27 January 2025

# Market Strategy

## Small Cap Corporate Access 2025 – Key Takeaways

- **SCCA 2025.** We concluded our fifth instalment of RHB Small Cap Corporate Access on 23 Jan with much optimism. This signature event featured 14 corporations from Indonesia, Malaysia and Singapore, and was attended by about 90 fund managers and analysts across the region. Despite the uncertainty surrounding global money markets, the strong economic growth in the three countries, influx of foreign direct investments (FDIs), favourable government policies and ample liquidity are support factors that may bring about another constructive year with plenty of investment opportunities in the small-cap space.
- **Various in-trend thematic plays** remain constructive for the small-mid caps segment, and positive traction may resume once the risk-on sentiment improves. These include, but are not limited to, the Johor and Sarawak investment themes, data centre (DC)-related plays, infrastructure, trade recovery, commodity plays, revival in semiconductor and electronic manufacturing services, and trade tension diversion plays. Investors that bottom-fish for laggard names with earnings visibility and the potential for a turnaround that has low market expectations, should be able to thrive in the current market environment.
- **Key observations.** Small-cap companies are often known for their agility and adaptability to changing market dynamics. Distinctive strategies are adopted by most of the companies to capitalise on diverse growth opportunities. These include, but are not limited to, leveraging on favourable government policies, structural thematic growth trends, new market/customer penetration, new project wins, diversifying product portfolios, expanding technical capacities and M&As. Meanwhile, higher input costs, uncertainties in the geopolitical scene, high inflation and volatile FX rates are the main challenges faced by these companies.
- **Designed for inclusivity.** To better suit the diverse pool of investors with different investment styles, our line-ups were curated to accommodate the dissimilar preferences. This year, corporations from various sectors including industrial products, industrial services, technology, electronics manufacturing services (EMS), consumer discretionary, healthcare, construction and real estate were featured. Figure 2 features a snapshot of the companies featured in this event – with 10 from Malaysia, and two each from Indonesia and Singapore.
- **The key takeaways** from the respective breakout sessions are summarised in the subsequent pages. A few names that caught our eye:
  i. **Indonesia: Blue Bird (BIRD IJ).** We believe the company will benefit from the pick-up in demand for mobility, with its ability to increase fares while optimising utilisation rates and efficiency. The stock is trading at below-mean levels and below the peer average. We think it deserves a premium, due to its growth trajectory and given the easing competition from online taxi services.
  ii. **Malaysia: Protasco (PRTA MK).** We see a sustainable turnaround in its earnings. This would be supported by higher budget allocations and rate revisions for its road maintenance segments, which have high recurring business. The stock is trading below the peer average, and its risk-reward ratio is appealing. A robust outstanding orderbook and new projects from its construction arm, coupled with the disposal of loss-making subsidiaries/assets, should help to spur its growth in FY25-26F.
  iii. **Singapore: Grand Venture Technology (GVTL SP).** This is a beneficiary of a broader-based recovery in the semiconductor space and products transfer stemming from US-China trade tensions. We see its growing wallet share in the life sciences, new programmes, expansion into the front-end segment couple with potential M&A opportunities are the key catalysts.

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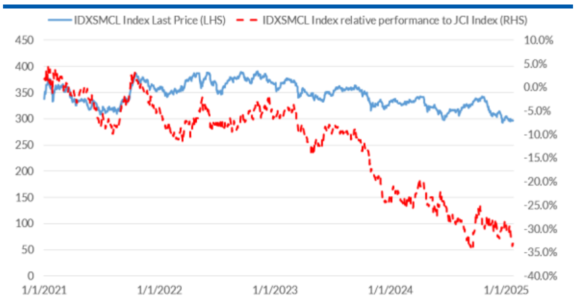
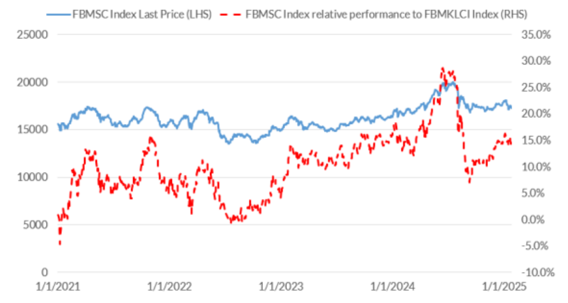
### Performance of Indonesia's small-cap index



