

Malaysia Morning Cuppa

Top Story

Integrated Oil & Gas

Higher Capex Spending Ahead; Stay OVERWEIGHT
Sector Update

Maintain O/W; Top Picks: Yinson, Bumi Armada, and Coastal Contracts. Although Petronas delivered another strong set of results in 3Q22, the slowdown in capex (-30% QoQ) during the quarter was a surprise. We remain positive on the sector, with anticipation of higher capex and opex spending by clients. While our 2022F-2023F crude oil prices are still at USD102-90/bbl, we will keep an eye on the upcoming developments (OPEC+ meeting, EU embargo, and price cap on Russian oil in December).

Analyst: Sean Lim CFA +603 9280 8867

[Today's Report: *Integrated Oil & Gas : Higher Capex Spending Ahead; Stay OVERWEIGHT \(1 Dec 2022\)*](#)

[Previous Report: *Integrated Oil & Gas : Keep The Flow Going; Maintain OVERWEIGHT \(25 Oct 2022\)*](#)

Other Stories

IHH Healthcare (IHH MK, BUY, TP: MYR7.07)

Fundamentals Intact Despite Near-Term Blip; BUY
Company Update

Maintain BUY, new SOP-derived MYR7.07 TP from MYR7.42, 22% upside with c.1% yield. IHH Healthcare is poised to benefit from the pick-up in patients volume growth and resilient demand for healthcare services. This is despite an uneven recovery pace observed in 3Q22, where it faced higher operating costs and a weakening TRY.

Analyst: Oong Chun Sung +603 92802181

[Today's Report: *IHH Healthcare : Fundamentals Intact Despite Near-Term Blip; BUY \(1 Dec 2022\)*](#)

[Previous Report: *IHH Healthcare : Uneven Recovery Path; Maintain BUY \(30 Nov 2022\)*](#)

AMMB (AMM MK, BUY, TP: MYR4.80)

2QFY23: Tracking Full-Year Targets Well; BUY
Results Review

Keep BUY, new GGM-derived MYR4.80 TP from MYR4.60, 15% upside with 4% FY23F (Mar) yield. AMMB's 1HFY23 net earnings of MYR854.6m (+21% YoY) are in line with our estimates, but beat the Street projection. For the same period, it is on track to meet most of its full-year targets. With the announcement of AMMB's inclusion into the FBM KLCI, we believe its share price should continue to trend upwards, premised on well-controlled asset quality and above-industry-average loan growth as well.

Analysts: Fiona Leong +603 9280 8886, Nabil Thoo +603 9280 2174

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

[Previous Report: *AMMB : Underlying Operations To Stay Solid; Keep BUY \(18 Aug 2022\)*](#)

SKP Resources (SKP MK, BUY, TP: MYR1.95)

Temporary Margin Hiccups; Keep BUY
Results Review

Keep BUY and MYR1.95 TP, 14% upside, c.4% FY23F (Mar) yield. SKP Resources' 1HFY23 results underperformed estimates, on its weaker-than-expected 2QFY23 margin and in view of the delay in commissioning a new production line. That said, the stock is our preferred sector pick, premised on its Customer X-centric client profile, which we believe will be more resilient in view of the challenging global macroeconomic growth ahead.

Analyst: Soong Wei Siang +603 9280 8865

[Today's Report: *SKP Resources : Temporary Margin Hiccups; Keep BUY \(1 Dec 2022\)*](#)

[Previous Report: *SKP Resources : A Steadier Ship For The Stormy Sea; Keep BUY \(18 Oct 2022\)*](#)

Malaysian Resources Corp (MRC MK, BUY, TP: MYR0.45)

Better-Than-Expected Quarter; Maintain BUY
Results Review

Keep BUY, with new MYR0.45 TP from MYR0.43, 41% upside and c.2% FY23F yield. 9M22 core earnings of MYR51.8m (>100% YoY) exceeded our and Street estimates at 88% and 98% of full-year projections. Positive deviation was due to stronger-than-expected property segment and commendable construction progress in the quarter. With bids submitted for the three Mass Rapid Transit 3 civil work packages (backed by its bumiputera contractor status), combined with proposals for flood mitigation and waste-to-energy projects, we believe job prospects are bright.

