INTER-PACIFIC RESEARCH SDN BHD

STRATEGY NOTE

17 January 2025

1Q2025

UNSETTLED, VOLATILITY TO PERSIST

SYNOPSIS

Global equities are likely to endure further uncertainties at the start of 2025 on persistent concerns over the direction of the global economy. Although much of the world's macroeconomic conditions should hold steady and supportive of further equity market gains, a pause in the upsides could be the offing as equity valuations are also becoming increasingly toppish with lingering and new market impediments like increased trade protectionism and fewer interest rate reductions keeping markets in check.

Tighter fiscal and monetary policies as well as the moderating corporate earnings may also induce further defensive strategies and leave market conditions more volatile, with global equity valuations also above their historical forward averages at 16x-18x for 2025 and 2026 respectively still above the longer-term averages of 14x-16x. U.S equities continue to be the most expensive at 20x-21x on the S&P 500, but European and Asian equities are fairly valued. As a result, this could see volatility persisting over the near-to-medium term as U.S. equities adjust from the toppish conditions, dragging down the outlook for global equities as well.

After ending 2024 on a firmer note on window dressing activities, the ensuing profit taking has left the FBM KLCI to drift lower again, undoing the window dressing efforts. With conditions staying morbid, Bursa Malaysia stocks could remain cautious in 1Q2025, with the incessant selling by foreign funds to leave the key index on the downtrend. In addition, the buying support from local institutions could also become more selective and wane in the coming months, mainly on a wait-and-see stance and they may only embark on occasional bargain hunting.

Notwithstanding the ongoing volatility, Bursa Malaysia's fundamentals are likely to hold up, supported by sustained earnings growth from the plethora of highly visible projects like data centres, revival of transportation and clean energy programmes, AI and JSSEZ undertakings as well as firmer domestic activities that should continue to provide ample earnings growth, potentially helping near-term supports to be found at the 1,560-1,570 levels. Once stability is found, however, we think the FBM KLCI could mount a decent recovery back above the psychological level of 1,600 points and could also target the 1,630-1,650 levels over the medium term.

Meanwhile, the global economy should sustain a mildly positive trend in 2025, poised to grow at a decent 3.0% Y-o-Y, around the same rate as in 2024. The growth will be underpinned by the easing inflationary pressure, continuing employment and wage growth supporting consumption as well as a more accommodative interest rate environment. However, the global economy will continue to face uncertainties in policy implementations, in particular with incoming U.S. President Trump's protectionist leanings that could increase consternation to global trade. Inflation may also perk up to slow the monetary easing plans.

Going into 2025, the ongoing strength in the Malaysian economy is likely to carry over and the economy will continue to build on the positives that have led to much of 2024's improvements. The various initiatives and new investments over the past year, such as the plethora of data centre and infrastructure constructions, will come to fruition and allow the economy to sustain the growth path. The continuing gains should help the country's economy to grow at a decent pace of 4.5%-5.5% Y-o-Y next year, albeit the consensus estimates point to a 4.7% Y-o-Y growth for the time being, which is a tad slower that the projected 5.0% Y-o-Y growth in 2024.

Analysts

Research Team
research@interpac.com.my

GLOBAL ECONOMIC REVIEW

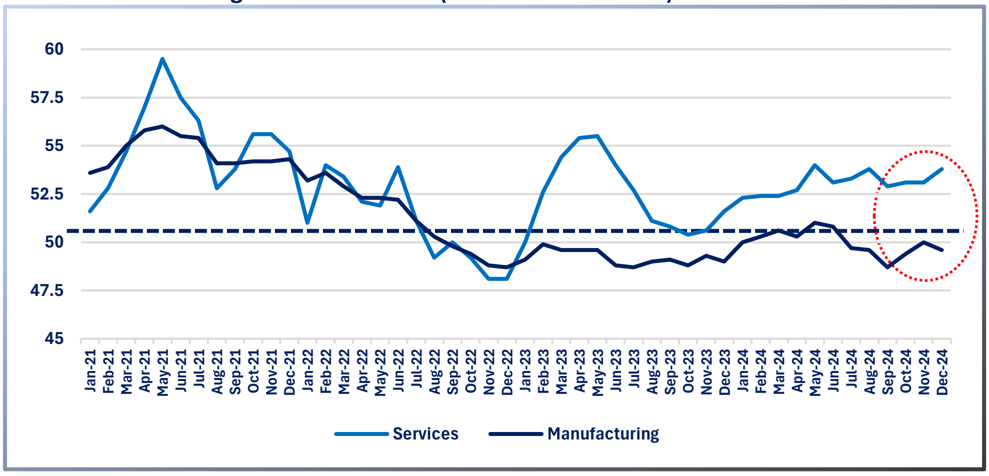
Global economic growth remained resilient in 3Q2024, but the growth rate was more stable for the most part after an outperformance in 1H2024.The more modest gains were due to the mixed performances across countries with the U.S still posting minor gains, along with European bloc, but easier growth was seen in Asia and other Emerging Economies.

Global Quarterly and Yearly GDP

Y-o-Y (in %)	1Q2024	2Q2024	3Q2024	2022	2023
USA	2.9	3.0	**2.7**	2.5	2.9
EU	0.6	0.9	**1.1**	3.6	0.4
Eurozone	0.4	0.5	**0.9**	3.5	0.4
Germany	(0.1)	(0.2)	**(0.3)**	1.4	(0.3)
France	1.4	0.9	**0.9**	2.6	0.8
UK	0.3	0.7	**0.9**	5.0	0.4
China	5.3	4.7	**4.6**	3.0	5.2
Japan	(0.9)	(0.9)	**0.5**	0.9	1.5

Source: Bloomberg

Global Manufacturing and Services PMI (Jan 2021 – Dec 2024)



Source: Bloomberg

While global manufacturing activities continue to dither due to low demand, services type industries still grew for much of 3Q2024. Nevertheless, their trajectory diverged with manufacturing activities showing a revival, albeit still below the boom or bust line of 50, while services activity growth moderated. U.S. and European manufacturing activities were still in contraction but cushioned by the barely positive output in Asian manufacturing hubs in China, South Korea and South-East Asian nations. However, services sector PMIs in many countries sustained their growth trajectory as spending remains predominately on services type industries.

U.S. economic trajectory held firmly above expectations and grew 3.1% Q-o-Q in 3Q2024 (2Q2024: +3.0% Q-o-Q) as it continued to outperform the EU and China with the latter continuing to grapple with softer domestic demand outlook while inflationary challenges persisted in the Euro region. U.S.' positive performance was mostly supported by its resilient consumer spending amid a healthy employment market which had allowed it to avoid a recession during the year. In all, there was little change in the economic fundamentals in the U.S. economy with the general resilience supported by manageable inflationary pressure.

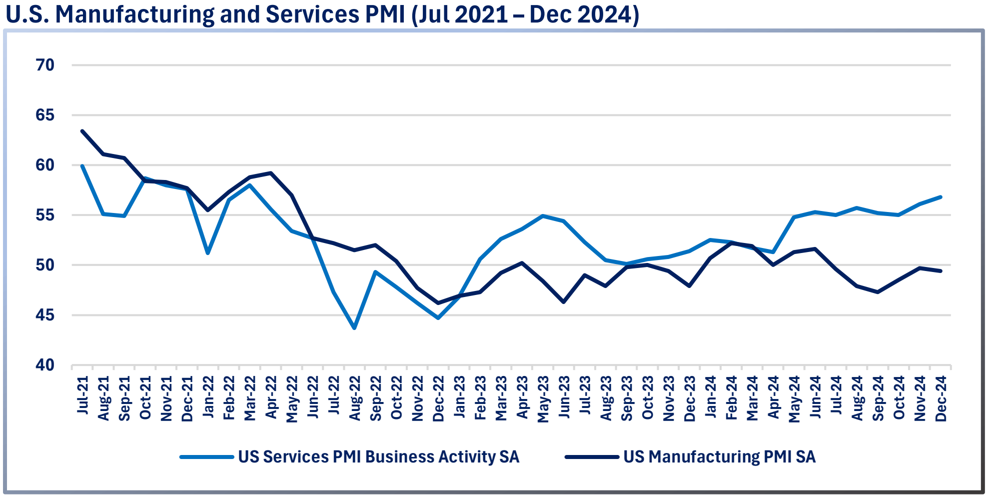
Its economy also saw its inflationary indicators inching sustainably towards the 2.0% target, despite a slight tick up in its headline CPI from 2.4% to the 2.7% level in September-November 2024 period, while its core PCE softened to 2.2% Q-o-Q in 3Q2024 (2Q2024: +2.8% Q-o-Q). Meanwhile, the federal reserves reduced its target interest rates to 4.25%-4.50% last month marking its third rate-cut for the year. Moving forward, the market projects at most 2 rate cuts, or 50 bps cuts in 2025, on higher inflationary expectations arising from uncertainties revolving Trump's trade policies when he takes office, while also taking into account the robustness in its economic recovery in view of the healthy job market and consumer spending pattern as of late.

The U.S. jobs market continued to be upbeat, with initial claims for state unemployment benefits coming in lower-than-expected and trended at its lowest level since April 2024. This is despite its unemployment rate holding steady at around 4.2% in November 2024 (August 2024: 4.2%) as it eased from around 3.5%-level in mid-2022, for which the easing employment also instilled much confidence for the Federal Reserve to undertake another rate cut in December 2024. Nonetheless, U.S. job growth bounced back following the impacts from the hurricane and strikes earlier on with the improvements in employment gains mostly broad-based, led by the private education and health services in November, despite it being partially offset by the weaker trade and transportation and utilities sector.

Consumer sentiments reached its best levels since April 2024 at 74.0 points in December, on sustained buying optimism following the higher inflationary expectations amid a swift outcome from the election which buoyed the near-term retail outlook. That said, consumer spending rose at an accelerated pace at 3.7% Q-o-Q in 3Q2024, with spending led by the sales of new motor vehicles, while increases in other items such as recreational goods and vehicles and financial services and insurance, and spending on recreation services, healthcare, clothing and footwear being notable sectors which recorded improvements during the quarter.

U.S. PMI trended mix with its manufacturing PMI tapering slightly to 49.4 in December (November 2024: 49.7), marking its sixth month of contraction, with surveys indicating contrasting consumer purchasing pattern compared to services sector PMI data. Its manufacturing output also fell at the fastest rate in 18 months on consumer reluctance to commit orders and increased inflationary concerns as input price inflated further which will likely impact the end product prices. Meanwhile, U.S. services PMI growth improved with strengthening momentum in December to record a score of 56.8 (November 2024: 56.1), as order commitments strengthened while U.S. business confidence also hit 18-months high on improved confidence level about U.S. business condition for the upcoming year following the outcome of the presidential election.

U.S. Manufacturing and Services PMI (Jul 2021 – Dec 2024)

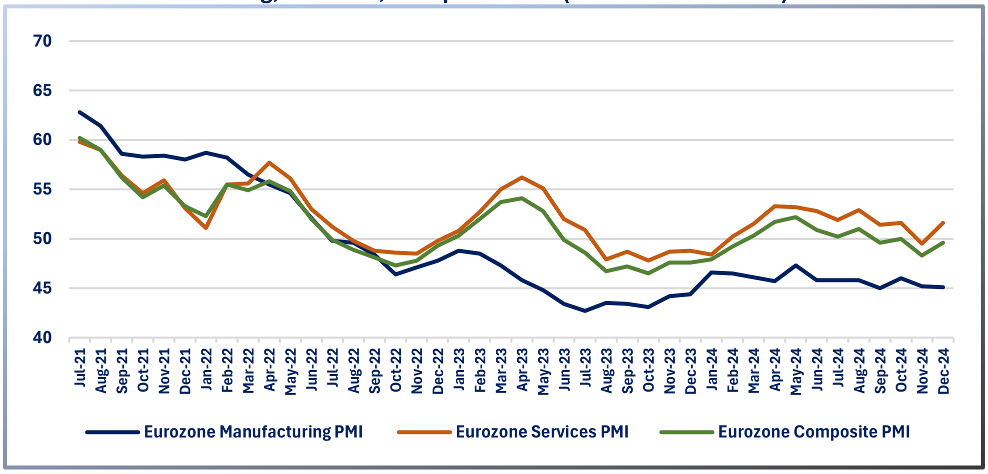


Source: Bloomberg, S&P Global

There were only slight changes to Europe's dull economic picture in 4Q2024, with inflationary risks looming and GDP growth failing to show a meaningful pickup. Structural challenges and dependence on exports continued to weigh on growth prospects in key countries, leaving the economy precariously close to recession. Specifically, France and Germany's GDP growth outlook remain in a lull, outperformed by Southern European countries such as Spain on sustaining tourism activities and firmer employment market. Retail wise, consumer spending continued to trend softly in Europe with the economic sentiment indictor (ESI) showing modest decline, led by France, Germany and Italy on lower industry (-2.2%), construction and consumers (i.e. services) confidence (-1.0%), offset by slightly firmer retail trade confidence (+0.1%) which held broadly steady during the quarter.

The Eurozone HICP was estimated to have ticked up slightly to 2.4% Y-o-Y in December 2024, fuelled by the services sector inflation which reached 4.0% Y-o-Y (November 2024: +3.9% Y-o-Y). With the inflationary pressure receding slightly as 2024 drew to a close, there remains uncertainties in its growth prospects as the region continued to struggle with increased downside risks. Therefore, it is expected that an accelerated ECB rate cut schedule may remain on the table for 2025, although the latest interest rate cut was set at 25 bps which had brought the ECB's deposit rate down to 3.0%, lower than the initially expected rate cut at 50 bps. Meanwhile, unemployment rate continued its downward trend and eased to 6.3% in November 2024.

Eurozone Manufacturing, Services, Composite PMI (Jul 2021 - Dec 2024)



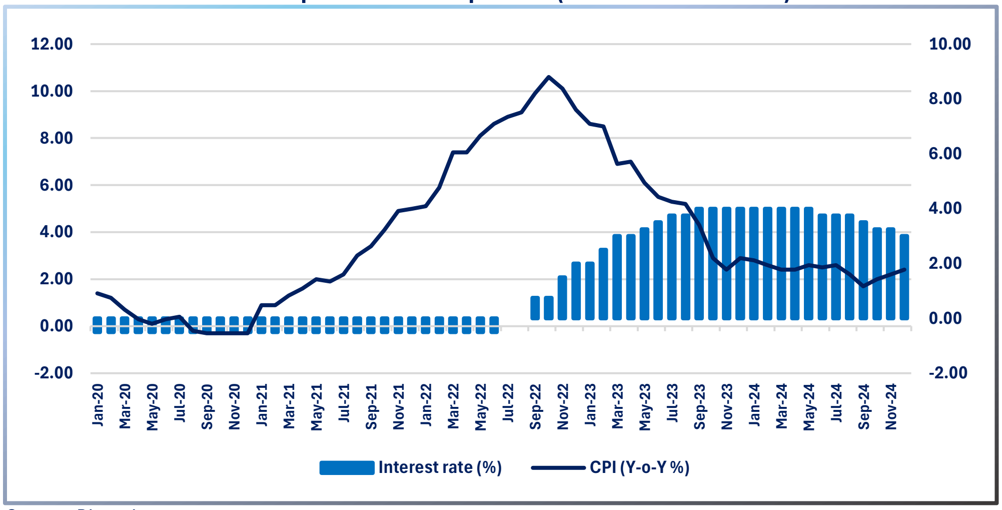
Source: Bloomberg, Institute for Supply Management (ISM)

Sectoral activities showed few signs of picking up, with the Eurozone composite PMI continuing to trend below the neutral line at 49.6 in December 2024 (November 2024: 48.3), albeit showing minor improvements. The slowing contraction was supported by the dominant services sector, which expanded slightly as the sector recorded a PMI score of 51.6 (November: 49.5). However, this was negatively offset by a decline in factory activities as the industrial recession in Germany, France, and Italy persisted, resulting in a manufacturing PMI drop to 45.1 in December 2024 (November 2024: 45.2). This was largely due to declining new orders as the holiday festivities failed to drive improved demand, while the order backlog also saw a sharp decline during the month.

Germany narrowly avoided a technical recession in 3Q2024 as it managed to eke-out 0.1% Q-o-Q growth (2Q2024: -0.3% Q-o-Q), with recovery buoyed by domestic spending on improved household purchasing power amid surging real wage growth, while the decline in fixed investment and capital outlays also turned milder. However, a downturn in its manufacturing sector was amplified as output and new orders declined further, with its manufacturing PMI falling to 42.5 in December 2024 (November 2024: 43.0), amid political uncertainties and challenges in the construction and automotive sectors weigh on prospects. Meanwhile, the service sector PMI posted modest growth with its PMI coming in at 51.2 in December 2024 (November: 49.3) as it remained supported by backlog orders despite new business inflows falling for its fourth consecutive months.

In 3Q2024, France GDP growth picked up slightly to 1.2% Y-o-Y and 0.4% Q-o-Q respectively (2Q2024: +0.9% Y-o-Y, +0.2% Q-o-Q), led by the momentum in domestic demand, supported by the Paris Olympics. That said, France continued to struggle on weaker demand amid uncertainties in its political landscape, with its services sector recording another month of contraction with a PMI score of 49.3 (November 2024: 46.9), improving slightly M-o-M. Tracking the weakness in its services sector, the contraction in its manufacturing sector also deepened with its manufacturing PMI falling to 41.9 in December (November 2024: 43.1). Industrial production, meanwhile, posted a 1.1% decline Y-o-Y which marks its seventh month of decline.

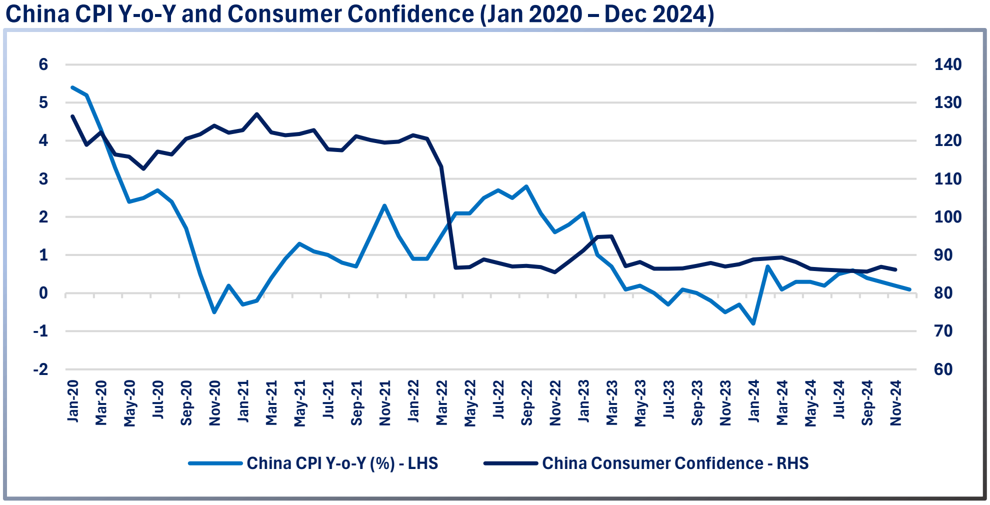
Eurozone HICP and ECB Deposit Rate Comparison (Jan 2022 – Dec 2024)



Source: Bloomberg

On the Asian side, China's economy fared better than expected as its 4Q2024 GDP grew by 5.4% Y-o-Y (3Q2024: +4.6% Y-o-Y), which boosted 2024's GDP growth to 5.0% Y-o-Y, meeting the official target. That said, domestic consumption remains on the weaker side, as evidenced by the persistent imbalance between domestic production and demand. In essence, while industrial production and exports showed resilience, retail sales, fixed asset investment and the property sector underperformed amid deepening deflationary pressures. Specifically, fixed asset investments increased only by 3.2% Y-o-Y for the full year, dragged down by real estate investment, which declined by 10.6% Y-o-Y. While government measures aimed at stabilising the sector have shown some effect with more cities reporting steady property prices, these efforts have yet to translate into a broader recovery.

China CPI Y-o-Y and Consumer Confidence (Jan 2020 – Dec 2024)



Source: Bloomberg

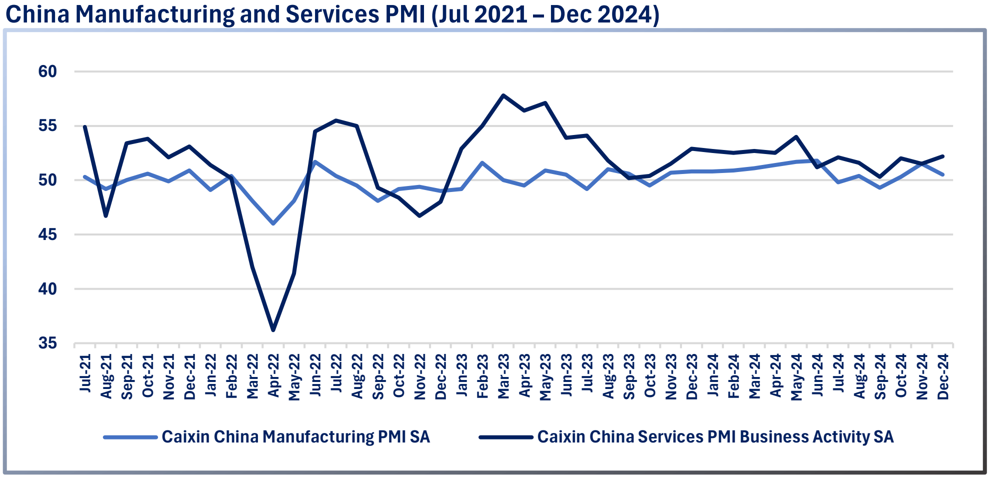
Consumer prices rose at their slowest pace in nine months, edging up just 0.1% Y-o-Y in December, down from 0.2% Y-o-Y in November. This ongoing near-zero consumer inflation underscores the weak recovery in consumption despite stimulus efforts announced in September. Meanwhile, producer prices extended their 27-month decline, falling 2.3% Y-o-Y in December, slightly improving from the 2.5% drop in November. For the full year, CPI remained subdued at 0.2% Y-o-Y, far below the official target of 3.0%, while PPI contracted by 2.2%. This prolonged deflationary environment reflects weak consumer confidence, high youth unemployment and declining household wealth amid the ongoing property sector downturn. That said, retail sales growth accelerated to 3.7% Y-o-Y in December, from a 3.0% Y-o-Y in November on higher private spending supported by the stimulus measures.

China Exports and Imports Statistics (Apr 2021 – Dec 2024)

Source: Bloomberg

Industrial production provided a bright spot, expanding steadily by 6.2% Y-o-Y in December, up from 5.4% Y-o-Y in November, driven by export frontloading. Moreover, exports surged 10.7% Y-o-Y in December, exceeding expectations by a large margin due to front-loaded shipments ahead of looming U.S. trade tariffs. Imports also posted a surprising recovery, growing 1.0% Y-o-Y in December after two months of contraction, driven by restocking of industrial commodities like copper and iron ore amid easing global prices. These contributed to a record trade surplus of nearly US$1 trillion for 2024 with exports and imports rising 5.9% and 1.1% Y-o-Y respectively.

