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Tuesday, October 27, 2015

Report of the Day

Results Review: Digi 3Q15 – “Survives the Headwinds”

Sector Update: Construction Sector – “Goodies from Budget 2016”

Sector Update: Telecommunication Sector – “Goodies for Prepaid Subscriber”

At a Glance

FBMKLCI slid 4.14 points to finish at 1,706.79 due to the profit taking activities(See full report next page)

Strategy

“Lack of Catalyst Weigh on Wall Street”

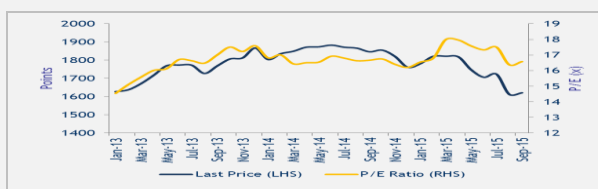
Lack of catalyst may weigh on the market today.(See full report next page)

Corporate Highlights

- **DiGi, BUY (TP: RM6.10):** 3Q net profit falls 18.55%, declares 5.1 sen dividend
- **Lafarge (CP: RM9.18):** Says MRT, LRT to underpin cement demand
- **Bina Puri (CP: RM0.47):** Gets RM230m contract from PR1MA Corp

Economic Update

- **Malaysia:** Sustains Fiscal Consolidation in 2016 Budget
- **U.S.:** New homes sales near one-year low; drop seen as temporary
- **Thailand:** Sept exports fall less than expected



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
US	26-Oct	10:00 PM	New Home Sales	547K	552K
US	26-Oct	10:00 PM	New Home Sales MoM	-0.9%	5.7%
US	26-Oct	10:30 PM	Dallas Fed Manf. Activity	-6.0	-9.5
EU	27-Oct	5:00 PM	M3 Money Supply YoY	-	4.8%
US	27-Oct	8:30 PM	Durable Goods Orders	-1.1%	-2.0%
US	27-Oct	8:30 PM	Durable Ex Transportation	0.0%	0.0%
US	27-Oct	9:00 PM	S&P/CS Composite 20 YoY	0.15%	-0.20%
US	27-Oct	9:00 PM	S&P/CaseShiller 20-City Index NSA	-	181.9
US	27-Oct	9:45 PM	Markit US Composite PMI	-	55.0
US	27-Oct	9:45 PM	Markit US Services PMI	-	55.1
US	27-Oct	10:00 PM	Consumer Confidence Index	102.8	103.0
US	27-Oct	10:00 PM	Richmond Fed Manuf. Index	-2.0	-5.0
US	28-Oct	7:00 PM	MBA Mortgage Applications	-	11.8%
JP	28-Oct	7:50 AM	Retail Trade YoY	-	0.8%
JP	28-Oct	7:50 AM	Retail Sales MoM	-	0.0%
EU	29-Oct	6:00 PM	Economic Confidence	-	105.6
EU	29-Oct	6:00 PM	Consumer Confidence	-	-
US	29-Oct	2:00 AM	FOMC Rate Decision (Upper Bound)	0.25%	0.25%
US	29-Oct	8:30 PM	Initial Jobless Claims	-	-
US	29-Oct	8:30 PM	GDP Annualized QoQ	1.7%	3.9%
US	29-Oct	8:30 PM	Core PCE QoQ	-	1.9%
US	29-Oct	9:45 PM	Bloomberg Consumer Comfort	-	-
US	29-Oct	10:00 PM	Pending Home Sales MoM	0.5%	-1.4%
JP	29-Oct	7:50 AM	Industrial Production MoM	-	-1.2%
JP	29-Oct	7:50 AM	Industrial Production YoY	-	-0.4%
EU	30-Oct	6:00 PM	Unemployment Rate	-	11.0%
EU	30-Oct	6:00 PM	CPI Estimate YoY	-	-
EU	30-Oct	6:00 PM	CPI Core YoY	-	0.9%
US	30-Oct	8:30 PM	Personal Income	0.2%	0.3%
US	30-Oct	8:30 PM	Personal Spending	0.2%	0.4%
US	30-Oct	8:30 PM	PCE Core MoM	0.2%	0.1%
US	30-Oct	8:30 PM	PCE Core YoY	1.4%	1.3%
US	30-Oct	9:45 PM	Chicago Purchasing Manager	49.0	48.7
US	30-Oct	10:00 PM	U. of Mich. Sentiment	92.6	92.1
JP	30-Oct	7:30 AM	Jobless Rate	-	3.4%
JP	30-Oct	7:30 AM	Job-To-Appl Ratio	-	1.2%
JP	30-Oct	7:30 AM	Net CPI YoY	-	0.2%
JP	30-Oct	12:00 PM	Vehicle Production YoY	-	-4.7%
JP	30-Oct	1:00 PM	Housing Starts YoY	-	8.8%
JP	30-Oct	1:00 PM	Annualized Housing Starts	-	0.931M
JP	30-Oct	1:00 PM	Construction Orders YoY	-	-15.6%
NY	30-Oct	6:00 PM	Money Supply M3 YoY	-	4.6%
CN	28-31 Oct		Leading Index	-	98.2

