

PP14767/09/2012(030761)

Wednesday, February 10, 2016

Report of the Day

Results Review: Digi 4Q15 – “Survives the Headwinds”

Company Update: SapuraKencana – “Second Contract Win in 2016”

At a Glance

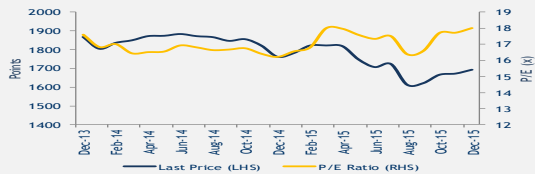
FBMKLCI rose 5.69 points to close at 1,662.46 ahead of the long weekend for Chinese New Year.....(See full report next page)

Corporate Highlights

- **Digi, BUY (TP: RM5.90):** RM382mil profit for Digi
- **CIMB, HOLD (TP: RM4.90):** In partnership talks for its securities business
- **Public Bank, BUY (TP: RM21.38):** Public Mutual declares RM104m distributions for 4 funds

Economic Update

- **Malaysia:** December exports up 1.4% to RM68.3b, below forecast
- **Australia:** Banks under pressure as revenues, dividends seen slowing
- **China:** FX reserves fall \$99.5 bln in Jan



KEY ECONOMIC RELEASE

	Date	Local Time	Event	Survey	Prior
JP	8-Feb	7:50 AM	BoP Current Account Balance	-	¥1143.5B
JP	8-Feb	7:50 AM	Trade Balance BoP Basis	-	(¥271.5B)
US	9-Feb	11:00 PM	Wholesale Inventories MoM	-0.1%	-0.3%
JP	10-Feb	7:50 AM	PPI MoM	-	-0.3%
JP	10-Feb	7:50 AM	PPI YoY	-	-3.4%
US	10-Feb	8:00 PM	MBA Mortgage Applications	-	-2.6%
MY	11-Feb	12:00 PM	Industrial Production YoY	-	1.8%
US	11-Feb	3:00 AM	Monthly Budget Statement	\$1.5B	-
US	11-Feb	9:30 PM	Initial Jobless Claims	-	-
US	11-Feb	9:30 PM	Continuing Claims	-	-
US	11-Feb	10:45 PM	Bloomberg Consumer Comfort	-	-
EU	12-Feb	6:00 PM	Industrial Production SA MoM	-	-0.7%
EU	12-Feb	6:00 PM	Industrial Production WDA YoY	-	1.1%
EU	12-Feb	6:00 PM	GDP SA QoQ	-	0.3%
EU	12-Feb	6:00 PM	GDP SA YoY	-	1.6%
US	12-Feb	9:30 PM	Import Price Index MoM	-1.4%	-1.2%
US	12-Feb	9:30 PM	Retail Sales Advance MoM	0.1%	-0.1%
US	12-Feb	9:30 PM	Retail Sales Ex Auto MoM	0.1%	-0.1%
US	12-Feb	9:30 PM	Retail Sales Ex Auto and Gas	-	0.0%
US	12-Feb	11:00 PM	U. of Mich. Sentiment	93.0	92.0
CN	10-15 Feb	-	Money Supply M1 YoY	13.2%	15.2%
CN	10-15 Feb	-	Money Supply M2 YoY	13.5%	13.3%
CN	10-15 Feb	-	New Yuan Loans CNY	1900.0B	597.8B

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,662.46	5.69	0.34
FBMEMAS	11,526.56	5.92	0.05
FBMEMAS SHA	12,342.82	-10.28	-0.08
FBM100	11,233.80	7.97	0.07
Volume (mn)	1,490.18	-562.05	-27.39
Value (RMmn)	1,677.59	-404.88	-19.44
FBMKLCI YTD Chg			-1.78

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMmn)
Local Retail	16.8	5.9
Local Institution	58.1	-88.9
Foreign Investors	25.1	83.0