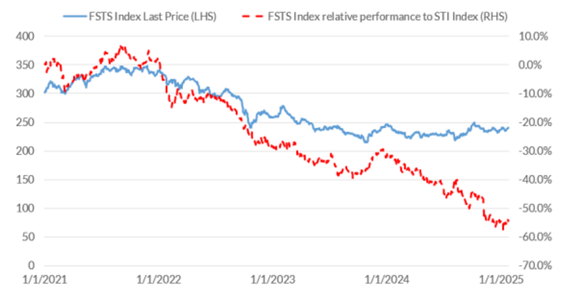

*Source: Company data, RHB*

### Performance of Malaysia's small-cap index




*Source: Company data, RHB*

### Performance of Singapore's small-cap index




*Source: Company data, RHB*

# RHB Small Cap Corporate Access 2025

**Figure 1: RHB Small Cap Corporate Access 2025**


*Source: RHB*

**Figure 2: Snapshot of featured companies**

| Company Name | Bloomberg Ticker | Sector | Last Price (Local Currency) | P/E (x) Actual | P/BV (x) Actual | ROE (%) Actual | Yield (%) Actual |
|---|---|---|---|---|---|---|---|
| GDEX | GDX MK | Industrials | 0.47 | N/A | 6.3 | 9.6 | 0.6 |
| Critical Holdings | CHB MK | Industrials | 0.85 | 16.4 | 4.8 | 43.9 | 1.5 |
| Protasco | PRTA MK | Industrials/Construction | 0.35 | 6.7 | 0.6 | 8.5 | N/A |
| PTT Synergy Group | PTT MK | Industrials | 1.39 | 22.3 | 2.0 | 9.6 | N/A |
| Pekat Group | PEKAT MK | Industrials | 1.17 | 41.4 | 5.5 | 12.8 | N/A |
| PA Resources | PARB MK | Materials | 0.27 | 9.4 | 1.3 | 13.8 | 1.9 |
| SDS Group | SDS MK | Consumer Discretionary | 1.19 | 13.2 | 3.8 | 28.8 | 1.7 |
| YBS International | YBS MK | Industrials/EMS | 0.80 | N/A | 2.9 | -18.3 | N/A |
| GFM Services | GFM MK | Industrials | 0.24 | 5.7 | 0.9 | 15.5 | 1.0 |
| Karex | KAREX MK | Healthcare | 0.92 | 49.2 | 2.0 | 4.1 | 0.5 |
| Grand Venture Technology | GVTL SP | Industrials | 0.90 | 47.3 | 2.6 | 5.4 | 0.1 |
| Centurion Corp | CENT SP | Real Estate | 1.00 | 3.6 | 1.0 | 28.0 | 3.0 |
| Blue Bird | BIRD IJ | Industrials | 1655 | 7.9 | 0.8 | 9.3 | 5.5 |
| Mastersystem Infotama | MSTI IJ | Information Technology | 1455 | N/A | 2.1 | N/A | 6.9 |

*Source: Company data, Bloomberg*

# Key Highlights Of Breakout Sessions

## Malaysia

## GDEX (GDEX MK, NOT RATED)

**From a domestic logistics player to a regional business solutions provider**

- GDEX is transforming from a purely domestic logistics provider into a comprehensive regional and global business solutions provider. The company has three main business segments: Logistics, commerce, and cybersecurity.
- Apart from its bread-and-butter logistics business, GDEX focuses on digital solutions through its subsidiaries Xilnex, Sweetmag, and Anon Security. Xilnex specialises in point-of-sales (POS) solutions, while Sweetmag provides e-commerce and app development services. Anon focuses on delivering cybersecurity solutions.
- In 9MFY24, GDEX recorded revenue of MYR304.6m, of which MYR36.6m was contributed by the IT division. This made up 12% of 9MFY24 revenue, representing an improvement from 8.4% of FY23 revenue. In 2024, the IT division managed to record a 2-year CAGR of >60%.

**More upside potential for the logistics business**

- GDEX is expanding its market reach across several countries including Saudi Arabia, Indonesia, Vietnam, Cambodia, Singapore, and the Philippines.
- Strategic partnerships play a key role in its expansion plans, with GDEX leveraging on local partners' networks in their respective countries to tap into the regional markets.
- The implementation of the base rate of MYR5 per parcel weighing 2kg or less by the Malaysian Communications and Multimedia Commission (MCMC) should help alleviate the ongoing unhealthy competition, ie price-dumping in the parcel business. This would enable GDEX to have a level playing field with foreign players.
- GDEX is also focusing on tapping into higher-value postal services within the business-to-consumer (B2C) segment, offering delivery services for high-value items purchased via online shopping platforms.
- Its recent partnership with Shopify should also provide opportunities to further expand its market reach in the business-to-business (B2B) segment, offering retail businesses an enhanced e-commerce experience. Through the partnership, GDEX aims to onboard more Shopify merchants, emphasising on collaboration over competition.

