3QCY19 Results Review

A Silver Lining

By Koh Huat Soon / hskoh@kenanga.com.my

FBMKLCI	**1,570.55**
Target	**1,615.00 ↓**

The 3QCY19 result season turned out to be not bad at all. While not exactly a rip roaring performance either, at least no one sector disappointed hugely by our account. Given the extreme negative sentiment and expectations around large caps all this year, this must have come as a relief. If we must point to something negative, it is that rubber glove makers came in short due to labour issues and delayed cost pass-throughs and the improvement in CPO price since mid-year has yet to translate into stellar earnings for the plantation sector. Among large cap KLCI components, those that surpassed our expectations were TENAGA, CIMB, GENM, GENTING and AIRPORT while the three planters SIMEPLT, KLK and IOICORP missed meeting our earlier raised expectations. Post-results, we raised our FY19/FY20 EPS estimates marginally from 94.7/100.9 to 95.2/101.6 and revise our year-end target for the FBMKLCI from 1,642 to 1,615. These revisions represent EPS growth of -2.6% and +6.7% versus our previous -3.1% and +6.5% estimates for FY19 and 20 respectively. Our thesis of an earnings turnaround remains intact.

Reduced year-end KLCI target to 1,615 points: Post review, we tweaked up our FBMKLCI EPS estimate for FY19 from 94.7 to 95.2 and for FY20 from 100.9 to 101.6. And, applying a 12-month forward PE of 15.9x (5-year mean) to 2020 EPS of 101.6 gives a year end target of 1,615. At the core net profit level, CNP and EPS growths for FY19E were adjusted from -3.1% to -2.6%, while FY20E growth was raised from +6.5% previously to +6.7%. Currently, consensus EPS projections are 95.6 and 102.9 for CY19 and CY20 respectively.

Plantation sector missed our raised expectations. Post results, we raise FY20 EPS growth due mainly to a reduced current year base on lower-than-expected realised CPO prices and in certain cases, higher than expected production costs.

FBMKLCI EPS for FY19/FY20 raised by 0.5%/0.7%: EPS were marginally raised on positive revisions in **AIRPORT, GENM, GENT, TENAGA and CIMB**. EPS growth for plantation stocks were also raised from levels estimated at the end of August at the conclusion of the previous 2QFY19 reporting season.

Trendwise looking encouraging: The number of stocks that exceeded our expectation increased from 12 previously (post 2QCY19 results) to 25 – it was 18 post 1QCY19. The numbers that disappointed fell from 50 to 42 – it was 39 post 1QCY19. In terms of performance relative to market expectations, those that exceeded expectation increased from 7 to 21 (it was 11 in 1QCY19), while disappointments fell from 52 to 48 (it was 38 in 1QCY19) (see tables in Appendix1).

Four sectors contributed to the increase in number of pleasant surprises: 3 **(SCGM, TGUAN and SCIENTX)** from Plastic and Packaging came in above compared to none previously, **CARLSBG and HEIM** exceeded expectations among those in the Sin sector (there were none previously). Property sector contributed 5 pleasant surprises versus 2 previously and Plantation saw the unloved **FGV** and **TAAN** beating expectations (versus just one previously).

Our Overweight Sectors – Rubber Gloves and Banks/Non-bank Financials came in mix and within our expectations, respectively. We maintained CY20E growth for the Banking sector at 3.1% but raised that for the Rubber Glove sector from 10.9% to 22.3% mainly due to a lowered base for **KOSSAN and TOPGLOV** (reported end Sept) in the current year, while maintaining forecast for the next FY. **KOSSAN's** current year estimates were reduced to account for labour issues and **TOPGLOV** for lower-than-expected margins for latex gloves. For the Banks, we noted that NIMs remained compressed YoY but recovering on a sequential basis which would likely mean positive NII growth momentum in the 4QCY19. Credit costs were generally steady with the exception of **AFFIN, ABMB and AMBANK**. Domestic loan is gaining traction. Overseas segments were mixed, with **CIMB** and **HLBANK** reporting robust offshore earnings while **MAYBANK** reported rise in NPLs in Indonesia and Singapore. Although none exceeded expectations, the Technology Sector saw 3 **(MPI, KESM, PIE)** of the 6 companies we cover reporting earnings that came in line – an improvement over 5 misses in the last quarter.

Our Underweight Sectors came within expectations– In the Building Material sector, **ANNJOO, WTHORSE and ULICORP** continued to fall prey to higher input/production costs, lower ASPs and sales volumes as property and infrastructure development have yet to gather pace. Slower billings and sluggish property sales were largely the reasons why most construction players reported lower earnings. On Healthcare, **IHH** disappointed as overseas units Acibadem and Fortis failed to deliver as expected while **PHARMA**, although meeting earnings expectations, faces a less certain future as its concession for the supply and distribution of medical supplies was not renewed but merely extended for just 25 months after which it would be subjected to an open tender.

Oil & Gas: The sector earnings came in broadly in line with none disappointing in a big way. In fact, those that surprised pleasantly did so with earnings much higher than anticipated notably **DAYANG, VELESTO and WASEONG**. Among those that disappointed, **MHB and SAPNRG's** earnings were dragged by higher upfront cost recognitions from new projects while for **YINSON**, the commencement of FPSO Abigail-Joseph was pushed back by one quarter. All-in-all, it is a matter of timing that the expected earnings are delivered for these three names.

Sin Sector: One sector that stood out well against expectation was the Sin sctor, thanks to **CARLSBG** and the less-loved **HEIM**. On their earnings report, it is encouraging to note that beer consumption has been growing at a robust 17% so far this year! Let the good times continue rolling with Euro 2020 and VMY 2020 next year.

Our 3QCY19 Top Picks, **ABMB (OP ↔; TP: RM3.45↑)** came in within our expectation but below consensus on higher credit charge. We see better days ahead in the absence of one-off 1H impairment charges and NIM recovery in subsequent quarters. **CARLSBG (OP ↔; TP: RM30.00 ↑)** delivered better-than expected results on the back of continued robust demand for its premium brands and stronger performing Singapore and Sri Lankan units. **PWROOT's (OP↔; TP: RM2.75 ↑)** 1QFY20 earnings also beat estimates on stronger-than-expected export sales and better cost efficiencies, which prompts us to keep the OP recommendation with total return of 15% from this level.

Among our larger cap favourites is **CIMB (OP↔; TP: RM6.45↔)** as we expect its domestic loans to grow above system, with Niaga's loans picking up in the 2HCY19 on consumer segment demand. Valuation is undemanding at just 0.9x P/B. **HARTA (OP ↔; TP: RM6.00 ↑)** performed within expectations and despite **KOSSAN (OP ↔; TP: RM5.25 ↔)** which disappointed on labour issues, CY19 is still expected to deliver 23% growth (with new capacity) after earnings estimate cut. Earnings growth in coming quarters will be boosted by higher ASPs and the weaker MYR against the USD.

Post results, we maintain OUTPERFORM call on our 3QCY19 Top Picks : ABMB (OP ↔; TP: RM3.45 ↑), BAUTO (OP ↔; TP: RM2.75↔) , CARLSBG (OP↔ ; TP: RM30.00 ↑), CIMB (OP↔; TP: RM6.45↔), HARTA (OP ↔; TP: RM6.00 ↑), KOSSAN (OP ↔; TP: RM5.25 ↔), MISC (OP ↔; TP: RM8.90↑) , MPI (OP ↔, TP: RM14.00 ↑) , PWROOT (OP↔; TP: RM2.75 ↑) and TAKAFUL (OP ↔; TP: RM6.80↔).

Appendix 1

Kenanga's 3QCY19 Results Expectations against Consensus

% of Results Measured Against Expectations of	3QCY19			2QCY19		
Kenanga Research	Above	Within	Below	Above	Within	Below
	18%	53%	30%	9%	56%	36%
	Did not disappoint		Disappointed	Did not disappoint		Disappointed
	70%		30%	64%		36%
Consensus	Above	Within	Below	Above	Within	Below
	16%	49%	36%	5%	55%	39%
	Did not disappoint		Disappointed	Did not disappoint		Disappointed
	64%		36%	61%		39%

3QCY19 Period / Categories	Kenanga Research			Consensus		
	Report Count	%		Report Count	%	
Above	25	18%	70%	21	16%	64%
Within	75	53%		66	49%	
Below	42	30%	30%	48	36%	36%
Sub-total	**142**	**100%**	**100%**	**135**	**100%**	**100%**
N.A	-			7		
Total	**142**			**142**		
Verdict	**Within**			**Mix**		

2QCY19 Period / Categories	Kenanga Research			Consensus		
	Report Count	%		Report Count	%	
Above	12	9%	64%	7	5%	61%
Within	78	56%		73	55%	
Below	50	36%	36%	52	39%	39%
Sub-total	**140***	**100%**	**100%**	**132**	**100%**	**100%**
N.A	-			8		
Total	**140**			**140**		
Verdict	**Within**			**Mix**		

