

“Smokes Get in Your Eye”

- External factors will weigh on the local market in third quarter. The ensuing wave will be no less than shifting sands and this may move some axis. Issues that could dampen sentiment in the third quarter include Greece debt debacle, US interest rate adjustment, backsliding of commodity prices and currency volatility. Liquidity driven rally period is over and hence, FBMKLCI should trade at normalize PER. Pegging PER of 15.6x to FY16 EPS, FBMKLCI year-end 2015 target is set at 1,660. FBMKLCI is a **NEUTRAL**.
- Greece has a total of 18 debt schedule to meet in third quarter and that number will increase to 24 if fourth quarter debt repayment is included. Greece needs to pay its creditors a total of €20 billion in third quarter and another €6.4 billion in the fourth. IMF, European Investment Bank and various banks in Eurozone will bear most of the brunt if Greece fails to pay up. Failure to meet even one re-payment can be catastrophic. At this juncture, there is more than 50% chance of Greece wanting to be independent again.
- Get ready for the US interest rate adjustment. It will take off in 2H15. Once it is started, it will 1) dent the commodity prices and 2) lift the USD. Depending on the policy space of each country, the lifting of US Federal Funds rate and the strength USD may roll over many victims. This may cause equity, bond and currency market volatility. Risk premia will heighten. De-risk will take center stage.
- All is not lost, however, as we still have three overweight sectors in 3Q15, including auto, construction and telco. Continue to bottom fish as new value has emerged in our top 10 pick. These winners will be the first to rally once FBMKLCI is on fast dial again. Their solid fundamentals, attractive valuation and rock solid financials will be hard to beat. This will be the best fortification against shifting sands.

NEUTRAL

2015 KLCI Target:	1,660
2014 Year End KLCI:	1,761

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Top Picks		
Stock Name	Ticker	Target Price
Berjaya Auto	BAUTO MK	RM3.32
BIMB Holdings	BIMB MK	RM4.84
Digi	DIGI MK	RM6.60
Gamuda	GAM MK	RM5.87
IJM Corp.	IJM MK	RM8.14
Maybank	MAY MK	RM10.70
MBMR	MBM MK	RM4.17
MMC Corp.	MMC MK	RM3.00
Public Bank	PBK MK	RM21.70
SapuraKencana	SAKP MK	RM2.95

M&A Securities Quick Fact Sheet

Index	2015	2014	Call	Y-o-y growth	PER 2015	PER 2014
FBMKLCI	1,660	1,761	Neutral	-5.7%	15.6x	15.8x
Msian Economy	2014			2015F		
GDP	6.0%			5.0%		
OPR	3.25%			3.25%		
Ringgit/USD	RM3.27			RM3.40-RM3.50		
Inflation	3%-4%			2%-3%		
Crude Oil (WTI)	USD93.50 per barrel			USD70-USD80 per barrel		
CPO	RM2,218 per tonne			RM2,300 per tonne		
Loans' growth	9%-10%			9.0%		
Sector	Call			Top Pick	Target Price	Call
Auto	Overweight			BAuto	RM3.32	Buy
Construction				Gamuda	RM5.87	Buy
Telco				Digi	RM6.60	Buy
Top Call	TP	CP*	Upside	Call	Catalyst	
Berjaya Auto	RM3.32	RM2.70	23%	BUY	• 3 new models to lift car sales higher	
BIMB Holdings	RM4.84	RM4.04	19%	BUY	• Ample room for loans growth to grow further	
Digi	RM6.60	RM5.36	23%	BUY	• Gaining traction in both post and prepaid	
Gamuda	RM5.87	RM4.67	26%	BUY	• KVMRT1 & 2 + HSR + PTMP	
IJM Corp.	RM8.14	RM6.52	25%	BUY	• RM7 billion orderbook and increasing	
Maybank	RM10.70	RM9.14	17%	BUY	• Good long term prospect in Indonesia	
MBMR	RM4.17	RM3.48	20%	BUY	• New Sedan, Axia and Myvi to anchor sales	
MMC Corp.	RM3.00	RM2.51	19%	BUY	• Listing of ports segment + 11MP	
Public Bank	RM21.70	RM18.72	16%	BUY	• Solid metrics + steady loans growth	
SapuraKencana	RM2.95	RM2.36	25%	BUY	• RM25 bln orderbook + RM25 bln tenderbook	

*cutoff date 30th June 2015

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2Q15 Review: “Backsliding Continues”

Table 1: World’s Major Index Performance (2Q15 YTD)

No	Index	2014 Closing	2Q15 Closing	YTD Gains	PER (x)
1	DJIA	17,983	17,619	-2%	15
2	S&P 500	2,058	2,063	0.2%	18
3	Stoxx 50	3,146	3,424	9%	19
4	FTSE 100	6,566	6,520	-0.7%	20
5	Nikkei 225	17,450	20,235	16%	23
6	Shanghai Index	3,234	4,277	32%	22
7	Hang Seng Index	23,605	26,250	11%	11
8	FBMKLCI	1,761	1,706	-3%	17
9	STI	3,365	3,317	-1%	15
10	JCI	5,226	4,910	-6%	21

Source: Bloomberg, M&A Securities

Overall view: 2Q15 was not a good quarter for Bursa Malaysia. It was also not a good quarter currency wise, political wise and commodity wise. To begin with, FBMKLCI has ended the quarter in the red, be it q-o-q or y-o-y, even distancing itself from historical high of 1,892. At 2Q15 closing of 1,706.64, Bursa Malaysia bellwether index, FBMKLCI, shed 6.7% q-o-q and 9.3% y-o-y. Against historical high of 1,892, FBMKLCI have tanked by almost 10%. Currency wise, Ringgit has continued it’s back sliding against the Dollar, a phenomena not unique to Ringgit. It is regional problem. Ringgit touched its lowest point of the year of RM3.77 per Dollar in June, a level not seen since the currency crisis erupted in 1997. This is also not far from Malaysia’s pegging level of RM3.80 per Dollar in 1998. Political wise, the brewing storm caused by 1MDB debt debacle has stoked heating political pressure in the country. The government has been put on a defense over this, stoking sense of jitteriness, pushing FBMKLCI to endure foreign investors net selling value totaling RM3.9 billion in 2Q15.

Commodity wise, lethargic commodity prices performance has taken a toll on the country’s export, yet again. Export for month of April tumbled by 8.8% y-o-y. WTI and Brent have failed to show any significant energy with both hardly exceeding USD62 and USD68 per barrel in 2Q15. Q-o-q, WTI has gained by 22.9% in value whilst y-o-y, it dipped by alarming 44%. As for Brent, its price has jumped by 15% q-o-q whilst it shed by a whopping 43% y-o-y. WTI finished the quarter at USD59 per barrel with Brent ended at USD73 per barrel. Multiple factor weighed on FBMKLCI in 2Q15 but the chief culprit was the US looming interest rate adjustment and also the brewing storm caused by Greece debt debacle. As a consolation, however, FBMKLCI is now slim, successfully trimmed its fat after it ended 2Q15 at FY16 forward PER of 16.1x, a level last seen prior to liquidity driven rally that started in 2009. Hence, there is interesting value emerging on Malaysia’s main bellwether index.

As usual, before we pen down what we think may influence the equity market in 3Q15, we would go down the memory lane on 2Q15. Note that the recap of 2Q15 will follow the order of importance. Here goes:

- **Riddle on US next interest rate adjustment**

US Federal Chairman has made it almost official that the US will be adjusting its interest rate in 2H15, the first time since the last 6 years. The inevitable is finally here, much to the chagrin of the global equity market. Now the first hurdle is down, next is the second hurdle. By how much the adjustment would be in 2H15? This has become a major source of uncertainty for global equity market, especially the developing and emerging countries, leading foreign investors to sell the domestic equity market in steady trend. Suffice to say that, the looming adjustment of US interest rate will cause a major tectonic shift in the global equity market.

- **Mighty Dollar stomping over Ringgit**

The investors from the US (i.e. mutual funds, pension funds, hedge funds), after years of being blessed with cheap borrowing rates, have to finally face the inevitable, that is their borrowing cost will escalate in tandem with the adjustment in US Federal Funds rate (FFR). This has unleashed a steady profit taking in the emerging and developing countries (EDC) equity market, equating to steady capital outflow back into the US. The fact that the US FFR normalize rate is very far ahead of 4%++ against 0%-0.25% now has stoked great fear among investors that the EDC equity, bond and currency market will tank precipitously due to the rapid capital outflow. This is what we are seeing and will continue to see in the next 1 year or so. In line with rapid capital outflow, Ringgit has obviously been bashed to its lowest point of the year to RM3.77 per Dollar in June.

- **1MDB - Raising political temperature over government seemingly inertia**

Lack of info, steady bashing and seemingly government's inertia over this issue has stoked some fear over foreign investors. Suffice to say, all the brewing storms over 1MDB has to some extent caused heavy losses in Bursa Malaysia in 2Q15.

- **Grexit - The Drama Continues**

We expect Greek drama over its debt debacle to continue well into 3Q15 after picking up in rapid pace in 2Q15. Of note, Greece has caused much tremor to the global equity market in 2Q15 due to its inability to meet not even 1 of its 2 debt repayment due in June. Note that Greece has 2 debt repayments due in June totaling €1.6 billion and €1.5 billion respectively. Neither 1 can be met by Greece due to its drying fiscal coffers. Added to the misery, Greece has 6 more debt repayment due in July excluding 5 in August and 6 in September. Note that Greece creditors have been seriously asking Greece to tap the Emergency Liquidity Funds set up by ECB but with a catch. Greece has to endure another round of fiscal tightening, something equal to political suicide and loath by the Greeks. This could potentially result in debt hanging by Greece and hence, rising systematic risk for Eurozone.

- **Bursa Malaysia - Capital Outflow Continues to the tune of RM3.9 billion in 2Q15.**

In line with the steady backsliding in FBMKLCI, the index has clocked-in unimpressive foreign investors net selling equating to RM3.9 billion in 2Q15 alone, picking up the same trend in 3Q14, 4Q14, 1Q15 with net selling pressure totaling to RM1.2 billion, RM3.8 billion, and RM3.3 billion respectively. In sum, the selling pressure has been steady. At times sharp.

- **Malaysia 1Q15 GDP - As Good as It Gets**

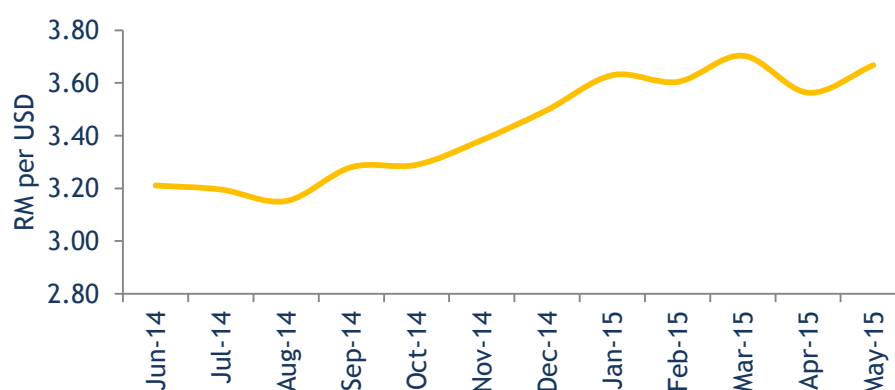
Malaysia's 1Q15 GDP hit an impressive 5.8%, thanks to front loading spending that resulted in purchasing bug among Malaysia. Note that Malaysians were rushing to spend ahead of the 1st April GST implementation. In sum, Malaysia equated a respectable 1Q15 GDP of 5.6% (4Q14: 5.7%; 1Q14: 6.3%), successfully arresting the contraction in export, after private consumption saved the day thanks to sizzling economic spending ahead of GST implementation. The front loading consumption ahead of GST was also supplemented by the flood relief spending at the back of strong private investment performance (1Q15: 11.7%; 1Q14: 14.9%) that vaulted seamlessly thanks to accommodative interest rate environment.

All in, 1Q15 GDP grew by 1.2% q-o-q. At 5.6% growth, 1Q15 GDP was a deceleration against 4Q14 and 1Q14 of 5.7% and 6.3% but still enviable given the sharp decline in export. Recall that Malaysia gross export dropped by 13.5 pps against 1Q14 after 1Q15 gross export came in at a contraction of 2.6%. Although Malaysia was able to hammer an impressive 1Q15 GDP but external issues have been too over whelming for investors to ignore, leading FBMKLCI to remain unchanged at 1,840 during the day of 1Q15 GDP announcement.

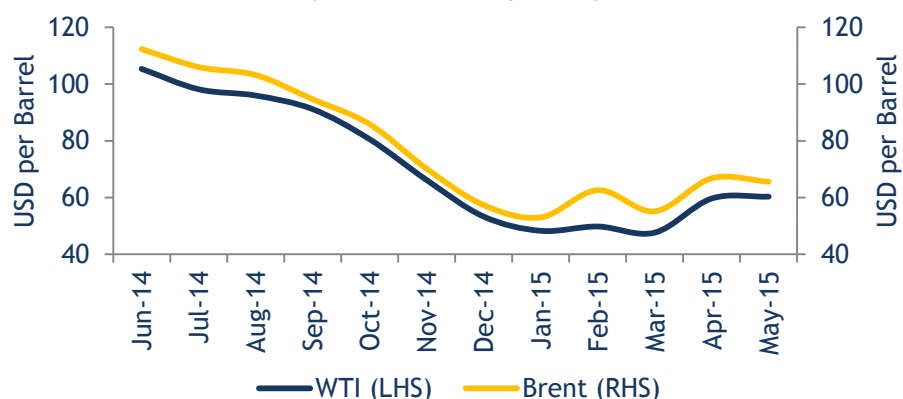
Table 2: Trading Pattern by investors (2Q15)

2014	Local Inst.	Foreign Ins.	Retail
1Q	RM4.9 billion	-RM5.3 billion	RM0.5 billion
2Q	-RM3.6 billion	RM4.5 billion	-RM0.8 billion
3Q	RM2.3 billion	-RM1.3 billion	-RM1.0 billion
4Q	RM3.6 billion	-RM3.8 billion	RM0.2 billion
TOTAL 2014	RM7.3 billion	-RM5.9 billion	-RM1.0 billion
1Q15	RM3.8 billion	-RM3.3 billion	-RM0.5 billion
2Q15	RM5.1 billion	-RM3.9 billion	-RM688 million

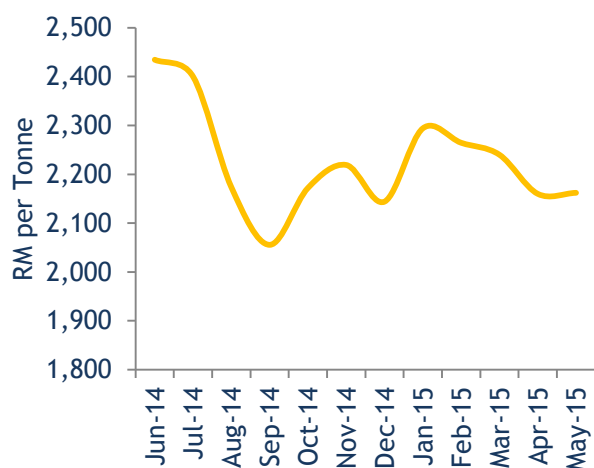
Ringgit per Dollar Exchange Rate
(June 2014 - May 2015)



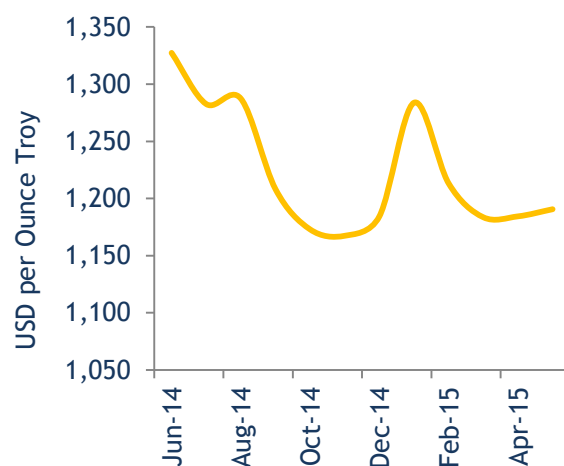
Oil Price: WTI & Brent
(June 2014 - May 2015)



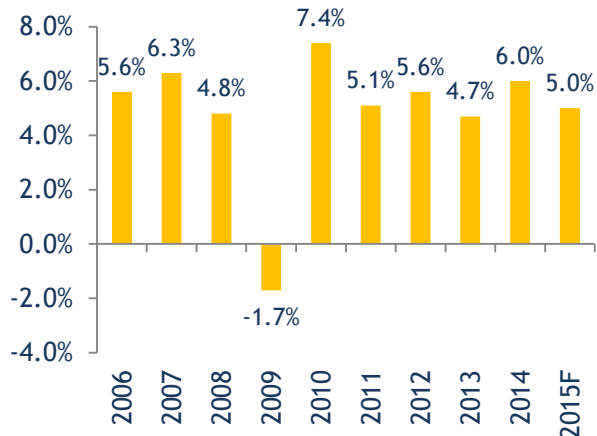
Commodity Price: MPOB average CPO
(June 2014 - May 2015)



Commodity Price: Gold
(June 2014 - May 2015)



Malaysia Annual GDP Growth
(2006-2015F)



Malaysia Quarterly GDP Growth
(3Q12-1Q15)

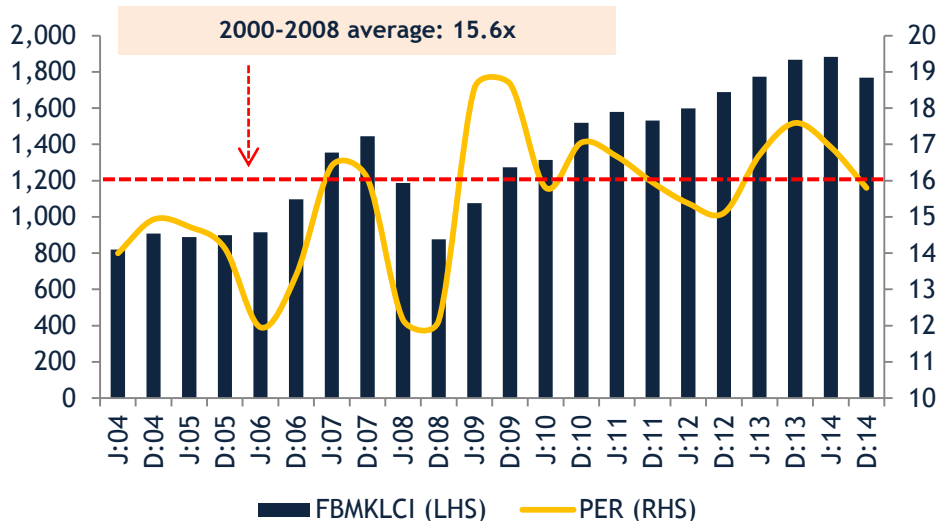
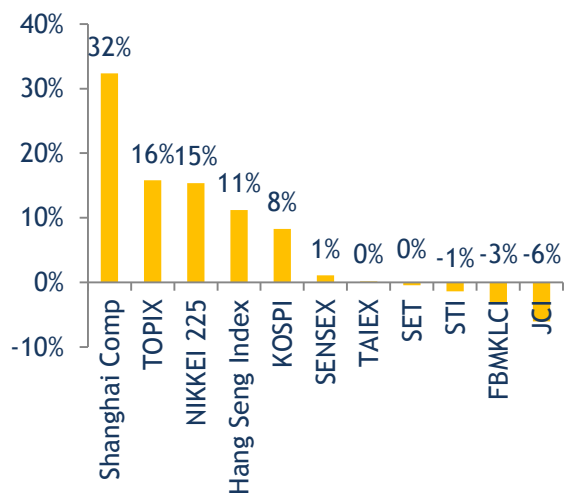
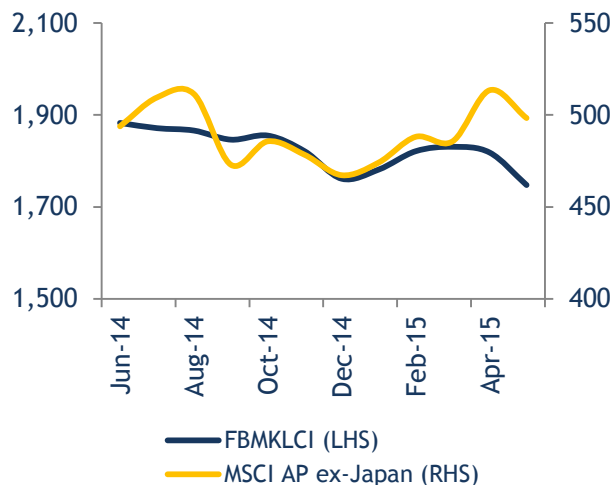


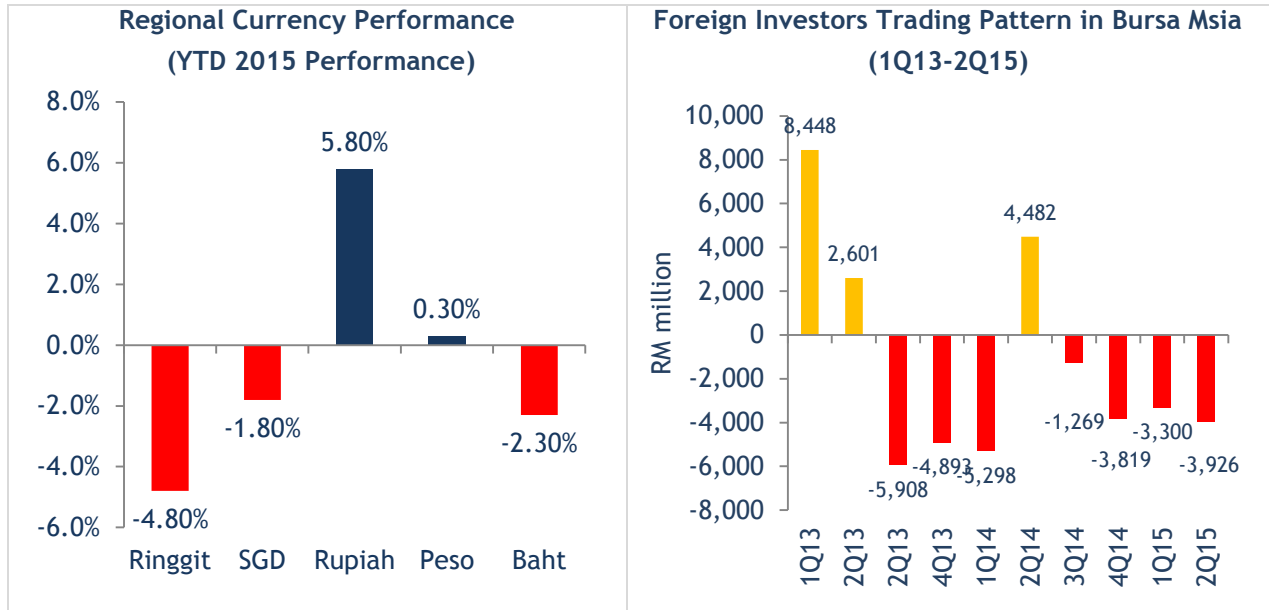
Source: MOS, M&A Securities

Table 3: FBMKLCI Best Performing Stocks (2Q15)

No	Stock	Share Price 2014 (RM)	Share Price 2Q15 (RM)	Gains % (YTD)
1	Westport	3.36	4.23	26%
2	Petronas Dagangan	17.12	20.58	20%
3	IHH Healthcare	4.82	5.66	17%
4	Petronas Chemical	5.45	6.32	16%
5	MISC	7.22	7.72	7%
6	PPB Group	14.3	15.12	6%
7	KLCC Property Stapled	6.71	6.96	4%
8	Genting	4.07	4.20	3%
9	Public Bank	18.30	18.72	2%
10	SapuraKencana	2.32	2.36	2%

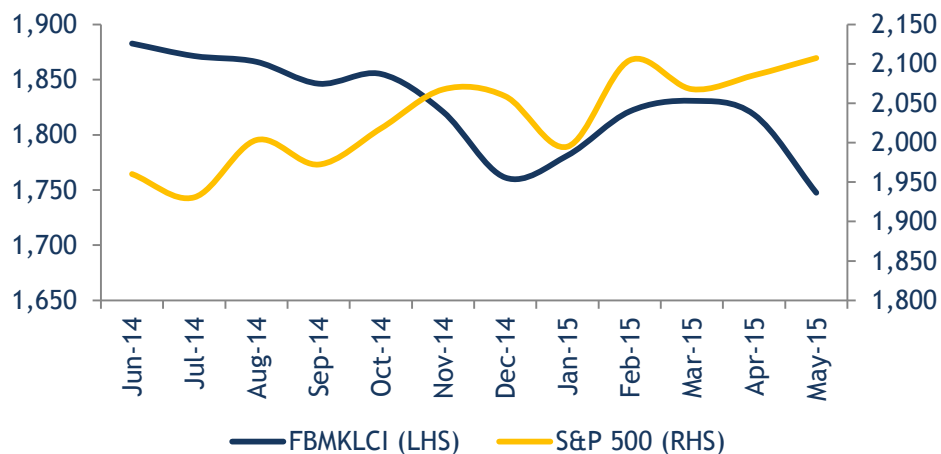
Source: Bursa Malaysia, M&A Securities

FBMKLCI Index and PER
(2004-2014)Regional Market Performance
(2Q15 YTD)KLCI vs. MSCI Asia Pacific ex-Japan
(June 2014 - May 2015)



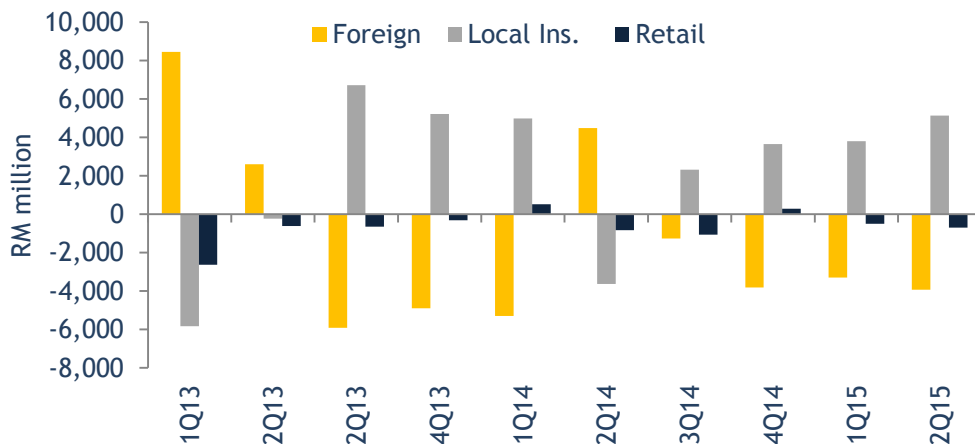
Source: Bloomberg, M&A Securities

M-o-M Performance: FBMKLCI vs. S&P 500
(June 2014 - May 2015)



Source: Bloomberg, M&A Securities

Bursa Malaysia Trading Position by Client
(1Q13-2Q15)



Source: Bloomberg, M&A Securities

3Q15 Equity Strategy

“Smokes Get in Your Eye”

Table 4: FBMKLCI 2015 Target Based on PER Valuation

	PER Based Valuation		
	Floor (1-SD Below Mean)	Base (Mean)	Ceiling (1-SD Above Mean)
Target	1,285	1,660	1,996
Basis	**12.1x	*15.6x	**18.8x
Growth % (y-o-y)	-27%	-5.7%	+13%
FBMKLCI YE: 2014		1,761	

Source: M&A Securities

* average of normalized PER from year 2000-2008

** 1-SD = 3.50

External development will be too overwhelming for Malaysia’s small equity market to fight in 3Q. To begin with, Malaysia may become a direct casualty once the US adjusts its interest rate. Ringgit has been and may continue to be bashed while commodity prices, among Malaysia’s important source of export revenues, may continue to depress. We think the situation could get worse in 3Q once the US snaps its interest rate adjustment, widely predicted in September. Also, the brewing storm from Greece will add to the global equity market volatility. There is a rising possibility that Greece may default in one of its 24 debt schedule repayments in 2H15 (refer table 7 & 8). This is especially when the Greeks are financially fatigue. The Greeks are just not in the mood for more pensions and wage cuts.

In sum, third quarter will not be an easy quarter. Sentiment will continue to be weighed by predictable and unpredictable developments. For one, fasting and Hari Raya months have always been a quiet month for equity market. Aided by uncertain outcome resulting from the brewing storms from US and Greece, investors may want to hold their horses while some may want to switch their bet into the bond and sukuk market. Therefore, a challenging 2H15 outlook and year-end target for FBMKLCI. We are resolute in our view that liquidity driven rally is officially over and we firmly believe that FBMKLCI should trade at normalize PER, where the targeted PER should be the average prior to 2009 (note: liquidity driven rally started in 2009-2014). Pegging PER of 15.6x on FY16 EPS, being the average from year 2000-2008 (note: normalize period excluding 1997-1998 Asian Currency Crisis and year 2009 onwards), FBMKLCI is forecast to end 2015 at 1,660 level. At that ending, FBMKLCI is a **NEUTRAL**.

Given below are the narrations of key events predicted to be the ‘movers and shakers’ for 3Q15:

(I) Greece, Greece, Greece - Source of headache

Greece is technically a bankrupt country. It does not have the money to meet its short term debt let alone its long term obligations. With total debt re-payment valued at €26.4 in 2H15, Greece is running out of time as the first debt repayment is due this 30th June. Greece has said repeatedly that it doesn’t have the money and literally begging on their knees for the ECB to use the €83 billion funds sets aside under the Emergency Liquidity Funding program. Now, we think Greece debt default is imminent especially when it has a total of 24 debt repayment schedule to be met

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in 2H15. How on earth would Greece able to meet that, one wonders? Note that Greece opting out of Eurozone is not impossible. The repercussion? 1) Eurozone banks that subscribed to Greece bonds would need to be recapitalized - likely a tremor facing Eurozone banks and hence, global financial market 2) raising systemic risk in Eurozone that could pave the way for other sick members to also get out of the pack (i.e. Portugal, Ireland, Italy, Spain). In sum, Greece opting out of the pact will result in catastrophic losses for many parties and the impact could reverberate and sustain for a prolong period of time.

(II) US First interest rate adjustment since 2008

The US Federal Reserve chairman, Janet Yellen, has finally broken her silence. She has made quite clear recently that the first US interest rate adjustment will be this year. The suspense will be: for how much? how many times? Rumour has it that it may be unleashed in September this year. Note that the US still has 4 more policy meetings left for the year including July, September, October and December. Our bet is that there may be only 1 adjustment this year at manageable dose of 25 basis points. Nonetheless, the start of this will be precursor to 1) heighten currency volatility especially for the developing and emerging countries 2) USD may gain strength at the expense of the rest of the world 3) commodity prices may remain depressed or head southwards. In sum, this tremor could last and prolong given the US normalize policy rate of 4%+ compared to the current rate of 0%-0.25%.

(III) Commodity Price softening

The USD is the currency for most commodities. Hence, when the USD gains strength, it will be costlier for the other party to purchase the same amount of commodity goods. Therefore, the rule of the house is that when USD gains strength, commodity prices will get soften due to sapping demand. This will be dark times for commodity producing countries as their export revenues will dip. Along the way, also, the demand for their domestic currency will ebb, a double edge sword for them.

(IV) Currency volatility

The emerging and developing countries domestic currencies especially the commodity producing countries will bear the most brunt at the time when the US Federal Funds rate is heading north. Capital outflow, which has begun earnestly in 3Q14, will only prolong or at time deepens. In short, expect currency volatility to sustain until it is clear when the US will be reaching its Federal Funds rate normalization level. This will usually take 2 years to finish and hence, how long the currency volatility could last.

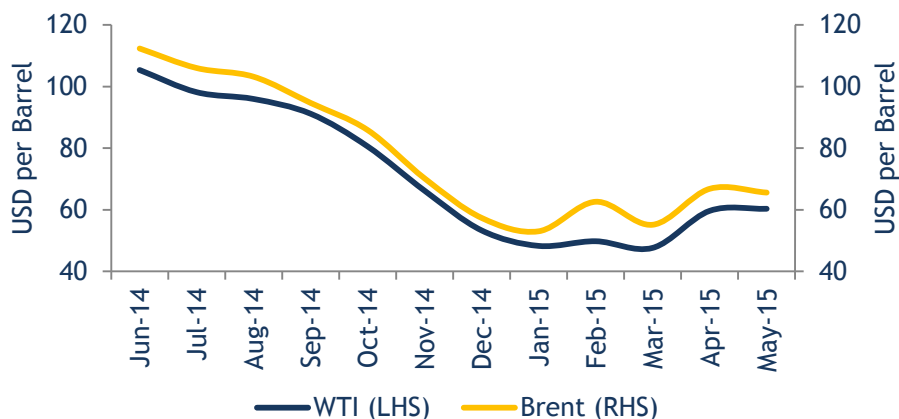
Conclusion and Recommendation

The local market may suffer from gyration every now and then. The jolt and impact could prolong, at times sharp and deep. Nonetheless, key to trading strategy during this volatile time would hinge of stock picking. Of note, our top pick is more of medium to long term basis which we predict would be the first to rally once the market on the fast dial again. Refer to page 1 and table 6 for the whole list.

