2QCY19 Results Review

Headwinds Remain

FBMKLCI	1,591.12
Target	1,687.00 ↓

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The just-concluded 2QCY19 result season disappointed both our and market expectations. Among the key large sector components of the FBMKLCI index, none surprised pleasantly. The biggest disappointment was the Plantation sector. Other key large sectors, namely Banks, Utilities and Telecommunications came in line, with the Oil & Gas sector coming in just slightly better (shored up by MISC and DIALOG with PCHEM exceeded an already lowered expectation). The number of downgraded target prices outnumbered upgrades, which led us to revise downwards our year-end target index closing from 1,745 previously to 1,687. Target price downgrades were overwhelming in Plantation and Technology sectors were mitigated to some extent by upgrades in the Oil & Gas and Automotive sectors.

Year-end KLCI target lowered: Post review, we reduced our FBMKLCI earnings growth projection for 2019. And, as our analysts adjusted their respective stocks' target prices, our end-2019 index target is reduced from 1,745 previously to 1,687. At the bottom-line, CNP growth for FY19E was adjusted from -2.6% to -3.1%, while FY20E growth was raised from +4.6% to +15.4%.

Plantation sector led the downgrade: 2019 FBMKLCI's growth estimate was reduced mainly on earnings downgrades in the Plantation sector. While previously we had projected a 2.6% CNP decline for the FBMKLCI, we have cut this down further to 3.1%. From a lowered earnings base in 2019, this sector also contributes to the major uptick to FBMKLCI's growth estimate for 2020 which we have raised from 4.6% to 15.4%. This compares with consensus growth projections of +4.0% and +6.5% for CY19 and CY20, respectively. We believe that the consensus numbers are still being adjusted downwards.

The number of pleasant surprises were few: Just 9% of stocks covered (12 out of 140) exceeded expectations, of which the largest group was from oil & gas (4), followed by automotive (3). 36% came in below expectation (50 out of 140) – the biggest disappointments were those in Plantation (10), Property (6) and Technology (5). 56% reported results within expectation, numbering 78 stocks in total.

Trend-wise, it is not encouraging: The number of stocks that exceeded our expectations fell from 18 previously (post 1Q19 results) to 12, while the number that disappointed increased from 39 to 50. In terms of performance relative to market expectations, those that exceeded fell from 11 to 7, while disappointments increased from 38 to 52.

Target Price cuts outnumbered upgrades by 2 to 1: Out of 140 stocks covered, 50 TPs were cut compared to 22 that were raised. As for Rating changes, there were 21 recommendation upgrades (but mostly on price downturns rather than improved earnings), and 16 downgrades.

Sector-wise, (i) Building Materials, (ii) Plantation, and (iii) Semicon/Technology were weaker, while (iv) Oil & Gas was marginally better and (v) Banks were mostly within expectations (see Figure 8 for details).

- **Building Materials:** For the second quarter running, Building Materials disappointed. All 4 counters (ANN JOO, PMETAL, ULICORP and WTHORSE) disappointed mainly due to lower-than-expected ASP, higher-than-expected input cost and weaker demand,
- **Plantation:** Sector was hugely disappointing where 10 (out of 13) missed our forecasts and 11 missed consensus estimates as the average realised CPO prices were lower-than-expected, worsened by higher operating cost (mainly labour and fertiliser). Only the unloved FGV came in above.

- **Semicon/Technology:** 5 out of 6 counters we cover missed – the same as previous quarter. Only MPI shined. Median YoY earnings decline was 26% due to general slowdown in semiconductor demand and consumer spending.
- **Oil & Gas:** Mostly satisfactory this season, with just PETDAG coming below (versus 4 disappointments in the last quarter). MISC came in above on improved spot rates as did DIALOG on higher contributions from tanker storage and EPCC.
- **Banks:** Banks generally came in within expectations, with the exception of ABMB and MBSB, which were below due to higher-than-expected provisioning. A common thread underlying all reported earnings was NIM compression, but we were pleasantly surprised with a number of banks reporting lower cost-to-income ratio. Another common thread was significant mark-to-market and trading gains reported on debt mitigating to some extent the negative impact of NIM compression.

As for our 2Q19 Top Picks, **MBMR** delivered better-than expected results on the back of higher associates contribution from the hot-selling Perodua Myvi and Aruz. The stock's massive return of over 93% YTD which has priced in much of the positives, in our view, prompts us to downgrade our call to MP. **PWROOT**'s 1QFY20 earnings also beat estimates on stronger domestic sales and improved distribution, which prompts us to keep the OP recommendation with total return of 23% from these levels.

Among our larger cap, favourites are **CIMB** as we expect its domestic loans to grow above system, with Niaga's loans to pick up in the 2H19 on demand from the consumer segment. Valuation is undemanding at just 0.8x P/B. **ABMB** on the other hand, fell short due to higher-than-expected provision and NIM compression. Despite the disappointment, we kept our OP call on attractive dividend yield of 6% and a P/B of just 0.75x.

HARTA and KOSSAN were within expectations with Kossan delivering a stellar 30% net profit growth led by new added capacity. Earnings growth in coming quarters will be boosted by higher ASPs and weakening MYR against the USD.

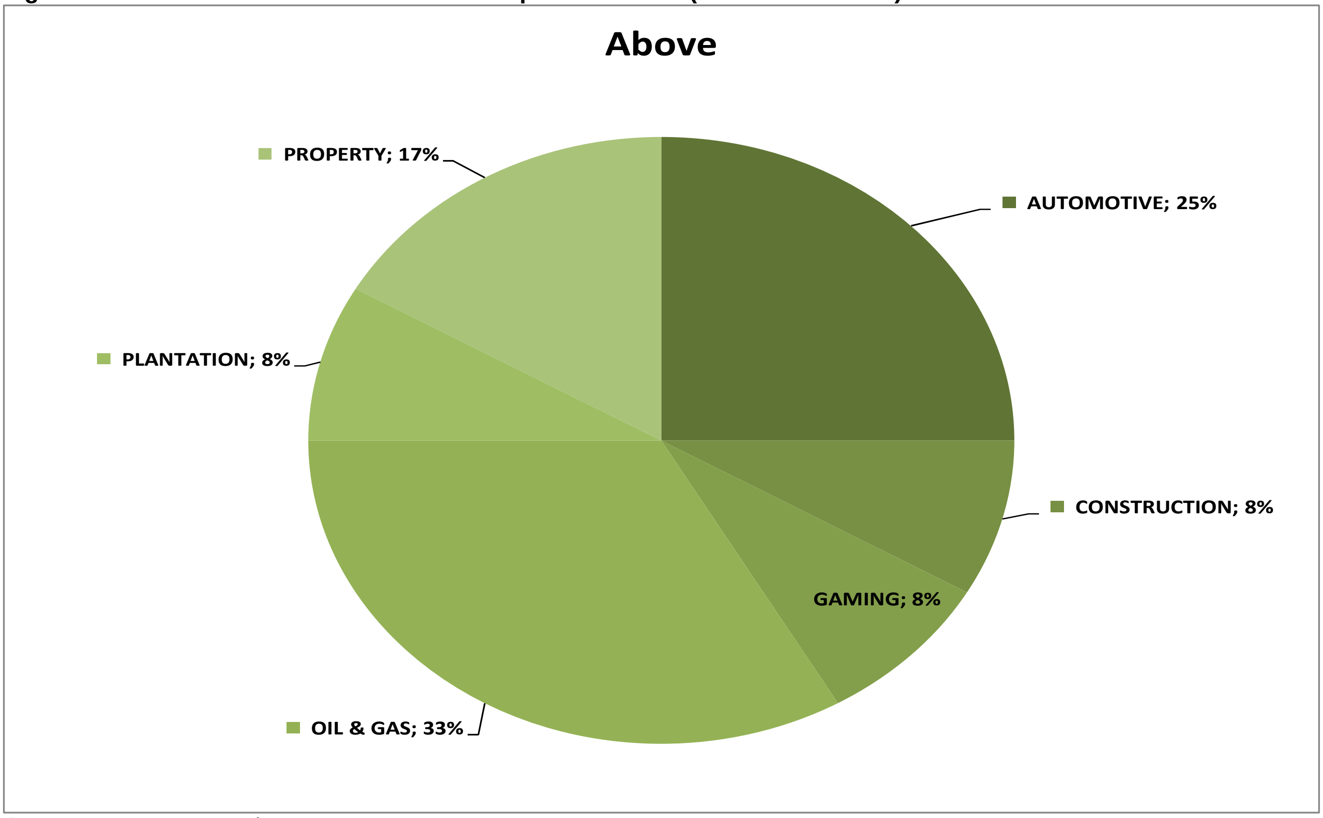
Our Underweight Call on Plantation sector remains for now: Results this time round missed expectation on account of lower-than-expected CPO price (realised price fell 15%) masking an average FFB increase of 5% on seasonality factors. That said, we expect a better 2H19 based on higher CPO prices (currently at RM2,200) compared to RM1,800 – RM2,000 that most planters reportedly achieved in 1H19. We may look to upgrade the sector to NEUTRAL should we see signs of weaker-than-expected production or stronger-than-expected exports.

We see near term upside to 1,639: Note that our KLCI target of 1,687 is derived from a bottom-up computation of our target prices of the individual components. On the latest consensus estimates, 1,687 represents a 12-month forward PE of 17.5x which is 2-SDs above the 5-year mean. The current market level of 1,591 sits just above market mean of 16.4x. From a top-down perspective, we reckon that it would be justifiable to pay a mean PE valuation at this point of the cycle (instead of a discount favoured by pessimists). **Taking an average between a top-down and bottom-up approach, a reasonable year-end target for tactical investors would be closer to 1,639 (which at 16.9x is +1-SD above mean)**. We feel that paying a premium over mean is justifiable given that (i) earnings projections are probably now more robust post result season downgrades, (ii) a seasonally strong quarter is ahead of us, (iii) a preference for high yielders (as policy turns accommodative) will support the Banks which is a large KLCI component, many of which are trading below book and (iv) the potential merger between Telenor and Axiata is still in the works.

Post results, we maintain OUTPERFORM call on our 3Q19 Top Picks : ABMB (TP: RM3.45 ↓), CIMB (TP: RM6.45 ↔), D&O (TP: RM0.625 ↓), HARTA (TP: RM5.85 ↔), KOSSAN (TP: RM5.25 ↔), PANTECH (TP: RM0.690 ↔), PWROOT (TP: RM2.30 ↔) and SAPNRG (TP: RM0.430 ↔). We downgrade only MBMR to MP after its stellar price run which led us to believe that much of the stock's positive are already priced in.

