB

Figure 7: Tracker – results vs RHB estimates



Source: Company data, RHB

Figure 8: Tracker – results vs Street projections



Source: Company data, RHB

Figure 9: Sector performance tracker – actual vs RHB

Sector	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec 2023	Mar 2024	Jun 2024	Sep 2024
Auto	Below	Above	Below	Above	Above	Below	In line	In line	Above	In line	Below	In line	In line
Banks	Above	Above	In line	Above	Above	Above	In line	In line	In line	In line	In line	In line	In line
Basic Materials	Below	In line	Below	Below	Below	Below	Below	Below	Below	Below	In line	Below	Above
Construction	Below	In line	Below	Below	Below	In line	Below	Below	Below	In Line	Below	In line	In line
Consumer	Below	Below	Above	Above	Above	In line	In line	In line	In line	Below	In line	In line	Below
Gaming	In line	In line	Below	Below	Below	In line	Below	Above	Above	Below	Above	Above	Below
Healthcare	In line	In line	Above	Below	Below	Below	Below	Below	In line	Below	In line	Above	Above
NBFI	Below	Above	In line	Above	In line	Above	In line	In line	In line	In line	Above	In line	In line
O&G	In line	In line	In line	In Line	Above	In line	In line	Below	In line	In line	Above	Above	In line
Plantations	Above	Above	Above	In line	Below	In line	Below	Below	Above	Below	Below	In line	In line
Property	Below	Above	Below	Above	Above	In line	Below	In line	Above	Above	Below	Below	In line
REITs	In line	In line	Above	In line	In line	In line	In line	In line	In line	In line	In line	In line	In line
Rubber	Above	Below	In line	Below	Below	Below	Below	Below	Below	Below	Below	In line	Below
Technology	In line	In line	In line	In line	In line	In line	Below	In line	In line	In line	Below	Below	Below
Telecoms	In line	In line	In line	In line	In line	In line	In line	In line	In line	In line	In line	In line	In line
Transport	In line	In line	In line	In line	In line	Above	In line	In line	In line	In-line	In line	Above	In line
Utilities	In Line	In line	Below	Below	In line	Below	In line	Below	Below	Below	In line	Above	Below

Source: Company data, RHB

Figure 10: Changes to stock recommendations – upgrades

Company	New rating	Old rating	New TP (MYR)	Old TP (MYR)
LBS Bina Group	Buy	Neutral	0.72	0.72

Source: RHB

Figure 11: Changes to stock recommendations – downgrades

Company	New rating	Old rating	New TP (MYR)	Old TP (MYR)
Bursa Malaysia	Neutral	Buy	9.70	11.25

Source: RHB

Figure 12: Companies with results that were above expectations

Company	New rating	Old rating	New TP (MYR)	Old TP (MYR)
Affin	Sell	Sell	2.25	0
Carlsberg Brewery	Buy	Buy	23.10	22.20
E&O	Buy	Buy	1.38	1.38
FGV Holdings	Neutral	Neutral	1.27	1.28
Heineken Malaysia	Buy	Buy	30.00	29.60
IHH Healthcare	Buy	Buy	9.10	8.80
IJM Corp	Buy	Buy	4.39	4.39
Kotra Industries	Neutral	Neutral	4.70	4.30
Leong Hup International	Buy	Buy	0.90	0.84
MMHE	Buy	Buy	0.62	0.61
Press Metal	Buy	Buy	6.39	6.30
QL Resources	Neutral	Neutral	4.59	4.24
SP Setia	Buy	Buy	1.72	1.72
Telekom Malaysia	Buy	Buy	8.45	8.40
UEM Edgenta	Buy	Buy	0.94	0.92
VS Industry	Buy	Buy	1.39	1.49
Wasco	Buy	Buy	1.89	1.89
Westports	Neutral	Neutral	4.56	4.52

Source: RHB

Figure 13: Companies with results that were below expectations

Company	New rating	Old rating	New TP (MYR)	Old TP (MYR)
BIMB	Neutral	Neutral	2.45	2.55
Chin Well	Sell	Sell	0.65	0.76
Coastal Contracts	Buy	Buy	1.85	1.85
DXN	Buy	Buy	0.88	0.93
Econpile	Buy	Buy	0.56	0.60
ELK-Desa Resources	Neutral	Neutral	1.15	1.10
FM Global Logistics	Neutral	Neutral	0.59	0.65
Gabungan AQRS	Buy	Buy	0.46	0.53
Guan Chong	Buy	Buy	6.22	5.10
Hartalega	Buy	Buy	3.70	3.47
Inari Amertron	Neutral	Neutral	3.06	3.06
IOI Prop	Neutral	Neutral	2.15	2.15
JHM Consolidation	Neutral	Neutral	0.43	0.52
KKB Engineering	Buy	Buy	1.86	1.95
Kossan Rubber	Buy	Buy	2.60	2.51
LBS Bina Group	Buy	Neutral	0.72	0.72
Malakoff Corp	Buy	Buy	1.06	1.11
MISC	Buy	Buy	9.27	9.31
Mr. DIY	Buy	Buy	2.35	2.59
Nestle (M)	Neutral	Neutral	103.00	119.00
OCK Group	Buy	Buy	0.78	0.78
Padini Hldg	Neutral	Neutral	3.30	3.50
Pentamaster	Buy	Buy	5.95	5.95
Power Root	Neutral	Neutral	1.37	1.51
RCE Capital	Sell	Sell	1.25	1.35
Scientex	Neutral	Neutral	4.25	4.35
SD Guthrie	Buy	Buy	5.75	5.75
Sports Toto	Neutral	Neutral	1.60	1.69
Synergy House	Buy	Buy	1.55	1.55
Tambun Indah	Buy	Buy	1.20	1.20
Tan Chong Motor	Sell	Sell	0.32	0.35
TASCO	Buy	Buy	1.12	1.15
Tenaga Nasional	Buy	Buy	16.60	16.70
Top Glove Corp	Buy	Buy	1.28	1.32
TSH Resources	Neutral	Neutral	1.10	1.20
Unisem (M)	Buy	Buy	3.72	3.95
UOA Development	Neutral	Neutral	2.02	2.02
YTL Power	Buy	Buy	4.70	5.68

Source: RHB

Sector Review

Banking: 3Q24 growth led by healthy toplines

OVERWEIGHT

Maintain OVERWEIGHT on sector. Banks had a good 3Q24 reporting quarter, with topline-led growth and improved operating efficiency helping to drive sector earnings. Our sector Top Picks are: AMMB (AMM MK, BUY, TP: MYR6.50), Alliance Bank Malaysia (ABMB MK, BUY, TP: MYR5.50), CIMB (CIMB MK, BUY, TP: MYR9.25) and Hong Leong Bank (HLBK MK, BUY, TP: MYR26.6). Affin (ABANK MK, SELL, TP: MYR2.25) is the least preferred, on valuation grounds.

3Q24 results met expectations ... Of the eight banks under our coverage, six posted results that met our expectations. Affin's 3Q24 results were ahead of estimates on loan impairment writebacks, while BIMB's (BIMB MK, NEUTRAL, TP: MYR2.45) 3Q24 earnings missed estimates due to weaker-than-expected financing growth and non-financing income. Relative to consensus projections, seven banks' results were in line while BIMB's numbers were below. Meanwhile, interim dividends declared were mixed. AMMB boosted its interim dividend payout ratio to 34% (1HFY24: 23%) as, post adoption of the foundation internal ratings-based (F-IRB) approach to capital computation, it is now one of the strongest capitalised banks. On the other hand, ABMB cut its payout ratio to 40% (1HFY24: 50%) to preserve capital, given the growth opportunities it sees ahead.

... on healthy topline growth. 3Q24 sector PIOP rose 4% QoQ (+9% YoY) on healthy topline growth and improved efficiencies. Sector NII was up 2% QoQ (+5% YoY), with NIM estimated to have expanded by 4bps QoQ (flat YoY) while sector loans were flat QoQ (+5% YoY) – partly impacted by a stronger MYR. Meanwhile, sector non-II rebounded 5% QoQ (+19% YoY) after a weaker 2Q24. Fee and treasury and markets income improved. Opex was contained this quarter and, with the stronger operating income, CIR was lower at 45.7% (2Q24: 46.2%; 3Q23: 45.9%). Sector credit cost remained low this quarter at 18bps (flat QoQ and vs 3Q23: 21bps) as some banks continued with management overlay reversals. Sector GIL was 4% lower QoQ (-10% YoY) while sector GIL ratio improved by 5bps QoQ to 1.39% (3Q23: 1.63%). Sector LLC appears comfortable, at 109% (stable QoQ). Overall, sector PATMI grew by a very decent 5% QoQ and 10% YoY.

We adjusted FY24-26F sector PATMI upwards by 1% pa during the earnings quarter, after updating for the reported results and housekeeping. Following from that, we now expect sector FY24 PATMI to rise by 7% YoY (+6% YoY previously) but still estimate FY25-26 bottomlines to rise by 5-6%.

Outlook. Looking ahead to 4Q24, we expect the sector's PATMI to soften sequentially on the back of deposit competition, likely lower treasury and markets income (given the rise in bond yields this quarter), and seasonally slower customer flow income, coupled with year-end accruals and spending. Nevertheless, with 9M earnings generally tracking estimates well and the potential for further management overlay reversals, we believe the banks should meet their full-year estimates.