Top Gainers

	Close	Change+/-	(+/- %)
DUTCH LADY MILK	48.88	0.88	1.83
PANASONIC MAN	25.36	0.58	2.34
UNITED PLANTA	25.20	0.38	1.53

Top Losers

	Close	Change+/-	(+/- %)
PNE PCB BHD	0.50	-0.05	-9.17
KOSSAN RUBBER	6.49	-0.51	-7.29
PETRONAS DAGA	25.10	-0.50	-1.95

World Indices

	Close	Change+/-	(+/- %)
DJIA	16,014.38	-12.67	-0.08
NASDAQ	4,268.76	-14.99	-0.35
S&P 500	1,852.21	-1.23	-0.07
FTSE 100	5,632.19	-57.17	-1.00
DAX	8,879.40	-99.96	-1.11
Nikkei 225	16,819.59	-225.40	-1.32
HSI	19,288.17	105.08	0.55
KOSPI	1,917.79	1.53	0.08
STI	2,623.21	64.72	2.53
KLCI Futures	1,652.50	2.50	0.00
USDMYR 3M	13.24	(0.09)	(0.01)
USDMYR 6M	13.42	(0.04)	(0.00)
USDMYR 12M	13.57	(0.07)	(0.01)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	28	0.4	1.5%
Brent (USD/bbl)	30.3	-2.6	-7.8%
Gold(USD/ounce)	1,189	-0.5	0.0%
Coal (USD/mt)	50.5	-1.1	-2.0%
CPO (RM/mt)	2,580	49.0	1.9%
Rubber	123	-1.4	-1.1%
RM/USD	4.17	0.0122	-0.29%
EUR/USD	0.89	0.0006	0.07%
YEN/USD	115.24	0.13	-0.11%

What To Expect

U.S. Market

- The Dow Jones Industrials Average surged 12.67 points to close at 16,014.38 points, S&P 500 soared 1.23 points to 1,852.21 points. Nasdaq gained 14.99 points to 4,268.76. Stocks closed near the flatline Tuesday after a choppy trading session as U.S. oil prices seesawed and investors looked ahead to Fed Chair Janet Yellen's testimony.
- The black stuff was hit after the IEA's monthly report said the global oversupply situation had worsened over the past month, that inventories would likely continue to build into the second half of the year, and hopes of a coordinated OPEC/Russia production cut were likely to come to nothing.

The Local Market

- FBMKLCI rose 5.69 points to close at 1,662.46 ahead of the long weekend for Chinese New Year. There were 388 gainers and 412 decliners in total value traded of RM1.67 billion.
- Among the gainers on Bursa Malaysia were Dutch Lady grew 88 cent to RM48.88, Panasonic increased 58 cent to RM25.36, United Plantation gained 38 cent to RM25.20 and KLK up 34 cent to RM23.82.

Strategy

- 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

Digi, BUY (TP: RM5.90): RM382mil profit for Digi

Digi.Com Bhd, which posted a net profit of RM382.36mil in the fourth quarter ended Dec 31, has a fourth and final net dividend of 4.9 sen per share amounting to RM381mil, or an almost 100% payout ratio to shareholders, on March 25. For the full financial year ended Dec 31, 2015 (FY15), a total of 22 sen dividend per share or an equivalent to RM1.711bil has been declared as a continued commitment to deliver shareholder value. In the fourth quarter, Digi's net profit tumbled 31.7% to RM382.36 from RM560mil previously. Its revenue for the quarter stood at RM1.72bil. (Source: The Star)

CIMB, HOLD (TP: RM4.90): In partnership talks for its securities business

CIMB Group Holdings Bhd is in talks with foreign financial institutions to potentially form partnerships for its securities business. The working relationship options it is exploring include selling part of the group's stake in the securities business, sources say. "Investment bankers have arranged meetings between CIMB and foreign financial institutions to discuss potential partnerships. Some partnership scenarios include the local banking group

disposing of some stake in one, or a few, of its securities businesses,” says a source familiar with the matter. Another source notes that the talks are still preliminary. “CIMB wants a partnership structure that can help it improve its cost-to-income ratio, but at the same time does not involve another round of job cuts. From what we understand, CIMB wants to avoid the job-cutting route, if possible,” he says. (Source: *The Edge*)

