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Friday, December 11, 2015

Report of the Day

Results Review: Berjaya Auto 2Q16 – “No Surprise”

At a Glance

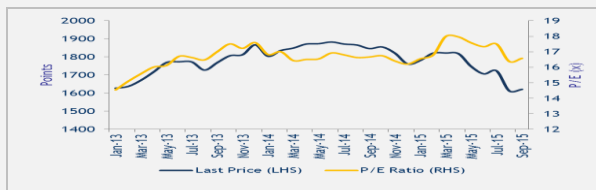
FBMKLCI dropped 10.71 points to finish at 1,648.65 in tandem with the negative regional market sentiment.....(See full report next page)

Corporate Highlights

- **Berjaya Auto, BUY (TP: RM2.42):** Q2 revenue rises 6.6%
- **SP Setia (CP: RM3.10):** Sales continue to grow amid challenging market
- **CLIQ Energy (CP: RM0.68):** Phystech II acquisition price lowered to US\$110m

Economic Update

- **Malaysia:** Oct industrial output rises 4.2 pct y/y
- **Malaysia:** October manufacturing sales up 6.5%
- **S. Korea:** Leaves interest rate at record low



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
CN	7-Dec	-	Foreign Reserves	\$3,487.5b	\$3,525.5b
MY	7-Dec	-	Foreign Reserves	-	\$93.9b
EU	8-Dec	6:00 PM	GDP SA QoQ	-	0.3%
EU	8-Dec	6:00 PM	GDP SA YoY	-	1.6%
CN	8-Dec	-	Trade Balance	\$62.30b	\$61.64b
CN	8-Dec	-	Exports YoY	-5.0%	-6.9%
CN	8-Dec	-	Imports YoY	-11.8%	-18.8%
JP	8-Dec	7:50 AM	GDP SA QoQ	0.0%	-0.2%
JP	8-Dec	7:50 AM	GDP Annualized SA QoQ	0.2%	-0.8%
JP	8-Dec	7:50 AM	GDP Deflator	2.0%	2.0%
JP	8-Dec	7:50 AM	BoP Current Account Balance	-	¥1,468.4b
JP	8-Dec	7:50 AM	Trade Balance BoP Basis	-	¥82.3b
CN	9-Dec	9:30 AM	CPI YoY	1.4%	1.3%
CN	9-Dec	9:30 AM	PPI YoY	-5.9%	-5.9%
US	9-Dec	8:00 PM	MBA Mortgage Applications	-	-
US	9-Dec	11:00 PM	Wholesale Inventories MoM	0.0%	0.5%
CN	10-15 Dec	-	Money Supply M2 YoY	13.4%	13.5%
MY	10-Dec	12:00 PM	Industrial Production YoY	-	5.1%
JP	10-Dec	7:50 AM	PPI MoM	-	-0.6%
JP	10-Dec	7:50 AM	PPI YoY	-	-3.8%
US	10-Dec	9:30 PM	Initial Jobless Claims	-	-
US	11-Dec	9:30 PM	Retail Sales Ex Auto MoM	0.3%	0.2%
US	11-Dec	9:30 PM	Retail Sales Ex Auto and Gas	-	0.3%
US	11-Dec	9:30 PM	PPI Final Demand MoM	0.0%	-0.4%
US	11-Dec	9:30 PM	PPI Ex Food and Energy MoM	0.1%	-0.3%
US	11-Dec	9:30 PM	PPI Final Demand YoY	-	-1.6%
US	11-Dec	9:30 PM	PPI Ex Food and Energy YoY	-	0.1%
US	11-Dec	11:00 PM	Uni. Of Mich. Sentiment	92.2	91.3

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,648.65	-10.71	-0.65
FBMEMAS	11,511.52	-60.11	-0.52
FBMEMAS SHA	12,399.91	-61.03	-0.49
FBM100	11,187.42	-59.60	-0.53
Volume (mn)	2,059.56	394.99	23.73
Value (RMmn)	1,942.89	118.45	6.49
FBMKLCI YTD Chg			-6.39

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	16.5	34.8
Local Institution	58.4	-12.2
Foreign Investors	25.1	-22.6