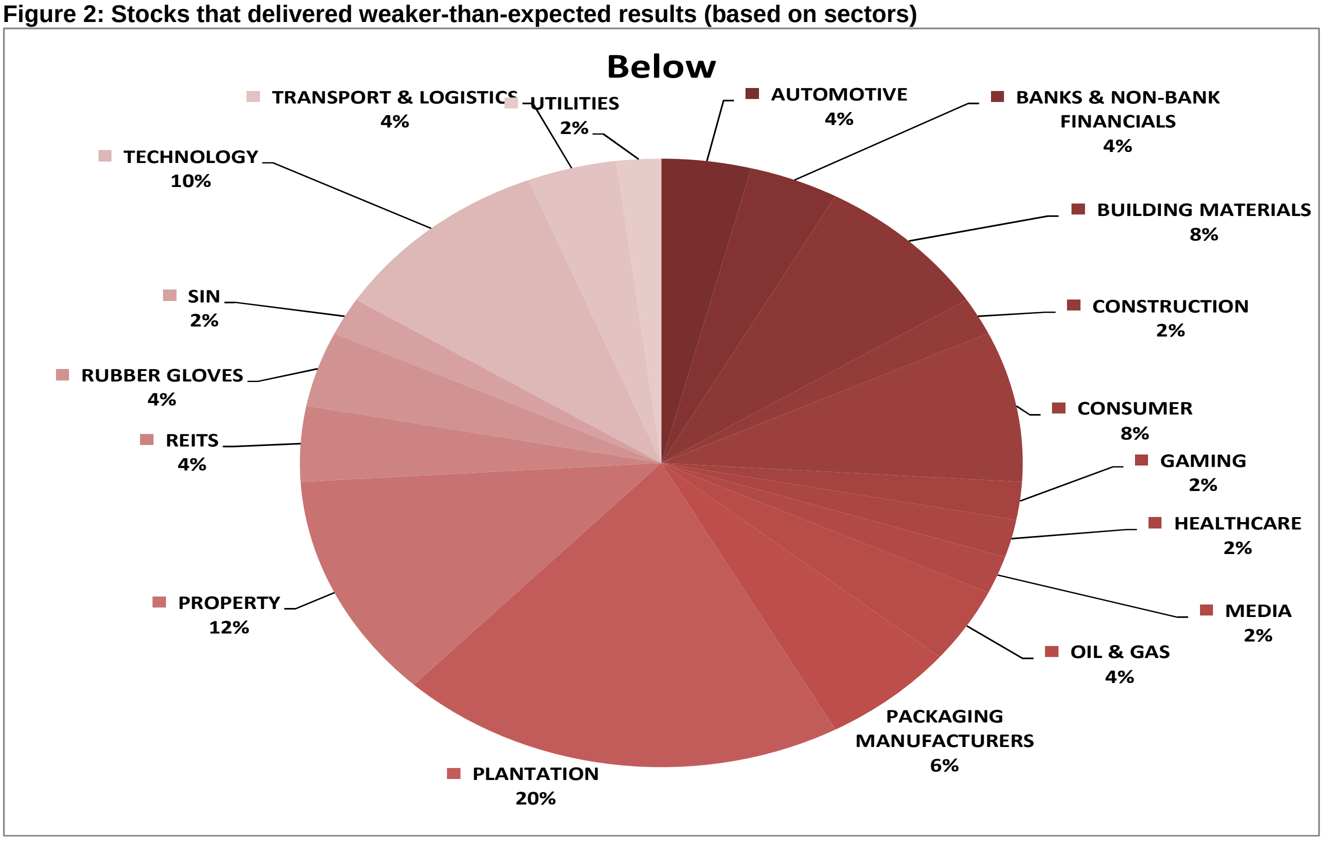
Appendix

Figure 1: Stocks that delivered better-than-expected results (based on sectors)



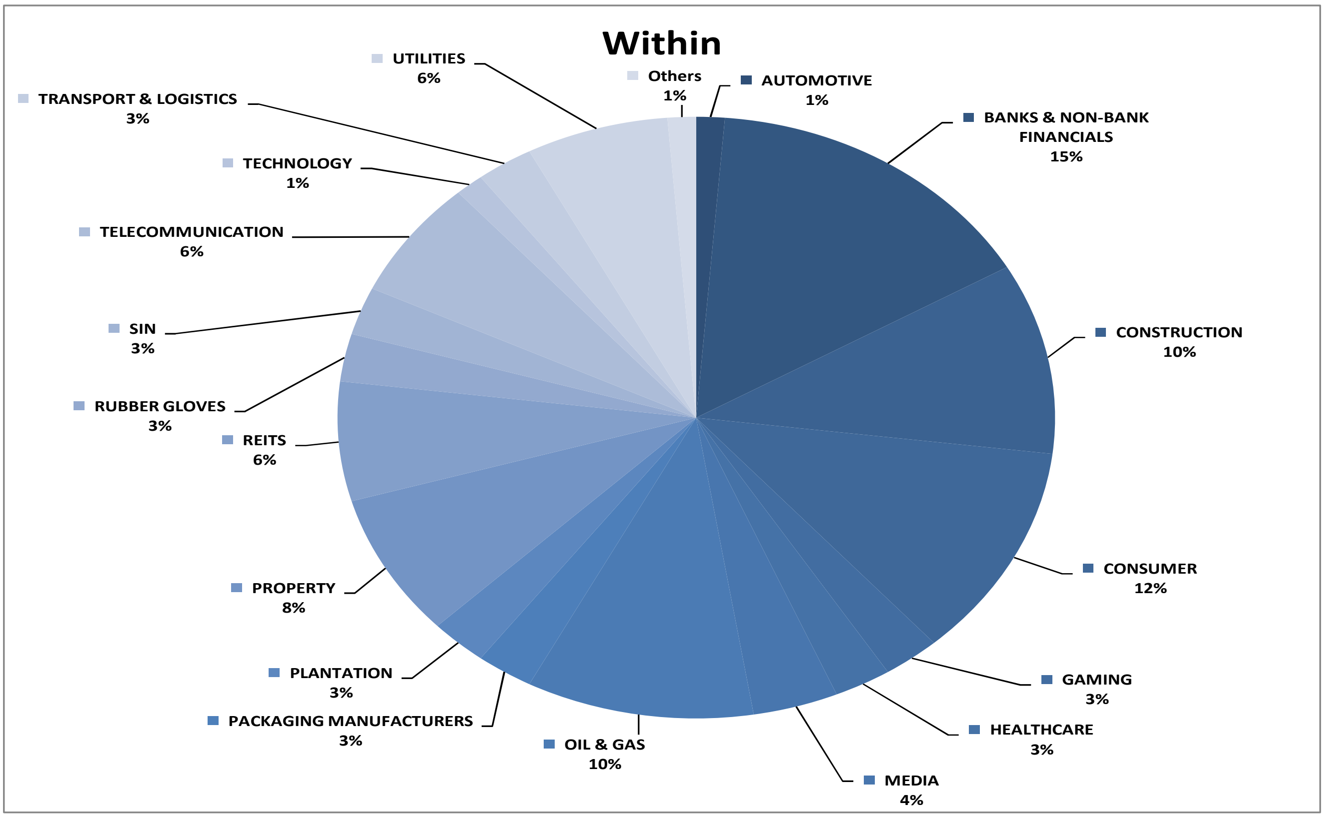
Source: Kenanga Research

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



Source: Kenanga Research

Figure 3: Stocks that reported within-expectations results (based on sectors)



