4 March 2019

MALAYSIA EQUITY

EARNINGS WRAP

Review of corporate earnings

Quarter Ended December 2018

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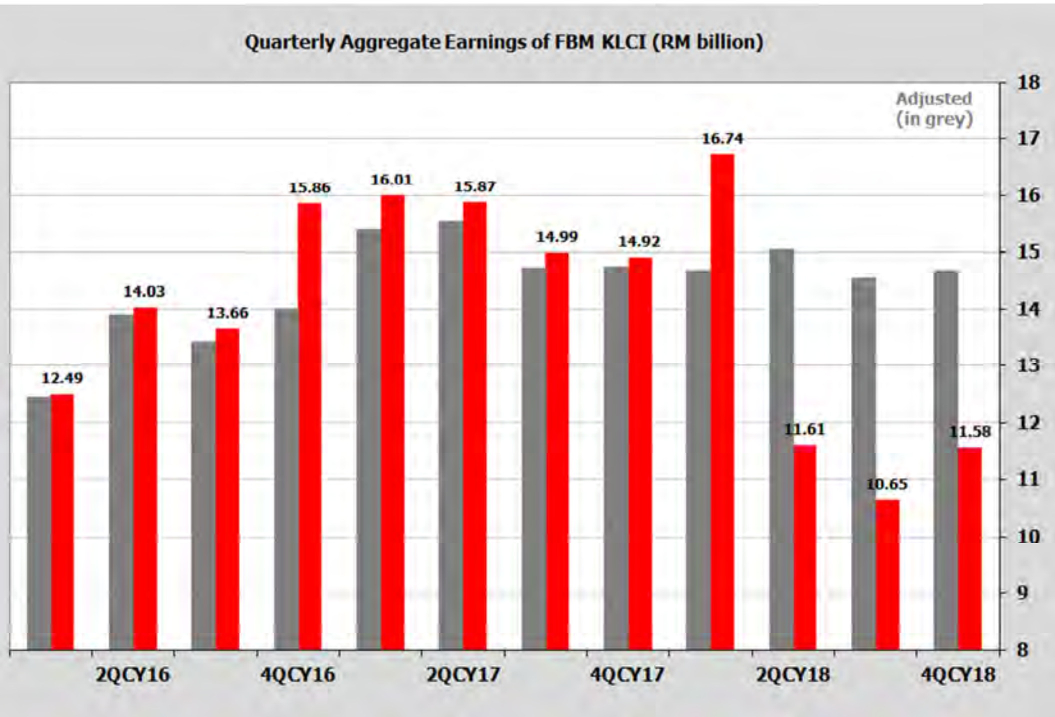
4 March 2019 | Earnings Wrap

Marked rise of 'kitchen sinking' in 2018

- *The aggregate reported earnings of FBM KLCI 30 constituents totalled RM11.58b in 4QCY18, positive sequentially but negative on-year at +8.7%qoq and -22.4%yoy respectively.*
- *However, the aggregate normalized growth was more tepid sequentially at +0.9%qoq while the on-year figure was near flat at -0.4%yoy.*
- *Within MIDFR Universe, 15% of stocks under coverage reported higher than expected earnings. Of the rest, 31% posted earnings that were lower than expected versus 54% which came within expectations.*
- *Target price changes involved 37 upward adjustments and 40 downward adjustments.*
- *We made 21 changes to our stock recommendations with 6 upgrades and 15 downgrades.*
- *We dropped KNM Group and Vivocom International from our coverage universe during the past three months.*
- *The aggregate FY2019 earnings estimate of the FBM KLCI constituents under our coverage were cut by -3.9% to RM54.9b.*
- *Favourable external developments (i.e. higher likelihood of a pause in US Fed rate hike and resolution to US-China trade dispute) may generate valuation tailwinds thus we maintain our 2019 FBM KLCI target at 1,800 points.*

FBM KLCI

The aggregate reported earnings of FBM KLCI 30 constituents totalled RM11.58b in 4QCY18, positive sequentially but negative on-year at +8.7%qoq and -22.4%yoy respectively.

