HLIB Retail Research
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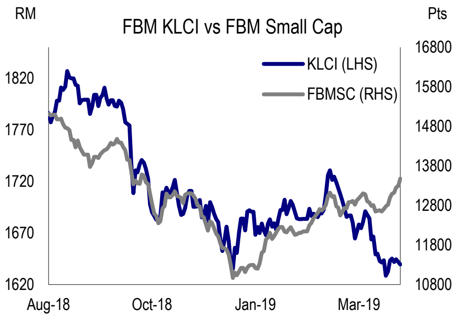
FBMKLCI	**1639.46**
Resistance	**1,666, 1,680**
Support	**1,626, 1,600**
52-W High	**1896.03**
52-W Low	**1626.93**

FBMKLCI vs FBM Small Cap



Sub-indices	1Q19 (%)
FBM KLCI	-2.8%
FBM ACE	12.5%
FBM Small Cap	11.9%
Energy	25.3%
Construction	23.6%
Telecommunications & Media	12.4%
Technology	10.8%
REITs	6.9%
Utilities	6.7%
Transportation & Logistics	5.5%
Plantation	4.1%
Property	3.8%
Consumer Products & Services	3.1%
Industrial Products & Services	1.5%
Financial Services	-1.9%
Healthcare	-5.8%

Top picks for retailers 1Q19

Stocks	S1	S2	R1	R2
SAPNRG	0.33	0.325	0.38	0.42
EATECH	0.475	0.46	0.55	0.60
KIMLUN	1.15	1.11	1.40	1.50
KERJAYA	1.20	1.18	1.38	1.45
GFM	0.47	0.455	0.55	0.58
TRC	0.64	0.63	0.75	0.78
SUPERMAX	1.40	1.37	1.55	1.62
DKSH	2.27	2.14	2.52	2.60
UCHITEC	2.70	2.65	3.16	3.31

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Retail Strategy

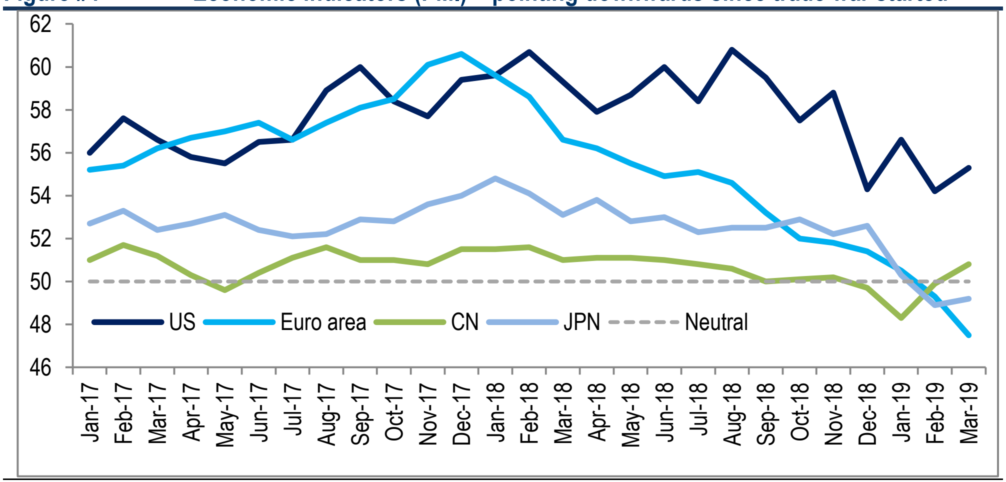
Volatile and newsflow-driven quarter

The lingering worries on trade war uncertainties, slower economic growth potential and inverted yield curve may continue to dampen the market tone moving forward. However, we see potential catalysts such as (i) recovering firmer Brent oil prices, (ii) optimism in construction sector, (iii) export-oriented companies amid weakening bias USD/MYR trend and (iv) defensive (consumer) and high dividend yielding corporates. Hence, we believe retailers will need to cherry-pick stocks for potential winners under the abovementioned sectors. We like (i) O&G: SAPNRG, EATECH, (ii) construction: KIMLUN, KERJAYA, TRC, GFM, (iii) export-oriented: SUPERMAX and (iv) defensive: DKSH, UCHITEC.

Market review

Trade war(i) uncertainties still persist… The prolong trade disputes between the US and China has started since mid-2018 and has been contributing towards weakening business sentiment and slowing economic activities globally. Meanwhile, **economic indicators globally are weaker since trade war started;** PMI manufacturing (Figure #1) in the US, China, Japan and Eurozone have been showing declining signs over the past 6 months.

Figure #1 Economic indicators (PMI) – pointing downwards since trade war started



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…global growth forecast slashed by the Fed and dovish monetary policy… With the weaker GDP data from US and China in 4Q18, major central banks have slashed their forecast for 2019, including the Fed, which recently slashed the economic forecast for 2019 during the FOMC meeting and reduced its interest rate outlook from 2 times to zero in 2019. This is being viewed as dovish and could be suggesting to the market participants that an economic slowdown could be setting in.

…triggered an inverted yield curve(ii). The 10-year Treasury yield has weakened against the 3-month bond yield, forming the inverted yield curve after the FOMC meeting, which led to a sell down in banking heavyweights.

(i) Trade war has not completely settle, however trade discussions are claimed to be progressing well between US and China.

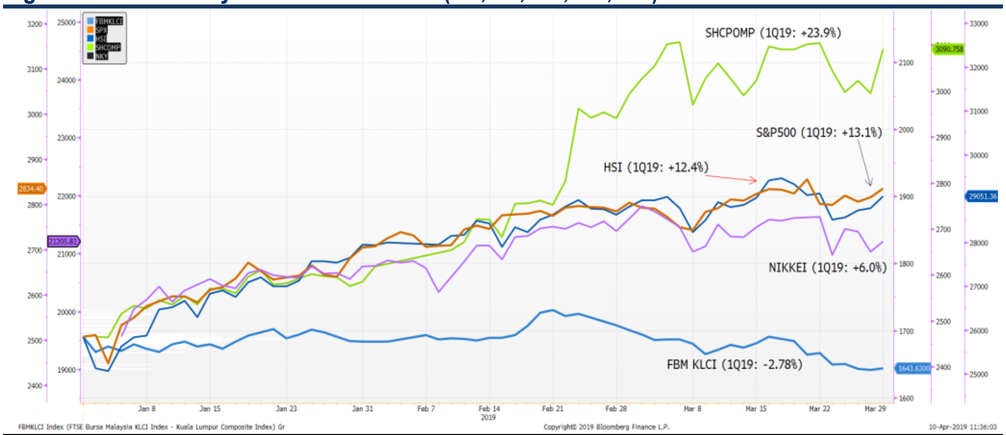
(ii) Inverted yield curve (10-year vs. 3-month) may point towards a recession in the next 6-24 months on a 4 out of 7 occasions (Source: Bloomberg).

