

## Malaysia Morning Cuppa

### Top Story

#### **Telekom Malaysia (T MK, BUY, TP: MYR6.20)**

A Positive Start; Keep BUY

Results Review

Reiterate BUY and unchanged TP of MYR6.20, 21.8% upside with a 3.5% yield. Telekom Malaysia's 1Q23 results were in line with sustained growth from the internet/UniFi and wholesale segments. We see clarity on the impact of new access prices fuelling a share price re-rating with the group benefitting from structural demand drivers. TM remains our preferred sector pick with a parity ESG score (0% premium) bolted on to our TP. Key risks are competition, weaker than expected earnings, and regulatory setbacks.

Analyst: Jeffrey Tan +603 9280 8863

*Today's Report:* [Telekom Malaysia : A Positive Start; Keep BUY \(26 May 2023\)](#)

*Previous Report:* [Telekom Malaysia : Still Positive Levers; Keep BUY \(3 Mar 2023\)](#)

### Other Stories

#### **YTL Power (YTLP MK, BUY, TP: MYR1.55)**

Powering Up; Maintain BUY

Results Review

Keep BUY, with new TP of MYR1.55 from MYR1.25, 35% upside and c.6% FY24F (Jun) yield. YTL Power delivered another strong set of results backed by the power generation division that masked Wessex Water's contribution. Post-earnings upgrade, the stock is trading at an attractive 7x FY24F P/E, or -1.5SD from its 5-year mean. Its venture into digital banking and green data centre businesses, in our view, are long-term positives despite near-term earnings impact being minimal.

Analyst: Sean Lim CFA +603 9280 8867

*Today's Report:* [YTL Power : Powering Up; Maintain BUY \(26 May 2023\)](#)

*Previous Report:* [YTL Power : Solid Earnings Profile; Keep BUY \(18 Apr 2023\)](#)

#### **Bumi Armada (BAB MK, BUY, TP: MYR0.80)**

Smooth Sailing; Keep BUY

Results Review

Keep BUY, new SOP-based MYR0.80 TP from MYR0.70, 21% upside. Bumi Armada's 1Q23 results are in line with our expectations, with core profit growing by 16% YoY. The group is still actively bidding for new jobs and is comfortable executing 1-2 projects with its partner. We continue to like the company for its attractive valuation (4.8x FY24F P/E) and strengthening balance sheet, led by stable FPSO operations and consistent debt repayments.

Analyst: Sean Lim CFA +603 9280 8867

*Today's Report:* [Bumi Armada : Smooth Sailing; Keep BUY \(26 May 2023\)](#)

*Previous Report:* [Bumi Armada : Consistency Is Key; Keep BUY \(27 Feb 2023\)](#)

#### **Sime Darby Property (SDPR MK, BUY, TP: MYR0.55) – UPGRADE**

On Track To Hit MYR2.3bn Sales Target; U/G To BUY

Results Review

Upgrade to BUY from Neutral, unchanged MYR0.55 TP offers 17% upside with c.4% FY23F yield. Sime Darby Property's 1Q23 earnings missed expectations. However, property sales remained robust at MYR688.5m, while the industrial segment was a major sales driver. As its MYR1.6bn in bookings are not yet converted into contractual sales, management's MYR2.3bn target looks very achievable. Despite near-term political risks, we think the stock warrants a re-rating – given its improving earnings quality and bright growth outlook for its property sales.

Analyst: Loong Kok Wen CFA +603 9280 8861

*Today's Report:* [Sime Darby Property : On Track To Hit MYR2.3bn Sales Target; U/G To BUY \(26 May 2023\)](#)

*Previous Report:* [Sime Darby Property : Mitigating LAD Risk By Managing Launches \(1 Dec 2022\)](#)

#### **MBM Resources (MBM MK, BUY, TP: MYR5)**

A Good Start To FY23; Stay BUY

Results Review

Maintain BUY and MYR5 TP, 43% upside. 1Q23 earnings are in line with our estimates and beat the Street's projection. As expected, Perodua's costs eased along with improving supply chain conditions, which lifted associate contributions. Our channel checks indicate continued strong demand for Perodua vehicles, likely due to downtrading and new model launches – which supports our expectation of a strong year for the marque. We think MBM Resources' earnings should remain resilient in the quarters ahead, and this may lead to a handsome c.10% dividend yield for FY23F.

