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Wednesday, June 24, 2015

Report of The Day

Result Review: Gamuda 3Q15, – “Front Runner for PTMP”

Company Update: Gamuda – “Bidding to Develop Singapore’s Land”

Company Update: Tenaga – “It’s in TNB Hands”

At a Glance

FBM KLCI shed 5.90 points to finish at 1,726.86 due to lack of catalyst in the market.....(See full report next page)

Strategy

“Hopes over Greece”

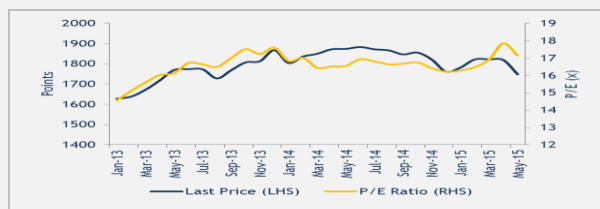
We don’t expect much fireworks in the local market today.....(See full report next page)

Corporate Highlights

- **Gamuda, BUY (TP: RM5.87):** Q3 net profit down 9.8% to RM160mil
- **Tan Chong, HOLD (TP: RM3.00):** ETCM to notify customers to replace airbag inflator module
- **TNB, BUY (TP: RM15.20):** Plans RM10b Sukuk after power plant buy

Economic Update

- **Malaysia:** To benefit from China’s maritime Silk Road
- **Singapore:** May core CPI hits 5-year low, opens door to easier policy
- **China:** June factory activity contracts slightly



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
EU	22-Jun	10:00 PM	Consumer Confidence	-	-5.5
US	22-Jun	10:00 PM	Existing Home Sales	5.25M	5.04M
US	22-Jun	10:00 PM	Existing Home Sales MoM	4.2%	-3.3%
MY	22-Jun	-	Foreign Reserves	-	\$106.4B
EU	23-Jun	4:00 PM	Markit Eurozone Manufacturing PMI	-	52.2
EU	23-Jun	4:00 PM	Markit Eurozone Services PMI	-	53.8
EU	23-Jun	4:00 PM	Markit Eurozone Composite PMI	-	53.6
US	23-Jun	8:30 PM	Durable Goods Orders	-0.5%	-0.5%
US	23-Jun	8:30 PM	Durable Ex Transportation	0.8%	0.5%
US	23-Jun	9:45 PM	Markit US Manufacturing PMI	-	54.0
US	23-Jun	10:00 PM	New Home Sales	515K	517K
US	23-Jun	10:00 PM	New Home Sales MoM	-0.4%	6.8%
CN	23-Jun	9:45 AM	Markit China PMI Mfg	49.4	49.2
JP	23-Jun	9:35 AM	Markit Japan PMI Mfg	-	50.9
US	24-Jun	7:00 PM	MBA Mortgage Application	-	-5.5%
US	24-Jun	8:30 PM	GDP Annualized QoQ	-0.3%	-0.7%
US	24-Jun	8:30 PM	Personal Consumption	-	1.8%
US	24-Jun	8:30 PM	Core PCE QoQ	-	0.8%
JP	24-Jun	1:00 PM	Small Business Confidence	-	48.1
US	25-Jun	8:30 PM	Initial Jobless Claims	-	-
US	25-Jun	9:45 PM	Markit US Composite PMI	-	56.0
US	25-Jun	9:45 PM	Markit US Service PMI	-	56.2
US	25-Jun	11:00 PM	Kansas City Fed Manf. Activity	-	-13
EU	26-Jun	4:00 PM	M3 Money Supply YoY	-	5.3%
EU	26-Jun	4:00 PM	M3 3-month average	-	4.7%
JP	26-Jun	7:30 AM	Natl CPI YoY	-	0.6%
JP	26-Jun	7:30 AM	Natl CPI Ex Fresh Food YoY	-	0.3%
JP	26-Jun	7:30 AM	Natl CPI Ex Food, Energy YoY	-	0.4%

Research Team

research@mna.com.my

03-22877228/03-22825373

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBM KLCI	1,726.86	-5.90	-0.34
FBMEMAS	11,945.53	-33.52	-0.28
FBMEMAS SHA	12,434.23	-24.03	-0.19
FBM100	11,628.41	-39.21	-0.34
Volume (mn)	1,732.20	191.84	12.45
Value (RMmn)	1,680.08	-140.53	-7.72
FBM KLCI YTD Chg			-1.95

