

# Breakfast Brief

23 March 2016

## Property/ Astro/ Traders Brief/ Trading Idea-

### Ikhmas

#### Industry Insight

Property (Neutral  $\leftrightarrow$ )

Value emerging

- **Average FY15 new sales fell by 12% YoY.** Matrix is the only developer that managed to achieve positive growth in full year sales (+28% YoY).
- **Cautious on FY16 sales target...** Majority of the property developers remain cautious on FY16 outlook with an average sales target growth of 5%.
- **Indicators remained sluggish but sentiment may have bottomed...** Loan application continued to decline YoY basis for twelve straight months. Nevertheless, consumer sentiment may have bottomed given the expected improvement in household income
- **Value emerging with sector trading below -1 std...** Sector valuation is trading at 0.64x P/B, below -1 standard valuation (SD) band vs. crisis level of 0.47x vs. average of 0.82x.
- **Big Caps: IOIPG and SPSB are near bottom valuation...** Under our stock coverage, IOIPG and SPSB are trading close to bottom of 10-year P/B band.
- **Top Picks: IOI Prop (BUY; TP: 2.77) and Matrix Concepts (BUY; TP:RM2.91).** Dividend yield for Matrix is one of the highest in the sector at 7.1%. We also have BUY call on Sunway (TP:3.63).

#### Earnings Evaluation/ Briefing (report)

Astro (BUY  $\leftrightarrow$ )

FY16 Results

- FY16 core PATAMI of RM656.1m was largely in line with ours and consensus' estimates.
- Declared 2.75 sen/share (FY16 DPS: 11.0 sen/share). Ex-date: 04-Apr-16; payment date: 21-Apr-16. Also recommended final-single tier dividend of 1.0 sen/share (payment date to be determined later).
- ARPU grew from RM99.0/month to RM99.3/month. Management maintained its FY17 ARPU target of RM101/month.
- FY17 EBITDA is expected to decline just a tad lower due to higher content costs coming from Rio 2016 Olympics and Euro 2016. FY17 content cost is hedged based on current spot rate of circa RM4.00/US\$.
- Tweaked our model post final results release. FY17 earnings increased slightly by 2%. Introduced FY18 earnings forecast.
- Reiterate **BUY**. TP increased to **RM3.41** based on DCF with WACC of 6.9% and TG of 1.0%.

### Markets Overview

	Close	Daily (%)	YTD (%)
KLCI	1,724.8	0.4	2
DJIA	17,582.6	-0.2	1
FTSE-100	6,192.7	0.1	-1
Shanghai CI	2,999.4	-0.6	-15
Hang Seng	20,666.8	-0.1	-6
STI	2,880.7	0.0	0
MYR/USD	4.0	-1.2	-7
CPO spot (RM/tonne)	2,612.0	0.8	19
Crude oil (USD/bbl)	40.0	0.1	8
FBM Emas	11,943.4	0.3	1
Construction	289.7	1.1	5
Consumer	593.0	0.2	1
Finance	14,698.0	0.1	4
Industrial	3,289.5	0.1	1
MESDAQ	5,731.5	0.5	-10
Plantation	8,060.3	0.2	6
Property	1,192.9	1.1	0
Services	231.8	0.4	1

### Local Movers

	Close	Daily (RM)	Volume (m)	Value (RMm)	YTD (%)
<b>Index Movers</b>					
UMW	7.04	0.4	1	10	-11%
TENAGA	14.00	0.5	34	473	5%
ASTRO	3.00	0.1	3	9	9%
CIMB	4.86	0.1	16	79	7%
SIME	8.00	0.1	5	36	3%
<b>Top Gainers</b>					
SCIENTX	12.94	0.6	1	10	33%
TENAGA	14.00	0.5	34	473	5%
UMW	7.04	0.4	1	10	-11%
ALLIANZ	10.80	0.2	0	0	3%
BAT	55.40	0.2	1	74	-1%
<b>Top Losers</b>					
PANAMY	28.44	-0.5	0	0	17%
LATITUD	5.25	-0.4	0	1	-29%
KOSSAN	5.96	-0.3	5	28	-36%
HARTA	4.56	-0.2	3	12	-23%
TOPGLOV	5.04	-0.2	14	72	-26%
<b>Top Value Traded</b>					
TENAGA	14.0	0.5	34	473	5%
MAYBANK	9.0	0.0	13	117	7%
PBBANK	19.0	0.0	6	111	2%
AIRASIA	1.8	0.0	47	84	36%
CIMB	4.9	0.1	16	79	7%
<b>Top Volume Traded</b>					
HUBLINE	0.01	0.0	114	1	0%
AIRASIA	1.76	0.0	47	84	36%
PALETTE	0.07	0.0	39	3	75%
TENAGA	14.00	0.5	34	473	5%
GLOTEC	0.05	0.0	33	2	-17%

