10 December 2020



Malaysia Morning Cuppa

Top Story

REITS (NEUTRAL) - DOWNGRADE

Unpredictability Reigns Supreme; D/G To NEUTRAL

Sector Update

D/G sector weighting to NEUTRAL from Overweight. Uncertainties on consumer confidence due to the rising number of COVID-19 cases of late indicate that movement restrictions and rental assistance may be extended. With the market rotating into cyclical stocks and no further expectations of a rate cut, the upside for MREIT share prices will likely be limited. Narrowing yield spreads (expected to extend into FY21) also render MREITs a less attractive yield play. That said, the low interest rate environment should give REIT managers the opportunity to resume inorganic growth plans.

Analyst: Loong Kok Wen CFA +603 9280 8861

Today's Report: REITS: Unpredictability Reigns Supreme; D/G To NEUTRAL (10 Dec 2020)

Previous Report: REITS: One Less Thing To Worry About; Still O/W (13 Aug 2020)

Other Stories

Kumpulan Powernet (KPB MK, BUY, TP: MYR6.46)

Contract Flow Continues; Reiterate BUY

Company Update

Reiterate BUY with a higher TP of MYR6.46 from MYR5.70, 24% upside and c.1% FY21 (Jun) yield. We are positive on Kumpulan Powernet's MYR296m in engineering, procurement, construction & commissioning of a mini hydro plant, demonstrating its ability to win renewable energy related jobs. We are upbeat on this stock, as KPOWER offers strong earnings growth, premised on the potential doubling of its orderbook by the end-FY21, as well as its superior ROE.

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Today's Report: Kumpulan Powernet: Contract Flow Continues; Reiterate BUY (10 Dec 2020)

Previous Report: Kumpulan Powernet: A Good Start; Reiterate BUY (1 Dec 2020)

MRCB-Quill REIT (MQREIT MK, BUY, TP: MYR0.95)

Occupancy Rates Stable For Now; Maintain BUY

Company Update

BUY, new DDM-derived TP of MYR0.95 from MYR0.87, 9% upside with c.8% FY21F yield. MRCB-Quill REIT's stable occupancy rate of c.91% and flat-to-positive reversion rates despite COVID-19 suggest that it is set to chart steady earnings growth. Although the non-renewal risk remains a key concern (21% of NLA due in FY21), we believe management may be aiming to reset its strategy, complemented by its expected name change to Sentral REIT in the new year.

Analyst: Loong Kok Wen CFA +603 9280 8861

Today's Report: <u>MRCB-Quill REIT</u>: <u>Occupancy Rates Stable For Now; Maintain BUY</u> (10 Dec 2020) Previous Report: <u>MRCB-Quill REIT</u>: <u>Disposing An Underperformer; Maintain BUY</u> (13 Nov 2020)



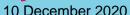






	В	Bloomberg Code Index			Chg	YTD (%
FBM KLCI	:	FBMKLCI	1,646.53	1	+14.83	+3.6
FTSE M'sia Emas	:	FBMEMAS	11,874.58	1	+58.79	+4.9
FTSE M'sia 70	:	FBM70	15,287.47	$\mathbf{\Psi}$	(80.07)	+7.6
FTSE M'sia 100	:	FBM100	11,631.72	1	+63.09	+4.7
Singapore	:	FSSTI	2,843.07	1	+17.44	(11.8)
Thailand	:	SET	1,482.67	1	+3.75	(6.2)
Philippines	:	PCOMP	7,102.66	$\mathbf{\downarrow}$	(101.01)	(9.1)
Indonesia	:	JCI	5,944.41*	-	-	(5.6)
Hong Kong	:	HSI	26,502.84	1	+198.28	(6.0)
China, Shanghai	:	SHCOMP	3,371.96	$\mathbf{\Psi}$	(38.21)	+10.6
China, Shenzhen	:	SZCOMP	2,250.81	$\mathbf{\Psi}$	(43.17)	+30.6
Korea	:	KOSPI	2,755.47	1	+54.54	+25.4
Taiwan	:	TWSE	14,390.14	1	+29.74	+19.9
Japan	:	NKY	NKY 26,817.94		+350.86	+13.4
Dow Jones	:	INDU	30,068.81	\downarrow	(105.07)	+5.4
S&P 500	:	SPX	3,672.82	$\mathbf{\downarrow}$	(29.43)	+13.7
Nasdaq	:	CCMP	12,338.95	$\mathbf{\Psi}$	(243.82)	+37.5