**IT solutions to complement GDEX's logistics business**

- GDEX aims to address challenges in managing multi-channel supply chains, cross-border B2C deliveries, and regional retail expansion. Through its IT subsidiaries, GDEX offers solutions such as open application programming interfaces (API) integration, local last-mile delivery, B2C cross-border delivery, and supply chain solutions for regional retail expansion.
- Its IT solutions aim to create seamless integration and operations, improve delivery times and the customer experience, and enable businesses to manage sales, inventory, payment, and reporting.
- Its 60%-owned subsidiary Anon Security is a distributor of artificial intelligence (AI)/machine-learning (ML)-powered and military-grade cybersecurity solutions in South-East Asia. The company serves governments, GLCs, enterprises, SMEs, and individuals.
- GDEX has key strategies for sustainable growth, which include accelerating scalability through cross-selling and regional replication and streamlining processes by developing more value-added shared services.
- For its cybersecurity sub-segment, it plans to launch Anon Guard, a subscription-based cybersecurity solution offered at competitive prices. GDEX anticipates that Anon Guard will become a key revenue driver, particularly in the SME segment, eventually surpassing traditional distribution business contributions.
- GDEX plans to explore distributorship opportunities for new AI solutions in the cybersecurity space, on top of securing strategic partnerships to strengthen the ecosystem, while also riding on IT megatrends such as AI and cloud-based solutions.

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## Critical Holdings (CRITICAL MK, NOT RATED)

**Focused MEP services provider**

- CRITICAL is primarily focused on delivering mechanical, electrical and process (MEP) design and engineering services tailored for critical buildings and facilities that require resilient infrastructure. The role played by CRITICAL includes being an EPC or design-and-build contractor, as well as a project management consultant.
- Given the nature of MEP works which are specialised – the majority of packages secured by CRITICAL is mainly at the subcontractor level (making up 80% of revenue in 1QFY25 (Jun)).
- Post-listing, the group has been able to bid for larger jobs, mainly in Penang (which is its home ground) and particularly in semiconductor manufacturing facilities.
- Revenue-wise – plantroom projects contribute the most at 53% in FY24 (primarily from semiconductor-related jobs) while DC jobs made up 7%. Nevertheless, in 1QFY25, we observe that the revenue contribution coming from DC-related jobs has reached 16.7%.

**Financial performance**

- CRITICAL recorded a PAT of MYR19.3m in FY24 vs MYR9.6m in FY23, with a PAT margin of 7.2% vs 6.4% the year before.
- PAT margins for cleanroom, plantroom and DC jobs hover between 6% and 8%.
- In 1QFY25, revenue rose by 12% YoY but PAT dropped by 42% YoY which led to a lower PAT margin of 6.4% vs 12.5% in 1QFY24. This was due to higher staff costs from 68 to 88 staff (+30%), timing difference in revenue recognition, and costs.
- Looking ahead, the group is expecting PAT margin to improve sequentially, coming from maintenance & services, although this may be offset by lower volumes. In terms of topline performance, CRITICAL is guiding for FY25 turnover to be approximately at the same as level as the prior year (FY24: MYR268m).

**Job details and prospects**

- CRITICAL has an outstanding orderbook of MYR203m as of end-Sep 2024 with cleanroom projects making up the most at 43%, followed by plantroom (42%), DC (14%) and the remainder from maintenance works.
- As for new job wins for FY25F – CRITICAL has secured MYR144m of contracts for projects located in Penang and Johor.
- Tenderbook is c.MYR1bn, with 60% coming from semiconductor-related jobs (plantroom and cleanroom) and the remainder from DC-related jobs.
- To date, CRITICAL has faced no work stop orders or cancellation of tenders related to DC jobs in light of the US AI chip restriction imposed on countries like Malaysia.
- One of the jobs secured in FY25 worth MYR82m from a US-based multinational corporation is for a warehouse in Pasir Gudang, Johor, and is the first job secured by the group in Johor. This shows that its effort to set up an office in Johor is coming to fruition as CRITICAL was mainly focused in Penang prior to this. The new Johor office would enable it to not only be within the vicinity of DC hotspots such as Sedenak and Nusajaya but also the areas earmarked as flagship zones under the Johor-Singapore Special Economic Zone.

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## Protasco (PRTA MK, NOT RATED)

**Company overview**

- Protasco is mainly involved in the road maintenance business (c.66% of 9M24 revenue). It also trades and manufactures building and construction materials, pavement-related materials and machinery, as well as highway safety products (c.23% of 9M24 revenue). The group is also involved in the property development, engineering and consultancy, hospitality, and green energy.
- Protasco is widely regarded as the largest road maintenance player in West Malaysia, as it maintains over half of the region's federal, state, and rural road networks, with a total length of 25,000km.

