Malaysia Morning Cuppa

Top Story

Kuala Lumpur Kepong (KLK MK, BUY, TP:MYR24.70)
Expecting a Stronger 2HFY24F; Keep BUY
Results Review
Stay BUY, with new SOP-based MYR24.70 TP from MYR25.80, 10% upside and 2% FY24F (Sep) yield. Kuala Lumpur Kepong's 1HFY24 earnings disappointed, dragged by higher associate losses and effective tax rates. Earnings should improve in 2HFY24F from stronger FFB output and downstream earnings, while its associate profits seem to be turning the corner. Valuation remains attractive, at 20.7x FY25F P/E vs its big-cap peer range of 20-25x.
Analyst: Hoe Lee Leng+603 2302 8110
Today's Report: Kuala Lumpur Kepong : Expecting a Stronger 2HFY24F; Keep BUY (21 May 2024)
Previous Report: Kuala Lumpur Kepong : A Battle Against Allegations; Stay BUY (7 May 2024)

Thematics / Ground Checks

- Gamuda : Moving Pho-Ward In HCMC; Stay BUY
- RHB Top 20 Malaysia Small Cap Companies Jewels 2024
- Technology, Property, and Construction : Penang: Silicon Hub Of ASEAN
- TASCO : Brighter Prospects In FY25; Maintain BUY
- Banks : In Pursuit Of Net Zero
- UEM Sunrise : From Seeing To Envisioning; BUY
- ESG Diamonds In The Rough : Our Best Investment Ideas
- Sarawak : Transitioning Into An Economic Powerhouse
- Gamuda : In a Sweet Spot To Leverage On Data Centre Growth
- MISC : Gas Segment Remains Intact; Keep BUY
- Auto & Autoparts : ASEAN In The EV Supply Chain

Other Stories

Public Bank (PBK MK, BUY, TP: MYR4.80)
Deposit Repricing Filtering Through To NIM; Still BUY
Results Review
Analysts: David Chong CFA +603 2302 8106, Nabil Thoo +603 2302 8123
Today's Report: Public Bank : Deposit Repricing Filtering Through To NIM; Still BUY (21 May 2024)
Previous Report: Public Bank : Time For Quality, Defensive Names To Shine? (19 Apr 2024)

Bursa Malaysia (BURSA MK, BUY, TP: MYR9.85) – UPGRADE
Year Of The Bull; U/G To BUY
Company Update
Analysts: Nabil Thoo +603 2302 8123, David Chong CFA +603 2302 8106
Today's Report: Bursa Malaysia : Year Of The Bull; U/G To BUY (21 May 2024)
Previous Report: Bursa Malaysia : A Strong Performance (2 May 2024)

Sunway Construction (SCGB MK, BUY, TP: MYR3.81)
Catalysts Intact Despite a Muted 1Q24; BUY
Results Review
Analyst: Adam Bin Mohamed Rahim +603 2302 8101
Today's Report: Sunway Construction : Catalysts Intact Despite a Muted 1Q24; BUY (21 May 2024)
Previous Report: Sunway Construction : Solidifying Its Prowess In Data Centres; Stay BUY (22 Mar 2024)

Kelington Group (KGRB MK, BUY, TP: MYR3.35)
A New Turning Point; Keep BUY
Results Preview
Analysts: Jeffrey Tan +603 2302 8112, Cindy Lee +603 2302 8105
Today's Report: Kelington Group : A New Turning Point; Keep BUY (21 May 2024)
Previous Report: Kelington Group : Expanding Horizons; Keep BUY (1 Mar 2024)

Recent Stories

Malaysia Morning Cuppa: 20 May 2024
Sarawak Oil Palms : Momentum Remains Strong; Maintain BUY
Maxis : 1Q24: A Decent Start
Gamuda : Moving Pho-Ward In HCMC; Stay BUY

