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Review of Recommended Stocks

2023 proved to be a challenging year for Malaysian equities with some sectors seeing strong positive sentiment while others have yet to see a revival. The stocks recommended by PCM in 2021, 2022 and 2023 showed average returns of -1.1%, -3.5% and +8.3%, respectively, as compared with the FBMKLCI's loss of 2.7% in 2023.

Among the 39 stocks recommended over the past three years, 19 stocks had outperformed the local bourse and the stock picks that garnered prominent performance were Synergy, KGB and Gtronics as each of these stocks had achieved a return of more than 40%. The list below shows the top three best and worst performers among the stock picks in their respective year with its corresponding return in 2023.

Top 3 Best Performers in 2023 (From the List of Stocks Recommended in the Year of)					
2023	***% change***	**2022**	***% change***	**2021**	***% change***
Synergy	84.4	KGB	48.3	Gtronics	41.7
Sunway	28.9	FocusP	20.3	BAuto	12.4
HLInd	9.4	Swift	11.2	Airport	12.2

On the other hand, there were also underperforming stocks that dragged down the average return. The underperformers came from various industries that include technology, consumer cyclicals and staples, oil & gas and healthcare. The stocks that did not fare well are as below:

Top 3 Stocks that Underperformed					
2023	***% change***	**2022**	***% change***	**2021**	***% change***
DXN	-10.2	InNature	-40.5	SKP	-53.3
Carlsberg	-10.2	Coastal	-34.5	Mflour	-23.2
Infotec	-5.0	Optimax	-23.8	Dpharma	-20.3

It was a year of ecstatic highs and downcast lows for most regional markets as various key news ranging from 1) widespread adoption and rally surrounding generative AI, 2) efforts across regions to revitalise equity markets (ie. Japan, China), 3) increasing expectations of a soft landing in US and 4) re-escalation of Palestine-Israel tensions; braced the headlines for most of the year. Despite bullish news on certain sectors, most regional indices ended the year in negative territory (see ***Exhibit 1***). On the local front, our local bourse also faced selling pressure as the sectors which dominate our index such as banking and consumer stocks were hit hardest on negative consumer sentiment and heavy scepticism on Malaysia structural reforms. On the flipside, key initiatives such as the NIMP and the NETR underpin Malaysia's growth plan moving forward and sets an exciting blueprint to stir up investor interest while unveiling of new taxes (capital gains, luxury goods, etc) and the long-anticipated subsidy rationalisation (especially fuel) will be the crux of our government's execution in the near term.

Exhibit 1: FBMKLCI Index & Regional Peers Performance (Jan – Dec 23)

Country	Performance chg (%)
Thailand	(15.2)
Hong Kong	(13.8)
China - Shanghai & Shenzhen	(11.4)
Malaysia	(2.7)
Philippines	(1.8)
Singapore	(0.3)
Indonesia	6.2
South Korea	18.7
Japan	28.2

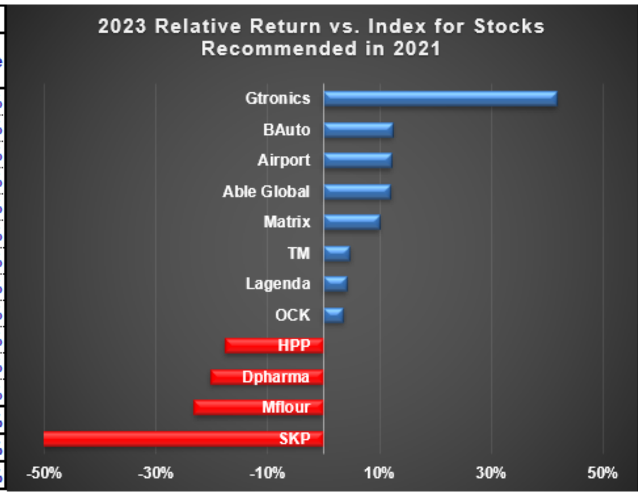
Source: Bloomberg, PCM Dec 2023

As usual, we have reviewed the stocks that we recommended and hereby provide an update to investors on the changes to our recommendations. As a review exercise to refresh our recommendations, we will drop all of the stocks that we have recommended for more than 2 years i.e. in 2021 to ease our monitoring.

Table A shows the 12 stocks we recommended in 2021 *(Note: cost adjusted for dividend, bonus and rights issues)*.

Table A - List of Stocks Recommended in 2021

No	Stock Name	Date Recommended	Price (RM)		% Change
			30-Dec-22	29-Dec-23	
1	BAuto	8-Mar-21	2.10	2.36	12.4%
2	HPP	9-Apr-21	0.425	0.350	-17.6%
3	SKP	4-Jun-21	1.69	0.790	-53.3%
4	Lagenda	21-Jun-21	1.19	1.24	4.2%
5	Gtronics	29-Jun-21	1.15	1.63	41.7%
6	MAHB	27-Aug-21	6.55	7.35	12.2%
7	Dpharma	24-Sep-21	1.58	1.26	-20.3%
8	Able Global	27-Oct-21	1.33	1.49	12.0%
9	Matrix	29-Nov-21	1.49	1.64	10.1%
10	TM	29-Nov-21	5.30	5.55	4.7%
11	Mflour	28-Dec-21	0.820	0.630	-23.2%
12	OCK	29-Dec-21	0.415	0.430	3.6%
				Simple Average Return:	-1.1%
				FBMKLCI:	-2.7%
				Outperformed Index by:	1.6%



Eight of the recommended stocks in 2021 outperformed the FBMKLCI (KLCI) index in 2023 and managed to lift the overall performance with a simple average loss of -1.1%, outstripping the said index by 1.6%.

Of the 10 stocks that we recommended since 2021, 5 stocks ended green, namely Gtronics (+41.7%), BAuto (+12.4%), Airport (+12.2%), Able Global (+12.0%), Matrix (+10.1%), TM (4.7%), Lagenda (+4.2%) and OCK (+3.6). Gtronics was the clear winner as new launches of flagship smartphones underpinned the recovery in sensor demand. BAuto raises sales guidance, boosting investor confidence amidst concerns of market saturation. Airport was supported by a strong recovery in tourist arrivals as well as relaxation of China & India visa requirements. Able Global also charted strong performance on the back of a recovery in customer orders and raw milk price decline. Robust order book and attractive yields supported Matrix share price and overcoming construction hiccups. TM also managed to clear its downward repricing overhang and exhibited a clear plan to maintain ARPU. Lagenda rose slightly, owing to investor dissatisfaction with its recent acquisition of an office building. OCK also showed some enthusiasm as it issued new sukuk to refinance its US dollar-denominated loans.

