3 December 2019

MALAYSIA EQUITY

EARNINGS WRAP

Review of corporate earnings

Quarter Ended September 2019

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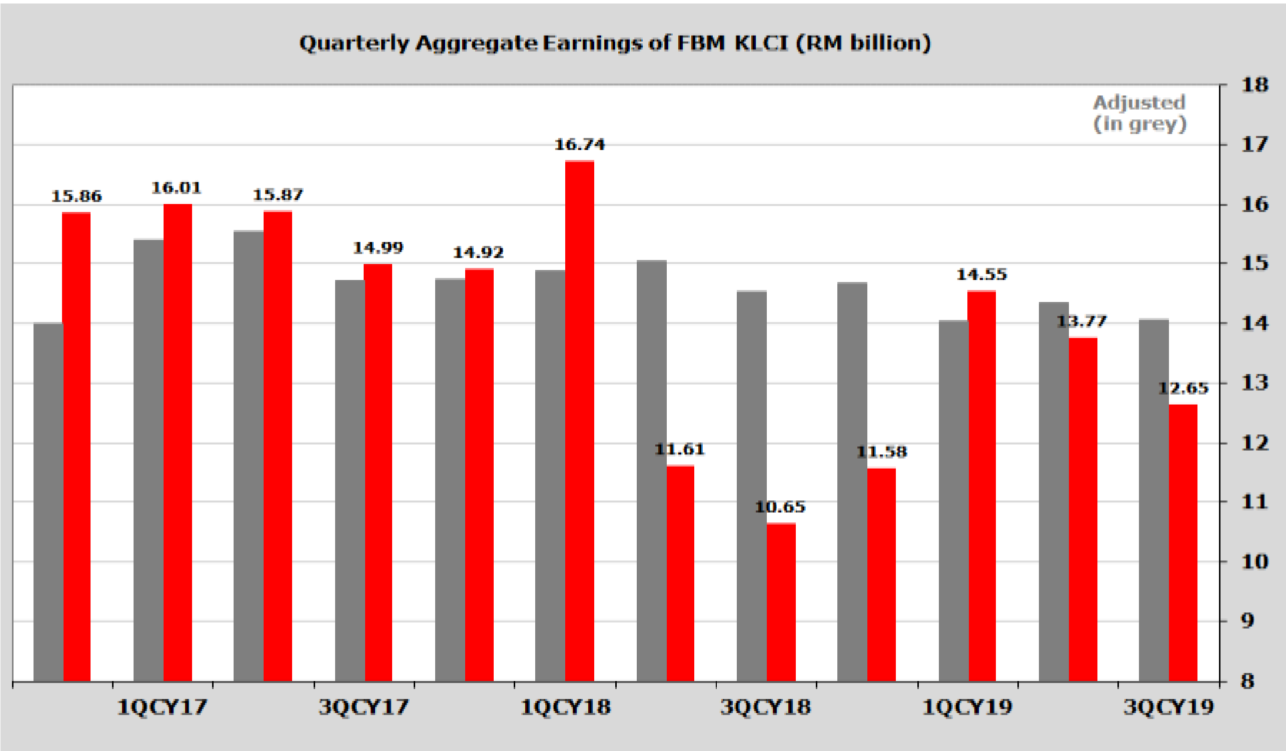
3 December 2019 | Earnings Wrap

Listless

- *The aggregate reported earnings of FBM KLCI 30 constituents totalled RM12.65b in 3QCY19, negative sequentially but positive on-year at -8.1%qoq and +18.8%yoy respectively.*
- *On adjusted basis, the aggregate normalized growth was less negative sequentially at -2.1%qoq while the on-year figure turned negative at -3.4%yoy.*
- *Within MIDFR Universe, 9% of stocks under coverage reported higher than expected earnings. Of the rest, 28% posted earnings that were lower than expected versus 63% which came within expectations*
- *Target price changes involved 27 upward adjustments and 30 downward adjustments*
- *We made 12 changes to our stock recommendations with 8 upgrades and 4 downgrades*
- *The aggregate earnings estimate for FY2019 and forecast for FY2020 of the FBM KLCI constituents under our coverage were cut by -3.3% to RM51.4b and -1.4% to RM55.0b respectively*
- *It is notable that the downward adjustments in forward earnings were rather lumpy (involving big quantum among small number of companies) and not entirely broad based*
- *We maintain our 2019 FBM KLCI baseline target at 1,630 points*

