3 March 2020

MALAYSIA EQUITY

EARNINGS WRAP

Review of corporate earnings

Quarter Ended December 2019

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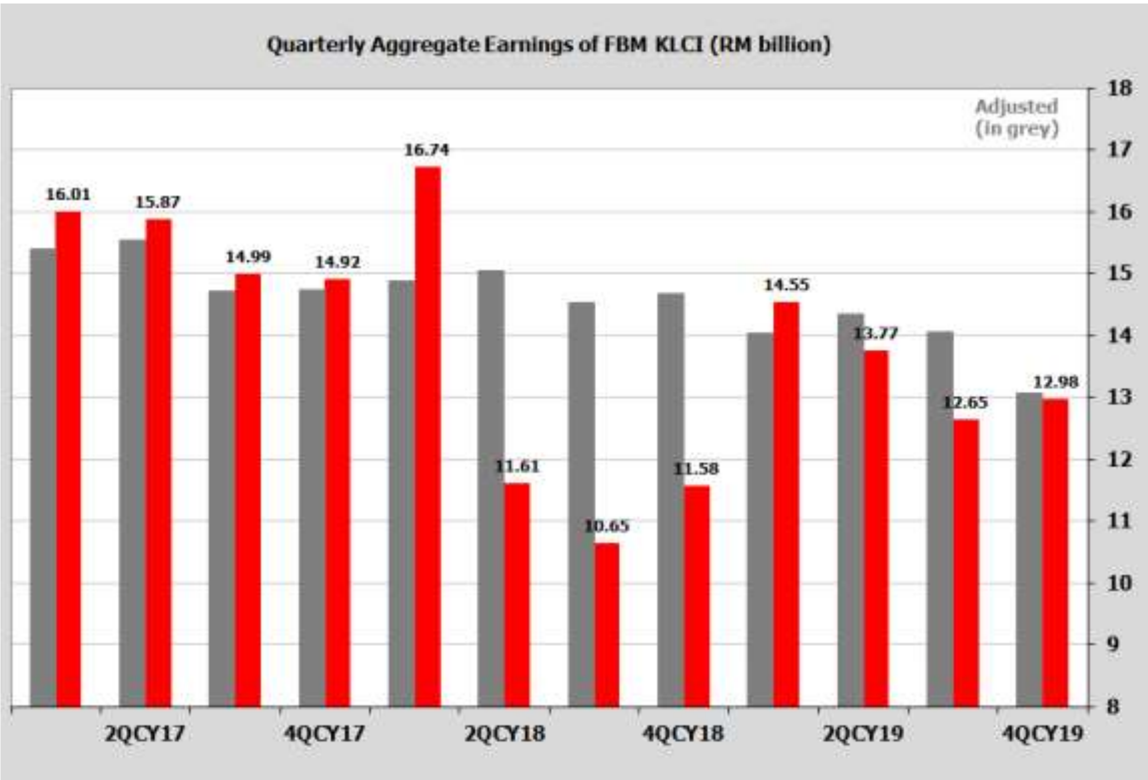
3 March 2020 | Earnings Wrap

Normalized growth remains under pressure

- *The aggregate reported earnings of FBM KLCI 30 constituents totalled RM12.98b in 4QCY19. It recorded positive growth both sequentially and on-year at +2.6%qoq and +12.1%yoy respectively.*
- *However, on adjusted basis, the aggregate normalized growth was under pressure both sequentially and on-year at -6.9%qoq and -10.9%yoy respectively.*
- *Within MIDFR Universe, 12% of stocks under coverage reported higher than expected earnings. Of the rest, 25% posted earnings that were lower than expected versus 63% which came within expectations.*
- *Target price changes involved 12 upward adjustments and 49 downward adjustments.*
- *We made 17 changes to our stock recommendations with 10 upgrades and 7 downgrades.*
- *The aggregate earnings estimate for FY2020 of the FBM KLCI constituents under our coverage was cut by -3.2% to RM53.2b.*
- *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 2020 FBM KLCI baseline target at 1,600 points.*