Analyst: Jim Lim Khai Xhiang +603 9280 8683

*Today's Report:* [MBM Resources : A Good Start To FY23; Stay BUY \(26 May 2023\)](#)

*Previous Report:* [MBM Resources : Upbeat On FY23F; Stay BUY \(22 Feb 2023\)](#)

**Solarvest (SOLAR MK, BUY, TP: MYR1.36)**

Anticipating Another Record-Breaking Year; BUY

Results Review

Maintain BUY, new MYR1.36 TP from MYR1.34, 35% upside. Solarvest's FY23 (Mar) record-high profit of MYR19.8m met expectations. We remain upbeat on its earnings growth trajectory going into FY24F, supported by a robust orderbook and the maiden contribution from its solar asset. The stock is a beneficiary of the country's energy transition pledge, with an abundance of order replenishment opportunities, and as solar energy is slated to become the dominant renewable energy source in the system.

Analysts: Miza Izaimi +603 9280 8742, Lee Meng Horng +603 9280 8866

*Today's Report: [Solarvest : Anticipating Another Record-Breaking Year; BUY \(26 May 2023\)](#)*
*Previous Report: [Solarvest : Sunny Outlook Fortified By Earnings Recovery \(28 Feb 2023\)](#)*
**LBS Bina (LBS MK, BUY, TP: MYR0.56)**

Better Cost Control Supporting Margins; Stay BUY

Results Review

Maintain BUY and MYR0.56 TP, 37% upside with c.6% FY23F yield. LBS Bina's 1Q23 results are in line. Revenue declined slightly YoY, but margins improved from better cost savings, particularly in the construction segment – which led to flattish YoY earnings growth. We continue to be positive on the group's prospects as its property sales momentum remains strong. Also, it is trading at an undemanding valuation, at -1SD from the historical P/BV mean.

Analysts: Loong Kok Wen CFA +603 9280 8861, Wan Muhammad Ammar Affan +603 9280 8871

*Today's Report: [LBS Bina : Better Cost Control Supporting Margins; Stay BUY \(26 May 2023\)](#)*
*Previous Report: [LBS Bina : Healthy Pipeline Of New Projects; Keep BUY \(22 Feb 2023\)](#)*
**Public Bank (PBK MK, NEUTRAL, TP: MYR4.25)**

NIM Slippage Cushioned By Low Credit Cost

Results Review

Still NEUTRAL, with new MYR4.25 TP from MYR4.50, 9% upside. 1Q23 results were in line. NIM slippage and the jump in GIL due to a chunky overseas corporate account dimmed an otherwise decent set of results. We lower FY23F-25F NPAT by 2-3% mainly on lower NIM. While Public Bank remains a well-managed bank with solid asset quality, we are wary of its near term NIM trajectory. Longer term, prefer banks with larger overseas exposure.

Analysts: David Chong CFA +603 9280 2026, Nabil Thoo +603 9280 8890

*Today's Report: [Public Bank : NIM Slippage Cushioned By Low Credit Cost \(26 May 2023\)](#)*
*Previous Report: [Public Bank : No Near-Term Catalysts; Downgrade To NEUTRAL \(9 Mar 2023\)](#)*
**Inari Amertron (INRI MK, NEUTRAL, TP: MYR2.31)**

Dull Demand Outlook, Risk Of Index Exclusion

Results Review

Stay NEUTRAL, TP drops to MYR2.31 from MYR2.60, 2% upside with c.3% FY23F (Jun) yield. 9MFY23 core earnings of MYR255m (-15.7% YoY) missed estimates, due to a more pronounced slowdown in volume loadings and margin compression. We cut our forecasts accordingly to reflect the softer numbers and persistently gloomy outlook. The weak demand outlook, coupled with the potential exclusion from the FBM KLCI, may cap Inari Amertron's near-term share price. Its current valuation (at mean P/E) is fair.

Analyst: Lee Meng Horng +603 9280 8866

*Today's Report: [Inari Amertron : Dull Demand Outlook, Risk Of Index Exclusion \(26 May 2023\)](#)*
*Previous Report: [Inari Amertron : Dragged Down By Slowing Smartphone Sales \(27 Feb 2023\)](#)*
**Tambun Indah (TILB MK, NEUTRAL, TP: MYR0.90) – DOWNGRADE**

Still Conservative On Pipeline Launches; NEUTRAL

Results Review

Downgrade to NEUTRAL from Buy, unchanged MYR0.90 TP implies 4% upside with c.8% FY24F yield. Tambun Indah's 1Q23 results missed expectations. Its quarterly property sales totalled MYR44.5m, in line with management's target of MYR150m for FY23. We expect earnings in the coming quarters to be slightly stronger, since Dahlia Garden will be launched next month. We downgrade our stock rating, however, given the lesser upside from its current share price.

