AmInvestment Bank

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STRATEGY

A decent 3Q2021 but uncertainty has increased

1,600

End-2022 FBM KLCI target (pts)

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Rationale for report: Market Update

Highlights

A decent quarter (25% outperform; 20% underperform and 55% in line)

- The recently concluded 3Q2021 reporting season was a relatively decent quarter. The number of companies which exceeded expectations outnumbered underperformers – 25% of the stocks under our coverage registered earnings that came in above expectation while 20% of them underperformed. More than half or 55% of these companies reported earnings which met expectations.

Plantation and banking sectors outperform

- The plantation sector outperformed as six out of the seven companies we cover posted results that beat expectations. This was achieved on the back of higher-than-expected operating profit margins. Sector net profit surged by over 30% YoY in 9M2021 underpinned by robust palm product prices. The average CPO price realised of the companies in 9M2021 was close to our average CPO price assumption of RM3,500/tonne for the full year. Comparing 3Q2021 against 2Q2021, average CPO price realised improved. Average realised CPO prices of the companies in our coverage ranged from RM3,502/tonne to RM4,244/tonne in 3Q2021, which were 4%–20% higher QoQ.

- The banking sector also did well with three outperformers. CIMB's 9M21 normalised earnings were above expectations, accounting for 82.5% of our estimates largely due to lower-than-expected opex and provisions. RHB Bank's 9M21 core earnings beat expectations, making up 83.7% of our projection due to higher-than-expected total income with strong Islamic banking income. Meanwhile, Alliance Bank's 6M22 earnings came in better than our expectation at 69.1% of our estimate due to lower-than-expected opex and provisions.

Property sector disappoints

- Three out of the six property companies that we cover registered lower-than-expected earnings. S P Setia, Sime Darby Property and UEMS missed expectations due to weaker-than-expected property investment contributions and weaker-than-expected overseas performance.

Three new names in our top 10 BUY calls

- We refresh our top picks, adding Inari Amertron (Inari), Malaysian Pacific Industries (MPI) and Apex Healthcare. We like Inari due to its role as a proxy for the growth of 5G through its RF business, which is set to benefit from the expected increase in demand for 5G smartphones going into FY22. For MPI, it is set to benefit from the expected strong growth in the electric vehicle (EV) space with a strong net cash position of RM914mil as at 30 Sep 2021. As for Apex Healthcare, it has positioned itself well to benefit from these megatrends – ageing population, public health education advancement and steady healthcare expenditure increase.

2022 FBM KLCI target of 1,600

- We introduce our end-2022 FBM KLCI target of 1,600 points. We have rollover our target PE to 2022 earnings. Our Target Forward PE is unchanged at 15.6x which is pegged at -0.5 standard deviation (SD). The discount is to reflect the negative earnings growth projected for total FBMKLCI component earnings in 2022 and a higher stamp duty for share transaction which will affect trading volume. For 2022, we expect FBMKLCI earnings to decline by 3.5% due to lower earnings projection for gloves and plantation sector. Despite positive earnings growth expected from the banking and oil and gas sector in 2022, these are not enough to offset the decline in gloves and plantation sector. We also expect prosperity tax to reduce 2022 earnings in almost all FBMKLCI stocks.

EXHIBIT 1: TOP BUYS										
	Recomm.	Price (RM)	FV (RM)	Upside (%)	Mkt Cap (RMmil)	FYE	EPS (sen) FY21F	EPS (sen) FY22F	P/E (x) FY21F	P/E (x) FY22F
Malayan Banking	BUY	7.95	9.90	24.5	91,111	Dec	68.3	74.4	11.6	10.7
Tenaga Nasional	BUY	9.22	12.00	30.2	52,034	Aug	82.3	80.9	11.2	11.4
RHB Bank	BUY	5.24	6.90	31.7	21,013	Dec	67.8	75.8	7.7	6.9
Telekom Malaysia	BUY	5.47	7.08	29.4	20,556	Dec	29.5	29.9	18.6	18.3
Dialog Group	BUY	2.53	3.75	48.2	14,265	Jun	9.2	10.7	27.4	23.7
Westports Holdings	BUY	4.11	5.16	25.4	14,015	Dec	21.4	19.1	19.2	21.5
Inari Amertron	BUY	4.10	4.78	16.6	13,675	Jun	9.9	11.4	41.4	35.9
Malaysian Pacific Industries	BUY	51.00	59.50	16.7	10,144	Jun	110.6	185.9	46.1	27.4
Apex Healthcare	BUY	2.61	3.33	27.7	1,225	Dec	10.5	14.5	24.8	18.0
Perak Transit	BUY	0.62	1.09	76.1	400	Dec	6.6	7.3	9.4	8.5

