STRATEGY – MALAYSIA

Alpha Picks: Gearing Up For The Reporting Season

Our Alpha Picks outperformed the FBMKLCI in Oct 24 (-0.5% vs -2.9%). While the equity market still lacks conviction, our Alpha Picks should still outperform in Nov 24, driven by expected winners in the upcoming reporting season (MYEG), as well as beneficiaries of dividends (RGB) and M&A activities (Yinson). Nov 24 picks: EcoWorld, Gamuda, Lagenda, MYEG, Pekat, RHB Bank, RGB, Top Glove (replacing Sime Darby), VSI and Yinson.

WHAT'S NEW

- **Market review for Oct 24: Lacking conviction.** The FBMKLCI fell 2.9% in Oct 24, as investors lacked conviction, and even defensive stocks like telco (which rose in Sep 24 when the FBMKLCI turned defensive) were sold down. Within the KLCI sectors, construction (+3.8%) and property (+3.6%) were the only standout winners with healthcare (+0.7%) also posting minor gains. Losers included the telecommunications (-7.0%), gaming (-6.3%) and automobile (-6.0%) sectors. Looking to the non-KLCI segment, glove manufacturers (+11.1%) led the pack while manufacturing (+3.2%), REITs (+1.3%), semiconductor tech (+1.3%) and oil and gas asset owners (+1.3%) also saw decent returns. Major losers were the software subsector of technology (-5.1%), renewable energy (-3.7%) and select oil and gas subsectors (see overleaf table for details).

- **Oct 24 Alpha Picks outperformed the FBMKLCI,** falling only 0.5% vs the FBMKLCI's 2.9% drop. Winners included Gamuda (+5.7%), RHB Bank (+3.7%) and EcoWorld (+1.1%) while MYEG (-6.0%), Sime Darby (-5.7%) and Pekat (-3.7%) were among the losers in Oct 24.

- **Nov 24 Alpha Picks:** Eco World Development (EcoWorld), Gamuda Berhad, Lagenda Properties, My E.G. Services (MYEG), Pekat Group, RHB Bank, RGB International, Top Glove (replacing Sime Darby), VS Industry and Yinson Holdings.

- **Thematically, the expected earnings and dividend winners in the upcoming reporting season should gain traction.** Our Alpha Picks continue to be attuned to key investment themes: Iskandar 2.0 (eg details of the Special Economic Zone), more data-centre related land sales, blockchain/AI, e-government project awards, M&As (Yinson is widely expected to deeply monetise its FPSO assets), and beneficiaries of China's mega fiscal stimulus. In addition, the upcoming reporting season should be uplifting for earnings or dividends (cash-rich RGB may significantly increase dividends). On earnings, MYEG is expected to post a new record quarter, while EcoWorld and Lagenda are expected to post sequentially stronger results in their upcoming results announcements. Outside our Alpha Picks, a notable earnings winner is BUY-rated Nationgate.

ANALYSTS' TOP ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Nazira Abdullah	Eco World Development	BUY	14.0	Proxy to Iskandar Malaysia 2.0 investment theme, with opportunities to monetise its industrial landbank.
Jack Goh, Jack Lai	Gamuda	BUY	37.7	Robust earnings growth ahead, backed by a sturdy orderbook and bright replenishment outlook.
Nazira Abdullah	Lagenda Properties	BUY	6.3	Pure play affordable housing developer with the highest ROE of 17%. Stronger 2H24 earnings anticipated.
Jack Goh	My E.G. Services	BUY	5.7	Anticipated launches of AI/blockchain initiatives eg China-centric eCNY and ZTrade, and WorldID and MyDigitalID.
Chong Lee Len	Pekat Group	BUY	(5.7)	Set to capitalise on the long-term structural growth in solar energy demand. M&As will fuel growth.
Jack Goh	RGB International	BUY	29.3	Potential upside to 3Q24 dividends, and an exceptionally strong 4Q24 expected.
Keith Wee	RHB Bank	BUY	3.1	Lower-than-expected credit cost and stronger-than-expected non-interest income. Trades at -1.0 SD to mean P/B and is perceived as a high beta laggard.
Jack Goh	Top Glove	BUY	n.a.	Earnings turnaround as industry operating matrixes improve following better sales demand and margin expansion
Desmond Chong	VS Industry	BUY	9.6	Strong earnings in FY25 partly driven by vertical integration; additional impetus from Philippines venture.
Kong Ho Meng	Yinson	BUY	(3.9)	FPSO division: Plans for a pre-IPO (US$1b) and US IPO (valued >US$3b) by 2026, charter of two Brazil FPSOs, and stake sale of Anna Nery.

