TA SECURITIES
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2H 2024 Strategy

For Internal Circulation Only

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2H24 Market Outlook

On the Cusp of Stronger Recovery

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Executive Summary

Emerging from a lost decade caused by the 1MDB debacle, domestic political upheavals and Covid-19 public health crisis, the FBMKLCI is poised to sustain its upward trajectory after it gained 135.43 points or 9.3% to 1,590.09 in the 1H24. The newfound strength, which is supported by a stable and committed government, rests on 1) improving economic outlook, 2) confidence in domestic fiscal consolidation and structural reforms, 3) spillover effects from sizeable public spending, 4) steady inflow of FDIs in growth sectors, 5) a double-digit growth in corporate earnings, and 6) undemanding valuation. While maintaining our end-2024 target of 1,690 based on CY25 PER of 14.4x, we are optimistic that Malaysia has the right ingredients to propel the FBMKLCI to a new all-time high before the next general election, consistent with our view that it is currently mid-way through a major bull cycle. This will effectively narrow the valuation gap with the 5-year historical average PER of 17.6x as Malaysia's structural reforms gain traction and foreign funds increase their exposure in undervalued emerging markets with strong growth prospects. The timing may be just right for them to switch gradually from pricy developed markets, especially the US, whose economy is expected to slow down and be subjected to greater uncertainty post the presidential election, especially if Donald Trump is re-elected.

- **The Domestic Economy Outperformed in 1Q24**. The 4.2% YoY growth surpassed advanced estimates and consensus expectations of 3.9% YoY. Although a little lower than our forecast of 4.3% YoY, it is a good start towards achieving our full-year growth forecast of 4.7%, which can be surpassed, driven by strong consumption, resilient domestic activities and recovery in exports.
- **Strong Corporate Earnings**. Brighter economic prospects underscore our double-digit earnings growth projection of 13.6% for the FBMKLCI component stocks in 2024 and a high single-digit expansion of 7.8% in 2025. It will be driven mainly by the Banking, Power & Utilities, Gaming, Healthcare and Oil & Gas sectors, which, in our view, have more legs to drive up this equity market rally based on their still undemanding valuations compared to historical peaks.
- **Nation's Strategic Initiatives Positive for Growth**. The Malaysian government's vision to achieve a developed nation status through various long-term strategies that emphasise on growth sectors, digital economy, sustainable development, structural reforms and human capital development are attracting greater foreign direct investments. We are positive about the spillover effects on the domestic direct investments, exports and the overall economy.
- **Daring but Much Needed Fiscal Prudence**. Foresee greater traction in the government's fiscal initiatives in the coming quarters as the targeted fuel subsidy rationalisation kicks off with an RM1.20/litre increase in diesel prices. Adjustments in petrol prices will follow soon. While consumption could suffer in the short term, savings from these initiatives should help lower the fiscal deficit and channel some of it to the needy. Withdrawals from EPF account 3, higher civil servants' pay and the implementation of progressive wages in the private sector are important catalysts for consumption during the adjustment period of subsidy rationalisation.
- **Monetary Accommodation**. Malaysia's stronger economy and stable interest rate, resting on our presumption that BNM is likely to maintain its policy rate at 3% for the rest of 2024, should paint a better outlook for Ringgit and draw back foreigners whose current shareholding is low at 19.6%.
- **External Sector**. Signs of improvement in China's economy and the government's measures to revive the ailing property market are seen in a positive light. While trade disputes with the US and Europe could be detrimental to China's exports, Malaysia will benefit from the global supply chain diversification efforts. In this regard, we view the recent launch of the National Semiconductor Strategy as a vital catalyst to move up the product value chain.
- **Downside risks**. On the downside, delays in the timing of interest rate cuts and an economic slowdown in the US could affect market sentiment and foreign fund flows into domestic equities. However, with signs of easing in hiring, falling wage growth and a slowing economy, we believe the Fed will be inclined to lower rates in September or by November at the latest. Donald Trump's re-election may cause some volatility in financial markets, but nothing much will change on trade protectionism even if Democrats prevail in the Presidential Election.
- **Investment Strategy – Buy This Market**. Savings from government subsidy rationalisation, multi-billion public spending on infrastructures, foreign direct investments and domestic direct investments in renewable energy and growth sectors identified under the long-term plans are boosters for domestic sectors. Thus, our top picks are closely associated with the **Banking**, **Construction**, **Consumer**, **Healthcare**, **Power**, **Property** and **Telco** sectors. The strong growth in the E&E exports driven by the "China Plus One" strategy and demand for advanced technologies, electric vehicles, data centres, etc. are expected to sustain interest in the **Technology** sector while benefitting Power and Telco players as well.
- **Buy Picks**. In line with the above views, our **top big-cap picks** are **PBBANK**, **YTLPOWR**, **TM**, **GAMUDA**, **INARI** and **IOIPG**. Top small and mid-cap stocks are **INTA**, **PGF**, **IBRACO**, **ABLEGLOB**, **SCOMNET**, **FFB**, **SUNCON**, **ABMB** and **SIMEPROP**.

Figure 1: Top Buy Picks

Company	Market Cap. (RMm)	Share Price (RM)	EPS (sen)		PER (x)		DPS (sen)		Dividend Yield		Target Price (RM)	Capital Gain (%)	Total Gain (%)	YTD (%)
			FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25				
INTA	252.2	0.46	4.6	6.4	10.0	7.2	1.5	1.5	3.3%	3.3%	0.71	54.3%	57.6%	76.9
IOIPG	12,168.6	2.21	13.5	16.3	16.4	13.6	5.5	6.0	2.5%	2.7%	3.00	35.7%	38.2%	26.3
YTLPOWR	39,504.1	4.82	38.6	36.1	12.5	13.4	11.6	11.6	2.4%	2.4%	6.35	31.7%	34.1%	89.8
FFB	2,846.6	1.52	3.1	5.9	49.0	25.8	0.0	1.5	0.0%	1.0%	1.97	29.6%	29.6%	15.2
PGF	422.5	2.18	6.0	23.1	36.3	9.4	1.5	5.8	0.7%	2.7%	2.76	26.6%	27.3%	59.1
PBBANK	78,031.0	4.02	36.0	37.6	11.2	10.7	20.0	20.0	5.0%	5.0%	4.90	21.9%	26.9%	(6.3)
ABLEGLOB	639.7	2.08	19.9	20.3	10.5	10.2	6.5	6.5	3.1%	3.1%	2.57	23.6%	26.7%	38.7
GAMUDA	18,241.9	6.58	33.6	37.7	19.6	17.5	16.0	20.0	2.4%	3.0%	8.13	23.6%	26.0%	43.4
IBRACO	611.6	1.12	8.9	11.2	12.6	10.0	3.0	3.5	2.7%	3.1%	1.33	18.8%	21.4%	40.0
SUNCON	4,886.7	3.79	15.2	19.9	24.9	19.0	7.0	10.0	1.8%	2.6%	4.46	17.7%	19.5%	95.4
SIMEPROP	9,113.1	1.34	7.3	7.7	18.4	17.4	3.0	3.0	2.2%	2.2%	1.57	17.2%	19.4%	114.4
ABMB	5,867.3	3.79	44.6	47.4	8.5	8.0	22.3	22.5	5.9%	5.9%	4.30	13.5%	19.3%	11.8
INARI	13,964.9	3.70	9.4	12.3	39.4	30.1	8.9	11.7	2.4%	3.2%	4.30	16.2%	18.6%	22.9
SCOMNET	1,268.2	1.48	4.6	5.8	32.2	25.5	2.1	2.6	1.4%	1.8%	1.73	16.9%	18.3%	21.3
TM	25,942.9	6.76	48.9	43.2	13.8	15.6	19.6	23.8	2.9%	3.5%	7.70	13.9%	16.8%	21.8

Source: Bloomberg, TA Securities

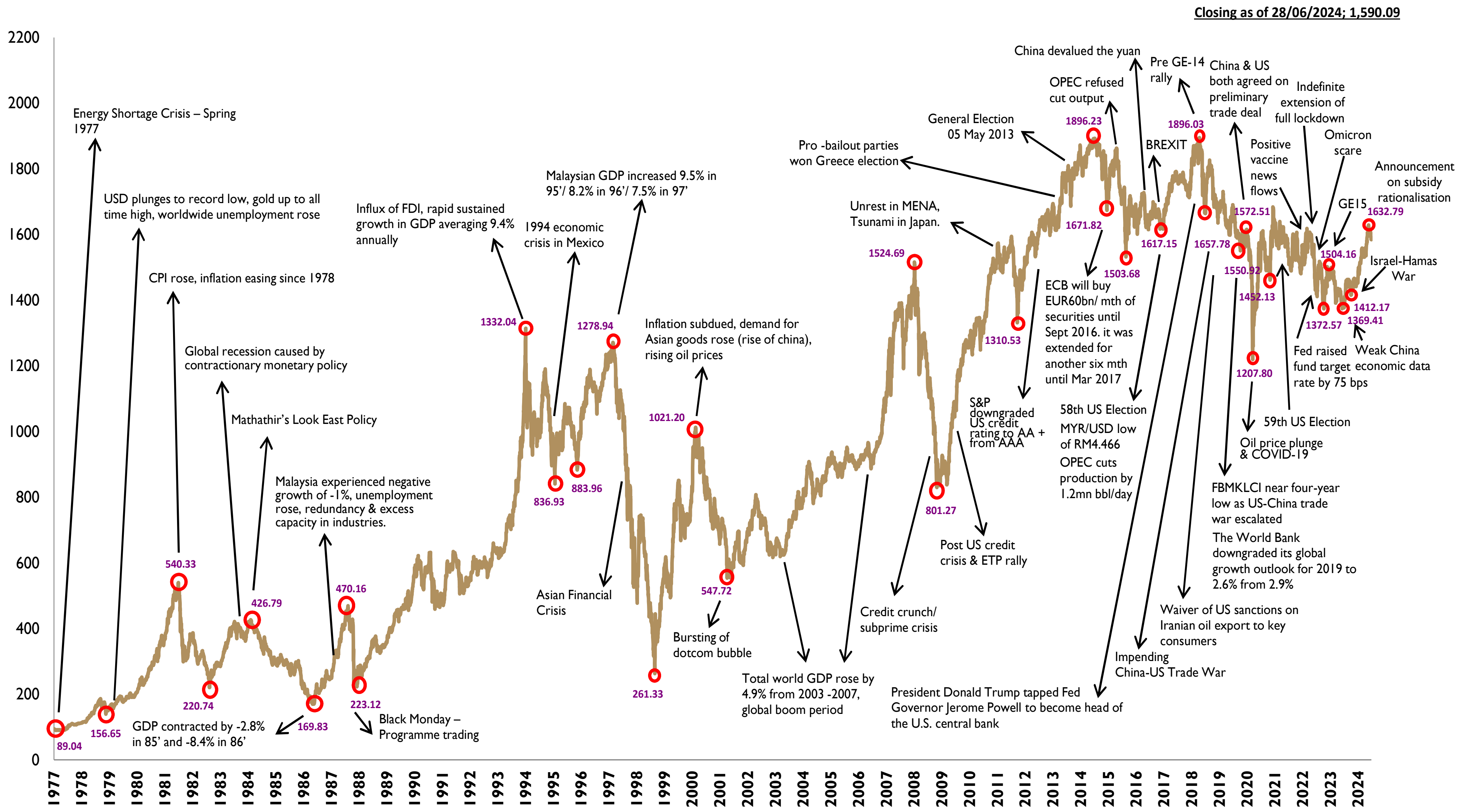
FBMKLCI Outperformed in 1H24

Buying interest from local institutions and foreign funds led the FBMKLCI to a three-year high of 1,632.79 in 1H24

The benchmark FBMKLCI index has outperformed regional markets in 1H24. It advanced by 135.43 points or 9.3% to close at 1,590.09 on 28 June. It was driven by strong buying interest from the local institutional funds and foreign funds. The year started off on a solid footing with the benchmark index rising 58.32 points to 1,512.98 in January driven mostly by the banking and utilities stocks, which helped to fend off a selling spree from retailers that were spooked by margin calls and forced selling in some small caps. The FBMKLCI added another 38.46 points to 1,551.44 in February aided by a sharp fall in the ringgit, which plunged to a 26-year low of RM4.7965 against the USD on 20 February, which induced foreign buying.

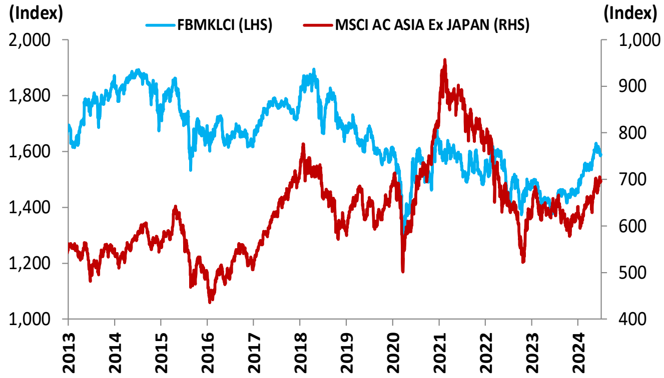
The fortune reversed in March as the index shed 15.37 points to 1,536.07 after China's economic growth target of 5% for 2024 failed to excite investors and worries about the US Federal Reserve (Fed) delaying its interest rate cuts resurfaced. Buying interest returned in April and the FBMKLCI climbed to a near two-year high of 1,589.06 in April before closing at 1,575.97, as investors shrugged off geopolitical tensions between Israel and Iran and focused on strong US corporate earnings and robust economic data in the region. The upbeat sentiment continued in May with the benchmark index crossing the 1,600 mark comfortably to a high of 1,632.79 before retreating to close at 1596.68. It closed at 1,590.09 in June as investors got attuned to the "higher-for-longer" narrative in the Fed's May and June meeting while the focus shifted to encouraging 1Q24 corporate earnings and the government's strive to rein in budget deficits, as it dared to go ahead with the unpopular move of floating pump prices, starting off with diesel on June 10.

Figure 2: FBKLCI Cycles



Source: Bloomberg, TA Securities

Figure 3: FBMKLCI Performance



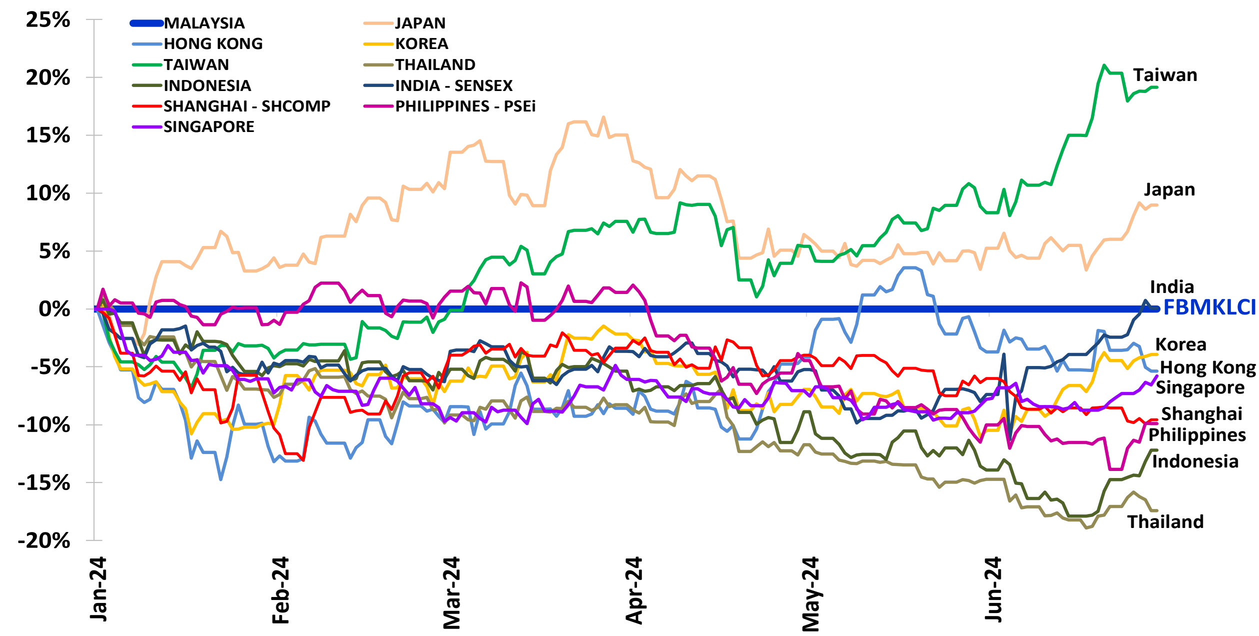
2023		28-Jun-24
26.8%	TWSE (TAIWAN)	28.5%
28.2%	NIKKEI (JAPAN)	18.3%
43.4%	NASDAQ (US)	18.1%
24.2%	S&P500 (US)	14.5%
18.7%	SENSEX (INDIA)	9.4%
-2.7%	**FBMKLCI (MALAYSIA)**	**9.3%**
20.3%	DAX (GERMANY)	8.9%
3.6%	MSCI AC Asia ex Japan	8.6%
3.8%	FTSE (UK)	5.6%
18.7%	KOSPI (KOREA)	5.4%
-13.8%	HANG SENG (HK)	3.9%
13.7%	DOW JONES (US)	3.8%
-0.3%	FSSTI (SINGAPORE)	2.9%
7.8%	AS51 (AUSTR)	2.3%
-3.7%	SHCOMP (CHINA)	-0.3%
-1.8%	PSEi (PHILIPPINES)	-0.6%
6.2%	JCI (INDONESIA)	-2.9%
-15.2%	SET (THAILAND)	-8.1%
-7.0%	SZCOMP (CHINA)	-12.0%

Figure 4: FBMKLCI Value vs. Volume

Date	Value (mn)		Volume (mn)		Val/ Vol
	Total	Average	Total	Average	(RM)
Jan-23	38,467.9	2,024.6	64,329.0	3,385.7	0.60
Feb-23	43,489.3	2,416.1	69,076.3	3,837.6	0.63
Mar-23	46,706.0	2,030.7	72,674.9	3,159.8	0.64
Apr-23	29,728.9	1,651.6	50,699.4	2,816.6	0.59
May-23	39,648.0	1,888.0	58,957.4	2,807.5	0.67
Jun-23	35,702.6	1,785.1	61,390.7	3,069.5	0.58
Jul-23	38,881.8	1,944.1	62,286.8	3,114.3	0.62
Aug-23	47,724.8	2,169.3	76,612.2	3,482.4	0.62
Sep-23	45,229.1	2,261.5	67,627.7	3,381.4	0.67
Oct-23	43,636.2	1,983.5	67,764.8	3,080.2	0.64
Nov-23	45,699.0	2,176.1	72,060.8	3,431.5	0.63
Dec-23	21,951.5	2,195.1	33,850.0	3,385.0	0.65
Jan-24	66,806.1	3,181.2	109,158.2	5,198.0	0.61
Feb-24	51,112.9	2,690.2	66,701.9	3,510.6	0.77
Mar-24	57,852.0	2,892.6	78,793.2	3,939.7	0.73
Apr-24	57,903.5	2,895.2	79,874.0	3,993.7	0.72
May-24	82,977.6	3,951.3	111,213.1	5,295.9	0.75
Jun-24	72,472.5	4,026.2	97,771.4	5,431.7	0.74

Source: Bloomberg, TA Securities

Figure 5: Splendid Recovery - FBMKLCI Outperformed Most Asia Markets in 1H24



Source: Bloomberg, TA Securities

Figure 6: Bursa Malaysia Performance by Sector

		31-Dec-23	28-Jun-24	YTD Chg (%)
1	FINANCIAL SERVICES	16,303.04	17,454.73	7.1%
2	CONSUMER PRODUCTS & SERVICES	553.68	584.95	5.6%
3	INDUSTRIAL PRODUCTS & SERVICES	172.99	195.85	13.2%
4	TELECOMMUNICATIONS & MEDIA	569.07	595.17	4.6%
5	UTILITIES	1,319.73	1,779.70	34.9%
6	PLANTATION	7,007.96	6,982.72	-0.4%
7	HEALTHCARE	1,903.93	2,137.15	12.2%
8	TRANSPORTATIONONS & LOGISTICS	930.39	1,107.19	19.0%
9	PROPERTY	862.11	1,080.89	25.4%
10	ENERGY	817.73	955.42	16.8%
11	REIT	782.22	826.34	5.6%
12	CONSTRUCTION	191.93	263.71	37.4%
13	TECHNOLOGY	63.39	76.40	20.5%

Figure 7: Bursa Malaysia Top 10 Active Counters

		Total Trading Volume	31-Dec-23	28-Jun-24	YTD Chg (%)
1	HONGSENG	8,638,950,240	0.025	0.015	-40.0%
2	TWL	6,861,872,075	0.03	0.025	-16.7%
3	MYEG	6,850,526,346	0.815	1.02	25.2%
4	WIDAD	6,537,312,488	0.485	0.06	-87.6%
5	MINETEC	6,278,728,461	0.145	0.14	-3.4%
6	VELESTO	6,119,678,080	0.23	0.265	15.2%
7	INGENIEU	5,613,915,375	0.13	0.05	-61.5%
8	TOPGLOV	4,692,186,525	0.90	1.10	22.2%
9	DNEX	4,521,591,131	0.40	0.45	12.5%
10	EKOVEST	4,265,573,122	0.455	0.44	-3.3%

Figure 8: Bursa Malaysia Top 10 Gainers

		31-Dec-23	28-Jun-24	YTD Chg (%)
1	NOTION	0.32	2.05	540.6%
2	WMG	0.10	0.405	305.0%
3	PMHLDG	0.095	0.355	273.7%
4	MMAG	0.095	0.31	226.3%
5	SNS	0.235	0.755	221.3%
6	SENDAI	0.165	0.53	221.2%
7	JCY	0.22	0.705	220.5%
8	VSTECS	1.32	4.20	218.2%
9	CHGP	0.835	2.59	210.2%
10	SSB8	0.215	0.625	190.7%

Figure 9: Bursa Malaysia Top 10 Losers

		31-Dec-23	28-Jun-24	YTD Chg (%)
1	RAPID	28.48	0.865	-97.0%
2	WIDAD	0.485	0.06	-87.6%
3	YNHPROP	4.25	0.545	-87.2%
4	ASTRONIQ	0.865	0.195	-77.5%
5	IMASPRO	3.83	1.07	-72.1%
6	SCIB	0.935	0.28	-70.1%
7	MICROLN	0.88	0.28	-68.2%
8	NEXGRAM	0.045	0.015	-66.7%
9	SCABLE	0.375	0.13	-65.3%
10	RENEUCO	0.22	0.08	-63.6%

Figure 10: FBMKLCI Top Gainers

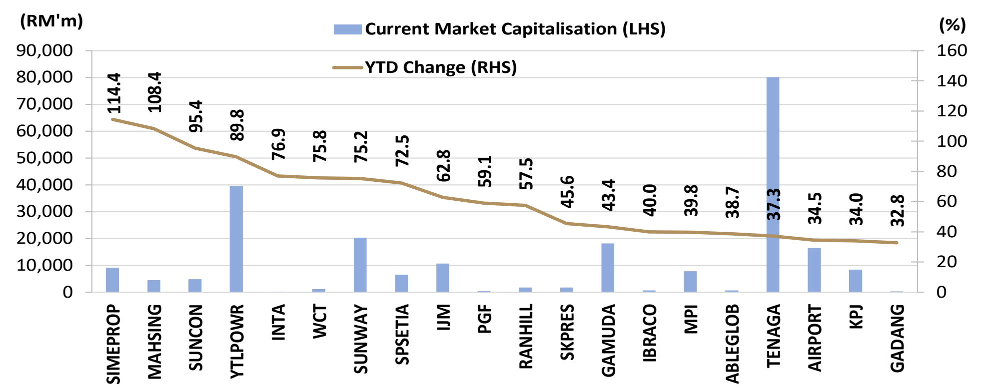
		31-Dec-23	28-Jun-24	YTD Chg (%)
1	YTLPOWR	2.54	4.82	89.8%
2	YTL	1.89	3.45	82.5%
3	SUNWAY	2.06	3.61	75.2%
4	TENAGA	10.04	13.78	37.3%
5	MRDIY	1.45	1.94	33.8%
6	TM	5.55	6.76	21.8%
7	PMETAL	4.81	5.76	19.8%
8	CIMB	5.85	6.80	16.2%
9	MISC	7.29	8.52	16.9%
10	QL	5.71	6.52	14.2%

Figure 11: FBMKLCI Top - Losers

		31-Dec-23	28-Jun-24	YTD Chg (%)
1	PETDAG	21.84	17.44	-20.1%
2	PCHEM	7.16	6.31	-11.9%
3	CDB	4.08	3.68	-9.8%
4	MAXIS	3.85	3.53	-8.3%
5	PBBANK	4.29	4.02	-6.3%
6	IOICORP	3.93	3.70	-5.9%
7	KLK	21.82	20.64	-5.4%
8	SDG	4.46	4.22	-5.4%
9	GENM	2.69	2.55	-5.2%
10	PPB	14.48	14.30	-1.2%

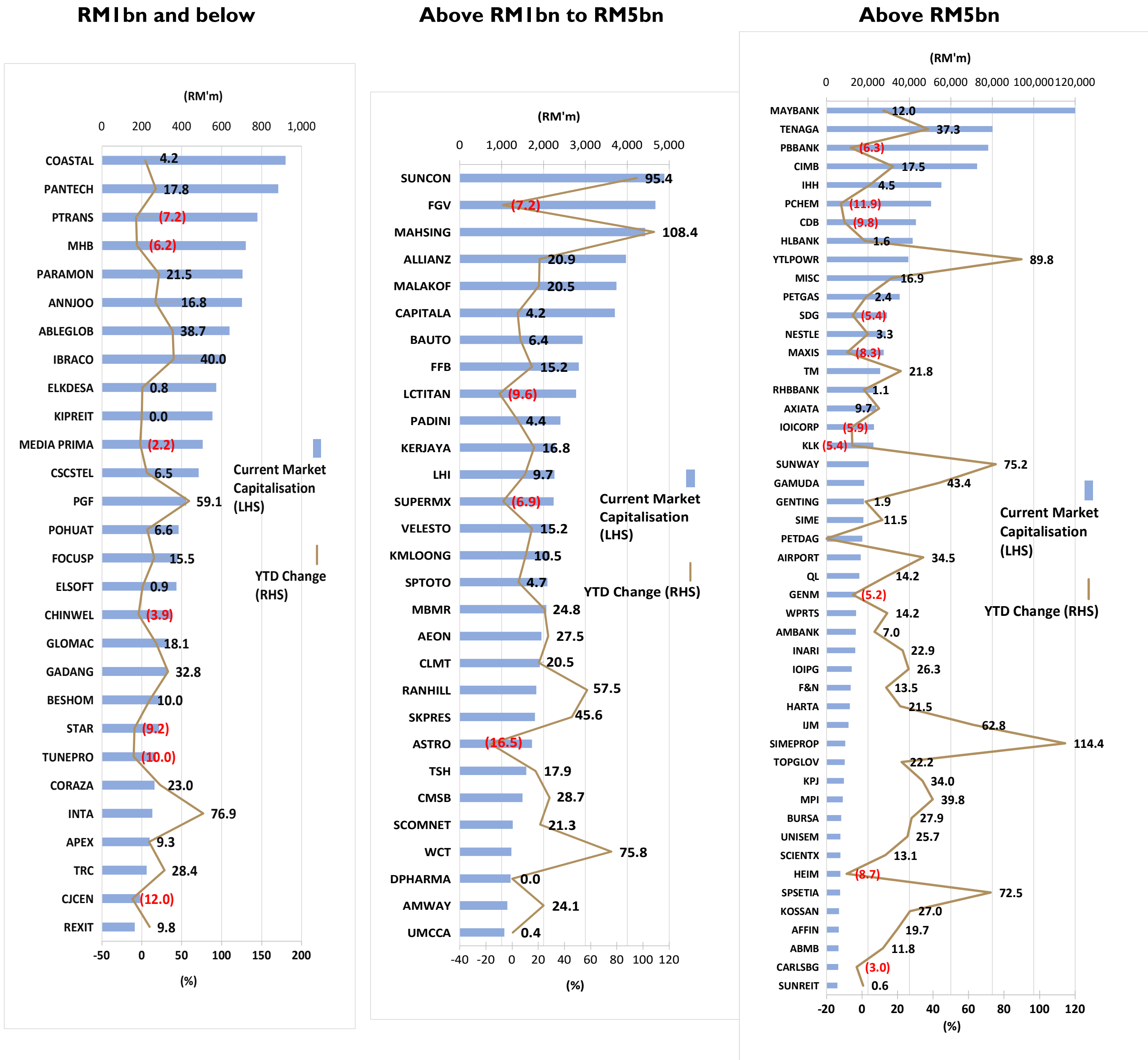
Source: Bloomberg, TA Securities

Figure 12: TA Stock Universe – 1H24 Top Performers



Source: Bloomberg, TA Securities

Figure 13: TA Stock Universe - YTD Performance by Market Capitalisation



Source: Bloomberg, TA Securities

Malaysia Attractive from a Risk-Reward Perspective

FBMKLCI end-2024 target is 1,690

We expect the FBMKLCI to trend higher in the 2H24, which is reflected in our end-2024 target of 1,690. Major catalysts will be the structural reforms that will improve the nation's financial standing; the huge inflow of foreign direct investments in growth sectors that will lift the domestic direct investments and economy along with it; resilient domestic spending aided by job security, higher civil servants' salary and withdrawals from EPF account 3, and policy measures; and strong corporate earnings growth. Besides, with China determined to overcome its property sector woes and pushing for domestic consumption to be the baton of growth, the US economy is still growing with the possibility of avoiding a hard landing, trade restrictions imposed by the West on China benefitting Malaysia and after-effects of geopolitical tensions appeared to be well contained, we believe Malaysia has the upper hand from a risk-reward perspective.

Nonetheless, as the index does not move up in a straight line, it could be subjected to bouts of profit-taking consolidations as investors digest the impact of the selective removal of diesel subsidies and keep their fingers crossed on the timing of similar measures on blanket petrol subsidies, while reacting to external new flows especially from the US and China. Positive measures in Budget 2025 could rekindle buying interest in 4Q24, which can be complemented by the possibility of a US rate cut. This could induce stronger foreign buying than what we have seen in the last six months. Besides, the current foreign shareholding of 19.5% is low compared to an average of 23.2% between 2014 and 2019 as volatile domestic political conditions between 2018 and 2022 investor eroded investor confidence.

Bouts of profit taking is necessary to neutralise overbought conditions

From a long-term perspective, we believe the current upward trajectory in the FBMKLCI is sustainable until the next general election due to political stability, which will keep many of the drivers that we have highlighted earlier intact. This is consistent with our view that the benchmark index is in a new major bull cycle that started in March 2020, after witnessing a downcycle from July 2014 to March 2020. Like the previous major upcycle that started from an October 2008 low of 801.27 and ended higher at 1896.23 in July 2014, the FBMKLCI is mid-way through another major upcycle that is likely to propel the benchmark index to another new high (historical high is 1,896.23 and it is possible to rise beyond 2,000 points) before the next general election in 2027.

We are convinced the FBMKLCI is in a major bull cycle

Malaysia's Economy is Improving

Malaysia's economy surpassed expectations in 1Q24, having expanded by 4.2% versus 3.9% in Bloomberg consensus forecast and 2.9% in 4Q23. This was made possible by stronger domestic demand and better exports. We expect a continuation of this encouraging sign. A stronger economy will translate into greater domestic activities, a vibrant capital market, higher government revenue and better corporate profits. All these ingredients are vital for investor confidence.

We forecast **Malaysia's economy to grow by 4.7% in 2024, one percentage point higher than last year's 3.7%, driven by domestic spending and continued recovery in exports.** On the demand side, consumption will be driven by **the resilient job market** (the unemployment rate stood at 3.3% currently and we expect it to trend lower to 3.2% by year end), **withdrawals from EPF account three** that could gain traction after August**, the government's targeted assistance through cash handouts and subsidies**, and **the 13% increase in civil servants. These factors should help contain the negative impacts of the government's subsidy rationalisation efforts.** As job stability and higher wages are crucial for resilient consumer spending, the fact that the median monthly salary for those in the formal sector has increased by 4.9% YoY to RM2,900 in December 2023 is a good indicator. We expect personal spending in real GDP to expand by 6.2% in 2024, an increase from 4.7% in 2023. Besides, the significant 135.43 points rally in the local stock market, robust performance of IPOs so far this year, and a recovery in the real estate sector have created the much-needed wealth effect for consumers to continue their spending spree.

Malaysia's economy is gaining traction

Consumption will also get an additional boost from the robust tourist arrivals. Tourism is a significant contributor to Malaysia's economy, generating foreign exchange earnings, creating job opportunities, and contributing to the country's gross domestic product. In 2022, the tourism industry contributed RM251.5bn to Malaysia's GDP, accounting for 14% of the country's total GDP. It employed 3.61mn persons in 2022 and contributed 23.4% to the total employment in Malaysia. **Tourist arrivals are expected to surge by 36.5% to 27.3mn in 2024 versus 20mn last year and contribute to much higher tourism receipts of RM102.7bn (+44.6%) from RM71bn in those respective years.** These forecasts are stronger than the 26mn tourist arrivals and RM85bn tourism revenue in 2019. The government has enhanced air connectivity, relaxed visa requirements (especially from China and India) and increased promotion activities to meet these targets. The positive impacts of these factors were already visible in the improvement seen in the distributive trade index, which has increased by an average of 3.9% YoY in the first four months of this year.

Private consumption is getting a boost from robust tourist arrivals

The largest ever budget allocation of RM394bn this year will have huge spillover effects from public spending and investments, especially from the RM90bn allocation for development expenditure. This will be complemented by the sizeable inflow of foreign direct investments (FDI) and the corresponding increase in private investments. This will sustain the strength in the jobs market and be pivotal for supporting the spending behaviour of consumers, which in turn will drive private investments, creating a virtuous cycle that could sustain for the next few years unless marred by drastic external slowdowns, inflationary pressure, damaging geopolitical tensions, unexpected black swan events, etc.

Huge investments underscore long-term growth potentials

Figure 14: Malaysia's Economy is Improving

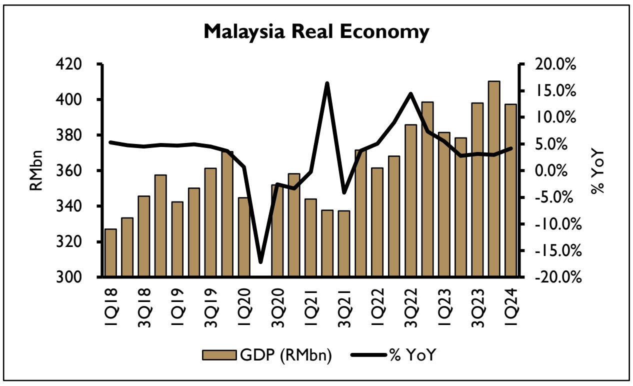


Figure 15: Current Account Rebounding

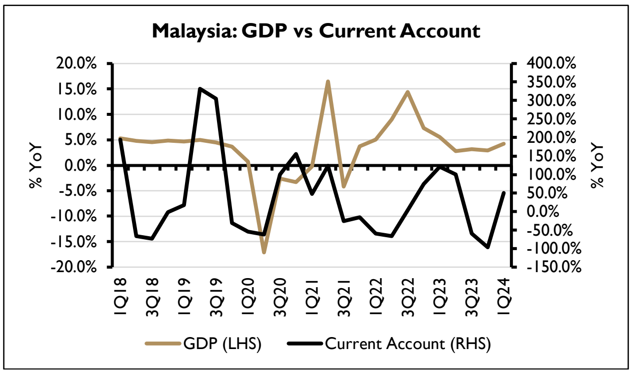


Figure 16: Labour Market Drives Consumption

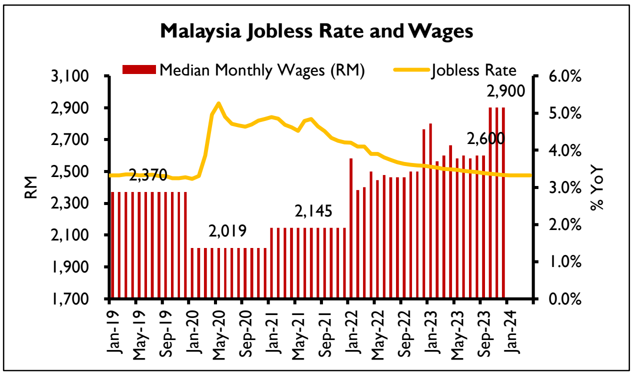


Figure 17: Resilient Retail Sales

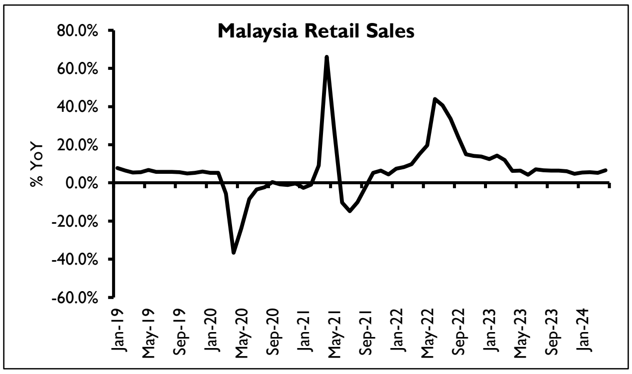


Figure 18: Robust Tourist Arrivals

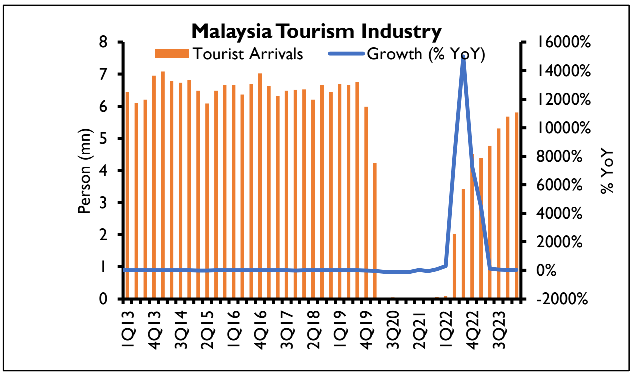
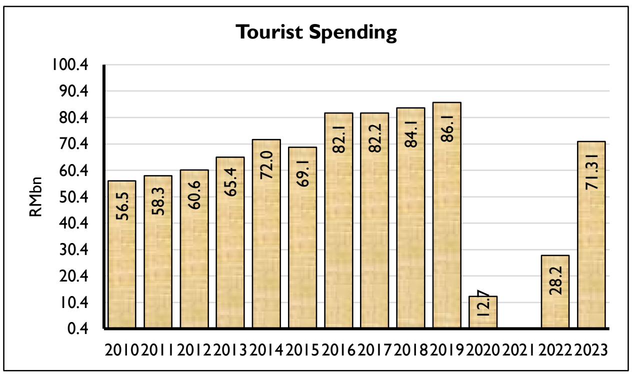


Figure 19: Tourism Receipts are Rising

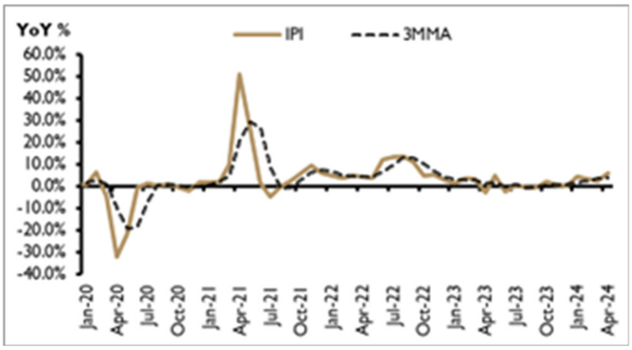


Source: DOSM, TA Securities

Figure 20: Pickup in Distributive Trade Indicates Improvement in Production & Consumption

	2023	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	4M24
Distributive Trade Index	149.7	152.7	154.3	152.3	151.2	155.1	154.0	153.1
% YoY	5.4	4.7	3.4	3.5	3.9	3.5	4.5	3.9
% MoM		0.3	1.0	-1.3	-0.8	2.6	-0.7	
Wholesale Trade	137.1	139.0	138.4	139.9	136.6	139.5	138.7	138.7
% YoY	4.6	5.8	3.4	4.0	4.4	2.2	2.7	3.3
% MoM		0.5	-0.5	1.1	-2.3	2.1	-0.6	
Retail Trade	171.1	174.5	177.6	173.5	174.5	177.6	179.2	176.2
% YoY	5.9	2.9	3.6	1.4	4.6	5.4	3.5	3.7
% MoM		0.7	1.8	-2.3	0.6	1.8	0.9	
Motor Vehicle	128.4	134.2	138.2	131.8	130.2	140.2	129.1	132.8
% YoY	8.3	10.5	3.9	12.1	2.6	0.3	17.1	7.5
% MoM		-1.7	2.9	-4.6	-1.2	7.6	-7.9	

Figure 21: IPI is Picking Up Gradually - % YoY



Source: DOSM, TA Securities

Figure 22: IPI by Segment - % YoY

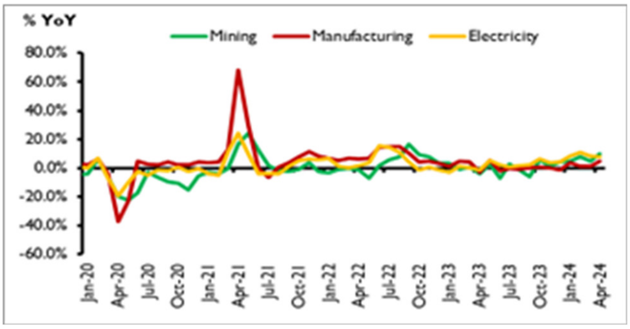


Figure 23: Output by Industries – External Demand Improving

Source: DOSM, TA Securities

Figure 24: Wealth Effect Could Contribute to Continued Recovery in Property Sector

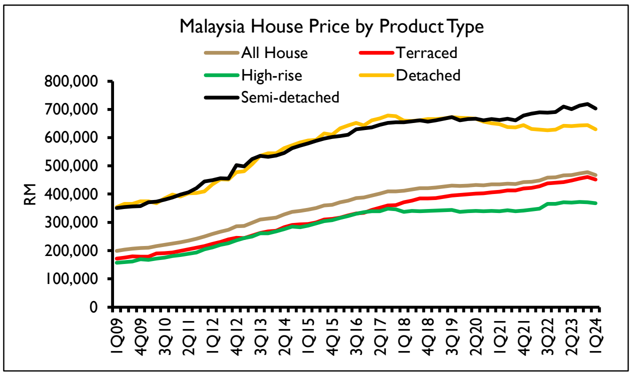
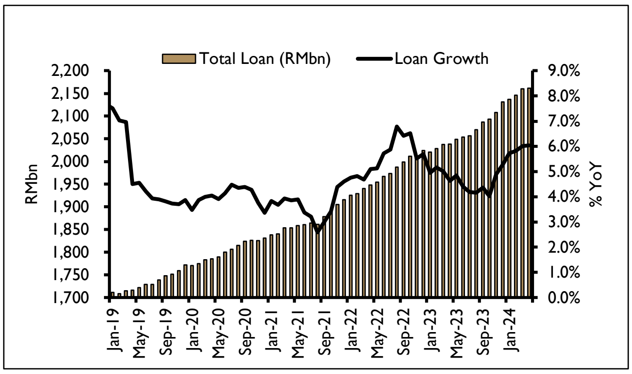


Figure 25: Rising Loan Growth Indicates Appetite for Borrowing



Source: TA Securities

External demand improving

External demand is also showing good improvements with the adoption of the "China Plus One" strategy among key global players, which is contributing to the growth. The latest trade data for May 2024 showed exports grew 7.3% to RM128.2bn, beating the consensus forecast of a 2.3% increase, as shipments of E&E products rose 7.6% while palm oil surged 25.7%. Imports rose by 13.8% YoY to RM118.1bn, leading to a trade surplus of RM10.1bn. On a related note, the E&E exports contributed to a larger surplus of RM14.2bn in the E&E trade, up 24.6% from RM11.4bn in the previous month.

This trend could persist with growing demand for semiconductors globally as implied by the World Semiconductor Trade Statistics' global chip sales growth forecast of 16% and 12.5% to USD611bn and USD687bn in 2024 and 2025, respectively. Exports to the US and Taiwan particularly surged 17.4% and 54.2% respectively, while growth in shipments to China narrowed to 1.6% causing it to lose its second spot to the US in terms of Malaysia's top export destinations. Total exports in the first five months of this year grew by 4.5% YoY to RM605.25bn, faster than the 3.8% YoY in the first four months. Concurrently, total imports have surged by 13.7% YoY to RM553.24bn, leading to an overall trade in excess of RM1tn, indicating a promising annual increase of 8.7%.

NSS to contribute to Stronger E&E exports

The future for Malaysia's exports, particularly the E&E sector, remains bright in the long-term with the government launching the National Semiconductor Strategy with an initial allocation of RM25bn that aims to attract RM500bn investments, create 10 Malaysian companies with expertise in design and advanced packaging and over 100 high revenue companies, turn Malaysia into a global semiconductor R&D hub and train and upskill 60,000 high-skilled Malaysian engineers.

Figure 26: Improving Malaysia Exports

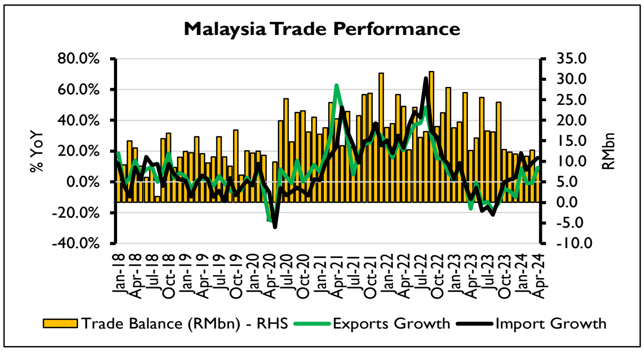


Figure 27: Recovery in E&E Exports to Drive Exports

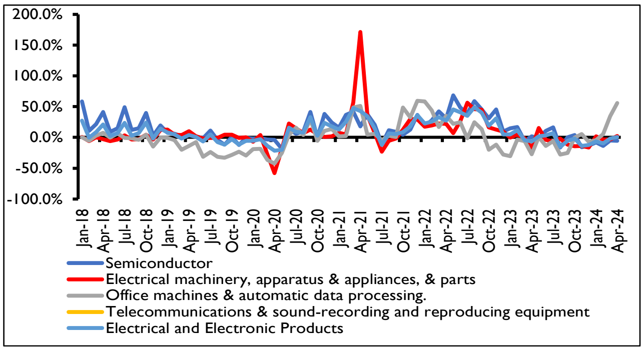


Figure 28: China + 1 Strategy Boosts US Exports …

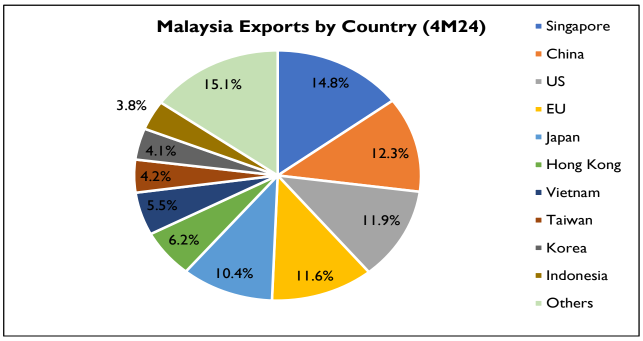
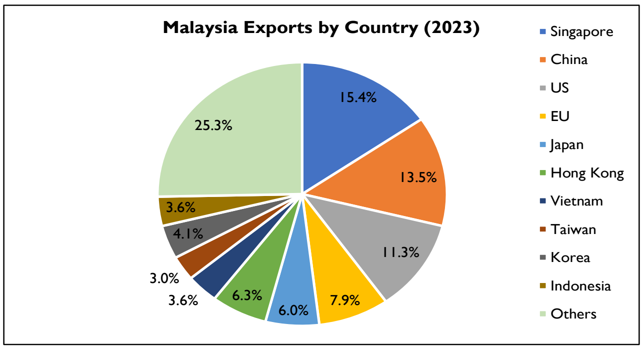


Figure 29: … Versus 2023



Source: DOSM, TA Securities

Figure 30: Malaysia Benefits from Strong Global Chip Sales

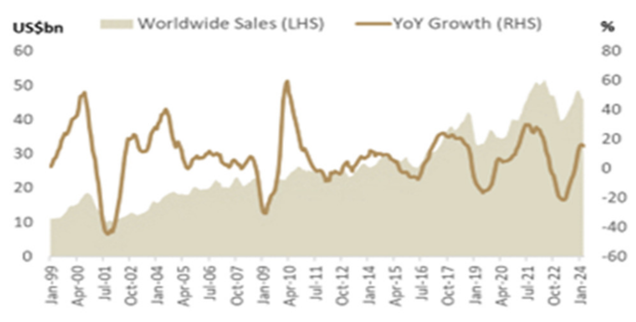


Figure 31: Global Chip Sales Enters Growth Cycle

Source: WSTS, TA Securities

On the supply side, all economic sectors are projected to expand this year. Services will remain strong with improved retail trade, transport and storage subsector. Manufacturing will benefit from a pickup in E&E and greater activities in resource and non-resource based manufacturing, agriculture is expected to witness higher volume in food crops production as a labour shortage in the industry has been resolved, mining will see a higher natural gas output, and finally, construction will benefit from higher project flows with government spending and FDIs apart from recovery in residential properties.

Ringgit to strengthen

As for the Ringgit, we expect it to average RM4.65 against the USD in 2024 as it should strengthen in the 2H (average RM4.59) versus 1H (average RM4.71) due to the improving economic outlook, strong commodity prices, robust tourist arrivals and growing likelihood for the Fed to pursue a monetary easing cycle beginning this September or November. **We presume Bank Negara Malaysia will maintain its Overnight Policy Rate at 3.00%** after assuming any changes in petrol pump prices will be gradual and the headline inflation in 2024 will fall within the central bank's projected range of 2% to 3.5%. **We forecast the consumer price index to rise by 3.3% in 2024 (1H: 2.1% and 2H:4.5%) after imputing 40 sen increase in petrol prices in this October.**

(Please refer to the detail writeup on economic outlook in later pages)

Confidence in Domestic Fiscal Consolidation and Structural Reforms

Structural reforms will strengthen government finance

It is our view that the current strong and stable government will be able to deliver the long-awaited fiscal and structural reforms to improve government finances and prepare Malaysia for the next phase of growth. In the fiscal space, Malaysia has undertaken a two-pronged approach – increasing revenue and lowering expenses - to better its financial position. This year it has imposed new taxes like capital gain tax on unlisted shares and increased sales and services tax by 2%-points to 8% while broadening the scope to increase revenue. These measures are expected to increase government revenue by RM4.5bn. It is supposed to implement the luxury goods tax in 2H24 and the details could emerge soon.

More significant measures like the mandatory e-invoicing on taxpayers exceeding RM100mn from 1st August, which will be fully extended to other income categories in phases by 1 July 2025, and the global minimum tax for companies with global revenue of at least euro750mn in 2025 are expected enhance the government revenue. **The e-invoicing can play an important role in tackling the shadow economy and plugging the revenue leakage. More measures to strengthen tax compliance are expected in Budget 2025, which will be tabled on 11 October**.

e-invoice helps to plug leakages

These measures should bridge the gap in this year's revenue forecast of RM307.6bn in Budget 2024 versus last year's revenue of RM315bn (the original 2023 revenue forecast provided in Budget 2024 was RM303.2bn), based on the latest update from Bank Negara. Of course, **there is a possibility for this year's revenue to overshoot the forecast as well if the economy performs better than expected and Petronas increases the dividend payout** given the still high average Brent crude oil price of RM83.51in 1H23 versus USD82.14 in 2023. Petronas dividend has dwindled to RM32bn in 2024 from RM40bn and RM50bn in 2023 and 2022, respectively. The RM32bn dividend payment, staggered between April and December, could increase if the national oil company's profits turn out to be better than forecast.

By the same token, the government has already undertaken targeted subsidy measures on electricity and diesel consumption, which are expected to contribute RM4bn in savings each. **We believe the government's strong commitment towards cutting subsidies, which was markedly visible in its resolve to push ahead with the selective cuts in diesel subsidies, are strong enough indicators to boost investor confidence**. While rating agencies are not in a rush to revisit their sovereign rating for Malaysia as they might want to see these savings culminate into a lower fiscal deficit, improve the debt-to-GDP ratio and prove sustainable, we believe the painting is on the wall. Currently, Malaysia is rated A3, BBB+ and A- by Moody's, Fitch and S&P Global, respectively.

Room for improvement in government revenue

Blanket subsidies have been a thorny issue in Malaysia for many decades. The country's subsidy-to-GDP stood at 1.6% in 2019 but shot up to 4.3% in 2023, mainly due to high commodity prices and ringgit's weakness. **With the government projecting RM52.8bn for subsidies and social assistance, and a nominal GDP of RM1.98tn in Budget 2024, this ratio will drop to 2.7% this year, a commendable improvement against 2023 and within a striking distance from last 10-year (2014-2023) average of 2.4%.**

Ratings could improve if savings translates into lower deficit

In the past, there was a lack of political will to address it in totality as meddling with its largest component, the fuel subsidies, was seen as a taboo due to fear of losing political support from the masses. Besides, the domestic political chaos between 2018 and 2022, the unexpected changes in government and the onslaught of Covid-19 pandemic were major dampeners in addressing this issue. Thus, there was no serious thoughts in removing fuel subsidies other than opting for a managed float at best with minor increase in prices to partially reflect market prices. Things have changed this year with the selective subsidy cuts in diesel, and all eyes are on the petrol subsidy rationalisation that is expected to kick off in 2H24. **As it is widely consumed by retailers and has a bigger impact on inflation and consumption as compared to diesel, we believe the government could adjust prices at a measured pace beginning with a 40 sen increase in October this year**.

Government's medium-term fiscal targets achievable

As for the government debt, the 1MDB debacle and the huge allocations to survive and recover from the Covid-19 pandemic have created a big dent in public finances. **The Malaysian government's total debt rose to RM1.17tn as at end-December last year and the debt-to-GDP ratio rose to 64.3% in 2023 from 50.05% in 2017. If liabilities are added to the equation, the figure balloons to RM1.53tn and 84% respectively. Thankfully, offshore loans amounted to only RM29.8bn or 2.5% of total government debt, which limited the volatility and losses from a weaker ringgit**. Meanwhile, the fiscal deficit was brought down to 5% in 2023 from 6.4% in 2021. Still, the government has raised the 50% debt ceiling three times in the past (55% in 2009, 60% in August 2020 and 65% in October 2021), which is relatively high for a developing economy, to fund its rising expenditure.

Realising the need to tackle this issue in totality, the government acknowledged the need to improve revenue collection and tackle its rising expenditure, with a special focus on reducing subsidies. It has enacted the Public Finance and Fiscal Responsibility Act 2023 to show its commitment to these initiatives, as it will showcase the government's responsibility and transparency in managing fiscal and economic policies. Under this Act, it has set a medium-term (between 2006 and 2008) fiscal deficit target of 3% and a debt-to-GDP ratio of 60%. The government's fiscal deficit target for this year is 4.7%. **Based on the economic recovery prospects this year and next, as well as the ongoing revenue enhancement and targeted subsidy rationalisation measures, the medium-term targets appear realistic.**

That aside the government has launched vital long-term policies like the New Industrial Master Plan 2030, the National Energy Transition Roadmap, National Semiconductor Strategy, etc. that contain essential strategies, roadmaps and targets that will change the economic landscape of Malaysia to be focused on high growth sectors. The progress so far is encouraging, with record inflows of FDIs and active participation from the Malaysian private sector.

Spillover Effects from Sizeable Public Spending

Project galore to create excitement

Notwithstanding the actual government spending of RM406.4bn in 2023 versus the budgeted RM388.1bn, the allocation of RM393.8bn in Budget 2024 was the largest-ever supply bill tabled by the Malaysian government. Omitting the RM15.6bn spent on redeeming a 1MDB bond last year, this year's budget allocation is still the largest ever. Of this, after excluding the RM90bn or 22.9% for development expenditure (DE), the rest of the allocation goes for operating expenditure (OE). **The vast amount to be spent on public consumption and investments has the capacity to drive domestic activities via active participation of the private sector and inflow of FDI.** Timely spending of these allocations will have a greater multiplier effect on the economy.

Based on the RM96.4bn (RM77.7bn for OE and RM18.9bn for DE) spent so far in 1Q24, it didn't deviate much from the average spending of RM98.4bn per quarter. No doubt DE lacks OE in terms of spending pace but it is a common trend based on historical observations that it accelerates in the 2H. **Projects galore in the pipeline include the MRT3 (RM45bn), Penang LRT (RM9.5bn), Penang airport expansion (RM1.5bn), large-scale flood mitigation projects (RM13bn), Pan Borneo Highway Sabah Phase 1B (RM14bn), Sabah-Sarawak Link Road Phase 2 (RM7.2bn), Kuching Urban Transportation System Phase 1(RM6bn), and water-related projects**.

The tender for MRT3 has already ended and the awards are expected to start in 4Q24 after completion of land acquisition exercise. The 366.8km Pan Borneo Highway involves 19 work packages and four of them have already been awarded. The letters of acceptance for the remaining packages are expected to be out in 3Q24 and work completed by 3Q27. The letter of acceptance for the 322km Sarawak-Sabah Link Road connecting Lawas, Limbang and Mulu is already issued in March and the project, which involves four packages, is scheduled for completion within five years. The first phase of the Kuching Urban Transportation System involves three transit lines covering 69.9km and 35 stations. It has reached only 20.7% completion as at end-April 2024. The Blue, Red and Green lines will be completed in 2025, 2026 and 2027, respectively.

More details about the RM7bn autonomous rapid transit (ART) system in Johor Bahru are also expected as we approach year-end as the system should be ready by the end of 2026 to complement the rapid transit system from Johor Bahru to Singapore that will start operation on 1 January 2027. The slew of awards related to renewable energy projects, data centres and semiconductor facilities are further attractions on the local scene. **Point to note, the construction sector will be busy until the completion of most projects in 2027, just the right timing to showcase the government's achievement before the current parliament expires in November 2027**.

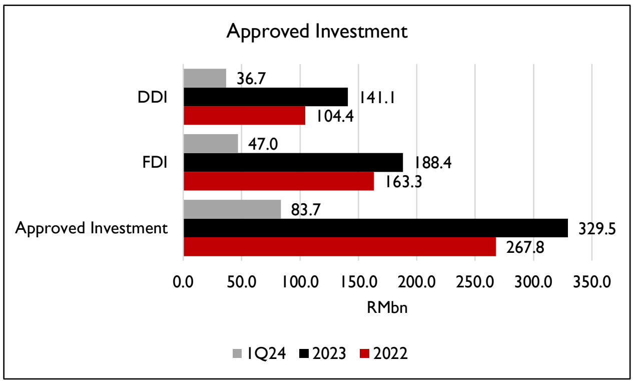
Steady Inflow of FDIs in Growth Sectors

According to the statistics department, Malaysia's FDI rose by RM11.4bn to RM926.3 billion at the end of 4Q23, with 50.6%, or RM468.4bn, in the services sector, followed by manufacturing (42.2%: RM390.8 billion) and mining and quarrying (4.5%: RM42.1 billion). **While the timing of realising approved projects may vary from quarter to quarter, the value of approved projects in the pipeline is huge enough to deliver a healthy and sustainable growth over time.**

Malaysia is pressing the right buttons to attract FDIs

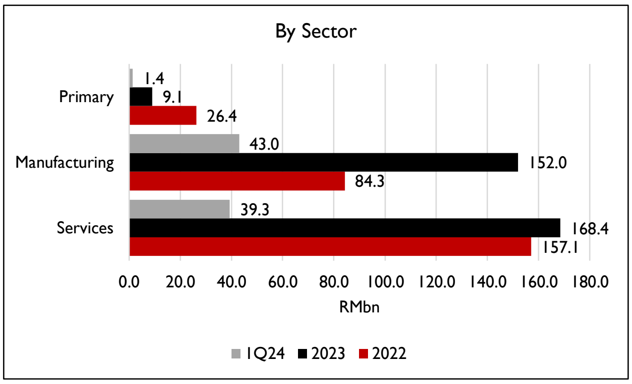
For instance, the total approved private investments in 2023 surged by 23.0% to RM329.5bn, driven by FDIs and DDIs of RM188.4bn (+11.5%) and RM141.1bn (35.1%), respectively. This is a testimony to investor confidence and rising trend among companies to diversify their production and supply chain away from China to reduce overdependency on the country, a hard lesson learned after the world came to a standstill during the peak of Covid-19 pandemic in 2020. Much of the approved domestic investment was in the services sector (78.3%), while foreign investment focused on manufacturing (68.2%). In 1Q24, the total value of approved investment rose 13% YoY to RM83.7bn, reflecting an improvement in investor confidence. Manufacturing commanded a large chunk of this pie (51.3%), followed by the services (47%) and primary (1.7%) sectors.

Figure 32: Growing Approved Investments



Source: TA Securities

Figure 33: Services & Manufacturing Dominate



Source: TA Securities

The United Nations Trade and Development (UNCTAD) World Investment Report 2024 highlights Malaysia's proactive measures and favourable investment policies for the success in drawing FDIs. These include strategic initiatives like online facilities, e-application systems, dedicated visa facilitation service for strategic investors, fast-track “green” lanes and simplified processes to ease investment. While the government is continuing its efforts to attract FDIs in the growth sectors by providing the right incentives, relevant infrastructure, growing supportive industrial clusters, developing the required human capital and increasing digitalisation for improved efficiency, better cooperation between the public and private sectors is vital to harness maximum benefits from these initiatives.

While the government pursues measures to make investing in Malaysia attractive and hassle free, and attempts to realise these approved investments quickly to achieve maximum benefits from the multiplier effects, businesses should play their role too by adopting to best practices that will improve productivity and efficiency. These initiatives are vital to remain in the preferred list of investors after **the latest ranking by the International Institute for Management Development (IMD) revealed Malaysia has dropped seven places to 34th out of 67 countries in the world competitiveness ranking.**

Out of the four main categories, which are Economic Performance (drop from 7th to 8th), Government Efficiency (29th to 33rd), Business Efficiency (32nd to 40th) and Infrastructure (remained at 35th), the third pillar saw a significant drop due to Productivity and Efficiency (36th to 53rd) and Management Practices (31st to 42nd). From the twenty key areas (five in each main category), only three witnessed improvement, two were unchanged and the remaining fifteen fell. The report identified five key challenges for Malaysia, which are increasing investment in research and development to enhance business resilience, optimising the labour market to boost workforce productivity, updating policies and regulations to improve global competitiveness, leveraging advanced technologies to accelerate productivity growth and mitigating rising costs through strategic productivity enhancements. **The deterioration in ranking is not a permanent setback, as the ongoing structural reforms and growth measures should enable the nation to bounce back next year.**

Figure 34: Malaysia Fell in World Competitiveness Ranking

Category	2023	2024	Change
Economic Performance	**7**	**8**	**-1**
a) Domestic Economy	16	35	-19
b) International Trade	14	17	-3
c) International Investment	29	28	1
d) Employment	21	18	3
e) Prices	1	2	-1
Government Efficiency	**29**	**33**	**-4**
a) Public Finance	33	35	-2
b) Tax Policy	10	11	-1
c)Institutional Framework	29	31	-2
d) Business Legislation	45	50	-5
e) Social Framework	39	42	-3
Business Efficiency	**32**	**40**	**-8**
a) Productivity & Efficiency	36	53	-17
b) Labour Market	30	34	-4
c) Finance	32	36	-4
d) Management Practices	31	42	-11
e) Attitudes & Values	34	40	-6
Infrastructure	**35**	**35**	**0**
a) Basic Infrastructure	8	10	-2
b) Technological Infrastructure	16	29	-13
c) Scientific Infrastructure	31	31	0
d) Health & Environment	42	42	0
e) Education	45	44	1

Source: IMD

That aside, **the Malaysian government's MyDigital initiatives to transform the nation into a digitally-driven, high-income nation by 2030 have been showing promising results with the participation of many well-known companies.** These companies have demonstrated long-term commitment to building world-class infrastructures in Malaysia to tap into the high demand for digital services in Southeast Asia, thanks to disruptive technologies like artificial intelligence, cloud computing, 5G, EV, etc.

Big global companies are participating in Malaysia's digital initiatives

For instance, Amazon Web Services' announcement to invest at least RM25.5bn ($6bn) by 2037 to develop a new cloud region in the country was the biggest FDI globally in the IT sector for 2023. It will involve the latest cloud technologies, such as artificial intelligence, machine learning, and much more. As is, the proliferation of cloud services has already led to booming data centres to compute and store data, many local companies are actively participating in not only building them across the country but also operating them later on. Chinese automobile manufacturer Geely, too, has committed to spend USD10bn to turn Tanjung Malim in Perak into the region's largest auto city. Besides, YTL is partnering with Nvidia to build a world-class accelerated computing platform in Malaysia that will involve a total investment of USD4.3bn and Microsft has pledged to invest USD2.2bn on AI infrastructure while Google will invest USD2bn to establish its first data centre and "cloud region" in Malaysia.

These are not small feat as the commitments were secured in less than 18 months after the current government came into power. As the time is in its favour to realise these investments before the next general election, we strongly believe these aspirations are not just a pipe dream. Malaysia gaining foothold in these new technologies will provide the nation a strong platform to leap into the next stage of economic growth. It will create big opportunities for businesses and individuals alike to seize and thrive while opening up avenues for them to raise funds in the capital market to fund these projects.

Figure: 35 Market Abuzz With Data Centre Awards

Contractor	Remarks	Job Award Year	Contract value (MYRmn)
Sunway Construction	Awarded by Yellowwood Properties to be the general contractor for Project JHB1X0 in STeP	Dec-22	3,200
HSS Engineers	Awarded by Yellowwood Properties to provide project management services for a data centre (DC) campus and its electrical substation at STeP, Johor	Jan-23	8.8
Gamuda	Construction of AIMS DC in Cyberjaya (Blocks 2 and 3)	May-23	500
HSS Engineers	Awarded by China State Construction Engineering (M) for the provision of professional engineering design and consultation services in respect of the proposed DC at Cyberjaya for Infinaxis Data Centre	Jun-23	8.9
MN Holdings	Awarded by Rentak Segar for the installation, testing and commissioning of 33KV aluminium cross-linked polyethylene and 132 KV copper XLPE single core underground cables and accessories from transmission main intake in Gelang Patah to AirTrunk DC, Johor	Jul-23	11.2
Binastra Corp	Awarded a construction and infrastructure works project by Exsim Jalil Link S/B for the proposed development of a DC	Aug-23	161
Sunway Construction	Awarded by K2 Strategic Infrastructure Malaysia	Oct-23	193
Sunway Construction	Secured container installation and interfacing works for K2 DC	4Q23	99
Sunway Construction	Awarded by a multinational tech company to carry out early contractor Involvement (ECI) Services - 2 packages	4Q23	60
Sunway Construction	Secured a project from a multinational technology company based in the United States for the construction of a DC located in Selangor.	Mar-24	747.8
Gadang	Secured a contract for the design and development of the Klang Valley Data Centre Block 2 in Cyberjaya, Selangor	Apr-24	280
Pasukhas Group	Bagged a project to construct a DC in Selangor for a leading US-based multinational technology corporation	May-24	57
Gamuda	Mechanical, electrical and plumbing fit-out package associated with a hyperscale DC in Elmina Business Park 1A for Pearl Computing Malaysia	May-24	929
Gamuda	Construction, completion, testing and commissioning of a hyperscale DC in Elmina Business Park by SDPR	May-24	815
Gamuda	Secured two separate contracts: one from Sime Darby Property Sdn Bhd, a subsidiary of Sime Darby Property Bhd (SIMEPROP), and another from Pearl Computing Malaysia Sdn Bhd (PCM), a subsidiary of Raiden APAC Pte. Ltd., which is part of a U.S.-based multinational technology corporation.	May-24	1743.6

Timely initiative to tap global investments into E&E sector

Besides, the growing adoption of the "China Plus One" strategy is also attracting more companies to invest in Malaysia due to its good infrastructure, business pro-government policies, English-speaking educated workforce, good E&E ecosystem, etc. This trend is apparent in its rising exports, especially to the US, with the nation replacing China as Malaysia's second-highest export destination in May. The government is ready to seize this opportunity and has launched the National Semiconductor Strategy (NSS) to broaden and deepen Malaysia's export market. The E&E products accounted for 40.4% of Malaysia's exports in 2023 and most of them were semiconductors. Malaysia is already the world's sixth largest exporter of semiconductors and accounts for 7.5% of the global market share. **We foresee investments to pour into the sector, with the government allocating RM25bn specifically for the NSS and targeting RM500bn worth of investments in Phase 1 alone for the semiconductor industry.**

Besides, missions overseas and locally to encourage FDI and DDI into growth sectors identified in other major long-term plans, such as the Chemical Industry Roadmap 2030, New Industrial Master Plan 2030, and National Energy Transition Roadmap, etc. are vital catalysts for Malaysia's long-term growth and should resonate positively with investors. To top it up, conventional sectors like Oil and Gas are also slated to benefit from global giant Saudi Aramco's move to make Malaysia its hub for O&G expansion in Southeast Asia. **Thus, there are plenty of opportunities, and we**

are optimistic that this administration can deliver with support from the private sector, government-linked companies, and government-linked funds. These efforts are not only the cornerstone of Malaysia's next growth phase but also the bedrock of our belief that the FBMKLCI is in the midst of a major bull cycle.

Double-Digit Growth in Corporate Earnings

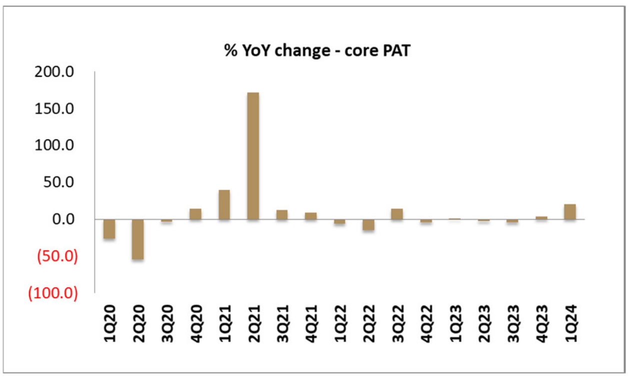
Core earnings of stocks under coverage rose 9.1% QoQ and 20.7% YoY due to strong contributions from the banking, gaming, power & utilities, and transportation sectors. Banking growth was driven by robust operating income, with net interest income supported by stronger loan growth, stable net interest margins, and accelerated fee income. Gaming experienced sustained earnings recovery in 1Q24, with margin expansion more than offsetting the impact of the service tax hike. Power & Utilities was bolstered by a turnaround at MALAKOF, following the easing of negative fuel margins, and stellar performance at Power Seraya for YTLPOWR. Transportation was positively impacted by the overwhelming travel demand, which boosted aviation sector results. Looking ahead, we expect continued traction in CY24 and CY25 earnings as sales pick up in tandem with the sustained recovery in economic activities and companies mitigate the corresponding increase in cost pressure through price increases, productivity improvement and process enhancements, which will translate into better profit margins.

Figure 36: 1Q24 Results by Sector

RM mn	1Q23	4Q23	1Q24	% QOQ	% YoY
Automotive	404	471	512	8.7	26.6
Banking	8,082	8,213	8,694	5.8	7.6
Building Materials	18	52	17	(67.1)	(4.8)
Consumer	852	1,098	1,063	(3.2)	24.8
Construction	360	390	504	29.3	40.1
Gaming	168	592	861	45.4	411.5
Insurance	175	200	186	(6.8)	6.6
Media	(28)	60	46	(22.7)	263.4
Oil &Gas	1,245	998	1,096	9.8	(12.0)
Healthcare & Gloves	224	332	496	49.1	121.3
Plantations	541	831	717	(13.7)	32.5
Property	564	825	771	(6.6)	36.6
Power & Utilities	2,096	1,605	2,410	50.1	14.9
Telecommunications	1,215	1,781	1,450	(18.6)	19.3
Technology	70	180	137	(24.0)	95.0
Transportation	288	375	683	82.0	137.2
Total	**16,275**	**18,003**	**19,641**	**9.1**	**20.7**

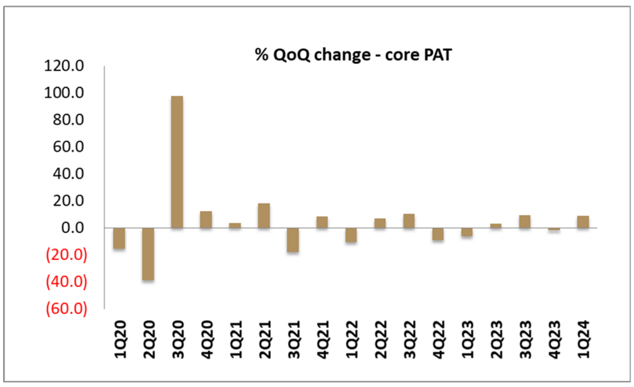
Source: TA Securities

Figure 37: Gaming Drove Robust YoY Change in 1Q24 Earnings



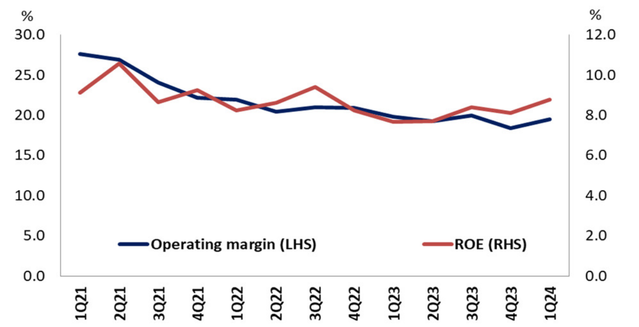
Source: TA Securities

Figure 38: Utilities Led Sequential Improvement in 1Q24 Earnings



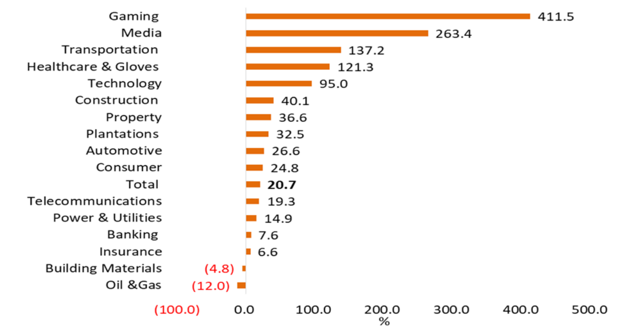
Source: TA Securities

Figure 39: Improving Profit Margin & ROE



Source: TA Securities

Figure 40: Profit Growth by Sector (YoY)



Source: TA Securities

At the backdrop resilient economic growth, robust domestic activities, improving external and low base factor, we deem our CY24 and CY25 earnings growth forecasts of 17.2% and 8.9%, respectively for our stock universe are achievable. For the same stock universe, the consensus earnings growth projections are 15.5% and 10.9%, respectively. These factors will resonate with the earnings growth of FBMKLCI component stocks as well, which we forecast to grow at 13.6% and 7.8% in CY24 and CY25 versus consensus of 14.0% and 8.2%, respectively.

Robust CY24 earnings growth

The primary earnings growth contributors to our forecast, in descending order, in CY24 are the Power & Utilities, Gaming, Healthcare and Banking sectors. In CY25, Banking will be the main contributor to earnings growth at 25.3% followed by the Oil & Gas and Gaming sectors at 19.2% and 9.5%, respectively (see last column in table below).

Figure 41: Earnings Summary of Our Stock Universe by Sector – TA Forecast

	Recom.	Net Earnings (RMm)			EPS Growth (%)			PER (x)			Div Yield (%)		Price/NTA (x)			Market Weight (%)
		CY23	CY24	CY25	CY23	CY24	CY25	CY23	CY24	CY25	FY24	FY25	FY23	FY24	FY25	
AUTOMOBILE	Neutral	1,915.6	2,001.4	1,976.3	15.4	4.5	(1.3)	11.9	11.4	11.5	6.1	5.8	1.3	1.3	1.3	1.8
BANKS	Overweight	32,945.6	34,310.3	36,199.1	13.7	4.1	5.5	11.2	10.8	10.2	8.9	9.0	1.2	1.2	1.2	29.4
BUILDING MATERIALS	Neutral	84.1	245.7	349.0	(24.6)	191.9	42.1	39.8	13.6	9.6	1.7	2.8	0.5	0.5	0.5	0.3
CONSTRUCTION	Overweight	1,579.3	1,982.5	2,283.0	12.9	25.4	14.6	23.5	18.5	16.1	2.9	3.5	0.8	0.7	0.7	3.0
CONSUMER	Overweight	3,860.0	4,156.0	4,432.9	12.4	7.6	6.7	22.6	21.0	19.7	2.9	3.1	5.1	4.7	4.3	6.9
GAMING	Overweight	1,788.0	3,630.4	4,338.3	82.9	103.0	19.5	19.8	9.8	8.2	5.3	6.0	0.9	0.9	0.8	2.7
HEALTHCARE	Neutral	850.5	2,256.1	2,775.2	(67.0)	165.3	23.0	110.9	41.8	34.0	1.0	1.2	2.8	2.7	2.5	7.4
INSURANCE	Neutral	752.4	797.5	834.3	30.0	6.0	4.6	5.6	5.3	5.0	5.5	6.0	0.8	0.7	0.7	0.3
MEDIA	Underweight	135.8	145.1	167.8	(59.6)	6.9	15.6	18.3	17.1	14.8	1.9	2.7	25.2	8.6	6.0	0.2
OIL & GAS	Overweight	3,204.9	4,282.3	5,711.1	(62.4)	33.6	33.4	30.0	22.5	16.9	2.8	3.4	1.1	1.1	1.1	7.6
PLANTATIONS	Neutral	3,453.9	4,016.9	4,691.2	(50.2)	16.3	16.8	24.2	20.8	17.8	2.5	3.0	1.7	1.6	1.6	6.7
PROPERTY	Overweight	2,744.7	3,361.8	3,516.9	2.2	17.5	3.0	22.2	19.1	18.6	2.8	2.9	0.8	0.8	0.8	4.9
POWER & UTILITIES	Overweight	8,041.9	10,319.3	10,796.5	(3.4)	28.3	4.6	22.1	17.2	16.5	3.5	3.6	2.0	1.9	1.8	14.2
TELECOMMUNICATIONS	Neutral	6,331.4	6,416.9	6,814.6	13.0	1.3	6.2	18.5	18.2	17.2	3.8	4.1	6.7	6.2	5.8	9.3
TECHNOLOGY	Overweight	647.4	915.9	1,152.5	(34.0)	41.5	25.8	47.4	33.5	26.6	1.9	2.3	3.6	3.4	3.3	2.4
TRANSPORTATION	Neutral	680.4	2,445.2	2,700.4	na	259.0	10.4	50.9	14.2	12.8	2.9	3.1	(1.9)	(2.0)	(2.2)	2.8
OVERALL		**69,015.9**	**81,283.3**	**88,739.1**	**(4.0)**	**17.2**	**8.9**	**18.2**	**15.5**	**14.2**	**4.8**	**5.0**	**1.6**	**1.6**	**1.5**	**100.0**

Figure 42: Contribution to Earnings and Earnings Growth of Our Stock Universe by Sector - TA Forecast

	Recom.	Net Earnings (RMm)			EPS Growth (%)			Contribution to Earnings (%)			Contribution to Earnings Growth (%)		
		CY23	CY24	CY25	CY23	CY24	CY25	CY23	CY24	CY25	CY23	CY24	CY25
AUTOMOBILE	Neutral	1,915.6	2,001.4	1,976.3	15.4	4.5	(1.3)	2.8	2.5	2.2	(9.9)	0.7	(0.3)
BANKS	Overweight	32,945.6	34,310.3	36,199.1	13.7	4.1	5.5	47.7	42.2	40.8	(155.6)	11.1	25.3
BUILDING MATERIALS	Neutral	84.1	245.7	349.0	(24.6)	191.9	42.1	0.1	0.3	0.4	1.0	1.3	1.4
CONSTRUCTION	Overweight	1,579.3	1,982.5	2,283.0	12.9	25.4	14.6	2.3	2.4	2.6	(7.0)	3.3	4.0
CONSUMER	Overweight	3,860.0	4,156.0	4,432.9	12.4	7.6	6.7	5.6	5.1	5.0	(16.6)	2.4	3.7
GAMING	Overweight	1,788.0	3,630.4	4,338.3	82.9	103.0	19.5	2.6	4.5	4.9	(31.5)	15.0	9.5
HEALTHCARE	Neutral	850.5	2,256.1	2,775.2	(67.0)	165.3	23.0	1.2	2.8	3.1	67.2	11.5	7.0
INSURANCE	Neutral	752.4	797.5	834.3	30.0	6.0	4.6	1.1	1.0	0.9	(6.7)	0.4	0.5
MEDIA	Underweight	135.8	145.1	167.8	(59.6)	6.9	15.6	0.2	0.2	0.2	7.8	0.1	0.3
OIL & GAS	Overweight	3,204.9	4,282.3	5,711.1	(62.4)	33.6	33.4	4.6	5.3	6.4	206.8	8.8	19.2
PLANTATIONS	Neutral	3,453.9	4,016.9	4,691.2	(50.2)	16.3	16.8	5.0	4.9	5.3	135.3	4.6	9.0
PROPERTY	Overweight	2,744.7	3,361.8	3,516.9	2.2	17.5	3.0	4.0	4.1	4.0	(4.4)	5.0	2.1
POWER & UTILITIES	Overweight	8,041.9	10,319.3	10,796.5	(3.4)	28.3	4.6	11.7	12.7	12.2	10.9	18.6	6.4
TELECOMMUNICATIONS	Neutral	6,331.4	6,416.9	6,814.6	13.0	1.3	6.2	9.2	7.9	7.7	(28.2)	0.7	5.3
TECHNOLOGY	Overweight	647.4	915.9	1,152.5	(34.0)	41.5	25.8	0.9	1.1	1.3	12.9	2.2	3.2
TRANSPORTATION	Neutral	680.4	2,445.2	2,700.4	na	259.0	10.4	1.0	3.0	3.0	(81.8)	14.4	3.4
OVERALL		**69,015.9**	**81,283.3**	**88,739.1**	**(4.0)**	**17.2**	**8.9**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: TA Securities

Figure 43: Earnings Summary of Our Stock Universe by Sector – Bloomberg Consensus Forecast

	Recom.	Net Earnings (RMm)			EPS Growth (%)		
		CY23	CY24	CY25	CY23	CY24	CY25
AUTOMOBILE	Neutral	1,913.7	2,046.3	2,092.6	15.5	6.9	2.3
BANKS	Overweight	32,834.4	34,796.1	36,792.3	10.7	6.0	5.7
BUILDING MATERIALS	Neutral	132.9	187.0	346.4	(73.7)	40.7	85.3
CONSTRUCTION	Overweight	1,621.0	1,983.2	2,325.3	13.3	22.3	17.3
CONSUMER	Overweight	3,652.1	4,098.8	4,332.8	14.7	12.2	5.7
GAMING	Overweight	1,936.0	2,840.9	3,397.2	52.5	46.7	19.6
HEALTHCARE	Neutral	1,471.5	2,373.5	3,121.9	(47.0)	61.3	31.5
INSURANCE	Neutral	724.8	792.3	839.0	68.8	9.3	5.9
MEDIA	Underweight	105.9	160.2	209.0	(68.6)	51.4	30.4
OIL & GAS	Overweight	3,629.7	4,638.0	5,931.3	(52.0)	27.8	27.9
PLANTATIONS	Neutral	3,891.4	4,306.0	4,700.3	(45.3)	10.7	9.2
PROPERTY	Overweight	3,286.8	3,410.0	3,595.6	10.8	3.7	5.4
POWER & UTILITIES	Overweight	7,514.9	9,715.3	11,004.1	(1.2)	29.3	13.3
TELECOMMUNICATIONS	Neutral	5,085.6	5,642.1	6,275.7	10.1	10.9	11.2
TECHNOLOGY	Overweight	642.4	872.6	1,125.9	(34.9)	35.8	29.0
TRANSPORTATION	Neutral	901.8	2,206.7	2,688.2	(152.8)	144.7	21.8
OVERALL		**69,344.8**	**80,069.1**	**88,777.7**	**(1.5)**	**15.5**	**10.9**

Figure 44: Contribution to Earnings and Earnings Growth of Our Stock Universe by Sector - Bloomberg Consensus Forecast

	Recom.	Net Earnings (RMm)			EPS Growth (%)			Contribution to Earnings (%)			Contribution to Earnings Growth (%)		
		CY23	CY24	CY25	CY23	CY24	CY25	CY23	CY24	CY25	CY23	CY24	CY25
AUTOMOBILE	Neutral	1,913.7	2,046.3	2,092.6	15.5	6.9	2.3	2.8	2.6	2.4	(24.7)	1.2	0.5
BANKS	Overweight	32,834.4	34,796.1	36,792.3	10.7	6.0	5.7	47.3	43.5	41.4	(306.4)	18.3	22.9
BUILDING MATERIALS	Neutral	132.9	187.0	346.4	(73.7)	40.7	85.3	0.2	0.2	0.4	35.9	0.5	1.8
CONSTRUCTION	Overweight	1,621.0	1,983.2	2,325.3	13.3	22.3	17.3	2.3	2.5	2.6	(18.4)	3.4	3.9
CONSUMER	Overweight	3,652.1	4,098.8	4,332.8	14.7	12.2	5.7	5.3	5.1	4.9	(45.0)	4.2	2.7
GAMING	Overweight	1,936.0	2,840.9	3,397.2	52.5	46.7	19.6	2.8	3.5	3.8	(64.1)	8.4	6.4
HEALTHCARE	Neutral	1,471.5	2,373.5	3,121.9	(47.0)	61.3	31.5	2.1	3.0	3.5	125.5	8.4	8.6
INSURANCE	Neutral	724.8	792.3	839.0	68.8	9.3	5.9	1.0	1.0	0.9	(28.4)	0.6	0.5
MEDIA	Underweight	105.9	160.2	209.0	(68.6)	51.4	30.4	0.2	0.2	0.2	22.3	0.5	0.6
OIL & GAS	Overweight	3,629.7	4,638.0	5,931.3	(52.0)	27.8	27.9	5.2	5.8	6.7	377.6	9.4	14.9
PLANTATIONS	Neutral	3,891.4	4,306.0	4,700.3	(45.3)	10.7	9.2	5.6	5.4	5.3	310.1	3.9	4.5
PROPERTY	Overweight	3,286.8	3,410.0	3,595.6	10.8	3.7	5.4	4.7	4.3	4.1	(30.7)	1.1	2.1
POWER & UTILITIES	Overweight	7,514.9	9,715.3	11,004.1	(1.2)	29.3	13.3	10.8	12.1	12.4	8.9	20.5	14.8
TELECOMMUNICATIONS	Neutral	5,085.6	5,642.1	6,275.7	10.1	10.9	11.2	7.3	7.0	7.1	(44.8)	5.2	7.3
TECHNOLOGY	Overweight	642.4	872.6	1,125.9	(34.9)	35.8	29.0	0.9	1.1	1.3	33.1	2.1	2.9
TRANSPORTATION	Neutral	901.8	2,206.7	2,688.2	(152.8)	144.7	21.8	1.3	2.8	3.0	(251.0)	12.2	5.5
OVERALL		**69,344.8**	**80,069.1**	**88,777.7**	**(1.5)**	**15.5**	**10.9**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: TA Securities, Bloomberg

In CY24, Power & Utilities earnings are expected to surge 28.3% due to TENAGA, YTLPOWR and MALAKOF. We forecast almost 32% growth in Tenaga's net profit as it is the proxy to the National Energy Transition roadmap and will benefit from the increase in energy demand led by economic recovery and booming data centres. Being the owner of transmission and distribution assets, it is in a strong position to benefit from the Third Party Access framework as independent power producers still have to use its grid infrastructure.

