4 June 2018

MALAYSIA EQUITY

EARNINGS WRAP

Review of corporate earnings

Quarter Ended March 2018

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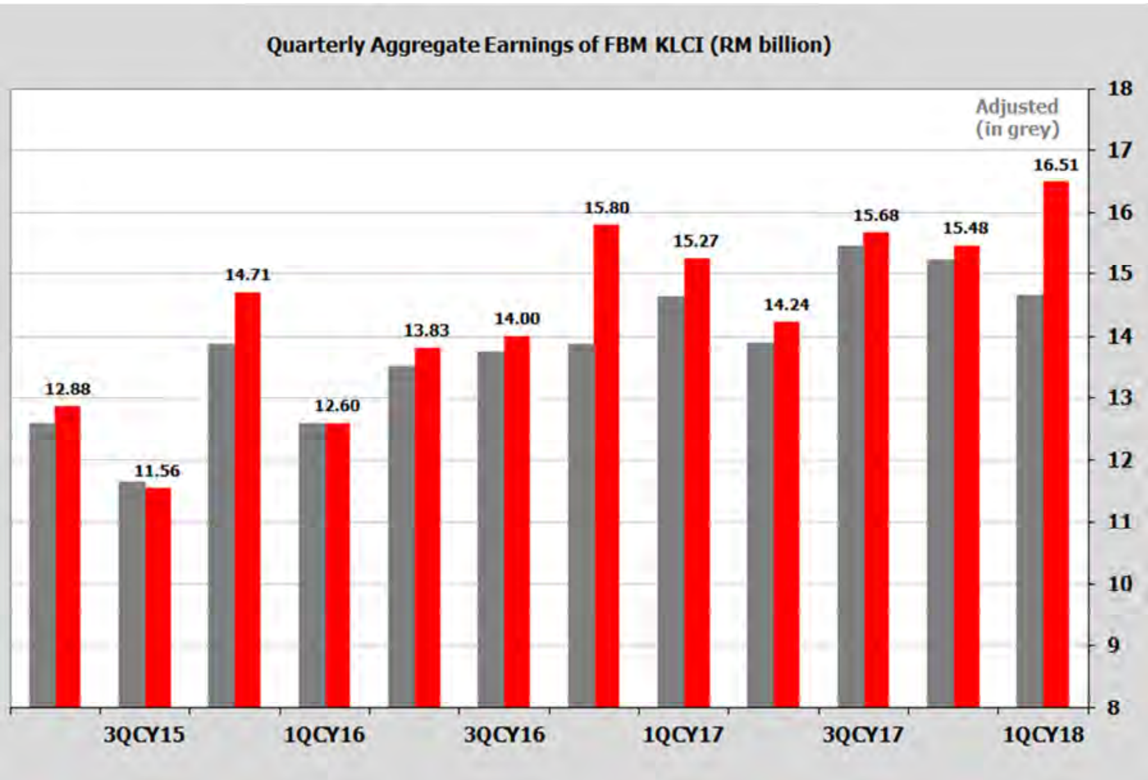
4 June 2018 | Earnings Wrap

Subdued (normalized) growth

- *The aggregate reported earnings of FBM KLCI 30 constituents totalled RM16.51b in 1QCY18, positive both sequentially at +6.6%qoq and on-year at +8.1%yoy*
- *However, more pertinently, the aggregate normalized sequential growth figure was negative at -3.8%qoq while the normalized on-year number was barely positive at a subdued +0.1%yoy*
- *Within MIDFR Universe, 8% of stocks under coverage reported higher than expected earnings. Of the rest, 29% posted earnings that were lower than expected versus 64% which came within expectations*
- *Target price changes involved 33 upward adjustments and 40 downward adjustments*
- *We made 22 changes to our stock recommendations with 9 upgrades and 13 downgrades*
- *We recently ceased the coverage of Oldtown as it was delisted*
- *The ratio of outperformer against underperformer among FBM KLCI constituents under our coverage skewed back towards the latter at 3:4 in 1QCY18 (3:1 in 4QCY17)*
- *We revised our year-end 2018 FBM KLCI target to 1,800 points (from 1,900 points)*