Note:
** Does not include AIRASIA and AIRPORT*

Source: Bloomberg, Kenanga Research

Appendix 2

Recent Reported Results vs. Our Expectations and Market Consensus (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 Price (RM)		Call	
			FY18/19	FY19/20	YoY % Chg	FY18/19	FY19/20	YoY % Chg	KNK	Mkt	FY19/20	FY20/21					
	AUTOMOTIVE		**28,882.4**	**30,456.7**	**5.5%**	**664.3**	**912.4**	**37.3%**	**Within**	**Mix**	**-4.7%**	**-4.0%**					
1	BERMAZ AUTO BHD	1Q20	485.4	535.0	10.2%	50.3	50.5	0.4%	Within	Below	0.0%	0.0%	Within	2.75	↓	OP	↔
2	DRB-HICOM BHD	2Q19	5,839.0	7,032.0	20.4%	-76.0	119.0	-256.6%	Within	Below	0.0%	0.0%	Within	2.60	↔	MP	↑
3	MBM RESOURCES BHD	3Q19	1,397.2	1,592.4	14.0%	121.7	152.4	25.2%	Above	Above	5.8%	7.5%	Within	4.75	↑	OP	↔
4	SIME DARBY BHD	1Q20	8,845.0	9,476.0	7.1%	189.0	270.0	42.9%	Within	Within	0.0%	0.0%	Within	2.20	↔	MP	↔
5	TAN CHONG MOTOR HOLDINGS BHD	3Q19	3,691.4	3,197.8	-13.4%	55.1	43.2	-21.6%	Below	Below	-33.7%	-31.3%	Within	1.05	↓	UP	↓
6	UMW HOLDINGS BHD	3Q19	8,624.4	8,623.5	0.0%	324.2	277.3	-14.5%	Within	Within	0.0%	0.0%	Within	5.45	↔	OP	↑
	BANKS & NON-BANK FINANCIALS		**55,119.5**	**58,144.6**	**5.5%**	**19,041.7**	**19,396.3**	**1.9%**	**Within**	**Within**	**-1.0%**	**-0.8%**					
7	AEON CREDIT SERVICE BHD	2Q20	457.1	531.4	16.3%	173.1	121.9	-29.6%	Below	Below	-15.1%	-11.9%	Within	13.00	↓	UP	↔
8	AFFIN HOLDINGS BHD	3Q19	1,467.0	1,444.7	-1.5%	359.3	365.7	1.8%	Below	Below	0.0%	0.0%	Below	2.45	↑	OP	↔
9	ALLIANCE BANK MALAYSIA BHD	2Q20	800.3	836.2	4.5%	276.9	192.2	-30.6%	Below	Below	0.0%	0.0%	Within	3.45	↔	OP	↔
10	AMMB HOLDINGS BHD	2Q20	1,998.2	2,128.7	6.5%	695.7	711.0	2.2%	Within	Within	3.3%	1.9%	Within	4.75	↔	OP	↔
11	BIMB HOLDINGS BHD	3Q19	2,096.2	2,388.8	14.0%	520.7	606.1	16.4%	Within	Within	0.0%	0.0%	Within	4.80	↔	OP	↔
12	BURSA MALAYSIA BHD	3Q19	265.3	225.4	-15.0%	172.2	140.3	-18.5%	Within	Within	1.9%	0.3%	WIthin	6.00	↓	MP	↔
13	CIMB GROUP HOLDINGS BHD	3Q19	12,215.7	13,021.5	6.6%	3,538.0	3,969.0	12.2%	Above	Above	0.5%	1.9%	Within	6.45	↔	OP	↔
14	HONG LEONG BANK BHD	1Q20	1,177.0	1,215.1	3.2%	635.0	688.6	8.4%	Within	Within	0.0%	0.0%	Within	18.90	↑	OP	↑
15	LPI CAPITAL BHD	3Q19	1,124.6	1,203.4	7.0%	230.0	235.8	2.5%	Below	Below	-4.5%	-3.5%	Within	16.00	↓	MP	↔
16	MALAYAN BANKING BHD	3Q19	17,328.7	18,248.0	5.3%	5,786.9	5,748.9	-0.7%	Within	Within	0.0%	0.0%	Within	9.70	↔	OP	↔
17	MALAYSIA BUILDING SOCIETY BHD	3Q19	1,047.2	1,044.4	-0.3%	524.4	360.1	-31.3%	Below	Below	0.0%	0.0%	Within	1.10	↔	OP	↔
18	PUBLIC BANK BHD	3Q19	8,132.8	8,252.2	1.5%	4,185.3	4,105.6	-1.9%	Within	Within	0.0%	0.0%	Within	22.10	↓	OP	↔
19	RHB BANK BHD	3Q19	5,071.8	5,260.1	3.7%	1,739.8	1,861.4	7.0%	Within	Within	0.0%	0.0%	Within	6.05	↔	MP	↓
20	SYARIKAT TAKAFUL MALAYSIA KELUARGA BHD	3Q19	1,937.6	2,344.7	21.0%	204.4	289.7	41.7%	Within	Within	0.0%	0.0%	Within	6.85	↓	OP	↑
	BUILDING MATERIALS		**9,199.3**	**8,569.6**	**-6.8%**	**611.7**	**275.8**	**-54.9%**	**Mix**	**Mix**	**23.3%**	**-7.0%**					
21	ANN JOO RESOURCES BHD	3Q19	1,646.4	1,617.7	-1.7%	124.6	-50.2	-140.3%	Below	Below	110.0%	N.M	Within	0.850	↓	UP	↔
22	PRESS METAL BHD	3Q19	6,938.1	6,425.2	-7.4%	490.0	354.7	-27.6%	Within	Within	0.0%	0.0%	Within	5.50	↔	OP	↔
23	UNITED U-LI CORPORATION BHD	3Q19	155.1	140.4	-9.5%	-1.1	4.1	-472.7%	Within	Within	0.0%	0.0%	Within	0.400	↔	UP	↔
24	WHITE HORSE BHD	3Q19	459.7	386.3	-16.0%	-1.8	-32.8	1722.2%	Below	Below	-17.0%	-21.0%	Within	0.950	↓	UP	↔
	CONSTRUCTION		**13,478.8**	**14,033.5**	**4.1%**	**1,551.9**	**1,251.3**	**-19.4%**	**Within**	**Within**	**-6.3%**	**-4.1%**					
25	GAMUDA BHD	4Q19	4,227.1	4,565.1	8.0%	818.4	706.1	-13.7%	Within	Within	0.0%	0.0%	Within	3.75	↔	MP	↔
26	GEORGE KENT (M) BHD	2Q20	212.7	180.5	-15.1%	41.6	24.6	-40.9%	Within	Within	0.0%	0.0%	Within	1.15	↔	OP	↑
27	HOCK SENG LEE BHD	3Q19	23.3	20.1	-13.6%	0.5	-1.6	-433.5%	Within	Within	0.0%	0.0%	Within	1.40	↔	MP	↔
28	IJM CORP BHD	2Q20	2,753.5	3,117.8	13.2%	189.2	154.7	-18.2%	Below	Below	-28.0%	-16.0%	Within	2.35	↑	OP	↑
29	KERJAYA PROSPEK GROUP BHD	3Q19	803.4	786.9	-2.1%	104.4	103.9	-0.5%	Within	Within	0.0%	0.0%	Within	1.50	↑	MP	↑
30	KIMLUN CORP BHD	3Q19	701.2	979.8	39.7%	38.1	41.7	9.4%	Within	Within	0.0%	0.0%	Within	1.65	↑	OP	↑
31	MITRAJAYA HOLDINGS BHD	3Q19	675.8	446.3	-34.0%	34.6	-47.2	-236.4%	Below	Below	N.M.	N.M.	Within	0.110	↓	UP	↔
32	MUHIBBAH ENGINEERING (M) BHD	3Q19	1,118.0	1,058.7	-5.3%	115.9	95.2	-17.9%	Below	Below	-22.0%	-21.0%	Within	2.90	↓	OP	↔
33	SUNWAY CONSTRUCTION GROUP BHD	3Q19	1,630.8	1,282.8	-21.3%	104.9	97.6	-7.0%	Above	Below	-7.0%	0.0%	Within	1.45	↔	UP	↔
34	WCT HOLDINGS BHD	3Q19	1,333.0	1,595.5	19.7%	104.3	76.3	-26.8%	Within	Within	0.0%	0.0%	Within	0.815	↔	UP	↔
	CONSUMER		**18,239.1**	**19,127.5**	**4.9%**	**1,316.6**	**1,342.2**	**1.9%**	**Within**	**Within**	**1.0%**	**0.4%**					
35	7-ELEVEN MALAYSIA HOLDINGS BHD	3Q19	1,661.8	1,766.7	6.3%	38.8	42.7	10.1%	Within	Within	0.0%	0.0%	Within	1.35	↔	MP	↑
36	AEON CO (M) BHD	3Q19	3,243.1	3,368.8	3.9%	69.6	64.0	-8.0%	Below	Below	-10.0%	-5.0%	Within	1.60	↓	MP	↔
37	AMWAY (MALAYSIA) HLDGS BHD	3Q19	723.3	713.3	-1.4%	32.6	39.7	21.8%	Within	Within	0.0%	0.0%	Within	5.90	↔	MP	↔
38	DUTCH LADY MILK INDS BHD	3Q19	777.4	784.9	1.0%	93.9	78.7	-16.2%	Within	Within	0.0%	0.0%	Within	54.60	↔	MP	↑
39	FRASER & NEAVE HOLDINGS BHD	4Q19	3,871.0	4,077.1	5.3%	400.2	419.8	4.9%	Within	Within	0.0%	0.0%	Below	35.15	↓	MP	↔
40	HAI-O ENTERPRISE BHD	1Q20	80.1	66.1	-17.5%	11.0	7.7	-30.0%	Within	Within	0.0%	0.0%	Within	1.95	↔	UP	↔
41	MYNEWS HOLDINGS BHD	3Q19	282.2	388.2	37.6%	20.4	23.7	16.2%	Within	Within	0.0%	0.0%	Within	1.55	↔	OP	↔
42	NESTLE (M) BHD	3Q19	4,171.2	4,189.2	0.4%	535.1	521.3	-2.6%	Within	Within	0.0%	0.0%	Within	128.00	↔	UP	↔
43	PADINI HOLDINGS BHD	1Q20	329.8	338.0	2.5%	18.0	19.6	8.9%	Below	Below	0.0%	0.0%	Within	4.00	↑	OP	↔
44	PARKSON HOLDINGS BHD	1Q20	924.1	887.4	-4.0%	-43.0	-44.6	3.7%	Within	Within	0.0%	0.0%	Within	0.270	↔	MP	↓
45	POWER ROOT BHD	2Q20	176.5	194.3	10.1%	14.8	24.7	66.9%	Above	Above	12.0%	6.0%	Within	2.75	↑	OP	↔
46	QL RESOURCES BHD	2Q20	1,736.4	2,066.1	19.0%	104.4	120.2	15.1%	Within	Within	0.0%	0.0%	Within	6.60	↑	UP	↔
47	SPRITZER BHD	3Q19	262.2	287.4	9.6%	20.8	24.7	18.8%	Above	Above	11.3%	4.8%	Within	2.50	↑	OP	↑
	GAMING		**24,855.9**	**27,790.1**	**11.8%**	**3,607.1**	**3,228.0**	**-10.5%**	**Within**	**Mix**	**2.3%**	**2.1%**					
48	BERJAYA SPORTS TOTO BHD	1Q20	-	1,436.9	N.A.	-	67.0	N.A.	Within	Within	0.0%	0.0%	Within	2.80	↔	OP	↑
49	GENTING BHD	3Q19	15,455.5	16,313.5	5.6%	2,032.5	1,889.5	-7.0%	Within	Above	2.5%	2.3%	Within	7.00	↑	OP	↔
50	GENTING MALAYSIA BHD	3Q19	7,420.6	7,964.9	7.3%	1,399.7	1,089.1	-22.2%	Above	Above	6.6%	6.1%	Within	3.30	↑	MP	↔
51	MAGNUM BHD	3Q19	1,979.8	2,074.8	4.8%	174.9	182.4	4.3%	Within	Within	0.0%	0.0%	Within	2.80	↔	MP	↔

Source: Bursa Malaysia, Bloomberg, Kenanga Research

Recent Reported Results vs. Our Expectations and Market Consensus (2 of 3)

