

Malaysia Morning Cuppa

Top Story

AMMB (AMM MK, BUY, TP: MYR4.60)

Still Solid, Still Cheap; Still BUY

Results Review

Stay BUY with a new MYR4.60 TP (from MYR4.80), 20% upside with c.5% FY24F (Mar) yield. AMMB's 9MFY23 net earnings came in line with our estimates but beat the consensus' projection. YoY growth was primarily driven by higher net interest income (NII) and lower impairment allowances. As it is trading at 0.7x P/BV against an ROE of 10%, we continue to stay upbeat on the counter, given its inexpensive valuation and above-industry loan growth prospects.

Analysts: Nabil Thoo +603 9280 8890, Fiona Leong +603 9280 8886

[Today's Report: AMMB : Still Solid, Still Cheap; Still BUY \(24 Feb 2023\)](#)

[Previous Report: AMMB : 2QFY23: Tracking Full-Year Targets Well; BUY \(1 Dec 2022\)](#)

Other Stories

Axiata Group (AXIATA MK, BUY, TP: MYR4.37)

Delivering On The Numbers; Keep BUY

Results Review

Keep BUY with higher SOP-derived TP of MYR4.37 from MYR4.13, 39% upside and c.4% yield. FY22 results trumped expectations with most operating companies exhibiting strong YoY growth. Our forecasts are adjusted for the deconsolidation of Celcom's earnings. We see a 24% core earnings decline in FY23F before staging a rebound in FY24F (+26%). Stock valuation remains undemanding with forward EV/EBITDA at -1.5 SD below historical mean.

Analyst: Jeffrey Tan +603 9280 8863

[Today's Report: Axiata Group : Delivering On The Numbers; Keep BUY \(24 Feb 2023\)](#)

[Previous Report: Axiata Group : AAID2022: Delaying & Value Unlocking; BUY \(6 Dec 2022\)](#)

YTL Power (YTLP MK, BUY, TP: MYR1.00)

Another Strong Quarter; Maintain BUY

Results Review

Keep BUY, with new TP of MYR1.00 from MYR0.92, 35% upside and 8% FY23F (Jun) yield. YTL Power continued to deliver a strong set of results backed by the power generation division which masked Wessex Water's contribution. Post our earnings upgrade, the stock is trading at an attractive 9x FY24F P/E, which is at -1SD to its 5-year mean. Its ventures 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 : Another Strong Quarter; Maintain BUY \(24 Feb 2023\)](#)

[Previous Report: YTL Power : A Strong Start; Maintain BUY \(25 Nov 2022\)](#)

Allianz Malaysia (ALLZ MK, BUY, TP: MYR16.40)

Back On Both Feet; Keep BUY

Results Review

Keep BUY and MYR16.40 TP, 18% upside with c.5% FY23F yield. Allianz Malaysia's (AMB) FY22 net profit of MYR473m beat our estimate, but met the consensus forecast. Key highlights: Robust net earned premiums (NEP) growth of 6% YoY, along with substantial marked-to-market gains for Allianz Life (ALIM) in 4Q22. While claims are expected to remain elevated across the industry, we continue to like the stock for its strong topline growth and undemanding valuation – it is trading at c.0.5x P/BV, below -1SD from the mean.

Analysts: Nabil Thoo +603 9280 8890, Fiona Leong +603 9280 8886

[Today's Report: Allianz Malaysia : Back On Both Feet; Keep BUY \(24 Feb 2023\)](#)

[Previous Report: Allianz Malaysia : Decent Quarter Despite Results Miss; BUY \(24 Nov 2022\)](#)

Malakoff Corp (MLK MK, BUY, TP: MYR0.86)

Decent Yields With Normalising Profits; Keep BUY

Results Review

Keep BUY, new MYR0.86 DCF-derived TP from MYR1.12, 25% upside with c.8% FY23F yield. Malakoff Corp's FY22 core net profit of MYR671m (+94% YoY) surpassed consensus numbers on better fuel margins. Although its projected earnings should normalise in FY23-25, this stock is still trading at an undemanding 10x FY23F P/E, which is still below its 5-year mean of 12x. We expect earnings to remain resilient, anchored by the Alam Flora contribution, as well as a better plant stability.

Analyst: Sean Lim, CFA +603 9280 8867

[Today's Report: Malakoff Corp : Decent Yields With Normalising Profits; Keep BUY \(24 Feb 2023\)](#)

[Previous Report: N/A](#)

Unisem (M) (UNI MK, BUY, TP: MYR3.80)

Sailing Ahead Despite Adversity; Still BUY

Results Review

Still BUY, higher MYR3.80 TP from MYR3.39, 21% upside, c.1% FY23F yield. Unisem's FY22 core earnings of MYR247.3m (+22.3% YoY) met expectations, driven by topline growth and margin expansion. Management is optimistic on its growth plans going into FY23,

given the strong demand from its US-based customers and timely capacity expansions. Valuation is undemanding and we remain positive on its outlook, even with the challenging sector outlook. Unisem is primed for growth, with various strategic expansions plan.

