2 June 2023

Market Outlook | Market Strategy

Market Strategy

Mar 2023 Quarter Earnings Review

Stocks Covered	147
Rating (Buy/Neutral/Sell):	75 / 62 / 10
Last 12m Earnings Revision Trend:	Negative

- **A March reporting quarter to forget.** Despite already subdued expectations, the Mar 2023 reporting quarter nevertheless disappointed. The misses-to-beats ratio spiked higher to 3.6 with 44.6% of results falling below expectations. Subdued topline growth and persistent cost pressures made for negative operating leverage and weaker margins. With the business environment likely to stay challenging, investor sentiment will remain cautious pending the disposal of the impending six state elections. Our end-2023 FBM KLCI target is cut to 1,500 pts from 1,575 pts.
- **Negative earnings revisions.** The March quarter saw nine sectors (plantation, technology, oil & gas (O&G), media, construction, gaming, healthcare, rubber products, property, and basic materials) performing below expectations, up from six in the preceding Dec 2022 quarter. No sector performed above expectations. Sectors that contributed the most number of earnings misses include plantation, technology, construction, rubber products, property and consumer. Earnings revisions were decidedly negative with FY23 earnings cut by 3.8% with the biggest reductions from plantations, O&G, rubber products and telecommunications. The misses-to-beats ratio crept higher to 3.6 (from 1.0 in the preceding quarter). Only 12.3% of earnings beat with 44.6% missed and 43.1% within expectations. The auto sector is cut to NEUTRAL from Overweight to reflect expectations of softening car sales going into 2024.
- **KLCI stocks.** The majority (70.4%) of the large caps delivered earnings that were in line with expectations, offset by misses in 25.9% of the KLCI component stocks under coverage. FY23 estimates were cut by 3.8% or MYR2.3bn, mainly contributed by plantation (lower PK prices and higher unit costs) and Petronas Chemicals (weaker margins). While there are lingering concerns on further NIM compression in the banking sector, there were few asset quality concerns, while capital ratios remain comfortable. Forward guidance from the banks remain tentative, reflecting evolving business conditions and weak visibility.
- **Strategy.** We expect investor sentiment to remain cautious given limited forward visibility on re-rating catalysts for markets, even as global macroeconomic conditions continue to evolve. The results of the impending six state elections may have a bearing on the propensity of the unity government to implement critical fiscal and policy reforms. Forward P/Es remain at a discount to the long-term mean although market headroom will be capped by unexciting earnings growth and persistent risks of further corporate earnings downgrades. Key investment themes centre on a defensive approach coupled with trading strategies to boost alpha and deploying excess cash on weakness in value names for medium term outperformance. Still OVERWEIGHT on the banking, O&G, basic materials, non-bank financial institutions (NBFIs), healthcare and property sectors. End-2023 FBM KLCI target cut to 1,500 pts from 1,575 pts, after ascribing an unchanged 15x (-0.5SD to mean) P/E to our revised FY24F EPS.

Company Name	Rating	Target (MYR)	% Upside (Downside)	P/E (x) Dec-23F	P/B (x) Dec-23F	ROAE (%) Dec-23F	Yield (%) Dec-23F
CIMB	Buy	6.00	23.5	8.3	0.8	9.5	6.1
CTOS Digital	Buy	1.92	37.5	31.2	5.9	19.5	1.9
Guan Chong	Buy	3.30	39.5	11.3	1.5	13.2	2.0
IOI Properties	Buy	1.46	32.6	7.4	0.3	3.9	5.0
Malayan Banking	Buy	9.45	9.9	11.0	1.2	10.8	7.2
Malaysia Marine & Heavy Engineering	Buy	0.80	53.2	21.6	0.5	2.2	1.6
Mr DIY Group	Buy	2.48	60.2	24.2	8.3	37.5	2.1
OCK Group	Buy	0.60	57.9	11.3	0.9	7.1	2.4
Power Root	Buy	2.46	21.4	15.5	3.3	-	5.9
Sunway Construction	Buy	2.05	21.0	14.3	2.7	19.9	4.2
Telekom Malaysia	Buy	6.20	21.6	13.4	1.9	15.9	3.5
Yinson	Buy	3.12	19.5	18.7	1.8	10.6	0.8
YTL Power	Buy	1.55	17.4	8.3	0.7	8.6	4.8

Source: Company data, RHB

Analyst

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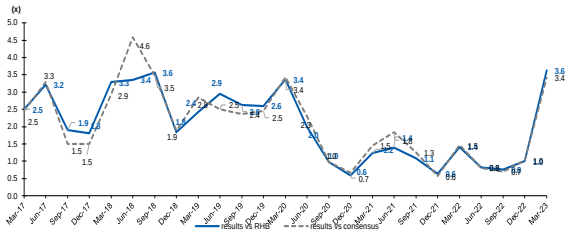
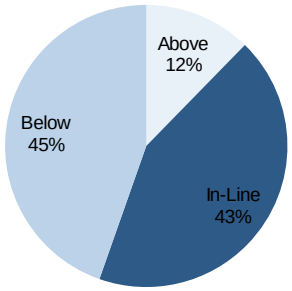
Misses-to-beats ratio



Source: Company data, RHB

Figure 1: Comparison of Mar 2023 quarterly earnings vs RHB estimates

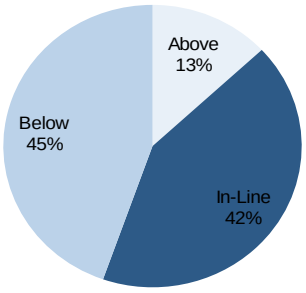
Sector	Total	Above	In line	Below
Auto	5	1	3	1
REITs	7	0	5	2
Plantations	8	1	3	4
Technology	9	0	3	6
Oil & Gas	10	3	4	3
Banks	8	0	7	1
Non-Bank Financials	6	1	5	0
Media	2	0	0	2
Transport	5	0	4	1
Construction	11	2	1	8
Gaming	4	0	3	1
Healthcare	5	2	1	2
Utilities	8	1	3	4
Rubber products	4	1	0	3
Telecoms	6	0	5	1
Property	10	0	4	6
Basic Materials	4	2	0	2
Consumer	18	2	5	11
Total	**130**	**16**	**56**	**58**
% of Total		12.3	43.1	44.6



Source: RHB

Figure 2: Comparison of Mar 2023 quarter earnings vs consensus estimates

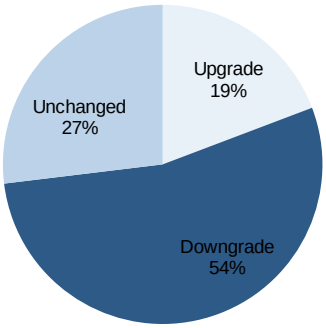
	Total	Above	In-Line	Below
Auto	5	2	1	2
REITs	7	0	5	2
Plantations	8	2	2	4
Technology	9	0	3	6
Oil & Gas	10	3	3	4
Banks	8	0	7	1
Non-Bank Financials	6	0	6	0
Media	2	0	0	2
Transport	5	0	4	1
Construction	11	1	2	8
Gaming	4	0	2	2
Healthcare	5	2	2	1
Utilities	8	1	4	3
Rubber products	4	1	0	3
Telecoms	6	0	5	1
Property	10	1	3	6
Basic Materials	4	2	1	1
Consumer	18	2	5	11
Total	**130**	**17**	**55**	**58**
% of Total		13.1	42.3	44.6



Source: RHB

Figure 3: Changes to TPs

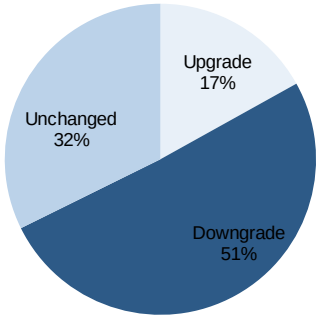
Sector	Total	Upgrade	Downgrade	Unchanged
Auto	5	1	2	2
REITs	7	2	1	4
Plantations	8	1	6	1
Technology	9	1	6	2
Oil & Gas	10	2	7	1
Banks	8	0	7	1
Non-Bank Financials	6	2	2	2
Media	2	0	2	0
Transport	5	1	3	1
Construction	11	6	4	1
Gaming	4	0	1	3
Healthcare	5	0	2	3
Utilities	8	3	5	0
Rubber products	4	3	1	0
Telecoms	6	1	1	4
Property	10	1	4	5
Basic Materials	4	1	3	0
Consumer	18	0	13	5
Total	**130**	**25**	**70**	**35**
% of Total		19.2	53.8	26.9



Source: RHB

Figure 4: Changes to earnings estimates

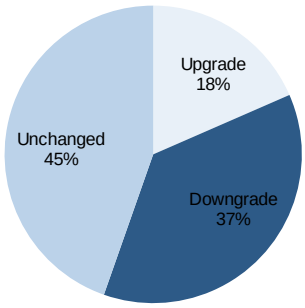
Sector	Total	Upgrade	Downgrade	Unchanged
Auto	5	1	1	3
REITs	7	3	1	3
Plantations	8	1	6	1
Technology	9	0	7	2
Oil & Gas	10	2	4	4
Banks	8	1	4	3
Non-Bank Financials	6	3	3	0
Media	2	0	2	0
Transport	5	0	4	1
Construction	11	3	4	4
Gaming	4	0	1	3
Healthcare	5	0	1	4
Utilities	8	1	5	2
Rubber products	4	1	3	0
Telecoms	6	1	1	4
Property	10	2	3	5
Basic Materials	4	2	2	0
Consumer	18	1	14	3
Total	**130**	**22**	**66**	**42**
% of Total		16.9	50.8	32.3



Source: RHB

Figure 5: Changes to revenue estimates

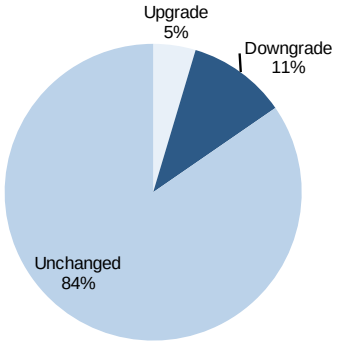
Sector	Total	Upgrade	Downgrade	Unchanged
Auto	5	0	2	3
REITs	7	3	1	3
Plantations	8	2	5	1
Technology	9	1	6	2
Oil & Gas	10	3	1	6
Banks	8	1	4	3
Non-Bank Financials	6	2	3	1
Media	2	0	2	0
Transport	5	1	3	1
Construction	11	2	4	5
Gaming	4	1	0	3
Healthcare	5	0	0	5
Utilities	8	1	2	5
Rubber products	4	1	3	0
Telecoms	6	0	1	5
Property	10	1	3	6
Basic Materials	4	2	2	0
Consumer	18	3	6	9
Total	**130**	**24**	**48**	**58**
% of Total		18.5	36.9	44.6