Analyst: Loong Kok Wen CFA +603 9280 8861

*Today's Report: [Tambun Indah : Still Conservative On Pipeline Launches; NEUTRAL \(26 May 2023\)](#)*
*Previous Report: [Tambun Indah : New Launch Lifts 3Q22 Earnings; U/G To BUY \(25 Nov 2022\)](#)*
**Boilermech (BMHB MK, NEUTRAL, TP: MYR0.63) – UPGRADE**

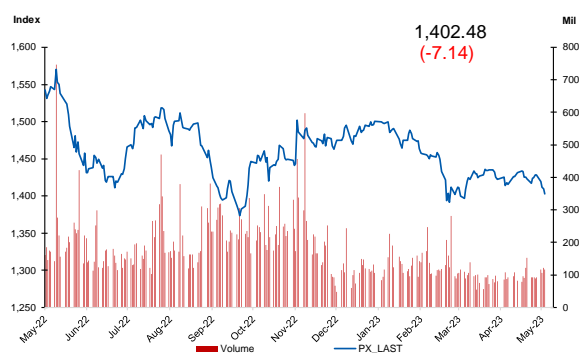
Earnings Beat Expectations; U/G To NEUTRAL

Results Review

U/G to NEUTRAL, with new MYR0.63 TP from MYR0.60, 6% downside. Boilermech's FY23 (Mar) results exceeded expectations, due to better performances from the water treatment and solar energy segments. As share price has retraced 16% over the past three months, valuation is now fair, trading at 15x – in line with its historical P/E mean of 15x.

Analysts: Syahril Hanafiah +603 9280 8879, Hoe Lee Leng +603 9280 8860

*Today's Report: [Boilermech : Earnings Beat Expectations; U/G To NEUTRAL \(26 May 2023\)](#)*
*Previous Report: [Boilermech : Challenging Quarter For All Segments; Keep SELL \(24 Feb 2023\)](#)*

**Chart 1 : FBM KLCI Chart**


		Chg
KLCI Futures May 2023	1,401.00	(5.0)
KLCI Futures Jun 2023	1,400.50	(6.5)
Brent Crude Oil (USD/bbl)	76.26	(2.1)
CPO Spot Price (MYR/Tonne)	3,501.00*	(109.5)
USD/EUR	1.07	(0.0)
JPY/USD	140.06	0.6
USD/MYR	4.63	0.0
JPY/MYR	3.30	0.0
EUR/MYR	4.97	0.0

Note: \*As at 24 May 2023 closing

**Table 1 : Regional Markets (25 May 2023)**

	Bloomberg Code	Index	Chg	YTD (%)
FTSE KLCI	: FBMKLCI	1,402.48	↓ (7.14)	(6.2)
FTSE Emas	: FBMEMAS	10,284.41	↓ (56.07)	(3.9)
FTSE 70	: FBM70	13,425.02	↓ (84.24)	+3.2
FTSE 100	: FBM100	9,989.96	↓ (53.73)	(4.1)
Singapore	: FSSTI	3,207.72	↓ (6.49)	(1.3)
Thailand	: SET	1,535.42	↓ (1.09)	(8.0)
Philippines	: PCOMP	6,560.22	↓ (55.73)	(0.1)
Indonesia	: JCI	6,704.23	↓ (41.57)	(2.1)
Hong Kong	: HSI	18,746.92	↓ (369.01)	(5.2)
China, Shanghai	: SHCOMP	3,201.26	↓ (3.49)	+3.6
China, Shenzhen	: SZCOMP	2,006.13	↓ (3.35)	+1.5
Korea	: KOSPI	2,554.69	↓ (12.76)	+14.2
Taiwan	: TWSE	16,292.00	↑ +132.68	+15.2
Japan	: NKY	30,801.13	↑ +118.45	+18.0
Dow Jones	: INDU	32,764.65	↓ (35.27)	(1.2)
S&P 500	: SPX	4,151.28	↑ +36.04	+8.1
Nasdaq	: CCMP	12,698.09	↑ +213.93	+21.3