On the flipside, SKP (-53.3%) was the biggest loser, followed by Mflour (-23.2%), Dpharma (-20.3%) and HPP (-17.6%). The dismal performance by SKP was mainly due to push back of orders from its main customer on account of subdued global demand. Despite Mflour's disappointing year, it reported improved volume and margins for flour and poultry segments post-depletion of its high-cost inventory. Dpharma however remains troubled by rising cost pressures, expiry of government contracts and overstocking which dampened sentiment. HPP also struggled in the past year as subdued E&E demand resulted in a slow recovery for customer orders.

Table B lists 15 stocks we recommended from 2022 *(Note: cost adjusted for dividend, bonus and rights issues)*.

Table B - List of Stocks Recommended in 2022					
No	Stock Name	Date Recommended	Price (RM)		% Change
			30-Dec-22	29-Dec-23	
1	MFCB	25-Feb-22	3.36	3.70	10.1%
2	CTOS	30-Mar-22	1.43	1.41	-1.4%
3	TGuan	31-Mar-22	2.37	1.88	-20.7%
4	Bumi Armada	29-Apr-22	0.500	0.500	0.0%
5	Optimax	13-May-22	0.820	0.625	-23.8%
6	InNature	8-Jun-22	0.605	0.360	-40.5%
7	Swift	23-Aug-22	0.490	0.545	11.2%
8	Vitrox	26-Aug-22	7.59	7.31	-3.7%
9	Kawan	26-Sep-22	2.14	1.81	-15.4%
10	MPI	30-Sep-22	30.56	28.10	-8.0%
11	Lagenda	28-Oct-22	1.19	1.24	4.2%
12	Coastal	31-Oct-22	2.55	1.67	-34.5%
13	Yinson	7-Dec-22	2.45	2.50	2.0%
14	KGB	20-Dec-22	1.47	2.18	48.3%
15	FocusP	30-Dec-22	0.590	0.710	20.3%
				Simple Average Return:	-3.5%
				FBMKLCI:	-2.7%
				Underperformed Index by:	-0.7%

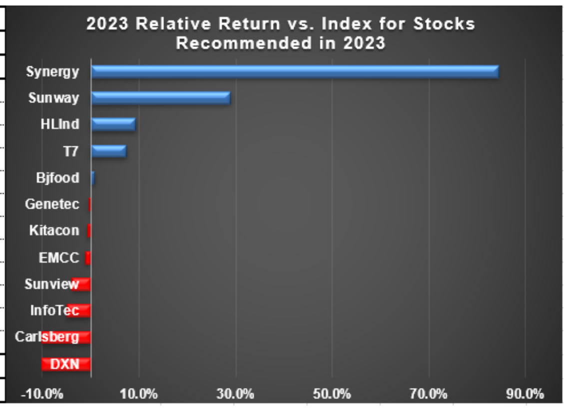
More than half of the stocks recommended in 2022 outperformed the benchmark however, in total was brought down by the consumer sector, as our stock picks underperformed the KLCI index by -0.7% by registering an average loss of -3.5% as compared with the index loss of -2.7%.

Out of the 15 stocks recommended, 6 showed positive gains. The outperformers were KGB (+48.3%), FocusP (+20.3%), Swift (+11.2%), MFCB (+10.1%), Lagenda (+4.2%) and Yinson (+2.0%) while Bumi Armada remained unchanged. KGB soared as it stands on a solid orderbook of RM1.5bn and net margin improvement to 6-8% from 4-5%. FocusP also did well on the back of strong earnings from optical segment with more corporate clients. Swift showed strong performance although we believe the rally is overdone on gloomy global trade outlook. MFCB was a winner this past year as they will benefit from NETR whilst also charting 3 consecutive QoQ margin improvements. Yinson slightly gained, dragged by smaller earnings in FPSO segment underpinned by tight orderbook replenishment while Bumi Armada remains unchanged as sentiment was undermined by lower utilization and higher maintenance costs of its Kraken FPSO.

Meanwhile, InNature, Coastal, Optimax, TGuan, Kawan, MPI, Vitrox and CTOS suffered losses ranging from 1% to 41%. InNature was the worst performer as sales remain weak across Malaysia and Vietnam due to subdued consumer sentiment. Coastal share price also slumped due to pending negotiation of Mexico projects as well as higher financing costs incurred from loan financing given to its JV. Optimax share price decline may be due to investor dissatisfaction with its new plastic surgery business and its over-aggressive expansion strategy. TGuan fared poorly in the past year due to subdued plastic packaging demand. Kawan faces continuous operational issues as its margins dwindled on higher SG&A as well as a restructuring overhang looming over investors. MPI had a weak showing the past year as well attributable to a slow recovery in consumer electronics but offset by strong orders for its automotive segment. Vitrox remained subdued on account of having no clear sign of recovery until 1Q/2Q24. Lastly, we feel that the current CTOS share price fairly prices in growth based on FY23-25 guidance.

Table C constitutes the list of 12 stocks recommended in 2023 *(Note: cost adjusted for dividend, bonus and rights issues)*.

Table C - List of Stocks Recommend in 2023							
No	Stock Name	Date Recommended	Price (RM)		FBMKLCI R'Date	% Change	
			R'Date*	31-Dec-23		Stock	FBMKLCI
1	HLInd	27-Feb-23	8.42	9.21	1455.50	9.4%	-0.1%
2	Carlsberg	19-Apr-23	21.49	19.30	1425.07	-10.2%	2.1%
3	T7	19-Apr-23	0.405	0.435	1425.07	7.4%	2.1%
4	Sunview	20-Apr-23	0.775	0.745	1422.11	-3.9%	2.3%
5	Bjfood	21-Jun-23	0.600	0.605	1393.45	0.8%	4.4%
6	Sunway	22-Jun-23	1.59	2.05	1394.67	28.9%	4.3%
7	DXN	27-Aug-23	0.713	0.640	1444.06	-10.2%	0.7%
8	Synergy	28-Aug-23	0.385	0.710	1444.06	84.4%	0.7%
9	Genetec	22-Sep-23	2.37	2.36	1450.23	-0.4%	0.3%
10	Kitacon	27-Nov-23	0.655	0.650	1448.15	-0.8%	0.4%
11	InfoTec	27-Nov-23	0.800	0.760	1448.15	-5.0%	0.4%
12	EMCC	28-Dec-23	0.415	0.410	1457.41	-1.2%	-0.2%
					Simple Average Return:	8.3%	1.5%
					Outperformed Index by:	6.8%	



