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# Ringgit and crude oil price pull down corporate results

## Many more firms fail to meet earnings expectations in third quarter

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**PETALING JAYA:** The recently concluded corporate results season was rather disappointing, with a lot more companies failing to meet earnings expectations in the midst of the weaker ringgit and prolonged low crude oil prices.

According to MIDF Research, the percentage of companies within its universe which registered earnings that came in below its expectations rose to 33% in the third quarter of this calendar year from 23% in the prior quarter.

"Nevertheless, it is noteworthy that the percentage of positive surprises remained at 5% during the quarter under review vis-à-vis the second quarter of this calendar year.

"Accordingly, companies with results that were in line with expectations declined to 62% in the third quarter from 72% in the prior quarter," it said in a corporate results round-up report yesterday.

MIDF said banking and technology were the few sectors which recorded higher total earnings in the third quarter when compared to both the preceding quarter and the corresponding period last year.

On the other hand, it said that the automotive, building material, consumer, finance and media sectors were those that showed negative sequential as well as on-year earnings growth percentages in the third quarter.

MIDF also pointed out that the ratio of outperformers against the underperformers among the FBM KLCI constituents remained skewed toward the latter at two to five in the third quarter.

"The outperformers were Petronas Dagangan Bhd and Tenaga Nasional Bhd, while the underperformers were CIMB Group Holdings Bhd, Malayan Banking Bhd, MISC Bhd, Sime Darby Bhd and Telekom Malaysia Bhd.

"While the third-quarter ratio was quite comparable to the preceding second-quarter performance, nonetheless, it was a clear improvement over the zero outperformer against eight underperformers in the first quarter of this calendar year," it said.

MIDF said as the overall showing in the recently concluded corporate results slightly lagged its expectations and with the cagey market sentiment due to the still unsettling ringgit situation, it has revised the FBM KLCI's year-end target to 1,700 from 1,750 points.

Nonetheless, it has maintained its year-end 2017 target at 1,830 points.

Echoing the sentiment, JF Apex Securities Bhd analyst Lee Cherng Wee told *StarBiz* that there were a lot more misses than hits and there were not that many positive surprises this time around.

"Telecommunications and oil and gas (O&G) stocks have experienced selldowns. The construction sector results remain steady and meeting expectations, as most of them still have healthy orderbooks," he said.

Meanwhile, Kenanga Research said Wednesday's report cards were mixed, with one out of nine coming in above expectations, three missing it and the remaining coming in within expectations.

Despite the mixed bag of hits and misses, Kenanga said it is paramount to note that it was another disappointing quarter for the O&G sector.

"In the recently concluded corporate results reporting season, nine out of 16 results within our coverage fell below expectations, widening to a 56% disappointment ratio from 50% last quarter, which led to a further cut in the average financial year 2016 to 2017 earnings by 12% to 27%.

"This is largely due to a slower-than-expected pick-up in the upstream activities and stubbornly high fixed costs corroding margins. We have upgraded Uzma Bhd and Dayang Enterprise Holdings Bhd to 'market perform' coupled with stronger quarterly results rendering less downside risk following share price weaknesses.

"On the other hand, we have downgraded Petronas Chemicals Group Bhd and Petronas Gas Bhd to 'market perform' and 'underperform', respectively, as near-term positives are already priced in.

"Meanwhile, in view of the absence of catalysts, continuous lacklustre performance, high financial risk as well as the lack of investment interests, we have dropped Perisai Petroleum Teknologi Bhd from our core coverage," it said.