

BEATING THE ODDS: MALAYSIA'S FASTEST-GROWING COMPANIES

COVER STORY

Last year saw the economy and sentiment battered by a host of internal and external factors. But a handful of companies stood firm to prove their staying power.

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THE year 2005 began with high hopes for stock market players. Consensus analyst estimates were high, looking forward to a year that would deliver on the back of optimism over government-linked companies (GLC) restructuring and, of course, the tantalisingly imminent repegging of the ringgit.

In general, many were bullish on 2005, with the Kuala Lumpur Composite Index (KLCI) targets being tagged at the 990-1,200 points level. Earnings growth was estimated at the mid-teen level. Thus the underlying bullishness on the market.

However, things didn't turn out as expected. Of late, the 2005 corporate earnings growth forecast has been downgraded to mid-single digit, which to a large extent explains the lacklustre performance of the market.

Being wrong on the potential threat of high crude oil prices was one reason why bulls failed to hold the market. Opening at US\$42 at the beginning of 2005, they escalated to US\$55 by 1Q05, a jump of 31%, and peaked at US\$70 in 3Q05, derailing most corporate earnings expectations.

From the profile of the high-growth companies selected, one would notice that they have a few common features, namely big market capitalisation, a proven track record, and good dividend payment.

TABLE 1: TOP 10 HIGH-GROWTH MALAYSIAN COMPANIES

Company	FYE	Latest six months period	Two-FY historical CAGR of turnover (%)	Latest actual/annualised turnover growth (%)	Two-FY historical CAGR of net profit (%)	Latest actual/annualised profit growth (%)
LPI Capital Bhd	Dec	Apr 1 - Sep 30	25.8	106.2	95.1	73.1
Sunrise Bhd	Jun	Apr 1 - Sep 30	24.9	41.9	31.7	213.8
Genting Bhd	Dec	Apr 1 - Sep 30	14.7	18.0	22.7	42.8
YTL Corporation Bhd	Jun	Apr 1 - Sep 30	10.9	14.5	16.8	29.3
Johor Port Bhd	Dec	Apr 1 - Sep 30	10.3	26.5	10.9	46.2
Wah Seong Corporation Bhd	Dec	Apr 1 - Sep 30	8.5	73.2	119.0	259.5
JT International Bhd	Dec	Apr 1 - Sep 30	7.9	19.6	81.3	40.3
Fraser & Neave Holdings Bhd	Sep	Apr 1 - Sep 30	6.6	12.0	32.7	13.3
Pos Malaysia & Services Holdings Bhd	Dec	Apr 1 - Sep 30	3.9	14.2	59.7	194.9
Uchi Technologies Bhd	Dec	Apr 1 - Sept 30	0.2	17.4	28.0	18.1

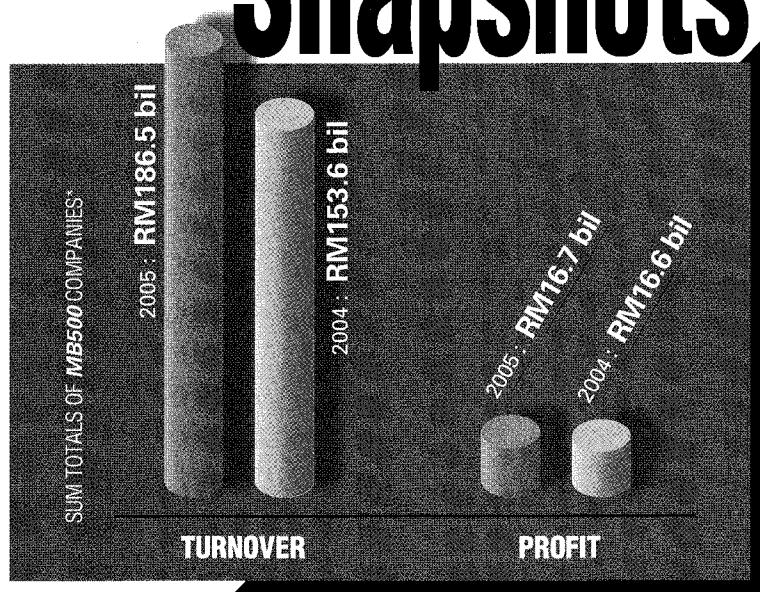
Source: MB

TABLE 2: KLCI - A TWO-TIER MARKET

Component stocks	% of KLCI market capitalisation	% of total net income	Earnings growth 2004 (%)	ROE (%)
Top 50	92	93	+29	13.5
Bottom 50	8	7	-2	5.3

Source: OSK Investment Research

Snapshots



*based on latest six-month results

The situation was further exacerbated by a series of aggressive interest rate hikes in the United States, which have increased to around 4.25% from 2.25% at the start of 2005.

Apart from the high crude oil prices, the few big-cap Bursa Malaysia casualties also helped dampen market sentiment. Notable ones include Malaysian Airline System Bhd, Tenaga Nasional Bhd and Proton Holdings Bhd.

As such, it is not surprising the KLCI was one of the worst-performing markets in the region, lagged only by the China SE Shanghai-B. Despite a 4.3% total return for 2005, the gain was still way below 2004's 19.8%.

OSK Investment Research, in a 2005 review report, says the market's dismal performance was due partly to the lack of follow-through buying that was exacerbated by a wave of capital flight