Malaysia

Overweight *(previously Neutral)*

Highlighted Companies

Gamuda
ADD, TP RM5.58, RM4.13 close

Gamuda is sowing the seeds for the next leg of growth, in our view. It plans to double its current orderbook of RM21bn and presales of RM4bn in CY23-24F.

Sunway Construction Group Bhd
ADD, TP RM2.14, RM1.65 close

We believe that Sunway Construction Group's (Suncon) positive attributes include its strong execution track record, ready pipeline from Sunway Berhad, balance sheet strength, market-leading ROEs of 18-20%, and decent dividend yields of 3-4% for FY23F-24F.

YTL Corporation
ADD, TP RM1.00, RM0.785 close

We raise YTL Corp to Add with a new TP of RM1.00. Besides strong earnings recovery for utilities, we think YTL Corporation's construction and cement divisions are good proxies to a revival of the HSR.

Summary Valuation Metrics

P/E (x)	Dec-23F	Dec-24F	Dec-25F
Gamuda	13.62	12.74	11.54
Sunway Construction Group Bhd	15.13	12.74	10.93
YTL Corporation	15.24	12.37	11.11
P/BV (x)	**Dec-23F**	**Dec-24F**	**Dec-25F**
Gamuda	1.15	1.09	1.02
Sunway Construction Group Bhd	2.64	2.39	2.16
YTL Corporation	0.65	0.63	0.61
Dividend Yield	**Dec-23F**	**Dec-24F**	**Dec-25F**
Gamuda	8.25%	2.91%	2.91%
Sunway Construction Group Bhd	3.33%	3.92%	4.57%
YTL Corporation	3.82%	3.83%	3.82%

Analyst(s)

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Constrn & Material - Overall

Risk-reward looks attractive

- We upgrade the sector to Overweight (from Neutral). Bright spots in 2H23F are the MRT 3 project and possibly the HSR revival.
- We raised the following stocks from Hold to Add: YTL (TP: RM1.00), MCement (TP: RM3.97), Sunway (TP: RM2.21) and Muhibbah (TP: RM0.90).
- Our sector top picks are Gamuda, Sunway Construction, Sunway and YTL. This note marks the transfer of coverage to Chong Tjen-San.

Sector upgrade from Neutral to Overweight

We lift the sector from Neutral to Overweight premised on these factors: 1) better visibility of contract flows post-GE 15 and better political stability after the upcoming state elections. In our view, the Mass Rapid Transit (MRT) 3 and the revival of the High-Speed Rail (HSR) are important projects; 2) stronger balance sheets (more apparent with the larger-cap stocks Gamuda and IJM), thus enabling a strong appetite for private finance initiative (PFI) projects; and 3) compelling sector valuations at 11x CY24F P/E and 0.9x CY24F P/BV (-1 s.d. below mean since 2005), on the back of a 2-year EPS CAGR of 13% (CY22-24F). Key downside risks to our sector call are political instability and escalating raw material costs.

YTL, MCement, Sunway and Muhibbah raised to Add with higher TP

Our earnings forecasts have been adjusted across our universe (please see Fig 2 for details). We also lift the following stocks from Hold to Add with higher TPs: YTL (TP: RM1.00), MCement (TP: RM3.97), Sunway (TP: RM2.21) and Muhibbah (TP: RM0.90). While our rating on YTL is largely premised on the higher TP for YTL Power, we also believe its presence in industrial warehouses is gaining traction while its cement and construction business are key beneficiaries of a revival in construction spending. In our view, Muhibbah is a prime beneficiary of a resurgence in global travel, particularly Chinese tourists, from its 21% stake in the Cambodian airport concession; its recent wins have been Petronas-driven (totaling RM678m from three projects from 2H22 to date).

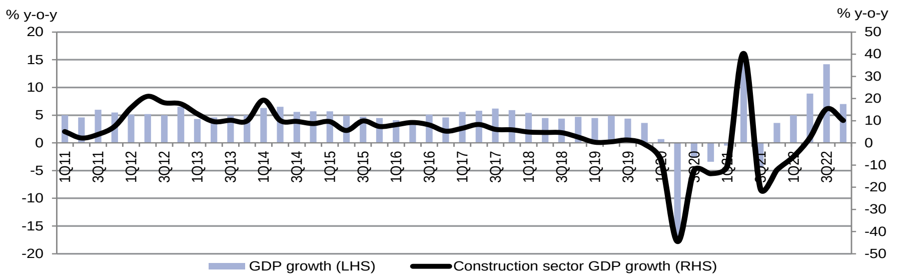
Higher TP for Gamuda, WCT and HSS

We lift our SOP-based TP for Gamuda to RM5.58 from RM4.69 to factor in its RM21bn orderbook and RM8bn in new order wins in FY23F. Our SOP-based TP for WCT is RM0.71 from RM0.59. Its biggest catalyst is the Subang Airport Regeneration Plan, which is awaiting approval from the Ministry of Finance; this should pave the way for up to RM2bn worth of new orders and provide it with a recurring revenue stream, in our view. Our DCF-based TP for HSS is RM0.81 (WACC: 9.4%, TG: 4.5%; from end-CY24F P/E of 14.5x).

Sector top picks

Our top picks for the sector are Gamuda, Suncon (new initiation), Sunway and YTL. We like Gamuda for its successful diversification to Australia and the next leg of growth to double its orderbook and presales. Suncon's track record for both public and private sector projects looks impeccable to us, and the strong pipeline of projects from parent company Sunway Berhad has enabled it to achieve consistent new orders of RM2bn p.a. since FY18. In our view, YTL represents the best proxy to a HSR revival due to its experience and track record with rail projects.

Figure 1: Positive construction growth over the past 5 quarters

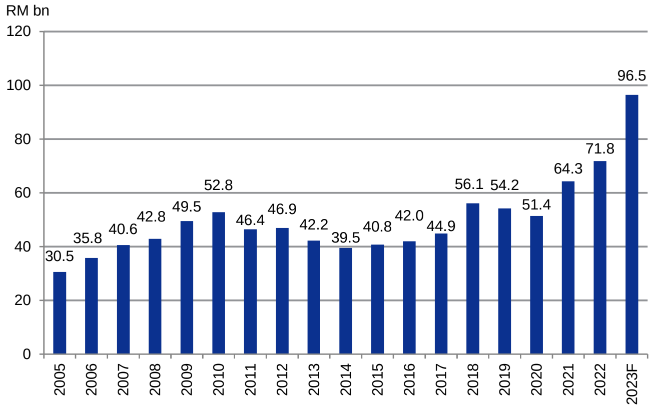


SOURCES: CGS-CIMB RESEARCH, BANK NEGARA MALAYSIA (BNM)

KEY CHARTS

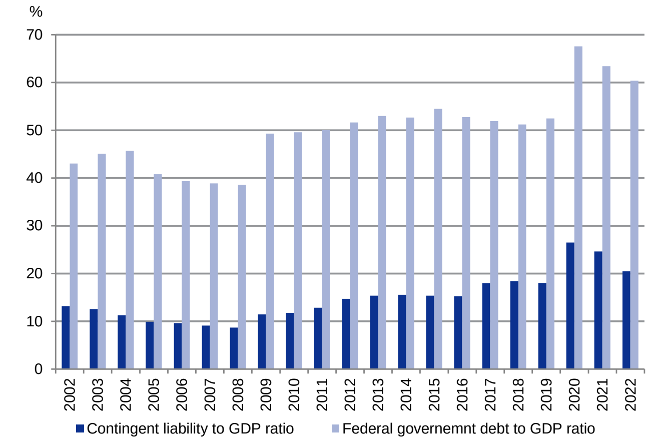
Highest ever development expenditure in 2023

Under Budget 2023 (which was retabled in Feb 2023 by the new unity government), the amount earmarked for development expenditure was RM96.5bn. This translates into a quarter of the total budget and may provide some indication of the potential direction of the sector post the upcoming state elections. We note that this will be the country's biggest development expenditure so far, where half of the total should go towards strengthening transport, trade and industry, energy and public utilities, agriculture, and environment.



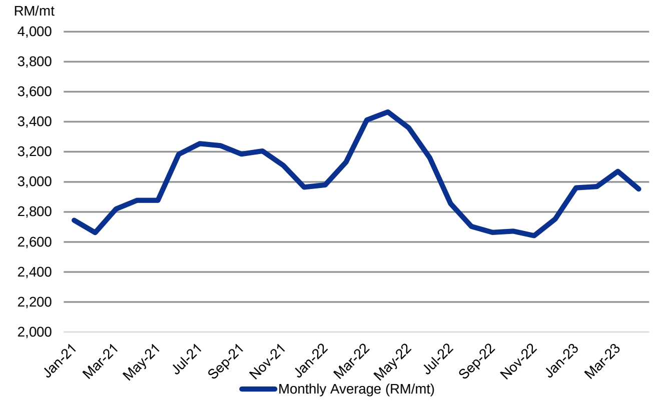
Government debt-to-GDP remains elevated

In our view, the biggest impediment for the sector is the elevated federal government debt levels and contingent liabilities, which amount to RM1.5tr. The debt-to-GDP ratio was 60.4% in Dec 2022, rising to 80.9% if contingent liabilities are included. This gives little headroom to allocate funding for construction projects with the ceiling set at 65%. Malaysia's statutory debt ceiling was raised from 55% to 60% in Aug 2020, and then again from 60% to 65% in 2021, because of more borrowings during the pandemic. Hence, we expect more projects going forward to have PFI/public-private partnership (PPP) elements, and contractors with stronger balance sheets should benefit, in our view.



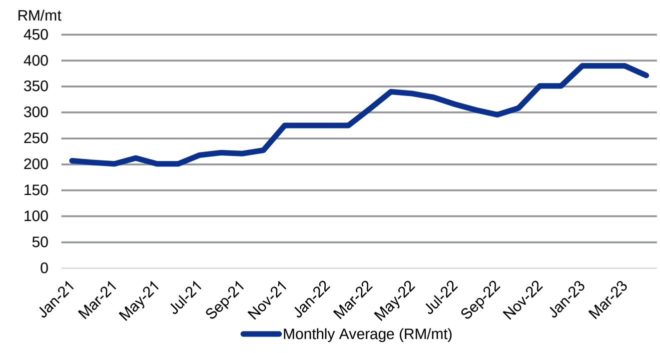
Steel prices are descending from the 2022 peaks

Steel prices have abated from the peak c.RM3,470/mt seen in 1Q22-2Q22 and are currently trading at c.RM3,000/mt. The higher steel prices had a negative impact on smaller contractors, which lack economies of scale, and also contractors which had a higher percentage of orderbook to building jobs. With steel prices appearing to be more stable now, we believe that this would give contractors better visibility in terms of costing when bidding for new jobs.



Cement prices bumped up in 1Q23

Cement prices rose to RM410/mt in early-2023 from RM370/mt. After rebates, the average selling price is about RM370/MT. Given the subdued property market and key mega projects such as MRT 3 not taking off yet, we expect cement prices to be stable for now.



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, MINISTRY OF FINANCE, BNM

Risk-reward looks attractive

Inexpensive valuations; muted earnings expectations

In our view, expectations on the sector are widely muted and reflected in the valuations, which are trading at mean levels. Net profit expectations also appear fairly muted, with an average increase of 5.3% in FY23F and 3.9% in FY24F for Bloomberg's consensus' earnings forecasts for our universe YTD, (consensus' forecast changes have been more company specific vs. sector driven). We upgrade the sector from Neutral to Overweight as we see a few catalysts unfolding for the rest of 2023F, which should lead to an eventual re-rating of the sector.

New unity government brings new opportunities

In our view, investors are warming up to the new unity government, where the focus is on transparent awarding of contracts based largely on merit. Although the outcome of the upcoming state elections would be key, the higher development expenditure (up 34% yoy to RM96.5bn) under the Feb 2023 Budget is a sign that the government is focused on construction sector-led growth. The eventual roll-out of MRT 3 by 2HCY23F (or latest by 1QCY24F) costing at least RM45bn should provide orderbook replenishment opportunities for contractors, particularly those that have prior experience with MRT Lines 1 and 2, such as IJM, Suncon and WCT. In addition, newsflow on the revival of the HSR is gaining traction, and it has been reported that five companies (MMC, WCT, YTL, Berjaya and MRCB) have been shortlisted to undertake feasibility studies.

Overseas project flows provide another growth avenue, but be selective

We expect overseas project flows to be more apparent moving forward. We observe that contractors have been making conscious efforts to be less reliant on Malaysia's public sector and slowing private sector projects by diversifying overseas.

For instance, 71% of Gamuda's order book is now derived from overseas, largely from Australia. WCT, which has a long history in the Middle East, is reviving its exposure to the region by focusing on projects in Saudi Arabia and Qatar. Suncon is also bidding for a 55% stake in a US$2.4bn (c.RM11bn) Vietnam power plant project, which would be worth c.RM6bn. While the market generally places a discount on such projects, we think it is Hobson's choice and investors need to be selective and focus on contractors that have a track record overseas. There also appears to be a shift of contractors to data centres and industrial building projects to fill the void left by the slowing residential property market.

Contractors' balance sheets are stronger now

Balance sheets of the larger contractors appear stronger now, in our view, compared to the past two years. Gamuda's sale of its toll concessions has resulted in a net gearing position of 7% as of end-2QFY7/23. This is not withstanding the annual cashflow of c.RM800m that Gamuda expects to receive annually over the next 5 years from its local property townships.

Even prior to the sale of IJM Plantations, IJM has been emphasising that it would be bidding for PFI/investment-related projects from the government. This is quite similar to its West Coast Expressway (WCE) project, where it is the main contractor and it also received government loans. IJM's net gearing has dropped to 24% as at 31 Dec 2023 (vs. 36-40% in FY21-20 prior to the sale of its plantation business).

In our view, this is important given the high federal government debt-to-GDP ratio of 60.4% in CY22 (80.9% including contingent liabilities). Moreover, we believe that future contracts, such as the HSR, would have to be private sector-led, while we are uncertain whether MRT 3 would require contractor financing for the first two years.

Summary of changes in earnings and assumptions

Here are the headline changes in core net profit and the broad assumptions for all the stocks under our coverage post the transfer of coverage.

Figure 2: Summary of changes in core net profit assumptions and rationale

	Old			New			
Company	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	Rationale
	RMm	RMm	RMm	RMm	RMm	RMm	
Gamuda	611.5	620.9	699.1	773.7	831.9	900.8	Higher new orderbook replenishment of RM8bn-10bn per year and local property launches of RM2bn-2.3bn for FY23-25F
IJM	281.1	292.6	346.6	268.9	362.1	452.8	Higher new orderbook replenishment of RM3.5bn-4bn and property launches of RM2.5bn-2.8bn for FY24-26F
WCT	60.8	67.6	76.2	75.0	91.3	102.0	Higher new orderbook replenishment of RM2.5bn per year and property launches of RM610m-780m for FY23-25F.
YTL	192.8	207.9	216.9	481.2	643.3	739.1	Higher earnings for YTL Power due to expansion of margins and recovery in the Singapore market, factoring construction wins of RM2bn per annum and earnings for MCement for FY23-25F
Sunway	588.1	596.8	600.7	715.3	773.1	856.2	Higher healthcare earnings, property launches and formalising new earnings for Sunway Construction and Sunway REIT. We are modelling RM3.5bn/RM2.5bn/RM2.8bn property launches and number of hospital beds of 1,078/1,330/1,431 for FY23F/24F/25F respectively.
Muhibbah	14.3	19.4	25.2	23.5	49.4	63.2	Higher passenger arrivals for Cambodia airport, factoring in recent Petronas wins for construction, balance RM300m new wins for FY23F, RM400m-500m for FY24-25F and some revival in its ship building division.
MCement	55.7	89.2	93.5	66.0	125.1	156.9	Higher blended cement prices (after rebates) of RM309/mt, RM348/mt and RM351/mt for FY23F/24F/25F respectively, and lower cost of coal.
HSS Engineers	17.9	19.9	21.5	26.7	34.5	40.4	Continuity of MRT 3 PMC contract, higher overall orders from engineering design, construction supervision and project management

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Summary of changes in ratings and TP

Post the transfer of coverage, all the ratings of the stocks in our universe remain the same, apart from YTL (raised from Hold to Add, with a new TP of RM1.00), Muhibbah Engineering (raised from Hold to Add, with a new TP of RM0.90), Sunway (raised from Hold to Add, with a new TP of RM2.21), and Malayan Cement (raised from Hold to Add, with a new TP of RM3.97).

