1QCY19 Results Review

Stronger Catalysts Needed

FBMKLCI	1,655.31
Target	1,745.00 ↓

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The recently concluded 1Q19 results season showed signs of improvement, but stronger catalysts are needed. For the quarter, sectors such as (i) Building Materials, (ii) Media and (iii) Semicon/Technology were weaker-than-expected, while (iv) Gaming and (v) Healthcare sectors delivered mix-to-negative performance. On the other extreme end, while there were no outright outperforming sectors, we noticed that Gloves players have shown some positive developments despite facing headwinds, as the ASP pressure was not as severe as expected, suggesting a milder oversupply situation. Post review, we fine-tuned our FY19E/FY20E earnings growth rates for FBMKLCI to 14.7%/3.6% from 17.6%/2.4% previously. With some tweaks in analysts' target prices, we also lower our end-2019 Index Target to 1,745 (from 1,750 previously). We also maintain our OUTPERFORM calls on BAUTO (TP: RM2.85↑), PWROOT (TP: RM1.75↑), BJTOTO (TP: RM2.95↑), MAYBANK (TP: RM10.35↑), CMMT (TP: RM1.25↔), MBMR (TP: RM3.45↔), MBSB (TP: RM1.15↔) and SAPNRG (TP: RM0.430↑). We also selected TAKAFUL (OP↔; TP: RM6.50↑) and AEON (OP↔; TP: RM2.10↑) to replace BURSA (TP: RM6.85↓) and PADINI (TP: RM4.00↓). In terms of Trading Signal, while there is no new concrete long-term signal emerging at this juncture, we notice that some market indicators have shown signs of turnaround.

Early sign of improvement? The recently concluded 1Q19 results season showed signs of improvement, but stronger catalysts are needed. Out of 138 stocks under our core coverage, 39 of them delivered weaker-than-expected results, implying a "disappointment ratio" of 28.3% (vs. 30.1% in 4Q18 or 30.8% in 3Q18 and 37.8% in 1Q18). However, on the other extreme, merely 13.0% of the stocks under coverage (or 18 stocks) outperformed our expectations in this reporting season against a higher number of 21% (or 30 stocks) in the previous quarter. While the improvement could be owing to the generally low market expectation, the lower number of stocks that registered outstanding results suggests that a stronger re-rating catalyst is required.

Sector-wise, (i) Building Materials, (ii) Media, and (iii) Semicon/Technology were weaker, while (iv) Gaming and (v) Healthcare sectors also delivered mix-to-negative performances (see Figure 8 for details).

- **Building Materials: ANNJOO and PMETAL** came in below our expectations largely due to higher input costs and lower average selling prices (ASPs).
- **Media: Uninspiring results in 1QCY19 on persistently weak advertising revenue.**
- **Semicon/Technology:** On average, the semicon/tech companies reported 63% QoQ decline in earnings due to seasonality, while YoY, earnings dropped by an average of 36% owing to a slowdown in the semiconductor sector and consumer spending.
- **Gaming: Casino numbers missed our estimates** despite a good showing by NFO (number forecast operator) players. The disappointment in casino sub-segment could probably due to our overly optimistic expectation.
- **Healthcare:** While IHH and PHARMA came inline with expectations, KPJ was weaker due to lower-than-expected revenue per inpatient.

On another extreme end, there were no outright outperforming sectors. However, we notice that **gloves players have shown some positive tones despite facing headwinds;** such as (**i**) short-term oversupply, (**ii**) intense competition, and (**iii**) ASP pressures. **Nevertheless, we observed that the ASP pressure was not as severe as we experienced in the previous round of oversupply situation, suggesting a potential milder oversupply condition.**

As for our 2Q19 Top Picks, BAUTO delivered better-than expected results on the back of better-than-expected margin despite having to absorb the SST rate for back-logged orders prior to 1st September 2018. **PWROOT**'s FY19 full-year earnings also beat estimates on stronger margin resulting from its on-going corporate retionalisation exercise.

BURSA's 1Q19 fell short due to slower trading activities, global uncertainties (the US-China trade war and selective banning of palm oil in the EU) as well as weaker investment sentiment. **MBSB**, on the other hand, was let down by higher impairments. However, recoveries are expected in the coming quarters, which will normalize credit costs. **PADINI** also delivered lower-than-expected results due to lower-than-expected gross profit margin and higher-than-expected effective tax rate despite backed by festive season. **SAPNRG**'s 4Q19 results were also disappointing due to massive kitchen sinking exercise. Nonetheless, we still believe SAPNRG should return to be one of the prime beneficiaries of upstream O&G activities (both globally and locally) pospost restructuring.**TBJTOTO's** earnings inline on stronger ticket sales. Going forward, we believe there is still room for higher earnings should enforcement continues against the illegal operators, which will boost ticket sales and bottom-line. Despite registering weaker earnings due to unexpected higher impairments, **MAYBANK**'s 3M19 results were considered within expectations. In fact, with asset quality staying stable and comfortable, impairments are expected to remain within guidance. Elsewhere, **CMMT** and **MBMR** recorded decent re sets of ults as well.

Post results, we maintain OUTPERFORM calls on BAUTO (TP: RM2.85↑), PWROOT (TP: RM1.75↑), BJTOTO (TP: RM2.95↑), MAYBANK (TP: RM10.35↑), CMMT (TP: RM1.25↔), MBMR (TP: RM3.45↔), MBSB (TP: RM1.15↔) and SAPNRG (TP: RM0.430↑). On the contrary, we rate BURSA (TP: RM6.85↓) and PADINI (TP: RM4.00↓) as MARKET PERFORM. We reckon that these stocks can be replaced by TAKAFUL (OP↔; TP: RM6.50↑) and AEON (OP↔; TP: RM2.10↑).

Fine-tuning Earnings Growth Estimates and Index Target

Minor tweaks in growth estimates. Our **FY19E/FY20E earnings growth rates for FBMKLCI have been further fine-tuned to 14.7%/3.6%** from 17.6%/2.4% earlier on. As for the consensus numbers, the market is expecting FY19E/FY20E earnings to grow by 31.1%/7.2% (vs. 26.7%/6.3% previously), based on Bloomberg data (see Figure 9).

In line with our minor earnings and target price upgrades post recent corporate results, we have also revised our end-2019 index target slightly to 1,745 (from 1,750 previously), representing FY19E/FY20E PER of 19.1/18.0. Our Index Target is derived via the average of the followings:-

- **Top-Down:** Deriving an index target of 1,780 (unchanged) based on our FY20E earnings, and
- **Bottom-Up:** Revising down our index target slightly to 1,710 from 1,720 based on analysts' latest target price inputs. Major downgrades in target prices for GENTING and big cap planters, such as IOI and KLK, were seen despite some upgrades in target prices of pHARTA, TOPGLOV d TM. Note that TM is not a component of FBMKLCI currently, hence no impact of its upgrade to our index target. However, we reckon that TM has high chance to be included i back to the list of FBMKLCI constituents in the forth coming review.

Mid-2Q19 Market Review

The FBMKLCI is well supported above the lower uptrend channel (support) line and the 1,600-phycological support (see Figure 10). While the Slow Stochastic Oscillator has yet to issue a concrete crossover from the oversold zone, we believe a convincing surge above 1,700, which is also the upper immediate downtrend channel (resistance) line, should signal that the local equity market has formed a major/significant bottom. This will definitely raise the probability of an emergence of a multi-year bull market as per our cycle study (please refer to our 2Q19 Investment Strategy Report dated 2nd April 2019 for details).

In fact, there are early signs to suggest that the worst, at least for the short-term, could be over.

- The Forward PER Valuation Premium of FBMKLCI (over Selected Regional Peers) peaked at ~23% and has been declining (to ~13% as at end-May19) (see Figure 11).
- Modern Portfolio Theory (MPT) Study suggests that the fund allocation to Malaysia equity market surged to ~17% (end-May2019) from -16% (end-Apr2019) despite weaker Ringgit against US dollar (see Figure 12). We believe the strong allocation was inline with the outstanding performance of FBMKLCI against regional peers in the month of May and probably at the expense of North East Asian equity markets, no thanks to US-China trade tension.

- In fact, tactically speaking, despite experiencing fierce sell down from foreign investors (foreign outflow of RM2.0b in May 2019 or RM3.5b QTD or RM4.9b YTD), the domestic market was still able to defend the 1,600-psychological support level, suggesting te resiliency of the local market.
- While there is no new trading signal emerging as per our in-house monthly algo trading models (despite a S.O.S signal from PER-based model since end-Jul 2018), we do not rule out changes in coming months. This is because our short-term (weekly) Consensus-based algo model had issued a B.O.W. signal in the mid-May 2019 when FBMKLCI saw a capitulation towards 1,572. However, tthe Long-Position as just closed when the benchmark index crossed the 1,650-mark (or when the discount between FBMKLCI and the consensus narrowed to 4.5%) last week.

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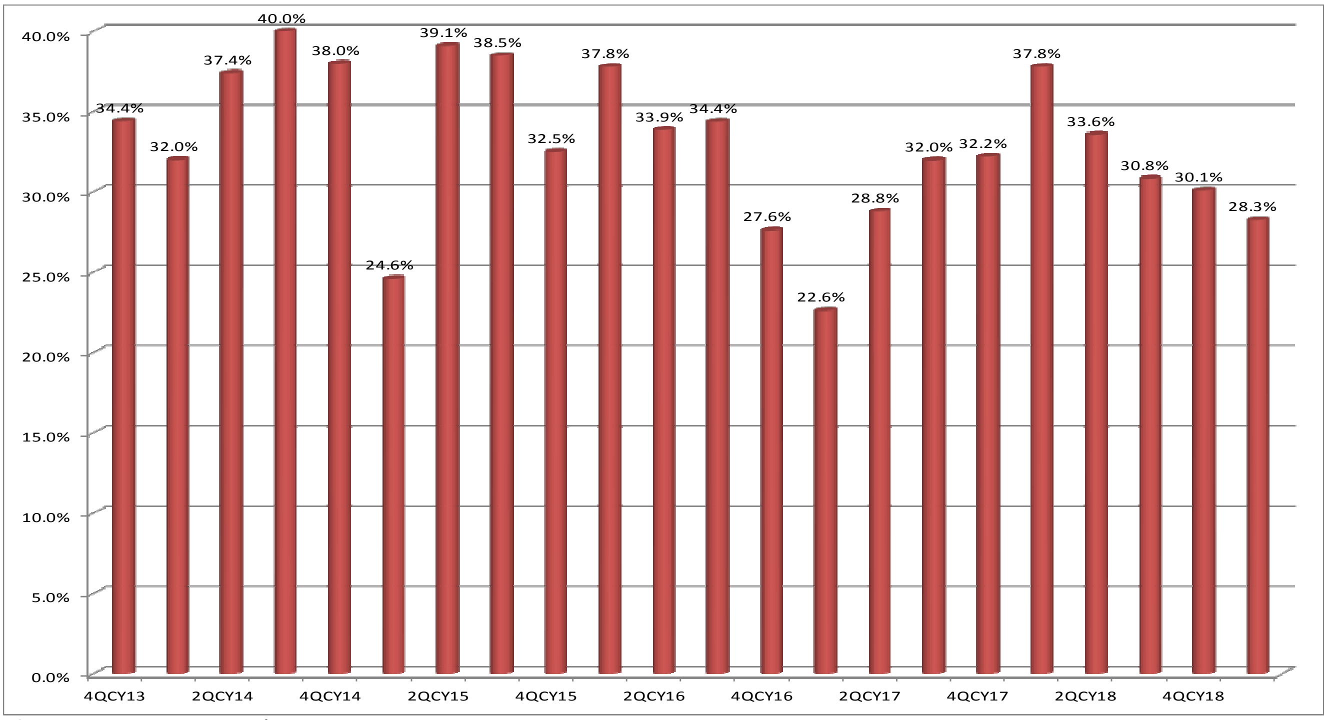
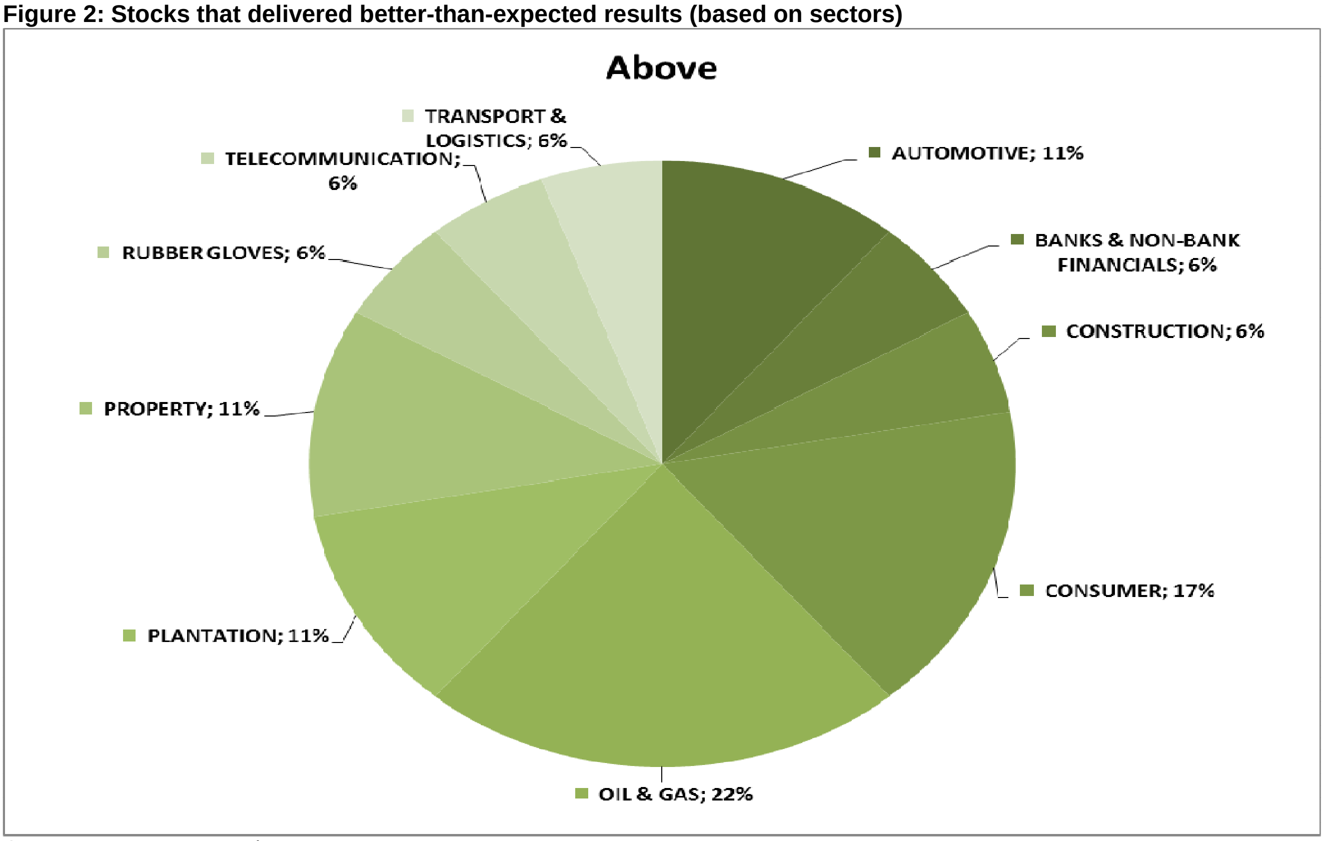
Appendix