Source: Kenanga Research

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Figure 4: 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		**46,867.7**	**51,050.3**	**8.9%**	**1,195.0**	**1,590.4**	**33.1%**	**Mix**	**Mix**	**-7.3%**	**-1.0%**					
1	BERMAZ AUTO BHD	4Q19	1,992.9	2,492.1	25.0%	140.0	265.3	89.5%	Above	Above	4.0%	0.0%	Above	3.00	↑	OP	↔
2	DRB-HICOM BHD	1Q20	2,654.0	3,437.0	29.5%	(67.0)	46.0	-168.7%	Below	Below	-43.0%	-12.0%	Within	2.60	↑	UP	↓
3	MBM RESOURCES BERHAD	2Q19	935.4	1,077.1	15.1%	79.2	94.8	19.7%	Above	Above	11.0%	12.0%	Above	4.40	↑	OP	↔
4	SIME DARBY BERHAD	4Q19	33,828.0	36,156.0	6.9%	835.0	950.0	13.8%	Above	Within	0.0%	0.0%	Within	2.20	↔	MP	↔
5	TAN CHONG MOTOR HOLDINGS BHD	2Q19	2,122.9	2,147.3	1.1%	21.3	37.1	74.2%	Below	Below	-16.0%	-6.0%	Within	1.40	↓	MP	↔
6	UMW HOLDINGS BHD	2Q19	5,334.5	5,740.8	7.6%	186.5	197.2	5.7%	Within	Below	0.0%	0.0%	Below	5.45	↔	MP	↔
	BANKS & NON-BANK FINANCIALS		**38,967.2**	**39,765.4**	**2.0%**	**15,496.6**	**14,775.3**	**-4.7%**	**Within**	**Within**	**-2.6%**	**-1.2%**					
7	AEON CREDIT SERVICE BERHAD	1Q20	296.5	334.8	12.9%	95.6	81.0	-15.3%	Within	Within	-12.0%	-4.2%	Within	14.75	↓	UP	↓
8	AFFIN HOLDINGS BERHAD	2Q19	970.8	970.4	0.0%	214.8	293.3	36.5%	Within	Within	0.0%	0.0%	Within	2.40	↔	OP	↔
9	ALLIANCE BANK MALAYSIA BHD	1Q20	401.1	406.9	1.4%	136.4	76.7	-43.8%	Below	Below	-8.1%	-6.7%	Within	3.45	↓	OP	↔
10	AMMB HOLDINGS BHD	1Q20	997.8	1,051.8	5.4%	347.6	391.5	12.6%	Within	Within	4.2%	4.1%	Above	4.75	↓	OP	↔
11	BIMB HOLDINGS BHD	2Q19	1,347.8	1,578.4	17.1%	322.0	397.7	23.5%	Within	Within	0.0%	0.0%	Within	4.80	↔	OP	↑
12	BURSA MALAYSIA BHD	2Q19	291.3	250.5	-14.0%	122.0	93.2	-23.6%	Within	Below	0.1%	0.3%	WIthin	6.85	↔	MP	↔
13	CIMB GROUP HOLDINGS BHD	2Q19	8,075.2	8,383.0	3.8%	3,286.7	2,700.7	-17.8%	Within	Within	0.0%	0.0%	Within	6.45	↔	OP	↔
14	HONG LEONG BANK BERHAD	4Q19	4,839.6	4,725.8	-2.4%	2,638.1	2,664.5	1.0%	Within	Within	-8.7%	0.0%	Within	17.30	↓	MP	↔
15	LPI CAPITAL BERHAD	2Q19	549.2	600.7	9.4%	138.2	147.9	7.0%	Within	Within	0.0%	0.0%	Within	16.50	↔	MP	↔
16	MALAYAN BANKING BHD	2Q19	11,671.7	11,749.8	0.7%	3,830.0	3,750.1	-2.1%	Within	Within	-1.7%	-0.3%	Within	9.70	↓	OP	↔
17	MALAYSIA BUILDING SOCIETY BHD	2Q19	705.7	701.3	-0.6%	402.5	190.1	-52.8%	Below	Below	-7.9%	-9.2%	Within	1.10	↓	OP	↔
18	PUBLIC BANK BERHAD	2Q19	5,434.0	5,493.0	1.1%	2,801.6	2,743.0	-2.1%	Within	Within	0.0%	0.0%	Within	25.20	↑	OP	↑
19	RHB BANK BHD	2Q19	3,386.5	3,519.0	3.9%	1,161.1	1,245.6	7.3%	Within	Within	0.0%	0.0%	Within	6.05	↔	OP	↔
20	SYARIKAT TAKAFUL MALAYSIA KELUARGA BHD	2Q19	1,288.6	1,591.1	23.5%	120.4	177.4	47.3%	Within	Within	0.0%	0.0%	Within	7.15	↔	MP	↔
	BUILDING MATERIALS		**5,663.0**	**5,417.3**	**-4.3%**	**400.8**	**200.0**	**50.1%**	**Below**	**Below**	**-23.3%**	**-34.0%**					
21	ANN JOO RESOURCES BHD	2Q19	1,098.7	1,112.4	1.2%	84.5	(17.9)	-6.9%	Below	Below	N.M	-68.0%	Within	1.10	↓	UP	↔
22	PRESS METAL BHD	2Q19	4,564.3	4,304.9	-5.7%	316.3	217.9	-31.1%	Below	Below	-23.3%	0.0%	Within	5.50	↔	OP	↔
23	UNITED U-LI CORPORATION BHD	2Q19	98.1	89.0	-9.3%	1.7	(1.3)	-176.5%	Below	Below	N.M	-94.0%	Within	0.400	↓	UP	↔
24	WHITE HORSE BHD	2Q19	291.2	255.1	-12.4%	(0.9)	(18.4)	1944.4%	Below	Below	-285.0%	N.M.	Within	1.00	↓	UP	↓
	CONSTRUCTION		**9,130.4**	**9,198.6**	**0.7%**	**1,150.9**	**907.2**	**-21.2%**	**Within**	**Within**	**-8.3%**	**-5.2%**					
25	GAMUDA BHD	3Q19	3,012.2	3,065.7	1.8%	615.0	521.2	-15.3%	Above	Above	15.0%	17.0%	Within	3.75	↑	MP	↑
26	GEORGE KENT (M) BHD	1Q20	99.8	82.8	-17.0%	18.9	13.5	-28.6%	Broadly Within	Broadly Within	0.0%	0.0%	Within	1.15	↔	MP	↔
27	HOCK SENG LEE BHD	2Q19	286.0	322.1	12.6%	27.9	30.5	9.3%	Within	Within	-7.0%	0.0%	Within	1.40	↔	MP	↔
28	IJM CORP BHD	1Q20	1,444.3	1,543.6	6.9%	133.8	69.9	-47.8%	Broadly Within	Broadly Within	0.0%	0.0%	Within	1.80	↔	UP	↔
29	KERJAYA PROSPEK GROUP BHD	2Q19	533.5	523.5	-1.9%	67.5	71.0	5.2%	Within	Within	0.0%	0.0%	Within	1.20	↔	UP	↔
30	KIMLUN CORP BHD	2Q19	438.9	643.7	46.7%	22.5	29.4	30.7%	Within	Within	0.0%	0.0%	Within	1.35	↔	MP	↔
31	MITRAJAYA HOLDINGS BHD	2Q19	471.8	330.9	-29.9%	29.5	(18.8)	-163.7%	Below	Below	-91.0%	-69.0%	Within	0.200	↔	UP	↔
32	MUHIBBAH ENGINEERING (M) BHD	2Q19	560.7	841.3	50.0%	87.9	66.4	-24.5%	Within	Within	0.0%	0.0%	Within	3.20	↔	OP	↔
33	SUNWAY CONSTRUCTION GROUP BHD	2Q19	1,073.5	880.2	-18.0%	67.9	61.4	-9.6%	Within	Below	0.0%	0.0%	Within	1.45	↔	UP	↔
34	WCT HOLDINGS BHD	2Q19	1,209.7	964.8	-20.2%	80.0	62.7	-21.6%	Broadly Within	Broadly Within	0.0%	0.0%	Within	0.815	↔	UP	↔
	CONSUMER		**15,925.4**	**16,601.0**	**4.2%**	**1,137.9**	**1,071.9**	**-5.8%**	**Within-Below**	**Within-Below**	**-5.1%**	**-3.7%**					
35	7-ELEVEN MALAYSIA HOLDINGS BERHAD	2Q19	1,093.3	1,172.5	7.2%	22.1	25.7	16.3%	Within	Within	0.0%	0.0%	Within	1.35	↔	UP	↔
36	AEON CO (M) BHD	2Q19	2,178.3	2,306.4	5.9%	55.7	55.6	-0.2%	Below	Below	-25.0%	-21.0%	Within	1.70	↓	MP	↓
37	AMWAY (MALAYSIA) HLDGS BHD	2Q19	463.1	478.3	3.3%	15.4	29.1	89.0%	Within	Within	0.0%	0.0%	Within	5.90	↔	MP	↔
38	DUTCH LADY MILK INDS BHD	2Q19	520.4	508.6	-2.3%	62.8	52.7	-16.1%	Below	Below	-15.6%	-13.2%	Below	54.60	↓	UP	↓
39	FRASER & NEAVE HOLDINGS BHD	3Q19	2,923.3	3,102.0	6.1%	318.8	343.7	7.8%	Broadly Within	Broadly Within	0.0%	0.0%	Within	36.60	↔	MP	↔
40	HAI-O ENTERPRISE BHD	3Q19	351.1	258.4	-26.4%	74.8	47.4	-36.6%	Below	Below	-7.2%	0.0%	Within	1.95	↓	UP	↔
41	MYNEWS HOLDINGS BHD	2Q19	184.3	256.5	39.2%	13.2	16.2	22.7%	Within	Within	0.0%	0.0%	Within	1.55	↑	OP	↑
42	NESTLE (M) BHD	2Q19	2,738.7	2,788.4	1.8%	397.4	372.4	-6.3%	Below	Below	-8.5%	-6.5%	Within	128.00	↓	UP	↓
43	PADINI HOLDINGS BHD	4Q19	1,678.8	1,783.0	6.2%	178.3	156.5	-12.2%	Within	Within	0.0%	0.0%	Within	3.75	↔	OP	↑
44	PARKSON HOLDINGS BHD	4Q19	3,982.0	4,032.0	1.3%	(31.0)	(64.0)	106.5%	Within	Within	0.0%	0.0%	Within	0.270	↑	OP	↑
45	POWER ROOT BERHAD	1Q20	89.2	94.2	5.6%	8.6	11.7	36.0%	Broadly Within	Broadly Within	0.0%	0.0%	Within	2.30	↔	OP	↔
46	QL RESOURCES BHD	1Q20	816.2	993.2	21.7%	43.9	50.6	15.3%	Within	Within	0.0%	0.0%	Within	6.30	↑	UP	↔
47	SPRITZER BHD	2Q19	166.2	189.9	14.3%	13.5	15.6	15.6%	Broadly Within	Broadly Within	0.0%	0.0%	Within	2.40	↔	MP	↔
	GAMING		**16,208.4**	**17,778.2**	**9.7%**	**2,251.0**	**2,151.0**	**-4.4%**	**Mix**	**Mix**	**-2.0%**	**-2.1%**					
48	BERJAYA SPORTS TOTO BHD	5Q19	-	6,698.6	-	-	313.5	-	Below	Below	-7.2%	-7.9%	Within	2.80	↓	MP	↓
49	GENTING BHD	2Q19	10,074.1	11,018.5	9.4%	1,327.5	1,279.6	-3.6%	Within	Within	-0.6%	-0.6%	Within	6.75	↓	OP	↔
50	GENTING MALAYSIA BHD	2Q19	4,821.6	5,337.1	10.7%	820.5	737.0	-10.2%	Within	Within	0.0%	0.0%	Within	3.20	↔	MP	↔
51	MAGNUM BERHAD	2Q19	1,312.7	1,422.6	8.4%	103.0	134.4	30.5%	Above	Above	0.0%	0.0%	Within	2.80	↑	MP	↔
	HEALTHCARE		**8,339.6**	**10,391.4**	**24.6%**	**484.8**	**540.8**	**-11.6%**	**Within-Below**	**Within-Below**	**-0.7%**	**-1.0%**					
52	IHH HEALTHCARE BERHAD	2Q19	5,514.7	7,288.0	32.2%	377.0	428.5	13.7%	Below	Below	-2.0%	-3.0%	Within	4.85	↓	UP	↔
53	KPJ HEALTHCARE BERHAD	2Q19	1,624.2	1,715.4	5.6%	84.8	83.4	-1.7%	Within	Within	0.0%	0.0%	Within	1.15	↓	OP	↔
54	PHARMANIAGA BERHAD	2Q19	1,200.7	1,388.0	15.6%	23.0	28.9	25.7%	Within	Within	0.0%	0.0%	Within	2.35	↔	UP	↔