These stock picking or winners are based on few factors that will not only fortify the company against the broader market onslaught but also to beat the bellwether index performance. We pick them

based on 1) solid fundamentals (e.g. orderbook, operational metrics, dividend metrics) 2) good sets of balance sheet (e.g. lean borrowing, net cash) and also attractive valuation. Equity market wise, we think FBMKLCI has shed lots of fats and is now lean and light, a trait that is likely to appease some investors. That said, we introduce our 2015 FBMKLCI target of 1,660 based on PER of 15.6x. The index is a **NEUTRAL**.

Oil Price: WTI & Brent
(June 2014 - May 2015)



Federal Funds Rate (effective)
1954-06 to 2014-05

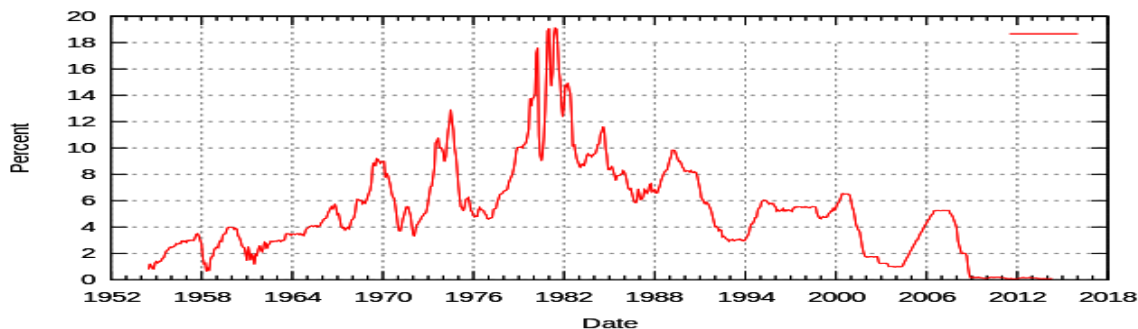


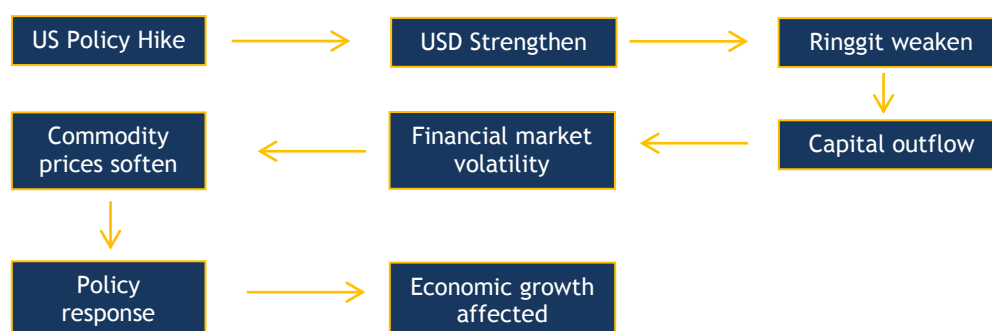
Table 5: US Federal Reserve Historical FFR Monetary Cycle

Economic Cycle	FFR Adjustment	Total quantum of adjustments
July 1990 – Sept 1992	8.00% → 3.00%	500 basis points cut over 2 years
Feb 1995 – Nov 1998	6.00% → 4.75%	125 basis points cut over almost 3 years
May 2000 – June 2003	6.50% → 1.00%	550 basis points cut in 3 years
2004-2006	*1.00% → 5.25%	425 basis points increase in 2 years
June 2006 – Oct 2008	5.25% → 1.00%	425 basis points cut in 2 years plus
Dec, 2008	0.0%-0.25%	75 basis points cut in 3 months

Source: Various, M&A Securities

*17 quarters of increase over 2 years

Chart 1: Interest Rate Parity and International Fisher Effect Impact in Response to US Policy Rate Hike



Note: The above is not in any particular order

Table 6: Top BUYs

	30/6/15 SP (RM)	TP (RM)	EPS (Sen)		EPS Growth (%)		PE (x)		P/BV		Div Yield FY15	ROE FY15
			FY15	FY16	FY15	FY16	FY15	FY16	FY15	FY16		
Big Caps: Market Capitalisation: > RM4 billion												
BIMB Holdings	4.04	4.84	36	38	0.3%	5%	11.5	10.9	1.9	1.7	5%	17%
Digi	5.36	6.60	27	28	3%	4%	20.2	19.3	57.7	54.8	4%	296%
Gamuda	4.67	5.87	31	31	0%	0%	15.2	15.4	1.9	1.8	2%	13%
IJM Corp	6.52	8.14	41	48	24%	17%	16.8	14.3	1.3	1.2	2%	8%
Maybank	9.14	10.70	73	78	-1%	6%	12.6	11.9	1.5	1.5	6%	13%
MMC	2.51	3.00	13	14	-22%	14%	17.9	15.9	0.9	0.9	NA	5%
Public Bank	18.72	21.70	122	132	5%	8%	15.3	14.2	2.4	2.2	3%	16%
SAKP	2.36	2.95	19	20	0%	5%	13.1	12.0	1.1	1.0	1%	13%
Mid Caps: Market Capitalisation: RM1.0-RM4 billion												
Berjaya Auto	2.70	3.32	22	25	16%	14%	11.9	11.0	5.4	4.6	3%	48%
MBMR	3.48	4.17	35	40	21%	14%	10.0	8.9	0.9	0.8	2%	9%

Table 7: Greece Debt Details Version 1.0

	Total Number of Payment	Total Amount Due
2015	25	€26.6 billion
2016	14	€5.8 billion
2017	11	€8.1 billion

Table 8: Greece Debt Details Version 2.0

Creditor	Due Date	Amount	Description	Rate
Treasury bill holders	June 19, 2015	€1,600,000,000	Short-term treasury bills	2.70%
IMF	June 30, 2015	€1,541,712,535	Loan under the IMF's first bailout program for Greece, in 2010.*	
Treasury bill holders	July 10, 2015	€2,000,000,000	Short-term treasury bills	2.30%
IMF	July 13, 2015	€451,232,937	Loan under the IMF's first bailout program for Greece, in 2010.*	
Treasury bill holders	July 17, 2015	€1,000,000,000	Short-term treasury bills	2.70%
ECB	July 20, 2015	€2,095,880,000	Bonds held by ECB exempted from the 2012 default	3.70%

ECB	July 20, 2015	€1,360,500,000	Bonds held by national central banks exempted from the 2012 default	3.70%
EIB	July 20, 2015	€25,000,000	Bonds held by the European Investment Bank; exempted from the 2012 default	3.70%
Treasury bill holders	August 7, 2015	€1,000,000,000	Short-term treasury bills	2.75%
Treasury bill holders	August 14, 2015	€1,400,000,000	Short-term treasury bills	2.70%
ECB	August 20, 2015	€3,020,300,000	Bonds held by ECB exempted from the 2012 default	6.10%
ECB	August 20, 2015	€168,000,000	Bonds held by national central banks exempted from the 2012 default	6.10%
IMF	Sept. 4, 2015	€300,821,958	Loan under the IMF's first bailout program for Greece, in 2010.*	
Treasury bill holders	Sept. 4, 2015	€1,400,000,000	Short-term treasury bills	2.97%
Treasury bill holders	Sept. 11, 2015	€1,600,000,000	Short-term treasury bills	2.70%
IMF	Sept. 14, 2015	€338,424,703	Loan under the IMF's first bailout program for Greece, in 2010.*	
IMF	Sept. 16, 2015	€564,041,171	Loan under the IMF's first bailout program for Greece, in 2010.*	
IMF	Sept. 21, 2015	€338,424,703	Loan under the IMF's first bailout program for Greece, in 2010.*	
Treasury bill holders	Oct. 9, 2015	€1,400,000,000	Short-term treasury bills	2.97%
IMF	Oct. 13, 2015	€451,232,937	Loan under the IMF's first bailout program for Greece, in 2010.*	
Treasury bill holders	Nov. 6, 2015	€1,400,000,000	Short-term treasury bills	2.97%
IMF	Dec. 7, 2015	€300,821,958	Loan under the IMF's first bailout program for Greece, in 2010.*	
Treasury bill holders	Dec. 11, 2015	€2,000,000,000	Short-term treasury bills	2.97%
IMF	Dec. 16, 2015	€564,041,171	Loan under the IMF's first bailout program for Greece, in 2010.*	
IMF	Dec. 21, 2015	€338,424,703	Loan under the IMF's first bailout program for Greece, in 2010.*	
IMF	Jan. 13, 2016	€451,232,937	Loan under the IMF's first bailout program for Greece, in 2010.*	
IMF	March 7, 2016	€300,821,958	Loan under the IMF's first bailout program for Greece, in 2010.*	
IMF	March 16, 2016	€564,041,171	Loan under the IMF's first bailout program for Greece, in 2010.*	
ECB	April 11, 2016	€22,800,000	Bonds held by ECB exempted from the 2012 default	Six-month Euribor + 0.075%
ECB	April 11, 2016	€30,000,000	Bonds held by national central banks exempted from the 2012 default	Six-month Euribor + 0.075%

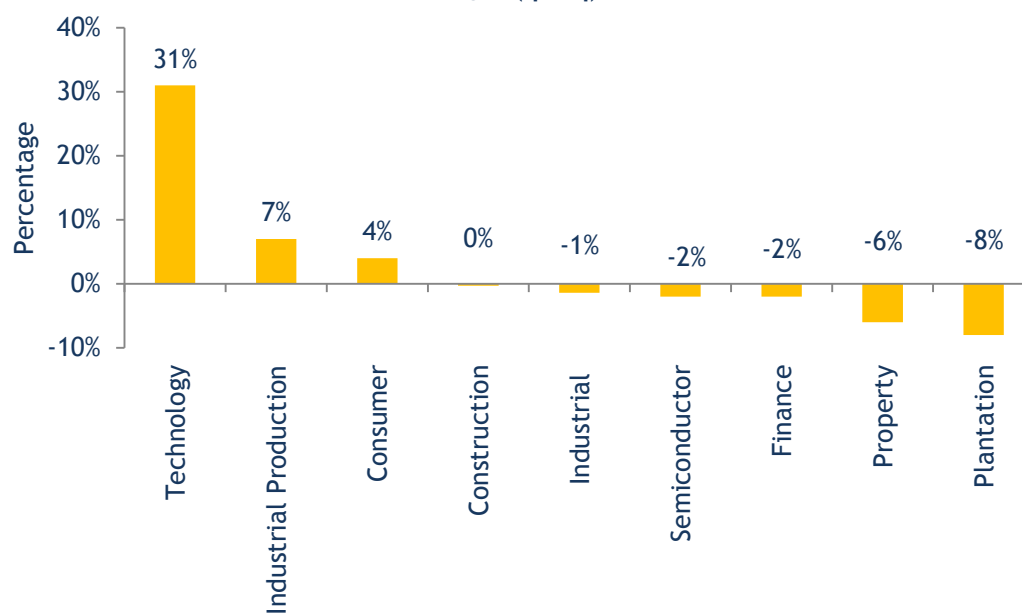
IMF	April 13, 2016	€451,232,937	Loan under the IMF's first bailout program for Greece, in 2010.*	
IMF	June 7, 2016	€300,821,958	Loan under the IMF's first bailout program for Greece, in 2010.*	
IMF	July 13, 2016	€451,232,937	Loan under the IMF's first bailout program for Greece, in 2010.*	
ECB	July 20, 2016	€1,446,070,000	Bonds held by ECB exempted from the 2012 default	3.60%
ECB	July 20, 2016	€821,800,000	Bonds held by national central banks exempted from the 2012 default	3.60%
EIB	July 20, 2016	€20,000,000	Bonds held by the European Investment Bank; exempted from the 2012 default	3.60%
IMF	Sept. 7, 2016	€300,821,958	Loan under the IMF's first bailout program for Greece, in 2010.*	
IMF	Sept. 19, 2016	€145,956,443	Loan under the IMF's second bailout for Greece, in 2012.†	
IMF	Dec. 7, 2016	€300,821,958	Loan under the IMF's first bailout program for Greece, in 2010.*	
IMF	March 17, 2017	€145,956,443	Loan under the IMF's second bailout for Greece, in 2012.†	
ECB	April 4, 2017	€48,000,000	Bonds held by ECB exempted from the 2012 default	Six-month Euribor + 0.09%
ECB	April 20, 2017	€1,185,800,000	Bonds held by ECB exempted from the 2012 default	5.90%
ECB	April 20, 2017	€168,000,000	Bonds held by national central banks exempted from the 2012 default	5.90%
Private investors	July 17, 2017	€1,500,000,000	Bonds issued by Greece (2014 and later)	
IMF	July 18, 2017	€291,912,887	Loan under the IMF's second bailout for Greece, in 2012.†	
ECB	July 20, 2017	€2,412,206,000	Bonds held by ECB exempted from the 2012 default	4.30%
ECB	July 20, 2017	€1,455,700,000	Bonds held by national central banks exempted from the 2012 default	4.30%
EIB	July 20, 2017	€10,000,000	Bonds held by the European Investment Bank; exempted from the 2012 default	4.30%
IMF	Sept. 19, 2017	€145,956,443	Loan under the IMF's second bailout for Greece, in 2012.†	
IMF	Dec. 4, 2017	€157,191,886	Loan under the IMF's second bailout for Greece, in 2012.	

Source: WSJ, M&A Securities

Table 9: Selected Regional Market Equity Performance (2Q15)

Index	2014 Closing	2Q15 Closing	YTD Gains	PER (x)
NIKKEI 225	17,450	20,235	15%	23
TOPIX	1,407	1,630	16%	19
Shanghai Comp	3,234	4,277	32%	22
TAIEX	9,307	9,323	1%	14
FBMKLCI	1,761	1,706	-3%	17
SENSEX	27,483	27,780	1%	22
Hang Seng Index	23,605	26,250	11%	11
KOSPI	1,915	2,074	8%	18
STI	3,365	3,317	-1%	15
JCI	5,226	4,910	-6%	21
SET	1,497	1,504	-1%	20

Source: Bloomberg, M&A Securities

Bursa Malaysia Sector Performance
2Q15 (q-o-q)

Source: Bloomberg, M&A Securities

Table 10: FBMKLCI Best Performing Stocks 2Q15

No	Stock	Share Price end 2014 (RM)	30 th June 2015 (RM)	Gains % (YTD)
1	Westport	3.36	4.23	26%
2	Petronas Dagangan	17.12	20.58	20%
3	IHH Healthcare	4.82	5.66	17%
4	Petronas Chemical	5.45	6.32	16%
5	MISC	7.22	7.72	7%
6	PPB Group	14.3	15.12	6%
7	KLCC Property Stapled	6.71	6.96	4%
8	Genting	4.07	4.20	3%
9	Public Bank	18.30	18.72	2%
10	SapuraKencana	2.32	2.36	2%
11	Astro	3.03	3.08	2%
12	Maybank	9.17	9.14	-1%
13	CIMB	5.56	5.47	-2%
14	YTL Corp	1.59	1.55	-3%
15	RHB Cap	7.62	7.37	-3%
16	Petronas Gas	22.16	21.26	-4%
17	Hong Leong Bank	13.98	13.4	-4%
18	British American Tobacco	65.10	62.00	-5%
19	Telekom Malaysia	6.88	6.54	-5%
20	Kuala Lumpur Kepong	22.80	21.40	-6%
21	Maxis	6.85	6.37	-7%
22	Sime Darby	9.19	8.52	-7%
23	UMW Holdings	10.96	10.14	-8%
24	Hong Leong Finance	16.52	15.16	-8%
25	Tenaga Nasional	13.80	12.64	-8%
26	Ambank	6.60	6.03	-9%
27	Genting	8.87	8.06	-9%
28	Axiata	7.05	6.40	-9%
29	Digi	6.17	5.36	-13%
30	IOI Corp	4.80	4.06	-15%

Source: Bloomberg, M&A Securities

Table 11: FBM EMAS Best Performing Stocks 2Q15

No	Stock	Share Price end 2014 (RM)	30 th June 2015 (RM)	Gains % (YTD)
1	Wintoni	0.06	0.34	415%
2	Perwaja	0.05	0.25	400%
3	Asdion Bhd	0.48	1.46	204%
4	Only World	0.89	2.69	202%
5	Microlink Solution	0.60	1.75	192%
6	Cybertowers	0.02	0.05	175%
7	Super Enterprise	1.30	3.52	171%
8	JHM Consolidation	0.13	0.33	154%
9	CI Holdings Bhd	0.98	2.44	149%
10	Asia Poly	0.23	0.58	149%
11	Oriented Media	0.13	0.32	146%
12	SLP Resources	0.59	1.44	144%
13	United U-Li	1.76	4.27	143%
14	Mulpha Land	0.39	0.91	133%
15	Jerasia Cap	0.40	0.92	129%
16	EA Technique	0.47	1.06	128%
17	Evergreen Fibreboard	0.61	1.35	123%
18	Oriental Food	2.76	5.86	112%
19	Heveaboard	1.66	3.48	110%
20	Superlon Holdings	0.72	1.49	107%
21	Scc Holdings	1.27	2.60	105%
22	Spring Gallery	0.33	0.67	103%
23	YSP Southeast	1.30	2.62	102%
24	Privasia Technology	0.14	0.27	100%
25	LCTH Corp	0.25	0.50	98%
26	BTM Resources	0.13	0.25	96%
27	SAM Engineering	2.69	5.15	91%
28	Pentamaster Corp	0.38	0.71	91%
29	SKP Resources Bh	0.64	1.22	91%
30	Mieco Chipboard	0.38	0.70	88%

Source: Bloomberg, M&A Securities

3Q15 Global Economic Outlook

“Embrace Protracted Volatility”

IMF: Global Economic Statistics

	2013A	2014A	2015F	2016F
World Output	3.0%	3.3%	3.5%	3.7%
- Advanced Economies	1.3%	1.8%	2.4%	2.4%
- Emerging and Developing	4.7%	4.4%	4.3%	4.7%
World Trade Volume	3.4%	3.1%	3.8%	5.3%

Source: IMF, M&A Securities

Positive catalysts:

- 1) US will grow convincingly (IMF 2015F: 3.6%; IMF 2016F: 3.3%)
- 2) Sluggish global commodity prices - breathing space for resources deficit country
- 3) Sluggish global commodity prices - opportunity to correct imbalance and fiscal reforms - a huge opportunity
- 4) Quantitative easing measures from Japan and the Eurozone

Negative catalysts:

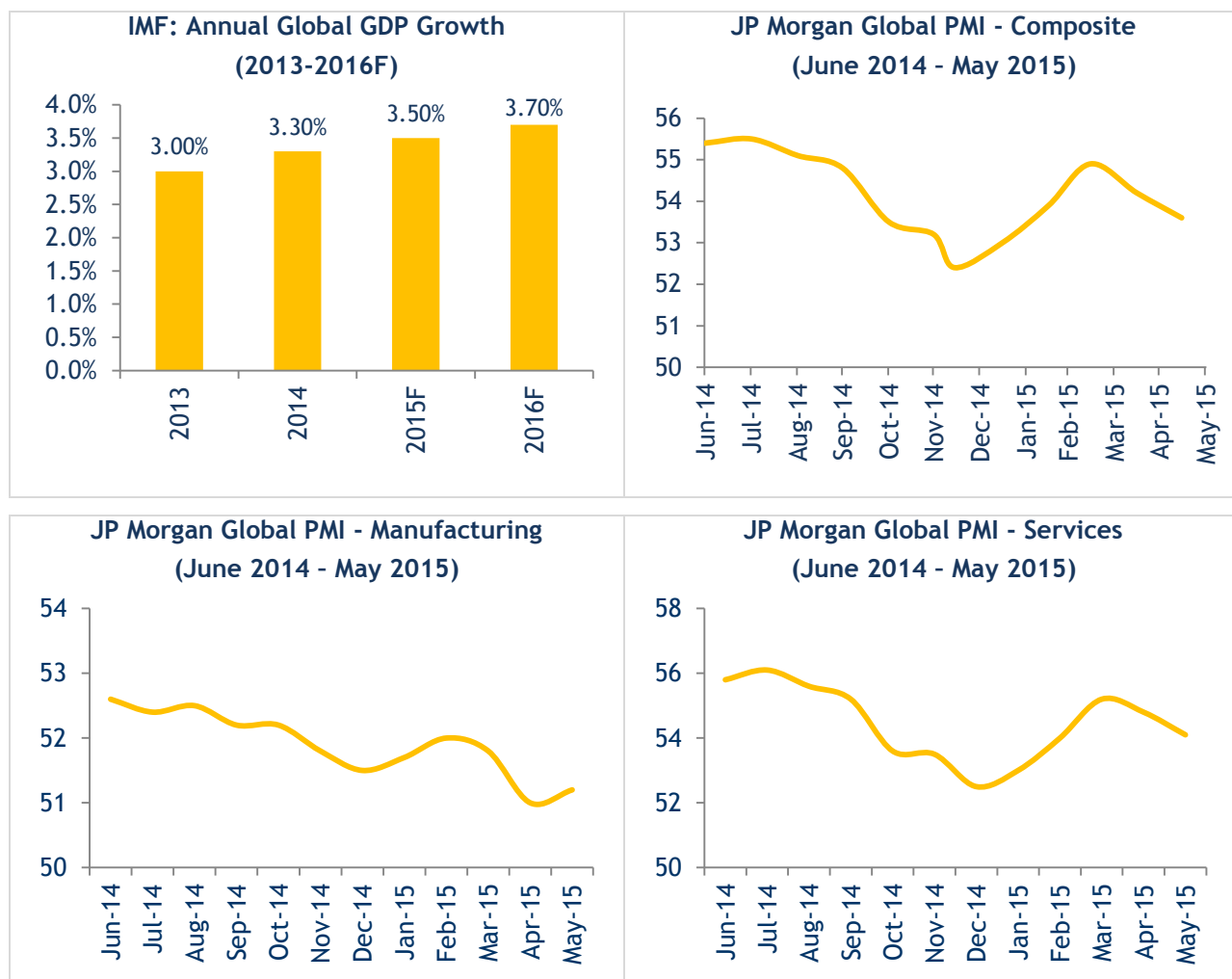
- 1) Economic challenges in China, Japan, and the Eurozone
- 2) Sluggish global commodity prices - rich resources country economy will get pounded
- 3) US policy rate hike - financial instability and policy response to defend currency
- 4) Rapid capital movement emanating from the US policy rate hikes

The world will be facing protracted volatility in 3rd quarter this year and possibly spilling into 4th quarter no thanks to 1) US impending interest rate adjustment, 2) headwinds from Greece debt debacle and 3) China challenging economic outlook. At the moment, the boiling thermostat coming from Greece could be earth shifting as Greece is due for sizeable debt repayment to the tune of €3.1 billion in June and another big sum in July. The failure of Greece to meet its debt repayment in these both months sparks fresh concern that Greece may want to be independent from Eurozone. This rising possibility will raise systematic risk chiefly due to the fact that Germany, France and Cyprus are all big holders of Greece debt. Greece has said that it does not have the money in addition to the fact that it refuses to go for another fiscal consolidation.

All in all, should negotiation on this fails, Greece may be independent from Eurozone and hence, have its own monetary independence. It proves that the exit mechanism from Eurozone do exist after all. On the flip side, Greece will be in uncharted water and opens the door for other trouble nations such as Portugal, Ireland, Italy and may be Spain to consider the same path of opting out. There may be a domino effect that can lead to the Eurozone to crumble and hence, raising the tail risk to reach 3-standard deviation scenario. Although it may be remote at this juncture but we think the Greeks are tired of all the severe tightening measures and crimping fiscal target and they per se may vote to be independent. This will be one of the brewing headache facing global economy and financial market in 3rd quarter.

Apart from that, US looming interest rate adjustment, widely said and speculated to be in 2H15, may cause shifting sand for the global economy. The spark of this will be precursor for exchange rate volatility to heighten. It has started well in advance in 2H14. But, the official validation of this will unleash a fresh volatility in the already volatile currency market and the chief brunt of this will be the commodity producing countries as capital outflow could be more severe. The accompanying weakening of commodity prices will be a source of nervousness that will be precursor for investors to continue taking their funds out of these countries. This will hammer their currency along the way. Malaysia, Brazil, Russia and Indonesia are among those that are vulnerable.

The likely adjustment in the US interest rate in 2H15 will only add to the strength of the USD. We think that the US will start adjusting its Federal Funds rate in earnest although we think that the adjustment in the beginning will be modest, in the range of 25-50 basis points in first 1-2 FOMC sitting before starting to reach in full blown in 2016. As the adjustment until the US reaches its normalization level of 4%++ could be sizeable given the current FFR rate of 0.25%, we expect the global financial market volatility could prolong and get protracted well into 2016 and 2017 and hence, we think that the nervousness of global financial market will. Until then, expect rapid capital movement along the way which may inevitably hammer the currency and economy of commodity producing countries.



3Q15 US Economic Outlook

“First Interest Rate Adjustment Soon”

US Economic Forecast

	2012	2013	2014	2015F	2016F
IMF				3.6%	3.3%
US Federal Reserve				2.3%-2.7%	2.3%-2.7%
World Bank	2.8%	1.9%	2.4%	3.2%	3.0%
OECD				3.0%	3.0%
Bloomberg Consensus				3.0%	2.8%

Source: Various, M&A Securities

Positive catalysts:

- 1) Full employment and robust housing market
- 2) Appreciation of USD: cheaper importation cost
- 3) Economic re-acceleration (Fed 2014 GDP: 2.4%; Fed 2015F GDP: 2.3%-2.7%)
- 4) Sluggish global commodity prices: less pressure on cost of living and inflation

Negative catalysts:

- 1) A series of policy rate hike
- 2) BOP imbalance to continue
- 3) Rapid capital inflow: USD may get too strong

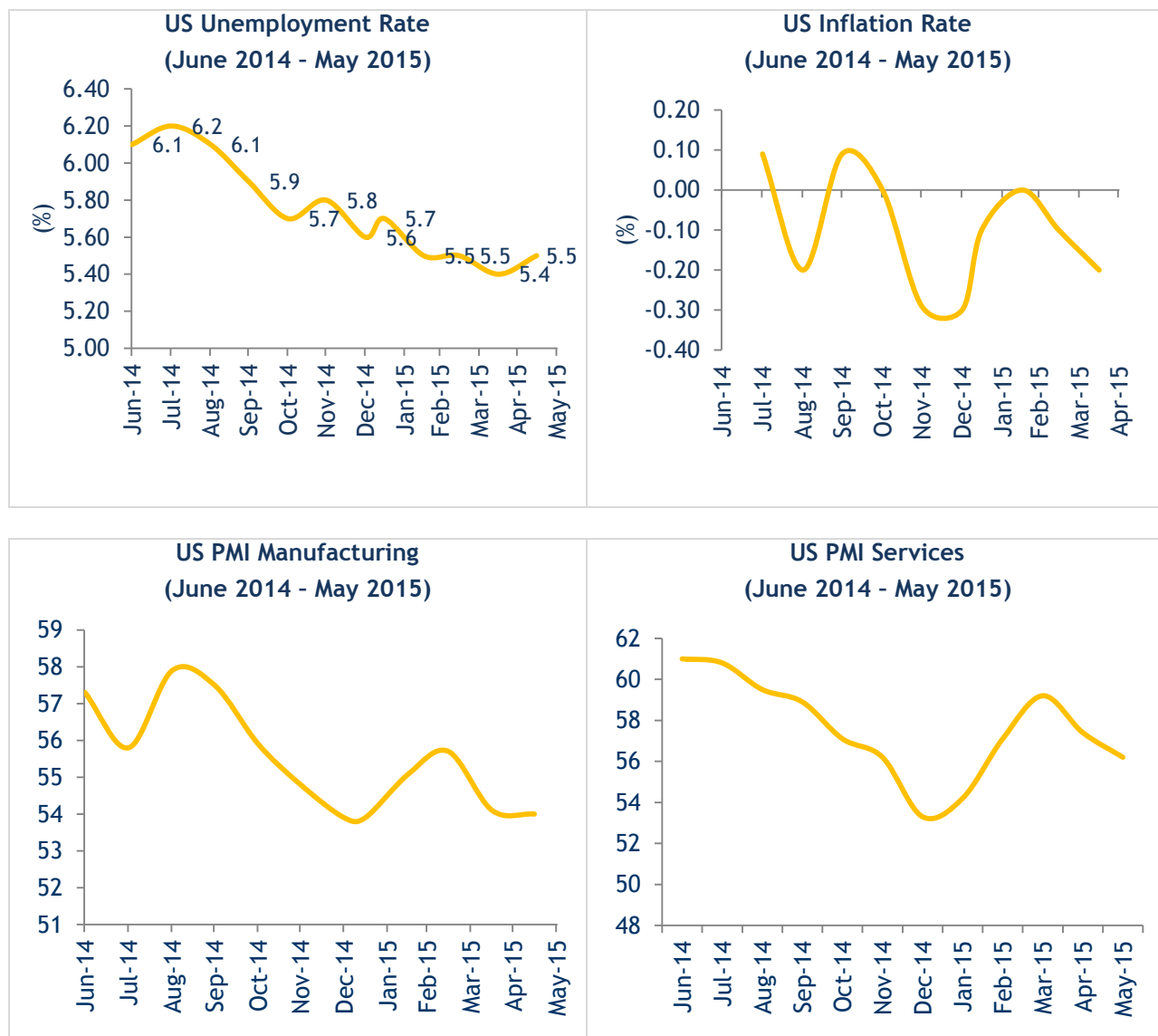
US is on the road to full recovery, underpinned by full employment and steady housing market. The strength of USD will pave the way for consumers spending to be sizzling. Blessed by increasing shale oil deposits, the US is unperturbed by the prolong weakness of oil prices and hence, we predict the US will have no qualms of adjusting its interest rate this year, its first adjustment since the last 6 years. Admittedly, hedge funds had turned nervous as borrowing cost will elevate and has started pulling back their capital, steadily and at time robustly. The victims so far have been the global commodity producers and also emerging countries as can be witnessed in heightened currency volatility, albeit moving down south. Despite suggestion by the World Bank for the US to start adjusting its Federal Funds Rate (FFR) only next year but we think that the key to that decision will hinge on a few factors, including 1) the strength of its labor and housing market 2) the outlook of oil and hence, inflation and 3) the strength of USD.

The US cannot take lightly the possibility of runaway inflation as monetary weapon would usually take a few months to take effect. Give that the US will be dead serious to adjust the rate before things get out of control. This we predict will be in earnest in 2H15, albeit in small dose of 25-50 basis points before steadily elevating to reach the normalize level of 4%++ by 2017. Hence, there could be at time sharp adjustment to the tune of 50 basis points for each FOMC meeting. The US have known to adjust (note: cut or increase) their FFR during recession or economic prosperity within 2 years and we think it may be the case this time around. A word of caution: although the FFR may seems to be

heading skywards but we need to issue a disclaimer that there could be adjustment or cut or pause on FFR depending on the strength of the US economy. Therefore, it is not cast in stone.

All in all, the US economy is on full mend and finally grows within its capability. As a backlash, however, the strength of USD may weigh on its export potential and likely to result in bigger trade imbalance. The strength of USD will be juxtaposed and precursor for import to elevate if one is to look at the US big spending appetite. Nonetheless, it will not be a big issue as the US economy is 80% oil by consumers spending. Meanwhile, the soft global commodity prices will be a blessed for the US economy as it will put less pressure on inflation. As it turns out to be, the US will be the global locomotive to global economy amid economic headwinds in Japan and the Eurozone.

In sum, the global community have to face the fact that the US will be go ahead with its plan to adjust interest rate this year. With so much policy space in hand and so much to lose if inflation turns skyward, the US will not waste time to make the best for the country. In order to avoid catastrophic volatility, we think that the adjustment will be in small dose at first before proceeding to be in full force then after. In our view, the period of volatility could last until end of 2016.