FBM KLCI

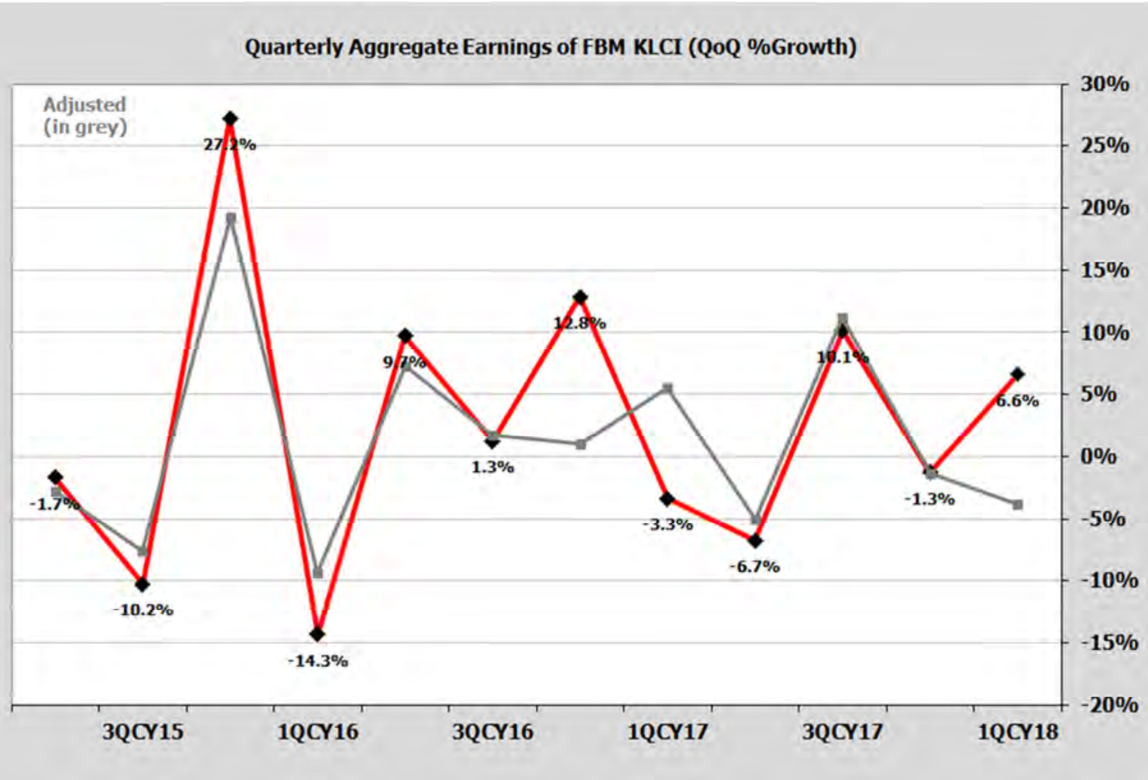
The aggregate reported earnings of FBM KLCI 30 constituents totalled RM16.51b in 1QCY18, positive both sequentially at +6.6%qoq and on-year at +8.1%yoy.



Source: Bloomberg, MIDFR

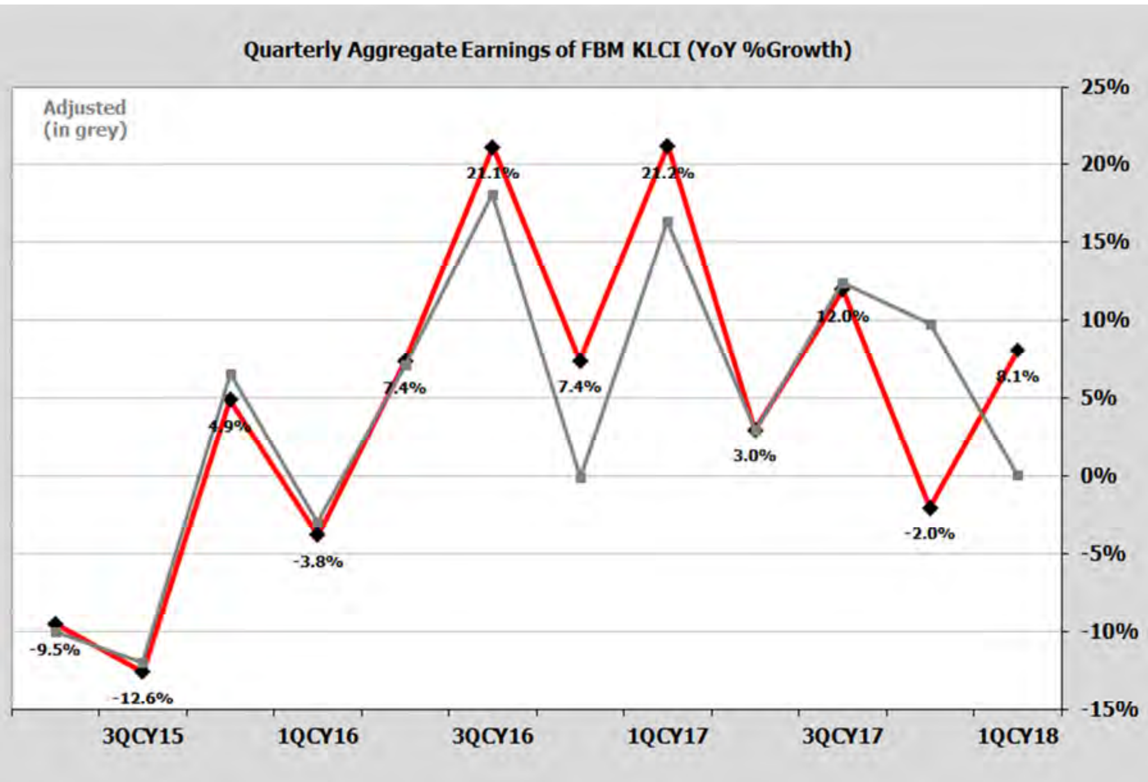
However, the aggregate reported earnings figure requires some adjustments in order for the sequential and on-year growth numbers to reflect a fairer picture of the benchmark's earnings performance. On this score, the aggregate normalized 1QCY18 earnings of FBM KLCI 30 constituents were markedly lower at RM14.66b. The adjustment was mainly related to RM1.66b disposal gains from the sale of 70% stake in Loders Croklaan by IOI Corp.

