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Friday, February 05, 2016

Report of the Day

Results Review: Maxis 4Q15 – “Earnings Delivered”

At a Glance

FBMKLCI grew 23.47 points to close at 1,656.77 in tandem with the rebound in oil price.....(See full report next page)

Strategy

“Risk Appetite May Be Capped Today”

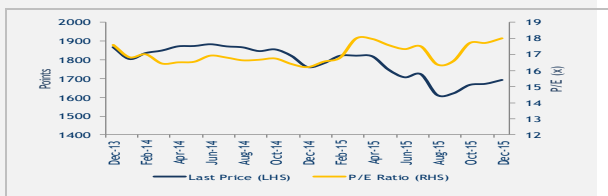
As for today, in view of the long weekend ahead due to CNY holiday, we expect investors to avoid taking big bets especially when solid catalyst is lacking.(See full report next page)

Corporate Highlights

- **Maxis, HOLD (TP: RM6.46):** Q4 earnings up 38% to RM468m
- **SapuraKencana, BUY (TP: RM2.55):** Bags RM1.58 billion contracts, extensions
- **Astro (CP: RM2.65):** Secures English Premier League rights for next 3 seasons

Economic Update

- **Japan:** BoJ not engaging in currency war with negative rates, says Kuroda
- **Eurozone:** Growth forecast cut to 1.7%
- **Mexico:** Keeps Rate Unchanged at 3.25%, Highlights Peso Focus



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
EU	1-Feb	5:00 PM	Markit Eurozone Manufacturing PMI	-	52.3
CN	1-Feb	9:00 AM	Manufacturing PMI	49.6	49.7
CN	1-Feb	9:00 AM	Non-manufacturing PMI	-	54.4
CN	1-Feb	9:45 AM	Caixin China PMI Mfg	48.1	48.2
JP	1-Feb	10:00 AM	Nikkei Japan PMI Mfg	-	52.4
US	1-Feb	9:30 PM	Personal Income	0.2%	0.3%
US	1-Feb	9:30 PM	Personal Spending	0.1%	0.3%
US	1-Feb	9:30 PM	PCE Core MoM	0.1%	0.1%
US	1-Feb	9:30 PM	PCE Core YoY	-	1.3%
US	1-Feb	9:30 PM	Markit US Manufacturing PMI	-	52.7
US	1-Feb	9:30 PM	ISM Manufacturing	48.5	48.2
US	1-Feb	11:00 PM	ISM New Orders	-	49.2
US	1-Feb	11:00 PM	Construction Spending MoM	0.6%	-0.4%
EU	2-Feb	6:00 PM	PPI MoM	-	-0.2%
EU	2-Feb	6:00 PM	PPI YoY	-	-3.2%
EU	2-Feb	6:00 PM	Unemployment Rate	-	10.5%
EU	3-Feb	5:00 PM	Markit Eurozone Services PMI	-	53.6
EU	3-Feb	5:00 PM	Markit Eurozone Composite PMI	-	53.5
EU	3-Feb	6:00 PM	Retail Sales MoM	-	-0.3%
EU	3-Feb	6:00 PM	Retail Sales YoY	-	1.4%
CN	3-Feb	9:45 AM	Caixin China PMI Services	-	50.2
CN	3-Feb	9:45 AM	Caixin China PMI Composite	-	49.4
JP	3-Feb	10:00 AM	Nikkei Japan PMI Services	-	52.2
JP	3-Feb	10:00 AM	Nikkei Japan PMI Composite	-	42.7
US	3-Feb	8:00 PM	MBA Mortgage Applications	-	8.8%
US	3-Feb	9:15 PM	ADP Employment Change	190K	257K
US	3-Feb	10:45 PM	Markit US Services PMI	-	53.7
US	3-Feb	10:45 PM	Markit US Composite PMI	-	53.7
US	3-Feb	11:00 PM	ISM Non-Manif. Composite	55.2	55.3
EU	4-Feb	5:10 PM	Markit Eurozone Retail PMI	-	49.0
US	4-Feb	9:30 PM	Nonfarm Productivity	-1.6%	2.2%
US	4-Feb	9:30 PM	Initial Jobless Claims	-	-
US	4-Feb	11:00 PM	Factory Orders	-0.1%	-0.2%
US	4-Feb	11:00 PM	Durable Goods Orders	-	-
US	4-Feb	11:00 PM	Durable Ex Transportation	-	-
MY	5-Feb	12:00 PM	Exports YoY	-	6.3%
MY	5-Feb	12:00 PM	Imports YoY	-	9.1%
MY	5-Feb	12:00 PM	Trade Balance MYR	-	10.24B
MY	5-Feb	6:00 PM	Foreign Reserves	-	595.1B
JP	5-Feb	1:00 PM	Leading Index C1	-	103.5
JP	5-Feb	1:00 PM	Coincident Index	-	111.9
US	5-Feb	9:30 PM	Trade Balance	(\$42.85B)	(\$42.37B)
US	5-Feb	9:30 PM	Change in Nonfarm Payrolls	205K	292K
US	5-Feb	9:30 PM	Unemployment Rate	5.0%	5.0%