FBM KLCI

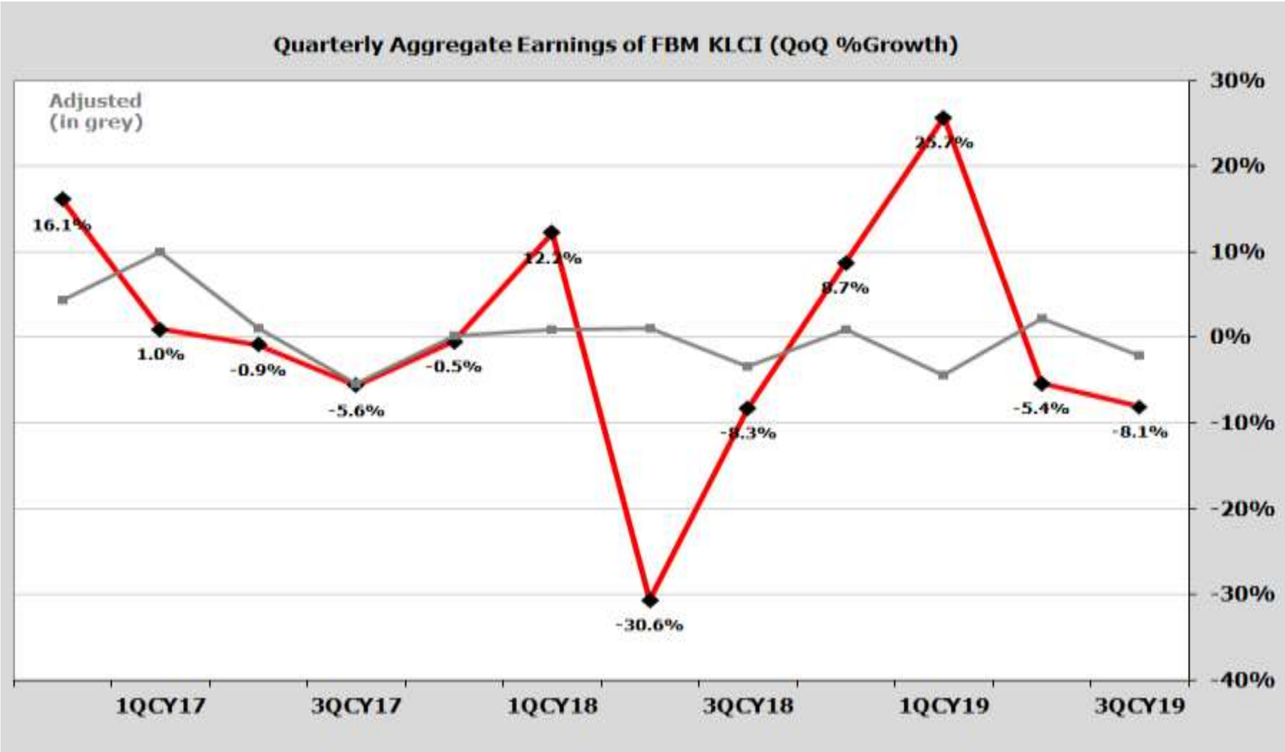
The aggregate reported earnings of FBM KLCI 30 constituents totalled RM12.65b in 3QCY19, negative sequentially but positive on-year at -8.1%qoq and +18.8%yoy respectively.



Source: Bloomberg, MIDFR

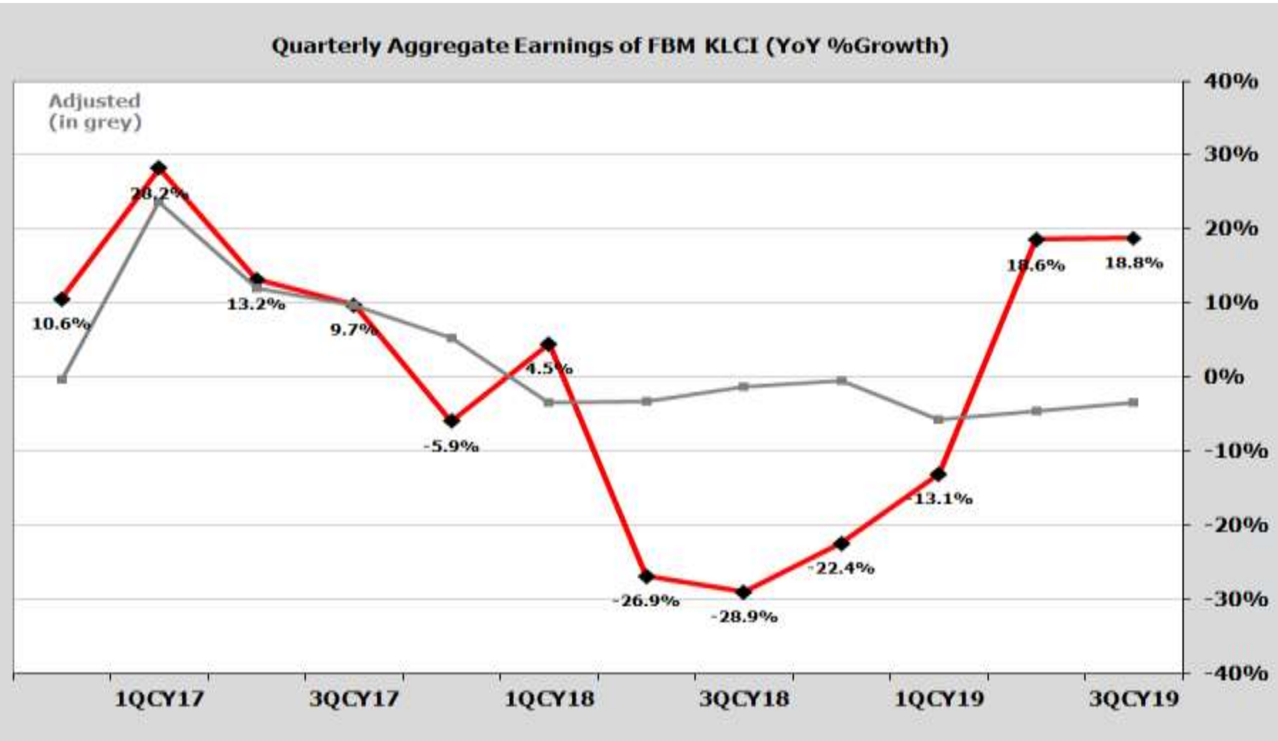
However, the aggregate reported earnings figure requires some adjustments in order for the sequential and on-year growth numbers to reflect a fairer picture of the benchmark's earnings performance. On this score, the aggregate normalized 3QCY19 earnings of FBM KLCI 30 constituents was higher at RM14.05b.

