28 January 2022

Market Strategy

Small Cap Corporate Access 2022

- **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.
- **One size does not fit all.** With companies from sectors such as industrial products, oil & gas, energy & petrochemicals, renewable energy, technology, consumer products, financial services, commerce, industrial & professional services and construction materials, there will likely be investment ideas that appeal to a diverse range of investors. We hosted 24 companies (Figure 2), with 16 (not within existing coverage universe) from Malaysia, three each from Singapore and Indonesia and two from Thailand.
- **We highlight a few names that caught our eye**:
  1. **Indonesia: Digital Mediatama Maxima.** Future growth drivers could stem from digital business ventures, the digitalisation of small mom-and-pop shops of Sampoerna Retail Community and SiCepat Ekspress Indonesia (a leading logistics player in the country), development of the comic marketplace, gaming platform, influencer marketplace, and the latest in non-fungible token (NFT) characters for metaverse networks.
  2. **Malaysia: Revenue Group.** On top of the secular growth trend in cashless payments, the economic recovery and border reopening themes, we like its vision of becoming a fintech player that offers a robust set of B2B2C solutions that comprise services that include payment solutions, merchant services, artificial intelligence (AI), consumer services such as e-wallet (WannaPay), and financial value-adds. A Main Board transfer and potential digital banking license could provide further upside.
  3. **Singapore: HRnetgroup.** This firm should continue to see strong growth across all business segments in FY22F, as it will benefit from the recovery of the global recovery, in tandem with the pick-up in recruitment activities – especially in the tech/IT and healthcare sectors. Its valuation of 13.3x P/E, at a discount to the global peer average, justifies our BUY rating.
  4. **Thailand: RS.** A stronger 2022 growth outlook, with targeted M&As, should provide upside to earnings growth. The company's key strength is in becoming a fully integrated commerce business with a unique "entertainmerce" model. Its four key strategies – lifestyle wellbeing solutions, entertainment uplift, asset monetisation, and Popcoin digital currency smart marketing platform – would be carried out this year.
- **Trim the winners, be nimble with laggards.** This strategy could thrive in the current range-bound market. Economic recovery prospects and high vaccination rates are among the main drivers of investor optimism as we move further into 2022 – albeit with various inherent risks. These, in turn, are: The tightening of monetary policies, high inflation rates, the Omicron variant, as well as escalating political risks that could potentially derail expansion. As such, we believe that a sector rotational play into key investment themes and a meticulous stock-picking strategy will bear fruit. For Malaysia, the key investment themes that we advocate include exporters, value stocks, and the election play.

Analyst

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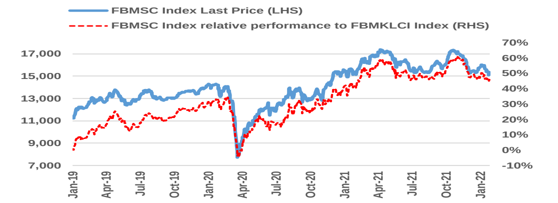
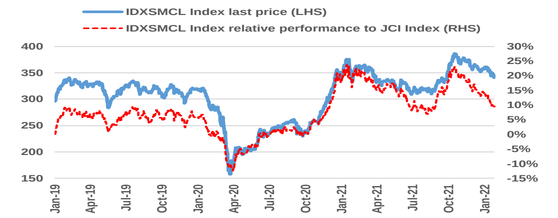
Performance of Malaysia's small-cap index



Source: Bloomberg, RHB

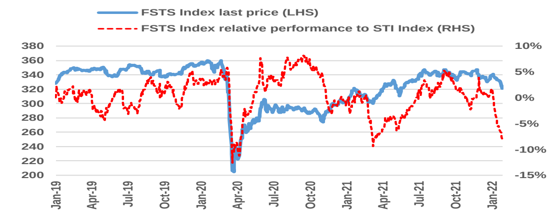
Source: Bloomberg, RHB

Performance of Indonesia's small-cap index



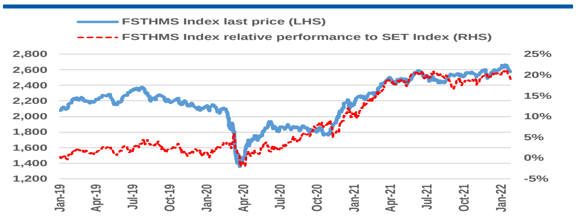
Source: Bloomberg, RHB

Performance of Singapore's small-cap index



Source: Bloomberg, RHB

Performance of Thailand's small-cap index



Source: Bloomberg, RHB

RHB Small Cap Corporate Access 2022

Figure 1: RHB Small Cap Corporate Access 2022

Source: RHB

Key Takeaways From Breakout Sessions

Chin Well (CWH MK)

Beneficiary of the US-China trade war and EU anti-dumping duties

- The ongoing trade war between the US and China, which started in 2018, has been a positive catalyst for Chin Well, with the group enjoying a big jump in US sales after the country announced the imposition of a 25% tariff on Chinese exports.
- The EU may impose anti-dumping duties on steel imports from China from February onwards. As a result, Chin Well's sales to the EU have increased significantly, as customers moved away from China – similar to the trend in 2010 when the EU imposed anti-dumping duties.
- Prospects are positive for Chin Well, as demand from the two key market segments has been high, with orders fully booked for the first part of the year.

Ongoing labour shortage hurting utilisation

- Capacity utilisation is low, due to the ongoing shortage of foreign workers.
- Wire production in Malaysia is currently at a 60% utilisation rate, Vietnam's fastener production is at 50%, and Malaysia's fastener production is at 30%.
- The situation in Malaysia is expected to improve in 2H22, if and when the Government allows foreign workers to enter the country.
- The situation in Vietnam, however, should improve after the Lunar New Year, in line with historical trends, as local workers return to work after the festivities.

Industrial segment

- As one of the world's largest suppliers of carbon steel fasteners, Chin Well sells fasteners to industrial sectors, including to Tenaga Nasional, Plus Malaysia, and for various government projects.
- Operations in Malaysia serve as a one-stop shop for customers, with products offered in seven main categories. This allows customers to acquire their products all in one place.

Do It Yourself (DIY) segment

- Vietnam operations are more focused towards the labour-intensive DIY segment, which is required for packaging the products.
- Dependent on one US wholesaler customer, which accounts for 25% of Chin Well's Vietnam sales. Difficult to diversify since there are only a few US players in the market.
- Moving forward, management is focused on upgrading its packaging facilities with automation to reduce its reliance on labour.

Investment merits

- Positive trend from the high-margin DIY segment and increasing demand from the US market should enhance Chin Well's bottomline.
- A wide product portfolio in both the DIY and industrial segments mitigates the risk of market fluctuations, as one segment typically slows down when the other grows.

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Coastal Contracts (COCO MK)

Steady recurring income from vessel chartering segment with potential extensions

- Recurring income from its liftboat charter (MYR41m topline pa) until Sep 2022 with potential deployment for offshore wind farm support subsequently.
- Jackup Gas Compression Service Unit (UGCSU) is contributing MYR130m in topline pa until Nov 2023, and Coastal Contracts (Coastal) has started renewal discussions with Pemex (potential 2-3 year tenure).
- FY22F earnings should be supported by the 50%-owned JV-Perdiz onshore gas conditioning plant which started in 1QFY22 for 32 months. Management is confident about securing a contract extension. Gross EBITDA from the plant is estimated at MYR55-95m.

EMC Papan Plant project win leads to near-term EPC earnings boost and long-term recurring income

- Expect an EPC earnings boost from the 50%-owned JV company in the next three quarters from the MYR0.9-1.1bn EPC project for permanent primary infrastructure, with net margins estimated at double digits.
- Cash flow from EPC project could reduce the equity outlay for the capex of the Papan plant, estimated at <MYR850m. The JV company is looking to secure USD150m in bridging loans to execute both projects.
- Subsequently, the JV will earn recurring income for the next 10 years from FY23F onwards, with downside protection of a take-or-pay clause. Gross EBITDA pa is estimated at a MYR120-200m matching field production curve, which is likely to peak in 2027-2028F.

