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Thursday, December 17, 2015

Report of the Day

Results Review: Gamuda 1Q16 – “Strong Job Flow in the Pipeline”

At a Glance

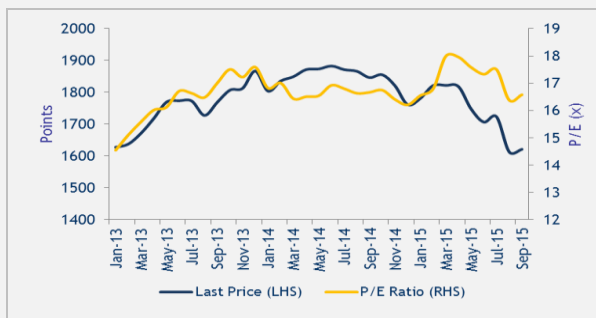
FBMKLCI grew 11.29 points to finish at 1,634.13 lifted by gains on selected heavyweight counters.....(See full report next page)

Corporate Highlights

- **Gamuda, BUY (TP: RM5.80):** 1Q net profit falls 13% amid softer property market, declares 6 sen dividend
- **SapuraKencana, BUY (TP: RM2.55):** Inks US\$2.1b Islamic financing facility
- **CIMB, HOLD (TP: RM4.90):** Joint lead manager, bookrunner for US\$3.5b Indonesian bond sale

Economic Update

- **U.S.:** Fed raises interest rates, citing ongoing US recovery
- **U.S.:** Housing starts surge, permits hit 5-month high
- **South Korea:** Sets lower inflation, growth targets on economic risks



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
JP	14-Dec 7:50 AM	Tankan Large Mfg Index	11.0	12.0	
JP	14-Dec 7:50 AM	Tankan Large Mfg Outlook	11.0	10.0	
JP	14-Dec 7:50 AM	Tankan Large Non-Mfg Index	23.0	25.0	
JP	14-Dec 7:50 AM	Tankan Large Non-Mfg Outlook	22.0	19.0	
JP	14-Dec 12:30 PM	Industrial Production MoM	-	-1.4%	
JP	14-Dec 12:30 PM	Industrial Production YoY	-	-1.4%	
JP	14-Dec 12:30 PM	Capacity Utilization MoM	-	1.5%	
EU	15-Dec 6:00 PM	Employment QoQ	-	0.3%	
EU	15-Dec 6:00 PM	Employment YoY	-	0.8%	
US	15-Dec 9:30 PM	CPI MoM	0.0%	0.2%	
US	15-Dec 9:30 PM	CPI Ex Food and Energy	0.2%	0.2%	
US	15-Dec 9:30 PM	CPI YoY	0.6%	0.2%	
EU	16-Dec 5:00 PM	Markit Eurozone Manufacturing PMI	-	52.8	
EU	16-Dec 5:00 PM	Markit Eurozone Services PMI	-	54.2	
EU	16-Dec 5:00 PM	Markit Eurozone Composite PMI	-	54.2	
EU	16-Dec 6:00 PM	CPI MoM	-	0.1%	
EU	16-Dec 6:00 PM	CPI YoY	-	-	
US	16-Dec 8:00 PM	MBA Mortgage Applications	-	-	
US	16-Dec 9:30 PM	Housing Starts	1130K	1060K	
US	16-Dec 9:30 PM	Buildings Permits	1150K	1150K	
US	16-Dec 10:15 PM	Industrial Production MoM	0.1%	-0.2%	
US	16-Dec 10:15 PM	Capacity Utilization	77.5%	77.5%	
JP	16-Dec 2:00 PM	Machine Tool Orders YoY	-	-17.9%	
US	17-Dec 9:30 PM	Current Account Balance	(\$118.7B)	(\$109.7B)	
US	17-Dec 9:30 PM	Initial Jobless Claims	-	-	
US	17-Dec 9:30 PM	Continuing Claims	-	-	
US	17-Dec 11:30 PM	Leading Index	0.1%	0.6%	
JP	17-Dec 7:50 AM	Trade Balance	-	¥111.5B	
JP	17-Dec 7:50 AM	Exports YoY	-	-2.1	
US	18-Dec 10:45 PM	Markit US Services PMI	-	56.1	
US	18-Dec 10:45 PM	Markit US Composite PMI	0.0	0.0	
CN	10-15 Dec	Money supply M2 YoY	13.4%	13.5%	

