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Tuesday, November 24, 2015

Report of the Day

Results Review: Malakoff 3Q15 – “All On Track”

At a Glance

FBMKLCI grew 9.01 points to finish at 1,670.90 lifted by the gain in selected heavyweight counters.....(See full report next page)

Strategy

“Wall Street on Easy Stroll Ahead of Long Weekend Holiday”

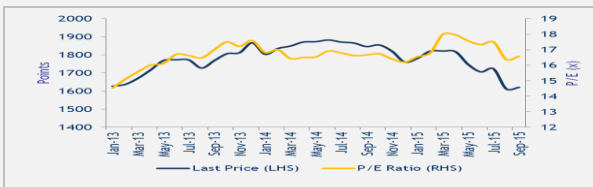
We expect investors to take it easy more so when the local market corporate earnings results season is in full blown.....(See full report next page)

Corporate Highlights

- **Malakoff, BUY (TP: RM2:30):** Q3 earnings jump 44% to RM156m, div 2c
- **Petronas Chemicals, HOLD (TP: RM6.18):** Awards RM2bil contract for RAPID
- **Pos Malaysia (CP: RM3.89):** Q2 net profit down by almost 90%

Economic Update

- **Malaysia:** Economy to grow at slower pace in months ahead
- **Malaysia:** 2014 Government revenue at RM220.63bil
- **Japan:** Government plans to raise minimum wage



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
EU	23-Nov	5:00 PM	Markit Eurozone Manufacturing PMI	-	52.3
EU	23-Nov	5:00 PM	Markit Eurozone Services PMI	-	54.1
EU	23-Nov	5:00 PM	Markit Eurozone Composite PMI	-	53.9
US	23-Nov	10:45 PM	Markit US Manufacturing PMI	54.0	54.1
US	23-Nov	11:00 PM	Existing Home Sales	5.41M	5.55M
US	24-Nov	9:30 PM	GDP Annualized QoQ	2.0%	1.5%
US	24-Nov	9:30 PM	Personal Consumption	-	3.2%
US	24-Nov	9:30 PM	Core PCE QoQ	-	1.3%
US	24-Nov	10:00 PM	S&P/CS Composite-20 YoY	-	5.1%
US	24-Nov	10:00 PM	S&P/CasShiller 20-City Index NSA	-	182.5
US	24-Nov	11:00 PM	Consumer Confidence Index	99.2	97.6
US	24-Nov	11:00 PM	Richmond Fed Manufact. Index	0.0	-1.0
JP	24-Nov	9:35 AM	Nikkei Japan PMI Mfg	-	52.4
US	25-Nov	8:00 PM	MBA Mortgage Applications	-	6.2%
US	25-Nov	9:30 PM	Personal Income	0.4%	0.1%
US	25-Nov	9:30 PM	Personal Spending	0.3%	0.1%
US	25-Nov	9:30 PM	Durable Goods Orders	1.5%	-1.2%
US	25-Nov	9:30 PM	Durable Ex Transportation	0.4%	-0.4%
US	25-Nov	9:30 PM	Initial Jobless Claims	-	-
US	25-Nov	9:30 PM	Continuing Claims	-	-
US	25-Nov	10:45 PM	Markit US Composite PMI	-	55.0
US	25-Nov	10:45 PM	Markit US Services PMI	-	54.8
US	25-Nov	11:00 PM	New Home Sales	500K	468K
US	25-Nov	11:00 PM	New Home Sales MoM	6.8%	-11.5%
US	25-Nov	11:00 PM	U. of Mich. Sentiment	93.1	93.1
EU	26-Nov	5:00 PM	M3 Money Supply YoY	-	4.9%
EU	27-Nov	6:00 PM	Economic Confidence	-	105.9
EU	27-Nov	6:00 PM	Consumer Confidence	-	-
JP	27-Nov	7:30 AM	Jobless Rate	-	3.4%
JP	27-Nov	7:30 AM	Natl CPI YoY	-	0.0%
JP	27-Nov	7:30 AM	Natl CPI Ex Fresh Food YoY	-	-0.1%
JP	27-Nov	7:30 AM	Natl CPI Ex Food, Energy YoY	-	0.9%
JP	27-Nov	7:30 AM		-	802.6%
JP	27-Nov	7:30 AM		-	902.6%

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Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,670.90	9.01	0.54
FBMEMAS	11,642.30	45.17	0.39
FBMEMAS SHA	12,573.73	45.20	0.36
FBM100	11,311.35	43.97	0.39
Volume (mn)	2,949.13	-16.79	-0.57
Value (RMmn)	1,932.05	-24.33	-1.24
FBMKLCI YTD Chg			-5.13