Potential wins of similar projects

- Coastal is targeting to win more similar projects in the next 1-2 years including Pemex's third gas conditioning plant for the Ixachi field, a gas storage project, an oil processing plant, and a gas dehydration plant.
- Coastal also owns six vessels, of which two are under long-term contracts and the other four remain idle. The company may consider hiving off these vessels if the asset prices recover.

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Coraza Integrated Technology (CORAZA MK)

Established track record and long-standing relationships as an integrated engineering services provider

- Over the years, Coraza Integrated Technology (Coraza) has steadily established itself as a service provider of quality metal fabricated parts, and gradually expanded its offerings to cater to not only the instrumentation industry, but also electric and electronic (E&E), life sciences, and medical industries.
- Despite the nature of the business, whereby the group does not enter into long-term contracts with its customers, Coraza's high service quality level has enabled it to maintain long business relationships (>10 years) with major customers, while also expanding its customer base.
- In the coming years, Coraza will benefit from the projected growth of the global semiconductor industry, as more industries are incorporating E&E components.

Construction of new factory

- Coraza intends to expand its manufacturing floor space. This will see an additional 10,000sqft of space (existing floor space: 90,137sqft), for the group to accommodate new machines.
- Coraza also intends to construct a new factory adjacent to its existing factory in Nibong Tebal, Penang. This new factory will have a total built-up area of c.91,110sqft, which will double its existing floor space (current built-up area: 93,219.7sqft).
- Construction will be carried out in three phases, and is targeted to be completed by Dec 2023. Notably, under Phase 1, the group will relocate its machines for the precision machining segment to the new factory. This will free up space in the existing factory to cater to only sheet metal fabrication.
- Under Phase 2 of the expansion, the new factory will be used for sheet metal fabrication of frames and structures, while the existing factory will be for the fabrication of enclosures.

Acquisition of new machinery

- Coraza plans to purchase new machinery over the next three years, for both its existing and new factories.
- The additional laser, turret and bending machines, which have more advanced functions, will increase its metal sheet fabrication capacity by c.25%.
- The new finishing line will allow the group to get the process done in-house – it previously outsourced the finishing of aerospace parts.
- The investment into aerospace is a strategy to enhance the group's capabilities in meeting aerospace engineering and quality standards, which are higher than those of other industry segments. This serves as a competitive advantage for the group to engage customers, even for the non-aerospace industry segments.

Industry 4.0-ready, via the new ERP system

- The group is currently in the process of implementing a new Enterprise Resource Planning (ERP) system that will lead to better operational efficiencies, as the old ERP system was an entry level system.
- The new ERP system will enable supply chain information integration with customers and suppliers, from order to delivery, and provides specific features catered to the manufacturing industry (ie work recording, planning, and scheduling).
- It also enables machinery integration, electronic data interchange, flexibility in designing own reports, and document formats.

Outlook

- Margin improvement can be attributed to its operational excellence, engineering competency, and economies of scale with growing revenue.
- Coraza is also involved in the "high mix low volume" business, in a bid to maintain its uptrending margins.
- It plans to hire more engineers as part of its expansion plans, and sees higher salary costs for engineers as a whole.
- The average utilisation rate of Coraza's existing factories is currently at c.80%.
- The current orderbook of MYR91.5m will be fulfilled in the next nine months, and management is adamant on its growth outlook, with sector-wide demand outstripping the supply situation.

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HPP (HPPHB MK)

2QFY22 (FYE May) results highlights

- HPP is a paper-based printing packaging company with plants located in Melaka. While there are many paper packaging companies within the industry, barriers of entry are high, due to the certifications required for higher-end products and huge investments needed to purchase the machines.
- 2QFY22 gross margin was lower YoY (21.1% vs 28.5%), mainly due to a MYR3.3m employee share option scheme (ESOS) payment expense. Management highlighted that this ESOS expense will be incurred annually. Nevertheless, the ESOS expense will be progressively lower, at a c.30% reduction each year.
- The higher effective tax rate of c.31% in 2QFY22 (2QFY21: c.27%) was mainly due to the ESOS payment expense, which is non-deductible in nature. Management expects to see the utilisation rate normalising to 24% or lower, going forward.
- The group's major cost component is raw material, which has seen some fluctuations. Nevertheless, HPP has agreements in place with its customers, where the group is able to pass on the increase in raw material cost once it exceeds c.10%.

New customers and capacity expansion to drive growth

- Currently, the utilisation rate for standard format printing is at c.50%, large format printing at c.55%, and rigid box capacity at c.65%. While the utilisation rate appears to be low, management noted that this is because of the new machines it purchased, which has led to an increase in productivity and lower defect rates.
- The group is expecting a decent increase in manufacturing revenue, mainly coming from its new customers. Assuming there is no disruption to its operations due to COVID-19, this can lead to a 15-20% increase in FY23F revenue.
- Customers CR and W are from the consumer electrical & electronics (E&E) sector. Management foresees Customer CR continuing to grow in the next quarter, and it may soon exceed Customer D's contribution to the group.
- As for Customer W, HPP has already set the production line. It believes the return of foreign workers will give the E&E sector a boost, which will in turn benefit HPP through more stable orders.
- A new customer from the F&B sector will see an increase to the standard format machine's utilisation rate. This customer is an export customer and the products will provide better margins for HPP.
- In terms of expanding to achieve its goal of being a one-stop packaging solutions provider, the group will add one additional standard-format machine with advanced features, one new high-density flexographic printer (estimated to commission by Feb 2022), and one new rigid box production line.

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I-BHD (IBHD MK)

Cash flow from property development to help fund property investment assets

- Unlike conventional property developers, I-BHD's (IBHD) long-term goal is to focus on property investment – funding it internally using proceeds from its property developments.
- This shift has been apparent in recent years – the property investment segment accounted for 82% of total net assets in 2020 from 55% in 2016.
- The remaining GDV of MYR5bn for property development – with an expected gross margin of 20% – should be sufficient to underpin earnings and cash flow for the company over the medium term.
- IBHD aims to achieve an investment portfolio of MYR3bn (MYR1bn currently) that generates 5% yields to provide a sustainable income stream and capital appreciation.

Diverse property investment portfolio within flagship development i-City

- The i-City Golden Triangle is becoming a technology and financial hub, as well as a smart and sustainable city that features residential, commercial, and hotel components, as well as data centres.
- Mercu Maybank Tower is the company's first corporate tower. Completed in 2020, it is equipped with state-of-the-art technology, eg facial recognition. The current occupancy rate is 80%.
- The strategic location of the building is also attractive to tenants, as Mercu Maybank Tower is located next to a retail mall, residential buildings, and hotels.
- Encouraged by the performance of its first tower IBHD has begun planning the development of another smart corporate tower, partnering with tech giants to provide the building with AI infrastructure.
- In July, IBHD will open its DoubleTree Hilton Hotel to capture the recovery in the tourism sector once safety measures are further relaxed and borders reopen.

Technology a key differentiator for the development of a smart city

- i-City is equipped with technology-related infrastructure, serving as the backbone for technology services in the city.
- The community has an app called SuperApp, which acts as a single platform to cater for various services ranging from utility bills and parking to property searches – IBHD is the first property developer to provide such an app for users.
- Further efforts include an AI autonomous shuttle and license plate-recognition car parks to modernise the city, making it a centre of leisure, events, and hospitality.

Dealing with key issues from the pandemic:

- i-City's theme park is a key tourist attraction and was making profits in the past, but it will need to be rebuilt in order to recover the business as the domestic economy reopens.
- The property segment consistently generated a revenue of around MYR300m pa before the pandemic, vs only MYR55m in 2020. Management expects to take another three years to recover the segment's revenue, due to the effect of the pandemic-induced lockdowns.