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Basic Materials: Capitalising on a pick-up in construction activities

OVERWEIGHT

Press Metal's (PMAH MK, BUY, TP: MYR6.59) results exceeded expectations. 3Q24 core earnings came in at MYR475.8m (-7% QoQ, +49% YoY), bringing 9M24 earnings to MYR1,407.3m (+55% YoY), which is at 91% of our and 85% of consensus full-year projections. 9M24 revenue grew 10.5% YoY, supported by a 10.4% YoY increase in the average LME aluminium price (USD2,384.70/tonne) and a 43.9% YoY rise in Main Japanese Port (MJP) spot premiums, with greater demand for value-added products. Its core net margin improved by 3.5ppts, benefiting from better smelting margins and higher contributions from associates. We expect elevated alumina prices to persist through 4Q24, but anticipate a gradual softening as new projects in Mempawah, Bintan, and Odisha are scheduled to commence commercial operations from 1H25 onwards. PMAH should benefit from: i) A hike in global aluminium prices; ii) the removal of the 13% tax rebate on aluminium exports by China; and iii) increased demand for aluminium from non-China manufacturers

Cement players growing strong. Malayan Cement's (LMC MK, BUY, TP: MYR6.59) 1QFY25 core net profit of MYR144.5m (-3.2% QoQ, 53.1% YoY) met our estimate, but was slightly ahead of the Street projection, at 28% and 30% of full-year figures. Revenue grew by 1.9% YoY, driven by stronger sales in aggregates and concrete (+29.3% YoY), with higher selling prices that offset weaker cement sales. Net margin improved by 4ppts YoY, supported by enhanced operational efficiencies and lower production costs. However, core net profit declined sequentially, primarily due to higher tax expenses resulting from the non-deductibility of certain interest expenses.

Maintain OVERWEIGHT; Top Pick: LMC. We remain optimistic on the aluminium sector, driven by the potential spillover effect of a heightened US-China trade dispute, as well as by growing demand from green industries. PMAH is well-positioned to capitalise on the elevated aluminium LME price as well as the growing demand for low-carbon aluminium. LMC is currently our Top Pick, as it stands to directly benefit from a resurgence in construction and property development activities in Malaysia – given its prominent role as the leading cement provider in West Malaysia. Another rerating catalyst would be its potential expansion into East Malaysia, which would further expand the company's national market share.

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Construction: Cruising smoothly

OVERWEIGHT

Maintain sector OVERWEIGHT. Overall, the construction sector delivered 3Q24 results that were in line. Revenue recognition progress of most contractors did pick up as expected, and we expect a further ramp-up as jobs secured especially last year will transition into the work-intensive phase, in view of the better labour conditions and manageable building material price trends. Out of the 10 companies under our coverage that reported results, seven were in line, and three were below estimates. Companies that underperformed were Gabungan AQRS (AQRS MK, BUY, TP: MYR0.46), KKB Engineering (KKB MK, BUY, TP: MYR1.86) and Econpile (ECON MK, BUY, TP: MYR0.56). On the other hand, the quarterly performance of Sunway Construction (SCGB MK, BUY, TP: MYR5.50), Kerjaya Prospek (KPG MK, BUY, TP: MYR2.67), IJM Corp (IJM MK, BUY, TP: MYR4.39), Pintaras Jaya (PINT MK, BUY, TP: MYR1.85), MGB (MLG MK, BUY, TP: MYR1.20) and Malaysian Resources Corp (MRC MK, BUY, TP: MYR0.86) met expectations.

Separately, Gamuda (GAM MK, BUY, TP: MYR10.52) reported its 4QFY24 (Jul) earnings in September – and its numbers were in line with expectations. Core profit in FY24 was at MYR912m (+6% YoY) and we expect a stronger FY25, backed by its robust orderbook of c.MYR31bn.

Higher progress of work seen by contractors. The revenue growth from progress billings seen in most contractors' books during 3Q24 coincides with the higher value of construction work done in the same period – up 23% YoY or 5.6% QoQ to MYR41bn, marking another record high after the previous quarter. Among the important construction sub-sectors, the value of works done for civil engineering rose by 12% YoY in 2Q24 to MYR15.2bn (the highest figure since 1Q20). We think this is attributable to the ongoing infrastructure projects that are expected to be fully completed within the next 1-3 years, ie the Light Rail Transit (LRT) 3 (c.97% physically complete), Johor Bahru- Singapore Rapid Transit Link (infrastructure works are 93% complete) and East Coast Rail Link (c.73% completed).

Cost pressures to remain manageable. Prices of building materials such as steel bars continued to be stable – remaining below MYR2,900 per tonne from May 2023 to Oct 2024. Hence, the risk of continuing margin compression is somewhat manageable. The price of bulk cement incurred by contractors such as Sunway Construction also remains steady, at an average of MYR380 per tonne as of October. While the minimum wage has been increased to MYR1.7k (from MYR1.5k) a month – major contractors such as GAM, IJM and SCGB have already been paying most of their workers near the new minimum wage level.

Job flow trends remain strong. Viewing well-acknowledged upcoming projects such as the Penang LRT Mutiara Line (estimated at c.MYR10bn worth of civil works) along with the construction of Mass Rapid Transit 3 (to begin sometime later in 2027) – there are still ample job opportunities. One of them is the Sungai Klang Link Expressway (estimated at MYR8-10bn) where ECON may secure a letter of intent for the said project by mid-CY25. The reinstatement of the five previously omitted LRT3 stations should also benefit second-tier contractors such as AQRS, on top of MRC (which is expected to be the main contractor).

Other types of jobs that are up for grabs include the West Ipoh Span Expressway (c.MYR6bn) and the Penang International Airport expansion (MYR1.6bn)

With contractors – particularly large ones – eyeing said infrastructure and industrial jobs (particularly data centres (DC)) – we believe that this could lead to more opportunities, ie jobs related to high-rise buildings in the Klang Valley, especially for the small to medium-sized contractors namely Vestland (VLB MK, NR) and Inta Bina (INTA MK, NR) which can move the up the value chain to take more property building jobs. Data from the National Property Information Centre shows that the overhang in residential properties in Malaysia has gradually dropped to 22,642 units in 1H24 vs 36,863 units in 2021, indicating commendable demand for such properties.

We acknowledge Malaysia's risk of being flagged as a launchpad for China's access to high-end chips banned by the US (these chips are a key component for DCs) which could impact job flows from the DC space – especially if the DC has links to China. Notwithstanding this, key DC contractors like GAM and SCGB have international MNCs such as Google (among others) as their clients, which have invested MYR9.4bn to set up DCs and a cloud region in Malaysia. The entry of other DC providers such as EdgeConneX and Vantage into Malaysia with plans to construct up to 200MW of DC capacity or more may imply a steady flow of job opportunities for contractors. Therefore, we anticipate minimal job flow risks for such contractors in the DC space.

We retain our OVERWEIGHT rating. We advocate investors to be selective on names that have credentials in local public infrastructure projects, while still having decent exposure either in overseas markets or private industrial jobs, in addition to having a lean balance sheet (net cash or manageable net gearing positions). Such attributes are crucial to weather any downside risks that may arise, eg unexpected labour shortages, slow rollout of public infrastructure projects in Malaysia, and a prolonged rise in building material costs. Contractors that suit these criteria are GAM, SCGB and KPG.

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Healthcare: Powering forward

OVERWEIGHT

Maintain OVERWEIGHT. Healthcare service providers saw a sequential improvement in patient footfalls during 3Q24, after a seasonal low in 2Q24. We expect demand for private healthcare to remain resilient, underpinned by encouraging growth in medical tourist numbers, the rise of non-communicable diseases, and ageing society trends. Meanwhile, the growth of pharmaceutical players will remain subdued, owing to a post-pandemic change in consumer spending on top of intensified competition. We reiterate our OVERWEIGHT stance on the healthcare sector. We switch our sector Top Pick to KPJ Healthcare (KPJ MK, BUY, TP: MYR3.00) on the back of its encouraging growth from hospitals under gestation, and strategic initiatives to upscale existing hospitals into tertiary and quaternary care centres. This should boost KPJ's ability to tap into more complex and uncommon procedures – resulting in better revenue intensity ahead.

Healthcare service providers. KPJ's results were in line with expectations (at 74% and 73% of our and consensus full-year estimates). It achieved a record high revenue of MYR1,003m during 3Q24, thanks to robust patient traffic numbers and a better patient case mix. Five hospitals under gestation reported a narrower LBT of MYR18m during 3Q24 (2Q24 LBT: MYR22m). Positively, four out of the five hospitals are already generating positive EBITDA since January, on the back of an improvement in operating efficiency. Damansara Specialist Hospital 2's (DSH2) average revenue per month remained well above MYR10m in 3Q24 vs MYR3-4m in 2023. This, together with a better bed occupancy rate (BOR) of 70% (up from <55% since early 2024) has brought DSH2 to a better position to turn PBT positive by 2025, in our view.

IHH Healthcare's (IHH MK, BUY, TP: MYR9.10) core earnings accounted for 81% and 72% of our and consensus estimates. Revenue from the hospital and healthcare (H&H) division increased 11% YoY to MYR5.8bn, driven by organic patient growth across the countries it has a presence in (hospitals in all four countries reported positive YoY growth in operating metrics). Sequentially, the H&H segment grew 1% QoQ on higher patient admission volumes (except for Turkey, due to the summer break period). The group's BOR improved 3ppt QoQ to 73%. We remain upbeat on IHH's strategic plan for both organic and inorganic growth over the medium-to-long term.

