Market Pulse

Thursday, 28 Nov, 2019

M+Online
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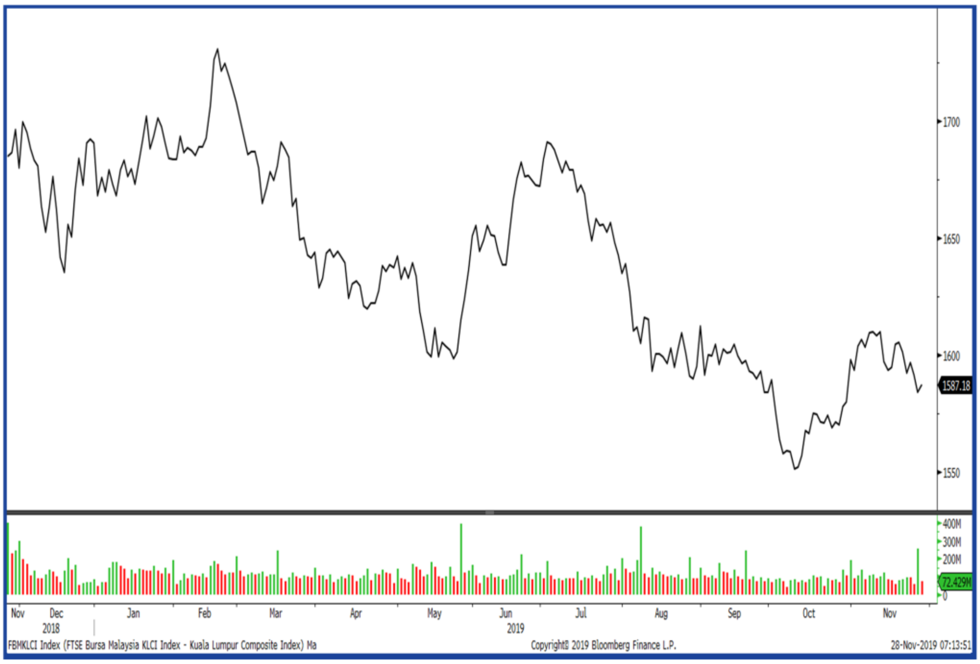
FBM KLCI – Daily



Still Marking Time

- The FBM KLCI (+0.2%) staged a mild recovery after lingering mostly in the positive territory, boosted by bargain hunting activities in selected index heavyweights yesterday. The lower liners, however, closed mostly lower as the FBM Small Cap and FBM Fledgling shed 0.3% and 0.1% respectively, while the broader market finished mostly lower with the technology index (-1.5%) taking the heaviest fall.

- Market breadth stayed negative as decliners overcame advancers on a ratio of 548-to-318 stocks, while 376 stocks traded unchanged. Traded volumes fell 26.3% to 2.51 bln shares as trading activities normalised.

- Anchoring the winners list on the FBM KLCI were Public Bank (+24.0 sen), Petronas Gas (+18.0 sen), Tenaga (+16.0 sen), Genting (+12.0 sen) and Maxis (+10.0 sen). Among the biggest gainers on the broader market include Carlsberg (+70.0 sen), United Plantations (+36.0 sen), Chin Teck Plantations (+21.0 sen), Heineken (+16.0 sen) and KESM Industries (+14.0 sen).

- In contrast, notable losers on the broader market were Dutch Lady (-40.0 sen), Advance Packaging (-25.0 sen), Vitrox (-24.0 sen), Favelle Favco (-14.0 sen) and Padini (-14.0 sen). Meanwhile, Petronas Dagangan (-64.0 sen), Hartalega (-20.0 sen), KLK (-20.0 sen), Malaysia Airport Holdings (-17.0 sen) and Hong Leong Financial Group (-12.0 sen) slipped on the FBM KLCI.

- Asian benchmark indices extended their gains as the Nikkei rose another 0.3% after the Japanese Yen weakened against the Greenback. The Hang Seng