YTL Power's strong performance was attributed to higher electricity prices in Singapore that boosted Power Seraya's profit and margin. Future earnings growth prospects remain strong with Power Seraya purchasing 100MW from another subsidiary in Malaysia for Singapore operations and getting service fees from building at least 1,200 EV charging points in the island nation. **YTL Power's 58MW waste-to-energy plant in Rawang, the RM20bn AI data centre JV in Johor with Nvidia and the 500MW solar power facility are additional earnings catalysts in future apart from a turnaround in Wessex Water after an increase in wholesale charges and earnings contribution from the newly acquired Ranhill Utilities.**

Malakoff's earnings are expected to stabilise from CY24 onwards due to stable coal prices after being hit by negative fuel margins in CY23, stable earnings contribution from Alam Flora and inorganic growth from a newly acquired waste management company.

The Gaming sector's growth will be driven mainly by GENTING, where profits are expected to more than double due to an improvement in gaming volume and better luck factors at Genting Singapore. The increased visitation from foreign tourists following the visa relaxation and increased flight capacity has also boosted the earnings recovery. The weaker Ringgit vis-à-vis the Singapore dollar also contributed to the earnings recovery. **Healthcare earnings are anticipated to rise with improved volume and enhanced glove plant efficiencies, as well as higher patient volumes.** Especially TOPGLOV's losses are expected to narrow from RM670mn to RM58.5mn, contributing significantly to the forecast RM327.1mn net profit from the glove sector versus a net loss of RM792.4mn in CY23. **Bank earnings are forecasted to improve with stronger loan growth (6.1% in 2024 vs. 5.8% in 2023), stable net interest margin, and growing fee income.** The bigger banks like Maybank (2.0%), PBBANK (5.1%) and CIMB (4.4%) are expected to register low single-digit profit growth, while mid-size bank HLBANK (7.7%) and smaller banks like AFFIN (15.0%) recording stronger and robust growth respectively due to their relatively smaller base. This trend will persist in CY25.

Looking forward to CY25, we anticipate earnings growth of 8.9%, driven by continued recovery across all sectors except for Auto. **Banks will continue to dominate earnings contribution with improvement in loan growth, expansion in net interest margin, lower credit charges** (29.2 bps in 2025 vs. 29.9 and 32.2bps in 2024 and 2023, respectively) and lower provisions. **Earnings growth in the Oil & Gas sector will be mainly anchored by PCHEM with a 41.1% growth to RM3.1bn or nearly 54% of the sector's profit forecast, driven by higher demand for petrochemicals, especially from the US and China, and improving product spreads**. The **Gaming sector will see continued improvement in gaming volume and visitation as tourist arrivals continue to increase**. We foresee a stronger contribution from GENM in CY25 as profits are expected to surge by 75% to RM1.4bn with continued normalisation in gaming volume and visitors' arrival but the earnings are still below the RM1.9bn achieved in 2018. Thus, there is still room for further improvement. In the Auto sector, we foresee a contraction in earnings due to the normalisation in Total Industry Volume (TIV), starting from a 12.5% contraction to 700k units in 2024 and another 5.7% easing to 660k in 2025.

Figure 45: Sector Recommendation Summary

	SECTOR	CALL	REASONS
1	AUTOMOTIVE	Neutral ESG: ★★★★	Expect TIV to slow down in 2024, following two consecutive years of strong growth and with the expiry of the sales tax exemption. We observe forward sales orders are showing signs of easing. The EV sales volume is picking up but we believe it is still too early to transform the automotive landscape in Malaysia with a strong preference for budget compact cars.
2	BANKING	Overweight ESG: ★★★★	The banking sector is expected to grow by 4.1% in CY24 and 5.5% in CY25, underpinned by rising loan growth, stabilising NIM, the potential for higher NII, gradual acceleration in fee income, and healthy capital and liquidity buffers.
3	BUILDING MATERIALS	Neutral ESG: ★★★★★	The headwinds persist, given the current subdued ASP and lagging recovery in demand towards steel products.
4	CONSTRUCTION	Overweight ESG: ★★★★★	Strong earnings visibility driven by: (i) escalating construction activities, (ii) potential rollout of more mega-scale infrastructure projects, and (iii) growing advanced technology facility construction, namely the data centre and semiconductor factory.
5	CONSUMER	Overweight ESG: ★★★	We believe the growth of the consumer sector will remain intact, backed by i) robust tourist arrivals, ii) higher disposable income due to salary hikes and flexible withdrawal of EPF account 3 and iii) stable commodity prices. However, the recalibration of fuel subsidies, which may result in higher living expenses, could place downward pressure on consumer spending.
6	GAMING	Overweight ESG: ★★★★★	GGR is expected to grow on the back of higher visitor arrivals. As such, 2H24 sector earnings would continue to recover to pre-pandemic levels.

	SECTOR	CALL	REASONS
7	HEALTHCARE	Neutral ESG: ★★★★	Patient volumes and revenue intensity will improve further, boosted by medical inflation and medical tourism. Meanwhile, we expect gloves demand to increase driven by restocking activities.
8	INSURANCE	Neutral ESG: ★★★★	We believe that the general and life insurance segment would remain stable in 2H24.
9	MEDIA	Underweight ESG: ★★★★	We anticipate earnings to suffer due to the challenging business environment, exacerbated by ongoing geopolitical tensions, particularly consumer boycotts related to the Israel-Gaza conflict. This has led several major advertisers to scale back their adex spending. Additionally, increasing operating costs have further intensified the pressure on profitability.
10	O&G	Overweight ESG: ★★★★★	We expect oil prices will stay resilient on the back of production curbs from OPEC+ and relatively resilient demand. The resilient oil price is expected to benefit upstream oil and gas players and encourage continuous upstream capex spending. We maintain our oil price assumption for 2024 at USD85/bbl.
11	PLANTATIONS	Neutral ESG: ★★★★	Expect CPO price to average at RM4,000/tonne in 2024. Palm oil production will pick up in 2H and may bring some downside to CPO prices. Indonesia reduced palm oil export tariff may pose a threat to Malaysian palm oil exports, which are losing the export competitiveness. However, the price spreads between palm oil and soybean oil are becoming more normalised and palm oil remains relatively appealing as an alternative, to some degree.
12	POWER & UTILITIES	Overweight ESG: ★★★★★	P&U players stand to gain from higher demand from data centres and Malaysia' energy transition. We believe the government will continue to provide support for the energy transition via incentives such as the Solar for Rakyat Incentive Scheme (SolaRIS), favourable legislations and project tenders such as LSS. These encourage a healthy and sustainable ecosystem for P&U players involved in the energy transition. Meanwhile, initiatives such as third party access and renewable energy export to Singapore will be beneficial for the sector over the long term.
13	PROPERTY	Overweight ESG: ★★★★★	Positive developments related to major infrastructure projects and the establishment of special financial and economic zones, coupled with the favourable monetary and government policies, are pivotal factors to drive the sector's future performance.
14	TECHNOLOGY	Overweight ESG: ★★★★	We expect the sentiment of the technology sector in Malaysia to further improve, underpinned by an anticipated recovery in the global demand for semiconductors as well as increasing trade diversion opportunities thanks to the China Plus One strategy. Additionally, the potential end of the rate hike cycle in US will bode well for the technology sector's valuations.
15	TELCO	Neutral ESG: ★★★★	We expect the service revenue to remain resilient as the mobile operators will continue focusing on value propositions instead of price war. Meanwhile, the on-going progress of JENDELA will continue benefitting telcos. On the other hand, the lack of clarity on dual wholesale network might drag on the investor sentiment.
16	TRANSPORTATION	Neutral ESG: ★★★★★	Upside is limited for MAHB after the price rally, while Capital A valuation is hindered by its regularisation plan. There is opportunity in maritime amid global supply chain disruption which will lead to higher ocean freight costs. Westports would continue to benefit global adoption of China+1 strategy.

Source: TA Securities

Undemanding Valuation

The FBMKLCI's valuation is undemanding based our CY24 and CY25 PER of 14.6x and 13.5x (consensus 14.5x and 13.4x), respectively versus a 5-year (2019-2023) average of 17.6x. The average PER of comparable developing peers Thailand, Indonesia and the Philippines are 12.7x and 11.4x, respectively. The valuation is underpinned by our earnings growth of 13.6% and 7.8% in CY24 and CY25 (consensus 14.3% and 8.0%), respectively, for the FBMKLCI component stocks.

Our end-2024 FBKLCI target of 1,690 is based on a CY25 PER of 14.4x, which is a -0.7x standard deviation from the long-term mean of 16x and an 18.2% discount to the average 5-year (2019-2023) forward PER of 17.6x. **On a forward P/Bk basis, this target translates**

into an inexpensive CY25 P/Bk of 1.4x, which is still a -1.3x standard deviation below its long-term mean of 1.75x. Thus, the market's risk-reward profile looks reasonably attractive.

Besides, the FBMKLCI's CY25 forward PER of 13.5x based on the end-June closing of 1,590.09 is a huge 21.6% discount to the CY14 peak valuation when the index hit the all-time high of 1,896.23. **As shown in the following table, the forward valuations of most big cap sectors like Banks, Utilities, and Telco are still at a huge discount to the previous peak at the height of the CY14 bull cycle.** With strong drivers to prop up the economy and corporate earnings as discussed in the previous pages, the chances of the valuation multiple drifting lower are high. Thus, we believe there are plenty of reasons for the FBMKLCI to trend higher not only in the 2H24 but also next year and beyond, provided there are no black swan events.

Figure 46: FBMKLCI Performance, Price Ratio and Earnings Growth Comparison

Index	28-Jun-24	Performance in (%)			EPS			EPS Growth			PER (x)			P/ BOOK (x)		
		1 Mth	YTD	2023	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
FBMKLCI (MALAYSIA)	**1,590.09**	**-1.7%**	**9.3%**	**-2.7%**	**96.1**	**109.8**	**118.6**	**2.3%**	**14.3%**	**8.0%**	**16.6**	**14.5**	**13.4**	**1.4**	**1.4**	**1.3**
AS51 (AUSTR)	7,767.47	-0.3%	2.3%	7.8%	451.3	447.3	473.1	-5.8%	-0.9%	5.8%	17.2	17.4	16.4	2.2	2.0	1.9
DAX (GERMANY)	18,235.45	-2.9%	8.9%	20.3%	1,160.3	1,380.2	1,582.3	-8.3%	19.0%	14.6%	15.7	13.2	11.5	1.6	1.5	1.4
DOW JONES (US)	39,118.86	0.1%	3.8%	13.7%	1,698.9	2,025.0	2,279.5	-4.3%	19.2%	12.6%	23.0	19.3	17.2	5.0	4.7	4.1
FSSTI (SINGAPORE)	3,332.80	0.4%	2.9%	-0.3%	286.1	307.1	322.5	22.9%	7.4%	5.0%	11.6	10.9	10.3	1.1	1.1	1.0
FTSE (UK)	8,164.12	-1.8%	5.6%	3.8%	686.8	692.2	727.4	7.5%	0.8%	5.1%	11.9	11.8	11.2	1.8	1.8	1.7
HANG SENG (HK)	17,718.61	-5.9%	3.9%	-13.8%	1,912.5	2,035.7	2,177.5	2.3%	6.4%	7.0%	9.3	8.7	8.1	1.0	1.0	0.9
JCI (INDONESIA)	7,063.58	-1.6%	-2.9%	6.2%	386.0	535.4	589.2	-14.4%	38.7%	10.0%	18.3	13.2	12.0	1.9	1.8	1.7
KOSPI (KOREA)	2,797.82	2.7%	5.4%	18.7%	144.9	250.5	315.9	-27.6%	72.8%	26.1%	19.3	11.2	8.9	1.0	1.0	0.9
NASDAQ (US)	17,732.60	4.8%	18.1%	43.4%	379.1	536.0	693.1	0.0%	41.4%	29.3%	46.8	33.1	25.6	7.1	4.9	4.7
NIKKEI (JAPAN)	39,583.08	1.8%	18.3%	28.2%	1,218.3	1,765.1	1,936.2	24.7%	44.9%	9.7%	32.5	22.4	20.4	2.2	2.1	2.0
PSEi (PHILIPPINES)	6,411.91	-2.4%	-0.6%	-1.8%	514.5	593.6	651.3	15.9%	15.4%	9.7%	12.5	10.8	9.8	1.5	1.4	1.3
S&P500 (US)	5,460.48	2.9%	14.5%	24.2%	207.4	241.4	275.9	-1.4%	16.4%	14.3%	26.3	22.6	19.8	5.1	4.5	4.1
SENSEX (INDIA)	79,032.73	4.8%	9.4%	18.7%	2,869.4	3,536.4	4,049.9	15.4%	23.2%	14.5%	27.5	22.3	19.5	3.3	3.5	3.1
SET (THAILAND)	1,300.96	-4.8%	-8.1%	-15.2%	82.0	93.0	104.6	-9.6%	13.5%	12.4%	15.9	14.0	12.4	1.3	1.3	1.2
SHCOMP (CHINA)	2,967.40	-5.0%	-0.3%	-3.7%	216.1	268.2	296.4	-7.1%	24.1%	10.5%	13.7	11.1	10.0	1.3	1.2	1.1
SZCOMP (CHINA)	1,618.07	-7.4%	-12.0%	-7.0%	55.5	103.4	125.9	-2.0%	86.3%	21.8%	29.1	15.6	12.8	1.9	1.8	1.6
TWSE (TAIWAN)	23,032.25	5.6%	28.5%	26.8%	994.4	1,135.7	1,320.1	-32.3%	14.2%	16.2%	23.2	20.3	17.4	2.7	2.8	2.6

Source: Bloomberg, TA Securities

Figure 47: FBMKLCI Performance, Price Ratio and Earnings Growth Versus Comparable Peers

Index	PER (X)			P/ BOOK (X)			EPS Growth		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
FBMKLCI (MALAYSIA)	**16.6**	**14.5**	**13.4**	**1.4**	**1.4**	**1.3**	**2.3%**	**14.3%**	**8.0%**
SET (THAILAND)	15.9	14.0	12.4	1.3	1.3	1.2	-9.6%	13.5%	12.4%
JCI (INDONESIA)	18.3	13.2	12.0	1.9	1.8	1.7	-14.4%	38.7%	10.0%
PSEi (PHILIPPINES)	12.5	10.8	9.8	1.5	1.4	1.3	15.9%	15.4%	9.7%
Average	**15.5**	**12.7**	**11.4**	**1.58**	**1.5**	**1.4**	**-2.7%**	**22.5%**	**10.7%**
Premium/ (Discount)	**6.5%**	**14.4%**	**17.3%**	**-9.9%**	**-9.6%**	**-6.6%**			

Source: Bloomberg, TA Securities

Figure 48: FBMKLCI and Sector Valuation in Different Periods

Sectors	Peak Valuation CY14	5-Year Average (CY19-23)	Current PER (CY24)	Forward PER (CY25)	Forward PER Discount/ Premium to CY14 Peak Valuation	Forward PER Discount/Premium to 5-Year Average
FBMKLCI	**17.25**	**17.60**	**14.57**	**13.52**	**-21.6%**	**-23.2%**
Automobile	9.29	12.63	9.76	10.00	7.7%	-20.8%
Banking (PBV Ratio)	1.90	0.99	0.96	0.92	-51.6%	-7.1%
Building Materials	13.30	9.20	17.20	15.00	12.8%	63.0%
Construction	32.20	8.50	17.50	16.50	-48.8%	94.1%
Consumer	13.98	26.50	19.37	16.36	17.0%	-38.3%
Gaming	18.11	9.74	12.05	9.07	-49.9%	-6.9%
Healthcare	38.03	42.93	43.10	35.08	-7.8%	-18.3%
Insurance (PBV Ratio)	0.97	0.80	0.72	0.70	-28.1%	-12.8%
Media	26.70	16.70	40.90	23.20	-13.1%	38.9%
Oil & Gas	20.00	19.10	19.60	15.40	-23.0%	-19.4%
Plantation	25.42	15.51	21.20	17.15	-32.5%	10.6%
Power & Utilities	19.70	12.90	17.80	16.80	-14.7%	30.2%
Property	11.58	13.12	17.54	17.90	54.5%	36.5%
Transport	17.68	10.56	13.91	12.92	-26.9%	22.3%
Technology	11.88	31.20	36.84	26.50	123.1%	-15.1%
Telecommunication	28.60	23.93	21.67	18.90	-33.9%	-21.0%

Source: TA Securities

Major Risks

We foresee major risks for the market in 2H24 to arise mostly from external rather than domestic factors. **Key risks among them are continued delays in the Fed rate cuts, slower than expected pickup in China's economy, China's retaliation to the trade restrictions imposed by the US and Europe rattling global trade, and worsening geopolitical tensions.** Inflation can be a risk factor for Malaysia due to subsidy rationalisation and a hike in civil servants' pay in December, but we deem it as more short-term in nature.

In its last meeting on 12 June, the Fed held rates steady and guided for just one 25 basis point cut by the end of this year and four 25 basis point cuts in 2025. Its narrative of "higher for longer" was also maintained as inflationary pressure remained sticky on the way down to its 2% target. This was a big departure from the start of the year when it guided for six, then dropped them to three in March. Strong labour market, shortage of houses, commodity prices and car insurance premiums are some of the factors that are fuelling inflation. In fact, the nonfarm payrolls for May rose by 272,000, much higher than April's 165,000 and forecast 190,000. Thus, it is not a big surprise that the Fed raised its core PCE inflation forecast for year-end to 2.8% and 2.3% from 2.6% and 2.2% but there were no changes in GDP projections of 2.1% and 2.0% in 2024 and 2025, respectively. The unemployment rate projection is maintained at 4.0% in 2024 but raised to 4.2% in 2025 from 4.1% previously. The median forecast shows that core PCE will hit the 2% target in 2026.

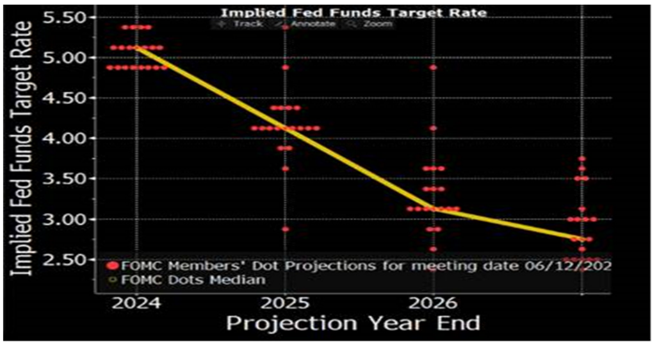
Both the latest PCE and core PCE, the Fed's favourite inflation gauge, for May that was released last Friday, showed some easing to 2.6% YoY from 2.7% YoY and 2.8% YoY, respectively, which was in line with market expectations. This marked the lowest annual rate since March 2021, the first time in this economic cycle that inflation topped the Fed's 2% target. On a MoM basis, PCE was flat but core PCE rose by 0.1%. Post this announcement, the CME FedWatch Tool data shows a 64.1% probability for the Fed to cut interest rates in September versus 65.9% a week earlier. **If the Fed continues delaying rate cuts, it can be a bane for its economy if businesses and consumers tighten their belts to**

compensate for the high borrowing cost. A hard landing in the US economy is not good for global trade.

Continued delays in the US rate cut while the rest of the world considers easing could weaken their currencies and exert inflationary pressure. Among the central banks of developed nations, the Bank of Canada and European Central Bank (ECB) have cut interest rates in their June meetings but the Bank of England and Reserve Bank of Australia maintained borrowing costs.

While we expect Bank Negara Malaysia to maintain its policy rate in 2H24 to accommodate economic expansion, inflationary pressures are expected to rise in the period due to cost-push factors after the recent subsidy rationalisation measure involving diesel prices. If the Ringgit maintains its weakness against USD, imported inflation will remain a sore point and investing in the US may seem more attractive. Currently, we expect Malaysia's consumer price index to double to 4.3% YoY in 2H24 versus 2.1% YoY in 1H24, adding up to a full-year growth of 3.3%. High inflation correlates with a weaker currency, and this will delay any prospects of a stronger rally in the FBMKLCI. The local bourse needs robust foreign buying to retest its previous highs.

Figure 49: Fed Dot Plot – June 2024



Source: Bloomberg

Figure 50: Changes in Fed's GDP Forecast and Rate Cut Guidance Since 2023 Display Hawkish View

	2023 FOMC				2024 FOMC			
	March	June	September	December	March	June	September	December
2024 GDP Projection	1.2	1.1	1.5	1.4	2.1	2.1		
2025 GDP Projection	1.9	1.8	1.8	1.8	2.0	2.0		
Fed cuts in 2024	2x	2x	1x	3x	3x	1x		
Fed Cuts in 2025	5x	5x	5x	4x	3x	3x		

Source: Bloomberg, TA Securities

Figure 51: US FDTR vs. Key Inflation, Labour, Housing, Personal Savings & Retail Sales Data

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Fund Target Rate (%)	4.50	4.75	5.00	5.00	5.25	5.25	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
CPI (% YoY)	6.4	6.0	5.0	4.9	4.0	3.0	3.2	3.7	3.7	3.2	3.1	3.4	3.1	3.2	3.5	3.4	3.3
Core CPI (% YoY)	5.6	5.5	5.6	5.5	5.3	4.8	4.7	4.3	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.6	3.4
Core PCE (% YoY)	4.9	4.8	4.8	4.8	4.7	4.3	4.2	3.7	3.6	3.4	3.2	2.9	2.9	2.8	2.8	2.8	2.6
CPI (% YoY) - 6 Month's MA	7.2	7.0	6.5	6.0	5.5	4.9	4.4	4.0	3.8	3.5	3.3	3.4	3.4	3.3	3.3	3.3	3.3
Core CPI (% YoY) - 6 Month's MA	6.0	6.0	5.8	5.7	5.5	5.4	5.2	5.0	4.8	4.5	4.3	4.2	4.0	4.0	3.9	3.8	3.7
Core PCE (% YoY) - 6 Month's MA	5.1	5.1	5.0	4.9	4.8	4.7	4.6	4.4	4.2	4.0	3.7	3.5	3.3	3.1	3.0	2.9	2.8
Non-Farm Payroll ('000)	482	287	146	278	303	240	184	210	246	165	182	290	229	236	310	165	272
Average Hourly Earnings (% YoY)	4.6	4.7	4.6	4.7	4.6	4.7	4.7	4.5	4.5	4.3	4.3	4.3	4.4	4.3	4.1	4.0	4.1
Unemploment Rate (% YoY)	3.4	3.6	3.5	3.4	3.7	3.6	3.5	3.8	3.8	3.8	3.7	3.7	3.7	3.9	3.8	3.9	4.0
Existing Home Sales (% YoY)	-36.7	-23.1	-22.7	-23.7	-20.9	-19.4	-16.7	-15.2	-15.3	-14.3	-6.7	-5.8	-1.7	-3.31	-2.99	-1.9	-2.8
New Home Sales (% YoY)	-19.9	-20	-9.7	8	14.4	22.7	34.9	1.2	24.8	16.6	2.5	3.5	3.9	1	3.3	-7.7	-16.5
Housing Starts (% YoY)	-20.5	-19.4	-20	-25.2	2.8	-8.2	5.8	-14.1	-7.3	-5.2	6.3	17	1.1	10.1	-4.1	-0.6	-19.3
US Personal Savings Rate (%)	4.4	4.7	5.2	5.2	5.3	4.8	4.4	4.5	3.9	3.8	3.7	3.6	4.1	3.7	3.5	3.7	3.9
US Personal Savings (USD'bn)	871	926	1048	1043	1060	980	891	909	792	815	830	802	845	746	671	745	806
US Personal Savings (% YoY)		23.6	68.7	80.8	83.4	95.1	38.4	48.3	37.4	40.6	30.5	23.0	-3.0	-19.5	-36.0	-28.6	-24.0
Retail Sales (% YoY)	7.7	5.5	2.2	1.7	2.2	1.6	2.9	3.0	4.2	2.7	4.0	5.5	0.3	2.1	3.8	3.0	2.3

Source: Bloomberg, TA Securities

Figure 52: Aggressive Hikes Contained Inflation…

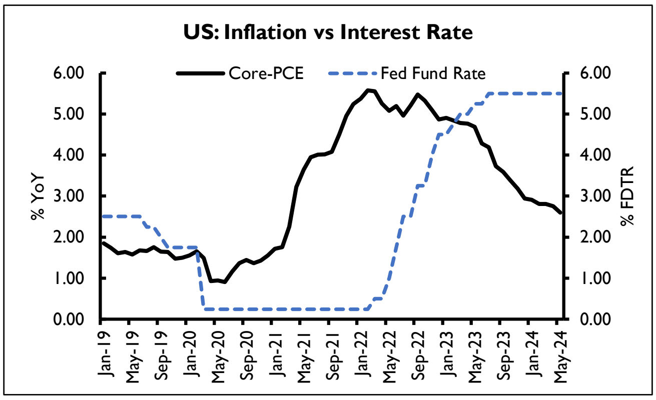
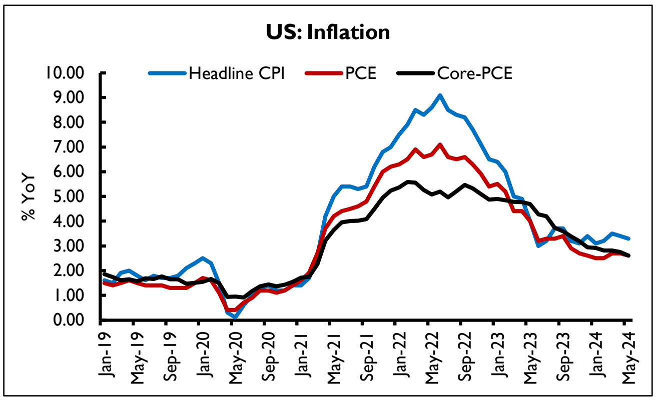


Figure 53: … but the Pace of Decline is Softenings



Source: Bloomberg, TA Securities

Figure 54: US Rate Hikes Affect Home Sales

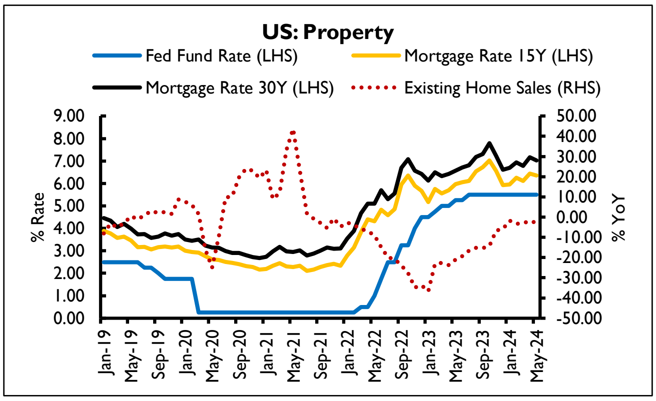
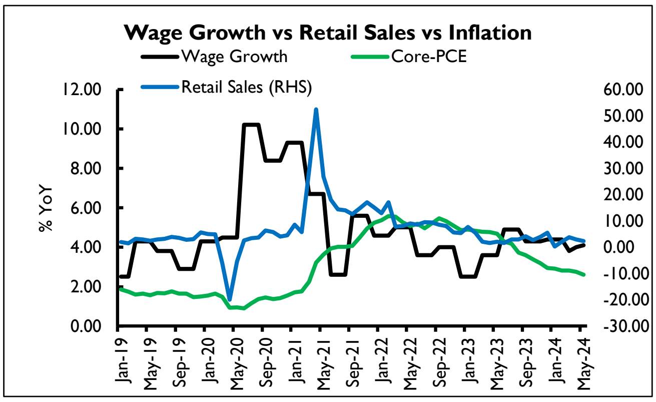


Figure 55: Wage Growth Affects Retail Sales & Inflation



Source: Bloomberg, TA Securities

China has its own problems

China is upbeat about achieving its GDP growth target of 5.0% this year after the economy expanded by 5.3% in 1Q24. Anything weaker will have negative implications for Malaysia, with China being its largest trading partner. China has been grappling with its property sector downturn since the default of Evergrande Group in 2021. The irony is that the downturn was engineered by the government itself to avoid a housing bubble. It wanted to reform and deleverage the property sector but the move backfired as it led many big developers like Evergrande and Country Garden to default on their loans and brought down giants like Vanke to their knees to seek funding support for survival. The sector is important for China, accounting for about 30% of its economy and 80% of household wealth.

China turned on the tap to revive property sector

Thus, it is not surprising that despite attempts to reduce reliance on the property sector and concentrate on other high-growth sectors - especially related to technology and digital economy, and domestic consumption - China has turned on the tap again to revive the ailing sector. It has rolled out an extensive series of stimulus measures to support the ailing property sector and revive consumer confidence, including lowering mortgage rates and downpayments, instructing municipalities to buy unsold apartments, setting aside USD41.5bn to support affordable housing, etc. Despite all these efforts, property investment fell 10.1% between January and May this year as opposed to -9.8% in the first four months. The recovery so far appears uneven, with low-tier cities lagging behind the big cities. **Considering the excess supply, still high prices and dwindling population growth, problems in the property sector may take longer than expected to resolve.**

China is seriously looking at reviving its domestic consumption to boost the economy, which is in line with its goal of transforming the nation with 1.4bn people into a domestic consumption-driven economy. The move is not a surprise as, according to the Bank of China, the country's deposit balance stood at nearly 300tn yuan as at May 2024, of which 145tn yuan are household savings. Household deposits have increased by 9tn yuan in the first five months of 2024 and increased by nearly 60tn yuan in the past three years, indicating the tremendous growth potential if some of these savings can be converted into consumption. **According to the National Development and Reform Commission, the country's top economic planner, China is looking at multiple sectors, including tourism, automobiles and electronics, to boost consumption.**

Consumption can be a saviour …

Nonetheless, its weak consumer price index (CPI) and producer price index (PPI) reflect the sluggish state of its economy due to still soft domestic demand and a weak property market. Its CPI, which has been hovering in the negative territory since last October until this January, has trended into positive territory from February. However, the growth was insignificant as it only ranged between 0.1 and 0.7%. The latest May figure was just 0.3%, way below the official target of 3% for 2024. Meanwhile, its PPI has been in negative territory since October 2022, and the latest reading was -1.4% YoY. It was hopeful to see the retail sales rising 3.7% YoY in May versus 2.3% YoY in April and forecast 3% YoY, but other economic indicators like industrial output (5.6% YoY vs. 6.7% YoY in April) and fixed asset investment (4% YoY vs. 4.2% in April) missed expectations.

… domestic demand is still weak

China has made significant progress in critical technologies like artificial intelligence, internet-of-things, telecommunications, cloud computing, genetics, electric vehicles, electric batteries, nuclear energy, photovoltaics, machine learning, drones, etc. **While its dominance in some of these fields is expected to be a new economic growth driver, it has also irked some Western countries**, mainly the US and Europe. They accused it of unfair trade practices concerning technology transfer, intellectual property and innovation, apart from flooding global markets with artificially low-priced exports to consume excess capacity at home. **As a retribution, they imposed higher tariffs on Chinese goods to protect their industries and, at the same time, incentivise them to reduce reliance on Chinese imports.**

China's technological prowess irking the West

The US, for instance, has invoked Section 301 of the Trade Act of 1974 on USD18bn worth of imports from China to increase tariffs on strategic sectors like steel & aluminium products (from 0-7.5% to 25% in 2024), semiconductors (25% to 50% in 2025), electric vehicles (from 25% to 100% in 2024), various type batteries & parts (from 7.5% to 25% in 2024 and 2026), solar cells (from 25% to 50% in 2024), etc. This list is not exhaustive and can be expanded in future. The European Union (EU) has also joined the bandwagon recently and wanted to impose provisional tariffs of 17.4% to 38.1% on EVs from China on top of the existing 10% duties for all imported EVs effective 4 July. Picking a leaf from the US and EU, Canada is also toying with similar move. **A retaliation from China or a block of nations aligned to it will have a devastating effect on inflation and supply.**

More trade restrictions from the US and Europe

As such, there is a pressing need for China to boost domestic consumption to absorb the excess capacity and pursue other means to boost its exports. It has already embarked on broadening its export market and investing in Asian and African countries to bypass the trade restrictions imposed but has yet to pursue any drastic fiscal stimulus to boost consumption.

As far as geopolitical tensions are concerned, the market seemed to have discounted the ongoing war in Ukraine and Palestine. However, conditions can deteriorate very fast on further provocations, especially if the war is brought to the doorstep of military superpowers. That possibility is not remote anymore with recent developments on the war front. The Ukraine war has entered a new phase and will prolong after the EU consented to use proceeds from billions of frozen Russian assets to supply weapons for Ukraine despite calls by the US to fully seize the assets for the benefit of Kyiv. It is also a

Geopolitical tensions on many fronts are time bombs waiting to explode known fact that Ukraine has been pressuring the US without success for some time to give it long-range missiles to attack Russia on its soil. That changed last month with the US and Germany giving the green light, in the footsteps of Britain and France, to Ukraine to use their weapons on Russian soil.

Russia is furious

Russia is furious and has already entered a defensive alliance with North Korea by signing a formal strategic treaty. Further escalation in current tension could broaden the alliance at both camps with more damaging consequences. The war in Palestine also has no end in sight, with Israel only agreeing to a partial cease-fire without ending the war. Elsewhere, China's claim over Taiwan, the Sino-Indian border dispute and China's territorial claims in the South China Sea are time bombs that could explode if one thing leads to another in the game of war.

Figure 56: GDP Above 5% for 2 Consecutive Quarters

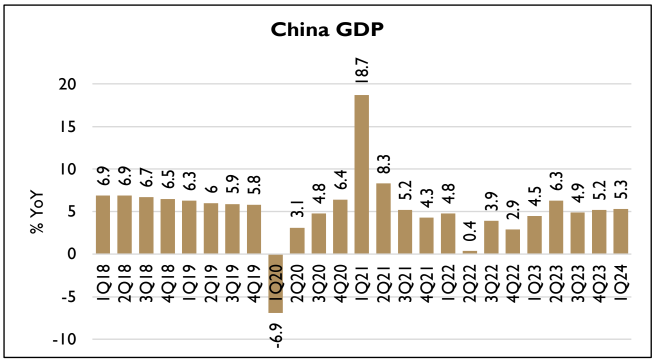


Figure 57: Inflation Reflects Weak Domestic Demand

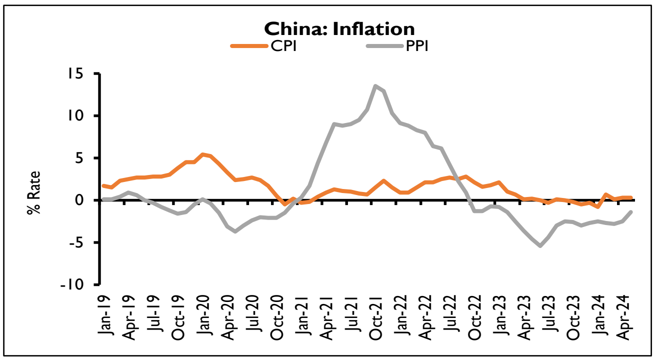
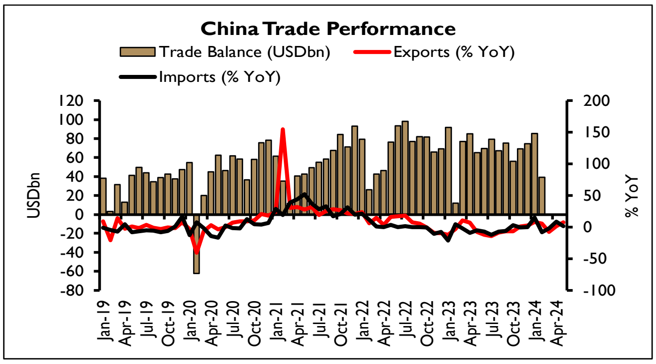


Figure 58: Weak Retail Sales a Concern

Figure 59: Exports Struggling to Remain Above Water



Source: Bloomberg, TA Securities

Figure 60: Languishing Property Sector

Figure 61: Falling Loan Growth as Confidence Suffers

Source: Bloomberg, TA Securities

Investment Strategy and Stock Picks

Catalysts are aplenty, buy this market

The government's decisiveness and conviction in implementing strategic long-term plans and reforms, supported by inflows of FDIs and active participation of the private sector, to lift the economy and living standards of Malaysians are firm enough reasons to increase exposure in the local equities. Potential monetary easing in the US and the likelihood of more significant policy intervention from the Chinese government in 2H24 are added catalysts to draw greater foreign participation in the domestic equity market. Any downside risks from external factors are expected to be well supported by its diversified economy and sound fundamentals.

Accumulate blue chips. growth stocks and value plays

Thus, we maintain that **any market correction is an excellent opportunity to buy-on-weakness undervalued blue chips, growth stocks, and value plays to ride on the ongoing market recovery**. The domestic sectors are expected to maintain their lustre driven by the multi-billion investments from the public and private sectors on infrastructures, renewable energy facilities, data centres, semiconductor facilities and related E&E industry clusters, aerospace, oil & gas and pharmaceutical.

Banks are cheap

Being a proxy to Malaysia's resilient economy, the **Banking** sector **(PBBANK & ABMB)** will be investors' favourite, especially among foreigners and local funds, due to its considerable market capitalisation, strong fundamentals, high ESG compliance and undemanding valuation. The sector's CY25 PBV of 0.9x is a vast 51.6% discount to the peak valuation of 1.9x when the FBMKLCI hit an all-time high of 1896.23 in 2014. We don't see a reason for this feat not to recur as investor confidence improves and the FBMKLCI displays more vigour in retesting its all-time high before the next general election. Improving Malaysia's economic fundamentals, slowing US economy, the start of US monetary easing in this interest rate up-cycle, probably in 4Q24, and anticipation of a more restrictive and tighter foreign policy post-US presidential election in November can be valid enough reasons to sustain buying momentum in the 2H24 as Ringgit strengthens against the USD and attract more foreign fund flows into local equities.

Technological advancements to drive chips sales and tech sector

Countries around the globe are embracing digital technology at a rapid pace to compete as consumers adopt and adapt fast to disruptive technologies like AI, 5G, IoT, EV, cloud computing, etc. This trend has increased demand for semiconductors as more chips are going into products that enable these technologies. For instance, an average EV car contains more than 3,000 chips, more than double that of a non-electric vehicle, and they play an essential role in managing battery systems, motor control, and power distribution. Transitioning into autonomous vehicles will require even more reliable and advanced microchips. Thus, it is no surprise that chip content per car is expected to more than double from USD650 in 2021 to USD1500 by 2030. Besides, the proliferation of cloud services and data centres also boosts demand for servers, storage devices and network devices. The incorporation of AI, 5G and IoT in a single electronic device or product holds enormous potential as the interconnectivity can improve productivity and efficiency. Hence, we are seeing strong growth in global chip demand that will be a boon for **Technology** (**INARI**) sector.

Billions in public spending and private investments strong drivers for domestic sectors

The huge investments that are going into building data centres in Malaysia are also benefitting **Construction (GAMUDA, SUNCON** and **INTA), Power (YTLPOWR)** and **Telco (TM)** sector stocks that will ride on the same wave due to the provision of various related infrastructure, hardware and software, in addition to the huge public spending under various long-term plans. According to Tenaga, electricity demand from data centres in Malaysia is expected to hit over 5,000 MW by 2035, about 19% of Peninsular Malaysia's existing installed power generation capacity. The growing power demand calls for new investments in power supply and distribution that will benefit many players in the sector. While the **property (IOIPG, SUNREIT** and **IBRACO)** sector will also benefit from the mushrooming data centres due to increased demand for industrial properties and land, it will also see higher demand for transit-oriented developments, and housing as the economy grows. In addition, the growing demand for smart buildings, green infrastructures, and the incorporation of advanced technologies like AI into these assets are new growth drivers.

Small cap ideas and consumer stocks for defensive investors

In the small-cap segment, we like **PGF** and **SCOMNET**. PGF is expected to benefit from the strong demand for its building insulation materials, which will contribute to a reduction in carbon emissions. Geely's USD10bn investments in turning Tanjung Malim into an auto hub is an added boon for PGF as it creates an opportunity to develop its landbank in the vicinity of the Proton plant. Meanwhile, SCOMNET is seeing a recovery in demand for its medical and automotive products. The **Consumer** sector will benefit from improved domestic activities, higher consumption, incentives from the government for the B40 group and robust tourist arrivals. However, we switched our top picks in the sector to **Consumer Staple (ABLEGLOB** and **FFB**) from Consumer Discretionary as RON95 subsidy rationalisation in 2H24 can have a short-term negative impact on the latter.

(Detailed writeup on sectors and stock picks can be found on the following pages.)

Figure 62: Top Buy Picks

Company	Market Cap. (RMm)	Share Price (RM)	EPS (sen)		PER (x)		DPS (sen)		Dividend Yield		Target Price (RM)	Capital Gain (%)	Total Gain (%)	YTD (%)
			FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25				
INTA	252.2	0.46	4.6	6.4	10.0	7.2	1.5	1.5	3.3%	3.3%	0.71	54.3%	57.6%	76.9
IOIPG	12,168.6	2.21	13.5	16.3	16.4	13.6	5.5	6.0	2.5%	2.7%	3.00	35.7%	38.2%	26.3
YTLPOWR	39,504.1	4.82	38.6	36.1	12.5	13.4	11.6	11.6	2.4%	2.4%	6.35	31.7%	34.1%	89.8
FFB	2,846.6	1.52	3.1	5.9	49.0	25.8	0.0	1.5	0.0%	1.0%	1.97	29.6%	29.6%	15.2
PGF	422.5	2.18	6.0	23.1	36.3	9.4	1.5	5.8	0.7%	2.7%	2.76	26.6%	27.3%	59.1
PBBANK	78,031.0	4.02	36.0	37.6	11.2	10.7	20.0	20.0	5.0%	5.0%	4.90	21.9%	26.9%	(6.3)
ABLEGLOB	639.7	2.08	19.9	20.3	10.5	10.2	6.5	6.5	3.1%	3.1%	2.57	23.6%	26.7%	38.7
GAMUDA	18,241.9	6.58	33.6	37.7	19.6	17.5	16.0	20.0	2.4%	3.0%	8.13	23.6%	26.0%	43.4
IBRACO	611.6	1.12	8.9	11.2	12.6	10.0	3.0	3.5	2.7%	3.1%	1.33	18.8%	21.4%	40.0
SUNCON	4,886.7	3.79	15.2	19.9	24.9	19.0	7.0	10.0	1.8%	2.6%	4.46	17.7%	19.5%	95.4
SIMEPROP	9,113.1	1.34	7.3	7.7	18.4	17.4	3.0	3.0	2.2%	2.2%	1.57	17.2%	19.4%	114.4
ABMB	5,867.3	3.79	44.6	47.4	8.5	8.0	22.3	22.5	5.9%	5.9%	4.30	13.5%	19.3%	11.8
INARI	13,964.9	3.70	9.4	12.3	39.4	30.1	8.9	11.7	2.4%	3.2%	4.30	16.2%	18.6%	22.9
SCOMNET	1,268.2	1.48	4.6	5.8	32.2	25.5	2.1	2.6	1.4%	1.8%	1.73	16.9%	18.3%	21.3
TM	25,942.9	6.76	48.9	43.2	13.8	15.6	19.6	23.8	2.9%	3.5%	7.70	13.9%	16.8%	21.8

Source: Bloomberg, TA Securities

Figure 63: Top Dividend Picks

Company	Share Price (RM)	EPS (sen)		PER (x)		DPS (sen)		Dividend Yield		YTD (%)
		FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25	
BAUTO	2.51	30.3	27.4	8.3	9.2	26.0	19.2	10.4%	7.6%	6.4
AMWAY	6.92	59.9	62.7	11.5	11.0	45.0	50.0	6.5%	7.2%	24.1
PARAMON	1.13	10.8	14.0	10.4	8.1	7.0	7.5	6.2%	6.6%	21.5
MALAKOF	0.77	4.6	4.7	16.7	16.1	4.5	5.0	5.9%	6.5%	20.5
SIME	2.62	20.5	20.7	12.8	12.7	14.4	14.5	5.5%	5.5%	11.5
KMLOONG	2.20	15.2	15.5	14.5	14.2	12.0	12.0	5.5%	5.5%	10.5
PETDAG	17.44	94.4	93.0	18.5	18.8	89.0	88.0	5.1%	5.0%	(20.1)
WPRTS	4.17	28.3	30.5	14.7	13.7	20.8	22.4	5.0%	5.4%	14.2

Source: Bloomberg, TA Securities

Figure 64: Foreign Shareholdings in Blue Chips (FMBKLCI 30)

No.	Name	Latest available data	Estimated Foreign Shareholding level	Peak since 2010	When Peak ?	Low since 2010	When Low ?	Note
1	AXIATA	Apr-24	10.6%	29.2%	Sep-12	9.3%	Jun-18	Data only available from 2012
2	CDB	Apr-24	7.3%	15.9%	Feb-15	6.9%	Jan-10	Data only available from 2010
3	CIMB	May-24	31.8%	42.9%	Jun-11	20.3%	May-21	
4	GENM	Apr-24	15.4%	40.0%	Sep-12	15.8%	Sep-21	
5	GENTING	Apr-24	21.3%	47.0%	Jun-15	20.7%	Jul-21	
6	HLBANK	Mar-24	10.3%	12.8%	Mar-18	7.3%	Jun-10	
7	IHH	May-24	50.2%	53.7%	Mar-19	38.1%	Mar-17	Including Mitsui & Co 32.8%
8	IOICORP	May-24	10.0%	25.0%	Jan-10	10.5%	Mar-21	
9	KLK	Mar-24	13.1%	19.2%	Apr-12	12.3%	Mar-15	
10	MAXIS	Apr-24	7.5%	7.9%	Feb-19	6.0%	Apr-17	Data only available from 2017
11	MAYBANK	May-24	19.7%	26.0%	May-13	15.9%	Nov-16	
12	MISC	Apr-24	10.1%	30.0%	Jun-12	8.1%	Jan-15	
13	NESTLE	May-24	8.4%	9.4%	Dec-22	0.7%	May-16	excludes Nestle SA 72.6%
14	PBBANK	May-24	24.6%	39.1%	May-18	23.5%	Mar-11	
15	PCHEM	May-24	7.8%	12.5%	May-22	4.0%	Mar-13	
16	PETDAG	Apr-24	7.7%	12.1%	Jul-16	7.5%	Jun-22	
17	PETGAS	Apr-24	10.2%	39.0%	May-10	1.6%	Dec-10	
18	QL	Mar-24	12.0%	11.6%	Jan-23	9.5%	Mar-22	Data from 2019
19	RHBBANK	Apr-24	14.6%	25.7%	Jan-20	5.8%	Mar-10	
20	SDG	May-24	9.8%	13.9%	Dec-17	8.9%	Aug-21	Listed in Nov 2017
21	SIME	May-24	20.8%	21.2%	Jul-12	12.2%	Oct-16	
22	SUNWAY	Mar-24	5.0%	10.5%	Oct-17	4.6%	Jan-24	Data from 2017
23	TENAGA	Apr-24	13.3%	28.7%	Sep-16	8.5%	Jan-10	
24	TM	Apr-24	14.1%	20.6%	Jan-12	8.8%	Jul-18	Data only available from 2012
25	YTLPOWR	May-24	15.0%	n.a	n.a	n.a	n.a	

Source: Bloomberg, TA Securities

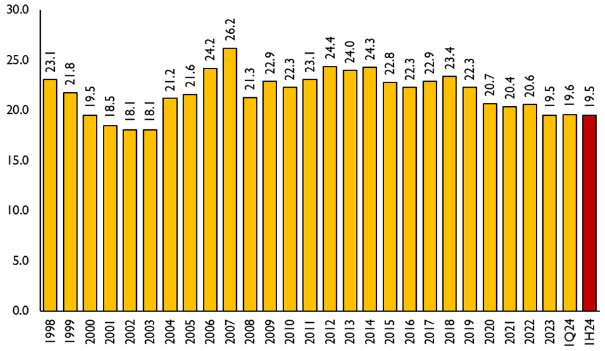
Figure 65: Financial Comparison of FBMKLCI Component Stocks

No.	Name	Call	Cl. Price	Mkt Cap.	Target Price (RM)		Capital Gain (%)		Chg YTD	EPS (RM)			PE (x)		
			(RM)	(RMmn)	*Consensus	TA Research	*Consensus	TA Research	(%)	FY23	FY24	FY25	FY23	FY24	FY25
1	AXIATA	Sell	2.61	23,965	2.87	**2.61**	10.1%	**0.0%**	9.7	0.08	0.08	0.11	32.7	32.6	24.3
2	CDB	Buy	3.68	43,172	4.47	**4.64**	21.6%	**26.1%**	-9.8	0.18	0.20	0.22	20.1	18.3	16.8
3	CIMB	Buy	6.80	72,740	7.43	**7.90**	9.3%	**16.2%**	17.5	0.65	0.68	0.72	10.4	10.0	9.4
4	GENM	Buy	2.55	14,453	3.38	**3.13**	32.5%	**22.7%**	-5.2	0.07	0.13	0.23	37.3	19.2	10.9
5	GENTING	Buy	4.71	18,136	6.21	**5.77**	31.8%	**22.5%**	1.9	0.30	0.68	0.70	15.7	6.9	6.7
6	HLBANK	Buy	19.20	41,620	23.20	**22.00**	20.9%	**14.6%**	1.6	1.76	1.89	2.04	10.9	10.1	9.4
7	IHH	Hold	6.30	55,484	7.27	**6.65**	15.4%	**5.6%**	4.5	0.15	0.17	0.18	43.4	36.8	34.6
8	IOICORP	Buy	3.70	22,954	4.19	**4.17**	13.3%	**12.7%**	-5.9	0.22	0.19	0.22	16.8	19.8	16.9
9	KLK	Hold	20.64	22,630	23.20	**22.63**	12.4%	**9.6%**	-5.4	0.92	0.95	1.14	22.5	21.7	18.1
10	MAXIS	Sell	3.53	27,647	3.94	**3.70**	11.6%	**4.8%**	-8.3	0.17	0.19	0.21	20.4	18.6	16.9
11	MAYBANK	Buy	9.96	120,187	10.14	**10.80**	1.8%	**8.4%**	12.0	0.77	0.79	0.82	12.9	12.6	12.1
12	MISC	Hold	8.52	38,031	9.00	**8.80**	5.7%	**3.3%**	16.9	0.54	0.52	0.53	15.8	16.3	16.0
13	NESTLE	Hold	121.50	28,492	129.64	**136.90**	6.7%	**12.7%**	3.3	3.34	3.34	3.57	36.4	36.3	34.1
14	PBBANK	Buy	4.02	78,031	4.75	**4.90**	18.1%	**21.9%**	-6.3	0.34	0.36	0.38	11.7	11.2	10.7
15	PCHEM	Hold	6.31	50,480	6.40	**6.77**	1.4%	**7.3%**	-11.9	0.21	0.27	0.38	29.8	23.3	16.5
16	PETDAG	Hold	17.44	17,326	20.49	**18.10**	17.5%	**3.8%**	-20.1	0.98	0.94	0.93	17.8	18.5	18.8
17	PETGAS	Buy	17.82	35,261	18.56	**20.60**	4.1%	**15.6%**	2.4	0.95	1.02	1.05	18.8	17.4	16.9
18	QL	Buy	6.52	15,867	6.94	**7.40**	6.5%	**13.5%**	14.2	0.14	0.18	0.18	45.8	36.2	35.6
19	RHBBANK	Hold	5.51	24,021	5.90	**5.70**	7.1%	**3.4%**	1.1	0.64	0.67	0.71	8.6	8.3	7.7
20	SIME	Hold	2.62	17,857	3.03	**3.27**	15.8%	**24.8%**	11.5	0.17	0.21	0.21	15.5	12.8	12.7
21	SDG	Hold	4.22	29,184	4.54	**4.56**	7.6%	**8.1%**	-5.4	0.13	0.18	0.22	32.6	23.5	19.4
22	SUNWAY	Buy	3.61	20,363	3.85	**4.12**	6.6%	**14.1%**	75.2	0.10	0.11	0.13	35.6	32.2	27.6
23	TENAGA	Hold	13.78	80,100	14.52	**14.50**	5.3%	**5.2%**	37.3	0.53	0.70	0.78	25.9	19.7	17.6
24	TM	Buy	6.76	25,943	7.15	**7.70**	5.7%	**13.9%**	21.8	0.55	0.48	0.42	12.4	14.1	15.9
25	YTLPOWR	Buy	4.82	39,504	6.21	**6.35**	28.9%	**31.7%**	89.8	0.25	0.39	0.36	18.9	12.4	13.3
26	HLFG	**n.a**	**17.28**	**19,790**	**21.34**	**n.a**	**23.5%**	**n.a**	**5.1**	**2.46**	**2.67**	**2.78**	7.0	6.5	6.2
27	MRDIY	**n.a**	**1.94**	**18,336**	**2.11**	**n.a**	**8.8%**	**n.a**	**33.8**	**0.06**	**0.07**	**0.08**	32.9	28.5	25.2
28	PMETAL	**n.a**	**5.76**	**47,460**	**5.75**	**n.a**	**-0.1%**	**n.a**	**19.8**	**0.15**	**0.23**	**0.26**	38.1	25.0	22.3
29	PPB	**n.a**	**14.30**	**20,343**	**16.81**	**n.a**	**17.6%**	**n.a**	**-1.2**	**0.86**	**1.05**	**1.21**	16.7	13.6	11.8
30	YTLCORP	**n.a**	**3.45**	**37,965**	**3.70**	**n.a**	**7.4%**	**n.a**	**82.5**	**0.07**	**0.20**	**0.22**	47.3	17.7	16.0

Note: Stocks in bold are based on Bloomberg consensus forecast

Source: Bloomberg, TA Securities

Figure 66: Malaysia Securities Market Foreign Ownership



Source: Bursa Malaysia, TA Securities

Figure 67: Malaysia Foreign Inflow/Outflow

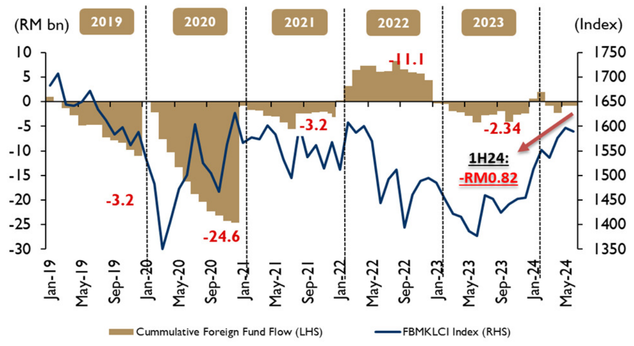


Figure 68: Net Foreign Fund Flow in Comparable Developing Markets

Yearly	Indonesia	Malaysia	Philippines	Thailand
2011	2,956	654	1,331	(164)
2012	1,712	4,432	2,558	2,503
2013	(1,806)	1,135	678	(6,211)
2014	3,766	(2,012)	1,256	(1,091)
2015	(1,580)	(5,062)	(1,194)	(4,372)
2016	1,259	(628)	83	2,240
2017	(2,960)	2,456	1,095	(795)
2018	(3,656)	(2,885)	(1,080)	(8,913)
2019	3,465	(2,683)	(240)	(1,496)
2020	(3,220)	(5,782)	(2,513)	(8,287)
2021	2,688	(767)	(5)	(1,632)
2022	4,267	1,096	(1,245)	5,960
2023	(353)	(514)	(863)	(5,507)
28-Jun-24	(427)	(173)	(527)	(3,231)

Source: Bloomberg, TA Securities

Sector Recommendation Guideline

OVERWEIGHT: The industry, as per our coverage universe, is expected to outperform the FBMKLCI over the next 12 months.

NEUTRAL: The industry, as per our coverage universe, is expected to perform in line with the FBMKLCI over the next 12 months.

UNDERWEIGHT: The industry, as per our coverage universe, is expected to underperform the FBMKLCI over the next 12 months.

Stock Recommendation Guideline

BUY : Total return within the next 12 months exceeds required rate of return by 5%-point.
HOLD : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.
SELL : Total return is lower than the required rate of return.
Not Rated: The company is not under coverage. The report is for information only.

Total Return is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Required Rate of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

ESG Guideline

★★★★★ **(≥80%)** : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.
★★★★ **(60-79%)** : Above adequate integration of ESG factors into most aspects of operations, management and future directions.
★★★ **(40-59%)** : Adequate integration of ESG factors into operations, management and future directions.
★★ **(20-39%)** : Have some integration of ESG factors in operations and management but are insufficient.
★ **(<20%)** : Minimal or no integration of ESG factors in operations and management.

Kaladher Govindan – Head of Research

TA SECURITIES HOLDINGS BERHAD 197301001467 (14948-M)
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www.ta.com.my

Top Buy Stock Picks

Inta Bina Group Berhad

Values Emerging on Positive Outlook

TP: RM0.71 ***(+54.3%)***

Last Traded: RM0.46

BUY (ESG: ★★★)

Raymond Ng Ing Yeow | Tel: +603 2072 9601 | raymondng@ta.com.my | www.taonline.com.my

Overview

Inta Bina Group Bhd (INTA) is primarily engaged in the construction of residential, commercial, industrial, and leisure property buildings. Its clientele includes prominent names such as Ecoworld, Gamuda Land, Mah Sing, Sime Darby Property, Sunway, and UEM Land, among others.

Investment Themes

- **Robust Property Sector is a Boon to INTA.** INTA's core revenue is primarily derived from construction work, which stands to benefit from the revitalisation of the property sector. In 2022 and 2023, there were fewer new property project launches due to escalating raw material costs, particularly cement and steel bars. Looking ahead, we anticipate that most property developers will initiate more new project launches from 2HCY24 onwards as input costs stabilise. Consequently, we expect INTA to benefit from the resurgence of the property sector, particularly by securing more contracts from key industry players.

- **Strong Orderbook and Earnings Visibility.** Currently, INTA's outstanding order book stands at RM1.8bn, translating to 2.9x FY23 revenue. The group's year-to-date new job wins of RM1.1bn have already surpassed our initial FY24 job replenishment assumption of RM800mn. By actively pursuing new opportunities, INTA has accumulated a gross tender book value of RM4.1bn and aims to achieve approximately c.RM1.5bn in new job wins this year. We are confident that INTA is well-positioned to meet its order book replenishment target, given its proven track record in high-rise building construction.

- **Improving Profitability Margin Ahead.** Looking forward, we expect a gradual improvement in INTA's net margin, driven by stabilising input costs and the initiation of new projects with better margins. Despite the diesel subsidy rationalisation, INTA's exposure to escalating costs remains manageable, as its machinery and equipment are less reliant on diesel. Over the past two years, INTA's net margin has been impacted by rising raw material costs and minimum wage issues, resulting in a net margin below 4%. However, we anticipate an uplift in net margins due to the company's strategic focus on design-and-build projects, which typically yield higher margins.

Risk

- The risks to our earnings forecasts include: 1) lagging in order book replenishment, 2) project execution risks, and 3) potential cost escalation of construction materials.

Recommendation

- We value INTA at **RM0.71**, based on unchanged 11x CY25 EPS. Maintain **BUY** call on INTA.

Share Information

Bloomberg Code	INTA MK
Stock Code	192
Listing	Main Market
Share Cap (mn)	545.2
Market Cap (RMmn)	548.2
Par Value	1.00
52-wk Hi/Lo (RM)	0.52/0.2
12-mth Avg Daily Vol ('000 shrs)	2431.3
Estimated Free Float (%)	36.8
Beta	0.7
Major Shareholders (%)	
	Apexjaya Industries Sdn Bhd - 34.5
	Lim Ooi Joo - 9.0
	Teo Hock Choon - 8.7
	Amanah Saham Nasional Bhd - 3.3

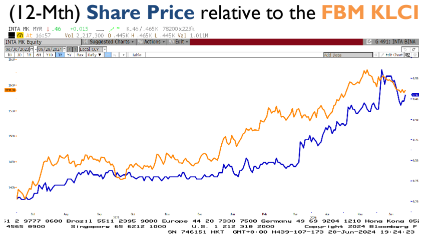
Financial Indicators

	FY24	FY25
Net Debt / Equity (%)	Net Cash	Net Cash
ROE (%)	14.6	19.3
ROA (%)	5.1	6.7
NTA/Share (RM)	0.3	0.4
Price/NTA (x)	1.4	1.3

Share Performance (%)

Price Change	INTA	FBMKLCI
1 mth	5.7	(1.6)
3 mth	27.8	3.9
6 mth	76.9	9.1
12 mth	119.0	14.5

(12-Mth) **Share Price** relative to the **FBM KLCI**



Source: Bloomberg

Figure 1: Earnings Summary

Profit & Loss (RMmn)

YE Dec 31	2022	2023	2024F	2025F	2026F
Revenue	466.3	650.1	664.1	887.5	1,058.4
EBITDA	28.5	47.6	50.1	69.2	85.0
Depreciation	(11.3)	(11.5)	(11.2)	(11.4)	(11.4)
EBIT	16.6	36.1	38.9	57.8	73.6
Finance cost	(3.1)	(5.6)	(2.7)	(2.8)	(3.0)
PBT	13.7	31.8	36.3	54.9	70.5
Taxation	(4.1)	(8.9)	(9.6)	(14.6)	(18.7)
Net profit	9.6	22.9	26.6	40.4	51.9
Core profit	10.8	23.2	26.6	40.4	51.9
GDPS (sen)	0.8	1.5	1.5	2.0	2.5
Div Yield (%)	1.6	3.3	3.3	4.3	5.4

Cash Flow (RMmn)

YE Dec 31	2022	2023	2024F	2025F	2026F
PBT	13.7	31.8	36.3	54.9	70.5
Adjustments	15.3	15.0	13.8	14.2	14.4
Changes in WC	(27.9)	39.3	(39.4)	(35.7)	(24.8)
Interest & tax	(4.8)	(8.2)	(9.6)	(14.6)	(18.7)
Operational cash flow	**(5.5)**	**65.6**	**1.0**	**18.9**	**41.5**
Capex	(4.7)	(9.9)	(9.2)	(10.0)	(10.0)
Others	(6.3)	(3.9)	(5.0)	(5.0)	(5.0)
Investment cash flow	**(11.0)**	**(13.7)**	**(14.2)**	**(15.0)**	**(15.0)**
Debt raised/(repaid)	40.0	(17.2)	4.8	4.8	4.8
Dividend	(5.4)	(6.7)	(8.8)	(12.6)	(16.8)
Others	(11.3)	(4.9)	(2.7)	(2.8)	(3.0)
Financial cash flow	**23.4**	**(28.7)**	**(6.6)**	**(10.6)**	**(15.1)**
Net cash flow	**7.0**	**23.1**	**(19.8)**	**(6.7)**	**11.4**
Beginning cash	**23.8**	**30.7**	**53.9**	**34.0**	**27.3**
Ending cash	**30.7**	**53.9**	**34.0**	**27.3**	**38.8**
Adjustments	43.4	53.3	35.5	35.5	35.5
Cash	**74.2**	**107.2**	**69.5**	**62.8**	**74.2**

Assumptions (RMmn)

YE Dec 31	2022	2023	2024F	2025F	2026F
New job wins	626	453	1600	800	800

Balance Sheet (RMmn)

YE Dec 31	2022	2023	2024F	2025F	2026F
Fixed assets	32.4	32.9	31.3	30.3	29.3
Others	42.7	32.0	36.6	41.2	45.8
NCA	**75.1**	**64.8**	**67.8**	**71.4**	**75.0**
Cash	74.2	101.5	69.5	62.8	74.2
Receivables	211.3	257.5	298.8	403.8	481.6
Others	65.1	85.4	106.8	129.1	146.2
CA	**350.6**	**444.4**	**475.1**	**595.8**	**702.0**
Total assets	**425.7**	**509.3**	**543.0**	**667.2**	**777.1**
ST borrowings	78.6	51.9	51.7	51.5	51.3
Payables	179.4	244.7	232.4	310.6	370.4
Other liabilities	5.8	28.2	42.6	56.0	66.3
CL	**263.7**	**324.7**	**326.7**	**418.2**	**488.0**
Shareholders' funds	**152.3**	**169.5**	**196.3**	**224.1**	**259.1**
LT borrowings	8.2	14.6	19.6	24.6	29.6
Other LT liabilities	1.5	0.4	0.4	0.4	0.4
Total capital	**425.7**	**509.3**	**543.0**	**667.2**	**777.1**

Ratio

YE Dec 31	2022	2023	2024F	2025F	2026F
EBITDA Margins (%)	6.1	7.3	7.5	7.8	8.0
Core EPS (sen)	2.0	4.3	4.6	6.4	7.7
EPS Growth (%)	(8.5)	114.9	6.2	40.8	19.9
PER (x)	23.0	10.7	10.1	7.2	6.0
GDPS (sen)	0.8	1.5	1.5	2.0	2.5
Div Yield (%)	1.6	3.3	3.3	4.3	5.4
Net cash (RMmn)	(12.6)	35.0	(1.8)	(13.3)	(6.6)
Net gearing (%)	(12.6)	net cash	(1.8)	(13.3)	(6.6)
ROE (%)	7.2	14.4	14.6	19.3	21.5
ROA (%)	2.7	5.0	5.1	6.7	7.2
NTA (sen)	28.2	31.4	33.5	35.6	38.4
P/NTA(x)	1.6	1.5	1.4	1.3	1.2

IOI Properties Group Berhad

Quality Pool of Investment Properties Anchor Growth

TP: RM3.00 *(+35.7%)*

Last Traded: RM2.21

BUY (ESG: ★★★★)

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Overview

IOI Properties Group Bhd is one of the handful developers in Malaysia with established track record spanning more than two decades in the property development industry. It is principally involved in property development, property investment and leisure & hospitality related businesses.

Investment Themes

- **Capitalise on the Still Hot Johor Thematic Play.** IOIPG owns active land bank of 5,193 acres, with total potential GDV of RM67.3bn. Elsewhere, it also owns non-active land of approximately 3,000 acres which IOIPG has no development plans currently. IOIPG is well-positioned to capitalise on the thriving Johor market, thanks to its extensive undeveloped landbank of 3,868 acres (GDV: RM7.9bn) and an additional 1,500 acres of non-core lands in Johor.

- **Increasing Recurring Income Stream to Anchor Growth.** In 9MFY24, the operating profit of property investment division surged by 43% YoY, driven by the robust performance of IOI City Mall Phase 2. We anticipate even stronger earnings growth upon the completion of Central Boulevard Towers (CBT) in Singapore in September 2024. We project the earnings of IOIPG's property investment division to grow by 32% in FY25 and 19% in FY26, based on a conservative occupancy rate of 50% and 80%, and average monthly rental rates of SGD9 psf, compared to the latest asking rates of SGD11 psf. By FY26, we expect the property investment division to contribute 28% to IOIPG's revenue, a significant increase from 19% in FY23.

- **Potential REIT-ting of its Investment Properties.** We believe IOIPG is poised to establish a Real Estate Investment Trust (REIT), given its increasingly mature investment properties portfolio. While specific timelines and details regarding the REIT's IPO are not available, the carrying value of IOIPG's investment properties stands at RM18bn, according to the FY23 annual report. By creating a REIT, IOIPG can unlock value from its investment properties, reduce debt, and improve its balance sheet.

Risk

- The risks to our earnings forecasts are: 1) delay in roll-out of new launches; 2) project execution risks; and 3) cost escalation of construction materials and labour; and 4) unfavourable foreign exchange movement.

Recommendation

- Our TP for IOIPG is RM3.00 (ESG: ★★★★), based on 0.7x CY25 BPS. Maintain **BUY**.

Share Information

Bloomberg Code	IOIPG MK
Stock Code	5249
Listing	Main Market
Share Cap (mn)	5506.1
Market Cap (RMmn)	12168.6
Par Value	1.00
52-wk Hi/Lo (RM)	2.55/1.07
12-mth Avg Daily Vol ('000 shrs)	6476.7
Estimated Free Float (%)	16.0
Beta	0.9
Major Shareholders (%)	
	Vertical Capacity S/B - 65.7
	Employees Provident Fund - 6.7
	Amanah Saham Nasional - 6.4

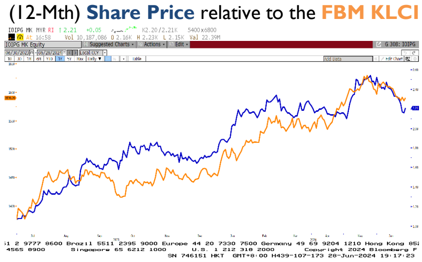
Financial Indicators

	FY24	FY25
Net Debt / Equity (%)	63.2	66.5
ROE (%)	3.3	3.9
ROA (%)	1.7	2.0
NTA/Share (RM)	4.1	4.2
Price/NTA (x)	0.5	0.5

Share Performance (%)

Price Change	IOIPG	FBMKLCI
1 mth	(10.9)	(1.6)
3 mth	(1.8)	3.9
6 mth	25.6	9.1
12 mth	104.6	14.5

(12-Mth) **Share Price** relative to the **FBM KLCI**



Source: Bloomberg

Profit & Loss (RM mn)

YE Jun 30		2022	2023	2024F	2025F	2026F
Revenue		2590.3	2593.1	2508.2	2848.7	3937.2
EBITDA		1478.1	576.9	994.8	1213.0	1447.8
Dep. & amortisation		(49.7)	(63.2)	(106.2)	(106.0)	(105.8)
Fair Value Gains and EI		(112.3)	762.7	0.0	0.0	0.0
Net finance cost		8.4	46.7	12.0	11.3	10.5
Share of associates & JV		166.9	296.8	155.3	158.1	161.0
Reported PBT		1102.8	1619.8	1056.0	1276.3	1513.5
Normalised PBT		1215.1	857.1	1056.0	1276.3	1513.5
Taxation		(414.7)	(219.4)	(316.8)	(382.9)	(454.0)
MI		(1.3)	(7.3)	3.0	3.1	3.3
Reported net profit		686.7	1393.0	742.1	896.5	1062.7
Normalised net profit		799.0	630.4	742.1	896.5	1062.7
Normalised EPS	(sen)	14.5	11.4	13.5	16.3	19.3
GDPS	(sen)	4.0	5.0	5.5	6.0	7.0
Div Yield	(%)	1.8	2.3	2.5	2.7	3.2
EV/EBITDA	(x)	18.0	47.4	26.8	22.9	19.2

Cash Flow (RM mn)

YE Jun 30	2022	2023	2024F	2025F	2026F
PBT	1,102.8	1,619.8	1,056.0	1,276.3	1,513.5
Adjustments	(138.7)	(2,931.4)	(2,192.8)	(1,315.2)	(1,430.3)
Dep. & amortisation	49.7	63.2	106.2	106.0	105.8
Changes in WC	(321.6)	2,842.5	2,919.1	34.1	1,055.3
Operational cash flow	**692.3**	**1,594.1**	**1,888.5**	**101.2**	**1,244.3**
Capex	(5,717.8)	(766.6)	(900.0)	(900.0)	(900.0)
Others	473.1	552.2	0.0	0.0	0.0
Investment cash flow	**(5,244.7)**	**(214.4)**	**(900.0)**	**(900.0)**	**(900.0)**
Debt raised/(repaid)	5,543.4	(131.7)	600.0	600.0	600.0
Equity raised(repaid)	0.0	0.0	0.0	0.0	0.0
Dividend	(110.1)	(220.2)	(302.8)	(330.4)	(385.4)
Others	(394.8)	(705.5)	0.0	0.0	0.0
Financial cash flow	**5,038.5**	**(1,057.4)**	**297.2**	**269.6**	**214.6**
Net cash flow	**486.0**	**322.3**	**1,285.6**	**(529.2)**	**558.9**

Assumptions

YE Jun 30		2022	2023	2024F	2025F	2026F
New Sales	(RM mn)	1,930.0	1,964.0	2,060.0	3,712.0	3,812.0
Property Development GP Margins	(%)	42.4	40.3	40.3	46.4	40.1

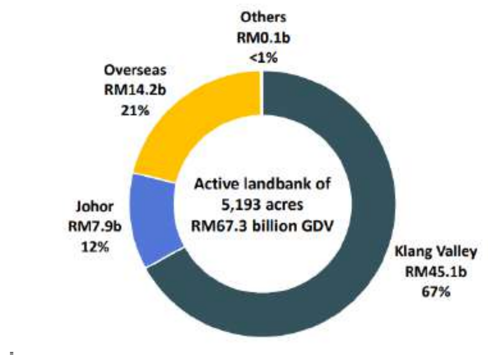
Balance Sheet (RM mn)

YE Jun 30	2022	2023	2024F	2025F	2026F
PPE	3054.1	3296.2	3290.1	3284.1	3278.2
Land Held for Development	9076.8	5607.4	5607.4	5607.4	5607.4
Investment Properties	15778.4	18364.5	19164.5	19964.5	20764.5
Others	4652.9	4484.8	4640.1	4798.2	4959.2
Total Non Current Assets	**32562.3**	**31752.9**	**32702.0**	**33654.1**	**34609.3**
Trade Receivables	900.5	549.7	531.7	603.9	834.7
Inventories	3051.7	2413.5	2251.5	2399.8	3619.6
Cash	2351.1	2711.4	3997.0	3467.9	4026.7
Others	635.4	5196.5	5028.7	5701.7	5272.7
Current Assets	**6938.7**	**10871.2**	**11809.0**	**12173.3**	**13753.7**
Total assets	**39500.9**	**42624.0**	**44511.0**	**45827.4**	**48363.0**
ST debt	13485.9	15034.6	15334.6	15634.6	15934.6
Trade Payables	1218.5	1477.9	2328.5	2481.9	3743.5
Other current liabilities	129.4	50.2	50.2	50.2	50.2
Current Liabilities	**14833.8**	**16562.8**	**17713.3**	**18166.7**	**19728.3**
Shareholders' funds	20452.2	22292.3	22731.6	23297.7	23975.0
MI	158.0	148.3	145.3	142.2	138.9
LT borrowings	3330.7	2829.3	3129.3	3429.3	3729.3
Others LT liabilities	726.2	791.4	791.4	791.4	791.4
Total long term Liabilities	**4057.0**	**3620.7**	**3920.7**	**4220.7**	**4520.7**
Total Equity and Liabilities	**39500.9**	**42624.0**	**44511.0**	**45827.4**	**48363.0**

Ratios

YE Jun 30		2022	2023	2024F	2025F	2026F
EPS Growth	(%)	0.5	(21.1)	17.7	20.8	18.5
PER	(x)	15.2	19.3	16.4	13.6	11.5
GDPS	(sen)	4.0	5.0	5.5	6.0	7.0
Div Yield	(%)	1.8	2.3	2.5	2.7	3.2
Net Debt/ (Net cash)	(RM mn)	14465.6	15152.5	14466.8	15596.0	15637.1
Net gearing (x)	(x)	0.7	0.7	0.6	0.7	0.6
ROE	(%)	4.0	2.9	3.3	3.9	4.5
ROA	(%)	2.2	1.5	1.7	2.0	2.3
NTA/share	(RM)	3.7	4.0	4.1	4.2	4.4
P/NTA	(x)	0.6	0.5	0.5	0.5	0.5

Figure 1: Landbank Breakdown



Note: The above breakdown does not include non-active lands of approximately 3,000 acres (50% Johor, 25% Bahau, 20% Melaka, and 5% Klang Valley) which IOIPG has no development plans currently
Source: Companies announcement, TA Securities

Figure 2: Growing Property Investment Division

Source: Companies announcement, TA Securities

YTL Power International Berhad

Data Centre Driven Growth

TP: RM6.35 ***(+31.7%)***

Last Traded: RM4.82

BUY (ESG: ★★★)

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Overview

YTL Power International Bhd (YTLPOWR) is a conglomerate multi-utility owner and operator mainly involved in power generation, water & sewerage, telecommunication and data centres. The group has diverse geographical footprints internationally such as in Malaysia (data centre, telecommunication and water & sewerage), Singapore (power generation via Power Seraya), the United Kingdom (water & sewerage via Wessex Water) and Jordan (power generation via Attarat Power).

Investment Themes

- **Growth from 500MW Green Data Centre.** Malaysia is rapidly emerging as the data centre hub in Southeast Asia, attracting billions in investments for data centre amidst increasing demand for cloud and AI services. We believe YTLPOWR has the first-mover advantage as the group has announced the development of data centre campus in Kulai, Johor as early as April 2022. Since then, YTLPOWR has secured Sea Limited as the anchor tenant for 32MW capacity (out of 48MW in the first phase). 8MW has commenced operations effective May 2024 and will contribute to earnings from 4QFY24 onwards. Additionally, YTLPOWR is involved in AI cloud computing via collaboration with NVIDIA and has allocated 100MW out of 500MW for cloud services.

- **Higher allowable return at Wessex Water expected in PR24 (2025-2030 business plan).** Effective April 2024, the measured wholesale charges for Wessex Water was adjusted upwards by an overall average of 9.3% to mitigate the impact of inflation. We believe this will help Wessex Water turnaround in 4QFY24. Additionally, the group has submitted its business plan for 2025-2030 (PR24) to Ofwat in October 2023. We expect higher regulated return on the back of higher regulated asset base for the new regulatory period.

- **Earnings growth via synergy from acquisition of RANHILL.** Recap that YTLPOWR announced the acquisition of 31.4% equity interest in RANHILL from Tan Sri Hamdan, raising its total direct and indirect stake to 53.2%. Although RANHILL is estimated to only contribute additional c.0.4%-0.5% to YTLPOWR's earnings in FY25-FY26, we believe there may be further upside to the earnings potential as we have yet to factor in the synergistic effect from the acquisition (Figure 1). YTLPOWR could improve RANHILL's profitability further by leveraging on its vast experience in the utilities sector. Furthermore, RANHILL as the state water operator in Johor is poised to enjoy higher demand for water from data centres.

Risks

- Drop in Singapore's electricity demand.
- Failure to secure customers for data centre.

Recommendation

- We value YTLPOWR at **RM6.35/share** based on SOP valuation, implying 17.3x CY25 EPS, compared with peer average of 16.8x CY25 EPS (Figure 2).

Share Information

Bloomberg Code	YTLP MK
Stock Code	6742
Listing	Main Market
Share Cap (mn)	8144.9
Market Cap (RMmn)	39258.3
Par Value	1.00
52-wk Hi/Lo (RM)	5.47/1.24
12-mth Avg Daily Vol ('000 shrs)	27598.2
Estimated Free Float (%)	23.6
Beta	1
Major Shareholders (%)	
	YTL Corp Berhad - 49.0
	Yeoh Tiong Lay & Sons - 9.5

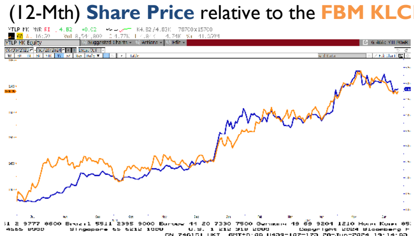
Financial Indicators

	FY24	FY25
Net Debt / Equity (%)	111.6	95.8
ROE (%)	16.6	14.0
ROA (%)	5.1	4.7
NTA/Share (RM)	1.2	1.4
Price/NTA (x)	4.1	3.4

Share Performance (%)

Price Change	YTLPOWR	FBM KLCI
1 mth	(3.6)	(1.6)
3 mth	27.5	3.9
6 mth	89.8	9.1
12 mth	276.6	14.5

(12-Mth) **Share Price** relative to the **FBM KLCI**



Source: Bloomberg

Income Statement

FYE June (RM mn)		2022	2023	2024E	2025F	2026F
Revenue		17,804.7	21,890.5	21,698.9	21,317.5	22,135.5
Core EBITDA		**2,595.5**	**4,990.2**	**6,499.1**	**6,192.6**	**6,279.0**
Depreciation		(1,245.6)	(1,282.9)	(1,425.3)	(1,469.9)	(1,515.7)
Net interest expense		(986.6)	(1,553.0)	(1,662.4)	(1,563.1)	(1,541.8)
Associates		334.6	332.3	339.0	345.8	352.7
EI and FX		944.1	(37.1)	0.0	0.0	0.0
Pretax profit		1,642.0	2,449.5	3,750.4	3,505.5	3,574.2
Taxation		(187.3)	(416.9)	(637.6)	(595.9)	(607.6)
Minority interest		22.1	(4.6)	31.1	29.1	59.3
Net Profit		1,476.8	2,028.0	3,144.0	2,938.6	3,025.9
Core Net Profit		**532.7**	**2,065.1**	**3,144.0**	**2,938.6**	**3,025.9**
Per Share Data						
Core EPS	(sen)	6.6	25.5	38.6	36.1	37.2
DPS	(sen)	6.9	8.2	11.6	11.6	10.7
Book Value	(RM)	1.8	2.1	2.3	2.6	2.8
FCF	(sen)	7.8	29.5	43.7	39.5	39.2

Ratios

FYE June (RM mn)		2022	2023	2024E	2025F	2026F
Valuations						
Core PER	(x)	73.3	18.9	12.5	13.4	13.0
Dividend Yield	(%)	1.4	1.7	2.4	2.4	2.2
EV/EBITDA	(x)	20.7	11.1	8.3	8.5	8.2
P/BV	(x)	2.7	2.3	2.1	1.9	1.7
FCF Yield	(%)	1.6	6.1	9.1	8.2	8.1
Profitability Ratios						
Core EBITDA margin	(%)	14.6	22.8	30.0	29.0	28.4
Core EBIT margin	(%)	7.6	16.9	23.4	22.2	21.5
Pretax margin	(%)	9.2	11.2	17.3	16.4	16.1
Core net margin	(%)	3.0	9.4	14.5	13.8	13.7
ROE	(%)	3.7	12.3	16.6	14.0	13.1
ROA	(%)	1.0	3.5	5.1	4.7	4.7
Liquidity ratios						
Current ratio	(x)	1.9	1.7	1.7	1.8	1.8
Quick ratio	(x)	1.9	1.6	1.5	1.6	1.7
Leverage ratios						
Gross Gearing	(x)	1.9	1.9	1.6	1.5	1.3
Net gearing	(x)	1.5	1.3	1.1	1.0	0.8
Total Debt/ Assets	(x)	0.5	0.5	0.5	0.5	0.5
Interest Coverage	(x)	2.6	3.2	3.9	4.0	4.1
Growth ratios						
Revenue	(%)	65.1	22.9	(0.9)	(1.8)	3.8
Core EBITDA	(%)	19.0	92.3	30.2	(4.7)	1.4
PBT	(%)	158.0	49.2	53.1	(6.5)	2.0
Core net profit	(%)	n.m.	287.6	52.2	(6.5)	3.0
Core EPS	(%)	n.m.	287.6	51.4	(6.5)	3.0

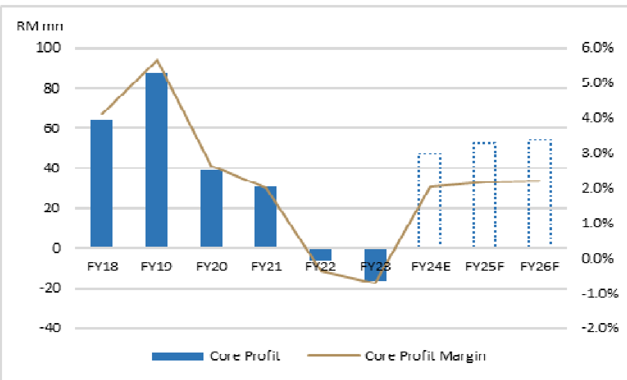
Balance Sheet

FYE June (RM mn)	2022	2023	2024E	2025F	2026F
Property, Plant & Equip	24,586.0	28,505.2	29,397.3	30,314.3	31,257.1
Intangibles	8,730.9	9,410.7	9,410.7	9,410.7	9,410.7
Associates	1,754.4	1,956.2	1,930.1	1,903.5	1,876.3
Others	3,838.8	4,204.3	4,204.3	4,204.3	4,204.3
Non-Current Assets	**38,910.1**	**44,076.4**	**44,942.4**	**45,832.8**	**46,748.4**
Inventories	493.1	593.2	1,706.9	1,676.9	1,741.2
Trade receivables	3,550.5	4,182.2	3,652.0	3,587.8	3,725.5
Cash and Deposits	6,857.2	8,999.4	9,818.3	10,399.7	11,059.5
Others	1,156.7	1,280.9	1,280.9	1,280.9	1,280.9
Current Assets	**12,057.5**	**15,055.6**	**16,458.1**	**16,945.2**	**17,807.1**
Total Assets	**50,967.6**	**59,132.0**	**61,400.5**	**62,778.0**	**64,555.5**
Borrowings	25,259.8	27,482.4	26,982.4	26,482.4	25,982.4
Deferred taxation	2,967.1	3,340.6	3,340.6	3,340.6	3,340.6
Others	2,504.2	2,880.2	2,880.2	2,880.2	2,880.2
Non-Current Liabilities	**30,731.0**	**33,703.1**	**33,203.1**	**32,703.1**	**32,203.1**
Trade payables	3,530.3	4,328.6	4,929.5	4,842.9	5,028.7
Deferred Taxes	93.8	379.0	379.0	379.0	379.0
Borrowings	2,454.2	4,001.9	4,001.9	4,001.9	4,001.9
Others	117.2	318.4	318.4	318.4	318.4
Current Liabilities	**6,195.5**	**9,028.0**	**9,628.9**	**9,542.3**	**9,728.1**
Share capital	7,038.6	7,038.6	7,038.6	7,038.6	7,038.6
Reserves	7,272.0	9,733.2	11,931.8	13,925.1	16,076.1
Minority interest	(269.5)	(370.9)	(402.0)	(431.1)	(490.4)
Equity	**14,041.1**	**16,400.9**	**18,568.4**	**20,532.6**	**22,624.3**
Total Equity + Liabilities	**50,967.6**	**59,132.0**	**61,400.5**	**62,778.0**	**64,555.5**

Cashflow Statement

FYE June (RM mn)	2022	2023	2024E	2025F	2026F
Pretax Profit	1,642.0	2,449.5	3,750.4	3,505.5	3,574.2
Depreciation	1,245.6	1,282.9	1,425.3	1,469.9	1,515.7
Net Interest	986.6	1,553.0	1,662.4	1,563.1	1,541.8
Associates & JCEs	(334.6)	(332.3)	(339.0)	(345.8)	(352.7)
Net change in working capital	(16.1)	66.5	17.4	7.5	(16.2)
Tax paid	(187.3)	(416.9)	(637.6)	(595.9)	(607.6)
Others	(2,493.5)	(1,177.8)	0.0	0.0	0.0
CF from Operations	**842.7**	**3,425.0**	**5,878.8**	**5,604.3**	**5,655.2**
Capex	(1,759.2)	(2,249.9)	(2,317.4)	(2,386.9)	(2,458.5)
Interest income	3.3	27.0	55.5	65.9	60.7
Dividends Received	360.4	357.9	365.1	372.4	379.8
Others	1,521.1	(633.2)	0.0	0.0	0.0
CF from Investing	**125.6**	**(2,498.0)**	**(1,896.8)**	**(1,948.6)**	**(2,018.0)**
Dividends	(558.2)	(663.8)	(945.3)	(945.3)	(874.9)
Net Change in debt	(2,019.7)	1,217.7	(500.0)	(500.0)	(500.0)
Interest paid	(989.9)	(1,580.1)	(1,717.9)	(1,628.9)	(1,602.4)
Others	862.6	1,489.3	0.0	0.0	0.0
CF from Financing	**(2,705.2)**	**463.2**	**(3,163.2)**	**(3,074.2)**	**(2,977.3)**
Net Cash Flow	**(1,736.9)**	**1,390.1**	**818.9**	**581.4**	**659.8**
Beginning Cash	8,566.6	6,784.2	8,727.1	9,546.0	10,127.3
FX	(45.4)	552.7	0.0	0.0	0.0
Ending Cash	**6,784.2**	**8,727.1**	**9,546.0**	**10,127.3**	**10,787.2**

Figure 1: RANHILL's Earnings Forecasts



Source: Companies announcement, TA Securities

Figure 2: SOP Valuation

Operating Assets	Equity Value (RM mn)	Per Share (RM)	Method
Power Seraya	29,864	3.67	DCF (WACC: 7.0%)
Wessex Water	14,862	1.82	DCF (WACC: 7.3%)
20%-associate Jawa Power	498	0.06	DCF (WACC: 13%)
60%-owned YTL Comms	878	0.11	0.9x CY25 Book Value
45%-associate Attarat Power	2,844	0.35	DCF (WACC: 10%)
YTL Data Centre	8,237	1.01	DCF (WACC: 7.0%)
20.9%-associate Ranhill	275	0.03	Average Consensus RM1.02
Total	**57,458**		
Less: Conglomerate Discount	5,746		10%
Total Equity Value	**51,712**		
No. of shares (mn)	8,145		
Target Price	**6.35**		

Source: TA Securities

Farm Fresh Berhad

TP: RM1.97 ***(+29.6%)***

Leading Integrated Dairy Group

Last Traded: RM1.52

Buy (ESG: ★★★)

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Overview

Farm Fresh Berhad (FFB) is Malaysia's largest homegrown dairy company, which engages in farming, manufacturing and distribution of dairy products and plant-based products. The Group operates five dairy farms in Malaysia and one dairy farm in Australia across an aggregate of about 5,367 acres of land, with a total herd size of around 11,925 dairy cows and bulls. The group operates two processing facilities in Malaysia producing 137.0mn litres annually and one facility in Australia producing 84.0mn litres annually.

