3 December 2024

MALAYSIA EQUITY

EARNINGS WRAP

Review of corporate earnings

Quarter Ended September 2024

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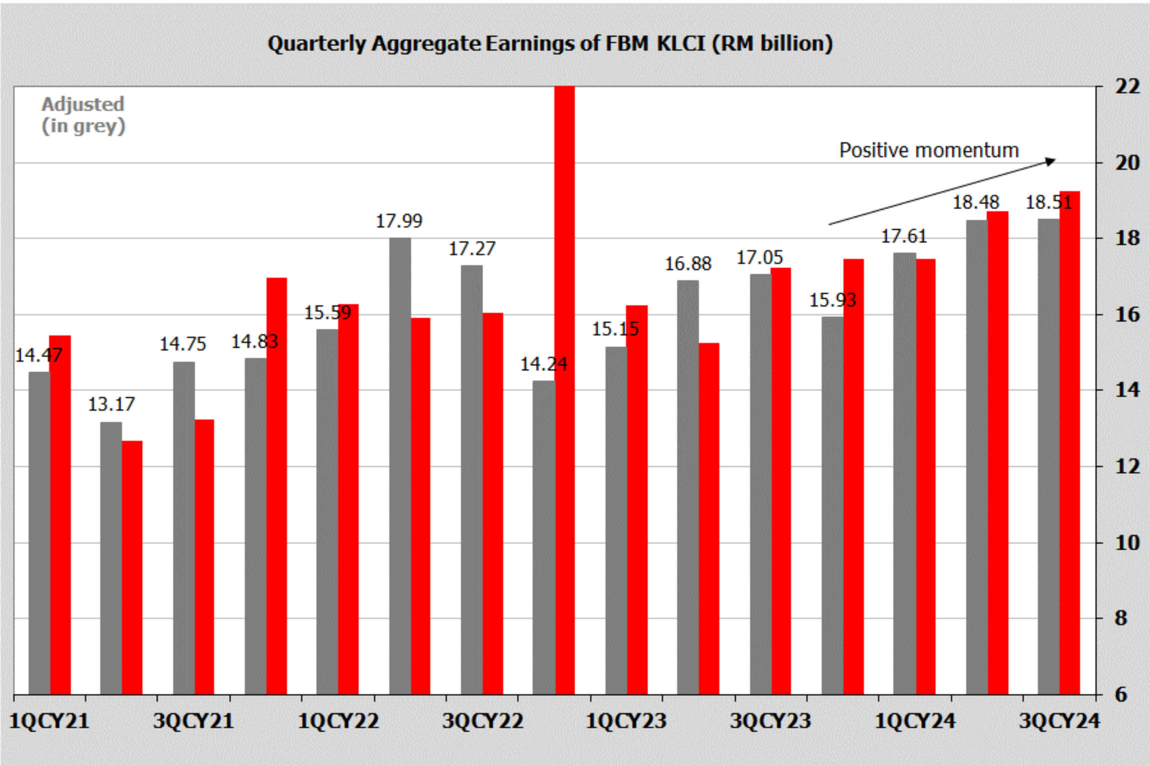
3 December 2024 | Earnings Wrap

Still Positive Earnings Momentum Albeit Lagged Expectations Slightly

- *In 3QCY24, the aggregate reported earnings of FBM KLCI 30 current constituents came in at RM19.2b. It registered positive growth both on-quarter and on-year at +2.7%qoq and +11.6%yoy respectively.*
- *On adjusted basis, the aggregate normalized earnings grew both on-quarter and on-year at +0.2%qoq and +8.6%yoy respectively to RM18.5b.*
- *Within MIDFR Universe, 15% of stocks under coverage reported higher than expected earnings. Moreover, 28% posted earnings that were lower than expected versus 57% which came within expectations. Target price changes involved 23 upward adjustments and 25 downward adjustments. Furthermore, we made 14 changes to our stock recommendations with 2 upgrades and 12 downgrades.*
- *The aggregate FY2024e and FY2025f earnings of the FBM KLCI constituents under our coverage were both cut by -3.7% to RM63.8b and by -1.8% to RM69.5b, respectively. Likewise, the aggregate FY2024e and FY2025f earnings of the stocks under MIDFR Universe were both cut by -3.9% to RM85.4b and by -5.1% to RM92.6b, respectively.*
- *Cumulatively, the 3QCY24 results season came in at the lower end of our expectations as attested by the downward revisions to aggregate forward earnings of both the FBM KLCI constituents under our coverage and MIDFR Universe. We therefore cut our FBM KLCI, FBM Hijrah, and FBM70 targets for 2024 to 1,660 points (from 1,750 points), 13,400 points (from 14,100 points), and 18,600 points (from 18,900 points), respectively.*

FBM KLCI

In 3QCY24, the aggregate reported earnings of FBM KLCI 30 current constituents came in at RM19.2b. It registered positive growth both on-quarter and on-year at +2.7%qoq and +11.6%yoy respectively.