Malaysia Morning Cuppa: 17 May 2024
SP Setia : Land Sales Lift Earnings In 1Q24; Keep BUY
Malaysian Pacific Industries : Beat Expectation Yet Again; Maintain BUY
UEM Sunrise : First RE Industrial Park In Gerbang Nusajaya; BUY
MGB : Starting The Year On a Positive Note; Keep BUY
Coraza Integrated Technology : Recovering Steadily; Stay BUY

Malaysia Morning Cuppa: 16 May 2024
Axiata Group : Courting a New 'FREN'; Maintain BUY
AEON Co M : 1Q24 Earnings Boosted By Timing Of Festive Seasons

Malaysia Morning Cuppa: 15 May 2024
Technology : A Net Positive From The US Tariffs Hike; O/W
Construction : An Autonomous Rapid Transit System Down South?
Rubber Products : One Man's Loss Is Another's Treasure; Keep O/W
Kossan Rubber : Key Beneficiary Of Industry Upcycle; Still BUY
Hartalega : One Man's Pain Is Another's Gain; Keep BUY
Banks : 1Q24 Results Preview – Loans, Non-II To Shine

KKB Engineering (KKB MK, BUY, TP: MYR2.11) A Temporary Blip But Still a Sarawakian Jewel; BUY Results Review Analyst: Adam Bin Mohamed Rahim +603 2302 8101 *Today's Report: KKB Engineering : A Temporary Blip But Still a Sarawakian Jewel; BUY (21 May 2024)* *Previous Report: KKB Engineering: A Proxy To Sarawak's Water Play; Maintain BUY (8 Apr 2024)* **Orgabio (ORGABIO MK, NOT RATED, FV: MYR0.54)** Brewing Growth With New Customers Trading Idea Analyst: Queenie Tan+603 2302 8127 *Today's Report: Orgabio : Brewing Growth With New Customers (21 May 2024)* *Previous Report: N/A*	AMMB : More Excitement To Come; Keep BUY Alliance Bank Malaysia : Expecting a Decent End To FY24F; Stay BUY Heineken Malaysia : A Solid Start To FY24F; Stay BUY Taliworks Corporation : Construction Still Lagging But Others A-Okay; BUY

Bulletin

STOCK/SECTOR	NEWS	COMMENT	RATING
Coastal Contracts (COCO MK)	Coastal Contracts' wholly owned subsidiaries Coastal International Marine and Pleasant Engineering have secured contracts for the sale of one OSV unit, as well as a charter extension for one unit of another vessel. *(Bursa Malaysia)*	In line with its strategy to exit the OSV business, COCO has been gradually selling off its vessels. The group now has one remaining OSV, for which it is waiting for a sale or chartering opportunity. The group also secured a contract extension for a marine transportation vessel over a 5-year firm period, with a contract value of c.MYR12m. Although we view the contract extension positively, it will contribute minimally to the group's net earnings. COCO's vessel chartering segment contributed c.5% to the group's FY23 PBT, with its liftboat business making up the bulk of the contribution. We make no changes to our earnings estimates. Our outlook on the group remains muted due to the uncertainties surrounding the contract extension for its jack-up gas compression service unit or JUGCSU, slow project rollouts, and its venture into the tourism sector, where COCO has no experience. Our TP and recommendation are maintained.	SELL, TP: MYR1.25

