

3QCY18 Results Review

Continued Weakness

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FBMKLCI	1,699.72
Target	1,805.00 ↓

The just-concluded 3Q18 reporting season showed some signs of improvement. However, we believe the improvements are insufficient to excite the market as we continue to see negative earnings revisions despite our earnings downgrades since the last two quarters. We further cut our FBMKLCI FY18E/FY19E earnings growth estimates to -0.2%/3.5% (from 4.2%/1.4% as of 2 Oct 2018 and 4.3%/3.5% as of 4 Sep 2018). As such, our end-2019 index target is lowered to 1,805 (from 1,870 previously), representing FY18E/FY19E PER of 15.7x/14.7x. Note that, apart from lower earnings, substantial cuts in some key index constituents' target prices; such as GENM, GENTING, IHH, TELEKOM and TENAGA, have also attributed to the downgrade in Index Target. For the quarter, (i) Building Materials, (ii) Media and (iii) Utilities sectors were the major culprits while (i) Construction, (ii) Consumer and (iii) Plantation sectors displayed some signs of weakness as well. Post results revision, we still maintain **OUTPERFORM** rating for most of our 3Q18 Top Picks: - AEON (TP: RM2.60↔), AIRASIA (TP: RM3.25↓), BIMB (TP: RM4.95↑), D&O (TP: RM1.00↔), PESTECH (TP: RM1.95↔), PPB (TP: RM18.35↔), SERBADK (TP: RM4.45↔), TAKAFUL (TP: RM4.85↑) and TENAGA (TP: RM16.45↓).



Improved, but ... The recently concluded 3Q18 results season showed some signs of improvement. Out of 146 stocks under our core coverage, 45 of them delivered weaker-than-expected results, implying a “disappointment ratio” of 30.8% (vs. 33.6% in 2Q18 and 32.0% in 3Q17). On the other extreme, 15% of the stocks under coverage (or 22 stocks) outperformed our expectations in this reporting season as opposed to the mere 10.3% (or 15 stocks) seen in the previous quarter. Nonetheless, despite such improvements, we believe the improvements are not enough to excite the market as we continue to see earnings downgrades of 9.1% for this financial year and 6.4% for the next financial year, on average, for the 146 stocks under our coverage. We deem this as continued earnings weakness as we have revised down our earnings estimates since the last two quarters.

Sector-wise, (i) Building Materials, (ii) Media and (iii) Utilities sectors were the major culprits while **(i) Construction, (ii) Consumer and (iii) Plantation** sectors displayed some signs of weakness as well (see Figure 8 for details).

- **Building Materials:** The major disappointments were caused by (i) higher-than-expected alumina prices for PMETAL, (ii) higher-than-expected raw material prices and lower steel demand for ANNJOO, (iii) lower-than-expected cement demand for LAFMSIA, and (iv) lower-than-expected tiles demand for WTHORSE.
- **Construction:** Disappointments were largely due to (i) slowdown in infrastructure projects after project reviews, (ii) lo and er-than-expected margins due to higher billings of lower margin projects/products.
- **Consumer:** Overall, the sector was hit by the overly optimistic sales growth assumptions on our end. Besides, the positive impact of zero-rated GST tax holiday was not as strong as we had initially assumed.
- **Media:** Prolonged weak advertising revenue as a result of subdued adex outlook on slower economy and policies' uncertainties continued to drag incumbents' profitability.
- **Plantation:** All planters under our coverage recorded lower YTD CPO prices received with an average decline of 17.2%, overshadowing the sector's flat FFB growth (+0.8%). As a result, all the planters posted softer core earnings with the exception of PPB, which was lifted by other non-plantation segments.
- **Utilities:** TENAGA missed forecast on higher fuel costs as well as rising finance costs on new Sukuk issuance. YTLPOWER fell short of expectations due to PowerSeraya's maiden losses. MALAKOF was hit by another boiler-related issue, which may lead to operational uncertainties. Meanwhile, PESTECH had a slow start in the seasonally weak quarter due to lower work claim progress.



04 December 2018

While the Telco sector did not outright outperform our expectations, the sector has **somewhat shown positive developments coming from TM and OCK**. TM posted decent operational performance and OCK's regional contribution continued to climb despite some slowdowns in the local segment.

As for the Top Picks selected early of this quarter, despite **PESTECH and TENAGA** showed temporary weakness, the majority of them (**AEON, AIRASIA, D&O, MAYBANK, PPB and SERBADK**) had delivered decent sets of results. **BIMB** and **TAKAFUL** have proven to be the outstanding performers. The positive deviation in BIMB was attributed to higher-than-expected financing growth coupled with lower-than-expected impairment allowances. TAKAFUL, on the other hand, was boosted by better underlying operational ratios.

Revisions in Growth Estimates and Index Target:

Further cut in earnings. Post results, we continue to see another round of negative earnings revisions. **For all 146 stocks under our coverage, we reduced our FY18E/FY19E net earnings by 9.1%/6.4% on average (vs. 6.8%/6.2% in 2Q18)**. These earnings revisions are much larger in contrast to FBMKLCI constituents. **Based on our FBMKLCI Earnings Universe, FY18E/FY19E earnings growth estimates are further revised down to -0.2%/3.5%** (vs. 4.2%/1.4% as of 2 October 2018 and 4.3%/3.5% as of 4 September 2018). Sectors that see substantial cut in earnings are: (i) Gaming, (ii) Plantation, (iii) Power Utilities, and (iv) Telco.

Note that consensus also cut FY18E/FY19E earnings growth to -3.9%/6.9% from -1.6%/6.3% previously, as per Bloomberg data.

Due to our earnings and target price downgrades, we have further fine-tuned our **end-2019 index target lower to 1,805** (from 1,870 previously), representing FY18E/FY19E PERs of 15.7x/14.7x. Our Index Target is derived via the average of the followings:-

- **Top-Down:** Applying an unchanged target PER of 15.5x, coupled with our revised FY19E earnings estimates, we derive an end-2019 index target of 1,830 (vs. 1,860 previously), and
- **Bottom-Up:** 1,780 (vs. ~1,880 previously), representing 15.5/14.5x PER to our FY18E/FY19E earnings estimates. The substantial downgrade in index target was due to major target price cuts in GENM, GENTING, IHH, TELEKOM and TENAGA.

Our index target downgrade is also in line with the recent cut in consensus index target. Note that consensus has recently lowered index target to 1,825 as of end-Nov 2018 as opposed to ~1,895 as of end-Oct 2018/Sep 2018.

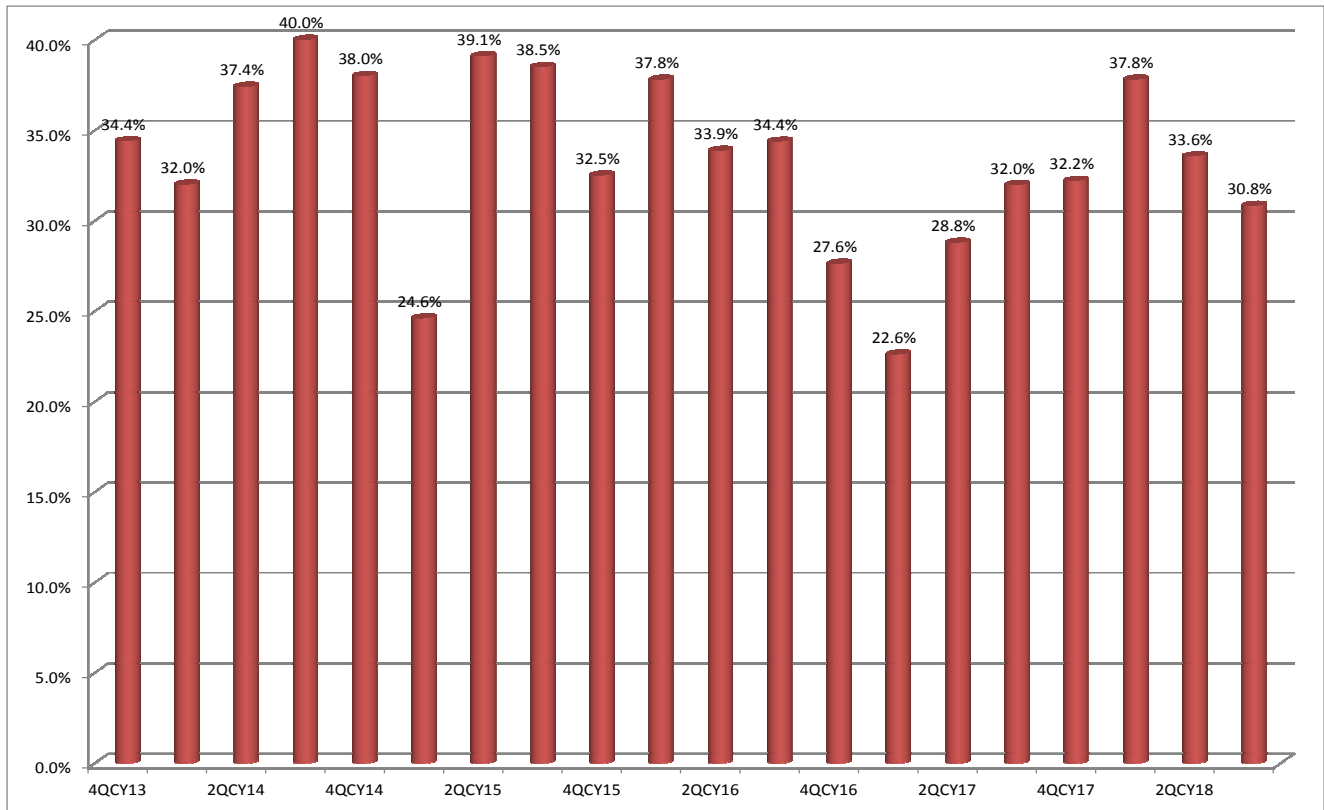
Short-term market outlook:

- Despite recent corrections, the local equity benchmark index, **FBMKLCI, is still trading at a premium against its regional peers**. The Forward PER Valuation Premium of FBMKLCI over Selected Regional Peers (see Figure 10) was recorded at 19.8%, which is at the higher end of its historical range. This could limit potential foreign equity inflow. In fact, as of end-Nov 2018, we saw total net foreign equity outflows of RM2.1b and RM10.7b, respectively, since end-Sep 2018 and end-Dec 2017.
- At this juncture, there is **no concrete trading signal** emerging as per our (Monthly) Algo-Trading Model. Indeed, RSI-driven Model is in a buying-mode while PER-driven Model is in a selling-mode. Other models have yet to show any meaningful signals.
- While there is no clear trading signal, **we do not rule out that the FBMKLCI could probably trade up to ~1,735 in the immediate term** as the discount of FBMKLCI (against Consensus Index Target) could revert back to its 36-month mean of 4.9%-discount, from the current level of 7%-discount (see Figure 11).
- While it is not so meaningful to peg an end-2018 Index Target, there is some 50% probability for the index to close above 1,710, as per our Simulation Study (see Figure 12).

Post results revision, we still maintain OUTPERFORM rating for some of our 3Q18 Top Picks: - **AEON (TP: RM2.60↔), AIRASIA (TP: RM3.25↓), BIMB (TP: RM4.95↑), D&O (TP: RM1.00↔), PESTECH (TP: RM1.95↔), PPB (TP: RM18.35↔), SERBADK (TP: RM4.45↔), TAKAFUL (TP: RM4.85↑) and TENAGA (TP: RM16.45↓).**

