UOBKayHian

Malaysia Daily

Wednesday, 11 October 2023

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KEY HIGHLIGHTS

Sector Update

Plantation – Malaysia Page 2

MPOB Sep 23: Inventory below market estimates due to low CPO production and high domestic usage.

Asian Gems Corporate Highlights

Malaysia Airports Holdings (MAHB MK/BUY/RM7.25/Target: RM8.11) Page 4

Resilient outlook ahead on recovery of passenger traffic and commercial and retail operations. Conclusion of 2024 PSC and the RAB model remain the key catalysts.

UOBKH Highlights

Kerjaya Prospek Group (KPG MK/BUY/RM1.37/Target: RM1.74) Page 7

Bags RM226m job; eighth contract win this year.

TRADERS' CORNER

Page 8

Malaysian Resources Corporation (MRCB MK): Technical BUY

WCT Holdings (WCT MK): Technical BUY

KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,435.17	17.9	1.3
Bursa Emas	10,629.28	120.0	1.1
Ind Product	172.83	2.2	1.3
Finance	16,109.68	222.8	1.4
Consumer	552.81	4.5	0.8
Construction	187.27	2.5	1.3
Properties	865.35	9.1	1.1
Plantations	6,898.78	48.9	0.7

BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	10-Oct-23	% chg
Volume (m units)	3,388	17.8
Value (RMm)	2,023	13.8

By Investor type	(%)	ppt chg
Foreign investors	30.4	(1.4)
Local retail	27.8	(1.6)
Local institution	41.7	2.9

TOP TRADING TURNOVER / GAINERS / LOSERS

Top Trading Turnover	Price (RM)	Chg (%)	5-day ADT (RM'000)
Malayan Banking	8.89	1.0	129,402
CIMB Group	5.55	2.4	96,356
Public Bank	4.13	2.5	68,335
YTL Corp	1.49	4.2	57,737
UEM Sunrise	0.87	8.1	46,265
Top Gainers			
UEM Sunrise	0.87	8.1	46,266
GD Express Carrier	0.20	5.3	425
Hap Seng Consolidated	4.91	4.5	12,879
YTL Corp	1.49	4.2	57,737
Eastern & Orient	0.63	4.2	8,541
Top Losers			
SapuraEnergy	0.05	(9.1)	2,616
Tropicana	1.19	(3.3)	956
Top Glove	0.74	(2.6)	33,722
Hartalega	2.05	(2.4)	11,319
IOI Properties	1.70	(1.7)	17,669

OTHER STATISTICS

	10-Oct-23	chg	% chg
RM/US$	4.73	(0.00)	(0.1)
CPO 3rd mth future (RM/mt)	3,565	(40.0)	(1.1)

Top volume, gainers and losers are based on FBM100 component stocks

SECTOR UPDATE

Plantation – Malaysia

Supply Below Market Estimates But Still Supportive Of Prices

Sep 23 palm oil inventory came in lower than market forecasts, mainly due to CPO production falling short of estimates and high domestic usage despite palm oil exports coming in below estimates. We expect Malaysia's inventory to hover at 2.3m-2.4m tonnes until year-end. Supply, although lower than estimates, would still support CPO prices. Maintain OVERWEIGHT, accumulate on weakness with the upcoming strong earnings.

OVERWEIGHT

(Maintained)

STOCK PICKS

Company	Rec	Share Price (RM)	Target Price (RM)
Hap Seng Plantations	BUY	1.85	2.65
IOI Corporation	BUY	4.04	4.80
KL Kepong	BUY	21.50	25.90
Sime Darby Plantation	BUY	4.31	5.00

Source: UOB Kay Hian

CPO PRICE ASSUMPTIONS (RM/TONNE)

	CPO Price (RM/tonne)
2020	2,686
2021	4,408
2022	5,088
Our Forecast:	
2023F	4,000
2024F	4,200
CPO Price:	
MPOB @ 10/10/2023	3,613
BMD 3rd Month Contract	3,541