Public Bank, BUY (TP: RM21.38): Public Mutual declares RM104m distributions for 4 funds

Public Mutual declared distributions amounting to more than RM104mil for four funds for the financial year ended Jan 31, 2016. Public Mutual, which is a unit of Public Bank, said the gross distribution per unit for the Public Index Fund was 2.25 sen per unit. As for the Public Islamic Optimal Growth Fund, it was one sen per unit and for the Public Enhanced Bond Fund, it was 4.75 sen. It declared three sen per unit as distribution for the Public Money Market Fund. Public Index Fund, Public Islamic Optimal Growth Fund and Public Enhanced Bond Fund are funds that are open for EPF Members Investment Scheme. (Source: *The Star*)

Hunza (CP: RM2.84): Puts in motion plans to develop mega project

The slow property market has not stopped developers from planning projects ahead. One of them is Hunza Properties Bhd that is ready to implement the first phase of its RM10bil mixed-development project in Bayan Baru in 2017. This follows the issuance of completion and compliance certificate for its 690 units of low-cost housing to relocate the squatters. Group managing director Khor Siang Gin (*pic*) told *StarBiz* that the group had already submitted the rezoning plans to the local authorities. He said Hunza was now working on the plans related to technical aspect, which will be submitted in the second half of 2016. “The proposed name of the project is Penang International Commercial City, which we expect to commence work in mid-2017. (Source: *The Star*)

CAB Cakaran (CP: RM1.75): Eyes Farm’s Best assets worth RM242m

Integrated poultry producer CAB Cakaran Corporation Bhd is planning to buy some assets of Malacca-based poultry farmer and property developer, Farm’s Best Bhd for RM242 million. Last Friday, CAB Cakaran sent separate letters of intent to three of Farm’s Best wholly-owned subsidiaries – Farm’s Best Food Industries Sdn Bhd (FBF), Sinmah Breeders Sdn Bhd and Sinmah Livestocks Sdn Bhd – to buy their assets. The proposed acquisitions involves the addition of some 301.43ha of broiler farms and 200.22ha of breeder farms as well as other poultry facilities and equipment to CAB Cakaran. The assets are capable of increasing the company’s broiler production capacity by approximately 2.11 million to 2.33 million birds per month, from the current production capacity of approximately 4.5 million birds per month. (Source: *The Sun*)

MISC (CP: RM8.48): Charts higher FY15 earnings but slumps in final quarter

MISC Bhd’s earnings rose 11.9% higher at RM2.46bil in the financial year ended Dec 31, 2015 due to higher energy related shipping business but earnings slumped in the final quarter on higher finance costs and losses from sale of assets. The liquefied natural gas (LNG) shipper said on Friday the higher earnings compared with RM2.04bil from a year ago were supported by the

17.3% rise in revenue. Revenue increased to RM10.91bil from RM9.29bil while group operating profit jumped 54.1% to RM2.84bil from RM1.84bil a year ago. It announced a higher dividend of 22.50 sen for the fourth quarter compared with six sen a share. On the performance, MISC said its energy related shipping (ERS) revenue rose 20.7% to RM7.52bil from RM6.23bil mainly from improved freight rates in the petroleum business. (Source: *The Star*)

ECONOMIC UPDATES

Malaysia: Matrade ready to reap benefits of TPPA

The Malaysia External Trade Development Corp (Matrade) is ready to reap the benefits of the Trans-Pacific Partnership Agreement (TPPA), especially in markets where Malaysia does not have free trade agreements. Matrade chief executive officer Datuk Dzulkifli Mahmud said the trade promotion agency has already formulated strategies, including boosting awareness among potential buyers about the country's products and services. Among the products that would benefit from potential trade under the TPPA are textile, high-end fashion, automotive parts and components, electrical and electronics, nature-based products, and rubber-based products. (Source: *The Star*)