Source: Bloomberg, MIDFR

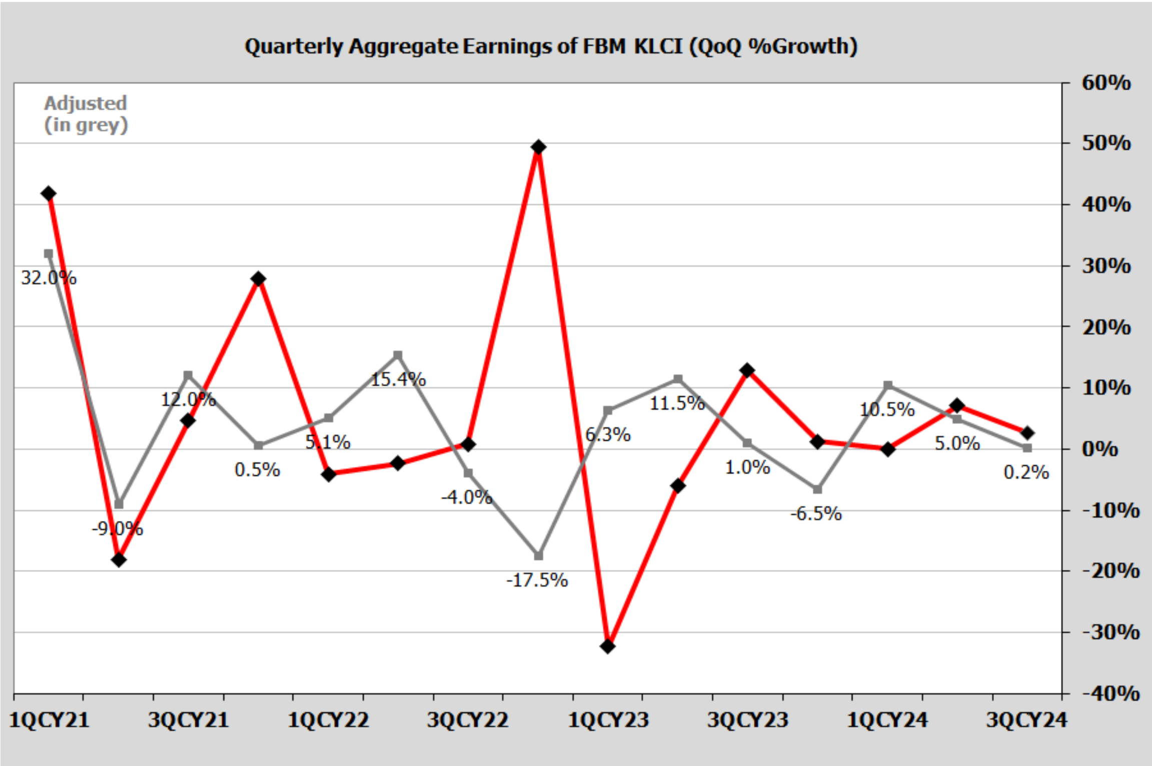
After adjusting for extraordinary (non-recurrence) items incurred during the review quarter, the aggregate normalized quarterly earnings of FBM KLCI 30 current constituents came in at RM18.5b. Moreover, after neutralizing the extraordinary items during relevant quarters (3QCY24: RM718m, 2QCY24: RM239m, 3QCY23: RM190m), the aggregate normalized growth in 3QCY24 registered positive growth both on-quarter and on-year at 0.2%qoq and 8.6%yoy respectively.

FBM KLCI: Normalized Earnings (RM Million)

SECTOR	3QCY24	2QCY24	QoQ	3QCY23	YoY
CONSUMER P&S	2,478.36	1,517.05	63.4%	1,966.89	26.0%
FINANCIAL SERVICES	9,252.00	8,772.00	5.5%	8,329.00	11.1%
HEALTHCARE	524.00	437.00	19.9%	369.00	42.0%
INDUSTRIAL P&S	1,315.68	1,508.83	-12.8%	910.32	44.5%
PLANTATION	781.20	981.30	-20.4%	810.70	-3.6%
TELCO & MEDIA	1,468.20	1,333.40	10.1%	1,590.20	-7.7%
TRANSPORT & LOGISTICS	344.70	540.90	-36.3%	430.40	-19.9%
UTILITIES	2,345.20	3,389.80	-30.8%	2,638.65	-11.1%
TOTAL	**18,509.34**	**18,480.27**	**0.2%**	**17,045.16**	**8.6%**

