

Market Strategy

Budget 2025 Preview: Impact On Sectors

- Prudence, compassion, clarity.** Tight public finances indicate that the Government will have little room for excesses. We expect Budget 2025 – to be tabled on 18 Oct – to contain ingredients that encapsulate fiscal prudence, compassion for lower-income segments, commitment to reform, and clarity on initiatives to broaden the tax base. RHB Economics forecasts the fiscal deficit target for 2025 at 3.5%, down from a 4.3% 2024 target. Entering the final year of the 12th Malaysia Plan, we estimate 2025 net development expenditure at c. MYR90bn.
- Follow-through on reforms needed.** It is now almost two years since the seminal 15th general election (GE15), and the stability of the unity government appears rock-solid. Malaysia looks set to be able to see out the current term of parliament before the next general election becomes due in late 2027. Despite some progress on reforms, we believe the Government still has ample political capital to make further meaningful progress on subsidies and initiatives to broaden the tax base to: i) Further narrow the fiscal deficit, ii) create headroom for infrastructure investments, and iii) establish a pathway to contain the national debt. In this regard, the two key pending initiatives are subsidy rationalisation for RON95 petrol and reviving the Goods and Services Tax (GST) that will dovetail with full implementation of e-invoicing.
- Budget 2025 wish list.** Achieving the Madani Economy Framework will be a key focus of the 2025 budget – centred on creativity, competitiveness, digitalisation, AI exploration and civil service reform. Efforts to move Malaysia Inc up the value chain should involve proposals to facilitate FDI, streamline processes to eliminate excessive bureaucracy, productivity gains, automation, and talent development including funding for technical and vocational education and training (TVET) to upskill and reskill the workforce. This includes incentives to broaden the progressive wage policy. We have not ruled out excise duty hikes on tobacco and breweries, and will closely watch the allocations for infrastructure projects, with hoped-for clarity on MRT3.
- Strategy.** The macroeconomic backdrop remains positive, bolstered by the US Fed's aggressive monetary policy pivot that will facilitate a soft landing for the global economy. Business and investor sentiment will tick up, while the stronger MYR will be a net positive for corporate earnings. Equities should be well supported by the pooling of domestic liquidity, coupled with renewed interest from foreign portfolio funds. We maintain our OVERWEIGHT rating on the banking, property, construction, technology, healthcare, basic materials, oil & gas, utilities and rubber products sectors, as well as our end-2024 FBM KLCI target of 1,720pts (16x target P/E) on forward FY25F earnings. Key risks: A flare-up of inflationary pressures causing the US Fed to reverse monetary policy easing, unpredictable geopolitical developments, and a fallout from an escalation of the US-China trade war.

Stocks Covered 147
 Rating (Buy/Neutral/Sell): 91 / 47 / 9
 Last 12m Earnings Revision Trend: Positive

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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	5.90	13.2	9.1	0.8	9.2	5.0
Cahaya Mata Sarawak	Neutral	1.57	11.7	8.9	0.4	4.9	2.1
Dayang Enterprise	Buy	3.90	86.6	7.5	1.1	14.3	2.9
Farm Fresh	Buy	1.88	8.3	25.7	4.0	16.5	1.5
Focus Point	Buy	1.20	53.4	8.5	2.3	28.8	5.8
Gamuda	Buy	9.68	18.0	18.2	1.8	10.4	2.0
Guan Chong	Buy	5.10	76.4	6.9	1.4	22.0	3.6
Kerjaya Prospek	Buy	2.57	36.2	13.0	2.0	15.6	5.3
KPJ Healthcare	Buy	2.13	(0.5)	28.7	3.5	12.5	1.8
Mah Sing	Buy	2.26	29.6	15.8	1.1	6.9	2.9
Malaysian Pacific Industries	Buy	44.80	64.7	17.4	2.4	14.3	1.9
Mr DIY Group	Buy	2.40	20.6	24.8	8.5	36.2	2.8
Sime Darby Property	Buy	2.00	28.8	18.5	1.0	5.4	2.3
Tenaga Nasional	Buy	16.70	13.3	17.5	1.4	7.9	3.7

Source: Company data, RHB

Sector Review

Energy (Oil & Gas, Utilities)

OVERWEIGHT

We believe the Government will continue to prioritise green energy efforts to support the National Energy Transition Roadmap (NETR). In line with this, we would not be surprised to see an allocation for renewable energy (RE) development and, perhaps, grid infrastructure upgrades to facilitate initiatives like the Corporate Renewable Energy Supply Scheme (CRESS). One notable measure that may be included in Budget 2025 is the continuation or expansion of cash rebates under the Net Energy Metering (NEM) programme. This could further drive solar adoption, particularly among homeowners. Additional support for residential solar power, particularly for the B40 group, through low-interest loans and subsidies, could encourage wider adoption.

