Axiata and TM shares take a beating on weaker results

Jamaludin says Axiata unfazed by possible non-cash impairment

By B.K. SIDHU and P. ARUNA
starbiz@thestar.com.my

PETALING JAYA: Shares of Axiata Group Bhd and Telekom Malaysia Bhd (TM) were hammered down after they reported weaker-than-expected first quarter results.

Axiata shares were down 12.6% or 64 sen to close at RM4.43 while TM shares slipped 4.76% or 20 sen to RM4 per share.

Axiata had recorded a net loss of RM147.4mil for the quarter, down from a net profit of RM239mil a year ago, mainly due to losses on dilution of the group's investment in India.

The group's revenue for the period was also down 2.3% to RM5.75bil due to unfavourable forex translation arising from the stronger ringgit.

TM, on the other hand, saw its net profit fall 31.8% to RM157.16mil from RM230.43mil previously.

On Tuesday TM's share price was down 50 sen to close at RM4.20.

Public Investment Bank Research said its poor set of results was largely due to lower revenue contribution from voice, data and others as well as higher tax costs.

However, the research house said there was attractive valuation for TM as it is trading at near -1SD of 19x forward PER compared with its three-year historical average of 25x forward PER.

"As such, we upgrade TM from neutral to trading buy," it said.

Jamaludin: We are looking at our options as we speak.

Alliance DBS Research, in a note about Axiata, said that "while there are improvements across most of its operational companies, we believe this is balanced out by the competitive pressures in key markets (particularly in Malaysia and Indonesia) as well as continued deterioration in associates' earnings.

"We think the share price could be well supported due to the potential listing of edotco.

At a press conference in Kuala Lumpur yesterday, Axiata president and group CEO Tan Sri Jamaludin Ibrahim said the stronger ringgit, the adoption of MFRS15 and losses on dilution of the group's investment in India had impacted its earnings for the quarter, despite most of its operational companies seeing improved performance.

The merger between its affiliate, India's Idea Cellular and Vodafone is expected to be completed in the next quarter, and the dilution post merger will reduce its stake to a simple investment, from 16% to about 8%.

Once the merger takes place, he said, the group would face a technical impairment of between RM2bil and RM3bil.

He stressed, however, that the group was not concerned about this as the impairment was non-cash and would not have an impact on its normalised earnings and dividend-paying ability.

On the potential listing of edotco, he said the group was exploring all possibilities.

"Last month we started talking to bankers on how to fund this huge growth to become the world's fifth largest independent tower company.

"There are many ways – an initial public offering, private placement or an investment by the group – we are looking at our options as we speak," he said.

MSM Malaysia returns to the black in Q1

KUALA LUMPUR: MSM Malaysia Holdings Bhd (MSM) returned to the black in the first quarter ended March 31, as it delivered a net profit of RM15.80mil against a net loss of RM34.62mil recorded in the previous comparable period.

The improved performance was attributable to lower raw material costs and favourable foreign exchange rate, said MSM.

The reduction in administrative expenses by 33% quarter-on-quarter, or RM9.1mil from RM23.8mil was also one of the contributing factors to MSM's performance.

Revenue, however, slipped 14.2% to RM549.06mil from RM640.04mil recorded during the same quarter last year amid a 7% reduction in the overall tonnage sold and lower average selling price.

"While the circumstances were unfavourable in 2017, the first quarter performance shows encouraging signs towards a healthy balance sheet.

"It certainly is a continuous turn-around process and on this positive note MSM's direction is firm to reinforce its leading role in this business," said MSM executive director Datuk Khairil Anuar Aziz in a statement yesterday.

MSM was strengthening its operational focus by marking down its raw sugar cost by 23.1% against the first quarter 2017.

This, however, was hampered by an increase in the average refining cost due to higher fuel cost which resulted from an upward revision of the gas tariff in January by 16%.

Among others, he said the Johor refinery was slated for commissioning in the first half of 2018 and continued to be budget prudent and in accordance with the timeline.

The statement also said capacity growth was focused towards producing better margin and revenue via export sales improvement, particularly in South-East Asia and the Middle East and North Africa markets. — Bernama

Genting Plantations quarterly net profit up 39%

PETALING JAYA: Genting Plantations Bhd (GENP) registered a 39% growth in net profit to RM100.98mil for the first quarter ended March 31, compared with the corresponding quarter last year.