Top Gainers

	Close	Change+/-	(+/- %)
TOP GLOVE	11.32	0.68	6.39
PHARMANIAGA	6.50	0.16	2.52
HARBOUR-LINK	2.96	0.11	3.86

Top Losers

	Close	Change+/-	(+/- %)
BAT	53.10	-2.80	-5.01
KLK	21.96	-0.82	-3.60
HUAT LAI	4.55	-0.20	-4.21

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,574.75	82.45	0.47
NASDAQ	5,045.17	22.31	0.44
S&P 500	2,052.23	4.61	0.23
FTSE 100	6,088.05	-38.63	-0.63
DAX	10,598.93	6.44	0.06
Nikkei 225	19,046.55	-254.52	-1.32
HSI	21,704.61	-99.15	-0.45
KOSPI	1,952.07	3.83	0.20
STI	2,849.43	-11.76	-0.41
KLCI Futures	1623.0	-8	0.0
USDMYR 3M	12.6	0.025	0.0
USDMYR 6M	12.7	0.0	0.0
USDMYR 12M	12.74	0.01	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	37	-0.1	-0.4%
Brent (USD/bbl)	39.7	-0.4	-0.9%
Gold(USD/ounce)	1,072	0.4	0.0%
Coal (USD/mt)	52.4	-0.1	-0.3%
CPO (RM/mt)	2,377	-7.0	-0.3%
Rubber	128	-1.1	-0.9%
RM/USD	4.26	-0.0073	0.17%
EUR/USD	0.91	-0.0002	-0.02%
YEN/USD	121.67	0.11	-0.09%

What To Expect

U.S. Market

- The Dow Jones Industrials Average rose 82.45 points to 17,574.75 points, S&P 500 gained 4.61 points to 2,052.23. Nasdaq surged by 22.31 points to 5,045.17. U.S. stocks climbed but other major world equity markets were little changed on Thursday ahead of a widely expected interest rate hike by the Federal Reserve next week, and oil resumed its slide due to persistent worries about weak demand and a supply glut.
- Oil prices fell to near seven-year lows and overall markets were more subdued as investors looked ahead to the Fed's Dec. 15-16 policy meeting. U.S. crude fell as worries over a global glut persisted and prices were seen as vulnerable to further weakness in the run-up to year-end.

The Local Market

- FBMKLCI dropped 10.71 points to finish at 1,648.65 in tandem with the negative regional market sentiment. There were 294 gainers and 541 decliners in total value traded of RM1.94 billion.
- Among the losers on Bursa Malaysia were BAT fell RM2.80 to RM53.10, KLK declined 82 cent to RM21.96, Huat Lai Resources erased 20 cent to RM4.55 and SAM Engineering slid 16 cent to RM7.13.

Strategy

- Our 2015 year-end target is 1,660 based on PER of 15.6x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on construction and telco respectively. We predict Malaysia to grow by 5.0% in 2015.

CORPORATE HIGHLIGHTS

Berjaya Auto, BUY (TP: RM2.42): Q2 revenue rises 6.6%

Berjaya Auto Bhd's (BAuto) revenue for the second quarter ended Oct 31, 2015 increased 6.6% to RM542.41 million from RM508.82 million in the previous corresponding period. The group's pre-tax profit declined by 9% to RM73.7 million from RM81 million in the previous year's corresponding quarter. The increase in revenue was mainly driven by the competitively priced Mazda2 Skyactiv and Mazda3 CKD Skyactiv models while in the Philippines, the Mazda2 Skyactiv model was the main contributor," it told Bursa Malaysia yesterday. (Source: The Sunday)

SP Setia (CP: RM3.10): Sales continue to grow amid challenging market

Property developer SP Setia Bhd posted earnings of RM119.68mil for the fourth quarter (Q4) ended Oct 31, 2015 on the back of increased revenue and profit recognition. The company told Bursa Malaysia that it recorded a 14.68% rise in revenue of RM1.41bil compared to the previous year's corresponding quarter. For the full year, the company's earnings jumped 75% to RM709.98mil while

revenue increased 47.13% to RM5.60bil. However, its earnings for Q4 were lower by 8.8% due mainly to higher selling and marketing expenses. (Source: *The Star*)