Analyst: Lee Meng Horng +603 9280 8866

[Today's Report: *Unisem \(M\) : Sailing Ahead Despite Adversity: Still BUY \(24 Feb 2023\)*](#)

[Previous Report: *Unisem \(M\) : Solid Outlook Despite Sector Headwinds; Stay BUY \(28 Oct 2022\)*](#)

Cape EMS (CEB MK, FV: MYR1.14)

Available Capacity For More Orders

IPO Note

MYR1.14 FV, based on 18x FY23F P/E. Cape EMS intends to raise MYR155.7m from its IPO, to primarily fund its capacity expansion and working capital expenses. It is well-positioned to benefit from the US-China trade diversion and growth in demand for electronic manufacturing services (EMS). CEB's 3-year earnings CAGR of 43.7% (FY21-24) should be driven by its strong orderbook (cover ratio: 1x), high order enquiries from existing and new customers, capacity expansion, and strong ties with customers.

Analyst: Queenie Tan +603 9280 8873

[Today's Report: *Cape EMS: Available Capacity For More Orders \(24 Feb 2023\)*](#)

[Previous Report: *N/A*](#)

Petronas Chemicals (PCHEM MK, NEUTRAL, TP: MYR8.18)

Unexciting Outlook

Results Review

Keep NEUTRAL, with new MYR8.18 TP from MYR9.40, 5% upside. China's re-opening is expected to provide support in the near term to the overall petrochemical market while specialty chemicals outlook is likely to remain challenging in 1H23. Near-term catalyst, in our view, is lacking, especially when the upcoming ethane feedstock supply agreement renewal is due in mid-2023, coupled with the commercial operation date (COD) of the petrochemical plants in Pengerang being further delayed to 3Q23.

Analyst: Sean Lim, CFA +603 9280 8867

[Today's Report: *Petronas Chemicals : Unexciting Outlook \(24 Feb 2023\)*](#)

[Previous Report: *Petronas Chemicals : Stay Cautious And Watchful \(29 Nov 2022\)*](#)

Maxis (MAXIS MK, NEUTRAL, TP: MYR4.03)

Reshaping Its Focus; Keep NEUTRAL

Results Review

Keep NEUTRAL, new DCF TP of MYR4.03 (from MYR3.93), 0% upside with c.5% dividend yield. Maxis' results were a slight miss on higher-than-expected tax expense. FY22 service revenue was up 4% YoY on higher mobile and home fibre growth, while enterprise revenue was flattish as fixed solutions revenue moderated further. Management's flat-to-low single-digit growth guidance for 2023 comes on the back of the reshaping of its enterprise business. Our TP includes a 2% ESG premium. Key downside risks: Competition, lower-than-expected earnings and regulatory setbacks.

Analyst: Jeffrey Tan, +603 9280 8863

[Today's Report: *Maxis : Reshaping Its Focus; Keep NEUTRAL \(24 Feb 2023\)*](#)

[Previous Report: *Maxis : Holding Well \(7 Nov 2022\)*](#)

Carlsberg Brewery (CAB MK, NEUTRAL, TP: MYR25)

Bracing For More Challenges Ahead

Results Review

Maintain NEUTRAL, with new MYR25 TP from MYR25.70, 7% upside. Carlsberg Brewery's FY22 results met our, but trailed consensus' expectations. We expect FY23F volume growth to be flattish, considering the high FY22 base, risk of slower global economic growth, and elevated inflationary pressures. That said, the price hikes and absence of Cukai Makmur should propel FY23F earnings growth of 5%. Notwithstanding, we believe its current valuation is fair, reflecting the recovery prospects, and we do not currently see any compelling reason to stretch our valuation.

Analyst: Soong Wei Siang +603 9280 8865

[Today's Report: *Carlsberg Brewery : Bracing For More Challenges Ahead \(24 Feb 2023\)*](#)

[Previous Report: *Carlsberg Brewery : Recovery Prospects Largely In The Price; NEUTRAL \(14 Nov 2022\)*](#)

IJM Corp (IJM MK, NEUTRAL, TP: MYR1.59)

Steady Quarter But Lacking Catalysts

Results Review

Maintain NEUTRAL and MYR1.59 TP, 1% upside with 3% FY24F (Mar) yield. IJM's 9MFY23 (Mar) core earnings of MYR220.6m (+125% YoY) met our expectation but missed the Street estimate – accounting for 76% and 72% of full-year projections. The Mass Rapid Transit 3 (MRT3) project seems to be its sole catalyst in sight – with contract rollouts only expected in 2H23. As such, we believe that the stock is fairly valued. Our NEUTRAL stance is also premised on IJM's MYR4.6bn current orderbook – which is a far cry from the MYR9.4bn level recorded at the end of FY18.

