



AmInvestment Bank

Market report

11 Oct 2021

# STRATEGY

*Pace of recovery gathers momentum*

**1,643**

End-2021 FBM KLCI target (pts)  
(Maintained)

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*Rationale for report: Market Update*

## Highlights

### Interstate and overseas travel allowed

Prime Minister Datuk Seri Ismail Sabri Yaakob has announced that interstate travel will be allowed starting today 11 October. Malaysians are also allowed to travel overseas without having to apply for MyTravelPass from the Immigration Department. Only those fully vaccinated are allowed to travel to other states and overseas. Nevertheless, a mandatory 14-day quarantine remains in force for travellers entering Malaysia. These two announcements provide a significant boost to Malaysia's tourism activities.

However, interstate travel remains prohibited in areas under the enhanced movement control order (EMCO). The PM stressed that measures such as physical distancing and wearing of mask is still enforced to curb the spread of Covid-19.

### After 229 days, Malaysia has achieved 90% vaccination rate for adult population

The government's move to allow interstate travel follows the achievement of 90% fully vaccinated status among Malaysia's adult population. Recall that Malaysia's vaccination programme started on 24 Feb 2021 with 60 doses dispensed on the first day – 41 in Kuala Lumpur, 18 in Putrajaya and 1 in Sarawak. Since then, we have progressed well, hitting the daily vaccination peak of 579,774 on 28 July 2021. As of 10 October, 90.0% of Malaysian adults have been fully vaccinated. In total with 45.65mil doses of vaccine successfully administered. Additionally, 65.2% of the total population have been fully vaccinated. This is a commendable achievement, exceeding that of some developed nations such as the US and Australia where only 56.8% and 50.2% of their respective total population have been fully vaccinated.

### Most Asean countries are adopting "living with Covid" strategy.

We gather that Indonesia, Thailand, Singapore and Brunei are moving towards "living with Covid" strategy instead of "zero Covid" strategy favoured previously. For example, Indonesia has, on 2 October, allowed 10,000 people to attend the opening ceremony of its maiden large-scale sports event. As for Singapore, the city state has announced on 9 October that it will allow quarantine-free travel into the country for eight more countries (details on page 2).

### We are positive on the news; adding Perak Transit to our top 10 picks

The news is positive to Malaysia's equity market. We believe that the sector stands to benefit the most is the transportation sector, specifically **Malaysia Airports** and **Perak Transit**. For Malaysia Airports, it should translate into higher passenger volume. As for Perak Transit, the company should benefit from higher rental income from its integrated public transportation terminal segment as footfall recovers. We also expect Perak Transit to ride on higher sales volume from the petrol stations that it operates. **We have added Perak Transit into our top 10 picks with a BUY call and fair value of RM1.08.**

We maintain our end-2021 FBM KLCI target of 1,643 points. Since our last strategy report on 28 September, there has been no change to our earnings estimate for FBM KLCI companies under our coverage. Our target PE is maintained at 15.6x which is at -0.5SD. The discount in our valuation reflects the recovery towards normalization though not fully to the pre-pandemic level in the near term.

**Top 10 picks.** We maintain nine of our previous top 10 picks. These are **Maybank, Tenaga Nasional, CIMB Group, Telekom Malaysia, RHB Bank, Westports, Sime Plantation, Dialog** and **Media Prima**. As the news is a boost to the transportation sector, we have added **Perak Transit** into our top 10 list.