Source: UOB Kay Hian

MPOB'S SEP 23 STATISTICS

(m tonne)	Sep 23	mom % chg	yoy % chg	3Q23	qoq % chg	yoy % chg	9M23	yoy % chg
CPO Production	1.83	4.3	3.3	5.19	24.8	2.4	13.27	(0.5)
Palm Oil Stocks	2.31	9.6	(0.1)	2.31	34.8	(0.1)	2.31	(0.1)
Palm Oil Domestic Use	0.48	80.8	84.4	1.09	4.6	41.0	3.06	35.1
Palm Oil Exports	1.20	(2.1)	(15.8)	3.77	13.0	(6.7)	10.86	(3.4)
Oleochemical	0.24	11.7	19.0	0.72	8.5	7.4	2.09	2.1
Biodiesel	0.03	19.2	(23.7)	0.07	113.5	(6.2)	0.16	(37.9)
Palm Oil Imports	0.05	(55.7)	(62.9)	0.26	1.6	(35.5)	0.77	(14.6)
CPO Price (RM/tonne)	3,727.0	(2.0)	(0.3)	3,809.7	(0.9)	(4.5)	3,884.1	(29.8)

Source: MPOB, UOB Kay Hian

WHAT'S NEW

- Malaysia's palm oil inventory for Sep 23 came in at 2.31m tonnes, lower than market forecast of 2.38m-2.41m tonnes. This was mainly due to lower-than-expected production and significant increase in local consumption in Sep 23, despite exports coming in below market expectation.
- Some of the key highlights are:

a) **Inventory: Lower than market expectation**, mainly due to lower-than-market-expectation CPO production in Sep 23 despite exports coming in below market forecast. Interestingly, local domestic consumption was at a record high at 0.48m tonnes, increasing by 81% mom and 84% yoy in Sep 23.

b) **Production: Lower than market expectation.** Despite the CPO production increasing mom and yoy in Sep 23, it only jumped 4% mom to 1.83m tonnes. Even though this is lower than market estimates, it is within our in-house forecast where we mentioned in our previous note that we only expect a marginal increase in Sep 23 as we forecast production to remain strong in the first half of September as earlier rainfall induces FFB ripening; however, the upcoming drier weather would affect the FFB yield moving forward.

c) **Exports: Weaker than expected.** Sep 23 Malaysia palm oil export dropped mom and yoy in Sep 23 as destination markets stocked up comfortably and domestic demand in China is also slowing down.

d) **Record-high domestic consumption.** We attribute the high domestic consumption to better biodiesel uptake in more favourable biodiesel prices now vs diesel. In addition, the market has also been talking about the rationing of subsidies for cooking oil and hence there could be some upfront CPO purchased by some of the cooking oil producers who get government subsidies ahead of Budget 2024.

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PEER COMPARISON

Company	Ticker	Rec	Share Price 10 Oct 23 (RM)	Target Price (RM)	Market Cap (US$m)	PE 2022 (x)	PE 2023F (x)	PE 2024F (x)	ROE (%)	P/B (x)	2023F Div (sen)	Div Yield (%)
Hap Seng Plantations	HAPL MK	BUY	1.85	2.65	316	7.0	11.9	8.5	11.0	0.8	9.3	5.0
IOI Corporation	IOI MK	BUY	4.04	4.80	5,358	15.8	16.7	15.4	10.0	2.2	12.6	3.1
Kuala Lumpur Kepong	KLK MK	BUY	21.50	25.90	4,956	10.7	15.8	13.4	16.6	1.6	68.0	3.2
Sime Darby Plantation	SDPL MK	BUY	4.31	5.00	6,372	14.3	25.3	14.6	13.8	1.5	10.2	2.4
Genting Plantations	GENP MK	HOLD	5.20	6.40	997	9.9	15.0	13.8	9.1	0.9	15.2	2.9
Kim Loong Resources	KIML MK	HOLD	1.81	1.95	376	9.6	9.9	9.4	19.7	2.0	15.5	8.6
Sarawak Oil Palms	SOP MK	HOLD	2.56	3.00	488	4.7	7.4	5.9	15.7	0.7	13.9	5.4