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,634.13	11.29	0.70
FBMEMAS	11,430.18	90.09	0.79
FBMEMAS SHA	12,337.18	109.10	0.89
FBM100	11,104.97	87.03	0.79
Volume (mn)	1,674.07	245.36	17.17
Value (RMmn)	1,767.29	106.25	6.40
FBMKLCI YTD Chg			-7.22

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	18.6	3.0
Local Institution	50.9	139.6
Foreign Investors	30.8	-142.6

Top Gainers

	Close	Change+/-	(+/- %)
AJINOMOTO MAL	9.25	0.73	8.57
TOP GLOVE CORP	12.26	0.40	3.37
MALAYSIA AIRPOR	5.60	0.34	6.46

Top Losers

	Close	Change+/-	(+/- %)
NESTLE (MALAY)	72.62	-0.86	-1.17
BAT	53.70	-0.76	-1.40
TAHPS GROUP	6.72	-0.18	-2.61

World Indices

	Close	Change+/-	(+/- %)
DJIA	17749.09	224.18	1.28
NASDAQ	5071.132	75.775	1.52
S&P 500	6061.19	43.4	0.72
FTSE 100	3246.78	5.27	0.16
DAX	17749.09	224.18	1.28
Nikkei 225	19,049.91	484.01	2.61
HSI	21,701.21	426.84	2.01
KOSPI	1,969.40	36.43	1.88
STI	2,844.26	28.74	1.02
KLCI Futures	1599.0	9.5	0.0
USDMYR 3M	13.1	-0.04	0.0
USDMYR 6M	13.1	0.0	0.0
USDMYR 12M	13.10	0.02	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	36	0.2	0.6%
Brent (USD/bbl)	37.2	-1.3	-3.3%
Gold(USD/ounce)	1,070	-2.1	-0.2%
Coal (USD/mt)	52.4	0.0	0.0%
CPO (RM/mt)	2,403	-7.0	-0.3%
Rubber	123	-0.9	-0.7%
RM/USD	4.30	-0.0255	0.59%
EUR/USD	0.91	-0.0002	-0.02%
YEN/USD	121.69	0.01	-0.01%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 224.18 points to 17,749.09 points, S&P 500 increased 29.66 points to 2,073.07. Nasdaq rose by 75.78 points to 5,071.13. U.S. stocks rallied on Wednesday after the Federal Reserve announced it is raising its key policy rate for the first time in nearly a decade in a sign of confidence in the U.S. economy.
- The U.S. central bank said the economy is expected to continue to perform well and a slight increase in the fed funds rate was appropriate, while it recognized that even after this hike monetary policy remains accommodative.

The Local Market

- FBMKLCI grew 11.29 points to finish at 1,634.13 lifted by gains on selected heavyweight counters. There were 525 gainers and 292 decliners in total value traded of RM1.76 billion.
- Among the gainers on Bursa Malaysia were Ajinomoto rose 73 cent to RM9.25, Top Glove up 40 cent to RM12.26, Malaysia Airport gained 34 cent to RM5.60 and Hartalega increased 33 cent to RM6.02.

