Malaysia Morning Cuppa

Top Story

Transportation (NEUTRAL)
Embracing The Year-End Seasonality
Sector Update
Top Picks: Malaysia Airports (MAHB) and TASCO. We pick MAHB based on the salient recovery of international tourism from 4Q23 onwards, driven by China's outbound tourism recovery and resumption of airline capacities. Within the logistics sector, we prefer TASCO for its diversified client base and business segments that will sustain its earnings base, as well as the integrated logistics services tax incentives that offer a buffer against sector headwinds. We remain NEUTRAL on the sector.
Analysts : Lee Meng Horng +603 9280 8866, Nai Wan Yan +603 9280 8859
Today's Report: Transportation : Embracing The Year-End Seasonality (3 Oct 2023)
Previous Report: Transportation : 2Q23 Results Largely Within Estimates (5 Sep 2023)

Thematics / Ground Checks

- Property and Construction : Johor: Transitioning Into a Supercharged Growth Phase
- Power : NETR Phase 2 Launched; Keep OVERWEIGHT
- Energy : Carbon Trading In The Era Of Decarbonisation
- Power : NETR Launch; Keep OVERWEIGHT
- Regional Market Strategy : ASEAN On the Mend
- Construction : Net Zero Construction
- Real Estate : Feeling The Pulse Of Johor
- Sunway Construction : Ground Checks: Quay-ing In Strong Internal Job Contributions; BUY

Other Stories

TASCO (TASCO MK, BUY, TP: MYR1.45)
Sunny Days Are Nigh; Still BUY
Company Update
Analysts : Lee Meng Horng +603 9280 8866, Nai Wan Yan +603 9280 8859
Today's Report: TASCO : Sunny Days Are Nigh; Still BUY (3 Oct 2023)
Previous Report: TASCO : A Soft Start To FY24; Keep BUY (28 Jul 2023)

FM Global Logistics (FM MK, BUY, TP: MYR0.68)
A Slow Start, Promising Outlook; Keep BUY
Company Update
Analyst : Nai Wan Yan +603 9280 8859
Today's Report: FM Global Logistics : A Slow Start, Promising Outlook; Keep BUY (3 Oct 2023)
Previous Report: FM Global Logistics : Well Positioned For a Global Trade Recovery; BUY (24 Aug 2023)

Synergy House (SYNERGY MK, NOT RATED, FV: MYR0.64)
Strong Synergy With E-Commerce
Trading Idea
Analyst : Queenie Tan +603 9280 8873
Today's Report: Synergy House : Strong Synergy With E-Commerce (2 Oct 2023)
Previous Report: N/A

Recent Stories

Malaysia Morning Cuppa: 2 October 2023
Banks : System Loans Growth Remains Steady
Yinson : Anna Nery Earnings Kicking In; Keep BUY

Malaysia Morning Cuppa: 29 September 2023
Regional Oil & Gas : Tight Oil Market; Still OVERWEIGHT
Gamuda : Another Record-Breaking Year; Stay BUY
Sunway : Going Big In Industrial Development; BUY
Kerjaya Prospek : Steadily Replenishing Jobs; Stay BUY
Sapura Energy : Wider Losses; Reiterate SELL

Malaysia Morning Cuppa: 27 September 2023
Budget 2024 Preview : Impact On Sectors
VS Industry : Strong FY24F Recovery Priced In
Mynews : Narrower Losses Ahead?

Malaysia Morning Cuppa: 26 September 2023
Dialog : Maiden Venture Into Specialty Chemicals; BUY
Globetronics Technology : Risk-Reward Now Balanced; U/G To NEUTRAL
Astro Malaysia : Resetting Expectations; Downgrade To NEUTRAL

Malaysia Morning Cuppa: 25 September 2023
Construction : Gauging The Mood In Johor
Malakoff Corp : Site Visit To TBP/TBE Plants; Keep BUY

Malaysia Morning Cuppa: 22 September 2023
Kumpulan Kitacon : Your Trusted Home Builder

