

Malaysia Morning Cuppa

Top Story & Regional Research

Market Strategy

Small Cap Corporate Access 2022

Regional Event

SCCA 2022. RHB Small Cap Corporate Access 2022 was met with overwhelming response, with c.200 unique sign-ups from institutional investors across the region. 24 corporations from Indonesia, Malaysia, Singapore and Thailand were featured in this signature event, to engage and share insights with an idea-hungry investment community. Despite the challenging market conditions, we strongly believe that opportunities always knock within the small cap space, given the unique catalysts presented in the hunt for the next multi-baggers.

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[Today's Report: Market Strategy : Small Cap Corporate Access 2022 \(28 Jan 2022\)](#)

[Previous Report: N/A](#)

Chart 1: FBM KLCI chart



Chg

KLCI Futures Jan 2022	1,515.50	+0.5
KLCI Futures Feb 2022	1,513.50	(1.5)
Brent Crude Oil (USD/bbl)	89.34	(0.6)
CPO Spot Price (MYR/Tonne)	5,503.50	+47.0
USD/EUR	1.11	(0.0)
JPY/USD	115.37	+0.7
USD/MYR	4.20	0.0
JPY/MYR	3.64	(0.0)
EUR/MYR	4.70	(0.0)

Note: *As at 26 Jan 2022 closing

Table 1: Regional markets (27 Jan 2022)

	Bloomberg Code	Index	Chg	YTD (%)
FBM KLCI	: FBMKLCI	1,515.99	↑ +0.23	(3.3)
FTSE M'sia Emas	: FBMEMAS	10,872.11	↓ (16.01)	(3.9)
FTSE M'sia 70	: FBM70	13,348.23	↓ (85.04)	(6.1)
FTSE M'sia 100	: FBM100	10,583.00	↓ (13.83)	(3.9)
Singapore	: FSSTI	3,260.03	↓ (11.54)	+4.4
Thailand	: SET	1,634.17	↓ (9.27)	(1.4)
Philippines	: PCOMP	7,273.52	↑ +19.91	+2.1
Indonesia	: JCI	6,611.16	↑ +10.34	+0.5
Hong Kong	: HSI	23,807.00	↓ (482.90)	+1.7
China, Shanghai	: SHCOMP	3,394.25	↓ (61.42)	(6.7)
China, Shenzhen	: SZCOMP	2,262.41	↓ (66.76)	(10.6)
Korea	: KOSPI	2,614.49	↓ (94.75)	(12.2)
Taiwan	: TWSE	17,674.40*	-	(3.0)
Japan	: NKY	26,170.30	↓ (841.03)	(9.1)
Dow Jones	: INDU	34,160.78	↓ (7.31)	(6.0)
S&P 500	: SPX	4,326.51	↓ (23.42)	(9.2)
Nasdaq	: CCMP	13,352.78	↓ (189.34)	(14.7)

Note: *As at 26 Jan 2022 closing

Bulletins

STOCK/SECTOR	NEWS	COMMENT	RATING
Affin Bank (ABANK MK)	<p>According to The Edge, Affin Bank has clinched a cash deal to sell asset management arm Affin Hwang Asset Management (AHAM) for an estimated price of between MYR2.3bn and MYR2.6bn. Private equity fund CVC Capital Partners was named as a potential acquirer.</p> <p>According to report, the details for the deal have been ironed out and is only pending regulatory approvals. (<i>The Edge</i>)</p>	<p>We are negative on the potential disposal of AHAM, as it is an important contributor to Affin's earnings. We are of the view that the underlying profit gap due to the disposal of AHAM will be challenging to offset in the medium term via its commercial banking operations.</p> <p>To illustrate, AHAM posted a 9M21 PBT of MYR128.6m or c.27% of the group PBT of RM469m. Assuming it is valued at MYR2.5bn, we estimate the sale of Affin's entire 63% stake in AHAM will lower group net profit by 17% – it will be a smaller 12% if we assume share of proceeds – MYR1.58bn – is used for its lending business. Assuming AHAM's profits are maintained at similar levels in FY22, ROE would be lowered to 4.7% in FY22 vs the current forecast of 5.3%.</p> <p>Note: Our computation does not take into account the possibility of a special dividend following the divestment of AHAM. The current share price values Affin at 0.42x P/BV against a ROE of 4.7%. We maintain our call and TP on this counter.</p>	NEUTRAL, TP: MYR1.65
British American Tobacco (BAT MK)	<p>Speaking at the 150th session of the World Health Organisation's executive board meeting in Geneva yesterday, Health Minister Khairy Jamaluddin said Malaysia hopes to pass legislation this year that would bring about a "generation endgame to smoking".</p> <p>Khairy said the Government plans to outlaw smoking for the next generation by prohibiting the sale of cigarettes and tobacco products to people born after 2005. (<i>Various media</i>)</p>	<p>The plan, pending the legislation, is long-term negative to the volume growth of the tobacco industry. However, the earnings impact arising from the proposal in the near to medium term will be muted to British American Tobacco, as smokers born after 2005 or those below 18 years of age are not likely to be existing consumers of legal cigarettes. Hence, we make no changes to our earnings forecasts.</p> <p>We believe the -2% TG assumption in our DCF valuation has taken into account the structural volume decline of the legal tobacco industry to a certain extent. Therefore, we leave our TP unchanged pending the upcoming results briefing in February. We also maintain our call on BAT.</p>	NEUTRAL, TP: MYR15.80