Source: RHB

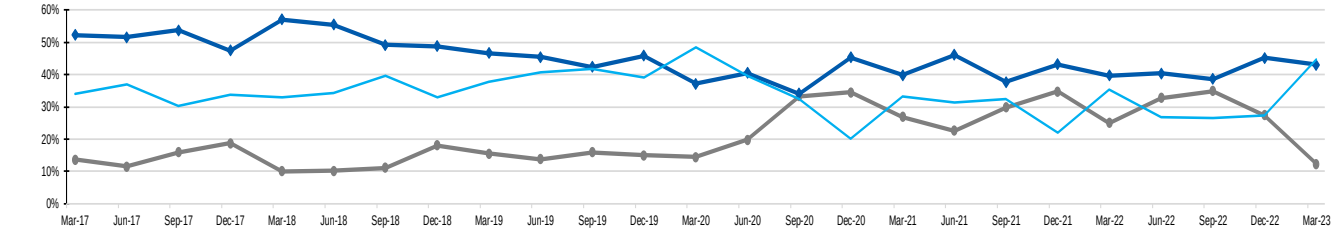
Figure 6: Changes to recommendations

Sector	Total	Upgrade	Downgrade	Unchanged
Auto	5	0	1	4
REITs	7	1	0	6
Plantations	8	1	2	5
Technology	9	1	1	7
Oil & Gas	10	0	3	7
Banks	8	0	0	8
Non-Bank Financials	6	0	0	6
Media	2	0	0	2
Transport	5	0	0	5
Construction	11	1	0	10
Gaming	4	0	0	4
Healthcare	5	0	1	4
Utilities	8	0	0	8
Rubber products	4	1	0	3
Telecoms	6	0	1	5
Property	10	1	3	6
Basic Materials	4	0	1	3
Consumer	18	0	1	17
Total	**130**	**6**	**14**	**110**
% of Total		4.6	10.8	84.6



Source: RHB

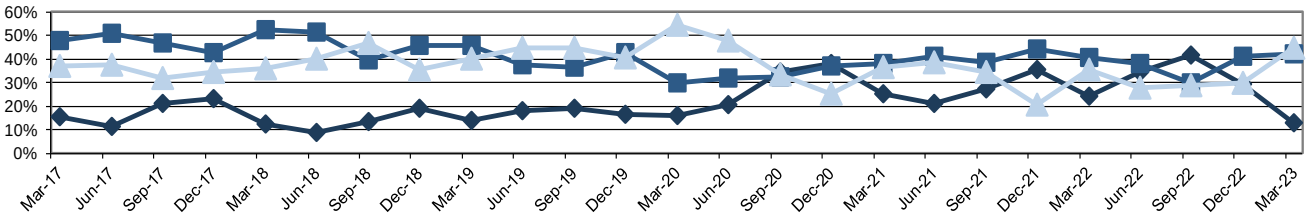
Figure 7: Tracker – results vs RHB estimates



	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Above	13.6%	11.5%	15.9%	18.7%	10.0%	10.2%	11.1%	18.0%	15.6%	13.8%	15.9%	15.0%	14.4%	19.8%	33.3%	34.5%	26.8%	22.6%	29.8%	34.7%	25.0%	32.8%	34.8%	27.4%	12.3%
In Line	52.3%	51.6%	53.8%	47.5%	57.1%	55.5%	49.2%	48.9%	46.7%	45.5%	42.4%	45.9%	37.1%	40.5%	34.1%	45.4%	39.8%	46.1%	37.7%	43.2%	39.7%	40.3%	38.6%	45.2%	43.1%
Below	34.1%	36.9%	30.3%	33.8%	32.9%	34.3%	39.7%	33.1%	37.8%	40.7%	41.7%	39.1%	48.5%	39.7%	32.5%	20.2%	33.3%	31.3%	32.5%	22.0%	35.3%	26.9%	26.5%	27.4%	44.6%

Source: Company data, RHB

Figure 8: Tracker – results vs Street projections



	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Above	15.2%	11.5%	21.2%	23.0%	12.1%	8.8%	13.5%	18.8%	14.1%	17.9%	18.9%	16.5%	15.9%	20.6%	34.1%	37.8%	25.2%	20.9%	27.2%	35.6%	24.1%	34.5%	41.7%	29.0%	13.1%
In Line	47.7%	50.8%	47.0%	42.4%	52.1%	51.1%	39.7%	45.9%	45.9%	37.4%	36.4%	42.9%	29.5%	31.7%	32.5%	37.0%	38.2%	40.9%	38.6%	44.1%	40.5%	37.8%	29.5%	41.1%	42.3%
Below	37.1%	37.7%	31.8%	34.5%	35.7%	40.1%	46.8%	35.3%	40.0%	44.7%	44.7%	40.6%	54.5%	47.6%	33.3%	25.2%	36.6%	38.3%	34.2%	20.3%	35.3%	27.7%	28.8%	29.8%	44.6%

Source: Company data, RHB

Figure 9: Sector performance tracker – actual vs RHB

Sector	Mar 2020	Jun 2020	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023
Auto	Below	Below	Mixed	Above	In line	Below	Below	Above	Below	Above	Above	Below	In line
Banks	Mixed	Mixed	Above	In line	Above	In line	Above	Above	In line	Above	Above	Above	In line
Basic Materials	In line	Above	In line	Mixed	In line	Below	Below	In line	Below	Below	Below	Below	Below
Construction	Below	Below	Below	In line	Below	Below	Below	In line	Below	Below	Below	In line	Below
Consumer	Below	Below	Below	In line	Mixed	Below	Below	Below	Above	Above	Above	In line	In line
Gaming	Below	Below	Mixed	In line	Below	In line	In line	In line	Below	Below	Below	In line	Below
Healthcare	In line	Below	In line	In line	Above	Above	In line	In line	Above	Below	Below	Below	Below
Media	In line	Below	Above	Above	In line	In line	In line	In line	In line	In line	Below	Below	Below
NBFI	Mixed	Mixed	In line	Above	In line	In line	Below	Above	In line	Above	In line	Above	In line
Oil & Gas	Below	In line	Above	In line	Below	Below	In line	In line	In line	In Line	Above	In line	In line
Plantations	Below	In line	Above	Above	In line	Above	Above	Above	Above	In line	Below	In line	Below
Property	Below	Below	Below	In line	Below	Below	Below	Above	Below	Above	Above	In line	Below
REITs	Below	Below	Mixed	Mixed	Below	Below	In line	In line	Above	In line	In line	In line	In line
Rubber	In line	Above	Above	Above	In line	In line	Above	Below	In line	Below	Below	Below	Below
Technology	Below	In line	Above	Above	Mixed	In line	In line	In line	In line	In line	In line	In line	Below
Telecoms	In line	In line	In line	In line	In line	In line	In line	In line	In line	In line	In line	In line	In line
Transport	Below	In line	Mixed	In line	In line	Below	In line	In line	In line	In line	In line	Above	In line
Utilities	In line	Above	In line	In line	In line	In line	In Line	In line	Below	Below	In line	Below	In line

Source: Company data, RHB

Figure 10: Upgraded recommendation changes

Company	New rating	Old rating	New TP (MYR)	Old TP (MYR)
Boilermech Holdings	Neutral	Sell	0.63	0.60
GHL System	Buy	Neutral	0.92	0.92
KLCCP Stapled	Buy	Neutral	7.79	7.30
Pintaras Jaya	Buy	Neutral	1.94	1.91
Sime Darby Property	Buy	Neutral	0.55	0.55
Top Glove Corp	Neutral	Sell	0.88	0.57

Source: RHB

Figure 11: Downgraded recommendation changes

Company	New rating	Old rating	New TP (MYR)	Old TP (MYR)
Axiata Group	Neutral	Buy	3.25	4.37
Berjaya Food	Neutral	Buy	0.77	1.29
Coastal Contracts	Neutral	Buy	2.51	2.56
Dayang Enterprise	Neutral	Buy	1.38	1.73
Eastern & Oriental (E&O)	Neutral	Buy	0.33	0.50
FGV Holdings	Sell	Neutral	1.20	1.50
Kotra Industries	Sell	Neutral	4.90	6.26
Malayan Cement	Neutral	Buy	3.00	2.90
Petronas Chemicals	Sell	Neutral	6.00	6.89
Sarawak Oil Palms	Sell	Neutral	2.00	2.50
Tambun Indah	Neutral	Buy	0.90	0.90
Tan Chong Motor	Sell	Neutral	0.80	1.10
Unisem (M)	Neutral	Buy	2.86	3.80
UOA Development	Neutral	Buy	1.86	1.90

Source: RHB

Figure 12: Companies with results that were above expectations

Company	New rating	Old rating	New TP (MYR)	Old TP (MYR)
AEON Credit Service`	Buy	Buy	15.20	15.20
Bermaz Auto	Buy	Buy	3.45	2.90
Boilermech Holdings	Neutral	Sell	0.63	0.60
Duopharma Biotech	Buy	Buy	1.75	1.75
Gamuda	Neutral	Neutral	4.35	4.11
Hartalega	Neutral	Neutral	2.38	2.11
Kelington	Neutral	Neutral	1.41	1.59
Kotra Industries	Sell	Neutral	4.90	6.26
Malayan Cement	Neutral	Buy	3.00	2.90
MGB	Buy	Buy	0.93	0.89
Padini	Buy	Buy	4.62	4.62
Petronas Dagangan	Neutral	Neutral	23.07	22.22
Power Root	Buy	Buy	2.46	2.60
Sapura Energy	Sell	Sell	0.02	0.02
Yinson Holdings	Buy	Buy	3.12	3.15
YTL Power	Buy	Buy	1.55	1.25

