

# Malaysia Cuppa – Update

This report is an update of the “Malaysia Morning Cuppa” we provided earlier today.

## Stories Update

### Press Metal (PMAH MK, BUY, TP: MYR5.70)

Demand Expected To Recover In FY24; Keep BUY  
Results Review

Maintain BUY, with new MYR5.70 TP from MYR5.38, 16.2% upside. 1H23's core earnings of MYR587.8m came below both ours and Street's expectations, in tandem with the softening metal selling price. Our FY23 estimates are trimmed 6% but we increase FY24-25 forecasts by 8-13% as we are upbeat on the demand for aluminium seeing a meaningful recovery beyond 2024, thanks to still-low aluminium inventory, growing demand for solar panels, and the “green push” for EVs from Europe.

Analysts: Nai Wan Yan +603 9280 8859, Oong Chun Sung +603 9280 2181

*Today's Report:* [Press Metal : Demand Expected To Recover In FY24; Keep BUY \(30 Aug 2023\)](#)

*Previous Report:* [Press Metal : Margins Buoyed By Favourable Cost Outlook; BUY \(31 May 2023\)](#)

### GHL Systems (GHLS MK, BUY, TP: MYR1.02)

Steady As It Goes; Keep BUY  
Results Review

BUY, higher MYR1.02 TP from MYR0.92, 43% upside. 1H23 core earnings of MYR13.1m (+28.1% YoY) met expectations, buoyed by solid growth in the transaction payment acquisition segment, which saw an uptick in the merchant discount rate. The share price weakness presents a good buying opportunity into the cashless payment megatrend – as seen from the transaction payment value growth trend – along with a robust pipeline of deals for shared and solutions services to fuel FY23 growth.

Analyst: Lee Meng Horng +603 9280 8866

*Today's Report:* [GHL Systems : Steady As It Goes; Keep BUY \(30 Aug 2023\)](#)

*Previous Report:* [GHL Systems : Healthy Growth Momentum; Upgrade To BUY \(1 Jun 2023\)](#)

### BIMB (BIMB MK, NEUTRAL, TP: MYR2)

GIF Respite, But Not Out Of The Woods Yet  
Results Review

Maintain NEUTRAL and MYR2 TP, c.5% FY24F yield. Bank Islam's 1H23 PBT of MYR346m (+2% YoY) met our estimates, though higher tax and zakat expenses led to a PATAMI miss. Gross impaired financing (GIF) improved materially on a QoQ basis, aided by a large write-off of mining & quarrying GIFs. Notwithstanding that, we continue to see pressure mounting on asset quality, particularly among households.

Analysts: Nabil Thoo +603 9280 8890, David Chong CFA +603 9280 2026

*Today's Report:* [BIMB : GIF Respite, But Not Out Of The Woods Yet \(30 Aug 2023\)](#)

*Previous Report:* [BIMB : A Slow Start To The Year \(31 May 2023\)](#)

### Supermax Corp (SUCB MK, NEUTRAL, TP: MYR0.80)

Marginal Improvement; Still NEUTRAL  
Results Review

Still NEUTRAL, new MYR0.80 TP (DCF) from MYR0.83, 2% upside. Supermax's 4QFY23 (Jun) core loss narrowed marginally QoQ to MYR30m from MYR32m, bringing the FY23 core loss to MYR142m – largely in line with our (MYR136m loss) but above Street's expectations (MYR161m loss). The sequential improvement was attributed to the stabilising ASP trend and better plant utilisation rates. SUCB is still dealing with the Withhold Release Order imposed by the US Customs and Border Protection.

Analyst: Oong Chun Sung +603 92802181

*Today's Report:* [Supermax Corp : Marginal Improvement; Still NEUTRAL \(30 Aug 2023\)](#)

*Previous Report:* [Supermax Corp : Still Not Out Of The Woods \(28 Jun 2023\)](#)