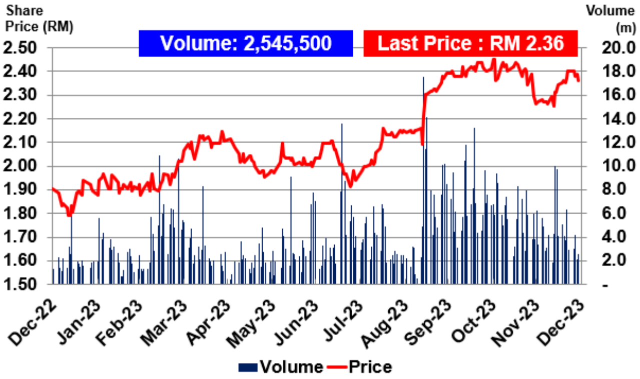
As at 29 Dec 2023, our recommended stocks in 2023 posted an average gain of 8.3% from the date of recommendation compared with the KLCI index's 1.5% simple average gain, an outperformance of 6.8%.

Less than half of the 12 stocks recommended in 2023 showed positive returns while the rest had a weak albeit not too bad of a showing. The outperformers were Synergy (+84.4%), Sunway (+28.9%), HLInd (+9.4%) and T7 (+7.4%) while Bjfood (+0.8%) remained fairly unchanged. Synergy was our star for the year owing to expectations of a strong 4Q and gradual investor appreciation towards its unique asset-light business model. Sunway upswing was mainly due to the resurgence of the property market in Johor, coupled with a positive outlook for its healthcare and construction segments. HLInd performed exceptionally well despite credit tightening for motorcycle financing and remains a top dividend pick. T7 fared quite well despite negative sentiment on its high capex for Nong Yao and weaker non-O&G segments. Outlook for Bjfood remains cloudy in the short-medium term as sales are impacted by on-going boycotting activities.

The losers comprised of DXN (-10.2%), Carlsberg (-10.2%), InfoTec (-5.0%), Sunview (-3.9%), EMCC (-1.2%), Kitacon (-0.8%) and Genetec (-0.4%). DXN saw weak interest for its stock as market sentiment remains poor toward MLM companies. Carlsberg faces dim outlook from weak demand on subdued consumer sentiment. InfoTec however, is facing strong selling pressure on higher-than-average volume but without news. Sunview's weak price performance can be chalked up to 2 quarters of weaker-than-expected results, specifically on lower margins for LSS4 projects. EMCC is our latest recommendation, underpinned by its strong expansion plans. Kitacon share price remained fairly unchanged, mainly because of lack of market interest and low liquidity. On Genetec, we remain positive on its recent listing transfer to the main board to generate additional institutional interest.

We have also provided our comments on each of these stocks in the following pages. We may reinitiate recommendations on some of these stocks in the future if good opportunities arise or when prospects improve.

Comments on Stocks to be Dropped



Bermaz Auto (BAuto)

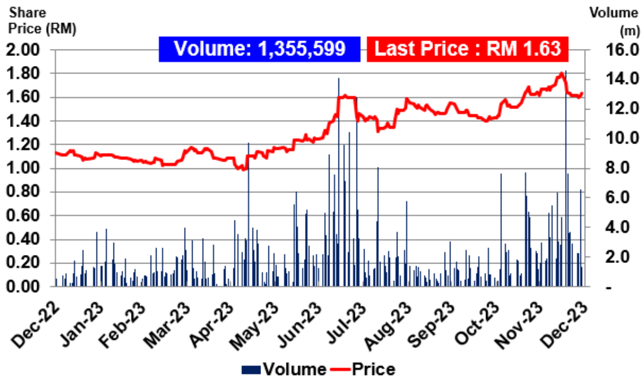
BAuto recorded core net profit of RM90.1m in 2QFY4/24, down 10% from all-time-highs achieved in the prior quarter due to lower sales volume for Mazda & Kia models as well as higher promotional activities. The group also announced a 5 sen dividend, thus putting YTD dividends at 10 sen compared to 6.5 sen last year. BAuto achieved 12k unit sales for 1H24 and raised sales guidance for FY24 from 22k to slightly above 24k units. Order backlog stands at ~3k units consisting of 2.5k for Mazda, ~300 for KIA and ~100 Peugeot). Management states 3Q (ending Jan'24) is historically a weaker quarter for Bermaz but is optimistic on reaching sales target for FY24. Recommend **BUY** on weakness due to undemanding valuation at 7.9x PE and generous forward dividend yield at 8.9%

HPP Holdings

HPP 1QFY5/24 core net profit of RM2.2m (-32.3% QoQ, -48.1% YoY) was deemed below expectations due to lower gross profit margins of 23.4% (-7.1% pts YoY), largely due to timing differences in selling price adjustments and movements in input costs. We expect gross profit margins to expand in the coming quarters as selling price adjustments kick in. Despite the corrugated packaging segment seeing a 55.2% QoQ increase in revenue which was mainly due to seasonally stronger demand during year-end sales, we view that the recovery for consumer E&E industry remains slow due to subdued global demand. It is now trading at 12x FY24 PE. Hence, we remain **SELL.**

SKP Resources

SKP saw another sequentially stronger quarter with a 2Q24 net profit of RM27.7m (-41.8% YoY, +25.4% QoQ), thanks to seasonally stronger demand for year-end sales. Nevertheless, we gather that the upcoming sales will not be as robust as initially anticipated due to push back orders from its main customer as a result of weak global demand from end customers. Notwithstanding the slower demand, the company is retaining the staff force to cater to any rebound in orders. It is also in talks with several potential customers to diversify its revenue stream and reduce concentration risks. We believe the current share price has priced in the pessimism and hence we retain **HOLD** call.



Globetronics Technology (Gtronics)

Despite 3Q23 core earnings more than doubling QoQ to RM9m, the results were below expectation due to lower-than-expected volume loadings from main customers and higher input costs leading to narrower margins and decreased profitability. The volume loadings for both gesture and light sensors are set to decline by 10-15% in 4Q23 (from 18m to 22m currently) with downward revisions in the Dec'23 low season, given the uninspiring sales volume from the new smartphone range. Meanwhile, Gtronics has discontinued production of quartz crystal timing device due to prolonged weak shipping volume. Loadings for LEDs have improved marginally, with some new programmes lining up for FY24. We view the recent emerging of a new major shareholder may add new dimension to the group. We remain **HOLD**.