As there is an ongoing discussion between Petroleum Sarawak (Petros) and Petronas, it would be crucial to have an insight into Petronas' dividend expectations in 2025. We estimate the dividend payout to be lower than MYR32bn in 2025, due to a weaker set of results in 2024 amidst lower oil prices. Meanwhile, the Government is still examining the impact of diesel subsidy rationalisation. We believe there is a possibility that the RON95 subsidy removal implementation may not be highlighted in the upcoming budget. On the other hand, should there be more details regarding the Johor-Singapore Special Economic Zone (JS-SEZ) announced, we believe Pengerang – a targeted petrochemical hub – will benefit, as well.

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Property

OVERWEIGHT

Tightening measures unlikely. We do not expect the Government to introduce any tightening measures for the property market, which has just started to recover post pandemic, and we do not see any overheating conditions at this juncture. Furthermore, the Government has just revised the Malaysia My Second Home (MM2H) policy to welcome more foreign applicants by introducing a 3-tiered system, and making the purchase of property a compulsory requirement.

Developers' wish lists. Many property developers, as well as the Real Estate and Housing Developers' Association (REHDA), have submitted their respective wish lists. These include reviving the Home Ownership Campaign (HOC), introducing a one-off first-time home buyers' grant, low fixed-rate financing, reintroducing tax deductions for housing loan interest, reduction of compliance costs and streamlining approval processes, as well as enhancing incentives for green buildings and sustainable developments in order to stimulate more activities in the property sector.

Expect some incentives for first-time home buyers. It was reported recently that the Ministry of Housing and Local Government has proposed a Deposit Madani scheme to make home ownership more attainable for first-time buyers. The initiative involves up to MYR30,000 in down payment assistance and the potential return of a developer interest-bearing scheme (DIBS). These are mainly targeted at the younger working population as well as the low- to middle-income families purchasing their first home, as the 10% down payment or upfront cost is typically a significant hurdle.

While we welcome this initiative, we are not sure if the Government has the budget to offer the grant, as pump-priming and other infrastructure projects may be prioritised. Also, we think Bank Negara Malaysia may be reluctant to reintroduce the DIBS, although it is intended for only first-time home buyers. The Government may offer other incentives for this group of buyers instead.

Perhaps a preview on JS-SEZ incentives? Leading up to the official signing of the JS-SEZ definitive agreement, the Government may have a special preview on the incentives for specific economic sectors during the upcoming budget announcement. These incentives, if significant, may have an impact on key property players – especially those with strategic landbank at the Tuas link and Nusajaya area, and also with exposure to the industrial development segment. These include UEM Sunrise (UEMS MK, BUY, TP: MYR1.60), Sunway (SWB MK, BUY, TP: MYR5.00), Sime Darby Property (SDPR MK, BUY, TP: MYR2.00), AME Elite Consortium (AME MK, BUY, TP: MYR2.20), and Eco World (ECW MK, NR).

Maintain OVERWEIGHT. Despite the recent profit-taking activities, we remain positive on the property sector – in view of the healthy demand, as well as the strong recovery in the Iskandar Malaysia market. Property sales in West Malaysia’s southern region, as well as the industrial segment, are particularly strong. The upcoming announcement on JS-SEZ, as well as the potential revival of the Kuala Lumpur-Singapore high speed rail, could lead to a further re-rating of the sector. Our Top Picks are SDPR, Mah Sing (MSGB MK, BUY, TP: MYR2.26), and UEMS.