** Denotes a timeframe of 1-3 months and not UOB Kay Hian's usual 12-month investment horizon for stock recommendation*
 # Share price change since stock was selected as alpha pick
Source: UOB Kay Hian

KEY RECOMMENDATIONS

Company	Rec	Share Price (RM)	Target Price (RM)	Upside to TP (%)
ECW	BUY	1.80	2.10	16.7
GAM	BUY	8.48	9.60	13.2
LAGENDA	BUY	1.34	2.32	73.1
MYEG	BUY	0.84	1.42	69.0
PEKAT	BUY	0.89	1.15	29.2
RGB	BUY	0.37	0.66	78.4
RHBBANK	BUY	6.39	6.80	6.4
TOPG	BUY	1.07	1.31	22.4
VSI	BUY	1.03	1.42	37.9
YNS	BUY	2.70	3.90	44.4

Source: UOB Kay Hian

PORTFOLIO PERFORMANCE

Company	Rec	Oct 24 (%)	To-date* (%)
ECW	BUY	1.1	14.0
GAM	BUY	5.7	37.7
LAGENDA	BUY	(0.7)	6.3
MYEG	BUY	(6.0)	5.7
PEKAT	BUY	(3.7)	(5.7)
RGB	BUY	0.0	29.3
RHBBANK	BUY	3.7	3.1
SIME	BUY	(5.7)	(6.1)
VSI	BUY	(0.4)	9.6
YNS	BUY	0.7	(3.9)
FBMKLCI		(2.9)	

** Share price change since stock was selected as alpha pick*
Source: UOB Kay Hian

PORTFOLIO RETURN

(%)	2023	1Q24	2Q24	3Q24
FBMKLCI Return	-2.7	5.6	3.5	3.7
Alpha Picks Return				
- Price-weighted	-0.9	14.8	4.9	2.2
- Market Cap-weighted	2.4	10.2	7.9	-2.6
- Equal-weighted	2.6	11.7	13.4	-1.3

Assumptions for the 3 methodologies:
1) *Price-weighted: Assuming the same number of shares for each stock, a higher share price will have a higher weighting.*
2) *Market cap-weighted: Weighting is based on the market cap at inception date, a higher market cap will have a higher weighting.*
3) *Equal-weighted: Assuming the same investment amount for each stock, every stock will have the same weighting.*

Source: UOB Kay Hian

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Eco World Development – BUY (Nazira Abdullah)

- **Market leader in Iskandar Malaysia.** Eco World's (ECW) role in Iskandar Malaysia goes beyond just a presence – its developments are seen as a direct proxy to the region's growth story. Since launching Eco Botanic in 2013, ECW has leveraged Iskandar's strategic location, particularly its proximity to Singapore, to cater to cross-border investments and attract both residential and commercial buyers. The company has since expanded with notable projects like Eco Business Parks and Eco Tropics, aligning itself closely with Iskandar's economic transformation. As infrastructure like the Johor Bahru-Singapore RTS Link progresses, ECW's developments are increasingly viewed as beneficiaries, reflecting the potential upside from Iskandar Malaysia's continued growth. Currently, ECW has 1,529 acres of landbank in Iskandar Malaysia (total landbank: 3,426 acres) with GDV of RM13b (total remaining GDV: RM52b). Its landbank in Iskandar Malaysia is strategically located in Kulai and Iskandar Puteri.

- **One of the largest industrial landowners in Iskandar Malaysia.** ECW currently has five business parks - four in Iskandar Malaysia and one in the Klang Valley (total industrial landbank: 1,176 acres; GDV: RM5.8b). In just a decade since its inception, ECW has generated RM31.9b in sales from Malaysian projects, with RM4.4b from business parks (30% of FY23 total sales vs 10% of FY14-19 total sales). Notably, the business parks segment has seen remarkable sales growth since FY20, achieving a four-year CAGR of 68%. In Iskandar Malaysia, we find that ECW's industrial landbank is the largest among developers, with nearly 800 acres remaining and a GDV of at least RM3.6b.