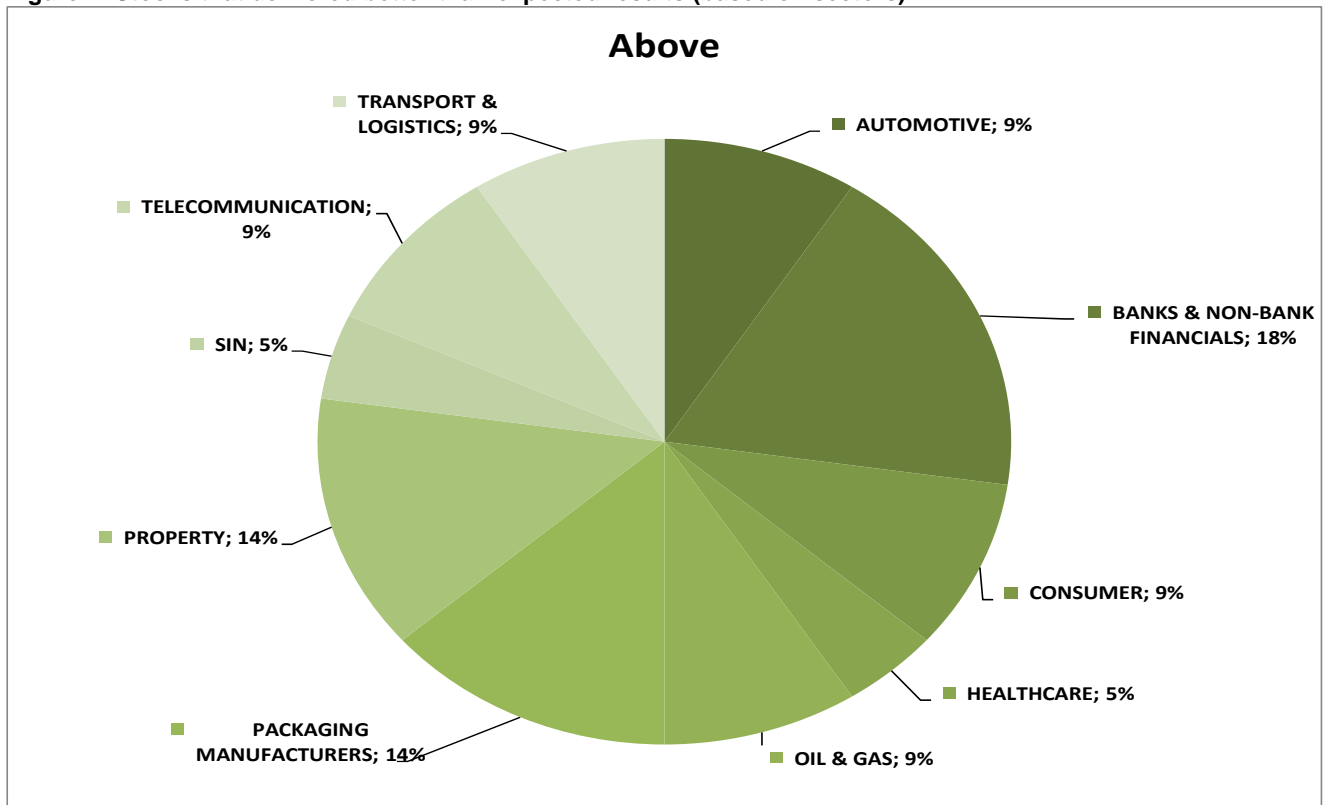
Appendix

Figure 1: Disappointment Ratio of Quarterly Results from 4QCY13 to 3QCY18



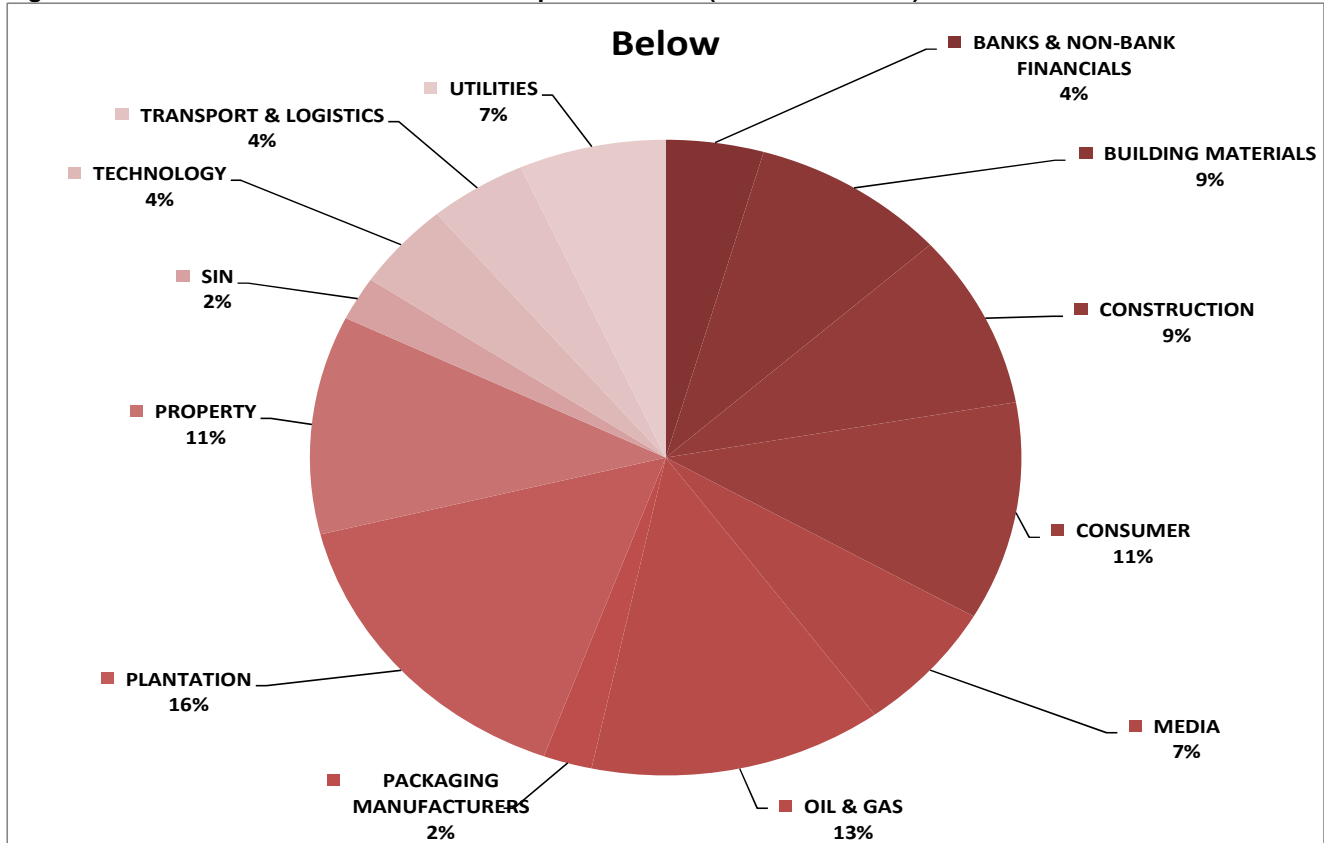
Source: Kenanga Research

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



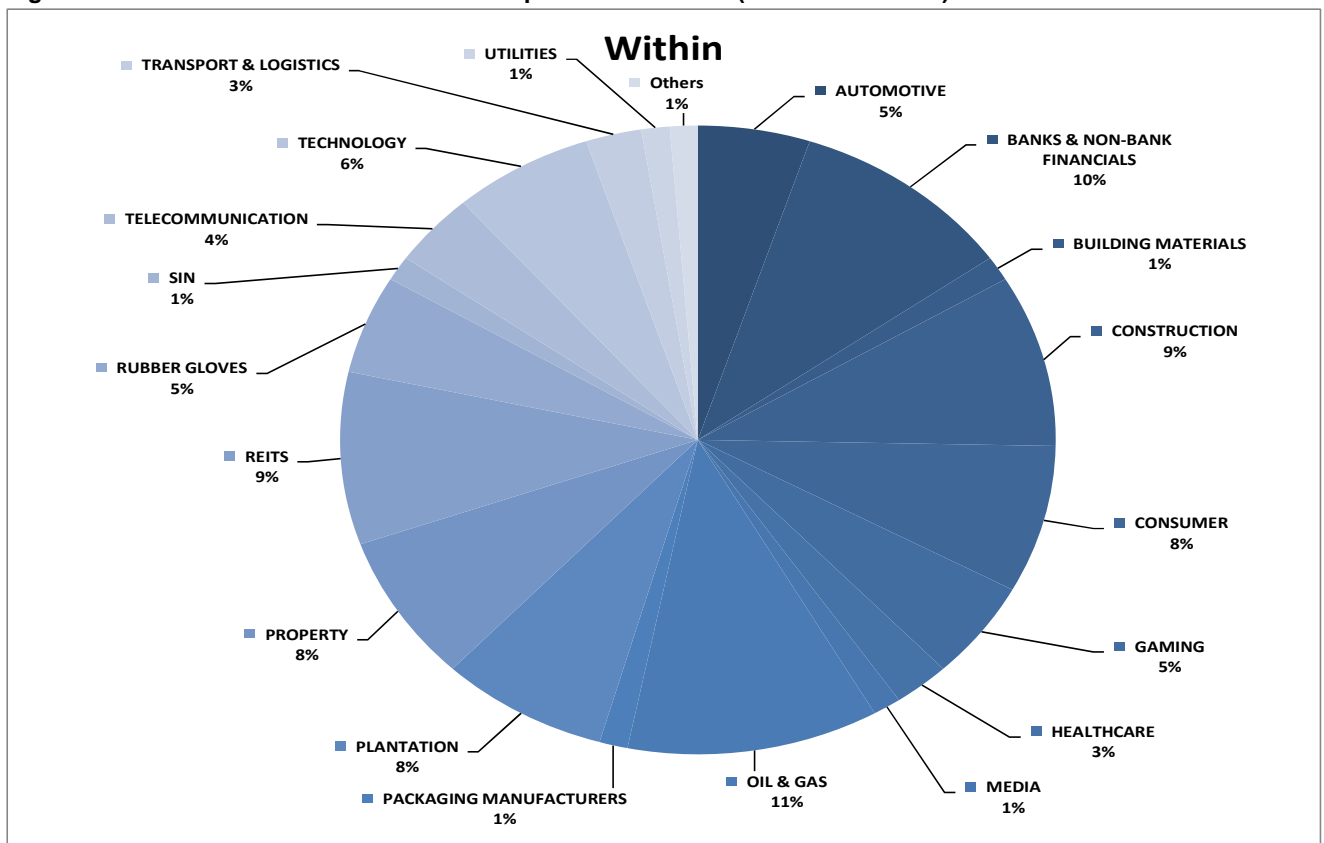
Source: Kenanga Research

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 estimates		Target		Call/Rating	
			FY17/18	FY18/19	YoY % Chg	FY17/18	FY18/19	YoY % Chg	KNK	Mrkt	FY18/19	FY19/20	KNK	Mkt	Price (RM)	UP/MP/OP		
AUTOMOTIVE			27,551.1	28,914.4	4.9%	154.8	719.3	364.7%	Within-Above	Within-Above	6.2%	6.1%						
1	BERMAZ AUTO BHD	1Q19	391.2	485.4	24.1%	20.2	50.3	149.0%	Within	Within	0.0%	0.0%	Within	Within	2.50	↔	OP	↔
2	DRB-HICOM BHD	2Q19	6,370.0	5,839.0	-8.3%	297.0	(0.7)	-100.2%	Within	Within	0.0%	0.0%	Within	Within	2.00	↓	MP	↔
3	MBM RESOURCES BERHAD	3Q18	1,288.8	1,429.2	10.9%	53.7	105.5	96.5%	Within	Above	0.0%	0.0%	Within	Within	3.60	↔	OP	↔
4	SIME DARBY BERHAD	1Q19	8,144.0	8,845.0	8.6%	72.0	171.0	137.5%	Within	Within	0.0%	0.0%	Within	Within	2.55	↔	MP	↔
5	TAN CHONG MOTOR HOLDINGS BHD	3Q18	3,265.3	3,691.4	13.0%	(69.2)	69.0	199.7%	Above	Above	34.0%	31.0%	Within	Within	2.30	↔	OP	↔
6	UMW HOLDINGS BHD	3Q18	8,091.8	8,624.4	6.6%	(218.9)	324.2	248.1%	Above	Above	3.0%	5.3%	Within	Within	5.80	↑	OP	↔
BANKS & NON-BANK FINANCIALS			53,229.2	53,253.9	0.0%	17,445.7	18,591.2	6.6%	Mix	Mix	0.5%	0.8%						
7	AEON CREDIT SERVICE BERHAD	2Q19	429.0	457.1	6.6%	140.4	173.1	23.3%	Within	Within	0.0%	0.0%	Within	Within	15.80	↑	MP	↔
8	AFFIN HOLDINGS BERHAD	3Q18	1,457.0	1,467.0	0.7%	311.9	359.3	15.2%	Within	Within	0.0%	0.0%	Below	Below	2.50	↔	OP	↔
9	ALLIANCE BANK MALAYSIA BHD ^	2Q19	780.5	800.3	2.5%	257.8	276.9	7.4%	Within	Within	0.0%	0.0%	Within	Within	4.40	↔	OP	↔
10	AMMB HOLDINGS BHD	2Q19	1,962.7	1,998.2	1.8%	659.7	695.7	5.5%	Above	Within	0.0%	0.0%	Within	Within	4.50	↔	OP	↔
11	BIMB HOLDINGS BHD	3Q18	1,879.8	2,096.2	11.5%	470.2	520.7	10.7%	Above	Above	13.2%	9.9%	Above	Above	4.95	↑	OP	↔
12	BURSA MALAYSIA BHD	3Q18	255.5	265.3	3.8%	167.8	172.2	2.6%	Below	Below	-8.0%	-5.1%	Within	Within	7.60	↑	MP	↔
13	CIMB GROUP HOLDINGS BHD	3Q18	13,108.3	12,215.7	-6.8%	3,414.9	3,375.4	-1.2%	Below	Below	-4.0%	-3.8%	Within	Within	6.05	↓	MP	↓
14	HONG LEONG BANK BERHAD	1Q19	1,178.6	1,249.0	6.0%	639.0	706.9	10.6%	Within	Within	0.0%	0.0%	Within	Within	20.15	↔	MP	↔
15	LPI CAPITAL BERHAD	3Q18	1,107.1	1,124.6	1.6%	227.8	230.0	1.0%	Within	Within	0.0%	0.0%	Within	Within	16.30	↔	MP	↔
16	MALAYAN BANKING BHD	3Q18	17,288.9	17,328.7	0.2%	5,388.4	5,786.9	7.4%	Within	Within	0.0%	0.0%	Within	Within	9.75	↔	MP	↓
17	MALAYSIA BUILDING SOCIETY BHD	3Q18	1,103.6	1,047.2	-5.1%	293.1	369.0	25.9%	Within	Within	0.0%	10.7%	Within	Within	1.25	↓	OP	↔
18	PUBLIC BANK BERHAD	3Q18	7,960.2	8,132.8	2.2%	3,984.6	4,185.3	5.0%	Within	Within	0.1%	-2.0%	Within	Within	23.85	↔	MP	↔
19	RHB BANK BHD	3Q18	4,718.0	5,071.8	7.5%	1,490.1	1,739.8	16.8%	Above	Above	5.4%	0.2%	Within	Within	5.75	↔	OP	↔
20	SYARIKAT TAKAFUL MALAYSIA KELUARGA BHD	3Q18	1,621.4	1,937.6	19.5%	150.4	204.4	35.9%	Above	Above	8.3%	4.1%	Within	Within	4.85	↑	OP	↔
BUILDING MATERIALS			9,412.8	10,313.7	9.6%	477.5	311.1	34.8%	Below	Below	-23.0%	-42.3%						
21	ANN JOO RESOURCES BHD	3Q18	1,585.1	1,646.4	3.9%	151.2	99.4	-34.3%	Below	Below	-24.0%	-17.0%	Within	Within	1.25	↓	MP	↓
22	LAFARGE MALAYSIA BHD	3Q18	1,672.5	1,574.1	-5.9%	(134.9)	(256.7)	-90.3%	Below	Below	-56.0%	-148.0%	Within	Within	1.80	↓	UP	↔
23	PRESS METAL BHD	3Q18	6,007.3	6,938.1	15.5%	442.2	464.3	5.0%	Below	Below	-12.0%	-4.0%	Above	Above	4.80	↓	MP	↔
24	UNITED U-LI CORPORATION BHD	3Q18	147.9	155.1	4.9%	19.0	4.1	-78.4%	Broadly Within	Below	0.0%	0.0%	Within	Within	0.675	↔	MP	↑
25	WHITE HORSE BHD	3Q18	473.7	459.7	-3.0%	17.2	(1.8)	-110.5%	Below	Below	-162.0%	-187.0%	Within	Within	1.50	↓	UP	↓
CONSTRUCTION			14,125.3	15,390.6	9.0%	1,570.8	1,667.0	6.1%	Within-Below	Within-Below	-5.9%	-7.8%						
26	EVERSENDAI CORP BHD	3Q18	1,311.2	1,213.3	-7.5%	49.4	47.3	4.3%	Below	Below	-15.0%	-21.0%	Within	Within	0.505	↓	UP	↔
27	GAMUDA BHD ^	4Q18	3,211.4	4,227.1	31.6%	700.6	818.4	16.8%	Within	Within	-4.0%	0.0%	Within	Within	3.35	↔	OP	↔
28	GEORGE KENT (MALAYSIA) BHD ^	2Q19	317.0	212.7	-32.9%	43.7	41.6	-4.8%	Below	Below	0.0%	0.0%	Below	Below	1.20	↔	MP	↔
29	HOCK SENG LEE BHD	3Q18	275.8	459.3	66.5%	31.9	42.3	32.6%	Broadly Within	Broadly Within	0.0%	0.0%	Within	Within	1.30	↔	MP	↑
30	IJM CORP BHD	2Q19	3,062.1	2,753.5	-10.1%	250.4	224.9	-10.2%	Within	Within	-2.0%	-2.0%	Within	Within	1.85	↔	MP	↓
31	KERJAYA PROSPEK GROUP BHD	3Q18	703.4	803.4	14.2%	96.2	104.4	8.5%	Within	Below	0.0%	0.0%	Within	Within	1.40	↔	OP	↔
32	KIMLUN CORP BHD	3Q18	613.1	701.2	14.4%	44.4	38.2	-14.0%	Below	Below	-12.0%	-17.0%	Within	Within	1.15	↓	MP	↓
33	MITRAJAYA HOLDINGS BHD	3Q18	894.9	675.8	-24.5%	53.3	23.4	-56.1%	Below	N.A.	-25.0%	-23.0%	Within	N.A.	0.290	↓	UP	↓
34	MUHIKBAH ENGINEERING (M) BHD	3Q18	1,081.8	1,118.0	3.3%	83.8	116.3	38.8%	Within	Within	0.0%	0.0%	Within	Within	4.15	↔	OP	↔
35	SUNWAY CONSTRUCTION GROUP BHD ^	3Q18	1,328.1	1,630.8	22.8%	102.0	104.9	2.8%	Within	Below	-7.0%	-23.0%	Within	Within	1.30	↓	MP	↓
36	WCT HOLDINGS BHD ^	3Q18	1,326.5	1,595.5	20.3%	115.1	105.3	-8.5%	Within	Within	0.0%	0.0%	Within	Within	1.10	↔	OP	↔
CONSUMER			16,046.0	16,554.0	3.2%	1,255.1	1,255.1	0.0%	Mix-to-	Within-Below	-7.2%	-6.8%						
37	7-ELEVEN MALAYSIA HOLDINGS BERHAD	3Q18	1,640.9	1,661.8	1.3%	34.3	38.8	13.1%	Within	Within	0.0%	0.0%	Within	Within	1.30	↓	MP	↔
38	AEON CO (M) BHD	3Q18	3,042.4	3,243.1	6.6%	65.8	71.0	7.9%	Within	Within	0.0%	0.0%	Within	Within	2.60	↔	OP	↔
39	AMWAY (MALAYSIA) HLDGS BHD	3Q18	732.9	723.3	-1.3%	39.2	32.6	-16.8%	Above	Within	7.1%	4.3%	Within	Within	6.80	↑	MP	↑
40	DUTCH LADY MILK INDS BHD	3Q18	795.5	777.4	-2.3%	99.5	93.9	-5.6%	Below	Below	-13.1%	-10.0%	Below	Below	64.10	↓	MP	↓
41	FRASER & NEAVE HOLDINGS BHD ^	4Q18	4,101.4	4,109.9	0.2%	404.5	396.9	-1.9%	Above	Within	0.0%	0.0%	Within	Within	33.30	↔	MP	↑
42	HAI-O ENTERPRISE BHD	1Q19	124.5	80.1	-35.7%	17.9	11.0	-38.5%	Below	Below	-13.7%	-14.6%	Within	Within	5.15	↓	OP	↔
43	MYNEWS HOLDINGS BHD	3Q18	237.2	282.2	19.0%	18.7	20.4	9.1%	Within	Within	0.0%	0.0%	Within	Within	1.25	↔	UP	↔
44	NESTLE (M) BHD ^	3Q18	3,978.8	4,171.2	4.8%	511.1	535.1	4.7%	Within	Within	0.0%	0.0%	Within	Within	146.50	↔	MP	↔
45	PADINI HOLDINGS BHD	1Q19	315.2	329.8	4.6%	31.2	18.0	-42.3%	Below	Below	-8.0%	-10.0%	Within	Within	4.90	↓	UP	↔
46	PARKSON HOLDINGS BHD	1Q19	916.8	924.1	0.8%	(43.5)	(43.0)	1.1%	Below	Below	-52.0%	-45.0%	N.A.	N.A.	0.370	↓	OP	↔
47	POWER ROOT BERHAD	2Q19	213.9	176.5	-17.5%	14.0	14.8	5.7%	Broadly Within	Broadly Within	0.0%	0.3%	Within	Within	1.90	↔	OP	↔
48	QL RESOURCES BHD	2Q19	1,587.4	1,736.4	9.4%	96.7	104.4	8.0%	Within	Within	0.0%	0.0%	Within	Within	5.70	↑	UP	↔
49	SPRITZER BHD	3Q18	234.4	262.2	11.9%	18.2	20.8	14.3%	Below	Within	-4.9%	-4.2%	Within	Within	2.30	↓	MP	↔
GAMING			24,998.5	26,356.7	5.4%	2,556.0	3,527.8	38.0%	Within	Within	0.0%	0.0%						
50	BERJAYA SPORTS TOTO BHD	1Q19	1,471.8	1,500.8	2.0%	74.3	86.9	17.0%	Within	Within	0.0%	0.0%	Within	Within	2.65	↔	OP	↔
51	GENTING BHD	3Q18	14,766.7	15,455.5	4.7%	1,476.5	2,032.5	37.7%	Within	Above	0.0%	0.0%	Within	Within	7.55	↓	OP	↔
52	GENTING MALAYSIA BHD	3Q18	6,785.9	7,420.6	9.4%	851.4	1,233.5	44.9%	Within	Within	0.0%	0.0%	Within	Within	3.10	↓	MP	↔