After neutralizing the impact of non-operational items (3QCY19: -RM1.40b, 2QCY19: -RM584.9m, 3QCY18: -RM3.89b), the aggregate normalized growth in 3QCY19 was less negative sequentially at -2.1%qoq while the on-year figure turned negative at -3.4%yoy.



Source: Bloomberg, MIDFR

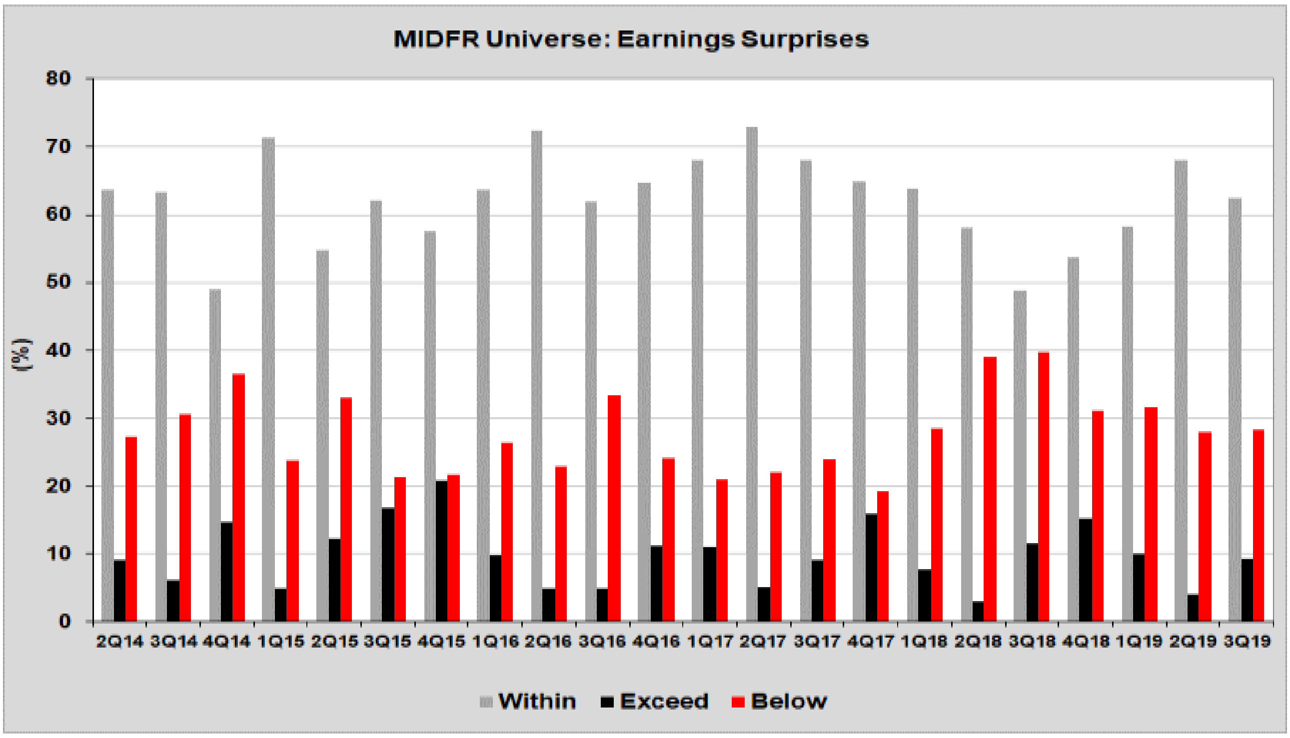
It is noteworthy that the normalized sequential performance in 3QCY19 registered a slight growth deterioration vis-à-vis +2.3%qoq achieved in the prior quarter. Nonetheless, the adjusted on-year performance was slightly better in comparison to the -4.6%yoy growth achieved during the preceding 2QCY19 quarter.



Source: Bloomberg, MIDFR

MIDFR Universe

Under MIDFR Universe, we made 12 changes to our stock recommendations with 8 upgrades and 4 downgrades. Moreover, target price changes involved 27 upward against 30 downward adjustments. Refer to Appendix 1 for company-specific details with regard to revisions in recommendations and target prices.



Source: MIDFR

The percentage of companies within MIDFR Universe which registered earnings that came below our expectations remained at 28% in 3QCY19 from the same level in the prior quarter. Moreover, the percentage of positive surprises improved to 9% in 3QCY19 from 4% in the prior quarter.

MIDFR Universe: Earnings Surprises

	Within	Exceed	Below
CONSTRUCTION	14%	29%	57%
CONSUMER PRODUCTS & SERVICES	50%	11%	39%
ENERGY	71%	29%	0%
FINANCIAL SERVICES	63%	13%	25%
HEALTH CARE	43%	0%	57%
INDUSTRIAL PRODUCTS & SERVICES	100%	0%	0%
PLANTATION	38%	13%	50%
PROPERTY	67%	0%	33%
REITS	63%	0%	38%
TECHNOLOGY	80%	20%	0%
TELECOMMUNICATIONS & MEDIA	57%	14%	29%
TRANSPORTATION & LOGISTICS	88%	0%	13%
UTILITIES	67%	0%	33%
TOTAL	**63%**	**9%**	**28%**

Source: MIDFR

Accordingly, companies with results that were in line with expectations declined to 63% in 3QCY19 from 68% in the prior quarter. Refer to Appendix 2 for company-specific details with regard to the earnings outperformers and underperformers.