Analyst: Adam Bin Mohamed Rahim +603 9280 8682

[Today's Report: *IJM Corp : Steady Quarter But Lacking Catalysts \(24 Feb 2023\)*](#)

[Previous Report: *IJM Corp : New Year, New Toll Rates; Stay NEUTRAL \(3 Jan 2023\)*](#)

Boilermech (BMHB MK, SELL, TP: MYR0.60)

Challenging Quarter For All Segments; Keep SELL

Results Review

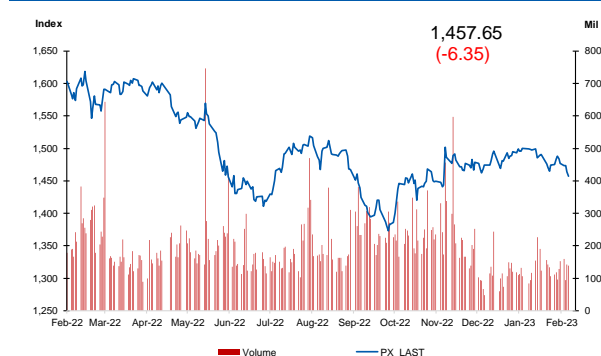
Maintain SELL, with new MYR0.60 TP from MYR0.62, 24% downside. 9MFY23 (Mar) results fell short of expectations, resulted from the underperformance across all three segments. We believe 4QFY23 earnings will slightly improve QoQ, in anticipation of the higher revenue recognised before concluding FY23. However, valuation remain lofty, trading at 19.4x 2024F P/E, above its historical P/E mean of 15x.

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Today's Report: [Boilermech : Challenging Quarter For All Segments; Keep SELL](#) (24 Feb 2023)

Previous Report: [Boilermech : All In On Its Solar Energy Unit](#) (9 Jan 2023)

Chart 1 : FBM KLCI Chart



| | | |
|----------------------------|-----------|-------|
| KLCI Futures Feb 2023 | 1,458.50 | (7.0) |
| KLCI Futures Mar 2023 | 1,445.00 | (7.5) |
| Brent Crude Oil (USD/bbl) | 82.38 | +1.8 |
| CPO Spot Price (MYR/Tonne) | 4,150.00* | +8.5 |
| USD/EUR | 1.06 | (0.0) |
| JPY/USD | 134.70 | (0.1) |
| USD/MYR | 4.43 | (0.0) |
| JPY/MYR | 3.29 | 0.0 |
| EUR/MYR | 4.70 | (0.0) |

Note: * As at 22 Feb 2023 closing

Table 1 : Regional Markets (23 Feb 2023)

| | Bloomberg Code | Index | Chg | YTD (%) |
|-----------------|----------------|------------|-----------|---------|
| FTSE KLCI | : FBMKLCI | 1,457.65 | ↓ (6.35) | (2.5) |
| FTSE Emas | : FBMEMAS | 10,613.68 | ↓ (25.53) | (0.8) |
| FTSE 70 | : FBM70 | 13,415.68 | ↑ +26.82 | +3.1 |
| FTSE 100 | : FBM100 | 10,286.46 | ↓ (29.56) | (1.3) |
| Singapore | : FSSTI | 3,264.93 | ↓ (35.11) | +0.4 |
| Thailand | : SET | 1,652.47 | ↓ (7.01) | (1.0) |
| Philippines | : PCOMP | 6,685.90 | ↓ (13.33) | +1.8 |
| Indonesia | : JCI | 6,839.45 | ↓ 29.49 | (0.2) |
| Hong Kong | : HSI | 20,351.35 | ↓ (72.49) | +2.9 |
| China, Shanghai | : SHCOMP | 3,287.48 | ↓ (3.67) | +6.4 |
| China, Shenzhen | : SZCOMP | 2,154.73 | ↓ (5.09) | +9.1 |
| Korea | : KOSPI | 2,439.09 | ↑ +21.41 | +9.1 |
| Taiwan | : TWSE | 15,615.41 | ↑ +196.64 | +10.5 |
| Japan | : NKY | 27,104.32* | - | +3.9 |
| Dow Jones | : INDU | 33,153.91 | ↑ +108.82 | 0.0 |
| S&P 500 | : SPX | 4,012.32 | ↑ +21.27 | +4.5 |
| Nasdaq | : CCMP | 11,590.40 | ↑ +83.33 | +10.7 |

