

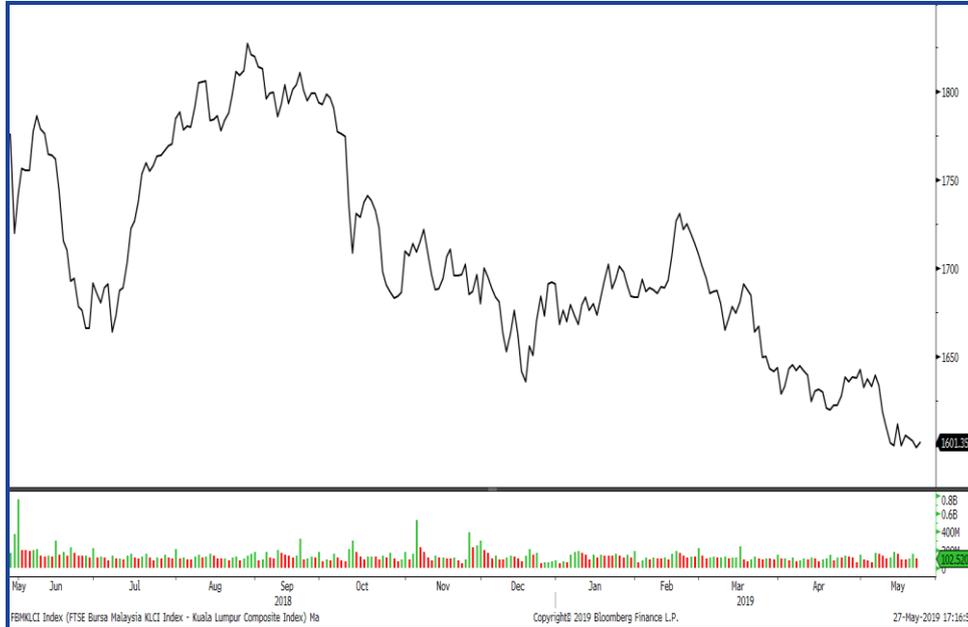
Market Pulse

Tuesday, 28 May, 2019

M+Online
Equipping Traders For The Win

Malacca Securities Sdn Bhd
(A Participating Organisation of Bursa Malaysia Securities Berhad)
Hotline: 1300 22 1233
Email: support@mplonline.com.my
Website: www.mplonline.com.my

FBM KLCI – Daily



Market Scorecard

	Close 27-May-19	Change %
FBM KLCI	1,601.35	0.19
52-W High	1,826.90	
52-W Low	1,572.03	
FBM EMAS	11,214.33	0.24
FBM 100	11,070.50	0.26
FBM Fledgling	14,617.50	-0.15
FBM Small Cap	12,374.15	-0.24
FBM ACE	4,258.30	-0.72
FBM Shariah	11,313.83	-0.01
Volume (mln)	1,583.34	-16.44
Value (RM mln)	1,273.06	-17.86

Market Participation	%	Net (RM mln)
Institution	N/A	N/A
Retail	N/A	N/A
Foreign	N/A	N/A

Futures		
FKLI Spot	1,598.00	-0.16
FKLI Forward	1,599.50	0.00

Foreign		
Dow Jones	25,585.69	0.37
S&P 500	2,826.06	0.14
NASDAQ	7,637.01	0.11
FTSE 100	7,277.73	0.65
DAX	12,071.18	0.50
CAC 40	5,336.19	0.37
FTSE STI	3,170.77	0.03
Shanghai Composite	2,892.38	1.38
Hang Seng Index	27,288.09	-0.24
Nikkei 225	21,182.58	0.31

Commodities		
WTI Crude Oil (USD)	59.10	0.80
Brent Spot (USD)	70.11	2.07
Gold (USD)	1,285.72	-0.25
CPO (RM)	2,025.00	0.60

Currency		
USD	4.1862	0.04
GBP	5.3191	-0.03
EURO	4.6858	0.03
SGD	3.0460	-0.10
YEN	26.1530	-0.06

More Mild Gains

- Tracking the mild recovery in global stockmarkets, the FBM KLCI also headed higher, backed by gains in telco heavyweights. Even so, the lower liners continue to stumble as the FBM Ace (-0.7%), the FBM Small Cap (-0.2%) and the FBM Fledgling (-0.2%) ended in the red, alongside most of the broader market.
- Market breadth was bearish as losers maintained the upper-hand against the advancers on a ratio of 481-to-330 stocks. Traded volumes also narrowed by 16.4% to 1.60 bln shares as investors monitor global trade and political developments on the sidelines.
- FBM KLCI gainers were Public Bank (+26.0 sen), Nestle (+20.0 sen), Sime Darby Plantation (+18.0 sen), PPB Group (+10.0 sen) and Axiata (+9.0 sen). Broader market winners, meanwhile, consists of consumer product-related counters like Ajinomoto (+40.0 sen) and Fraser & Neave (+28.0 sen), alongside LPI Capital (+34.0 sen), Cahya Mata Sarawak (+16.0 sen) and United Plantations (+16.0 sen).
- On the downside, Hengyuan Refining (-30.0 sen) led the broader market underperformers, dragged down by weak 1Q2019 earnings results, followed by Merge Energy (-20.0 sen), UEM Edgenta (-15.0 sen), Petron Malaysia (-14.0 sen) and Latitude Tree (-11.0 sen). Significant decliners were Tenaga Nasional (-18.0 sen), Petronas Chemicals (-16.0 sen), Petronas Gas (-12.0 sen), Hartalega (-9.0 sen) and Ambank (-6.0 sen).
- Japanese equities closed higher amid the ongoing trade talks between Japan and the U.S. in Tokyo. The Nikkei snapped a two-day losing streak and closed 0.3% higher, while the Shanghai

