4 December 2018

MALAYSIA EQUITY

EARNINGS WRAP

Review of corporate earnings

Quarter Ended September 2018

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Strategy Team
research@midf.com.my

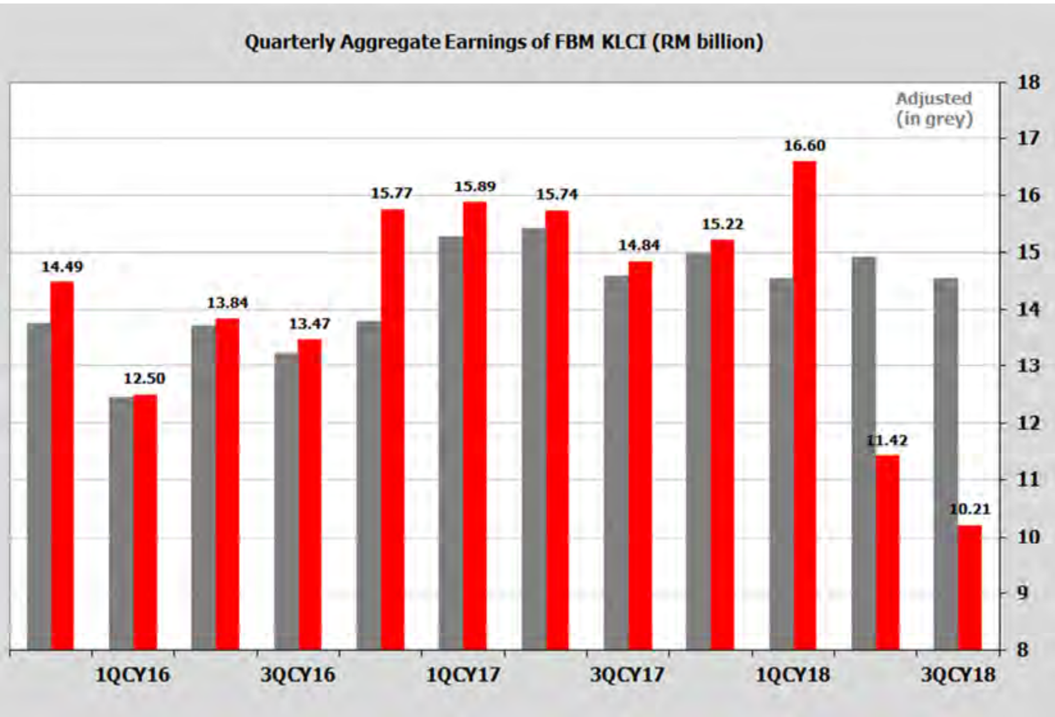
4 December 2018 | Earnings Wrap

Flattish on-year growth

- *The aggregate reported earnings of FBM KLCI 30 constituents totalled RM10.21b in 3QCY18, negative both sequentially at -10.7%qoq and on-year at -31.2%yoy.*
- *However, the aggregate normalized growth posted much smaller negative figures at -2.7%qoq and -0.2%yoy respectively.*
- *Within MIDFR Universe, only 12% of stocks under coverage reported higher than expected earnings. Of the rest, 40% posted earnings that were lower than expected versus 49% which came within expectations.*
- *Target price changes involved 13 upward adjustments and 56 downward adjustments.*
- *We made 20 changes to our stock recommendations with 7 upgrades and 13 downgrades.*
- *We added Al-'Aqar Healthcare REIT and Ranhill Holdings of our coverage universe during the past three months.*
- *The aggregate FY2018 earnings estimate and FY2019 earnings forecast of the FBM KLCI constituents under our coverage were shaved by -1.5% to RM54.1b and -0.9% to RM56.6b respectively.*
- *However, favourable external developments (i.e. US-China trade truce and US Fed's remark on interest rate being near normal levels) may generate near-term valuation tailwinds hence we maintain our year-end 2018 FBM KLCI target at 1,800 points.*

FBM KLCI

The aggregate reported earnings of FBM KLCI 30 constituents totalled RM10.21b in 3QCY18, negative both sequentially at -10.7%qoq and on-year at -31.2%yoy.