53	MAGNUM BERHAD	3Q18	1,974.1	1,979.8	0.3%	153.8	174.9	13.7%	Within	Within	0.0%	0.0%	Above	Above	2.25	↔	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 estimates		Target	Call/Rating		
			FY17/18	FY18/19	YoY % Chg	FY17/18	FY18/19	YoY % Chg	KNK	Mrkt	FY18/19	FY19/20	KNK	Mkt	Price (RM)	UP/MP/OP		
HEALTHCARE																		
54	IHH HEALTHCARE BERHAD	3Q18	8,257.5	8,356.6	1.2%	413.4	686.0	-52.9%	Within-Above	Within-Above	4.3%	2.0%	Within	Within	4.60	↓	UP	↔
55	KPJ HEALTHCARE BERHAD	3Q18	2,346.3	2,444.8	4.2%	117.4	135.8	15.7%	Within	Within	0.0%	0.0%	Above	Above	1.35	↔	OP	↔
56	PHARMANIAGA BERHAD	3Q18	1,710.8	1,788.3	4.5%	41.0	52.5	28.0%	Within	Within	0.0%	0.0%	Within	Within	2.90	↔	MP	↔
MEDIA																		
57	ASTRO MALAYSIA HOLDINGS BHD	2Q19	4,625.3	4,615.3	-0.2%	390.0	193.7	-50.3%	Below	Below	-27.3%	-10.3%	Within	Within	1.60	↓	MP	↓
58	MEDIA CHINESE INTERNATIONAL	2Q19	835.5	693.7	-9.2%	430.0	225.0	-47.7%	Below	Below	-26.0%	-13.0%	Within	Within	0.350	↓	UP	↓
59	MEDIA PRIMA BHD	3Q18	889.9	895.0	0.7%	(77.8)	(70.8)	9.3%	Below	Below	-45.0%	18.0%	Within	Within	0.300	↔	UP	↔
60	STAR MEDIA GROUP BHD	3Q18	354.9	299.6	-15.6%	14.1	14.3	1.4%	Below	Below	-35.0%	-22.0%	Within	Within	0.800	↓	UP	↓
OIL & GAS																		
61	ALAM MARITIM RESOURCES BHD	2Q18	116.7	61.7	-47.1%	(25.2)	(40.0)	-258.7%	Broadly Within	Broadly Within	-0.7%	-11.7%	Within	Within	0.350	↓	MP	↔
62	BUMI ARMADA BHD	3Q18	1,740.0	1,842.4	5.9%	256.1	165.9	-35.2%	Within	Below	-55.2%	-41.4%	Within	Within	0.350	↓	MP	↔
63	COASTAL CONTRACTS BHD	1Q19	48.1	37.1	-22.9%	7.6	8.8	15.8%	Within	N.A.	0.0%	0.0%	Within	N.A.			Ceased coverage	↔
64	DAYANG ENTERPRISE BHD	3Q18	521.7	652.0	25.0%	(8.8)	69.6	-890.9%	Above	Above	32.7%	20.9%	Within	Within	0.830	↓	OP	↔
65	DIALOG GROUP BHD	1Q19	778.7	690.9	-11.3%	89.8	114.5	27.5%	Within	Within	0.0%	0.0%	Within	Within	3.80	↓	OP	↔
66	GAS MALAYSIA BHD	3Q18	3,659.9	4,494.7	16.4%	104.1	129.7	24.6%	Within	Within	0.0%	0.0%	Within	Within	3.05	↔	MP	↔
67	MALAYSIA MARINE AND HEAVY ENGINEERING	3Q18	708.5	701.1	-1.0%	7.6	(97.4)	-1381.6%	Below	Below	-45.3%	-39.2%	Within	Within	0.640	↓	MP	↑
68	MISC BHD	3Q18	7,603.2	6,391.8	-15.9%	1,991.0	906.2	-54.5%	Below	Below	-13.2%	-16.1%	Within	Within	6.65	↔	MP	↔
69	PANTECH GROUP HOLDINGS BHD	2Q19	308.6	326.4	5.8%	25.7	25.0	-2.7%	Broadly Within	Broadly Within	0.0%	0.0%	Below	Below	0.610	↔	OP	↑
70	PETRONAS CHEMICALS GROUP BHD	3Q18	12,667.0	14,514.0	14.6%	3,172.0	3,736.0	17.8%	Above	Above	12.1%	7.3%	Within	Within	9.35	↑	MP	↔
71	PETRONAS DAGANGAN BHD	3Q18	19,996.7	22,167.4	10.9%	825.6	789.7	-4.3%	Within	Within	0.0%	0.0%	Below	Below	25.50	↔	MP	↔
72	PETRONAS GAS BHD	3Q18	3,505.9	4,110.9	17.3%	1,290.8	1,497.4	16.0%	Within	Within	0.0%	0.0%	Within	Within	22.80	↔	OP	↔
73	SAPURA ENERGY BHD ^	2Q19	3,425.8	2,314.6	-32.4%	42.4	(261.8)	-717.5%	Below	Below	-105.0%	-9.9%	Within	Within	0.410	↔	MP	↔
74	SERBA DINAMIK HOLDINGS BHD	3Q18	1,915.5	2,305.2	20.3%	229.5	278.6	21.4%	Within	Within	0.0%	0.0%	Within	Within	4.45	↔	OP	↔
75	UZUMA BHD	1Q19	99.3	87.5	-11.9%	7.3	0.5	-93.2%	Below	Below	-42.0%	-36.8%	Within	Within	1.30	↓	OP	↔
76	WAH SEONG CORP BHD	3Q18	1,512.9	2,254.8	49.0%	48.9	68.2	39.5%	Below	Below	-17.4%	-26.3%	Within	Within	0.850	↓	MP	↔
77	YINSON HOLDINGS BHD	2Q19	389.6	481.7	23.6%	180.7	115.8	-35.9%	Below	Below	-23.6%	-19.9%	Within	Within	5.00	↓	OP	↔
PACKAGING MANUFACTURERS																		
78	SCGM BERHAD ^	1Q19	53.7	55.8	3.9%	5.5	1.1	-80.0%	Below	N.A.	0.0%	0.0%	Below	N.A.	1.15	↔	UP	↔
79	SCIENTEX BHD ^	4Q18	2,403.2	2,626.8	9.3%	255.1	291.7	14.3%	Above	Above	6.0%	0.0%	Above	Above	8.50	↑	MP	↔
80	SLP RESOURCES BHD	3Q18	135.1	140.7	4.2%	13.5	18.0	33.1%	Above	N.A.	16.0%	2.0%	Above	N.A.	1.35	↑	OP	↔
81	THONG GUAN INDUSTRIES BHD	3Q18	621.7	642.5	3.3%	44.2	26.8	-39.4%	Within	N.A.	0.0%	0.0%	Within	N.A.	1.95	↔	UP	↔
82	TOMYPAK HOLDINGS BHD	3Q18	160.5	132.4	-17.5%	12.0	3.3	-72.5%	Above	N.A.	63.0%	0.0%	Within	N.A.	0.495	↔	UP	↔
PLANTATION																		
83	CB INDUSTRIAL PRODUCT HOLDING	3Q18	444.2	373.0	-16.0%	56.0	50.4	-10.0%	Within	Below	0.0%	0.0%	Below	Below	1.10	↔	OP	↑
84	FELDA GLOBAL VENTURES HOLDINGS BHD	3Q18	12,666.3	10,233.3	-19.2%	155.0	(99.4)	-164.1%	Below	Below	-746.0%	-25.0%	Within	Within	0.965	↓	MP	↔
85	GENTING PLANTATIONS BHD	3Q18	1,276.0	1,421.0	11.4%	232.0	132.0	-43.1%	Below	Below	-36.0%	-3.0%	Within	Within	10.50	↓	OP	↔
86	HAP SENG PLANTATIONS BHD	3Q18	391.2	294.7	-24.7%	75.6	22.6	-70.1%	Below	Below	-49.0%	-33.0%	Below	Below	1.95	↓	OP	↔
87	IJM PLANTATIONS BHD	2Q19	381.0	323.2	-15.2%	28.2	5.7	-79.8%	Below	Below	-76.0%	-21.0%	Within	Within	1.85	↔	MP	↔
88	IOI CORPORATION BHD	1Q19	2,206.1	1,875.7	-15.0%	277.7	209.2	-24.7%	Broadly Within	Broadly Within	0.0%	0.0%	Within	Within	4.50	↔	MP	↔
89	KUALA LUMPUR KEPONG BHD	4Q18	21,004.0	18,401.0	-12.4%	1,069.0	892.0	-16.6%	Broadly Within	Below	0.0%	0.0%	Within	Within	25.70	↔	MP	↔
90	PPB GROUP BERHAD	3Q18	3,159.5	3,364.0	6.5%	780.4	846.5	8.5%	Broadly Within	Broadly Within	0.0%	0.0%	Within	Within	18.35	↔	OP	↔
91	SOUTHERN ACIDS (M) BERHAD	2Q19	367.7	311.0	-15.4%	15.8	10.5	-33.5%	Below	Below	-16.0%	-10.0%	Within	Within	2.60	↓	UP	↔
92	SIME DARBY PLANTATION BHD*	3MFPE18	3,541.0	3,039.0	-14.2%	353.0	121.0	-65.7%	Below	N.A.	-68.0%	-7.0%	Within	Within	5.00	↓	MP	↔
93	TA ANN HOLDINGS BERHAD	3Q18	880.1	724.6	-17.7%	97.9	51.9	-47.0%	Within	Above	0.0%	0.0%	Above	Above	2.35	↔	OP	↑
94	TSH RESOURCES BHD	3Q18	803.6	684.8	-14.8%	82.2	40.6	-50.6%	Broadly Within	Below	0.0%	0.0%	Within	Within	1.05	↔	MP	↔
95	UNITED MALACCA BHD ^	1Q19	70.3	40.0	-43.1%	(0.6)	(12.4)	1966.7%	Below	Below	-14.0%	-3.0%	Within	Within	5.25	↓	UP	↓
PROPERTY																		
96	AMVERTON BHD	3Q18	106.8	97.9	-8.3%	13.9	16.0	15.1%	Above	N.A.	13.0%	0.0%	Within	N.A.	1.00	↔	MP	↔
97	CRESENDO CORPORATION BHD	2Q19	134.8	149.4	10.8%	21.1	14.2	-32.7%	Within	N.A.	0.0%	0.0%	Within	N.A.	1.30	↔	MP	↔
98	ECO WORLD DEVELOPMENT GROUP ^	3Q18	2,025.7	1,552.3	-23.4%	81.2	97.1	19.6%	Broadly Within	Broadly Within	0.0%	0.0%	Within	Within	1.15	↔	MP	↔
99	HUA YANG BERHAD	2Q19	91.4	131.1	43.4%	2.6	2.9	11.5%	Below	Below	-32.0%	-16.0%	Within	Within	0.410	↓	MP	↔
100	IOI PROPERTIES GROUP BHD	1Q19	870.0	560.1	-35.6%	188.2	167.1	-11.2%	Within	Within	0.0%	0.0%	Within	Within	1.65	↔	MP	↓
101	MAGNA PRIMA BHD	3Q18	90.5	48.2	-46.7%	-	12.2	N.M.	Above	N.A.	22.0%	21.0%	Within	N.A.	0.955	↔	MP	↔
102	MAH SING GROUP BHD	3Q18	2,154.9	1,678.3	-22.1%	230.5	146.6	-36.4%	Below	Below	-8.0%	-5.0%	Within	Within	1.10	↔	OP	↔
103	MALAYSIAN RESOURCES CORP BHD	3Q18	2,415.5	1,495.6	-38.1%	56.4	74.8	32.6%	Below	Below	-36.0%	-33.0%	Within	Within	0.750	↓	MP	↔
104	SIME DARBY PROPERTY BHD*	3MFPE18	472.6	480.3	1.6%	187.0	29.3	-84.3%	Below	N.A.	-7.0%	-4.0%	Within	Within	1.10	↔	OP	↔
105	SP SETIA BHD	3Q18	2,950.8	2,574.5	-12.8%	579.3	189.4	-67.3%	Below	Below	-23.0%	-26.0%	Within	Within	2.45	↓	OP	↔
106	SUNSURIA BHD	4Q18	398.5	491.5	23.3%	90.7	132.4	46.0%	Above	N.A.	19.0%	0.0%	Within	Within	0.860	↔	OP	↑
107	SUNWAY BHD	3Q18	3,651.9	4,040.1	10.6%	398.9	407.5	2.2%	Within	Within	0.0%	0.0%	Within	Within	1.50	↓	MP	↓
108	UEM SUNRISE BHD	3Q18	1,557.3	1,291.2	-17.1%	187.6	273.3	45.7%	Broadly Within	Above	0.0%	0.0%	Within	Within	0.850	↔	OP	↔
109	UOA DEVELOPMENT BHD	3Q18	882.3	777.3	-11.9%	299.4	242.5	-19.0%	Broadly Within	Broadly Within	0.0%	0.0%	Within	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

