4QCY18 Results Review

Awaiting Rerating Catalysts

FBMKLCI	1,700.76
Target	1,735.00 ↓

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The just-concluded 4Q18 reporting season showed minor signs of improvement. Sector-wise, (i) Aviation, (ii) Construction, (iii) Plantation, (iv) Property, (v) Telco, (vi) Technology, (vii) Transportation & Logistics as well as (viii) Utilities sectors delivered mix-to-negative results while (i) Banks & Non-Bank Financials as well as (ii) Gaming sectors were relatively stronger with a more positive tone in their recently released results. We also notice that earnings growth trajectory seems volatile due to a number of distortions caused by non-recurring events. Based on reported net profits, our FBMKLCI's FY18A/FY19E/FY20E earnings growth rates are recorded at -10.1%/14.2%/3.4% (vs. Bloomberg consensus of -23.2%/27.0%/6.3). Howver, if we adopt core earnings numbers, then the FY18A/FY19E/FY20E growth rates would be registered at 3.6%/-0.9%/3.4%. In line with our earnings and target price downgrades, we have fine-tuned our end-2019 index target lower to 1,735 (from 1,775 previously), representing FY19E/FY20E PERs of ~16.5x/16.0x. Post results revision, we continue to like AEON (OP, TP: RM2.00 ↔), BIMB (OP, TP: RM5.05 ↔), MBMR (OP, TP: RM3.45 ↑), MPI (OP, TP: RM13.00 ↔), OCK (OP, TP: RM0.650 ↑), PADINI (OP, TP: RM4.25 ↑), PESTECH (OP, TP: RM1.40 ↓), PIE (OP, TP: RM1.90 ↑), PWROOT (OP, TP: RM1.65 ↔) and TCHONG (OP, TP: RM2.15 ↑).

Same old, same old. The recently concluded 4Q18 results season showed minor signs of improvement. Out of 143 stocks under our core coverage, 43 of them delivered weaker-than-expected results, implying a "disappointment ratio" of 30.1% (vs. 30.8% in 3Q18 and 32.2% in 4Q17). On the other extreme, 21% of the stocks under coverage (or 30 stocks) outperformed our expectations in this reporting season contrary to the mere 15% (or 22 stocks) in the previous quarter. We believe the improvements were due mainly to the generally low market expectations previously. Nonetheless, the improvements may not be exciting enough to serve as re-rating catalysts. In fact, we saw a negative variance of 11.6% against the actual reported FY18A results and an average 1.6% cut in our FY19E earnings estimates (for the 143 stocks under our coverage).

Sector-wise, (i) Aviation, (ii) Construction, (iii) Plantation, (iv) Property, (v) Telco, (vi) Technology, (vii) Transportation & Logistics as well as (viii) Utilities sectors **delivered mix-to-negative perfomances** (see Figure 8 for details).

- **Aviation:** Two stocks under our coverage, namely AIRASIA and AIRPORT, registered disappointing performance, compared to 3QCY18, due mainly to higher-than-expected maintenance costs.
- **Construction:** We saw similar numbers of disappointment in contrast to 3QCY18 (4 disappointments out of 11 stocks under our coverage). Stocks which came below expectations are GKENT, HSL, IJM, and MITRA. Their weak performances were caused by projects cost review, which resulted in lower progress billing and compression in margins.
- **Plantation:** It seems to be another beaten-up quarter, where 8 out of 13 companies under our coverage missed our forecasts and consensus estimates. All planters under our coverage recorded lower CPO prices (with an average YoY decline of ~20%), overshadowing the sector's flat FFB growth (+4%).
- **Property:** Out of 15 developers under our coverage; almost half of them (i.e. LBS, MAGNA, MAHSING, MRCB, SIMEPROP, SPSETIA, SUNSURIA) delivered lower-than-expected numbers due to weaker billings, margin compressions and/or inventory impairments.
- **Telco:** Reported uninspiring results, as both MAXIS and AXIATA reported disappointing FY18 numbers due mainly to the higher-than-expected Opex and D&A charges.

- **Technology:** The semicon players (i.e. D&O, KESM and UNISEM) shown signs of slowing down. The underlying weakness might be attributed to a slowdown in the smartphone segment due to minimal feature upgrades in the latest flagship models. On the automotive segment, the weakness could be owing to the Chinese imposition of tariffs on US vehicles and the introduction of the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) emission regulation.
- **Transportation & Logistics:** While ports counters' results were positive, logistics players, on the other extreme, were disappointing. POS' 3Q19 results plunged into the red and missed expectations for the second consecutive quarter due to weaker-than-expected performance from the postal services. CJCEN's FY18 results came in below expectations (-42% YoY) as 4Q18 plunged into losses due to continual expansion costs for its courier business coupled with industry-wide margin compression amid heightened competition.
- **Utilities:** The sector was hit mainly by TENAGA and PETGAS. TENAGA's FY18 earnings missed consensus by 14% owing to lower electricity sales and higher opex. On the other hand, with normalized earnings base of RM5.4b based on regulated asset base return of 7.3%, we cut our FY19 estimates by 17% and downgrade the stock to MP from OP with a lower target price of RM13.30 from RM16.45 previously. PETGAS' 4Q18 earnings were distorted by losses from associate Kimanis IPP on de-recognition of deferred tax assets of RM124.3m but operationally, segment results were on track with the new Pengerang RGT leading earnings growth.

On another extreme end, **(i) Banks & Non-Bank Financials as well as (ii) Gaming** sectors were relatively stronger with more positive tone noticed in their recent results.

- **Banking:** We notice that most banks' results were boosted by lower credit costs, in line with improved asset quality.
- **Gaming:** Good sets of results for GENM and MAGNUM. GENM's 4Q18 beat market expectation owing to lower taxation despite a fair set of results on the operational front. Meanwhile, MAGNUM also registered stronger-than-expected ticket sales and luck factor. In fact, ticket sales per draw improved on the back of authority clamping down on illegal operators.

As for the stocks within the list of 20 heavily bashed down stocks (see 1Q19 Investment Strategy dated 2 Jan19 for details), most of them recorded neutral to positive results. For instance, DAYANG, MBMR, MBSB, MUHIBAH, PANTECH, PIE, TCHONG, UEMS and WCT delivered stronger-than-expected results while results for AEON, BIMB, GAMUDA, KERJAYA, MPI, OCK, PADINI, PWROOT and UZMA were decent as well. The only underperformers within the list of stocks were PESTECH and SKPRES.

Recall that in early of the quarter, we had short-listed twenty stocks under our coverage that have been beaten down severely. The list also took into account our revised earnings estimates and valuations to better reflect the underlying market condition. While most of the stocks within the list have rebounded strongly from their respective 52-week lows, we believe some of these names would still be able to offer good upside. For instance, we still like DAYANG, MBMR, MBSB, MUHIBAH, PANTECH, PIE and TCHONG. While UEMS and WCT have surprised the market with their stronger than expected results, their share prices have also been playing a strong catch-up, hence our post results downgrades (from Outperform to Market Perform).

Revisions in Earnings Growth Estimates and Index Target:

Volatile earnings growth path. Recall that in our 1Q19 Investment Report (dated 3rd Jan19), we have highlighted that the FY18E/FY19E earnings growth rates for FBMKLCI could see some distortions caused by AXIATA, IHH, TENAGA etc. This expectation was further reinforced by the actual reported numbers. **The FY18A net profit for our FBMKLCI Earnings Universe saw a sharp declining growth of 10.1%** as opposed to our earlier growth estimate of 0.7%. As for our **FY19E net earnings growth, we are now seeing a much higher rate of 14.2%** (as opposed to 6.9%) due to a much lower base in FY18A. We also introduce our **FY20E earnings growth of 3.4%.**

Besides, we notice that the underlying volatile earnings growth trajectory is also in line with the consensus. **Based on consensus numbers, FY18A/FY19E/FY20E should see growth rates of -23.2%/27.0%/6.3%** (see Figure 9). Note that these growth numbers are based on reported net earnings numbers. Should we adopt **core earnings numbers, the FY18A/FY19E/FY20E growth rates would be 3.6%/-0.9%/3.4%.**

In line with our earnings and target price downgrades, especially for big caps like PETGAS and TENAGA, we have further fine-tuned **our end-2019 index target lower to 1,735** (from 1,775 previously), representing **FY19E/FY20E PERs of ~16.5x/16.0x**. Our Index Target is derived via the average of the followings:-

- **Top-Down:** Deriving an index target of 1,760 (from 1,780) based on our forecasting model with FY19E EPS estimate, and
- **Bottom-Up:** Revising down our index target from 1,770 to 1,710 based on analysts' target price inputs.

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 <1,775 as of end-Feb 2019 as opposed to ~1,800 as of end-Dec 2018.

Stock Picks and Entry Timing

Post results revision, we continue to like **AEON (OP, TP: RM2.00 ↔), BIMB (OP, TP: RM5.05 ↔), MBMR (OP, TP: RM3.45 ↑), MPI (OP, TP: RM13.00 ↔), OCK (OP, TP: RM0.650 ↑), PADINI (OP, TP: RM4.25 ↑), PESTECH (OP, TP: RM1.40 ↓), PIE (OP, TP: RM1.90 ↑), PWROOT (OP, TP: RM1.65 ↔) and TCHONG (OP, TP: RM2.15 ↑) due to their strong showings. Besides, further upgrades in some of the stocks' target prices could serve as re-rating catalysts.**

Timing-wise, in the short-run, as the FBMKLCI is still trading at a premium against its regional peers and at the higher end of its historical range, this could limit potential foreign equity inflow. YTD, we only saw a marginal inflow of RM54.2m.

Besides, as there is no concrete trading signal emerging, we continue to adopt selective trading approach despite readings that suggest the FBMKLCI could probably trade up to ~1,730 in the immediate term as the discount of FBMKLCI (against Consensus Index Target) could be in the midst of widening to <2.4% discount. However, the discount could eventually revert back to its 36-month mean of 5.0%-discount (implying an index level of 1,685) should there is no solid rerating catalyst seen (see Figure 11).

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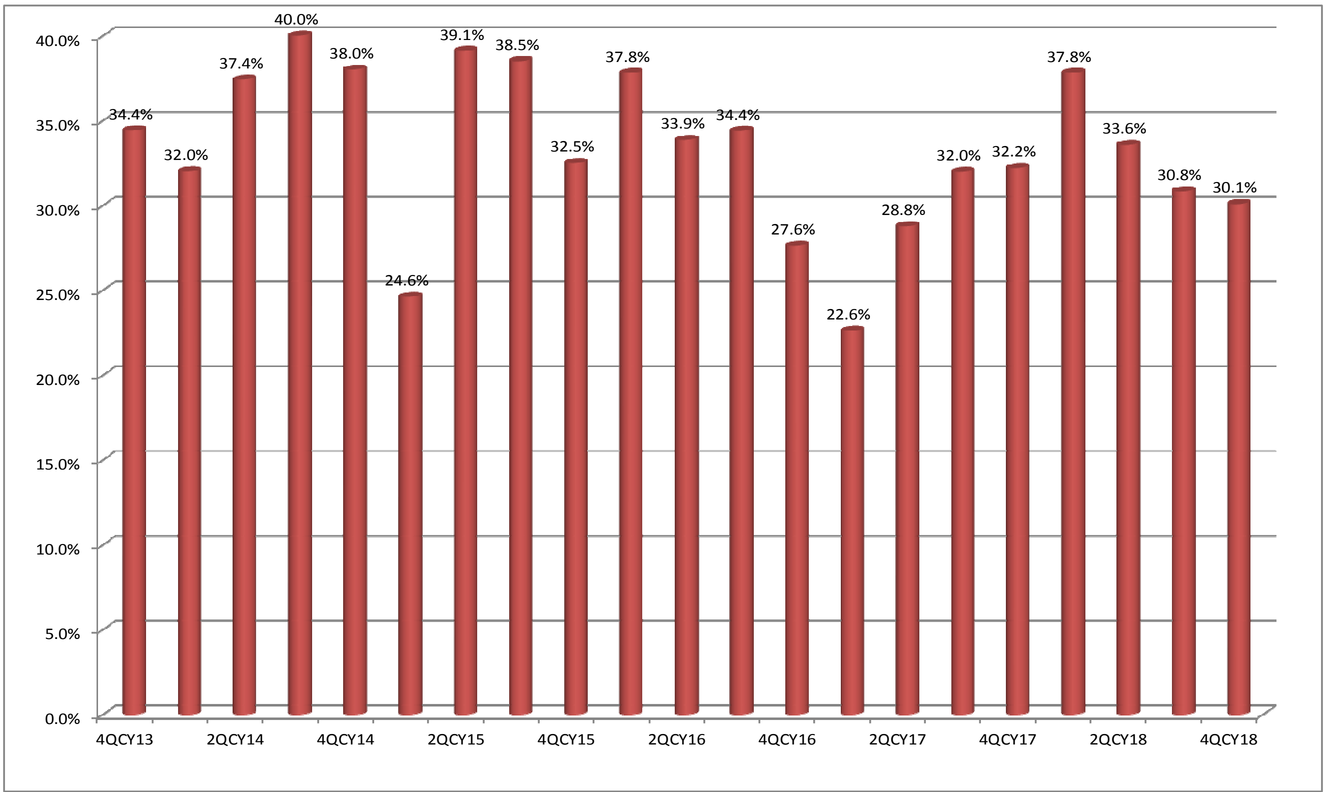
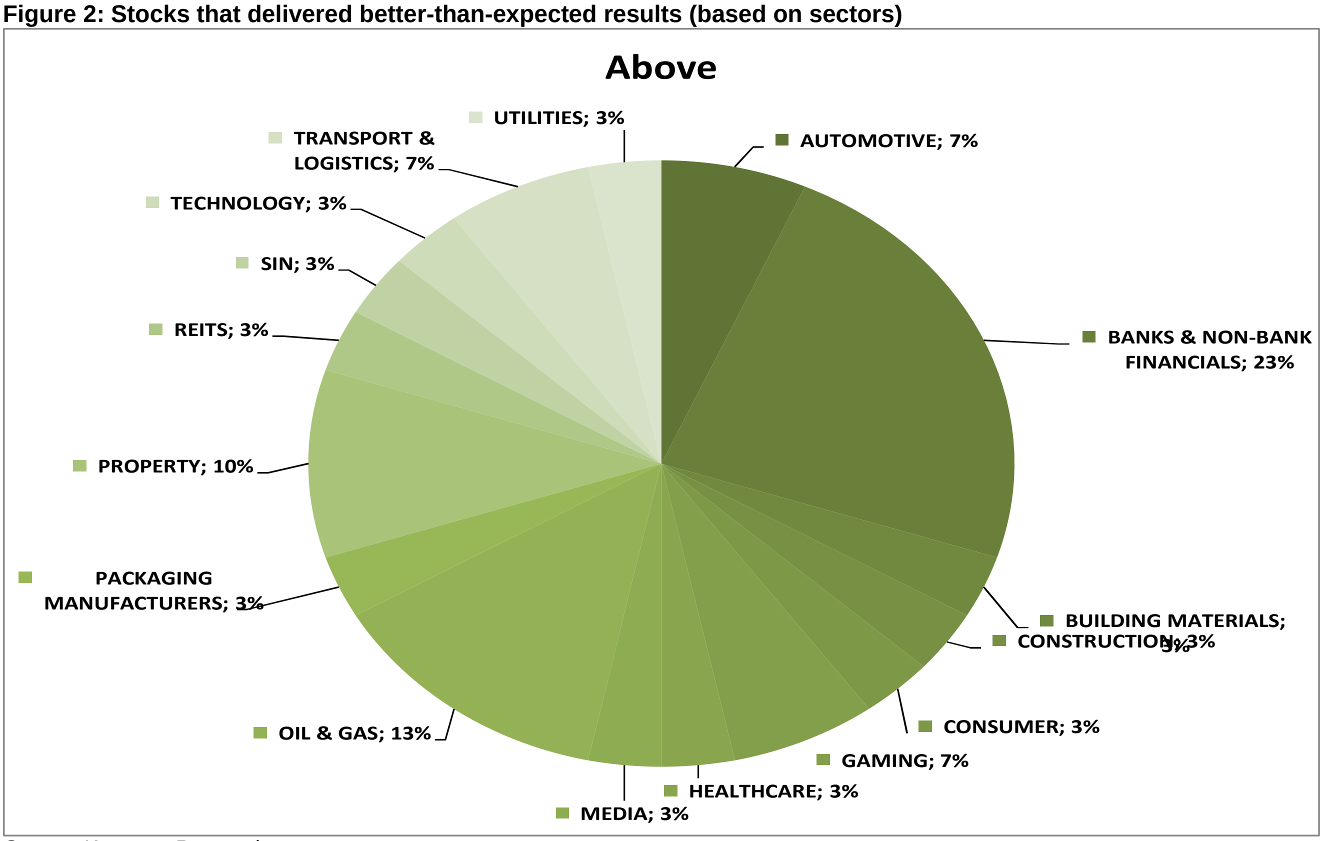
Appendix