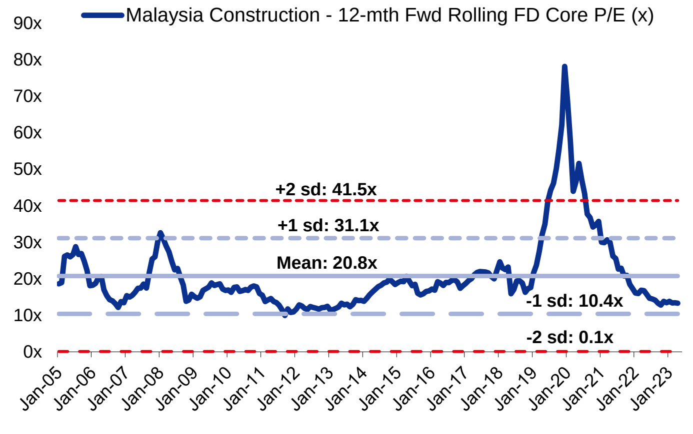
Figure 3: Changes in ratings and target prices

	TP		Rating		Rationale
Company	Old	New	Old	New	
	RM	RM			
Gamuda	4.69	5.58	Add	Add	Valuation based on SOP. Construction is valued based on a DCF of profits based on an existing orderbook of RM21bn (including Department of Trade and Industry) while factoring additional new order wins of RM8bn and property valued at 35% discount to RNAV
IJM	2.15	2.15	Add	Add	Valuation based on SOP. Construction is valued based on a DCF of profits based on sustainable orderbook of RM4.5bn and property valued at 40% discount to RNAV and tolls and ports based on DCF.
WCT	0.59	0.71	Add	Add	Valuation based on SOP. Construction is valued based on an DCF of profits based on a sustainable RM3.5bn orderbook and property valued at 70% discount to RNAV and property investment based on market value.
YTL	0.58	1.03	Hold	Add	Valuation based on SOP which factors in our new TP of YTL Power, MCement and other listed subsidiaries at market value. Consruction is valued at 12x FY25F P/E and Express Rail Link (ERL) based on DCF.
Sunway	1.73	2.21	Hold	Add	Valuation based on SOP. Sunway Construction and Sunway REIT based on our TPs, property development based on 30% discount to RNAV, property investment at market value and healthcare at EV/EBITDA of 15.8x (20% discount to IHH's 5 year average)
Muhibbah	0.66	0.90	Hold	Add	Valuation based on SOP. Construction valued at 14x FY24F P/E, Favelle Favco at market value and its Cambodian airport and roadcare concession at DCF.
MCement	2.36	3.97	Hold	Add	Valuation based on DCF Value (WACC of 8%, terminal growth: 3%)
HSS Engineers	0.58	0.81	Add	Add	Valuation based on DCF (WACC 9.4%, terminal growth: 4.5%)

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

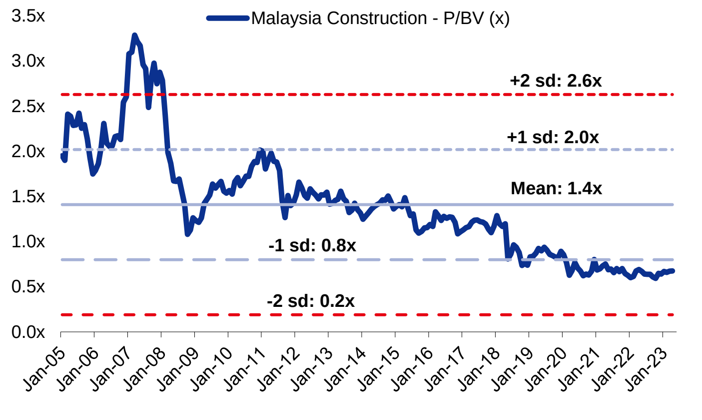
Valuations

Figure 4: Malaysia construction universe – 12-mth fwd rolling FD core P/E (x)



SOURCE: CGS-CIMB RESEARCH, BLOOMBERG

Figure 5: Malaysia construction universe – 12-mth fwd rolling FD core P/BV



SOURCE: CGS-CIMB RESEARCH, COMPANY BLOOMBERG

Based on our construction and materials sector universe, the sector is currently trading at 1-year forward P/E and P/BV, which are at 1 s.d. below its 18-year mean. In our view, this is inexpensive and provides an ideal entry point to the sector. We believe that there will be a stronger push for high multiplier projects, such as MRT 3, HSR and the Penang Transport Master Plan, post the upcoming state elections when there is more political stability.

The federal government's propensity to pump prime the economy aggressively is the most important catalyst for the sector, in our view. We believe that the government is cognisant of construction as one of the pillars to support GDP growth, as evidenced by the record allocation for development expenditure in 2023 of RM96.5bn (+34% yoy). Construction GDP growth has been showing positive momentum for the past five quarters and been one of the anchors of GDP growth during that period.

We think that the construction trough-to-peak cycles may be shorter going forward. This is because post GE-14, political stability has become an issue, with no ruling collation being able to command a two-third majority. However, this may be balanced by contractors looking abroad to grow their orderbooks, such as Gamuda, which may result in continuity in earnings growth even if local public sector projects are delayed.

Figure 6: Peer comparison

Company	Bbg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US$ m)	P/E (x) CY23F	P/E (x) CY24F	P/E (x) CY25F	2-year EPS CAGR (%)	P/BV (x) CY23F	P/BV (x) CY24F	Recurring ROE (%) CY23F	Dividend Yield (%) CY23F
Gamuda	GAM MK	Add	4.13	5.58	2,392	13.6	12.7	11.5	3.8%	1.15	1.09	8.3%	8.2%
IJM Corp Bhd	IJM MK	Add	1.55	2.15	1,185	16.2	12.6	11.1	35.0%	0.53	0.51	3.3%	1.9%
WCT Holdings	WCTHG MK	Add	0.42	0.71	128	7.8	6.4	5.8	4.7%	0.15	0.14	1.9%	1.8%
Sunway Construction Group	SCGB MK	Add	1.65	2.14	463	15.1	12.7	10.9	7.4%	2.64	2.39	18.4%	3.3%
Muhibbah Engineering	MUHI MK	Add	0.64	0.90	100	19.7	9.3	7.3	na	0.35	0.34	1.8%	1.5%
HSS Engineers	HSS MK	Add	0.50	0.81	54	9.3	7.2	6.1	30.2%	0.92	0.82	10.5%	0.0%
YTL Corporation	YTL MK	Add	0.79	1.00	1,874	15.2	12.4	11.1	86.8%	0.65	0.63	4.3%	3.8%
Malayan Cement Bhd	LMC MK	Add	2.92	3.97	833	40.0	27.1	22.1	42.3%	0.65	0.63	1.6%	0.0%
Malaysia average						**14.5**	**10.8**	**9.3**	**12.7%**	**0.96**	**0.90**	**6.7%**	**3.4%**

PRICE DATA AS OF 24 MAY 2023
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

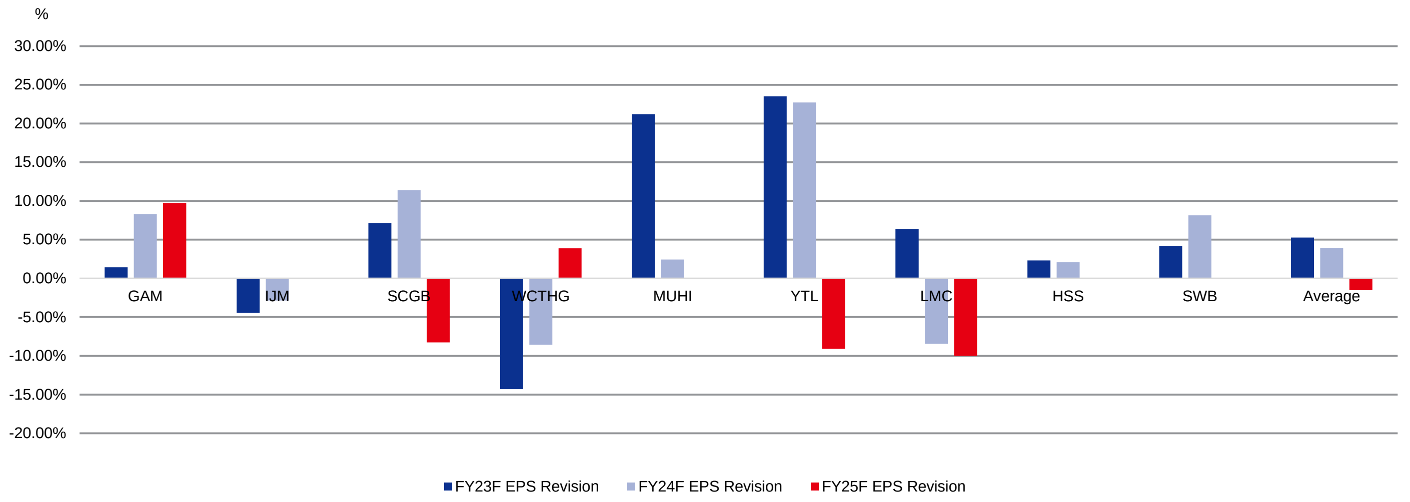
Consensus' change in earnings

We think that a combination of positive newsflow and strong earnings delivery is crucial to achieve a sustained re-rating amid current subdued market conditions due to the softening global economy and recession fears.

Historically, construction stocks have moved on newsflow of contract wins. However, without an execution track record to ensure solid earnings delivery, we believe that any re-rating would not be sustainable. A case in point is Gamuda's sizeable order wins in Australia, with the market awaiting signs of more solid earnings delivery.

In our coverage universe, we notice that the changes in consensus' earnings forecasts have been more stock-specific rather than sector driven. For example, consensus raised Gamuda's FY23F/24F/25F EPS by 1.4%/8.3%/9.7%, driven by its Australia infrastructure projects and quick turnaround projects (QTP). Similarly, for YTL, the positive revision has been driven largely by YTL Power. We think the implication of this is that a faster-than-expected rollout of MRT 3 and a revival of the HSR could alter the earnings profile of contractors that have prior experience with MRT Line 1 and 2.

Figure 7: Consensus' change in earnings for FY23-25F



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

Gamuda (CP RM4.15, Add, TP RM5.58) – On a new growth trajectory

- We reiterate Add on Gamuda, with a higher TP of RM5.58, now based on SOP (previously RNAV-based TP of RM4.69), which translates to a P/E of 17x FY24F.
- Our core net profit forecasts are largely in line at 107%/96%/94% of Bloomberg consensus' estimates for FY23F/24F/25F.
- Key re-rating catalysts are MRT 3 tunnel package win, clarity on federal government support for the Penang Transport Master Plan, and higher property sales.

Downside risks

- Potential labour issues in Australia could derail the construction progress of its projects in the country.
- The market expects MRT 3 to be rolled out by 2H23F or latest by 1Q24F. Slower-than-expected progress will be negative for Gamuda and other contractors.
- Gamuda is targeting FY23F property presales of RM4.5bn (+12% yoy). With higher cost of borrowing and inflationary pressures now in Malaysia, there is a risk of the property market slowing.

Figure 8: Gamuda's SOP

Division	Stake (%)	Subtotal (RMm)	Total (RMm)
Construction - Current orderbook	50-100	2,031	
Construction - DTI	50	503	
Construction - Potential new wins	100	1,217	
Total Construction			3,751
Local Property	50-100		9,330
Foreign Property	50-100		728
Water			
Gamuda Water	80		522
Tolls			
India	50	256	256
Less net debt for FY24F			242
Total SOP			14,573
Number of shares outstanding (m)			2,659
SOP/share (RM)			5.58
Implied CY24F P/E (x)			17

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

YTL Corp (CP RM0.67, Upgrade to Add, TP RM1.00) – Cusp of an earnings upswing

- We upgrade our rating on YTL Corp to Add (from Hold), with a higher TP of RM1.00, based on a 20% holding company discount to our SOP value.
- Our core net profit forecasts are 210%/218%/339% of Bloomberg consensus' forecasts for FY23F/24F/25F due to our updated higher earnings forecasts for YTL Power
- Key re-rating catalysts are a revival in HSR, more industrial warehouse projects, and stronger-than-expected recovery in its utilities business.

Downside risks

- Poorer-than-expected earnings delivery for YTL Power. A large part of YTL's share price recovery YTD has been due to expectations of stellar earnings for YTL Power.
- Choppy earnings delivery. Its conglomerate structure and its management services and other divisions that house other non-core businesses make the ability to forecast earnings with accuracy more difficult.
- Besides utilities, two core divisions which will move the needle for YTL are cement and construction, in our view. Further delays in the rollout of projects, such as MRT 3 and the revival of HSR, will be negative for these divisions.

Figure 9: YTL's SOP

Group's businesses	Valuation method	Value	Value/share (RM)
Listed subsidiaries:		**RMm**	
YTL Power	Based on SOP	5,848	0.53
Mcement	AT CGS-CIMB TP of RM3.97	4,002	0.36
YTL Hospitality REIT	At market price	967	0.09
Starhill Global REIT	At market price	1,429	0.13
Unlisted businesses:			
YTL Land	At Market Value	2,375	0.22
Construction	12x FY25F P/E	1,604	0.15
Hotel & restaurants	At Market Value	1,558	0.14
Express Rail Link (ERL)	DCF - WACC = 8%, g = 3%	1,273	0.12
Total		19,056	1.74
Less company net debt		-5,400	-0.49
Total equity value		13,656	1.25
Fully diluted number of shares		10,965	
Equity value per share (RM)		1.25	
Target price (RM/share) 20% holding company discount		1.00	
Implied P/E CY24F (x)		15.5	

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

IJM (CP RM1.57, Add, TP RM2.15) – Waking up from its slumber

- We reiterate Add on IJM Corp, with an unchanged SOP-based TP of RM2.15, translating into a P/E of 17.6x CY24F.
- Our earnings are 87%/101%/112% of Bloomberg consensus' forecasts for FY23F/24F/25F.
- Key re-rating catalysts are a potential sizeable ECRL contract win, an MRT 3 above-ground contract win, and more investments in the Malaysia-China Kuantan Industrial Park (MCKIP).

Downside risks

- Given IJM's niche in local private sector building jobs and the slowdown in this subsector, it needs to pivot into a new area such as industrial buildings.
- The market expects MRT 3 to be rolled out by 2H23F or latest by 1Q24F. A slower-than-expected progress will be negative for IJM and other contractors.
- Slowing property market. In 9MFY23, property sales were RM2.4bn (FY22: RM2.5bn) but this was lifted by some RM1bn in land sales which will not be recurring. With higher cost of borrowing and inflationary pressures affecting Malaysia currently, there is a risk of the property market slowing.

Figure 10 : IJM's SOP

Division	SOP RMm	SOP/share RM	Method
Construction	581.1	0.17	DCF of sustainable orderbook of RM4.5bn
Investment Property	467.0	0.13	Invesment cost
Development Property	6,252.8	1.78	40% discount to RNAV
Tolls			
Local	1,251.5	0.36	DCF at WACC of 8%
Foreign	301.4	0.09	DCF at WACC of 10%
Ports/Water	815.5	0.23	DCF at WACC of 8%
Manufacturing	971.0	0.28	PE of 12x
Euro Holdings Berhad	59.0	0.02	Market Value
Less net debt FY24F	-2,663.7	-0.76	
Total SOP Value	3,516.5		
SOP/share	2.2		
Implied CY24F P/E	17.6		

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

WCT (CP RM0.42, Add, TP RM0.71) – Awaiting SARP approval

- We reiterate Add on WCT, with a higher SOP-based TP of RM0.71, translating into a P/E of 11x CY24F.
- Our earnings are 98%/101%/90% of Bloomberg consensus' forecasts for FY23F/24F/25F.
- Key re-rating catalysts are the overall revival in government infrastructure spending and approval for the Subang Airport Regeneration Plan (SARP).