No.	Company	Period under review	Cumulative Revenue (RM'm) FY18/19	FY19/20	YoY % Chg	Cumulative NP (RM'm) FY18/19	FY19/20	YoY % Chg	Against estimates KNK	Mkt	Earnings revision quantum (%) FY19/20	FY20/21	Dividends against KNK estimates	Target Price (RM)		Call	
	HEALTHCARE		**12,588.7**	**15,803.1**	**25.5%**	**850.5**	**802.9**	**-5.6%**	**Within**	**Within**	**-2.0%**	**-2.3%**					
52	IHH HEALTHCARE BHD	3Q19	8,355.6	11,076.4	32.6%	686.0	630.8	-8.0%	Below	Below	-6.0%	-7.0%	Within	4.70	↓	UP	↔
53	KPJ HEALTHCARE BHD	3Q19	2,444.8	2,621.9	7.2%	126.5	131.0	3.6%	Within	Within	0.0%	0.0%	Within	1.15	↔	OP	↔
54	PHARMANIAGA BHD	3Q19	1,788.3	2,104.8	17.7%	38.0	41.1	8.2%	Within	Within	0.0%	0.0%	Within	1.85	↓	UP	↔
	MEDIA		**4,624.4**	**4,117.6**	**-11.0%**	**194.3**	**305.2**	**57.1%**	**Mix**	**Mix**	**-6.7%**	**-2.1%**					
55	ASTRO MALAYSIA HOLDINGS BHD	2Q20	2,727.4	2,470.8	-9.4%	225.3	352.6	56.5%	Within	Above	0.0%	0.0%	Within	2.00	↔	OP	↔
56	MEDIA CHINESE INTERNATIONAL	2Q20	702.6	605.5	-13.8%	25.3	22.8	-9.9%	Above	Above	19.0%	23.0%	Within	0.200	↑	OP	↑
57	MEDIA PRIMA BHD	3Q19	894.8	801.4	-10.4%	-70.6	-75.6	7.1%	Below	Below	-18.8%	-13.5%	Within	0.225	↓	UP	↔
58	STAR MEDIA GROUP BHD	3Q19	299.6	239.9	-19.9%	14.3	5.4	-62.2%	Below	Below	-27.0%	-18.0%	Within	0.420	↓	MP	↔
	OIL & GAS		**54,676.4**	**55,094.3**	**0.8%**	**5,841.9**	**5,159.2**	**-11.7%**	**Within**	**Within**	**-6.6%**	**-4.6%**					
59	BUMI ARMADA BHD	3Q19	1,842.4	1,555.1	-15.6%	131.3	217.3	65.5%	Within	Within	0.0%	0.0%	Within	0.530	↑	MP	↑
60	DAYANG ENTERPRISE BHD	3Q19	652.0	761.2	16.7%	69.6	144.4	107.5%	Above	Above	17.3%	15.1%	Within	2.35	↑	OP	↑
61	DIALOG GROUP BHD	1Q20	690.9	645.8	-6.5%	114.6	136.1	18.8%	Within	Within	0.0%	0.0%	Within	4.15	↔	OP	↔
62	MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS B	3Q19	701.1	733.9	4.7%	-97.5	-43.5	-55.4%	Below	Within	-100.0%	-34.6%	Within	1.05	↔	OP	↔
63	MISC BHD	3Q19	6,391.8	6,587.2	3.1%	906.2	1,241.5	37.0%	Within	Below	0.0%	0.0%	Within	8.90	↑	OP	↑
64	PANTECH GROUP HOLDINGS BHD	2Q20	326.4	293.1	-10.2%	25.0	18.4	-26.4%	Within	Within	0.0%	0.0%	Within	0.690	↔	OP	↔
65	PETRONAS CHEMICALS GROUP BHD	3Q19	14,514.0	12,156.0	-16.2%	3,782.0	2,475.0	-34.6%	Within	Below	0.0%	0.0%	Within	7.70	↔	MP	↔
66	PETRONAS DAGANGAN BHD	3Q19	22,167.4	22,499.4	1.5%	788.9	690.8	-12.4%	Within	Within	0.0%	0.0%	Within	22.75	↑	MP	↔
67	SAPURA ENERGY BHD	2Q20	1,877.3	3,559.9	89.6%	-309.5	-257.8	-16.7%	Below	Below	-100.0%	-53.0%	Within	0.330	↓	OP	↔
68	SERBA DINAMIK HOLDINGS BHD	3Q19	2,305.2	3,168.1	37.4%	278.6	355.8	27.7%	Within	Within	0.0%	0.0%	Within	5.25	↔	OP	↔
69	UZMA BHD	1Q20	87.5	133.8	52.9%	0.5	7.2	1340.0%	Within	Within	-7.2%	-6.5%	Within	0.850	↑	MP	↔
70	VELESTO ENERGY BHD	3Q19	383.9	492.7	28.3%	-41.7	23.8	-157.1%	Above	Within	94.1%	8.4%	Within	0.430	↑	OP	↔
71	WAH SEONG CORP BHD	3Q19	2,254.8	2,085.7	-7.5%	68.2	47.6	-30.2%	Above	Within	14.4%	11.0%	Within	1.30	↑	MP	↔
72	YINSON HOLDINGS BHD	2Q20	481.7	422.4	-12.3%	125.7	102.6	-18.4%	Below	Below	-11.5%	-5.4%	Within	7.75	↔	OP	↔
	PACKAGING MANUFACTURERS		**3,574.2**	**4,249.4**	**18.9%**	**334.3**	**382.2**	**14.3%**	**Above**	**Above**	**92.0%**	**27.0%**					
73	SCGM BHD	1Q20	55.8	55.7	-0.2%	1.2	2.4	100.0%	Above	N.A.	437.0%	116.0%	Within	1.20	↑	MP	↑
74	SCIENTEX BHD	3Q19	2,602.8	3,247.4	24.8%	284.7	331.2	16.3%	Above	Above	16.0%	0.0%	Below	9.45	↑	MP	↔
75	SLP RESOURCES BHD	3Q19	140.7	128.9	-8.4%	18.0	17.4	-3.3%	Within	N.A.	0.0%	0.0%	Within	1.45	↔	OP	↔
76	THONG GUAN INDUSTRIES BHD	3Q19	642.5	703.4	9.5%	27.4	43.6	59.1%	Above	N.A.	26.0%	26.0%	Within	4.10	↑	OP	↑
77	TOMYPAK HOLDINGS BHD	3Q19	132.4	114.0	-13.9%	3.0	-12.4	-513.3%	Below	N.A.	-19.0%	-7.0%	Within	0.270	↔	UP	↔
	PLANTATION		**47,829.9**	**43,734.9**	**-8.6%**	**2,685.6**	**1,798.4**	**-33.0%**	**Mix**	**Below**	**-3.7%**	**-1.2%**					
78	CB INDUSTRIAL PRODUCT HOLDING BHD	3Q19	373.0	280.2	-24.9%	50.6	12.8	-74.7%	Below	Below	-34.0%	-20.0%	Below	0.860	↑	UP	↓
79	FELDA GLOBAL VENTURES HOLDINGS BHD	3Q19	10,233.3	10,104.7	-1.3%	-99.6	-60.5	-39.3%	Above	Above	67.0%	84.0%	Within	1.25	↑	MP	↔
80	GENTING PLANTATIONS BHD	3Q19	1,420.6	1,622.8	14.2%	131.9	77.5	-41.2%	Below	Below	-35.0%	-27.0%	Within	9.65	↑	UP	↔
81	HAP SENG PLANTATIONS BHD	3Q19	294.7	293.7	-0.3%	22.6	-0.9	-104.0%	Within	Below	0.0%	0.0%	Within	1.90	↑	OP	↑
82	IJM PLANTATIONS BHD	2Q20	323.2	305.9	-5.4%	5.7	-7.3	-228.1%	Below	Below	-48.0%	-39.0%	Within	1.65	↑	UP	↓
83	IOI CORPORATION BHD	1Q20	1,875.7	1,775.5	-5.3%	209.2	205.4	-1.8%	Below	Within	-9.0%	-8.0%	Within	4.45	↑	MP	↔
84	KUALA LUMPUR KEPONG BHD	4Q19	18,383.0	15,534.0	-15.5%	780.0	610.0	-21.8%	Below	Below	-0.9%	N.A.	Above	24.60	↑	OP	↑
85	PPB GROUP BHD	3Q19	3,364.0	3,503.1	4.1%	865.1	802.5	-7.2%	Within	Above	0.0%	0.0%	Within	17.90	↑	MP	↑
86	SIME DARBY PLANTATION BHD	3Q19	9,782.0	8,702.0	-11.0%	624.0	93.0	-85.1%	Below	Below	-43.0%	-16.0%	Within	5.00	↑	MP	↑
87	SOUTHERN ACIDS (M) BHD	2Q20	331.0	309.3	-6.6%	15.7	12.9	-17.8%	Within	Above	0.0%	0.0%	Within	3.65	↑	MP	↑
88	TA ANN HOLDINGS BHD	3Q19	724.6	662.9	-8.5%	52.6	37.1	-29.5%	Above	Within	55.0%	12.0%	Within	3.20	↑	OP	↑
89	TSH RESOURCES BHD	3Q19	684.8	597.5	-12.7%	41.2	34.2	-17.0%	Within	Above	0.0%	0.0%	Within	1.20	↑	MP	↔
90	UNITED MALACCA BHD	1Q20	40.0	43.3	8.3%	-13.4	-18.3	36.6%	Within	Below	0.0%	0.0%	Within	5.30	↑	MP	↑
	PROPERTY		**18,144.4**	**16,878.6**	**-7.0%**	**2,033.1**	**2,265.0**	**11.4%**	**Mix**	**Mix**	**58.8%**	**28.4%**					
91	AMVERTON BHD	3Q19	97.9	60.7	-38.0%	16.0	2.9	-81.9%	Below	Below	-34.0%	-10.0%	Within	0.890	↓	UP	↔
92	ECO WORLD DEVELOPMENT GROUP BHD	3Q19	1,555.8	1,523.6	-2.1%	122.0	80.6	-33.9%	Below	Below	-5.0%	-3.0%	Within	0.750	↓	OP	↔
93	HUA YANG BHD	2Q20	131.1	150.2	14.6%	2.9	4.6	58.6%	Within	Below	0.0%	0.0%	Within	0.330	↓	UP	↓
94	IOI PROPERTIES GROUP BHD	1Q20	552.8	540.3	-2.3%	155.5	188.7	21.4%	Within	Within	0.0%	0.0%	Within	1.55	↓	OP	↔
95	LBS BINA GROUP BHD	3Q19	955.1	1,034.1	8.3%	68.0	52.8	-22.4%	Above	Within	6.0%	7.0%	Within	0.520	↑	MP	↔
96	MAGNA PRIMA BHD	3Q19	48.2	23.0	-52.3%	12.2	-16.6	-236.1%	Below	N.A.	252.0%	364.0%	Within	0.695	↓	UP	↔
97	MAH SING GROUP BHD	3Q19	1,678.3	1,347.1	-19.7%	146.6	91.4	-37.7%	Below	Below	-25.0%	-29.0%	Within	0.750	↓	MP	↓
98	MALAYSIAN RESOURCES CORP BHD	3Q19	1,496.6	847.8	-43.4%	74.8	17.7	-76.3%	Above	Above	574.0%	N.M.	Within	0.700	↔	UP	↔
99	SIME DARBY PROPERTY BHD	3Q19	1,657.2	2,291.1	38.3%	76.9	577.2	650.6%	Above	Above	23.0%	20.0%	Within	1.00	↓	OP	↔
100	SP SETIA BHD	3Q19	3,132.7	2,574.5	-17.8%	168.2	186.4	10.8%	Below	Below	-9.0%	-2.0%	Within	1.80	↓	OP	↑
101	SUNSURIA BHD	4Q19	712.3	534.3	-25.0%	180.8	121.4	-32.9%	Within	N.A.	0.0%	0.0%	Within	0.585	↓	MP	↔
102	SUNWAY BHD	3Q19	3,957.8	3,427.3	-13.4%	464.3	566.3	22.0%	Above	Above	37.0%	28.0%	Within	1.60	↔	MP	↔
103	UEM SUNRISE BHD	3Q19	1,291.2	1,747.4	35.3%	258.1	149.1	-42.2%	Below	Below	0.0%	0.0%	Within	0.850	↑	OP	↔
104	UOA DEVELOPMENT BHD	3Q19	877.4	777.3	-11.4%	286.9	242.5	-15.5%	Above	Within	4.6%	-5.3%	Within	2.15	↔	OP	↑