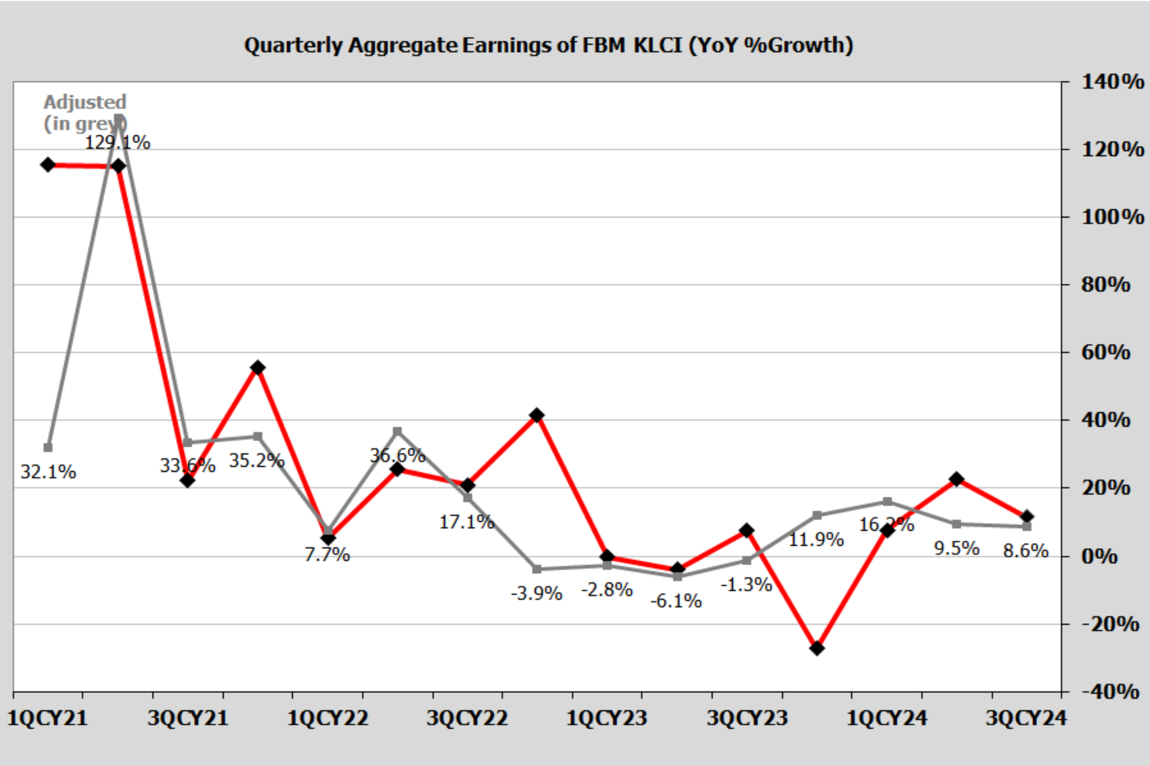
Source: Bloomberg, MIDFR

The positive on-quarter normalized growth performance in 3QCY24 was mainly due to earnings expansion among its Consumer P&S (Genting Malaysia, Genting and Sime Darby) and Financial Services (Public Bank and RHB Bank) constituents while moderated by the decline in Utilities (TNB and YTL Power) earnings.



Source: Bloomberg, MIDFR

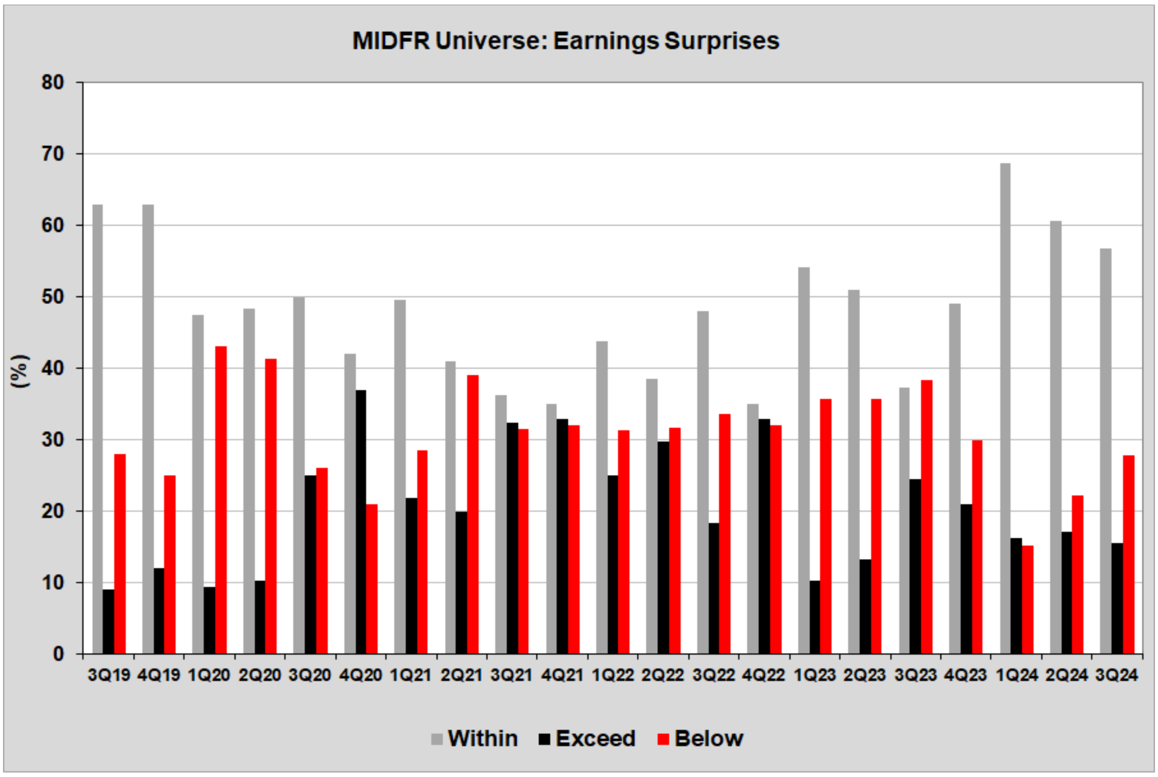
Moreover, the positive on-year normalized growth performance in 3QCY24 was mainly contributed by earnings expansion among its Financial Services (Public Bank, RHB Bank, CIMB and Maybank), Consumer P&S (Genting Malaysia and Petronas Dagangan) and Industrial P&S (Press Metal and Sunway) constituents while moderated by the decline in Utilities (TNB) earnings.



Source: Bloomberg, MIDFR

MIDFR Universe

The percentage of companies in MIDFR Universe that registered earnings above our expectations declined to 15% in 3QCY24 as compared to 17% in the prior quarter. Conversely, the percentage of negative surprises risen to 28% from 22% in 2QCY24.