Source: UOB Kay Hian

ACTION

- **Maintain OVERWEIGHT.** The recent weakness in CPO prices was largely due to the pressure from sunflower oil (SFO) as SFO sellers are undercutting prices to get more market share. We maintain our view that CPO prices would trade at the range of RM3,800-4,200/tonne given the upcoming lower-than-market forecast supply. We recommend investors to accumulate upstream plantation players with strong production growth. We expect CPO prices to trend higher with CPO production to be lower than market forecast due to El Nino disruption, as well as strong earnings recovery in 2H23. Thus, we recommend investors to accumulate plantation stocks. Top picks: Hap Seng Plantations and IOI Corporation. Trading BUY: Sime Darby Plantation, Kuala Lumpur Kepong.

ESSENTIALS

- **Oct 23 outlook:**

  a) **Production: Flat or drop mom.** We reckon that the production in 4Q23 would start to decline slowly mom as it has already peaked. On top of that, we reckon that the recent haze would affect the oil extraction rate in the near term due to the lack of sunlight for photosynthesis.

  b) **Exports: Lower or flat mom,** mainly due to weaker demand from China and Malaysia palm oil exports losing market share to Indonesia. Having said that, we observed that the price discount between Indonesia and Malaysia pricing is narrowing, ranging at only US$0-5/tonne. This is likely due to Indonesia's lower-than-expected production as compared with Malaysia.

  c) **End-stock: Higher mom.** We expect the inventory level to increase to 2.3m-2.4m tonnes, which may be bearish for the immediate term. Having said that, Indonesia's potentially lower-than-market expectation palm oil supply and inventory may continue to support the global palm oil prices.

SECTOR CATALYSTS

- **2H23 earnings to be stronger hoh.** Based on most of the plantation companies under our coverage, 1H23 earnings only account for about 30% of our full-year estimate. We reckon that 2H23 earnings would come in strongly with margin expansion mainly from the softer fertiliser prices as well as lower fertiliser application (most of the companies had applied more fertiliser in 1H23).

- **Watch out for rising crude oil prices.** The recent increase in crude oil prices may trigger non-mandated biodiesel blending as vegoil prices corrected lately. Palm oil – gasoil oil (POGO) price spread has narrowed with palm oil now at a discount of US$143/tonne to gasoil after both prices diverged recently.

- **Ample SFO in the market.** Recent weeks have seen a notable oversupply and price pressure in the SFO market, negatively impacting the vegetable oil market. The global market is grappling with an excess of SFO, primarily from Russia, Ukraine, and certain EU countries in recent months. Indian SFO imports remained significantly higher than the previous year's levels in September, leading to unusually high stockpiles. Conversely, Indian palm oil imports experienced a sharp decline both on a monthly and yearly basis in response to the substantial build-up of palm oil inventories in preceding months.

ASSUMPTION CHANGES

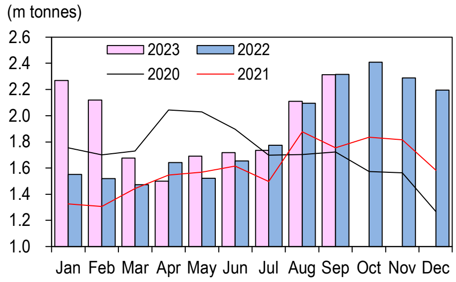
- **No changes to CPO ASP assumptions.** We maintain our CPO price assumption at RM4,000/tonne and RM4,200/tonne for 2023 and 2024 respectively.