Figure #2 **Yield curve (10-year vs. 3-month) – briefly crossing below zero in 1Q19**

HLIB Research, Bloomberg

Brexit - "Deal" or "No Deal"? The concerns lingering on Brexit is another factor contributing to the weaker tone across the region. At this juncture, we are waiting for PM Theresa May's deal or any alternative deals that could be passed in the near future. The Brexit deadlock situation, if it persists, would bring more uncertain moments towards global stock markets.

Figure #3 **Key benchmark indices (US, JP, CN, HK, MY)**

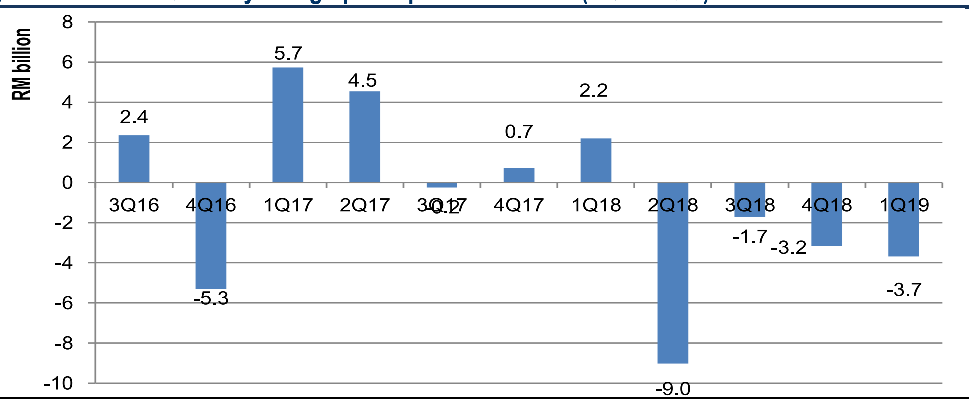


HLIB Research, Bloomberg

Softer growth outlook by BNM... Closer to home, BNM has revised downwards for Malaysia's GDP to grow at a range of 4.3-4.8% in 2019 (vs. 4.5-5.5% during the 11MP MTR); suggesting that the concerns of a slower growth are valid under the trade war environment.

…and foreign trade flow remains negative. Post GE14, foreign funds are still in the outflow position of RM3.7bn in 1Q19 (4Q18: RM3.2bn of outflow). We believe this may continue to pressure the KLCI in the near term as market participants are still speculating that BNM may cut OPR in next meeting, which could dampen the earnings for banks; hence limiting the upside on KLCI. Nonetheless, our economics team maintains its view for no changes in the OPR for 2019.

Figure #4 **Quarterly foreign participation statistics (3Q16-1Q19)**



Bursa, HLIB Research

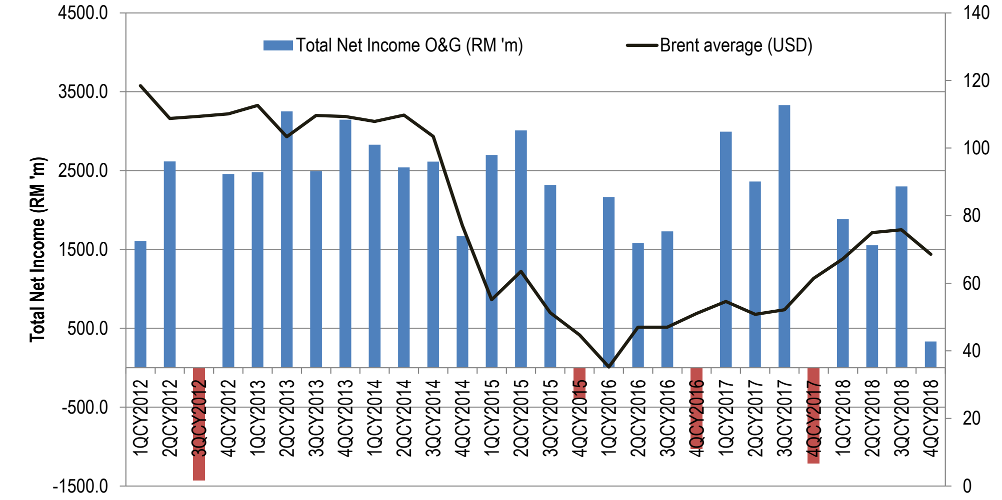
Market outlook for 2Q19

Positive catalyst that may flow through 2Q19. Nevertheless, there are slight optimism that were emerging since 1Q19 and positive sentiment could flow to 2Q19:-

(i) Firmer Brent crude oil prices at USD68.4 at end-1Q19 (+27.1% QoQ)
(ii) Recovery in construction job flows in 1Q19 by 20% QoQ
(iii) Potential revival of ECRL (at a lower cost) in the near future
(iv) BN-era projects worth RM14bn to continue
(v) Ongoing East Malaysia (EM) developments
(vi) Recovery of small caps and lower liners
(vii) Stable USD/MYR trend

Brent oil prices vs. total net income for O&G stocks (Figure #5). From the table below, we noticed in 4QCY2018, total net income for O&G stocks was positive (vs. net losses in 4QCY2017) after Brent crude oil bottomed out since early 2016. We believe the worst could be over and total net income may surprise on the upside.

Figure #5 Total net income for O&G stocks (RM m)



Bloomberg, HLIB Research

Recovery in job flow. According to our construction analyst, construction job flows has steadied in 1Q19 (QoQ: +20%, YoY: +4%). In addition, both the news flows on "continuation of BN-era projects (worth ~RM14bn)" and "potential revival of the ECRL" will be able to lift the construction sentiment in the near term. However, the timing of all these projects is still uncertain at this juncture. Nevertheless, ongoing East Malaysia developments will boost the construction environment from 2H19 onwards.