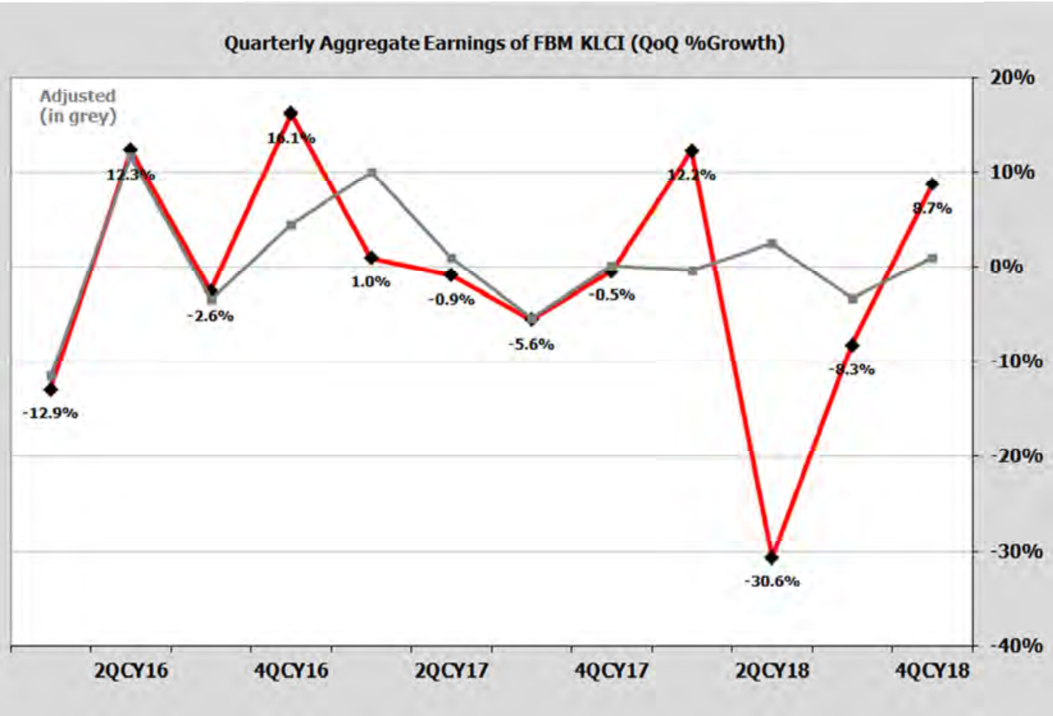


Source: Bloomberg, MIDFR

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 4QCY18 earnings of FBM KLCI 30 constituents were markedly higher at RM14.68b.

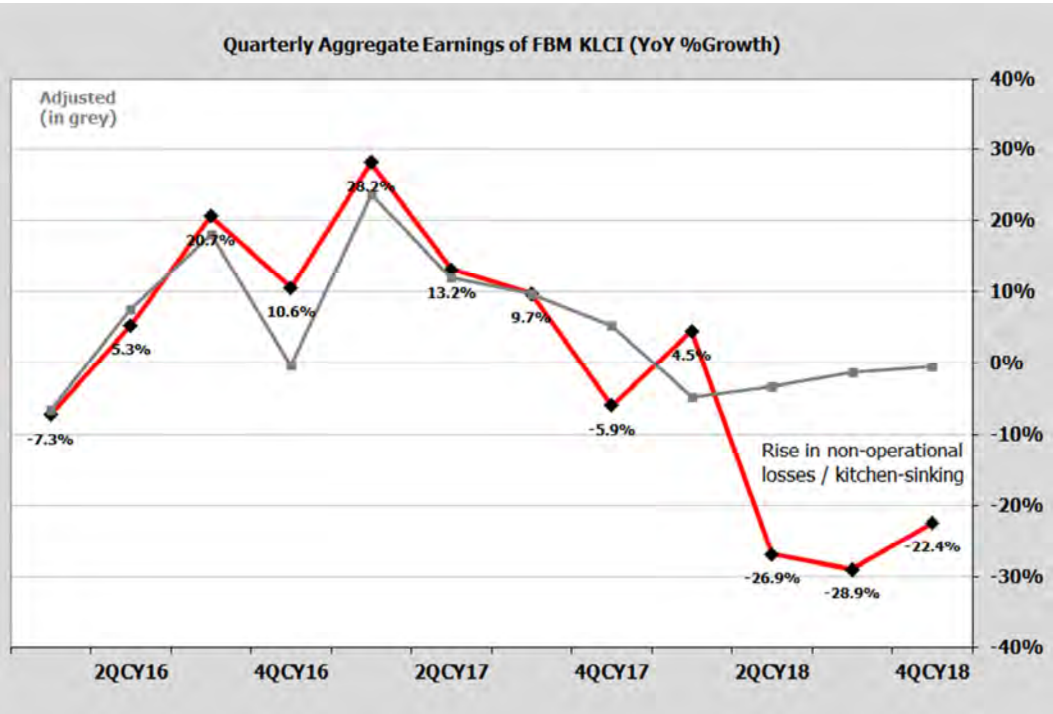
The adjustments were mainly related to (i) impairments (GAMA, GMR), provisions (GAMA, delinquent accounts), CA clawback, SESB tariff & fuel subsidy and FX translation loss, totalling RM1.03b by Tenaga Nasional, and (ii) assets written-off/accelerated depreciation, FX translation loss and other exceptional items, totalling RM1.83b by Axiata.

After neutralizing the impact of non-operational items (4QCY18: +RM3.10b, 3QCY18: +RM3.89b, 4QCY17: -RM177m), the aggregate normalized growth in 4QCY18 was more tepid sequentially at +0.9%qoq while the on-year figure was near flat at -0.4%yoy.