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



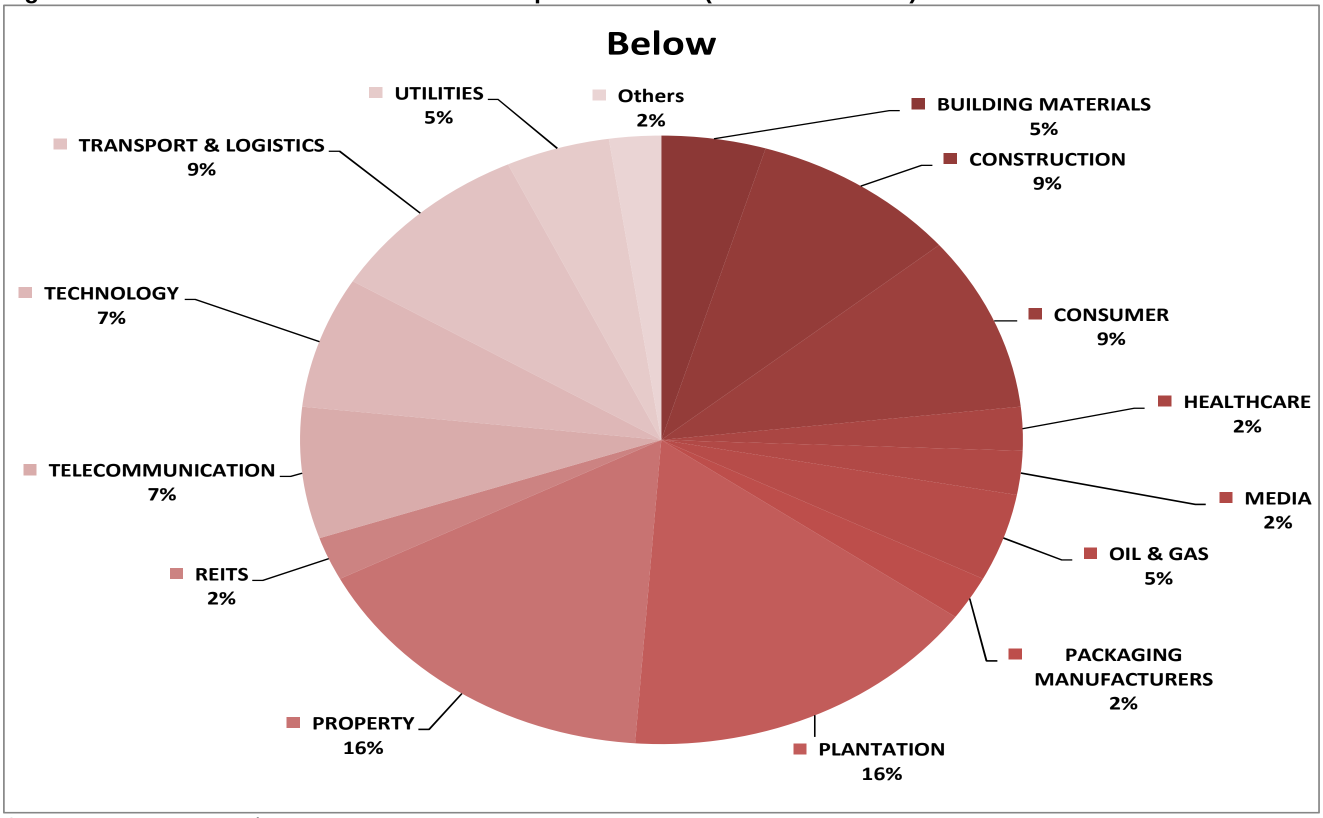
Source: Kenanga Research

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



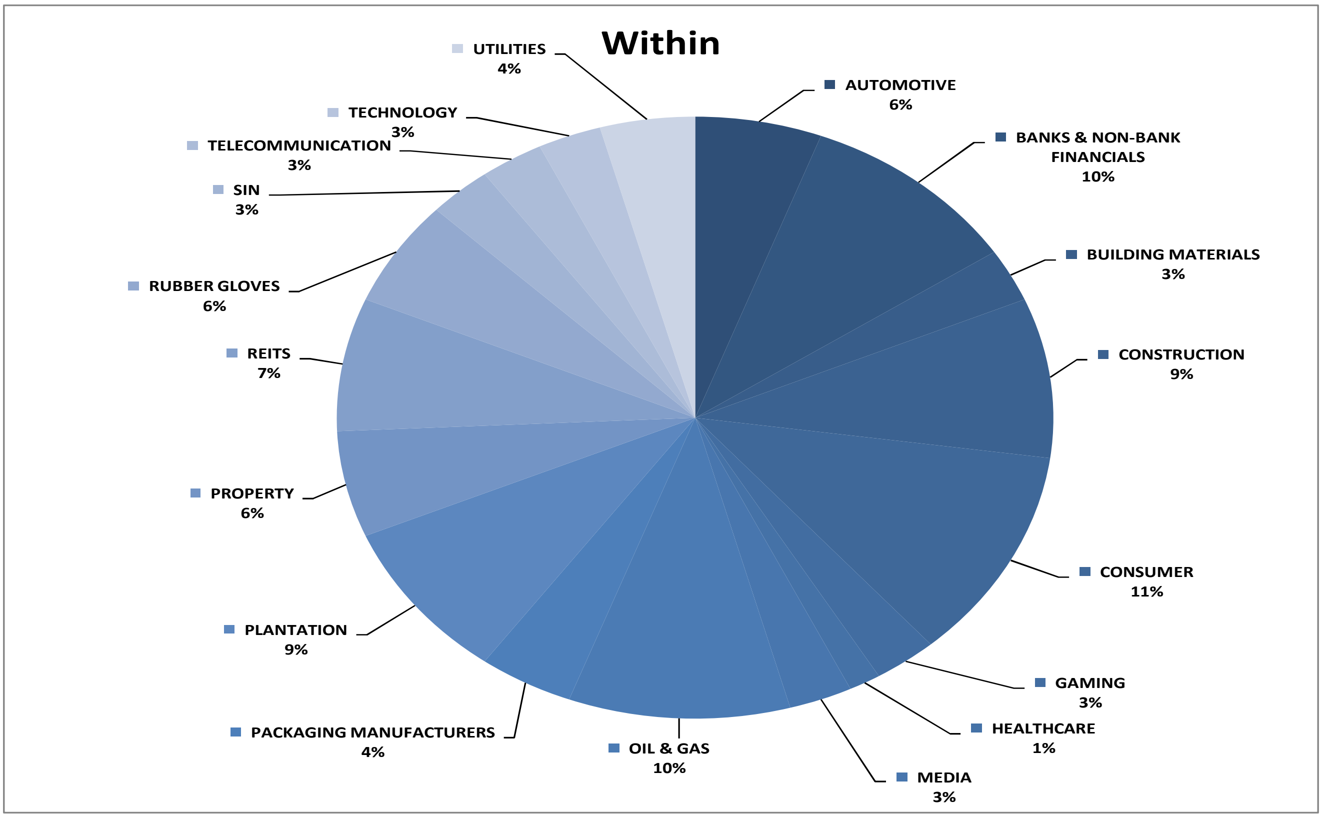
Source: Kenanga Research

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



Source: Kenanga Research

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



Source: Kenanga Research

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

No.	Company	Period under review	Cumulative Revenue (RM'm)			Cumulative NP (RM'm)			Against estimates		Earnings revision quantum (%)		Dividends against KNK estimates	Target		Call/Rating	
			FY17/18	FY18/19	YoY % Chg	FY17/18	FY18/19	YoY % Chg	KNK	Mrkt	FY18/19	FY19/20		Price (RM)		UP/MP/OP	
	AUTOMOTIVE		44,223.3	46,546.4	5.3%	761.9	1,137.8	49.3%	Within-Above	Mix	5.4%	0.0%					
1	BERMAZ AUTO BHD	2Q19	862.9	1,175.7	36.2%	42.4	124.2	192.9%	Within	Within	0.0%	0.0%	Within	2.50	↔	OP	↔
2	DRB-HICOM BHD	3Q19	9,272.0	9,010.0	-2.8%	226.0	5.0	-97.8%	Within	Within	0.0%	0.0%	Within	1.80	↔	MP	↔
3	MBM RESOURCES BERHAD	4Q18	1,721.6	1,928.2	12.0%	103.9	165.5	59.3%	Above	Above	17.8%	0.0%	Within	3.45	↑	OP	↔
4	SIME DARBY BERHAD	2Q19	16,959.0	18,268.0	7.7%	321.0	360.0	12.1%	Within	Below	0.0%	0.0%	Within	2.35	↓	MP	↔
5	TAN CHONG MOTOR HOLDINGS BHD	4Q18	4,341.2	4,858.2	11.9%	(92.6)	103.4	211.7%	Above	Above	14.3%	0.0%	Within	2.15	↑	OP	↔
6	UMW HOLDINGS BHD	4Q18	11,066.6	11,306.3	2.2%	161.2	379.7	-135.5%	Within	Below	0.0%	0.0%	Within	5.80	↔	MP	↔
	BANKS & NON-BANK FINANCIALS		57,539.7	57,333.8	-0.4%	24,192.7	25,989.8	7.4%	Within-Above	Within-Above	1.9%	0.6%					
7	AEON CREDIT SERVICE BERHAD	3Q19	843.9	927.7	9.9%	207.3	256.6	23.8%	Within	Within	0.0%	0.0%	Within	15.80	↔	MP	↔
8	AFFIN HOLDINGS BERHAD	4Q18	1,560.5	1,920.9	23.1%	418.1	503.1	20.3%	Above	Above	0.0%	0.0%	Within	2.60	↔	OP	↔
9	ALLIANCE BANK MALAYSIA BHD	3Q19	1,168.5	1,218.7	4.3%	380.3	425.8	12.0%	Within	Within	0.0%	0.0%	Within	4.45	↑	OP	↑
10	AMMB HOLDINGS BHD	3Q19	2,914.0	2,949.0	1.2%	878.7	1,045.6	19.0%	Above	Within	20.0%	5.3%	Within	4.95	↑	OP	↑
11	BIMB HOLDINGS BHD	4Q18	1,811.5	1,963.5	8.4%	619.8	682.0	10.0%	Within	Within	0.0%	0.0%	Within	5.05	↔	OP	↔
12	BURSA MALAYSIA BHD	4Q18	340.2	342.5	0.7%	223.0	224.0	0.4%	Within	Within	-0.2%	0.0%	Within	7.60	↔	MP	↔
13	CIMB GROUP HOLDINGS BHD	4Q18	17,588.2	16,290.6	-7.4%	4,475.0	4,493.0	0.4%	Above	Above	-2.4%	0.0%	Within	6.10	↑	MP	↔
14	HONG LEONG BANK BERHAD	2Q19	2,407.2	2,391.2	-0.7%	1,322.0	1,394.2	5.5%	Within	Within	1.9%	1.9%	Within	20.60	↑	MP	↔
15	LPI CAPITAL BERHAD	4Q18	1,470.6	1,513.7	2.9%	310.8	314.0	1.0%	Within	Within	-4.2%	0.0%	Above	16.30	↔	MP	↔
16	MALAYAN BANKING BHD	4Q18	12,147.0	12,072.9	-0.6%	7,520.5	8,113.3	7.9%	Above	Within	1.1%	0.0%	Within	10.20	↑	OP	↑
17	MALAYSIA BUILDING SOCIETY BHD	4Q18	1,485.4	1,375.7	-7.4%	417.1	642.4	54.0%	Above	Above	4.5%	0.0%	Within	1.15	↓	OP	↔
18	PUBLIC BANK BERHAD	4Q18	7,417.1	7,563.0	2.0%	5,470.0	5,590.6	2.2%	Within	Within	-7.5%	0.0%	Within	24.10	↑	MP	↔
19	RHB BANK BHD	4Q18	6,385.6	6,804.4	6.6%	1,950.1	2,305.2	18.2%	Above	Within	11.7%	0.2%	Within	5.80	↑	MP	↔
20	SYARIKAT TAKAFUL MALAYSIA KELUARGA BH	4Q18	2,139.2	2,639.1	23.4%	206.7	278.2	34.6%	Above	Above	10.5%	0.0%	Below	5.25	↑	OP	↔
	BUILDING MATERIALS		12,820.1	13,806.4	7.7%	628.3	427.8	31.9%	Mix	Within-Below	-63.6%	-3.5%					
21	ANN JOO RESOURCES BHD	4Q18	2,195.2	2,322.1	5.8%	207.7	126.5	-39.1%	Above	Within	-34.0%	0.0%	Above	1.25	↔	MP	↔
22	LAFARGE MALAYSIA BHD	4Q18	2,248.8	2,122.3	-5.6%	(209.9)	(318.3)	-51.6%	Within	Below	-195.3%	-13.8%	Within	1.85	↔	MP	↑
23	PRESS METAL BHD	4Q18	8,176.1	9,158.5	12.0%	611.3	616.7	0.9%	Within	Within	-1.0%	0.0%	Within	4.00	↔	MP	↔
24	UNITED U-LI CORPORATION BHD	4Q18	200.0	203.5	1.8%	19.2	2.9	-84.9%	Below	Below	-24.0%	0.0%	Within	0.450	↓	UP	↔
25	WHITE HORSE BHD	4Q18	642.8	610.5	-5.0%	5.4	(23.7)	-538.9%	Below	Below	-12.0%	0.0%	Within	1.15	↓	UP	↔
	CONSTRUCTION		16,570.2	16,849.5	1.7%	1,408.2	1,298.1	-7.8%	Mix-to-Negative	Mix	-3.8%	-1.7%					
26	EVERSENDAI CORP BHD	4Q18	1,830.4	1,705.8	-6.8%	68.0	62.9	7.5%	Within	Below	0.0%	0.0%	Within	0.490	↓	UP	↔
27	GAMUDA BHD	1Q19	771.8	903.9	17.1%	203.0	172.0	-15.3%	Within	Within	0.0%	0.0%	Within	3.05	↓	OP	↔
28	GEORGE KENT (MALAYSIA) BHD	3Q19	444.1	316.2	-28.8%	75.1	59.4	-20.9%	Below	Below	-15.0%	-13.0%	Within	0.845	↓	MP	↔
29	HOCK SENG LEE BHD	4Q18	420.0	610.4	45.3%	47.6	53.8	13.0%	Below	Below	-4.0%	0.0%	Within	1.25	↓	UP	↓
30	IJM CORP BHD	3Q19	4,628.3	4,260.7	-7.9%	356.3	287.9	-19.2%	Below	Below	-19.0%	-6.0%	Within	1.80	↓	UP	↓
31	KERJAYA PROSPEK GROUP BHD	4Q18	955.7	1,068.8	11.8%	124.7	138.4	11.0%	Within	Within	0.0%	0.0%	Within	1.20	↔	MP	↔
32	KIMLUN CORP BHD	4Q18	985.2	1,012.0	2.7%	68.7	61.1	-11.1%	Above	Above	15.0%	0.0%	Below	1.30	↑	MP	↓
33	MITRAJAYA HOLDINGS BHD	4Q18	1,164.2	838.4	-28.0%	70.6	33.4	-52.7%	Below	N.A.	-19.0%	0.0%	Within	0.260	↓	UP	↓
34	MUHIBBAH ENGINEERING (M) BHD	4Q18	1,388.3	1,543.1	11.2%	122.8	161.4	31.4%	Within	Above	0.0%	0.0%	Within	3.20	↔	MP	↓
35	SUNWAY CONSTRUCTION GROUP BHD	4Q18	2,076.3	2,256.8	8.7%	134.0	139.9	4.4%	Within	Within	0.0%	0.0%	Within	1.40	↔	UP	↔
36	WCT HOLDINGS BHD	4Q18	1,905.9	2,333.4	22.4%	137.4	127.9	-6.9%	Within	Above	0.0%	0.0%	Within	0.85	↔	MP	↓
	CONSUMER		18,567.3	19,211.7	3.5%	1,351.5	1,351.7	0.0%	Mix-to-Negative	Mix-to-Negative	-2.3%	-2.4%					
37	7-ELEVEN MALAYSIA HOLDINGS BERHAD	4Q18	2,187.1	2,216.1	1.3%	50.1	51.3	2.4%	Within	Within	0.0%	0.0%	Below	1.30	↔	UP	↓
38	AEON CO (M) BHD	4Q18	4,123.4	4,353.6	5.6%	106.1	124.5	17.3%	Within	Above	0.0%	0.0%	Within	2.00	↔	OP	↔
39	AMWAY (MALAYSIA) HLDGS BHD	4Q18	984.2	972.3	-1.2%	52.6	54.5	3.6%	Above	Above	0.0%	0.0%	Above	6.80	↔	OP	↑
40	DUTCH LADY MILK INDS BHD	4Q18	1,064.5	1,048.6	-1.5%	124.6	124.1	-0.4%	Within	Below	-1.1%	0.0%	Within	67.94	↑	OP	↑
41	FRASER & NEAVE HOLDINGS BHD	1Q19	1,001.8	1,010.3	0.8%	116.3	124.5	7.1%	Within	Within	1.5%	1.1%	Within	33.85	↑	MP	↔
42	HAI-O ENTERPRISE BHD	2Q19	248.1	172.3	-30.6%	39.3	24.6	-37.4%	Below	Below	-26.1%	-27.3%	Below	2.20	↓	UP	↓
43	MYNEWS HOLDINGS BHD	4Q18	327.6	391.5	19.5%	24.0	26.5	10.4%	Within	Within	0.0%	0.0%	Within	1.25	↔	UP	↔
44	NESTLE (M) BHD	4Q18	5,260.5	5,519.0	4.9%	642.6	649.5	1.1%	Below	Below	0.0%	0.0%	Within	138.50	↓	MP	↔
45	PADINI HOLDINGS BHD	2Q19	775.6	792.4	2.2%	81.2	71.1	-12.4%	Within	Within	0.0%	0.0%	Within	4.25	↑	OP	↔
46	PARKSON HOLDINGS BHD	2Q19	1,981.0	1,978.0	-0.2%	(22.0)	(49.0)	-122.7%	Below	Below	0.0%	0.0%	Within	0.250	↔	MP	↔
47	POWER ROOT BERHAD	3Q19	321.2	258.4	-19.6%	22.1	21.0	-5.0%	Broadly Within	Broadly Within	0.0%	0.0%	Within	1.65	↔	OP	↔
48	QL RESOURCES BHD	3Q19	2,479.4	2,715.3	9.5%	164.7	180.4	9.5%	Broadly Within	Within	0.0%	0.0%	Within	5.70	↔	UP	↔
49	SPRITZER BHD	4Q18	313.8	347.7	10.8%	23.7	24.2	2.1%	Below	Below	-17.3%	0.0%	Below	1.90	↓	UP	↓
	GAMING		34,860.7	36,338.2	4.2%	3,599.8	5,001.3	38.9%	Within-Above	Above	0.5%	0.0%					
50	BERJAYA SPORTS TOTO BHD	2Q19	2,855.5	2,853.3	-0.1%	136.0	147.2	8.2%	Within	Within	0.0%	0.0%	Within	2.55	↓	OP	↔
51	GENTING BHD	4Q18	20,025.7	20,853.0	4.1%	1,957.7	2,727.5	39.3%	Within	Above	0.0%	0.0%	Within	7.95	↑	OP	↔
52	GENTING MALAYSIA BHD	4Q18	9,330.3	9,927.6	6.4%	1,299.6	1,879.4	44.6%	Above	Above	0.0%	0.0%	Above	3.60	↑	MP	↔
53	MAGNUM BERHAD	4Q18	2,649.2	2,704.3	2.1%	206.5	247.2	19.7%	Above	Above	1.9%	0.0%	Above	2.50	↑	OP	↔

Source: Bursa Malaysia, Bloomberg, Kenanga Research

Notes:

Yellow Highlight- Odd financial year end counters

** indicates a change in FYE*

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

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

No.	Company	Period under review	Cumulative Revenue (RM'm)			Cumulative NP (RM'm)			Against estimates		Earnings revision quantum (%)		Dividends against KNK estimates	Target		Call/Rating	
			FY17/18	FY18/19	YoY % Chg	FY17/18	FY18/19	YoY % Chg	KNK	Mrkt	FY18/19	FY19/20		Price (RM)		UP/MP/OP	
	HEALTHCARE		**16,646.6**	**17,214.1**	**3.4%**	**829.4**	**1,268.0**	**-52.9%**	**Mix**	**Mix**	**-1.0%**	**-7.3%**					
54	IHH HEALTHCARE BERHAD	4Q18	11,142.6	11,521.0	3.4%	595.3	1,027.6	72.6%	Above	Above	15.0%	0.0%	Within	5.15	↑	UP	↔
55	KPJ HEALTHCARE BERHAD	4Q18	3,180.0	3,308.1	4.0%	178.7	183.0	2.4%	Within	Within	0.0%	0.0%	Within	1.35	↔	OP	↔
56	PHARMANIAGA BERHAD	4Q18	2,324.0	2,385.0	2.6%	55.4	57.4	3.6%	Below	Below	-18.0%	-22.0%	Below	2.50	↓	MP	↔
	MEDIA		**6,725.6**	**6,645.6**	**-1.2%**	**489.1**	**346.7**	**-29.1%**	**Mix**	**Mix**	**-79.0%**	**0.4%**					
57	ASTRO MALAYSIA HOLDINGS BHD	3Q19	4,143.0	4,111.0	-0.8%	566.0	404.0	-28.6%	Within	Within	-2.0%	0.0%	Within	1.60	↔	OP	↑
58	MEDIA CHINESE INTERNATIONAL	3Q19	915.8	956.5	4.4%	35.1	32.0	-8.8%	Within	Below	2.1%	1.7%	Within	0.230	↑	UP	↔
59	MEDIA PRIMA BHD	4Q18	1,197.6	1,185.4	-1.0%	(153.2)	(106.4)	30.5%	Below	Below	-323.0%	0.0%	Within	0.300	↔	UP	↔
60	STAR MEDIA GROUP BHD	4Q18	469.2	392.7	-16.3%	41.2	17.1	-58.5%	Above	Above	7.0%	0.0%	Within	0.600	↔	UP	↔
	OIL & GAS		**71,404.2**	**75,524.5**	**5.8%**	**8,917.2**	**8,066.2**	**-9.5%**	**Mix**	**Mix**	**-1.3%**	**0.6%**					
61	BUMI ARMADA BHD	4Q18	2,402.1	2,418.7	0.7%	302.0	225.5	-25.3%	Within	Within	0.0%	0.0%	Within	0.090	↓	UP	↓
62	DAYANG ENTERPRISE BHD	4Q18	695.0	937.6	34.9%	(58.9)	164.2	-378.8%	Above	Above	12.2%	0.0%	Within	0.920	↑	OP	↔
63	DIALOG GROUP BHD	2Q19	1,636.1	1,300.5	-20.5%	205.1	251.2	22.5%	Within	Within	0.0%	0.0%	Within	3.80	↔	OP	↔
64	MALAYSIA MARINE AND HEAVY ENGINEERING	4Q18	956.4	974.4	1.9%	53.9	(122.6)	-327.5%	Above	Above	-19.0%	0.0%	Within	0.710	↓	MP	↓
65	MISC BHD	4Q18	10,068.2	8,780.3	-12.8%	2,612.8	1,322.4	-49.4%	Within	Within	2.1%	0.0%	Within	6.65	↔	MP	↔
66	PANTECH GROUP HOLDINGS BHD	3Q19	465.2	466.6	0.3%	35.8	36.2	1.1%	Above	Above	1.0%	-8.3%	Within	0.460	↓	MP	↓
67	PETRONAS CHEMICALS GROUP BHD	4Q18	17,407.0	19,576.0	12.5%	4,177.0	4,979.0	19.2%	Within	Above	-0.4%	0.0%	Within	9.30	↓	MP	↔
68	PETRONAS DAGANGAN BHD	4Q18	26,991.5	30,068.8	11.4%	1,104.9	837.4	-24.2%	Below	Below	0.0%	0.0%	Below	24.40	↓	UP	↓
69	SAPURA ENERGY BHD	3Q19	4,705.8	3,816.9	-18.9%	(217.9)	(292.9)	34.4%	Within	Below	1,5%	9.2%	Within	0.340	↔	OP	↑
70	SERBA DINAMIK HOLDINGS BHD	4Q18	2,722.3	3,283.2	20.6%	308.1	387.9	25.9%	Within	Within	0.0%	0.0%	Within	4.80	↑	OP	↔
71	UZMA BHD	2Q19	209.7	193.1	-7.9%	18.8	7.4	-60.6%	Broadly Within	Broadly Within	0.0%	0.0%	Within	0.97	↑	MP	↔
72	WAH SEONG CORP BHD	4Q18	2,492.1	2,961.1	18.8%	97.3	63.3	-34.9%	Below	Below	-20.7%	0.0%	Within	0.620	↑	UP	↔
73	YINSON HOLDINGS BHD	3Q19	652.8	747.3	14.5%	278.3	207.2	-25.5%	Above	Within	9.8%	7.5%	Within	5.00	↔	OP	↔
	PACKAGING MANUFACTURERS		**1,872.2**	**1,931.7**	**3.2%**	**145.4**	**128.7**	**-11.5%**	**Mix**	**Within**	**-10.8%**	**0.0%**					
74	SCGM BERHAD	2Q19	105.8	113.2	7.0%	11.0	2.5	-77.3%	Within	N.A.	0.0%	0.0%	Above	1.15	↔	MP	↔
75	SCIENTEX BHD	1Q19	655.0	713.6	8.9%	72.3	52.7	-27.1%	Broadly Within	Broadly Within	0.0%	0.0%	Within	8.50	↔	MP	↔
76	SLP RESOURCES BHD	4Q18	180.1	188.1	4.4%	18.3	25.5	39.1%	Within	N.A.	0.0%	0.0%	Above	1.35	↔	MP	↓
77	THONG GUAN INDUSTRIES BHD	4Q18	831.2	861.6	3.7%	43.1	48.5	12.5%	Above	N.A.	24.0%	0.0%	Within	2.40	↑	MP	↑
78	TOMYPAK HOLDINGS BHD	4Q18	205.9	168.4	-18.2%	11.7	(0.5)	-104.3%	Below	N.A.	-67.0%	0.0%	Within	0.495	↔	UP	↔
	PLANTATION		**44,826.6**	**38,040.7**	**-15.1%**	**3,712.3**	**1,866.1**	**-49.7%**	**Within-Below**	**Below**	**-15.7%**	**-9.6%**					
79	CB INDUSTRIAL PRODUCT HOLDING	4Q18	669.8	481.1	-28.2%	84.0	51.2	-39.0%	Below	Below	-23.0%	0.0%	Within	0.850	↓	UP	↓
80	FELDA GLOBAL VENTURES HOLDINGS BHD	4Q18	16,921.8	13,467.3	-20.4%	127.7	(201.3)	-257.6%	Within	Below	28.0%	0.0%	Within	1.150	↑	MP	↔
81	GENTING PLANTATIONS BHD	4Q18	1,808.8	1,902.9	5.2%	333.6	142.7	-57.2%	Below	Below	-7.0%	0.0%	Above	9.80	↓	UP	↓
82	HAP SENG PLANTATIONS BHD	4Q18	555.1	390.8	-29.6%	97.9	29.1	-70.3%	Below	Below	-35.0%	0.0%	Below	1.95	↔	MP	↓
83	IJM PLANTATIONS BHD	3Q19	605.9	466.1	-23.1%	42.1	(14.3)	-134.0%	Below	Below	0.0%	-21.0%	Within	1.50	↔	UP	↓
84	IOI CORPORATION BHD	2Q19	4,215.7	3,756.3	-10.9%	606.6	431.6	-28.8%	Below	Broadly Within	-3.0%	0.0%	Below	4.45	↓	MP	↔
85	KUALA LUMPUR KEPONG BHD	1Q19	5,175.0	4,085.0	-21.1%	333.0	195.0	-41.4%	Broadly Within	Broadly Within	0.0%	0.0%	Within	25.70	↔	MP	↔
86	PPB GROUP BERHAD	4Q18	4,284.3	4,528.3	5.7%	1,040.1	926.6	-10.9%	Within	N.A.	-0.2%	0.0%	Within	16.60	↓	UP	↔
87	SIME DARBY PLANTATION BHD	6MFPE18	7,626.0	6,543.0	-14.2%	872.0	221.0	-74.7%	Within	N.A.	<1%	0.0%	Below	5.00	↔	MP	↔
88	SOUTHERN ACIDS (M) BERHAD	3Q19	566.5	457.6	-19.2%	27.6	16.2	-41.3%	Below	Below	-19.0%	-12.0%	Within	2.50	↓	UP	↔
89	TA ANN HOLDINGS BERHAD	4Q18	1,172.9	962.2	-18.0%	126.2	82.6	-34.5%	Within	Above	0.0%	0.0%	Within	2.50	↑	MP	↔
90	TSH RESOURCES BHD	4Q18	1,073.5	906.3	-15.6%	7.4	3.6	-51.4%	Within	Below	-1.0%	0.0%	Within	1.30	↔	OP	↔
91	UNITED MALACCA BHD	2Q19	151.3	93.8	-38.0%	14.1	(17.9)	-227.0%	Below	Below	-128.0%	-92.0%	Below	5.10	↓	UP	↔
	PROPERTY		**26,959.2**	**23,566.7**	**-12.6%**	**3,399.1**	**2,598.3**	**-23.6%**	**Mix-to-Negative**	**Mix**	**-6.5%**	**3.2%**					
92	AMVERTON BHD	4Q18	160.7	119.2	-25.8%	24.3	23.9	-1.6%	Above	N.A.	0.0%	0.0%	Within	1.00	↔	MP	↔
93	ECO WORLD DEVELOPMENT GROUP	4Q18	2,924.7	2,171.8	-25.7%	113.1	165.6	46.4%	Within	Within	-20.0%	0.0%	Within	1.15	↔	OP	↑
94	HUA YANG BERHAD	3Q19	141.3	199.5	41.2%	1.8	8.7	383.3%	Above	Above	68.0%	71.0%	Within	0.410	↔	OP	↑
95	IOI PROPERTIES GROUP BHD	2Q19	1,577.4	1,226.2	-22.3%	352.0	326.8	-7.2%	Within	Within	7.0%	6.0%	Within	1.65	↔	MP	↓
96	LBS BINA GROUP BERHAD	4Q18	1,347.4	1,120.0	-16.9%	100.7	85.1	-15.5%	Below	Below	0.0%	0.0%	Within	0.72	↔	MP	↔
97	MAGNA PRIMA BHD	4Q18	98.9	38.1	-61.5%	10.7	(36.0)	-436.4%	Below	N.A.	-89.0%	0.0%	Within	0.785	↓	UP	↔
98	MAH SING GROUP BHD	4Q18	2,915.8	2,192.9	-24.8%	296.8	190.1	-36.0%	Below	Below	-14.0%	0.0%	Below	1.05	↓	MP	↓