CPO PRODUCTION BY REGION

(m tonne)	Sep 23	mom % chg	yoy % chg	9M23	yoy % chg
CPO Production	**0.97**	**3.3**	**1.6**	**7.00**	**(6.2)**
Peninsular Malaysia	0.42	8.3	2.5	3.25	8.2
Sabah	0.44	3.1	8.3	3.03	5.3
Sarawak	0.97	3.3	1.6	7.00	(6.2)

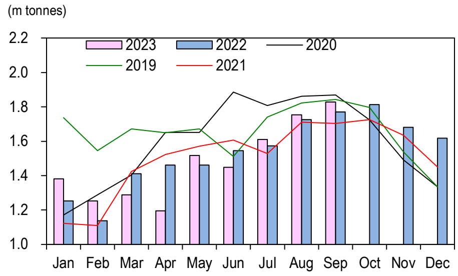
Source: MPOB

INVENTORY LEVEL REMAINED HIGH (SEP 23)



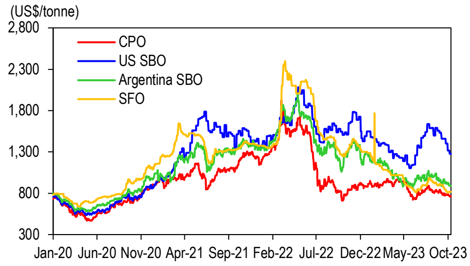
Source: MPOB

STRONG PRODUCTION (SEP 23)



Source: MPOB

SUNFLOWER OIL PRICE WEAKENING



Source: Bloomberg

ASIAN GEMS CORPORATE HIGHLIGHTS

Malaysia Airports Holdings (MAHB MK)

To Conclude 2023 On An Upbeat Note

The outlook remains resilient as MAHB rides on the recovery of passenger traffic and the improving commercial and retail operations. The upcoming expansions in Subang and Penang are expected to gain traction pending the government's approval. The finalisation of the revision in 2024 airport charges and the regulated asset base model remains the key re-rating catalyst. Maintain BUY. Target price: RM8.11.

WHAT'S NEW

- **Riding on higher airlines' seat capacity.** Malaysia Airports Holdings **(**MAHB) is leveraging on the increase in airlines' seat capacity to drive the recovery in passenger throughput in Malaysia. Having said that, the weekly international seat capacity has reached 81.2% recovery compared with Aug 19 levels, which would help bring in more international passengers. Meanwhile, management highlighted that a total of 67 airlines are operating at its airports in Malaysia (which represents 91% of 2019 levels). The group envisions the number of airlines operating at its airports to increase to 80 (108% of 2019 level) in 2024-25, which suggests an accelerating recovery of passenger counts is underway.
- **Revamping commercial and retail business.** The group is also banking on its ongoing commercial reset strategy to grow its non-aeronautical portfolio and tap into the resumption of commercial activities at its airports. Recall that the Commercial Reset strategy, which started back in 2018, aims to raise the retail profile of its commercial and retail assets via various initiatives including additions of more attractive brands and optimisation of floor areas. An immediate target for this segment would be to achieve 85% operational occupancy for its commercial and retail spaces across Malaysia by end-23. Note that as of end-Jun 23, the operational occupancy rate of its commercial and retail spaces stood at only 64%, compared with slightly below 90% back in 2019.
- **Optimistic on the revisions of PSCs and the third consultation paper.** Despite the rumours of a potential delay in the upcoming review of 2024 passenger service charge (PSC) due to the absence of the proposal by MAVCOM, management assured that MAHB's earnings outlook remains unaffected. **A**s stated in the operating agreement, the benchmark PSCs will be revised upward by inflation rates every five years with the upcoming revision scheduled for Feb 24. Thus, even in the event of further delay in MAVCOM's proposal to raise PSCs, MAHB will still be able to book higher earnings from 2024 onwards on higher government compensation to make up for the widened differential in benchmark and gazetted PSCs. Meanwhile, the third consultation paper on the regulated asset base model is expected to be published in Oct/Nov 23.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	1,673	3,127	4,879	5,568	6,121
EBITDA	133	903	2,066	2,513	2,808
Operating profit	(464)	265	1,233	1,506	1,736
Net profit (rep./act.)	(767)	187	441	725	965
Net profit (adj.)	(791)	163	417	701	941
EPS (sen)	(47.7)	9.9	25.1	42.3	56.7
PE (x)	n.m.	73.6	28.9	17.2	12.8
P/B (x)	2.3	2.2	2.1	1.8	1.6
EV/EBITDA (x)	115.5	17.0	7.4	6.1	5.5
Dividend yield (%)	0.0	0.5	1.9	2.3	3.1
Net margin (%)	(45.8)	6.0	9.0	13.0	15.8
Net debt/(cash) to equity (%)	59.6	51.5	48.0	31.8	18.7
Interest cover (x)	0.2	8.3	2.8	3.8	4.7
ROE (%)	n.a.	3.0	6.6	10.1	12.0
Consensus net profit	-	-	431	740	848
UOBKH/Consensus (x)	-	-	0.97	0.95	1.11