Source: AmInvestment Bank

Omicron adds to uncertainty; Malaysia has paused its transition to the endemic phase

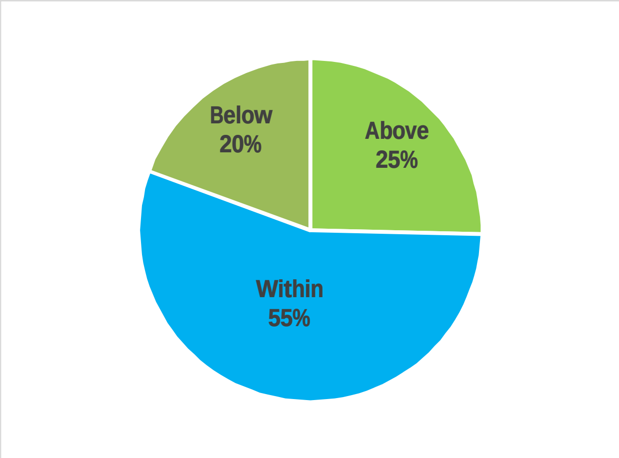
- On 26 November, the World Health Organization (WHO) announced a new variant of concern (VOC). The Omicron variant is the fifth VOC after Alpha, Beta, Gamma and Delta variants. According to the WHO, “this decision was based on the evidence presented to the Technical Advisory Group on Virus Evolution that Omicron has several mutations that may have an impact on how it behaves, for example, on how easily it spreads or the severity of illness it causes”.

- Although the transmissibility and severity of the disease caused by Omicron is still unclear, most countries in the world are taking a cautious stance. In England, Covid booster jabs will be offered to everyone who is eligible by end-Jan 2022. Prime Minister Boris Johnson was quoted by the *BBC* saying that the government would be "throwing everything" at the campaign so that everyone can get a third jab. In the US, New York Governor Kathy Hochul declared a state of emergency on 26 November. Meanwhile, according to the White House website: “Chief Medical Advisor Dr Anthony Fauci continues to believe that existing vaccines are likely to provide a degree of protection against severe cases of Covid”. It was also shared that it will take around two more weeks for Dr Fauci’s team “to have more definitive information on the transmissibility, severity, and other characteristics of the variant”.

- Malaysia has paused its transition to the endemic phase as the government seeks more information about the Omicron variant. While no Omicron cases have been traced in Malaysia, we understand that this is a necessary precautionary action.

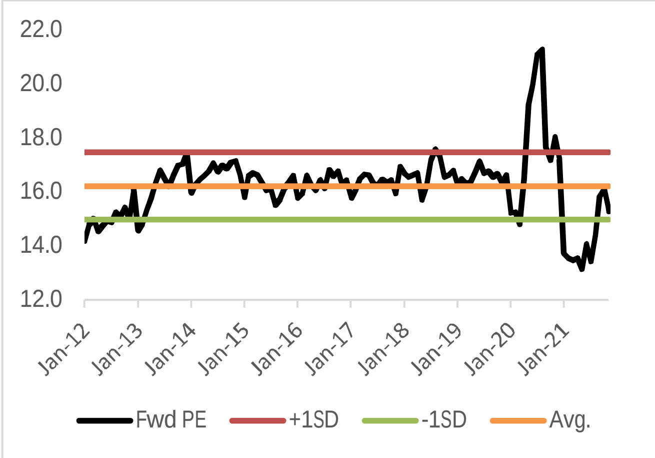
- Overall, news of the Omicron variant is negative to the market as it has added another uncertainty to the prospects of economic recovery for the country. We understand that it should take around two weeks for more details on Omicron to surface. Our base case scenario is a recovery from Covid in 2022 due to the high vaccination rate that already exceeded 95% of adults in Malaysia. We are watching closely the development on Omicron.