99	MALAYSIAN RESOURCES CORP BHD	4Q18	2,823.7	1,870.7	-33.8%	101.2	75.4	-25.5%	Below	Below	0.0%	0.0%	Above	0.750	↔	MP	↔
100	SIME DARBY PROPERTY BHD	4Q18	2,611.0	2,353.0	-9.9%	510.0	367.0	-28.0%	Below	N.A.	-2.0%	-19.0%	Within	1.10	↔	MP	↔
101	SP SETIA BHD	4Q18	4,287.8	3,593.6	-16.2%	861.4	208.3	-75.8%	Below	Below	4.0%	0.0%	Within	2.45	↔	MP	↓
102	SUNSURIA BHD	1Q19	49.7	82.9	66.8%	(2.8)	10.7	-482.1%	Below	N.A.	-32.0%	-16.0%	Within	0.835	↓	OP	↔
103	SUNWAY BHD	4Q18	5,239.3	5,410.3	3.3%	547.4	591.2	8.0%	Above	Within	0.0%	0.0%	Within	1.50	↔	MP	↔
104	UEM SUNRISE BHD	4Q18	1,860.6	2,044.0	9.9%	105.6	272.4	158.0%	Within	Above	-1.0%	0.0%	Within	0.850	↔	MP	↓
105	UOA DEVELOPMENT BHD	4Q18	1,081.6	1,263.7	16.8%	401.2	333.0	-17.0%	Within	Within	-6.0%	0.0%	Within	2.15	↔	MP	↔

Source: Bursa Malaysia, Bloomberg, Kenanga Research

Notes:

Yellow Highlight- Odd financial year end counters

** indicates a change in FYE*

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

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

No.	Company	Period under review	Cumulative Revenue (RM'm)			Cumulative NP (RM'm)			Against estimates		Earnings revision quantum (%)		Dividends against KNK estimates	Target		Call/Rating	
			FY17/18	FY18/19	YoY % Chg	FY17/18	FY18/19	YoY % Chg	KNK	Mrkt	FY18/19	FY19/20		Price (RM)		UP/MP/OP	
	REITS		3,386.7	3,513.8	3.8%	1,692.3	1,726.7	2.0%	Within	Mix-to-Positive	-0.6%	0.0%					
106	AXIS REAL ESTATE INVESTMENT	4Q18	173.2	210.4	21.5%	90.8	113.4	24.9%	Above	Above	3.0%	0.0%	Above	1.65	↑	MP	↑
107	CAPITAMALLS MALAYSIA TRUST	4Q18	368.9	350.1	-5.1%	157.9	134.5	-14.8%	Within	Above	0.0%	0.0%	Within	1.15	↔	OP	↔
108	IGB REIT	4Q18	524.9	535.7	2.1%	303.4	303.8	0.1%	Within	Within	0.0%	0.0%	Within	1.50	↓	UP	↓
109	KLCC STAPLED GROUP	4Q18	1,367.0	1,406.0	2.9%	671.0	698.0	4.0%	Within	Within	0.0%	0.0%	Within	6.90	↔	UP	↔
110	MRCB-QUILL REIT	4Q18	180.1	173.4	-3.7%	88.0	82.5	-6.3%	Below	Below	-7.0%	0.0%	Within	1.05	↓	MP	↔
111	PAVILION REIT	4Q18	490.0	555.0	13.3%	232.4	255.1	9.8%	Within	Within	0.0%	0.0%	Within	1.55	↔	UP	↓
112	SUNWAY REAL ESTATE INVESTMENT	2Q19	282.6	283.2	0.2%	148.8	139.4	-6.3%	Within	Within	0.0%	0.0%	Within	1.65	↑	MP	↔
	RUBBER GLOVES		5,332.2	6,302.4	18.2%	674.0	743.3	10.3%	Within	Within	0.0%	0.0%					
113	HARTALEGA HOLDINGS BHD	3Q19	1,788.8	2,144.0	19.9%	322.7	364.8	13.0%	Within	Below	0.0%	0.0%	Within	5.15	↔	MP	↑
114	KOSSAN RUBBER INDUSTRIES	4Q18	1,957.4	2,144.2	9.5%	182.1	200.8	10.3%	Within	Within	0.0%	0.0%	Within	4.95	↔	OP	↔
115	SUPERMAX CORP BHD	2Q19	647.9	752.2	16.1%	63.8	67.6	6.0%	Within	Within	0.0%	0.0%	Within	1.30	↔	UP	↔
116	TOP GLOVE CORP BHD	1Q19	938.1	1,262.0	34.5%	105.4	110.1	4.5%	Within	Within	0.0%	0.0%	Within	4.45	↔	UP	↔
	SIN		6,520.5	6,834.9	4.8%	1,010.4	1,023.5	1.3%	Within-Above	Within-Above	1.7%	0.0%					
117	BRITISH AMERICAN TOBACCO BHD	4Q18	2,916.2	2,822.9	-3.2%	501.9	468.5	-6.7%	Within	Above	1.0%	0.0%	Within	32.65	↑	UP	↔
118	CARLSBERG BREWERY MALAYSIA BHD	4Q18	1,730.0	1,982.3	14.6%	238.4	272.5	14.3%	Above	Within	1.8%	0.0%	Above	18.00	↑	UP	↔
119	HEINEKEN MALAYSIA BERHAD	4Q18	1,874.3	2,029.7	8.3%	270.1	282.5	4.6%	Within	Within	2.3%	0.0%	Within	21.90	↑	MP	↔
	TELECOMMUNICATION		52,740.2	51,881.4	-1.6%	5,642.6	4,790.7	-15.1%	Within-Below	Mix	-1.0%	0.4%					
120	AXIATA GROUP BERHAD	4Q18	24,402.0	23,886.0	-2.1%	1,205.0	824.0	-31.6%	Below	Above	9.0%	0.0%	Below	4.35	↔	MP	↓
121	DIGI.COM BHD	4Q18	6,341.0	6,527.0	2.9%	1,477.0	1,541.0	4.3%	Within	Within	2.8%	0.0%	Within	4.65	↔	MP	↔
122	MAXIS BHD	4Q18	9,419.0	9,192.0	-2.4%	2,073.0	1,767.0	-14.8%	Below	Below	-16.0%	0.0%	Within	4.90	↓	UP	↓
123	OCK GROUP BHD	4Q18	492.2	457.4	-7.1%	24.6	26.7	8.5%	Within	Below	0.2%	1.8%	Within	0.650	↑	OP	↔
124	TELEKOM MALAYSIA BHD	4Q18	12,086.0	11,819.0	-2.2%	863.0	632.0	-26.8%	Below	Within	-1.0%	0.0%	Below	2.50	↔	UP	↓
	TECHNOLOGY		4,656.3	4,213.9	-9.5%	389.3	303.6	-22.0%	Mix-to-Negative	Within	-9.4%	-4.2%					
125	D&O GREEN TECHNOLOGIES BHD	4Q18	463.3	490.8	5.9%	21.8	38.2	75.2%	Below	Within	0.0%	0.0%	Within	0.750	↔	MP	↔
126	KESM INDUSTRIES BHD	1Q19	90.7	81.6	-10.0%	11.4	2.6	-77.2%	Below	Below	-41.0%	-21.0%	Within	8.00	↓	MP	↔
127	MALAYSIAN PACIFIC INDUSTRIES BHD	2Q19	782.9	811.9	3.7%	80.4	86.5	7.6%	Within	Within	0.0%	0.0%	Within	13.00	↔	OP	↔
128	P.I.E. INDUSTRIAL BHD	4Q18	679.3	661.3	-2.6%	42.3	42.4	0.2%	Above	Within	11.0%	0.0%	Within	1.90	↑	OP	↔
129	SKP RESOURCES BHD	3Q19	1,637.7	1,307.8	-20.1%	98.5	76.9	-21.9%	Within	Within	0.0%	0.0%	Within	1.25	↔	MP	↓
130	UNISEM (M) BERHAD	4Q18	1,465.7	1,351.3	-7.8%	156.7	95.2	-39.2%	Below	Within	-17.1%	0.0%	Below	2.50	↓	UP	↓
	TRANSPORT & LOGISTICS		22,292.0	24,300.9	9.0%	2,523.1	1,715.7	-32.0%	Mix-to-Negative	Below	-14.8%	-8.3%					
131	AIRASIA BHD	4Q18	9,709.7	10,603.8	9.2%	1,487.9	587.2	-60.5%	Below	Below	-43.0%	0.0%	Above	1.95	↓	UP	↓
132	CJ CENTURY LOGISTICS HOLDINGS	4Q18	294.6	401.0	36.1%	15.2	8.8	-42.1%	Below	Below	-2.2%	0.0%	Below	0.490	↔	UP	↓
133	MALAYSIA AIRPORTS HLDGS BHD	4Q18	4,651.3	4,851.7	4.3%	182.9	361.2	97.5%	Below	Below	-32.0%	0.0%	Within	8.55	↓	MP	↓
134	MMC CORP BHD	4Q18	4,160.1	5,010.2	20.4%	208.7	153.3	-26.5%	Above	Below	36.3%	0.0%	Within	1.10	↑	MP	↔
135	POS MALAYSIA BERHAD	3Q19	1,760.4	1,819.5	3.4%	(24.6)	63.8	-359.3%	Below	Below	-50.0%	-50.0%	Within	1.50	↔	UP	↔
136	WESTPORTS HOLDINGS BHD	4Q18	1,715.9	1,614.7	-5.9%	653.0	541.4	-17.1%	Above	Within	2.4%	0.0%	Above	3.75	↔	MP	↔
	UTILITIES		17,612.0	69,272.3	293.3%	2,372.5	7,000.1	195.1%	Mix	Within-Below	-0.9%	-0.4%					
137	GAS MALAYSIA BHD	4Q18	5,315.3	6,233.2	17.3%	165.6	170.4	2.9%	Within	Below	0.5%	0.0%	Above	3.05	↔	MP	↔
138	MALAKOFF CORPORATION BHD	4Q18	7,130.4	7,348.2	3.1%	275.9	219.4	-20.5%	Above	Within	26.4%	0.0%	Above	1.000	↔	OP	↔
139	PESTECH INTERNATIONAL BERHAD	2Q19	462.8	302.7	-34.6%	47.9	17.8	-62.8%	Below	N.A.	-12.3%	0.0%	Within	1.40	↓	OP	↔
140	PETRONAS GAS BHD	4Q18	4,809.6	5,498.1	14.3%	1,774.5	1,825.6	2.9%	Below	Below	0.0%	0.0%	Above	16.45	↔	MP	↔
141	TENAGA NASIONAL BHD	4Q18	n.a.	50,392.5	n.a.	n.a.	4,632.4	n.a.	Within	Below	-16.7%	0.0%	Within	13.30	↓	MP	↓
142	YTL POWER INTERNATIONAL BHD	2Q19	5,209.2	5,730.8	10.0%	274.2	304.9	11.2%	Within	Within	-2.1%	-2.0%	Within	0.90	↓	MP	↔
	OTHERS		10,238.3	10,186.4	-0.5%	181.3	(286.5)	-258.0%	Below	N.A.	-30.0%	0.0%					
143	BOUSTEAD HOLDINGS BHD	4Q18	10,238.3	10,186.4	-0.5%	181.3	(286.5)	-258.0%	Below	N.A.	-30.0%	0.0%	Within	1.50	↔	MP	↔
	Total/Average		475,793.9	529,515.3	11.3%	63,920.4	66,497.6	4.0%	Mix	Mix	-11.6%	-1.6%					