Source: RHB

Figure 13: Companies with results that were below expectations

Company	New rating	Old rating	New TP (MYR)	Old TP (MYR)
Advancecon	Neutral	Neutral	0.26	0.24
Astro Malaysia	Buy	Buy	0.84	0.94
Axiata Group	Neutral	Buy	3.25	4.37
Axis REIT	Buy	Buy	2.14	2.14
Berjaya Food	Neutral	Buy	0.77	1.29
BIMB Holdings	Neutral	Neutral	2.00	2.30
Cahya Mata Sarawak	Buy	Buy	1.48	1.60
Carlsberg Brewery	Neutral	Neutral	22.70	25.00
Chin Well	Neutral	Neutral	1.45	1.56
CLMT	Neutral	Neutral	0.56	0.59
Coraza	Neutral	Neutral	0.77	0.81
Dayang Enterprise	Neutral	Buy	1.38	1.73
Dialog	Buy	Buy	2.86	2.98
E&O	Neutral	Buy	0.33	0.50
Econpile	Sell	Sell	0.14	0.16
Farm Fresh	Buy	Buy	1.72	1.75
FGV Holdings	Sell	Neutral	1.20	1.50
Gabungan AQRS	Buy	Buy	0.40	0.46
Globetronics	Neutral	Neutral	1.01	1,05
Guan Chong	Buy	Buy	3.30	3.63
IHH Healthcare	Buy	Buy	6.90	6.90
Inari Amertron	Neutral	Neutral	2.31	2.60
JHM Consolidation	Buy	Buy	0.85	1.04
Kerjaya Prospek	Buy	Buy	1.55	1.48
KKB Engineering	Buy	Buy	1.80	1.72
Kossan Rubber	Neutral	Neutral	1.24	1.40
KPJ Healthcare	Buy	Buy	1.50	1.50
Leong Hup International	Buy	Buy	0.63	0.63
Magnum	Neutral	Neutral	1.04	1.06
Malakoff Corp	Buy	Buy	0.77	0.86
Malaysia Airport	Buy	Buy	8.31	8.28
Malaysian Resources Corp	Buy	Buy	0.40	0.45
Media Prima	Neutral	Neutral	0.45	0.49
Malaysia Pacific Industries	Neutral	Neutral	25.70	30.50
Mynews Holdings	Buy	Buy	0.66	0.73
Petronas Chemicals	Sell	Neutral	6.00	6.89
Pintaras Jaya	Buy	Neutral	1.94	1.91
Press Metal	Buy	Buy	5.38	5.71
Ranhill Utilities	Buy	Buy	0.72	0.75
Samaiden Group	Buy	Buy	1.05	1.06
Sarawak Oil Palms	Sell	Neutral	2.00	2.50
Scientex	Buy	Buy	3.91	3.95
Sime Darby Plantation	Neutral	Neutral	4.00	4.55
Sime Darby Property	Buy	Neutral	0.55	0.55
SKP Resources	Neutral	Neutral	0.95	1.43
SP Setia	Neutral	Neutral	0.60	0.64
Sunway Construction Group	Buy	Buy	2.05	2.07
Supermax Corp	Neutral	Neutral	1.00	0.85
Ta Ann	Neutral	Neutral	2.95	3.40
Taliworks Corporation	Buy	Buy	1.01	1.06
Tambun Indah	Neutral	Buy	0.90	0.90
Tan Chong Motor	Sell	Neutral	0.80	1.10
Texchem Resources	Buy	Buy	2.77	3.60
Top Glove Corp	Neutral	Sell	0.88	0.57
UEM Sunrise	Neutral	Neutral	0.28	0.28
Unisem (M)	Neutral	Buy	2.86	3.80
UOA Development	Neutral	Buy	1.86	1.90
VS Industry	Neutral	Neutral	0.84	0.86

Source: RHB

Sector Review

Banking – NIM Pressure: Is The Worst Over? OVERWEIGHT

Maintain OVERWEIGHT on banks. Banks had a very decent 1Q23 reporting quarter, as there were adequate levers to support bottomline growth despite acute NIM pressure. Asset quality was also stable. We continue to prefer the bigger banks over smaller peers, and prefer banks with more meaningful overseas exposure. Our preferred picks are Malayan Banking (MAY MK, BUY, TP: MYR9.45), Hong Leong Bank (HLBK MK, BUY, TP: MYR22.60) and CIMB (CIMB MK, BUY, TP: MYR 6.00). We stay selective on the smaller banks, with BUY calls for AMMB (AMM MK, BUY, TP: MYR4.60) and Affin (ABANK MK, BUY, TP: MYR2.30).

1Q23 results in line. Of the eight banks under our coverage, seven banks posted results that met our and consensus expectations, while BIMB's (BIMB MK, NEUTRAL, TP: MYR2) results missed estimates due to weaker-than-expected financing growth as well as net financing margins.

1Q23 net profit expanded 17% YoY and 3% QoQ, aided by a lower effective tax rate. At the pre-tax level, growth was mixed, with PBT up 8% YoY but down 8% QoQ. Sequentially, while NII fell 12% due to funding cost pressures, this was cushioned by stronger non-II (+8% QoQ thanks to treasury and FX), lower opex (-5% QoQ due to seasonality), and a 24% QoQ decline in loan impairments. Loans grew 1% QoQ (+7% YoY), matched by 2% QoQ deposits growth (+4% YoY). 1Q23 GIL ratio was unchanged QoQ at 1.62%, while LLC was marginally lower at 117.5% (4Q22: 119.1%). Sector aggregate FY23F-24F net profit was tweaked down by 1% pa, mainly on lower NIM forecasts.

Outlook. NIM trajectory will likely be a key focus area ahead for investors, and based on the briefings, green shoots may be emerging. We gather that campaign rates have eased post 1Q23, and this was notwithstanding May's Overnight Policy Rate (OPR) hike. As such, the combination of the OPR hike and lower promotional rates mean that 1Q NIM pressure could have been most acute, and this pressure should ease going forward. Elsewhere, banks remain watchful of loans exiting repayment assistance programmes, and of sectors such as construction and real estate, but do not appear to be pulling the lending handbrake. As loans continue to exit relief programmes, banks should see greater flexibility on the stock of overlays, which include redeployment and/or write-backs. We expect better clarity in the coming quarters. Also, given most banks are well capitalised, we expect shareholder returns to be an ongoing theme and area of interest.

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Basic Materials – Succumbed To Cost Pressure OVERWEIGHT

Maintain OVERWEIGHT. 1Q23 results for the sector missed expectations, as Press Metal's (PMAH MK, BUY, TP: MYR5.38) results were softer than our forecast primarily due to softer LME aluminium prices and lower contribution from its associates companies. Malayan Cement (LMC MK, NEUTRAL, TP: MYR3.00) saw QoQ and YoY improvement in earnings in 3QFY23 (Jun) as a result of improvement in sales volumes and ASP for domestic cement and ready-mixed concrete. Cahya Mata Sarawak's (CMS MK, BUY, TP: MYR1.60) earnings disappointed as a result of the loss making road maintenance and phosphate division.

Aluminium. PMAH's 1Q23 core earnings core earnings of MYR266m (+5% QoQ; -33.9% YoY), came in at 16% and 17% of our and Street full-year estimates. QoQ improvement was supported by the easing in its raw materials especially carbon anode, which stood at CNY6,398 (1Q22: CNY5,136 and 4Q22: CNY7,043), mainly due to a decline in pet coke prices. Looking ahead, management believes the ongoing tightness in the global inventory level, "green push" from electric vehicles (EVs), and production disruption in Europe will continue to bode well for PMAH. The hedging policy remains unchanged – 2023: 35-40% at the range of USD2400-2500; 2024: 30% at USD2600, and 2025: 15% at USD2600 and above.

Cement. LMC's 3QFY23's core net profit of MYR63.9m jumped significantly (+371.2% QoQ; +248.9% YoY), bringing 9MFY23 figure to RM77.1m, a 75% YoY improvement. This came way above our and consensus expectations at 114% and 113% of full-year estimates. Following the recent share price rally, we downgraded LMC to NEUTRAL premised on the cautious inflationary pressure, absence of new large infrastructure projects in the pipeline, which could potentially slowdown cement demand in the near term. On the other hand, CMS still missed our expectations, with its core net profit of the quarter coming in at MYR48.7m (-34% YoY). The cement division reported a higher PBT of MYR37.55m (+28.8% YoY) vs LBT of MYR3.3m in 4Q22, mainly driven by better sales volume. Moving forward, while

elevated cement ASP is unlikely to sustain in the longer term (softened 5% MoM in April); earnings visibility of CMS would be supported by robust sales volume, underpinned by ongoing state construction projects.

Overweight. Our sector Top Pick is still PMAH given still-low LME warehouse aluminium inventory, scarcity of low carbon-producing aluminium smelters in the ASEAN region, which would benefit from the "green push" from EVs, and global demand shift towards the Asian smelters amid production disruption in Europe.

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Healthcare – Remain Resilient Despite Macroeconomic Headwinds

OVERWEIGHT

Maintain OVERWEIGHT. Key takeaways from the March reporting season mainly involved a pick-up in hospital activities, cost inflationary pressure and demand slowing down (on supplementary products). As such, we believe healthcare players with the ability to pass on cost, have inelastic demand and a sound expansion story while being domestically focused will continue to thrive under the challenging market environment. With that, KPJ Healthcare (KPJ MK, BUY, TP: MYR1.46) remains our sector Top Pick, as we continue to advocate domestic-centric plays at present. We like KPJ's robust patient growth trajectory, being less susceptible to nursing staff shortages, and its encouraging performance from the flagship Damansara Specialist Hospital 2 (DSH2) to drive its health tourism (HT) division's growth.

Healthcare service providers. KPJ's results were weaker than expected (1Q23 core earnings was 20% of our estimate) mainly dragged by the loss from DSH2. Encouragingly, the group was still able to churn out 6% QoQ revenue growth despite the seasonally weak quarter as its Ambulatory Care Centre (ACC) opened in 2022 which drove outpatient visit growth, coupled with the sequential improvement in DSH2's revenue contribution. Total patient visits grew by 1% YoY to 821,126 as total outpatient and inpatient visits recorded -2% and +35% YoY growth to 733,090 and 88,036. Bed occupancy rate (BOR) climbed to 70% – its highest ever recorded BOR post-pandemic. Moving forward, we still see ample of growth opportunities including: i) The newly opened ACCs in Ipoh and the Klang Valley that should drive outpatient growth while addressing the overcrowding issue in public hospitals; 2) return of medical tourists coupled with the group's transformation plan (to offer more tertiary care service) which should anchor revenue intensity profile; 3) narrowing losses from DSH2 and other debuted hospitals (KPJ Miri and Perlis).

For IHH Healthcare's (IHH MK, BUY, TP: MYR6.90), 1Q23 core earnings made up of 22% and 21% of our and consensus estimates. The weaker-than-expected results were mainly marred by higher depreciation charges (relating to the application of the Malaysia Financial Reporting Standards (MFRS 129)), escalating operating costs, as well as nursing staff shortages in Singapore. Positively, its key market segment had all recorded positive YoY revenue growth underpinned by robust patient admissions volume growth and revenue intensity. Malaysia operations growth was driven by 41% YoY growth in patient volume offset by 1% YoY decline in revenue intensity attributed to the return of patients with less acute illness. Meanwhile, Acibadem registered 45% YoY growth as Turkey saw patient volume growth of +14% YoY thanks to Atasehir Hospital commencing operations (in Sep 2022) and the acquisition of Kent Group (Feb 2023). Singapore BOR edged up 4ppts QoQ to 60%, but has yet to recover to pre-COVID-19 levels as Singapore is still struggle with nursing shortages. Nevertheless, the Singapore division saw commendable revenue growth of 13% YoY thanks to a 12% increase in revenue intensity as a result of a relatively complex case mix offsetting the 2% YoY drop in patient admission volume.