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Auto & Autoparts

NEUTRAL

Focus remains on EVs. We believe the country’s automotive sector will continue to prioritise the acceleration of EV adoption. This will likely involve developing a broader EV ecosystem and placing a strong emphasis on incentives to encourage uptake. However, uncertainties surrounding the implementation of a luxury tax and petrol subsidy rationalisation persist.

Time to boost the rollout of charging bays. As of June, there are 2,585 public EV charging bays installed nationwide – this is still a long way to go towards achieving the national target of having 10,000 public charging facilities by 2025. One of the impediments is the lengthy and time-consuming application process. Currently, installation of charging bays in high-rise buildings require EV charging licences issued by the Energy Commission on top of approvals by Tenaga Nasional (TNB MK, BUY, TP: MYR16.70) and the local councils. This lengthy process and high initial costs have led industry players – especially charging point operators – to call for a faster, less bureaucratic process. Also, the lack of incentives for installing public charging stations are also slowing the pace of charging infrastructure rollouts. Legislative initiatives are also needed to encourage a more rapid installation of charging bays. For example, the authorities can consider mandating the installation of EV charging bays in future residential and commercial property developments.

Further extension of import and excise duty exemptions on CBU EVs? We believe the tax holiday exemption for CBU EVs will not be extended beyond end-2025, as the focus could mainly be on attracting original equipment manufacturers or OEMs to manufacture and assemble their EVs locally. Note: The excise duty and sales tax exemption for CKD EVs will remain in force until end-2027. With the recent debut of Proton’s first EV – the e.MAS 7 – along with Perodua’s own EV expected by end-2025, we believe the Government will likely prioritise incentives to encourage the local assembly of CKD EVs.

Is the High Value Goods Tax (HVGT) still on the cards? While the implementation of this luxury tax is being put on hold indefinitely, we do not rule out the possibility of it being mentioned in the upcoming Budget 2025. The market has yet to have visibility on how this proposed tax regime will be implemented – particularly the tax rate, types of items to be taxed, and value threshold set. Such a tax could be negative for the industry. While ultra-high-income earners may not be sensitive to such changes, their middle- to high-income counterparts looking for entry-level cars may feel the impact. Another thing that remains uncertain is whether EVs are also subject to HVGT, which we believe is counter-productive, considering existing policies to encourage EV adoption.

Petrol subsidy rationalisation. Another wild card for the sector is the rollout of blanket subsidy removals for RON95 petrol, following the subsidy rationalisation for diesel that was implemented in May. RHB Economics expects subsidy rationalisation for RON95 to occur towards end-2024 – this will likely be addressed during the Budget 2025 announcement. Although the details on the mechanism and implementation remain unclear, we believe this policy would increase car ownership costs moving forward. This may incentivise consumers to switch to EVs while some prospective buyers may opt to downtrade instead, given the lack of affordable EV cars in the market at this time. We are also cognisant of public transport as an alternative to purchasing new vehicles. However, the extent of changes in consumer behaviour would largely depend on how the policy is rolled out.

We maintain our **NEUTRAL** weighting for the sector on the expectation of a weaker TIV performance as sales volume normalisation takes place – likely in 2H. Our new assumption anticipates 2H TIV to drop by 8% YoY. Our Top Pick remains Bermaz Auto (BAUTO MK, BUY, TP: MYR3.05), as we like its undemanding valuations and handsome c.10% dividend yield.

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Construction

OVERWEIGHT

Development expenditure (DE). Under the Mid-Term Review of the 12th Malaysia Plan, the Government included the initiative to increase the DE ceiling for 2021-2025 to MYR415bn from MYR400bn. The DE for 2021, 2022 and 2023 amounts to c.MYR232bn and, if we assume the actual DE for 2024 stood at MYR90bn, the DE potentially left for 2025 stands at c.MYR90bn. Overall infrastructure spending may also be well supported by the new Public-Private Partnership Masterplan 2030 via the synergy between the public and private sectors that could mitigate risks and optimise costs.

Higher DE allocation for transportation sub-sector – a wish list for contractors. Around MYR19bn or 21.3% out of the MYR90bn worth of DE budgeted for 2024 was allocated for the transportation sub-sector. With the onset of upcoming potential transportation-related projects – ie the Northern Coastal Highway of Sarawak, remaining phases of Pan Borneo Highway Sabah, Kuala Lumpur Sentral re-development, Putrajaya-Bangi Expressway, Kuala Lumpur Northern Dispersal Expressway, West Ipoh Span Expressway, and Johor Bahru's Light Rail Transit or the Elevated Autonomous Rapid Transit – we envisage the percentage allocated from the whole DE to the transportation sub-sector under Budget 2025 to be reasonably higher than the 21.3% budgeted for this year.