Investment Themes

- **Wider product offerings.** In FY24, revenue from the newly acquired Inside Scoop and SinWah Ice Cream totalled RM50.4mn, accounting for 6.2% of the group's total revenue. The group plans to introduce consumer-packaged goods (CPG) ice cream products in 2QFY25 to grow the new market. Leveraging synergies from these acquisitions, the group aims to capture a 5% market share by CY25. Looking ahead, FFB intends to launch several new products such as New flavoured RTD milk, CPG ice cream, butter, junior cultured milk, among others, catering to diverse preferences, dietary restrictions and functional requirements.

- **Stable input cost ahead.** Whole milk powder has declined from the peak in 2022, with an average price of less than RM3,500/tonne in 1HCY24. For the upcoming session (FY24/25), the average farmgate milk price for its Australian operations is expected to range between A$7.80kgMS and A$8.50kgMS. As a result, we expect improved gross profit margins in FY25, supported by steady input costs and the softening farmgate milk prices.

- **Strong earnings growth.** With a projected 5-year CAGR growth of 33.0% in revenue, we expect the group's core earnings to achieve a 5-year compound annual growth rate (CAGR) of 30.6% from 2019 to 2025 *(Figure 1)*. This robust earnings growth is expected to be driven by increased demand, a product mix that enhances margins, and ongoing initiatives to introduce new products.

Risk

- Risks factors are i) potential adverse increases in commodity prices, and ii) weaker-than-expected consumer sentiment resulting from the anticipated implementation of fuel subsidies in 2HCY24.

Recommendation

- We valued FFB at **RM1.97**/share based on CY25 PER of 25x. Maintain **Buy**. We like the group for its strong market presence in Malaysia's dairy industry and its compelling growth story.

Share Information

Bloomberg Code	FFB MK
Stock Code	5306
Listing	Main Market
Share Cap (mn)	1,872.7
Market Cap (RMmn)	2,846.6
52-wk Hi/Lo (RM)	1.57/0.99
12-mth Avg Daily Vol ('000 shrs)	3185.2
Estimated Free Float (%)	44.0
Beta	0.7

Major Shareholders (%)

Rainforest Capital - 29.1
Farmchoice Foods - 11.2
Agrifood Resources - 11.7
EPF - 11.2

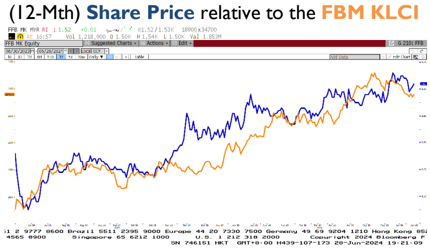
Financial Indicators

	FY25	FY26
Net debt/equity (%)	0.4	0.2
ROE (%)	15.4	19.5
ROA (%)	9.0	11.7
NTA/Share (RM)	0.4	0.5
Price/ NTA (x)	3.7	3.2

Share Performance (%)

Price Change	FFB	FBM KLCI
1 mth	3.4	(1.6)
3 mth	7.8	3.9
6 mth	12.6	9.1
12 mth	17.8	14.5

(12-Mth) **Share Price** relative to the **FBM KLCI**



Source: Bloomberg

Profit and Loss Statement

FYE Mar (RM'mn)		2023	2024	2025F	2026F	2027F
Revenue		629.7	810.4	986.8	1,110.4	1,226.3
EBIT		63.6	84.9	142.2	200.0	210.5
Net finance cost		(11.5)	(15.8)	(16.0)	(16.5)	(17.6)
EI		(7.3)	4.7	0.0	0.0	0.0
PBT		52.2	69.1	126.2	183.4	192.9
Taxation		(2.2)	(5.8)	(11.7)	(18.0)	(18.9)
MI		(0.1)	(0.2)	3.9	5.3	5.6
Net profit		50.1	63.5	110.6	160.2	168.4
Core net profit		**57.4**	**58.8**	**110.6**	**160.2**	**168.4**
Core EPS	(sen)	3.1	3.1	5.9	8.6	9.0
DPS	(sen)	0.0	0.0	1.5	2.1	2.2
Book value	(RM)	0.3	0.4	0.4	0.5	0.5
NTA	(RM)	0.3	0.3	0.3	0.4	0.5

Ratios

FYE Mar (RM'mn)		2023	2024	2025F	2026F	2027F
Valuations						
Core PER	(x)	46.9	46.2	24.5	16.9	16.1
Div. yield	(%)	0.0	0.0	1.0	1.5	1.6
P/BV	(x)	4.3	4.1	3.6	3.1	2.7
Profitability ratios						
EBITDA margin	(%)	16.5	15.9	17.7	21.2	20.0
PBT margin	(%)	9.4	7.9	12.8	16.5	15.7
Core net margin	(%)	9.1	7.3	11.2	14.4	13.7
Core ROE	(%)	9.3	9.1	15.6	19.8	18.1
Core ROA	(%)	5.5	5.0	8.3	10.8	10.2
Liquidity ratios						
Current ratio	(x)	3.0	2.9	2.4	2.8	3.1
Quick ratio	(x)	1.9	2.0	1.4	1.8	2.1
Leverage ratios						
Equity/total liabilitie	(x)	1.5	1.2	1.3	1.4	1.5
Net debt / equity	(x)	0.5	0.5	0.5	0.4	0.2
Growth ratios						
Revenue	(%)	25.5	28.7	21.8	12.5	10.4
PBT	(%)	(20.6)	32.4	82.8	45.3	5.2
Core net profit	(%)	(18.9)	2.4	88.2	44.8	5.2

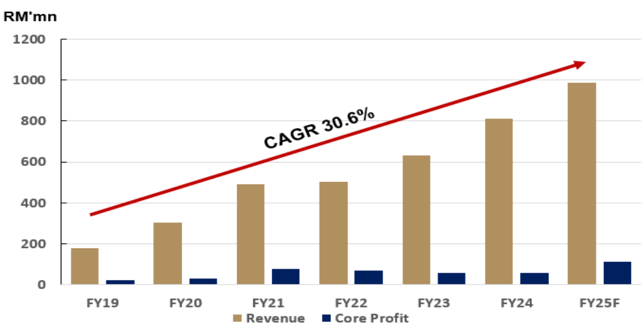
Balance Sheet

FYE Mar (RM'mn)	2023	2024	2025F	2026F	2027F
PPE	413.9	494.6	514.6	531.6	548.6
Intangible asset	19.3	112.8	113.1	113.4	113.7
Biological asset	115.2	133.3	152.5	164.0	179.4
Others	28.2	42.6	47.3	52.1	56.8
Non-current assets	**576.6**	**783.4**	**827.6**	**861.1**	**898.5**
Inventories	173.7	156.3	231.9	249.4	272.8
Trade receivables	131.4	176.4	189.3	212.9	235.2
Cash and bank balance	23.0	58.2	42.7	132.3	222.6
Others	158.0	105.3	105.3	105.3	103.3
Current assets	**486.1**	**496.2**	**569.1**	**700.0**	**834.0**
Total assets	**1,062.6**	**1,279.6**	**1,396.7**	**1,561.2**	**1,732.5**
LT borrowings	243.3	338.4	299.5	317.7	334.4
Others	22.1	78.8	82.8	86.8	90.8
Non-current liabilities	**265.4**	**417.2**	**382.3**	**404.5**	**425.2**
Trade payables	64.1	92.9	95.3	102.5	112.1
ST borrowings	92.9	67.6	128.4	136.1	143.3
Others	4.3	8.9	10.8	12.8	14.7
Current liabilities	**161.3**	**169.5**	**234.5**	**251.4**	**270.1**
Shareholders funds	631.0	666.4	749.4	869.5	995.8
MI	4.9	26.6	30.5	35.7	41.3
Total equity	**635.9**	**693.0**	**779.8**	**905.2**	**1,037.1**
Total E&L	**1,062.6**	**1,279.6**	**1,396.7**	**1,561.2**	**1,732.5**

Cash Flow Statement

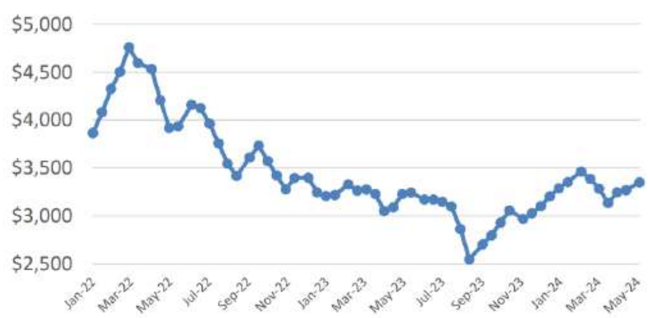
FYE Mar (RM'mn)	2023	2024	2025F	2026F	2027F
Pretax profit	52.2	69.1	126.2	183.4	192.9
Depreciation	33.2	48.6	32.0	35.0	35.0
Net interest	11.5	15.8	16.0	16.5	17.6
Changes in WC	(113.9)	9.3	(105.1)	(45.6)	(51.4)
Tax	(2.1)	(3.6)	(11.7)	(18.0)	(18.9)
Others	(0.8)	(4.1)	2.2	2.2	3.2
Operational cash flow	**(19.9)**	**135.0**	**59.5**	**173.6**	**178.4**
Capex	(111.5)	(107.0)	(50.0)	(50.0)	(50.0)
Interest income	(0.5)	(1.1)	(2.2)	(2.2)	(2.2)
Others	113.5	(18.8)	1.9	1.9	2.9
Investing cash flow	**1.6**	**(126.9)**	**(50.3)**	**(50.3)**	**(49.3)**
Net share issue	0.5	0.7	0.0	0.0	0.0
Net borrowings	4.9	14.5	21.9	25.9	23.9
Dividend paid	(19.9)	(18.7)	(27.7)	(40.0)	(42.1)
Interest paid	(11.6)	(14.8)	(18.2)	(18.7)	(19.8)
Others	41.5	43.0	(0.8)	(0.8)	(0.8)
Financial cash flow	**15.3**	**24.7**	**(24.7)**	**(33.6)**	**(38.8)**
Net cash flow	**(3.0)**	**32.9**	**(15.5)**	**89.7**	**90.3**
Beginning cash	28.1	23.0	58.2	42.7	132.3
Forex & others	(2.1)	2.3	0.0	0.0	0.0
Ending cash	**23.0**	**58.2**	**42.7**	**132.3**	**222.6**

Figure 1: Historical Financial Performances



Source: Companies, TA Securities

Figure 2: Whole Milk Powder Prices (USD/MT)



Source: Companies, TA Securities

PGF Capital Berhad

Piggybacking on Rich Neighbour

TP: RM2.76 ***(+26.7%)***

Last Traded: RM2.18

BUY (ESG: ★★★)

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Overview

PGF Capital (PGF) is principally involved in manufacturing and selling of glass mineral wool used in building insulation. In addition, it is also in possession of a 1,311-acres leasehold land in Tanjong Malim (Tg. Malim), Perak, making PGF one of the largest landowners there. This land is expected to transform the company and place it in a different league

Investment Themes

- **Glass wool is environment friendly.** Glass wool is widely used in building insulation in Australia, where PGF derives 50% of its revenue from. Due to the change in the National Construction Code, which requires home and building owners to meet the energy efficiency performance requirement, the demand for insulation product has been rising steadily in the country.

- **Land "banking" on Proton City AHTV.** PGF's 1,311 acres land is debt-free. It is located adjacent to Proton City in Tanjung Malim. This land has a carrying value of RM146.7mn or RM2.57psf, which is a steep discount to the current market price of RM45psf. Hypothetically, if PGF sells only the 400 acres of land earmarked for housing development at the market price, the disposal proceeds could amount to RM780mn, which is approximately 2.0 times greater than its current market capitalisation.

- **Sustainable business with strong ESG awareness.** PGF plays an important role in global warming and circular economy through its "Green In, Green Out" operations. Notably, PGF's output is environment friendly as its end products contribute to building insulation. PGF is also an important agent to circular economy as 80% of the glass mineral wool produced by the company is sourced from recycled glass, which will reduce landfill pollutions.

Risk

- **High operating leverage and Forex risk.** The production of glass wool requires melting recycled glass at a temperature exceeding 1,400°C in an electric and gas furnace. The cost of operating a gas furnace and an electric melter accounts for 28% of cost of goods sold. Also, PGF has 40% of revenue denominated in foreign currencies while nearly 100% of COGS is in Ringgit. This imbalance would give rise to forex risk.

Recommendation

- **Our SOP valuation for PGF is RM2.76/share (Figure 2).** We believe our valuation has substantially priced in the foreseeable risks that Tg. Malim land will remain significantly under-developed. Our conservative valuation has also greatly priced in the marketability risk in trading of PGF share caused by its relatively low public float in the market.

Share Information

Bloomberg Code	PGF MK
Stock Code	8117
Listing	Main Market
Share Cap (mn)	181.3
Market Cap (RMmn)	397.0
52-wk Hi/Lo (RM)	1.15-2.01
12-mth Avg Daily Vol ('000 shrs)	294.0
Estimated Free Float (%)	35.922
Beta	0.81
Major Shareholders (%)	
	Fong Wah Kai & family (64.1)

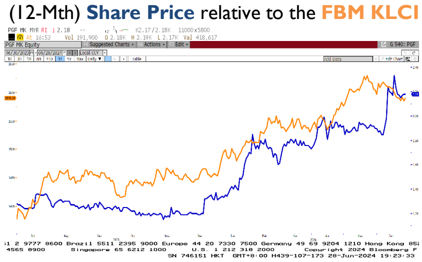
Financial Indicators

	FY24	FY25
Net gearing (x)	2.2	2.3
CFPS (sen)	4.1	-2.4
P/CFPS (x)	53.1	-92.6
ROAA (%)	4.3	11.7
ROAE (%)	6.3	17.9
NTA/Share (RM)	1.3	1.4
Price/ NTA (x)	1.7	1.5

Share Performance (%)

Price Change	PGF	FBMKLCI
1 mth	14.7	(0.4)
3 mth	24.6	3.0
6 mth	59.1	9.3
12 mth	70.3	15.5

(12-Mth) **Share Price** relative to the **FBM KLCI**



Source: Bloomberg

Income statement

FYE Feb (RM'mn)	FY22	FY23	FY24	FY25F	FY26F
Revenue	57.6	91.1	128.7	192.8	247.8
EBITDA	10.7	33.6	28.8	75.4	82.7
Dep. & amort.	(7.4)	(8.8)	(12.1)	(13.2)	(24.6)
Net finance cost	(0.7)	(1.3)	(2.9)	(2.5)	(2.2)
Adj. PBT	3.3	14.7	18.0	59.9	56.1
Taxation	(1.0)	(8.0)	(4.9)	(18.0)	(13.5)
Core profit	2.3	6.7	13.1	41.9	42.6
Adj. EPS (sen)	1.4	4.1	6.0	23.1	23.5
DPS (sen)	1.0	1.0	1.5	5.8	5.9

Ratios

FYE Feb	FY22	FY23	FY24	FY25F	FY26F
Valuations					
PER (x)	152.1	53.1	36.6	9.5	9.3
Dividend yield (%)	0.0	0.5	0.7	2.6	2.7
Profitability ratios (%)					
ROE	1.3	3.5	6.3	17.9	15.6
ROA	0.9	2.4	4.3	11.7	9.4
EBITDA margin	18.6	36.9	22.4	39.1	33.4
Adj PBT margin	5.7	16.2	14.0	31.1	22.6
Leverage ratios (x)					
Total liabilities/equity	0.4	0.4	0.5	0.6	0.7
Net gearing (%)	2.9	7.3	2.1849	2.3	27.0
Int. coverage ratio	5.1	19.1	5.8	25.4	26.3
Growth ratios (%)					
Sales	(11.6)	58.3	41.3	49.8	28.5
Adj. PBT	(73.8)	346.0	22.1	232.7	(6.4)
Core profit	(77.4)	193.2	94.2	220.8	1.7
Total assets	9.4	9.3	9.3	26.7	26.1
Total shareholders' funds	5.7	9.3	4.5	22.1	12.4

Balance Sheet

FYE Feb (RM'mn)	FY22	FY23	FY24	FY25F	FY26F
PPE	60.2	57.5	58.4	110.1	205.5
Inventories	135.7	146.7	146.4	146.4	146.4
LT Assets	**207.4**	**217.8**	**234.3**	**286.0**	**381.4**
Inventories	14.8	28.9	26.5	58.8	40.8
Tr. & other receivables	19.0	23.3	29.6	34.3	44.1
Cash	22.0	19.2	26.0	21.7	39.2
Current assets	**57.4**	**71.6**	**82.1**	**114.9**	**124.2**
Total assets	**264.7**	**289.4**	**316.4**	**401.0**	**505.6**
Borrowings	11.6	17.8	11.9	10.7	28.7
Tr. & other payables	22.2	16.6	15.8	56.6	39.3
Current Liabilities	**34.2**	**34.8**	**33.3**	**72.9**	**73.6**
LT Borrowings	15.8	16.2	18.8	17.0	89.0
LT Liabilities	**45.6**	**52.3**	**71.7**	**69.9**	**141.9**
Total liabilities	79.8	87.2	105.0	142.8	215.5
Share capital	202.8	205.7	206.5	221.8	221.8
Retained Earnings	(26.5)	(11.8)	(2.8)	28.7	60.7
Total Equity	185.0	202.2	211.4	258.1	290.1
T. liabilities & Equity	**264.7**	**289.4**	**316.4**	**401.0**	**505.6**

Cash Flows

FYE Feb (RM'mn)	FY22	FY23	FY24	FY25F	FY26F
PBT	3.0	24.3	15.0	59.9	56.1
Dep. & amort.	7.4	8.8	12.1	13.2	24.6
Net interest	0.6	1.1	1.1	2.7	2.3
Changes in WC	11.1	24.4	31.9	75.8	83.0
Tax paid	(1.4)	(0.8)	(4.9)	(18.0)	(13.5)
Operating cash flow	6.0	7.5	19.9	61.6	60.4
Capex	(11.8)	(11.0)	(10.4)	(65.0)	(120.0)
Investing cash flow	(11.9)	(10.7)	(4.5)	(64.7)	(119.8)
Net share issue	11.9	(1.3)	0.0	15.3	0.0
Dividend paid	(1.6)	(1.6)	(1.6)	(10.5)	(10.7)
Net change in debts	0.5	6.2	(3.7)	(3.0)	90.0
Financing cash flow	13.3	0.4	(8.6)	(1.1)	76.9
Net cash flow	7.4	(2.7)	6.8	(4.3)	17.5
+ cash opening	14.6	22.0	19.2	26.0	21.7
+ Forex	0.0	(0.0)	0.0	0.0	0.0
Cash ending	22.0	19.2	26.0	21.7	39.2

Figure 1: 1,311 acres land (in red) in Tg Malim

Source: Companies announcement, TA Securities

Figure 2: Sum-of-Part valuation

	Valuation Method	Value (RM'mn)
Manufacturing	10x CY25 EPS	268
Property development	50% of RNAV	229
Eco-tourism	Landbank x carring value	97
Total		**594.5**
Outanding share base (m)		164
--> Conversion of ICPS	76.4m @ RM0.90	69
Enlarged share based (m)		240
Fair value/ share (RM)		**2.76**

Source: Companies announcement, TA Securities

Public Bank Berhad

Resurgent Momentum

TP: RM4.90 ***(+21.9%)***

Last Traded: RM4.02

BUY (ESG: ★★★★)

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Overview

Public Bank (PBB) was founded in 1966 by the late Tan Sri Dato' Sri Dr. Teh Hong Piow. On 6 April 1967, Public Bank was listed on Bursa Malaysia. The group offers a comprehensive suite of financial products and services, including personal banking, commercial banking, Islamic banking, investment banking, share broking, trustee services, nominee services, sale and management of unit trust funds, and bancassurance and general insurance products. PBB is Malaysia's third largest banking group by assets, with an asset size of over RM519.8bn as of 31 March 2024.

Investment Themes

- **Bouncing back.** We see increased aggressiveness in PBB defending market share, with a noticeable shift towards the SME and business segments, particularly non-residential properties. While there is some moderation in residential mortgages, HP activities are on the rise. Approved loans are better accepted, particularly for mid-single-digit growth in the SME sector.
- **Maintaining exceptional asset quality.** As of 1QCY24, the gross impaired loan ratio remains impressively low at 0.62%. The loan loss coverage is robust at 168.7%, surpassing the industry average of 113.3%. PBB is supported by a substantial management overlay buffer of RM1.7bn, little changes from RM1.8bn a year ago.
- **Room to raise dividend payout.** Backed by a CET1 ratio of 14.5% and healthy asset quality buffers, we believe there is room for PBB to raise its dividend payout further. We note that PBB's dividend payout has been on a gradual rise since 2019, increasing from 51.4% to 55.5% in 2023.
- **Potential beneficiary of foreign inflows.** The foreign shareholding level for PBB is currently at around 24.6%, above the 5-year average of 28.5%. Backed by asset quality strength and superior ROE of 12.4%, above the peers' average of 9.7%, PBB is well-positioned to be a top choice for potential foreign investors returning to the Malaysian market. At its highest point, PBB's foreign shareholding reached 39.5% in March 2018.

Risk

- The NIM could face potential funding pressures due to a substantial 25.1% YoY increase in FDs, contrasting with the flat YoY growth in CASA. PBB is also experiencing negative JAWS, driven by a steep rise in personnel costs, prompting a focus on cost optimisation measures in 2024.

Recommendation

- We value PBB at RM4.90. Our valuation is based on an implied PBV of c. 1.53x based on the Gordon Growth Model.

Share Information

Bloomberg Code	PBK MK
Stock Code	1295
Listing	Main Market
Share Cap (mn)	19410.7
Market Cap (RMmn)	78031.0
Par Value	1.00
52-wk Hi/Lo (RM)	4.52/3.84
12-mth Avg Daily Vol ('000 shrs)	19410.7
Estimated Free Float (%)	53.9
Beta	1.14
Major Shareholders (%)	
	Consolidated The Holdings - 21.6
	EPF - 16.3
	KWAP - 4.1

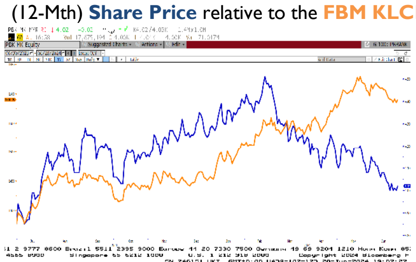
Financial Indicators

	FY24	FY25
ROE (%)	12.4	12.2
ROA (%)	1.3	1.3
CTI Ratio (%)	33.7	34.4
Gross NPL Ratio (%)	0.5	0.5
BV/ Share (RM)	3.0	3.2
Price/ BV (x)	1.3	1.3

Share Performance (%)

Price Change	**PBK**	**FBMKLCI**
1 mth	(2.0)	(0.4)
3 mth	(4.7)	3.5
6 mth	(6.3)	9.3
12 mth	(3.6)	9.0

(12-Mth) **Share Price** relative to the **FBM KLCI**



Source: Bloomberg

Profit & Loss Statement

FYE 31 Dec (RMm)	FY22	FY23	FY24e	FY25e	FY26e
Interest income	14,932	18,040	18,754	19,881	21,154
Interest expense	(5,765)	(8,985)	(9,045)	(9,359)	(9,721)
Net interest income	**9,167**	**9,055**	**9,709**	**10,522**	**11,432**
Islamic banking income	1,857	1,562	1,655	1,655	1,655
Total non-interest incom	2,414	2,476	2,636	2,636	2,636
Total income	**13,438**	**13,093**	**14,000**	**14,813**	**15,723**
Overhead expenses	(4,235)	(4,415)	(4,724)	(5,102)	(5,510)
Pre-provisioning profit	9,203	8,678	9,276	9,711	10,213
Loan loss provisioning	(379)	(158)	(327)	(372)	(379)
Associates contributions	7	19	19	19	19
Profit before tax	**8,831**	**8,539**	**8,969**	**9,358**	**9,853**
Taxation	(2,661)	(1,884)	(1,973)	(2,059)	(2,168)
MI	(50)	(6)	(6)	(6)	(6)
Net profit	**6,119**	**6,649**	**6,990**	**7,294**	**7,680**

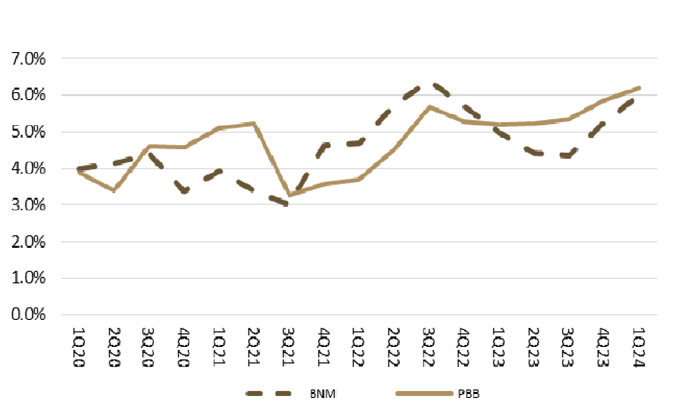
Balance Sheet Statement

FYE 31 Dec (RMm)	FY22	FY23	FY24e	FY25e	FY26e
Cash and short-term fun	21,767	11,127	15,478	19,337	23,441
Marketable securities	81,833	87,146	87,146	87,146	87,146
Net loans and advances	376,892	398,997	422,936	452,542	484,220
Other assets	10,232	10,738	10,629	11,355	12,097
Goodwill	2,539	2,590	2,590	2,590	2,590
Total assets	**493,263**	**510,598**	**538,778**	**572,970**	**609,493**
Customer deposits	394,719	412,897	437,671	468,308	501,089
Deposits from other FIs	13,775	12,602	12,602	12,602	12,602
Hybrid TI and Bonds	12,023	11,144	11,144	11,144	11,144
Bills and acceptances	314	192	192	192	192
Other liabilities	20,906	17,382	17,382	17,382	17,382
Total liabilities	**441,737**	**454,218**	**478,992**	**509,629**	**542,410**
Minority interest	1,347	1,706	1,711	1,717	1,723
Shareholders' funds	**50,179**	**54,674**	**58,075**	**61,624**	**65,360**

Key Financial Ratios and Margins

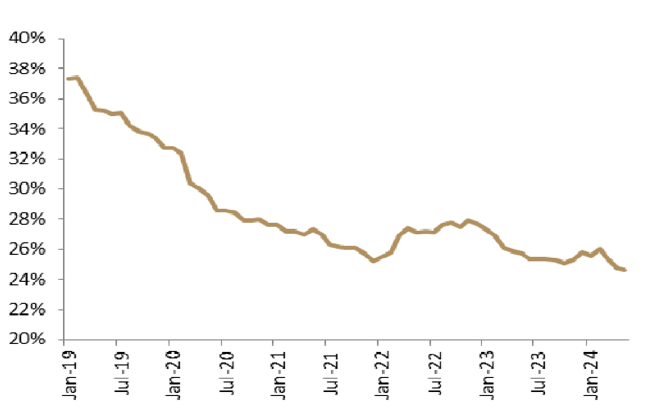
FYE 31 Dec (RMm)	FY22	FY23	FY24e	FY25e	FY26e
Return and efficiency					
ROE (%)	12.4%	12.7%	12.4%	12.2%	12.1%
ROA (%)	1.3%	1.3%	1.3%	1.3%	1.3%
Int income/total income (%)	68.2%	69.2%	69.4%	71.0%	72.7%
Non-interest/total income (%)	18.0%	18.9%	18.8%	17.8%	16.8%
Cost-to-income (%)	31.5%	33.7%	33.7%	34.4%	35.0%
Balance sheet					
Loans growth (%)	5.3%	5.9%	6.0%	7.0%	7.0%
Gross impaired loans ratio (%	0.4%	0.6%	0.5%	0.5%	0.5%
Deposit growth (%)	3.8%	4.6%	6.0%	7.0%	7.0%
LD ratio (%)	95.5%	96.6%	96.6%	96.6%	96.6%
Investment statistics					
PER (x)	12.7	11.7	11.1	10.6	10.1
PBT growth rate (%)	19.9%	-3.3%	5.0%	4.3%	5.3%
EPS (sen)	31.5	34.3	36.0	37.6	39.6
EPS growth rate (%)	8.2%	8.7%	5.1%	4.3%	5.3%
BV per share (RM)	2.6	2.8	3.0	3.2	3.4
P/NBV (x)	1.5	1.4	1.3	1.3	1.2
DPS (sen)	17.0	19.0	20.0	20.0	20.0
Dividend payout (%)	53.9%	55.5%	55.5%	53.2%	50.5%
Dividend yield (%)	4.3%	4.8%	5.0%	5.0%	5.0%

Figure 1: Loan growth (YoY Chg %)



Source: BNM, Company, TA Securities

Figure 2: Foreign shareholding level



Source: Company, TA Securities

Able Global Berhad

F&B Segment is the Key Driver

TP: RM2.57 ***(+24.0%)***

Last Traded: RM2.08

BUY (ESG: ★★★)

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Overview

Able Global Berhad (ABLEGLOB), formerly Johore Tin Berhad, is a tin can manufacturing company that currently primarily serves the F&B industry. The F&B segment exports over 80% of its dairy goods (sweetened condensed milk, evaporated milk, and UHT full cream, as well as flavoured milk and milk powder), largely to the American continent, the South-East Region, and West Africa. In addition, ABLEGLOB began expanding into Middle Eastern markets.

Investment Themes

- **Mexican operations are ramping up.** F&B segment has significantly contributed to the group's performance, accounting for 82% of 1Q24 revenue and 80% of net profit *(figure 1)*. ABLEGLOB is actively expanding its presence in overseas markets leveraging its foothold in Mexico, which enhances logistical feasibility for neighbouring countries. Meanwhile, Meanwhile, the group plans to enter Middle Eastern countries. We believe ABLEGLOB holds a competitive advantage due to its Halal certifications, which mitigate potential barriers compared to its competitors. Given the strong demand, the utilisation rate of its Mexican operations is forecast to reach 40% in FY24 (up from 18% in 1QFY24).

- **Ventured into property segment.** ABLEGLOB has acquired 297.5 acres of land, with 89.3 acres allocated for manufacturing expansion and property development. The land approvals are in the final stage before construction commences. The property development is estimated to have a Gross Development Value (GDV) of RM1.5bn, to be executed in three phases. We are optimistic about this new venture, as contributions from the property segment are expected to support the main revenue stream over the next 3 to 5 years.

- **Attractive valuation.** ABLEGLOB is currently trading at an attractive valuation compared to its peers Based on the current share price, ABLEGLOB's FY24 PER stands at a modest 10.5x, significantly lower than the average PER of 21.5x among its peers. We anticipate the group to deliver strong earnings growth of 22.7% in FY24.

Risk

- Risks factors include: i) higher-than-expected soft commodity price and ii) strengthening of the RM/USD exchange rate.

Recommendation

- Our TP for ABLEGLOB is **RM2.57/share**, based on Sum-of-Parts methodology where we ascribe 7x PER for its Tin manufacturing division and 14x PER for its F&B division. Maintain **BUY**.

Share Information

Bloomberg Code	ABLE MK
Stock Code	7167
Listing	Main Market
Share Cap (mn)	307.6
Market Cap (RMmn)	639.7
52-wk Hi/Lo (RM)	2.23/1.24
12-mth Avg Daily Vol ('000 shrs)	580.1
Estimated Free Float (%)	55
Beta	0.6
Major Shareholders (%)	
	Goh's Family - 19.2
	Ng Keng Hoe - 11.3

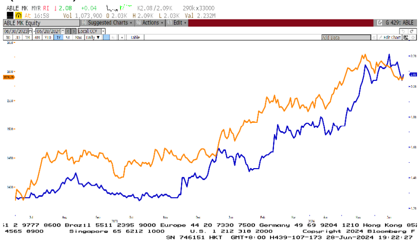
Financial Indicators

	FY24	FY25
Net debt/equity (%)	0.3	0.3
ROE (%)	13.3	12.4
ROA (%)	7.4	7.3
NTA/Share (RM)	1.5	1.7
Price/ NTA (x)	1.4	1.3

Share Performance (%)

Price Change	ABLEGLOB	FBM KLCI
1 mth	0.5	(1.6)
3 mth	18.2	3.9
6 mth	36.8	9.1
12 mth	63.8	14.5

(12-Mth) **Share Price** relative to the **FBM KLCI**



Source: Bloomberg

PROFIT & LOSS

FYE Dec 31 (RM'mn)		FY22	FY23	FY24E	FY25F	FY26F
Revenue		549.8	648.1	679.7	685.5	698.2
EBITDA		55.9	86.9	99.4	101.2	102.8
EBIT		44.5	73.3	87.2	88.8	90.1
Reported PBT		42.8	69.2	81.5	82.9	84.1
Reported Net Profit		33.4	51.9	61.2	62.6	63.5
Adj. Net Profit		35.2	49.8	61.2	62.6	63.5
Basic EPS	(sen)	10.9	16.9	19.9	20.3	20.6
Adj. Basic EPS	(sen)	11.4	16.2	19.9	20.3	20.6
GDPS	(sen)	4.0	6.5	6.5	6.5	6.5
Dividend Yield	(%)	1.9	3.1	3.1	3.1	3.1

FINANCIAL RATIOS

FYE Dec 31 (RM'mn)		FY22	FY23	FY24E	FY25F	FY26F
Valuations						
Core PER	(x)	18.2	12.8	10.5	10.2	10.1
Div. Yield	(%)	1.9	3.1	3.1	3.1	3.1
ROA	(%)	5.6	6.5	7.4	7.3	7.1
ROE	(%)	9.0	11.8	13.3	12.4	11.6
NTA/share	(RM)	1.3	1.4	1.5	1.7	1.8
Net debt/equity	(x)	0.5	0.4	0.3	0.3	0.3
Current Ratio	(x)	3.1	3.0	3.2	3.3	3.4
Quick Ratio	(x)	1.8	2.1	2.2	2.3	2.3
Interest Coverage	(x)	23.2	14.4	15.3	15.0	14.8
Margin						
EBITDA	(%)	10.2	13.4	14.6	14.8	14.7
EBIT	(%)	8.1	11.3	12.8	13.0	12.9
Reported PBT	(%)	7.8	10.7	12.0	12.1	12.0
Reported Net Profit	(%)	6.1	8.0	9.0	9.1	9.1
Adj. Net Profit	(%)	6.4	7.7	9.0	9.1	9.1
Growth						
Revenue	(%)	10.0	17.9	4.9	0.8	1.9
EBIT	(%)	(13.2)	64.7	18.9	1.9	1.5
Reported PBT	(%)	(16.8)	61.7	17.7	1.7	1.4
Adj. PBT	(%)	(13.9)	50.7	21.3	1.7	1.4
Reported Net Profit	(%)	(9.6)	55.3	18.0	2.3	1.5
Adj. Net Profit	(%)	(5.7)	41.8	22.7	2.3	1.5
Adj EPS	(%)	(5.7)	41.8	22.7	2.3	1.5

BALANCE SHEET

FYE Dec 31 (RM'mn)	FY22	FY23	FY24E	FY25F	FY26F
PPE	183.9	174.4	177.2	214.8	252.1
Investment in JV	21.3	27.3	33.6	42.3	51.3
Goodwill	10.7	10.7	10.7	10.7	10.7
Others	44.4	6.9	6.9	6.9	6.9
Non Current Assets	**260.3**	**219.2**	**228.3**	**274.7**	**320.9**
Inventories	188.6	171.5	186.2	187.8	191.3
Trade Receivables	71.1	88.6	102.4	103.3	105.2
Cash and bank balances	58.2	113.1	114.3	98.8	81.8
Others	142.4	210.1	210.1	210.1	210.1
Current Assets	**460.3**	**583.3**	**613.0**	**600.0**	**588.4**
Assets	**720.6**	**802.6**	**841.3**	**874.7**	**909.4**
Long-term borrowings	161.2	157.4	156.9	156.4	155.9
Deferred tax liabilities	7.6	8.2	8.2	8.2	8.2
Others	0.6	1.9	1.9	1.9	1.9
Non Current Liabilities	**169.4**	**167.5**	**167.0**	**166.5**	**166.0**
Trade Payables	34.1	33.8	41.0	41.3	42.1
Short-term borrowings	92.8	112.5	103.0	93.5	84.0
Others	21.5	46.2	46.2	46.2	46.2
Current Liabilities	**148.4**	**192.6**	**190.2**	**181.1**	**172.4**
Share capital	176.8	176.8	176.8	176.8	176.8
Reserves	224.5	263.8	305.0	347.6	391.1
Shareholders' funds	401.4	440.6	481.8	524.4	567.9
MI	1.4	1.9	2.3	2.7	3.1
Equity	**402.8**	**442.5**	**484.1**	**527.1**	**571.0**
Equity & Liabilities	**720.6**	**802.6**	**841.3**	**874.7**	**909.4**

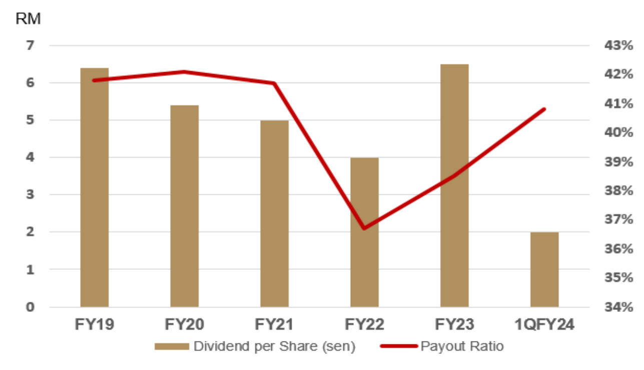
CASH FLOW

FYE Dec 31 (RM mn)	FY22	FY23	FY24E	FY25F	FY26F
PBT	42.8	69.2	81.5	82.9	84.1
Depreciation of PPE	11.4	13.6	12.2	12.4	12.7
Finance costs	2.4	6.0	6.5	6.7	7.0
Others	(116.4)	(4.4)	(6.3)	(8.8)	(8.9)
EBIT before ΔWC	(59.7)	84.5	93.9	93.3	94.8
ΔWC (current assets)	(11.1)	18.7	(21.4)	(2.1)	(4.7)
Interest expense	(0.0)	(6.0)	(6.5)	(6.7)	(7.0)
Tax paid	(15.7)	(8.8)	(19.9)	(19.9)	(20.2)
Others	0.0	0.0	0.0	0.0	0.0
CFO	**(86.6)**	**88.3**	**46.1**	**64.5**	**63.0**
CAPEX	(56.5)	(8.1)	(15.0)	(50.0)	(50.0)
Others	(33.9)	0.0	0.0	0.0	0.0
CFI	**(90.4)**	**(8.0)**	**(15.0)**	**(50.0)**	**(50.0)**
Dividend paid	(13.8)	(16.9)	(20.0)	(20.0)	(20.0)
Others	163.7	2.0	(10.0)	(10.0)	(10.0)
CFF	**149.8**	**(14.9)**	**(30.0)**	**(30.0)**	**(30.0)**
Net Cash Flow	(27.1)	65.4	1.1	(15.5)	(17.0)
Opening Cash Flow	86.0	59.7	124.4	125.5	110.1
Closing Cash Flow	59.7	124.4	125.5	110.1	93.1

Figure 1: Historical Financial Performances

Source: Companies, TA Securities

Figure 2: Historical Dividend Payout Ratio



Source: Companies, TA Securities

Gamuda Berhad

Robust Outlook Domestically and Regionally

TP: RM8.13 *(+23.6%)*

Last Traded: RM6.58

BUY (ESG: ★★★★)

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Overview

Gamuda Bhd (GAMUDA) is an engineering, property and infrastructure company. It is one of the largest Malaysian infrastructure companies and has undertaken various local and overseas projects. These include MRT lines, highways, railways, tunnels, dams and water treatment plants, infrastructure concessions, and the development of new townships.

Investment Themes

- **Strong Frontrunner of Upcoming Mega Railway Projects.** Given GAMUDA's proven track record in constructing railway infrastructure, the company is well-positioned as the leading contender for several upcoming large-scale projects. These include the Penang Light Rail Transit (LRT), Mass Rapid Transit 3 (MRT3), and the KL-Singapore High Speed Rail (HSR). Notably, the federal government has awarded the initial segment of the Penang LRT project to the GAMUDA-led SRS Consortium, with the final details anticipated to be finalised by the end of CY24.

- **Robust Earnings Visibility Backed by Its Resilient Orderbook.** The group's outstanding construction order book stands at approximately RM24.2bn, providing earnings visibility up to FY28. This order book could see further growth from the Penang LRT and MRT3 projects, for which the group is a frontrunner for the tunnelling packages. Additionally, the group is targeting RM5.0bn in property sales for FY24, driven by local township developments and overseas projects. As of the end of March 2024, unbilled property sales stood at RM6.7bn.

- **Overseas Expansion is Intact, with Margin Improvement on The Cards.** Looking ahead, we anticipate a gradual improvement in construction margins, bolstered by increased revenue contributions from local projects and enhanced economies of scale achieved through new projects in Australia. Currently, GAMUDA has been shortlisted for four projects (three in Melbourne and one in Sydney), with the Suburban Rail Loop East second package expected to be awarded soon. We believe this will strengthen GAMUDA's presence in the Australian infrastructure sector and set the stage for future bids.

Risk

- The key risks associated with our call are as follow:- (1) delays in the roll-out of infrastructure projects, (2) project execution risks, and (3) cost escalation of construction materials.

Recommendation

- We reiterate our SOP-derived target price at **RM8.13** (ESG: ★★★★). Maintain **Buy** on the stock.

Share Information

Bloomberg Code	GAM MK
Stock Code	5398
Listing	Main Market
Share Cap (mn)	2772.3
Market Cap (RMmn)	18241.9
Par Value	1.00
52-wk Hi/Lo (RM)	6.72 / 4.16
12-mth Avg Daily Vol ('000 shrs)	6977.8
Estimated Free Float (%)	58.1
Beta	0.3
Major Shareholders (%)	
	Amanah Saham Nasional - 13.7
	EPF - 8.6

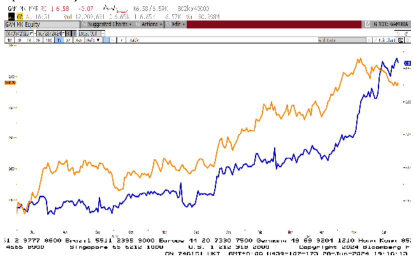
Financial Indicators

	FY24	FY25
Net Debt / Equity (%)	44.3	38.7
ROE (%)	8.7	9.3
ROA (%)	3.8	3.9
NTA/Share (RM)	3.7	3.9
Price/NTA (x)	1.7	1.7

Share Performance (%)

Price Change	GAMUDA	FBMKLCI
1 mth	8.4	(1.6)
3 mth	24.9	3.9
6 mth	42.7	9.1
12 mth	46.9	14.5

(12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

Figure 1: Sum-of-Parts Valuation

Segment	Valuation	Segment Value (RMmn)
Construction	25x CY25 Earnings	14,354.69
Property	40% Discount to RNAV	8,776.27
Equity value		23,130.96
Number of Shares		2,845.05
Target Price		**8.13**

Figure 2: Earnings Summary

Profit & Loss (RMmn)

YE July 31		2022	2023	2024F	2025F	2026F
Revenue		4,902.1	8,220.4	11,876.8	13,160.8	15,985.9
EBITDA		746.2	1023.0	1612.1	1775.0	2103.2
Dep. & amortisation		(111.5)	(120.2)	(148.2)	(149.5)	(150.7)
Net finance cost		(86.7)	(78.4)	(120.3)	(120.3)	(120.3)
PBT		897.8	1057.8	1343.5	1505.2	1832.2
Taxation		(156.4)	(221.1)	(322.4)	(361.2)	(439.7)
MI		(29.8)	(166.7)	(64.1)	(71.8)	(87.3)
Net profit		806.2	1838.4	957.0	1072.2	1305.1
Core net profit		770.9	716.1	957.0	1072.2	1305.1
GDPS	(sen)	12.0	50.0	16.0	20.0	22.0
Div Yield	(%)	1.8%	7.7%	2.5%	3.1%	3.4%

Cash Flow (RMmn)

YE July 31	2022	2023	2024F	2025F	2026F
PBT	**897.8**	**1057.8**	**1343.5**	**1505.2**	**1832.2**
Adjustments	198.2	198.7	268.5	269.8	271.0
Changes in WC	40.5	(165.7)	(1875.9)	(197.0)	(433.5)
Others	(604.6)	(1633.6)	(64.1)	(71.8)	(87.3)
Operational cash flow	**470.1**	**404.4**	**(650.3)**	**1145.0**	**1142.7**
Capex	(568.4)	(3376.3)	(20.0)	(20.0)	(20.0)
Others	(250.8)	3772.8	(212.8)	0.0	0.0
Investment cash flow	**(819.2)**	**396.5**	**(232.8)**	**(20.0)**	**(20.0)**
Debt raised/(repaid)	(149.6)	2113.4	0.0	0.0	0.0
Dividend	(67.0)	(1442.7)	(455.2)	(569.0)	(625.9)
Others	(103.0)	100.5	(120.3)	(120.3)	(120.3)
Financial cash flow	**(319.6)**	**771.2**	**(575.5)**	**(689.3)**	**(746.2)**
Forex effect	51.2	(20.7)	0.0	0.0	0.0
Deposit	(885.9)	(338.9)	(338.9)	(338.9)	(338.9)
Net cash flow	**547.0**	**942.8**	**(1245.8)**	**435.7**	**376.5**
Beginning cash	**1310.3**	**1908.4**	**2830.6**	**1584.8**	**2020.4**
Ending cash	**1908.4**	**2830.6**	**1584.8**	**2020.4**	**2396.9**
Adjustments	0.0	(0.0)	0.0	(0.0)	0.0
Cash	**1908.4**	**2830.6**	**1584.8**	**2020.4**	**2396.9**

YE July 31	2022	2023	2024F	2025F	2026F
Order book replenishment	2584	2500	10,000	20,000	10,000

Balance Sheet (RMmn)

YE July 31	2022	2023	2024F	2025F	2026F
Fixed assets	691.5	631.0	631.0	631.0	631.0
Others	6,227.2	7,930.0	7,801.8	7,672.3	7,541.7
NCA	**6,918.7**	**8,561.1**	**8,432.8**	**8,303.4**	**8,172.7**
Cash and cash equivalent	1,908.4	2,830.6	1,584.8	2,020.4	2,396.9
Others	11,435.6	12,392.7	17,063.4	17,963.9	19,945.4
CA	**13,344.0**	**15,223.2**	**18,648.1**	**19,984.3**	**22,342.3**
Total assets	**20,262.7**	**23,784.3**	**27,081.0**	**28,287.7**	**30,515.0**
ST borrowings	1,549.3	1,409.7	1,409.7	1,409.7	1,409.7
Other liabilities	4,800.4	5,402.3	8,197.2	8,900.7	10,448.8
CL	**6,349.7**	**6,812.0**	**9,606.9**	**10,310.4**	**11,858.4**
Shareholders' funds	**9,905.0**	**10,791.1**	**11,292.9**	**11,796.1**	**12,475.3**
MI	349.4	135.5	135.5	135.5	135.5
LT borrowings	3,230.7	5,514.0	5,514.0	5,514.0	5,514.0
Other LT liabilities	427.9	531.7	531.7	531.7	531.7
Total capital	**20,262.7**	**23,784.3**	**27,081.0**	**28,287.7**	**30,515.0**

Ratio

YE July 31	2022	2023	2024F	2025F	2026F
EBITDA Margins (%)	15.2	12.4	13.6	13.5	13.2
Core EPS (sen)	27.1	25.2	33.6	37.7	45.9
EPS Growth (%)	140.1	(7.1)	33.6	12.0	21.7
PER (x)	24.0	25.9	19.4	17.3	14.2
GDPS (sen)	12.0	50.0	16.0	20.0	22.0
Div Yield (%)	1.8	7.7	2.5	3.1	3.4
Net cash (RMmn)	(1985.7)	(3754.2)	(5000.0)	(4564.4)	(4187.9)
Net gearing (%)	20.0	34.8	44.3	38.7	33.6
ROE (%)	8.5	17.8	8.7	9.3	10.8
ROA (%)	4.2	8.3	3.8	3.9	4.4
NTA/share (sen)	345.4	355.9	373.5	391.2	415.1
P/NTA(x)	1.9	1.8	1.7	1.7	1.6

Ibraco Berhad

Beneficiary of Sarawak's Infrastructure Boom

TP: RM1.33 ***(+18.8%)***

Last Traded: RM1.12

BUY (ESG: ★★)

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Overview

With over 45 years of experience, Ibraco is a reputable developer in developing prominent integrated townships in Sarawak. As a Class A Contractor certified with ISO 9001:2008, Ibraco also benefits from Sarawak's strong medium to long-term economic prospects. Ibraco has a landbank of 733 acres across Kuching, Bintulu and the Klang Valley with a collective GDV of RM5.6bn.

Investment Themes

- **Strong earnings visibility.** We project Ibraco's net profit to increase at a 5-year CAGR of 24.2% to RM69.5mn, supported by unbilled sales of RM209mn and an outstanding construction order book of RM1.2bn. For FY24, management is setting its sights on achieving new sales of RM400mn, bolstered by planned launches worth RM1.6bn. However, we view this sales target as rather conservative, given the robust demand for properties and the substantial pipeline of new launches.
- **Riding on the wave of Sarawak's infrastructure boom.** With a strong track record in diverse infrastructure projects, Ibraco is well-positioned as Sarawak undertakes extensive infrastructure spending to become a developed state by 2030. The potential for new projects in Sarawak is abundant for the upcoming years and considering Ibraco's capabilities, we expect the group to participate in tenders for: 1) airport expansion works in Sibu, Miri, and Kuching, a proposed new airport in Lawas, 2) water supply grid programs, 3) the 30km KUTS Green Line connecting Pending and Damai, and 4) green hydrogen production plants and supporting facilities.
- **Strategic Vertical Integration.** To mitigate the impact of raw material price fluctuations on its core property and construction divisions, Ibraco strategically entered the supply chain of essential building materials. Starting with the quarry business in 2019, followed by steel pipe manufacturing in early 2022, the group expanded into ready-mix concrete manufacturing in late 2022. These diversifications aim to create a self-sustaining supply chain, enhance long-term earnings, and ensure quality control for building materials.

Risk

- The risks to our earnings forecasts are: 1) delay in roll-out of new launches; 2) project execution risks; and 3) cost escalation of construction materials and labour.

Recommendation

- Our TP for Ibraco is **RM1.33/share**, based on Sum-of-Parts methodology. Property development and management are valued at 10x CY25 earnings, while construction is valued at 14x. Although our target valuations for Ibraco's property and construction exceed those of its small-cap peers in the respective sectors, we believe it is justified. This is attributed to Ibraco's entrenched position in Sarawak, which has enabled it to garner strong property sales and secure construction projects with above-average profit margins. Meanwhile, the quarry and other divisions are valued at 10x CY25 earnings. Maintain **BUY**.

Share Information

Bloomberg Code	IBRA MK
Stock Code	5084
Listing	Main Market
Share Cap (mn)	546.0
Market Cap (RMmn)	611.6
Par Value	1.00
52-wk Hi/Lo (RM)	1.28/0.51
12-mth Avg Daily Vol ('000 shrs)	585.5
Estimated Free Float (%)	17
Beta	1
Major Shareholders (%)	
	Datuk Chew Chiaw Han - 23.1
	Sharifah Deborah - 18.2
	Ng Cheng Chuan & Ng Sheng Nian - 15.9

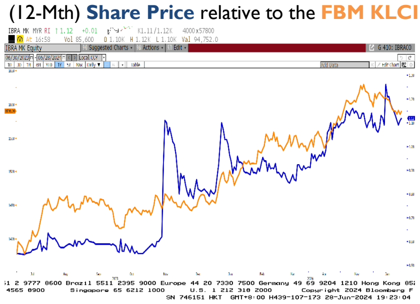
Financial Indicators

	FY24	FY25
Net Debt / Equity (%)	35.3	25.5
ROE (%)	9.6	11.3
ROA (%)	5.0	6.0
NTA/Share (RM)	0.9	1.0
Price/NTA (x)	1.2	1.1

Share Performance (%)

Price Change	IBRA	FBMKLCI
1 mth	1.8	(1.6)
3 mth	23.1	3.9
6 mth	39.1	9.1
12 mth	101.8	14.5

(12-Mth) **Share Price** relative to the **FBM KLCI**



Source: Bloomberg

Profit & Loss (RMm)

YE Dec 31		2022	2023	2024F	2025F	2026F
Revenue		272.0	391.9	433.1	540.1	678.2
EBITDA		58.4	80.3	79.7	92.9	108.5
Dep. & amortisation		(5.2)	(4.7)	(6.3)	(5.7)	(6.1)
Net finance cost		(9.3)	(12.9)	(11.8)	(11.1)	(10.5)
PBT		43.5	62.7	66.9	84.0	95.9
Taxation		(12.4)	(17.4)	(18.2)	(22.8)	(26.0)
MI		(0.7)	0.7	(0.2)	(0.2)	(0.4)
Net profit		30.4	46.0	48.5	61.0	69.5
Core net profit		27.9	42.1	48.5	61.0	69.5
Reported EPS (diluted)	(sen)	5.6	8.4	8.9	11.2	12.7
Core EPS (diluted)	(sen)	5.1	7.7	8.9	11.2	12.7
PER	(x)	21.9	14.5	12.6	10.0	8.8
GDPS	(sen)	2.0	3.5	3.0	3.5	3.8
Div Yield	(%)	1.8	3.1	2.7	3.1	3.3

Cash Flow (RMm)

YE Dec 31	2022	2023	2024F	2025F	2026F
PBT	43.5	62.7	66.9	84.0	95.9
Adjustments	(48.0)	(122.5)	(18.2)	(22.8)	(26.0)
Dep. & amortisation	5.2	4.7	6.3	5.7	6.1
Changes in WC	26.7	72.5	1.6	11.1	14.9
Operational cash flow	**27.4**	**17.5**	**56.6**	**77.9**	**90.9**
Capex	(15.2)	(38.6)	(19.3)	(18.7)	(19.9)
Others	(0.3)	(1.5)	0.0	0.0	0.0
Investment cash flow	**(15.5)**	**(40.1)**	**(19.3)**	**(18.7)**	**(19.9)**
Debt raised/(repaid)	2.3	(15.0)	(15.0)	(15.0)	(15.0)
Equity raised(repaid)	0.0	0.0	0.0	0.0	0.0
Dividend	(10.9)	(19.1)	(16.4)	(19.1)	(20.5)
Others	(1.8)	72.2	0.0	0.0	0.0
Financial cash flow	**(10.5)**	**38.1**	**(31.4)**	**(34.1)**	**(35.5)**
Net cash flow	**1.5**	**15.5**	**5.9**	**25.1**	**35.5**

Assumptions

YE Dec 31		2022	2023	2024F	2025F	2026F
New sales	(RM mn)	210	385	450	500	500
Prop dev margin	(%)	19.0	23.3	24.4	22.8	22.1

Balance Sheet (RMm)

YE Dec 31	2022	2023	2024F	2025F	2026F
PPE, land and inv prop	224.0	246.3	304.4	317.4	330.5
Others	26.4	17.1	17.6	17.6	17.6
Total Fixed Asset	**250.4**	**263.4**	**321.9**	**335.0**	**348.1**
Cash	59.0	60.6	76.3	82.2	107.3
Others	464.1	468.3	550.3	563.3	590.1
CA	**523.1**	**528.8**	**626.6**	**645.5**	**697.3**
Total assets	**773.4**	**792.3**	**948.5**	**980.5**	**1,045.4**
ST debt	116.0	132.9	185.0	170.0	155.0
Other liabilities	115.0	105.7	159.6	174.2	212.0
CL	**231.0**	**238.6**	**344.6**	**344.2**	**367.0**
Total Equity	441.7	462.0	487.9	520.2	562.3
LT borrowings	91.2	78.4	95.7	95.7	95.7
LT liabilities	9.7	13.3	20.4	20.4	20.4
Total long term liabilities	**100.8**	**91.7**	**116.0**	**116.0**	**116.0**
Total Equity and Liabilities	**773.4**	**792.3**	**948.5**	**980.5**	**1,045.4**

Ratio

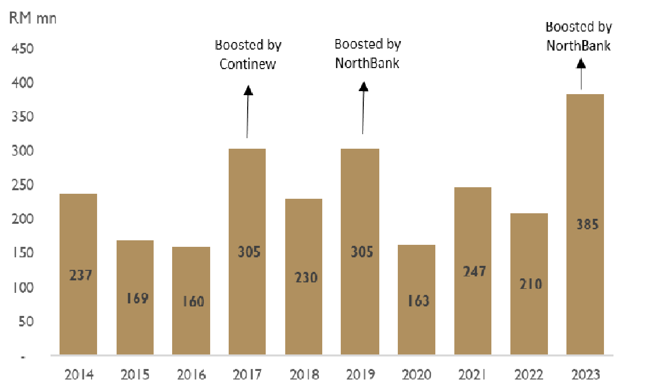
YE Dec 31		2022	2023	2024F	2025F	2026F
Profitability ratios						
ROE	(%)	6.2	8.9	9.6	11.3	11.8
ROA	(%)	3.6	4.8	5.0	6.0	6.4
EBITDA Margin	(%)	17.8	21.5	20.5	18.4	17.2
PBT Margin	(%)	11.9	16.0	16.0	15.4	15.6
Liquidity ratios						
Current ratio	(x)	2.3	2.2	1.8	1.9	1.9
Quick ratio	(x)	2.0	2.0	1.6	1.6	1.6
Leverage ratios						
Total liabilities / equity	(x)	0.8	0.7	0.9	0.9	0.9
Net debt / Equity	(x)	0.3	0.4	0.4	0.3	0.2
Growth ratios						
Revenue	(%)	(0.5)	44.1	10.5	24.7	25.6
Pretax Profit	(%)	33.6	44.1	6.6	25.6	14.2
Core net earnings	(%)	18.7	50.9	15.3	25.7	13.8
Total assets	(%)	(1.4)	2.4	19.7	3.4	6.6

Figure 1: SOP Valuation

Segment	Equity Value (RM mn)	Valuation Method
Property Development & Management	410.2	CY25 PER of 10x
Construction	286.4	CY25 PER of 14x
Quarry & others	31.1	CY25 PER of 10x
Total	**727.8**	
No of shares	546.0	
Target Price	**1.33**	

Source: Companies announcement, TA Securities

Figure 2: Historical Sales



Source: Companies announcement, TA Securities

Sunway Construction Group Berhad

Capitalising the Thriving ATP Space

TP: RM4.46 ***(+17.7%)***

Last Traded: RM3.79

BUY (ESG: ★★★★)

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Overview

SUNCON is an integrated construction services provider principally involved in: 1) building and civil infrastructure construction services; 2) foundation and geotechnical engineering services; 3) mechanical, electrical and plumbing services; and 4) manufacturing and sale of precast concrete products.

Investment Themes

- **Pioneer Contractor for the Growing ATP Space.** SUNCON offers comprehensive construction solutions to its clients, eliminating the need for coordination among various contractors and minimising potential delays from interfacing works. Notably, SUNCON has expanded into the growing advanced technology projects (ATP) sector and has established strong relationships with several renowned multinational technology companies. The group is well-positioned to capitalise on the robust ATP industry outlook, meeting the increasing demand for new data centres and semiconductor assembly factories, which require a higher degree of construction complexity.

- **Sizeable outstanding order book and positive outlook for the construction industry.** With an impressive RM7.9bn outstanding order book, equivalent to 3x FY23 revenue, SUNCON has robust earnings visibility for the next four years. The group stands to be a potential beneficiary of forthcoming infrastructure projects such as the Penang LRT, KL-SG High Speed Rail (HSR), and MRT Line 3. For overseas expansion, the SUNCON-PECC2 Consortium (SUNCON:Power Engineering Consulting Joint Stock Co 2 (PECC2), 55:45) is poised to start constructing Toyo Ventures Holdings Bhd's (TVHB) 2.1GW thermal power plant in Vietnam, pending TVHB's successful funding. We expect progress to stay on track, with financing secured by end-June 2024 to avoid project termination and anticipate project award by August 2024. This will contribute an effective contract value of c.RM6.5bn to SUNCON and elevate the order book to a record high of RM9.8bn. Overall, SUNCON's order book replenishment is expected to be further bolstered by internal construction projects, which serve as foundational orders, coupled with another sizeable data centre job tender as well as overseas jobs in the pipeline.

- **Sound Balance Sheet.** Despite a net gearing ratio of 55.5% in FY23, the group has consistently achieved a high mid-teen return on equity over the past five years. This gearing level is considered healthy and aligns with the company's expansion goals to secure more projects in the ATP industry.

Risk

- The risks to our earnings forecasts include: 1) delays in order book replenishment; 2) project execution risks; 3) potential cost escalation of construction materials; and 4) shortages of construction resources such as labour and machinery.

Share Information

Bloomberg Code	SCGB MK
Stock Code	5263
Listing	Main Market
Share Cap (mn)	1289.4
Market Cap (RMmn)	4886.7
Par Value	1.00
52-wk Hi/Lo (RM)	4.04/1.53
12-mth Avg Daily Vol ('000 shrs)	2030.0
Estimated Free Float (%)	20.3
Beta	0.8
Major Shareholders (%)	
	Sunholdings - 54.6
	Sungei Way Corp Sdn Bhd - 10.1
	EPF - 6.5
	Amanah Saham Nasional Bhd - 3.3

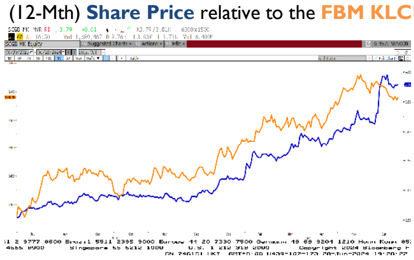
Financial Indicators

	FY24	FY25
Net Debt / Equity (%)	68.5	65.2
ROE (%)	22.9	27.2
ROA (%)	5.8	6.4
NTA/Share (RM)	0.7	0.8
Price/NTA (x)	5.5	4.9

Share Performance (%)

Price Change	SUNCON	FBMKLCI
1 mth	18.1	(1.6)
3 mth	28.9	3.9
6 mth	94.4	9.1
12 mth	147.7	14.5

(12-Mth) **Share Price** relative to the **FBM KLCI**



Source: Bloomberg

Recommendation

- We arrive at a target price of **RM4.46**, based on unchanged 22x CY25 EPS. Reiterate **BUY** call on SUNCON.

Figure 1: Earnings Summary

Profit & Loss (RMmn)

YE Dec 31		2022	2023	2024F	2025F	2026F
Revenue		2,155.2	2,671.2	3,165.5	4,081.5	4,450.7
EBITDA		210.3	245.5	304.8	387.2	421.7
Dep. & amortisation		(23.8)	(21.0)	(22.6)	(23.8)	(25.0)
Net finance cost		(4.2)	(21.7)	(23.9)	(26.6)	(24.7)
PBT		184.1	188.6	258.2	336.8	372.0
Taxation		(45.3)	(42.8)	(62.0)	(80.8)	(89.3)
MI		(3.6)	(0.7)	(0.9)	(1.2)	(1.3)
Net profit		135.2	145.1	195.3	254.7	281.4
Core net profit		147.1	176.8	195.3	254.7	281.4
GDPS	(sen)	5.5	6.0	7.0	10.0	10.0
Div Yield	(%)	1.5%	1.6%	1.8%	2.6%	2.6%

Cash Flow (RMmn)

YE Dec 31	2022	2023	2024F	2025F	2026F
PBT	**184.1**	**188.6**	**258.2**	**336.8**	**372.0**
Adjustments	27.9	42.7	46.5	50.4	49.6
Changes in WC	(382.2)	(516.7)	(222.3)	(140.5)	(56.6)
Others	0.5	28.8	(0.9)	(1.2)	(1.3)
Operational cash flow	**(215.0)**	**(299.4)**	**19.6**	**164.6**	**274.4**
Capex	(27.1)	(18.9)	(20.0)	(20.0)	(20.0)
Others	(146.9)	442.7	(42.9)	0.0	0.0
Investment cash flow	**(174.0)**	**423.8**	**(62.9)**	**(20.0)**	**(20.0)**
Debt raised/(repaid)	236.5	420.9	0.0	0.0	0.0
Dividend	(90.3)	(70.9)	(89.8)	(128.2)	(128.2)
Others	(3.6)	(12.5)	(23.9)	(26.6)	(24.7)
Financial cash flow	**142.7**	**337.4**	**(113.7)**	**(154.9)**	**(152.9)**
Forex effect	(4.3)	1.1	0.0	0.0	0.0
Deposit	(83.9)	(86.4)	(86.4)	(86.4)	(86.4)
Net cash flow	**351.4**	**(24.8)**	**(114.1)**	**(10.3)**	**101.5**
Beginning cash	**60.6**	**407.7**	**384.0**	**269.9**	**259.6**
Ending cash	**407.7**	**384.0**	**269.9**	**259.6**	**361.1**
Adjustments	0.0	0.0	(0.0)	0.0	0.0
Cash	**407.7**	**384.0**	**269.9**	**259.6**	**361.1**

YE Dec 31	2022	2023	2024F	2025F	2026F
Order book replenishment	2584	2500	4,000	3,000	3,000

Balance Sheet (RMmn)

YE Dec 31	2022	2023	2024F	2025F	2026F
Fixed assets	223.1	253.1	253.1	253.1	253.1
Others	375.6	590.5	587.9	584.1	579.1
NCA	**598.7**	**843.6**	**841.0**	**837.2**	**832.2**
Cash and cash equivalent	407.7	384.0	269.9	259.6	361.1
Others	1,229.7	1,855.2	2,618.7	3,261.2	3,520.1
CA	**1,637.4**	**2,239.2**	**2,888.6**	**3,520.8**	**3,881.3**
Total assets	**2,236.0**	**3,082.8**	**3,729.6**	**4,358.0**	**4,713.5**
ST borrowings	172.2	438.2	438.2	438.2	438.2
Other liabilities	931.2	1,263.6	1,804.8	2,306.7	2,509.0
CL	**1,103.3**	**1,701.8**	**2,243.0**	**2,745.0**	**2,947.3**
Shareholders' funds	**737.1**	**820.2**	**925.7**	**1,052.2**	**1,205.4**
MI	83.7	71.8	71.8	71.8	71.8
LT borrowings	308.5	487.7	487.7	487.7	487.7
Other LT liabilities	3.4	1.3	1.3	1.3	1.3
Total capital	**2,236.0**	**3,082.8**	**3,729.6**	**4,358.0**	**4,713.5**

Ratio

YE Dec 31	2022	2023	2024F	2025F	2026F
EBITDA Margins (%)	9.8	9.2	9.6	9.5	9.5
Core EPS (sen)	11.5	13.8	15.2	19.9	21.9
EPS Growth (%)	1.6	20.2	10.5	30.4	10.5
PER (x)	33.0	27.5	24.9	19.1	17.3
GDPS (sen)	5.5	6.0	7.0	10.0	10.0
Div Yield (%)	1.5	1.6	1.8	2.6	2.6
Net cash (RMmn)	10.9	(455.6)	(569.7)	(579.9)	(478.4)
Net gearing (%)	(1.5)	55.5	61.5	55.1	39.7
ROE (%)	18.8	18.6	22.4	25.8	24.9
ROA (%)	6.6	5.5	5.7	6.3	6.2
NTA/share (sen)	57.5	64.0	72.2	82.1	94.0
P/NTA(x)	6.6	5.9	5.3	4.6	4.0

Sime Darby Property Berhad

Proxy to Booming Industrial Property Segment

TP: RM1.57 *(+17.2%)*

Last Traded: RM1.34

BUY (ESG: ★★★★★)

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Overview

Sime Darby Property (SDP) is principally involved in three business divisions, namely 1) property development, 2) investment and asset management and 3) leisure and hospitality. SDP is Malaysia's most prominent property developer in terms of land bank, with approximately 13k acres landbank with a total estimated GDV of RM115bn.

Investment Themes

- **Strategic Transformation under SHIFT25.** SDP remains committed to becoming a sustainable real estate development company by 2025, guided by its SHIFT25 strategy. We are optimistic about SDP's efforts to diversify and expand its revenue streams beyond property development. A significant milestone was reached with the final close of the Industrial Development Fund I (IDF-1) at RM1bn in April 2024. Additionally, the upcoming build-and-lease data centre at Elmina Business Park is expected to enhance SDP's investment and asset management portfolio, supporting the SHIFT25 strategy to increase recurring income.
- **Leading Player in Malaysia's Industrial Real Estate Sector.** SDP is a key player in Malaysia's industrial real estate market, with a substantial 3,000-acre industrial landbank across six major townships. Our positive outlook is driven by the government's New Industrial Master Plan 2030 (NIMP), which aims to boost manufacturing value and aligns with the increasing demand for industrial space. SDP's industrial property sales have shown significant growth, rising from 14% in FY20 to 30% in 1QFY24. The arrival of a prominent multinational technology corporation at the 1,500-acre Elmina Business Park is set to further enhance SDP's reputation as a leading industrial property developer in Malaysia.
- **Strong Execution Capability.** SDP's strong execution capability has enabled the group to meet its KPIs consistently. In 1Q24, the gross margin reached 31%, surpassing the management's target range of 20-25%. As of the end of 1Q24, completed stocks only comprised 12% of total inventories of RM3.8bn in GDV. This aligns with the goal of achieving unsold inventory in property development at or below 10% by year-end. The financial position remains robust, with a net gearing of 24%, comfortably below the management's target of not exceeding 50%. Importantly, SDP is on track to surpass its FY24 sales target of RM3.0bn, with 1Q24 sales accounting for 32% of the target.

Risk

- The risks to our earnings forecasts are: 1) delay in roll-out of new launches; 2) project execution risks; and 3) cost escalation of construction materials and labour.

Recommendation

- Our TP for SDP is RM1.57 (ESG: ★★★★★), based on 1.0x CY25 BPS. Maintain **BUY**.

Share Information

Bloomberg Code	SDPR MK
Stock Code	5288
Listing	Main Market
Share Cap (mn)	6801.0
Market Cap (RMmn)	9113.1
Par Value	1.00
52-wk Hi/Lo (RM)	1.45/0.46
12-mth Avg Daily Vol ('000 shrs)	22552.8
Estimated Free Float (%)	25.9
Beta	1.5

Major Shareholders (%)

Permodalan Nasional Bhd - 55.6
Kumpulan Wang Persaraan - 6.5
Employees Provident Fund - 5.1

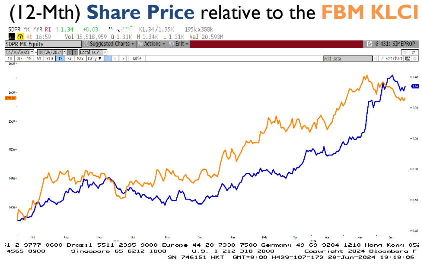
Financial Indicators

	FY24	FY25
Net Debt / Equity (%)	15.7	7.6
ROE (%)	4.8	4.9
ROA (%)	2.7	2.8
NTA/Share (RM)	1.5	1.6
Price/NTA (x)	0.9	0.9

Share Performance (%)

Price Change	SDPR	FBMKLCI
1 mth	7.2	(1.6)
3 mth	45.7	3.9
6 mth	116.1	9.1
12 mth	185.1	14.5

(12-Mth) **Share Price** relative to the **FBM KLCI**



Source: Bloomberg

Income Statement

FYE 31 Dec (RM m)	2022	2023	2024F	2025F	2026F
Revenue	2,742.1	3,436.9	3,791.3	4,075.7	4,226.4
EBITDA	520.8	731.8	880.5	925.3	957.4
Depreciation	(48.2)	(52.2)	(56.2)	(60.2)	(64.2)
EBIT	487.8	606.4	824.3	865.1	893.3
Net interest income	8.6	40.0	(49.7)	(58.8)	(60.7)
Share of associates' profit	1.7	5.3	1.0	5.0	5.0
Reported pretax profit	458.9	610.3	775.6	811.3	837.6
Taxation	(147.2)	(192.8)	(271.1)	(282.2)	(291.4)
Minority interests	4.1	(9.6)	(6.1)	(8.1)	(8.4)
Net profit	315.8	407.9	498.4	521.0	537.7
Core net profit	**327.2**	**439.7**	**498.4**	**521.0**	**537.7**

Cash Flow Statement

FYE 31 Dec (RM m)	2022	2023	2024F	2025F	2026F
Pretax profit	311.7	417.5	775.6	811.3	837.6
Depreciation and amortisatioi	48.2	52.2	56.2	60.2	64.2
Change in working capital	1077.8	600.3	1358.0	1539.5	92.9
Net interest paid	(97.4)	(73.7)	(49.7)	(58.8)	(60.7)
Tax paid	(147.2)	(192.8)	(271.1)	(282.2)	(291.4)
Others	(184.0)	(878.7)	(831.8)	(871.5)	(901.8)
Operating cash flow	**1009.1**	**(75.1)**	**1037.2**	**1198.5**	**(259.2)**
Capex	(11.3)	(34.9)	(100.0)	(100.0)	(100.0)
Investments	(347.4)	(179.0)	0.0	0.0	0.0
Others	405.9	142.9	(72.0)	(72.0)	(72.0)
Investing cash flow	**47.3**	**(71.0)**	**(172.0)**	**(172.0)**	**(172.0)**
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Net change in borrowings	(793.8)	(143.8)	1111.7	159.1	100.0
Dividends paid	(136.0)	(170.0)	(204.0)	(204.0)	(204.0)
Others	(51.2)	65.3	0.0	0.0	0.0
Financing cash flow	**(980.9)**	**(248.5)**	**907.7**	**(44.9)**	**(104.0)**
Net cash flow	75.5	(394.6)	1772.9	981.6	(535.2)
Beginning cash	909.2	985.3	602.6	2375.5	3357.1
Ending cash	**984.6**	**590.7**	**2375.5**	**3357.1**	**2821.8**

Valuation

FYE 31 Dec (RM m)	2022	2023	2024F	2025F	2026F
EPS (sen)	4.6	6.0	7.3	7.7	7.9
Core EPS (sen)	4.8	6.5	7.3	7.7	7.9
P/E (x)	27.8	20.7	18.3	17.5	16.9
EV/EBITDA (x)	21.7	15.9	12.5	11.0	11.3
Net DPS (sen)	2.0	2.5	3.0	3.0	3.0
Net dividend yield (%)	1.5%	1.9%	2.2%	2.2%	2.2%
BV per share (RM)	1.4	1.5	1.5	1.6	1.6
P/BV (x)	1.0	0.9	0.9	0.9	0.8

Balance Sheet

FYE 31 Dec (RM m)	2022	2023	2024F	2025F	2026F
PPE	586.3	593.3	758.7	798.5	834.3
Investment properties	1,085.2	1,201.1	1,201.1	1,201.1	1,201.1
Property development	5,266.6	6,251.6	5,771.6	5,246.9	6,158.6
Inventories	277.2	243.4	494.9	533.0	552.8
Receivables	965.3	800.7	1,295.3	1,348.5	1,377.4
JV and Associates	3,033.8	3,272.1	3,345.1	3,422.1	3,499.1
Other assets	3,062.9	2,975.5	2,975.5	2,975.5	2,975.5
Cash and ST funds	985.3	602.6	2,375.5	3,357.1	2,821.8
Total assets	**15,262.7**	**15,940.3**	**18,217.7**	**18,882.7**	**19,420.7**
LT borrowings	2,284.0	2,480.7	2,899.7	2,999.7	2,999.7
ST borrowings	753.9	413.4	1,106.1	1,165.2	1,265.2
Payables	1,414.3	1,667.5	2,532.7	2,713.5	2,809.3
Other liabilities	1,165.7	1,095.2	1,095.2	1,095.2	1,095.2
Liabilities	**5,617.9**	**5,656.8**	**7,633.7**	**7,973.7**	**8,169.5**
Share capital	6,800.8	6,800.8	6,800.8	6,800.8	6,800.8
Reserves	2,718.9	3,256.3	3,550.6	3,867.6	4,201.3
Shareholders' equity	**9,519.7**	**10,057.1**	**10,351.5**	**10,668.4**	**11,002.1**
Minority Interest	125.1	226.4	232.5	240.7	249.1
Total equity	**9,644.8**	**10,283.5**	**10,584.0**	**10,909.1**	**11,251.2**
Total equity and liabilities	**15,262.7**	**15,940.3**	**18,217.7**	**18,882.7**	**19,420.7**

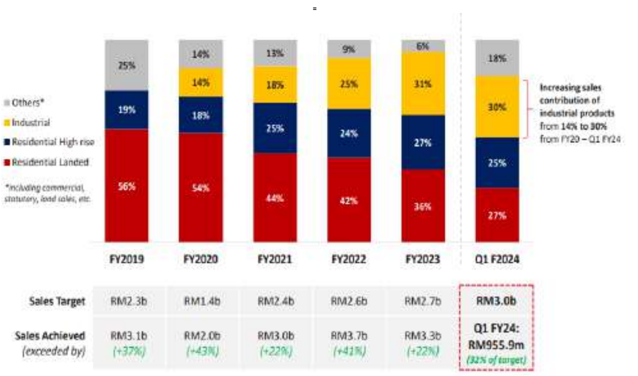
Key Statistics & Ratios

FYE 31 Dec (RM m)	2022	2023	2024F	2025F	2026F
Growth (%)					
Revenue	23.7%	25.3%	10.3%	7.5%	3.7%
EBITDA	54.1%	40.5%	20.3%	5.1%	3.5%
Pretax profit	63.6%	33.0%	27.1%	4.6%	3.2%
Core net profit	109.6%	34.4%	13.4%	4.5%	3.2%
Core EPS	109.6%	34.4%	13.4%	4.5%	3.2%
Profitability (%)					
EBITDA margin	19.0%	21.3%	23.2%	22.7%	22.7%
Pretax profit margin	16.7%	17.8%	20.5%	19.9%	19.8%
Core net profit margin	11.9%	12.8%	13.1%	12.8%	12.7%
Effective tax rate	31.4%	30.3%	35.0%	35.0%	35.0%
Return on assets	2.1%	2.8%	2.7%	2.8%	2.8%
Return on equity	3.4%	4.4%	4.8%	4.9%	4.9%
Levarage (%)					
Total debt / total assets	19.9%	18.2%	22.0%	22.1%	22.0%
Total debt / equity	31.9%	28.8%	38.7%	39.0%	38.8%
Net debt / equity	21.6%	22.8%	15.7%	7.6%	13.1%

Key Assumptions

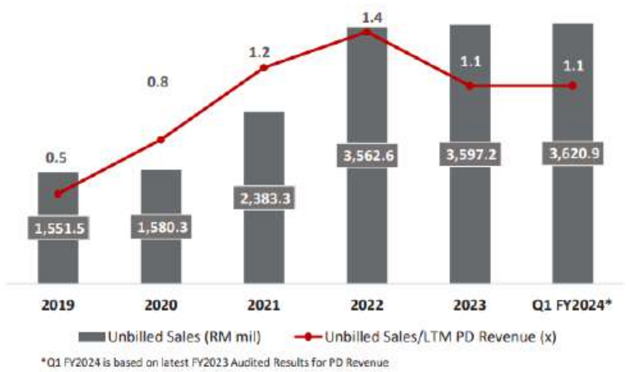
FYE 31 Dec (RM m)	2022	2023	2024F	2025F	2026F
Annual property sales	3,663	3,337	3,247	3,530	3,768
Blended property margin	18.6	20.8	22.1	21.5	21.4

Figure 1: Sales Performance Breakdown by Product Type



Source: Companies announcement, TA Securities

Figure 2: Maintained strong unbilled sales of RM3.6bn or 1.1x cover ratio



Source: Companies announcement, TA Securities

Alliance Bank Malaysia Berhad

Excellence over Abundance

TP: RM4.30 ***(+13.5%)***

Last Traded: RM3.79

BUY (ESG: ★★★★)

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Overview

Alliance Bank Malaysia Berhad (ABMB) was listed on the Official List of the Main Market of Bursa Malaysia Securities Berhad on 26 September 2017. Today, Alliance Bank and its subsidiary Alliance Islamic Bank Berhad are an integrated financial services group offering banking and financial solutions through its consumer banking, SME banking, corporate and commercial banking, and Islamic banking businesses. ABMB is one of Malaysia's smallest listed banking group by assets, with an asset size in excess of RM76.9bn as of 31 March 2024.

Investment Themes

- **New CEO on board.** Mr Kellee Kam was appointed ABMB's group CEO on September 1, 2022. With over 13 years of experience at the RHB Banking Group, including a tenure as Group Managing Director from 2011 to 2015, we believe he brings a wealth of expertise in corporate banking to his new role. We hope to see him leverage his strategic insights and industry knowledge to drive growth and innovation in ABMB's corporate banking segment.
- **Robust growth momentum.** ABMB's business momentum continued to demonstrate robust growth in various segments, such as the 12.9% YoY increase in loans, which exceeds management's guidance of 8-10% due to rising business loans. There is a concerted effort to build up non-NII, with noticeable improvements in treasury and trade activities. Treasury assets witnessed substantial growth, increasing by 18.0% YoY in recent FY24 results.
- **Healthy key financial metrics.** Other key financial metrics are coming in well within targets, with the goal of driving quality over quantity. NIM is at 2.48%, which is in line with guidance. ROE stood at 10.1%. Balance sheet indicators, such as overall gross impaired loans, have also shown sequential improvement with credit costs within the expected range.
- **ACCELER8 2027 Strategy is on track.** Management noted that the implementation of the ACCELER8 2027 Strategy is on track, with positive early indicators. New-to-bank customer acquisition has also been impressive. According to management, NTB customers averaged 1,000 SMEs and nearly 10,000 consumers per month.

Risk

- Smaller banks like Alliance could potentially be affected by the emergence of digital banks as competition for CASA and loans could intensify, thus leading to NIM erosion.

Recommendation

- We value ABMB at RM4.30. Our valuation is based on an implied PBV of c. 0.93x based on the Gordon Growth Model.

