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Stocks to buy in 2024

BY **LEE WENG KHUEN, INTAN FARHANA ZAINUL, CHERYL POO** AND **JENNY NG**

Among *The Edge*'s stock picks in 2023, Bermaz Auto Bhd, Tenaga Nasional Bhd (TNB) and Inari Amertron Bhd were the top performers, with total returns of 24%, 12.9% and 18.7% respectively.

We recommended a "buy" on TNB during our mid-year review after the utility giant's share price had slipped about 10% from its high of RM10. Recently, the counter rose again to the RM10 level, closing at RM10.50 last Friday.

Consumer stocks Carlsberg Brewery Malaysia Bhd and Power Root Bhd did not perform well, though. Power Root's share price started to contract in August on the back of lower contributions from both the local and overseas markets. Weak consumer sentiment arising from inflationary pressures took a toll on Carlsberg's shares. Some have cautioned that the lack of catalysts may delay its share price recovery. The brewer paid a dividend of 62 sen in the first nine months of 2023.

On the fund managers' part, Malacca Securities head of research Loui Low made a timely call during the mid-year review by recommending YTL Power International Bhd, whose shares have doubled in price in the past six months, driven by strong contribution from its Singapore power business and data centre prospects.

Investors who had followed TA Securities head of research Kaladher Govindan's pick — Ranhill Utilities Bhd — would have doubled their returns, too. The upswing came about after YTL Power emerged as a substantial shareholder in Ranhill Utilities with an 18.87% stake.

MIDF Research head Imran Yassin Yusof's recommendation on CIMB Group Holdings Bhd and AHAM Capital deputy head of equity David Loh's pick of KPJ Healthcare Bhd also yielded decent returns.

Here is a look at the stock picks by *The Edge* and fund managers for 2024.

How the stocks for 2023 fared

COMPANY	TOTAL RETURNS (%)
The Edge's picks	
Inari Amertron Bhd	18.7
Carlsberg Brewery Malaysia Bhd	-12.0
Bermaz Auto Bhd	24.0
Affin Bank Bhd	6.9
Tenaga Nasional Bhd	12.9*
Hap Seng Plantations Holdings Bhd	-6.8*
Power Root Bhd	-13.9*
Picks by fund managers and heads of research	
CIMB Group Holdings Bhd	19.2*
YTL Power International Bhd	98.4*
SFP Tech Holdings Bhd	-0.3*
KPJ Healthcare Bhd	30.7*
Berjaya Food Bhd	-39.6
Ranhill Utilities Bhd	112.8
ECA Integrated Solution Bhd	-37.3

Note: This is an academic exercise; no shares were purchased or sold

**Share price performance between July and December 2023, as the stocks were added to the portfolio during the mid-year review in 2023*

The Edge's picks

Focus Point Holdings Bhd

Since touching a high of RM1.06 in February 2023, Focus Point's share price has headed south to close at 72.5 sen last Friday. Still, the optical player offers quite a decent dividend yield of 4.2%, as it declared a three sen dividend for 9MFY2023.

The stock is trading at a 12-month forward price-earnings ratio of 10.4 times, which is cheaper than the Bursa Malaysia Consumer Product Index's 16.5 times. There are two "buy" calls on Focus Point, with a target price of RM1.07.

The optical business was the key contributor, with a profit before tax (PBT) of RM26.4 million for 9MFY2023, while the food and beverage (F&B) segment recorded a PBT of RM29.9 million.

Net earnings for 9MFY2023 fell 22.6% to RM19.67 million, owing to higher operating costs, which included staff costs and rent from the opening of new outlets.

Nonetheless, as demand for eyecare services continues to grow, it may be worth taking a look at Focus Point, as there has been some profit-taking over the past few months.

TA Securities is positive on the company's concerted effort to drive its F&B contribution, which is expected to grow to 25% over the next two years, from 16% now, according to its Jan 5 note.

Dialog Group Bhd

While oil prices are not expected to see a strong rally this year, Dialog Group may offer some upside potential for investors who want exposure in the oil and gas sector.

Dialog's share price had declined 23.8% to RM2.08 last Friday from a high of RM2.73 a year ago, despite a stable financial performance.

Its latest quarterly net profit ended September 2023 rose 5.1% to RM132.17 million from RM125.79 million in the same period a year ago.

Kenanga Research said in a Dec 27 note that Dialog's prospects are supported by the recovery in demand for independent tank terminal storage from a weak FY2023 market, with utilisation generally above 90% for existing terminals.

Also, the group is actively diversifying into upstream production assets, enabling it to capitalise on any oil price rally.