Figure #6 Quarterly contract awards to listed contractors (RM m)

	1Q18	4Q18	1Q19	QoQ (%)	YoY (%)
Domestic	4,584	3,962	4,756	*20%*	*4%*
Foreign	149	148	615	*315%*	*313%*
Total	4,733	4,110	5,371	*31%*	*13%*

HLIB compilation from Bursa announcements

Figure #7 Bursa Malaysia Indices performances

Sub-indices	Last price (10 Apr)	4Q18	1Q19	52-W High	52-W Low	Changes QoQ (%)	Potential upside to 52-W High
FBM KLCI	1639.5	1690.6	1643.6	1896.0	1626.9	-2.8%	15.6%
FBM Small Cap	13479.5	11298.7	12711.3	15194.9	10910.5	12.5%	12.7%
FBM ACE	4802.0	4317.5	4832.2	5650.3	4118.4	11.9%	17.7%
Construction	209.5	155.8	192.6	293.7	147.2	23.6%	40.1%
Technology	34.3	29.3	32.5	42.1	27.3	10.8%	22.8%
Property	924.4	876.1	909.2	1095.3	854.7	3.8%	18.5%
Industrial Products & Services	170.0	166.5	168.9	184.7	159.4	1.5%	8.7%
Plantation	7297.0	6903.0	7186.1	8101.0	6446.6	4.1%	11.0%
Financial Services	16860.1	17296.5	16969.1	18519.9	16297.0	-1.9%	9.8%
Consumer Products & Services	682.4	657.0	677.5	747.2	632.4	3.1%	9.5%
REITs	996.9	924.9	988.9	1002.7	860.7	6.9%	0.6%
Energy	1077.4	820.4	1028.2	1211.0	784.8	25.3%	12.4%
Utilities	1034.6	924.0	986.0	1036.1	896.6	6.7%	0.2%
Transportation & Logistics	773.4	726.2	766.2	889.6	707.5	5.5%	15.0%
Telecommunications & Media	682.6	600.3	674.9	726.3	582.5	12.4%	6.4%
Healthcare	1235.1	1304.7	1229.5	1386.2	1218.0	-5.8%	12.2%

Bloomberg, HLIB Research

Small cap and lower liners are still attractive towards 52W high. While the FBM KLCI has dropped 2.8% in 1Q19, both the Small Cap Index and ACE Index have increased 12.5% and 11.9%, respectively. From the table above, the range of trading for most of the sectors are quite decent, which has >5% upside to their respective 52W highs. This is with the exception for REITs (+0.6%) and utilities (+0.2%). Based on technicals, we believe the momentum could sustain, at least into 2Q19.

Figure #8 USD/MYR daily chart: Stabilised around RM4.05-4.09/USD

Bloomberg, HLIB Research

Retail strategy 2Q19

Riding along domestic catalysts. Despite unfavourable global sentiment due to US-China trade tensions, Brexit uncertainties, slowing economic indicators as well as slashing global growth forecast by central bankers globally, we will prefer to focus on domestic catalysts, which are related to the construction and O&G sectors. Apart from that, with dovish expectations, we believe investors may focus on high dividend yielders moving forward.

Theme 1: Firmer crude oil prices. As shown in Figure #5, we noticed that the total net income for O&G stocks have been recovering from a year ago and we think the worst could be over and the rising Brent oil prices could lend a support to the trading sentiment amongst O&G stocks into 2Q19. Within this space, we like **Sapura Energy** and **E.A. Technique** on the back of a base building formation.

Theme 2: Slight optimism in construction sector. Following several news flow on potential revival of ECRL and continuation of BN-era projects (worth RM14bn), coupled with ongoing East Malaysia developments, we opine trading interest could pick up further in 2Q19. Under the construction theme, we like **Kimlun, GFM Services, Kerjaya Prospek and TRC Synergy.**

Theme 3: Export-oriented companies. We noticed the USD/MYR trend has been on a weakening bias mode over the past week, targeting the RM4.15/USD level. Hence, this could bode well for exporters; we like **Supermax** under this segment.

Theme 4: Defensive (consumer-related) and high dividend yielders. With dovish expectations, the trading tone could point towards the defensive (net cash and stable dividend) theme. Under this strategy, we like **DKSH** and **Uchi Technologies**.

Figure #9 Top retail picks

Stocks	Price (10Apr)	S1	S2	R1	R2	LT TP	Cut Loss
SAPNRG	0.34	0.33	0.325	0.38	0.42	0.45	0.32
EATECH	0.50	0.475	0.46	0.55	0.60	0.645	0.45
KIMLUN	1.17	1.15	1.11	1.40	1.50	1.60	1.08
KERJAYA	1.30	1.20	1.18	1.38	1.45	1.48	1.15
GFM	0.54	0.47	0.455	0.55	0.58	0.605	0.44
TRC	0.705	0.64	0.63	0.75	0.78	0.81	0.615
SUPERMAX	1.50	1.40	1.37	1.55	1.62	1.80	1.36
DKSH	2.39	2.27	2.14	2.52	2.60	2.87	2.13
UCHITEC	2.80	2.70	2.65	3.16	3.31	3.54	2.55

HLIB Research

Retail stock picks for 1Q19

Sapura Energy Berhad
EARNINGS SUMMARY

FYE Jan	FY18	FY19	FY20E	FY21E
Revenue (RM'm)	5,895.0	4,568.4	5,550.0	5,923.0
Core PATAMI (RM'm)	-2,503.5	207.5	78.7	303.7
Issued shares (m)	5,946.7	6,056.2	6,348.6	6,348.6
EPS (sen)	-42.1	3.4	0.4	1.6
Dividend (sen)	1.0	0.0	0.0	0.0
P/ E (x)	NM	9.9	85.0	21.3
DY (%)	2.9	0.0	0.0	0.0

Source: HLIB

SAPNRG – Done with kitchen sinking and may pick up in FY20

Integrated O&G services and solutions provider. SAPNRG is a leading global integrated O&G services and solutions provider operating across the entire upstream value chain, with global presence in over 20 countries. Services that SAPNRG provide include: (i) Engineering and construction – providing end-to-end turnkey Engineering, Procurement, Construction, Installation, and Commissioning (EPCIC) solutions (ii) drilling and (iii) exploration and production.