The group's expansion target of 4,000 beds by 2028 (primarily in developing markets like Malaysia and India) provides an opportunity to tap into regions where quality healthcare is scarce.

Pharmaceuticals. Duopharma Biotech's (DBB MK, NEUTRAL, TP: MYR1.34) 3Q24 results were in line, accounting for 79% of our full-year estimate – given that 4Q24 is typically a softer period for it. DBB's growth should continue to be underpinned by: i) The recent additional letter of award from the Ministry of Health (MOH) for the supply of pharmaceutical products under the approved products purchase list or APPL (bringing its product range to 96 items, from 86 previously); and ii) the potential renewal of a human insulin supply contract with the MOH (expected to be concluded by 1Q25). Nonetheless, we maintain our NEUTRAL recommendation on the stock, as ongoing cost pressures and persistently sluggish sales from its consumer healthcare (CHC) unit are expected to weigh on DBB's profitability. Meanwhile, Kotra Industries' (KTRI MK, NEUTRAL, TP: MYR4.70), 1QFY25 core earnings exceeded expectations, at 30% of both our and Street full-year estimates – primarily driven by the increased demand for pharmaceutical products in both local and export markets, offset by sluggish sales from its flagship brand, Appeton, in the local market.

We switch our sector Top Pick to KPJ, as we favour domestic-centric names. Healthcare players with significant overseas exposure may still face headwinds – predominantly from inflationary and geopolitical uncertainties. We like KPJ for its key strategic initiatives, the encouraging growth in health tourism, and its digital transformation plan which could offer room for further margin expansion as well as a gradual improvement in operating efficiencies – the latter should kick in when hospitals under gestation start to contribute meaningfully to the group's overall performance. We expect KPJ's revenue intensity growth to ramp up gradually, as it is in the midst of unlocking value from its assets by designating 11 of its hospitals as centres of excellence (this would be realised by expanding its headcount in sub-specialty departments). This could help the group achieve better revenue intensity moving forward. Key downside risks: Higher-than-expected raw material prices, lower-than-expected patient visits and revenue intensity growth, and the strengthening of the USD against the MYR.

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Integrated Oil & Gas: Bracing for more uncertainties

OVERWEIGHT

Maintain OVERWEIGHT; Top Picks: Dialog (DLG MK, BUY, TP: MYR3.09), Dayang Enterprise (DEHB MK, BUY, TP: MYR3.90), and Yinson (YNS MK, BUY, TP: MYR3.32). We expect Petronas to make certain capex cuts next year. For now, we maintain a relatively optimistic outlook for the maintenance space – buoyed by strong orderbooks and the importance of maintenance works for E&P players. Although we maintain an OVERWEIGHT sector rating, we acknowledge that market sentiment and sector valuations could be capped, no thanks to the near-term weakness in oil prices, on top of rising uncertainties within the domestic O&G landscape. Presently, we prefer upstream service providers with greater exposure in the maintenance-related space – as they should have more resilient earnings – and corporations with international diversification.

A decent quarter. Eight companies under our coverage released their 3Q24 results last month. Four recorded numbers that fell within expectations, while two missed estimates and two others beat expectations. The outperformers were Malaysia Marine & Heavy Engineering (MMHE MK, BUY, TP: MYR0.62) and Wasco (WSC MK, BUY, TP: MYR1.89) while companies that booked lower-than-forecasted results were MISC (MISC MK, BUY, TP: MYR9.27) and Coastal Contracts (COCO MK, NEUTRAL, TP: MYR1.85). MMHE continued to surprise on the upside, largely due to the better-than-expected performance of its marine segment and higher margins in the heavy engineering segment. Wasco, meanwhile, booked better-than-expected margins. On the flip side, MISC's negative deviation was primarily due to its weaker gas and offshore businesses' numbers, while Coastal Contracts' underperformance stemmed primarily from weakness in its vessel chartering segment.

Discussion between Petros and Petronas still ongoing, but will SMJ Energy follow Petros' footsteps? While Petronas has clarified that it is still in discussions with Petroleum Sarawak (Petros) on the proposed implementation of the distribution of gas ordinance to align the interests and objectives of all parties, Batu Kitang assemblyman Lo Khere Chiang commented (as quoted by the media) that a suggestion for Petros to bear the capex for Petronas is absurd. This could possibly mean that the discussion may take longer than expected.

On the other hand, SMJ Energ (SMJE) – which is Sabah’s version of Petros – may follow Petros’ footsteps to have a bigger share of the O&G pie in Sabah. A recent report by The Edge highlighted that SMJE is not trying to become a “mini” Petronas Carigali for now, but it may only buy a stake when the assets are producing and profitable. Currently, Sabah and Sarawak are involved in two separate state oil supply agreements. Sabah is under a commercial collaboration agreement that its state government signed with Petronas in Dec 2021. Sarawak’s commercial settlement agreement stipulates Petros’ role is to manage onshore O&G resources and invest in offshore ventures. Sabah, for its part, has greater participation and a bigger revenue share of the state’s O&G industry. It was reported that SMJE is also in discussions with Petronas on various opportunities, and we can expect more asset acquisitions to be made by the former.

Drilling space feeling the heat. Velesto expects the global jack-up rig marketed utilisation rate to decline to 86% by end-2026, from 93% in October. South-East Asia could enter into a marketed surplus in 2025, with the anticipation of lower regional demand amidst a gradual influx of rigs into the region before potentially covering in 2026. Regional daily charter rates (DCR) are still in the range of USD73-165k but these could be under pressure due to additional supply coming from the Middle East. Domestically, Velesto’s Naga 8 contract has been suspended by its client, Carigali Hess – the contract will now end by Feb 2025 (originally, it was supposed to end by Oct 2025) without compensation, as drilling works were completed early while other potential new contracts appear to have been delayed slightly as well. This is not entirely surprising, as it could be in response to the potential capex cut by Petronas, in our view, amidst a backdrop of lacklustre oil prices.

Maintenance, construction and modification (MCM)/hook-up and commissioning (HUC) contracts are now in place. Following a series of contract announcements by the listed O&G contractors, we believe the 5+3+2 year HUC/MCM contracts are now in place. The announced and potential beneficiaries are Dayang, Deleum (DLUM MK, NR), Carimin Petroleum (CARIP MK, NR), T7 Global (T7G MK, NR), Sapura Energy (SAPE MK, NR) and Petra Energy (PENB MK, NR). It was reported that the total 18 packages could carry an estimated contract value of MYR8-10bn over the next five years. The incumbents are now in the midst of transitioning to the new contractors. While work orders for next year have yet to be entirely finalised, the initial guidance for 2025 work orders are still quite intact and positive, with a revision in new service rates.

OSV segment could still be intact. The Malaysian Oil, Gas and Energy Services Council (MOGSC) has commented that such a new round of maintenance contracts, coupled with additional sub-sea and marine spread requirements, could be worth MYR30bn. The OSV market is expected to remain buoyant, with elevated charter rates and utilisation levels backed by continuously robust upstream activities and a lack of newbuilds. We believe the shortage of Malaysia-flagged vessels will continue, while the demand of foreign flagged vessels will increase going forward.

Decommissioning and transportation & installation (T&I) works on the cards? Some of the contractors have been invited to tender for offshore decommissioning jobs. The tender has three packages, covering 31 platforms across West Malaysia, Sabah and Sarawak. Tenders have closed and the total contract size potentially worth ~MYR3bn could be executed within three years starting from 2026. This tender requires big vessels to be chartered overseas. We understand that players such as Dayang and T7 Global have been invited to participate. Meanwhile, there is also a revival of T&I tenders, in which Dayang previously participated back in 2022 – contracts related to this round of tenders are estimated to be worth MYR300-500m over 1.5 years.

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M-REITs: Healthy earnings growth

OVERWEIGHT

M-REITs’ 3Q24 results were in line with expectations, with YTD DPU growth ranging from 1% to 10%, with the highest coming from Axis REIT (AXRB MK, BUY, TP: MYR2.08) – driven by income contributions from its new properties. AME REIT (AMEREIT MK, BUY, TP: MYR1.57) reported a more moderate 3% DPU growth in 1HFY25 from positive rental reversions, but should record higher growth next year as it is in the midst of acquiring new assets worth MYR120m.

Retail REITs are performing well as retail spending remains robust, boosted by the recovering tourism industry. Suria KLCC's occupancy rate has increased to 99% from a low of 93% in 2021, resulting in an 8% revenue growth for KLCCP Stapled's (KLCCSS MK, NEUTRAL, MYR8.20) retail segment in 9M24. Its hotel segment has also recovered to record a PBT of MYR6.6m (9M23 LBT: MYR3.2m) from the influx of tourist arrivals. Pavilion REIT's (PREIT MK, BUY, TP: MYR1.78) flagship Pavilion Kuala Lumpur mall similarly recorded increased occupancy rates to 96% in June compared to a low of 90% in 2021.

Both IGB REIT (IGBREIT MK, NEUTRAL, TP: MYR2.12) and Sunway REIT (SREIT MK, BUY, TP: MYR1.94) recorded higher rental rates from their asset enhancement initiatives (AEI) on Mid Valley Megamall and Sunway Carnival Mall. For Sunway REIT, it should continue to record higher rental rates into 2025 as it progressively completes the AEI on Sunway Carnival Mall by 2Q25 and the completed refurbishment of the Oasis Wing in Sunway Pyramid Mall.