FBM KLCI

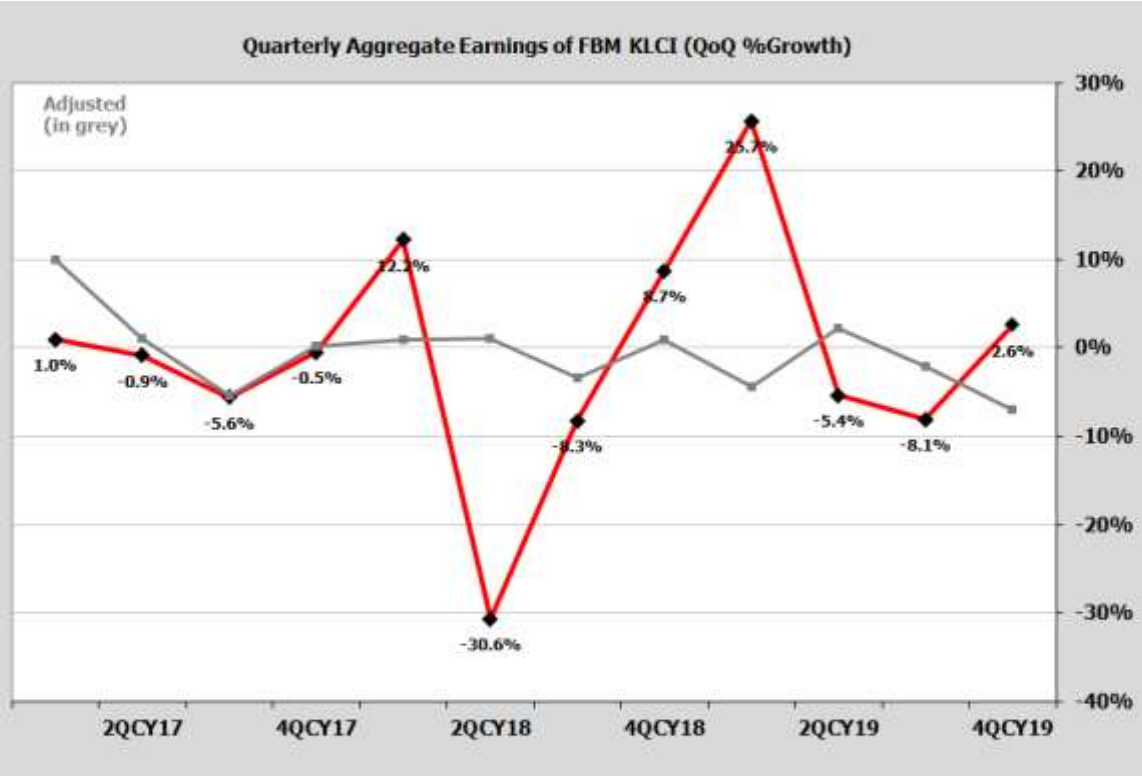
The aggregate reported earnings of FBM KLCI 30 constituents totalled RM12.98b in 4QCY19. It registered positive growth both sequentially and on-year at +2.6%qoq and +12.1%yoy respectively.



Source: Bloomberg, MIDFR

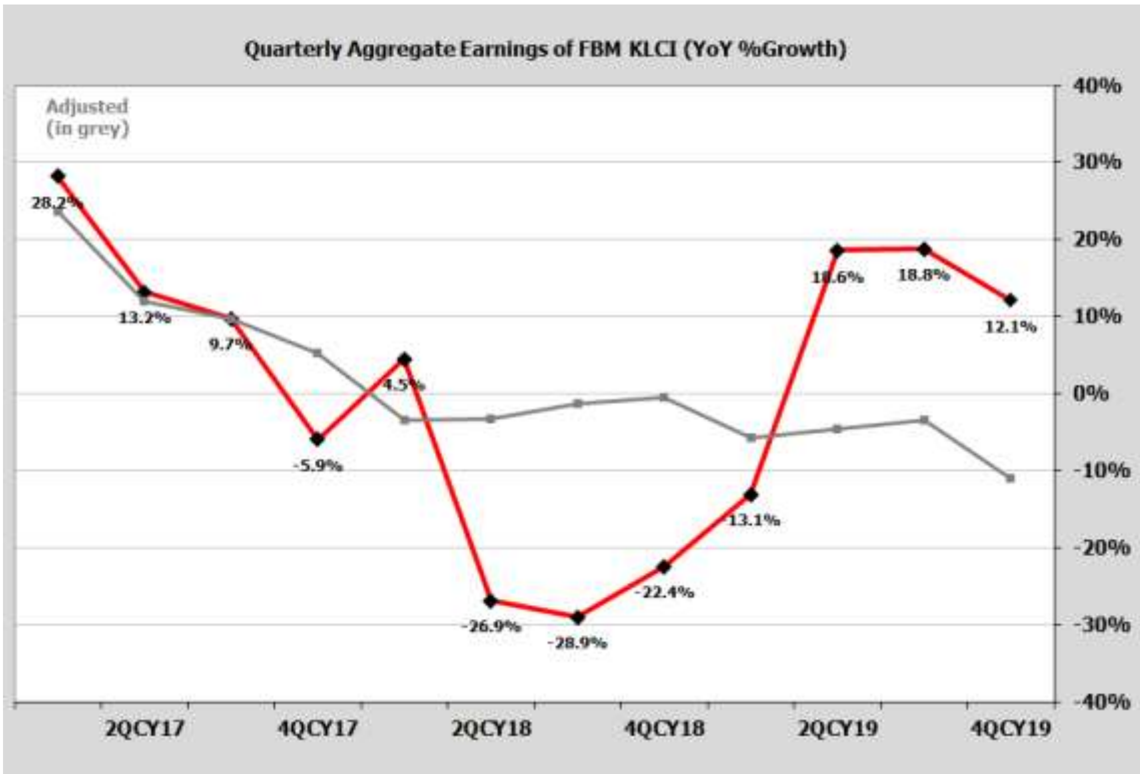
The aggregate reported earnings figure requires some adjustments in order for the sequential and on-year growth numbers to reflect a fairer picture of the benchmark's earnings performance. On this score, the aggregate normalized 4QCY19 earnings of FBM KLCI 30 constituents came in slightly higher at RM13.08b.

