

### STRATEGY – MALAYSIA

### 3Q22 Results Wrap-up

The breadth of disappointing results narrowed in 3Q22, fundamentally supporting our view for Malaysian equities to trend up through to the start of 2023. Crucially, major macro concerns have abated for now, with easing US core inflation allowing the US Fed to moderate down its rate hike guidance, and (locally) the formation of a Unity government after GE15. Maintain end-22 FBMKLCI target at 1,550. Bet on economic reopening plays and selected technology companies.

#### WHAT'S NEW

- **3Q22: Positive undertone.** Stocks under our coverage posted qoq positive breadth of results with lower disappointment (14%) and higher earnings beats (25%), partly riding on the country's 3Q22 GDP growth of 14.2% (see RHS chart). Sector-wise, disappointments were mostly related to gloves (soft ASPs) and building materials, while positive earnings surprises were mostly linked to banks (lower credit cost), consumers (robust sales), oil & gas and technology.
- **Flattish 2022 earnings outlook...** We have changed our 2022/23 universe coverage earnings by +0.2%/-1.9%, while revising the FBMKLCI's 2022/23 earnings by -0.6%/-2.5%. The earnings downgrade mainly relates to the building materials, gaming, gloves, oil & gas (offshore), and technology (semiconductor) sectors, while upgrades were mainly to the consumer, oil & gas (asset owners and shipping) and telecommunications sectors.
- **...but positive undertone ex-gloves.** Excluding glove stocks, our post-results season 2022-23 earnings growth forecasts are 29.3%/13.2% for our universe coverage, and 9.4%/10.2% for the FBMKLCI.
- **We now expect our coverage universe and the FBMKLCI to deliver earnings growth of -0.6%/+12.0% and -4.6%/+9.0% respectively in 2022/23.**

#### ACTION

- **Maintain end-22 FBMKLCI target of 1,550**, based on 15.6x 2022F PE or -0.5SD to the historical mean PE. Our tentative end-23 target is 1,640 (14.9x or -1SD), which compares to our bottom up target of 1,650.
- **Maintain OVERWEIGHT on the aviation, building material (smelters), gaming and O&G sectors**, and we remain partial to many technology stocks.
- **Our top picks are CIMB Group, Genting Malaysia, Greatech, Malaysia Airports (MAHB), My EG Services, Press Metal, TIME dotCom, VS Industry (VSI) and Yinson.** We added MAHB (beneficiary of Asia's border reopening and eventual Operating Agreement with the government), Press Metal (recovery of industrial metal prices on China's relaxation of COVID-19 movement control measures, and as the US dollar index eases) and VSI (expect this beneficiary of foreign worker replenishment to post strong upcoming results) and removed Gamuda (until we get clarity on the Unity government's review of government contract award procedures such as for the MRT3).
- **Other favourite stocks include Bumi Armada, Inari, OM Holdings and Public Bank.**

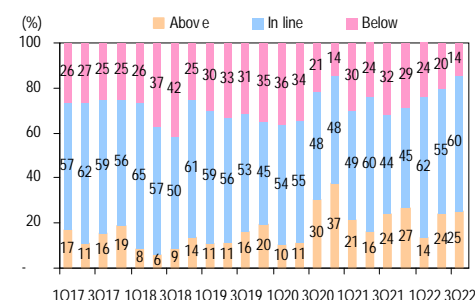
#### STOCK PICKS

Company	Ticker	Rec	Mkt Cap (US\$m)	Price 1 Dec 22 (RM)	Target Price (RM)	PE (x)	P/B (x)	Div Yield (%)
						2022F	2023F	2022F
CIMB Group	CIMB MK	BUY	13,917	5.75	6.50	11.2	9.4	0.9
Genting Malaysia	GENM MK	BUY	3,407	2.65	3.50	46.5	15.4	1.2
Greatech Technology	GREATEC MK	BUY	1,427	5.02	5.20	47.9	27.9	11.2
Malaysia Airports	MAHB MK	BUY	2,410	6.40	7.52	n.m.	20.1	2.0
My EG Services	MYEG MK	BUY	1,604	0.950	1.30	15.9	15.2	3.1
Press Metal	PMAM MK	BUY	9,069	4.85	6.30	26.4	21.6	6.6
TIME dotCom	TDC MK	BUY	2,001	4.80	6.40	21.6	19.2	2.8
VS Industry	VSI MK	BUY	814	0.935	1.40	15.6	13.7	1.8
Yinson	YNS MK	BUY	1,558	2.37	3.30	19.1	11.2	2.3