Share Information

Bloomberg Code	ABMB MK
Stock Code	2488
Listing	Main Market
Share Cap (mn)	1548.1
Market Cap (RMmn)	5867.3
Par Value	1.00
52-wk Hi/Lo (RM)	3.98/3.31
12-mth Avg Daily Vol ('000 shrs)	1548.1
Estimated Free Float (%)	57.7
Beta	0.73
Major Shareholders (%)	
	Vertical Theme - 29.1
	EPF - 10.1
	Global Success Network - 5.0

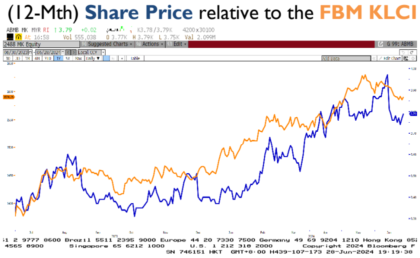
Financial Indicators

	FY25	FY26
ROE (%)	10.8	11.4
ROA (%)	0.9	0.9
CTI Ratio (%)	48.3	49.0
Gross NPL Ratio (%)	2.3	2.1
BV/ Share (RM)	4.6	4.7
Price/ BV (x)	0.8	0.8

Share Performance (%)

Price Change	ABMB	FBMKLCI
1 mth	(2.1)	(0.4)
3 mth	2.7	3.5
6 mth	11.8	9.3
12 mth	7.4	9.0

(12-Mth) **Share Price** relative to the **FBM KLCI**



Source: Bloomberg

Profit & Loss Statement

FYE 31 Mar (RMm)	FY23	FY24	FY25e	FY26e	FY27e
Interest income	1,975.8	2,465.8	2,771.7	3,008.0	3,248.0
Interest expense	(745.7)	(1,156.3)	(1,341.0)	(1,466.1)	(1,588.7)
Net interest income	**1,230.1**	**1,309.6**	**1,430.7**	**1,541.9**	**1,659.3**
Islamic banking income	452.8	440.1	466.5	494.5	524.2
Total non-interest income	236.9	270.8	300.8	334.2	371.3
Total income	**1,919.8**	**2,020.5**	**2,198.0**	**2,370.5**	**2,554.7**
Overhead expenses	(881.4)	(973.7)	(1,060.5)	(1,160.7)	(1,270.8)
Operating profit	1,038.4	1,046.7	1,137.4	1,209.8	1,283.9
Loan loss provisioning	(151.9)	(135.4)	(171.9)	(183.0)	(182.6)
Profit before tax	**886.6**	**911.3**	**965.6**	**1,026.9**	**1,101.4**
Taxation	(208.8)	(220.8)	(231.7)	(246.4)	(264.3)
Net profit	**677.8**	**690.5**	**733.8**	**780.4**	**837.0**

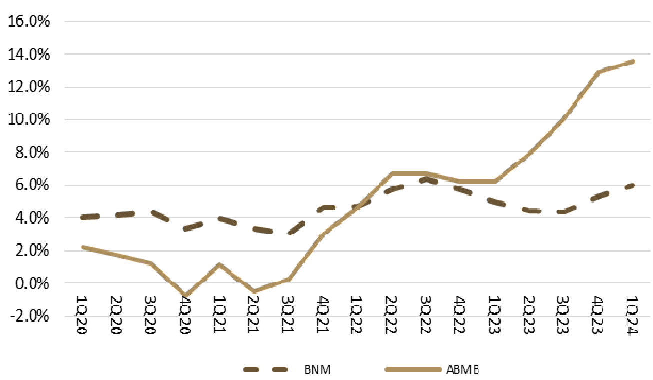
Balance Sheet Statement

FYE 31 Mar (RMm)	FY23	FY24	FY25e	FY26e	FY27e
Cash and short-term funds	3,570.7	4,596.7	6,152.9	6,949.1	7,232.0
Deposit with FIs	88.6	0.0	0.0	0.0	0.0
Marketable securities	12,369.3	14,436.0	14,580.4	14,726.2	14,873.5
Total current assets	**16,028.5**	**19,032.7**	**20,733.3**	**21,675.3**	**22,105.5**
Net loans and advances	47,926.0	54,720.8	59,497.3	64,279.8	69,425.6
Fixed assets	57.7	234.1	234.1	234.1	234.1
Intangible assets	440.4	462.4	462.4	462.4	462.4
Other long-term assets	1,858.0	2,496.2	1,523.3	1,568.6	1,615.6
Total assets	**66,310.5**	**76,946.1**	**82,450.4**	**88,220.1**	**93,843.2**
Customer deposits	50,849.0	57,397.5	63,137.2	68,819.6	74,325.2
Deposits from other FIs	1,719.3	2,055.1	2,157.8	2,265.7	2,379.0
Bills and acceptances	0.0	0.0	0.0	0.0	0.0
Bonds	1,571.5	1,571.9	1,571.9	1,571.9	1,571.9
Other liabilities	5,424.0	8,746.5	8,484.1	8,229.6	7,982.7
Total liabilities	**59,563.9**	**69,771.0**	**75,351.1**	**80,886.8**	**86,258.8**
Minority interests	0.0	0.0	0.0	0.0	0.0
Shareholders' funds	**6,746.6**	**7,175.1**	**7,099.3**	**7,333.3**	**7,584.4**

Key Financial Ratios and Margins

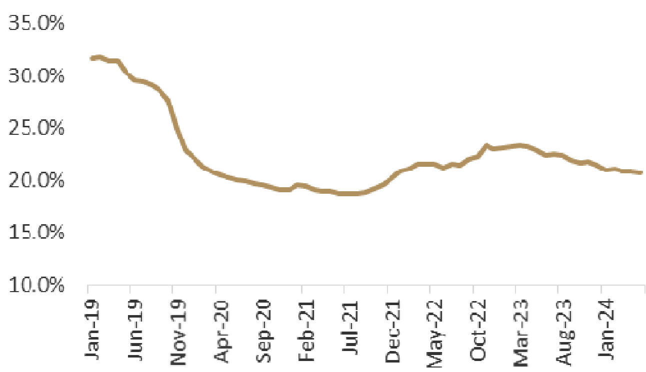
FYE 31 Mar (RMm)	FY23	FY24	FY25e	FY26e	FY27e
Return and efficiency					
ROE (%)	10.9%	10.4%	10.8%	11.4%	11.8%
ROA (%)	1.1%	1.0%	0.9%	0.9%	0.9%
Fee-based/total income (%)	46.8%	54.4%	54.8%	55.3%	55.7%
Non-interest/total income (%)	12.3%	13.4%	13.7%	14.1%	14.5%
Cost-to-income (%)	45.9%	48.2%	48.3%	49.0%	49.7%
Balance sheet					
Loans growth (%)	6.3%	13.6%	8.0%	8.0%	8.0%
Gross Impaired Loans ratio (%)	2.5%	2.1%	2.3%	2.1%	2.1%
Deposit growth (%)	5.5%	12.9%	10.0%	9.0%	8.0%
LD ratio (%)	96.7%	97.4%	95.6%	94.8%	94.8%
Gross Impaired Loans ratio (%)	2.5%	2.1%	2.3%	2.1%	2.1%
Investment statistics					
PER (x)	8.7	8.5	8.0	7.5	7.0
PBT growth rate (%)	7.2%	2.8%	6.0%	6.3%	7.3%
EPS (sen)	43.8	44.6	47.4	50.4	54.1
EPS growth rate (%)	18.3%	1.9%	6.3%	6.3%	7.3%
BV per share (RM)	4.36	4.63	4.59	4.74	4.90
P/BV (x)	0.87	0.82	0.83	0.80	0.77
DPS (sen)	22.0	22.3	22.5	23.0	24.0
Dividend yield (%)	5.8	5.9	5.9	6.1	6.3

Figure 1: Loan growth (YoY Chg %)



Source: BNM, Company, TA Securities

Figure 2: Foreign shareholding level



Source: Company, TA Securities

Inari Amertron Berhad

Ventures into AI-related Products

TP: RM4.30 ***(+16.2%)***

Last Traded: RM3.70

BUY (ESG: ★★★★)

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Overview

Inari Amertron Berhad (INARI) is an outsourced semiconductor assembly and test and electronic manufacturing services provider. Its principal business involves backend wafer processing, package assembly, and final testing of radio frequency (RF) semiconductor components. The group counts a leading US-based chipmaker as its key customer. Its facilities are located across Malaysia, the Philippines, and China.

Investment Themes

- **RF Segment's Growth Prospects Intact.** We believe INARI's core radio frequency (RF) segment will further benefit from: i) growing RF content demanded per smartphone (to support a broader range of frequency bands), and ii) ongoing 5G smartphone upgrade cycle. The volume of 5G smartphone shipments worldwide is estimated to grow from 657.6mn in 2023 to more than 1.0bn in 2027 at a CAGR of 9.4%.

- **Eying for More New Products Launching.** The group has been actively working on new projects as part of its customer diversification efforts. These new projects include memory products, high-power LEDs, system on modules, and optical/sensor products. Meanwhile, the group has ventured into testing and packaging of AI-related products. Despite the earnings contribution is relatively small at this juncture, the potential for AI-related products could be huge due to its wide applications. The group is currently working with both a US and a Japanese customer on these new AI-related services.

- **The Progress of China JV Remains Intact.** The new plant in China has passed the qualification for 4 products. The low-volume manufacturing for these products is expected to take place by 2H2024. Going forward, INARI's 54.5%-owned Yiwu Semiconductor International Corporation (YSIC) stands a good chance to capitalise on the strong growth of semiconductor industry in China, given that China is actively pushing for self-sufficiency on its semiconductor supply chain amid the persisting US-China trade tensions. Within 5 years, YSIC ambition is to achieve revenue of RMB1.0bn and listing status.

Risk

- Key downside risks include: 1) geopolitical tensions weighing on economic growth and disrupting supply chains, 2) weakening of USD against Ringgit, 3) surge in commodity prices, and 4) material shortages.

Recommendation

- We value INARI at RM4.30 based on 33.0x CY25F EPS, which is around +1.0SD to the stock's 5-year mean. We like INARI for its growth prospects with catalysts from the 5G and AI theme, traction with customer diversification efforts, and above-industry average profitability. Reiterate BUY.

Share Information

Bloomberg Code	INRI MK
Stock Code	0166
Listing	Main Market
Share Cap (mn)	3746.1
Market Cap (RMmn)	13864.6
Par Value	0.10
52-wk Hi/Lo (RM)	3.96/2.65
12-mth Avg Daily Vol ('000 shrs)	10397.7
Estimated Free Float (%)	58.5
Beta	1.1
Major Shareholders (%)	
	Insas Bhd - 13.6
	KWAP - 9.4
	EPF - 9.1

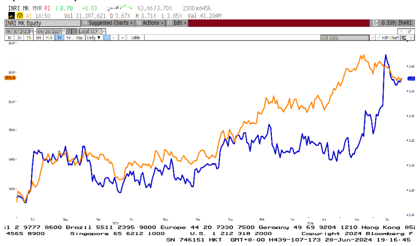
Financial Indicators

	FY25	FY26
Net Debt / Equity (%)	Net cash	Net cash
ROE (%)	13.2	17.2
ROA (%)	11.9	15.3
NTA/Share (RM)	0.7	0.7
Price/NTA (x)	5.2	5.2

Share Performance (%)

Price Change	**INARI**	**FBMKLCI**
1 mth	8.8	(1.6)
3 mth	17.1	3.9
6 mth	22.9	9.1
12 mth	37.0	14.5

(12-Mth) **Share Price** relative to the **FBM KLCI**



Source: Bloomberg

P&L

FYE Jun 30 (RMmn)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	1,547.9	1,354.0	1,502.0	1,714.8	1,861.2
EBITDA	520.8	407.2	442.9	568.5	635.2
Depreciation & amortisation	(100.9)	(106.7)	(112.4)	(117.8)	(122.1)
Net finance cost	22.9	51.1	48.4	47.0	46.0
EI	3.5	3.0	0.0	0.0	0.0
PBT	446.2	354.5	378.9	497.7	559.2
Taxation	(54.9)	(30.8)	(34.1)	(44.8)	(50.3)
MI	(0.3)	(1.5)	0.3	0.5	0.5
Net profit	391.0	322.3	345.1	453.4	509.4
Core net profit	387.5	319.3	345.1	453.4	509.4
EPS (sen)	10.5	8.7	9.4	12.3	13.8
DPS (sen)	10.0	8.2	8.9	11.7	13.1

Ratios

FYE Jun 30	FY22	FY23	FY24F	FY25F	FY26F
Valuations					
PER	35.2	42.6	39.6	30.1	26.8
Dividend yield	2.7	2.2	2.4	3.2	3.5
PBV	5.5	5.2	5.2	5.2	5.1
Profitability ratios					
ROAE	15.5	12.3	13.2	17.2	19.1
ROAA	13.4	10.8	11.9	15.3	17.0
EBITDA margin	33.6	30.1	29.5	33.2	34.1
PBT margin	28.8	26.2	25.2	29.0	30.0
Liquidity ratios					
Current ratio	6.7	7.4	9.0	8.2	7.8
Quick ratio	6.3	6.8	8.2	7.4	7.0
Leverage ratios					
Total liabilities/equity	0.2	0.1	0.1	0.1	0.1
Net debt/equity	Nt. Cash	Nt. Cash	Nt. Cash	Nt. Cash	Nt. Cash
Int. coverage ratio	nm	nm	nm	nm	nm
Growth ratios					
Sales	8.3	(12.5)	10.9	14.2	8.5
Pretax	26.6	(20.2)	6.5	31.4	12.3
Earnings	19.5	(17.3)	7.7	31.4	12.3
Total assets	59.1	2.5	(2.1)	1.7	1.4

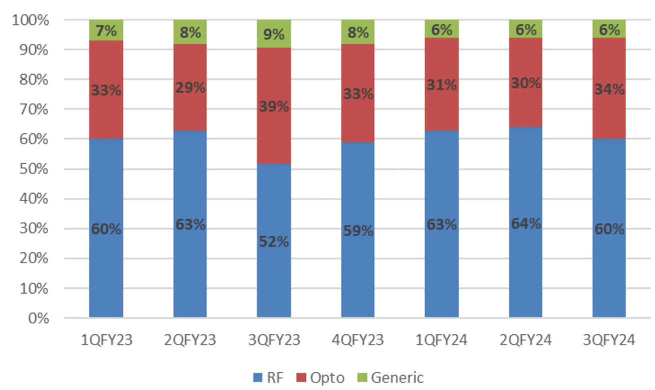
Balance Sheet

FYE Jun 30 (RMmn)	FY22	FY23	FY24F	FY25F	FY26F
Fixed assets	499.5	509.0	536.6	558.9	576.8
Goodwill	2.3	2.5	2.5	2.5	2.5
Others	1.7	9.9	9.9	9.9	9.9
LT assets	509.0	528.1	555.7	577.9	595.9
Inventories	147.0	183.2	197.0	224.9	244.1
Trade receivables	266.6	411.0	375.5	428.7	465.3
Cash	319.8	265.4	197.3	144.5	111.8
Others	1,652.2	1,578.9	1,578.9	1,578.9	1,578.9
Current assets	2,385.6	2,438.6	2,348.8	2,377.0	2,400.1
Total assets	2,894.5	2,966.8	2,904.5	2,954.9	2,996.0
Trade payables	262.6	276.1	199.2	229.5	247.2
ST borrowings	0.7	0.3	7.9	6.7	5.7
Others	91.6	55.0	55.0	55.0	55.0
Current liabilities	354.8	331.5	262.1	291.2	307.9
LT borrowings	14.4	15.2	5.3	4.5	3.8
Others	14.3	14.3	14.3	14.3	14.3
LT liabilities	28.7	29.5	19.6	18.8	18.1
Share capital	1,977.2	2,033.4	2,033.4	2,033.4	2,033.4
Reserves	527.9	569.2	586.5	609.2	634.6
Shareholders' funds	2,505.1	2,602.6	2,619.9	2,642.6	2,668.0
MI	6.0	3.2	2.9	2.4	1.9
Total liabilities and equity	2,894.5	2,966.8	2,904.5	2,954.9	2,996.0

Cash Flow

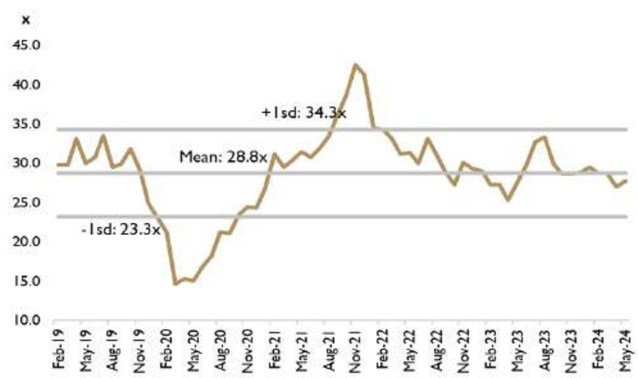
FYE Jun 30 (RMmn)	FY22	FY23	FY24F	FY25F	FY26F
PBT	446.1	355.8	378.9	497.7	559.2
Depreciation & amortisation	100.9	106.7	112.4	117.8	122.1
Net interest	(22.9)	(51.1)	(48.4)	(47.0)	(46.0)
Other non-cash	12.6	11.7	0.0	0.0	0.0
Changes in WC	(31.8)	11.0	(55.1)	(50.9)	(38.0)
Tax paid	(25.0)	(58.3)	(34.1)	(44.8)	(50.3)
Net interest	22.9	51.4	48.4	47.0	46.0
Others	0.3	0.0	0.0	0.0	0.0
Operational cash flow	503.1	427.1	402.1	519.8	592.9
Capex	(110.6)	(113.0)	(140.0)	(140.0)	(140.0)
Others	0.9	0.3	0.0	0.0	0.0
Investing cash flow	(109.7)	(112.7)	(140.0)	(140.0)	(140.0)
Net share issue	63.3	47.0	0.0	0.0	0.0
Dividend paid	(433.2)	(342.4)	(327.9)	(430.7)	(483.9)
Net change in debts	0.0	(0.8)	(2.3)	(2.0)	(1.7)
Others	-175.5	-90.5	0.0	0.0	0.0
Financial cash flow	(545.4)	(386.6)	(330.2)	(432.7)	(485.6)
Net cash flow	(151.9)	(72.2)	(68.1)	(52.9)	(32.7)
Opening cash flow	452.4	319.8	265.4	197.3	144.5
Forex	19.2	17.8	0.0	0.0	0.0
Closing cash flow	319.8	265.4	197.3	144.5	111.8

Figure 1: Revenue by Product



Source: Companies, TA Securities

Figure 2: Forward PE



Source: Bloomberg, TA Securities

Supercomnet Technologies Berhad

TP: RM1.73 *(+16.9%)*

Medical Segment to Drive Growth

Last Traded: RM1.48

BUY (ESG: ★★★)

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Overview

Supercomnet Technologies Berhad (Scomnet) is a leading and fast-growing manufacturer of cables and devices with strong expertise in medical as well as automotive fields. The group has strong global exposure given its expanding customer base of multinational corporations. As at 1Q24, the medical segment remained the key earnings contributor to the group, accounting for 76% of sales while automotive and industrial segment accounted for 5% and 19% of revenue respectively.

Investment Themes

- **Reputable clients.** Proven track record premised on long-term strategic partnership (15-20 years) with tier-1 healthcare partners such as Edwards Lifesciences and Ambu, giving the group orderbook visibility for the next 1-2 years. More importantly, all the R&D and automation machines to develop the products are borne by customers.
- **To accelerate growth with new products.** Innovative Health Sciences (IHS), specialising in infusion healthcare would become the third largest customer to Scomnet's over the medium term. The group will undergo performance qualification (PQ) in July, prior to the expected mass production in 4Q24. Meanwhile, Scomnet continues shift to whole device products such as Vascular Dialysis Catheters to target higher margins.
- **Exciting cancer play in the making.** US based customer N (patented holder using nanoshells – that convert light into heat, thermally destroying solid tumors) has been working with Scomnet's team to combine nanoshells and laser to minimize side effects linked to radiation. Note that FDA doctors have already verified all final 60 clinical trials (100% success rate) in 1Q24.

Risk

- Production delays. The group's medical products/suppliers are subject to FDA approval and availability of raw materials.

Recommendation

- We value Scomnet at **RM1.73/share** based on 30.0x CY25 EPS. We like the group due to its strong earnings growth of 31.9% in FY24F and growing pipeline of new products. Maintain **BUY**.

Share Information

Bloomberg Code	SCT MK
Stock Code	0001
Listing	Main Market
Share Cap (mn)	857.3
Market Cap (RMmn)	1268.0
52-wk Hi/Lo (RM)	1.65 / 1.19
12-mth Avg Daily Vol ('000 shrs)	1164.3
Estimated Free Float (%)	39.6
Beta	1.0
Major Shareholders (%)	
	James Shiue - 14.0%
	Shiue Jyh Jeh - 11.0%
	Hsueh Chih Yu - 13.2%
	Wu Huei Chung - 9.5%
	Lim Eng Chuan - 6.5%
	Wu Chung Jung- 6.2%

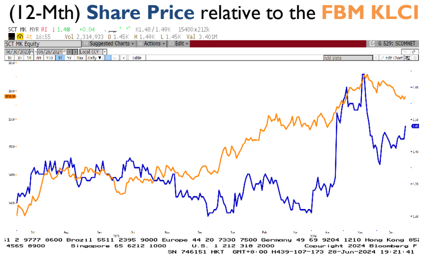
Financial Indicators

	FY24	FY25
Net Gearing (%)	Net cash	Net cash
ROE (%)	10.2	12.0
ROA (%)	9.5	11.1
NTA/Share (RM)	0.4	0.5
Price/NTA (x)	3.4	3.2

Share Performance (%)

Price Change	SCOMNET	FBMKLCI
1 mth	2.1	(1.6)
3 mth	21.3	3.9
6 mth	21.3	9.1
12 mth	17.5	14.5

(12-Mth) **Share Price** relative to the **FBM KLCI**



Source: Bloomberg

P&L

FYE Dec (RM mn')	FY22	FY23	FY24F	FY25F	FY26F
Revenue	158.3	138.1	176.4	224.9	242.3
EBITDA	48.6	42.7	54.5	69.1	74.5
Depreciation & amortisation	(6.4)	(5.9)	(5.8)	(7.8)	(9.0)
Net finance cost	0.6	1.1	2.2	2.9	4.5
PBT	42.8	37.9	50.9	64.2	70.0
Taxation	(9.9)	(8.2)	(11.7)	(14.7)	(15.9)
MI	0.0	0.0	0.0	0.0	0.0
PAT (-MI)	32.9	29.7	39.2	49.5	54.2
Adj. EPS (sen)	3.8	3.5	4.6	5.8	6.3
DPS (sen)	2.0	2.0	2.1	2.6	2.8

Ratios

FYE Dec	FY22	FY23	FY24F	FY25F	FY26F
Valuations					
PER (x)	38.6	42.7	32.4	25.7	23.4
Dividend yield (%)	1.4	1.4	1.4	1.8	1.9
PBV (x)	3.9	3.5	3.3	3.1	2.9
Profitability ratios (%)					
ROAE	10.0	8.2	10.2	12.0	12.3
ROAA	9.2	7.7	9.5	11.1	11.4
EBITDA margin	30.7	30.9	30.9	30.7	30.7
PBT margin	27.0	27.5	28.9	28.5	28.9
Liquidity ratios (x)					
Current ratio	10.0	15.2	12.6	11.0	11.1
Leverage ratios (x)					
Net debt/equity	Net cash	Net cash	Net cash	Net cash	Net cash
Growth ratios (%)					
Sales	10.2	(12.8)	27.7	27.5	7.8
PBT	32.0	(11.4)	34.2	26.1	9.1
PAT (-MI)	30.5	(9.6)	31.9	26.1	9.5

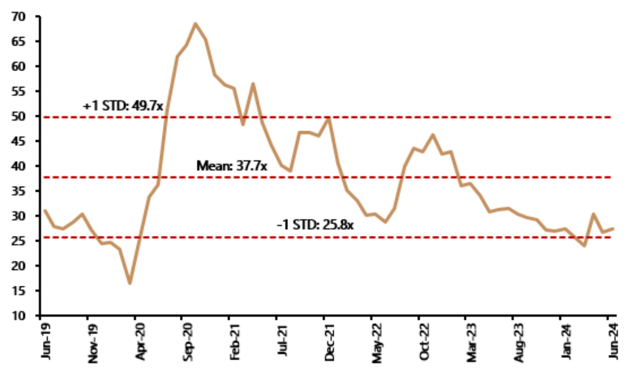
Balance Sheet

FYE Dec (RM mn')	FY22	FY23	FY24F	FY25F	FY26F
Fixed assets	20.5	21.5	27.7	31.9	34.9
Others	103.8	100.9	100.9	100.9	100.9
LT assets	124.3	122.4	128.6	132.8	135.8
Inventories	38.7	41.9	39.2	50.0	53.8
Trade receivables	31.9	26.5	35.3	45.0	48.5
Cash	16.3	15.2	29.8	38.2	59.7
Others	146.5	178.6	178.6	178.6	178.6
Current assets	233.4	262.2	282.9	311.8	340.7
Total assets	357.7	384.7	411.4	444.6	476.5
Trade payables	21.8	16.4	21.6	27.5	29.7
Others	1.5	0.9	0.9	0.9	0.9
Current liabilities	23.3	17.3	22.5	28.4	30.6
LT liabilities	5.5	4.9	4.9	4.9	4.9
Total liabilities	28.8	22.2	27.4	33.4	35.5
Share capital	247.6	267.0	267.0	267.0	267.0
Retained earnings	81.3	95.4	117.0	144.2	174.0
Total equity	328.9	362.5	384.0	411.2	441.0
Total liabilities and equity	357.7	384.7	411.4	444.6	476.5

Cash Flow

FYE Dec (RM mn')	FY22	FY23	FY24F	FY25F	FY26F
Profit	32.9	29.7	39.2	49.5	54.2
Depreciation and amortisation	6.4	5.9	5.8	7.8	9.0
Others	5.1	2.7	9.4	11.8	11.4
Changes in WC	(2.8)	(3.1)	(0.8)	(14.5)	(5.2)
Tax paid	(11.1)	(9.3)	(11.7)	(14.7)	(15.9)
Operational cash flow	30.5	25.9	42.0	39.8	53.4
Capex	(5.9)	(4.1)	(12.0)	(12.0)	(12.0)
Others	(24.6)	(30.7)	2.2	2.9	4.5
Investing cash flow	(30.5)	(34.9)	(9.8)	(9.1)	(7.5)
Dividend paid	(15.2)	(15.7)	(17.6)	(22.3)	(24.4)
Others	1.5	18.0	0.0	0.0	0.0
Financial cash flow	(13.7)	2.3	(17.6)	(22.3)	(24.4)
Net cash flow	(13.5)	(1.4)	14.6	8.4	21.5
Opening cash flow	28.7	16.3	15.2	29.8	38.2
Forex	1.2	0.3	0.0	0.0	0.0
Closing cash flow	16.3	15.2	29.8	38.2	59.7

Figure 1: Forward PE



Source: Bloomberg, TA Securities

Figure 2: Medical Segment Clients

Source: Supercomnet, TA Securities

Telekom Malaysia Berhad

Benefitting from the Growing Demand for Data Centres

TP: RM7.70 *(+13.9%)*

Last Traded: RM6.76

BUY (ESG: ★★★★)

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Overview

Telekom Malaysia (TM) is a telecommunications service provider offering a comprehensive suite of communication services and solutions in fixed (telephony and broadband), mobility, content, WiFi, information and communications technology, cloud, and smart services.

Investment Themes

- **Digital Economy.** We expect TM to continue benefitting from Malaysia's digital economy given that the private and public sectors will continue pursuing the digitalisation journey. TM can provide innovative solutions to the enterprise and government via a wide range of product & services such as network services, IT landscape migration, managed services as well as cybersecurity services. On top of that, TM also has state-of-the-art data centres and cloud infrastructures, which can ensure full data residency, locality, and sovereignty for the Malaysian government. Meanwhile, TM is also playing an important role in supporting Malaysia's 5G rollout via leasing fibre to Digital Nasional Bhd under a service agreement worth RM2.0bn over 10 years.

- **Further Upside from Unifi.** In 1Q24, TM charted its 16th consecutive quarter of fixed broadband net adds as total subscribers climbed 4k QoQ to a new high of 3,135k. We believe there is still further room for growth with Malaysia's fixed broadband penetration rate at 46.9% per 100 premises in 1Q24. The growth of the fixed broadband market will be supported by the national digital infrastructure plan (JENDELA). Under JENDELA Phase 2 (2023-2025), the target is to increase premises passed with fibre connectivity from 7.7mn to 9.0mn.

- **Data Centre is a New Pathway for Growth.** We believe the data centre could be a new avenue for earnings growth. TM has recently proposed to set up a joint venture (JV) with Singtel's regional data centre arm, Nxera MY Pte Ltd, to develop an advanced data centre in Johor, Malaysia. The data centre is initially designed for 64MW and could be scaled up to 200MW later. It is envisioned to be a cloud-enabled Tier 3 facility and it is expected to be operational in 2026. We like this proposed JV as it will have a strong competitive edge in terms of connectivity network and connectivity costs, which shall help to capture the rising demand and opportunities from the next generation of AI application providers and multinational companies.

Risk

- Downside risks include heightened competition and unfavourable regulatory changes.

Recommendation

- We value TM at a TP of RM7.70/share based on DCF valuation with a WACC of 8.5% and a long-term growth rate of 2.0%.

Share Information

Bloomberg Code	T MK
Stock Code	4863
Listing	Main Market
Share Cap (mn)	3836.3
Market Cap (RMmn)	25936.8
Par Value	0.70
52-wk Hi/Lo (RM)	7.02/4.77
12-mth Avg Daily Vol ('000 shrs)	4723.0
Estimated Free Float (%)	39.3
Beta	0.8
Major Shareholders (%)	
	Khazanah - 19.7
	EPF - 17.2
	Amanah Saham Nasional - 12.4

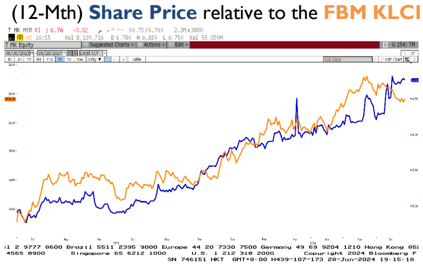
Financial Indicators

	FY24	FY25
Net Debt / Equity (%)	Net Cash	Net Cash
ROE (%)	18.0	14.7
ROA (%)	7.6	6.7
NTA/Share (RM)	2.5	2.7
Price/NTA (x)	2.7	2.5

Share Performance (%)

Price Change	T	FBMKLCI
1 mth	5.0	(1.6)
3 mth	12.5	3.9
6 mth	21.6	9.1
12 mth	35.7	14.5

(12-Mth) **Share Price** relative to the **FBM KLCI**



Source: Bloomberg

P&L

YE Dec 31 (RMmn)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	12,118	12,256	12,544	12,880	13,137
EBITDA	4,945	4,859	4,936	5,107	5,243
Depreciation & amortisation	(2,863)	(2,796)	(2,771)	(2,846)	(2,923)
Net finance cost	(312)	(255)	(225)	(145)	(86)
Forex	(94)	(49)	0	0	0
Associates	11	13	14	14	15
Others	(1)	36	0	0	0
PBT	1,687	1,809	1,953	2,130	2,249
Taxation	(542)	77	(195)	(586)	(619)
MI	(1)	(15)	83	82	78
Net profit	1,143	1,871	1,841	1,626	1,709
Core net profit	1,417	2,094	1,841	1,626	1,709
EPS (sen)	37.6	55.6	48.9	43.2	45.4
DPS (sen)	16.5	25.0	19.6	23.8	25.0

Ratios

YE Dec 31	FY22	FY23	FY24F	FY25F	FY26F
Valuations					
PER (x)	18.0	12.2	13.8	15.7	14.9
EV/EBITDA (x)	6.2	6.3	6.2	6.0	5.8
Dividend yield (%)	2.4	3.7	2.9	3.5	3.7
PBV (x)	3.1	2.7	2.5	2.3	2.2
Profitability ratios (%)					
ROAE	17.9	22.9	18.0	14.7	14.5
ROAA	6.1	9.1	7.6	6.7	6.9
EBITDA margin	40.8	39.6	39.3	39.6	39.9
PBT margin	13.9	14.8	15.6	16.5	17.1
Liquidity ratios (x)					
Current ratio	1.2	1.1	1.5	1.6	1.7
Quick ratio	1.1	1.1	1.5	1.6	1.7
Leverage ratios (x)					
Total liabilities/equity	1.9	1.5	1.3	1.2	1.1
Net debt/equity	0.3	0.2	(0.1)	(0.2)	(0.3)
Int. coverage ratio	6.7	8.1	9.6	15.6	26.9
Growth ratios (%)					
Sales	5.1	1.1	2.4	2.7	2.0
Pretax	35.3	7.2	8.0	9.1	5.6
Earnings	30.1	47.8	(12.1)	(11.7)	5.0
Total assets	5.3	0.8	1.0	2.0	1.8

Balance Sheet

YE Dec 31 (RMmn)	FY22	FY23	FY24F	FY25F	FY26F
Fixed assets	13,547	13,026	12,477	11,910	11,309
Associates + Subsidiaries	94	100	114	128	143
Goodwill	746	903	866	830	796
Others	2,345	2,391	2,258	2,320	2,378
LT assets	16,732	16,421	15,715	15,188	14,627
Inventories	305	205	209	214	219
Trade receivables	2,312	2,275	2,423	2,488	2,538
Cash	2,579	2,955	4,728	5,376	6,137
Others	1,202	1,080	1,080	1,080	1,080
Current assets	6,399	6,515	8,440	9,159	9,973
Total assets	23,131	22,936	24,155	24,347	24,601
Trade payables	3,718	3,033	3,844	3,947	4,026
ST borrowings	310	1,226	207	180	157
Others	1,430	1,615	1,615	1,615	1,615
Current liabilities	5,457	5,874	5,665	5,742	5,798
LT borrowings	4,960	3,537	3,927	3,419	2,987
Others	4,625	4,202	4,269	4,164	4,080
LT liabilities	9,585	7,739	8,196	7,583	7,067
Share capital	3,987	4,070	4,070	4,070	4,070
Reserves	3,950	5,093	6,147	6,958	7,749
Shareholders' funds	7,937	9,163	10,217	11,028	11,819
MI	153	160	77	(6)	(83)
Total liabilities and equity	23,131	22,936	24,155	24,347	24,601

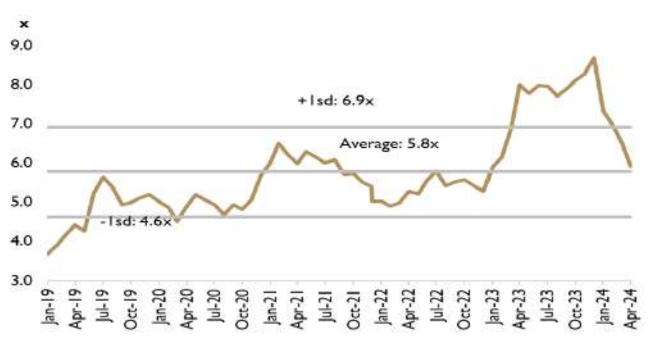
Cash Flow

YE Dec 31 (RMmn)	FY22	FY23	FY24F	FY25F	FY26F
PBT	1,687	1,809	1,953	2,130	2,249
Depreciation & amortisation	2,863	2,686	2,661	2,736	2,835
Net interest	224	255	225	145	86
Other non-cash	(339)	(13)	(14)	(14)	(15)
Changes in WC	(439)	(582)	1,018	26	20
Tax paid & others	(730)	(279)	(536)	(882)	(877)
Operational cash flow	3,266	3,875	5,308	4,141	4,298
Capex	(2,664)	(2,171)	(2,234)	(2,293)	(2,338)
Interest received	54	101	115	152	173
Others	1,275	426	0	0	0
Investing cash flow	(1,335)	(1,644)	(2,119)	(2,142)	(2,166)
Net share issue	0	0	0	0	0
Dividend paid	(395)	(730)	(787)	(815)	(917)
Net change in debts	(1,071)	(1,031)	(629)	(535)	(455)
Others	(619)	(94)	0	0	(0)
Financial cash flow	(2,084)	(1,854)	(1,417)	(1,351)	(1,372)
Net cash flow	(153)	377	1,772	649	761
Opening cash flow	2,734	2,579	2,955	4,728	5,376
Forex	(1)	(1)	0	0	0
Closing cash flow	2,579	2,955	4,728	5,376	6,137

Figure 1: Forward PE

Source: Companies, TA Securities

Figure 2: Forward EV/EBITDA



Source: Bloomberg, TA Securities

Sector View

Automotive Sector

(Neutral)

Returning to Normalcy

(ESG: ★★★★)

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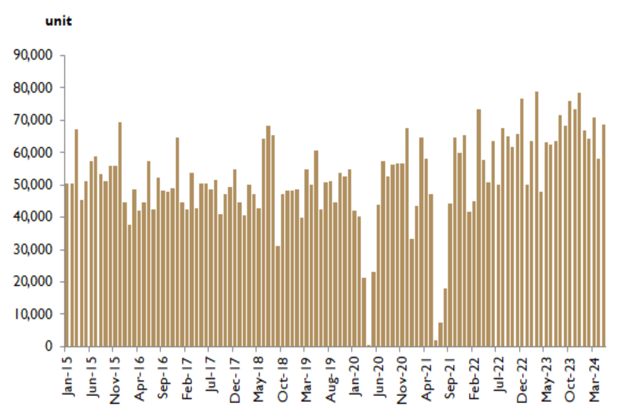
The first five months of 2024 saw a surge in the total industry volume (TIV), driven by several factors such as, i) the launch of appealing new models, ii) companies expedited new car productions and deliveries, and iii) promotional campaigns for Hari Raya. We expect car sales to stabilise in 2H24, as there is an absence of major catalysts to drive vehicle sales to another record high. With that, we forecast a reduced TIV of 700,000 units (-12.5% YoY) for the year. Additionally, we anticipate that the targeted fuel subsidy scheme will impact car sales. Meanwhile, with a diverse range of car brands entering the local market and a deluge of new electric vehicles (EVs), this will certainly spark fierce price competition. Overall, we maintain our Neutral recommendation for the sector.

Review of 1H2024

The total industry volume (TIV) for the initial five months of 2024 saw an 8.3% YoY increase, reaching 328.9k units, primarily fuelled by the passenger car segment, up 11.1% YoY to 301.1k units. This growth was more than offset the decline in the commercial vehicle segment, which dropped to 27.8k units (-14.7% YoY). The upturn in passenger vehicles was notably driven by heightened sales from Perodua (+19.6%) and Honda (+13.9%).

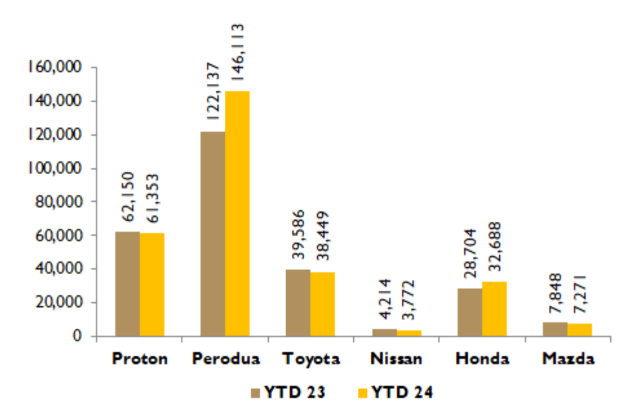
On the earnings report card, two companies exceeded expectations, while another met estimates, thanks to improved supply chain conditions and accelerated deliveries ahead of the Hari Raya festivities. SIME outperformed with higher profits, driven by its industrial division and contributions from UMW consolidation, while MBM's profits remained unchanged, with decreased margins in its Motor Trading Division. Conversely, BAuto experienced a lower profit due to reduced sales volume and unfavourable sales mix. Overall, the sector's earnings increased by 26.6% YoY and 8.7% QoQ.

Figure 1: TIV



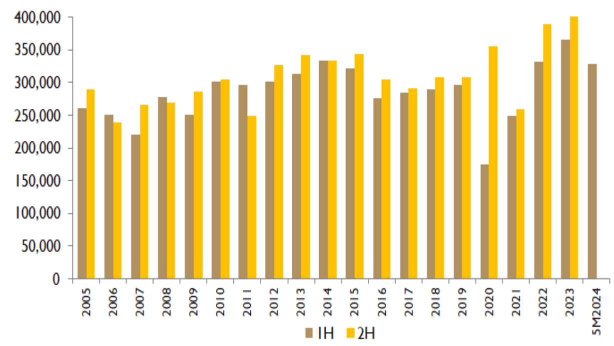
Source: MAA, TA Research

Figure 2: YTD TIV Performance (Pass. Segment)



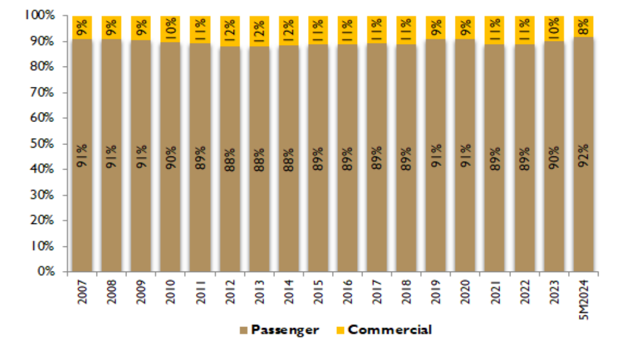
Source: MAA, TA Research

Figure 3: TIV on Half Year Basis



Source: MAA, TA Research

Figure 4: Passenger versus Commercial Vehicles



Source: MAA, TA Research

National Marques Navigate Market Dynamics

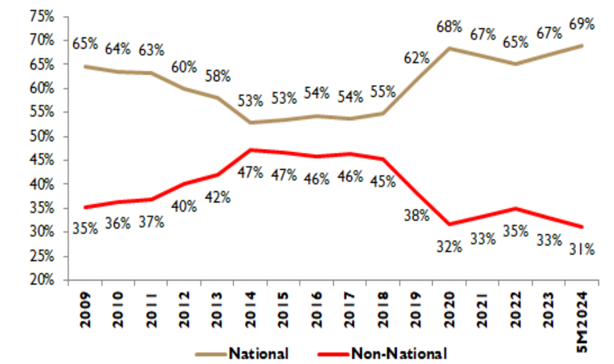
For the first 5 months of 2024, the combined market share of national car brands experienced a slight increase, from 68.0% to 68.9% compared to the same period last year in the overall passenger car market. Perodua achieved a sales volume growth of 19.6% YoY and maintained its dominant market share of approximately 49% for 5M24. Perodua aims to sustain its sales target at 330k units (like 2023). With sales reaching 146.1k units in 5M24, representing roughly 44.3% of its target, Perodua remains on track to meet its goal.

Proton's car sales volume dropped marginally by 1.3% YoY to 61.4k units for 5M24, resulting in the company holding a market share of 20.4% in the passenger car segment. This marks a decrease of 2.6 percentage points compared to 2023. Looking ahead, we anticipate SUVs to become the dominant force in the car market in terms of sales volume, with electric vehicles (EVs) poised for exponential growth. Despite this trend, Perodua and Proton are expected to lead 2024 car sales due to their affordability.

We anticipate automotive companies to adopt more assertive pricing strategies for both current and upcoming products to safeguard their market shares amidst escalating competition. Despite launching new models, facelift versions, and new variants, declining backlog orders will likely result in weaker sales in 2024.

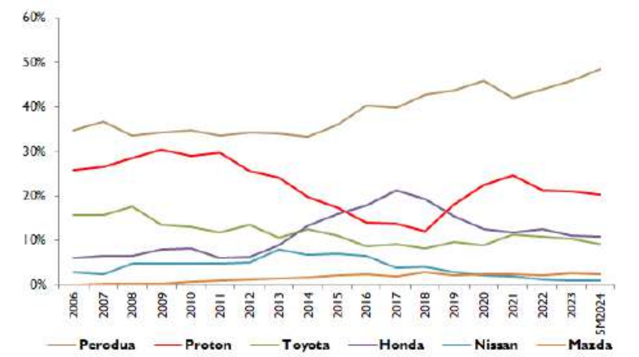
Meanwhile, we do not discount the possibility that some customers may postpone their purchases, anticipating the launch of these national brand EVs in 2025 and the expiration of the RM100,000 price cap on imported CBU EVs. It has been reported that the government plans to lift this requirement after 2025.

Figure 5: Market Share (National vs. Non-National)



Source: MAA, TA Research

Figure 6: Market Share (Passenger Segment)

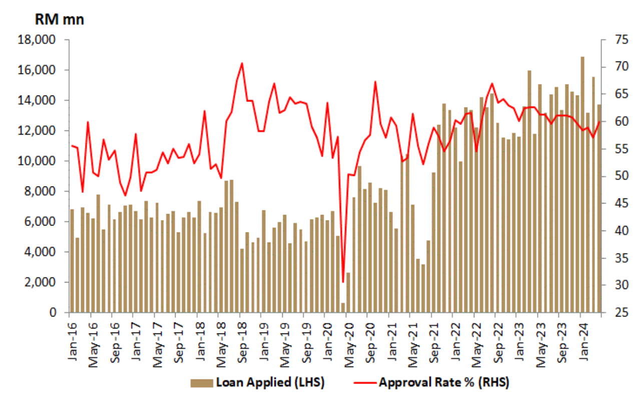


Source: MAA, TA Research

Persistent Decline of Consumer Sentiments Index (CSI)

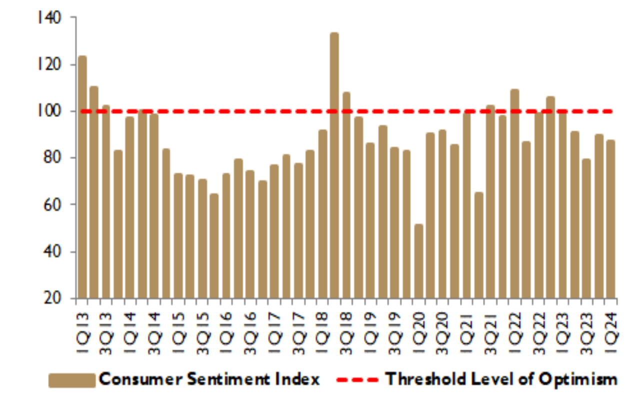
According to the Malaysian Institute of Economic Research (MIER), the Consumer Sentiment Index (CSI) has consistently stayed below the 100-point mark for five consecutive quarters since the 1Q23. The index declined by 2.3 percentage points QoQ to reach 87.1 points in the 1Q24, marking a significant decrease of 12.1 percentage points YoY. MIER suggests that persistent worries regarding inflation further dampen confidence, causing many individuals to hold back on their spending plans. In our opinion, weak consumer confidence combined with inflationary pressures will certainly lead consumers to avoid major purchases like cars and homes.

Figure 7: Loan for Purchase of Pass. Vehicles



**BNM has revised the data to include additional loan/financing data publication by facility type starting from Aug 2022.*
Source: BNM, TA Research

Figure 8: MIER Consumer Sentiment Index



Source: MIER, TA Research

The Competition in the Local EV Arena is Intensifying

The local electric vehicle (EV) sector is experiencing a surge in competition, driven by the entry of new brands and the expansion of offerings by existing players. Presently, there are over 40 EV models available in the market. In 1Q24, xEV sales (comprising Hybrid Vehicles (HV) and Electric Vehicles (EV)) reached 11k units, with HVs accounting for 8.3k units and EVs for 2.7k units. This represents a promising start to the year, amounting to nearly one-third of total xEV sales in 2023. We will see more EVs entering the market in 2H 2024 and 2025, giving consumers more access and choices. Those already in the pipeline included Zeekr 009, Renault 5, Mercedes Benz G-Class, X-Peng G6, Peugeot e-2008, Porsche Macan Electric, Perodua EM-O, Proton eMas, etc.

New Road Tax Should Not Inhibit the Purchase of an EV

Meanwhile, the government has officially published a new road tax system for EVs starting in 2026. EVs are currently free from paying road tax until December 31, 2025. We believe that the new road tax should not inhibit the purchase of an EV because the rates are much lower than those decided in 2019 and internal combustion engine (ICE) vehicles. The new EV road tax structure is based on kilowatts (kW) and divided into motor output power ranges.

Fuel Subsidy Rationalisation to Affect Mid-Market Segment

We anticipate that the government's fuel rationalization program will impact the demand for mid-market automobiles, especially among the M40 group. Consumers in this segment may delay purchasing new cars or opt for vehicles with smaller engines, potentially benefiting Perodua and Proton. However, we believe the effects could be moderated by the recent introduction of Employees Provident Fund's (EPF) Account 3 withdrawal and anticipated salary increases for civil servants by year-end. These initiatives are expected to increase disposable income for households, thereby cushioning the impact of the fuel rationalization policy.

Meanwhile, the targeted fuel subsidies are also projected to stimulate demand for EVs, particularly affordable options, and promote greater adoption of hybrid and electric vehicles in Malaysia. According to a study by Tenaga Nasional Berhad (TNB), the fuel/energy costs associated with EV usage are 11.4% to 51% lower compared to internal combustion engine (ICE) cars. However, to support EV sales, the government must accelerate the installation of EV charging points. Currently, there are approximately 2,288 EV charging stations in Malaysia, which falls significantly short of the target of 10,000 stations by 2025.

Maintain Neutral

We maintain our **Neutral** recommendation for the sector. Despite the introduction of new models, facelift versions, and new variants, forthcoming car sales might be influenced by declining consumer sentiment and the implementation of the targeted fuel subsidy scheme. Our 2024 TIV forecast remains at 700k units (-12.5% YoY).

We also like **BAUTO** (TP: RM2.66) due to its resilient car sales and attractive dividend yield. Key risks are: 1) reduction in purchasing power among Malaysian consumers, 2) Intense competition from China players, 3) unfavourable new tax policy on imported vehicles, 4) fuel subsidy rationalisation policy, which is expected to affect the demand for mid-market automobiles.

Meanwhile, we are revising **SIME**'s target price from RM3.27 to **RM2.76** due to a reduction in the PER multiple across all divisions to align with similar companies in the region. We expect SIME's Industrial division in Australia will likely sustain strong performance, driven by a healthy order book and high demand from the mining sector. However, this growth may be offset by reduced equipment sales in China due to a slowdown in the construction sector and fierce competition in China's automotive industry, resulting in declining margins. Consequently, we have downgraded our recommendation for SIME from Buy to **Hold**. The stock's implied PER of 13.4x is reflected in our sum-of-parts valuation.

Figure 9. Peers Comparison

			Price	TP	PER (x)		P/BV (x)		Dividend Yield (%)		ROE (%)	
Company	**Call**	**ESG**	**(RM)**	**(RM)**	**CY24**	**CY25**	**CY24**	**CY25**	**CY24**	**CY25**	**CY24**	**CY25**
Malaysia (RM)												
BAUTO	Buy	★★★★	2.51	2.66	8.8	9.3	3.3	3.0	8.5	7.5	33.2	28.1
MBMR	Sell	★★★	5.29	4.70	7.6	7.9	0.9	0.9	5.9	5.7	11.9	10.8
SIME	Hold	★★★★	2.62	2.76	12.7	12.7	1.0	1.0	5.5	5.5	8.0	7.8

Source: Bloomberg, TA Research

Banking Sector

(OVERWEIGHT)

Signs of Expansion

(ESG: ★★★★)

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Review of 1Q 2024

1Q CY24 results met expectations

The banking sector reported encouraging 1QCY24 results, with profits largely meeting expectations for all banks under coverage. The combined net profit for these banks increased by 5.7% QoQ and 7.4% YoY, reaching RM8.6bn. The total income for banks under coverage grew by 5.0% QoQ and 11.2% YoY, driven by a turnaround in NII, which increased by 2.7% YoY after four consecutive quarters of decline. QoQ, NII rose by 1.5%. Contributions from Islamic Banking operations also improved. Non-interest income (non-NII) remained robust, increasing by 16.6% QoQ and 28.9% YoY to RM6.3bn, primarily due to higher trading and investment income. Notably, the sector's core fee income continued its upward trend for the third consecutive quarter, rising by 14.8% YoY (vs 4Q23: +9.8% YoY, 3Q23: +11.3% YoY).

Turnaround in NII, Fee income on upward trend

Healthy asset quality

Next, the overall asset quality remained healthy as the bank's average gross impaired loans (GIL) ratio improved slightly to 1.58% in 1QCY24 vs. 1.59% in 4QCY23 and 1.66% a year ago. The total impaired loans for all banks under our coverage stood at around RM32.4bn, 1.2% YoY lower than RM32.8bn in 1QCY23. Despite that, loan allowances accelerated by 18.5% YoY (-23.7% QoQ). The sector's average loan loss coverage (LLC) fell to 113% from 132% in 1QCY23. Finally, the banking system remains well supported by substantial capital and liquidity reserves during the quarter under review, with the CET1 and total capital ratio at 14.0% and 17.5%, respectively.

Supported by more than sufficient capital and liquidity buffers

Key drivers for the banking sector in 2H 2024 are as follows:

1. **Operating income to improve**
2. **Supported by healthy asset quality**
3. **Backed by ample capital and liquidity buffers**

1. More robust loan growth and stable margins

Loan growth raised to 6.1% in 2024

We raise our loan growth forecast for 2024 from 5.8% to 6.1%, underpinned by increases in consumer and business loans of 6.3% (from 5.9%) and 5.9% (from 5.6%), respectively. According to Bank Negara Malaysia (BNM), total loans and advances advanced 6.0% YoY and 0.1% MoM in April 2024. The business segment upheld a robust growth trajectory, to improve by 5.4% YoY (-0.3% MoM). The improvement in business loans is noteworthy, rising at a YTD growth rate of 1.0% vs a contraction of 0.1% in April 2023.

Opportunities abound for business loans

By sector, only three major sectors experienced a YoY loan contraction, compared to six in our last review, indicating a broader economic improvement compared to December 2023. We believe the government's ongoing initiatives to stimulate investment activities should augur well for the economy, with construction and infrastructure projects like the MRT3, Penang LRT, Kuala Lumpur-Singapore high-speed rail, and significant flood mitigation efforts driving growth. Additionally, the National Energy Transition Roadmap (NETR) is set to boost renewable energy investments, attracting both domestic and foreign interest. Key economic indicators, such as a business loan approval rate of 56%, exceeding the 10-year average of 49%, reflect banks' increased willingness to finance due to improved asset quality and sufficient capital and liquidity. This, combined with a stable interest rate environment, suggests a continued rise in demand for business loans in the coming 6 to 12 months.

Resilient consumer loans

Consumer loans continued to demonstrate remarkable resilience YTD. According to BNM, total consumer loans accelerated by 6.5% YoY (+0.4% MoM), buoyed by the steadfast pillars of mortgages, hire purchase (HP), and credit cards. Residential Mortgages, which account for a sizeable chunk (around 64%) of total consumer loans, continued to support growth in the segment, increasing at a more robust pace of 7.5% YoY (April 2023: +6.7% YoY). HP loans also climbed at a healthier rate of 10.1% YoY (April 2023: +8.4% YoY), while the yearly drawdowns for credit cards and loans for personal uses broadened by 8.9% YoY (April 2023: +16.7% YoY) and 5.7% YoY (April 2023: +2.7% YoY). However, drawdowns for the Purchase of Securities declined again by 10.3% YoY (April 2023: -5.4% YoY).

The healthy BNM consumer data aligns with the recent 1Q results announced, where banks under our coverage collectively surpassed BNM's rate to increase by 8.0% YoY (+1.7% QoQ). For the banks under our coverage, demand for consumer loans remained robust, particularly in hire purchase (+10.2% YoY), mortgages (+8.9% YoY), personal use (+13.6% YoY), and credit cards (+12.1% YoY). We maintain a positive outlook, anticipating that loan demand in the consumer segment will continue to thrive, driven by expectations of a recovering labour market in Malaysia, the introduction of a progressive wage system starting from June 2024, and the implementation of various assistance programs for the lower to middle-income group under Budget 2024. That said, we believe that banks with substantial consumer loans, such as Public Bank, Hong Leong Bank, and Affin Bank, are well-positioned to enjoy steady demand driven by mortgages, hire purchases, and credit cards.

NII projected to recover in CY24

Taken together, we project Net interest income (NII) to grow by 2.2% in CY24 after contracting by some 5.2% in CY23. Islamic Banking operations' contributions are also expected to rise at a stronger pace of 5.8% YoY in CY24, vs growth of 0.7% in CY23. To recap, the NII contraction in CY23 was mostly due to Net Interest Margin (NIM), which declined by a steep 19 bps YoY due to 1) repricing of deposits and 2) ongoing deposit competition. That said, growth in the sector's total interest expense continues to accelerate at a faster 26.7% YoY in the 1Q of CY24, surpassing the 15.5% YoY increase in total interest income.

Going forward, we foresee more stable NIM movement, as seen in the slight one bp QoQ expansion in the average NIM to 1.97%. We expect steadier NIM (-2 bps YoY) to be underpinned by the repricing of fixed deposits (FDs) at lower rates, along with encouraging signs of more rational deposit competition in recent quarters. Furthermore, the accumulation of CASA deposits strengthened by 0.9% QoQ and 7.0% YoY, while costlier FD balances expanded at a slower pace of 5.1% YoY.

Non-interest income to remain robust

We anticipate another year of healthy growth prospects for non-interest income (non-NII), which we forecast would improve by another 15.9% YoY in CY24 after accelerating by 25.0% in CY23. As seen in the recent 1Q CY24 results performance, non-NII remained robust, increasing by 16.6% QoQ and 28.9% YoY to RM6.3bn, primarily due to higher trading and investment income. Notably, the sector's core fee income continued its upward trend for the third consecutive quarter, rising by 14.8% YoY (vs 4Q CY23: +9.8% YoY, 3Q CY23: +11.3% YoY), buoyed by an improvement in capital markets. Corporate bond markets, driven by an expansionary Budget 2024 initiatives, as well as various infrastructure projects and NETR investments, appear to be gaining momentum. Capital market activities have improved in the first four months of 2024, with net funds raised by the private sector through new shares and debt securities issuance amounting to RM34.2bn (excluding redemptions) vs RM29.3bn YTD in April 2023.

2. Supported by healthy asset quality

Overlay buffers intact

As expected, provisions continued to soften in CY23, given that banks under our coverage had proactively shored up around RM8.2bn (based on December 2023) in provisions throughout CY20 and CY21 to buffer against potential credit losses. Credit charges have since softened from 40.8 bps in CY22 to 32.2 bps in CY23. We forecast further improvements of 29.9/29.5/28.6 bps in CY24/25/26. Based on our latest checks, total overlays remain largely intact at around RM7.8bn.

Slight improvement in impaired loans

Furthermore, the average gross impaired loans (GIL) ratio has shown a positive trend, improving slightly to 1.58% in 1QCY24 compared to 1.59% in 4Q CY23 and 1.66% a year ago. The total impaired loans for all banks under our coverage stood at around RM32.4bn, 1.2% YoY lower than RM32.8bn in 1Q CY23. Despite this, banks are maintaining a vigilant stance on asset quality as the average loan loss coverage (LLC) fell to 113% from 132% in 1Q CY23. However, given the benign credit environment, we believe this risk is manageable. Nevertheless, we note that some banks under our coverage, such as AMMB and RHB, may need to bolster their reserves, as their LLCs are below 100%. On the other hand, Public Bank, Hong Leong Bank, and Maybank reported LLCs that were above their peers at 169%, 154%, and 121%, respectively, indicating better asset quality health.

3. Backed by ample capital and liquidity buffers

Banks continue to be backed by ample capitalisation and healthy liquidity

Elsewhere, the sector remained supported by ample capital and liquidity buffers well above regulatory requirements. Based on BNM's latest April 2024 data, the sector's CET1 and Total Capital Ratio stood at 14.5% and 18.1%, respectively, little changed compared to 14.8% and 18.6% a year ago. BNM also noted that banks maintained healthy capitalisation levels, sufficient to withstand potential shocks and continue supporting credit flows to the economy. Additionally, liquidity is adequate, as the current LCR in the system stood at around 152%.

Higher dividend payouts

As expected, dividend payout continued to normalise and improve for some banks under our coverage. During the quarter, AMMB proposed a final dividend of 16.6 sen per share, bringing the total dividend for FY24 to 22.6 sen per share, translating to a higher payout ratio of 40% versus 35% in FY23. Alliance Bank proposed a second interim dividend of 11.45 sen, bringing the total FY24 dividend to 22.3 sen, reflecting a stable payout ratio of 50%.

Recommendation

Maintain Overweight

Looking ahead, the banking sector is expected to grow by 4.1% in CY24 and 5.5% in CY25, reaching RM34.0bn and RM35.9bn, respectively. Based on rising loan growth, stabilising NIM, the potential for higher NII, gradual acceleration in fee income, and healthy capital and liquidity buffers, we maintain an OVERWEIGHT stance on the banking sector. Potential downside risks include a deterioration in asset quality due to external shocks, softer contributions from overseas operations, and sustained high overhead expenses. Despite these risks, the sector's outlook remains positive, supported by solid performance indicators and growth prospects.

Stock picks

Public Bank Berhad

Public Bank Berhad (PBB) is aggressively defending its market share, particularly in the SME and business segments, with increased non-residential property loans and HP activities, while residential mortgages moderate. As of 1QCY24, its gross impaired loan ratio is low at 0.62%, with a robust loan loss coverage of 168.7% and a substantial RM1.7bn management overlay buffer. With a strong CET1 ratio of 14.5% and rising dividend payouts (51.4% in 2019 to 55.5% in 2023), PBB can further increase dividends. It is also well-positioned to attract foreign investors, with current foreign shareholding at 24.6%, supported by strong asset quality and a superior ROE of 12.4%. We value PBB at RM4.90. Our valuation is based on an implied PBV of c. 1.53x based on the Gordon Growth Model.

Alliance Bank Malaysia Berhad

Alliance Bank Malaysia Berhad (ABMB) has demonstrated robust growth across various segments, driven by an increase in business loans. Notably, efforts to enhance non-NII have yielded significant improvements in treasury and trade activities. The strategic direction under the leadership of CEO Mr. Kellee Kam, who brings valuable insights and industry knowledge, is focused on driving growth and innovation in the corporate banking segment. Operationally, ABMB's loans expanded by 12.9% YoY, surpassing the 8-10% guidance, driven by business loans, alongside an 18.0% YoY increase in treasury assets. Financially, ABMB has shown strength with NIM at 2.48% and ROE at 10.1%, with management emphasizing quality over quantity. The ACCELER8 2027 Strategy is on track, as evidenced by impressive new customer acquisitions. Our valuation of ABMB is at RM4.30, based on an implied PBV of c. 0.93x using the Gordon Growth Model.

Table 1: Peers Comparison

	Call	ESG	Price RM	TP RM	Mkt cap RM mn	Profit growth CY23 %	Profit growth CY24e %	Profit growth CY25e %	PER CY23 x	PER CY24e x
Maybank	BUY	★★★★	9.96	10.80	120,187.3	2.0	3.9	12.9	12.9	12.6
Public Bank	BUY	★★★★	4.02	4.90	78,031.0	5.1	4.3	11.7	11.7	11.2
CIMB	BUY	★★★★	6.80	7.90	72,522.7	4.4	5.5	10.4	10.4	9.9
Hong Leong Bank	BUY	★★★★	19.20	22.00	41,619.8	11.5	7.7	8.5	11.7	10.5
RHB Bank	HOLD	★★★★	5.51	5.70	24,020.8	3.5	6.9	8.6	8.6	8.3
AMMB	BUY	★★★	4.29	4.60	14,186.2	11.2	0.1	5.7	8.7	7.8
Alliance Bank	BUY	★★★	3.79	4.30	5,867.3	5.5	5.2	6.3	9.0	8.5
Affin Bank	SELL	★★★	2.49	2.50	5,842.8	15.0	16.1	14.5	14.5	12.6
Simple average						**13.9**	**4.1**	**5.5**	**10.9**	**10.2**

	P/BV FY23 x	P/BV FY24e x	P/BV FY25e x	ROE FY23 %	ROE FY24e %	ROE FY25e %	ROA FY23 %	ROA FY24e %	ROA FY25e %	Dividend yield FY23 %	Dividend yield FY24e %
Maybank	1.3	1.2	1.2	10.8	10.0	10.1	1.0	0.9	0.9	6.0	6.2
Public Bank	1.4	1.3	1.3	13.0	12.4	12.2	1.3	1.3	1.3	4.7	5.0
CIMB	1.1	1.0	1.0	10.7	10.5	10.7	1.0	1.0	1.0	6.3	5.9
Hong Leong Bank	1.2	1.2	1.1	11.8	12.0	12.5	1.4	1.4	1.5	3.1	3.2
RHB Bank	1.0	1.0	0.9	9.5	9.2	9.4	0.9	0.9	0.9	7.3	7.3
AMMB	0.8	0.7	0.7	9.8	10.0	9.1	0.9	1.0	0.9	4.3	5.3
Alliance Bank	0.9	0.8	0.8	10.9	10.4	10.8	1.1	1.0	0.9	5.8	5.9
Affin Bank	0.5	0.6	0.6	4.0	4.3	5.1	0.4	0.4	0.5	3.2	3.2
Simple average	**1.0**	**1.0**	**0.9**	**10.1**	**9.8**	**10.0**	**1.0**	**1.0**	**1.0**	**5.1**	**5.2**

Source: Bloomberg, TA Securities

Building Materials Sector

(Neutral)

Hope Emerges, but Hurdles Persist

(ESG: ★★★)

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Review of 1HCY24

Domestic steel players continued to be weighed down by weak demand and high production costs

Even though steel costs began to stabilize in the 1HCY24, most steel manufacturers continue to face high production costs and ongoing weak demand. This is largely due to delays in the rollout of major domestic infrastructure projects and a subdued average selling price (ASP) resulting from supply-demand imbalances. As observed in our sector coverage, the weak 1Q24 earnings reported by steel companies such as ANNJOO and CHINWEL reflect this challenging environment.

Steel Prices are Likely to Remain Lacklustre in 2HCY24

The demand recovery from China is still slow

Given the disappointing results of the Chinese government's efforts to resolve the property crisis and address steel overcapacity, we remain cautious about the outlook for steel market. Additionally, global demand has been further weakened by persistent inflation and escalating logistics disruptions due to the Red Sea crisis. In May 2024, China's average steel bar price was RM2740.0 per metric tonne (-0.7% MoM, -7.1% YoY, -3.9% YTD). Consequently, steel prices in Malaysia have also remained subdued, mirroring the trends in China's steel market.

Domestic Demand is Set to Recover Gradually

A glimpse of hope is on the card for steel industry

Despite the challenges, we have observed an increase in new property launches in 2QCY24, driven by the revitalisation of the property sector. We believe this trend will stimulate construction activities and boost demand for building materials, particularly concrete and steel-based products. Notably, steel-based products constitute approximately 35% of the cost of goods sold in construction activities.

Looking Forward to New Mega Infrastructure Projects

More potential rollout of mega-infrastructure projects

Following the government's greenlight for the Penang LRT project, we anticipate that the project's details and scope will be finalised by the end of 2024, with construction commencing in 2025. This development is expected to inject new momentum into the steel industry, supporting the construction of railroads and related infrastructure. Additionally, we await further announcements on the MRT3 project following the conclusion of the extended tender validity in March 2024. The KL-SG High Speed Rail project is also on our radar, although the financing scheme still under negotiation.

In East Malaysia, particularly Sarawak, demand for building materials remains robust due to ongoing local mega infrastructure projects such as the Pan Borneo Highway, Sarawak Coastal Road, and Baleh Dam. With the earmarked budget of RM7.2bn from the federal government, Phase 2 of the Sabah-Sarawak Link Road should commence by end-24.

All in, we anticipate a positive outlook for the building materials industry in 2025, which will be bolstered by the anticipated rollout of several large-scale infrastructure projects.

Figure 1: Average Steel Bar Price (RM/MT)

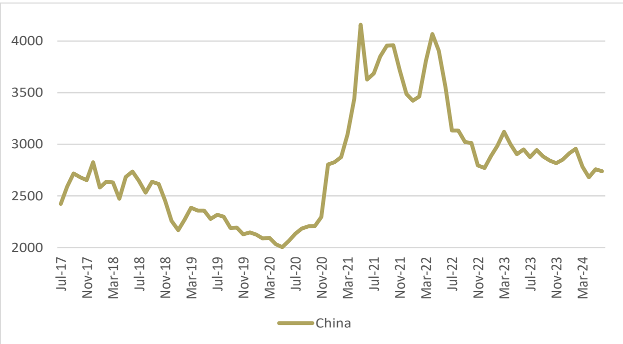


Figure 2: Price of Hot Rolled Sheet vs. Cold Rolled Sheet in China (USD/MT)

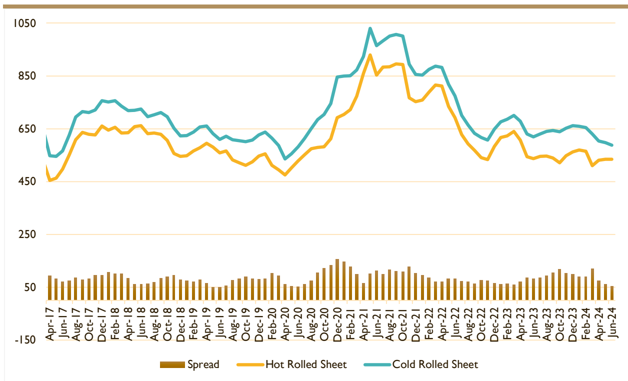
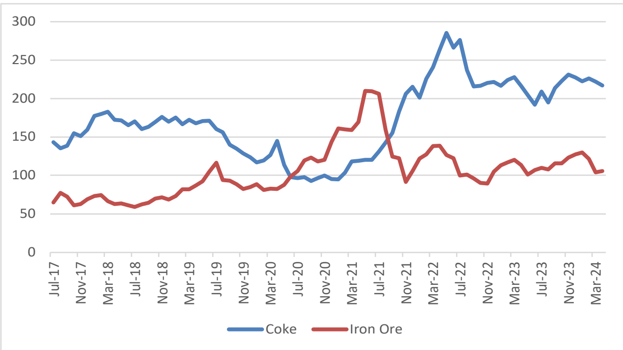


Figure 3: Price of Raw Materials (USD/MT)



Source: Bloomberg, TA Securities

Recommendation

Despite our cautious optimism on the sector, we believe that a good turnaround should take a while to materialise. Hence, we maintain our **Neutral** recommendation for the building material sector. Post-1QFY24 result, we have upgraded **ANNJOO** to **Buy** call to reflect its positive outlook in CY25. Meanwhile, we maintain our **Buy** on **CSCSTEL** and **PGF**, driven by resilient market demand. That said, we reiterate our **Sell** call on **CHINWEL** and **CMSB** due to valuation grounds.

Maintain Neutral call

Notably, we have selected **PGF** as our top pick for the sector, underpinned by the following reasons:- (i) escalating demand for glass wool due to its eco-friendly insulation material nature, (ii) potential to capitalise on the Proton City AHTV, and (iii) sustainable business with strong ESG awareness.

Figure 4. Peers Comparison

Company	Call	ESG	Price	TP	Mkt Cap	EPS Growth (%)		PER (x)		ROE (%)		Div Yield (%)	
			(RM)	(RM)	RMmn	CY24	CY25	CY24	CY25	CY24	CY25	CY24	CY25
CMSB	Sell	★★	1.39	1.19	1,493.0	8.6	20.3	12.3	10.2	3.6	4.2	1.4	1.4
ANNJOO	Buy	★★★	1.25	1.64	723.2	115.3	269.2	33.7	9.1	1.7	6.1	0.0	3.6
CHINWEL	Sell	★★★	1.22	0.74	365.4	(69.4)	80.8	35.2	19.5	1.5	2.6	1.1	2.0
CSCSTEL	Buy	★★★	1.31	1.73	497.8	9.4	14.8	9.6	8.3	5.8	6.5	5.7	6.6
PGF	Buy	★★★	2.18	2.76	422.5	210.5	14.6	10.6	9.3	6.3	17.9	0.7	2.7
Simple average						**54.9**	**79.9**	**20.3**	**11.3**	**3.8**	**7.5**	**1.8**	**3.3**
Market cap weighted						***47.0***	***76.6***	***18.5***	***10.6***	***3.6***	***6.4***	***1.6***	***2.8***

Source: Bloomberg, TA Securities

Construction Sector

(Overweight)

Act While the Opportunity is Ripe

(ESG: ★★★★)

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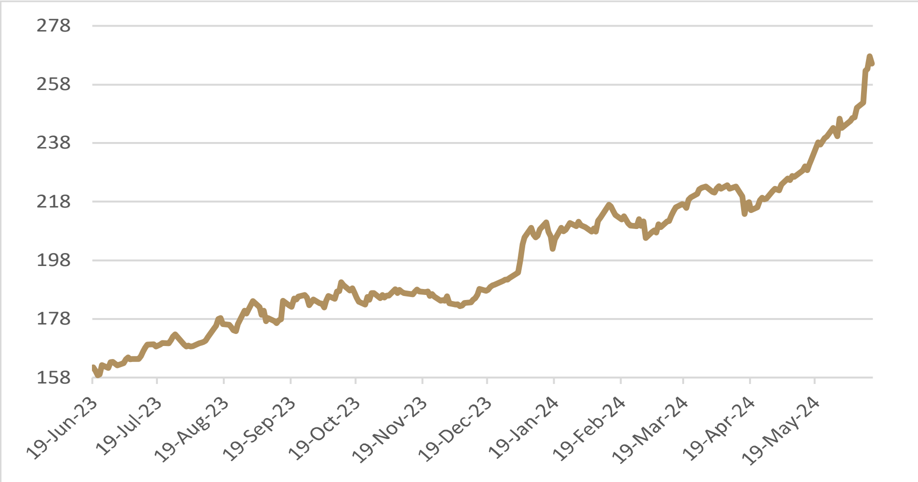
Review of 1HCY24

The contractors' share prices have experienced substantial positive momentum YTD, with prominent names such as GAMUDA, IJM, and SUNCON among others, driving the trend. This bullish sentiment is largely driven by a revitalised property sector and the potential rollout of large-scale infrastructure projects. Furthermore, the share price rally has also been fuelled by the expanding data centre construction market, which offers higher project value opportunities with shorter construction durations.

Strong Sentiment in the construction sector for 1H2024

Figure 1: KL Construction Index



Source: Bloomberg, TA Securities

First train has started to move, MRT3 could be the next

In mid-1HCY24, the federal government announced its decision to take over the Penang LRT project from the Penang state government, allocating a budget of RM10bn as outlined in Budget 2024. MRT Corp, in collaboration with the Gamuda-led SRS consortium, is expected to finalise the project details and actual costs by the end of 2024. We anticipate that the Penang LRT project could be valued at least RM20bn, based on an average cost of RM350mn/km, including land acquisition, construction, and engineering costs.

Penang LRT actual project value and details are poised to be concluded by end-CY24

Looking ahead, we expect the MRT3 to become a key driver for infrastructure construction companies. We expect the tender results for MRT3 to be announced soon, following the expiration of the tender validity at the end of March 2024. Given its superior feasibility in comparison to the KL-SG High Speed Rail (HSR) project, it is possible that the MRT3 project, which is estimated to cost RM31bn, will be awarded in 2HCY24.

The award of MRT3 packages may announce in 2H2024

Robust data centre construction

Following commitments from major multinational technology companies, including Google and Microsoft, to establish new data centres in Malaysia with a gross investment value exceeding RM14bn over the next five years, we expect construction companies to be direct beneficiaries of this influx. The government's incentives are likely to continue attracting foreign investors to establish more data centres,

More data centre jobs In the pipeline

resulting in countless job opportunities and a positive economic impact on Malaysia.

This development will significantly elevate the construction landscape, as building data centres involves a higher degree of complexity compared to other industrial construction projects. Consequently, we anticipate an increase in data centre project awards over the next six months, benefiting domestic construction players such as GAMUDA, SUNCON and IJM.

Potential catalyst from the semiconductor industry

Rising advanced technology project is a boon to construction industry

Aligned with the National Semiconductor Strategy (NSS), the Malaysian government plans to allocate RM25bn in fiscal support through targeted incentives to boost the local advanced technology industry. The NSS aims to attract domestic direct investment in integrated circuit design, advanced packaging, and manufacturing equipment, while focusing foreign direct investment on wafer fabrication and manufacturing equipment. This initiative is expected to significantly increase demand for high-complexity industrial property construction. Consequently, construction companies capable of securing advanced technology projects, such as GAMUDA, SUNCON, and IJM, are likely to benefit substantially.

Drums beat for the KL-SG High Speed Rail

Pending greenlights for the HSR from the Cabinet

There have been no further updates on the HSR project since the request-for-information exercise deadline in January this year. Despite receiving concept proposals from seven local and international consortiums, Transport Minister Anthony Loke stated that the project requires cabinet approval before proceeding to discussions with Singapore's authorities. The cabinet's approval is estimated to take at least 4-6 months, during which time efforts will be made to continue identifying a viable financing solution for the HSR project. As such, we anticipate that an announcement regarding the status of the HSR rollout will be issued in 2HCY24.

Fast growing outstanding order book

Strong earnings visibility

The property sector's revitalisation has propelled a surge in activity in the construction sector, as developers have ramped up new launches following a period of slowdown during the COVID-19 pandemic. As a result, most construction companies under our coverage have seen a significant increase in their order books, which should provide strong earnings visibility for the next 2 to 3 years.

Outstanding order books remain healthy

Figure 2: Outstanding Order Book for Construction Companies Under our Coverage

Company	Estimated Outstanding Order Book
GAMUDA	RM26.3bn, 4.8x FY23 construction revenue
IJM	RM6.0bn, 3.6x FY24 construction revenue
SUNCON	RM7.9bn, 3.0x FY23 revenue
WCT	RM2.4bn, 2.1x FY23 construction revenue
GADANG	RM1.0bn, 4.1x FY22 construction revenue
KERJAYA	RM5.1bn, 3.4x FY23 revenue
TRC	RM0.9bn, 0.3x FY22 revenue
INTA	RM1.7bn, 2.6x FY22 revenue

Source: Company, TA Securities

Recommendation

Maintain Overweight sector call. Top picks for the sector are GAMUDA, SUNCON, and INTA

We maintain our **Overweight** call on the Construction sector, with **GAMUDA**, **SUNCON** and **INTA** as our top picks. **GAMUDA** and **SUNCON** are particularly favoured due to their robust order books of RM26.3bn and RM7.9bn, respectively. Both companies are strong contenders for the MRT3 and Penang LRT projects, supported by their proven track records in mega-scale railway projects. Additionally, **GAMUDA** and **SUNCON** are well-positioned to capitalise on the growing data centre projects, given their expertise in industrial construction and mechanical, electrical, and plumbing fields. Subsequently, we continue to like **INTA** for the following factors: (i) a direct beneficiary of the robust domestic property sector, (ii) strong earnings visibility backed by a resilient order book, and (iii) improving profitability.

Figure 3: Peers Comparison

Company	Call	ESG	Share Price (RM)	Target Price (RM)	EPS Growth (%)		PER (x)		Div Yield (%)		ROE (%)	
					CY24	CY25	CY24	CY25	CY24	CY25	CY24	CY25
GAMUDA	Buy	★★★★	6.58	8.13	15.9	19.5	17.9	15.0	2.4	3.0	8.7	9.3
IJM	Buy	★★★★	3.05	3.59	8.7	3.4	21.4	20.7	2.6	3.0	5.0	4.9
SUNCON	Buy	★★★★	3.79	4.46	15.2	30.9	24.9	19.0	1.8	2.6	22.4	25.8
KERJAYA	Buy	★★★★	1.81	2.21	30.7	11.4	13.7	12.3	5.5	5.5	14.1	15.1
WCT	Hold	★★★	0.87	0.83	126.6	21.1	22.9	18.9	1.1	1.1	1.8	2.0
GADANG	Hold	★★★★	0.45	0.42	217.1	59.9	21.2	13.3	0.7	2.2	1.2	2.3
TRC	Hold	★★★	0.48	0.51	31.2	33.6	15.0	11.2	3.2	3.2	2.7	3.6
INTA	Buy	★★★	0.46	0.71	7.0	39.1	19.0	14.5	3.3	4.3	14.6	19.3
Sector (Simple Average)					**56.5**	**27.4**	**19.5**	**15.6**	**2.6**	**3.1**	**8.8**	**10.3**
Sector (Market Weighted)					**20.4**	**17.1**	**19.6**	**16.9**	**2.5**	**3.1**	**9.6**	**10.4**
Mid-Big Cap (Simple Average)					**17.6**	**16.3**	**19.5**	**16.8**	**3.1**	**3.5**	**12.5**	**13.8**
Small Cap (Simple Average)					**95.5**	**38.4**	**19.5**	**14.5**	**2.1**	**2.7**	**5.1**	**6.8**

Source: Bloomberg, TA Securities

Consumer Sector

(Overweight)

Robust Demand amid Stable Input Cost

(ESG: ★★★)

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Review of 1HFY24

Stronger economic growth

GDP growth in 2023 normalised to 3.7% following a strong growth of 8.7% in 2022. Despite this, GDP growth in 1QCY24 rose to 4.2% year-on-year (YoY) thanks to robust private consumption, a recovery in exports, and increased investment activities. Private consumption in 1QCY24 grew by 4.7% YoY, compared to 4.2% YoY in 4QCY23 *(Figure 1)*. These positive indicators suggest a steady pace of economic growth driven by higher household spending, supported by favourable labour market conditions and enhanced government measures.

KLCSU underperformed

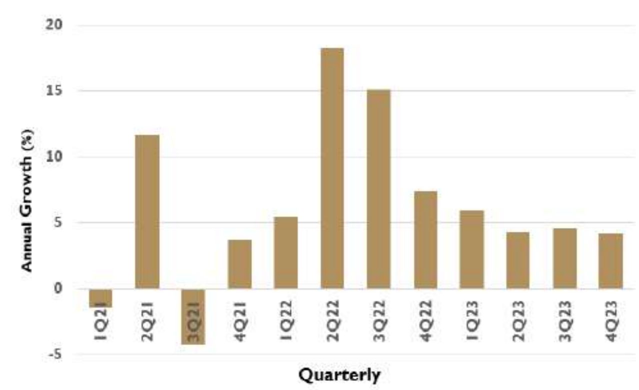
Overall, the KL Consumer Product Index (KLCSU) underperformed the FTSE Bursa Malaysia KLCI index (FBMKLCI) by 3.7pts to 5.6% *(Figure 2)*.

NESTLE, which has consistently underperformed FMBKLCI recorded a YoY decline in net earnings due to a slowdown in domestic demand *(Figure 3)*. During 2QCY23, most retailers outperformed the broader market, except for PADINI, which saw a 26.9% YoY decrease in core earnings, attributed to increase operating and input costs *(Figure 4)*. Notably, many retailers have performed better YTD than the broader market, largely driven by festive season activities.

In 1QCY24, NESTLE, which has consistently underperformed the FMBKLCI, reported a YoY decline in net earnings due to a slowdown in domestic demand *(Figure 3)*. During 2QCY24, most retailers outperformed the broader market, except for PADINI, which saw a 26.9% YoY decrease in core earnings, attributed to increase operating and input costs (Figure 4). Notably, many retailers have performed better YTD than the broader market, largely driven by festive season activities.

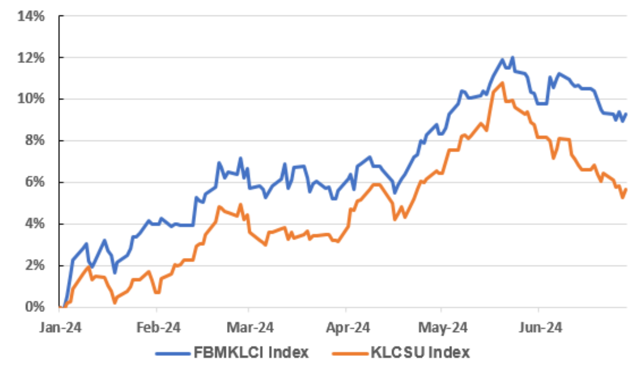
Meanwhile, industrials showed contrasting performance. SCIENTEX outperformed the FBMKLCI, whereas POHUAT closely tracked behind the index, possibly due to elevated operating expenses that offset improved sales performance *(Figure 5)*. In the breweries sector, despite CARLSBG (+3.4% YoY) and HEIM (+11.4% YoY) posting robust earnings growth, the sector underperformed the FBMKLCI in 1QCY23 *(Figure 6)*.

Figure 1: Private Consumption YoY Growth



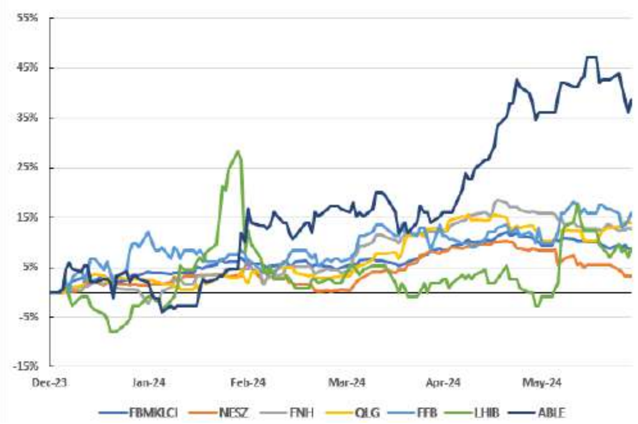
Source: Bloomberg, TA Securities

Figure 2: YTD KLCSU vs. FBMKLCI



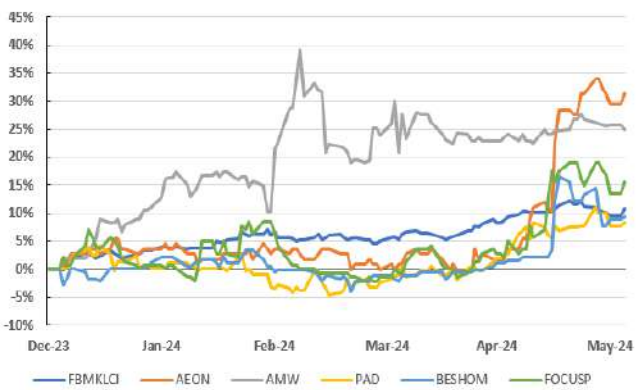
Source: Bloomberg, TA Securities

Figure 3: YTD F&B Share Price Performance



Source: Bloomberg, TA Securities

Figure 4: YTD Retail Share Price Performance



Source: Bloomberg, TA Securities

Figure 5: YTD Industrial Share Price Performance

Source: Bloomberg, TA Securities

Figure 6: YTD Brewery Share Price Performance

Source: Bloomberg, TA Securities

2HCY24 Outlook

Retailers: Salary Hike for Civil Servant & Flexible Withdrawal of EPF Account 3 Lead to Higher Disposal Income

Higher GDP growth in 1QCY24

Malaysia registered higher GDP growth in 1QCY24 driven by stronger private expenditure and positive turnaround in exports. According to Bank Negara Malaysia (BNM), household spending will continue to anchor growth, supported by sustained employment, increased tourist arrivals, and improved income levels, which will bolster household expenditure.

Improving consumer spending and stable labour market conditions

Consumer expenditure bucked the softening trend and increased QoQ, with household spending grew by 0.5%-pts to 4.7% in 1QCY24, supported by growth in private sector nominal wages. As reported by BNM, the private sector nominal wages index rose 0.1pts to 108.0. Furthermore, the labour market remains resilient, with the unemployment rate holding steady at a pre-pandemic level of 3.3% in 1QCY24 (QoQ, 4QCY23: 3.3%; YoY, 1QCY23: 3.5%).

It is worth noting that labour supply and demand remains healthy, with employment increasing to 16.40mn people in 1QCY24 (vs. 4QCY23: 16.35mn people) in 1QCY24, while the labour force participation rate recorded a historical high of 70.2% in 1QCY24 (vs. 4QCY23: 70.1%). Additionally, we anticipate household spending to remain resilient in the second half of CY24, supported by a salary adjustment of up to 13% for civil servants effective December 2024, amidst stable labour market conditions.

Flexible withdrawal of EPF Account 3 helps to mitigate the elevated cost of living

To mitigate the increased cost of living following subsidy rationalisation, flexible withdrawals from EPF account 3 were introduced to alleviate the adverse effects. As a result, we anticipate AEON's growth to continue in FY24, driven by its expanded product offerings and the convenience of its neighborhood mall concept. Meanwhile, Padini, known for competitive pricing, stands to benefit from higher disposable incomes, encouraging increased consumer spending in a cash-rich environment.