China Manufacturing and Services PMI (Jul 2021 – Dec 2024)



Source: Bloomberg, Caixin

China's manufacturing activity showed little improvement in December with the PMI remaining just above the 50-point threshold, reflecting ongoing pressure from weak domestic demand, overcapacity and external trade uncertainties. In contrast, the services sector showed promising signs of recovery, rising to a seven-month high with a PMI score of 52.2 in December, up from 51.5 in November, supported by targeted policy measures such as increased fiscal spending and monetary easing.

MALAYSIA ECONOMIC REVIEW

Malaysia's 3Q2024 GDP growth sustained its momentum, expanding 5.3% Y-o-Y (+1.8% Q-o-Q, 2Q2024: +5.9% Y-o-Y). While its Q-o-Q performance softened slightly, the economic undertone remains positive with the underlying indicators signalling that growth may remain supported by strengthening investment activities (+15.3% Y-o-Y), robust household spending (+4.8% Y-o-Y) and improvements in export activities (+11.8% Y-o-Y) and tourism activities. The resilient labour market amid the still manageable headline inflation continued to fuel domestic spending appetite, leading to its growth outpacing several regional countries in the quarter, while impending growth upsides may still come from several contributing factors, including the impact of China's stimulus measures to support external demand, despite stacking uncertainties surrounding new policies to be introduced by the upcoming Trump administration.

Malaysia Real GDP, 2021 – 3Q2024

Y-o-Y in %	Yearly			Quarterly			
	2021	2022	2023	4Q2023	1Q2024	2Q2024	3Q2024
Real GDP (Q-o-Q)	-	-	-	(1.0)	1.5	2.9	1.8
Real GDP	**3.1**	**8.7**	**3.6**	**2.9**	**4.2**	**5.9**	**5.3**
Agriculture	(0.2)	0.1	0.7	1.9	1.7	7.3	3.9
Mining	0.3	2.6	0.5	3.5	5.7	2.7	(3.9)
Manufacturing	9.5	8.1	0.7	(0.3)	1.9	4.7	5.6
Construction	(5.2)	5.0	6.1	3.6	11.9	17.3	19.9
Services	1.9	10.9	5.1	4.1	4.8	5.9	5.2
Domestic Demand	**1.7**	**9.2**	**4.6**	**4.9**	**6.1**	**6.9**	**7.0**
Private Consumption	1.9	11.2	4.7	4.2	4.7	6.0	4.8
Public Consumption	5.3	4.5	3.3	5.8	7.3	3.6	4.9
Gross Fixed Capital Formation	**(0.7)**	**6.8**	**5.5**	**6.4**	**9.6**	**11.5**	**15.3**
Public Investment	(11.3)	5.3	8.6	11.3	11.5	9.1	14.4
Private Investment	2.6	7.2	4.6	4.0	9.2	12.0	15.5
Exports of Goods & Services	15.4	14.5	(8.1)	(7.9)	5.2	8.4	11.8
Imports of Goods & Services	17.7	15.9	(7.4)	(2.6)	8.0	8.7	13.5

Source: Department of Statistics Malaysia

The employment rate continued to trend positively, edging lower to 3.2% (2Q2024: 3.3%), while the private sector nominal wages improved to 3.0% (2Q2024: +2.7%) Other notable developments during the quarter includes the strengthening of the Ringgit against the USD (+14.9%) following a decisive rate cut in the U.S. in September, which exceeded expectations and outperformed most regional currencies relative to USD. Meanwhile, headline and core inflation trended steadily at 1.9% (2Q2024: +1.9%), staying below the long-term average of 2.2% and 2.0% respectively during the 2011 to 2019 period. Higher diesel prices from the subsidy rationalisation (+20.1%, 2Q2024: +5.3%), contributed to inflationary pressure, despite this being offset by lower food prices which ticked up by only 1.6% (2Q2024: +1.9%). Brent crude oil dipped to US$79 per bbl. (2Q2024: US$85 per bbl.), following weaker demand from China and the phasing out of OPEC+ voluntary production cuts, despite a rebound earlier in the year.

Gross exports sustained their momentum, driven by higher manufactured goods exports and continued growth in commodity exports. Meanwhile, gross imports surged by 20.8% Y-o-Y, supported by increased investment activities and higher intermediate imports required for manufacturing production. Consequently, the economy experienced a sustained recovery in external trade, rebounding to align with regional trends. Notably, the growth outperformed many regional countries.

The services sector continued to stand resilient and hovered above the near-term average growth rate on resilient expansion in the consumer related subsectors, despite its performance tapering slightly to 5.2% Y-o-Y (2Q2024: +5.9% Y-o-Y), supported by the wholesale and retail trade subsector (contributing share: 30.5%) which expanded 4.2% Y-o-Y (2Q2024: +4.8% Y-o-Y) and transportation and storage subsector growth (contributing share: 7.0%) which ticked up to 10.6% Y-o-Y (2Q2024: +10.5% Y-o-Y). Overall, growth remained largely intact with the improvements recorded across most subsectors, apart from the water, sewerage and waste management which marked its second consecutive quarter of contraction of 3.9% Y-o-Y (2Q2024: -4.0% Y-o-Y).

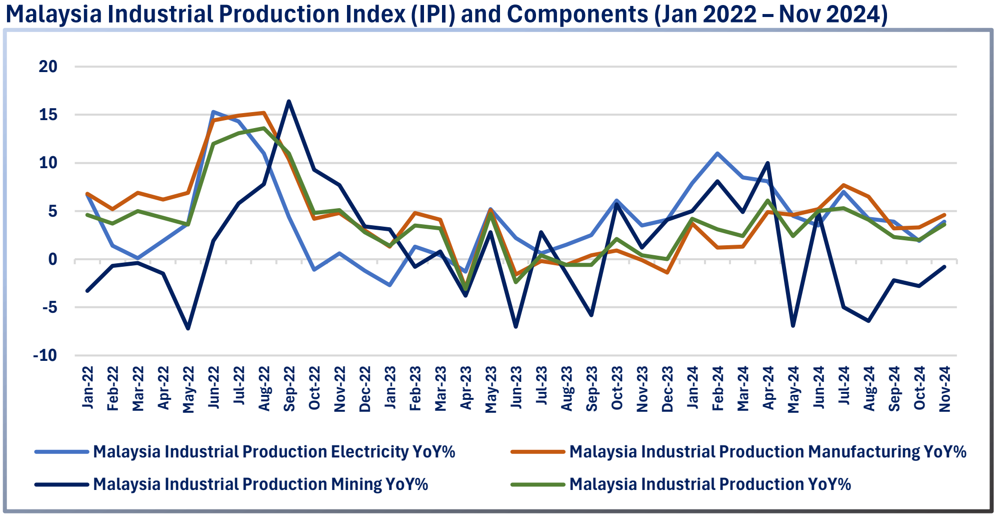
The manufacturing sector extended its growth momentum from the prior quarter, expanding by 5.6% Y-o-Y (2Q2024: +4.7% Y-o-Y). This marked a recovery from its near-term low in 3Q2023 (-2.3% Y-o-Y), driven by higher production of export-oriented clusters such as electrical & electronics (E&E) and petrochemicals, alongside improvements across all subsectors. Notable movements which boosted the growth included the electrical, electronic and optical products (contributing share: 31.3%) which grew 5.6% Y-o-Y (2Q2024: +3.0% Y-o-Y), petroleum, chemical, rubber and plastic products (contributing share; 29.6%) which rose 4.4% Y-o-Y (2Q2024: +4.1% Y-o-Y) and the non-metallic mineral products, basic metal & fabricated metal products and vegetable and animal oils & fats and processing products (contributing share: 10.5% and 10.2%) growth of 9.2% Y-o-Y and 7.6% Y-o-Y respectively.

The agriculture sector growth turned modest at 3.9% Y-o-Y (2Q2024: +7.3% Y-o-Y), as the oil palm subsector (contributing share: 38.0%) charted only a 7.3% Y-o-Y growth after falling from a high base in the preceding quarter (2Q2024: +19.0% Y-o-Y) on stronger fresh fruit bunches production, while the other agriculture subsector and livestock subsector with considerable contributing weightage similarly recorded slower growth during the quarter at 1.8% Y-o-Y and 2.7% Y-o-Y respectively (2Q2024: +0.6% Y-o-Y and +5.8% Y-o-Y). The aquaculture subsector, however, dipped back into contraction of 2.2% Y-o-Y after eking out minor growth in the preceding quarter (2Q2024: +0.1% Y-o-Y).

The mining and quarrying sector growth, meanwhile, dipped into a contraction and shrank 3.9% Y-o-Y during the quarter (2Q2024: +2.7% Y-o-Y), attributable to the negative performance in the crude oil & condensate and natural gas subsector which contracted 7.3% Y-o-Y and 2.8% Y-o-Y respectively, while other mining & quarrying and supporting services subsector still posted a mild expansion of 2.6% Y-o-Y (2Q2024: +7.2% Y-o-Y) amid the contraction in oil and gas production due to maintenance activities.

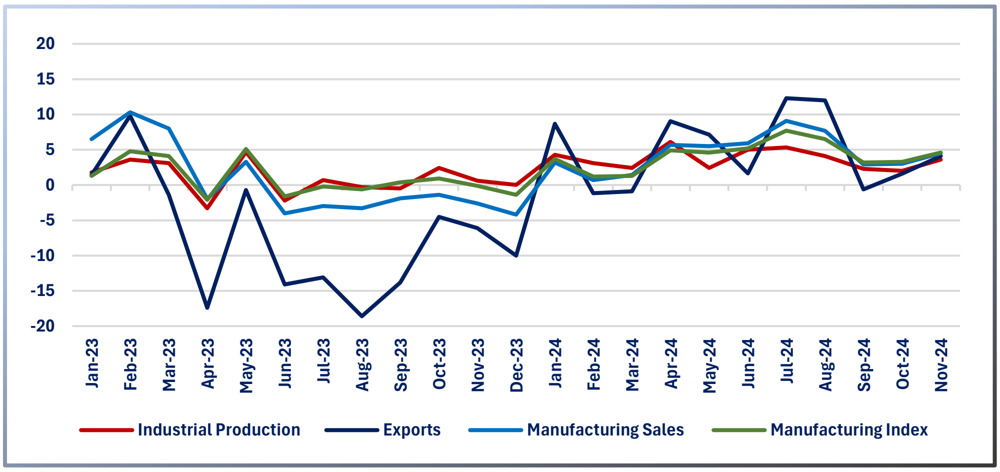
The construction sector's growth accelerated, recording a 19.9% Y-o-Y increase (2Q2024: +17.3% Y-o-Y) with broad-based improvements across subsectors. Notable advancements were observed in the non-residential buildings subsector, which grew by 28.1% Y-o-Y (2Q2024: +2.8% Y-o-Y). Growth in the specialised construction activities, residential buildings, and civil engineering subsectors also showed impressive gains, increasing by 21.7% Y-o-Y, 22.7% Y-o-Y, and 10.7% Y-o-Y respectively (2Q2024: +27.0% Y-o-Y, +14.1% Y-o-Y, and +23.6% Y-o-Y).

Malaysia Industrial Production Index (IPI) and Components (Jan 2022 – Nov 2024)



Source: Bloomberg, Department of Statistics, Malaysia

Malaysia Industrial Production, Exports, Manufacturing Index and Sales (Jan 2023 – Nov 2024)

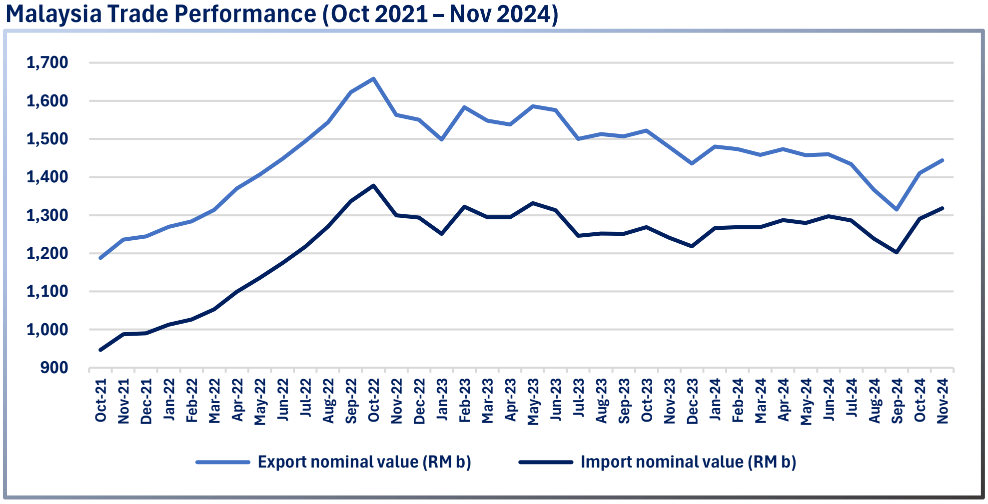


Source: Bloomberg, Department of Statistics Malaysia

The industrial production index growth strengthened further to 3.6% Y-o-Y (October 2024: +2.0% Y-o-Y), driven by the manufacturing output growth at 4.6% (October 2024: +3.3%), electricity (+3.9%), while the decline in mining output narrowed to 0.8% (October 2024: -2.8%). The driving force remained the export-oriented industries which grew 5.6%, on increases in manufacturing of computer, electronics and optical products. Meanwhile, domestic-oriented industries expanded modestly at 2.6% Y-o-Y in November (October 2024: 3.3% Y-o-Y).

Exports continued to trend robustly and grew by 4.1% to RM126.57b, while imports also grew by 1.6% to RM111.28b, resulting in its trade surplus expanding by 26.3% to RM15.3m in November 2024, highest since October 2023. Exports continued to be supported by the strong exports in manufactured and agriculture goods, such as the palm oil and related products, and E&E products, on higher demand from key importing countries such as U.S. and Taiwan.

Malaysia Trade Performance (Oct 2021 – Nov 2024)



Source: Bloomberg

Wholesale and retail sales posted softer growth at 4.7% Y-o-Y in November, with retail trade and wholesale trade growing by 5.8% and 4.7% respectively, although the year end festivities in December are expected to sustain the retail sector's growth, to be supported by the higher tourist arrivals and an increase in civil servants' pay last year. Meanwhile, the motor vehicle sub-sector grew by 1.4% Y-o-Y, as consumers delayed their purchases awaiting for year-end discounts and rebates. E-commerce activities sustained and expanded by 5.2% Y-o-Y on the back of major sales event.

GLOBAL ECONOMIC OUTLOOK

The global economy should sustain a mildly positive trend in 2025, poised to grow at a decent 3.0% Y-o-Y, which is also around the same rate as in 2024. The sustained growth will be underpinned by the combination of easing inflationary pressure, continuing employment and wage growth supporting consumption as well as a more encouraging interest rate environment. Other positives include the reduced odds of a widespread recession (now only 25%, from 50% at the start of 2024), further policy supports that will nudge global growth prospects higher and gradual recovery in economic activities that will collectively aid global growth.

However, the global economy will continue to face uncertainties in policy implementations, in particular with incoming U.S. President Trump's protectionist leanings that could increase consternation to global trade. The vagaries of his policies may affect trade flows and prompt retaliatory responses that would affect overall trades. Inflation, although seemingly controlled, have perked up and may continue to tether above the ideal Central Banks' target of 2.0% and still poses risk that could slow further interest rate cuts in 2025. At the same time, the strong recovery since the end of the pandemic has raised the sustainability question - whether growth can still be sustained amid the lower pent-up spending and the gradual easing of demand dynamics, which remains apparent for manufactured goods.

Although the demand dynamics have eased, growth could still be noticeable, backed by sustained consumer spending to offset the slow capital investments, particularly in the manufacturing sector. Crucially, employment prospects should still hold despite signs of tapering jobs creation and this will help sustain demand growth. Still, the unemployment rates may tip up slightly in 2025 due to the insipid economic undertone. Nevertheless, the prognosis is for consumer spending to expand at a moderate pace, forecast at 3%-4% in 2025, little changed from 2024, emanating from sustained employment and wage growth to support consumption as well as the reduced interest rates providing more leeway for spending growth.

Selected Countries GDP Forecast (3Q2024E-2025F)

Y-o-Y in %	4Q2024E	1Q2025F	2Q2025F	2024E	2025F
World	-	-	-	2.5	2.9
Asia (Ex-Japan)	4.7	4.5	4.7	4.6	4.6
European Union	1.2	1.2	1.3	0.9	1.3
Eurozone	1.1	1.0	1.1	0.8	1.0
G-8	1.8	1.5	1.6	1.9	1.6
China	4.9	4.5	4.8	4.8	4.5
Germany	0.1	0.0	0.5	(0.1)	0.4
France	0.0	0.2	0.2	1.1	0.7
Japan	0.6	1.4	1.2	(0.2)	1.2
United Kingdom	1.6	1.3	1.3	0.9	1.4
United States	2.4	2.5	2.2	2.7	2.1

Source: Bloomberg

However, real growth could still be soft and piecemeal with the U.S. to still lead global growth while the rest of the world are still on a relatively slow pace. Recently released economic data from the rest of the world still points to restrained performances, despite the reduced inflation and interest rates. Therefore, there remains risk to growth even as conditions appears to be displaying some signs of recovery as there may still be hesitation, at least in 1H2025, with the tentativeness over the President Trump's upcoming policies possibly keeping economic conditions indifferent as well. The reduced interest rate is also slow to permeate to the broader economy and could take a longer time before the effects are felt. At the same time, moribund external demand – due in part to the ongoing trade disputes, are likely to extend into 2025, potentially affecting trade further and erode productivity gains.

Amid the still relatively benign economic growth outlook, further interest rate cuts are still in the offing in 2025 with potentially another 50-100 bp cuts. The deepest cuts are likely to be in Europe where its economy is barely growing and the low rates will be used to stimulate its economy. However, the U.S. may slow its interest rate cuts in 2025 as inflation may perk up and its economy still growing at decent rates. As it is, the overall demand dynamics have eased, particularly for manufactured goods, while there are also signs of moderation for services type industries and this will continue to provide the leeway for central banks to ease their monetary policies in due course.

The U.S. economy is likely to remain steady, held up mainly by continuing spending growth, wage increases and stable interest rates. However, the growth rates are likely to moderate from the levels seen in 2024 with consumption growth to slow to 2.3% Y-o-Y in 2025, down from the projected 2.6% Y-o-Y improvement in 2024 as the pent-up spending abates further. At the same time, there could be renewed policy uncertainties with President Trump likely to rachet up trade protectionist measures that may also become inflationary and reduce the U.S.' export performance if the trade war escalates.

In addition, capex spending growth is likely to moderate to 2.7% Y-o-Y, down from the expected 4.2% Y-o-Y growth in 2024 due to the lingering softness in manufacturing activities and also the weak recovery outlook for manufactured products with industrial activities to only recover some 1.3% Y-o-Y in 2025. Amid the challenges of the external sector, U.S. export growth could moderate to 3.7% Y-o-Y this year, as opposed to the 5.5% Y-o-Y growth predicted in 2024. Labour market conditions, however, is likely to stay largely stable with a slight pick-up in the unemployment rate expected (from 4.1% in 2024 to 4.3% in 2025) amid the tightening of the jobs market. With the softening outlook, the U.S.' GDP growth could moderate to 2.1% Y-o-Y in 2025, down from the estimated 2.7% Y-o-Y growth for 2024.

Economic conditions in Europe, meanwhile, are likely to stay challenging, albeit the growth pace could pick up slightly in 2025, recovering from the anaemic pace and recessionary conditions for a large part of last year. As it is, Europe's manufacturing activities will still be at a snail's pace due to the weak demand that could be exacerbated by President Trump's plan to impose tariffs, raising the trade headwinds. Output could still be tepid due to the weak demand dynamics with both consumer and capex spending remaining at a slow pace. Consumption growth may pick up modestly on the ECB's interest rate reductions, but overall demand may still be weak as consumers will still be largely on a wait-and-see stance. In addition, the ample manufacturing capacity is likely to discourage fresh investments and capex spending is likely to be low for the time being.

Nevertheless, the ECB's interest rate reductions could be more effective and prompt a revival in spending growth as the year progresses, albeit early 2025 could still see consumers adopting a cautious approach as the slow economic conditions linger. At the same time, inflationary pressures should continue to ease further that could provide more leeway for the ECB to maintain a more accommodative interest rate environment to bolster economic activities even as the momentum could remain anaemic for an extended period.

Individually, Germany's weak prospects could still weigh on the region's overall outlook in 2025, but other leading industrial countries like France and Italy's performance are also expected to remain mostly moribund. Eastern European nations are likely to fare better and should cushion the weakness in many Western European countries.

Asian economies should also fare better in 2025, but the growth pace may slow due to the uncertainties over President Trump's trade policies that could well see the introduction of higher and broader tariffs on the region's goods. The rising protectionism is likely to cause further consternation to the regional economic outlook as demand is already a drag to growth, particularly in 2H2024, and the rising trade risk could escalate next year. With the external sector tightening, much of the region's growth will be dependent on domestic demand for the cushioning effects. However, the impact will not be universal among regional indices, leaving the overall prospects still on a lower gear. Still, the easing demand should help to moderate inflation further and further falls in interest rates are also in the offing.

For now, there should still be firm demand for E&E products on frontloading and demand for AI peripherals, but the demand may ease from 2Q2025 onwards that may provide another void in the growth prospects. In all, north Asian countries are likely to experience softer growth due to the weakening demand, but South-East Asian and South Asian countries could bank on their resilient domestic activities to cushion against the softer external environment next year.

China's meek prospects could linger into the year amid the unsettled external environment that could again be exacerbated by the threat of more trade tensions, particularly with the U.S. and other trade impediments with Europe. As it is, some leading indicators are already pointing to further slowing of its economy due to the more challenging business environment with the manufacturing sector growth possibly easing to 4.5% Y-o-Y in 2025, from the projected 5.5% Y-o-Y improvement in 2024. At the same time, export growth could slow further to just 3.0% Y-o-Y, down from the forecast 4.7% Y-o-Y improvement in 2024.

Meanwhile, its domestic economy is also still undergoing a deleveraging exercise on its local government debt that could also slow of its economic progress due to fewer stimulus measures. At the same time, structural changes are also ongoing in its property sector and could also dampen growth prospects as well as increasing its deflationary pressure. Nevertheless, domestic activities could still gather some pace with capex and retail spending to post small increases despite still cautious consumer spending patterns, but their impact may be negligible.

The Japanese economy should also perform better in 2025, riding on a recovery in exports and domestic demand that could help it to also move away from its decades of stagnation. Deflation is ending and this could provide room for wage growth that could bolster consumer spending as well as domestic demand. Already consumer confidence has growth over the course of 2024 and consumer spending is poised for a 1.2% Y-o-Y increase in 2024, while capex spending could increase by a firmer 1.5% Y-o-Y (2024 forecast: +1.3% Y-o-Y). Exports should also rebound with a projected growth of 2.9% Y-o-Y, led by manufacturing activities (2025 forecast: +2.8% Y-o-Y). Still, risk to growth remains with the BoJ likely to raise interest rates that may deter spending on big-ticket items somewhat. Its weak currency could also complicate the BoJ's monetary and fiscal policy decisions.