Trading Catalyst

Core losses widened but offset partially by energy segment. SAPNRG's core losses widened by 2.8x to RM944.9m in FY19 dragged by weaker performances for E&C segment and drilling segment. However, it was cushioned by stronger energy segment on the back of higher liftings and average Brent oil prices.

Healthy order book and robust tender book. As of end-FY19, SAPNRG's order book stood at RM17.2bn including total wins of RM9.3bn in FY19, part of RM6.9bn and RM4.0bn will be recognised in FY20-21 respectively. Also, there could be further addition towards the order book on the back of robust USD11bn tender book whereby 56% of it is coming from the Middle East and Africa.

HLIB target at RM0.43. Despite the weaker results on the back of kitchen sinking activities in FY19, we believe that SAPNRG should be able to record better sequential quarterly results, with a potential turnaround in the 2HFY20 on the back of a pickup in in E&C contribution, coupled with the healthy backdrop on firmer crude oil prices.

Technical Outlook

Figure #10 SAPNRG weekly chart: Monitor for a breakout above RM0.37

HLIB Research, Bloomberg

Anticipating a breakout above RM0.37. SAPNRG has surged strongly above the RM0.32 level with higher volumes in March 2019. This has marked a short term trend reversal formation and we believe SAPNRG may continue its upward move as the ADX indicator has turned positive (+DMI>-DMI). Should the price breach above RM0.37, next target will be located around RM0.38-0.42, with a LT TP at RM0.45. Support will be anchored around 0.325-0.33. Cut loss will be set at RM0.32.

E.A. Technique (M) Berhad
EARNINGS SUMMARY

FYE Dec	FY17	FY18	FY19E	FY20E
Revenue (RM'm)	367.0	419.0	276.0	280.0
PATAMI (RM'm)	-121.1	74.2	36.7	39.1
Issued shares (m)	504.0	504.0	504.0	504.0
EPS (sen)	-24.0	14.7	7.3	7.8
P/ E (x)	NM	3.4	6.8	6.4

Source: Bloomberg

EATECH – Taking a ride on the back of firmer crude oil trend

Ship owning and operator of marine vessels. E.A. Technique Group (EATECH) is principally involved in (i) marine transportation and offshore storage of O&G, where tankers are used to transport refined petroleum products from oil refineries to end user for further processing as well as operating Offshore Supply Vessels (OSV) for the provision of port marine services in the form of fast crew boats to transport personnel/light cargoes between shore and platform and etc., (ii) marine engineering service – which include Engineering, Procurement, Construction, Installation & Commissioning (EPCIC) activities and shipbuilding & ship repair activities and (iii) provision of port marine services for petrochemical and bulk & containerised ports in Malaysia.

Trading Catalyst

Taking a ride in the crude oil boom… With the improved outlook on the O&G sector following the run-up in crude oil prices we anticipate O&G players to ramp up in expansion plans moving forward. Since EATECH is involved in serving end users that are related to O&G industry, we see this as an opportunity for its business in the upcoming quarters.

…and it has turned around at least in FY18. Following the core net loss of RM143.4m in FY17, EATECH has turned positive for FY18, registering RM34.5m in core net profit led by a recovery in the EPCIC segment.

Sailing through with decent order book. As of end-FY18, EATECH's order book stood at RM572.5m with additional RM216.7m for extension period. EATECH has been awarded contracts for (i) Petroleum Arrangement Contractors production operations (3 years with 2 extension options of 1 year each upon expiry), (ii) provision of 3 Harbour Tugs and 1 multi-purpose mooring boat for Sg Udang Port Sdn Bhd Regasification Terminal (6 months with 6 months extension) and (iii) provision of harbour tugs for Kerteh Port Sdn Bhd for 5 years.

Technical Outlook

Figure #11 EATECH weekly chart: Monitor for a breakout above RM0.52, TP at RM0.645

HLIB Research, Bloomberg

Mid-term trend turning positive. After the recent volatile move (heavy sell down during final week of Feb) on EATECH, it has stabilised and is retesting the immediate resistance at RM0.515. The ADX Indicator is positive at this juncture and the share price could be poised for a breakout. If EATECH surges above RM0.515, next target will be at RM0.55-0.60, while LT TP is envisaged around RM0.645. Support will be pegged along RM0.46-0.475, with a cut loss point at RM0.45.

Kimlun Corporation
EARNINGS SUMMARY

FYE 31 Dec	FY17	FY18	FY19E	FY20E
Revenue (RM'm)	985.0	1,012.0	1,001.0	887.0
Core PATAMI (RM'm)	68.5	61.1	63.4	55.7
Issued shares (m)	331.9	331.9	331.9	331.9
EPS (sen)	20.6	18.4	19.1	16.8
P/E (x)	5.7	6.4	6.1	7.0
DPS (sen)	5.5	3.7	4.9	4.3
DY (%)	4.7	3.2	4.2	3.7

Source: HLIB

PEERS COMPARISON

Stocks	Price	EPS (sen)	Remarks	P/E (x)
KIMLUN	**1.17**	**19.1**	**FY19E**	**6.1**
AZRB	0.56	2.7	Trailing	20.4
TRC	0.71	4.3	Trailing	16.2
HSL	1.41	13.4	FY19E	10.5
NAIM	1.20	12.0	Trailing	10.0
Average				14.3
Vs peers				**-57%**

Source: HLIB, Bloomberg

KIMLUN – Undemanding valuations values supported by strong order book

The IBS expert from Johor. KIMLUN (listed in June 2010) is based in Johor and primarily involved in (i) construction and the manufacture of concrete products (mainly supplying to Singapore), (ii) property development and (iii) trading in construction and building materials. Currently, it is one of the few players in Malaysia that offer full fledge Industrial Building System (IBS) construction method from the design, fabrication of building components and up to installation at site.