After neutralizing the impact of non-operational items (1QCY18: -RM1.85b, 4QCY17: -RM242m, 1QCY17: -RM624m), the aggregate normalized growth figures turned negative sequentially at -3.8%qoq while the on-year number was barely positive at a subdued +0.1%yoy.



Source: Bloomberg, MIDFR

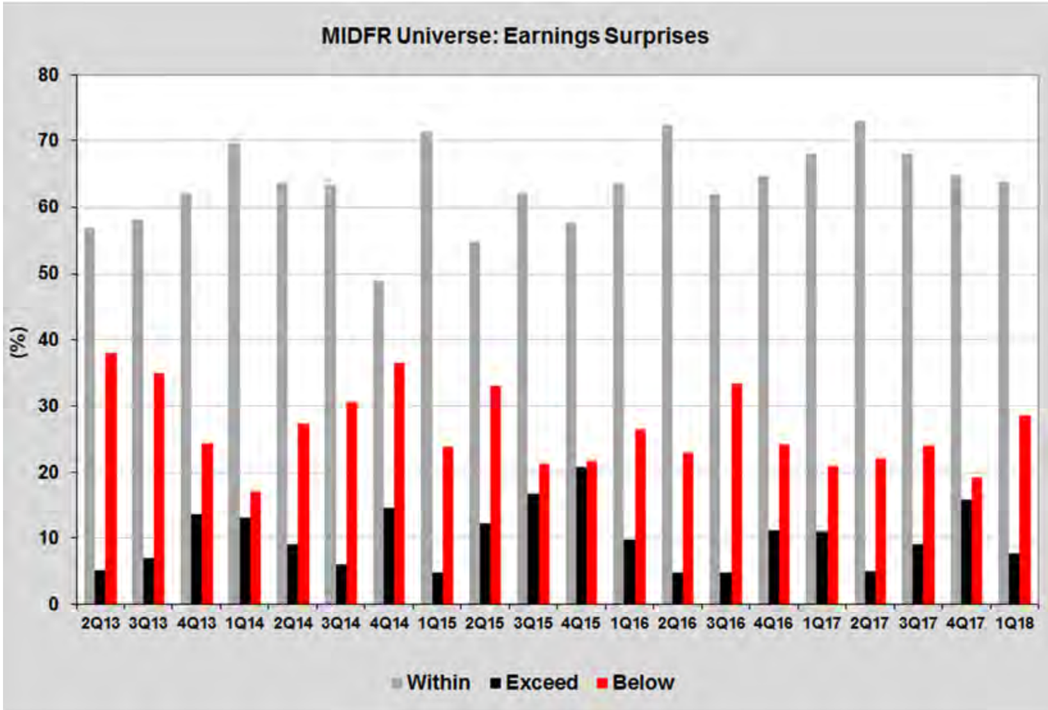
Furthermore, it is also noteworthy that the normalized sequential and on-year performances in 1QCY18 deteriorated in comparison to the -1.4%qoq and +9.8%yoy adjusted growth during the preceding 4QCY17 quarter.



Source: Bloomberg, MIDFR

MIDFR Universe

Under MIDFR Universe, we made 22 changes to our stock recommendations with 9 upgrades and 13 downgrades. Moreover, target price changes involved 33 upward against 40 downward adjustments. Also, we recently ceased coverage of Oldtown Berhad as it was delisted. 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 increased to 6-quarter high (since 3QCY16) of 29% in 1QCY18 from 19% in the prior quarter. Furthermore, the percentage of positive surprises declined to 3-quarter low (since 2QCY17) of 8% in 1QCY18 from 16% in the prior quarter.