Pharmaceuticals. Duopharma Biotech's (DBB MK, BUY, TP: MYR1.59) booked 1Q23 core profit of MYR28.3m (+6.5% QoQ, -4% YoY) that accounted for 30% and 29% of our and Street full year estimates. We deem the results as above expectations, aided by the 16% YoY export sales pick-up (+45% QoQ) that benefited from the reopening international borders. Robust local sales segment (+6% YoY) was said to offset the sequential weakness in sales of consumer healthcare segment. While management is cognisant of the inelastic nature towards pharmaceutical products, escalating cost pressure ie minimum staff wages and higher electricity tariff could potentially cost the group MYR20m pa. Meanwhile, Kotra Industries' (Kotra) (KTRI MK, SELL, TP: MYR4.90) 3QFY23 earnings came in above our and Street expectations on the back of increases in export sales (+43% YoY) and a surge in local demand for prescription pharmaceutical products. This was offset by a drop in supplement products sales domestically, bringing Kotra's local sales segment down 3% YoY. Post results, we downgrade the stock to SELL premised on the current rich valuation of 12x FY24F

P/E or +0.6SD from its pre-COVID-19 mean, and slowdown in growth as a result of sequential weaknesses in revenue growth from over-the-counter (OTC) sales moving forward. This is as concerns over drug shortages have been resolved post the easing of supply chain congestions.

Sector Pick. We continue to advocate investors towards domestic-centric names, as healthcare players with overseas exposure may still face headwinds – predominantly from inflationary uncertainties and elevated operating costs. As such, we like KPJ for its robust inpatient and outpatient growth trajectory, being less-susceptible by nursing shortages, as well as the encouraging performance of its flagship, DSH2 to drive the HT division's growth. Key downside risks: Higher-than-expected raw material prices, lower-than-expected patient visits and revenue intensity growth, as well as the strengthening of the USD against the MYR.

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Integrated Oil & Gas – A Slow Start — OVERWEIGHT

Maintain OVERWEIGHT. Top Picks: Yinson (YNS MK, BUY, TP: MYR3.12), Malaysia Marine and Heavy Engineering (MMHE MK, BUY, TP: MYR0.80), and Bumi Armada (BAB MK, BUY, TP: MYR0.80). We reiterate our OVERWEIGHT call on the sector despite three stock downgrades post results. While we are still positive on overall O&G activities level, we are more selective on our stock picks. We prefer counters with resilient earnings profile backed by solid orderbook. Our 2023F-2024F crude oil prices are still maintained at USD85-80 per bbl.

A slow start. Eight companies under our coverage released their 1Q23 results last month. From the eight, we saw three coming below expectations and only one exceeded forecasts. The sole outperformer was Petronas Dagangan (PETD MK, NEUTRAL, TP: MYR23.07), due to better-than-expected contributions from its retail arm. As for the underperformers, Dialog (DLG MK; BUY; TP: MYR2.86) continued to deliver unexciting margins dragged by higher project costs and overheads. We also downgraded Petronas Chemicals (PCHEM MK, SELL, TP: MYR6) and Dayang Enterprise (DEHB MK, NEUTRAL, TP: MYR1.38) following their results disappointment. We saw greater project delay risks for DEHB, as project management could be harder for the time being. Project execution timelines can be affected too as they are subject to vessel availability.

Petronas has guided to spend c.MYR300bn, or average MYR60bn pa between 2023 and 2027, a 43% increase from MYR208.5bn over the previous five years (average MYR41.7bn pa). The increase in capex is to cater for additional investments in core business, clean energy, and lowering emissions. We believe such targets are likely to be retained. However, we think that 1Q23 capex spending will be rather slow due to the monsoon season and is expected to pick up sequentially.

Overall, we are still positive on upstream services players, given the elevated activities level. Drilling activities are guided to remain robust, similar to maintenance activities. Having said that, the clients – including Petronas – have now revised their vessel chartering contracts. Instead of embedding vessel chartering into the maintenance contracts as marine spread, Petronas is now centralising vessel chartering at its end. We believe this may affect players with own fleet, ie DEHB, as project execution timeline is affected subject to vessel availability and project management could be harder for the time being. We understand that DEHB is currently in discussion with clients to streamline the process and we are guided that three projects have been delayed to 2Q-3Q23. We understand that until now, the project schedules of other maintenance players without own fleets, ie Carimin Petroleum (CARIP MK, NR) and Deleum (DLUM MK, NR), are largely unaffected.

We remain bullish over FPSO players for the robust demand and resilient earnings. FPSO demand remains solid amidst tight supply, which provides more bargaining power for contractors. Meanwhile, the overall petrochemical market and specialty chemicals outlook remain unexciting amidst a weak recovery in demand. In the near term, we think the stock's catalysts are lacking, while start-up costs for petrochemical plants at Pengerang Integrated Complex could dampen margins.

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NBFIs – Robust Bottomline Performance OVERWEIGHT

The May 2023 reporting season saw one non-bank financial institution (NBFI) ex-insurance outperform expectations, while three others recorded results that were in line.

Aeon Credit Service (ACSM MK, BUY, TP: MYR14.90) posted the sole results that exceeded expectations, while we deem RCE Capital (RCE MK, NEUTRAL, TP: MYR1.95), ELK-Desa Resources (ELK MK, NEUTRAL, TP: MYR1.20), and Bursa Malaysia's (BURSA MK, NEUTRAL, TP: MYR6.50) results to be in line with our forecasts. For insurers, we have yet to generate forecasts aligned to the new Malaysian Financial Reporting Standards 17 (MFRS 17), but will do so in due time.

Insurers under our coverage posted their maiden quarterly results under MFRS 17. PATAMI grew by double-digits YoY for both Allianz Malaysia (ALLZ MK, BUY, TP: MYR16.70) and Syarikat Takaful Malaysia Keluarga (STMB MK, BUY, TP: MYR3.90). Insurance/*takaful* revenue growth maintained the strong momentum, while claims remained elevated on a YoY basis for both general and life/family businesses – an industry-wide phenomenon following the economy's full reopening. Feedback from management teams suggest that claims should stabilise at the current level, although improving investment income and moderating marked-to-market losses should provide some reprieve for the bottomline. We continue to prefer insurers in the NBFI space – premised on solid fundamentals (ie sound business strategies to drive premiums/contributions growth and underwriting quality) and undemanding valuations. Both insurers under our coverage are trading at major discounts to their 5-year mean P/BVs.

All three non-bank lenders reported full-year results during the May 2023 reporting season (FYE Feb for ACSM, Mar for RCE and ELK). ACSM and ELK both achieved double-digit bottomline growth, while RCE's was more moderate at +4%. Financing growth remained robust on the back of sustained demand for financing. However, the appetite for financing growth in FY24 shifted to one of caution, in view of inflationary pressures adding stress to borrowers' cash flows. Upticks in delinquencies observed throughout FY23 remained within expectations, and is expected to rise further – albeit at a manageable rate – in FY24. Credit costs should also stabilise to pre-pandemic average levels in the coming quarters, providing further clarity on bottomline prospects.

Bursa Malaysia's 1Q23 net profit was a 17% YoY drop – dragged down by weaker securities trading income (-15% YoY), which still forms the bulk of the total operating income. In our view, the YTD performance of the domestic securities market provides downside risk to management's securities average daily value (SADV) target of MYR2.2-2.4bn for the year (5M23 SADV: MYR2.1bn). We understand that BURSA is actively working on measures to improve liquidity in the securities market, while its other revenue sources are expected to remain stable.

After recalibrating our in-house ESG scoring methodology, the ESG scores of ALLZ, ELK, and BURSA were each lifted by 0.1 to 3.3, 3.1, and 3.3, while STMB and RCE saw their ESG scores shed 0.1 unit to settle at 3.0. The highest ESG scorers in the NBFI space are still ALLZ and BURSA – both with 3.3.

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Property – More New Launches Scheduled In 2H23 OVERWEIGHT

Real estate developers' 1Q23 earnings missed expectations, and this is in line with the historical trend as 1H is typically weaker for many players. While labour shortage issues continue to linger, progress billings have generally picked up as foreign labour started to arrive since the beginning of the year. Of the 10 companies under our coverage that reported results, six came in below expectations while four were in line.

Developers that underperformed were SP Setia (SPSB MK, NEUTRAL, TP: MYR0.60), UEM Sunrise (UEMS MK, NEUTRAL, TP: MYR0.28), UOA Development (UOAD MK, NEUTRAL, TP: MYR1.86), Eastern & Oriental (E&O) (EAST MK, NEUTRAL, TP: MYR0.33), Sime Darby Property (SDPR MK, BUY, TP: MYR0.55), and Tambun Indah (TILB MK, NEUTRAL, TP: MYR0.90). While some developers saw slower progress billings, some experienced lower property sales, as new projects are largely slated for launch only in 2H this year.

Aggregate property sales fell 21% QoQ, but up 7% YoY. As 4Q is typically the strongest quarter for most developers, sales normally take a breather in the following quarter. Companies that posted relatively better property sales included Sime Darby Property and Mah Sing Group (MSGB MK, BUY, TP: MYR0.75). Overall property sales momentum is intact, and we expect property sales in 2Q23 to be slightly slower QoQ, partly due to the *Ramadan* period, a 25bps rate hike in May as well as negative sentiment arising from the sharp weakening of MYR. Most developers are turning slightly cautious given the macroeconomic challenges, and future launches will be more selective. Nevertheless, pipeline projects are on track to be rolled out in 2H23 as planned, and hence, we expect stronger property sales.

We maintain our OVERWEIGHT stance on the sector. During the quarter, we downgraded UOA Development, E&O, and Tambun Indah given lesser upside (for E&O, we are cautious with the potential risk of impairment given the slow take-up of The Conlay project), and upgraded Sime Darby Property.

Admittedly, the weakening of MYR and the upcoming elections in six states are expected to dent market sentiment on property stocks, but we think the impact will be short term. We reiterate that developers have been able to deliver resilient property sales over the past 2-3 years since the COVID-19 lockdown. Hence, we expect the sector to still show decent earnings growth given the accumulation of unbilled sales. Our Top Picks are Matrix Concepts (MCH MK, BUY, TP: MYR1.75) and IOI Properties Group (IOIPG MK, BUY, TP: MYR1.46). While we like MCH's solid balance sheet and resilient property township sales, IOIPG stands out because of the solid growth from its property investment divisions.

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Auto & Auto Parts – Strong FY23 Priced In — NEUTRAL

NEUTRAL. We downgraded the sector to NEUTRAL from Overweight in our sector report today. Although we still think 2023 will see near-record TIV and strong corporate earnings, we believe this is largely priced in, and that the market will increasingly price-in a likely-softer 2024. With orders normalising and waiting periods shortening, we think sentiment towards auto stocks could soon turn cautious. In the report, we also downgraded UMW (UMWH MK, TP: MYR3.80) and MBM Resources (MBM MK, TP: MYR3.30) to NEUTRAL, but we think they are still worth holding for their 4% and 10% yields, respectively. Our Top Pick is now Bermaz Auto (BAUTO MK, BUY, TP: MYR3.45).

1Q23 results met expectations, with the exception of Tan Chong Motor (TCM MK, SELL, TP: MYR0.80), which surprised with losses, and BAUTO (which exceeded expectations). In the various earnings briefings, most auto executives sounded optimistic about the domestic automotive market's prospects for 2023. This is especially so for Toyota and Perodua, which currently have order backlogs of 49k and 190k, putting both marques on track to hit their 93k and 314k 2023 sales targets and our 100k and 320k forecasts. The outlook for TCM remains uninspiring, while for Sime Darby (SIME MK, NEUTRAL, TP: MYR2.10), it remains challenging as the latter's China operations may take time to recover.