## Thematics / Ground Checks

- ♦ [Energy : Carbon Trading In The Era Of Decarbonisation \(31 Jul 2023\)](#)
- ♦ [Power : NETR Launch; Keep OVERWEIGHT \(28 Jul 2023\)](#)
- ♦ [Regional Market Strategy : ASEAN On the Mend \(26 Jul 2023\)](#)
- ♦ [Construction : Net Zero Construction \(25 Jul 2023\)](#)
- ♦ [Real Estate : Feeling The Pulse Of Johor \(24 Jul 2023\)](#)
- ♦ [Sunway Construction : Ground Checks: Quarrying In Strong Internal Job Contributions: BUY \(12 Jul 2023\)](#)
- ♦ [Plantation : Ground Checks: From Seed To Harvest: Site Visit To Lahad Datu \(6 Jul 2023\)](#)

### **Chin Well (CWH MK, NEUTRAL, TP: MYR1.45)**

Soft End To The Year

Results Review

Stay NEUTRAL and MYR1.45 TP, 1% upside. Chin Well's FY23 (Jun) results disappointed on weaker-than-expected topline and margin compression from the loss of economies of scale and higher input costs. We cut our forecasts accordingly to reflect the softer numbers and persistently weak demand outlook. That said, current at-mean valuation is fair considering its unexciting prospects, while its 5% yield – backed by a robust balance sheet (net cash of MYR133m or MYR0.46/share as of FY23) – provides a cushion against downside risks.

Analyst: Tai Yu Jie +603 9280 8885

[Today's Report: Chin Well : Soft End To The Year \(30 Aug 2023\)](#)

[Previous Report: Chin Well : Lacking Catalysts \(21 Aug 2023\)](#)

### **Econpile Holdings (ECON MK, SELL, TP: MYR0.14)**

Still In The Red With Hefty Valuations; Still SELL

Results Review

Still SELL and MYR0.14 TP, 55% downside. FY23 (Jun) core net loss of MY34.8m (FY22: -MYR42.7m) missed our and Street's full-year earnings estimates of MYR2m, as the hike in administrative and finance costs outweighed the decline in cost of sales. In the absence of frequent or sizeable projects wins, valuations are lofty, with the stock trading at a 31x FY24F P/E, >+2SD from Econpile Holdings' 5-year mean P/E and the Bursa Malaysia Construction Index's. Hence, we advocate investors to cash-in gains from the stock's current rich valuation.

Analyst: Adam Bin Mohamed Rahim +603 9280 8682

[Today's Report: Econpile Holdings : Still In The Red With Hefty Valuations; Still SELL \(30 Aug 2023\)](#)

[Previous Report: Econpile Holdings : Still Not Out Of The Woods; Maintain SELL \(25 May 2023\)](#)

## **Top Story**

### **Power (OVERWEIGHT)**

NETR Phase 2 Launched; Keep OVERWEIGHT

Malaysia Thematic

Analysts: Sean Lim CFA +603 9280 8867, Miza Izaimi +603 9280 8742

[Today's Report: Power : NETR Phase 2 Launched; Keep OVERWEIGHT \(30 Aug 2023\)](#)

[Previous Report: Power : Shine Brightly; Stay OVERWEIGHT \(8 Aug 2023\)](#)

## **Other Stories**

### **IHH Healthcare(IHH MK, BUY, TP: MYR6.80)**

Still Thriving Despite Macro Challenges; Keep BUY

Results Review

Analyst: Oong Chun Sung +603 92802181

[Today's Report: IHH Healthcare : Still Thriving Despite Macro Challenges; Keep BUY \(30 Aug 2023\)](#)

[Previous Report: IHH Healthcare : Maiden Foray Into The Land Of Hornbills; Still BUY \(11 Aug 2023\)](#)

### **QL Resources (QLG MK, BUY, TP: MYR6.12) – UPGRADE**

Gravity-Defying Growth; Upgrade To BUY

Results Review

Analyst: Soong Wei Siang +603 9280 8865

[Today's Report: QL Resources : Gravity-Defying Growth; Upgrade To BUY \(30 Aug 2023\)](#)

[Previous Report: QL Resources : Solid End To The Recovery Year \(31 May 2023\)](#)

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[Landbanking; BUY](#)

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[CTOS Digital : Twin Acquisitions On Alternative](#)

[Data CRA; BUY](#)

[Bumi Armada : Kraken Back On Track; Keep](#)

[BUY](#)

**Inari Amertron (INRI MK, BUY, TP: MYR3.62)**

Striving To Resume Growth In FY24; BUY

Results Review

Analyst: Lee Meng Horng +603 9280 8866

*Today's Report:* [Inari Amertron : Striving To Resume Growth In FY24; BUY \(30 Aug 2023\)](#)