Analyst: Adam Bin Mohamed Rahim +603 9280 8682

[Today's Report: *Malaysian Resources Corp : Better-Than-Expected Quarter; Maintain BUY \(1 Dec 2022\)*](#)

[Previous Report: *Malaysian Resources Corp : Brighter Job Prospects Ahead; Keep BUY \(1 Sep 2022\)*](#)

Mah Sing (MSGB MK, BUY, TP: MYR0.65) – UPGRADE

A Laggard In The Sector's Rebound; U/G BUY

Results Review

Upgrade to BUY from Neutral, with unchanged MYR0.65 TP, 23% upside and c.6% FY23F yield. 3Q22 results were within expectations, and progress billings did not seem to be affected by the industry-wide labour shortages. 9M sales of MYR1.69bn is on track to meet management's MYR2bn target for the year. The gloves manufacturing segment also saw better revenue and narrowing losses as more orders were secured. Mah Sing is now a BUY as the stock is a laggard following a strong rebound in the sector post 15th General Election.

Analyst: Loong Kok Wen CFA +603 9280 8861

Today's Report: [Mah Sing : A Laggard In The Sector's Rebound; U/G BUY \(1 Dec 2022\)](#)

Previous Report: [Mah Sing : MYR1bn Property Sales In 1H22; NEUTRAL \(30 Aug 2022\)](#)

Coastal Contracts (COCO MK, BUY, TP: MYR2.68)

EPC Papan Plant Contributions Coming In; BUY

Results Review

Stay BUY, new MYR2.68 TP from MYR2.40, 20% upside. Coastal Contracts' 1QFY23 (Jun) results are above expectations, due to stronger contributions from the EPC Papan plant. Our outlook remains positive, premised on upcoming contract award announcements – in which we believe the company stands a chance of winning some jobs, due to its strong track record with Pemex.

Analyst: Sean Lim CFA +603 9280 8867

Today's Report: [Coastal Contracts : EPC Papan Plant Contributions Coming In; BUY \(1 Dec 2022\)](#)

Previous Report: [Coastal Contracts : Expecting Another Stellar Year; Stay BUY \(7 Sep 2022\)](#)

ITMAX System (ITMAX MK, FV: MYR1.24)

The Smart Cities Solution Provider

IPO Note

MYR1.24 FV, based on 20x FY23F P/E. At MYR1.07/share, ITMAX System is set to raise MYR203.9m (320m shares) from its IPO. The proceeds will mainly fund working capital and its business expansion – to increase its presence in other states and the Federal Territories. Its future earnings (3-year CAGR: 35.6%) should be supported by a strong orderbook (MYR598.2m) and geographical and customer base expansions, buoyed by its customisable infrastructure and facilities solutions. The IPO price implies 17x FY23F P/E.

Analyst: Lee Meng Horng +603 9280 8866

Today's Report: [ITMAX System : The Smart Cities Solution Provider \(1 Dec 2022\)](#)

Previous Report: N/A

Public Bank (PBK MK, NEUTRAL, TP: MYR5)

3Q22: Sharp NIM Expansion, Well-Controlled Opex

Results Review

Maintain NEUTRAL and MYR5 TP, 11% upside. Public Bank achieved robust growth in 3Q22 earnings on strong topline growth and well-controlled opex. 9M22 ROE is tracking slightly ahead of its FY22 target of 12% while revised NIM guidance suggests upside risk to our forecast. While we like the stock for its defensive qualities, we believe share price performance will lag peers given its relatively rich 1.7x FY22F P/BV.

Analysts: Fiona Leong +603 9280 8886, Nabil Thoo +603 9280 2174

Today's Report: [Public Bank : 3Q22: Sharp NIM Expansion, Well-Controlled Opex \(1 Dec 2022\)](#)

Previous Report: [Public Bank : Better NIM, Lower Provisions To Underpin 12% ROE \(30 Aug 2022\)](#)

Sime Darby Property (SDPR MK, NEUTRAL, TP: MYR0.55)

Mitigating LAD Risk By Managing Launches

Company Update

Maintain NEUTRAL and MYR0.55 TP, 11% upside with c.4% FY22F yield. We believe Sime Darby Property's 4Q22 earnings will be on track to meet estimates, backed by its strong property sales and healthy pipeline of launches. Interruptions at construction sites due to labour shortages will be the key downside risk. Meanwhile, having already achieved its sales target, the company's 4Q22 property sales are likely to decrease QoQ, while it focuses on ensuring the timely completion of recently launched projects.