Downside risks

- Write-down in margins for its current outstanding orderbook could recur given historical trends and this would impact our earnings forecasts.
- The market expects MRT 3 to be rolled out by 2H23F or latest by 1Q24F. A slower-than-expected progress will be negative for WCT and other contractors.
- Slowing property market. WCT has set property presales target of RM800m for FY23F (FY22: RM421m), driven by key launches, such as Pavilion Mont Kiara (GDV RM804m) and W City in Johor (GDV RM899m). With higher cost of borrowing and inflationary pressures affecting Malaysia currently, there is a risk of the property market slowing.

Figure 11: WCT's SOP

Division	SOP RMm	SOP/share RMm	Basis
Construction	344.90	0.24	Sustainable orderbook of RM3.5bn
Property	1,410.62	1.00	70% discount to RNAV
Investment Property	1,869.32	1.32	Market value
Less net debt FY24F	-2,610.78	-1.84	
Total SOP	1,014.05		
Number of shares (m)	1,417.20		
SOP/share (RM/share)	0.71		
Implied FY24F P/E (x)	10.95		

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Muhibbah (CP RM0.64, Upgrade to Add, TP RM0.90) – Recovery in concession earnings

- We upgrade our rating on Muhibbah to Add (from Hold), with a higher SOP-based TP of RM0.90, translating into a P/E of 13x CY24F.
- Our earnings are 40%/81%/248% of Bloomberg consensus' forecasts for FY23F/24F/25F, forecasting a more gradual recovery for its Cambodian airport.
- Key catalysts are higher tourist arrivals, which should benefit its Cambodia airport concession, and more contract flows from Petronas.

Downside risks

- The Cambodian government will likely exercise its option to reclaim the Siam Reap airport concession, according to an article by the Phnom Penh Post.
- Poorer-than-expected execution track record. Muhibbah's track record in infrastructure projects has been patchy partly due to the onset of Covid-19. This may impact our earnings projections.
- Lower oil prices may impact the revival of Petronas's projects, which is the target of its infrastructure business, and potentially crimp the capex cycle for its offshore crane business.

Figure 12: Muhibbah's SOP

SOP Method	Earnings / NPV/ MV (RMm)	PE / WACC (x,%)	Stake	Atributed Value (RMm)	Per Share (RM)
Construction	16	14	100%	229	0.31
Cranes	453	Market Value	61%	276	0.38
Cambodia airports	1,358	12%	21%	285	0.20
Road maintenance	50.9	8%	21%	11	0.01
SOP Value				800.9	0.90
Implied CY24F P/E (x)					13.2

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

HSS Engineers (CP RM0.51, Add, TP RM0.81) – MRT 3 anchoring growth

- We reiterate our Add rating on HSS Engineers with a revised DCF-based TP of RM0.81, translating into a P/E of 13x CY24F.
- Our earnings are 122%/142%/154% of Bloomberg consensus' forecasts for FY23F/24F/25F.
- Key re-rating catalysts are continuity in the MRT 3 project, revival of the HSR, and further inroads into overseas projects.

Downside risks

- Slower-than-expected rollout of MRT 3 may impact earnings recognition of PMC project.
- Higher staff attrition for professional engineers to its competitors may impact the ability to execute its current and future projects.
- Single project risk and potential cancellation of projects. The MRT 3 PMC contributes RM1bn out of its RM1.41bn order book as at 31 Mar 2023. Also, its reliance on local government projects makes it vulnerable to potential deferment and/or cancellation of such projects when there is political uncertainty.

Figure 13: HSS's DCF value

	FY23F	FY24F	FY25F	FY26F	FY27F
EBITDA (RMm)	39	51	60	62	66
- tax paid (RMm)	-9	-12	-14	-15	-15
- capex (RMm)	-4	-7	-8	-10	-15
- working capital (RMm)	-44	24	6	2	0
FCF (RMm)	-18	56	44	39	35
Discounted FCF (RMm)	-16	47	34	27	22
Sum of FCF (RMm)	114				
g	5%				
Terminal value (RMm)	477				
PV of terminal value (RMm)	304				
Total FCF (RMm)	418				
Less net debt (RMm)	-17.0				
Equity value (RMm)	401				
Equity value per share (RM)	0.81				
Implied P/E CY24F (x)	11.6				
WACC calculation					
Cost of debts	6%				
% debts	19%				
% equity	81%				
RFR	4%				
Beta	1.1				
Risk premium	6%				
CoE	11%				
CoD	4%				
WACC	9.4%				

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Malayan Cement (CP RM2.46, Upgrade to Add, TP RM3.97) – Higher ASP and lower costs

- We upgrade our rating for Malayan Cement (MCement) to Add (from Hold), with a revised higher DCF-based TP of RM3.97 (WACC: 7.6%, TG: 3%).
- Our earnings are 101%/126%/128% of Bloomberg consensus' forecasts for FY23F/24F/25F.
- Key re-rating catalysts are a recovery in the property market, and resurgence in public sector government spending, such as the high-speed rail (HSR).

Downside risks

- Key risks are slower-than-expected rollout of government mega projects, such as MRT 3, and muted property demand, with higher borrowing costs and rising inflation.
- The Malaysian Cement and Concrete Association is offering 1m tonnes of bulk cement at RM290/tonne under the Rahmah cement scheme initiative to private housing developers building affordable units versus the RM410/tonne market price. While the amount is small, there are no guarantees that this will not recur.
- With increased pressure from consumers to reduce cost of houses, the government may step in and require cement players to cut average selling prices.

Figure 14: MCement's DCF value

	FY23F	FY24F	FY25F	FY26F	FY27F
EBITDA (RMm)	**652**	**837**	**823**	**806**	**840**
- tax paid (RMm)	-23	-44	-55	-66	-89
- capex (RMm)	-100	-100	-100	-100	-100
- working capital (RMm)	-135.3	-69.6	-32.1	-28.8	-41.9
FCF (RMm)	394	624	636	611	609
Discounted FCF	366	539	511	456	423
Sum of PV (RMm)	2,295				
g	3.0%				
Terminal value (RMm)	8,712				
PV of terminal value (RMm)	5,929				
Total PV (RMm)	8,224				
Less net debt (RMm)	-3,027				
Equity value (RMm)	5,197				
Equity value (RM/share)	3.97				
Implied PE - CY24F (x)	36.9				
WACC calculation					
Cost of debts	6%				
Normalised tax rate	26%				
% debts	40%				
% equity	60%				
RFR	4%				
Beta	0.91				
Risk premium	6%				
CoE	9%				
CoD	5%				
WACC	7.6%				

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Sunway Berhad (CP RM1.57, Upgrade to Add, TP RM2.21) – Unlocking healthcare business

- We upgrade our rating on Sunway to Add (from Hold), with a revised TP of RM2.21, now based on a 10% holding company discount to our SOP (previously RNAV-based TP of RM1.73).
- Our earnings are 116%/118%/121% of Bloomberg consensus' forecasts for FY23F/24F/25F.
- Key re-rating catalysts are stronger-than-expected property sales in FY23F and faster-than-expected listing of its healthcare business.

Downside risks

- A key risk is slower-than-expected property sales. While Sunway is ramping up its launches for FY23F, the higher interest rate environment now and inflationary pressures may negatively impact property sales.
- While prices of raw materials, such as steel bars, cement and diesel, have been stable, an escalation in prices may impact margins for both construction and property divisions.
- SMG's greenfield pipeline of hospitals include Damansara and Ipoh while there are also hospitals in the planning stage, such as in Kota Bahru, Paya Terubong (Penang) and Iskandar (Johor). There are no guarantees that the demand for its healthcare services will remain robust.

Figure 15: Sunway's SOP

Segment	RMm	RM/share	Method
Property Development	6,124	0.93	30% discount to RNAV
Property Investment	2,240	0.34	Market Value
REIT	2,408	0.37	At CGS-CIMB TP of RM1.72
Construction	1,506	0.23	At CGS-CIMB TP of RM2.14
Quarry	153	0.02	12x FY24F PE
Building Materials & trading	294	0.04	10x FY24F PE
Healthcare	7,206	1.10	EV/EBITDA of 15.8x
Net cash / (debt) FY24F	-5,939	(0.90)	
Proceeds from warrants conversion	1,044		
Proceeds from ICPS issue	978		
Total SOP	16,016		
Fully diluted Number of shares	6,565.0		
SOP Value/share (RM)	2.45		
Target Price/share (RM) - 10% discount	2.21		
Implied CY24F P/E (x)	14.1		

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Key downside risks for the sector

In our view, the key downside risks for the sector are: i) political instability; ii) rising raw material costs and labour; and iii) lack of government funding.

Politics

In our view, the upcoming state elections would be the litmus test for the current unity government on its sustainability and ability to push through reforms and policies. Selangor, Negeri Sembilan, Penang, Kelantan, Terengganu and Kedah are expected to call for elections this year latest by end-Aug to early-Oct.

Raw material costs and availability of labour

Potential increases in raw material prices, such as steel, diesel and cement, would present an additional cost to contractors if the additional costs cannot be passed on. The larger contractors are likely more insulated from higher raw material costs, given their ability to lock in prices via bulk buying and holding more inventory. Based on our channel checks, most contractors are no longer grappling with the lack of labour.

Funding

The current federal government debt levels leave little room to roll out large scale construction projects. As such, we expect more PFI/PPP projects such as the potential HSR. This should benefit contractors with stronger balance sheets.

Figure 16: Potential projects in Malaysia

Projects	Est amount (RM bn)	Funding	Status	Potential Beneficiaries	Commencement	Completing
MRT Line 3	45.0	Malaysian Government/Private sector	Under government review. Expect minor tweaks to factor in cost savings but alignment largely intact	MMC-Gamuda lowest bid for tunnelling. Contractors which were present in MRT 1 and 2 - IJM, Sunway Construction, WCT	2023	2030
Pan Borneo Highway Phase 2	12.0	Federal Government	Proceeding	Various Sarawak based contractors	2023	Unknown
East Coast Rail Link	44.0	Exim Bank of China	Progress rate of 42.06% as at March 2023 while local participation is 96% of the estimated RM10.8bn in civil works.	IJM anticipating rail link to Kuantan Port	2H17	2026
Penang Integrated Transport	32.0	Private sector (Land swap)	Proceeding. Waiting EIA approval	Gamuda, IJM	Unknown	Unkown
High Speed Rail	60-70	May proceed if privatetly funded	Government requesting fo RFI where 5 companies expressed interest.	MMC, Berjaya, MRCB, YTL and WCT.	Unknown	Unknown
JB-Singapore RTS Link	3.7	Jointly with Singapore government	Proceeding	Sunway construction won a package recently	2021	2026
Bandar Malaysia	70.0	Prviate Sector	Stalled	Various - Building contractors	Unknown	Unknown
Subang airport redevelopment	2-3	Private	Awaiting approval	WCT	Unknown	Unknown
Flood mitigation	12.0	Government/Private	Approved in Budget 2023	Various	Unknown	Unknown
Westports 2.0	12.6	Private	RM4bn capex by 2031 to qualify for IA	Marine contractors like Muhibbah. HSS for PMC role	Unknown	Unknown
Upgrading of North South highway	Unknown	Federal Government	Approved in Budget 2023	Various infrastructure contrractors	Unknown	Unknown

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

ESG in a nutshell

ESG

The Construction Industry Transformation Programme (CITP), National Construction Policy (NCP) 2030 and 12th Malaysia Plan (12MP) have laid the groundwork for a green agenda, green procurement practices and sustainability rating tools in the sector. The larger contractors appear to be embracing ESG in a more holistic manner with an engagement of chief sustainability officers (CSO) to drive this shift. The most immediate trend seen is the shift to more industrialised building systems (IBS) to reduce the reliance on labour and bids for more sustainable or ESG-based projects, such as thermal energy storage (TES), district cooling systems (DCS), energy efficient or “smart” buildings, solar farms and solar panels. In our view, the key would be to ensure sustainable development in the lifecycle of the construction sector with the National Construction Policy 2030 (NCP 2030).

Keep your eye on	Implications
The 12MP (2021-25) lays some foundation on how the government plans to transform the construction sector to higher sustainability standards. This would involve sustainability framework, policies, implementation capability, funding availability and contractors’ track record in executing sustainability-related contracts (water, flood mitigation, urban rail systems, which directly and indirectly contribute to climate action plans and the reduction in carbon footprint).	In our view, it would be difficult and premature to factor in ESG into valuations of contractors, given that sustainability initiatives have been fragmented and disclosure of sustainability strategies vary across companies. In addition, the sector has undergone a downcycle due to Covid-19, unavailability of labour and a cut back in development spending. We will be monitoring this closely on how to assign a fair premium/discount for ESG.
ESG highlights	**Implications**
Given the advent of Covid-19 and notable slowdown in construction spending, the construction sector’s ESG transformation plans have been sporadic, as most contractors were mainly in survival mode. Still, most would try to adopt industry best practices in the areas of sustainability, reduction of carbon footprint and quality and safety.	It appears that the larger capitalisation contractors have made a more visible shift in their ESG transformation given their stronger balance sheets. For instance, Gamuda, which has acquired an EPCC solar based company, engaged a CSO and owns two IBS plants.
Trends	**Implications**
We expect industry players to develop more sustainable and resilient infrastructures and buildings, promote eco-friendly construction materials, improve waste management and develop environmental-friendly design. IBS has been mandated for use in government projects since 2008 and in private projects starting 10 Jan 2018, when the housing and local government ministry at that time requiring projects worth RM50m and above to have a minimum IBS score of 50. CIDB expects to see more advanced technologies being developed to improve the construction industry productivity, such as 3D printing, robotics, and other smart construction technologies. The adoption of BIM is also seen as one of the most advanced and important technologies to assist in improving the productivity and sustainability of construction projects. Over time, there should be more emphasis on renewable energy projects for new order replenishment.	CIDB has indicated that IBS implementation in government projects has increased from 79.5% in 2020 to 84% in 2021. Meanwhile, IBS implementation in private projects has increased from 41% in 2020 to 60% in 2021. It expects an increment of 10-15% in the IBS adoption rate for 2023 building projects. Gamuda, IJM and Sunway have their own IBS technology and manufacturing facilities, but we think it would be difficult for the smaller players to follow suit given the capex involved. Gamuda Green Plan (launched in 5 Jun 2021) carries the main objective of enhancing its ESG profile and translating it into its operations/business model. Its ESG initiatives and its strategy of incorporating ESG features into its projects will result in the group undertaking and executing more ESG-driven large-scale construction projects and property townships. This would also raise its profile and track record, placing it among the potential contractors of future large-scale mega contracts, such as the MRT 3, in our view.

SOURCES: CGS-CIMB RESEARCH, REFINITIV

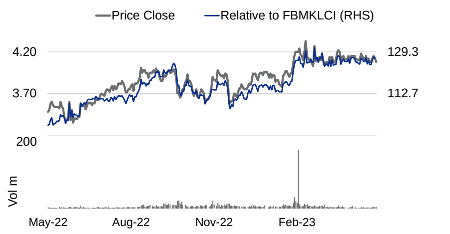
Company Briefs

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 19 Hold 1 Sell 1
Current price:	RM4.13
Target price:	RM5.58
Previous target:	RM4.69
Up/downside:	35.0%
CGS-CIMB / Consensus:	17.9%
Reuters:	GAMU.KL
Bloomberg:	GAM MK
Market cap:	US$2,392m RM10,987m
Average daily turnover:	US$6.86m RM30.68m
Current shares o/s	2,659m
Free float:	71.7%

**Source: Bloomberg*



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.5	-1.7	17.3
Relative (%)	1.4	1.5	25.3

Major shareholders	% held
EPF	14.6
ASN	13.7

Gamuda

On a new growth trajectory

- We rate Gamuda an Add with a higher TP of RM5.58, now based on SOP, which translates into a P/E of 17x FY24F.
- Our earnings are largely in line at 107%/96%/94% of Bloomberg consensus' forecasts for FY23F/24F/25F.
- Key re-rating catalysts are MRT 3 tunnel win, clarity on federal government support for the Penang Transport Master Plan, and higher property sales.