3Q15 Eurozone Economic Outlook

“Greece to Cause Splitting Headache”

Euro Area Economic Forecast

	2012	2013	2014	2015F	2015F
IMF	-0.7%	-0.4%	0.8%	1.2%	1.4%
ECB				1.3%	1.9%
World Bank				0.8%	1.1%
OECD				1.0%	1.7%
Bloomberg Consensus				1.3%	1.6%

Source: Various, M&A Securities

Positive catalysts:

- 1) New quantitative easing measure to shore up growth
- 2) Sluggish global commodity prices: breathing space and relieve for now

Negative catalysts:

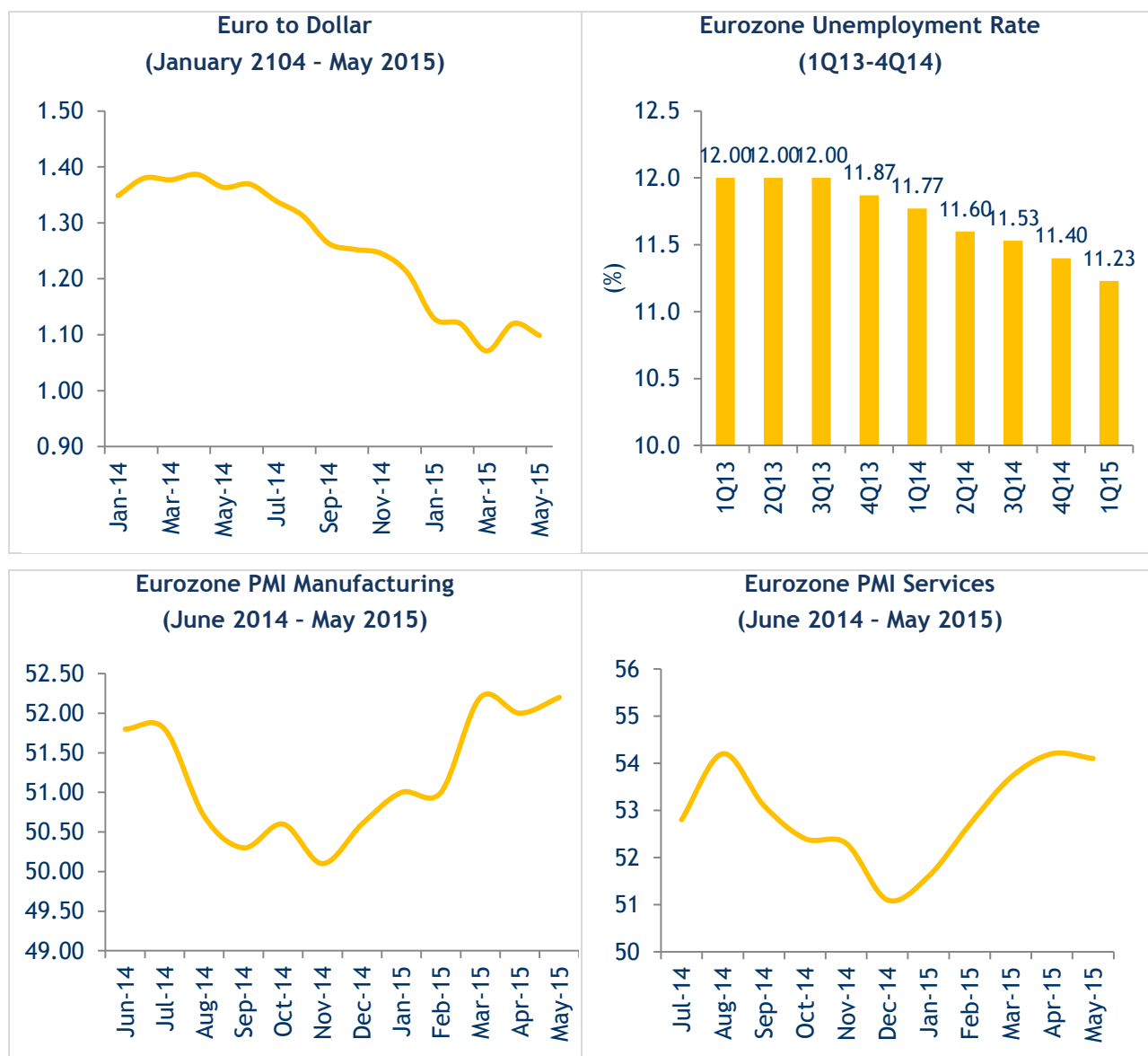
- 1) The scary prospect of deflation
- 2) Limited policy space - almost zero
- 3) Nagging structural problems
- 4) Fiscal lethargic
- 5) Germany to oppose kicking start inflationary drive
- 6) Greece debt debacle

Eurozone is not out of the woods although they have massive bond purchase programme under its sleeve. Now, they are being weighed by the prospect of Greece to miss its debt repayment not only for June but also for July including August. Below are the details of Greece debt due in these 3 months:

- 1) June 19th: €1.6 billion - short term treasury bills
- 2) June 30th: €1.5 billion to IMF, being their first bailout program for 2010.
- 3) July 10th: €2 billion - short term treasury bill
- 4) July 13th: €451 million - IMF bailout programme
- 5) July 17th: €1 billion - short term treasury bills
- 6) July 20th: €2 billion - bonds held by ECB exempted from the 2012 default
- 7) July 20th: €1.36 billion - Bonds held by national central banks exempted from the 2012 default
- 8) July 20th: €25 million - Bonds held by the European Investment Bank; exempted from the 2012 default
- 9) August 7th: €1 billion - short-term treasury bills
- 10) August 14th: €1.4 billion - short-term treasury bills
- 11) August 20th: €3.02 billion - bonds held by ECB exempted from the 2012 default
- 12) August 20th: €168 million - bonds held by national central banks exempted from the 2012 default

All in, Greece has debt due for repayment to the tune of €3.1 billion for June, €6.8 billion for July and €5.6 billion for August. Would Greece be paying all these on time? May be no. But, Greece do have Emergency Liquidity Assistance (ELA) under the European Central Bank (ECB) that it can tap to the tune of €83 billion, more than enough to cover its short term debt until December. Of note, Greece has a very tight debt schedule repayment until December 2017. Note that ECB just increased the size of ELA by €2.3 billion in mid-June. Nonetheless, the condition before Greece can tap on this is that Greece has to agree on another round of fiscal consolidation including another round of wages and pensions cuts, something that is very sensitive and unlikely to take place in our view.

In any case, we opine that Germany, being the biggest casualties if Greece opts to be out of Eurozone, will not let this to happen. The risk is too big while the catastrophe will be too immense to imagine. At worst, Germany will further squeeze Greece to pay up or reschedule their debt and at the same time push for further fiscal consolidation. Notwithstanding that, Eurozone in their quest to reach for steady economic growth will be distracted by Greece debt debacle. The no ‘exit policy’ by Eurozone is a blessing as Greece may not able to be independent easily. Willy-nilly, we think that Greece has to meet half way the demand of their creditors given their precarious financial situation.



3Q15 Japan Economic Outlook

“Same Old Same Old”

Japan Economic Forecast

	2012	2013	2014	2015F	2016F
BoJ	1.5%	1.5%	0.1%	0.6%	n.a
IMF				0.6%	0.8%
World Bank				1.2%	1.6%
OECD				1.3%	1.3%
Bloomberg Consensus				1.0%	1.4%

Source: Various, M&A Securities

Positive catalysts:

- 1) Sluggishness in global commodity prices - less pressure on cost and economy
- 2) Shinzo Abe full mandate and grip to lead Japan

Negative catalysts:

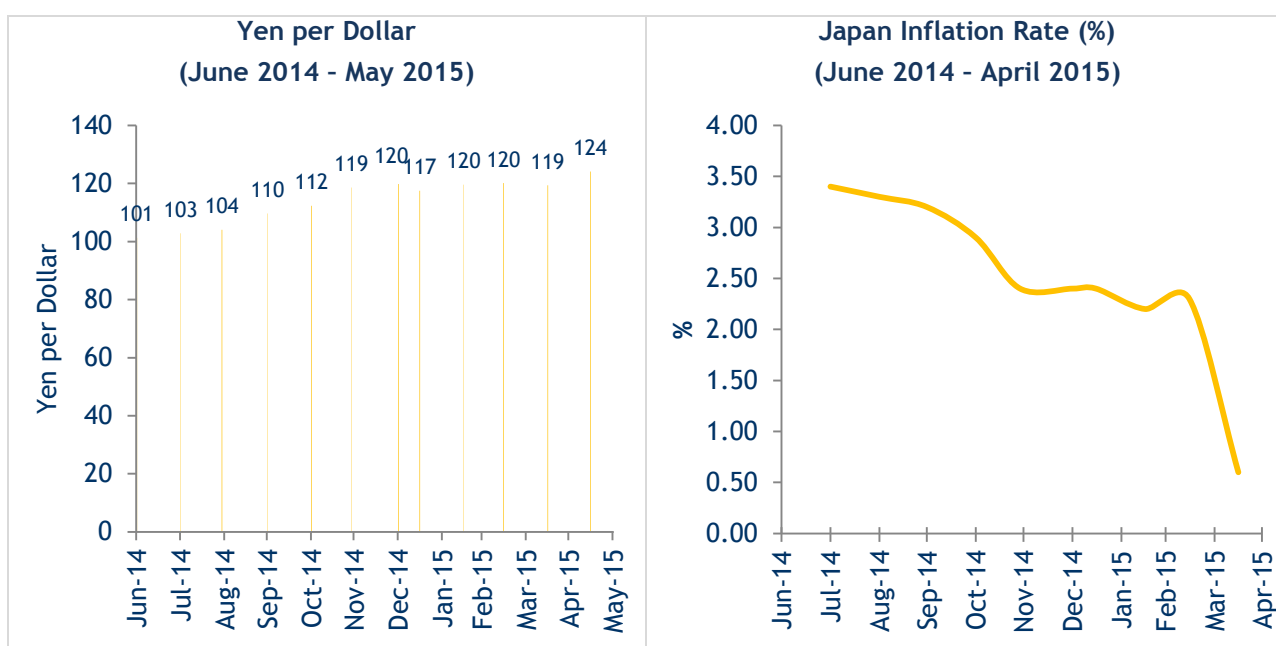
- 1) Yen may gain strength
- 2) Disappointing economic prospects
- 3) Impact of consumption tax increase in 2014 to continue to be felt
- 4) Dim prospect of inflationary pressure
- 5) Negligible impact from Abe's 3-arrow reforms

Japan is unlikely to grow in smashing record this year. In adverse, it may likely generate a lukewarm economic growth despite the fact that oil has remained fairly depressed for the year. Even with much pomp and pageantry, Shinzo Abe has failed to revive Japan's economic momentum with its 3-arrow reforms. In line with our expectation, it is the structural impediments that weighing on Japan's engine of growth and no amount of fiscal and monetary arsenal can help them. Japan's economic growth will continue to be derailed by 1) ageing population (note: Japan's population average age is about 50 years old vs. Europe's in the 34 years vs. China's 29 years old. With that, productivity will get a hit and consumers spending will remain lethargic. Last year's sales tax increase will only add to their spending withdrawals.

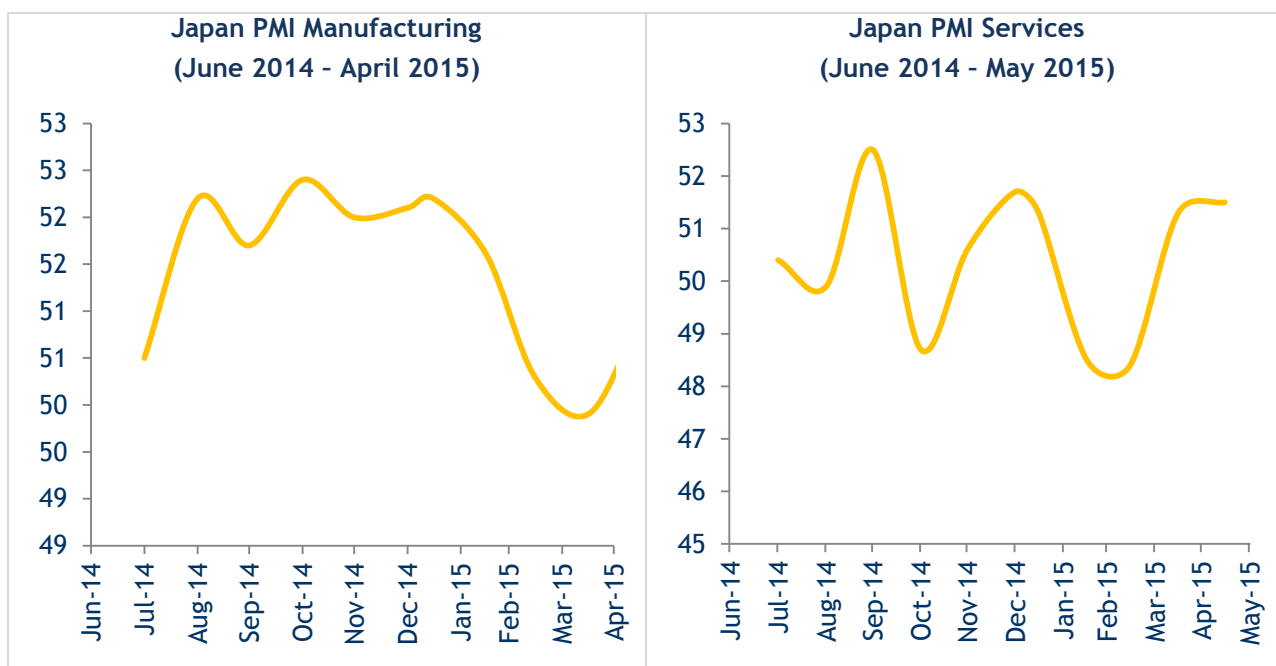
Despite Bank of Japan massive bond purchase programme, Japan's economy has yet to show sign of breathing and expect it to be as such in the next few years. The only reprieve for the economy now is 1) depress oil price and 2) Tokyo 2020 Olympic spending. As many are aware, Japan has zero oil resources and hence, the movement of oil will impact the nation directly. Japan should take the advantage of a fairly soft oil price but failed to do so. In adverse, Japan has been pushed to the verge of deflation given its May inflation of 0.1%. This is very far from BoJ's 2.0% inflation target. Failure to induce inflation means companies will not hire new employees in big numbers and consumers spending will remain weak, a vicious spiral for Japan who has been in hibernation for over 20 years.

Another dilemma facing Japan is the prospect of Yen to gain in value, mainly due to the virtue of Yen being safe haven currency alongside USD and Swiss Franc. During a period of uncertainty where rapid capital outflow will heighten risk premia, we opine that investors may accumulate these safe haven assets, a precursor for Yen to gain traction further. This will hurt Japan’s export revival and hence, Japan’s economy as a whole.

As mentioned, the only reprieve for Japan now is the structural spending ahead of Tokyo Olympic 2020 and soft oil prices. If Japan fails to capitalize on that, then expect Japan economy to be on a prolong period of hibernation. Again, we still think that structural issue will not be easy to mend, just like what Japan is showing us.



Source: Bloomberg, M&A Securities



Source: Bloomberg, M&A Securities

3Q15 China Economic Outlook

“Embracing Slower Economic Growth”

China Economic Forecast

	2012	2013	2014	2015F	2016F
PBoC	7.7%	7.7%	7.4%	7.1%	n.a
IMF				6.8%	6.3%
OECD				7.1%	6.9%
World Bank				7.1%	7.0%
Bloomberg Consensus				7.0%	6.7%

Source: Various, M&A Securities

Positive catalysts:

- 1) Government commitment to intensify rebalancing the economy
- 2) Sluggish global commodity prices: breathing space to fiscal planning
- 3) Committed to liberalize financial market
- 4) USD may gain at the expense of Yuan; currency gains for their huge US Treasury holdings

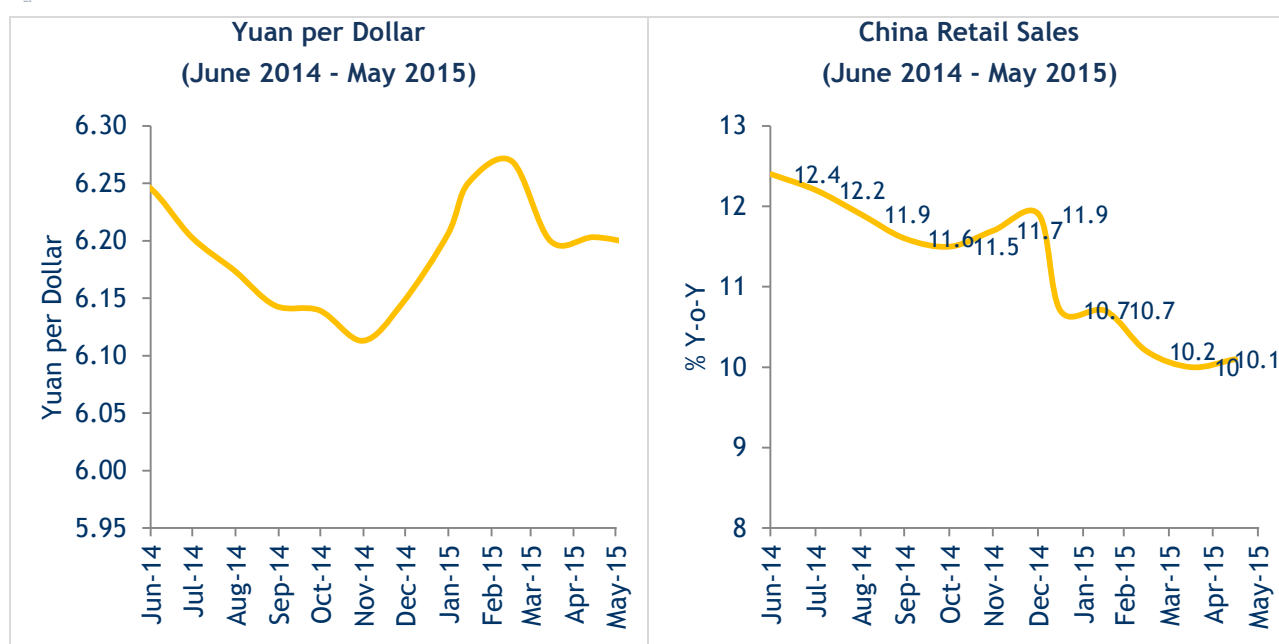
Negative catalysts:

- 1) May need to cut policy rate before hiking, ahead of the US
- 2) Rebalancing may take toll on investment and consumption may still be weak
- 3) China's export may take a hit while import to slow down in an effort to cool economy
- 4) Slower GDP growth of 7.0% in 2015, the slowest in more than a decade

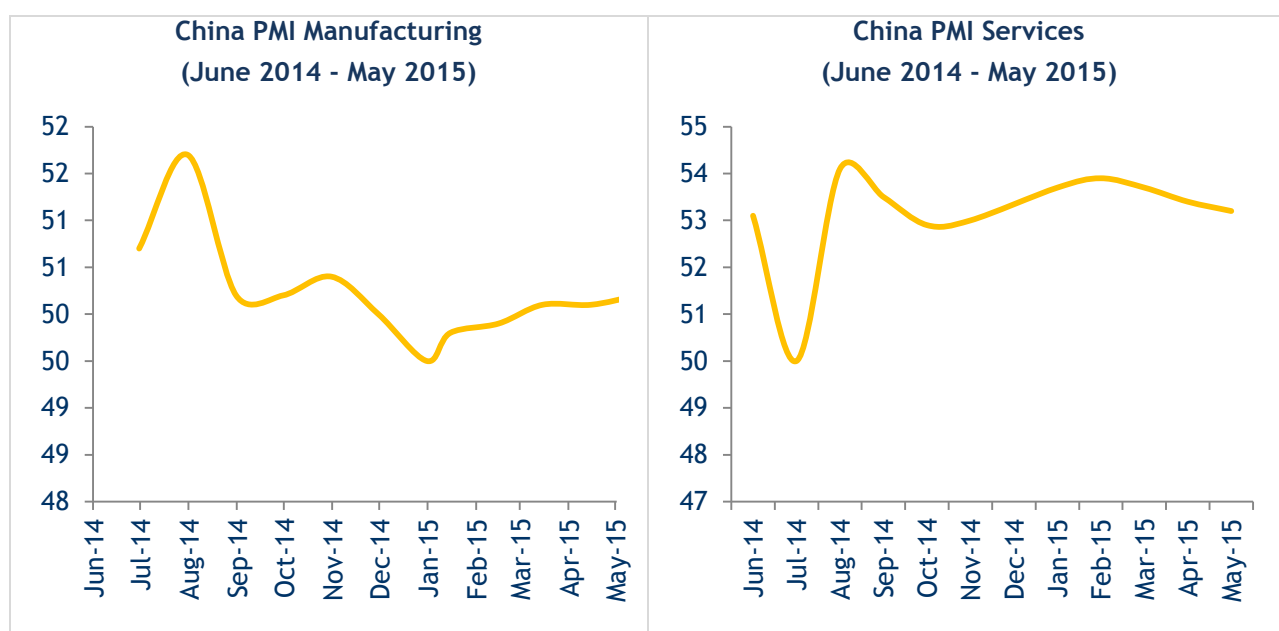
China has given the world a clear signal, in that it will, like it or not, grow at slower pace this year of 7.0% (2014: 7.4%) despite the fact that global commodity prices remained depressed. This will be China's slowest pace in more than a decade and to some, this is considered a recession. China economy has been hit by various factors namely 1) slower export momentum - dampen by challenging economic growth of Eurozone, one of its biggest export market 2) escalating debt in the financial system - weighed by years of credit boom that has been fuelling growth in private and public investment 3) still weak private consumption - which may take years before can take over private investment as the engine of growth. In that, China has taken bold steps to re-balance and reform the economy by unleashing the power of its huge population that could be precursor for private consumption to take the lead.

Willy-nilly, China cannot rely through infinity the power of credit binge to fuel the economy as debt will escalate and hence, put little room to grow using the power of monetary weapon. In apparent attempt to re-jolt the economy China has taken painful measure to cut its RRR by full percentage point recently to 6.0% and also cutting the interest rate by a few notch in April and May. China is trying hard to meet the premier, Li Keqiang, new GDP target of 7.0% as revealed in May 2015. Of note, China has failed to capitalize on the depressed global commodity prices to re-energised the

economy as the problem is more of structural nature. We are on the same page of China premier in that China will grow slower this year if one looks at the sagging performance of its import in the last few months. It has been in steady contraction mode y-o-y for the whole of this year. Added to the misery, China's export has been less-than-impressive after commuting between growth and contraction from January till May this year, indicating that all is not well there. Its economic barometer, as in retail sales, has also been disappointing, after clocking in lower than the government target of 12% (May: 10.1%; April: 10%; March: 10.2%, February: 10.7%). To top it off, China has failed to capitalise on weakening Yuan to bolster its export, leading us to believe that China is re-engineering to slow its economy deliberately. In sum, we believe that this slow economic momentum could last a few years, at least until the fundamentals of China improve. Until then, be ready to face steady economic headwinds from China.



Source: Bloomberg, M&A Securities



Source: Bloomberg, M&A Securities

3Q15 Malaysia Economic Outlook

“The Test will be 2Q15 GDP”

Malaysia Economic Forecast

	2012	2013	2014	2015F	2016F
BNM	5.6%	4.7%	6.0%	4.5%-5.5%	4.5%-5.5%
MoF				5.0%-5.5%	n.a
MIER				4.7%	n.a
Bloomberg Consensus				4.7%	5.0%
World Bank				4.7%	n.a
M&A Securities				5.0%	4.5%-5.5%

Source: Various, M&A Securities

Positive catalysts:

- 1) 2015 economic growth would still be good, albeit slower (2014: 6.0%; 2015F: 5.0%)
- 2) Bold plan to implement GST, fiscal position to improve subsequently
- 3) Solid domestic demand
- 4) Undervalued Ringgit; capital inflow to return with a vengeance
- 5) Not too vulnerable thanks to current account surplus
- 6) A fresh round of SRP; weak global commodity prices allow that

Negative catalysts:

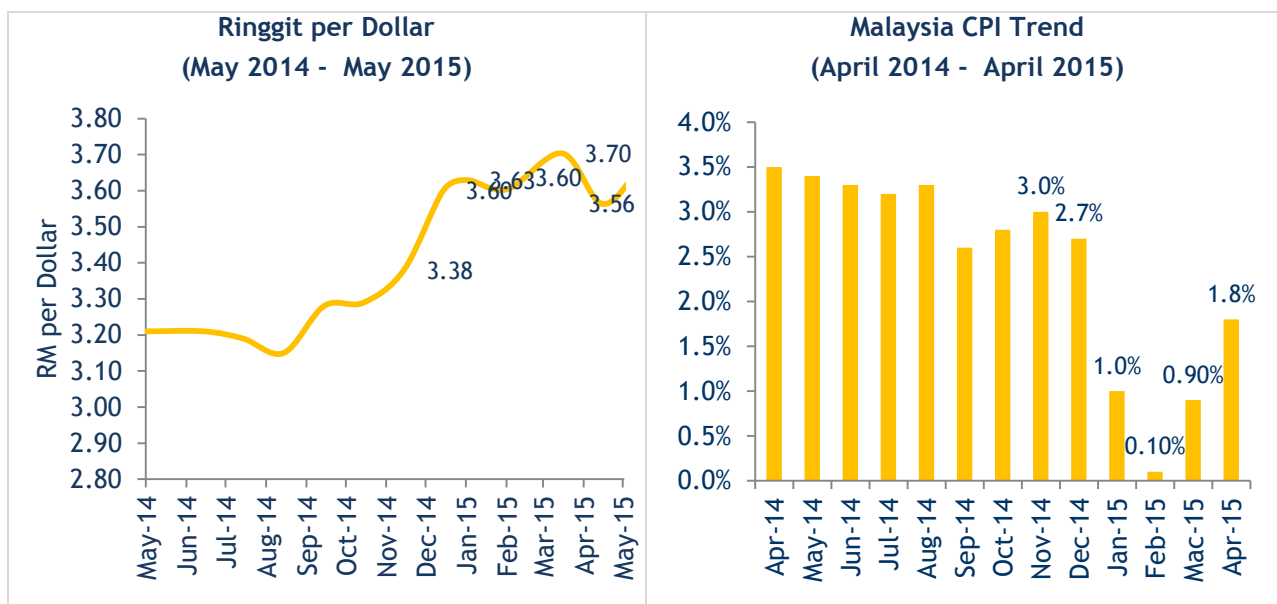
- 1) Limited policy space
- 2) Sluggish commodity prices; fiscal position could suffer
- 3) GST implementation could stoke spending
- 4) Export growth could slow down while import could become costlier
- 5) Financial instability; eminent downside risk on Ringgit

Malaysia's 2Q15 GDP may get hit due consumers withdrawal to spend, no thanks to GST that kick-started in April 2015. Added with the uncertainty over the outlook of oil prices and hence, pump prices in Malaysia, consumers may prefer to save than to spend. Although 1Q15 GDP came in at a solid 5.8% y-o-y, many thanks to solid private consumption and private investment along with the turnaround in public consumption but the outlook for 2Q15 onwards could be challenging amid 1) dwindling export (April export growth: -9.0%), 2) depress global commodity price that would weigh on our export receipt for oil, natural gas, petroleum, rubber and crude palm oil. This could be precursor for fiscal strain which may inevitably impact government investment and spending. For now, it is better for the government to remain cautious in fiscal spending amid challenging external environment which could make a turn for the worse for all we know.

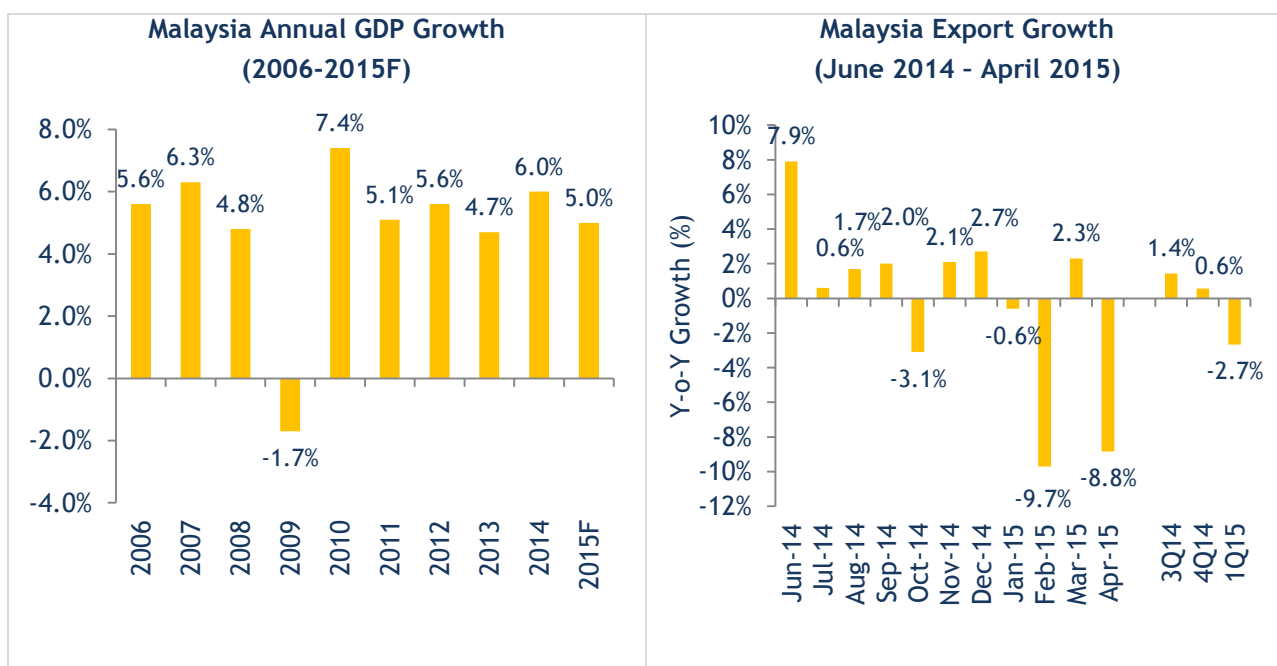
Moving forward, at the backdrop of the US upcoming interest rate adjustment, do we have monetary space to combat that? Not really. For one, Bank Negara Malaysia has set the upper limit of overnight policy rate (OPR) at 3.5%, meaning we have only 25 basis points before reaching there. Hence, given

the US interest rate normalization level of 4%++ and its current level of 0%-0.25%, Malaysia may not have enough weapon to fight currency volatility. As a result, we think that Ringgit may get hit. Word of caution, however, this will be a regional if not global phenomena and does not confine to Malaysia alone. Therefore, we have to price in the fact that Ringgit may drop to a lower level than now or below RM3.80 per Dollar in the foreseeable future. With that, we predict the commodity prices will also get bashed and there goes our export receipt and performance.

In a nutshell, Malaysia is entering into uncharted territory, crushed by volatile external environment. Malaysia is potentially facing a rocking boat as we are an open economy and global commodity producer country. In our view, the volatile sea could last quite some time.



Source: Bloomberg, M&A Securities



Source: Bloomberg, M&A Securities

Auto Sector

(Overweight)

“Combustible Performance”

Table 1: Auto Sector Operational Metrics Target

	2014	2015F
TIV (units)	666k	667k
OPR	3.25%	3.50%
Inflation rate	3.16%	4%-5%
Crude oil (WTI)	USD53 p.b.	USD70-USD80 p.b.
Ringgit per Dollar	RM3.27	RM3.40-RM3.50
GDP	6%	5%
2015 Top Pick	<ul style="list-style-type: none"> • MBMR (BUY; TP: RM4.17) • Berjaya Auto (BUY; TP: 4.41) 	

Source: M&A Securities

We expect Malaysia’s 2015 TIV to reach new high of 667k units (2014: 666K) despite cautious sentiment post-GST implementation. Perodua will continue to drive our TIV higher in the long-term as it is planning to launch a new Sedan model in 2016-2018. We have an Overweight call on the sector supported by 1) steady roll out of volume selling models in 2015 including Perodua Axia, Perodua Myvi facelift, Proton Iriz and Honda City; 2) muted impact on potential OPR hike (if any) and; 3) potential implementation of cash for clunkers scheme. MBMR (BUY; TP: RM4.17) and Berjaya Auto (BUY; TP: RM3.32) emerge as our top call in the automotive sector space.

Perodua to launch Sedan soon? Perodua has officially announced that its new Perodua Sedan is now entering into prototype stage and expected to make debut between 2016-2018. This could be a new catalyst for Perodua in maintaining its vigorous performance in Malaysia’s automotive industry since the last 5 years. Perodua has garnered market share of between 30%-31% annually. The new Sedan model is expected to become Perodua’s new important asset alongside the strong selling model of Myvi and Axia. We remain optimistic that the two key models (Myvi and Axia) would drive Perodua to achieve its 2015 sales target of 208k units (+6% y-o-y) in 2015.

Waiting for ‘Cash for clunkers’ scheme. Based on our channel checks, the ‘cash for clunkers’ scheme has been put on ‘hold’ by the government due to GST’s related issue but the scheme will not be cancelled. It is waiting for the right time to be implemented, sooner or later. We expect this to be a positive catalyst for the national car player such as Perodua and Proton to ramp-up their sales volume. Previously, Proton has already introduced similar scheme called ‘Proton XChange Programme’ from March-October 2009 where the outcome was quite impressive. Proton registered a commendable growth of 4% y-o-y in 2009 and managed to outperform the industry’s TIV (-2% y-o-y) and other players’ including Perodua (-1%) and Toyota (-20%) during the program.

Pre-GST and Post-GST impact. Pre-GST implementation, a strong buying momentum has been captured in March that resulted in massive upsurge in overall TIV by 34% m-o-m as consumers took advantage of attractive incentives and aggressive marketing campaign offered by most players (note: stocks clearing prior to GST). As a results, top 6 players have registered a strong m-o-m growth led by Honda (+59%), Mazda (+51%), Toyota (+42%), Nissan (+42%), Proton (+28%) and Perodua (+21%) respectively. Post-GST implementation, most national and non-national marques have revealed that their car prices will see a price reduction of between 0.01%-5.29 starting from 1st April 2015. However, April TIV has contracted by 33% m-o-m due to higher sales base in March including the market leader, Perodua (-22%) and Proton (-53%). We expect TIV to normalize in May onwards as consumer getting a clear view on post-GST prices.