## EXHIBIT 1: TOP BUYS

Company	Recomm.	Price	FV	Upside	Mkt Cap	FYE	EPS (sen)		EPS growth (%)		P/E (x)		P/B*	ROE*	NDPS*	DY*
		(RM)	(RM)	(%)	(RMmil)		FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	(x)	(%)	(sen)	(%)
Malayan Banking	BUY	8.05	9.90	23.0	92,257.4	Dec	68.3	74.4	15.4	8.9	11.8	10.8	1.1	9.8	58.0	7.2
Tenaga Nasional	BUY	9.71	12.10	24.6	54,799.4	Aug	82.3	84.7	20.4	2.9	11.8	11.5	1.0	8.6	85.6	8.8
CIMB Group	BUY	4.90	5.80	18.4	48,622.5	Dec	48.1	57.5	274.1	19.5	10.2	8.5	0.8	9.5	28.8	5.9
Sime Darby Plantation	BUY	4.24	4.88	15.1	29,190.6	Dec	27.7	22.2	111.4	(20.0)	15.3	19.1	2.0	10.4	15.0	3.5
Telekom Malaysia	BUY	5.85	7.10	21.4	21,984.3	Dec	28.2	29.7	7.6	5.1	20.7	19.7	2.3	12.1	15.0	2.6
RHB Bank	BUY	5.33	6.80	27.6	21,373.5	Dec	63.9	73.8	17.3	15.4	8.3	7.2	0.7	10.0	36.9	6.9
Dialog Group	BUY	2.84	3.75	32.0	16,012.8	Jun	9.2	10.7	(13.5)	15.8	30.8	26.6	3.2	12.5	3.1	1.1
Westports Holdings	BUY	4.44	5.07	14.3	15,140.4	Dec	21.4	21.4	8.9	0.2	20.8	20.7	5.4	25.8	16.1	3.6
Media Prima	BUY	0.49	0.75	52.5	543.5	Dec	3.7	5.2	496.0	41.0	13.3	9.5	0.8	8.9	0.0	0.0
Perak Transit	BUY	0.68	1.05	54.2	438.7	Dec	8.3	9.0	28.0	7.6	8.1	7.6	0.9	12.1	2.5	3.7

\*FY22

Source: AmlInvestment Bank

## What are other countries doing in managing Covid?

## Singapore and Thailand

Singapore has announced on 9 October that it will allow quarantine-free travel into the country for eight more countries. Note that this is only for vaccinated visitors and this will be on a two-way basis between Singapore and those eight countries. The eight countries are Canada, Denmark, France, Italy, Netherlands, Spain, the United Kingdom and the United States. The same arrangement has been made with South Korea, Germany and Brunei earlier. For Thailand, *Reuters* reported that the country "will waive its mandatory quarantine requirement in Bangkok and nine regions from 1 Nov to vaccinated arrivals".

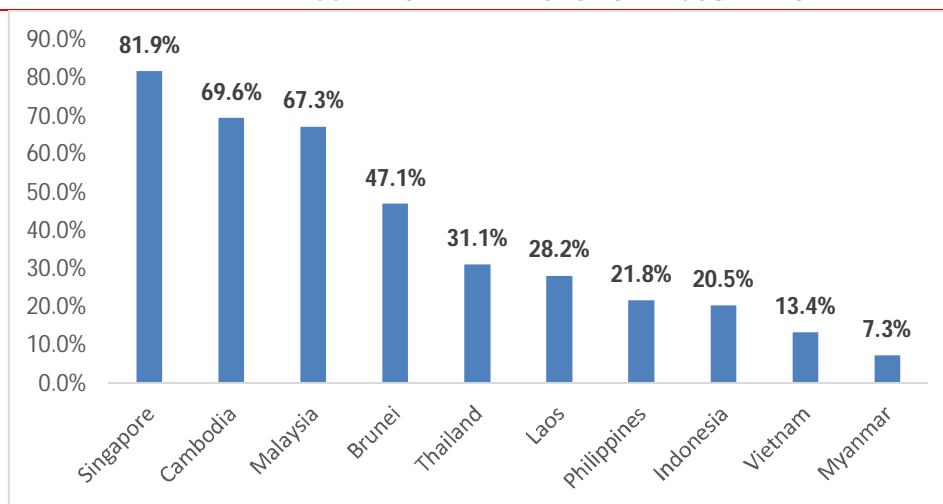
## Indonesia and Brunei

Indonesia has, on 2 October, allowed 10,000 people to attend the opening ceremony in its maiden large-scale sports event. We believe that this indicates the country's direction to live with Covid-19. As the stadium has a 40,000 capacity, the 10,000 people is in accordance with the 25% maximum capacity imposed by the authorities. Other requirements include the need for Covid-19 tests to be performed before entry, mask wearing and social distancing. As for Brunei, the country has also adopted an endemic road map that focuses on vaccinating its population in order to live with Covid-19. According to media reports, Brunei's Minister of Health Dato Seri Setia Dr Haji Mohd Isham Jaafar believes that once the country achieves 70%–80% vaccination of its population, its healthcare system will no longer be burdened.