Research Team

research@mna.com.my

03-22877228/03-22825373

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,656.77	23.47	1.44
FBMEMAS	11,520.64	138.25	1.21
FBMEMAS SHA	12,353.10	147.26	1.21
FBM100	11,225.83	140.32	1.27
Volume (mn)	2,052.24	562.82	37.79
Value (RMmn)	2,082.47	281.38	15.62
FBMKLCI YTD Chg			-2.11

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	16.1	-9.1
Local Institution	59.8	-44.8
Foreign Investors	24.1	53.9

Top Gainers

	Close	Change+/-	(+/- %)
NESTLE (MALAY)	74.68	0.56	0.76
PPB GROUP	16.30	0.40	2.52
SIME DARBY	7.78	0.38	5.14

Top Losers

	Close	Change+/-	(+/- %)
BAT	56.20	-1.70	-2.94
KOSSAN RUBBER	7.00	-0.41	-5.53
HARTALEGA	5.18	-0.23	-4.25

World Indices

	Close	Change+/-	(+/- %)
DJIA	16,416.58	79.92	0.49
NASDAQ	4,509.56	5.32	0.12
S&P 500	1,915.45	2.92	0.15
FTSE 100	5,898.76	61.62	1.06
DAX	9,393.36	-41.46	-0.44
Nikkei 225	17,044.99	-146.26	-0.85
HSI	19,183.09	191.50	1.01
KOSPI	1,916.26	25.59	1.35
STI	2,558.49	7.75	0.30
KLCI Futures	1,624.00	22.00	0.01
USDMYR 3M	12.97	(0.06)	(0.00)
USDMYR 6M	13.12	0.02	0.00
USDMYR 12M	13.37	0.03	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	33	-0.2	-0.7%
Brent (USD/bbl)	34.5	-0.6	-1.7%
Gold(USD/ounce)	1,156	0.3	0.0%
Coal (USD/mt)	51.0	0.5	1.0%
CPO (RM/mt)	2,531	-16.0	-0.6%
Rubber	124	2.6	2.1%
RM/USD	4.15	-0.0733	1.77%
EUR/USD	0.89	0.0005	0.06%
YEN/USD	116.84	0.06	-0.05%

What To Expect

U.S. Market

- The Dow Jones Industrials Average surged 79.92 points to close at 16,416.58 points, S&P 500 soared 2.92 points to 1,915.45 points. Nasdaq gained 5.32 points to 4,509.56. Stocks closed slightly higher after a day of choppy trading Thursday as investors digested weaker-than-expected economic data and kept an eye on falling oil prices.
- All eyes now turn to Friday's nonfarm payroll report for hints as to the health of the labor market and the possible timing of additional Fed rate hikes. Analysts are looking for payrolls to grow 188,000 (vs. a 292,000 add in December) with the unemployment rate standing firm at 5%.