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: 4QCY18 Results Review & Sector Outlook

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
Automotive	**Within expectation.** We have 1 stocks out of the 6 stocks (MBMR) performing above expectation while 5 stocks (BAUTO, DRBHCOM, SIME, TCHONG, and UMW) were within expectation. **Overall, weaker performance this quarter, except for Perodua-linked companies,** as expected, due to the higher base in the previous quarter which was boosted by the remainder of zero-rated tax holiday. Nevertheless, Perodua-linked companies, UMW and MBMR recorded stronger performances mainly from the higher associates' contribution from the recovery in supply disruption for the all-new Perodua Myvi in August and September 2018, which had been rectified in October 2018.	Overall, car sales volume for 1Q19 is expected to be stronger than 4Q18 buoyed by the pent-up demand for new model launches, unusually slower year-end sales in the previous quarter and CNY festivities' promotional sales. Recent new launches included Proton X70, Perodua ARUZ, face-lifted Honda HR-V (includes Hybrid), face-lifted Proton IRIZ, Toyota Vios and Toyota Rush (first batch delivery due to approval issues) We maintain our **NEUTRAL** rating on the **AUTOMOTIVE** sector with our 2019 TIV forecast of 590,000 units (-1%).	**<u>OP</u>** • BAUTO (OP ↔; TP: RM2.50 ↔) • MBMR (OP ↔; TP: RM3.45 ↑) • TCHONG (OP ↔; TP: RM2.15↑) **<u>MP</u>** • DRBHCOM (MP ↔; TP: RM1.80↔) • SIME (MP ↔; TP: RM2.35↓) • UMW (MP↔; TP: RM5.80 ↔)
Aviation	**Disappointing quarter.** For 4QCY18, two stocks under our aviation sector coverage namely AIRASIA and AIRPORT registered disappointing performance compared to 3QCY18 which results are broadly in-line and above expectations. The disappointment in earnings are mainly driven by higher than expected maintenance cost for both companies. **Earnings review.** Post results, we lowered our FY19E for both AIRASIA and AIRPORT by 43%-32%, respectively. **Downgrade in calls.** Following the revision in earnings, we also downgraded AIRASIA to UP with a lower TP of RM1.95 (previously, OP; TP: RM3.25) based on an unchanged 9x FY19E PER, and AIRPORT to MP with a lower TP of RM8.55 (previously, OP; TP: RM8.95) based on an unchanged 1.72x PBV to its FY19E BVPS..	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. We believe that the operating cost environment for AIRASIA to improve in 2019, given that they have hedge 52% of their fuel cost requirement for the year. However, yields might remain weak due to its aggressive plans as they look forward to add another 22 planes in bid to gain market share from its competitors. As for AIRPORT, management indicated that they would be anticipating a higher operating cost environment in 2019 as they incur more operational capex in maintaining and upgrading its existing facilities in KLIA and KLIA2 in order to comply with MAVCOM's QoS requirement. Hence, management are looking at a flattish ETBIDA target for its Malaysia operation albeit having a passenger growth expectation of 4.9%, YoY and a potential increment in PSC charges should they be able to conclude their Operating Agreement with the government. As for the potential implementation of RAB, management sounded hopeful that it would bode well for the group should they be able to secure a favourble WACC from MAVCOM, and the implementation is expectation to take place next year due to review process by third party consultants. Hence, we are downgrading the sector from OVERWEIGHT to NEUTRAL.	**<u>MP</u>** • AIRPORT (MP ↓; TP: RM8.55 ↓) **<u>UP</u>** • AIRASIA (UP ↓; TP: RM3.25 ↓)

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
Banking	**4Q18** results were as expected, largely in line with AMBANK, RHBBANK and MBSB above expectations. The outperformances were largely due to lower-than-expected impairment allowances, (in AMBANK's case, a credit recovery due write-offs from NPLs). RHB had an added advantage of expanded NIMs due to redemption of expensive sub-debt. For the quarter, topline results were disappointing, dragged by weak fee-based income as capital markets softened. Only ABMB, MAYBANK and RHBANK bucked the trend as their fee-based income were in positive territory with MAYBANK's insurance business rebounded from the previous quarter. There were uptick in loans for the quarter, with the exception of AFFIN and AMBANK (flat) and MBSB (negative). Overall, loans from mortgages were the driver. NIM continued to be under pressure with most reported compressing NIMs. ABMB reported higher NIMs due to better mix of higher yield assets, while for RHBANK, it was due to easing of funding costs. The rest continued to see downside pressure due to shoring of deposits. Overall asset quality improved due to sale of NPLs and lower risks seen in the economy with credit costs mostly improving.	Neutral stance maintained for the sector. Internal and external headwinds are still prevailing. The industry guided for moderation in loans with households expected to be resilient with mortgages to provide the drive. Outlook for business loans are unclear given the global economic challenges and uncertainties on the domestic front. NIM is seen to under pressure due to funding costs, despite ample liquidity. Impact on credit costs is expected to be benign lending support to bottomline as it did in FY18. Post results, we upgrade **MAYBANK** to **OUTPERFORM** as its dividend yield is the highest in our Banking universe coupled with prudent management translating to lower credit costs than FY18. For **BIMB**, we reiterate **OUTPERFORM** as loans growth target is doable for FY19 coupled with mid-teens ROE expected as credit costs continues to improve.	**<u>OP</u>** • ABMB (OP ↑; TP: RM4.45 ↑) • AFFIN (OP ↔; TP: RM2.60 ↔) • AMBANK (OP ↑; TP: RM4.95 ↑) • BIMB (OP ↔; TP: RM5.05 ↔ • MAYBANK (OP ↑; TP: RM10.20 ↑) • MBSB (OP ↔; TP: RM1.15 ↓) **<u>MP</u>** • CIMB (MP ↔; TP: RM6.10 ↑) • HLBANK (MP ↔; TP: RM20.60 ↑) • RHBBANK (MP ↔; TP: RM5.80 ↑) • PBBANK (MP ↔; TP: RM24.10 ↑)
Banking – Non-banking Financial Institutions	**Favourable results.** AEON, BURSA and LPI's results were within expectations, while TAKAFUL beat our estimates. The current focus for insurance players remains to be diversifying their portfolio to break new ground, bracing themselves of the coming Fire review. Increasing competitiveness in rates also appears to draw more policies being written to bolster topline performance. BURSA operated in a softer but expected trading environment. However, thanks to more efficient operations, the group was able to sustain profits.	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. The recent license awarded to lend money could also present new opportunities for the group. **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. With regards to **BURSA**, trading participants were faced with unfavourable risk-to-reward trading	**<u>OP</u>** • TAKAFUL (OP ↔; TP: RM5.25↑) **<u>MP</u>** • AEONCR (MP ↔; TP: RM15.80 ↔) • BURSA (MP ↔; TP: RM7.60 ↔) • LPI (MP ↔; TP: RM16.30 ↔)

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
		conditions, aggravated by uncertainties with the ongoing US-China trade wars and the pending conclusion of BREXIT. 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. In lieu of this, our market strategist seeks potentially oversold trading/investment opportunities, where solid fundamental values could be currently fogged by short-term trading anxiety. This particularly involves stocks that are highly pegged to domestic performances as opposed to foreign factors.	
Building Materials	**2 in line, 1 above, 2 below.** LAFMSIA and PMETAL came in line with estimates. However, one player namely ANNJOO was above expectation largely driven by positive tax of RM32.3m arising from tax incentives. Meanwhile, the other two player; ULICORP and WTHORSE fell short of estimates. The negative deviation for the two players are as follow: i) ULICORP- Negative deviation is due to thinner- than-expected margins arising from higher operating costs, (ii) WTHORSE-stemmed from lower-than-expected tiles demand in Malaysia and Vietnam and weaker-than-expected ASPs as well as higher production cost leading to margins erosion. This quarter had seen a lower number of disappointing results from the preceding quarter which saw 4 counters came below our expectations. **Earnings estimates.** Post 4QCY18 results, we cut FY19E earnings estimates for ANNJOO and ULICORP by 34% and 27% respectively. We widened WTHORSE FY19E core net loss (CNL) to RM9.1m (from RM8.2m). Conversely, we also narrowed CNL estimates for LAFMSIA to -RM241m (from CNL of -RM318m). For PMETAL, fine-tune FY19E earnings estimates changes by 0.1% due to housekeeping reasons . This contrasts with 3QCY18 during which, we cut earnings/ widened losses for most of the players except for ULICORP. **Adjustment to call and TP.** Post results, we maintain TP for most of the players but lower TPs for	We remain cautious over the overall LAFMSIA outlook in 2019 due to weak domestic demand woes and continuous overcapacity in the market leading to stiff competition and cement rebates wars. The group export strategy may partially help to drive the revenue figures but given low margins from export sales, we do not expect any immediate significant bottom-line improvements. Based on channel checks, cement rebates in 4Q18 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. For ANNJOO, we are cautious with its prospects as we expect soft domestic demand to continue plaguing the industry. However, we are encouraged by the group strategy to actively pursuing 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 demand For ULICORP, the outlook for the still remains uninspiring, underpinned by the weak prospects in the construction industry and stiff competition from other new players. ULICORP's performance is highly premised on their ability to fight off competition in this weak market given that they currently command a market share of c.40%, and the silver lining is the lower flat steel input cost, which has been on a downtrend. For PMETAL, the group expanded billet capacity by 60k MT (to 240k	<u>**MP**</u> • PMETAL (MP ↔; TP: RM4.00 ↔) • LAFMSIA (MP ↑ TP: RM1.85 ↔) <u>**UP**</u> • ANNJOO (UP ↓; TP: RM1.25 ↔) • WTHORSE (UP↔ TP: RM1.15 ↓) • ULICORP (UP ↔); TP: RM0.450 ↓)

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
	ANNJOO, WTHORSE and PMETAL mostly on lower earnings. We keep our calls for PMETAL, ULICORP and WTHORSE unchanged. Conversely, we upgraded LAFMSIA to MP but downgraded ANNJOO to UP. Last quarter, we maintain calls for two players, and downgraded other two players to UP with one player upgraded to MP. TPs wise, we downgraded for most of the players except for ULICORP.	MT) and wire rod capacity by 50k MT (to 200k MT) in October 2018, which should lift the sales composition of high-value products to 60-70% in FY19 from 40- 50% in FY18. Billets and wire rods command a mark-up/premium of USD120-150/MT and generate additional profit of USD60-80/MT. As such, we believe the new capacities would improve earnings by c.5%. In addition, the completion of Japan Alumina Associates (JAA) acquisition by end-1Q19 should provide a 9-month earnings contribution to the group in FY19, improving earnings by c.3% after considering financing costs. **Reiterate UNDERWEIGHT** on Building Materials.	
Construction	**Mixed performance.** For 4QCY18, we saw similar number of disappointments compared to 3QCY18 which is 4 disappointments out of 11 stocks under our coverage. While the remaining came in within expectations except for 1 that came above. The four stocks that came below expectations are GKENT, HSL, IJM, and MITRA which was performance are affected by project cost review which resulted in lower progress billing and compression in margins. As for IJM it is also dragged by its IJMPLNT which have been disappointing in the past few quarters. Positively, KIMLUN came in above expectations thanks to higher than expected billings from Pan Borneo and delivery of Segmental Box Girders for MRT2 and IBS components. YoY, bulk of the contractors CNP are down by 6.9%-52.7% except for SENDAI, HSL, KERJAYA, MUHIBAH and SUNCON which registered growth between 4.4%-31.4% driven by better billings progress backed by the growth in order-book size in recent years, while MUHIBAH is thanks to the performance of its crane division and airport concession in Cambodia. Post results, we downgraded our earnings for GKENT, HSL, IJM, MITRA by 4%-19%. Post results season, we downgraded 7 stocks' recommendation, lowered TPs for 5 stocks, and upgraded TP for 1 stock.	As highlighted in our previous report, we do not see any major catalyst for the sector due to the lack of direction on the development in Peninsular Malaysia as the government are still reviewing the cost for other projects i.e. KVDT2, ECRL and with no news of the continuation of MRT3. However, we believe that the mid-term focus on construction jobs could be in Sarawak, whereby the state government is committed to implement infrastructure projects that improves the connectivity in the state and improves the well fare of people in Sarawak which we might see contract flows from Sarawak to pick up in 2Q19 onwards. As for Peninsular side, we would expect potential awards news flow of retendered projects in 2H19. Maintain **NEUTRAL** and we would look to upgrade the sector to OVERWEIGHT should we see catalyst like a clear development direction and strong news flow of mega infrastructure projects coming back on stream.	**MP** • GAMUDA (MP↓; TP: RM3.05↔) • GKENT: (MP↔; TP: RM0.845) • KERJAYA (MP↔; TP: RM1.20↔) • KIMLUN (MP↓; TP: RM1.30↑) • MUHIBAH (MP↓; TP: RM3.20 ↔) • WCT (MP↓; TP: RM0.850 ↔) **UP** • SENDAI (UP ↔; TP: RM0.490 ↓) • HSL (UP↓; TP: RM1.25↓) • IJM (UP↓; TP: RM1.80↓), • MITRA (UP↓; TP: RM0.260↓) • SUNCON (UP↔; TP: RM1.40↔)
Consumer	**Mostly within expectation.** Within our 16 stocks coverage, 2 stock performed above expectations	We expect most of the retailers to perform weaker in 1Q19 due to the higher base in previous quarter from	**OP** • AEON (OP↔; TP: RM2.00 ↔)