- **Continued expansion and growth.** ECW is well-positioned to further capitalise on Johor's burgeoning industrial sector, aligning with Johor's vision of becoming a regional economic powerhouse like Shenzhen. Malaysia's high level of approved investments, particularly in states like Johor, and the recent launch of the New Industrial Masterplan 2030 (NIMP 2030), focusing on industrial growth and resilience, make it an attractive destination for investors seeking diversification. We anticipate sustained growth in industrial demand, supported by government initiatives/incentives. We think the incentives will encourage foreign companies to participate in the JS-SEZ development. Moreover, we expect prudent measures from the state government to prevent an oversupply in the industrial property market. Our channel checks indicate that all industrial properties launched by developers are sold out, implying robust demand.

- **Taking a QUANTUM leap.** ECW's new industrial revenue pillar QUANTUM is tailored for data centres, digital and high-tech ventures. It offers a perfect environment for data centres and high-tech industries, with strong infrastructure, excellent connectivity and a clean, green setting. QUANTUM aims to attract a wider range of industrialists and service providers in the data centre, digital and high-tech manufacturing sectors. We are positive on ECW's new industrial revenue which exemplifies its dynamic and forward-thinking strategy by capitalising on the vibrant industrial segment, particularly in the burgeoning data centre industry.

- **Maintain BUY with target price of RM2.10.** Our target price is based on a 40% discount to RNAV of RM3.42 and implies 16-20x FY24-26F PE (lower than its 10-year average of 32x; lower than current peers' average of 22x FY24F PE) and 1.2x-1.3x FY24-26F P/B (10-year average: 0.9x). Notably, during the property upcycle back in 2012-14, ECW traded at a premium of 1.6x P/B (+3SD to mean) and 30% discount to its RNAV. We like ECW for its improving balance sheet and ROE, decent dividend yield of 4-5% as well as its leading position in the property sector.

SHARE PRICE CATALYST

- **Event:** Stronger-than-expected earnings (ECW typically surprises on the upside for its 4Q results), more data centre deals for QUANTUM business park, more Johor land acquisition.

- **Timeline:** 2H24-2025.

Gamuda – BUY (Jack Goh)

- **Exceptionally strong construction orderbook guidance going into FY25.** While

KEY EVENTS IN OCT 24

Corporate

- Public Bank acquiring a 44.1% stake in general insurer (LPI Capital) and the controlling Teh family announced plans to pare down stake to 10% over five years
- Gamuda's JV won a RM4.3b main design-and-build contract for the Xizhi Donghu MRT job in Taiwan
- Genting Malaysia said the US$600m lawsuit filed by RAV Bahamas will not materially impact the group's financial records or operations as the complaint is "entirely baseless and without merit"
- Capital A has called off its US1.15b brand management business injection into Nasdaq-listed SPAC Aetherium Acquisition Corp as Aetherium received a delisting notification in June
- RGB says MACC probe into company, MD is completed and resolved
- HeiTech Padu secured the RM892m NIISe contract from the Immigration Department
- MyEG's JV company MYEG Philippines has partnered with the Philippines' National Home Mortgage Finance Corp to integrate its payment system with the state-owned agency

Economics

- Budget 2025: Moderately expansionary on higher current account balance but largely market neutral
- Malaysia's economic growth forecast for 2025 was revised to 4.5-5.5% from 4.8-5.3% previously
- Malaysia's advance estimate for 3Q24 GDP growth came in at 5.3% yoy
- Sep 24 inflation: 1.8% yoy, easing from 1.9% in Aug 24

Others

- MITI said it will help Perodua produce Malaysia's first EV under RM100,000 by end-25 to make EVs more affordable
- The freeze on foreign worker employment quota is to continue, said Home Minister Datuk Seri Saifuddin Nasution Ismail

Source: Media reports

SECTOR PERFORMANCE

	---------- Performance (%) ------	
Sector	Oct	Ytd
Automobile	-6.0	-2.9
Aviation	-2.7	34
Banking	-1.0	17.7
Building Materials	-5.5	1.4
Construction	3.8	76.2
Consumer	-1.1	5.7
Exchange	-5.1	30.7
Gaming	-6.3	-13.4
Glove Manufacturing	11.1	17.2
Healthcare	0.7	21.7
Insurance	0.9	4.4
Manufacturing	3.2	17.1
O&G - Heavy Eng	-3.7	-0.6
O&G - Asset Owners	1.3	-9.7
O&G - Offshore Contractors	-4.5	-4.4
O&G - Shipping	-3.6	3.2
Plantation	0.0	0.6
Port	-1.4	14.3
Property	3.6	66.3
REITs	1.3	16.2
Renewable Energy	-3.7	110.5
Tech - EMS	-2.8	21.7
Tech - Semiconductor	1.3	-10.1
Tech - software	-5.1	0.7
Telecommunications	-7.0	-6.2
Utilities	-3.1	38.6