Market Scorecard

	Close 27-Nov-19	Change %
FBM KLCI	1,587.18	0.21
52-W High	*1,732.27*	
52-W Low	*1,548.45*	
FBM EMAS	11,258.06	0.08
FBM 100	11,075.39	0.10
FBM Fledgling	14,668.18	-0.12
FBM Small Cap	13,458.88	-0.34
FBM ACE	4,826.15	0.46
FBM Shariah	11,807.41	-0.05
FBM MidS Cap	14,849.41	-0.39
FBM MidS (Shariah)	13,963.81	-0.60
Market Participation		
Trading Volume (mln)	2,512.2	-26.3
Trading Value (RM mln)	1659.3	-60.6
FKLI Spot Futures	1,588.00	0.16
FKLI Forward Futures	1,592.00	0.32
Dow Jones	28,164.00	0.15
S&P 500	3,153.63	0.42
NASDAQ	8,705.18	0.66
FTSE 100	7,429.78	0.36
DAX	13,287.07	0.38
CAC 40	5,926.84	-0.05
FTSE STI	3,215.53	0.24
Shanghai Composite	2,903.20	-0.13
Hang Seng Index	26,954.00	0.15
Nikkei 225	23,437.77	0.28
WTI Crude Oil (USD)	58.07	-0.07
Brent Spot (USD)	64.06	-0.33
Gold (USD)	1,456.68	0.15
CPO (RM)	2,687.00	0.41
USD	4.17	0.29
GBP	5.36	0.49
EURO	4.5937	0.38
SGD	3.0546	0.29
YEN	26.1590	-0.52

Index added 0.2% after enduring a choppy trading session, but the Shanghai Composite fell 0.1% as investors continue to monitor developments from the U.S.-China trade negotiations. ASEAN stockmarkets, meanwhile, closed mostly higher on Wednesday.

- U.S. stockmarkets trended higher for the fourth straight session to close at yet another fresh record high as the Dow gained 0.2%, buoyed by the revised 3Q2019 GDP data that expanded 2.1% Y.o.Y vs. initial reading at 1.9% Y.o.Y. On the broader market, the S&P 500 (+0.4%) advanced with ten out of the eleven major sectors in the positive, while the Nasdaq climbed 0.7% to close above the 8,700 psychological level.

- Major European indices continue to march higher as the FTSE and DAX added 0.4% each, taking cue from the optimism over the Sino-U.S. trade progress. The CAC, however, fell 0.1% after enduring a choppy trading session.

THE DAY AHEAD

- While Bursa Malaysia indices recovered yesterday, the broad market condition is still insipid, in our view, with stocks likely to remain range-bound over the near term as we see the base building process continuing ahead of the potential year-end window dressing activities in the coming weeks.

- With the results reporting coming to an end, the market will again be devoid of fresh domestic catalysts and the U.S-China trade negotiations will be the main driver for market players to follow, albeit we think that market participation is likely to thin in the coming weeks on the back of the year-end holidays. While we think the rangebound trend will persist, we also think that there is still some near term upside bias as the key index attempts to retest the 1,590 level as part of its mild rebound. Beyond that, the other resistances are at 1,595 and the 1,600 points level. The supports are at 1,583 and 1,580 respectively.

- Many lower liners and broader market shares still on their consolidation phase after their recent strong gains - which we see continuing as more market players close out their winning positions ahead of the year-end holdings.

COMPANY UPDATE

- Suria Capital Bhd's 3Q2019 net profit fell 27.7% Y.o.Y to RM11.2 mln due to lower topline contribution from the port operations segment, coupled with higher effective tax rate of 24.7%. Revenue for the quarter slipped 28.7% Y.o.Y to RM65.3 mln due to lower contribution from its port operations on the upgrading and construction of its ports' infrastructure and lower shipments of commodities.

- For 9M2019, cumulative net profit declined 8.2% Y.o.Y to RM41.3 mln. Revenue for the period contracted 35.1% Y.o.Y to RM204.6 mln.

Comments

- The reported earnings came below our expectations, making up to only 65.3% of our net profit estimate of RM63.3 mln. The reported revenue also fell short of our expectations, amounting to only 58.3% of our full-year forecast of RM351.0 mln. The lower turnover was due to the recognition of a one-off project in 2018, coupled with the weakness in port operations segment.

- As the reported earnings came below our estimates, we cut our earnings forecast by 11.8% and 16.7% to RM55.8 mln and RM58.9 mln for 2019 and 2020 respectively to reflect the slowdown in ports operation segment amid the prolonged U.S.-China trade standoff that is affecting trade prospects.

- Following the revision of earnings estimates, we downgrade our recommendation on Suria to **HOLD** (from Buy) with lower target price of RM1.45 (from RM1.70).

- We value Suria through a sum-of-parts (SOP) approach as we valued both its port operations and property development segments on a discounted cash flow approach (key assumptions include a WACC of 8.5%, terminal growth rate of 1.5%) to reflect its ability to generate recurring revenues and steady earnings growth over the longer term. Meanwhile, we ascribed a 10.0x (unchanged) target PER to both its logistics and bunkering contract as well as engineering and ferry terminal operations businesses, based on their potential earnings contribution in 2020.