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,706.79	-4.14	-0.24
FBMEMAS	11,801.61	-31.74	-0.27
FBMEMAS SHA	12,563.28	-67.28	-0.53
FBM100	11,494.80	-29.99	-0.26
Volume (mn)	1,907.05	-512.48	-21.18
Value (RMmn)	1,802.40	-202.94	-10.12
FBMKLCI YTD Chg			-3.09

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	21.0	-31.7
Local Institution	51.6	-264.8
Foreign Investors	27.4	296.5

Top Gainers

	Close	Change+/-	(+/- %)
ORIENTAL FOOD	1.88	0.43	29.66
BLD PLANTATION	8.35	0.25	3.09
HUAT LAI RESOUR	3.50	0.20	6.06

Top Losers

	Close	Change+/-	(+/- %)
UNITED PLANTAT	26.40	-0.40	-1.49
PETRONAS GAS	23.28	-0.32	-1.36
KLK	23.16	-0.16	-0.69

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,623.05	-23.65	-0.13
NASDAQ	5,034.70	2.84	0.06
S&P 500	2,071.18	-3.97	-0.19
FTSE 100	6,417.02	-27.06	-0.42
DAX	10,801.34	6.80	0.06
Nikkei 225	18,947.12	121.82	0.65
HSI	23,116.25	-35.69	-0.15
KOSPI	2,048.08	7.68	0.38
STI	3,084.92	16.46	0.54
KLCI Futures	1,689.00	(6.00)	(0.00)
USDMYR 3M	17.46	-	-
USDMYR 6M	16.79	0.23	0.01
USDMYR 12M	16.40	0.41	0.03

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	44	-0.1	-0.3%
Brent (USD/bbl)	47.5	-0.5	-0.9%
Gold(USD/ounce)	1,164	0.8	0.1%
Coal (USD/mt)	52.9	0.1	0.2%
CPO (RM/mt)	2,279	-49.0	-2.1%
Rubber	126	-2.6	-2.0%
RM/USD	4.23	-0.009	0.21%
EUR/USD	0.90	0.0002	0.02%
YEN/USD	121.02	-0.08	0.07%

What To Expect

U.S. Market

- The Dow Jones Industrials Average declined 23.65 points to 17,623.05 points, S&P 500 fell 3.97 points to 2,071.18. Nasdaq rose by 2.84 points to 5,034.70. U.S. stocks closed narrowly mixed Monday, holding most of last week's gains, as investors readied for another week of earnings and central bank announcements.
- Along with the flow of earnings, investors are looking ahead to Wednesday's Federal Reserve policy decision and Thursday's Q3 gross domestic product growth data for clues as to the odds of a possible interest rate hike in December.

The Local Market

- FBMKLCI slid 4.14 points to finish at 1,706.79 due to the profit taking activities. There were 369 gainers and 501 decliners in total value traded of RM1.80 billion.
- Among the losers on Bursa Malaysia were United Plantation fell 40 cent to RM26.40, PetGas decreased 32 cent to RM23.28, KLK shed 16 cent to RM23.16 and MSM Malaysia dropped 15 cent to RM4.76.

Strategy

- **"Lack of Catalyst Weigh on Wall Street"**
It was a quiet trading in Wall Street on Monday as lack of catalyst weighed on sentiment apart from stand down emanating from US upcoming 3rd quarter GDP release and Federal Reserve monetary decision this Thursday. S&P 500 and DJIA erased 3.97 (-0.19%) and 23.65 (-0.13%) points to finish at 2,071.18 and 17,623.05 respectively. US economic release on Monday was limited to September New Home Sales which hit an annualized rate of 468,000, down from the revised August rate of 529,000 and worse than the rate of 550,000 that had been broadly expected. In addition to the tepid New Home Sales, as mentioned, investors were also stood down due to the upcoming important economic release this Thursday. All told, lack of catalyst may weigh on the market today.
- Our 2015 year-end target is 1,660 based on PER of 15.6x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on construction and telco respectively. We predict Malaysia to grow by 5.0% in 2015.

