

# Malaysia Cuppa – Mid-Morning Edition

This report is an update of the “Malaysia Morning Cuppa” we provided earlier today.

## Story Update

### Teladan Setia (TELADAN MK)

A Reputable Developer In Melaka

IPO Note

Indicative FV of MYR0.52. Teladan Setia is a Melaka-based developer. Given that township/landed homes are its bread and butter, the company's cash flow has been rather healthy. With low land cost, it has been enjoying high gross margins. However, we think the property market in Melaka is somewhat challenging, due to its small population size and high bumiputra quota of 60%. This may, to a certain extent, cap its long-term growth.

Analyst: Loong Kok Wen CFA +603 9280 8861

*Today's Report:* [Teladan Setia : A Reputable Developer In Melaka \(2 Mar 2021\)](#)

*Previous Report:* N/A

## Top Story

### Market Strategy

Dec 2020 Quarter Earnings Review

Strategy

Analyst: Alexander Chia +603 9280 8889

*Today's Report:* [Market Strategy : Dec 2020 Quarter Earnings Review \(2 Mar 2021\)](#)

*Previous Report:* [Market Strategy : Sep 2020 Quarter Earnings Review \(2 Dec 2020\)](#)

## Other Stories

### Power (OVERWEIGHT)

Riding On Energy Transition; U/G To OVERWEIGHT

Sector Update

Analyst: Sean Lim +603 9280 8867

*Today's Report:* [Power : Riding On Energy Transition; U/G To OVERWEIGHT \(2 Mar 2021\)](#)

*Previous Report:* [Power : 2H20 Outlook: Renewables Energy Play \(17 Jul 2020\)](#)

### MY Healthcare (OVERWEIGHT) – UPGRADE

Recovery With Immunity; U/G To OVERWEIGHT

Sector Update

Analyst: Alan Lim CFA +603 9280 8890

*Today's Report:* [Healthcare : Recovery With Immunity; U/G To OVERWEIGHT \(2 Mar 2021\)](#)

*Previous Report:* [Healthcare : Focusing On The Speed Of a COVID-19 Recovery \(14 Oct 2020\)](#)

### AMMB (AMM MK, NEUTRAL, TP: MYR3.40) – DOWNGRADE

Waiting For The Storm To Pass; D/G To NEUTRAL

Results Review

Analysts: Liew Wai Hoong +603 9280 8859, Fiona Leong +603 9280 8886

*Today's Report:* [AMMB : Waiting For The Storm To Pass; D/G To NEUTRAL \(2 Mar 2021\)](#)

*Previous Report:* [AMMB : Redemption Is Never Easy \(1 Mar 2021\)](#)

### Econpile Holdings (ECON MK, BUY, TP: MYR0.62)

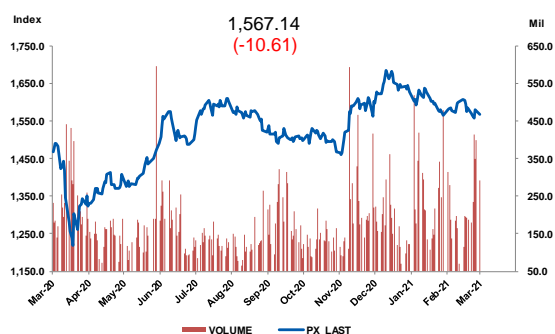
Cambodia Contribution To Kick In Starting 2H21

Company Update

Analysts: Muhammad Danial bin Abd Razak +603 9280 8682, Eddy Do Wey Qing +603 9280 8856

*Today's Report:* [Econpile Holdings : Cambodia Contribution To Kick In Starting 2H21 \(2 Mar 2021\)](#)

*Previous Report:* [Econpile Holdings : Cheap Entry To Leading Piling Firm: Stay BUY \(25 Feb 2021\)](#)