Note: * As at 22 Feb 2023 closing

Top BUYs

| | TP (MYR) | Upside (%) | Shariah | Catalysts |
|--|-------------|---------------|---------|--|
| AMMB (AMM MK) | 4.60 | 20.1 | N | <ul style="list-style-type: none"> Targeting ROE of 10% (FY22: 5%) on above-industry average loan growth of 7%, stable to higher NIM, and lower credit cost of 35-40bps (FY22: 64bps) With LLC for oil & gas exposures raised to >80%, there is no further need of future overlays Dividend payout to normalise to 35-40% from FY23 (FY22: 11%) with good progress on capital rebuild |
| CIMB (CIMB MK) | 7 | 28.0 | N | <ul style="list-style-type: none"> Growing traction in ROE recovery, with FY22F target at 8-9% (FY21: 8.1%) Asset quality issues mostly addressed, credit cost to decline to 50-60bps (FY21: 73bps) Loan portfolio reshaping and cost take-outs bearing fruit |
| CTOS Digital (CTOS MK) | 1.92 | 33.3 | Y | <ul style="list-style-type: none"> 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 fintechs on the back of the growing digital economy |
| Guan Chong (GUAN MK) | 4.00 | 54.4 | Y | <ul style="list-style-type: none"> Undemanding valuation of c.10x FY23F P/E vs its consumer peers and international peers for Asia's largest cocoa grinder with a consistent earnings base secured by its forward-selling mechanism and unique exposure to growing global demand for chocolate Various expansions-driven growth and via its venture into Ivory Coast and Europe, which is likely to contribute significantly from FY23 onwards Inflection point for cocoa butter ratio amid strong demand, lower inventory levels, and normalised freight costs |
| Heineken Malaysia (HEIM MK) | 30.50 | 13.0 | N | <ul style="list-style-type: none"> Proxy for consumption recovery thanks to its established brand equity and products portfolio The reopening of international borders and more entertainment outlets (nightclubs) should further boost consumption Earnings growth should also be aided by the ASP increases to mitigate cost inflation |
| Kerjaya Prospek (KPG MK) | 1.44 | 22.0 | Y | <ul style="list-style-type: none"> KPG's construction orderbook stands at MYR4.3bn, which translates to an orderbook/revenue cover ratio of c.3.8x Further opportunities in infrastructure contracts under Seri Tanjung Pinang Phase 2 or STP2, which amount to c.MYR2bn in the next 5-7 years More job wins are achievable, given KPG's net cash pile of MYR214.6m as at 30 Jun 2022 |

| | | | | |
|-------------------------------------|------|-------|---|---|
| Mr DIY (MRDIY MK) | 2.48 | 47.6 | Y | <ul style="list-style-type: none"> Gravity-defying growth underpinned by strong brand equity and efficient business model Robust outlet expansion plans across brands to support longer-term growth Valuation should play catch-up to consumer large-cap peers |
| Matrix Concepts (MCH MK) | 1.75 | 15.9 | Y | <ul style="list-style-type: none"> Resilient sales from existing township developments should ensure sustainable earnings growth and dividend payouts The 1,382 acres of new land in Seremban will underpin the long-term growth of the company The upcoming completion and potential en-bloc sale of Menara Shariah twin towers in Jakarta may suggest possible upside to FY23 dividend |
| SKP Resources (SKP MK) | 1.95 | 33.6 | Y | <ul style="list-style-type: none"> Earnings should pick up strongly in upcoming quarters considering the peak seasonality – driven by the year-end festive season and arrival of new labour supply Largely insulated from the rising costs environment given its cost-plus model Putting behind the labour-related ESG issues with the positive audit results – supportive of the share price and valuation recoveries |
| TASCO (TASCO MK) | 1.86 | 103.3 | Y | <ul style="list-style-type: none"> TASCO has a pandemic-resistant business. It is also leveraged to post-COVID-19-recovery tailwinds, which translate into a 3-year core earnings CAGR of c.26%, subsequent to FY21's 400% YoY growth Multi-pronged expansion plan backed by the integrated logistics services tax incentive scheme that should also take place in subsequent quarters – this could potentially lead to better profitability going forward The stock's current below peers' valuation provides investors with good opportunities to ride on a renowned logistics player with strong earnings growth momentum |
| Yinson (YNS MK) | 3.15 | 18.0 | N | <ul style="list-style-type: none"> Yinson currently interested in four projects, including three in Angola and one in Suriname. It highlighted that ENI's Agogo project, with an estimated capex of >USD1bn, could be awarded in 2022 with the rest in 2023 We also expect strong earnings growth of 45-83% in FY24-25 once it achieves final acceptance of the three new projects Yinson has been aggressive in expanding its renewables and green technologies division – it has a target to secure a 3GW pipeline by end 2022 – and expand the operating portfolio of 5-10GW by 2028 in 5-7 markets |

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|---------------------|--|
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