Source: Bloomberg, MIDFR

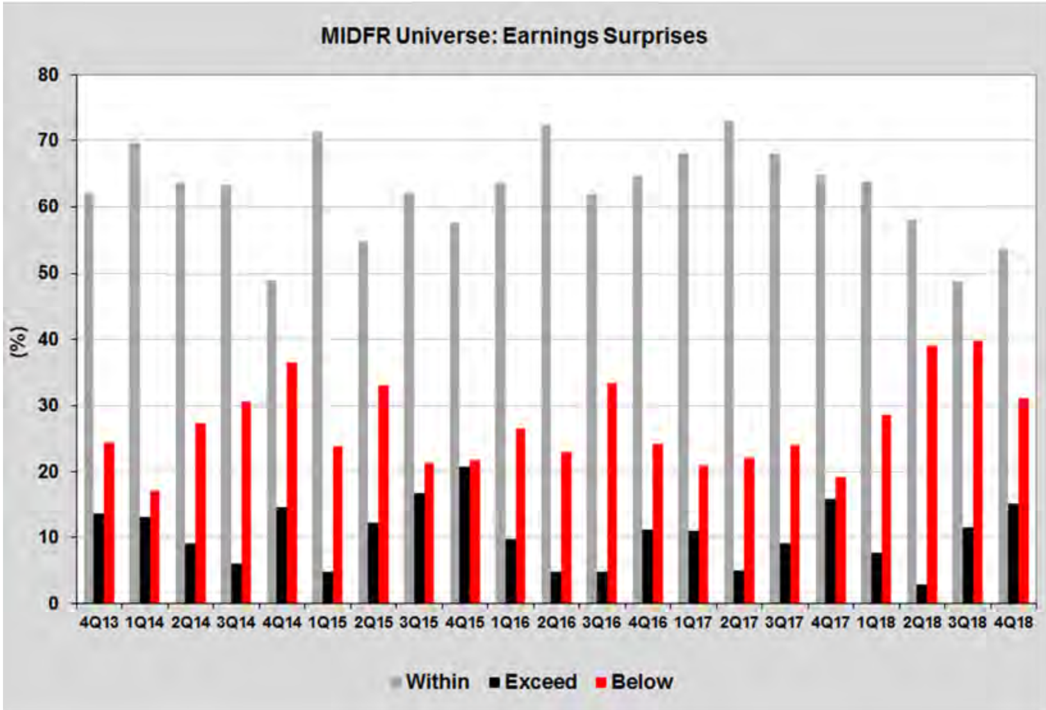
It is noteworthy that the normalized sequential performance in 4QCY18 registered a slight growth pick-up vis-à-vis -3.4%qoq achieved in the prior quarter. Likewise, the adjusted on-year performance was numerically superior in comparison to the -1.2%yoy growth achieved during the preceding 3QCY18 quarter. Another notable observation is the marked rise in non-operational losses (some may arguably be 'kitchen sinking' exercises) during the last three quarters of 2018.



Source: Bloomberg, MIDFR

MIDFR Universe

Under MIDFR Universe, we made 21 changes to our stock recommendations with 6 upgrades and 15 downgrades. Moreover, target price changes involved 37 upward against 40 downward adjustments. During the past three months, we dropped KNM Group and Vivocom International from 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 dropped to 3-quarter low (since 2QCY18) of 31% in 4QCY18 from 40% in the prior quarter. Moreover, the percentage of positive surprises increased to 4-quarter high (since 1QCY18) of 15% in 4QCY18 from 12% in the prior quarter.

MIDFR Universe: Earnings Surprises

	Within	Exceed	Below
AUTOMOTIVE	50%	50%	0%
BANKING	80%	10%	10%
BUILDING MATERIAL	100%	0%	0%
CONSTRUCTION	33%	22%	44%
CONSUMER	75%	13%	13%
FINANCE	100%	0%	0%
GLOVE	75%	0%	25%
HEALTHCARE	25%	50%	25%
INDUSTRIAL	50%	13%	38%
INSURANCE	33%	67%	0%
MEDIA	67%	33%	0%
OIL & GAS	45%	9%	45%
PLANTATION	22%	11%	67%
PROPERTY	44%	22%	33%
REIT	100%	0%	0%
TECHNOLOGY	50%	0%	50%
TELECOMMUNICATION	50%	0%	50%
TOBACCO	100%	0%	0%
TRANSPORTATION	30%	20%	50%
UTILITY	50%	0%	50%
TOTAL	**54%**	**15%**	**31%**