Reiterate Add, raising earnings and SOP-derived TP

- We reiterate our Add rating on Gamuda with a higher SOP-derived TP of RM5.58/share as we think it is still the best proxy to MRT 3 tunnelling works and its successful diversification to the Australian infrastructure market. Our new SOP-based TP factors in its RM20.5bn orderbook and expectations of RM8bn in new order wins in FY23F while valuing the property business at a 35% discount to RNAV. We also raise our FY23F/24F/25F EPS by 24%/31%/26% to factor in higher new order wins of RM8bn, RM10bn and RM10bn in FY23F/24F/25F (vs. our previous estimates). This note marks the transfer of coverage to Chong Tjen-San.
- Gamuda has set ambitious plans to double its orderbook and presales from the current RM20.5bn and RM4bn, respectively, in the next 1-2 years. For construction, this will be achieved via a combination of local and Australian jobs while, for property, its quick turnaround projects (QTP) will play a huge role, in our view.

Downside risks

- Potential labour issues in Australia could derail the construction progress of its projects in the country.
- The market expects MRT 3 to be rolled out by 2H23F or latest by 1Q24F. Slower-than-expected progress will be negative for Gamuda and other contractors.
- Gamuda is targeting FY23F property presales of RM4.5bn (+12% yoy). With higher cost of borrowing and inflationary pressures now in Malaysia, there is a risk of the property market slowing.

Re-rating catalysts

- Better progress of Australian infrastructure projects could improve sentiment on the stock. Gamuda's current orderbook stands at RM20.5bn, of which 71% is from Australia.
- Further clarity on federal government support for the Penang Transport Master Plan will enable other components of the project to take off, such as the LRT.
- Clinching the MRT 3 tunnelling contract is also a re-rating catalyst. It was reported in an article dated 7 Apr 2023 by NewStraitsTimes that the MMC-Gamuda JV (50:50) is the lowest bidder for the tunnelling portion, with a RM13.3bn bid. A win could add RM6.7bn in new orders.

Analyst(s)

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Financial Summary	Jul-21A	Jul-22A	Jul-23F	Jul-24F	Jul-25F
Revenue (RMm)	3,269	4,902	9,015	11,432	12,603
Operating EBITDA (RMm)	631	746	919	997	1,091
Net Profit (RMm)	454.8	725.8	773.7	831.9	900.8
Core EPS (RM)	0.20	0.29	0.30	0.31	0.34
Core EPS Growth	(0.3%)	46.3%	3.6%	5.4%	8.3%
FD Core P/E (x)	21.10	14.42	13.91	13.20	12.19
DPS (RM)	0.00	0.12	0.50	0.12	0.12
Dividend Yield	0.0%	2.9%	12.1%	2.9%	2.9%
EV/EBITDA (x)	16.64	12.13	10.69	9.47	8.06
P/FCFE (x)	NA	11.63	11.59	11.27	10.65
Net Gearing	17.8%	(7.8%)	0.1%	(2.4%)	(5.1%)
P/BV (x)	1.13	1.07	1.18	1.12	1.05
ROE	5.51%	7.61%	8.04%	8.68%	8.89%
% Change In Core EPS Estimates			23.9%	30.6%	25.6%
CGS-CIMB/Consensus EPS (x)			1.05	0.96	0.94

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Jul-22A	Jul-23F	Jul-24F	Jul-25F
Total Net Revenues	**4,902**	**9,015**	**11,432**	**12,603**
Gross Profit	**700**	**1,065**	**1,266**	**1,416**
Operating EBITDA	**746**	**919**	**997**	**1,091**
Depreciation And Amortisation	-112	-126	-123	-121
Operating EBIT	**635**	**793**	**874**	**970**
Financial Income/(Expense)	-87	-94	-101	-108
Pretax Income/(Loss) from Assoc.	350	353	357	360
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**898**	**1,052**	**1,130**	**1,222**
Exceptional Items	0	0	0	0
Pre-tax Profit	**898**	**1,052**	**1,130**	**1,222**
Taxation	-156	-263	-282	-305
Exceptional Income - post-tax				
Profit After Tax	**741**	**789**	**847**	**916**
Minority Interests	-16	-16	-16	-16
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**726**	**774**	**832**	**901**
Recurring Net Profit	726	774	832	901
Fully Diluted Recurring Net Profit	**726**	**774**	**832**	**901**

Balance Sheet

(RMm)	Jul-22A	Jul-23F	Jul-24F	Jul-25F
Total Cash And Equivalents	5,581	5,170	5,822	6,532
Total Debtors	2,693	2,424	2,181	1,963
Inventories	655	590	531	478
Total Other Current Assets	4,225	4,225	4,225	4,225
Total Current Assets	**13,154**	**12,408**	**12,759**	**13,197**
Fixed Assets	1,095	1,070	1,047	1,026
Total Investments	963	1,316	1,673	2,034
Intangible Assets	137	137	137	137
Total Other Non-Current Assets	4,924	4,924	4,924	4,924
Total Non-current Assets	**7,119**	**7,447**	**7,781**	**8,121**
Short-term Debt	1,535	1,935	2,335	2,735
Current Portion of Long-Term Debt				
Total Creditors	2,677	2,409	2,168	1,952
Other Current Liabilities	2,134	2,134	2,134	2,134
Total Current Liabilities	**6,347**	**6,479**	**6,638**	**6,821**
Total Long-term Debt	3,245	3,245	3,245	3,245
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	327	327	327	327
Total Non-current Liabilities	**3,572**	**3,572**	**3,572**	**3,572**
Total Provisions	105	105	105	105
Total Liabilities	**10,024**	**10,156**	**10,315**	**10,498**
Shareholders' Equity	9,901	9,334	9,844	10,424
Minority Interests	349	365	380	396
Total Equity	**10,250**	**9,699**	**10,225**	**10,819**

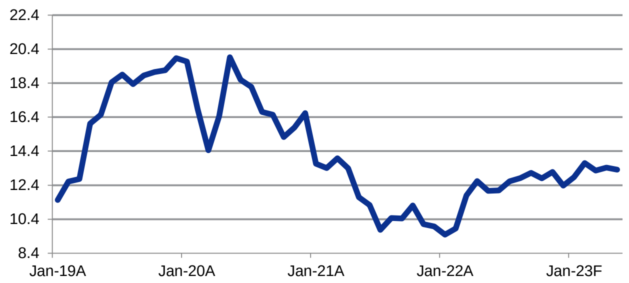
Cash Flow

(RMm)	Jul-22A	Jul-23F	Jul-24F	Jul-25F
EBITDA	746	919	997	1,091
Cash Flow from Invt. & Assoc.	-350	-353	-357	-360
Change In Working Capital	-218	67	60	54
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	112	126	123	121
Other Operating Cashflow	567	228	234	240
Net Interest (Paid)/Received	-87	-94	-101	-108
Tax Paid	-136	-263	-282	-305
Cashflow From Operations	**635**	**629**	**674**	**731**
Capex	-209	-100	-100	-100
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	707	0	0	0
Cash Flow From Investing	**499**	**-100**	**-100**	**-100**
Debt Raised/(repaid)	-234	400	400	400
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased				
Dividends Paid	-49	-1,340	-322	-322
Preferred Dividends				
Other Financing Cashflow	1,192	0	0	0
Cash Flow From Financing	**910**	**-940**	**78**	**78**
Total Cash Generated	2,043	-412	652	709
Free Cashflow To Equity	**900**	**929**	**974**	**1,031**
Free Cashflow To Firm	**1,220**	**623**	**675**	**739**

Key Ratios

	Jul-22A	Jul-23F	Jul-24F	Jul-25F
Revenue Growth	50.0%	83.9%	26.8%	10.2%
Operating EBITDA Growth	18.2%	23.1%	8.6%	9.3%
Operating EBITDA Margin	15.2%	10.2%	8.7%	8.7%
Net Cash Per Share (RM)	0.31	-0.00	0.09	0.21
BVPS (RM)	3.88	3.51	3.70	3.92
Gross Interest Cover	7.32	8.44	8.64	8.95
Effective Tax Rate	17.4%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	7%	173%	39%	36%
Accounts Receivables Days	163.3	103.6	73.7	60.0
Inventory Days	63.6	28.6	20.2	16.5
Accounts Payables Days	192.1	116.8	82.4	67.2
ROIC (%)	4.69%	6.58%	7.33%	8.21%
ROCE (%)	2.08%	2.60%	2.80%	2.93%
Return On Average Assets	4.16%	4.28%	4.57%	4.76%

12-mth Fwd FD P/E (x) - Gamuda



Key Drivers

	Jul-22A	Jul-23F	Jul-24F	Jul-25F
Construction margins	7.6	7.6	7.7	7.9
Property launches Malaysia	N/A	2,090.0	2,225.0	2,305.0
New order wins	N/A	8,000.0	10,000.0	10,000.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

CGSCIMB

UPGRADE

B Refinitiv ESG Combined Score

Company Brief

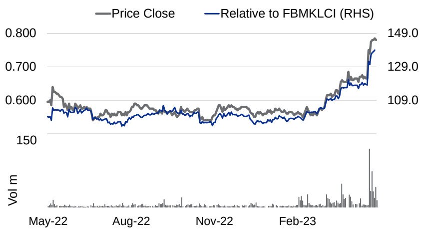
Conglomerate | Malaysia | May 25, 2023

Malaysia

ADD *(previously HOLD)*

Consensus ratings*:	Buy 1 Hold 1 Sell 0
Current price:	RM0.78
Target price:	RM1.00
Previous target:	RM0.58
Up/downside:	28.2%
CGS-CIMB / Consensus:	20.5%
Reuters:	YTLS.KL
Bloomberg:	YTL MK
Market cap:	US$1,862m
	RM8,552m
Average daily turnover:	US$2.24m
	RM10.08m
Current shares o/s	10,911m
Free float:	50.1%

**Source: Bloomberg*



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	13.9	39.3	31.1
Relative (%)	15	42.5	39.3

Major shareholders	% held
Yeoh Tiong Lay & Sons	49.9

YTL Corporation

Cusp of earnings upswing

- We upgrade our rating on YTL Corp to Add from Hold with a revised TP of RM1.00, based on a 20% holding company discount to our SOP value.
- Our earnings are 210%/218%/339% of Bloomberg consensus' forecasts for FY23F/24F/25F due to our updated higher earnings forecasts for YTL Power.
- Key catalysts are a revival in HSR, more industrial warehouse projects and stronger-than-expected recovery in its utilities business.

Upgrade to Add, raising earnings and TP

- We upgrade our rating on YTL Corp (YTL) to Add from Hold with a revised TP of RM1.00, based on a 20% discount to SOP, as we believe that it is on the cusp of an earnings upswing from YTL Power, while its construction and cement divisions should also show better performance. This is to factor in :i) higher SOP-based YTL Power value, as we believe its earnings are at the cusp of an upswing with the structural change in demand and supply dynamics in Singapore, and its first mover advantage for data centres in Johor; ii) higher TP for MCement of RM3.97/share; and iii) the two listed REITs – YTL Hospitality REIT and Starhill Global REIT – at market value, and Express Rail Link based on DCF (WACC: 8%, TG: 3%). We also raise our FY23F/24F/25F EPS by 151%/211%/242% to factor in the gradual recovery in cement prices and demand. This note marks the transfer of coverage to Chong Tjen-San.

Downside risks

- Poorer-than-expected earnings delivery for YTL Power. A large part of YTL's share price recovery YTD has been due to expectations of stellar earnings for YTL Power.
- Choppy earnings delivery. Its conglomerate structure and its management services and other divisions that house other non-core businesses make the ability to forecast earnings with accuracy more difficult.
- Besides utilities, two core divisions which will move the needle for YTL are cement and construction, in our view. Further delays in the rollout of projects, such as MRT 3 and the revival of HSR, will be negative for these divisions.

Re-rating catalysts

- Revival of HSR will likely benefit construction and cement divisions. We expect its construction division to be a key beneficiary given its proposal in the past to fund this project. Given the high concrete content for such a large project, MCement with an estimated 60% market share of production capacity will be a key beneficiary.
- YTL is looking to bid for more projects in the warehouse/logistics space, similar to the Bukit Raja logistics hub for Shopee. This will give it long-term recurring revenue, as well as benefiting from the construction work.
- There are strong expectations of better earnings delivery for YTL Power over the next few years due to a drop in reserve margin in the Singapore market and increase in margins per KW. This will inevitably lift YTL's earnings and in turn its share price.

Financial Summary	Jun-21A	Jun-22A	Jun-23F	Jun-24F	Jun-25F
Revenue (RMm)	17,272	24,241	25,426	26,143	28,057
Operating EBITDA (RMm)	3,482	3,640	4,290	4,703	4,995
Net Profit (RMm)	(367.7)	545.4	481.2	643.3	739.1
Core EPS (RM)	(0.026)	(0.010)	0.044	0.059	0.068
Core EPS Growth	47.5%	(62.6%)		33.7%	14.9%
FD Core P/E (x)	NA	NA	17.69	13.23	11.51
DPS (RM)	0.025	0.025	0.030	0.030	0.030
Dividend Yield	3.21%	3.21%	3.85%	3.85%	3.85%
EV/EBITDA (x)	11.22	10.98	9.24	8.50	8.06
P/FCFE (x)	3.34	NA	48.59	NA	NA
Net Gearing	192%	176%	171%	167%	159%
P/BV (x)	0.67	0.66	0.65	0.63	0.61
ROE	(2.23%)	(0.82%)	3.70%	4.85%	5.42%
% Change In Core EPS Estimates			151%	211%	242%
CGS-CIMB/Consensus EPS (x)			2.10	2.18	3.39

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Jun-22A	Jun-23F	Jun-24F	Jun-25F
Total Net Revenues	**24,241**	**25,426**	**26,143**	**28,057**
Gross Profit	**2,485**	**4,798**	**5,226**	**5,556**
Operating EBITDA	**3,640**	**4,290**	**4,703**	**4,995**
Depreciation And Amortisation	-1,871	-1,871	-1,835	-1,872
Operating EBIT	**1,769**	**2,419**	**2,868**	**3,123**
Financial Income/(Expense)	-1,516	-1,455	-1,438	-1,422
Pretax Income/(Loss) from Assoc.	442	452	462	473
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**695**	**1,415**	**1,892**	**2,174**
Exceptional Items	854	0	0	0
Pre-tax Profit	**1,549**	**1,415**	**1,892**	**2,174**
Taxation	-369	-368	-492	-565
Exceptional Income - post-tax				
Profit After Tax	**1,180**	**1,047**	**1,400**	**1,609**
Minority Interests	-635	-566	-757	-870
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**545**	**481**	**643**	**739**
Recurring Net Profit	-105	481	643	739
Fully Diluted Recurring Net Profit	**-105**	**481**	**643**	**739**

Balance Sheet

(RMm)	Jun-22A	Jun-23F	Jun-24F	Jun-25F
Total Cash And Equivalents	11,399	10,929	9,939	9,153
Total Debtors	4,829	4,016	4,126	4,421
Inventories	1,249	1,021	1,050	1,127
Total Other Current Assets	2,614	2,614	2,614	2,614
Total Current Assets	**20,091**	**18,580**	**17,729**	**17,315**
Fixed Assets	31,943	32,572	33,237	33,865
Total Investments	11,618	12,070	12,532	13,005
Intangible Assets	8,690	8,690	8,690	8,690
Total Other Non-Current Assets	0	0	0	0
Total Non-current Assets	**52,251**	**53,332**	**54,459**	**55,560**
Short-term Debt	6,911	6,813	6,715	6,617
Current Portion of Long-Term Debt				
Total Creditors	4,525	4,293	4,414	4,737
Other Current Liabilities	1,497	1,497	1,497	1,497
Total Current Liabilities	**12,933**	**12,602**	**12,625**	**12,850**
Total Long-term Debt	35,345	34,843	34,341	33,839
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	3,477	3,477	3,477	3,477
Total Non-current Liabilities	**38,822**	**38,320**	**37,818**	**37,316**
Total Provisions	3,069	3,069	3,069	3,069
Total Liabilities	**54,824**	**53,991**	**53,512**	**53,235**
Shareholders' Equity	12,939	13,104	13,431	13,854
Minority Interests	4,581	4,818	5,246	5,786
Total Equity	**17,519**	**17,922**	**18,677**	**19,640**