Source: MIDFR

Accordingly, the percentage of companies with results which met expectation fell to 57% in 3QCY24 from 61% in the prior quarter. Moreover, Energy sector recorded the highest percentage of positive surprises at 75% of stocks under our coverage. Meanwhile, Transportation & Logistics sector registered the biggest percentage of underperformers at 57% of companies under our coverage.

MIDFR Universe: Earnings Surprises

	Within	Exceed	Below
CONSTRUCTION	50%	0%	50%
CONSUMER PRODUCTS & SERVICES	47%	18%	35%
ENERGY	25%	75%	0%
FINANCIAL SERVICES	79%	14%	7%
HEALTH CARE	67%	17%	17%
INDUSTRIAL PRODUCTS & SERVICES	43%	14%	43%
PLANTATION	25%	25%	50%
PROPERTY	63%	25%	13%
REITS	100%	0%	0%
TECHNOLOGY	33%	17%	50%
TELECOMMUNICATIONS & MEDIA	75%	0%	25%
TRANSPORTATION & LOGISTICS	43%	0%	57%
UTILITIES	83%	0%	17%
TOTAL	**57%**	**15%**	**28%**

Source: MIDFR

In total, we made 14 changes to our stock recommendations with 2 upgrades and 12 downgrades. Furthermore, target price changes involved 23 upward against 25 downward adjustments.

In 3QCY24, the aggregate reported earnings of companies under MIDFR Universe came in at RM23.9b. It recorded positive growth both on-year and on-quarter at +22.1%yoy and +0.3%qoq respectively.

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

	YoY (%)	QoQ (%)	3Q24	2Q24	1Q24	4Q23	3Q23	2Q23	1Q23	4Q22	3Q22	2Q22	1Q22	4Q21
CONSTRUCTION	*54.4*	*44.2*	566	393	563	98	367	370	238	1,315	317	346	244	367
CONSUMER P&S	*146.1*	*276.0*	2,718	723	1,309	1,295	1,104	2,276	1,355	1,509	681	676	85	384
ENERGY	*85.6*	*(19.6)*	403	501	416	4	217	-133	344	379	303	335	330	149
FINANCIAL SERV	*10.8*	*5.7*	10,712	10,132	10,033	9,405	9,671	9,143	9,250	8,919	9,478	7,964	7,937	7,511
HEALTH CARE	*319.8*	*(7.4)*	756	816	860	734	180	164	953	-584	296	766	501	1,199
INDUSTRIAL P&S	*(137.8)*	*(122.6)*	-272	1,203	992	544	718	892	790	739	2,223	2,118	2,315	4,603
PLANTATION	*(2.3)*	*43.7*	1,823	1,269	563	941	1,866	629	589	2,178	1,721	2,689	2,406	2,381
PROPERTY	*(6.2)*	*(82.2)*	374	2,098	484	537	399	480	333	619	863	536	215	475
REITS	*(35.9)*	*(5.4)*	463	490	464	761	723	400	434	642	525	378	426	347
TECHNOLOGY	*2.9*	*0.3*	277	276	294	313	269	229	200	278	372	419	279	303
TELCO & MEDIA	*364.3*	*73.6*	2,245	1,293	1,214	230	484	666	1,042	10,410	792	821	831	789
TRANSP & LOGIS	*4.0*	*(17.5)*	798	967	1,196	1,135	767	776	887	1,296	1,008	123	472	563
UTILITIES	*8.0*	*(17.1)*	3,015	3,637	2,480	2,589	2,791	2,534	2,466	1,686	1,630	1,585	2,827	1,426
TOTAL	***22.1***	***0.3***	23,878	23,797	20,869	18,583	19,555	18,427	18,880	29,385	20,210	18,755	18,868	20,497

Source: MIDFR

Construction, Consumer P&S, Financial Services, Technology and Telco & Media were the sectors which recorded improved total earnings (as reported) in 3QCY24 when compared to both the preceding quarter and corresponding period last year.

On the other hand, only Industrial P&S, Property and REITs sectors registered both negative sequential and on-year earnings (as reported) growth percentages in 3QCY24.

Sectoral commentary

Construction: The third quarter saw a positive set of results for the construction sector. Three companies - Cahya Mata Sarawak, MRCB, and Malayan Cement exceeded expectations while IJM Corp and Sunway Construction came in within projections. In contrast, WCT Holdings reported a significant earnings decline, falling well below expectations. Gamuda, which has a July financial year end, will be reporting its FY24 result later this month. Nevertheless, its FY24 result ending Sep-24 was only slightly below expectations at 90% of estimates. We can expect progress billings to improve in upcoming quarters as the construction progress pick up pace, alongside the improving pipeline of jobs, driven by industrial building projects and expectations of a stronger rollout of civil and infrastructure jobs. Data from the Department of Statistics Malaysia (DOSM) showed that the value of construction work done continued to increase for the 12th consecutive quarter at +22.9%yoy in 3QCY24, recording RM41.1b in terms of value of work done. This was the steepest rise in eight quarters, driven mainly by the civil engineering sub-sector (36.9% of total output), non-residential buildings (28.6%), residential buildings (22.8%) and special trade activities (11.6%). Nearly 61.4% of completed works value was concentrated in Selangor, Johor, Kuala Lumpur and Sarawak. We reiterate our **POSITIVE** stance on the construction sector, with our top picks being IJM Corp (BUY, TP: RM3.89) and Malayan Cement (BUY, TP: RM6.60).