MIDFR Universe: Sectoral Quarterly Net Profit (as reported, RM Million)

	YoY (%)	QoQ (%)	3Q19	2Q19	1Q19	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16
CONSTRUCTION	580.6	2.3	357	349	544	366	52	409	363	462	337	410	527	388
CONSUMER P&S	(58.6)	6.4	874	821	1,535	566	2,112	1,690	2,325	1,034	2,008	789	1,825	416
ENERGY	(173.1)	81.4	333	183	696	-1,087	-455	-587	-2,134	-22	373	200	-78	-1,300
FINANCIAL SERV	(3.0)	(4.8)	7,352	7,721	7,457	7,826	7,578	8,062	7,664	7,371	7,232	6,432	6,718	7,006
HEALTH CARE	94.2	13.0	513	454	417	872	264	488	421	462	402	586	766	216
INDUSTRIAL P&S	(39.3)	(37.6)	904	1,449	1,109	1,628	1,491	1,657	1,236	1,586	1,206	1,287	1,459	1,433
PLANTATION	(68.0)	(238.9)	-135	97	536	415	-421	242	2,642	1,595	1,132	2,058	1,923	1,318
PROPERTY	4.9	(14.7)	458	537	462	559	437	1,203	446	882	831	908	599	1,423
REITS	(24.0)	(14.4)	356	416	375	483	469	592	371	759	383	480	356	510
TECHNOLOGY	127.9	(42.0)	72	125	111	172	32	162	140	192	183	178	160	172
TELECO & MEDIA	46.0	(2.8)	1,241	1,277	1,849	-725	849	-2,185	1,090	834	1,764	1,622	1,461	919
TRANSP & LOGIS	(0.2)	(12.6)	753	861	899	710	755	596	976	448	1,009	881	1,024	1,043
UTILITIES	35.6	(3.4)	1,777	1,839	2,332	347	1,310	1,973	2,943	2,995	2,482	2,874	2,441	2,568
TOTAL	9.9	(7.5)	14,907	16,113	18,165	12,525	13,559	13,942	17,340	17,796	18,837	18,611	18,563	15,635

Source: MIDFR

Cumulatively, the reported earnings of companies under MIDFR Universe totalled RM14.91b in 3QCY19. The aggregate earnings growth was negative sequentially at -7.5%qoq but positive on-year at +9.9%yoy.

Construction and Healthcare were the sectors which recorded improved total earnings (as reported) in 3QCY19 when compared to both the preceding quarter and corresponding period last year.

On the other hand, Industrial Product & Services, Plantation, REITs and Transport & Logistics were those that showed negative sequential as well as on-year earnings (as reported) growth percentages in 3QCY19.

Sectoral commentary

Construction: Among our covered names, KKB Engineering was our best performer for 9MFY19, beating our and market expectations at 143.8% and 130.5% respectively. KKB's outperformance was driven by the +23%yoy increase in total revenue, driven by the higher progress billings of on-going projects which include Pan Borneo Highway. Given that KKB's exposure was mostly concentrated in Sarawak, we continue to believe that its prospect remains encouraging due to the growth narrative in Sarawak leading to 2021 state election. Meanwhile, 3QFY19 has proven to be challenging for most construction companies in West Malaysia due to the prolonged negotiations of high-value project namely LRT3. Consequently, we saw their revenue being impacted in the period due to sluggish progress billings, leading to year-on-year drop in earnings. Following the result announcements, our recommendations for all of the covered names were maintained. This was on the account that construction landscape is expected to remain challenging in the immediate term, coupled with catalysts which have yet to firm up.

Consumer (Auto): Generally, auto sector results disappointed in 3Q19. Two of 4 companies (Tan Chong and UMW) within our coverage underperformed both our and consensus expectations. MBM Resources outperformed consensus estimates but was in-line with ours. BAuto is scheduled to announce their results in the 2nd week of December. The underperformance at Tan Chong was driven by the weak Ringgit and lower than expected Nissan TIV. Meanwhile UMW's underpeformance was partly driven by the weak Ringgit, as well as revenue and margin contraction at the equipment division given a slowdown in mining, manufacturing and construction activities and stiff competition.

Consumer (Aviation): The finance costs of airlines increased significantly during amidst the adoption of MFRS16 impacted earnings of airlines such as AirAsia Group and AirAsia X. In addition, maintenance expense rose following higher provision for engine overall with higher number of leased aircrafts. We expect the effect to be felt until end of FY19 when a new base is established.

Consumer (F&B; Retail): Consumer staple companies under our coverage namely Nestle, F&N and QL Resources performance in the 3QFY19 are within expectation. Earnings growth remains resilient despite the challenging domestic market condition underpinned by the: (i) strong product innovation and; (ii) continued strong export growth.

However, retailers such as AEON and Padini registered subdued performance due to the: (i) high base effect as sales was stronger in 3QFY18 caused by GST free period and; (ii) low consumer sentiment. This resulted in the decline in retail sales performance during the quarter.

Energy (Oil & Gas): The oil and gas support services companies in general continues to perform well during the quarter with most benefitting from continued encouraging offshore activity levels by upstream oil and gas producers. In addition, we observed improved operations and profits coming from vessel providers, i.e. FPSO and OSV providers as we understand that there is limited supply of vessels currently in the market. This in turn has resulted in recovery in the daily charter rates and utilization rates for the vessels during the quarter. Meanwhile, the downstream oil and gas companies have also managed to maintain more-or-less their respective operating margins despite industry-specific challenges. That said, some profits were seen shaved slightly due to lower and less favourable average selling prices (ASPs) during the quarter which was attributable to the weak Brent crude oil price movement during the period under review. The outliers registering earnings below expectations for the quarter were MMHE, Wah Seong and Petronas Dagangan due to segment specific or company specific complications.