## Top BUYs

	TP (MYR)	Upside (%)	Shariah	Catalysts
<b>CIMB (CIMB MK)</b>	6.10	23.0	N	<ul style="list-style-type: none"> <li>Continued ROE recovery, with FY23F target at 10-11% (FY22: 10.2%)</li> <li>Asset quality issues mostly addressed, credit cost stabilising at 45-55bps (FY22: 51bps)</li> <li>Loan portfolio reshaping and cost take-outs bearing fruit</li> </ul>
<b>CTOS Digital (CTOS MK)</b>	1.92	37.1	Y	<ul style="list-style-type: none"> <li>Unique leading position and growth proposition (3-year CAGR of 34%) in secular digitalisation trends such as e-KYC and credit rating-related solutions</li> <li>Synergy from new acquisitions to accelerate growth avenue via its various digital solutions, analytical insights, and exposure to fintechs on the back of the growing digital economy</li> </ul>
<b>Gabungan AQRS (AQRS MK)</b>	0.40	53.8	Y	<ul style="list-style-type: none"> <li>The Pan Borneo Highway (PBH) Sabah Phase 2 project may benefit AQRS' 49%-owned precast business (SEDCO Precast). Contracts to supply precast components to PBH Sabah are valued at within an estimated range of MYR400-500m</li> <li>Approval to bring in 100-200 foreign workers will enable AQRS to prevent project cost overruns – hence, minimising project costs</li> <li>Potential formation of new property development JVs with landowners, which may keep it busy in light of the absence of mega infrastructure projects</li> </ul>
<b>KPJ Healthcare (KPJ MK)</b>	1.50	33.9	Y	<ul style="list-style-type: none"> <li>Pick up in patients visit to drive improvement in operating efficiency</li> <li>Synergies from Damansara Specialist Hospital 2 and potential growth driver for the health tourism division</li> <li>Successful disposal of loss-making Indonesian unit should translate to 3% upside to 2023F core earnings</li> </ul>
<b>Kuala Lumpur Kepong (KLK MK)</b>	26.10	19.8	Y	<ul style="list-style-type: none"> <li>Integrated players like KLK should do better in a lower CPO price environment, as its earnings are not as sensitive to price movements</li> <li>KLK is currently the most inexpensive big-cap planter – valuations are the lowest among its big-cap peers</li> </ul>
<b>IOI Properties (IOIPG MK)</b>	1.40	27.3	Y	<ul style="list-style-type: none"> <li>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</li> <li>Projects in Xiamen will likely benefit from China's reopening</li> <li>Long-term plan to REIT the property assets will be a significant value-unlocking exercise, which should benefit shareholders</li> </ul>
<b>Telekom Malaysia (T MK)</b>	6.20	24.0	Y	<ul style="list-style-type: none"> <li>We continue to see robust earnings growth from stronger retail and wholesale revenues, and the pursuit of cost excellence</li> <li>TM should continue to benefit irrespective of the changes to the 5G policy framework given its stranglehold over the fibre backhaul and JENDELA Phase 2 rollout</li> <li>The impact from the new access prices or MSAP should be mitigated by structural wholesale and enterprise growth (cloud services and digitalisation efforts)</li> </ul>
<b>UMW Holdings (UMWH MK)</b>	5.00	34.4	Y	<ul style="list-style-type: none"> <li>UMW is a key beneficiary of Perodua's expected blockbuster 2023, where we forecast the latter to achieve a record-high unit sales of 320,000. Toyota sales are also expected to remain resilient this year, boosted by new model launches, eg the new Vios</li> <li>Its aerospace segment is also turning around along with the recovery in air travel</li> <li>UMW's valuation is also attractive at &lt;10x FY23F P/E, below its 5-year mean of 14x. It also offers an attractive dividend yield of c.4%</li> </ul>
<b>Yinson (YNS MK)</b>	3.12	20.9	N	<ul style="list-style-type: none"> <li>We continue to like this counter for its exponential growth trajectory (3-year CAGR of 41%) backed by maiden contributions from three upcoming vessels</li> <li>Monetisation of a partial stake of these projects are on the cards once they start contributing stable cash flows</li> <li>Meanwhile, 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.</li> </ul>

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**Kuala Lumpur**

**RHB Investment Bank Bhd**  
Level 3A, Tower One, RHB Centre  
Jalan Tun Razak  
Kuala Lumpur  
Malaysia  
Tel : +(60) 3 9280 8888  
Fax : +(60) 3 9200 2216

**Singapore**

**RHB Bank Berhad (Singapore branch)**  
90 Cecil Street  
#04-00 RHB Bank Building  
Singapore 069531  
Fax: +65 6509 0470

**Jakarta**

**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

**Bangkok**

**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