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	20.3	-2.1
Local Institution	59.1	175.5
Foreign Investors	20.6	-173.4

Top Gainers

	Close	Change+/-	(+/- %)
NESTLE (MALAY)	71.88	0.68	0.96
ENRA GROUP BHD	2.78	0.47	20.35
CARLSBERG BREW	12.64	0.40	3.27

Top Losers

	Close	Change+/-	(+/- %)
KLK	21.34	-0.40	-1.84
PPB GROUP BERH	15.00	-0.22	-1.45
DKSH HOLDINGS	5.02	-0.18	-3.46

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,144.07	24.29	0.13
NASDAQ	5,160.10	6.12	0.12
S&P 500	2,124.20	1.35	0.06
FTSE 100	6,834.87	9.20	0.13
DAX	11,542.54	82.04	0.72
Nikkei 225	20,809.42	381.23	1.87
HSI	27,333.46	252.61	0.93
KOSPI	2,081.20	26.04	1.27
STI	3,339.78	24.65	0.74
KLCI Futures	1,713.50	(13.50)	(0.01)
USDMYR 3M	10.04	0.05	0.00
USDMYR 6M	10.04	0.03	0.00
USDMYR 12M	10.12	0.02	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	61	0.1	0.2%
Brent (USD/bbl)	64.5	1.1	1.8%
Gold(USD/ounce)	1,178	-0.4	0.0%
Coal (USD/mt)	60.2	0.0	0.0%
CPO (RM/mt)	2,221	1.0	0.0%
Rubber	182	-0.2	-0.1%
RM/USD	3.74	0.0067	-0.18%
EUR/USD	0.90	-0.0003	-0.03%
YEN/USD	123.91	-0.03	0.02%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 24.29 points to 18,144.07; S&P 500 up 1.35 points to 2,124.20. Nasdaq surged by 6.12 points to 5,160.10. Stocks closed mildly higher on Tuesday as investors remained optimistic on the Greece debt talks and eyed continued signs of moderate economic growth.
- Greece's State Minister Nikos Pappas said on Tuesday in a Reuters report he was confident parliament would back a deal the crisis-hit country hopes to strike with its lenders even though dissenters have criticized concessions offered by Greece.

The Local Market

- FBMKLCI shed 5.90 points to finish at 1,726.86 due to lack of catalyst in the market. There were 396 gainers and 407 decliners in total value traded of RM1.68 billion.
- Among the losers on Bursa Malaysia were KLK shed 40 cent to RM21.34, PPB Group tumbled 22 cent to RM15.00, DKSH Holdings down 18 cent to RM5.020 and Quality Concrete slid 14 cent to RM1.51.

Strategy

- **"Hopes over Greece"**
Wall Street made some mends on Tuesday, lifted by hopes that Greece will be able to hammer 11th hour deal with its creditors. **S&P 500 and DJIA gained 1.35 (0.06%) and 24.29 (0.13%)** points to end at **2,124.20 and 18,144.07**. Greece's State Minister, Nikos Pappas, said on Tuesday that he was confident that his parliament would back a deal the crisis-hit country hopes to strike with its lenders, putting hope that Greece will be able to meet its 30th June deadline. This is a big relief to the global equity market but we need to give a word of caution. If Greece is able to meet its June 30th debt deadline, the country still has 22 debt repayment schedules to be met until the end of year. So, the cheers over Greece ability to meet its debt obligation could be a temporary façade, at best. In another development, the US churned a steady existing home sales for May that reached 5 ½ year high of 5.1%. In adverse, the US revealed a disappointing May durable goods order that contracted by 1.8% for the same month. The cautious optimism over Greece and mix economic data from the US suggests that the global equity market is still lack of punchy catalyst that could lift it higher. Hence, we don't expect much fireworks in the local market today.
- Our 1H15 year-end target is 1,840 based on PER of 16.0x and hence, FBMKLCI is poised to record a gain of 4.5% against 2014 closing of 1,761. We have an **OVERWEIGHT** call on auto, construction, rubber gloves and telco respectively. We predict Malaysia to grow by 5.0% in 2015 against the projection of 5.9% in 2014.