Source: MIDFR

Accordingly, companies with results that were in line with expectations increased to 54% in 4QCY18 from 49% 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 (%)	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16
AUTOMOTIVE	(138.7)	(5.4)	236	249	228	152	-609	-25	-195	29	-1,531	-71	44	39
BANKING	5.9	3.4	7,387	7,143	7,694	7,046	6,977	6,858	6,083	6,344	6,706	6,257	5,328	5,509
BUILD MATERIAL	(28.2)	(47.4)	-58	-109	-84	-69	-80	-42	-44	-49	34	4	18	21
CONSTRUCTION	(29.0)	199.0	449	150	534	424	633	428	498	560	677	503	430	291
CONSUMER	(2.4)	19.3	440	369	428	486	450	282	362	439	384	355	450	516
FINANCE	2.9	1.5	253	250	240	460	246	221	223	235	163	157	175	150
GLOVE	9.1	5.0	327	312	296	304	300	286	228	239	207	190	166	237
HEALTHCARE	26.0	(2,130)	612	-30	225	147	486	155	386	555	25	270	283	309
INDUSTRIAL	(0.7)	(20.7)	77	97	41	42	78	73	68	44	96	92	86	51
INSURANCE	25.5	0.3	185	185	129	159	148	153	126	139	137	137	285	135
MEDIA	(157.8)	(1,885)	223	-13	208	171	-387	376	72	113	195	27	274	237
OIL & GAS	(66.4)	(62.0)	613	1,614	1,657	-327	1,826	2,509	1,874	1,967	465	1,712	786	80
PLANTATION	(67.7)	(1,132)	636	-62	547	2,831	1,971	1,514	2,147	2,281	1,814	1,209	1,035	1,526
PROPERTY	(24.4)	28.9	725	563	1,369	546	960	954	1,081	696	1,421	758	1,028	699
REIT	(36.4)	2.9	483	469	592	371	759	383	480	356	510	360	417	359
TECHNOLOGY	(11.6)	380.4	178	37	166	148	201	194	188	171	184	151	150	105
TELECOM	(177.7)	(210.0)	-948	862	-2,393	919	1,221	1,389	1,551	1,348	723	1,358	1,237	1,608
TOBACCO	43.6	(20.2)	116	146	110	96	81	145	147	119	289	209	48	175
TRANSPORT	(76.2)	(85.4)	215	1,473	901	2,159	905	1,471	1,021	1,650	1,559	840	2,049	1,961
UTILITY	(100.9)	(102.9)	-22	770	1,416	2,419	2,431	2,020	2,409	1,944	2,051	2,073	2,986	1,734
TOTAL	(31.3)	(7.6)	12,525	13,559	13,942	17,340	18,225	18,837	18,611	18,563	15,635	16,238	16,932	14,863

Source: MIDFR

Cumulatively, the reported earnings of companies under MIDFR Universe totalled RM12.52b in 4QCY18. The aggregate earnings growth was negative both sequentially at -7.6%qoq as well as on-year at -31.3%yoy.

Banking, Finance, Glove Healthcare, Insurance and Media were the sectors which recorded higher total earnings (as reported) in 4QCY18 when compared to both the preceding quarter and corresponding period last year.

On the other hand, Automotive, Building Material, Industrial, Oil & Gas, Telecommunication, Transportation and Utility sectors were those that showed negative sequential as well as on-year earnings (as reported) growth percentages in 4QCY18.

Sectoral commentary

Aviation: The operating expenditure of airlines increased significantly during amidst the increase in jet fuel price impacted earnings of airlines such as AirAsia Group and AirAsia X. Moving forward, both airlines have embarked on a more prudent hedging policy in FY19 by increasing their hedge ratio to 50%. 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.

Banking: The recent concluded 4QCY18 banking result saw RHB out performing our expectations as its Islamic banking income expanded very strongly. Beside this, the banking sector has overall performed as we had expected. Earnings were impacted by net interest margin (NIM) compression that stemmed from deposits competition throughout the year due to earlier expectations of the implementation of Net Stable Funding Ratio requirement. While this compression was moderated by the OPR hike in the early parts of CY18, this boost soon normalized. Also affecting banks' earnings were the challenging capital market conditions which had put pressure in non-interest income. Nevertheless, these headwinds were curbed by lower provisions (despite the implementation of MFRS 9) and lower operating expenses. As for loans growth, the housing mortgage segment has been the main driver. The robust loans growth had cushioned the impact of NIM compression.

Consumer: Consumer staple companies under our coverage namely Nestle, F&N and QL Resources performance in the 4QFY18 are within expectation. Earnings growth remains resilient despite the challenging domestic market condition in view of intensifying competition. This solid performance was underpinned by the: (i) healthy private consumption; (ii) strong product innovation and; (iii) continued strong export growth. For consumer discretionary companies such as AEON and Padini, earnings improved strongly from the subdued performance recorded in the previous quarter. During the 3QFY18 where tax holiday occurred, average selling price was under pressure as retailers fought to maintain market share. Hence, the readjustment of retail pricing post tax-holiday period coupled with the strong spending during the Christmas season and year-end school holidays helped to lift earnings.

Construction: Companies under our coverage ended the quarter rather on a mixed note. Among the counters reviewed, Muhibbah and KKB Engineering have again proved its resilience, posting results which exceeded our expectations. To recall, seven out of eleven stocks performed within and above our expectations. Whilst the earnings were generally positive, we were prompted to downgrade several stocks like Sunway Construction and Gamuda Berhad. The re-rating was done in recognition of recent share price rally, to a level close to its fair value. As of now, we believe the sentiment on the sector has started to improve, as we think the impact from new government was less than we initially thought. Evidently, this was apparent from the positive movement in KLCON Index which has risen by double-digit year-to-date.

Glove: Except for Hartalega, earnings for glove players under our coverage are within expectation with strong earnings growth. We opine that this is due to the growing global glove consumption which has been growing at +8.0%yoy to +10.0%yoy per annum. We believe that earnings growth for glove players will be supported by the high demands for glove and their ability to keep with these demands as seen in their aggressive expansion plan these year. Moreover, we opine that utilisation rate will not be significantly impacted due to the aggressive expansion as new capacity will be fully taken up within a quarter. With the newer plants, glove players are targeting to further improve the efficiency level and we opine that this will further improve profit margins.