However, after neutralizing the impact of non-operational items (4QCY19: -RM96.2m, 3QCY19: -RM1.40b, 4QCY18: -RM3.10b), the aggregate normalized growth in 4QCY19 turned negative both sequentially and on-year at -6.9%qoq and -10.9%yoy respectively.



Source: Bloomberg, MIDFR

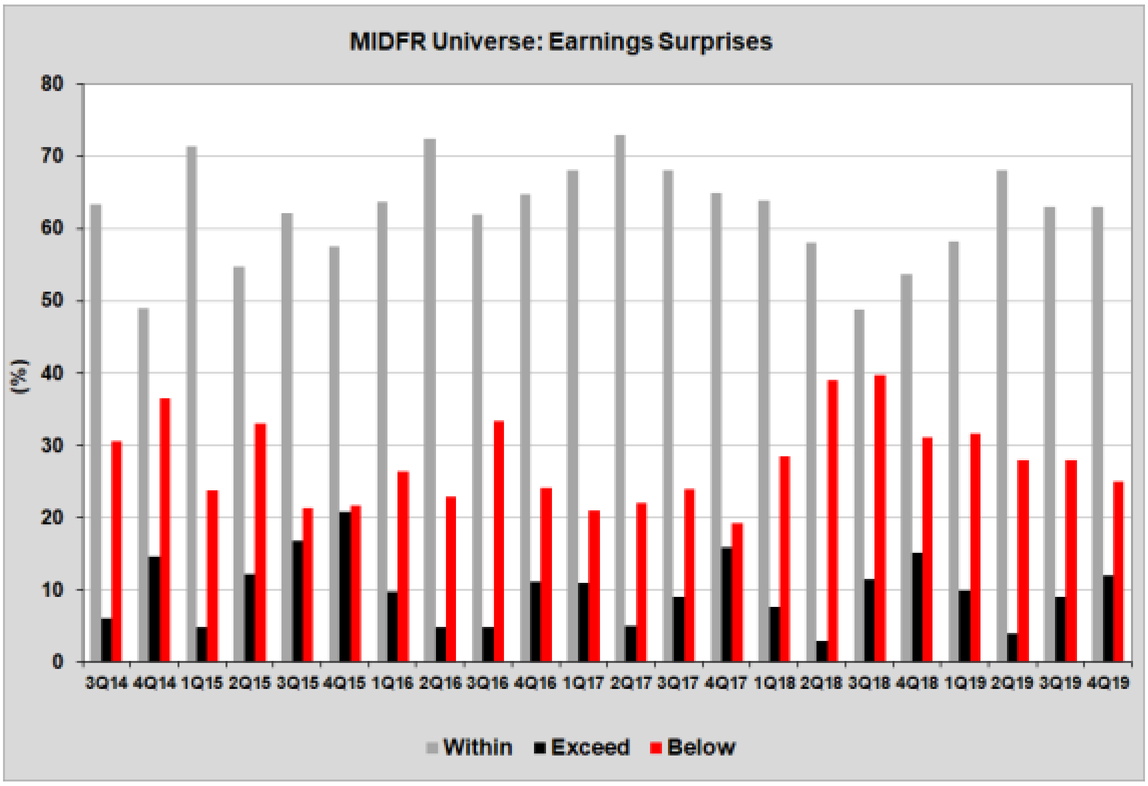
It is also noteworthy that the normalized sequential performance in 4QCY19 registered a further growth deterioration vis-à-vis -2.1%qoq achieved in the prior quarter. Likewise, the adjusted on-year performance in 4QCY19 was inferior in comparison to the -3.4%yoy growth achieved during the preceding quarter.



Source: Bloomberg, MIDFR

MIDFR Universe

Under MIDFR Universe, we made 17 changes to our stock recommendations with 10 upgrades and 7 downgrades. Moreover, target price changes involved 12 upward against 49 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 declined to 25% in 4QCY19 from 28% in the prior quarter. Moreover, the percentage of positive surprises improved to 12% in 4QCY19 from 9% in the prior quarter.

