AUTHOR: No author available SECTION: CORPORATE PAGE: 59 PRINTED SIZE: 740.00cmï¿½ REGION: KL MARKET: Malaysia PHOTO: Full Color ASR: MYR 13,835.00 ITEM ID: MY0064332648

30 JUN, 2025

A defensive approach for 2H2025

The Edge, Malaysia

A defensive approach for 2H2025

Among *The Edge*'s stock picks, Press Metal Aluminium Holdings Bhd (KL:PMETAL) is the best-performing counter, having risen 5.2% year to date (YTD). The largest aluminium smelter in Southeast Asia posted a record high annual profit of RM1.76 billion for the financial year ended Dec 31, 2024 (FY2024). In a May 23 note, Hong Leong Investment Bank Research says Press Metal's near-term smelting margin will be supported by the halving of alumina prices so far this year due to new refinery capacities ramping up in both Indonesia and China.

Meanwhile, Hap Seng Plantations Holdings Bhd's (KL:HSPLANT) share price performance has been relatively resilient, although there was a slight decline of 1.4%. In a June 11 note, CIMB Securities says Hap Seng Plantations is a preferred pick for investors seeking dividend yield and exposure to smaller-cap palm oil players because of its undervalued assets.

For the remainder of the year, we decided to remove five stocks from the list, namely IJM Corp Bhd (KL:IJM), YTL Power International Bhd (KL:YTLPOWR), VSTECS Bhd (KL:VSTECS), Genting Bhd (KL:GENTING) and United U-Li Corp Bhd (KL:ULICORP).

These stocks will be replaced by Gamuda Bhd (KL:GAMUDA), Deleum Bhd (KL:DELEUM), Public Bank Bhd (KL:PBBANK), 99 Speed Mart Retail Holdings Bhd (KL:99SMART) and Pentamaster Corp Bhd (KL:PENTA).

Remaining in the list of stock picks are these five counters: Press Metal, Hap Seng Plantations, AMMB Holdings Bhd (KL:AMBANK), Sime Darby Bhd (KL:SIME) and SKB Shutters Corp Bhd (KL:SKBSHUT).

Compared with other big-cap construction stocks, Gamuda could see better upside, given its strong earnings visibility. Its construction order book stood at RM35 billion at end-April 2025 against a record high of RM36 billion at end-January 2025. The target is to replenish its order book by RM40 billion to RM45 billion by year end. This will be further supported by unbilled property sales of RM7.7 billion.

There are 19 "buy" calls and two "hold" for Gamuda, with a consensus target price of RM5.39 against last Wednesday's closing price of RM4.69. It is forecast to achieve a net profit of RM1.04 billion for the financial year ending July 31, 2025 (FY2025) versus RM912.13 million in FY2024.

For investors looking to tap the energy sector amid the geopolitical tensions, Deleum appears to be a fair choice. Analysts believe its growth potential has not been fully realised from its latest acquisitions, improvement in operational efficiency and contract replenishments on better terms. Its annual net profit for the financial year ended Dec 31, 2024 (FY2024) jumped 62.4% to RM74.16 million, with a consensus net earnings forecast of RM88.7 million in FY2025.

Although the oil and gas equipment and services player's share price has gained over 17% this year, all four analysts covering Deleum have "buy" calls with a consensus target price of RM1.98. This works out to a potential upside of about 27% from last Wednesday's closing price of RM1.56. An attractive dividend yield of 7.08% is a plus point as the management has committed to a 50% payout ratio.

While maintaining AMMB in our portfolio, Public Bank is also favoured for its undemanding valuations, trading at around -1 standard deviation of its 10-year price-to-book valuation cycle. Backed by asset quality strength and superior returns on equity, the country's third-largest bank by assets is well positioned to be a top choice for potential foreign investors returning to the Malaysian market, says TA Securities.

Apart from that, Public Bank's acquisition of a 44.15% stake in insurer LPI Capital Bhd (KL:LPI) will enhance the former's non-interest income. Maybank Investment Bank Research is of the view that Public Bank's RM1.2 billion management overlays should keep its credit costs low.

Household name 99 Speed Mart continued to demonstrate resilient growth amid a softening in consumer spending. The absence of export exposure should provide earnings visibility to the company, given current macroeconomic conditions.

AmInvestment Bank Research in a recent report highlighted that 99 Speed Mart's same-store sales growth remained positive at 1.7% as at end-March 2025, with no signs of market saturation. Also, the steady average basket size of RM21.80 suggests sustained consumer spending despite cost of living pressures.