We think a strong 2023 is largely priced in. In our view, there is a general consensus in the market that 2023 will be a strong year, especially for Toyota and Perodua. We think investors are keeping a close eye on a potential slowdown in orders, as it could be an early indicator of a decline in earnings.

Car sales to normalise in 2024. After a record-high TIV of 721k in 2022 and a potentially near-record for 2023 (RHB 2023F TIV: 680k), we think orders are more likely than not to slow down in 2024. We are already seeing a normalisation in orders across most marques, as many models do not have waiting periods anymore (save for those waiting for CBU allocations and/or specific colours), and as order backlogs decline. Currently, only Toyota, Perodua, and Honda have a waiting period across most of their models. We think 2024 TIV could normalise to near low-600k, as we see a lack of factors that could drive it up to near 700k. While EV adoption is expected to grow, we do not see it moving the TIV needle.

We downgraded the sector to NEUTRAL, as we think the market could gradually start to price in a potentially softer 2024. We think that beyond a strong 2023, there is a lack of fresh catalysts to bring share prices to new highs. Though we turn less bullish on the sector, we think UMW and MBM are still worth holding, given their 4% and 10% dividend yields. We still like BAUTO, as we estimate its volume will grow by 11% in FY24F (Apr), driven by: i) Lower Mazda CX-30 prices, thanks to its local assembly, and ii) volume growth for Kia and Peugeot, from a low base. We also like its 9% FY24 yield, and we think it will close 4QFY23 (results to be released on 12 Jun) with a special dividend.

Key upside risks include stronger-than-expected orders and deliveries, lower-than-expected costs, and better-than-expected FX movements. The opposite represents downside risks.

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Construction – Rampant News Flow, Little Excitement NEUTRAL

Maintain sector NEUTRAL. Overall, the construction sector delivered 1Q23 results that were below expectations. Out of the 10 companies that reported results, one came in line, one exceeded expectations and eight fell below estimates. Companies that underperformed expectations: i) Sunway Construction (SCGB MK, BUY, TP: MYR2.05), ii) Malaysian Resources Corp (MRC MK, BUY, TP: MYR0.40), iii) Kerjaya Prospek (KPG MK, BUY; TP: MYR1.55), iv) Gabungan AQRS (AQRS MK, BUY, TP: MYR0.40), v) Pintaras Jaya (PINT MK, BUY,TP: MYR1.94), Econpile (ECON MK, SELL, TP: MYR0.14), KKB Engineering (KKB MK, BUY, TP: MYR1.89), and vi) Advancecon (ADVC MK, NEUTRAL, TP: MYR0.26).

Meanwhile, the quarterly performance of IJM Corp (IJM MK, NEUTRAL, TP: MYR1.59) met expectations while MGB's (MLG MK, BUY, TP: MYR0.93) results exceeded projections. Note that only Pintaras Jaya was upgraded – to BUY from Neutral – reflecting the dissipating headwinds for its Malaysia operations, while most of its profitability was underpinned by the demand for construction in Singapore.

Overall, contractors' activity levels have gradually improved YoY, as seen from the higher progress billings, albeit undermining Street expectations as most projects on hand were in the early stages of the project cycle. In terms of job flow, project rollouts in general are still rather sluggish – there were MYR39.1bn worth of new contracts awarded over 5M23, which is 20.7% YoY lower than the MYR49.3bn recorded in 5M22. Projects awarded by the Government, in particular, continued to be sluggish – with only MYR8.1bn worth of projects awarded in 5M23 – translating into an annualised figure of MYR19.4bn vs 2022's MYR38.8bn.

Moving forward, we expect higher progress billings in the coming quarters, as most contractors' projects were at the initial stage in 1Q23. Operating conditions were further facilitated by reasonable labour supply, with contractors such as Sunway Construction not pursuing the additional 300 foreign worker quota – its newly received 394 workers are sufficient. Kerjaya Prospek, on the other hand, already has 4,000 workers but expects another 1,000 to come in the next few months which will enable the group to operate optimally.

Overall contractors under our coverage view that labour shortage issues are no longer a major pain point in operations. Additionally, contractors cited receding pressures from building material costs as projects (especially ones with no cost escalation clauses) secured prior to the Russia-Ukraine crisis are reaching the tail-end while new projects have factored in the current material prices trends, which are less volatile than before. As such, the risk of continuing margin compression is somewhat manageable.

The major concern plaguing sentiment on the sector is the Federal Government's financial position and its appetite to fund big-ticket projects. The Federal Government indicated that it will allocate additional funds for the Penang Light Rail Transit (LRT) but is still unsure if this project will be fully or partly funded. On the other hand, the Kuala Lumpur-Singapore High Speed Railway (HSR) will be carried out with full private sector funding, but there is no precedence for such project financing methods for similar projects in other countries (Eurostar High Speed Railway and Bangkok-Chiang Mai High Speed Railway being the examples for comparison). Hence, the assessment of the HSR project may require a lengthy process before any contracts are rolled out. The funding mechanism of Mass Rapid Transit 3 (MRT3) remains in limbo at this juncture – whether or not will be via private funding initiatives or Government bonds.

We maintain our NEUTRAL sector call amid the uncertainties surrounding the funding mechanism of upcoming big ticket projects. This is because private funding initiatives may only be appealing for contractors with lean balance sheets, and this may put a strain on future financing on incoming projects if gearing is not managed well later on. Hence, we prefer contractors with their own niches as our sector Top Picks. For example, companies such as Kerjaya Prospek (via its partnership with Samsung C&T) and Sunway Construction have ventured well into the industrial building segment, ie factories and data centres which fetch higher margins compared to normal construction projects. Such strategies enable these

contractors to diversify their orderbooks, in light of the lukewarm sentiment facing the public infrastructure space. Upside risks: Faster-than-expected project rollouts and the revival of previously shelved projects.

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Consumer – Seeing Consumption Normalise NEUTRAL

Maintain NEUTRAL on the sector. Top Picks include Mr DIY (MRDIY MK, BUY, TP: MYR2.48), Power Root (PWRT MK, BUY, TP: MYR2.46), Heineken (HEIM MK, BUY, TP: MYR 33.80) and Guan Chong (GUAN MK, BUY, TP: MYR3.30). 1Q23 sector results were deemed within expectations with five out of the 12 companies under our coverage reporting earnings that met expectations, five disappointed and two surprised on the upside. Generally, we observe the spike in operating costs exerting pressure to profit margin whilst demand appears to have started normalising from a high base.

1Q23 sector revenue grew 10% YoY but down 2% QoQ. As expected, there was a decent YoY growth as 1Q22 was disrupted by lockdowns whereas the QoQ moderation could be a function of weaker seasonality. In addition, we believe consumer spending was impacted by the lower disposable income as a result of elevated inflationary pressures and rising interest rates, which have also dampened consumer sentiment. Meanwhile, quite a number of companies saw higher operating costs arising from the hike in electricity tariffs and change in Employment Act. During the quarter, we downgraded Berjaya Food (BFD MK, NEUTRAL, TP: MYR0.77) following the disappointing results on a sharp margin erosion.

Outlook. Going forward, we foresee more drastic earnings cuts after the release of 2Q23 results as consumer spending may further normalise on the aforementioned challenges. On top of that, the unfavourable base effect should also kick in as 2Q22 was one of the strongest quarters in terms of earnings delivery, boosted by the pent-up demand post economic reopening and further aided by the EPF withdrawal in April. From the guidance or outlook provided by corporates, a noticeable number have observed a softer market environment post *Aidil Fitri* as consumers turned more cautious with their spending, which is largely in line with our expectations. Most management teams do not have a clear visibility on the longer term outlook considering the potential slowdown in global economy and political uncertainties pending the state elections this year.

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Gaming (NFOs) – All Eyes On The State Elections NEUTRAL

1Q23 results were below expectations. Magnum's (MAG MK, NEUTRAL, TP: MYR1.04) results fell short of expectations due to a high prize payout ratio. While Sports Toto's (SPTOTO MK, NEUTRAL, TP: MYR1.42) 3QFY23 (Jun) results were in line with our expectations (79% of full-year forecasts), we highlight that the Toto segment fell short of our expectations (due to poor luck factor), while HR Owen (its UK luxury motor dealership) outperformed our expectations, supporting its earnings.

SPTOTO's outlook. Management remains hopeful that ticket sales will continue to trend upwards in 2023, towards pre-pandemic levels. It is also in discussions with the Kedah State Government to assess the possibility of reopening its outlets in the state. SPTOTO is waiting to see if the political tide changes in Kedah, following the next state election in 2Q/3Q23.

Long bumpy road ahead for HR Owen. Although HR Owen outperformed our expectations in 3QFY23 – mainly due to higher-than-expected margins – we share management's view that the motor dealership's margins could remain subdued as inflationary pressures persist (in wages and borrowing costs), and as it will incur higher depreciation costs from the launch of its Hatfield showroom.

Still NEUTRAL on number forecast operators (NFOs). Even though the outlook for the sub-sector is uninspiring, we think the steep YTD drop in share price has reflected the slow recovery and heightened regulatory risks from the upcoming state elections. We maintain our NEUTRAL call on SPTOTO, as we think the near-term negatives have been price in. Its 7% FY24F yield also cushions against downside risks. We also stay NEUTRAL on Magnum as it still yields a decent 5.9%, and is trading at 14x FY23F – already at a steep discount to its 5-year mean of 19x.

Key downside risks include slower-than-expected ticket sales recovery, unfavourable regulatory risks (which include reduction in special draw days and changes in gaming tax), and higher-than-expected prize payout. The opposite represents upside risks.

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Media – A Poor Start NEUTRAL

Pathetic quarter. Media stocks under our coverage continued to fare poorly in the Jan-Mar 2023 reporting period, with earnings misses from Media Prima (MPR MK, NEUTRAL, TP: MYR0.45) and Astro Malaysia (ASTRO MK, BUY, TP: MYR0.84). MPR's advertising expenditure (adex) fell on a YoY basis for the second consecutive quarter (-7%), as adex sentiment continued to be battered by the cautious economic and business outlook, and inflationary concerns. The group's normalised core PAT (adjusted for a one-off gain on an industrial land sale) plunged into the red – the first time in almost three years. Astro's core earnings were also in the red in 4QFY23 (Mar), due to the World Cup 2022 content cost spike and accelerated depreciation and impairment charges. The silver lining was the 1.4% QoQ uplift in revenue, aided by the World Cup subscription passes and fibre broadband bundles. Post results, we downgraded our earnings estimates for both stocks.

