

PP14767/09/2012(030761)

Thursday, November 26, 2015

## Report of the Day

**Results Review:** CIMB 3Q15 – “Continue to Wash Out”

**Results Review:** MMC Corp 3Q15 – “Eyeing Bigger Port”

**Results Review:** MSM 3Q15 – “In A Sweet Spot”

**Results Review:** IJM Corporation 2Q16 – “6M16 Results On Track, More to Come”

**Results Review:** Sunway Construction 3Q15 – “A Solid 9M15”

**Results Review:** WCT Holdings 3Q15 – “Weaker Construction Margin”

**Results Review:** UMW Oil and Gas 3Q15 – “NAGA Loss the Fire”

## At a Glance

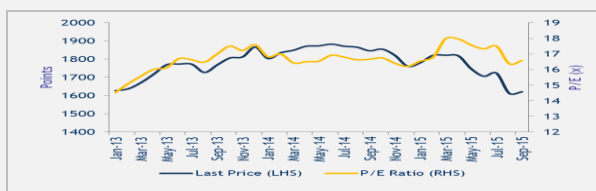
FBMKLCI surged 7.39 points to finish at 1,684.42 due to positive regional market sentiment.....(See full report next page)

## Corporate Highlights

- **CIMB, HOLD (TP: RM4.90):** Q3 net profit down 9.7% on restructuring costs
- **MMC Corp, BUY (TP: RM2.80):** Earnings halved in first quarter after listing Malakoff
- **MSM, BUY (RM5.46):** 3Q net profit up 33.2% y-o-y on lower raw sugar price, declares 12 sen dividend

## Economic Update

- **Japan:** BOJ can stand pat now as more firms raising prices -Shirai
- **U.S.:** Consumer spending slowing, but business investment poised to rise



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prev	
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/CaseShiller 20-City Index NSA	-	5.1%	
US	24-Nov 10:00 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	1.3%	-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%	

## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,684.42	7.39	0.44
FBMEMAS	11,693.41	25.56	0.22
FBMEMAS SHA	12,624.66	11.10	0.09
FBM100	11,377.15	37.51	0.33
Volume (mn)	2,768.19	96.79	3.62
Value (RMmn)	2,369.24	-24.47	-1.02
FBMKLCI YTD Chg			-4.36

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	21.7	-22.2
Local Institution	54.4	-31
Foreign Investors	23.9	53.2

## Top Gainers

	Close	Change+/-	(+/- %)
NESTLE (MALAY)	75.00	1.68	2.29
FRASER & NEAVE	18.44	0.44	2.44
GUAN CHONG	1.15	0.30	35.29

## Top Losers

	Close	Change+/-	(+/- %)
JOHORE TIN BHD	2.24	-0.56	-20.00
KOSSAN RUBBER	8.00	-0.48	-5.66
HONG LEONG BA	13.28	0.00	0.01

## World Indices

	Close	Change+/-	(+/- %)
DJIA	17,813.39	1.20	0.01
NASDAQ	5,116.14	13.34	0.26
S&P 500	2,088.87	-0.27	-0.01
FTSE 100	6,337.64	60.41	0.96
DAX	11,169.54	235.55	2.15
Nikkei 225	19,847.58	-77.31	-0.39
HSI	22,498.00	-89.63	-0.40
KOSPI	2,009.42	-6.87	-0.34
STI	2,897.28	-26.21	-0.90
KLCI Futures	1650	0	0
USDMYR 3M	13.55	0.12	0.8935
USDMYR 6M	13.315	0.07	0.5285
USDMYR 12M	13.1275	0.0375	0.2865

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	43	0.0	0.1%
Brent (USD/bbl)	46.2	0.1	0.1%
Gold(USD/ounce)	1,072	0.5	0.0%
Coal (USD/mt)	52.8	-0.3	-0.6%
CPO (RM/mt)	2,300	2.0	0.1%
Rubber	123	1.5	1.2%
RM/USD	4.21	-0.0327	0.78%
EUR/USD	0.94	0.0003	0.03%
YEN/USD	122.71	-0.03	0.02%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average rose 1.20 points to 17,813.39 points, S&P 500 declined 0.27 points to 2,088.87. Nasdaq grew by 13.34 points to 5,116.14. Stocks closed little changed after choppy trade Wednesday, the last full trading day of the holiday week, amid a slew of economic reports.
- October U.S. personal spending rose 0.1 percent, while personal income rose 0.4 percent. In the 12 months through October, the personal consumption expenditures (PCE) price index was up 0.2 percent after a similar rise in September

### The Local Market

- FBMKLCI surged 7.39 points to finish at 1,684.42 due to positive regional market sentiment. There were 268 gainers and 669 decliners in total value traded of RM2.36 billion.
- Among the gainers on Bursa Malaysia were Nestle (M) gained RM1.68 to RM75.00, Fraser & Neave rose 44 cent to RM18.44, Guan Chong grew 30 cent to RM1.15 and Favelle Favco increased 28 cent to RM2.69.