Healthcare: Hospital operators recorded healthy earnings in the recent concluded quarter. 4QFY18 earnings KPJ for instance, was within our expectation as its Malaysian operation's performance remains intact. In terms of operating statistics, we note that the number of admissions for inpatient particularly for Malaysian hospital was up by +4.6%yoy whilst outpatient admission increased by +2.7%yoy. In regards to IHH, recent earnings exceed our expectation driven by the stronger performance of its newly opened Gleneagles Hong Kong and Acibadem Altunizade, Turkey as well as the newly acquired Amanjaya Specialist Centre, Kedah and Fortis Healthcare, India.

Insurance: All of the insurance companies under our coverage posted positive top line growth in terms of premium and contribution. This was in line with the recently recorded growth of insurance contribution to GDP in 4QCY18, which has the third-highest rate of 8.4% as compared to the contributions of other services. Notably, the main driver of growth was coming from the takaful segment, which posted a double-digit growth rate as compared to the conventional segment. The general insurance segment grew marginally by +1.5%yoy amid a challenging CY18, arising from the motor and fire tariff liberalization and structural shift in the distribution of insurance. Nonetheless, insurers under our coverage managed to achieve positive underwriting profit. We also notice that there are more insurers who are distributing insurance policies using the online platform.

Media: The traditional media platforms continued to be a drag on the earnings of media companies under coverage amid a period political uncertainties and overall weak advertising expenditure (adex) environment. As such, media companies continuously focus on digital media and non-advertising income to drive both their top and bottom line albeit still make up a relatively small share of their overall revenue and profit. Moreover, some initiatives were seen to be bearing fruits such as the home shopping networks (i.e. Go Shop and CJ Wow shop) were gaining traction as well as cost-rationalisation measures that helped drive the cost lower. For example, manpower rationalisation was being implemented in all of the media entities under our coverage as well as divestment of non-core assets and utilise its proceeds to either pare down debts or allocation for strategic investments going forward. Apart from that, media companies have come together to tackle piracy issues by lobbying to the relevant ministries and sponsoring the Kuala Lumpur Digital Content Anti-Piracy Summit to engage with different stakeholders on solving this conundrum as piracy has been long a detriment in the media industry.

Oil & Gas: The downstream oil and gas companies continues to perform very well during the quarter as the supply and demand dynamics for both petrochemical and petroleum-derivative products were within expectations and production volume sales in general grew to record high. Operating margins were relatively stable owing to more favourable average selling prices during the quarter however, petrol station operators such as: Petronas Dagangan were impacted due to inventory lag losses arising from the steep decline in crude oil price. 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, Wah Seong, Favelle Favco and Bumi Armada due to segment specific or company specific complications.

Plantation: Plantation companies under our coverage underwent a tough and challenging 4QCY18 as the price of crude palm oil (CPO) decline to a record low during the period. This was mainly due to the global supply glut as inventories soared to a record high during the high production cycle and demand could not keep pace with it. Coupled with the rising cost of CPO production which comprises of minimum wage and fertilizer cost, these negative developments have impacted most of the companies beyond our expectation. On the contrary, Ta Ann Holdings Berhad was the only plantation company under our coverage that performed above our expectation, which is partially due to higher contribution from the timber segment. In the case of PPB Group Berhad, the results came in within expectation as the lower profit contribution from Wilmar International has been partially mitigated by its non-palm oil related businesses in Malaysia.

Property: Property companies under our coverage reported mixed set of results. Three property companies reported earnings that were in line, two companies reported above expected earnings while three companies reported below expected earnings. Overall, we earnings performance of property companies in 4QCY18 were better than 3QCY18 whereby seven property companies reported earnings that were below expectations in 3QCY18. Property companies with exposure to overseas market continue to see their earnings cushioned by contribution from oversea projects in 4QCY18. On stock recommendation, we downgraded UEM Sunrise and S P Setia to Neutral from Buy following the recent rebound in share prices. On new property sales front, most of the property companies met their sales target in CY18. Looking forward, we expect new property sales in CY19 to be flattish due to the cautious sentiment of property buyers. Nevertheless, Budget 2019 stamp duty incentive may help property sales partially.

REIT: The core net incomes (CNIs) of all eight REITs under our coverage were in-line with our full year forecasts. REITs under our coverage registered positive on-year CNI growth were mixed during the quarter. Half of them, including IGB REIT (-2.1%), CMMT (-11.0%), Sunway REIT (-9.0%) and KLCCP Stapled Group (-1.4%), registered negative CNI growth, while the remaining four saw on-year accretion compared to the same quarter in the previous year. We note that neighborhood retail malls are still facing challenges while improvements are seen in some of the office assets. We maintain our NEUTRAL stance on the REITs sector due to the unappealing yield spread at 1.4ppt now and there are no strong catalysts in the near-term.

Technology: Semiconductors companies under our coverage announced mix set of result. 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 who cater specifically for the automotive industry continue to record steady double digit earnings growth. Meanwhile, MY E.G Services Bhd also record commendable earnings as it continue maintain the current service level.