CORPORATE HIGHLIGHTS

Gamuda, BUY (TP: RM5.87): Q3 net profit down 9.8% to RM160mil

Gamuda Bhd recorded a 9.8% drop in net profit to RM160.4mil for the third quarter to April 30, 2015 mainly due to the completion of the Electrified Double Tracking Railway Project in Nov 2014. Earnings per share dropped to 6.81 sen from 7.74 sen from the same period of the previous year. Revenue also dropped 12.6% to RM553.8mil. The company declared a six sen dividend, bringing total dividends given out for the nine month period to 12 sen so far. For the nine month period, net profit increased 2.9% to RM528.5mil on the back of a 8.5% jump in revenue to RM1.78bil. The increase in revenue and profit before taxation for the nine month period resulted mainly from the additional stake in Kesas Sdn Bhd, the concession holder of Shah Alam Expressway. (Source: The Star)

Tan Chong, HOLD (TP: RM3.00): ETCM to notify customers to replace airbag inflator module

Edaran Tan Chong Motor Sdn Bhd (ETCM), together with Tan Chong Express Auto Service Centre, has undertaken a service campaign to notify its customers to replace an airbag inflator module for the front passenger airbag of affected Nissan vehicles. In a statement on Tuesday, ETCM said a total of 12,444 Nissan units in Malaysia were involved in the front passenger airbag inflator service campaign, including Nissan, X-Trail, Teana and Liberty. ETCM said the customer confidence and peace of mind were of utmost importance to the company, and deeply regretted any inconvenience this may cause its valued customers. (Source: The Star)

TNB, BUY (TP: RM15.20): Plans RM10b Sukuk after power plant buy

Tenaga Nasional Bhd plans to raise as much as RM10bil (US\$2.7bil) in an Islamic bond issue, sources familiar with the matter said - a move that comes after it agreed to buy debt-laden 1MDB's majority stake in a power plant project. Plans for the bond issue, which would be the largest sukuk globally of 2015, are still preliminary, two sources said. Tenaga, Malaysia's national utility in which state investor Khazanah is the biggest shareholder, is planning a single issue bond rather than a series and has approached several banks to court proposals, one of the sources said. The sources declined to be identified as discussions about the bond proposal were confidential. A spokesman for Tenaga declined to comment. This month Tenaga agreed to take over state development fund 1MDB's 70 percent stake in 3B, a greenfield 2,000 MW coal-fired plant project, for a sum yet to be determined - a sale that will help 1MDB pare down debt of more than US\$11bil. (Source: The Star)

Fututech (CP: RM1.64): To be end-to-end construction group by Q3

Fututech Bhd, which expects to complete a related party deal by the third quarter of this year to transform it into an end-to-end construction group, has RM130mil of contracts. It will also roll out a RM300mil project in Gohtong Jaya and another RM200mil project in Shah Alam. The company is still in the process of completing the purchase of two construction firms from its executive chairman Datuk Tee Eng Ho and the injection of the businesses would increase its orderbook significantly. Fututech has proposed to buy Kerjaya Prospek (M)

Sdn Bhd and Permatang Bakti Sdn Bhd for RM380mil via the issuance of 280 million new shares at RM1.16 apiece and cash. Tee said on Tuesday Kerjaya Prospek had RM2.3bil worth of contracts and it was bidding for new jobs worth RM1.8bil. (Source: The Star)

KSL (CP: RM1.70): To start work on RM2b city mall in Klang by year-end

KSL Holdings Bhd expects to start work on KSL City Mall 2, set to be one of the largest malls in Klang, by year-end. The property developer said on Tuesday the mixed development with a total gross development value of RM2bil, comprises of a mall, hotel and service apartments. It added that the mall will have a total area of two million square feet, a 400-room hotel and three blocks of service apartments. Completion date is 2018. KSL Holdings chairman Ku Hwa Seng said on Tuesday the group aims to replicate its existing development in Johor Bahru. He said this integrated development would cater to an expanding population in Klang, which stood at 1.2mil in 2014. He said KSL City Mall 2 was not just an economic development for Klang but also a natural progression for the company, following the building of its township of Canary Garden at Bandar Bestari. (Source: The Star)