MALAYSIA ECONOMIC OUTLOOK

Although the country's GDP growth moderated in 3Q2024, the performance was still deemed as encouraging, meeting expectations that also points to further improvements in the quarters ahead, underpinned by sustained domestic activities and improvements in external demand. Nevertheless, the quarterly growth rates are likely to moderate in the upcoming quarters after the firmer performances in 2Q2024 and 3Q2024 with growth to be at a more sustainable pace and should bring the full year's growth to around 5.0% Y-o-Y, which is also within the consensus estimates.

Going into 2025, the ongoing strength is likely to carry over and the Malaysian economy will continue to build on the positives that have led to much of 2024's improvements. The various initiatives and new investments over the past year, such as the plethora of data centre and infrastructure constructions, will come to fruition and allow the economy to sustain the growth path. The continuing gains should help the country's economy to grow at a decent pace of 4.5%-5.5% Y-o-Y next year, albeit the consensus estimates point to a 4.7% Y-o-Y growth for the time being, which is a tad slower that the projected 5.0% Y-o-Y growth in 2024.

Malaysia Consensus Economic Forecasts

in %	4Q2024(E)	1Q2025(F)	2Q2025(F)	*2024(E)*	*2025(F)*
Real GDP (Y-o-Y)	5.2	5.1	4.5	*5.2*	*4.7*
Real GDP (Q-o-Q)	0.9	1.2	1.0	-	-
CPI (Y-o-Y)	2.0	2.0	1.9	*1.9*	*2.5*
Overnight Policy Rate	3.00	3.00	3.00	*3.00*	*3.05*
Unemployment				*3.3*	*3.2*
Budget Deficit (% of GDP)				*(4.3)*	*(3.8)*

Source: Bloomberg

Furthermore, domestic activities and spending will still be the main catalysts of the country's economic performance over the foreseeable future, aided by the strong employment prospects, increasing investments and capex spending as well as higher minimum salary and wages to provide the desired booster to domestic spending. The wage growth and higher minimum wage could also help the economy to absorb the impending RON95 fuel subsidy cuts that will be implemented in the middle of next year. This could see 2025's projected domestic spending growth moderate slightly to 6.1% Y-o-Y, compared to the forecast growth of some 7.5% Y-o-Y for 2024. Still, the domestic spending momentum is likely to extend further into 2025 as the robust employment activities and improved purchasing power for the lower income group following the increase in minimum wage to RM1,700 as well as the full impact from the civil servants pay rises.

Nevertheless, the increased wages, could also be mildly inflationary, but inflation should be largely contained as prices are stabilising and this should give ample leeway for growth to be preserved. The forecast is for inflation to come-in at 1.5%-2.5% for 2024 but may tip up further to 2.0%-3.5% in 2025 due to the slight lift in inflationary pressure that is partly attributed to the government's subsidy cuts.

Private spending is estimated to have improved 7.5% Y-o-Y in 2024 despite a slower growth of 4.8% Y-o-Y in 3Q2024. Further aiding the domestic activities growth is the plethora of fresh investments and capex spending that could see a double-digit growth in private investments (+13.1% Y-o-Y) for the full year amid the heightened investments into the E&E, transportation and communications sectors like data centres, manufacturing and renewable energy initiatives. The government is also likely to increase spending on transport, flood and school projects and in 2025, further spending growth should see private sector spending growing 9.1% Y-o-Y, complement by a 6.4% Y-o-Y growth in government spending. Meanwhile, private investments may increase by another 12.1% Y-o-Y in 2025, riding on the continuing investments into infrastructure, transportation and manufacturing activities.

On the whole, the services sector will remain the main catalyst the country's economic growth for the year with a forecast growth of around 5.3% Y-o-Y in 2024 (2023: +5.1% Y-o-Y). The strong employment prospects and the sustained inflow of tourist should contribute to much of the sector's growth, but domestic consumer spending may still be affected by fewer major festive seasons and still high cost of living. This is already manifested in the slower domestic demand growth in 3Q2024, but the implementation of the EPF's Account 3 withdrawal could also provide some support to domestic spending, albeit the impact is likely to be muted due to the relatively small amounts eligible for withdrawal. The services sector is tipped for further growth of 5.5% Y-o-Y in 2025, due in part to civil servant salary hike and higher minimum wage that would bolster spending.

Meanwhile, the manufacturing sector performance is continuing to post improvements, aided by the firmer output of export-oriented products. With global demand conditions looking healthier of late and gathering more momentum, the manufacturing sector to poised for a growth of 4.1% Y-o-Y for the full year, before picking up further pace to around 4.5% Y-o-Y in 2025. Meanwhile, domestic centric industries will also continue to bolster the manufacturing sector activities, particularly those in the consumer, transportation and construction industries that are still seeing firm demand.

Malaysia's export performance should pick-up pace and is likely to improve further in the upcoming quarters due to the projected demand improvements for E&E and non-E&E products alike. The upcycle in the technology sector has begun modestly and should pick up pace in the quarters ahead that could translate to firmer demand, particularly as demand for AI related peripherals regain traction. Consequently, the forecast is for exports to improve some 5.6% Y-o-Y in 2024 but may slow in 2025 with a projected gross export growth of 3.9% Y-o-Y due to the continuing challenges of the external environment.

Notwithstanding the improved export growth prospects, risk of slower-than-expected recovery remains amid a potential heightening of trade protectionist measures with the return of the Trump Presidency. The U.S. could impose more tariffs on China made goods and with Europe also set on increasing tariffs as well, global trade could be dampened and South-East Asian countries are likely to be affected due to their strong reliance on exports. At the same time, there are concerns that the ongoing interest cuts may not be sufficiently deep to jump-start spending growth as the mixed economic data may still slow or deter further trimming of interest rates.

Meanwhile, the construction sector is benefitting from the ongoing transport and logistics-related infrastructure developments and green initiatives, as with the establishment of mega data centres. More building projects are also expected in the upcoming months in tune with the increasing capex spending for manufacturing facilities. The agriculture and mining sectors' growth will be underpinned by the firmer commodity prices as well as the higher output of oil & gas from the opening of new production fields and the resumption of hydrocarbon mining activities once their maintenance programmes are completed.

While inflation has eased, it remains a threat due to the potential reduction in subsidies in the months ahead. The government is still in the view that both headline and core inflation will remain manageable at between 1.5%-2.5% in 2024 with their direction to be dictated by the government's policy decisions and global economic conditions that are still experiencing above expectation inflation levels. In 2025, however, the increase in wages and the impact of further subsidy cuts will be more pronounced and could lift inflation rates further, possibly to 2.0% -3.5% albeit domestic interest rates are still likely to remain stable for much of the year at 3.0% as it is still viewed as largely accommodative.

On the employment side, labour market conditions should continue to stay healthy for the rest of the year, premised on continuing strength of the economic recovery and sustained demand for labour. Consequently, the unemployment rate is likely to ease further to 3.2% in 2024, down from the earlier forecast of 3.4%. Also, wage growth prospects are also improving with a forecast growth of about 5.0% for the year, before the new minimum wage structure is implemented next year. In 2025, the unemployment rate is expected to drop further to an estimated 3.1% on continuing employment gains.

Malaysia Government GDP Estimates 2023-2025F (%)

Sectors	2023	*2024E*	*2025F*
Services	5.1	*5.3*	*5.5*
Manufacturing	0.7	*4.1*	*4.5*
Agriculture	0.7	*2.0*	*1.9*
Mining	0.5	*2.2*	*(1.0)*
Construction	6.1	*14.1*	*9.4*
CPI	2.5	*1.5-2.5*	*2.0-3.5*
GDP	3.6	*4.8-5.3*	*4.5-5.5*

Source: Ministry of Finance Malaysia

GLOBAL EQUITY MARKET REVIEW

2024 has been another sterling year for global equities with the MSCI All World Index registering a near 16% Y-o-Y gain, despite the toppish valuations with the gains also outpacing the projected earnings growth. Sentiments were lifted by expectations of further cuts in interest rates to offset lacklustre economic indicators and political disputes, allowing for equity markets to make headway that also made volatility a feature in 2024. U.S. megacaps and AI plays continue to drive its equity markets, sending its key indices to successive record closing, cancelling out the bouts of volatility.

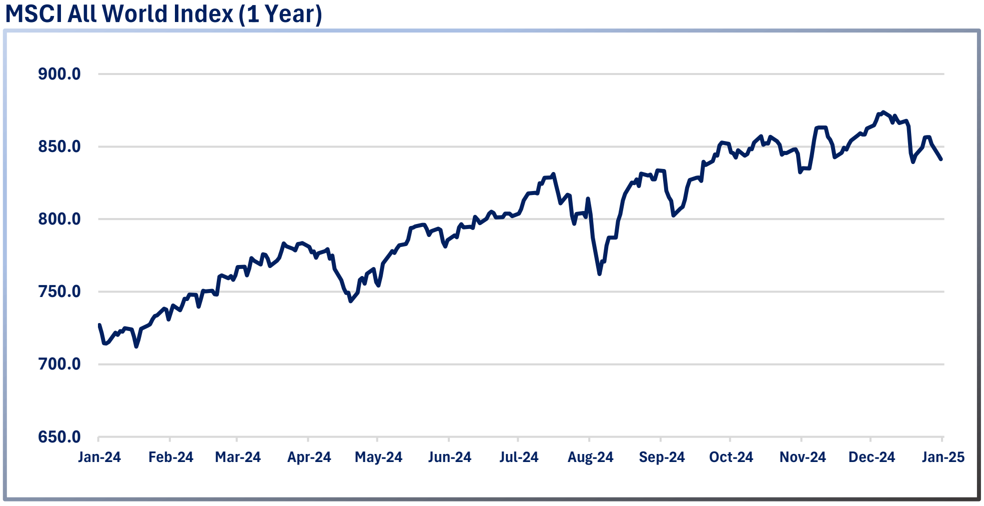
Global equities also largely ended higher in 4Q2024 following Donald Trump's victory in the Presidential election, which was accompanied by a 'Red Sweep' as Republicans took control of Congress. The market registered double-digit Y-o-Y growth amid a positive backdrop of strong economic activity and robust corporate earnings growth. Although the Federal Reserve lowered interest rates by 25 basis points in November and December, persistent inflation in November shifted the Fed's stance to a more hawkish outlook, leading to a scaled-down projection for rate cuts in 2025. The U.S. Dollar Index also surged to a fresh high of 108, its highest level since November 2022, which could increase headwinds for foreign companies. Meanwhile, the performance of some markets came under pressure due to: 1) concerns over trade tariffs to be imposed by President Trump on Mexico, China, the Eurozone, and Canada, as well as 2) political instability in Germany and France.

Performance of Key Global Indices

INDICES	31 Dec 2024 Closing	30 Sep 2024 Closing	*Q-o-Q change (%)*	29 Dec 2023 Closing	*Y-o-Y change (%)*
FTSE BURSA MALAYSIA KLCI	**1,642.33**	**1,648.91**	***(0.40)***	**1,454.66**	***12.90***
MSCI ACWI	841.33	851.78	*(1.23)*	727.00	*15.73*
DOW JONES INDUS. AVG	42,544.22	42,330.15	*0.51*	37,689.54	*12.88*
S&P 500 INDEX	5,881.63	5,762.48	*2.07*	4,769.83	*23.31*
NASDAQ COMPOSITE	19,310.79	18,189.17	*6.17*	15,011.35	*28.64*
FTSE 100 INDEX	8,173.02	8,236.95	*(0.78)*	7,733.24	*5.69*
CAC 40 INDEX	7,380.74	7,635.75	*(3.34)*	7,543.18	*(2.15)*
DAX INDEX	19,909.14	19,324.93	*3.02*	16,751.64	*18.85*
NIKKEI 225	39,894.54	37,919.55	*5.21*	33,464.17	*19.22*
HANG SENG INDEX	20,059.95	21,133.68	*(5.08)*	17,047.39	*17.67*
SHANGHAI SE COMPOSITE	3,351.76	3,336.50	*0.46*	2,974.94	*12.67*

Source: Bloomberg

MSCI All World Index (1 Year)

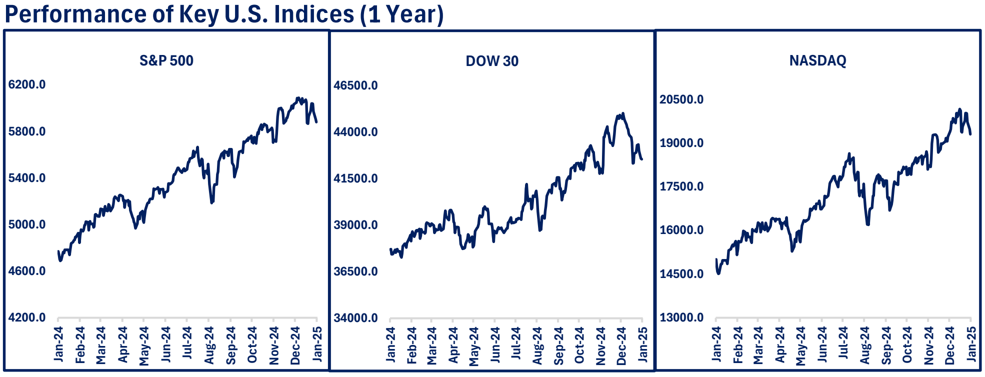


Source: Bloomberg

In 4Q2024, U.S. indices recorded positive growth with the Nasdaq Composite (+6.2% Q-o-Q) outperforming the other indices of the S&P 500 (+2.1% Q-o-Q) and the Dow Jones Index (+0.5%). Stock rotation occurred once frequently in 4Q2024 as investors shifted their focus from value stocks in 3Q2024 to growth stocks, propelling the Nasdaq Composite higher. Its constituents, including AppLovin (+147.9%), MicroStrategy (+78.0%), Tesla (+56.5%), Nvidia (+14.8%), and Apple (+10.8%), performed strongly.

Q-o-Q, the Consumer Discretionary sector (+14.1%) emerged as the top performer, followed by the Communication sector (+8.6%), driven by quantum computing-themed stocks, Trump-linked stocks and strong performances from some of the 'Magnificent Seven' stocks. Conversely, the Materials sector (-12.8%) faced significant challenges during the quarter. Key heavyweights such as Linde plc (-11.6%), Sherwin-Williams Co (-10.5%), and Freeport-McMoRan Inc (-24.2%) were impacted by formidable headwinds, including: 1) a slowdown in global economic growth, which dented sales of chemical manufacturers, metal products, and paints, 2) sustained higher interest rates, further weighing on consumer and business demand, 3) potential enactment of tariffs by incoming President Trump on certain goods, which could reduce U.S. demand for those products. The percentage of U.S. stocks trading above the 200-day moving average declined to 49.7% in 4Q2024, down from 66.2% in 3Q2024. Meanwhile, the momentum of semiconductor stocks' declines decelerated, with the SOX index falling 3.7% in 4Q2024, a slight improvement from the 5.5% drop seen in 3Q2024.

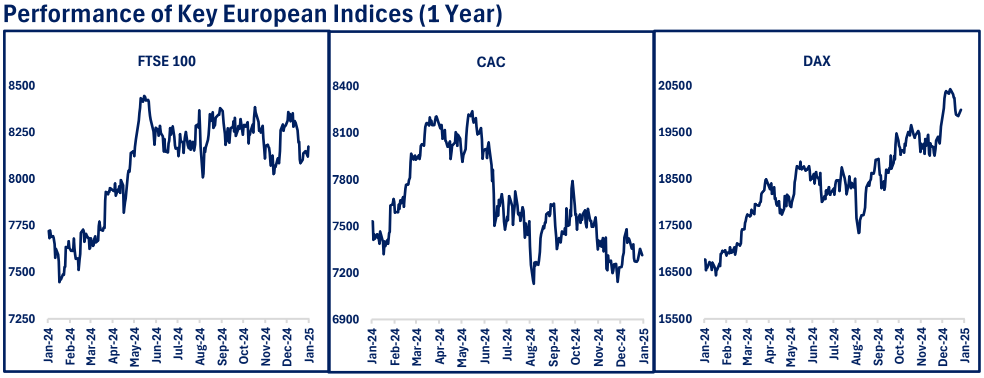
Performance of Key U.S. Indices (1 Year)



Source: Bloomberg

Most European equities ended 4Q2024 in the negative territory, with Materials, Real Estate, and Consumer Staples sectors ranking as the three weakest performers, mainly due to: 1) political instability in France, 2) concerns over trade wars following Donald Trump's victory in the U.S. election, and 3) lingering fears of a recession. The CAX index declined by 3.3%, while the DAX index rose by 3.0%, despite Germany's three-party governing coalition collapsing in November, paving the way for new elections in February 2025. Meanwhile, the FTSE index fell by 0.8% as long-term bond yields increased following upward revisions to inflation expectations and concerns over the newly unveiled UK government fiscal policies.

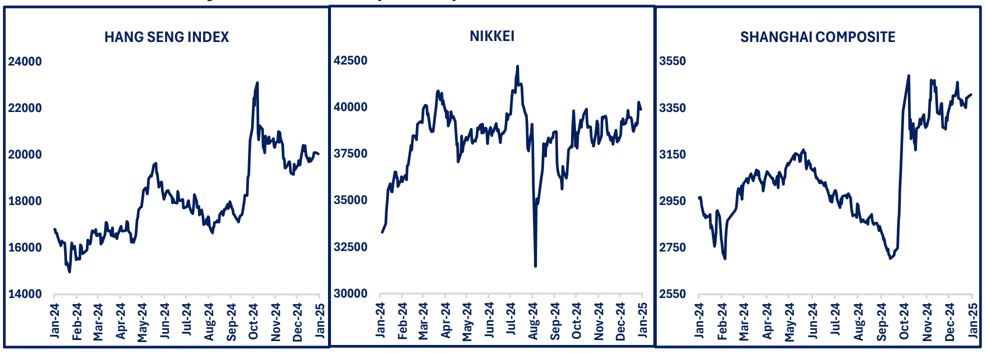
Performance of Key European Indices (1 Year)



Source: Bloomberg

In 4Q2024, most Asian equities closed lower due to fears of potentially higher tariffs following Donald Trump's re-election as President, with the Philippines (-5.7% Q-o-Q) experiencing the steepest decline. Divergence in market performance was observed between the Hang Seng index (-5.1% Q-o-Q) and the CSI 300 index (+2.1% Q-o-Q) during the quarter, despite the prospect of second Trump presidency intensifying trade and technology tensions. On the other hand, the Nikkei 225 registered solid gains in 4Q2024 but still ended the year below its 40,000 psychological level, mainly driven by: 1) a weakened Yen which bolstered the earnings outlook for large-cap exporters, 2) the consolidation of Nissan-Honda which is targeting a 20.0% ROE, and 3) share buybacks by companies. The Bank of Japan also adopted a less hawkish stance and maintained interest rates at 0.25% during its December policy meeting.

Performance of Key Asian Indices (1 Year)



Source: Bloomberg

MALAYSIA EQUITY MARKET REVIEW

The FBM KLCI wrapped up 2024 at 1,642 level (+12.9% Y-o-Y), despite cautious sentiment persisting due to a lack of fresh catalysts in 2H2024, as well as uncertainties surrounding incoming U.S. President Donald Trump's administration. The index ranked as the second-highest gainer among regional indices, trailing behind the Hang Seng while outperforming other regional markets such as Shanghai Shenzhen, India, Vietnam, the Philippines, Thailand, and Jakarta. The stellar performance of the FBM KLCI in the year was largely driven by foreign direct investment in data centres from Microsoft, Google, Amazon, and Yondr Group. This spurred increased landbank disposal opportunities for property companies, along with the award of data centre contracts to leading construction companies, which continued to benefit from robust orderbooks.

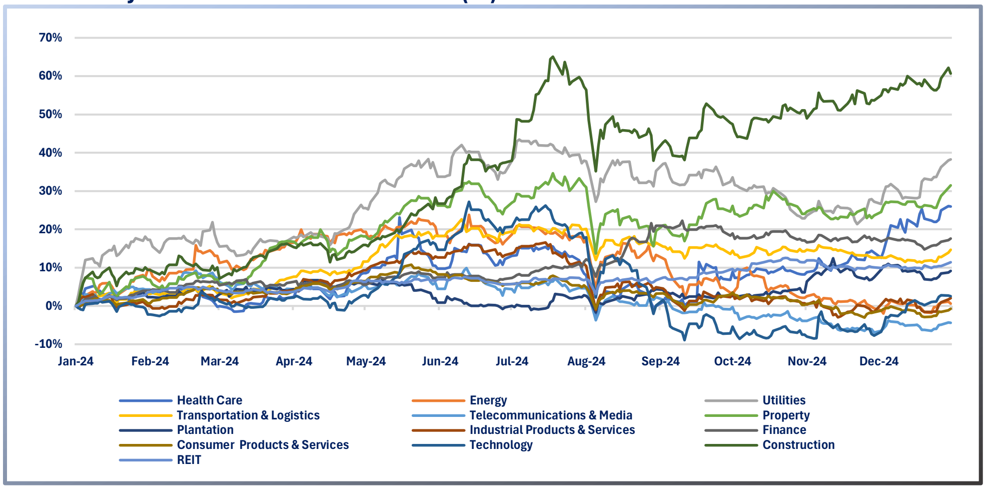
FBM KLCI, FBM Small Cap and FBM ACE One-Year Performance

Source: Bloomberg

Y-o-Y, the FBM ACE Index jumped by 1.1% while the FBM Small Cap Index rose by 9.9%. Among the lower liners, notable gainers were MMAG (+373.3%), Notion VTEC (+315.6%), and Eversendai (+315.2%). On the contrary, Rapid Synergy (-96.7%), Pertama Digital (-92.5%), and Artroniq (-91.9%) were the notable laggards during 4Q2024.