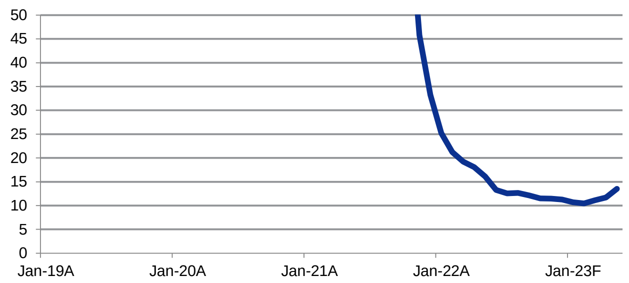
Cash Flow

(RMm)	Jun-22A	Jun-23F	Jun-24F	Jun-25F
EBITDA	3,640	4,290	4,703	4,995
Cash Flow from Invt. & Assoc.	-442	-452	-462	-473
Change In Working Capital	-746	809	-18	-48
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	891	1,871	1,835	1,872
Other Operating Cashflow	-222	-1,420	-1,373	-1,399
Net Interest (Paid)/Received	-1,279	-1,455	-1,438	-1,422
Tax Paid	-298	-368	-492	-565
Cashflow From Operations	**1,544**	**3,275**	**2,755**	**2,959**
Capex	-907	-2,500	-2,500	-2,500
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow				
Cash Flow From Investing	**-907**	**-2,500**	**-2,500**	**-2,500**
Debt Raised/(repaid)	-1,996	-600	-600	-600
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased				
Dividends Paid	-574	-645	-645	-645
Preferred Dividends				
Other Financing Cashflow	-347	0	0	0
Cash Flow From Financing	**-2,917**	**-1,245**	**-1,245**	**-1,245**
Total Cash Generated	-2,280	-470	-990	-786
Free Cashflow To Equity	**-1,359**	**175**	**-345**	**-141**
Free Cashflow To Firm	**2,084**	**2,300**	**1,758**	**1,941**

Key Ratios

	Jun-22A	Jun-23F	Jun-24F	Jun-25F
Revenue Growth	40.3%	4.9%	2.8%	7.3%
Operating EBITDA Growth	4.6%	17.8%	9.6%	6.2%
Operating EBITDA Margin	15.0%	16.9%	18.0%	17.8%
Net Cash Per Share (RM)	-2.83	-2.82	-2.85	-2.87
BVPS (RM)	1.19	1.20	1.23	1.27
Gross Interest Cover	1.11	1.59	1.91	2.11
Effective Tax Rate	24%	26%	26%	26%
Net Dividend Payout Ratio	NA	65.7%	49.1%	42.8%
Accounts Receivables Days	63.50	62.03	55.58	54.28
Inventory Days	20.02	20.09	18.12	17.65
Accounts Payables Days	68.96	78.02	76.17	74.22
ROIC (%)	3.92%	5.59%	6.65%	7.13%
ROCE (%)	2.89%	3.97%	4.68%	5.05%
Return On Average Assets	2.52%	3.47%	3.94%	4.18%

12-mth Fwd FD P/E (x) - YTL Corporation



Key Drivers

	Jun-22A	Jun-23F	Jun-24F	Jun-25F
New orderbook assumptions	N/A	N/A	2,000.0	2,000.0
Cement prices after rebates	N/A	309.0	347.6	350.5

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Company Brief

Construction | Malaysia | May 25, 2023

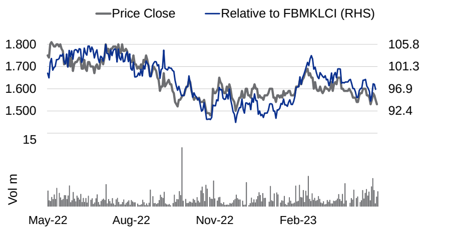
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 9	Hold 9	Sell 2

Current price:	RM1.53
Target price:	RM2.15
Previous target:	RM2.15
Up/downside:	40.7%
CGS-CIMB / Consensus:	27.9%
Reuters:	IJMS.KL
Bloomberg:	IJM MK
Market cap:	US$1,170m
	RM5,375m
Average daily turnover:	US$0.70m
	RM3.15m
Current shares o/s	3,585m
Free float:	68.0%

**Source: Bloomberg*



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.4	-5	-12.6
Relative (%)	-3.3	-1.8	-4.4

Major shareholders	% held
EPF	17.6
KWAP	8.5
Urusharta Jamaah	6.0

IJM Corp Bhd

Beneficiary of more gov't pump priming

- We rate IJM Corp an Add with an unchanged TP of RM2.15 based on SOP, translating into a P/E of 17.6x CY24F.
- Our earnings are 87%/101%/112% of Bloomberg consensus' forecasts for FY23F/24F/25F as we have factored in different timing of recognition of orders.
- Key catalysts are a potential sizeable ECRL contract win, MRT 3 above ground win, and more investments in MCKIP.

Reiterate Add, raising FY24-25F earnings

- We reiterate our Add rating on IJM Corp with an unchanged target price of RM2.15/share based on SOP as we are positive on their potential project wins. We value its construction division based on a sustainable orderbook of RM4.5bn, property at a 40% discount to RNAV, and its concession businesses based on DCF with WACC ranging from 8-10%. We also adjust our FY23F/24F/25F EPS by -3%/+28%/+35% to factor in higher new order wins of RM3.5bn-4bn for FY24-25F and overall higher property presales. This note marks the transfer of coverage to Chong Tjen-San.
- We understand management is in the midst of articulating a new growth plan with its new CEO. We believe it will still be a front runner for a sizeable package of MRT 3 above ground works. Also, there is the ECRL link to Kuantan Port worth under RM1bn where it already has a JV with CCCC for MCKIP 3 to develop the area into a logistic hub.

Downside risks

- Given IJM's niche in local private sector building jobs and the slowdown in this subsector, it needs to pivot into a new area such as industrial buildings.
- The market expects MRT 3 to be rolled out by 2H23F or latest by 1Q24F. A slower-than-expected progress will be negative for IJM and other contractors.
- Slowing property market. In 9MFY23, property sales were RM2.4bn (FY22: RM2.5bn) but this was lifted by some RM1bn in land sales which will not be recurring. With higher cost of borrowing and inflationary pressures affecting Malaysia currently, there is a risk of the property market slowing.

Re-rating catalysts

- Further investments from China into Malaysia could bode well for its presence in the Malaysia China Kuantan Industrial Park (MCKIP) and Kuantan Port.
- Potential ECRL link contract win into Kuantan Port, which has been long awaited, could add up to the RM1bn in new orders.
- MRT 3 above ground win. IJM with its prior record with MRT 1 and 2 is a frontrunner for above ground packages CMC301 and CMC302 for MRT 3.

Analyst(s)

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Financial Summary	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue (RMm)	5,623	4,409	4,252	5,172	6,654
Operating EBITDA (RMm)	1,476	927	728	939	1,087
Net Profit (RMm)	431.7	102.1	268.9	362.1	452.8
Core EPS (RM)	0.12	0.04	0.08	0.10	0.13
Core EPS Growth	47%	(70%)	105%	37%	25%
FD Core P/E (x)	12.73	41.78	20.35	14.86	11.88
DPS (RM)	0.03	0.16	0.03	0.03	0.03
Dividend Yield	1.9%	10.2%	1.9%	1.9%	1.9%
EV/EBITDA (x)	7.62	9.44	12.18	9.44	8.11
P/FCFE (x)	5.81	2.96	27.92	16.23	11.57
Net Gearing	35.8%	22.4%	22.9%	22.2%	20.2%
P/BV (x)	0.56	0.56	0.53	0.52	0.50
ROE	4.46%	1.34%	2.68%	3.54%	4.30%
% Change In Core EPS Estimates			(3.0%)	27.5%	34.6%
CGS-CIMB/Consensus EPS (x)			0.87	1.01	1.12

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Net Revenues	**4,752**	**4,521**	**5,441**	**6,924**
Gross Profit	**1,421**	**1,205**	**1,519**	**1,832**
Operating EBITDA	**927**	**728**	**939**	**1,087**
Depreciation And Amortisation	-316	-150	-176	-199
Operating EBIT	**611**	**579**	**763**	**888**
Financial Income/(Expense)	-188	-127	-186	-188
Pretax Income/(Loss) from Assoc.	-31	-33	-35	-36
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**391**	**419**	**543**	**664**
Exceptional Items	-73	0	0	0
Pre-tax Profit	**318**	**419**	**543**	**664**
Taxation	-183	-105	-136	-166
Exceptional Income - post-tax				
Profit After Tax	**135**	**314**	**407**	**498**
Minority Interests	-33	-45	-45	-45
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**102**	**269**	**362**	**453**
Recurring Net Profit	133	269	362	453
Fully Diluted Recurring Net Profit	**133**	**269**	**362**	**453**

Balance Sheet

(RMm)	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Cash And Equivalents	2,909	2,996	3,219	3,575
Total Debtors	1,302	1,562	1,875	2,250
Inventories	1,002	1,202	1,443	1,732
Total Other Current Assets	7,146	7,196	7,246	7,296
Total Current Assets	**12,359**	**12,957**	**13,783**	**14,853**
Fixed Assets	1,045	1,295	1,520	1,721
Total Investments	2,051	1,993	1,934	1,873
Intangible Assets	94	94	94	94
Total Other Non-Current Assets	5,463	5,613	5,763	5,913
Total Non-current Assets	**8,653**	**8,996**	**9,310**	**9,600**
Short-term Debt	1,610	1,660	1,710	1,760
Current Portion of Long-Term Debt				
Total Creditors	2,676	3,211	3,854	4,624
Other Current Liabilities	277	277	277	277
Total Current Liabilities	**4,562**	**5,148**	**5,840**	**6,661**
Total Long-term Debt	3,862	4,012	4,162	4,312
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	345	345	345	345
Total Non-current Liabilities	**4,207**	**4,357**	**4,507**	**4,657**
Total Provisions	782	782	782	782
Total Liabilities	**9,551**	**10,287**	**11,129**	**12,100**
Shareholders' Equity	9,938	10,098	10,351	10,695
Minority Interests	1,523	1,568	1,613	1,658
Total Equity	**11,461**	**11,666**	**11,964**	**12,353**

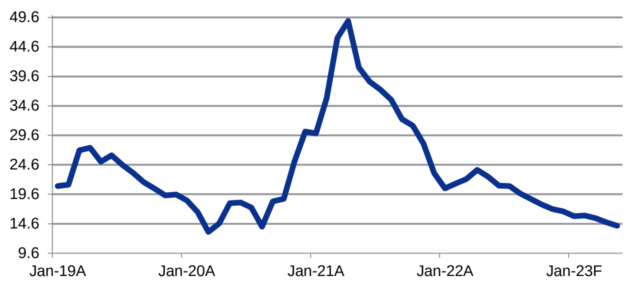
Cash Flow

(RMm)	Mar-22A	Mar-23F	Mar-24F	Mar-25F
EBITDA	927	728	939	1,087
Cash Flow from Invt. & Assoc.	31	33	35	36
Change In Working Capital	158	74	89	107
(Incr)/Decr in Total Provisions	316	150	176	199
Other Non-Cash (Income)/Expense	-128	-22	10	-11
Other Operating Cashflow	382	-33	-35	-36
Net Interest (Paid)/Received	-188	-127	-186	-188
Tax Paid	-183	-105	-136	-166
Cashflow From Operations	**1,315**	**698**	**893**	**1,028**
Capex	-415	-550	-550	-550
Disposals Of FAs/subsidiaries	909	0	0	0
Acq. Of Subsidiaries/investments	-789	0	0	0
Other Investing Cashflow	1,497	-25	-25	-25
Cash Flow From Investing	**1,202**	**-575**	**-575**	**-575**
Debt Raised/(repaid)	-640	73	14	12
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased				
Dividends Paid	-751	-109	-109	-109
Preferred Dividends				
Other Financing Cashflow	-624	0	0	0
Cash Flow From Financing	**-2,015**	**-36**	**-95**	**-97**
Total Cash Generated	502	87	223	356
Free Cashflow To Equity	**1,877**	**196**	**332**	**465**
Free Cashflow To Firm	**2,706**	**250**	**504**	**641**

Key Ratios

	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue Growth	(21.6%)	(3.6%)	21.6%	28.7%
Operating EBITDA Growth	(37.2%)	(21.4%)	28.9%	15.7%
Operating EBITDA Margin	21.0%	17.1%	18.2%	16.3%
Net Cash Per Share (RM)	-0.70	-0.76	-0.75	-0.71
BVPS (RM)	2.73	2.87	2.94	3.04
Gross Interest Cover	3.24	4.55	4.10	4.73
Effective Tax Rate	57.6%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	321%	40%	30%	24%
Accounts Receivables Days	124.6	122.9	121.6	113.1
Inventory Days	110.3	121.3	123.4	113.8
Accounts Payables Days	307.3	324.0	329.6	303.9
ROIC (%)	3.97%	4.42%	5.67%	6.43%
ROCE (%)	3.25%	3.23%	4.16%	4.69%
Return On Average Assets	1.78%	2.05%	2.63%	2.88%

12-mth Fwd FD P/E (x) - IJM Corp Bhd



Key Drivers

	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Construction new order wins	N/A	N/A	3,500.0	4,000.0
Construction margins	N/A	N/A	7.9	7.9
Property launches	N/A	N/A	2,500.0	2,800.0
Property margins	N/A	N/A	0.1	0.1

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

WCT Holdings

Awaiting SARP approval

Shariah Compliant

■ We rate WCT an Add with a higher TP of RM0.71 based on SOP, translating into a P/E of 11x CY24F.

■ Our earnings are largely in line 98%/101%/90% of Bloomberg consensus' forecasts for FY23F/24F/25F.

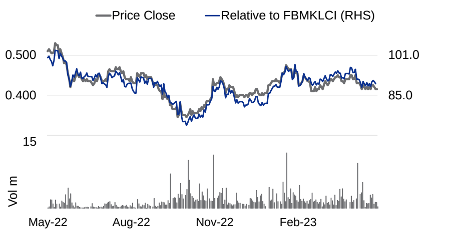
■ Key catalysts are an overall revival in government infrastructure spending and approval for the Subang Airport Regeneration Plan (SARP).

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 7 Hold 3 Sell 0
Current price:	RM0.415
Target price: ▲	RM0.706
Previous target:	RM0.59
Up/downside:	70.0%
CGS-CIMB / Consensus:	34.1%
Reuters:	WCTE.KL
Bloomberg:	WCTHG MK
Market cap:	US$128.0m
	RM588.2m
Average daily turnover:	US$0.19m
	RM0.84m
Current shares o/s	1,415m
Free float:	68.7%

**Source: Bloomberg*



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5.7	-8.8	-18.6
Relative (%)	-4.6	-5.6	-10.4

Major shareholders	% held
Tan Sri Desmond Lim Siew Choon	25.5
AmanahRaya Trustees	5.8

Reiterate Add, raising earnings with higher TP

- We reiterate our Add rating on WCT with a higher TP of RM0.71/share based on SOP as new order wins look very likely upon approval of the SARP. We value its construction division based on a sustainable orderbook of RM3.5bn, property at a 70% discount to RNAV given its more choppy execution track record vs. its peers, and its property investment business based on market value. We also raise our FY23F/24F/25F EPS by 24%/35%/34% to factor in higher new order wins of RM2.5bn per year for FY23-25F. This note marks the transfer of coverage to Chong Tjen-San.
- The SARP has been submitted to the Ministry of Transport and is awaiting approval. This would entail redeveloping the airfield into a premium city airport and aviation hub. We understand that WCT is working closely with Malaysia Airports Holdings Bhd (MAHB). When completed, it is envisaged by Transport Minister Anthony Loke that the new airport will be able to cater for 8m passenger arrivals per year. WCT, through its 60%-owned Subang Skypark Sdn Bhd, currently operates the SkyPark Terminal under a 30-year sublease concession agreement with MAHB that ends in Dec 2037.

Downside risks

- Write-down in margins for its current outstanding orderbook could recur given historical trends and this would impact our earnings forecasts.
- The market expects MRT 3 to be rolled out by 2H23F or latest by 1Q24F. A slower-than-expected progress will be negative for WCT and other contractors.
- Slowing property market. WCT has set property presales target of RM800m for FY23F (FY22: RM421m), driven by key launches, such as Pavilion Mont Kiara (GDV RM804m) and W City in Johor (GDV RM899m). With higher cost of borrowing and inflationary pressures affecting Malaysia currently, there is a risk of the property market slowing.