Source: Bloomberg, UOB Kay Hian

Gamuda's orderbook stands high at RM31.4b currently, management guided for a potential orderbook range of RM30b-35b by end-24 and RM40b-45b by end-25. Management remains optimistic that several domestic and overseas projects will materialise in the upcoming months, which include a bundle of private sector and infrastructure projects.

- **Property development division still cementing group's excellence.** While Gamuda's property division recorded stellar FY24 sales of RM5b (+22% yoy), management remains confident about achieving the new sales target of RM6b in FY25 (+20% yoy), which will be largely augmented by better contributions from local launches and Vietnam's quick turnaround projects.
- **Margin expansion a key catalyst for FY25.** For FY25, Gamuda expects meaningful orderbook growth and construction work recognition from local projects. The current construction revenue from local and overseas project ratio of 86:14 is expected to improve to 70:30 in FY25, which will lift overall group margin (domestic projects entail much higher margins). For the property segment, margins are also likely to trend higher on better launches and take-up rates.
- **Maintain BUY with a target price of RM9.60, which implies an appealing 23.0x FY25F PE (1.5SD above the five-year historical mean of 15x).** Gamuda stands to be the prime beneficiary of the upcoming mega infrastructure projects both locally and regionally. We also like the company for its superior earnings visibility backed by a robust orderbook coupled with progressive new property launches.

SHARE PRICE CATALYST

- Event: Finalisation of more large-scale infrastructure projects such as Penang Mutiara LRT Segment 1.
- Timeline: Finalisation of projects in 2H24-1H25.
- Potential KLCI inclusion in Dec 24 review.

Lagenda Properties – BUY (Nazira Abdullah)

- **One of Malaysia's biggest pure play affordable housing players.** Lagenda stands out in the affordable housing segment by prioritising single-storey landed housing units priced below RM300,000 for the underserved B40 and lower-M40 groups. We estimate that its newly launched housing units make up 40-50% of Malaysia's newly launched landed residential property priced below RM300,000. This commitment to affordability has not hurt profitability, as Lagenda boasts higher margins than its competitors, with an average EBIT margin of 30% (industry average: 21%) and net margin of around 20% (industry average: 13%). The profitability is due to Lagenda's low land costs (land cost-to-GDV ratio: 5-7%), efficient construction methods (industrialised building system), strategic partnerships with contractors, and in-house material sourcing which enables cost optimisation.
- **Positioned to capitalise on untapped demand for affordable houses.** Based on 2023 National Property Information Centre (NAPIC) data, 53% of residential transactions in Malaysia involved affordable housing, with each project having a 95% take-up rate within the first year of launch. With a huge proportion of buyers being public sector employees (who can tap government financing schemes), Lagenda's business model is resilient to economic fluctuations, highlighting the company's profitable and sustainable approach to affordable housing.
- **Lagenda is proactively expanding its presence nationwide to address the affordability challenge,** starting from Perak and extending to Kedah, Pahang, Selangor and Johor. Its largest landbank exposure is in Johor, where it is opportunely placed to capitalise on the state's growth fuelled by economic incentives and infrastructure projects such as the rapid transit system. Lagenda's remaining landbank stands at 5,887 acres (including option land and recent Kedah land acquisition) with remaining GDV of RM15.9b.
- **Maintain BUY with a target price of RM2.32.** Our target price is based on a 30% RNAV discount to estimated RNAV of RM3.31, within its five-year historical average discount as well

as largely in line with peers' current average. Lagenda is a legend in the affordable space segment as it has higher profitability than its competitors, attributed to its advantageous low land costs (with a land cost-to-GDV ratio of 5-7%), efficient construction methods (utilising industrialised building systems), strategic contractor partnerships, and in-house material procurement, facilitating cost optimisation. These factors position Lagenda as the highest ROE performer, yielding 16% among affordable property developers and across our broader developer universe.