Sentral REIT's (SENTRAL MK, BUY, TP: MYR0.91) blended occupancy rate stood at 84%, and recorded flattish DPU growth following an expired tenancy in June. We think this should be the bottom for occupancy rates as most of the leases up for renewal in 2025 comprise the REIT's long-term tenants, and the recently vacated space should be attractive for prospective tenants as it comes from one of the REIT's flagship assets, Menara Shell.

Overall, we made no changes to our recommendations, with only a 2-3% cut in earnings for KLCCP Stapled and Sentral REIT as we adjust our cost assumptions. We maintain our OVERWEIGHT rating on M-REITs, with Sunway REIT and Axis REIT as our Top Picks.

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Plantation: Stronger QoQ earnings amidst higher output and rising ASPs

OVERWEIGHT

The 3Q24 reporting season saw earnings that were mostly in line. Five planters recorded results that were within expectations, while one was above and two came in below. The upside surprise came from FGV Holdings (FGV MK, NEUTRAL, TP: MYR1.27), on the back of higher FFB output and lower unit costs, while downside surprises came from SD Guthrie (SDG MK, BUY, TP: MYR5.55) due to higher effective tax rates and disappointment from the downstream division, and TSH Resources (TSH MK, NEUTRAL, TP: MYR1.10) from weak FFB output and higher tax rates. We make no change to our CPO price assumptions of MYR4,100 and MYR4,300 per tonne for 2024 and 2025.

In Malaysia, total output spiked 15% QoQ and 7% YoY in 3Q24, bringing 9M24 output up 8.7% YoY. The average FFB output of the companies under our coverage also rose 15.4% QoQ, but dropped by 2.1% YoY in 3Q24, bringing 9M24 output up 3.6% YoY. In Malaysia, production peaked in August and most planters anticipate a QoQ moderation in output in 4Q24, expecting to end the year with output growth of mid- to high-single digits.

In Indonesia, we saw an average 8.8% QoQ growth but 15.8% YoY output decline in 3Q24 for the companies we cover, bringing 9M24 output down by 10% YoY. The weaker growth in Indonesia was attributed to the delayed *El Nino* impact on palms from 2021-2022. This time around, figures from the Association of Indonesian Palm Oil Producers (GAPKI) showed a similar trend, with YTD-August CPO output showing a 4.9% decline YoY. Going forward, Indonesian players with landbank centred around Riau are expecting production to moderate QoQ in 4Q24, while those with landbank centred around Kalimantan expect production to peak in 4Q. Overall for FY24, most planters expect to end the year with flattish-to-single-digit negative growth in output.

The average spot CPO price of MYR3,999.85 per tonne was flattish at -0.9% QoQ, but improved 5.2% YoY in 3Q24, while Indonesian CPO prices (net of tax) marginally improved by a slight 0.1% QoQ but rose 6.3% YoY. YTD-2024, spot prices are at MYR4,145 per tonne. While most planters are still selling largely on spot, those that took forward stances previously have reduced their forward hedges.

For those with downstream operations in Malaysia and Indonesia, we saw mostly lower QoQ margin trends – coming from negative refining margins – while margins from oleochemicals and specialty fats improved QoQ. Going forward, downstream players are guiding for better margins in 4Q24, as the changes in export tax structure in both countries could result in better competitiveness for Malaysia, while the rising CPO price environment could translate to some positive trading margins.

We upgraded our sector call to OVERWEIGHT in early November. We expect sector earnings to see more improvements in 4Q24 on the back of higher CPO prices and lower unit costs. We made no changes to our recommendations during the 3Q24 reporting season. Our Top Picks are still Johor Plantations Group (JPG MK, BUY, TP: MYR1.55), Sarawak Oil Palms (SOP MK, BUY, TP: MYR4.15), and SDG.

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Property: Stronger property sales in 3Q24

OVERWEIGHT

The 3Q24 earnings of property companies under our coverage came within expectations, and we reiterate that 2H is a typically stronger financial period for most of them. Of the 11 companies under our coverage that reported results, one beat expectations, four chalked numbers that fell below estimates, while the rest were in line.

The sole outperformer was Eastern & Oriental (EAST MK, BUY, TP: MYR1.38). The strong earnings were mainly due to higher progressive billings and better property sales as its new project, The Lume, was launched in Jul 2024.

The developers that underperformed include IOI Properties (IOIPG MK, NEUTRAL, TP: MYR2.15), UOA Development (UOAD MK, NEUTRAL, TP: MYR2.02), LBS Bina (LBS MK, BUY, TP: MYR0.72) and Tambun Indah (TILB MK, BUY, TP: MYR1.20). Earnings for IOIPG were hit by interest costs that have been expensed out for IOI Central Boulevard Towers in Singapore, as rental contributions lagged at the initial stage. Meanwhile, UOAD's earnings underwent a temporary hiccup as revenue recognition from Bamboo Hills Residences was affected by the delay in budgeting development costs. TILB and LBS, on the other hand, recorded lower-than-estimated earnings due to slower property sales and delayed launches during the quarter.

Aggregate property sales in 3Q24 were largely flat from the previous quarter but dropped by 8% YoY, while 9M24 sales decreased by 3% YoY. A number of developers, such as UEM Sunrise (UEMS MK, BUY, TP: MYR1.60), UOAD, EAST and Matrix Concepts (MCH MK, BUY, TP: MYR2.50) saw stronger property sales during the quarter as they ramped up their launches from July onwards. Sales in the Iskandar Malaysia region were particularly encouraging, as new launches of shops and landed homes by UEMS, Sunway (SWB MK, BUY, TP: MYR5.75) and Mah Sing (MSGB MK, BUY, TP: MYR2.70) received overwhelming response. We expect the strong momentum to continue, given the upcoming initiatives for Johor-Singapore Special Economic Zone.

We maintain our OVERWEIGHT rating on the sector. Our outlook remains positive, given the healthy demand for property, the influx of foreign and domestic direct investments, the positive progress on the Rapid Transit System connecting Johor Bahru and Woodlands, Singapore as well as the upcoming announcement of the incentives for JSSEZ, which should spur economic activities in Iskandar Malaysia over the longer term. Our Top Picks remain Sime Darby Property (SDPR MK, BUY, TP: MYR2.33), Mah Sing, Sunway and UEMS.

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Rubber Products: Unlocking stronger growth in the coming quarters

OVERWEIGHT

Maintain sector OVERWEIGHT. Glovemakers' results indicated that the companies experienced minor hiccups arising from the negative effect of a change in FX rates, as the MYR strengthened by 6% against the USD in 3Q24. Nevertheless, the growth in production volume remained robust in 3Q24. This trend is set continue into 4Q24, premised on sustained inventory restocking activities and increasing orders from US customers that switched suppliers after the media reported that the US will further hike import tariffs rates for China manufacturers.

Hartalega (HART MK, BUY, TP: MYR3.70), Kossan Rubber (KRI MK, BUY, TP: MYR2.60) and Supermax Corp (SUCB MK, BUY, TP: MYR1.04) reported sequentially softer earnings, no thanks to the MYR strengthening against the USD. All three companies reported positive QoQ growth in volume sales (+15-20% QoQ).

Riverstone (RSTON SP, BUY, TP: SGD1.07) was the only positive outlier, chalking exceptional positive QoQ and YoY earnings growth in 3Q24 – underpinned by higher sales volumes from its cleanroom gloves business. Across the sector, the ASP hovered around USD21/1,000 pieces as the cost-pass-through effect gained pace (+2-3% QoQ). Top Glove's (TOPG MK, BUY, TP: MYR1.26) FY24 (Aug) results were below expectations, on prolonged suboptimal plant utilisation rates in the beginning of FY24 and the weakening of the USD/MYR rate. Management has undertaken proactive measures to streamline operating efficiencies – these include improving the heat recovery systems and burner optimisation for efficient gas usage. This has yielded positive results, leading to a 6.5% QoQ decline in cost per carton.

Moving forward, we expect sales volumes growth to continue, underpinned by a pick-up in customer order replenishments and trade diversion opportunities arising from the imposition of higher import tariffs by the US on China. Industry-blended ASPs are set to rise by at least USD1-2/1k pcs by 4Q24, as Malaysian glovemakers look set to raise prices to translate the effects of a weakening USD to customers. Overall, we think local glove manufacturers could stand to benefit from potential trade diversions, given the ever-deteriorating US-China ties. While China could expand its foothold in non-US markets, we believe the net impact to local glovemakers will be positive, given that typical sales to the US command higher ASPs (at least USD1-2/1k pcs) than other markets due to stringent quality requirements.