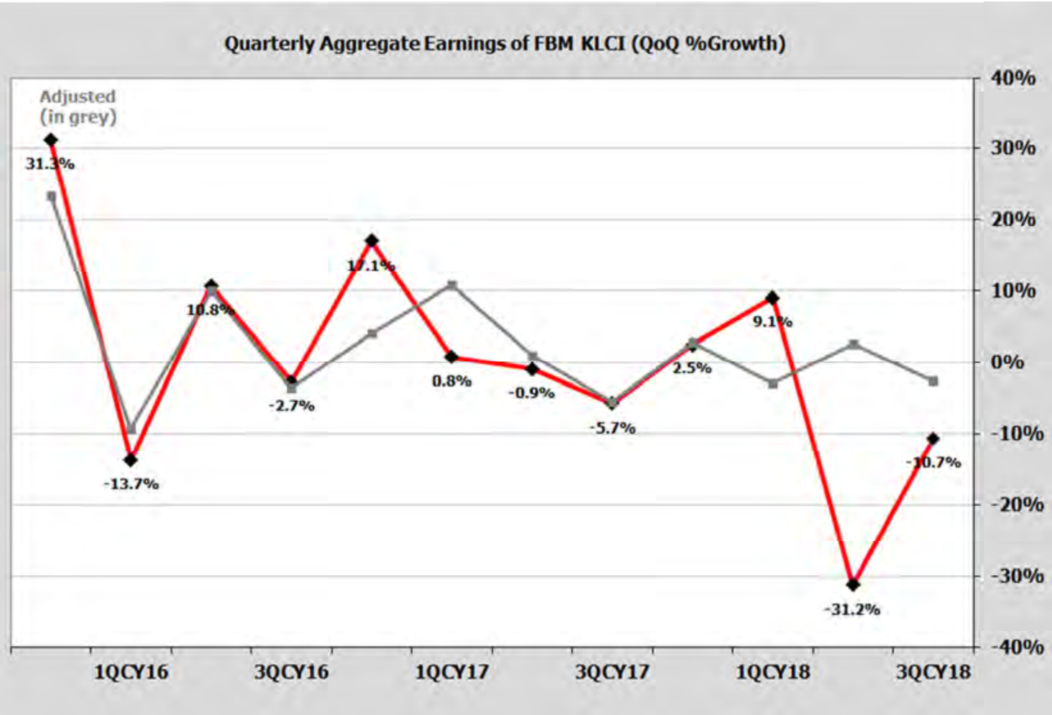
Source: Bloomberg, MIDFR

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 3QCY18 earnings of FBM KLCI 30 constituents were higher at RM14.54b.

The adjustments were mainly related to (i) RM1.83b impairment loss suffered respectively by Genting and Genting Malaysia on investment in the promissory notes issued by the Mashpee Wampanoag Tribe in the United States, (ii)

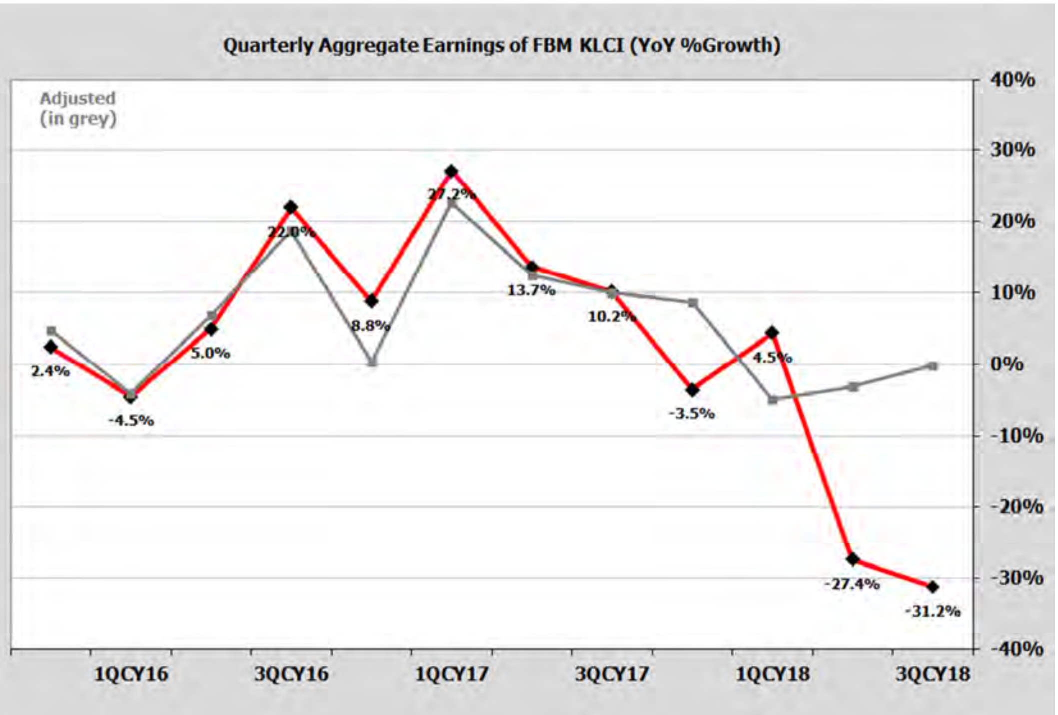
RM510m provision and collective agreement by Tenaga, (iii) foreign exchange losses of RM752m on non-Turkish Lira denominated borrowings by an IHH's subsidiary.