The research house points out that there is still significant expansion potential in Tanjung Langsat (200,000 cu m of incremental capacity) and Pengerang with 500 acres of land to be developed, which coincides with a gradual ramp-up in activity observed in the Johor market.

OSK Holdings Bhd

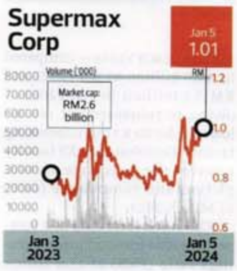
Although the momentum in the property sector may diminish this year after a stellar performance in 2023, some property developers could still outperform. Malacca Securities sees OSK as a solid property player with a healthy dividend yield. It has been consistently rewarding shareholders over the past 10 years, with a dividend yield of 5.2% at present.

The group had strong unbilled sales of RM1.2 billion as at end-September 2023, with minimal unsold completed stocks. Its sales were supported by both high-rise and township projects in Seremban, Negeri Sembilan, and Sungai Petani, Kedah.

OSK has a total land bank of 1,994 acres with an estimated effective gross development value of RM15.5 billion. Its land bank is located in the Klang Valley, Sungai Petani, Butterworth, Kuantan and Seremban in Malaysia and Melbourne in Australia.

It should also be noted that the group's construction outstanding order book of RM319 million as at end-September 2023 will provide earnings visibility for at least another one to two years.

Meanwhile, its hospitality segment may benefit from the festive season and recovery in tourism spending in the post-pandemic environment. In the first nine months of 2023, OSK's net profit expanded 21.8% to RM369.16 million from RM303.04 million.



Supermax Corp Bhd

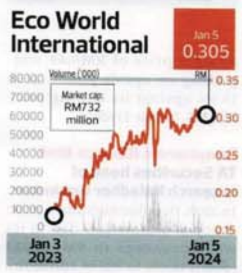
As the glove sector is still dealing with overcapacity in the region that has dampened average selling prices, most analysts have an "underweight" call on glove stocks. Nevertheless, some believe the worst could be over for glove makers, although challenges remain in 2024.

Among the four top glove makers, signs of recovery have already emerged for Kossan Rubber Industries Bhd and Hartalega Holdings Bhd, both of which posted a net profit in the quarter ended Sept 30, 2023.

As for Supermax Corp Bhd, its loss after tax narrowed in its first quarter ended Sept 30, 2023, to about RM2 million from RM7.17 million in the preceding quarter, owing to significantly lower operating expenses. During the quarter under review, Supermax posted a profit before tax of RM3.15 million, returning to the black after three consecutive quarters of losses before tax. Ebitda (earnings before interest, taxes, depreciation and amortisation) margin improved to 12.5% in 1QFY2024 from 5.1% in 4QFY2023. It also had net cash of RM1.7 billion as at Sept 30, 2023, translating into net cash per share of 67 sen.

Among the six research houses covering Supermax, only TA Securities and RHB Research have a "buy" call on its shares, with target prices of RM1.10 and RM1.06 respectively. In a Dec 4, 2023, note, TA Securities upgraded its call on Supermax from a "hold" to a "buy", premised on the drop in its share price at the time.

Last Friday, RHB Research upgraded the glove products sector from "neutral" to "overweight", on signs of a recovery in demand and profitability in 2024. "Key downside risks include weaker-than-expected demand, the inability to pass on costs to customers and higher-than-expected operating costs," it said.



Eco World International Bhd

Although Eco World International Bhd (EWI) is loss-making, the property developer, which has a presence in the UK and Australia, is set to continue paying out dividends for the current financial year ending Oct 31, 2024 (FY2024).

According to Maybank Investment Bank Research, EWI is likely to pay another RM600 million, or 25 sen per share, as dividends in FY2024. For FY2023, the property developer has paid out RM792 million and will be paying out RM144 million on Jan 17, 2024, bringing total dividends for the financial year to RM936 million, or 39 sen per share.

Maybank IB Research's forecast dividend per share of 25 sen translates into a yield of 81.9%, based on EWI's share price of 30.5 sen last Friday.

EWI has been in the red since FY2022, reporting losses after tax (LAT) of RM234.42 million, on account of the challenging operating environment as central banks around the world embarked on monetary tightening and higher costs as a result of the Russia-Ukraine war, tight labour market and supply chain disruptions. Because of these factors, cost revisions were required on several ongoing projects, which reduced gross margins.

For FY2023, its LAT narrowed to RM85.37 million.

Nevertheless, the group strengthened its balance sheet on the back of stronger sales, turning net cash in FY2022. Its net cash position improved to RM295.24 million as at Oct 31, 2023, from RM172.53 million a year ago.