Sector valuations are reflective of the challenging adex environment and poor earnings outlook. Broadly, management of the media companies are guiding for earnings prospects to remain challenging due to the uncertain macroeconomic outlook and inflationary impact on the wallet share of consumers. The weak earnings prognosis is likely priced-in, with media stocks under our coverage trading at -1.5-2SD from the historical EV/EBITDA and/or P/BV mean. For exposure, companies with strong execution, operating cash flow, and balance sheet to ride through the structural onslaught are preferred. We single out Astro, given that its share price is at historic lows with ongoing market talks of a privatisation by major shareholders. The stock also offers compelling forward dividend yields of over 10%

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M-REITs – Continuing The Positive Momentum NEUTRAL

M-REITs started the year on a strong foot, mostly recording double-digit YoY earnings growth. This was from the pick-up in economic activities, which led to higher rental reversions, while being offset by elevated utilities costs (eg electricity tariff surcharge) and interest expenses (interest rate hikes). Of the six M-REITs under our coverage, Axis REIT (AXRB MK, BUY, TP: MYR2.14) and CLMT (CLMT MK, NEUTRAL, TP: MYR0.56) reported results that missed expectations. AME REIT (AMEREIT MK, BUY, TP: MYR1.38), IGB REIT (IGBREIT MK, NEUTRAL, TP: MYR1.88), KLCCP Stapled (KLCCSS MK, BUY, TP: MYR7.79), and Sentral REIT (SENTRAL MK, NEUTRAL, TP: MYR0.92) all reported results that were broadly in line. Our sector Top Pick is AME REIT.

On the back of the strong retail sales over the past year, retail REITs have begun to record mid- to single-digit rental reversions during the quarter. Previously, rental reversions were kept flattish to allow tenants more time to fully recover from the impact of the pandemic. In Kuala Lumpur-centric malls, footfalls are still below pre-pandemic levels (c.85%), as the number of tourist arrivals have yet to significantly recover amid visa and flight availability issues. However, tenant sales continue to be strong – at above pre-COVID-19 levels – mainly driven by F&B and fashion tenants. Occupancy rates have also remained robust. Suria KLCC's occupancy level increased to 96% from 92% following the signing of four new tenants. Overall, the guidance given by the various management teams remain unchanged, expecting retail REITs to record mid- to single-digit rental reversions over the next year.

In the office segment, Sentral REIT's occupancy is still at 77% as Wisma Technip and QB2 remain vacant. While we are still awaiting updates, we understand that management is encouraged by the interest from prospective tenants, but upon signing of any lease agreement, it could potentially come with a rental-free period to allow time for such tenants to conduct renovations and move in. Downside risks appear limited, as the leases up for expiry this year mainly come from Platinum Central, which is one of the REIT's stronger assets. However, we believe the rental reversions will likely be flattish-to-low single-digit positive, as the supply-demand environment continues to be challenging.

Axis REIT was hit by one-off building expenses (maintenance costs) and provisions for doubtful debts for a tenant that defaulted on its rental payments. Revenue was also 0.8% lower QoQ as one of its leases expired. We deem this to be a short-term miss and remain positive on the long-term prospects for REITs in the industrial segment. Axis REIT recently announced the acquisition of a logistics facility in Kulim for MYR92m and has a further acquisition target value of MYR140m. Similarly, AME REIT reported stable earnings. It will also look to continue growing its portfolio with MYR100m in acquisitions each year.

As most REITs reported stronger topline growth, the impact from the electricity tariff surcharge has been limited – this is reflected by the stable net property income or NPI margins. Also, most REITs are adopting a wait-and-see approach before attempting to pass on the increased costs in the form of higher service charges, as any reversal in the electricity tariff will then lead to rebates that need to be offered to tenants.

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Plantation – Dragged Down By Lower PK Prices And Higher Unit Costs

NEUTRAL

The 1Q23 reporting season saw disappointing earnings, with four planters booking numbers that were below expectations, while two posted in-line results and one came in above forecasts. The main cause of the disappointing results were higher-than-expected unit costs and lower-than-expected PK prices. We make no changes to our CPO price assumptions for now, which are MYR3,900, MYR3,500 and MYR3,500 per tonne for 2023, 2024 and 2025.

In Malaysia, output rose 3.2% YoY but contracted by 23.3% QoQ in 1Q23, due to seasonal factors. In general, we saw an average of 1.3% YoY output growth for the companies we cover in 1Q23. Most planters expect a recovery in output in 2H23 – ranging from a mid-single digit to low double-digits, on the back of an improved labour workforce. Labour shortages have reduced quite substantially at end-2023, but are only expected to be fully resolved by 1H23.

In Indonesia, we saw an average 0.9% YoY output growth but a 9.5% QoQ output decline for the companies we cover in 1Q23. As usual, the Association of Indonesian Palm Oil Producers' (GAPKI) official 1Q23 CPO output trends differed – with an 8.7% YoY increase and 9.4% QoQ decrease. Going forward, Indonesian planters expect to see a stronger recovery in production output in 2H23, with expectations that output will return to the 45:55 ratio for 1H:2H.

Average spot CPO prices increased by around 2.2% QoQ and dropped by 35.0% YoY to MYR4,017 per tonne in 1Q23. We note that the Indonesia CPO price (nett of tax) is once again at a discount to the Malaysia CPO price – with the price gap widening to +MYR274.30 in 1Q23 from -MYR87.60 in 4Q22, due to the reinstatement of the tax levy in Indonesia in mid-Nov 2022. We continue to see a less aggressive forward-selling stance for the rest of 2023, as planters expect prices to remain relatively range-bound. YTD, spot prices are now at MYR4,025 per tonne.

For those with downstream operations in Malaysia, we saw weaker margins QoQ in 1Q23, given the disadvantage Malaysian refiners now have against the Indonesian players due to the ending of the tax holiday. Conversely, margins for those with exposure to Indonesia improved QoQ in 1Q23. Going forward, Malaysian refiners are guiding for margins to remain weak in 2Q23, before recovering only in 2H23 when restocking activities occur.

We maintain our NEUTRAL sector call. We expect sector earnings to decline further QoQ in 2Q23, on the back of lower CPO prices and weak productivity, coupled with elevated costs. However, earnings should improve in 2H, as productivity improves and costs moderate. We downgraded two stocks during the 1Q23 reporting season, ie Sarawak Oil Palms (SOP MK, SELL, TP: MYR2) and FGV Holdings (FGV MK, SELL, TP: MYR1.20). We now have two BUYs, three NEUTRALs, and two SELLs. Top Picks are the more integrated players: Kuala Lumpur Kepong (KLK MK, BUY, TP: MYR26.10) and IOI Corporation (IOI MK, BUY, TP: MYR4.35

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Rubber Products – Sequential Improvement NEUTRAL

Results missed. Sector earnings disappointed on the back of stabilised ASP, gradual normalisation of raw material prices and gas tariff, as well as a sequential pick-up in volume sold during 1Q23. On a brighter note, gloves makers had flagged their intention to scale back inefficient production lines to improve operating efficiency.

During the Mar 2023 financial quarter, Hartalega (HART MK, NEUTRAL, TP: MYR2.38) was the only gloves maker to report core earnings as opposed to Kossan Rubber (KRI MK, NEUTRAL, TP: MYR1.24) and Supermax (SUCB MK, NUETRAL, TP: MYR1). Better-than-expected results from Hartalega were driven by a sequential pick-up in volume sold (+25% QoQ), offset by a 6% QoQ decline in ASP. Meanwhile, Top Glove's (TOPG MK, NEUTRAL, TP: MYR0.98) core loss widened QoQ and YoY during its February reporting quarter on the back of a sub-optimal utilisation rate and high energy prices.

The sector's ASP is said to have stabilised at USD20 per 1,000 pieces. Plant utilisation rate is expected to improve sequentially as the sectoral capacity de-commissioning exercise should eliminate excess capacity from the industry amid demand uncertainty. All in, we expect muted-to-negative industry supply growth for 2023, in view of gloves makers contemplating the phasing out of obsolete production lines. This comes on the back of Top Glove's move to decommission 20bn (15bn temporary shutdown; 5bn scrapped) of its existing annual capacity (100bn pieces); whereas Hartalega has also planned to bring down its annual capacity to 31bn from 44bn by end of 2023. Nevertheless, gloves makers collectively expect the normalisation in the gas tariff (15% decline in the coming July tariff review) to provide some relief amid challenging market dynamics.

Still NEUTRAL. We maintain our cautious view on the gloves sector, as headwinds ie demand uncertainty will continue to cast a pall on the sector. Nevertheless, we see slight improvements in market dynamics such as: i) The collective cost pass-through initiated by local and regional peers, ii) correction in natural gas prices (YTD: -50%), and iii) a disciplined approach in scaling back new capacity plans.

We maintain our NEUTRAL calls on the glove makers under our coverage during the Mar 2023 quarterly earnings reporting period. Our sector key picks (Hartalega and Kossan Rubber) remain unchanged: i) Hartalega – given its better product mix and robust balance sheet which could allow the group to sail through rough seas – and ii) Kossan Rubber on the back of its net cash position and 5% topline exposure to the technical gloves segment (which saw better demand following the pick-up in economic activities post relaxation of COVID-19 containment measures).

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Technology – A Quarter To Forget NEUTRAL

1Q23 results for the sector were a big miss, with most companies missing expectations – the bulk of them from the semiconductor industry and E&E-related sub-sector. Three out of nine companies met expectations: CTOS Digital (CTOS MK, BUY, TP: MYR1.92), Datasonic Group (DSON MK, BUY, TP: MYR0.57), and GHL Systems (GHL) (GHLS MK, BUY, TP: MYR0.92). These domestic-focused businesses remained resilient on strong demand. Conversely, all the OSATs suffered from both shrinking toplines and margin compression due to loss of economies of scale and escalation of input costs. Coraza Integrated Technology (CORAZA MK, NEUTRAL, TP: MYR0.77) and JHM Consolidation (JHMC MK, BUY, TP: MYR0.85) also suffered the same fate, reporting lower-than-expected results.

All the disappointments had everything to do with the slowing demand from the overall down-cycle of the semiconductor industry. This was amid weakening global consumer demand and inventory corrections due to prior double bookings. Additionally, the companies under our coverage also faced rising staff and energy costs – which contributed to the dip in margins – along with the loss of economies of scale (on low utilisation rates) and elevated fixed costs following the various expansions done over the past two years when demand was overwhelming. The sector's 1Q23 aggregate core PATAMI contracted by 60.7% YoY and 62.8% QoQ, with all but three companies reporting solid YoY growth. The significantly stronger numbers are from DSON, CTOS, and GHL. Only DSON reported both QoQ and YoY growth on strong demand for its smartcard and passport solutions. We cut our sector FY23 earnings forecasts by 21.2% for all the companies that missed expectations by tweaking the orders and margins assumptions to account for the prolonged weakness in the sector and cost escalations. We upgraded GHL to BUY from Neutral on the back of sustained

growth momentum and uptick in terms of merchant discount rates and transaction payment value trends, coupled with healthy pipelines in the shared and solutions services segments.