CORPORATE HIGHLIGHTS

DiGi, BUY (TP: RM6.10): 3Q net profit falls 18.55%, declares 5.1 sen dividend

DiGi.Com Bhd saw its net profit fall 18.55% to RM396.62 million or 5.10 sen a share for the third quarter ended Sept 30, 2015 (3QFY15) from RM486.92 million or 6.26 sen a share a year ago. The country's third largest telecommunication services provider attributed this to the higher progressive depreciation from network expansion and accelerated depreciation of RM26 million relating to migration of data centre. DiGi said revenue for the quarter also dropped 5.11% to RM1.67 billion from RM1.76 billion in 3QFY14 amid intense international direct dial (IDD) and data price competition. (Source: *The Edge*)

Lafarge (CP: RM9.18): Says MRT, LRT to underpin cement demand

Lafarge Malaysia Bhd says it will be able to achieve a targeted level of growth despite the overall subdued economic situation. Its chief executive officer Thierry Marie Robert Legrand said this was possible because of continued government spending in several key projects such as the Mass Rapid Transit (MRT) and Light Rail Transits (LRT) lines after the Budget 2016 was announced last Friday. He said that property projects were also continuing and this will help it sustain its business and order book situation here. He also said that road builders should seriously consider using concrete to build roads as it will be a cheaper option in the longer run after considering maintenance costs for bitumen (re-tarring costs). (Source: *The Star*)

Bina Puri (CP: RM0.47): Gets RM230m contract from PR1MA Corp

Bina Puri Holdings Bhd has received the letter of intent from PR1MA Corp Malaysia (PR1MA) for a housing project in Johor Bahru valued at RM230mil. It said on Monday the contract was to build 994 units of PR1MA homes comprising of apartments and 20 shops on the 18.23 acres freehold land. Bina Puri expected the project to contribute positively to the net assets and earnings of Bina Puri Group for the financial year ending Dec 31, 2016. (Source: *The Star*)

Sapura Resources (CP: RM1.35): Ekuinas may buy up remaining stake in APIIT prior to listing

Diversified group Sapura Resources Bhd (SapRes) has caught the attention of investors, thanks to its education business that is somewhat seen as a beneficiary to the impending listing of Ilmu Education Group Bhd. Ilmu is the education arm of state-backed private equity firm Ekuiti Nasional Bhd (Ekuinas) and currently holds a 51% stake in the APIIT Education Group, which it acquired from SapRes in 2010 for RM102mil. The remaining 49% stake is still held by SapRes. Speculation is rife that Ekuinas may buy up the remaining 49% in APIIT to beef up the business fundamentals of Ilmu before its listing on Bursa Malaysia, which is expected to take place next year. (Source: *The Star*)

Hibiscus (CP: RM0.61): Starts drilling operations at Sea Lion-1 exploration well

Hibiscus Petroleum Bhd's wholly-owned unit Carnarvon Hibiscus Pty Ltd (CHPL) has commenced its drilling operations at its Sea Lion-1 exploration well yesterday. Hibiscus said the West Telestro drilling rig was assigned to CHPL on Oct 20 and arrived at the Sea Lion site two days later, following a 196 mile tow

from its original location. Following an incident-free onsite preparation, the Sea Lion well was successfully spudded at 9.45am yesterday. According to Hibiscus, the planned total depth of the Sea Lion well is 1,800 metres and the exploration programme is expected to take up to 30 days. In an earlier announcement, Hibiscus said the O&G field could produce between eight and 15 million barrels of oil. (Source: *The Edge*)

Yong Tai (CP: RM0.64): Buys prime land in KL, Malacca

Yong Tai Bhd has acquired two pieces of prime land in Kuala Lumpur and Malacca for three potential property projects carrying a combined gross development value (GDV) of RM5.57 billion over the next eight years. In a stock exchange filing yesterday, Yong Tai said its wholly-owned unit, TB Impression Sdn Bhd, has entered into an agreement with Admiral City Sdn Bhd to acquire the land for RM37.02 million cash. The projects in Malacca could contribute RM5.4 billion worth of GDV, while those in Kuala Lumpur could potentially contribute RM168 million. (Source: *The Sun*)

Mitrajaya (CP: RM1.20): To build residential estate in S. Africa with GDV of RM497mil

Mitrajaya Holdings Bhd is buying 215 acres in Pretoria, South Africa, where it plans to launch a residential development with an estimated gross development value of 1.6 billion rand (RM497.3mil). The construction and property development group told Bursa Malaysia that its unit Mitrajaya Development SA Proprietary Ltd last Friday signed a deed of sale with Scarlet Ribbon Properties 27 (Pty) Ltd to buy the land, located next to the existing upmarket Copper Leaf Golf Estate, for 40 million rand (RM12.47mil). "The land is ideal for the development of an Eco Park Residential Estate with at least 1,600 units of medium to high-density cluster/apartment homes," it said. (Source: *The Star*)