After neutralizing the impact of non-operational items (3QCY18: +RM4.33b, 2QCY18: +RM3.51b, 3QCY17: -RM279m), the aggregate normalized growth in 3QCY18 posted much smaller negative figures at -2.7%qoq and -0.2%yoy respectively.



Source: Bloomberg, MIDFR

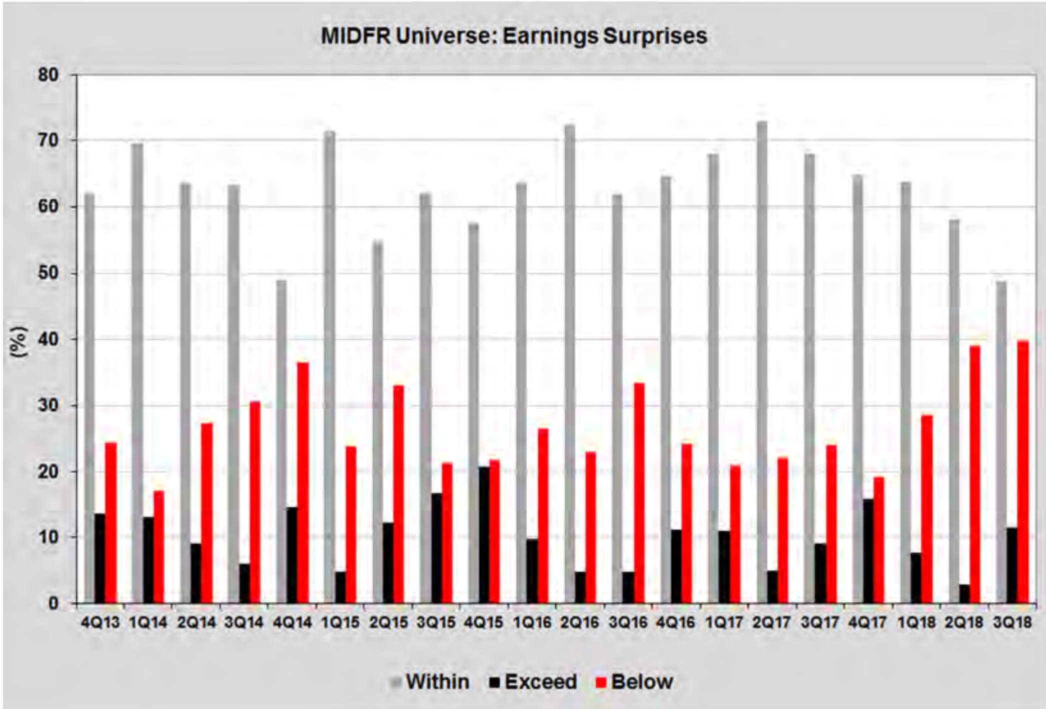
Furthermore, it is also noteworthy that while the normalized sequential performance in 3QCY18 suffered a slowdown vis-à-vis +2.7%qoq achieved in the earlier quarter, nevertheless the adjusted on-year performance was numerically superior in comparison to the -3.2%yoy growth achieved during the preceding 2QCY18 quarter.



Source: Bloomberg, MIDFR

MIDFR Universe

Under MIDFR Universe, we made 20 changes to our stock recommendations with 7 upgrades and 13 downgrades. Moreover, target price changes involved 13 upward against 56 downward adjustments. During the past three months, we added Al-'Aqar Healthcare REIT and Ranhill Holdings of our coverage universe. 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 jumped to 29-quarter high (since 3QCY11) of 40% in 3QCY18 from 39% in the prior quarter. Nonetheless, the percentage of positive surprises also increased to 12% in 3QCY18 from a measly 3% in the prior quarter.