Mitrajaya (CP: RM1.86): To double revenue, profit this year

Construction-centric Mitrajaya Holdings Bhd aims to double its revenue and profit this financial year ended Dec 31, 2015 boosted by its two main contributing segments. What the company is looking to achieve this financial year is to double our turnover. If we do we will cross the RM1bil mark. We also hope to double in net profit, said managing director Tan Eng Piow. He told reporters after the company's AGM and EGM that he expects contribution from the construction business to remain at 70% this year, supported by its RM1.75bil outstanding order book. Although there are fewer new projects coming into the market, Tan said based on the jobs the company has in hand, "there is no slowdown". (Source: The Star)

7-Eleven (CP: RM1.69): To work with courier service provider

7-Eleven Malaysia Holdings Bhd is closing a deal with a courier service provider to use its wide network as a last-mile touch point. Chief executive officer Gary Thomas Brown said on Tuesday the company was in final discussions with a few service providers and would like to start the service before the year-end. 7-Eleven is the market leader in free-standing convenience stores industry with 1,840 stores nationwide. Brown admitted it would be a challenging year but still had not seen the figures yet. "We need some feel good news to cheer up the country," he said. 7-Eleven's profit after tax grew 43% last year to RM63.1mil and it rewarded shareholders by distributing all of its earnings as dividends last year. (Source: The Star)

Amanahraya REIT (CP: RM0.89): Wisma AmanahRaya sold for RM78mil

Amanahraya Real Estate Investment Trust (Amanahraya REIT) is planning to sell Wisma AmanahRaya in Kuala Lumpur for RM78mil to AmanahRaya Bhd's wholly-owned subsidiary Annex Sentral Sdn Bhd. In a filing with Bursa Malaysia, the fund said it had entered into a conditional sale and purchase agreement with Annex Sentral for the proposed disposal of the 15-storey building on Tuesday. Amanahraya REIT said the rationale for the disposal was because

there was limited upside potential to the future value of the property. The building is currently being tenanted by AmanahRaya Bhd, and the tenancy agreement will expire on Aug 16 next year. (Source: *The Star*)

Daya (CP: RM0.12): Defends RM450mil vessel buy

Daya Materials Bhd's planned purchase of subsea offshore vessel Siem Daya 1 (SD1) will lower the cost of operations and serve it well in the long haul. Commenting on market concerns that it might be exposing itself in a big way amid the soft sector outlook, group chief executive officer Datuk Lim Thean Shiang said the US\$120mil (RM449mil) vessel purchase was supported by long-term contracts Daya has with global offshore contractors in the North Sea. Lim, who was appointed to the helm in March, said Daya was also getting the asset at a relatively attractive price, as it had negotiated a major reduction in the price of the vessel to US\$120mil from US\$140mil. Daya is an oil and gas (O&G) player with interest in upstream and downstream. The company had initially proposed to buy two offshore vessels, SD1 and Siem Daya 2 (SD2), but is "taking a prudent move" by only buying one for now. (Source: *The Star*)

Petronas: May face legal action on LNG project in Canada - report

Petroleum Nasional Bhd (Petronas), which failed to get British Columbia (BC) aboriginal group Lax Kw'alaams to accept its C\$1.15bil (RM3.42bil) cash offer, now may face legal action from the group. According to a Bloomberg report late on Tuesday, the group that claims title to land earmarked for the Petronas-led Pacific NorthWest's C\$11bil (RM32.7bil) liquefied natural gas (LNG) terminal said it would take legal action if its environmental concerns weren't addressed. At this time, the project is still awaiting environmental approval from the federal environmental authority (Canadian Environmental Assessment Agency), although the BC provincial government has given it an environmental certificate. Petronas and its joint-venture partners had recently said they would go ahead with the massive LNG project despite the Lax Kw'alaams' rejection of the benefits offer package. However, this decision is conditional on the approval of the BC legislative assembly and the Canadian government's positive regulatory decision on Pacific NorthWest's environmental assessment. (Source: *The Star*)