Figure 1: Disappointment Ratio of Quarterly Results from 4QCY13 to 1QCY19



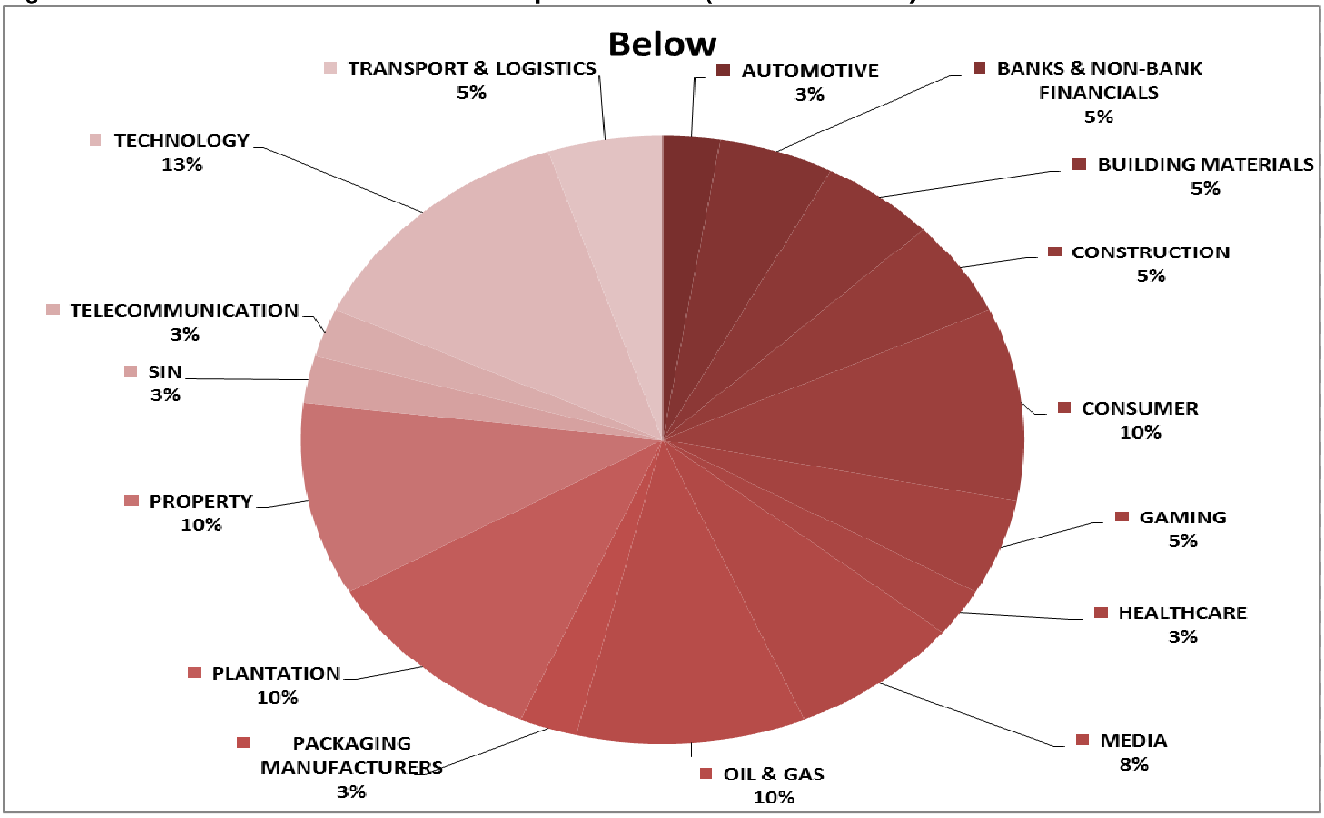
Source: Kenanga Research

Figure 2: Stocks that delivered better-than-expected results (based on sectors)



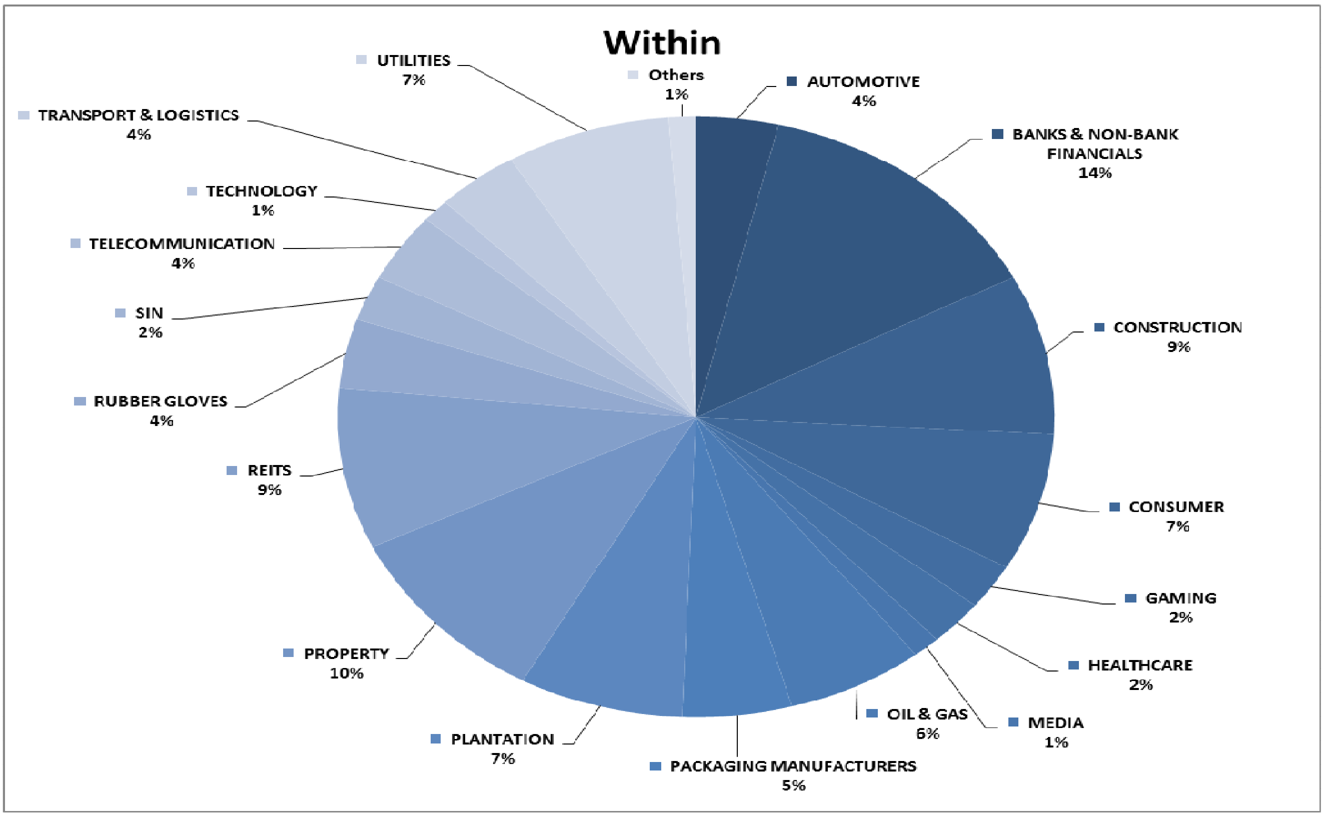
Source: Kenanga Research

Figure 3: Stocks that delivered weaker-than-expected results (based on sectors)



Source: Kenanga Research

Figure 4: Stocks that were recorded within expectations results (based on sectors)



Source: Kenanga Research

Figure 5: Recent Reported Results vs. Our Expectations and Market Consensus – Part 1 of 3

No.	Company	Period under review	Cumulative Revenue (RM'm)			Cumulative NP (RM'm)			Against estimates		Earnings revision quantum (%)		Dividends against KNK estimates	Target		Call/Rating	
			FY18/19	FY19/20	YoY % Chg	FY18/19	FY19/20	YoY % Chg	KNK	Mrkt	FY19/20	FY20/21		Price (RM)		UP/MP/OP	
	AUTOMOTIVE		**42,839.7**	**45,651.7**	**6.6%**	**1,142.0**	**1,114.0**	**-2.5%**	**Mix**	**Mix**	**-6.1%**	**0.0%**					
1	BERMAZ AUTO BHD	3Q19	1,422.3	1,953.8	37.4%	82.9	205.2	147.5%	Above	Above	6.3%	0.0%	Within	2.85	↑	OP	↔
2	DRB-HICOM BHD	4Q19	12,251.0	12,477.0	1.8%	430.0	123.0	-71.4%	Below	Above	-43.0%	0.0%	Within	1.80	↓	UP	↓
3	MBM RESOURCES BERHAD	1Q19	463.5	532.5	14.9%	32.8	38.0	15.9%	Within	Within	0.0%	0.0%	Within	3.45	↔	OP	↔
4	SIME DARBY BERHAD	3Q19	25,253.0	26,833.0	6.3%	515.0	647.0	25.6%	Above	Within	0.0%	0.0%	Within	2.35	↔	MP	↔
5	TAN CHONG MOTOR HOLDINGS BHD	1Q19	1,034.6	1,080.6	4.4%	14.1	22.1	56.7%	Within	Within	0.0%	0.0%	Within	2.15	↔	OP	↔
6	UMW HOLDINGS BHD	1Q19	2,415.3	2,774.8	14.9%	67.2	78.7	17.1%	Within	Below	0.0%	0.0%	Below	5.80	↔	MP	↔
	BANKS & NON-BANK FINANCIALS		**22,981.6**	**22,899.6**	**-0.4%**	**9,863.6**	**10,002.1**	**1.4%**	**Within**	**Within**	**-0.9%**	**-1.0%**					
7	AEON CREDIT SERVICE BERHAD	4Q19	869.4	937.5	7.8%	286.4	341.0	19.1%	Within	Within	0.0%	0.0%	Within	15.80	↔	MP	↔
8	AFFIN HOLDINGS BERHAD	1Q19	476.6	472.5	-0.9%	141.5	138.1	-2.4%	Within	Within	0.0%	0.0%	Within	2.60	↔	OP	↔
9	ALLIANCE BANK MALAYSIA BHD	4Q19	1,572.0	1,622.1	3.2%	493.2	537.6	9.0%	Within	Within	2.2%	0.0%	Within	4.25	↓	OP	↔
10	AMMB HOLDINGS BHD	4Q19	3,985.5	3,902.0	-2.1%	1,132.1	1,505.3	33.0%	Within	Within	7.7%	0.0%	Above	5.10	↑	OP	↔
11	BIMB HOLDINGS BHD	1Q19	684.7	804.8	17.5%	172.1	202.5	17.7%	Within	Within	7.6%	4.9%	Within	4.80	↓	MP	↓
12	BURSA MALAYSIA BHD	1Q19	144.8	121.4	-16.2%	63.8	46.9	-26.5%	Below	Below	-17.1%	-12.0%	WIthin	6.85	↓	MP	↔
13	CIMB GROUP HOLDINGS BHD	1Q19	4,150.0	4,150.3	0.0%	1,305.9	1,192.0	-8.7%	Within	Within	0.0%	0.0%	Within	6.25	↑	OP	↑
14	HONG LEONG BANK BERHAD	3Q19	3,663.3	3,558.0	-2.9%	2,012.1	2,028.1	0.8%	Within	Within	0.0%	0.0%	Within	20.05	↓	MP	↔
15	LPI CAPITAL BERHAD	1Q19	381.0	392.7	3.1%	72.5	77.2	6.5%	Within	Within	0.0%	0.0%	Within	16.50	↑	MP	↔
16	MALAYAN BANKING BHD	1Q19	3,019.9	2,953.9	-2.2%	1,871.0	1,809.3	-3.3%	Within	Within	-2.1%	0.0%	Within	10.35	↑	OP	↔
17	MALAYSIA BUILDING SOCIETY BHD	1Q19	347.6	365.0	5.0%	316.8	83.8	-73.5%	Below	Below	-8.2%	-4.5%	Within	1.15	↔	OP	↔
18	PUBLIC BANK BERHAD	1Q19	2,757.9	2,739.1	-0.7%	1,405.4	1,410.1	0.3%	Within	Within	0.0%	0.0%	Within	24.10	↔	MP	↔
19	RHB BANK BHD	1Q19	928.9	880.3	-5.2%	590.8	630.2	6.7%	Within	Within	-1.2%	-2.0%	Within	6.05	↑	MP	↔
20	SYARIKAT TAKAFUL MALAYSIA KELUARGA BHD	1Q19	746.2	918.2	23.1%	70.0	96.4	37.7%	Above	Above	14.4%	9.0%	Within	6.50	↑	OP	↔
	BUILDING MATERIALS		**2,714.5**	**2,709.4**	**-0.2%**	**198.7**	**104.3**	**47.5%**	**Below**	**Below**	**-51.0%**	**-45.2%**					
21	ANN JOO RESOURCES BHD	1Q19	589.1	538.1	-8.7%	57.1	(6.4)	-6.9%	Below	Below	-87.0%	-85.0%	Within	1.15	↓	UP	↔
22	PRESS METAL BHD	1Q19	2,125.4	2,171.3	2.2%	141.6	110.7	-21.8%	Below	Below	-14.9%	-5.3%	Within	4.50	↔	MP	↔
	CONSTRUCTION		**10,609.5**	**10,257.9**	**-3.3%**	**1,177.5**	**1,007.4**	**-14.4%**	**Within**	**Within**	**-3.7%**	**-2.5%**					
23	GAMUDA BHD	2Q19	1,774.6	2,029.0	14.3%	414.3	345.2	-16.7%	Broadly Within	Within	0.0%	0.0%	Within	2.85	↓	MP	↔
24	GEORGE KENT (MALAYSIA) BHD	4Q19	617.0	430.7	-30.2%	136.4	78.3	-42.6%	Within	Within	0.0%	0.0%	Within	1.150	↔	MP	↔
25	HOCK SENG LEE BHD	1Q19	131.8	146.7	11.3%	13.2	14.1	6.8%	Within	Within	0.0%	0.0%	Within	1.40	↔	MP	↔
26	IJM CORP BHD	4Q19	6,026.9	5,655.7	-6.2%	418.3	415.9	-0.6%	Above	Above	0.0%	0.0%	Below	1.80	↔	UP	↔
27	KERJAYA PROSPEK GROUP BHD	1Q19	255.1	264.2	3.6%	32.5	35.1	8.0%	Within	Within	0.0%	0.0%	Within	1.20	↔	MP	↑
28	KIMLUN CORP BHD	1Q19	220.9	318.6	44.2%	12.6	15.9	26.2%	Within	Within	0.0%	0.0%	Within	1.35	↔	MP	↔
29	MITRAJAYA HOLDINGS BHD	1Q19	265.1	185.6	-30.0%	19.2	(4.3)	-122.4%	Below	Below	-22.0%	-25.0%	Within	0.200	↓	UP	↔
30	MUHIBBAH ENGINEERING (M) BHD	1Q19	249.1	272.4	9.4%	56.9	38.5	-32.3%	Within	Within	0.0%	0.0%	Within	3.20	↔	OP	↔
31	SUNWAY CONSTRUCTION GROUP BHD	1Q19	529.2	440.4	-16.8%	34.3	29.1	-15.2%	Below	Below	-15.0%	0.0%	Within	1.40	↔	UP	↔
32	WCT HOLDINGS BHD	1Q19	539.8	514.6	-4.7%	39.8	39.6	-0.5%	Within	Above	0.0%	0.0%	Within	0.85	↔	UP	↔
	CONSUMER		**13,366.2**	**13,885.6**	**3.9%**	**933.3**	**872.7**	**-6.5%**	**Mix**	**Mix**	**-44.5%**	**-6.4%**					
33	7-ELEVEN MALAYSIA HOLDINGS BERHAD	1Q19	535.7	583.7	9.0%	8.9	11.2	25.8%	Within	Within	0.0%	0.0%	Within	1.35	↑	UP	↔
34	AEON CO (M) BHD	1Q19	1,114.3	1,206.9	8.3%	28.0	32.6	16.4%	Within	Within	0.0%	0.0%	Within	2.10	↑	OP	↔
35	AMWAY (MALAYSIA) HLDGS BHD	1Q19	235.3	247.5	5.2%	8.0	10.6	32.5%	Within	Within	0.0%	0.0%	Within	7.25	↑	OP	↔
36	DUTCH LADY MILK INDS BHD ^	1Q19	266.1	265.0	-0.4%	37.0	34.3	-7.3%	Below	Below	0.0%	0.0%	Within	62.90	↓	MP	↓
37	FRASER & NEAVE HOLDINGS BHD ^	2Q19	1,961.4	2,035.7	3.8%	220.2	235.0	6.7%	Above	Above	0.0%	0.0%	Within	36.60	↑	MP	↔
38	HAI-O ENTERPRISE BHD	3Q19	351.1	258.4	-26.4%	58.6	37.4	-36.2%	Below	Below	-8.7%	-8.7%	Within	2.10	↓	UP	↔
39	MYNEWS HOLDINGS BHD	1Q19	109.3	123.5	13.0%	6.1	8.2	34.4%	Within	Within	0.0%	0.0%	Within	1.25	↔	UP	↔
40	NESTLE (M) BHD	1Q19	1,429.7	1,452.7	1.6%	231.2	235.2	1.7%	Broadly Within	Broadly Within	-2.9%	-1.1%	Within	137.00	↓	MP	↔
41	PADINI HOLDINGS BHD	3Q19	1,200.9	1,266.6	5.5%	121.0	105.7	-12.6%	Below	Within	-14.0%	-6.0%	Within	4.00	↓	MP	↓
42	PARKSON HOLDINGS BHD	3Q19	3,042.0	3,078.0	1.2%	5.0	(76.0)	1620.0%	Below	Below	-467.0%	-55.0%	Within	0.240	↓	MP	↔
43	POWER ROOT BERHAD	4Q19	392.8	338.0	-14.0%	23.2	33.0	42.2%	Above	Above	3.3%	0.0%	Within	1.75	↑	OP	↔
44	QL RESOURCES BHD	4Q19	3,263.3	3,613.3	10.7%	195.0	216.7	11.1%	Within	Within	-0.2%	0.0%	Within	6.05	↔	UP	↔
45	SPRITZER BHD	1Q19	82.5	95.1	15.3%	6.8	7.7	13.2%	Above	Within	11.1%	11.5%	Within	2.40	↑	MP	↑
	GAMING		**12,622.5**	**13,279.5**	**5.2%**	**1,266.5**	**1,379.6**	**8.9%**	**Within-Below**	**Within-Above**	**-8.0%**	**-7.3%**					
46	BERJAYA SPORTS TOTO BHD ^	3Q19	4,259.8	4,214.9	-1.1%	195.3	206.2	5.6%	Within	Within	-2.0%	-0.7%	Below	2.95	↑	OP	↔
47	GENTING BHD	1Q19	5,250.8	5,572.8	6.1%	644.1	736.1	14.3%	Below	Within	-12.5%	-10.7%	Within	7.00	↓	OP	↔
48	GENTING MALAYSIA BHD	1Q19	2,399.5	2,735.6	14.0%	372.2	377.3	1.4%	Below	Above	-17.5%	-17.6%	Within	3.40	↓	OP	↑
49	MAGNUM BERHAD	1Q19	712.4	756.2	6.1%	54.9	60.0	9.3%	Within	Within	0.0%	0.0%	Within	2.55	↑	OP	↔