F&B: Stabilisation in Food Commodities

Downtrend in prices of food commodities since 2022

In 2023, Food and Agriculture Organisation (FAO) Food Price Index has declined gradually to 124.7-pts yet at the high side *(Figure 7)*. However, the index has been on a downward trajectory since reaching its peak in 2022 at 144.7 points and averaged 120.4-pts in May 2024. The index saw a slight increase of 1.1-pts (+0.9% MoM), driven by increase in the cereal and dairy indices.

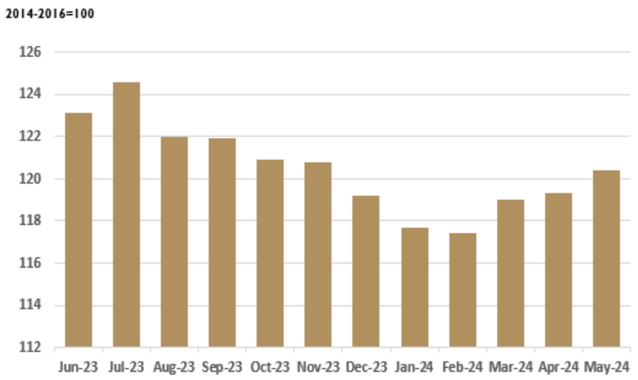
Input costs to stabilise

For 2HCY24, we anticipate that prices of food commodities will stabilise at current levels. Looking forward, dairy prices are expected to hold steady due to strong demand, despite anticipated decreases in production alongside seasonally lower yields.

Gross margins set to Improve

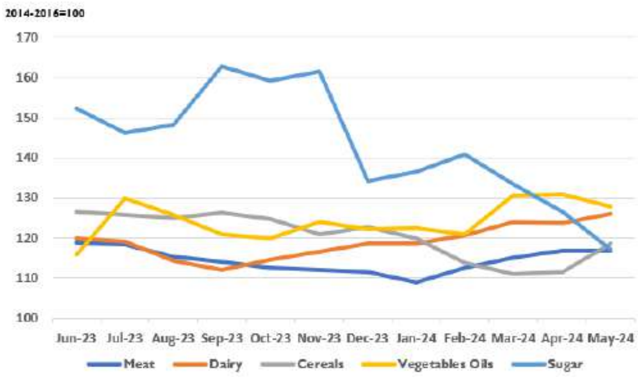
With food prices overall stabilizing from their peak (Figure 9-18), F&B players are expected to enhance their gross margins in 2HCY24. This improvement is anticipated to be supported by: i) lower input costs, ii) salary increments and flexible withdrawals from pension fund leading to increased disposable income, and iii) improved tourist arrivals.

Figure 7: FAO Food Price Index



Source: FAO, TA Securities

Figure 8: FAO Food Commodity Price Indices

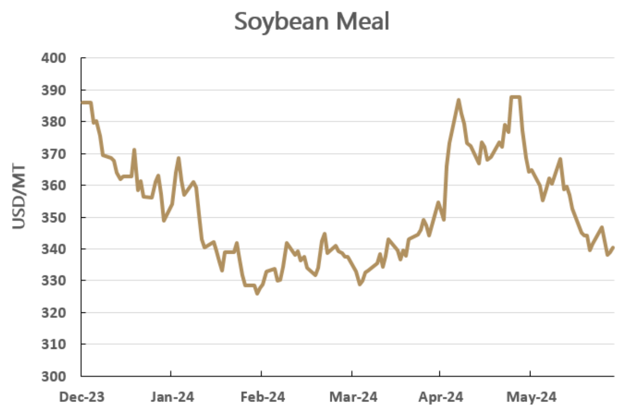


Source: FAO, TA Securities

Figure 9: Corn Prices Fell

Source: Bloomberg, TA Securities

Figure 10: Soybean Meal Prices in Downtrend



Source: Bloomberg, TA Securities

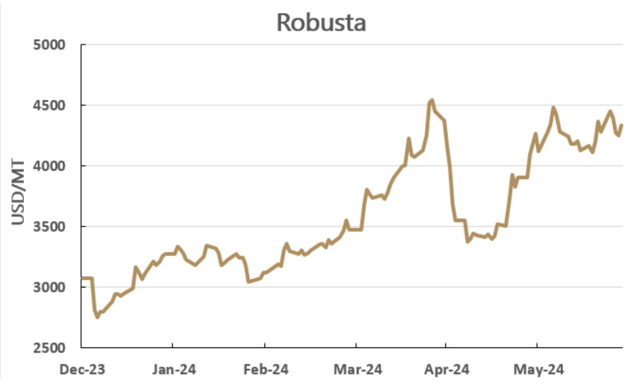
Figure 11: Wheat Prices in Downtrend After Peaking

Source: Bloomberg, TA Securities

Figure 12: Arabica Coffee Prices Soar

Source: Bloomberg, TA Securities

Figure 13: Robusta Coffee Prices Rising



Source: Bloomberg, TA Securities

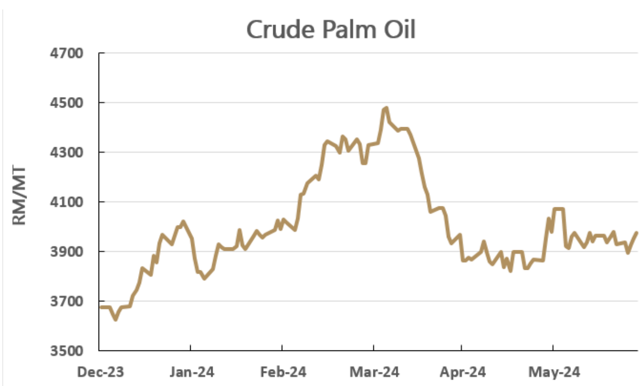
Figure 14: Cocoa Prices Eased

Source: Bloomberg, TA Securities

Figure 15: Sugar Prices Eased

Source: Bloomberg, TA Securities

Figure 16: CPO Prices Stabilising from the peak



Source: Bloomberg, TA Securities

Figure 17: Skim Milk Powder Prices Softened

Source: Bloomberg, TA Securities

Figure 18: Barley Prices in an Uptrend

Source: Bloomberg, TA Securities

Industrials: Ringgit Weakening Expected to Benefit Exports

Industrials benefit from cheap ringgit

Ringgit remains weak as it continues to resist falling below the RM4.70/USD threshold *(Figure 19)*. Based on 6MFY24, ringgit is trading at an average of RM4.72/USD and our in-house estimate for Ringgit in FY24 has been revised to RM4.65 from RM4.45 previously. Our in-house stance remains cautiously optimistic that the Ringgit will gradually appreciate, buoyed by sustained progress in domestic economy and potential interest rate cuts by the Federal Reserve. Export-oriented industrial firms such as SCIENTEX and POHUAT are expected to maintain profitability in the 2HCY24, benefiting from export competitiveness as Ringgit remains weak at this juncture.

Figure 19: USD/MYR Foreign Exchange Rate

Source: Bloomberg, TA Securities

Breweries: Top line remains resilient albeit price hike in April 2024

Sustained demand albeit price hike

Effective April 2024, beer prices have been lifted by approximately 5% to 8%. The price adjustment was 2 years after the price hike of 6% in 2022. Rationale behind the price hike was the rising raw materials and operational costs. We believe demand would sustain driven by the improved tourist arrivals and Euro Cup 2024, albeit higher price of beers.

No surprise in beer volume

Based on our previous report on breweries performance during major soccer events, we estimate that global consolidated beer volumes are comparable to those of past soccer events. Therefore, sales growth in the 2HFY24 is expected to respond favourably to the recent price adjustment, along with sustained beer volumes. Moreover, we anticipate that tourist arrivals and increased out-of-home consumption will also contribute to the sales growth of breweries.

Recommendations

Maintain Overweight

We reiterate our **Overweight** stance on the consumer sector. The stable employment market, increased disposable income from EPF's flexible account, and a salary revision exceeding 13% for civil servants are anticipated to bolster demand for consumer products. According to the most recent data, tourist arrivals surged by 32.5% YoY to reach 5.8mn individuals in 1QCY24. As a result, we anticipate that demand growth will be further driven by increased out-of-home consumption.

We believe the growth of the Consumer sector in the 2H of CY24 will remain intact, supported by: i) robust tourist arrivals, ii) increased disposable income due to salary increases and the flexibility to withdraw from EPF account 3, and iii) stable commodity prices. However, the recalibration of fuel subsidies may exert downward pressure on consumers' disposable income, driven by rising living expenses. Therefore, our top picks in the sector are **ABLEGLOB (TP: RM2.57)** and **FFB (TP: RM1.97)**.

We like **ABLEGLOB** due to the following reasons: i) repeat sales orders from existing and new customers, ii) aiming for a 40% to 45% utilisation rate in FY24 (FY23: 20%), and iii) a dividend payout ratio of at least 35% for 5 consecutive years. We arrived at a TP of RM2.57/share based on a CY25 PE of 7x for manufacturing and 14x for F&B segment. Maintain Buy. Potential downside risks for the stock include i) unfavourable uptick in commodity prices, particularly skim milk powder, and ii) strengthening of the RM/USD as the main revenue stream is export oriented.

Additionally, we favour **FFB** due to its i) wider products offering at distinct pricing range, ii) stable input costs and iii) a favourable margin from the ice cream segment in FY25. Maintained **Buy** on the stock with a TP of RM1.97/share based on 25x CY25 EPS. Potential downside risks include i) surge in raw material prices and ii) weaker-than-expected consumer sentiment as a result of the implementation of fuel subsidies, which is likely to occur in 2HCY24.

Comparative Valuation

Company	Call	ESG	Price	Target Price	PER (x)		EPS Growth (%)		ROE (%)		Div Yield (%)	
					CY24	CY25	CY24	CY25	CY24	CY25	CY24	CY25
Brewery												
Carlsberg	Buy	★★★★	18.70	24.50	17.1	15.9	2.4	7.4	141.1	146.4	5.6	6.3
Heineken	Buy	★★★★	22.04	29.20	15.9	15.5	8.5	2.6	91.5	93.8	6.3	6.5
Simple Average					***16.5***	***15.7***	***5.5***	***5.0***	***116.3***	***120.1***	***5.9***	***6.4***
Retail												
Aeon	Buy	★★★	1.39	1.68	11.6	10.8	25.0	7.5	8.8	9.0	2.9	4.0
Amway	Sell	★★★	6.92	7.30	11.6	11.1	(15.3)	4.7	30.7	30.1	6.5	7.2
Beshom	Sell	★★★	0.99	0.96	19.3	23.7	(33.3)	(10.5)	7.4	4.8	4.1	3.3
Padini	Buy	★★★	3.65	4.70	15.6	17.3	11.5	(7.2)	20.1	15.1	14.0	14.0
Focus Point	Buy	★★★	0.82	1.11	11.1	10.4	13.6	6.5	25.3	23.8	4.5	4.8
Simple Average					***13.8***	***14.7***	***0.3***	***0.2***	***18.5***	***16.5***	***6.4***	***6.6***
F&B												
Able Global	Buy	★★★	2.08	2.57	10.5	10.2	17.8	2.0	13.3	12.4	3.1	3.1
F&N	Hold	★★★★★	31.78	34.50	23.5	21.5	24.4	9.7	15.8	15.8	2.4	2.5
Farm Fresh	Buy	★★★	1.52	1.97	63.5	51.8	(13.8)	22.6	9.3	10.8	-	0.2
QL Resources	Buy	★★★★	6.52	7.40	47.5	44.1	52.0	20.0	14.0	15.4	1.1	1.0
Nestle	Hold	★★★★★	121.50	136.90	41.0	39.6	0.1	6.6	113.3	114.9	2.6	2.8
Leong Hup	Buy	★★★	0.62	0.71	9.0	9.2	(10.8)	8.1	11.6	11.6	3.5	3.9
Simple Average					***32.5***	***29.4***	***11.6***	***11.5***	***29.6***	***30.1***	***2.1***	***2.2***
Industrial												
Scientex	Buy	★★★	4.31	5.41	17.6	14.8	18.3	20.4	14.6	14.9	2.9	18.3
Poh Huat	Hold	★★★	1.45	1.57	10.3	9.2	50.7	16.5	7.8	8.4	5.4	50.7
Simple Average					***13.94***	***12.00***	***34.49***	***18.44***	***11.22***	***11.63***	***4.16***	***34.49***

Source: Bloomberg, TA Securities

Gaming Sector (Overweight)

Tourism Factor Still in Play (ESG: ★★★)

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1H24 flashback

The gaming division of Genting Malaysia recovered strongly on the back of increase in business volume, which led to higher margins due to improved operational efficiency. However, it failed to outgrew its competitors in Singapore and Macau, which have experienced greater growth in revenue and EBITDA.

1Q24 results performance was generally mixed. Genting beat market expectations due to higher-than-expected performance of Genting Singapore (GENS) while Genting Malaysia's (GENM) results trailed our forecast due to higher-than-expected losses from Empire Resorts. Overall, the 1Q24 results performance was satisfactory with sector revenue and EBITDA expanded by 22.0% and 42.8% YoY respectively due to sustained earnings recovery, which led to higher operational efficiency. The margin improvement was strong enough to provide a buffer against the 2% rise in service tax, effective March-24.

Underperformed FBMKLCI

In terms of share price performance, Genting and Sports Toto (SPToto) registered a YTD gain of 2% and 6% respectively, while GENM suffered a 4% decline YTD. However, none of them outperformed the market, where the FBMKLCI grew 9.3% in 1H24.

Figure 1: Quarterly Results Performance

	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)
Revenue					
Genting	5,822.5	7,267.4	7,431.3	2.3	27.6
GenM	2,283.5	2,721.5	2,764.9	1.6	21.1
SPToto*	1,655.2	1,368.1	1,694.3	23.8	2.4
Total#	**7,477.7**	**8,635.4**	**9,125.6**	**5.7**	**22.0**
EBITDA					
Genting	1,833.8	2,285.4	2,574.0	12.6	40.4
GenM	592.9	843.9	654.1	(22.5)	10.3
SPToto*	49.7	64.2	115.4	79.9	132.3
Total#	**1,883.5**	**2,349.6**	**2,689.4**	**14.5**	**42.8**
EBITDA margin (%)				%pts	%pts
Genting	31.5	31.4	34.6	3.2	3.1
GenM	26.0	31.0	23.7	(7.4)	(2.3)
SPToto*	3.0	4.7	6.8	2.1	3.8
Average#	**25.2**	**27.2**	**29.5**	**2.3**	**4.3**

** Financial year ended June*

 # Excluding GENM as the figures have already been consolidated into Genting's results.

Figure 2: Genting and SPToto up, GENM down

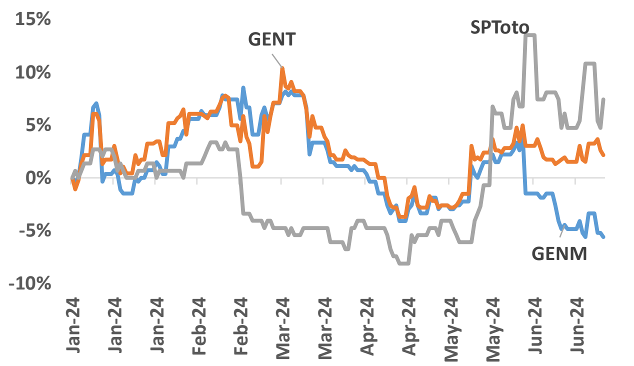
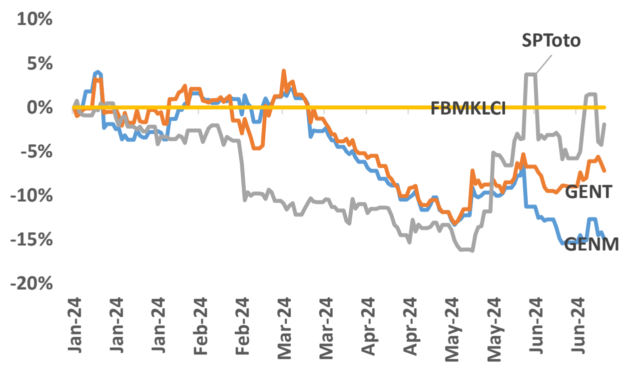


Figure 3: All underperformed FBMKLCI



Source: TA Securities

Looking forward, we expect the following three factors to affect the performance of gaming counters in 2H24:

1. Higher tourist arrivals will be a boon to Genting Group;
2. The threat of new entrants; and
3. Additional service tax and lower spending power.

Higher tourist arrivals will be a boon to Genting group

The weakening of ringgit has been a blessing in disguise for the gaming sector as the proliferation of foreign tourists has helped GENM to recover further to its pre-pandemic levels. Besides, the relaxation of entry visa requirement for Chinese tourists along with increased airline capacity also contributed to the earnings recovery, where GENM's 1Q24 revenue from Genting Highlands was still 8% below the pre-pandemic level (1Q19). Note that GENM's revenue and adjusted EBITDA increased by 24% and 35% YoY respectively in 1Q24.

Tourism plays continued in 2H24

Likewise, Singapore has also seen higher tourist arrivals especially from China on the back of visa relaxation and increased flight capacity. 1Q24 total foreign tourists grew 49.8% to 4.36mn, mainly from China and Indonesia. The increase in foreign tourists has boosted Genting Singapore's (GENS) performance, leading to revenue and EBITDA growth of 73% and 105% YoY respectively.

Looking forward, we expect the Chinese tourist visitation to continue playing out in 2H24. Malaysia and Singapore governments forecast international visitors to grow to 27.3mn and 15-16mn respectively in 2024, representing a YoY growth of 36% and 10-18%. This is expected to continue into 2025 as we expect the tourist factor to remain a relevant catalyst for the gaming sector, casino in particular.

The threat of new entrants

All eyes on Thailand Casino Bill

On the heels of legalising casino operations in 2018 and the awards of 3 licences in Japan, the construction of the first integrated resort (IR) in Osaka has begun and is target for completion in 2030. Although it does not seem as an immediate threat to regional players, the intensifying competition from new IR has always been one of our investment considerations, which would affect Genting's long-term profitability. This is especially true that there has been a growing interest from other country leaders in this space, hoping to accelerate the rate of recovery of economy, create new job opportunities and collect higher tax revenue. According to various news sources, the legislation aims at establishing a framework for IRs in Thailand will be read in the parliament in June. The draft bill would outline the process for obtaining a licence, which entails:

- Licensee eligibility: only registered Thai entities with a minimum capital of 10bn baht can apply;
- License duration: The initial license period is 20 years, with a possibility of renewal for five-year terms;
- License type: Initially, only one license type (XL) with a minimum investment of 100bn baht will be available. Smaller licenses (S, M, L) will be considered in the future.
- Location: Initially, complexes can be built within a 100km radius of major airports and in designated tourist and border provinces.

All in all, we do not see any rationale for Genting group not to bid for the licence for its earnings growth and market share. At the same time, we do not think other competitors will miss the party either. If Genting fails to outbid its competitors, it will be a blow to its future profitability, in our opinion.

Additional service tax and lower spending power

The impact of the additional 2% service tax on gaming sector earnings was undermined by strong revenue growth led by the increased gaming (casino and NFO) volume in 1Q24 as discussed above. Also, the muted impact was partly due to the timing of the tax hike which began on March 1. Looking forward, the additional tax would be a long-term burden for the gaming sector where our sensitivity analysis shows a respective 4.4% and 8.6% earnings reduction for GENM and SPToto for every 1% increase in gaming tax. As far as Budget 2025 is concerned, we do not think there will be a change in gaming tax as the additional service tax was only introduced in the previous Budget.

Impact of additional service tax and subsidy cut less apparent

Consumer's spending power would likely be affected if the petrol subsidy on RON95 is removed in 2H24. As Malaysians contributed to 70% of GENM's total visitations, the reduction in the spending power of M40 group would not bode well for GENM's casino as well as theme park and hotel businesses. Having said that, the impact would not be apparent as the topline growth would be supported by strong tourist arrivals. We believe the company would sacrifice some profit like enhancing casino comps to encourage players to gamble.

Forecast

No change to our FY24-26 sector earnings projections.

Figure 4: Earnings forecast

	FY22	FY23	FY24F	FY25F	FY26F
Revenue (RM'mn)					
Genting	22,383.7	27,118.6	29,128.7	29,838.7	30,898.3
GenM	8,603.0	10,189.4	10,117.6	11,294.4	12,358.9
SPToto	5,229.3	6,099.7	5,765.7	5,992.8	6,230.3
Total #	**27,613.0**	**33,218.3**	**34,894.4**	**35,831.5**	**37,128.6**
EBITDA					
Genting	7,296.5	8,842.0	11,419.3	11,442.7	11,851.2
GenM	1,621.6	2,632.6	2,923.1	3,542.7	4,068.1
SPToto	452.1	418.1	431.3	429.9	458.1
Total #	**7,748.6**	**9,260.1**	**11,850.6**	**11,872.6**	**12,309.3**
Core profit					
Genting	648.8	1,160.5	2,631.6	2,733.7	2,994.5
GenM	132.8	406.5	788.2	1,384.8	1,679.1
SPToto	185.7	230.5	211.6	209.6	230.0
Total #	**834.5**	**1,391.0**	**2,843.2**	**2,943.4**	**3,224.4**

Excluding GENM as the figures have already been consolidated into Genting's results.

Recommendation

In a nutshell, we expect 2H24 earnings recovery to gain further strength on the back of increasing foreign tourist visitations. This is sustainable in 2024-25 as regional airlines are adding capacities to meet the demand. We also expect the return of foreign shareholders to Malaysia. As such, we maintain **Genting (Buy, TP: RM5.77) and GENM (Buy, TP: RM3.13)** as top picks for the sector for 2H24. Maintain **Overweight.**

Figure 5: Peer Comparison

Company	Call	ESG	Share Price (RM)	Target Price (RM)	EPS growth (%)		PER (x)		Dividend Yield (%)		ROE (%)	
					CY24	CY25	CY24	CY25	CY24	CY25	CY24	CY25
GENTING	Buy	★★★	4.71	5.77	126.8	3.9	6.9	6.7	4.2	4.7	7.6	7.4
GENM	Buy	★★★	2.57	3.13	84.9	75.7	19.4	11.0	6.2	7.0	6.1	10.5
SPToto	Hold	★★★★	1.55	1.61	(4.9)	4.4	9.9	9.5	5.8	6.5	18.9	17.5

Healthcare Sector – Hospitals & Pharmaceuticals (Neutral)

Growing Operational Metrics **(ESG: ★★★★)**

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Hospitals & Pharmaceuticals Sector - 1H24 Flashback

1H24 Recap

IHH and KPJ's inpatient admissions in 1Q24 remained resilient despite the early Ramadan month in March (vs. April last year). The double-digit revenue growth mainly came from higher revenue per patient. Testament to this, IHH and KPJ's inpatient revenue per admission for Malaysia operations increased by 10% and 11% to RM10,699 and 7,498 respectively.

As for Duopharma, the group recently secured an APPL contract from the Ministry of Health (MOH) worth RM578.1mn to supply 86 products to offices and facilities operated and controlled by the government until 31 December 2026. This contract will enhance Duopharma's earnings visibility over the next 2.5 years. Meanwhile, Supercomnet's earnings growth would remain robust, driven by Ambu's endoscopy video cables. Overall, 1Q24 sector earnings rose 21.2% YoY to RM502.0mn boosted by higher patient revenue intensity and improved demand.

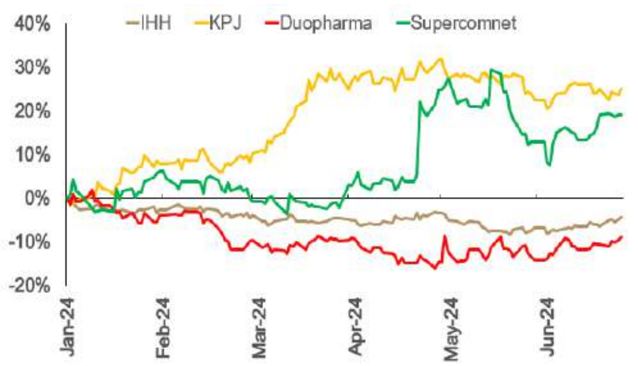
In terms of YTD share price performance, KPJ (+25.2%), Supercomnet (+19.2%) outperformed but IHH (-4.4%) and Duopharma (-8.9%) underperformed the FBMKLCI.

Figure 1: 1Q24 Result Analysis

	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)
Revenue (RM'mn)					
IHH	5,142.4	5,292.6	5,955.5	12.5	15.8
KPJ	815.0	911.5	908.0	(0.4)	11.4
Duopharma	200.5	167.5	193.0	15.2	(3.7)
Supercomnet	37.4	34.8	36.1	3.8	(3.3)
Total	**6,195.2**	**6,406.4**	**7,092.6**	**10.7**	**14.5**
Net Profit (RM'mn)					
IHH	329.9	265.5	402.8	51.8	22.1
KPJ	54.6	83.5	75.8	(9.2)	38.9
Duopharma	22.6	8.5	15.3	79.7	(32.5)
Supercomnet	7.0	8.0	8.1	0.6	14.7
Total	**414.1**	**365.5**	**502.0**	**37.4**	**21.2**

Source: Bursa Malaysia, TA Securities

Figure 2: YTD Share Price Performance vs. FBMKLCI



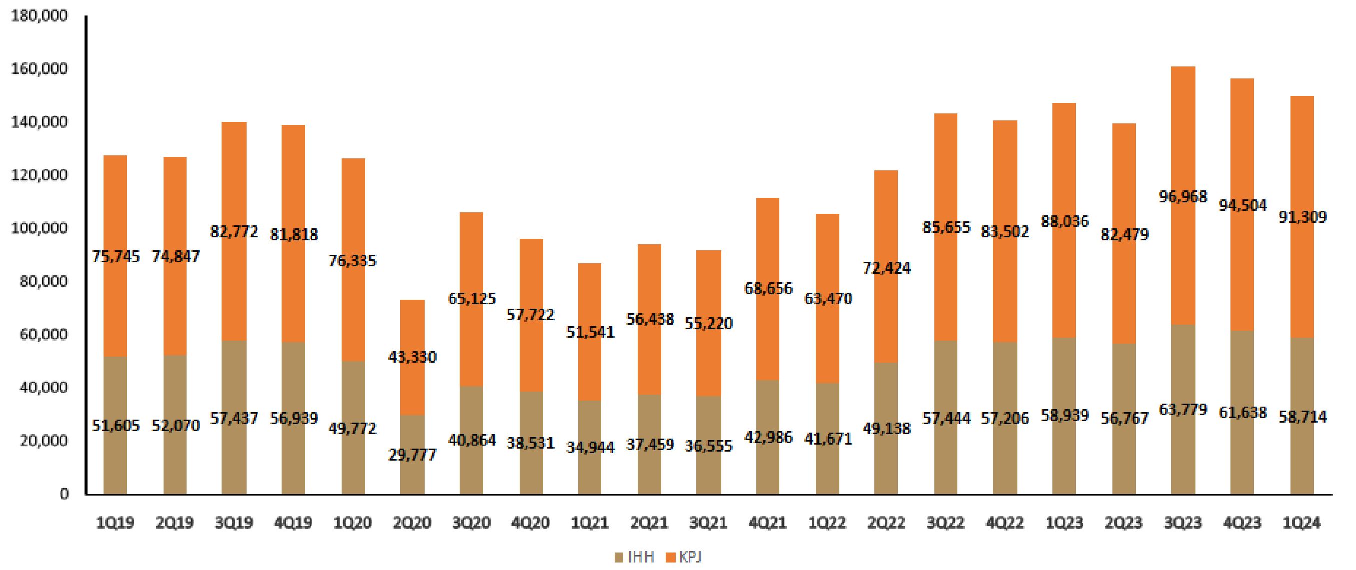
Source: Bloomberg, TA Securities

Patient Growth Intact

Moving into 2H24, we expect a persistent revenue growth fuelled by robust demand for quality healthcare services and healthcare megatrends. In addition, revenue per inpatient is expected to increase by about 10% in 2024 due to medical inflation and shortage of nurses. Given that current bed occupancy rates are c. 70%, KPJ targets to raise its bed capacity by approximately 368 new beds (mostly for KPJ Penang, KPJ Ampang, DSH2) to 4,101 in 2024. Meanwhile, IHH plans to add 160 new beds this year to approximately 2,982 operational beds by end-24. Overall, both IHH and KPJ would continue focusing on operational excellence for patient satisfaction and growth as a mean of defending their market shares.

As far as corporate exercise is concerned, we understand that the disposal of KPJ Dhaka (Bangladesh) will likely be in 2024 as Bangladesh is no longer a part of KPJ's strategy. For IHH, the group is still in the midst of looking for potential earnings-accretive acquisitions in Indonesia, Vietnam, Malaysia and Europe.

Figure 3: Malaysia's Inpatient Admissions has Surpassed Pre-Pandemic Levels



Source: IHH, KPJ, TA Securities

Health Tourism, the Growth Driver

The Malaysian Healthcare Travel Council (MHTC) targets to generate RM2.4bn in revenue from the health tourism sector this year. Note that Malaysia's healthcare travel industry recorded a total revenue of RM2.2bn in 2023, surpassing 2019's figures by 33%. This is an endorsement of Malaysia's growing reputation as a premier destination for medical tourism. Visitor arrivals from Indonesia remain as the highest contributor to health tourism in Malaysia, accounting for 70-80%. Overall, we are optimistic on the medical tourism prospect as the country will see more medical tourist arrivals with the visa-free entry decision, given to China and India tourists. In our opinion, this will allow tourists to come and get a second opinion from specialists, and to seek medical treatments if needed. In addition, we also believe that Malaysia will gain some market share from Singapore due to its less costly option.

In all, both KPJ and IHH have been actively targeting Indonesian market, via participations in Jakarta Expo and Malaysia's Healthcare Expo in Surabaya. These initiatives would create market awareness and provides a platform to showcase its hospitals to Indonesian patients. Thus, we expect KPJ's healthcare tourism revenue to increase by 68% to RM324mn in FY24. For IHH, we foresee its medical tourism volume growth across all key markets.

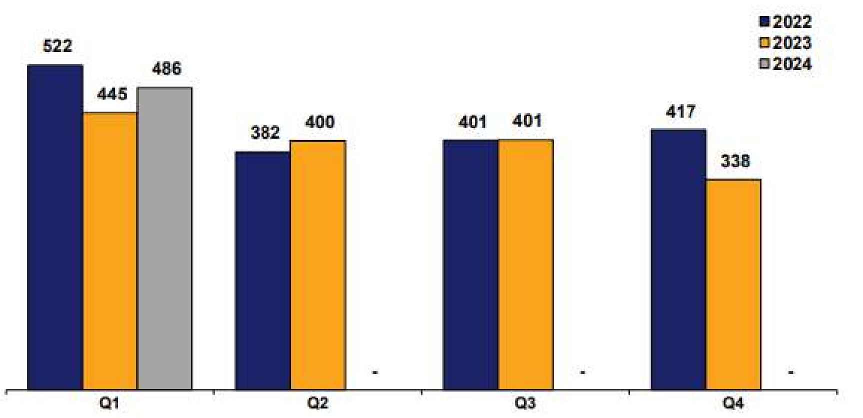
APPL to Boost Performance

We understand that the vendor selection process under the Approved Product Purchase List (APPL) is still ongoing between MOH and the vendors. As at 31 March 2024, 539 products from 80 suppliers have been selected, with the total APPL products expected to reach over 1,200 products. We believe that the APPL selection process would be concluded by September 2024 followed by non-APPL products thereafter.

We note that the highest spending on APPL orders would usually be in Q1s, with relative smaller and stable orders coming in Q2s & Q3s. Q4 would be the weakest due to closing of government accounts in December. As at 1Q24, orders from the government grew by 9.2% YoY backed by the new APPL contract. Despite the seasonally stronger 1Q performance, we expect Duopharma performance to improve in 2Q, backed by the new APPL contract and higher private sector sales.

Meanwhile, Supercomnet's medical segment is expected to remain as the key driver of the group's revenue. Demand from key customers such as Edward (35% of 1Q24 revenue) and Ambu (37% of 1Q24 revenue) are expected to grow by about 12% in FY24 while maiden contribution from IHS would likely begin in 4Q24. In our forecasts, we expect Supercomnet to register a profit growth of 31.9% in FY24.

Figure 4: Government Procurement under APPL Trend (RMmn)



Source: Pharmaniaga, TA Securities

Recommendation

We maintain our **Neutral** stance on the healthcare sector. Our top pick is Supercomnet (TP: RM1.73) based on 30.0x CY25 EPS. We like the group due to its strong earnings growth of 31.9% in FY24F, growing pipeline of new products as well as proven track record with tier-1 healthcare partners.

Reiterate Neutral

Figure 5: Peers Comparison

Company	Call	ESG	Price (RM)	TP (RM)	PER (x) CY24	PER (x) CY25	EPS Growth CY24	EPS Growth CY25	Div Yield (%) CY24	Div Yield (%) CY25	ROE (%) CY24	ROE (%) CY25
Hospitals/Equipment												
IHH	HOLD	★★★★	6.30	6.65	36.8	34.6	17.8	6.5	1.1	1.2	5.1	5.3
KPJ	HOLD	★★★★	1.93	2.03	27.9	27.1	11.1	3.2	2.3	2.4	12.0	11.6
SCOMNET	BUY	★★★	1.48	1.73	32.4	25.7	31.9	26.1	1.4	1.8	10.2	12.0
Simple Average					***32.4***	***29.1***	***20.3***	***11.9***	***1.6***	***1.8***	***9.1***	***9.6***
Pharmaceuticals												
Duopharma	BUY	★★★★	1.26	1.47	17.2	13.7	34.0	25.3	1.8	2.2	9.9	11.5

Source: TA Securities

Healthcare Sector- Rubber Gloves

(Neutral)

Demand to Rebound

(ESG: ★★★)

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Review of 1H24

The Malaysian rubber glove industry has been contending with post pandemic downcycle due to a combination of oversupply issues, weak demand resulting from excess inventory accumulation as well as intense competition from Chinese and Thailand manufacturers. Positively, demands for rubber gloves are showing signs of improvement with sustained gradual recovery in sales volume amid the depletion of excess pandemic stockpiles. In addition, the current industry consolidation and capacity adjustment have also eased the challenging situation.

Reduced Losses

In 1Q24, the big 4 rubber glove companies' cumulative net loss reduced substantially to RM5.3mn as compared to a net loss of RM548.7mn in 1Q23. We attribute this to: i) higher sales volumes, ii) cost efficiency and iii) absence of impairments. On the top-line, 1Q24 revenue slipped 1.7% to RM1.67bn.

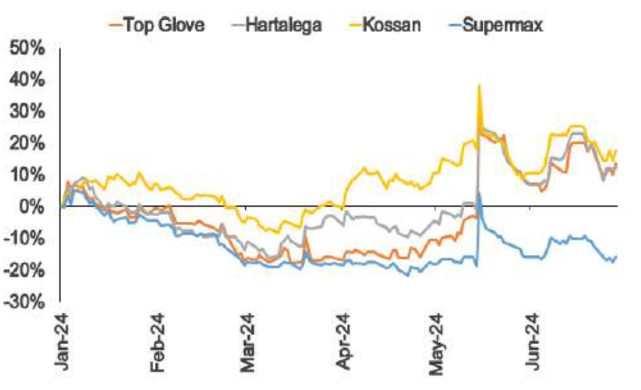
With that, the YTD share price performance of Top Glove (+13.4%), Hartalega (+12.2%), Kossan (+17.6%) outperformed the market while Supermax (-15.7%) underperformed the FBMKLCI.

Figure 1: 1Q24 Result Analysis

	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)
Revenue (RM'mn)					
Top Glove	618.0	493.5	550.3	11.5	(11.0)
Hartalega	515.7	415.6	529.8	27.5	2.7
Kossan	394.7	400.1	451.6	12.9	14.4
Supermax	175.7	145.6	143.0	(1.7)	(18.6)
Total	**1,704.2**	**1,454.8**	**1,674.8**	**15.1**	**(1.7)**
Net Profit (RM'mn)					
Top Glove	-164.7	-57.7	-51.2	11.3	(68.9)
Hartalega	-319.9	22.4	15.1	32.5	>100
Kossan	-24.3	0.8	31.5	>100	>100
Supermax	-39.9	-44.4	-0.7	98.5	(98.3)
Total	**(548.7)**	**(78.9)**	**(5.3)**	**93.3**	**99.0**

Source: Companies, TA Securities

Figure 2: YTD Share Price Performance vs. FBMKLCI



Source: Bloomberg, TA Securities

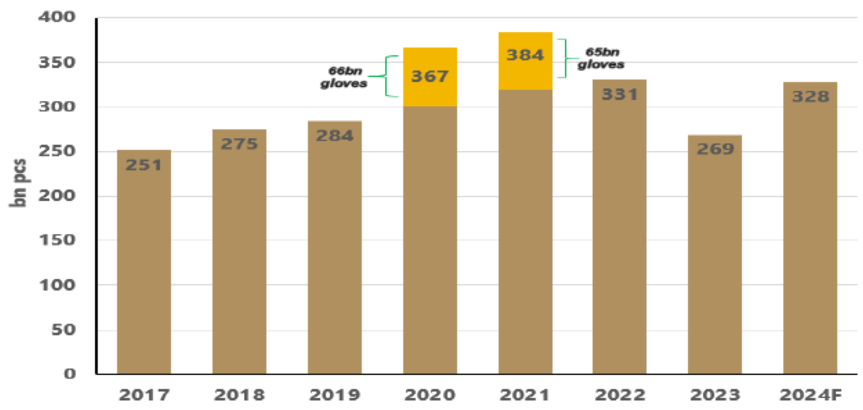
Improving Demand Outlook

With gloves being a necessity to the healthcare industry, we expect demand to eventually return to pre-pandemic levels and increase over the long term, driven by stricter standards and higher hygiene awareness in medical and industrial sectors. Currently, sales volumes for glove companies under our coverage are still 30-50% below pre-pandemic levels and is on track to revert back to norm by end-25. In addition, Malaysia gloves sales are expected to grow as the Chinese manufacturers are already running at full capacity. Capacity expansion in China is not intended following a steep tariff increase on medical gloves from China, effective 2026.

Within our glove coverage, Hartalega's production plant in NGC (currently 32bn capacity) is expected to run at 90% in 2H24 as compared to 45% in Oct-23, after shutting down Bestari Jaya facility (12bn gloves) in 1Q24. For Top Glove, we expect its utilisation rates to improve to 58% in 2H24 (vs. 45% in

1H24). Similarly, we also expect Kossan and Supermax's capacity utilisation rates to improve by c. 10%-pts in 2H24 as customers have started replenishing inventory.

Figure 3: Global Demand for Gloves



Source: Companies, TA Securities

ASP still Below Pre-Pandemic levels

As at 2Q24, nitrile glove ASP has dropped to UDS16.8/1000 gloves from USD19/1000 gloves in 2Q23 due to the intense competition from China glove manufacturers. Note that this is below pre-pandemic ASP levels of c. USD20-22/1000 gloves. Currently, we gather that the ASP differential between China and Malaysia is at around USD2 per 1000 gloves. As such, we expect the ASP of Malaysia gloves to improve moving forward due to: i) hike in raw material cost in 2H24, ii) cut-throat price competition is unlikely as Chinese manufacturers are running at full capacity and iii) US customers may start to diversify to Malaysian glove producers. Barring any unforeseen circumstances, we expect the industry to turnaround in 2H24, driven by better operating efficiency, higher volumes as well as ASP.

Raw Materials and Natural Gas Cost

Given that raw material prices account for 40% of production costs, the fluctuations of raw material will affect sector earnings. Increases in raw material and natural gas prices would result in short-term margin compression as manufacturers are unable to fully pass on the higher operating costs to customers amid the ongoing supply-demand imbalance. The prices of both nitrile and latex raw material have increased by 18.9% and 40.7% YoY in June 2024. Positively, natural rubber and nitrile latex are expected to soften moving forward. Based on our sensitivity analysis, every 5.0% change in raw material price would impact the sector earnings by 3.8%-4.5%.

Meanwhile, the natural gas price will depend on the fluctuation in crude oil price. Thus far, the natural gas cost has increased by 6% in 2Q24 to RM51.7MMBtu (vs. RM48.9MMBtu in 1Q24). Positively, we believe that the natural gas tariff will decline by around 3% in 3Q24. For every RM1/MMBtu change in natural gas tariffs, our sensitivity analysis suggests an earnings impact of 2.5%-3.7%.

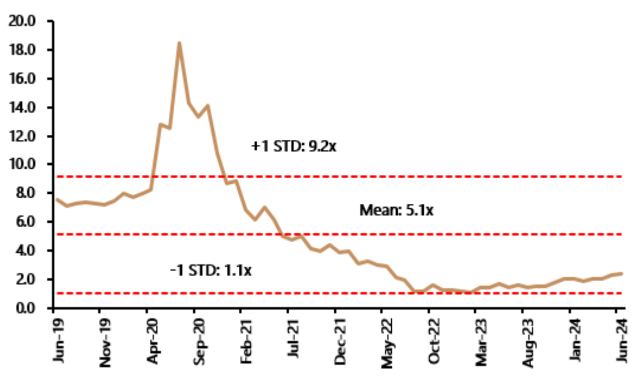
As far as forex are concerned, the USD has strengthened against the Ringgit by 2.7% to RM4.72/USD at its latest closing and averaged at RM4.73/USD. Assuming no cost pass-through mechanism, our sensitivity analysis suggests a 4.5% negative impact on earnings for every 5sen appreciation in Ringgit against the dollar.

Recommendation

All in all, we downgrade the rubber glove sector to Neutral from overweight as we believe that the market has priced in the recovery. Note that we believe earnings performance would only revert back to pre-pandemic levels in 2026.

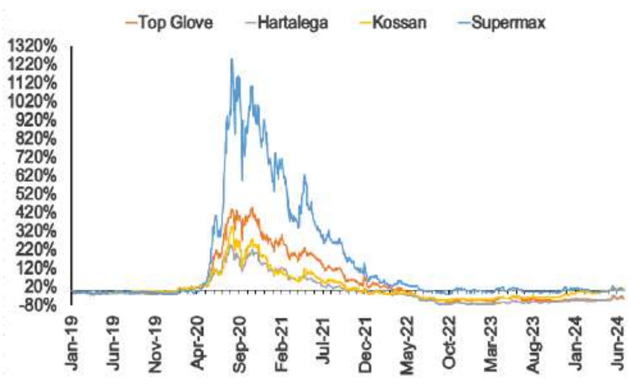
Our top pick for the sector is Hartalega (TP: RM3.68 based on 2.6x FY26 PB) due to: i) decent management quality and ii) healthy balance sheet a with net cash position of RM1.4bn. In addition, we believe the group will emerge stronger following the decommissioning of Bestari Jaya facility in 1Q24. Key risk would be lower-than-expected average selling price and higher-than-expected operating costs.

Figure 4: Hartalega Forward PB



Source: Bloomberg, TA Securities

Figure 5: Share Price Performance vs. Pre-Pandemic



Source: Bloomberg, TA Securities

Figure 6: Peers Comparison

Company	Call	ESG	Price (RM)	TP (RM)	PER (x) CY24	PER (x) CY25	EPS Growth CY24	EPS Growth CY25	Div Yield (%) CY24	Div Yield (%) CY25	ROE (%) CY24	ROE (%) CY25
Rubber Gloves												
Top Glove	SELL	★★★	1.10	1.03	>-100	60.3	(91.3)	>100	0.0	0.3	(1.0)	2.5
Supermax	BUY	★★	0.88	1.00	98.5	27.0	>100	>100	0.5	1.0	0.5	1.9
Hartalega	BUY	★★★★	3.28	3.68	65.2	42.3	>100	54.1	0.9	1.4	3.7	5.6
Kossan	HOLD	★★★	2.35	2.50	30.0	27.5	>100	9.4	1.3	1.6	4.8	5.1
Simple Average					*nm*	*39.3*	*nm*	*nm*	*0.7*	*1.1*	*2.0*	*3.8*

Source: TA Securities

Insurance Sector

(Neutral)

Growth Intact

(ESG: ★★★★)

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Insurance Sector – Robust 1Q24

To recap, the Malaysian economy grew 4.2% in 1Q24, boosted by stronger private expenditure and a positive turnaround in exports. Fuelling sentiments, the general insurance industry posted a premium growth of 10.0% YoY, while the life insurance industry's annualised new business increased by 22.4% YoY. The decent growth was attributed to higher contributions from the motor and investment-linked protection businesses.

Combined, the net profit of companies under our coverage grew by 6.7% YoY to RM186.3mn in 1Q24, mainly due to Allianz. Allianz's 1Q24 net profit rose 9.9% YoY to RM189.8mn, boosted by higher profit contributions from the life insurance segment. As for Tune Protect, the group posted a core net loss of RM3.5mn in 1Q24 (vs. a profit of RM2.0mn in 1Q23) due to a higher combined ratio of 14.5 pts to 109.8%.

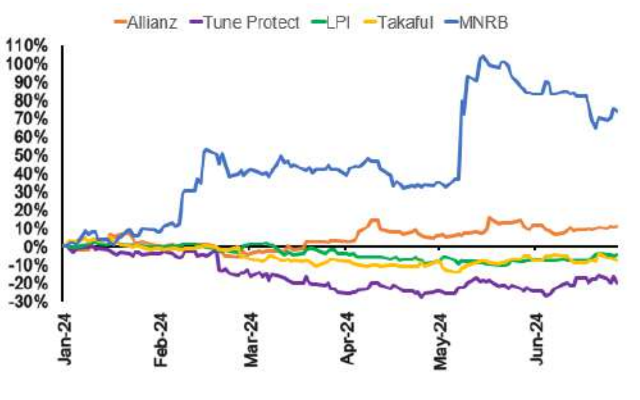
In terms of YTD share price performance, Allianz (+11.1%) outperformed, but Tune Protect (-20.0%) underperformed the KLCI index.

Figure 1: 1Q24 Result Performance

	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)
Revenue (RM'mn)					
Allianz	1,161.4	1,309.5	1,336.9	2.1	15.1
Tune Protect	121.8	43.1	94.6	119.7	(22.3)
Total	**1,283.2**	**1,352.6**	**1,431.6**	**5.8**	**11.6**
Earnings (RM'mn)					
Allianz	172.7	193.7	189.8	(2.0)	9.9
Tune Protect	2.0	(16.2)	(3.5)	(78.2)	>-100
Total	**174.7**	**177.5**	**186.3**	**5.0**	**6.7**
Combined Ratio				% pts	% pts
Allianz	84.2	85.7	87.0	(1.3)	(2.8)
Tune Protect	95.3	159.5	109.8	49.7	(14.5)

Source: Bursa Malaysia, TA Securities

Figure 2: Share Price Performance against FBMKLCI



Source: Bloomberg, TA Securities

2H24 Sector Preview

We highlight 3 major factors to watch out for as we go into 2H24 that would affect sector earnings and share price performance:

1. Minor headwinds for the general segment;
2. Medical claims inflation;
3. Higher demand for leisure and air travel.

Minor Headwinds for the General Segment

Despite a positive gross written premiums growth of 7.8% in the general insurance industry in 2023, underwriting profit declined by 26% due to lower profitability for motor and fire lines of business. Since the phased de-tariffication, the non-life segment has faced some margin compression owing to greater competition in the market, volatile weather events and rising reinsurance costs.

Into 2H24, the motor segment will continue to be the top premium contributor (45% market share in the general insurance industry). We foresee headwinds coming from the lower TIV moving forward as some consumers might hold back car purchases following the reduction of fuel subsidy announcements. As such, we expect the general industry premium to grow by 8% in 2024 (vs. 10.0% in 3M24). Positively, we expect Allianz's claims ratio to remain stable amid repricing activities and its stance on focusing on technical pricing.

Medical Claims Inflation

As per global trends, healthcare costs in Malaysia have been increasing due to the high medical inflation rate, leading to a growing demand for health insurance, thus adding pressure on premium increases in the future. Note that medical claims pay-out increased by 26% in 2023. Positively, we understand that 90% of Allianz Malaysia's customers will remain despite the hike in premiums as policyholders are provided options to manage the cost of their insurance premiums, including lowering their premium by converting it to a cost-sharing plan and altering their policy benefits to fit their circumstances.

Moving forward, BNM, with insurer's operators, will promote new insurance plans with cost-sharing provisions, which may lead to lower overall claims costs and premiums. Overall, we believe the life insurance segment is poised to maintain its growth momentum of 5-8% in 2024. Growth will be driven by: i) an increasing awareness of the importance of insurance coverage among Malaysians, ii) repricing activities and iii) higher demand for comprehensive coverage in the corporate employee benefits market. Moreover, policies per capita remain relatively low at c. 60%, which would benefit insurance players over the medium to longer term.

For Allianz, the strong growth in bancassurance is expected to remain strong (1Q24 grew 79.5% YoY), driven by its emphasis on insurance with the proposition of savings business. Meanwhile, the agency channel would also improve, aided by intensified recruitment and investment-linked products. Allianz targets to double its agency sales force to 10,000 by 2028. Overall, we forecast Allianz's annualised new premiums to improve by 25.3% in 2024.

Higher Demand for Leisure and Air Travel

To recap, Malaysia recorded 20.1mn foreign tourist arrivals last year, with Singaporeans making up the bulk of the number with 8.3mn, followed by Indonesia (3.1mn), Thailand (1.55mn) and China (1.47mn). A target of 27.3mn foreign tourists has been set for 2024. Thus, we are optimistic about the travel segment, buoyed by the 30-day visa-free arrangement for Chinese and Indian visitors to Malaysia. Moreover, international travel ended 2023 at 88% of pre-pandemic levels and is expected to surpass the pre-pandemic level in 2024.

With that, we believe that Tune Protect will benefit from the higher demand for travel as travel makes up about one-third of its revenue. This belief is further strengthened by the fact that the group's key partners, AirAsia Group and AAX Group, are expected to expand their operational aircraft by 8% to 249 by the end of 2024. Meanwhile, Vietjet and Air Arabia also have ambitious targets to increase their operational aircraft by 17% and 11% in 2024, respectively, indicating a positive trend in the travel industry.

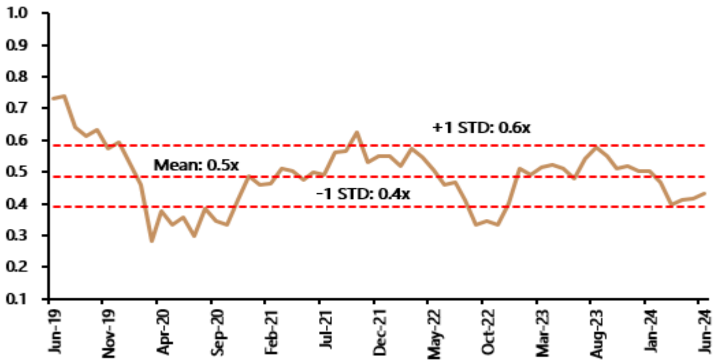
Recommendation

All in all, we maintain a **Neutral** stance on the insurance sector, given its defensive qualities. Dividend remains decent, with forward yields at 4.9% to 6.1% in FY25F.

Maintain Neutral

Our top pick in the sector, Tune Protect (TP: RM0.48 based on 0.6x CY25 PB), is backed by promising growth in the air travel sector as demand for air travel continues to surge and airlines are expanding their routes and capacity. More importantly, we believe that the group would turnaround in 2024. Meanwhile, we maintain a Hold recommendation on Allianz (TP: RM23.27) due to its significant share price surge of more than 50% in a year, thus narrowing its risk-reward potential.

Figure 3: Tune Protect Forward PB



Source: TA Securities

Figure 4: Peers Comparison

Company	Call	ESG	Price	TP	PER (x)		EPS Growth		Div Yield (%)		ROE (%)		P/BV (x)	
			(RM)	(RM)	CY24	CY25	CY24	CY25	CY24	CY25	CY24	CY25	CY24	CY25
TUNEPRO	BUY	★★★	0.36	0.48	10.6	8.2	22.3	29.4	0.0	4.9	4.7	5.9	0.5	0.5
ALLIANZ	HOLD	★★★★	22.30	23.27	5.1	5.0	5.6	3.8	5.8	6.1	14.4	13.9	0.7	0.7
Simple Average					***7.9***	***6.6***	***13.9***	***16.6***	***2.9***	***5.5***	***9.6***	***9.9***	***0.6***	***0.6***

Source: TA Securities

Media Sector (Underweight)

Hint in Adex Recovery, but Profitability Challenges Persist **(ESG: ★★★★)**

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Review of 1Q24

Slight Recovery in Traditional Media Adex

The media sector has exhibited signs of recovery in adex revenue since the start of 2024. According to Nielsen Media Research, traditional media adex in 1QCY24 rose 12.2% YoY to RM1,325mn. This growth was primarily driven by two key mediums: free-to-air television (+16.7% YoY) and radio (+17.5% YoY), which accounted for 72.5% and 8.34% of traditional media adex, respectively.

YTD underperformed vs. the KLCI

Despite the recovery seen in adex, all companies under our media universe have YTD underperformed vs. the KLCI (+9.3%). This was led by STAR (-7.2%), ASTRO (-7.1%) and followed by MEDIA PRIMA (+1.3%).

Dampened by challenging business environment and rising operating costs

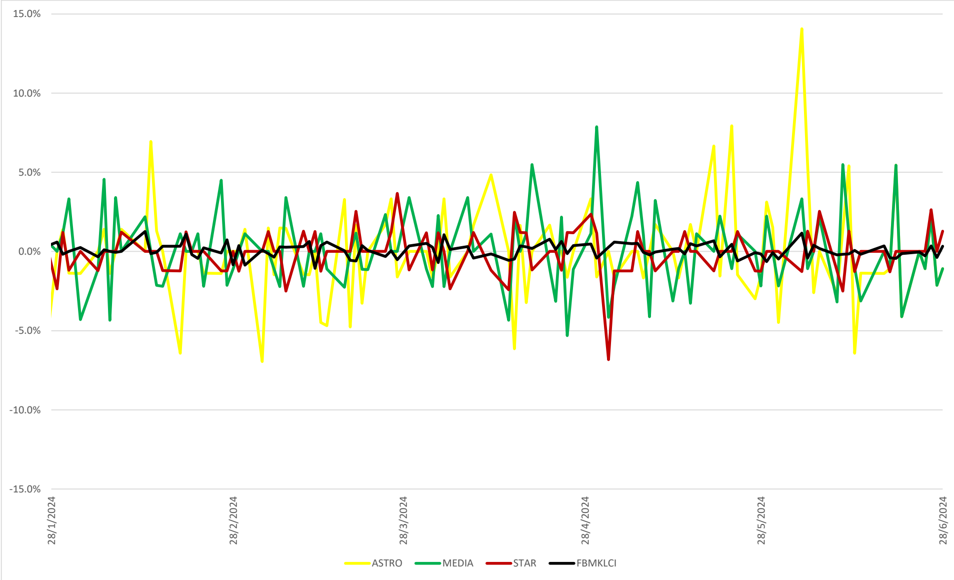
This underperformance can be attributed to a challenging business environment, rising inflationary pressures and ongoing geopolitical issues, thus leading to several significant advertisers reducing adex spending. Additionally, rising operating costs have further pressured profitability.

Figure 1: 1Q24 Results Analysis

	1Q23	4Q23	1Q24	QoQ	YoY
Revenue (RM mn')				%	%
Astro	891.1	820.0	773.0	(5.7)	(13.3)
Media Prima	210.8	223.8	213.2	(4.7)	1.1
Star	52.0	55.1	53.3	(3.2)	2.5
Total	**1,217.0**	**1,150.8**	**1,123.5**	**(2.4)**	**(7.7)**
EBITDA (RM mn')				%	%
Astro	293.9	233.0	214.0	(8.2)	(27.2)
Media Prima	20.4	37.1	21.2	(42.8)	3.9
Star	5.1	9.8	3.9	(60.5)	(24.8)
Total	**374.4**	**297.1**	**287.4**	**(3.3)**	**(23.2)**
Core Earnings (RM mn')				%	%
Astro	60.0	35.0	25.0	(28.6)	(58.3)
Media Prima	(6.3)	9.9	2.0	(79.8)	(131.9)
Star	1.1	5.5	(0.2)	nm	nm
Total	**82.4**	**59.3**	**46.7**	**(21.2)**	**(43.3)**
EBITDA margin (%)				pp	pp
Astro	33.0	32.2	24.9	(7.3)	(8.1)
Media Prima	9.7	16.6	10.0	(6.6)	0.3
Star	9.9	17.8	7.3	(10.5)	(2.6)
Core Earnings margin (%)				pp	pp
Astro	6.7	(0.2)	3.0	3.1	(3.8)
Media Prima	(3.0)	4.4	0.9	(3.5)	3.9
Star	2.2	10.0	(0.4)	(10.4)	(2.6)

Source: Companies, TA Securities

Figure 2: Share Price Performance



Source: Bloomberg, TA Securities

Going into 2H24, we highlight 3 major factors potentially influencing the media sector's earnings and share price performance:

1. **Business & Consumer Sentiment**
2. **Boycotts Challenge Adex Major Spenders**
3. **Continuous Strong Competition from Foreign Tech Giants**

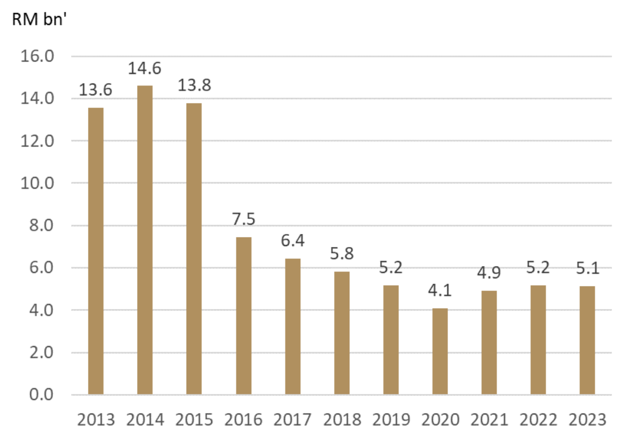
1. Business & Consumer Sentiment

Weak Sentiment to Dampen Marketing & Discretionary Spending

The Malaysian Institute of Economic Research's (MIER) latest report for 1QCY24 paints a cautious picture for the media sector. The Business Conditions Index (BCI) declined to 94.3 points, down 1.1 points YoY, indicating subdued business investments and potential reductions in advertising spending. This trend suggests that businesses may tighten their advertising budgets, posing challenges for traditional media outlets heavily dependent on ad revenues. Concurrently, the Consumer Sentiment Index (CSI) dropped to 87.1 points, a significant decrease of 12.1 points YoY, reflecting heightened consumer caution in spending. This could lead to decreased consumer expenditure on media subscriptions and other non-essential media services, impacting revenue streams that rely on discretionary spending.

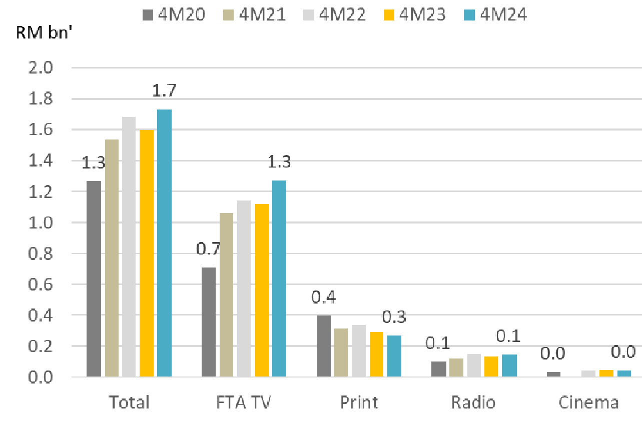
Moreover, persistent inflation concerns further exacerbate consumer uncertainty, influencing media consumption patterns and spending behaviours. The declining BCI and CSI highlight a cautious economic environment that presents significant challenges for the media sector in Malaysia.

Figure 3: Traditional Adex (2013-2023)



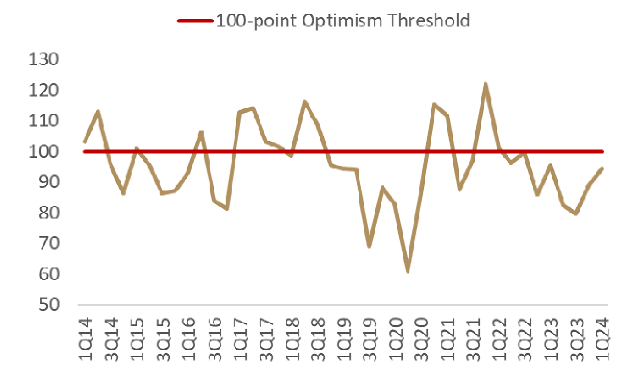
Source: Nielsen Media Research, TA Securities

Figure 4: Traditional Adex by Medium (4M20-4M24)



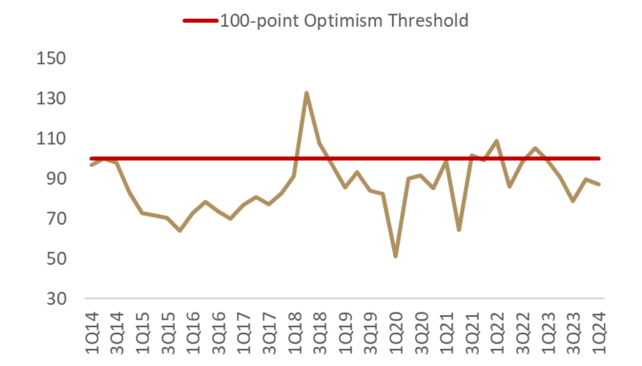
Source: Nielsen Media Research, TA Securities

Figure 5: Business Conditions Index



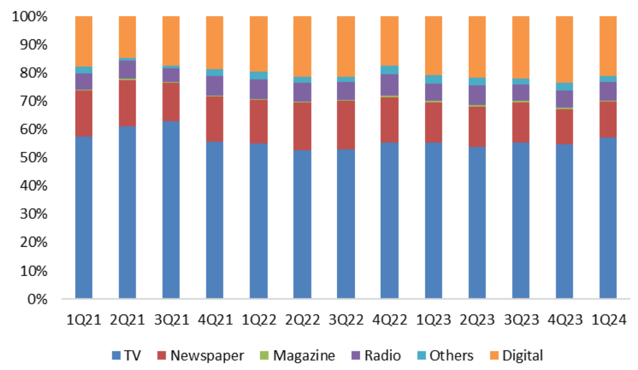
Source: MIER, TA Securities

Figure 6: Consumer Sentiment Index



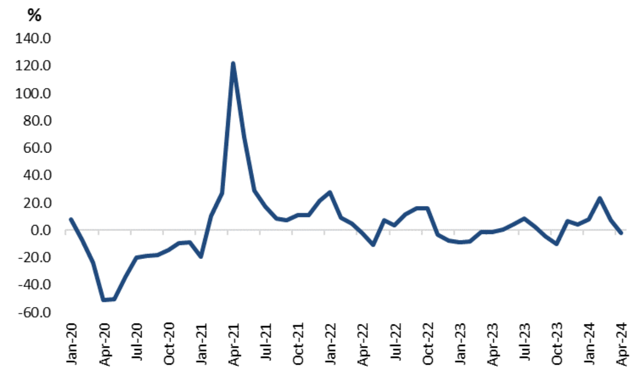
Source: MIER, TA Securities

Figure 7: Malaysia Market Share



Source: Nielsen Media Research, TA Securities

Figure 8: Adex Growth



Source: Nielsen Media Research, TA Securities

2. *Boycotts Challenge Adex Major Spenders*

Adversity Strikes Major Adex Spenders

Several global brands have been accused of taking a controversial stance in the Israel-Gaza conflict, triggering widespread consumer boycotts. These boycotts are primarily driven by consumer activism, where customers are increasingly holding brands accountable for their perceived political alignments. The backlash has compelled brands to withdraw or scale back their advertising campaigns to avoid further negative publicity.

The boycotts and the ensuing negative sentiment have not only affected the brands but also major advertisers. The geopolitical instability has created a challenging business environment, forcing advertisers to adopt a cautious approach to spending. They are now reallocating resources to crisis management and public relations efforts, a move that further reduces their advertising spend.

The reduction in advertising expenditure has direct financial implications for media companies. Advertising revenue, a substantial part of their income, has sharply declined. Media companies are facing decreased demand for ad slots, leading to lower occupancy rates and reduced pricing power. This trend is evident across various media segments, including television, digital, and print.

3. Continuous Strong Competition from Foreign Tech Giants

The dominance of big tech companies, particularly Google and Facebook, has fundamentally disrupted traditional media business models. In Malaysia, these tech giants command an estimated 80% to 90% of digital advertising revenue, significantly impacting the financial viability of traditional media outlets. This monopolistic control over digital ad spending presents substantial economic challenges for media companies, undermining advertising and subscription-based revenue streams. The lack of a regulatory framework exacerbates these challenges, allowing big tech firms to operate with less oversight and accountability, further complicating efforts to manage misinformation, bias, and content control.

Potential Pivoting Factor from Regulations

The potential regulation mandating Google and Meta to compensate news providers is not just a potential change, but a potential lifeline for the media industry. If put into effect, this regulation could serve as a much-needed revenue stream for traditional media companies, offering a counterbalance to the financial pressures imposed by the dominance of big tech. The actual impact of this regulation will hinge on the specifics of its implementation, including the payment structures and criteria for compensation.

However, the timeline for implementing such regulation remains to be determined, adding a layer of uncertainty to its potential impact. Media companies, including those consulted, acknowledge the transformative potential of this regulatory change but lack visibility on when it might be enforced. As the digital market continues to evolve, introducing such regulations could play a crucial role in rebalancing the media landscape, ensuring fair compensation for content creators, and fostering a more sustainable ecosystem for traditional media outlets.

Recommendation

Maintain Underweight

In all, we maintain our **UNDERWEIGHT** stance on the media sector with recommendations of SELL on ASTRO (TP: RM0.36), STAR (TP: RM0.385) and MEDIA PRIMA (TP: RM0.45). We remain cautious on the media sector's near-term prospects with expectations for lingering and aggravating macroeconomic headwinds to weigh on marketing and discretionary spending.

Key risks include weaker-than-expected: i) economic growth and ii) business and consumer sentiment.

Table 1: Peers Comparison

Company	Call	ESG	Price (RM)	TP (RM)	PE (x)		EPS Growth		PBV (x)		Div. Yield (%)		ROE (%)	
					CY24	CY25	CY24	CY25	CY24	CY25	CY24	CY25	CY24	CY25
Astro	SELL	★★★★	0.330	0.300	16.0	14.9	23.9	7.6	1.5	1.4	2.2	5.1	9.7	9.9
Star	SELL	★★★★	0.395	0.365	100.8	53.3	17.6	89.0	0.4	0.4	0.2	0.5	0.4	0.8
Media Prima	SELL	★★★★	0.455	0.450	20.2	15.9	-11.5	26.9	0.7	0.7	1.7	2.2	3.9	4.5
Weighted average					***12.9***	***9.3***	***-13.3***	***39.1***	***1.0***	***0.9***	***3.4***	***4.7***	***7.8***	***10.1***

Source: Bloomberg, TA Securities

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Oil & Gas Sector (Overweight)

Resilient Oil Prices to Support Upstream Capex **(ESG: ★★★★)**

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1H2024 Flashback

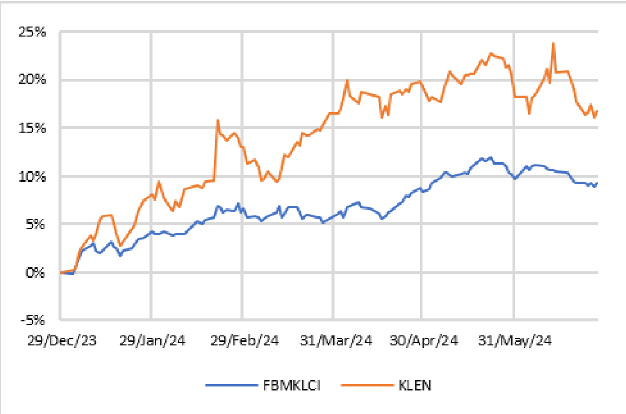
Sector outperformed broader market

In 1H2024, the KL Energy Index (KLEN) has outperformed the FTSE Bursa Malaysia KLCI Index (FBMKLCI). KLEN rose by 16.8% YTD while FBMKLCI increased 9.3% since the start of the year (Figure 1).

Divergent upstream vs downstream performance

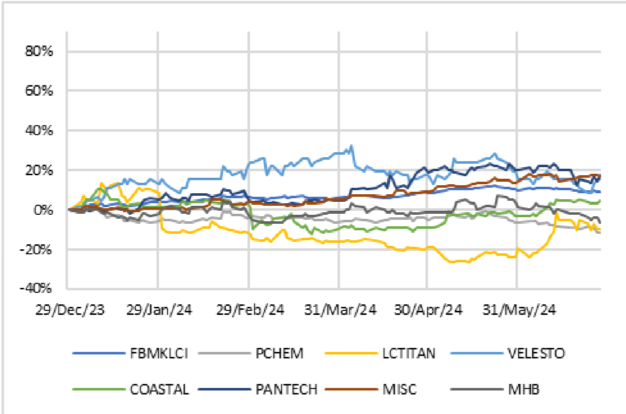
Oil and gas (O&G) players under our coverage in general showed mixed performances in 1H2024 (Figure 2). Our stock pick for 2024 annual strategy MISC soared 16.9% YTD as Mero 3 has arrived at its field and received provisional acceptance, hence lowering MISC's cost-overrun and delivery risks. PANTECH surged 17.8% from the start of the year supported by its attractive dividend yield and bright prospects. VELESTO increased 15.2% YTD as average DCR continues to increase from contract renewals, translating into earnings improvement. In contrast, downstream petrochemical players such as PCHEM and LCTITAN plunged 11.9% and 9.6% respectively as product spread remains depressed from supply glut.

Figure 1: YTD KLEN vs FBMKLCI



Source: Bloomberg, TA Securities

Figure 2: YTD Share Price Performance



Source: Bloomberg, TA Securities

2H2024 Sector Outlook

We expect the following factors to be the main drivers for the sector in 2H2024:

- **i)** Resilient oil prices from production curbs;
- **ii)** Geopolitical tension as a wildcard affecting oil prices;
- **iii)** Supply glut to drag downstream petrochemical sector.

i) Resilient Oil Prices as OPEC+ Extends Production Cut until End-2025

OPEC+ extending deep oil output cut but phasing out voluntary production cut

On 2 June 2024, OPEC+ producers agreed to extend their deep oil output cut of 3.66mn barrels per day (bpd) by a year until the end of 2025. Meanwhile, 8 members also agreed to extend voluntary production cuts of 2.2mn bpd into 3Q2024 from 2Q2024. The 8 members will gradually phase out the voluntary cuts over the course of a year from October 2024 to September 2025. Recap that the 2.2mn bpd of cuts include 1mn bpd by Saudi Arabia, 0.5mn bpd by Russia and the remaining from 6 other countries. However, OPEC+ did mention that the group could pause the unwinding of cuts or reverse them if demand is not strong enough to support oil prices.

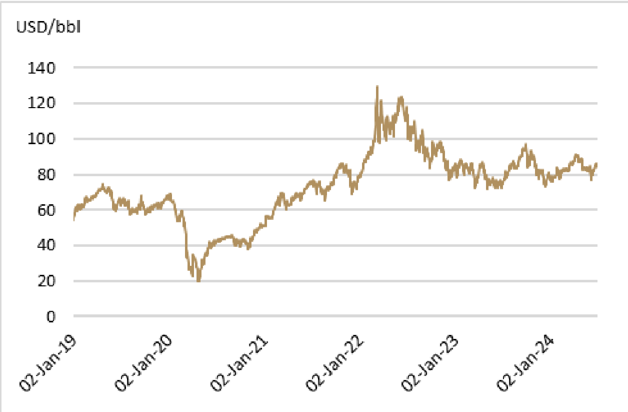
Global oil demand remains relatively resilient despite rising interest rate environment. World largest oil importer China's oil demand continues to be robust against the backdrop of property market and economic woes (Figure 4). The strong demand is mainly from China's downstream petrochemical industry. China is expected to continue to be the main driver of demand growth moving forward albeit not as strong as in 2023 when the world's second largest economy accounted for more than three quarter of global demand growth. We believe China will implement stimulus measures to stimulate its sluggish economy. Meanwhile, global crude demand is also expected to grow as global central bank cuts interest rate following the easing of inflation.

China expected to continue to be main driver of demand growth

EIA's latest estimates show that for 2024, global production of petroleum and other liquid fuels will increase by 0.8mn bpd. Meanwhile, global consumption of liquid fuels will increase by 1.1mn bpd. This suggests a slight supply deficit in 2024 provided OPEC+ continues to curb production and only relax some of its voluntary production curb in 4Q2024. Overall, we maintain our oil price assumption for 2024 at USD85/bbl (EIA estimates: USD84/bbl) and introduce our 2025 oil price assumption at USD83/bbl (EIA estimates: USD85/bbl). The resilient oil price is expected to benefit upstream oil and gas players such as VELESTO and PANTECH as this encourages continuous upstream capex spending.

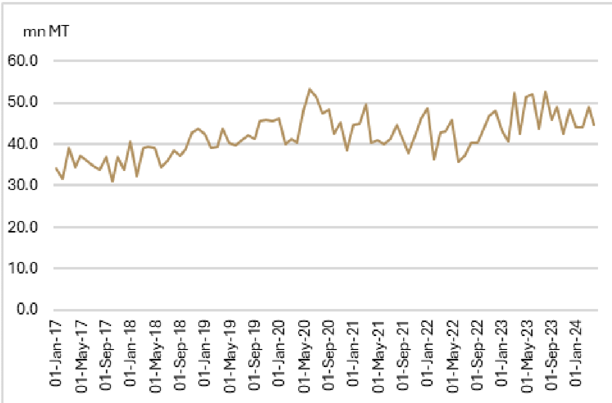
2025 oil price assumption of USD83/bbl

Figure 3: Brent Crude Oil Prices



Source: Bloomberg, TA Securities

Figure 4: China Customs Import



Source: Bloomberg, TA Securities

ii) Geopolitical Tension as a Wildcard Affecting Oil Prices;

Brent crude oil started the year at c.USD76/bbl on the back of demand concerns but rallied to c.USD90/bbl in April as geopolitical tension in the Middle East increases the risk of supply disruption (Figure 3). The surge of oil price was due to concerns of widening of conflict to involve Iran directly in the Israel-Hamas war. However, in recent weeks, Brent price has eased and is ranging between USD80-USD85/bbl as concerns of widening geopolitical conflict in Middle East wanes. Although Israel-Hamas war, if contained, is unlikely to cause supply disruption, we expect any signs of rising geopolitical tension to lead to knee-jerk surge in oil price.

Rising geopolitical tension may lead to knee jerk surge in oil prices

iii) Supply Glut to Drag Downstream Petrochemical Sector;

Supply glut remains a challenge for petrochemical players in 1H2024 as evidenced by margin squeeze and lacklustre performance. Product prices and product spreads remain subdued (Figure 5, 6, 7, 8).

Moving forward, capacity additions loom large on the Asian polyethylene (PE) markets, posing challenges to market balance and oversupply. China is poised

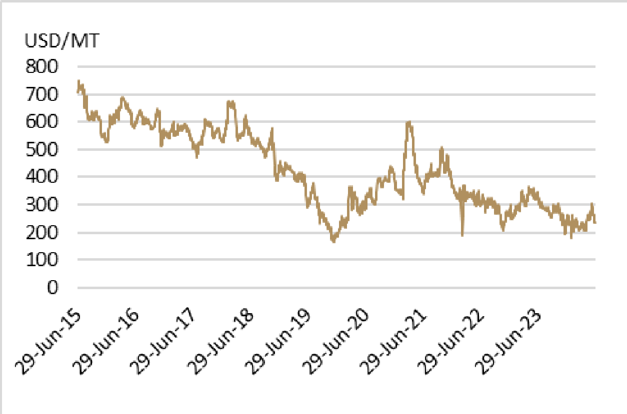
Capacity addition dragging on commodity chemicals

for c.7.5mn tonnes of PE capacity addition in 2024, with a further 6.7mn tonnes slated for 2025. As a comparison, ICIS forecasts that global PE demand will grow by 3.4m tonnes per year in 2024-2040. Recovery of product spread seems unlikely if China continues its massive capacity expansion.

Specialty chemicals could see improvements

We believe improvement in the product spread of commodity chemicals remains unlikely in the near to medium term due to the massive capacity expansion from China. The upside, if any, will be from the specialty chemicals segment where the products are more niche and less volume dependent. With expectations of rate cuts from global central banks and stimulus in China to revive its sluggish economy and hopefully prop up its property sector, global demand from automotive and construction sectors are expected to improve and hence drive demand for specialty chemicals.

Figure 5: HDPE-Naphtha Spread



Source: Bloomberg, TA Securities

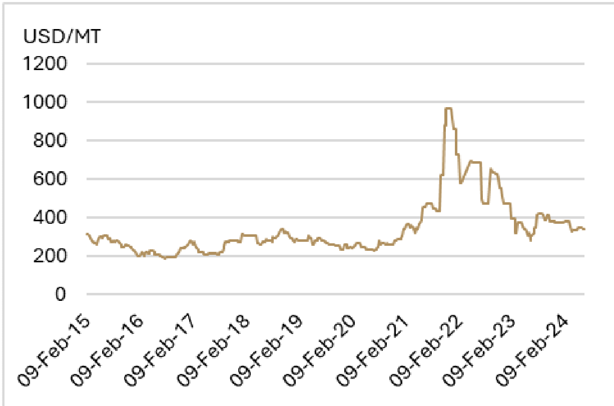
Figure 6: MEG-Naphtha Spread

Source: Bloomberg, TA Securities

Figure 7: Methanol Southeast Asia CFR Spot Prices

Source: Bloomberg, TA Securities

Figure 4: China Urea Granular Spot Prices



Source: Bloomberg, TA Securities

Recommendations

Overweight Oil and Gas

We maintain **Overweight** on the sector. On the back of production curbs from OPEC+ and relatively strong demand, we maintain our oil price assumption for 2024 at USD85/bbl. We also introduce our 2025 oil price assumption at USD83/bbl. The resilient oil price is expected to benefit upstream oil field owners such as **HIBISCUS (Not Rated)** and oil and gas services and equipment (OGSE) providers including **VELESTO (Buy, TP: RM0.33)** and **PANTECH (Buy, TP: RM1.23)** as this encourages continuous upstream capex spending.

Considering that product prices and product spreads for commodity chemicals are unlikely to improve in the short to medium term, we slash our product price assumptions for **PCHEM** for FY25/FY26, cutting our earnings forecasts by 9.1%/10.7% respectively. We maintain our **Hold** recommendation albeit at a lower TP of **RM6.77/share** based on 9x CY25 EV/EBITDA.

Top Picks VELESTO and PANTECH

Our top picks for the sector are **VELESTO** and **PANTECH**. We like **VELESTO** as the group is expected to enjoy earnings growth from escalation in DCR considering that the jackup drilling rig market is still tight. Risks to our call include unscheduled outage of drilling rigs and plunge in oil prices leading to major oil companies pulling back their capex spending plans. We value VELESTO at RM0.33 based on 12x CY25 EPS. This is a slight premium compared with global peers that are trading at c.11.3x CY25 EPS as VELESTO has locked in contracts for most of its rigs for 2024 and 2025.

We also like **PANTECH** as the group offers an attractive dividend yield of c.6% and is poised to benefit from higher upstream investment from resilient oil prices and downstream growth supported by government policies and plans. Risks to our call include an unexpected plunge in oil prices. We value PANTECH at RM1.23 based on based on 10x CY25 EPS, 10% discount from its local peers trading at 11.1x CY25 EPS.

Figure 9: Peers Comparison

Company	Call	ESG	Price (RM)	Tgt.Price (RM)	PE (x) *		PBV (x)		ROE (%)		ROA (%)		DPS (sen)		Dividend Yield (%)	
					CY24	CY25	CY24	CY25	CY24	CY25	CY24	CY25	CY24	CY25	CY24	CY25
COASTAL	Buy	★★★	1.72	2.00	6.3	6.6	0.5	0.5	7.7	6.8	6.8	6.0	0.0	0.0	0.0	0.0
LCTITAN	Sell	★★★★	1.22	1.03	(4.3)	(13.0)	0.3	0.3	(6.0)	(2.0)	(2.4)	(0.8)	0.0	0.0	0.0	0.0
MHB	Buy	★★★★★	0.450	0.55	16.0	14.2	0.6	0.5	3.5	3.8	1.2	1.3	0.3	0.3	0.6	0.7
MISC	Hold	★★★★★	8.52	8.80	16.3	16.0	1.0	0.9	5.8	5.8	3.5	3.5	36.0	36.0	4.2	4.2
PANTECH	Buy	★★★★	1.060	1.23	8.9	8.6	1.0	0.9	10.7	10.5	7.6	7.6	6.0	6.4	5.7	6.1
PCHEM	Hold	★★★★	6.31	6.77	23.3	18.2	1.2	1.2	5.2	6.5	3.7	4.6	13.0	17.0	2.1	2.7
VELESTO	Buy	★★★★	0.265	0.33	14.4	9.8	0.8	0.8	5.8	8.0	4.6	6.6	0.4	0.5	1.4	2.0
Simple Average					**14.2**	**12.2**	**0.8**	**0.7**	**4.7**	**5.6**	**3.6**	**4.1**			**2.0**	**2.2**
Weighted Average					**19.9**	**16.0**	**1.1**	**1.0**	**5.2**	**6.0**	**3.5**	**4.1**			**2.8**	**3.2**

**Excluding outliers that are negative or >50*

Source: Bloomberg, TA Securities

Plantation Sector (Neutral)

Navigating the Path Forward **(ESG: ★★★★)**

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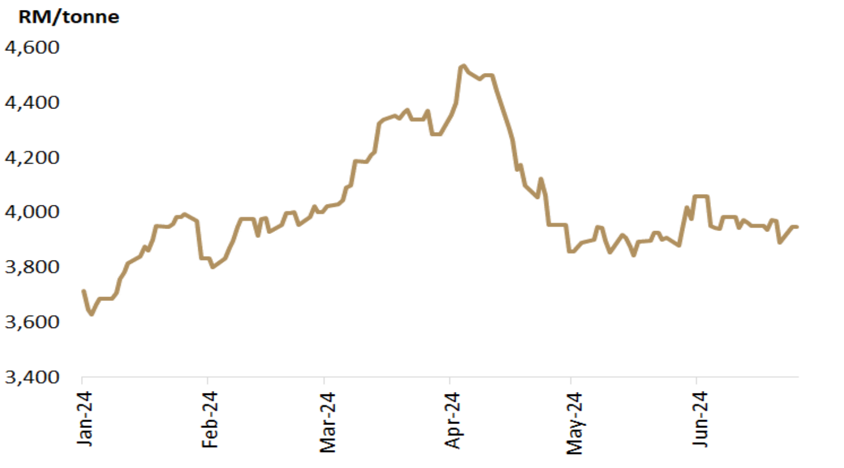
Roller Coaster Ride in 1H

The CPO price started the year at around RM3,700/tonne. It surged in January, propelled by forecasts of reduced production in Malaysia and increase in exports, and extended the rally to RM4,535/tonne on Apr 4. This surge was fuelled by concerns over diminishing stockpiles, elevated prices of soybean oil, increased demand due to purchases for the Ramadan festival, and a weakened Ringgit, which tends to make palm oil cheaper compared to other competing oils. Additionally, the rally was bolstered by stronger crude oil prices too.

However, the CPO price lost its appeal and fell a low of RM3,845/tonne on May 16, as palm oil production improved, and exports faltered. The price weakness was also in tandem with declines in rival oils and lower crude oil prices. The situation has been exacerbated by dwindling demand from major buyers like India and China. In late-May, the CPO price rebounded and was hovering around RM3,900 to RM4,000 per tonne. This uptrend was backed by a positive demand outlook, a weakened Ringgit, and concerns over volatile weather conditions in the second half of the year, which could impact on the supply. Additionally, the recovery in crude oil prices has further enhanced the attractiveness of palm oil as a biofuel.

For the 1Q24 earnings report card, most plantation companies suffered from weaker earnings YoY, with exceptions of SD Guthrie Berhad (SDG, formerly known as Sime Darby Plantation Berhad), FGV, and TSH, which observed increased earnings contributions from the upstream division, primarily due to higher fresh fruit bunches (FFB) and reduced production costs. In contrast, in the downstream division, SDG was the only company to report higher profit compared to the previous year, attributed to increased demand for Asia Pacific bulk and differentiated refineries. Regarding FFB production, SDG, KLK, and KIML witnessed higher growth rates compared to the previous year, ranging from 3.5% to 8.5%. Conversely, the rest experienced negative FFB production growth, ranging from 1.4% to 9.8%

Figure 1: CPO Spot Price



Source: Bloomberg, TA Research

What to Watch Out for in 2H 2024?

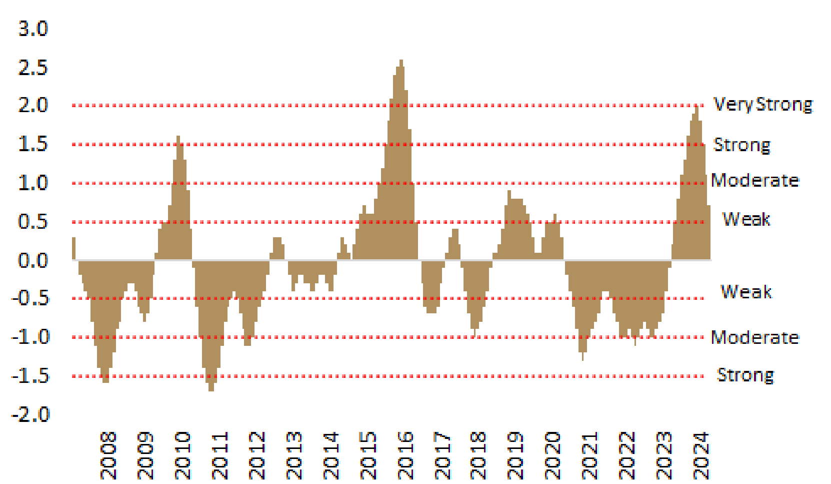
Goodbye, El Nino. Hello, La Nina?

According to the World Meteorological Organization (WMO), the El Nino event of 2023/24, which contributed to a surge in global temperatures and widespread extreme weather events, is showing signs of tapering and a shift to La Nina conditions is expected later this year. The WMO predicts a 50% likelihood of either neutral conditions or a transition to La Nina from June to August 2024. The probability of La Nina conditions rises to 60% from July to September and further to 70% from August to November. However, there remains considerable uncertainty regarding the intensity and duration of these conditions.

In Malaysia, the Malaysian Meteorological Department (MetMalaysia) predicts that the La Nina phenomenon will begin between July and September this year. Based on international forecast models, this event is likely to persist for a duration ranging from 5 to 18 months, with expectations of it being relatively weak to moderate in intensity. To recap, the previous episode of La Nina, which began in 2020 was initially projected to last for a year, unexpectedly ended in early 2023.