Financial (Banking): For the recently concluded 9MCY19 earnings, we observed that banking stocks under our coverage have been mostly in line with our expectations. There were a few under performance but these were bank specific issues. Main drivers for most of the banks had been the recovery in net interest margins (NIM) and gains from its fixed income trading book. The NIM recovery was due to repricing of deposits, but we were pleasantly surprised that it had recovered quickly as the OPR cut only came in May'19. We had expected two quarter before we see impact from deposit repricing. Also, with all banks meeting NSFR requirements, we believe that deposits competition have become less intense. Hence, some banks were releasing the more expensive fixed deposits. There were some increase in provisioning but in our opinion it was still at a manageable level. However, we will be keeping a close eye on asset quality in case further stress appears. Loans growth was tepid but it was due to slowing demand especially from the corporate segment. We have observed this trend since the escalation of the US-China trade spat and this could have creep into business sentiment. Nevertheless, consumer loans such as mortgage have been providing a good support as mortgage growth have been robust.

Financial (Insurance): The only takaful operator out of the three insurance companies under our coverage performed better-than-expected, the other two were in-line and below our expectation respectively. Notably, the main driver of growth continued to be coming from the Family Takaful segment. Taking Syarikat Takaful Malaysia Keluarga Berhad (Neutral, TP:RM6.60) as a reference, its Family Takaful's NEC jumped by +27.2%yoy in 9MFY19 and its claims ratio improved by -17.3ppts(yoy). On the general insurance segment, we observed that the performance continued to be subdued whereby the segment's industry gross written premium (GWP) continued to experience contraction. In addition, the industry's lower demand in general insurance coupled with an increase in claims costs had affected the underwriting performance of the industry. Despite this, the general segment of some of the insurance companies under our coverage still managed to record borderline double-digit positive growth in earned premium. We also noticed that the general insurers were on track to grow its non-motor business portfolio which are more profitable albeit lower premium amidst the liberalisation exercise of the motor and fire insurance. Consequently, this has negatively affected the performance of some of general insurers' top-line due to restructuring exercises but marginal improvement in underwriting profit such as Tune Protect Group Berhad (Buy, TP:0.72).

Healthcare (Equipment-Glove): Glove players under our coverage reported a dropped in earnings in comparison to the previous corresponding quarter. This was due to the contraction in average selling price (ASP) in view of the intensifying competition among glove players. The recent restoration of the supply-demand dynamic came at cost of lower ASP despite the picked-up in demand. In the near term, we believe that higher sales volume resulting from capacity expansion coupled with the cost optimisation effort will sustain earning growth.

Healthcare (Provider): Hospital operators recorded healthy earnings in the recent concluded quarter. The 3QFY19 earnings for both KPJ and IHH were within our expectations as performance of their Malaysian operation remains intact. In terms of operating statistics, we note that the number of admissions for inpatient particularly for Malaysian hospitals of both operators was up by +5.6%yoy and +14.9%yoy respectively. In regards to IHH, the strong performance of Parkway Pantai's hospitals in Singapore and Malaysia has continued to support overall group's earnings despite weaker performance of some of its overseas hospitals.

Media: Earnings of media companies under our coverage continues to underperform (i.e. Star Media Group Berhad (SELL, TP:0.36) and Media Prima Berhad (Neutral, TP:0.30)) in 3QCY19. This was mainly attributable to the industry-wide subdued advertising expenditure (adex) environment. Thus, the lower advertising spend has led to lower earnings across all media platforms, particularly the traditional segments such as TV, Radio and Publishing which still contributed a large chunk of the media companies' earnings. In addition, the shift in advertisers' preference to advertise on digital platforms has been putting immense downward revenue pressure on the traditional businesses of the media industry. Digital segment did not go unscathed as well, recording dull earnings performance. While cost-cutting measures such as manpower rationalisation had been taken place and almost hit the plateau, the resulting improvement in operating costs is insufficient to mitigate the larger decline in revenue. On the contrary, the home shopping networks (i.e. Go Shop and CJ Wow shop) continues to generate positive momentum albeit remain a smaller contributor to earnings. However, we observed that the cash reserve of the media companies under coverage remains healthy and stable at current juncture.

Plantation: Plantation companies under our coverage continue to experience a challenging quarter as the price of crude palm oil (CPO) still hovering at low level. The average selling price (ASP) of CPO in the 3QCY19 was RM2,010.0/Metric Tonne (MT), representing just slightly above the industry's average cost of production resulting in lower profit margin and earnings. On a year-over-year comparison, it stills constitute a decline of –3.4%yoy. This was mainly due to a confluence of several factors. Firstly, the CPO inventory level remained elevated due to continued higher production on a year-over-year basis during the high seasonal production period. Secondly, we saw a sharp sequential decline in the palm oil export to India. This was mainly attributable to the Indian government raising additional tariff rate of 5% on Malaysian refined palm oil, possibly shifting purchases to the cheaper pricing of Indonesian palm oil. Thirdly, the call of a trade ban on Malaysian palm oil as lobbied by Mumbai-based Solvent Extractors' Association of India has led to buyers withheld palm oil purchases leading to subdued export demand. Consequently, the low ASP of CPO has negatively impacted plantation companies' earnings, including both pure upstream and vertically integrated industry players (i.e. included both upstream and downstream). Note that six out of nine plantation companies under our coverage have performed below our expectations.

Property: Earnings of property companies were mixed in the recently concluded earnings reporting season. Four property companies reported earnings that met our expectations while three property companies reported earnings that were below expectations. None of the property companies reported earnings exceed expectation, indicating performance of property companies remains unexciting. Earnings of property companies with international exposure were partly cushioned by contribution from oversea projects. Meanwhile, most of the property companies saw their new property sales on track to meet their new sales target as the property companies had been conservative in setting their new sales target to either flattish or lower on yearly basis. Looking ahead, new property sales in 4QCY19 could be supported by Home Ownership Campaign 2019 (HOC 2019) which has been extended until 31st December 2019. Overall, there is no major excitement in the sector hence we remain our Neutral stance on property sector.