**FY25 outlook**

- Under Budget 2025, MYR2.8bn has been earmarked for the maintenance of primary roads, while another MYR1bn has been allocated for non-primary roads (mostly backlogged maintenance works for secondary and Federal Land Development Authority (Felda)-related roads). Along with a collective MYR5.5bn from the individual state budgets, the flow-through from these projects should bode well for Protasco in FY25. The group prefers to focus on its existing network of roads, and has no immediate intentions to expand its territory, for now.
- Several routine and periodic maintenance contracts/concessions were subject to a rate review in FY24, and Protasco should enjoy the full-year impact of these reviews in FY25. For the routine maintenance contracts, the renewal was done in Apr 2024, but contributions will only be seen from 4Q25 onwards, as its previous jobs were based on job orders raised before Apr 2024. For the periodic maintenance contracts, management expects the GPM of this sub-segment to expand to 15% (from 7-9% previously) as a result of the rate reviews.
- The group's construction arm commands an outstanding orderbook worth MYR224m related to the upgrading of a federal road segment in Kulim, Kedah. In FY25, the group will aim for MYR1.5-2bn worth of government tenders comprising road works and flood mitigation projects, which could be awarded around the mid-year. Protasco is also mulling its maiden involvement in the highway concession space. The group has already expressed its intention to the relevant authority, and ongoing discussions appear favourable.
- In its clean energy business, the group – through an associate company – has already been shortlisted under the Large Scale Solar 5 (LSS5) programme. Elsewhere, Protasco is also looking at optimising its various business lines, which could involve the divestment of several loss-making ventures. Note that Protasco has disposed of its education business (scheduled to be completed by 1Q25). The group is also considering a partial disposal of its asset and/or investment properties, including 60 acres of undeveloped landbank in Kajang, which could be worth a total market value of c.MYR600m.

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## PTT Synergy (PTT MK, NOT RATED)

**Striving to be a leader in industrial innovations**

- PTT Synergy is one of Malaysia's leading construction companies specialising in earthworks, infrastructure works, and roads and bridges. It boasts of having the largest fleet of heavy machinery in the country. The group is in the middle of its 3-part transformation plan to drive high-tech industrial solutions with the launch of built-to-suit smart warehouses, and aims to generate a sustainable ecosystem of recurring income in the future.
- Its construction division continues to be the main revenue contributor. The group's large fleet of heavy machinery allows it to handle earthwork projects efficiently, and it utilises EV trucks to minimise any environmental impacts. As at Sep 2024, it has an unbilled orderbook of MYR628m, and a tenderbook of MYR1.4bn, which management believes should drive revenue growth for the segment for the next 2-3 years. Management is selective in this segment, focusing on profitability and projects that are able to be completed in a short period of time.
- Its property development segment is focused on constructing built-to-suit automated warehouses and total intralogistics solutions. Services include the installation of automatic storage retrieval system (ASRS), as it provides tailored solutions to minimise clients' operating costs and improve their efficiency. In this segment, the key growth drivers come not just from the initial property development, but also a long-term recurring rental revenue as PTT manages the state-of-the-art warehouse systems.
- The group has an estimated GDV of MYR5bn based on its existing landbank. It currently focuses on Penang and Selangor. The group secured a semiconductor multi-national corporation (MNC) customer at end of last year to build a 416,000 sq ft of smart warehouse in Mainland Penang. This built-to-suit and lease arrangement could generate MYR40m in rental income annually upon its completion in 1Q26. Currently, there are another five warehouse projects in the pipeline under negotiation. In addition, there are another three projects that include turnkey solutions and as a service.
- In Malaysia, management believes that it is currently the only group that develops built-to-suit smart warehouses, whereas other competitors produce more speculative developments. A key competitive strength for PTT is that its smart warehouses allows its clients to save up to 80% in labour costs thanks to its automated systems, and the clients also benefit from lower warehousing costs due to optimised building height (reduced footprint) and lower shunting costs.
- The group plans to grow its fleet of EV trucks from 32 by 1H25 to 100 by FY27. It is also building an EV charging station in Elmina Business Park (expected completion in FY25), which is able to fully charge a truck in 60 minutes.

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## Pekat Group (PEKAT, NOT RATED)

**Engineered for a brighter and sustainable future**

- PEKAT's solar, earthing & lightning protection (ELP), and trading divisions cater to a wide range of business sectors, including commercial & industrial or C&I, residential, infrastructure, and community properties.
- As at 9M24, its orderbook stood at MYR360.4m, of which MYR240m (c.67%) came from the solar segment – the rest are pretty evenly distributed between the ELP and trading segments. The group expects to recognise most of the orderbook by FY25.

**Solar outlook still bright as ever**

- For 3Q24, the residential customer segment – led by Solaroo – achieved a 240% YoY growth in revenue, mainly driven by the solar incentive cash rebate of up to MYR4,000 (Solar For Rakyat Incentive Scheme or SolaRIS). Although the scheme is ending on 30 Apr 2025, PEKAT remains upbeat on solar residential adoption. The group listed three key catalysts driving demand: i) The expected tariff hike by Tenaga Nasional (TNB MK, BUY, TP: MYR16.60), ii) removal of petrol subsidies (which is likely to encourage consumers to switch to EVs and, in turn, increase electricity usage), and iii) continuing low cost of solar panels.
- Given its position as one of the top players in the residential market, PEKAT is optimistic about its capacity to capture the uptick in demand.
- Regarding the Fifth Large Scale Solar (LSS5) scheme, the group is still awaiting the full announcement of winners, as not all have been disclosed yet. It has submitted a bid under Package 2 for a 30MWac project in collaboration with a bumiputera partner. PEKAT remains committed to maintaining its internal rate of return or IRR and profit margins, choosing to pursue only projects that offer reasonable returns.
- Solar panel prices are expected to remain low. However, PEKAT does note that labour costs remain a key factor to watch, given the labour-intensive nature of the industry.