**Traders  
Brief****To test 1727-1744 zones before profit taking pullback**

- Following a decisive downtrend line breakout above 1700 psychological barrier last week, KLCI is expected to retest the upper end of its ST uptrend channel resistance at 1727 (19 Oct 2015 high) and 1744 (3 Aug 2015 high) territory amid dovish stance by global central banks, soaring crude oil and CPO prices, and expectation of further strengthening Ringgit. Weekly supports are 1689-1700.
- We recommend **IKHMAS (Trading idea)**, a leading local piling specialist, as the stock is poised to stage a triangle breakout soon. A decisive breach above RM0.68 will trigger a resumption of uptrend towards RM0.725-0.79 levels. Cut loss at RM0.605.

**Trading  
Idea  
IKHMAS****IKHMAS: Poised for a triangle breakout**

- IKHMAS is a leading local piling specialist with orderbook stood at a healthy RM520m (1.94x FY15 revenue) ~RM300m (1.2x FY14 revenue). Its tender book remains at RM3bn, which comprises infrastructure jobs (50%), piling (30%), superstructure (20%).
- We believe IKHMAS share price appears to be at the tail end of its LT triangle consolidation pattern to launch a breakout soon. A decisive breach above RM0.67 (downtrend line) is likely to spur prices higher towards the RM0.68 (23.6% FR) and RM0.725 (6M high) targets before reaching our long term objective of RM0.79. Key supports are RM0.63 (50% FR) and RM0.62 (lower Bollinger band). Cut loss at RM0.605.

**Newsbrief****Margma unfazed by US ban on powdered surgical gloves**

- The Malaysian Rubber Glove Manufacturers Association (Margma) is unfazed by the United States-based Food and Drug Administration's (FDA) move to ban powdered surgical gloves as the nation is almost a 100 percent powder-free glove market. (BT)

**Sentoria unit bags 2 contracts worth RM110m**

- Sentoria Group Bhd's subsidiary, Sentoria Bina Sdn Bhd, has secured two design and build contracts worth a combined RM110m. (BT)

**CCM to build new plant, warehouse**

- CCM Duopharma Biotech Bhd is building a new plant and a warehouse in Klang, Selangor, at an estimated cost of RM103.7m and RM37.1m, respectively. (BT)

**Petronas Dagangan to focus on inventory management**

- Petronas Dagangan Bhd is concentrating on inventory management, cost and supply and distribution amid the current oil price volatility, says its managing director and chief executive officer Mohd Ibrahimuddin Yunus. (BT)

**UEM Sunrise records RM215m sales from home-ownership drive**

- UEM Sunrise Bhd has sold 129 property units worth RM215m in the central and southern regions via its Signature Selection home-ownership campaign. (BT)

**Sime must do more, says Moody's**

- Moody's investors Service said Sime Darby Bhd's sale of perpetual sukuk still leaves the company needing to lower its dependence on short-term funding for Malaysia's biggest listed palm oil producer to reduce the chances of a further ratings downgrade. (BT)

**More bids for 1MDB Penang land**

- Two more companies have joined the race to bid for 1Malaysia Development Bhd's land in Air Itam, Penang. Suiwah Corp Bhd and Titijaya Land Bhd have put their bids for 94.7ha in Air Itam. (StarBiz)

**Pos: No decision on tariff yet**

- Pos Malaysia Bhd reviewing its tariff structure and business sustainability of the postal services, which includes constant engagement with the authorities. (StarBiz)

**Top Glove moves into healthcare business**

- Top Glove is making a foray into healthcare business via a joint venture with DHS Emergency Asia Sdn Bhd. The JV will have a total paid-up capital of RM2mil. (StarBiz)

**VS Industry buys stake in London firm**

- VS Industry has subscribed to 12.1% equity interest in London-listed vehicle operator monitoring technology firm Seeing Machines Ltd for RM38.6mil. (StarBiz)