MIDFR Universe: Earnings Surprises

	Within	Exceed	Below
CONSTRUCTION	0%	14%	86%
CONSUMER PRODUCTS & SERVICES	67%	6%	28%
ENERGY	57%	14%	29%
FINANCIAL SERVICES	94%	0%	6%
HEALTH CARE	57%	14%	29%
INDUSTRIAL PRODUCTS & SERVICES	82%	0%	18%
PLANTATION	25%	38%	38%
PROPERTY	63%	25%	13%
REITS	75%	0%	25%
TECHNOLOGY	40%	20%	40%
TELECOMMUNICATIONS & MEDIA	71%	29%	0%
TRANSPORTATION & LOGISTICS	50%	25%	25%
UTILITIES	83%	0%	17%
TOTAL	**63%**	**12%**	**25%**

Source: MIDFR

Accordingly, companies with results which met expectation remained at 63% in 4QCY19 from the same level 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 (%)*	4Q19	3Q19	2Q19	1Q19	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17
CONSTRUCTION	*(37.8)*	*(36.3)*	228	357	349	544	366	52	409	363	462	337	410	527
CONSUMER P&S	*40.4*	*(9.1)*	795	874	821	1,535	566	2,112	1,690	2,325	1,034	2,008	789	1,825
ENERGY	*89.6*	*(133.9)*	-113	333	183	696	-1,087	-455	-587	-2,134	-22	373	200	-78
FINANCIAL SERV	*2.1*	*8.7*	7,993	7,352	7,721	7,457	7,826	7,578	8,062	7,664	7,371	7,232	6,432	6,718
HEALTH CARE	*(71.6)*	*(51.7)*	248	513	454	417	872	264	488	421	462	402	586	766
INDUSTRIAL P&S	*(58.0)*	*(24.8)*	674	895	1,415	1,006	1,603	1,447	1,639	1,219	1,560	1,171	1,253	1,450
PLANTATION	*31.6*	*504.5*	546	-135	97	536	415	-421	242	2,642	1,595	1,132	2,058	1,923
PROPERTY	*5.1*	*41.2*	657	465	548	465	625	432	1,200	442	868	839	902	596
REITS	*17.1*	*58.6*	565	356	416	375	483	469	592	371	759	383	480	356
TECHNOLOGY	*(42.0)*	*37.2*	99	72	125	111	172	32	162	140	192	183	178	160
TELECO & MEDIA	*244.3*	*(15.7)*	1,046	1,241	1,277	1,849	-725	849	-2,185	1,090	834	1,764	1,622	1,461
TRANSP & LOGIS	*(24.1)*	*(28.5)*	539	753	861	899	710	755	596	976	448	1,009	881	1,024
UTILITIES	*277.2*	*(26.4)*	1,308	1,777	1,839	2,332	347	1,310	1,973	2,943	2,995	2,482	2,874	2,441
TOTAL	***19.1***	***0.4***	14,969	14,904	16,090	18,065	12,566	13,510	13,920	17,319	17,756	18,810	18,572	18,552

Source: MIDFR

Cumulatively, the reported earnings of companies under MIDFR Universe totalled RM14.97b in 4QCY19. The aggregate earnings growth was positive both sequentially and on-year at +0.4%qoq and +19.1%yoy respectively.

Financial Services, Plantation, Property and REITs were the sectors which recorded improved total earnings (as reported) in 4QCY19 when compared to both the preceding quarter and corresponding period last year.

On the other hand, Construction, Healthcare, Industrial Product & Services and Transport & Logistics were those that showed negative sequential as well as on-year earnings (as reported) growth percentages in 4QCY19.

Sectoral commentary

Construction: Generally, construction sectors underperformed where 6 out of 10 our covered names namely Cahya Mata Sarawak, Gabungan AQRS, HSL, IJM Corp, MRCB and Muhibbah Engineering came in below our expectations. On a positive note, KKB Engineering was the only stock that outperformed, beating both our and market expectations. KKB's performance was mainly boosted by the recognition from the Civil Construction and Steel Pipes manufacturing divisions within the Engineering and Manufacturing sector. We opine construction sector is expected to remain challenging due to macro and sectoral headwinds. However, the resumption of ECRL, continuation in Bandar Malaysia project, better work progress of LRT3 as well as potential return of other big infrastructure projects may provide some fillips to the sector.

Consumer (Aviation): The current environment is the hardest we have seen for a long time. Airlines have no choice but to slash capacity amidst waning travel demand amidst the Covid-19 outbreak. In addition to the capacity reduction, airlines have offered huge discounts for fares in hope to lure passengers to fly with them . For instance, AirAsia X, but we believe the current situation may not be able to strongly boost ASK. AirAsia Group's AOCs such as Indonesia is also expected to face headwinds from the regional weakness in travelling sentiment despite its limited exposure to routes to China. Even with the stimulus package by the i Government of Malaysia, we could only expect positive impact to not be immediate. As such, yields will remain depressed and margins will be tight in the next few months provided that the covid-19 outbreak is contained.

Consumer (F&B; Retail): Consumer staple companies under our coverage namely Nestle, F&N and QL Resources performance are within expectation. Earnings growth remains resilient despite the challenging domestic market condition underpinned by the: (i) strong product innovation and; (ii) continuous effort in improving its operating efficiency. However, retailers such as AEON registered subdued performance due to the: (i) suppress overall retail prices and; (ii) low consumer sentiment. This is as consumers are becoming more selective in their spending, being more skewed towards basic necessities and commodities instead of discretionary items due to the lingering concerns over rising cost of living. In addition, the outbreak of Covid-19 may impact retail business as it could lead to a drop in footfalls at shopping malls.