MIDFR Universe: Earnings Surprises

	Within	Exceed	Below
AUTOMOTIVE	50%	50%	0%
BANKING	100%	0%	0%
BUILDING MATERIAL	100%	0%	0%
CONSTRUCTION	20%	30%	50%
CONSUMER	50%	0%	50%
FINANCE	33%	67%	0%
GLOVE	100%	0%	0%
HEALTHCARE	50%	25%	25%
INDUSTRIAL	50%	0%	50%
INSURANCE	0%	67%	33%
MEDIA	0%	0%	100%
OIL & GAS	75%	0%	25%
PLANTATION	22%	11%	67%
PROPERTY	22%	0%	78%
REIT	63%	0%	38%
TECHNOLOGY	17%	17%	67%
TELECOMMUNICATION	50%	50%	0%
TOBACCO	100%	0%	0%
TRANSPORTATION	30%	0%	70%
UTILITY	100%	0%	0%
TOTAL	**49%**	**12%**	**40%**

Source: MIDFR

Accordingly, companies with results that were in line with expectations declined to 49% in 3QCY18 from 58% 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 (%)*	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16	4Q15
AUTOMOTIVE	*(1,101)*	*9.1*	249	228	152	-609	-25	-195	29	-1,531	-71	44	39	-217
BANKING	*4.2*	*(7.2)*	7,143	7,694	7,046	6,977	6,858	6,083	6,344	6,706	6,257	5,328	5,509	5,636
BUILD MATERIAL	*160.1*	*30.4*	-109	-84	-69	-80	-42	-44	-49	34	4	18	21	45
CONSTRUCTION	*(67.0)*	*(73.0)*	143	530	426	631	434	504	565	678	515	451	311	665
CONSUMER	*30.8*	*(13.8)*	369	428	486	450	282	362	439	384	355	450	516	493
FINANCE	*13.2*	*4.2*	250	240	460	246	221	223	235	163	157	175	150	88
GLOVE	*9.2*	*5.5*	312	296	304	300	286	228	239	207	190	166	237	295
HEALTHCARE	*(119.5)*	*(113.4)*	-30	225	147	486	155	386	555	25	270	283	309	484
INDUSTRIAL	*33.2*	*139.3*	97	41	42	78	73	68	44	96	92	86	51	90
INSURANCE	*20.5*	*43.4*	185	129	159	148	153	126	139	137	137	285	135	162
MEDIA	*(103.3)*	*(106.0)*	-13	208	171	-387	376	72	113	195	27	274	237	187
OIL & GAS	*(36.4)*	*(1.7)*	1,596	1,623	-346	1,780	2,510	1,875	1,969	135	1,713	792	91	1,319
PLANTATION	*(104.1)*	*(111.3)*	-62	547	2,831	1,971	1,514	2,147	2,281	1,814	1,209	1,035	1,526	2,368
PROPERTY	*(41.0)*	*(58.9)*	563	1,369	546	960	954	1,081	696	1,421	758	1,028	699	1,197
REIT	*22.5*	*(20.7)*	469	592	371	759	383	480	356	510	360	417	359	726
TECHNOLOGY	*(80.9)*	*(77.7)*	37	166	148	201	194	188	171	184	151	150	105	160
TELECOM	*(37.9)*	*(136.0)*	862	-2,393	919	1,221	1,389	1,551	1,348	723	1,358	1,237	1,608	1,510
TOBACCO	*0.2*	*32.4*	146	110	96	81	145	147	119	289	209	48	175	195
TRANSPORT	*0.1*	*63.5*	1,473	901	2,159	905	1,471	1,021	1,650	1,559	840	2,049	1,961	1,850
UTILITY	*(61.9)*	*(45.7)*	770	1,416	2,419	2,431	2,020	2,409	1,944	2,051	2,073	2,986	1,734	2,450
TOTAL	***(28.2)***	***(2.7)***	13,534	13,904	17,324	18,176	18,845	18,618	18,570	15,306	16,251	16,960	14,894	19,150

Source: MIDFR

Cumulatively, the reported earnings of companies under MIDFR Universe totalled RM13.53b in 3QCY18. The aggregate earnings growth was negative both sequentially at -2.7%qoq as well as on-year at -28.2%yoy.

Finance, Glove, Industrial, Insurance, Tobacco and Transport were the sectors which recorded higher total earnings (as reported) in 3QCY18 when compared to both the preceding quarter and corresponding period last year.

On the other hand, Construction, Healthcare, Media, Oil & Gas, Plantation, Property, Technology and Utility sectors were those that showed negative sequential as well as on-year earnings (as reported) growth percentages in 3QCY18.

Sectoral commentary

Automotive: Of the auto stocks under coverage, UMW and MBM outperformed expectations. This was mainly driven by stronger than expected earnings contribution from Perodua and Perodua TIV outperformance against our earlier FY18 forecast. UMW has 38% while MBM has 22.5% effective stake in Perodua. Overall, auto sector 3Q18 earnings were boosted by strong demand during the tax-holiday period which expired end-August 2018.