**Strong ELP division carried by DC jobs**

- For the ELP division, the group is now putting focus on DC-related projects as they fetch higher contract values and slightly better margins compared to high-rise buildings projects. On average, DC jobs for ELP are valued around MYR4-5m, with contracts possibly ranging between three and 12 months.
- As the barriers to entry in this market are high and given PEKAT's extensive track record, the group believes it has a strong opportunity to secure major projects. In the 3Q24, PEKAT secured projects worth over MYR35m, with the most notable being the Google Data Centre project valued at MYR21.8m.
- Note: Management also guided that there have been no setbacks for the existing tenders for DCs in light of the US AI chip restrictions.

**EPE Switchgear (EPE) acquisition**

- Recall: In mid-Dec 2024, PEKAT successfully completed a 60% acquisition of EPE. Management anticipates contributions from EPE to begin from FY25 onwards. Additionally, the group expects growth to be driven by TNB's ongoing grid and infrastructure upgrades.

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## PA Resources (PARB MK, NOT RATED)

**A renowned aluminium extruder with a reputable clientele**

- PA Resources (PARB) is principally involved in the aluminium extrusion and fabrication business, which generates almost 100% of the group's total revenue. The group also has operations in the aluminium smelting, billet production, surface finishing, construction, and renewable energy segments, while most recently, it has also expanded into the palm oil sector, where it manufactures harvesting poles.
- The group's key customer is First Solar (FSLR US, NR), which contributes to c.85% of total revenue. The most recent contract awarded is for the period between Jan 2024 to Jun 2025 for the supply of aluminium goods for the production of photovoltaic modules. Feedback from management suggests that recent discussions for a contract extension have been favourable.
- Recall that PARB has recently acquired a new 18-acre plot of land, adding on to its existing 10 acres in Kuala Selangor. The group looks to double its manufacturing capacity to 7,000 tonnes per month from 3,200 tonnes per month, with a new factory being built on the new plot. Management mentioned that the new factory will be used to cater to increased demand – particularly from new customers, especially as its existing factory is already operating at c.90% utilisation rate.
- Management thinks that the core profit level of over MYR20m first achieved in 1QFY25 (Jun) is sustainable, based on its existing contracts. However, the group warns that 2QFY25 net profit could come in slightly softer due to seasonality effects, as well as uncertainties surrounding the Trump administration's stance on tariffs. The group's average GPM hovers around 12-15%, with operating efficiency being a key driver.

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## SDS Group (SDS MK, NOT RATED)

**Wholesale segment**

- SDS competes with established players like Gardenia and Massimo by pricing its products slightly lower (less than 10% difference) and focusing on underserved rural areas, where larger competitors are often less present due to the challenges of servicing low transaction volumes and distant locations. While this approach allows SDS to tap into unmet demand, it leads to relatively higher costs.
- The company's manufacturing facilities are currently running at 70-75% capacity utilisation, with no significant capex/expansion planned.
- Management estimates that the bakery industry is expanding at an annual rate of 5-8%. Over the years, SDS has gained market share, supported by its ongoing fleet expansion.
- In Singapore, which accounts for 5% of group sales, SDS supplies two hypermarkets without dedicating a delivery fleet. The company has no plans for further expansion in Singapore, as its primary focus remains on strengthening its domestic market presence.
- During COVID-19, SDS extended its reach to the northern regions on a smaller scale and has continued to serve these areas post-reopening, successfully adding new customers.
- Raw material costs have stabilised, and there are no immediate plans to adjust selling prices. The last price increase, implemented in late 2023, aligned with competitors' adjustments and was well-received, allowing SDS to retain its competitive pricing gap.
- 70% of wholesale customers pay in cash, which minimises receivables risk.

**Retail segment**

- SDS operates 32 outlets in the southern region and 10 in the central region, with expansion into the central region initiated 2-3 years ago to capitalise on its higher population density. Establishing standalone bakery outlets require a capital investment of MYR600-700k, while hybrid bakery-cafeteria formats cost MYR1.2-1.3m, with a payback period of three years.
- The company plans to open 4-6 outlets annually and differentiates itself by offering unique product offerings, active promotional campaigns, and consistent food and service quality.
- SSSG for the retail segment is 6-7%, with particularly strong performance in the central region.