04 December 2018

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 estimates		Target		Call/Rating	
			FY17/18	FY18/19	YoY % Chg	FY17/18	FY18/19	YoY % Chg	KNK	Mrkt	FY18/19	FY19/20	KNK	Mkt	Price (RM)	UP/MP/OP		
REITS			2,449.2	2,532.3	3.4%	1,222.9	1,245.1	1.8%	Within	Within	0.0%	0.0%						
110	AXIS REAL ESTATE INVESTMENT	3Q18	129.4	148.3	14.6%	68.4	77.4	13.2%	Within	Within	0.0%	0.0%	Within	Within	1.35	↔	OP	↔
111	CAPITAMALLS MALAYSIA TRUST	3Q18	276.9	263.2	-4.9%	120.2	102.2	-15.0%	Within	Within	0.0%	0.0%	Within	Within	1.25	↔	OP	↔
112	IGB REIT	3Q18	390.6	398.5	2.0%	226.2	228.2	0.9%	Within	Within	0.0%	0.0%	Within	Within	1.55	↔	MP	↑
113	KLCC STAPLED GROUP	3Q18	1,015.0	1,040.0	2.5%	496.0	513.0	3.4%	Within	Within	0.0%	0.0%	Within	Within	6.90	↔	UP	↔
114	MRCB-QUILL REIT	3Q18	135.5	130.7	-3.5%	66.6	62.9	-5.6%	Within	Within	0.0%	0.0%	Within	Within	1.10	↔	MP	↔
115	PAVILION REIT	3Q18	360.6	407.9	13.1%	166.8	188.4	12.9%	Within	Within	0.0%	0.0%	Within	Within	1.55	↔	MP	↔
116	SUNWAY REAL ESTATE INVESTMENT	1Q19	141.2	143.7	1.8%	78.7	73.0	-7.2%	Within	Within	0.0%	0.0%	Within	Within	1.60	↔	MP	↔
RUBBER GLOVES			6,386.6	7,556.6	18.3%	703.9	849.5	20.7%	Within	Within	0.0%	-3.5%						
117	HARTALEGA HOLDINGS BHD	2Q19	1,185.7	1,420.6	19.8%	209.7	245.1	16.9%	Within	Within	0.0%	0.0%	Within	Within	5.15	↔	UP	↔
118	KOSSAN RUBBER INDUSTRIES	3Q18	1,479.7	1,554.9	5.1%	137.7	141.3	2.6%	Within	Within	0.0%	13.8%	Within	Within	4.95	↑	OP	↑
119	SUPERMAX CORP BHD	1Q19	312.0	367.1	17.7%	27.9	29.5	5.7%	Within	Within	0.0%	0.0%	Within	Within	2.60	↔	UP	↔
120	TOP GLOVE CORP BHD	4Q18	3,409.2	4,214.0	23.6%	328.6	433.6	32.0%	Within	Within	0.0%	0.0%	Above	Above	8.85	↔	UP	↔
SIN			4,827.3	4,876.4	1.0%	767.1	739.7	-3.6%	Mix	Within	-1.4%	-1.7%						
121	BRITISH AMERICAN TOBACCO BHD ^	3Q18	2,231.3	2,052.3	-8.0%	419.5	352.2	-16.0%	Broadly Within	Broadly Within	0.0%	0.0%	Within	Within	19.10	↔	UP	↔
122	CARLSBERG BREWERY MALAYSIA BHD	3Q18	1,311.6	1,456.7	11.1%	171.2	205.0	19.7%	Above	Within	4.3%	3.5%	Within	Within	17.70	↑	UP	↔
123	HEINEKEN MALAYSIA BERHAD	3Q18	1,284.4	1,367.4	6.5%	176.4	182.5	3.5%	Below	Within	-8.6%	-8.6%	Within	Within	18.60	↓	MP	↔
TELECOMMUNICATION			39,117.0	38,270.8	-2.2%	4,324.6	3,885.7	-10.1%	Within-Above	Mix	3.1%	-2.4%						
124	AXIATA GROUP BERHAD	3Q18	18,141.0	17,619.0	-2.9%	996.0	668.0	-32.9%	Within	Below	0.0%	0.0%	Within	Within	4.60	↔	OP	↔
125	DIGI.COM BHD	3Q18	4,696.0	4,852.0	3.3%	1,117.0	1,163.0	4.1%	Within	Within	0.4%	1.2%	Within	Within	4.65	↔	MP	↔
126	MAXIS BHD	3Q18	7,043.0	6,747.0	-4.2%	1,553.0	1,508.0	-2.9%	Within	Within	-1.3%	-2.4%	Within	Within	5.55	↔	MP	↔
127	OOCK GROUP BHD	3Q18	351.0	322.8	-8.0%	17.6	19.7	11.9%	Above	Within	3.0%	1.8%	Within	Within	0.750	↔	OP	↔
128	TELEKOM MALAYSIA BHD	3Q18	8,886.0	8,730.0	-1.8%	641.0	527.0	-17.8%	Above	Above	13.5%	-12.4%	Within	Within	2.50	↓	MP	↔
TECHNOLOGY			3,724.1	3,408.3	-8.5%	319.1	194.0	-39.2%	Within	Mix	-1.7%	0.0%						
129	D&O GREEN TECHNOLOGIES BHD	3Q18	330.8	350.2	5.9%	15.3	22.9	49.7%	Within	Within	0.0%	0.0%	Within	Within	1.000	↔	OP	↔
130	KESM INDUSTRIES BHD ^	4Q18	338.0	349.8	3.5%	44.0	39.3	-10.7%	Within	Within	-2.0%	0.0%	Above	Above	10.20	↓	MP	↔
131	MALAYSIAN PACIFIC INDUSTRIES BHD ^	1Q19	387.6	413.8	6.8%	37.1	45.9	23.7%	Within	Above	0.0%	0.0%	Within	Within	13.00	↔	OP	↑
132	NOTION VTEC BHD	4Q18	275.2	256.2	-6.9%	12.2	(39.3)	-422.1%	Below	N.A.	0.0%	1.0%	Above	N.A.				Ceased coverage
133	P.I.E. INDUSTRIAL BHD	3Q18	496.0	461.3	-7.0%	33.5	22.3	-33.4%	Within	Within	0.0%	0.0%	Within	Within	2.00	↔	OP	↔
134	SKP RESOURCES BHD	2Q19	1,119.0	907.7	-18.9%	68.4	53.9	-21.2%	Below	Below	-8.0%	-1.0%	Within	Within	1.35	↓	OP	↔
135	UNISEM (M) BERHAD	3Q18	1,108.3	1,019.5	-8.0%	123.9	71.9	-42.0%	Within	Above	0.0%	0.0%	Within	Within	3.30	↔	AO	
TRANSPORT & LOGISTICS			16,312.8	17,493.2	7.2%	2,139.8	1,636.0	-23.5%	Mix	Within-Below	-9.0%	-6.1%						
136	AIRASIA BHD	3Q18	7,053.0	7,779.6	10.3%	1,218.0	806.3	-33.8%	Broadly Within	Broadly Within	0.0%	0.0%	Below	Below	3.25	↓	OP	↔
137	CJ CENTURY LOGISTICS HOLDINGS	3Q18	215.5	313.1	45.3%	11.7	9.1	-22.0%	Below	Below	-5.4%	-4.8%	Within	Within	0.520	↑	MP	↑
138	MALAYSIA AIRPORTS HLDGS BHD	3Q18	3,405.5	3,600.0	5.7%	165.6	347.6	109.9%	Above	Within	13.0%	8.0%	Within	Within	8.95	↑	OP	↑
139	MMC CORP BHD	3Q18	2,925.4	3,424.6	17.1%	249.1	97.4	-60.9%	Above	Below	35.0%	24.0%	Within	Within	1.30	↔	OP	↔
140	POS MALAYSIA BERHAD	2Q19	1,198.8	1,179.2	-1.6%	54.7	(11.6)	-121.2%	Below	Below	-96.7%	-63.6%	Within	Within	2.95	↓	UP	↔
141	WESTPORTS HOLDINGS BHD	3Q18	1,514.6	1,196.7	-21.0%	440.7	387.2	-12.1%	Within	Within	0.0%	0.0%	Within	Within	3.75	↔	MP	↔
UTILITIES			8,097.4	46,234.2	471.0%	408.8	4,399.8	976.3%	Below	Below	-8.5%	-3.5%						
142	MALAKOFF CORPORATION BHD	3Q18	5,337.1	5,461.0	2.3%	266.2	134.0	-49.7%	Below	Below	-13.3%	-4.8%	Within	Within	1.00	↓	OP	↔
143	PESTECH INTERNATIONAL BERHAD	1Q19	184.9	124.1	-32.9%	16.3	6.2	-62.0%	Within	N.A.	0.0%	0.0%	Within	N.A.	1.95	↔	OP	↔
144	TENAGA NASIONAL BHD	3Q18	n.a.	37,845.7	n.a.	n.a.	4,128.7	n.a.	Below	Below	-16.2%	-8.1%	Within	Within	16.45	↓	OP	↔
145	TYTL POWER INTERNATIONAL BHD	1Q19	2,575.4	2,803.4	8.9%	126.3	130.9	3.6%	Below	Below	-4.4%	-1.1%	Within	Within	1.05	↓	MP	↔
OTHERS			7,233.3	7,161.7	-1.0%	40.6	(29.4)	-172.4%	Within	N.A.	-35.0%	-37.0%						
146	BOUSTEAD HOLDINGS BHD	3Q18	7,233.3	7,161.7	-1.0%	40.6	(29.4)	-172.4%	Within	N.A.	-35.0%	-37.0%	Within	N.A.	1.50	↓	MP	↔
Total/Average			377,856.3	418,852.6	10.8%	48,463.5	51,967.5	7.2%	Mix	Mix	-9.1%	-6.4%						

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: 3QCY18 Results Review & Sector Outlook

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
Automotive	<p>Strong performance this quarter, as expected, boosted by the remainder of zero-rated tax holiday. We have 2 stocks out of the 6 stocks (TCHONG and UMW) performing above expectation while 4 stocks (BAUTO, DRBHCOM, MBMR, and SIME) were within expectation.</p> <p>Most of the Automakers saw stronger sales during the remainder of zero-rated tax holiday and mostly sold out all their respective best-selling models. The negative impact of new SST on sales volume (effective September 2018) was lesser than expected as some of the carmakers locked the zero-rated prices for back-logged order during the zero-rated holiday, while the car prices during the new SST period especially CKD was lower than GST period (lower by 1% to 3%), which helped cushioned the impact.</p>	<p>Overall, car sales volume for 4Q18 is expected to be stronger than 3Q18 buoyed by new model launches, usual aggressive year-end promotion and special event, The Kuala Lumpur International Motor Show (KLIMS) 2018 being held after a five-year hiatus.</p> <p>We maintain our NEUTRAL rating on the AUTOMOTIVE sector with our 2018 TIV forecast of 590,000 units (+2%).</p>	<p>OP</p> <ul style="list-style-type: none"> • BAUTO (OP ↔; TP: RM2.50 ↔) • MBMR (OP ↔; TP: RM3.60 ↔) • TCHONG (OP ↔; TP: RM2.30 ↔) • UMW (OP↔; TP: RM5.80 ↑) <p>MP</p> <ul style="list-style-type: none"> • DRBHCOM (MP ↔; TP: RM2.00↓) • SIME (MP ↔; TP: RM2.55↔)
Aviation	<p>Mixed. For 3QCY18, AIRASIA came in broadly within while AIRPORT came in above expectations; an improvement compared to 2QCY18, as both stocks were in line. The better-than-expected performance from AIRPORT was due to lower-than- expected operating cost, depreciation and tax.</p> <p>Earnings review. We kept our FY18-19E core earnings for AIRASIA unchanged but raised AIRPORT's by 13-8%.</p> <p>Maintain OP call AIRASIA with a lower Target Price of RM3.25 (from RM4.05) as the special dividend of 40.0 sen factored into our SoP earlier was higher while we also include it as part of our dividend forecasts. We also upgraded AIRPORT to OP (from MP) with a higher TP of RM8.95 (from RM8.60) following the recent sell-down in AIRPORT and earnings revision.</p>	<p>Going forward, we expect more news flow from the sector primarily on the development of the aviation scene in Malaysia especially after Budget 2019 in which the government had proposed for an Airport REIT.</p> <p>AIRASIA will continue their expansion by increasing capacity in a bid to gain market share while other players are reducing capacity and the recent retracement in fuel prices bode well for the company.</p> <p>For AIRPORT, we are assuming a more conservative passenger growth of 4.7%. However, its active management have yield results with operating margin improving by 5ppt. Currently, AIRPORT is working closely with MAVCOM on the implementation of RAB. Nonetheless, we remain positive that AIRPORT would be able to conclude their negotiation on its operating agreement with the government by 1Q19. That aside, management also indicated that they are still active in discussion with interested parties on their potential stake disposal of their Turkey venture.</p> <p>We are upgrading the sector from NEUTRAL to OVERWEIGHT following the recent upgrade in AIRPORT; we have two OUTPERFORM calls for the sector.</p>	<p>OP</p> <ul style="list-style-type: none"> • AIRASIA (OP ↔; TP: RM3.25 ↓) • AIRPORT (OP ↑; TP: RM8.95 ↑)