RSTON, HART and KRI are our preferred picks. We like RSTON for its unique exposure to the cleanroom segment, which is poised to benefit from the recovery in semiconductor sales. We also favour HART due to its improved product mix and robust balance sheet, which should allow the group to sail through rough seas, and KRI for its strong net cash position (MYR1.8bn as of Sept 2024) as well as above-peer margin profile within the healthcare glove segment in Malaysia

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Technology: Quarterly numbers undermined by FX impact

OVERWEIGHT

Maintain OVERWEIGHT. 3Q24 results for the sector were mixed, with that of four out of the nine companies under our coverage missing estimates, while the other five chalked results that met expectations. Slower-than-expected revenue growth, margin compression and FX impact were the main culprits for all the misses. Notably, the sector's aggregate core PATAMI pointed to a 12.7% contraction in 9M24 vs a growth of 7.1% YoY in 1H24, mainly dragged by an unfavourable FX impact, with the sharp appreciation of the MYR vs the USD during the quarter. This happened despite stronger revenue/loadings for some customers, amidst the uneven recovery in the semiconductor space. Post results reviews, we cut our aggregated forward earnings forecast for the sector by 9.1%, mainly dragged by Inari Amertron (INRI MK, NEUTRAL, TP: MYR3.06), Unisem (M) (UNI MK, BUY, TP: MYR3.72 and JHM Consolidation JHMC MK, NEUTRAL, TP: MYR0.43).

Four companies (Coraza Integrated Technology (CORAZA MK, BUY, TP: MYR0.62), Datasonic Group (DSON MK, BUY, TP: MYR0.68), Malaysian Pacific Industries (MPI MK, BUY, TP: MYR38.50) and Pentamaster Corporation (PENT MK, BUY, TP: MYR5.10) reported higher bottomlines on a YoY basis. However, sector earnings growth decelerated by 15.6% YoY in 3Q24, mainly dragged by the FX impact. We pencilled in an earnings growth expectation of 39.2% YoY for FY25, as we anticipate a stronger year on the back of a recovery in the semiconductor space. Our calls are largely unchanged, except that for Globetronics Technology (GTB MK, TP: MYR0.70) – on which we now have a TRADING BUY recommendation – following upbeat announcements on its new projects despite a muted outlook on its near-term earnings growth. Its share price hit a low, after potentially factoring in all the negatives.

The Bursa Malaysia Technology Index is rebounding slightly, after taking a huge dive over the past months due to the weaker-than-expected sector recovery, strengthening of MYR against USD, the potential imposition of tariffs or sanctions from the US, and the overall risk-off sentiment in the market. However, we continue to observe a stronger YoY revenue growth trend in 3Q24 on the back of a gradual recovery. This recovery should gain pace moving into FY25. The tone of technology companies' management teams point to shorter earnings visibility. However, they expect to see stronger orders going into FY25, citing a volume recovery due to various new opportunities and clientele gained from plausible circumstances related to the China Plus One and Taiwan Plus One strategies.

We believe 4Q24 earnings should trend higher, on the back of the strengthening of the USD vs the MYR, and flattish loading factors. The sector's valuation is now compelling – it is trading at just c.20-25x CY25F P/E (below its 5-year historical mean) against a growth expectation of 39% in FY25. While its recovery is uneven, the sector is likely to see a more meaningful and broad-based pick-up in FY25 – fuelled by the replacement cycle, and the recovery in demand for automotives and consumer products. Also, the peaking of the Federal Funds Rate by 2024 should also underpin the sector's valuation, in general.

Sector Top Picks. We continue to like MPI for its exposure in the semiconductor space at the moment. It should ride on the recovery of the chip sector, the sector's recovery in China, opportunities from the China Plus One strategy, as well as the commencement of new programmes/customers. CTOS Digital (CTOS MK, BUY, TP: MYR1.58) would be our pick in the domestic-centric focussed space, premised on the digitalisation trend as well as the company's exposure to the fintech segment. In the smaller-cap space, we like CORAZA for its earnings rebound on the back of a strong revenue growth trend. Other than that, we expect to see DSON benefit from sustained strong demand for its solutions in various national security projects, while its ASP increase should continue to buoy earnings in FY25F (Mar).

Downside risks: i) Softening smartphone sales, ii) favourable FX movements, and iii) strong consumer demand; iv) obsolescence of technology, and v) intensifying geopolitical conflicts.

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Utilities: Plant outages, higher cost base dragged earnings OVERWEIGHT

Still OVERWEIGHT. Top Picks: YTL Power (YTLP MK, BUY, TP: MYR4.70), Tenaga Nasional (TNB MK, BUY, TP: MYR16.60) and Solarvest (SOLAR MK, BUY, TP: MYR2.00). Despite the sector's disappointing 3Q24 report card –largely dragged by big caps' misses – we remain positive on the sector pending the outcome of Regulatory Period 4 (RP4), which should be known by the end of this year. Our bullish stance is still largely premised on: i) The mushrooming number of data centre (DC) developments, which will ramp up growth in electricity consumption; ii) continuous power grid upgrades, which will increase regulated net returns; iii) experienced independent power producers (IPPs) bridging the supply gap; and iv) domestic renewable energy (RE) capacity additions anchoring contractors' job flow.

A disappointing quarter. In the recently concluded reporting period, seven companies under our coverage released 3Q24 results. Four booked numbers within estimates, while three disappointed. TNB's 3Q24 results missed expectations due to its higher non-fuel opex. Higher subsidiaries' general expenses in 3Q24 (by c.MYR380m) were mainly from TNB Power Generation (GenCo; higher general maintenance cost from demolition at the Paka plant, slope rehabilitation, and dredging cost of some hydro plants) and Sabah Electricity (SESB), and the derecognition of Sepang Power's balances upon winding up (MYR134m). The negative deviation for YTLP's 1QFY25 performance was largely due to higher-than-expected index-linked bond interest costs for Wessex Water. Malakoff Corp's (MLK MK, BUY, TP: MYR1.06) results missed expectations on a higher cost base and unexpected plant outages after stripping one-off insurance claims.

Outlook. Electricity demand rose 6.1% YoY in 3Q24, largely driven by the stronger commercial (+8.8%) and domestic (+6.6%) segments. TNB's current RE capacity rose slightly QoQ to 4.4GW (21% of total capacity). Electricity exports under the Lao PDR-Thailand-Malaysia-Singapore Power Integration Project began in Sep 2024 under a willing buyer-willing seller arrangement (c.7.5GWh delivered to date). TNB will sign a 50MW agreement with winning bidders in Dec 2024 under the cross-border electricity sales RE scheme (CBES RE) pilot phase 1 via Energy Exchange Malaysia (ENEGEM). TNB's Genco is expected to grow from 17GW currently to 21GW by 2030 with a new plant (up to 10GW; mostly solar and hydro) offsetting a retirement of 5.9GW. TNB anticipates this will moderate to 19GW by 2050 with a RE:gas ratio of 42:58 following the coal plant retirement.

DC developments. TNB guided that there are 17 projects, including 1.7GW DC projects, completed YTD with actual load utilisation of 248MW. There is another 3GW (1.9GW under construction and 1.1GW electricity supply agreement signed) in the pipeline, bringing the total DC capacity to 4.7GW (31 projects). Bridge DC will be the first DC customer to take 100MW of RE supply under the Corporate Renewable Energy Supply Scheme (CRESS).

All eyes on RP4. Pending the outcome of RP4, which is to be known by end-2024, we may see some restructuring in tariffs to account for new initiatives such as energy exports and wheeling charge collections under the third-party access (TPA) mechanism. We estimate that the average regulated capex will increase by 25-40% vs RP2 levels, to MYR8.6-9.6bn pa, with higher annual demand growth of 3-4% and an unchanged WACC of 7.3%. Based on our sensitivity analysis, we see regulatory net returns rising by 1.34% for every MYR1bn increase in average capex pa.

Solar focus. Earnings for this quarter were softer, as most EPCC solar players completed their large-scale solar (LSS) projects in the previous quarter. Nonetheless, we expect a stronger performance for the year, supported by growing orderbooks driven by the commencement of the Corporate Green Power Programme (CGPP) contracts, most of which will be recognised in 2H. Additionally, we look forward to the upcoming LSS5 announcement, which is expected to introduce at least 2GW of new opportunities. This would allow asset owners to further leverage on the current low panel prices. Meanwhile, we do not expect the CRESS adoption to progress rapidly, as many off-takers are taking a wait-and-see approach due to the high system access charge (SAC).

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Auto & auto parts: A stronger quarter, as expected

NEUTRAL

Generally, the results of the automotive companies met expectations, as both Sime Darby (SIME MK, BUY, TP: MYR3.15) and MBM Resources (MBM MK, NEUTRAL, TP: MYR6.45) chalked numbers that were in line with our forecasts. Meanwhile, Tan Chong Motor (TCM MK, SELL, TP: MYR0.32) booked results that fell short of our estimates. SIME started off its FY25 with a 11% rise in 1QFY25 (Jun) earnings, mainly contributed by the consolidation of UMW's results into its bottomline. MBM's results were higher QoQ – as expected – given higher Perodua sales volumes (the national carmaker had two planned factory maintenance shutdowns in 2Q). TCM, on the other hand, closed 9M24 with widening losses.

Major marques such as Perodua and Toyota have seen declines in their order backlogs – to 90k and 16k currently, from 128k and 28k in end-Dec 2023. Although Perodua's sales target of 330k units (flattish YoY) for this year remains unchanged, we are very confident that 2024 will be another record-breaking period for it, with 10M24 sales at 294k units (+10% YoY).