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 5: 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		**2,481.5**	**2,226.7**	**-10.3%**	**164.0**	**151.9**	**-7.4%**	**Within**	**Within-Below**	**-9.0%**	**-11.8%**					
55	ASTRO MALAYSIA HOLDINGS BHD	1Q20	1,310.9	1,234.4	-5.8%	178.7	184.2	3.1%	Within	Within	3.2%	0.8%	Broadly	2.00	↔	OP	↔
56	MEDIA CHINESE INTERNATIONAL	1Q20	339.1	296.1	-12.7%	12.6	9.4	-25.4%	Broadly Within	Broadly Within	0.0%	0.0%	Within	0.165	↔	MP	↑
57	MEDIA PRIMA BHD	2Q19	623.0	535.9	-14.0%	(40.0)	(46.9)	-17.3%	Within	Below	0.0%	0.0%	Within	0.260	↔	UP	↔
58	STAR MEDIA GROUP BHD	2Q19	208.5	160.3	-23.1%	12.7	5.2	-59.1%	Below	Below	-39.0%	-48.0%	Within	0.570	↓	MP	↑
	OIL & GAS		**38,272.0**	**38,227.0**	**-0.1%**	**4,349.8**	**4,191.1**	**-3.6%**	**Within-Above**	**Mix**	**-0.4%**	**-0.8%**					
59	BUMI ARMADA BHD	2Q19	1,254.4	1,027.2	-18.1%	55.8	137.2	145.9%	Below	Above	-2.9%	-2.9%	Within	0.200	↑	UP	↔
60	DAYANG ENTERPRISE BHD	2Q19	370.1	403.6	9.1%	29.3	48.3	64.8%	Broadly Within	Broadly Within	0.0%	0.0%	Within	1.45	↑	MP	↔
61	DIALOG GROUP BHD	4Q19	3,110.6	2,386.5	-23.3%	428.8	535.8	25.0%	Above	Above	4.5%	0.0%	Within	4.15	↑	OP	↔
62	MALAYSIA MARINE AND HEAVY ENGINEERING	2Q19	411.3	479.6	16.6%	(74.7)	(38.8)	-48.1%	Broadly Within	Broadly Within	0.0%	0.0%	Within	1.05	↔	OP	↔
63	MISC BHD	2Q19	4,162.6	4,439.4	6.6%	631.9	920.2	45.6%	Above	Within	7.4%	2.6%	Within	7.60	↑	MP	↔
64	PANTECH GROUP HOLDINGS BHD	4Q19	145.0	178.4	23.0%	11.2	14.1	25.9%	Within	Within	0.0%	0.0%	Broadly	0.690	↔	OP	↔
65	PETRONAS CHEMICALS GROUP BHD	2Q19	9,684.0	8,487.0	-12.4%	2,577.0	1,922.0	-25.4%	Above	Within	0.0%	0.0%	Within	7.70	↔	MP	↔
66	PETRONAS DAGANGAN BHD	2Q19	14,348.1	14,692.1	2.4%	519.1	446.4	-14.0%	Below	Below	-15.1%	-10.5%	Below	22.45	↓	MP	↑
67	SAPURA ENERGY BHD	1Q20	845.2	1,632.5	93.1%	(135.7)	(120.2)	-11.4%	Broadly Within	Below	0.0%	0.0%	Within	0.430	↔	OP	↔
68	SERBA DINAMIK HOLDINGS BHD	2Q19	1,535.0	2,123.0	38.3%	195.4	242.6	24.2%	Within	Within	0.0%	0.0%	Within	5.25	↔	OP	↔
69	UZMA BHD	4Q19	384.1	443.4	15.4%	38.1	9.7	-74.5%	Above	Below	0.0%	0.0%	Within	0.610	↓	MP	↔
70	VELESTO ENERGY BHD	2Q19	233.6	284.1	21.6%	(33.4)	(10.9)	-67.4%	Broadly Within	Broadly Within	0.0%	0.0%	Within	0.350	↔	OP	↔
71	WAH SEONG CORP BHD	2Q19	1,552.8	1,441.2	-7.2%	46.6	32.4	-30.5%	Broadly Within	Within	0.0%	0.0%	Within	0.620	↔	MP	↑
72	YINSON HOLDINGS BHD ^	1Q20	235.2	209.0	-11.1%	60.4	52.3	-13.4%	Within	Within	0.0%	0.0%	Within	7.75	↑	OP	↔
	PACKAGING MANUFACTURERS		**2,474.3**	**2,917.3**	**17.9%**	**230.6**	**225.0**	**-2.4%**	**Within-Below**	**N.A.**	**-23.5%**	**-50.0%**					
73	SCGM BERHAD	4Q19	207.4	219.6	5.9%	15.0	(5.1)	-134.0%	Below	N.A.	-66.0%	0.0%	Within	0.805	↓	UP	↔
74	SCIENTEX BHD	3Q19	1,882.1	2,308.7	22.7%	201.3	198.8	-1.2%	Below	Below	-10.0%	-5.0%	Within	8.15	↓	MP	↔
75	SLP RESOURCES BHD	1Q19	88.5	86.3	-2.5%	11.8	11.7	-0.8%	Within	N.A.	0.0%	0.0%	Within	1.45	↑	OP	↑
76	THONG GUAN INDUSTRIES BHD	2Q19	420.9	446.9	6.2%	18.2	26.1	43.4%	Within	N.A.	0.0%	0.0%	Within	2.45	↑	MP	↔
77	TOMYPAK HOLDINGS BHD	2Q19	82.8	75.4	-8.9%	(0.7)	(6.5)	828.6%	Below	N.A.	-84.0%	-195.0%	Within	0.270	↓	UP	↔
	PLANTATION		**40,598.0**	**36,662.1**	**-9.7%**	**2,834.4**	**1,663.0**	**-41.3%**	**Below**	**Below**	**-18.1%**	**-10.4%**					
78	CB INDUSTRIAL PRODUCT HOLDING	2Q19	289.4	178.3	-38.4%	39.9	12.1	-69.7%	Below	Below	-30.0%	-24.0%	Within	0.850	↓	MP	↓
79	FELDA GLOBAL VENTURES HOLDINGS BHD	2Q19	7,040.0	6,555.4	-6.9%	(64.0)	(84.0)	31.3%	Above	Below	N.M	N.M	Within	1.000	↓	MP	↑
80	GENTING PLANTATIONS BHD	2Q19	931.7	1,147.4	23.2%	109.5	62.8	-42.6%	Below	Below	-19.0%	-14.0%	Within	8.80	↓	UP	↔
81	HAP SENG PLANTATIONS BHD	2Q19	229.1	206.2	-10.0%	19.2	(0.9)	-104.7%	Within	Below	0.0%	0.0%	Within	1.50	↔	MP	↔
82	IJM PLANTATIONS BHD	1Q20	183.1	133.1	-27.3%	11.3	(4.9)	-143.4%	Below	Below	-42.0%	-11.0%	Within	1.40	↔	MP	↑
83	IOI CORPORATION BHD	4Q19	7,417.6	7,385.6	-0.4%	967.0	760.7	-21.3%	Below	Within	0.0%	0.0%	Above	4.10	↓	MP	↔
84	KUALA LUMPUR KEPONG BHD	3Q19	14,192.0	11,731.0	-17.3%	678.0	464.0	-31.6%	Below	Below	-22.7%	-13.9%	Within	21.50	↓	UP	↔
85	PPB GROUP BERHAD	2Q19	2,227.6	2,309.2	3.7%	507.3	407.3	-19.7%	Below	Below	-4.4%	-3.3%	Within	15.60	↓	UP	↔
86	SIME DARBY PLANTATION BHD	2Q19	6,743.0	5,881.0	-12.8%	489.0	39.0	-92.0%	Below	Below	-40.0%	-19.0%	Within	4.00	↔	UP	↔
87	SOUTHERN ACIDS (M) BHD	1Q29	158.0	142.6	-9.7%	7.4	5.2	-29.7%	Below	Within	-14.0%	-22.0%	Within	2.90	↑	UP	↔
88	TA ANN HOLDINGS BERHAD	2Q19	449.7	394.9	-12.2%	20.9	12.7	-39.2%	Below	Below	-49.0%	-18.0%	Within	2.20	↓	MP	↔
89	TSH RESOURCES BHD	2Q19	459.1	393.7	-14.2%	25.3	22.8	-9.9%	Within	Within	0.0%	0.0%	Within	0.900	↔	MP	↔
90	UNITED MALACCA BHD ^	4Q19	277.7	203.7	-26.6%	23.6	(33.8)	-243.2%	Below	Below	4.0%	0.0%	Within	5.00	↔	UP	↔
	PROPERTY		**13,648.8**	**13,677.3**	**0.2%**	**1,816.9**	**2,085.9**	**14.8%**	**Within-Below**	**Within-Below**	**-8.3%**	**0.3%**					
91	AMVERTON BHD	2Q19	61.9	43.4	-29.9%	7.8	2.9	-62.8%	Below	N.A.	-40.0%	-47.0%	Within	1.00	↔	UP	↔
92	ECO WORLD DEVELOPMENT GROUP	2Q19	1,068.9	1,034.4	-3.2%	52.9	71.5	35.2%	Within	Below	-11.0%	-15.0%	Within	1.15	↔	OP	↔
93	HUA YANG BERHAD	1Q20	66.5	82.2	23.6%	1.0	3.7	270.0%	Broadly Within	Broadly Within	0.0%	0.0%	Within	0.335	↔	MP	↔
94	IOI PROPERTIES GROUP BHD	4Q19	2,792.6	2,211.7	-20.8%	660.9	659.6	-0.2%	Within	Below	0.0%	0.0%	Within	1.65	↔	OP	↔
95	LBS BINA GROUP BERHAD	2Q19	544.9	645.9	18.5%	43.9	31.7	-27.8%	Below	Below	-28.0%	-15.0%	Within	0.495	↔	MP	↔
96	MAGNA PRIMA BHD	2Q19	38.5	15.8	-59.0%	6.9	(9.9)	-243.5%	Below	N.A.	N.M	N.M	Within	0.710	↓	UP	↔
97	MAH SING GROUP BHD	2Q19	1,174.0	931.6	-20.6%	100.7	59.9	-40.5%	Below	Below	-12.0%	0.0%	Within	1.00	↔	OP	↔
98	MALAYSIAN RESOURCES CORP BHD	2Q19	832.8	475.0	-43.0%	55.0	(39.8)	-172.4%	Below	Below	-95.0%	0.0%	Within	0.700	↓	UP	↔
99	SIME DARBY PROPERTY BHD	2Q19	1,176.9	1,441.0	22.4%	49.5	499.8	909.7%	Above	Above	50.0%	33.0%	Within	1.10	↔	OP	↑
100	SP SETIA BHD	2Q19	1,581.5	2,200.6	39.1%	121.1	125.3	3.5%	Below	Below	-22.0%	-18.0%	Within	1.85	↓	MP	↓
101	SUNSURIA BHD	3Q19	438.7	429.5	-2.1%	65.6	110.3	68.1%	Above	N.A.	19.0%	19.0%	Within	0.760	↔	MP	↓
102	SUNWAY BHD	2Q19	2,595.5	2,200.8	-15.2%	262.2	280.1	6.8%	Within	Within	0.0%	0.0%	Within	1.60	↔	MP	↔
103	UEM SUNRISE BHD	2Q19	861.1	1,419.8	64.9%	246.9	108.8	-55.9%	Broadly Within	Within	0.0%	0.0%	Within	0.835	↔	OP	↑
104	UOA DEVELOPMENT BHD	2Q19	476.9	589.0	23.5%	150.3	184.9	23.0%	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 6: 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		1,992.9	2,067.9	3.8%	1,062.6	1,090.4	2.6%	Within	Within	-2.5%	-1.3%					
105	AXIS REAL ESTATE INVESTMENT	2Q19	94.7	111.4	17.6%	48.1	57.8	20.2%	Within	Within	0.0%	0.0%	Within	1.85	↔	MP	↔
106	CAPITAMALLS MALAYSIA TRUST	2Q19	177.1	172.8	-2.4%	70.7	62.1	-12.2%	Within	Within	0.0%	0.0%	Within	1.10	↓	MP	↓
107	IGB REIT	2Q19	264.8	276.2	4.3%	152.4	160.8	5.5%	Within	Within	0.0%	0.0%	Within	1.80	↔	MP	↔
108	KLCC STAPLED GROUP	2Q19	690.0	705.0	2.2%	341.0	363.0	6.5%	Within	Within	0.0%	0.0%	Within	7.75	↑	MP	↔
109	MRCB-QUILL REIT	2Q19	71.5	62.5	-12.6%	42.3	35.9	-15.1%	Below	Below	-10.0%	-9.0%	Below	1.05	↓	MP	↓
110	PAVILION REIT	1Q19	266.6	295.0	10.7%	126.2	128.5	1.8%	Within	Within	0.0%	0.0%	Within	1.80	↑	MP	↔
111	SUNWAY REAL ESTATE INVESTMENT	4Q19	428.2	445.0	3.9%	281.9	282.3	0.1%	Below	Within	-7.5%	0.0%	Within	1.80	↓	MP	↔
	RUBBER GLOVES		5,989.1	6,853.6	14.4%	662.2	606.2	-8.5%	Within-Below	Within-Below	-3.0%	-2.0%					
112	HARTALEGA HOLDINGS BHD	1Q20	706.4	640.1	-9.4%	124.9	94.1	-24.7%	Within	Within	0.0%	0.0%	Within	5.85	↔	OP	↔
113	KOSSAN RUBBER INDUSTRIES	2Q19	981.0	1,112.0	13.4%	88.0	114.6	30.2%	Within	Within	0.0%	0.0%	Within	5.25	↔	OP	↔
114	SUPERMAX CORP BHD	4Q19	1,304.6	1,489.3	14.2%	117.3	107.0	-8.8%	Below	Below	0.0%	0.0%	Within	1.70	↔	OP	↑
115	TOP GLOVE CORP BHD ^	3Q19	2,997.1	3,612.2	20.5%	332.0	290.5	-12.5%	Below	Below	-12.0%	-8.0%	Within	4.50	↓	MP	↓
	SIN		3,136.1	3,439.9	9.7%	445.3	436.3	-2.0%	Within-Below	Within-Below	-3.9%	-4.4%					
116	BRITISH AMERICAN TOBACCO BHD	2Q19	1,316.8	1,261.8	-4.2%	206.3	164.9	-20.1%	Below	Below	-12.2%	-13.1%	Below	24.40	↓	UP	↓
117	CARLSBERG BREWERY MALAYSIA BHD	2Q19	963.9	1,140.4	18.3%	135.3	152.9	13.0%	Within	Within	0.5%	0.0%	Within	25.95	↑	OP	↑
118	HEINEKEN MALAYSIA BERHAD	2Q19	855.4	1,037.7	21.3%	103.7	118.5	14.3%	Broadly Within	Broadly Within	0.0%	0.0%	Within	23.25	↔	MP	↔
	TELECOMMUNICATION		25,330.5	25,364.8	0.1%	2,556.5	2,502.5	-2.1%	Within	Within	1.0%	0.6%					
119	AXIATA GROUP BERHAD	2Q19	11,615.0	12,103.0	4.2%	526.0	438.0	-16.7%	Broadly Within	Broadly Within	0.7%	0.1%	Within	4.80	↑	MP	↑
120	DIGI.COM BHD	2Q19	3,235.0	3,057.0	-5.5%	770.0	734.0	-4.7%	Within	Within	3.0%	2.5%	Within	4.70	↔	MP	↔
121	MAXIS BHD	2Q19	4,483.0	4,438.0	-1.0%	990.0	795.0	-19.7%	Within	Within	-0.3%	0.2%	Within	4.90	↔	UP	↔
122	OCK GROUP BHD	2Q19	213.1	219.3	2.9%	9.4	12.3	30.9%	Within	Within	1.1%	0.3%	Within	0.630	↔	MP	↓
123	TELEKOM MALAYSIA BHD	2Q19	5,784.4	5,547.5	-4.1%	261.1	523.2	100.4%	Within	Within	0.4%	0.1%	Within	3.95	↔	MP	↓
	TECHNOLOGY		3,188.9	3,034.2	-4.9%	241.1	178.1	-26.1%	Below	Below	-9.2%	-6.8%					
124	D&O GREEN TECHNOLOGIES BHD	2Q19	226.3	228.1	0.8%	9.8	12.1	23.5%	Below	Below	-9.0%	-8.0%	Within	0.625	↓	OP	↔
125	KESM INDUSTRIES BHD ^	3Q19	264.5	236.5	-10.6%	28.0	2.6	-90.7%	Below	Below	-11.0%	-3.0%	Within	8.70	↑	OP	↑
126	MALAYSIAN PACIFIC INDUSTRIES BHD	4Q19	1,542.3	1,487.9	-3.5%	142.5	128.3	-10.0%	Within	Within	1.0%	0.0%	Within	12.10	↔	OP	↔
127	P.I.E. INDUSTRIAL BHD	2Q19	286.9	332.2	15.8%	8.0	8.6	7.5%	Below	Below	-4.0%	0.0%	Within	1.20	↓	MP	↔
128	SKP RESOURCES BHD	1Q20	430.5	362.5	-15.8%	25.8	18.5	-28.3%	Below	Below	-4.0%	-4.0%	Within	1.15	↓	MP	↔
129	UNISEM (M) BERHAD	2Q19	664.7	615.1	-7.5%	36.8	20.1	-45.4%	Below	Below	-28.1%	-27.1%	Below	2.05	↓	MP	↑
	TRANSPORT & LOGISTICS		4,046.8	4,080.1	0.8%	301.8	390.6	29.4%	Within-Below	Within-Below	-95.7%	-100.5%					
130	CJ CENTURY LOGISTICS HOLDINGS	2Q19	196.7	263.8	34.1%	5.4	(4.8)	-188.9%	Below	Below	-211.7%	-144.8%	Within	0.300	↓	UP	↔
131	MMC CORP BHD	2Q19	2,480.5	2,373.4	-4.3%	46.2	104.3	125.8%	Broadly Within	Within	0.0%	0.0%	Within	1.10	↔	MP	↔
132	POS MALAYSIA BERHAD	1Q20	590.5	573.0	-3.0%	5.0	(15.1)	-402.0%	Below	Below	-171.0%	-257.0%	Within	1.25	↓	UP	↔
133	WESTPORTS HOLDINGS BHD	2Q19	779.1	869.9	11.7%	245.2	306.2	24.9%	Within	Within	0.0%	0.0%	Within	3.75	↔	MP	↔
	UTILITIES		42,478.3	45,177.8	6.4%	4,981.4	4,894.2	-1.8%	Within	Within	-2.5%	0.0%					
134	GAS MALAYSIA BHD	2Q19	2,938.4	3,452.3	17.5%	86.9	90.2	3.8%	Within	Within	0.0%	0.0%	Within	3.00	↓	MP	↔
135	MALAKOFF CORPORATION BHD	2Q19	3,548.3	3,822.1	7.7%	105.5	119.3	13.1%	Within	Within	0.0%	0.0%	Above	1.00	↔	OP	↔
136	PESTECH INTERNATIONAL BERHAD	4Q19	843.1	810.0	-3.9%	62.2	72.4	16.4%	Below	Below	-12.6%	0.0%	Within	1.75	↓	OP	↔
137	PETRONAS GAS BHD	2Q19	2,709.0	2,747.8	1.4%	992.8	965.5	-2.7%	Within	Within	0.0%	0.0%	Within	15.75	↓	MP	↔
138	TENAGA NASIONAL BHD	2Q19	24,771.9	26,120.8	5.4%	3,130.3	3,121.7	-0.3%	Within	Within	0.0%	0.0%	Below	13.40	↔	MP	↔
139	YTL POWER INTERNATIONAL BHD	4Q19	10,606.0	11,677.1	10.1%	690.6	615.3	-10.9%	Within	Within	0.0%	0.0%	Within	0.820	↓	OP	↑
	OTHERS		4,731.2	5,050.8	6.8%	(21.5)	1.9	-108.8%	Within	N.A.	0.0%	0.0%					
140	BOUSTEAD HOLDINGS BHD	2Q19	4,731.2	5,050.8	6.8%	(21.5)	1.9	-108.8%	Within	N.A.	0.0%	0.0%	Within	1.05	↓	MP	↔
	Total/Average		329,470.1	338,981.7	2.9%	41,742.1	39,653.7	-5.0%	Within-Below	Within-Below	-11.2%	-11.8%					