**Shell seeking new upstream growth**

- Royal Dutch Shell plc is seeking new opportunities for further growth in its upstream portfolio in Malaysia and to reinforce its joint ventures with Petroliaam Nasional bhd, besides strengthening its position in the retail segment. (FD)

**Motor Insurance de-tariffication in 2017**

- Bank Negara Malaysia (BNM) is likely to announce the details on the de-tariffication of motor insurance 'very soon' and the implementation of the risk-based approach to determine premium calculation could start in phases from 2017, say industry sources. (Malaysian Reserve)

**Retail to see slower growth**

- Retail Group Malaysia, a consultancy that works with major retail giants like Carrefour, Ikano, Tesco and Mitsui Fudosan, predicts retail industry growth this year to be at its much lower than the 10% growth expected by the Malaysia Retail Chain Association, which released its projected figure earlier this month. (Malaysian Reserve)

**Aeon opens new outlet in Shah Alam**

- Aeon Co Bhd, Malaysia's leading retailer, opened a new outlet featuring Islamic and Japanese architecture in Section 13, Shah Alam yesterday. (Malaysian Reserve)

**TSR's Gurun Land sold for RM15m**

- TSR Capital Bhd's unit, TSR Bina Sdn Bhd, has been notified by its joint-venture partner Permodalan Kedah Bhd (PKB) that PKB has agreed to sell a 26.03ha land in Gurun, Kedah to SSL Associates Sdn Bhd for RM15.2m. (Malaysian Reserve)

**Pharmaniaga acquires additional 10% stake in Errita for RM9.6m**

- Pharmaniaga Bhd's wholly owned subsidiary, Pharmaniaga International Inc Sdn Bhd, is acquiring additional 383,328 shares or a 10% interest in PT Errita Pharma from PT Dasar Teknologi for US\$2.4m (RM9.62m). (Malaysian Reserve)

**Economics****US**

- House prices increased 0.5% on a seasonally adjusted basis in January from December, the Federal Housing Finance Agency said, matching the median estimate. Prices climbed 6% from a year earlier. (Bloomberg)
- Chicago Fed President Charles Evans said two rate increases this year are "not at all unreasonable," after the US central bank kept policy on hold last week. (Bloomberg)

**Euro Zone**

- The ZEW index of investor and analyst expectations advanced to 4.3 in March from 1 in the previous month. Economists predicted an increase to 5.4. (Bloomberg)

**Indonesia**

- Rupiah's current level reflects economic fundamentals, Governor Agus Martowardojo said. Going forward, Central bank will guard currency stability in line with fundamentals. (Bloomberg)

**Malaysia**

- The Ministry of Finance tabled a supplementary budget bill to augment its Budget 2015 by an additional RM3.3bn. The government is also seeking to pass another RM2.3bn of liabilities as stipulated in the Order Paper 2 Year 2016 and a motion for its RM391m in development expenditure under Budget 2015. (Financial Daily)
- BNM international reserves amounted to RM412.3bn (US\$96.1bn) as at 15 March 2016, sufficient to finance 8.4 months of retained imports and is 1.2 times the short-term external debt. (BNM website)

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## Equity rating definitions

<b>BUY</b>	Positive recommendation of stock under coverage. Expected absolute return of more than +10% over 12-months, with low risk of sustained downside.
<b>TRADING BUY</b>	Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity.
<b>HOLD</b>	Neutral recommendation of stock under coverage. Expected absolute return between -10% and +10% over 12-months, with low risk of sustained downside.
<b>TRADING SELL</b>	Negative recommendation of stock not under coverage. Expected absolute return of less than -10% over 6-months. Situational or arbitrage trading opportunity.
<b>SELL</b>	Negative recommendation of stock under coverage. High risk of negative absolute return of more than -10% over 12-months.
<b>NOT RATED</b>	No research coverage and report is intended purely for informational purposes.

## Industry rating definitions

<b>OVERWEIGHT</b>	The sector, based on weighted market capitalization, is expected to have absolute return of more than +5% over 12-months.
<b>NEUTRAL</b>	The sector, based on weighted market capitalization, is expected to have absolute return between -5% and +5% over 12-months.
<b>UNDERWEIGHT</b>	The sector, based on weighted market capitalization, is expected to have absolute return of less than -5% over 12-months.