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InNature (INNATURE MK)

E-commerce growth built on a strong background

- The Body Shop's (TBS) online store has been live since 2012, providing the group with a strong base to deal with the pandemic-induced lockdowns.
- InNature did not have to deal with third-party online stores such as Shopee or Lazada, but instead directly serves customers via its own website.
- The segment skyrocketed from contributing less than 10% of group revenue to over 30% during the pandemic. Management aims to maintain this revenue split.

Asset-light focus moving forward

- In 2022, InNature aims to only open two new stores in Malaysia and none in Vietnam – this is part of its asset-light strategy to be agile in uncertain market conditions.
- The focus for the group will be on strengthening its e-commerce channels to create a seamless multi-channel experience for customers.
- Its extensive customer relationship management (CRM) database, strong social media presence, and influencer marketing will be key in advertising its online store.
- Margins should improve, as e-commerce margins are double that of physical stores, due to significantly lesser fixed costs.

Mixed outlook for the retail segment

- In 3Q21, revenue declined 46% YoY while PAT fell 90% YoY due to lockdowns impacting retail sales.
- While stores are back in operation in 4Q21, management expects its sales performance in Vietnam to be soft, due to the recent surge in COVID-19 cases there.
- In Malaysia, sales have been robust, especially in suburban malls, but malls in city centres that traditionally rely on tourists will likely continue to underperform.

Rising raw material prices should be manageable

- One of InNature's main raw materials is palm oil, but management believes raising prices will not impact sales because of the higher-end customer base.
- The group already lost customers in the M40 bracket when the pandemic started, so the customers that stayed can afford the higher prices.
- Demand for TBS' skincare products should also be inelastic, as customers generally do not switch their skincare products after finding what works for them.
- InNature is strategic in raising prices, introducing these alongside new product packaging or ranges that have been successful in increasing sales despite the higher prices.

Priority on ESG

- Activism and environment have been a large part of InNature since Day One, with its various campaigns on social justice and the empowerment of women.
- InNature is also a women-led group, with 80% female representation on the board and at key senior management levels. 72% of staff are women.
- The group incentivises customers to recycle and reuse their bottled products, as well as host beach clean-up campaigns across the country.

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Jentayu Sustainables (JSB MK)

Change in business direction through new acquisitions

- Jentayu will be acquiring three new assets as part of its change in business direction – Ohana Specialist Hospital, 40MW Telekosang hydropower plant, and a 6MW solar plant (Jentayu Solar Asset). The acquisitions are expected to be completed by 2Q22, and estimated to contribute a total EBITDA of c.MYR60-70m pa.
- Ohana Specialist Hospital is a 30-bed boutique women-and-children's hospital in Kuala Lumpur that targets the middle-income segment. The hospital is expected to contribute annual revenue of c.MYR11.5m and a gross profit of c.MYR6.9m. The group's longer-term plan may include acquiring a few more small- to mid-sized hospitals and, potentially, listing them.
- The 40MW Telekosang hydropower plant in Sabah is expected to contribute an annual revenue of c.MYR65.3m, while the annual overhead cost is estimated at c.MYR5-6m. The project's IRR is c.8%. Nevertheless, management did highlight the potential earnings upside on the adjustment in the tariff rate, upon achieving grid parity (current tariff rate at MYR0.24/kWh). Every 1 sen increase in the tariff will go straight to its bottomline, as the cost is already fixed. Management also mentioned the potential sale of carbon credits in the future.
- The 5.99MW Jentayu Solar Asset is a Large Scale Solar 2 (LSS2) asset in Kedah that has been operational since Oct 2019. Total expected annual revenue is c.MYR4.7m, based on a fixed tariff rate of MYR0.389/kWh for 21 years.

Adding a 160MW hydropower plant to Jentayu's renewable energy (RE) portfolio:

- The 160MW Maligan-Padas hydropower plant in Sabah will consist of seven independent run-of-river hydropower plants – three along Sungai Maligan (31MW) and four along Sungai Padas (129MW). These hydroplants' annual power generation is estimated at c.920GWh, which is as big as the entire LSS4 electricity generation. This will cover c.16% of Sabah's current electricity demand.
- Total annual revenue contribution of the 160MW Maligan-Padas hydropower plant is estimated at c.MYR260-300m. We note that the proposed tariff rate of this hydropower plant (c.MYR0.29-0.30/kWh) is higher than the Telekosang power plant (MYR0.24 /kwh)
- Jentayu will own 70% of this Maligan-Padas hydropower plant, while the remaining 30% will be held by Sabah Electricity and Yayasan Sabah.
- Total estimated development cost is c.MYR2.56bn. In terms of funding, the group targets an 80:20 debt-to-equity structure. The debt portion will be through the issuance of green *sukuk*, while the equity portion is expected to come from internally generated funds and direct investment from RE funds.
- The group aims to obtain the conditional letter of award from the Energy Commission by 1H22. The targeted commercial operations date is by Jan 2026

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Microlink Solutions (MICL MK)

Expansion into the telecommunications sector

- Microlink Solutions (MS) is busy executing the second phase (of three phases) of the MYR96m contract awarded by Telekom Malaysia (TM) in 2020 for a new Business Support System (BSS) platform. The project entails the rollout of a new customer relationship management (CRM) and billing system to replace the current platform, which is 20 years old.
- While the contract was originally signed between the parent company and major shareholder – OMESTI Group – and TM, the former is in the process of transferring the rights and interests of the project to MS under a heads of agreement (HOA) inked on 19 Jan. The project marks a significant milestone for the group, being a major business services systems (BSS) implementation for a government-linked company (GLC), with OMESTI having earlier been appointed as Huawei's authorised systems integration partner for BSS systems.
- The bulk of the project revenues will be booked in the first three years, with a good stream of recurring income thereafter (years 3-5) via the renewal of application software subscriptions, estimated at MYR105m (based on the number of TM subs). The latter differs from typical maintenance-type projects, where revenues are mostly fixed.
- A recurring opex for MS is the payment of support and maintenance fees to Huawei, with early capex on license acquisitions to establish the partnership.
- MS is the first Malaysian tenant of TM + Huawei's Alpha Cloud. A vanilla-based version of the BSS has been uploaded to the cloud, which is customisable to cater to the needs of other potential clients.

Poised to benefit from enterprise and public sector digitalisation efforts

- Management is positive on the Government's broader digitalisation agenda under the MyDigital blueprint, with a "right of play" in certain public sector jobs. It is well positioned to benefit from enterprise digitalisation efforts – fuelled by the pandemic – with greater demand for cloud and related ICT solutions.
- MS' key public sector customers include the Jabatan Kehakiman Negara (Judiciary Department), where the group is rolling out the e-courts project, and Road Transport Department (RTD) – it bagged a MYR35m contract in Nov 2021 to develop an open system platform for the Automatic Awareness Security System (AwAS). AwAS is part of the country's National Road Safety Plan, with the primary goal of reducing road traffic fatalities – it is expected to deliver considerable long-term cost-savings for the RTD.

Financial services segment

- Strong incumbent presence at the top end of the industry – with low barriers to entry at the bottom – makes it a challenge for MS to further grow the segment. That said, financial services remain the group's bread & butter business via win-win partnerships with its clientele.

Distribution & trading activities

- MS distributes and trades hardware and software for principals that include IBM, Lenovo, Oracle and HP Inc.
- Although a sizeable revenue contributor, this is a relatively low-margin business (10% of gross profits) with many players in the market.

Other updates

- The Gulf Cooperation Council corridor looks to be an attractive region, with MS having commenced discussions with a leading telecommunications provider for related ICT projects.
- Staff retention remains key, with management looking to establish a long-term incentive plan. This includes the provision of grants, options, shares, etc to reward long-serving employees.
- MS does not rule out a migration to the Main Board, which should further raise the group's profile and widen its institutional investor base.