**Other highlights**

- Wage costs, which constitute 10% of total expenses, are expected to face minimal impact from changes to the minimum wage.
- While SDS does not have a formal dividend policy, it has historically maintained a dividend payout ratio of 30%.

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## GFM Services (GFM MK, NOT RATED)

**Focused facilities management services provider**

- GFM Services is a pure-play facilities management provider covering assets and buildings (via concessions); build, operations and maintenance of highway rest and services areas (RSAs); and management services for workforce lodging (including centralised labour force quarters).
- The group is also involved in the oil & gas maintenance space via wholly owned subsidiary Highbase Strategic (Highbase), which was fully acquired in 2023.
- In FY23, the facilities management services segment contributed the most to revenue at 63%, followed by concessions and oil & gas at 35% and 2%. Nevertheless, revenue contributions from the latter segment has expanded significantly to 15% after GFM acquired the remining 51% stake in Highbase in Nov 2023.

**Assets and buildings facilities services**

- For Universiti Teknologi MARA (UiTM) Mukah, GFM holds a 23-year build-lease-manage-transfer concession until 2035 in addition to a 20-year operation & maintenance or O&M contract.
- Meanwhile, the group also has facilities management services contracts, with UiTM Tapah and Istana Negara, which lasts until 2034 and 2027.
- The total outstanding orderbook for facilities management contracts stood at MYR1.2bn as of 31 Dec 2024.

**Highway RSAs**

- GFM ventured into the facilities services business for highway RSAs via the acquisition of Era Gema for MYR23m to develop a northbound RSA on a 1.7ha site along the North-South Expressway in Sungai Muda, Penang, which is expected to begin construction in 2025. This RSA is slated for completion in 2027 and has an estimated development cost of MYR55m.
- The Sungai Penang RSA is projected to have an annual revenue of MYR20m – backed by multiple recurring income streams such as rental for retail stalls, sales surcharges, and petrol stations.
- The group has also acquired two other RSA sites in Bemban and Karak in Melaka and Pahang for MYR0.5m and MYR9m, which are still undergoing application processes to obtain approvals from the Highway Authority of Malaysia.

**Oil & gas maintenance services**

- This division works on Integrated Turnaround Main Mechanical and Maintenance Mechanical Static Contract (TA4MS) awarded by Petronas, which covers eight facilities at the Pengerang Integrated Complex.
- This TA4MS contract is executed via a JV between Highbase (51%) and Mun Siong Engineering (49%) with a 3-year contract period from Mar 2019 to Mar 2024 – this has since been granted an extension until Mar 2027, with an option to extend it until Mar 2029.
- GFM also entered into a heads of agreement with Shapadu Corp to potentially acquire a 45% interest in Shapadu Energy for a purchase consideration of MYR30m. Should the acquisition materialise, the group will be able to hold one more TA4MS contract under Shapadu Energy, which is related to two refinery areas.
- We understand the Pengerang Integrated Complex is due for a mandated shutdown in Jan 2027 – a legal requirement by the National Institute of Occupational Safety & Health – which will entail a lot more maintenance services by GFM.

**Job prospects**

- GFM's tenderbook comprises mainly government and private jobs at MYR1.2bn and MYR54m across eight tenders, whereby half have a tenure of more than five years while the other half have durations of 3-4 years.
- Tenders for these projects are located mainly in West Malaysia's central region, while only one is in the southern region.

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## Karex (KAREX MK, NOT RATED)

**Synthetic**

- The synthetic condom segment is expanding rapidly, with Line 3 operational and Line 4 launching soon as part of the company's goal to establish six production lines by Jun 2025, reaching an annual production capacity of 150m by FY25. Plans are in place to add 10 more dipping lines by FY26, further increasing synthetic production capacity to 400m units.
- Demand for synthetic condoms remains strong, with full utilisation of current capacity driven by the rising prevalence of latex allergies and cost efficiencies of nitrile-based materials. The first shipment was sent in Nov 2024 to several EU countries, with revenue contributions expected in 1Q25. Raw materials are sourced from North Asia, minimising risks with nitrile usage of just 1g per unit and plans to onboard a second supplier.
- Karex holds a 2-year exclusivity agreement with Durex for synthetic condom production, after which original equipment manufacturer (OEM) production will begin. A house brand launch is possible after 12 months.

**Lubricants**

- The personal lubricant segment presents significant growth opportunities, as these products are classified as healthcare/medical items, barring cosmetics companies from entering the market. Karex is expanding into the US and EU markets through OEM partnerships with store brands, supported by government endorsements such as safe-sex campaigns and tax reliefs.
- Personal lubricants are also widely used in medical applications, including ultrasound procedures. Innovation efforts focus on exploring alternatives to silicone oil, particularly as nitrile condoms grow in popularity, potentially reducing reliance on silicone oil and lowering greenhouse gas or GHG emissions.
- In Malaysia, Karex's house brand (ONE) and Durex dominate the market, with the former's market share in personal lubricants rising to 20% from 3% previously. Additionally, OEM partnerships with supermarket chains are contributing to substantial growth in sales channels.