YTD TIV Analysis. Perodua’s vehicle sales remained intact at 74,737 units (+21% y-o-y) as at YTD 2015, benefitting from strong demand of Perodua Axia and newly launched Perodua Myvi. Note that Perodua has received robust bookings of 100,000 units for Perodua Axia by mid-April and already delivered 60,000 units by the end of March. Honda maintained its strong position as the top performer for non-national marques despite recording a weaker sales in April (-32% m-o-m) thanks to higher demand of its new SUV’s model, Honda HRV, which has received a strong 13,000 units orders from customers since its launch in February 2015. Post-GST sales impact has also affected sales volumes of the other players including Toyota (16% m-o-m), Nissan (-40% m-o-m) and Mazda (53% m-o-m) respectively. However, on YTD basis, Nissan and Mazda both registered improving sales growth of 5% y-o-y and 19% y-o-y respectively underpinned by the newly launch of Nissan X-Trail as well as Mazda 2 and Mazda 3 (CKD).

Ringgit movement against USD and Yen. The weakening trend of Ringgit against USD could result in further margins compression for the auto players especially with those that have large exposure in USD. Ringgit has tumbled to RM3.67/USD in May 2015 compared to 2014 average of between RM3.15/USD-RM3.49/USD. TCM and UMW will be slightly impacted on higher imported component cost if Ringgit continues to weaken against the USD in the near term. Nonetheless, we expect Berjaya Auto which has a large exposure in Yen (45% of its component cost denoted in Yen) to emerge as a winner due to the weakening Yen against Ringgit. Ringgit vs. Yen currently hovers between RM2.95/Yen compared to 2014 average of RM3.07/Yen.

1QCY15 results round-up. The 1QCY15 analysis on 4 stocks under our coverage showed the results of Berjaya Auto and MBMR have met our projection with both stocks posted stronger y-o-y growth in core net profit (Berjaya Auto: +15% , MBMR: +4% y-o-y). Berjaya Auto wrapped-up FY15 with a tremendous achievement as Mazda’s domestic sales volume surged to approximately 12,020 units (+28% y-o-y) coupled with strong earnings contribution from the Philippines segment (+104% y-o-y). MBMR continued its positive momentum in 1Q15 thanks to the robust demand of Perodua Axia and the new Myvi facelift, lifted by strong consumer buying sentiment ahead of GST implementation. Nonetheless, the stiff competition in the B-Segment has put pressure on TCM and UMW earnings in 1Q15 coupled with margin compression arising from the strengthening of USD against Ringgit and heavy discounting activities which further weighed their profit margin. Moving forward, we expect MBMR and Berjaya Auto to register better earnings in 2QCY16 underpinned by strong deliveries of

Perodua Axia and slew of Mazda’s upcoming new launches in 2H15 including the like of Mazda 6 (facelift) and CX-5 (facelift). On the other hand, we expect UMW and TCM

earnings will be slightly impacted by continuous weakening of Ringgit against USD as well as lack of new launches in the B-Segment market.

Conclusion and Recommendation. 2015 TIV is estimated to reach new high of 667K units (2014: 666k units) despite cautious sentiment post-GST implementation. We have an **Overweight** call on the sector in 2015 supported by 1) steady roll out volume selling models in 2015 including Perodua Axia, Perodua Myvi facelift, and Honda City; 2) muted impact of potential hike in OPR (if any) and; 3) potential implementation of ‘cash-for-clunkers’ scheme. The key risks to our call are 1) tightening of bank lending rules; 2) slower Malaysia 2015 GDP growth from 5.0% forecast and 3) sharp weakening of Ringgit against USD. **MBMR (BUY; TP: RM4.17)** and **Berjaya Auto (BUY; TP: RM3.32)** emerge as our top call in the automotive sector space.

Table 2: Peers Comparison (Calenderised)

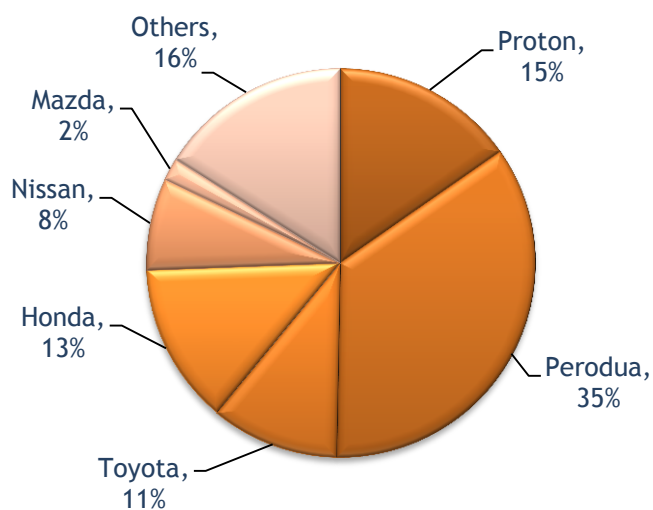
Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
UMW Holdings	Dec	10.14	77	84	14.1	13.0	1.8	1.7	10	4	10.77	Hold
Tan Chong	Dec	2.95	22	29	14.0	10.3	0.7	0.7	4	2	3.00	Hold
MBM Resources	Dec	3.48	37	41	9.3	8.3	0.8	0.8	8	2	4.17	Buy
Berjaya Auto	Apr	2.70	23	29	15.6	13.8	6.9	5.8	52	3	3.32	Buy
APM Automotive	Dec	4.78	53	56	9.7	9.2	1.0	1.0	10	4	NR	NR
Average					12.5	10.9	2.3	2.0	17	3		

Source: Bloomberg, M&A Securities

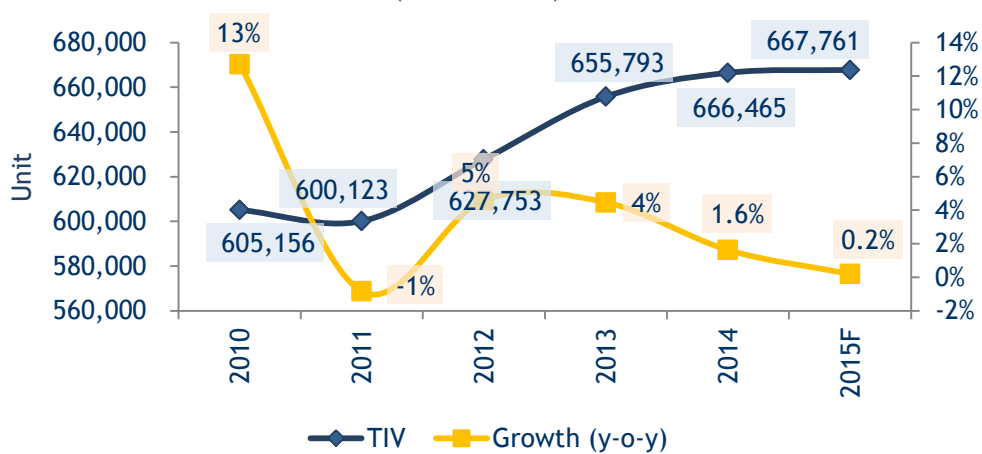
Table 3: YTD 2015 TIV

Marque	Apr-14	Mar-15	Apr-15	m-o-m	y-o-y	4M14	4M15	y-o-y
Proton	10,091	10,528	4,972	-53%	-51%	42,825	32,654	-24%
Perodua	17,538	22,497	17,584	-22%	0%	61,562	74,737	21%
Toyota	9,282	7,335	6,190	-16%	-33%	33,916	22,793	-33%
Honda	6,916	9,581	6,562	-32%	-5%	22,543	28,707	27%
Nissan	3,493	5,005	3,003	-40%	-14%	15,450	16,229	5%
Mazda	1,182	1,503	705	-53%	-40%	3,439	4,077	19%
Others	10,230	10,865	6,171	-43%	-40%	38,907	34,296	-12%
TIV	58,732	67,314	45,187	-33%	-23%	218,642	213,493	-2%
Passenger	52,488	59,318	40,902	-31%	-22%	195,016	189,834	-3%
Commercial	6,244	7,996	4,285	-46%	-31%	23,626	23,659	0%

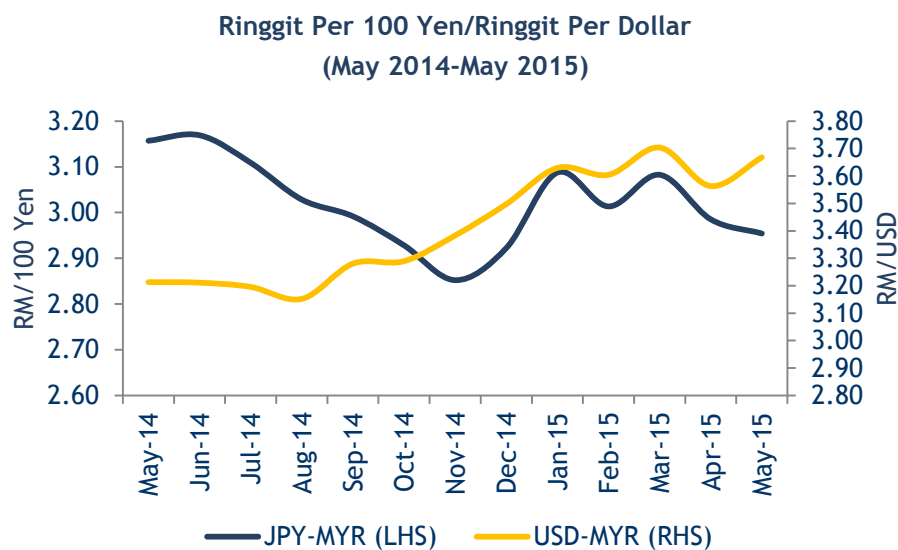
Source: MAA, M&A Securities

TIV Market Share
(YTD 2015)

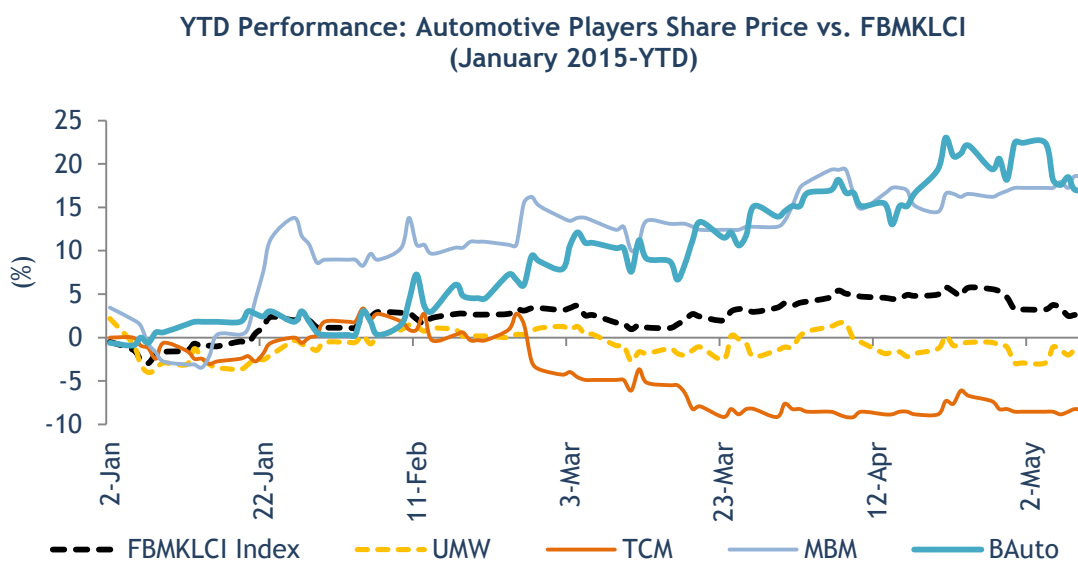
Source: MAA, M&A Securities

TIV Performance
(2010-2015F)

Source: MAA, M&A Securities



Source: Bloomberg, M&A Securities



Source: Bloomberg

Construction Sector

(Overweight)

“Higher Tone and Still Solid”

Table 1: Construction Sector Operational Metrics

Purpose (RM billion)	2014	2015F
GDP	6.0%	5.0%
Big Ticket Project of 11 MP	<ul style="list-style-type: none"> • KVMRT2 (RM28 billion) • Pan Borneo Highway (RM27 billion) • LRT3 (RM9 billion) • WCE (RM5 billion) • HSR (RM30-RM40 billion) • Gemas-JB Electrified Double Track (RM8 billion) 	
2015 Top Pick	<ul style="list-style-type: none"> • Gamuda (BUY; TP: RM5.87) • IJM Corp (BUY; TP: RM8.14) 	

Source: M&A Securities

Construction sector is predicted to continue with its positive momentum in 2015 onwards anchored by 11th Malaysia Plan (11MP) as the government had lined up a huge sum of construction projects in its bid to reach the coveted 2020 high income nation target. The 5-year plan (2016-2020) will be a significant milestone for Malaysia to become advanced nation with the sector's critical contribution will come from several mega infrastructure projects including KVMRT2, LRT3, West Coast Expressway and Pan-Borneo Highway. This will be the earnings catalyst to propel the order book replenishment for construction players which will keep them busy until 2020. In line with this, we reiterate our Overweight call on the sector with Gamuda (BUY, TP: RM5.87) and IJM Corp (BUY, TP: RM8.14) emerge as our top pick.

11MP to boost construction sector. Prime Minister, Datuk Seri Najib Tun Abdul Razak has successfully revealed 11MP on 21st May 2015. The 5-year plan (2016-2020) is an important landmark for Malaysia to become an advanced nation by 2020 and hence, contains a lot of high impact projects. As expected, construction sector is one of the major beneficiaries of 11MP, with the sector estimated to expand by 10.3% per annum during the 5-year plan. Some well-known projects that will be implemented during this period include KVMRT2, LRT3, Pan-Borneo Highway, West Coast Expressway, KL-Singapore HSR, Electrified Double Track (Gemas-JB), Pengerang Integrated Petroleum Complex (PIPC), Central Spine Road which will be supported by several government housing initiatives including Project Perumahan Rakyat 1Malaysia (PR1MA). In addition, the government also announced several new projects to be developed under 11MP including i) Malaysia Vision Valley (development of west part of Negeri Sembilan), ii) new sewerage treatment plant and pipe network in Perak, and iii) new airport in Mukah, Sarawak.

To recap, construction sector has contributed between 3%-4% of GDP (2011-2015) during the previous 10th Malaysia Plan (10MP) with average annual growth of 11.1% per annum supported by

massive infrastructure roll out including roads and rail expansion under National Key Results Area (NKRA). Under Greater Kuala Lumpur/Klang Valley development, several new rail routes have been established including ERL extension from KLIA’s main terminal to KLIA2, LRT extension from Kelana Jaya to Putra Heights and Sri Petaling to Putra Heights and the commencement of KVMRT1 from Sungai Buloh to Kajang. Note that the electrified double-track railway from Padang Besar to Gemas was completed during this period.

KVMRT update. KVMRT1 will become operational during 11MP, covering 31 stations with total lengths of 51km. The phase 1 (Sungai Buloh to Semantan) is expected to start operations by 2016 while phase 2 (Semantan to Kajang) will commence operation by 2017. Meanwhile, MRT Corp. announced that the cost of KVMRT2 will be slightly higher at RM28 billion compared to the earlier projection of RM23 billion due to the longer underground length. The underground length of KVMRT2 is around 13.5km, longer than KVMRT1’s length of only 9.5km and hence, there will be 11 underground stations to be developed compared to 7 underground stations in KVMRT1. Currently, the propose alignment for KVMRT2 is going on public display starting from May 2015 until August 2015. MRT Corp has hinted that the award for KVMRT2 may be skewed towards existing players in KVMRT1 such as Gamuda, IJM Corp, Gadang, Mudajaya, Sunway, Ahmad Zaki Resources and Naim Holdings.

LRT 3 update. The proposed alignment of LRT3 is now undergoing public viewing starting from May 2015 until August 2015. According to Prasarana Malaysia Bhd (Prasarana), LRT3 will cover a length of 36km from Bandar Utama, Damansara to Johan Setia, Klang, estimated to cost approximately RM9 billion. The construction of LRT3 is scheduled to begin in 2016 and will be completed by 2020. Among the potential beneficiary for the propose LRT3 project include Sunway, MRCB, Trans Resources Corp, UEM Builders and Intria Bina which currently have secured major contract packages in the on-going RM7 billion Kelana Jaya and Ampang Lines LRT extension projects.

Eyeing on PTMP. According to the news report, 6 companies have submitted their bids for the PDP role of Penang Transport Master Plan (PTMP) including the like of Gamuda, IJM Corp, WCT, government-linked Prasarana Malaysia Bhd and 2 foreign companies. The winner of PDP role is expected to be announced in 2H2015. PTMP is estimated to cost approximately RM27 billion comprising RM16.4 billion for highway construction, RM9.7 billion for public transport and RM0.9 billion for institutional costs. Note that the state government has already awarded RM6.3 billion contracts to Consortium Zenith BUCG in October 2013 consisting the construction of three highways and the undersea tunnel. The construction works are expected to commence in 2016 and completed by 2030. The remaining RM20 billion will be executed using the PDP model.

KL-Singapore HSR to be completed beyond 2020. Suruhanjaya Pengangkutan Darat (SPAD) revealed that the negotiations between Malaysia and Singapore government are estimated to be completed by the end of 2015. During the recent meeting between both parties in May 2015, both parties announced that the completion date of 330km rail project may surpass its initial target in 2020 due to the scale and complexity of the project. The main terminal in Malaysia will be in Bandar Malaysia (Sg. Besi) with 6 stations have been identified namely Putrajaya, Seremban,

Ayer Keroh, Muar, Batu Pahat and Nusajaya. Meanwhile, Jurong East will be the main terminal in Singapore. KL-Singapore HSR is estimated to cost approximately RM40 billion and would cut the land travelling time between Malaysia and Singapore from 5 hours to just 90 minutes, in an ideal case scenario.

Bursa Malaysia Construction Index Analysis. The construction sector bellwether index in YTD May 2015 showed positive performance. It surged 5.74% YTD, against FBMKLCI that slightly dropped by 0.78%. It ended May 2015 at 294.39, 1.14% higher y-o-y. YTD, Benalec share price has again outperformed its peers after gaining by 10.53% followed by Kimlun at 8.40%, WCT at 8.28% and Hock Seng LEE at 8.24%. The worst performer YTD was Eversendai after its share price dipped by 5.13% followed by Gamuda at 0.40%.

Table 2: YTD Share Price Performance (Construction Sector)

Stock (RM)	Share Price (May 2015)	Share Price (Dec 2014)	YTD Gain (%)
Gamuda	4.99	5.01	-0.40%
IJM	7.03	6.57	7.00%
WCT	1.70	1.57	8.28%
MRCB	1.26	1.22	3.28%
Sunway	3.37	3.19	5.64%
Hock Seng LEE	1.84	1.70	8.24%
Eversendai	0.74	0.78	-5.13%
YTL Corp	1.59	1.59	0.00%
Kimlun	1.29	1.19	8.40%
Benalec	0.63	0.57	10.53%
Bursa Msia Construction Index	294	278	5.74%
FBMKLCI	1,748	1,761	-0.78%

Top pick for construction sector. Gamuda and IJM Corp. remain our top pick for construction sector as well as the major beneficiary of 11MP. Gamuda emerges as a strong beneficiary for KVMRT2 after being appointed the PDP role alongside MMC Corp and a frontrunner to grab the tunnelling works worth approximately RM12 billion backed by their solid track record in developing KVMRT1 and their investment in related machinery such as Tunnel Boring Machine (TBM). Furthermore, the successful completion of RM12 billion Ipoh-Padang Besar’s electrified double track project by Gamuda could be the winning formula for Gamuda to win the Gemas-JB electrified double track project. Meanwhile, IJM long-term outlook remain solid driven by its strong construction orderbook of RM7.0 billion. IJM emerges as a clear winner of West Coast Expressway (WCE) after being awarded to undertake Sections 3,4,5,8 and 9 of the highway project out of total 11 packages for RM2.8 billion. We do not rule out IJM Corp’s potential to secure part of work package for KVMRT 2 project as the group had previously been appointed as the main contractor for Package V5 of KVMRT1 worth RM974 million.

Overweight on Construction. We have an **Overweight** call on construction sector underpinned by the bright long-term outlook via mega infrastructure projects which will be strongly backed by the

announcement of 11MP. There are oases of opportunities for players like Gamuda (BUY, TP: RM5.87) and IJM Corp (BUY, TP: RM8.14) to grab some goodies from the upcoming mega infrastructure project. These players order book could swell up until 2020 and hence, our comfort on the call.

Table 3: Peers comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
IJM CORP	Mar	6.52	41	47	20.6	15.8	1.5	1.4	6	2	8.14	Buy
GAMUDA	Jul	4.67	32	32	16.0	16.0	2.0	1.9	13	2	5.87	Buy
WCT	Dec	1.42	13	14	14.6	12.9	0.9	0.9	5	1	1.76	Hold
BENALEC	Jun	0.58	3	6	15.2	12.8	1.0	0.9	0	0	NR	NR
CREST BUILDER	Dec	1.14	11	8	10.9	14.2	0.4	0.0	6	3	NR	NR
EVERSENDAL	Dec	0.90	8	10	9.7	7.4	0.6	0.6	4	1	NR	NR
KIMLUN	Dec	1.30	15	16	8.5	7.8	0.9	0.8	13	2	NR	NR
MRCB	Dec	1.18	6	9	23.7	15.7	1.4	1.4	8	2	NR	NR
AZRB	Dec	0.66	5	7	14.1	10.1	0.0	0.0	5	NA	NR	NR
YTL CORP	Jun	1.55	14	13	13.3	12.8	1.2	1.1	9	6	NR	NR
Average					14.7	12.5	1.0	0.9	7	2		

Source: Bloomberg, M&A Securities

Table 4: GDP by Kind of Economic Activity (2010-2020)

Sector (RM mil)	2010	2011	2012	2013	2014	2015E	2020E	Avg. Annual Growth (%)	
								10 MP	11 MP
Agriculture	82,882	88,555	89,406	91,097	92,979	93,184	110,707	2.4	3.5
Mining & Quarrying	89,793	85,373	86,751	87,789	90,645	93,673	100,024	0.9	1.3
Manufacturing	192,493	202,960	211,921	219,216	232,868	243,895	312,479	4.8	5.1
Construction	28,213	29,524	34,880	38,646	43,190	47,705	78,022	11.1	10.3
Services	420,382	449,854	479,300	507,935	541,185	571,835	796,722	6.3	6.9
Plus: Import Duties	7,672	8,654	10,004	10,577	11,639	12,425	13,351	10.1	1.4
GDP	821,435	864,920	912,262	955,260	1,012,506	1,062,717	1,411,305	5	6

Source: 11 MP

Table 5: Greater KL/KV Rail Ridership

Passenger (mil)	2010	2011	2012	2013	2014	Avg. Annual Growth
ERL	4	5	5	7	9	22%
KL Monorail	22	24	23	25	24	2%
KTM Komuter	35	36	35	44	47	8%
LRT Ampang Line	52	54	56	60	63	5%
LRT Kelana Jaya Line	58	68	71	79	82	9%
Total	171	187	190	215	225	7%

Source: SPAD

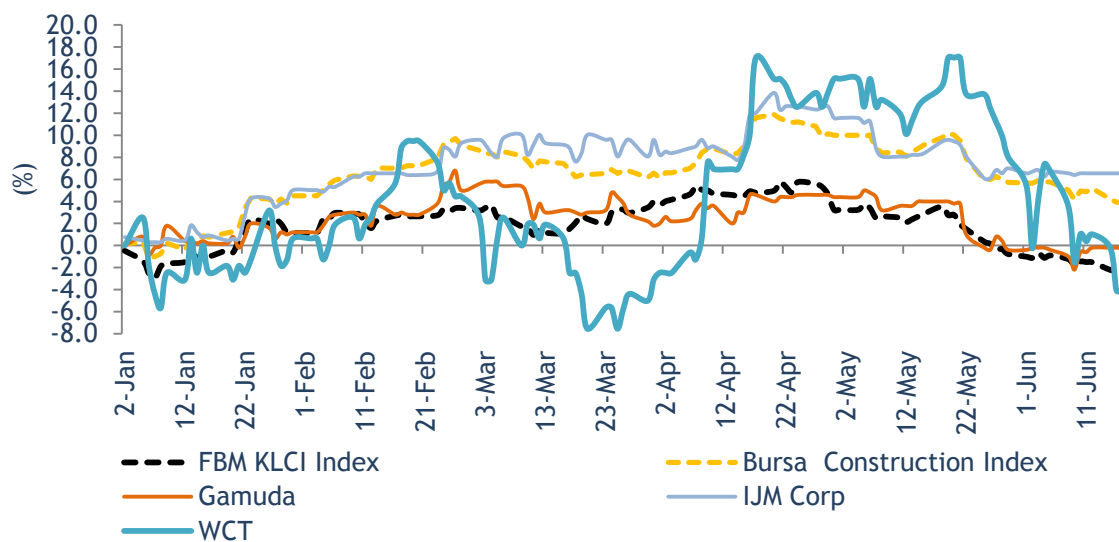
Seven Station of KL-Singapore HSR



Straits
Singapore

Source:
Times

YTD Performance: Construction Players Share Price vs. FBMKLCI and KLCON Index
(January 2015- June 2015)



Source: Bloomberg

Telco Sector

(Overweight)

“The Awaken of Forgotten Giant”

We maintain our overweight call on telecommunication sector in view of i) stable dividend; ii) steady net addition in both prepaid and postpaid segment; iii) potential wider margin on 4G's impact; and iv) goodies from Budget 2014, HSBB 2.0. Our top pick for the telecommunication sector is Digi with a BUY call and TP of RM6.60 pegged at EV/EBITDA of 14.2x.

Catalysts:

- 1) Implementation of GST - telcos are able to pass 6% cost back to subscribers
- 2) Rising affordable smart phones in the market may spur further data revenue
- 3) The full impact of LTE
- 4) The introduction of TM's wireless product
- 5) HSBB2 implementation
- 6) Stable dividend payment

Negative Catalysts:

- 1) Competition in data offering may bite telcos' margin
- 2) High cost to build LTE network/infrastructures
- 3) Declining SMS revenue

Table 1: Subscribers Overview(1Q15)

Million	Total Subs	Postpaid		Prepaid		Broadband	
		Subs	% of Subs	Subs	% of Subs	Subs	% of Subs
Celcom	14,458	2,739	19%	9,540	70%	1,489	10%
Maxis	12,553	2,823	20%	9,933	77%	440	4%
Digi	11,662	1,758	15%	8,992	83%	241	2%
	Total Subs	Streamyx		Unifi		Fixed Line	
		Subs	% of Subs	Subs	% of Subs	Subs	% of Subs
Telekom	6,487	1,509	23%	759	11%	4,256	66%

Source: Company; M&A Securities

Table 2: Capex Guidance

(Million)	Guidance	FY14 Capex		FY15 Capex
		Spent	Details	
Axiata	RM4.4 bil	RM4.0 bil	Network modernization, IT Initiatives	RM3.85 bil
Maxis	RM1.1 bil	RM1.14 bil	Network modernisation and improvement in customer experience.	RM900 mil
Digi	RM900 mil	RM904	Modernize network equipment	RM750 mil
Telekom	18% of revenue	RM946 mil	Refreshed CDMA with LTE over 850MHz under TMgo, launch 280 sites nationwide by year end.	20% of revenue

Source: Company; M&A Securities

GST finally. The implementation of GST in the prepaid segment was finally concluded by the government. The new move suggests prepaid reloads value will stay at their original price, however GST is now will be charged on usage based. For illustration, a typical 10sen/minute would be charged at 10.6sen/minute and for data usage, RM30 for 1g data will be charged RM31.60. The implementation of this mechanism is on 1st January 2016. We feel that the time frame is sufficient for telcos and third parties agents to make necessary adjustment to the system and hence, to avoid more confusion. The news is cheered by the prepaid subscribers because they will no longer pay additional cost for the reload value as in the current practice and hence, reducing their existing cost.

Service revenue to rebound. For several quarters, only Digi managed to post consistent growth in service revenue while Maxis and Celcom were at odds with various issues. Of late, we saw Maxis and Celcom's revamped products have gained popularity in the market, with Maxis positive results can be seen in 1Q15 results. Whilst, Celcom, which is determined to retake its position from Maxis in postpaid segment, has saw the former to introduce new products called First38 plan. Digi has strike back with the latest RM36 smart plan with dual aim to shatter both Maxis and Celcom position in postpaid segment. With all this, we foresee that telco's service revenue in 2H15 will be in positive territory as a result of affordable and eye-catching package.

Margin largely intact. Despite all the price war to provide affordable data package, we strongly believe EBITDA margin largely will be unaffected despite telcos dedicating large amount in marketing expenses to stimulate sales. However we foresee Maxis' simple package offering in both prepaid and postpaid segment is likely to be the winner in term of cost management. That said, Maxis will benefit from its sole package of MaxisOne vs. Digi and Celcom which promote various package to cater different segment

Comeback of Maxis and Celcom. Digi's leading position in prepaid segment is likely under threat with the comeback of Celcom and Maxis. Maxis has been consistently adding 909k subscribers in both postpaid and prepaid for the past 2 consecutive quarters thanks to MaxisOne and #Hotlink products that have been revamped. Whilst, Celcom network issue saw it lost 927k subscribers in both prepaid and postpaid segment and Celcom lost its top position in postpaid segment to Maxis during 1Q15. Nevertheless, we foresee that Celcom latest product offering of First38 in postpaid segment and MagicSim in prepaid segment likely to change Celcom fortune. Based on our checks, Celcom First38 is gaining popularity due to its forward data features and we foresee its competitor may follow similar strategy.

TM banking on P1. Despite recording less than inspired results in 1Q15, management still hopeful to achieve its FY15 kpi. We are less optimistic that TM is able to meet its FY15 kpi as we think P1 needs more time to tweak its product to compete with established telco player and hence, we believe TM performance in FY15 will be weighed by P1. Additionally, during 11th Malaysia Plan (11MP) announcement, the details of High Speed Broadband 2 (HSBB2) has been announced including to cover all state capitals and selected high-impact growth areas that will see 250k ports encompassing 410k premises by end-2016. To recap, TM received a letter of award from the government on 25th March 2015 for the implementation of HSBB2 and the SubUrban Broadband (SUBB) project to deploy the access and domestic core network to deliver end-to-end HSBB infrastructure.

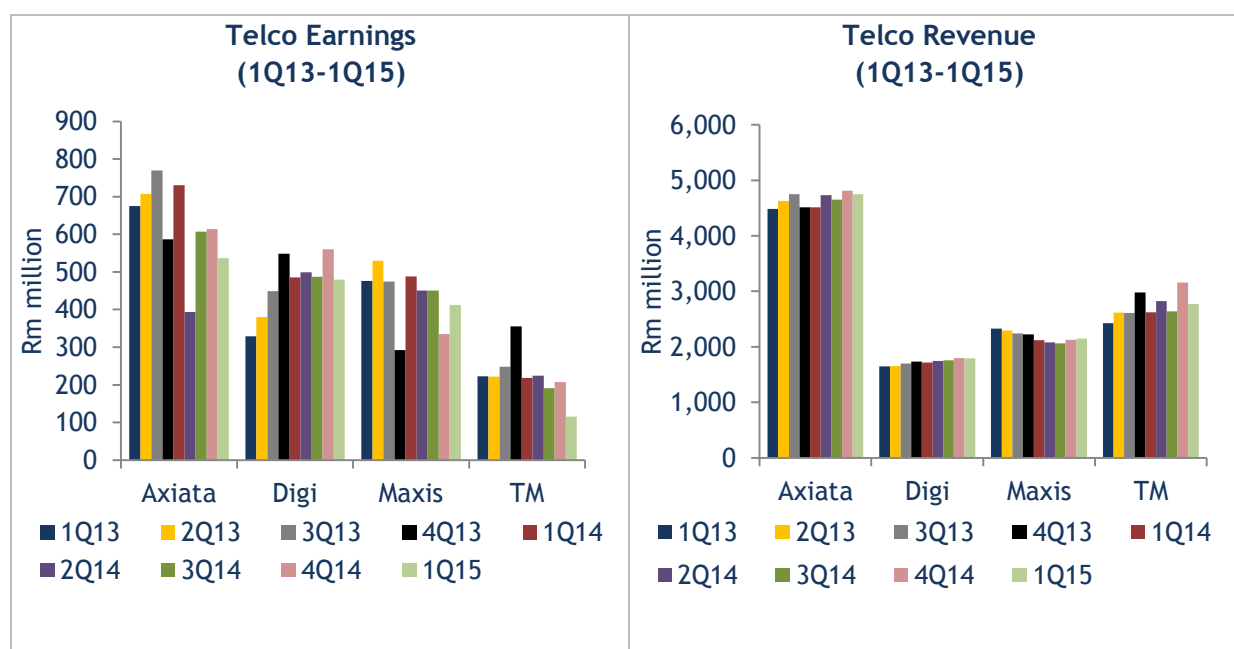
1Q15 results. The recently concluded 1Q15 results seasons showed only two telcos earnings came in line with our full year net profit forecast with Digi and Maxis accounting 22.7% and 22.2% of our full year net profit forecast respectively. Meanwhile, Axiata missed marginally our forecast or at 19% and TM was the least performer at only 12.5%. Axiata weaker earnings were attributed largely to weaker performance by both XL and Celcom, while TM was dragged by its acquisition of loss making, P1 and higher operating costs. Notably, both Digi and Maxis reported steady services revenue with Maxis playing a catch-up game thanks to improving operating trends post-restructuring exercise, while Digi was hampered to some extent by higher marketing costs.