n.m. : not meaningful; negative PE, EV/EBITDA reflected as "n.m."
Source: Malaysia Airports Holdings, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM7.25
Target Price	RM8.11
Upside	+11.8%

COMPANY DESCRIPTION

Airport operator with exposure in Malaysia and the Middle East.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	MAHB MK
Shares issued (m):	1,668.6
Market cap (RMm):	12,097.0
Market cap (US$m):	2,558.4
3-mth avg daily t'over (US$m):	4.9

Price Performance (%)

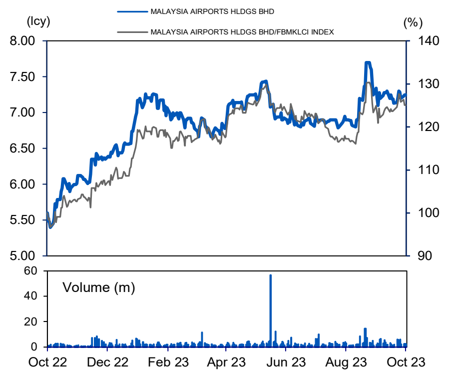
52-week high/low RM7.70/RM5.40

1mth	3mth	6mth	1yr	YTD
0.0	6.5	6.9	27.2	10.5

Major Shareholders	%
Khazanah Nasional Bhd	36.7
Kumpulan Wang Simpanan Perkerja	11.3
Skim Amanah Saham Bumiputera	7.9

FY23 NAV/Share (RM)	3.52
FY23 Net Debt/Share (RM)	1.98

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Capacity expansions in the pipeline to drive future growth. T**he group also has a number of future capex investments in the pipeline including the track transit system and baggage handling system. The two projects, which are expected to collectively cost about RM1.5b, would be completed by end-25. In addition, the group is targeting to commence another two sizeable expansion projects soon, namely the upcoming expansion of Subang Airport from 1.5 million passengers per annum (mppa) to 8.0 mppa under the Subang Airport Regeneration Plan (SARP) and the expansion of Penang International Airport from 6.5mppa to 12mppa.

  While further assessments and approvals from the government are required in order to officially kick off these expansion projects, management remains confident that it will be carried out eventually given the constrained capacity of the two airports which has caused severe congestion in the past. We also note that the group will first carry out an interim expansion of Subang Airport (which requires insignificant capex as per management guidance) by end-23 to increase the airport's capacity to 3.0 mppa. This paves the path for the second phase of capacity expansions to 8.0 mppa in the next few years as soon as the government grants approval for the SARP.

- **Traffic continued to improve in Aug 23.** Meanwhile, traffic stats for Aug 23 continue to demonstrate resilient performance as the group rides on the imminent recovery of air travel demand. Traffic in Malaysia improved significantly by 52.8% yoy to 7.4m passengers in Aug 23, reaching 82.7% of Aug 19 levels, boosted by school holidays and the increase in airlines' seat capacity. Note that in 8M23, the recovery rates for domestic and international passengers were 85% and 69% respectively as compared with 8M19. This is fairly in line with our earlier projections that full-year 2023 domestic and international traffic volume in Malaysia will recover to 87% and 76% of 2019's volume respectively.