Trading Catalyst

Strong earnings visibility with decent construction order book. We like KIMLUN for its (i) promising earnings prospects, (ii) healthy balance sheet (net cash in FY19/20), (iii) proven delivery track record, and (iv) reputable clientele from both private and public sector. KIMLUN's outstanding construction order book now stands at c.RM1.9bn, translating to 2.4x cover on FY18 construction revenue. Management's FY19 order book replenishment target of RM600-800m remains intact and future jobs bidding will be focus on affordable housing development. Potential revival of government projects in the future includes the Klang Valley Double Track (RM3bn), ECRL (RM35-40bn), KL-SG HSR (RM25bn), and Klang Valley MRT 3 (RM20bn) also augurs well for KIMLUN.

Manufacturing order book stood at RM300m, representing c.1.5x cover on FY18 manufacturing revenue. FY19 manufacturing job wins are expected to be in the range of RM80-120m. Going forward, manufacturing job wins are likely to be driven by the extension of Singapore MRT rail network and North-South Corridor Expressway.

A proxy to Sarawak's stimulus measures. We expect KIMLUN to be one of the beneficiaries of Sarawak's robust development expenditure due to its established footprint in the state as one of the work package contractor in Pan Borneo Sarawak project. Sarawak state government has allocated c.RM9bn for development expenditure under state budget 2019 which is the biggest in the history of the state.

Deeply undervalued. The 43% plunge from post GE14 to RM1.17 (from RM2.05) has grossly priced in the headwinds currently faced by the construction sector, in wake of a major cutback in infrastructure spending and the reduction in overall margins as the government observes higher standards of transparency and accountability. Current valuations are cheap at 6.1x FY19E P/E (57% below peers) and 0.59x P/B (25% below peers), supported by 4.2% DY.

Technical Outlook

Figure #12 KIMLUN weekly chart: Poised to break the short term resistance at RM1.21

HLIB Research, Bloomberg

Downside risk is limited. Although share prices could remain subdued in the near term, we see the RM1.11-1.15 as good entry levels, supported by steeply oversold positions. A strong breakout above immediate resistance at RM1.21 (mid Bollinger band) could indicate potential downtrend reversal, with further upside targets at RM1.30-RM1.40 and 1.50 (LT TP). Supports are pegged at RM1.11-1.15 levels. Cut loss is near RM1.08.

TRC Synergy Berhad
EARNINGS SUMMARY

FYE Dec	FY17	FY18	FY19E	FY20E
Revenue (RM'm)	728.2	747.0	884.0	1025.0
PATAMI (RM'm)	30.2	20.8	34.9	43.4
Issued shares (m)	480.5	480.5	480.5	480.5
EPS (sen)	6.3	4.3	7.5	9.4
Dividend (sen)	1.9	2.8	2.4	3.0
P/ E (x)	11.2	16.2	9.4	7.5
DY (%)	2.7	4.0	3.4	4.3

Source: Bloomberg

TRC – Proxy to East Malaysia construction development

Ventured into construction and property development. TRC is engaged in 3 different segments: (i) construction – more than 30 years track records with completed projects of more than RM8bn in value, order book as of end-2018 stood at RM3bn, (ii) property development – commenced since 2002 and completed more than RM375m development projects. Besides, TRC has 400 acres of land bank across Australia and Malaysia with an estimated GDV of RM2.26bn and (iii) hospitality business.

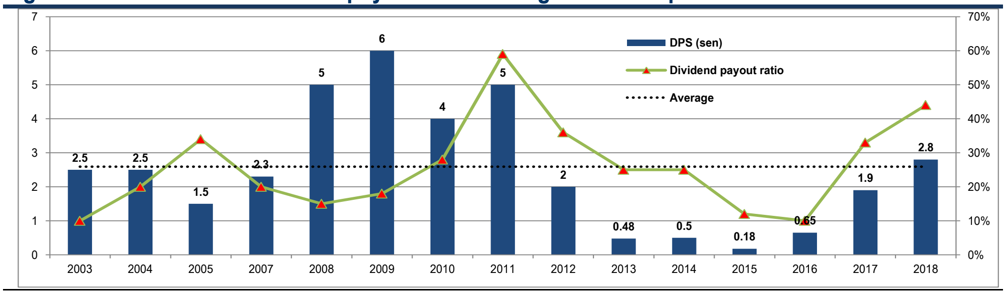
Trading Catalyst

Taking part in Sarawak projects. TRC has a Unit Pendaftaran Kontraktor ("UPK") license issued by Sarawak State since 1990s, which enables the Company to bid for the state projects that are initiated by the Sarawak Government. Hence, TRC may tender for projects in Sarawak such as (i) Coastal Road Project (RM11bn), (ii) 2nd Trunk Road Project (RM6bn), and (iii) Water Grid Project (RM8bn).

Healthy construction order book of RM3bn. As of end-2018, TRC has a decent RM3bn order book, which represents 3.6x of FY18 construction revenue. In addition, TRC is currently tendering for RM2.64bn of construction projects and the management could be targeting replenishment of RM600-700m for FY19-20.

Decent dividend paymaster throughout the years. Since listing, TRC has been rewarding shareholders with decent dividend (Figure #13). The growth of dividend per share has been quite significant over the past 2 years after a tepid season throughout 2013-2016.

Figure #13 TRC total dividend payout since listing – 37.3 sen per share



HLIB Research, Bloomberg

Technical Outlook

Figure #14 TRC weekly chart: Uptrend intact, targeting RM0.795

HLIB Research, Bloomberg

Rebounded off RM0.615 support. After the recent breakout-retrace-continuation formation, price has been rallying higher towards the RM0.70 zone. With the positive ADX indicator (+DMI > -DMI), we see potential upside for TRC. Next target will be pegged around RM0.75-0.78, with a LT target at RM0.81. Support will be located around RM0.63-0.64, with a cut loss point set below RM0.615.