Recommendation. Despite the headwinds in GST implementation, we maintain our **Overweight** call on telecommunication sector. We note that valuation offer by telcos are not cheap, however in view of solid dividend payment in current negative environment may offset the lofty valuation. Attractions on the sector include 1) attractive dividend stream 2) strong broadband initiatives and take up rate and 3) steady postpaid and prepaid net addition. **Digi** is our top pick with a TP of RM6.60 pegged at EV/EBITDA of 14.2x, a 15% premium against its last 3-year average. Digi is a **BUY**.

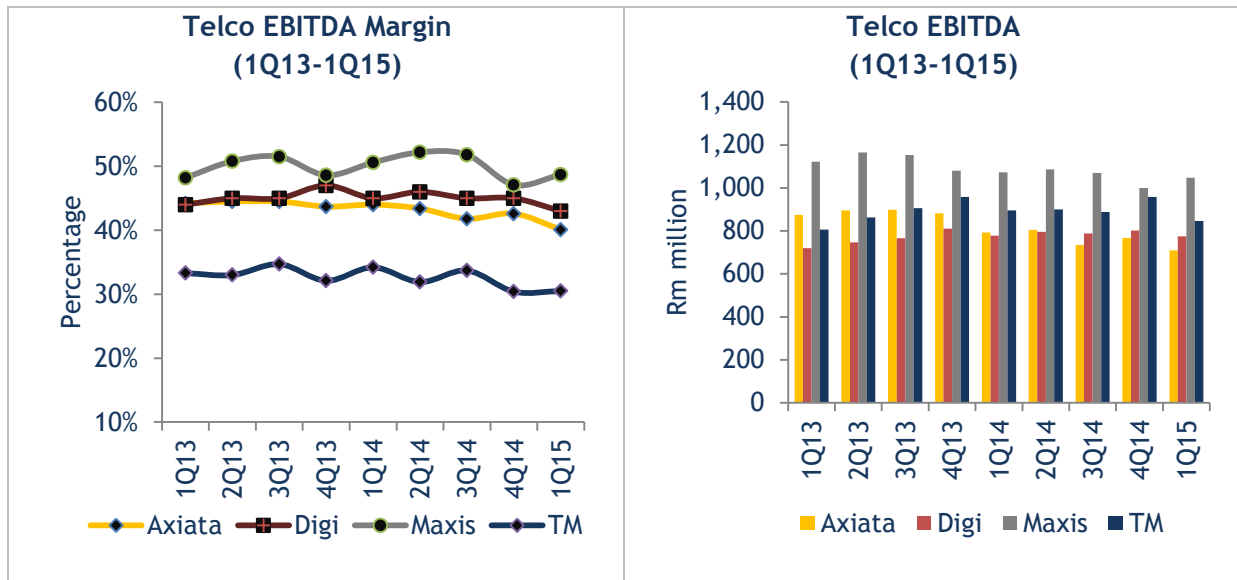
Table 3: Peers Comparison

Company	FYE	Price (RM)	EPS (RM)		P/E (x)		P/B (x)		ROE (%)	Div Yield (%)	TP	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
Axiata	Dec	6.40	0.31	0.34	23	21	2.8	2.8	11.6	3.1	7.40	Buy
Maxis	Dec	6.36	0.27	0.28	27	25	12.0	12.6	32.1	4.5	7.10	Hold
Digi	Dec	5.36	0.27	0.28	23	22	65.3	62.1	301.5	4.2	6.60	Buy
Telekom	Dec	6.54	0.27	0.29	27	25	3.4	3.4	11.3	3.6	6.87	Hold
Time DotCom	Dec	6.76	0.28	0.32	21	18	1.3	1.2	8.0	1.0	NR	NR
Average					24	22	17.0	16.4				

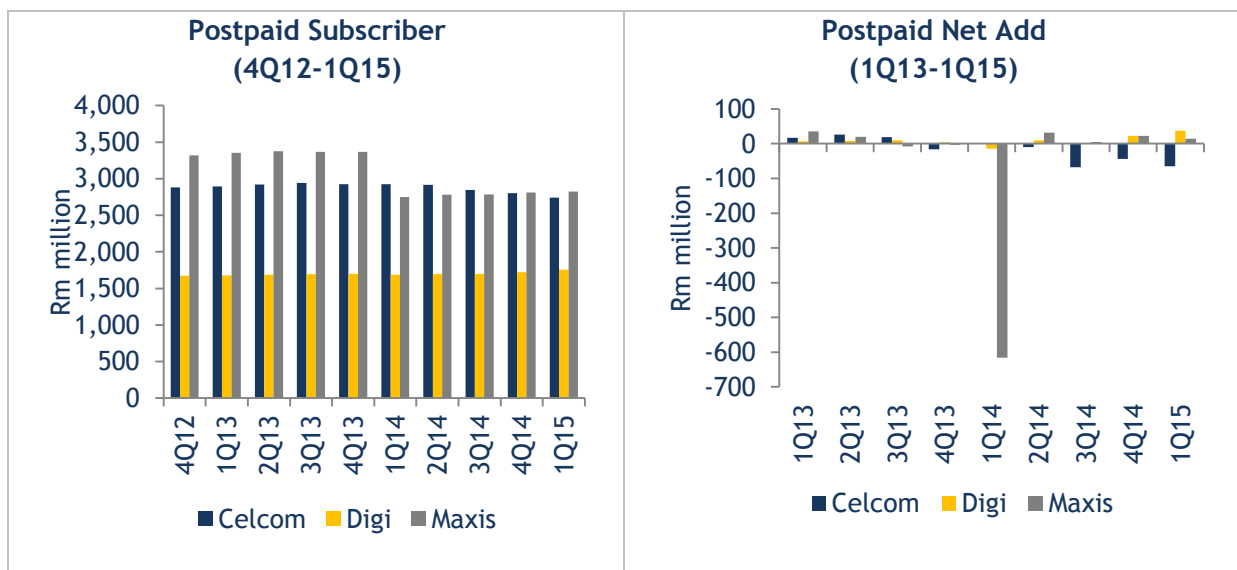
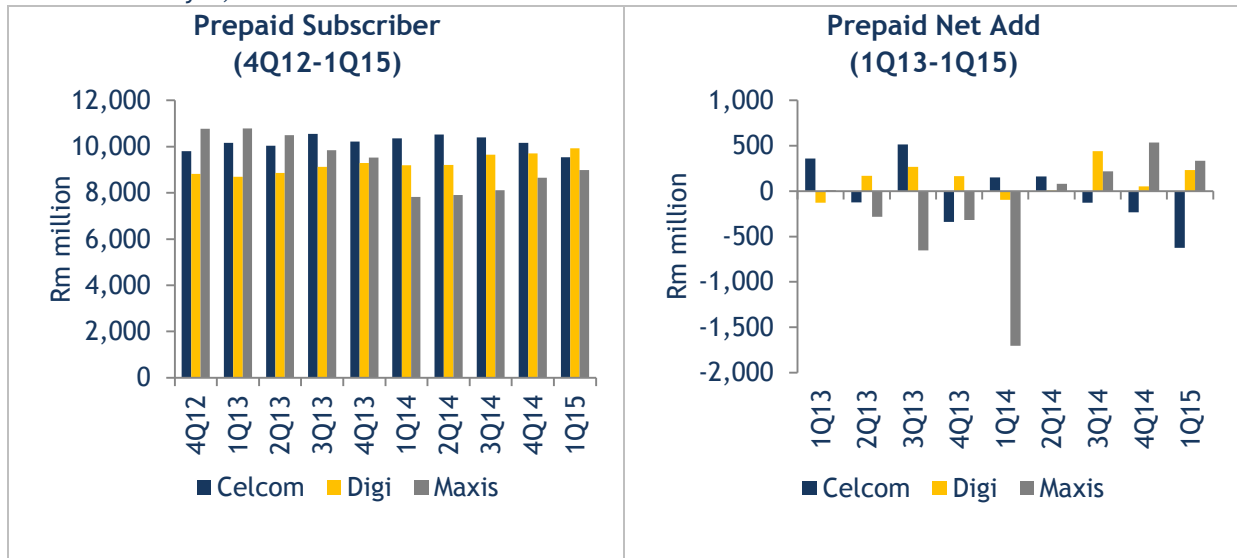
Source: Bloomberg, M&A Securities



Source: Bursa Malaysia, M&A Securities



Source: Bursa Malaysia, M&A Securities



Berjaya Auto Berhad

“Acceleration Mode”

Mazda cars will continue to gain strong demand thanks to the introduction of Mazda’s SkyActiv technology. Berjaya Auto’s (BAuto) earnings will mirror this steady trajectory supported by upcoming new launches including the all new CX-3, Mazda 6 (facelift) and CX-5 (facelift). BAuto strong performance will complement Mazda’s strong sales volume of its existing models namely Mazda 2, Mazda 3, and CX-5. BAuto is valued at RM3.32 and the stock is a BUY.

New launches. BAuto is on track to achieve further gains fuelled by the successful launch of the all new Mazda 2 (January 2015) and Mazda 3 CKD (April 2015) which may enhance Mazda’s position in the B-Segment and C-Segment market respectively. Based on our pricing analysis, the price of the new Mazda 2 of RM85k is relatively at the mid-range compare to Honda City (RM74k-RM89k), Honda Jazz (RM72k-RM87k), Toyota Vios (RM75k-RM94k) and slightly higher than Nissan Almera (RM65k-77k). The price of the new Mazda 3 CKD of between RM106k-RM121k is relatively cheaper compared to Toyota Altis (RM114k-RM138k), Honda Civic (RM113k-RM132k) and Nissan Sylphy (RM112k-RM122k).

Mazda sales to accelerate in FY16. We assume Mazda’s vehicle sales in Malaysia to reach approximately 15,000 units in FY16 (+25% y-o-y) driven by a slew of upcoming new launches including the all new CX-3, Mazda 6 (facelift) and

CX-5 (facelift) coupled with Mazda’s strong sales volume of existing Mazda 2, Mazda 3, and CX-5. Besides, Mazda’s vehicle sales in the Philippines (via 60% owned BAP - Berjaya Auto Philippines) is expected to contribute positively to BAuto’s earnings in FY16, assisted by higher contribution from Mazda 3, CX-5, Mazda 2 and BT-50 as well as continuous growth in the Philippines’ automotive market (2014 TIV growth: +30% y-o-y).

BUY (TP: RM3.32)

Current Price (RM)	RM2.70
New Target Price (RM)	RM3.32
Previous Target Price (RM)	RM4.30
Previous Recommend.	BUY
Upside To Target Price	32%
Dividend Yield (FY17)	4%

Stock Code

Bloomberg	BAuto MK
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Stock & Market Data

Listing	MAIN MARKET
Sector	Automotive
Shariah Compliance	Yes
Issued Shares (mn)	1,141
Market Cap (RM mn)	3,158
YTD Chg In Share Price	18%
Beta (x)	NA
52-week Hi/Lo (RM)	3.00 1.61
3M Average Volume (shrs)	3.04mn
Estimated Free Float	43%

Major Shareholders

Berjaya Group	34%
Podium Success	6%
EPF	6%

Growth fuelled by SkyActiv technology. SkyActiv is referring to Mazda’s latest technological development under “Sustainable Zoom Zoom” plan which was announced in 2007. The main focus is to attain improvement in fuel efficiency and environmental friendly emission. Mazda is taking a different step in strengthening its business strategy by emphasis on enhancing internal combustion engine technology rather than shifting into hybrids/electric vehicles like other car manufacturers such as Honda and Toyota.

Lower import duties. Under the Free Trade Arrangement (FTA) with Japan, imported cars below 2.0 litres will see lower import duties from 10% to 5% starting from January 2014 and is expected to be zero by 2016. Therefore, three BAuto’s CBU models consist of Mazda 6, Mazda 3 and Biente will benefit from this alterations. On top of the group’s localisation programme, the street estimates that the effective excise duties for CKD Mazda 6 and Mazda 3 models could be reduced from 75% to 45% assuming a localisation rate of 40%.

Corporate exercise. BAuto has proposed a 2 for 5 bonus issue of up to 326 million new BAuto shares of RM0.50 each equivalent to RM163 million. This exercise is expected to improve the group’s market liquidity. Therefore, post completion of the corporate exercise will enlarge BAuto’s share base from 813.5 million to 1,138.9 million or 1,140.7 million shares depending on the finalisation of ESOS reserves option. The entire corporate exercise is expected to be completed soon.

Corporate exercise. BAuto has completed the issuance of 2 for 5 bonus issue of up to 326 million new BAuto shares of RM0.50 each equivalent to RM163 million which is expected to improve the group’s market liquidity. Therefore, post completion of the corporate exercise has enlarged BAuto’s share base from 813.5 million to 1,140.7 million shares.

FY15 recap. BAuto posted an impressive FY15 net profit of RM215 million (+65% y-o-y), beating ours and consensus estimates respectively, thanks to better-than-expected EBIT contribution from Malaysia (+68% y-o-y) and the Philippines (+104% y-o-y). Note that Mazda’s domestic sales volume surged to approximately 12,020 units as at FY15 that jumped by a solid 28% y-o-y from FY14 of 9,409 units at the back of strong demand for the all new Mazda 2 and CX-5 CKD.

Valuation & recommendation. Post bonus issue exercise, we re-value BAuto at RM3.32 based on 13x PER pegged to FY17 EPS of 26sen and the stock is a **BUY** underpinned by clear earnings visibility powered by i) aggressive launch of new models and ii) higher sales volume from Mazda CKD model.

Table 1: Peers Comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
UMW Holdings	Dec	10.14	77	84	14.1	13.0	1.8	1.7	10	4	10.77	Hold
Tan Chong	Dec	2.95	22	29	14.0	10.3	0.7	0.7	4	2	3.00	Hold
MBM Resources	Dec	3.48	37	41	9.3	8.3	0.8	0.8	8	2	4.17	Buy
Berjaya Auto	Apr	2.70	23	29	15.6	13.8	6.9	5.8	52	3	3.32	Buy
APM Automotive	Dec	4.78	53	56	9.7	9.2	1.0	1.0	10	4	NR	NR
Average					12.5	10.9	2.3	2.0				

Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

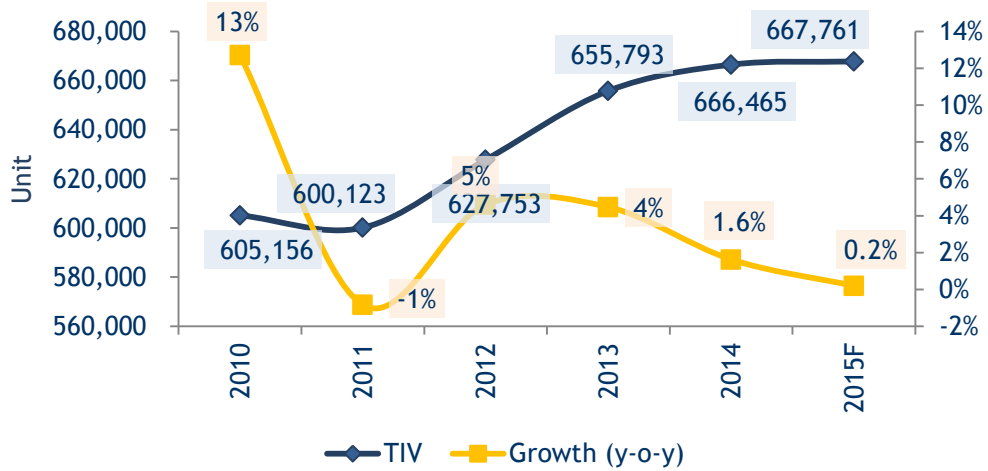
Y/E: Apr (RM'mil)	FY13	FY14	FY15	FY16F	FY17F
Revenue	1,064	1,451	1,830	2,285	2,856
EBITDA	82	176	292	337	405
EBIT	76	170	286	324	390
Net interest expense	-5	-1	0	-7	-9
Associates	-2	11	9	21	26
PBT	69	180	301	338	407
Net profit	51	131	215	244	294
EPS (sen)	7	17	26	30	36
EBITDA margin	8%	12%	16%	15%	14%
PBT margin	7%	12%	16%	15%	14%
Net profit margin	5%	9%	12%	11%	10%
Dividend (sen)	NA	5	15	12	15
Dividend yield (%)	NA	3%	4%	3%	4%
PER (x)	NA	12.1	13.4	11.8	9.8
P/BV (x)	NA	4.6	6.1	4.7	3.7

Source: Company, M&A Securities

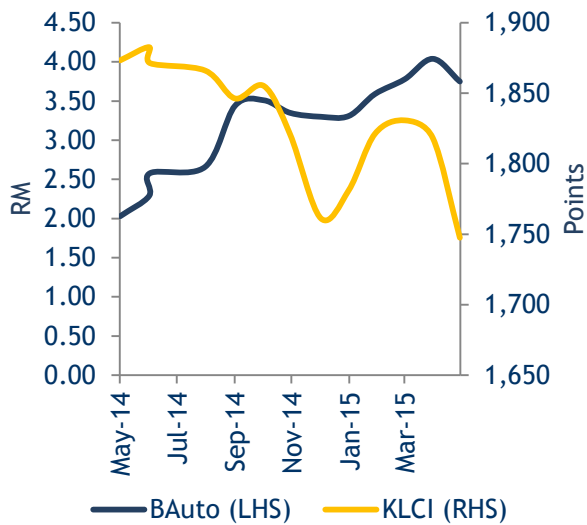
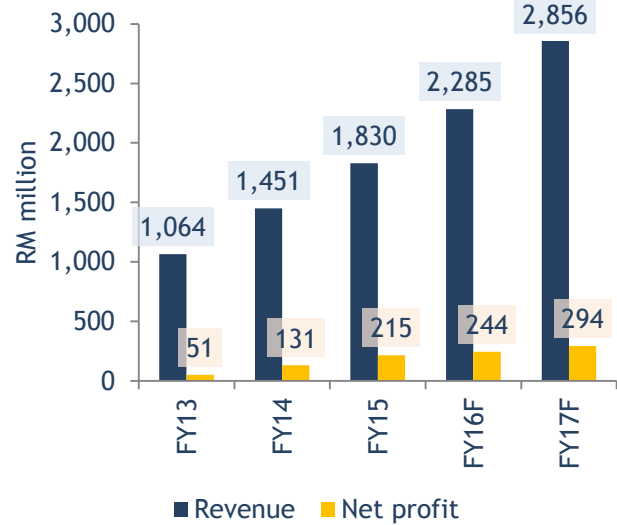
Table 5: Selected New Launches 2014/2015

Model	Launch	Segment	OTR price (RM)
Toyota Rush Facelift	Apr-15	SUV	98k-103k
Toyota Camry	Apr-15	D	150k-175k
Mazda CX-5 GL	Apr-15	SUV	126k-133k
Mazda 3	Apr-15	C	106k-121k
Honda H-RV	Feb-15	SUV	99k-119k
Proton Exora Facelift	Feb-15	MPV	57k-82k
Perodua Myvi Facelift	Jan-15	B	42k-59k
Mazda 2	Jan-15	B	88k
Nissan Almera Facelift	Jan-15	B	65k-78k
Nissan X-Trail	Jan-15	SUV	142k-165k
Perodua Axia	Sep-14	A	24K-42K
Proton Iriz	Sep-14	B	42k-62k
Honda Jazz	Jul-14	B	73k-88k
Nissan Teana	Jun-14	D	140k-170k
Mazda 5	May-14	MPV	157k
Perodua Myvi XT	Apr-14	B	41k - 44k
Nissan Sylphy	Apr-14	C	112k - 122k

Source: Company, M&A Securities

TIV Performance
(2010-2015F)

Source: MAA, M&A Securities

BAuto Share Price vs. KLCI
(May 2014-May 2015)Revenue and Net Profit
(FY13-FY17F)

Source: Bloomberg, M&A Securities

BIMB Holdings Bhd

“Entering Defensive Mode”

We like BIMB Holdings Bhd (BIMB) as its subsidiary’s Bank Islam, is one of the Islamic bank sector’s strong anchors. Its rebalancing financing efforts into more of floating and secured based will be enduring traits in sluggish economic environment. We advise investors to accumulate BIMB based on 1) affiliation with Lembaga Tabung Haji and GLCs, suggesting cross dealing and support; 2) number 3 positions in Islamic bank ranking and growing fast; and 3) reaping positive result from phase 3 transformation journey. The stock is a BUY with a target price of RM4.84 a piece.

Last phase of H2E. BIMB has entered the final phase of Hijrah to Excellence (H2E) which is to compete in term of branch number. Hence, BIMB has earmarked RM1 million per branch in FY15 to ramp-up new branches to 150 from existing 134. Along with that, BIMB remains interested in the Indonesian. Additionally, the proposed Asean Integration Framework may provide an opportunity to BIMB to pick the best partner with similar size to venture into the prospect.

Less reliance on high risk financing. The tepid consumer sentiments may weigh on Bank Islam’s asset quality as experienced during its troubled period in FY06. Thus, we notice that Bank Islam has trimmed its financing exposure in personal financing (PF) segment from 33% in FY14 to 31% in 1Q15. However this should not be an issue as Bank Islam customer profiling is regarded as good paymaster due to high composition of higher level executive and government servants.

GST kicks in. The maiden GST implementation may inevitably slowdown Bank Islam’s massive financing growth. However, Bank Islam below standard financing to deposit (FDT) at 74.7% in 1Q15 may lend hands to financing growth to grow at stable pace of 15% in FY15 vs. industry average of 9%-9.5% in FY15. For FY15, Bank Islam is aiming to disburse as much as 80% FTD vs. 72.6% in FY14 and hence, its target of 10% financing growth will easily be met.

BUY (TP:RM4.84)

Current Price (RM)	RM4.04
New Fair Value (RM)	RM4.84
Previous Fair Value (RM)	RM4.84
Previous Recommend.	BUY
Upside To Fair Value	19%
Dividend Yield (FY15)	5%

Stock Code	
Bloomberg	BIMB MK

Stock & Market Data		
Listing	MAIN MARKET	
Sector	Banking	
Shariah Compliance	Yes	
Issued Shares (mn)	1,542	
Market Cap (RM mn)	6,307	
YTD Chg In Share Price	0.5%	
Beta (x)	0.70	
52-week Hi/Lo (RM)	RM4.44	RM3.70
3M Average Volume (shrs)	835.2mil	
Estimated Free Float	25.8%	

Major Shareholders	
Lembaga Tabung Haji	55.9%
EPF	10.4%
KWAP	6.1%

Intensified competition for deposits. Of late, the competition to secure low cost deposit has been intense with variety of promotions in the market. The intense offering brings effect to the net interest margin (NIM) to other banks. Interestingly, Bank Islam asset yield is one of the top levels in the industry at 2.32% in 1Q15, assisted by its massive CASA ratios of 37% in 1Q15 vs. industry level of 25%. The key strength of its CASA ratio lies on its affiliation with government bodies/agencies and religious associations through LTH connections.

1Q15 review. BIMB recorded outstanding 1Q15 earnings to equity holders of RM153 million (+12% y-o-y, -6% q-o-q), spot on at 25% of our full year forecast but beaten consensus full year net profit forecast of 28%. The outstanding earnings were assisted by higher contribution from immense PBT contribution from Syarikat Takaful that surged 39.1% y-o-y to RM62.2 million. Additionally, BIMB's earnings were helped by lower expenses of RM140 million (-8% y-o-y).

Outlook. Given its lean and light position, we feel that BIMB is able to compete with universal Islamic bank in Malaysia. Penetrating into Indonesia would be the best move for BIMB to expand its presence assisted by the proposed Asean Integration Framework. For takaful segment, the growth prospect is still bright despite the industry issue with GST which may weigh on takaful industry take up rate.

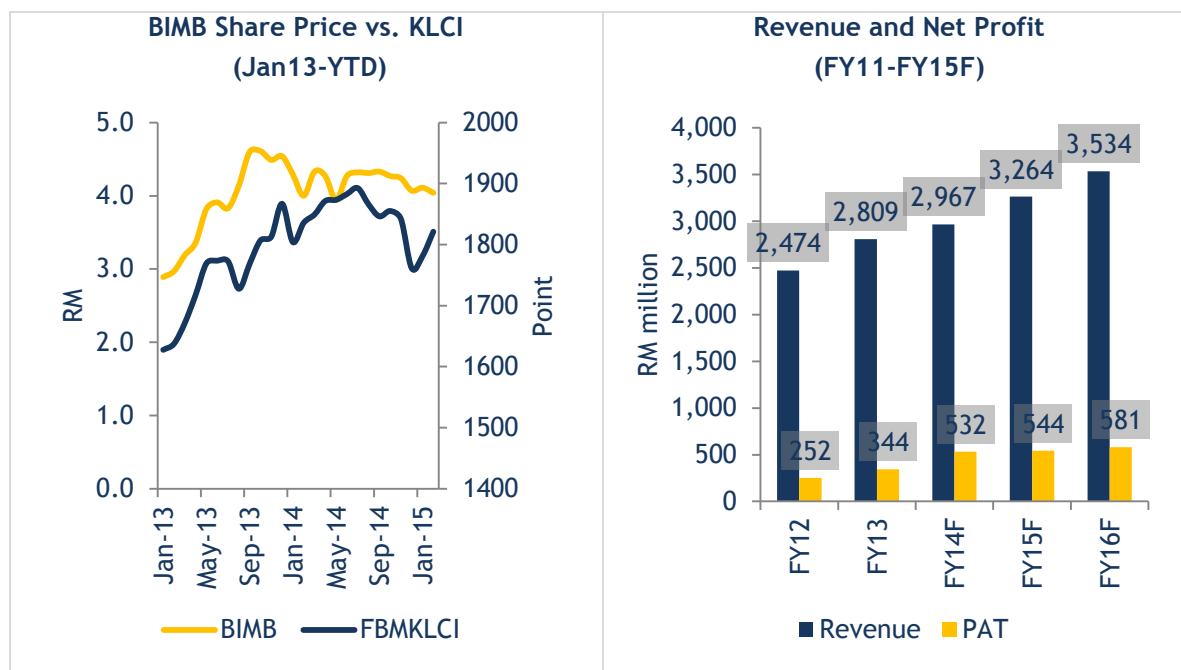
Earnings outlook. FY15 and FY16 earnings are projected to grow by 2% y-o-y and 7% y-o-y underpinned by i) market leader in family takaful industry; ii) securing more corporate loans underpinned by GLC affiliation; ad iii) focusing on growing Bank Islam's non-financing income.

Valuation & recommendation. We value BIMB at RM4.84 based on 10% premium to average 3-year P/BV of 1.7x and thus, we maintain our **BUY** call on the stock. Re-rating catalyst on the stock could emanate from 1) exceeding its key target for turnaround plan phase; and 2) M&A in Indonesia and regional neighbour.

Table 1: Peers Comparison

Company	Year Ended	Price (RM)	EPS (RM)		P/E (x)		P/B (X)		ROE (%)	Div Yield (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
AFG	March	4.39	0.4	0.4	12.7	12.0	1.7	1.6	14.3	1.9	5.05	Buy
AMMB	March	6.03	0.6	0.6	11.0	11.0	1.4	1.3	14.1	4.5	6.80	Buy
BIMB	Dec	4.04	0.3	0.4	11.7	11.3	1.8	2.0	16.0	5.8	4.84	Buy
CIMB	Dec	5.47	0.5	0.6	12.1	10.4	1.3	1.5	9.2	3.5	6.10	Buy
Maybank	Dec	9.14	0.7	0.8	12.6	11.9	1.5	1.5	13.6	6.2	10.70	Buy
RHB Cap	Dec	7.37	0.8	0.9	9.7	9.1	1.1	1.1	11.5	1.3	8.35	Buy
Public Bank	Dec	18.72	1.2	1.3	15.3	14.2	2.6	2.8	18.7	2.9	22.30	Buy
Affin	Dec	2.70	0.3	0.3	9.0	8.5	0.7	0.7	7.8	5.1	NR	NR
MBSB	Dec	1.69	0.2	0.3	9.1	8.4	1.2	1.1	29.6	2.3	NR	NR
STMB	Dec	3.91	NA	NA	NA	NA	NA	NA	24.3	6.6	NR	NR
HL Bank	June	13.40	1.2	1.3	12.0	11.2	1.6	1.5	14.7	2.9	NR	NR
Average					11.5	10.8	1.5	1.5				

Source: Bloomberg, M&A Securities



Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

Y/E: Dec (RM'mil)	FY12	FY13	FY14	FY15F	FY16F
Income from depositors funds	1,651	1,851	2,032	2,296	2,503
Income from shareholders funds	351	405	393	428	458
Income distributable to deposits	(591)	(773)	(845)	(972)	(1,098)
Net income from takaful	472	553	543	540	573
Operating income	1,883	2,037	2,122	2,293	2,436
Staff costs	(525)	(594)	(599)	(653)	(699)
Other operating expenses	(566)	(634)	(652)	(704)	(736)
Operating expenses	(1,091)	(1,228)	(1,251)	(1,357)	(1,435)
Pre-provision profit	793	808	872	936	1,001
Loan impairment allowance	(66)	15	(60)	(92)	(105)
Other allowance	(11)	(4)	4	(5)	(5)
Associates & JV income	2	(0)	0	0	0
PBT	717	819	815	839	891
Taxation	(220)	(256)	(228)	(235)	(250)
Minorities	(245)	(284)	(55)	(60)	(60)
PATAMI	252	279	532	544	581

Source: M&A Securities

DiGi.Com Berhad

“Bring On the Competition”

We continue to like Digi for its transformational journey as the Group managed to beef up its network services while successfully delivering stable network coverage. Its focus on internet plan will effectively shore up its efforts in monetizing data. We value Digi at RM6.60 based on EV/EBITDA of 14.2x, a 15% premium over its last 3 years average. The stock is a BUY.

Rising competition, but still deliver. Despite a clear leader in prepaid segment, competitors are fast catching-up with Digi in prepaid segment. Nevertheless, we feel Digi still have an edge over its competitors due to its strength in lower income prepaid subscribers that can upgrade to affordable smartphones on the back of rising popularity of low cost handsets from China and Korea.

Eyeing postpaid market share. Digi has been consistently adding subscriber in postpaid segment in steady pace and posted the best net adds in 1Q15 on the back of bundled offering. Of note, we noticed that there has been less competition in postpaid segment where only Maxis and Celcom battling to lead in this segment and hence, we opine that should Digi consistently adding subscriber at the expense of its competitors, Digi could win the battle with Celcom and Maxis in this segment.

Monetizing data works well. Data revenue (including SMS) was well up to RM672 million in 1Q15 (+18% y-o-y, +3% q-o-q) capitalizing on the affordable and innovative internet packages to serve in affordable segment through “Internet for All” strategy. The strategy was well paid off through wide range of affordable prices bundling with internet quota, voice calls and SMS.

Windfall from GST closure. Malaysia Communications and Multimedia Commission (MCMC) recently announced that GST for mobile prepaid reloads will be imposed based on customers’ usage and GST will not be charged on purchasing

BUY (TP:RM6.60)

Current Price (RM)	RM5.36
New Fair Value (RM)	RM6.60
Previous Fair Value (RM)	RM6.60
Previous Recommend.	HOLD
Upside To Fair Value	23%
Dividend Yield (FY15)	4.8%

Stock Code

Bloomberg	DIGI MK
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Stock & Market Data

Listing	MAIN MARKET	
Sector	Telco	
Shariah Compliance	Yes	
Issued Shares (mn)	7,775.0	
Market Cap (RM mn)	43,306	
YTD Chg In Share Price	-9.72%	
Beta (x)	0.96	
52-week Hi/Lo (RM)	RM6.65	RM5.34
3M Average Volume (shrs)	11,167mn	
Estimated Free Float	34.9%	

Major Shareholders

Telenor	49.0%
EPF	13.88%
KWAP	1.5%

reloads. As we stated earlier, we maintain our stance that Digi is the clear winner as their prepaid subscriber forms 83% of their total subscribers in 1Q15.

Shaky start, but service revenue still well. Digi’s 1Q15 net profit of RM479 million (-1% y-o-y, -14% q-o-q) accounted 23% of ours and consensus full-year forecasts respectively. Service revenue trended down sequentially (-2% q-o-q) in lieu of seasonality factor (1Q is seasonally a weaker quarter), but was up 2% y-o-y. Higher subscribers for both prepaid and postpaid segments were partly offset by lower ARPU.

Outlook. Despite rising competition, Digi started FY15 brilliantly via offering effective data monetization plan by giving more relevant products offerings, smartphones bundles and targeted channel activities. Regarding GST, Customs Department has now given its nod to go for GST charges under prepaid segment. It will further benefit Digi as its subscribers composition is largely made up of prepaid segment. That said, Digi’s increasingly stronger momentum in prepaid segment will benefit its bottomline by 4.3% in FY15 alone, based on our projection.