Banking: The performance of the banking sector have been within our expectations with RHB performing at the upper bound of expectations. We observed that banks that are mostly confined to Malaysia have performed robustly with only Maybank and CIMB slightly disappointing owing to its regional exposure in Indonesia. Main contributor for the performance was the lower impairments that we have seen in most banks as asset quality remains solid. Loans growth was robust despite moderated GDP growth due to the fact that consumer segment have been the key driver. In this segment, mortgages have led the loans growth. The robust loans growth had cushioned the impact of net interest margin compression which came about from deposit competition.

Construction: Companies under our coverage ended the quarter on a mixed note. Notable stocks namely Muhibbah Engineering and KKB Engineering proved its resilience, posting better than expected results. To recall, six out of eleven stocks performed within and above our expectations. Despite the recent cost revisions on mega projects, construction companies with healthy order book have managed to sustain its revenue YTD.

Insurance: Insurance players under our coverage have mostly recorded positive top line growth in terms of premium and contributions. This was in line with the recently recorded growth of insurance contribution to GDP in 3QFY18, which has the highest rate of 13.0% compared to the contributions of other services. In terms of cost structure, insurance companies under our coverage were on average achieving marginal improvement in its combined ratio due to lower claims ratio in 3QFY18. However, management expense on average remained elevated as companies continually invest in technology and to be in compliance with tight regulations. Nevertheless, insurers were still able to maintain a positive and healthy underwriting margin on average due to prudent underwriting and favourable claims environment in the domestic market.

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. This includes outsourcing part of the non-core operations. 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. To improve the financial position, Media Prima Bhd has begun to monetise some of its assets.

Plantation: 3QCY2018 is a repeat of 2QCY2018 (the worst quarters so far for plantation sector) with 7 underperformers, 3 in line and only 1 outperformer. The underperformers include SIMEPLT, FGV, IJMPLNT, FIMACORP, GENP, TSH and MSM. All of the underperformers are caused by lower than expected FFB volume except MSM. For MSM, the Company's sales volume has missed expectation. On the positive side, PPB achieved earnings outperformance due to stronger than expected earnings from Wilmar and PPB's "Film Exhibition & Distribution" division. Three companies registered earnings which came in within expectations and these are IOICORP, KLK and TAANN.

Property: Most of the property companies under our coverage delivered earnings that were below expectations, mainly due to slower-than-expected progress billing in 3QCY18. Generally, new property sales from local projects were subdued in 3QCY18 as buyers adopted wait-and-see stance prior to Budget 2019 announcement. Nevertheless, property companies with exposure to overseas projects saw their new property sales cushioned by launches of their oversea projects. Looking ahead, new property sales in 4QCY18 may also be subdued as home buyers may defer their purchase to 2019 to enjoy the Budget 2019 stamp duty incentive.

REIT: The core net incomes (CNIs) of the six out of the eight REITs under our coverage were in-line with our full year forecasts. During the quarter, we have added Al-'Aqar Healthcare REIT into our universe. The REITs that announced CNI that missed our expectations were CMMT and AmanahRaya REIT. REITs under our coverage registered positive yoy CNI growth except for CMMT (-12.0%), Sunway REIT (-7.8%) and KLCCP Stapled Group (-1.2%). We maintain our NEUTRAL stance on the REITs sector due to the unappealing yield spread at 1.4 ppt now.

Oil & Gas: The downstream oil and gas companies continues to perform favourably as the supply and demand dynamics for both petrochemical and petroleum-derivative products were within expectations. Operating margins were relatively stable owing to more favourable average selling prices as a result of increasing crude oil price environment in 3QFY18. Service providers on average faired reasonably due to increasing offshore activity levels owing to an encouraging crude oil price environment. The outliers registering losses for the quarter were MMHE and Bumi Armada due to project specific complications.

Technology: Generally semiconductor companies' 3QCY18 financial performance was below expectations in view of lower-than-expected volume growth. We believe lower demand of the end products has led to lower order of the components. This has been reflected in the share price performance. However, the decline in share price has led to more attractive dividend yield. Meanwhile, MY E.G. Services Bhd, which provides e-government services, has outperformed our expectation mainly due to the increase in transaction volume of its services.

Telecommunication: Telekom Malaysia's 3QFY18 financial performance continues to underperform due to the increasing regulatory and competitive pressure. The reduction in earnings was further exacerbated by higher operating expenses incurred. 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.

Transport (Aviation): The operating expenditure of airlines increased significantly during 3QFY18 amidst the 7.4% increase in fuel price impacted earnings of airlines such as AirAsia Group Bhd and AirAsia X Moving forward, airlines are poised for recovery as Brent crude oil price has dipped by more than 15% in 4QFY18, easing fuel costs. Airlines would also take this opportunity to hedge more as jet fuel prices would follow suit.