### Strategy

- 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

### CIMB, HOLD (TP: RM4.90): Q3 net profit down 9.7% on restructuring costs

CIMB Group Holdings Bhd's net profit for the third quarter ended Sept 30, 2015 fell 9.7% to RM803.89 million from RM890.27 million a year ago due to restructuring costs. Excluding the restructuring costs, its third quarter business-as-usual (BAU) net profit was 1.3% higher year-on-year, due to improved operating income and lower provisions. Revenue rose 8.8% to RM3.84 billion in the third quarter this year compared with RM3.53 billion in the previous year on the back of an increase in net interest income and non-interest income. In the three months, operating income grew 0.2% to RM3.840 billion as a result of a 6.4% expansion in net interest income (NIM) and a 13% decrease in non-interest income, mainly from weaker treasury and markets performance. (Source: *The Sun*)

### MMC Corp, BUY (TP: RM2.80): Earnings halved in first quarter after listing Malakoff

MMC Corp Bhd, which listed its power arm Malakoff Corp Bhd in May, saw its earnings halved year-on-year in the third quarter (Q3) ended Sept 30. MMC told

Bursa Malaysia that its earnings for the quarter shrank by 54.4% year-on-year to RM47.81mil while revenue fell 61.1% to RM674.54mil. Its “discontinued operation” - referring to Malakoff which has become a 37.6% associate company from a 51% owned subsidiary previously - contributed RM55.148mil to earnings in Q3 2014 but did not add anything to the earnings for the quarter under review. However, for the nine-month financial period, MMC’s earnings grew by five times to RM1.49bil due to the exceptional gain of RM1.34bil arising from the listing of the independent power company. *(Source: The Star)*

**MSM, BUY (RM5.46): 3Q net profit up 33.2% y-o-y on lower raw sugar price, declares 12 sen dividend**

MSM Malaysia Holdings Bhd saw its net profit for the third financial quarter ended Sept 30, 2015 (3QFY15) increase by 33.2% to RM63.87 million or 9.09 sen a share from RM47.96 million or 6.82 sen a share a year ago on the back of lower raw sugar price. In a filing with Bursa Malaysia today, the refined sugar producer reported a 2.4% decline in 3QFY15 revenue to RM546.49 million from RM559.74 million a year ago, which was attributed to lower tonnage sold for the domestic and export markets segments by 21% and 15% respectively. However, the negative impact was cushioned by higher sales of 46% in the industries segment, said MSM. MSM declared a first interim dividend of 12 sen per share, payable on Dec 29. For its nine months ended Sept 30, 2015 (9MFY15), MSM reported a net profit of RM214.04 million or 30.45 sen a share, which was 17.6% higher than its 9MFY14 net profit of RM182.05 million or 25.9 sen a share. *(Source: The Edge)*

**Genting Plantations, HOLD (TP: RM9.66): Sees 3Q net profit drop on softer CPO prices, slower property sales**

Genting Plantations's net profit fell 45.6% to RM37.67 million or 4.88 sen a share for the third quarter ended Sept 30, 2015 (3QFY15) from RM69.28 million or 9.1 sen a share a year ago, mainly due to softer selling prices of palm products and slower property sales. Revenue for 3QFY15 dropped 13.5% to RM320.4 million from RM370.53 million in 3QFY14. In a statement today, Genting Plantations said this reduction was partly cushioned by higher contribution from the plantation segment in Indonesia, where the impact of selling prices was more than compensated by higher production of fresh fruit bunches (FFB), as well as from the downstream manufacturing segment, which registered higher biodiesel sales. For the nine-month period (9MFY15), Genting Plantations also saw its net profit drop 45.6% to RM130.35 million or 16.86 sen a share from RM239.57 million or 31.4 sen a share in 9MFY14. *(Source: The Edge)*

**MMC Corp, BUY (TP: RM2.80): Gets shareholder approval for NCB takeover**

MMC Corporation Bhd has received shareholders approval for the acquisition of port and logistics operator NCB Holdings Bhd. At its EGM on Wednesday, the company said it secured 99.99% of acceptances for the corporate exercise in which it offered RM4.40 per NCB share. MMC chief executive officer Datuk Seri Che Khalib Mohamad Noh said that he was very happy with the outcome of the EGM. In October, MMC announced that it had acquired Permodalan Nasional Bhd’s majority stake in NCB for RM1.1bil cash, or RM4.40 a share, raising its

stake in the port operator to 83.55% and triggering a mandatory general offer for the remaining shares. *(Source: The Star)*