*Previous Report:* [Inari Amertron : Portfolio Diversification To Bear Fruit; U/G To BUY \(3 Aug 2023\)](#)

**KPJ Healthcare (KPJ MK, BUY, TP: MYR1.46)**

Outlook Remains Upbeat; Keep BUY

Results Review

Analyst: Oong Chun Sung +603 92802181

*Today's Report:* [KPJ Healthcare : Outlook Remains Upbeat; KEEP BUY \(30 Aug 2023\)](#)

*Previous Report:* [KPJ Healthcare : Multi-Pronged Strategy Supercharges Growth; BUY \(1 Jun 2023\)](#)

**Syarikat Takaful M'sia Keluarga (STMB MK, BUY, TP: MYR4.30)**

Sustained Topline Charge; Stay BUY

Results Review

Analysts: Nabil Thoo +603 9280 8890, David Chong CFA +603 9280 2026

*Today's Report:* [Syarikat Takaful M'sia Keluarga : Sustained Topline Charge; Stay BUY \(30 Aug 2023\)](#)

*Previous Report:* [Syarikat Takaful M'sia Keluarga : Lifted By Investment Income Rebound; Still BUY \(1 Jun 2023\)](#)

**Guan Chong (GUAN MK, BUY, TP: MYR3.52)**

Opportunity During Uncertain Times; Still Buy

Results Review

Analyst: Lee Meng Horng +603 9280 8866

*Today's Report:* [Guan Chong : Opportunity During Uncertain Times; Still Buy \(30 Aug 2023\)](#)

*Previous Report:* [Guan Chong : More To Come From The Ivory Coast; Stay BUY \(2 Jun 2023\)](#)

**Leong Hup International (LHIB MK, BUY, TP: MYR0.63)**

Strong Turnaround In Indonesia; Keep BUY

Results Review

Analyst: Soong Wei Siang +603 9280 8865

*Today's Report:* [Leong Hup International : Strong Turnaround In Indonesia; Keep BUY \(30 Aug 2023\)](#)

*Previous Report:* [Leong Hup International : Improving Market Conditions Ahead; Keep BUY \(1 Jun 2023\)](#)

**OCK Group (OCK MK, BUY, TP: MYR0.60)**

On a Strong Growth Path; Keep BUY

Results Review

Analyst: Jeffrey Tan, +603 9280 8863

*Today's Report:* [OCK Group : On a Strong Growth Path; Keep BUY \(30 Aug 2023\)](#)

*Previous Report:* [OCK Group : Reshaping Growth; Keep BUY \(18 Jul 2023\)](#)

**Public Bank (PBK MK, NEUTRAL, TP: MYR4.40)**

NIM Turning The Corner? Keep NEUTRAL

Results Review

Analysts: David Chong, CFA +603 9280 2026, Nabil Thoo +603 9280 8890

*Today's Report:* [Public Bank : NIM Turning The Corner? Keep NEUTRAL \(30 Aug 2023\)](#)

*Previous Report:* [Public Bank : NIM Slippage Cushioned By Low Credit Cost \(26 May 2023\)](#)

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[Sime Darby : Finishing FY23 On a Strong Note; U/G To BUY](#)

[MISC : A Slight Miss; Reiterate BUY](#)

[YTL Power : Net Profit Hits a Record High; Reiterate BUY](#)

[Sunway : Completion Of Parc Canberra To Lift 3Q23 Earnings](#)

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[Malaysia Airports : Positive Momentum To Continue In 2H; BUY](#)

[Malayan Cement : Ending FY23 With a Bang; Still BUY](#)

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[Kotra Industries : Still a Slippery Slope; Stay SELL](#)

**Axiata Group (AXIATA MK, NEUTRAL, TP: MYR2.78)**

Still Tough Going; Keep NEUTRAL

Results Review

Analyst: Jeffrey Tan +603 9280 8863

*Today's Report:* [Axiata Group : Still Tough Going; Keep NEUTRAL \(30 Aug 2023\)](#)

*Previous Report:* [Axiata Group : Resetting Expectations; D/G To NEUTRAL \(26 May 2023\)](#)