Chart 1: 3Q2021 Earnings Performance



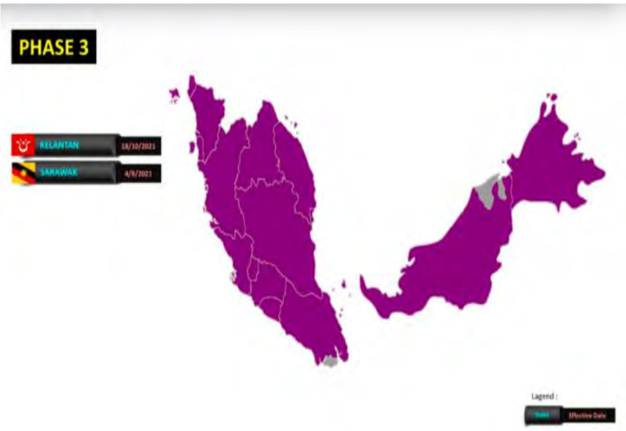
Source: AmInvestment Bank

Chart 2: FBMKLCI Forward PE



Source: Bloomberg

Chart 3: States at Phase 3 of NRP



Source: MyGovernment website

Chart 4: States at Phase 4 of NRP

Source: MyGovernment website

Chart 5: Daily COVID cases in Malaysia

Source: covidnow.moh.gov.my

Chart 6: Daily hospital admission in Malaysia

Source: covidnow.moh.gov.my

EXHIBIT 2: EARNINGS PERFORMANCE BY SECTOR

<table>
<tr><th>Sector</th><th>Earnings Performance</th></tr>
<tr><td>Banking</td><td>Of the 8 banks we cover, result of 5 banks (Public Bank, Maybank, Hong Leong Bank, Bank Islam and MBSB) came in within expectations. Meanwhile, core earnings of the other 3 banks (CIMB, RHB and Alliance Bank) exceeded expectations.

CIMB's 9M21 normalised earnings were above expectations, accounting for 82.5% of our estimates largely due to lower-than-expected opex and provisions. RHB Bank's 9M21 core earnings beat expectations, making up 83.7% of our projection due to higher-than-expected total income with strong Islamic banking income. Meanwhile, Alliance Bank's 6M22 earnings came in better than our expectation at 69.1% of our estimate due to lower-than-expected opex and provisions.

We maintain our OVERWEIGHT stance on the sector as we anticipate improvement in underlying income of banks supported by higher core NII (net interest income), and stronger fees and commissions for NOII (non-interest income) while operating expenses will remain tightly managed resulting in positive JAWs.

Kelvin Ong, CFA</td></tr>
<tr><td>Construction</td><td>A mixed bag of corporate earnings for 3Q2021. For the 6 companies under our coverage, 3 registered earnings above expectation while the other three missed. The outperformers were Gamuda, Sunway Construction and Hock Seng Lee while IJM Corporation, Econpile and Kimlun missed expectations.

We expect a better quarter in 4Q2021. As of 1 Dec, almost all states in Malaysia are in National Recovery Phase 4 (NRP 4) with Kelantan and Sarawak still in NRP 3. As more than 95% of the adult population in Malaysia have been fully vaccinated, we expect the work at construction and property sites to be back to normal capacity. As interstate travel has been allowed for those fully vaccinated, we expect traffic at tolled highways to recover, and this will benefit IJM Corporation and Gamuda.

We reiterate our NEUTRAL stance on the sector. The downside risks are fresh stricter lockdown measures amid a new coronavirus variant, lower-than-expected margins, and delay in work progress.</td></tr>
<tr><td>EMS</td><td>The results of EMS companies were mixed. V.S. Industry's FY21 core earnings doubled to RM270mil, exceeding our full-year forecasts by 15%, thanks to its higher-than-expected margins from better product sales mix as well as stronger-than-expected performances from its overseas operations. The results were in line with the full-year consensus estimates.

On the other hand, ATA IMS' results were below expectations. Its 2QFY22 losses dragged its 1HFY22 core net earnings down to RM11mil, accounting for only 6% and 7% of our earlier full-year forecast and the full-year consensus estimates respectively. We believe the key variance came largely from the lower-than-expected sales, impacted by the reimposition of lockdowns and restriction in workforce capacity, coupled with labour shortages, which led to diseconomies of scale.</td></tr>
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Source: AmInvestment Bank