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Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
Banking	<p>3Q18 results were mostly within as 6 stocks came within expectations, 1 below (CIMB) and 3 (AMBANK, BIMB and RHBBANK) above.</p> <p>AMBANK exceeded our expectations on lower-than-expected impairment allowances.</p> <p>CIMB underperformed due to lower-than-expected loans, weak NOII and downside pressure on NIMs.</p> <p>RHBBANK exceeded expectations on strong Islamic banking income, better NIM performance and unexpected lower impairment allowances</p> <p>Same story from the previous quarter; i) slower loans ii) weak fee-based income as capital markets were hit by recent geo-political events. But on the positive side, we saw asset quality improving with lower impairment allowances and strong Islamic banking income due to higher Islamic mortgage financing coupled with lower impairments.</p>	<p>Neutral stance maintained for the sector. Internal and external headwinds are not changing soon</p> <p>While impact on credit costs under MFRS9 looks to be muted, loans growth is challenging post GE14 with most banks maintaining their moderate targets. Fee-based income looks to be lukewarm on on-going geo-political uncertainties</p> <p>Post results, CIMB TP and call reduced as risks from weak capital market activities are still prevailing with volatile Indonesian currency are undermining Niaga NIMs.</p> <p>MBSB's TP reduced as earnings risk coming from further NIM compression due i) lower contribution from personal financing and ii) competition for corporate loans.</p> <p>AFFIN and BIMB TP raised (with OP call maintained as we feel earnings risk mitigated as i) loans target doable and ii) concerns on higher impairment allowances receding.</p>	<p>OP</p> <ul style="list-style-type: none"> AFFIN (OP ↔; TP: RM2.60 ↑) AMBANK (OP ↔; TP: RM4.50 ↔) BIMB (OP ↔; TP: RM4.95 ↑) MBSB (OP ↔; TP: RM1.25 ↓) RHBBANK (OP ↔; TP: RM5.75 ↔) <p>MP</p> <ul style="list-style-type: none"> ABMB (MP ↔; TP: RM4.40 ↔) CIMB (MP ↓; TP: RM6.05 ↓) HLBANK (MP ↔; TP: RM20.15 ↔) MAYBANK (MP ↓; TP: RM9.75 ↔) PBBANK (MP ↔; TP: RM23.85 ↔)
Banking – Non-banking Financial Institutions	<p>Mixed quarter. AEONCR and LPI came within expectations, TAKAFUL beat our estimates while BURSA fell short.</p> <p>Insurance providers braced through market headwinds by providing more value-added products while keeping operating ratios in check. TAKAFUL was able to perform better through more stringent cost control measures. This could continue to translate positively towards future earnings.</p> <p>While BURSA's miss was owing to softer trading conditions, valuations were extended in lieu of anticipated interest on the stock as a safe haven against weak market conditions.</p>	<p>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.</p> <p>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, especially as seen in Takaful products.</p> <p>With regards to BURSA, while fourth quarter periods are seasonally more active in anticipation of window dressing, the current highly volatile landscape may result in investors adopting more risk-averse strategies. However, in the long-term, the domestic equity scene could provide attractive investment opportunities for local and foreign investors, mainly thanks to its low beta nature. Our strategist also believes that downside could be limited in view of favourable seasonal patterns to come, further backed by stronger oil prices and greater institutional support in the near-term.</p>	<p>OP</p> <ul style="list-style-type: none"> TAKAFUL (OP ↔; TP: RM4.85 ↑) <p>MP</p> <ul style="list-style-type: none"> AEONCR (MP ↔; TP: RM15.80 ↑) BURSA (MP ↔; TP: RM7.60 ↑) LPI (MP ↔; TP: RM16.30 ↔)

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
Building Materials	<p>1 in line, 4 below. ULICORP came in line while the other four players fell short of estimates. The negative deviation for other four players are as follow: i) PMETAL- due to higher-than-expected alumina prices, (ii) ANNJOO- higher-than-expected raw material prices and lower steel demand, (iii) LAFMSIA- dragged by lower-than-expected cement demand, and (iv) WTHORSE- hit by lower-than-expected tiles demand.</p> <p>Earnings estimates. Post 3QCY18 results, we maintain earnings for ULICORP but lowered FY18E earnings for PMETAL, ANNJOO and WTHORSE ranging from 12%-162%. Meanwhile, for LAFMSIA, we widen our FY18E CNL to RM333m.</p> <p>Adjustment to call and TP. Post results, we maintain TP for ULICORP but lower TPs for other four players namely WTHORSE, LAFMSIA, PMETAL and ANNJOO mostly on lower earnings. We keep our calls for PMETAL and LAFMSIA unchanged but downgrade WTHORSE and ANNJOO to UP and MP respectively. While for ULICORP, we upgrade our call to MP.</p>	<p>We maintain our negative outlook on the cement sector due to weak domestic demand woes combined with overcapacity in the market leading to stiff competition with cement rebates wars to continue. Based on channel checks, cement rebates in 3Q18 for bulk cement represented 44% discount to the market price of RM370/MT, whilst bag cements are priced at a lower discount of 22% to the market price of RM19.25/bag.</p> <p>Domestic steel demand is expected to continue to be dampened by slower flows of construction/infrastructure projects and potentially further pressure on steel prices. Overall, we are cautious for the remainder of FY18, as we expect domestic demand to be dampened by slower flows of construction/infrastructure projects to potentially further pressure steel prices. However, management is confident of weathering the downturn by increasing its proportion of export sales approximately to 30% of its production in 2H18. As for 2019, we opine that domestic demand may pick up in 2H19 in which we factored in higher volume for FY19 in anticipation of potential commencement of selected infrastructure projects such as LRT3 and MRT2.</p> <p>For ULICORP, we believe that it will continue to see earnings improvement in subsequent quarters as we expect them to scale up production after resolving part of its foreign labour issue, and being able to ward off some of the market competition without losing its market share of c.40% due to their value added in-house capabilities in the form of galvanising and powder spray lines.</p> <p>For PMETAL, we believe earnings would pick up on moderating raw material prices and better product mix. The group expanded billet capacity by 60k MT (to 240k MT) and wire rod capacity by 50k MT (to 200k MT) in October. This should lift the composition of high-value products to c.60% and underpin profit margins in FY19. In addition, we believe alumina prices would moderate from the current level (USD450/MT) in the likely case that Norsk Hydro's Alunorte plant fully restarts its production facility. Recall that half of Alunorte's capacity was shut down in March. On another</p>	<p>MP</p> <ul style="list-style-type: none"> • PMETAL (MP ↔; TP: RM4.80 ↓) • ULICORP (MP ↑); TP: RM0.675 ↔) • ANNJOO (MP ↓; TP: RM1.25 ↓) <p>UP</p> <ul style="list-style-type: none"> • LAFMSIA (UP ↔; TP: RM1.85 ↓) • WTHORSE (UP ↓ TP: RM1.50 ↓)

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
		<p>positive note, PMETAL is in the midst of acquiring a 50% equity stake in Japan Alumina Associates (Australia) Pty. Ltd. (JAA). The acquisition, which is slated for completion by 1Q19, will allow PMETAL to access 230k MT of alumina (c.15% of annual requirements), giving the group better control over its supply chain and certainty of securing its feedstocks amid supply tightness in the current alumina market. In addition, the acquisition is expected to improve earnings by c.2% (after considering financing costs).</p> <p>Reiterate NEUTRAL on Building Materials.</p>	
<p>Construction</p>	<p>A better quarter. We saw an improvement in 3QCY18 compared to 2QCY18 with lesser disappointment. Out of 11 construction stocks within our coverage, 4 contractors disappointed, and the remaining came in within/broadly within. To recap, 2QCY18 registered 6 earnings disappointments.</p> <p>The 4 contractors that disappointed were SENDAI, GKENT, KIMLUN, and MITRA. Reasons for the disappointment in earnings for the stocks mentioned above are largely due to: (i) slowdown in infrastructure projects after project reviews, and (ii) lower-than-expected margins due to higher billings of lower margin projects/products.</p> <p>Ytd-YoY, bulk of the contractors registered CNP growth ranging from 2-39%, except for GKENT, IJM, KIMLUN, MITRA, and WCT which saw decline in CNP by 5-56% due to: (i) slower progress billings, and (ii) lower contribution from other divisions i.e. overseas contribution or other divisions like property development, (iii) lower margins due to higher proportion of billings on less lucrative jobs.</p> <p>Although four contractors disappointed in terms of earnings, we have conservatively reduced the sector's FY18-19E earnings by an average of 5.9-7.8%, driven by the reduction in earnings for 6 stocks within our coverage (SENDAI, GAMUDA, IJM, KIMLUN, MITRA, SUNCON) as a result of: (i) reduced order-book replenishment, (ii) deferrals of progressive billings, and (iii) lower margin assumptions from construction, manufacturing and property development.</p> <p>In the review period, only</p>	<p>Executed. In the past few months, two major project cost reviews have been agreed between the government and the participating contractors i.e. MRT2; MMC: GAMUDA and LRT3; MRCB: GKENT. Other rail projects like High Speed Rail have been deferred, while ECRL is still in negotiations with the Chinese parties.</p> <p>Going forward, while we do not expect any major job flows for the remaining of 2018, we might look forward to more rakyat-oriented jobs in the future i.e. waste water management, water treatment plant, road work maintenance, hospitals, central spine road, Klang Valley Double Track and public housing jobs as we believe these are the areas which the PH government could focus in the future to improve the livelihood of the rakyat. We would expect potential awards news flow in 2H19. Maintain NEUTRAL.</p>	<p>OP</p> <ul style="list-style-type: none"> • GAMUDA (OP ↔; TP: RM3.35↔) • KERJAYA (OP ↔; TP: RM1.40 ↔) • MUHIBAH (OP ↔; TP: RM4.15 ↔) • WCT (OP ↔; TP: RM1.10 ↓) <p>MP</p> <ul style="list-style-type: none"> • GKENT (MP ↔; TP: RM1.20 ↓) • HSL (MP ↑; TP: RM1.30 ↔) • IJM (MP ↓; TP: RM1.85 ↔) • KIMLUN (MP ↓; TP: RM1.15 ↓) <p>UP</p> <ul style="list-style-type: none"> • SENDAI (UP ↔; TP: RM0.505 ↓) • MITRA (UP ↓; TP: RM0.290↓) • SUNCON (UP ↓; TP: RM1.30↓)

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
	<p>contractors like SENDAI, KIMLUN, MITRA and SUNCON saw downgrade in TP due to the downward revision in construction earnings. In terms of call, we upgraded HSL to MP, downgraded KIMLUN to MP, MITRA and SUNCON to UP which is slightly better compared to 2QCY18 as we see less downgrade in TPs</p> <p>All-in, contractors' performance within our core coverage for 3QCY18 was better compared to 2QCY18.</p>		
Consumer	<p>Mixed quarter. Within our 16 stocks coverage, 3 stocks performed above expectations (AMWAY, CARLSBG, F&N), 8 stocks were within (BAT, NESTLE, PWROOT, QL, HAIIO, AEON, SEM, MYNEWS) while 5 stocks came below (DLADY, HEIM, SPRITZER, PARKSON, PADINI).</p> <p>Overall weaker performance for Retailers during the remainder of the zero-rated tax holiday as their sales were unable to match the strongest seasonality factor of Hari Raya festive season, which was also boosted by the first month of zero-rated tax holiday.</p> <p>Most F&B stocks were successful in implementing cost rationalisation strategies while enjoying a turnaround in commodity prices. F&N was able to achieve this sooner than expected, hence beating our estimates for its FY18 results. DLADY, HEIM and SPRITZER on the other hand, missed, mainly owing to overly optimistic sales growth assumptions on our end. Still, with the higher margins achieved recently, regaining sales in the coming quarters could yield exponentially positive results.</p>	<p>We expect the retailers to perform stronger in 4Q18 boosted by the usual year-end promotion and Christmas festive season which typically accounts for 30%-40% of their total earnings for the year, and supported by the efficient use of resources during this event.</p> <p>We are optimistic F&B counters will continue to be sustainable in the near term. While the implementation of sugar taxes would inflated prices of the affected products, we are not overly concerned on its impact to total demand as the increment (less than 5%). Soft commodity trends will work to their favour in keeping input costs at manageable levels.</p> <p>While we maintain NEUTRAL on the sector for its resilience, we UNDERWEIGHT the sin sub-sector in view of the damaging impact of higher prices which may spur the expansion of illicit trade. Brewers may also see slower transactions with on-trade businesses which could be subject to the 6% service tax. Additionally, the administration of "smoke-free" zones in public areas could discourage cigarette consumption, amidst the government's effort to curb illicit cigarettes.</p>	<p>OP</p> <ul style="list-style-type: none"> • AEON (OP↔; TP: RM2.60 ↔) • HAIIO (OP ↔; TP: RM5.15↓) • PARKSON (OP ↔; TP: RM0.370 ↓) • PWROOT (OP↔; TP: RM1.90↔) <p>MP</p> <ul style="list-style-type: none"> • AMWAY (MP ↑; TP: RM6.80↑) • DLADY (MP↓; TP: RM64.10 ↔) • F&N (MP ↑; TP: RM34.45↔) • HEIM (MP ↔; TP: RM18.60↓) • NESTLE (MP↑; TP: RM146.50 ↔) • QL (UP ↔; TP: RM5.70 ↑) • SEM (MP↔; TP: RM1.30↓) • SPRITZER (MP↔; TP: RM2.30 ↓) <p>UP</p> <ul style="list-style-type: none"> • BAT (UP ↔; TP: RM28.25 ↔) • CARLSBG (UP↓; TP: RM17.70↑) • MYNEWS (UP↔; TP: RM1.25↔) • PADINI (UP↔; TP: RM4.90↓)
Gaming	<p>A satisfactory set of earnings results. GENTING, GENM and MAGNUM all reported headline net losses in 3Q18 due to RM1.84b impairment on GENM's investment in a US Tribe casino development project while MAGNUM was hit by one-off penalty settlement. Stripping off these one-off items, results were fairly in line. In fact, casino operators</p>	<p>While there is no change in fundamentals, the casino duties hike, the termination of Fox Theme Park, and the RM1.84b impairment on an investment in a US Tribe casino development project will continue to suppress GENTING and GENM in the near term. However, casino operations should likely see stable earnings across all</p>	<p>OP</p> <ul style="list-style-type: none"> • BJTOTO (OP ↔; TP: RM2.65 ↔) • GENTING (OP ↔; TP: RM7.55 ↓) • MAGNUM (OP ↔; TP: RM2.25 ↔) <p>MP</p>