The Local Market

- FBMKLCI grew 23.47 points to close at 1,656.77 in tandem with the rebound in oil price. There were 512 gainers and 341 decliners in total value traded of RM2.08 billion.
- Among the gainers on Bursa Malaysia were Nestle (M) gained 56 cent to RM74.68, PPB Group rose 40 cent to RM16.30, Sime Darby up 38 sent to RM7.78 and PetDag increased 36 cent to RM25.60.

Strategy

- **"Risk Appetite May Be Capped Today"**
Wall Street gained some grounds on Thursday helped by steady oil price but risk taking was weighed to some extent over the US impending release of latest unemployment rate on Friday. **S&P 500** and **DJIA** gained **2.92 (0.15%)** and **79.92 (0.49%)** points to end at **1,915.45** and **16,416.58** respectively. Oil price (WTI) managed to stay above the critical level of USD30 per barrel after closing at USD31.52 per barrel. This was enough to keep investors excited. Nonetheless, risk tolerance was capped by Friday's release of US latest unemployment rate data. It is predicted that non-farm jobs in the US to add another 190k of employment in January, paving the way for unemployment rate to get knocked down further. As for today, in view of the long weekend ahead due to CNY holiday, we expect investors to avoid taking big bets especially when solid catalyst is lacking.
- Our 1H16 FBMKLCI target is 1,720 based on PER of 16.5x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on construction, telco and oil and gas respectively. We predict Malaysia to grow by 4.5% in 2016.

CORPORATE HIGHLIGHTS

Maxis, HOLD (TP: RM6.46): Q4 earnings up 38% to RM468m

Maxis Bhd's earnings rose 38% to RM468mil in the fourth quarter ended Dec 31, 2015 from a year ago and for the full year, its earnings were RM1.747bil. The telco announced on Thursday the revenue increased 2.5% to RM2.176bil from RM2.123bil. Earnings per share were 6.2 sen versus 4.5 sen. It announced a dividend of five sen a share. For FY15, its earnings rose 1.2% to RM1.747bil from RM1.725bil in FY14. Its revenue increased by 2.5% to RM8.601bil from RM8.389bil. Elaborating on the FY15 performance, Maxis said service revenue grew 3.8% to RM8.539bil driven by the strong performance of its prepaid business and continued stability of our postpaid segment. *(Source: The Star)*

SapuraKencana, BUY (TP: RM2.55): Bags RM1.58 billion contracts, extensions

SapuraKencana Petroleum Bhd have been awarded contracts and contract extensions with a combined value of US\$382 million (RM1.58 billion). In a filing with Bursa Malaysia yesterday, it revealed that the contracts awarded are two engineering and construction contracts and one drilling contract that was extended. The first contract is for the provision of comprehensive maintenance awarded by Murphy Sarawak Oil Company Ltd to SapuraKencana GE Oil & Gas Services Sdn Bhd, a joint venture between SapuraKencana Services Shd Bhd and GE Power Systems (Malaysia) Sdn Bhd. The 10-year contract is for comprehensive maintenance of GE-supplied turbomachinery equipment under a long-term service agreement. *(Source: The Sun)*

Astro (CP: RM2.65): Secures English Premier League rights for next 3 seasons

Astro Malaysia Holdings Bhd announced that it has won the rights to broadcast English Premier League (EPL) matches for the next three seasons from 2016/17 to 2018/19. The agreement will see all 380 EPL matches every season being made available live on Astro TV in full high definition and on all mobile devices via Astro on the Go (AOTG). In a statement on Thursday, the satellite TV broadcaster's group chief operating officer Henry Tan said the group has strengthened its position as the home of sports and the unrivalled choice of sports fans by winning the EPL rights which covers all matches over the next three seasons. *(Source: The Star)*