- **We believe the recent market reaction to the Malaysian Anti-Corruption Commission (MACC) investigation involving senior personnel of the company has presented a favourable opportunity to consider investing.** Lagenda's fundamental strengths remain intact, with a high dividend yield of 5-7% and a PE of 4-7x for 2024-26. Note that as far as we are aware, the scope of the investigation is limited to specific senior management personnel, and does not involve Lagenda itself. Importantly, Lagenda reiterated that as far as it is aware, the land under investigation does not belong to the company, and its day-to-day business operations continue without disruption. We forecast Lagenda's revenue/earnings to grow at a three-year CAGR of 27%/28% respectively to 2026. This is supported by yearly sales growth of around 15% to RM1.6b by 2026, driven by more launches totalling RM1.9b-2.4b, as well as accelerated progressive billings. Lagenda's sales target of RM1.2b for 2024 (+15% yoy) will be supported by its aggressive 2024 launches amounting to RM2b (2.6x the size of the 2023 launches).

SHARE PRICE CATALYST

- **Event:** Better 2H24 earnings.
- **Timeline:** 2H24 results announcement.

My E.G. Services – BUY (Jack Goh)

- **Zetrix continues to offer deep monetisation potential, …** Zetrix's potential is gaining more clarity with the recent commercial launch of Ztrade's two-way cross-border services with China's customs. The key scope of services includes the issuance and authentication of the certificate of origin, smart contract information verification and blockchain-based digital signing. We expect more Zetrix token sales throughout 2024 as the customs project is commercially launched and starts generating transaction fees and gas fees which are settled with Zetrix tokens.
- **…supported by robust coin sales.** For 2024-25, we are forecasting 4.5m-5.0m Zetrix coin sales at an average price of US$12, which translates into RM200m-220m profit before tax (PBT). There may be upside to our current forecasts if MYEG's exchange-traded fund application in Hong Kong, which includes Zetrix coins, is successful.
- **Earnings accretion from Worldcoin project.** We understand that MYEG has been appointed by Worldcoin to provide infrastructure services and operate the blockchain-enabled iris scanning (US$10 revenue/scan). There is no major capex of software integration required for Worldcoin's iris scanning so the project should be earnings-accretive to MYEG when it starts. To add on, there may also be cooperation on Malaysia and China's national ID available on Zetrix's ecosystem. We conservatively forecast around 100,000 sign-ups in 2024, which will add close to RM5m in revenue to the group.
- **E-government services holding up well.** The official extensions of MYEG's concessions – Jabatan Pengangkutan Jalan (JPJ) (announced) and the immigration department (expected soon) – should provide a level of support for MYEG's core e-government segment in the near to medium term. Recall that the introduction of digital road tax renewal by JPJ did not significantly (around 5% volume reduction) affect MYEG in 1Q23 and immigration service contributions have remained relatively robust. For the latter, the eventual easing backlog of foreign worker matching services (currently still in the tens of thousands) should be offset by the heightened foreign worker renewal income.
- **Maintain BUY and target price of RM1.42,** which implies 16x 2025F PE (-0.5SD below five-year mean).

SHARE PRICE CATALYST

- **Event:** Official rollout of Malaysia National ID and World ID services.
- **Timeline:** Rollout of Malaysia National ID and World ID services in 2H24. 3Q24 results (to be released in the second half of Nov 24) expected to be another record-high quarter.

Pekat Group – BUY (Chong Lee Len)

- **Capitalising on structural growth of solar market.** We believe Pekat's well-founded market competitiveness in the solar market allows it to capitalise on the enormous growth in solar energy demand. Pekat also aims to tap the huge replenishment opportunities arising from the upcoming engineering, procurement, construction and commissioning awards of Corporate Green Power Programme and Large-Scale Solar 5 (LSS5).
- **Building up recurring income assets.** Through its 45%-owned associated company MFP Solar, Pekat is gradually building up a recurring income stream. Pekat has also emerged as one of the asset owners under the corporate green power programme (CGPP), having secured a 29.99MW plant through another subsidiary.
- **M&A-fuelled growth.** The acquisition of switchgear supplier EPE Switchgears may also further propel its growth momentum. We raise our 2025-26 earnings forecasts by 30% and 15% respectively, incorporating the successful acquisition exercise by end-Nov 24.
- **Maintain BUY and target price of RM1.15,** pegged to 2025F mean PE of 25x.