Malaysia Airports Holdings (Airport)

2023 was a banner year for Airport after experiencing a 2 years downturn due to the COVID-19 pandemic. Since 4Q22, Airport had delivered its 4th consecutive positive quarter post-pandemic net profit of RM95m at 4Q23 (QoQ -8.7%). Besides, taking advantage of a mild recovery in both domestic and foreign arrivals, a few key policies including visa-exemption for China and India tourists continue to provide on-going support for airport passenger arrivals. As of August 2023, Malaysia has received more than 13m arrivals, and expected to hit 18m by the end-2023, surpassing the 16m target set for 2023 by the Tourism Malaysia Authority. We continue to call **BUY** based on FY24 9x EV/EBITDA along with higher tourism arrival from China and India and implementation of Visit Malaysia 2026, disposal of GHIAL stake and finalization of a new OA agreement in end-2023.

Duopharma (Dpharma)

Dpharma reported RM11m core net profit in 3Q23 (-13.1% QoQ, 11.0% YoY), bringing its 9M23 core net profit to RM46.3m (-42.2% YoY). The downturn is primarily due to sluggish revenue and softened margins. Despite the recent challenges, we are optimistic about the potential turnaround in 2024 supported by the recovery in consumer healthcare products, which contracted >5% in 9MFY23 and expecting a stronger government demand, bolstered by renewed government APPL by 1Q24 which has higher volume and coupled with higher allocation to MoH amounting RM41.2bn (+13% YoY). We believe the downside is limited at this point with earnings softness largely expected and priced in. Currently, it is trading at a forward FY24 PE of 13.5x vs 5-year historical mean of 19x.

Able Global

3Q23 earnings doubled QoQ to RM16.5m and was above expectation. This was attributed to strong sales as well as better margins due to a decline in raw material costs for both F&B and Tin segments. Although Able recorded a share of associate loss of RM0.8m, we understand that the Mexican plant is operating above breakeven levels (c.25-30%) but was offset by non-core unrealized forex losses from USD loans. It is still in the midst of obtaining export approvals for full cream milk which has a bigger market in the US as compared to filled milk. Able is expected to post stronger earnings going forward, mainly premised on the stronger contribution from its Mexico JV and robust demand for dairy products. It is still trading at an undemanding FY24 PE of 9.3x with dividend yield of 4%. We retain **BUY** call.

Telekom Malaysia (TM)

TM's 3Q23 core net profit of RM553m was a drop of -12% QoQ mainly due to one-off manpower optimisation initiatives (VSS). Despite that, 9M23 core net profit gained 31% YoY to RM1,509m which comprises 99% of consensus full year forecasts. This can be attributed to positive taxes from the recognition of tax credits arising from corporate restructuring. Management expects to fully utilise all tax credits in 4Q23 and is applying for ITA in FY24. Post-MSAP & RAO revision, TM is noting good take-up rates for its fixed, mobile and entertainment packages thanks to TM's competitive pricing strategy (cheapest all-in package price). We recommend **BUY** on weakness for its fair valuation of 5.3x EV/EBITDA which is around its 5-year mean and healthy 3.8% dividend yield.

Matrix Concepts Holdings

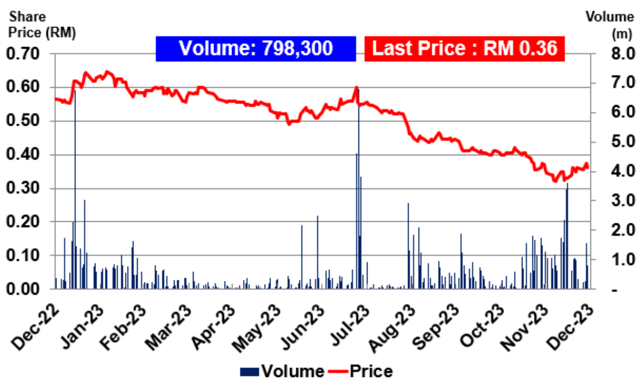
Revenue increased (+8.4% QoQ, 61.6% YoY) due to better progress billings as construction activities picked up following the resolution of the labour shortage. Despite the top-line improvement, core earnings was flattish at -0.9% caused by the higher selling and marketing expenses of RM42.9m (+33.6%) due to payouts for sales commissions and legal fees. With robust sales of RM310.8m (+1.8% QoQ; - 11.9% YoY), it makes up 47.4% of the full-year sales target of RM1.3bn. The group has a healthy pipeline of launches from its BSS township and in KL area which should sustain its sales momentum. Currently, it is trading at forward FY25F PE of 8.2x vs industry PE of 8-12x with an attractive dividend yield of 6.5%. Hence, we remain a **BUY** call for Matrix.

Malayan Flour Mills (Mflour)

Mflour returned to profit in 3Q22 with net profit of RM24.2m from turning a loss in the previous quarter, thanks to significant improved performance in flour & grain segments and joint venture entity in PT Bungasari Flour Mills Indonesia and Dindings Tyson. The recovery in Mflour flour earnings is expected to continue into 4QFY23 on the back of lower cost of wheat while the demand for flour products has also improved in Vietnam. MFlour also benefits slightly from the removal of the chicken ceiling price as live birds accounted for an estimated 15% of Mflour poultry sales volume. On a negative note, we understand that sales volume of poultry products has declined. The recent boycott activities on MFM customers in the quick service restaurant industry such as McDonald and KFC are also impacting MFM sales which fell by 6.6% YoY in 3QFY23. We retain **HOLD**.

OCK Group

OCK tracked an impressive core earnings growth 15.8% QoQ to RM 12m, putting 9M23 core earnings of RM31.7m (+19.0% YoY) at 96% of consensus estimates. Orderbook stands at >RM278m while expanding to new business areas such as ESG contracts (maiden contract being ICT leasing to MOE). Management forecasts 30% growth in absolute TNS contract value in 2024 thanks to increase in scope of work despite reduction in no. of sites. Additionally, Vietnam segment is expected to grow massively as the country begins its 5G rollout. The group is also issuing RM700m of new sukuk to refinance its USD denominated loans at >8% p.a to a more reasonable 5.21%-5.38% p.a as per first tranche of RM400m. The group had also been gradually executing share buybacks since Dec'23. Currently trading at 5.5x EV/EBITDA (1 s.d below its 5-year mean), we recommend a **BUY** for OCK.