Telecommunication: Fixed line player, Telekom Malaysia Bhd's operating environment remain challenging which took a toll on its earnings. The overall subscriber base has been decline while operating remains elevated. 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.

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.

Outperformer versus underperformer

The ratio of outperformer against underperformer among the FBM KLCI constituents under our coverage swung back towards the latter at 4:7 in 4QCY18.

FBM KLCI: Outperformer versus Underperformer

	No. of Outperformer	No. of Underperformer
4QCY18	4	7
3QCY18	4	2
2QCY18	1	4
1QCY18	3	4
4QCY17	3	1

Source: MIDFR

In the review quarter, the outperformers were IHH Healthcare, MISC, Petronas Chemicals and RHB Bank while the underperformers were Hartalega, IOI Corp, KL Kepong, Maxis, Petronas Dagangan, MAHB and Sime Darby Plantation.

Changes to forward earnings

In view of the higher number of underperformers as compared to outperformers in 4QCY18, the aggregate FY2019 earnings estimate of the FBM KLCI constituents under our coverage were shaved by -3.9% to RM54.9b vis-à-vis our earlier forecast prior to the latest reporting season.

Likewise, the aggregate FY2019 earnings estimate of the stocks under MIDFR coverage universe were also cut by -3.9% to RM74.9b vis-à-vis our earlier projection prior to the latest reporting season.

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

Maintain FBM KLCI 2019 targets at 1,800 points

In gist, the latest quarterly corporate earnings again failed to excite hence the diminution in aggregate forward earnings estimates for FY2019. Meanwhile, the marked rise in non-operational losses (some may arguably be ‘kitchen sinking’ exercises) during the last three quarters have depressed reported earnings in 2018.

On this score, while corporate earnings would still deliver positive on-year growth for the current year, however the growth rate is expected to be slightly lower than what earlier anticipated.

Externally, the US Fed is expected to be less aggressive in regard to its monetary stance this year which may positive to EM currencies including Ringgit. Meanwhile, we are sanguine on the prospect of de-escalation in the ongoing US-China trade spat as both parties are seen as seeking acceptable solutions to the dispute.

The potentially favourable external developments (i.e. higher likelihood of a pause in US Fed rate hike and resolution to US-China trade dispute) may generate valuation tailwinds thus we maintain our 2019 FBM KLCI target at 1,800 points.

APPENDIX 1

MIDFR Universe: Changes in Recommendations & Target Prices

STOCK	SECTOR	RECOMMENDATION		TARGET PRICE (RM)	
		Old	New	Old	New
Tan Chong	Automotive	Buy	Buy	2.10	1.80
CIMB Group	Banking	Buy	Buy	7.70	7.55
MBSB	Banking	Buy	Buy	1.25	1.23
Public Bank	Banking	Buy	Buy	27.30	27.15
RHB Bank	Banking	Trading Buy	Buy	6.00	6.10
Lafarge	Cement	Neutral	Sell	2.17	1.60
IJM Corp	Construction	Neutral	Neutral	1.92	1.85
Sunway Cons	Construction	Buy	Neutral	1.78	1.81
Gamuda	Construction	Buy	Neutral	2.89	2.89
KKB Eng	Construction	Buy	Buy	1.22	1.33
MRCB	Construction	Buy	Buy	0.83	0.90
Muhibbah Eng	Construction	Buy	Buy	3.15	3.73
WCT Holdings	Construction	Buy	Neutral	1.05	0.88
Aeon Co	Consumer	Sell	Sell	1.36	1.41
Nestle	Consumer	Neutral	Neutral	131.70	146.20
Padini	Consumer	Sell	Neutral	4.08	3.59
Panasonic	Consumer	Neutral	Neutral	38.08	35.28
Spritzer	Consumer	Neutral	Neutral	2.27	2.21
Hartalega	Glove	Neutral	Neutral	5.63	5.34
Kossan	Glove	Neutral	Buy	4.18	4.62
Supermax	Glove	Neutral	Buy	1.79	1.79
Topglove	Glove	Neutral	Neutral	5.30	5.73
IHH	Healthcare	Buy	Buy	6.33	6.57
KPJ	Healthcare	Buy	Neutral	1.11	1.14
UEM Edgenta	Healthcare	Buy	Buy	3.26	3.28
Can-One	Industrial	Neutral	Neutral	2.09	2.75
Daibochi	Industrial	Neutral	Neutral	1.69	1.60
Fima Corp	Industrial	Neutral	Neutral	1.76	1.79
United U-Li	Industrial	Neutral	Neutral	0.60	0.53
LPI Capital	Insurance	Neutral	Neutral	16.70	16.10
Syarikat Takaful	Insurance	Buy	Buy	4.49	4.75
Tune Protect	Insurance	Buy	Buy	0.85	0.87
Astro	Media	Neutral	Neutral	1.55	1.32
Media Prima	Media	Sell	Sell	0.35	0.41
Star Media	Media	Neutral	Neutral	0.69	0.71
Favelle Favco	Oil & Gas	Buy	Buy	2.92	2.89