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 7: 2QCY19 Results Review & Sector Outlook

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
Automotive	**Mixed Expectations.** 3 out of the 6 stocks (BAUTO, MBMR, and SIME) performed above expectations while 2 stocks (DRBHCOM and TCHONG) were below expectations. One (UMW) was within expectation. **Overall, mixed performances.** Perodua-linked companies (UMW, MBMR), recorded stronger performance mainly from the higher associates' contribution buoyed by the all-new Perodua Myvi and Aruz, as well as supported by better core segments. BAUTO and TCHONG recorded higher margin sales, but TCHONG was on the other side due to higher effective tax rate while SIME saw stronger Industrials and an unexpected push from Automotive segment. DRBHCOM recorded dismal profit compared to previous quarter especially from slower Proton X70 sales (-23% QoQ) .	Overall, car sales volume for 3QCY19 is expected to be weaker than 2QCY19 in the absence of festivities and due to higher base for Hari Raya Aidilfitri promotional activities. Nonetheless, we expect 4QCY19 sales to make up for the rest of the year, boosted by year-end promotion as well as in anticipation of another cut in Base Lending Rate (BLR) by 20-25bps (In November 2019), to meet our year-end target of 600,000 units, in-line with MAA's target. We maintain our **NEUTRAL** rating on the **AUTOMOTIVE** sector.	**<u>OP</u>** • BAUTO (OP ↔; TP: RM3.00↑) **<u>MP</u>** • SIME (MP ↔; TP: RM2.20↔) • MBMR (MP ↓; TP: RM4.40↔) • TCHONG (MP ↔; TP: RM1.40↓) • UMW (MP↔; TP: RM5.45 ↔) **<u>UP</u>** • DRBHCOM (UP ↓; TP: RM2.60↑)
Banking	Generally, 2Q19 results were mostly in line with the exception of ABMB and MBSB due to higher provisioning. The rest saw earning coming within expectations. For QoQ, the industry saw topline rebounded (+1.2%) on account of strong performance from NOII as NII fell (-1.6%) dragged by compressing NIM (-6bps) and soft loans (+1.2%). Best performing topline came from AMBANK (+10%) due to its strong NOII (+21%). Strong loans growth came from HLBANK (+3%) driven by household while the worst performer was AFFIN (-1.8%) dragged by corporates mostly. NIM continued to be under pressure with most of them reporting compressed NIM with the exception of AMBANK (reporting a surge of 10bps) due to its ability to shed excess liquidity and better asset pricing. Other banks reported unusually high NIM compression due to higher costs and longer tenure FDs (due to the need for NSFR compliance). Overall asset quality was mixed bordering from stable to slight uptick in GIL but with no major deterioration. There were a few surprises in impairment allowances coming from AFFIN, AMBANK as they registered credit recoveries (-22bps and -18bps, respectively) due to strong writebacks/sale of NPLs. We also saw lower credit charge than guided due to writebacks (from CIMB and MAYBANK). The only exceptions	Our stance for the sector is still OVERWEIGHT as we see undemanding valuation still coupled with exciting dividend yields. No change in guidance for the industry of moderation in loans for 2019. Resilient households will still be the key driver. Outlook for business loans are still unclear given the global tarde tensions but the industry expects policy changes which will drive credit demand by end of 2019. Downside pressure on NIM is expected to taper given that NSFR has complied with the preceived notion of moderate credit demand. Impact on credit costs is expected to be benign lending support to bottomline similar to FY18. Post results, we upgrade BIMB and PBBANK to OUTPERFORM given their undemanding valuations with PBBANK's strong asset selection and quality continuing to provide exceptional asset quality and low provisioning. Others, we maintain at OUTPERFORM with the exception of HLBANK (maintained at MARKET PERFORM as valuations are stretched) where we reserved caution on its associate BOCD. The OUTPERFROM stocks such as ABMB, MAYBANK and MBSB have undemanding valuations coupled with the added advantage of dividend yields of between 6%-7%.	**<u>OP</u>** • ABMB (OP ↔; TP: RM3.45 ↓) • AFFIN (OP ↔; TP: RM2.45 ↑) • AMBANK (OP ↔; TP: RM4.75 ↓) • BIMB (OP ↑; TP: RM4.80 ↔ • CIMB (OP ↔; TP: RM6.45 ↔) • MAYBANK (OP ↔; TP: RM9.70 ↓) • MBSB (OP ↔; TP: RM1.10 ↓) • RHBBANK (OP ↔; TP: RM6.05 ↔) • PBBANK (OP ↑; TP: RM25.20 ↑) **<u>MP</u>** • HLBANK (MP ↔; TP: RM17.30 ↓)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
	came from ABMB and MBSB where the former saw significant uptick (+14bps to 0.53%) due to higher provisioning on its PF space and three major accounts). MBSB's credit charge was >1% due to higher provisioning for its PF space (coming from retiring/leaving civil servants).		
Banking – Non-banking Financial Institutions	**Mostly within.** On NBFI results, only AEONCR missed our estimate owing to high impairment exposure. Our tone-downed expectations led to an UNDERPERFORM downgrade. Insurers LPI and TAKAFUL performed as expected, with expected slightly stronger quarters during the 2H period. LPI leveraged on solid fire insurance take-ups while TAKAFUL continued to ride on its bancassurance partnerships. BURSA's results were weaker YoY, as expected. Global and domestic uncertainties could persist to cloud trading sentiment, with no clear indication of recovery.	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 levels are typically higher. **Insurance and Takaful players** are 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, especially as seen in Takaful credit-related products. With regards to **BURSA,** there could be a possibility for a turnaround from 2H19 onwards as we detect a returning sense of confidence of which our strategist highlights cues from rising trading valuations and premiums of our benchmark indices against regional markets. We maintain our view that the weakness in sentiment could be bottoming based on our cyclical studies. In the near-term, we reckon that potential developments that could support our view are: (i) potential M&As with foreign parties re-igniting foreign trading interest, (ii) easing of trade war tensions, and (iii) budget talks spurring sentiment. The segment remains **NEUTRAL** post-results.	**<u>MP</u>** • BURSA (MP ↔; TP: RM6.85↔) • LPI (MP ↔; TP: RM16.50↔) • TAKAFUL (MP↔; TP: RM7.15↔) **<u>UP</u>** • AEONCR (UP ↓; TP: RM14.75↓)
Building Materials	**Below expectation.** 4 counters under our coverage came in below expectations largely due to lower-than-expected ASP, higher-than-expected input cost and weaker demand. **Earnings estimates.** Post 2Q19 results, we cut our earnings estimation for all the counters under coverage in view challenging environment and unfavourable factors such as lower ASP, higher input and production cost, depressed margin as well as softer demand. We slash ANNJOO's FY19E	Moving forward, we remain cautious with the industry prospects as we expect unfavourable factors such as lower ASP and higher input cost as well as weaker demand to continue plaguing the industry. For ANNJOO, we expect steel price remaining depressed by oversupply condition and softer market demand. Despite recent retracement in iron ore price, we expect the benefit of price drop will only be seen in the later quarters due to time lag in production and purchases of raw material.	**<u>OP</u>** • PMETAL (OP ↔; TP: RM5.50 ↔) **<u>UP</u>** • ANNJOO (UP ↔; TP: RM1.10 ↓) • ULICORP (UP ↔; TP: RM0.400 ↓) • WTHORSE (UP ↓; TP: RM1.00 ↓)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
	earnings from profit to loss of RM31.0m and FY20E earnings by 68% to CNP of RM4.0. For PMETAL, we cut FY19E CNP by 23% after lowering our aluminium price assumption, while maintaining FY20E earnings after considering the commencement of production for the third smelting plant and easing of cost pressure next year. While for ULICORP, we revised FY19E earnings to CNL of RM2.2m (from profit) and lower FY20E CNP by 94%. Furthermore, we widen WTHORSE's FY19E and FY20E CNL estimate to RM35.3m and RM35.9m (from CNL of RM9.2m and CNP of RM1.4m, respectively) **Adjustment to call and TP**. We maintain our call for ANNJOO and ULICORP with lower TP. While for PMETAL, we maintain outperform call with unchanged TP. Lastly, we downgraded WTHORSE to underperform call with lower TP.	For PMETAL, alumina prices have normalized to c.USD300-USD350/MT in mid-July from earlier year's high of c.USD417/MT; we gather that shipments of high-cost alumina should spill over to the greater part of 3Q19. Therefore, the benefit of the drop in alumina prices should only be fully felt from 4Q19 onwards. Looking ahead, we expect the group to register sturdy earnings growth in FY20-21 on the back of 42% smelting capacity expansion, cheaper alumina prices and rising sales composition of high-value products For both ULICORP and WTHORSE, we expect their performances to continue to be impacted by higher production and operational cost, stiff market competition and weaker demand in view of slow market pace in both construction and property development sector. All in , we reiterate **UNDERWEIGHT** on Building Materials.	
Construction	**Improving quarter.** For 2QCY19, we saw better performance from the contractors with only 1 disappointment, 1 above expectations, compared to 3 disappointments in 1QCY19 out of 10 stocks under our coverage. The remaining came in within expectations. MITRA was the only stock that came below expectations due to high fixed overheads, decline in revenue due to slower billings and lack of new jobs. YoY, bulk of the contractors' CNP was down by between 9.6%-47.8%, with MITRA slipping into losses, except for HSL, KERJAYA, and KIMLUN which registered growth of between 5.2%-30.7%, 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 HSL by 91% and 7%, respectively.	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 margins 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, where the state government is committed to implementing infrastructure projects that improves the connectivity in the state and improves the welfare of people in Sarawak of 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.	**OP** • MUHIBAH (OP ↔; TP: RM3.20 ↔) **MP** • GAMUDA (MP ↑; TP: RM3.75 ↑) • GKENT (MP ↔; TP: RM1.15 ↔) • HSL (MP ↔; TP: RM1.40 ↔) • KIMLUN (MP ↔; TP: RM1.35 ↔) **UP** • IJM (UP ↔; TP: RM1.80) • KERJAYA (UP ↔; TP: RM1.20 ↔) • MITRA (UP ↔; TP: RM0.200 ↔) • SUNCON (UP ↔; TP: RM1.45 ↔) • WCT (UP ↔; TP: RM0.815 ↔)
Consumer	**No Surprises**. Within our 16 stocks coverage, 11 stocks came in within (AMWAY, CARLSBG, F&N, HEIM, MYNEWS, QL, SEM, PADINI, PARKSON, PWROOT, SPRITZER) while 5 stocks came below (BAT, DLADY, NESTLE, HAIO, AEON). Overall stronger performance seen for **retailers** as 2Q is generally one of the stronger quarters of the year, buoyed by the Hari Raya Aidilfitri sales; the other quarter being the 4Q	Opportunity to buy into retailers'' 3Q weakness to position for a better 4Q and Visit Malaysia 2020. Retailers usually fare the worst in 3Q due to the absence of festivities that typically spur consumer spending. We believe that investors could use this opportunity to buy into 3Q weakness while expecting better growth in 4Q19 from year-end and Christmas festive season sales, as well as the upcoming Visit Malaysia 2020.	**OP** • CARLSBG (OP ↑; TP: RM25.95↑) • PWROOT (OP↔; TP: RM2.30 ↔) • MYNEWS (OP↑; TP: RM1.55↑) • PADINI (OP↑; TP: RM3.75↑) • PARKSON (OP ↑;