Consumer (Staples): The sector saw mixed performance, with three companies meeting expectations, two exceeding, and one falling short. F&N (BUY, TP: RM36.77) delivered earnings within expectations, with FY24 core earnings up +15%yoy on the back of a +4.9%yoy revenue increase, supported by growth in both F&B Malaysia and Thailand. Nestle (NEUTRAL, TP: RM101.90) underperformed, with 9MFY24 earnings down -28%yoy due to weaker domestic sales and inflationary pressures. Hup Seng (NEUTRAL, TP: RM1.04) met expectations, with 9MFY24 core earnings growing +27.2%yoy to RM40.7m, aided by revenue growth and lower sugar costs. Spritzer (BUY, TP: RM3.54) exceeded expectations, posting a +54.9%yoy surge in 9MFY24 earnings to RM56.6m, supported by strong sales, lower raw material costs, and efficiency gains. Poultry players performed well, with Leong Hup (BUY, TP: RM0.90) surpassing expectations as 9MFY24 core PATANCI rose +27.1%yoy to RM374.2m, driven by effective cost management and lower feed prices. QL Resources (NEUTRAL, TP: RM4.83) met expectations, achieving a +9%yoy increase in earnings, supported by contributions from its livestock, palm oil, and convenience store segments, with POCE earnings up +52.5%yoy on improved solar project margins.

Consumer (Discretionary): Performance was mixed, with two companies meeting expectations and two underperforming. AEON (BUY, TP: RM1.67) saw earnings grow +23%yoy, driven by higher gross margins and effective cost management, while Padini (NEUTRAL, TP: RM3.28) earnings declined -21%yoy due to higher operating expenses and muted discretionary spending. Revenue fell -13.6%qoq due to the lack of festive promotions. Asia File (SELL, TP: RM1.44) struggled, with core PATANCI plunging -13.9%yoy on weaker demand. Rhong Khen (BUY, TP: RM3.00) excelled, with core PATANCI surging +112.3%yoy, driven by furniture export demand and better margin management.

Financial Services: We observed that NOII have been the main driver for bank's earnings this quarter. Most banks reported double digit NOII growth in 3QCY24 and subsequently for the cumulative quarter earnings. Main contributors for NOII growth have been fees & commission due to active capital markets and treasury income. Meanwhile, NII growth was stable as we observed NIM improvements in the quarter. This was due to either liability management (tapping capital markets for instance) or rebalancing of loans portfolio or rebalancing of deposits. We also observed that banks with overseas exposure was impacted by the strengthening of the Ringgit in 3Q due to translation effect. However, normalising for this, gross loans growth was stable. We observed that there was segmentation of banks i.e. banks focusing on different segments and not competing on a broad front. We opine that this somewhat allowed for NIM compression to be manageable even if we found some banks saw lower CASA and higher FDs. In terms of asset quality, there was overall improvements in quarter-on-quarter and year-on-year basis. One concern that we have was the higher OPEX that came in but this was due to spending on IT. Going forward, we believe that there will be slight pressure on NIMs in 4QCY24 due to seasonal deposit competition. However, gross loans will continue growing due to robust economic activities. Meanwhile, NOII growth will likely normalise. Asset quality will be stable and improving barring any unforeseen circumstances. All-in, we continue to be **POSITIVE** on the banking sector. Our top picks are

Maybank (BUY, TP: RM12.12) due to its excellent dividend yield, Hong Leong Bank (BUY, TP: RM22.76) and Public Bank (BUY, TP: RM5.16) due to their strong asset quality and more domestic focus.

Healthcare (Gloves): For 2QCY24, mixed performance was seen for glove companies under our coverage with Hartalega and Kossan's results kept pace with our expectation while Top Glove's results continue to disappoint. Earnings wise, all three companies recorded a contraction in quarterly earnings on a year-over-year basis. This was despite a double-digit growth in revenue of between +25.8%yoy to +75.5%yoy was observed. The decline in earnings was mainly due to a combination of escalating raw material costs as well as unfavourable utilisation rate which overcame the recovery in revenue. Nonetheless, the upcoming hike in US tariff on Chinese glove companies is expected to favourable to the Malaysian glove players. This has prompted us to increase our target price for Kossan and Hartalega while retaining our **NEUTRAL** recommendation. We view that the current valuation has already factored in the growing demand from the US in conjunction with the tariff hike. Moreover, the elevated raw material prices as well as the upcoming implementation of revised price floor for wages could partially dampen the upswing in earnings. To achieve this, more effort would need to be in place to increase the production efficiencies.

Plantation: For the 3QCY24, planter performance under our coverage was mixed, with 6 companies performing below expectations, 2 within and 2 were above expectations. The earnings mostly flattish to somewhat softened dragged by the lower CPO production, despite elevated average CPO price managed to realize. During the period, the average selling price (ASP) of CPO slightly dropped to RM3,989/Mt (-1.2%qoq, +4.7%yoy, +3.1%ytd). Notably in Malaysia, FFB production improved ranging from +2.0-5.0%, however Indonesia side remains weak c. -10-20% due to lagging EL-Niño effect and dry weather conditions in recent months. As a result, CPO production was softened, which resulted squeezed in margins due low CPO sales volume compounded by fixed input cost in cost production items.

Looking ahead, we maintain **POSITIVE** call on the sector with average CPO price of RM4,200/Mt for the year. Our top pick remains IOI Corp (BUY, TP: RM4.42) and SDG (BUY, TP: RM5.43). IOI Corp outlook maintains steadfast and is well supported by both upstream and downstream profitability. Its refinery and oleo plant are well insulated from high input costs due to their strategic locations they operated in, unlike their peers that were operating in Europe, that mostly are impacted by high production costs - high natural gas. Note that SDG remains in a stronger position due to its large, planted area. With over 50% of its FFB processed and around 67% of its PBIT still coming from Malaysia, the company benefits from economies of scale and is better positioned to realize elevated CPO prices.