Tabung Haji: looks out for investments in Saudi Arabia

Tabung Haji (TH) is always on the lookout for investment opportunities in Saudi Arabia to increase revenue to be used to subsidise the cost of pilgrimage. Deputy Group Director and TH Chief Executive Officer Datuk Johan Abdullah said the real estate sector had great potential for investment. We have had discussions with a Saudi Arabia real estate developer on a possible joint venture between us. They are keen to do business with us as we are an established brand. We will explore such opportunities to generate more returns and income," he told Malaysian journalists at a press conference on Tuesday. TH subsidised RM150mil, 40% of which was used to subsidise accommodation costs for pilgrims last year. (Source: *The Star*)

ECONOMIC UPDATES

Malaysia: To benefit from China's maritime Silk Road

Malaysia's location in the centre of Southeast Asia and the country's position in holding the Straits of Melaka is an incomparable advantage in the construction of the 21st Century Maritime Silk Road. Under China's economic initiative, "One Belt, One Road", the Chinese government planned to increase its involvement in Southeast Asia via its investment in the infrastructure and linkages associated with the region. He said Malaysia can play a strategic role in making Asean a key part of China's initiative and the Asian infrastructure investment bank set up, by tapping on the country's chairmanship of Asean and taking note of China's interests in partnering with Asean. (Source: *The Star*)

Singapore: May core CPI hits 5-year low, opens door to easier policy

Singapore's annual core inflation in May hit a five-year low, data showed on Tuesday, giving the central bank leeway to ease monetary policy if economic growth disappoints in coming months. The Monetary Authority of Singapore's core inflation gauge in May slowed to 0.1 percent from a year earlier, the lowest reading since January 2010, when it fell 0.5 percent. The drop in core inflation was mainly due to government measures in the budget that had an impact on the costs of services as well as food inflation, the MAS and the Ministry of Trade and Industry (MTI) said in a statement. Shatil added that the core inflation rate - which excludes costs of accommodation and private road transport - could dip into negative territory later this year along with the headline consumer price index. Singapore's services inflation in May eased to 0.5 percent year-on-year from 1.1 percent in April. This was largely due to measures to reduce the concessionary foreign domestic worker levy and the waiver of national examination fees, along with a smaller rise in telecommunication services fees, the MAS and MTI said. (Source: *The Edge*)

China: June factory activity contracts slightly

China's factory activity contracted for the fourth straight month in June but showed some signs of stabilising, according to a preliminary private survey, suggesting more stimulus measures may be needed to support the world's second-largest economy. The HSBC/Markit Flash China Manufacturing Purchasing Managers' Index (PMI) edged up to 49.6, a three-month high, from 49.2 in May, but remained below the 50 mark which separates contraction from expansion. New orders returned to positive territory at 50.4 and new export orders fell at a slower pace, but companies stepped up layoffs. Factories were also forced to cut prices for their products at a faster rate. (Source: *The Star*)

Japan: June flash manufacturing PMI falls as new orders dip

Japanese manufacturing activity contracted slightly in June as new orders fell and output growth slowed in a sign the economy may have lost some momentum. The Markit/JMMA flash Japan Manufacturing Purchasing Managers Index (PMI) fell to a seasonally adjusted 49.9 in June from a final 50.9 in May. The index slid below the 50 threshold that separates contraction from expansion for the first time in a month. The output index fell to a preliminary 50.5 in June, following 51.9 in the previous month. New orders fell to a

preliminary 49.4 from 50.9 in May, also indicating the first decline in a month. (Source: *The Star*)

Greece: Greek government confident despite backlash over debt deal

Greece's leftwing government expressed confidence on Tuesday that parliament would approve a debt deal with lenders, despite an angry reaction from some of its own lawmakers who accused it of caving in to pressure for more austerity. Concessions offered by Prime Minister Alexis Tsipras, including hikes to tax and pension contributions, garnered a cautious welcome from euro zone leaders but triggered a furious reaction from some leftists in the ruling Syriza party. One lawmaker said the deal was tantamount to a "tombstone" for Greece, after repeated rounds of austerity during five years of crisis. Deputy parliament speaker and Syriza lawmaker Alexis Mitropoulos said the concessions were "not in line with the principles of the left" and would cause "social carnage". (Source: *The Star*)

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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A Participating Organisation of Bursa Malaysia Securities Berhad

Level 1,2,3 No.45-47 & 43-6
The Boulevard, Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur
Tel: +603 – 2282 1820 Fax: +603 – 2283 1893
Website: www.mnaonline.com.my

Head Of Research



Rosnani Rasul
M&A Securities