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	on year-end sales. However, AEON and HAIO fared the worst this quarter as both benefitted from Chinese New Year sales more than Hari Raya Aidilfitri. Furthermore, HAIO was still experiencing dismal MLM distributors force. On F&B and Sin sectors, results were mostly within expectations. Notably, the underperformers are mainly dragged by higher cost environment. For instance, NESTLE missed expectations due to costlier raw material and higher opex spends while DLADY suffered from weaker demand and higher marketing spends.	Going into 3Q19, consumer spending is likely to remain resilient against the backdrop of a low interest-rate environment and stable employment scene. Nonetheless, while most of the commodity trends have been softening, volatile fluctuations in forex may further dampen profitability. We maintain our NEUTRAL rating on the Consumer Sector and the Sin-sub sector. While lingering afforadability issue coupled with the overall decline in tobacco consumption may persist to take a toll on BAT, we continue to expect robust performances from the brewery, especially CARLSBG which should be still driven by its growing premium beer portfolio.	TP: RM0.270↑) **MP** • AEON (MP↓; TP: RM1.70 ↓) • AMWAY (MP ↔ ; TP: RM5.90↔) • F&N (MP ↔; TP: RM36.60 ↔) • HEIM (MP ↔; TP: RM23.25 ↔) • SPRITZER (MP ↔; TP: RM2.40 ↔) **UP** • BAT (UP ↓ ; TP: RM24.40 ↓) • DLADY (UP ↓; TP: RM54.60 ↓) • NESTLE (UP↓; TP: RM128.00 ↓) • HAIO (UP ↔; TP: RM1.95↓) • QL (UP↔; TP: RM6.30↑) • SEM (UP↔; TP: RM1.35↔)
Gaming	A mixed bag of results. GENTING's 2Q19 results came in line with overall good casino performance from GENM and GENS where "luck factor" was still good although business volume came off post CNY-quarter. Besides considerably strong casino earnings, GENM also saw improving non-gaming revenue as the GITP started to bear fruits. GENM also registered solid earnings from UK and North America casino operations due to lower opex and improved business. While no changes to GENM's forecast, we trimmed GENTING's FY19/FY20 estimates by 0.6% each solely on adjustment for GENP. For NFO sub-sector, MAGNUM's 2Q19 beat estimates substantially by 20% given the higher-than-expected ticket sales of RM18.6m/draw in 1H19 vs. our FY19 assumption of RM16.7m/draw coupled with lower-than-expected prize payout ratio of 63.8% vs. our assumption of 66%. However, BJTOTO reported a shocking headline net loss of RM41.4m in 5Q19, which only consist of two-month period as it changed FYE to Jun from Apr, mainly due to RM78.4m impairment after its equity stake in PGMC was reduced to just below 40% from wholly-owned status previously in Jul. However, core NFO umbers were satisfactory. While keeping MAGNUM's forecast, we	Generally a mixed outlook for the casino operators as GENS is facing a challenging outlook on geopolitics issue while GENM is facing RPT concerns following the acquisition of Empire from the Lim family. That aside, GENM has settled the lawsuit with Fox which is highly positive and its brand-new outdoor theme park is scheduled to open by 3Q20 which will help to push non-gaming earnings higher. 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 operators will help to boost ticket sales which will benefit NFO players. We remain **OVERWEIGHT** on the sector.	**OP** • GENTING (OP ↔; TP: RM6.75 ↓) **MP** • BJTOTO (MP ↔; TP: RM2.80 ↑) • GENM (MP ↔; TP: RM3.20 ↔) • MAGNUM (MP ↔; TP: RM2.80 ↑)

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	revised BJTOTO's FY20/FY21 earnings estimates by 7%/8% solely on PGMC's reduced stakes. And, we also cut BJTOTO to MP after a strong rally of 31% YTD.		
Healthcare	The just concluded 2QCY19 results season saw a mixed bag of results. KPJ and Pharmaniaga's earnings came in line with expectations. However, IHH fell below our expectation and consensus' due to lower-than-expected contribution from Acibadem. We are concerned over issues at Fortis, including an auditor's qualified audit report in FY18, risk of more provisions, lapses in internal controls, which led to regulatory probing, which could well mean execution risk. Overall, revenue per inpatient increased across the board. However India hospitals revenue per inpatient admission decreased 16% as Fortis' revenue intensity is generally lower than Parkway Pantai's existing operations in India. As such, India losses continued to widen.	**Maintain UNDERWEIGHT**. Overall, we believe that 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 stock growth potentials are already reflected in the share prices. However, KPJ's valuations are looking undemanding. The stock is currently trading at 25% and 30% discount compared to its historical average of 26.5x and regional peers of 35x, respectively.	**OP** • KPJ (OP ↔; TP: RM1.15 ↓) **UP** • IHH (UP ↔; TP: RM4.85↓) • PHARMA (UP ↔; TP: RM2.35 ↔)
Media	**2QCY19** was weak as expected, given the on-going structural issue in the media scene. This is exacerbated by the weak consumer sentiment which could worsen as worries continue from the US-China trade war. Nevertheless, results mainly came in mixed (1 above, 2 within and 1 below). **ASTRO** performed better in 1Q20, owing to lower marketing and distribution costs, and lower net interest expense. **STAR's** 6M19 earnings came in way below our expectation, making up only 30% of our estimate, owing to the weaker Print and Digital topline. (-20%, YoY), coupled with the lack of major events (such as the general election last year). This was seen across all its segmet such as Radio broadcasting and event divisions that continued to disappoint with topline registering 28.1% and 21.5% decline, respectively. **MEDIAC's** 1Q20 core PATAMI came broadly within mainly due to the spring season that resulted in a surge in travel ticket sales. However, the core issue for the group remains unresolved, as cost containment efforts were not expanding at a quicker pace than its declining revenue from traditional segment. Nevertheless, the group still managed to generate a core PATAMI of RM9.4m (-25%), despite such	**The decline persist…** as traditional advertising medium are losing traction as compared to more interactive contents which are preferred by advertisers. Moreover , with c,>40% of Malaysia population currently aged below 24 years old, we reckon that traditional medium as an advertising platform could be phased out at a quicker rate than expected. **…with no end of the tunnel yet** as MEDIA, the earliest among ex-Astro media companies under our coverage, to embark on its business transformation journey (Odyssey), has yet to see any meaningful contribution. We believe this is due to the drastic shortcomings from its traditional business that still outweighs the gain from its other segments. With that, we believe this would the case for STAR and MEDIAC as well. All in all, we **maintain our NEUTRAL call** for the sector for now, but upgrade STAR and MEDIAC to MP given that both stocks have been trailing at all-time low levels, and we believe that both stocks might have achieved sustainable equilibrium level due to the respective group's better cost management.	**OP** • ASTRO (OP↔; TP: RM2.00 ↔) **MP** • MEDIAC (MP↑; RM0.165 ↔). • STAR (MP↑; RM0.570↓) **UP** • MEDIA (UP↔ ; TP: M0.260↔)