GFM Services – Brighter years ahead with robust order book

GFM Services
EARNINGS SUMMARY

FYE 31 Dec	FY17	FY18	Proforma KPMD earnings	FY19E
Core PATAMI (RM'm)	9.9	13.5	18.0	23.3
Issued shares (m)	9.5%	11.0%	-	13.5%
EPS (sen)	470.9	470.9	-	470.9
P/E (x)	2.1	2.9	-	4.95
DPS (sen)	25.7	18.8	-	10.9
DY (%)	0.9	-	-	-

Source: Company, HLIB

***FY19E core earnings is derived from FY2018 + KPMD earnings – interest payment for the RM165m sukuk (assuming 6.65% rate)*
**FY18 earnings include one-off corporate expenses*

PEERS COMPARISON

Stocks	Price	EPS (sen)	Basis	P/E(x)
GFM	**0.540**	**4.9**	**FY19E**	**10.9**
AWC	0.780	10.0	FY19E	7.8
EDGENTA	2.790	17.9	FY19E	15.6
Average				**11.7**
vs peers				**-6.7%**

Source: Bloomberg, HLIB

Another IFM services provider. GFM (listed on the ACE Market in Jan 2017 through a reverse takeover of AsiaEP) is an integrated facilities management (IFM) service provider in Malaysia. Its services include (i) Hard FM - mechanical systems, electrical systems, civil, structural and plumbing services, (ii) Soft FM Services - cleaning, housekeeping, landscaping, pest control and security management and (iii) Advisory - process planning & advisory, review of designs & facility conditions and training.

Trading Catalyst

On track for a strong growth ahead. Frost & Sullivan estimates that the local IFM market is set to grow from RM4.79bn in 2017 at 9.2% CAGR to RM7.43bn in 2022, mainly driven by increasing demand from the public/ private sectors. GFM is likely to benefit from the growing integrated facilities management (IFM) market in Malaysia, as it delivers FM to organisations, allowing them to focus on their core activities/ business, minimising unnecessary costs from inefficient FM processes.

Positive KPMD acquisition. In Nov 2017, GFM has successfully completed the 100% acquisition of university asset concessionaire, KP Mukah Development S/B (KPMD) for RM122.5m (via Sukuk bonds and internal generated funds). KPMD holds a 23-year concession awarded by the Government of Malaysia and UiTM, which entails 3 years of the design and construction of UiTM Mukah campus in Sarawak and 20 years for the provision of facilities management services ending 2035. Overall, the strategic acquisition allows GFM to move up the value chain and widen its scope from being a facilities management services provider into a full-scale build, lease, maintain and transfer concession holder.

Robust order book at RM1.4bn. With the completion of KPMD, GFM's outstanding order book is boosted to RM1.4bn (with 24 on-going projects and 100% contract renewal rate in 2018), together with RM700m tender book. Besides, GFM is eyeing the luxurious RM8.7bn BBCC project (JV by the EPF, Eco World and UDA). GFM is currently involved in the pre-construction phase of the Bukit Bintang City Centre (BBCC) for the provision of preliminary facilities management consultancy services.

Values resurface. GFM is currently trading at 10.9x P/E (6.7% discount to its peers and 50% below its 17M average of 22x). Moreover, GFM is likely to attract more institutional investors once its application to transfer to the Main Market is successful.

Technical Outlook

Figure #15 GFM Daily chart: Monitor for a breakout after a solid base is formed

HLIB Research, Bloomberg

Forming a solid base. After plunging 40% from 52W high of RM0.605 to a low at RM0.365, GFM has been trending higher to end at RM0.495. A successful breakout above RM0.51 (30D SMA) will bode well for further advance towards RM0.55 (YTD high)-RM0.58 (upper channel) before reaching our LT price target of RM0.605. Key supports are RM0.47 (100D SMA) and RM0.455 (1 March low). Cut loss at RM0.44.

Kerjaya Prospek Group
EARNINGS SUMMARY

FYE 31 Dec	FY17	FY18	FY19E	FY20E
Revenue (RM'm)	956	1,069	1,280	1,381
PATAMI (RM'm)	128	145	155	163
Issued shares (m)	1,242	1,242	1,242	1,242
EPS (sen)	10.3	11.7	12.5	13.1
Dividend (sen)	3.0	2.0	3.5	3.5
P/ E (x)	12.6	11.1	10.4	9.9
DY (%)	2.3	1.5	2.7	2.7

Source: Bloomberg

PEERS COMPARISON

Stocks	Price	Market Cap (RM'm)	FY19 ROE %	FY20 ROE %
KERJAYA	**1.30**	**1,614.6**	**13.2**	**13.3**
IJM	2.34	8,508.2	6.3	7.4
GAMUDA	3.30	8,144.4	8.2	7.5
SUNCON	1.96	2,534.3	22.0	22.0
HSL	1.41	821.6	9.9	10.5
Average			11.6	11.9
vs peers			**14%**	**12%**

Source: Bloomberg, HLIB

PEERS COMPARISON

Stocks	Price	FY19 PE (x)	FY20 PE (x)	Latest FY margin (%)
KERJAYA	**1.30**	**10.4**	**9.9**	**14%**
IJM	2.34	22.5	17.9	6.0
GAMUDA	3.30	12.7	13.2	12.2
SUNCON	1.96	17.8	16.8	6.4
HSL	1.41	10.5	8.9	8.8
Average		15.9	14.2	8.4
vs peers		**-35%**	**-30%**	**5.2%**

Source: Bloomberg, HLIB

KERJAYA – Sailing smoothly despite headwinds ahead

A premium and efficient building contractor. KERJAYA has three main business segments: (i) Construction (C.90% of FY18 revenue) - main building construction works, provision of contract workmanship and other related services, (ii) manufacturing (c.1% of FY18 revenue) - manufacture, assemble, installation and sale of light fittings, furniture, kitchen cabinetry and related products and, (iii) Property Development (c.8% to FY18 revenue) - development of residential and/or commercial properties.

Trading Catalyst

Thriving in a challenging property market. Despite facing headwinds in construction and property markets, KERJAYA continues to deliver and outdo its peers with a strong FY16-18 EPS CAGR of 20%, coupled with an outstanding order book of RM3.2bn with a 3-year earnings visibility and steady job flow from its diverse client pool. On the back of developers' challenging outlook with shrinking margins and profitability, they are forced to go back to delivery and quality to preserve margins and strengthen brand quality to fight for market share. Overall, KERJAYA's strong track records in timely project delivery have made them a highly sought-after contractor by prominent developers such as E&O, SP Setia and Eco World Development, which have been KERJAYA's return clients.