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
	<p>reported strong earnings in Malaysia and Singapore on higher business volume and better luck factor. In all, we cut target prices for GENM and GENTING to RM3.10 and RM7.55 from RM4.75 and RM8.20 previously but maintained MP and OP calls, respectively. Meanwhile, MAGNUM reported solid core earnings which doubled from the previous quarter owing to good luck factor and tax holiday effect. Likewise, BJTOTO also posted 1Q19 earnings that rebounded strongly by 147% on extremely good luck factor. Encouragingly, both NFO players registered stabilised ticket sales.</p>	<p>geographical units except UK which is fairly volatile due to its VIP-centric clientele. Meanwhile, the reduction of 50% in special draws from 2019 onwards and the reintroduction of SST should have minimal impact to the NFO players given that the special draws come with 10% additional tax which crimps profitability while the SST is the replacement of the GST. Our estimate that assuming special draws are reduced to 10 from 22 days previously, both players will see their earnings cut by 2-3%. In all, NFOs are certainly dividend-yield plays while casino stocks are for those seeking a growth story. In view of the latest negative development in GENM, we are reviewing our sector recommendation which is currently an OVERWEIGHT.</p>	<ul style="list-style-type: none"> • GENM (OP ↔; TP: RM3.10 ↓)
Healthcare	<p>The just concluded 3QCY18 results season saw a mixed bag of results. IHH's 3Q18 earnings came in above expectations due to low base effect in in YTD 2017. KPJ came in above expectations due to better-than-expected improvement in newly opened hospitals. We upgraded KPJ during the 2Q18 results review and foresee cost optimisation initiatives mainly from the new hospitals which were under gestation period bearing fruits. Pharmaniaga came in within expectations</p>	<p>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 15% and 30% discount compared to its historical average of 28x and regional peers of 35x, respectively.</p>	<p>OP</p> <ul style="list-style-type: none"> • KPJ (OP ↔; TP: RM1.35 ↔) <p>MP</p> <ul style="list-style-type: none"> • PHARMA (MP ↔; TP: RM2.90 ↔) <p>UP</p> <ul style="list-style-type: none"> • IHH (UP ↔; TP: RM4.60 ↓)
Media	<p>Deep in the woods. The sector incumbents' report cards for 3QCY18 remained uninspiring, mainly due to the prolonged weak advertising revenue as a result of subdued adex outlook on slower economy and policies' uncertainties. MEDIA and STAR's 3Q18 results came in below, owing to lower-than-expected top-line and higher-than-expected OPEX. Indeed, both companies' adex revenues have come in lower sequentially as advertisers remained cautious with their spending post the 14th GE. MEDIAC's report card, on the other hand, came in within expectations, mainly underpinned by its better-than-expected travel segment (thanks to an increase in incentive tours and tours for the FIFA World Cup). Nevertheless, the group's</p>	<p>The country's adex outlook remains challenging amid weak consumer sentiment and rising costs of doing business as well as new technologies that continue to reshape the media industry. Advertisers may continue to remain subdued to the traditional media type (i.e. TV and Print) while seeking new opportunity in the digital media. All the print players are continuing their efforts in the digital transformation path as well as revenue source diversification. In spite of having the outlined transformation plans shared by some sector incumbents, we downplay the chances of short-term earnings contributions in view of the required gestation periods. Newsprint prices are set to rise due to a supply shortage, which could</p>	<p>MP</p> <ul style="list-style-type: none"> • ASTRO (OP↔; TP: RM1.60 ↔) <p>UP</p> <ul style="list-style-type: none"> • MEDIA (UP↔ , TP: RM0.300↔) • MEDIAC (UP ↓; TP: RM0.150 ↓). • STAR (UP ↓; TP: RM0.600 ↓).

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Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
	<p>bread-and-butter Publishing segment's turnover continued to show weakness (similar to industry peers) sequentially in 3QCY18 coupled with slower travel seasons ahead, suggested that its outlook is getting more challenging.</p> <p>ASTRO, on the other hand, is set to release its 3Q19 results on Wednesday, and we do not expect any major surprises.</p>	<p>have an adverse impact on the print incumbents. Henceforth, we do not discount that further optimization may take place to better manage newsprint usage and margin.</p> <p>Overall, while we maintain our NEUTRAL call for the sector for now, we may lower our rating to UNDERWEIGHT in view of the uninspiring earnings outlook.</p>	
MREITs	<p>Within expectations. All MREITs' results were within expectations, a consistent trend over the past five quarters.</p> <p>QoQ, top-line growths were mostly positive (1-11%), save for CMMT which was marginally lower by 1%. This translated to bottom-line growth for most (1-15%), save for CMMT (-5%) and MQREIT (-3%), which were within our expectations. YoY-Ytd, bottom-line was positive for most (-1% to 13%) on positive reversions, save for CMMT (-5%), SUNREIT (-7%) and MQREIT (-6%) on higher operating and financing costs.</p> <p>All in, we made no changes to our earnings and TPs, save for IGBREIT which we upgraded from UP to MP.</p>	<p>Lacking re-rating catalyst on; (i) minimal lease expiries (14-30% of NLA for MREITs under our coverage) save for CMMT (45%) which we have accounted for, and (ii) lacklustre reversions, up to mid-single-digit for retail to mildly negative reversions for office assets. We believe we have accounted for most foreseeable downside risks, while FY18-19E average DPU growth of 2-3% YoY is modest.</p> <p>Conservative on valuations as we are assuming a 10-year MGS target of 4.20% (vs. current levels of 4.10%) while our MGS spreads are above historical targets for most MREITs as we remain conservative on the sector's lacklustre outlook due to: (i) oversupply of retail and office space, and (ii) potential interest rate hikes.</p> <p>Maintain NEUTRAL on a 10-year MGS target of 4.20% while our above-average spreads serve as a buffer for tough macro outlook and near-term fluctuations to the MGS. As MREITs are offering average gross yields of 6.3%, our NEUTRAL call is warranted, but CMMT stands out on attractive yield of 8.0%.</p>	<p>OP</p> <ul style="list-style-type: none"> • CMMT (OP ↔; TP: RM1.25 ↔) <p>MP</p> <ul style="list-style-type: none"> • MQREIT (MP ↔; TP: RM1.10 ↔) • PAVREIT (MP ↔; TP: RM1.55 ↔) • SUNREIT (MP ↔; TP: RM1.60 ↔) • IGBREIT (MP ↑; TP: RM1.55 ↔) <p>UP</p> <ul style="list-style-type: none"> • KLCC (UP ↔; TP: RM6.90 ↔) • AXREIT (UP ↔; TP: RM1.35 ↔)
Oil & Gas	<p>Nine out of our 17 stock in our coverage reported results that were within expectations. However, this has deteriorated as compared to last quarter's 11 stocks. In fact, this quarter had seen a higher number of 6 disappointing results which doubled from the preceding quarter, while outperformers remained flat at 2 counters, namely DAYANG and PCHEM.</p> <p>This time round, we noticed that disappointments were apparent within the offshore vessel chartering players and upstream contractors, e.g. MHB, MISC, SAPNRG, YINSON, while ALAM recorded widening losses, albeit within expectations. This stems from poor vessel utilisations on top of depressing charter rates, and slow jobs flow in the offshore engineering</p>	<p>Maintain NEUTRAL, with corporate earnings still failing to deliver, as evidenced by this round of results. Overall, the sector is still plagued by players with balance-sheet or debt concerns, while many others are still facing uncertain earnings outlook.</p> <p>Moving forward, we see Petronas' capex to dwindle in 2019, given: (i) higher dividend commitment, having already committed a RM30b one-off special dividend, on top of its RM24b regular pay-out, bringing total expected dividends to RM54b – more than double of 2018's RM26b, and more than triple of 2017's RM16b, and (ii) Pengerang Integrated Complex nearing completion which had lifted capex numbers for the past 1-2 years. Thus, with the backdrop of lower capex, we see activities related to oil</p>	<p>OP</p> <ul style="list-style-type: none"> • DAYANG (OP ↔; TP: RM0.830 ↓) • DIALOG (OP ↔; TP: RM3.80 ↔) • PANTECH (OP ↑; TP: RM0.610 ↔) • PETGAS (OP ↔; TP: RM22.80 ↔) • SERBADK (OP ↔; TP: RM4.45 ↔) • UZMA (OP ↔; TP: RM1.30 ↓) • YINSON (OP ↔; TP: RM5.00 ↓) <p>MP</p> <ul style="list-style-type: none"> • ARMADA (MP ↔; TP: RM0.350 ↓) • GASMSIA (MP ↔; TP: RM5.00 ↓)

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
	<p>space.</p> <p>Meanwhile, DAYANG was a brightspot, delivering better-than-expected results as the company saw higher work orders within the topside maintenance space. PCHEM also saw a positive surprise in results from stronger ASP and favourable forex.</p>	<p>and gas greenfields to be slower in the coming years. Instead, in its place, we expect a ramp-up in brownfield production as more likely to lift cash flows to accommodate higher dividends. This could benefit local players with high brownfield exposures (e.g. UZMA, DAYANG), while downstream players (e.g. SERBADK, DIALOG) would remain mostly unaffected.</p> <p>All-in, we still prefer names with resilient nature and visible earnings visibility, such as DIALOG, SERBADK, and YINSON, on top of some staple Petronas names. SERBADK is our sector top-pick, on the back of its commendable earnings growth delivery and superior ROE.</p>	<p>RM3.05 ↔)</p> <ul style="list-style-type: none"> • MHB (MP ↑; TP: RM0.640 ↓) • MISC (MP ↔; TP: RM6.65↔) • PCHEM (MP ↔; TP: RM9.35 ↑) • PETDAG (MP ↔; TP: RM25.50 ↔) • SAPNRG (MP ↔; CUM/EX TP: RM0.410/RM0.340 ↔) • WASEONG (MP ↔; TP: RM0.850↓)
Plantation	<p>Another beaten-up quarter where out of 13 companies under our coverage, 8 missed our forecasts while 11 missed consensus estimates; and none exceeded expectations. The companies of which earnings met our expectation were CBIP, IOICORP, KLK TAANN and TSH. This is similar to 2QCY18 during which 9/10 companies missed our/consensus estimates. All planters under our coverage recorded lower YTD CPO prices received with an average decline of 17.2%, overshadowing the sector's flat FFB growth (+0.8%). As a result, all the planters posted softer core earnings with the exception of PPB, which was lifted by other non-plantation segments.</p> <p>Given the broad earnings setback, we have trimmed FY18-19E earnings by an average of 22-8%, and accordingly reduce TPs for 6 companies (FGV, GENP, HSPLANT, PPB, SAB and SIMEPLT). Nevertheless, we have not downgraded any of our calls, and in fact upgraded CBIP and TAANN from MP to OP as values have emerged. This contrasts with 2QCY18 during which we cut TPs for 9 companies and downgraded 5 of our calls. Planters under our coverage are currently trading at -1.0 to -2.5 SD from mean PE, with the exception of PPB, which is more consumer-like, and FGV, of which PE is distorted by its losses.</p>	<p>We believe CPO prices should re-enter an upward trajectory towards year-end and 1HCY19 as both Malaysian and Indonesian FFB production tapers off. In addition, a likely removal of CPO export levy in Indonesia should shore up the local prices. On demand front, festivities such as the Chinese New Year and a potential reduction in CPO import duties in India should underpin exports volume in the near-term.</p> <p>We maintain our 2018 CPO price forecast at RM2,300/MT (vs. YTD average of RM2,270/MT) and 2019's at RM2,400/MT, a slight YoY increase as we believe that more biodiesel initiatives in both Indonesia and Malaysia would fuel CPO demand.</p> <p>Reiterate NEUTRAL on plantation as uncertainties vis-à-vis trade war prevail, which continue to hurt the industry's sentiment and cap further upsides to CPO prices beyond our assumptions.</p> <p>For investors who would like to gain exposure to the plantation sector, we recommend opting for heavily bashed-down names (CBIP, HSPLANT and TAANN), planters with good execution track record and robust production outlook (GENP), and/or companies with well diversified earnings base (PPB). As such, we remain selectively positive and have OP calls on: (i) CBIP as orderbook replenishment is likely to come about by 1Q19 and the stock currently trades at an attractive FY19E PER of 7.7x (-2.5 SD), (ii) GENP for its above-average FFB outlook and stable earnings contribution from JPO and GPO, and the stock currently trades at an</p>	<p>OP</p> <ul style="list-style-type: none"> • CBIP (OP ↑; TP: RM1.10 ↔) • GENP (OP ↔; TP: RM10.50 ↓) • PPB (OP ↔; TP: RM18.35 ↓) • HSPLANT (OP ↔; TP: RM1.95 ↓) • TAANN (OP ↑; TP: RM2.35 ↔) <p>MP</p> <ul style="list-style-type: none"> • FGV (MP ↔; TP: RM0.965 ↓) • IJMLNT (MP ↔; TP: RM1.85 ↔) • IOICORP (MP ↔; TP: RM4.50 ↔) • KLK (MP ↔; TP: RM25.70 ↔) • SIMEPLT (MP ↔; TP: RM5.00 ↓) • TSH (MP ↔; TP: RM1.05 ↔) <p>UP</p> <ul style="list-style-type: none"> • SAB (UP ↔; TP: RM2.60 ↓) • UMCCA (UP ↔; TP: RM5.25 ↔)