- **Multiple traffic catalysts for ISG.** On the other hand, Sabiha Gokcen International's (ISG) traffic remains robust, having seen passenger throughput improve by 21.4% yoy to 3.8m pax in Aug 23 (110% of Aug 19). Its 8M23 traffic also improved by 23.5% yoy to 24.7m pax, surpassing 8M19 levels by 5.0%. We expect ISG to continue to benefit from a brighter operating environment in Turkiye, backed by: a) the continued depreciation of the Turkish Lira (down by ~31% ytd) which leads to cheaper costs of travelling to Turkiye, as well as b) the airport's widened network to European countries. Also note that a majority (more than 90%) of ISG's revenue and debts are denominated in Euro instead of Turkish Lira, thus mitigating the negative impacts of the weaker local currency.

- **Compelling valuation that offers palatable upsides.** MAHB's earnings are set to grow further in 2023 boosted by stronger passenger traffic in both Malaysia and Turkiye. Furthermore, MAHB is currently trading at a compelling valuation of 6x 2024 EV/EBITDA, well below its pre-pandemic five-year mean of 10x EV/EBITDA.

EARNINGS REVISION/RISK

- We keep our forecasts unchanged.

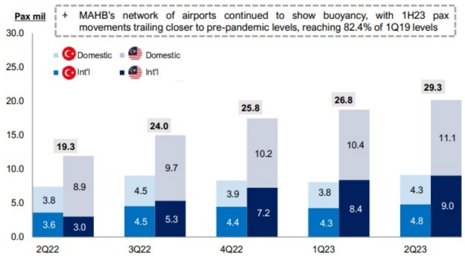
VALUATION/RECOMMENDATION

- **Maintain BUY with an unchanged target price of RM8.11.** We value MAHB's Malaysian operations at 10.8x 2024 EBITDA (mean) and ISG operations with the DCF methodology. We prefer MAHB as it is the direct proxy to the recovery in the aviation sector that is en route to see a strong rebound in earnings in the upcoming quarters, backed by solid passenger throughput performance.

VALUATION/RECOMMENDATION

• **Environmental**
- Installation of solar PV systems which can generate >12,000MWh of energy per year, translating into a reduction of 8,700 tonnes of CO2 emissions yearly.
• **Social**
- Zero retrenchments or salary cuts in 2020-21 despite being badly hit by COVID-19.
• **Governance**
- Comprehended and applied Malaysian Code on Corporate Governance.

PASSENGER MOVEMENT SNAPSHOT



Source: MAHB

PAX TRAFFIC ASSUMPTIONS

Malaysia	--- Pax Traffic Assumption (as a % of 2019) --- 2019	2022	2023F	2024F	2025F
International	53,287	31%	76%	86%	94%
Domestic	51.977	70%	87%	96%	100%

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EBITDA BREAKDOWN BY SEGMENTS

	2022	2023F	2024F	2025F
Malaysia	245	835	1,165	1,453
ISGA	941	1,232	1,348	1,356
Total	**1,186**	**2,066**	**2,513**	**2,808**

Source: UOB Kay Hian

MAHB'S CURRENT PSC RATE

PSC for Malaysia	Benchmark (RM/pax)	Gazetted Rates (RM/pax)
International (Non-ASEAN)		
KLIA & other airports	80.00	73.00
klia2	40.00	73.00
International (ASEAN)		
KLIA & other airports	80.00	35.00
klia2	40.00	35.00
BIMP-EAGA, IMT-GT & Secondary *(Note 1)*	32.00	35.00
Domestic		
KLIA & other airports	11.00	11.00
Klia2	8.00	11.00

Source: MAHB

MAHB'S SOTP VALUATION

(RMm)	2024
Malaysian Operations EBITDA	1,321
EV/EBITDA (x)	10.8
Enterprise Value	14,263
Net Debt	(3,005)
ISG Fair value	1,845
(WACC: 9.0%)	
Est. Incremental Value from Aeropolis	348
Equity Value	13,452
No. of Shares (m)	1,659
Equity Value (RM)	8.11