MIDFR Universe: Earnings Surprises

	Within	Exceed	Below
AUTOMOTIVE	100%	0%	0%
BANKING	80%	20%	0%
BUILDING MATERIAL	0%	100%	0%
CONSTRUCTION	50%	0%	50%
CONSUMER	63%	0%	38%
FINANCE	67%	33%	0%
GLOVE	100%	0%	0%
HEALTHCARE	75%	0%	25%
INDUSTRIAL	63%	0%	38%
INSURANCE	67%	33%	0%
MEDIA	100%	0%	0%
OIL & GAS	100%	0%	0%
PLANTATION	33%	22%	44%
PROPERTY	22%	11%	67%
REIT	71%	0%	29%
TECHNOLOGY	50%	0%	50%
TELECOMMUNICATION	75%	0%	25%
TOBACCO	0%	0%	100%
TRANSPORTATION	50%	10%	40%
UTILITY	67%	0%	33%
TOTAL	**64%**	**8%**	**29%**

Source: MIDFR

Accordingly, companies with results that were in line with expectations declined to 64% in 1QCY18 from 65% 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 (%)*	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15
AUTOMOTIVE	*416.2*	*124.9*	152	-609	-25	-195	29	-1,531	-71	44	39	-217	104	167
BANKING	*11.1*	*1.0*	7,046	6,977	6,858	6,083	6,344	6,706	6,257	5,328	5,509	5,636	5,763	5,767
BUILD MATERIAL	*(40.5)*	*(14.2)*	-69	-80	-42	-44	-49	34	4	18	21	45	71	63
CONSTRUCTION	*(24.7)*	*(32.5)*	426	631	434	504	565	678	515	451	311	665	518	707
CONSUMER	*10.5*	*7.8*	486	450	282	362	439	384	355	450	516	493	462	396
FINANCE	*95.8*	*86.7*	460	246	221	223	235	163	157	175	150	88	163	193
GLOVE	*27.1*	*1.1*	304	300	286	228	239	207	190	166	237	295	257	207
HEALTHCARE	*(73.5)*	*(69.8)*	147	486	155	386	555	25	270	283	309	484	247	339
INDUSTRIAL	*(4.1)*	*(45.9)*	42	78	73	68	44	96	92	86	51	90	100	87
INSURANCE	*14.2*	*7.7*	159	148	153	126	139	137	137	285	135	162	123	141
MEDIA	*51.3*	*144.3*	171	-387	376	72	113	195	27	274	237	187	205	245
OIL & GAS	*(117.6)*	*(119.4)*	-346	1,780	2,510	1,875	1,969	135	1,713	792	91	1,319	1,756	1,803
PLANTATION	*24.1*	*43.6*	2,831	1,971	1,514	2,147	2,281	1,814	1,209	1,035	1,526	2,368	-49	1,630
PROPERTY	*(21.6)*	*(43.1)*	546	960	954	1,081	696	1,421	758	1,028	699	1,197	920	1,168
REIT	*4.1*	*(50.8)*	355	721	366	466	341	495	344	401	343	704	310	678
TECHNOLOGY	*(13.6)*	*(26.5)*	148	201	194	188	171	184	151	150	105	160	148	127
TELECOM	*(31.8)*	*(24.7)*	919	1,221	1,389	1,551	1,348	723	1,358	1,237	1,608	1,510	1,875	1,728
TOBACCO	*(19.0)*	*18.7*	96	81	145	147	119	289	209	48	175	195	257	215
TRANSPORT	*30.9*	*138.5*	2,159	905	1,471	1,021	1,650	1,559	840	2,049	1,961	1,850	53	2,380
UTILITY	*24.5*	*(0.6)*	2,401	2,414	1,995	2,395	1,928	2,055	2,059	2,948	1,727	2,514	1,210	1,226
TOTAL	***(6.7)***	***(4.6)***	17,289	18,121	18,802	18,589	18,540	15,294	16,221	16,906	14,871	19,191	14,899	19,025

Source: MIDFR

Cumulatively, the reported earnings of companies under MIDFR Universe totalled RM17.29b in 1QCY18. The aggregate earnings growth was negative both sequentially at -4.6%qoq as well as on-year at -6.7%yoy.

Banking, Consumer, Finance, Glove, Insurance, Plantation and Transport were the sectors which recorded higher total earnings (as reported) in 1QCY18 when compared to both the preceding quarter and corresponding period last year.

On the other hand, Construction, Healthcare, Industrial, Oil & Gas, Property, Technology and Telecommunication sectors were those that showed negative sequential as well as on-year earnings (as reported) growth percentages in 1QCY18.