## Malaysia vaccination rate ranked 3rd in Southeast Asia

Based on the percentage of the population which has been fully vaccinated, Malaysia is ranked the 3<sup>rd</sup> highest among Asean countries. This paves the way for more economy activities to resume although it may not be a full recovery to match that of the pre-Covid era. We are positive on this as the high vaccination rate is a leading indicator that economic activities should recover faster in Malaysia as compared to most countries in Asean.

## EXHIBIT 2: VACCINATION RATE AMONG ASEAN COUNTRIES

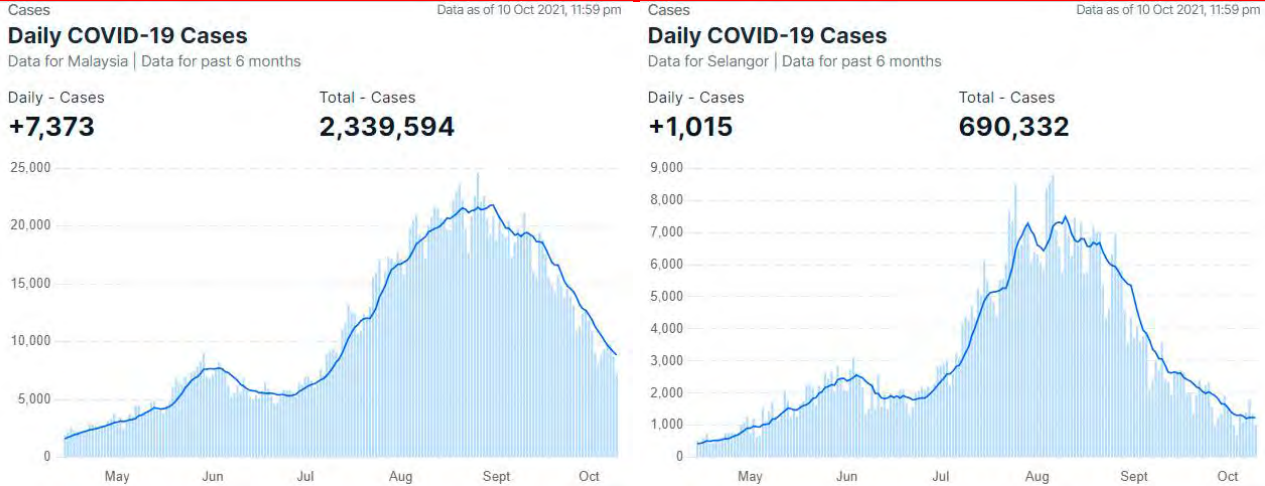


Source: Center for Strategic &amp; International Studies, AmlInvestment Bank

**Covid-19 cases have declined from the peak**

We notice a significant recent improvement in that the country's Covid-19 situation. The latest number of new cases have declined to 7,373 on 10 Oct 2021. This is much lower than the peak of 24,599 cases reported on 26 Aug 2021. The lower number of cases is mainly attributed to the decline in new cases in Selangor. Recall that on 6 Aug 2021, Selangor's daily new cases peaked at 8,792 but have since fallen to 1,015 cases as of 10 Oct 2021.