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	**3,127**	**4,879**	**5,568**	**6,121**
EBITDA	903	2,066	2,513	2,808
Deprec. & amort.	638	834	1,006	1,072
EBIT	265	1,233	1,506	1,736
Total other non-operating income	n.a.	n.a.	n.a.	n.a.
Associate contributions	29	36	45	57
Net interest income/(expense)	(109)	(725)	(657)	(602)
Pre-tax profit	**185**	**544**	**895**	**1,191**
Tax	3	(103)	(170)	(226)
Minorities	0	0	0	0
Net profit	**187**	**441**	**725**	**965**
Net profit (adj.)	163	417	701	941

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	550	505	540	579
Other LT assets	16,315	15,415	15,580	15,578
Cash/ST investment	1,530	1,311	1,948	2,513
Other current assets	1,055	1,092	1,183	1,406
Total assets	**19,450**	**18,510**	**18,955**	**20,560**
ST debt	697	697	697	697
Other current liabilities	2,160	1,518	1,725	1,997
LT debt	4,144	3,897	3,650	3,404
Other LT liabilities	5,022	4,555	4,338	4,976
Shareholders' equity	6,429	6,845	7,546	8,487
Minority interest	0	0	0	0
Total liabilities & equity	**19,450**	**18,510**	**18,955**	**20,560**

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	**1,040**	**1,573**	**2,556**	**2,597**
Pre-tax profit	185	544	895	1,191
Tax	(46)	148	89	(44)
Deprec. & amort.	836	834	1,006	1,072
Working capital changes	(67)	(679)	(91)	(223)
Other operating cashflows	132	725	657	602
Investing	**239**	**(180)**	**(200)**	**(221)**
Capex (growth)	(140)	(180)	(200)	(221)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	378	0	0	0
Financing	**(1,360)**	**(1,611)**	**(1,719)**	**(1,813)**
Dividend payments	0	(232)	(280)	(376)
Issue of shares	0	0	0	0
Proceeds from borrowings	1,273	0	0	0
Loan repayment	(1,757)	(247)	(247)	(246)
Others/interest paid	(876)	(1,133)	(1,192)	(1,191)
Net cash inflow (outflow)	**(82)**	**(219)**	**637**	**563**
Beginning cash & cash equivalent	**1,583**	**1,530**	**1,311**	**1,948**
Changes due to forex impact	28	0	0	2
Ending cash & cash equivalent	**1,530**	**1,311**	**1,948**	**2,513**

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	28.9	42.4	45.1	45.9
Pre-tax margin	5.9	11.1	16.1	19.5
Net margin	6.0	9.0	13.0	15.8
ROA	0.9	2.3	3.9	4.9
ROE	3.0	6.6	10.1	12.0
Growth				
Turnover	86.9	56.0	14.1	9.9
EBITDA	578.1	128.8	21.6	11.8
Pre-tax profit	n.a.	194.6	64.5	33.1
Net profit	n.a.	135.3	64.5	33.1
Net profit (adj.)	n.a.	155.0	68.2	34.2
EPS	n.a.	155.0	68.2	34.2
Leverage				
Debt to total capital	39.5	36.9	33.7	30.2
Debt to equity	90.8	81.7	70.8	60.1
Net debt/(cash) to equity	51.5	48.0	31.8	18.7
Interest cover (x)	8.3	2.8	3.8	4.7

UOBKH HIGHLIGHTS

Kerjaya Prospek Group (KPG MK/BUY/RM1.37/Target: RM1.74)

Bags RM226m Job; Eighth Contract Win This Year

WHAT'S NEW

- Kerjaya Prospek Group (KPG) announced that its wholly-owned subsidiary Kerjaya Prospek (M) has on 9 Oct 23 accepted a letter of award worth RM226m from Aspen Vision City Sdn Bhd. The contract is for the design and construction of a proposed development of two blocks of apartments comprising 37 storeys each, housing a total 980 residential units and a seven-storey podium consisting of carparks, community recreational facilities and shop lots located at Seberang Perai Selatan, Penang.
- The construction work for the project is expected to commence on 27 Oct 23 for a duration of 42 months.