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	challenging environment. **MEDIA's** 1H19 was within our expectation as we believe we have sufficiency forecasted the negative earnings growth in our previous report (1Q19). Moreover, the group's lower operating expenses (-11%) was diminished by structural decline from its traditional segment.		
MREITs	**Mostly within expectations.** Almost all MREITs' results met expectations, save for MQREIT and SUNREIT that came in slightly below. This is slightly worse off than last quarter when all came in within. **QoQ,** top-line growths were mostly declining (-1% to -6%), as 2Q is seasonally a slower quarter and on tenant movements during that period, save for PAVREIT which was marginally higher by 5%. This translated to bottom-line growth for most (2-15%), save for AXREITwhich was flat. **YoY-Ytd,** top-line growth was mostly positive (2-18%), save for CMMT (-2%) and MQREIT (-8%) on lower rental contributions. As a result, bottomline also followed suit with CMMT (-12%) and MQREIT (-15%) declining, but other MREITs continued to see bottomline growth of up to 20%. Post results, most earnings estimates were unchanged save for SUNREIT and MQREIT which we lowered by 8% and 10%, respectively. Our calls for CMMT and MQREIT were lowered from OP to MP, in-line with the rest of the sector. Our TPs were increased by 0-6% post roling forward our valuations to FY20, but we also took the opportunity to lower TP for SUNREIT (-5%), CMMT (-4%) and MQREIT (-9%) due to earnings weakness.	**Fundamental outlook unexciting.** MREITs' reversions outlook remains sluggish at low single-digit or flattish due to oversupply concerns in the retail, office and hospitality segments. However, we do favour industrial assets due to the long-term leases c.6-10 years (vs. 2-3 years for retail and office) while reversions are on par with other asset classes (i.e. low to single-digit), providing earnings stability over a longer term. All in, 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 1-2%. **MGS volatile of late** in light of increased demand in the bond market globally due to fears arising from constant market volatility, the US Fed's dovish outlook on interest rates and even recession concerns from slowing global growth. Investors have been flocking to the bond market for safety and eventually the MGS, driving down MGS yield to 3.3% currently (from 3.6% in June-19) which is a positive for MREITS' share prices. However, near-term risk are potential exclusion from the FTSE Russell which may cause MGS yield to increase again. **Maintain NEUTRAL** on a 10-year MGS target of 3.70% for now, but we may look to lower our MGS target to 3.40%, slightly above current levels in light of investors' penchant for requiring stability in the bond market. Even if we lowered our MGS target to 3.40%, the sector is fairly priced and we would maintain its NEUTRAL call. At current level, MREITs are offering average gross yields of 5.4% which we deem as decent.	**<u>MP</u>** • AXREIT (MP ↔; TP: RM1.85 ↔) • CMMT (MP ↓; TP: RM1.10 ↓) • IGBREIT (MP ↔; TP: RM1.80 ↔) • KLCC (MP ↔; TP: RM7.75 ↑) • MQREIT (MP ↔; TP: RM1.05 ↓) • PAVREIT (MP ↔; TP: RM1.80 ↑) • SUNREIT (MP ↔; TP: RM1.80 ↓)
Oil & Gas	Results came in mostly satisfactory this season, with only 1 dissapointment (namely from PETDAG). In fact, this is an improvement from last quarter of 4 dissapointments. However, the quarter saw more "broadly within" expectations, as many names hinges on a better 2H19 performance (e.g. VELESTO,	Brent crude prices have been hovering >USD60/barrel mark for the past few weeks. While continued OPEC+ production cut compliance have helped curb market oversupply, recent worries stem from concerns over dwindling demand growth, not helped by recently intensifying trade war tensions between the U.S. and China. Our average Brent price	**<u>OP</u>** • DIALOG (OP ↔; TP: RM4.15 ↑) • PANTECH (OP ↔; TP: RM0.690 ↔) • SAPNRG (OP ↔; TP: RM0.430 ↔) • SERBADK OP ↔;

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	SAPNRG, DAYANG), on the back of increased oil and gas upstream activities anticipated for the later half of the year. Post-results, we upgrade call for WASEONG to MP, given recent share price weaknesses.	assumption remains USD65/barrel for 2019. 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, 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, SAPNRG and VELESTO as potential turnaround plays.	TP: RM5.25 ↔) • VELESTO (OP ↔; TP: RM0.35 ↔) • YINSON (OP ↔; TP: RM7.30 ↑) **MP** • DAYANG (MP ↔; TP: RM1.45 ↔) • MHB (MP ↔; TP: RM1.05 ↔) • MISC (MP ↔; TP: RM7.60↑) • PCHEM (MP ↔; TP: RM7.70 ↔) • PETDAG (MP ↔; TP: RM22.45 ↓) • WASEONG (MP ↑; TP: RM0.620 ↔) • UZMA (MP ↔; TP: RM0.610 ↓) **UP** • ARMADA (UP ↔; TP: RM0.200 ↑)
Plantation	**A disappointing quarter** where out of 13 plantation companies under our coverage, 10 missed our forecasts while 11 missed consensus estimates, and only one exceeded expectations. The companies that met expectations were HSPLANT and TSH. This was even weaker than 2QCY18 which saw 9/(10) companies missed our/(consensus) estimate. YoY, the planters reported a median earnings decline of 63%, as average CPO realised-price fell 15%, masking an average FFB increase of 5% arising from seasonality. Post results disappointments, we have trimmed FY19/20-20/21E earnings by a median of 15-13%. We have also reduced TP for 7 companies (CBIP, FGV, GENP IOICORP, KLK, PPB, TAANN), while we increased TP for SAB as we rolled forward valuations to CY20. For SIMEPLT, while we maintained TP, we have switched valuation method to PBV. Meanwhile, we upgraded FGV and IJMPLNT from UP to MP as we believe negatives have been mostly priced in.	While biodiesel mandates seem to be panning out well (expected to absorb c.13% of CPO production in Indonesia and c.4% in Malaysia), falling crude oil prices, which causes the difference between gasoil and palm oil to narrow (average in August at c.USD50-60/MT) may reduce the attractiveness of discretionary biodiesel blending. Additionally, India's proposed import tariff increase of 5% (from 45% to 50%), if implemented, would adversely impact the demand/exports of Malaysian palm oil as businesses are likely to turn to Indonesia (import tarrif also at 50%) given its cheaper price. We believe CPO prices will continue to remain range-bound for the remaining 2HCY19, potentially trading in the range of RM1,900-2,200/MT and averaging RM2,000/MT in 2019. as we expect to see production peak in Oct-Nov, leading to rising stockpiles in both Indonesia and Malaysia (possibly revisiting the 2.8-3.0m MT mark), capping further upside to CPO prices All-in, we maintain **UNDERWEIGHT** on the plantation sector, but may look to upgrade the sector to NEUTRAL should we see signs of weaker-than-expected production and/or	**MP** • CBIP (MP ↔; TP: RM0.850 ↓) • FGV (MP ↑; TP: RM1.00 ↓) • HSPLANT (MP ↔; TP: RM1.50 ↔) • IJMPLNT (MP ↑; TP: RM1.40 ↔) • IOICORP (MP ↔; TP: RM4.10 ↓) • TAANN (MP ↔; TP: RM2.20 ↓) • TSH (MP ↔; TP: RM0.900 ↔) • UMCCA (MP ↔; TP: RM5.00 ↔) **UP** • GENP (UP ↔; TP: RM8.80 ↓) • KLK (UP ↔; TP: RM21.50 ↓) • PPB (UP ↔; TP: RM15.60 ↓) • SIMEPLT (UP ↔; TP: RM4.00 ↔) • SAB (UP ↔; TP: RM2.90 ↑)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
		continuously stronger-than-expected exports.	
Plastic & Packaging	**Mixed results.** Plastic packagers' results were a mixed bag with three coming in below (SCGM, TOMYPAK and SCIENTX), and two within (SLP and TGUAN). This is slightly worse off that the previous quarter when only two came in below (TOMYPAK and SCGM). The reason for the weak results were due to weaker top-line and higher-than-expected raw material and fixed costs, as well as weaker margins during the quarter. **YoY-Ytd,** TGUAN is the only stock among our plastic packagers that saw bottom line growth (+43%) due to better operating margins. SCGM, SCIENTX, SLP, and TOMYPAK saw declines ranging from 1% to 789%, attributable to a variety of reasons such as higher raw material and finance cost, less favourable product mix, and higher effective tax rate. **QoQ**, most packagers saw flattish to declining bottomlines (-2% to -946%) on weaker product mix and rising cost, while SLP was the only one that saw CNP growth (+28%) on a better product mix and lower raw material cost. TOMYPAK continued to post losses albeit narrowing, while a recent auditors' report indicated that material uncertainty exist which may cast doubt on the Group's ability to continue as a going concern. **Cut earnings and TP's.** We trimmed SCGM, TOMYPAK and SCIENTX estimates on weak earnings and lowered our TPs as a result. However, we increased our TPs for SLP and TGUAN marginally post rolling forward to FY20E. Our calls remain unchanged save for SLP which we upgraded to an OP (from MP).	**Focussed on increasing utilisation.** Plastic packagers have been focusing on capacity expansion over the past three years, and are now focused on ramping up utilization to drive top-line growth. Going forward, we expect SLP to gradually increase annual capacity by 38% by FY21-22, while other packagers such as SCIENTX will focus on ramping utilisation, targeting 70% over the next few years while TOMYPAK plans to 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). **Margins and earnings improvements yet to be seen.** Additionaly, we are also concerned on the quality of product mix as packagers' margins remain weak or flattish despite declining raw material cost, with two packagers under our coverage falling into the red. Resin cost has been on the declining trend and is currently range bound between USD900-1,000/MT, while our full-year assumptions are slightly more conservative, estimating resin cost of USD1,000-1,300/MT. **Maintain NEUTRAL** as we believe most positives have been priced in for now, while we are awaiting to see more convincing and consistent margin improvements once the product mix starts to improve amidst the backdrop of lower resin cost. We will continue to monitor plastic packagers' margins closely as we believe strong catalyst hinge on stable margin improvements.	**<u>OP</u>** • SLP (OP ↑ ; TP: RM1.45 ↑) **<u>MP</u>** • SCIENTX (MP↔; TP: RM8.15 ↔) • TGUAN (MP ↔; TP:RM2.45 ↑) **<u>UP</u>** • SCGM (UP ↔; TP:RM0.850 ↓) • TOMYPAK (UP ↔; TP: RM0.270 ↓)
Ports & Logistics	A satisfactory quarter for the ports players with both MMCCORP and WPRTS coming in broadly within expectations. Notably, WPRTS' management revised their throughput guidance upwards to high single-digit (from previously 3-8% growth) following a commendable 17% hike in throughput volume for 1H19. Nonetheless, as we are comfortable with our earnings forecast coupled with an expected tapering down of throughput growth levels in 2H19 following previous year's high-base effect, we have opted to remain conservative for now by maintaining our throughput assumptions of 5%. On the flip side, the logistics players	Maintain NEUTRAL on the sector given the lack of re-rating catalyst in the near-term. Notably, the on-going U.S.- China trade spat is observed to pose almost nil impact to the ports players with earnings still coming in broadly within expectations. Moving forward, MMCCORP's earnings are expected to be mainly driven by its ports operations coupled with ther construction works for MRT 2. Meanwhile, we view WPRTS as a longer-term prospect with land reclamation of Westport 2 likely to commence earliest from 1Q20, anticipating full completion by 2040. That said, we rule out any earnings accretive development over the next two years. On the other hand, the	**<u>MP</u>** • MMCCORP (MP ↔,TP: RM1.10 ↔) • WPRTS (MP ↔, RM3.75 ↔) **<u>UP</u>** • CJCEN (UP ↔, TP: RM0.300 ↓) • POS (UP ↔; TP: RM1.25 ↓)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
	continue to remain in the red. POS missed expectations yet again due to the dragging performance from its postal service segment. That said, larger losses were forecasted post-results at RM41m/RM54m for FY19/FY20. Similarly, CJCEN registered widening losses as the company continued to suffer from expansion costs in tandem with weaker total logistics operations. With the group's near-term outlook set to remain bleak, we cut FY19/20E earnings to losses of RM8.3m/RM3.6m with a lower TP of RM0.300 (from previously RM0.370).	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	**A worse off quarter**. Out of 14 developers under our coverage; (i) 43% were below our earnings expectations compared to 36% in 1QCY19 (AMVERTON, LBS, MAGNA, MAHSING, MRCB and SPSETIA) mainly due to timing of billings, and weaker margins from inventory clearing efforts. (ii) 14% surprised positively mainly on better-than-expected billings and/or project margins (SIMEPROP, SUNSURIA), and (iii) the rest were within to broadly within expectations. For those that missed expectations, we reduced our FY19E earnings estimates by 11%-95%. Most developers are still **focused on inventory clearing efforts** as we are seeing inventory levels coming off gradually; in turn, these resulted in weaker, if not flattish, margins on a YoY basis given rebate/discount and marketing initiative. Post results, we downgraded SPSETIA and SUNSURIA to MP (from OP), while keeping our recommendations for the remaining. We downgraded TP for four stocks (MAGNA, MRCB, MAHSING, and SPSETIA) while others remain intact	**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 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 the doldrums since 2015 and still sorely lacking 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.	**OP** • ECOWLD (OP ↔; TP: RM1.15 ↔) • IOIPG (OP ↔, TP: RM1.65 ↔) • MAHSING (OP ↔; TP: RM1.00 ↓) • SIMEPROP (OP ↑; TP: RM1.10 ↔) • UEMS (OP ↑; TP: RM0.835 ↔) **MP** • LBS (MP ↔; TP: RM0.495 ↔) • SPSETIA (MP↓ ; TP: RM1.85 ↓) • SUNSURIA (MP ↓; TP: RM0.760 ↔) • SUNWAY (MP ↔; TP: RM1.60 ↔) • UOADEV (MP ↔; TP: RM2.15 ↔) **UP** • AMVERTON (UP ↔; TP: RM1.00 ↔) • HUAYANG (UP ↔; TP: RM0.335 ↔) • MAGNA (UP ↔; TP: RM0.710 ↓)MRCB (UP ↔; TP: RM0.700 ↔)
Rubber Gloves	The just concluded 2QCY19 results season for glove makers under our coverage came in within expectations except for Supermax. The star performer was Kossan which recorded a 30% YoY net profit growth, underpinned by new capacity expansion in plant 16, 17 and 18. Hartalega saw a small sequential growth in 1Q19. We are expecting better performance in subsequent	**Maintain OVERWEIGHT**. Our investment case is based on: (i) our analysis that the new capacity expansion is slower-than-expected, which should help maintain the supply-demand equilibrium, (ii) earnings growth to resume in subsequent quarters, boosted by higher ASPs, and (iii) weakening of the MYR against the USD. Following retracement in YTD 2019 share	**OP** • KOSSAN (OP ↔; TP: RM5.25 ↔) • HARTA (OP↔; TP: RM5.85 ↔) • SUPERMX (OP ↑; TP: RM1.70 ↔) **MP** • TOPGLOV (MP