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
	(AMWAY, CARLSBG), 11 stocks were within (AEON, BAT, DLADY, F&N, HEIM, PADINI, MYNEWS, PARKSON, PWROOT, SEM, QL) while 3 stocks came below (HAIO, NESTLE, SPRITZER). Overall stronger performance for retailers on seasonally stronger year-end promotional activities and Christmas festive season, as expected. However, SEM and MYNEWS fared the worst during the 4QCY18 extended holidays which affected their stores-in-office building areas and merchandise mix. F&B players have been enjoying the trailing improvements in commodity prices which translated favourably to profit margins. Despite being the second key player in the market, CARLSBG's product portfolio demonstrated higher momentum in capturing sales. NESTLE, however, was weaker due to higher-than-expected taxes, while SPRITZER was dampened by high PET and packaging costs.	the usual year-end promotion and Christmas festive season, but cushioned by the CNY festivities sales. F&B counters should sustain their resilience against market headwinds. Despite the implementation of sugar taxes set to kick in April 2019, general reaction appears neutral as manufacturers work towards improving efficiency to enable room for the tax to be passed on. Still, we do not see the tax to be damaging given the small quantum impact to retail prices. Our weightage on the Sin-sub Sector is currently under review, in anticipation of earnings and sentiment outlook bottoming, mainly thanks to better outlook from brewers. Tobacco players may continue to appear expensive in terms of valuations despite the lack of positive catalyst to reinvigorate the segment	• AMWAY (OP ↑ ; TP: RM6.80↔) • DLADY (OP↑; TP: RM67.94 ↑) • PADINI (OP↔; TP: RM4.25↑) • PWROOT (OP↔; TP: RM1.65↔) **MP** • F&N (MP ↔; TP: RM34.45↔) • HEIM (MP ↔; TP: RM21.90↑) • NESTLE (MP↔; TP: RM138.50 ↓) • PARKSON (MP ↔; TP: RM0.250↔) **UP** • BAT (UP ↔ ; TP: RM32.65↑) • CARLSBG (UP↔; TP: RM18.00↑) • QL (UP ↔; TP: RM5.70 ↔) • MYNEWS (UP↔; TP: RM1.25↔) • SEM (UP↓; TP: RM1.30↔) • SPRITZER (UP ↓; TP: RM1.90 ↓) • HAIO (UP ↓; TP: RM2.20↓)
Gaming	A good set of results with two coverages coming above and two within expectations. GENM's 4Q18 beat expectation owing to lower taxation but operationally, results were fairly within expectations. Meanwhile, MAGNUM also reported FY18 results that beat expectations given stronger-than-expected ticket sales and luck factor. In fact, ticket sales per draw improved on the back of authority clamping down on illegal operator. For inline results, the strong earnings from GENM and GENS were weighed by disappointing GENP results which plunged 57% as CPO and PK prices tumbled. BJTOTO's 2Q19 matched expectations which saw a normalization earnings from an exceptionaly strong 1Q19 which was led by extreme good luck factor. Post results, we upgraded GENM's FY19 earnings by 11% as we lowered taxation assumption which led to an upgrade in target price to RM3.60 from RM3.10. This is also partly attributable to a 17% upgrade in GENTING's FY19 beside earnings upgrade in GENS and	Generally, a better outlook for GENTING given casino operations should likely see stable earnings across all geographical units except UK which is fairly volatile due to its VIP-centric clientele. However, the the casino duties hike and the legal case pertaining to the termination of Fox Theme Park will continue to suppress GENM in the near term. 1Q19 will see the actual impact from 10% hike in casino duties to GENM. Meanwhile, the continuous clamping down legal operator will help to boast ticket sales which will benefit NFO players. We remains **OVERWEIGHT** on the stock.	**OP** • BJTOTO (OP ↔; TP: RM2.55 ↓) • GENTING (OP ↔; TP: RM7.95 ↑) • MAGNUM (OP ↔; TP: RM2.50 ↑) **MP** • GENM (OP ↔; TP: RM3.60 ↓)

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
	earnings cut in GENP. We also raised GENTING's target price to RM7.95. We raised MAGNUM's FY19 estimates by 2% on higher ticket sales per draw assumption despite special draw cut to 10 draws from 22 draws. New target price to MAGNUM raised to RM2.50/DCF share from RM2.25/DCF share. While there are no changes to earnings estimates, we trimmed BJTOTO's target price to RM2.55 from RM2.65 after adjusting for FY18 actual results.		
Healthcare	The just concluded 4QCY18 results season saw a mixed bag of results. IHH's 4Q18 earnings came in above expectations due to higher-than-expected revenue per inpatient. However, we are concerned over issues at Fortis, including an auditor's qualified audit report in FY18, which has been carried forward into the quarterly review on 13 Feb 2019, risk of more provisions, lapses in internal controls, which led to regulatory probing, which could well mean execution risk exposure. KPJ came in within expectations due to improvement in newly opened hospitals. Pharmaniaga came in below expectations, hit by lower-than-expected volumes sales.	**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 seem undemanding. The stock is currently trading at 15% and 30% discounts compared to its historical average of 28x and regional peers of 35x, respectively.	**OP:** • KPJ (OP ↔; TP: RM1.35 ↔) **MP:** • PHARMA (MP ↔; TP: RM2.50 ↓) **UP:** • IHH (UP ↔; TP: RM5.15 ↑)
Media	**Remained lackluster.** The sector incumbents' report cards for 4QCY18 remained uninspiring, mainly due to the prolonged weak advertising revenue as a result of subdued adex outlook on slower economy and policies' uncertainties. Although STAR's FY18 results came in above our expectations (due to higher-than-expected print and event segments' turnovers as compared to our overly conservative estimate), its bread-and-butter print and digital segment continued to face challenges with diminishing ads revenue. MEDIA's 4Q18 results, meanwhile, came in below, owing to higher-than-expected overhead cost. Despite the group managing to improve its financial performance significantly as compared to a year ago, it still suffered a whopping LATAMI of RM107m in FY18 as a result of the tepid turnover and higher OPEX. Despite a strong travel segment's contribution sustained MEDIAC earnings in the 9M19, its momentum, however, had slowed	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 into 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. Overall, while we maintain our NEUTRAL call for the sector for now, we may lower our rating to UNDERWEIGHT in view of the uninspiring adex and earnings outlook.	**MP:** • ASTRO (OP↔; TP: RM1.60 ↔) **UP:** • MEDIA (UP↔ , TP: RM0.300↔) • MEDIAC (UP ↔; TP: RM0.230 ↑). • STAR (UP ↔; TP: RM0.600 ↔).

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
	down in 3Q and will likely continue in the remaining quarter due to the slow travel season as well as the prolonged cautious mode adopted by advertisers. ASTRO, on the other hand, is set to release its YF19 results on end-March, and we do not expect any major surprises.		
MREITs	**Mostly within expectations.** Most MREITs' results were within expectations, save for AXREIT which came in above, while MQREIT came in below. Up till the last quarter, MREITs have maintained a consistent trend of all results coming within expectations five quarters in a row. **QoQ,** top-line growths were mostly positive (1-16%), save for SUNREIT which was marginally lower by 3% and MQREIT (-1%). This translated to bottom-line growth for most (4-7%), save for SUNREIT (-9%) and MQREIT (-5%), but within our expectations. **YoY-Ytd,** bottom-line was a mixed bag with four REITs showing growth (1% to 25%) on positive reversions and improved occupancy, save for CMMT (-4%), SUNREIT (-6%) and MQREIT (-6%) on higher operating and financing costs. **All in, we left most earnings estimates and TPs unchanged,** save for MQREIT which we lowered TP on weaker results, while AXREIT's TP and call were upgraded on positive results. We also took the opportunity to downgrade PAVREIT and IGBREIT on limited upsides and lower yields vs. peers.	**Unexciting fundamental outlook.** MREITs' reversions outlook remains sluggish with most MREITs expecting single-digit reversions at best as the oversupply of retail, office and even hotels is creating a tenants' market with asset owners at the losing end. Industrial assets have a better footing as reversions are on par with other asset classes (i.e. low single digits) but lease terms are longer c.6-10 years (vs. 2-3years for retail and office) providing earnings stability over a longer term. FY19 will see c. 21-53% leases up for expiry for MREITs under our coverage, but we do not expect strong earnings growth, targeting menial FY19-20E DPU growth of 3-1%. **Conservative on valuations** as we are assuming a 10-year MGS target of 4.20% (while the MGS remains range bound between 3.90-4.10%). Our applied spreads to the MGS are are above historical targets for most MREITs as we remain conservative on the sector's lacklustre outlook due to oversupply of retail and office space while cost pressures linger (i.e. higher operating and financing cost). **Maintain NEUTRAL on a** 10-year MGS target of 4.20% while our above-average spreads serve as a buffer for the tough macro-economic outlook. MREITs are offering average gross yields of 5.9% which we deem decent, warranting our NEUTRAL call. However, CMMT stands out on slightly better yield of 7.1% as most downsides have been priced in.	<u>**OP**</u> • CMMT (OP ↔; TP: RM1.15 ↔) <u>**MP**</u> • MQREIT (MP ↔; TP: RM1.05 ↓) • SUNREIT (MP ↔; TP: RM1.65 ↔) • AXREIT (MP ↑; TP: RM1.65 ↑) <u>**UP**</u> • KLCC (UP ↔; TP: RM6.90 ↔) • PAVREIT (UP ↓; TP: RM1.55 ↔) • IGBREIT (UP ↓; TP: RM1.50 ↓)
Oil & Gas	Results this time round **fared slightly better**, with only 2 out of 13 counters posting disappointing results – implying a "disappointment" ratio of 13%, improved from last quarter's 35%. While last quarter saw dissapointments mainly coming from the offshore/upstream players (e.g. MHB, MISC, SAPNRG, UZMA), we noticed these names managed to post results that were at least "within expectations" this time round,	As per Petronas' latest activity outlook, locally we may see an uptick in drilling, marine and maintenance activities – potentially benefiting the likes of VELESTO, SAPNRG, and DAYANG. That said, locally, expect activities to mainly come from the brownfield space, instead of the greenfield space, with Petronas most likely ramping up productions in existing fields to accommodate higher dividend payouts, rather than sanctioning	<u>**OP**</u> • DAYANG (OP ↔; TP: RM0.920 ↑) • DIALOG (OP ↔; TP: RM3.80 ↔) • SAPNRG (OP ↑; TP: RM0.340 ↔) • SERBADK OP ↔; TP: RM4.80 ↑) • YINSON (OP ↔; TP: RM5.00 ↔)

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
	although this could possibly be due to the "4Q effect", where earnings forecast numbers have already been drastically cut in the previous 3 quarters. That said, these players have still posted far worst YoY results (averaging more than 50% deterioration, or even plunging into losses), as a result of slower activities on top of balance sheet distresses. On a more positive note, this quarter also seen an improved number of 4 counters beating expectations as compared to only one previously. The most notable mention is DAYANG, having exceeded expectations for 3 consecutive quarters, largely thanks to an increase in topside maintenance works, coupled with better vessel utilisations.	high capex and multi-year timelines into newfields. Globally, however, we are expecting to see an uptick in the number of FIDs in 2019, stemming from large gas fields in the Middle-East and Africa. This could potentially benefit players with a strong global presence, competing for job flows – e.g. SAPNRG within the upstream/fabrication space, or SERBADK within the downstream/maintenance space. Overall, with oil prices recovering healthily from oversold levels late last year, we believe the "normalised" range of Brent USD60-70/barrel would be comfortable for oil producers. At these levels, both shale oil and "conventional" crude are very economically feasible, with OPEC+'s production cuts and global geopolitical developments as potential influencing factors. That said, we look towards OPEC's next meeting in April for some guidance regarding the sustainability of its current output cut. **Maintain NEUTRAL.** With earnings and balance sheet resilience still a key selection criteria, we prefer more stable names with visible earnings delivery – e.g. DIALOG, SERBADK and YINSON.	**MP** • MHB (MP ↓; TP: RM0.710 ↔) • MISC (MP ↔; TP: RM6.65↔) • PANTECH (MP ↓; TP: RM0.460 ↓) • PCHEM (MP ↔; TP: RM9.30 ↓) • UZMA (MP ↔; TP: RM0.970 ↑) **UP** • ARMADA (UP ↓; TP: RM0.090 ↓) • PETDAG (UP ↓; TP: RM24.40 ↓) • WASEONG (UP ↔; TP: RM0.620 ↑)
Plantation	**Another beaten-up quarter** where out of 13 companies under our coverage, 8 missed our forecasts and consensus estimates; and only 1 (TAANN) exceeded consensus forecast. The companies of which earnings met our expectation were KLK, PPB, SIMEPLT, TAANN and TSH. This is marginally better than 3QCY18 during which 8/11 companies missed our/consensus estimates and none exceeded expectations. All planters under our coverage recorded lower YTD CPO prices received with an average decline of 20%, overshadowing the sector's flat FFB growth (+4%). As a result, all the planters posted softer core earnings. Given the broad earnings setback, we have trimmed FY19-20E earnings by an average of 17-25%, and accordingly reduce TPs for 5 companies (CBIP, GENP, IOICORP, PPB, SAB and UMCCA). We have also downgraded (i) CBIP from MP to UP, (ii) GENP from OP to UP, (iii) HSPLANT from OP to MP, (iv) IJMPLNT from MP to UP, and (v) PPB from MP to UP. This contrasts with 3QCY18 during which we cut TPs for 6 companies and did not	We believe CPO prices should recover from an exceptionally low base in 2018, during which prices averaged c.RM2,235/MT. The recovery is likely to be fuelled by: (i) biodiesel initiatives in both Indonesia and Malaysia, (ii) reduction of India's import levy on CPO from 44% to 40%, and (iii) slowing production in Indonesia as palms take a rest post-bumper harvest. Premised on these potential developments, we reiterate our 2019 CPO price forecast of RM2,400/MT (vs. YTD average of RM2,066/MT), representing a 7% increase from RM2,235/MT in 2018. **Reiterate NEUTRAL** on the plantation sector 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. For investors who would like to gain exposure to the plantation sector, we recommend TSH, our only OP call, premised on its above-average production outlook of +12% (vs. industry average of +5%), its higher earnings sensitivity to a potential	**OP** • TSH (OP ↔; TP: RM1.30 ↔) **MP** • CBIP (UP ↓; TP: RM0.850 ↓) • FGV (MP ↔; TP: RM1.15 ↓) • HSPLANT (MP ↓; TP: RM1.95 ↔) • IOICORP (MP ↔; TP: RM4.45 ↓) • KLK (MP ↔; TP: RM25.70 ↔) • SIMEPLT (MP ↔; TP: RM5.00 ↔) • TAANN (MP ↔; TP: RM2.50 ↑) **UP** • GENP (UP ↓; TP: RM9.80 ↓) • IJMPLNT (UP ↓; TP: RM1.50 ↔) • PPB (UP ↓; TP: RM16.60 ↔) • SAB (UP ↔; TP:

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
	downgrade any 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 PER is distorted by its losses.	CPO price recovery, if any, and it is also the only pure upstream planter under our coverage that is still profitable.	RM2.50 ↓) • UMCCA (UP ↔; TP: RM5.10 ↓)
Plastic & Packaging	**Mixed results.** Plastic packagers' results were mixed with TOMYPAK coming in below expectation due to weaker top-line and higher-than-expected raw material costs, while TGUAN outperformed on improved product sales mix. SCIENTX's results is deemed broadly within due to the lumpy progress billings in its property segment. Meanwhile, SLP and SCGM came within our expectations. This quarter's results saw less surprises vs. 3Q18 when only 1 came within. **YoY-Ytd,** better sales volume led to improved top-line growth of 4-9%, except for TOMYPAK which sales softened due to lower sales volume and selling price. At CNP level, eroding EBIT margin from lower property revenue contribution for SCIENTX and higher raw material and operating expenses for SCGM saw both companies' CNPs declining by 27% and 77%, respectively. Conversely, improved product sales mix in TGUAN and better economies of scale for SLP saw their bottom-lines strengthening by 13% and 39%, respectively. **QoQ,** TGUAN saw CNP growth of 140% as they benefitted from strengthening of USD dollar in 4Q18 (c.+2%) that resulted in better selling prices. Positive tax recorded by SLP and higher sales volume by SCGM saw CNP growth of 19% and 20%, respectively. On the other hand, lower property revenue recognition by SCIENTX saw its bottom-line declining by 27%. TOMYPAK recorded CNL of RM3.7m on the back of lower overseas revenue contribution and higher raw material costs **Upgrade earnings and TP** for TGUAN on stronger results shown in FY18. Meanwhile, we slashed TOMYPAK's earnings by 67% after taking a more conservative top-line and cost assumptions. No changes to SCIENTX, SLP and SCGM's earnings. However, we downgraded SLP's call following its positive price performance since our OP call in October 2018.	**Capacity expansion plans on track.** Capacity expansion across the sector is likely 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 usage of stretch film driven by Industry 4.0. We expect SLP to gradually increase annual capacity by 58% in FY21, SCGM by 65% in 3Q19 and TGUAN by c.6% in FY19-20. SCIENTX will focus on ramping utilisation, targeting 70% over the next few years and we do not expect any additional capacity in FY19-20 for now. For TOMYPAK, we expect no new capacity expansion until FY21 after spending a total capex of RM166m for the new Senai factory, which we think their focus now is more on ramping up utilisation of its capacity. **Weak margins still a main concern.** We are not overly concerned about top-line growth but are cautious over the volatile raw material prices and the variability of a favourable product mix that have saw margin compressions in recent quarters. The higher resin cost due to demand and supply factors had affected FY18 earnings negatively. Despite resin prices currently range bound between USD1,000-1,250/MT, slightly below our resin cost estimate of USD1,200-1,400/MT, we prefer to remain conservative as resin price had been volatile and we do not discount a possibility that resin price will come back to USD1,200-1,400 /MT price level **Maintain UNDERWEIGHT** as sector's macro-economic fundamentals are unexciting while earnings trend for plastic packaging companies over the past few quarters had been volatile. We believe we have priced in most foreseeable earnings downsides for the sector. We will continue to monitor plastic packagers' margins closely as strong catalyst hinge on stable margin improvements on new capacity growth and consistently lower resin price range.	**MP** • SCGM (MP ↔; TP: RM1.15 ↔) • SCIENTX (MP↔; TP: RM8.50 ↔) • SLP (MP ↓ ; TP: RM1.35) • TGUAN (MP ↑; TP:RM2.40 ↑) **UP** • TOMYPAK (UP ↔; TP: RM0.495 ↔)
Ports & Logistics	**Ports operators' results were positive.** MMCCORP performed	We believe the impact from the trade war should be minimal for	**MP** • MMCCORP (MP

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
	above expectation on stronger-than expected engineering and construction revenue. WPRTS came above on slightly lower operating expenses. Post-results, we increased MMCCORP's FY19E earnings by 36% after increasing our billings recognition of MRT Line 2 slightly and accounting for higher associate contribution. Notably, we also switched our valuation methodology to PBV due to its earnings volatility. All in, we upgrade MMCCORP's TP to RM1.10 (from RM0.950). No changes in TP and call for WPRTS. As for **logistic players**, **results were disappointing** as POS' 3Q19 results plunged into the red and missed expectations for the second consecutive quarter due to weaker-than-expected performance from the postal services. CJCEN's FY18 results came in below expectations (-42% YoY) as 4Q18 plunged into losses due to continual expansion costs for its courier business coupled with industry-wide margin compression amid heightened competition. Post-results, we revised CJCEN's FY19E earnings downwards by 2.2% after taking into account lower contribution from its procurement logistics business. Moreover, we opt to downgrade the stock to UP with unchanged DCF-derived TP of RM0.490. We also cut FY19-20E net profits of POS by 50% after accounting for higher losses in its postal services.	ports players as it is more likely to affect trans-pacific routes. For WPRTS, the group has almost completed the design phase and will get feedback and approvals from relevant authorities before seeking to acquire a second piece of land for capacity expansion. We do not expect CT10 to come on stream over the next 2 years. As for our logistics counter, we continue to see the sub-sector suffering from intensifying competition within the industry which is unlikely to ease in the near-term. That said, margin erosion is likely to persist, with CJCEN also further dragged by lower operating margin which slipped to 3.8% from 7.2% YoY. Overall, we maintain **NEUTRAL** on the sector, given a lack of re-rating catalyst.	↔,TP: RM1.10 ↑) • WPRTS (MP ↔, RM3.75 ↔) **UP** • CJCEN (UP ↓, TP: RM0.490 ↔) • POS (UP ↔; TP: RM1.50 ↔)
Property Developers	**Still a mix bag.** Out of 15 developers under our coverage; (i) 47% were below our expectations (LBS, MAGNA, MAHSING, MRCB, SIMEPROP, SPSETIA, SUNSURIA) primarily due to weaker billings, margin compressions and/or inventory impairments, (ii) 33% came above our expectations (AMVERTON, CRESNDO, HUAYANG, IOIPG, SUNWAY) where much of it were driven by associate/JCE or non-operational contributions (e.g. finance income), (iii) the rest were within expectations. There were both more disappointments and better than expected earnings delivery compared to last quarter (expectations: below (35%), above (21%)). We revised forecast earnings downward by 4%-89% for those that missed earnings expectations, but we only tweaked	**Sales trajectories are still uninspiring while earnings maybe still at risks with** margin compressions looming due to clearing of inventories, lower margin product mix and heavy marketing efforts. Our universe's total sales/earnings trajectory are expected to be at -3% / +9% YoY in FY19E/FY20E and +2% / +12% YoY in FY20E/FY21E, respectively. We note that our FY20-21E earnings growth appears to be healthier than sales growth primarily due to some developers expecting bullet deliveries from overseas projects. Our universe's: (i) average unbilled sales are at 1.3 years or unchanged from last quarter), (ii) average FY19-20E net gearing remains steady and at healthy levels at 0.2x-0.3x. **Valuations remain subdued.** Our universe's RNAV/SOP discounts are	**OP** • ECOWLD (OP ↑; TP: RM1.15 ↔) • HUAYANG (OP ↑; TP: RM0.410 ↔) • SUNSURIA (OP ↔; TP: RM0.835 ↓) **MP** • AMVERTON (MP ↔; TP: RM1.00 ↔) • IOIPG (MP ↔; TP: RM1.65 ↔) • LBS (MP ↔; TP: RM0.720 ↔) • MAHSING (MP ↓; TP: RM1.05 ↓) • MRCB (MP ↔; TP: RM0.750 ↔) • SIMEPROP (MP ↓; TP:

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
	earnings higher by 6%-71% for only 3 stocks (HUAYANG, IOIPG, SPSETIA) as many exceeded expectations primarily due to non-operational matters. Consequently, our earnings adjustments were more severe than last quarter. Earnings is largely on a downtrend YoY wise, save ECOWLD, HUAYANG, IOIPG and UEMS. **CY18 sales did better than expected** with; (i) 53% exceeded targets (CRESNDO, HUAYANG, MRCB, SIMEPROP, SPSETIA, SUNWAY, UEMS, UOADEV) thanks to strong inventory clearing efforts and more Klang Valley based affordable housing products, (ii) 27% missed targets (AMVERTON, ECOWLD, MAHSING, SUNSURIA). This was better compared to last quarter (14% above, 29% below expectations). **Better sales were not met with earnings deliveries**. We observe that while there were more positive headline sales delivery it came at a cost of bottom-lines missing expectations and vice-versa. This could stem from strategies to either clear inventories aggressively which comes with margin compressions or preference to preserve margins which results in slower clearing of units. **More CALL downgrades** compared to last quarter with 33% of our universe (MAGNA, MAHSING, UEMS, SIMEPROP, SPSETIA) and only upgraded for 13% (ECOWLD, HUAYANG). More downgrades were seen due to recent rebound in share prices. TPs were largely unchanged save for 20% of our universe which saw lower TPs (MAGNA, MAHSING, SUNSURIA), which is slightly better-off than last quarter where 36% of our coverage saw downward revisions while the rest were unchanged.	now at 65% (-1.25SD levels). 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. Compared to 5-years ago, most ROEs have more than halved to mid-single digits. **Reiterate NEUTRAL**. We observe that property stocks re-bounded over Jan-Feb 2019 in-line with broad-market rebound and due to many of them being bashed-down heavily in 2018; note that all our developers Fwd PBV are trading below book values while many are at historical trough levels. The sector still lacks fresh catalysts with margin compression risks still looming while lending environment remains challenging. We expect the sector to remain range-bound until there are significant catalysts which translates to future ROE recoveries. Note that 66% of our coverage is pegged at MP, 20% are at OP calls while the remaining is UP. Also, note that we have ceased coverage on CRESNDO after its last results release due to rationalization of coverage.	RM1.10 ↔) • SPSETIA (MP ↓; TP: RM2.45 ↔) • SUNWAY (MP ↔; TP: RM1.50 ↔) • UEMS (MP ↓; TP: RM0.850 ↔) • UOADEV (MP ↔; TP: RM2.15 ↔) **<u>UP</u>** • MAGNA (UP ↓; TP: RM0.785 ↓) **<u>CEASED</u>** • CRESNDO (CEASE COVERAGE)
Utility	A mixed bag of result. Although TENAGA's FY18 matched our forecast, it missed consensus numbers by 16%. Its 4Q18 results were negatively impacted by lower electricity sales and higher opex. On the hand, with normalized earnings base of RM5.4b based on regulated asset base return of 7.3%. This led us to cut our FY19 estimates by 17% and downgrade the stock to MP from OP with a lower target price of RM13.30 from RM16.45 previously. PETGAS' 4Q18 earnings	With normalized earnings of RM5.4b a year for 2018-2020, earnings propsects for TENAGA looks tepid. As such, the utility heavyweight will becomea yield play in the future which is current still offering 3%-4%. Meanwhile, we expect PETGAS to face two step-downs in earnings due to tariff cut in RP1 (2020-2022) and RP2 (2023-2025) before stabilizing from 2026 onwards. And we take the view that its ROA will eventually taper to 8% by 2026 and this will reduce its base-tariff sharply by 60%	**<u>OP</u>** • MALAKOF (OP↔; TP: RM1.00 ↔) • PESTECH (OP ↔; TP: RM1.40 ↓) **<u>MP</u>** • GASMSIA (MP ↔; TP: RM3.05 ↔) • PETGAS (MP ↔; TP: RM16.45) • TENAGA (MP ↓; TP: RM13.30 ↓)