Re-rating catalysts

- An approval for SARP could pave the way for up to RM2bn in new orders.
- Improved consumer sentiment and an increase in tourist arrivals will have a positive impact on its property development, urban malls and Gateway@KLIA2 mall.
- MRT 3 above ground win. WCT, with its prior track record with MRT 1 and 2, is a frontrunner for above ground packages CMC301 and CMC302 for MRT 3.

Financial Summary	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (RMm)	1,753	2,102	2,918	3,069	3,541
Operating EBITDA (RMm)	548.2	216.4	299.9	341.4	371.9
Net Profit (RMm)	97.2	127.2	75.0	91.3	102.0
Core EPS (RM)	0.086	0.057	0.053	0.064	0.072
Core EPS Growth		(33.4%)	(7.3%)	21.7%	11.7%
FD Core P/E (x)	4.84	7.26	7.84	6.44	5.77
DPS (RM)	-	0.000	0.007	0.007	0.007
Dividend Yield	0.00%	0.01%	1.80%	1.80%	1.80%
EV/EBITDA (x)	5.64	14.32	10.73	9.40	8.69
P/FCFE (x)	51.28	NA	3.17	1.81	1.93
Net Gearing	68.0%	65.6%	66.4%	63.5%	61.2%
P/BV (x)	0.15	0.15	0.15	0.14	0.14
ROE	3.21%	2.08%	1.88%	2.25%	2.46%
% Change In Core EPS Estimates			23.6%	35.3%	34.1%
CGS-CIMB/Consensus EPS (x)			0.95	1.01	0.90

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues	**2,199**	**2,971**	**3,121**	**3,594**
Gross Profit	**356**	**436**	**475**	**505**
Operating EBITDA	**216**	**300**	**341**	**372**
Depreciation And Amortisation	-39	-47	-52	-57
Operating EBIT	**177**	**253**	**289**	**315**
Financial Income/(Expense)	-110	-116	-122	-128
Pretax Income/(Loss) from Assoc.	27	2	2	2
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**93**	**139**	**169**	**189**
Exceptional Items	46	0	0	0
Pre-tax Profit	**140**	**139**	**169**	**189**
Taxation	32	-36	-44	-49
Exceptional Income - post-tax				
Profit After Tax	**171**	**103**	**125**	**140**
Minority Interests	-44	-28	-34	-38
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**127**	**75**	**91**	**102**
Recurring Net Profit	81	75	91	102
Fully Diluted Recurring Net Profit	**81**	**75**	**91**	**102**

Balance Sheet

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	235	294	487	653
Total Debtors	1,176	1,477	1,531	1,700
Inventories	1,323	1,457	1,482	1,560
Total Other Current Assets	617	617	617	617
Total Current Assets	**3,351**	**3,845**	**4,117**	**4,530**
Fixed Assets	1,950	2,005	2,053	2,096
Total Investments	475	476	478	479
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	2,505	2,505	2,505	2,505
Total Non-current Assets	**4,930**	**4,986**	**5,036**	**5,081**
Short-term Debt	1,630	1,630	1,630	1,630
Current Portion of Long-Term Debt				
Total Creditors	1,008	1,317	1,374	1,552
Other Current Liabilities	32	32	32	32
Total Current Liabilities	**2,670**	**2,978**	**3,035**	**3,214**
Total Long-term Debt	1,168	1,318	1,468	1,618
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	409	409	409	409
Total Non-current Liabilities	**1,577**	**1,727**	**1,877**	**2,027**
Total Provisions	128	128	128	128
Total Liabilities	**4,375**	**4,833**	**5,040**	**5,369**
Shareholders' Equity	3,957	4,021	4,102	4,193
Minority Interests	-52	-24	10	48
Total Equity	**3,905**	**3,997**	**4,112**	**4,241**

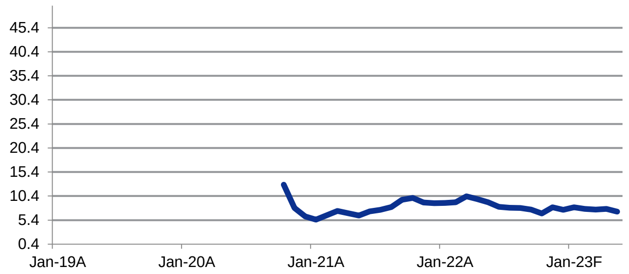
Cash Flow

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
EBITDA	216.4	299.9	341.4	371.9
Cash Flow from Invt. & Assoc.	(26.6)	(1.5)	(1.5)	(1.5)
Change In Working Capital	156.0	(127.0)	(21.8)	(68.4)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	39.4	46.6	51.9	56.7
Other Operating Cashflow	194.9	71.0	71.5	72.6
Net Interest (Paid)/Received	(110.1)	(116.0)	(121.9)	(127.8)
Tax Paid	(702.0)	(36.1)	(44.0)	(49.1)
Cashflow From Operations	**(232.0)**	**136.8**	**275.6**	**254.3**
Capex	(46.4)	(101.2)	(100.0)	(100.0)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(2.6)	0.0	0.0	0.0
Cash Flow From Investing	**(49.0)**	**(101.2)**	**(100.0)**	**(100.0)**
Debt Raised/(repaid)	(122.8)	150.0	150.0	150.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(0.1)	(10.6)	(10.6)	(10.6)
Preferred Dividends				
Other Financing Cashflow	354.9	(116.0)	(121.9)	(127.8)
Cash Flow From Financing	**232.0**	**23.4**	**17.5**	**11.6**
Total Cash Generated	(48.9)	59.0	193.1	165.9
Free Cashflow To Equity	**(403.7)**	**185.6**	**325.6**	**304.3**
Free Cashflow To Firm	**(170.8)**	**151.6**	**297.5**	**282.2**

Key Ratios

	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	20.0%	38.8%	5.2%	15.4%
Operating EBITDA Growth	(60.5%)	38.6%	13.8%	8.9%
Operating EBITDA Margin	10.3%	10.3%	11.1%	10.5%
Net Cash Per Share (RM)	-1.81	-1.87	-1.84	-1.83
BVPS (RM)	2.80	2.84	2.89	2.96
Gross Interest Cover	1.61	2.18	2.37	2.47
Effective Tax Rate	0.0%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio	0.1%	14.2%	11.6%	10.4%
Accounts Receivables Days	210.3	165.9	179.4	166.6
Inventory Days	255.1	200.2	203.3	179.8
Accounts Payables Days	200.3	167.4	186.1	172.9
ROIC (%)	2.76%	3.88%	4.31%	4.65%
ROCE (%)	2.61%	3.64%	4.02%	4.22%
Return On Average Assets	2.84%	2.56%	2.75%	2.85%

12-mth Fwd FD P/E (x) - WCT Holdings



Key Drivers

	Dec-22A	Dec-23F	Dec-24F	Dec-25F
New construction orders	N/A	2,500.0	2,500.0	2,500.0
Construction GP margins	N/A	0.1	0.1	0.1
Property launches	N/A	610.0	720.0	780.0
Property GP margins	N/A	0.2	0.2	0.2

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Muhibbah Engineering

Recovery in concession earnings

- We upgrade our rating on Muhibbah to Add from Hold, with a higher TP of RM0.90 based on SOP, translating into a P/E of 13x CY24F.
- Our earnings are 40%/81%/248% of Bloomberg consensus' forecasts for FY23F/24F/25F, forecasting a more gradual recovery for its Cambodian airport
- Key catalysts are higher tourist arrivals, which will benefit its Cambodia airport concession, and more contract flows from Petronas.

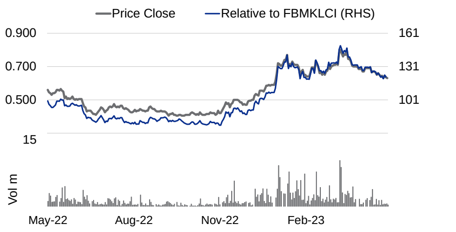
Malaysia

ADD *(previously HOLD)*

Consensus ratings*: Buy 1 Hold 2 Sell 1

Current price:	RM0.63
Target price: ▲	RM0.895
Previous target:	RM0.66
Up/downside:	42.1%
CGS-CIMB / Consensus:	39.2%
Reuters:	MUHI.KL
Bloomberg:	MUHI MK
Market cap:	US$99.70m
	RM458.0m
Average daily turnover:	US$0.30m
	RM1.32m
Current shares o/s	727.0m
Free float:	73.3%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-8	-3.1	12.5
Relative (%)	-6.9	0.1	20.7

Major shareholders	% held
Mac Ngan Boon	21.0
FIL Ltd & Pandanus Partners L.P.	5.7

Upgrade rating to Add from Hold, raising earnings and higher TP

- Our SOP-derived TP values its construction division based on 14x FY24 P/E (discount to sector leaders IJM and Gamuda but reflective of its Petronas fabrication licence), Favelle Favco at market value, and its concession business based on DCF (average WACC of 8-12%). This note marks the transfer of coverage to Chong Tjen-San. We reiterate our Add rating on Muhibbah as we think its Cambodian airport is primed for further recovery in tourist arrivals and more contract wins from Petronas for its construction division.

Prime beneficiary of a resumption of global travel

- The company is a prime beneficiary of a resumption of global travel, particularly from Chinese tourists. Muhibbah owns an effective 21% stake in a Cambodian airport concession up to 2040. Passenger arrivals in Cambodia were 2.38m in 2022, a recovery from the 0.27m in 2021 but still a far cry from 2019's pre-pandemic levels of 11.6m. In 4Q22 alone, passenger arrivals grew 782% to 974,088, 35% of 4Q19 levels. Chinese arrivals formed a mere 4% of total arrivals in 2022 vs. 39% in 2019.

Downside risks

- The Cambodian government will likely exercise its option to reclaim the Siam Reap airport concession within the year.
- Poorer-than-expected execution track record. Muhibbah's track record in infrastructure projects has been patchy partly due to the onset of Covid-19. This may impact our earnings projections.
- Lower oil prices may impact the revival of Petronas's projects, which is the target of its infrastructure business, and potentially crimp the capex cycle for its offshore crane business.

Re-rating catalysts

- Given its marine-based expertise in the past, it is also targeting the Westport's 2.0 expansion, which will double its capacity from 14m to 28m TEUs.
- Higher-than-expected tourist arrivals for its Cambodia airport concession, particularly from China, will have a positive impact on its profits.
- Revival of its fabrication yard – it has the second-largest offshore fabrication yard in Malaysia with a capacity of 25,000 MT p.a. over 80 acres of land.

Financial Summary	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (RMm)	1,004	897	1,155	1,238	1,281
Operating EBITDA (RMm)	119.7	116.4	107.4	146.5	150.3
Net Profit (RMm)	-3.42	-17.88	23.46	49.40	63.18
Core EPS (RM)	(0.011)	(0.019)	0.032	0.068	0.087
Core EPS Growth	(93%)	76%		111%	28%
FD Core P/E (x)	NA	NA	19.52	9.27	7.25
DPS (RM)	0.032	-	0.010	0.027	0.043
Dividend Yield	5.11%	0.00%	1.54%	4.31%	6.90%
EV/EBITDA (x)	2.37	2.79	3.69	2.39	1.80
P/FCFE (x)	NA	NA	NA	6.25	4.32
Net Gearing	6.64%	5.04%	9.14%	6.62%	3.28%
P/BV (x)	0.28	0.35	0.35	0.33	0.32
ROE	(0.48%)	(1.14%)	1.79%	3.67%	4.55%
% Change In Core EPS Estimates			65%	155%	151%
CGS-CIMB/Consensus EPS (x)			0.40	0.81	2.48

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues	**897**	**1,155**	**1,238**	**1,281**
Gross Profit	**184**	**191**	**235**	**243**
Operating EBITDA	**116**	**107**	**146**	**150**
Depreciation And Amortisation	-73	-87	-88	-90
Operating EBIT	**43**	**20**	**58**	**61**
Financial Income/(Expense)	-0	2	0	-1
Pretax Income/(Loss) from Assoc.	-1	23	41	62
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**42**	**45**	**99**	**121**
Exceptional Items	-18	0	0	0
Pre-tax Profit	**24**	**45**	**99**	**121**
Taxation	-19	-6	-15	-15
Exceptional Income - post-tax				
Profit After Tax	**6**	**39**	**84**	**106**
Minority Interests	-24	-16	-35	-42
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**-18**	**23**	**49**	**63**
Recurring Net Profit	-14	23	49	63
Fully Diluted Recurring Net Profit	**-14**	**23**	**49**	**63**

Balance Sheet

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	298	246	312	398
Total Debtors	737	918	984	1,018
Inventories	294	317	330	341
Total Other Current Assets	22	22	22	22
Total Current Assets	**1,351**	**1,503**	**1,648**	**1,779**
Fixed Assets	1,174	1,119	1,062	1,003
Total Investments	722	744	783	844
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	138	138	138	138
Total Non-current Assets	**2,034**	**2,000**	**1,982**	**1,984**
Short-term Debt	280	305	330	355
Current Portion of Long-Term Debt				
Total Creditors	581	634	659	682
Other Current Liabilities	446	446	446	446
Total Current Liabilities	**1,306**	**1,385**	**1,435**	**1,483**
Total Long-term Debt	110	110	110	110
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	169	169	169	169
Total Non-current Liabilities	**279**	**279**	**279**	**279**
Total Provisions	0	0	0	0
Total Liabilities	**1,585**	**1,663**	**1,714**	**1,761**
Shareholders' Equity	1,302	1,326	1,368	1,412
Minority Interests	498	514	548	591
Total Equity	**1,800**	**1,839**	**1,916**	**2,002**

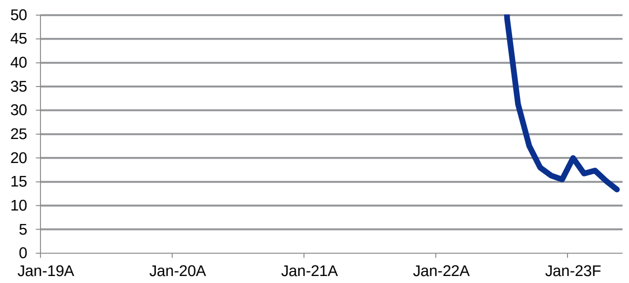
Cash Flow

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
EBITDA	116.4	107.4	146.5	150.3
Cash Flow from Invt. & Assoc.	1.2	(22.8)	(41.0)	(61.6)
Change In Working Capital	13.0	(150.8)	(53.2)	(22.6)
(Incr)/Decr in Total Provisions	2.3	18.1	20.5	22.6
Other Non-Cash (Income)/Expense	(38.5)	4.7	20.6	39.0
Other Operating Cashflow	71.6	0.0	0.0	0.0
Net Interest (Paid)/Received	(0.3)	1.9	0.1	(1.4)
Tax Paid	(18.6)	(5.8)	(15.1)	(15.4)
Cashflow From Operations	**147.0**	**(47.3)**	**78.2**	**110.9**
Capex	(219.5)	(30.0)	(30.0)	(30.0)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	132.2	0.0	0.0	0.0
Cash Flow From Investing	**(87.3)**	**(30.0)**	**(30.0)**	**(30.0)**
Debt Raised/(repaid)	(204.8)	25.0	25.0	25.0
Proceeds From Issue Of Shares	119.9	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(141.2)	0.0	(7.0)	(19.8)
Preferred Dividends				
Other Financing Cashflow	14.4	0.0	0.0	0.0
Cash Flow From Financing	**(211.8)**	**25.0**	**18.0**	**5.2**
Total Cash Generated	(152.1)	(52.3)	66.2	86.2
Free Cashflow To Equity	**(145.1)**	**(52.3)**	**73.2**	**105.9**
Free Cashflow To Firm	**79.5**	**(59.2)**	**68.7**	**103.5**