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	26.4	-9.3
Local Institution	54.8	23.4
Foreign Investors	18.8	-14.1

Top Gainers

	Close	Change+/-	(+/- %)
PETDAG	25.00	0.80	3.31
LATITUDE TREE HL	7.30	0.50	7.35
CAN-ONE BHD	4.51	0.43	10.54

Top Losers

	Close	Change+/-	(+/- %)
HAP SENG CONS	6.30	-0.29	-4.40
PANASONIC MAN	22.06	-0.24	-1.08
UNITED PLANT	26.20	-0.20	-0.76

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,792.68	-31.13	-0.17
NASDAQ	5,102.48	-2.44	-0.05
S&P 500	2,086.59	-2.58	-0.12
FTSE 100	6,305.49	-29.14	-0.46
DAX	11,092.31	-27.52	-0.25
Nikkei 225	19,879.81	20.00	0.10
HSI	22,665.90	-88.82	-0.39
KOSPI	2,003.70	13.84	0.70
STI	2,903.49	-14.42	-0.49
KLCI Futures	1636.0	0	0.0
USDMYR 3M	13.8	0.035	0.0
USDMYR 6M	13.8	0.0	0.0
USDMYR 12M	13.74	(0.01)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	42	0.3	0.8%
Brent (USD/bbl)	44.8	0.2	0.4%
Gold(USD/ounce)	1,070	1.0	0.1%
Coal (USD/mt)	52.7	-0.2	-0.4%
CPO (RM/mt)	2,284	2.0	0.1%
Rubber	120	-2.0	-1.6%
RM/USD	4.30	0.0167	-0.39%
EUR/USD	0.94	0.0005	0.05%
YEN/USD	122.95	0.11	-0.09%

What To Expect

U.S. Market

- The Dow Jones Industrials Average declined 31.13 points to 17,792.68 points, S&P 500 dropped 2.58 points to 2,086.59. Nasdaq fell by 2.44 points to 5,102.48. U.S. stock indexes closed slightly lower in a quiet trading day on Wall Street after last week's strong gains, while a big healthcare deal failed to impress investors on Monday.
- U.S. home resales fell in October as a persistent shortage of properties limited choice for potential buyers and pushed up prices, suggesting some softening in the housing market recovery after strong gains early this year.

The Local Market

- FBMKLCI grew 9.01 points to finish at 1,670.90 lifted by the gain in selected heavyweight counters. There were 449 gainers and 473 decliners in total value traded of RM1.93 billion.
- Among the gainers on Bursa Malaysia were PetDag grew surged 80 cent to RM25.00, Latitude Tree increased 50 cent to RM7.30, Can-One grew 43 cent to RM4.51 and Adv Packaging (M) up 32 cent to RM2.36.

Strategy

- **“Wall Street on Easy Stroll Ahead of Long Weekend Holiday”**
Wall Street surrenders its recent gains after ended marginally lower on Monday ahead of Thanks Giving holiday this Thursday. **S&P 500** and **DJIA** lost **2.58 (-0.12%)** and **31.13 (-0.17%)** points to end at **2,086.59** and **17,792.68** respectively. Note that we expect investors in Wall Street to take a long stretch of off days this week in anticipation of the big Thanks Giving Holiday this Thursday and hence, market is expected to remain quiet. With lack of earth shaking economic news on the plate this week, we expect investors to take it easy more so when the local market corporate earnings results season is in full blown. Some investors would rather opt for a wait-and-see attitude as a result. Come next week, we opine that investors may re-start calibrating their investing strategy ahead of the impending US interest rate adjustment, widely speculated to take place on 16th December.
- Our 2015 year-end target is 1,660 based on PER of 15.6x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on construction and telco respectively. We predict Malaysia to grow by 5.0% in 2015.

CORPORATE HIGHLIGHTS

Malakoff, BUY (TP: RM2:30): Q3 earnings jump 44% to RM156m, div 2c

Malakoff Corporation Bhd's earnings rose 44.2% to RM156.10mil in the third quarter ended Sept 30, 2015 from a year ago due to lower losses due to its associate and lower finance costs. Malakoff, which has the largest power generating capacity in Asean, said on Monday the earnings were higher from the RM108.13mil a year ago. Earnings per share were 3.12 sen compared with 3.02 sen. It declared an interim dividend of two sen a share. Its revenue fell 8.8% to RM1.283bil from RM1.407bil. Profit before tax was 14% higher at RM199mil compared with RM174.77mil. "This (higher PBT) was mainly due to lower losses recorded by our associate company Kapar Energy Ventures, lower finance cost following the redemption of the unrated junior Sukuk Musharakah utilising the proceeds of the initial public offering offset by compressor rotor rectification works in Prai power plant," it said. (Source: The Star)