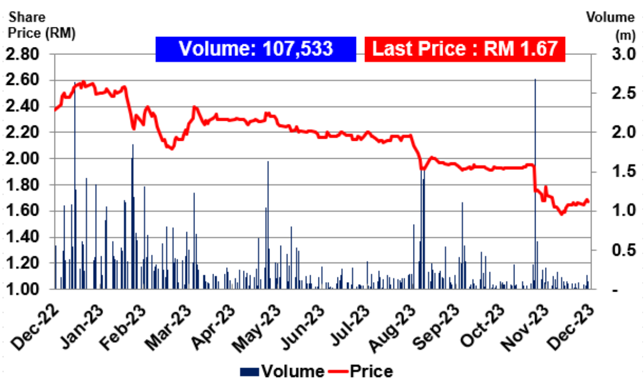


InNature

3Q23 results continued to underperform, with net profit decline of -41% QoQ to merely RM1m. 3Q23 revenue fell 9.2% QoQ to RM32m given the decrease in sales from an accelerated slowdown in consumer spending and general cost inflationary pressures across Malaysia, Cambodia and Vietnam. Despite seasonally higher spending during year-end festivities may drive in-store sales in 4Q23, sustainable earnings recovery will continue to be hindered by subdued consumer sentiment. Hence, we retain **HOLD/REDUCE** call.

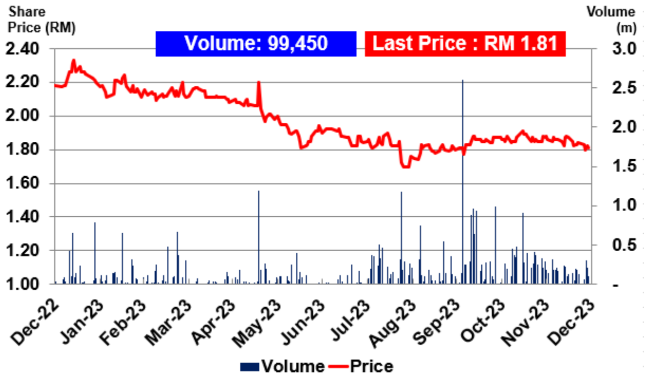
Swift Haulage

Swift continues to see margin compression in the latest 3Q23 results due to its major business segment registering margin contraction due to higher overall operating, depreciation and finance costs. Consequently, its core EBITDA margin dipped 360bps from 23.5% to 18.9% despite recording top-line growth of 5% YoY to RM168m in 3Q23. We expect 2024 to remain a challenging year for Swift due to increased gearing from 0.6x to 1.0x due to land acquisition, declining capacity utilization and industry contraction. We recommend a **SELL** call.



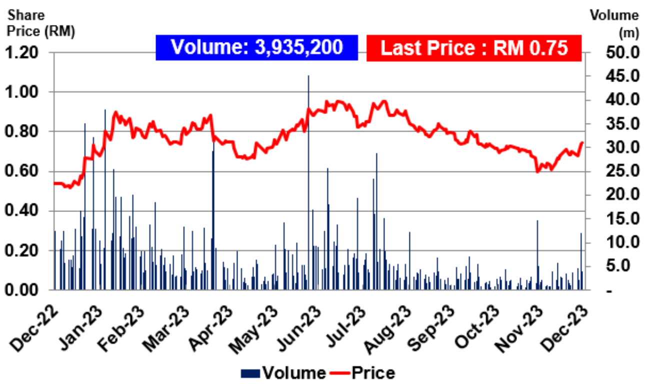
Coastal Contracts

Coastal 5Q23 earnings came in with lower core earnings at RM71.9m (YoY: -9.33%, 1Q23: 79.3m) due to lower profit contribution from JV partner. Reported profit improved RM129m (4Q23: - RM47.8m, QoQ: +269.9%) mainly due to late penalty payment for Agosto 12 of RM24.9m and reduction in finance costs amounting to RM7.5m. Looking ahead, we see key risk on Agosto and Perdiz project which is still under negotiation on securing renewal in 2024. Also, we are cautious on delayed loan payment from Coastal Mexico JV (RM762m) and one-off penalty payment from Pemex Agosto 12. Until then, we continue to recommend **HOLD** call for Coastal, at 7x PE at FY25 earnings, we see re-rating catalyst once the renewal risk overhang in Mexico is removed, disposal/delivery of OSV vessels and improvement in utilization of Papan gas plant.



Kawan Food

3Q23 revenue rose 17.4% QoQ to RM79.2m, driven by stronger sales from export markets across its exporting countries but partially offset by lower domestic sales. The better performance was mainly due to the resumption in orders from its existing customers given the ease in inventory glut. Hence, this led to higher production efficiency from greater economies of scale and hence resulting in a 1.5ppts improvement in GP margin to 33.8%. Nevertheless, we are pending more clarity on business strategy from the newly appointed CEO which will be effective on 1 Jan'24. Hence, we retain **HOLD** call.



Sunview Group

In 2Q24, Sunview reported its lowest core net profit of RM1.5m (-25% QoQ, -53% YoY), despite achieving a record high revenue with an impressive +88% QoQ surge to RM204.3m. The weaker-than-expected result was attributable to the lower gross profit margin projects, specifically LSS4 and higher operational and staff costs incurred in the ongoing expansion for the CGPP projects. Its unbilled order book stands at RM361.7m, resulting in a cover ratio of 1.04x FY23 revenue. Despite the weaker result, we remain optimistic about job replenishment from the CGPP, as Sunview had secured a total of 60MW power producer contracts under the National Energy Transition Roadmap (NETR). Hence, we recommend to **HOLD** the stock.

Comments on Stocks That We Will Keep in Our Recommended List (only from past 2-year recommendation)

Mega First Corporation (MFCB)

3QFY23 revenue slightly reduced to RM320.4m (-1.6% QoQ, -13.8% YoY) and core profit margin increased 1.19 ppts mainly due to the stronger contribution of +16.4% for renewable energy and +24.7% for packaging. We anticipate a slight growth in FY24 in the RE segment contributed by the higher Don Sahong Hydropower Plant stake from 80% to 91.3% and the completion of the 5th turbine and further improvement of the resources division despite an unfavourable USD rate. MFCB is currently trading at a FY24F PE of 8.7x, which is lower than the 5-year average of 10x. Hence, we recommend **HOLD** as its share price has climbed substantially.