- **Protasco Bhd**'s 3Q2019 net profit stood at RM959,000 vs. a net loss of RM810,000 recorded in the previous corresponding quarter, lifted by the lower operational costs following the completion of its right sizing exercised at the end of 2018, coupled with the lower finance costs. Revenue for the quarter, however, fell 3.6% Y.o.Y to RM226.5 mln, dragged down by lower contribution from the maintenance and engineering services segment.

- For 9M2019, cumulative net profit stood at RM4.9 mln vs. a net loss of RM3.9 mln recorded in 9M2018. Revenue for the period, however, declined 8.4% Y.o.Y to RM581.4 mln.

Comments

- The reported earnings make-up to only 24.3% of our previous full year net profit forecast of RM20.4 mln for 2019. Meanwhile, the reported revenue amounted to 60.5% of our full year estimate of RM961.7 mln. The variance was due to the lower revenue from the maintenance & engineering services segment, coupled with the higher effective tax rate at 54.3% vs. our assumption of 28.5%.

- As both the reported revenue and earnings came below our expectations, we slashed our earnings estimates by 70.6% and 46.3% to RM6.0 mln and RM9.2 mln for 2019 and 2020 respectively on the lower contribution from the maintenance segment, coupled with the higher effective tax rate.

- We also downgrade our recommendation on Protasco to **SELL** (from Hold) with a lower target price of RM0.25 (from RM0.29). Moving forward, we expect Protasco's earnings recovery to remain subdued in view of its depleting orderbook in both the construction and maintenance segment, coupled with the lackluster property sales.

- We arrive our target price on a sum-of-parts basis by ascribing an unchanged target PER of 8.0x to its 2020 fully diluted construction earnings as well as a target PER of 8.0x (unchanged) to its fully diluted 2020 concession and engineering services' earnings. Its education and trading units' valuations remain pegged at target PERs of 6.0x respectively due to its smaller scale businesses, while its property development division's valuation is derived from ascribing an unchanged 0.6x to its BV.

- **Econpile Holdings Bhd**'s 1QFY20 net profit sank 41.2% Y.o.Y to RM8.8 mln, dragged down by two major property development projects that are nearing completion stage, coupled with higher percentage of billings from infrastructure projects that yield lower margins. Revenue for the quarter slipped 32.4% Y.o.Y to RM135.4 mln, dragged down by lower execution of work orders.

Comments

- The reported earnings came below our expectation, amounting to 15.3% of our previous estimated net profit of RM57.7 mln for the year. The variance in its earnings was mainly due to margins compression from the higher execution of infrastructure projects. The reported revenue also came below our expectations, amounting to 20.8% of our full-year forecast of RM658.0 mln.

- As the reported earnings came below our forecast, we trimmed our earnings estimates by 17.9% and 17.5% to RM41.6 mln and RM43.6 mln for FY20 and FY21 respectively as we expect margins to remain pressured amid the higher percentage of works completion for infrastructure projects, coupled with the depleting orderbook.

- We revise our recommendation on Econpile to **SELL** (from Hold) with a lower target price of RM0.47 (from RM0.70). Our target price is derived by ascribing an unchanged target PER of 15.0x to its lowered FY20 EPS of 3.1 sen. We reckon that its current share price that has rallied 105.2% YTD, has surpassed its fundamental value.

- <u>Chin Well Holdings Bhd</u> posted a 62.6% Y.o.Y drop in its 1QFY20 net profit to RM6.7 mln vs RM17.9 mln in the previous corresponding period following the drop in both fasteners and wire products orders amid the uncertain U.S. - China trade relations and slowing global economy. Revenue for the quarter, meanwhile, fell 11.8% Y.o.Y to RM155.5 mln, from RM176.3 mln last year.

Comments

- The reported net profit were below our expectations as it only accounted for 10.0% of our previous full year earnings forecast of RM67.3 mln. Revenue was in-line, accounting for 21.9% of our estimated revenue of RM709.6 mln. The difference was caused by lower-than-anticipated revenue from the wire rod segment as well as weaker margins arising from increased competition and pricing imbalances.

- Moving forward, we trimmed our 2020-2021 forecast earnings by 6.9%-14.9% to RM57.9 mln and RM63.5 mln respectively, although revenue was adjusted slightly higher to RM728.0 mln (+2.0%) and RM738.7 mln (+3.5%), after adjusting our margins and sales volume assumptions.