Mass Rapid Transit 3 (MRT3) updates likely to be mentioned. At this time, MRT Corp is conducting the public inspection exercise for the MRT3 project, which began on 2 Sep and is slated to end on 2 Dec. The objective of the exercise is to gather feedback from the public on the proposed alignment of the MRT3 network. Notwithstanding the ongoing public inspection exercise, we believe updates on MRT3 could come in the form of the funding mechanisms and latest estimated costs – along with whether a fresh round of re-tendering is needed or not, given that the validity of MRT3 tenders were not extended beyond Mar 2024. Recall: In the revised Budget 2023 (tabled in Feb 2023), the Government intended to review the cost of the MRT3 project in the hope of reducing the total amount to below MYR45bn. The original cost for the project was estimated at MYR68bn in 2018

More details on the multi-tiered foreign worker levy likely to be laid out. Proposals for the multi-tiered foreign worker levy were already made sometime in 2018-2019, but implementation of the levy itself was postponed due to the COVID-19 pandemic. The initial announcement in 2019 only allowed for a foreign worker dependency ratio of up to 75%, with existing levies to be used as the first-tier charge. With more emphasis being put by the Government for automation – which also includes the construction sector – we expect more details to be disclosed during Budget 2025.

Based on our preliminary analysis – assuming labour costs comprise c.30% of overall costs and that the levy is payable every three years (upon renewal of existing workers' contracts or the hire of new ones) – a 10-15% increase from each tier for foreign workers in the construction sector could increase labour costs by 1-4% pa. Nevertheless, the increasing adoption of industrialised building systems or IBS may mitigate such impact from the multi-tiered levy.

Overall, we maintain our OVERWEIGHT rating on the sector, as the ample supply of labour – combined with manageable material cost pressures – puts contractors in a sweet spot of not only being able to ramp up project progress, but also be ready to accept new jobs that may boost earnings visibility. Our Top Picks are still Gamuda (GAM MK, BUY, TP: MYR9.68), Kerjaya Prospek (KPG MK, BUY, TP: MYR2.57), and Sunway Construction (SCGB MK, BUY, TP: MYR5.50).

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Consumer**NEUTRAL**

Consumer-friendly Budget 2025. As is usually the case every year, the more predictable goodies we expect to be proposed in the budget will be cash handouts to the lower-income groups, bonuses for civil servants and income tax relief. In addition, we expect the Government to continue prioritising the welfare of the B40 segment through the provision of subsidies for necessities and monetary assistance.

Measures to strengthen public finances. More light is expected to be shed on the subsidy rationalisation of RON95 petrol and whether the Government is looking to reintroduce the GST. Meanwhile, we do not rule out the possibility of excise duty hikes for cigarettes and beer, with the last hikes taking place back in 2014 and 2016. On the other hand, Health Minister Datuk Seri Dzulkefly Ahmad recently revealed more plans to reduce sugar consumption – this could mean an excise rate hike for the products already attracting the sugar tax and widening of scope to cover more sugar-sweetened beverages or products. After the deferment and fine-tuning, the structure of the luxury goods tax may finally be sorted out and announced in Budget 2025.

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Gaming**NEUTRAL**

We do not expect to see changes to the gaming tax as the sector is still recovering and regaining market share from illegal number forecast operators (NFOs), particularly after outlet closures in the northern states boosted the businesses of these operators. The last tax increase was the Sales & Service tax (SST) rate hike to 8%, from 6%, in Mar 2024. Further tax hikes could reduce prize payouts, inadvertently benefitting illegal operators. We believe enhanced enforcement against such operators serves as a more effective strategy to garner additional tax revenue.