**Chart 1: FBM KLCI chart**


		Chg
KLCI Futures March 2021	1,565.00	(1.0)
KLCI Futures April 2021	1,562.00	(4.0)
Brent Crude Oil (USD/bbl)	63.69	(2.44)
CPO Spot Price (MYR/Tonne)	4,000.00*	(13.50)
USD/EUR	1.20	(0.00)
JPY/USD	106.76	+0.19
USD/MYR	4.06	+0.01
JPY/MYR	3.80	(0.00)
EUR/MYR	4.89	(0.03)

Note: \*As at 26 Feb 2021 closing

**Table 1: Regional markets (1 Mar 2021)**

	Bloomberg Code	Index	Chg	YTD (%)
FBM KLCI	: FBMKLCI	1,567.14	↓ (10.61)	(3.7)
FTSE M'sia Emas	: FBEMAS	11,562.21	↓ (51.96)	(1.7)
FTSE M'sia 70	: FBM70	15,473.33	↑ +12.16	+2.2
FTSE M'sia 100	: FBM100	11,248.29	↓ (53.71)	(2.2)
Singapore	: FSSTI	2,973.00	↑ +23.96	+4.5
Thailand	: SET	1,500.92	↑ +4.14	+3.6
Philippines	: PCOMP	6,872.97	↑ +78.11	(3.7)
Indonesia	: JCI	6,338.51	↑ +96.72	+6.0
Hong Kong	: HSI	29,452.57	↑ +472.36	+8.2
China, Shanghai	: SHCOMP	3,551.40	↑ +42.32	+2.3
China, Shenzhen	: SZCOMP	2,349.17	↑ +55.48	+0.9
Korea	: KOSPI	3,012.95*	-	+4.9
Taiwan	: TWSE	15,953.80*	-	+8.3
Japan	: NKY	29,663.50	↑ +697.49	+8.1
Dow Jones	: INDU	31,535.51	↑ +603.14	+3.0
S&P 500	: SPX	3,901.82	↑ +90.67	+3.9
Nasdaq	: CCMP	13,588.83	↑ +396.48	+5.4

Note: \*As at 26 Feb 2021 closing

## Bulletins

STOCK/SECTOR	NEWS	COMMENT	RATING
Sime Darby Plantation (SDPL MK)	<p>Sime Darby Plantation has appointed Impactt as a third-party assessor to its newly established Expert Stakeholder Human Rights Assessment Commission (ESHRAC). Impactt is an ethical trade consultancy with specific expertise in detecting and remediating forced labour issues in company supply chains – in line with the International Labour Organisation's 11 indicators of forced labour. Impactt will now begin to conduct a comprehensive evaluation of SDPL's labour practices across its operations here. This is slated for completion by May</p> <p>ESHRAC will consist of a stakeholder consultation panel that will provide additional views on Impactt's assessment methodology, thereby lending further credibility to the entire process. The members of this panel include:</p> <ul style="list-style-type: none"> <li>i. Shift – the leading centre of expertise on United Nations Guiding Principles on Business &amp; Human Rights;</li> <li>ii. Andy Hall, a migrant worker activist;</li> <li>iii. A representative of the National Union of Plantation Workers, the largest trade union for plantation workers here.</li> </ul> <p>Other stakeholder may be invited to contribute to the work of the commission where necessary. (Company)</p>	<p>We are positive on this, and the current development represent a step towards resolving the US Customs &amp; Border Patrol's Withhold Release Orders and ESG concerns. By working with credible independent experts, we believe this will lead to better assurance for SDPL's stakeholders, as well as improve and address any potential gaps in its sustainability efforts.</p> <p>Pending the outcome of the assessment, we make no changes to our TP or ESG score. We maintain our recommendation.</p>	NEUTRAL, TP: MYR4.80