Top BUYs

	TP (MYR)	Upside (%)	Shariah	Catalysts
CIMB Group (CIMB MK)	6.30	20.0	N	<ul style="list-style-type: none"> Strongest recovery among peers as management aggressively kitchen-sinked in 2020 Clear strategic roadmap to revive ROE, including tight cost control, recalibration of regional business, and improve risk management Attractive valuation of 0.7x FY21F P/BV, lowest among big cap peers
CTOS Digital (CTOS MK)	2.40	41.2	Y	<ul style="list-style-type: none"> Unique growth preposition in the secular digitalisation trend such as the Electronic Know Your Client or e-KYC and credit rating-related solutions M&A angle to accelerate growth avenue on top 3-years CAGR of 38.2% on the organic growth from economic recovery, various new solutions, and verticals
Genting (GENT MK)	6.10	39.6	N	<ul style="list-style-type: none"> Beneficiary of a cyclical recovery as we head closer to achieving mass vaccination Trading at an attractive 5.2x FY22F EV/EBITDA vs regional peer average of 14x The market cap spread between GENT and its listed subsidiaries is still at a high discount of c.39%
Inari Amertron (INRI MK)	4.63	43.3	Y	<ul style="list-style-type: none"> Prime beneficiary of 5G technology trend and strong smart phone sales Mid-term structural growth on the back chip content growth and business expansion. Earnings are expected to stage a strong YoY growth in FY21, while valuations remain relatively sensible relative to its mid-term prospect and peers
Malayan Banking (MAY MK)	10.60	27.7	N	<ul style="list-style-type: none"> We expect regional economies to recovery as vaccines gain wider deployment Maybank is our big-cap proxy to regional recovery and we see multiple levers to deliver earnings Attractive 7% yield is highest among peers
Mynews (MNHB MK)	1.22	49.7	N	<ul style="list-style-type: none"> An attractive proxy to capitalise on the cyclical recovery, given the entrenched store network New brand CU has the potential for scalability, creating synergistic benefits for Mynews and a new avenue for long-term growth TP implies 28x FY22F P/E, which is around the 5-year mean and at a discount to 7-Eleven
Mr DIY (MRDIY MK)	4.59	27.5	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
Petronas Chemicals (PCHEM MK)	9.91	11.3	Y	<ul style="list-style-type: none"> Petrochemical price trend is likely to stay strong in the near term, buoyed by rising pressure of higher feedstock cost amidst soaring gas prices Despite projecting a 18% decline in FY22F earnings, valuation remains attractive, trading below its 5-year mean We see further earnings upside, if: i) The moderation in ASP is less steep than anticipated, and ii) PCHEM can kickstart the PIC project smoothly
Press Metal (PMAH MK)	8.50	39.8	Y	<ul style="list-style-type: none"> Robust FY20-23F earnings CAGR of 78% on stronger LME aluminium prices alongside capacity expansion coming online in FY21 Low-carbon footprint relative to its peers could offer long-term upside potential amid global decarbonisation efforts

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