Earnings outlook. FY15 and FY16 earnings are expected to grow by 3% y-o-y and 4% y-o-y respectively assisted by 1) impact of network modernization that expand its high speed coverage; 2) biggest beneficiary of GST; and 3) higher take up rate in bundled offerings

Valuation. We maintain our target price on Digi of RM6.60 based on EV/EBITDA of 14.2x, a 15% premium of its last 3-year average and the stock is a **BUY**. Digi’s strong operational metrics and nimble marketing strategy apart from a very attractive dividend payout ratio will push investors to shift its holding into the stocks. Rerating catalyst on the stock will be underpinned by 1) new spectrum award from MCMC; and 2) completion of its 3G and LTE network expansion.

Table 1: Peers Comparison

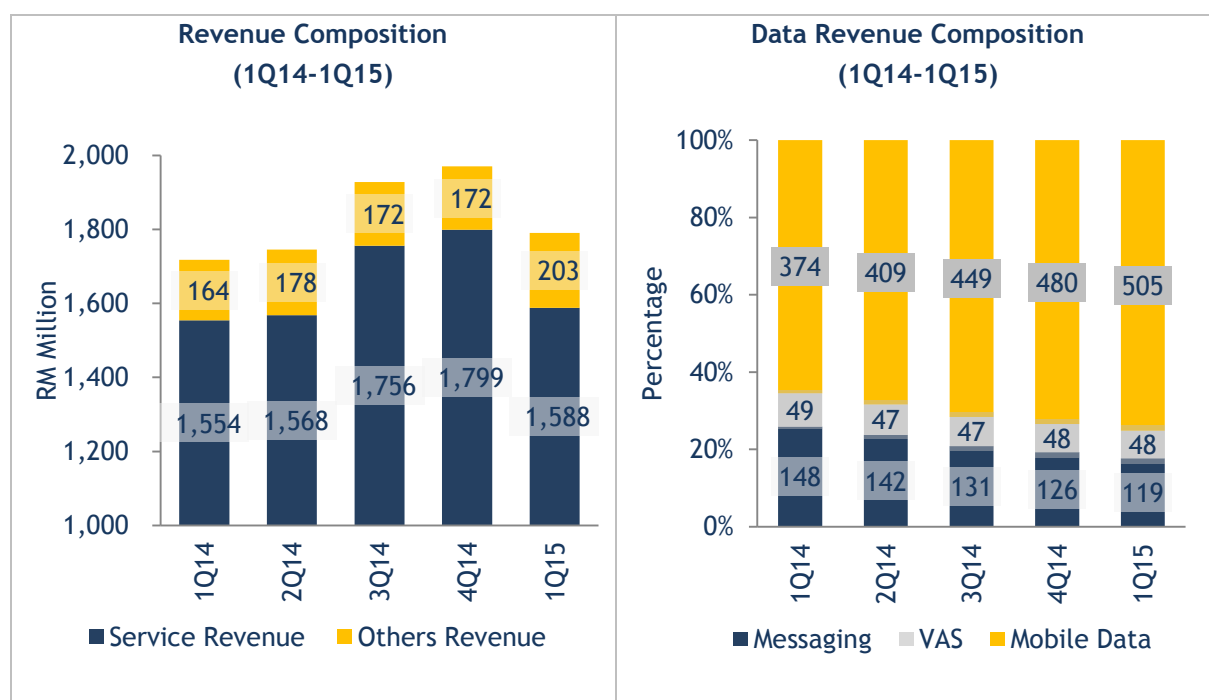
Company	FYE	Price (RM)	EPS (RM)		P/E (x)		P/B (x)		ROE (%)	Div Yield (%)	TP	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
Axiata	Dec	6.40	0.31	0.34	23	21	2.8	2.8	11.6	3.1	7.40	Buy
Maxis	Dec	6.37	0.27	0.28	27	25	12.0	12.6	32.1	4.5	7.10	Hold
Digi	Dec	5.36	0.27	0.28	23	22	65.3	62.1	301.5	4.2	6.60	Buy
Telekom	Dec	6.54	0.27	0.29	27	25	3.4	3.4	11.3	3.6	6.87	Hold
Time DotCom	Dec	6.76	0.28	0.32	21	18	1.3	1.2	8.0	1.0	NR	NR
Average					24	22	17.0	16.4				

Source: Bloomberg, M&A Securities

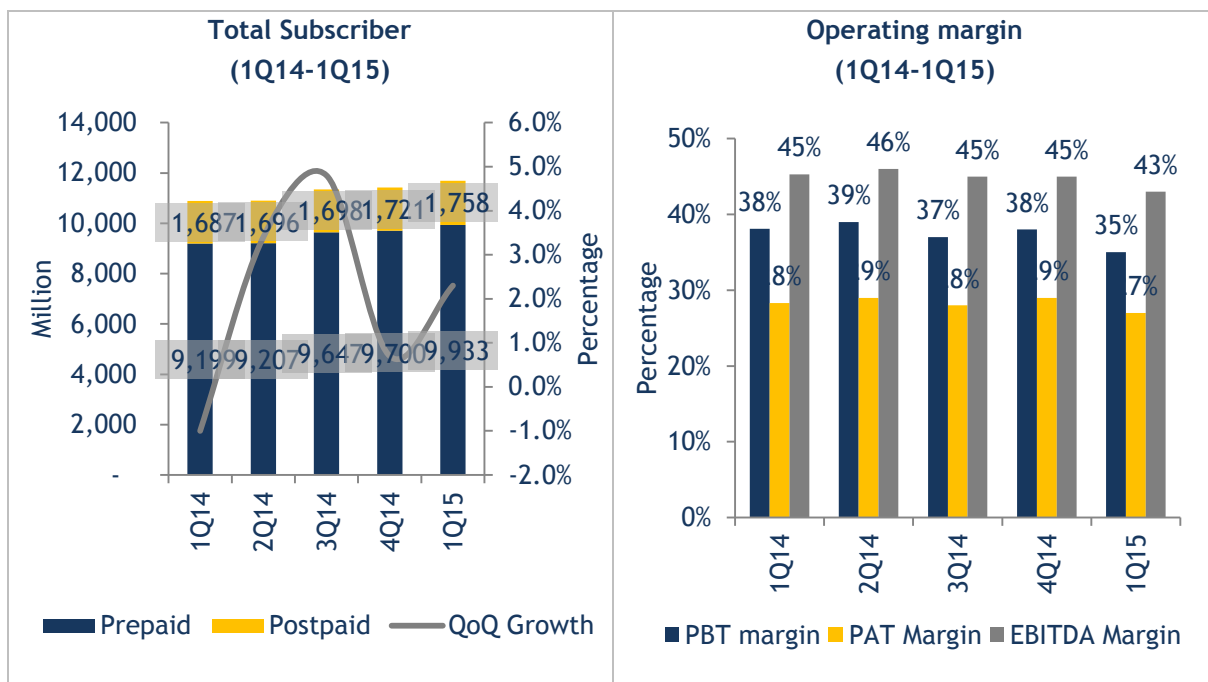
Table 2: Financial Forecast

YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	6,361	6,733	7,019	7,317	7,508
Expenses	(3,455)	(3,714)	(3,868)	(4,021)	(4,058)
EBITDA	2973	3061	3180	3327	3414
Depreciation & Amortisation	(1,330)	(878)	(492)	(542)	(519)
EBIT	1,643	2,183	2,688	2,785	2,895
Finance cost	(52)	(43)	(39)	(29)	(24)
PBT	1,591	2,140	2,649	2,757	2,871
Taxation	(385)	(434)	(614)	(662)	(689)
PAT	1,206	1,705	2,035	2,095	2,182
EPS (RM)	0.16	0.22	0.26	0.27	0.28
EBITDA Margin	47%	45%	45%	45%	45%
PBT Margin	25%	32%	38%	38%	38%
PAT Margin	19%	25%	29%	29%	29%
PER (x)	34.1	22.6	23.6	19.9	13.6
P/BV (x)	157.4	58.3	86.6	24.9	24.9
EV/EBITDA	14.2	12.8	15.3	15.0	14.3

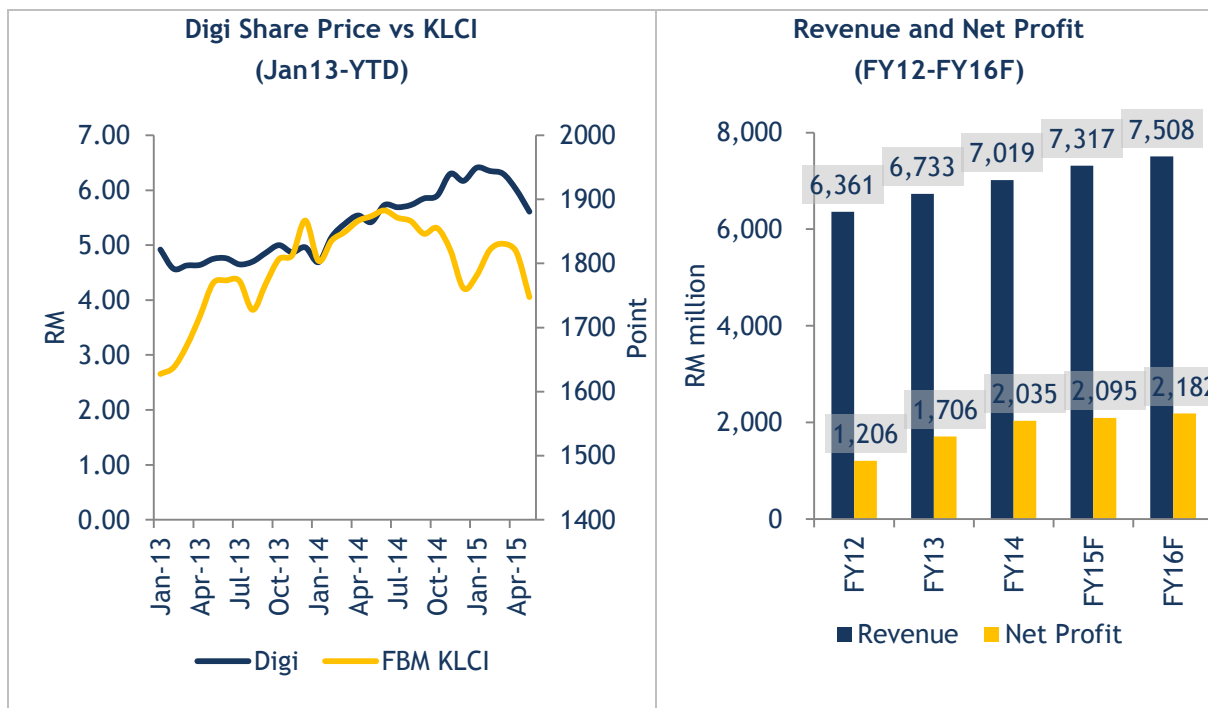
Source: Bursa Malaysia, M&A Securities



Source: Bloomberg, M&A Securities



Source: Bursa Malaysia, M&A Securities



Source: Bloomberg, M&A Securities

Gamuda Berhad

“Clear Growth Trajectory”

The long-term outlook on Gamuda remains intact, anchored by several key catalysts including the PDP role of KVMRT2 and potentially Penang Transport Master Plan as well as the aggressive land banking acquisition within the next two years. We call Gamuda a BUY with target price at RM5.87. Its solid fundamentals will cement the stock as one of the jewels among local construction players.

KVMRT2 ready to roll. Currently, the propose alignment for KVMRT2 is going on public display starting from May 2015 until August 2015 and tendering is only expected to be called by 4Q2015 instead of the previous target in 3Q2015 with initial contract awards could be expected by mid-2016. Furthermore, the ‘project delivery partner’ (PDP) agreement is expected to be signed within the next two month. Meanwhile, MRT Corp. announced that the cost of KVMRT2 will be slightly higher at RM28 billion compared to the earlier projection of RM23 billion due to the longer underground length. The underground length of KVMRT2 is around 13.5km, longer than KVMRT1’s length of only 9.5km and hence, there will be 11 underground stations to be developed compared to 7 underground stations in KVMRT1.

Eye on PTMP. Gamuda has been shortlisted in its bidding for the PDP role of Penang Transport Master Plan (PTMP) which estimated to cost approximately RM27 billion comprising the development of integrated public transportation system and highway network. Penang’s state government has closed the Request for Proposal (RFP) exercise to assign the PDP role of PTMP in February 2015 and the result could be announced by July 2015. We expect Gamuda to emerge as the front runner for the project based on their expertise as the current PDP role for KVMRT1.

Progress of KVMRT1. The financial progress of PDP scope and underground works remained on track at 55% and 68% respectively as at 9M15. All the tunnel boring machines

BUY (TP: RM5.87)

Current Price (RM)	RM4.67
New Target Price (RM)	RM5.87
Previous Target Price (RM)	RM5.28
Previous Recommend.	BUY
Upside To Target Price	26%
Dividend Yield (FY16)	3%

Stock Code

Bloomberg	GAM MK
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Stock & Market Data

Listing	MAIN MARKET
Sector	Construction
Shariah Compliance	Yes
Issued Shares (mn)	2,406
Market Cap (RM mn)	11,621
YTD Chg In Share Price	-5%
Beta (x)	0.93
52-week Hi/Lo (RM)	5.36 4.60
3M Average Volume (shrs)	4.87mn
Estimated Free Float	52%

Major Shareholders

EPF	10%
Skim ASB	8%
KWAP	7%

(TBM) have completed their tunnelling job. On the PDP progress, the works on elevated viaducts stations are at advanced stage of completion. The installation of rail tracks is progressing well with 4 MRT electric trains are undergoing testing at the test track in Sg. Buloh Depot whilst 10 more electric trains will be delivered to Sg. Buloh Depot by mid-July 2015. The entire project is on track to be completed by July 2017. Gamuda's current construction orderbook stood at RM1.3 billion as at the end of 3Q15 (2Q15: RM1.6 billion).

Property outlook. The management guided that the weaker property markets have bottomed-out and expected to recover from 2016 onwards. On the latest development, Gamuda has acquired 19-acre leasehold parcel of land in Bukit Bentayan, Kota Kinabalu for RM100 million (RM125 per sq. ft.) where its plans to develop 1,500 units of apartments with GDV of RM710 million in FY16. Moreover, the group also plan to launch two more property projects in FY16 consist of HighPark Suites, Kelana Jaya with GDV of RM630 million and Chapel Street, Melbourne with GDV of RM400 million. Furthermore, a consortium consisting Gamuda Bhd, Evia Real Estate (7) Pte Ltd and Maxdim Pte Ltd has submitted a tender worth SGD345.86mil (RM962.5mil) to potentially develop a 99-year leasehold plot of land in Toa Payoh, Singapore. The bid translates into an average land cost of SGD8,130 (RM22,672) per sq. meter of gross floor area or around SGD755 (RM2,105) per sq. ft. The group's total landbank size is now at 4,070 acres (Malaysia: 3,470 acres, Overseas: 600 acres) with remaining GDV of RM49.6 billion.

Property update. Gamuda achieved a lower property sales of RM810 million in 9M15 (-46% y-o-y), accounting 68% of FY15 sales projection of RM1.2 billion, no thanks to the lethargic property market particularly in Klang Valley and Johor as a results of tightening measures imposed by Bank Negara Malaysia (BNM) as well as the implementation of goods and services tax (GST). The management guided that the group's unbilled sales stood at RM1.3 billion in 9M15.

Water concession update. Gamuda remains hopeful to conclude the disposal of SPLASH by 2015 and currently awaiting the resolution of master agreement between Federal and State Government. To recap, Gamuda announced in March 2014 that SPLASH was unable to accept the offer by Kumpulan Darul Ehsan Bhd (KDEB) to buyout SPLASH for RM251 million. The net offer of RM251 million for SPLASH is compared to the net asset value (NAV) of SPLASH amounting to RM2.54 billion as at 31 December 2013. This may result in a huge divestment loss of RM920 million for Gamuda.

9M15 results meet our target. Gamuda 9M15 net profit of RM528 million (+3% y-o-y) came in line with ours and consensus estimates respectively, accounting 71% and 72% of ours and consensus full year net profit forecast. The improvement in 9M15 earnings was driven by healthy contribution from concession segment (+39% y-o-y) due to the full consolidation of Kesas (70%-subsidiary), however earnings contribution from construction segment had dipped to RM82 million (-11% y-o-y) as a result of slower billings in 3Q15. Top line wise, Gamuda's revenue surged to RM1.8 billion (+8% y-o-y) in 9M15 driven by strong contribution from the concession segment whose revenue rose to RM297 million (+207% y-o-y) while construction segment posted a weaker revenue of RM846 million (-9% y-o-y) impacted by the rapidly completed civil work of KVMRT1 and the finishing of Electrified Double Tracking Project in November 2014.

Valuation & recommendation. We value Gamuda at RM5.87, pegging to the group’s average 3-year PER of 16x and the stock is a **BUY**. Re-rating catalyst may come from i) government’s mega spending railway project expansion and ii) front runner of PTMP and KVMRT 3 project and iii) aggressive landbanking expansion.

Table 1: Peers Comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
IJM CORP	Mar	6.52	41	47	20.6	15.8	1.5	1.4	6	2	8.14	Buy
GAMUDA	Jul	4.67	32	32	16.0	16.0	2.0	1.9	13	2	5.87	Buy
WCT	Dec	1.42	13	14	14.6	12.9	0.9	0.9	5	1	1.76	Hold
BENALEC	Jun	0.58	3	6	15.2	12.8	1.0	0.9	0	0	NR	NR
CREST BUILDER	Dec	1.14	11	8	10.9	14.2	0.4	0.0	6	3	NR	NR
EVERSENDAL	Dec	0.90	8	10	9.7	7.4	0.6	0.6	4	1	NR	NR
KIMLUN	Dec	1.30	15	16	8.5	7.8	0.9	0.8	13	2	NR	NR
MRCB	Dec	1.18	6	9	23.7	15.7	1.4	1.4	8	2	NR	NR
AZRB	Dec	0.66	5	7	14.1	10.1	0.0	0.0	5	NA	NR	NR
YTL CORP	Jun	1.55	14	13	13.3	12.8	1.2	1.1	9	6	NR	NR
Average					14.7	12.5	1.0	0.9				

Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

YE: Jul (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	3,087	3,883	2,230	4,445	5,112
EBIT	585	512	488	756	869
Finance costs	(62)	(61)	(66)	(111)	(153)
Associates	206	241	430	293	358
PBT	728	693	852	938	1,074
Net profit	547	541	719	740	849
EPS (sen)	26	25	32	32	37
EBIT margin	19%	13%	22%	17%	17%
PBT margin	24%	18%	38%	21%	21%
Net profit margin	18%	14%	32%	17%	17%
PER (x)	13.3	18.9	15.4	15.4	13.4
P/BV (x)	1.8	2.0	2.1	1.9	1.8
DPS (sen)	16	12	12	12	12
Dividend Yield	3%	2%	2%	2%	2%

Source: Bursa Malaysia, M&A Securities

Table 3: Landbanks and GDV (3Q15)

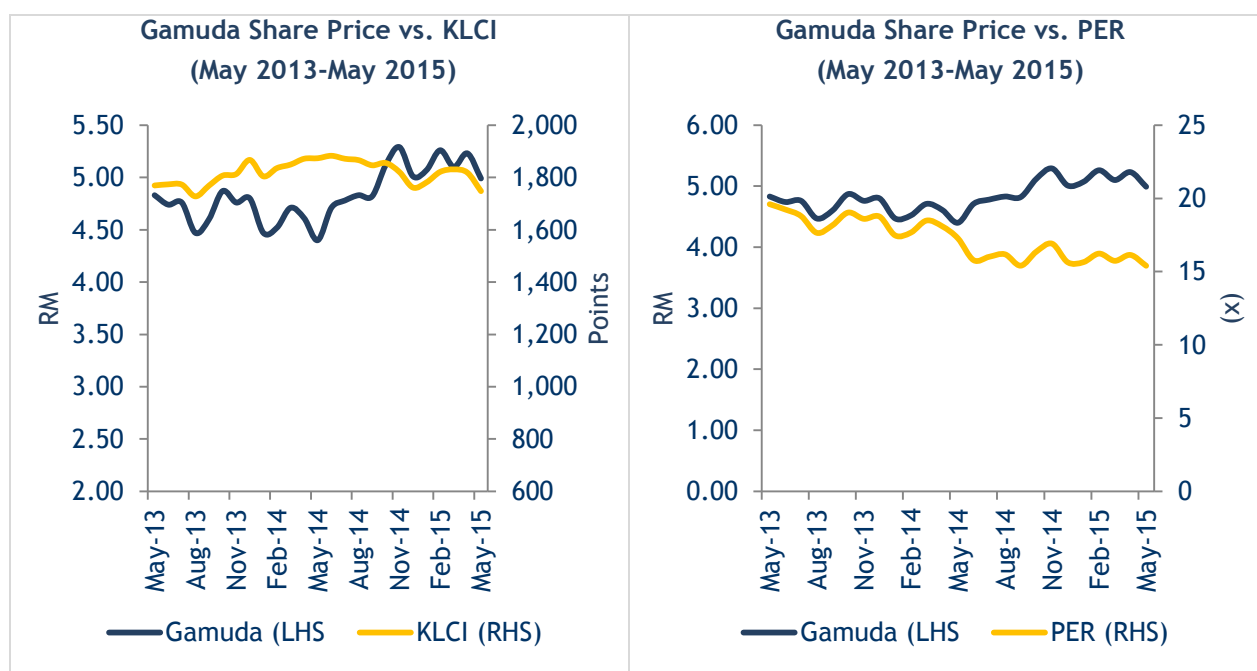
Projects	Area Unsold (acres)	Remaining GDV (RM mil)
MALAYSIA		
1. Kota Kemuning (50%)	10	230
2. Valencia	-	20
3. Bandar Botanic	60	2,150
4. Jade Hills	190	1,100
5. Horizon Hills (50%)	490	4,100
6. Madge Mansions	-	120
7. The Robertson	-	530
8. HighPark Suites	5	630
9. Seri Serai	820	6,600
10. Kundang	90	520
11. Tanjong 12	1,530	19,000
12. KK257	257	3,000
13. Bukit Bentayan, Sabah	18	710
TOTAL (MALAYSIA)	3,470	38,710
OVERSEAS		
11. Gamuda City (Hanoi)	420	8,500
12. Celadon City (HCMC)	180	2,000
13. Chapel Street (Melbourne)	0.4	400
TOTAL (OVERSEAS)	600	10,900
TOTAL GROUP	4,070	49,610

Source: Gamuda, M&A Securities

Table 4: Construction Order Book (3Q15)

Projects	Value (RM bil)	Progress	Completion Date
MRT Line 1, Tunneling (50% share)	1.3	68%	2017
Northern Double Tracking Railway (50% share)	-	100%	2014
Total	1.3		

Source: Gamuda, M&A Securities



Source: Bloomberg, M&A Securities

IJM Corporation Berhad

“Sturdier Growth Ahead”

IJM Corporation Bhd (IJM) long-term outlook remains convincing backed by healthy construction’s order book worth RM7.0 billion. We expect the contribution from construction division will continue to spur the growth in FY16 as the group emerge as potential beneficiary to grab some goodies from the project under 11MP. Hence, IJM Corp is a BUY with target price of RM8.14.

Construction’s orderbook. IJM Corp’s construction orderbook currently stands at approximately RM7.0 billion with 40% coming from the West Coast Expressway’s (WCE) contract worth RM2.8 billion. Moving forward, the group is expected to replenish its order book further by grabbing some potential new projects under the 11MP. Note that IJM is on track to complete the work package of KVMRT1 (Package V5) by end of 2015 and could emerge as one of the potential beneficiaries for new work package under KVMRT2. The group’s also has bidding for the PDP role for LRT3 and Penang Transport Master Plan. Furthermore, we do not rule-out IJM to be a potential candidate to secure the remaining RM2.2 billion WCE contract works which is expected to be awarded in 2016.

‘Puteri Cove Residences’. IJM Construction Sdn Bhd, a wholly-owned subsidiary of IJM Corp, has secured RM538.5 million awards from Pearl Discovery Development Sdn Bhd in CY1Q15 for the proposed mixed development known as “Puteri Cove Residences” on Plot TR-2-2, Mukim Pulau, Daerah Johor Bahru. The project involves the building works of three blocks of 32-storey serviced apartments (998 units), one block of 5-storey SOHO (56 units) and serviced apartment facilities, two multi-storey car park podiums, two lobbies and 2-storey retail centre.

Kuantan Port awards. IJM has been awarded with RM1.2 billion award from its 62% subsidiary, Kuantan Port

BUY (TP: RM8.14)

Current Price (RM)	RM6.52
New Target Price (RM)	RM8.14
Previous Target Price (RM)	RM7.50
Previous Recommend.	HOLD
Upside To Target Price	25%
Dividend Yield (FY17)	2%

Stock Code

Bloomberg	IJM MK
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Stock & Market Data

Listing	MAIN MARKET
Sector	Construction
Shariah Compliance	Yes
Issued Shares (mn)	1,786
Market Cap (RM mn)	12,057
YTD Chg In Share Price	3%
Beta (x)	0.77
52-week Hi/Lo (RM)	7.50 6.13
3M Average Volume (shrs)	5053mn
Estimated Free Float	74%

Major Shareholders

EPF	13%
JP Morgan	9%
Skim ASB	8%

Consortium Sdn Bhd (KPC), for the proposed design, construction and completion of New Deep Water Terminal at Kuantan Port, Pahang - Phase 1. This project is expected to be completed within 36 months (1Q18). The port expansion is mainly to cater for ships up to 200k deadweight tonne.

Property subdues. IJM has achieved a lower property sales of RM1.8 billion in FY15 (FY14: RM2.2 billion) with unbilled sales stood at RM1.7 billion. The management hinted that property sales will continue to moderate in FY16 due to the cautious property outlook added with the negative sentiment on post-GST implementation. Nonetheless, IJM is planning to launch RM3 billion worth of property project including Pantai Central Park (Kuala Lumpur), Seban Cove (Johor), The Light Phase 2 (Penang) and Bandar Rimbayu (Selangor).

The Light phase 2 development. IJM has acquired 50% stake in Aura Hebat Sdn Bhd (AHSB) in April 2015. Note that AHSB is the JV Company between The Light Waterfront Sdn Bhd (TLW), a wholly-owned subsidiary of IJM and Perennial Penang Pte. Ltd. Consequently, AHSB is acquiring a parcel of land measuring 32.8 acres located within IJM's existing The Light Waterfront development in Penang for RM402.8 million (RM282.3 psf) from IJM's 80%-owned subsidiary, Jelutong Development Sdn Bhd (Jelutong). The Land is to be developed into large scale integrated waterfront mixed-use development comprising a shopping mall and thematic shops, residential towers, office tower, two hotels and a convention centre with estimated GDV of RM3.0 billion.

Corporate exercise. The group has proposed to undertake 1-for-1 bonus issue of up to 1.8 billion bonus shares which is expected to enlarge its number of shares from 1,783 million to a maximum of 3,587 million shares. This issuance of bonus issue will further improve IJM's trading liquidity. The entire proposals are expected to be completed by CY3Q15.

FY15 financial recap. IJM FY15 core net profit of RM531 million came in below ours and consensus estimates respectively, accounting 85% and 90% of both estimates full year net profit forecast. FY15 PBT shed by 28% y-o-y due to one-off gain from the disposal of Kemaman port as well as fair value gains on the acquisition of CIDB Inventures and Swarna Tollway in FY14. Excluding these exceptional items, IJM Corp still posted a significant growth of 27% y-o-y in FY15 PBT in line with higher contribution from construction division (+10% y-o-y) on the back of higher margin from its various projects. Nonetheless, FY15 PBT margin stood at 19%, lower against FY14 margin of 24%.

Valuation & recommendation. We value IJM Corp at RM8.14 as we roll over our valuation into FY17 and the stock is a **BUY** underpinned by strong construction's orderbook replenishment from major project under 11MP and ii) stable growth prospect from Industrial, plantation and infrastructure division.

Table 1: Peers comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
IJM CORP	Mar	6.52	41	47	20.6	15.8	1.5	1.4	6	2	8.14	Buy
GAMUDA	Jul	4.67	32	32	16.0	16.0	2.0	1.9	13	2	5.87	Buy
WCT	Dec	1.42	13	14	14.6	12.9	0.9	0.9	5	1	1.76	Hold
BENALEC	Jun	0.58	3	6	15.2	12.8	1.0	0.9	0	0	NR	NR
CREST BUILDER	Dec	1.14	11	8	10.9	14.2	0.4	0.0	6	3	NR	NR
EVERSENDAL	Dec	0.90	8	10	9.7	7.4	0.6	0.6	4	1	NR	NR
KIMLUN	Dec	1.30	15	16	8.5	7.8	0.9	0.8	13	2	NR	NR
MRCB	Dec	1.18	6	9	23.7	15.7	1.4	1.4	8	2	NR	NR
AZRB	Dec	0.66	5	7	14.1	10.1	0.0	0.0	5	NA	NR	NR
YTL CORP	Jun	1.55	14	13	13.3	12.8	1.2	1.1	9	6	NR	NR
Average					14.7	12.5	1.0	0.9				

Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

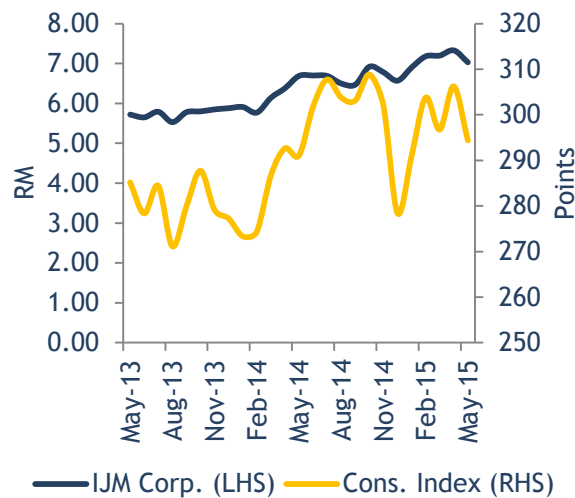
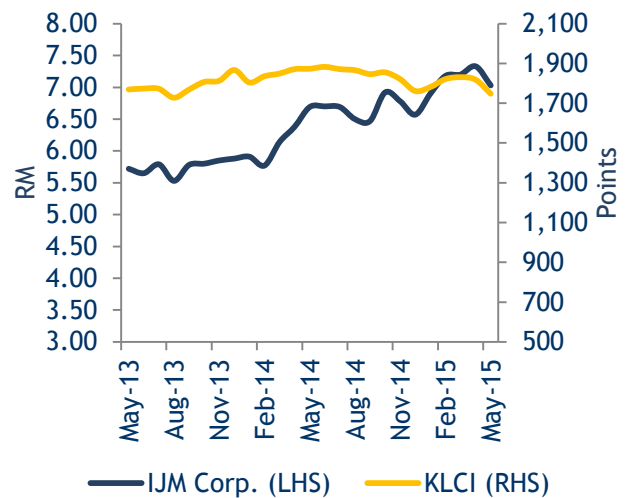
YE: Mar (RM million)	FY13	FY14	FY15	FY16F	FY17F
Revenue	4,518	6,007	5,448	6,549	7,532
EBIT	973	1,788	1,292	1,441	1,657
Finance costs	(173)	(231)	(243)	(196)	(226)
Associates	40	3	(19)	33	38
JCE	(38)	(143)	(11)	(52)	(60)
PBT	802	1,416	1,019	1,225	1,408
Net profit	409	830	481	685	788
EPS (sen)	30	59	33	38	44
PBT margin	18%	24%	19%	19%	19%
Net profit margin	9%	14%	9%	10%	10%
PER (x)	18.9	11.2	21.4	18.1	15.8
P/BV (x)	1.5	1.5	1.6	1.4	1.4
DPS (sen)	13	25	15	16	16
Dividend yield	2%	4%	2%	2%	2%

Source: Bursa Malaysia, M&A Securities

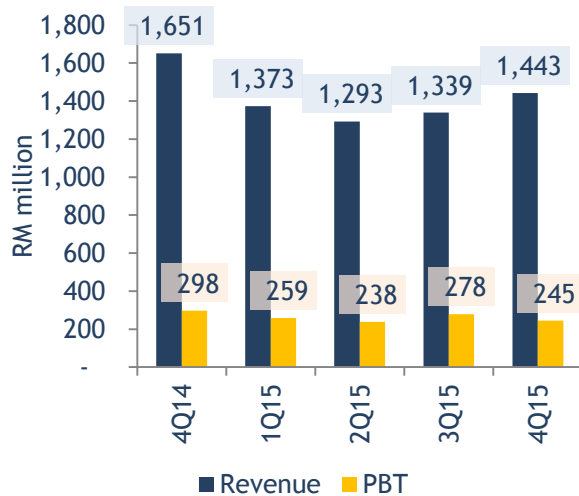
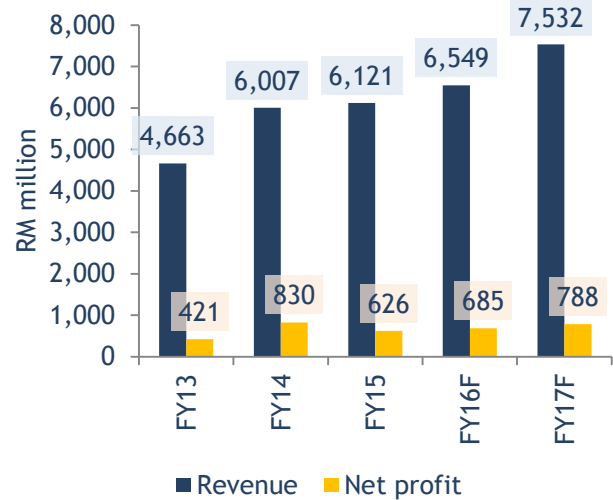
Table 3: Segmental PBT Margin (1Q14-4Q15)

YE: Mar (RM million)	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
Revenue								
Construction	1%	6%	10%	22%	16%	21%	10%	28%
Property	25%	29%	42%	43%	24%	22%	27%	21%
Industry	18%	17%	16%	16%	14%	15%	12%	13%
Plantation	2%	-3%	18%	42%	17%	20%	21%	-11%
Infrastructure	55%	3%	203%	-115%	22%	-1%	3%	1%

Source: Bursa Malaysia, M&A Securities

IJM Corp. Share Price vs. Construction Index
(May 2013-May 2015)IJM Corp. Share Price vs. KLCI
(May 2013-May 2015)

Source: Bloomberg, M&A Securities

Revenue and Net Profit
(4Q14-4Q15)Revenue and Net Profit
(FY13-FY17F)

Source: Bloomberg, M&A Securities

Malayan Banking Bhd

“Regionalisation is the Key”

Investors are advised to accumulate Maybank Berhad (Maybank) given its (1) good longer-term growth prospects in Indonesia, (2) regional expansion of its investment banking business, and (3) the benefits from the implementation of the projects under the Economic Transformation Programme (ETP) in Malaysia. We value Maybank at RM10.70 based on P/BV of 1.9x, equivalent to last 3 years average. The stock is a BUY.