<p>Gamuda (GAM MK)</p>	<p>Gamuda, together with JV partner John Holland, has been shortlisted for the Metro railway line project. Upon completion, the railway line will service Greater Western Sydney and the new Western Sydney International (Nancy-Bird Walton) Airport in Australia. Two other consortia shortlisted for the job: Bouygues Construction Australia and Acciona Construction Australia.</p> <p>According to Transport &amp; Roads Minister Andrew Constance, the successful tunnel builder will deliver 10km of twin metro railway tunnels and the associated excavations of station boxes. The station box and tunneling contract is expected to be awarded by the end of this year, with the first of four mega tunnel boring machines expected to be in the ground by the middle of 2023. (<i>The Star</i>)</p>	<p>We are positive on the news. The job is expected to be sizeable, which will potentially create long-term income visibility to Gamuda. We believe the job also falls within its capabilities, thereby increasing its chances of securing the works. Details are scarce for now, and it remains to be seen how big the potential job value is. Also, we have no details on the construction model of the project, as well as ownership structure of the JV.</p> <p>As last reported, Gamuda's unbilled orderbook stood at MYR6.1bn, offering visibility into FY23. Prospects of future orders look healthy, as its bids on the Australian tunnelling jobs remain active. It is worth pointing out that the Mass Rapid Transit Line 3 (MRT3) project here has been given the green light by the Government, which puts the group back in the spotlight as a potential frontrunner. It also targets to start land reclamation works of Island A of the Penang Transport Master Plan in early 2021, which should further strengthen construction earnings' near-term outlook.</p> <p>Downside risks to our call include a failure to secure new contracts, increasing scarcity of new local jobs, and prolonged downturn in the property markets. We remain aware of local political uncertainties in the near term that pose a hurdle to the implementation of local public projects. Note that new tender opportunities from mega projects – like the MRT3 – have not been imputed into our forecasts. We maintain our call and TP.</p>	<p>BUY, TP: MYR4.25</p>
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## Top BUYs

	TP (MYR)	Upside (%)	Shariah	Catalysts
<b>Bumi Armada (BAB MK)</b>	0.43	10.6	N	<ul style="list-style-type: none"> <li>We expect cash flow to be resilient, backed by better reliability of its Kraken unit and continuous asset monetisation.</li> <li>Its risk-reward profile remains attractive, as its current 6x FY21F P/E and 0.7x FY21F P/BV (-1SD from the 5-year mean).</li> </ul>
<b>Bursa Malaysia (BURSA MK)</b>	10.80	19.1	Y	<ul style="list-style-type: none"> <li>We expect the domestic trading scene to remain buoyant in 2021 despite mild moderation from 2020</li> <li>Trading activities will be supported by the resurgence in COVID-19 cases (market volatility) and vaccination programmes (eventual recovery)</li> <li>Retail participants should also stay elevated, as the extreme market movements in 2020 have attracted a whole new group of retail investors, in our view</li> </ul>
<b>Genting (GENT MK)</b>	6.27	29.0	N	<ul style="list-style-type: none"> <li>Beneficiary of a cyclical recovery as we head closer to achieving mass vaccination</li> <li>Trading at an attractive 5.8x FY22F EV/EBITDA vs regional peer average of 14x</li> <li>Market cap spread between GENT and its listed subsidiaries is still at a high discount of c.39%</li> </ul>
<b>Hong Leong Bank (HLBK MK)</b>	21.90	21.7	N	<ul style="list-style-type: none"> <li>Preferred defensive pick within the sector, valuation is also relatively more attractive (P/BV of 1.2x vs an ROE of &gt;10%)</li> <li>Solid asset quality (GIL ratio: &lt;1% ) with a prudent LLC ratio of 190%</li> <li>Expect the banking sector to outperform on the vaccine-precipitated recovery despite the near-term downside risks from MCO 2.0</li> </ul>
<b>IHH Healthcare (IHH MK)</b>	5.50	16.3	Y	<ul style="list-style-type: none"> <li>We expect patient volume to recover as COVID-19 is gradually contained from 2H21</li> <li>Strong earnings growth of 53% in FY21F</li> <li>Current valuation at &lt;17x EV/EBITDA is undemanding against its historical average EV/EBITDA of 20.3x</li> </ul>
<b>Inari Amertron (INRI MK)</b>	3.28	8.4	Y	<ul style="list-style-type: none"> <li>Prime beneficiary of 5G technology trend and strong smart phone sales</li> <li>Mid-term structural growth on the back chip content growth and business expansion.</li> <li>Earnings is expected to stage a strong YoY growth in FY21 while valuation remain relatively sensible relative to its mid-term prospect and peers.</li> </ul>
<b>Kuala Lumpur Kepong (KLK MK)</b>	27.80	18.8	Y	<ul style="list-style-type: none"> <li>Although KLK has a large landbank exposure in Indonesia, it also has downstream facilities there, benefitting from the latest export levy change</li> <li>KLK should also benefit from stronger glove demand via its 20%-owned stake in Synthomer, the world's second-largest nitrile butadiene rubber producer</li> <li>Valuation remains undemanding at 26x FY21 P/E – a discount to its peers' 30-47x.</li> </ul>
<b>Malaysia Airports (MAHB MK)</b>	6.65	10.6	N	<ul style="list-style-type: none"> <li>We expect airport passenger volume to recover as COVID-19 is gradually contained from 2H21</li> <li>Expect earnings turnaround in 4QFY21 and FY22</li> <li>Potential newsflow of lifting of interstate travel ban and reopening of Malaysian borders eventually are positive to share price.</li> </ul>
<b>Malayan Banking (MAY MK)</b>	10.00	24.1	N	<ul style="list-style-type: none"> <li>We expect regional economies to recovery as vaccines gain wider deployment;</li> <li>Maybank is our big-cap proxy to regional recovery and we see multiple levers to deliver earnings;</li> <li>Attractive 7% yield is highest among peers</li> </ul>
<b>NTPM (NTPM MK)</b>	1.03	73.1	N	<ul style="list-style-type: none"> <li>Transitioning to an earnings upcycle underpinned by low raw material prices, narrowing Vietnam operation losses, and capacity expansion</li> <li>Moderating capex trend moving forward paves the way for more generous dividend payouts</li> <li>Valuation is undemanding, trading at sizeable discount to the sector average</li> </ul>