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OM Holdings (OMH MK)

Seeking manganese ore security

- OM Holdings is looking at increasing manganese ore supply security to mitigate the risk of cost fluctuations.
- This comes after all mining activity from its Australia-based Bootu Creek mine was stopped in Dec 2021, as the mine had reached the end of its lifetime.
- As part of this raw material development strategy, OM Holdings (OMG) is exploring prospective manganese ore mining opportunities in central Western Australia through JV agreements with Bryah Resources and Great Sandy.
- Additionally, OMH is assessing the viability of its Ultra Fines Plant to reprocess the rejects and tailing from the Bootu Creek Mine for use in manganese sintering facilities to produce sintered manganese ore.

Expanding its core smelting business

- Currently, 12 out of 16 furnaces are in operation, with six furnaces producing ferrosilicon and six furnaces producing manganese alloys. Of the remaining four idle ferrosilicon furnaces, OMH is converting two furnaces to produce manganese alloy while simultaneously converting the other two furnaces to produce silicon metal.
- Management's decision to venture into silicon metal would allow OMH to produce higher value-added products and diversify its presence into aluminium, chemicals and solar industries. This project has commenced, with hot commissioning and testing works expected to take place in Dec 2022.
- Beyond FY22, OMH plans to build two new 33MVA furnaces to expand its manganese smelting capacity. These two furnaces are expected to improve manganese production capacity, and should yield an additional 150 kilotonnes pa (kpta) of silicomanganese.
- OMH has allocated AUD150m in capex spending for the construction of these two new projects. The capex will be spread out between FY22F and FY23F, and funded either through OMH's cash reserves or through measures such as equity funding.

Benefitting from current margin expansions

- Cash cost of production has risen due to the rise in raw material and freight charges – OMH is forecasting a rise in ferrosilicon production costs by USD200.00-300.00 per tonne, and manganese alloy by USD200.00 per tonne.
- That said, in comparison to its peers, OMH did not suffer from higher energy costs, given the long-term supply contract with Sarawak Energy (SESCO) for the supply of stable, affordable and sustainable hydropower-generated electricity.
- As such, OMH has benefited from margin expansion arising from higher selling prices, based on increased cost input in China, where the biggest producers operate.
- In addition to insulated electricity input prices, its hydro-based production makes it one of the greenest producers globally and boosts its competitiveness relative to coal-based producers, should carbon taxation materialise.

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Ramssol Group (RAMSSOL MK)

Ramssol Group is a local leading human capital management (HCM) solutions and technology provider. Through its three business segments: i) Provision of HCM and student management solutions; ii) provision of IT staff augmentation services; and iii) provision of HCM technology applications, the group operates seamlessly across Malaysia, Singapore, Thailand, Indonesia and Vietnam.

Provision of HCM and student management solutions:

- HCM and Student Management Solutions are designed to manage employees and students. Key products licensed by respective software vendors to resell include Oracle suites.
- Management expects the digitalisation of human resource functions for greater operational and cross-departmental efficiency to drive the demand for HCM solutions. With that, the group continues to expect robust double-digit revenue growth from this segment, fuelled by its latest strategic partnership with Laiye, and through its second human resource management software – Darwinbox.
- Expansion into the Philippines should strengthen its regional business position. We understand that Ramssol Group has around a 1.33% market share across six countries (including the Philippines), indicating that the market remains opportunistic.

Provision of IT Staff Augmentation Services

- Involves recruiting and the supply of IT professionals on fixed contractual periods to its customers. The group charges customers a monthly fee, which comprises the salaries of the IT professionals plus a percentage mark-up.
- Segmental performance was impacted by two key impediments: i) Travel restrictions imposed that limited the movement of talent, especially from overseas; ii) Niche skill sets requested by clients that are hard to be sourced locally.
- Management indicated that it intends to groom talent through its training business segment.

Provision of HCM technology applications:

- Management expects robust contributions from this segment moving forward, leveraging on the expansion of Feet's (an inhouse developed employee engagement mobile application), and Lark through an exclusive reselling agreement in the whole Asia ex-China in South-East Asia.
- On the IT-related training front, business collaborations with Impiana Hotels for the provision of Human Resources Development Corp training-certified programmes is expected contribute MYR100m in training value over the 2-year partnership, while the strategic marketing and collaboration with ELMU V SB grants Ramssol exclusive rights to market and sell training courses conducted by ELMU Education Group and the Malaysia Anti-Corruption Academy (MACA).

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Reservoir Link Energy (RLEB MK)

Gradual recovery within the upstream space

- Domestic oil & gas (O&G) activities to pick up in 2022, with higher work orders from well testing, plug & abandonment works as well as potential decommissioning jobs.
- Overall work orders have yet to return to levels recorded in 2019 as quarantine requirements are still intact, but there are no more job deferments. Despite still having challenges in securing work permits from East Malaysia authorities, the majority of its crew are now domestic workers.
- Orderbook stood at MYR94m with a 90:10 split in O&G and renewable energy (RE), while its tenderbook is worth c.MYR1.4bn (79% from O&G). The larger tenders are related to two decommissioning jobs in Mauritania and Malaysia, estimated at MYR200-350m each.

Earnings growth from diversification into renewable energy

- Following the completion of acquiring a 51% equity stake in Founder Energy (FESB), RLEB is set to ride on the growing solar industry in Malaysia. FESB, a new SPV, was established to execute commercial and industrial works as well as provide supply and installation of solar mounting systems jobs to engineering, procurement, construction and commissioning (EPCC) contractors such as Solarvest, and Samaiden.
- FESB's MYR13.8m profit guarantee target for 24 months (100% gross) is achievable, riding on LSS4 job opportunities. EPCC gross margins are guided at 10-20% and net profit margins at 6-10%. Near-term RE revenue could potentially exceed that of O&G, accounting for up to 55% of total revenue.
- RLEB is eyeing to be a RE producer of up to 50MW in the medium term, potentially in either solar, mini-hydro or biomass. Key targets are Malaysia, Laos, Vietnam and Indonesia.
- RLEB's rooftop portfolio is growing – with 303kw PPA signed, pending 1,969kw at an advanced stage and a proposed 3,307kw to potential clients. The 303kw power purchase agreements signed are under 15- to 20-year contracts, and could generate revenue of MYR900k pa.

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Revenue Group (REVENUE MK)

Building the business-to-business-to-consumer (B2B2C) digital ecosystem

- Since the start of the COVID-19 pandemic – especially when outbound card payment transactions value processed declined due to border closures – Revenue Group (Revenue) began building a robust set of B2B2C solutions. This B2B2C digital ecosystem is now known as the Digital Service Exchange (DSX), and comprises services that include payment solutions, merchant services, artificial intelligence or AI, consumer services (eg e-wallets like WannaPay), and financial value-added services like micro-lending and digital insurance.
- The group does not view WannaPay as a competitor to other established e-wallets such as Grab and Boost, as all of them offer different propositions. WannaPay's uniqueness lies in duty-free shops (shopMYairports – a subsidiary of Malaysia Airport Holdings), insurance, and China payments through the use of UnionPay on its platform. Revenue targets to achieve 500k users for the WannaPay e-wallet and will do the necessary marketing activities – especially when the group already has a large existing user base that it can tap into.
- Revenue has been appointed as the service and fulfilment partner for shopMYairports and will include WannaPay as one of the accepted e-wallet schemes. The duty-free shops at airports are estimated to have a transaction value of MYR800m-1bn pa and the merchant discount rate or MDR collected will be larger than its existing electronic transaction processing or ETP segment.
- The group has also gotten approval from Bank Negara Malaysia to launch WannaPay soon and the service will include using UnionPay to make payments in China – both from physical stores and websites. UnionPay is widely used in China while Visa/MasterCard is less popular there.