EXHIBIT 3: EARNINGS PERFORMANCE BY SECTOR

Sector	Earnings Performance
Gloves	Earnings generally met expectations. Out of the three glove companies that we cover, one missed while the other two met expectations. Top Glove's results missed expectations as its FY21 earnings of RM7.87bil made up only 92% of our estimates. It also accounted for 91% of the consensus forecast. We gather that the lower-than-expected earnings was caused by a faster-than-anticipated drop in gloves' ASP. Hartalega's 1HFY22 earnings were within expectations. 1HFY22 earnings of RM3.17bil made up 71% of our and 82% of consensus FY22 forecast. We deem the earnings as within expectation as we expect a weaker 2HFY22. The downtrend of ASP is ongoing and should affect 2HFY22 earnings. Kossan's 9MFY21 net profit of RM2.63bil was in line with expectations. Although it accounted for 84%/81% of consensus/our FY21 earnings estimates, we expect a weaker 4QFY21 due to the declining ASP trend. We reiterate our NEUTRAL stance on the glove sector. The upside is capped as the ASP downtrend is still continuing but we expect nitrile gloves' ASP to bottom out in the next 3–6 months at US$25–US$30/1,000 pieces. The share prices of Hartalega and Kossan have also returned to the pre-pandemic level while their balance sheets have strengthened significantly. **Alan Lim Seong Chun, CFA**
Healthcare	Both IHH Healthcare and Apex Healthcare registered 9MFY21 earnings which met expectations. IHH's 9MFY21 core earnings accounted for 76% of our full-year earnings forecasts. However, it is higher than consensus' estimate, making up 85% of consensus' full-year estimates. Meanwhile, Apex Healthcare's 9MFY21 net profit of RM38.7mil made up 77% and 71% of our and consensus full-year earnings forecasts respectively. For IHH Healthcare, we believe that consensus may have underestimated Parkway Pantai Malaysia (PPM) earnings in which its EBITDA has increased 8% QoQ while other markets experienced lower EBITDA QoQ. Note that PPM's revenue per inpatient admission increase of 7.2% exceeded inpatient admissions by 2% QoQ. Looking ahead into 2022, we expect Covid-related revenue to decline as most countries that IHH is operating in have reached a high level of vaccination. This will be replaced by core hospital business which may have lower margin but more sustainable in the long run. As for Apex Healthcare, the demand for its pharmaceutical products has improved from the private sector's clinics and pharmacies. This has propelled the company's revenue to a record high in 3QF21, exceeding the pre-pandemic level. However, its earnings did not improve in tandem to reach record high and we believe that is was due to weakness in its associate earnings. Nevertheless, things should improve from FY22 onwards. We reiterate our NEUTRAL stance on the sector. As IHH Healthcare commands the bulk of the market cap in the sector and it is still a HOLD, our sector remains NEUTRAL. Our top pick for the sector is Apex Healthcare as it has positioned itself well to benefit from these megatrends of ageing population, public health education advancement and steady healthcare expenditure increase. **Alan Lim Seong Chun, CFA**

Source: AmInvestment Bank

EXHIBIT 4: EARNINGS PERFORMANCE BY SECTOR

Sector	Earnings Performance
Insurance	Of the 3 insurance companies under our coverage, the results of Allianz Malaysia and LPI Capital came in within expectation. Meanwhile, the results of Syarikat Takaful Malaysia were slightly below expectation due to challenging sales, particularly for credit-related products from the Covid-19 lockdown measures in 3Q21. Growth in premiums in 3Q21 slowed down due to mobility restrictions impacting selling activities. Nevertheless, with the reopening of economy, premiums are likely to pick up momentum in 4Q21. Underwriting for insurance business remains profitable. However, moving forward, challenges remain on insurance company's investment results. **Kelvin Ong, CFA**
Media	Media Prima's 9MFY21 core net profit of RM23mil was within expectations, accounting for 56% of our FY21F earnings and 60% of consensus. We believe MPR's 4QFY21 would be the strongest quarter for the year or at least on par with its 2QFY21 performance. This is underpinned by higher year-end utilisation of marketing budgets by advertisers as well as more activities following the easing of movement restrictions. YoY, the company's 9MFY21 revenue rose 8% mainly driven by: 1) 2x surge in Omnia's integrated creative and marketing solutions; 2) 32% increase in broadcasting; and 3) 10% improvement in the digital media division. This was partly offset by lower contribution from other segments. We continue to like MPR as a strong recovery play in the media sector. This is given the synergistic transformation by Omnia which positions the group to better benefit from an industry-wide adex recovery together with enhanced monetisation prospects of its extensive omni-channel reach. We maintain our OVERWEIGHT recommendation on the media sector due to attractive valuations of media companies. **Lee Ching Poh**
Power	Core results of the power companies in 3Q2021 were within our forecast and consensus estimates. On a quarterly basis, core net profit of YTL Power and Malakoff Corporation declined in 3Q2021 dragged by social donation costs and provisions for slow-moving stocks respectively. However, Tenaga Nasional's (TNB) core net profit improved QoQ in 3Q2021 on the back of lower general expenses and effective tax rate. Electricity sales volume in Peninsular Malaysia improved by 4.4% QoQ in 3Q2021. On a yearly basis, electricity sales volume inched up by 0.1% in 9M2021. The unexciting growth in electricity demand in 9M2021 was due to lower demand from the commercial sector. Hotels, universities and shopping malls shut down operations for almost three months pursuant to MCO 3.0. Earnings of the power companies in 3Q2021 were still largely driven by conventional coal and gas power operations. Renewable energy remained small, accounting for only 6.0% of Peninsular Malaysia's generation mix in 3Q2021. Maintain OVERWEIGHT. **Gan Huey Ling, CFA**