We expect TIV to grow QoQ in 4Q24, as carmakers will be making the final push to deliver orders before the year ends. However, 4Q24 results may weaken on a YoY basis, as 4Q23 was an exceptionally strong quarter due to the spillover effect of the Sales and Service Tax or SST holiday. Not only that, Oct 2024 TIV dropped by 8% YoY as the sales momentum started to wane. While national carmakers' sales volumes were relatively stable in October, non-national marques continued to post weaker numbers, as competition intensified with new players (mainly China marques) entering the fray. 10M24 TIV of 664k is largely in line with our full-year forecast. We do not rule out the possibility of this year's TIV exceeding our 790k-unit forecast, but we believe the stronger YoY TIV – which was mainly due to Perodua (+10% YoY YTD) – was already priced in by the market.

We maintain our NEUTRAL weighting for the sector, premised on an uncertain 2025. While we are finalising our 2025 TIV assumption, we expect it to ease to a more normalised level. This is because sales deliveries have started to weaken in 4Q – and this may continue into 2025. Our Top Picks are still Bermaz Auto (BAUTO MK, BUY, TP: MYR3.05) and SIME. We like BAUTO due to its attractive valuation and higher-than-sector-average dividend yield, while SIME is well-positioned for the RON95 rationalisation with its broad EV line-up. SIME's stake in Perodua also helps to insulate it against earnings downside risks, amidst intensifying competition among the non-national marques.

Key downside risks include softer-than-expected orders and deliveries, and resurgent supply chain issues. The opposite represents the upside risks.

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Consumer: Cautious consumer sentiment persists**NEUTRAL**

Maintain NEUTRAL on the sector, Top Picks: Mr DIY (MRDIY MK, BUY, TP: MYR2.20), Guan Chong (GUAN MK, BUY, TP: MYR6.22), Farm Fresh (FFB MK, BUY, TP: MYR2.11), and Focus Point (FOCUSP MK, BUY, TP: MYR1.20). 3Q24 sector results were below expectations – out of the 13 companies under our coverage which reported earnings, six disappointed, four met our expectations, and the remaining three outperformed. During the quarter, we did not make any changes to our recommendations.

3Q the seasonally softest quarter. All consumer retail/discretionary companies under our coverage recorded QoQ sales declines, in line with the historical seasonal trends as 3Q is the year's quietest quarter due to the absence of festivities. However, the breweries bucked the trend with a solid QoQ momentum, reflecting the full impact of the price increases effective Apr 2024. In addition, 2Q24 was a low base, dampened by the pre-price increase front-loading. Across the sector, most companies managed to register healthy sales growth YoY, suggesting the thesis of resilient consumer spending is still intact – supported by the robust employment markets and continuous government aids to the lower-income groups. That said, consumer sentiment remained subdued as the elevated costs of living continue to limit discretionary spending, pushing inflation-weary consumers to downtrade and be selective on spending.

Sector outlook. Sequentially, 4Q24F numbers should pick up on more favourable seasonal factors, whilst companies will likely scale up marketing efforts to stimulate consumer spending. Looking ahead to 2025F, the wage hikes in the public and private sectors would be positive, ie by lifting disposable income and consumer sentiment. On top of that, robust economic growth and job markets will continue to underpin the sector's health with the lower-income groups to be supported by cash assistance and various subsidies. On the flip side, the inflationary impact arising from the petrol subsidy rationalisation is still unclear at this juncture, pending more clarity on the mechanism.

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Gaming (NFOs): Steady dividend payouts despite headwinds**NEUTRAL**

Below expectations. Sports Toto (SPTOTO MK, NEUTRAL, TP: MYR1.60) posted 1QFY25 earnings that fell short of expectations, primarily due to weaker sales in its gaming segment, impacted by a smaller jackpot prize pool, and its motor segment, which was affected by a subdued UK economy. On the other hand, Magnum (MAG MK, NEUTRAL, TP: MYR1.24) delivered results that were in line with forecasts. Post results, we pared down SPTOTO's FY25-27F earnings by 14.1%, 13.8%, and 13.4%, reflecting softer sales assumptions, while maintaining our forecast for Magnum.

Outlook. Based on our channel checks, the sector has been impacted by competition from illegal NFOs, while also facing a structural decline due to reduced interest in ticket purchases among the younger generation, hindering sales from reaching new heights. Licensed NFOs are awaiting the decision on an appeal to resume operations in Kedah, with a favourable outcome potentially allowing them to reclaim market share from illegal players, and discouraging other states from arbitrarily shutting licensed outlets. Although stricter enforcement against illegal NFOs and the legalisation of online gaming remain potential catalysts, there are no immediate signs of these policies being implemented.

SPTOTO's HR Owen is anticipated to face continued headwinds from soft economic conditions, elevated inflation, and high interest rates in the UK. Nonetheless, SPTOTO primarily funds its dividends via its NFO operations. Hence, the challenges at HR Owen are unlikely to significantly impact dividend payouts.

Monetisation of Magnum's stake in U Mobile. Magnum's 6.3% stake in U Mobile currently has a book value of MYR385.4m. U Mobile is aiming for an [IPO valuation of MYR10bn](#), which, if realised, will increase the value of Magnum's stake to MYR633m, potentially adding an additional 12% upside to our TP.

Still NEUTRAL on NFOs. We believe the current at-mean valuation is fair, considering the lack of exciting catalysts for the sector, while still providing an attractive 6-7% yield. We currently prefer SPTOTO on valuation grounds and for its superior dividend yield.

Key downside risks include unfavourable luck factor and policies, as well as softer-than-expected ticket sales. The converse represents the upside risks

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NBFIs: Early Christmas presents for investors

NEUTRAL

Sector roundup. It was a relatively interesting quarter for the non-bank financial institutions (NBFIs), as two companies under our coverage – AEON Credit (ACSM MK, BUY, TP: MYR8.40) and Syarikat Takaful Malaysia Keluarga (STMB MK, BUY, TP: MYR4.90) announced higher-than-expected dividend payouts that are likely sustainable. Otherwise, results were broadly in line across the sector. During the reporting season, we upgraded Allianz Malaysia (ALLZ MK, BUY, TP: MYR24.40) to BUY from Neutral, as we believe its defensive characteristics could enable investors to weather volatile times. On the other hand, we downgraded Bursa Malaysia (BURSA MK, NEUTRAL, TP: MYR9.70) to NEUTRAL from Buy, as we expect trading activity to dampen moving forward.

Insurers. Insurers under our coverage continued to post resilient 9M24 earnings despite pressure on underwriting margins – both ALLZ and STMB recorded margin erosion by 1-3ppts at the group level, driven by increases in claims incurred and acquisition costs. This was offset by double-digit investment returns on marked-to-market gains and continued portfolio expansion (in line with strong YTD insurance/*takaful* sales). On a sequential basis, insurers' repricing efforts may be bearing fruit, as margins showed some improvements. Investment returns, however, appear to be slowing down as investors turn more risk-off amid increased market volatility. However, we think that the continued repricing of premiums, the introduction of mandatory co-payment premium options, and continued close monitoring of claims cases, could allow for further margin expansion to mitigate the lower investment returns ahead. We prefer STMB over ALLZ at this juncture – its new dividend reinvestment plan could allow for increased dividend payouts ahead, while its undemanding valuation (below -1SD from mean) looks attractive for entry.

Bursa Malaysia. BURSA's 9M24 net profit of MYR241m (+25% YoY) met our and Street expectations, placing it in a comfortable position to achieve – or even exceed – its FY24 PBT target of MYR361-379m (9M24: MYR325m). However, after almost completing a year of numerous records, we think the outlook is one of caution – geopolitical developments and Donald Trump's return to the White House have led to increased uncertainty, which have translated to softer trading activity QTD, save for several good trading days in isolation. Looking ahead, such headwinds may continue to persist and keep investor sentiment muted. As such, post 9M24 results, we lowered our securities average daily value (SADV) assumptions, and downgraded the stock to a NEUTRAL from Buy.

Non-bank lenders. All three lenders posted results that missed expectations – ACSM's and ELK-Desa's (ELK MK, NEUTRAL, TP: MYR1.15) underperformances were due to higher-than-expected impairment allowances, while RCE Capital's (RCE MK, SELL, TP: MYR1.25) stemmed from softer-than-expected financing growth. Management teams appear positive on financing/loan growth ahead, supported by factors such as the minimum wage increase and civil servants' salary hike. Meanwhile, we were also assured of asset quality, as there are measures in place to stabilise or ease credit costs. Our preferred pick in this space is ACSM due to its multiple growth engines and attractive valuation. Additionally, with the group's commitment to paying out higher dividends, its yields are now as attractive – if not more so – than that of its peers.

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Telecommunications: Better quarter for fixed**NEUTRAL**

Broadly in line. Of the six telcos and telco-related infrastructure stocks under our coverage, four reported in-line results, one disappointed while one outperformed. The beat came from Telekom Malaysia (TM) from stronger-than-expected cost efficiencies. OCK Group (OCK MK, BUY, TP: MYR0.70) fell short due to dampened contracting and engineering services revenues. CelcomDigi (CDB MK, BUY, TP: MYR4.35), Axiata Group (AXIATA MK, BUY, TP: MYR3.40), Maxis (MAXIS MK, NEUTRAL, TP: MYR3.92), and Time dotCom (TDC MK, NEUTRAL, TP: MYR5.10) tracked in line.