While additional special draws (there are currently eight per year) are possible to raise tax revenue, their impact on NFOs earnings is minimal due to lower margins. This is attributed to the additional 10% contribution paid to the Government on all special draw gross ticket sales post the 8% gaming tax deduction. If the Government opts to increase the number of special draws by one in 2025, our earnings estimates for Magnum (MAG MK, NEUTRAL, TP: MYR1.24) and Sports Toto (SPTOTO MK, NEUTRAL, TP: MYR1.59) could increase by less than 1%.

Overall, we are not expecting much changes, if any, to the gaming sector.

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Plantation**NEUTRAL**

Normal replanting, automation, and ESG incentives likely to remain. Generally, the initiatives affecting the plantation sector mentioned in the budget announcements revolve around replanting, automation, and ESG incentives. We expect these incentives to remain. In previous years, proposals were also made for the multi-tiered foreign worker levy, but its implementation has been postponed for several years.

For 2025, we believe the multi-tier levy proposal may make a comeback, but planters could be exempted. The initial announcement in 2019 only allowed a foreign worker dependency ratio of up to 75%, with existing levies to be used as the first-tier charge. In recent times, we understand the threshold has been lowered to 70%. However, the plantation industry has lobbied hard to either be excluded entirely from this revision of levies, or be given a higher threshold. This argument is made on the basis that job scopes within this industry are difficult and laborious – and locals are not interested in these. As such, we believe there could be an exemption made for the plantation industry this time around, as most planters would be affected by the multi-tier levy if it is set at a 70% threshold. In any case, based on our sensitivity analysis, every 10% hike in foreign worker levy would impact earnings for the planters under our coverage by c.1-2% pa.

Minimum wage hike is, however, likely. In Malaysia, the minimum wage was increased from MYR1,200 to MYR1,500 per month in Apr 2022. We believe it is likely that the minimum wage will be raised again in Budget 2025 to MYR1,800-2,000 per month. This will be detrimental to planters' earnings, for which we estimate that every 10% rise in minimum wage would impact earnings by c.2-5% – with the exception of FGV Holdings (FGV MK, NEUTRAL, TP: MYR1.30), which has a lower earnings base.

Hoping for lower windfall taxes. One initiative that the industry is hoping for is lower windfall taxes, or a higher windfall tax levy threshold. Currently, the windfall tax levy is set at 15% above MYR3,000 per tonne for West Malaysia and MYR3,500 per tonne for East Malaysia. The industry is lobbying hard for this levy to be lowered, given the structurally higher costs of production and higher CPO prices currently.

Overall, we remain NEUTRAL on the sector. Our Top Picks are SD Guthrie (SDG MK, BUY, TP: MYR5.35), Johor Plantations Group (JPG MK, BUY, TP: MYR1.20), IOI Corp (IOI MK, BUY, TP: MYR4.50), and Sarawak Oil Palms (SOP MK, BUY, TP: MYR3.60).

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REITs

NEUTRAL

We may hear more details on the HVGT which could negatively affect the higher-end retail REITs in the Kuala Lumpur city centre such as Suria KLCC and Pavilion KL, although the actual impact may be marginal, depending on the minimum threshold of the tax. Fashion/apparel tenants that are most likely to be impacted make up a high proportion of the NLA of these two malls, at c.25%. Since it was initially proposed in Budget 2023, the implementation of the tax has been deferred indefinitely to further engage with industry players, a move which we hope would limit any potential downside. Another relief is the implementation of the Tourist Refund Scheme (announced by the Government in March). This would be another positive for the aforementioned malls, as the recovering tourism industry has driven the increase in footfall and spending YTD.

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Transport

NEUTRAL

We anticipate more budget allocations for the tourism sector, mainly for the upcoming Visit Malaysia 2026 campaign to boost promotion and tourism activities. Note: The Government allocated MYR350m from Budget 2024 for the tourism sector – a 75% YoY increase from Budget 2023. We believe this will be positive for Malaysia Airports (MAHB MK, NEUTRAL, TP: MYR11.00), as the initiative should encourage air passenger traffic – in line with increased tourism activities.

For port development, we anticipate more details on the proposed development of a new mega port in Carey Island, Selangor. We understand this port will cost about MYR28bn, and it is expected to be completed in 2060. However, the port operator of this upcoming mega port has yet to be confirmed. Perbadanan Kemajuan Negeri Selangor is the appointed state government partner for this port – a JV will be formed with the operator. We think Westports (WPRTS MK, NEUTRAL, TP: MYR4.52) is unlikely to be the frontrunner for this upcoming port, as its focus will be mainly on its port's Phase 2 expansion in the coming years, which will commence in 4Q24.