Sectoral commentary

Banking: The quarter saw the banking sector in general doing well driven by robust income growth. The income growth was supported by the positive impact of the OPR hike in January of this year. Loans growth was decent with mortgages and SMEs leading the asset expansion. However, we have also observed higher than normal operating expenses by most of the banks but this was within our expectations given majority of the banks are instituting transformation programs whereby there were investments in IT infrastructure and talent acquisition. There were also several right-sizing exercises which pushed operating expenses higher. Nevertheless, these costs will normalise over the course of the year.

Consumer: F&B companies experienced commendable revenue growth year-on-year driven by higher sales achieved from Chinese New Year celebration, targeted marketing and promotional activities and product innovations. Nevertheless, growth in earnings was still subdued due to the high raw material and packaging material costs. Meanwhile for retailers, revenue and earnings growth year-on-year for quarter were encouraging due to the festivity period. The opening of new outlets, better pricing strategies and change in product mixture helped improve profit margin.

Insurance: Most stocks under our coverage recorded decent performance in 1QFY18. LPI and STMB were two stocks which saw notable improvement in top line, which we attribute this positive variance to the growing awareness for protection policy, as well as both Syarikat Takaful and LPI's underwriting strength in their respective segments. However, it is worth noting that Tune Protect saw its net earned premium declining slightly. While overall NEP was lower, we are comforted to see that its travel segment is able to record higher NEP, which management attributed to its dynamic pricing and product bundling initiatives and supported by AirAsia's capacity expansion.

Plantation: Some companies achieved earnings outperformance due to better than expected cost controls. On the other hand, the underperformers were mostly due to non-plantation divisions and also by higher than expected cost.

Aviation: Stocks under our coverage recorded healthy results in the last quarter, in-line with our upbeat outlook of the tourism sector. In terms of revenue, two stocks namely MAHB and AirAsia recorded double-digit growth. The notable increase in top line in comparison to last year was attributable to robust passengers' demand for LCCs in both domestic and international sectors. Moreover, given MAHB's status as the largest airport operator in Malaysia, the robust travel demand has directly benefited its main revenue streams of aeronautical and non-aeronautical.

Logistics: Last mile delivery players continue to face margin compression amidst high operating expenses incurred for expansion of capacity network and distribution centres.

Ports: Volumes in Port Klang was down year-on-year following the reshuffling of shipping alliances in April 2017 which saw container volumes shift to Port of Singapore. Effect of recalibration of alliances usually last for 15 months hence expect to see pickup in container volume from 2HFY18 onwards.

Shipping: Charter rates were low for LNG vessels and petroleum vessels. Petroleum tanker segment of MISC Berhad expected to be weaker or the same as last year as increase in scrapping would likely not outweigh the supply of tankers this year.

Oil & Gas: All stocks under coverage met our earnings expectations for 1QFY18 as: (i) higher crude oil prices year-over-year buoyed activity levels and product prices; (ii) anticipated stronger 2HFY18 due to project backlogs and progress levels; and (iii) upbeat downstream business owing to sustainable domestic and international demand. Although there is still a noticeable lack in new offshore construction jobs, project owners primarily PETRONAS has been very active in calling-out offshore maintenance works. Despite this, we are cognizant that offshore vessel charter rates and overall project values are still depressed. Nonetheless, oil and gas companies have since rebased their cost structure to accommodate this new norm.

Property: Some companies underperformed due to slower than expected progress billing in 1QFY18 as well as due to adoption of MFRS 15 which has resulted in deferred revenue recognition of international projects whereby revenue recognition of international projects has been changed to upon settlement from progress completion. Nevertheless, new property sales reported in 1QFY18 were largely on track vis-à-vis expectations which should indicate a lower risk of earnings miss in the near-term. Besides, zero-rated GST effective 1 June 2018 is positive to property developers as it will lead to cost reduction. We maintain our Positive view on the sector.

Technology: Semiconductor companies have shown notable improvement in 1QCY18 earnings mainly driven by increase in demand of the respective companies' products. However, the strengthening of Ringgit has significant impact on some of these companies. For instance, Unisem's 1QFY18 earnings plunged by approximately -65%yoy as revenue is predominantly denominated in USD, while bulk of the operating costs is denominated in Ringgit. During the quarter-in-review, capital spending of semiconductor companies remained elevated to cater for expansion of manufacturing lines.

Telecommunication: Telekom Malaysia's 1QFY18 revenue was under pressure mainly due to the decline in voice and data revenue. This was partially buffered by the growth in internet revenue in view of higher proportion of unifi customers. Nonetheless, coupled with high operating expenses, the group's earnings have been negatively impacted. Meanwhile, on the mobile realm, postpaid revenue continued to gain positive traction as mobile operator continued to improve on their postpaid plan proposition and held active marketing campaign to promote their postpaid services. On the contrary, the prepaid segment remains under pressure. This was impacted mainly by price-focused competition, SIM consolidation and migration to postpaid. Fortunately, the decrease in prepaid revenue was partially supported by the resilient prepaid ARPU.