REITs: Out of the eight REITs in our universe, five met our full year earnings estimates while three missed mainly due to higher than expected property and/or non-property expenses. Five REITs, namely, Axis REIT (+1.0%), IGB REIT (+5.4%), Sunway REIT (+1.0%), KLCC Stapled Group (0.8%) and Amanahraya REIT (+3.6%) registered positive cumulative on-year growth. REITs that registered flat core net income were Pavilion REIT and Al-'Aqar Healthcare REIT. CMMT is the only REIT that registered a decline in earnings, which is 21% lower compared to a year ago. The spread between MGS 10-year yield and REITs we cover stood at 1.4ppt, which is deemed unattractive. We note that the impact of the 25bps OPR cut in May on REITs during the quarter has been minimal. We continue to prefer Sunway REIT (BUY; TP: RM2.02) among the REITs we cover for its stable income growth from Sunway Pyramid Shopping Mall and more balanced asset portfolio. We have downgraded Amanahraya REIT to NEUTRAL (previously BUY); TP: RM0.79 as we anticipate a more challenging environment for some of its assets, which may taper its income growth going forward.

Technology: Semiconductors companies under our coverage earnings performance came in lower, in-line with our expectations. Those who primarily serves the smartphone market has experience decline in production volume leading to lower earnings due to slower demand of the end product. However, D&O Green Technology Bhd, who caters specifically for the automotive industry, earnings came in better than expected as the group garner market share. Meanwhile, MY E.G Services Bhd earnings were relatively resilient, supported by both the concession-related and commercial services.

Telecommunication: Fixed line player, Telekom Malaysia Bhd's (TM) earnings continue to improve, owing mainly to its rigorous cost management initiatives. However, revenue continued to contract, especially from Unifi and TM One. Meanwhile, mobile operators recorded lower earnings, in view of the competitive mobile landscape. The competitive landscape has impeded any growth in ARPU. Meanwhile, the migration from prepaid to postpaid continue to be seen, leading to improvement in postpaid financial performance. In general, the mobile operators have increased its capital spending, with the exception of TM.

Transportation & Logistics: For airports, MAHB's effort of increasing international flight connectivity to other airports such as Langkawi combined with the relaxation of visa policies will propel the growth in passenger numbers. Finance and operating costs continue to be a drag on earnings of logistics players as they are in need to keep up with customer's demand. As such, logistics players have invested heavily in expansion plans for fleets, automation and warehouses but have yet to materialize. In other words, logistics players are gaining businesses at the expense of thinner margins.

Utilities: For the utilities sector, two companies (Tenaga and Ranhill) performed within expectations while another two (YTL Power and YTL Corporation) underperformed. The underpeformance at YTL Power was driven by widening losses at Power Seraya given a sharp reduction in vesting contract levels and losses in fuel oil trading, while its mobile broadband division's losses also widened given the absence of the Bestarinet contract contribution. The weaker than expected earnings at YTL Power impacted YTL Corporation's earnings, which was compounded by losses at its cement division post-acquisition of Malayan Cement.

Outperformer versus underperformer

In comparison to the preceding quarter, there was an improvement in the ratio of outperformers against underperformers at 2:4 in 3QCY19.

FBM KLCI: Outperformer versus Underperformer

	No. of Outperformer	No. of Underperformer
3QCY19	2	4
2QCY19	1	7
1QCY19	2	6
4QCY18	4	7
3QCY18	4	2

Source: MIDFR

Changes to forward earnings

The aggregate FY2019 earnings estimate of the FBM KLCI constituents under our coverage was cut by -2.3% to RM51.4b vis-à-vis our earlier forecast prior to the latest reporting season. Likewise, the FY2020 figure was shaved by -1.4% to RM55.0b.

Moreover, the aggregate FY2019 earnings estimate and FY2020 earnings forecast of the stocks under MIDFR coverage universe was slashed by -7.1% to RM68.9b and by -3.7% to RM75.3b respectively vis-à-vis our earlier projections prior to the latest reporting season.

In above regard, it must be highlighted that the quite sizable cut in the forward estimates for FY2019 and FY2020 involved lumpy downward earnings adjustments for companies such as Sapura Energy, AirAsia Group, Petronas Chemicals, Sime Darby Plantations, YTL Corp and YTL Power.

Refer to Appendix 3 with regard to changes in aggregate earnings estimates.

Maintain FBM KLCI 2019 baseline target at 1,630 points

In gist, the latest quarterly corporate earnings performance was rather listless and failed to excite which was reflected in the diminution of our aggregate forward earnings estimates for both FY2019 and FY2020. Nonetheless, as stated above, the downward adjustments in forward earnings were rather lumpy (involving big quantum among small number of companies) and not entirely broad based.

Moreover, it is notable that (1) the ratio of outperformers against underperformers among the FBM KLCI constituents under our coverage improved in 3QCY19 vis-à-vis the preceding quarter, and (2) the percentage of underperformers among the stocks under our coverage universe showed a sequential decline during the review quarter.

We maintain our year-end 2019 baseline target for the local benchmark from 1,630 points.