CTOS Digital

CTOS recorded commendable revenue of RM66.5m (+25.7% YoY, +6.8% QoQ) in 3Q23, mainly reflecting strong growth for all three business segments in its Malaysian operations as well as impressive international operations. Core earnings grew 14.6% QoQ to RM29.2m due to higher net margins and stronger contribution from share of associates (+24.7% QoQ), aided by disciplined cost controls. While its pioneer status expired in Jun'21, CTOS has finally secured the extension with another relief period of five years until Nov'26. The recent ASEAN expansion via acquisitions in Indonesia and Philippines offer long-term growth potential for its alternate data credit-centric solutions. We remain upbeat on CTOS long-term growth trajectory and hence we maintain our **BUY** call.

Thong Guan Industries (TGuan)

3Q23 revenue improved 9% QoQ to RM317.4m, driven by a pickup in sales volumes of its various plastic packaging products such as stretch films, industrial packaging and garbage bags. However, its core net profit eased 8% to RM19.9m due to the increase in utility costs and a higher effective tax rate. The outlook for the plastic packaging industry remains subdued in 4QFY23 given the slowing global economy on various macroeconomic challenges coupled with heightened geopolitical tensions in the Middle East and Eastern Europe. However, we continue to like TGuan given its ongoing expansion in Europe, US and South America over the next 3-5 years which it believes are relatively untapped by other Malaysian players at present. It is trading at an undemanding FY24 PE of 6.8x. Hence, we remain with our **BUY** call.

Bumi Armada

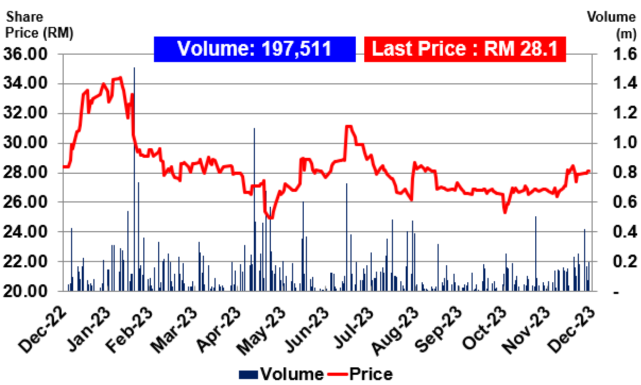
Armada 3Q23 earnings came in with positive EBITDA, recovering to RM177.8m (2Q23: RM118.8m, YoY: +18.7%) while revenue dropped -19.6 % YoY to RM524.8m (2Q23: RM441.3m), mainly due to added contribution from Armada Kraken FPSO recovery, gain from disposal of subsea JV unit in Indonesia. In contrast, top-line weakened due to faulty HSP transformers on Armada Kraken FPSO and delayed start-up of Armada Sterling. We expect revenue to recover in upcoming quarters following recommissioning of Armada Kraken, and the commencement of ONGC job back in November 2023. We are cautiously optimistic on Armada outlook and recommend **BUY/HOLD** on its undemanding valuation at 4.5x PE at FY24 earnings.

Optimax Holdings

Optimax recorded a slight uptick in revenue of +2% QoQ in 3Q23 and the decrease in PBT margin from 19.7% to 16.0% was attributed to elevated operational and staff costs incurred in the on-going expansions in Cambodia as well as the establishment of several satellite clinics locally. Despite this, we maintain a positive outlook on the medium-to-long-term growth trajectory of reflective surgeries, buoyed by promising responses in the newly ventured plastic surgeries business and the overall expansion. It currently trading at forward FY24 PE of 26x, leading to a **HOLD** call.

Vitrox Corporation

Vitrox reported a soft 3Q23 net profit of RM33.3m (-12% QoQ, -35% YoY) and was deemed below expectations. The negative deviation was mainly due to the demand push-out from its automated board inspection (ABI), amid extended global economic challenges and a slower-than-anticipated cyclical recovery. Despite the challenging outlook, we are positive that Vitrox has been gaining market share for ABI and MVST as its peers had registered bigger drops in their topline. Management guided there is no clear sign of a sustained recovery at least until 1-2Q24 due to a severe fall in consumer electronics demand, slower-than-expected economic recovery in China, US-China tension and the Israel-Hamas war. Hence, 4Q23 revenue is likely to be lower than 1Q23[why not 3Q23?]. As a result, we recommend **Reduce Exposure** to Vitrox for the time being.

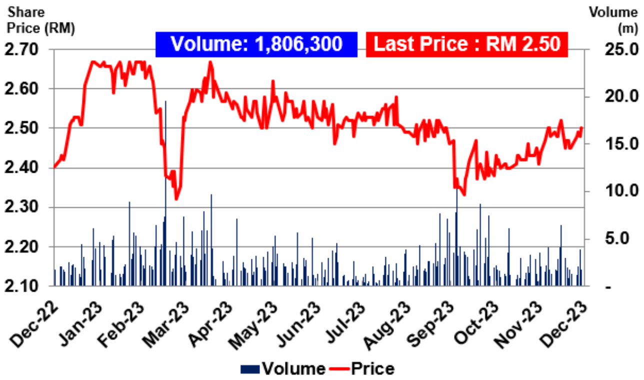


Malaysian Pacific Industries (MPI)

1Q24 marks the second consecutive sequential improvement with stronger volume loadings on seasonality, coupled with favourable FX which led to a 6.4% QoQ rise in revenue to RM513.2m in the quarter. This translates to a remarkable 3.8x QoQ improvement in core earnings. As the exclusive back-end provider for Woflspeed, MPI is poised to benefit from growing silicon carbide adoption in EV and renewable energy. We expect SiC contribution to MPI revenue to reach above 10% of sales in FY25 onwards driven by higher SiC wafer processing demand on the back of Wolfspeed's major capacity expansion in North America. Meanwhile, management remains bullish about CSZ's turnaround prospects in 4Q24, driven by inventory replenishment on the back of new smartphone launches from Chinese OEMs and improving outlook to encouraging take-up for its automotive applications in China. Hence, we remain **BUY** call, trading at 27x FY25 PE.

Lagenda Properties

9M23 Lagenda revenue and PBT were lower-than-expected by -5.8% and -16.4% QoQ, respectively, owing to construction hiccups in BBSAP and LTI, but were resolved and fully operational beginning in July. However, it achieved a record high in confirmed sales of RM796m, or 84% of its full-year sales target, resulting in a 31% YoY increase in unbilled sales to RM855m. We maintain our positive outlook for Lagenda FY24F revenue and earnings, which will be supported by exceptionally high unbilled sales of RM855m and the introduction of new townships, namely Selangor Bernam Jaya and Pahang Penor townships. It is currently trading at a forward FY24 PE of 5.1x vs the industry average of 8-12x and an attractive dividend yield of 5.46%. As a result, we maintain our **BUY** recommendation.