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

Gamuda, BUY (TP: RM5.80): 1Q net profit falls 13% amid softer property market, declares 6 sen dividend

Gamuda Bhd saw its net profit fall 13% to RM161.23 million or 6.7 sen per share for the first quarter ended Oct 31, 2015 (1QFY16), from RM185.85 million or 8 sen per share a year ago, due to the softening of the Malaysian property market. Revenue for the quarter declined 10% to RM512.80 million from RM569.64 million in 1QFY15. Gamuda declared a first interim dividend of 6 sen per share for the financial year ending July 31, 2016, payable on Jan 29, 2016. (Source: The Edge)

SapuraKencana, BUY (TP: RM2.55): Inks US\$2.1b Islamic financing facility

SapuraKencana Petroleum Bhd has obtained a Murabahah term financing facility of up to US\$2.1 billion (RM9.07 billion) from a consortium of Malaysian, regional and international banks. The oil and gas services provider said its wholly-owned unit SapuraKencana TMC Sdn Bhd (SKTMC) inked the agreement for the facility on Monday (Dec 14). The Islamic facility is a six-year multi-currency facility based on the syariah principle of Murabahah and the proceeds

raised shall be used to refinance SKTMC's existing short-term Islamic facility due in 2016. (Source: The Edge)

CIMB, HOLD (TP: RM4.90): Joint lead manager, bookrunner for US\$3.5b Indonesian bond sale

CIMB Group Holdings Bhd said its unit CIMB Investment Bank had jointly managed the Indonesian government's US\$3.5 billion (RM15.08 billion) bond issuance. CIMB Group chief executive Tengku Datuk Seri Zafrul Aziz said CIMB Investment acted as the joint lead manager and joint bookrunner for the US\$2.25 billion 10-year and US\$1.25 billion 30-year senior unsecured fixed rate notes. (Source: The Edge)

Bioalpha (CP: RM0.30): Plans private placement to raise up to RM4.7m

Bioalpha Holdings Bhd has proposed to undertake a private placement to raise up to RM4.7 million, assuming an indicative issue price of 26.5 sen per placement share, to fund purchase of inventories for Mediconstant Holding Sdn Bhd, after the completion of its acquisition for RM5 million. Bioalpha said the proposed private placement will involve the issuance of up to 17.72 million new shares or 3.82% of the existing issued share capital of the company, at an issue price to be determined and announced later. (Source: The Edge)

Hai-O (CP: RM2.32): 2Q net profit grows 25%, pays 4 sen dividend

Hai-O Enterprise Bhd 's net profit rose 24.7% year-on-year (y-o-y) to RM8.94 million in its second quarter ended Oct 31, 2015 (2QFY16) from RM7.17 million, on higher revenue achieved by its multi-level marketing and wholesale divisions. As such, its 2QFY16 revenue gained 27.5% y-o-y to RM73.59 million from RM57.73 million. In view of the better earnings, Hai-O declared an interim single-tier dividend of four sen for the financial year ending April 30, 2016 (FY16). (Source: The Edge)

Pos Malaysia (CP: RM2.64): Accepts DRB-Hicom's offer

Pos Malaysia40 has accepted DRB-Hicom 's offer for sale of the latter's wholly-owned KL Airport Services Sdn Bhd (KLAS) and a parcel of industrial land in Shah Alam, for RM835.16 million. Pos Malaysia announced in a filing with Bursa Malaysia that it had accepted DRB-HICOM's conditional offer today, and that the sale and purchase agreements (SPA) to effect the transactions would be executed within three months from the acceptance of the offer. (Source: The Edge)

Bina Darulaman (CP: RM0.69): Bags housing project in Kedah worth RM106m

Bina Darulaman Bhd has bagged a construction contract to build 630 units of People's Housing Scheme (PPR) in Kubang Pasu, Kedah, worth RM106 million, inclusive of the goods and services tax (GST). The construction outfit said its wholly-owned subsidiary BDB Synergy Sdn Bhd had received letter of acceptance (LoA) dated Dec 3, 2015 from Ministry of Housing and local government to undertake the job. The LoA was duly accepted by BDB Synergy last Wednesday (Dec 9) and endorsed by Board of Directors of BDB last Saturday (Dec 12). Under the contract, Bina Darulaman is tasked to design, construct and complete a total of 630 units of single-storey terrace houses for the PPR Project in Kubang Pasu, Kedah, for a period of 36 months. (Source: The Edge)