Industry mobile revenue flattish in 9M24. Based on the disclosures from the MNOs, the contraction in industry prepaid revenue (Big-2 MNOs) persisted (-1.3% QoQ), partly offset by postpaid growth (+0.6% QoQ), with overall industry mobile service revenue (MSR) up a marginal 0.6% YoY in 9M24. Maxis' (MAXIS MK, NEUTRAL, TP: MYR3.) MSR inched higher QoQ to 43.9% in 3Q24 (2Q24: 43.7%), at the expense of CDB, whose MSR share narrowed to 56.1% (2Q24: 56.3%). Note that CDB presented new revenue classifications during the quarter with separate disclosures of consumer and enterprise revenues.

Home fibre revenue up double-digits for MNOs. The home fibre segment continued to be the bright spot for Maxis and CDB with good up-selling and mobile bundling activities fuelling double-digit YoY growth. Incumbent fibre broadband (FBB) provider TM saw a recovery in internet revenue after two consecutive quarters of decline on higher subs adds and ARPU. FBB challenger TDC also posted robust retail fibre traction, up 10% YTD with continued network expansion.

Maintain NEUTRAL on telcos; preferred picks are TM, Axiata, and CDB. There were some tweaks to management guidance following the results releases. Specifically, CDB lowered its FY24F service revenue guidance to flat-to-a slight decrease (from low single-digit increase) while EBIT guidance has been affirmed at a single-digit decrease. Axiata's EBIT growth continues to be ahead of its KPI guidance. Post results, we raised CDB's FY24-26F core earnings by 3.4%, 0.4% and 3.0%, Maxis' by 4.6%, 9.1% and 12.8% and TM's by 4.4%, 2.7% and 5.1% respectively. We lowered OCK's FY24-26F core earnings by 20.2%, 21.5%, and 16.6%. There were no changes to our BUY ratings on TM, Axiata, CDB, and OCK with NEUTRAL calls maintained for Maxis and TDC.

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Transport: Largely in line**NEUTRAL**

The transport sector's 3Q24 results generally met expectations, with Malaysia Airports (MAHB MK, NEUTRAL, TP: MYR11) posting in-line results while Westports' (WPRTS MK, NEUTRAL, TP: MYR4.56) 3Q performance surprised on the upside due to higher value-added services (VAS) contributions. On the other hand, both logistics players under our coverage ie FM Global Logistics (FM MK, NEUTRAL, TP: MYR0.59) and TASCOS (TASCO MK, BUY, TP: MYR1.12) missed our expectations.

MAHB privatisation largely priced in. MAHB's 9M24 performance came in line with our and Street estimates. 9M24 revenue rose to MYR4.3bn (+20% YoY), aligning with the ongoing traffic recovery which featured a higher international passenger mix. This led to an increase in passenger service charges and retail spending. Consequently, 9M24 core earnings grew 72% YoY to MYR592m. Post earnings, we cut our 2024 Malaysia passenger traffic forecast to 95.2m as our previous assumption for passenger movements in Malaysia of 105.9m in 2024 was too bullish. That said, we think MAHB is one step closer to being delisted as all the four preconditions to the privatisation deal have been met.

Stronger-than-expected results by the marine port player. Westports posted a 3Q24 core net profit of MYR228m (+11.8% QoQ, +16.5% YoY), bringing 9M24 earnings to MYR636m (+10.7% YoY), above expectations, ie at 77% of our and consensus full-year forecasts. The deviations were mainly due to lower-than-expected operating expenses and higher-than-expected rental revenue. We raised FY24-26F earnings by 1-3% to include lower depreciation costs under the new concession agreement. However, we see limited upside potential for this counter, as it remains fairly valued – it is trading at its historical mean.

Small-cap logistics players' earnings missed expectations. FM's 1QFY25 (Jun) core net profit fell 23% YoY (+3% QoQ) to MYR7m. This was below our expectations, at 16% of full-year estimates for FY25. The deviation was mainly due to higher-than-expected operating expenses.

Sea, air, and land freight 1QFY25 volumes were at 31.8k TEUs, 9.3m kg, and 17.2k TEUs, up +18%, +16%, and +8% YoY. We think land freight and third-party logistics (3PL) sectors will continue to demonstrate promising growth prospects, but management reiterated that sea freight will still be its main contributor. TASCOS' 2QFY25 (Mar) core net profit was MYR13.6m (+20% QoQ; -14% YoY), bringing 1HFY25 core earnings to MYR24.9m (-17% YoY) – below expectations, at 35% and 33% of our and consensus full-year estimates. Despite a soft 1HFY25, we remain upbeat on its prospects for the year and ahead, mainly driven by: i) An improving freight forwarding segment, ii) volume recovery, iii) contributions from new warehouses, and iv) available tax credits from the integrated logistics services (ILS) incentive.

We maintain a NEUTRAL sector weighting, as we maintain our NEUTRAL calls on the sector heavyweights ie MAHB and Westports. We think these infrastructure players fairly valued, as Westports' share price has risen c.32% to its peak this year, while MAHB's share price has crept up, reducing the gap with the privatisation offer price of MYR11 – resulting in limited upside potential currently. Within the logistics sector, we remain positive on TASCOS, which is our Top Pick due to its diversified client base and business segments, which help maintain its earnings stability. Additionally, the ILS tax incentives provide a cushion against challenges within the sector.

Downside risks to our sector outlook include a continued slowdown in global economic growth which will paralyse trade flows, and a further weakening of freight rates. The opposite represents the upside risks.

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Figure 14: RHB Basket sector weightings & valuations

Sectors	Mkt Cap MYRbn	Weight %	Weighted Earnings Growth (%)			P/E (x)			Recommendation
			FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	
Banking	379.1	26.5	8.7	4.9	5.8	11.5	11.0	5.5	Overweight
Utilities	150.8	10.5	18.3	8.1	3.6	15.6	15.3	5.4	Overweight
Oil & Gas	116.5	8.1	(9.8)	8.2	6.3	14.5	13.8	7.9	Overweight
Plantation	102.8	7.2	(22.4)	16.5	7.1	20.2	18.8	3.6	Overweight
Property	76.9	5.4	6.2	(0.8)	6.1	20.3	20.7	7.0	Overweight
Healthcare	76.5	5.3	35.1	3.1	2.7	34.2	32.7	3.9	Overweight
Basic Materials	50.8	3.6	59.7	8.1	4.9	19.9	18.2	6.8	Overweight
Construction	48.8	3.4	4.8	28.0	14.3	25.4	20.3	13.8	Overweight
Property-REITs	38.7	2.7	11.0	7.6	2.6	17.7	16.5	4.0	Overweight
Rubber Products	29.4	2.1	281.6	198.5	422.7	n.m.	97.0	64.9	Overweight
Technology	27.1	1.9	26.5	43.0	22.8	32.8	23.6	21.7	Overweight
Telecommunications	125.5	8.8	1.7	15.4	11.2	20.6	17.3	13.7	Neutral
Consumer	103.5	7.2	(17.0)	12.7	7.0	21.1	18.3	8.3	Neutral
Transport	33.3	2.3	25.3	6.0	18.2	19.8	18.4	56.8	Neutral
Gaming	30.2	2.1	71.5	11.7	12.6	10.7	9.7	3.8	Neutral
Auto	21.0	1.5	2.6	7.6	(0.5)	12.0	10.1	(1.2)	Neutral
Non-Bank Financials	20.3	1.4	2.4	7.2	6.7	10.3	9.4	6.5	Neutral
RHB BASKET	1431.2	100.0	9.1	7.7	6.1	16.2	15.0	14.0	

Source: RHB

Figure 15: Earnings outlook and valuations

COMPOSITE INDEX @ 1,595.48 2 Dec 2024	FBM KLCI				RHB BASKET				RHB BASKET (EX-FBM KLCI)			
	2023	2024F	2025F	2026F	2023	2024F	2025F	2026F	2023	2024F	2025F	2026F
Revenue Growth (%)	2.5	5.9	4.0	3.9	2.5	6.4	5.6	4.2	2.9	7.6	9.1	4.9
EBITDA Growth (%)	(2.4)	5.9	5.2	4.5	(4.3)	8.4	5.5	5.4	(9.6)	16.3	6.4	7.9
Total PATAMI (MYRm)	55,339	62,537	67,121	71,287	75,549	87,902	95,259	101,894	20,210	25,365	28,137	30,607
Total PATAMI Growth (%)	(2.3)	13.0	7.3	6.2	(8.8)	16.4	8.4	7.0	(9.8)	25.5	10.9	8.8
Weighted Earnings Growth (%)	3.3	8.4	6.5	5.3	3.9	9.1	7.7	6.1	(4.7)	14.8	13.2	9.7
P/E (x)	18.1	16.0	14.9	14.1	18.9	16.2	15.0	14.0	21.0	16.7	15.0	13.8
Weighted Earnings Growth (%) ex-Plantation	5.9	8.5	6.4	5.4	6.2	9.2	7.7	6.2	(2.8)	14.4	13.3	9.8
P/E (x) ex-Plantation	17.8	15.7	14.6	13.7	18.7	16.0	14.8	13.8	21.1	17.0	15.3	13.9
P/BV (x)	1.6	1.5	1.5	1.4	1.5	1.4	1.4	1.4	1.3	1.3	1.3	1.2
Dividend Yield (%)	3.7	3.7	3.9	4.1	3.6	3.6	3.8	4.0	3.2	3.3	3.4	3.6
ROE (%)	8.6	9.4	9.7	9.9	7.8	8.8	9.6	9.9	6.3	7.5	8.5	8.9

Note: Excludes FBM KLCI stocks not under RHB Research's coverage, ie HILFG, YTLC, RHB Bank, and PPB