In its latest quarterly financial statements, EWI said it aimed to sell completed or nearly completed houses worth RM850 million as at Oct 31, 2023, in FY2024, and distribute the excess cash generated (net of working capital requirements) back to shareholders. It added that launches for its "remaining sites continue to be put on hold", pending feasibility reviews, given the weak sentiment among homebuyers and significant cost inflation.

Maybank IB Research, the only brokerage covering EWI, expects the group to remain loss-making until it decides to launch new projects. It has a "hold" call on EWI, with a target price of 26 sen.

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Picks by fund managers and heads of research

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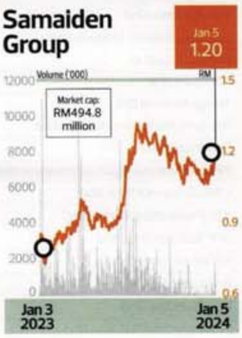
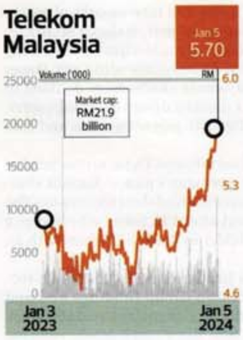
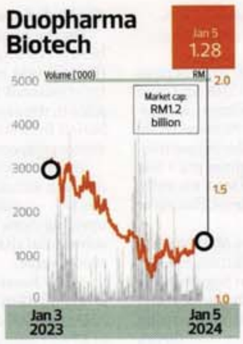
Samaiden Group Bhd
MIDF Research head Imran Yassin Yusof:
We are very positive on the launch of the National Energy Transition Roadmap (NETR) as it could be a new economic catalyst. We believe the clear and firm policy layout on energy transition under NETR should drive a sector re-rating on improved growth and ESG (environment, social and governance) profile.

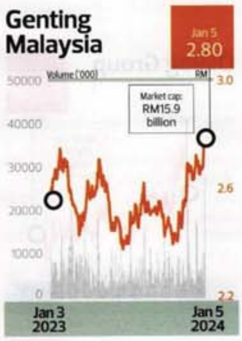
We expect Samaiden to be the key beneficiary of the asset ownership space from both renewable energy (RE) capacity expansion and grid upgrade investments, while the RE engineering, procurement, construction and commissioning (EPCC) sub-sector is also a big beneficiary of NETR, given the massive potential for order-book expansion.

We can expect more updates in this space in 2024. We have a "buy" call and a target price of RM1.54 on Samaiden. We like the company as a key beneficiary of EPCC prospects under the Corporate Green Power Programme (CGPP) and the long-term growth potential of NETR's emphasis on solar. A strong order book and balance sheet underpin its near-term growth potential. According to Bloomberg, all five analysts tracking Samaiden gave "buy" calls, with a consensus target price of RM1.50, implying an upside potential of 25% based on last Friday's closing price of RM1.20.









Telekom Malaysia Bhd
Malacca Securities head of research Loui Low:
Telekom Malaysia (TM) continues to benefit from the persistent growth in internet connectivity. Its 3QFY2023 earnings grew more than 100% year on year to RM538.2 million, bringing its 9MFY2023 net profit to RM1.4 billion, boosted by stronger sales and tax credits, which TM may capitalise on for two more years.

It is also benefiting from the data centre boom. TM One, the enterprise and public sector business solution arm of TM, launched its data centres in Cyberjaya, Selangor, in 2019 and Iskandar Puteri, Johor, in 2017, and we believe the recent data centre boom may benefit TM in revenue and earnings.

As for the ongoing development of the 5G network, we believe the continued effort by the government and Digital Nasional Bhd is to attain 5G network coverage for 80% of the populated areas by 2024. We believe the significant uptake of 5G-compatible smartphones will increase 5G network traffic.

Most of the analysts who cover TM have "buy" calls, with a target price of RM6.49, suggesting an upside potential of 13.9% against its closing price of RM5.70 last Friday.

Duopharma Biotech Bhd
TA Securities head of research Kaladher Govindan:
In 2023, Duopharma's share price dropped almost 22% due to its weak earnings in 9MFY2023 (down 16.6% to RM44.1million). Nonetheless, we expect the company to stage a robust 2024 earnings per share (EPS) growth of 39.9%, underpinned by higher demand from the government, higher contribution from its insulin division and overall recovery in the consumer healthcare segment.

Under Budget 2024, the Ministry of Health received a higher budget allocation of 13.5% to RM41.2 billion, which is a catalyst to lift Duopharma's volumes and average selling prices.

The current new approved products list (APPL) (about 25% of revenue) was awarded in 2017 (RM4.25/USD) while the ongoing new APPL contracts will be at RM4.60 to RM4.70/USD and are expected to be concluded by 1QFY2024. Management guided that the number of drugs in the new contracts would be about 80 compared to 50 previously. For the insulin segment, we expect a higher contribution in FY2024 at RM90 million, compared to RM65 million in FY2023.