<b>OCK (OCK MK)</b>	0.59	13.5	Y	<ul style="list-style-type: none"> <li>• Key beneficiary of the National Digital Infrastructure Plan or JENDELA and MyDigital blueprint</li> <li>• Over 80% of EBITDA is backed by recurring revenues (lease rentals, solar assets, and site maintenance)</li> <li>• Valuation is undemanding considering the sizeable contribution from the tower leasing business when compared to regional towerco comparables.</li> </ul>
<b>Power Root (PWRT MK)</b>	2.38	36.8	Y	<ul style="list-style-type: none"> <li>• Good proxy to capitalise on post-pandemic global demand recovery, given its established brand names and quality products</li> <li>• Sturdy balance sheet and strong cash flow generation to sustain generous dividend payout and support expansion plan</li> </ul>
<b>Sunway Construction (SCGB MK)</b>	2.18	30.5	Y	<ul style="list-style-type: none"> <li>• Potentially emerging as an early winner, should a more bullish scenario unfold within the sector</li> <li>• Optimistic on earnings recovery, supported by strengths in work execution, aggressive tendering, and steady jobs from the parent company</li> <li>• Entry point appears more favourable following a price retracement ahead of its results</li> </ul>
<b>Telekom Malaysia (T MK)</b>	7.20	20.7	Y	<ul style="list-style-type: none"> <li>• Strong growth in Unifi subs addition driving internet revenue from remote working and online learning platforms</li> <li>• Accelerated digitalisation drive by enterprises</li> <li>• Higher wholesale revenue from mobile backhaul fiberisation and the re-selling of high speed broadband access to mobile operators</li> </ul>
<b>Tenaga Nasional (TNB MK)</b>	11.52	14.4	Y	<ul style="list-style-type: none"> <li>• Our BUY call is premised on strong earnings rebound in 2021 amidst a demand recovery and its undemanding valuation.</li> <li>• The stock is trading at slightly above its 7-year low, and foreign shareholdings stood at 12.7% as of January (Dec 2019: 18.4%).</li> <li>• We expect interest from foreign investors to pick up, with its aggressive step-up in renewable energy in the longer run.</li> </ul>

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<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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