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Composite rose 1.4% on hopes of more growth-centric policy from the government. In contrast, Hang Seng Index ended in the red despite rebounding from an earlier sell-down. The majority of ASEAN equities, meanwhile, closed on a positive note.

- Wall Street was closed for the Memorial Day holiday.
- Key European benchmark indices extended their gains as investors monitor the results of the European Parliamentary elections. The FTSE was shuttered for holidays, while the CAC and the DAX rose 0.4% and 0.5% respectively.

THE DAY AHEAD

- Even with key index stocks making gains yesterday, the overall market environment remains insipid amid the increasingly thin market participation brought about by the lingering trade spat that is strengthening the cautious undertone.
- Domestic leads are also far and in-between and with little foreign participation, local institutions are providing the support and picking up some beaten down index linked stocks. Therefore, we still see the FBM KLCI making headway over the near term with the bouts of support and the mild upsides may lead the key index to the 1,605 resistance level. If the level is breached, the ensuing resistance is at 1,610. The 1,600 level remains the immediate support, followed by the 1,595 level.
- Unlike the index-linked stocks, the lower liners and broader market shares continues to dither amid the lack of following as more retail players converge on the sidelines until there is clarity in the market's direction. However, the sell-down

appear to be ebbing and this could provide an opportunity for the lower liners to build up a base after their recent slide.

COMPANY UPDATE

- Despite stronger revenue performance, **AWC Bhd's** 3QFY19 net profit was almost unchanged at RM6.9 mln, mainly due to higher portion of income attributed to non-controlling shareholders. Revenue for the quarter rose 18.1% Y.o.Y to RM88.9 mln, from RM75.3 mln last year.
- Cumulative 9MFY19 net profit, meanwhile, gained 17.8% Y.o.Y to RM20.0 mln, from RM17.0 mln in the last corresponding period, in-tandem with the 16.0% Y.o.Y jump in revenue to RM243.3 mln against RM209.8 mln a year ago.
- AWC's latest earnings underperformed our expectations, coming in at 67.4% of our previous full-year estimated net profit of RM29.7 mln. In contrast, revenue was within our forecast, accounting for 71.2% of our full-year revenue of RM341.9 mln.
- The differences were mainly due to lower-than-expected orderbook replenishment rate and higher tax charges. We also expect 4QFY19 to play catch-up as net profit is likely to benefit from a potential impairment writeback, which is likely to be one-off in nature.

Comments

- We trimmed our FY19-FY20 earnings assumptions by 5.4%-6.2% to RM28.1 mln and RM30.6 mln respectively, while revenue was reduced by about 5.0% to RM323.9 mln and RM342.8 mln respectively. The adjustments were made to reflect our lower contract replenishment target and higher interest costs.

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- Still, we reiterate our **BUY** call on AWC with lower target price of 95.0 sen as AWC's earnings growth remains on-track, driven by consistent revenue stream from the IFM segment and substantial orderbook size of around RM1.0 bln. Our target price is based on a target PER of 10.0x to AWC's FY19 EPS of RM9.6 sen.
- Our target PER also remain at a discount to its closest peer, **UEM Edgenta Bhd**, mainly due to AWC's smaller market capitalisation.
- **Econpile Holdings Bhd's** 3QFY19 net profit declined 8.3% Y.o.Y RM21.7 mln, dragged down by slower execution from deferment in certain infrastructure projects. Revenue for the quarter fell 32.6% Y.o.Y to RM138.3 mln, dragged down by its depleting unbilled orderbook.
- For 9MFY19, cumulative net sank 96.5% Y.o.Y to RM2.3 mln. Revenue for the period decreased 9.2% Y.o.Y to RM486.7 mln. The reported earnings came above our previous expectation of RM8.8 mln for the year. The reported revenue, however, came below our expectations, amounting to 69.0% of our full-year forecast of RM705.2 mln. The variance in the top line is mainly due slowdown in project execution from its certain infrastructure projects, whilst the stronger-than-expected bottom came following the normalisation from one-off losses recorded in 2QFY19.
- Despite that, we maintain our **SELL** recommendation on Econpile, but with a higher target price of RM0.53 (from RM0.48) as we ascribed an unchanged target PER of 13.0x to its FY20 EPS of 4.1 sen as we reckon that current share price that has rallied 55.8% YTD is already ahead of its fundamentals.

