Malaysia Morning Cuppa

Top Story

Banks (NEUTRAL)
Some Optimism Amid Moderating Earnings Growth
Sector Update
Top Picks (preference order): CIMB, AMMB, Hong Leong Bank, and Alliance Bank Malaysia. The sector saw profitability slip on a sequential basis, though the trend was as broad as expected. Looking ahead, healthy loan demand and stable asset quality with sound buffers are positives, but funding for growth could see deposit competition escalate, as well as a more conservative stance on dividend payouts. We remain sector NEUTRAL amid moderating earnings growth prospects and continue to prefer growth stocks with reasonable valuations.
Analysts: David Chong CFA +603 2302 8106, Nabil Thoo +603 2302 8123, Wan Muhammad Ammar Affan +603 2302 8103
Today's Report: Banks : Some Optimism Amid Moderating Earnings Growth (7 Mar 2024)
Previous Report: Banks : System Loan Growth Outpaces Deposit Growth (4 Mar 2024)

Thematics / Ground Checks

- 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
- Telecommunications : The Road To NZE
- Plantation : EUDR Unveiled: Bridging The Regulatory Gap
- Gamuda : Men At Work Down Under; Reiterate BUY
- Ageing ASEAN : All That Glitters In The Silver Economy

Other Story

Duopharma Biotech (DBB MK, BUY,TP: MYR1.41)
Envisioning a Better 2024
Company Update
Analyst: Oong Chun Sung +603 2302 8126
Today's Report: Duopharma Biotech : Envisioning a Better 2024 (8 Mar 2024)
Previous Report: Duopharma Biotech : Recovery Around The Corner; Keep BUY (23 Feb 2024)

Recent Stories

Malaysia Morning Cuppa: 7 March 2024
Plantation : All In Agreement On a Stronger 1H24
Dayang Enterprise : Marine Segment To Deliver Stable Growth; Keep BUY

Malaysia Morning Cuppa: 6 March 2024
Health Care Facilities & Svcs : A Decent Showing; Still OVERWEIGHT
AME Elite Consortium : Promising Growth Prospects All Around
Gaming – NFO : 4Q23 Wrap: Bumpy Road To Recovery
Alpha IVF Group : Begetting Alpha Through Ambitious Growth

Malaysia Morning Cuppa: 5 March 2024
ESG Diamonds In The Rough : Our Best Investment IdeasBasic Materials : 4Q23 Earnings Wrap

Malaysia Morning Cuppa: 4 March 2024
Market Strategy : Dec 2023 Quarter Earnings Review
IHH Healthcare : Thriving In All Regions; Keep BUY
Malaysia Airports : Ending FY23 On a Solid Footing; Stay BUY
Banks : System Loan Growth Outpaces Deposit Growth
BIMB : Growth Is Back In Session
Ranhill Utilities : Ending FY23 On a Soft Note
Tan Chong Motor : Losses Widened In 4Q; SELL

Top BUYs

	TP (MYR)	Upside (%)	*Shariah*	Catalysts
AMMB (AMM MK)	4.80	21.5	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	26.4	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)	7.35	12.7	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
CTOS Digital (CTOS MK)	1.93	32.2	Y	• Unique leading position and growth proposition (3-year CAGR of 34%) in secular digitalisation trends such as e-KYC and credit rating-related solutions • Synergy from new acquisitions to accelerate growth avenue via its various digital solutions, analytical insights, and exposure to fintech firms on the back of the growing digital economy
Dayang Enterprise (DEHB MK)	2.95	32.3	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)	6.46	27.7	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
IOI Properties (IOIPG MK)	2.75	27.3	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	22.2	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)	2.02	18.1	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
Malaysia Airports (MAHB MK)	9.48	13.7	N	• Clear beneficiary from recovery in tourism and aviation industry – passenger traffic is recovering with encouraging momentum • Incoming operating agreement with the Government to support airports development and services uplift with the establishment of the Airport Development Fund • Additional boost from China's travellers from 2H23 onwards
Samaiden Group (SAMAIDEN MK)	1.46	17.7	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	60.8	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)	3.06	27.0	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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