We maintain our NEUTRAL weighting on the sector, with TASCOT (TASCO MK, BUY, TP: MYR1.15) as our Top Pick. We like TASCOT for its prospects for the year and ahead, mainly its diversified client base and business segments that will sustain its earnings base, as well as the investment tax allowance incentives.

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Figure 1: Earnings outlook and valuations

COMPOSITE INDEX @ 1,665.3 23 Sep 2024	FBM KLCI			RHB BASKET			RHB BASKET (EX-FBM KLCI)		
	2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F
Revenue Growth (%)	2.5	6.6	4.0	2.3	6.5	5.6	2.5	6.5	8.8
EBITDA Growth (%)	(2.5)	8.5	(1.6)	(4.4)	10.2	0.4	(9.5)	15.2	6.3
Total PATAMI (MYRm)	55,339	62,498	67,320	75,764	88,224	95,857	20,425	25,727	28,537
Total PATAMI Growth (%)	(2.3)	12.9	7.7	(8.6)	16.4	8.7	(8.9)	26.0	10.9
Weighted Earnings Growth (%)	2.8	11.0	6.6	3.6	11.7	8.0	(4.7)	14.9	15.4
P/E (x)	18.8	16.6	15.4	19.3	16.6	15.2	20.7	16.4	14.8
Weighted Earnings Growth (%) ex-Plantation	5.1	11.4	6.5	5.6	12.1	7.9	(3.0)	14.9	15.4
P/E (x) ex-Plantation	18.6	16.3	15.1	19.3	16.3	15.0	21.0	16.6	14.9
P/BV (x)	1.6	1.5	1.6	1.5	1.4	1.5	1.3	1.2	1.3
Dividend Yield (%)	3.6	3.6	3.7	3.5	3.5	3.6	3.2	3.3	3.4
ROE (%)	8.6	9.3	10.1	7.8	8.7	10.0	6.3	7.6	8.6
Revenue Growth (%)	2.5	6.6	4.0	2.3	6.5	5.6	2.5	6.5	8.8
EBITDA Growth (%)	(2.5)	8.5	(1.6)	(4.4)	10.2	0.4	(9.5)	15.2	6.3