COMPANY BRIEF

- **RHB Bank Bhd's** 1Q2019 net profit increased 6.7% Y.o.Y to RM630.2 mln due to lower expected credit losses on loans and other financial assets and lower operating expenses. Revenue for the quarter rose 7.1% Y.o.Y to RM3.35 bln. (The Star Online)
- **GD Express Bhd's** 3QFY19 net profit jumped 107.3% Y.o.Y to RM5.4 mln, following an absence of additional income tax expense. Revenue for the quarter grew 6.2% Y.o.Y to RM78.0 mln.
- For 9MFY19, cumulative net profit rose 32.0% Y.o.Y to RM22.6 mln. Revenue for the period climbed 7.6% Y.o.Y to RM235.3 mln. (The Edge Daily)
- **Hibiscus Petroleum Bhd's** 3QFY19 net profit fell 33.6% Y.o.Y to RM55.2 mln on lower margins and losses from some of its segments. Revenue for the quarter, however, surged 199.8% Y.o.Y to RM226.1 mln.
- For 9MFY19, however, cumulative net profit jumped 95.6% Y.o.Y to RM205.3 mln. Revenue for the period soared 258.2% Y.o.Y to RM751.2 mln. (The Edge Daily)
- **Malakoff Corp Bhd's** 1Q2019 net profit grew 26.6% Y.o.Y to RM67.0 mln due to higher payments from electricity generation for its Tanjung Bin Power Sdn Bhd (TBP) and Tanjung Bin Energy Sdn

Comments

- With the reported earnings coming above of our forecast, we raised our net profit forecast by 153.5% and 11.1% to RM22.3 mln and RM54.3 mln for FY19 and FY20 respectively as we expect earnings to normalise in subsequent quarters from the one-off losses from the variation of work orders, impairment of trade receivables and cost overrun that incurred in 2QFY19.

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Bhd (TBE) coal power plants. Revenue for the quarter rose 25.0% Y.o.Y to RM2.01 bln. (The Edge Daily)

- **Utusan Melayu (M) Bhd's** 1Q2019 net loss widened to RM8.1 mln, from a net loss of RM5.9 mln recorded in 1Q2018 due to reduction in publishing distribution and advertising. Revenue for the quarter declined 51.8% Y.o.Y to RM26.8 mln. (The Edge Daily)
- **Deleum Bhd's** 1Q2019 net profit jumped 100.7% Y.o.Y to RM2.8 mln on higher contributions and demand for its power and machinery segment, oil field services segment and integrated corrosion solution segment, coupled with lower tax expense. Revenue for the quarter increased 17.5% Y.o.Y to RM127.5 mln. (The Edge Daily)
- **Press Metal Aluminium Holdings Bhd's** 1Q2019 declined 23.5% Y.o.Y to RM115.1 mln due to weakening metal price and high raw material costs. Revenue for the quarter, however, added 2.2% Y.o.Y to RM2.17 bln. A first interim single tier dividend of 1.25 sen a share was declared. (The Edge Daily)
- **MGB Bhd's** 1Q2019 net profit declined 69.5% Y.o.Y to RM3.1 mln, dragged down by narrowing margins from its ongoing construction projects, a net loss incurred by its subsidiary company and higher finance and depreciation costs. Revenue for the quarter, however, rose 20.4% Y.o.Y to RM203.6 mln.
- Separately, the group was awarded an RM134.7 mln contract, commencing in October 2020, to develop 674 double-storey houses in Dengkil, Selangor by Blee & W Architects Sdn Bhd on behalf of Seloka Sinaran Sdn Bhd, in which **LBS Bina Group Bhd** holds a 59.9% stake. (The Edge Daily)
- **KNM Group Bhd** has won three

contracts in Vietnam, Belgium and Johor worth RM97.7 mln in total.

- Its contract in Vietnam is to supply shop-assembled large columns for a petrochemical complex for US\$12.8 mln (around RM53.4 mln), while its contract in Belgium, worth €5.5 mln (around RM25.6 mln), is a technical goods and works purchase contract for the engineering, procurement, manufacturing, inspection, testing and delivery of Oleflex reactors.
- Its Johor job is for the supply of reactor effluent air condensers at the Petronas RAPID Project in Pengerang for US\$4.5 mln (around RM18.77 mln). (The Edge Daily)
- **Nova Pharma Solutions Bhd** (NPS) has entered a joint venture cum shareholders agreement (JVSA) with Acara Juara Sdn Bhd (AJ) to jointly invest in, establish, and operate a total engineering solutions business under a special purpose vehicle (SPV) tentatively called Nova HiTech Solutions Sdn Bhd. NPS will control 51.0% of the SPV with AJ controlling the balance. (The Edge Daily)

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