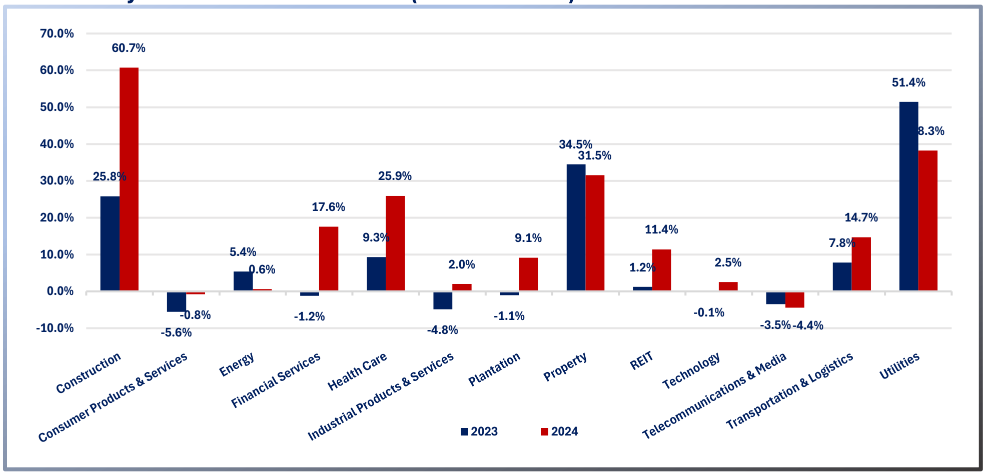
Q-o-Q, the FBM KLCI slid by 0.4% in 4Q2024. Among the FBM KLCI constituents, YTL Power (+22.3%), Gamuda (+17.3%), and Sunway (+14.0%) were the main outperformers, whereas PPB (-14.2%), MR DIY (-12.3%), and Petronas Chemical (-8.3%) were the main underperformers during 4Q2024.

Bursa Malaysia Sector YTD Performances (%)



Source: Bloomberg

Bursa Malaysia Indices Performance (2024 vs. 2023)



Source: Bloomberg

Y-o-Y, most sectors ended in positive territory, with the CONSTRUCTION, UTILITIES, and PROPERTY sectors outperforming among the 13 sectors, recording growths of 60.7%/38.3%/ 31.5% respectively.

As the best-performing sector of 2024, the CONSTRUCTION sector was strongly driven by data centre contracts awarded to Gamuda, Sunway Construction, and Binastra. Gamuda secured several notable mega projects, including: 1) the construction of Sime Property's hyperscale data centre at Elmina Business Park, 2) rail signalling project in Perth, 3) wind farm construction contract in Queensland, and 4) Ulu Padas hydroelectric project in Sabah. Expanding beyond its traditional property construction business, Binastra widened its scope by leveraging its expertise to data centre construction, reflecting an all-time high outstanding order book for the group. The PROPERTY sector also benefited from the data centre theme as property companies participated in land disposal transactions for data centres, with Sime Property, Mah Sing, and Eco World Development emerging as key gainers. Meanwhile, Tenaga Nasional, in the UTILITIES sector, surged on the back of power-intensive data centres and increased CAPEX, along with the revision of the base tariff from 2025 to 2027.

In contrast, only 2 out of 13 sectors underperformed during the year. The TELECOMMUNICATIONS & MEDIA sector remained in negative territory, with CelcomDigi as the laggard, weighed down by flat postpaid and prepaid revenue. Meanwhile, Nestle was the main laggard within the CONSUMER PRODUCTS & SERVICES sector, as a persistent boycott and subdued consumer sentiment amid rising costs continued to impact domestic sales.

Malaysia Equity Market's Trading Activity

Volume (m)

4QCY24	4QCY23	Y-o-Y %	3QCY24	Q-o-Q %	CY24	CY23	Y-o-Y %
2,861.57	3,348.75	*(14.5)*	4,071.88	*(29.7)*	3,996.97	3,256.66	*22.7*

Value (RM m)

4QCY24	4QCY23	Y-o-Y %	3QCY24	Q-o-Q %	CY24	CY23	Y-o-Y %
2,554.03	2,160.69	*18.2*	3,524.18	*(27.5)*	3,150.32	2,056.15	*53.2*

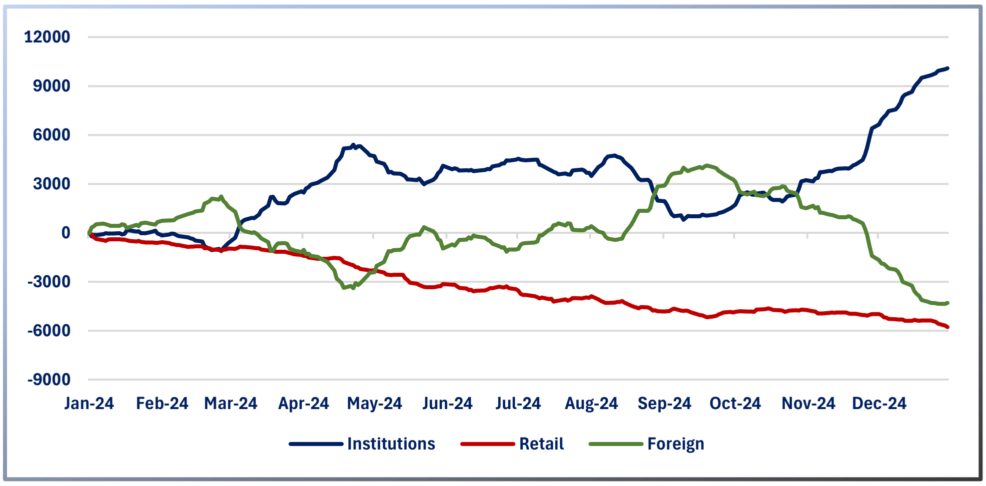
Source: Bloomberg, Inter-Pacific Research

In 4Q2024, domestic institutional investors reversed their position to net buying with RM8.58b worth of Malaysia shares. Retail investors were still net sellers of local equities with RM0.93b worth of Malaysia shares sold in 4Q2024, while foreign investors reversed their position to become net sellers, disposing RM7.65b worth of Malaysia shares in 4Q2024.

Trade-wise, the number of transactions dropped in 4Q2024, with an average daily traded volume of 2.86b, a decrease of 29.7% Q-o-Q and 14.5% Y-o-Y. The average traded value recorded was RM2.55b, reflecting a downtick of 27.5% Q-o-Q but an increase of 18.2% Y-o-Y.

For 2024, the Malaysian equity market experienced a 22.7% increase in trading volume and a 53.2% rise in trading value compared to 2023. Local institutional investors emerged as net buyers, while retail and foreign investors were net sellers during the year.

Bursa Malaysia Market Participation – 2024 Net In/Outflow



Source: Bloomberg

GLOBAL EQUITY MARKET OUTLOOK

Global equities are likely to endure further uncertainties at the start of 2025 on persistent concerns over the direction of the global economy. Although much of the world's macroeconomic should hold steady and supportive of further equity market gains, a pause in the upsides could be the offing as equity valuations are also becoming increasingly toppish with lingering and new market impediments possibly keeping markets in check. The mixed-to-weaker economic readings are also leaving economic conditions unsettled and is also clouding the economic prospects for 2025, translating to weaker interest in equities as a result.

In the interim, fresh uncertainties have emerged with President Trump's trade policies under scrutiny as the policies could rachet up fresh trade disputes and increased protectionism policies that would slow global trade and the corresponding global economic outlook. At the same time, tighter fiscal and monetary policies as well as the moderating corporate earnings may induce further defensive strategies at the start of the year and leave market conditions more volatile, forcing market players to adjust their expectations and portfolio alike. Meanwhile, the disinflation trend appears to have stall and prices may track higher again in 2025 that would slow the prospects of further interest rate reductions ahead that could again cause equity markets to be cautious.

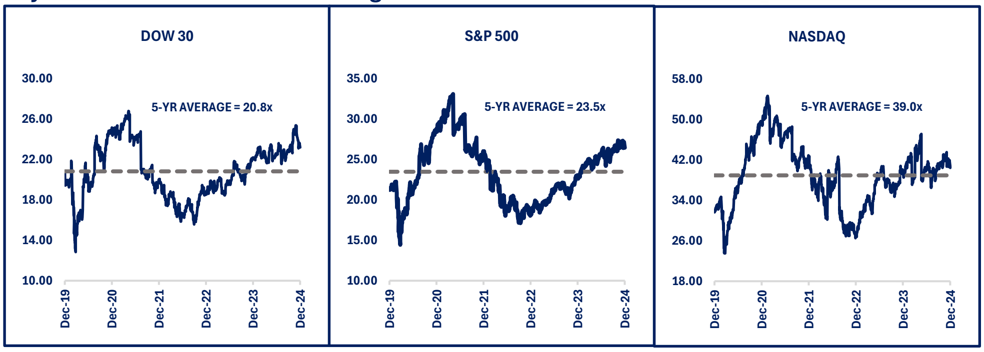
Fresh concerns have also emerged on the moderating global economic outlook and the impact on corporate fundamentals. Although the present prognosis is for corporate earnings to grow about 10% in 2025, the estimates are still fluid due to the unfolding regulatory and economic policies ahead, such as tariffs and trade restrictions, that are tilted to the negative side. These policy uncertainties could well undermine the growth prospects and trim earnings growth prospects for the year. These concerns could begin to unfold after President Trump assumes office in late January and markets will be on the lookout on his policies, particularly as he has repeatedly threatened to impose tariffs on the U.S.' major trading partners when he assumes office. Doing so may cause global markets to pullback and may also be a prelude to a steeper consolidation trend after the prolonged rally among global equities since the end of the pandemic.

In the same vein, valuations are still toppish with the MSCI's 2024 and 2025 PERs remaining above the 14x-16x forward averages and little changed from the previous quarter's valuations. We continue to think that the prevailing valuations have more-than-reflected the global corporate earnings prospects and further market gains could be more difficult to attain as many global equity bellwethers' valuation are still stretched and offers limited upside potential, in our view, unless their fundamentals display significant improvements.

U.S. equities continue to look toppish with valuations well in-excess of their long-term norms that could again leave conditions volatile into the start of the year. This is despite the prognosis of sustained corporate earnings growth in 2025 which has been largely reflected in its key equity indices' performances. In addition, there could be hesitation as incoming President Trump may rachet up his tariff threats that could also dampen market sentiments. The Fed is also widely tipped to hold interest rates steady in 1Q2025 that could possibly continue into 2Q2025 on the prognosis that inflation could remain above the targeted 2.0% rate for much of the year. These headwinds could keep market players on a wait-and-see stance for longer as they assess the impact on the new developments on their portfolio performance.

Nevertheless, providing support to its stockmarket would be the still firm economic underpinnings, sustained corporate earnings growth that could help to keep its stockmarket elevated for longer. President Trump's business friendly policies, if implemented, could also help to shore up longer-term sentiments and alleviate some of the choppy market conditions. While megacaps may dither, small-and-mid cap stocks could be in favour, as with growth and value stocks, as market players pivot from the more expensive bellwethers. Despite the market's volatility in 1Q2025, the prognosis is for U.S. equities to extend into gains for much of the year, albeit at a more moderate pace with the expensive valuations to deter much of the upside potential.

Key U.S. Indices 5-Year PER Averages

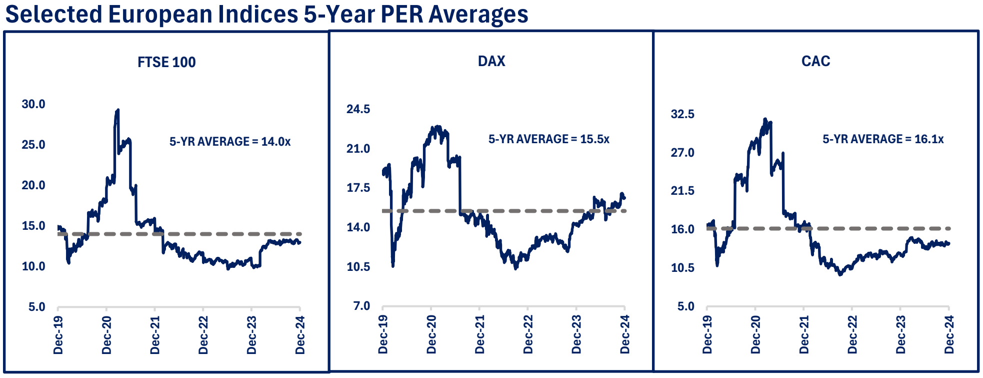


Source: Bloomberg

In Europe, market conditions could stay unsettled in 1Q2025, undermined by uncertainties over the region's still frail economic outlook that is likely to remain at a low gear, affected by the prevailing low domestic demand and reduced external demand. Equity market conditions in Germany and France could also be affected by their political impasses that may prolong the choppy equity market conditions into early next year. By far the biggest headwind is the threat by President Trump to impose tariffs on the EU products that would rachet up rhetorics and cause market consternation. As such, market conditions may become more subdued in 1Q2025 as market players await for the unfolding of the above events.

Nevertheless, European equity valuations are still attractive, lingering below their longer-term averages despite the low earnings growth prospects. The valuations should provide some support for its equities, albeit significant upside could still be elusive. Further providing support is the gradual improvements in the region's lower interest rates that could bolster spending growth and its domestic activities.

Selected European Indices 5-Year PER Averages



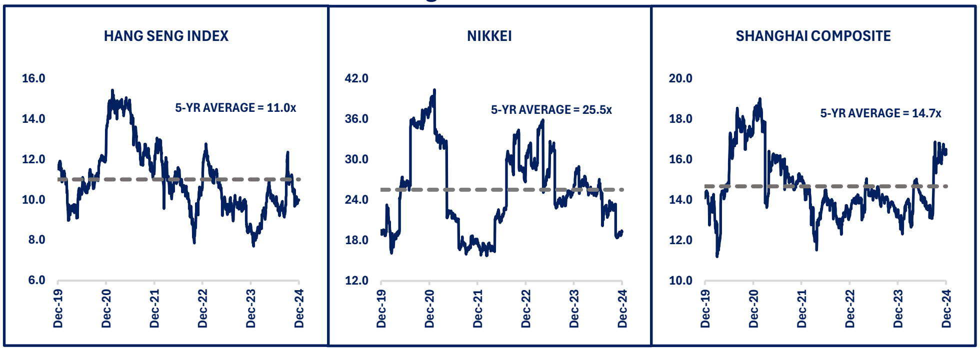
Source: Bloomberg

Asian equities in 1Q2025 may also see a continuation of the choppy conditions due to the prevailing uncertainties the state of the global economy that are likely to show increased signs of consolidation during the year, affecting the export-reliant region. The stronger U.S. Dollar is also casting a pall over the direction of Asian equities with the vast unwinding of positions out of the region since 4Q2024, due in part to the slower pace of interest rate cuts, compounded by the prospects of higher-than-expected Fed terminal rate. The impending Trump tariffs is generating another layer of uncertainties, particularly on the technology and automotive segments that would also see increased trade disputes, with China likely to bear the brunt on the uncertainties.

China's equity market performance will be dependent on its domestic policies to shield its economy from the threats of increased tariffs on its output. Thus far, there has been relatively lukewarm response to the Central Government's stimulus package that was seen as piecemeal. Its property sector still faces dire conditions with few quick fixes in store and the lingering concerns could keep its equity markets subdued for longer. The prognosis of mild economic growth and slowing domestic environment will add to the challenges of its equity market in 1Q2025. Therefore, much of its equity market performance could hinge on further government's economic stimulus measures, particularly on bolstering domestic spending to counter the challenges of the external environment.

Japanese equities, meanwhile, may sustain its mild upsides in 1Q2025, riding on its gradually improving earnings growth prospects and continuing reforms, including potentially higher interest rates that could also lead to the strengthening of the Yen. Rising consumer spending growth should help to strengthen overall corporate earnings growth, but the weak external sector may continue to weigh on some of its prospects and keep the uptrend in check.

Selected Asian Index 5-Year PER Averages



Source: Bloomberg

Globally in 2025, corporate earnings growth could top 8% -10% Y-o-Y, on average, despite the ongoing headwinds that will extend from 2024, and an improvement over the projected 8% growth in 2024. The improvements will stem largely from margin gains from the combination of lower interest rates, lower input cost as inflation continues to ease and expectations of sustained economic growth bolstering corporate earnings. However, risk to earnings growth remains with a slowdown in economic recovery, increased trade impediments, higher-than-expected inflation and interest rates.

U.S. corporate earnings growth is forecast to improve by 12%-15% Y-o-Y in 2025, after an expected slower growth in 2024 of about 7.5% Y-o-Y on the S&P 500, down from the previous estimate of 10% due to sector specific weaknesses, as certain consumer and manufacturing industries continue to dither. In Europe, there will be no growth in 2024's earnings with a slight growth of about 4%-5% in 2025. As it is, manufacturing activities are still at a snail's pace in Europe due to weak domestic and external demand that is affecting earnings performance. The threat of the Trump tariffs may further dampen the earnings growth prospects in 2025. Asian equities earnings growth could show firmer growth in 2024, at 21% Y-o-Y, due to sustained domestic activities and a recovery in their external demand as well as from low base. However, earnings growth should be slower n 2025 at around 13% Y-o-Y, mainly due to the lingering trade uncertainties.

Selected Key Global Indices Comparative PER

(in times)	2023	2024	*2025(F)*	*2026(F)*
Dow Jones	**23.9**	**24.8**	***21.2***	***18.9***
S&P 500	**23.5**	**27.1**	***23.5***	***20.8***
NASDAQ	**30.4**	**33.5**	***28.1***	***24.2***
FTSE	10.7	14.3	*12.3*	*11.3*
DAX	12.6	15.8	*14.1*	*12.4*
CAC	13.9	15.5	*13.6*	*12.5*
MSCI Europe Index	**12.9**	**15.8**	***14.2***	***12.9***
Nikkei 225	20.7	19.2	*20.1*	*18.5*
Shanghai Composite	11.3	12.8	*11.2*	*10.4*
Hang Seng Index	8.6	9.8	*9.4*	*8.7*
KOSPI	11.5	9.7	*8.0*	*7.1*
MSCI Asia Index	**14.8**	**14.2**	***14.1***	***12.6***
MSCI All World Index	**18.8**	**21.0**	***19.0***	***17.0***

Source: Bloomberg

As noted earlier, global equity valuations remain above their historical forward averages at 16x-18x for 2025 and 2026 respectively, which are still above the longer-term averages of 14x-16x. U.S equities continue to be the most expensive at 20x-21x on the S&P 500, while the Dow Jones trade at 20x and 18x respectively, all of which are above their forward averages of around 14x-16x. However, European equities' valuation is fair, trending within their longer-term averages. Asian equities are also looking fair with the valuations also within their historical averages.

U.S. equities have been overpriced for an extended period and a meaningful consolidation continues to be due for the overbought conditions to be adjusted. As a result, this could see volatility persisting over the near-to-medium term as U.S. equities adjust from the toppish conditions, dragging down the outlook for global equities as well.

MALAYSIA EQUITY MARKET OUTLOOK

After ending 2024 on a firmer note on window dressing activities, the ensuing profit taking has left the key index to drift again with the weakness continuing for much of the start of the year, undoing the window dressing efforts. With conditions staying morbid, Bursa Malaysia could remain mostly cautious for longer in 1Q2025, continuing with the trend that was prevalent in 4Q2024 where the incessant selling by foreign funds will leave the key index on the downtrend. In addition, the buying support from local institutions could also become more selective as they have provided much of the key index's support over the past few months but may wane over the coming months.

At the same time, the continuing volatility in overseas markets will also dictate the direction of Bursa Malaysia stocks. As it is, there is lingering concerns over China's slower economic recovery, especially with President Trump's threat of higher tariffs on China made goods that could also sap the corporate earnings performance of export reliant stocks on Bursa Malaysia, either directly or indirectly, and temper the FBM KLCI's upsides, in our view. In addition, a resurgence in inflation is likely to keep global interest rates elevated for longer and could also pressurise Bursa Malaysia's performance in the months ahead.

The above, combined with the possibility of the Ringgit losing further strength, could see foreign funds remaining net sellers for the foreseeable future. The lack of buying interest by foreign funds are particularly challenging to market conditions as the buying support from local institutions alone is unlikely to provide the much-needed lift to the market, even as valuations have become relatively inexpensive. Local retailers have also been perennial sellers of Malaysian equities and this is not helping Bursa Malaysia's recovery cause amid their lack of buying support.

Under the prevailing environment, the FBM KLCI is set to drift further even with the psychological 1,600 level becoming a major hurdle in the near term. Local institutions could still provide the buying support and to cushion against the continuing selling by foreign funds as they continue to look for higher yields in overseas assets due in part to the slower interest rate cuts ahead. This also means that headways will remain elusive due to the prolonged insipid conditions as market players await for further clarity on the market's direction before charting their next moves. Any fresh buying could also be selective, mainly as most market players will be on a wait-and-see stance and unwilling to take sizeable positions and may only embark on occasional bargain hunting.

Meanwhile, market plays have also largely dissipated for now, particularly the hype over AI and data centres that were among the main catalyst driving Malaysian equities higher last year. The undertakings now await execution, but the successful implementations of the projects would add confidence to the market, particularly among construction stocks.

Notwithstanding the ongoing volatility, the market's fundamentals are likely to hold up, supported by sustained earnings growth from the plethora of highly visible projects like data centres, revival of transportation and clean energy programmes, AI and JSSEZ undertakings as well as firmer domestic activities that should continue to provide ample earnings growth. There remains cautious optimism over the direction of the country's economy in 2025 that should also be supportive of market gains, providing some cushioning effect against the vagaries of the external environment. The plethora of upcoming IPOs may also provide more impetuses.

Another silver lining is the country's still resilient economic fundamentals that are underpinned by sustained domestic activities and the gradual improvements in the external environment bolstering sentiments in due course. The investment landscape is also improving that could harbour more capex spending as the year progresses. Collectively, the above positives may allow for some support, albeit they are cast aside for now due to the strong selling by foreign funds that is leaving the key to drift lower.

Meanwhile, the consensus earnings growth is expected to moderate in 2025 with a preliminary growth estimate of 2.4% Y-o-Y on the FBM KLCI, after a projected growth of 14.0% Y-o-Y in 2024. On the FBM EMAS, earnings growth is estimated at 16.0% Y-o-Y for 2024, before moderating to 1.8% Y-o-Y in 2025. However, these estimates are still fluid and may not have fully reflected the corporate prospects for 2025 until 2024's earnings are reported, when more guidance are provided by companies.

Valuations wise, both the FBM KLCI and FBM EMAS are relatively inexpensive heading into 2025, with the valuations just a shade below the 14x-16x historical forward average PERs. Nevertheless, with earnings growth outlook likely to be raised in the ensuing months, the PERs could be more attractive and should allow for more upsides when sentiments improve and when there is clarity on the market's direction. The present market weakness also offers some bargain hunting opportunities on sector leaders that were sold down in the most recent market pullback.

With near-term conditions unsettled, there could still be some near-term market volatility and downside bias that could send the key index back to around the 1,560-1,570 levels. Once stability is found, however, we think the FBM KLCI could mount a decent recovery back above the psychological level of 1,600 points and could target the 1,630-1,650 levels over the medium term, regaining most of the recent losses amid the prospects of firmer corporate undertone and earnings growth.

Among the lower liners and broader market shares, their prospects will be tied to the level of retail participation and with interest still on the wane, upsides may remain difficult to come by. At the same time, there are few noteworthy impetuses for retail players to increase their shareholding and the insipid trend could sustain for longer.