Guidance overall from the OSAT- and semiconductor-related companies under our coverage are generally for a flattish to only marginally better QoQ performance into 2Q23 before a more significant pick-up can be seen towards end-3Q23 and 4Q23. Cost pressures, demand uncertainties, and geopolitical tensions remain the key challenges with no clear visibility shared by their customers. For non-semiconductor-related firms, strong performances are likely to sustain on a strong domestic economy, inbound tourist numbers, and various digitalisation drives in both the private and SME sectors.

Sector valuations are now fair, given the recovery uncertainties, albeit offset by improved investor sentiment. While share prices have been holding up well despite the weak set of results, we believe the sector valuation will remain capped by elevated bond yields, the quantitative tightening cycle, and lack of robust earnings growth. That said, exporters' solid balance sheets and the sturdy USD should help provide some level of cushioning. We continue to prefer domestic-centric businesses and advocate investors to seek names in the semiconductor-related segment that focus on less-affected sub-segments with relatively resilient earnings at undemanding valuations.

Sector Top Picks. We like CTOS for its domestic-focused business, leading position, and growth prospects that track the expansion of the digital economy – given the higher demand for its various digital solutions, analytical insights, and exposure to fintech. We also recently upgraded GHL to a BUY following the share price weakness – this is because we foresee the migration to the cashless trend continue its growth momentum (with uptick in margins), coupled with the company's robust pipeline for its other solutions. In the smaller-cap space, we like JHMC on the recovery in orders from the automotive lighting space.

Upside/downside risks: i) Strengthening/softening smartphone sales, ii) favourable/unfavourable FX movements, iii) strong/weak consumer demand. Other risks include technology obsolescence and intensifying geopolitical conflicts.

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Telecommunications – A Seasonal Quarter NEUTRAL

Seasonal quarter as expected; Axiata the outlier. Most telcos reported in-line results for the March quarter, which was characterised by revenue seasonality. The underperformer was Axiata Group (AXIATA MK, BUY, TP: MYR3.25), where higher-than-expected depreciation and financing costs, as well as dilution from the deconsolidation of Celcom's earnings (now classified as an associate) pummelled core earnings (1Q23: -77% YoY, >100% QoQ). Both CelcomDigi (CDB MK, NEUTRAL, TP: MYR4.60) and Telekom Malaysia (T MK, BUY, TP: MYR6.20) booked lumpy accelerated depreciation charges during the quarter, skewing headline earnings. Meanwhile, Maxis' (MAXIS MK, NEUTRAL, TP: MYR4.03) lower-than-trend DPS payout of 4 sen reflects the uncertainties relating to the cost and structure of the newly proposed dual network model for 5G.

Tempered guidance. The overall narrative remains that of cost efficiencies (synergies in the case of CDB), with competitive headwinds to persist (across frontier markets for Axiata), consistent with our expectations. Mobile operators are guiding for a further recovery in mobile service revenues (flat/low single-digit increase) in 2023 on stronger roaming (increased tourist and migrant flows) and prepaid usage with a flat/slight increase in EBITDA – suggesting weaker EBITDA margins from the tight industry competition. Due to the regulatory uncertainties (pending the finalisation of the access pricing with the Government), TM continued to withhold its guidance. Meanwhile, Axiata's guidance is for mid- single-digit revenue growth and high-single-digit EBIT growth (on constant currency basis).

Maintain NEUTRAL on sector; fixed line plays still preferred. We continue to like fixed-line plays (relative to mobile), given the stronger revenue prospects and secular growth catalysts. TM remains our top large-cap pick, while OCK Group (OCK MK, BUY, TP: MYR0.60) is our preferred small-cap exposure for the telco infrastructure sub-segment, which rides on policy initiatives to improve 4G/5G connectivity and coverage. Key risks are competition, weaker-than-expected earnings, and regulatory setbacks.

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Transport – Diversification Is Still Key NEUTRAL

The logistics sector delivered a mixed performance, with third-party logistics (3PL) players like TASCO (TASCO MK, BUY, TP: MYR1.83) and FM Global Logistics (FM MK, BUY, TP: MYR0.90) continuing to meet expectations and charting stellar performances despite weaker freight rates. TASCO ended its financial year – FY23 (Mar) – with another record-breaking year earnings – meeting our and Street estimates despite lingering concerns on sector headwinds. We continue to like TASCO for its diversified clientele which provides a sustainable earnings base, coupled with the integrated logistics services (ILS) tax incentives that could offer a buffer against sector headwinds.

FM Global's 9MFY23 (Jun) core net profit met our expectations at 78%, despite a seasonally weaker quarter – thanks to its fast-growing domestic 3PL business. Despite the much-weaker freight operations, 9MFY23 bottomline was partially cushioned by its domestic 3PL business, which recorded commendable YoY growth of 54.2% in light of a strong customer base, reduction in outsourced activities and higher distribution volume. Freight forwarding business remained challenging due to due to the increase in ocean capacity, ease of port congestions, and slow trade activities.

Infrastructure providers (seaport/airport) within our coverage are Westports (WPRTS MK, NEUTRAL, TP: MYR3.65) and Malaysia Airports (MAHB MK, BUY, TP: MYR8.31). Westports' results met our expectations. 1Q23 earnings were MYR181.8m (-11.7% QoQ, +19.7% YoY), with a 6% growth in TEU for transhipment and gateway volumes (Port Klang: 2%). While management stayed cautious on trade flows with guidance of a low single-digit throughput volume growth for FY23, we raised our volume assumption to 4% from 2% for FY23F. RHB's economist has reiterated the core view of a recovery in 2H23, with Malaysia's GDP forecast growth of 5% YoY, as the country's economy shows signs of bottoming out.

MAHB turned profitable with 1Q23 core net profit of MYR79m improving tremendously (>100% QoQ and YoY) but still came in below our and Street expectations. Nevertheless, we note that 1Q is seasonally weaker for the group due to the off-peak season, especially for its Turkey operations. We believe that the worst is over for the aviation industry – expecting a more prominent recovery for the Malaysia operations in the coming quarters, as airlines continue to resume and increase their capacities, as well as the gradual return of travellers from China. Note that China's passenger traffic recovery rate in March is at only 19% of the 2019 level (Feb 2023: 12%), and the group is expecting to achieve >60% recovery rate from China by end-2023.

Within the last-mile space, we maintained our SELL call on GDEX (GDX MK, TP: MYR0.14) as outlook for the courier landscape still remains cloudy. Moving forward, management viewed the outlook of the courier services and logistics industry to be challenging due to the overcrowding of foreign players, weak market sentiment and inflationary pressure including manpower cost.

We remain NEUTRAL on the sector, with TASCO as our Top Pick. In view of a much softer freight market, we continue to favour service providers within the logistics and transport industry – 3PL players with diversified business pillars should continue to record robust net profit.

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Utilities – Shining Brighter NEUTRAL

Keep NEUTRAL; Top Picks: Solarvest (SOLAR MK, BUY, TP: MYR1.36) and YTL Power (YTLP MK, BUY, TP: MYR1.55). Electricity demand is expected to remain fairly resilient in 2H23. With core prices set to normalise in the upcoming quarters, the impact of fuel margins may still affect coal plants players' bottomlines, albeit, to a moderate extent. The estimated total imbalance cost pass-through (ICPT) to be recovered in 2H is MYR9bn – this is based on current fuel prices. We believe the accelerating ESG momentum and increasing adoption of green energy will continue to drive solar players' growth prospects – further catalysts stem from the recent tariff hike, and decreasing cost pressures from panel prices and material costs. Pending further details from the Government, we are generally positive over the lifting ban on energy export overseas as it provides more renewable energy (RE) potentials in terms of EPCC and asset ownership domestically in the medium term.

A broadly within quarter. In the recently concluded reporting period, eight companies under our coverage released their 1Q23 results. Three booked numbers that were within

expectations. The four disappointments were Malakoff Corp (MLK MK, BUY, TP: MYR0.77), Taliworks (TWK MK, BUY, TP: MYR1.01), Ranhill Utilities (Ranhill) (RAHH MK, BUY, TP: MYR0.63), and Samaiden (SAMAIDEN MK, BUY, TP: MYR1.05). For Ranhill, the negative deviation was due to higher-than-expected cost of sales while Taliworks disappointed on higher-than-expected costs and the slow progress of its Sungai Rasau projects. On the other hand, Malakoff missed expectations with unexpected losses due to a substantial negative fuel margins – this, in turn, was the result of the volatility in applicable coal prices. Samaiden's results were also dragged by margins compression. YTL Power continued to be the only outperformer with its strong set of 9MFY23 (Jun) results, led by stronger-than-expected contributions from the power generation arm.

Outlook. Electricity demand rose in tandem with GDP growth in 1Q23 (+0.5% YoY). We saw a rise in the gas generation mix to 39.5% (4Q22: 36.7%) at the expense of the coal mix, which in turn dropped to 53.70% (4Q22: 55.1%). The total ICPT cost to be recovered in 2H23 is estimated at MYR9bn – this is based on the current fuel price trend. With core prices set to normalise in the upcoming quarters, the fuel margin impact may still affect coal plants players' bottomlines – albeit to a moderate extent. We are also cautious over the margins compression risk, as many of the corporates reported higher-than-expected costs of doing business.

The solar space remains bright. Within the solar segment, the imposition of a higher 20 sen per kWh ICPT surcharge from the previous 3.7 sen per kWh should further boost the solar players' orderbooks, as medium- and high-voltage commercial & industrial users are expediting their switch to solar energy. They also plan to capitalise on the recent release of 600MW quota for solar photovoltaic assets under the Corporate Green Power Programme or CGPP. Pending further details from the Government, we are generally positive over the lifting ban on overseas energy exports. We believe this will provide more RE potential in terms of EPCC and asset ownership domestically in the medium term.