APPENDIX 1

MIDFR Universe: Changes in Recommendations & Target Prices

STOCK	SECTOR	RECOMMENDATION		TARGET PRICE (RM)	
		Old	New	Old	New
Gabungan AQRS	Construction	Buy	Buy	1.72	1.65
Gamuda	Construction	Neutral	Neutral	3.38	3.70
MRCB	Construction	Buy	Buy	0.96	0.84
AirAsia Group	Consumer	Buy	Buy	2.12	2.04
BAT	Consumer	Neutral	Buy	28.80	25.90
Leong Hup	Consumer	Neutral	Neutral	0.88	0.85
MSM	Consumer	Sell	Sell	0.88	0.70
Panasonic	Consumer	Neutral	Neutral	37.20	31.92
Petronas Dagangan	Consumer	Buy	Buy	28.35	27.75
PPB Group	Consumer	Neutral	Neutral	17.43	17.87
Spritzer	Consumer	Neutral	Buy	2.42	2.73
Tan Chong Motor	Consumer	Neutral	Neutral	1.50	1.40
UMW Holdings	Consumer	Neutral	Neutral	5.35	4.50
Bumi Armada	Energy	Buy	Buy	0.38	0.56
Dayang Ent	Energy	Buy	Buy	1.70	2.69
Deleum	Energy	Neutral	Neutral	0.84	1.11
Alliance Bank	Financial	Trading Buy	Trading Buy	3.50	3.35
AMMB	Financial	Neutral	Trading Buy	4.20	4.20
Hong Leong Bank	Financial	Neutral	Neutral	17.00	17.70
Hong Leong Fin	Financial	Neutral	Neutral	16.85	17.00
Tune Protect	Financial	Buy	Buy	0.92	0.72
Hartalega	Healthcare	Neutral	Neutral	4.77	4.90
IHH	Healthcare	Buy	Buy	6.84	6.78
Pharmaniaga	Healthcare	Buy	Neutral	2.95	2.27
Supermax	Healthcare	Buy	Buy	2.07	2.09
Topglove	Healthcare	Neutral	Neutral	4.58	4.23
UEM Edgenta	Healthcare	Neutral	Neutral	3.45	3.22
Favelle Favco	Industrial	Buy	Buy	2.89	3.22
P.I.E. Ind	Industrial	Buy	Buy	1.27	1.60
Scicom (MSC)	Industrial	Neutral	Neutral	0.97	1.10
Sunway	Industrial	Neutral	Neutral	1.56	1.72
FGV	Plantation	Neutral	Neutral	0.96	1.20
Genting Plant	Plantation	Sell	Neutral	8.40	10.30
IJM Plant	Plantation	Sell	Neutral	1.16	1.73
IOI Corp	Plantation	Sell	Neutral	3.48	4.22
Ta Ann	Plantation	Neutral	Neutral	2.18	2.50

STOCK	SECTOR	RECOMMENDATION		TARGET PRICE (RM)	
		Old	New	Old	New
TSH Res	Plantation	Neutral	Neutral	0.89	1.08
E&O	Property	Neutral	Neutral	0.75	0.60
Mah Sing	Property	Buy	Buy	1.04	0.88
S P Setia	Property	Buy	Buy	2.53	1.86
Amanahraya REIT	REIT	Buy	Neutral	0.91	0.79
Axis REIT	REIT	Neutral	Neutral	1.84	1.82
Pavilion REIT	REIT	Neutral	Neutral	1.79	1.71
D&O Green	Technology	Neutral	Neutral	0.56	0.64
Globetronics	Technology	Sell	Sell	1.47	1.82
Inari Amertron	Technology	Neutral	Neutral	1.41	1.80
MY E.G.	Technology	Neutral	Buy	1.45	1.49
Unisem	Technology	Sell	Sell	1.38	1.80
Astro	Telco & Media	Buy	Buy	1.74	1.84
Axiata	Telco & Media	Neutral	Neutral	4.68	4.48
Maxis	Telco & Media	Sell	Sell	4.68	4.61
Media Prima	Telco & Media	Sell	Neutral	0.32	0.30
Star Media	Telco & Media	Neutral	Sell	0.54	0.36
Gdex	Transportation	Neutral	Neutral	0.30	0.27
Litrak	Transportation	Trading Buy	Trading Buy	5.18	5.08
Westports	Transportation	Buy	Buy	4.27	4.82
YTL Corp	Utilities	Neutral	Neutral	1.03	0.78
YTL Power	Utilities	Buy	Neutral	0.88	0.70