Bulletins

STOCK/SECTOR	NEWS	COMMENT	RATING
AMMB (AMM MK)	AMMB's wholly owned AMAB Holdings (AMAB) subsidiary has entered into an implementation agreement with MetLife International Holdings (MetLife), Great Eastern Life Assurance (Malaysia) (GELM), and Great Eastern Takaful (GETB) in relation to AMAB and MetLife's proposed disposal of their entire equity stakes in AmMetLife Insurance (AML) and AmMetLife Takaful (AMT) to GELM and GETB respectively for MYR1.121bn. This agreement is subject to customary adjustments, ie the proposal. Upon completion of the proposal, GELM will hold 100% of AML while GETB holds 100% of AMT. In addition, the proposal will see GELM, AML, GETB, and AMT entering into an exclusive 20-year bancassurance and banca*takaful* agreements for the distribution of life insurance and family *takaful* products. *(Bursa Malaysia)*	The disposal comes as no surprise to us, as management had guided for such a transaction as part of its non-core asset disposal strategy. By our estimates, the deal values AML and AMT at a P/BV of c.1.4x. Overall, we are positive on the development. First things first, the earnings gap will be minimal – together, AML and AMT accounted for MYR74.3m in net profit in FY23 (Mar), or c.4% of group net profit. Secondly, the bancassurance and banca*takaful* agreements are positive for AMMB's non-II. Lastly, the expected uplifts in capital ratios – the extent of which is yet to be determined at this juncture – should aid the group in raising its dividend payouts beyond the 35-40% range, as is management's intention moving forward. We maintain our call and TP on AMMB.	BUY, TP: MYR4.20
Astro Malaysia (ASTRO MK)	Astro Malaysia said its home shopping business – Astro GO Shop (AGS) – will cease operations on 11 Oct. According to the company, this was due to the challenging overall economic landscape and changes in consumer behaviour. AGS is a 60:40 JV between Astro and South Korea-based GS Retail *(Company)*	The decision to exit the business is not unexpected. AGS has been loss-making since 4QFY21 (Jan) (FY23 LBITDA: MYR25m, 1HFY24 LBITDA: MYR14.5m) with the post-pandemic reopening of economic sectors driving shopper traffic back to physical retail outlets. While the move effectively removes the EBITDA drag at group level, the impact is not expected to be significant. We make no change to our earnings forecasts, TP, and rating on the stock for now. Key risks are weaker-than-expected earnings, extended macroeconomic challenges, and structural decline in TV subscription revenues.	NEUTRAL, TP: MYR0.50

Econpile (ECON MK)	Econpile has won a MYR101.3m contract award from Suriamega Development to undertake sub-structure works for three blocks of small office, home office or SOHO with a podium and basement car park in Kuala Lumpur. The works for the project are divided into three sections with different dates of commencement – works for each section shall be completed within 18 months from their respective dates of commencement. The date of commencement for Section 1 is 2 Oct, while those of Sections 2 and 3 will be confirmed later. *(Bursa Malaysia)*	This is the third contract secured by Econpile for FY24 (Jun) – bringing YTD new job wins to MYR180m. Post job wins, we estimate its orderbook to be c.MYR520m (1.4x cover ratio) vs end-FY21 when the orderbook was valued at MYR820m. We make no changes to our earnings estimates, as the latest job win is within our FY24 job replenishment assumption of MYR300m. As such, our TP remains, based on an unchanged target valuation of 14x to reflect the company's higher chance of clinching Mass Rapid Transit 3 (MRT3) jobs when compared to other earthworks and piling contractors. This is after ascribing a 4% ESG discount to our intrinsic value for the stock. Our call is premised on the counter's lofty valuation of c.28x FY24F P/E – vs the Bursa Malaysia Construction index's 5-year mean of 12x – in the absence of immediate local major infrastructure jobs and Econpile's ongoing losses. Re-rating catalysts include faster-than expected rollout for MRT3, as this could expedite the awarding of subcontract packages. These usually take 5-7 months after the main contractor jobs are dished out.	SELL, TP: MYR0.14

Top BUYs

	TP (MYR)	Upside (%)	*Shariah*	Catalysts
CIMB (CIMB MK)	6.88	27.4	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)	1.89	35.0	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)	2.47	29.3	Y	• We expect earnings to remain resilient in 2H23 backed by robust work orders and better vessel utilisation • Dayang Enterprise stands a good chance to win a portion of the newly-tendered asset integrity backlog clearance or ABC project, which could be awarded by 4Q23
Hong Leong Bank (HLBK MK)	23.20	19.2	N	• Considered defensive given its strong asset quality • Above-industry loans growth that is well supported by regional operations • Liquid balance sheet to support growth and/or leaves headroom for NIM optimisation
IOI Properties (IOIPG MK)	2.10	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)	1.56	23.8	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 collaboration with Samsung C&T
KPJ Healthcare (KPJ MK)	1.46	28.1	Y	• Pick-up in patients visits to drive improvements in operating efficiencies • Synergies from Damansara Specialist Hospital 2 and potential growth driver for the health tourism division • Successful disposal of loss-making Indonesian unit should translate to a 3% upside to 2023F core earnings
Malaysia Airports (MAHB MK)	8.70	21.8	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 travelers from 2H23 onwards
Solarvest (SOLAR MK)	1.53	18.6	Y	• Beneficiary of the country's transition towards renewable energy (RE) being at the forefront of the local pure-play solar EPCC sector • Recurring income of c.MYR8-9m to PAT annually from its three Large-Scale Solar 4 or LSS4 assets (50MW total) • Significant advancement of its regional expansion, especially in Taiwan and the Philippines
Sunway Construction (SCGB MK)	2.22	16.8	Y	• Steady job replenishment from its parent, which contributes c.30% to the overall outstanding construction orderbook • Venturing into industrial building jobs to provide buffer to downside risks from the Mass Rapid Transit 3 project • Potential foray into Vietnam as an EPCC contractor for the Song Hau 2 power plant
Yinson (YNS MK)	3.06	22.9	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 • 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.

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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
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Not Rated:	Stock is not within regular research coverage

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