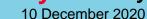




Top BUYs									
	TP (MYR)	Upside (%)	Shariah	Catalysts					
DRB-HICOM (DRB MK)	2.50	16.8	Y	 We continue to like the stock, given strong prospects for Proton to continue regaining market share. Proton expanding into regional markets could be a medium-term positive Geely partnership offers access to its product suite, research & development resources, and component sourcing economies of scale Various physical assets are embedded with DRB have significant value-accretion potential in the medium term 					
Malayan Banking (MAY MK)	9.80	16.9	N	 Its NIM sensitivity to Overnight Policy Rate cuts is low, loan growth will likely be ahead of industry average, has sizeable unrealised mark-to-market bond gains, and headroom for cost cuts Aggressive loan provisioning in 2020 increases possibility of write-backs Dividend yield remains attractive 					
Press Metal (PMAH MK)	8.50	5.9	Y	 Robust FY19-22F earnings CAGR of 40% on the back of improving London Metal Exchange aluminium prices alongside capacity expansion coming online in 1Q21 Low-carbon footprint relative to its peers could offer long-term upside potential amid global decarbonisation efforts 					
Serba Dinamik (SDH MK)	2.66	50.3	Y	Serba Dinamik remains one of our sector Top Picks, with its consistent earnings growth backed by a robust orderbook and contract flows Valuations remain undemanding below 10x FY21 P/E					
Sunway Construction (SCGB MK)	2.09	10.6	Y	 Potentially emerging as an early winner, should a more bullish scenario unfolds within the sector Optimistic on earnings recovery, supported by strengths in work execution, aggressive tendering, and steady jobs from the parent company 					

Entry point appears more favourable following a price retracement ahead of its results







Recent Stories

To access the following reports, please click on the link:

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Non-Bank Financials: When Resilience Meets Recovery; U/G To O/W

Serba Dinamik: Second Placement For Growth; Keep BUY

RCE Capital: Steady As It Goes; Keep BUY

RHB | Malaysia Morning Cuppa: 8 December 2020 Mr DIY Group: Mi Casa Es Su Casa: Initiate With BUY

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Malaysia Airports : Recovery In FY21 Despite Challenging 4QFY20 KPJ Healthcare: Recovery Prospects Priced In; D/G To NEUTRAL Comfort Gloves: The Best Quarter Is Yet To Come; Stay BUY

LBS Bina: Looking Forward To The New Year; TRADING BUY

Eastern & Oriental: No Recovery Post MCO Kumpulan Powernet: A Good Start; Reiterate BUY AMMB: Better Now Than Later; Stay BUY

Taliworks Corporation: Sun Is Shining On Taliworks; Keep BUY BIMB: Prepping For Rainy Days; Keep BUY (1 Dec 2020) Ta Ann: Expect Stronger QoQ Numbers Ahead; Still BUY Mah Sing: Slow Construction Works Delay Billings; BUY

RHB | Malaysia Morning Cuppa : 30 November 2020 – Mid-Morning Edition RHB | Malaysia Morning Cuppa : 30 November 2020

Pintaras: Progress Back In Full Swing; Reiterate BUY

Kimlun Corp: Looking Beyond Near-Term Headwinds; Stay BUY Malayan Banking: Interim Dividend a Positive Surprise; Stay BUY

Integrated Oil & Gas: Disciplined Spending Continues Public Bank: Fortified Against COVID-19; Keep BUY

Hong Leong Bank: Healthy Topline Growth, Solid Asset Quality; BUY

CIMB: Not On Clear ROE Recovery Path Yet

Alliance Bank Malaysia: Decent Half-Time Performance; Keep NEUTRAL

Affin: More Pain Before Gain; Still SELL

Axiata Group: A Softer Tone For 4Q20F; D/G To NEUTRAL

QL Resources: On Firm Footing; Maintain NEUTRAL

Padini: Deserves a "Pad" On The Back; Keep BUY (

Datasonic Group: Still Recovering From The Pandemic; Maintain BUY

Freight Management: Smooth Operator; Maintain BUY

CB Industrial Product: Higher Sales Of Spare Parts Boost Earnings

Gabungan AQRS: Clear Path To Recovery; Stay BUY

Muhibbah Engineering: Prolonged Airport Traffic Slowdown; U/G NEUTRAL





10 December 2020



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10 December 2020



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