Property: Earnings of property companies were mostly within our expectations in 3QCY24. Out of seven property companies that released earnings, five came in within expectations, one above expectation and one below expectation. Notably, Sunway Berhad reported stronger than expected earnings due to higher-than-expected earnings from property development division which lifted by lumpy earnings recognition from Singapore project. The stellar earnings of Sunway Berhad were also driven by better performance of healthcare division. On the flip side, S P Setia reported lower than expected earnings due to slower than expected progress billing and higher tax rate in 3QFY24. Overall, most of the property companies report earnings growth in 3QCY24 as progress billing on property projects remain stable. On new property sales front, most of the property companies are on track to meet new sales target as buying interest on property remains resilient. Our calls on property companies are unchanged post earnings reporting season and we are maintaining our **POSITIVE** call on property sector. Our top picks for the sector are Mah Sing (BUY, TP: RM2.03) and Matrix Concepts (BUY, TP: RM2.48).

REITs: Earnings of REIT in 3QCY24 were in line with expectation as all six REIT under our coverage reported earnings that came in within estimates. Earnings of REIT particularly retail REIT were resilient in 3QCY24 as rental income from malls were supported by positive rental reversion. The stronger tenant sales and encouraging shopper footfall supported positive rental reversion. Similarly, Axis REIT with high exposure to industrial assets saw stable earnings growth driven by lease commencement of Bukit Raja Distribution Centre 2, positive rental reversion, and contribution from five newly acquired assets. Elsewhere, the recovery of hotel industry in Malaysia supported occupancy rate of Mandarin Oriental KL and partly supported earnings growth of KLCCP Stapled Group. Looking forward, we see stable earnings prospect for REIT particularly REIT with exposure to retail, industrial and hotel. Overall, we maintain **POSITIVE** call on REIT. We have downgraded IGB REIT to NEUTRAL due to limited upside. Our top picks for the sector are Sunway REIT (BUY, TP: RM1.98) and Pavilion REIT (BUY; TP: RM1.69).

Technology: For 3QCY24, we view that, in general, semiconductor companies under our coverage perform poorly. Inari's quarterly performance came in at the lower end of our expectations. This was mainly supported by the group's RF business which was resilient. Its non-RF businesses are also impacted by the slowdown in the industry. Nonetheless, Unisem and D&O Green Technologies posted less optimistic results which came in below our expectations. While Unisem reported higher quarterly revenue performance, earnings underperformed in view of unfavourable utilisation rate, changes in product mix as well as increase in staff cost due to higher headcounts from Unisem Chengdu. Meanwhile, D&O posted a poor 3QF24 financial results which is brought about by subdued utilisation rate, unfavourable sales mix and higher depreciation and amortisation expense. While cumulative earnings portrayed a double-digit improvement, we view that it came in below our expectations. Premised on this, we have downgraded our recommendation for D&O to "NEUTRAL" from "BUY" previously. Subsequent to this, we no longer have any BUY recommendation on semiconductor companies under our coverage. That being said, we view that Inari's performance came in relatively better as compared to its peers.

All-in-all, the above indicated that the semiconductor industry has bottomed out. However, there is notable recovery have yet to be seen. In the foreseeable term, we expect the current environment will persist as the end demand remains weak. As such, while waiting for the demand to recover, semiconductor companies continue to focus on improving the production efficiencies to negate the concern on higher operating cost, led by escalating electricity and labour costs.

In comparison, ICT solutions provider namely Myeg and Datasonic showed a more commendable improvement in its earnings. Both showed a more optimistic revenue performance. Coupled with the expansion in profit margin, the earnings have shown a stronger double-digit growth.

Telecommunications: For 3QCY24, the financial performance of telecommunication companies under our coverage generally fall within our expectations apart from CelcomDigi Bhd (CDB). The latter's underperformance was mainly due to a combination of stagnant service revenue and higher operating costs. Post merger, the synergy that was unlock mainly revolve around capex optimisation, leading to notable decline in depreciation and amortisation costs. Apart from this, we do not see much improvement in operating expenditure. In terms of service revenue, only postpaid and home fibre segment was minimal improvement which was insufficient to make up for the contraction in prepaid and enterprise segment.

On the other hand, 3QFY24 results of Axiata, Telekom Malaysia (TM) and Maxis came in at 73.5%, 78.9%, 76.2%, 73.5% respectively. For Axiata and Telekom, it was mainly driven by cost control. Notably, in the case of Maxis, it was largely driven by the mid-single digit expansion in 3QFY24 revenue. This reflected higher revenue contribution across all segments, except for prepaid. We are not concerned on the latter given the continuous push on pre-to-post migration. In comparison, Axiata and TM saw a marginal decline in 3QFY24 revenue.

Premised on the above, we only downgrade CDB to NEUTRAL from BUY previously. This adds on to our existing neutral call for Axiata and TM. With this, our Buy recommendation only resides with Maxis. This is also our top pick for the sector.