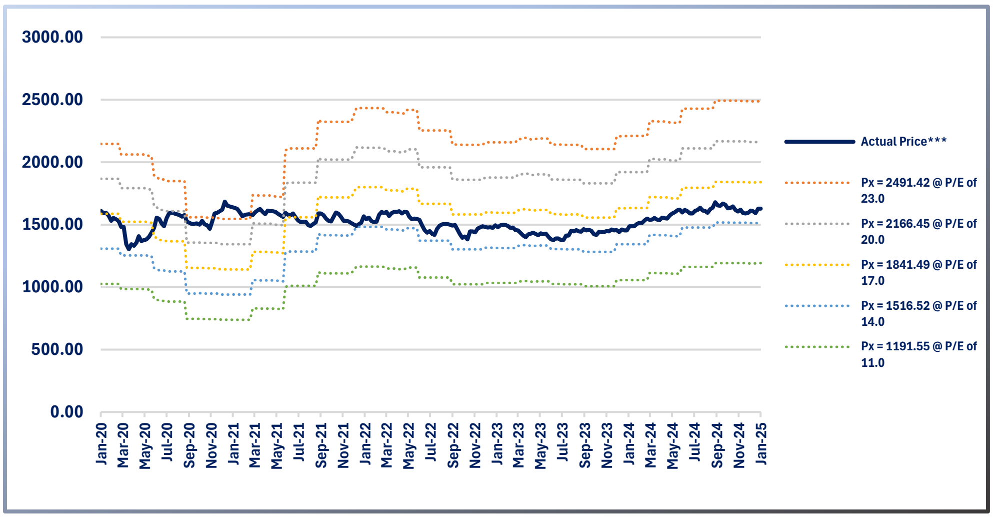
Selected stocks within the construction, utilities, transportation, renewable energy, property and plantation sectors could remain in favour in 1Q2025, mainly on the back of the increased activities in these sectors that are likely to underpin their earnings growth for the foreseeable future. Export reliant industries in the manufacturing segment, however, may still see weakness until there is increased clarity on their prospects.

Comparative PERs – Malaysia vs. ASEAN

(in times)	2023	2024	*2025(F)*	*2026(F)*
FTSE Bursa Malaysia KLCI	**14.2**	**14.1**	**14.3**	**13.3**
FTSE Bursa Malaysia Emas	**14.4**	**14.5**	**14.2**	**13.2**
FTSE Straits Times Index	*10.1*	*12.4*	*11.7*	*11.1*
Jakarta Composite Index	*12.6*	*12.4*	*12.3*	*10.1*
Stock Exchange of Thailand	*14.0*	*14.3*	*14.0*	*13.0*
Philippines PS Index	*10.5*	*9.7*	*10.1*	*9.4*
ASEAN average	***11.8***	***12.2***	***12.0***	***10.9***

Source: Bloomberg

FBM KLCI PER Band – 5 Years



Source: Bloomberg

INTER-PACIFIC RESEARCH SDN BHD

COMPANY UPDATES

All prices as of 15th January 2025

ABLE GLOBAL

BUY (Maintained)

Current Price	**RM 1.85**
Target Price	**RM 2.75**
Consensus Price	**RM 2.66**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	307.6
Market Capitalisation (RM m)	569.0
52 Week High/Low Price	2.23/1.42
Avg Trading Volume (3-mth)	203,166
Est Free Float (%)	55.3
YTD Returns (%)	(4.1)
Beta (x)	0.8

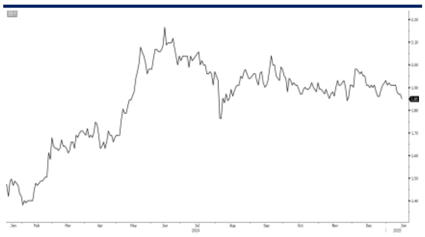
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(2.63)	0.15
3 mth	(2.12)	2.20
12 mth	20.13	15.56

Major Shareholders (%)

Goh Mia Kwong	11.6
Ng Keng Hoe	11.3
Goh Swee Wang	7.6

1-Year Share Price Performance



Analyst
Chloe Mak
makmw@interpac.com.my

COMPANY PROFILE

Able Global is primarily involved in two business segments: 1) food & beverage (F&B) – the manufacture and sale of milk and dairy-related products, and 2) tin can manufacturing.

INVESTMENT MERITS

- **Joint venture in Mexico.** The joint venture was recently granted an export license to export filled milk. The utilisation rate of its Mexico's operation is approximately 34% as of 2QCY24 and the management targets to reach at least 40% by the end of CY24.
- **Ramping up UHT milk production in Malaysia.** The group has diversified its product offerings with UHT milk to meet rising market demand and cross sell to existing clienteles.

KEY UPDATES

- In 3QCY24, revenue increased by 9.7% Y-o-Y to RM193.9m, from RM176.8m in the same quarter last year, mainly attributable to a 15.4% Y-o-Y increase in sales from the F&B segment on stronger demand, but the increased sales were partly offset by a 14.2% Y-o-Y decline in the sales from the tin manufacturing segment. In line with the higher revenue, PATAMI expanded by 9.4% Y-o-Y to RM17.7m, from RM16.2m, due to an improvement in the gross profit margin to 21.3%, up from 18.5% in 3QCY23, which we attribute to lower sugar prices and higher economies of scale resulting from increased utilisation rates.
- The group declared a third interim dividend of 2.0 sen per share, bringing the total dividend for 9MCY24 to 6.0 sen (9MCY23: 4.5 sen).

DOWNSIDE RISKS

- Higher input costs such as milk and sugar affecting margins
- Forex exchange risks

VALUATION AND RECOMMENDATION

We keep our **BUY** recommendation on Able Global with the same **TP** of **RM2.75**, derived from pegging target PERs of 15.0x and 8.0x to the CY25F earnings of its F&B and tin manufacturing segments respectively.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY21	CY22	CY23	CY24(E)	CY25(F)
Revenue	499.9	549.8	648.1	696.0	738.8
EBITDA	63.6	56.7	88.8	101.8	103.9
EBITDA margin (%)	12.7	10.3	13.7	14.6	14.1
PBT	51.4	42.8	69.2	86.2	88.9
PAT	37.4	33.6	52.3	66.7	69.0
PATAMI	36.9	33.4	51.9	66.1	68.1
PATAMI margin (%)	7.4	6.1	8.0	9.5	9.2
EPS (sen)	12.0	10.9	16.9	21.5	22.1
Earnings growth (%)	(6.5)	(9.6)	55.3	27.5	2.9
PER (x)	15.4	17.0	11.0	8.6	8.4
DPS (sen)	5.0	4.0	6.5	8.0	8.5
Dividend yield (%)	2.7	2.2	3.5	4.3	4.6
ROE (%)	9.8	8.3	11.8	13.9	12.5
Net gearing ratio	0.0	0.5	0.4	0.3	0.2
P/B (x)	1.5	1.4	1.3	1.2	1.0

Source: Inter-Pacific Research

ANCOM NYLEX

BUY (Maintained)

Current Price	**RM 0.995**
Target Price	**RM 1.16**
Consensus Price	**RM 1.27**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	1,130.7
Market Capitalisation (RM m)	1,125.1
52 Week High/Low Price	1.135/0.885
Avg Trading Volume (3-mth)	1,597,429
Est Free Float (%)	61.5
YTD Returns (%)	(1.5)
Beta (x)	0.4

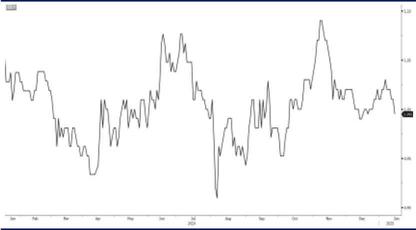
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	-	2.78
3 mth	(1.49)	2.83
12 mth	(6.66)	(11.23)

Major Shareholders (%)

HELM AG	15.7
Siew Ka Wei	13.4
Lee Cheun Wei	9.0

1-Year Share Price Performance



Analyst
Chloe Mak
makmw@interpac.com.my

COMPANY PROFILE

Ancom Nylex is a major integrated agricultural and industrial chemicals player in Southeast Asia. Its operations are divided into five main segments: namely 1) industrial chemicals, 2) agricultural chemicals, 3) polymer, 4) logistics, and 5) investment holding and others. The group is the sole large-scale producer of herbicide active ingredients (AI) in Southeast Asia.

INVESTMENT MERITS

- **Growing demand for agricultural chemical products.** With the growing population and rising food demand, agricultural chemical products play an important role in enhancing agricultural productivity and optimising crop yields.
- **Expansion of AI portfolio.** The group currently possesses an extensive portfolio of 6 AIs. It plans to launch two new AIs in the near term (AI T and AI S). Both AIs are anticipated to contribute to the group's growth trajectory over the next 3 years.

KEY UPDATES

- In 2QFY25, revenue decreased by 10.8% Y-o-Y to RM450.7m in 2QFY25, from RM505.2m in the previous corresponding period, primarily attributed to weaker contributions from the industrial chemicals segment which recorded a 16.5% Y-o-Y decline due to lower selling prices and volumes, partially offsetting the 3.7% Y-o-Y growth in the agricultural chemicals segment. PATAMI also dropped by 31.5% Y-o-Y to RM15.2m, down from RM22.1m in 2QFY24, owing to the lower overall revenue as well as reduced profitability in the agricultural chemicals segment, which was adversely affected by significant USD fluctuations that led to higher import costs and pressure on selling prices.

DOWNSIDE RISKS

- Unfavourable global weather patterns
- Changes in regulations and government policies
- Supply chain disruptions and fluctuation in input costs

VALUATION AND RECOMMENDATION

We maintain our **BUY** recommendation on Ancom Nylex with the same **TP** of **RM1.16**, by ascribing an unchanged target PER of 13.0x to our diluted FY25F EPS.

HISTORICAL EARNINGS AND FORECASTS

FYE May (RM m)	FY22	FY23	FY24	FY25(F)	FY26(F)
Revenue	2,013.1	2,043.3	1,996.3	2,203.1	2,361.5
EBITDA	140.7	152.4	139.9	171.8	194.8
EBITDA margin (%)	7.0	7.5	7.0	7.8	8.2
PBT	78.2	95.8	110.5	131.3	156.6
PAT	29.1	76.8	80.8	99.8	119.0
PATAMI	68.2	75.1	81.5	98.6	117.5
PATAMI margin (%)	3.4	3.7	4.1	4.5	5.0
EPS (sen)	6.0	6.6	7.2	8.7	10.4
Earnings growth (%)	187.0	10.2	8.4	21.0	19.1
PER (x)	16.5	15.0	13.8	11.4	9.6
DPS (sen)	0.0	1.0	1.0	1.2	1.2
Dividend yield (%)	0.0	1.0	1.0	1.2	1.2
ROE (%)	17.6	15.3	14.9	12.9	13.3
Net gearing ratio	0.7	0.5	0.4	0.1	Net Cash
P/B (x)	2.9	2.3	2.1	1.5	1.3

Source: Inter-Pacific Research

AWC

BUY (Maintained)

Current Price	**RM 0.905**
Target Price	**RM 1.48**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	333.2
Market Capitalisation (RM m)	301.6
52 Week High/Low Price	1.37/0.525
Avg Trading Volume (3-mth)	485,420
Est Free Float (%)	36.0
YTD Returns (%)	(1.6)
Beta (x)	0.9

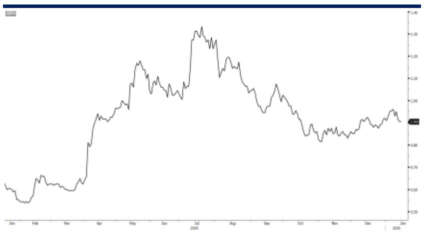
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(1.09)	1.69
3 mth	1.69	6.00
12 mth	41.41	36.84

Major Shareholders (%)

K-Capital Sdn Bhd	25.3
Mohamed Nagoor Ahmad Kabeer Bin	8.3
Mastrack SDN	4.4

1-Year Share Price Performance



Analyst
Jessie Chai Jia Yue
chaijy@interpac.com.my

COMPANY PROFILE

AWC is an engineering services company that operates in the facility management, waste management, plumbing and systems solution in plumbing and heating, ventilation & air conditioning segments. Prominent projects undertaken includes Customs Immigration & Quarantine Complex (facility management), Changi Airport (waste management) and KL118 & Tun Razak Exchange (plumbing solutions).

INVESTMENT MERITS

- A proxy to the booming engineering and environment industries, spurred by the recovery of job flows from domestic and overseas project
- Proactive exploration of global business opportunities

KEY UPDATES

- Bagged RM48.6m facilities management and maintenance contract at Menara Seri Wilayah.
- Revenue increased by 6.2% Y-o-Y to RM94.4m, from RM88.8m in 1QFY24, with the Facilities (+13.7% Y-o-Y) and Rail (+79.2% Y-o-Y) divisions offsetting the slower project recognition in the Environment and Engineering divisions. With higher margins contributed by these two divisions, its PAT recorded a 12.0x jump to RM6.2m, from RM0.5m in 1QFY24.

DOWNSIDE RISKS

- Project delays
- Collection risk
- Rising input cost

VALUATION AND RECOMMENDATION

We maintain our **BUY** rating for AWC with the same **TP** of **RM1.48**, derived from our FY25F sum-of-parts valuation.

HISTORICAL EARNINGS AND FORECASTS

FYE June (RM m)	FY22	FY23	FY24	FY25(F)	FY26(F)
Revenue	355.2	381.3	399.0	421.8	440.0
PBT	41.7	11.6	29.2	37.6	40.4
PBT margin (%)	11.7	3.0	7.3	8.9	9.2
PATAMI	20.2	(0.1)	16.4	31.2	33.5
PATAMI margin (%)	5.7	(0.0)	4.1	7.4	7.6
EPS (sen)	6.3	(0.0)	4.9	9.4	10.1
Earnings growth (%)	(19.2)	NM	NM	90.3	7.6
PER (x)	14.4	NM	18.4	9.7	9.0
DPS (sen)	2.0	0.5	1.0	1.5	2.0
Dividend yield (%)	2.2	0.6	1.1	1.7	2.2
ROE (%)	15.2	3.8	9.8	13.9	13.3
Net gearing ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	1.3	1.3	1.4	1.3	1.1

Source: Inter-Pacific Research

CAB CAKARAN

BUY (Maintained)

Current Price	**RM 0.535**
Target Price	**RM 0.97**
Consensus Price	**RM 0.82**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	701.9
Market Capitalisation (RM m)	375.5
52 Week High/Low Price	0.835/0.525
Avg Trading Volume (3-mth)	259,057
Est Free Float (%)	42.5
YTD Returns (%)	(0.9)
Beta (x)	0.7

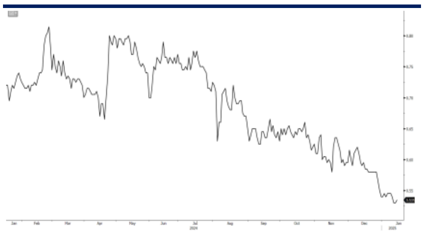
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(8.55)	(5.76)
3 mth	(17.69)	(13.37)
12 mth	(26.21)	(30.78)

Major Shareholders (%)

Chuah Ah Bee	28.2
OCBC (Nominee Accounts)	15.3
Plant Wealth	15.2

1-Year Share Price Performance



Analyst
Jessie Chai Jia Yue
chaijy@interpac.com.my

COMPANY PROFILE

CAB Cakaran Corporation Bhd is an integrated poultry producer involved in upstream and downstream business activities of the poultry industry. The group is mainly involved in the: 1) farming of parent stock DOCs and hatching of eggs into DOCs, 2) farming, processing and marketing of broiler chicken, and 3) operating and franchising of fast-food business.

INVESTMENT MERITS

- **Expansion in downstream business activities.** CAB is converting an old factory into a new food processing plant in Nibong Tebal with a production capacity of 1,500 tonne per month and looking to open 7 to 10 supermarket outlets in 2025.
- **Benefiting from the revival of inorganic growth strategy.** The JV agreement with the Salim Group is expected to be revived as CAB is the missing piece that could complete Salim's involvement in the food segment.

KEY UPDATES

- FY24's PATAMI was below our expectation, making up only 88.8% of our previous full-year forecast, primarily due to lower average selling prices (ASP) of chicks and broilers which weighed on its operating profit.
- 4QFY24's revenue increased by 6.2% Y-o-Y to RM591.9m, from RM557.2m in 4QFY23, mainly attributed to higher sales across the feeds division, food processing division within the integrated poultry segment. However, PBT down by 67.3% Y-o-Y to RM10.9m, mainly due to the decrease in the ASP for chicks and broilers as well as the absence of government subsidy.

DOWNSIDE RISKS

- Delay in the commencement of the Nibong Tebal plant
- Termination of supply contract with existing customers
- Fluctuation of feed cost

VALUATION AND RECOMMENDATION

We reiterate our **BUY** recommendation for CAB with the same **TP** of **RM0.97** by ascribing an unchanged target PER of 7x to our FY25F EPS.

HISTORICAL EARNINGS AND FORECASTS

FYE Sept (RM m)	FY22	FY23	FY24	FY25(F)	FY26(F)
Revenue	1,954.3	2,246.0	2,297.1	2,412.5	2,504.5
EBITDA	154.0	264.1	209.1	239.3	259.5
EBITDA margin (%)	7.9	11.8	9.1	9.9	10.4
PBT	85.6	189.3	131.5	164.8	183.0
PBT margin (%)	4.4	8.4	5.7	6.8	7.3
PATAMI	57.7	107.1	75.5	97.7	105.7
PATAMI margin (%)	3.0	4.8	3.3	4.0	4.2
EPS (sen)	8.3	15.3	10.8	13.9	15.1
Earnings growth (%)	NM	85.6	(29.6)	29.4	8.2
PER (x)	6.5	3.5	5.0	3.8	3.6
DPS (sen)	-	0.5	1.0	-	-
Dividend yield (%)	-	0.9	1.9	-	-
ROE (%)	12.2	19.2	11.7	13.4	12.7
Net gearing ratio	0.8	0.5	0.4	0.3	0.3
P/B (x)	0.7	0.6	0.6	0.5	0.4

Source: Inter-Pacific Research

DATASONIC GROUP

BUY (Maintained)

Current Price	**RM 0.385**
Target Price	**RM 0.66**
Consensus Price	**RM 0.64**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	2,782.2
Market Capitalisation (RM m)	1,071.1
52 Week High/Low Price	0.58/0.375
Avg Trading Volume (3-mth)	9,641,024
Est Free Float (%)	53.4
YTD Returns (%)	(6.1)
Beta (x)	1.1

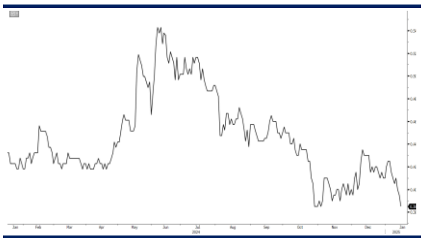
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(10.47)	(7.68)
3 mth	(11.49)	(7.18)
12 mth	(15.38)	(19.95)

Major Shareholders (%)

Urusharta Jamaah Sdn Bhd	8.8
Popi Riandani Binti Dody Muchtar	8.4
Kuantum Juang Sdn Bhd	6.1

1-Year Share Price Performance



Analyst
Wong Choo Hong
wongch@interpac.com.my

COMPANY PROFILE

Datasonic Group provides security and surveillance technology services, typically in customised smart card solutions. Its clients are mainly government agencies and financial institutions.

INVESTMENT MERITS

- **Solid track record.** Datasonic has been providing ICAO compliant passports for the government since 2016, putting it as one of the big contenders for future passport and MyKad-related projects.
- **Self-made passport polycarbonate data page.** The production of Datasonic's first self-made passport polycarbonate data page has been ramped up since February 2023. The group is expected to benefit from the increased cost savings and lower depreciation, on top of the recent price revision to its extension contracts moving forward.

KEY UPDATES

- 2QFY25's revenue declined 7.1% to RM81.0m, from RM87.2m, due to lower supply of smart cards, passport and personalisation services. While revenue slipped, PATAMI held mostly steady at RM17.8m, marking a marginal decrease from RM18.1m recorded in 2QFY24, as margins improved on lower depreciation and higher ASPs revision on its extension contracts.
- The group has secured two contract extensions from Kementerian Dalam Negeri (KDN) for the supply of 1) MyKad, MyTentera, MyPOCA raw cards and consumables (worth RM59.9m), and 2) comprehensive maintenance service of card personalisation centres (worth RM21.3m) from December 2024 to November 2025 (12 months). The total additional ceiling value arising from these extension contracts amount to RM81.2m.

DOWNSIDE RISKS

- Weaker-than-expected orderbook replenishment
- Contracts not being renewed

VALUATION AND RECOMMENDATION

We maintain our **BUY** rating for Datasonic with a **TP** of **RM0.66**, derived from ascribing an unchanged target PER of 17.5x to our FY25F EPS.

HISTORICAL EARNINGS AND FORECASTS

FYE Mar (RM m)	FY22	FY23	FY24	FY25(F)	FY26(F)
Revenue	136.4	344.7	368.3	376.6	361.1
EBIT	14.2	109.8	125.7	148.2	137.0
EBIT margin (%)	10.4	31.9	34.1	39.4	37.9
PBT	12.7	108.2	122.5	146.1	134.8
PBT margin (%)	9.3	31.4	33.3	38.8	37.3
PATAMI	10.2	76.4	92.3	105.2	102.5
PATAMI margin (%)	7.5	22.2	25.0	27.9	28.4
EPS (sen)	0.4	2.7	3.3	3.8	3.7
Earnings growth (%)	40.3	645.5	20.8	14.0	(2.6)
PER (x)	104.6	14.0	11.6	10.2	10.4
DPS (sen)	0.6	2.0	3.0	3.0	3.0
Dividend yield (%)	1.6	5.2	7.8	7.8	7.8
ROE (%)	3.6	21.7	25.3	27.7	25.6
Net gearing ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Inter-Pacific Research

D&O GREEN TECHNOLOGIES

BUY (Maintained)

Current Price	**RM 1.92**
Target Price	**RM 2.55**
Consensus Price	**RM 2.60**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	1,239.5
Market Capitalisation (RM m)	2,379.8
52 Week High/Low Price	3.97/1.83
Avg Trading Volume (3-mth)	1,841,181
Est Free Float (%)	76.6
YTD Returns (%)	(8.6)
Beta (x)	1.2

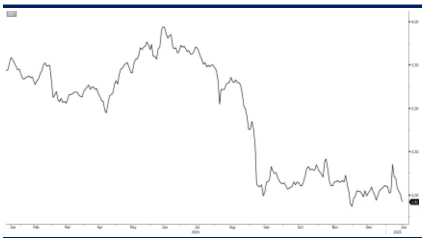
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(6.34)	(3.56)
3 mth	(9.00)	(4.69)
12 mth	(44.02)	(48.59)

Major Shareholders (%)

PRT Capital Pte Ltd	13.1
Keen Capital Investments	12.4
Omega Riang Sdn Bhd	9.1

1-Year Share Price Performance



Analyst
Chloe Mak
makmw@interpac.com.my

COMPANY PROFILE

D&O, via its principal operating subsidiary, Dominant Opto Technologies Sdn Bhd, is one of the world's leading automotive LED manufacturers. The group has a comprehensive portfolio consisting of low-to-high-intensity LEDs with a wide range of colour spectrum for both interior and exterior applications.