Source: Bursa Malaysia, Bloomberg, Kenanga Research

Recent Reported Results vs. Our Expectations and Market Consensus (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 Price (RM)		Call	
			FY18/19	FY19/20	YoY % Chg	FY18/19	FY19/20	YoY % Chg	KNK	Mkt	FY19/20	FY20/21					
	REITS		**2,532.5**	**2,609.0**	**3.0%**	**1,473.1**	**1,495.3**	**1.5%**	**Within**	**Within**	**0.0%**	**0.0%**					
105	AXIS REAL ESTATE INVESTMENT	3Q19	148.5	167.1	12.5%	77.4	85.8	10.9%	Within	Within	0.0%	0.0%	Within	2.00	↑	OP	↑
106	CAPITAMALLS MALAYSIA TRUST	3Q19	263.2	256.5	-2.5%	120.9	96.8	-19.9%	Within	Within	0.0%	0.0%	Within	1.15	↑	OP	↑
107	IGB REIT	3Q19	398.5	412.5	3.5%	228.2	240.6	5.4%	Within	Within	0.0%	0.0%	Within	2.05	↑	MP	↔
108	KLCC STAPLED GROUP	3Q19	1,040.0	1,058.0	1.7%	513.0	544.0	6.0%	Within	Within	0.0%	0.0%	Within	8.25	↑	MP	↔
109	MRCB-QUILL REIT	3Q19	130.7	120.1	-8.1%	62.9	53.5	-14.9%	Within	Within	0.0%	0.0%	Within	1.05	↔	MP	↔
110	PAVILION REIT	3Q19	407.9	439.4	7.7%	188.4	187.9	-0.3%	Within	Within	0.0%	0.0%	Within	1.90	↑	MP	↔
111	SUNWAY REAL ESTATE INVESTMENT	1Q20	143.7	155.4	8.1%	282.3	286.7	1.6%	Within	Within	0.0%	0.0%	Within	1.90	↑	MP	↔
	RUBBER GLOVES		**7,563.3**	**8,164.5**	**7.9%**	**840.3**	**757.1**	**-9.9%**	**Mix**	**Below**	**-7.0%**	**0.0%**					
112	HARTALEGA HOLDINGS BHD	2Q20	1,420.6	1,349.5	-5.0%	245.1	198.0	-19.2%	Within	Below	0.0%	0.0%	Within	6.00	↑	OP	↔
113	KOSSAN RUBBER INDUSTRIES BHD	3Q19	1,554.9	1,643.3	5.7%	141.3	163.8	15.9%	Below	Below	-8.0%	0.0%	Within	5.25	↔	OP	↔
114	SUPERMAX CORP BHD	1Q20	367.1	369.9	0.8%	29.5	24.7	-16.3%	Within	Within	0.0%	0.0%	Within	1.75	↑	OP	↔
115	TOP GLOVE CORP BHD	4Q19	4,220.7	4,801.8	13.8%	424.4	370.6	-12.7%	Below	Below	-20.0%	0.0%	Within	4.00	↓	UP	↓
	SIN		**4,876.4**	**5,169.0**	**6.0%**	**739.7**	**691.8**	**-6.5%**	**Above**	**Mix**	**4.9%**	**3.9%**					
116	BRITISH AMERICAN TOBACCO BHD	3Q19	2,052.3	1,846.1	-10.0%	352.2	248.0	-29.6%	Below	Below	-8.4%	-10.9%	Below	18.30	↓	MP	↑
117	CARLSBERG BREWERY MALAYSIA BHD	3Q19	1,456.7	1,682.7	15.5%	205.0	222.0	8.3%	Above	Within	5.1%	4.6%	Within	30.00	↑	OP	↔
118	HEINEKEN MALAYSIA BHD	3Q19	1,367.4	1,640.2	20.0%	182.5	221.8	21.5%	Above	Above	17.9%	17.9%	Within	28.60	↑	OP	↑
	TELECOMMUNICATION		**38,270.8**	**38,408.4**	**0.4%**	**4,060.1**	**3,770.8**	**-7.1%**	**Within**	**Within**	**3.5%**	**3.8%**					
119	AXIATA GROUP BHD	3Q19	17,619.0	18,316.0	4.0%	844.0	693.0	-17.9%	Within	Within	0.7%	0.1%	Within	4.80	↔	OP	↑
120	DIGI.COM BHD	3Q19	4,852.0	4,619.0	-4.8%	1,163.0	1,090.0	-6.3%	Within	Within	0.5%	1.6%	Within	4.70	↔	MP	↔
121	MAXIS BHD	3Q19	6,747.0	6,723.0	-0.4%	1,508.0	1,156.0	-23.3%	Within	Within	1.0%	0.2%	Above	4.90	↔	UP	↔
122	OCK GROUP BHD	3Q19	322.8	350.4	8.6%	17.1	20.8	21.6%	Within	Within	0.0%	0.0%	Within	0.585	↓	MP	↔
123	TELEKOM MALAYSIA BHD	3Q19	8,730.0	8,400.0	-3.8%	528.0	811.0	53.6%	Above	Above	15.3%	17.1%	Within	4.30	↑	OP	↑
	TECHNOLOGY		**3,234.1**	**3,074.8**	**-4.9%**	**216.5**	**169.8**	**-21.6%**	**Mix**	**Mix**	**-6.4%**	**-2.5%**					
124	D&O GREEN TECHNOLOGIES BHD	3Q19	350.2	353.8	1.0%	23.6	21.0	-11.0%	Below	Below	-13.0%	-7.0%	Within	0.670	↑	MP	↓
125	KESM INDUSTRIES BHD	1Q20	81.6	72.4	-11.3%	2.6	4.5	73.1%	Within	Within	3.4%	0.0%	Within	9.30	↑	OP	↔
126	MALAYSIAN PACIFIC INDUSTRIES BHD	1Q20	413.8	369.1	-10.8%	42.3	36.8	-13.0%	Within	Within	0.0%	2.0%	Within	14.00	↑	OP	↔
127	P.I.E. INDUSTRIAL BHD	3Q19	461.3	498.7	8.1%	22.3	25.4	13.9%	Within	Within	0.0%	0.0%	Within	1.40	↑	MP	↔
128	SKP RESOURCES BHD	2Q20	907.7	849.4	-6.4%	53.9	43.4	-19.5%	Below	Below	-12.0%	0.0%	Within	1.35	↑	OP	↑
129	UNISEM (M) BHD	3Q19	1,019.5	931.4	-8.6%	71.8	38.7	-46.1%	Below	Below	-17.0%	-10.0%	Within	2.40	↑	MP	↔
	TRANSPORT & LOGISTICS		**17,493.2**	**19,075.3**	**9.0%**	**3,261.0**	**1,145.1**	**-64.9%**	**Within**	**Mix**	**-2.8%**	**0.8%**					
130	AIRASIA GROUP BHD	3Q19	7,779.6	8,754.2	12.5%	2,419.4	80.7	-96.7%	Within	Within	0.0%	0.0%	Within	1.70	↔	MP	↔
131	CJ CENTURY LOGISTICS HOLDINGS BHD	3Q19	313.1	380.1	21.4%	9.1	-6.1	-167.0%	Within	Below	0.0%	0.0%	Within	Cease Coverage			
132	MALAYSIA AIRPORT HOLDINGS BHD	3Q19	3,600.0	3,868.7	7.5%	412.6	507.5	23.0%	Above	Above	13.0%	5.0%	Within	9.90	↔	OP	↔
133	MMC CORP BHD	3Q19	3,424.6	3,619.2	5.7%	43.6	141.9	225.5%	Within	Below	0.0%	0.0%	Within	0.970	↓	MP	↔
134	POS MALAYSIA BHD	2Q19	1,179.2	1,123.0	-4.8%	-11.6	-44.4	282.8%	Below	Below	-30.0%	0.0%	Within	1.25	↔	UP	↔
135	WESTPORTS HOLDINGS BHD	3Q19	1,196.7	1,330.1	11.1%	387.9	465.5	20.0%	Within	Within	0.0%	0.0%	Within	4.15	↑	MP	↔
	UTILITIES		**54,839.8**	**56,846.1**	**3.7%**	**5,914.6**	**6,337.1**	**7.1%**	**Mix**	**Mix**	**-1.9%**	**-2.5%**					
136	GAS MALAYSIA BHD	3Q19	4,494.7	5,208.2	15.9%	128.3	132.2	3.0%	Below	Below	-2.3%	0.0%	Within	3.00	↔	MP	↔
137	MALAKOFF CORPORATION BHD	3Q19	5,461.0	5,642.5	3.3%	134.0	183.9	37.2%	Within	Within	0.0%	0.0%	Within	1.00	↔	OP	↔
138	PESTECH INTERNATIONAL BHD	1Q20	124.1	187.4	51.0%	6.2	19.0	206.5%	Within	Within	0.0%	0.0%	Within	1.75	↔	OP	↔
139	PETRONAS GAS BHD	3Q19	4,110.9	4,085.9	-0.6%	1,497.4	1,411.8	-5.7%	Within	Within	0.0%	0.0%	Within	15.75	↔	MP	↔
140	TENAGA NASIONAL BHD	3Q19	37,845.7	38,762.6	2.4%	4,009.6	4,488.6	11.9%	Above	Above	3.5%	2.3%	Within	14.30	↑	MP	↔
141	YTL POWER INTERNATIONAL BHD	1Q20	2,803.4	2,959.5	5.6%	139.1	101.6	-27.0%	Below	Below	-12.4%	-17.5%	Within	0.700	↓	MP	↓
	OTHERS		**7,333.6**	**7,785.5**	**6.2%**	**-14.2**	**-153.1**	**978.2%**	**Below**	**N.A.**	**-187.0%**	**-187.0%**					
142	BOUSTEAD HOLDINGS BHD	3Q19	7,333.6	7,785.5	6.2%	-14.2	-153.1	-978.2%	Below	N.A.	-187.0%	-187.0%	Within	1.00	↓	MP	↔
	Total/Average		**427,356.7**	**439,132.5**	**2.8%**	**55,224.1**	**51,332.9**	**-7.0%**	**Within**	**Mix**	**-2.5%**	**-7.6%**					

