

Malaysia Morning Cuppa

Top Story

CTOS Digital (CTOS MK, BUY, TP: MYR1.77)

Strong Pipelines To Boost Quarters Ahead; Stay BUY

Results Review

Stay BUY and MYR1.77 TP, 26% upside, 2.4% FY24F yield. 1Q24 core PATAMI of MYR21.4m (+3.1% YoY) met expectations – given the expectation of stronger quarters ahead. We continue to like CTOS Digital as the leading credit reporting agency. It has a recession-proof business model and multiple growth avenues in the digitalisation age, which deliver solid earnings and cash flow generation. CTOS declared a first interim DPS of 0.64 sen (1Q23: 0.43 sen).

Analyst: Lee Meng Horng +603 2302 8115

Today's Report: [CTOS Digital : Strong Pipelines To Boost Quarters Ahead; Stay BUY](#) (8 May 2024)

Previous Report: [CTOS Digital : Business As Usual, Opportunity To Accumulate; BUY](#) (13 Mar 2024)

Thematics / Ground Checks

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- ◆ [UEM Sunrise : From Seeing To Envisioning; BUY](#)
- ◆ [ESG Diamonds In The Rough : Our Best Investment Ideas](#)
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- ◆ [Gamuda : Men At Work Down Under: Reiterate BUY](#)
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Other Story

Sime Darby Plantation (SDPL MK, NEUTRAL, TP: MYR4.15)

Investing Further In The Solar Power Space

Corporate News Flash

Analyst: Hoe Lee Leng +603 2302 8110

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Bulletins

STOCK/SECTOR	NEWS	COMMENT	RATING
OCK Group (OCK MK)	<p>OCK Group has entered into a 15-year tower leasing agreement with Best Telecom, marking its entry into Laos. Best Telecom plans to launch its 5G network there by the end of the year.</p> <p>According to a media statement issued, OCK said the agreement with Best Telecom marked the group's "official" entry into Laos, though the deal's value remains undisclosed. (<i>The Edge Malaysia</i>)</p>	<p>We are positive on the latest development. This marks the third Indochina towerco market for the group after Myanmar and Vietnam, and comes almost two years after a shareholder agreement was inked with the Laotian Ministry of Finance to venture into the domestic towerco market. OCK was the first overseas investor to be granted an independent towerco license by the Laos Government.</p> <p>The Laotian market presents a niche and captive 5G market with a mobile population base of c. 4.8m and more than 7,000 towers nationwide. While the details of the leasing agreement were not disclosed, we gather that OCK intends to spend USD1.5m to build about 80 sites (in the initial phase), which would then be leased back to Best Telecom. This translates into c.USD20,000 per tower, which is lower than the capex for build-to-suit sites in Myanmar and Vietnam.</p> <p>Our forecast, TP, and call on OCK are maintained for now pending further details. Key risks: Weaker-than-expected earnings/margins, project delays, and regulatory setbacks.</p>	BUY, TP: MYR0.76
Sapura Energy (SAPE MK)	<p>Sapura Energy has been awarded contracts worth USD1.8bn for its six multi-purpose pipe-laying support vessels (PLSVs) as part of a competitive Petrobras tender process. The contracts are for 3-year terms and commence on different mobilisation dates according to each of the PLSVs.</p> <p>The longest-dated contract goes through 2028. (<i>Bursa Malaysia</i>)</p>	<p>We are positive on the contract win as it ensures continuous earnings contributions from these vessels. The USD1.8bn (MYR8.5bn) orderbook – of which USD900m or MYR4.25bn is net to the group – is also rather sizeable as compared to Sapura Energy's group and JV orderbooks of MYR5bn and MYR3bn as of 4QFY24 (Jan).</p> <p>While there were no earnings breakdown provided, we believe the bulk of Sapura Energy's MYR337m profit from its JVs and associates are contributed by these six vessels in FY24. We see potentially better contributions from these JVs following such a win – backed by higher charter rates.</p> <p>Pending further guidance, we maintain our FY25F-27F losses, as the group's engineering & construction orderbook replenishment remains one of Sapura Energy's biggest challenges – this is given limited access to bank guarantees and working capital. We reiterate our call and unchanged TP.</p>	SELL, TP: MYR0.02

Top BUYs

	TP (MYR)	Upside (%)	Shariah	Catalysts
AMMB (AMM MK)	5	18.5	N	<ul style="list-style-type: none"> 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	16.8	Y	<ul style="list-style-type: none"> 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	11.6	N	<ul style="list-style-type: none"> 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	13.0	Y	<ul style="list-style-type: none"> 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)	6.30	16.5	Y	<ul style="list-style-type: none"> 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	12.6	Y	<ul style="list-style-type: none"> 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	22.2	Y	<ul style="list-style-type: none"> 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	19.4	Y	<ul style="list-style-type: none"> 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	8.0	Y	<ul style="list-style-type: none"> 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	29.4	N	<ul style="list-style-type: none"> 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	41.6	Y	<ul style="list-style-type: none"> 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	19.8	N	<ul style="list-style-type: none"> 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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Kuala Lumpur	Singapore
RHB Investment Bank Bhd Level 3A, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur Malaysia Tel : +(60) 3 2302 8100 Fax : +(60) 3 2302 8134	RHB Bank Berhad (Singapore branch) 90 Cecil Street #04-00 RHB Bank Building Singapore 069531 Fax: +65 6509 0470
Jakarta	Bangkok
PT RHB Sekuritas Indonesia Revenue Tower, 11th Floor, District 8 - SCBD Jl. Jendral Sudirman Kav 52-53 Jakarta 12190 Indonesia Tel: +6221 509 39 888 Fax : +6221 509 39 777	RHB Securities (Thailand) PCL 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel: +(66) 2 088 9999 Fax : +(66) 2 088 9799