Media: The traditional media platforms continued to put pressure on the earnings of media companies. Apart from focusing on digital media, media companies were also driving businesses with non-advertising income such as provision of home shopping network (i.e. CJ Wow Shop and Go Shop) and subscription video-on-demand service (i.e. dimsum). However, such efforts required a gestation period before they can make meaningful contribution to the group. In the meantime, media companies continue actively to drive down operating costs to improve their bottomline. Due to the challenging business environment, the cash balances of media companies have been on the decline. This has adversely affected their commitment to provide attractive dividend.

Outperformer versus underperformer

The ratio of outperformer against underperformer among the FBM KLCI constituents under our coverage skewed towards the latter at 3:4 in 1QCY18.

FBM KLCI: Outperformer versus Underperformer

	No. of Outperformer	No. of Underperformer
1QCY18	3	4
4QCY17	3	1
3QCY17	1	3
2QCY17	2	3
1QCY17	1	3
4QCY16	2	3
3QCY16	2	5

Source: MIDFR

In the review quarter, the outperformers were Sime Darby Plantation, Hong Leong Bank and Hong Leong Financial while the underperformers were IHH Healthcare, MISC, Telekom Malaysia and YTL Corp.

Change to estimates

The aggregate FY2018 earnings estimate of the FBM KLCI constituents under our coverage was trimmed by -2.4% to RM55.0b vis-à-vis our earlier estimate prior to the latest reporting season.

Similarly, the aggregate FY2018 earnings estimate of the stocks under MIDFR coverage universe was cut by -4.7% to RM76.3b vis-à-vis our earlier estimate prior to the latest reporting season. Refer to Appendix 3 with regard to changes in aggregate earnings estimates.

Revised FBM KLCI year-end 2018 target to 1,800 points

In gist, the 1QCY18 corporate earnings failed to impress hence the diminution in aggregate earnings estimates for FY2018. Similarly, at 5.4%, Malaysia's GDP for the first quarter of this year also came in below market expectation.

While we still reckon the macro picture remains satisfactory with sustained domestic and external demands, nonetheless it would be fiscally more challenging due to recent tax/subsidy measures.

Furthermore, while corporate earnings could still deliver positive on-year growth, however it is expected to be slightly lower than what anticipated earlier.

Externally, the US Fed is expected to hike twice (or even thrice) more this year and possibly three more times next year (in the opinion of Philadelphia Fed President Patrick Harker).

On this score, the UST yields have been on the rise and are now hovering near multi-year highs. But more importantly, the yield curve spread has been shrinking to around decade-low levels. In its latest minutes, the US Fed stated that some FOMC members view an inverted yield curve as an alarming warning.

It is also of note that despite the DJIA constituents announcing record earnings in 1QCY18, the index failed to make new highs. Empirically, this may portend to a key shift in earnings direction going forward.

DJIA: Price failed to react despite record earnings in 1QCY18

Source: Bloomberg, MIDFR

Moreover, the PER of DJIA has been on the downtrend after reaching a high of 21.5x in January this year. Going forward, the PER may gravitate towards 16.1x, which is its long-term mean.

DJIA: PER peaked in January 2018 and falling since

Source: Bloomberg, MIDFR

All above factors considered, we thereby cut our FBM KLCI year-end 2018 target to 1,800 points (from 1,900 points). Valuation-wise, the revised year-end target equates to PER of 16.3x or -0.5SD (based on 2010-17 historical data).

FBM KLCI: Year-end 2018 Target PER at 16.3x (-0.5SD)