Analyst: Loong Kok Wen CFA +603 9280 8861

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

Previous Report: [Sime Darby Property : 9M Property Sales Exceed Management's Target \(30 Nov 2022\)](#)

FGV Holdings (FGV MK, NEUTRAL, TP: MYR1.40) – UPGRADE

Plans To Rectify Low Public Spread; U/G NEUTRAL

Results Review

Upgrade to NEUTRAL from Sell, with MYR1.40 TP from MYR1.30, 4% upside. 9M22 core earnings exceeded our and Street estimates. Although 4Q22F should see lower YoY FFB growth and CPO prices, we believe this is in the price, as share price has retreated 20% in last six months. Valuation is now reasonable at 7.3x FY23F P/E, in line with peers of 6-8x.

Analyst: Hoe Lee Leng +603 9280 8860

Today's Report: [FGV Holdings : Plans To Rectify Low Public Spread; U/G NEUTRAL \(1 Dec 2022\)](#)

Previous Report: [FGV Holdings : Stronger External FFB Growth Aided 2Q Earnings \(1 Sep 2022\)](#)

Chart 1: FBM KLCI chart



KLCI Futures Nov 2022	1,483.00	+14.5
KLCI Futures Dec 2022	1,486.50	+15.5
Brent Crude Oil (USD/bbl)	85.43	+2.4
CPO Spot Price (MYR/Tonne)	4,158.00*	+124.5
USD/EUR	1.04	0.0
JPY/USD	138.07	(0.6)
USD/MYR	4.45	(0.1)
JPY/MYR	3.22	(0.0)
EUR/MYR	4.61	(0.1)

Note: *As at 29 Nov 2022 closing

Table 1: Regional markets (30 Nov 2022)

	Bloomberg Code	Index	Chg	YTD (%)
FTSE KLCI	: FBMKLCI	1,488.80	↑ +11.84	(5.0)
FTSE Emas	: FBMEMAS	10,633.70	↑ +89.19	(6.0)
FTSE 70	: FBM70	12,851.09	↑ +154.72	(9.6)
FTSE 100	: FBM100	10,352.26	↑ +92.35	(6.0)
Singapore	: FSSTI	3,290.49	↑ +14.13	+5.3
Thailand	: SET	1,635.36	↑ +10.97	(1.3)
Philippines	: PCOMP	6,780.78*	-	(4.8)
Indonesia	: JCI	7,081.31	↑ +69.24	+7.6
Hong Kong	: HSI	18,597.23	↑ +392.55	(20.5)
China, Shanghai	: SHCOMP	3,151.34	↑ +1.59	(13.4)
China, Shenzhen	: SZCOMP	2,018.69	↑ +2.47	(20.2)
Korea	: KOSPI	2,472.53	↑ +39.14	(17.0)
Taiwan	: TWSE	14,879.55	↑ +169.91	(18.3)
Japan	: NKY	27,968.99	↓ (58.85)	(2.9)
Dow Jones	: INDU	34,589.77	↑ +737.24	(4.8)
S&P 500	: SPX	4,080.11	↑ +122.48	(14.4)
Nasdaq	: CCMP	11,468.00	↑ +484.22	(26.7)

Note: *As at 29 Nov 2022 closing

Top BUYS

	TP (MYR)	Upside (%)	Shariah	Catalysts
AMMB (AMM MK)	4.80	15.1	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
CTOS Digital (CTOS MK)	1.92	35.2	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	69.5	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	22.0	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	30.4	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)	2.62	24.8	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
Malaysian Pacific Industries (MPI MK)	31.70	14.0	Y	<ul style="list-style-type: none"> Resilient pipeline and earnings visibility with additional capacity coming on-stream and China's localisation efforts Sustained growth in the automotive and industrial segment, which will better insulate from any prolonged slowdown Structural growth trend in the advance packaging technology that involves silicon carbide or SiC and gallium nitride or GaN
Matrix Concepts (MCH MK)	1.75	10.8	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	14.0	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)	1.75	92.3	N	<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
Telekom Malaysia (T MK)	7.55	34.8	Y	<ul style="list-style-type: none"> Structural growth in fibre broadband demand (still modest fibre broadband penetration), enterprise digitalisation, and wholesale services Wholesale business to benefit from 5G backhaul fibreisation contract with Digital Nasional or DNB and the high-speed broadband access or HSBA Strong 1H22 EBIT growth suggests that management's guidance remains conservative, supported by good cost rationalisation
Yinson (YNS MK)	2.91	23.8	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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