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

Source: Bloomberg, RHB

Figure 2: FBM KLCI weightings & valuations

	Market Cap MYRbn	Weight (%)	Weighted Earnings Growth (%)			P/E (x)		
			FY23	FY24F	FY25F	FY23	FY24F	FY25F
Sime Darby	16.2	1.55	(3.4)	14.0	16.8	14.0	12.3	10.5
Auto	16.2	1.55	(3.4)	14.0	16.8	14.0	12.3	10.5
CIMB	89.3	8.60	25.7	9.0	6.2	12.7	11.7	11.0
HL Bank	45.8	4.41	16.0	9.9	4.5	11.3	10.3	9.9
Maybank	129.1	12.42	16.6	5.5	4.8	13.8	13.1	12.5
Public Bank	91.2	8.78	8.7	5.2	4.4	13.7	13.0	12.5
Banking	355.5	34.21	14.6	8.0	4.9	13.0	12.1	11.5
Press Metal	40.0	3.85	(13.2)	37.6	14.3	32.2	23.4	20.5
Basic Material	40.0	3.85	(13.2)	37.6	14.3	32.2	23.4	20.5
Nestle	23.6	2.27	21.0	(11.3)	10.4	31.5	35.5	32.1
Mr DIY	18.8	1.81	16.9	14.3	15.7	32.8	28.7	24.8
QL Resources	17.0	1.63	59.6	22.5	3.8	32.6	26.6	25.6
Consumer	59.4	5.72	22.1	(9.5)	10.2	30.7	30.5	27.6
IHH Healthcare	62.6	6.03	(7.3)	32.7	3.7	48.0	36.2	34.9
Healthcare	62.6	6.03	(7.3)	32.7	3.7	48.0	36.2	34.9
Sunway	23.8	2.29	19.1	1.1	3.2	30.5	30.2	29.2
Property	23.8	2.29	19.1	1.1	3.2	30.5	30.2	29.2
MISC	36.5	3.51	6.0	15.2	4.4	16.5	14.3	13.7
Petronas Dagangan	17.9	1.72	24.7	6.7	2.6	19.0	17.8	17.3
Oil & Gas	98.5	9.48	(19.5)	13.6	5.6	20.8	16.8	15.4
IOI Corp	23.7	2.28	(24.2)	(25.5)	15.6	15.8	21.3	18.4
Kuala Lumpur Kepong	22.5	2.16	(39.8)	(34.8)	14.7	15.5	23.9	20.8
SD Guthrie	32.4	3.11	(57.8)	49.8	4.8	35.8	23.9	22.8
Plantation	78.5	7.56	(40.0)	(27.0)	13.2	20.5	23.0	20.7
Axiata	23.0	2.21	(65.9)	42.0	79.2	41.8	29.4	16.4
CelcomDigi	43.6	4.20	29.1	5.3	21.8	28.1	26.7	21.9
Maxis	30.8	2.96	2.6	2.2	(3.9)	22.8	22.3	23.2
Telecommunication	122.7	11.81	3.2	(3.9)	11.3	22.9	22.6	19.3
Petronas Gas	35.5	3.42	7.2	0.5	0.9	19.2	19.1	18.9
Tenaga	85.7	8.25	(19.5)	31.4	14.9	26.5	20.2	17.5
YTL Power	31.7	3.05	441.9	61.8	(10.2)	15.3	9.5	10.5
Utilities	152.9	14.71	8.3	19.2	3.7	21.3	16.1	15.6
FBM KLCI	1039.2	100.00	2.8	11.0	6.6	18.8	16.6	15.4

Source: Bloomberg, RHB

25 September 2024

Market Outlook | Market Strategy

Figure 3: Top BUYs

	FYE	Price (MYR/s)	TP (MYR/s)	Shariah compliant	Market Cap (MYRm)	EPS (sen)		EPS Growth (%)		3-yr EPS CAGR (%)	P/E (x)		P/BV (x)	P/CF (x)	DY (%)
						FY24F	FY25F	FY24F	FY25F		FY24F	FY25F			
23 Sep 2024															
Tenaga Nasional	Dec	14.74	16.70	YES	85,683	73.1	84.0	31.4	14.9	6.7	20.2	17.5	1.4	5.0	3.7
Gamuda	Jul	8.20	9.68	YES	23,121	32.8	42.8	0.3	30.3	11.2	25.0	19.2	1.9	30.2	2.0
Mr DIY Group	Dec	1.99	2.40	YES	18,815	6.9	8.0	14.3	15.7	15.6	28.7	24.8	8.5	17.5	2.8
AMMB^	Mar	5.21	5.90	NO	17,250	55.2	58.2	5.4	5.3	3.5	9.4	9.0	0.8	n.a.	5.0
Sime Darby Property	Dec	1.55	2.00	YES	10,541	7.5	8.4	27.1	11.0	27.5	20.6	18.5	1.0	18.5	2.3
KPJ Health	Dec	2.14	2.13	YES	9,340	6.5	7.5	0.1	14.6	23.3	32.9	28.7	3.5	12.7	1.8
MPI	Jun	27.20	44.80	YES	5,136	86.7	146.4	45.7	68.9	(4.2)	31.4	18.6	2.5	16.7	1.7
Mah Sing Group	Dec	1.74	2.26	YES	4,455	10.0	11.0	12.4	10.6	14.1	17.5	15.8	1.1	27.6	2.9
Guan Chong	Dec	2.89	5.10	YES	3,394	33.9	41.7	266.8	23.0	41.4	8.5	6.9	1.4	3.6	3.6
Farm Fresh	Mar	1.74	1.88	YES	3,259	6.0	7.0	77.5	16.8	31.6	28.9	24.8	3.9	19.0	1.6
Dayang Enterprise	Dec	2.09	3.90	YES	2,420	26.0	27.7	60.4	6.5	42.1	8.0	7.5	1.1	5.9	2.9
Kerjaya Prospek	Dec	1.89	2.57	YES	2,383	12.9	14.5	24.6	13.2	16.9	14.7	13.0	2.0	19.3	5.3
Cahaya Mata Sarawak	Dec	1.41	1.57	YES	1,515	13.6	15.8	43.8	16.7	(7.1)	10.4	8.9	0.4	8.6	2.1
Focus Point	Dec	0.79	1.20	YES	363	8.0	9.2	13.5	14.2	5.5	9.8	8.5	2.3	4.0	5.8