Top BUYs

	TP (MYR)	Upside (%)	*Shariah*	Catalysts
AMMB (AMM MK)	5	16.6	N	• Focus on manufacturing sector and public infrastructure projects to drive loans growth, with provisions expected to be strengthened using one-off tax credit in 3QFY24 (Mar) • Near-completion of capital rebuild exercises to enable greater dividend payout from current 35-40% range • Attractive valuation of 0.7x P/BV (sub-historical and peer mean) against 9% ROE
Axiata (AXIATA MK)	3.40	17.2	Y	• Key big cap stock laggard with valuation at -1.5SD from historical EV/EBITDA mean • Value unlocking from asset monetisation and balance sheet de-leveraging • Earnings tailwinds from frontier markets' economic recovery and peaking US interest rates
CIMB (CIMB MK)	7.60	11.1	N	• Continued ROE recovery, with FY23F earnings target at 10-11% (FY22: 10.2%) • Asset quality issues mostly addressed, credit cost stabilising at 45-55bps (FY22: 51bps) • Loan portfolio reshaping and cost take-outs bearing fruit
Dayang Enterprise (DEHB MK)	2.95	5.4	Y	• We like DEHB as a direct beneficiary of higher maintenance, construction and modification (MCM) and hook-up commissioning (HUC) activities guidance from Petronas with additional earnings boost from its recent 3-year Asset Integrity Findings or AIF contract win. • Its marine segment is also likely to benefit from stronger daily charter rates and better vessel utilisation. • Further contract flows are expected from the new tender for Petronas' 5-year HUC and MCM contracts.
Gamuda (GAM MK)	6.55	12.9	Y	• Commendable earnings visibility backed by a c.MYR27bn outstanding orderbook spread across Malaysia, Taiwan, Singapore, and Australia • Job prospects appear bright with the group being pre-qualified for infrastructure projects in Australia easily worth >MYR10bn in total • A front runner to be involved in the Bayan Lepas Light Rail Transit project (estimated cost: MYR10bn) via subsidiary SRS Consortium
Guan Chong (GUAN MK)	3.30	-13.2	Y	• We remain bullish on Guan Chong's anticipated robust performance in FY24F, driven by margin expansion (higher ratio and revenue). • GUAN stands to benefit from more than just a one-off advantage stemming from securing low raw material costs early in the current environment of elevated bean prices. • Proactive hedging strategy aiming to safeguard margins in the forward selling mechanisms.
IOI Properties (IOIPG MK)	2.75	10.0	Y	• 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 • Projects in Xiamen will likely benefit from China's reopening • Long-term plan to REIT the property assets will be a significant value-unlocking exercise, which should benefit shareholders
Kerjaya Prospek (KPG MK)	2.15	17.5	Y	• Steady job replenishment trends with YTD new job wins already reaching MYR1bn vs target of MYR1.3bn for FY23 • Job replenishment prospects backed by ongoing developments such as the Seri Tanjung Pinang Phase 2 in Penang and Bukit Bintang City Centre • A major catalyst includes securing industrial building jobs via its Samsung C&T collaboration
KKB Engineering (KKB MK)	2.11	14.7	Y	• Poised to benefit from Sarawak-centric development projects by virtue of Sarawak Economic Development Corp's 10.7% stake in the group • A front-runner for fabrication jobs for hydrogen and methanol production projects • Robust capex spending could see more wellhead platform fabrication jobs for the group
Samaiden Group (SAMAIDEN MK)	1.76	35.4	N	• Beneficiary of Malaysia's transition towards renewable energy (RE), being a diversified player in the space – solar, bioenergy and hydro • Recurring income from its expanding RE assets with a current gross capacity of c.51.5MW • Potential venture into the Cambodian bioenergy market from its MoU with Mong Sotheary Trading, Management Venture Asia (Cambodia), and Panna Energy
UEM Sunrise (UEMS MK)	1.60	52.4	Y	• Johor could see a major railway infrastructure boom, especially if the Government proceeds with the Light Rail Transit and Kuala Lumpur-Singapore High Speed Rail projects • Given the emphasis on the smooth movement of people and cargo by the Malaysia and Singapore Governments, we believe areas closer to the borders could be included in the Johor-Singapore Special Economic Zone • UEMS remains the best proxy for Johor's multi-year growth story, as 92% of its landbank is located in Iskandar Malaysia. It also has 2,334 acres of land at Gerbang Nusajaya near the Tuas Link.
Yinson (YNS MK)	2.96	20.8	N	• We continue to like this counter for its exponential growth trajectory (3-year CAGR of 41%) backed by maiden contributions from three upcoming vessels • Monetisation of a partial stake of these projects are on the cards once they start contributing stable cash flows • Global FPSO demand remains robust and Yinson is comfortable of securing another project once either of the projects reach their tail-end conversion stages.

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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