La Nina typically brings more rainfall and prolonged heavy rains over several days can trigger flooding in low-lying areas that are prone to such occurrences. This could potentially disrupt palm oil production in the short term, as the heavy rain and floods are likely impeding harvesting progress and causing delays in evacuation of FFBs. However, the above-average rainfall is also expected to contribute to a significant increase in palm oil production in the 1H of 2025, thanks to enhanced growth conditions and yields. Additionally, the ease of labour shortages is anticipated to further boost CPO production. Nevertheless, it is important to note that the precise impact of La Nina on CPO prices can vary depending on factors such as its intensity, duration, the timing of its development, and its interaction with other climate variability patterns.

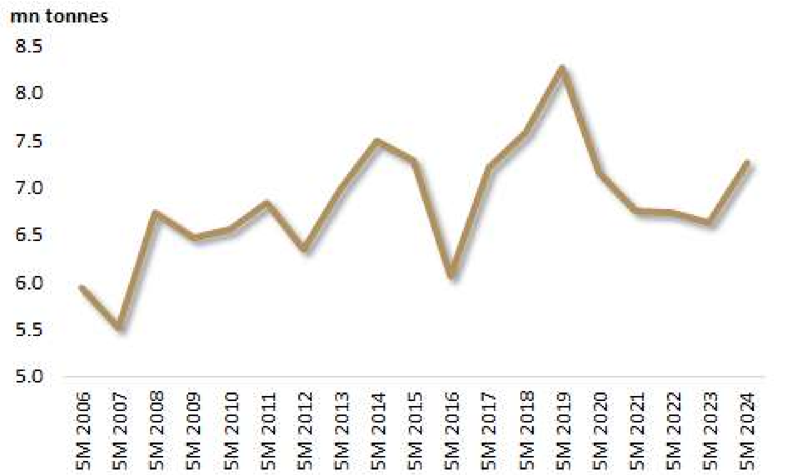
Figure 2: Oceanic Nino Index (ONI)



**above the +0.5 anomaly for warm (El Nino) events*
**below the -0.5 anomaly for cold (La Niña) events*
Source: NOAA, TA Research

In Malaysia, CPO production during the first five months of 2024 grew by 9.4% YoY, reaching 7.26mn tonnes. YTD, the FFB yield increased by 11.1% MoM to 6.20 tonnes per hectare. Production improvements can be expected in the second half of 2024 due to the ease of foreign labour shortages and favourable weather patterns. All in, the CPO production for 2024 is projected to reach 20.2mn tonnes, marking an 8.7% increase compared to the previous year. Meanwhile, Indonesia's 2024 production is forecasted to increase slightly to 54.4mn tonnes from 53.2mn tonnes, as reported by the Indonesian Palm Oil Association (GAPKI).

Figure 3: Malaysia CPO Production (5 Months basis)



Source: MPOB, TA Research

According to the United States Department of Agriculture (USDA), global vegetable oil production is expected to increase by 2.5% in 2023/24 and by 2.0% in 2024/25. The growth in 2024/25 is primarily driven by soybean and palm oil production, with increases also anticipated in olive oil and peanut production. Meanwhile, cottonseed, palm kernel, and rapeseed oil production are forecasted to remain relatively stable, while sunflower seed oil production is projected to decline (refer to Figure 4).

Global consumption is forecasted to expand, leading to a decrease in ending stocks. Ending stocks are expected to decrease by 0.2% in 2023/24 and by 5.9% in 2024/25. The reduction in stocks is mainly projected for palm oil, followed by rapeseed oil. Meanwhile, the implied ending stocks-to-use ratios of 14.5% and 13.3% for 2023/24 and 2024/25, respectively, are 0.40 to 1.63 percentage points below the highs observed in 2019/20.

Figure 4: Major Vegetable Oils: World Supply and Distribution (mn)

	2020/21	2021/22	2022/23	2023/24	2024/25
Beginning stocks	**30.7**	**29.6**	**29.8**	**31.9**	**31.8**
Production					
Palm oil	73.3	73.0	78.0	79.3	80.0
Soybean oil	60.1	60.0	59.6	62.4	65.4
Rapeseed oil	29.4	29.2	32.9	34.0	34.0
Sunflower Oil	19.0	19.7	21.7	21.9	21.7
Others	26.2	26.7	26.1	26.2	27.1
Total	**208.0**	**208.6**	**218.3**	**223.8**	**228.28**
Total Supply	**238.7**	**238.1**	**248.2**	**255.7**	**260.1**
Imports	**81.2**	**74.2**	**83.9**	**83.3**	**83.0**
Exports	**85.8**	**79.7**	**88.9**	**88.3**	**88.3**
Net import	**(4.6)**	**(5.5)**	**(5.0)**	**(5.0)**	**(5.3)**
Consumption					
Palm oil	72.4	69.4	74.2	77.4	79.0
Soybean oil	58.9	59.8	58.9	61.4	64.5
Rapeseed oil	28.6	30.2	32.7	33.5	34.4
Sunflower Oil	18.3	17.6	19.5	20.7	20.4
Others	26.3	26.0	25.9	25.8	26.6
Total	**204.5**	**202.8**	**211.3**	**218.9**	**224.9**
Ending stocks	**29.6**	**29.8**	**31.9**	**31.8**	**29.9**
Stocks/usage	**14.5%**	**14.7%**	**15.1%**	**14.5%**	**13.3%**

Source: USDA, TA Research

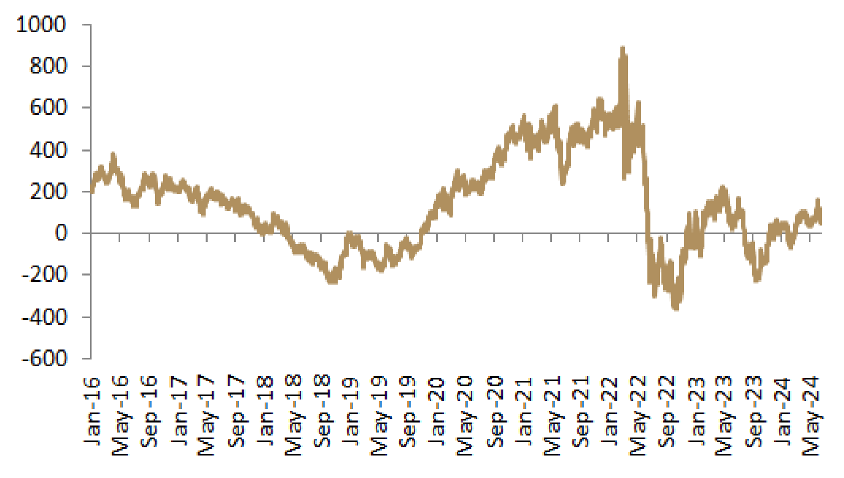
Indonesia Raises Biodiesel Allocation

In our observation, the Indonesia's biodiesel mandate has significantly boosted the demand for CPO. According to Indonesia's Ministry of Energy and Mineral Resources, the country plans to increase its allocation for palm-based biodiesel to 13.41mn kiloliters (kl) in 2024, a 1.96% increase from the previous year, to support its B35 blending mandate. Indonesia implemented the B35 biodiesel mandate on 1 February, with enforcement of B35 blending starting in August. The government aims to progress to a B40 biodiesel blending program by 2025.

For the first three months of this year, Indonesia's biodiesel consumption reached approximately 2.7mn kiloliters, as reported by GAPKI. Additionally, Indonesia's palm oil fund agency forecasts revenue collection of Rp29tn (USD1.87bn) from export levies in 2024. The agency anticipates that funds needed for B35 biodiesel incentives this year will also amount to Rp29tn.

The biodiesel program is expected to have positive implications for the industry as it has the potential to increase domestic consumption and alleviate growing stockpiles, which could provide some support to CPO prices. The recent drop in Palm Oil's price premium to gasoil (POGO) to approximately USD40/tonne contrasts sharply with the 3-year and 5-year averages of USD151/tonne and USD 187/tonne, respectively. This lower premium enhances the financial viability of the biodiesel program and may help mitigate the supply of CPO in the market, in our view.

Figure 5: Palm Differential to Gas Oil (in USD/tonne)

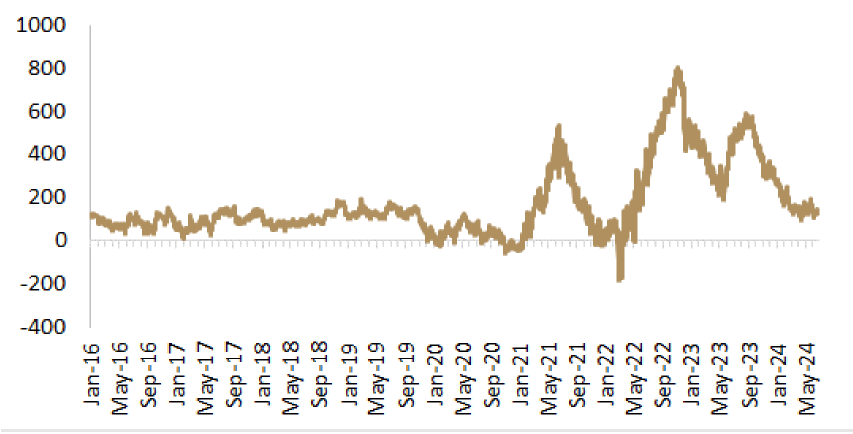


Source: Bloomberg, TA Research

Normalised Spread Between Soybean Oil and CPO

The price spreads between palm oil and soybean oil have normalised. The premium of soybean oil futures over palm oil futures has decreased from a peak of USD573/tonne in September 2023 to approximately USD130/tonne recently, which is within the typical range of USD 100 to USD 200/tonne (Figure 6). Therefore, palm oil would remain relatively appealing as an alternative, to some degree. This perspective could help mitigate potential declines in CPO prices, in our view. We anticipate the spread to remain stable at the current level in the 2H of the year.

Figure 6: Soybean Oil's Premium Over CPO



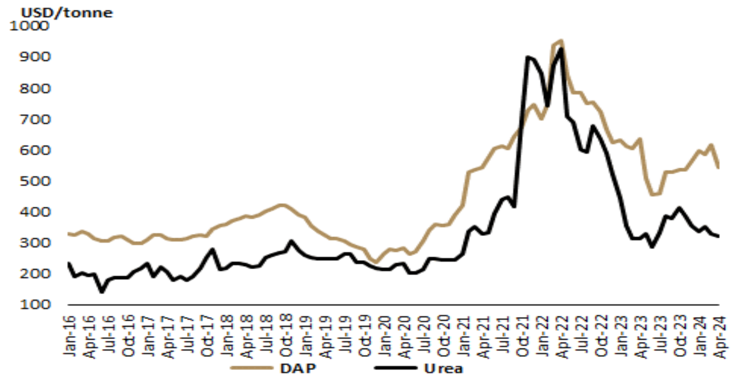
Source: Bloomberg, TA Research

Fertilizer Prices Decrease but Still Above Pre-Pandemic Levels

Fertiliser prices have decreased from record levels in 2022, following the decline in natural gas and coal prices, which are key inputs. According to the World Bank, the fertiliser price index fell by 20% QoQ in the 1Q 2024, driven by increased production and lower prices of raw materials. Compared to the same period last year, the index has dropped by nearly 30%. It is anticipated that the index will continue to soften throughout 2024 as supplies recover and new production capacities come online. Nevertheless, the prices are expected to remain above the average levels during 2015-2019 due to strong demand and export restrictions, particularly from China aimed at stabilising domestic prices.

The decline in fertilizer prices is expected to boost plantation companies' profitability, although this benefit could be partially offset by increased labour costs. Key risks to the fertilizer sector include the trajectory of input costs, influenced by geopolitical tensions, export restrictions from China, and voluntary sanctions imposed by companies that trade Russian fertilizer.

Figure 7: Fertilizer Prices



Source: Index Mundi, TA Research

Maintain Neutral

Reiterate our **Neutral** recommendation on the Plantation sector. No change to our CPO price assumptions of RM4,000/tonne for CY24 and RM3,800/tonne for CY25. With soybean supply expected to rise, we believe it would be tough to paint a bullish price outlook for CPO due to the substitution effect.

We reduced our overall PER multiple by one to two times since we anticipated that the price of CPO would decline soon because of rising supply and weak demand. Meanwhile, we do not expect another significant price adjustment like that of 2022. Indonesia's government to reduce palm oil export tariff may also pose a threat to Malaysian palm oil exports, which are losing the export competitiveness. If the palm oil production were to maintain its robust growth momentum, it would lead to resurgent in stockpiles, which would potentially limit the CPO price increase, in our view.

We downgrade **SDG** to **HOLD** from Buy with a new TP of RM4.56, based on CY25 PER of 21x. Meanwhile, **TSH** (TP: RM1.22) has been downgraded from Buy to **HOLD**. On the other hand, **KLK** (TP: RM22.63) and **UMCCA** (TP: RM5.43) are still maintained as **HOLD**. No change to **FGV**'s (TP: RM1.34) stock recommendation of **SELL**.

IOICORP (TP: RM4.17) and **KIML** (TP: RM2.50) remain **BUY** and are our preferred picks in the sector. We are bullish on **IOICORP** (TP: RM4.17) due to its improving palm oil profile and expanding its downstream business segment to enhance its future earnings and cushion the impact of lower CPO prices on the plantation segment. We valued the stock based on CY25 PER of 19x.

Meanwhile, **KIML** (TP: RM2.50) remains our preferred pick in the upstream segment. We favour KIML for its robust balance sheet and net cash position, supporting a stable dividend yield of 5%–6% annually. Our valuation of the stock is based on a CY25 PER of 16x.

Key downside risks to our sector recommendation include: i) higher-than-expected rise in soybean production, which would likely compress prices of other edible oils in the market; ii) weaker-than-expected demand in China and India, iii) delay in global economic recovery, and iv) unfavourable government policies that could impact the demand for palm oil.

Figure 9. Peers Comparison

Company	Call	ESG	Price	TP	PER (x)		P/BV (x)		Dvd Yield (%)		ROE (%)	
					CY24	CY25	CY24	CY25	CY24	CY25	CY24	CY25
Malaysia (RM)												
SDG	Hold	★★★★	4.22	4.56	23.5	19.4	1.6	1.6	2.4	3.1	6.9	8.1
IOICORP	Buy	★★★★	3.70	4.17	18.4	16.9	1.9	1.9	2.8	3.0	10.3	10.7
KLK	Hold	★★★★	20.64	22.63	20.4	17.3	1.5	1.5	2.4	2.8	7.3	8.3
FGV	Sell	★★★	1.28	1.34	39.2	22.4	0.8	0.8	2.3	2.3	2.0	3.4
TSH	Hold	★★★	1.15	1.22	16.2	15.1	0.7	0.7	3.5	3.5	4.7	4.9
UMCCA	Hold	★★★★	5.08	5.43	16.6	15.1	0.7	0.7	2.6	2.9	7.5	6.4
KIML	Buy	★★★	2.20	2.50	14.3	14.1	2.2	2.1	5.5	5.9	17.2	16.9

Source: Bloomberg, TA Securities

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Power & Utilities Sector (Overweight)

Growing Demand from Data Centre and Energy Transition (ESG: ★★★★)

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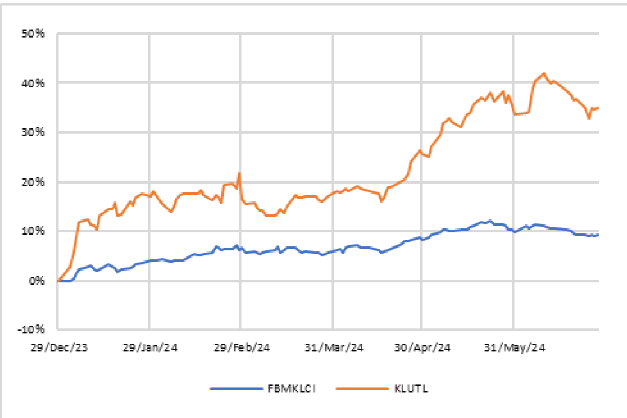
1H2024 Recap

Power & Utilities outperformed FBMKLCI significantly

KL Utilities Index (KLUTL) has massively outperformed the FTSE Bursa Malaysia KLCI Index (FBMKLCI) in 1H2024 (Figure 1) as it was up 34.9% compared with the latter's 9.3%. The outperformance was mainly due to earnings improvement from stabilisation of coal prices and expectations of better outlook from energy transition and demand for data centres.

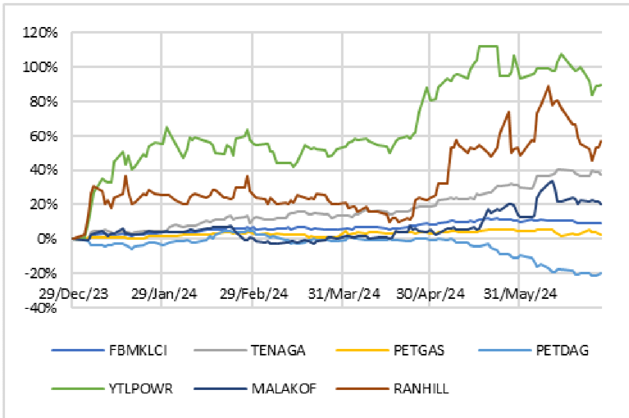
Stocks under our coverage generally performed well in 1H2024 (Figure 2). YTLPOWR, RANHILL and TENAGA surged 89.8%, 56.7% and 37.3% respectively since the start of 2024 on the back of improvement in earnings and growth prospects. MALAKOF surged 20.5% as it returned to the black from easing of negative fuel margins. Note that TENAGA and MALAKOF are our stock picks in our 2024 annual strategy. PETGAS (+2.4% YTD) largely tracked the performance of the index. Meanwhile, PETDAG (-20.1% YTD) underperformed due to expected volume decline from subsidy rationalisation.

Figure 1: YTD KLUTL vs. FBMKLCI



Source: Bloomberg, TA Securities

Figure 2: YTD Share Price Performance



Source: Bloomberg, TA Securities

2H2024 Sector Outlook

We expect the following factors to be the main drivers for the sector in 2H2024:

i) Growing demand from data centre;
ii) Third party access a boon to independent power producers;
iii) NETR remains the main growth driver.

i) Growing Demand from Data Centre

Data centre the main pillar of demand growth for water and electricity

According to Mordor Intelligence, the Malaysia Data Centre Market size is estimated at 710 MW in 2024, and is expected to reach 1360 MW by 2029, growing at a CAGR of 13.7%. Demand for electricity and water are expected to grow significantly in tandem. The forecasted data centre growth of 650MW from 2024 to 2029 is 2.4% of generation capacity in peninsular Malaysia as of 30 April 2024. Greater demand from data centre would necessitate the growth of TENAGA's regulated asset base (RAB), boosting its regulated return.

1 MW data centre using a traditional cooling process can potentially use 25.5mn litres of water each year. 650MW demand growth translates into 45.4mn litres of water per day (MLD) or 0.5% of total water consumption in Peninsular Malaysia and Labuan in 2022. Johor as the hub for data centre would see increase in water demand, hence benefiting state water operator RANHILL. With increasing demand from data centre, we believe YTLPOWR will have its earnings boosted by its 500MW green data located strategically in Kulai, Johor.

ii) Third Party Access a Boon to Independent Power Producers

In May this year, Energy Transition and Water Transformation Minister Fadillah Yusof announced that independent power producers (IPP) will be allowed to start selling electricity directly to customers from September. With the implementation of third-party access (TPA), IPPs can sell electricity to customers without going through TENAGA but would need to use TENAGA's transmission lines and pay TENAGA the associated wheeling charges.

Third party access from September onwards

TPA will be largely neutral to TENAGA's transmission and distribution business as it is regulated under incentive-based regulation. It is unclear whether TPA will include only renewable energy (RE) or both RE and non-RE. Regardless, we believe that TPA is a boon to IPPs such as MALAKOF and other RE asset owners as this allows them to negotiate better tariffs with offtakers, similar as Corporate Green Power Programme (CGPP). This is in contrast with Large Scale Solar (LSS) Programme which has seen tariffs dropping every year as each developer bids at lowest tariff possible.

Neutral to TENAGA's regulated business but a boon to independent power producers

iii) National Energy Transition Remains the Main Growth Driver

The unveil of National Energy Transition Roadmap last year marks Malaysia's commitment to achieve 70% RE generation capacity by 2050. Along the way, several key announcements were made to support Malaysia's energy transition agenda.

In April 2024, the competitive bidding process for Malaysia's LSS5 has kicked off, with a total capacity of 2GW being offered. The only concern will be that whether LSS5 will be another race to the bottom where the developers try to outbid others by submitting extremely low tariffs. Nonetheless, the estimated total EPCC contract value of RM4.3bn-RM6.3bn will benefit EPCC contractors such as SLVEST (Not Rated), SUNVIEW (Not Rated) and SAMAIDEN (Not Rated).

LSS5 bidding kicked off in April 2024

In mid-April, Malaysia has also set up the Energy Exchange Malaysia, or ENEGEM, for trading in green electricity supply to Singapore and is inviting bids for a 100 MW pilot project using existing infrastructure between the two countries. The pilot project is a positive move for Malaysia's RE sector as it paves way to Malaysia exporting RE to Singapore. The latest LSS4 had tariffs between 17.68 sen to 24.81 sen/kWh. In Singapore, regulated electricity tariff stands at SGD0.2988/kWh before GST (c.RM1.039/kWh) for 3Q2024. In our opinion, the export of RE to Singapore will increase the tariffs for solar asset owners in Malaysia vis-à-vis those of LSS Programme. Other than solar EPCC contractors, ENEGEM will benefit asset owners such as TENAGA and MALAKOF due to the arbitrage opportunities.

RE export to benefit EPCC contractors and asset owners

Note that Energy Market Authority (EMA) of Singapore has announced a target to achieve up to 4GW of low-carbon electricity import (30% of

Singapore's electricity supply by 2035). Additional interconnection grid is likely required on top of the existing 1GW Plentong-Woodlands Interconnector to facilitate export of RE to Singapore. It is unsure whether the new interconnection grid will be under RAB. Even if not placed under RAB, TENAGA could potentially enjoy better returns from wheeling charges from the grid.

Recommendations

We maintain **Overweight** on the sector as we believe P&U players stand to gain from higher demand from data centres and Malaysia' energy transition. We believe the government will continue to provide support for the energy transition via incentives such as the Solar for Rakyat Incentive Scheme (SolaRIS), favourable legislations and project tenders such as LSS. These encourage a healthy and sustainable ecosystem for P&U players involved in the energy transition.

Overweight Power & Utilities

We take this opportunity to downgrade **TENAGA** and **MALAKOF** to **Hold** from Buy following the recent surge in their share prices. Due to poor outlook from fuel subsidy rationalisation, we also lower our PE valuation for **PETDAG** to 19.5x (from 22x) which is 1 standard deviation below its 5-year mean, hence arriving at a lower TP of **RM18.10** based on 19.5x CY25 EPS. However, we upgrade PETDAG to **Hold** from Sell following the recent plunge in its share price as we believe the share price has priced in the sales volume decline from subsidy rationalisation.

Downgrade TENAGA and MALAKOF, upgrade PETDAG

Our top pick for the sector is **YTLPOWR**. We like YTLPOWR due to the following reasons: i) growth from its 500MW green data centre; ii) Higher allowable return at Wessex Water following expectations of tariff adjustment in the PR24 (2025-2030 business plan); and iii) earnings growth via synergy from acquisition of RANHILL. Risk to our call include drop in electricity demand in Singapore leading to narrowing of Power Seraya's margins. We value YTLPOWR at **RM6.35** based on SOP valuation (implying 17.3x CY25 EPS, compared with peer average of 16.8x CY25 EPS).

Top Pick YTLPOWR

Figure 3: Peers Comparison

Company	Call	ESG	Price (RM)	Tgt.Price (RM)	PE (x)		PBV (x)		ROE (%)		ROA (%)		DPS (sen)		Dividend Yield (%)	
					CY24	CY25	CY24	CY25	CY24	CY25	CY24	CY25	CY24	CY25	CY24	CY25
MALAKOF	Hold	★★★★	0.765	0.80	16.7	16.1	0.8	0.8	5.0	5.2	1.1	1.2	4.5	5.0	5.9	6.5
PETDAG	Hold	★★★	17.44	18.10	18.5	18.8	3.2	3.3	16.1	15.8	8.1	8.0	89.0	88.0	5.1	5.0
PETGAS	Buy	★★★★	17.82	20.60	17.4	16.9	2.5	2.5	14.6	14.7	10.4	10.6	87.0	89.6	4.9	5.0
RANHILL	Sell	★★★★	1.41	1.06	38.7	34.7	2.3	2.2	5.9	6.4	1.3	1.6	2.2	2.4	1.5	1.7
TENAGA	Hold	★★★	13.78	14.50	19.7	17.6	1.3	1.3	6.7	7.3	2.1	2.3	46.0	48.0	3.3	3.5
YTLPOWR	Buy	★★★	4.82	6.35	12.9	13.2	2.0	1.8	15.3	13.6	4.9	4.7	10.0	9.5	2.1	2.0
Simple Average					**20.7**	**19.6**	**2.0**	**2.0**	**10.6**	**10.5**	**4.6**	**4.7**			**3.8**	**4.0**
Weighted Average					**17.8**	**16.8**	**1.9**	**1.8**	**11.1**	**10.9**	**4.9**	**5.0**			**3.6**	**3.7**

Source: Bloomberg, TA Securities

Property Sector (Overweight)

The Rally Has Legs (ESG: ★★★★)

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Developers

A Quick Review of 1H24

A Decent Start to FY24

Developers Reported Decent Results in 1Q24

Developers reported results aligned with expectations in 1Q24, with PBT surging 38% YoY. The stellar performance was driven mainly by SIMEPROP, whose PBT grew by 93% YoY due to higher sales volume, successful project execution, improved EBIT margin, and reduced losses from joint ventures. SPSETIA also experienced strong PBT growth of 56% YoY, supported by increased property development contributions from Vietnam and Johor, as well as higher land sale revenue.

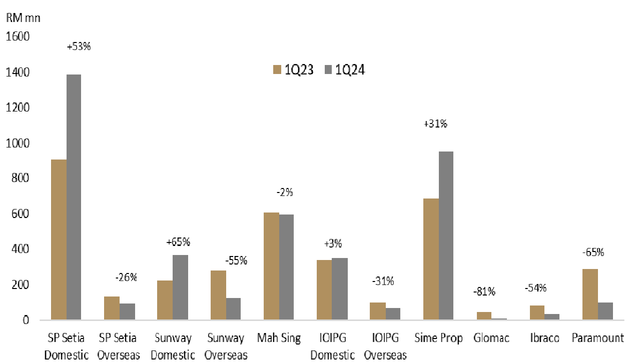
1Q24 Property Sales Anchored by Land Sales

1Q24 Property Sales Grew 11% YoY

Developers' 1Q24 aggregate property sales increased 11% YoY and 10% QoQ, driven by land sales (IOIPG and SPSETIA) as part of developers' efforts to unlock land value. Excluding these land sales, developers' sales would have declined by 12% YoY and 14% QoQ in 1Q24.

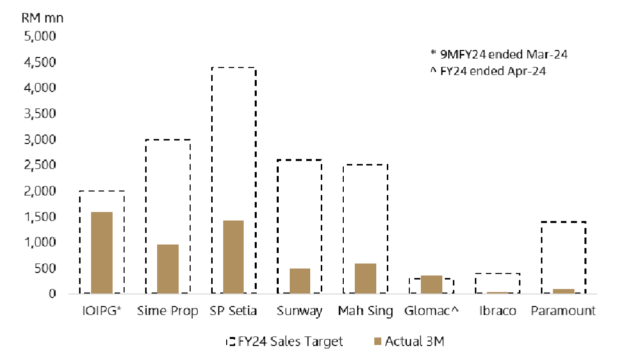
Despite this, developers remain confident in achieving their sales targets for 2024, given that 1Q sales have already accounted for 7-32% of each developer's respective sales target. By capitalising on the positive sales momentum of 1Q24, sizable launches line-up for 2H and implementing effective marketing strategies throughout the year, developers aim to sustain and further enhance their sales growth in the upcoming quarters.

Figure 1: Stronger Sales Observed in 1Q24



Source: Companies announcement, TA Securities

Figure 2: YTD FY24 New Sales Achievement



Source: Companies announcement, TA Securities

News flows on Infrastructure Development is Gaining Momentum

Penang LRT Commenced

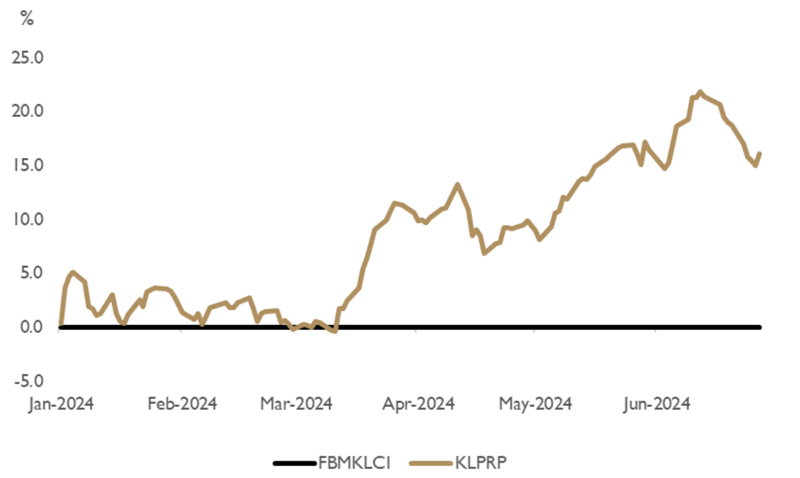
We believe fiscal stimulus, such as infrastructure spending, has always been a key driver of growth in the property market. The Penang LRT project has received the go-ahead from the government, which is likely to boost the property market on Penang Island. The Penang LRT Mutiara Line, spanning 29km, has been reported to have 20 stations, including two interchange stations at Komtar and Penang Sentral.

Sector Wide Re-rating

We observe that all property stocks under our coverage recorded good positive returns, indicating that this was, in fact, a sector-wide re-rating. The KLPRP index surged 25.4% compared to the benchmark FBMKLCI index, which increased by 9.3%.

Developers Share Price Outperformed

Figure 3: KLPRP Index Outperformed FBMKLCI



Source: Bloomberg, TA Securities

What to expect in 2H24?

Ample Catalysts for 2H to Watch

Data Centres Related Ventures Positive to Developers

Amid expectations of strong future demand from the artificial intelligence, cloud computing and IoT sectors, developers are capitalising on the trend by announcing deals related to establishing data centres. Overall, we view this development positively, as it will diversify revenue streams by utilising landbanks to generate recurring income from data centres, expedite the development of idle land, and enhance landbank value.

Revised MM2H Criteria Bodes Well for Property Market

In our view, the revised conditions for the Malaysia My Second Home (MM2H) programme holds the potential to significantly boost foreign real estate investments and potentially address overhang issues in the country. The latest revisions indicate the government's intent to create more favourable and competitive MM2H terms, aiming to rekindle interest among tourists and foreign investors in Malaysia. We believe this adjustment could attract more foreigners to our shores, positively impacting the real estate market. Moreover, by relaxing the MM2H program, Malaysia can continue to vie for highly skilled foreign individuals, fostering their contributions to the nation's growth through residency and investment.

Potential beneficiaries of these relaxations include developers engaged in upscale projects on Penang Island, such as E&O (Not Rated) and IJM Land (Not Listed), as well as those in the Klang Valley, such as IOIPG (Buy, RM3.00), SPSETIA (Buy, RM1.85), and SIMEPROP (Buy, RM1.57). In Johor, developers like SUNWAY (Buy, RM4.12), UEM Sunrise (Not Rated), and IWCity (Not Rated) may also see advantages from these improvements.

Budget 2025 Provides Policies Clarity

The forthcoming Budget 2025 is anticipated to be uneventful, with measures to support first-time homebuyers are expected to be implemented. However, we anticipate that there will be no significant incentives for developers. Similarly, it is unlikely that the Malaysian government will introduce property curbs due to the relatively modest increase in property prices. According to the National Property Information Centre (NAPIC), the annual growth rate of the Malaysian Housing Price Index (HPI) has decelerated, dropping from 5.1% in 3Q22 (the highest growth post-pandemic) to 0.5% in 1Q24. Between 1Q20 and 1Q24, the Malaysian HPI grew by an average of only 2.4%. Given the slower growth in home price appreciation, it is improbable that the government will implement additional punitive measures that could disrupt the housing market.

No Direct Incentives for Developers

While we expect no direct goodies for developers, we expect more clarity on 1) incentives relating to the implementation of the Johor-Singapore Special Economic Zone (JS-SEZ) and 2) the timeline of the roll of the MRT3 and KL-Singapore High-Speed Rail. All of these should help to boost property demand catalysed by the region's improved investment climate and economic opportunities.

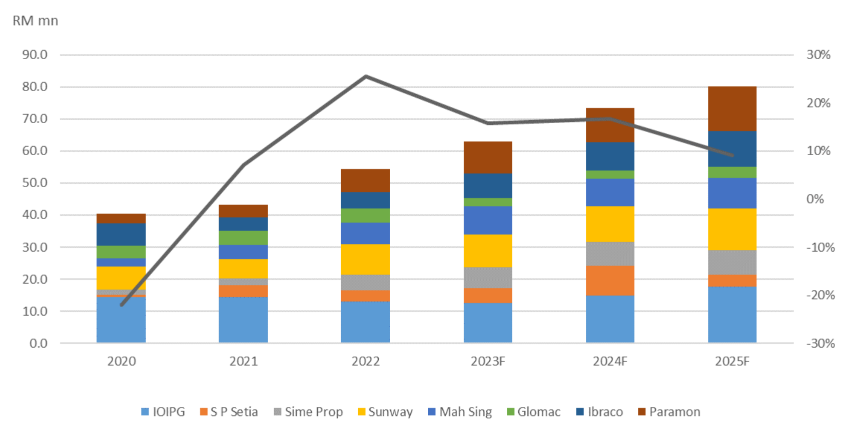
Earnings Outlook

We project a 9.6% expansion in property sales in CY24, primarily driven by increased contributions from IOIPG's Singapore projects. For CY25, we expect property sales growth to moderate to 5.3%. Despite that, the absolute value of property transactions is expected to remain at record levels.

On average, the visibility of unbilled sales for developers under our coverage exceeds a 1x cover ratio of last FY's property development revenue. Overall, we foresee continued expansion in EPS growth of 16.8% in CY24, building on the encouraging 15.8% EPS growth recorded in CY23. This growth is supported by significant recognition from overseas projects, a return to normal domestic construction progress, and substantial earnings from land sales. Moving into CY25, we expect EPS growth to taper to 9.2% due to the high base effect.

Robust Property Sales Growth in CY24

Figure 4: Property Sales Growth of 9.6% and 5.3% in CY24 and CY25



Source: Companies, TA Securities

Valuation

The imminent end of the BNM's interest rate hike cycle, alongside the potential for a boost in land values resulting from major infrastructure projects like HSR, RTS, and MRT3, as well as the establishment of special financial hubs and economic zones, should continue to bolster this positive sentiment. Furthermore, we expect the implementation of homeowner-friendly policies to add another layer of appeal to the sector.

Maintain Overweight

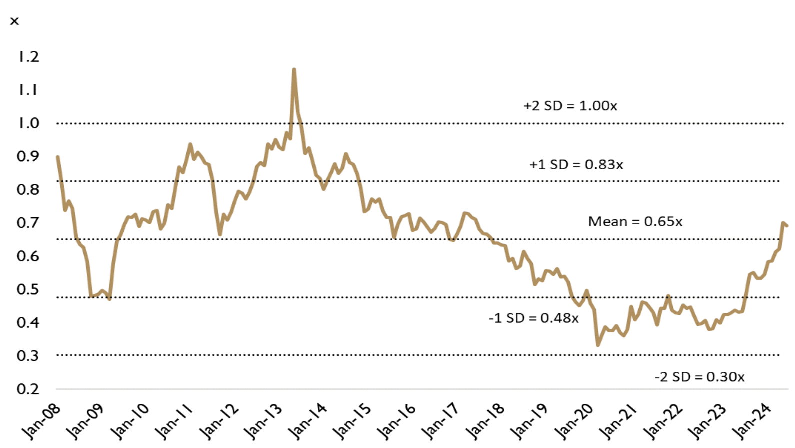
Despite the significant rally in property counters, represented by the KLPRP index, year-to-date, which has lifted valuations to 0.69x forward P/Bk (above the long-term average of 0.65x), we see compelling reasons for the sector to trade above its historical mean. To put this into perspective, the sector's valuation peaked at 1.16x during the previous upcycle in 2013 – see **Figure 5**.

In 2013, Malaysia's economic strength was primarily concentrated in the Klang Valley and Johor. Fast forward to 2024, and we now have two additional economic powerhouses: Penang and Sarawak. Moreover, the burgeoning Data Centre thematic play, which was absent during the 2013 upcycle, is now a significant growth driver.

Given these factors, we believe the current rally in property counters has further potential. Strong demand, favourable market conditions, and positive investor sentiment are likely to propel share prices even higher. The sector's expansion into new economic regions and the rise of data centres provide a robust foundation for sustained growth, justifying a valuation above the long-term average.

All in all, we maintain our Overweight stance on the property sector, anticipating it to be a primary beneficiary of increased domestic activities, driven by a surge in infrastructure projects and investments.

Figure 5: KLPRP Index Long Term Forward P/Bk Band



Source: Bloomberg, TA Securities

Top Buy Picks are IOIPG, SimeProp and Ibraco

Top Buy Picks for the sector are IOIPG, SIMEPROP and IBRACO. We like IOIPG's (TP: RM3.00. ★★★★) quality pool of investment properties that anchor growth. Our valuation is based on P/Bk multiple of 0.7x against its CY25 BPS, slightly below the stock's peak valuation of 0.71x since its listing in 2013. We also like SIMEPROP (TP: RM1.57, ★★★★★) for its leading market position to capitalise on the booming industrial property segment. We peg our valuation to 1.0x CY25 BPS, in line with the sector's average implied CY25 P/Bk. Ibraco (TP: RM1.33, ★★), although relatively a small company, we like it for its strong position in Sarawak, which has led to robust property sales and the securing of construction projects with above-average profit margins.

Figure 6: Developers Peer Comparison

Company	Call	ESG	Price (RM)	Target price (RM)	PER (x) CY24	PER (x) CY25	ROE (%) FY24	ROE (%) FY25	Div Yield (%) FY24	Div Yield (%) FY25	P/BV (x) FY24	P/BV (x) FY25
IOIPG	Buy	★★★★	2.21	3.00	14.9	12.4	3.3	3.9	2.5	2.7	0.5	0.5
SP Setia	Buy	★★★★	1.38	1.85	14.8	38.9	3.7	1.7	2.2	0.9	0.5	0.5
Sime Prop	Buy	★★★★★	1.34	1.57	18.3	17.5	4.8	4.9	2.2	2.2	0.9	0.9
Sunway	Buy	★★★★★	3.61	4.12	32.2	27.6	5.6	6.1	1.7	1.8	1.7	1.7
Mah Sing	Buy	★★★★	1.73	2.05	19.9	18.0	5.9	6.3	2.3	2.3	1.2	1.1
Glomac	Buy	★★★	0.43	0.62	18.2	12.5	1.1	1.7	2.4	2.9	0.3	0.3
Ibraco	Buy	★★	1.12	1.33	12.6	10.0	9.6	11.3	2.7	3.1	1.2	1.1
Paramount	Buy	★★★	1.13	1.68	10.4	8.1	4.6	5.9	6.2	6.6	0.5	0.5
Sector (Simple Average)					**17.7**	**18.1**	**4.8**	**5.2**	**2.8**	**2.8**	**0.8**	**0.8**
Sector (Market Weighted)					**22.3**	**22.5**	**4.7**	**4.9**	**2.1**	**2.1**	**1.1**	**1.1**
Mid Cap (Simple Average)					**20.0**	**22.9**	**4.6**	**4.6**	**2.2**	**2.0**	**1.0**	**0.9**
Small Cap (Simple Average)					**13.8**	**10.2**	**5.1**	**6.3**	**3.7**	**4.2**	**0.6**	**0.6**

Source: Bloomberg, TA Securities

MREITs

A Quick Review of 1H24

1Q24 NPI Driven by Improved Retail and Hotel Performance

The 1Q24 results for MREIT met expectations, with all three REITs under our coverage reporting earnings in line with our projections.

Resilient 1Q24 Performance

MREIT's Net Property Income (NPI) grew by 10% YoY, alongside an 11% increase in revenue. Improved retail and hotel segments drove this robust performance. The retail sector benefited from the economic recovery, while the hospitality sector saw increased occupancy rates and daily room rates, thanks to stronger domestic leisure, business travel, and MICE activities. Newly acquired assets, including QueensBay Mall for CLMT and KIPMall Kota Warisan for KIPREIT, also contributed to revenue growth.

Acquisition Mode Continues

MREITs Expanding Portfolio

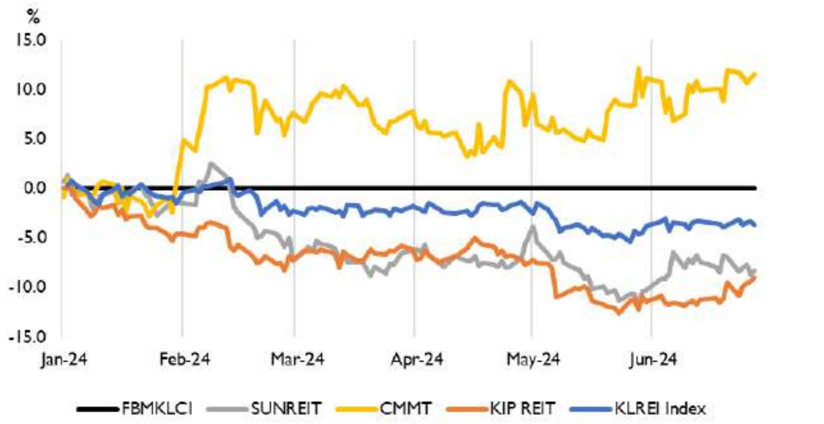
MREITs have continued their expansion spree in the first five months of 2024, with all three REITs under our coverage announcing new acquisitions. CLMT is acquiring three freehold ready-built factories in Johor for RM27mn, while Sunway has proposed acquiring 163 Retail Park in Mont Kiara for RM215mn. Most recently, KIP REIT announced its largest acquisition since its IPO, acquiring DPulze Shopping Centre in Cyberjaya for RM320mn.

Share Prices Underperformed

Despite positive news on asset acquisitions, MREITs' share prices underperformed the benchmark FBMKLCI. The overall MREIT index (represented by KLREI), SUNREIT and KIPREIT, underperformed the FBMKLCI by 3%, 8%, and 9% YTD respectively (see **Figure 9**). We believe the underperformance can be attributed to the market's concern that interest rates will remain high for an extended period.

In contrast, CLMT outperformed the benchmark by 12%, driven by its attractive valuation as a bargain buy and sustained recovery in operating performance.

Figure 7: MREITs Relative Price Performance



Source: Bloomberg, TA Securities

What to Expect in 2H24?

A Resilient Retail Sector

Well Supported Retail Sector

Looking ahead into 2H24, the Malaysian economy is projected to maintain its strength, driven by robust domestic activities and a recovering export sector, forecasting a solid growth of 4.5%% in the gross domestic product. This positive trajectory bodes well for the retail segment, which is expected to thrive with sustained improvements in footfall and sales. The impending salary increase in civil servants, the pick-up in tourist arrivals and strong employment market are expected to support consumer spending in the coming quarters.

The supply of retail malls in Malaysia is set to increase further in 2024. While this will introduce new competition, these new malls are expected to enhance the variety and quality of retail offerings, thereby strengthening Malaysia's position as a premier retail destination. According to Retail Group Malaysia, the retail industry is projected to grow by 4% in 2024. The recent introduction of the Employee Provident Fund's (EPF) Account 3, or Flexible Account, which allows for withdrawals at any time for short-term financial needs, is anticipated to benefit members and, in turn, encourage consumer spending. Meanwhile, growing tourist arrivals should also bode well for retail performance.

Exciting Opportunities Await the Hospitality Sector as Travel Demand Surges

Robust Tourism Bode Well for Hospitality Sector

Tourism Malaysia confidently predicts that the number of tourists visiting in 2024 will surpass the impressive pre-pandemic figure of 26.1mn foreign visitors recorded in 2019. The growth in visitor numbers is anticipated to be significantly influenced by the increasing number of tourists from China and India. This can be attributed to the enhanced flight connectivity and the resumption of flights to Northeast Asia. In addition, implementing a 30-day visa-free entry starting from 1 December 2023 for visitors from China, India, Turkiye, Jordan, Saudi Arabia, Qatar, the UAE, Bahrain, Kuwait, Iran, and Iraq is anticipated to significantly boost Malaysia's tourism industry. We anticipate a surge in hotel occupancy rates and average daily room rates within the hospitality sector throughout 2024, propelled by increased demand for domestic leisure, corporate functions, and MICE events.

Industrial properties continue to be in high demand.

Hungry for Industrial Assets

However, the office segment is expected to grapple with an oversupply situation, facing challenges with rental and occupancy rates. Conversely, it is anticipated that there will be a sustained high demand for industrial properties and land. Regional logistics and warehousing are becoming increasingly important as the demand for last-mile delivery facilities, e-commerce retailing, and consumer products continues to grow. Acquisitions in this space will likely continue to be strong, as the MREITs we cover have stated their plans to expand their portfolio in the industrial property sector.

Higher Costs Could Dent Earnings

Rising Cost of Living is the biggest challenge

That said, the biggest challenges for MREITs in 2H24 could be the rising cost of living, which could affect the consumers' spending power and the increasing costs of doing business due to the subsidies' rationalisation (higher electricity tariff, fuel, etc.) and elevated financial cost. The tax-related policy introduced this year, namely the 8% new service tax rate, is also expected to impact consumer spending.

Earnings Outlook

Moving forward, we anticipate that the earnings pattern witnessed in the first quarter of 2024 will persist in the upcoming quarters as business operations resume normalcy. We forecast continued growth in the sector's 2024 Distribution Per Unit (DPU), expanding by 7.2% compared to a 3.3% growth in 2023.

Expecting MREITs DPU to Grow 7.2% in 2024

The growth momentum is expected to be driven by 1) sustained growth momentum at the retail segment, 2) further recovery at the hotel segment, benefitting from an increase in travel and MICE activities, 3) contribution from newly acquired assets, 4) contributions from assets post-renovations and expansions, and 5) better operational efficiencies.

Valuation

When considering valuations based on price-to-NAV, MREITs are currently trading at an average forward multiple of 1.07x, which is 1.0 standard deviations below their 5-year average of 1.15x. While the higher for longer interest rates may cap upside on real estate capital values, we believe the current undemanding P/NAV multiple of MREITs likely accounts for most of these risks.

From a yield perspective, MREITs are currently offering an average forward distribution yield of 6.3%, surpassing their 5-year average of 5.3% by 100 basis points. In comparison, the 10-year Malaysian Government Securities (MGS) yield has been ranging from 3.79% to 3.99% in 2024, standing at 3.86% as of 29 June 2024. This translates to a distribution yield spread of 241 basis points, which is 1.5 standard deviations away from the 5-year average spread of 173 basis points,

Overweight on MREITs.

Given the anticipated earnings improvements in FY24 and the attractive valuations within the sector, we maintain an **Overweight** stance. Our preferred pick is KIPREIT (TP: RM1.14, ★★★), with our TP derived based on CY25 target yield of 6.75%.

We like KIPREIT for its 1) diversified tenant mix cushions unexpected economic shocks, 2) attractive organic and inorganic growth prospects, and 3) above-sector average distribution yield.

Risks to our sector call include: (i) weaker-than-expected consumer spending, (ii) weaker-than-expected rental reversions, (iii) central bank increasing interest rates aggressively, and (iv) weaker-than-expected occupancy rates.

Figure 8: MREITs Peer Comparison

	Call	ESG	Price (RM)	Target price (RM)	Market Cap (RM bn)	PER(x) CY24	PER(x) CY25	Div Yield (%) FY24	Div Yield (%) FY25	P/NAV (x) FY24	P/NAV (x) FY25
Sunway REIT	Buy	★★★★	1.55	1.88	5.3	15.7	15.0	6.4	6.7	1.0	1.0
CLMT	Buy	★★★★	0.68	0.74	1.9	14.4	12.9	6.7	7.4	0.7	0.7
KIP REIT	Buy	★★★	0.90	1.14	0.6	11.9	11.0	8.2	8.6	0.8	0.8
IGB REIT*	NR	NR	1.84	1.87	6.6	17.7	16.6	5.9	6.2	1.7	1.7
Pavilion REIT*	NR	NR	1.39	1.54	5.1	15.4	15.1	6.5	6.5	1.0	1.1
Sentral REIT*	NR	NR	0.80	0.88	1.0	11.4	11.1	8.8	8.8	0.7	0.7
KLCCP Stapled Group*	NR	NR	7.40	7.95	13.4	16.6	15.1	5.7	6.2	1.3	1.2
Axis REIT*	NR	NR	1.83	2.01	3.2	19.1	17.1	5.1	5.6	1.1	1.1
Al Salam*	NR	NR	0.40	0.41	0.2	28.2	11.0	3.0	7.6	0.4	0.4
AME REIT*	NR	NR	1.32	1.50	0.7	20.1	19.6	5.4	5.5	1.3	1.3
Simple Average			.			**17.1**	**14.4**	**6.2**	**6.9**	**1.0**	**1.0**

*Note:- * Not Rated. Based on Bloomberg consensus data*

Source: Bloomberg, TA Securities

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Telecommunications Sector

(Neutral)

Pending Further Details on Dual Wholesale Network

(ESG: ★★★★)

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Review of 1QCY24

Service Revenue Remained Resilient in 1H2024

Generally, the telecommunications sector continued to show resilience amid the competitive operating environment. Mobile incumbents (CELCOMDIGI and MAXIS) collective service revenue jumped 1.0% YoY to RM4,863mn. This was mainly driven by both the consumer and enterprise businesses of MAXIS. Besides, TM also reported higher revenue of RM2,837mn, up 1.8% YoY, thanks to higher demand for domestic and international data. Meanwhile, AXIATA topped its peers with revenue higher by 13.3% YoY, reaching RM 5,662mn. All opcos except Link Net mainly drove the double-digit % growth.

On the earnings front, AXIATA and MAXIS recorded earnings growth whereas CELCOMDIGI and TM suffered from earnings contraction. For AXIATA, the stronger bottom line was largely contributed by the robust earnings performance of XL, which resulted from higher ARPU and improved contribution from data and digital services. Meanwhile, MAXIS reported stronger earnings largely due to higher revenue and stricter cost management. On the other hand, the earnings performance of CELCOMDIGI was hit by higher operating expenses because of voluntary separation scheme, while TM's earnings were dragged by higher tax expense.

Figure 1: 1QCY24 Results Analysis

	1Q23	4Q23	1Q24	QoQ	YoY
Revenue (RM mn')				%	%
Axiata	4,997	5,794	5,662	-2.3	13.3
CelcomDigi	3,180	3,275	3,154	-3.7	-0.8
Maxis	2,526	2,742	2,603	-5.1	3.0
TM	2,786	3,129	2,837	-9.3	1.8
Total	***13,489***	***14,940***	***14,256***	***-4.6***	***5.7***
Service Revenue (RM mn')				%	%
CelcomDigi	2,703	2,737	2,672	-2.4	-1.1
Maxis	2,112	2,202	2,191	-0.5	3.7
TM	2,786	3,129	2,837	-9.3	1.8
Total	***7,601***	***8,068***	***7,700***	***-4.6***	***1.3***
Total ex-TM	***4,815***	***4,939***	***4,863***	***-1.5***	***1.0***
Core PAT/LAT (RM mn')				%	%
Axiata	83	287	190	-33.8	128.8
CelcomDigi	518	507	482	-4.9	-6.9
Maxis	320	360	353	-1.9	10.3
TM	434	607	425	-30.1	-2.1
Core PAT/LAT margin (%)				pp	pp
Axiata	2	5	3	-1.6	1.7
CelcomDigi	16	15	15	-0.2	-1.0
Maxis	13	13	14	0.4	0.9
TM	16	19	15	-4.4	-0.6
Subscribers				%	%
CelcomDigi	20,292	20,552	20,466	-0.4	0.9
Maxis	12,571	13,355	13,291	-0.5	5.7
Total	***32,863***	***33,907***	***33,757***	***-0.4***	***2.7***
ARPU (Mobile)				%	%
CelcomDigi	41	40	39	-2.5	-4.9
Maxis	47	46	45	-2.4	-4.7

Source: Companies, TA Securities

In terms of YTD share price movement, TM (+24.0%) and AXIATA (+10.7%) recorded a decent performance, whereas CELCOMDIGI (-8.2%) and MAXIS (-5.3%) underperformed.

Going into 2H24, we highlight 3 major factors potentially influencing the telecommunication sector's performance:

1. Value Propositions
2. Progress on JENDELA
3. 5G: Transition to Dual Wholesale Network

1. Value Propositions

Into 2H24, we believe that Malaysian telecommunications companies will continue to face a challenging operating environment. This is particularly the case for mobile operators, as the country's mature mobile market offers limited opportunities to increase mobile service revenue through new subscriber acquisitions. In 1Q24, Malaysia's mobile penetration rate was 146.7% per 100 inhabitants.

Focusing on Value Propositions Instead of Price War

Looking ahead, we anticipate that service revenue will remain resilient. Rather than engaging in irrational price competition, mobile operators are strategically focusing on value propositions. Initiatives include promoting prepaid-to-postpaid migration, offering converged solutions (e.g., mobile plus fixed broadband bundles), and providing 5G device bundles.

Meanwhile, we continue to see an upside to telcos service revenue from the enterprise segment. We view the enterprise segment as an engine for growth over the long term, with the private and public sectors continue pursuing the digitalisation journey. Aside from the basic mobile and fixed connectivity services, the telcos' capabilities have extended to more advanced solutions, including managed services, cloud services, artificial intelligence, and Internet of Things solutions, among others.

2. Progress on JENDELA

Much Room for Growth from Fixed Broadband

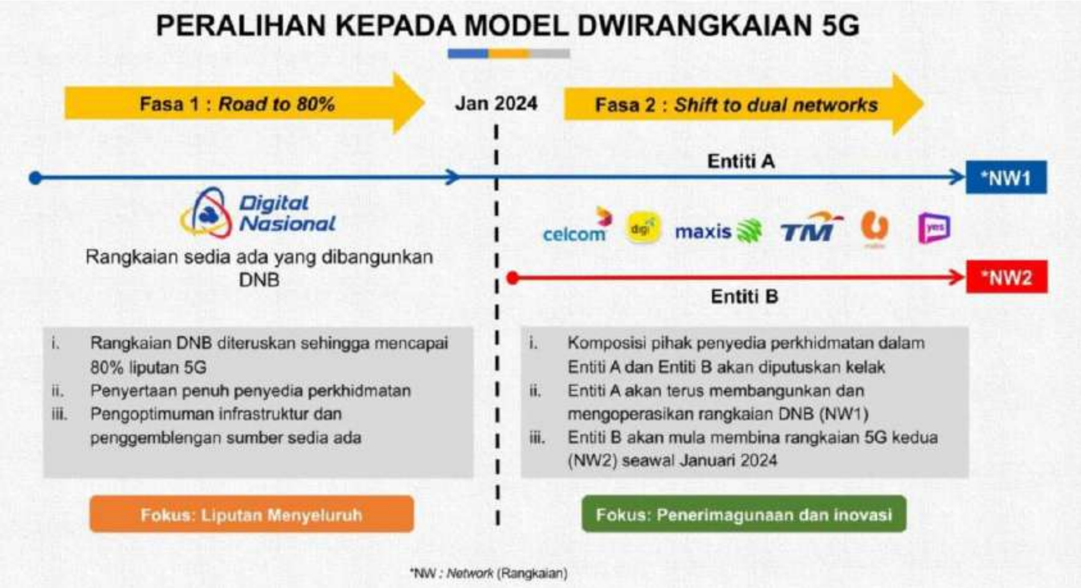
The ongoing progress with the national digital infrastructure plan (JENDELA) will continue to benefit telcos. Recap, the main objective of JENDELA is to provide more comprehensive coverage and better broadband experience across the country. According to the latest data from Malaysian Communication and Multimedia Malaysia, the fixed broadband penetration rate is about 46.9% per 100 premises in 1Q24. This indicates that there is still further room for growth. Currently, under Phase 2 (2023 to 2025) of JENDELA, telcos will continue playing a crucial role in achieving key targets, including i) premises passed with gigabit access fixed connectivity increases to 9.0mn, ii) mobile broadband speed increasing to 100Mbps, and iii) 100% internet coverage in populated areas. Overall, we expect the ambitious expansion roadmap for fixed broadband, especially within underserved areas, to increase monetisation opportunities for telcos.

3. 5G: Transition to Dual Wholesale Network

Seeing Some Progress in DWN

Recap, the government moved from Single Wholesale Network (SWN) to Dual Wholesale Network (DWN) in May 2023. We have finally seen some progress on rolling out the second wholesale network, as four mobile network operators (CELCOMDIGI, MAXIS, UMOBILE, and YTL) finally completed the share subscription agreements with DNB. Currently, only TM is still seeking its shareholders' approval in accordance with its governance requirements. According to Communications Minister Fahmi Fadzil, identifying and appointing a telco to build Malaysia's second 5G network will kickstart in July.

Figure 2: 5G Rollout: Phase I & Phase 2



Source: MCMC, TA Securities

Further Clarity on DWN Would Provide Better Visibility on Dividend Prospects

Looking into 2H24, we look forward to more positive developments on the 5G rollout, especially on the details of the transition process from SWN to DWN. Among others, this will include the composition of the service providers under Entity B that will be tasked to develop the nation's second 5G networks. At this juncture, the government has not made the precise process for building the second 5G network public. More details, including the potential 5G opex and capex commitments, would provide better visibility of the telcos' dividend prospects. We believe that once the government finalises the details, it will help to clear up the uncertainty in the sector that has dragged on investor sentiment.

Currently, all five major telcos, including CELCOMDIGI, MAXIS, TM, U MOBILE, and YTL, have commercialised 5G services in the market. The 5G adoption rate has started to pick up from 12-15% back in November 2023 to 39.2% as of April 2024. Meanwhile, the 5G coverage stood at 81.7% as of May 2024. Overall, we believe that 5G commercialisation will catalyse opportunities for telcos from the enterprise segment. 5G's three critical promises of enhanced mobile broadband, ultra-reliable and low latency, and massive machine-type communications will unlock a multitude of new use cases across industries.

Recommendation

Maintain Neutral

In all, we maintain a **Neutral** stance in the telecommunications sector. Generally, we foresee the service revenue to remain resilient amid the competitive operating environment, as the mobile operators will continue focusing on value propositions instead of price wars. Additionally, we expect continued progress with JENDELA to bode well for telcos. Meanwhile, we look forward to more concrete details about mechanics of the transition from SWN to DWN, as it will help resolve the uncertainty in the sector that has dragged on the investor sentiment.

Top pick is TM

Top Pick under our sector coverage is **TM** (TP: RM7.70), as we like for its ambitions to fulfil key connectivity targets under JENDELA, strength to support digital transformation and 5G rollout, as well as its ongoing cost optimisation agenda. On top of that, we also expect TM to benefit from the growing demand for data centres. Besides that, we also have a **BUY** recommendation on **CELCOMDIGI** (TP: RM4.64), as the group is expected to benefit via unlocking the synergies from the merger of Celcom and Digi. On the other hand, we have **Sell** recommendations on **AXIATA** (TP: RM2.61) and **MAXIS** (TP: RM3.70).

Key downside risks include unprecedented price competition and unfavourable regulatory changes.

Table 1: Peers Comparison

			Price	TP	EV/EBITDA (x)		PE (x)		EPS Growth		Div. Yield (%)		ROE (%)	
Company	Call	ESG	(RM)	(RM)	CY24F	CY25F	CY24F	CY25F	CY24F	CY25F	CY24F	CY25F	CY24F	CY25F
Axiata	SELL	★★★★	2.61	2.61	6.8	6.7	32.6	24.2	0.0	35.0	3.8	3.8	3.4	4.5
Maxis	SELL	★★★★	3.53	3.70	8.8	8.4	18.6	16.9	9.8	10.1	4.5	4.5	24.9	25.3
CelcomDigi	BUY	★★★★	3.68	4.64	9.3	9.1	18.3	16.8	9.5	8.9	3.5	3.9	14.3	15.5
TM	BUY	★★★★	6.76	7.70	6.2	6.0	13.8	15.7	-11.1	-11.7	2.9	3.5	18.0	14.7
Weighted average					***7.7***	***7.5***	***18.8***	***17.7***	***1.3***	***6.20***	***3.7***	***4.0***	***11.8***	***12.2***

Source: Bloomberg, TA Securities

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Technology Sector

(Overweight)

Robust Outlook Intact

(ESG: ★★★★)

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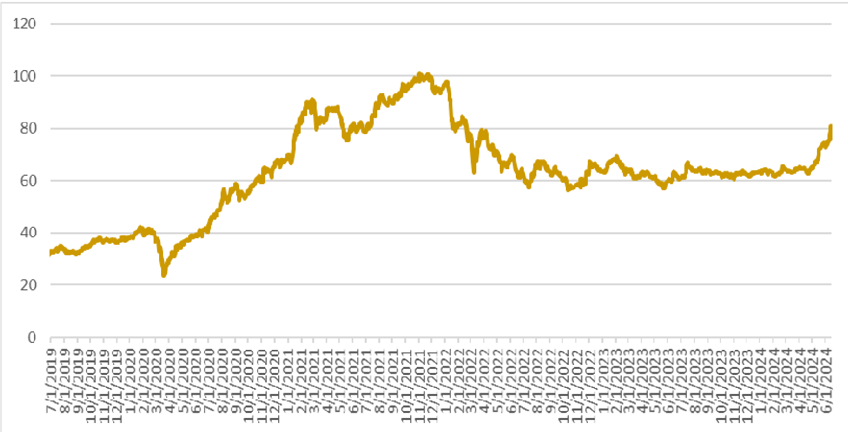
Review of 1HCY24

In 1H2024, the technology sector generally had a good run, with the Bursa Malaysia Technology Index rebounding strongly, up by 21.1% YTD. The robust performance of the technology index was primarily fueled by a solid recovery in global semiconductor demand and growing optimism about the conclusion of the Fed's aggressive rate hike cycle.

Bursa Malaysia Technology Index Up by 21.1% YTD

Figure 1: Bursa Malaysia Technology Index



Source: Bloomberg, TA Securities

Furthermore, the improved sentiment in the technology sector was partly driven by positive news stemming from Prime Minister Anwar Ibrahim's newly launched national semiconductor strategy. The YTD share price performance of the technology stocks under our universe was generally strong, led by SKP (+45.6%), MPI (+41.7%), UNISEM (+26.8%), INARI (+24.8%), CORAZA (+24.4%), REXIT (+10.5%), and ELSOFT (+2.9%). Meanwhile, the technology stocks under our universe also started to see demand recovery, with most reporting more robust QoQ revenue growth in 1Q24.

Going into 2H2024, we highlight three major factors potentially influencing the sector's earnings and/or share price performance:

1. A New Upcycle
2. Opportunities from China Plus One Strategy
3. End of Rate Hike Cycle

1. A New Upcycle

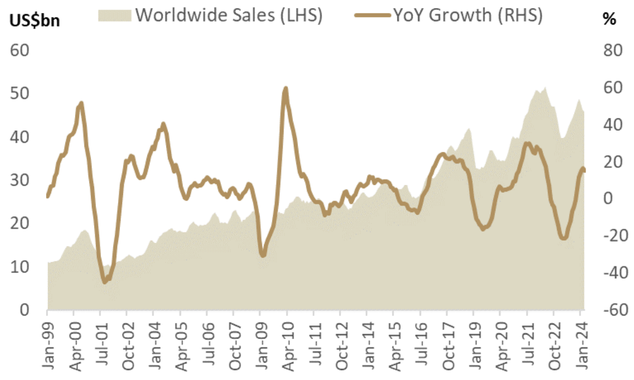
Looking ahead, we expect the global semiconductor to continue its upward trajectory by posting solid sales growth in 2H2024. According to the Semiconductor Industry Association, global semiconductor sales in April stood at USD46.4bn (+1.1% MoM, +15.8% YoY) versus March 2024's of USD45.9bn. This marked YoY sales recovery for the 6th consecutive month, while the sales in April increased on a MoM basis for the first time this year. This further confirms that the global semiconductor market is in recovery mode. The decent YoY improvement was mainly driven by Americas (+32.4% YoY), China (+23.4% YoY), and Asia Pacific/All Other (+11.1% YoY).

Expect the Global Semiconductor Sales to Continue its Upward Trajectory

Meanwhile, The World Semiconductor Trade Statistics (WSTS) organisation has recently revised its forecast upwards for global semiconductor sales, with 2024 now at USD611.0bn (+16.0% YoY) as compared with a previous forecast of USD588.4bn (+13.1% YoY). The strong growth will be supported by robust double-digit growth from memory and logic categories. On top of that, the Malaysia Semiconductor Industry Association remains confident that the demand will further pick up in 2H2024. Overall, we foresee the demand recovery catalysed by the continued proliferation of secular trends, including artificial intelligence, big data, cloud computing, the Internet of Things, robotics, and vehicle electrification.

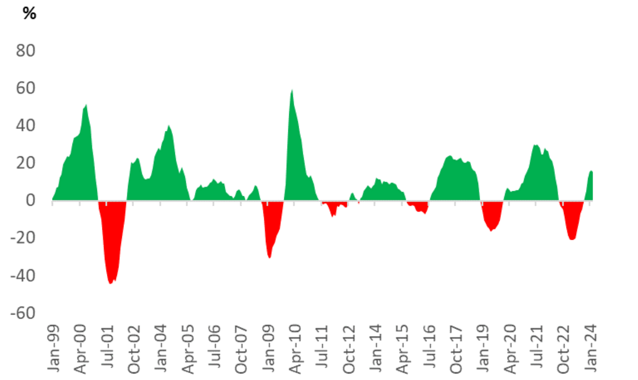
WSTS Forecasts Global Semiconductor Sales to Increase 16.0% YoY in 2024

Figure 2: Global Semiconductor Sales



Source: SIA, TA Securities

Figure 3: Global Semiconductor Sales Cycles



Source: SIA, TA Securities

2. *Opportunities from China Plus One Strategy*

We believe the ongoing US-China trade tension will continue presenting excellent opportunities to Malaysian semiconductor players. The recent tariff rate increase from 25% to 50% on certain semiconductor imports from China has further prompted various companies to diversify their operations to other countries. We foresee Malaysia becoming a popular destination due to its politically neutral and non-aligned stance. On top of that, the semiconductor industry in Malaysia has built up a very strong ecosystem over the years. With supportive government policies, Malaysia has great potential to become the next global tech hub.

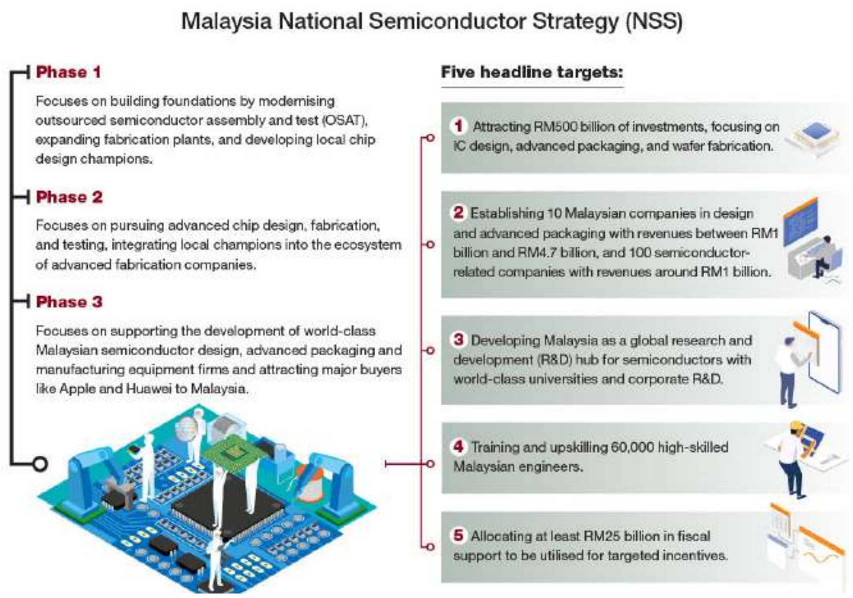
Malaysia is Benefitting from the Trade Diversion

Attesting to this, several big multinational companies have either set up or expanded their operations in Malaysia, particularly in Penang, over the past few years. This includes American chip giant Micron, European semiconductor firms AMS Osram and Infineon, as well as Suzhou-based Fengshi Metal Technology. Additionally, our channel checks with local semiconductor companies indicate that an increasing number of orders are being diverted to Malaysia.

On the other hand, Prime Minister Anwar Ibrahim had recently unveiled the National Semiconductor Strategy (NSS) during his keynote address at the launch of Semiconductor Southeast Asia 2024. The NSS will involve 3 phases with five headline targets. Phase 1 will leverage the existing semiconductor industry's expertise and capabilities to support modernising outsourced semiconductor assembly and testing. Meanwhile, Phase 2 will mainly focus on advanced chip design, fabrication and testing. Phase 3 will focus on supporting the development of Malaysian semiconductor design, advanced packaging and manufacturing equipment.

Unveiling the National Semiconductor Strategy

Figure 4: The Roadmap of Malaysia National Semiconductor Strategy



Source: The Edge

Overall, we are optimistic about the NSS as it will help Malaysia move up the value chain in the global semiconductor industry. The latest government initiatives, including fiscal support of at least RM25bn, are expected to bolster local semiconductor sentiment and incentivise industry players to expedite their efforts in upgrading and upskilling. According to the media, the RM25bn fiscal support includes RM5bn of tax foregone over five years, RM2bn for existing capital grants and RM1.3bn for the human resources development fund. Other key investments include RM2bn for the Semiconductor Industrial Park, RM1.6bn for the advanced packaging centre, and RM2bn for the National Energy Transition Facility and Green Technology Financing Scheme. In addition, the government intends to allocate some funds for strategic investments, high-impact projects, and training incentives.

3. End of Rate Hike Cycle

Rate Cut Should Bode Well for Technology Sector's Valuations

There is a glimpse of optimism that the Fed's rate hike cycle could be nearing its peak or end. Based on the latest Fed's guidance, the first-rate cut could occur at the end of 2024. Ultimately, the decision on the interest rate cut will depend on inflation, economic growth, and labour market data. We believe the possibility of ensuing rate cuts could reinvigorate appetite and sentiment in growth sectors, including technology, where the valuation is typically more sensitive to the interest rate.

Recommendation

Maintain Overweight

In all, we reiterate our **Overweight** stance on the technology sector. Generally, we expect the sentiment of the technology sector in Malaysia to improve further, underpinned by an anticipated recovery in the global demand for semiconductors and increasing trade diversion opportunities thanks to the China Plus One strategy. Additionally, the potential end of the rate hike cycle in the US will bode well for the technology sector's valuations.

Top picks are INARI and SKP

Our top picks are **INARI** and **SKP**. For **INARI**, we remain upbeat about the group's outlook, which is backed by the healthy earnings contribution from the radio frequency segment. Besides, we are excited about the latest progress update on the new project focusing on testing and packaging AI-related products. Additionally, we believe the new plant in China will become the next earnings driver as it stands a good chance to capitalise on the solid growth of the semiconductor industry in China. We have a **Buy** recommendation on INARI with a target price of RM4.30. Our valuation is based on a P/E multiple of 33x against its CY25 EPS, which is about +1 standard deviation above its mean P/E.

For **SKP**, we take this opportunity to upgrade the target P/E multiple from 12x to 15x, as the group is expected to benefit from the China Plus One Strategy. The group is seeing better order visibility from its key customers because of inventory replenishment and demand recovery. On top of that, the group has been receiving numerous business inquiries from new customers for backend assembly services as well. Consequently, we revised the target price of SKP higher from RM1.15 to **RM1.43** based on 15.0x CY25 EPS. Upgrade the stock from Hold to **Buy**.

On the other hand, we downgraded the target P/E multiple of **REXIT** from 14x to 12x, as we are still waiting for guidance on the new business direction from the new owners following the founder's and largest shareholder's exit early this year. With that, we tweaked the target price of REXIT lower from RM1.26 to **RM1.03** based on 12.0x CY25 EPS. Downgrade the stock from Buy to **Hold**.

Meanwhile, the primary key beneficiaries of NSS include OSAT players such as **MPI** (TP: RM41.10), **UNISEM** (TP: RM4.37), and **GTRONIC** (Consensus TP: RM1.29). **KESM** (Consensus TP: RM7.04), being the most prominent independent burn-in and test service provider in Malaysia, is expected to benefit from the increasing semiconductor activities.

Apart from that, test and inspection equipment players such as **ELSOFT** (TP: RM0.575), **VITROX** (Consensus TP: RM3.60), **PENTA** (Consensus TP: RM5.43), **QES** (Consensus TP: RM0.86), **MI** (Consensus TP: RM2.59), **TTVHB** (Consensus TP: RM1.50), **AEMULUS** (Not Rated), **MMSV** (Not Rated), and **VIS** (Not Rated) are expected to benefit from the NSS as well.

For the fab player, we have **DNEX** (Consensus TP: RM0.50) via the exposure in SilTerra. On the other hand, for chip design players, there are two listed companies, which are **OPPSTAR** (Consensus TP: RM1.68) and **KEYASIC** (Not Rated).

Additionally, engineering firms that produce components and precision parts, such as **SFPTECH** (Consensus TP: RM0.81), **JFTECH** (Not Rated), and **FPGROUP** (Not Rated), will benefit from NSS.

Key sector risks include: i) heightened geopolitical tensions weighing on economic growth and disrupting supply chains, ii) weaker-than-expected sales, and iii) weakening of the USD against the Ringgit.

Table 1: Peers Comparison

Company	Call	ESG	Price (RM)	TP (RM)	Mkt. Cap. (RM mn')	PE (x) CY24F	PE (x) CY25F	EPS Growth (%) CY24F	EPS Growth (%) CY25F	PBV (x) CY24F	PBV (x) CY25F	Div. Yield (%) CY24F	Div. Yield (%) CY25F	ROE (%) CY24F	ROE (%) CY25F
OSAT & ATE:															
Inari Amertron	BUY	★★★★	3.70	4.30	13,837.3	39.4	30.1	8.0	30.9	5.2	5.2	2.4	3.2	13.2	17.2
Unisem	HOLD	★★★★	4.16	4.37	6,710.5	37.4	30.5	118.1	22.6	2.7	2.5	1.9	1.9	7.3	8.5
MPI	HOLD	★★★★	39.42	41.10	8,273.6	50.8	32.2	152.0	57.7	3.7	3.5	0.9	1.0	6.4	9.4
Elsoft	HOLD	★★★	0.54	0.575	374.8	38.1	22.8	51.5	66.9	2.7	2.5	1.3	2.2	7.0	11.1
Weighted average						***42.4***	***31.3***	***46.5***	***35.5***	***3.8***	***3.6***	***1.8***	***2.3***	***9.0***	***11.7***
EMS:															
SKP	BUY	★★★	1.15	1.43	1,796.8	18.5	16.9	-32.6	9.7	2.0	1.8	2.6	3.0	10.8	11.3
Precision Machining:															
CORAZA	BUY	★★★	0.535	0.69	229.6	24.7	17.1	-500.2	44.0	2.0	1.8	0.9	1.5	8.2	11.0
Software:															
REXIT	HOLD	★★★	0.96	1.03	181.8	12.3	11.1	22.6	10.6	3.1	2.8	4.2	6.3	26.0	26.3

Source: Bloomberg, TA Securities

Transportation Sector

(Neutral)

Regaining Its Altitude

(ESG: ★★★)

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Transportation sector – 1H24 flash back

It was a significant milestone in 1H24 as both Malaysia Airports Holdings (MAHB) and Westports Holding (Westports) finally obtained the long-awaited new concessions, which extended the duration to 2069 and 2082 respectively. Also, Capital A announced the regularisation plan during this period, hoping to uplift the company from the PN17 status.

1H24 was full of surprises

However, 1H24 was also full of surprises for the transportation sector. First, the red sea crisis saw Houthis attacking cargo vessels, forcing global shipping liners re-routing their vessels via the Cape of Good Hope, causing shipment delays and spikes in ocean freight rates. This was further compounded by the war between Israel and Iran later in April. When we started seeing the freight rates tapering, there was another shock from the US, which imposed stiff tariff on Chinese goods that resulted in the freight rates to surpass the previous high level. On the flip side, the team-up of Khazanah, EPF and Global Infrastructure Partner (GIP) in privatizing MAHB, pending satisfaction of pre-conditions, has sprung positive surprises to minority shareholders as the offer price is fixed at a record high level of RM11.00/share.

In the recent 1Q24 results reporting season, the transportation sector revenue surged 70.6% to RM7.4bn, boosted by all companies, excepts CJ Logistics and Perak Transit. In terms of PBT, all companies were profitable after Capital A registered its second quarterly profit in a row, leading to 92% growth in PBT. The common attributes of 1Q24 results performance include: 1) sustained recovery in travel demand; 2) cost escalation in terms of wages, utilities and fuel; 3) interest rate hike globally and tariff concerns in the EU and US have affected global trades.

In terms of share price performance, MAHB (+21%), Westports (+14%) and Capital A (+2%) recorded gains while Perak Transit (-7%) and CJ Century (-12%) suffered from declines (Figure 1). However, only MAHB and Westports outperformed the FBMKLCI (Figure 2), which increased by 9.3% in 1H24.

Figure 1: 1H24 share price performance

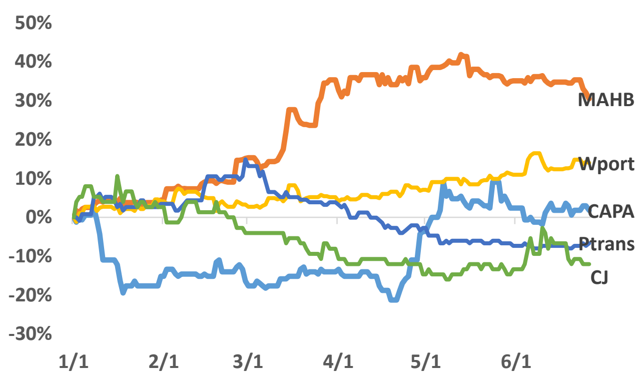
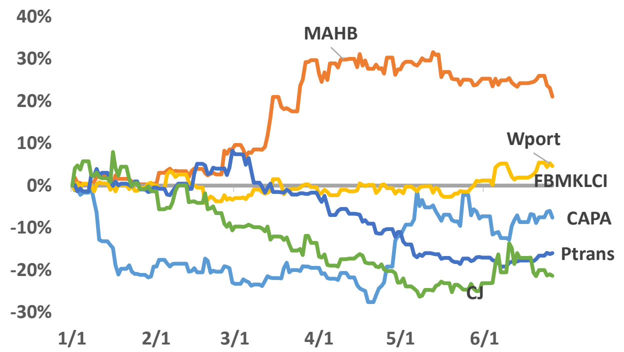


Figure 2: Only MAHB and Westports outperformed FBMKLCI



Source: TA Securities

Figure 3: Results performance

Revenue (RM'mn)	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)
Capital A	2,529.7	4,859.4	5,241.4	7.9	107.2
CJ Century	219.6	146.5	215.1	46.8	(2.0)
MAHB	1,034.4	1,371.5	1,351.3	(1.5)	30.6
Westports	502.9	537.1	541.0	0.7	7.6
Perak Transit	47.4	40.6	44.6	9.9	(5.8)
Total	**4,334.0**	**6,955.1**	**7,393.5**	**6.3**	**70.6**
EBITDA (RM'mn)					
Capital A	560.4	218.6	708.9	224.3	26.5
CJ Century	16.3	11.9	15.1	27.2	(7.4)
MAHB	456.8	566.4	672.7	18.8	47.3
Westports	308.5	336.7	335.7	(0.3)	8.8
Perak Transit	27.0	24.3	26.9	10.9	(0.3)
Total	**1,369.0**	**1,157.9**	**1,759.3**	**51.9**	**28.5**
Adj. PBT (RM'mn)					
Capital A	(13.6)	198.5	122.4	(38.3)	>100
CJ Century	5.0	(1.0)	3.1	?100	(38.4)
MAHB	78.2	81.3	215.5	>100	>100
Westports	236.0	262.6	265.5	1.1	12.5
Perak Transit	21.5	18.9	21.5	14.1	0.0
Total	**327.1**	**560.2**	**627.9**	**12.1**	**92.0**
EBITDA margin (%)					
Capital A	22.2	4.5	13.5	(3.3)	37.0
CJ Century	7.4	8.1	7.0	2.0	0.9
MAHB	44.2	41.3	49.8	(1.4)	(0.6)
Westports	61.3	62.7	62.1	(0.4)	3.9
Perak Transit	56.9	59.7	60.3	(1.4)	(3.4)
Adj PBT margin (%)					
Capital A	(0.5)	4.1	2.3	(0.8)	31.7
CJ Century	2.3	(0.7)	1.4	(0.2)	(1.3)
MAHB	7.6	5.9	15.9	(1.5)	10.0
Westports	46.9	48.9	49.1	(0.9)	4.5
Perak Transit	45.4	46.4	48.2	(0.7)	(3.8)

2H24 Sector Preview

Looking forward, we expect external factors to dominate sector earnings and influence the share price performance in 2H24.

1. US-China trade war to intensify further;
2. Aviation to rely on inbound tourism; and
3. Follow-up announcements/actions.

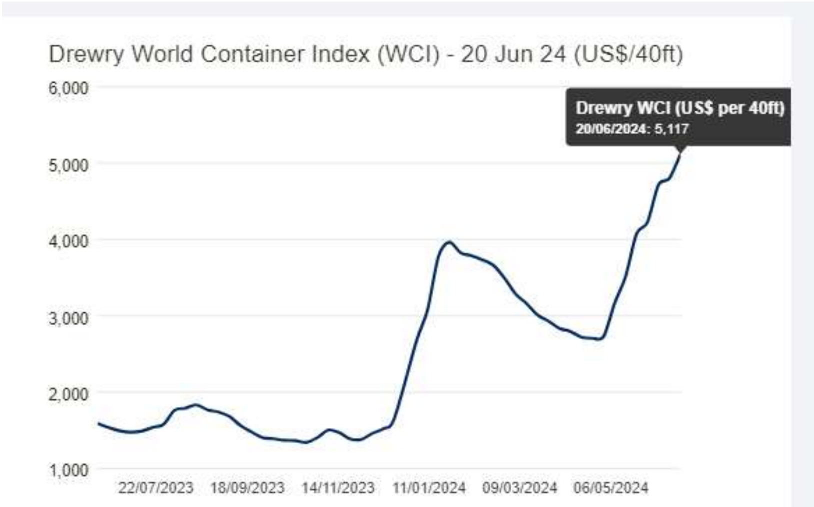
1. US-China trade war to intensify further

Based on IMF forecasts, the world economy is expected to grow at 3.2% in 2024 and 2025 (attachment 1). Meanwhile, US economy is expected to remain sluggish with a GDP growth of merely 2.7% in 2024 and moderating to 1.9% in 2025. Likewise, China's GDP growth is expected to slow down to 4.6% in 2024 and 4.1% in 2025 (vs 5.2% in 2023). Underpinning all these, global trade is expected to remain lacklustre this year and next.

The repeat of trade war during US presidential election

The intensifying trade war between US-China is expected to crimp the economic growth further, disrupting the global supply chain as well as dedollarisation. Note that US Trade Representative has unveiled the details of the proposed tariff increases on imports from China, which include solar power products, EVs, batteries, critical minerals, semiconductors, ship-to-shore gantry cranes, steel and aluminium products, and certain medical supplies. Some of the tariff increases would begin on Aug 1. From our channel checks, the proposed tariff increase has brought about major disruptions to maritime activities as Chinese manufacturers and US buyers have booked all available vessel space for immediate shipments to avoid the tariff hikes. This has already led to recent sharp increase in global container freight rates (Figure 4) even before China announcing its tit-for-tat moves. As such, we are keeping a close eye on China now especially before the US presidential election is over.

Figure 4: Ocean freight rates



Source: Drewry

Malaysia to benefit from FDI inflow

In our opinion, the trade war between US and China is not necessarily bad for emerging countries as it would hasten the adoption of China + 1 strategy. From FDI point of view, Malaysia is clearly one of the main beneficiaries with total approved investments of RM329.5bn last year, the highest in history. As such, we see silver linings for the Malaysian transportation sector in the light of global supply chain disruptions. We believe Westports would stand to benefit as the increasing approved investments, which would lead to higher outputs, would bode well for the company as a main gateway of exports and imports in Malaysia.

2. Aviation to rely on inbound tourism

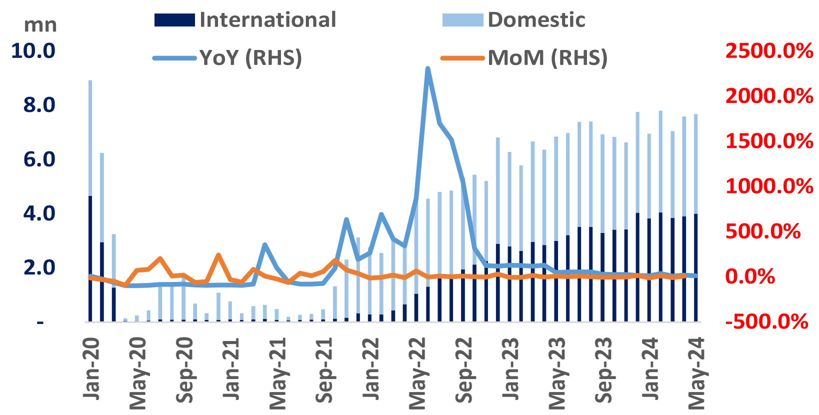
At USDMYR4.70, travelling overseas for holiday may not be so fun anymore as far as our purchasing power is concerned. Importantly, the "revenge travel" post Covid-reopening would likely normalise as the urge to travel would have been satisfied by numerous trips two months ago. A quick random check among colleagues revealed that all of them have travelled more than 3 times since reopening in Apr-22.

Outbound tourism to taper in 2H24

In addition, the rationalisation of government subsidy on fuel is expected to have an adverse impact on Malaysians travelling abroad. The subsidy removal would likely add to the burden of consumers, which we think one of the belt-tightening ways is to cut back on travel budget.

Having said that, we expect the inbound tourism to remain robust on the back of the weak ringgit, relaxation of visa requirement and increase in flight capacity. According to Capital A, the company is expected to increase its operational aircraft to 204 by 4Q24 from 167 in 1Q24. In addition, given our in-house USDMYR forecast of 4.65, tourism activity would likely remain flourishing in 2024. In our forecast, we expect MAHB's passenger movements to surpass the pre-pandemic level (105.3mn) to reach 118mn this year before inching higher to 121.5mn next year.