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
	were distorted by losses from associate Kimanis IPP on de-recognition of deferred tax assets of RM124.3m but operationally, segment results were on track with the new Pengerang RGT leading earnings growth. Meanwhile, results for GASMSIA, MALAKOF and YTLPOWR were well expectations with no changes in our calls. No the flipside, PESTECH posted 2Q19 results which missed expectations given the continued low job claims. With this, we cut FY19 estimates by 12% and lower target price to RM1.40 from RM1.45 as some job claim could be lengthened to FY20.	to RM0.502/GJ in 2026 from RM1.248/GH in 2018. Thus, earnings are expected to decline by 21% in FY26 from its FY18 earnings. Similarly, GASMSIA is in the final year of RP1 this year before RP2 start in next year which may get a lower asset return of 7.3% from 7.5% currently. However, the IBR framework ensures earnings certainty with margin spread maintaining at RM1.80-2.00/mmbut currently. Elsewhere, the two IPPs, namely MALAKOF and YTLPOWR are facing declining earnings due to the expiring of IPP extention. They need new source of earnings source to fill up the earnings gap. Lastly, PESTECH should see stronger earnings in 2H19 as it is the dry season in Cambodia which job can perform in full swing. In view of our downgrade in TENAGA and the inclusion of PETGAS and GASMSIA, we are reviewing our sector call which is currently a OVERWEIGHT.	• YTLPOWR (MP ↔; TP: RM0.900 ↓)
Rubber Gloves	The just concluded 4QCY18 results of glove makers under our coverage came in within expectations. Overall results were lukewarm and QoQ sales volume growths of 2-5% are suggesting potential lacklustre demand going forward. Hartalega's 3Q19 results showed a second consecutive quarter of weak sequential volume growth indicating that strong demand is tapering off. Kossan Rubber's 4Q18 results are a solid indication of a strong growth trajectory in subsequent quarters with the commercial production of plant 16 and plant 17. Supermax's 1H19 results continued to remain solid on volume growth from new capacity in plant 16 and 17.	**Maintain UNDERWEIGHT**. Tell-tale signs like normalising demand and intensified competition are pointing towards a potential slower set of results in subsequent quarters. Anecdotal evidence suggests that shorter delivery lead time does indicate that strong demand is tapering off and players ramping up production could result in further ASP pressure. From our channel checks, we gather that competition in the nitrile gloves segment has intensified, leading to pressures on ASPs. Nevertheless, 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 (+1.0 SD above 6-year historical forward mean).	**OP:** • KOSSAN (OP ↔; TP: RM4.95 ↔) **MP:** • HARTA (MP ↑; TP: RM5.15 ↔) **UP:** • SUPERMX (UP ↔; TP: RM1.30 ↔) • TOPGLOV (UP ↔ ; TP: RM4.45↔)
Technology	**Slowing down.** Out of 6 companies under our coverage, 3 (D&O, KESM and UNISEM) missed our forecasts while 2 (KESM and SKPRES) missed consensus estimates. During the quarter, only PIE exceeded our forecast while SKPRES and MPI met our expectation. This is marginally poorer than 3QCY18 during which only 2 companies missed earnings. Post results disappointments, we have cut KESM's FY19-20E CNPs by 41-21% and UNISEM's FY19E CNP by 17%, while maintaining that	We expect vehicle sales to gradually recover as carmakers in the EU are already mostly in compliance with the new WLTP regulation, while the US-China trade tensions seem to be easing. For smartphones, the introduction of a new form factor (foldable) and the "soft launch" of 5G feature could help reinvigorate the segment in 1Q-2QCY19. 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	**OP** • MPI (OP ↔, TP: RM13.00 ↔) • PIE (OP ↔, TP: RM1.90 ↑) **MP** • KESM (MP ↔, TP: RM8.00 ↓) • SKPRES (MP ↓, TP: RM1.25 ↔) • D&O (MP ↔, TP: RM0.750 ↔) **UP**

Sector	Brief Result Review	Forward Expectations / Outlook	Stock Calls
	of D&O's given a close call. Accordingly, we have reduced TP but maintained MP for KESM, and reduced TP and downgraded UNISEM from AO to UP. This contrasts with 3QCY18 during which we upgraded one of our calls (MPI) from MP to OP and did not downgrade any of our calls. In general, we note that the slightly poorer results season is mainly observed in the semiconductor sector. This is attributable to a slowdown in (i) the smartphone segment due to minimal feature upgrades in the latest flagship models; and (ii) the automotive segment owing to the Chinese imposition of tariffs on US vehicles and the introduction of the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) emission regulation, both of which have affected vehicle sales in 4QCY18.	operational efficiency remains the key determinant to realise growth.	• UNISEM (UP ↓, TP: RM2.50 ↓)
Telecom-munications	**Largely below expectations.** Both MAXIS and AXIATA reported disappointing FY18 numbers due mainly to the higher-than-expected OPEX & D&A charges while DIGI's results met both house/consensus' estimates. The aggregate top-3 mobile incumbents' total revenue growth by 3% YoY (to RM23b) with service revenue softening by 2% YoY to RM20b, partially due to the impact of MFRS15. The aggregate top-three mobile subscriber base, meanwhile, continued to shrink and reduce 814k to 30.5m due mainly to the lower prepaid subscribers as a result of stiffer competition. On the fixed-line segment front, TM was impacted by persistent headwinds in the industry and operating landscape throughout 2018. The higher-than-expected finance cost in 4Q18 led the group perform below our expectation. A lower-than-expected 2.0 sen dividend was announced but still within its dividend payout policy (at 40-60% of its reported PATAMI). OCK, meanwhile, posted a decent report card in FY18 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.	Moving forward, digital transformation, cost rationalization and network monetization are the common missions among the incumbents in FY19. Both MAXIS and AXIATA appear to show interests in the Enterprise solutions and ICT segments in the coming year. While we concur with their strategies, we believe competition will likely continue escalating given TM is expected to find ways to defend its core segments. Besides, the revised MSAP (Mandatory Standard of Access Pricing) framework coupled with the uninspiring dividend yield and uncertainty of the government's broadband/spectrum policy may continue to keep investors at bay from the sector. Note that, the upcoming 700Mhz spectrum award may change some Celcos' strategy and capex plans, although there is no solid update from the authority so far. 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.	**OP:** • OCK (OP↔, TP: RM0.650 ↑) **MP:** • AXIATA (MP↓, TP: RM4.35↔) • DIGI (MP↔, TP: RM4.65 ↔) **UP:** • TM (UP↓, TP: RM2.50↔); • MAXIS (UP↓, TP: RM4.90↓)

Source: Kenanga Research

Figure 9: Earnings Track Records of FBMKLCI (as at end-Feb19)

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

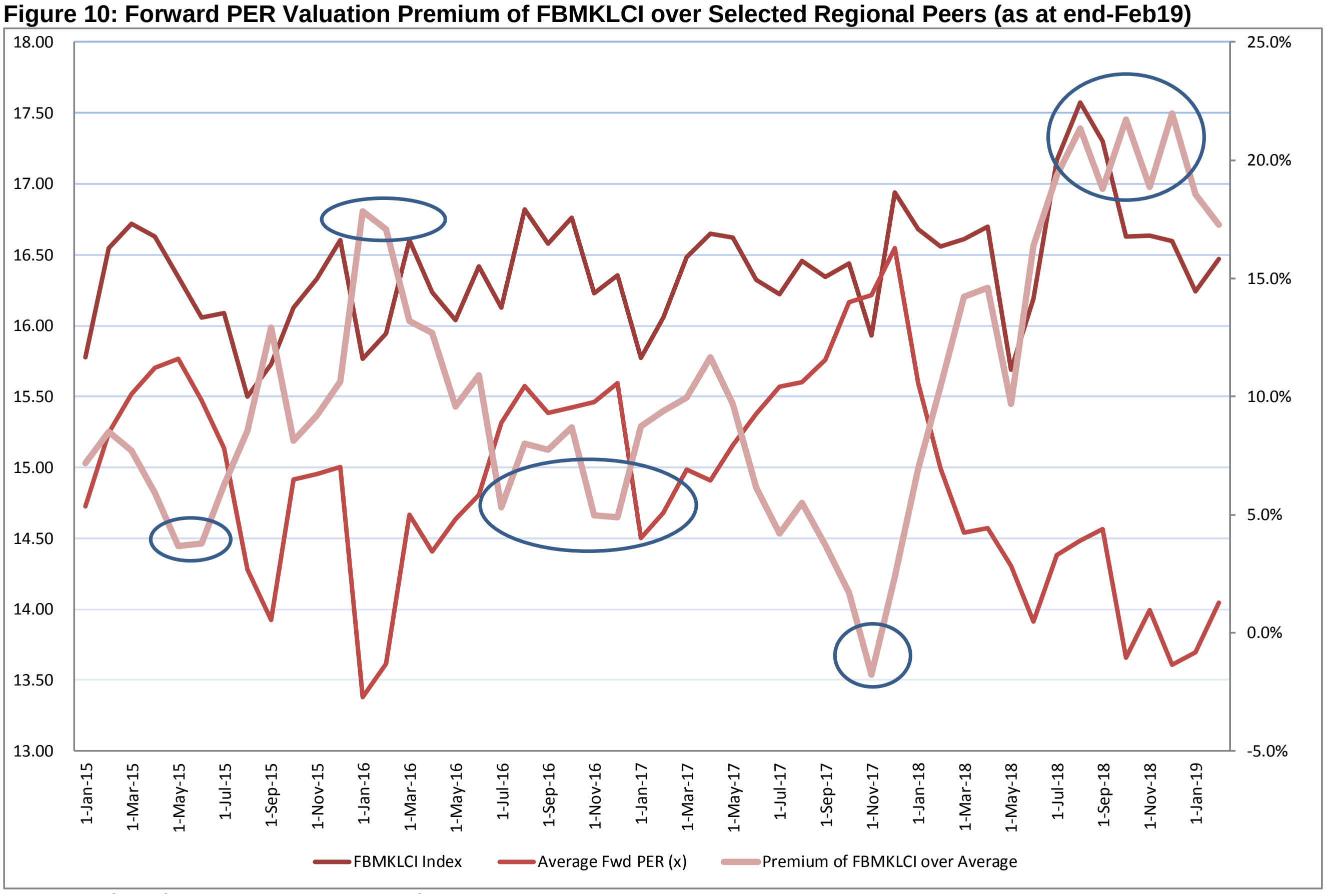
1) Key Stats 2) Fundamentals 3) Custom

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

12 Months Ending	Y	2014 Y 12/31/2014	2015 Y 12/31/2015	2016 Y 12/30/2016	2017 Y 12/29/2017	2018 Y 12/31/2018	Current 03/03/2019	2019 Y Est 12/31/2019	2020 Y Est 12/31/2020
Income & Expenses p...									
Sales	1	675.41	650.48	592.91	662.05	615.87	615.87	635.36	665.06
Gross Margin %	—	—	—	—	—	—		32.45	31.38
EBIT	3	143.12	135.64	134.61	145.58	116.94	116.94	127.05	135.76
Margin %	1	19.40	18.84	22.77	22.16	19.10	19.10		
EBITDA	6	205.15	200.02	198.27	226.45	179.60	180.10	210.91	222.94
Margin %	8	30.37	30.75	33.44	34.20	29.16	29.24		
R&D Expense	2	0.80	0.80	0.83	0.09	0.08	0.08		
Earnings	4	108.19	94.15	98.28	104.47	80.20	80.20	101.88	108.34
Earnings before XO	6	108.19	94.15	98.28	104.47	80.20	80.20		
Diluted Earnings from Co...	9	107.31	92.88	93.10	103.57	88.90	88.90		
Earnings, Positive	4	108.19	98.76	98.28	104.47	93.08	93.50	101.88	108.34

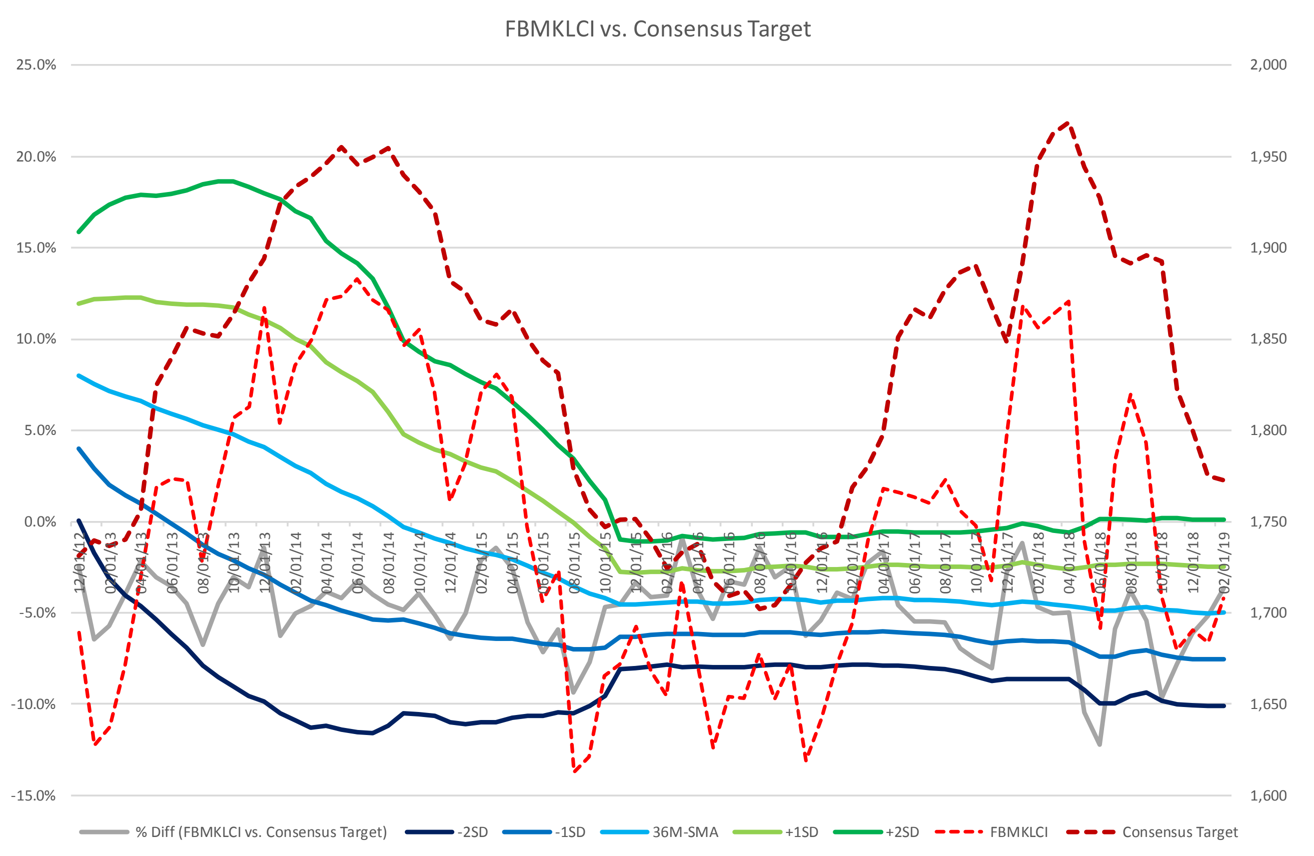
Source: Bloomberg

Figure 10: Forward PER Valuation Premium of FBMKLCI over Selected Regional Peers (as at end-Feb19)



Source: Bloomberg, Kenanga Research

Figure 11: Discount between FBMKLCI and Its Consensus Target (as of end-Feb19)



Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:

Stock Recommendations

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

Sector Recommendations***

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

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

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