Petronas Chemicals, HOLD (TP: RM6.18): Awards RM2bil contract for RAPID

Petronas Chemicals Group Bhd has awarded a RM2bil engineering, procurement, construction and commissioning (EPCC) contract within the RAPID petrochemical project to a consortium. In its filing with Bursa Malaysia on Monday, the group said its unit PRPC Polymers Sdn Bhd awarded the US\$482mil (RM2bil) EPCC contract for a 900,000 tonnes per annum polypropylene plant within the RAPID project to a consortium based on competitive bidding. The consortium consists of four companies from Italy, China and Malaysia. They are TECNIMONT S.p.A, Huanqiu Contracting & Eng. Corp, TECNIMONTHQC Sdn Bhd, and TecnimonthQC S.c.a.r.l. (Source: The Star)

Pos Malaysia (CP: RM3.89): Q2 net profit down by almost 90%

Pos Malaysia Bhd's net profit for the second quarter ended Sept 30, 2015 (Q2 FY16) plunged 89.77% to RM3.48 million from RM33.99 million a year ago, due to lower mail and retail segment profits contributed by higher transportation cost for transshipment business. In a filing with Bursa Malaysia yesterday, Pos Malaysia said its earnings were also higher a year ago due to recognition of expired postal order in Q2 FY15. Revenue for the quarter rose 7.30% to RM398.80 million from RM371.67 million a year ago, due to higher revenue from the mail and courier segments. The mail segment posted a higher revenue of RM208.36 million in Q2 FY16 compared with RM171.21 million a year ago due to higher revenue in transshipment business while the courier segment posted higher revenue of RM133.51 million compared with RM114.13 million a year ago driven by higher demand from e-commerce. (Source: The Sunday)

Oriental Interest (CP: RM4.15): 1Q net profit triples to RM9.75m

Oriental Interest Bhd saw its net profit for the first quarter ended Sept 30, 2015 (1QFY16) more than triple to RM9.75 million or 10.77 sen per share from RM2.59 million or 2.86 sen per share driven by its property development and general construction segment. "This excellent performance was mainly contributed by a surge of 109% and 353% in progress billings and pre-tax profit respectively from property development, with much improved project margin," it said. A hike of 79% and 88% in total billings and pre-tax profit respectively

from general construction has also lifted its earnings for the quarter, according to its filing with Bursa Malaysia yesterday. *(Source: The Edge)*

Mega First (CP: RM2.50): Weaker ringgit lifts Mega First's 3Q

Mega First Corp Bhd's net profit for the third quarter of its financial year ending Dec 31, 2015 (3QFY15) rose 18.02% year-on-year due to the stronger yuan and US dollar, more than making up for the weaker performances across all its business segments, said the diversified group in a Bursa Malaysia filing today. Mega First's 3QFY15 net profit was RM26.54 million, or 18.02% higher than the previous year's RM22.49 million. Revenue, however, fell 11.3% to RM145.77 million in 3QFY14. Mega First is principally engaged in power generation and has stakes in a 63MW coal-fired heat and power plant China, a 36MW diesel-fuelled power plant in Tawau, Sabah, and is developing the Don Sahong Hydropower Project in Laos. *(Source: The Edge)*

UOA Development (CP: RM2.12): Records 54% jump in 3Q net profit

UOA Development Bhd reported a 54.1% net profit rise in its third quarter ended Sept 30, 2015 (3QFY15) to RM158.54 million or 10.52 sen a share, largely due to the progressive recognition of the group's ongoing development projects. In the same period last year, the group recorded a net profit of RM102.88 million or 7.28 sen a share, its filing today on Bursa Malaysia showed. Its revenue for the latest quarter also shot up 40.7% to RM492.18 million, from RM349.86 million in 3QFY14, due to the same reason that pulled up its earnings. For the nine months ended Sept 30, 2015 (9MFY15), the group reported a 34.4% increase in net profit to RM305.95 million or 21.01 sen a share, from RM227.72 million or 16.69 sen a share a year ago. *(Source: The Edge)*

