

Malaysia Morning Cuppa

Top Story

Market Strategy

Budget 2022 – A Glass Half Full
Strategy

Expansionary budget as expected. Budget 2022 will be the nation's largest, with an allocation of MYR332.1bn. There were a slew of measures supporting the lower-income group and small businesses, coupled with a hefty MYR75.6bn allocation for development expenditure. The extension of the sales tax exemption, along with tax exemptions for electric vehicles, means that the auto and consumer sectors are the outright winners. Construction lacked emphasis on significant infrastructure projects to capture investor imagination. Property missed out on yet another opportunity to revive the moribund sector.

Analyst: Alexander Chia +603 9280 8889

Today's Report: [Budget 2022 : A Glass Half Full \(30 Oct 2021\)](#)

Previous Report: [Malaysia 2021 Budget : Supporting The Rakyat And Building Resiliency \(6 Nov 2020\)](#)

Other Stories

Gamuda (GAM MK, NEUTRAL, TP:MYR3.55) – DOWNGRADE

Current Valuation Looks Fair; D/G To NEUTRAL

Company Update

Downgrade to NEUTRAL from Buy, unchanged MYR3.55 TP implies 10% upside, with c.4% FY22F (Jul) yield. We believe much of the positives have been priced in following Gamuda's 24% share price rebound since mid-August, while further upside may be capped over the near term, pending fresh re-rating catalysts – given the lack thereof in Budget 2022.

Analysts: Lester Siew CFA +603 9280 2181, Eddy Do Wey Qing +603 9280 8856

Today's Report: [Gamuda : Current Valuation Looks Fair; D/G To NEUTRAL \(30 Oct 2021\)](#)

Previous Report: [Gamuda : Strong End To FY21; Maintain BUY \(30 Sep 2021\)](#)

Press metal (PMAH MK, BUY, TP: MYR8.50)

Business As Usual; Maintain BUY

Corporate News Flash

Maintain BUY and MYR8.50 TP, 53% upside and 1% yield. Budget 2022's introduction of a one-off windfall tax is unlikely to have a pertinent impact on Press Metal going into 2022, given the ongoing Pioneer Status tax holiday for its primary smelting hub in Samalaju (960ktpa). Our estimates are therefore maintained, with our back-of-the-envelope calculations indicating a FY22F EPS impact of <2%

Analyst: Lester Siew CFA +603 9280 2181

Today's Report: [Press Metal : Business As Usual; Maintain BUY \(1 Nov 2021\)](#)

Previous Report: [Press Metal : Non-Aluminium Earnings Upside? Keep BUY \(22 Oct 202\)](#)

Plantation (UNDERWEIGHT)

Double Whammy For East Malaysian Planters

Sector News Flash

Still UNDERWEIGHT. Budget 2022 is overall negative for planters, with the impact of a higher windfall tax on companies with landbank in East Malaysia. Also, the impact of the newly proposed *Cukai Makmur* should weigh heavily on earnings, especially for the pure East Malaysian planters.

Analyst: Hoe Lee Leng +603 9280 8860

Today's Report: [Plantation : Double Whammy For East Malaysian Planters \(1 Nov 2021\)](#)

Previous Report: [Plantation : India Cuts Import Taxes For Vegetable Oils \(14 Oct 2021\)](#)

Real Estate (NEUTRAL)

Just When You Thought...

Sector Update

Maintain NEUTRAL. Just when most investors thought the sector is poised for a recovery and had possibly expected a more favourable Budget 2022, the "goodies" that the Government announced fell short of expectations, in our view. Although the real property gains tax (RPGT) beyond Year 5 is now abolished, the one-off special tax may affect macroeconomic sentiment and hence, developers may be less bullish next year. Coupled with the sharp increase in commodity costs YTD, developers will likely see further margin pressure.

Analyst: Loong Kok Wen CFA +603 9280 8861

Today's Report: [Real Estate : Just When You Thought... \(1 Nov 2021\)](#)

Previous Report: [Real Estate : Any Goodies In Store In Budget 2022? \(15 Oct 2021\)](#)

Sime Darby Property (SDPR MK, NEUTRAL, TP:MYR0.75) – DOWNGRADE

Mild Recovery Prospects Largely Priced In

Company Update

Downgrade to NEUTRAL from Buy, with an unchanged TP of MYR0.75, 3% upside. Sime Darby Property has been a good recovery play since the re-opening of economy in early September. Its property sales momentum has been encouraging even during the lockdown period. However, given the budget disappointment, lack of mega infrastructure development, and imposition of special tax will likely result in negative market sentiment. Given the lesser upside to our TP, we downgrade the stock to NEUTRAL.