Malaysia: December exports up 1.4% to RM68.3b, below forecast

Malaysia's export value increased by 1.4% to RM68.29bil in December 2015 from RM67.36bil a year ago, which was sharply below a survey of a 4.9% rise due to a slump in petroleum exports. The Ministry of International Trade and Industry (MITI) said on Friday electrical and electronic (E&E) products accounted for more than a third of exports. "E&E products valued at RM24.8bil, with a share of 36.3% of total exports, increased by 6.4% from December 2014," it said. Chemicals and chemical products recorded a 0.5% decline in exports to RM4.69bil. The greatest impact on slowing exports were that of liquefied natural gas (LNG) and petroleum products. (Source: *The Star*)

Australia: Banks under pressure as revenues, dividends seen slowing

Australia's major banks kick off their reporting season this week with their shares suffering the worst start to a year since the global financial crisis, as a slowing mortgage market and tighter capital rules crimp margins and profits. Analysts expect Commonwealth Bank of Australia to post its slowest half-yearly revenue growth since June 2014 on Wednesday, as one of the world's most profitable banking sectors comes under pressure across multiple fronts. Several brokers, including Goldman Sachs and Morgan Stanley, predict the banks' dividends - among the highest in the world - may be cut as regulators ask them to keep aside more capital and on growing risks of higher loan losses. (Source: *The Star*)

China: FX reserves fall \$99.5 bln in Jan

China's foreign exchange reserves, the world's largest, fell by \$99.5 billion in January, the central bank said in a statement on Sunday. Foreign reserves fell to \$3.23 trillion at the end of January, the lowest level since May 2012. The figure was higher than a Reuters poll forecast of \$3.20 trillion. China's gold reserves rose to \$63.57 billion at the end of January, from \$60.19 billion at the end of 2015, the

People's Bank of China said on its website. Gold volume stood at 57.18 million fine troy ounces at the end of January, up from 56.66 million fine troy ounces in December. (Source: *The Edge*)

India: Outpaces China in 2015 economic growth

India's economy grew at an average rate of 7.5% in 2015, faster than the 6.9% growth in China, official figures show. In recent history it has been unusual, but not unprecedented, for India to grow faster than China. According to the IMF it happened in 1981, 1989, 1990 and 1999, and 2015 was the first instance in this millennium. India's government said growth in the October to December quarter was 7.3%, a slight drop on previous quarters which were revised sharply higher. Even though the economy lost steam in the last quarter, its pace of expansion was faster than the growth posted by China in the same quarter. (Source: *BBC*)

Japan: Finance Minister warns against yen rise

Japanese Finance Minister Taro Aso warned on Tuesday against a recent rise in the yen, describing the moves as "rough", a sign that policymakers are concerned the currency's gains may offset the positive effects from "Abenomics" stimulus policy. Japan's top currency diplomat Masatsugu Asakawa echoed the minister's warning, saying that he would closely monitor market moves. Despite verbal warning shots, the dollar fell below 115 yen on Tuesday morning, a low not seen since November 2014. (Source: *The Star*)

U.K.: Goods trade gap biggest on record

The UK's goods trade gap with the rest of the world widened by £1.9bn to a record high of £125bn in 2015, official figures show. The Office for National Statistics also warned the latest figures would have a negative impact on its second estimate of fourth-quarter economic growth. But 2015 also saw a record surplus in the UK's dominant services sector of £90bn. That meant the UK's total trade gap widened by just £300m last year. The overall deficit - the difference between the amount the UK imports and what it exports - stood at £34.7bn in 2015, the ONS said. (Source: *BBC*)

Indonesia: 2015 GDP weakest in 6 years despite acceleration in Q4

Indonesia's economy picked up speed in the fourth quarter but full-year growth was still the slowest since the global financial crisis as weak consumption, investment and exports took a toll on output. Southeast Asia's largest economy grew 4.79% in 2015, underpinned by public spending, data from the statistics bureau showed on Friday. A collapse in prices for its main commodities and cooling growth in major trading partner China, however, weighed on overall growth. Gross domestic product expanded 5.04% in the October–December quarter from a year earlier, faster than the 4.80% expected in a Reuters poll and 4.73% in the third quarter, as investment growth accelerated thanks to rising public 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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A Participating Organisation of Bursa Malaysia Securities Berhad

Level 1,2,3 No.45-47 & 43-6
The Boulevard, Mid Valley City,
Lingkar 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