Eversendai (CP: RM0.90): Bags contracts worth RM316mil

Eversendai Corp Bhd has bagged new contracts worth RM316mil through its subsidiary companies in Qatar, India and Malaysia. This brings its year-to-date contract wins to RM1.5bil. In its filing with Bursa Malaysia on Monday, the company said the first contract is to construct a structural steel roof of a theme park at the Doha Oasis Mixed Use Development. The theme park will occupy the central area of the podium and will accommodate 26 or more different rides and attractions. The engineering and construction services company also secured a contract involving structural steel works of the Statue of Unity in Gujarat, India. The iconic 182 meter tall statue is expected to be completed by July 2017. *(Source: The Star)*

TDM (CP: RM0.67): 3Q net profit up despite lower CPO prices

TDM Bhd's third quarter net profit rose 59% from a year earlier mainly on deferred taxes. This came amid lower crude palm oil (CPO) prices and weaker hospital profit. In a statement to Bursa Malaysia today, TDM said net profit rose to RM12.05 million in the third quarter ended Sept 30, 2015 (3QFY15) from RM7.6 million a year ago. Revenue was higher at RM98.57 million versus RM98.31 million in 3QFY14. Profit before tax (PBT) declined to RM11.25 million from RM13.07 million in the previous year. During 3QFY15, TDM registered deferred tax of RM342,000 versus tax expenses of RM6.42 million. *(Source: The Edge)*

Ni Hsin (CP: RM0.33): Ties up with MyAngkasa

Ni Hsin Resources Bhd has tied up with MyAngkasa Holdings Bhd to market and distribute a new brand of stainless steel cookware called Pentoli. In a statement released on Monday, Ni Hsin said the venture will be carried out through MyAngkasa Ni Hsin Sdn Bhd, in which Ni Hsin will have a 70% stake while the remainder 30% will be held by My Angkasa. MyAngkasa is a wholly-owned subsidiary of National Cooperative Bhd (Angkasa), the APEX Cooperative in Malaysia, providing management services for the sales and distribution of "Clixster Reload Value" and general trading. It currently represents about 12,000 cooperatives nationwide. (Source: The Star)

ECONOMIC UPDATES**Malaysia: Economy to grow at slower pace in months ahead**

The Malaysian economy is expected to continue expanding, although at a slower rate in the coming months. The Leading Index (LI), which monitors the economic performance in advance registered a growth of 1.3% in September 2015 to 118.5 points from 117.0 points in August 2015. Meanwhile, the Coincident Index (CI) which measures the current economic activity, rose 0.7% in September 2015. Although both the annual change of LI and CI improved in September compared with August, both Diffusion Indexes remained below 50%. According to the Department of Statistics Malaysia, based on the persistent fluctuation shows in LI and CI, this implies that the Malaysian economy will continue to expand albeit at slower rate in the months ahead. (Source: The Star)

Malaysia: 2014 Government revenue at RM220.63bil

The Federal government collected RM220.63 billion in revenue last year, up RM7.256 billion or 3.4% over the R213.370 billion in 2013, according to the Third Series of the 2014 Auditor-General's Report. Tax revenue and non-revenue receipts rose while non-tax revenue and revenue from the Federal Territories declined, the Auditor General said in a statement on the financial management and activities of the Federal Government and its statutory bodies as well as state governments. The report was tabled in Parliament on Monday. Much of the rise in revenue was contributed by individual and company income tax; licences, registration fees and permits; excise duty on imported goods; and sales tax on domestic manufactured goods, he said. (Source: The Star)

Malaysia: China to invest more in Malaysia Treasury bonds

China will invest more in Malaysia's treasury bonds in a move to help stabilise the financial market, Premier Li Keqiang said on Monday. "Inflation is peaking and currencies depreciate. It is imperative to stabilise the financial market. So, we want to assume a market role by purchasing your treasury bonds," he said at the Malaysia-China High-Level Economic Forum. However, he did not reveal how much Beijing would invest in the bond market. Li said the country would work hand-in-hand with Malaysia in producing more middle income earners, thus bringing Malaysia towards its aspiration of becoming a high-income nation by 2020. (Source: The Star)

Japan: Government plans to raise minimum wage

Japan's government plans to raise the minimum wage and introduce other steps to revitalise the economy, but the draft of stimulus measures seen by Reuters on Monday appeared to break no new ground on reforms that analysts say are needed to end decades of stagnation. Prime Minister Shinzo Abe's government will also offer some financial support to people living off their pensions to bolster consumer spending, a copy of the draft obtained by Reuters showed. Citing unnamed sources, the Nikkei newspaper said on Monday that the government is planning to raise the minimum wage by 3%. But the draft didn't provide any specifics and analysts say the government will need to do more to foster durable growth. *(Source: Reuters)*

M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

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