SHARE PRICE CATALYST

- **Event:** Stronger-than-expected earnings growth from main customers, EPE Switchgear acquisition, winning EPCC contracts, winning LSS5 contracts.
- **Timeline:** 4Q24-2025.

RGB International– BUY (Jack Goh)

- **Well-positioned to capture the exponential slot machine growth in ASEAN gaming jurisdictions.** The ASEAN gaming scene, especially in the Philippines, remains highly charged with aggressive gaming capacity expansion and post-pandemic replacement cycle. Hence, RGB is poised to largely benefit from this trend. Note that RGB has >70% market share in the Indochina and the Philippines' slot machines markets.
- **Sequential years of lucrative earnings base in the making; on track for record-high earnings in 2024.** RGB's sales, support and marketing division is poised to deliver sales of about 4,500 slot machines for 2024 (vs 1,500-1,700 units before the COVID-19 pandemic). Meanwhile, the concession-based technical support and management division has been recovering progressively and is set to recover to 80-90% of 2019's profitability levels in 2024. Including RM8m-12m in interest income (5% interest on RM160m-246m net cash) and contributions from the engineering services division, RGB is forecasted to achieve a record-high profit of RM113m in 2024.
- **On cloud nine after securing massive SSM orderbook from PACGOR.** At end-May 24, RGB revealed that the group secured a RM383m (US$81.3m) contract from the Philippine Amusement and Gaming Corporation (PAGCOR) to supply 1,968 electronic gaming machines and accessories. We believe this is to support PACGOR's modernisation programme which includes revamping the gaming floor and rolling out new slot machines ahead of the privatisation of its casino operations. We expect these orderbooks to be fulfilled and translated into RGB's earnings in 2H24, which will pave the way for RGB to deliver meaningful qoq earnings growth in the upcoming quarters.
- **Deep-in-value financial matrixes reaffirm our investment thesis.** Despite a >40% ytd share price rally, RGB's bargain valuation of 6x 2024F PE (4x ex-cash PE) still offers palatable potential capital upside. More importantly, RGB's current net cash of about RM185m (27% of market cap) is more than sufficient to support our forecasted 40% dividend payout

and lush yields of 7-8% in 2024-25. Should management raise the dividend payout ratio to 50%, prospective yields will likely be 8-10%.

- **Maintain BUY and target price of RM0.66,** which implies 9x 2024F PE (pre-pandemic mean), 4x 2024F ex-cash PE, and 4.5x 2024 EV/EBITDA.

SHARE PRICE CATALYST

- **Event: a)** Potential upside to 3Q24 dividends, b) stronger earnings in 2024 backed by its resilient orderbook.
- **Timeline:** The potential dividend upside could feature in its 3Q24 results announcement (in Nov 24). 4Q24 earnings will reflect exceptionally strong growth.

RHB Bank – BUY (Keith Wee)

- **Asset quality has stabilised.** The group's gross impaired loan (GIL) ratio improved to 1.76% in 2Q24 from 1.83% in 1Q24. Management indicated that with the anticipated resolution of several domestic corporate loans in the hospitality sector, the GIL ratio is expected to trend down further in 2H24, potentially reaching around 1.60%.
- **Credit cost trending downwards.** Despite additional general provisions to raise LLC, management remains confident in achieving its 20-25bp net credit cost target for 2024. In 1H24, net credit cost was 30bp, including one-off provisions for several Thai and Singapore impaired loans, which are non-recurring. Excluding these, the normalised net credit cost was 24bp, improving from 25bp in 1Q24 to 23bp in 2Q24. With improving delinquency rates, management expects 2H24 net credit cost to trend towards 20bp.
- **NIM on track to improve.** Disciplined loan and deposit pricing, along with steady growth in retail CASA, is expected to support further NIM improvement. The group recorded a 6bp qoq increase in 2Q24 NIM, reaching 1.89%. Management anticipates 3Q24 NIM to remain stable and has maintained its full-year guidance of 1.88-1.90%, recently raised from 1.80-1.90%. With a 1H24 NIM of 1.86%, the group will need to achieve a NIM of 1.90-1.94% in 2H24 to meet its full-year NIM target of 1.88-1.90%. Key drivers of this recovery include shedding costly corporate deposits, gradually reducing deposit campaign rates and sustaining strong retail CASA growth (1H24: +10.7% yoy).
- **Non-interest income momentum to continue in 2H24.** The group posted a strong 41% yoy growth in non-interest income in 1H24, driven by fee income (+28%), forex gains (+260%), and trading income (+20%). Stronger fee income from increased loan disbursement fees is expected to offset the weaker forex gains. If the group sustains this level of non-interest income generation in 2H24, full-year non-interest income could grow by 20%, vs the current 7% forecast, potentially delivering a 6% earnings upside surprise.
- **Potential capital management.** With a strong CET1 ratio of 16.5%, there is room for potential capital management optimisation. We currently project a 50% full cash dividend payout ratio, which offers a 6% yield and is one of the highest in the sector. Hypothetically, if the group were to increase its payout ratio to 62%, like in 2023 when the dividend reinvestment plan was active, it could result in a highly attractive cash dividend yield of 7.5%
- **Maintain BUY and target price of RM6.80 (0.90x 2025F P/B, 10.0% ROE).** The stock is currently trading at a highly attractive 0.80x P/B, well below the sector average of 1.24x, despite delivering similar ROE. This makes RHB a clear value laggard, with current valuations at -1SD to its historical P/B mean. With asset quality metrics now stabilised and strong pre-provision growth of 13%, we believe the stock is poised to outperform the sector in 2H24, further reinforced by its high beta.