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 continue to observe 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. That said, the downstream oil and gas companies were mostly hit by weak brent crude oil price and industry-specific challenges during the quarter. Some profits were shaved during the quarter 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, Deleum, Petronas Chemicals and Petronas Dagangan due to segment specific or company specific complications.

Financial (Banking): We observed that the CY19 earnings results of banking stocks under our coverage have broadly met our expectations. Main drivers for the banks have been the strong non-interest income growth which saw gains coming from treasury income. This had moderated the weakness in net interest income and the high credit cost seen throughout the year. However, there were recovery in net interest margins (NIM) in 2HCY19. Loans growth continued to be 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): Two out of the three insurance companies under our coverage performed within our expectation, and the other was below our expectation. 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 management expenses had affected the underwriting performance of the industry. 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 (NEUTRAL, TP:0.42). We also noticed the tapering growth of Syarikat Takaful's earnings, possibly due to the increasingly competitive takaful space given the increased number of takaful providers and in the market.

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 driven by the outbreak of Covid-19. 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 core operating performance in the recent concluded quarter. The 4QFY19 EBITDA for both KPJ and IHH were within our expectations as performance of their key markets remain intact. In terms of operating statistics, we note that the overall revenue intensity remain on an uptrend. Nevertheless, 4QFY19 earnings for IHH were severely impacted by the higher finance and tax costs. Futhermore, we do not expect the outbreak of Covid-19 to significantly impact hospital operators due to their focus on essential procedure which require immediate treatment.

Industrial P&S (Building Material): Malayan Cement Berhad's losses seen narrowing. The group's FY19 bottom line showed an improvement, albeit still in the red. The lower LBT was on the back of (1) vigorous cost cutting measures, and (2) savings from manpower rationalization. However, we remain cautious on the stock as the earnings outlook remains challenging due to subdued domestic demand for cement. While the outcome of robust cost cutting measures seems to give positive impact on the group's financial result, we still think that cement demand remains lackluster.

Media: Earnings of media companies under our coverage outperformed (i.e. Star Media Group Berhad (NEUTRAL, TP:0.36) and Media Prima Berhad (BUY, TP:0.30)) in 4QCY19. This was mainly attributable to the aggressive cost rationalisation exercises implemented earlier such as right-sizing of the workforce, particularly at the TV segment. As a result, we observed that the operating costs of most media companies are on the downtrend and helped to partially alleviate the weakening revenue trend. However, the industry still experienced unfavourable 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. Moreover, the shift in advertisers' preference to advertise on digital platforms has been putting downward revenue pressure on the traditional businesses of the media industry. Digital segment did not go unscathed as well, recording subdued earnings performance. 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, premised on improving operating cash flow.

Plantation: Most plantation companies under our coverage have experienced a better quarter as the price of crude palm oil (CPO) sharply recovered in 4QCY19. The average selling spot price (ASP) of CPO in the 4QCY19 was RM2,600.0/metric tonne (mt) as compared to preceding period under review of about RM1,900/mt. On a year-over-year comparison, this constituted an increase of +37.0%yoy. This was mainly due to a confluence of several factors. The CPO inventory level was declining amidst the tapering production growth and anticipated supply tightness in the export market. Nonetheless, in view of the common practice in forward selling policies, most plantation companies were unable to fully benefit from the sharp rise in CPO price in 4QCY19. In addition, we saw a sharp sequential decline in the palm oil export to India. This was mainly attributable to the Indian government's purported trade ban on Malaysian refined palm oil, shifting purchases to that of Indonesian palm oil. Meanwhile, we observed that some plantation companies were also diversifying into other plantation segments such as cash crop, dairy farming, and renewables in order to create a sustainable revenue stream and reduce dependence on palm oil segment. As a result, that only three 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 were within our expectations, two above expectations and one below expectations. Notable, earnings of UEM Sunrise beat expectations mainly due to contribution from oversea projects. Meanwhile, most of the property companies achieved their new sales target as new property sales of the property companies were helped by Home Ownership Campaign 2019 (HOC 2019) which was extended until 31st December 2019. Looking forward, we see outlook for new property sales of property companies to be subdued as we see that buying interest may take a breather in 2020 without incentives from government. Hence, we maintain Neutral on property sector.

REITs: Earnings of REITs were largely within expectations. Six REITs reported earnings that were within expectations while two REITs reported earnings below expectations. Earnings of Axis REIT and Amanahraya REITs were below expectations owing to higher than expected property expenses. Most of the REITs reported higher property expenses in FY19 which we think could be REITs allocating higher budget for expenses to maintain competitive amid challenging environment. Meanwhile, we have upgraded Al-`Aqar Healthcare REIT to Buy from Neutral as we see attractive upside while its earnings outlook remains stable. Overall, we maintain our Neutral stance on REITs.