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
		undemanding FY19E PER of 19.3x (-2.0 SD), (iii) PPB as its own businesses continue to record growth and the potential listing of Wilmar's China arm provides a re-rating catalyst, (iv) HSPLANT as share price appears overly punished at -3.0SD below PBV mean, and (v) TAANN as peak crop season towards year-end should coincide with better plantation and timber performances.	
Plastic & Packaging	<p>Mixed bag of results. Plastic packagers' results were a mixed bag with SCGM coming in below due to margin pressure, and TGUAN coming in within. Meanwhile we saw improvement for SCIENTX, SLP and TOMYPAK outperforming on better property margins for SCIENTX, better operating margins from improved economies of scale for SLP and unexpected positive tax recorded for TOMYPAK. This quarter was an improvement vs. 2Q18 when only 2 came within and 3 below</p> <p>YoY-Ytd, better sales volume led to improved YoY top-line growth of 3-9%, except for TOMYPAK which sales declined due to lower sales volume and selling price. Bottom-line-wise, TGUAN, SCGM and TOMYPAK saw declines ranging from 39% to 80% due to margin compression from higher operating expenses and financing cost. Meanwhile, SCIENTX and SLP's bottom-lines increased by 14% and 33%, respectively, on better margins.</p> <p>QoQ, bottom-line saw improvements with both SCGM and TOMYPAK turning back into the black on better sales. SCIENTX saw growth (+48%) in earnings mainly on better property products' margin while TGUAN was only marginally better (+1%) due to less operating losses from its F&B segment. Only SLP saw decline in earnings (-5%) on lower operating margin from changes in its sales mix.</p> <p>Upgrade earnings and TP for SCIENTX and SLP on stronger results while downgrade TP and earnings for SCGM. We kept TGUAN and TOMYPAK unchanged.</p>	<p>Capacity expansion plans on track. We expect capacity expansion across the sector to drive top-line growth progressively over the longer-run, assisted by continuous demand for niche plastic products (i.e. FMCG or healthcare segment), and increasing use of stretch film driven by Industry 4.0. We expect TOMYPAK to increase capacity by 44% in FY20-21, SLP by 58% in FY20, while TGUAN will commission an additional stretch film production line in 4Q18 and SCGM by 65% in FY20. SCIENTX will continue to focus on ramping utilisation, targeting 70% over the next few years and we do not expect any additional capacity in FY19-20 for now.</p> <p>Margin compression our main concern. We are not overly concerned about top-line growth but remain cautious over the volatile raw material prices and the variability of a favourable product mix that have caused margin compressions in recent quarters, while there is yet to be a strong signal of a recovery. CY17 saw higher resin cost due to demand and supply factors while the trend continued to affect recent 3Q18 results as well. Resin prices are currently range bound between USD1,100-1,300/MT, close to our resin cost estimate of USD1,200-1,400/MT. Meanwhile, plastic packagers are likely to continue seeing margin compressions from higher cost incurred during fit-out stages from ongoing capacity expansion.</p> <p>Maintain UNDERWEIGHT as sector's macro-economic fundamentals are unexciting with resin cost currently range bound between USD1,100-1,300/kg, Post adjusting our earnings, we believe we have priced in most foreseeable earnings downsides for the sector. However, we remain cautious going forward as earnings outlook remains volatile. We will be monitoring plastic packagers' margins closely due to</p>	<p>OP</p> <ul style="list-style-type: none"> • SLP (OP ↔; TP: RM1.35 ↑) <p>MP</p> <ul style="list-style-type: none"> • SCIENTX (MP ↑; TP:RM8.50 ↑) <p>UP</p> <ul style="list-style-type: none"> • SCGM (UP ↔; TP: RM1.15 ↓) • TGUAN (UP ↔; TP: RM1.95 ↔) • TOMYPAK (UP ↔; TP: RM0.495 ↔)

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
		margin weakness since FY17. Strong catalyst hinges on stable margin improvements on new capacity growth.	
Ports & Logistics	<p>Ports' results were mixed with MMCCORP coming above on higher-than-expected revenue and better cost management while WPRTS came within.</p> <p>YoY-Ytd, MMCCORP's earnings declined 61% due to lower earnings contribution from Johor and Northport, lower share of profit from Energy & Utilities division and lower contribution from KVMRT-SBK Line following full-year completion in 3Q17. WPRTS' earnings was lower by 12% mainly dragged by cost factors arising from the CT8 and CT9 expansions in FY17.</p> <p>QoQ, MMCCORP's earnings was higher by 155% due to lower cost of sales and operating expenses, higher investment income of RM50m and higher associate contribution. Meanwhile, higher container throughput volume, lower financing cost and effective tax rate saw WPRTS' earnings increased by 17%.</p> <p>As for logistic counters, POS' results disappointed, plunging into losses due to deteriorating courier services coupled with widening losses in postal services.</p> <p>Post-results, we upgrade earnings for MMCCORP on better-than-expected results but made no changes to TP and call for MMCCORP and WPRTS. Meanwhile, we massively slashed POS' FY19-20E earnings by 97-64%, reiterating our UP call.</p>	<p>We believe the impact from the trade war is likely to be minimal for ports players as it is more likely to affect trans-pacific routes. For WPRTS, the group is seeking to acquire another piece of land for the expansion from CT10 to CT19, but we believe there is unlikely to have any earnings accretive development in the next 2-3 years.</p> <p>As for logistics players, we still see the sub-sector suffering from a competitive environment, leading to margins erosion, with POS also further dragged by widening postal services losses.</p> <p>Overall, we maintain NEUTRAL on the sector, given a lack of re-rating catalyst.</p>	<p>OP</p> <ul style="list-style-type: none"> MMCCORP (OP ↔; TP: RM1.30 ↔) <p>MP</p> <ul style="list-style-type: none"> CJCEN (MP ↔, RM0.52 ↓) WPRTS (MP ↔, RM3.75 ↔) <p>UP</p> <ul style="list-style-type: none"> POS (UP ↔; TP: RM2.95 ↓)
Power Utility	<p>Another disappointing results season for the sector. TENAGA's 3Q18 missed forecast on higher fuel costs as well as rising finance costs on new Sukuk issuance. YTLPOWR's 1Q19 fell short of expectations led by PowerSeraya's losses for the first time while narrowing losses at YES was the only positive. MALAKOF's 3Q18 was hit by another boiler-related issue in TBE which may lead to operational uncertainties. Meanwhile, PESTECH had a slow start to FY19 in the seasonally weak 1Q19 due to lower work claim progress. Overall, while there were no changes in ratings, we cut target prices for TENAGA to RM16.45 from RM17.90; YTLPOWR to RM1.05 from RM1.10; and MALAKOF to RM1.00 from RM1.05 following</p>	<p>With coal price still staying elevated currently, we are likely to see tariff surcharge in the next Review Window in Dec for 1H19. Meanwhile, the high fuel pices also means that the upcoming TENAGA's 4Q18 results could be weak before it could pass this through to consumer in the next review. YTLPOWR's earnings outlook remains challenging in the immediate term before its two new greenfield projects come on-stream in 3-4 years' time. Although TBE is already back in the system, the going remains tough for MALAKOF as to fill up the earnings gap to propel price higher. For its latest M&A, we remain cautiously optimistic on its acquisition of Alam Flora. On the other hand, we expect better quarters ahead in spite of the</p>	<p>OP</p> <ul style="list-style-type: none"> MALAKOF (OP↔; TP: RM1.00 ↓) PESTECH (OP ↔; TP: RM1.95 ↔) TENAGA (OP ↔; TP: RM16.45 ↓) <p>MP</p> <ul style="list-style-type: none"> YTLPOWR (MP ↔; TP: RM1.05 ↓)

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Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
	earnings cut after their disappointing results.	dismal 4Q18 as the key projects are moving with more progress claims after graduating from the early stages. In all, we remain OVERWEIGHT on the sector.	
Property Developers	<p>Slightly better than last quarter, earnings wise. Out of 14 developers under our coverage; (i) 36% missed expectations (HUAYANG, MAHSING, MRCB, SIMEPROP, SPSETIA) due to weaker-than-expected margins and softer billings, (ii) 21% exceeded expectations (AMVERTON, SUNSURIA, MAGNA) although we note that these developers have low profit base which projected bigger percentage variances. The rest were within to broadly within expectations. Earnings-wise, it was better than last quarter, where 54% of our universe missed expectations while only 15% were above. We revised; (i) earnings downward by 4-36% for developers that missed earnings expectations, and (ii) earnings upwards by 13-22% for those that exceeded expectations. Consequently, our earnings adjustments were a slight improvement from last quarter.</p> <p>Healthier headline sales performance with; (i) 29% of our coverage behind in terms of meeting sales targets (AMVERTON, MAHSING, MRCB, SPSETIA), (ii) 14% were ahead of schedules (SUNWAY, SIMEPROP), while (iii) the rest were on-track. This is a slight improvement compared to last quarter where 31% of our coverage were behind targets and only 8% were ahead of schedule. Sales were largely driven by the expected inventory clearing efforts as developers prioritized capital recovery over margins; hence, the risks of margin squeezes are still prevalent.</p> <p>More CALL downgrades this time around. Recall on 5-Nov, we released a post-Budget 2019 sector report where we called for a rebound play and selective property counters (particularly the bigger players) were upgraded to OP calls. Since then, some have rebounded and in the absence of strong re-rating catalysts, we are comfortable with our current valuation levels. Hence in this result season; (i) 21% of our coverage were downgraded to MP (UOADEV, SUNWAY, IOIPG), and (ii) only 7% upgraded to OP (SUNSURIA). Last quarter, we only downgraded 15% and upgraded 8%</p>	<p>Earnings and sales trajectories are still uninspiring, while margin compression risk still looms due to clearing of inventories and heavy marketing efforts. Our universe's total sales/earnings trajectory are expected to be at -5% / -15% YoY in FY18E/FY19E and +2% / +14% YoY in FY19E/FY20E, respectively. Our universe's: (i) average unbilled sales are at 1.2 years or unchanged from last quarter), (ii) average net gearing remains steady at 0.3x or at healthy levels.</p> <p>Valuations remain subdued. 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) as ROE recoveries are still soft. Note that 64% of our coverage is pegged at MP while 35% are at OP calls.</p> <p>Reiterate NEUTRAL. We prefer big players with overseas and/or land earnings drivers whose valuations are relatively more subdued than its peers, namely SIMEPROP, SPSETIA and UEMS.</p>	<p>OP</p> <ul style="list-style-type: none"> • MAHSING (OP ↔; TP: RM1.10 ↔) • SIMEPROP (OP ↔; TP: RM1.10 ↔) • SPSETIA (OP ↔; TP: RM2.45 ↓) • SUNSURIA (OP ↑; TP: RM0.860 ↔) • UEMS (OP ↔; TP: RM0.850 ↔) <p>MP</p> <ul style="list-style-type: none"> • AMVERTON (MP ↔; TP: RM1.00 ↔) • CRESNDO (MP ↔; TP: RM1.30 ↔) • ECOWLD (MP ↔; TP: RM1.15 ↔) • HUAYANG (MP ↔; TP: RM0.410 ↔) • IOIPG (MP ↓; TP: RM1.65 ↔) • MAGNA (MP ↔; TP: RM0.955 ↔) • MRCB (MP ↔; TP: RM0.750 ↓) • SUNWAY (MP ↓; TP: RM1.50 ↓) • UOADEV (MP ↓; TP: RM2.15 ↔)

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Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
	of CALLs. TP-wise, we lowered TP for 36% of our universe (ECOWLD, HUAYANG, MRCB, SPSETIA, SUNWAY). This is slightly worse-off than last quarter where only 15% of our coverage saw downward revisions in TPs.		
Rubber Gloves	The just concluded 3QCY18 results of glove makers under our coverage came in within expectations. Hartalega Holdings' 3Q18 results show a declining sequential volume for the first time over the past several quarters potentially indicating that strong demand is tapering off. Kossan Rubber's 3Q18 results are a solid indication of a strong growth trajectory in subsequent quarters with the commercial production of plant 16 and plant 17. Following the good set of results after four consecutive quarters of earnings disappointment, we upgrade the stock to Outperform from Underperform. Supermax's erratic results continued to surprise market, swigging between low quarterly earnings to a decent 1Q19 results which came in within expectations.	Maintain UNDERWEIGHT. Anecdotal evidence suggests that rubber gloves stocks' share price rally was led largely by massive PER expansion compared to pedestrian earnings growth over the past eight quarters and 12-month period. The stocks under our coverage are trading at >+2.0SD above the 5-year historical forward mean valuations) which appears stretched vis-à-vis earnings growth. Our analysis suggests a potential oversupply situation is looming. Note that previous two oversupply occurs back in 2014 and 2016. Top sector pick is Kossan. We like Kossan expecting its subsequent quarterly results to record strong high-teens net profit growth underpinned by new capacity expansion from plant 16 and 17. TP is RM4.95 based on 25.5x FY19E EPS (+1.5 SD above 6-year historical forward mean).	OP: <ul style="list-style-type: none"> • KOSSAN (UP ↑; TP: RM4.95 ↑) UP: <ul style="list-style-type: none"> • HARTA (UP ↔; TP: RM5.15 ↔) • SUPERMX (UP ↔; TP: RM2.60 ↔) • TOPGLOV (UP ↔; TP: RM4.45 ↔)
Technology	Mixed bags. Out of our coverage, D&O, MPI, PIE and UNISEM reported satisfactory results that came in within our expectations. No outperformers in this round. Meanwhile underperformers such as KESM, NOTION and SKPRES missed expectations owing to slower uptake of respective key products/services and further exacerbated by operational deleveraging. In Semiconductor space, upwards revisions were made to MPI to account for stronger USD/MYR assumption. Along with a higher TP, we also upgraded its rating to OP as it offers the best value proposition amongst all due to its unjustifiably cheap valuation, juxtaposed to its improving earnings profile which warrants a 2-year CNP CAGR of 11%. On the other hand, we turned more cautious on UNISEM and KESM; thus, leading us to assume lower UR and product mix changes. That said, UNISEM's Offer Price of RM3.30/share is the silver lining; which we advise shareholders to ACCEPT OFFER given its fair valuation. Meanwhile, no changes made to D&O's earnings and rating. For EMS players, we cut SKPRES earnings estimates to account for	Though global semiconductor sales continued to improve with Aug 2018 sales climbing 13.8% YoY (marking the 26th consecutive YoY growth), the normalisation of trend from the high base in 2017 (growth of 21.6%) is becoming more apparent. Note that July GSS growth of 17.4% marked the first dropout from the c.20% growth region that had lasted over the past 15 consecutive months. We expect 4QCY18 USD top-line growth to remain flat to slight negative (of 0 to -5%) on ongoing inventory adjustment. For EMS players under our coverage, medium-term prospects are still decent, underpinned by the contracts that have been/are being awarded by major customers. Meanwhile, execution with better operational efficiency remains as the key determinant to realise growth.	OP <ul style="list-style-type: none"> • D&O (OP ↔, TP: RM1.000 ↔) • MPI (OP ↑, TP: RM13.00 ↑) • PIE (OP ↔, TP: RM2.00 ↔) • SKPRES (OP ↔, TP: RM1.35 ↓) MP <ul style="list-style-type: none"> • KESM (MP ↔, TP: RM10.20 ↔) ACCEPT OFFER <ul style="list-style-type: none"> • UNISEM (TP: RM3.30 ↔) NOT RATED <ul style="list-style-type: none"> • NOTION (TP: RM0.600 ↔)