**AirAsia X (CP: RM0.19): Higher forex loss drags AirAsia X further into the red**  
High foreign exchange (forex) loss on borrowings widened AirAsia X Bhd's (AAX) net loss for the third quarter ended March 31 to RM288.19 million from RM210.85 million a year earlier. The long-haul, low-cost carrier, whose revenue rose 13% to RM793.01 million, told Bursa Malaysia that it made a forex loss of RM241 million during the quarter compared with a forex loss of RM48.2 million in the corresponding period last year. For the three months, AAX narrowed its operating loss to RM31 million from a RM133 million loss in the same period last year. "The improvement was primarily driven by the increase of revenue and decrease in operating expenses. However, further improvement was hindered by the sharp depreciation of USD:RM translation. *(Source: The Sun)*

**Coastal Contracts (CP: RM1.94): 3Q profit falls 56% on inventory write-down**  
Sabah-based offshore support vessels (OSV) fabricator Coastal Contracts Bhd's net profit fell 56.23% to RM23.75 million in the third quarter ended Sept 30, 2015 (3Q2015), despite a near quadrupling in its quarterly revenue, due to the writing down of inventories to net realisable value. It recorded a net profit of RM54.3 million in last year's corresponding quarter, its filing on Bursa Malaysia today showed. Its latest quarterly revenue came in at RM921.2 million, 3.96 times higher against RM232.4 million in 3QFY14, primarily due to the delivery of its first jack-up drilling rig to a major oil and gas (O&G) player for about RM841 million. Meanwhile, its net profit for the nine months ended Sept 30 (9MFY15) fell 17.93% to RM124.49 million from RM151.68 million in 9MFY14, again due to the writing down of its inventories to their net realisable value. *(Source: The Edge)*

**IGB Corp (CP: RM2.37): Q3 earnings rise 37.6%**  
Property developer IGB Corp Bhd boosted its third-quarter earnings by 37.6% year-on-year to RM45.09mil mainly due to higher contributions from the retail property investment and hotel divisions. This was despite a 5.3% drop in revenue for the quarter ended Sept 30 to RM274.49mil from RM289.76mil a year earlier due to lower contributions from the property development and investment divisions. In its interim unaudited results announcement to Bursa Malaysia, the Mid Valley City (KL) developer said for the nine-month period to Sept 30, its earnings rose 4.3% to RM165.59mil while revenue inched up 0.7% to RM880.67mil. The biggest revenue contributor remained retail property investment at about 40%, followed by the hotel and property development segments. *(Source: The Star)*

**Mitrajaya (CP: RM1.22): 3Q net profit surges 97% on higher construction contribution**  
Mitrajaya Holdings Bhd's net profit surged 97% to RM25.82 million or 4.08 sen per share for the third quarter ended Sept 30, 2015 (3QFY15) from RM13.12 million or 2.22 sen per share a year earlier. Revenue for the quarter soared 59% to RM231.31 million from RM145.56 million in the previous year. In a filing with the exchange, Mitrajaya said the significantly better performance for the quarter was due to higher contribution from the construction division and its

South Africa investment. "The construction division was the major contributor to the increase in group revenue and profit before tax. It was attributable to the higher recognition from new projects secured since last year. While its South Africa investment saw lower revenue year-on-year, the division saw higher profit, attributed to better net profit margin of stands sold. (Source: *The Edge*)

**Tomypak (CP: RM2.70): Q3 earnings jump to RM6m**

Tomypak Holdings Bhd saw its earnings surge 170% to RM6.03mil in the third quarter ended Sept 30, 2015 as the flexible packaging materials company benefited from a better sales mix and gain on foreign exchange. It said on Wednesday its revenue increased at a slower pace of 8.1% to RM55.76mil from RM51.56mil. Earnings per share were 5.52 sen compared with 2.04 sen. Tomypak rewarded shareholders with a dividend of three sen versus one sen a year ago. For the nine months ended Sept 30, 2015, its earnings jumped 277% to RM17.18mil from RM4.55mil in the previous corresponding period "mainly due to the better sales mix, gain on foreign exchange and continuous improvement in production efficiency". However, its revenue was slightly lower at RM157.65mil compared with RM158.90mil. (Source: *The Star*)