Utilities: The utilities sector largely came in within expectations for the quarter, except for Tenaga Nasional that came in below our expectations with a -40.5%yoy plunge in core earnings, dragged by impairments and other operating costs that came in higher, despite a growth in sales demand volume. YTL Power came in within expectations with a -9.9% decline in core net profit as earnings from Power Seraya normalises while Wessex Water in the UK continued to benefit from the 12% tariff hike from Apr-24. YTL Power's subsidiary Ranhill Utilities was also within our estimates led by higher electricity demand and lower maintenance costs. The slightly weaker YTL Power earnings and stronger Malayan Cement earnings led to a +18.0% growth in YTL Corp's earnings to RM615.8m during the quarter, which is within our estimates. Meanwhile in the solar EPCC space, earnings continued to be driven by higher margin residential and commercial and industrial (C&I) rooftop solar projects. Samaiden was within estimates while Pekat and Sunview were below expectations. Nevertheless, we expect better quarters ahead as the outstanding order books of solar EPCC companies are at healthy levels, given a recent boost from Corporate Green Power Programme (CGPP) solar farm projects, of which we expect more to flow in. While we remain **NEUTRAL** on the Utilities sector, given the stretched valuations, our preference lies in the solar EPCC sub-sector as the key immediate-term beneficiaries of RE initiatives/policies such as the National Energy Transition Roadmap (NETR), CGPP and the upcoming LSS5. Our top picks are Samaiden (BUY, TP: RM1.69) and Pekat (BUY, TP: RM1.32).

Outperformer versus underperformer

There was a sequential drop in the number of outperformers among the FBM KLCI constituents under our coverage from 7 to 3 in 3QCY24. Conversely, the number of underperformers risen from 5 to 7.

In 3QCY24, the outperformers were IHH Healthcare, SD Guthrie and Sunway.

Meanwhile, two Consumer P&S constituents namely Nestle and PPB Group underperformed. Furthermore, the other underperformers were Celcomdigi, KL Kepong, MISC, Petronas Chemicals and TNB.

FBM KLCI: Outperformer versus Underperformer

Financial Quarter	No. of Outperformer	No. of Underperformer
3QCY24	3	7
2QCY24	7	5
1QCY24	5	0
4QCY23	7	5
3QCY23	4	8

Source: MIDFR

Earnings revision/ variation

The aggregate FY2024e and FY2025f earnings of the FBM KLCI constituents under our coverage were both cut by -3.7% to RM63.8b and by -1.8% to RM69.5b, respectively.

The lower aggregate figures for both FY2024e and FY2025f were mainly contributed by downward revisions to forward earnings of Consumer P&S, Industrial P&S, Telco & Media, Transport & Logistics & Utilities constituents.

FBM KLCI Constituents: Earnings Revision/Variation (RM million)

SECTOR	Stocks	FY2024 (E)	FY2025 (F)
CONSUMER P&S	Nestle, Petronas Dagangan, PPB, QL Res	-381	-475
FINANCIAL SERVICES	Maybank, Public, CIMB, RHB, HLB, HLFG	0	0
HEALTHCARE	IHH Health	151	60
INDUSTRIAL P&S	Petronas Chemicals, Sunway	-843	-850
PLANTATION	Sime Darby Plantations, IOI Corp, KLK	-424	581
TELCO & MEDIA	Axiata, Maxis, Digi, Telekom Malaysia	-263	-226
TRANSPORT & LOGISTICS	MISC	-123	-346
UTILITIES	TNB, Petronas Gas, YTL Corp, YTL Power	-551	0
TOTAL		**-2,433**	**-1,257**

Source: MIDFR

Likewise, the aggregate FY2024e and FY2025f earnings of the stocks under MIDFR Universe were both cut by -3.9% to RM85.4b and by -5.1% to RM92.6b, respectively.

Refer to APPENDIX for further details.

Earnings and valuation

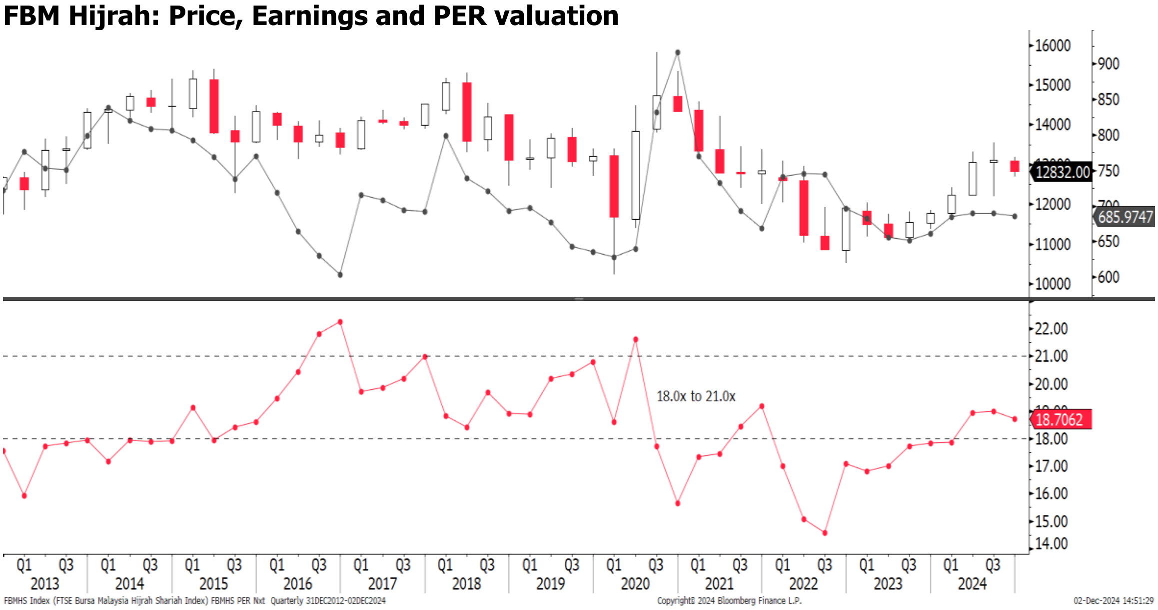
FBM KLCI: Post-3QCY24 earnings season, the consensus EPS25 forecast for FBM KLCI stands at 117.1 points (post-2QCY24: 118.4 points). The prevailing PER valuation of FBM KLCI (which represents large-cap stocks) at 13.6x is relatively cheap vis-à-vis its historical range of 15.0x to 16.0x.