**EXHIBIT 3: DAILY COVID CASES IN MALAYSIA AND SELANGOR**

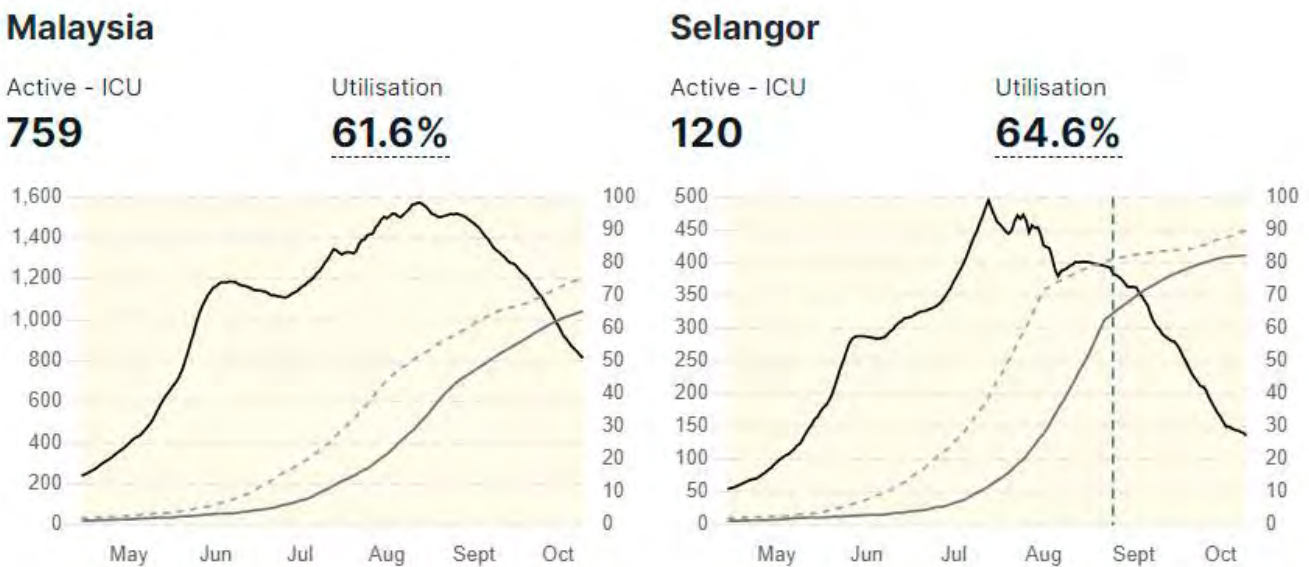


Source: covidnow.moh.gov.my

**ICU utilization rate has dropped too**

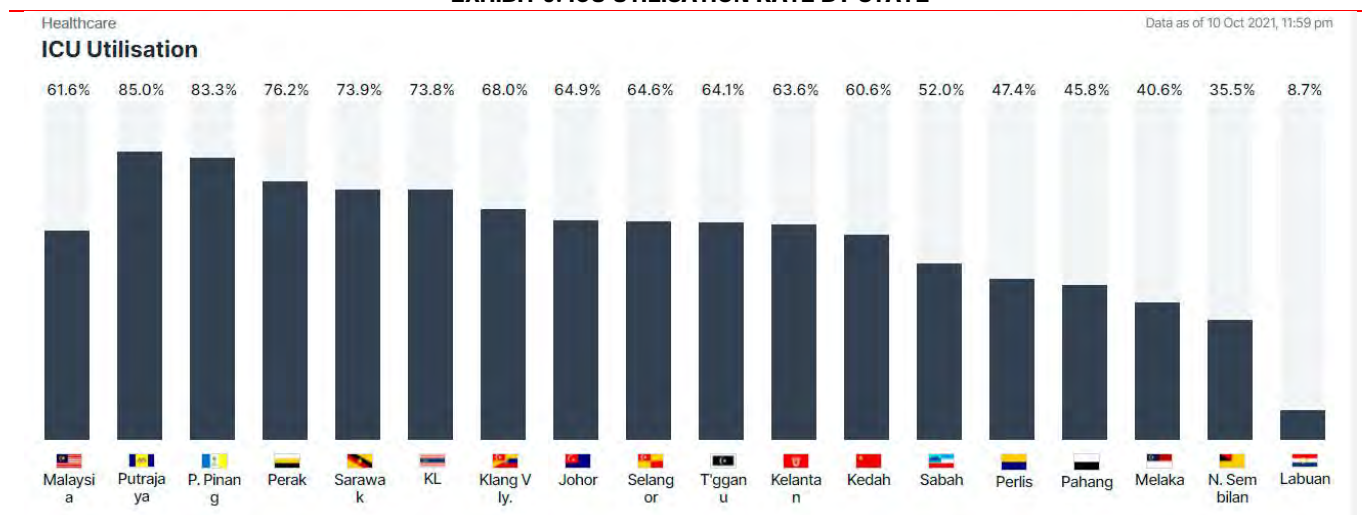
In Malaysia, the Intensive Care Unit (ICU) utilization rate has declined as vaccination progresses. As of 10 Oct, ICU utilization for Malaysia has declined to 61.6%. While the rate has declined, total active cases which need ICU care are still considerably high at 759. Among the states, Putrajaya is the most affected with 85.0% ICU utilization rate.