Potential digital banking license

- Revenue Group – together with Kenanga Investment Bank and the Sarawak State Government – has submitted a bid for a digital banking license. The winner of this license is expected to be announced by end-March. Management expects the digital bank to complement its existing business, as the group will be the vendor for many payment-related services for this potential digital bank.
- The group and its partners will need to raise funds if they are awarded the license. The initial estimation of capital required to run the digital bank is around MYR600-800m at the consortium level over the next 3-5 years.

Existing business outlook

- Revenue does not expect electronic data capture (EDC) terminal sales to drop in the coming years, mainly due to the on-going payment card industry (PCI) compliance. Any outdated payment terminal that does not comply with the latest PCI standards will be replaced. As more EDC terminals are being deployed, the group will also benefit from higher maintenance revenue.
- The group also intends to roll out a new device in the next 3-6 months that can remotely read payment cards – the target market includes logistics players.
- Management does not expect the growth in e-wallets to cannibalise credit card usage, as credit card volumes continue to grow. This indicates that the on-going shift towards going cashless is a secular trend.
- Revenue targets to expand its business overseas and has identified five countries to venture out towards.
- A transfer to the Main Market is expected to be completed by Feb 2022.
- With regards to the alleged data leakage by main vendor PAX International (PAX), the US Federal Bureau of Investigation was unable to find evidence that the data collected by PAX was sent to China. The firm also issued an official statement, stating that an independent investigation did not uncover any findings that its terminals were involved in any malicious traffic or events in reviewed network activity. Revenue continues to get orders from customers for PAX's EDC terminals.

- In terms of the group's contingency plan in case the PAX terminals are found to have data leakages, Revenue is currently developing software that is able to store all data. It can also immediately replace the PAX terminals with those from other brands.

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Samchem (SAHB MK)

Capacity expansion across regions

- Increase of six cargo trucks to the existing fleet of 25 by Feb 2022 to service one of its key principals that management believes will further enhance the relationship, as well as improve stock management and market intelligence.
- Addition of four bulk tanker trucks to the existing fleet of 10 by Feb 2022. Plans are in place to add another 10 more trucks by the end of this year.
- Construction of a 50k sq ft warehouse at the Pulau Indah Industrial Park is expected to be completed by 3Q22, which will double the capacity of Samchem Holdings' Klang Valley operations. Its expansion also includes blending capabilities, which will enable it to cater to more clients in the central region.
- The construction of a warehouse and blending facilities in Vietnam is estimated to commence in 1Q22 – estimated to be completed by 4Q22.
- The expansion into the inorganic chemicals industry is relatively new and not comparable to certain big players, as it is still at its infancy stage. Target industries include solar panels and gloves. While it is still new, management believes this will give more opportunities for Samchem in future.

Strong volume recovery is anticipated in 2022, but prices could moderate

- Chemical prices rose in 9M21, but moderated slightly in 4Q21 and in YTD-2022. Management believes prices could taper off further in the months to come, but does not expect a huge decline. Samchem manages price volatility with robust inventory management – by having bulk terminals, enough warehousing to keep inventory, and price reconciliation from principals – and by being adaptive to price changes, eg keeping prices fixed only for a month at a time.
- Management saw a strong QoQ volume rebound in 4Q21, and is optimistic that this trend will continue in 2022. Assuming no major hiccups throughout this year – eg national lockdowns – management believes Samchem will be able to achieve double-digit volume growth.
- In Malaysia, growth is expected to come from post-lockdown demand recovery of the company's existing businesses as well as new customers. Management hopes to be able to lock in a new MNC customer for its chemical distribution business soon, which can add 3% to volume annually and will be a new industry segment for Samchem. This, together, with the impact from the new warehouse and increase in logistics fleet, will drive volume growth in 2022.
- In Vietnam, growth will be driven by the new warehouse and blending facilities that is slated to come on-stream in 4Q22. However, margins could be held back slightly by high shipping costs.
- Rising logistics costs can be built into selling prices for its chemical end-users – however, not 100% of costs will be able to be passed on.
- There is no dividend policy at the moment. Management believes Samchem is a growth company and, therefore, needs to strike a balance between providing returns to shareholders and ensuring its business growth is sustained.
- The IPO plan in Vietnam is currently on hold – it is still awaiting the Vietnamese Government's decision on the implementation of new foreign ownership rules.
- Key risks include a sharp weakening of foreign currencies, high shipping costs, and further lockdowns.

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Success Transformer (STC MK)

Demand for LED street lighting remains encouraging

- The replacing of street lights from high-intensity discharge (HID) to light-emitting diode (LED) one is still an ongoing process, although progress has been slow due to domestic lockdowns and political instability.
- Assuming no major hiccups like further national lockdowns, FY22 is expected to be a busy year for Success Transformer Corp (STC), as it has received various tender invitations from local municipal councils.
- About 20% of street lights are LED-based. Given the national direction of reducing carbon emissions by 2030, there is plenty of room for the conversion of HID street lights to LED ones.
- STC has a competitive advantage over peers, as its products are accredited with Buatan Malaysia and MyHIJAU certifications.
- Generally, LED lighting has a 5-year lifespan.
- As of 4Q21, STC's plant is running at a utilisation rate of c.70% on a 2-shift basis.
- Shipping problems remain a concern, as it been a very challenging logistics environment.

Strengthening of supply chain through acquisition of die-cast factory

- About MYR30m has been allocated for FY22F capex for the acquisition and expansion of STC's die-cast factory in Malaysia.
- Given that a major part of its casings require die-casting, and its existing die-cast factory is in China, the acquisition should result in a reduction in logistics costs and delivery lead times.
- Upon completion of the acquisition of machineries, the factory is expected to commence operations in 2H22.
- Besides supporting internal operation, STC may explore the option of supply die-cast products to external customers, which could further expand the group's revenue base.

Smart cities to drive demand for Intelligent Light Control System (iLCS)

- Locally, most of the smart city projects are either in the first phase or just completed Phase 1. Among the recent projects, STC just completed 3,935 units of LED street lanterns with iLCS in Johor Bahru in 1HFY22 (Jun).
- The group believes the adoption of iLCS will grow as the local market moves towards the second phase of its smart city projects, eg in the states of Johor and Selangor, as well as in Ipoh.
- For foreign markets, STC is targeting to expand its business into South-East Asia, mainly in Vietnam, Indonesia, and Singapore.

Diversification into personal protective equipment (PPE)

- Success through 60%-owned subsidiary Kare For U (KFU), which has ventured into the PPE business. It has sole distributorship for KFU products for the local market.
- Marketed mainly through social media, KFU's offerings include masks, disinfectant and deodoriser sticks.
- While revenue contributions are not significant yet, the group intends to remain and develop this business as part of its diversification strategy, even after the pandemic ends.

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Supercomnet Technologies (SCT MK)

Medical device segment to be boosted by new product launches in 2022

- The commencement of production of new products such as rotational thrombectomy devices, oximetry sensors, wound occluders and insertion tubes, is slated for 2022, after obtaining the necessary US Food and Drug Administration approvals back in 2021.
- High barriers of entry as medical device companies typical require 2-3 years of validation/certification works for new product launches or for changes in their original equipment manufacturing supplier.
- Products in this segment typically command higher net margins of 20-30% in comparison to its other segment.
- Overall, management aims to achieve double-digit revenue growth for FY22F.

Recovery in its automotive segment through new contract clinched

- Supercomnet Technologies (SCT) signed an agreement with PSA Group for the supply of wire harness and fuel tanks for its two car models (Peugeot 3008 and Peugeot 5008).
- Localised production is expected to begin in Jul 2022, once the technical engineers from Wuhan complete the technology transfer process by 2Q22F.
- Additionally, management believes it stands a good chance of winning additional contracts from PSA Group for its other car models, once a decent track record has been established.