Loans growth to pick up in 2H15. Maybank is targeting to achieve 9%-10% loans growth in FY15 where the majority of the growth will be supported by Malaysia's loans growth. However, judging on 1Q15's loans growth of 8.4% y-o-y, we feel that the target will be achieved through contribution from Malaysia and ex-Malaysia. Despite Maybank's Malaysia operation loans growth only grew 3.8% on annualized basis in 1Q15, we are positive the 9%-10% loans growth target will be met through reviving the non-interest income (NII) in Malaysia market given the impending listing of several big IPOs and various sukuk.

Stay positive in Indonesia. Despite all the sluggish outlook in Indonesia a result Bank Indonesia's move to cut benchmark interest rate, we feel that net interest margin (NIM) in Indonesia is still one of the highest where Maybank operating in, and still able to offer bright prospect once the economic environment improves. Additionally, Maybank BII stays positive on loan quality as some of its customers are impacted by the weakening of commodities and mining sectors amid Maybank BII re-profile effort of corporate customers.

Maybank Islamic going stronger. Maybank Islamic bagged notable accolade of Leadership Issuer of the Year Award due to issuance Subordinated Sukuk Murabahah amounting RM1.5 billion, the single largest deal of its kind by an Islamic financial institution. The sukuk received strong

BUY (TP: RM10.70)

Current Price (RM)	RM9.14
New Fair Value (RM)	RM10.70
Previous Fair Value (RM)	RM10.70
Previous Recommend.	BUY
Upside To Fair Value	17%
Dividend Yield (FY15)	6.2%

Stock Code

Bloomberg	MAY MK
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Stock & Market Data

Listing	MAIN MARKET	
Sector	Finance	
Shariah Compliance	No	
Issued Shares (mn)	9,537	
Market Cap (RM mn)	88,122	
YTD Chg In Share Price	0.76%	
Beta (x)	1.0	
52-week Hi/Low (RM)	RM10.20	RM8.25
3M Average Volume (shrs)	8.7mn	
Estimated Free Float	40.5%	

Major Shareholders

ASB	37.6%
EPF	13.2%
PNB	5.7%

demand from investors due to its leadership position in Islamic banking in Malaysia and Asean. This should be a precursor for Maybank Islamic to steal and roll out few significant deals ahead.

Looking at Thailand. We feel the sluggish economic prospects in Malaysia and Asean countries may limit Maybank ability to grow beyond investment banking in Thailand. At the same time we foresee a value has emerged for Maybank to grow its commercial banking in Thailand by organic or inorganic expansion. Should Maybank manage to step into commercial banking in Thailand, Maybank will finally complete its Asean regionalisation effort.

Asset quality likely to be resilient. As expected, the absence of lumpy corporate account assisted gross impaired loans (GIL) ratio to further improve by 2bps to 1.50% in 1Q15. Worryingly, Indonesia's GIL deteriorated further by 25bps to 3.49% in 1Q15 due to the exposure in selected commodities sector. Moving forward, as oppose to our earlier prediction, Indonesia' GIL should stay at elevated level given soft commodity prices though Maybank exposure in commodity is relatively small.

1Q15 within expectation. 1QFY15 net profit of RM1.7 billion (-12% q-o-q, +6.2% y-o-y) accounted for 23.5% and 25% of ours and consensus full year forecast, in line with expectations. 1Q15 was underpinned by continued strong loans growth of 2.1% q-o-q and 14.2% y-o-y as well as q-o-q improvement in NIM. High q-o-q NIM was impressive vis-à-vis peers and attributed to its strong deposits franchise as CASA grew 2.1% q-o-q and 11.5% y-o-y as well as shredding of higher cost money market deposits.

Earnings outlook. FY15 and FY16 earnings are expected to grow by 5.5 y-o-y and 1.6% y-o-y driven by i) Singapore's unit solid growth; ii) steady performance in both household and business segment in Malaysia; and iii) cost containment as well as overhead expenses trending lower.

Outlook. Stay invested in Maybank to capitalise on its regional network, which could benefit from the increasing trade in the Asean region. In Malaysia, Maybank being one of the banking sector bellwether companies, is expected to be the least vulnerable with the slowing down in household segment, thanks to respectable risk management practise. Additionally, its positions in investment banking will recover in FY15 due to number of capital market activities such as big ticket IPOs to be listed in FY15.

Valuation & recommendation. We reiterate our fair value of RM10.70 on Maybank based on P/BV of 1.9x (3-year average) and the stock is a **BUY**. Re-rating catalyst for Maybank could emanate from 1) the recovery of Indonesia operating environment; 2) gaining strength in investment banking business; and 3) listing of insurance arm.

Table 1: Peers Comparison

Company	Year Ended	Price (RM)	EPS (RM)		P/E (x)		P/B (X)		ROE (%)	Div Yield (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
AFG	March	4.39	0.4	0.4	12.7	12.0	1.7	1.6	14.3	1.9	5.05	Buy
AMMB	March	6.03	0.6	0.6	11.0	11.0	1.4	1.3	14.1	4.5	6.80	Buy
BIMB	Dec	4.04	0.3	0.4	11.7	11.3	1.8	2.0	16.0	5.8	4.84	Buy
CIMB	Dec	5.47	0.5	0.6	12.1	10.4	1.3	1.5	9.2	3.5	6.10	Buy
Maybank	Dec	9.14	0.7	0.8	12.6	11.9	1.5	1.5	13.6	6.2	10.70	Buy
RHB Cap	Dec	7.37	0.8	0.9	9.7	9.1	1.1	1.1	11.5	1.3	8.35	Buy
Public Bank	Dec	18.72	1.2	1.3	15.3	14.2	2.6	2.8	18.7	2.9	22.30	Buy
Affin	Dec	2.70	0.3	0.3	9.0	8.5	0.7	0.7	7.8	5.1	NR	NR
MBSB	Dec	1.69	0.2	0.3	9.1	8.4	1.2	1.1	29.6	2.3	NR	NR
STMB	Dec	3.91	NA	NA	NA	NA	NA	NA	24.3	6.6	NR	NR
HL Bank	June	13.40	1.2	1.3	12.0	11.2	1.6	1.5	14.7	2.9	NR	NR
Average					11.5	10.8	1.5	1.5				

Source: Bloomberg, M&A Securities

Table 3: Financial Forecast

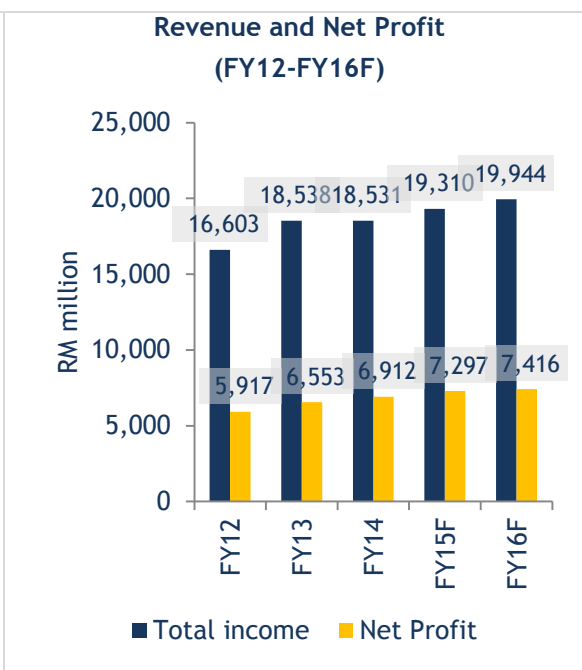
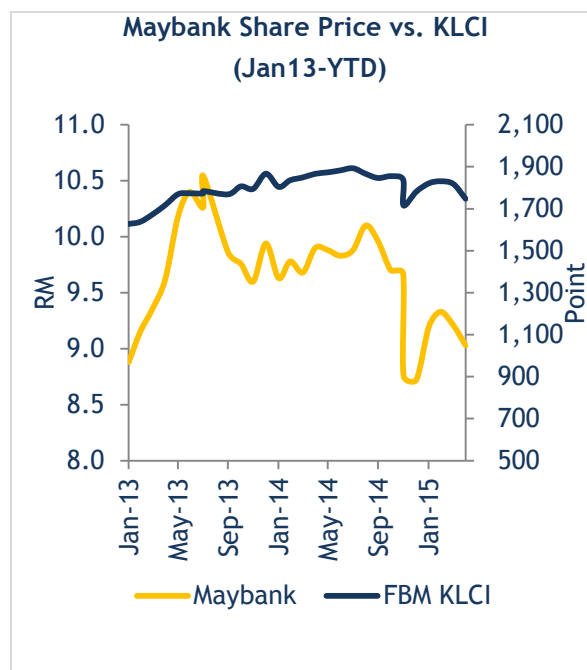
YE: Dec (RM million)	FY13	FY14	FY15F	FY16F
Net interest income	9,585	9,704	9,898	10,145
Non-Interest Income	6,143	5,556	5,945	6,123
Islamic banking income	2,810	3,271	3,467	3,675
Total income	18,538	18,531	19,310	19,944
Overhead expenses	(8,928)	(9,111)	(9,430)	(9,713)
Pre-provision income	9,611	9,420	9,880	10,231
Loan loss allowance	(730)	(400)	(320)	(453)
Operating profit	8,730	8,950	9,558	9,698
Associates	139	163	171	190
PBT	8,870	9,113	9,729	9,888
PAT	6,553	6,912	7,297	7,416
EPS (sen)	74	74	78	80
Op. profit margin	47%	48%	49%	49%
PBT Margin	48%	49%	50%	50%
PAT Margin	35%	37%	38%	37%
PER (x)	12.9	12.8	11.9	10.8
P/BV (x)	1.89	1.74	1.64	1.54

Source: Bursa Malaysia, M&A Securities

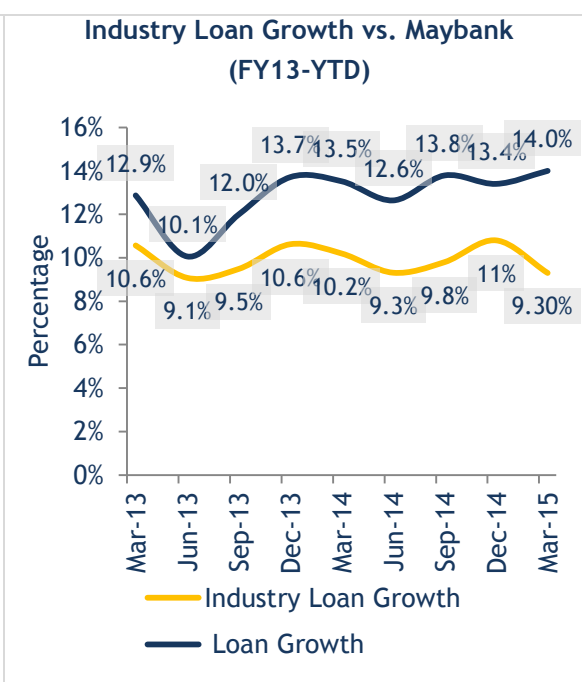
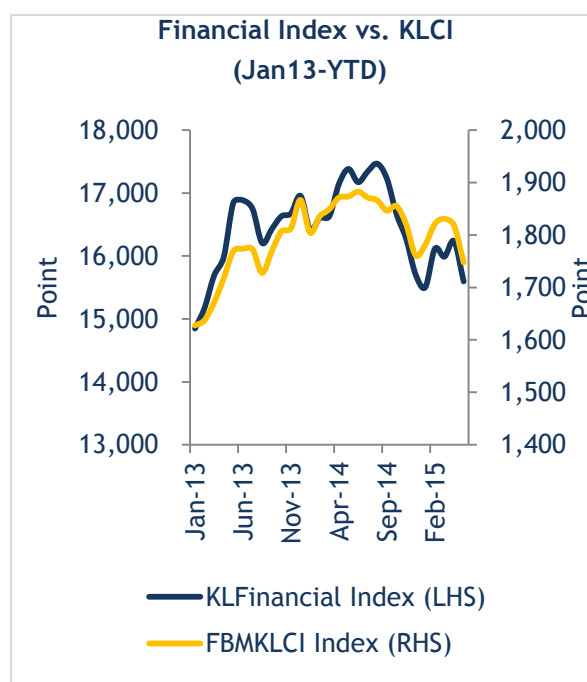
Table 4: Financial Ratios

	FY12	FY13	FY14	3M15
ASSET QUALITY				
Gross Impairment	1.8%	1.48	1.52	1.5
Allowance Coverage	106.0%	107.5%	106.35	93.5%
PROFITABILITY				
ROA	1.2%	1.1%	1.2%	1.2%
ROE	15.9%	15.1	15.9%	12.8%
Cost to income	51.0%	47.8%	50.4%	49.7%
LENDING AND DEPOSIT				
Loan Growth	12.2%	14.0%	13.4%	14.3%

Deposit Growth	10.3%	14.0%	11.1%	13.0%
Loan-to-Deposit Ratio	89.8%	89.9%	91.8%	92.2%
MARGIN				
Net interest margin	2.4%	2.33	2.20	2.26
CAPITAL STRENGTH				
CET 1	Nil	Nil	11.39%	11.15%
Total Capital	Nil	Nil	15.88%	15.35%



Source: Bloomberg, M&A Securities



Source: Bloomberg, M&A Securities

MBM Resources Berhad**“Gear Up Earnings Momentum”**

MBM Resources Berhad (MBMR) long-term outlook remains promising as it will continue to gain traction from its associate, Perodua, following the rolling-out of Perodua Axia (September 2014) and the new Myvi facelift (January 2015) which is expected to boost Perodua sales volume in 2015. Besides, the losses from OMI alloy wheel plant is expected to narrow down in 2015 thanks to steady new orders from car manufacturers. We value MBMR at RM4.17 and the stock is a BUY. The recent sell down by the broader market and also on auto players provides a good opportunity for the investors to make good returns following our attractive fair value on the stock.

2Q15 assessments. We estimates MBMR 2Q15 earnings from motor trading division will continue to register strong growth fuelled by robust Perodua’s sales. Note that Perodua’s vehicle sales growth of 21% y-o-y as at YTD April 2015 had outperformed the total industry TIV which contracted by 2% y-o-y. However, we foresee the earnings contribution from its FAHB dealership will continue to get softer in 1Q15 largely impacted by lack of new launches from Mitsubishi and Volkswagen.

2015 to be a smashing year for Perodua. We foresee 2015 to be a great year for Perodua due to the strong demand of Perodua Axia whose booking numbers have reached a respectable 100,000 units with 60,000 units have been delivered to customers by end of 1Q15. Interestingly, Perodua has launched the new Perodua Myvi facelift on 15 January 2015 with price range from RM41k-RM58k, potentially maintaining its strong grip in the A and B class segment. The new Perodua Myvi comes with six different choice of colours and available in six variants consisting of; i) 1.3 Standard G MT, ii) 1.3 Standard G AT, iii) 1.3 Premium X AT, iv) 1.5 SE MT, v) 1.5 SE AT and vi) 1.5 Advance AT. Hence, we remain optimistic that the two key models would drive Perodua to achieve its 2015 sales target of 208k units (+6% y-o-y).

BUY (TP: RM4.17)

Current Price (RM)	RM3.48
New Target Price (RM)	RM4.17
Previous Target Price (RM)	RM3.30
Previous Recommend.	BUY
Upside To Target Price	20%
Dividend Yield (FY15)	3%

Stock Code

Bloomberg	MBM MK
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Stock & Market Data

Listing	MAIN MARKET
Sector	Automotive
Shariah Compliance	Yes
Issued Shares (mn)	391
Market Cap (RM mn)	1,352
YTD Chg In Share Price	19%
Beta (x)	0.76
52-week Hi/Low (RM)	3.54 2.60
3M Average Volume (shrs)	0.71mn
Estimated Free Float	27%

Major Shareholders

Med-Bumikar Mara	50%
EPF	14%
AIA	4%

Note

DMSB: Daihatsu (Malaysia) Sdn Bhd
 DMMS: Daihatsu (Malaysia) Sales Sdn Bhd
 FAHB: Federal Auto Holdings Bhd

OMI alloy wheel plant. The management anticipate the losses from OMI’s alloy wheel plant to narrow down in FY15 (FY14 losses at RM25 million) supported by higher production driven by more orders from Perodua and Proton. MBM has allocated between RM16-RM17 million to ramp-up the plant capacity by another 250k units by 4Q15 to bring the total capacity to 750k units per annum where the alloy wheel production is expected to increase to approximately 33k units per month from its current of 13k units per month.

Cash for clunkers. Based on our channel checks, the ‘cash for clunkers’ scheme has been put on ‘hold’ by the government due to GST’s related issue but the scheme will not be cancelled. It is waiting for the right time to be implemented, sooner or later. We expect this to be a positive catalyst for the national car player such as Perodua and Proton to ramp-up their sales volume. The Malaysian Automotive Institute (MAI) projects 2015 TIV could reach 750k units, exceeding its initial 2015 forecast of 700k if the scheme being implemented in 2015.

1Q15 highlights. MBMR posted a core net profit of RM24 million (+4% y-o-y) in 1Q15, excluding one-off gain from property development, Menara MBM. MBMR gained immensely from its associates, Perodua (20%-stake) thanks to sturdy demand for Perodua Axia and the new Myvi facelift coupled with robust consumer buying sentiment in 1Q15 ahead of GST implementation. Note that Perodua’s vehicle sales stood at 57k units in 1Q15, accounting 27% of Perodua’s FY15 sales target of 208k units, essentially on track with their target. The group’s core PBT margin stood at 7% in 1Q15, higher than 1Q14 margin of 6%.

Valuation & recommendation. We value MBMR at RM4.17 based on 10x PER pegged to FY16 EPS of 43sen and the stock is a **BUY** powered by i) strengthening of the group’s auto part manufacturing division and ii) leveraging on higher vehicles sales of Perodua and steady sales from other stable notably Hino, Daihatsu, Mitsubishi, Volvo and VW.

Table 1: Peers Comparison (Calenderised)

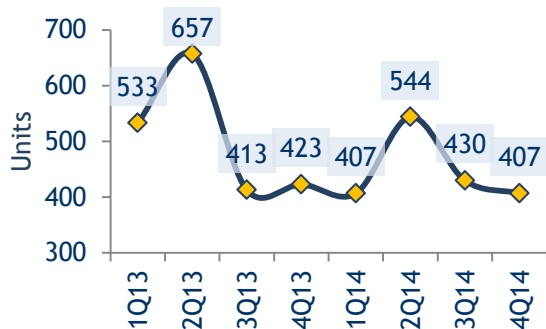
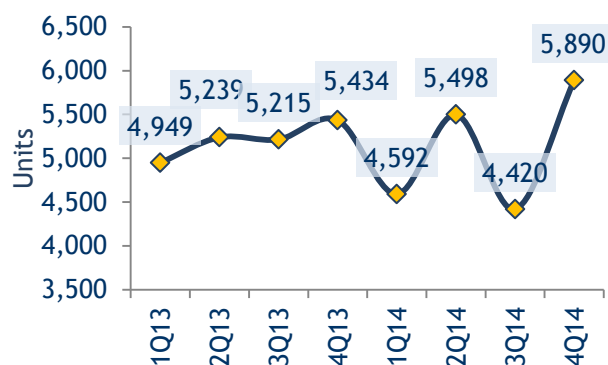
Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
UMW Holdings	Dec	10.14	77	84	14.1	13.0	1.8	1.7	10	4	10.77	Hold
Tan Chong	Dec	2.95	22	29	14.0	10.3	0.7	0.7	4	2	3.00	Hold
MBM Resources	Dec	3.48	37	41	9.3	8.3	0.8	0.8	8	2	4.17	Buy
Berjaya Auto	Apr	2.70	23	29	15.6	13.8	6.9	5.8	52	3	3.32	Buy
APM Automotive	Dec	4.78	53	56	9.7	9.2	1.0	1.0	10	4	NR	NR
Average					12.5	10.9	2.3	2.0				

Source: Bloomberg, M&A Securities

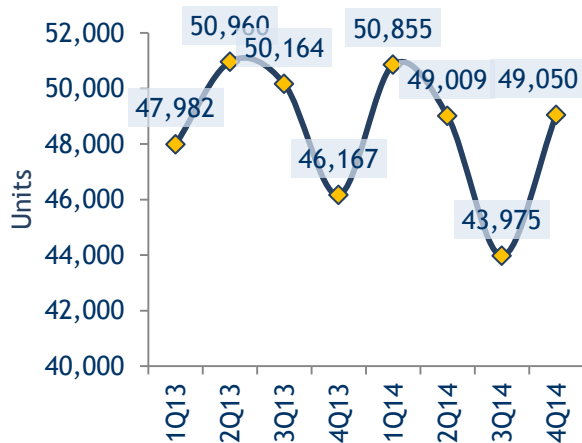
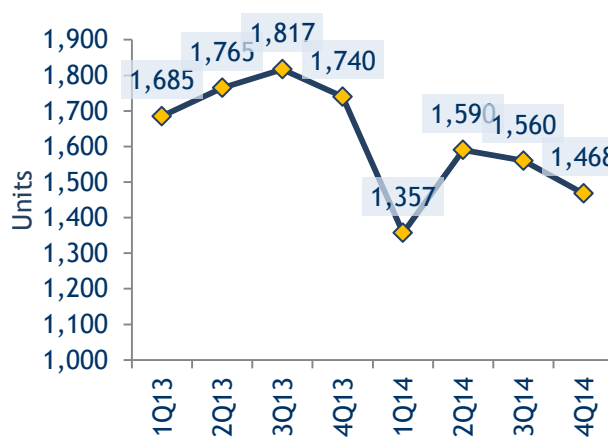
Table 2: Financial Forecast

YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	2,268	2,267	1,780	2,398	2,422
EBIT	92	70	121	72	85
Finance costs	(25)	(23)	(21)	-24	-24
Interest Income	5	9	1	7	7
Associates	125	140	125	168	170
PBT	197	196	132	223	237
Net profit	136	139	114	159	169
EPS (sen)	38	36	29	41	43
PBT margin	9%	9%	7%	9%	10%
Net profit margin	6%	6%	6%	7%	7%
PER (x)	8.3	8.3	8.3	8.5	8.0
P/BV (x)	0.9	0.9	0.8	0.8	0.8
DPS (sen)	6	6	6	8	9
Dividend yield	2%	2%	2%	2%	3%

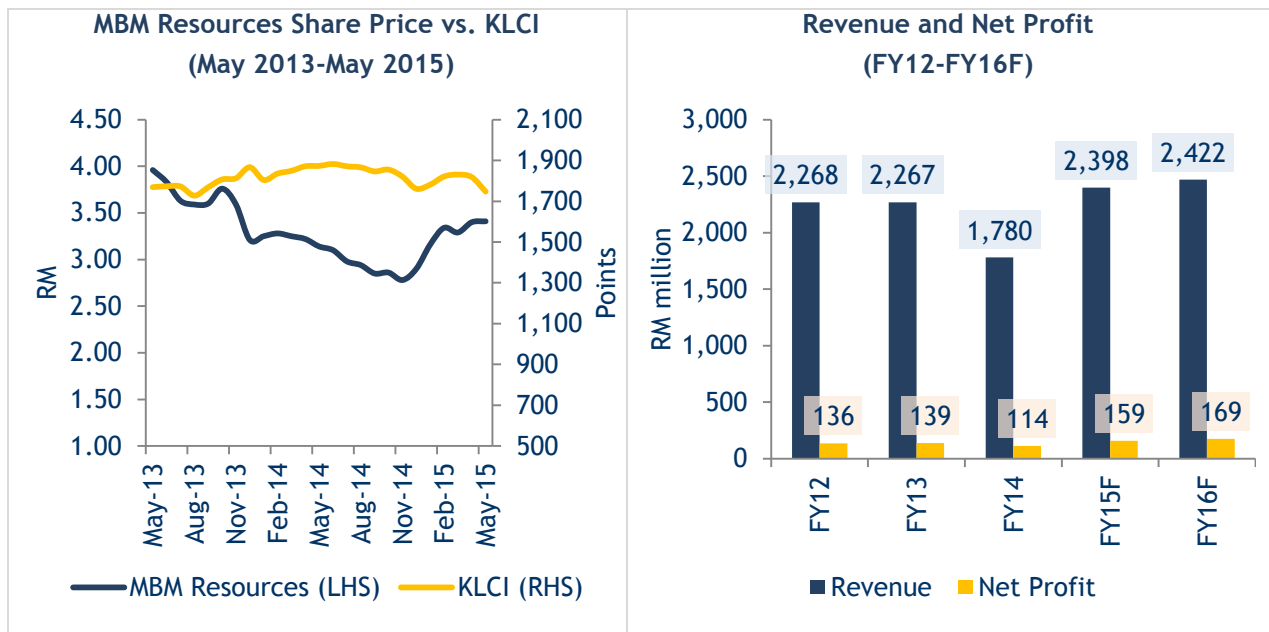
Source: Bursa Malaysia, M&A Securities

DMSB-Daihatsu/Hino Truck Sales
(1Q13-4Q14)DMMS-Perodua Sales
(1Q13-4Q14)

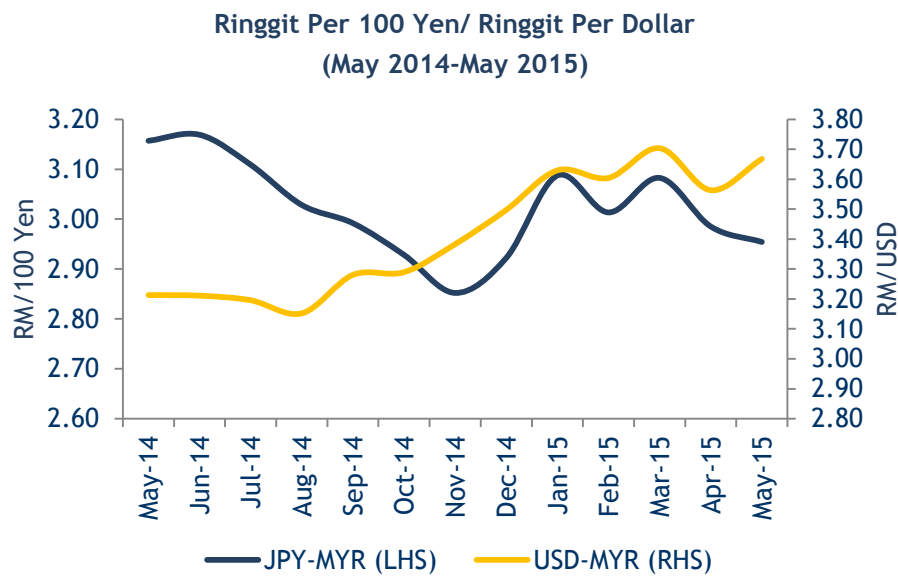
Source: MBMR, M&A Securities

Perodua (Associate) Sales
(1Q13-4Q14)Hino (Associate) Sales
(1Q13-4Q14)

Source: MBMR, M&A Securities



Source: Bloomberg, M&A Securities



Source: Bloomberg, M&A Securities

MMC Corporation Bhd

“Lean and Light”

We are positive on MMC Corporation Bhd’s (MMC) outlook, and advise investors to continue investing in MMC underpinned by 1) the potential listing of its ports segment; and 2) potential securing more construction and engineering contract from government. We value MMC at RM3.00 and the stock is a BUY.

New appearance. Pre-Malakoff deconsolidation from MMC, MMC business was anchored by energy segment which consist of power generation business. With the successful listing of Malakoff into Bursa Malaysia on 14th May 2015, MMC business segment is now left with 3 namely construction, airport and ports.

The priority? Post-Malakoff deconsolidation from MMC, we believe MMC will prioritize its construction segment over airport and ports due to massive RM5 billion orderbook on the back of contribution from 3 projects namely Langat Centralized Sewerage Treatment Plant (RM1.5 billion), Langat 2 Water Treatment Plant (RM994 million) and Pengerang coal generation power plant (RM300 million). MMC’s prominent track record in managing MRT1 has enabled the Group to secure similar role for MRT2 project with Gamuda. Additionally, MMC is eyeing the tunnelling portion of MRT2 given the group’s track record in managing several domestic and overseas projects that proved successful.

Port division will grow along. To cater its growing volume, Pelabuhan Tanjung Pelepas (PTP) has completed its second phase expansion plan in 2014 and hence, raising its annual handling capacity by 25% to 10.5 million TEUs. The expansion plan includes increasing number of berths - two new berths and three blocks of container yards as well as purchase of new cranes for electrifying existing rubber-tyred gantries crane (E-RTGS). Moving

BUY (TP:RM3.00)

Current Price (RM)	RM2.51
New Fair Value (RM)	RM3.00
Previous Fair Value (RM)	RM3.00
Previous Recommend.	BUY
Upside To Fair Value	19%
Dividend Yield (FY15)	-

Stock Code

Bloomberg	MMC MK
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Stock & Market Data

Listing	MAIN MARKET	
Sector	Diversified	
Shariah Compliance	Yes	
Issued Shares (mn)	3,045.1	
Market Cap (RM mn)	7,612	
YTD Chg In Share Price	4.61%	
Beta (x)	1.06	
52-week Hi/Lo (RM)	RM2.87	RM2.16
3M Average Volume (shrs)	1,001	
Estimated Free Float	22%	

Major Shareholders

Seaport Terminal	51.7%
ASB	20.3%
Tabung Haji	6.0%

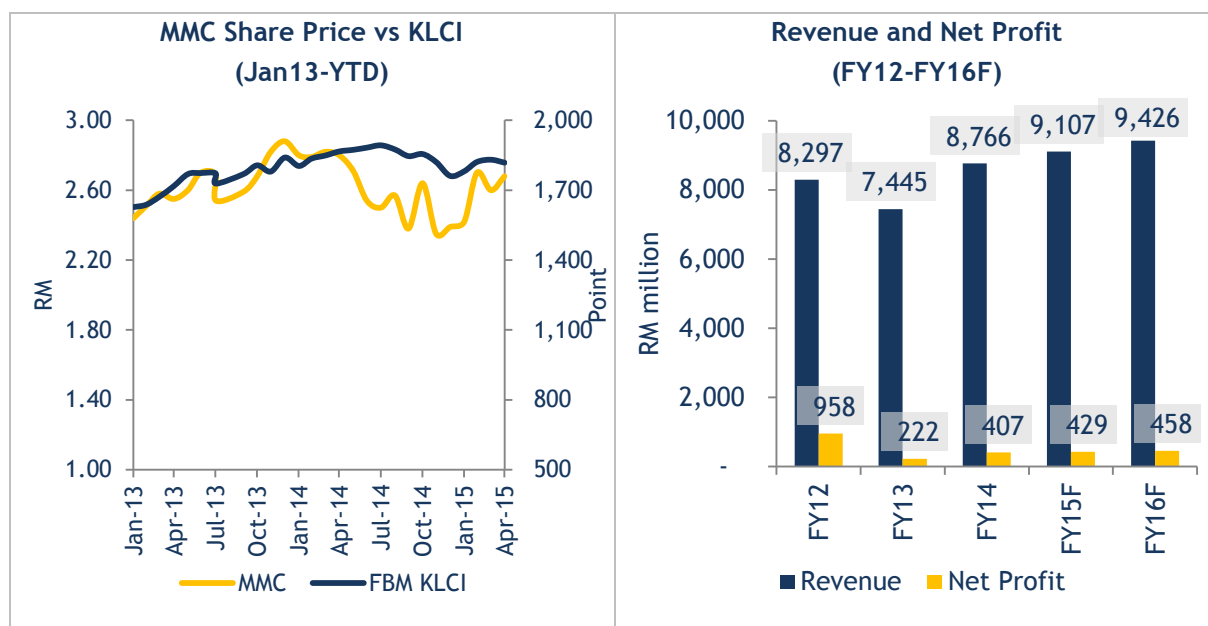
forward, PTP is looking to increase in annual handling capacity to 12.5 million TEUs in third phase expansion plan that will be running until 2019 to accommodate additional volumes projection.