INVESTMENT MERITS

- **Robust factory expansion plans.** With the operations commencing soon for plant 2, the group is well-positioned to capitalise on the growing demand for new smart LED orders with its expanded capacity.
- **Riding on the tailwinds of the smart LEDs.** With the increasing demand for EVs, the group expects sales of smart LEDs to contribute at least 20% to the group's revenue by 2026, while the profit margin could be lifted up as well due to higher ASPs.

KEY UPDATES

- In 3QCY24, revenue was relatively stable at RM273.2m, a slight increase from RM272.0m in 3QCY23, mainly driven by new design wins, particularly in Smart LED ambient lighting, rear combination lamp and headlamp applications. PATAMI also came in flat at RM18.3m, compared to RM18.2m in 3QCY23, largely attributed to a decline in gross profit margin. However, profitability was cushioned by a forex gain of RM14.8m and a lower effective tax rate resulting from higher capital and reinvestment allowances.
- The group declared a first interim dividend of 0.3 sen per share for CY24.
- Its 93.2%-owned subsidiary, Dominant Electronics Sdn Bhd has entered into a MOU with Jing Wei Hirain Automotive Electronics Malaysia Sdn Bhd, a subsidiary of China-listed Beijing Jingwei Hirain Technologies Co. Inc., to establish a new operating company in Malaysia, which will focus on providing engineering services as well as the design, production and sales of automotive modules, targeting global markets.

DOWNSIDE RISKS

- Lower demand for global automotive vehicles
- Depreciation of the Ringgit Malaysia against the Greenback

VALUATION AND RECOMMENDATION

We maintain our **BUY** recommendation on D&O with the same **TP** of **RM2.55**, by pegging an unchanged 32.0x target PER to our CY25F EPS.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY21	CY22	CY23	CY24(E)	CY25(F)
Revenue	846.5	983.0	1,016.6	1,086.7	1,225.6
EBITDA	189.8	162.3	151.0	177.7	228.1
EBITDA margin (%)	22.4	16.5	14.9	16.4	18.6
PBT	138.1	90.5	49.5	63.9	110.2
PAT	123.8	83.4	47.7	58.8	101.9
PATAMI	110.5	75.1	44.1	55.8	98.7
PATAMI margin (%)	13.1	7.6	4.3	5.1	8.0
EPS (sen)	8.9	6.1	3.6	4.5	8.0
Earnings growth (%)	122.6	(32.0)	(41.3)	26.5	76.7
PER (x)	21.5	31.7	53.9	42.6	24.1
DPS (sen)	1.5	1.3	0.3	0.3	1.3
Dividend yield (%)	0.8	0.7	0.2	0.2	0.7
ROE (%)	18.7	9.5	5.2	6.1	9.8
Net gearing ratio	Net Cash	0.2	0.2	0.2	0.2
P/B (x)	3.1	2.9	2.7	2.5	2.2

Source: Inter-Pacific Research

GUAN CHONG

NEUTRAL (Downgraded)

Current Price	**RM 3.92**
Target Price	**RM 3.87**
Consensus Price	**RM 4.47**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	1,174.5
Market Capitalisation (RM m)	4,604.1
52 Week High/Low Price	4.45/1.51
Avg Trading Volume (3-mth)	1,773,132
Est Free Float (%)	24.9
YTD Returns (%)	(0.8)
Beta (x)	0.8

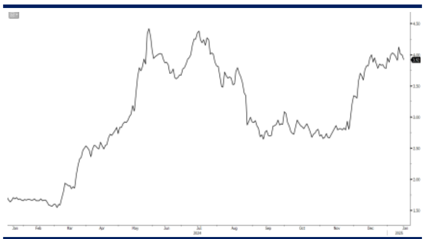
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(2.00)	0.78
3 mth	39.01	43.33
12 mth	127.91	123.34

Major Shareholders (%)

Guan Chong Resources Sdn Bhd	49.8
EPF	4.8

1-Year Share Price Performance



Analyst
Jessie Chai Jia Yue
chaijy@interpac.com.my

COMPANY PROFILE

Guan Chong is principally involved in the cocoa processing business and manufacturing of cocoa-derived food ingredients such as cocoa butter, cocoa powder, cocoa cake, cocoa mass and industrial chocolate products.

INVESTMENT MERITS

- **Ivory Coast expansion plan.** The newly constructed plant in Ivory Coast is strategically located which enables GCB to benefit from its "close to source" and "close to market" expansion policies. The annual production capacity of the plant rose to 65.0k tonnes, from 60.0k tonnes to meet the demand in the German and UK industrial chocolate markets.
- **Integration into industrial chocolate production.** GCB formed a complete internal supply chain and could benefit from cost efficiencies by utilising its internally produced cocoa-derived food ingredients to produce industrial chocolates. Its SCHOKINAG's plant in Germany currently has an annual production capacity of 100k tonnes.

KEY UPDATES

- Firms deal to acquire 25.0% stake in Ivory Coast cocoa firm for RM130.0m cash.
- 3QCY24's revenue jumped by 2.3x to RM2,976.9m, from RM1,285.9m, attributed to higher selling price for cocoa products and increased sales volume for cocoa solids, contributed by a big leap in revenue from Malaysia, Singapore and Indonesia. With that, PAT also jumped by 68.7% Y-o-Y to RM57.2m, from RM33.9m in 3QCY23.

DOWNSIDE RISKS

- Tight supply of cocoa beans due to unfavourable weather conditions
- Lower-than-projected production volume

VALUATION AND RECOMMENDATION

We revise our recommendation on GCB to a **NEUTRAL** (from Buy) due to the recent rally in its share price, with same **TP** of **RM3.87** by ascribing an unchanged target PER of 15x to our CY25F EPS.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY21	CY22	CY23	CY24(E)	CY25(F)
Revenue	3,923.3	4,419.8	5,320.8	10,081.5	10,216.9
EBITDA	292.6	309.0	360.0	606.6	664.6
EBITDA margin (%)	7.5	7.0	6.8	6.0	6.5
PBT	196.8	188.1	139.1	327.6	364.8
PBT margin (%)	5.0	4.3	2.6	3.2	3.6
PAT	154.9	147.5	100.9	268.6	302.8
PAT margin (%)	3.9	3.3	1.9	2.7	3.0
EPS (sen)	13.2	12.6	8.6	22.9	25.8
Earnings growth (%)	(30.5)	(4.8)	(31.6)	166.1	12.7
PER (x)	29.7	31.2	45.6	17.1	15.2
DPS (sen)	3.0	3.5	2.0	2.5	3.0
Dividend yield (%)	0.8	0.9	0.5	0.6	0.8
ROE (%)	12.2	9.9	6.0	14.2	13.9
Net gearing ratio	1.0	0.7	1.2	2.1	1.8
P/B (x)	3.4	2.8	2.6	2.3	2.0

Source: Inter-Pacific Research

HAP SENG PLANTATIONS

BUY (Maintained)

Current Price	**RM 1.85**
Target Price	**RM 2.33**
Consensus Price	**RM 2.37**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	799.7
Market Capitalisation (RM m)	1,479.4
52 Week High/Low Price	2.30/1.63
Avg Trading Volume (3-mth)	841,888
Est Free Float (%)	25.4
YTD Returns (%)	(7.0)
Beta (x)	0.6

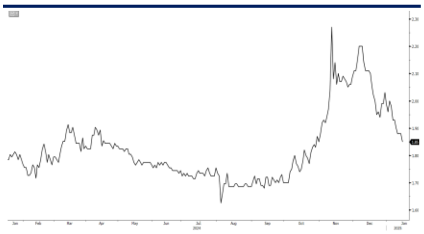
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(11.90)	(9.12)
3 mth	3.93	8.25
12 mth	-	(4.57)

Major Shareholders (%)

Hap Seng Consolidated Bhd	69.5

1-Year Share Price Performance



Analyst
Wong Choo Hong
wongch@interpac.com.my

COMPANY PROFILE

Hap Seng Plantation operates 39,103 ha. of palm oil estates and it is one the largest producers of sustainable palm oil in Sabah. The group also own and operates palm oil mills and biogas plants. The average palm tree age is 16.9 years, which is relatively matured.

INVESTMENT MERITS

- Asset play: - Sabah's average transacted price of RM75k/ha translates to RM3.30/share for Hap Seng's planted landbank, excluding palm oil mills and biogas plant, while the group's net cash per share stands at RM0.67/share.
- Beneficiary of RSPO premium.

KEY UPDATES

- 3QCY24's revenue increased by 7.7% Y-o-Y to RM177.3m, from RM164.6m, due to higher CPO and PK prices during the quarter (3QCY24: RM4,098/tonne and RM2,731/tonne vs. 2QCY23: RM3,924/tonne and RM2,142/tonne) and improvements in sales volumes for both CPO and PK. Core PAT (excluding fair value adjustments on biological assets) increased by 75.5% Y-o-Y to RM46.1m, from RM26.3m, mainly as the group benefited from higher CPO and PK production resulting from higher FFB production which also resulted in lower unit production cost for the quarter.
- We expect near term performance to be supported by the recent CPO rally to RM5,300/tonne level amid a constrained export supply outlook following the increase in Indonesian biodiesel mandate to B40. However, price upsides may still be pressured by price premium against soybean oil.

DOWNSIDE RISKS

- Further hike on direct and indirect taxes
- Value trapped

VALUATION AND RECOMMENDATION

We reiterate Hap Seng Plantation's **BUY** recommendation with an unchanged **TP** of **RM2.33**, which is derived from a target P/B of 0.9x to its CY25F's BV per share.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY21	CY22	CY23	CY24(E)	CY25(F)
Revenue	670.9	814.6	667.8	748.2	763.6
EBITDA	377.1	343.4	205.4	251.1	242.7
EBITDA margin (%)	56.2	42.2	30.8	33.6	31.8
PAT	224.0	210.3	91.4	141.1	134.8
Net profit margin (%)	33.4	25.8	13.7	18.9	17.7
Earnings growth (%)	148.1	(6.1)	(56.6)	54.5	(4.5)
EPS (sen)	28.0	26.3	11.4	17.6	16.9
PER (x)	6.6	7.0	16.2	10.5	11.0
DPS (sen)	17.0	12.0	6.8	10.0	10.0
Dividend yield (%)	9.2	6.5	3.7	5.4	5.4
ROE (%)	11.9	10.9	4.7	7.0	6.5
Net gearing ratio (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
BV/Share (RM)	2.4	2.4	2.4	2.5	2.6
P/B (x)	0.8	0.8	0.8	0.7	0.7
Key Assumption					
FFB production (mt)	593,278	578,000	650,000	665,000	680,000
CPO ASP (RM/mt)	4,506	5,530	3,942	4,300	4,300

Source: Inter-Pacific Research

HARTALEGA

NEUTRAL (Maintained)

Current Price	**RM 3.51**
Target Price	**RM 3.05**
Consensus Price	**RM 3.74**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	3,413.3
Market Capitalisation (RM m)	11,980.5
52 Week High/Low Price	4.00/2.32
Avg Trading Volume (3-mth)	6,297,326
Est Free Float (%)	44.2
YTD Returns (%)	(11.1)
Beta (x)	1.1

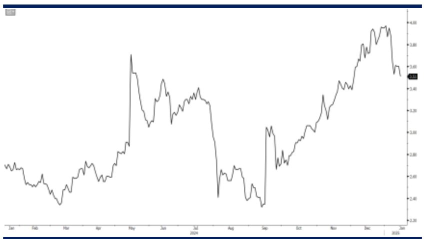
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(5.59)	(2.81)
3 mth	19.84	24.15
12 mth	28.81	24.24

Major Shareholders (%)

Hartalega Industries Sdn Bhd	34.4
Budi Tenggara Sdn Bhd	8.6

1-Year Share Price Performance



Analyst
Wong Choo Hong
wongch@interpac.com.my

COMPANY PROFILE

Hartalega is one of the world's biggest nitrile glove manufacture and supplier. The group's production facilities, assuming the full completion of NGC 1.5, will have a total capacity of 43.0b pcs. The NGC 1.5 facility will commence in due time and production will roll out gradually in accordance with market demand and supply.

INVESTMENT MERITS

- Land availability and expansion plans and stretching beyond 2030.
- ESG compliant with strong balance sheet.
- Vigorous drive for cost efficiencies via automation and energy conservation.

KEY UPDATES

- 2QFY25's revenue jumped by 44.2% Y-o-Y to RM652.1m, from RM452.1m, due to higher sales volume (+48%), but its PATAMI declined to RM8.6m, from RM27.7m, on higher input and operating cost from the ramping up of new production lines for NGC1.5 plants. Core earnings (excluding unrealised forex movement and deferred tax assets – assumed RM50.0m) turned into a loss of RM11.4m, from a profit of RM30.7m.
- Local glovemakers are expected to achieve better pricing footing and cost passthrough, supported by substantial production diversion from China from FY26 onwards, especially for Hartalega which has large North American market exposure at c.50% of its total revenue.

DOWNSIDE RISKS

- Slower-than-expected ASP normalisation
- Higher cost structure compared to the regional players in China and Thailand
- Permanent base increase in global production capacity
- Narrowing China's gloves quality gap with local glovemakers

VALUATION AND RECOMMENDATION

We keep our **NEUTRAL** recommendation on Hartalega with an unchanged **TP** of **RM3.05**, derived from the same target PER of 36.0x (average 5-years forward P/E) to our FY26F EPS, as we view the share price to have largely reflected the longer-term prospects arising from the accelerated U.S. tariff imposition.

HISTORICAL EARNINGS AND FORECASTS

FYE Mar (RM m)	FY22	FY23	FY24	FY25(F)	FY26(F)
Revenue	7,888.3	2,409.7	1,837.6	2,516.8	3,194.4
EBITDA	4,751.1	(91.5)	117.7	231.0	447.4
EBITDA margin (%)	60.2	(3.8)	6.4	9.2	14.0
PATAMI	3,234.5	(235.1)	12.7	119.5	289.6
PATAMI margin (%)	41.0	(9.8)	0.7	4.7	9.1
Earnings growth (%)	12.1	NM	NM	839.3	142.3
EPS (sen)	94.8	(6.9)	0.4	3.5	8.5
PER (x)	3.7	(50.8)	939.0	100.0	41.3
DPS (sen)	57.0	NA	0.4	2.5	2.5
Dividend yield (%)	16.3	NA	0.1	0.7	0.7
ROE (%)	63.2	(5.0)	0.3	2.5	5.7
Net gearing ratio (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	2.3	2.6	2.6	2.5	2.4

Source: Inter-Pacific Research

INFOMINA

BUY (Maintained)

Current Price	**RM 1.30**
Target Price	**RM 1.61**
Consensus Price	**RM 1.54**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	601.3
Market Capitalisation (RM m)	781.6
52 Week High/Low Price	1.69/1.00
Avg Trading Volume (3-mth)	198,624
Est Free Float (%)	20.1
YTD Returns (%)	(5.8)
Beta (x)	0.6

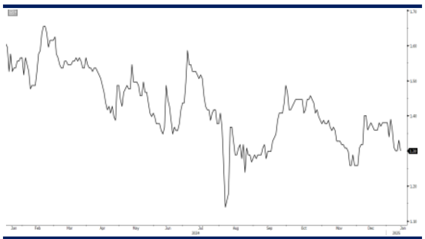
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(4.41)	(1.63)
3 mth	(9.09)	(4.77)
12 mth	(19.75)	(24.32)

Major Shareholders (%)

Infomina Holdings	55.4
Yee Chee Meng	6.4
Lim Leong Ping	5.9

1-Year Share Price Performance



Analyst
Jessie Chai Jia Yue
chaijy@interpac.com.my

COMPANY PROFILE

Infomina Bhd is a technology solutions provider principally engaged in designing and implementation of technology application and infrastructure solutions. It further engages customers by providing on-going technology infrastructure operations, maintenance, and support services.

INVESTMENT MERITS

- **Expanding global footprint to Japan.** INFOM expanded its footprint by incorporating a 100%-owned subsidiary in Japan, namely Infomina Japan, to support customers based in Japan.
- **Premier Tier 1 Value-Added Distributor (VAD) of Broadcom Mainframe Software.** An upfront status recognition as a Premier Tier 1 VAD gives a plus to INFOM to directly purchase Broadcom Mainframe Software as well as distribute to resellers within the CA Partners Region.

KEY UPDATES

- Bagged a technology services order worth RM13.0m from a Hong Kong-based firm.
- Bagged a renewal contract worth RM22.4m from the Road Transport Department.
- Bagged a technology services order worth RM11.6m from HKEX.
- Bagged an IT contract worth RM27.3m from the Land Bank of the Philippines.
- 1QFY25's revenue decreased by 17.8% Y-o-Y to RM46.2m, from RM56.2m in 1QFY24, dragged down by a 63.3% Y-o-Y reduction in the recognition of turnkey projects. Despite lower revenue recognition, PATAMI jumped by 10.2% Y-o-Y to RM8.0m, from RM7.3m in 1QFY24, mainly attributed to contributions from renewal projects with higher GP margin.

DOWNSIDE RISKS

- Slower-than-expected project recognition
- Non-renewal of INFOM's CA Singapore Regional Partner Agreement

VALUATION AND RECOMMENDATION

We reiterate our **BUY** recommendation on INFOM with the same **TP** of **RM1.61** by ascribing the same target PER of 23.0x to our FY25F EPS.

HISTORICAL EARNINGS AND FORECASTS

FYE May (RM m)	FY22	FY23	FY24	FY25(F)	FY26(F)
Revenue	201.1	251.3	225.2	250.0	275.0
EBITDA	23.5	50.7	44.1	57.9	64.5
EBITDA margin (%)	11.7	20.2	19.6	23.1	23.5
PBT	22.1	49.0	42.0	55.3	61.3
PBT margin (%)	11.0	19.5	18.6	22.1	22.3
PAT	17.1	39.8	33.1	42.1	46.6
PAT margin (%)	8.5	15.9	14.7	16.8	16.9
EPS (sen)	-	6.6	5.5	7.0	7.8
Earnings growth (%)	106.1	133.3	(17.1)	27.2	10.8
PER (x)	-	19.6	23.6	18.6	16.8
DPS (sen)	-	-	-	-	-
ROE (%)	28.1	41.5	28.8	23.1	20.3
Net gearing ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	19.3	6.9	5.5	4.2	3.4

Source: Inter-Pacific Research

KAWAN FOOD

BUY (Maintained)

Current Price	**RM 1.63**
Target Price	**RM 2.20**
Consensus Price	**RM 2.22**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	342.5
Market Capitalisation (RM m)	558.2
52 Week High/Low Price	1.91/1.60
Avg Trading Volume (3-mth)	144,097
Est Free Float (%)	20.0
YTD Returns (%)	-
Beta (x)	0.4

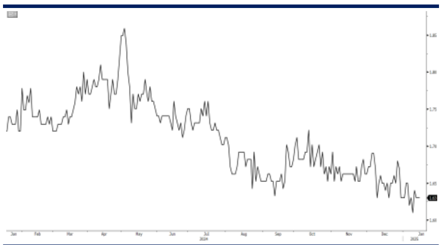
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(0.61)	2.17
3 mth	(4.12)	0.20
12 mth	(8.94)	(13.51)

Major Shareholders (%)

GFG (L) Foundation	36.9
VG Trustee Ltd	18.1
Gan Thiam Hock	6.6

1-Year Share Price Performance



Analyst
Jessie Chai Jia Yue
chaijy@interpac.com.my

COMPANY PROFILE

Kawan Food Bhd is a leading export-oriented frozen food manufacturer in Malaysia with main products including paratha, spring roll, pastry and others, selling under five brands like Kawan, KG Pastry, Passion Bake, Veat and Aman. The group owns a manufacturing plant in Selangor, Malaysia.

INVESTMENT MERITS

- **Growing international presence.** Export sales to US, Europe, Oceania and Africa region are growing, thanks to the RSPO certification which paved the way for Kawan to successfully penetrate into foreign markets such as U.S. and Europe.
- **New product launches.** We believe that new product launches such as sweet potato fingers, cheese sticks and corn cheese cutlets will help capture higher market share.

KEY UPDATES

- Aborted IT equipment business JV after failed talks.
- 3QCY24's revenue increased by 10.9% Y-o-Y to RM83.8m, from RM75.6m in 2QCY23, boosted by higher sales contribution from the European, North America, and Rest of Asia markets. Despite an improved GP margin and lower operating expenses in 2QCY24, its PAT was dragged lower by 87.5% Y-o-Y after recording a RM11.3m unrealised foreign exchange loss due to the weakening of the Dollar against the Ringgit as well as higher tax incurred.

DOWNSIDE RISKS

- Unfavourable currency movement
- Order cuts from foreign clients

VALUATION AND RECOMMENDATION

We reiterate our **BUY** recommendation on Kawan with the same **TP** of **RM2.20**, by ascribing a 20x target PER to our CY25F EPS.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY21	CY22	CY23	CY24(E)	CY25(F)
Revenue	251.8	274.8	287.2	326.2	348.7
PBT	36.7	40.1	34.3	31.2	44.0
PBT margin (%)	14.6	14.6	11.9	9.6	12.6
PAT	31.8	38.5	30.1	27.2	38.1
PAT margin (%)	12.6	14.0	10.5	8.3	10.9
Core PAT	31.8	38.5	30.1	38.2	38.1
Core PAT margin (%)	12.6	14.0	10.5	11.7	10.9
EPS (sen)	8.8	10.7	8.4	11.0	11.0
Core PAT growth (%)	14.9	21.1	(21.8)	27.0	(0.3)
PER (x)	18.4	15.2	19.5	14.8	14.8
DPS (sen)	3.0	3.0	3.6	4.2	4.2
Dividend yield (%)	1.8	1.8	2.2	2.6	2.6
ROE (%)	8.6	9.7	7.7	6.7	8.9
Net gearing ratio (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	1.5	1.4	1.4	1.4	1.3

Source: Inter-Pacific Research

KELINGTON GROUP

BUY (Maintained)

Current Price	**RM 3.20**
Target Price	**RM 4.02**
Consensus Price	**RM 4.08**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	718.6
Market Capitalisation (RM m)	2,299.5
52 Week High/Low Price	3.71/2.13
Avg Trading Volume (3-mth)	1,590,093
Est Free Float (%)	70.9
YTD Returns (%)	(10.4)
Beta (x)	0.6

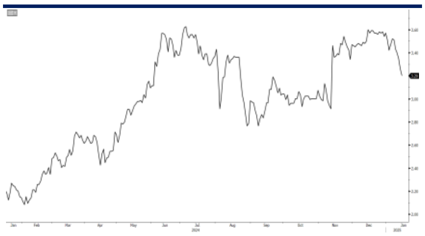
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(10.36)	(7.58)
3 mth	8.47	12.79
12 mth	40.97	36.40

Major Shareholders (%)

Palace Star	18.8
ABRDN	6.1
SUN Lead International Ltd	5.5

1-Year Share Price Performance



Analyst
Jessie Chai Jia Yue
chaijy@interpac.com.my

COMPANY PROFILE

Kelington Group Bhd provides: 1) engineering services for ultra-high purity (UHP) gas and chemical delivery systems solutions, 2) pro engineering for mechanical and electrical systems, general contracting and construction services, and 3) supplier of a range of industrial and specialty gasses used by the electronics, semiconductor, food processing, and oil and gas industries.