**UMW (UMWH MK, NEUTRAL, TP: MYR5)**

Softening Order Backlog Points To Soft 2024

Results Review

Analyst: Jim Lim Khai Xiang +603 9280 8683

*Today's Report:* [UMW : Softening Order Backlog Points To Soft 2024 \(30 Aug 2023\)](#)

*Previous Report:* [UMW : Sime Darby's Proposed Acquisition \(25 Aug 2023\)](#)

**Alliance Bank Malaysia (ABMB MK, NEUTRAL, TP: MYR3.50)**

Continued Rise In GILs

Results Review

Analysts: Nabil Thoo +603 9280 8890, David Chong CFA +603 9280 2026

*Today's Report:* [Alliance Bank Malaysia : Continued Rise In GILs \(30 Aug 2023\)](#)

*Previous Report:* [Alliance Bank Malaysia : Aiming For Above-Industry Loan Growth \(31 May 2023\)](#)

## Top BUYs

	TP (MYR)	Upside (%)	Shariah	Catalysts
<b>CIMB (CIMB MK)</b>	6	6.6	N	<ul style="list-style-type: none"> <li>Continued ROE recovery, with FY23F earnings target at 10-11% (FY22: 10.2%)</li> <li>Asset quality issues mostly addressed, credit cost stabilising at 45-55bps (FY22: 51bps)</li> <li>Loan portfolio reshaping and cost take-outs bearing fruit</li> </ul>
<b>CTOS Digital (CTOS MK)</b>	1.89	37.0	Y	<ul style="list-style-type: none"> <li>Unique leading position and growth proposition (3-year CAGR of 34%) in secular digitalisation trends such as e-KYC and credit rating-related solutions</li> <li>Synergy from new acquisitions to accelerate growth avenue via its various digital solutions, analytical insights, and exposure to fintechs on the back of the growing digital economy</li> </ul>
<b>Guan Chong (GUAN MK)</b>	3.52	66.8	Y	<ul style="list-style-type: none"> <li>Maiden contribution from its Ivory Coast and UK expansions</li> <li>Uptick in combined ratio trend and turnaround of its Germany operations</li> <li>Valuation remains undemanding 11-12x given its unique exposure to the global consumer footprint</li> </ul>
<b>IOI Properties (IOIPG MK)</b>	2.10	29.6	Y	<ul style="list-style-type: none"> <li>The property investment division is expected to grow strongly with the recent opening of IOI City Mall Phase 2 and upcoming completion of IOI Central Boulevard office in Singapore</li> <li>Projects in Xiamen will likely benefit from China's reopening</li> <li>Long-term plan to REIT the property assets will be a significant value-unlocking exercise, which should benefit shareholders</li> </ul>
<b>KPJ Healthcare (KPJ MK)</b>	1.50	28.2	Y	<ul style="list-style-type: none"> <li>Pick-up in patients visits to drive improvements in operating efficiencies</li> <li>Synergies from Damansara Specialist Hospital 2 and potential growth driver for the health tourism division</li> <li>Successful disposal of loss-making Indonesian unit should translate to a 3% upside to 2023F core earnings</li> </ul>
<b>Malayan Banking (MAY MK)</b>	9.45	4.0	N	<ul style="list-style-type: none"> <li>Strong deposit franchise to mitigate impact from stiff deposit competition</li> <li>Capital management/shareholder returns an ongoing theme given strong CET-1 ratio</li> <li>Attractive dividend yields of &gt;7% should help underpin total shareholder returns especially amid current uncertain macro environment</li> </ul>
<b>Malaysia Marine &amp; Heavy Engineering (MMHE MK)</b>	0.60	27.7	Y	<ul style="list-style-type: none"> <li>A beneficiary of the recovering oil &amp; gas industry – proven by its robust orderbook, which is set to provide exponential growth to FY23F-25F earnings</li> <li>MMHE's venture into the growing offshore windfarm segment and foray in the Middle East will further boost its orderbook replenishment, in our view</li> <li>Multiple new partnerships are providing fuel saving solutions to anchor its marine segment's earnings</li> </ul>
<b>Mr DIY Group (MRDIY MK)</b>	2.29	53.7	Y	<ul style="list-style-type: none"> <li>Cost tailwinds to protect GPM and allow more aggressive promotions to spur consumer spending</li> <li>Value-for-money value proposition and competitive pricing to capture consumer spending on the back of elevated inflationary pressures</li> <li>Valuation discount to other large-cap consumer peers unwarranted considering its solid earnings growth underpinned by robust outlet expansion</li> </ul>