It reported a 32% year-on-year increase in revenue to RM529.07mil, attributable to higher refinery business and completion of property projects.

According to a press release yesterday, GENP's plantation segment posted lower year-on-year revenue as weaker palm product selling prices outweighed the higher fresh fruit bunch (FFB) production.

"FFB production in Q1FY18 grew by a fifth year-on-year, with improvements from both Malaysia and Indonesia segments.

The higher FFB production from the Malaysian plantation business was due to stronger yields, despite having lower harvesting area from its replanting activities, while Indonesia had a higher output due to additional harvesting areas, including that from newly acquired subsidiary PT Kharisma Inti Usaha, the company said.

The group achieved crude palm oil (CPO) and palm kernel price of RM2,375 and RM2,083 per tonne, respectively.

The biotechnology segment posted a lower loss year-on-year, on account of its lower research and development expenditure.

Its downstream manufacturing segment registered a modest profit during the quarter from higher sales and improved capacity utilisation of its refinery operations.

GENP added that its prospects in the remaining months of 2018 would continue to be guided by the performance of the plantation segment, which in turn is contingent on the direction of palm product prices and the group's FFB production volume.

"With the FFB production having achieved a double-digit year-on-year improvement in Q1FY18, the group expects this uptrend to continue for this year, boosted by the growth from its Indonesian plantation segment amid additional harvesting areas, along with a better age profile," said GENP.

For the property segment, efforts would be channelled towards property offerings that are aligned to market demands.

Genting Highlands Premium Outlets and Johor Premium Outlets (JPO) are expected to continue performing well with JPO registering its first full-year of operations this year.

GENP's biotechnology segment would continue to leverage on its research capacities and capabilities for the development of commercial solutions and applications.

Paramount net profit rises

KUALA LUMPUR: Paramount Corp Bhd's net profit rose to RM13.18mil for the first quarter ended March 31, from RM11.96mil recorded in the same period last year.

Revenue increased to RM162.25mil from RM144.1mil previously due to higher contributions by the education division which helped offset lower revenue from the property division.

In a statement, Paramount group chief executive officer Jeffrey Chew said its education arm turned in a satisfactory set of results despite the stiff competition in the education industry.

"Being one of the largest education providers, we will maintain our focus on delivering quality education," he said. — Bernama

DBE Gurney in JV with Farmmesh to operate HARUMi outlets in Thailand

PETALING JAYA: Integrated poultry company DBE Gurney Resources Bhd has inked a joint venture agreement with Farmmesh Foods Co Ltd to set up a private limited company to operate a chain of Quick Service Restaurant (QSR) in Thailand.

The QSR planned to operate under the HARUMi fried chicken brand and concept.

According to a filing with Bursa Malaysia yesterday, DBE's wholly-owned subsidiary DBE Poultry Sdn Bhd will hold 30% in the new company Super Harumi Thailand, and Farmmesh the remaining 70%.

DBE's will provide consultation and training to the JV company to launch and set up Thailand's HARUMi business. Farmmesh will handle the advertising and promotion aspects, as well as secure the raw materials supply chain.

Farmmesh is incorporated in Thailand. Its principal business is livestock farming and chicken breeding. It has a chicken processing plant and broiler business.

The company has broilers and slaughter houses and makes processed food.

After the signing ceremony yesterday, DBE group managing director Datuk Alex Ding Seng Huat (*pic*) said HARUMi has built a proven track record since its launch in 2016.

"We are thrilled to expand HARUMi's presence into Thailand, after our expansion into Taiwan early this year.

"We look forward to working closely with our new partner from Farmmesh to realise the immense strategic and financial benefits that this joint venture will give rise to," he said in a statement.

He added that there was potential in Thailand, particularly in the retailing business. "Based on a report by Euromonitor, Thailand is one of the fastest growing retail markets in the world, with its value increasing from US$25.5bil in 2000 to US$63.3bil in 2010.

"This accounts for 5.2% of the country's total employment and 20% of the country's gross domestic product.

"This is the area that we want to tap into," Ding added.

In April 2016, DBE launched Malaysia's halal-certified local fried chicken brand – HARUMi.

HARUMi is a product of DBE Gurney and Taiwanese partnership.

This is in line with the company's vision to set up a local fried chicken brand with franchise opportunities.