Source: Bursa Malaysia, Bloomberg, Kenanga Research

Appendix 3

3QCY19 Results Review & Sector Outlook

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
Automotive	**Within expectations.** 1 out of the 6 coverage stocks (MBMR) performed above expectation, 1 stock (TCHONG) below expectation with remainders (BAUTO, DRBHCOM, SIME, and UMW) within expectation. Overall, car sales were lower as expected on absence of festivities and shorter working period. Perodua-linked companies (UMW, MBMR), recorded higher associates' contribution on higher margin sales of all-new Perodua Myvi and Aruz, despite lower QoQ sales, supported by better core segments. Both BAUTO and TCHONG recorded the lowest unit sales growth compared to other automakers due to dearth of all-new models to drive sales, but TCHONG's performance was worse than expected. SIME saw stronger Industrials and an unexpected push from Automotive segment. DRBHCOM recorded dismal profit compared to the previous quarter especially from slower Proton X70 sales (-15% QoQ), but overall performance was within expectation.	Overall, car sales volume for 4QCY19 is expected to be stronger than 3QCY19 on the usual year-end promotion to clear outstanding inventory in preparation for a new year, on track 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.	**OP** BAUTO (OP ↔; TP: RM2.75↔) MBMR (OP ↑; TP: RM4.75↑) UMW (OP↔; TP: RM5.45 ↔) **MP** DRBHCOM (MP ↔; TP: RM2.60↔) SIME (MP ↔; TP: RM2.20↔) **UP** TCHONG (UP ↓; TP: RM1.05↓)
Aviation	The just concluded 3QFY19 results for both AirAsia Group and Malaysia Airports Holdings came in contrasting fashion. Malaysia Airports Holdings delivered 9MFY19 earnings which was above expectations due to better-than-expected results from Turkey underpinned by maiden 3QFY19 profit at International Sabiha Gokcen resulting in narrowing losses. However, AirAsia's 3QFY19 earnings were hit by low fares at Malaysia and Thailand, lower yields and higher cost where CASK (+11%) rose faster than RASK (+1%) and the adoption of MFRS 16, and sale and leaseback programme which drove maintenance and overhaul costs higher.	MAHB is well-entrenched because its earnings in the aeronautical segment under the operating agreements are protected from downside. A key component under the operating agreements lies in the Marginal Cost Support Sums (MARCS) system which would compensate MAHB for reduction in aeronautical Passenger Service Charge or 'PSC' resulting in PSC rate being lower than the benchmark rate as per the OA due to governmental instructions. The implementation of RAB in early-2020 is the key re-rating catalyst; if this falls through, we expect MAHB to negotiate for higher MARCS compensation. AIRASIA expect load factors and fares for the rest of 2019 to remain strong in a seasonally strong period. However, we expect tough operating environment to persist, no thanks to high maintenance cost due to accounting treatment for aircrafts under sales and leaseback arrangements and competitive pressure in Malaysia and Thailand. Recall, 3QFY19 load factor was commendable. However, the higher supply of seats, coupled with competitive pressure have capped AirAsia's RASK (revenue per ASK) growth at 1% YoY, which trailed far	**OP:** AIRPORTS (OP ↔; TP ↑: RM9.90 ↔) **MP:** AIRASIA (MP ↔ ; TP: RM1.70↔)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
		behind the 11% growth in CASK (cost per ASK).	
Banking	3QCY19 results were mostly in line with the exception of ABMB and MBSB which underperformed due to higher provisionings for the quarter. The rest saw earnings coming within expectations. QoQ, the industry saw strong top-line (+6%); NII and Islamic Income rebounded at 3% and 6%, respectively, supported by NOII (+6%). Best performing top-line were CIMB and MAYBANK at +10% each - broad based improvement underpinned notably by NOII. Loans moderated (+0.7% QoQ) with AFFIN shrinking (-2% QoQ) on account of portfolio rebalancing. ABMB and AMMB saw loans rebounding +1.3% and +1.1% with BIMB coming in strongly at +3.8% on account from strong Household contribution. There was NIM improvement (+8%) on account of re-priced deposits and easing of heavy cost deposits notably coming from CIMB, MAYBANK and MSBS. Easing of deposit competition and moderate credit demand supported the NIM enhancement. Asset quality is still resilient as GIL saw an uptick. However, provisioning increased for the quarter which saw credit charge jumping by 18bps coming notably from AMMB and MAYBANK which are broad-based that affected a few accounts but likely to ease in the coming quarters.	Our stance for the sector is still OVERWEIGHT as we see undemanding valuation still coupled with exciting dividend yields. Topline improving supported by fee-based income. No change in guidance for the industry of moderation in loans for 2019. Resilient households will still be the key driver underpiined by accommodative interest rates. Outlook for business loans are still unclear given the global trade tensions but the industry expects improving sentiments which will drive credit demand by end of 2019. Downside pressure on NIM is expected to taper given that NSFR has complied coupled with deposits fully priced in (following the OPR May cut) with the precieved notion of moderate credit demand. Impact on credit costs is expected to be benign lending support to bottomline due to selective asset building previously. Post results we downgrade RHBBANK to MARKET PERFROM as its price approaching Fair Value. We maintain our OUTPERFORM call on others. HLBANK raised to OUTPERFORM as as we roll over valutions to FY21E with a higher target PBV. We like CIMB on account of its srong loans (domestically and overseas) with credit charge looking contained and stabilised. ABMB is another pick given its undemanding valuations and strong dividend yields.	**OP** 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 ↔) HLBANK (OP ↑; TP: RM18.90 ↑) MAYBANK (OP ↔; TP: RM9.70 ↑) MBSB (OP ↔; TP: RM1.10 ↔) PBBANK (OP ↔; TP: RM22.10 ↓) **MP** RHBBANK (MP ↓; TP: RM6.05 ↔)
Banking – Non-banking Financial Institutions	**Some disappointments.** On NBFI results, BURSA and TAKAFUL were within expectations but AEONCR and LPI came in below. AEONCR persists to register poorer earnings, kicked by the new MFRS 9 requirements. Meanwhile, LPI saw greater claims from its Miscallenous segment. For those coming within, BURSA's weaker trading numbers did not come as a surprise to us as ADV figures have been gradually declining, on the back of challenging global macro developments, weak local currency and foreign outflows. Meanwhile, TAKAFUL continued to enjoy allevated top-line and earnings from its bancassurance partnership with Bank Rakyat. **Post-results,** AEONCR's TP was trimmed to RM13.00 (from RM14.75) and LPI to RM16.00 (from RM16.50).	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 are typically higher. Insurance and Takaful players are skewing towards maximising their market share towards other classes to mitigate downward pressures from a potential fire insurance review by Bank Negara Malaysia. This is done by providing more value-added and comprehensive product coverages, especially as seen in Takaful credit-related products. BURSA's outlook remains dampened by poor trading appetite, from factors such as: (i) paring down of contract	**OP** TAKAFUL (OP↔; TP: RM6.80↔) **MP** BURSA (MP ↔; TP: RM6.85↔) LPI (MP ↔; TP: RM16.00 ↓) **UP** AEONCR (UP ↔; TP: RM13.00 ↓)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
	All calls were maintained this time around.	values of various mega projects, (ii) ongoing disruptive US-China trade wars, and (iii) local currency weakness. Although the recently tabled Budget 2020 was generally positive for the market, we reckon that it was not enough to propel 2HFY19 ADV closer to the prior period. Looking towards FY20, we are hopeful that there could be some improvement when the trade war progressively ease with some clarity on the table. However, local market could still be tepid on the back of sluggish Ringgit. On the flipside, we believe that positive catalysts could come in the form of: (i) return of foreign investors, and (ii) potential revival of infrastructure projects. The Non-Banking Financial Institution segment remains a **NEUTRAL**.	
Building Materials	It was a mixed results with two out of four stocks, ANNJOO and WTHORSE, coming in below our expectations, mainly dragged by lower selling price and lower sales demand, respectively, while the other two PMETAL and ULICORP met our expectations. Post 3QFY19 results review, we widened ANNJOO's FY19 losses by 110% in view of lower selling price in the coming quarter. For WTHORSE, we increased losses by 17% in view of weaker sales demand from both local and domestic markets. Ths led us to lower our TP for ANNJOO to RM0.850 from RM1.10 and WTHORSE to RM0.950 from RM1.12. But, there were no changes to our call/TP/estimates for both PMETAL and ULICORP. .	Going forth, we are cautious with ANNJOO's prospects as we expect lower ASP of rebar steel and weaker domestic demand to continue plaguing the industry. However, we are encouraged by the group's strategy to actively pursue export opportunities, leveraging on its operational flexibility to attain cost competitiveness. We think its exports proposition may help in cushioning the negative impact from slower domestic demand and also to obtain tax incentive for increase in export. On the other hand, we expect PMETAL's earnings to accelerate in 4QFY19 given the persistently lower raw material costs, especially alumina prices which have now normalised to 16%-17% of aluminium LME price that is now at c.USD285/MT from above USD300/MT level in 3QFY19 . While for WTHORSE and ULICORP, we remain cautious with their prospects as the outlook remain challenging amid softer market development resulting from slower progress in construction and property development activities. Reiterate UNDERWEIGHT on Building Materials.	**<u>OP</u>** PMETAL (OP ↔; TP: RM5.50 ↔) **<u>UP</u>** ANNJOO (UP ↔; TP: RM0.850 ↓) ULICORP (UP ↔; TP: RM0.400 ↔) WTHORSE (UP ↔; TP: RM0.950↓)
Construction	More earnings dissapointments than pleasant surprises. For 3QCY19, of the 10 contractors under our coverage, 6 came in within expectations while 3 disappointed with only 1 beating expectations. The 3 stocks that came in below expectations are IJM, MITRAJAYA and MUHIBAH as their bottom-lines were dragged by slower-than-expected progress billings from their construction divisions. In addition, for	It may be a case of short-term pain and long-term gain for the construction sector. In the near term, contractors could continue to suffer from a lull in fresh contract awards and slow recognition of progress billings even as outstanding order-books remain healthy. Beyond this, going into 2020, several mega-projects may take off to stir investors interest in this sector. While the ECRL is scheduled to resume	**<u>OP</u>** GKENT (OP ↔; TP: RM1.15 ↔) IJM (OP ↑; TP: RM2.35↑) KIMLUN (OP ↑; TP: RM1.65 ↑) MUHIBAH (OP ↔; TP: RM2.90↓) **<u>MP</u>**