**Tender Sales**

- The US' withdrawal from the World Health Organisation has reduced tender sales' contribution to Karex's group revenue to c.20%, down from 40–50% during its IPO. Major tenders currently come from the United Nations Population Fund or UNFPA and US Agency for Development or USAID, though contributions from the latter are expected to decline.
- While the tender segment remains funded despite the US withdrawal, it will no longer be Karex's main focus. Instead, the company aims to reduce its reliance on tenders, as the market is dominated by China and India, as well as its shift in focus towards synthetic product development and the higher-margin commercial segment.

**Others**

- Stable performance, with production in Malaysia and Thailand. The catheter business focuses on premium, innovative products with unique features. R&D is ongoing, with the potential for new materials to enhance efficiency and reduce costs. There are no major M&A plans; the balance sheet remains healthy, especially after the synthetic product launch. However, there are potential acquisitions of small brands, given regulatory restrictions on major players like Durex.

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## Singapore

### Grand Venture Technology (GVTL SP, NOT RATED)

**Current operational situation and outlook**

- Revenue has increased at a 20% CAGR historically, and management is hoping to maintain the pace of this growth. Key growth drivers will be a combination of: i) Investments in the front-end semiconductor segment; ii) growing its wallet share in the life sciences segment with new customers, new programmes and competing globally for US and Europe customers coming into this region; and iii) M&A into the consumables and niche markets.
- GVTL mainly serves the back-end semiconductor segment. It is now building up capabilities in the front-end segment. It is investing into new capabilities at the back-end, eg buying machines, resources and boosting its capability to serve customers. Its recent acquisition of ACP Metal Finishing (ACP) last year will expose it to the front-end semiconductor segment, as the latter has the knowhow to move into said segment. ACP contributed about SGD10m to GVTL's 9M24 revenue, and is yet to be very profitable. The market for the front-end semiconductor equipment is approximately nine times that of the back-end semiconductor equipment segment, and worth approximately USD90bn. The company's capex is SGD15-20m per year and this figure is expected to be maintained. Capex include making continual investments into breaking into the front-end segment. While revenue has grown, operating margins have trended downwards due to these investments. Note that GVTL is expected to continue with such investments.
- GVTL is in the low-volume high-mix business, and deals with customers that demand components from single-source suppliers. It is able to engage customers at the mission-critical components level, which implies less competition. Its customers have multiple product lines and, in most cases, GVTL is the supplier selected for one product line. Mission-critical components are usually single-source in nature. In some cases, however, customers with higher-run product lines will have two sources of supply. It takes 6-9 months to qualify and be on-boarded as a supplier for its customers.
- Group utilisation rate of its plants in China, Singapore and Malaysia stands at about 50-60%, with Singapore's utilisation rate at 60-70%, the Penang plant at 60%, and the China facility at a lower utilisation. GVTL has two sites in China. One is currently used for producing materials for the aerospace industry, while medical and semiconductor production activities have moved to its Singapore and Malaysia plants. Its China plant continues to fulfil local orders.
- GVTL is exploring moving into the Johor-Singapore Special Economic Zone (JS-SEZ). Its Johor plant can be expanded, although it is not in the SEZ. Nonetheless, management aims to look further into how it can benefit from the JS-SEZ going forward.
- GVTL pays not more than 20% of earnings as dividends. It has paid dividends in the past, and is also conserving cash for re-investments going forward. The company is exploring a secondary listing on Bursa Malaysia as well.

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## Centurion Corporation (CENT SP, BUY, TP: SGD1.06)

**Current operational situation and outlook**

- CENT remains in a sweet spot in terms of the purpose-built workers' accommodation (PBWA) business in Singapore, where demand for foreign workers is still outstripping dormitory bed supply. Current bed rates in Singapore are up to SGD600 per bed per month, while current blended rates for Centurion range from SGD400 to SGD500. In addition, 40-50% of beds are due for renewal this year.
- CENT currently operates close to 70,000 beds and is expected to add around 2,700 beds to its portfolio, to total 72,631 beds in 2025. Most of the uplift is coming from two master leased build-to-rent (BTR) projects in China, Xiamen's CityHome Apartments.
- 9M24 revenue rose by 25% YoY to SGD187m. The occupancy rate of its purpose-built student accommodation (PBSA) rose from 90% in 9m23 to 98%., while its PBWA occupancy rate declined marginally from 96% in 9m23 to 95%. Drivers of revenue growth included positive rental reversion and strong occupancy rates across its Singapore PBWA, as well as in its PBSA facilities in Australia and the UK.
- CENT's expansion into Hong Kong's PBWA market commenced operations in Nov 2024. It also secured a master lease asset in Jul 2024. Westlite Sheung Shui has c.539 beds and will accommodate foreign workers in multiple sectors, including the food & beverage (F&B) and service sectors. Drivers include rising foreign worker demand in the Enhanced Supplementary Labour Scheme (ESLS), which received 66,230 worker import applications, especially for the F&B sector.
- CENT will be a beneficiary of the JS-SEZ when there is more economic activity for construction (an area where more migrant workers are needed). CENT has land in Malaysia and will be an early beneficiary in the JS-SEZ development stage. It will also benefit from an increase in more labour-intensive industries such as manufacturing where large-scale labour and accommodations are required.
- CENT is currently exploring a REIT listing which involves some of its PBSA and PBWA assets. It is currently at an exploratory stage where the economics have yet to be finalised. The intention of the REIT is to deliver more growth, be asset-light and allow the REIT to carry the assets on its books. The listco should eventually develop, acquire and manage assets, acquire leases while earning fee income including asset management fees.