Technology: Semiconductors companies under our coverage displayed a mix of results. Generally, semiconductors companies recorded lower quarterly earnings in view of lower demand of their products. This has also negatively impacted the profit margin. However, Unisem(M) Bhd's earnings came in better than expected due to the gradual decline in the group's Batam's operation. Meanwhile, D&O Green Technologies Bhd's earnings was impacted by higher distribution and administrative costs which wipe out the improvement in revenue. Locally, MY E. G. Services Bhd has shown sequential improvement in quarterly earnings, which portrayed the resiliency of its earnings.

Telecommunication: Telekom Malaysia Bhd's show significant improvement in earnings despite recording slightly lower revenue. This was mainly attributable to its cost rationalisation programme. Meanwhile, mobile service providers manage to post resilient revenue, mainly supported by the expansion in postpaid. However, the decline in prepaid revenue continue to persist as the shift in pre-to-post continues. Given the difficulty to growth the revenue, telecommunication companies are putting more emphasis is maintaining a lean cost structure to maintain its profitability. Meanwhile, capex was generally higher to maintain optimum network quality, with the exception of TM which is seen to push back their capital spending.

Transportation & Logistics: 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. In the wake of the Covid-19 outbreak, operations of manufacturing plants in China have been disrupted, causing delays in delivery of goods to outside of China which include Malaysia. As such, online merchants are facing a shortage of goods to sell which translates to lesser items delivered via express delivery. Warehouse operations are also at risk as there will be lesser goods to be stored amidst the shortage of incoming shipments from overseas, particularly China. Although the factory operations in China is expected to cause shipments of goods to normalize later on, local players including will have to compete with bigger players in offering attractive services which may at some point of time entail price reduction to at least retain market share.

Outperformer versus underperformer

In comparison to the preceding quarter, there were more outperformers in 4QCY19 but also a bigger jump in the number of underperformers.

FBM KLCI: Outperformer versus Underperformer

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

Source: MIDFR

Changes to forward earnings

The aggregate FY2019 earnings of the FBM KLCI constituents under our coverage came in -4.8% lower at RM49.0b vis-à-vis our earlier estimate prior to the latest reporting season. Meanwhile, our FY2020 forecast was cut by -3.2% to RM53.2b.

Likewise, the aggregate FY2019 earnings of the stocks under MIDFR coverage universe came in -4.7% lower at RM64.6b vis-à-vis our earlier estimate. Moreover, our FY2020 forecast was cut by -4.0% to RM72.2b.

In above regard, it must be highlighted that the cut in our forward estimate for FY2020 involved lumpy downward earnings adjustments for companies such as AirAsia Group, Petronas Chemicals, Sapura Energy and Tenaga Nasional.

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

Maintain FBM KLCI 2020 baseline target at 1,600 points

In gist, the latest quarterly corporate earnings performance was again rather listless with the normalized growth figures both sequentially and on-year remain under pressure which was duly translated in the diminution of our aggregate forward earnings estimate for 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.

We maintain our year-end 2020 baseline target for the local benchmark at 1,600 points.

APPENDIX 1

MIDFR Universe: Changes in Recommendations & Target Prices

STOCK	SECTOR	RECOMMENDATION		TARGET PRICE (RM)	
		Old	New	Old	New
CMS	Construction	Buy	Buy	2.94	2.21
Gabungan AQRS	Construction	Buy	Buy	1.65	1.42
KKB Engineering	Construction	Buy	Neutral	1.52	1.90
MRCB	Construction	Buy	Buy	0.84	0.73
Muhibbah	Construction	Buy	Buy	3.73	2.08
Aeon Co	Consumer	Neutral	Neutral	1.60	1.22
AirAsia Group	Consumer	Neutral	Neutral	1.20	1.14
AirAsia X	Consumer	Sell	Sell	0.11	0.08
BAT	Consumer	Buy	Buy	25.90	16.00
Leong Hup	Consumer	Neutral	Neutral	0.85	0.82
Nestle	Consumer	Neutral	Neutral	149.50	148.00
Padini	Consumer	Sell	Neutral	2.86	2.86
Panasonic	Consumer	Neutral	Neutral	31.92	30.66
Petronas Dagangan	Consumer	Buy	Buy	27.75	24.58
PPB Group	Consumer	Neutral	Neutral	17.88	18.60
Tan Chong	Consumer	Neutral	Neutral	1.40	1.30
UMW Holdings	Consumer	Neutral	Neutral	4.50	3.40
Dayang Enterprise	Energy	Buy	Neutral	2.69	2.69
Deleum	Energy	Neutral	Neutral	1.11	0.86
MMHE	Energy	Neutral	Neutral	0.88	0.72
Wah Seong	Energy	Neutral	Neutral	1.13	1.40
Alliance Bank	Financial	Trading Buy	Trading Buy	3.35	2.70
CIMB	Financial	Buy	Buy	6.30	5.70
HLFG	Financial	Neutral	Neutral	17.00	16.30
Hong Leong Bank	Financial	Neutral	Buy	17.70	17.00
LPI Capital	Financial	Neutral	Neutral	16.20	15.50
Maybank	Financial	Buy	Buy	10.30	9.55
Public Bank	Financial	Buy	Trading Buy	24.00	19.00
RHB Bank	Financial	Buy	Buy	6.35	6.30
Syarikat Takaful	Financial	Neutral	Neutral	6.60	5.10
Tune Protect	Financial	Buy	Neutral	0.72	0.42
Hartalega	Healthcare	Neutral	Sell	4.90	4.90
Kossan	Healthcare	Buy	Neutral	4.64	4.64
KPJ	Healthcare	Neutral	Neutral	0.94	0.93
Pharmaniaga	Healthcare	Neutral	Buy	2.27	2.35
Supermax	Healthcare	Buy	Buy	2.09	1.75