Capacity expansion to fuel growth

- SCT recently completed the extension of the second level of its existing plant, and is expecting to complete further extensions in 2Q22-3Q22F. This will expand its production capacity by 20-30%.
- Moreover, the company has earmarked MYR10m in capex for the construction of a new 5-storey building, which could potentially double its production capacity. The expansion plan is expected to commence after the completion of expansion activity in its existing plants.
- Management is on the lookout for potential M&A opportunities locally that will be able to complement its existing business operations.

Imminent transfer to Main Board

- The company is currently seeking to transfer its listing to the Main Market, with an expected completion timeline by Jul 2022. This could open up avenues to broader investor interests and a valuation re-rating – given the scarcity of medical technology names.

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YBS International (YBS MK)

About the company

- YBS International (YBS) is a manufacturing company specialising in high-precision tools, metals, and plastic component and sub-component assembly.
- Its mission statement: To be recognised as the only supplier of choice and to assist customers in becoming more competitive in the global market. This has been achieved through specialised products and its early involvement in different areas of the market.
- YBS currently has a manufacturing presence in Malaysia, Vietnam, and India via seven plants.

Competitive advantages

- Quality control – YBS products are required to have an accuracy of ±3 microns (1 micron = 0.001mm) to required specifications. Its precision in meeting the niche requirements of its clients in small and lightweight parts has earned YBS the title of “Best Vendor in ASEAN”.
- Strong customer base – key customers are world-class multi-national corporations with annual turnovers in excess of USD30bn. YBS has also established strong relationships with these customers, and have been dealing with most of them for 12-25 years.
- Presence – a manufacturing presence in three countries allows YBS to be relatively safeguarded against varying lockdown measures in different countries.
- Technical expertise – YBS has 63 engineers with over 15 years of experience in the manufacturing industry. The group is also not heavily reliant on foreign workers.

Updates on the new Penang plant

- This plant will be dedicated to serving customers in the telecommunications industry. Products manufactured there will mostly be those required for cloud computing, which is in very high demand.
- The plant is split into three sub-plants. Two are still undergoing renovations, but the third sub-plant has already started to churn out products since the second week of January.

Financials – outlook and prospects

- YBS has already secured contracts that will last until Jan 2024. From this, its strategic business unit is forecasting a 3-year revenue CAGR of c.35% from Jan 2021 to Jan 2024.
- Rising material and shipping costs will not substantially hinder its business, as most of the group’s contracts are negotiable in nature.
- The US-China trade war meant a lot of customers shifted their orders to ASEAN companies – this allowed YBS to slightly increase its ASP to keep up with rising material and shipping costs.
- The group has a planned capex of MYR60m for FY21-22. Most of this will be spent on land and factory purchases, as well as production line set-up costs.
- YBS has a dividend payout policy of 50% of net profit if there are no substantial capex plans. As such, dividend payouts will likely resume after FY22, once factory-related capex has materialised.
- 90% of YBS’ revenue comes from its Top 20 customers. Of this, the Top 5 contribute about 30-40% of revenue.
- A move to the Main Market of Bursa Malaysia might be on the books, but YBS wants to hire a strategy consultant to advise the group on this matter beforehand.

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AKR Corporindo (AKRA IJ)

2FY21 snapshot and FY22 guidance

- Although still subject to audit results, the company provided a snapshot of FY21 and is expecting EPS growth of 18-20% YoY this year.
- For 2022, management guided for EPS growth of 12-15% YoY. Mining demand should support its distribution business, strengthened by rising smelter capacity in Indonesia, which in turn bolsters the demand for basic chemicals.

Update on Java Integrated Industrial & Port Estate (JIIPE)

- Cumulative industrial estate land sales have reached IDR2.1trn (2015-2021), while Freeport was allocated a 185ha location – which should bring in IDR200bn from land lease revenue for its smelter area.
- JIIPE is expected to clock 40-50ha in sales in 2022, assuming a land price of IDR2.5m/sqm plus lease income of c.IDR300bn. AKR Corporindo (AKRA) expects to generate IDR1.7trn from land sales and lease income for 2022.
- Gross profit on industrial land sales may account for c.50% of the segment's gross profit. JIIPE is expected to contribute >30% of gross profit by 2024.
- AKRA focuses on heavy and medium industries for JIIPE. These include petrochemical, chemical, consumer-related, metal and electric vehicle-based businesses, and JIIPE's port infrastructure is a major selling point.

JV with British Petroleum (BP) to grow its petrol station network in full swing

- As Indonesia is moving towards cleaner energy and the phasing out RON88 and RON90 (while mandating the use of fuel equivalent to RON91 or higher), management has also begun to expand to retail downstream distribution through a JV with British Petroleum, focusing on a dealer scheme.
- The retail market accounts for 8% of petroleum demand. AKRA expects the retail segment to account for 8% of total earnings in the future.

No immediate capex needs mean flexibility in cash flow

- By 2022, AKRA plans to have 20-25 petrol stations in its retail network. It targets to have 350 outlets in its network in the next 10 years, operating under a dealer model that requires minimum investment on its part.
- Expected capex for these petrol stations is c.35m, and the expenditure will be divided equally between AKRA and BP
- Supplying utilities and power services in JIIPE will be financed by land sales revenue and project financing schemes. This should also engender flexible cash flow – which would enable AKRA to continue using a large part of earnings to reward shareholders via dividends.

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Bank Aladin Syariah (BANK IJ)

Large captive market as it is the only digital *shariah* bank

- Indonesia has the world's largest Muslim population (more than 200m people). However, *shariah* banking products being offered are still limited, accounting for only c.6% of total banking products.
- Indonesian is dominated by unbanked and underbanked adults, at c.77% of the total population, with strong penetration of mobile and internet usage, at 65% and 48%.
- Bank Aladin Syariah (Aladin) aims to ride on the growing demand for *shariah* products, which has grown from food, fashion, beauty to (now) banking products.
- As it is still small, Aladin is more flexible and focused than its big bank peers to penetrate the underbanked and unbanked market. However, Aladin should still book losses in the early years of its digital operations, since it is focused on growing market share.

Strategic partnership with Alfamart and Hajj Fund Management Agency (BPKH)

- To best serve the unbanked and underbanked population, Aladin needs a strong offfline presence, which is complemented by its partnership with Alfamart. Aladin is able to utilise 17,500 Alfamart stores as "support branches".
- Aladin can tap on Alfamart's suppliers and employees to provide supply-chain financing and also payroll-backed consumer loans.
- Partnering with BPKH, Aladin is working to provide digital banking services for pilgrims' savings (USD10bn managed annually for 750,000 pilgrims) and also annual *zakat* (USD15bn in total annual donations potentially by 110m Muslims).

Strong team from different backgrounds to build digital banking platform

- Management team members come from different backgrounds: Tech start-ups, payment systems, banking, and prominent figures from the *shariah* industry.
- Banking, as a service application programming interface (API), allows Aladin's app to be integrated with the partner's platform. The platform will ease the onboarding process through e-KYC and AML using connected databases and facial recognition technology. It will be equipped with cloud-based banking to enable agile changes that allows it to adapt with consumer needs.

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Digital Mediatama Maxima (DMMX IJ)

End-to-end to cloud signage platform

- As at 9M21, Digital Mediatama Maxima (DMMX) managed 15,108 sites (+61.2% YoY) and 18,647 digital signages (+45.4% YoY). This remains its backbone with high recurring cash flow, and accounts for substantial share of profit.
- It has a dominant market position, given its wide geographical presence nationwide, while offering comprehensive and customised services. Its clients include a number of prominent retailers such as Indomart, Alfamart, KFC, and others. This is testament to its proven track record.
- It has provided value-add services to clients via its advertising exchange hub and by driving new format innovations. It has collaborated with Smart Retail from Hong Kong which provided the hardware, equipped with AI technology. This could help to offer more valuable insights and customer behaviour analytics.
- Growth opportunities to come from organic growth in digital signage of each existing store and additional footprint. DMMX currently averages 1.2 screens per store, while the optimum value should be near five screens.