Source: AmInvestment Bank

EXHIBIT 5: EARNINGS PERFORMANCE BY SECTOR

Sector	Earnings Performance
Oil & Gas	The 9MFY21 earnings delivery of the 8 companies under our coverage was largely within expectations with 6 in line vs. 1 outperformer and 1 disappointment. The sole outperformance came from Petronas Chemicals Group which enjoyed higher product prices that are closely correlated to crude oil while Sapura Energy disappointed due to huge loss provisions from slower fabrication activities amid Covid-19 restrictions. As a comparison, there were 3 outperformers, 2 underperformers and 3 within expectations in 2Q2021. In 3QFY21, the sector's EBITDA fell 26% QoQ to RM3.9bil while core net profit decreased by 43% QoQ to RM1.9bil largely due to the substantive drag from Sapura Energy's losses. Excluding Sapura Energy's results, 3QFY21 EBITDA and core net profit was flat with both rising by only 1%. The stronger QoQ earnings growth surprisingly came from Petronas Gas' 35%, benefiting from lower internal gas consumption, lower operating costs and JV forex gains. Likewise, 3QFY21 EBITDA margin dropped 10 percentage (%) points to 30%. Excluding Sapura Energy, the margin rose slightly by 1% point to 40%. Notwithstanding the Limbayong delay or potential re-bidding exercise, we remain convinced that oil & gas contract rollouts will gather momentum, particularly in selected segments in the value chain better positioned to benefit from projects sanctioned by national oil companies, such as the floating production storage and offloading (FPSO) sub-sector given the decimated number of operators during the previous downturn in 2015–2017. Maintain OVERWEIGHT. We continue to like Dialog Group for its resilient non-cyclical tank terminal and maintenance-based operations and Yinson's recent win for the Parque das Beleias FPSO charter together with strong earnings growth momentum from the full-year contributions of FPSO vessels Helang, off Sarawak, Abigail-Joseph in Nigeria and Anna Nery in Brazil, plus multiple charter opportunities in Brazil and Africa. Meanwhile, Petronas Gas offers highly compelling dividend yields from its optimal capital structure strategy and resilient earnings base. **Alex Goh**
Plantation	3Q2021 results of plantation companies beat our forecast and consensus estimates on the back of higher-than-expected operating profit margins. Sector net profit surged by over 30% YoY in 9M2021 underpinned by robust palm product prices. The average CPO price realised of the companies in 9M2021 was close to our average CPO price assumption of RM3,500/tonne for the full year. Comparing 3Q2021 against 2Q2021, average CPO price realised improved. Average realised CPO prices of the companies in our coverage ranged from RM3,502/tonne to RM4,244/tonne in 3Q2021, which were 4%–20% higher QoQ. Price disparity between CPO in Malaysia and Indonesia narrowed slightly by less than RM100/tonne in 3Q2021 from 2Q2021 as Indonesia reduced the CPO export levy in July. Currently, the price difference between CPO in Malaysia and Indonesia is still high at nearly RM1,000/tonne. FFB production of most planters improved in 3Q2021 compared to 2Q2021. Exceptions were TSH Resources, Genting Plantations and Sime Darby Plantation. Companies with large Indonesian operations experienced weaker FFB production QoQ in 3Q2021 as their FFB yields softened after a bumper harvest in 1H2021. Maintain NEUTRAL. **Gan Huey Ling, CFA**

