

Malaysia Morning Cuppa

Top Story

Guan Chong (GUAN MK, BUY, TP: MYR4.15)

Charting a Steady Earnings Recovery; BUY
Results Review

Keep BUY and MYR4.15 TP, 69% upside, c.3% yield. Guan Chong's 1H22 earnings met our expectations but missed consensus', with its 39% YoY growth aided by higher sales tonnage as well as stronger margins from lower raw material costs and better economies of scale. We expect a similar performance in 2H, with potentially stronger numbers from its Schokinag operations on lower energy costs, sustained robust demand globally, and higher production capacity. Current valuation is attractive for Asia's largest cocoa grinder, with its consistent earnings base and diverse clientele.

Analyst: Lee Meng Horng +603 9280 8866

Today's Report: [Guan Chong : Charting a Steady Earnings Recovery; BUY \(17 Aug 2022\)](#)

Previous Report: [Guan Chong : Solid Margin Recovery Amid Growing Demand \(31 May 2022\)](#)

Other Stories

Berjaya Food (BFD MK, BUY, TP: MYR4.80)

Ending The Financial Year On a High Note; BUY
Results Review

Maintain BUY and MYR4.80 TP, 11% upside. Berjaya Food's FY22 (Jun) results beat expectations on the back of the successful execution of effective business strategies across its brands and restored consumer confidence post pandemic, which all led to robust SSSG. With the stock trading at 16x FY23F P/E, which is near its 5-year historical mean, we believe the valuation is attractive, considering its improving fundamentals and solid earnings delivery.

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Today's Report: [Berjaya Food : Ending The Financial Year On a High Note; BUY \(17 Aug 2022\)](#)

Previous Report: [Berjaya Food : Surprised On The Upside, Again; Maintain BUY \(12 May 2022\)](#)

Tenaga Nasional (TNB MK, NEUTRAL, TP: MYR9)

A Clearer Sustainability Path
Company Update

Stay NEUTRAL, with new TP of MYR9 from MYR8.60, 1% upside. We walked away from Tenaga Nasional's Investor Day feeling more positive as the company demonstrated its commitment to its sustainability agenda. Despite ambitious targets being revealed, TNB still needs to accelerate its renewable energy capacity to meet the 8.3GW target by 2025. The absorption of carbon capture, utilisation and storage cost, in our view, may dampen its returns in the medium term.

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Today's Report: [Tenaga Nasional : A Clearer Sustainability Path \(17 Aug 2022\)](#)

Previous Report: [Tenaga Nasional : TNB Genco Listing? Maintain NEUTRAL \(15 Aug 2022\)](#)

Chart 1: FBM KLCI chart



		Chg
KLCI Futures Aug 2022	1,518.50	+11.0
KLCI Futures Sep 2022	1,505.00	+9.0
Brent Crude Oil (USD/bbl)	92.34	(2.8)
CPO Spot Price (MYR/Tonne)	4,259.50*	(177.0)
USD/EUR	1.02	0.0
JPY/USD	134.22	+0.9
USD/MYR	4.47	0.0
JPY/MYR	3.33	(0.0)
EUR/MYR	4.53	(0.0)

Note: *As at 15 Aug 2022 closing

Table 1: Regional markets (16 Aug 2022)

	Bloomberg Code	Index	Chg	YTD (%)
FTSE KLCI	: FBMKLCI	1,518.78	↑ +14.77	(3.1)
FTSE Emas	: FBMEMAS	10,749.53	↑ +88.99	(4.9)
FTSE 70	: FBM70	12,780.83	↑ +73.43	(10.1)
FTSE 100	: FBM100	10,498.16	↑ +92.39	(4.7)
Singapore	: FSSTI	3,253.79	↓ (3.03)	+4.2
Thailand	: SET	1,629.95	↑ +4.70	(1.7)
Philippines	: PCOMP	6,850.64	↑ +112.80	(3.8)
Indonesia	: JCI	7,133.45	↑ +40.18	+8.4
Hong Kong	: HSI	19,830.52	↓ (210.34)	(15.2)
China, Shanghai	: SHCOMP	3,277.89	↑ +1.80	(9.9)
China, Shenzhen	: SZCOMP	2,227.04	↑ +9.60	(12.0)
Korea	: KOSPI	2,533.52	↑ +5.58	(14.9)
Taiwan	: TWSE	15,420.57	↑ +3.22	(15.4)
Japan	: NKY	28,868.91	↓ (2.87)	+0.3
Dow Jones	: INDU	34,152.01	↑ +239.57	(6.0)
S&P 500	: SPX	4,305.20	↑ +8.06	(9.7)
Nasdaq	: CCMP	13,102.55	↓ (25.50)	(16.3)

Top BUYs

	TP (MYR)	Upside (%)	Shariah	Catalysts
AMMB (AMM MK)	4.40	9.5	N	<ul style="list-style-type: none"> Targeting ROE of 10% (FY22: 5%) on above-industry average loan growth of 7%, stable to higher NIM, and lower credit cost of 35-40bps (FY22: 64bps) With LLC for oil & gas exposures raised to >80%, no further need of future overlays Dividend payout to normalise to 35-40% from FY23F (FY22: 11%) with good progress on capital rebuild.
Heineken Malaysia (HEIM MK)	29.20	16.8	N	<ul style="list-style-type: none"> Proxy for consumption recovery thanks to its established brand equity and products portfolio The reopening of international borders and more entertainment outlets (nightclubs) should further boost consumption Earnings growth should also be aided by the ASP increases to mitigate cost inflation
Hong Leong Bank (HLBK MK)	23.70	14.2	N	<ul style="list-style-type: none"> Offers defensive attributes with healthy earnings growth Balance sheet solid with GIL ratio a low 0.46%, LLC at 251% and CET-1 at 13.1% Loan growth above peers with strong focus on asset quality Digitalisation initiatives have led to meaningful reduction in CIR to 37% (domestic: 35%)
Inari Amertron (INRI MK)	3.59	21.7	Y	<ul style="list-style-type: none"> Prime beneficiary of the 5G technology trend and strong smart phone sales Mid-term structural growth on the back chip content growth and business expansion. Earnings are expected to stage a strong YoY growth in FY21, while valuations remain relatively sensible relative to its mid-term prospect and peers
Mr DIY (MRDIY MK)	2.90	36.2	Y	<ul style="list-style-type: none"> Gravity-defying growth underpinned by strong brand equity and efficient business model Robust outlet expansion plans across brands to support longer-term growth Valuation should play catch-up to consumer large-cap peers
Press Metal (PMAH MK)	7.53	56.5	Y	<ul style="list-style-type: none"> Robust FY20-23F earnings CAGR of 78% on stronger LME aluminium prices alongside capacity expansion coming online in FY21 Low-carbon footprint relative to its peers could offer long-term upside potential amid global decarbonisation efforts
TASCO (TASCO MK)	2.03	107.1	N	<ul style="list-style-type: none"> Tasco has a pandemic-resistant business. It is also leveraged to post-COVID-19-recovery tailwinds, which translate into a 3-year core earnings CAGR of c.26%, subsequent to FY21's 400% YoY growth Multi-pronged expansion plan backed by the integrated logistics services tax incentive scheme that should also take place in subsequent quarters, which could potentially lead to better profitability going forward The stock's current below peers' valuation provides investors with good opportunities to ride on a renowned logistics player with strong earnings growth momentum

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