Solidifying foothold on trade marketing channels

- The company has ventured into marketplace commerce, by offering a complete business-to-business (B2B) trade marketing programme, which includes advertising, marketing promotions, marketplace commerce and sales activation.
- As at 9M21, it provided a digital platform to the Sampoerna Retail Community (SRC) and Kios Warga, totalling 108,000 small and medium enterprise (SME) business owners, thereby enabling digital transactions for traditional shopkeepers.
- It aims to improve revenue growth as well as its margin profile. This business segment made up 85% of 9M21 revenue, but only accounted for 13% of gross profit. Aside from providing digital product sales, it offers physical products and gives SMEs the opportunity to become a SiCepat Ekspres Indonesia (Indonesia's leading logistics service provider) point. DMMX is also eyeing the export market.
- DMMX sees a number of growth catalysts such as: i) Additional members from existing and new communities; ii) improved revenue per transaction from more product offerings; and iii) advertising placement in SME stores.

Monetising through Metaverse and building comic ecosystem

- Cooperating with Bumilangit, DMMX manages the intellectual property of the largest collection of local superheroes in Indonesia – more than 1,400 characters. It offers content licensing, digital activation and cinema production. Similar to Disney, DMMX monetises its characters with large corporations, ie Bank Mandiri for its widely used e-money card, or with Telkomsel, the country's largest network operator. In addition, DMMX recently launched more than 700 non-fungible tokens (NFTs) from two most favourite characters, with plans to launch another 600-700 in the near future. NFT owners will enable privileged access to artists partnering with DMMX to connect with their fan base through the Metaverse. Aside from the economic gain, DMMX sees the launch of the NFTs enabling higher market stickiness, thereby expanding its reach to a wider target market.
- The company also plans to launch a comic marketplace and comic platform. These may synergise with other possible types of businesses such as movies, TV series, animated series production, music and podcast, as well as commerce (licensing and merchandising), which can further enlarge its ecosystem. The two platforms are expected to be launched by 2H22.
- DMMX is actively adapting to the latest trend of rising social media usage. It cooperated with Rans Entertainment (owned by Indonesia's key artist – Raffi Ahmad) to provide the marketplace for social media influencers. This may help to bridge brands with Rans Entertainment's solid c.300,000 influencer base. DMMX also invested to Deddy Corbuzier (Indonesia's No 1 podcaster with 17m subscribers). DMMX has also opened another earnings growth avenue by including the content to its captive network for commercial purposes and creating other supporting platforms.

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BRC Asia (BRC SP)

Dominant player in Singapore's prefabricated steel products market

- Predominantly a Singapore business – Singapore accounts for 98% of its revenue. BRC Asia has a dominant position in the Singapore market, with a share of over 60%.
- Part of the prefabricated construction value chain. Increased use of prefabricated concrete slabs in Singapore's construction industry.
- Two key products made out of steel rebars: i) Cut and bend (low-margin product, c.SGD80.00-120.00/tonne in additional revenue to the steel rebar sale price. BRC has a 50% market share in this product, which does not require a lot of automation and most construction companies do this job themselves on-site); and ii) Mesh (high-margin product, bringing in SGD350.00-500.00/tonne of additional revenue to the steel bar rebar sale price. Mesh can be further converted to bore pile cage, pile cage and beams).
- Factory in Malaysia supports the Singapore business.
- Fundamentally sound business model with a dominant market position (gives the company pricing power and it does not need to subsidise the construction companies by giving them a discount on steel prices), attractive dividend policy (plans to pay 80-90% of reported profit as dividends), and longer-term growth potential.

FY22 outlook

- Direct proxy for the recovery of the Singapore construction sector and government-led infrastructure spending.
- Industry operating capacity is at 80% of pre-pandemic levels. BRC is operating at close to 90% capacity. In a good year, with the ideal mix of contracts and optimal inventory pricing, the company could generate around SGD80m in profit.
- SGD1.2bn outstanding orderbook, which is equally split between government and private residential projects. Typically, about 50% of the orderbook gets delivered over the next 12 months.
- More contracts that are coming in are for Housing & Development Board (HDB) projects, which offer wider margins compared to other businesses as they demand more of the prefabricated mesh products.
- Historically, the first half of the fiscal year (FYE Sep) tends to be weaker than the second half. However, due to a sharp recovery in construction activity, 1HFY22 earnings are expected to be better than that of the last few years.
- BRC does not seem to have a labour availability issue. While there is definitely some wage inflation on the labour front, the impact is limited as labour costs account for a very small portion of the overall cost base.
- Receivables cycle is improving, as the construction industry is coming out of the pandemic.

Growth beyond Singapore

- Hong Leong Asia (HLA), as BRC's second largest shareholder, is also a major customer of the latter. Management believes that HLA could provide opportunities to grow in the Malaysia and China markets.

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HRnetgroup (HRNET SP)

Expecting further growth in both professional recruitment and flexible staffing

- Despite enjoying a strong rebound so far in FY21, further growth can be expected from both its professional and flexible recruitment segments.
- Growth from flexible staffing will likely come from sectors such as IT, healthcare and consumer/retail, while hiring from the Government should taper down for COVID-19-related hires.
- The professional recruitment, IT, and technology (semiconductor) as well as consumer and retail sectors should see increased volumes this year.
- Margin for overall business is expected to increase, with higher contributions to come from its professional recruitment business.

Special dividend signals a potential positive change

- HRnetgroup announced a special DPS of 1 SG cent for FY21 on 19 Nov, which signals a potential change in management's mindset on rewarding shareholders with more dividends.
- Management intends to pay more dividends to shareholders from higher profits in the future.

Reaping rewards from incubation of China business

- China, which is still at an early incubation stage, will likely continue to grow rapidly and be a key driver for HRnetgroup going forward. It is already a key contributor to the company's profitability, but management believes that its market share is still very small locally and is bullish this business can grow exponentially in the years to come.
- It expects to continue to incubate its China business and build up more recruitment teams across different cities to grow revenue.

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Oxley (OHL SP)

Not impacted by recent cooling measures

- Still selling tens of units weekly despite the current cooling measures. Saw a temporary drop in demand only in the first week, but it started coming back by the second week.
- Sold a majority of its Singapore residential units already and expects mass market residential units to not be impacted, as there is still demand coming from upgraders or first-time buyers.
- Expects the high-end or foreign buyers' market to be impacted, which it has no exposure to.

SGD1.7bn of revenue to be recognised over the next few years

- Expects SGD1-1.2bn of revenue to be recognised in CY22F, and the majority would come from its Singapore developments.
- Does not expect further construction delays unless the COVID-19 situation worsens.
- Expects a majority of its Singapore projects to complete construction by the end of this year.

Reset and re-evaluate

- Management is looking to realise its existing projects and re-access the situation, with interest rates rising as well as rising land costs.
- Has further new development plans in the UK and Vietnam, but will look to re-enter development in Singapore if it manages to find a viable investment option.
- Expects the hotel business to return to the black by end-FY23F, and may be keen to sell the asset and reinvest its proceeds into other developments.
- Gearing to be pared down aggressively in the next 1-2 years as a big portion of its debt is due to project financing, of which the majority of its development will be completed in the next 1-2 years and financing will be repaid once the development achieves temporary occupation permit (TOP) status.