**Barakah (CP: RM0.89): Gets RM12m Petronas Gas job**

Barakah Offshore Petroleum Bhd has secured a RM12.3mil contract from Petronas Gas Bhd to build an export terminal scraper station on Kemaman, Terengganu. It said on Wednesday its unit PBJV Group Sdn Bhd has received the letter of award for the engineering, procurement, construction and commissioning of the station. Bakarah said the contract was to replace the Tanjung Sulong export terminal scrapper station and also the other facilities. This was to allow the commissioning and introduction of natural gas, propane and butane into the facilities. The contract duration is for one year from Nov 6 this year through Dec 6, 2016. (Source: *The Star*)

**Masteel (CP: RM0.35): 3Q y-o-y loss widens to RM24.14 mil**

Malaysia Steel Works (KL) Bhd net loss for the third quarter ended Sept 30, 2015 widened to RM24.14 million year-on-year, from a net loss of RM6.09 million a year. Masteel said its revenue for the quarter fell to RM301.44 million, from RM362.09 million a year earlier. For the nine months ended Sept 30, 2015, Masteel posted a net loss of RM49 million, as compared to a net profit of RM11.28 million a year earlier. The company said it expects to turn around in 2016, as the its newly-commissioned rolling mill in Bukit Raja is anticipated to contribute additional revenue of up to RM200 million per annum. (Source: *The Edge*)

**Ahmad Zaki (CP: RM0.65): Buying 51% of O&G supply base owner**

Ahmad Zaki Resources Bhd (AZRB) is buying 51% equity interest in Matrix Reservoir Sdn Bhd for a total consideration of RM55 million. Matrix Reservoir owns TB Supply Base Sdn Bhd, which is the operator of the Tok Bali Supply Base in Kelantan. In a statement yesterday, AZRB group managing director Datuk Wan Zakariah Wan Muda said the group's participation in Matrix Reservoir represents a natural and strategic expansion of its oil and gas business. The group has been in the bunkering services business at an onshore supply base for over 20 years, he added. (Source: *The Sun*)



**Hap Seng (CP: RM6.23): Expanding auto biz in Sabah, Sarawak**

Hap Seng Consolidated Bhd's unit Hap Seng Star Sdn Bhd has budgeted RM30 million in investments this year and next to expand its automotive business in Sabah and Sarawak. At a press conference yesterday in conjunction with the launch of Mercedes-Benz Hap Seng Star Kota Kinabalu Autohaus, Hap Seng group COO and Hap Seng Star CEO Harald Behrend said the investment is in line with an expected growth potential in Sabah and Sarawak. Besides Kota Kinabalu, Behrend said, a brand new showroom is expected to be ready in Kuching by the end of 2016. Hap Seng Star has been an authorised dealer of Mercedes-Benz vehicles since 2004. (Source: *The Sun*)

**Barakah (CP: RM): Unit bags RM12 million contract**

Barakah Offshore Petroleum Bhd's wholly-owned subsidiary company PBJV Group Sdn Bhd has been awarded a RM12.3 million contract by Petronas Gas Bhd for the engineering, procurement, construction and commissioning (EPCC) of an export terminal scraper station in Kemaman, Terengganu. The project management and EPCC contract involves the construction of a new scraper station for propane and butane pipelines at Teluk Kalong, Kemaman to replace the Tanjung Sulong Export Terminal (TSET) Scraper Station and also the other facilities within TSET and eventually, the commissioning and introduction of natural gas, propane and butane into the facilities. The contract duration is for one year from Nov 6, through to Dec 6, 2016. (Source: *The Sun*)

**ECONOMIC UPDATES****Japan: BOJ can stand pat now as more firms raising prices -Shirai**

Bank of Japan board member Sayuri Shirai said the central bank can hold off on expanding stimulus to reach its inflation target as robust consumption makes firms more confident about raising prices, and will help offset the drag caused by weak oil prices. Shirai, considered to be one of the more pessimistic of the nine members on the board on the outlook for the economy, said the central bank may consider easing policy if the uptrend in inflation expected by the BOJ fails to materialise "at all." Shirai said she personally expects inflation to hit the BOJ's 2% target by around June 2017, three months later than the central bank board's official forecast. (Source: *The Edge*)

**U.S.: Consumer spending slowing, but business investment poised to rise**

US consumer spending barely rose in October as households took advantage of rising incomes to boost savings to their highest level in nearly three years, pointing to moderate economic growth in the fourth quarter. Anemic consumer spending will probably do little to change expectations that the Federal Reserve will raise interest rates next month as other data on Wednesday showed a surge in business spending plans in October and a drop in new applications for unemployment benefits last week. The Commerce Department said consumer spending edged up 0.1% after a similar increase in September. When adjusted for inflation, consumer spending rose by the same margin. That suggests consumer spending, which accounts for more than two-thirds of US economic activity, has slowed from the third quarter's brisk 3.0% annual pace. (Source: *The Edge*)

# 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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