Source: Bloomberg, UOB Kay Hian

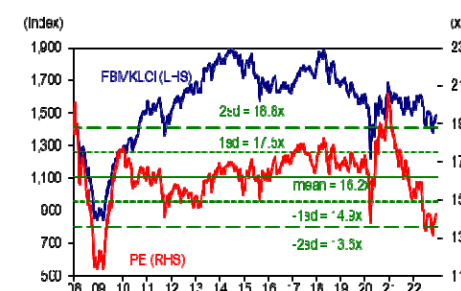
CURRENT FBMKLCI: 1,492  
TARGET END-22 FBMKLCI: 1,550

#### QUARTERLY RESULTS TALLY



Source: UOB Kay Hian

#### FBMKLCI'S PE BAND



Source: UOB Kay Hian

#### FBMKLCI YEAR-END VALUATION

	Index	PE	SD from mean
2015	1692	16.3	0.2
2016	1641	16.9	0.5
2017	1796	17.5	1.1
2018	1690	17.1	0.7
2019	1589	17.1	0.8
2020	1641	20.2	2.8
2021	1567	15.0	-1.0

Source: Bloomberg, UOB Kay Hian

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## NOTABLE EARNINGS SURPRISES AND DISAPPOINTMENTS

Company	Comments
<b>Above Expectations</b>	
Bumi Armada	Preliminary front-end engineering and design (pre FEED) income for the others (asset-light) segment
Carlsberg	Resilient sales and robust contribution from its associate
CIMB	Lower-than-expected net credit cost
F&N Holdings	Swift rebound in Thailand operations
My News	Resurgent recovery with its in-store sales
Public Bank	Lower-than-expected net credit cost and stronger-than-expected loans growth
QL Resources	Marine product manufacturing's and integrated livestock farming's robust contributions
VS Industry	New labour onboarding and its main customer's order re-channelling
Yinson	Higher-than-expected O&M income
<b>Below Expectations</b>	
Hartalega	Softer-than-expected margins and volume sales
Malaysia Smelting Corp	a) Decline in tin prices to around US\$23,000/mt (-35% qoq, -26% yoy), b) rising operating cost, and c) longer-than-expected furnace rebricking at Pulau Indah
Mr DIY	Lower-than-expected sales and soft gross margins
Top Glove	Lower-than expected ASPs.

Source: UOB Kay Hian

## CORPORATE EARNINGS, REVISION AND GROWTH

	Net Profit (RMm)			Revision (% chg vs end Feb 22)			Earnings Growth (yoy % chg)		
	2021	2022F	2023F	2021	2022F	2023F	2021	2022F	2023F
Automobile	401	588	506	0.0	8.8	2.4	9.0	46.8	(13.9)
Aviation	(3,909)	91	1,539	0.0	(53.3)	(2.0)	(43.4)	(102.3)	1582.6
Banking	29,550	30,163	34,896	0.0	(0.3)	(3.4)	11.9	2.1	15.7
Building Material	1,313	1,818	2,209	(0.9)	(15.3)	1.5	163.8	38.5	21.5
Construction	891	1,516	1,557	0.0	2.0	(9.4)	(2672.3)	70.1	2.7
Consumer	4,087	4,995	5,017	0.0	20.0	1.3	18.1	22.2	0.4
Exchange	355	224	225	0.0	13.3	0.0	(6.0)	(36.9)	0.4
Gaming	(2,176)	655	2,844	(10.6)	(64.7)	(17.0)	n.a.	n.a.	334.0
Glove Manufacturing	18,003	1,277	522	0.0	(8.9)	(38.6)	191.2	(92.9)	(59.1)
Healthcare	1,745	1,886	2,111	0.0	2.2	1.2	94.6	8.1	11.9
Insurance	411	323	389	0.0	0.0	0.0	13.5	(21.5)	20.5
Manufacturing	346	410	493	0.0	(3.1)	1.3	(11.2)	18.3	20.2
Media	475	514	539	0.0	0.0	0.0	(11.1)	8.2	4.8
Oil & Gas - Heavy Engineering	221	511	545	0.0	0.0	(2.8)	(60.1)	131.6	6.6
Oil & Gas - Asset Owners	1,704	2,091	2,375	0.0	28.8	12.1	47.5	22.7	13.6
Oil & Gas - Offshore Contractors	(3,276)	(281)	(91)	0.0	(7.3)	(62.7)	n.a.	n.a.	n.a.
Oil & Gas - Shipping	1,319	1,979	2,016	0.0	13.9	19.1	(26.8)	50.0	1.9
Plantation	6,805	7,991	6,085	(0.0)	1.2	(2.0)	140.7	17.4	(23.9)
Port	772	649	763	0.0	1.4	(6.5)	7.8	(15.9)	17.6
Property	1,017	1,412	1,637	0.0	1.1	0.5	64.2	38.7	16.0
REITs	1,215	1,905	2,002	0.0	0.9	1.4	(18.7)	56.7	5.1
Technology (EMS)	435	317	464	0.0	1.9	(2.8)	7.0	(27.1)	46.5
Technology (Semiconductor)	754	867	1,033	0.0	(1.7)	(4.9)	58.2	14.9	19.2
Technology (Software)	439	546	633	2.6	3.1	13.6	24.2	24.3	16.1
Telecommunications	5,071	5,294	6,145	0.0	3.8	0.7	5.2	4.4	16.1
Utility	5,666	5,472	5,511	0.0	(1.4)	0.0	14.2	(3.4)	0.7
<b>Total</b>	<b>73.6</b>	<b>73.2</b>	<b>82.0</b>	<b>0.4</b>	<b>0.2</b>	<b>(1.9)</b>	<b>46.9</b>	<b>(0.6)</b>	<b>12.0</b>
<b>Total (ex-glove)</b>	<b>55.6</b>	<b>71.9</b>	<b>81.4</b>	<b>0.7</b>	<b>(0.7)</b>	<b>(1.8)</b>	<b>26.6</b>	<b>29.3</b>	<b>13.2</b>
<b>FBMKLCI</b>				<b>0.4</b>	<b>(0.3)</b>	<b>(2.2)</b>	<b>41.0</b>	<b>9.4</b>	<b>10.2</b>