Source: Bloomberg, MIDFR

APPENDIX 1

MIDFR Universe: Changes in Recommendations & Target Prices

STOCK	SECTOR	RECOMMENDATION		TARGET PRICE (RM)	
		Old	New	Old	New
MBM Resources	Automotive	Buy	Buy	3.10	3.20
Affin Bank	Banking	Buy	Buy	2.80	2.90
AMMB	Banking	Trading Buy	Neutral	4.30	3.75
BIMB	Banking	Buy	Buy	5.00	5.15
CIMB	Banking	Buy	Buy	7.80	7.85
Hong Leong Bank	Banking	Neutral	Neutral	18.55	18.85
Hong Leong Fin	Banking	Neutral	Neutral	18.70	19.00
Maybank Bhd	Banking	Buy	Buy	11.20	11.40
Public Bank	Banking	Buy	Buy	25.70	27.30
RHB Bank	Banking	Neutral	Trading Buy	5.70	6.00
Aeon Co	Consumer	Buy	Neutral	2.04	2.11
F&N	Consumer	Neutral	Sell	30.03	28.29
MSM	Consumer	Sell	Neutral	4.09	3.86
Nestle	Consumer	Neutral	Neutral	116.50	132.32
Panasonic	Consumer	Buy	Neutral	38.15	38.15
QL Resources	Consumer	Neutral	Sell	4.74	4.71
Spritzer	Consumer	Neutral	Neutral	2.10	2.27
Aeon Credit	Finance	Buy	Buy	14.75	14.30
Bursa Malaysia	Finance	Neutral	Neutral	7.50	7.57
MBSB	Finance	Buy	Buy	1.50	1.54
Hartalega	Glove	Neutral	Neutral	4.89	5.49
Kossan	Glove	Neutral	Neutral	8.78	7.55
Supermax	Glove	Buy	Neutral	3.09	3.31
Top Glove	Glove	Neutral	Neutral	9.19	9.49
IHH Healthcare	Healthcare	Buy	Buy	6.91	6.95
KPJ Healthcare	Healthcare	Buy	Buy	1.12	1.16
Pharmaniaga	Healthcare	Neutral	Neutral	4.66	4.20
UEM Edgenta	Healthcare	Buy	Buy	3.09	3.26
Can-One	Industrial	Buy	Buy	3.46	2.71
PIE Industrial	Industrial	Buy	Buy	2.16	1.95
United U-Li	Industrial	Buy	Neutral	3.23	1.72
LPI Capital	Insurance	Neutral	Neutral	15.76	16.69
Syarikat Takaful	Insurance	Buy	BUY	4.65	4.44
Tune Protect	Insurance	Buy	Buy	1.26	1.10
Media Prima	Media	Sell	Trading Buy	0.52	0.41
Star	Media	Buy	Neutral	1.80	1.04

STOCK	SECTOR	RECOMMENDATION		TARGET PRICE (RM)	
		Old	New	Old	New
Bumi Armada	Oil & Gas	Neutral	Trading Buy	0.85	0.90
Deleum	Oil & Gas	Neutral	Neutral	1.20	1.39
Dialog Group	Oil & Gas	Neutral	Neutral	2.55	3.24
KNM Group	Oil & Gas	Neutral	Trading Buy	0.22	0.22
Petronas Chemicals	Oil & Gas	Buy	Neutral	8.72	8.90
Fima	Plantation	BUY	Neutral	2.30	1.95
IJM Plant	Plantation	Neutral	Neutral	2.25	2.30
Sime Plant	Plantation	Neutral	Neutral	5.40	5.55
Ta Ann	Plantation	Neutral	Sell	3.20	2.35
TSH	Plantation	Neutral	Neutral	1.45	1.30
IOI Properties	Property	Neutral	Neutral	1.89	1.69
Magna Prima	Property	Neutral	Neutral	1.23	1.18
Mah Sing	Property	Buy	Buy	1.68	1.60
SP Setia	Property	Buy	Buy	4.15	3.69
Sunway	Property	Neutral	Neutral	1.77	1.60
UEM Sunrise	Property	Buy	Buy	1.36	1.25
UOA Development	Property	Buy	Buy	2.84	2.80
Amanahraya	REIT	Buy	Buy	0.96	0.94
Axis	REIT	Buy	Buy	1.57	1.54
Globetronics	Technology	Trading Buy	Trading Buy	6.68	5.53
Myeg	Technology	Neutral	Neutral	2.47	0.81
Scicom	Technology	Buy	Buy	2.36	2.29
Unisem	Technology	Buy	Trading Sell	4.27	1.90
Axiata	Telecom	Neutral	Neutral	5.31	5.49
Digi	Telecom	Neutral	Neutral	4.62	4.70
Maxis	Telecom	Neutral	Neutral	5.93	6.16
TM	Telecom	Buy	Neutral	7.72	4.09
BAT	Tobacco	Buy	Buy	41.10	37.70
AirAsia	Transportation	Buy	Buy	4.80	4.87
AirAsiaX	Transportation	Buy	Buy	0.46	0.47
Gdex	Transportation	Neutral	Neutral	0.53	0.49
MAHB	Transportation	Buy	Buy	9.80	9.88
MISC	Transportation	Neutral	Neutral	7.14	6.13
MMC Corp	Transportation	Buy	Buy	2.51	2.29
Tasco	Transportation	Buy	Buy	2.62	2.50
Tiong Nam	Transportation	Neutral	Neutral	1.23	1.05
Westports	Transportation	Buy	Buy	3.89	3.85
TNB	Utility	Neutral	Buy	16.30	16.30

STOCK	SECTOR	RECOMMENDATION		TARGET PRICE (RM)	
		Old	New	Old	New
YTL Corp	Utility	Neutral	Neutral	1.30	1.05
YTL Power	Utility	Buy	Buy	1.48	1.20