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
	quarters on the back of uptick in demand and potential margins expansion emanating from operating efficiency and better economies of scale due to increased capacity and higher volume sales. However, Supermax's 4Q19 was hit by competition in the latex segment and an up-trending input rubber latex price. This led to a mismatch between input material cost and ASP, which negatively impacted bottom-line. However, we keep our FY20E earnings forecast unchanged driven by new capacity and easing of input raw material cost.	prices of rubber glove stocks under our coverage, we believe all the negatives are largely priced in. 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 margins, efficiency and cost reduction management, (ii) constantly evolving via innovative products development i.e. awaiting FDA's approval on Anti-Microbial Gloves (AMG), and (iii) its booming nitrile gloves segment. We like Kossan because it is trading at an unwarranted 25% discount to peers' PER average considering that its net profit growth is the highest at 23.7% compared to peers' average of 7%. Reiterate Outperform.	↔ ; TP: M4.70↔)
Technology	**Slowing down.** Out of 6 companies under our coverage, 5 missed our/consensus estimates, same as last quarter. The only company which met expectations was MPI. On a brighter note, the companies' earnings improved by an average of 4% QoQ as the previous quarter (1QCY19) was a seasonally weak season for the technology sector. On the other hand, the companies posted a median YoY earnings decline of 26% owing to a general slowdown in the semiconductor sector and consumer spending. Post results disappointments, except for MPI, we have cut FY19-20E (FY20-21E for SKPRES) earnings across the board by an average of 9-8%, and reduced TPs by an average of 5%. However, we have upgraded UNISEM and KESM from UNDERPERFORM to MARKET PERFORM (KESM later upgraded to OUTPERFORM in a company update) on valuation grounds.	Though uncertainty remains amid trade war, we reckon that the outlook for the technology sector is turning slightly more encouraging. In the automotive segment, we are seeing possible signs of recovery in major markets like China and the Europe in 2H19 as the adverse effect of new emission standards dissipates. In the smartphone market, the launch of several new North American flagship smartphone models (likely in 3Q19) may also reboot sentiment. In the EMS space, PIE has seen an influx of enquiries from companies looking to shift their supply chains out of China and we gather that talks are still on-going. Meanwhile, prospects for SKPRES remain promising as they continue to see contracts driven by its major customers' shift to newer, evolutionary models. **Maintain OVERWEIGHT** on the sector with preference for: (i) MPI (OP, TP: RM12.10) as its earlier new production introductions (NPI) and major expansion in Suzhou are expected to resuscitate earnings, while valuation is cheap at an attractive ex-cash PER of 6x; (ii) D&O (OP, TP: RM0.625) and (iii) KESM (OP, TP: RM8.70), both prime proxies for the automotive market recovery given their automotive-centric portfolio.	<u>**OP**</u> • D&O (OP ↔, TP: RM0.625 ↓) • KESM (OP ↑, TP: RM8.70 ↑) • MPI (OP ↔, TP: RM12.10 ↔) <u>**MP**</u> • PIE (MP ↔, TP: RM1.20 ↓) • SKPRES (MP ↔, TP: RM1.15↓) • UNISEM (MP ↑, TP: RM2.05↓)
Telecom-munications	**Unsurprising quarter.** AXIATA, DIGI, MAXIS, OCK and TM all delivered results as expected. Incumbent celcos face similar industry headwinds in keeping customers sticky amidst shrinking ARPU numbers. Topline aside, cost	Cost rationalisation continues to be at the forefront of the telco players against the persistent and increasingly stiff competitive market. TM's decision to re-enter the mobile segment raised many eyebrows, as capex could have been better spent	<u>**MP**</u> • AXIATA (MP ↑; TP: RM4.80↑) • OCK (MP↓ ; TP: RM0.630↔) • TM (MP↓ ; TP:

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
	management is the way to go for the players to keep bottomlines in check. TM continued to enjoy the fruits of its past performance improvement efforts with higher margins yielded. However, news of the group venturing into the mobile segment was received negatively given the already challenging market environment. Towerco OCK saw seasonal weakness, albeit as anticipated. 2H periods are expected to be boosted by more tower works completion and with more towers operational. We downgraded OCK and TM to MARKET PERFORM from OUTPERFORM as our target prices remain unchanged post their respective stock rallies. Meanwhile, AXIATA was upgraded on better-than-expected long-term results from Celcom.	on improving or expanding its core fixed line infrastructure. While this could eat into the cost savings the group has worked hard to achieve, we hold from imputing any impact from this segment currently given that efforts are still at its infancy stages. Affecting AXIATA and DIGI, indications are that the merger with Telenor is still much intact and is earmarked for completion by Nov 2019. Recall that the merger looks to bring about cost synergies of up to RM20b between the two giants (AXIATA, Telenor). Maintain **NEUTRAL** call for the sector.	RM3.95↔) • DIGI (MP↔ ; TP: RM4.70↔) **UP** • MAXIS (UP↔ ; TP: RM4.90↔)
Utility	Generally a satisfactory quarter as all results matched expectations except PESTECH's 4Q19, albeit with strong growth of 58% QoQ but not good enough and missed forecast due to lower-than-expected revenue recognition. TENAGA's 2Q19 remained strong on seasonally lower capex and opex as well as solid demand growth which may not repeat in 2H19. MALAKOF's 2Q19 saw lower profit on widening losses at KEV and higher taxation but YTLPOWR saw a surprise turnaround in YES and narrowed losses at Power Seraya in 4Q19 results. Meanwhile, PETGAS' 2Q19 core profit rose 11% QoQ led by lower depreciation boosted gas processing earnings, lower opex led gas transportation earnings higher and better volume and prices pushed utilities profit higher. Elsewhere, GASMSIA reported yet another strong set of resuls for 2Q19 which jumped 19% QoQ on the back of higher volume and lower opex. In all, we keep all forecasts except PESTECH of which we cut FY20 earnings estimates by 13% on lower revenue assumption from the lower-than-expected 4Q19 revenue. During the results review, we upgraded YTLPOWR to OP from MP at RM0.82 as the recent heavy sell-down is seemingly overdone.	We remain **Neutral** on the sector given the lackluster outlook for the two major stocks TENAGA and PETGAS as the fear of sector reform will continue to depress the former while the uncertainty of rate cut for RP1 will dent sentiment toward the latter. Management still maintains TENAGA's RM5.0b-RM5.4b normalised PAT target for FY19 while 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 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 is expected to experience seasonally weak 1H20 but its sizeable orderbook of RM1.6b should chart the earnings growth for the next two years. **Maintain NEUTRAL on the sector**.	**OP** • MALAKOF (OP↔; TP: RM1.00 ↔) • PESTECH (OP ↔; TP: RM1.75 ↓) • YTLPOWR (MP ↑; TP: RM0.820 ↓ **MP** • GASMSIA (MP ↔; TP: RM3.00 ↓) • PETGAS (MP ↔; TP: RM15.75↓) • TENAGA (MP ↔; TP: RM13.40 ↔)

Source: Kenanga Research

Figure 8: Earnings Track Records of FBMKLCI (as at end-Aug19)

FBMKLCI Index 96) Actions 97) Export 98) Settings Financial Analysis
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

	Y	2014 Y	2015 Y	2016 Y	2017 Y	2018 Y	Current	2019 Y Est	2020 Y Est
12 Months Ending	.3	12/31/2014	12/31/2015	12/30/2016	12/29/2017	12/31/2018	09/03/2019	12/31/2019	12/31/2020
Income & Expenses p...									
Sales	1	675.41	650.48	592.91	662.05	612.59	616.11	624.00	654.79
Gross Margin %	–	–	–	–	–	–		33.76	32.97
EBIT	3	143.12	135.64	134.61	145.58	114.80	121.00	115.88	124.50
Margin %	1	19.40	18.84	22.77	22.16	18.71	19.63		
EBITDA	6	205.15	200.02	198.27	226.45	173.29	178.59	191.75	202.00
Margin %	8	30.37	30.75	33.44	34.20	28.29	28.99		
R&D Expense	2	0.80	0.80	0.83	0.09	0.08	0.64		
Earnings	4	108.19	94.15	98.28	104.47	79.68	82.54	96.20	102.46
Earnings before XO	6	108.19	94.15	98.28	104.47	79.68	82.54		
Diluted Earnings from Co...	9	107.31	92.88	93.10	103.57	92.58	92.35		
Earnings, Positive	4	108.19	98.76	98.28	104.47	92.54	89.29	96.20	102.46

Source: Bloomberg

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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.***

Published and printed by:

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