Transport (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 yet to result in additional earnings accretion. In other words, logistics players are gaining businesses at the expense of thinner margins.

Utility (Power): Earnings of all utilities stocks under coverage were within expectations. Tenaga's earnings weakened in 3Q18 given higher coal price and a higher proportion of gas in the generation mix. Tenaga's results underperformed consensus' inflated forecasts however, and that triggered downgrades in the market.

Outperformer versus underperformer

The ratio of outperformer against underperformer among the FBM KLCI constituents under our coverage swung towards the former at 4:2 in 3QCY18.

FBM KLCI: Outperformer versus Underperformer

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

Source: MIDFR

In the review quarter, the outperformers against our estimates were Digi, IHH, PPB and Telekom Malaysia while the underperformers were MISC and Sime Plantation.

Changes to forward earnings

In spite of the higher number of outperformers as compared to underperformers in 3QCY18, the aggregate FY2018 earnings estimate and FY2019 earnings forecast of the FBM KLCI constituents under our coverage were shaved by -1.5% to RM54.1b and -0.9% to RM56.6b respectively vis-à-vis our earlier projections prior to the latest reporting season.

In reflection of the higher incidence of negative surprises in 3QCY18, the aggregate FY2018 earnings estimate and FY2019 earnings forecast of the stocks under MIDFR coverage universe were cut by -3.6% to RM72.0b and -3.5% to RM78.0b respectively vis-à-vis our earlier projections prior to the latest reporting season.

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

Maintain year-end 2018 and 2019 FBM KLCI targets at 1,800 and 1,900 points respectively

In gist, the latest quarterly corporate earnings again failed to excite hence the diminution in aggregate forward earnings estimates for both FY2018 and FY2019. On this score, while corporate earnings could still deliver positive on-year growth for the current year and next, however the growth rates are expected to be slightly lower than what earlier anticipated.

Similarly at macro level, as earlier reported, Malaysia's GDP growth eased to 4.2% in 3QCY18 (from 4.5% in 2QCY18) amid moderating agricultural and industrial output.

Nonetheless, we reckon the 90-day truce between the US and China insofar as their ongoing trade spat may help to generate the much needed equity valuation tailwind in the near term.

Additionally, another source of valuation tailwind may emanate from the US Fed Chairman Jerome Powell's remark last week that the fed rate is nearing its neutral level; hence the possibility of a lower number of interest rate hikes (than previously expected) in the coming year. Recall that barely two months ago, the Fed Chair commented that the fed rate was "a long way" from reaching neutral level.

All above factors considered, we maintain our FBM KLCI year-end 2018 target at 1,800 points. Likewise, we reiterate our FBM KLCI year-end 2019 target of 1,900 points.

APPENDIX 1

MIDFR Universe: Changes in Recommendations & Target Prices

STOCK	SECTOR	RECOMMENDATION		TARGET PRICE (RM)	
		Old	New	Old	New
UMW	Automotive	Buy	Buy	6.50	6.80
BIMB	Banking	Buy	Buy	5.15	4.85
CIMB	Banking	Buy	Buy	7.85	7.70
HL Bank	Banking	Neutral	Neutral	18.85	20.30
HLFG	Banking	Neutral	Neutral	19.00	20.10
Gabungan AQRS	Construction	Buy	Buy	2.30	1.87
Gamuda	Construction	Buy	Buy	2.78	2.89
HSL	Construction	Neutral	Buy	1.50	1.54
IJM Corp	Construction	Buy	Neutral	3.10	1.92
LaFarge	Construction	Neutral	Neutral	3.18	2.17
MRCB	Construction	Buy	Buy	1.07	0.83
Sunway Const	Construction	Buy	Buy	1.95	1.78
WCTH	Construction	Buy	Buy	1.13	1.05
MSM	Consumer	Neutral	Neutral	3.40	3.03
Aeon Credit	Finance	Buy	Neutral	15.40	15.40
Can-One	Industrial	Neutral	Neutral	2.60	2.09
Daibochi	Industrial	Neutral	Neutral	2.00	1.69
PIE Ind	Industrial	Buy	Buy	1.88	1.86
United U-Li	Industrial	Neutral	Neutral	0.71	0.60
Syarikat Takaful	Insurance	Buy	Buy	4.44	4.49
Tune Protect	Insurance	Buy	Buy	1.04	0.85
Astro	Media	Buy	Neutral	2.06	1.55
Media Prima	Media	Neutral	Sell	0.42	0.35
Star	Media	Neutral	Neutral	1.04	0.69
Bumi Armada	Oil & Gas	Neutral	Neutral	0.58	0.35
KNM	Oil & Gas	Trading Buy	Trading Buy	0.22	0.19
Petro Dagang	Oil & Gas	Buy	Neutral	30.08	27.53
FGV	Plantation	Neutral	Neutral	1.54	0.91
Fima Corp	Plantation	Neutral	Neutral	1.90	1.76
Genting Plant	Plantation	Buy	Buy	10.70	10.50
IJM Plant	Plantation	Neutral	Neutral	2.00	1.75
KL Kepong	Plantation	Buy	Neutral	27.38	24.50
Sime Plant	Plantation	Neutral	Neutral	5.25	5.10
Ta Ann	Plantation	Neutral	Buy	2.76	2.76
TSH Res	Plantation	Neutral	Neutral	1.18	1.05
E&O	Property	Buy	Buy	2.37	1.65