CLIQ Energy (CP: RM0.68): Phystech II acquisition price lowered to US\$110m

CLIQ Energy Bhd, a special purpose acquisition company (SPAC), said the purchase consideration of US\$117.3 million for a 51% stake in Phystech II Joint Stock Company has been revised downward to US\$110 million. Phystech II is a special purpose vehicle that owns two active oilfields in Kazakhstan. In a filing with Bursa Malaysia today, CLIQ said the downward revision of the consideration follows AGR's revised valuation of the Karazhanbas Northern Field as at Nov 1, as set out in the asset valuation report dated Dec 10, of between US\$182.2 million and US\$257.2 million, with a base case asset valuation at US\$221 million. (Source: *The Edge*)

Eco World (CP: RM1.41): Surpasses FY15 target, banking on BBCC

Eco World Development Bhd has surpassed its sales target of RM3bil for the financial year 2015 (FY15). It is now banking on the RM8.7bil Bukit Bintang City Centre (BBCC) project to drive sales in financial year 2016 (FY16). President/Chief Executive Officer Datuk Chang Khim Wah said the company achieved RM3.016bil sales for the financial year ended Oct 31, 2015, contributed by four projects in the Klang Valley worth RM1.579bil, six projects in Iskandar Malaysia (RM1.213bil) and two projects in Penang (RM224mil). The BBCC, a joint development by Eco World, UDA Holdings Bhd and the Employees Provident Fund (EPF), would be launched in the first quarter of next year, with construction to commence in mid-2016 and completion expected in 8-10 years. (Source: *The Star*)

DRB-Hicom (CP: RM1.21): Plans logistics consolidation with RM835m disposals to Pos Malaysia

DRB-Hicom Bhd (DRB-Hicom) has offered to sell to Pos Malaysia Bhd, in which it owns 32.21%, its KL Airport Services Sdn Bhd (KLAS) business and part of a freehold industrial land in Shah Alam, Selangor, for RM835.16 million, to consolidate its logistics business under Pos Malaysia. The total disposal consideration of RM835.16 million in respect of the proposed disposals shall be satisfied via the issuance of 250.80 million new ordinary shares of RM0.50 each in Pos Malaysia to HICOM Holdings at an issue price of RM3.33 per share. The issue price of the shares shall be adjusted in the event the market price of Pos Malaysia shares on a date closer to the signing of the sale and purchase agreements in relation to the proposed disposals, exceeds a 10% variance from the stipulated issue price. (Source: *The Edge*)

Malaysian Genomics Resources Centre (CP: RM0.78): Sees healthcare driving growth

Malaysian Genomics Resource Centre Bhd (MGRC), which posted an 82.3% increase in its first-quarter net profit, said it is banking on healthcare services to drive its growth. In a statement yesterday, the provider of genome sequencing and analysis, and genetic screening services sees the healthcare sector contributing more to its growth in the near to medium term, as Malaysian doctors come to rely more on its screening and pathology services to diagnose

and treat patients. "In developed countries, doctors rely on the results of pathology tests for 70% of their clinical decisions. We believe the market in Malaysia has yet to reach this 70% mark," said its chief operating officer Sasha Nordin. (Source: The Star)

Ideal United Bintang (CP: RM0.92): Plans to stick to affordable housing in next two years

Penang-based property player Ideal United Bintang Bhd (IUBB) plans to stick to affordable housing projects in the next two years, given the slowdown in the economy and property sector in the country. IUBB's executive chairman Datuk Alex Ooi Kee Liang said at present, the group will be concentrating on its maiden development, the I-Santorini located at Tanjung Pinang, Penang. The I-Santorini is an affordable housing development that consists of 2,155 residential units, as well as shop offices, with a price range of between RM300,000 to RM500,000 per unit. The total gross development value for the project is approximately RM900 million. (Source: The Edge)

Prolexus (CP: RM2.66): 1Q net profit jumps 43% on improved apparel earnings

Prolexus Bhd posted a net profit of RM 7.73 million or 7.21 sen per share in the first quarter ended Oct 31, 2015 (1QFY16), up 43.1% from RM5.4 million or 5.1 sen per share a year ago, mainly due to increase in profits from the apparel division. Revenue rose 31.3% to RM104.68 million, from RM79.7 million. Prolexus said the rise in revenue is largely attributable to the higher revenue in its apparel division. The company is involved in apparels manufacturing for original equipment manufacturer (OEM), apparels retailing and outdoor advertising. Barring any significant economic changes and unforeseen circumstances, Prolexus expects its performance for the forthcoming quarter to remain stable. (Source: The Edge)