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
	IJM CORPORATION, weaker plantation earnings contributed to its below par performance. On the other hand, SUNCON exceeded expectations mainly due to lower-than-expected effective tax rate. YoY, most contractors reported lower CNP (down 18.3% on average) with MITRA still languishing in the red. On the positive side, HSL (+9.3%) and KIMLUN (+9.4%) saw better YoY performance. Post results, we have upgraded our TP and stock calls for IJM CORPORATION, KERJAYA and KIMLUN. On the other end, we have downgraded our TP for MUHIBAH and MITRA but maintain our stock calls.	early next year, the launching of the Penang Transport Master Plan (PTMP) and the possible revival of the Singapore-KL High Speed Rail (HSR) project (before the May 2020 review deadline) may lift investors sentiment in the sector. In addition, the Sarawak state government have plans to roll out infrastructure development projects worth billions of Ringgit to spur economic activities ahead of the upcoming state election. Upgrade our sector call to NEUTRAL as we reckon much of the negatives are already reflected in the share prices (as indicated by the little selling pressures despite their weak results in the recent quarterly reporting season).	GAMUDA (MP ↔; TP: RM3.75 ↔) HSL (MP ↔; TP: RM1.40 ↔) KERJAYA (MP ↑; TP: RM1.50 ↑) **UP** MITRA (UP ↔; TP: RM0.110 ↓) SUNCON (UP ↔; TP: RM1.45 ↔) WCT (UP ↔; TP: RM0.815 ↔)
Consumer	Mostly within expectation. Within our 16 stocks coverage, 4 stock performed above expectations (PWROOT, SPRITZER, CARLSBG and HEIM), 9 stocks within (AMWAY, DLADY, F&N, HAIO, MYNEWS, NESTLE, QL, PARKSON, and SEM) while 3 stocks came below (AEON, PADINI and BAT). Overall weaker performance was seen for retailers as 3Q is generally the weakest quarter of the year due to absence of festivities. Furthermore, AEON and PADINI fared the worst on higher recognition of lease finance charges under MFRS 16 accounting standards. The outperformers from F&B were mainly supported by better-than-expected margins from easing input costs and enhanced cost efficiencies, while the brewers exceeded expectations on stronger-than-expected sales momentum. Misses were dragged by lower product demand, especially for tobacco players where affordability continued to be a pressing issue with the decline in overall consumption.	We expect most of the retailers to perform stronger in 4QCY19 from seasonally stronger year-end promotion and Christmas festivities as well as from a low-base effect in 3QCY19. While unfavourable commodity price trends and forex fluctuations may act as a dampener, we are optimistic that F&B counters are expected to be sustainable in the near-term. Hence, we maintain our NEUTRAL rating on the Consumer Sector for its resiliency. For the sin-sub-sector, we keep our OVERWEIGHT rating as we favor the brewers for their defensive earnings nature, against the backdrop of an improving operating environment as regulator's efforts to curb contraband beer looks to be effective. Decent yield of c.4% is also attractive. Moving forward, we expect the stellar earnings delivery this quarter to extend into 4QFY19, on the back of robust sales momentum on forward CNY buying.	**OP** CARLSBG (OP ↔; TP: RM30.00 ↑) HEIM (OP ↑; TP: RM28.60 ↑) MYNEWS (OP↔; TP: RM1.25↔) PADINI (OP↔; TP: RM4.00↓) PWROOT (OP↔; TP: RM2.75 ↑) SPRITZER (OP ↑; TP: RM2.50 ↑) **MP** AEON (MP↓; TP: RM1.60 ↓) AMWAY (MP ↔ ; TP: RM5.90↔) BAT (MP ↓ ; TP: RM18.30 ↓) DLADY (MP ↓; TP: RM54.60 ↔) F&N (MP ↔; TP: RM35.15 ↓) PARKSON (MP ↓; TP: RM0.270↔) SEM (MP↔; TP: RM1.35↔) **UP** HAIO (UP ↔; TP: RM1.95↔) NESTLE (UP↔; TP: RM128.00 ↔) QL (UP↔; TP: RM6.60↑)
Gaming	A satisfactory results season with all results coming within expectations except GENM's 3QFY19 which beat forecasts on stronger-than-expected earnings from its domestic casino operations while non-gaming	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	**OP** BJTOTO (OP ↑; TP: RM2.80 ↔) GENTING (OP ↔; TP: RM7.00 ↑)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
	business continued to grow stronger as the GITP started to bear fruits. While strong GENM helped to grow GENTING's earnings sequentially, GENS saw lower earnings owing to poorer luck factor while the North America operation hit by higher payroll at RWNYC but earnings for the UK & Egypt unit jumped 90% on lower bad debts. In all, we raised GENM's FY19/FY20 earnings estimates by 7%/6% solely on adjustment for higher earnings assumptions for both its gaming and non-gaming business in Malaysia. We also raised GENTING's FY19/FY20 earnings forecasts by 3%/2% mainly on adjustment for GENM and GENP. No changes to GENTING's OP rating and GENM's MP call. Meanwhile, despite weaker sequential earnings owing to poor luck factor, results for both BJTOTO and MAGNUM were fairly inline. In fact, ticket sales remained strong on the effective enforcement's effort against illegal operators. While keeping MP call on MAGNUM, BJTOTO is upgraded to OP following recent share price weakness.	aside, GENM has settled the lawsuit with Fox which is highly positive and its brand-new outdoor theme park is scheduled to open by 3QCY20 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.	**MP** GENM (MP ↔; TP: RM3.30 ↑) MAGNUM (MP ↔; TP: RM2.80 ↑)
Healthcare	The just concluded 3QCY19 results season saw a mixed bag of results. KPJ and Pharmaniaga's earnings came in line with expectations. IHH registered the third consecutive quarterly earnings disappointment 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 its India operation's hospital 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 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 earnings 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% discounts compared to its historical average of 26.5x and regional peers of 35x, respectively.	**OP:** KPJ (OP ↔; TP: RM1.15 ↔) **UP:** IHH (UP ↔; TP: RM4.70↓) PHARMA (UP ↔; TP: RM1.85 ↔)
Media	**3QCY19 a mixed bag.** In this quarter, ASTRO performed within, MEDIAC registered better-than-expected earnings while MEDIA and STAR missed. ASTRO delivered as expected as cost savings enjoyed outweighed the decline in subscribers. MEDIAC performed much stronger than we had anticipated, largely due to our over-pessimistic view on the situation in Hong Kong. At the	**Finding the bottom.** Media companies will continue to face challenges when operating in traditional media platforms, with the likes of free-to-air television struggling to compete with international video content alternatives; and physical newsprints with digital news outlets and platforms. While key players have progressively expand their digital presence to keep	**OP** ASTRO (OP↔; TP: RM2.00 ↔) MEDIAC (OP↑; RM0.200 ↑) **MP** STAR (MP↔; RM0.420↓) **UP** MEDIA (UP↔ ; TP:

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
	meantime, MEDIA and STAR suffered worse than expected impact from the decline in relevancy of traditional media outlets against the rising digital platforms. Post-results, anticipating thinning profit potential, we trimmed our TP for MEDIA (to RM0.225, from RM0.250) and STAR (to RM0.420, from RM0.570). We raised MEDIAC to RM0.200 (from RM0.150) on their better earnings. Changes to our calls included MEDIAC to OP (from MP) and STAR to MP (from OP).	up with the times, painful decisions on cost management is needed to keep the companies' profitability afloat. Recent headlines affecting MEDIA was the axing of several hundred staff from its television segment. Given that valuations have also diminished from the bleak outlook above, it is possible that the negatives could be priced in. Between the haze, there could still be some value picks for investors, especially with attractive yields on cheap prices. **Maintain NEUTRAL on the Media Sector.**	RM0.225↓)
MREITs	Within expectations. All MREITs' results met expectations which was similar to the previous quarter. YoY, top-line growth was mostly positive (+3%), save for CMMT (-2.5%) and MQREIT (-8.0%) on lower rental contributions. As a result, bottom-line was down by 1.5% for all MREITs under coverage, weighed down by CMMT (-19.9%) and MQREIT (-14.9%). Post results, we left earnings estimates, TPs and calls unchanged.	**Outlook remains tepid**. Reversions outlook remains unexciting given the continued oversupply of retail, office and even hotels segment making it a tenants market as asset owners do not have the bargaining power to ask for strong rental reversions anytime soon. However, the industrial segment remains a bright spot as reversions are on par with other asset classes (i.e. low to single-digit) while their lease terms are longer c.6-10 years (vs. 2-3 years for retail and office), thus providing earnings stability over a longer term. Overall, while FY19 will see 21%-53% leases up for expiry for MREITs under our coverage, we do not expect strong earnings growth, targeting menial FY19-20E DPU growth of 3-1%. **MGS stable at 3.40%** currently, which is expected to remain subdued for now in line with the US Fed's dovish outlook and given that most rate hikes by the US Fed have already been priced in by the bond market. **Maintain NEUTRAL** on a 10-year MGS target of 3.40% on applied spreads of -0.5SD to +0.5SD to the historical average yield spreads which is justifiable given MREITs' earnings stability over the past two years. MREITs that are exposed to better segments (AXREIT being an industrial play) and have a stable portfolio (IGBREIT) have applied lower spread with most negatives accounted for. MREITs are offering average gross yields of 5.6% which we deem decent, warranting our NEUTRAL call. Within our coverage, MQREIT (MP; TP: RM1.05) offers the highest FY20E yield of 7.0% while KLCC (MP; TP: RM8.25)'s yield of 4.9% is ranked the lowest.	**OP** AXREIT (MP ↔; TP: RM2.00 ↔) CMMT (OP ↔; TP: RM1.15 ↔) **MP** IGBREIT (MP ↔; TP: RM2.05) KLCC (MP ↔; TP: RM8.25 ↔) MQREIT (MP ↔; TP: RM1.05 ↔) PAVREIT (MP ↔; TP: RM1.90 ↔) SUNREIT (MP ↔; TP: RM1.90 ↔)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
Oil & Gas	3QCY19 results season saw higher numbers of dissapointments sequentially with 3 underperforming counters (namely MHB, SAPNRG and YINSON), as compared to 2 last quarter. The two fabrication names (MHB, SAPNRG) disappointed due to later-than-expected earnings turnarounds, dragged by higher cost upfront recognitions from new projects. Nonetheless, we reiterate that their order-books are relatively healthy, and that profitable turnaround is just a matter of timing. YINSON, meanwhile, disappointed as they slightly pushed back commencement date of FPSO Abigail-Joseph to 1QCY20, from expectations of 4QCY19 previously. Number of positive surprises was also lower at 3 (namely DAYANG, VELESTO, WASEONG), as compared to 4 last quarter. DAYANG surprised from higher work orders from topside maintenance, VELESTO from its higher rig utilisation (92%), while for WASEONG it was due to steady order-book replenishment of smallish contracts. Nonetheless, most of the names within our coverage (57%) still posted results that were deemed to be within expectations. In fact, overall earnings trend YTD-9M19 has been positive, with only Petronas-linked counters (PCHEM, PETDAG), PANTECH, WASEONG and YINSON posting YoY decline in earnings.	Thus far, Brent crude prices have been hovering steadily in and around the USD60/barrel mark for the past couple of months. We look towards OPEC's meeting in December for some reassurance over the trajectory of oil prices, with market expectations of oil production cuts to continue, especially amid Saudi's aim on maintaining steady oil prices ahead of Armanco's IPO. That said, although we do not think any super rally in oil prices could be sustainable (barring any fundamental changes), given how intricately well balanced the oil market is, we do believe that continued production cuts from OPEC is imperative in maintaining oil prices at current levels. Overall, we maintain our average Brent crude oil price projection of USD60/barrel for 2020. Locally, we are seeing a healthy surge in activities for services and equipment providers, in line with Petronas' Activity Outlook. Drilling rigs utilisation have been on a high, with charter rates also fairly stable, while maintenance and other offshore activities have also showed a steady increase. We look towards Petronas' upcoming Acitivity Outlook report (expected release in 1-2 months) to provide further visibility on acitivity levels going into 2020. We opine that the report should maintain activity levels for the next 1-2 years, with even a possibility of increased plug-and-abandomnent works to come. **Maintain NEUTRAL** on the sector, given limited upsides to Petronas' related large-cap counters, although with increased sanguinity on services and equipment providers. While we acknowledge that many names within the sub-sector have posted decent share price rally throughout the year, we see a laggard-play angle in fabricators (e.g. MHB, SAPNRG) and offshore players. While results for fabricators are still in the red, given their delayed earnings recognition as their nature of business, do note that order-book remains robust at multi-year highs, and as such, we believe that earnings turnaround is an inevitability. Meanwhile for offshore vessel players (e.g. ICON, ALAM, PERDANA), the value-chain stands to benefit from a healthy rebound in charter rates and utilisation, although we feel that balance-sheet restructurings are still highly necessary and could pose as an immediate hurdle.	**OP** DAYANG (OP ↔; TP: RM2.35 ↔) DIALOG (OP ↔; TP: RM4.15 ↔) MHB (OP ↔; TP: RM1.05 ↔) MISC (OP ↔; TP: RM8.90↑) PANTECH (OP ↔; TP: RM0.690 ↔) SAPNRG (OP ↔; TP: RM0.330 ↓) SERBADK OP ↔; TP: RM5.25 ↔) VELESTO (OP ↔; TP: RM0.430 ↑) YINSON (OP ↔; TP: RM7.75 ↔) **MP** ARMADA (MP ↑; TP: RM0.530 ↑) PCHEM (MP ↔; TP: RM7.70 ↔) PETDAG (MP ↔; TP: RM22.75 ↑) UZMA (MP ↔; TP: RM0.850 ↓) WASEONG (MP ↔; TP: RM1.30 ↑)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
Plantation	**Decent report card** where out of 13 plantation companies under our coverage, 6 missed our forecasts (2QCY19: 10), and 2 exceeded our expectations (2QCY19: 1). The same could be said when comparing against consensus as 7 missed (2QCY19: 11), while 4 came above (2QCY19: 4) consensus' expectations. **YoY,** the planters reported a median earnings decline of 27%, as average CPO realised-price fell 9%, masking a seasonally higher average FFB increase of 9%. **QoQ,** median earnings for the planters improved significantly by 66% on the back of an average 12% increase in FFB output, while average CPO prices remained flat. This round, we trimmed FY19/20-20/21E earnings by a median of 4-1% (from 15-13% in 2QCY19) a clear improvement. We have also reduced TPs for 3 companies (GENP, IOICORP, SIMEPLT), and increased TPs for companies (FGV, HSPLANT, PPB, TAANN, TSH, UMCCA). Meanwhile, we upgraded PPB from UP to MP we believe negatives have been mostly priced in, but downgrade CBIP, GENP and IJMPLNT from MP to UP given the results disappointment.	With QTD 4QCY19 average CPO price already up (+14%) so far, and still expected to continue trending upwards given spot price of c.RM2,600/MT, we expect planters to reap benefits and see a significant sequential earnings improvement in 4QCY19. The driving factors behind the CPO price rally are: (i) slowing production due to the impact of dry weather, lower fertiliser application and replanting activities to manage costs, and (ii) growing demand for CPO from China and India as a substitute for soybean oil, as well as from the expected implementation of B30 mandate in Indonesia and B20/B10 in Malaysia. However, the current palm oil-gas oil (POGO) spread of c.USD +67/MT (vs. USD -97/MT) should negatively impact the market for discretionary biodiesel blending. Nevertheless, we believe CPO prices could potentially trade in the range of RM2,400-2,600/MT for the remaining 4QCY19, and averaging RM2,100/MT in 2019. Key statistics to keep an eye on are export numbers in the coming few months, especially to China and India, which should indicate the countries' appetite for CPO even after its price rally. All-in, we maintain NEUTRAL stance on the plantation sector with an unchanged CY19-20E CPO price forecast of RM2,100-2,400/MT.	**OP** HSPLANT (OP ↔; TP: RM1.90 ↑) KLK (OP ↔; TP: RM24.60 ↔) TAANN (OP ↔; TP: RM3.20 ↑) **MP** FGV (MP ↔; TP: RM1.25 ↑) IOICORP (MP ↔; TP: RM4.45 ↓) PPB (MP ↑; TP: RM17.90 ↑) SIMEPLT (MP ↔; TP: RM5.00 ↓) SAB (MP ↔; TP: RM3.65 ↔) TSH (MP ↔; TP: RM1.20 ↑) UMCCA (MP ↔; TP: RM5.30 ↑) **UP** CBIP (UP ↓; TP: RM0.860 ↔) GENP (UP ↓; TP: RM9.65 ↓) IJMPLNT (UP ↓; TP: RM1.65 ↔)
Plastic & Packaging	Mixed results. Plastic packagers' results were mixed with three coming in above (on margin improvements mostly on better product mix and lower tax rates), one within (SLP) and one below (TOMYPAK). This was better than the previous quarter when two came in below (TOMYPAK and SCGM) and 3 within. YoY-Ytd, only SCIENTX and TGUAN saw topline growth at 24.8% and 9.5% respectively, while others saw declines to topline on waning demand and as customers adopt a wait and see approach amidst the global uncertainties. However, due to better product mix and lower tax rates, bottomline was up for SCIENTX (+16%), SCGM (+100%) and TGUAN (+59%) but declined marginally for SLP while TOMYPAK continues to be loss making. Upgrade earnings and TP for TGUAN, SCIENTX and SCGM on better results. We also upgraded	**Uncertain top-line and margin outlook.** Plastic packagers have been focusing on capacity expansion over the past three years but the challenging global outlook is casting pressure on top-line growth as customers are adopting a wait and see approach, causing most packagers to focus on pushing sales and marketing efforts to increase utilisation. Additionally, packagers are mindful of varying product mix which can cause bottom-line to swing quarter to quarter. We believe plastic packagers' fundamentals remain at the crossroads as we have priced in current low resin cost levels of USD900-1,100/MT, but we are of the opinion that acquiring the right product mix is more crucial in the current challenging environment and could be the deciding factor between robust margin growth or regression. **Maintain NEUTRAL** as the sector's	**OP** SLP (OP ↑ ; TP: RM1.45 ↔) GUAN (OP ↑; TP:RM4.10 ↑) **MP** SCGM (MP ↔; TP:RM1.20 ↔) SCIENTX (MP↔; TP: RM9.45 ↔) **UP** TOMYPAK (UP ↔; TP: RM0.270 ↔)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
	SLP's call on an unchanged TP due to attractive valuations, while TOMYPAK's call and TP remained unchanged on trough PBV valuations.	macro-economic fundamentals are unexciting while we believe we have priced in most foreseeable earnings downsides for the sector. We will continue to monitor plastic packagers' margins closely as any re-rating catalyst will hinge on stable product margin improvements with new capacity growth and consistently lower resin price. Our preferred pick is SLP (OP; TP; RM1.45;) on better margins and earnings stability, and TGUAN (OP; TP:RM4.10) on consistent margins and earnings improvements	
Ports & Logistics	A satisfactory quarter for the ports players with both MMCCORP and WPRTS coming in broadly within expectations. WPRTS' earnings came within expectations, underpinned by higher throughput (+16%) led by transhipment (+20%) and gateway (+8%) which more than offset lower conventional (-9%), with flattish opex and full 2QFFY19 impact from a 13% gateway tariff revision. MMCORP's earnings were anchored by stable ports operation and the construction and tunneling works for MRT Line 2. On the flip side, the logistics players continued to remain in the red. POS missed expectations again due to the drag from its postal service. That said, larger losses were forecasted post-results at RM53m for its FY19E.	Maintain NEUTRAL on the sector given the lack of re-rating catalyst in the near-term. Notably, the on-going US-China trade spat was 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 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 1QCY20, anticipating full completion only by 2040. That said, we rule out any earnings accretive development over the next two years. On the other hand, the outlook for our logistics counters remains clouded by persistent margin compression, led by elevating competition which sees little chance of recovery in the near-term.	**MP** MMCCORP (MP ↔,TP: RM0.970 ↔) WPRTS (MP ↔, RM4.15 ↔) **UP** POS (UP ↔; TP: RM1.25 ↔)
Property Developers	A mixed quarter. Of the 14 property developers under our coverage; (i) 5 beat our earnings expectations (LBS, MRCB, SIMEPROP, SUNWAY, UOAD) mainly on the back of a combination of strong property sales, higher recognition of progress billings and lower-than-expected effective tax rates; (ii) 3 (HUAYANG, IOIPG, SUNSURIA) were within expectations; and (iii) 6 (AMVERTON, ECOWORLD, MAGNA, MAHSING, SPSETIA, UEMS) came in below expectations as their bottom-lines were mainly skewed by absence of lumpy recognition of land sales/completed properties and thinner margins arising from higher progress billings of lower margin products. Meanwhile, with inventory of unsold properties still high, property developers continued to focus on clearing stocks via aggressive marketing initiatives.	Challenging outlook persists. Undoubtedly, property developers will continue to grapple with slow demand amid the soft economic backdrop and high inventory holdings. In response, we expect property companies to ramp up their marketing efforts by offering attractive discounts and incentives. To shore up bottom-line, they will also be looking to monetise their non-strategic assets such as disposing selected land banks. Valuations appear attractive. We are switching to the more conservative P/BV valuation method (from RNAV) to derive our TPs. We believe this represents a better gauge on the trough valuations of property stocks amid the prevailing market down-cycle. Essentially, depending on their individual stock merits, we have applied P/BV multiples at various standard deviation levels below their historical means (to reflect the	**OP** ECOWLD (OP ↔; TP: RM0.750 ↓) IOIPG (OP ↔, TP: RM1.55↓) SIMEPROP (OP↔ ; TP: RM1.00 ↓) SPSETIA (OP ↔; TP: RM1.80 ↓) SUNWAY (OP ↔; TP: RM0.850 ↔) UEMS (OP ↔; TP: RM0.850 ↑) UOADEV (OP ↔; TP: RM2.15 ↔) **MP** HUAYANG (MP ↔; TP: RM0.330 ↓) LBS (MP ↔; TP: RM0.520 ↓) MAHSING (MP ↓; TP: RM0.750 ↓)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
	We have trimmed most of our TPs as we switch our valuation methodology from RNAV to P/BV basis. The two exceptions are UEMS and LBS which saw slight upticks in their TPs. Nonetheless, in terms of ratings, we have maintained nearly all our stock recommendations except MAHSING which was downgraded to Market Perform.	challenging sector outlook) on their adjusted BV (by imputing discounts to their latest available inventory level of completed properties). Judging by their prevailing depressed P/BV valuations, we reckon property stocks are broadly oversold. Further, our TPs are implying steep discounts to our individual RNAV estimates, suggesting that the stocks are undervalued. Hence, we are upgrading our sector view from NEUTRAL to OVERWEIGHT.	SUNSURIA (MP ↔; TP: RM0.0.585 ↓) **UP** AMVERTON (UP ↔; TP: RM0.890 ↓) MAGNA (UP ↔; TP: RM0.695 ↓) MRCB (UP ↔; TP: RM0.700 ↓)
Rubber Gloves	The just concluded 3QCY19 results season for glove makers under our coverage came in within expectations. The star performer was Hartalega which recorded the second consecutive quarterly earnings growth where HARTA's 2QFY20 achieved mid-teens sales volume growth (+14%) driven by new capacity from Plant 5. We continue to remain positive on sequential earnings recovery to gather momentum in subsequent quarters, underpinned by uptick in nitrile demand, to be driven by re-stocking activities. Kossan's 3QFY19 results came in disappointingly lower YoY and QoQ despite having new capacity from Plant 17 and 18 due to an unexpected labour shortage in 3QFY19 which came without any warning. Supermax's 1QFY20 results showed strong sequential recovery following the easing of input latex raw material cost.	Maintain OVERWEIGHT. Our investment case is based on: (i) our analysis that the new capacity expansion industry-wide is slower-than-expected, which should help maintain the supply-demand equilibrium, (ii) expected earnings growth driven by new capacity expansion and higher ASPs, and (iii) US-led uptick in demand due to trade war where the US accounts for between 28%-55% of glove players group sales. Due to the intense competition in the latex segment, we would focus on players which are largely nitrile-centric including HARTA and KOSSAN. We like HARTA for: (i) its "highly automated production processes" model, which is moving from 'good' to 'great' as they are head and shoulders above its peers in terms of better margins and reduction in costs, (ii) constantly evolving via innovative products development, and (iii) its nitrile gloves segment, which is booming. Our TP is RM5.85 based on unchanged 36x CY20 EPS (at +1.0SD above 5-year historical forward mean). We like Kossan because it is trading at an unwarranted 25% discount to peers' PER average considering that its expected net profit growth is the highest at 23.7% compared to peers' average of 7%. Reiterate Outperform.	**OP:** HARTA (OP↔; TP: RM6.00 ↑) KOSSAN (OP ↔; TP: RM5.25 ↔) SUPERMX (OP ↔; TP: RM1.75 ↔) **MP:** TOPGLOV (MP ↔ ; TP: RM4.00↔)
Technology	Improvements observed. Out of 6 companies under our coverage, 3 reported earnings within our/consensus estimates, notably MPI, KESM and PIE. This marks an improvement from 5 misses in the previous quarter. On the earnings front, the companies' under our coverage recorded an average of 57% increase QoQ as the previous quarter (2QCY19) was a seasonally weak season for the technology sector. On the other hand, the companies posted a median YoY earnings decline of 22% owing to a general slowdown in the	While the US-China trade war uncertainties remain, 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. Passenger car sales in Europe recorded back-to-back gains for the month of Sep (+14.7% YoY) and Oct (+8.7% YoY) as the adverse effect of new emission standards dissipated. China on the other hand is still in the red but the decline is seen to be narrowing. In the smartphone market, the well-received	**OP** MPI (OP ↔, TP: RM14.00 ↑) KESM (OP ↔, TP: RM9.30 ↑) SKPRES(OP ↔, TP: RM1.35 ↔) **MP** D&O (MP ↔, TP: RM0.67 ↓) PIE (MP ↔, TP: RM1.40↔) **UP**