STOCK	SECTOR	RECOMMENDATION		TARGET PRICE (RM)	
		Old	New	Old	New
Petronas Dagangan	Oil & Gas	Neutral	Neutral	27.53	27.02
Petronas Gas	Oil & Gas	Neutral	Neutral	19.75	19.13
Sapura Energy	Oil & Gas	Trading Buy	Trading Buy	1.10	0.60
Wah Seong	Oil & Gas	Neutral	Neutral	1.30	1.00
Pharmaniaga	Pharma	Neutral	Neutral	3.15	2.63
FGV	Plantation	Neutral	Neutral	0.91	1.06
Genting Plant	Plantation	Neutral	Sell	8.86	8.10
IJM Plant	Plantation	Neutral	Sell	1.33	1.25
KL Kepong	Plantation	Neutral	Neutral	22.50	22.40
TSH Resources	Plantation	Neutral	Neutral	0.89	1.05
MSM Malaysia	Plantation	Neutral	Neutral	3.03	2.19
Ta Ann	Plantation	Buy	Buy	2.24	3.49
Eastern & Oriental	Property	Neutral	Neutral	1.22	0.95
S P Setia	Property	Buy	Neutral	2.53	2.53
Sunway Berhad	Property	Neutral	Neutral	1.50	1.55
UEM Sunrise	Property	Buy	Neutral	0.84	0.91
Al-`Aqar REIT	REIT	Buy	Buy	1.45	1.49
Axis REIT	REIT	Neutral	Neutral	1.55	1.62
CMMT	REIT	Neutral	Neutral	1.02	1.08
IGB REIT	REIT	Neutral	Neutral	1.73	1.77
Pavilion REIT	REIT	Neutral	Neutral	1.60	1.67
D&O Green Tech	Technology	Neutral	Buy	0.86	0.96
Globetronics	Technology	Neutral	Neutral	2.22	2.00
Inari Amertron	Technology	Neutral	Neutral	1.79	1.41
My E.G	Technology	Buy	Buy	1.55	1.60
Scicom	Technology	Neutral	Neutral	1.77	1.37
Unisem	Technology	Accept Offer	Neutral	3.30	2.70
Axiata	Telecommunication	Neutral	Neutral	3.69	3.80
Maxis	Telecommunication	Neutral	Sell	5.67	4.73
Telekom Malaysia	Telecommunication	Sell	Sell	1.89	2.33
BAT	Tobacco	Buy	Buy	37.70	39.50
AirAsia Group	Transportation	Buy	Buy	3.48	3.40
AirAsia X	Transportation	Neutral	Neutral	0.28	0.27
GD Express	Transportation	Neutral	Neutral	0.28	0.33
Litrak	Transportation	Buy	Neutral	4.92	4.08
MAHB	Transportation	Buy	Buy	9.88	9.44
MISC	Transportation	Neutral	Neutral	6.33	6.93
MMC Corp	Transportation	Buy	Buy	1.35	1.37

STOCK	SECTOR	RECOMMENDATION		TARGET PRICE (RM)	
		Old	New	Old	New
Tasco	Transportation	Neutral	Neutral	1.28	1.23
Tiong Nam	Transportation	Neutral	Sell	0.75	0.58
Westports	Transportation	Neutral	Buy	3.62	4.01
Tenaga	Utility	Buy	Buy	14.60	14.40
YTL Corp	Utility	Buy	Neutral	1.55	1.15
YTL Power	Utility	Buy	Neutral	1.55	0.93

Source: MIDFR

APPENDIX 2

MIDFR Universe: Outperformers and Underperformers

STOCK	SECTOR	Versus EXPECTATION (Above/Below)	COMMENT
MBM	Automotive	Above	Strong Perodua TIV
Tan Chong	Automotive	Above	Improved sales mix leading to better margins
RHB Bank	Banking	Above	Strong performance from Islamic banking income
KKB Eng	Construction	Above	Higher contribution from construction segment, due to better progress billings for Pan Borneo projects
Muhibbah Eng	Construction	Above	Improvement in group's bottom-line margins, supported by airport concession expanded earnings
Aeon Co	Consumer	Above	FY18 earnings was higher driven by one-off factors such as: (i) tax holiday spending; and (ii) closure of non-profitable stores such as AEON Mahkota Cheras and Index Living Mall furniture outlets
IHH	Healthcare	Above	Core performance lifted from the newly open and acquired hospitals i.e. Gleneagles Hong Kong and Acibadem Altunizade as well as; (ii) Amanjaya Specialist Centre and Fortis Healthcare
UEM Edgenta	Healthcare	Above	Earnings came in above expectation due to strong revenue contributions coming from its healthcare services segment as well as; property and facility solutions segment
Can-One	Industrial	Above	Food division PBT jumped 40.9% due to higher volume and improving EBIT margins at the group
Syarikat Takaful	Insurance	Above	Strong growth contribution momentum and improved combined ratio
Tune Protect	Insurance	Above	Gross written premium on upward trend and lower claim ratio, resulting in higher underwriting profit
Star Media	Media	Above	Earnings turned positive due to higher cost savings achieved
Petronas Chemicals	Oil & Gas	Above	Earnings came in stronger than expected due to higher product volume sold, higher ASP as well as; high PUR of 94%
Ta Ann	Plantation	Above	Higher average selling price of logs and plywood, as well as higher-than-expected contribution from plantation division
UEM Sunrise	Property	Above	Earnings recognition from Melbourne projects came in higher than expected in 4QFY18
UOA Development	Property	Above	Earnings in 4QFY18 boosted by sale of office tower
GD Express	Transportation	Above	Gain from redemption of convertible bond in SAP Express
MMC Corp	Transportation	Above	Higher progress billings for MRT2
MBSB	Banking	Below	Decline in net interest income and non interest income in 4QFY18
Hock Seng Lee	Construction	Below	Driven by lower margin fetched under construction segment
IJM Corp	Construction	Below	Slowdown in key segments namely construction, industry and plantation
Gabungan AQRS	Construction	Below	Slower progress billings from LRT3 packages and slower property sales