STOCK	SECTOR	RECOMMENDATION		TARGET PRICE (RM)	
		Old	New	Old	New
Magna Prima	Property	Buy	Neutral	1.07	0.81
Mah Sing	Property	Buy	Neutral	1.49	1.08
SP Setia	Property	Neutral	Buy	3.10	2.66
Sunway	Property	Neutral	Neutral	1.60	1.50
UEM Sunrise	Property	Buy	Buy	1.08	0.86
UOA Dev	Property	Buy	Buy	2.80	2.50
Amanahraya	REIT	Buy	Buy	0.94	0.91
CMMT	REIT	Neutral	Neutral	1.11	1.02
KLCCP	REIT	Neutral	Neutral	7.59	7.76
D&O Green	Technology	Buy	Neutral	0.88	0.86
Globetronics	Technology	Neutral	Neutral	2.34	2.22
Inari	Technology	Neutral	Neutral	2.25	1.79
MyEG	Technology	Neutral	Buy	1.55	1.55
Scicom	Technology	Buy	Neutral	2.29	1.77
Axiata Group	Telecom	Neutral	Neutrak	4.86	3.56
Digi	Telecom	Buy	Buy	4.70	4.89
Maxis	Telecom	Neutral	Neutral	5.96	5.67
TM	Telecom	Sell	Sell	3.02	1.89
AirAsia	Transport	Buy	Buy	3.62	3.48
AirAsia X	Transport	Neutral	Neutral	0.26	0.22
GDex	Transport	Neutral	Neutral	0.46	0.28
Litrak	Transport	Buy	Buy	5.90	4.92
MISC	Transport	Neutral	Neutral	6.01	6.33
MMC Corp	Transport	Buy	Buy	1.38	1.35
Tasco	Transport	Buy	Neutral	2.21	1.28
Tiong Nam	Transport	Neutral	Neutral	0.92	0.75

Source: MIDFR

APPENDIX 2

MIDFR Universe: Outperformers and Underperformers

STOCK	SECTOR	Versus EXPECTATION (Above/Below)	COMMENT
MBM	Automotive	Above	Stronger than expected Perodua earnings and volumes
UMW	Automotive	Above	Stronger than expected Perodua earnings and volumes
HSL	Construction	Above	Better progress billings in the construction division
KKB Eng	Construction	Above	Better progress recognition from Pan Borneo Highway
Muhibbah	Construction	Above	Better than expected margin conversin against revenue
Aeon Credit	Finance	Above	Attributed to higher sales, fee and other operating income as well as expansion into M40 segment continue to boost receivables
Bursa	Finance	Above	Driven by higher operating revenue and ADV traded in the Securities Market
LPI Capital	Insurance	Above	Core net earnings grew marginally, supported mainly by its Motor segment
Syarikat Takaful	Insurance	Above	Continued strong growth in contribution and improved combined ratio
PPB	Plantation	Above	Stronger than expected earnings from Wilmar and PPB's "Film Exhibition & Distribution" division
MyEG	Technology	Above	Recognition of deferred revenue of RM19.9m and increase in transaction volume from commercial services
Digi	Telecom	Above	Growth in postpaid and device revenue as well as efficient cost management
TM	Telecom	Above	Cost rationalization initiatives yielding results
IJM Corp	Construction	Below	Lower than expected margin conversion and slower demand from the key segments
LaFarge	Construction	Below	Higher than expected operating cost and compression on ASP
MRCB	Construction	Below	Significant revenue drop (-65.2%yoy) from Engineering and Construction segment
Sunway Const	Construction	Below	Negative contribution from pre-cast segment
WCTH	Construction	Below	Low take-up rate of unsold units in the property segment
MSM	Consumer	Below	Lower than expected sales volume
Can-One	Industrial	Below	Higher than expected raw material costs and lower than expected contribution from its associate
Daibochi	Industrial	Below	Longer than expected cost pass through to customers and forex loss
PIE Ind	Industrial	Below	Longer than expected shortage in raw materials
United U-Li	Industrial	Below	Higher than expected operating costs
Tune Protect	Insurance	Below	Higher than expected management expense due to its expansion plan abroad, digitalisation roadmap and new product launches
Astro	Media	Below	Broadcasting of FIFA World Cup and Higher net finance cost
Media Prima	Media	Below	Underperformance from the traditional media platform
Star	Media	Below	Steep decline in revenue, particularly from the print segment