Mega First (CP: RM2.32): Medium-term outlook is 'very well', says chairman

Mega First Corp Bhd (MFCB) is set to have a "very well" medium-term outlook moving forward in conjunction with the completion of the group's Laos US\$500 million Don Sahong 260MW hydropower plant, executive chairman Goh Nan Kioh said. "We will try to do our best in the short term, but in the medium term, it will be very well," he told pressmen after the group's extraordinary general meeting yesterday. For the nine-month period ended Sept 30, 2015 (9MFY15), the group posted a net profit of RM62.8 million, up 12.9% from RM55.63 million a year ago; while revenue fell 16.15% to RM429.49 million from RM512.19 million in 9MFY14. *(Source: The Edge)*

AirAsia (CP: RM1.40): AirAsia, MAS win appeal against MyCC fine

AirAsia Bhd and Malaysian Airline System Bhd (MAS) have won their appeal against the Malaysia Competition Commission's (MyCC) fine of RM10 million

each, in what is the commission's most high profile case since inception. In delivering the verdict for the appeal yesterday, High Court Justice Hasnah Mohamed Hashim said the five-member Competition Appeal Tribunal panel unanimously agreed to set aside the fine against both airlines. She said any fines that have been paid shall be refunded. However, spokespersons for both airlines said that no payments were made pending the appeal. *(Source: The Sun)*

Raya International (CP: RM0.27): Diversifies into oil business

Raya International Bhd, which is involved in the distribution of water filter components and the trading of fast moving consumer goods, plans to diversify its principal activities to include oil bunkering and the trading of oil related products. The group is also proposing a special Bumiputera issue of up to 20.50 million Raya shares, representing approximately 12.5% of its issued and paid-up share capital, to Bumiputera investors to be identified later, to raise gross proceeds of up to RM4.51 million, at an indicative price of 22 sen per share. In a filing to Bursa Malaysia, the group said it is no longer manufacturing its water and air filter products since early 2014, as they are not cost competitive against other cheaper and imported products. *(Source: The Edge)*

MKH (CP: RM2.17): Unit to acquire 84% stake in Temara Pekeliling

MKH Bhd's sub-subsidiary Amona Metro Development Sdn Bhd plans to acquire an 84% stake in Temara Pekeliling Sdn Bhd for RM5 million. Amona is a subsidiary of Gabung Wajib Sdn Bhd, which in turn is a subsidiary of MKH. In a filing with Bursa Malaysia today, MKH said Amona has entered into a master share sale agreement with Amona Land Sdn Bhd, Che Hasnadi Bin Che Hassan and Temara Pekeliling Sdn Bhd to pave the way for the acquisition. Amona Land holds a 90% stake in Temara Pekeliling while Che Hasnadi holds the remaining 10%. Temara Pekeliling owns a 1.5-acre leasehold plot of land in Kuala Lumpur, with a 99-year lease expiring on Dec 27, 2084. *(Source: The Edge)*

Technodex (CP: RM0.11): Proposes private placement to raise funds for biz development

E-business enabler Technodex Bhd (TDEX) plans to undertake a private placement of up to 10% of its issued and paid-up share to raise up to RM3.99 million to fund its business development plans and increase its share capital. In a filing with Bursa Malaysia today, the group said the issue price and the investors of the placement shares will be determined later. The placement shares will not be priced lower than its par value 10 sen. The five-day volume weighted average price of TDEX shares up to and including Feb 3, 2016 is 11 sen. *(Source: The Edge)*

Lay Hong (CP: RM9.38): Buys Thai unit to expand its exports market

Lay Hong Bhd announced that it has signed a share sale agreement (SSA) with O&C Resources Bhd, Ong Kah Hoe, Yong Mong Huay and Su Seong Yeen for the acquisition of the entire share base of Takaso SC (Thailand) Ltd for RM8.5 million. In a bourse filing today, Lay Hong said the acquisition is part of its strategy to expand its chicken processing and food processing business overseas and further expand its export market. The company said the local market is already saturated with chicken based products, thus making it challenging to further expand in Malaysia. *(Source: The Edge)*