SHARE PRICE CATALYST

- **Event:** a) Stronger-than-expected loans growth, and b) lower-than-expected provisions.
- **Timeline:** 3-6 months.

Top Glove – BUY (Jack Goh)

- **Through the lens of future, not past.** Scoping beyond nine quarters of core losses post-pandemic, TOPG's prospects in FY25-26 remain convincing. Multiple industry operating matrixes such as volume sales, utilisation rate, ASP and margins have all seen sequential quarters of improvement. With recent revised US tariff hikes on China medical gloves, we opine that TOPG will be able to chart meaningful earnings recovery in 2025-26.
- **Latest impacts from US' revised tariffs on China's medical gloves.** With the first phase of revised tariffs commencing early-25, we understand that US distributors will stop importing medical gloves from China manufacturers beginning Nov 24. TOPG has been receiving queries and orders from large-scale US distributors who previously shifted to purchasing from China manufacturers after the COVID-19 pandemic hit. The group also plans to raise the ASP for its US nitrile gloves export by US$1-2/'000 pieces (5-10%) beginning Nov 24, and towards the pre-pandemic level of US$23/'000 pieces in 2025
- **Accelerating sales recovery momentum on restocking cycle.** Note that TOPG's monthly sales volume improved 31% qoq in 4QFY24, pushing its utilisation rate to about 58% in 4QFY24 (3QFY24: 50%). We estimate that the sales volume in Nov-Dec 24 will further improve to >3.5b pieces/month (utilisation rate: c.70%). The anticipated better cost efficiency from higher sales volume and stabilising input costs are forming a base case for TOPG's earnings improvement in sequential quarters.
- **Maintain BUY with target price of RM1.31,** which implies 27x 2025F PE (+0.5SD above mean).

SHARE PRICE CATALYST

- **Event: a)** Earnings turnaround as industry operating matrixes improve following better sales demand and margin expansion, b) implementation of a 25% tariff by the US on China medical gloves beginning 2025.
- **Timeline:** FY25

VS Industry– BUY (Desmond Chong)

- **New Philippines venture to capture lion's share of market.** As part of VSI's customer diversification strategy, the group has incorporated a new subsidiary in the Philippines to take on additional orders from this key customer. Note that the group will rent a 570,000sf factory which is capable of generating up to RM2b of yearly revenue in a blue-sky scenario.
- **On a stronger regional foothold to spearhead growth.** While we are cognisant of the execution risk considering the different market landscapes, we are net positive on VSI's diversification into the Philippines considering: a) stronger orders visibility, b) its vast experience in supporting its key customers' sub-operations, c) favourable export tariffs from the Philippines to the US, d) margin enhancement on the cross-selling of its new capabilities, and e) more job tender wins on multi-site offerings. More so, the adoption of an asset-light model could lead to a lower breakeven point for margin accretion. In terms of upside potential, the factory building size of about 570,000sf is capable of generating revenue of RM2b upon on full utilisation.
- **Eyeing new contracts; discussions still in the infancy stage.** We understand that VSI is still being approached by new MNC customers, with discussions of prospective contracts at the early stages of evaluation.
- **Maintain BUY with a target price of RM1.42** based on 18.5x FY25F PE (on average five-year forward PE).