Key Ratios

	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	(10.6%)	28.8%	7.2%	3.5%
Operating EBITDA Growth	(2.8%)	(7.7%)	36.4%	2.6%
Operating EBITDA Margin	13.0%	9.3%	11.8%	11.7%
Net Cash Per Share (RM)	-0.12	-0.23	-0.17	-0.09
BVPS (RM)	1.79	1.82	1.88	1.94
Gross Interest Cover	2.19	1.12	2.84	2.69
Effective Tax Rate	76.5%	12.8%	15.3%	12.8%
Net Dividend Payout Ratio	NA	30.0%	40.0%	50.0%
Accounts Receivables Days	305.7	261.4	281.1	285.2
Inventory Days	154.3	115.6	118.0	118.0
Accounts Payables Days	305.2	229.9	236.1	236.0
ROIC (%)	3.73%	1.51%	4.06%	4.25%
ROCE (%)	2.85%	1.81%	3.42%	3.40%
Return On Average Assets	0.70%	1.08%	2.36%	2.89%

12-mth Fwd FD P/E (x) - Muhibbah Engineering



Key Drivers

	Dec-22A	Dec-23F	Dec-24F	Dec-25F
New orders for construction	N/A	300.0	400.0	500.0
New orders for cranes	N/A	400.0	400.0	400.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

CGSCIMB

Company Brief

Construction | Malaysia | May 25, 2023

Shariah Compliant

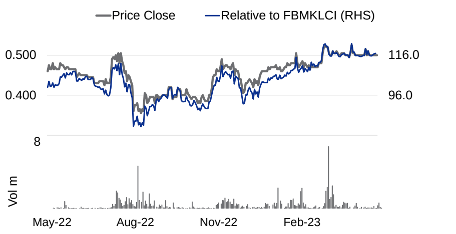
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 2	Hold 0	Sell 0

Current price:	RM0.50
Target price: ▲	RM0.808
Previous target:	RM0.58
Up/downside:	61.6%
CGS-CIMB / Consensus:	1.0%
Reuters:	HSSE.KL
Bloomberg:	HSS MK
Market cap:	US$53.99m
	RM248.0m
Average daily turnover:	US$0.06m
	RM0.26m
Current shares o/s	495.9m
Free float:	42.5%

**Source: Bloomberg*



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1	-1	8.7
Relative (%)	2.1	2.2	16.9

Major shareholders	% held
Tan Sri Ir Kunasingam & related	42.4
Datuk Ir Teo Chok Boo	10.2
Norges Bank	4.9

HSS Engineers

MRT 3 anchoring growth

- We reiterate our Add rating on HSS Engineers with a revised TP of RM0.81 based on a DCF value, translating into a P/E of 13x CY24F.
- Our earnings are 122%/142%/154% of Bloomberg consensus' forecasts for FY23F/24F/25F due to the timing of revenue recognition.
- Key re-rating catalysts include continuity in MRT 3 project, revival of HSR, and further inroads into overseas projects.

Reiterate Add; raise earnings and TP

- We reiterate our Add rating on HSS Engineers with a revised target price of RM0.81/share as it could reap higher margins than other construction players from potential recovery in government infrastructure spending given its capex light model. We move our valuation methodology to DCF (WACC: 9.4%, TG: 4.5%) from P/E as we think DCF would better encapsulate its record orderbook of RM1.41bn where RM1bn is from the MRT 3 Project Management Consultancy (PMC) contract. This gives HSS eight years of revenue visibility and, in our view, there is minimal risk of the MRT 3 PMC being re-tendered as the government is proceeding with this project and only making minimal adjustments. This note marks the transfer of coverage to Chong Tjen-San.
- With the MRT 3 PMC win, FY22 was a solid year for HSS with RM1.1bn in new contract wins. The current tenderbook is RM415m with a historical success rate of 50% for Engineering Design, Construction Supervision and PMC. Some 50% of its tenderbook is from rail projects, 25% from water, 15% from highway and 10% from infrastructure.

Downside risks

- Slower-than-expected rollout of MRT 3 may impact earnings recognition of PMC project.
- Higher staff attrition for professional engineers to its competitors may impact the ability to execute its current and future projects.
- Single project risk and potential cancellation of projects. The MRT 3 PMC contributes RM1bn out of its RM1.41bn order book as at 31 Mar 2023. Also, its reliance on local government projects makes it vulnerable to potential deferment and/or cancellation of such projects when there is political uncertainty.

Re-rating catalysts

- The revival of HSR will likely benefit HSS. When the project was approved in 2017/18, HSS won the reference design contract for the longest portion of the HSR project (160km out of a total length of 320km) with a contract value of RM17.9m.
- More overseas contracts, such as road projects via strategic collaborations in the Philippines, Bangladesh, and Indonesia. This will be done via a two-pronged approach, namely participating in Japan International Cooperation Agency (JICA) projects and collaborating with local/Japanese and other international consultants.
- Further inroads into Sarawak where it has incorporated a subsidiary named HSS Alliance (Sarawak) Sdn Bhd to bid for projects in the region.

Financial Summary	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (RMm)	164.7	185.9	292.5	353.3	393.5
Operating EBITDA (RMm)	16.63	32.17	39.25	50.64	59.77
Net Profit (RMm)	3.04	15.15	26.68	34.50	40.45
Core EPS (RM)	0.009	0.040	0.054	0.070	0.082
Core EPS Growth	(55%)	329%	34%	29%	17%
FD Core P/E (x)	53.38	12.45	9.29	7.19	6.13
DPS (RM)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	15.93	8.47	7.20	5.18	3.85
P/FCFE (x)	NA	39.45	NA	9.67	6.67
Net Gearing	8.6%	11.1%	13.7%	5.6%	(4.5%)
P/BV (x)	1.09	1.02	0.92	0.82	0.72
ROE	2.1%	8.5%	10.4%	12.0%	12.5%
% Change In Core EPS Estimates			48.9%	73.5%	87.9%
CGS-CIMB/Consensus EPS (x)			1.22	1.42	1.54

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues	**186.3**	**293.5**	**354.3**	**394.5**
Gross Profit	**62.3**	**77.1**	**89.3**	**99.4**
Operating EBITDA	**32.2**	**39.2**	**50.6**	**59.8**
Depreciation And Amortisation	(1.3)	(0.8)	(1.5)	(2.6)
Operating EBIT	**30.9**	**38.4**	**49.2**	**57.1**
Financial Income/(Expense)	(2.8)	(2.7)	(2.9)	(2.8)
Pretax Income/(Loss) from Assoc.	0.3	0.3	0.3	0.4
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**28.4**	**36.1**	**46.6**	**54.7**
Exceptional Items	(6.8)	0.0	0.0	0.0
Pre-tax Profit	**21.6**	**36.1**	**46.6**	**54.7**
Taxation	(6.5)	(9.4)	(12.1)	(14.2)
Exceptional Income - post-tax				
Profit After Tax	**15.1**	**26.7**	**34.5**	**40.4**
Minority Interests	0.0	0.0	0.0	0.0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**15.1**	**26.7**	**34.5**	**40.4**
Recurring Net Profit	19.9	26.7	34.5	40.4
Fully Diluted Recurring Net Profit	**19.9**	**26.7**	**34.5**	**40.4**

Balance Sheet

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	30.4	30.4	60.4	103.1
Total Debtors	56.5	72.1	87.1	97.0
Inventories	0.0	0.0	0.0	0.0
Total Other Current Assets	141.0	141.0	141.0	141.0
Total Current Assets	**227.8**	**243.5**	**288.5**	**341.1**
Fixed Assets	3.9	7.0	12.6	17.9
Total Investments	5.7	5.7	5.7	5.7
Intangible Assets	163.3	163.3	163.3	163.3
Total Other Non-Current Assets	3.0	3.0	3.0	3.0
Total Non-current Assets	**175.9**	**179.0**	**184.6**	**189.9**
Short-term Debt	43.4	43.4	43.4	43.4
Current Portion of Long-Term Debt				
Total Creditors	77.1	59.3	65.3	72.8
Other Current Liabilities	25.7	25.7	25.7	25.7
Total Current Liabilities	**146.2**	**128.4**	**134.4**	**141.9**
Total Long-term Debt	14.0	24.0	34.0	44.0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0.5	0.5	0.5	0.5
Total Non-current Liabilities	**14.5**	**24.5**	**34.5**	**44.5**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**160.7**	**152.9**	**169.0**	**186.4**
Shareholders' Equity	243.0	269.6	304.1	344.6
Minority Interests	0.0	0.0	0.0	0.0
Total Equity	**243.0**	**269.6**	**304.1**	**344.6**

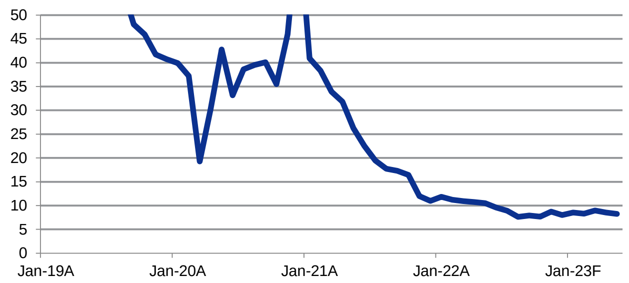
Cash Flow

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
EBITDA	32.17	39.25	50.64	59.77
Cash Flow from Invt. & Assoc.				
Change In Working Capital	10.46	-33.43	-8.96	-2.48
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	-9.70	-3.14	-4.05	-5.06
Other Operating Cashflow	-23.51	0.00	0.00	0.00
Net Interest (Paid)/Received	-2.75	-2.69	-2.87	-2.84
Tax Paid	-6.49	-9.37	-12.12	-14.21
Cashflow From Operations	**0.19**	**-9.38**	**22.64**	**35.19**
Capex	-0.59	-4.00	-7.00	-8.00
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	0.37	0.00	0.00	0.00
Cash Flow From Investing	**-0.21**	**-4.00**	**-7.00**	**-8.00**
Debt Raised/(repaid)	6.31	10.00	10.00	10.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased				
Dividends Paid	0.00	0.00	0.00	0.00
Preferred Dividends				
Other Financing Cashflow	-7.43	3.45	4.38	5.42
Cash Flow From Financing	**-1.12**	**13.45**	**14.38**	**15.42**
Total Cash Generated	-1.14	0.07	30.02	42.61
Free Cashflow To Equity	**6.29**	**-3.38**	**25.64**	**37.19**
Free Cashflow To Firm	**3.15**	**-9.93**	**20.02**	**32.61**

Key Ratios

	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	12.9%	57.3%	20.8%	11.4%
Operating EBITDA Growth	93.5%	22.0%	29.0%	18.0%
Operating EBITDA Margin	17.3%	13.4%	14.3%	15.2%
Net Cash Per Share (RM)	(0.055)	(0.075)	(0.034)	0.031
BVPS (RM)	0.49	0.54	0.61	0.69
Gross Interest Cover	9.74	11.15	11.21	10.54
Effective Tax Rate	30.0%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio	NA	NA	NA	NA
Accounts Receivables Days	97.26	80.25	82.48	85.41
Inventory Days	-	-	-	-
Accounts Payables Days	191.1	115.0	86.1	85.4
ROIC (%)	12.4%	14.5%	16.3%	18.1%
ROCE (%)	10.8%	12.3%	14.1%	14.7%
Return On Average Assets	6.40%	7.11%	8.34%	8.62%

12-mth Fwd FD P/E (x) - HSS Engineers



Key Drivers

	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Replenishment Engineering Design	N/A	60.0	70.0	70.0
Replenishment Construction Supervision	N/A	100.0	110.0	110.0
Replenishment Project Management	N/A	100.0	110.0	110.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Malayan Cement Bhd

Higher ASP and lower costs

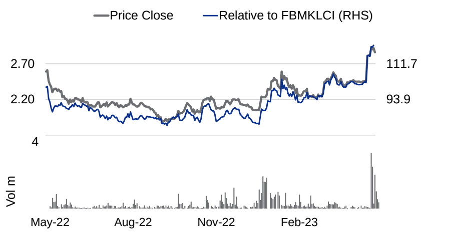
- We upgrade our rating on Malayan Cement (MCement) to Add from Hold with a revised TP of RM3.97, based on DCF (WACC: 7.6%, TG: 3%).
- Our earnings are 101%/126%/128% of Bloomberg consensus' forecasts for FY23F/24F/25F due to higher volume expected upon demand recovery.
- Key re-rating catalysts are a recovery in the property market and resurgence in public sector government spending, such as the high-speed rail (HSR).

Malaysia

ADD *(previously HOLD)*

Consensus ratings*:	Buy 3 Hold 3 Sell 0
Current price:	RM2.86
Target price: ▲	RM3.97
Previous target:	RM2.36
Up/downside:	38.7%
CGS-CIMB / Consensus:	52.4%
Reuters:	MALY.KL
Bloomberg:	LMC MK
Market cap:	US$815.8m
	RM3,747m
Average daily turnover:	US$0.16m
	RM0.74m
Current shares o/s	1,310m
Free float:	14.8%

Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	17.2	21.2	10.4
Relative (%)	18.3	24.4	18.6

Major shareholders	% held
YTL Corporation Berhad	77.0
Amanah Raya Trustees	8.2

Upgrade to Add, raising earnings and TP

- We upgrade MCement to Add with a revised TP of RM3.97, now based on DCF (WACC: 7.6%, TG: 3%) vs. discount to P/BV previously as we expect major infrastructure projects to kick off in 2H23. We believe DCF valuation better encapsulates the steady recovery in cement demand and pricing power, which we expect to continue as MRT 3 construction work commences next year and property demand improves. We also raise our FY23F/24F/25F EPS by 19%/40%/68% to factor in the gradual recovery in cement prices and demand. This note marks the transfer of coverage to Chong Tjen-San
- We believe YTL's cement unit will be synergistic with its construction business and is poised for better margins. While the demand for cement remains low with volume in 2QFY6/23 down 3% qoq due to still weak property demand and as major infrastructure projects, such as MRT 3, have yet to take off, we remain positive on the cement industry due to our expectations of major infrastructure projects kicking off in 2H23. ASP rose 11% over the past six months to RM410-420/mt and, assuming rebates of RM50/mt, net ASP is at RM360-370/mt. In the more immediate term, we think MCement's earnings will pick up pace, driven by easing coal prices.

Downside risks

- Key risks are slower-than-expected rollout of government mega projects, such as MRT 3, and muted property demand, with higher borrowing costs and rising inflation.
- The Malaysian Cement and Concrete Association is offering 1m tonnes of bulk cement at RM290/tonne under the Rahmah cement scheme initiative to private housing developers building affordable units versus the RM410/tonne market price. While the amount is small, there are no guarantees that this will not recur, in our view.
- The government may step in to manage cement prices as pressure rises to reduce costs of houses, according to Real Estate and Housing Developers' Association Malaysia.

Re-rating catalysts

- Revival of the HSR project will likely benefit MCement. Given the high concrete content for such a large project expected to be worth RM60bn, MCement with its estimated 65% market share of production capacity according to RAM Ratings, will be a key beneficiary.
- Further consolidation in the cement industry is also a re-rating catalyst. Bloomberg reported that Khazanah was weighing the sale of Cement Industries of Malaysia, which may be a longer-term positive for the industry and MCement, in our view.