INVESTMENT MERITS

- Firm earnings growth potential, supported by increased job orders from the semiconductor industry.
- Stable new income stream from LCO2 operations which could also help to shore up dividend prospects.
- Diversification into gas trading and manufacturing.

KEY UPDATES

- Completed the acquisition of remaining 9.29% stake in Ace Gases Sdn. Bhd.
- 3QCY24's revenue decreased by 23.5% Y-o-Y to RM307.3m, mainly dragged by slower progress on several projects in the UHP segment and the general contracting segment, which have transited out of their accelerated phases. With higher demand for LCO_2 and other gases, the industrial gas segment continues to post a 28.3% Y-o-Y revenue growth to RM39.4m in 3QCY24, which we also reckon is the key driver of the group's margin expansion and contributing to the 3.9% Y-o-Y increase in net profit to RM32.9m in 3QCY24.

DOWNSIDE RISKS

- Slower-than-expected contract wins
- Delay in customer expansion plans

VALUATION AND RECOMMENDATION

We reiterate our **BUY** recommendation on KGB with the same **TP** of **RM4.02**, by ascribing a 21x target PER to our CY25F EPS.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY21	CY22	CY23	CY24(E)	CY25(F)
Revenue	514.6	1,278.8	1,614.4	1,310.0	1,520.0
EBITDA	43.6	86.2	154.5	166.9	196.7
EBITDA margin (%)	8.5	6.7	9.6	12.7	12.9
PBT	35.7	74.4	133.9	144.2	170.2
PBT margin (%)	6.9	5.8	8.3	11.0	11.2
PATAMI	29.0	55.8	104.1	112.2	132.5
PATAMI margin (%)	5.6	4.4	6.5	8.6	8.7
EPS (sen)	4.2	8.1	15.0	16.2	19.1
Earnings growth (%)	65.4	92.5	86.8	7.8	18.0
PER (x)	76.5	39.7	21.3	19.7	16.7
DPS (sen)	1.5	2.5	4.0	6.0	6.0
Dividend yield (%)	0.5	0.8	1.3	1.9	1.9
ROE (%)	15.0	22.9	30.8	26.4	25.1
Net gearing ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	11.6	9.3	6.7	5.3	4.3

Source: Inter-Pacific Research

MI TECHNOVATION

BUY (Maintained)

Current Price	**RM 2.05**
Target Price	**RM 2.66**
Consensus Price	**RM 2.70**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	893.1
Market Capitalisation (RM m)	1,830.9
52 Week High/Low Price	2.78/1.73
Avg Trading Volume (3-mth)	1,534,646
Est Free Float (%)	31.7
YTD Returns (%)	(9.3)
Beta (x)	1.5

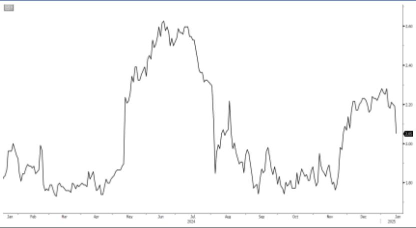
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(8.07)	(5.29)
3 mth	9.04	13.36
12 mth	9.04	4.47

Major Shareholders (%)

Oh Kuang Eng	45.0
Yong Shiao Voon	11.3

1-Year Share Price Performance



Analyst
Chloe Mak
makmw@interpac.com.my

COMPANY PROFILE

Mi Technovation is a back-end equipment manufacturer in the semiconductor industry. Its customer base comprises global Tier-1 OSATs and IDMs. Moreover, the group has expanded its product offering to back-end equipment solutions and diversifying into semiconductor material manufacturing of solder spheres.

INVESTMENT MERITS

- Benefitting from the growing adoption of advance wafer level packaging technology in electronic devices.
- Ample capacity to ramp up utilisation for its Mi series and SMBU units.
- Earnings accretion from its semiconductor material business.

KEY UPDATES

- In 3QCY24, revenue grew by 19.6% Y-o-Y to RM117.7m, from RM98.4m in the same quarter last year, driven by a 22.7% Y-o-Y increase in revenue from its SEBU unit, supported by a higher volume of machine deliveries, particularly to the Taiwan and Southeast Asia markets, while SMBU's revenue also increased by 16.3% Y-o-Y on sustainable demand from Taiwan and China. However, the group recorded a net loss of RM7.2m, compared to a PATAMI of RM14.2m in 3QCY23, primarily attributed to an unrealised forex loss of RM28.4m due to the strengthening Ringgit.
- Excluding one-off items and forex movements, 9MCY24 core earnings doubled Y-o-Y to RM59.4m due to strong performances from both its SEBU and SMBU units.

DOWNSIDE RISKS

- Bloated inventories in the semiconductor industry impedes new back-end machinery expansion, resulting a slowdown in the demand for these machineries
- Intensified competition

VALUATION AND RECOMMENDATION

We maintain our **BUY** recommendation on Mi Technovation with the same **TP** of **RM2.66**, derived from pegging an unchanged target PER of 28x to our CY25F EPS.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY21	CY22	CY23	CY24(E)	CY25(F)
Revenue	375.5	389.5	356.0	460.9	505.8
EBITDA	81.3	102.6	92.5	105.8	131.4
EBITDA margin (%)	21.6	26.3	26.0	23.0	26.0
PBT	63.5	75.4	65.5	78.3	103.3
PAT	60.1	66.3	52.7	61.5	82.6
PATAMI	61.8	68.9	55.1	62.8	84.8
PATAMI margin (%)	16.5	17.7	15.5	13.6	16.8
EPS (sen)	6.9	7.7	6.2	7.0	9.5
Earnings growth (%)	14.5	11.3	(20.0)	13.9	35.1
PER (x)	29.6	26.6	33.2	29.2	21.6
DPS (sen)	5.0	4.0	4.0	4.0	4.0
Dividend yield (%)	2.4	2.0	2.0	2.0	2.0
ROE (%)	6.0	6.5	5.1	5.8	7.7
Net gearing ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	1.8	1.7	1.7	1.7	1.7

Source: Inter-Pacific Research

OCK GROUP

BUY (Maintained)

Current Price	**RM 0.455**
Target Price	**RM 0.79**
Consensus Price	**RM 0.70**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	1,068.6
Market Capitalisation (RM m)	486.2
52 Week High/Low Price	0.69/0.43
Avg Trading Volume (3-mth)	899,886
Est Free Float (%)	56.3
YTD Returns (%)	(6.2)
Beta (x)	0.8

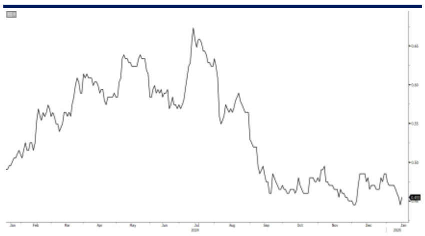
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(2.15)	0.63
3 mth	(2.15)	2.17
12 mth	(9.00)	(13.57)

Major Shareholders (%)

Aliran Armada Sdn Bhd	31.6

1-Year Share Price Performance



Analyst
Chloe Mak
makmw@interpac.com.my

COMPANY PROFILE

OCK Group is a telecommunication infrastructure and services provider with presence in Malaysia, Myanmar, Vietnam and Indonesia. It has four major business divisions namely: 1) telecommunication network services (TNS), 2) green energy and power solutions, 3) trading of telco and network products, and 4) M&E engineering services.

INVESTMENT MERITS

- **Further expansion of its regional footprint in the TNS segment.** As of 2QCY24, the group owns more than 5,500 telecommunication sites across the region. It is expanding its presence in Laos with a mid-term focus on build-to-suit sites.
- **Strategic diversification into high-growth sectors.** OCK expanded into digital solutions and data centre projects to capitalise on the global trends towards digitalisation.

KEY UPDATES

- In 3QCY24, revenue declined by 18.4% Y-o-Y to RM160.2m, from RM196.3m in the previous corresponding period due to weaker contributions from most segments. Notably, revenue from the core TNS segment fell by 13.8% Y-o-Y, mainly owing to an overall slowdown in the telecommunications industry in Malaysia and lower tower leasing revenue in Myanmar and Vietnam which was affected by unfavourable foreign exchange movements. The group recorded a lower PATAMI of RM7.1m, down 31.0% Y-o-Y, from RM10.3m in 3QCY23 due to lower revenue and narrower gross profit margins.
- The group's current orderbook stands at approximately RM370m with around RM160m attributed to the core TNS segment and RM103m on data-centre related contracts.
- In December, the group has entered into a conditional investment agreement with Spain-based Zelestra Corporacion, S.A.U and its 100%-owned subsidiary, Solarpack Asia Sdn Bhd, to invest indirectly in Solarpack Suria Sungai Petani Sdn Bhd, the developer, owner and operator of a 116 MW operational solar photovoltaic plant in Sungai Petani, Kedah.

DOWNSIDE RISKS

- Forex exchange risks: MMK, VND and Ringgit against the strengthening USD
- Regulatory risks

VALUATION AND RECOMMENDATION

We maintain our **BUY** recommendation on OCK with the same **TP** of **RM0.79**, derived from ascribing an unchanged target EV/EBITDA multiple of 7x to our CY25F EBITDA.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY21	CY22	CY23	CY24(E)	CY25(F)
Revenue	488.2	617.1	722.8	652.0	818.6
EBITDA	155.9	187.2	208.5	204.4	219.7
EBITDA margin (%)	31.9	30.3	28.8	31.4	26.8
PBT	38.0	48.4	57.0	52.7	71.1
PAT	32.6	38.5	43.1	41.2	55.6
PATAMI	25.4	32.8	36.5	33.7	47.7
PATAMI margin (%)	5.2	5.3	5.0	5.2	5.8
EPS (sen)	2.4	3.1	3.4	3.2	4.5
Earnings growth (%)	(6.0)	29.1	11.3	(7.6)	41.4
PER (x)	19.1	14.8	13.3	14.4	10.2
DPS (sen)	0.5	0.0	1.0	1.0	1.0
Dividend yield (%)	1.1	-	2.2	2.2	2.2
ROE (%)	4.5	5.3	5.4	4.7	6.3
Net gearing ratio	0.7	1.0	0.9	0.7	0.7

Source: Inter-Pacific Research

PENTAMASTER

BUY (Maintained)

Current Price	**RM 3.76**
Target Price	**RM 4.85**
Consensus Price	**RM 4.57**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	711.3
Market Capitalisation (RM m)	2,674.6
52 Week High/Low Price	5.35/3.30
Avg Trading Volume (3-mth)	1,521,125
Est Free Float (%)	60.7
YTD Returns (%)	(9.6)
Beta (x)	0.7

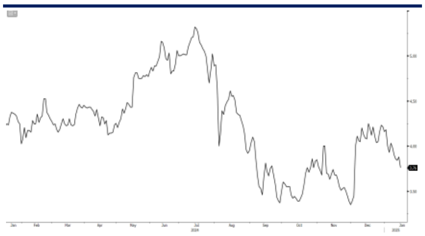
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(11.53)	(8.75)
3 mth	9.62	13.94
12 mth	(11.32)	(15.89)

Major Shareholders (%)

Chuah Choon Bin	19.7
ABRDN	19.7
EPF	8.7

1-Year Share Price Performance



Analyst
Chloe Mak
makmw@interpac.com.my

COMPANY PROFILE

Pentamaster is involved in the manufacturing of non-memory Automated Test Equipment (ATE) and test handlers for optoelectronics, 3D sensors and high voltage application, factory automated solutions (FAS) and manufacturing of single-use medical devices.

INVESTMENT MERITS

- Foray into the medical device market will add resilience to its growth potential.
- Tapping into the growing demand for high-power electronics in the EV segment.
- Resilient demand for sensor equipment and automation projects.

KEY UPDATES

- In 3QCY24, revenue decreased by 16.9% Y-o-Y to RM150.2m, from RM180.7m in the previous corresponding period, primarily dragged down by the ATE segment where revenue dropped more-than-half Y-o-Y due to ongoing headwinds in the automotive market. However, revenue from the FAS segment improved 28.6% Y-o-Y, supported by higher sales to medical devices customers. PATAMI nearly halved Y-o-Y to RM11.8m, from RM23.5m in 3QCY23, mainly affected by reduced sales volumes in the ATE segment, coupled with an unrealised foreign exchange loss of RM17.6m.
- Orderbook currently stands at RM420m with a book-to-bill ratio of 0.54x against our CY25F revenue, where approximately 60% comes from the medical devices' customers.
- The group has proposed to privatise its 63.9%-owned Hong Kong-listed subsidiary, Pentamaster International Ltd (PIL), in collaboration with Puga Holdings Ltd. The group will increase its stake in PIL to 71.0% by acquiring an additional 170.4m PIL shares at a price of HK$0.93 per share, while Puga Holdings will acquire the remaining 29.0% stake.

DOWNSIDE RISKS

- Technology obsolescence
- Rising raw material cost

VALUATION AND RECOMMENDATION

We maintain our **BUY** recommendation on Pentamaster with an unchanged **TP** of **RM4.85** derived from pegging an unchanged target PER of 35x to our CY25F EPS.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY21	CY22	CY23	CY24(E)	CY25(F)
Revenue	508.4	600.6	691.9	659.2	770.8
EBITDA	128.9	142.9	159.2	135.8	163.0
EBITDA margin (%)	25.4	23.8	23.0	20.6	21.1
PBT	119.5	132.1	141.4	120.1	144.6
PAT	115.6	130.5	140.5	118.5	142.5
PATAMI	72.9	82.4	89.1	75.8	98.6
PATAMI margin (%)	14.3	13.7	12.9	11.5	12.8
EPS (sen)	10.3	11.6	12.5	10.7	13.9
Earnings growth (%)	2.9	13.0	8.1	(14.9)	30.0
PER (x)	36.7	32.5	30.0	35.3	27.1
DPS (sen)	2.0	2.0	2.0	2.0	2.0
Dividend yield (%)	0.5	0.5	0.5	0.5	0.5
ROE (%)	9.2	9.2	8.7	6.4	7.5
Net gearing ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	4.7	4.3	3.8	3.3	3.1

Source: Inter-Pacific Research

SASBADI

BUY (Maintained)

Current Price	**RM 0.165**
Target Price	**RM 0.23**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	436.1
Market Capitalisation (RM m)	72.0
52 Week High/Low Price	0.195/0.135
Avg Trading Volume (3-mth)	468,325
Est Free Float (%)	41.5
YTD Returns (%)	3.1
Beta (x)	0.5

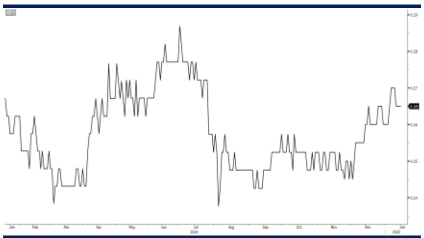
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	-	2.78
3 mth	6.45	10.77
12 mth	(5.71)	(10.28)

Major Shareholders (%)

Law King Hui	18.0
Karya Kencana Sdn Bhd	17.5
Lee Swee Hang	8.3

1-Year Share Price Performance



Analyst
Wong Choo Hong
wongch@interpac.com.my

COMPANY PROFILE

Sasbadi is principally an education solutions provider, with its offerings divided into 3 main segments: 1) print publishing, 2) digital solutions and network marketing, and 3) applied learning products (ALP) and STEM education services.

INVESTMENT MERITS

- Consolidated market position within the academic publishing industry.
- Leveraging on broad marketing and distribution channels.
- Proven capabilities in winning government tenders.

KEY UPDATES

- 4QFY24's revenue improved by 42.2% Y-o-Y to RM23.6m, from RM16.6m, mainly due to higher book sales which improved its Print Publishing segment, supported by the Madani Book Voucher that has an estimated allocation of RM300m. However, PAT declined significantly by more than one-fold due to accelerated inventories impairment amounting to RM9.9m (4QFY23: RM3.0m). Core profit (after removing the accelerated inventory impairment which is one off) stands at RM6.7m.
- There remains some momentum over the near-term emanating from the Madani Book Voucher which had also resulted in its book voucher sales outperforming our expectations this quarter, based on c.10% of the capturable conversion value of c.RM280.0m.

DOWNSIDE RISKS

- Large scale shift to online learning
- Fluctuations in paper and printing cost
- Slower retail sales due to customer shift in purchasing pattern away from retail stores

VALUATION AND RECOMMENDATION

We maintain our **BUY** recommendation for Sasbadi with an unchanged **TP** of **RM0.23** by ascribing an unchanged target PER of 10.0x to our FY25F EPS.

HISTORICAL EARNINGS AND FORECASTS

FYE Aug (RM m)	FY22	FY23	FY24	FY25(F)	FY26(F)
Revenue	69.0	96.1	89.8	104.2	87.2
EBITDA	6.4	17.6	7.8	18.0	15.2
EBITDA margin (%)	9.2	18.3	8.7	17.3	17.4
PBT	2.0	13.2	3.2	13.1	10.3
PAT	0.8	10.2	2.2	9.9	7.9
PAT margin (%)	1.2	10.6	2.4	9.5	9.0
EPS (sen)	0.2	2.3	0.5	2.3	1.8
Earnings growth (%)	NM	1109.0	(78.8)	361.3	(20.9)
PER (x)	85.6	7.1	33.4	7.2	9.2
DPS (sen)	-	0.75	0.75	1.1	0.9
Dividend yield (%)	-	4.5	4.5	6.9	5.5
ROE (%)	0.6	6.6	1.4	6.5	4.9
Net gearing ratio	0.0	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	0.5	0.5	0.5	0.5	0.4

Source: Inter-Pacific Research

SOLARVEST

BUY (Maintained)

Current Price	**RM 1.68**
Target Price	**RM 2.02**
Consensus Price	**RM 1.99**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	723.9
Market Capitalisation (RM m)	1,216.1
52 Week High/Low Price	1.83/1.24
Avg Trading Volume (3-mth)	1,841,971
Est Free Float (%)	53.0
YTD Returns (%)	(0.6)
Beta (x)	0.8

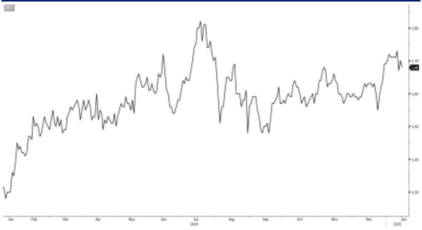
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	3.07	5.85
3 mth	7.01	11.33
12 mth	27.27	22.70

Major Shareholders (%)

Atlantic Blue Holdings Sdn Bhd	21.1
Lim Chin Siu	7.2
Tan Chyi Boon	6.7

1-Year Share Price Performance



Analyst
Wong Choo Hong
wongch@interpac.com.my

COMPANY PROFILE

Solarvest is a clean energy specialist with a full-fledged EPCC solution capability, specialising in solar photovoltaic (PV) systems for residential, commercial and industrial properties and large-scale solar PV plants. The company also owns 3 LSS4 assets and has secured 49.5 MWp of effective ownership under CGPP.

INVESTMENT MERITS

- Beneficiary of Malaysia's energy liberalisation and growing demand of green energy.
- Steady recurring income from solar assets under LSS4 and CGPP.
- Solidifying and building new customer base through its one stop solutions services.

KEY UPDATES

- 2QFY25's revenue declined by 25.7% Y-o-Y to RM103.9m, from RM139.9m, due to completion of all LSS4 EPCC projects which were still ongoing during 2QFY24. However, PATAMI improved by 28.1% Y-o-Y to RM9.2m, from RM7.2m, attributable to higher margin tilt towards C&I projects and commencement of electricity contribution from its LSS4 assets
- Solarvest's orderbook more-than-doubled to its record high at RM961m (Residential + C&I: RM286m, LSS: RM675m), bolstered mostly by the CGPP EPCC jobs inflow, as expected. We expect near term announcement on LSS5 tenders to bolster its earnings visibility further.

DOWNSIDE RISKS

- Volatile solar panel cost
- Unexpected delays & setbacks in project deployment
- Rising competition from multiple EPCC operators

VALUATION AND RECOMMENDATION

We maintain our **BUY** recommendation on Solarvest with an unchanged **TP** of **RM2.02**, with its valuation derived from our sum-of-parts valuation (EPCC: P/E 30x, CGPP/Powervest/LSS: DCF - WACC: 6.96%).

HISTORICAL EARNINGS AND FORECASTS

FYE Mar (RM m)	FY22	FY23	FY24	FY25(F)	FY26(F)
Revenue	175.8	365.5	492.6	574.0	676.0
EBITDA	11.6	19.8	31.7	54.6	62.6
EBITDA margin (%)	6.6	5.4	6.4	9.5	9.3
PBT	11.0	27.7	46.7	70.4	88.6
PBT margin (%)	6.3	7.6	9.5	12.3	13.1
PATAMI	6.9	19.7	32.3	45.7	59.9
PATAMI margin (%)	3.9	5.4	6.5	8.0	8.9
EPS (sen)	1.0	2.7	4.5	6.3	8.3
Earnings growth (%)	(57.2)	184.7	64.1	41.5	31.2
PER (x)	176.1	61.9	37.7	26.6	20.3
DPS (sen)	-	-	-	0.5	0.5
Dividend yield (%)	-	-	-	0.3	0.3
ROE (%)	3.9	10.0	13.7	16.6	17.9
Net gearing ratio	Net Cash	0.2	0.3	0.2	0.1
P/B (x)	6.9	6.2	5.2	4.4	3.6

Source: Inter-Pacific Research

SUPERCOMNET TECHNOLOGIES

BUY (Maintained)

Current Price	**RM 1.32**
Target Price	**RM 1.76**
Consensus Price	**RM 1.75**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	860.1
Market Capitalisation (RM m)	1,135.4
52 Week High/Low Price	1.65/1.17
Avg Trading Volume (3-mth)	729,465
Est Free Float (%)	32.1
YTD Returns (%)	(2.9)
Beta (x)	1.1

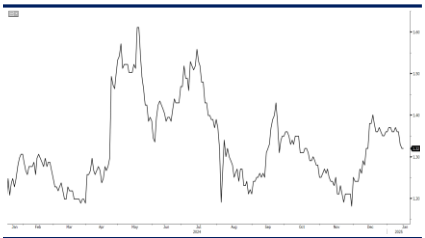
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(4.35)	(1.56)
3 mth	-	4.32
12 mth	9.09	4.52

Major Shareholders (%)

Shiue Jong Zone	13.7
Hsueh Chih Yu	12.7
Shuie Jyh Jeh	12.0

1-Year Share Price Performance



Analyst
Chloe Mak
makmw@interpac.com.my

COMPANY PROFILE

Supercomnet Technologies (Scomnet) is principally involved in the manufacturing and assembling of wires and cables for medical devices, automotive, electrical appliances and consumer electronics. Its operations are divided into three segments: namely, medical, automotive and industrial.