Source: AmInvestment Bank

EXHIBIT 6: EARNINGS PERFORMANCE BY SECTOR

Sector	Earnings Performance
Property	Out of the 6 companies under our coverage, 3 were in line with our forecasts whereas the other 3 companies underperformed. Except for UEM Sunrise (UEMS), which registered a sharp 54% YoY drop in core loss, most of the developers have shown more than 28% increase in their bottom lines amid various movement control orders (MCOs). The core net profit of Sunway, Lagenda Properties and Mah Sing Group was within expectations. As a conglomerate, Sunway showed stronger revenue by more than 17% YoY in all segments with the exception of its property investment division. Both Lagenda and Mah Sing delivered impressive earnings growth of more than 30%, supported by higher progress billings and work productivity. S P Setia, Sime Darby Property and UEMS missed expectations, dragged by: 1) weaker-than-expected property investment contributions; and 2) lower-than-expected overseas performance. We remain NEUTRAL on the property sector as we are cautious due to: (1) slower 2H2021 recovery as tighter containment measures from June 2021 onwards led to the closure of sales galleries and halted construction activities, delaying the recognition of progress billings;) banks remaining cautious in residential property lending, as reflected in the low loan applied/approved ratio of 35% compared to 51%–53% during the 2011–2014 uptrend cycle); and (3) persistently subdued employment prospects against a backdrop of the prolonged pandemic, which are restraining consumers' commitment for the purchase of big-ticket items, particularly, a house. Our top pick for the sector is **Sunway** given the strong brand recognition established by its highly successful landmark developments and expanding healthcare business, supported by substantive unbilled sales and outstanding order book. **Lee Ching Poh**
REITs	For 3QCY21, REITs' results were largely in line with our expectations. Out of the 4 companies we cover, only IGB REIT recorded below expectation results. IGB REIT posted a distributable income of RM141mil for 9MFY21 (-22% YoY), accounting for only 59% and 65% of our and the streets' full-year estimates. We believe this is largely attributed to the higher-than-expected rental rebates arising from slower recovery from the pandemic and higher-than-expected reimbursement cost. Meanwhile, Pavilion REIT, Sunway REIT and YTL REIT results are all in line with our expectations. Pavilion REIT recorded a 6% YoY contraction of RM78mil for its distributable income as revenue eased by 4% YoY, mainly due to the lower occupancy rates of its shopping malls, as well as lower income from revenue-sharing rents, marketing events and advertising. Sunway REIT's 15MFY21 distributable income shrank by 39% YoY to RM154mil, as revenue dropped by 22% YoY as a result of lower rental income from the retail and hotel segments that were dampened by the various movement control orders (MCOs). YTL REIT's distributable income of RM18mil (+6% YoY) was lifted by the 14% increase in revenue, supported by the improved performances of its Australia portfolio which benefited from the participation in the government's isolation group business programme as well as the reduction in expenses from the group's internal costs saving efforts. We are OVERWEIGHT on the REIT sector. The earnings visibility and associated risks of the sector have now improved compared to last year thanks to the wide rollout of vaccines both locally and globally together with the reopening of domestic economy in stages. Based on our estimates, REITs under our coverage provide distribution yields of more than 5% for FY23F and beyond compared to the current low interest rate environment. We like the sector as a recovery play, poised to benefit from an expected rebound in Malaysia's post-pandemic economy.