Source: Bursa Malaysia, Bloomberg, Kenanga Research

Notes:

Yellow Highlight- Odd financial year end counters

** indicates a change in FYE*

^ Revised target price / call based on the stock's latest reports subsequent to its quarterly Results Note

Figure 6: Recent Reported Results vs. Our Expectations and Market Consensus – Part 2 of 3

No.	Company	Period under review	Cumulative Revenue (RM'm)			Cumulative NP (RM'm)			Against estimates		Earnings revision quantum (%)		Dividends against KNK estimates	Target		Call/Rating	
			FY18/19	FY19/20	YoY % Chg	FY18/19	FY19/20	YoY % Chg	KNK	Mrkt	FY19/20	FY20/21		Price (RM)		UP/MP/OP	
	MEDIA		7,084.6	6,966.7	-1.7%	726.2	553.3	-23.8%	Below	Below	-20.9%	-7.3%					
53	ASTRO MALAYSIA HOLDINGS BHD	4Q19	5,531.0	5,479.0	-0.9%	678.0	563.0	-17.0%	Within	Within	2.5%	0.0%	Within	2.00	↑	OP	↔
54	MEDIA CHINESE INTERNATIONAL	4Q19	1,164.1	1,166.5	0.2%	58.7	27.2	-53.7%	Below	Below	-21.0%	0.0%	Within	0.200	↓	MP	↔
55	MEDIA PRIMA BHD	1Q19	280.5	238.6	-14.9%	(21.8)	(40.4)	-85.3%	Below	Below	-56.0%	-19.0%	Within	0.260	↓	UP	↔
56	STAR MEDIA GROUP BHD	1Q19	109.0	82.6	-24.2%	11.3	3.5	-69.0%	Below	Below	-9.0%	-10.0%	Within	0.600	↔	UP	↔
	OIL & GAS		25,883.6	24,487.0	-5.4%	2,050.3	1,491.0	-27.3%	Mix	Mix	-6.4%	0.2%					
57	BUMI ARMADA BHD	1Q19	600.3	491.6	-18.1%	26.7	73.3	174.5%	Within	Within	0.0%	0.0%	Within	0.180	↓	UP	↔
58	DAYANG ENTERPRISE BHD	1Q19	148.8	156.4	5.1%	(21.3)	(4.1)	-80.8%	Below	Below	-12.0%	-7.6%	Within	0.800	↓	UP	↔
59	DIALOG GROUP BHD	3Q19	2,503.5	1,937.1	-22.6%	324.4	395.1	21.8%	Above	Above	0.0%	0.0%	Within	3.80	↔	OP	↔
60	MALAYSIA MARINE AND HEAVY ENGINEERING	1Q19	188.3	203.1	7.9%	(25.2)	(29.4)	16.7%	Broadly Within	Broadly Within	0.0%	0.0%	Within	0.770	↑	MP	↔
61	MISC BHD	1Q19	2,020.8	2,277.7	12.7%	311.7	469.3	50.6%	Above	Within	10.2%	12.3%	Within	6.65	↔	MP	↔
62	PANTECH GROUP HOLDINGS BHD	4Q19	614.8	609.2	-0.9%	47.1	47.6	1.1%	Above	Above	6.0%	0.0%	Above	0.690	↔	OP	↔
63	PETRONAS CHEMICALS GROUP BHD	1Q19	4,951.0	4,150.0	-16.2%	1,065.0	802.0	-24.7%	Below	Below	-12.8%	-2.1%	Within	8.75	↓	MP	↔
64	PETRONAS DAGANGAN BHD	1Q19	7,070.1	7,085.9	0.2%	211.0	273.3	29.5%	Within	Within	0.0%	0.0%	Below	24.95	↑	MP	↑
65	SAPURA ENERGY BHD	4Q19	5,050.6	4,568.4	-9.5%	(373.5)	(935.9)	150.6%	Below	Below	-80.0%	0.0%	Above	0.430	↑	OP	↔
66	SERBA DINAMIK HOLDINGS BHD	1Q19	730.8	984.4	34.7%	92.6	112.2	21.2%	Within	Within	0.0%	0.0%	Within	4.80	↔	OP	↔
67	UZMA BHD	3Q19	301.6	304.5	1.0%	26.6	2.5	-90.6%	Below	Below	0.0%	0.0%	Within	0.69	↓	UP	↓
68	WAH SEONG CORP BHD	1Q19	792.8	683.8	-13.7%	20.7	18.8	-9.2%	Broadly Within	Below	0.0%	0.0%	Within	0.620	↔	UP	↔
69	YINSON HOLDINGS BHD	4Q19	910.2	1,034.9	13.7%	344.5	266.3	-22.7%	Above	Within	5.8%	0.0%	Within	5.50	↑	OP	↔
	PACKAGING MANUFACTURERS		1,597.5	1,774.9	11.1%	155.5	143.0	-8.0%	Mix	Within	0.0%	0.0%					
70	SCGM BERHAD	3Q19	159.2	168.9	6.1%	16.1	1.9	-88.2%	Within	N.A.	-60.0%	-50.0%	Within	0.85	↓	UP	↓
71	SCIENTEX BHD	2Q19	1,285.7	1,480.2	15.1%	140.2	126.2	-10.0%	Broadly Within	Broadly Within	0.0%	0.0%	Within	8.50	↔	MP	↔
72	SLP RESOURCES BHD	1Q19	44.2	43.1	-2.5%	5.2	5.1	-1.9%	Within	N.A.	0.0%	0.0%	Within	1.35	↔	MP	↓
73	THONG GUAN INDUSTRIES BHD	1Q19	215.2	217.2	0.9%	9.1	14.1	54.9%	Within	N.A.	0.0%	0.0%	Within	2.40	↔	MP	↔
74	TOMYPAK HOLDINGS BHD	1Q19	52.4	34.4	-34.4%	1.0	(4.3)	-530.0%	Below	N.A.	0.0%	0.0%	Within	0.430	↓	UP	↓
	PLANTATION		26,063.5	23,111.5	-11.3%	1,951.6	1,256.9	-35.6%	Mix	Within-Below	24.8%	-4.1%					
75	CB INDUSTRIAL PRODUCT HOLDING	1Q19	131.3	85.9	-34.6%	17.7	11.0	-37.9%	Within	Within	0.0%	0.0%	Below	1.100	↔	MP	↔
76	FELDA GLOBAL VENTURES HOLDINGS BHD	1Q19	3,602.7	3,276.1	-9.1%	0.9	(36.9)	-4200.0%	Within	Within	0.0%	0.0%	Within	1.050	↔	UP	↔
77	GENTING PLANTATIONS BHD	1Q19	529.1	621.7	17.5%	72.9	47.2	-35.3%	Within	Below	0.0%	0.0%	Within	9.00	↔	UP	↔
78	HAP SENG PLANTATIONS BHD	1Q19	121.1	126.3	4.3%	15.4	3.6	-76.6%	Above	Below	464.0%	7.0%	Within	1.50	↔	MP	↔
79	IJM PLANTATIONS BHD	4Q19	742.2	630.9	-15.0%	63.0	(10.6)	-116.8%	Above	Below	20.0%	0.0%	Within	1.40	↔	MP	↑
80	IOI CORPORATION BHD	3Q19	5,615.5	5,647.4	0.6%	813.1	636.2	-21.8%	Within	Within	0.0%	0.0%	Within	4.05	↔	MP	↔
81	KUALA LUMPUR KEPONG BHD	2Q19	9,861.0	8,027.0	-18.6%	539.0	309.0	-42.7%	Below	Below	-25.0%	-19.0%	Within	22.00	↓	UP	↓
82	PPB GROUP BERHAD	1Q19	1,145.1	1,156.4	1.0%	197.7	246.5	24.7%	Within	Within	0.0%	0.3%	Within	16.00	↔	UP	↔
83	SIME DARBY PLANTATION BHD	1Q19	3,659.0	3,006.0	-17.8%	197.0	52.0	-73.6%	Below	N.A.	-17.0%	0.0%	Below	4.00	↔	UP	↓
84	TA ANN HOLDINGS BERHAD	1Q19	214.9	178.9	-16.8%	5.2	7.9	51.9%	Below	Below	0.0%	0.0%	Below	2.40	↓	OP	↔
85	TSH RESOURCES BHD	1Q19	226.1	207.6	-8.2%	6.8	13.9	104.4%	Within	Below	0.0%	0.0%	Within	0.90	↓	MP	↔
86	UNITED MALACCA BHD	3Q19	215.5	147.3	-31.6%	22.9	(22.9)	-200.0%	Below	Below	-144.0%	-37.0%	Within	4.90	↓	UP	↔
	PROPERTY		7,275.2	7,063.3	-2.9%	858.7	1,253.6	46.0%	Mix	Within	-8.7%	-1.7%					
87	AMVERTON BHD	1Q19	29.9	22.8	-23.7%	3.6	0.9	-75.0%	Below	N.A.	-43.0%	-40.0%	Within	1.00	↔	UP	↔
88	ECO WORLD DEVELOPMENT GROUP	1Q19	563.6	491.2	-12.8%	24.1	30.3	25.7%	Broadly Within	Broadly Within	0.0%	0.0%	Within	1.15	↔	OP	↔
89	HUA YANG BERHAD	4Q19	227.4	277.4	22.0%	5.3	(12.6)	-337.7%	Below	N.A.	-39.0%	0.0%	Within	0.335	↓	MP	↔
90	IOI PROPERTIES GROUP BHD	3Q19	2,118.6	1,714.0	-19.1%	467.0	544.1	16.5%	Above	Within	5.0%	9.0%	Within	1.65	↔	OP	↔
91	LBS BINA GROUP BERHAD	1Q19	240.1	326.6	36.0%	23.0	17.7	-23.0%	Broadly Within	Broadly Within	0.0%	0.0%	Within	0.495	↓	MP	↔
92	MAGNA PRIMA BHD	1Q19	12.9	10.1	-21.7%	3.2	(3.2)	-200.0%	Below	N.A.	-76.0%	-35.0%	Within	0.740	↓	UP	↔
93	MAH SING GROUP BHD	1Q19	584.8	450.3	-23.0%	45.9	36.7	-20.0%	Within	Below	0.0%	0.0%	Within	1.05	↔	OP	↔
94	MALAYSIAN RESOURCES CORP BHD	1Q19	427.6	234.1	-45.3%	21.6	4.1	-81.0%	Below	Below	-18.0%	0.0%	Above	0.750	↔	UP	↔
95	SIME DARBY PROPERTY BHD	1Q19	559.5	575.1	2.8%	28.8	264.5	818.4%	Broadly Within	Broadly Within	0.0%	0.0%	Within	1.10	↔	OP	↔
96	SP SETIA BHD	1Q19	655.5	864.9	31.9%	56.6	52.8	-6.7%	Broadly Within	Broadly Within	0.0%	0.0%	Within	2.45	↔	OP	↔
97	SUNSURIA BHD	2Q19	117.1	332.0	183.5%	(1.5)	96.8	-6553.3%	Above	N.A.	25.0%	8.0%	Within	0.760	↔	OP	↔
98	SUNWAY BHD	1Q19	1,308.4	1,123.6	-14.1%	121.9	131.2	7.6%	Within	Within	-10.0%	-4.0%	Within	1.60	↑	MP	↔
99	UEM SUNRISE BHD	1Q19	287.7	419.3	45.7%	30.5	31.3	2.6%	Broadly-Within	Within	0.0%	0.0%	Within	0.850	↔	MP	↔
100	UOA DEVELOPMENT BHD	1Q19	172.0	244.7	42.3%	32.3	59.9	85.4%	Within	Within	0.0%	0.0%	Within	2.15	↔	MP	↔