Source: MIDFR

APPENDIX 2

MIDFR Universe: Outperformers and Underperformers

STOCK	SECTOR	Versus EXPECTATION (Above/Below)	COMMENT
H Leong Bank	Banking	Above	Result from associate were better than expected
H Leong Fin	Banking	Above	Result from associate were better than expected
MBSB	Finance	Above	Driven by higher than expected write-back from loan loss provision
Syarikat Takaful	Insurance	Above	Due to higher wakalah fee income and lower transfers of surplus profits to its participant funds
IJM Plant	Plantation	Above	Better than expected cost control in 4QFY18 as operating expenses declined 19% yoy against 4QFY17
Sime Plant	Plantation	Above	Lower than expected operating expenses which has declined 11% yoy in 3QFY18 to RM3.37b
E&O	Property	Above	Stronger than expected sales of inventory and the faster than expected profit recognition from STP2A land sales in FY18
MAHB	Transportation	Above	Driven by higher contributions from international passengers
F&N	Consumer	Below	Malaysian segment underperformed
MSM	Consumer	Below	Smuggled Thai sugar affected domestic sales
QL Resources	Consumer	Below	Marine Product Manufacturing (MPM) segment underperformed
IHH Healthcare	Healthcare	Below	Earnings hit by incremental depreciation, amortization and finance costs from the opening of Gleneagles Hong Kong & Alcibadem Altunizade in March 2017
Can-One	Industrial	Below	Higher raw material costs
PIE Industrial	Industrial	Below	Slower than expected sales as well as higher cost of sales
United U-Li	Industrial	Below	Higher raw material and operating costs
FGV	Plantation	Below	Earnings contribution from associate came in weaker than expected with RM16.2m loss
Fima	Plantation	Below	Weaker than expected earnings in the "production of security and confidential documents" (PSCD) division
Ta Ann	Plantation	Below	Lower than expected volume of export logs which has declined 71% yoy
TSH	Plantation	Below	Higher than expected cost
IOI Properties	Property	Below	Weaker than expected contribution from property development division
Magna Prima	Property	Below	Slower than expected progress billing and lower than expected margin

STOCK	SECTOR	Versus EXPECTATION (Above/Below)	COMMENT
Mah Sing	Property	Below	Slower than expected progress billing in 1QFY18
SP Setia	Property	Below	Lower contribution from Australia project and lower than expected progress billing
UEM Sunrise	Property	Below	Lower than expected contribution from local projects and adoption of MFRS 15
UOA Dev	Property	Below	Slower than expected progress billing and higher than expected expenses
Amanahraya	REIT	Below	Higher than expectd property expenses
Axis	REIT	Below	Higher property and non-property expenses
Myeg	Technology	Below	Slower pace of earnings growth across all business segments
Scicom	Technology	Below	Project delay
Unisem	Technology	Below	Unfavourable foreign exchange rate
TM	Telecom	Below	Lower revenue from voice, data and other segments, while operating expenses remain elevated
BAT	Tobacco	Below	Revenue and earnings hit by high illicit cigarettes volume sold in the market. The market share of illicit cigarettes reached an all-time high market share of 63%
Gdex	Transportation	Below	(i) Higher operating expenses required for network expansion; and (ii) Higher tax rate of 71% following the expiry of GDEX's pioneer status tax incentive in September 2017 which led to an additional tax provision in view of a possible clawback of tax incentive in 2017
MISC	Transportation	Below	Lower charter rates secured in previous year for petroleum tankers
MMC Corp	Transportation	Below	Lower contribution from Johor Port and Northport
Tasco	Transportation	Below	Higher finance costs for the new cold chain logistics business and increased professional and compliance expenses for corporate merger & acquisition exercises
YTL Corp	Utility	Below	Worse than expected cement earnings due to competitive pricing and higher operating cost

Source: MIDFR

APPENDIX 3

MIDFR Universe: Changes in Aggregate Earnings Estimates

	EARNINGS (RM mn)				**EARNINGS *(% Chg)***	
	FY2017		**FY2018**		**FY2017**	**FY2018**
	Old (P)	**New (R)**	**Old (E)**	**New (E)**		
TOTAL (MIDFR Univ.)	72,982.6	71,664.5	80,037.5	76,277.8	*(1.8)*	*(4.7)*
Annual % Change	*9.6*	*7.6*	*9.7*	*6.4*		
TOTAL (FBM KLCI) *	52,212.7	51,412.7	56,325.4	54,957.6	*(1.5)*	*(2.4)*
Annual % Change	*11.0*	*9.3*	*7.9*	*6.9*		

Source: MIDFR; (P)–preliminary, (R)–revised, (E)–estimate; * Aggregate earnings of 25 FBM KLCI constituents under MIDFR coverage

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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.