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
	semiconductor sector and consumer spending. Post results, we trim FY19-20E (FY20-21E for SKPRES, KESM and MPI) earnings across the board by an average of 2.5%-6.4%. However, we adjust our TPs upwards by an average of 2.8%, mainly owing to a larger quantum of earnings upgrade for MPI, which is poised to benefit from new customer acquired and major expansion in its Suzhou plant. We downgrade Unisem to UNDER PERFORM from MARKET PERFORM due to a bleak outlook as the company expects another chunk of severance expense to be recognised in the next quarter.	launch of several new North American flagship smartphone models have also contributed positively to market 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. Exceptional sales during the 11.11 singles day event coupled with the year-end festive season should bolster earnings in the subsequent quarter. Maintain OVERWEIGHT on the sector with preference for: (i) MPI (OP, TP: RM14.00) as its new production introductions (NPI) and major expansion in Suzhou are expected to drive earnings on an upward trajectory, while valuation is cheap at an attractive ex-cash PER of 11x; (ii) KESM (OP, TP: RM9.30) which is expected to see gradual improvement from the improving automotive market and (iii) SKPRES (OP, TP: RM1.35) as it will continue to benefit from the strong sales of its key customer's product.	UNISEM (MP ↑, TP: RM2.05↓)
Telecom-munications	**Earnings delivery mostly expected.** All incumbent celcos within our coverage performed as expected. TM, however, exceeded expectations as cost savings appear more fruitful than anticipated. Top-line remains to be under pressure with customers craving for more affordable, value-for-money options which are denting ARPU numbers. However, the resulting migration from prepaid to postpaid could be a positive in the longer run as customers should be stickier from signing up. More prudent cost management is being seen throughout, as an industry-wide strategy to combat the deminishing revenue. OCK had completed a private placement to raise funds for the acquisition of solar farms. While the expansion of the segment should be earnings accretive in the future, the segment only contributes to less than 10% of group revenue and earnings for now. Additionally, there is a dilutive effect to shareholder's stake. Post-results, only OCK (RM0.585, from RM0.630) and TM (RM4.30, from RM3.95) saw a change in TP while our calls were maintained.	**Cost rationalisation continues to be at the forefront** of the telco players against the persistent and increasing competition in the market. **Industry players are preparing for the 5G race,** mostly through strategic partnerships which entail knowledge and expertise sharing. TM presses on with its aspirations to be the infrastructure enabler, while appealing to MCMC for a slice of the 700MHz spectrum to boost its mobile endeavors. Even OCK recently collaborated with China Unicom in participating for 5G application solutions. Ultimately, all rest on MCMC's assignment of the necessary spectrums which is earmarked to be assigned closer towards 2021. **Maintain NEUTRAL call for the sector.**	**OP** AXIATA (OP↔; TP: RM4.80↔) TM (OP↔ ; TP: RM4.30 ↑) **MP** DIGI (MP↔ ; TP: RM4.70↔) OCK (MP↔ ; TP: RM0.585 ↓) **UP** MAXIS (UP↔ ; TP: RM4.90↔)

Sector	Brief Results Review	Forward Expectation / Outlook	Stock Call
Utility	A mixed bag of results. TENAGA's 3QFY19 results beat expectations thanks to lower generation costs as coal prices declined by 11% while LNG price fell 8%, QoQ. This led us to upgrade our FY19/FY20 earnings estimates by 4%/2%. However, YTLPOWR's 1QFY20 results were a big let-down as the losses from PowerSeraya and Telco Business were bigger than expected as some of the former's vesting contracts were expiring whle the latter turned loss-making again the 1BestariNet contract was not renewed by the government. As we expect losses from PowerSeraya and YES to widen, we have cut FY20/FY21 earnings forecasts by 12%/18%. As such, we downgraded the stock to MP with a lower TP of RM0.70. Meanwhile, GASMSIA's 3QFY19 results missed forecasts slightly due to one-off loan hedging cost but it raked in another record sales volume again at 51.4m mmbtu which grew 5% QoQ. With the one-off loan hedging cost, we trimmed FY19 earnings estimate slightly by 2%. For in-line results, MALAKOF saw TBE earnings stabilisng and KEV's losses narrowing in 3QFY19. PETGAS' 3QFY19 earnings, which dropped 12% sequentially on statutory turnaround at Utilities segment is on track while PESTEC registered the strongest first quarter so far as its 1QFY20 core profit jumped 2-fold YoY as projects moved to advanced stages which fetch better margins.	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 and the uncertainty of rate cut for RP1 for the latter. With fuel prices trending downward especially coal which fell 11% YoY in 9MFY19, the benefit of lower fuel costs would result in a lower effective tariff rate in 1HFY20 under the ICPT mechanism. 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. Similarly, GASMSIA is in the final year of RP1 this year before RP2 start 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 maintained 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, we believe the seasonal earnings gap between 1H and 2H for PESTECH could not be that apparent as the outstanding order-book for its Cambodian project only accounted for 17% of the group's current order-book of RM1.5b as at Sep 2019. And, earnings are set to accelerate in 2HFY20 and its sizeable order-book of RM1.5b should chart the earnings growth for the next two years.	**OP** MALAKOF (OP↔; TP: RM1.00 ↔) PESTECH (OP ↔; TP: RM1.75 ↔) **MP** GASMSIA (MP ↔; TP: RM3.00 ↔) PETGAS (MP ↔; TP: RM15.75↔) TENAGA (MP ↔; TP: RM14.30 ↑) YTLPOWR (MP ↓; TP: RM0.700 ↓)

Source: Kenanga Research

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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KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my