Figure 5: MAHB's passenger movements



Source: MAHB & TA Research

3. Follow-up announcements/actions

MAHB's GO, Westports' equity financing and Capital A's regularisation plan in focus

We look forward to 3 major announcements that would steal the limelight in 2H24. Firstly, it is crucial for interested parties (Khazanah, EPF and GIP) to fulfil the pre-conditions before making a valid general offer to privatise MAHB for RM11/share. Hence, we look forward to announcements pertaining to satisfactions of these pre-conditions, including:

1. The receipt of a non-infringement decision from MAVCOM;
2. The receipt of a non-infringement decision from the Turkish Competition Authority;
3. Merger control approval from the General Authority for Competition Saudi Arabia;
4. Merger control approval from the Egyptian Competition Authority;
5. Application to the SC to seeks its consent for the Offer to be announced subject to the pre-conditions.

Secondly, Westports is expected to seek external funding to finance the expansion plan. Pursuant to the new concession agreement and the proposed expansion, Westports will incur an initial development capital expenditure of RM12.6bn for the Proposed Expansion. CT10 to CT13 is expected to cost RM6.28bn, which will be spent from 2024 until 2038, while CT14 to CT17 is another development expenditure of RM6.28bn. Specifically, the capex of estimated RM6.28bn for CT10-13 (phase 1) will be financed through RM5.0bn perpetual Sukuk and RM800mn-1.2bn equity financing via dividend reinvestment plan or placement of share to strategic investors. The construction of terminal would like begin in 2025 after completion of land reclamation in 2024-25.

Lastly, in Capital A's regularisation plan, there will be a series of corporate development to be carried out before the company is free from its PN17 status. This would include AirAsia X (AAX) obtaining its shareholders' approvals for exchanging their AAX shares with AirAsia Group (AAG) shares based on 1:1 with free warrant based on 1:2 for the later to takeover AAX's listing status. Then, Capital A would have to obtain shareholders' approval on proposed disposals of AirAsia Aviation Group and AirAsia Berhad for total considerations of RM6.8bn to be satisfied by 2.3bn consideration shares in AAG at RM1.30/share plus assumption of 3.8bn debt owing to AAB. This will be followed by distribution of dividend-in-specie where Capital A's each shareholder would get 397 AAG shares for every 1,000 shares, assuming no conversion of warrants and RCUIDS.

Forecast

No change to our sector earnings.

Figure 6: Earnings forecast

Revenue (RM'mn)	FY22	FY23	FY24F	FY25F	FY26F
Capital A	6606.255	14771.72	17340.22	18233.72	19111.48
MAHB	3127.0	4914.2	5671.9	5886.8	6095.5
Westports	2055.4	2088.6	2193.9	2269.7	2343.3
CJ Century	930.4	736.5	835.4	887.4	942.7
Perak Transit	170.9	173.2	241.6	251.4	256.3
Total	**12890.0**	**22684.2**	**26283.0**	**27529.1**	**28749.3**
Capital A	-2,041.6	-650.6	660.1	833.7	958.7
MAHB	233.3	474.7	738.2	738.4	714.6
Westports	713.6	779.4	964.7	1,038.6	1,080.9
CJ Century	24.5	11.7	13.4	15.6	17.2
Perak Transit	60.3	65.1	68.8	74.0	74.8
Total	**-1,009.8**	**680.4**	**2,445.2**	**2,700.4**	**2,846.2**

Recommendation

We maintain our **Neutral** stance on the transportation sector given a mixed bag of opportunities and threats in 2H2. **Top pick is Westports,** after revising the target price to RM4.72/share (from RM4.26 previously), as the company has defensive earnings quality that is less prone to recessionary and inflationary pressures. In addition, the privatisation of MAHB, if materialised, would free up more than RM7bn cash, which can be reinvested into another concessionaire, i.e. Westports.

Figure 7: Peer comparison

Company	Call	ESG	Share Price (RM)	Target Price (RM)	EPS growth (%)		PER (x)		Dividend Yield (%)		ROE (%)	
					FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25
Capital A	Hold	★★★	0.86	0.94	>100	26.3	5.0	3.9	0.0	0.0	nm	nm
CJ Century	Buy	★★★★	0.33	0.37	>100	16.6	14.7	12.6	1.7	2.0	2.9	3.3
Airport	Acc. offer	★★★	9.90	11.00	60.0	0.0	24.3	24.3	1.6	1.6	9.0	8.6
Perak Transit	Buy	★★★	0.71	1.03	3.5	7.5	11.4	10.6	3.1	3.8	10.3	10.3
Westports	Buy	★★★	4.17	4.72	24.0	7.7	14.7	13.7	5.0	5.4	26.1	24.7

Attachment 1: IMF forecast

(Real GDP, annual percent change)	2023	PROJECTIONS 2024	PROJECTIONS 2025
World Output	3.2	3.2	3.2
Advanced Economies	1.6	1.7	1.8
United States	2.5	2.7	1.9
Euro Area	0.4	0.8	1.5
Germany	-0.3	0.2	1.3
France	0.9	0.7	1.4
Italy	0.9	0.7	0.7
Spain	2.5	1.9	2.1
Japan	1.9	0.9	1.0
United Kingdom	0.1	0.5	1.5
Canada	1.1	1.2	2.3
Other Advanced Economies	1.8	2.0	2.4
Emerging Market and Developing Economies	4.3	4.2	4.2
Emerging and Developing Asia	5.6	5.2	4.9
China	5.2	4.6	4.1
India	7.8	6.8	6.5
Emerging and Developing Europe	3.2	3.1	2.8
Russia	3.6	3.2	1.8
Latin America and the Caribbean	2.3	2.0	2.5
Brazil	2.9	2.2	2.1
Mexico	3.2	2.4	1.4
Middle East and Central Asia	2.0	2.8	4.2
Saudi Arabia	-0.8	2.6	6.0
Sub-Saharan Africa	3.4	3.8	4.0
Nigeria	2.9	3.3	3.0
South Africa	0.6	0.9	1.2
Memorandum			
Emerging Market and Middle-Income Economies	4.4	4.1	4.1
Low-Income Developing Countries	4.0	4.7	5.2

Source: IMF

Economic Outlook

A Year of Execution and Implementation

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Key Summary:

We remain optimistic on Malaysia's resilient economic prospects this year with a GDP growth of 4.7%. The feel-good factor is supported by various measures highlighted in the blueprints and masterplans that have been announced since last year. The latest catalyst is the National Semiconductor Strategy launched on 28 May 2024. The path is not without dampeners, especially the adverse effects from the government's subsidy rationalisation plan. After the recent diesel fuel price adjustment, the RON95 could be next. In our view, the government is likely to assess the lagged impact of diesel price adjustments and the readiness of the central Database Hub (PADU) in determining the eligibility of the cash aid before deciding on the timing and price increase for RON95.

The downside risks to growth could come from the expected cost-push inflation due to the implementation of the targeted fuel subsidy rationalisation this year. We kept our 2024 inflation forecast at 3.3% YoY, with strong readings in the second half. This, in turn, could lead to upside risk in Bank Negara' OPR outlook, which we expect to remain stable at current level of 3.00% until end-2024.

There is a strong possibility for the Ringgit to strengthen to RM4.50 against the USD by year-end. This is based on expectations that Bank Negara will maintain its current monetary stance for the rest of this year and the government is committed to fiscal discipline. Several revenue-enhancing tax measures have been announced in tandem with the Fiscal Responsibility Act (FRA) targets. Bank Negara is also exploring more ways to preserve Ringgit's stability other than repatriation of foreign exchange earnings and overseas investment income.

Figure 1: Snapshot of Malaysia's Key Macroeconomic Projections

	2022	2023	1H24	2H24	2024E
Real GDP Growth (%)	8.9%	3.6%	4.9%	4.5%	4.7%
Fiscal Balance (% of GDP)	-5.6%	-5.0%	-	-	-4.2%
Inflation rate (%)	3.3%	2.5%	2.1%	4.5%	3.3%
Overnight Policy Rate (end of period)	2.75%	3.0%	3.0%	3.0%	3.0%
RM vs. USD: Average	4.56	4.55	4.71	4.59	4.65
RM vs. USD: Average (end of period)	4.40	4.59	-	-	4.50

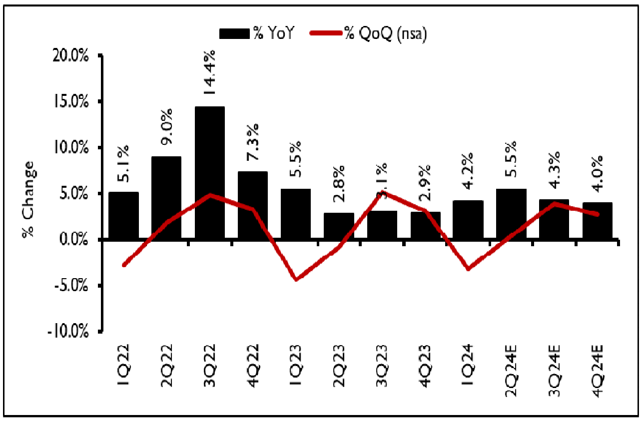
Source: Department of Statistics, Bank Negara, Bloomberg, TA Securities

Malaysia's 2H24 Economic Outlook

The Malaysian economy is progressing well to a position of strength. As the first-quarter GDP results of 2024 aligned closely with our projections, **we are confident in maintaining our GDP forecast for the entire year at 4.7%**, compared to the previous year's growth of 3.6%. Looking ahead, **we anticipate even more promising signs of economic growth in the second quarter, with expectations of it reaching as high as 5.5% YoY**. The feel-good factor is supported by various measures in all the blueprints and masterplans that have been announced since last year i.e. the Madani Economy Framework, the National Energy Transition Roadmap, the New Industrial Master Plan. The latest was the National Semiconductor Strategy launched on 28 May 2024.

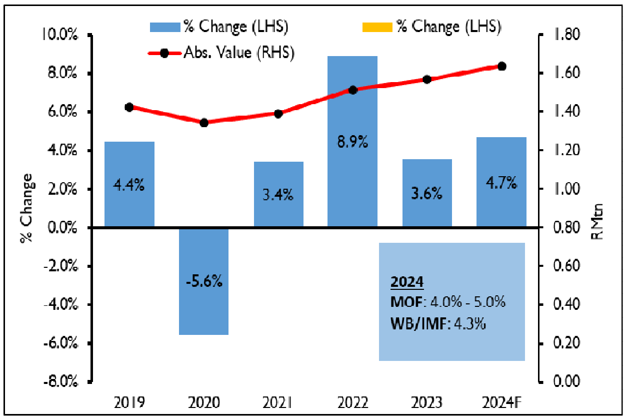
We maintain 2024 GDP growth forecast of 4.7%.

Figure 2: Malaysia Quarterly GDP (1Q22 – 4Q24E)



Source: DOSM, TA Securities

Figure 3: Malaysia's Annual GDP (2022 – 2024E)



Source: DOSM, TA Securities

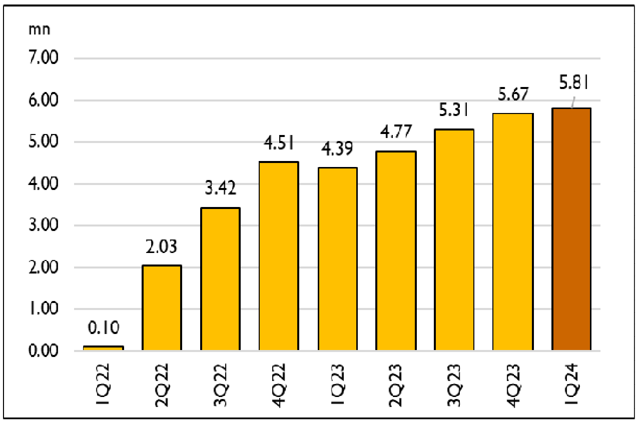
The private consumption growth could cross the 7% YoY growth threshold in the 2Q24 and 3Q24. The impending increase in civil servants, the pick-up in tourist arrivals and strong employment market are expected to support consumer spending in the coming quarters. Tourism in Malaysia is experiencing an upward trend, with 5.8mn tourists visiting in the first quarter of 2024. This increase can be attributed in part to the 30-day visa exemption for Chinese and Indian tourists, which has boosted arrivals in Malaysia.

Strong private consumption is expected to spearhead growth.

Recently, the Malaysian government had a mutual agreement with China to extend the visa exemption programme for visitors from both countries to enhance bilateral ties. China had agreed to extend its visa exemption facility for Malaysian citizens until the end of 2025 while Malaysia will extend the visa exemption for Chinese citizens until the end of 2026. Visa facilitation, alongside improved accessibility and flight connectivity, plays a crucial role in achieving the goal of attracting around 36mn tourists and generating RM150bn tourism receipts for Visit Malaysia 2026. Prior to that, Tourism Malaysia is confident of achieving the 27.3mn foreign tourist arrivals this year (2023: 20.14mn; 2022: 10.07mn)

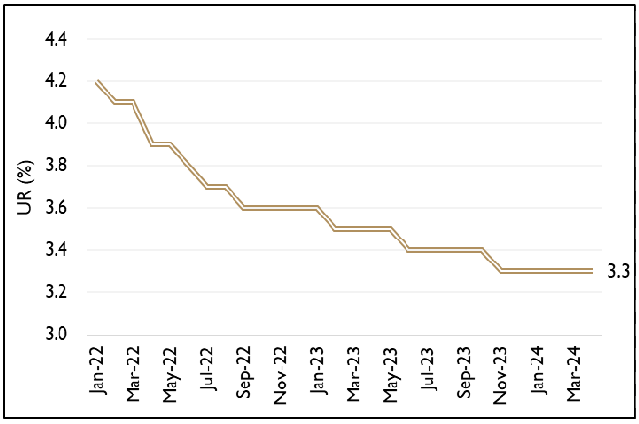
Resilient tourism activities to lend support.

Figure 4: Malaysia's Tourist Arrivals (1Q22 – 1Q24)



Source: Tourism Malaysia, TA Securities

Figure 5: Malaysia's Jobless Rate (January 2022 - April 2024)



Source: DOSM, TA Securities

However, we anticipate the economy to switch into a low gear in the second half of the year (2H24E: 4.5% YoY; 1H24E: 4.9% YoY). The uncertainty of inflationary impact of subsidy rationalisation will remain a key concern, especially once the government starts to rationalise the RON95 fuel, which could happen in the fourth quarter of this year. Consumers may stay cautious until there is a clear visibility on the execution of such initiative and the potential introduction of new consumption taxes. Nonetheless, **continued government assistance for lower-income segment, such as the Sumbangan Tunai Rahmah (STR), is likely to cushion some of the negative impact.**

GDP to accelerate by 4.9% YoY in the first half, before moderating to 4.5% YoY in the second half

Part of the labour market reforms involves the implementation of a progressive wage model (PWM), which will be pivotal in raising individual incomes levels and productivity. Still in the pilot project, the government has agreed to allocate RM50mn, involving 1,000 employers, which will run from June 2024 until August 2024. The selected company will receive incentives of up to RM200 per month for each entry-level employee and up to RM300 per month for each non-entry-level employee.

Labour market reforms should raise disposable income especially for the low-income workers.

The government is also due to review the minimum wage this year. The last time the government reviewed the minimum wage was in May 2022, increasing it from RM1,200 to RM1,500. According to the Ministry of Human Resource (MoHR), the minimum wage review is almost completed and is set to be tabled at the National Wages Consultative Council (NWCC) soon. **We expect the new rate would be between RM1,700 and RM1,800.** Though it is still lower than the living wage of RM2,700 as proposed by Bank Negara Malaysia, we find it fair for both employers and workers.

The government is also due to review the minimum wage.

Key domestic wildcard would be the effect of the introduction of Account 3 by the Employees Provident Fund (EPF) in May 2024, which permits members for flexible withdrawal. While it is expected to boost consumption, we expect it to have a less profound impact compared to the RM10,000 withdrawal in 2022. Even if we assume full participation in Akaun Fleksibel, the total withdrawals during the first year are estimated at only RM25bn compared with RM44.6bn as in the previous withdrawals.

We do not expect a significant spill over effect from the withdrawal of EPF Account 3.

On the upside, a significant recovery in the export-oriented industries is expected later this year, with a potential upturn in the technology cycle especially in the 2H24. The latest data from the

We forecast a significant recovery in the export-oriented industries, with a potential upturn in the

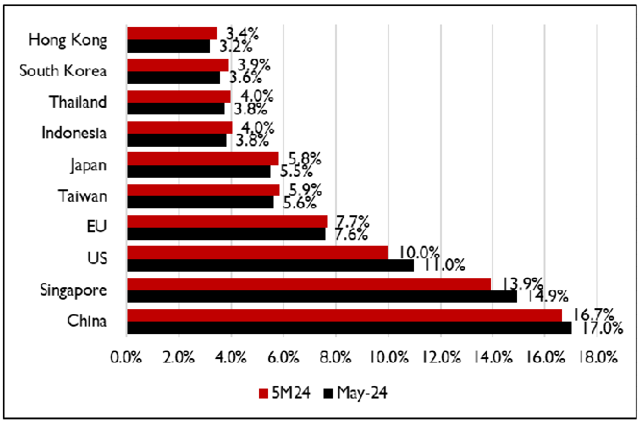
Semiconductor Industry Association (SIA) showed that the global semiconductor industry posted double-digit sales increases on a year-to-year basis during each month of 2024, and worldwide sales in April increased on a month-on-month basis (1.1%) for the first time this year.

technology cycle.

Additionally, **the recovery in the global demand is evident, spurred by improvements in the Chinese manufacturing sector.** China contributes about 12.3% of our total exports. Malaysia and China will continue to promote the high-quality implementation of the Regional Comprehensive Economic Partnership (RCEP) agreement, and to accelerate the ASEAN-China Free Trade Area (FTA) 3.0 upgrade negotiations towards conclusion as soon as possible. This has been pledged during the recent Chinese Premier Li Qiang's visit to Malaysia. About RM13.2bn in potential investments is expected following the exchange of 11 MoUs between Malaysia and China.

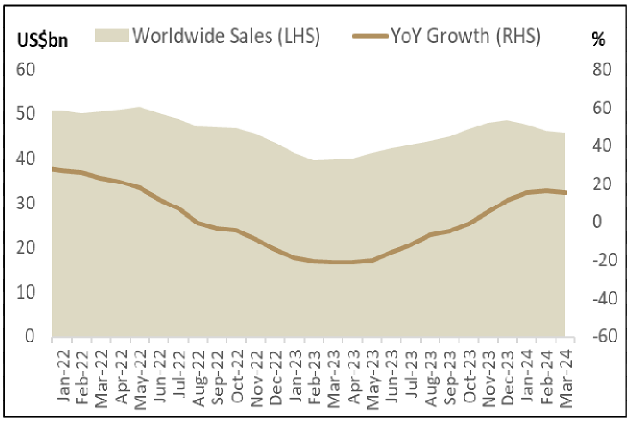
China's recovery is also seen as one of the feel-good factors.

Figure 6: Malaysia's Top Trading Partner (May 2024 vs YTD 2024)



Source: DOSM, TA Securities

Figure 7: Global Semiconductor Sales (January 2022 - April 2024)



Source: SIA, TA Securities

We also believe that **Malaysia stands in a unique position amidst the recent tariff hikes imposed by the US.** While the escalation of trade tensions between the US and China might seem detrimental to Malaysia due to its close economic ties with China, there are ways for Malaysia to benefit from this situation. **Malaysia has been striving to diversify its export markets beyond its traditional reliance on China.** For instance, the imposition of tariffs by the US on Chinese goods, including electric vehicles (EVs) and related components, could create an opportunity for Malaysia to step in and fill the gap left by Chinese manufacturers.

Malaysia can benefit from the US-China trade sanctions.

In addition, **Malaysia's bid to join BRICS (Brazil, Russia, India, China and South Africa) group, should augur well for our trade and FDIs** amid intensifying economic race among global superpowers. In addition to these five countries, the group also comprises of Iran, Egypt, Ethiopia, the United Arab Emirates and Saudi Arabia. Together, they make up about 30% of the world's land surface and 45% of the global population. First established in 2006, it was to counter and balance decisions made by the International Monetary Fund, World Bank and the Group of 7 (G7). Apart from Malaysia, Thailand and Vietnam also voiced out their intention to join the group.

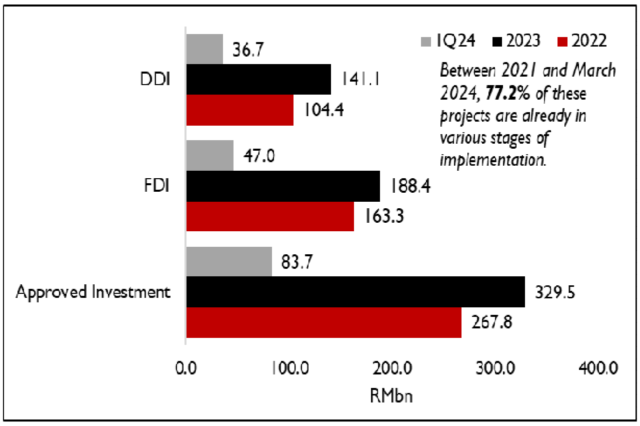
Malaysia's bid to join BRICS should augur well for our trade and FDIs.

Greater investment realisation following higher approved investments last year, progress of new and ongoing projects such as the construction of the JB-SG Rapid Transit System (RTS), the Pan-Borneo

We are positive on investment outlook.

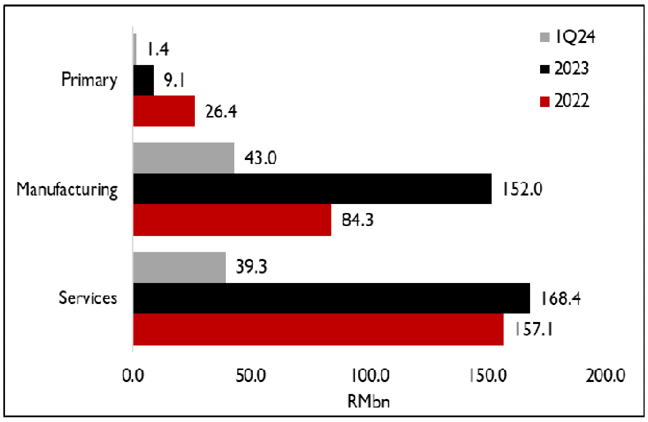
highway, the East Coast Rail Link (ECRL) network, and policies under the Madani Economy framework, **will further drive a more robust economic growth.** In the first quarter of 2024, Malaysia recorded RM83.7bn of approved investments, marking a 13% YoY increase. Foreign investments (FI) contributed 56.2% or RM47bn, while domestic investments (DI) contributed 43.8% or RM36.7bn. Last year, approved investment rose 23% to a record high of RM329.5bn, of which 57.2% was from foreign capital while 42.8% from domestic.

Figure 8: Malaysia's Approved Investment by Segments (2022 vs 1Q24)



Source: MIDA, TA Securities

Figure 9: Malaysia's Approved Investment by Sectors (2022 vs 1Q24)



Source: MIDA, TA Securities

On supply side, **we forecast growth across all sectors led by the manufacturing and services sectors.** We are optimistic about Malaysia's industrial production and manufacturing sector due to robust global economic conditions, rising export demand, and positive domestic economic indicators. As for the services sector, it will be driven by stable labour market, expectation of higher disposable income and the positive chain effects from higher tourist arrivals in Malaysia.

On supply side, expect growth across all sectors.

Figure 10: Malaysia's Quarterly GDP by Demand and Supply Side (1Q23 – 4Q24E)

GDP Components	2023	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1HE	2HE	2024E
Private Spending	4.7%	6.1%	4.2%	4.1%	4.2%	4.7%	7.4%	7.2%	4.5%	6.0%	5.9%	6.0%
Public Spending	3.3%	-2.0%	3.3%	5.3%	5.8%	7.3%	5.9%	1.7%	4.6%	6.6%	3.3%	4.3%
Private Investment	4.6%	4.7%	5.1%	4.5%	4.0%	9.2%	6.6%	6.7%	2.3%	7.8%	4.7%	5.5%
Public Investment	8.6%	5.7%	7.9%	7.5%	11.3%	11.5%	8.6%	12.0%	-1.6%	10.1%	3.3%	6.7%
Exports	-8.1%	-2.9%	-9.0%	-12.0%	-7.9%	5.2%	5.2%	6.0%	7.4%	5.2%	6.7%	6.0%
Imports	-7.4%	-6.7%	-8.8%	-11.3%	-2.6%	8.0%	5.4%	5.7%	1.9%	6.7%	3.7%	5.2%
Agriculture	0.73%	1.4%	-0.7%	0.3%	1.9%	1.6%	5.9%	2.4%	0.3%	3.5%	1.0%	2.7%
Mining	0.5%	1.6%	-2.1%	-1.1%	3.5%	5.7%	5.1%	2.2%	-0.2%	5.4%	0.9%	2.7%
Manufacturing	0.7%	3.2%	0.1%	-0.1%	-0.3%	1.9%	3.0%	3.4%	4.0%	2.4%	3.5%	3.3%
Construction	6.1%	7.4%	6.2%	7.2%	3.6%	11.9%	4.1%	6.4%	7.5%	10.7%	9.7%	6.2%
Services	5.1%	7.1%	4.5%	4.9%	4.1%	4.7%	6.3%	4.9%	4.5%	5.5%	4.7%	5.5%
Real GDP	**3.6%**	**5.5%**	**2.8%**	**3.1%**	**2.9%**	**4.2%**	**5.5%**	**4.3%**	**4.0%**	**4.9%**	**4.1%**	**4.7%**

Source: DOSM, TA Securities

Nevertheless, **geopolitical risk would dominate the macro narrative and potentially disrupt the growth momentum.** Weaker-than-expected global trade and the elevated trade tensions between the US and China, especially following the recent tariff hike announcement, could impede global economic growth. This is in view of recent US decision to impose tariff hikes to be phased in over 2024-2026 on products imported from China i.e.

Risks remain to the downside, mainly from the external side semiconductors, lithium-ion batteries, solar cells, critical minerals (e.g. natural graphite), and medical equipment. This comes about as US seeks to pre-empt deluge of imports from China, which are accused by the US of employing "unfair" industrial policy that also resulted in overproduction and excess inventory. The upcoming US Presidential election in November 2024 could have some bearings on US-China geopolitics.

This situation is exacerbated by the ongoing conflict in Ukraine and the continued Israel-Gaza war, which could negatively affect global trade activities due to the diversion of sea shipments. Meanwhile, the prevailing tight monetary policy adopted by most of the advanced economies poses downside risks to Malaysia, given the potential risk of a global economic downturn.

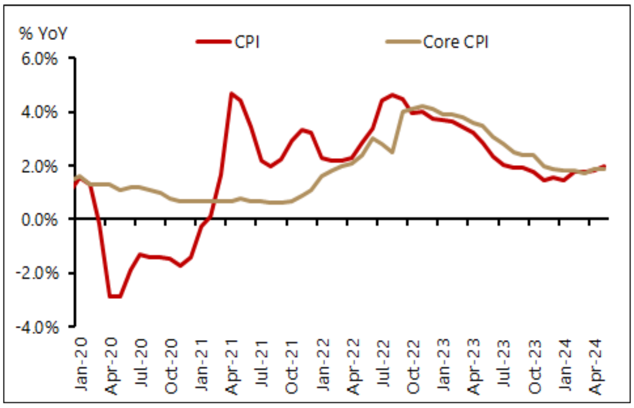
On the domestic side, **the downside risks could come from the expected cost-push inflation**, which we will explain in the next section, due to the implementation of the targeted fuel subsidy rationalisation this year, pending details on the timing, quantum and mechanics. This, in turn, could lead to upside risk in Bank Negara' OPR outlook, which we currently expect to remain stable at current level of 3.00% until end-2024, and possibly throughout 2025 as well.

Upside Risks of Inflation

The headline and core inflation were milder-than-expected at 1.8% in 5M24, with limited spillover effect from electricity and water tariff hikes and the 2%-point increase in sales and services tax. Nevertheless, **the inflation is expected to pick up pace from June 2024 onwards** due to potential cost-push factors following subsidy rationalisation measures. Low-base effect will also play some role as headline inflation was up by just 1.8% YoY in the second half of last year versus 3.2% in 1H23. In summary, our CPI model indicates that the headline inflation will grow by 4.5% YoY in 2H24 (1H24E: 2.1% YoY). Our 2024 headline inflation projection remains at 3.3% YoY.

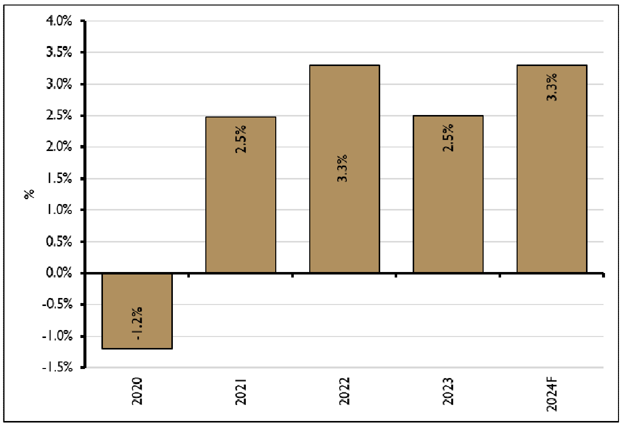
We forecast inflation will pick up pace from June 2024 onwards, and to average 4.5% YoY in the second half of the year.

Figure 11: Malaysia Monthly Headline vs Core Inflation (January 2020 – May 2024)



Source: DOSM, TA Securities

Figure 12: Malaysia Annual CPI Growth (2020 – 2024E)



Source: DOSM, TA Securities

In summary, the inflation trajectory would be pivoted on few factors:

1) Low base effect;
2) Second-round effects or indirect pass-through impact following recent diesel price adjustment;

We upgraded our 2024 headline inflation projection to 3.3% YoY.

3) The lagged impact from consumption tax measures such as the 2% service tax revision and the implementation of low value goods tax (LVGT);
4) Potential upside in demand from Account 3 EPF withdrawal;
5) Spillover impact from higher global commodity prices; and
6) The timeline of RON95 subsidy rationalisation and the quantum of adjustment.

As highlighted in our previous CPI report, **we calculated that the direct impact of the recent diesel subsidy rationalisation on headline inflation would be marginal, with the potential upside of only 0.1%.** Since 10 June 2024, diesel retail price has increased by a whopping 56% to RM3.35 per litre and now subject to weekly price adjustments.

The direct impact of diesel price adjustment is marginal.

This is because **the government is still providing subsidies for most of the diesel-powered commercial vehicles and public transportation**. These are given through the Subsidies Diesel Control System, or widely known as the SKDS programme, on top of the monthly cash aid of RM200 to eligible individuals under the Budi Madani Programme.

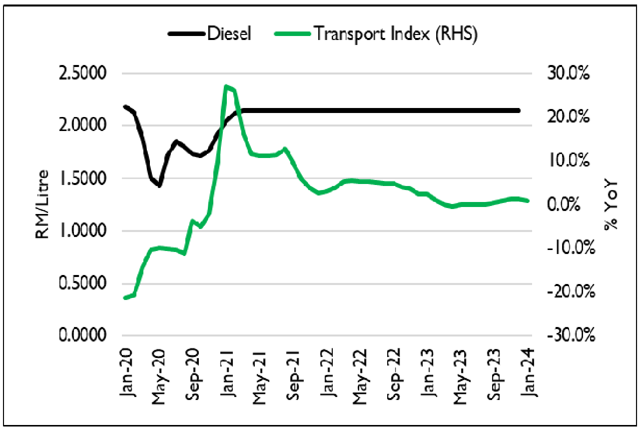
Government is still providing subsidies for eligible users.

So far, the government has approved 100,000 applications for the targeted diesel subsidy cash aid under the Budi Madani initiative. Expect more applications in the future. With no due date for applications, the current submissions are still below the government's target of 700,000 diesel vehicle users – 400,000 commercial vehicles and 300,000 private vehicles.

Further, **the diesel weight to overall headline CPI is a mere 0.2%,** indicating a minimal potential for significant inflationary effects. Further, the CPI weightage of fuel has been reduced from 8.5% in 2018 to 5.9% in 2024. We calculate that for every 1% increase in diesel prices, fuel inflation will only increase by 0.04%. That will translate into 0.002% of headline inflation. Hence, **the 55.8% hike in the retail diesel price is expected to push the headline inflation only by 0.2%.**

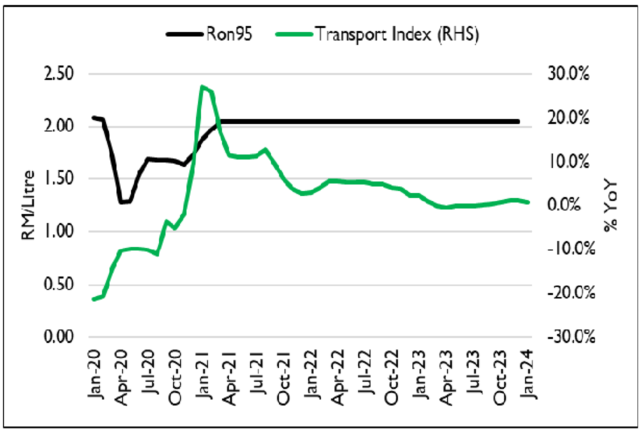
The diesel weight to overall headline CPI is a mere 0.2%,

Figure 13: Malaysia Diesel Price vs Transport Index (January 2020 – Current)



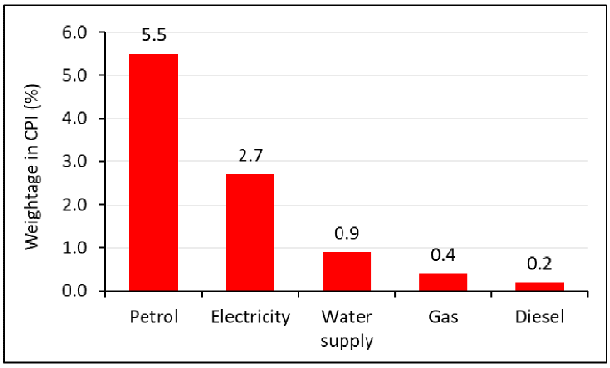
Source: xx, TA Securities

Figure 14: Malaysia RON95 Price vs Transport Index (2020 – 2024E)



Source: xx, TA Securities

Figure 15: CPI Weightage for Energy and Utilities (April 2024)



Source: DOSM, TA Securities

All eyes now would be on the RON95 subsidy rationalisation, which we believe may not happen that soon. We view that the government would like to assess the lagged impact of diesel price adjustments and the readiness of the central Database Hub (PADU) in determining the eligibility for the cash aid.

The RON95 fuel subsidy rationalisation could be next, but not that soon.

RON95 is currently sold at RM2.05 per litre. Gauging from the non-subsidised petrol station, the RON95 is currently sold at a market price of RM3.30 per litre. That indicates roughly about R**M1.25 being subsidised for each litre of RON95 sold.** It was last revised on 15 February 2021, up by 4 cents. It remains at this level until now.

In our opinion, **the RON95 subsidy rationalisation is likely to be implemented on a gradual and measured approach** to limit the shock. We believe the rationalisation of RON95 is more complicated, given that it affects the bulk of >36mn registered motor vehicles (source: Transport Ministry) and accounted for RM66.7bn in retail sales of automotive fuel in 2023 (source: DOSM). Thus, it should not be rushed until a proper system is in place. Probably, the earliest would be in the fourth quarter of this year and revised in stages until next year.

Our base case of 3.3% YoY inflation in 2024 assumes a staggered increase in RON95 price.

We fear that the price hike of RON95 will have a significant impact on inflation. It carries higher weightage than diesel, 5.5% of the overall CPI. Thus, **expect a wider impact of RON95 subsidy cuts on inflation**. The direct contribution of a 10% increase in RON95 retail price on headline inflation is estimated at around 0.5%-points, compared to diesel's 0.02% points.

The impact of RON95 price adjustment is expected to be higher than diesel.

Expect more details on fuel subsidies in the upcoming Budget 2025, scheduled to be in October 2024. By that time, the government may have few months of inflation data (June – September 2024) to assess the impact of the diesel mechanism.

Expect details in the upcoming Budget 2025 in October.

Slightly Positive Impact on Our Fiscal Position

Fiscal consolidation remains as top agenda this year given the Fiscal Responsibility Act (FRA) targets for budget deficits and government debt reductions. **We maintain our budget deficit forecast of 4.2% of GDP this year**, a tad lower than the government's target of 4.3% deficit. The aim is to lessen our deficit to 3.0% by 2025 and cap total debt-to-GDP ratio at no more than 60%.

We maintain our budget deficit forecast of 4.2% of GDP this year.

During the first half, the government has rolled out several revenue-enhancing tax measures, as mentioned during Budget 2024 last year. These include 1) the imposition of Capital Gains Tax (CGT) on unlisted shares with effective 1 January 2024; 2) the introduction of Low Value Goods Tax (LVGT) at 10%; 3) expansion of services tax base; 4) increase service tax by 2%-point to 8%; and 5) 10sen increase in the excise duty imposed on premixed sugary beverages. The additional revenue from these measures are expected to be roughly RM4bn, or 0.2% of GDP. The amount could be higher if the High Value Goods Tax (HVGT), or widely known as the Luxury Tax, has not been deferred. It was supposed to be implemented on 1 May 2024.

Several revenue-enhancing tax measures have been announced.

Other fiscal reforms also include further strengthening of tax compliance to enhance revenues via **the adoption of "e-invoice",** which has been rolled out in stages. The pilot programme has already started on 1 June 2024, and will be done by phases - Phase 1 on 1 August 2024 and Phase 2 on 1 January 2025 - before it is fully applicable to all businesses on 1 July 2025.

Figure 16: Additional Revenue from Budget 2024's Tax Measures

	RMbn	% of GDP
Sales & Services tax – broadening of tax base and rate	3.0	0.15
Introduction of Low Value Goods Tax (LVGT)	0.2	0.01
Introduction of Capital Gain Tax (CGT)	0.8	0.04
Increase in Sugar Tax	0.03	0.00
Total	**4.03**	**0.20**
Pending – Introduction of High Value Goods Tax (HVGT)	***0.7***	***0.04***

Source: Ministry of Finance, Budget 2024

Figure 17: Malaysia e-Invoice implementation timeline

Targeted Taxpayers	Implementation date
Taxpayers with an annual turnover or revenue of more than RM100mn	1 August 2024
Taxpayers with an annual turnover or revenue of more than RM25mn and up to RM100mn	1 January 2025
All taxpayers	1 July 2025

Source: Inland Revenue Board, TA Securities

However, **there are also other "un-budgeted" expenses in the government's operating expenditure (OE) announced this year.** Namely, the **Special Financial Aid for Eid celebration** of RM500 for civil servants of Grade 56 and below and RM250 for pensioners, announced in early April 2024, with allocation of **RM900mn**. In addition, the government has also announced more than 13% **salary increase for civil servants**, expected to be implemented in December this year. We assume, it will cost **RM0.83bn** this year (pro-rated from RM10bn annual cost to emoluments). **These "un-budgeted" expenses will total up about RM1.73bn, or equivalent to 0.1% of GDP.** It leads to a **net fiscal effect (from the above mentioned RM4bn additional revenue tax measures) of RM2.3bn or 0.12% of GDP.**

There are also "un-budgeted" expenses in the government's OE.

Part of the fiscal consolidation and reforms also involves reducing spending on subsidies. In May 2024, the Cabinet approved the targeted subsidy rationalisation, which will save the government RM4bn annually. The aim is to deal with leakages in blanket diesel subsidy system and exclude the high-income groups and foreigners. Since the implementation starts in mid-June 2024, the pro-rated savings are expected to be at RM2.1bn (assume 6.5 months impact).

Subsidy rationalisation has started, reducing high expenses on subsidies.

Other savings from the subsidy retargeting measures would include savings of RM4bn from retargeting of electricity subsidy as well as RM1.2bn from the floating of chicken prices. Together with the targeted diesel rationalisation, **the government has roughly saved about RM7.3bn (Figure 18).**

So far, we estimate the government has saved about RM7.3bn.

More can be saved if the RON95 fuel subsidy rationalisation takes place this year. Using the assumption of 20bn liters of fuel usage this year, **we estimate that for every 10 sen hike in fuel prices, it will save roughly about RM2bn in fuel subsidy per annum.** As mentioned in our inflation assumptions, **we have priced in about 40 sen of price adjustment for RON95 this year**, pushing it to RM2.45 per litre. But, the full RM8bn fuel subsidy savings would only be seen next year, which of course depends on the quantum and timing of the adjustment.

More can be saved if the RON95 fuel subsidy rationalisation takes place this year.

These savings can be rechanneled into lowering government debt, upgrading of infrastructure or other important agenda such as improving our healthcare and education system or boosting the development expenditure (DE).

However, **we do not rule out the potential upsides in the social assistance in tandem with the subsidy retargeting**. The Budi Madani aid programme has been introduced on top of other existing aid programmes such as the the Sumbangan Asas Rahmah (SARA) programme and the Sumbangan Tunai Rahmah aid, or widely known as the STR. The government has allocated RM52.8bn subsidies and social assistance under Budget 2024.

Possible higher allocation for social assistance in tandem with the subsidy retargeting.

Figure 18: Malaysia 2024 Subsidy Rationalisation Plan

Items	RMbn
Targeted Electricity Subsidy	4.0
Removal of Chicken Subsidy	1.2
Targeted Diesel Subsidy – 6.5 months impact	2.1
Targeted RON 95 Petrol Subsidy	*2 – 8**
Total (Excluding Ron 95 Rationalisation)	**7.3**

Source: Inland Revenue Board, TA Securities
*Note: * estimation is based on RM0.10 – RM0.40 hike per litre*

Bank Negara to Stand Pat for the Rest of the Year

Juggling between moderate growth pick up, continued tame inflation and weakening Ringgit, Bank Negara (BNM) kept its key interest rate at 3.00% in the first half of the year. The central bank confirms that the current policy stand is supportive of the economy. We believe that **BNM will maintain the current Overnight Policy Rate (OPR) until year-end** and perhaps for the whole of 2025 as well. The central bank has kept the OPR unchanged for more than a year now, having last raised it in May 2023 by 25 bps. We believe that the central bank may want to assess the lagged impact of the fiscal policy adjustments on overall inflationary trajectory and economic momentum while maintaining the interest rate.

No pressure for Bank Negara to change OPR.

At this juncture, **we see a lack of impetus for BNM to tweak its policy rate** considering the rosier domestic economic prospects amid uncertainties in the inflation trajectory. While the depreciation of the Ringgit against the US dollar is a concern, we believe that **BNM is unlikely to follow Bank Indonesia in hiking its rates** to support the currency. Further, the availability of alternative policy tools such as encouraging government-linked entities to repatriate their foreign investment income to strengthen the

Neither an increase…

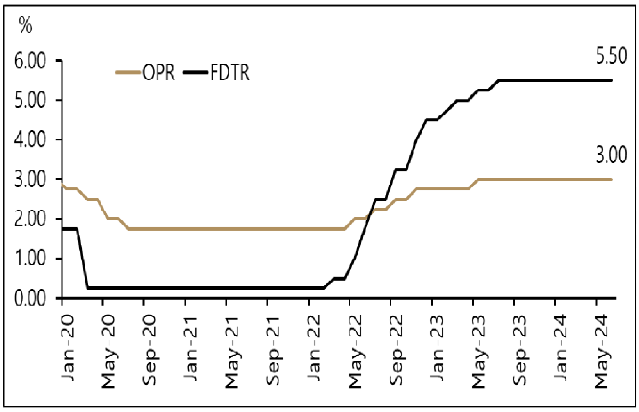
ringgit has also helped preserve the monetary policy space.

Much also depends on how the government manages future inflationary pressure as well as the struggling ringgit. For now, the perceived risk of inflation is modest. A wide official inflation target range of 2.0% to 3.5% should provide sufficient room against future price movements.

As the economic prospect is anticipated to remain robust in 2024, **there is limited room for easier monetary policy either.** Further, we still register 250 bps negative interest rate differentials with the US and a still firm US dollar, which may not be good for our Ringgit and capital flows.

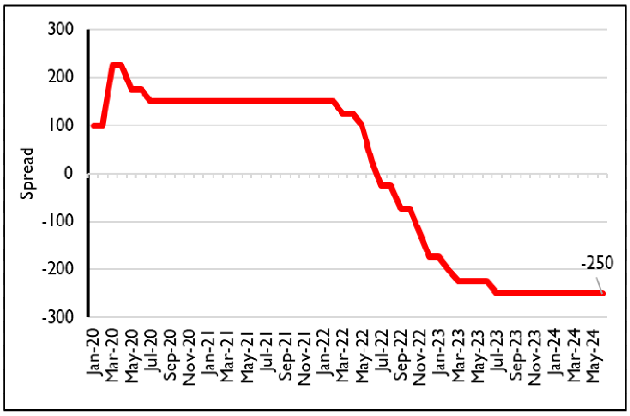
... nor a cut.

Figure 19: OPR – FDTR (January 2020 – June 2024)



Source: Bloomberg, TA Securities

Figure 20: Malaysia – US Interest Rate Differential (January 2020 – June 2024)



Source: Bloomberg, TA Securities

While local fundamentals were the primary driver for rate hike decisions in 2022-23, the US Federal Reserve (Fed) next decision is still in focus. In March 2024, the US central bank predicted three-quarter point cuts by the end of the year. As time goes on, however, that has become less of a certainty. The US policymakers noted that there has been modest further progress toward its 2% inflation objective, which they foresee may not happen until 2026, and limited signs of weak job market. Jobless rate is seen hovering around 4% level this year.

Fed continues to walk the inflation tightrope and holds rate steady.

We forecast **one cut in the US Federal Funds Target Rate (FFTR) this year.** According to Bloomberg, market is pricing in roughly 35.4% probability of a rate cut in the November FOMC meeting and 77% probability of FFR cut by 25 bps in the December FOMC meeting. If materialised, that would bring the FFTR to 5.00% to 5.25% by year end.

The Fed is expected to cut its interest rate by 25bps in the second half of the year.

Figure 21: US Key Macroeconomic Projections by the US Federal Reserve

Real GDP (% YoY)			
FOMC	**2024E**	**2025F**	**2026F**
Jun-23	1.1	1.8	-
Sep-23	1.5	1.8	1.8
Dec-23	1.4	2.8	1.9
Mar-24	2.1	2.0	2.0
Jun-24	2.1	2.0	2.0

Unemployment Rate (%)			
FOMC	**2024E**	**2025F**	**2026F**
Jun-23	4.5	4.5	-
Sep-23	4.1	4.1	4.0
Dec-23	4.1	4.1	4.1
Mar-24	4.0	4.1	4.0
Jun-24	4.0	4.2	4.1

PCE Inflation (% YoY)			
FOMC	**2024E**	**2025F**	**2026F**
Jun-23	2.5	2.1	-
Sep-23	2.5	2.2	2.0
Dec-23	2.4	2.1	2.0
Mar-24	2.4	2.2	2.0
Jun-24	2.6	2.3	2.0

Core PCE Inflation (% YoY)			
FOMC	**2024E**	**2025F**	**2026F**
Jun-23	2.6	2.2	-
Sep-23	2.6	2.3	2.0
Dec-23	2.4	2.0	2.0
Mar-24	2.6	2.3	2.0
Jun-24	2.8	2.3	2.0

Source: Federal Reserve, TA Securities

Policymakers from major central bank are also signaling that they are still not convinced enough about disinflation. While Canada did deliver the first such move of the Group of Seven (G7) on 5 June 2024, followed by the European Central Bank (ECB) a day later, both showed limited enthusiasm for further easing. In the UK, a looming election and lingering price pressures are adding to the case for the Bank of England to wait at least until August before lowering rates.

Major central banks are not seeing enough evidence of further slowdown in inflation.

Figure 22: Global Interest Rate Movements (As at 27 June 2024)

Central Banks	Current Interest Rate	Last Change	Amount of Change (bps)	Real Rate	Next Meeting
G7					
US Fed Funds Rate	5.25%-5.50%	26 Jul 2023	+ 25	2.20%	31 Jul 2024
Japan Policy Rate	0% - 0.10%	18 Mar 2024	+10 to 20	-2.70%	31 Jul 2024
UK Base Rate	5.25%	3 Aug 2023	+25	3.25%	1 Aug 2024
Canada Overnight Rate	4.75%	5 June 2024	-25	1.85%	24 Jul 2024
Euro Deposit Facility Rate	3.75%	6 June 2024	-25	1.15%	18 Jul 2024
Asia					
Australia Cash Target Rate	4.35%	7 Nov 2023	+25	0.75%	6 Aug 2024
China Prime Rate 1 Year	3.45%	20 Aug 2023	-10	3.15%	21 Jul 2024
Hong Kong Base Rate	5.75%	27 Jul 2023	+25	4.55%	n.a
India Repo Rate	6.50%	7 Feb 2023	+25	1.75%	8 Aug 2024
Indonesia Reference Rate	6.25%	24 Apr 2024	+25	3.41%	17 Jul 2024
Malaysia Overnight Rate	3.00%	3 May 2025	+25	1.00%	11 Jul 2024
Philippines Overnight Rate	6.50%	26 Oct 2023	+25	2.60%	15 Aug 2024
S. Korea Repurchase Rate	3.50%	12 Jan 2023	+25	0.80%	11 Jul 2024
Taiwan Rediscount Rate	2.00%	21 Mar 2024	+13	-0.20%	19 Sep 2024
Thailand Repo Rate	2.50%	27 Sep 2024	+25	0.96%	21 Aug 2024
Vietnam Refinancing Rate	4.50%	29 June 2023	-50	0.06%	n.a

Source: Bloomberg, TA Securities

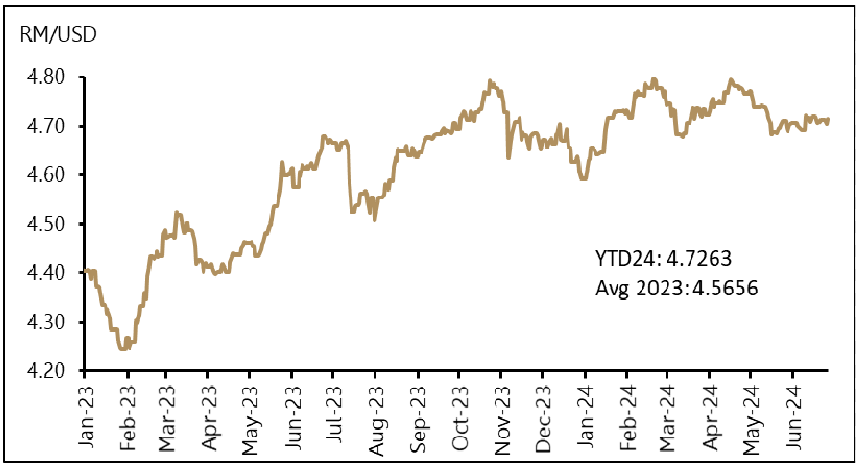
Ringgit to Gradually Strengthen by Year End

The Malaysian Ringgit has stabilised in recent weeks. Since mid-May 2024, it traded within a tight range of RM4.68 – 4.71 against the USD, improving from the earlier low of 4.80 on 20 February 2024 and 16 April

Recently, there has been a slight improvement in the Malaysian Ringgit.

2024. We believe **the improvement was due to Bank Negara's forex market interventions and supporting measures.** These include ongoing coordinated efforts with government-linked companies (GLCs) and government-linked investment companies (GLICs) as well as private companies and exporters to repatriate their foreign exchange earnings and overseas investment income. These measures were also extended to private companies and exporters.

Figure 23: Ringgit vs USD Movements (January 2023 – 26 June 2024)

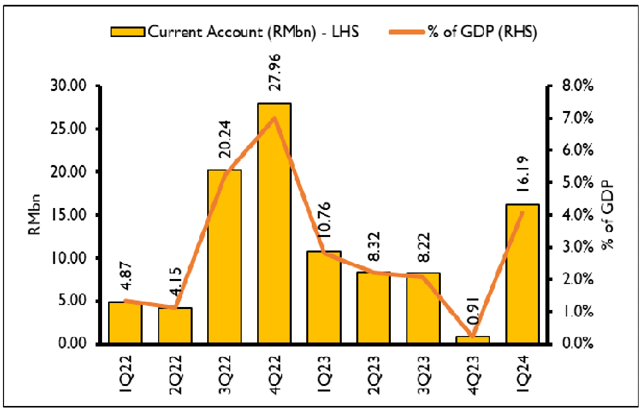


Source: Bloomberg, TA Securities

The repatriation and conversion are reflected in the current account surplus. In 1Q24, the surplus was significantly strong at RM16.2bn (3.5% of GDP) as compared to RM0.9bn (0.2% of GDP) in the fourth quarter of last year. This is amid the increase in gross inflows of investment income to RM26.4bn in 1Q24 (4Q23: RM19.3bn). According to BNM, the foreign exchange market volume and two-way flows have improved significantly, indicating a higher level of liquidity. The average daily FX turnover has risen from USD15.5bn in 2023 to over USD17bn year to date.

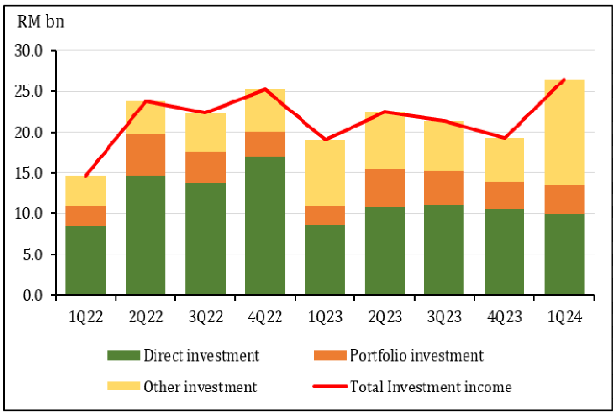
We recorded a stronger surplus in the current account for the first quarter.

Figure 24: Malaysia Current Account Surplus (1Q22 – 1Q24)



Source: BNM, TA Securities

Figure 25: Malaysia Gross Inflows of Investment Income (1Q22 – 1Q24)



Source: DOSM, TA Securities

The Ringgit stabilisation is also a reflection of the improvement in Malaysia's economic conditions and fundamentals. In the first half, the government has launched the National Semiconductor Strategy (NSS) and signed the MoU with Singapore on the Johor-Singapore Economic Zone. Further, 1Q24 real GDP turned out stronger than expected while monthly key economic indicators such as the IPI and exports were reported to be on the uptrend. The implementation of diesel subsidy rationalisation would also supplement other existing fiscal consolidation measures, which is expected to improve the fiscal position in relative to 2023.

We have strong economic conditions and fundamentals.

An expected cut in the US interest rate while BNM is maintaining its OPR should be positive for Ringgit as the interest rate differential will narrow by 25 basis points 225%. This has been the Ringgit's Achilles heel since 2022 when the US Fed embarked on its aggressive interest rate hikes.

OPR – FFR interest rate differential is expected to narrow down.

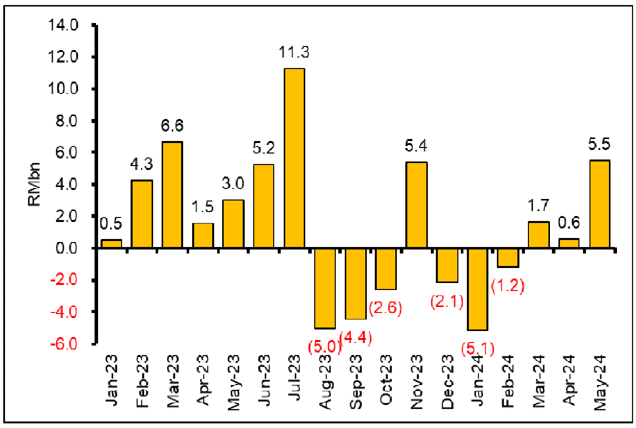
The central bank is still exploring other measures to preserve Ringgit's stability and prevent excessive depreciation in the market. **The OPR hike, or capital controls seen during the 1998 Asian Financial Crisis, are not among its options.** Not only it will harm the economy, it can also hurt our investment landscape, thus potentially cause capital flight. In May 2024, total foreign debt holdings rose to RM271.9bn (April 2024: RM266.4bn), the highest since November 2023. Net foreign inflows in the debt market rose for three consecutive months to RM5.5bn during the month, while net foreign equity inflows exceeded RM1bn in May 2024 – the only ASEAN country to achieve this milestone in the month (Figure 26 and 27).

Bank Negara is exploring more ways to preserve Ringgit stability.

Hence, **there is a strong possibility for the Ringgit to strengthen to RM4.50 by year end**. This is based on expectations that Bank Negara will maintain its current monetary stance for the rest of this year and the government is committed to fiscal discipline. **Our proprietary model suggests the Ringgit will gradually improve to an average of RM4.59 in the second half**, versus the RM4.71 average in the first half. **That would lead to an average rate of RM4.65 for the whole year.**

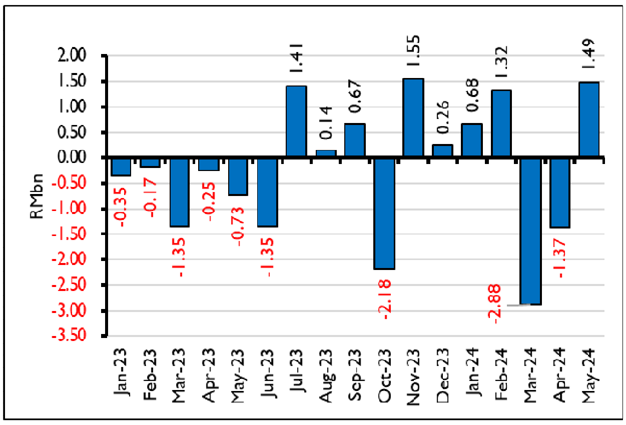
Ringgit may strengthen to RM4.50 against the USD by year end.

Figure 26: Malaysia's Net Foreign Inflows in the Debt Market (January 2023 – May 2024)



Source: BNM, TA Securities

Figure 27: Malaysia's Net Foreign Inflows in the Equity Market (January 2023 – May 2024)



Source: Bursa Malaysia, TA Securities

Technical Outlook

Technical Outlook

Upside Target Revised Up to 1,552/1,633/1,733 by End 2024

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- *FBM KLCI Average Return of 3.3% for 2H for Past 34 Years*
- *FBM KLCI Average Gain Ratio at 0.59% in 2H for Past 34 Years*
- *Worse/Base/Best Case Upside at 1,552/1,633/1,733 by End 2024*

1H2024 Market Review

FBM KLCI Climbs to 17-m High on Infrastructure Play in January

Despite forced selling pressure on margined positions in selected small-caps, which damaged retail sentiment on Bursa Malaysia mid-January, the local blue-chip benchmark FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) managed to climb to a fresh 17-month high, with utility, banking and construction heavyweights leading gains on rotational infrastructure plays.

Rose to 21-m High Late February Despite MYR weakness

The local blue-chip benchmark index appreciated to a fresh 21-month high late February, lifted by strong gains in banking, oil & gas, utility and plantation heavyweights, on foreign-led buying after the local currency fell sharply to approach USD4.80, the weakest since the Asian financial crisis. However, profit-taking interest reversed some gains towards the month-end, as the local currency strengthened after the government indicated potential intervention to check the ringgit's weakness.

Choppy in March as Wall Street Rally on Rate Cut Call

Trading began on a weak note in March, with a selloff sparked by regional weakness after China's modest GDP growth target of around 5% for 2024 failed to excite investors. Worries the US Federal Reserve may opt to keep interest rates elevated for a prolonged period to contain inflation also pressured sentiment, but Wall Street's rally to record highs by end March after the US central bank retained its call for 3 interest rate cuts before the end of this year fueled rebound from the selloff.

FBM KLCI Climb to 2-year High on Key Utility Strength in April

The local blue-chip benchmark managed climb to a near two-year high by end April, as investors shrugged off geopolitical tensions between Israel and Iran and focused on strong US corporate earnings and robust economic data in the region. It rebounded from a mid-month selloff after heightened Middle East geopolitical tensions following Iran's aerial strikes on Israel and strong March US retail sales lowered the case for interest rate cuts, and were offset by bargain hunting amid signs of stability in key regional currencies, as investors reassess their view on US interest rates to stay higher for longer.

FBM KLCI Pullback From 3-year High in May on Overbought Momentum and US Rate Uncertainty

A sharp slowdown in US jobs growth and softer consumer inflation raised optimism for interest rate cuts by the end of this year, together with strong rallies in rubber glove and technology stocks on spillover demand optimism after the US proposed sharp tariff hikes on China's healthcare, glove and technology exports lifted the blue-chip benchmark to its highest in more than three years in May. Subsequent overbought momentum and caution over the path ahead for US interest rates given the stubbornly high inflation and economic growth numbers sparked profit-taking towards the month end, dragged down further by high US Treasury and European bond yields which point toward inflationary pressures remaining high.

Consolidate in June Due to Absence of 1H Window-Dressing

In early June, technology stocks outperformed on positive news flow over recent data centre deals, while investors stayed calm after the US Federal Reserve held interest rates steady and shifted its guidance to only one rate cut this year and a more aggressive four rate cuts in 2025. Alternating profit-taking and bargain hunting interest forced the local blue-chip benchmark into a narrow range bound consolidation, and in the absence of any significant window-dressing interest towards the end of June and first-half of the year.

FBM KLCI Shed 0.4% in June/ Up 9.3% For 1H 2024

For the month of June, the FBM KLCI shed 6.6 points, or 0.4 percent, to 1,590.09, as gains in TM (+55sen), Mr. DIY (+13sen) and Tenaga (+74sen) were offset by falls on Petronas Dagangan (-RM2.17), Axiata (-19sen), Petronas Chemicals (-40sen) and Sime Darby (-16sen). Average daily traded volume for the month rose to 5.43bn shares, compared to 5.29bn shares for May, while average daily traded value improved to RM4.02bn, against RM3.95bn average the previous month. For 1H 2024, the FBM KLCI was up 9.3%.

North Asia Led Gain in June; Taiwan Top Gainer For 1H2024

On the external front, North Asian and Indian stock markets continue their outperformance last month, led by Taiwan (+8.8%), India (+6.9%) and South Korea (+6.1%). US stocks also did reasonably well, led by the tech-heavy Nasdaq (+5.9%), S&P500 (+3.5%) and Dow Jone (+1.1%). For 1H 2024, Taiwan improved its top podium position with a robust gain of 28.5%, followed by Japan (+18.3%), Nasdaq (+18.1%) and S&P500 (+14.5%). **(Refer to Table 1)**

FBM SC +3.6%/+18% & FBM EMAS +0.4%/+12.9% in June/1H 2024

Domestically, small-cap stocks extended their uptrend last month, with the FTSE Bursa Malaysia Small Cap (FBMSC) index, a capitalization weighted index of the top 98% of main board stocks, minus the FTSE Bursa Malaysia 100 (FBM100) index, climbing 3.6% to 19,289.76. The FTSE Bursa Malaysia EMAS (FBMEMAS) index, a capitalization weighted index of stocks in the FBM100 plus the FBMSC, rose 0.4% to 12,216.40. For 1H 2024 YTD, the FBMSC rose 18%, while the FBMEMAS gained 12.9%.

The table below illustrates the performance of the FBM KLCI, FBM EMAS and FBM Small Cap Indices compared with major global and regional stock indices for June and 1H 2024.

Table 1

Bloomberg Index	Country	29-Dec-23	31-May-24	28-Jun-24	net MoM chg	Jun-24 % MoM chg	net chg	1H 2024 % chg
INDU	**US**	37,689.54	38,686.32	39,118.86	432.54	**1.12**	1429.32	3.79
CCMP	**US**	15,011.35	16,735.02	17,732.60	997.58	**5.96**	2721.25	**18.13**
SPX	**US**	4,769.83	5,277.51	5,460.48	182.97	**3.47**	690.65	**14.48**
UKX	United Kingdom	7,733.24	8,275.38	8,164.12	(111.26)	(1.34)	430.88	5.57
DAX	Germany	16,751.64	18,497.94	18,235.45	(262.49)	(1.42)	1483.81	8.86
NKY	Japan	33,464.17	38,487.90	39,583.08	1095.18	2.85	6118.91	**18.28**
HSI	Hong Kong	17,047.39	18,079.61	17,718.61	(361.00)	(2.00)	671.22	3.94
KOSPI	**South Korea**	2,655.28	2,636.52	2,797.82	161.30	**6.12**	142.54	5.37
TWSE	**Taiwan**	17,930.81	21,174.22	23,032.25	1858.03	**8.77**	5101.44	**28.45**
STI	Singapore	3,240.27	3,336.59	3,332.80	(3.79)	(0.11)	92.53	2.86
SET	Thailand	1,415.85	1,345.66	1,300.96	(44.70)	(3.32)	(114.89)	(8.11)
JCI	Indonesia	7,272.80	6,970.73	7,063.58	92.84	1.33	(209.22)	(2.88)
SENSEX	**India**	72,240.25	73,961.31	79,032.73	5071.42	**6.86**	6792.48	9.40
SHCOMP	China	2,974.94	3,086.81	2,967.40	(119.41)	(3.87)	(7.53)	(0.25)
SZCOMP	China	1,837.86	1,729.65	1,618.07	(111.58)	(6.45)	(219.78)	(11.96)
AS51	Australia	7,590.82	7,701.74	7,767.47	65.73	0.85	176.65	2.33
FBMKLCI	**Malaysia**	1,454.66	1,596.68	1,590.09	(6.59)	**(0.41)**	135.43	**9.31**
FBMEMAS	**Malaysia**	10,823.70	12,161.52	12,216.40	54.88	**0.45**	1392.70	**12.87**
FBMSC	**Malaysia**	16,353.38	18,613.10	19,289.76	676.66	**3.64**	2936.38	**17.96**

FBM KLCI High-Low Range = 1,632 – 1,446 in 1H 2024

Referring to the daily FBM KLCI chart below (Chart 1), it rose from 1,446 low (2 Jan) and climbed above 1,500 by late Jan to range within 1,518 and 1,560 for two months, before breaking above the range to peak at 1,632 (23 May). The subsequent profit-taking consolidation forced it down to close at 1,590 for a gain of 135.4 points, or 9.3% gain for 1H 2024.

Chart 1

Sell-off from 1,525 Peak to 801 Low Labeled as Corrective a-b-c Wave

On the weekly FBM KLCI chart below (Chart 2), we had labeled the sharp sell-off from the 1,525 high (Jan 2008) to 1,157 low (March 2008) as wave **a** of corrective Elliot Wave count, followed by bounce to 1,305 high (April 2008) to complete wave **b**. The ensuing down-wave **c** ended at 801 low (Oct 2008), terminated by the intervention of global central bankers, which reversed bearish market conditions and fueled the subsequent liquidity driven rally.

Slide from 1,597 Peak to 1,310 Low Labeled as Corrective Wave (4)

The following short zig-zag recovery from 801 low to 936 high (Jan 2009) is indicated as wave (1) of a new bullish up-wave, with wave (2) correction to 836 low (March 2009) followed by a strong extended impulse wave (3) upswing lifting the index to the extreme high of 1,597 (July 2011). Note that wave (3) completed a 28-month uptrend from the March 2009 low on a sliding weekly MACD line, a bearish divergence signal vindicated by a steep correction to 1,310 low (Sept 2011), labeled as corrective wave (4).

Wave (5) Peak at 1,896 in July 2014

The ensuing final wave (5) upswing ended at 1,896 high (July 2014), slightly above our 2014 forecast of 1,891, representing the 0.764 length of wave (3), or 1,310 + (761 x 0.764), and matching the 34-month Fibonacci cycle from Sept 2011. Confirmation of the end of wave (5) brings forth the next a-b-c corrective phase, with wave a selling off to 1,766 low (Oct 2014), followed by wave b rebound to 1,858 high (Nov 2014). The steep wave c correction ended at low of 1,671 (Dec 2014). The subsequent counter-trend rally saw a five-wave upswing to peak at 1,867 high (April 2015), while the ensuing sharp correction eventually evolved into a steep "ABC" corrective wave count (refer Table 3).

Wave C Correction to 1,503 is 1.618x Wave A

Zooming back for further details, the steep "ABC" corrective wave began from the end of wave (5) or 1,896 high (July 2014), to low of 1,671 (Dec 2014), or low of A, followed by a counter-trend rally to high of 1,867 (April 2015), or the high of B. The subsequent wave C correction saw a sharp downward acceleration late August 2015 to a 3 ½-year low of 1,503, due to the global sell-off sparked by the shock Chinese yuan devaluation. Note that the steep sell-off to low of 1,503 (25 Aug) matches the 1.618 times length of wave A, which is a significant Fibonacci Projection factor, that is 1,896 – 1,671 = 225 points = wave A, and then 1,867 (wave B) – (225 x 1.618) = 1,503, the low of wave C. The subsequent recovery saw the index trading sideways in abc corrective waves within a contracting triangle chart pattern bordering the low of 1,600 (Jan 2016) and high of 1,729 (Apr 2016), which is the peak of Wave A.

Breakout to 2-year High in Mid-2017 Stalled

A decisive bounce off the lower band of the contracting triangle pattern at 1,616 (start of Wave B) post-Christmas 2016 sustained for a breakout above the upper band in March 2017, which enhanced upside to a fresh two-year high of 1,796 in mid-June. However, the index subsequently drifted lower from a double-top chart pattern at 1,793 (Sep 2017) and then rebuilt support above a near nine-month low at 1,708 (Dec 2017).

Choppy Trade Followed Major Double-Top

From thereon, the index rallied strongly in early 2018 before turning choppy by end 1Q18 and peaked at 1,896 (April 2018) to chart a major double-top from the July 2014 peak, which also represent the peak of Wave C. A steep correction followed, with the selloff to 1,657 low (June 2018) reversed by a V-shape rebound to 1,826 high (Aug 2018) prior to the selldown to 1,626 low (Dec 2018).

Sell Down to 4-Year Low in Late 2019

In 2019, the upswings proved weak and fleeting, with brief counter trend rallies checked by the overhead 200-day moving average resistance level. The initial recovery from 1,626 low (i), stalled at high of 1,732 (22/2/19) (ii), which was reversed by the sell-down to 1,572 low (14/5/19), followed by rebound to 1,694 high (2/7/19), and subsequent drift down to a fresh four-year low of 1,548 (10/10/19) (iii). Note that the upswings managed to hold for only two months, while the downswings lasted three months. A feeble recovery to 1,614 high (12/11/19) was promptly neutralized by the subsequent selloff to 1,550 low (4/12/19) prior to year-end window dressing gain to 1,617 high (30/12/19) (iv).

Rebound from 10-Year Low in Early 2020 on Stimulus & Loan Moratorium

From the start of 2020, a selloff triggered by the domestic political crisis and global correction due to the coronavirus epidemic saw the index plunge to a ten-year low of 1,207 (19/3/20) (v), prior to a sharp V-shape rebound fueled by a massive US fiscal stimulus package, and loan moratorium to counter the virus pandemic. The index peaked at 1,590 high (9/6/20) and 1,618 high (29/7/20), labeled **(a),** before retracing to 1,474 low (10/9/20) and 1,452 low (2/11/20), labeled **(b),** prior to a post Budget 2021 rally, which lifted it up to a 21-month high of 1,695 (14/12/20), labeled **(c)**. Profit-taking ahead of the year-end then brought it down to end 2020 at 1,627.

Rubber Glove Selloff Pressured it to end 1Q21 on Weak Note

Range bound trade followed during the first two months of 2021, while a weak rebound from 1,557 low **(i)** in Feb to peak at 1,642 (March 2021), marked **(ii)**, prior to a sell-off linked to key index-linked rubber glove makers dragged it down to low of 1,564 before ending March at 1,573. The sell-down was sparked by fading reopening optimism as fresh lockdowns in Europe due to renewed surge in COVID-19 infections forced the profit-taking correction. Selling pressure on rubber glove makers increased after the US Customs seized Top Glove's imports on forced labour allegations, with the absence of window-dressing in the last trading day of the first quarter encouraging more investors to trim positions.

Dip to Near 9-Month Low on Covid Spike and Political Jitters

In April, the exponential surge in global COVID-19 cases and amid surging local infections raised hopes of resilient demand for rubber glove and other healthcare products, lifting the index to close above the 1,600 psychological level. However, fears over the adverse impact of another full lockdown on the local economy forced it down to re-test six-month lows at 1,556 and 1,552 in May, and dipped to a near eight-month low of 1,531 by end June. The sideways trend continued into July with downward bias, with the spike in daily COVID-19 numbers to five figures and domestic political jitters triggering a selloff to a near nine-month low of 1,494 by end July.

Hit 4-Month High on More Political Certainty

However, the index bottomed out at a fresh nine-month low of 1,483 **(iii)** early August, which was followed by a sharp rally sparked by a clearer domestic political landscape following the appointment of the 9th Prime Minister who gained support from key opposition parties in tackling the local Covid pandemic and economic reopening strategies. It subsequently hit a four-month high of 1,604 on the eve of Merdeka Day.

Weaker profit outlook from key rubber glove players, worries over adverse economic impact from the pandemic, proposals for interest-free moratorium on loan repayments and windfall taxes sparked profit-taking correction to a one-month low of 1,520 by late September. Lacking clarity over the interest waiver on bank loan moratoriums and profit windfall taxes, as well as S&P Global Ratings' warning on downside systemic risks for Malaysian banks due to government intervention further sidelined investors.

The rally to a fresh six-month high of 1,613 **(iv)** late October sparked by economic reopening optimism stalled as lacking catalysts prior to Budget 2022 and global supply chain and inflation concerns fueled profit-taking correction by the end of the month. Selling pressure from a one-off 33 percent windfall tax on corporate profits above RM100mn for listed companies from the Budget 2022 proposal sparked a kneejerk downward correction early November, while trading momentum downshifted as market players reduced commitments given the substantial stamp duty hike on trading contract notes.

In mid-December, the index hit a fresh 13-month low of 1,475 **(v)**, pressured by foreign selling in key index heavyweights amid concerns over the economic impact from the Omicron variant and surging inflation. The subsequent V-shape rebound was fueled by window-dressing in key telco and healthcare index heavyweights, sparked further by the revised stamp duty contract cap to RM1,000, which helped it cover the prior 1,545-1,559 gap-down for a strong 2021 close at a two-month high for the year.

However, the index went through another profit-taking correction wave post window-dressing in January 2022, with the index falling from a double-top chart pattern at 1,570 in mid-Jan to a one-month low just above 1,500, before trading sideways to settle at 1,512 just ahead of the long Chinese New Year holiday weekend. In February and March, the index went into a tailspin sparked by the highly stressed geopolitical tensions in the Russia/Ukraine region, as it fluctuated between the 1,540 and 1,620 **(a)** levels. Cautious range bound trade persisted near the 1,600 level in April, prior to a selloff to a three-month low of 1,531 late May before MSCI rebalancing lifted it up to close at 1,570. A steep selloff followed, depressing it to a fresh two-year low of 1,408 prior to rebound aided by rally spillover from the US.

The ensuing rally spillover from the US on strong earnings stalled at 1,527 high (17/8/22), before reversing down again and sold off to a more than two-year low of 1,372 (13/10/22) on global recession fears, as aggressive US interest rate hikes and China slowdown due to Covid lockdowns dampened sentiment. Subsequently, the appointment of Datuk Seri Anwar Ibrahim as the country's 10th prime minister, China's Covid lockdown reversal and economic reopening optimism helped lift it up to a 3-month high of 1,504 (25/11/22). Range bound trade ensued as improving external tone from easing US inflation and China reopening optimism was overshadowed by caution over further policy reviews by the new unity government, but late window-dressing saw the index inching up towards 1,500 by end 2022.

In 2023, the FBM KLCI touched 1,501 high (25/1/23) on hopes for peaking inflation in the US and China's reopening economy, but sold off sharply to 1,391 low (16/3/23) sparked by contagion fears over failure of a key US regional bank. A relief rebound following the respective forced mergers of Credit Suisse and First Republic Bank to prevent contagion lifted it up to 1,438 high (8/5/23), but the selloff resumed to 1,369 low (8/6/23) after China's May export numbers slumped sharply to fuel concerns over regional growth, and sank again to 1,370 low (30/6/23) in the absence of window-dressing interest ahead of the first half closing.

Signs of softer US inflation sparked a strong rebound in the local currency and lifted the index up to 1,465 high (4/9/23), as investors shifted focus to potential rollout of key infrastructure projects after the conclusion of the six state elections. Uncertainties over Budget 2024 taxes and global growth and inflation worries dragged it down to 1,412 low (5/10/23), before soft US October inflation raised hopes the Federal Reserve should end its interest rate hikes and pivot to cutting rates next year, lifting it up to a fresh nine-month high of 1,466 (15/11/23). However, it subsequently drifted down to 1,440 low (30/11/23 and 11/12/23) on worries over China's economic health, prior to rebound in line with global markets after the US Federal Reserve's dovish guidance for a pivot to interest rate cuts next year. It rose to high of 1,470 (20/12/23) before easing back on profit-taking and absence of window-dressing support by end 2023.

Chart 2

The table below (Table 2) summarizes the up and down cycles for the FBM KLCI from the Dec 2019 high to present, followed by our forecast on the likely outcome by end 2024 (in bold).

Table 2

DOWN-CYCLE	DURATION	WAVE	UP-CYCLE	DURATION	WAVE
Dec 2019 to Mar 2020	3 months		Mar 2020 to July 2020	4 months	
(1,617 high to 1,207 low)	410 pts	**(v)**	(1,207 low to 1,618 high)	411 pts	**a**
July 2020 to Nov 2020	3 months		Nov 2020 to Dec 2020	1 month	
(1,618 high to 1,452 low)	166 pts	**b**	(1,452 low to 1,695 high)	243 pts	**c**
Dec 2020 to Feb 2021	2 months		Feb 2021 to Mar 2021	1 month	
(1,695 high to 1,557 low)	138 pts	**i**	(1,557 low to 1,642 high)	85 pts	**ii**
Mar 2021 to Aug 2021	5 months		Aug 2021 to Oct 2021	2 months	
(1,642 high to 1,483 low)	159 pts	**iii**	(1,483 low to 1,613 high)	130 pts	**iv**
Oct 2021 to Dec 2021	2 months		Dec 2021 to Mar 2022	3 months	
(1,613 high to 1,475 low)	138 pts	**v**	(1,475 low to 1,620 high)	145 pts	**a**
Mar 2022 to June 2023	15 months		**June 2023 to 2024**		
(1,620 high to 1,369 low)	251 pts	**b**	**(1,369 low to XX high)**		**c ?**
End 2024 Best Case Upside = 1,733 (76.4%FR of 1,896 to 1,207 downswing)					
End 2024 Base Case Upside = 1,633 (61.8%FR of 1,896 to 1,207 downswing)					
End 2024 Worse Case Upside = 1,552 (50%FR of 1,896 to 1,207 downswing)					

Chart 3

The table below **(Table 3)** tabulates the first and second half performance of the FBM KLCI since 1990. Note that the second half of the year returned a marginally better average gain of 3.3 percent over the past 34 years, compared to the average return of 3.17 percent in the first half. Conversely, the gain ratio (gain divided by the total number of years) for the first half is slightly higher at 0.60, against 0.59 in the second half.

2H average return 3.3% for past 34 years

Table 3

FBM KLCI	Dec*	June	Dec	1H chg	% chg	2H chg	% chg	Year chg	% chg
1990	562.28	584.65	505.92	22.4	4.0	(78.7)	(13.5)	(56.4)	(10.0)
1991	505.92	618.70	556.22	112.8	22.3	(62.5)	(10.1)	50.3	9.9
1992	556.22	592.33	643.96	36.1	6.5	51.6	8.7	87.7	15.8
1993	643.96	721.17	1,275.32	77.2	12.0	554.2	76.8	631.4	98.0
1994	1,275.32	1,011.58	971.21	(263.7)	(20.7)	(40.4)	(4.0)	(304.1)	(23.8)
1995	971.21	1,026.62	995.17	55.4	5.7	(31.4)	(3.1)	24.0	2.5
1996	995.17	1,136.31	1,237.96	141.1	14.2	101.7	8.9	242.8	24.4
1997	1,237.96	1,077.30	594.44	(160.7)	(13.0)	(482.9)	(44.8)	(643.5)	(52.0)
1998	594.44	455.64	586.13	(138.8)	(23.3)	130.5	28.6	(8.3)	(1.4)
1999	586.13	811.10	812.33	225.0	38.4	1.2	0.2	226.2	38.6
2000	812.33	833.37	679.64	21.0	2.6	(153.7)	(18.4)	(132.7)	(16.3)
2001	679.64	592.99	696.09	(86.7)	(12.7)	103.1	17.4	16.5	2.4
2002	696.09	725.44	646.32	29.4	4.2	(79.1)	(10.9)	(49.8)	(7.1)
2003	646.32	691.96	793.94	45.6	7.1	102.0	14.7	147.6	22.8
2004	793.94	819.86	907.43	25.9	3.3	87.6	10.7	113.5	14.3
2005	907.43	888.32	899.79	(19.1)	(2.1)	11.5	1.3	(7.6)	(0.8)
2006	899.79	914.69	1,096.24	14.9	1.7	181.6	19.8	196.5	21.8
2007	1,096.24	1,354.38	1,445.03	258.1	23.5	90.6	6.7	348.8	31.8
2008	1,445.03	1,186.57	876.75	(258.5)	(17.9)	(309.8)	(26.1)	(568.3)	(39.3)
2009	876.75	1,075.24	1,272.78	198.5	22.6	197.5	18.4	396.0	45.2
2010	1,272.78	1,314.02	1,518.91	41.2	3.2	204.9	15.6	246	19.3
2011	1,518.91	1,579.07	1,530.73	60.2	4.0	(48.3)	(3.1)	12	0.8
2012	1,530.73	1,599.15	1,688.95	68.4	4.5	89.8	5.6	158	10.3
2013	1,688.95	1,773.54	1,866.96	84.6	5.0	93.4	5.3	178	10.5
2014	1,866.96	1,882.71	1,761.25	15.8	0.8	(121.5)	(6.5)	-106	(5.7)
2015	1,761.25	1,706.64	1,692.51	(54.6)	(3.1)	(14.1)	(0.8)	-69	(3.9)
2016	1,692.51	1,654.08	1,641.73	(38.4)	(2.3)	(12.3)	(0.7)	-51	(3.0)
2017	1,641.73	1,763.67	1,796.81	121.9	7.4	33.1	1.9	155	9.4
2018	1,796.81	1,691.50	1,690.58	(105.3)	(5.9)	(0.9)	(0.1)	-106	(5.9)
2019	1,690.58	1,672.13	1,588.76	(18.4)	(1.1)	(83.4)	(5.0)	-102	(6.0)
2020	1,588.76	1,500.97	1,627.21	(87.8)	(5.5)	126.2	8.4	38	2.4
2021	1,627.21	1,532.63	1,567.53	(94.6)	(5.8)	34.9	2.3	-60	(3.7)
2022	1,567.53	1,444.22	1,495.49	(123.3)	(7.9)	51.3	3.6	-72	(4.6)
2023	1,495.49	1,386.77	1,454.66	(108.7)	(7.3)	67.9	4.9	-41	(2.7)
2024	1,454.66	1,590.09		135.4	9.3				
Dec* (previous year)		**Average return**			**3.17**		**3.3**		**5.7**
		Gain			**21**		**20**		**18**
		Loss			**14**		**14**		**16**
		Total			35		34		34
		Gain ratio			**0.60**		**0.59**		**0.53**

Conclusion

Upside Target Revised Up to 1,552/1,633/1,733 by End 2024

Worse/Base/Best Case Upside to 1,552/1,633/1,733 by end 2024

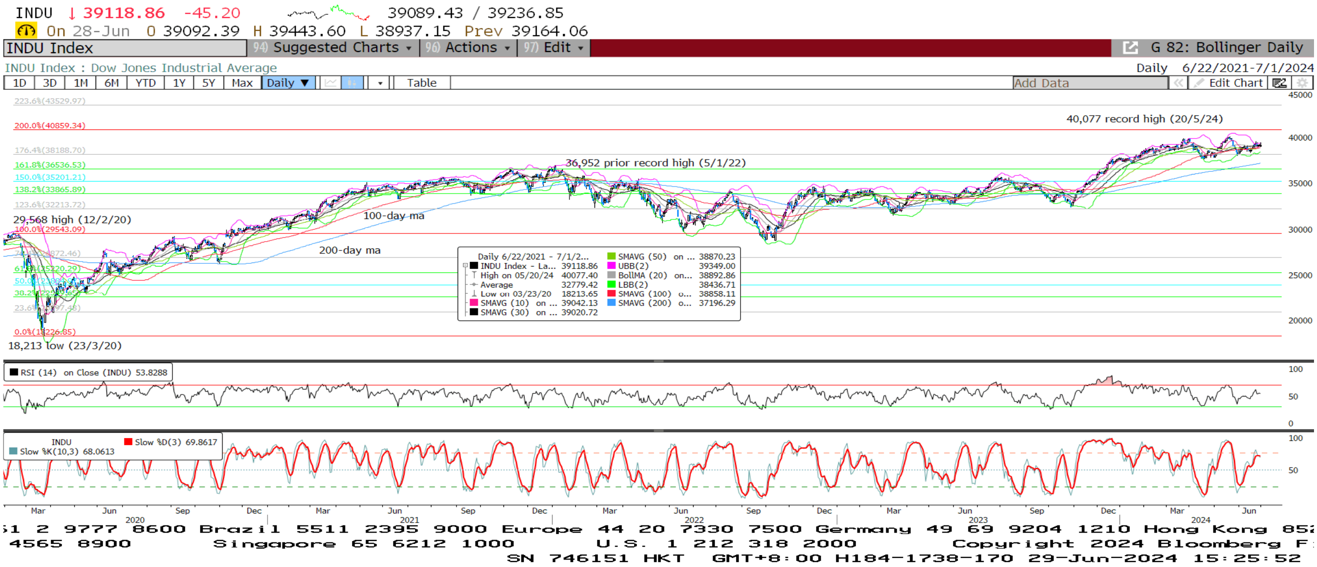
Given the improving uptrend momentum, we have upgraded our view on the current upswing on the FBM KLCI, which should peak at 1,552 (worst case), 1,633 (base case) and 1,733 (best case) by end 2024. The worst case upside target is based on the 50%FR of 1,896 high to 1,207 low, the base case represents the 61.8%FR of the similar move, while the best case upside matches the 76.4%FR level.

Our trading strategy for the 2H2024 will be to buy dips during market corrections, and then lean to selling strength towards 1,552/1,633/1,733 on a worst/base/best case upside scenario. A list of our top ten blue-chip picks for 2H 2024 is provided in the following section.

Technical View on Key US and Regional Indices

The following is our technical outlook for the US Dow Jones Industrial Average (DJIA), Hong Kong's Hang Seng Index (HSI) and Singapore's FTSE Straits Times Index (FSSTI) for 2H 2024. All charts are updated to 28 June, 2024.