AmProp (CP: RM0.845): 3Q net profit falls 9.4%

Amcorp Properties Bhd's (AmProp) net profit for the third quarter ended Dec 31, 2015 (3QFY16) fell 9.4% to RM5.33 million or 0.9 sen per share from RM5.88 million or 0.99 sen a year earlier. The lower profit could be due to higher cost of sales, which increased to RM32.25 million in 3QFY16 versus RM24.97 million a year ago, according to its filing with Bursa Malaysia today. Revenue for 3QFY16, however, surged 17.7% to RM46.64 million from RM39.64 million, of which Malaysian property projects contributed RM21.8 million and the renewable energy and contracting division contributed RM24.8 million. *(Source: The Edge)*

ECONOMIC UPDATES**Japan: BoJ not engaging in currency war with negative rates, says Kuroda**

Bank of Japan (BoJ) governor Haruhiko Kuroda said the central bank was not engaging in a currency war by adopting negative interest rates, stressing that the move was aimed at stimulating the economy through lower borrowing costs. He also reiterated the BoJ's determination to push interest rates deeper into negative territory or boost asset purchases further if risks threaten to delay achievement of its 2% inflation target. The BoJ cut a benchmark interest rate below zero on Friday, stunning investors with another bold move to stimulate the economy as volatile markets and slowing global growth threaten its efforts to beat deflation. *(Source: Reuters)*

Eurozone: Growth forecast cut to 1.7%

The European Commission has cut its forecast for economic growth in the eurozone this year. It has cut its prediction for the 19-country bloc in 2016 to 1.7% from the 1.8% it had forecast in November. That figure would still mark a moderate increase from the figure of 1.6% in 2015. The Commission said government spending had been unexpectedly high because of the number of migrants arriving in Europe, which had boosted GDP. But it warned that the crisis posed "major political challenges" that could undercut growth if not properly handled. *(Source: BBC)*

Mexico: Keeps Rate Unchanged at 3.25%, Highlights Peso Focus

Mexico kept its key interest rate unchanged, matching last week's decision by the Federal Reserve, and highlighted concern about the implications of the peso's slump to a record low. Banco de Mexico, led by Governor Agustin Carstens, held the overnight rate at 3.25 percent Thursday as forecast by all 23 economists surveyed by Bloomberg. The board in December lifted borrowing costs for the first time since 2008 to preserve Mexico's yield advantage over the U.S. The central bank moved the peso and the potential for an impact on consumer prices to the forefront of its inflation concerns, saying it will pay special attention to the currency and placing it ahead of monetary posture relative to the U.S. and the outlook for growth. The board had previously signaled the importance of continuing to match future moves by the Fed to prevent capital outflows and financial instability in Latin America's second-largest economy. *(Source: Bloomberg)*

U.S.: Productivity Falls Most Since Early 2014, Labor Costs Jump

Worker productivity slumped in the fourth quarter by the most in almost two years, leading to a pickup in U.S. labor costs that threaten corporate profits. The measure of employee output per hour of work decreased at a 3 percent annualized rate in the final three months of last year, the most since the first quarter 2014. The median estimate of economists surveyed by Bloomberg called for a 2 percent decline. Productivity has languished since the end of the last recession as companies remain hesitant to invest in new technologies, relying instead on new hires to meet demand. Rising labor costs that are unaccompanied by increased efficiency represent a downside risk for already shaky corporate profits. *(Source: Bloomberg)*

U.K.: Bank of England cuts growth forecast

The Bank of England has cut its forecast for economic growth. In its latest Inflation Report, it has cut its prediction for GDP growth this year from 2.5% in November to 2.2%. The central bank also released the minutes of the latest meeting of its interest rate-setting committee. It voted 9-0 to keep interest rates at 0.5%. Ian McCafferty, who had been voting for an increase since August, unexpectedly voted for no change this month. The report downgraded the Bank of England's expectations about what is going to happen to wages. *(Source: BBC)*

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