Analyst(s)

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Financial Summary	Jun-21A	Jun-22A	Jun-23F	Jun-24F	Jun-25F
Revenue (RMm)	1,370	2,705	3,326	3,683	3,823
Operating EBITDA (RMm)	178.2	447.3	642.4	827.1	813.4
Net Profit (RMm)	7.3	83.5	66.0	125.1	156.9
Core EPS (RM)	0.01	0.05	0.05	0.10	0.12
Core EPS Growth		678%	(4%)	89%	25%
FD Core P/E (x)	424.1	54.5	56.8	30.0	23.9
DPS (RM)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	20.36	15.38	10.43	7.61	7.22
P/FCFE (x)	NA	8.01	8.34	5.46	5.29
Net Gearing	23.1%	55.3%	51.8%	44.1%	36.3%
P/BV (x)	1.48	0.65	0.64	0.63	0.61
ROE	0.30%	1.66%	1.14%	2.12%	2.60%
% Change In Core EPS Estimates			18.6%	40.3%	67.8%
CGS-CIMB/Consensus EPS (x)			1.01	1.26	1.48

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Jun-22A	Jun-23F	Jun-24F	Jun-25F
Total Net Revenues	**2,705**	**3,326**	**3,683**	**3,823**
Gross Profit	**694**	**818**	**934**	**1,012**
Operating EBITDA	**447**	**642**	**827**	**813**
Depreciation And Amortisation	-237	-349	-447	-397
Operating EBIT	**211**	**293**	**380**	**417**
Financial Income/(Expense)	-143	-214	-221	-215
Pretax Income/(Loss) from Assoc.	39	10	10	10
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**106**	**89**	**169**	**212**
Exceptional Items	23	0	0	0
Pre-tax Profit	**129**	**89**	**169**	**212**
Taxation	-47	-23	-44	-55
Exceptional Income - post-tax				
Profit After Tax	**82**	**66**	**125**	**157**
Minority Interests	1	0	0	0
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**84**	**66**	**125**	**157**
Recurring Net Profit	69	66	125	157
Fully Diluted Recurring Net Profit	**69**	**66**	**125**	**157**

Balance Sheet

(RMm)	Jun-22A	Jun-23F	Jun-24F	Jun-25F
Total Cash And Equivalents	604	824	1,266	1,727
Total Debtors	567	691	761	794
Inventories	501	616	682	708
Total Other Current Assets	89	89	89	89
Total Current Assets	**1,761**	**2,219**	**2,798**	**3,318**
Fixed Assets	2,786	2,537	2,191	1,894
Total Investments	319	329	339	349
Intangible Assets	5,560	5,560	5,559	5,559
Total Other Non-Current Assets	0	0	0	0
Total Non-current Assets	**8,665**	**8,426**	**8,089**	**7,802**
Short-term Debt	1,129	1,179	1,229	1,279
Current Portion of Long-Term Debt				
Total Creditors	650	753	821	847
Other Current Liabilities	53	53	53	53
Total Current Liabilities	**1,831**	**1,984**	**2,102**	**2,178**
Total Long-term Debt	2,672	2,672	2,672	2,672
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	22	22	22	22
Total Non-current Liabilities	**2,693**	**2,693**	**2,693**	**2,693**
Total Provisions	123	123	123	123
Total Liabilities	**4,647**	**4,800**	**4,918**	**4,994**
Shareholders' Equity	5,775	5,841	5,966	6,123
Minority Interests	4	4	4	4
Total Equity	**5,779**	**5,845**	**5,970**	**6,127**

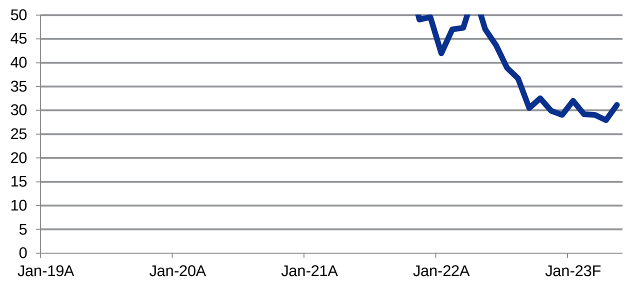
Cash Flow

(RMm)	Jun-22A	Jun-23F	Jun-24F	Jun-25F
EBITDA	447.3	642.4	827.1	813.4
Cash Flow from Invt. & Assoc.	(38.6)	(10.0)	(10.0)	(10.0)
Change In Working Capital	(148.6)	(135.3)	(69.6)	(32.1)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	236.8	349.2	446.7	396.7
Other Operating Cashflow	(55.7)	(109.6)	(192.5)	(139.4)
Net Interest (Paid)/Received	(143.3)	(229.5)	(244.1)	(247.3)
Tax Paid	(51.2)	(23.2)	(44.0)	(55.1)
Cashflow From Operations	**246.7**	**483.9**	**713.6**	**726.2**
Capex	(71.0)	(100.0)	(100.0)	(100.0)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	(1,558.4)	15.5	22.7	32.6
Cash Flow From Investing	**(1,629.4)**	**(84.5)**	**(77.3)**	**(67.4)**
Debt Raised/(repaid)	1,850.4	50.0	50.0	50.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	0.0	0.0	0.0	0.0
Preferred Dividends				
Other Financing Cashflow	1.1	(229.5)	(244.1)	(247.3)
Cash Flow From Financing	**1,851.4**	**(179.5)**	**(194.1)**	**(197.3)**
Total Cash Generated	468.7	219.9	442.2	461.5
Free Cashflow To Equity	**467.6**	**449.4**	**686.3**	**708.8**
Free Cashflow To Firm	**(1,239.5)**	**628.9**	**880.4**	**906.1**

Key Ratios

	Jun-22A	Jun-23F	Jun-24F	Jun-25F
Revenue Growth	97.5%	23.0%	10.7%	3.8%
Operating EBITDA Growth	151%	44%	29%	(2%)
Operating EBITDA Margin	16.5%	19.3%	22.5%	21.3%
Net Cash Per Share (RM)	-2.44	-2.31	-2.01	-1.70
BVPS (RM)	4.41	4.46	4.55	4.67
Gross Interest Cover	1.47	1.28	1.56	1.69
Effective Tax Rate	36.5%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio	NA	NA	NA	NA
Accounts Receivables Days	47.02	69.01	72.16	74.24
Inventory Days	66.65	81.28	86.43	90.27
Accounts Payables Days	90.2	102.1	104.8	108.2
ROIC (%)	5.11%	2.53%	3.33%	3.77%
ROCE (%)	3.21%	3.16%	4.07%	4.45%
Return On Average Assets	3.00%	2.39%	3.13%	3.41%

12-mth Fwd FD P/E (x) - Malayan Cement Bhd



Key Drivers

	Jun-22A	Jun-23F	Jun-24F	Jun-25F
Net cement ASP (RM/tonne)	N/A	309.0	347.6	350.5
Coal price (USD/tonne)	N/A	70.0	70.0	75.0
RM/USD exchange rate	N/A	4.2	4.4	4.4

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Company Brief

Construction | Malaysia | May 25, 2023

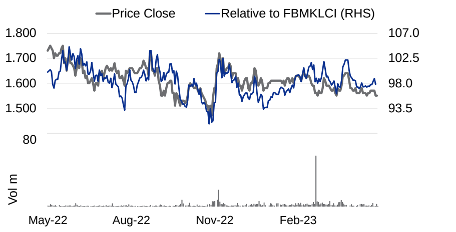
UPGRADE

Malaysia

ADD *(previously HOLD)*

Consensus ratings*:	Buy 8 Hold 3 Sell 0
Current price:	RM1.55
Target price:	RM2.21
Previous target:	RM1.73
Up/downside:	42.3%
CGS-CIMB / Consensus:	0.0%
Reuters:	SWAY.KL
Bloomberg:	SWB MK
Market cap:	US$1,672m
	RM7,680m
Average daily turnover:	US$1.11m
	RM4.87m
Current shares o/s	4,934m
Free float:	30.6%

**Source: Bloomberg*



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-3.7	-4.9	-10.4
Relative (%)	-2.6	-1.7	-2.2

Major shareholders	% held
Tan Sri Dato' Seri Dr. Jeffrey Cheah &	60.5
EPF	9.0

Analyst(s)

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Sunway Bhd

Unlocking healthcare business

- We upgrade our rating on Sunway to Add from Hold with a revised TP of RM2.21, now based on a 10% holding company discount to our SOP.
- Our earnings are 116%/118%/121% of Bloomberg consensus' forecasts for FY23F/24F/25F due to our higher forecasts for its healthcare business.
- Key re-rating catalysts are stronger-than-expected property sales in FY23F, and faster-than-expected listing of its healthcare business.

Upgrade rating to Add from Hold, raising earnings and TP

- Our new SOP assumes i) a 30% discount to RNAV for property development; ii) property investment at market value; iii) Sunway Construction at TP of RM2.14; iv) Sunway REIT at TP of RM1.72; and v) the healthcare business at 15.8x FY24F EV/EBITDA, a 20% discount to IHH's 5-year average. We also lift our FY23F/24F/25F EPS by 22%/30%/43% to factor in higher contribution from Sunway Medical Group (SMG), our new earnings for Sunway Construction and more property launches. This note marks the transfer of coverage to Chong Tjen-San. We upgrade Sunway to Add given its growing exposure to the healthcare industry.
- For FY23, we expect net profit to further grow 11%, anchored by i) lumpy profit recognition from two executive condominium projects in Singapore, which have been fully sold and where Sunway has an effective combined GDV of RM1.5bn; ii) a pick-up in property launches and presales to RM3.5bn and RM2.3bn (vs. RM1bn and RM2bn in FY22), respectively, driven by two new private condominium projects in Singapore, and iii) steady construction earnings from an outstanding orderbook of RM6bn.

Downside risks

- A key risk is slower-than-expected property sales. While Sunway is ramping up its launches for FY23F, the higher interest rate environment now and inflationary pressures may negatively impact property sales.
- While prices of raw materials, such as steel bars, cement and diesel, have been stable, an escalation in prices may impact margins for both construction and property divisions.
- SMG's greenfield pipeline of hospitals include Damansara and Ipoh while there are also hospitals in the planning stage, such as in Kota Bahru, Paya Terubong (Penang) and Iskandar (Johor). There are no guarantees that the demand for its healthcare services will remain robust.

Re-rating catalysts

- A key trigger is strong take-up for its new property launches, which will be more crucial in Singapore as RM2.7bn out of its RM3.5bn launch pipeline is for two private condominium projects in the city state.
- An earlier-than-expected IPO of its healthcare business under SMG will enable Sunway to unlock value and reward minority shareholders.
- Stronger orderbook replenishment for construction beyond its target of RM2bn new orders for FY23F will present earnings upside for its construction business.

Financial Summary	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (RMm)	3,714	5,195	6,931	7,204	7,452
Operating EBITDA (RMm)	515.2	674.7	925.1	958.7	996.1
Net Profit (RMm)	293.5	676.7	715.3	773.1	856.2
Core EPS (RM)	0.06	0.13	0.14	0.16	0.17
Core EPS Growth	(11%)	130%	11%	8%	11%
FD Core P/E (x)	36.42	15.80	14.26	13.19	11.31
DPS (RM)	0.027	0.060	0.039	0.042	0.047
Dividend Yield	1.77%	3.88%	2.53%	2.73%	3.03%
EV/EBITDA (x)	9.93	8.63	5.82	4.92	4.19
P/FCFE (x)	11.0	NA	228.8	40.8	82.2
Net Gearing	40.4%	47.9%	44.6%	40.2%	37.0%
P/BV (x)	0.63	0.61	0.59	0.56	0.54
ROE	2.59%	5.25%	5.59%	5.80%	6.15%
% Change In Core EPS Estimates			21.6%	29.5%	42.5%
CGS-CIMB/Consensus EPS (x)			1.16	1.17	1.21

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues	**5,195**	**6,931**	**7,204**	**7,452**
Gross Profit	**379**	**2,165**	**2,256**	**2,345**
Operating EBITDA	**675**	**925**	**959**	**996**
Depreciation And Amortisation	-130	-207	-207	-207
Operating EBIT	**545**	**718**	**752**	**789**
Financial Income/(Expense)	-14	-118	-110	-91
Pretax Income/(Loss) from Assoc.	351	330	364	407
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**881**	**930**	**1,006**	**1,105**
Exceptional Items	39	0	0	0
Pre-tax Profit	**920**	**930**	**1,006**	**1,105**
Taxation	-167	-149	-161	-177
Exceptional Income - post-tax				
Profit After Tax	**753**	**781**	**845**	**929**
Minority Interests	-76	-66	-72	-72
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**677**	**715**	**773**	**856**
Recurring Net Profit	645	715	773	856
Fully Diluted Recurring Net Profit	**645**	**715**	**773**	**856**

Balance Sheet

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	1,957	2,044	2,317	2,433
Total Debtors	1,958	2,567	2,668	2,760
Inventories	3,280	3,191	3,319	3,430
Total Other Current Assets	685	685	685	685
Total Current Assets	**7,879**	**8,486**	**8,989**	**9,307**
Fixed Assets	1,237	1,230	1,223	1,216
Total Investments	9,344	9,673	10,037	10,444
Intangible Assets	63	63	63	63
Total Other Non-Current Assets	7,535	7,535	7,535	7,535
Total Non-current Assets	**18,179**	**18,501**	**18,858**	**19,258**
Short-term Debt	4,919	4,919	4,919	4,919
Current Portion of Long-Term Debt				
Total Creditors	2,491	2,849	3,161	3,267
Other Current Liabilities	194	278	290	306
Total Current Liabilities	**7,604**	**8,045**	**8,369**	**8,491**
Total Long-term Debt	3,537	3,437	3,337	3,237
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	1,169	1,169	1,169	1,169
Total Non-current Liabilities	**4,707**	**4,607**	**4,507**	**4,407**
Total Provisions	186	186	186	186
Total Liabilities	**12,496**	**12,838**	**13,062**	**13,084**
Shareholders' Equity	12,529	13,051	13,615	14,240
Minority Interests	1,033	1,098	1,170	1,242
Total Equity	**13,562**	**14,150**	**14,785**	**15,482**

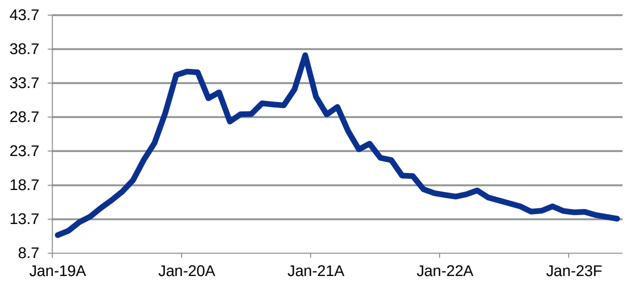
Cash Flow

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
EBITDA	675	925	959	996
Cash Flow from Invt. & Assoc.	-351	-330	-364	-407
Change In Working Capital	-443	-162	82	-97
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	130	207	207	207
Other Operating Cashflow	774	5	47	109
Net Interest (Paid)/Received	-202	-235	-233	-230
Tax Paid	-188	-66	-149	-161
Cashflow From Operations	**395**	**345**	**550**	**418**
Capex	-315	-200	-200	-200
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/investments	-8	0	0	0
Other Investing Cashflow	-746	0	0	0
Cash Flow From Investing	**-1,069**	**-200**	**-200**	**-200**
Debt Raised/(repaid)	338	-100	-100	-100
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased				
Dividends Paid	-271	-193	-209	-232
Preferred Dividends		0	0	0
Other Financing Cashflow	-250	235	233	230
Cash Flow From Financing	**-183**	**-58**	**-77**	**-102**
Total Cash Generated	-857	86	273	116
Free Cashflow To Equity	**-336**	**45**	**250**	**118**
Free Cashflow To Firm	**-472**	**380**	**582**	**448**

Key Ratios

	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	39.9%	33.4%	3.9%	3.4%
Operating EBITDA Growth	31.0%	37.1%	3.6%	3.9%
Operating EBITDA Margin	13.0%	13.3%	13.3%	13.4%
Net Cash Per Share (RM)	-1.32	-1.28	-1.20	-1.16
BVPS (RM)	2.54	2.65	2.76	2.89
Gross Interest Cover	2.69	3.05	3.23	3.43
Effective Tax Rate	18.2%	16.0%	16.0%	16.0%
Net Dividend Payout Ratio	42.5%	27.0%	27.0%	27.0%
Accounts Receivables Days	156.0	119.1	133.0	132.9
Inventory Days	216.1	247.8	240.7	241.1
Accounts Payables Days	188.0	204.5	222.3	229.7
ROIC (%)	3.74%	4.40%	4.58%	4.85%
ROCE (%)	3.36%	3.72%	3.81%	3.94%
Return On Average Assets	2.83%	3.27%	3.38%	3.53%

12-mth Fwd FD P/E (x) - Sunway Bhd



Key Drivers

	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Property launches	N/A	3,510.0	2,500.0	2,800.0
Number of hospital beds	N/A	1,077.5	1,330.5	1,431.0
Property EBIT Margins	N/A	11.7	11.8	11.7

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2023 647 companies under coverage for quarter ended on 31 March 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	64.6%	1.1%
Hold	27.0%	0.2%
Reduce	8.3%	0.2%

Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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