To support future growth, it is expected to commence operations at its new distribution centre in Cyberjaya, Selangor following the commissioning of its Miri, Sarawak distribution centre earlier in March.

In this mid-year review, we are including a tech stock into our portfolio to capitalise on any potential recovery in the sector. Penang-based automated test equipment maker (ATE) Pentamaster could benefit from growing demand for factory automation solutions (FAS) on the back of the reshoring of manufacturing activities to the US and other key regions, according to RHB Research's May 13 note.

Pentamaster's ATE and FAS businesses are exposed to the medical, automotive, electro-optical, semiconductor, and consumer and industrial products segments. For the financial year ended Dec 31, 2024 (FY2024), the medical industry contributed almost half of the group's revenue, while automotive made up 22.9%.

The group is collaborating with Taiwanese partners to privatise its Hong Kong-listed Pentamaster International Ltd, which could pave the way for bigger collaborations in the future.

Bloomberg data show Pentamaster having six "buy" and four "hold" calls. Its consensus target price of RM3.18 offers an upside of around 5%. Valuation-wise, its forward price-earnings ratio of close to 29 times is cheaper than its peer Vitrox Corp Bhd's (KL:VITROX) 52 times.

Pentamaster's share price has rebounded by 60% from its intraday trough of RM1.86 on April 9 following US President Donald Trump's announcement of Liberation Day tariffs. YTD, it is still down some 38%.

For the stock picks by fund managers and heads of research, Fortress Capital founder and CEO Datuk Thomas Yong's Sunway Construction Group Bhd (KL:SUNCON) has the lead with a 17.9% jump in share price since the beginning of the year. The stock surged to an all-time high of RM6.27 this month, after net profit for the January-March 2025 quarter more than doubled year on year (y-o-y) to RM75.72 million from RM32.4 million previously, driven by the accelerated progress of several data centre projects. Following Sunway Construction's share price rally, Yong chose to take profit on the stock, but did not introduce a new pick.

Steel Hawk Bhd (KL:HAWK), Rakuten Trade head of equity sales Vincent Lau's pick, has also been performing well. The oil and gas services provider's share price has yielded 13.2% YTD following the robust work orders from Petroliam Nasional Bhd (Petronas). Its January-March 2025 quarter net profit rose to RM8.17 million from RM3.23 million a year ago.

MIDF Research head Imran Yassin Md Yusof's pick, Fraser & Neave Holdings Bhd (KL:F&N), is up by 8.8% YTD, while Tradeview Capital CEO Ng Zhu Hann's choice, Duopharma Biotech Bhd (KL:DPHARMA), has risen 8% over the same period.

Nearly all fund managers and heads of research are maintaining their stock picks for the second half of the year, except for Imran, who recommended Tenaga Nasional Bhd (KL:TENAGA) in place of his pick for the first half of 2025, Malayan Banking Bhd (KL:MAYBANK), which rose marginally by 0.4% YTD.

He favours Tenaga for being a beneficiary of the National Energy Transition Roadmap and demonstrating strong demand growth, which surpassed the country's gross domestic product growth in 2024. The utility giant's expected dividend yield also remains attractive at 3.9%.

— *By Lee Weng Khuen*

How stock picks for 2025 have fared so far

COMPANY	SHARE PRICE ON JAN 8 (RM)	SHARE PRICE ON JUNE 25 (RM)	TOTAL RETURNS* (%)
***The Edge*'s picks**			
IJM Corp	3.23	2.51	-22.3
Press Metal Aluminium Holdings	4.75	5.00	5.2
YTL Power International	4.51	3.70	-18.0
AMMB Holdings	5.30	5.03	-5.1
VSTECS	3.90	3.07	-21.3
SKB Shutters Corp	0.93	0.74	-20.1
Sime Darby	2.25	1.71	-23.9
Genting	3.68	3.09	-16.1
United U-Li Corp	1.68	1.42	-15.3
Hap Seng Plantations Holdings	1.83	1.80	-1.4
Picks by fund managers and heads of research			
Duopharma Biotech	1.27	1.37	8.0
EG Industries	1.34	1.11	-17.2
NationGate Holdings	2.92	1.62	-44.6
Capital A	0.97	0.84	-13.0
Sunway Construction Group	5.01	5.90	17.9
Steel Hawk	0.46	0.515	13.2
Kawan Renergy	0.87	0.695	-19.7
Malayan Banking	9.76	9.79	0.4
Fraser & Neave Holdings	26.36	28.68	8.8

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

**Between Jan 8 and June 25, 2025*