STOCK	SECTOR	Versus EXPECTATION (Above/Below)	COMMENT
Bumi Armada	Oil & Gas	Below	Earnings impacted by the second round of impairment. This time is on 70% of its vessel fleet
KNM	Oil & Gas	Below	Losses are attributable to: (i) unrealized forex losses and; (ii) tough overseas operating environment
MMHE	Oil & Gas	Below	Losses are due to lower revenue recognition from the tail-end projects, higher cost provisions for ongoing projects and; deferment of dry-docking activities from vessel owners
FGV	Plantation	Below	Lower than expected FFB volume
Fima Corp	Plantation	Below	Lower than expected FFB volume
Genting Plant	Plantation	Below	Lower than expected FFB volume
IJM Plant	Plantation	Below	Lower than expected FFB volume
Sime Plant	Plantation	Below	Lower than expected FFB volume for Malaysia estates
TSH Res	Plantation	Below	Lower than expected FFB volume
E&O	Property	Below	The negative deviation could be attributed to lower property sales and weaker project billing from projects in 2QFY19
Magna Prima	Property	Below	The negative deviation could be attributed to the slower-than-expected progress billing of its projects in Klang Valley
Mah Sing	Property	Below	Progress billing came in slightly weaker than expected
SP Setia	Property	Below	Earnings were below expectations in 3QFY18 as acceleration of local projects progress billing was weaker than expected in 3QFY18
Sunway	Property	Below	The negative deviation could be attributed to the slower-than-expected progress billing from local property projects
UEM Sunrise	Property	Below	The negative deviation could be attributed to the slower-than-expected earnings recognition from local and Melbourne projects
UOA Dev	Property	Below	The negative deviation could be mainly attributed to the higher-than-expected cost and expenses in 3QFY18
Amanahraya	REIT	Below	Higher than expected property and non-property expenses
CMMT	REIT	Below	Lower occupancy rates and rental income from its Klang Valley malls
CMMT	REIT	Below	Lower than expected occupancy rate and rental reversion rates
D&O Green	Technology	Below	Lower-than-expected revenue growth from the sales of automotive LED
Globetronics	Technology	Below	Lower-than-expected revenue growth
Inari	Technology	Below	Lower demand of the group's product
Scicom	Technology	Below	Longer than expected implementation of new projects
AirAsia	Transport	Below	Higher jet fuel prices
AirAsia X	Transport	Below	Higher jet fuel prices
GDex	Transport	Below	Higher annual tax rate of 31% in 1QFY19 (versus 15% in 1QFY18) following the expiry of GDEX's pioneer status tax incentive in September 2017

STOCK	SECTOR	Versus EXPECTATION (Above/Below)	COMMENT
Litrak	Transport	Below	Lower traffic volume
MISC	Transport	Below	Higher finance costs to fund the Seri C Class LNG vessels
Tasco	Transport	Below	Higher borrowing costs to finance for the cold supply chain (CSC) business and the land and warehouse in Pulau Indah
Tiong Nam	Transport	Below	Lower capitalisation of property development projects which led to higher finance costs

Source: MIDFR

APPENDIX 3

MIDFR Universe: Changes in Aggregate Earnings Estimates

	EARNINGS (RM mn)				EARNINGS *(% Chg)*	
	FY2018		FY2019		FY2018	FY2019
	Old (E)	New (E)	Old (F)	New (F)		
TOTAL (MIDFR Univ.)	74,706.8	72,011.8	80,870.4	78,050.3	*(3.6)*	*(3.5)*
Annual % Change	*4.0*	*0.3*	*8.3*	*8.4*		
TOTAL (FBM KLCI) *	54,968.4	54,137.7	57,160.0	56,654.2	*(1.5)*	*(0.9)*
Annual % Change	*8.3*	*6.7*	*4.0*	*4.6*		

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.