Source: Bursa Malaysia, Bloomberg, Kenanga Research

Notes:

Yellow Highlight- Odd financial year end counters

** indicates a change in FYE*

^ Revised target price / call based on the stock's latest reports subsequent to its quarterly Results Note

Figure 7: Recent Reported Results vs. Our Expectations and Market Consensus – Part 3 of 3

No.	Company	Period under review	Cumulative Revenue (RM'm)			Cumulative NP (RM'm)			Against estimates		Earnings revision quantum (%)		Dividends against KNK estimates	Target		Call/Rating	
			FY18/19	FY19/20	YoY % Chg	FY18/19	FY19/20	YoY % Chg	KNK	Mrkt	FY19/20	FY20/21		Price (RM)		UP/MP/OP	
	REITS		**1,217.4**	**1,265.5**	**4.0%**	**619.2**	**631.1**	**1.9%**	**Within**	**Within**	**0.0%**	**0.0%**					
101	AXIS REAL ESTATE INVESTMENT	1Q19	46.2	56.4	22.1%	23.7	28.9	21.9%	Within	Within	0.0%	0.0%	Within	1.70	↔	MP	↔
102	CAPITAMALLS MALAYSIA TRUST	1Q19	89.7	87.9	-2.0%	37.3	32.5	-12.9%	Within	Within	0.0%	0.0%	Within	1.25	↔	OP	↔
103	IGB REIT	1Q19	136.8	141.2	3.2%	82.3	82.9	0.7%	Within	Within	0.0%	0.0%	Within	1.70	↔	MP	↔
104	KLCC STAPLED GROUP	1Q19	345.0	353.0	2.3%	171.0	183.0	7.0%	Within	Within	0.0%	0.0%	Within	7.35	↔	MP	↔
105	MRCB-QUILL REIT	1Q19	44.0	41.4	-5.9%	21.0	19.4	-7.6%	Within	Within	0.0%	0.0%	Within	1.10	↔	MP	↔
106	PAVILION REIT	1Q19	131.5	150.9	14.8%	65.3	69.2	6.0%	Within	Within	0.0%	0.0%	Within	1.70	↔	MP	↔
107	SUNWAY REAL ESTATE INVESTMENT	3Q19	424.2	434.7	2.5%	218.6	215.2	-1.6%	Within	Within	0.0%	0.0%	Within	1.85	↔	MP	↔
	RUBBER GLOVES		**5,761.4**	**6,924.7**	**20.2%**	**795.1**	**832.9**	**4.8%**	**Within-Above**	**Within-Below**	**1.8%**	**2.5%**					
108	HARTALEGA HOLDINGS BHD	4Q19	2,405.6	2,827.9	17.6%	438.9	456.2	3.9%	Within	Below	0.0%	0.0%	Within	5.85	↔	OP	↔
109	KOSSAN RUBBER INDUSTRIES	1Q19	484.2	561.5	16.0%	44.5	58.7	31.9%	Within	Within	0.0%	0.0%	Within	5.25	↑	OP	↔
110	SUPERMAX CORP BHD	3Q19	975.0	1,113.4	14.2%	97.2	102.2	5.1%	Above	Within	7.0%	10.0%	Within	1.50	↑	MP	↑
111	TOP GLOVE CORP BHD	2Q19	1,896.6	2,421.9	27.7%	214.5	215.8	0.6%	Within	Below	0.0%	0.0%	Within	4.20	↔	MP	↑
	SIN		**1,619.9**	**1,806.0**	**11.5%**	**221.1**	**229.0**	**3.6%**	**Within-Below**	**Within-Below**	**-3.2%**	**-4.0%**					
112	BRITISH AMERICAN TOBACCO BHD	1Q19	637.6	621.0	-2.6%	96.2	88.6	-7.9%	Below	Below	-11.1%	-12.5%	Within	29.55	↓	UP	↓
113	CARLSBERG BREWERY MALAYSIA BHD	1Q19	548.5	659.9	20.3%	76.1	87.6	15.1%	Within	Within	0.5%	0.0%	Within	23.00	↑	MP	↑
114	HEINEKEN MALAYSIA BERHAD	1Q19	433.8	525.1	21.0%	48.8	52.8	8.2%	Within	Within	1.0%	0.6%	Within	23.25	↑	MP	↔
	TELECOMMUNICATION		**12,565.5**	**12,572.5**	**0.1%**	**1,316.1**	**1,256.3**	**-4.5%**	**Mix**	**Mix**	**2.2%**	**4.7%**					
115	AXIATA GROUP BERHAD	1Q19	5,748.0	5,949.0	3.5%	310.0	209.0	-32.6%	Below	Below	-5.0%	-3.0%	Below	4.30	↔	MP	↔
116	DIGI.COM BHD	1Q19	1,635.0	1,509.0	-7.7%	386.0	342.0	-11.4%	Within	Within	-14.0%	-11.0%	Below	4.55	↓	MP	↔
117	MAXIS BHD	1Q19	2,237.0	2,232.0	-0.2%	510.0	404.0	-20.8%	Within	Within	-2.3%	-0.7%	Within	4.90	↔	UP	↔
118	OCK GROUP BHD	1Q19	97.5	103.5	6.2%	5.1	5.3	3.9%	Within	Within	-6.6%	-6.7%	Within	0.630	↓	OP	↔
119	TELEKOM MALAYSIA BHD	1Q19	2,848.0	2,779.0	-2.4%	105.0	296.0	181.9%	Above	Above	39.0%	45.0%	Within	3.95	↑	OP	↑
	TECHNOLOGY		**3,893.3**	**3,424.4**	**-12.0%**	**259.7**	**204.8**	**-21.1%**	**Below**	**Below**	**-13.5%**	**-8.8%**					
120	D&O GREEN TECHNOLOGIES BHD	1Q19	113.1	113.1	0.0%	6.5	6.1	-6.2%	Below	Below	-7.0%	-7.0%	Within	0.650	↓	MP	↔
121	KESM INDUSTRIES BHD	2Q19	182.2	162.7	-10.7%	22.6	3.1	-86.3%	Below	Below	-6.0%	-5.0%	Within	7.60	↓	UP	↓
122	MALAYSIAN PACIFIC INDUSTRIES BHD	3Q19	1,149.2	1,142.0	-0.6%	103.4	98.3	-4.9%	Below	Within	-26.0%	-12.0%	Within	12.10	↓	OP	↔
123	P.I.E. INDUSTRIAL BHD	1Q19	145.3	151.7	4.4%	1.0	0.5	-50.0%	Below	Below	-17.0%	-14.0%	Within	1.55	↓	OP	↔
124	SKP RESOURCES BHD	4Q19	2,095.0	1,664.9	-20.5%	126.7	97.0	-23.4%	Within	Within	-4.0%	0.0%	Within	1.40	↓	OP	↔
125	UNISEM (M) BERHAD	1Q19	321.6	303.1	-5.8%	6.0	5.9	-1.7%	Below	Below	-14.3%	-12.8%	Within	2.15	↓	UP	↔
	TRANSPORT & LOGISTICS		**7,997.7**	**8,072.8**	**0.9%**	**666.2**	**429.9**	**-35.5%**	**Mix**	**Within-Below**	**-23.5%**	**4.4%**					
126	AIRASIA BHD	1Q19	2,551.8	2,780.1	8.9%	357.9	112.7	-68.5%	Within	Within	0.0%	0.0%	Above	2.20	↑	OP	↑
127	CJ CENTURY LOGISTICS HOLDINGS	1Q19	92.7	127.1	37.1%	2.7	(1.8)	-166.7%	Below	Below	-16.7%	-15.6%	Within	0.370	↓	UP	↔
128	MALAYSIA AIRPORTS HLDGS BHD	1Q19	1,215.8	1,252.3	3.0%	143.8	135.4	-5.8%	Broadly Within	Broadly Within	0.0%	0.0%	Within	8.70	↑	OP	↔
129	MMC CORP BHD	1Q19	1,279.7	1,143.2	-10.7%	26.1	64.9	148.7%	Above	Within	45.0%	42.0%	Within	1.10	↔	MP	↔
130	POS MALAYSIA BERHAD	4Q19	2,472.6	2,355.1	-4.8%	11.9	(21.2)	-278.2%	Below	Below	-169.0%	0.0%	Within	1.30	↓	UP	↔
131	WESTPORTS HOLDINGS BHD	1Q19	385.1	415.0	7.8%	123.8	139.9	13.0%	Within	Within	0.0%	0.0%	Above	3.75	↔	MP	↔
	UTILITIES		**23,760.4**	**25,762.9**	**8.4%**	**2,827.3**	**2,609.0**	**-7.7%**	**Within**	**Within**	**0.0%**	**0.0%**					
132	GAS MALAYSIA BHD	1Q19	1,435.2	1,715.6	19.5%	39.5	41.2	4.3%	Within	Within	0.0%	0.0%	Within	3.05	↔	MP	↔
133	MALAKOFF CORPORATION BHD	1Q19	1,604.2	2,007.3	25.1%	52.9	67.0	26.7%	Within	Within	0.0%	0.0%	Within	0.900	↓	OP	↔
134	PESTECH INTERNATIONAL BERHAD	3Q19	732.8	524.8	-28.4%	62.8	38.9	-38.1%	Within	N.A.	0.0%	0.0%	Within	1.40	↔	OP	↔
135	PETRONAS GAS BHD	1Q19	1,350.8	1,367.6	1.2%	476.7	457.8	-4.0%	Within	Within	0.0%	0.0%	Above	16.55	↑	MP	↔
136	TENAGA NASIONAL BHD	1Q19	12,274.0	13,244.8	7.9%	1,760.4	1,605.6	-8.8%	Within	Within	0.0%	0.0%	Within	13.40	↑	OP	↑
137	YTL POWER INTERNATIONAL BHD	3Q19	7,798.6	8,618.4	10.5%	474.5	439.7	-7.3%	Within	Within	0.0%	0.0%	Within	0.88	↓	MP	↔
	OTHERS		**2,300.3**	**2,506.7**	**9.0%**	**6.1**	**(22.4)**	**-467.2%**	**Within**	**N.A.**	**0.0%**	**0.0%**					
138	BOUSTEAD HOLDINGS BHD	1Q19	2,300.3	2,506.7	9.0%	6.1	(22.4)	-467.2%	Within	N.A.	0.0%	0.0%	Within	1.15	↓	MP	↔
	Total/Average		**236,450.1**	**239,719.5**	**1.4%**	**27,218.1**	**25,596.8**	**-6.0%**	**Mix**	**Mix**	**-8.1%**	**-3.8%**					

Source: Bursa Malaysia, Bloomberg, Kenanga Research

Notes:

Yellow Highlight- Odd financial year end counters

** indicates a change in FYE*

^ Revised target price / call based on the stock's latest reports subsequent to its quarterly Results Note