ECONOMIC UPDATES

Malaysia: Oct industrial output rises 4.2 pct y/y

Malaysia's October industrial production rose 4.2 percent from a year earlier, supported by strength in the manufacturing and electricity sectors, government data showed on Thursday. The figure was slightly below the median forecast of 4.3 percent from a Reuters poll of economists. Output in September was up 5.1 percent on growth in manufacturing and mining industries. Exports for October expanded a surprising 16.7 percent year-on-year due to demand for electrical and electronic products and was boosted by the effects of a weak ringgit. Malaysia's manufacturing Purchasing Managers' Index for November, however, contracted for an eighth straight month as production and new orders slumped. (Source: The Star)

Malaysia: October manufacturing sales up 6.5%

The sales value for the manufacturing sector in October 2015 increased 6.5 per cent or RM3.5 billion to RM58.6 billion compared to the RM55.1 billion reported a year ago. On a month-on-month basis, the sales value increased by 0.3 per cent (RM100 million) from RM58.5 billion in September, the Department of Statistics Malaysia said in a statement Thursday. The total number of employees

engaged in the manufacturing sector in October stood at 1.028 million, a decrease of 0.1 per cent, compared with 1.028 million in the same period of 2014. Meanwhile, on a month-on-month basis, the number of employees increased by 0.1 per cent from 1.027 million persons in the preceding month. *(Source: The Star)*

S. Korea: Leaves interest rate at record low

South Korea's central bank left its benchmark interest rate unchanged at a record low of 1.5% for a sixth consecutive month on Thursday, ahead of an anticipated rate increase by the US Federal Reserve. The decision had been widely expected with the Bank of Korea's (BoK) board members adopting a wait and see approach to the impact of an eventual Fed hike on the global economy. Earlier this month, the bank said South Korea's economy had grown at its fastest pace in more than five years in the third quarter, driven by a strong rebound in consumer spending. The BoK has predicted gross domestic product growth of 2.7% for the whole of 2015. *(Source: Reuters)*

Australia jobless rate drops to 5.8%

Australia's unemployment rate dropped for the second straight month in November, data showed on Thursday, signalling an improvement in the domestic economy even as concern grows about a slowdown in the nation's largest trading partner China. The jobless rate was a seasonally adjusted 5.8% in November, down from 5.9% the previous month and 6.2% in September, the Australian Bureau of Statistics said. Some 71,400 jobs were added to the economy in November, about 41,600 full-time positions and around 29,700 part-time. The latest figure of 5.8% - the lowest reading since April 2014 - surprised the market, with the Australian dollar jumping almost one US cent to 73.32 cents after the data release. *(Source: Reuters)*

Japan: BoJ tankan seen likely to show subdued business mood

Business confidence measured by the Bank of Japan (BoJ)'s tankan survey was expected to recede slightly in three months to December and stay subdued in the coming quarter, a Reuters poll found, reflecting China's slowdown and lacklustre domestic demand. Big firms are expected to reduce their capital spending plan for this fiscal year slightly, but it will probably remain solid - underpinned by good corporate earnings. "The economy remained at a standstill. Although the GDP data was revised up to plus (in the third quarter), the pace of growth has not picked up. *(Source: Reuters)*

Japan: Ruling party approves corporate tax cuts

Japan's ruling party approved a plan on Thursday to slash the corporate tax rate to below 30% from April and trim it again two years later, while pressing companies to boost investment and raise wages to spur economic growth. The plan, to be included in the annual tax code revision, will bring the effective corporate tax to 29.97% - in line with that of Germany - in fiscal year 2016 that begins in April. It will be reduced further to 29.74% in fiscal 2018. Japan's corporate tax is now 32.11%, well above the average 25% among Organisation of Economic Cooperation and Development (OECD) economies, putting its firms at disadvantage against overseas rivals. *(Source: Reuters)*

M&A Securities

STOCK RECOMMENDATIONS

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

SECTOR RECOMMENDATIONS

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

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