COMMENTS

- **Exceeded our orderbook replenishment assumptions again.** This project represents the group's eighth contract win for 2023, bringing its total orderbook replenishment rate to RM1.5b ytd. This also comes in slightly higher than our orderbook replenishment assumptions of RM1.5b for full-year 2023. Based on an EBIT margin assumption of 10-11%, this project is anticipated to potentially contribute a total of RM23m-25m in additional profit over the next 42 months. Given the better-than-expected contract flows, we lift our FY23 orderbook replenishment assumptions to RM1.8b per annum which is on par with 2022 levels. Note that we maintain our replenishment assumptions of RM1.4b for 2024-25 premised on a conservative view on the private job flows amid long-lasting property overhang issues.
- **Positive outlook ahead.** Overall, we are positive on the contract win as it bodes well for KPG's track record, further solidifying its prospects for future tenders. This also boosted the group's outstanding orderbook to around RM5.0b, which translates to a commendable cover ratio of 4.5x of 2022 revenue. Meanwhile, KPG's current tender book remains promising at RM1.5b-2.0b, mainly consisting of residential property projects in Kuala Lumpur, Selangor and Penang. We also note that two projects within the tender book will be coming from related party E&O's Andaman Island development worth around RM400m each, for which the chances of winning are rather high given its proven track record of securing projects from the Penang-based developer in the past.

EARNINGS REVISION

- **Raise FY24/25 earnings by 5%/6%**, mainly to factor in the higher orderbook replenishment for 2023. However, note that we expect the new contract to make meaningful earnings contributions from 2024 onwards.

VALUATION/RECOMMENDATION

- **Maintain BUY with a higher SOTP-based target price of RM1.74 (from RM1.71 previously).** Our target price implies a 14x 2024F PE which is at parity to its five-year historical mean. KPG stands ahead of its peers given its lower dependence on government jobs, its ability to bag private sector projects and steady internal job flows. This ensures its earnings visibility in the long term amid slower infrastructure job flows. KPG also offers a decent dividend yield of 4-5%, underpinned by: a) superior margin of 10-11%, b) sustainable orderbook ratio of 4x of its 2022 revenue, and c) sturdy balance sheet with a net cash position of RM204m or 16 sen/share as of end-2Q23.

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TRADERS' CORNER

Source: UOBKH ChartGenie

Malaysian Resources Corporation (MRCB MK)

Technical BUY with +39.8% potential return

Last price: RM0.465

Target price: RM0.51, RM0.65

Support: RM0.425

Stop-loss: RM0.42

BUY with a target price of RM0.65 and stop-loss at RM0.42. Based on the daily chart, MRCB saw its share price recover gradually and move above the 7- and 21-day EMAs following yesterday's spike to close higher at RM0.465. This is supported by an uptick in the RSI and a bullish crossover in the DMI, indicating that positive momentum would strengthen in the near term. We peg our targets at RM0.51 and RM0.65 in the near term.

Expected timeframe: Two weeks to two months.

Note: Not available for CFD Trading

Source: UOBKH ChartGenie

WCT Holdings (WCT MK)

Technical BUY with +33.6% potential return

Last price: RM0.565

Target price: RM0.675, RM0.755

Support: RM0.525

Stop-loss: RM0.52

BUY with a target price of RM0.755 and stop-loss at RM0.52. Based on the daily chart, WCT penetrated above BBI line yesterday to close higher at RM0.565. The uptick in the RSI and the increase in trading volume suggest that buying momentum is set to continue in the near term. This bullish momentum is also supported by the bullish crossover in the DMI indicators. We expect the stock to continue trending up towards the previous high of RM0.755 in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

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