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SISB (SISB TB)

20-year journey and well accepted in Thailand

- SISB started its first international school – Singapore International School of Bangkok – in 2001. Over past 20 years, SISB has grown to four campuses in Thailand. The fifth campus, currently under construction, will start operations by Aug 2023, while the sixth campus in Rayong under the company's "Halving Project" will be completed by 2024.
- With more than 2,600 students, SISB runs the second-largest international school in Thailand. SISB schools provide a through-train education pathway from kindergarten to Grade 12, using the best curricula from around the world. For kindergarten, SISB adopts the Early Years Foundation Stage as its curriculum. In the primary years, SISB students learn using the Singapore curriculum, which is known for its quality in English, Mathematics, and Science. For Sixth Form students, they learn using a hybrid of the Singapore curriculum and Cambridge IGCSE, while Grade 11 and 12 students have a choice between two top systems – Cambridge International AS and A Levels, or International Baccalaureate (IB) Diploma Programme (DP).
- SISB was successfully listed on the Market for Alternative Investment in Nov 2018. In Apr 2019, SISB was relocated to the Stock Exchange of Thailand (SET) – a testament of the company's quality.
- In Aug 2020, SISB was recognised by Forbes in its annual "Best Under A Billion" list, which selects 200 publicly listed companies from a pool of 18,000 in the Asia-Pacific region, with proven track records of exceptional corporate performance.

Major advantages to compete in Thailand's international school business

- Affordability and competitive pricing are SISB's major advantages over industry peers. Compared to other industry players, SISB's tuition fee per year along the student's journey from nursery to Grade 12 has been within the range of THB400,000 and THB700,000, which is relatively affordable for Thai households. Under this price range, SISB has been successful in tapping the local new-generation family market that currently accounts for over 80% of its total student numbers.
- Within this fragile industry, SISB's position in Thailand has been at no. 2, with a 3% market share in terms of student numbers. This key to its success is its network of four campuses located in popular residential areas where many wealthy families live.
- SISB has a consistent investment plan for facilities and manpower to entice its existing clients to continue secondary education with the school, given the expansion of its campuses. In addition, SISB is planning to launch a new model, "Halving Project", to cover the sizeable demand in provincial areas. This project will provide the comparable quality of SISB schools' educational services at a lower price while ensuring profit margin through a cost-saving model. The first "Halving Project" will start in Rayong, which is one of the key provinces under Thailand's Eastern Economic Corridor. SISB's student numbers are projected to rise to 4,150 (+71% from the current level) by Dec 2026.

Back to normal

- During FY20-21, SISB's quarterly earnings performance was volatile, in tandem with the pandemic and lockdowns. It was hard hit by the surge of new COVID-19 cases, with the troughs occurring in 2Q20, 3Q20, and 3Q21.
- SISB CEO Kelvin Koh believes that Thailand's current COVID-19 situation will not greatly affect FY22F earnings, and quarterly earnings from now on will smoothen out without any sharp drop, as panic over the pandemic has lessened compared to FY20-21.

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RS (RS TB)

Fully integrated commerce business with unique "entertainmerce" model

- RS is building a digital economy on the strong base of its entertainmerce model. This includes the establishment of a solid digital platform (e-commerce and online content), digital content and asset-driven strategy, transformation of existing assets to a digital economy and capturing new revenue streams, and tokenisation of its owned Popcoin digital currency.
- The company targets to maximise value through cross-synergies and collaborations. It is looking to access untapped markets under collaborations with partners and JVs, eg the collaboration with Pan B Media to optimise group synergy by utilising RS' ecosystem. It is also continuing to seek new investments and partners, as well as making capital gains from IPO opportunities.
- With full-scale data optimisation, RS will perform top-to-bottom data analytics for business decisions and directions, and undertake database cross-utilisation among the group and its partners to accelerate revenue from untapped opportunities.
- RS plans to strengthen its own products to capture mass market opportunities by establishing solid branding to broaden the target group. It is also looking to develop innovative products to allow the group to differentiate itself and gain a first-mover advantage.

Four key strategies for "LEAP" in 2022

- **L: Lifestyle wellbeing solutions.** The group's RS Mall marketplace will focus on Popcoin integration and data optimisation throughout the platform. Its Lifestar consumer product company will restructure its entire business processes, strengthen the Lifestar brand, and focus on four key brand categories: i) Well-U (innovative food supplements), ii) Vitanature (herbal extract), iii) Camu C (functional drinks), and iv) Lifemate (pet health and wellness).
- **E: Entertainment uplift.** RS' Channel 8 will be reaching for fresh targets with new content designed for the online platform, as well as enhancing new value for sales and engagement, ie TV media and Popcoin bunlding. Its radio business will deliver an O2O experience to expand its fan base – this is being done to connect with the young generation demographic. The music function will also deploy the online platform to strengthen revenue from key drivers.
- **A: Asset monetisation.** RS will launch non-fungible token or NFT products from the group's existing intellectual property and new assets. It is also looking to monetise its over 50m subs base from RS' subsidiaries' social media channels. The group also plans to spin-off its personal finance subsidiary Chase Asia for an IPO by 4Q22.
- **P: Popcoin smart marketing platform.** Launched in mid-Nov 2021, the Popcoin digital token may act as an indirect earnings driver in the longer term. It may fortify RS' entertainmerce business model by exploring untapped online media – this accounted for c.20% of Thailand's 2020 total advertising spending – and capture the younger customer demographic. Popcoin may become an efficient marketing tool in boosting sales and potential third-party businesses. RS will attain revenue from Popcoin based on coin redemptions for corporates' products and services, as well as the secondary market's trading transaction fees from 1Q22 as an earnings upside. Amortisation of the system's development may be the only major cost for this token. The subs count currently stands at c.80,000, and this number may rise further on the planned minting of more tokens – from 2.5bn units in 2022 to 10bn units in 2025 – as well as exchange activities.

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Figure 2: Snapshot of featured companies

Company Name	Bloomberg Ticker	Sector	Last Price (Local Currency)	P/E (x) Actual	P/BV (x) Actual	ROE (%) Actual	Yield (%) Actual
Chin Well	CWH MK	Industrial Products	1.45	11.78	0.72	6.09	2.28
Coastal Contracts	COCO MK	Oil & Gas	1.68	14	0.8	5.73	N/A
Coraza Integrated Technology	CORAZA MK	Industrial Products	0.9	0.28	0.08	27.98	N/A
HPP	HPPHB MK	Industrial Products	0.49	15.76	0.39	12.8	1.53
I-Berhad	IBHD MK	Property	0.3	N/A	0.54	-0.35	N/A
Innature	INNATURE MK	Consumer Products	0.69	32.7	3.46	10.87	2.17
Jentayu Sustainables	JSB MK	Renewable Energy	1.78	N/A	3.22	-20.13	N/A
Microlink Solutions	MICL MK	Technology	0.61	9.77	4.09	41.41	N/A
OM Holdings	OMH MK	Industrial Products	2.73	N/A	N/A	2.11	N/A
Ramssol Group	RAMSSOL MK	Technology	0.68	6.99	5.97	148.64	N/A
Reservoir Link Energy	RLEB MK	Oil & Gas	0.51	7.87	2.05	26.48	0.99
Revenue Group	REVENUE MK	Technology	1.53	52.04	4.27	10.65	N/A
Samchem	SAHB MK	Industrial Products	0.88	6.91	2.53	33.93	4.57
Success Transformer	STC MK	Industrial Products	0.72	10.25	0.49	4.9	2.5
Supercomnet Technologies	SCT MK	Industrial Products	1.63	46.84	5.32	9.39	0.61
YBS International	YBS MK	Industrial Products	0.55	30.67	2.18	5.73	N/A
AKR Corporindo	AKRA IJ	Energy & Petrochemicals	730.00	13.64	1.65	12.05	3.70
Bank Aladin Syariah	BANK IJ	Financial Services	2220.00	N/A	N/A	7.25	N/A
Digital Mediatama Maxima	DMMX IJ	Information & Technology	2400.00	74.69	25.47	29.39	N/A
BRC Asia	BRC SP	Construction Materials	1.56	7.99	1.24	16.63	2.56
HRnetGroup	HRNET SP	Industrial & Professional Services	0.77	12.50	2.33	18.90	3.25
Oxley	OHL SP	Property	0.19	15.90	0.79	1.28	1.34
RS	RS TB	Commerce	18.50	59.84	8.87	14.46	N/A
SISB	SISB TB	Services	9.25	33.95	4.63	13.16	0.74

Source: Company data, Bloomberg

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