Source: AmInvestment Bank

EXHIBIT 7: EARNINGS PERFORMANCE BY SECTOR

Sector	Earnings Performance
Technology	3Q results for technology companies under our coverage were largely in line with our and consensus estimates. Out of the 5 companies that we cover, MPI exceeded expectations while the results of ViTrox, Pentamaster, Globetronics and Inari were within expectations. MPI's 1QFY22 results recorded a core profit of RM86.9million accounting for 28% of both our and consensus' full-year estimates. YoY, MPI's core profit soared 45.9% on a 32.7% jump in revenue as sales rose across all its geographical segments, with Europe leading the growth at 43.1%. Meanwhile, Inari's 1QFY22 RM106.7mil core profit made up 29% and 28% of our and consensus' full-year estimates respectively. We consider the results in line as Inari's 1H for the past 3 years has been seasonally stronger due to the product launch cycle of its end customer's products. We remain upbeat on the sector's outlook. According to World Semiconductor Trade Statistics' forecast, global sales for semiconductors will grow to US$573bil in 2022, up 8.7% YoY. Demand for semiconductors will continue to be driven by transformative technologies such as 5G, artificial intelligence (AI), autonomous electric vehicles (EV) and Internet of Things (IoT). We reiterate our OVERWEIGHT stance as we believe the technology sector is well supported by industry trends as the world embraces automation and various smart products. Our top pick is MPI as its core strength lies in investing in the right technology at the right time. MPI is set to benefit from its early investment in silicon carbide and gallium nitride power products solutions, which have wide range of application in the fields of EVs, servers, renewable energy and consumer gadgets.
Telco	The telco sector's 9M2021 results were largely in line with our expectations. TM's 9MFY21 earnings rose 12% from higher wholesale data demand and unifi subscribers despite a 7% operating cost increase from higher customer acquisition and installation costs during Covid-19 movement control orders (MCO). Time dotCom (UNRATED) likewise registered results that were within expectations notwithstanding above-industry earnings growth of 22%. Sequentially, 3Q2021 cellular operators' (celco) core net profit rose by 8% QoQ to RM872mil on lower operating costs, partly offset by a 1% QoQ dip in revenue to RM5.4bil. Lower operating expenses largely caused 3QFY21 celco EBITDA margin to inch higher by 1.2% points QoQ to 45%, driven by the companies involved in the upcoming merger. While Maxis' 2QFY21 core earnings dropped 10% on increased depreciation/amortisation charges due to shortened useful lives of the group's spectrum rights, the sector generally expects a stronger 4QFY21 given the relaxation of movement restrictions. Maintain OVERWEIGHT rating on the sector with BUY call for TM, which has shown significant cost improvements and is poised for brighter revenue prospects under the government's MyDigital initiatives. Maxis remains a HOLD, currently trading at a fair CYF22 EV/EBITDA of 12x, at parity to its 3-year average of 12x. **Alex Goh**

Source: AmInvestment Bank

EXHIBIT 8: EARNINGS PERFORMANCE BY SECTOR

Sector	Earnings Performance
Transport & Logistics	In 3QCY21, the results for transportation & logistics companies under our coverage were mixed. Perak Transit and AirAsia's results came in above our expectations. Perak Transit reported a 9MFY21 core net earnings of RM40.5mil, making up 82% of our full-year forecasts (and 79% of consensus full-year estimates respectively). The key variance came largely from better-than-expected performance from its integrated public transport terminal (IPTT) operations, which has recorded a surge in revenue by 50% YoY despite of the prolonged lockdown, thanks to the new advertising income stream from Kampar Putra Sentral, as well as a higher recognition of the project facilitation fees. Likewise, AirAsia's 9MFY21 core net loss of RM2.2bil came in better than our earlier full-year net loss forecast of RM3.5bil (but below the full-year consensus estimates of a RM2.6bil net loss), largely stemming from the better-than-expected revenue/ASK, thanks to its active capacity management effort, better-than-expected revenue contribution from its digital businesses and a lower-than-expected operating. Westports and MAHB results met our expectations. For 9MFY21, Westports posted a core net profit of RM585mil (+5% YoY), on the back of 3% and 8% increases in its container and conventional volume handled respectively), higher incomes from value-added services, as well as lower finance costs. On the other hand, MAHB's 9MFY21 core net loss of RM654mil was due to a 30% YoY contraction in revenue, as passenger traffic dived by 40% YoY amidst low air travel demand due to Covid-19 travelling restrictions, and the temporary erosion of commercial rentals. Pos Malaysia's 9MFY21 results disappointed with a core net loss of RM155mil, as compared to our full-year net loss forecast of RMRM165mil and the consensus' full-year estimates of RM200mil. We believe this was due to the slower-than-expected recovery from its businesses, mainly dragged by the Covid-induced prolonged lockdown. All in, we are OVERWEIGHT on the transportation & logitsics sector. Seaport operators locally have recovered strongly from the pandemic. Meanwhile, the significantly expanded parcel delivery market locally has benefited parcel delivery players as well. The airlines and airport operators see opportunities in increased demand for freight services and their survival instinct has prompted them to innovate and develop new income stream while containing their cost to a bare minimum.

Source: AmInvestment Bank

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