Overall, we expect Duopharma to see higher earnings of between RM15 million and RM17 million in 4QFY2023 — compared to RM9 million in 3QFY2023 and RM17.2 million in 4QFY2022 — owing to reinvestment tax allowance for its K3 manufacturing facility. Duopharma's K3 facility received the certificate of completion and compliance (CCC) in March 2023.

The stock is trading at a compelling 2024 forward price-earnings ratio (PER) of 13.8 times, below its five-year mean of 21 times. We have a "buy" recommendation and target price of RM1.47 for Duopharma, based on a PE multiple of 16 times calendar year 2024 EPS.

TT Vision Holdings Bhd
Rakuten Trade head of equity sales Vincent Lau:
We believe the current share price of TT Vision has priced in all the negative news after it tumbled from RM1.20 to 81.5 sen. Nonetheless, we expect a better year for the company in line with the robust growth of the global semiconductor sector this year.

According to the US-based industry association Semi, semiconductor manufacturing equipment growth is expected to resume in 2024, with sales forecast to reach a new high of US$124 billion in 2025, supported by both the front-end and back-end segments.

We expect TT Vision to see better top-line and bottom-line growth in FY2024 compared to FY2023, on the back of a healthy order book, better growth prospects in high-growth industries in the solar, semiconductor and automotive segments, as well as bigger manufacturing plants. Interestingly, TT Vision has seen no pushback or cancellation of its current orders, reflecting a healthy order book.

The group strategically operates in high-growth sectors, supplying LED solutions for automotive, solar cells for PV and discrete components for electric vehicles (EVs) and consumer electronics. These sectors are anticipated to experience organic growth in 2024. Note that the automotive and solar PV industries are poised for steady expansion in line with global decarbonisation initiatives via the adoption of EVs and renewable energy.

Genting Malaysia Bhd
AHAM Capital deputy head of equity David Loh:
Don't bet against the house. Genting Malaysia is poised to stage a strong earnings turnaround next year, driven by a full recovery in business operations. The street is optimistic, forecasting a doubling of profits in 2024, making it one of the strongest performers among the benchmark KLCI constituents.

In Malaysia, Genting Highlands is a prime beneficiary of an expected surge in tourist arrivals, driven by a relaxation of visa policies. Based on estimates, the flow of Chinese tourists into the country stood at only 1.5 million in 2023, compared to 3.1 million in 2019. This represents a massive upside for Genting's entertainment offerings, set to benefit from the return of free-spending Chinese tourists. In the US, Genting Malaysia has been touted as one of the front-runners to secure a full-scale gaming licence in New York, one of the wealthiest cities in the world. In addition, management is actively looking to monetise its prime waterfront land in Miami. The value of its 30-acre land bank, at above US$2 billion (RM9.3 billion), has been severely overlooked by the market.

Genting Malaysia is a forgotten large cap. After years of underperformance, investors' positioning on the stock is low. The series of unfortunate events that affected the company is behind it. Once the darling of foreign investors, Genting Malaysia will benefit from a resurgence in foreign inflow. Its explosive earnings growth, cheap valuation and an attractive 6% dividend yield will certainly draw the attention of investors.

Gamuda Bhd
AmInvestment Bank head of research Alex Goh:
We believe the announcement of Mass Rapid Transit 3 (MRT3) tenders and multiple overseas projects in Australia and Taiwan bode well for Gamuda.

Among the major projects in the company's stable is a S$510 million (RM1.8 billion) contract to design and build the MRT West Coast underground station and two tunnels (1.9km in total length) for the Land Transport Authority of Singapore. The latter, which involves two slurry tunnel boring machines, will commence in 1Q2024 and is slated for completion by 2032.

This represents the third project that the group has clinched over three consecutive months after management announced a target to win RM25 billion projects over two years.

In addition to the Singaporean contract, the novation of Downer's Australian transport projects worth RM4.6 billion as well as RM1.2 billion variation orders for Sydney Metro West's Western Tunnelling package, Gamuda's outstanding construction order book rose 25% quarter on quarter from RM20.6 billion last July to RM25.8 billion, representing 2.9 times FY2024 forecast construction revenue.

With the substantive Singapore MRT job, Australia now accounts for 47% of Gamuda's outstanding construction order book compared with 58% in July, while Malaysia's portion fell to 22% from 27% previously.

Gamuda also secured the Kaohsiung MRT Metropolitan Yellow Line civil engineering package YC01 (Package YC01) in Taiwan, with a contract sum of RM3.45 billion.