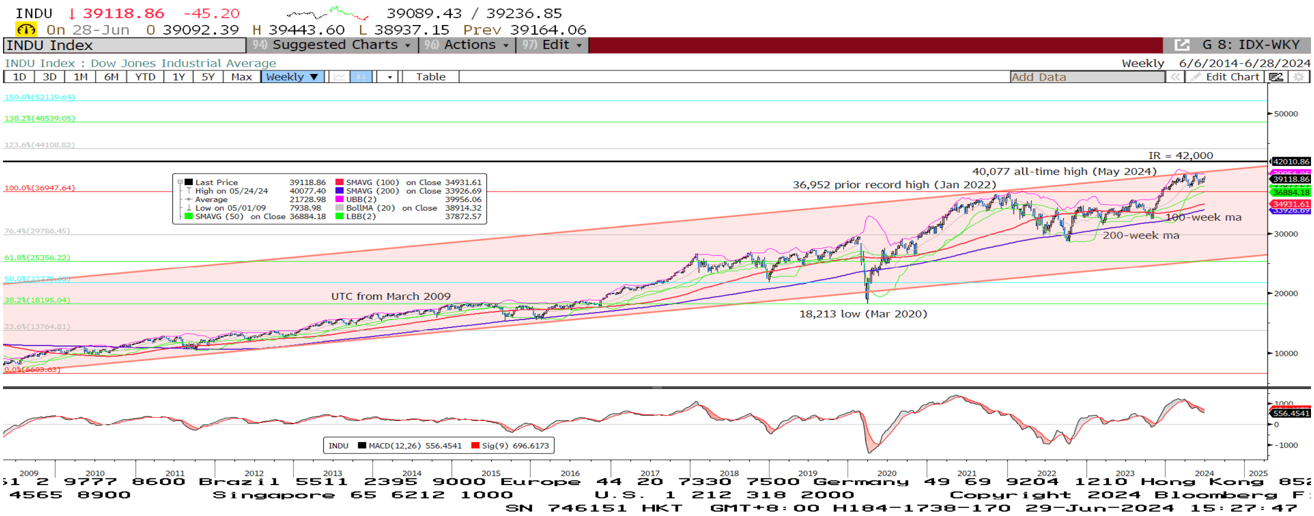
DJIA DAILY – 39,118.86



Key Upside Hurdles at 40,077/40,859; Supports at 37,196/35,201

The DJIA rose from 37,122 low (18 Jan) to 39,889 high (21 Mar) followed by dip to 37,611 low (17 Apr), then rallied to 40,077 record high (20 May) but then sank to 38,000 low (30 May) prior to closing at 39,118 for a 1.1% gain for June, and 3.8% gain for 1H2024. Key upside hurdles will be at 40,077 and the 200%FP (40,859), while key chart supports from the 200-day ma (37,196) and 150%FP (35,201) cushion downside.

DJIA WEEKLY – 39,118.86



Resistance at 42,000/44,108; Supports at 34,931/33,926

On the weekly chart, significant resistance levels are seen at 42,000 and the 123.6%FP (44,108), while key chart supports will be from the steadily rising 100-week (34,931) and 200-week (33,926) moving averages.

HSI DAILY – 17,718.61

The Hang Seng Index rose from 15-month low of 14,794 (22 Jan) and subsequently spiked up to a nine-month high of 19,706 (20 May) prior to profit-taking pullback to end at 17,718 for a 2% loss for June, but gained 3.9% for 1H2024. Immediate overhead resistance will be from the recent high of 19,706, with next upside hurdle at 38.2%FR (20,922), while key chart supports are at the 200-day ma (17,198) and 22/1/24 low (14,794).

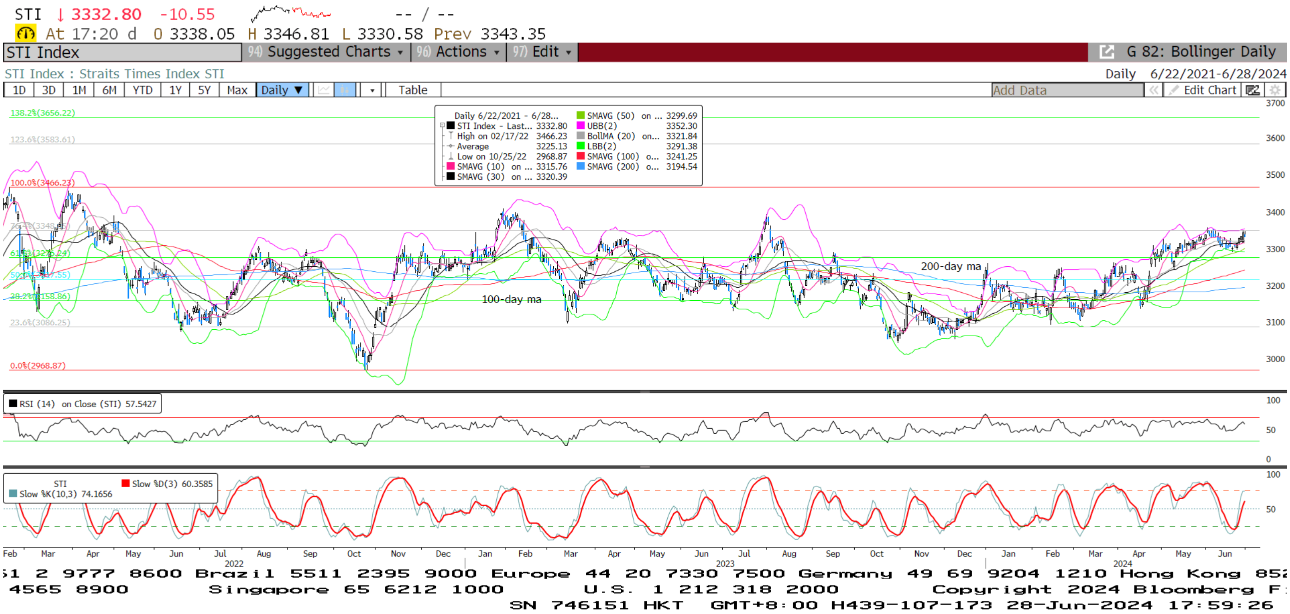
Resistance from 19,706/20,922; Key Supports at 17,198/14,794

HSI WEEKLY – 17,718.61

On the weekly chart, crucial support capping downside remains at the Oct 2022 low (14,597) and Oct 2008 low (10,676), while key overhead resistance will be from the falling 200-week (21,801) moving average.

Crucial Support at 14,597/10,676; Resistance at 21,801

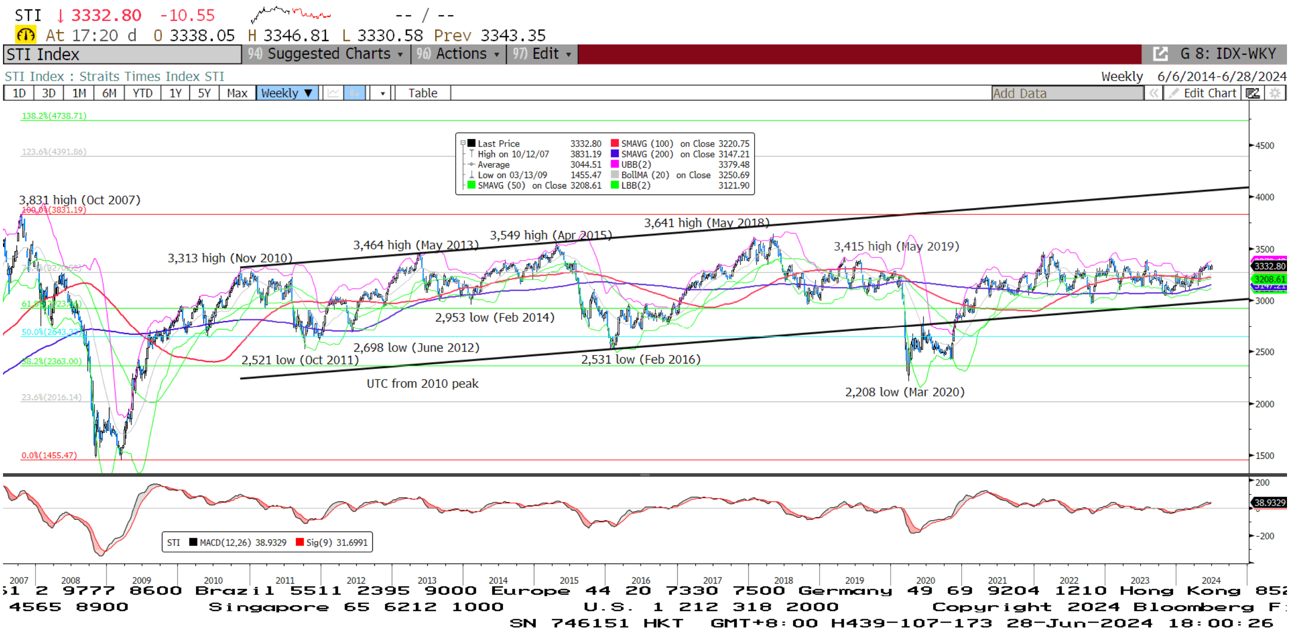
STI DAILY – 3,332.80



Singapore's STI rose from 3,092 low (14 Feb) and staged gradual appreciation to a fresh nine-month high of 3,355 (3 June) prior to closing at 3,332 for a minor 0.1% loss for June, and 2.9% gain for 1H2024. Key upside hurdles stays at the Feb 2022 peak (3,466) and 123.6%FP (3,583), while key chart supports are from the lower Bollinger band (3,291) and steadily rising 100-day ma (3,241).

Upside Hurdles at 3,466/3,583; Key Supports at 3,291/3,241

STI WEEKLY – 3,332.80



On the weekly chart, major overhead resistance levels remain at the April 2015 high (3,549) and May 2018 high (3,641), while key chart supports will be at the 200-week moving average (3,147) and 61.8%FR (2,923).

Major Resistance at 3,549/3,641; Key Supports at 3,147/2,923

Blue Chip Picks for 2H 2024

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Listed below are the latest FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) 30 component stocks sorted by market capitalization in descending order, which represent about 70% of the total market cap of the FTSE Bursa Malaysia 100 Index. Stocks with their statistics in **bold** reflect our blue chip picks for 2H 2024, with more details and corresponding charts on the following pages.

Stock	Close	Bollinger Bands			RSI	Moving Averages			DMI				MACD			DMI	MACD
Name	28-Jun	Lower	Mid	Upper	14d	10d	30d	50d	DI +	DI -	ADX	Diff	Line	Signal	Diff	Recent Signal	
KLCI	**1590.09**	**1582.06**	**1602.75**	**1623.44**	**38.78**	**1595.74**	**1607.47**	**1594.25**	**14.11**	**21.90**	**24.51**	**-7.79**	**-3.19**	**0.55**	**(3.74)**	SELL	SELL
MAYBANK	**9.96**	**9.86**	**9.95**	**10.04**	**55.32**	**9.92**	**9.95**	**9.87**	**18.19**	**15.24**	**16.87**	**2.95**	**0.01**	**0.02**	**(0.01)**	BUY	SELL
TENAGA	**13.78**	**13.00**	**13.69**	**14.38**	**66.93**	**13.92**	**13.40**	**12.83**	**28.90**	**16.83**	**39.25**	**12.07**	**0.31**	**0.36**	**(0.04)**	BUY	SELL
PBBANK	**4.02**	**3.98**	**4.07**	**4.16**	**33.77**	**4.03**	**4.10**	**4.13**	**9.48**	**22.19**	**20.04**	**-12.72**	**-0.04**	**-0.03**	**(0.01)**	SELL	SELL
CIMB	**6.80**	**6.67**	**6.85**	**7.02**	**46.92**	**6.78**	**6.84**	**6.77**	**17.32**	**21.15**	**21.98**	**-3.83**	**-0.02**	**0.01**	**(0.02)**	SELL	SELL
IHH	**6.30**	**6.16**	**6.24**	**6.31**	**54.57**	**6.26**	**6.24**	**6.24**	**19.51**	**10.97**	**21.59**	**8.54**	**0.01**	**0.01**	**0.00**	BUY	BUY
PCHEM	6.31	6.37	6.60	6.82	30.33	6.51	6.71	6.77	9.93	28.95	31.61	-19.02	-0.10	-0.09	(0.01)	SELL	SELL
PMETAL	5.76	5.51	5.78	6.04	54.11	5.81	5.63	5.52	16.60	13.45	34.34	3.15	0.09	0.12	(0.03)	BUY	SELL
CLMDIGI	3.68	3.48	3.74	3.99	20.43	3.63	3.85	3.95	5.88	35.88	47.26	-30.00	-0.13	-0.11	(0.02)	SELL	SELL
YTL POWER	4.82	4.73	5.01	5.30	44.14	4.98	5.07	4.82	22.30	26.15	22.61	-3.85	-0.01	0.05	(0.06)	SELL	SELL
HL BANK	19.20	19.09	19.28	19.47	48.27	19.21	19.34	19.38	19.99	11.90	11.65	8.10	-0.05	-0.06	0.00	BUY	BUY
YTL CORP	3.45	3.32	3.57	3.82	44.36	3.49	3.62	3.36	15.43	27.54	24.26	-12.10	-0.01	0.04	(0.05)	SELL	SELL
MISC	**8.52**	**8.29**	**8.49**	**8.68**	**60.17**	**8.49**	**8.43**	**8.25**	**15.29**	**12.03**	**40.30**	**3.26**	**0.08**	**0.09**	**(0.01)**	BUY	SELL
PET GAS	**17.82**	**17.72**	**18.11**	**18.49**	**46.62**	**17.96**	**18.15**	**18.12**	**15.98**	**17.25**	**15.49**	**-1.27**	**-0.04**	**-0.03**	**(0.01)**	SELL	SELL
S D GUTHRIE	4.22	4.16	4.29	4.42	37.50	4.26	4.33	4.39	19.26	25.29	11.68	-6.02	-0.04	-0.04	(0.00)	SELL	SELL
NESTLE	121.50	120.81	124.59	128.36	29.23	123.20	125.98	126.15	8.85	31.63	50.37	-22.77	-1.22	-0.86	(0.35)	SELL	SELL
MAXIS	**3.53**	**3.48**	**3.61**	**3.74**	**34.29**	**3.56**	**3.64**	**3.61**	**9.51**	**28.28**	**26.44**	**-18.77**	**-0.04**	**-0.02**	**(0.02)**	SELL	SELL
TM	**6.76**	**6.11**	**6.53**	**6.95**	**65.20**	**6.70**	**6.47**	**6.34**	**35.15**	**14.82**	**39.97**	**20.33**	**0.13**	**0.11**	**0.01**	BUY	BUY
RHBBANK	5.51	5.47	5.51	5.54	46.94	5.51	5.51	5.51	11.95	17.42	18.17	-5.47	0.00	0.00	(0.00)	SELL	SELL
AXIATA	**2.61**	**2.55**	**2.73**	**2.91**	**28.59**	**2.66**	**2.77**	**2.76**	**10.23**	**27.81**	**24.88**	**-17.57**	**-0.06**	**-0.03**	**(0.03)**	SELL	SELL
IOI CORP	3.70	3.68	3.80	3.93	28.91	3.75	3.87	3.94	9.80	28.51	42.56	-18.71	-0.07	-0.06	(0.01)	SELL	SELL
KLK	20.64	20.09	20.80	21.50	40.67	20.53	21.26	21.93	13.86	25.95	39.01	-12.09	-0.39	-0.45	0.06	SELL	BUY
SUNWAY	3.61	3.47	3.64	3.82	45.34	3.70	3.63	3.56	19.25	21.34	19.17	-2.09	0.02	0.04	(0.02)	SELL	SELL
PPB GROUP	14.30	14.23	14.56	14.88	35.59	14.43	14.76	15.17	12.59	20.85	34.60	-8.26	-0.22	-0.24	0.02	SELL	BUY
HLFG	17.28	16.96	17.22	17.48	52.61	17.20	17.30	17.15	19.64	12.46	15.78	7.17	0.01	0.01	0.01	BUY	BUY
GENTING	4.71	4.64	4.73	4.82	45.40	4.72	4.74	4.65	24.92	16.46	29.35	8.46	0.01	0.01	(0.01)	BUY	SELL
MR DIY	1.94	1.79	1.90	2.00	57.98	1.93	1.87	1.76	20.80	13.33	42.67	7.47	0.04	0.05	(0.01)	BUY	SELL
SIME DARBY	2.62	2.47	2.66	2.85	42.88	2.58	2.73	2.76	15.95	21.59	25.97	-5.64	-0.05	-0.05	0.00	SELL	BUY
PETDAG	17.44	16.45	18.11	19.78	25.28	17.49	18.92	20.04	8.25	38.44	58.04	-30.19	-0.84	-0.86	0.02	SELL	BUY
QL RES	6.52	6.29	6.41	6.54	60.03	6.43	6.45	6.44	18.76	16.22	14.52	2.54	0.02	0.01	0.01	BUY	BUY
GENM	2.55	2.47	2.61	2.75	39.54	2.56	2.65	2.64	15.98	23.91	20.35	-7.93	-0.04	-0.03	(0.00)	SELL	SELL

INTERPRETATION OF TECHNICAL INDICATORS:

Bollinger Bands: Variable width bands that narrow during less volatile periods and widen during more volatile periods. As a general rule, in a bearish trend, traders should buy when share price touches the lower band and exit when price touches the middle band. The reverse is true in a bullish trend, i.e. buy when price touches the middle band and sell when price touches the upper band. Momentum traders tend to buy on price breakouts above the upper band, and sell when price breaks down below the lower band.

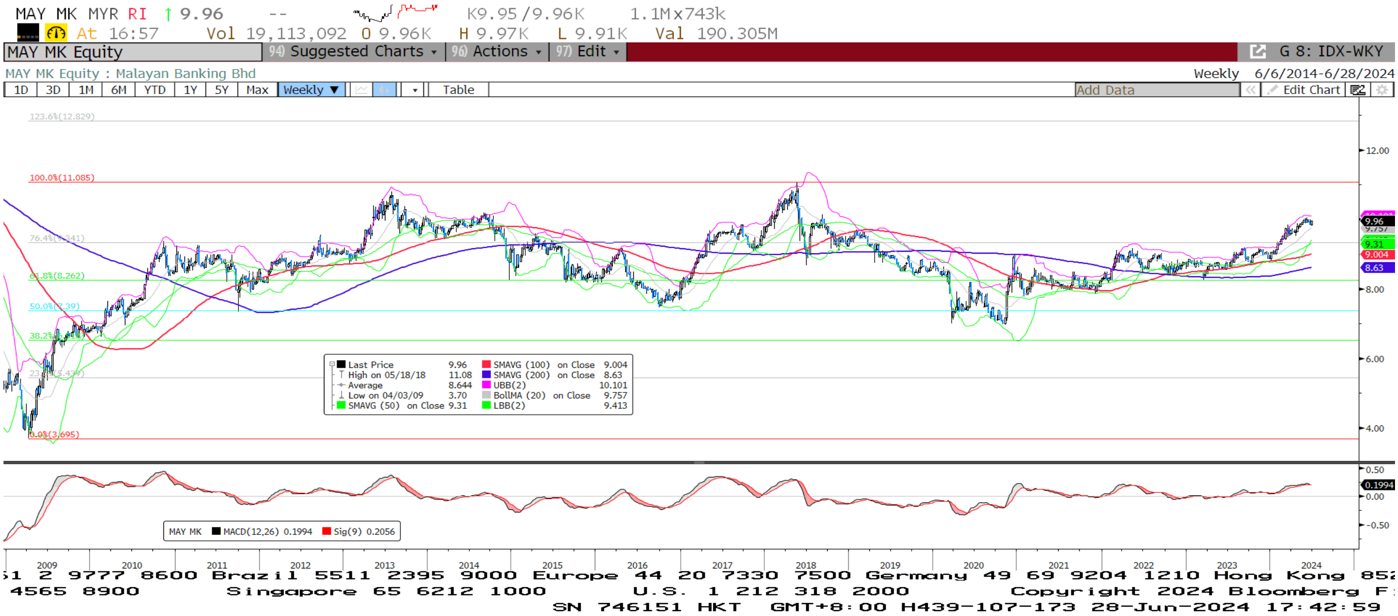
14-day Relative Strength Index (RSI): A reading below 30 is considered oversold, above 70 is overbought. A rise above 50 with a corresponding share price surge above the 30-day moving average should be taken as a bullish move with good short-term upside potential. A fall below 50 and a simultaneous dip below the 30-day average is bearish and imply further near-term downside risk.

Moving Averages: A stock's short-term trend is bullish if share price stays above the 10-day moving average, and bearish if it stays below. The medium-term trend is positive if share price stays above the 30-day average, and negative if it remains below. A longer-term uptrend is intact if share price sustain above the 50-day average, and is deemed broken if it breaches below this level.

Directional Movement Indicator (DMI): The DMI is an indicator of trend strength. A positive DMI difference (DMI diff) value is bullish and indicate a higher DI+ vs. DI-, while a negative DMI diff is bearish due to a lower DI+ vs. DI- (DMI diff = DI+ minus DI-). A crossover of DI+ above DI- triggers a BUY signal, while a SELL signal is flashed when the DI+ crosses below the DI-. The Average Directional Movement Index (ADX) indicates the strength of a trend, whether it is up or down. The higher the value of ADX, the stronger the trend. An ADX value above 25 suggests a trending market or stock, while a value below 20 signal congestion or absence of trend.

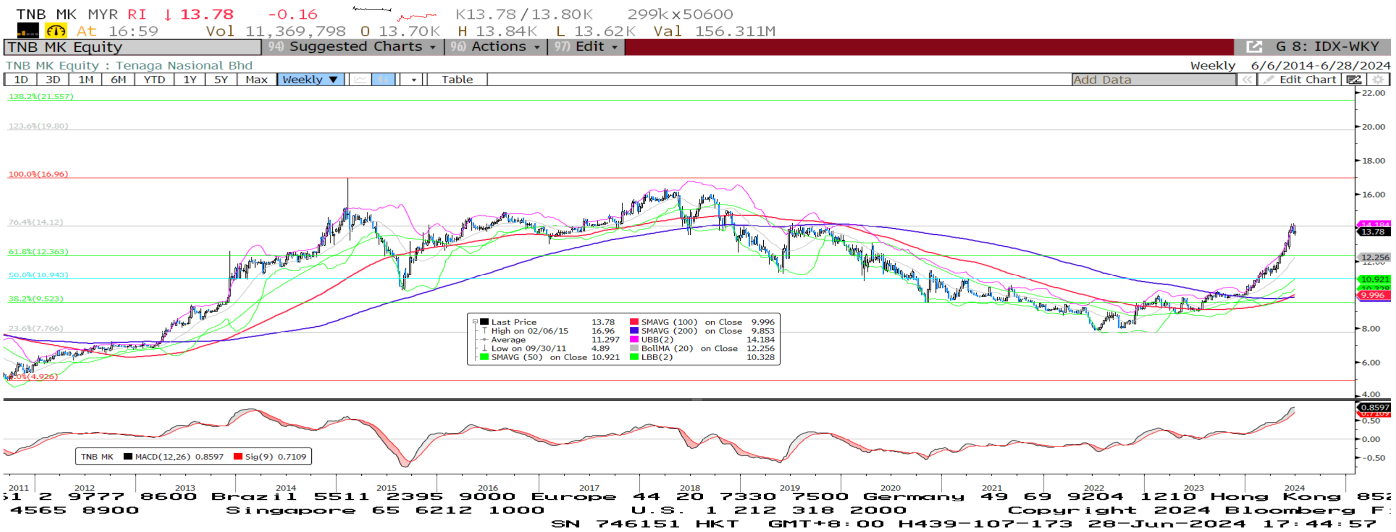
Daily Moving Average Convergence Divergence (MACD): The MACD diff value is derived from the difference between the MACD line (the 12-day EMA minus the 26-day EMA) and the MACD signal line (the 9-day EMA of the MACD). A positive MACD diff value is bullish, while a negative MACD diff is bearish. A BUY signal is generated when the MACD diff rises above zero, and SELL signal sparked when the MACD diff value falls below zero.

MAYBANK RM9.96



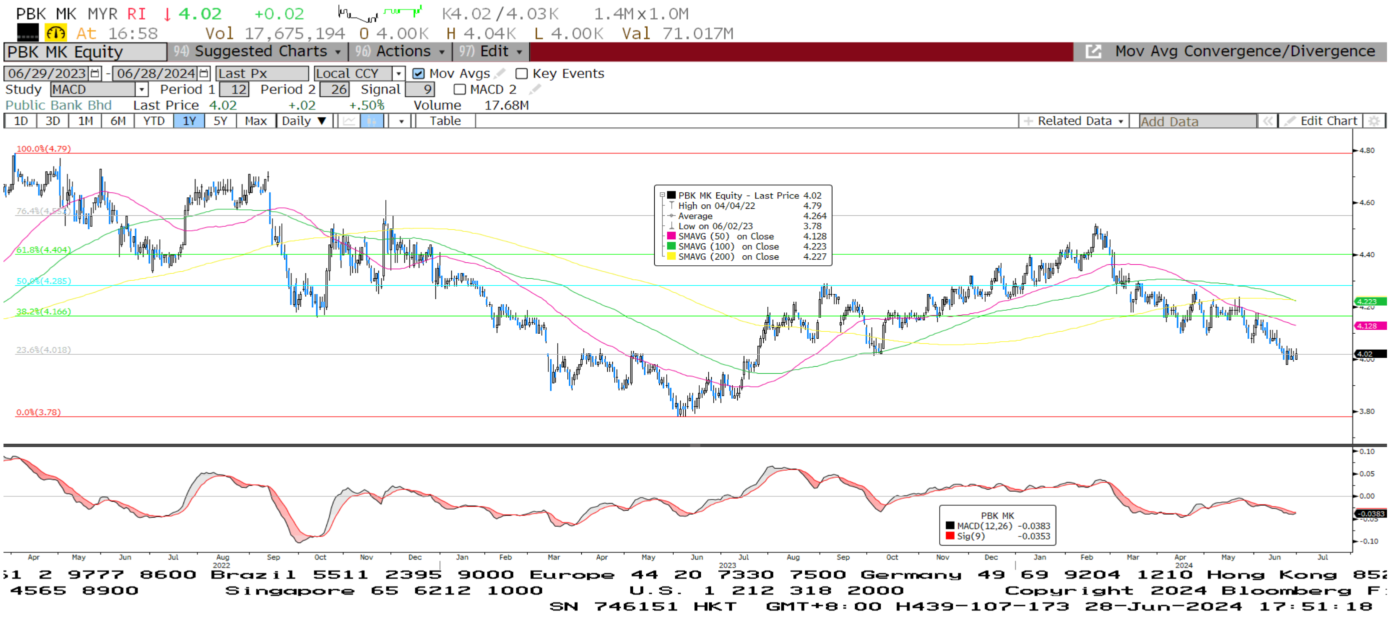
BOLLINGER BANDS			SIMPLE MOVING AVERAGES		
Upper	RM	10.04	10-day	RM	9.92
Middle	RM	9.95	30-day	RM	9.95
Lower	RM	9.86	50-day	RM	9.87
DMI			**DAILY MACD**		
Recent Signal		BUY	Recent Signal		SELL

TENAGA RM13.78



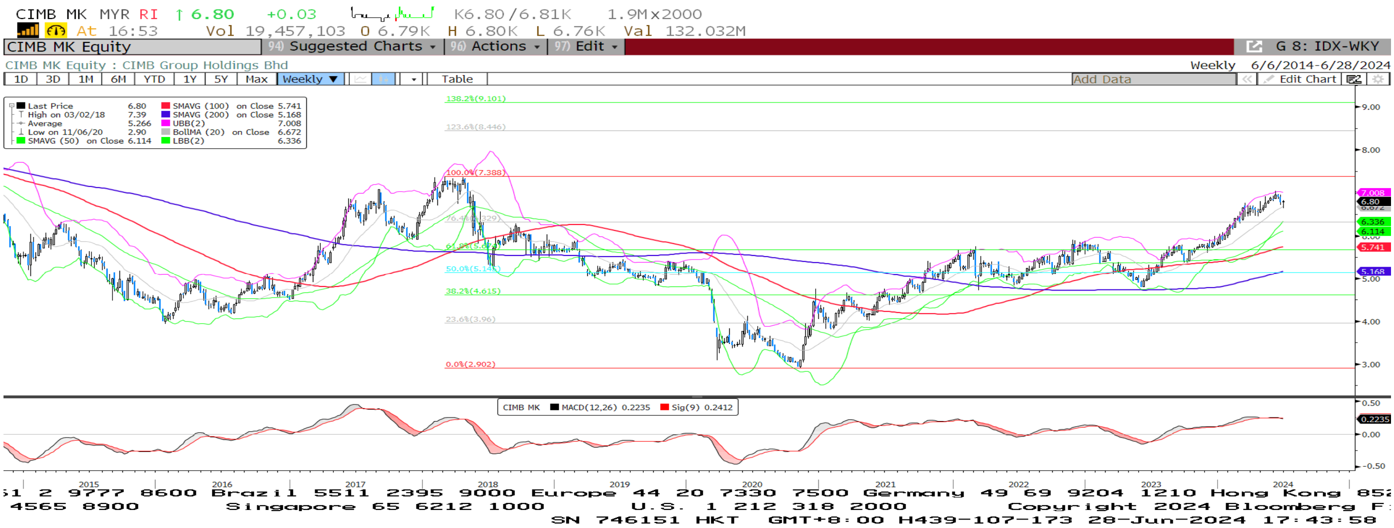
BOLLINGER BANDS			SIMPLE MOVING AVERAGES		
Upper	RM	14.38	10-day	RM	13.92
Middle	RM	13.69	30-day	RM	13.40
Lower	RM	13.00	50-day	RM	12.83
DMI			**DAILY MACD**		
Recent Signal		BUY	Recent Signal		SELL

PUBLIC BANK RM4.02



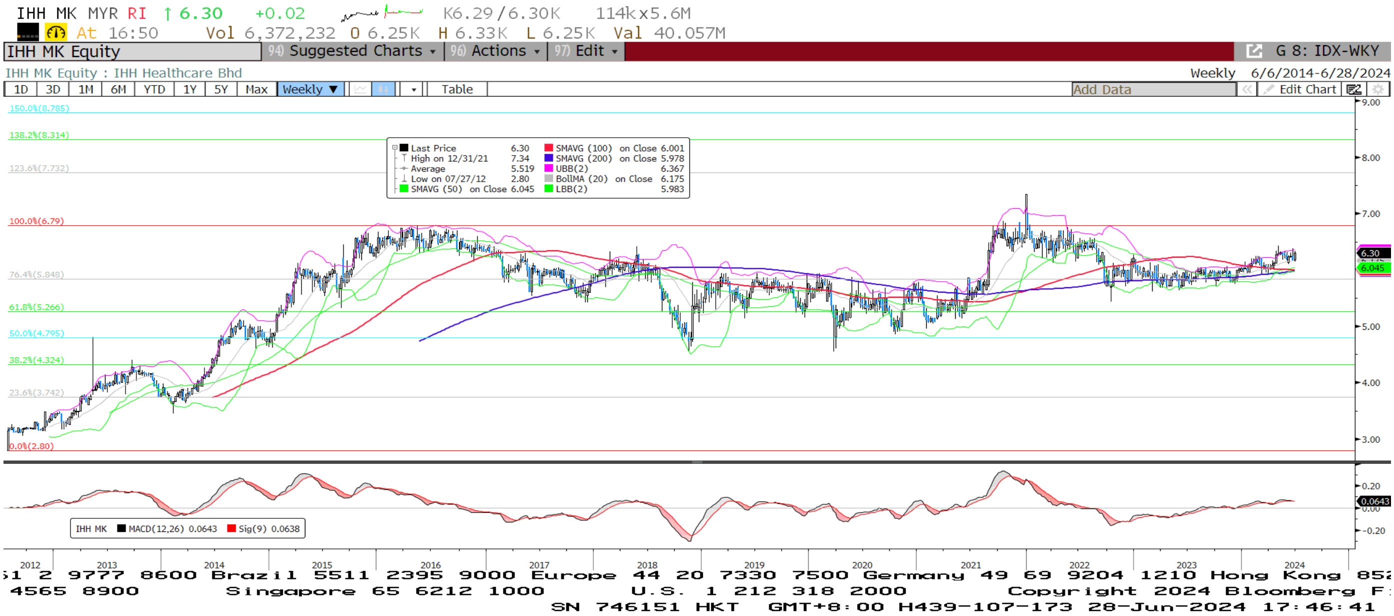
BOLLINGER BANDS			SIMPLE MOVING AVERAGES		
Upper	RM	4.16	10-day	RM	4.03
Middle	RM	4.07	30-day	RM	4.10
Lower	RM	3.98	50-day	RM	4.13
DMI			**DAILY MACD**		
Recent Signal		SELL	Recent Signal		SELL

CIMB RM6.80



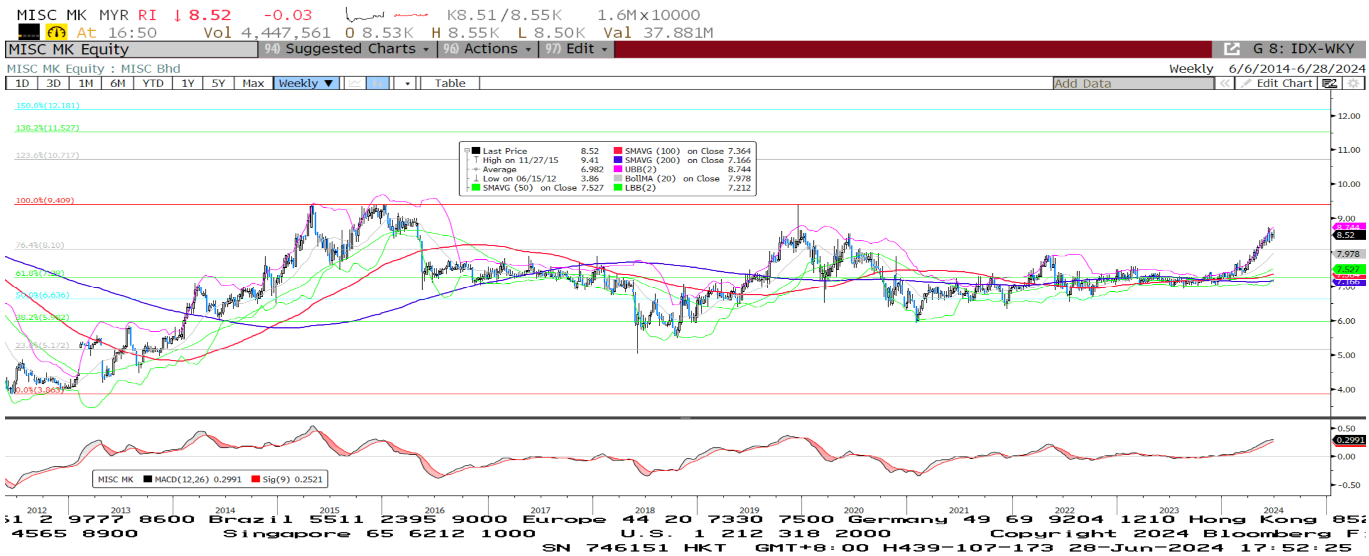
BOLLINGER BANDS			SIMPLE MOVING AVERAGES		
Upper	RM	7.02	10-day	RM	6.78
Middle	RM	6.85	30-day	RM	6.84
Lower	RM	6.67	50-day	RM	6.77
DMI			**DAILY MACD**		
Recent Signal		SELL	Recent Signal		SELL

IHH HEALTHCARE RM6.30



BOLLINGER BANDS			SIMPLE MOVING AVERAGES		
Upper	RM	6.31	10-day	RM	6.26
Middle	RM	6.24	30-day	RM	6.24
Lower	RM	6.16	50-day	RM	6.24
DMI			**DAILY MACD**		
Recent Signal		BUY	Recent Signal		BUY

MISC RM8.52



BOLLINGER BANDS			SIMPLE MOVING AVERAGES		
Upper	RM	8.68	10-day	RM	8.49
Middle	RM	8.49	30-day	RM	8.43
Lower	RM	8.29	50-day	RM	8.25
DMI			**DAILY MACD**		
Recent Signal		BUY	Recent Signal		SELL

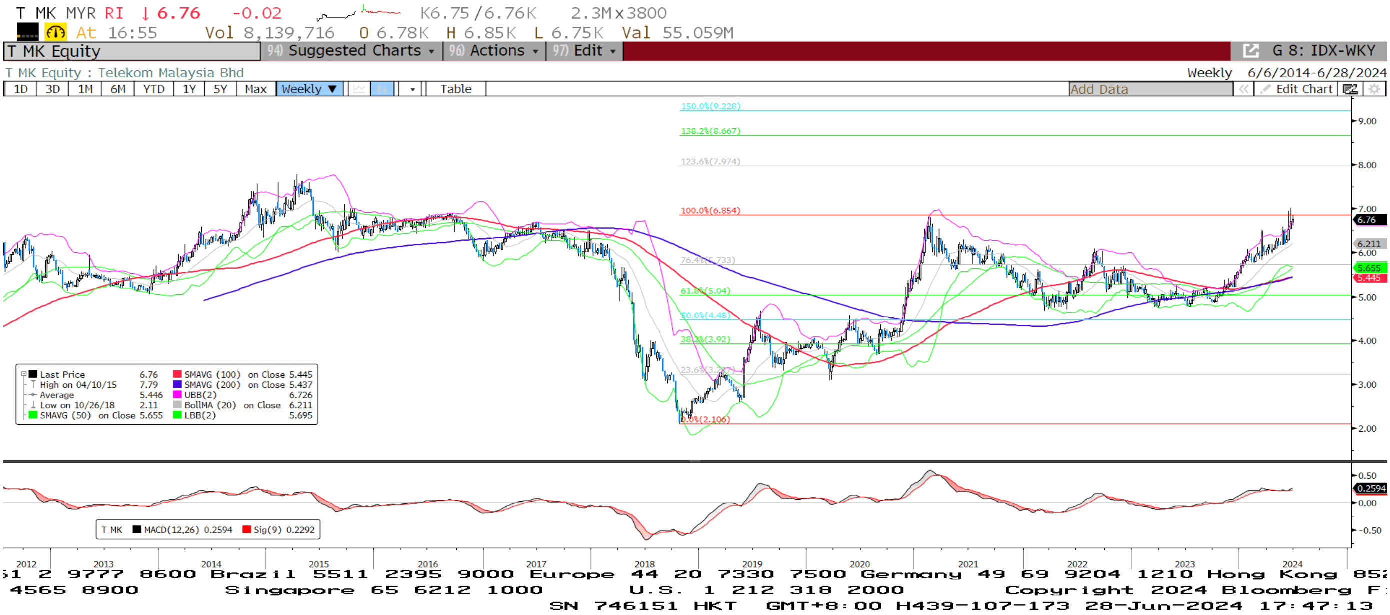
PETRONAS GAS — RM17.82

BOLLINGER BANDS			SIMPLE MOVING AVERAGES		
Upper	RM	18.49	10-day	RM	17.96
Middle	RM	18.11	30-day	RM	18.15
Lower	RM	17.72	50-day	RM	18.12
DMI			**DAILY MACD**		
Recent Signal		SELL	Recent Signal		SELL

MAXIS — RM3.53

BOLLINGER BANDS			SIMPLE MOVING AVERAGES		
Upper	RM	3.74	10-day	RM	3.56
Middle	RM	3.61	30-day	RM	3.64
Lower	RM	3.48	50-day	RM	3.61
DMI			**DAILY MACD**		
Recent Signal		SELL	Recent Signal		SELL

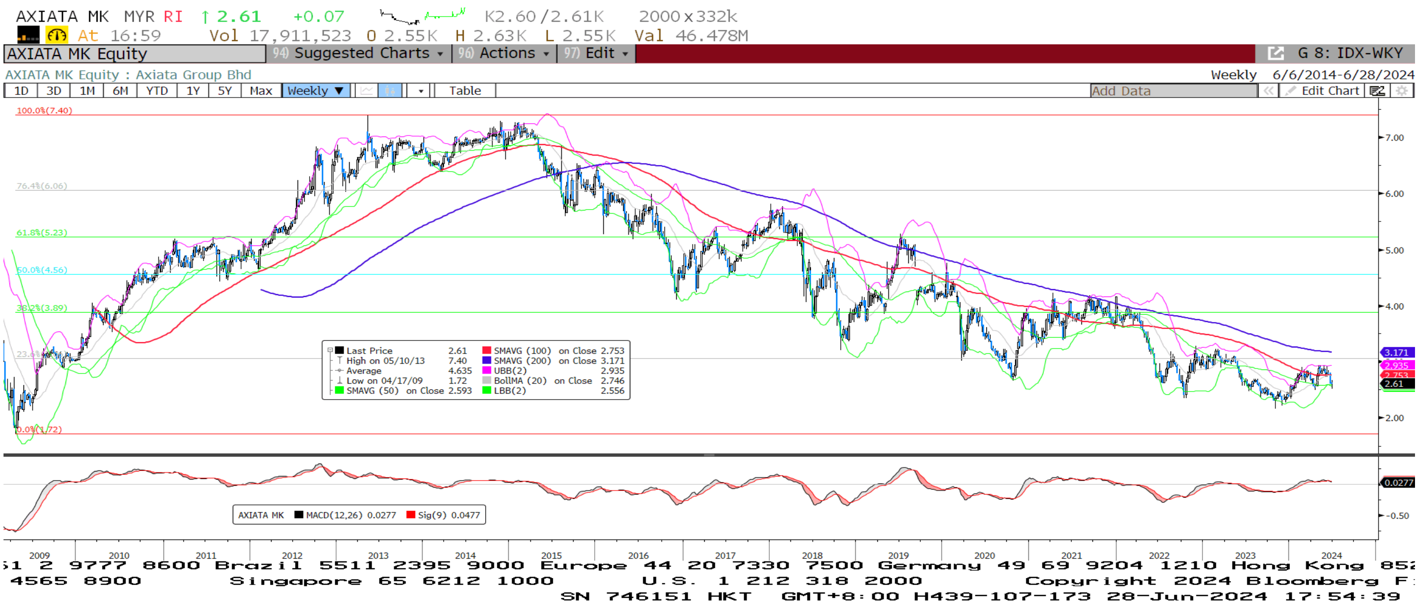
TM — RM6.76



BOLLINGER BANDS			SIMPLE MOVING AVERAGES		
Upper	RM	6.95	10-day	RM	6.70
Middle	RM	6.53	30-day	RM	6.47
Lower	RM	6.11	50-day	RM	6.34

DMI		DAILY MACD	
Recent Signal	BUY	Recent Signal	BUY

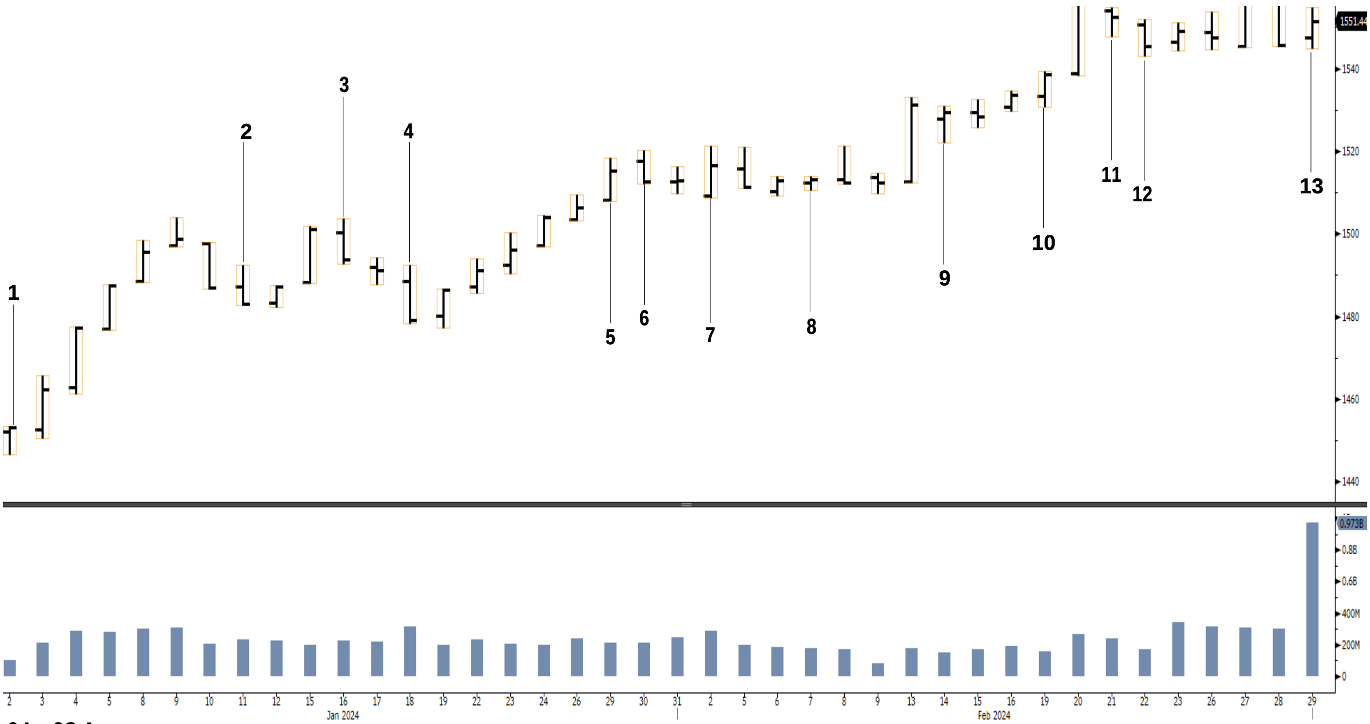
AXIATA — RM2.61



BOLLINGER BANDS			SIMPLE MOVING AVERAGES		
Upper	RM	2.91	10-day	RM	2.66
Middle	RM	2.73	30-day	RM	2.77
Lower	RM	2.55	50-day	RM	2.76

DMI		DAILY MACD	
Recent Signal	SELL	Recent Signal	SELL

Major Events (Jan-Feb 2024)



01. 02 Jan
Prime Minister Anwar Ibrahim launched the Central Database Hub or Padu initiative, which is expected to help ensure the efficient delivery of targeted subsidies.

02. 11 Jan
Prime Minister Datuk Seri Anwar Ibrahim met his Singapore counterpart Lee Hsien Loong, as they affirm commitments to two megaprojects.

03. 16 Jan
A total of 31 firms across seven local and international consortia have submitted concept proposals to MyHSR Corporation Sdn Bhd for the Kuala Lumpur-Singapore High Speed Rail project.

04. 18 Jan
Water tariff rates will be increased by 22 sen per cubic meter from Feb 1 for domestic users in Peninsular Malaysia and the Federal Territory of Labuan, says the National Water Services Commission.

05. 29 Jan
Tenaga Nasional Bhd will kick-start a 400MWh battery energy storage system pilot project in this quarter, marking Malaysia's first utility-scale battery storage project to address intermittency issues of renewable energy.

Malaysian Resources Corp Bhd, Berjaya Land Bhd and IJM Corp Bhd's unit IJM Construction Sdn Bhd confirmed that they are in a consortium, together with Keretapi Tanah Melayu Bhd, to bid for the Kuala Lumpur-Singapore high-speed rail project.

06. 30 Jan
YTL PowerSeraya Pte Ltd, a wholly owned subsidiary of YTL Power International Bhd, won the right to build, own and operate a hydrogen-ready combined cycle gas turbine unit with a capacity of at least 600 Megawatts in Singapore.

07. 02 Feb
The Federal Reserve held interest rates steady for a fourth straight meeting and signaled an openness to cutting them, though Fed chair Jerome Powell threw cold water on investors' hopes that reductions would begin in March.

The Bank of England opened the door for interest rate cuts this year after holding the policy rate steady for four straight meetings, and lowered its inflation projections.

08. 07 Feb
Eco World International Bhd has proposed to undertake a RM500.0mn reduction in its issued share capital, which will facilitate the group's dividend distribution target of up to RM504.0mn in 2024 and 2025.

09. 14 Feb
YTL Corporation Bhd and YTL Power International Bhd have been included into the MSCI Malaysia Index, while Dialog Group Bhd have been removed from the index, effective from 29 February 2024.

10. 19 Feb
Malaysia's GDP grew 3.0% YoY and 3.7% YoY versus forecast 3.4% and 3.8% in 4Q23 and 2023, respectively.

11. 21 Feb
China cut the five-year loan prime rate by 25 basis points to 3.90% from 4.20% previously, while the one-year LPR was left unchanged at 3.45%.

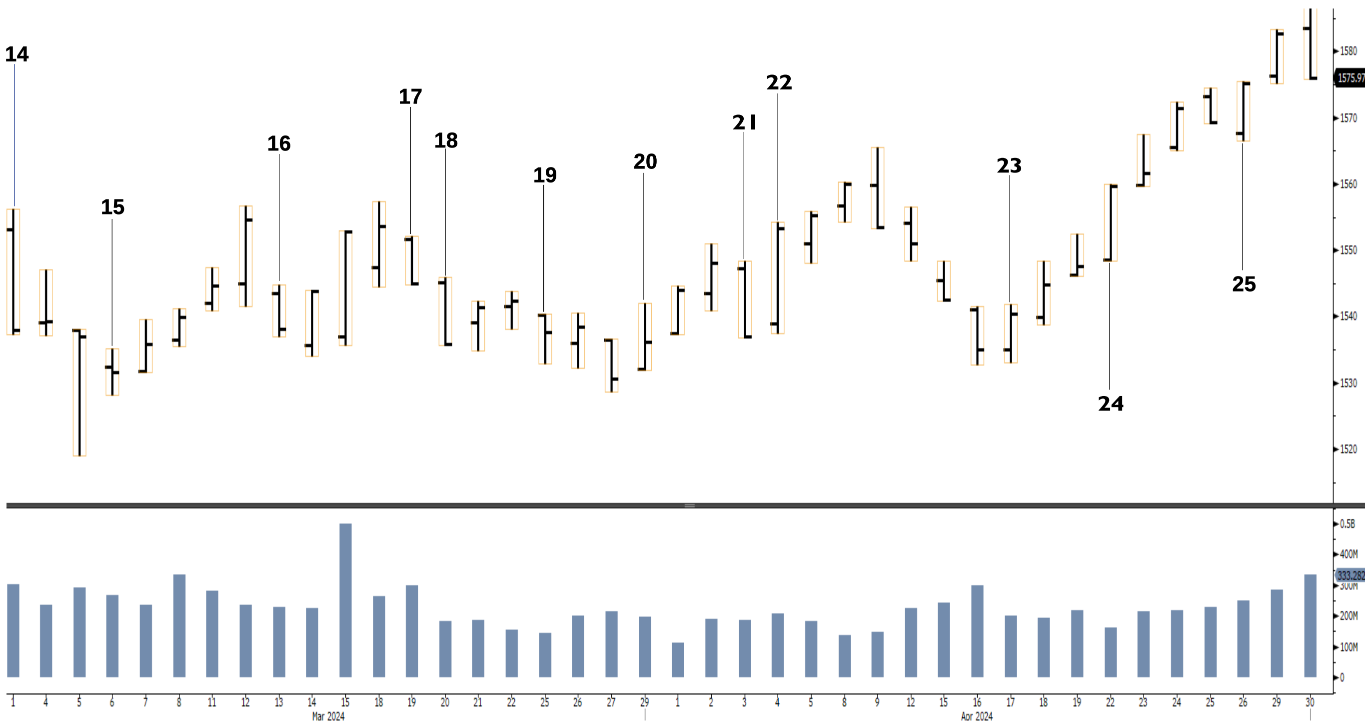
12. 22 Feb
Reneuco and Citaglobal said that their consortium has secured a 30-year concession to supply electricity to the East Coast Rail Line. As part of the concession, the consortium will develop the transmission and distribution interconnection facilities valued at RM600mn.

13. 29 Feb
The service tax scope expansion and rate hike from 6% to 8% on select services is expected to generate an extra RM3 billion in revenue for the government's coffers, according to the Ministry of Finance.

Capital A Bhd is carving out the manager of its aviation brand AirAsia and injecting it into Nasdaq-listed special purpose acquisition company Aetherium Acquisition Corp for USD1.2bn, a move to pave way for its exit from PN17 status, besides selling its aviation business to AirAsia X Bhd.

Genting Bhd's Resorts World Genting will close 2 of its 3 casinos, Genting Casino 1 (Circus Palace) and Genting Casino 2 (Hollywood), effective 28 Feb 2024.

Major Events (Mar-Apr 2024



14. 01 Mar
Malaysia government's debt grew 8.6%YoY to RM1.17tn as of the end of December 2023, constituting 64.3% of gross domestic product, according to the Finance Ministry.

Bank Negara Malaysia is prepared to sell US dollars from its reserves to "restrict excessive weakness in the ringgit," Datuk Seri Amir Hamzah Azizan, the nation's second finance minister, said.

15. 06 Mar
Major Australian companies have shown interest to invest a total of RM24.5bn in Malaysia, including expansion of existing investments, said Prime Minister Datuk Seri Anwar Ibrahim.

China's Shenzhen Shenyue Joint Investment Co Ltd has partnered with Malaysia's Iskandar Waterfront Holdings and PLS Plantations Bhd to develop a Johor-Shenzhen Industrial Park and Innovation Hub in Johor.

Chinese Premier Li Qiang announced an ambitious 2024 economic growth target of around 5%, promising steps to transform the country's development model and defuse risks fuelled by bankrupt property developers and indebted cities.

16. 13 Mar
Malaysia's factory output rose 4.3% YoY in January compares to the median 2% rise predicted in a Bloomberg poll of economists and Dec's 0.03% YoY decline.

CTOS Digital Bhd said it is business as usual for the group as the recent court decision against its subsidiary does not prevent it from continuing to provide credit score services.

17. 19 Mar
The Bank of Japan will raise the short-term rate to the 0%-0.1% range for the first time in 17 years.

Malaysia Airports Holdings Bhd and the government signed new operating and land lease agreements that extend the airport operator's concession to manage 39 airports in the country to Feb 11, 2069, from 2034 previously.

18. 20 Mar
YTL Power International Bhd has set up YTL AI Cloud to deploy and manage one of the world's most advanced supercomputers on Nvidia Grace Blackwell-powered DGX Cloud.

19. 25 Mar
The government will have to bear at least RM2bn a month for blanket petrol subsidies if it continues to delay the implementation of targeted subsidies, says Economy Minister Rafizi Ramli

20. 29 Mar
The U.S. economy grew at a solid 3.4% annual pace from October through December. For 2023, the U.S. economy grew 2.5%, up from 1.9% in 2022.

21. 03 Apr
The Transport Ministry is confident that the East Coast Rail Link will be completed on schedule in December 2026 and will be operational from January 2027.

22. 04 Apr
Opec+ chose to stick with oil supply cuts for the first half of the year, keeping global markets tight and potentially sending prices higher.

23. 17 Apr
Federal Reserve Chair Jerome Powell signaled policymakers will wait longer than previously anticipated to cut interest rates following a series of surprisingly high inflation readings.

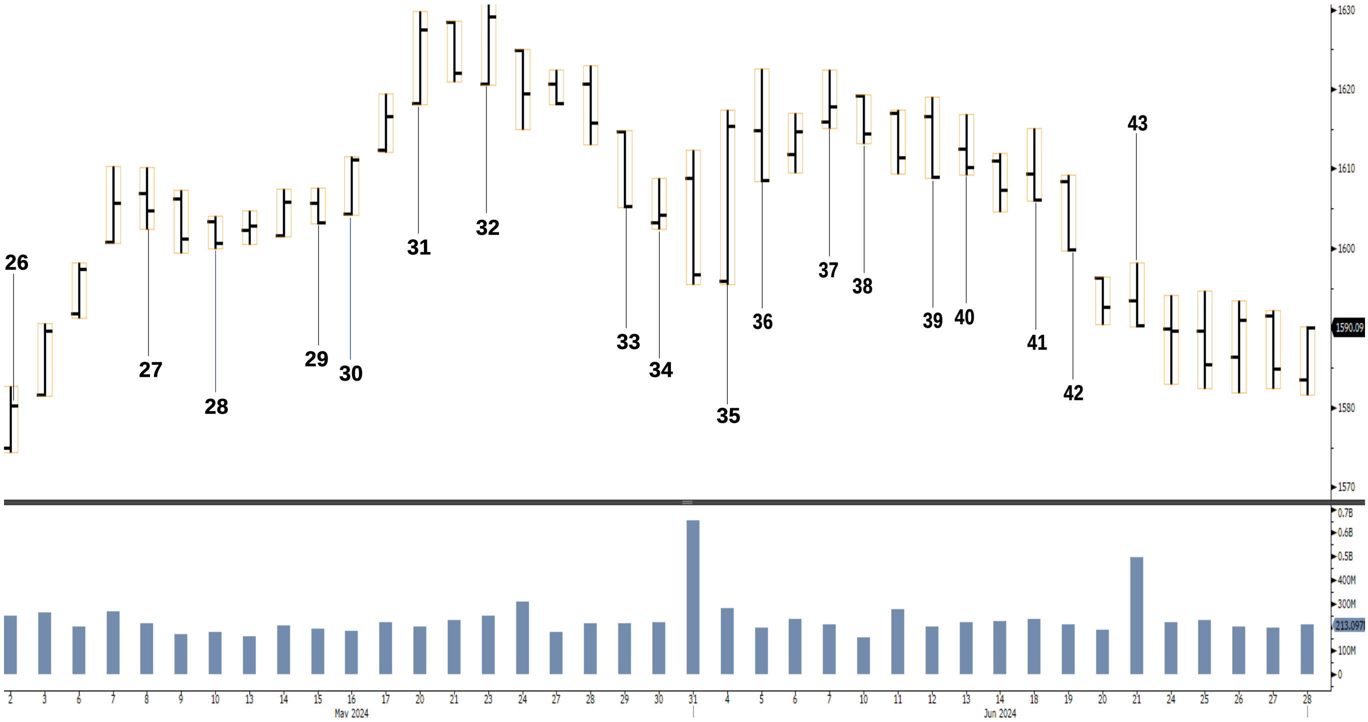
24. 22 Apr
Malaysia's economy grew by 3.9% in the 1Q2024, as compared to 3.0% in the previous quarter, according to Department of Statistics Malaysia's advance estimates.

The IMF's fiscal monitor estimates that the US deficit for 2024 will reach 6.67% of GDP, rising to 7.06% in 2025 - double the 3.5% in 2015.

25. 26 Apr
The Employees Provident Fund members, who are below 55 years old, will have an Account 3, in addition to the existing two accounts for their retirement savings, starting May 11.

The US GDP increased at a 1.6% annualised rate in 1Q24.

Major Events (May-Jun 2024)



26. 02 May
Prime Minister Datuk Seri Anwar Ibrahim announced that civil servants will enjoy a salary hike of more than 13% starting December this year, among the highest increase in the nation's history.

27. 08 May
Malaysia foresees significant potential for deepened collaboration with China, notably in infrastructure, the digital economy, green development, new energy vehicles, and the rare earth industry, said Deputy Prime Minister Datuk Seri Fadillah Yusof.

28. 10 May
Malaysia's central bank left the benchmark interest rate unchanged at 3% as widely expected, citing improving economic activity amid moderate inflation.

29. 15 May
President Joe Biden is hiking tariffs on a wide range of Chinese imports - including semiconductors, batteries, solar cells, and critical minerals - in an election-year bid to bolster domestic manufacturing in critical industries.

30. 16 May
Malaysia Airports Holdings Bhd has received a takeover offer from a four-member consortium led by its major shareholder Khazanah Nasional Bhd, in a deal worth about RM12.3bn.

31. 20 May
Malaysia's 1Q24 GDP grew 4.2% YoY, higher than the median estimate of 3.9% growth in Bloomberg's survey of economists and advanced estimate by DoSM.

32. 23 May
Putrajaya's plan to implement targeted subsidies will begin with diesel and involve only consumers in Peninsular Malaysia.

33. 29 May
The government is allocating at least RM25bn for targeted incentives to support the newly launched National Semiconductor Strategy.

34. 30 May
Lagenda Properties Bhd said one of its senior personnel was remanded by the Malaysian Anti-Corruption Commission under an investigation into the subdivision of Malay reserve land in Manjung, Perak.

35. 04 June
China has agreed to extend the visa exemption period for Malaysian tourists from 15 to 30 days, according to Deputy Prime Minister Datuk Seri Dr Ahmad Zahid Hamidi.

36. 05 June
The seasonally adjusted S&P Global Malaysia manufacturing purchasing managers' index rose to 50.2 in May 2024 from 49.0 in April 2024, signaling a renewed improvement in manufacturing sector.

37. 07 June
The European Central Bank has cut its deposit rate to 3.75% from a record-high of 4.0%.

Global semiconductor sales are projected to increase 16.0% in 2024 and 12.5% in 2025, according to the US-based Semiconductor Industry Association.

38. 10 June
Diesel prices will be floated and will retail at RM3.35 per litre in the Peninsular Malaysia, says Datuk Seri Amir Hamzah Azizan.

39. 12 June
S P Setia Bhd, which previously failed to sell its 959.7-acre Tebrau land to Scientex Bhd due to Bumiputera requirement issues, has finally sold the plot to a company linked to tycoon Tan Sri Syed Mokhtar Albukhary for RM564mn cash.

UEM Sunrise Bhd said that it is selling two parcels of freehold land in Iskandar Puteri measuring about 11.7 hectares for RM144.9mn cash for the development of a data centre in Johor.

40. 13 June
The US Federal Reserve maintained interest rate between 5.25% and 5.50%, and penciled in just one interest-rate cut this year compared to three previously but forecast four cuts for 2025 versus three before.

41. 18 June
Hibiscus Petroleum Bhd is venturing into gas-producing assets in Brunei with the acquisition of a 100% interest in TotalEnergies EP (Brunei) for USD259.4mn cash.

42. 19 June
Malaysia will soon begin formal procedures to join the intergovernmental organisation BRICS says Datuk Seri Anwar Ibrahim.

Telekom Malaysia Bhd is setting up a joint venture with Singtel's regional data centre platform Nxera MY Pte Ltd to develop a data centre in Johor, Malaysia with an initial investment cost of RM1.2bn.

43. 21 June
China had agreed to extend its visa exemption facility for Malaysian citizens until the end of 2025 while Malaysia will extend the visa exemption for Chinese citizens until the end of 2026.

Malaysian and Chinese firms signed agreements for potential investments worth RM13.2bn to collaborate in sectors ranging from oil and gas to education.

TA SECURITIES
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SNAPSHOT OF STOCKS UNDER COVERAGE

No.	Company	Share Price (RM)	Target Price (RM)	% upside	Recom	Market Cap. (RMm)	Beta	EPS (sen) FY24	EPS (sen) FY25	PER (X) FY24	PER (X) FY25	Div Yield (%) FY24	Div Yield (%) FY25	52weeks High Price	52weeks % Chg	52weeks Low Price	52weeks % Chg	% Chg YTD
		28-Jun-24																
	AUTOMOTIVE																	
1	BAUTO	2.51	2.66	6.0%	Buy	2,932	0.42	30.3	27.4	8.3	9.2	10.4	7.6	2.60	-3.5	1.96	28.1	6.4
2	MBMR	5.29	4.70	-11.2%	Sell	2,068	0.70	69.4	67.2	7.6	7.9	5.9	5.7	5.50	-3.8	3.17	66.7	24.8
3	SIME	2.62	3.27	24.8%	Hold	17,857	0.91	20.5	20.7	12.8	12.7	5.5	5.5	2.97	-11.8	2.03	29.1	11.5
	BANKS & FINANCIAL SERVICES																	
4	ABMB	3.79	4.30	13.5%	Buy	5,867	0.73	44.6	47.4	8.5	8.0	5.9	5.9	3.98	-4.8	3.31	14.5	11.8
5	AFFIN	2.49	2.50	0.4%	Sell	5,977	0.95	19.7	22.9	12.6	10.9	3.2	3.2	2.70	-7.8	1.84	35.3	19.7
6	AMBANK	4.29	4.60	7.2%	Buy	14,181	0.73	55.7	54.5	7.7	7.9	5.3	5.1	4.45	-3.6	3.56	20.5	7.0
7	CIMB	6.80	7.90	16.2%	Buy	72,719	1.11	68.2	72.0	10.0	9.4	6.6	6.6	7.04	-3.4	4.99	36.4	17.5
8	HLBANK	19.20	22.00	14.6%	Buy	41,620	0.69	189.3	204.3	10.1	9.4	3.2	3.4	20.16	-4.8	18.46	4.0	1.6
9	MAYBANK	9.96	10.80	8.4%	Buy	120,187	0.76	79.1	82.2	12.6	12.1	6.2	6.2	10.06	-1.0	8.60	15.8	12.0
10	PBBANK	4.02	4.90	21.9%	Buy	78,031	1.14	36.0	37.6	11.2	10.7	5.0	5.0	4.52	-11.1	3.83	5.0	-6.3
11	RHBBANK	5.51	5.70	3.4%	Hold	24,021	0.85	66.6	71.2	8.3	7.7	7.3	7.3	5.78	-4.7	5.38	2.4	1.1
12	APEX	1.18	1.19	0.8%	Sell	239	0.46	4.3	4.5	27.5	26.5	0.0	0.0	1.35	-12.6	0.91	30.4	9.3
13	BURSA	8.84	8.20	-7.2%	Buy	7,154	0.86	33.7	36.0	26.3	24.5	3.5	3.8	8.89	-0.6	6.34	39.4	27.9
14	ELKDESA	1.26	1.35	7.1%	Sell	573	0.30	8.1	9.0	15.6	13.9	4.0	4.0	1.35	-6.7	1.18	6.8	0.8
	BUILDING MATERIALS																	
15	ANNJOO	1.25	1.64	31.2%	Buy	702	1.25	3.7	13.7	33.7	9.1	0.0	3.6	1.36	-8.1	1.01	23.8	16.8
16	CHINWEL	1.22	0.74	-39.3%	Sell	349	0.57	3.5	6.3	35.2	19.5	1.1	2.0	1.49	-18.1	1.17	4.3	-3.9
17	CMSB	1.39	1.19	-14.4%	Sell	1,493	0.88	11.3	13.6	12.3	10.2	1.4	1.4	1.45	-4.1	0.91	52.7	28.7
18	CSCSTEL	1.31	1.73	32.1%	Buy	484	0.93	13.7	15.7	9.6	8.3	5.7	6.6	1.54	-14.9	1.10	19.1	6.5
19	PGF	2.18	2.76	26.6%	Buy	423	0.87	8.0	25.6	27.3	8.5	0.7	2.7	2.34	-6.8	1.15	89.6	59.1
	CONSTRUCTION																	
20	GADANG	0.45	0.42	-5.6%	Hold	324	1.24	1.4	2.6	32.7	17.3	0.7	2.2	0.53	-15.2	0.28	58.9	32.8
21	GAMUDA	6.58	8.13	23.6%	Buy	18,242	0.55	38.1	42.7	17.3	15.4	2.4	3.0	6.72	-2.1	4.16	58.2	43.4
22	IJM	3.05	3.59	17.7%	Buy	10,694	0.81	14.3	14.3	21.3	21.4	2.6	3.0	3.10	-1.6	1.43	114.0	62.8
23	INTA	0.46	0.71	54.3%	Buy	252	0.82	4.6	6.4	10.1	7.2	3.3	4.3	0.52	-11.5	0.20	130.0	76.9
24	KERJAYA	1.81	2.21	22.1%	Buy	2,283	0.45	13.2	14.7	13.8	12.4	5.5	5.5	1.97	-8.1	1.06	70.8	16.8
25	SUNCON	3.79	4.46	17.7%	Buy	4,887	0.84	15.1	19.8	25.0	19.2	1.8	2.6	4.04	-6.2	1.53	147.7	95.4
26	TRC	0.48	0.51	7.4%	Hold	224	0.88	3.2	4.2	15.0	11.2	3.2	3.2	0.53	-10.4	0.32	50.8	28.4
27	WCT	0.87	0.83	-4.6%	Hold	1,233	1.06	3.8	4.6	22.8	18.8	1.1	1.1	0.93	-6.5	0.41	114.8	75.8
	CONSUMER																	
	Brewery																	
28	CARLSBG	18.70	24.50	31.0%	Buy	5,717	0.68	109.6	117.7	17.1	15.9	5.6	6.3	21.28	-12.1	18.26	2.4	-3.0
29	HEIM	22.04	29.20	32.5%	Buy	6,658	0.66	138.9	142.5	15.9	15.5	6.3	6.5	27.00	-18.4	21.02	4.9	-8.7
	Retail																	
30	AEON	1.39	1.68	20.9%	Buy	1,952	0.64	12.0	12.9	11.6	10.8	2.9	4.0	1.50	-7.3	1.02	36.3	27.5
31	AMWAY	6.92	7.30	5.5%	Sell	1,138	0.50	59.9	62.7	11.5	11.0	6.5	7.2	7.77	-11.0	4.89	41.5	24.1
32	BESHOM	0.99	0.96	-3.0%	Sell	297	0.60	3.8	5.9	25.8	16.7	3.0	5.1	1.11	-10.8	0.86	15.1	10.0
33	F&N	31.78	34.50	8.6%	Hold	11,656	0.66	170.3	177.0	18.7	18.0	2.7	2.7	33.80	-6.0	24.65	28.9	13.5
34	FFB	1.52	1.97	29.6%	Buy	2,847	na	3.1	5.9	48.4	25.7	0.0	1.0	1.57	-3.2	0.99	53.5	15.2
35	FOCUSP	0.82	1.11	35.4%	Buy	379	0.53	7.4	7.9	11.1	10.4	4.5	4.8	0.88	-6.3	0.69	18.8	15.5
36	ABLEGLOB	2.08	2.57	23.6%	Buy	640	0.73	19.9	20.4	10.5	10.2	3.1	3.1	2.23	-6.7	1.24	67.7	38.7
37	LHI	0.62	0.71	14.5%	Buy	2,263	0.91	7.9	8.5	7.8	7.3	3.8	4.1	0.75	-16.8	0.49	27.8	9.7
38	NESTLE	121.50	136.90	12.7%	Hold	28,492	0.45	334.4	356.6	36.3	34.1	2.6	2.8	134.50	-9.7	111.60	8.9	3.3
39	PADINI	3.65	4.70	28.8%	Buy	2,401	0.61	25.6	28.6	14.3	12.7	3.2	3.6	4.02	-9.3	3.31	10.4	4.4
40	POHUAT	1.45	1.57	8.3%	Hold	384	0.58	14.6	16.4	9.9	8.8	5.5	5.5	1.52	-4.6	1.25	16.0	6.6
41	QL	6.52	7.40	13.5%	Buy	15,867	0.64	18.0	18.3	36.2	35.6	1.1	1.1	6.64	-1.8	5.25	24.2	14.2
42	SCIENTX	4.31	5.41	25.5%	Buy	6,686	0.88	34.5	38.0	12.5	11.3	2.8	3.0	4.50	-4.2	3.35	28.7	13.1
	GAMING																	
	Casino																	
43	GENTING	4.71	5.77	22.5%	Buy	18,136	0.93	67.8	70.5	6.9	6.7	4.2	4.7	5.20	-9.4	4.01	17.5	1.9
44	GENM	2.55	3.13	22.7%	Buy	14,453	0.93	13.3	23.3	19.2	10.9	6.3	7.1	2.94	-13.3	2.40	6.2	-5.2
	NFO																	
45	SPTOTO	1.55	1.61	3.9%	Hold	2,091	0.56	15.7	15.5	9.9	10.0	5.8	6.5	1.68	-7.7	1.21	28.5	4.7
	HEALTHCARE																	
	Hospitals/ Pharmaceutical																	
46	DPHARMA	1.26	1.47	16.7%	Buy	1,212	1.07	7.3	9.2	17.2	13.7	1.8	2.2	1.35	-6.7	1.11	13.5	0.0
47	IHH	6.30	6.65	5.6%	Hold	55,484	0.70	17.1	18.2	36.8	34.6	1.1	1.2	6.43	-2.0	5.72	10.1	4.5
48	KPJ	1.93	2.03	5.2%	Hold	8,423	0.95	6.9	7.1	27.9	27.1	2.3	2.4	2.05	-5.9	1.08	79.0	34.0
49	SCOMNET	1.48	1.73	16.9%	Buy	1,268	1.01	5.5	6.9	27.1	21.5	1.4	1.8	1.65	-10.3	1.19	24.4	21.3
	Rubber Gloves																	
50	HARTA	3.28	3.68	12.2%	Buy	11,195	0.82	0.4	6.6	883.8	49.8	0.0	1.2	3.83	-14.4	1.88	74.5	21.5
51	KOSSAN	2.35	2.50	6.4%	Hold	5,996	0.64	7.4	8.1	31.8	29.1	1.2	1.5	2.83	-17.0	1.27	85.0	27.0
52	SUPERMX	0.88	1.00	14.3%	Buy	2,242	1.03	-1.2	3.0	na	29.6	0.0	1.0	1.09	-19.7	0.76	15.9	-6.9
53	TOPGLOV	1.10	1.03	-6.4%	Sell	8,811	1.40	-1.9	1.8	na	62.8	0.0	0.0	1.31	-16.0	0.70	57.1	22.2
	INSURANCE																	
54	ALLIANZ	22.30	23.27	4.3%	Hold	3,969	0.35	433.8	450.2	5.1	5.0	5.8	6.1	23.68	-5.8	14.16	57.5	20.9
55	TUNEPRO	0.36	0.48	33.3%	Buy	271	0.83	3.4	4.4	10.6	8.2	0.0	4.9	0.47	-23.4	0.31	16.1	-10.0
	MEDIA																	
56	ASTRO	0.33	0.30	-9.1%	Sell	1,722	0.72	1.4	2.2	23.6	15.1	1.9	3.0	0.61	-45.5	0.29	13.8	-16.5
57	MEDIA PRIMA	0.46	0.45	-1.1%	Sell	505	0.77	2.2	3.3	20.6	13.7	2.6	2.6	0.49	-7.1	0.41	12.3	-2.2
58	STAR	0.40	0.37	-7.6%	Sell	286	0.21	0.5	0.9	80.5	42.0	0.3	0.6	0.48	-16.8	0.38	5.3	-9.2

SNAPSHOT OF STOCKS UNDER COVERAGE

No.	Company	Share Price (RM)	Target Price (RM)	% upside	Recom	Market Cap. (RMm)	Beta	EPS (sen) FY24	EPS (sen) FY25	PER (X) FY24	PER (X) FY25	Div Yield (%) FY24	Div Yield (%) FY25	52weeks High Price	52weeks % Chg	52weeks Low Price	52weeks % Chg	% Chg YTD
	OIL & GAS																	
59	COASTAL	1.72	2.00	16.3%	Buy	919	0.75	27.4	25.9	6.3	6.6	0.0	0.0	2.24	-23.2	1.43	20.3	4.2
60	LCTITAN	1.22	1.03	-15.6%	Sell	2,779	1.09	-28.7	-9.4	na	na	0.0	0.0	1.57	-22.3	0.99	23.9	-9.6
61	MHB	0.45	0.55	22.2%	Buy	720	1.07	2.8	3.2	16.0	14.2	0.6	0.7	0.60	-24.4	0.44	2.3	-6.2
62	MISC	8.52	8.80	3.3%	Hold	38,031	0.83	52.2	53.3	16.3	16.0	4.2	4.2	8.74	-2.5	6.94	22.8	16.9
63	PANTECH	1.06	1.23	16.0%	Buy	882	1.35	11.7	12.0	9.0	8.8	5.7	5.7	1.15	-7.8	0.73	45.2	17.8
64	PCHEM	6.31	6.77	7.3%	Hold	50,480	1.34	27.1	38.2	23.3	16.5	2.1	3.0	7.65	-17.5	5.84	8.0	-11.9
65	VELESTO	0.27	0.33	24.5%	Buy	2,177	0.77	1.8	2.7	14.4	9.8	1.4	2.0	0.32	-15.9	0.20	35.9	15.2
	PLANTATIONS																	
66	FGV	1.28	1.34	4.7%	Sell	4,670	0.38	3.3	5.7	39.2	22.4	2.3	2.3	1.60	-20.0	1.28	0.0	-7.2
67	IOICORP	3.70	4.17	12.7%	Buy	22,954	0.86	18.7	21.9	19.8	16.9	2.8	2.9	4.22	-12.3	3.69	0.3	-5.9
68	KLK	20.64	22.63	9.6%	Hold	22,630	0.86	95.0	114.2	21.7	18.1	2.3	2.8	23.94	-13.8	20.08	2.8	-5.4
69	KMLOONG	2.20	2.50	13.6%	Buy	2,145	0.73	15.2	15.5	14.5	14.2	5.5	5.5	2.32	-5.2	1.74	26.8	10.5
70	SDG	4.22	4.56	8.1%	Hold	29,184	1.10	18.0	21.7	23.5	19.4	2.4	3.1	4.73	-10.8	4.05	4.2	-5.4
71	TSH	1.15	1.22	6.1%	Hold	1,587	1.18	7.1	7.6	16.2	15.1	3.5	3.5	1.19	-3.4	0.92	25.0	17.9
72	UMCCA	5.08	5.43	6.9%	Hold	1,066	0.42	28.7	32.8	17.7	15.5	2.0	2.6	5.30	-4.2	4.90	3.7	0.4
	PROPERTY																	
73	GLOMAC	0.43	0.62	45.9%	Buy	326	0.84	0.9	2.3	49.5	18.2	2.9	2.9	0.47	-9.6	0.31	37.1	18.1
74	IBRACO	1.12	1.33	18.8%	Buy	612	0.99	8.9	11.2	12.6	10.0	2.7	3.1	1.28	-12.5	0.51	119.6	40.0
75	IOIPG	2.21	3.00	35.7%	Buy	12,169	0.95	13.5	16.3	16.4	13.6	2.5	2.7	2.55	-13.3	1.07	106.5	26.3
76	MAHSING	1.73	2.05	18.5%	Buy	4,429	1.08	8.7	9.6	19.9	18.0	2.3	2.3	1.90	-8.9	0.61	183.6	108.4
77	PARAMON	1.13	1.68	48.7%	Buy	704	0.61	10.8	14.0	10.4	8.1	6.2	6.6	1.30	-13.1	0.76	49.7	21.5
78	SIMEPROP	1.34	1.57	17.2%	Buy	9,113	1.30	7.3	7.7	18.3	17.5	2.2	2.2	1.45	-7.6	0.46	191.3	114.4
79	SPSETIA	1.38	1.85	34.1%	Buy	6,570	1.06	9.3	3.5	14.8	38.9	2.2	0.9	1.64	-15.9	0.53	160.4	72.5
80	SUNWAY	3.61	4.12	14.1%	Buy	20,363	0.92	11.2	13.1	32.2	27.6	1.7	1.8	3.83	-5.7	1.56	131.4	75.2
	REIT																	
81	CLMT	0.68	0.74	9.6%	Buy	1,913	0.63	4.6	5.2	14.6	12.9	6.7	7.4	0.70	-2.9	0.49	37.8	20.5
82	KIPREIT	0.90	1.14	27.4%	Buy	554	0.42	7.5	8.2	12.0	11.0	7.8	8.5	0.92	-2.2	0.88	1.7	0.0
83	SUNREIT	1.55	1.88	21.3%	Buy	5,308	0.44	9.9	10.3	15.7	15.0	6.4	6.7	1.64	-5.5	1.44	7.6	0.6
	POWER & UTILITIES																	
84	MALAKOF	0.77	0.80	4.6%	Hold	3,739	0.89	4.6	4.7	16.7	16.1	5.9	6.5	0.86	-10.5	0.57	34.2	20.5
85	PETDAG	17.44	18.10	3.8%	Hold	17,326	0.68	94.4	93.0	18.5	18.8	5.1	5.0	23.60	-26.1	17.08	2.1	-20.1
86	PETGAS	17.82	20.60	15.6%	Buy	35,261	0.76	102.3	105.4	17.4	16.9	4.9	5.0	18.80	-5.2	16.60	7.3	2.4
87	RANHILL	1.41	1.06	-24.8%	Sell	1,827	1.54	3.6	4.1	38.7	34.7	1.5	1.7	1.75	-19.4	0.51	175.2	57.5
88	TENAGA	13.78	14.50	5.2%	Hold	80,100	0.92	70.1	78.3	19.7	17.6	3.3	3.5	14.28	-3.5	8.99	53.3	37.3
89	YTLPOWR	4.82	6.35	31.7%	Buy	39,504	1.00	38.8	36.3	12.4	13.3	2.4	2.4	5.47	-11.9	1.24	288.7	89.8
	TELECOMMUNICATIONS																	
90	AXIATA	2.61	2.61	0.0%	Sell	23,965	1.41	8.0	10.8	32.6	24.3	3.8	3.8	2.94	-11.2	2.16	20.8	9.7
91	CDB	3.68	4.64	26.1%	Buy	43,172	1.22	20.1	21.9	18.3	16.8	3.5	3.9	4.50	-18.2	3.47	6.1	-9.8
92	MAXIS	3.53	3.70	4.8%	Sell	27,647	1.13	19.0	20.9	18.6	16.9	4.5	4.5	4.27	-17.3	3.35	5.4	-8.3
93	TM	6.76	7.70	13.9%	Buy	25,943	0.86	48.0	42.4	14.1	15.9	2.9	3.5	7.02	-3.7	4.77	41.7	21.8
	TECHNOLOGY																	
	Semiconductor & Electronics																	
94	CORAZA	0.54	0.69	29.0%	Buy	264	na	2.2	3.1	24.7	17.1	1.0	1.5	0.82	-34.8	0.39	39.0	23.0
95	ELSOFT	0.54	0.58	6.5%	Hold	374	0.96	1.4	2.4	38.1	22.8	1.3	2.2	0.63	-13.6	0.51	6.9	0.9
96	INARI	3.70	4.30	16.2%	Buy	13,965	1.06	9.2	12.1	40.1	30.6	2.4	3.2	3.96	-6.6	2.65	39.6	22.9
97	MPI	39.42	41.10	4.3%	Hold	7,842	0.99	77.6	122.4	50.8	32.2	0.9	1.0	41.02	-3.9	25.22	56.3	39.8
98	REXIT	0.95	1.03	8.4%	Hold	165	0.57	7.8	8.2	12.2	11.6	5.3	6.3	1.48	-35.8	0.76	25.8	9.8
99	SKPRES	1.15	1.43	24.3%	Buy	1,797	1.07	6.2	6.8	18.6	16.9	2.6	3.0	1.24	-7.3	0.66	74.2	45.6
100	UNISEM	4.16	4.37	5.0%	Hold	6,710	0.73	11.1	13.6	37.4	30.5	1.9	1.9	4.44	-6.3	2.88	44.4	25.7
	TRANSPORTATION																	
	Airlines																	
101	AIRPORT	9.90	11.00	11.1%	Accept Offer	16,519	1.18	44.2	44.3	22.4	22.4	1.6	1.6	10.58	-6.4	6.75	46.7	34.5
102	CAPITALA	0.86	0.94	9.3%	Hold	3,700	0.69	17.3	21.9	5.0	3.9	0.0	0.0	1.12	-23.2	0.64	34.4	4.2
103	CJCEN	0.33	0.37	12.1%	Buy	192	0.64	2.2	2.6	14.7	12.6	1.7	2.0	0.46	-28.3	0.31	6.5	-12.0
	Freight & Tankers																	
104	PTRANS	0.71	1.03	46.1%	Buy	778	0.46	6.2	6.6	11.4	10.6	3.1	3.8	0.92	-23.4	0.69	2.2	-7.2
105	WPRTS	4.17	4.72	13.2%	Buy	14,220	0.67	28.3	30.5	14.7	13.7	5.0	5.4	4.30	-3.0	3.15	32.4	14.2

SNAPSHOT OF FOREIGN STOCKS UNDER COVERAGE

No.	Company	Share Price (S$)	Target Price (S$)	% upside	Recom	Market Cap. (S$m)	Beta	EPS (cent) FY24	EPS (cent) FY25	PER (X) FY24	PER (X) FY25	Div Yield (%) FY24	Div Yield (%) FY25	52week High Price	52week % Chg	52week Low Price	52week % Chg	% Chg YTD
	BANKS & FINANCIAL SERVICES																	
1	DBS	35.79	36.60	2.3%	Hold	101,791	0.97	383.3	401.1	9.3	8.9	6.0	6.1	36.17	-1.1	27.75	29.0	17.8
2	OCBC	14.43	14.70	1.9%	Hold	64,855	1.00	159.7	166.9	9.0	8.6	5.7	5.9	14.58	-1.0	12.00	20.3	11.0
3	UOB	31.33	33.00	5.3%	Buy	52,438	0.98	353.3	370.6	8.9	8.5	5.6	5.7	31.35	-0.1	26.82	16.8	10.1
	PLANTATIONS																	
4	WILMAR	3.10	4.04	30.3%	Buy	19,352	1.03	38.1	38.4	8.1	8.1	3.9	3.9	3.93	-21.1	3.07	1.0	-13.2

BUY *: Total return within the next 12 months exceeds required rate of return by 5%-point.*

HOLD *: Total return within the next 12 months exceeds required rate of return by between 0-5%-point.*

SELL *: Total return is lower than the required rate of return.*

Total Return *is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.*

Required Rate *of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.*

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47620 UEP Subang Jaya
Selangor Darul Ehsan
Tel : 603-8025 1880
Fax : 603-8023 8820

Damansara Utama Branch
2nd Floor, Wisma TA, 1A Jalan SS20/1,
Damansara Utama, 47400 Petaling Jaya,
Selangor.
Tel : 603-7729 5713
Fax : 603-7725 5762

Segamat Branch
7A, Jalan Genuang Perdana,
Taman Genuang Perdana,
85000, Segamat Johor Darul Takzim,
Tel : 07-943 5278
Fax : 07-943 5078

Johor Bahru Branch
15, Jalan Molek 1/5A
Taman Molek
81100 Johor Bahru, Johor Darul Takzim
Tel : 07-364 7388
Fax : 07-364 7386

Penang Branch
3rd Floor, Bangunan Heng Guan,
171, Jalan Burmah,
10050 Penang
Tel : 04-227 2339
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TA CAPITAL SDN BHD

14th Floor, Menara TA One
22 Jalan P.Ramlee
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TA FUTURES SDN BHD

32nd Floor, Menara TA One
22 Jalan P.Ramlee
50250 Kuala Lumpur, Malaysia
Tel : 603-2072 4831
Fax : 603-2072 5001

Sector Recommendation Guideline

OVERWEIGHT: The industry, as per our coverage universe, is expected to outperform the FBMKLCI over the next 12 months.

NEUTRAL: The industry, as per our coverage universe, is expected to perform in line with the FBMKLCI over the next 12 months.

UNDERWEIGHT: The industry, as per our coverage universe, is expected to underperform the FBMKLCI over the next 12 months.

Stock Recommendation Guideline

BUY : Total return within the next 12 months exceeds required rate of return by 5%-point.
HOLD : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.
SELL : Total return is lower than the required rate of return.
Not Rated: The company is not under coverage. The report is for information only.

Total Return is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Required Rate of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

ESG Guideline

★★★★★ **(≥80%)** : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.
★★★★ **(60-79%)** : Above adequate integration of ESG factors into most aspects of operations, management and future directions.
★★★ **(40-59%)** : Adequate integration of ESG factors into operations, management and future directions.
★★ **(20-39%)** : Have some integration of ESG factors in operations and management but are insufficient.
★ **(<20%)** : Minimal or no integration of ESG factors in operations and management.

Kaladher Govindan – Head of Research

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