<b>OCK Group (OCK MK)</b>	0.60	39.5	Y	<ul style="list-style-type: none"> <li>Strong recovery in domestic contracting revenue on the back of JENDELA-related projects and 4G/5G site expansions</li> <li>Steady contributions from towerco and site maintenance businesses (&gt;60% of EBITDA), which drive recurring revenues for the group</li> <li>The pivot into a dual 5G network model would benefit OCK via higher site co-locations and demand for new 5G sites</li> <li>Key share price re-rating catalyst would come from the value-unlocking of its towerco assets</li> </ul>
<b>Power Root (PWRT MK)</b>	2.39	11.2	Y	<ul style="list-style-type: none"> <li>Positive sales traction in both domestic and export markets underpinned by strong brand equity and quality product offerings</li> <li>Flexibility to adjust ASPs to protect earnings margins in the backdrop of volatile commodity markets</li> <li>Healthy cash flow generation and moderate capex requirements to facilitate generous dividend payouts</li> </ul>
<b>Sunway Construction (SCGB MK)</b>	2.03	6.8	Y	<ul style="list-style-type: none"> <li>Steady job replenishment from its parent which contributes c.30% to overall outstanding construction orderbook</li> <li>Venture into industrial building jobs to provide buffer to downside risks from the Mass Rapid Transit 3 project</li> <li>Potential foray into Vietnam as an EPCC contractor for the Song Hau 2 power plant</li> </ul>
<b>Telekom Malaysia (T MK)</b>	6	17.4	Y	<ul style="list-style-type: none"> <li>We continue to see robust earnings growth from stronger retail and wholesale revenues, and the pursuit of cost excellence</li> <li>Telekom Malaysia should continue to benefit irrespective of the changes to the 5G policy framework given its stranglehold over the fibre backhaul and JENDELA Phase 2 rollout</li> <li>The impact from the new access prices or MSAP should be mitigated by structural wholesale and enterprise growth (cloud services and digitalisation efforts)</li> </ul>
<b>UEM Sunrise (UEMS MK)</b>	0.92	28.7	Y	<ul style="list-style-type: none"> <li>The company is a clear winner for the Kuala Lumpur-Singapore High-Speed Rail project and Johor Bahru-Singapore Rapid Transit System, for which construction is already ongoing. Hence, future growth prospects are visible</li> <li>If the Malaysia My Second Home guidelines are revised favourably, we think this will be an additional catalyst for the stock</li> <li>Fundamentally, management is already making efforts to improve its earnings outlook. With the latest build-to-rent deal for its Collingwood project in Australia, property sales are very much secured for FY23. Launches are also more active in 2H, which should also help underpin sales for FY24-25.</li> </ul>
<b>Yinson (YNS MK)</b>	3.06	21.9	N	<ul style="list-style-type: none"> <li>We continue to like this counter for its exponential growth trajectory (3-year CAGR of 41%) backed by maiden contributions from three upcoming vessels</li> <li>Monetisation of a partial stake of these projects are on the cards once they start contributing stable cash flows</li> <li>The 485MW wind projects in Brazil progressed into pre-construction activities while the photovoltaic projects in Peru and Italy are targeting to achieve final investment decisions in the next 12 months.</li> </ul>
<b>YTL Power (YTLP MK)</b>	2.21	2.8	N	<ul style="list-style-type: none"> <li>The power division (which include the PowerSeraya and Tuaspring plants) is expected to deliver solid earnings ahead, on strong wholesale prices in the near term</li> <li>Wessex Water numbers are expected to improve, as the tariff has been lifted by an average 9% effective Apr 2023</li> <li>YTLP's venture into digital banking and green data centre businesses, in our view, are long-term positives despite near-term earnings impact being minimal</li> </ul>

## RHB Guide to Investment Ratings

<b>Buy:</b>	Share price may exceed 10% over the next 12 months
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<b>Take Profit:</b>	Target price has been attained. Look to accumulate at lower levels
<b>Sell:</b>	Share price may fall by more than 10% over the next 12 months
<b>Not Rated:</b>	Stock is not within regular research coverage

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