SWS Capital (CP: RM1.14): Aborts private placement

Furniture manufacturer SWS Capital Bhd aborted its planned private share placement, following the Kuala Lumpur High Court's order today. SWS had on Nov 30 this year, proposed to undertake the private placement, which would involve issuance of new shares of up to 10% of the company's issued and paid-up share capital. On Dec 4, SWS major shareholders led by Tan Sri Tan King Tai, had sought legal measures to prevent the company from implementing its private placement. (Source: *The Edge*)

Sedania Innovator (CP: RM0.44): Expands airtime services

Mobile services enabler Sedania Innovator Bhd is expanding its airtime services with its newly-launched 'ShareShare OTT' mobile app. The app allows prepaid mobile subscribers of Celcom, Maxis, DiGi, Tune Talk and U Mobile to top-up, transfer and request airtime credits via its proprietary ShareShare credit, 'Heartz', within and across the various teleco companies. The 'ShareShare OTT' also allows users to go 'over-the-top' (OTT), enabling them to transfer and request airtime inter-telco or across networks, as opposed to the current intra-telco method of enabling the transactions within a specific telco. The app is an extension of Sedania's experience in facilitating Airtime Sharing (ATS) via its proprietary platform. (Source: *The Star*)

Bursa Malaysia (CP: RM8.35): Issues second review on corporate governance disclosures

Bursa Malaysia Bhd has released the second review on the analysis of corporate governance disclosures in annual reports. The review is of 450 issuers listed on the Main and ACE markets, bringing the total to 750 listed issuers' annual reports reviewed over two years, Bursa Malaysia said in a statement on Wednesday. The purpose of the review is to assess the level and quality of disclosures by listed issuers in relation to Bursa Malaysia's relevant listing requirements and the Malaysian Code of Corporate Governance 2012 ("MCCG"), with the objective of elevating corporate transparency and governance practices and disclosure. The consolidated report is useful to both listed issuers and investors as it provides a comparative analysis of corporate governance practices across a wide segment of companies. (Source: *The Star*)

ECONOMIC UPDATES**U.S.: Fed raises interest rates, citing ongoing US recovery**

The Federal Reserve hiked interest rates for the first time in nearly a decade on Wednesday, signaling faith that the U.S. economy had largely overcome the wounds of the 2007-2009 financial crisis. The U.S. central bank's policy-setting committee raised the range of its benchmark interest rate by a quarter of a percentage point to between 0.25 percent and 0.50 percent, ending a lengthy debate about whether the economy was strong enough to withstand higher borrowing costs. (Source: *The Star*)

U.S.: Housing starts surge, permits hit 5-month high

U.S. housing starts in November rebounded from a seven-month low and permits surged to a five-month high, signs of strength in the housing market

that could give the Federal Reserve more confidence to raise interest rates on Wednesday. Ground-breaking jumped 10.5% to a seasonally adjusted annual pace of 1.17 million units, the Commerce Department said on Wednesday. The strong report came as Fed officials were due to resume a two-day monetary policy meeting. The U.S. central bank is expected to raise its benchmark overnight interest rate from near zero at the end of the meeting in what would be the first rate hike in nearly a decade. The move is not expected to derail the housing recovery. *(Source: The Edge)*

South Korea: Sets lower inflation, growth targets on economic risks

South Korean authorities set a new consumer price target and cut economic growth estimates on Wednesday, as falling oil prices and weak global growth pose greater risks for the economy. The Bank of Korea (BoK) said it was setting its new three-year inflation target at 2%, scrapping its current policy of using a targeted band for consumer prices, currently at 2.5% to 3.5%, to lift the economy from low inflation. The Ministry of Strategy and Finance separately cut its growth estimates for 2015 and 2016, with exports expected to remain stagnant while high household debt and an ageing workforce undermine improvements in consumer spending. *(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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