Note: Gaming EBITDA "valuation driver" downgrade is minor

Source: UOB Kay Hian

## EARNINGS REVISION

Earnings revision (qoq % chg)	Cur FY	Next FY
1Q19	(1.6)	(1.9)
2Q19	(4.1)	(3.8)
3Q19	(1.6)	(1.4)
4Q19	(3.1)	(1.3)
1Q20	(21.7)	(7.3)
2Q20	(7.1)	3.9
3Q20	0.8	16.9
4Q20	1.7	1.2
1Q21	(3.6)	0.7
2Q21	(2.1)	(1.6)
3Q21	(3.2)	(6.8)
4Q21	(1.1)	2.3
1Q22	0.3	1.2
2Q22	0.0	(1.1)
3Q22	0.2	(1.9)

Source: UOB Kay Hian

## SECTOR WEIGHTINGS

Sector	Weighting
Automobile	UNDERWEIGHT
Aviation	MARKET WEIGHT
Banking	OVERWEIGHT
Building Material	OVERWEIGHT
Construction	MARKET WEIGHT
Consumer	OVERWEIGHT
Exchange	MARKET WEIGHT
Gaming	OVERWEIGHT
Glove Manufacturing	MARKET WEIGHT
Healthcare	MARKET WEIGHT
Insurance	MARKET WEIGHT
Manufacturing	OVERWEIGHT
Media	MARKET WEIGHT
Oil & Gas	OVERWEIGHT
Plantation	MARKET WEIGHT
Port	OVERWEIGHT
Property	UNDERWEIGHT
REITs	MARKET WEIGHT
Technology	MARKET WEIGHT
Telecommunications	MARKET WEIGHT
Utility	UNDERWEIGHT

Source: UOB Kay Hian

## SECTOR YTD PRICE PERFORMANCE

Sector	ytd % chg
Construction	19.3
Automobile	18.6
Banking	12.8
Exchange	10.7
O&G - Asset Owners	10.3
O&G - Offshore Contractors	8.3
Plantation	7.9
Utilities	6.3
O&G - Shipping	5.9
REITs	5.7
Consumer	0.5
Aviation	(0.5)
Gaming	(4.1)
Insurance	(7.1)
O&G - Heavy Eng	(10.0)
Telecommunications	(10.0)
Property	(13.7)
Port	(14.0)
Building Materials	(17.3)
Media	(18.6)
Healthcare	(19.8)
Tech - EMS	(24.4)
Tech - software	(24.5)
Manufacturing	(28.3)
Tech - Semiconductor	(29.2)
Glove Manufacturing	(62.0)
<b>FBMKLCI</b>	<b>(5.0)</b>

Source: UOB Kay Hian

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