Y&G Corp (CP: RM1.25): Gets CCM's suit for RM2.23m rental in arrears

Property developer Y&G Corp Bhd is being sued by Chemical Company of Malaysia Bhd (CCM) (Valuation: 1.80, Fundamental: 0.35) over outstanding lease rental for a piece of land. In a filing with Bursa Malaysia today, Y&G said it had been served with a sealed Writ of Summons and Statement of Claim, both dated Oct 20, 2015, by solicitors Messrs. Raja, Darryl & Loh, acting for CCM. Y&G further noted that the chemicals and pharmaceuticals products maker is claiming for a declaration that the land lease is appropriately terminated, an order to re-enter and repossess the leased land, an order that Y&G shall pay CCM a sum of RM2.23 million being six years' lease rental in arrears, 5% interest per annum on the arrears lease rental and other incidental costs. (Source: *The Edge*)

Jaya Tiasa (CP: RM1.28): Buys stake in related company Rimbunan Sawit

Jaya Tiasa Holdings Bhd's wholly-owned subsidiary, Multi Greenview Sdn Bhd, has acquired a 9.87% stake in Rimbunan Sawit Bhd (RSB) (Valuation: 0.90, Fundamental: 0.20) for RM70 million to expand its interest in the oil palm sector. In a filing with Bursa Malaysia, Jaya Tiasa said it acquired a total of 140 million shares from related parties, Pemandangan Jauh Plantation Sdn Bhd (PJP) (100 million shares) and Tiong Toh Siong Holdings Sdn Bhd (TTS) (40 million shares). Jaya Tiasa, RSB, PJP and TTS have a common major shareholder and

director in Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King. Jaya Tiasa said the consideration was made in cash and funded by borrowing. (Source: *The Edge*)

Pensonic (CP: RM0.59): 1Q net profit rises marginally

Pensonic Holdings Bhd)'s net profit grew 3% to RM2.26 million for the first quarter ended Aug 31, 2015 (1QFY16) against RM2.2 million a year earlier, despite lower revenue for the quarter under review. In an announcement to Bursa Malaysia, the company attributed the slightly higher profit for the quarter to better margin control and cost management. Meanwhile, its revenue fell 7% to RM98.94 million for 1QFY16, from RM106.03 million in the previous year, attributed to the adverse economic conditions and the depreciation of the local currency. Going forward, Pensonic expects to forge ahead with its expansion plans amid intense competition. (Source: *The Edge*)

ECONOMIC UPDATES

Malaysia: Sustains Fiscal Consolidation in 2016 Budget

Malaysia's 2016 budget kept the government's credit-positive fiscal consolidation trend intact, while further reducing its reliance on oil revenue, said Moody's Investors Service. The budget, which targeted a deficit equal to 3.1 per cent of Gross Domestic Product (GDP), could modestly encourage consumption by buffering lower-income households against higher living costs, Moody's said in its just released report yesterday. The rating agency, in affirming the government bond and issuer ratings of the Government of Malaysia at A3 with a positive outlook, said the macroeconomic assumptions in the budget are realistic. (Source: *Bernama*)

U.S.: New homes sales near one-year low; drop seen as temporary

New U.S. single-family home sales fell to near a one-year low in September after two straight months of gains, but a jump in prices suggested that housing remained on solid ground. The Commerce Department said on Monday sales dropped 11.5percent to a seasonally adjusted annual rate of 468,000 units, the lowest level since November 2014. August's sales pace was revised down to 529,000 units from the previously reported 552,000 units. The moderation in new home sales is at odds with other housing reports that have painted a bullish picture of the sector. New home sales, which account for 7.8 percent of the housing market, tend to be volatile on a month-to-month basis because they are drawn from a small sample. (Source: *Reuters*)

Thailand: Sept exports fall less than expected

Thailand's exports in September fell less than expected, but had their ninth straight monthly drop while imports plummeted, showing that the trade-reliant economy continues to struggle to grow. Long after a military coup in May 2014 ended months of political unrest, South-East Asia's second-largest economy has been unable to regain momentum, as pivotal exports and domestic consumption remain weak. Exports in September fell 5.51% from a year earlier, the Commerce Ministry said on Monday. A Reuters poll predicted a 7.65%

decline. In July-September, exports totalled US\$54.71 billion, about 5.2% below the same period of 2014. *(Source: The Star)*

Global: Trade Deal to Reduce Cost, Boost Global Exports Between US\$1.8-US\$3.6 Trillion

The Trade Facilitation Agreement (TFA) concluded in 2013 will help reduce trade cost for its member countries, spur global export between US\$1.8 trillion and US\$3.6 trillion, providing a badly needed boost to the global economy. The TFA has the potential to reduce trade costs by a significant amount and thereby increase both global trade and output, the World Trade Organisation (WTO) said in its World Trade Report released in Geneva on Monday. "This agreement (FTA) aims to standardise, streamline and speed-up customs processes around the world, helping to expedite the movement, release and clearance of goods. In doing so, it will significantly cut the costs of trade," WTO Director-General Roberto Azevedo said. *(Source: Bernama)*

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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