Analyst: Loong Kok Wen CFA +603 9280 8861

Today's Report: [Sime Darby Property : Mild Recovery Prospects Largely Priced In \(1 Nov 2021\)](#)

Previous Report: [Sime Darby Property : Partnering With LOGOS For Industrial Development \(30 Sep 2021\)](#)

Eastern & Oriental (EAST MK, SELL, TP:MYR0.60) – DOWNGRADE

Too Early For An Earnings Turnaround; D/G SELL

Company Update

Downgrade to SELL from Neutral, with an unchanged MYR0.60 TP, 10% downside. We think Eastern & Oriental's share price has moved ahead of fundamentals lately. Despite the various cost-cutting measures, and given the timing of the new launches, we think earnings will likely see a turnaround only in late FY23F. This is coupled with the budget disappointment, lack of mega infrastructure developments, and imposition of special tax that will likely result in negative market sentiment.

Analyst: Loong Kok Wen CFA +603 9280 8861

Today's Report: [Eastern & Oriental : Too Early For An Earnings Turnaround; D/G SELL \(1 Nov 2021\)](#)

Previous Report: [Eastern & Oriental : Cost Cuts In Motion; U/G To NEUTRAL \(25 Aug 2021\)](#)

Westports (WPRTS MK, NEUTRAL, TP: MYR4.54)

Still Lots Of Boxes Everywhere

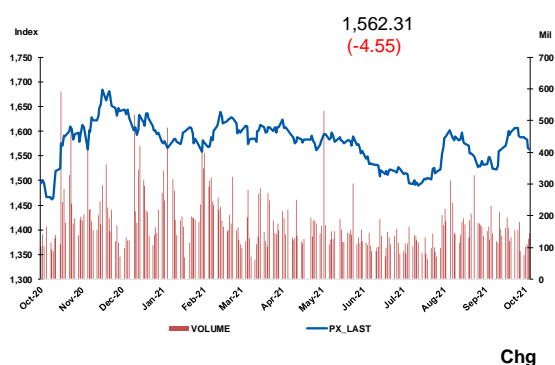
Results Review

Stay NEUTRAL, new DCF-derived MYR4.54 TP from MYR4.25, 2% upside and 3% yield. 9M21 results were in line with our and Street's expectations. YTD, container throughput growth is at 3% YoY, but the continued congestions at the ports have led to a 10% decline in 3Q21 TEU. Our TP is lifted after rolling forward our valuation base year and incorporating a 2% premium on our gross fair value in accordance with our in-house ESG overlay adjustments. This report marks the transfer of coverage to Eddy Do Wey Qing.

Analyst: Eddy Do Wey Qing +603 9280 8856

Today's Report: [Westports : Still Lots Of Boxes Everywhere \(1 Nov 2021\)](#)

Previous Report: [Westports : Still a Stable Ship \(2 Aug 2021\)](#)

Chart 1: FBM KLCI chart


KLCI Futures Oct 2021	1,567.00	(1.0)
KLCI Futures Nov 2021	1,562.50	(5.0)
Brent Crude Oil (USD/bbl)	84.38	+0.06
CPO Spot Price (MYR/Tonne)	5,230.00*	(79.00)
USD/EUR	1.16	(0.01)
JPY/USD	113.95	+0.37
USD/MYR	4.14	(0.01)
JPY/MYR	3.63	(0.03)
EUR/MYR	4.82	+0.01

Note: *As at 28 Oct 2021 closing

Table 1: Regional markets (29 Oct 2021)

	Bloomberg Code	Index	Chg	YTD (%)
FBM KLCI	: FBMKLCI	1,562.31	↓ (4.55)	(4.0)
FTSE M'sia Emas	: FBMEMAS	11,559.00	↓ (17.51)	(1.7)
FTSE M'sia 70	: FBM70	15,302.37	↑ +12.54	+1.1
FTSE M'sia 100	: FBM100	11,189.09	↓ (21.72)	(2.7)
Singapore	: FSSTI	3,198.17	↓ (5.65)	12.5
Thailand	: SET	1,623.43	↓ (0.88)	12.0
Philippines	: PCOMP	7,054.70	↓ (103.03)	(1.2)
Indonesia	: JCI	6,591.35	↑ +67.27	10.2
Hong Kong	: HSI	25,377.24	↓ (178.49)	(6.8)
China, Shanghai	: SHCOMP	3,547.34	↑ +28.92	+2.1
China, Shenzhen	: SZCOMP	2,400.03	↑ +37.79	+3.0
Korea	: KOSPI	2,970.68	↓ (38.87)	+3.4
Taiwan	: TWSE	16,987.41	↓ (54.22)	+15.3
Japan	: NKY	28,892.69	↑ +72.60	+5.3
Dow Jones	: INDU	35,819.56	↑ +89.08	+17.0
S&P 500	: SPX	4,605.38	↑ +8.96	+22.6
Nasdaq	: CCMP	15,498.39	↑ +50.27	+20.3