INVESTMENT MERITS

- **Capitalising on the rapidly growing medical devices and automotive markets.** The global medical devices market size is projected to grow at a CAGR of 5.9% from 2023 to 2030, while the automotive wire and cable market is estimated to increase at a CAGR of 5.3% from 2021 to 2031.
- **Diversified customer base and new products.** The group has gradually broadened its customer base to minimise its dependency on its key medical clients by expanding its automotive business.

KEY UPDATES

- In 3QCY24, revenue improved 14.6% Y-o-Y to RM37.3m in 3QCY24, from RM32.5m in the previous corresponding period, primarily driven by increased orders in the medical segment, especially the rising demand for single-use endoscopes from Customer A which helped offset the temporary weaknesses in the automotive segment. The medical, automotive and industrial segments contributed 80%/2%/18% respectively to the group's revenue during the quarter. Despite an improved gross profit margin, net profit dropped 25.6% Y-o-Y to RM5.5m, from RM7.4m, mainly attributed to an unrealised foreign exchange loss of RM4.3m and a higher effective tax rate.

DOWNSIDE RISKS

- Disruptions of supply chain
- Delays in obtaining FDA approval for new medical devices
- Depreciation of the USD against the Ringgit

VALUATION AND RECOMMENDATION

We maintain our **BUY** recommendation on Scomnet with the same **TP** of **RM1.76**, by pegging an unchanged 33.0x target PER to our CY25F EPS.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY21	CY22	CY23	CY24(E)	CY25(F)
Revenue	143.6	158.3	138.1	150.9	215.2
EBITDA	38.5	49.2	43.1	50.0	71.3
EBITDA margin (%)	26.8	31.1	31.2	33.1	33.1
PBT	32.4	42.8	37.2	39.9	60.4
PAT	25.2	32.9	29.0	31.1	45.9
PAT margin (%)	17.6	20.8	21.0	20.6	21.3
EPS (sen)	2.9	3.8	3.4	3.6	5.3
Earnings growth (%)	7.3	30.5	(11.7)	7.0	47.6
PER (x)	45.0	34.5	39.1	36.5	24.7
DPS (sen)	1.5	2.0	2.0	2.0	2.0
Dividend yield (%)	1.1	1.5	1.5	1.5	1.5
ROE (%)	9.1	10.3	8.4	8.4	11.8
Net gearing ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	3.7	3.5	3.1	3.0	2.8

Source: Inter-Pacific Research

TASCO

BUY (Maintained)

Current Price	**RM 0.72**
Target Price	**RM 1.03**
Consensus Price	**RM 1.04**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	800.0
Market Capitalisation (RM m)	576.0
52 Week High/Low Price	1.02/0.69
Avg Trading Volume (3-mth)	141,600
Est Free Float (%)	31.4
YTD Returns (%)	(4.0)
Beta (x)	0.9

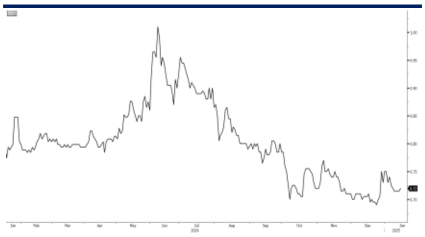
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	1.41	4.19
3 mth	2.13	6.45
12 mth	(11.66)	(16.23)

Major Shareholders (%)

Real Fortune Portfolio Sdn Bhd	9.9
Nippon Yusen KK	9.6

1-Year Share Price Performance



Analyst
Chloe Mak
makmw@interpac.com.my

COMPANY PROFILE

Tasco provides full transportation services including air and ocean freight forwarding services, supply chain solutions, cold supply chain, contract logistics and trucking services. It is related to the world-renowned Nippon Yusen Kabushiki Kaisha (NYK) group, one of the largest shipping operators in the world with a fleet of about 824 vessels in operation.

INVESTMENT MERITS

- **Extensive network.** Tapping into Yusen's global network, Tasco is capable of offering international services as compared to its local peers.
- **Agility and adaptation.** Tasco's strategy is to adapt to the current market trend by diversifying its revenue base into the supply chain solutions division. This underpins the group's strategic direction in its commitment to venture into digitalisation and automation.

KEY UPDATES

- In 2QFY25, revenue improved by 8.1% Y-o-Y to RM295.7m, from RM273.6m in the same quarter last year, driven by a 58.0% Y-o-Y surge in the International Business Solutions (IBS) segment due to higher freight rates resulting from port strikes, congestion and disruptions in the Red Sea, which offset a 15.6% Y-o-Y decline in the Domestic Business Solutions (DBS) segment that was impacted by weaker performance of the Contract Logistics and Cold Supply Chain divisions. However, PATAMI nearly halved Y-o-Y to RM8.1m, from RM15.8m, mainly due to higher expenses, including an unrealised foreign loss of RM5.4m caused by the stronger Ringgit, compared to an unrealised foreign gain of RM1.1m recorded in 2QFY24.

DOWNSIDE RISKS

- Continuous downward trend in market freight rates
- Slower global economic activities dampening demand

VALUATION AND RECOMMENDATION

We reiterate our **BUY** recommendation on Tasco with the same **TP** of **RM1.03**, derived from pegging an unchanged 14.0x target PER to our FY26F EPS.

HISTORICAL EARNINGS AND FORECASTS

FYE Mar (RM m)	FY22	FY23	FY24	FY25(F)	FY26(F)
Revenue	1,481.4	1,606.8	1,072.7	1,125.3	1,206.2
EBITDA	145.4	180.1	137.2	117.8	141.6
EBITDA margin (%)	9.8	11.2	12.8	10.5	11.7
PBT	88.1	120.6	73.8	51.5	75.8
PAT	67.7	92.3	64.8	41.2	61.4
PATAMI	65.2	90.8	61.7	38.5	58.6
PATAMI margin (%)	4.4	5.7	5.8	3.4	4.9
EPS (sen)	8.2	11.3	7.7	4.8	7.3
Earnings growth (%)	58.1	39.2	(32.0)	(37.7)	52.2
PER (x)	8.8	6.3	9.3	15.0	9.8
DPS (sen)	2.5	3.5	2.4	2.5	3.0
Dividend yield (%)	3.5	4.9	3.3	3.5	4.2
ROE (%)	11.2	13.7	8.7	5.3	7.6
Current ratio (x)	1.2	1.3	1.6	1.6	1.6

Source: Inter-Pacific Research

TSH RESOURCES

TRADING BUY (Maintained)

Current Price	**RM 1.16**
Target Price	**RM 1.34**
Consensus Price	**RM 1.22**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	1,362.9
Market Capitalisation (RM m)	1,580.9
52 Week High/Low Price	1.28/0.97
Avg Trading Volume (3-mth)	2,247,667
Est Free Float (%)	32.8
YTD Returns (%)	(7.2)
Beta (x)	1.2

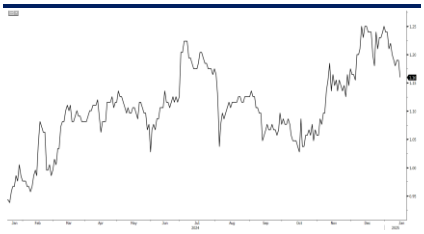
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(6.45)	(3.67)
3 mth	4.50	8.82
12 mth	17.77	13.20

Major Shareholders (%)

Tan Aik Pen	26.2
Central Depository Pte Ltd	18.4
Tan Aik Yong	5.3

1-Year Share Price Performance



Analyst
Wong Choo Hong
wongch@interpac.com.my

COMPANY PROFILE

TSH is in the cultivation, processing and refining of oil palm where its operations are located in Sabah, Kalimantan and Sumatera, of which 39,068 ha. have been planted with an average palm age profile of 12.4 years. The group also runs biomass and biogas power plants in Sabah. Other business segments under its ambit are the manufacturing and marketing of engineered hardwood, cocoa processing and forest rehabilitation.

INVESTMENT MERITS

- Unlocking asset values that could lower its net gearing and strengthen its balance sheet.

KEY UPDATES

- 3QCY24's revenue declined by 22.4% Y-o-Y to RM231.9m, from RM298.7m, due to lower CPO sales volume (c.-33%) amid a lower quarterly FFB production (c.-28%), attributed mostly to biological yield cycles following high-yield years, while one of its plantation entities under the Plasma programme faced some operational disruption and also contributed to the decline.
- This resulted in its core PATAMI (excluding unrealised forex and fair value adjustments on biological assets) declining by 19.1% Y-o-Y to RM25.9m, from RM32.0m. Other segments operating losses narrowed to RM1.7m, from -RM3.8m due to increased sales of timber.

DOWNSIDE RISKS

- Lower-than-expected global demand for palm and palm kernel oil
- An increase in Indonesia's minimum wage
- Increase in direct and indirect taxes/duties

VALUATION AND RECOMMENDATION

We keep our TSH's recommendation at **TRADING BUY** with an unchanged **TP** of **RM1.34**. Our valuation is based on a target valuation of 0.8x to its CY25F P/B.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY21	CY22	CY23	CY24(E)	CY25(F)
Revenue	1,188.9	1,306.0	1,066.5	1,015.6	1,054.4
EBITDA	258.5	687.3	327.8	321.6	329.9
PAT	202.0	525.0	125.8	149.5	151.3
PATAMI	169.4	456.4	95.1	112.1	115.0
PATAMI margin (%)	14.2	34.9	8.9	11.0	10.9
EPS (sen)	12.3	33.1	6.9	8.1	8.3
Earnings growth (%)	113.1	169.4	(79.2)	17.9	2.6
PER (x)	9.5	3.5	16.8	14.3	13.9
DPS (sen)	3.0	10.5	2.5	2.5	2.5
Dividend yield (%)	2.6	9.1	2.2	2.2	2.2
ROE (%)	10.3	24.0	4.6	5.0	4.9
Net gearing ratio (%)	50.5	9.7	2.5	Net Cash	Net Cash
Book value (RM)	1.2	1.3	1.5	1.6	1.7
P/B (x)	1.0	0.9	0.8	0.7	0.7
Key Assumption					
FFB production (mt)	918,886	949,000	905,437	830,000	870,000
CPO ASP (RM/mt)	3,570	3,794	3,437	3,800	3,800

Source: Inter-Pacific Research

UCHI TECHNOLOGIES

NEUTRAL (Maintained)

Current Price	**RM 3.83**
Target Price	**RM 3.82**
Consensus Price	**RM 3.88**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	461.2
Market Capitalisation (RM m)	1,766.4
52 Week High/Low Price	4.22/3.66
Avg Trading Volume (3-mth)	267,389
Est Free Float (%)	58.0
YTD Returns (%)	(2.5)
Beta (x)	0.7

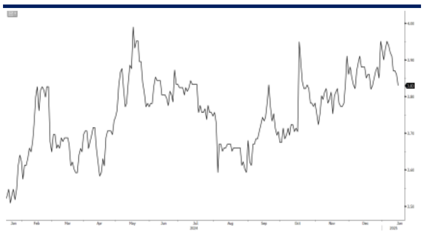
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(0.52)	2.26
3 mth	(4.96)	(0.64)
12 mth	1.59	(2.98)

Major Shareholders (%)

Eastbow International Ltd	18.1
Ironbridge Worldwide Ltd	7.7
Public Mutual Bhd	6.0

1-Year Share Price Performance



Analyst
Wong Choo Hong
wongch@interpac.com.my

COMPANY PROFILE

UCHI Technologies is principally involved in Original Design Manufacturing, specialising in the design of electronic control systems. It designs and develops electronic control modules in-house and manufactures and assembles components into semi-finished parts and control modules which its customers will insert into their finished products.

INVESTMENT MERITS

- **Appealing dividend yield.** The dividend payout ratio has been consistently above 90% over the past few years, which is higher than its industry peers.
- **Riding on the tailwinds of the global coffee machine makers.** According to GlobeNewswire, the coffee machine industry is expected to record a CAGR of 6.4% between 2021-2027 to reach US$5.2b in 2027, thanks to increasing popularity of coffee among millennials, growing disposable income among the worlds' population and the customised functions of coffee machines.

KEY UPDATES

- 3QCY24 revenue declined by 11.8% Y-o-Y to RM55.5m, from RM62.9m, due to a significant depreciation of the USD against the Ringgit, while sales also came in lower during the quarter. The unfavourable forex movement resulted in its PAT shrinking by 15.3% Y-o-Y to RM28.3m, from RM33.4m. Core PAT (excluding unrealised forex losses), meanwhile, declined by 20.8% Y-o-Y to RM25.8m, from RM32.6m.
- We see higher currency risks following the recent strength in the Ringgit against the greenback, coupled by the softer-than-expected order trend to impact its topline and put pressure on its operating margin in 2HCY24.

DOWNSIDE RISKS

- Termination of contract by its key client
- Supply chain disruptions

VALUATION AND RECOMMENDATION

We maintain our **NEUTRAL** recommendation on Uchitec with a **TP** of **RM3.82**, based on our DDM-derived valuation with an unchanged required rate of return of 7.4% and a dividend growth rate of 1.5%.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY21	CY22	CY23	CY24(E)	CY25(F)
Revenue	168.5	214.3	242.5	228.9	230.3
EBITDA	97.9	133.2	172.8	137.1	135.7
EBITDA margin (%)	58.1	62.1	71.3	59.9	58.9
PBT	92.2	127.9	168.8	132.2	130.8
PBT margin (%)	54.7	59.7	69.6	57.8	56.8
PAT	91.4	124.9	135.2	112.6	114.7
PAT margin (%)	54.3	58.3	55.8	49.2	49.8
EPS (sen)	19.9	27.2	29.4	24.5	25.0
Earnings growth (%)	9.1	36.6	8.3	(9.8)	1.9
PER (x)	19.4	14.2	13.1	15.8	15.5
DPS (sen)	20.0	30.0	29.5	24.0	24.5
Dividend yield (%)	5.2	7.8	7.6	6.2	6.3
ROE (%)	49.3	60.9	64.3	54.0	55.7
Net gearing ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	9.3	8.1	8.8	8.7	8.6

Source: Inter-Pacific Research

V.S. INDUSTRY

NEUTRAL (Maintained)

Current Price	**RM 1.05**
Target Price	**RM 1.22**
Consensus Price	**RM 1.31**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	3,873.5
Market Capitalisation (RM m)	4,067.2
52 Week High/Low Price	1.34/0.71
Avg Trading Volume (3-mth)	9,590,612
Est Free Float (%)	69.1
YTD Returns (%)	(7.1)
Beta (x)	1.1

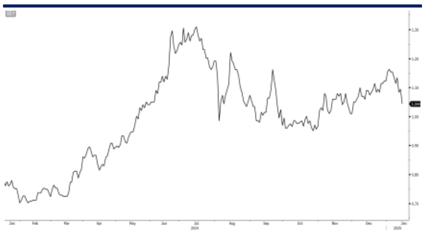
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(2.78)	0.01
3 mth	5.53	9.85
12 mth	30.43	25.87

Major Shareholders (%)

EPF	8.5
Beh Kim Ling	7.7
KWAP	4.9

1-Year Share Price Performance



Analyst
Chloe Mak
makmw@interpac.com.my

COMPANY PROFILE

V.S. Industry is a leading integrated electronics manufacturing services provider in the ASEAN region. Its key clients are mainly involved in the manufacturing of consumer electronic products from UK, U.S. and European regions.

INVESTMENT MERITS

- **New model launches from key customers.** The sales order momentum is expected to remain healthy in FY25, supported by continuous orders on new models by certain customers.
- **Ongoing initiatives to enhance value chain.** The group plans to manufacture some components internally to lessen dependence on third party suppliers. We believe the supply chain enhancement can lift group's profitability moving forward.

KEY UPDATES

- In 1QFY25, revenue decreased marginally by 2.6% Y-o-Y to RM1.11b, from RM1.14b in the previous corresponding period, mainly attributed to reduced sales orders from a U.S.-based customer in the Singapore segment due to inventory rationalisation, offsetting the 49.2% Y-o-Y growth in the Indonesian segment, while the Malaysian segment's revenue remained relatively stable. However, PATAMI fell by 37.5% Y-o-Y to RM30.6m, from RM49.0m, due to a contraction in gross profit margin caused by unfavourable foreign exchange movements that increased production costs, coupled with higher labour costs following an increase in headcount. Profitability was also dragged down by a net foreign exchange loss of RM2.9m.
- The group declared a first interim dividend of 0.4 sen per share, which is higher than the 0.3 sen declared in 1QFY24.

DOWNSIDE RISKS

- Higher-than-anticipated order cuts from the key clients
- Recessionary fears

VALUATION AND RECOMMENDATION

We maintain our **NEUTRAL** recommendation on VS with the same **TP** of **RM1.22**, derived from pegging to an unchanged target PER valuation of 20.0x to our FY26F EPS.

HISTORICAL EARNINGS AND FORECASTS

FYE July (RM m)	FY22	FY23	FY24	FY25(F)	FY26(F)
Revenue	3,914.1	4,604.2	4,248.1	4,373.1	5,433.2
EBITDA	336.1	393.5	413.1	400.1	497.1
EBITDA margin (%)	8.6	8.5	9.7	9.2	9.2
PBT	205.8	245.3	268.5	250.0	314.1
PAT	151.3	169.3	236.6	181.4	227.8
PATAMI	170.8	178.8	246.1	189.5	236.9
PATAMI margin (%)	4.4	3.9	5.8	4.3	4.4
EPS (sen)	4.4	4.6	6.4	4.9	6.1
Earnings growth (%)	(30.4)	4.7	37.6	(23.0)	25.0
PER (x)	23.8	22.7	16.5	21.5	17.2
DPS (sen)	2.0	2.2	2.2	2.2	2.2
Dividend yield (%)	1.9	2.1	2.1	2.1	2.1
ROE (%)	8.3	8.5	11.1	8.0	9.3
Net gearing ratio	0.1	0.1	0.1	0.1	0.1
P/B (x)	2.0	1.9	1.8	1.7	1.5

Source: Inter-Pacific Research

WELLCALL

BUY (Maintained)

Current Price	**RM 1.53**
Target Price	**RM 1.82**
Consensus Price	**RM 1.86**

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	497.9
Market Capitalisation (RM m)	761.9
52 Week High/Low Price	1.86/1.42
Avg Trading Volume (3-mth)	170,343
Est Free Float (%)	73.3
YTD Returns (%)	(3.8)
Beta (x)	0.5

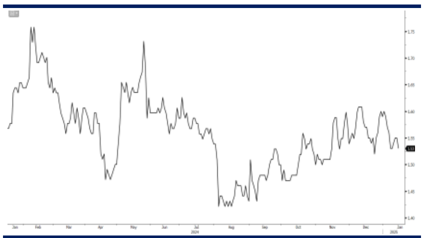
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(2.55)	0.24
3 mth	-	4.32
12 mth	(6.71)	(11.28)

Major Shareholders (%)

Maximum Perspective Sdn Bhd	11.3
OCBC (Nominee Accounts)	10.0
UOB Kay Hian Hong Kong Ltd	8.0

1-Year Share Price Performance



Analyst
Chloe Mak
makmw@interpac.com.my

COMPANY PROFILE

Wellcall Holdings is the largest industrial rubber hose manufacturer in Malaysia, specialising in both light and medium pressure rubber hoses. It has an extensive product range catering various industries including air, water, automotive, oil & gas, F&B and chemical. The customers are primarily distributors of rubber hoses. It exports to more than 70 countries in the world, where above 90% of the sales are from export markets.

INVESTMENT MERITS

- **Sustainable growth in the hose replacement market.** The bulk of the demand comes from the replacement market, accounting for 90-95% of the group's sales.
- **Attractive dividend yields and reliable dividend payout policy.** We foresee the dividend payments to continue growing in line with its higher earnings, with the dividend payout to reach at least 70%-80% in FY25F/26F.

KEY UPDATES

- Wellcall posted a revenue of RM209.4m for FY24, a 3.6% Y-o-Y decline from RM217.2m in FY23, mainly due to a softer demand for industrial rubber hoses in the export markets. PAT also contracted 15.1% Y-o-Y to RM46.9m, from RM55.3m last year, impacted by an unrealised foreign exchange loss of RM5.2m. Excluding foreign exchange movements, core PAT for FY24 came in at RM50.7m.
- For 4QFY24, revenue decreased slightly by 2.8% Y-o-Y to RM56.7m, from RM58.3m in 4QFY23, primarily attributed to weaker sales of industrial rubber hoses amid softer global demand. PAT also more-than-halved Y-o-Y to RM7.8m, from RM17.9m, mainly dragged down by a lower gross profit margin which narrowed to 37.3%, from 46.6% previously as the strengthening Ringgit led to lower translated revenue from export sales.
- The group recommended a fourth interim dividend of 1.2 sen per share and a special dividend of 1.0 sen per share, bringing the total dividend for FY24 to 8.2 sen, in parity to the FY23 level, representing a dividend payout ratio of approximately 87%.

DOWNSIDE RISKS

- Raw materials or exchange rate volatility
- Slower-than-expected economic recovery hampering sales

VALUATION AND RECOMMENDATION

We maintain our **BUY** recommendation on Wellcall with the same **TP** of **RM1.82**, based on an unchanged target PER of 16.0x pegged to our FY25F EPS.

HISTORICAL EARNINGS AND FORECASTS

FYE Sept (RM m)	FY22	FY23	FY24	FY25(F)	FY26(F)
Revenue	176.7	217.2	209.4	226.5	242.2
EBITDA	50.6	79.6	67.2	79.4	83.1
EBITDA margin (%)	28.6	36.6	32.1	35.1	34.3
PBT	44.8	74.4	64.2	74.5	77.0
PAT	33.3	55.3	46.9	56.6	58.5
PAT margin (%)	18.8	25.5	22.4	25.0	24.2
EPS (sen)	6.7	11.1	9.4	11.4	11.8
Earnings growth (%)	(2.5)	66.0	(15.1)	20.6	3.4
PER (x)	22.9	13.8	16.2	13.5	13.0
DPS (sen)	7.0	8.2	8.2	8.5	8.8
Dividend yield (%)	4.6	5.4	5.4	5.6	5.8
ROE (%)	26.7	39.5	32.8	32.4	30.9
ROA (%)	20.9	31.5	28.0	27.9	26.9
Net gearing ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	6.1	5.4	5.3	4.4	4.0

Source: Inter-Pacific Research

Declaration of Independence of Opinions and of Interest in Securities

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Signed

Victor Wan Kum Seng
Head of Research
Inter-Pacific Research Sdn Bhd

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INTER-PACIFIC RESEARCH SDN BHD

West Wing, Level 13
Berjaya Times Square
No.1, Jalan Imbi
55100 Kuala Lumpur
General Line: 03-2117 1888 | Fax: 03-2142 7678