Source: MIDFR

APPENDIX 2

MIDFR Universe: Outperformers and Underperformers

STOCK	SECTOR	Versus EXPECTATION (Above/Below)	COMMENT
KKB Eng	Construction	Above	KKB's construction revenue improved by +29.3%yoy to reach RM76.7m, resulting from higher progress billings of on-going projects. Pan Borneo Sarawak is huge contributor to income, which we expect to last until 2021
WCT Hldgs	Construction	Above	Driven by faster than expected billings progress of construction jobs
PPB Group	Consumer	Above	Higher profits from the grains and agribusiness segment
Spritzer	Consumer	Above	3QFY19 earnings was significantly lifted by a lower raw material cost as PET resin cost reduced more than -20.0%yoy
Dayang Ent	Energy	Above	Earnings during the quarter was driven primarily by higher revenue recognition from its MCM contracts as well as; higher utilization rate of its vessels at 91%
Deleum	Energy	Above	Higher earnings during the quarter was mainly attributable to improved performance across its business segment coupled with the turnaround of its Oilfield Solutions during the quarter
BIMB Holdings	Financial	Above	Boosted by strong performance of Syarikat Takaful
Syarikat Takaful	Financial	Above	Strong growth of net earned contribution from the Family Takaful segment
Ta Ann	Plantation	Above	Timber segment performed better than expected due to higher sales volume of export logs and plywood
D&O Green	Technology	Above	Higher demand of its products along with higher profit margin premised on the group's ongoing cost management initiatives
Astro	Telco & Media	Above	Commendable cost management which resulted in lower marketing, distribution and finance costs
Sunway Cons	Construction	Below	Earnings from construction segment were impacted by LRT3 packages which has led to slowdown in progress work
Gabungan AQRS	Construction	Below	Earnings were below expectation, attributable to the slower than expected progress of LRT3
IJM Corp	Construction	Below	Earnings was below expectation due to dismal contribution by plantation and constructions segments
MRCB	Construction	Below	Earnings were affected by the sluggish billings recognition of high-value construction projects and the soft environment of property market
AirAsia Group	Consumer	Below	Substantial increase in finance costs-lease liabilities and depreciation of right of use of asset following the MFRS16 adoption which is more than what we had expected. In addition, higher maintenance expense following higher provision for engine overall with higher number of leased aircraft
AirAsia X	Consumer	Below	Substantial increase in financing costs following the MFRS16 adoption. We expect the effect to be until end of FY19 when a new base will be established
MSM	Consumer	Below	Deteriorating average selling price of refined sugar and higher refining and finance costs from the operation of

STOCK	SECTOR	Versus EXPECTATION (Above/Below)	COMMENT
			Johor refinery
Panasonic	Consumer	Below	Decline in 3QFY19 earnings was attributable to the reduction in domestic sales by -16.4%yoy
Petronas Dagangan	Consumer	Below	Earnings came in below expectations primarily due to lower average selling prices of products during the quarters. This was mainly due to volatile MOPS prices which is as a result of the weakness in brent crude oil price
Tan Chong Motor	Consumer	Below	Nissan TIV underperformed, weak Ringgit
UMW Holdings	Consumer	Below	Weaker than expected equipment revenue and margins, weak Ringgit
Affin Bank	Financial	Below	Weakness in income as cost of fund went higher due to fixed deposits led deposits growth
Alliance Bank	Financial	Below	Provisions came in higher than expected as it had to impair previous vintage of Alliance One Account borrowers (pre-June'18)
Maybank	Financial	Below	We had underestimated the tax expense. However, PBT level were within our expectation
Tune Protect	Financial	Below	Net earned premium continues to decline
Kossan	Healthcare	Below	3QFY19 earnings declined by -10.8%yoy due to lower production volume
Pharmaniaga	Healthcare	Below	3QFY19 earnings was dragged by one-off expenses related to staff remuneration which we believe is an ex gratia
Supermax	Healthcare	Below	Quarterly revenue was impacted by a subdued average selling price
Topglove	Healthcare	Below	3QFY19 earnings declined by -13.3%yoy due to lower production volume
FGV	Plantation	Below	Lower CPO price and larger losses from its sugar sector
Genting Plant	Plantation	Below	Lower CPO and CPKO price as of 9MFY19
IJM Plant	Plantation	Below	Double-digit decline in CPO price as of 1HFY20
KLK	Plantation	Below	Lower CPO price and higher production cost led to lower earnings
E&O	Property	Below	The negative deviation is due to lower than expected contribution from property division which was dragged by weak progress billing
Mah Sing	Property	Below	The negative deviation could be attributed to the slower than expected progress billing in 3QFY19
S P Setia	Property	Below	Weaker than expected earnings could be attributed to the lower than expected progress billing
Amanahraya REIT	REIT	Below	Holiday Villa Alor Setar and Wisma AIC remain vacant during the quarter, prompting us to take a more cautious view on its rental income prospects. We expect CNI growth rate to taper going forward
Axis REIT	REIT	Below	Revenue for the period was up by 12%yoy but CNI improved by only 1% due to higher property and non-property expenses
Pavilion REIT	REIT	Below	Earnings did not grow in tandem with revenue, which was up by 7%yoy for the period mainly due to higher than

STOCK	SECTOR	Versus EXPECTATION (Above/Below)	COMMENT
			expected property expenses that jumped by 16%yoy
Media Prima	Telco & Media	Below	Continued decline in advertising expenditure from its traditional segments
Star Media	Telco & Media	Below	Operational turnaround still out of sight as revenue and EBIT margin continue to experience contraction
GD Express Carriers	Transportation	Below	Higher capital investment incurred for its regional expansion and information technology (IT) enhancement. This led to the nearly +20%yoy increase in overall operating expenses
YTL Corp	Utilities	Below	Weak Seraya earnings, larger than expected loss from absence of Bestarinet contract, larger losses at cement division post-acquisition of Malayan Cement
YTL Power	Utilities	Below	Weak Seraya earnings, larger than expected loss from absence of Bestarinet contract

Source: MIDFR

APPENDIX 3

MIDFR Universe: Changes in Aggregate Earnings Estimates

	EARNINGS (RM mn)				EARNINGS *(% Chg)*	
	FY2019		FY2020		FY2019	FY2020
	Old (E)	New (E)	Old (F)	New (F)		
TOTAL (MIDFR Univ.)	73,090.0	67,879.0	78,125.3	75,258.3	*(7.1)*	*(3.7)*
Annual % Change	*21.5*	*12.8*	*6.9*	*10.9*		
TOTAL (FBM KLCI) *	52,684.1	51,446.2	55,765.1	54,980.6	*(2.3)*	*(1.4)*
Annual % Change	*17.3*	*15.7*	*5.0*	*5.8*		

Source: MIDFR; (E)–estimate, (F)–forecast; * Aggregate earnings of 25 FBM KLCI constituents under MIDFR coverage

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 - X))
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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.