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Figure 14: RHB Basket sector weightings & valuations

Sectors	Mkt Cap	Weight	EPS Growth (%)			P/E (x)			Recommendation
	MYRbn	%	FY22	FY23F	FY24F	FY22	FY23F	FY24F	
Banking	297.4	24.7	9.1	10.7	7.5	10.9	9.9	9.2	Overweight
Oil & Gas	131.9	10.9	53.9	(21.1)	11.7	12.1	15.3	13.7	Overweight
Healthcare	58.6	4.9	2.4	16.9	11.7	32.5	27.8	24.9	Overweight
Basic Materials	44.3	3.7	30.9	20.9	11.2	26.0	21.4	19.2	Overweight
Property	29.4	2.4	36.4	21.4	1.0	11.9	9.8	9.8	Overweight
Non-Bank Financials	15.4	1.3	(4.4)	7.2	6.3	9.7	9.0	8.5	Overweight
Auto	23.0	1.9	18.1	(7.0)	0.9	11.0	11.8	11.7	Neutral
Telecommunications	139.7	11.6	8.3	(17.0)	13.1	20.8	25.4	22.5	Neutral
Utilities	104.3	8.6	(6.8)	20.6	6.5	15.3	12.7	11.9	Neutral
Consumer	100.1	8.3	27.8	8.4	13.2	24.7	22.8	20.1	Neutral
Plantation	90.4	7.5	34.4	(36.0)	(11.9)	9.7	15.1	17.2	Neutral
Property-REITs	34.4	2.9	35.9	2.8	1.2	16.5	15.7	15.3	Neutral
Gaming	33.6	2.8	231.2	57.6	9.6	16.1	10.2	9.3	Neutral
Transport	26.8	2.2	1025.4	41.6	21.4	29.8	21.0	17.3	Neutral
Technology	26.5	2.2	27.1	(25.6)	35.7	22.1	29.7	21.9	Neutral
Construction	23.7	2.0	24.2	7.6	12.6	16.1	15.0	13.3	Neutral
Rubber Products	23.2	1.9	(95.1)	(174.2)	131.7	33.0	n.m.	140.1	Neutral
Media	3.9	0.3	(41.5)	44.8	4.5	12.4	8.5	8.2	Neutral
RHB BASKET	**1206.4**	**100.0**	**3.3**	**(0.8)**	**8.2**	**14.4**	**14.6**	**13.5**	

Source: RHB

Figure 15: Earnings outlook and valuations

	FBM KLCI		
COMPOSITE INDEX @ 1,383.01	**2022**	**2023F**	**2024F**
1 Jun 2023			
Revenue Growth (%)	18.0	6.1	4.2
EBITDA Growth (%)	20.1	2.4	4.8
Normalised Earnings Growth (%)	4.4	5.0	7.6
Normalised EPS (sen)	60.8	62.1	65.3
Normalised EPS Growth (%)	**3.7**	**2.6**	**7.6**
Prospective PER (x)	**14.5**	**14.6**	**13.7**
Price/BV (x)	1.4	1.4	1.3
Dividend Yield (%)	4.1	4.1	4.3
ROE (%)	15.6	15.0	15.2

Note: Excludes FBM KLCI stocks not under RHB Research's coverage, ie HLFG, RHB Bank, and PPB
Source: Bloomberg, RHB

Figure 16: Top BUYs

	FYE	Price	TP	*Shariah*	Market Cap	EPS (sen)		EPS Growth (%)		3-Yr EPS	P/E (x)		P/BV (x)	P/CF (x)	DY (%)
		(MYR/s)	(MYR)	compliant	(MYRm)	FY23F	FY24F	FY23F	FY24F	CAGR (%	FY23F	FY24F	FY24F	FY24F	FY24F
		1 Jun 2023													
Maybank	Dec	8.60	9.45	NO	103,665	78.4	84.6	13.9	8.0	6.7	11.0	10.2	1.1	n.a.	7.7
CIMB	Dec	4.86	6.00	NO	51,832	58.7	64.0	5.6	9.2	11.3	8.3	7.6	0.7	n.a.	6.6
TM	Dec	5.10	6.20	YES	19,492	38.0	37.9	0.1	(0.2)	4.7	13.4	13.5	1.8	4.9	3.5
Mr DIY	Dec	1.55	2.48	YES	14,622	6.4	7.5	23.5	16.6	17.0	24.2	20.7	6.9	14.0	2.4
YTL Power	Jun	1.32	1.55	NO	10,695	15.2	16.5	246.3	8.2	51.6	8.7	8.0	0.7	4.7	5.0
Yinson^	Jan	2.61	3.12	NO	7,586	14.2	25.0	29.0	75.9	35.0	18.4	10.4	1.5	5.1	0.8
IOI Properties	Jun	1.10	1.46	NO	6,057	15.8	14.0	60.6	(11.6)	3.9	7.0	7.9	0.3	4.6	5.5
CTOS Digital	Dec	1.40	1.92	YES	3,234	4.5	5.2	41.2	16.4	38.6	31.2	26.8	5.4	35.3	2.2
Guan Chong	Dec	2.37	3.30	YES	2,784	20.9	23.0	41.4	10.3	14.5	11.3	10.3	1.4	12.9	2.4
SunCon	Dec	1.69	2.05	YES	2,179	11.8	12.7	6.5	7.1	4.3	14.3	13.3	2.5	10.3	4.5
Power Root^	Mar	2.03	2.46	YES	888	13.4	14.4	8.4	7.2	38.1	15.2	14.1	3.2	13.9	6.4
MMHE	Dec	0.52	0.80	YES	832	2.4	3.1	291.0	30.5	(157.6)	21.6	16.6	0.5	3.7	2.1
OCK Group	Dec	0.38	0.60	YES	401	3.4	3.8	14.9	14.0	20.2	11.3	9.9	0.9	1.8	2.4

Note: ^FY23F-24F valuations refer to those of FY24F-25F
Source: RHB

Figure 17: FBM KLCI – weightings & valuations

	Market Cap	Weight	EPS Growth (%)			P/E (x)		
	MYRbn	(%)	FY22	FY23F	FY24F	FY22	FY23F	FY24F
Sime Darby	13.9	1.56	(4.2)	(22.4)	9.9	11.6	15.0	13.6
Auto	**13.9**	**1.56**	**(4.2)**	**(22.4)**	**9.9**	**11.6**	**15.0**	**13.6**
CIMB	51.8	5.80	19.7	5.6	9.2	8.7	8.3	7.6
Hong Leong Bank	41.8	4.68	14.9	16.9	6.0	12.0	10.3	9.7
Malayan Banking	103.7	11.60	(1.2)	13.9	8.0	12.5	11.0	10.2
Public Bank	74.3	8.32	8.5	11.1	4.7	12.4	11.1	10.6
AMMB^	12.0	1.35	15.1	7.9	9.7	6.9	6.4	5.9
Banking	**283.7**	**31.74**	**8.9**	**11.4**	**7.4**	**11.2**	**10.0**	**9.3**
Press Metal	38.7	4.33	39.9	14.8	13.0	27.1	23.6	20.9
Basic Material	**38.7**	**4.33**	**39.9**	**14.8**	**13.0**	**27.1**	**23.6**	**20.9**
Nestle	31.5	3.53	16.1	8.6	5.9	47.5	43.8	41.3
Mr DIY	14.6	1.64	11.1	23.5	16.6	29.9	24.2	20.7
QL Resources	13.3	1.48	59.6	(1.0)	3.2	38.2	38.6	37.4
Consumer	**59.4**	**6.65**	**22.0**	**11.2**	**9.2**	**39.7**	**35.7**	**32.7**
IHH Healthcare	50.6	5.66	(8.3)	15.9	11.8	36.0	31.0	27.8
Healthcare	**50.6**	**5.66**	**(8.3)**	**15.9**	**11.8**	**36.0**	**31.0**	**27.8**
Inari Amertron	9.3	1.04	19.8	(17.0)	9.2	23.8	28.7	26.3
Technology	**9.3**	**1.04**	**19.8**	**(17.0)**	**9.2**	**23.8**	**28.7**	**26.3**
Dialog	11.8	1.32	(0.2)	4.3	7.5	25.7	24.6	22.9
MISC	31.9	3.57	64.0	1.3	10.1	15.3	15.1	13.7
Petronas Chemicals	51.9	5.81	(11.1)	(42.7)	14.1	8.0	13.9	12.2
Petronas Dagangan	21.0	2.35	37.8	21.5	8.1	27.7	22.8	21.1
Oil & Gas	**116.6**	**13.04**	**2.2**	**(26.0)**	**11.7**	**12.0**	**16.2**	**14.5**
IOI Corp	23.0	2.58	81.3	(24.9)	(12.0)	11.6	15.5	17.6
Kuala Lumpur Kepong	22.7	2.54	26.7	(31.0)	(20.9)	9.6	13.9	17.6
Sime Darby Plantations	29.2	3.27	(0.2)	(28.0)	(7.0)	13.6	19.0	20.4
Plantation	**74.9**	**8.38**	**27.3**	**(28.1)**	**(13.5)**	**11.6**	**16.1**	**18.6**
Axiata	25.7	2.88	19.7	(43.6)	45.9	16.0	28.3	19.4
CelcomDigi	51.4	5.75	6.1	(27.0)	10.7	28.3	38.8	35.0
Maxis	32.9	3.68	(9.7)	12.3	9.4	27.9	24.9	22.7
Telekom Malaysia	19.5	2.18	15.0	0.1	(0.2)	13.4	13.4	13.5
Telecommunication	**129.5**	**14.48**	**7.8**	**(19.1)**	**13.5**	**20.7**	**25.9**	**22.8**
Petronas Gas	32.8	3.67	(14.7)	5.0	0.5	19.0	18.1	18.0
Tenaga	54.4	6.09	(9.8)	23.1	4.6	13.7	11.1	10.6
Utilities	**87.2**	**9.75**	**(11.4)**	**17.5**	**3.5**	**15.3**	**13.0**	**12.6**
FBM KLCI	**893.8**	**100.00**	**3.7**	**2.6**	**7.6**	**14.5**	**14.6**	**13.7**

Source: Bloomberg, RHB

Figure 18: High-dividend yield stocks

	Price (MYR/s) 1 Jun 2023	Target (MYR/s)	DY (%) FY23F	DY (%) FY24F	EPS Growth (%) FY23F	EPS Growth (%) FY24F	P/E (x) FY22	P/E (x) FY23F	P/BV (x) FY23F	ROE (x) FY23F
Time dotCom	5.33	5.80	12.9	4.1	7.7	8.6	22.9	21.2	2.4	12.7
Gamuda	4.26	4.35	11.9	2.8	(8.6)	13.4	13.3	14.5	1.1	7.5
MBM	3.50	5.00	10.3	8.6	8.1	(21.7)	5.1	4.7	0.6	13.6
Astro^	0.67	0.84	8.8	9.2	51.5	4.0	12.8	8.5	1.6	25.4
Bermaz Auto^	2.16	3.45	8.8	9.7	8.8	11.3	9.2	8.5	4.2	48.9
Taliworks Corp	0.84	1.01	7.9	7.9	18.5	20.7	31.4	26.5	2.3	8.4
Sentral REIT	0.85	0.92	7.8	8.1	(1.7)	3.4	12.3	12.5	0.7	5.6
Affin	1.93	2.30	7.8	8.9	1.2	14.8	8.1	8.0	0.4	5.0
CLMT	0.51	0.56	7.7	7.7	0.6	1.0	12.6	12.6	0.5	4.1
Ta Ann	3.34	2.95	7.5	6.3	(35.1)	(16.7)	4.5	7.0	0.8	11.7
Tambun Indah	0.86	0.90	7.3	7.6	(0.3)	2.9	6.1	6.1	0.5	8.1
Malayan Banking	8.60	9.45	7.2	7.7	13.9	8.0	12.5	11.0	1.2	10.8
Sports Toto^	1.40	1.42	7.1	7.5	19.1	1.3	11.7	9.8	2.0	20.8
IGB REIT	1.61	1.88	6.4	6.7	5.4	3.8	17.1	16.3	1.5	9.2

Note: ^FY23F-24F valuations refer to those of FY24F-25F
Source: RHB

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