Note: ^FY24-25 valuations refer to those of FY25-26

Source: RHB

Figure 4: Top SELLs

	FYE	Price (MYR/s)	TP (MYR/s)	Shariah compliant	Market cap (MYRm)	EPS (sen)		EPS growth (%)		3-yr EPS CAGR (%)	P/E (x)		P/BV (x)	P/CF (x)	DY (%)
						FY24F	FY25F	FY24F	FY25F		FY22-FY25F	FY24F			
23 Sep 2024															
Affin Bank	Dec	3.00	1.60	NO	7,201	18.6	21.0	6.8	12.9	2.2	16.1	14.3	0.6	n.a.	2.8
RCE Capital^	Mar	3.29	2.70	YES	2,411	21.2	22.3	12.1	5.1	5.6	15.5	14.7	2.6	n.a.	5.1
Ranhill Utilities	Dec	1.33	1.10	YES	1,724	3.2	3.7	1019.7	13.9	26.0	41.3	36.2	2.1	10.3	1.1
Tan Chong	Dec	0.65	0.65	YES	424	(12.6)	(7.1)	26.8	44.0	8.4	n.m.	n.m.	0.2	4.6	1.5
Chin Well	Jun	1.04	0.76	YES	298	2.9	11.0	(77.9)	275.0	(31.1)	35.5	9.5	0.4	(4.5)	4.2

Note: ^FY24-25F valuations refer to that of FY25-26F

Source: RHB

Figure 5: RHB Basket sector weightings & valuations

Sectors	Mkt Cap MYRbn	Weight %	Weighted Earnings Growth (%)			P/E (x)			Recommendation
			FY23	FY24F	FY25F	FY23	FY24F	FY25F	
Banking	393.1	26.8	16.2	7.5	5.0	12.9	12.1	11.5	Overweight
Utilities	162.5	11.1	(4.1)	23.5	7.8	23.8	16.4	15.7	Overweight
Oil & Gas	126.7	8.6	(32.4)	18.4	8.0	19.5	14.9	14.1	Overweight
Property	74.5	5.1	21.4	4.1	1.2	21.6	20.0	20.0	Overweight
Healthcare	74.4	5.1	(5.1)	29.4	4.2	42.6	34.2	32.4	Overweight
Basic Materials	50.8	3.5	(6.0)	58.1	11.2	31.1	20.4	18.2	Overweight
Construction	47.0	3.2	12.9	1.7	27.4	27.0	24.3	19.5	Overweight
Technology	29.8	2.0	(56.3)	30.5	63.7	35.8	33.1	21.7	Overweight
Rubber Products	26.6	1.8	(96.0)	1879.3	58.2	n.m.	152.3	50.5	Overweight
Telecommunications	131.9	9.0	5.6	(2.0)	11.1	22.7	22.3	19.1	Neutral
Consumer	103.9	7.1	15.5	(5.5)	9.8	21.3	19.5	17.2	Neutral
Plantation	96.4	6.6	(42.0)	(22.9)	11.8	19.2	21.0	19.3	Neutral
Property-REITs	37.7	2.6	6.9	12.8	5.4	18.8	17.3	16.3	Neutral
Transport	33.3	2.3	80.6	20.2	11.2	23.1	20.1	18.0	Neutral
Gaming	33.0	2.2	314.4	75.8	18.0	19.3	11.4	9.6	Neutral
Auto	21.6	1.5	7.0	4.0	7.4	12.5	11.6	10.1	Neutral
Non-Bank Financials	21.4	1.5	13.9	7.0	6.1	11.3	10.2	9.6	Neutral
Media	2.0	0.1	(44.2)	(14.6)	15.3	9.9	12.6	10.8	Neutral
RHB BASKET	1466.4	100.0	3.6	11.7	8.0	19.3	16.6	15.2	

Source: RHB

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