Figure 8: 1QCY19 Results Review & Sector Outlook

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
Automotive	**Mixed Expectations.** 2 out of the 6 stocks (BAUTO, SIME) performed above expectation while 3 stocks (MBMR, TCHONG, and UMW) were within expectation. One (DRBHCOM) was below expectation. **Overall, mixed performances.** Perodua-linked companies (UMW, MBMR), recorded stronger performance mainly from the higher associates' contribution buoyed by all-new Perodua Myvi and Aruz, as well as supported by better core segments. BAUTO and TCHONG recorded higher margin sales, while SIME saw stronger Industrials. Whereas, DRBHCOM 's stronger 4Q Automotive contribution was mitigated by weakness in its other segments.	Overall, car sales volume for 2Q19 is expected to be stronger than 1Q19 on the usual Hari Raya Aidilfitri promotional activities as well as better financing rate as banks have cut their Base Lending Rate (BLR) by 20-25bps. Notable new launches include Perodua ARUZ, face-lifted Honda HR-V (includes Hybrid), face-lifted Proton IRIZ/Persona, Toyota Vios, Toyota Rush and Toyota Yaris. We maintain our **NEUTRAL** rating on the **AUTOMOTIVE** sector with our our 2019 TIV target at 600,000 units, in-line with MAA's target.	**<u>OP</u>** • BAUTO (OP ↔; TP: RM2.85↑) • MBMR (OP ↔; TP: RM3.45 ↔) • TCHONG (OP ↔; TP: RM2.15↔) **<u>MP</u>** • SIME (MP ↔; TP: RM2.35↔) • UMW (MP↔; TP: RM5.80 ↔) **<u>UP</u>** • DRBHCOM (UP ↓; TP: RM1.80↓)
Aviation	**Within expectations.** 1Q19 performance for two stocks under our aviation sector coverage namely AIRASIA and AIRPORT is satisfactory as both came in broadly within expectations, which is better compared to 4Q18 whereby both stocks registered disappointing results. **Earnings review.** Post results, no changes in earnings for both AIRASIA and AIRPORT. **Upgrade AIRASIA's calls.** None theless, we upgrade AIRASIA to OP; with a higher TP of RM2.20 based on 9x FY20E (roll forward from FY19E) coupled with its special dividend of 90.0 sen. Our OP call on AIRASIA is solely banking on its special dividend play. As for AIRPORT, we reiterate our OP call, and upgraded our TP to RM8.70 based on 1.72x PBV pegged to its FY20E BVPS (roll forward from FY19E).	Going forward, we expect more news flow from the sector primarily on the development of the aviation scene in Malaysia as we are expecting MAVCOM to release its consultation paper on the RAB framework for AIRPORTs. As compared to 4Q18, AIRASIA reduced its fleet expansion from 22 planes to 18 planes, which we are still positive as it would give them better cost control and market positioning without being too aggressive in pricing competition in order to capture market share. That said, we are also anticipating another 19 planes disposal after its Castlelake deal, which would be more than sufficient to fund its special dividend of 90.0 sen. As for AIRPORT, we are still a higher operating cost environment in subsequent quarters of 2019 as management incur more operational capex in maintaining and upgrading its existing facilities in KLIA and KLIA2 in order to comply with MAVCOM's QoS requirement. As for the implementation of RAB, management sounded hopeful that it should meet the implementation timeline in 1st January 2020, should the consultation paper be finalized by MAVCOM. In view of our recent upgrade in AIRASIA from UP to OP, solely premised on its 90.0 sen special dividend, we are upgrading the sector from NEUTRAL to OVERWEIGHT.	**<u>OP</u>** • AIRASIA (OP ↑; TP: RM2.20) • AIRPORT (OP ↔; TP: RM8.70 ↑)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
Banking	Generally, the 1Q19 results were mostly in line with the exception of MBSB which underperformed due to the absence of large scale writebacks. The rest saw earning coming within expectations. For QoQ, the industry saw topline falling slightly (<-1%) on account of lower loans mitigated by higher yielding assets. Likewise fee-based income dragged (<-1%) due to soft capital market activities but mitigated by revaluation of assets/capital gains. Best performing topline came from BIMB (+8) on account of strong Takaful contribution. Loans were soft (<1%) QoQ; with the majority averaging ~1% with the exception of ABMB (+3.2%) and HLBANK (+1.5%) with ABMB loans coming from PF and Working Capital (+7% and +8% respectively). NIM continued to be under pressure with most of them reporting compressed NIMs. Higher funding costs fuelled by strong FDs and weak CASA compounded downside pressure on NIM. AFFIN, BIMB and CIMB bucked the trend, due to the revising of their BLR at end of 4Q18. Overall asset quality was mixed bordering from stable to slight uptick in its GIL but with no major deterioration. While impairment allowances saw slight uptick, this is nothing siginificant with credit costs expected to normalize to 20%. The only major major uptick in credit cost was from MBSB due to its cautious provisioning for the quarter and MAYBANK for extra provisioning of a single overseas account.	Neutral stance maintained for the sector. Internal and external headwinds are still prevailing. The industry guided for moderation in loans growth with households expected to be resilient and mortagages to provide the drive. Outlook for business loans are unclear given the global economic challenges and uncertainties on the domestic front. NIM is seen to come under pressure due to funding costs, despite ample liquidity, with NIM compression due to weak CASA growth as banks turned to FD for funding. Impact on credit costs is expected to be benign lending support to bottomline like in FY18. Post results, we downgrade BIMB to MARKET PERFORM on concerns of its restructuring exercise. Other MARKET PERFORM are: HLBANK, PBBANK and RHBBANK. Our OUTPERFORM are AFFIN, ABMB, AMBANK, CIMB, MAYBANK and MBSB. We like AMBANK and MAYBANK. AMBANK on account of their operational efficiency which would contain its forward impairment allowances; and MAYBANK's strong CASA (32%) to counter NIM pressure with strong dividend yield (~6.5%).	**OP** • ABMB (OP ↔; TP: RM4.25 ↓) • AFFIN (OP ↔; TP: RM2.40 ↓) • AMBANK (OP ↔; TP: RM5.10 ↔) • CIMB (OP ↔; TP: RM6.25 ↑) • MAYBANK (OP ↔; TP: RM10.35 ↑) • MBSB (OP ↔; TP: RM1.15 ↔) **MP** • BIMB (MP ↓; TP: RM4.80 ↓ • HLBANK (MP ↔; TP: RM20.05 ↓) • RHBBANK (MP ↔; TP: RM6.05 ↑) • PBBANK (MP ↔; TP: RM24.10 ↔)
Banking – Non-banking Financial Institutions	**Mixed quarter.** On NBFI results, TAKAFUL performed stronger than expected, while AEONCR and LPI's results were in line. BURSA on the other hand, was a miss. TAKAFUL's sterling earnings delivery was propelled by new tie-ins which opened wider channels for its credit-related insurance products. General strategies for other insurance remain to diversifying their portfolios to achieve a more even mix across insurance classes. BURSA's results suffered from the poorer trading environment on the back of uncertainties in global macro factors, which may still persist in the near-term.	Overall, the non-banking financial institutions are in the midst of implementing strategies to ensure long-term sustainability. **AEONCR** is focusing on higher digitalisation to minimise operating costs. New products will be introduced to tap into the M40 consumer market where spending values are typically higher. **Insurance and Takaful players** are anticipating the coming liberalisation review of fire insurances in 2019, being the most profitable class of insurance in the industry. Ahead of this, we are seeing industry players skewing towards maximising their market share towards other classes to mitigate downward pressures from this review. This is done by providing more value-added and comprehensive product coverages,	**OP** • TAKAFUL (OP ↔; TP: RM6.50↑) **MP** • AEONCR (MP ↔; TP: RM16.20 ↑) • BURSA (MP ↔; TP: RM6.80 ↓) • LPI (MP ↔; TP: RM16.50 ↑)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
		especially as seen in Takaful products. With regards to **BURSA,** weakness in overall market sentiment appears to persist arising from the prolonged uncertainties in the macro landscape, with the ongoing US-China trade war as well as the European Union's selective banning of palm oil in European bio-diesels impacting risk-to-reward ratios. A total foreign outflow of RM1.36b (YTD-Mar 2019) is also a telling sign of the softer confidence in the local market. Still, we are optimistic for a better 2H19 with our strategist's view that weaknesses in sentiment could be nearing its end. This is premised on the potential bottoming of local benchmark indices, potentially backed by healthy and sustainable oil prices. On another note, the introduction of the T+2 settlement's cycle for the securities markets could lead to a rise in transaction volumes and hence trading participation.	
Building Materials	**Below expectation.** ANNJOO and PMETAL came in below our expectations largely due to higher input cost and lower ASP. First time since 2015, ANNJOO has incurred CNL of RM6.9m caused by higher raw material costs, lower ASP and weaker sales tonnage. Meanwhile, PMETAL's 1Q19 results were affected by higher alumina cost and lower aluminium prices. **Earnings estimates.** Post 1Q19 results, we cut FY19E earnings estimates for ANNJOO by 87% considering lower sales tonnage in the coming quarter. While, for PMETAL we slashed FY19E earnings by 15% to account for higher alumina cost. **Adjustment to call and TP.** Post results, we lower our TP for ANNJOO to RM1.15 (from RM1.25) but maintaining underperform call. For PMETAL, TP and call remain unchanged.	For ANNJOO, we are cautious with its prospects as we expect lower ASP of rebar steel and weaker domestic demand to continue plaguing the industry. Besides, relining exercise undertaken during June 2019 will further increase the capex requirement and reduce utilization rate for iron-making plant. However, we are encouraged by the group's strategy to actively pursue export opportunities, leveraging on its operational flexibility to attain cost competitiveness. We think its exports proposition may help in cushioning the negative impact from slower domestic demand and also to get tax incentive for increase in export. For PMETAL, we believe the group's sales composition of high-value products will increase to 60-70% in FY19 from 40-50% in FY18 after expanding its billet capacity by 60k MT (to 240k MT) and wire rod capacity by 50k MT (to 200k MT) in October 2018. Billets and wire rods command a mark-up/premium of USD120-150/MT and can generate additional profit of USD60-80/MT. In addition, the completion of Japan Alumina Associates (JAA) acquisition in end-Feb 2019 should provide 10-month earnings contribution to the group in FY19, improving earnings by c.3% after considering financing costs. **Reiterate UNDERWEIGHT** on Building Materials.	<u>**MP**</u> • PMETAL (MP ↔; TP: RM4.50 ↔) <u>**UP**</u> • ANNJOO (UP ↔; TP: RM1.15 ↓)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
Construction	**Better quarter.** For 1QCY19, we saw better performance from contractors with only 3 disappointments, 1 above expectations, compared to 4 disappointments in 4QCY18 out of 11 stocks under our coverage. The remaining came in within expectations. The 3 stocks that came below expectations are SENDAI, MUHIBAH, and SUNCON. Reasons behind the disappointment are mainly due to slower billings from its construction divisions. As for IJM that came in above expectation, it is due to better-than-expected performance from its plantation division which recorded lower-than-expected losses, coupled with an impressive performance from its property division. YoY, bulk of the contractors' CNP was down by 0.5-68.7%, with MITRA slipping into losses, except for HSL, KERJAYA, and KIMLUN which registered growth of between 6.8-26.2%, driven by better billings progress backed by the growth in order-book size in recent years. Post results, we downgraded our earnings for MITRA and SUNCON by 15-22%, lowered TP for MITRA to RM0.200, while upgraded our call for KERJAYA to MP, and ceased coverage on SENDAI.	As highlighted in our previous report, we do not see any major catalyst for the sector even with the revival of ECRL coupled with the potential of Bandar Malaysia, as we remain concerned with the margin from such projects, and the roll-out of these projects is also only expected by year-end or early 2020. Nonetheless, we believe that the mid-term focus on construction jobs could be in Sarawak, whereby the state government is committed to implementing infrastructure projects that improves the connectivity in the state and improves the welfare of people in Sarawak which we might see contracts flow from Sarawak to pick up in 2Q19 onwards. Maintain **UNDERWEIGHT** but we would look to upgrade the sector to NEUTRAL should we see catalyst like a clearer direction for the industry and strong news flow of local mega infrastructure projects coming back on stream.	**<u>OP</u>** • MUHIBAH (OP ↔; TP: RM3.20 ↔) **<u>MP</u>** • HSL (MP ↔; TP: RM1.40 ↔) • KERJAYA (MP ↑; TP: RM1.20 ↔) • KIMLUN (MP ↔; TP: RM1.35 ↔) **<u>UP</u>** • GAMUDA (UP ↔; TP: RM2.85 ↔) • GKENT (UP ↔; TP: RM1.15 ↔) • IJM (UP ↔; TP: RM1.80) • MITRA (UP ↔; TP: RM0.200 ↓) • SUNCON (UP ↔; TP: RM1.40 ↔) WCT (UP ↔; TP: RM0.815 ↓)
Consumer	**Mostly within expectation.** Within our 16 stocks coverage, 2 stock performed above expectations (PWROOT,SPRITZER), 9 stocks were within (AEON, AMWAY, CARLSBG, F&N, HEIM, MYNEWS,NESTLE,QL, SEM) while 5 stocks came below (BAT, DLADY, HAIO, PADINI, PARKSON). Overall weaker performance seen for retailers as 1Q is generally the weakest quarter of the year, despite stronger CNY festivities sales. However, PADINI and PARKSON fared the worst this quarter from lower margin due to unfavourable merchandise mix and higher effective tax rate. On F&B and Sin sectors, outperformers were supported by better-than-expected input cost exposures. Misses were dragged by lower product demand, especially for tobacco players where affordability continued to be a pressing issue with the decline in overall consumption.	We expect most of the retailers to perform stronger in 2Q19 from seasonally stronger Hari Raya Aidilfitri festive sales as well as form a low-base effect in 1Q19. F&B counters with high domestic mix could however experience poorer seasonal consumption in 2Q19 due to the fasting season. On the flipside, production costs may also take a backseat as we observe that several commodities have been steadily declining in prices from a global oversupply situation. We maintain our **NEUTRAL** rating on the Consumer Sector. For the Sin-sub Sector, we upgrade to **NEUTRAL** following the easing of brewers and tobacco players' share prices against overly bullish investors' sentiment from previously stellar earnings delivery.	**<u>OP</u>** • AEON (OP↔; TP: RM2.10 ↑) • AMWAY (OP ↔ ; TP: RM7.25↑) • PWROOT (OP↔; TP: RM1.75 ↑) **<u>MP</u>** • CARLSBG (MP ↑; TP: RM23.00 ↑) • DLADY (MP ↓; TP: RM62.90 ↓) • F&N (MP ↔; TP: RM36.60 ↑) • HEIM (MP ↔; TP: RM23.25 ↑) • NESTLE (MP↔; TP: RM137.00 ↓) • PADINI (MP↓; TP: RM4.00↓) • PARKSON (MP