Source: Bloomberg, RHB

Figure 16: Top BUYs

	FYE	Price (MYR/s)	TP (MYR)	Shariah compliant	Market Cap (MYRm)	EPS (sen)		EPS Growth (%)		3-yr EPS CAGR (%)	P/E (x)		P/BV (x)	P/CF (x)	DY (%)	
						FY25F	FY26F	FY25F	FY26F		FY25F	FY26F				FY26F
		2 Dec 2024														
Tenaga Nasional	Dec	13.48	16.60	YES	78,359	80.8	85.4	18.0	5.7	15.4	16.7	15.8	1.2	4.4	4.1	
SD Guthrie	Dec	4.97	5.55	YES	34,371	22.8	22.6	17.7	(1.1)	20.0	21.8	22.0	1.8	11.5	2.6	
Gamuda	Jul	9.09	10.52	YES	25,653	42.9	48.9	30.4	14.1	15.9	21.2	18.6	2.0	66.4	2.2	
TM	Dec	6.44	8.45	YES	24,715	49.2	55.0	11.5	11.9	4.1	13.1	11.7	2.1	5.4	4.2	
AMMB^	Mar	5.37	6.50	NO	17,777	61.0	64.4	4.3	5.7	7.1	8.8	8.3	0.8	n.a.	5.2	
Mr DIY Group	Dec	1.82	2.35	YES	17,218	7.7	8.8	19.3	13.7	13.2	23.5	20.7	7.1	15.2	3.4	
Hartalega^	Mar	3.48	3.70	YES	11,878	5.0	7.7	57.0	53.4	148.4	69.6	45.4	2.4	29.5	0.6	
KPJ Health	Dec	2.44	3.00	YES	10,649	7.5	8.3	14.6	11.8	8.7	32.7	29.3	3.7	13.6	1.8	
Sime Darby Property	Dec	1.50	2.33	YES	10,201	8.4	9.0	11.0	7.2	14.8	17.9	16.7	0.9	16.3	2.7	
Malayan Cement	Jun	4.79	6.59	YES	6,406	41.0	44.8	(1.7)	9.4	47.2	11.7	10.7	0.9	10.7	2.9	
MPI	Jun	24.16	38.50	YES	4,564	126.0	155.2	45.3	23.2	37.6	19.2	15.6	2.1	7.3	2.3	
Guan Chong	Dec	3.34	6.22	YES	3,923	41.5	33.9	34.4	(18.3)	54.1	8.1	9.9	1.4	3.8	2.5	
Farm Fresh^	Mar	1.87	2.11	YES	3,506	7.4	8.5	22.8	15.2	35.8	25.4	22.0	3.8	15.6	1.8	
Axis REIT	Dec	1.74	2.08	YES	3,498	10.9	10.4	13.9	(4.0)	5.3	16.0	16.7	1.1	13.1	5.9	
Johor Plantations	Dec	1.37	1.50	YES	3,425	10.7	9.8	9.0	(8.5)	13.4	12.9	14.0	1.1	8.1	3.6	
Dayang Enterprise	Dec	2.02	3.82	YES	2,339	27.7	28.1	6.5	1.5	20.1	7.3	7.2	1.0	5.6	3.0	
Solarvest^	Mar	1.60	1.72	YES	1,155	6.4	7.1	31.3	11.2	34.0	25.1	22.5	3.4	18.2	0.0	
Focus Point	Dec	0.83	1.20	YES	381	9.2	10.1	14.2	9.5	12.4	9.0	8.2	2.1	3.5	6.1	

Note: ^FY24F-25F valuations refer to that of FY25F-26F

Source: RHB

Note: Figures 17 and 18 are in the next two pages.

Figure 17: FBM KLCI – weightings & valuations

	Market Cap MYRbn	Weight (%)	Weighted Earnings Growth (%)			P/E (x)		
			FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Sime Darby Auto	15.7 15.7	1.56 1.56	14.0 14.0	19.1 19.1	2.8 2.8	11.9 11.9	10.0 10.0	9.7 9.7
CIMB	88.0	8.78	10.8	6.8	5.5	11.3	10.6	10.1
HL Bank	44.6	4.44	9.9	4.5	7.6	10.0	9.6	8.9
Maybank	121.6	12.13	6.9	4.2	4.5	12.2	11.7	11.2
Public Bank	86.8	8.65	6.7	3.9	4.6	12.2	11.8	11.3
Banking	341.0	34.00	9.4	4.7	6.2	11.5	11.0	10.4
Press Metal	40.7	4.06	42.3	10.9	3.4	23.1	20.8	20.1
Basic Material	40.7	4.06	42.3	10.9	3.4	23.1	20.8	20.1
Nestle	22.6	2.26	(28.3)	16.8	8.4	42.1	36.0	33.2
Mr DIY	17.2	1.72	7.0	19.3	13.7	28.1	23.5	20.7
QL Resources	17.9	1.78	22.5	(24.3)	2.6	28.0	37.0	36.0
Consumer	57.7	5.75	(25.6)	14.0	8.3	35.4	31.2	28.4
IHH Healthcare	63.4	6.33	39.7	2.0	1.9	35.5	34.8	34.1
Healthcare	63.4	6.33	39.7	2.0	1.9	35.5	34.8	34.1
Sunway	27.3	2.72	3.9	3.7	4.1	33.6	32.4	31.2
Property	27.3	2.72	3.9	3.7	4.1	33.6	32.4	31.2
MISC	32.5	3.24	3.1	4.9	5.1	14.3	13.6	12.9
Petronas Dagangan	19.4	1.94	6.7	2.6	2.7	19.3	18.8	18.3
Oil & Gas	90.4	9.01	(6.8)	6.0	5.2	17.0	15.3	14.1
IOI Corp	23.9	2.39	2.1	(11.1)	7.0	15.7	17.6	16.5
Kuala Lumpur Kepong	23.6	2.36	(40.9)	26.6	11.5	27.7	21.9	19.6
SD Guthrie	34.4	3.43	48.6	17.7	(1.1)	25.6	21.8	22.0
Plantation	82.0	8.17	(27.9)	17.6	8.8	22.0	20.4	19.4
Axiata	21.4	2.13	42.0	79.2	32.4	27.4	15.3	11.6
CelcomDigi	42.8	4.27	8.9	18.3	12.7	25.3	21.4	19.0
Maxis	27.4	2.73	6.9	0.2	(3.5)	19.0	18.9	19.6
Telekom Malaysia	24.7	2.46	(9.5)	11.5	11.9	14.6	13.1	11.7
Telecommunication	116.3	11.60	0.3	16.9	12.3	20.7	17.3	15.3
Petronas Gas	35.3	3.52	0.5	0.9	1.0	19.0	18.8	18.6
Tenaga	78.4	7.81	23.1	18.0	5.7	19.7	16.7	15.8
YTL Power	28.3	2.82	61.8	(17.6)	(0.9)	8.5	10.3	10.4
Utilities	142.0	14.16	16.6	3.0	2.5	15.4	15.2	14.8
FBM KLCI	1003.0	100.00	8.4	6.5	5.3	16.0	14.9	14.1

Source: Bloomberg, RHB

3 December 2024

Market Outlook | Market Strategy

Figure 18: High-dividend yield stocks

	Price	Target	DY (%)		EPS Growth (%)		P/E (x)		P/BV (x)	ROE (x)
	(MYR/s)	(MYR/s)	FY25F	FY26F	FY25F	FY26F	FY24F	FY25F	FY25F	FY25F
	2 Dec 2024									
Bermaz Auto^	2.03	3.05	12.8	12.8	15.2	(0.0)	7.6	6.6	2.6	40.1
Sentral REIT	0.80	0.91	8.6	8.9	2.6	3.1	11.5	11.2	0.7	6.2
DXN^	0.48	0.88	8.5	9.8	23.8	15.6	7.3	5.9	1.5	26.4
Pavilion REIT	1.48	1.78	6.5	6.7	5.0	2.4	16.5	15.7	1.0	6.7
Sime Darby	2.30	3.15	6.5	7.0	19.1	2.8	11.9	10.0	0.8	8.0
Heineken Malaysia	24.12	30.00	6.2	6.5	4.6	4.3	16.7	15.9	15.6	97.7
AME REIT^	1.39	1.57	6.1	6.3	10.7	3.3	19.5	17.7	1.3	7.2
Datasonic^	0.40	0.68	6.0	5.7	6.4	(10.3)	11.9	13.3	2.9	22.2
Carlsberg	21.10	23.10	5.9	6.2	5.9	4.1	17.8	16.8	22.0	131.8
Sunway REIT	1.83	1.94	5.9	6.3	9.9	6.1	17.7	16.1	1.1	7.1
Axis REIT	1.74	2.08	5.8	5.9	13.9	(4.0)	18.3	16.0	1.0	6.7
Texchem	0.78	1.44	5.7	7.8	79.5	38.4	11.2	6.2	0.5	7.8
Tambun Indah	0.90	1.20	5.6	5.8	8.3	4.5	8.2	7.5	0.5	6.6
Focus Point	0.83	1.20	5.6	6.1	14.2	9.5	10.3	9.0	2.4	28.8
Allianz Malaysia	20.32	24.40	5.6	5.9	5.5	6.9	4.9	4.7	0.6	12.8

Note: ^FY25-26 valuations refer to those of FY26-27

Source: RHB

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