- Even so, we maintain our **BUY** recommendation on Chin Well, but with a lower target price of RM1.75 (from RM2.05) by ascribing an unchanged target PER of 9.0x to Chin Well FY20 EPS of 19.7 sen (from 22.9 sen) as we maintain a positive outlook on Chin Well's long-term earnings accretion from higher sales, while its balance sheet remains strong enough to withstand external uncertainties. Also, the group pays a consistent dividend yield of about 5.0% per year.

<u>COMPANY BRIEF</u>

- <u>AirAsia Group Bhd</u> slipped into the red with a net loss of RM51.4 mln in 3Q2019, from a net profit of RM915.9 mln a year ago, mainly due to the fair value loss on derivatives and unrealised forex losses, albeit slightly offset by gain on disposal of property, plant and equipment. Revenue, however, grew to RM3.07 bln, from RM2.61 bln previously.

- Cumulative 9M2019 net profit also plunged to RM80.7mln, from RM2.42 bln a year ago, despite stronger revenue, which was higher at RM8.75 bln, from RM7.67 bln earlier. (The Star Online)

- **Widad Group Bhd** is planning to take over **Menang Corp (M) Bhd**'s concession, which is housed under the latter's 71.0%-owned unit, Inovatif Mewah Sdn Bhd, on the management and maintenance of UiTM Seremban 3 campus in Negeri Sembilan for RM122.0 mln cash.

- Under the deal, Menang will sell its 71.0% stake in Innovatif Mewah while Tentu Selesa will let go of its 29.0% equity stake subject to terms and conditions of a share sale and purchase agreement which will be entered into later. (The Star Online)

- **Taliworks Corp Bhd**'s 3Q2019 net profit tripled to RM72.6 mln, from RM19.7 mln last year, boosted by the gain from the termination of an agreement by Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (SPLASH). Revenue, however, fell 5.0% Y.o.Y to RM93.6 mln, from RM98.4 mln in the last corresponding year.

- Cumulative 9M2019 net profit, meanwhile, surged 113.0% Y.o.Y to RM95.0 mln, from RM44.7 mln last year, despite a marginal decrease in revenue at RM271.6 mln vs. RM277.13 mln previously.

- **Genting Plantations Bhd**'s 3Q2019 net profit fell 23.6% Y.o.Y to RM18.0 mln compared to RM23.5 mln a year earlier, dragged mainly by weaker palm product prices, lower contribution from its property business and losses at its biotechnology segment. Revenue also inched lower by 2.8% Y.o.Y to RM475.4 mln, from RM488.8 mln in the same quarter last year.

- Cumulative 9M2019 net profit, meanwhile, halved to RM80.4 mln, from RM150.6 mln last year, despite a 14.2% growth in revenue to RM1.62 bln from RM1.42 bln previously. (The Star Online)

- **Revenue Group Bhd** is collaborating with Grab Malaysia to enable its in-app GrabPay's mobile QR payment to be made available at all of its merchant payment touchpoints, which will enable GrabPay e-wallet users to have wider and quicker access to Revenue's 20,000 touchpoints throughout Malaysia. (The Edge Daily)

- **Padini Holdings Bhd**'s 1QFY20 net profit gained 9.2% Y.o.Y to RM19.6 mln, from RM18.0 mln, on the back of improved sales, while revenue grew to RM338.0 mln, from RM329.8 mln earlier. The group has declared a dividend of 2.5 sen per share, payable on 31st December 2019. (The Edge Daily)

- **Allianz Malaysia Bhd**'s 3Q2019 net profit jumped 43.0% Y.o.Y to RM142.8 mln, from RM99.9 mln in 3Q2018, backed by higher contribution from its life insurance segment, while revenue rose 9.0% Y.o.Y to RM1.42 bln, from RM1.3 bln last year.

- Cumulative 9M2019 net profit also spiked 30.0% Y.o.Y to RM359.4 mln, from RM277.0 mln previously, while revenue climbed 6.0% Y.o.Y to RM4.13 bln vs RM3.88 bln last year. (The Edge Daily)

- **Reach Energy Bhd** has announced positive results in the testing of the

Exploration Well K-15 in its Emir Oil Concession Block onshore Kazakhstan. (The Edge Daily)

- **Ranhill Holdings Bhd** has signed a Memoranda of Understanding (MoUs) with Indonesia's PT Jasa Sarana yesterday to explore opportunities in the energy and waste management sectors in the province of West Java. (The Edge Daily)