STOCK	SECTOR	Versus EXPECTATION (Above/Below)	COMMENT
WCT Holdings	Construction	Below	Lower sales in property segment, coupled with higher impairment and finance costs
Panasonic	Consumer	Below	Poor performance was mainly attributable to the lower export sales for home appliance products
Hartalega	Glove	Below	Revenue rose marginally due to the competitive landscape which led to the decline in average selling price (ASP)
Pharmaniaga	Healthcare	Below	Higher cost incurred in relation to finance costs and tax costs
Daibochi	Industrial	Below	Higher than expected operating expenses and slower than expected cost pass through
Fima Corp	Industrial	Below	Lower than expected fresh fruit brunch produced
United U-Li	Industrial	Below	Higher than expected operating costs
Bumi Armada	Oil & Gas	Below	Earnings came in below expectations due to another round of impairment on Armada Kraken FPSO and OMS vessels in 4QFY18
Favelle Favco	Oil & Gas	Below	Earnings came in below expectations due to lower revenue recognition from its crane business during the quarter
MMHE	Oil & Gas	Below	Earnings came in below expectations due to persistent underperformance of its Marine segment which experienced margin compression during the quarter due to higher dry docking of smaller vessels
Petronas Dagangan	Oil & Gas	Below	Earnings came in lower than expected due to inventory lag losses that was incurred during the quarter as a result of steep decline in crude oil price
Wah Seong	Oil & Gas	Below	Earnings during the quarter was marred by the decline in revenue from its Oil & Gas segment as well as; the share of impairment losses made by its joint ventures which resulted in lower segment profit before taxation
FGV	Plantation	Below	Impacted by lower CPO price and higher CPO production cost
Genting Plant	Plantation	Below	Impacted by lower blended CPO price, mainly due to the discounted pricing of its Indonesian CPO
KL Kepong	Plantation	Below	Lower CPO and PK price
MSM Malaysia	Plantation	Below	Lower average selling price of refined sugar and dwindling domestic and export sales demand
IJM Plant	Plantation	Below	Affected by both lower FFB production and CPO price
TSH Resources	Plantation	Below	Affected by lower CPO price and higher depreciation and amortization charges
Eastern & Oriental	Property	Below	Tax rate came in higher than expected
Magna Prima	Property	Below	Earnings dragged by reversal of property sale
S P Setia	Property	Below	Progress billing was slower than expected in 4QFY18
Globetronics	Technology	Below	Slower pace of growth in volume loadings
Inari Amertron	Technology	Below	Lower production volume and change in product mix
Scicom	Technology	Below	Slower than expected implementation of new projects
Maxis	Telecommunication	Below	Higher operating expenses

STOCK	SECTOR	Versus EXPECTATION (Above/Below)	COMMENT
Telekom Malaysia	Telecommunication	Below	Decline in topline contribution, higher finance cost and higher effective tax rate
AirAsia Group	Transportation	Below	Higher jet fuel price
AirAsia X	Transportation	Below	Higher jet fuel price
MAHB	Transportation	Below	Higher utilities costs
Tasco	Transportation	Below	Higher borrowing costs to finance for the cold supply chain (CSC) business and the land warehouse in Pulau Indah
Tiong Nam	Transportation	Below	Lower capitalisation of property development projects which led to higher finance costs
YTL Corp	Utility	Below	Dragged by weak Power Seraya performance
YTL Power	Utility	Below	Dragged by weak Power Seraya performance

Source: MIDFR

APPENDIX 3

MIDFR Universe: Changes in Aggregate Earnings Estimates

	EARNINGS (RM mn)				EARNINGS *(% Chg)*	
	FY2018		FY2019		FY2018	FY2019
	Old (E)	New (A)	Old (E)	New (E)		
TOTAL (MIDFR Univ.)	71,975.2	59,973.1	77,980.3	74,923.6	*(16.7)*	*(3.9)*
Annual % Change	*0.2*	*(16.5)*	*8.3*	*24.9*		
TOTAL (FBM KLCI) *	54,250.4	45,519.9	57,097.1	54,892.1	*(16.1)*	*(3.9)*
Annual % Change	*5.9*	*(11.2)*	*5.2*	*20.6*		

Source: MIDFR; (E)–estimate, (A)–Actual; * 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.