Yinson Holdings

Yinson core net profit improved to RM283m (QoQ +26.3%, 2Q24: RM224m), despite weaker revenue at RM2.8bn (QoQ -9.6%, 2Q24: RM3.1bn). Management attributes weaker revenue due to slower progress for FPSO Maria Quitera and FPSO Atlanta construction. The current orderbook pipeline is US$23bn. Management highlighted that the FPSO market and shipyards are seeing tight capacity and will focus on completing and delivering existing FPSO orders before taking on more new orders from mid-2024. Further, Yinson Renewables segment also recorded positive development from the operation of Nokh Solar Park (started in Nov'23) and also signed an agreement with Inecosolar to construct a 396kWp solar PV project for Lazada in Indonesia. Maintain **BUY** with compelling valuation of 9x PE, below the 5-year average of 18x PE coupled with a healthy balance sheet and growing outlook for renewable and mobility.

Kelington Group (KGB)

3Q23 core profit surged 66% QoQ to RM31.7m, thanks to margin improvement from 4.5% to 7.9% net margin. The margin improvement mainly came from the completion of a low margin turnkey job for an MNC customer prior to the quarter. Moving forward, KGB expects the net margin to stay c.6-8% on the back of favourable revenue mix from UHP and industrial gases segments which have higher margin. As at end 3Q23, outstanding orderbook stood at RM1.5bn with 68% from UHP, 25% from general contraction and the balance from processing engineering segment. KGB has completed the construction of LCO2 Plant 2 (70k MT/year) and plans to begin testing and commissioning by mid of Dec'23. It is trading at 14x FY24 PE. Hence, we retain **BUY** call.

Focus Point Holdings (FocusP)

Despite 3Q23 revenue inched up 2% QoQ to RM64.5m, core earnings declined 13% QoQ to RM6.3m which was deemed below expectation. The deviation was mainly dragged by higher opex with increase in staff costs and rental expenses from opening of new outlets. Nevertheless, we expect 4Q23 to chalk in better numbers given an expanded client base built over the last few quarters as well as higher rebates for optical segments. We remain confident on FocusP's scalable business model as we reckon that both optical and F&B segments are poised to continue their growth trajectories with the group's brand equity and popularity of Komugi products. It is still trading at undemanding valuation with 9x FY24 PE. We retain **BUY** call.

Hong Leong Industries (HLInd)

HLInd performed strongly in 1QFY4/24 with core earnings up 32% QoQ and 7.2% YoY due in part to a more profitable sales mix focusing on higher margin bikes. The group announced a dividend of 20 sen which is in line with prior year. Management guided for lower volumes due to credit tightening and <80% plant utilisation for Yamaha motorcycles. CY 1Q24 will set the tone for the year due to it being the holiday season and forecasts 2024 TIV of 660k-680k units. Yamaha Vietnam performance will stay muted for the time being as management constructs a turnaround plan. Tiles segment is back-to-black and new production plant is expected to start operations in FY25. Currently standing with a huge net cash position of close to RM1.6bn, the management of HLInd reiterated their commitment for expansion or M&A once the right opportunity arises. Trading at 9.3x PE with a generous dividend yield of 6.5%, we give HLInd a **BUY** call.

Carlsberg Brewery Malaysia

Carlsberg top line experienced a modest 1.3% QoQ increase to RM513.4m in 3Q23, attributed to stronger sales in Singapore (+12.1%) but partially offset by lower sales in Malaysia (-2.6%). The decline in Malaysian sales was predominantly linked to weak consumer sentiment, while the noteworthy performance in Singapore operations can partly be attributed to the strong SGD against RM. Meanwhile, Lion Brewery profit contribution exhibited an impressive 34.6% increase. Overall, despite the rise in sales, core PATAMI contracted by 15.7%, primarily due to increased costs stemming from the impact of inflation. Moving forward, we expect the overall consumption environment and consumer sentiment to improve, considering the moderating inflation level and pick-up in tourist arrivals. It is trading at 17x FY24 PE and an attractive dividend yield of 6%. We retain **BUY** call.

T7 Global

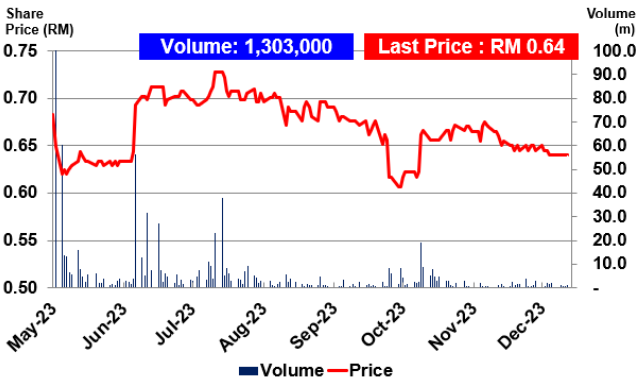
T7 9M23 PATAMI surged 109% YoY to RM18.7m due to maiden contribution from MOPU Elise7 and higher energy service. Further, non-O&G earnings will start contributing from the KLIA baggage handling system which is currently at 26% completion, TNB smart meter procurement (one-off) and O&G recruitment consultancy services. That said, Nong Yao MOPU will be completed in 1Q24 and current orderbook remains healthy at RM2.4bn as at 3Q23. We expect cashflow to continue to improve from upcoming MOPU Nong Yao (70% completion) and integrated well services. Overall, we recommend **BUY** call with 15x PE at FY24 earnings for the stock as cashflow and margins expected to improve from upcoming O&M contracts in 2024 from Petronas, in addition to earnings contribution from two MOPU units and decommissioning activities in Malaysia oil wells.

Berjaya Food (Bjfood)

1Q24 revenue inched up by +2% QoQ to RM278.5m, thanks to positive contributions from new Starbucks outlets opened during the quarter. EBITDA margin contracted by -2.0ppt on the back of higher operating costs incurred coupled with unfavourable forex rates. Despite that, bottom line chalked in a 10% increase to RM19.0m due to a lower effective tax rate (1QFY24: 34.6% vs 4QFY23: 41.1%). Looking ahead to FY24, Bjfood aims to open 40-45 new Starbucks outlets, including 1-2 in the Starbucks Reserve format. Management shared that the 1st Paris Baguette (PB) store in Pavillion KL achieved its break-even point in the 3rd month of operation, while the other two PB stores in Pavillion Bukit Jalil and Sky Avenue will require a longer timeframe to reach this milestone. It maintains its target of opening five stores annually. We view that the recent boycott activity is impacting the sales in short to medium but we do not think this will persist in the longer term. Hence, we recommend **BUY** on weakness.