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
			↔; TP: RM0.240↓) • SPRITZER (MP ↑; TP: RM2.40 ↑) **UP** • BAT (UP ↓ ; TP: RM29.55 ↓) • HAIO (UP ↔; TP: RM2.20↓) • MYNEWS (UP↔; TP: RM1.25↔) • QL (UP↔; TP: RM6.05↔) • SEM (UP↔; TP: RM1.35↑)
Gaming	A good showing although casino numbers missed our estimates due to our overly optimistic expectation and the reported numbers were better than consensus as well. In fact, both GENM and GENS saw better earnings sequentially in 1Q19 owing to better luck factor with improved business volume for premium business. Meanwhile, GENM's UK and the North America units all posted improved QoQ results. On the other hand, both BJTOTO and MAGNUM posted strong NFO ticket sales which matched expectations. Average tickets sales per draw rose 3% QoQ for BJTOTO's 3Q19 while MAGNUM's 1Q19 saw the strongest number since 1Q13 after jumping 12% QoQ. To temper our previous optimism on gaming tax hike, we cut GENM's FY19/FY20 earnings estimates by 18%; thus, reducing target price of RM3.40 from RM3.60 previously. But, we upgraded GENM to OP from MP as the earnings clarity improved after this quarter which reflected the impact from the tax hike. In view of this, we also reduced GENTING's FY19/FY20 earnings estimates by 13%/11% and target price to RM7.00 from RM7.95. The lower estimates also accounted for earnings cut from GENP. Meanwhile, we have trimmed BJTOTO's FY19E/FY20E earnings by 2%/1% for the special draw cut but Target Price raised to RM2.95/DCF share as we raised terminal growth from 1% to 2% as ticket sales improved. We also increased MAGNUM's target price to RM2.55 as we rolled over our valuation base-year to FY20 from FY19.	Generally a mixed outlook for the casino operators as GENS is facing a challenging outlook on geopolitics issue while the gaming tax hike hit *RWG's* profit margin. Meanwhile, the North American operation should improve further as *Resort World Bimini* has shown improvement in recent quarters while the UK operations could be volatile due to its VIP-centric profile while *Resort World Birmingham* may need more time before showing meaningful results. Meanwhile, the continuous clamping down on illegal operator will help to boost ticket sales which will benefit NFO players. We remain **OVERWEIGHT** on the sector.	**OP** • BJTOTO (OP ↔; TP: RM2.95 ↑) • GENM (OP ↑; TP: RM3.40 ↓) • GENTING (OP ↔; TP: RM7.00 ↓) • MAGNUM (OP ↔; TP: RM2.55 ↑)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
Healthcare	The just concluded 1QCY19 results season saw a mixed bag of results. IHH and Pharmaniaga's earnings came in line with expectations. However, for IHH, we are concerned over issues at Fortis, including an auditor's qualified audit report in FY18, which has been carried forward into the quarterly review on 13 Feb 2019, risk of more provisions, lapses in internal controls, which led to regulatory probing, which could well mean execution risk. KPJ came in in below expectations due to lower-than-expected revenue per inpatient.	**Maintain UNDERWEIGHT**. Overall, we believe the healthcare industry in Malaysia will continue to enjoy stable growth supported by growing healthcare expenditure, rising medical insurance and ageing population demographics. All in, healthcare stocks under our coverage are trading at rich PER valuations compared to their expected low-teens earnings growth. We believe their growth potentials are already reflected in the share prices. However, KPJ's valuations are looking undemanding. The stock is currently trading at 20% and 30% discount compared to its historical average of 28x and regional peers of 35x, respectively.	**OP:** KPJ (OP ↔; TP: RM1.20 ↓) **MP:** PHARMA (MP ↔; TP: RM2.35 ↓) **UP:** IHH (UP ↔; TP: RM4.90↓)
Media	**Uninspiring results** in 1QCY19 on persistently weak advertising revenue. Coupled with the slower economy and policies uncertainties, this will continue to weigh on the subdued adex outlook. STAR's 1Q19 results came below our expectation, due to lower-than-expected print and digital segments' turnover (-22%, YoY), as a result of weak market sentiment. In tandem, its other segment such as Radio broadcasting and event divisions continued to deliver softer top-lines, down 35% and 12%, respectively, YoY. MEDIAC's FY19 results were below our expectation due to the lack of economies of scale followed by muted turnover growth and higher OPEX. The group also suffered a LATAMI of RM46.2m, mainly attributed to the provision for impairment of goodwill. Going forward, the group will focus on growing new markets and channels facing an uncertain market. Despite the on-going evolution from its traditional segment, MEDIA's 1Q19 came below our expectation, as a result of lower-than-expected turnover from weaker advertising revenues. Meanwhile, the group suffered a LATAMI of RM40.4m(-85%,YoY), of which c.80% came from its BAU units (FTA TV, Print and etc), with balance from its Odyssey(digital initiatives). ASTRO, on the other hand, is set to release its 1Q20 results at end-June, and we do not expect any major surprises.	**Challenging outlook** in the country's adex remains amid weak consumer sentiment and rising cost of doing business, while new technologies continue to disrupt and reshape the media industry. Advertisers may continue to remain lukewarm to the traditional media platforms (i.e. TV and Print) while seeking new opportunites in digital media. Despite continual effort towards the digital transformation path and revenue source diversification from all the print players, we downplay the chances of near-term earnings contributions in view of gestation periods. All in all, we **maintain our NEUTRAL call** for the sector for now, but may lower our rating to UNDERWEIGHT in view of the uninspiring adex and earnings' outlook.	**OP:** • ASTRO (OP↔; TP: RM2.00 ↑) **MP:** • MEDIAC (MP↔; RM0.200 ↓). **UP:** • MEDIA (UP↔ , TP: RM0.260↓) • STAR (UP ↔; TP: RM0.600 ↔)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
MREITs	**Within expectations.** All MREITs' results met expectations. This is slightly better than last quarter when most came in within, save for one which was above (AXREIT) and one below (MQREIT). However prior to that, MREITs' results have met expectations for five quarters straight. **QoQ,** top-line growths were mostly positive (1-9%), save for MQREIT which was marginally lower by 3% on lower rental , KLCC (-4%) due to seasonality factors, and AXREIT (-9%) on exceptionally higher rental recognised in the previous quarter from back-dated rent. This translated to bottom-line growth for most (1-10%), save for KLCC (-1%), MQREIT (-1%), and AXREIT (-20%). **YoY-Ytd,** top-line growth was mostly positive, save for CMMT (-2%) and MQREIT (-6%) on lower rental contributions. As a result, bottomline also followed suit while SUNREIT declined marginally (-1.6%) on higher financing cost. Post results, we left earnings estimates, TPs and calls unchanged.	**Stable fundamentals.** MREITs' reversions outlook remains mundane on expectations of single-digit reversions at best as the oversupply of retail, office and even hotels favouring the tenants' market while asset owners are finding it tough to maintain strong reversions. Industrial assets have a better footing as reversions are on par with other asset classes (i.e. low to single-digits) but lease terms are longer c.6-10 years (vs. 2-3 years for retail and office) providing earnings stability over a longer term. FY19 will see c. 21-53% leases up for expiry for MREITs under our coverage, but we do not expect strong earnings growth, targeting menial FY19-20E DPU growth of 3-1%. **MGS stable at 3.80% currently,** while we are slightly more conservative assuming a 10-year MGS target of 3.90% to buffer for any potential bond yield fluctuations. Going forward, in light of the US Fed's dovish outlook on interest rates, we expect the MGS to remain subdued. **Maintain NEUTRAL** on a 10-year MGS target of 3.90% and historical average spreads which is justifiable on MREITs' earnings stability over the past two years while most negative news have been accounted for. MREITs are offering average gross yields of 5.7% which we deem decent, warranting our NEUTRAL call. However, CMMT stands out on slightly better yield of 7.1% as most downsides have been priced in.	**<u>OP</u>** • CMMT (OP ↔; TP: RM1.25 ↔) **<u>MP</u>** • KLCC (MP ↔; TP: RM7.35 ↔) • SUNREIT (MP ↔; TP: RM1.85 ↔) • AXREIT (MP ↔; TP: RM1.70 ↔) • PAVREIT (MP ↔; TP: RM1.70 ↔) • IGBREIT (MP ↔; TP: RM1.70 ↔) MQREIT (MP ↔; TP: RM1.10 ↔)
Oil & Gas	Results came in mostly satisfactory, with only 4 out of 13 stocks posting disappointing results – implying a "disappointment" ratio of 31%, flat YoY, but higher QoQ from 15%, although we should consider last quarter's "4Q effect" (i.e. earnings had already been fully revised after 3 quarters of under-achievements). However, this was more due to managing expectations rather than actual improvement in fundamental earnings. In fact, the sector saw an average decline in earnings by 27% YoY, signalling the challenging business environment the sector is still facing. Heavy decliners include: (i) DAYANG, as its topside maintenance services incurred losses, and (ii) UZMA plunging into losses due to unsually high operating costs. On a positive note, most of our OP call stocks, with the exception of SAPNRG, managed to deliver	Brent crude prices managed to stablise this year, largely thanks to continued production cut compliance from OPEC+, on top of involuntary production drop in countries such as Libyra, Iran and Venezuela, limiting global output. However, gains have been capped by recent US-China tensions, leading to demand-side uncertainties. Moving forward, we firmly believe continued production cuts beyond the June 2019 cut-off is paramount to sustaining current oil price levels. We maintain our in-house average Brent crude price assumption of USD65/barrel (YTD-average USD67/barrel). Meanwhile, activity levels should be on a steady rise amidst the stabilising oil prices. Globally, we are anticipating more new project FIDs, especially from large fields in the Middle-East, potentially benefiting fabrication-players (e.g. MHB,	**<u>OP</u>** • DIALOG (OP ↔; TP: RM3.80 ↔) • PANTECH (OP ↔; TP: RM0.690 ↔) • SAPNRG (OP ↔; TP: RM0.430 ↔) • SERBADK OP ↔; TP: RM4.80 ↔) • YINSON (OP ↔; TP: RM5.50 ↔) **<u>MP</u>** • MHB (MP ↔; TP: RM0.770 ↑) • MISC (MP ↔; TP: RM6.65↔) • PCHEM (MP ↔; TP: RM8.75 ↓) • PETDAG (MP ↑; TP: RM24.95 ↑)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
	earnings that had either met or exceeded expectations, highlighting continued growth and earnings delivery in these selective few counters which we continue to remain positive on.	SAPNRG), while locally, activities should be geared more towards brownfields, benefiting local services and drilling players (e.g. VELESTO, DAYANG, SERBADK, UZMA). Nonetheless, sanctioning of local large fields (e.g. Kasawari, Limbayong, Rosmari-Marjoram) would also benefit a slew of local names, especially local production floater providers (such as MISC, YINSON). All in, we remain NEUTRAL on the sector, seeing limited upsides to Petronas-related big-cap names (e.g. PCHEM, PETDAG, MISC). With earnings delivery and balance-sheet resilience remaining key selection criteria, we continue to favour names such as DIALOG, SERBADK and YINSON, although we highlight PANTECH and SAPNRG as potential turnaround plays.	**UP** • ARMADA (UP ↔; TP: RM0.180 ↓) • DAYANG (UP ↔; TP: RM0.800 ↓) • UZMA (UP ↓; TP: RM0.690 ↓) • WASEONG (UP ↔; TP: RM0.620 ↔)
Plantation	**A slightly better quarter** where out of 12 plantation companies under our coverage, 4 missed our forecasts while 9 missed consensus estimates. In our view, this is relatively better than 4QCY18 during which 7 out of 12 companies missed our/consensus estimates. On QoQ basis, the planters reported a median earnings improvement of 15%, as the average CPO realised-price edged up 8%, masking an average FFB decline of 10% arising from seasonality. For the 4 companies that missed our forecasts (KLK, SIMEPLT, TAANN and UMCCA) – either caused by lower-than-expected CPO price or higher-than-expected production costs, we have trimmed FY19-20E earnings by a median of 21-17%. We have also reduced TP for 3 companies (KLK, SIMEPLT, and TSH) and downgraded (i) KLK from MP to UP. This contrasts with 4QCY18 during which we cut TP for 5 companies and downgraded 5 of our calls.	We believe CPO prices will remain under pressure in 2HCY19, potentially trading in the range of RM1,800-2,100/MT and averaging only RM2,000/MT in 2019, given rising stockpiles in both Indonesia and Malaysia (possibly revisiting the 3.0m-MT mark). Additionally, while biodiesel mandates seem to be panning out well (expected to absorb c.13% of CPO production in Indonesia and c.4% in Malaysia), the intensifying US-China trade war tensions are likely to discourage soybean oil prices like what happened last year. In our opinion, this will dwarf any positive trade/demand impact on CPO and keep its prices under pressure in the near term, as the two commodities are close substitutes with their prices highly correlated (>0.90). All-in, we believe planters' earnings will hit a rough patch in coming quarters due to the depressed CPO price environment, which will likely overshadow any production pickup in 2H19 – but likely to remain within expectation as it has already been reflected in our latest earnings adjustments. **Reiterate UNDERWEIGHT** on the plantation sector. Our top pick and only OUTPERFORM call is TAANN (OP; TP: RM2.40), given that: (i) it is one of the more profitable planters among the smaller players even in this depressed CPO price environment, (ii) log volume is expected to pick up in subsequent quarters, and (iii) its dividend yield is decent at c.4%.	**OP** • TAANN (OP ↔; TP: RM2.40 ↓) **MP** • CBIP (MP ↔; TP: RM1.10 ↔) • HSPLANT (MP ↔; TP: RM1.50 ↔) • IJMPLNT (MP ↑; TP: RM1.40 ↔) • IOICORP (MP ↔; TP: RM4.05 ↔) • TSH (MP ↔; TP: RM0.90 ↓) **UP** • FGV (UP ↔; TP: RM1.05 ↔) • GENP (UP ↔; TP: RM9.00 ↔) • KLK (UP ↓; TP: RM22.00 ↓) • PPB (UP ↔; TP: RM16.00 ↔) • SIMEPLT (UP ↔; TP: RM4.00 ↔) UMCCA (UP ↔; TP: RM4.90 ↔)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
Plastic & Packaging	**Mixed results.** Plastic packagers' results were mixed with TOMYPAK and SCGM coming in below expectation due to weaker top-line and higher-than-expected raw material costs. Meanwhile, SCIENTX, SLP and TGUAN were within expectations. This quarter's results saw less surprises vs. 4Q18 when only 2 came within. **YoY-Ytd,** TGUAN is the only stock among our plastic packagers that bottom line growth (+55%) due to better operating margin. SCGM, SCIENTX, SLP, TOMYPAK saw declines ranging from 0.2% to 88%, attributable to a variety of reasons such as higher raw material and finance cost, less favourable product mix, and higher effective tax rate. **QoQ,** SCIENTX is the only one that saw CNP growth (+40%) mainly from its property segment. SLP and TGUAN saw CNP declined by 31% and 22%, respectively, due to reasons such as weaker top-line, higher tax rate and weaker USD that translated to lower selling price. TOMYPAK widened its CNL due to lower recognition of tax income while SCGM recorded losses on lower sales and higher operating expenses. **Cut earnings,TP and downgrade call** for SCGM and TOMYPAK due to the weaker results shown. No changes to SCIENTX, SLP and TGUAN's earnings and TP. However, we downgraded SLP's call following its positive share price performance since our OP call dated back in 5 April 2019.	**Margins still a main concern.** Plastic packagers have been focusing on capacity expansion over the past three years and also aims to ramp up utilization to drive top-line growth. For now, we expect SLP to gradually increase annual capacity by 58% by FY21 and SCGM by 65% in 2H19. SCIENTX will focus on ramping utilisation, targeting 70% over the next few years while TOMYPAK is also set on improving utilisation to c.67% by FY21. Meanwhile TGUAN will continue to invest in R&D to improve sales and margins for existing products (i.e. stretch films). However, we are not overly concerned about top-line growth but growing cautious on its costs over the volatile raw material prices and the variability of a favourable product mix that saw margin compressions in recent quarters. The higher resin cost due to demand and supply factors had affected FY18 earnings negatively. Resin prices are currently range-bound between USD1,000-1,300/MT, while we are slightly more conservative, estimating resin cost of USD1,200-1,400/MT as resin prices have been volatile and we do not discount a possibility that resin price will come back to USD1,200-1,400 /MT price level **Maintain NEUTRAL** as sector's macro-economic fundamentals are unexciting while we believe we have priced in most foreseeable earnings downsides for the sector. We will continue to monitor plastic packagers' margins closely as strong catalyst hinge on stable margin improvements with new capacity growth and consistently lower resin price.	**MP** • SCIENTX (MP↔; TP: RM8.50 ↔) • SLP (MP ↓ ; TP: RM1.35 ↔) • TGUAN (MP ↔; TP:RM2.40 ↔) **UP** • SCGM (UP ↓; TP:RM0.850 ↓) • TOMYPAK (UP ↓; TP: RM0.430 ↓)
Ports & Logistics	Decent 1Q report cards from ports counters with MMCCORP beating expectations, albeit in-line with consensus. The positive deviation is largely owing to our overly conservative margins assumption for its ports operations. That said, we upgraded our FY19-20E CNP by 45-42% to account for higher volumes and better margins for its ports segment. Meanwhile, WPRTS came in within expectations as management reiterated their throughput growth guidance of 3-8%. However, it was a loss-making quarter for logistics players as POS continued to see widening core loss for the third consecutive quarter, which came in largely below	Maintain NEUTRAL on the sector, given the lack of re-rating catalyst in the near-term. We believe the on-going trade war is expected to pose minimal impact to domestic ports players as it is more likely to affect the trans-pacific routes. Going forward, MMCCORP's earnings are expected to be largely driven by its ports operation, consisting of Port of Tanjung Pelepas, Johor Port, Northport, Penang Port, and Tanjung Bruas Port, coupled with the construction works for MRT 2. Meanwhile, we view WPRTS as a longer-term prospect with land reclamation of Westport 2 likely to commence from FY20 onwards, anticipating full completion by 2040.	**MP** • MMCCORP (MP ↔,TP: RM1.10 ↔) • WPRTS (MP ↔, RM3.75 ↔) **UP** • CJCEN (UP ↔, TP: RM0.370 ↓) • POS (UP ↔; TP: RM1.30 ↓)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
	expectations. The poorer results were largely dragged by weaker postal segment following persistent double-digit contraction in mail volumes as the substitution of snail mails with electronics media accelerated. Similarly, CJCEN plummeted into unexpected losses as the company continued to suffer from widening start-up losses in tandem with poorer total logistics operations for the quarter. Post-results review, we slashed POS' FY20E earnings to a loss of RM15m, accounting for larger losses from its postal services. We also lowered its TP to RM1.30 from RM1.50 previously. Likewise, we cut CJCEN's FY19-20E earnings by 16.7%-15.6% after adjusting for widening start-up losses for its courier business coupled with more conservative margins for its total logistics business, leading to a lower TP of RM0.370 from RM0.400 previously.	That said, we rule out any earnings accretive development over the next two years. On the other hand, the outlook for our logistics counters remains clouded by persistent margin compression, led by elevating competition which sees little chance of recovery in the near-term.	
Property Developers	**An uneventful quarter**. Out of 14 developers under our coverage; (i) 36% were below our earnings expectations (AMVERTON, HUAYANG, LBS, MAGNA, MRCB) mainly due to timing of billings, weaker margins from inventory clearing efforts and in HUAYANG's case, mainly from losses of its associate MAGNA, (ii) 14% surprised positively mainly because of better-than-expected billings and/or project margins (IOIPG, SUNSURIA), (iii) the rest were within to broadly within expectations. Earnings expectation wise, 1QCY19 was a less volatile quarter compared to 4QCY18 where 47% of our universe disappointed while only 33% positively surprised us. For those that missed our expectations, earnings were slashed by 45-76% (some were on a low base effect), while we raised IOIPG and SUNSURIA earnings by 5-25%. **Headline sales were mainly broadly within**. 1Qs are typically slow quarters especially after coming off the strong 4Qs where heavy marketing initiatives usually take place while timing of new launches are typically in 2Hs. This was largely observed in 1QCY19 save for 21% of our universe (AMVERTON, HUAYANG and MRCB) which reported exceptionally weak quarterly sales, largely due to lack of new launches in previous and current quarters. This quarter is steadier compared to the previous quarter where we saw 53% exceeded targets	**Sales trajectories are still uninspiring** while **earnings may still be at risks** with margin compressions looming due to clearing of inventories, lower margin product mix and heavy marketing efforts. Our universe's total sales/earnings trajectory are expected to be at -5%/+9% YoY in CY19E and +2%/+13% YoY in CY20E, respectively. We note that our CY20-21E earnings growth appears to be healthier than sales growth primarily due to some developers expecting bullet deliveries from overseas projects. Our universe's average unbilled sales are at 1.3 years or unchanged from last quarter) with average FY19-20E net gearing seen steady at healthy level of 0.3x. **Valuations remain subdued.** Our universe's RNAV/SOP discounts are now at 65% (-1.25SD levels) which is similar to last quarter. Post this reporting season and in the absence of re-rating catalysts while margins are still at risks, we see no reason to review our valuation basis (RNAV discounts are now pegged at -1.0SD to -2.0SD levels) especially when ROE recoveries are still soft. Compared to 5 years ago, most ROEs have more than halved to mid-single digits. **Reiterate NEUTRAL**. Note that all our developers' Fwd. PBV are trading below book value while many are at historical trough level. But this is not surprising as the sector has been in	**OP** • ECOWLD (OP ↔; TP: RM1.15 ↔) • IOIPG (OP ↔, TP: RM1.65 ↔) • MAHSING (OP ↔; TP: RM1.05 ↔) • SPSETIA (OP ↔; TP: RM2.45 ↔) • SUNSURIA (OP ↔; TP: RM0.760 ↔) **MP** • HUAYANG (MP ↔; TP: RM0.335 ↓) • LBS (MP ↔; TP: RM0.495 ↓) • SIMEPROP (MP ↓; TP: RM1.10 ↔) • SUNWAY (MP ↔; TP: RM1.60 ↑) • UEMS (MP ↔; TP: RM0.850 ↔) • UOADEV (MP ↔; TP: RM2.15 ↔) **UP** • AMVERTON (UP ↔; TP: RM1.00 ↔) • MAGNA (UP ↔;