Possibility to list ports? Recently, management reignites its stance to list its port business that consist of Pelabuhan Tanjung Pelepas, Northport and Southport in Port Klang, stating that a study is currently being conducted to assess the value of these assets so as to unlock its value.

Outlook. Post-Malakoff IPO, MMC balance sheet will be light due to Malakoff deconsolidation and hence, will show the true colours of MMC potential with the reduction of gearing level. MMC is expected to leverage on its domestic construction experience to tender for more jobs given the government plan to step-up infrastructure spending. Hence, after the listing of Malakoff, we are positive that MMC will concentrate to grow its engineering division through KVMRT project which has entered its second year.

Earnings outlook. FY15 and FY16 earnings are projected to grow by 1.3% y-o-y and 14% y-o-y driven by i) steady contribution from KVMRT project; and ii) higher contribution from PTP due to expanding capacity.

Valuation and recommendation. We maintain our TP of RM3.00 on MMC and hence, reiterate our **BUY** call with 19% upside potential. At RM3.00, MMC is trading at PER of 17.5x, a 18% discount from its 3-year average PER of 20.8x. Re-rating catalyst on MMC could emanate from 1) listing of port segment; and 2) securing more construction and engineering contract from government.



Source: Bursa Malaysia. M&A Securities

Table 1: Peers Comparison

Company	Y/E Ended	Price (RM)	EPS (RM)		P/E (x)		P/B (x)		ROE (%)	TP	Call
			FY15	FY16	FY15	FY16	FY16	FY16			
MMC Corp	Dec	2.51	0.1	0.2	18.9	16.1	1.0	0.9	3.2	3.00	Buy
TNB	Aug	12.64	1.2	1.2	12.7	12.2	1.8	1.6	14.1	15.20	Buy
Gas Malaysia	Dec	2.51	0.1	0.1	25.0	20.6	3.3	3.2	17.0	2.89	Hold
Petronas Gas	Dec	21.26	0.9	0.9	25.0	24.3	4.0	3.7	21.4	23.20	Hold
Petronas Chemical	Dec	6.32	0.3	0.4	15.1	13.4	1.7	1.6	15.0	5.80	Hold
Malakoff	Dec	1.75	NA	NA	NA	NA	NA	NA	8.68	2.30	Buy
YTL Power	Dec	1.60	0.1	0.1	11.2	11.8	1.1	1.0	12.1	NA	NA
Average					19.4	17.3	2.3	2.2			

Source: Bursa Malaysia. M&A Securities

Table 2: Financial Summary

YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	8,297	7,445	8,766	9,107	9,426
Cost of Sales	(5,859)	(5,302)	(6,006)	(6,156)	(6,372)
Gross Profit	2,438	2,144	2,759	2,951	3,054
Other income	1,350	305	389	424	435
Expenses	(742)	(770)	(770)	(794)	(770)
Associates/jointly controlled entity	246	193	180	240	300
PBT	1,809	261	886	1,159	1,239
PAT	1,546	450	804	877	929
Minorities	588	222	407	429	458
Core PAT	958	230	383	393	402
EPS (Sen)	30.3	13.4	13	14	15
PBT Margin	21.8%	3.5%	10.1%	12.7%	13.1%
PAT Margin	18.6%	6.0%	9.2%	8.9%	9.9%
PER (x)	83	9	38	21	21
P/BV (x)	1.4	1.1	1.17	1.12	1.07

Source: Bursa Malaysia. M&A Securities

Public Bank Berhad

“Proves to be Bellwether”

We recommend investors to accumulate Public Bank Bhd (PBB) given its (1) above average ROE in banking industry; (2) dominance in domestic household loans; and (3) impressive asset quality and cost control. We value PBB at RM21.70 based on 3-year average P/BV of 3.5x and the stock is a BUY.

Rate of NIM compression expected to ease. The compression in NIM is not expected to be severe as compared to others banks as management only guiding 8-10bps compression in FY15. In 1Q15, NIM already shed by 5 bps and there is minimum room for NIM to compress in bigger note given the near completion of substitution of the mortgage book with newer loans. However, the pressures from cost of funds still persist especially in retail deposit which may dampen NIM.

Liquidity position improves. Deposit growth was strong with group deposits upped by 3.5% y-o-y in 1Q15. PBB was particularly aggressive in promotional activities in 1Q15, with higher deposit rates offering. As a result, fixed and savings deposits jumped to an annualized 14.5% and 8.1% respectively, compensating for a moderation in the current account deposit growth at an annualized rate of 2.2%.

Unperturbed market share. Despite rising competitions and tepid consumer sentiments, PBB managed to maintain leadership in the residential property or at 19.3% market share in 1Q15, commercial property at 33.8% market share in 1Q15, and hire purchase at 28.4%. It should continue to maintain its market share given its strategy to focus on domestic market vs. several peers to compete in international market. However, we are of the view the slowdown in property market may bite PBB market share as consumer will be more selective in picking loan selection.

Above industry gross loans. Loans growth in FY15 is targeted at 9-10%, premised on 12.1% growth in domestic gross loans. We foresee the 12.1% y-o-y loans growth target

BUY (Target Price: RM21.70)

Current Price (RM)	RM18.72
New Fair Value (RM)	RM21.70
Previous Fair Value (RM)	RM20.60
Previous Recommend.	BUY
Upside To Fair Value	16%
Dividend Yield (FY15F)	2.8%

Stock Code

Bloomberg	PBK MK
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Stock & Market Data

Listing	MAIN MARKET	
Sector	Finance	
Shariah Compliance	No	
Issued Shares (mn)	3,861.5	
Market Cap (RM mn)	72,982	
YTD Chg In Share Price	3.28%	
Beta (x)	0.9	
52-week Hi/Low (RM)	RM20.36	RM17.40
3M Average Volume (shrs)	4.650mn	
Estimated Free Float	52.7%	

Major Shareholders

Teh Holdings	21.7%
EPF	15.2%
Sekuriti Pejal	5.4%

for domestic market is within reach given PBB's leadership status in retail segment as well as its increasing focus on SME and macro enterprise segment.

Brilliant start to the year. PBB began strongly with 1Q15 net profit rising by 15.2% y-o-y. The good showing was partly attributable to a commendable increment in net interest income (NII) to RM1.53 billion (+9.4% y-o-y), as well as commendable 15.7% y-o-y gain in non-interest income (NOII) to RM526.6 million on higher contribution from the Group's unit trust business, bancassurance, banking services and investment income. Islamic banking income (IBI), on the other hand, continued to disappoint, slipping by 0.6% y-o-y to RM204.4 million. The overall net result was a solid 9.8% increment in total income to RM2.27b.

Outlook. Stay invested in PBB in order to capitalize on its leading position in domestic retail segment loans and impressive cost containment strategy as well as massive ROE to investors. Additionally, PPB aspirations to grow its NOII contribution is likely to be met this year, judging from PBB's 1Q15 annualized premium equivalent (APE) that poised to hit new high in FY15. We predict PBB will be able to safely pass through the sluggish banking environment in FY15 thanks to its sound risk management and selective loans portfolio.

Earnings outlook. We have done some housekeeping exercise and came out with new FY15 and FY16 earnings forecast. In that, we have cut our earning assumption by 5% in FY15, but we raised our forecast by 3.7% in FY16. Given this, FY15's earnings are expected to drop marginally by 1% y-o-y and to grow by 9% y-o-y in FY16 driven by 1) dominance in domestic loans; 2) initiatives to rebalance loans book; and 3) prudent asset quality management.

Valuation & recommendation. We maintain our **BUY** call on PBB, but we upgrade our TP to RM21.70 from RM20.60 pegged at 3-year average P/BV of 3.1x and FY16 BV of 7x. Re-rating catalyst for PBB could emanate from 1) tie partnership to boost bancassurance products; 2) listing of unit trust division; and 3) swift succession planning.

Table 1: Peers Comparison

Company	Year Ended	Price (RM)	EPS (RM)		P/E (x)		P/B (X)		ROE (%)	Div Yield (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
AFG	March	4.39	0.4	0.4	12.7	12.0	1.7	1.6	14.3	1.9	5.05	Buy
AMMB	March	6.03	0.6	0.6	11.0	11.0	1.4	1.3	14.1	4.5	6.80	Buy
BIMB	Dec	4.04	0.3	0.4	11.7	11.3	1.8	2.0	16.0	5.8	4.84	Buy
CIMB	Dec	5.47	0.5	0.6	12.1	10.4	1.3	1.5	9.2	3.5	6.10	Buy
Maybank	Dec	9.14	0.7	0.8	12.6	11.9	1.5	1.5	13.6	6.2	10.70	Buy
RHB Cap	Dec	7.37	0.8	0.9	9.7	9.1	1.1	1.1	11.5	1.3	8.35	Buy
Public Bank	Dec	18.72	1.2	1.3	15.3	14.2	2.6	2.8	18.7	2.9	22.30	Buy
Affin	Dec	2.70	0.3	0.3	9.0	8.5	0.7	0.7	7.8	5.1	NR	NR
MBSB	Dec	1.69	0.2	0.3	9.1	8.4	1.2	1.1	29.6	2.3	NR	NR
STMB	Dec	3.91	NA	NA	NA	NA	NA	NA	24.3	6.6	NR	NR
HL Bank	June	13.40	1.2	1.3	12.0	11.2	1.6	1.5	14.7	2.9	NR	NR
Average					11.5	10.8	1.5	1.5				

Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

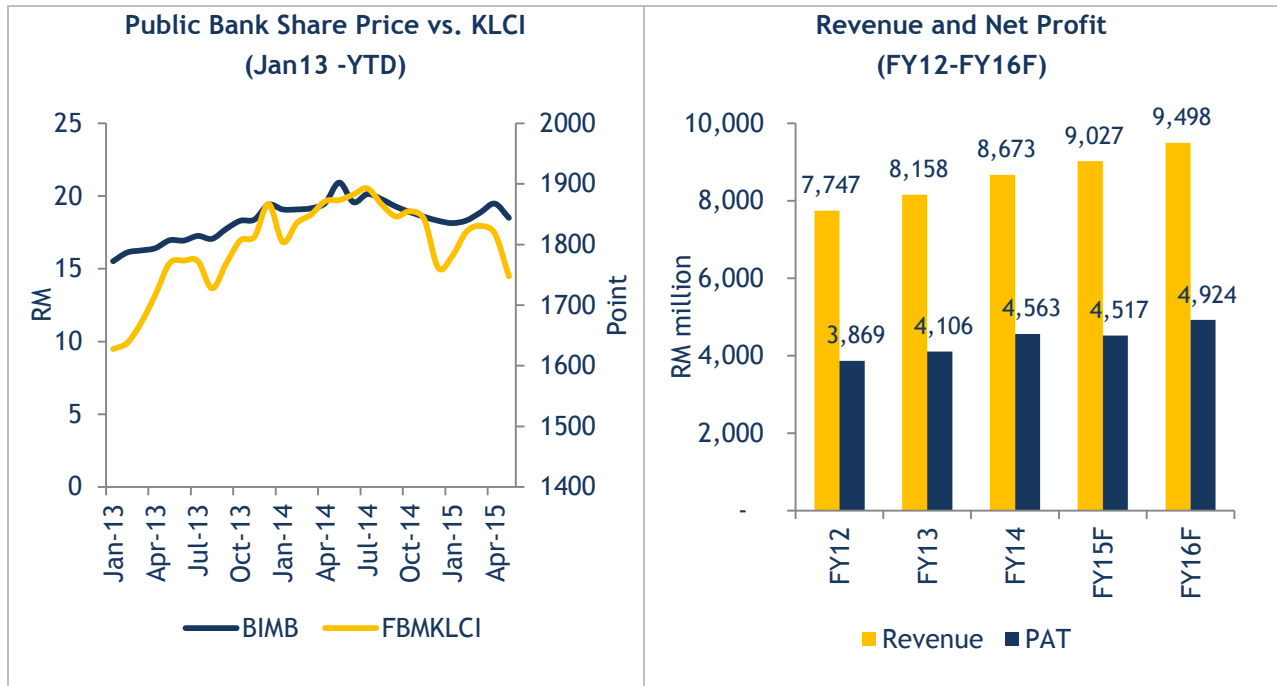
YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Gross Interest income	10,404	11,366	12,636	13,315	14,100
Interest expense	(5,150)	(5,796)	(6,706)	(7,169)	(7,621)
Net interest income	5,255	5,571	5,930	6,147	6,480
Islamic banking income	844	837	831	856	882
Fee and commission income	1,165	1,275	1,382	1,451	1,545
Net gains and losses on financial instrument	170	167	197	227	235
Other income	313	308	333	347	357
Net income	7,747	8,158	8,673	9,027	9,498
Operating expenses	(2,418)	(2,504)	(2,606)	(2,683)	(2,759)
Pre-provision income	5,329	5,655	6,067	6,344	6,739
Allowance loan loss	(279)	(351)	(259)	(328)	(179)
Writeback of impairment	(7)	0	1	1	1
Operating profit	5,043	5,304	5,809	6,017	6,561
Associate	4	6	5	5	5
PBT	5,047	5,310	5,814	6,022	6,566
Taxation	(1,178)	(1,204)	(1,251)	(1,506)	(1,641)
PAT	3,869	4,106	4,563.34	4,517	4,924
No of Share	3,502	3,502	3,862	3,862	3,862
EPS (sen)	109.3	116.1	123.7	117.0	127.5
Dividend - sen	50	52	54	53	57
Dividend payment (RMm)	1751	1821	2085	2032	2216
Dividend payout (%)	45%	44%	46%	45%	45%
Retained Earnings	2118	2285	2478	2484	2708
PER (x)	12.3	14.4	16.2	14.8	14.7
BV	3.59	4.25	5.71	6.34	7.02
P/BV	4.40	4.42	3.20	2.97	2.68

Source: Bursa Malaysia, M&A Securities

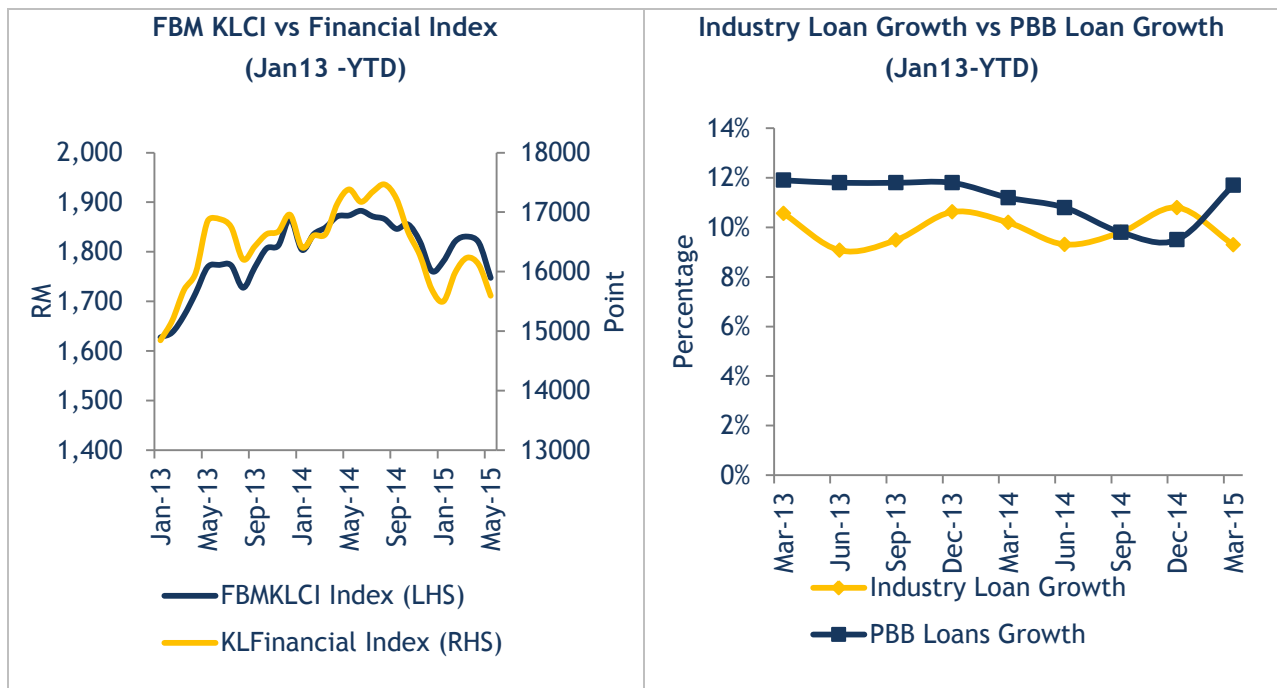
Table 3: Operational Ratio

YE: Dec (RM million)	FY12	FY13	FY14	1Q15
Asset Quality				
Gross Impairment (%)	0.7	0.7	0.6	0.6
Allowance/loan loss Coverage (%)	126	118.5	122.4	128
Profitability				
ROA (%)	1.9	1.8	1.8	1.5
ROE (%)	22.9	22.4	19.9	17.1
Cost to income (%)	31.2	30.7	30	30
Lending and Deposit				
Loan Growth (%)	13.5	11.8	10.8%	11.7
Deposit Growth (%)	12.3	11.6	10.2%	10.2
Loan-to-Deposit Ratio (%)	87.89	87.5	88	88
Capital Strength				
CET1	-	8.8	10.8	10.5%
Tier 1	10.8	10.5	12.2	11.7%
Total Capital	14.1	13.8	15.8	15.2%

Source: Bursa Malaysia, M&A Securities



Source: Bloomberg, M&A Securities



Source: Bloomberg, M&A Securities

SapuraKencana Petroleum Berhad

“Solid Fundamental to Energise the Growth”

SapuraKencana Petroleum Berhad (SapuraKencana) outlook is crystal clear, supported by steady contract wins which lifted its order book to reach approximately RM24.5 billion currently. The group is set to carve a new future which is not only exciting but also challenging due to the weakness in global crude oil price. The group has returned to the Securities Commission’s (SC) Syariah list in May 2015 review. We value SapuraKencana at RM2.95 and the stock is a BUY.

Solid orderbook as a shield. We remain positive on the long-term outlook of SapuraKencana under the leadership of Tan Sri Shahril Samsuddin despite facing downside risk of challenging oil and gas period including Petronas’ decision to cut capex by 15% in 2015. The management guided that the group’s current orderbook is still intact at RM24.5 billion as at May 2015 (2.5x of FY15 revenue) with 26% (RM6.4 billion) and 21% (RM5.1 billion) would be burned-out in FY16 and FY17 respectively. Geographical wise, the orderbook breakdown is comprise of 51% (RM12.5 billion) from South America, 31% (RM7.6 billion) from Malaysia, 12% (RM2.9 billion) from other SEA countries and the rest are from Australia, Africa as well as North America. Moreover, the management also guided that the size of their tender book is shoulder-to-shoulder with the current order book value. Note that the group has successfully secured new ‘bundle of contract wins’ in 2015 worth approximately RM968 million from Mexico, Indonesia, Vietnam and India.

Mexico award. SapuraKencana Mexicana S.A.P.I. de C.V. has secured the installation of structures and superstructures of fixed marine platforms, pipe laying and lifting of major power generation equipment, utilising the DP3 heavy-lift and pipelay vessel SapuraKencana 3500 in Gulf of Mexico by Pemex Exploración y Producción. The contract is worth between USD41.2 million (RM148.3 million) and USD98.1 million (RM353.2 million).

BUY (TP: RM2.95)

Current Price (RM)	RM2.36
New Target Price (RM)	RM2.95
Previous Target Price (RM)	RM3.22
Previous Recommend.	BUY
Upside To Target Price	21%
Dividend Yield (FY16)	1%

Stock Code

Bloomberg	SAKP MK
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Stock & Market Data

Listing	MAIN MARKET
Sector	Oil and Gas
Shariah Compliance	Yes
Issued Shares (mn)	5,992
Market Cap (RM mn)	14,621
YTD Chg In Share Price	5%
Beta (x)	1.83
52-week Hi/Low (RM)	4.44 2.02
3M Average Volume (shrs)	10.69mn
Estimated Free Float	19%

Major Shareholders

Sapura Holdings	17%
STSB	16%
EPF	15%
Khasera Baru	9%

Note

OCSS - Offshore Construction & Subsea Services
DES - Drilling and Energy Services
Fab & HUC - Fabrication, Hook-up Commissioning & Offshore Vessel Support
E&C - Engineering and Construction

Indonesia award. SapuraKencana TL Offshore Sdn Bhd (SKTLO) in consortium with PT Encona Inti Industri of Indonesia, (TL Offshore-Encona Consortium) has been awarded with the contract for the work of offshore and onshore pipeline installation for the construction of 14” x 200km - Kalija 1 Natural Gas Transmission Pipeline of Kepodang (Tambak Lorok Segment) by PT PGAS Solution. The work will be performed in the Muriah PSC, Central Java, Indonesia. The contract value is USD97.5 million (RM351.0 million).

Vietnam and India award. SKTLO has been awarded a contract for the provision of services for the Installation of i) nearshore, offshore pipeline and facilities ii) wellhead facilities for Thai Binh - Ham Rong project in Offshore Vietnam by PTSC Offshore Services Joint Stock Company. SKTLO also secured a contract for the provision of transport and installation services for the PB Gas Lift Riser Replacement project at Panna Offshore Field, offshore north-west of Mumbai, India by BG Exploration and Production India Limited. The total value of the awards in Vietnam and India is USD73.5 million (RM264.6 million).

PSC awards in Sabah. SapuraKencana has entered into two Production Sharing Contracts (PSCs) for Blocks SB 331 and SB 332 with Petronas on 20 November 2014 for period of twenty seven years. SapuraKencana (participating interest of 70%) will partner with Petronas and M3nergy Bhd. Blocks SB 331 and SB 332 is situated in the eastern and southern part of Sabah covering about 31,047 square kilometres. The Parties under PSC are committed to drill two wildcat wells and acquire 500 line km of new 2D seismic data in Block SB331 and to drill one wildcat well and acquire 100 line km of new 2D seismic data in Block SB332.

Asset expansion in Vietnam. SapuraKencana announced its wholly owned subsidiaries; SapuraKencana Energy Vietnam (Cuu Long) Inc., SapuraKencana Energy Vietnam (Nam Con Son) Inc. and SapuraKencana Energy Vietnam (Cai Nuoc) Inc. have entered into three conditional sale and purchase agreements (SPA) in November 2014 to acquire interest in Petronas Carigali Overseas’ and PC Vietnam’s assets in Vietnam for USD400 million (RM1.3 billion). The three field consist of; i) Blocks 01/97 and 02/97 (50% interest), ii) Blocks 10 and 11.1 (40% interest) and Block 46-Cai Nuoc (36.8% interest).

Officially return to Syariah list. Finally, SapuraKencana is now back into the Securities Commission’s (SC) Syariah-Compliance list in May 2015 review after being removed from the list in November 2014 review. To recap, SapuraKencana has signed a USD2.3 billion or RM8.2 billion equivalent Islamic facility agreements in January 2015 with 11 local, regional and international banks to refinance and convert its conventional borrowings. Post-conversion, the group’s total conventional borrowings over total assets has now shrunk to 29% from 49% and hence, meeting SC’s Syariah requirement of below 33% threshold.

1Q16 results within our expectation. SapuraKencana 1Q16 core net profit came of RM261 million, slightly in line with ours and consensus estimates respectively, accounting 20% and 24% of ours and consensus full year net profit forecast, thanks to higher PBT contribution from drilling segment (+27% y-o-y) on the commencement of contract for new deliveries that offset fragile contribution from E&C (-18% y-o-y) and energy segment (-70% y-o-y). Revenue wise, despite the improvement recorded by

drilling segment (+19% y-o-y), SapuraKencana 1Q16 revenue dropped to RM2.3 billion (-8% y-o-y) mainly due to lower contribution from energy segment which fell by 44% y-o-y to RM416 million impacted by lower average price per barrel coupled with the decline of oil reserves in the production Sharing Contract (PSC). E&C segment also recorded a weaker revenue of RM1.1 billion (-4% y-o-y) due to lower scope of works for the existing contract in tandem with clients' planned activities.

Valuation & recommendation. SapuraKencana is valued at at RM2.95 based on 15x PER (30% discount to last 3-years average low PER) pegged to FY17 EPS of 20sen and we reiterate our **BUY** call underpinned by i) solid orderbook of approximately RM24.5 billion, which one of the largest in our oil and gas space and ii) healthy contribution from Brazil's operation.

Table 1: Peers Comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
SapuraKencana	Jan	2.36	20	21	13.7	12.7	1.2	1.1	13	1	2.95	Buy
Wah Seong	Dec	1.38	14	15	9.2	8.6	0.8	0.8	12	4	1.38	Hold
Bumi Armada	Dec	1.14	8	10	15.7	11.7	1.0	1.0	4	2	1.32	Hold
Dialog Group	Jun	1.59	5	5	34.3	31.0	4.8	4.6	15	1	1.70	Hold
Alam Maritim	Dec	0.54	7	7	9.5	9.4	0.7	0.7	9	NA	0.56	Sell
MMHE	Dec	1.21	8	8	15.1	15.4	0.7	0.7	8	NA	1.33	Hold
PetDag	Dec	20.66	71	79	30.1	27.0	4.0	3.9	11	2	18.90	Sell
Dayang	Dec	2.25	24	28	10.8	9.3	2.4	2.1	22	3	2.64	Hold
UMW-OG	Dec	1.71	15	17	14.8	13.3	1.4	1.2	8	0.5	2.21	Hold
Perisai	Dec	0.45	6	9	10.0	5.9	0.6	0.5	1	NA	NR	NR
Perdana Petroleum	Dec	1.52	12	15	11.4	9.3	1.3	1.1	14	1	NR	NR
TH Heavy	Dec	0.22	3	4	12.1	9.0	0.8	0.7	(20)	NA	NR	NR
Petra Energy	Dec	1.19	15	16	9.3	9.0	0.8	0.8	7	1	NR	NR
Deleum	Dec	1.40	16	18	10.1	9.2	2.0	1.7	23	5	NR	NR
Uzma	Dec	2.35	21	23	11.3	10.0	1.6	1.2	19	2	NR	NR
KNM	Dec	0.62	7	8	8.9	7.8	0.5	0.4	2	NA	NR	NR
Average					14.1	12.4	1.5	1.4				

Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

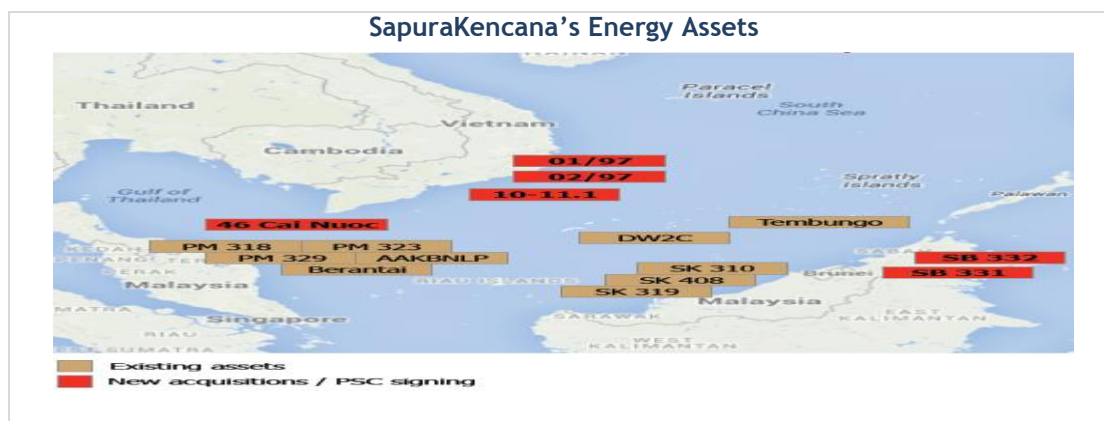
YE: Jan (RM million)	FY13	FY14	FY15	FY16F	FY17F
Revenue	6,912	8,379	9,943	9,545	9,736
EBIT	922	1,846	3,107	1,527	1,655
Net interest	(227)	(444)	(651)	(620)	(633)
Pre-tax profit	830	1,208	1,616	1,289	1,509
Taxation	(166)	(84)	(183)	(283)	(332)
Net Profit	525	1,087	1,433	1,005	1,177
EPS (sen)	10	19	24	17	20
EBIT Margin	13%	22%	31%	16%	17%
Pre-tax margin	12%	14%	16%	14%	16%
PER (x)	27.9	22.7	11.2	14.4	12.3
P/BV (x)	2.3	1.4	1.2	1.2	1.1
DPS (sen)	NA	NA	4	3	3
Dividend Yield	NA	NA	2%	1%	1%

Source: Bursa Malaysia, M&A Securities

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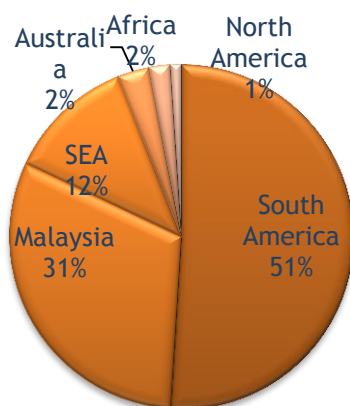
Source: SapuraKencana

Table 3: SapuraKencana's Energy Asset

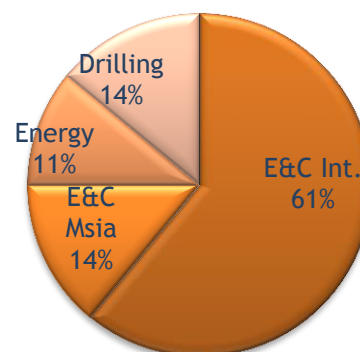
Field	Stage
<u>Vietnam</u>	
01/97 & 02/97	Production
46 Cai Nuoc	Production
10-11.1	Exploration
<u>Malaysia</u>	
PM 323	Production
PM 329	Production
PM 318	Production
AAKBNLP	Production
Berantai RSC	Production
SK 310	Development
SK 408	Exploration & Development
SK 319	Exploration
DW2C	Exploration
Tembungo	Alliance
SB 331	Exploration (New PSC)
SB 332	Exploration (New PSC)

Source: SapuraKencana

Orderbook RM24.5 bil as at May 2015
(Geographical Breakdown)

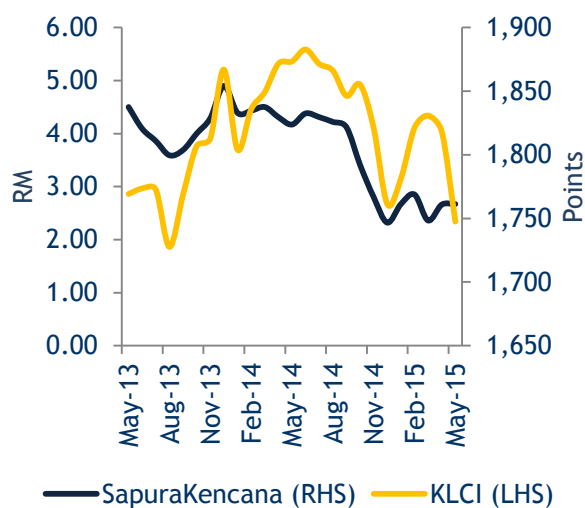


Orderbook RM24.5 bil as at May 2015
(Divisional Breakdown)



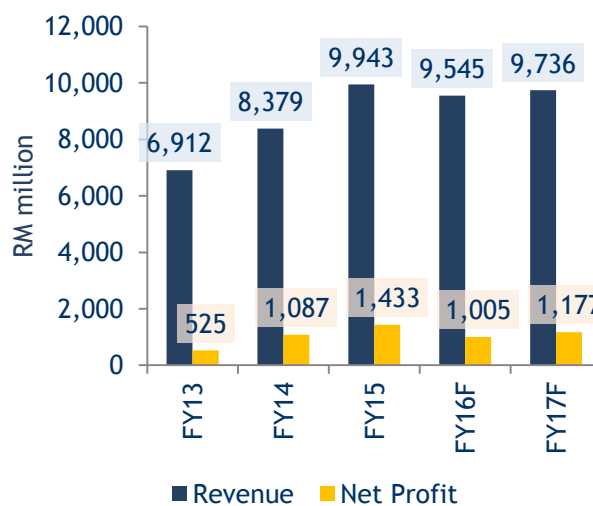
Source: SapuraKencana, M&A Securities

SapuraKencana Share Price vs. KLCI
(May 2013-May 2015)



Source: Bloomberg, M&A Securities

Revenue and Net Profit
(FY13-FY17F)



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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