Bulletin

STOCK/SECTOR	NEWS	COMMENT	RATING
Solarvest (Solar MK)	<p>Solarvest has entered into a MoU with Hsinjing Holding (HH) to develop solar projects in Taiwan. HH is listed on the Mainboard of the Taipei Exchange and is an established investor and solar photovoltaic cells contractor.</p> <p>Under this MoU, both parties intend to jointly develop solar projects in Taiwan for the capacity of around 500MW by end 2025. (Bursa Malaysia)</p>	<p>We are positive on the news, as Solarvest is another step closer to establishing its presence in the Taiwan's solar industry. The company previously mentioned that it is targeting c.90MW worth of engineering, procurement, construction, and commissioning projects in the country. It also aims to own a c.40MWp solar farm.</p> <p>We have yet to impute any of these wins into our earnings forecasts, as details are still scarce at this juncture. Any wins from this venture would provide further upside to our forecasts. We maintain our call and TP.</p>	BUY, TP: MYR1.54

Top BUYs

	TP (MYR)	Upside (%)	Shariah	Catalysts
CIMB Group (CIMB MK)	5.90	13.0	N	<ul style="list-style-type: none"> Strongest recovery among peers as management aggressively kitchen-sinked in 2020 Clear strategic roadmap to revive ROE, including tight cost control, recalibration of regional business, and improve risk management Attractive valuation of 0.7x FY21F P/BV, lowest among big cap peers
Genting (GENT MK)	6.47	24.9	N	<ul style="list-style-type: none"> Beneficiary of a cyclical recovery as we head closer to achieving mass vaccination Trading at an attractive 5.2x FY22F EV/EBITDA vs regional peer average of 14x The market cap spread between GENT and its listed subsidiaries is still at a high discount of c.39%
Inari Amertron (INRI MK)	4.35	12.4	Y	<ul style="list-style-type: none"> Prime beneficiary of 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
Malayan Banking (MAY MK)	10.30	28.0	N	<ul style="list-style-type: none"> We expect regional economies to recovery as vaccines gain wider deployment Maybank is our big-cap proxy to regional recovery and we see multiple levers to deliver earnings Attractive 7% yield is highest among peers
Mr DIY (MRDIY MK)	4.59	21.8	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
Mynews (MNHB MK)	1.22	31.2	N	<ul style="list-style-type: none"> An attractive proxy to capitalise on the cyclical recovery, given the entrenched store network New brand CU has the potential for scalability, creating synergistic benefits for Mynews and a new avenue for long-term growth TP implies 28x FY22F P/E, which is around the 5-year mean and at a discount to 7-Eleven
OCC (OCC MK)	0.59	14.6	Y	<ul style="list-style-type: none"> Key beneficiary of the National Digital Infrastructure Plan or JENDELA and MyDigital blueprint Over 80% of EBITDA is backed by recurring revenues (lease rentals, solar assets, and site maintenance) Valuation is undemanding considering the sizeable contribution from the tower leasing business when compared to regional towerco comparables
Petronas Chemicals (PCHEM MK)	9.91	14.0	Y	<ul style="list-style-type: none"> Petrochemical price trend is likely to stay strong in the near term, buoyed by rising pressure of higher feedstock cost amidst soaring gas prices. Despite projecting a 18% decline in FY22F earnings, valuation remains attractive, trading below its 5-year mean. We see further earnings upside, if: i) The moderation in ASP is less steep than anticipated, and ii) PCHEM can kickstart the PIC project smoothly.
Press Metal (PMAH MK)	8.50	52.9	Y	<ul style="list-style-type: none"> Robust FY20-23F earnings CAGR of 78% on stronger London Metal Exchange 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
Sunway (SWB MK)	2.00	12.4	Y	<ul style="list-style-type: none"> Sunway's exposure to the property market in Singapore is opportunistic given the swift rebound in demand for property in the city state after its successful roll-out of vaccine. We expect 1H21 property sales to be fairly strong The potential disposal of a minority stake should raise considerable proceeds that should help to fund the expansion of the healthcare unit. The transaction should also set a benchmark valuation for future listing of the division
Tasco (TASCO MK)	1.94	39.8	N	<ul style="list-style-type: none"> Pandemic-resistant business while also leveraged to post-COVID-19-recovery tailwinds, which translate into a 2-year core earnings CAGR of 22%, subsequent to FY21's 400% YoY growth Multi-pronged expansion plan backed by its new, tax-advantaged >MYR400m capex cycle. It is also a potential beneficiary of COVID-19 vaccine roll-outs
Telekom Malaysia (T MK)	7.90	36.4	Y	<ul style="list-style-type: none"> Strong growth in Unifi subs addition driving internet revenue from remote working and online learning platforms Accelerated digitalisation drive by enterprises Higher wholesale revenue from mobile backhaul fiberisation and the re-selling of high speed broadband access to mobile operators

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Kuala Lumpur

RHB Investment Bank Bhd

Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur
Malaysia
Tel : +(60) 3 9280 8888
Fax : +(60) 3 9200 2216

Singapore

RHB Bank Berhad (Singapore branch)

90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470

Jakarta

PT RHB Sekuritas Indonesia

Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

Bangkok

RHB Securities (Thailand) PCL

10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +(66) 2 088 9999
Fax : +(66) 2 088 9799