Sunway

In 3Q23, Sunway reported an increase in revenue and core PATAMI of 4.8% and 19.3% QoQ respectively, which brought the 9M23 core PATAMI to RM465.2m (+19.7% YoY). The solid quarterly results were contributed by all segments, particularly its property development sector from lumpy profit recognition from its Singapore project. As of 3Q23, property effective unbilled sales stood at RM4.17bn representing a strong cover ratio of 3.6x (FY22 property revenue) and Suncon unbilled order book reached RM5.79bn indicating a healthy cover ratio of 2.7x (FY22 construction revenue). We opine that the growth prospect of Sunway remains bright and anchored by two main growth pillars, namely the healthcare and property development segments. Hence, maintain **BUY** call based on SOP-derived valuation.

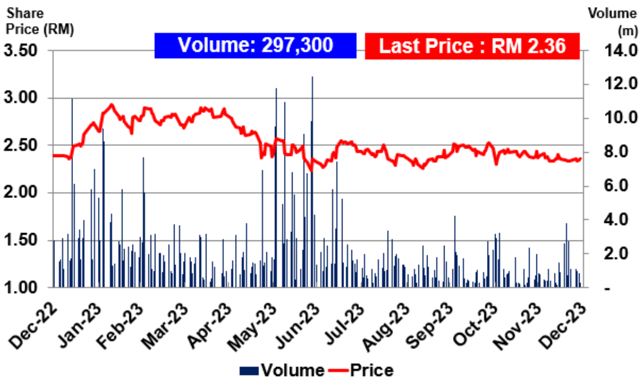


DXN Holdings

2Q24 revenue grew 8% QoQ to RM458.3m, largely from stronger performance in Latin America, India and the Middle East led by more frequent member events to drive sales, and front-loading activities in Peru and Bolivia ahead of a c.8-9% product price increase in Sep'23. With DXN's focus on fortified F&B (FFB) sales in its high growth regions, EBIT margin contracted -3.3ppts QoQ to 26.1% on weaker product mix and higher operating expenses. Moving forward, we expect earnings could improve on the back of planned price adjustments throughout all its operating countries in FY24, and ongoing receptive nature of consumers towards FFB products in DXNs high growth regions. We are also positive that DNX has revised its dividend payout policy to >50% (from 30%-50% previously) which translates to a decent dividend yield of 6.6%. It is trading at an undemanding valuation with 7.6x FY24 PE. Hence, we maintain **BUY** call.

Synergy House

Synergy achieved core earnings of RM7.9m (+27% QoQ) making 9M23 earnings of RM16.8m at 67% of estimates. 4Q is expected to be Synergy strongest quarter as Black Friday/Cyber Monday and year-end sales promotions kick into gear. Moreover, an additional RM15m revenue contribution from their contract with Walmart will provide a nice bump to 4Q earnings. Currently, Synergy products are sold at 10 online B2C marketplaces and the group is already working to expand to another 5 marketplaces across Germany, Canada, France and US. We believe Synergy unique asset-light business model is still not yet well appreciated in the markets. Trading at 10x PE Synergy is still cheap despite strong price appreciation. We recommend Synergy Still a **BUY**.



Genetec Technology

Genetec recorded stronger 2Q24 earnings at RM18m (+4.3%) but 1H24 performance is still lacking at RM32m which is only 34% of consensus estimates. Orderbook stands at RM294m with a German customer expected to trigger a RM85m order in the next 2 quarters. For BESS projects, the group has RM3m worth of PO secured with a tenderbook amounting to 705MWh. Key catalyst for growth remains to be Tesla's US$25k mass market model which is expected to launch in 2025 with a possible early release in late 2024. We believe the poorer outlook is already priced in the stock while the potential from the participation in Tesla's mass market value chain is still under-appreciated. Trading at a deep discount of 18.8x PE, we recommend **BUY** for Genetec.

Kumpulan Kitacon

Kitacon revenue increased 14.7% QoQ to RM219.1m thanks to increased construction activity in both the residential and commercial segments. PBT margin fell from 4.8% to 3.4%, owing to high raw material costs caused by the pandemic's lingering effects and the ongoing conflicts. As of Nov 23, Kitacon achieved an all-time high YTD replenishment of RM906.8m. This brings the group outstanding order book to RM1.24bn, providing a 2.5x cover ratio of FY22 revenue or a 3.87x order book to market cap, ensuring earnings visibility for c.3 years and with net cash of RM103m or 31% of its market cap. Currently, it trading at slightly below its IPO price of RM0.68 and has an undemanding forward FY24 PE of 5.5x vs an industry PE of 9x. Hence, we recommend a **BUY** Call.

Infoline Tec Group (InfoTec)
3Q23 core earnings declined 10% QoQ to RM3.3m due to higher administrative expenses for the incorporation of subsidiary companies in Japan and India, legal and professional fees, higher travelling expenses, staff salaries and related benefits, withholding tax as well as depreciation and amortisation as a result of business expansion. Nevertheless, we expect InfoTec to post seasonally stronger results in 4Q23 given that most of the enterprises tend to utilise their IT budget towards year-end. Additionally, InfoTec is in talk with two state governments for digitalisation projects and hopes to conclude in 2H24. InfoTec projects earnings to grow at 30% CAGR for FY23-25 attributed to enterprises' ongoing digitalisation efforts and tech refresh. It is currently trading at an undemanding valuation of 11.4x FY24 PE. Hence, we recommend **BUY** call.

Evergreen Max Cash Capital (EMCC)
3Q23 revenue surged 47.7% YoY to RM22.8m, driven by higher revenue from both pawnbroking as well as gold & luxury products retail and trading business segments. The higher revenue for pawnbroking business was mainly attributed to drawdown of banking facilities in Jun'22 and Dec'22 totalling RM42.0 m. With the recent acquisition of 2 pawnshops in Nov'23, EMCC currently operates 24 pawnshops under Pajaking brand, with 11 outlets in Selangor, 10 in KL, 2 in Seremban and 1 in Pahang. EMCC is expected to post strong results moving forward driven by fresh cash infusion from IPO proceeds and the acquisitions/expansion of new pawnshops. We recommend Long-term **BUY** call.

For Phillip Capital Management Sdn Bhd

Nona Salleh
Executive Chairperson