STOCK	SECTOR	RECOMMENDATION		TARGET PRICE (RM)	
		Old	New	Old	New
Topglove	Healthcare	Neutral	Neutral	4.58	4.70
Favelle Favco	Industrial	Buy	Buy	3.22	3.41
Petronas Chemicals	Industrial	Buy	Buy	8.77	6.75
UEM Edgenta	Industrial	Neutral	Buy	3.22	3.22
FGV Holdings	Plantation	Neutral	Neutral	1.30	1.18
IOI Corp	Plantation	Neutral	Neutral	4.67	4.30
Sime Darby Plant	Plantation	Neutral	Neutral	4.96	4.93
E&O	Property	Neutral	Neutral	0.60	0.57
IOI Properties	Property	Buy	Buy	1.53	1.33
UEM Sunrise	Property	Trading Buy	Buy	0.91	0.91
UOA Development	Property	Buy	Buy	2.45	2.20
Al-Aqar REIT	REITs	Neutral	Buy	1.49	1.52
AmanahRaya REIT	REITs	Neutral	Neutral	0.79	0.73
Axis REIT	REITs	Neutral	Neutral	1.75	1.73
D&O Green Tech	Technology	Neutral	Neutral	0.64	0.79
Globetronics	Technology	Sell	Sell	1.82	1.67
Inari Amertron	Technology	Neutral	Neutral	1.80	1.54
Unisem	Technology	Sell	Neutral	1.79	2.09
Axiata	Telecom & Media	Neutral	Buy	4.48	4.77
Digi.Com	Telecom & Media	Neutral	Neutral	4.93	4.30
Media Prima	Telecom & Media	Neutral	Buy	0.30	0.32
Star Media	Telecom & Media	Sell	Neutral	0.36	0.36
Telekom Malaysia	Telecom & Media	Neutral	Sell	3.54	3.15
GD Express Carrier	Transportation	Neutral	Neutral	0.27	0.23
Malaysia Airports	Transportation	Buy	Buy	8.51	7.83
MISC	Transportation	Neutral	Neutral	8.35	8.11
MMC Corp	Transportation	Buy	Buy	1.30	1.27
Tasco	Transportation	Neutral	Neutral	1.22	1.10
Tiong Nam Logistics	Transportation	Sell	Sell	0.39	0.37
Westports	Transportation	Buy	Buy	4.82	4.38
Tenaga	Utilities	Buy	Buy	14.40	13.80
YTL Corp	Utilities	Neutral	Neutral	0.78	0.85

Source: MIDFR

APPENDIX 2

MIDFR Universe: Outperformers and Underperformers

STOCK	SECTOR	Versus EXPECTATION (Above/Below)	COMMENT
KKB Engineering	Construction	Above	Topline growth was driven by higher revenue recognition from the Civil Construction and Steel Pipes manufacturing divisions within the Engineering and Manufacturing sector
PPB Group	Consumer	Above	Higher-than-expected contribution from Wilmar
Wah Seong	Energy	Above	Normalised earnings were above expectation. This was mainly driven by steady revenue recognition from its oil & gas segment
Pharmaniaga	Healthcare	Above	Impairment of Pharmacy Information System of RM247.0m was fully recognised in the 4QFY19 instead of on a straight line basis over the next five years
FGV Holdings	Plantation	Above	Improved operational efficiency and higher-than-expected CPO price in 4QFY19
IJM Plant	Plantation	Above	Higher-than-expected CPO prices and sales volume
Sime Darby Plant	Plantation	Above	Better-than-expected FFB production and ASP of CPO
Mah Sing Group	Property	Above	Marketing expenses came in lower than expected
UEM Sunrise	Property	Above	Earnings stronger than expected due to recognition from projects in Australia
Unisem	Technology	Above	Improved operation efficiency through closure of the Batam's plant
Media Prima	Telecom & Media	Above	Increased new revenue sources and lower operating costs
Star Media	Telecom & Media	Above	Lower-than-expected operating cost at its print and digital segment
MMC	Transportation	Above	Better-than-expected performance came from increased share of profit from associates and joint venture and better cost management
Tasco	Transportation	Above	Higher-than-expected earnings were due to the significant increase in other income
CMS	Construction	Below	Significant decrease in aggregate contribution from its associate companies as well as lower contribution from all divisions except for Construction Materials & Trading division
Gabungan AQRS	Construction	Below	Recognition of liquidated ascertained damages (LAD) for The Peak in Johor Bahru amounting to RM6.7m, as well as lower work progress achieved in the current quarter for construction segment
Hock Seng Lee	Construction	Below	Slower progress billings of construction works and weaker profit margin from property division
IJM Corp	Construction	Below	Lower-than-expected contributions from manufacturing & quarrying segment and construction as well as dissapointed property development performance
MRCB	Construction	Below	Weighed down by the Group's major high-rise residential development projects still being in the early phase of construction
Muhibbah	Construction	Below	Provision made for project claims and variation orders for construction projects