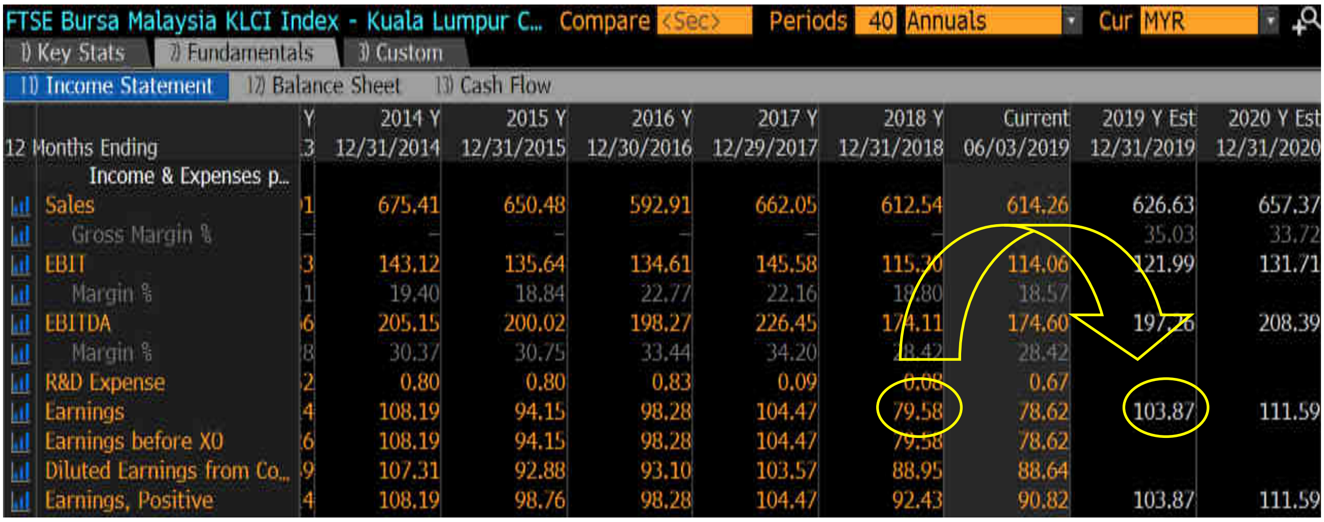
Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
	while 27% missed. Most developers are still **focused on inventory clearing efforts** as we are seeing inventory levels coming off gradually; in turn, it has resulted in weaker, if not flattish, margins on a YoY basis given rebate/discount and marketing initiative. We also observed that most big-players saw more stable results while the small-mid players experienced greater earnings sensitivity. **CALL largely maintained**, with only one downgrade (SIMEPROP from OP to MP due to recent share price rebound). TP wise, most were maintained save for 21% of coverage which was lowered (HUAYANG, LBS and MAGNA), while only SUNWAY saw a slight upward tweak in TP. On ratings, it was a relatively stable quarter compared to the previous one which saw a lot more downgrades. Like last quarter, most TPs were largely maintained as well.	the doldrums since 2015 and still lacks fresh catalysts, while facing margin compression risks and a challenging lending environment. We expect the sector to remain range-bound until there are significant catalysts which translate to future ROE recoveries.	TP: RM0.740 ↓) • MRCB (UP ↔; TP: RM0.750 ↔)
Rubber Gloves	The just concluded 1QCY19 results of glove makers under our coverage came in within expectations. 1QCY19 results were largely plagued by short-term oversupply, intense competition and ASP pressures. All players suffered lower sequential volume sales (-3-5%) and ASPs (-5-7%). The star performer was Kossan which recorded a 32% YoY net profit growth underpinned by new capacity expansion in Plant 16 and 17 which was fully taken-up. However, Hartalega's 4Q19 was hit by lower volume sales and APS pressure due to intense competition. Supermax's 1H19 results continued to remain solid on volume growth from new capacity in Plant 16 and 17.	**Maintain NEUTRAL**. Tell-tale signs like normalizing demand, swelling capacities and intensified competition are pointing towards potentially slower subsequent quarters as envisaged in our two previous quarterly strategy reports. We believe all the negatives could have been priced in with valuations trading at more palatable PERs of between mean and +1.0SD five-year forward average which appears undemanding. We Maintain Neutral for now. Note that a weaker MYR against the USD will benefit glove-makers since revenues are USD denominated. Ceteris Paribus, if USD appreciates 1% against the MYR, glove manufacturers net profit is expected to improve by 1-2%. We like Kossan because it is trading at an unwarranted 28% discount to peers' PER average considering that its net profit growth is the highest at 24% compared to peers average at 12%. We like HARTA for: (i) its "highly automated production processes" model, which is moving from 'good' to 'great' as they are head and shoulders above its peers in terms of better margins with solid improvement in production capacity and reduction in costs, (ii) its superior quality nitrile gloves through product innovation, and (iii) its nitrile gloves segment, which is booming.	**OP:** • KOSSAN (OP ↔; TP: RM5.25 ↑) • HARTA (OP ↔; TP: RM5.85 ↔) • TOPGLOV (OP ↔ ; TP: RM5.10 ↔) **MP:** • SUPERMX (MP ↔; TP: RM1.50 ↑)
Technology	**Slowing down.** Out of 6 companies under our coverage, 5 missed	Lacklustre smartphone sales and muted vehicle sales in China and	**OP** • MPI (OP ↔, TP:

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
	our/consensus estimates, except for SKPRES which met expectations. This is even weaker than 4QCY18 during which only 3 companies missed our forecast and 2 disappointed consensus estimates. On average, the companies reported 63% QoQ decline in earnings due to seasonality, while YoY, earnings dropped by an average of 36% owing to a slowdown in the semiconductor sector and consumer spending. Post results disappointments, we have cut FY19-20E (FY20-21E for SKPRES) earnings by 12-8%, on average. Accordingly, we have reduced TPs across the board and downgraded KESM from MP to UP. This contrasts with 4QCY18 during which we only cut earnings/TP for KESM and UNISEM and did not downgrade any calls.	the EU would continue to discourage near-term prospects of the semiconductor sector. Additionally, the escalation of US-China trade war could create uncertainties in the semiconductor supply chain and another situation of component shortage (as many foundries are based in China). Although, in the longer run, our local technology players could benefit from American (or even Chinese) fabless companies shifting manufacturing facilities to Malaysia. In the EMS space, prospects remain promising as SKPRES continues to see contracts driven by new products from its key customer, while PIE recently saw an influx of enquiries from companies looking to shift their supply chains out of China due to the US-China trade war. **Maintain NEUTRAL** on the sector with preference for: (i) MPI (OP, TP: RM12.10) as its profit margins are expected to improve after weak-margin products are weeded out and replaced with higher-growth/margin sensor packages, while the company trades at an attractive ex-cash FY20E PER of 5.2x, and (ii) SKP (OP; RM1.40) due to potential margins enhancement upon in-house PCBA commencement and several new contracts in the pipeline, while the company only trades at FY20E PER of 12.9x.	RM12.10 ↓) • PIE (OP ↔, TP: RM1.55 ↓) • SKPRES (OP ↔, TP: RM1.40↓) **MP** • D&O (MP ↔, TP: RM0.650 ↓) **UP** • KESM (UP ↔, TP: RM7.20 ↓) • UNISEM (UP ↓, TP: RM2.15↓)
Telecom-munications	**Mixed bag of results.** TM outperformed expectations as solid cost savings drove earnings expansion despite a slower top-line. AXIATA disappointed as Celcom's results fell short while other stock coverages fell within expectations. Sector-wide, the new adoption of MFRS 16 looks to impact lease recognition which translates to higher depreciation from said leases. Further on AXIATA, its 1Q19's results were bolstered by gains on disposal and divestments amounting to RM435m and other items for RM120m. Stripping these, the group saw weaker earnings by 33% YoY, revealing the underlying weakness of its local mobile operator. MAXIS on the other hand followed through with its guidance of heavier costs flow-throughs but was able to expand its postpaid portion amidst declining prepaid numbers. DIGI similarly registered poorer YoY earnings as anticipated, following the shrinkage in prepaid subscribers,	Cost rationalisation continues to be at the forefront of the telco players against the persistent and increasing stiff competitiveness in the market. While TM appears poised to benefit substantially from lower overall operating costs, the scale of its cost savings moving forward may not be extensive as 1Q19 as early stages of such cost rationalisation exercises tend to see stronger results. Celcos may also see further recalibration to their guidance and strategies with the pending 700Mhz spectrum award. Specifically, AXIATA and DIGI could see sentiment reacting as more details emerge regarding a planned mega merger with Telenor Group and outcome from potential collaborations, respectively. **Maintain NEUTRAL call for the sector.**	**OP:** • OCK (OP↔, TP: RM0.630 ↓) • TM (OP ↑, TP: RM3.95↑) **MP:** • AXIATA (MP↔, TP: RM4.30↔) • DIGI (MP↔, TP: RM4.55 ↓) • MAXIS (MP↔, TP: RM4.90↔)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
	with profit being suppressed by heavier depreciation from new accounting standards. With possibilities of lower subscriber numbers and higher depreciation exposure, we cut our FY19E/FY20E earnings by 14%/ 11%. On the fixed-line front, while TM saw a lower sales mix from lower voice revenue, reaping the fruits of its Performance Improvement Program, 1Q19 NP margin record at 10.6% (+6.9ppt). OCK came in largely within, albeit with possible over-optimism from our end before considering the higher depreciation and finance costs environment from MFRS 16, hence leading us to tweak to account for higher exposure of the two above.		
Utility	A satisfactory quarter as all results matched expectations. TENAGA reported a strong 1Q19 results which were not unexpected given the seasonally lower opex and capex recognition thus coming quarters are expected to be weaker. PETGAS withnessed a 4% YoY earnings decline in 1Q19 which reflected the tariff cut under the Pilot Regulatory Period in 2019 for gas transportation and RGT in Pengerang. GASMSIA posted a 1% drop in earnings in 1Q19 after a seasonally strong 4Q18 with profit margin spread maintaining at RM1.80-2.00/mmbtu range. On the other hand, MALAKOF's 1Q19 earnings were 27% higher than last year on the back of higher capacity payment and lower interest costs. YTLPOWR's 3Q19 core profit fell 19% QoQ to RM134.8m largely due to lower earnings from Wessex Water as higher depreciation hit bottom-line. PowerSeray's losses worsened given the sluggish energy industry in Singapore. PESTECH posted 3Q19 earnings which rebounded strongly by 83% sequentially on better job progress claims after lackluster 1H19 owing to seasonality. On the other hand, on rolling forward of valuation base-year, we upgraded TENAGA's Target Price to RM13.40; PETGAS' to RM16.55, lowered MALAKOF's to RM0.90 and YTLPOWR's to RM0.88. In all, we upgraded TENAGA to OP from MP as the sell-down (-13%) in the past three months to below -2SD 2-year mean seems overdone.	Management of TENAGA maintained their RM5.0b-RM5.4b normalised PAT target for FY19, which is after adjusting for the expected net negative c.RM300m impact under the MFRS 16. Meanwhile, we expect PETGAS to face two step-downs in earnings due to tariff cut in RP1 (2020-2022) and RP2 (2023-2025) before stabilizing from 2026 onwards. And we take the view that its ROA will eventually taper to 8% by 2026 and this will reduce its base-tariff sharply by 60% to RM0.502/GJ in 2026 from RM1.248/GH in 2018. Thus, earnings are expected to decline by 21% in FY26 from its FY18 earnings. Similarly, GASMSIA is in the final year of RP1 this year before RP2 start in next year which may get a lower asset return of 7.3% from 7.5% currently. However, the IBR framework ensures earnings certainty with margin spread maintaining at RM1.80-2.00/mmbut currently. Elsewhere, the two IPPs, namely MALAKOF and YTLPOWR are facing declining earnings due to the expiring of IPP extension. They need new sources of earnings to fill up the earnings gap. Lastly, PESTECH should see stronger earnings in 2H19 with the current dry season in Cambodia facilitating their jobs there to go full-swing. **Maintain NEUTRAL on the sector**.	**OP** • MALAKOF (OP↔; TP: RM0.900 ↓) • PESTECH (OP ↔; TP: RM1.40 ↔) • TENAGA (OP ↑; TP: RM13.40 ↑) **MP** • GASMSIA (MP ↔; TP: RM3.05 ↔) • PETGAS (MP ↔; TP: RM16.55↑) • YTLPOWR (MP ↔; TP: RM0.880 ↓)

Source: Kenanga Research

Figure 9: Earnings Track Records of FBMKLCI (as at end-May19)



FTSE Bursa Malaysia KLCI Index - Kuala Lumpur C... Compare <Sec> Periods 40 Annuals Cur MYR