Great value after recent sell down. We believe the 19% correction post GE from RM1.60 to RM1.30 has grossly priced in the headwinds currently faced by the construction and property sectors. Downside risk is limited, cushioned by company's share buy-back exercise and the cheap valuation. KERJAYA is currently trading at10.4x FY19E P/E (35% below peers), supported by a steady 6% FY18-20 EPS CAGR and stronger PAT margins and ROE against peers. Besides, KERJAYA's balance sheet is strong with RM192m net cash or 15.5sen/ share.

Technical Outlook

Figure #16 KERJAYA Weekly chart: Poised for a downtrend line breakout

HLIB Research, Bloomberg

Poised for a downtrend line breakout. After correcting 38% post GE14 from RM1.60 to a low of RM0.99, share prices had formed a double bottom before gradually recovering to end at RM1.24. We believe the stock is ripe for a downtrend line breakout at RM1.31 in the near term. A decisive breakout will spur prices higher towards share prices higher towards RM1.38 (21 Feb) and RM1.45 before reaching our LT goal of RM1.48 (50% FR) levels. Key supports are RM1.18-1.20. Cut loss at RM1.15.

Supermax Corporation Bhd
EARNINGS SUMMARY

FYE 31 June	FY18	FY19E	FY20E	FY21E
Revenue (RM'm)	1,304	1,638	1,893	2,126
PATAMI (RM'm)	107.0	128.0	140.0	155.0
Issued shares (m)	1,360	1,360	1,360	1,360
EPS (sen)	7.9	9.4	10.3	11.4
Dividend (sen)	4.0	4.0	5.0	5.5
P/ E (x)	19.1	15.9	14.6	13.2
DY (%)	2.7	2.7	3.3	3.7

Source: Bloomberg

PEERS COMPARISON

Stocks	Price	YTD chgs	FY20E EPS	P/E(x)
SUPERMX	**1.50**	**-13.8%**	**10.3**	**14.6**
HARTA	4.69	-15.5%	17.0	27.6
TOPGLOVE	4.57	-6.9%	20.4	22.4
KOSSAN	3.52	-7.6%	21.6	16.3
Average				22.1
vs peers				**-34%**

Source: Bloomberg, HLIB

SUPERMAX – An undervalued laggard

From gloves to contacts lens. SUPERMAX is a leading international manufacturer (export to over 160 countries, such as the US, EU, Middle East, Asia and South Pacific countries), distributor and marketer of high-quality medical gloves. It has 12 factories manufacturing various types of natural rubber and nitrile latex glove. Since 2016, SUPERMAX diversified and became Malaysia's very first home-grown contact lens manufacturing company. It had successfully commissioned its manufacturing facility in Malaysia after carrying out extensive R&D activities in the UK.

Trading Catalyst

Steady growth. Global consumption for rubber gloves is still expected to grow at a rate over c.8% pa, well surpassing the expected global economic growth of c.3.0-3.5% per annum for 2019-2020. With 12 manufacturing plants in Malaysia, SUPERMAX has a combined installed capacity of over 28bn pieces per annum, capturing about 11-12% of the global market share.

The 12th plant is fully ready by 1Q2020. The construction works to build the 12th plant in Meru, Klang started in June 2018 and is expected to be completed in two stages in 3QFY19 and 3QFY20, which will grow its total glove production capacity by ~20% to 29bn pieces by 1Q2019. Based on consensus, SUPERMAX's FY18-21 earnings is expected to grow by 13%, given the group's effort to: (i) enhanced margins via rebuild and replace old production facilities to improve yields and productivity, (ii) new capacity and (iii) reduced losses from its contact lens division.

New earnings kicker. SUPERMAX has diversified to become a potential market leader in another global industry i.e. contact lens with its very own brand, AVEO and the global trade name; AveoVision. To-date, its contact lens are exported to Europe, Japan, North America, Latin America, Middle-East, West Africa, South Korea, South Asia, Eastern Europe and Asia-Pacific Countries. SUPERMAX expects this segment to turn profitable in 2 years.

Negatives priced in. SUPERMAX's market capitalisation dived RM1.0bn or 35% to from 52W high of RM2.31 to a low of RM1.50 amid waning USD boost, demand-supply imbalance, pricing competition and overcapacity, as well as the short term negative prospects for its contact lens. In our view, we opine that those risks are overblown and could have been largely priced in, as valuation is undemanding at 14.3x FY20 P/E (14% below 3Y average of 17x), supported by the structural positive long-term prospects and a CAGR 13% for FY18-21 EPS.

Technical Outlook

Figure #17 SUPERMAX weekly chart: Potential triangle breakout

HLIB Research, Bloomberg

Poised for a triangle breakout. SUPERMX's weekly chart is trending sideways between the range of RM1.40-1.60 over the past 9 weeks and we believe it is a bottoming out formation. As technical indicators are showing signs of bottoming up, we may anticipate a triangle breakout above RM1.55 (downtrend line), followed by a 1.62 and LT target of RM1.80. Support will be set around RM1.37-1.40, with a cut loss at RM1.36.

DKSH Holdings (M)
EARNINGS SUMMARY

FYE 31 Dec	FY17	FY18	FY19E	FY20E
Revenue (RM'm)	5,510	6,012	5,973	6,222
PATAMI (RM'm)	52.0	44.6	48.0	50.0
Issued shares (m)	157.7	157.7	157.7	157.7
EPS (sen)	33.0	28.3	30.4	31.7
Dividend (sen)	9.5	8.0	8.0	8.0
P/ E (x)	7.2	8.4	7.8	7.5
DY (%)	4.0	3.3	3.3	3.3

Source: Bloomberg

PEERS COMPARISON

Stocks	Price (RM)	Market Cap (RM'm)	BVPS (RM)	P/B (x)
DKSH	**2.39**	**377**	**3.79**	**0.63**
YEELEE	1.88	360	3.29	0.57
HARISON	3.88	266	4.50	0.86
Average				0.72
vs peers				**-11.9%**

Source: Bloomberg, HLIB

PEERS COMPARISON

Stocks	Price (RM)	EPS (sen)	Basis	FY19 P/E (x)
DKSH	**2.39**	**30.4**	**FY19E**	**7.8**
YEELEE	1.88	22.5	FY19E	8.4
HARISON	3.88	35.5	FY18	10.9
Average				9.6
vs peers				**-18.6%**

Source: Bloomberg, HLIB

DKSH – Creating synergies through Auric acquisition

Leading international market expansion services provider. DKSH is majority owned by the DKSH Group of Switzerland (listed on the SIX Swiss Exchange). With its strong Swiss heritage and long business tradition since 1865, DKSH is deeply rooted in Asia Pacific, serving more than 180 clients and 14,500 customers across Malaysia, focusing on consumer goods, healthcare and performance materials and offers a wide range of market expansion services to business partners in their respective areas. DKSH has successfully completed the acquisition of Auric Pacific in Singapore and Malaysia in March 2019 for a cash consideration of ~RM481m, where Auric is involved in the distribution of chilled and frozen products and food services channel in Malaysia (Auric average profit margins are c.7% compared to DKSH's 1-2%). With this move, DKSH increases its exposure to the high-margin food service business and expands its presence in the consumer goods industry in Asia.