STOCK	SECTOR	Versus EXPECTATION (Above/Below)	COMMENT
AirAsia Group	Consumer	Below	Substantial increase in maintenance and also financing costs following the MFRS16 adoption
AirAsia X	Consumer	Below	Substantial increase in maintenance and also financing costs following the MFRS16 adoption
Petronas Dagangan	Consumer	Below	Earnings during the quarter was impacted by soft brent crude oil price movement during the quarter which caused average selling prices declined by 3-5% during the quarter
Tan Chong	Consumer	Below	Weaker than expected Nissan TIV, forex losses
UMW	Consumer	Below	Weaker than expected equipment division earnings given stiff competition, coupled with margin erosion
Deleum	Energy	Below	Profit was mainly impacted by soft margins from its oilfield services as well as; its integrated corrosion solutions. That said, this was cushioned by better revenue recognition from its Power & Machinery segment
MMHE	Energy	Below	MMHE returned to the black in 4QFY19 due to better revenue recognition from its Marine segment ahead of IMO2020 implementation. That said, its Heavy Engineering segment is still reeling from the gap between completed and new projects which compressed margins
Tune Protect	Financial	Below	Lower-than-expected NEP and underwriting profit
IHH	Healthcare	Below	4QFY19 earnings dragged by higher finance & tax costs
Supermax	Healthcare	Below	4QFY19 earnings declined due to the lower average selling price as well as higher production costs
Malayan Cement	Industrial	Below	Dragged by weaker domestic demand, lower sales of it Singapore subsidiary, lower clinker exports and the scaling down in sales of special products
Petronas Chemicals	Industrial	Below	Unplanned plant shut down for maintenance by its PC Methanol Plant 2 in Sabah. This has caused production volume to go down. Furthermore, the higher cost of inventory brought forward from 3QFY19 due to 3QFY19's heavy TA activity compounded the impact
IOI Corp	Plantation	Below	Lower-than-expected FFB output for 1HFY20
Ta Ann Holdings	Plantation	Below	Lower-than-expected ASP for export logs, plywood products and CPO
TSH Res	Plantation	Below	Higher effective tax rate and lower-than-expected average selling of CPO in 4QFY19
E&O	Property	Below	3QFY20 earnings were weaker than expected due to absence of new launches
AmanahRaya REIT	REITs	Below	Property expenses came in higher than expected
Axis REIT	REITs	Below	Higher than expected property expenses
Globetronics	Technology	Below	Lower volume loadings of products from certain customers
Inari Amertron	Technology	Below	Reduced sales volumes in the group's optoelectronic products
GD Express	Transportation	Below	Higher capital investment incurred for its regional expansion and information technology (IT) enhancement. This led to the nearly +12.4%yoy increase in overall operating expenses

STOCK	SECTOR	Versus EXPECTATION (Above/Below)	COMMENT
MISC	Transportation	Below	Higher-than-expected finance costs which turned out >+20%yoy higher, partially outweighing the gains from the stronger freight rates for petroleum and LNG shipping
Tenaga	Utilities	Below	Dragged by: (1) Unplanned outages at its Janamanjung and Kapar (KEV) plants (2) one-off costs on the group's reorganization exercise and write-off of PPE for Paka decommissioning (3) higher interest cost from the commissioning of Jimah East - Unit 1 in mid-FY19 and Unit 2 in Dec19.

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.)	67,780.1	64,576.7	75,148.0	72,160.7	*(4.7)*	*(4.0)*
Annual % Change	*12.7*	*7.4*	*10.9*	*11.7*		
TOTAL (FBM KLCI) *	51,446.2	48,967.1	54,980.6	53,208.9	*(4.8)*	*(3.2)*
Annual % Change	*13.0*	*7.6*	*6.9*	*8.7*		

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

DISCLOSURES AND DISCLAIMER

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.