**EXHIBIT 4: ICU UTILISATION RATE FOR MALAYSIA AND SELANGOR**



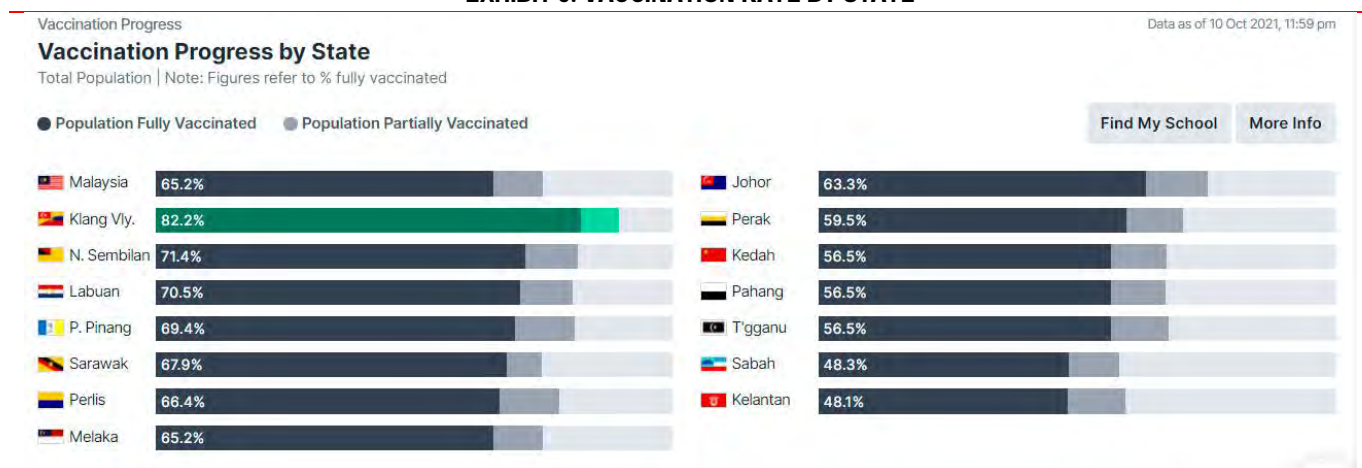
Source: covidnow.moh.gov.my

EXHIBIT 5: ICU UTILISATION RATE BY STATE



Source: covidnow.moh.gov.my

EXHIBIT 6: VACCINATION RATE BY STATE



Source: covidnow.moh.gov.my

**Risks.** We believe that Malaysians should still be cautious and follow the standard operating procedures (SOPs) diligently following the lifting of the ban on interstate travel. Risks still remain due to threat from new Covid-19 variants. Having said that, vaccines have been proven to protect against severe symptoms. According to the World Health Organization (WHO), “when cases increase and transmission accelerates, it’s more likely that new dangerous and more transmissible variants emerge, which can spread more easily or cause more severe illness. Based on what we know so far, vaccines are proving effective against existing variants, especially at preventing severe disease, hospitalization and death”.

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