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Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
	<p>lower revenue from the conventional electrical appliances, which led to a lower TP of RM1.35 (from RM1.45). Meanwhile we maintain our OP call for both EMS players on better value proposition following the recent share price correction.</p> <p>For NOTION, we transfer this stock from our core coverage to retail coverage under the On Our Radar series, given the lack of institutional interest in the stock. Hence, it is now a NOT RATED stock (from UNDERPERFORM previously).</p>		
Telecom-munications	<p>Celcos in-line, fixed-line outlook under pressure. All the mobile incumbents posted decent 9M18 results with no major surprises in earnings. The aggregate top-3 mobile incumbents' total revenue remained flat on QoQ (to RM5.68b) with service revenue inching higher marginally by 0.2% QoQ to RM4.98b, thanks to better performance of MAXIS and CELCOM. DIGI's service revenue weakened by 1.1% due to lower prepaid segment performance. The big-three mobile players continued to see pressure on the prepaid segment, witnessed by the lower-to-flattish ARPU and subscriber base as a result of the stiffer competition. Thus, there is no surprise that all the big-three players continued to focus on attracting high-value customers in postpaid segment.</p> <p>On the fixed-line segment front, while TM posted better-than-expected operational performance in 3Q18, its PATAMI slipped into the red after a one-off impairment loss on network assets. Its dividend policy was also revised to yearly distribution of 40-60% of its reported PATAMI.</p> <p>OCK, meanwhile, posted decent results with regional contribution continuing to climb despite some slowdown in the local segment. We continue to like OCK for its attractive growth prospects and growing recurring revenue stream.</p>	<p>Moving forward, while all the industry incumbents are set to continue to expedite digital transformation as well as enhancing their operational efficiencies, the revised MSAP (Mandatory Standard of Access Pricing) framework coupled with the uncertainty of the government's broadband/spectrum policy may keep investors at bay from the sector, especially the fixed-line player, for now. Note that, the upcoming 700Mhz spectrum award may change some Celcos' strategy and capex plan, although there is no solid update from the authority so far.</p> <p>All in, while the operational and competition landscape remains challenging, the recent business decision and developments are suggesting that players are moving into the right directions. Maintain NEUTRAL call for the sector.</p>	<p>OP</p> <ul style="list-style-type: none"> • AXIATA (OP↔, TP: RM4.60 ↔) • OCK (OP↔, TP: RM0.750 ↔) <p>MP</p> <ul style="list-style-type: none"> • TM (MP ↔, TP: RM2.50↓) • DIGI (MP↔, TP: RM4.65 ↔) • MAXIS (MP↔, TP: RM5.55↔)

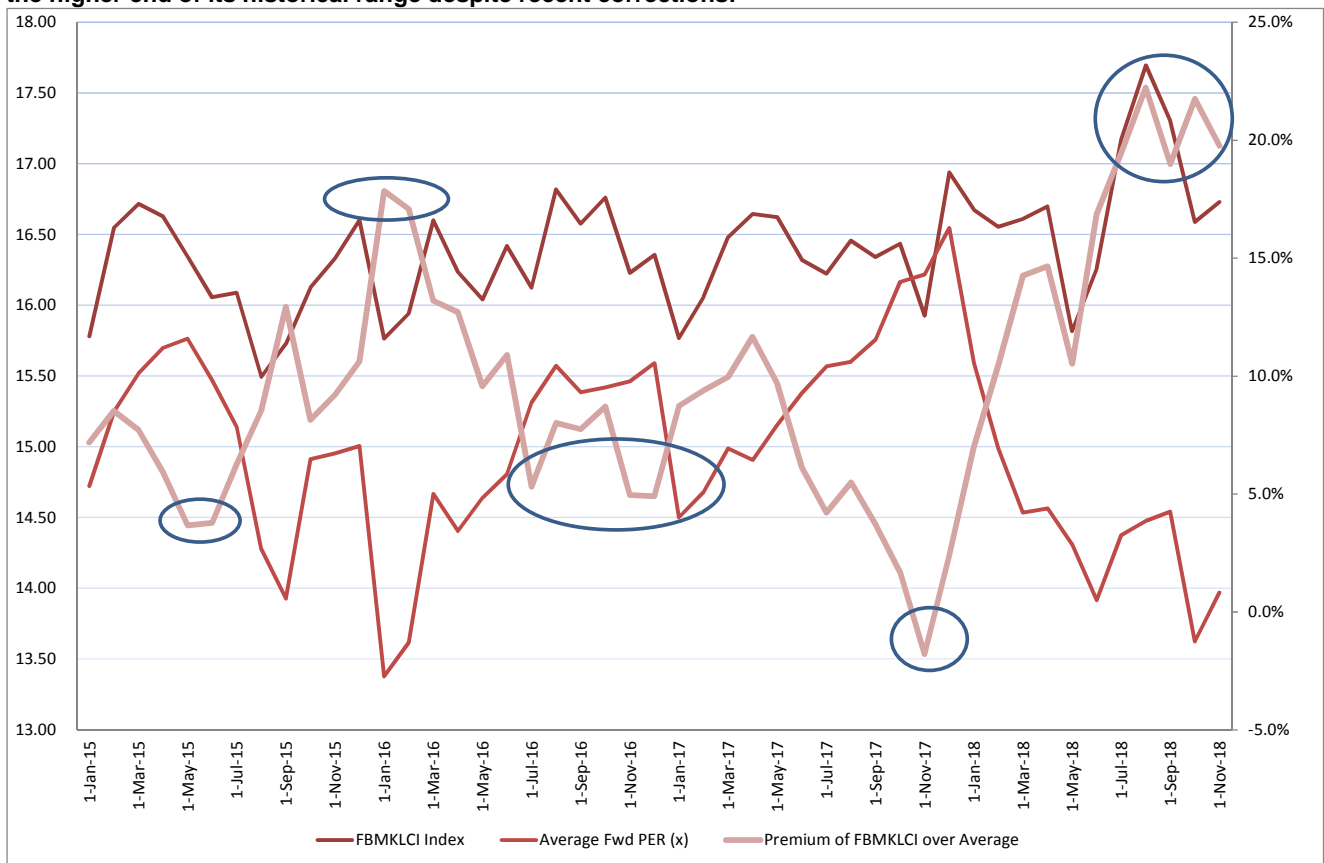
Source: Kenanga Research

Figure 9: Net Earnings Growth Estimates of Kenanga Research’s FBMKLCI Earnings Model (as of 4 Dec18)

Sector/Industry	Ave.Wt.NPGrw_FY17A	Ave.Wt.NPGrw_FY18F	Ave.Wt.NPGrw_FY19F	Average Upsie (%)
Automotive	-25.4%	-66.3%	-56.3%	6.0%
Banking	19.3%	5.2%	2.6%	2.0%
Building Materials	N.A.	101.8%	43.4%	-1.4%
Conglomerate	N.A.	N.A.	N.A.	0.0%
Construction	N.A.	N.M.	N.A.	12.8%
Consumer	-33.5%	51.2%	41.3%	-11.7%
Gaming	-40.3%	52.4%	-9.0%	10.5%
Gloves	N.A.	N.A.	N.A.	-22.3%
Healthcare	44.0%	-71.3%	229.3%	-14.3%
Media	-4.5%	-40.5%	-100.0%	23.1%
MREITs	8.8%	108.0%	0.6%	-11.5%
Oil & Gas	28.3%	16.3%	7.4%	6.2%
Plantations	70.7%	35.8%	-30.4%	8.2%
Power Utilities	2.7%	-13.9%	16.7%	21.5%
Property	N.A.	N.A.	N.A.	13.6%
Telecommunications	3.5%	-20.4%	-2.5%	7.2%
Transport & Logistics	-36.5%	-39.6%	17.5%	6.8%
FBMKLCI Index	10.2%	-0.2%	3.5%	5.0%

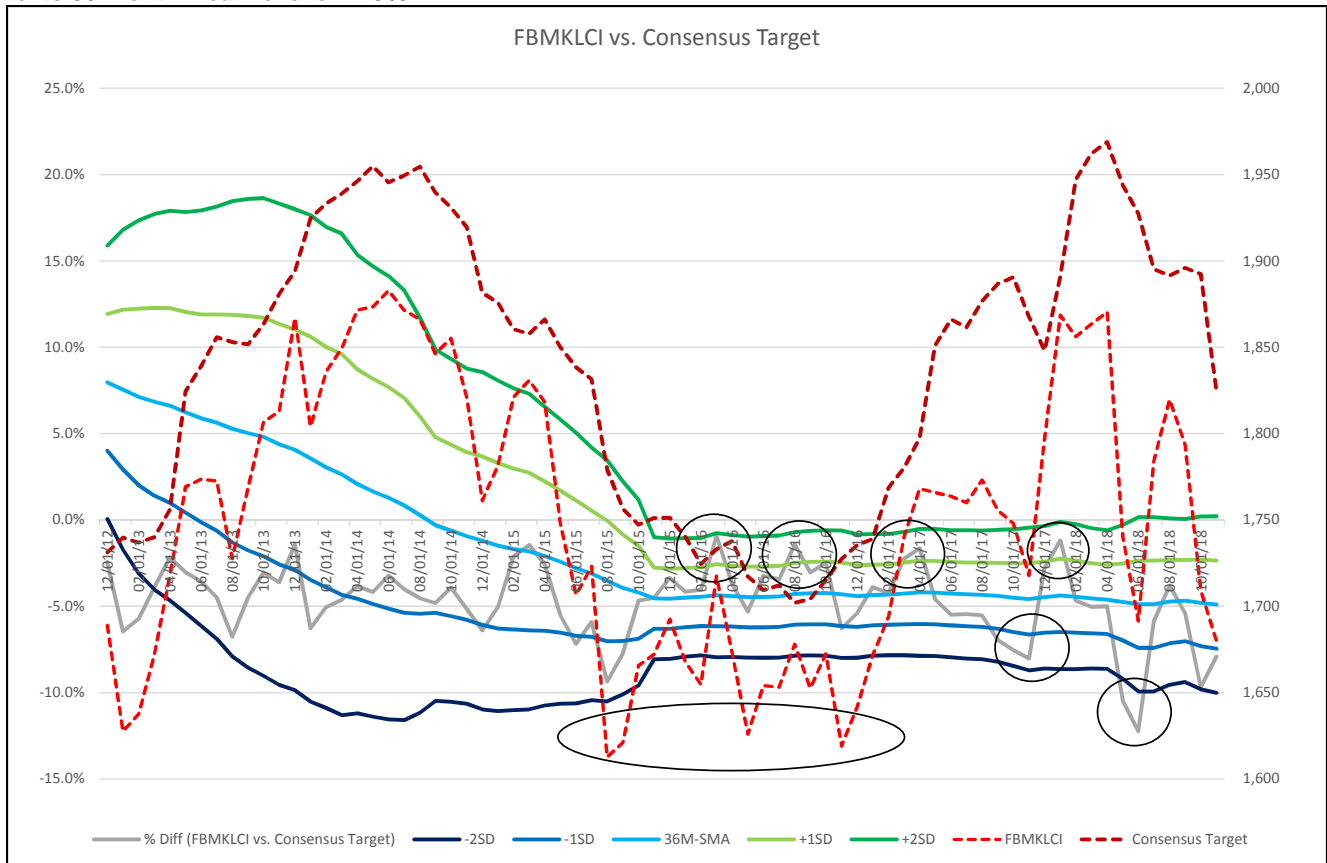
Source: Bloomberg, Kenanga Research

Figure 10: Forward PER Valuation Premium of FBMKLCI over Selected Regional Peers (as at end-Nov18) – Still at the higher end of its historical range despite recent corrections!



Source: Bloomberg, Kenanga Research

Figure 11: Discount between FBMKLCI and Its Consensus Target (as of end-Nov18) – In the midst of reverting back to its 36-month mean level of -4.9%.



Source: Bloomberg, Kenanga Research

Figure 12: Monte Carlo Simulation Study: Simulated Path of FBMKLCI until end-2018.

Distribution of Simulated FBMKLCI Till End-2018	1	2	3	4	5	6	7	8	9	10	Average
Mean	1,661.2	1,726.6	1,737.7	1,749.9	1,653.4	1,650.4	1,720.5	1,744.8	1,748.5	1,735.3	1,712.8
Standard Deviation	133.0	94.3	124.4	155.4	95.3	66.4	82.8	112.3	94.3	95.3	105.3
Kurtosis	(0.2)	0.2	1.0	3.1	(0.5)	0.1	0.2	3.5	1.5	0.1	0.9
Skewness	(0.1)	0.5	0.5	1.6	0.1	0.3	0.2	1.5	1.1	0.4	0.6
Range	625.9	484.7	740.8	828.7	492.5	398.5	466.2	744.0	542.3	515.4	583.9
Minimum	1,354.2	1,496.8	1,448.5	1,511.2	1,421.7	1,484.3	1,529.7	1,542.4	1,563.3	1,547.7	1,490.0
Maximum	1,980.1	1,981.5	2,189.2	2,339.9	1,914.2	1,882.8	1,995.8	2,286.3	2,105.6	2,063.1	2,073.9
Count	221	221	221	221	221	221	221	221	221	221	221
At 68% Confidence Level,											
FBMKLCI is expected to oscillate between	1,528.2	1,632.3	1,613.3	1,594.5	1,558.1	1,584.0	1,637.7	1,632.5	1,654.2	1,640.0	1,607.5
and	1,794.1	1,820.9	1,862.1	1,905.3	1,748.7	1,716.9	1,803.3	1,857.1	1,842.8	1,830.6	1,818.2
Probability of KLCI <=	1,600.0	1,600.0	1,600.0	1,600.0	1,600.0	1,600.0	1,600.0	1,600.0	1,600.0	1,600.0	1,600.0
=	32.3%	9.0%	13.4%	16.7%	28.8%	22.4%	7.3%	9.9%	5.8%	7.8%	15.3%
Probability of KLCI <=	1,640.0	1,640.0	1,640.0	1,640.0	1,640.0	1,640.0	1,640.0	1,640.0	1,640.0	1,640.0	1,640.0
=	43.7%	17.9%	21.6%	24.0%	44.4%	43.8%	16.5%	17.5%	12.5%	15.9%	25.8%
Probability of KLCI <=	1,665.0	1,665.0	1,665.0	1,665.0	1,665.0	1,665.0	1,665.0	1,665.0	1,665.0	1,665.0	1,665.0
=	51.2%	25.7%	27.9%	29.2%	54.8%	58.7%	25.1%	23.9%	18.8%	23.0%	33.8%
Probability of KLCI >=	1,735.0	1,735.0	1,735.0	1,735.0	1,735.0	1,735.0	1,735.0	1,735.0	1,735.0	1,735.0	1,735.0
=	28.9%	46.5%	50.9%	53.8%	19.6%	10.2%	43.1%	53.5%	55.7%	50.1%	41.2%
Probability of KLCI >=	1,780.0	1,780.0	1,780.0	1,780.0	1,780.0	1,780.0	1,780.0	1,780.0	1,780.0	1,780.0	1,780.0
=	18.6%	28.6%	36.7%	42.3%	9.2%	2.6%	23.6%	37.7%	36.9%	31.9%	26.8%
Probability of KLCI >=	1,830.0	1,830.0	1,830.0	1,830.0	1,830.0	1,830.0	1,830.0	1,830.0	1,830.0	1,830.0	1,830.0
=	10.2%	13.7%	22.9%	30.3%	3.2%	0.3%	9.3%	22.4%	19.4%	16.0%	14.8%

Source: Bloomberg, Kenanga Research

04 December 2018

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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