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## Indonesia

### Bluebird (BIRD IJ, NOT RATED)

- The regular taxi segment recorded a record-high average revenue per vehicle per day (ARPV) in Dec 2024 of IDR752k (+1.3% MoM, +10.4% YoY), supported by a higher base fare and new platform fee implemented in Oct 2024. The utilisation rate contracted to 80.8% in Dec 2024 (vs 82.4% in Nov2024 and 80.1% in Dec 2023) on a seasonal basis.
- We estimated that this would lead to the highest taxi revenue (gross) in a quarter, with the company likely booking in 4Q24F at IDR886bn (+2.1% QoQ, +12.9% YoY), resulting in FY24F revenue of IDR5trn (+14.3% YoY) – within management's optimistic target growth set at 10-20% YoY.
- The company guided for 10-15% YoY growth in FY25F (topline and bottomline), supported by improving efficiency and a larger operating fleet (to add at least 1k units) while maintaining the current ASP of its regular taxi segment. It is however considering to adjust car rental prices in order to gain market share in the domestic market.
- Addressing its new competitor (Xanh SM), management has assured that it will not engage in another price war (ASP expected to be maintained) while keeping watch on the expansion strategy of its competitor.
- Addressing the recent news of the minority sale, management said it was open to a strategic partnership without mentioning any specific fund-raising urgency or upcoming corporate action needed.
- Our take: BIRD has been one of our Top Picks in the small cap universe (*RHB Top 20 Indonesia Small Cap Companies Jewels 2024*). We believe the company will benefit from the higher demand in mobility with its ability to increase fares while optimising the utilisation rate. At 7x FY25F P/E (consensus), we think BIRD deserves to trade at a premium, based on the easing competition from online taxi services. Our initial FV at IDR2,400 implies a 10x FY25F P/E, which is still below peers such as Dubai Taxi (DTC UH, NR) at 16x FY25F P/E and below BIRD's average valuation before the emergence of online taxi services in the domestic market.

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## Mastersystem Infotama (MSTI IJ, BUY, TP: IDR2,000)

**Outlook**

- Mastersystem Infotama was established in 1994 in Jakarta. The company has become an information and communications technology (ICT) infrastructure provider for various banking, oil & gas, and telecommunications industries. It provides DC and cloud infrastructure, digital business management, big data and analytics, adaptive security architecture, among others.
- According to management, revenue for 4Q24F should be about the same as the 4Q23 number of IDR1.9trn, potentially completing out FY24F at IDR5.3trn, up 26% YoY. The estimated FY24F net income is IDR485bn, representing an 8% YoY increase, assuming MSTI can sustain a 9M24 net margin of 9%.
- Management intends to continue a dividend payout policy of 50-70%, resulting in 2024F DPS in the range of IDR77-IDR108, offering a 5-7% dividend yield.
- For 2025F, management targets its orderbook to grow at same rate with its historical CAGR growth of 10% – 2025F orderbook potentially at IDR5.7trn. On the bottomline, management expects to maintain a net profit margin of 9-10% in 2025. While MSTI is still eyeing more Nvidia projects for 2025, it is hoping to achieve more cloud and managed services this year.
- Management will closely watch the new government policy, particularly with regards to data sovereignty and privacy protection regulations, as this may lead to additional projects in the future.
- Management also acknowledged the competition from Metrodata Electronics (MTDL IJ, NR) and Multipolar Technology (MLPT IJ, NR) in the IT service industry. However, it remains confident that its expertise, target market, and long-relationship with clients should overcome such challenges.
- MSTI is currently trading at 6.9x FY25F P/E, ie 26% below its current peer's 9.4x. We think MSTI deserves to trade at a premium based on its superior 2024F ROE of 23.9% vs peers at 18.3%. Its client stickiness has been working for more than 10 years, creating a natural barrier to entry for competitors. We maintain BUY on MSTI with a IDR2,000 TP for now.

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