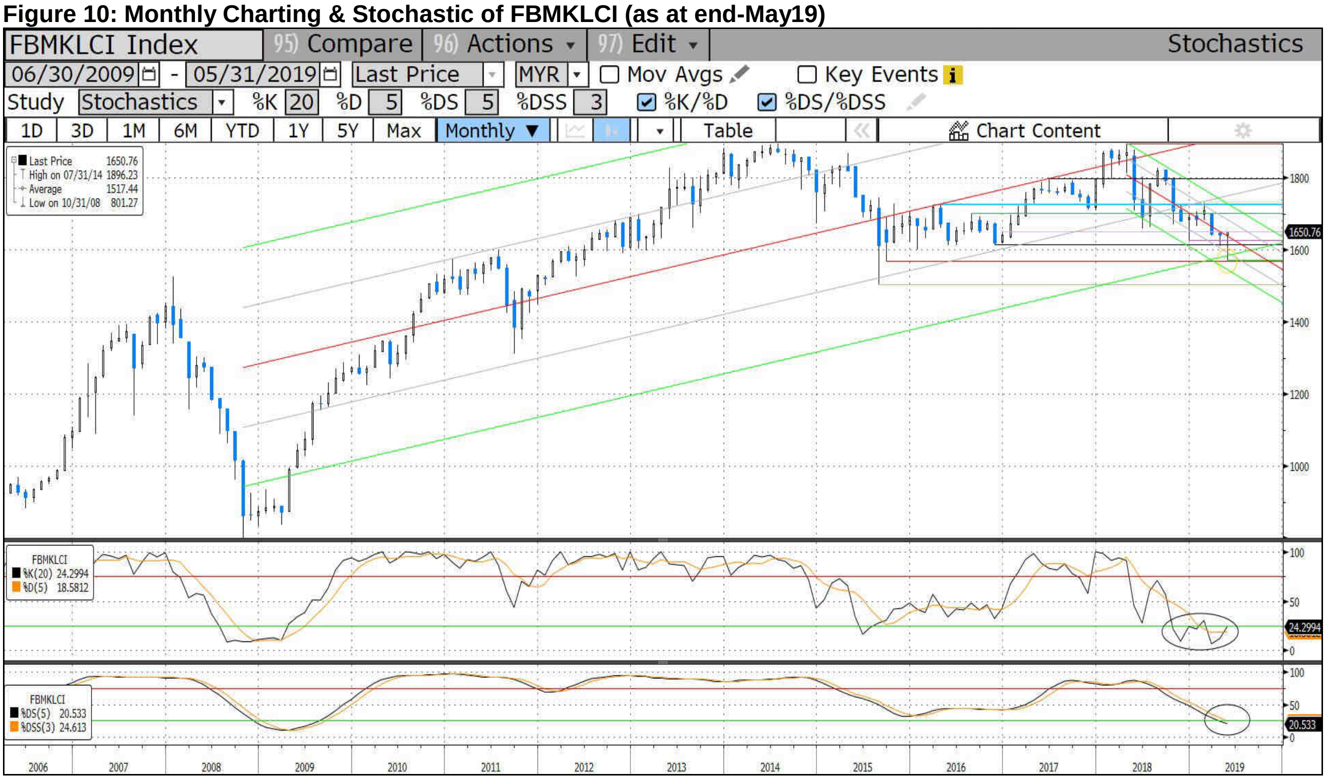
1) Key Stats 2) Fundamentals 3) Custom

11) Income Statement 12) Balance Sheet 13) Cash Flow

12 Months Ending	Y	2014 Y 12/31/2014	2015 Y 12/31/2015	2016 Y 12/30/2016	2017 Y 12/29/2017	2018 Y 12/31/2018	Current 06/03/2019	2019 Y Est 12/31/2019	2020 Y Est 12/31/2020
Income & Expenses p...									
Sales	1	675.41	650.48	592.91	662.05	612.54	614.26	626.63	657.37
Gross Margin %		—	—	—	—	—		35.03	33.72
EBIT	3	143.12	135.64	134.61	145.58	115.30	114.06	121.99	131.71
Margin %	1	19.40	18.84	22.77	22.16	18.80	18.57		
EBITDA	6	205.15	200.02	198.27	226.45	174.11	174.60	197.26	208.39
Margin %	8	30.37	30.75	33.44	34.20	28.42	28.42		
R&D Expense	2	0.80	0.80	0.83	0.09	0.08	0.67		
Earnings	4	108.19	94.15	98.28	104.47	79.58	78.62	103.87	111.59
Earnings before XO	6	108.19	94.15	98.28	104.47	79.58	78.62		
Diluted Earnings from Co...	9	107.31	92.88	93.10	103.57	88.95	88.64		
Earnings, Positive	4	108.19	98.76	98.28	104.47	92.43	90.82	103.87	111.59

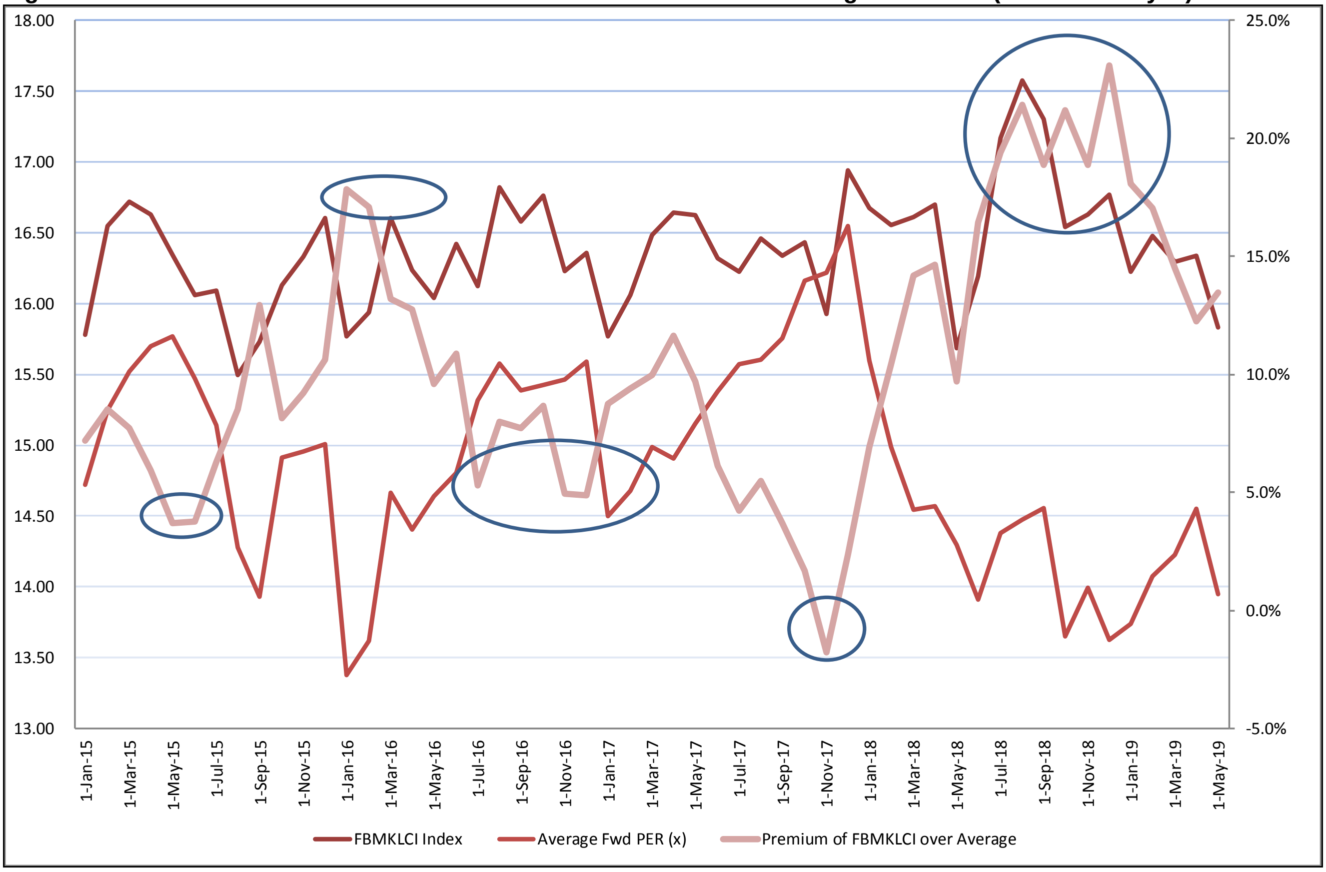
Source: Bloomberg

Figure 10: Monthly Charting & Stochastic of FBMKLCI (as at end-May19)



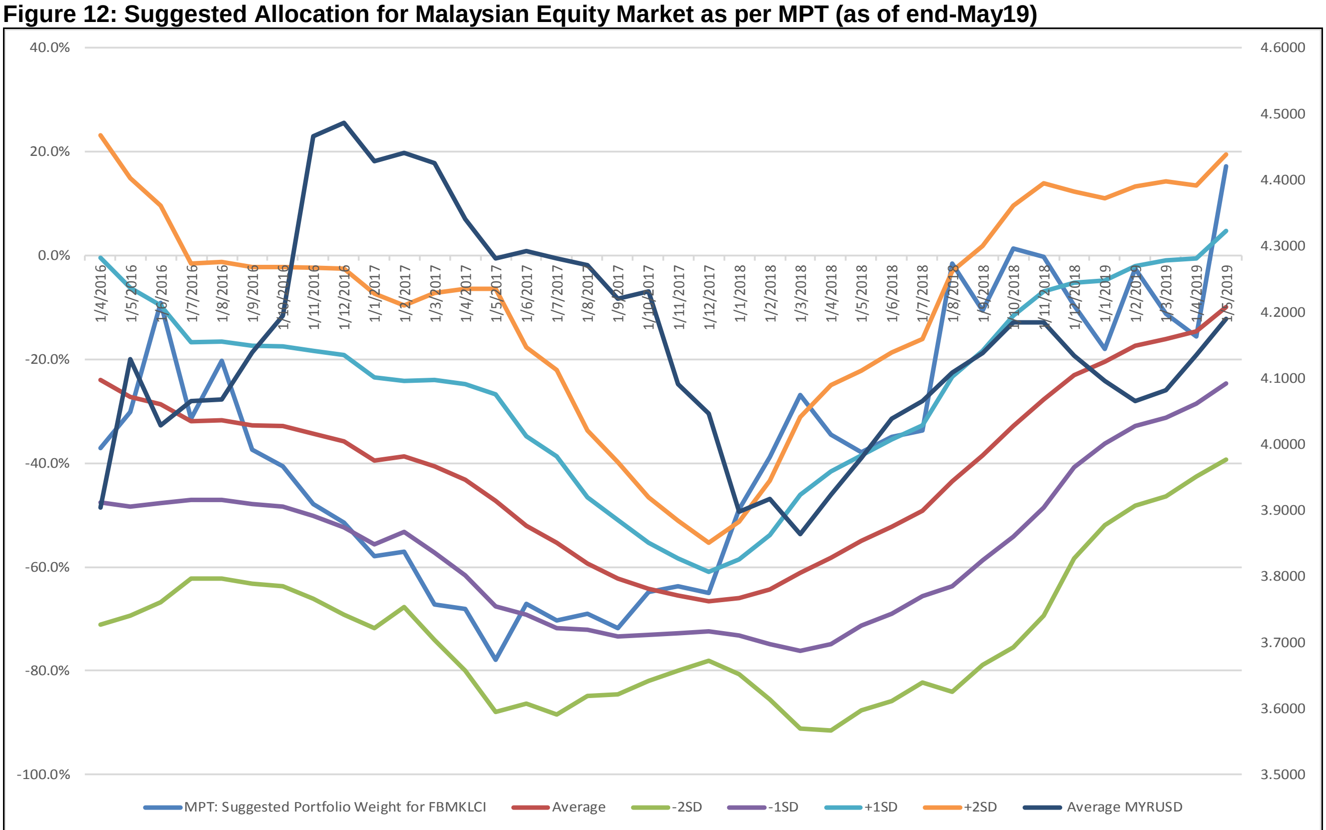
Source: Bloomberg

Figure 11: Forward PER Valuation Premium of FBMKLCI over Selected Regional Peers (as at end-May19)



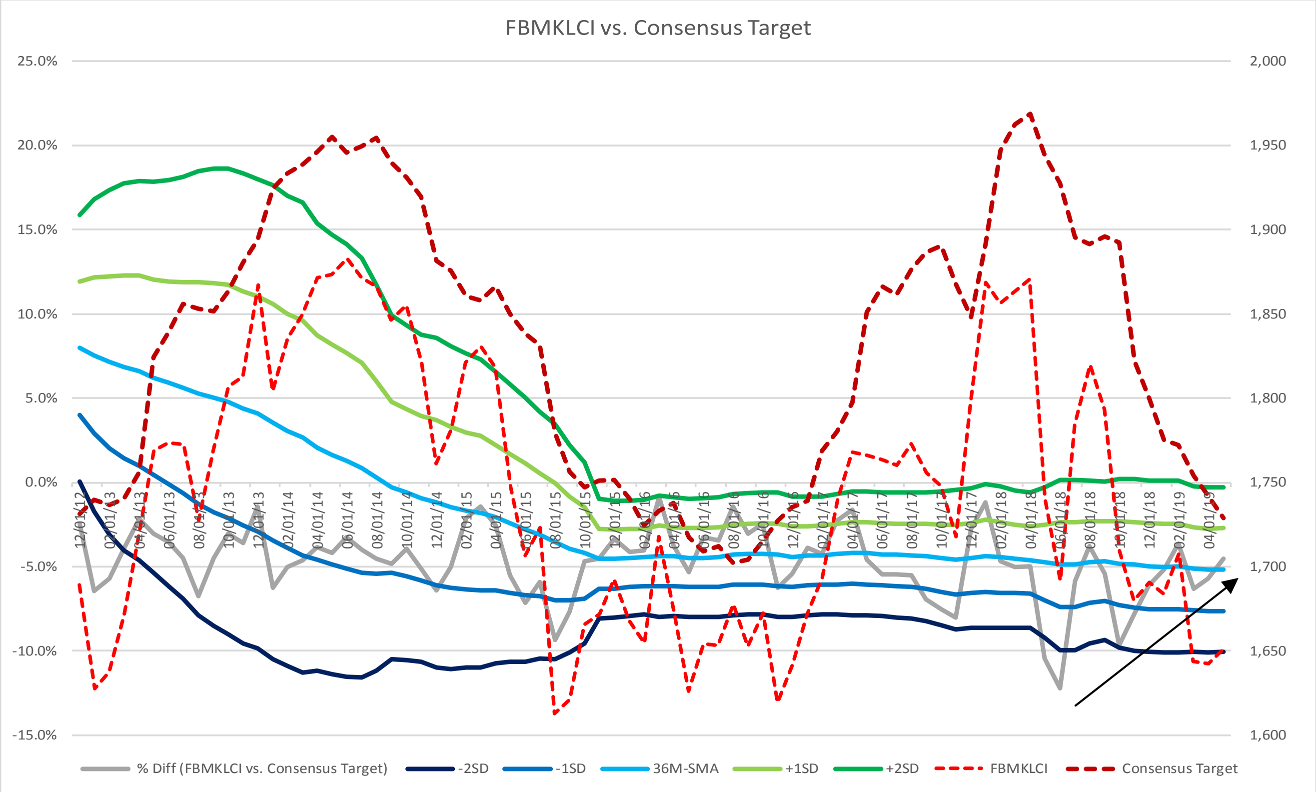
Source: Bloomberg, Kenanga Research

Figure 12: Suggested Allocation for Malaysian Equity Market as per MPT (as of end-May19)



Source: Bloomberg, Kenanga Research

Figure 13: Discount between FBMKLCI and Its Consensus Target (as of end-May19)



Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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