Trading Catalyst

Stable growth supported by population and cost optimisation initiatives. The client and customer portfolio remains well diversified and supported by a strong sales, marketing and distribution infrastructure with a capillary reach. With a scalable business model, the Group offers a comprehensive portfolio of services along the entire value chain, customised and tailor-made to clients' specific needs. Replicating its parent's impeccable productivity and efficiency strategy over to its Malaysia's arm, DKSH managed to record 10Y sales and net profit CAGR of 6% and 9%, respectively, alleviating investors' fears of its razor thin margin business natures. Consensus is projecting FY18-20 earnings CAGR of to grow by 5.9%, supported by GDP growth that should eventually lead to a more stable consumer spending on FMCGs and healthcare products amid rising trend for outsourcing, growing middle class and market expansions into Asia.

Values resurface. In anticipation of weaker results in 1HFY19 due to higher interests and overhead costs following the acquisition of Auric Pacific and the commencement of an efficiency and profitability improvement project in the Marketing and Distribution segment, DKSH share prices corrected 17% from YTD high of RM2.87 to end at RM2.39. Valuations are undemanding at 7.8x FY19 P/E (18.6% below its peers) and 0.63x P/B (11.9% lower than its peers), supported by the potential synergies to be created by DKSH-Auric Pacific through extension of client portfolio base, cross selling and expansion of house brands product range.

Technical Outlook

Figure #18 DKSH Daily chart: Oversold and could be due for reversal

HLIB Research, Bloomberg

Potential downtrend reversal amid hammer pattern. After plunging 50% from 52-week high of RM4.30 (May 2018) to a low of RM2.14 (Dec 2018), DKSH rebounded to YTD high of RM2.87 (25 Feb) before retracing back at RM2.35. We expect a potential downtrend reversal pattern in the near term following the hammer formation on 1 Apr. A successful breakout above the mid Bollinger band near RM2.41 will lift share prices higher towards RM2.52 and RM2.60 (downtrend line) before reaching our LT goal of RM2.87. Key supports are near RM2.27 and RM2.14. Cut loss at RM2.13.

Uchi Technologies Berhad
EARNINGS SUMMARY

FYE Dec	FY17	FY18	FY19E	FY20E
Revenue (RM'm)	136.6	140.0	155.3	164.5
PATAMI (RM'm)	70.5	69.0	73.2	76.5
Issued shares (m)	438.3	453.3	452.8	452.8
EPS (sen)	16.1	15.4	16.0	17.0
Dividend (sen)	15.0	15.0	16.5	16.3
P/ E (x)	17.4	18.2	17.5	16.5
DY (%)	5.4	5.4	5.9	5.8

Source: Bloomberg

UCHITEC – Stable high-end equipment provider

Company profile. UCHITEC engaged in the manufacturing of touch screen advance display, high precision light measurement (optoelectronic) equipment, mixed signal control system for centrifuge/ laboratory equipment, mixed signal microprocessor based application, system integration products and electronic modules. It is also engaged in the trading of complete electric module and saturated paper for Printed Circuit Board (PCB) lamination. Products manufactured include (i) Electronic control modules (consumer electrical appliances) - fully-auto coffee machines and other art-of-living products and (ii) Biotechnology products - high-precision weighing scales and centrifuges and other laboratory and industrial equipment.

Trading Catalyst

Niche market, high margins business on the back of good management team and pioneer status. UCHITEC focuses on Art-of-Living products, consisting of high-end consumer electrical appliances such as fully-auto coffee machines, while Biotech products consisting of laboratory and industrial equipment such as high-precision weighing scales and centrifuges, they are able to generate high operating margins.

Solid fundamentals over the past 10 years (Figure #19). Average dividend yield of 4.2% over the past 10 years (3Y: 4.9%), while average profit margin and ROE stood at 45.5% (3Y: 48.9%), and 25.0% (3Y: 29.2%), respectively.

Figure #19 2009-2018: Dividend yield (%), ROE (%) and Profit margin (%)

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	10Y Avg	3Y Avg
Dividend (sen)	8.2	7.3	10.9	10.9	10.0	9.1	9.1	11.0	15.0	15.0		
DY (%)	2.9	2.6	3.9	3.9	3.6	3.3	3.3	4.0	5.4	5.4	3.8	4.9
ROE (%)	16.2	30.6	26.6	23.9	20.7	20.9	23.3	23.0	28.9	35.6	25.0	29.2
Profit margin (%)	32.4	52.1	47.4	48.6	41.6	42.0	43.8	45.9	51.6	49.3	45.5	48.9

Bloomberg

Pioneer status granted for another 5 years. A wholly owned subsidiary, Uchi Optoelectronic (M) Sdn Bhd has been granted pioneer status by the Malaysian Investment Development Authority (MIDA) for another 5 years for the "design, development and manufacturing of real-time centralised energy measurement and control system, high precision hot fluid temperature control system, and ultra-low temperature and mass sensing control system for bio-chemical equipment".

Technical Outlook

Figure #20 UCHITEC weekly chart: Poise for a breakout towards RM3.54

HLIB Research, Bloomberg

Sideways consolidating and poise for an uptrend move. Share price has been trending sideways between the RM2.60-RM2.80 over the past few months and the ADX Indicator has shown a positive crossing (-DMI crossed below ADX). Hence, should there be a breakout above RM2.80, next target will be at RM3.16-3.31, followed by a LT TP of RM3.54. Support will be set around RM2.55.

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HOLD	Expected absolute return of -10% to +15% over the next 12-months.
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