SHARE PRICE CATALYST

- Event: a) Stronger-than-expected earnings delivery from main customers, and b) new customer acquisition.
- Timeline: 6-9 months.

Yinson – BUY (Kong Ho Meng)

- **Progress of unlocking the true value of its FPSO division (ie Yinson Production).** Bloomberg in early-24 broke the news that Yinson is considering a pre-IPO funding round for its FPSO subsidiary of up to US$1b, before a US IPO plan by 2026. One of its key private equity investors RRJ Capital, which had invested US$0.3b in FPSO Agogo, was said to be planning to invest another US$0.32b in this funding round. This is despite Yinson's renewables and green mobility businesses still being in their infancy stages.
- **Announced RM160m divestment of its OSV business to Icon Offshore.** The divestment is a clear sign that Yinson is repositioning itself as a pure-play FPSO and energy transition global player, although Yinson will still hold an indirect associate stake as the Lim family will be responsible for Icon Offshore's long-term value.
- **Clear signal to the market that the FPSO division is heavily undervalued.** Yinson recently executed many share buybacks, as a signal to the market that its market capitalisation of US$2b is at a hefty discount, relative to our own FPSO valuation of close to US$3b. This was due to: a) its loan base surging to RM16b due to many new capex-heavy FPSO projects, and b) confusing leverage ratios between accounting disclosure (finance lease method) vs operating lease. We believe Yinson is undertaking a voluntary accounting disclosure, emulating SBM Offshore's example, to improve investor transparency
- **Near-term events: First oil of FPSO Atlanta and FPSO Maria Quiteria.** Both Brazil FPSOs were delivered according to schedule and are expected to commence charter by early-25. However, we now understand that FPSO Atlanta's first oil may be pushed back to Dec 24 or 2025. This was likely due to regulatory delays (Brazil's environmental agency IBAMA went on strike since early-24).
- **Maintain BUY with an SOTP-based target price of RM3.90,** which implies 18x FY25F PE, or 10x long-term PE once FPSO Agogo fully contributes to earnings by FY27. We continue to favour the group for its execution, efficient capital management and bold ESG strategy to be a winner in the energy transition. As long as these stand, its balance sheet leverage (ie net debt) will not exceed 5x on peak EBITDA within five years.

SHARE PRICE CATALYST

- Event: a) Timely start-up and divestments of existing projects, b) more value-adding, less capex-heavy projects such as green modifications, and c) faster monetisation of non-O&G projects in the renewables and Greentech space.
- Timeline: 3-9 months.

VALUATIONS

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)	Last Year End	PE 2023 (x)	PE 2024F (x)	PE 2025F (x)	Yield 2024F (%)	ROE 2024F (%)	Market Cap (US$m)	Price/ NTA (x)
EcoWorld Development	ECW MK	BUY	1.80	2.10	23-Oct	19.4	17.0	15.2	3.8	6.5	1211.8	1.0
Gamuda	GAM MK	BUY	8.48	9.60	23-Jul	26.6	20.0	17.4	1.9	10.0	5461.9	1.8
Lagenda Properties	LAGENDA MK	BUY	1.34	2.32	23-Dec	10.0	7.5	6.1	5.7	16.3	256.2	0.8
My EG Services	MYEG MK	BUY	0.84	1.42	23-Dec	12.9	9.9	9.4	3.0	25.9	1501.6	2.2
Pekat Group	PEKAT MK	BUY	0.89	1.15	23-Dec	40.4	34.2	19.0	0.0	18.2	128.8	2.8
RGB International	RGB MK	BUY	0.37	0.66	23-Dec	7.6	5.1	4.7	7.7	36.5	130.8	1.8
RHB Bank	RHBBANK MK	BUY	6.39	6.80	23-Dec	9.1	9.1	8.4	5.9	9.5	6360.1	0.9
Top Glove	TOPG MK	BUY	1.07	1.31	24-Aug	n.a.	24.5	18.5	2.0	7.5	2006.0	1.8
VS Industry	VSI MK	BUY	1.03	1.42	23-Jul	16.3	14.5	12.2	2.1	11.6	925.0	1.7
Yinson	YNS MK	BUY	2.70	3.90	24-Jan	14.8	12.1	9.5	4.0	10.3	1975.6	1.5

Source: UOB Kay Hian