FBM KLCI: Price, Earnings and PER valuation

Source: MIDFR, Bloomberg (G657)

FBM Hijrah: Post-3QCY24 earnings season, the consensus EPS25 forecast for FBM Hijrah stands at 686.0 points (post-2QCY24: 689.7 points). The prevailing PER valuation of FBM Hijrah (which represents large cap shariah stocks) at 18.7x is near the lower end of its historical range of 18.0x to 21.0x.

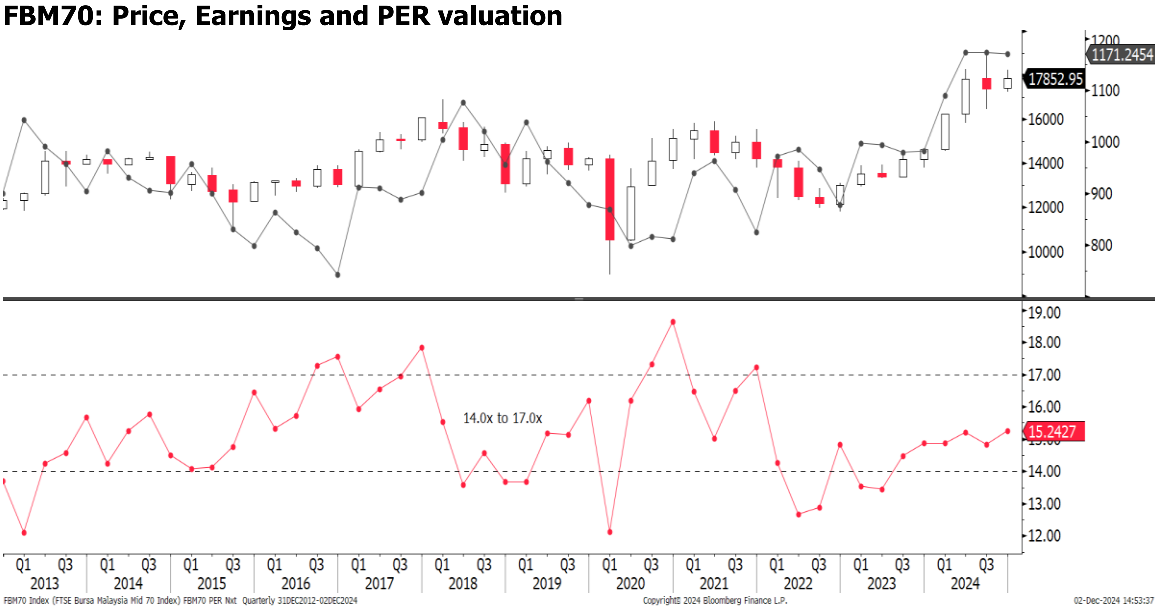
FBM Hijrah: Price, Earnings and PER valuation



Source: MIDFR, Bloomberg (G737)

FBM70: Post-3QCY24 earnings season, the consensus EPS25 forecast for FBM70 stands at 1,171.2 points (post-2QCY24: 1,186.0 points). The prevailing PER valuation of FBM70 (which represents mid-cap stocks) at 15.2x is at the bottom half of its historical range of 14.0x to 17.0x.

FBM70: Price, Earnings and PER valuation



Source: MIDFR, Bloomberg (G736)

Price targets

Cumulatively, the 3QCY24 results season came in at the weaker end of our expectations as attested by the downward revisions to aggregate forward earnings of both the FBM KLCI constituents under our coverage and MIDFR Universe.

We therefore cut our FBM KLCI, FBM Hijrah, and FBM70 targets for 2024 to **1,660 points** (from 1,750 points) or PER25 of 14.2x (from 14.8x), **13,400 points** (from 14,100 points) or PER25 of 19.5x (from 20.4x), and **18,600 points** (from 18,900 points) or PER25 of 15.9x (from 15.9x), respectively.

APPENDIX

MIDFR: Changes in Aggregate Earnings Forecasts

	EARNINGS (RM mn)				EARNINGS *(% Chg)*	
	FY2024		FY2025		FY2024	FY2025
	Old (F)	New (E)	Old (F)	New (F)		
TOTAL (MIDFR Universe)	88,851.6	85,390.6	97,620.6	92,620.2	*(3.9)*	*(5.1)*
Annual % Change	*17.0*	*12.4*	*9.9*	*8.5*		
TOTAL (FBM KLCI) *	66,239.2	63,805.9	70,719.2	69,462.7	*(3.7)*	*(1.8)*
Annual % Change	*10.1*	*6.1*	*6.8*	*8.9*		

Source: MIDFR; * Aggregate earnings of 25 FBM KLCI constituents under MIDFR coverage

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(Bank Pelaburan)
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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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology