

PublicInvest Research Daily

KDN PP17686/03/2013(032117)

Wednesday, May 17, 2017
INDICES

	LAST CLOSE	CHG	% CHG
KLCI	1,778.15	-0.50	0.0
DOW	20,979.75	-2.19	0.0
S&P 500	2,400.67	-1.65	-0.1
NASDAQ	6,169.87	20.20	0.3
FTSE-100	7,522.03	67.66	0.9
SHANGHAI	3,112.96	22.74	0.7
HANG SENG	25,335.94	-35.65	-0.1
STI	3,227.71	-36.50	-1.1
NIKKEI 225	19,919.82	49.97	0.3
JCI	5,647.00	-41.87	-0.7

MARKET ACTIVITY

VOL(m) VAL(RMm)
3,515.39 3,840.27

BURSA'S MARKET SHARE (%)

Retail	22.7%
Institutional	58.7%
Foreign	18.6%

KEY COMMODITIES

	LAST CLOSE	CHG	% CHG
KLCI FUTURES (May)	1,773.00	-4.50	-0.3
OIL - BRENT (USD/b)	51.65	-0.17	-0.3
CPO FUTURE (RM/ton)	2,610.00	-74.00	-2.8
RUBBER (RM/kg)	632.00	5.50	0.9
GOLD (USD/Ounce)	1,237.06	6.37	0.5

FOREX

	LAST CLOSE	% CHG
MYR/USD	4.32	-0.2
MYR/SGD	3.09	-0.1
YUAN/MYR	1.59	0.1
YEN/MYR	26.30	0.3
MYR/EURO	4.77	0.6
MYR/GBP	5.57	-0.5

TOP MOVERS IN MALAYSIA MARKET

TOP 5 VOLUME	LAST CLOSE	VOL (m)
ISKANDAR WATERFR	1.98	272.02
NETX HOLDINGS BH	0.08	177.88
PWORTH	0.25	90.47
MALTON BHD	1.78	72.16
AIRASIA X BHD	0.50	57.44

TOP 5 GAINERS	LAST CLOSE	RM (+)
PETRONAS GAS BHD	19.70	1.12
TIME DOTCOM BHD	9.25	0.46
AEON CREDIT SERV	18.64	0.44
PETRONAS DAGANGA	24.40	0.34
MALAYSIAN PAC IN	13.20	0.30

TOP 5 LOSERS	LAST CLOSE	RM (-)
BRIT AMER TOBACC	44.90	-1.04
DUTCH LADY MILK	58.30	-0.60
LAFARGE MALAYSIA	6.00	-0.43
HONG LEONG FINAN	17.16	-0.30
IHH HEALTHCARE B	5.92	-0.25

Gainers – 412 Losers – 497 Unchanged – 410

Research Team

T 603 2268 3000

F 603 2268 3014

E research@publicinvestbank.com.my

HIGHLIGHTS
Serba Dinamik: Bright Prospects Reaffirmed (SDH MK, Outperform, TP: RM2.85)

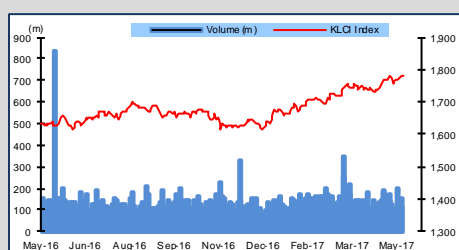
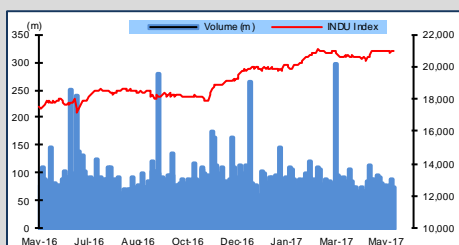
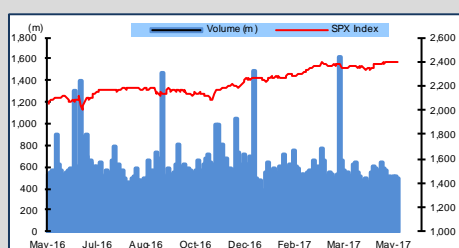
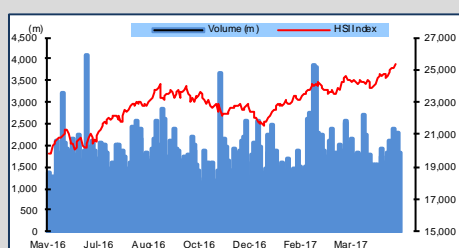
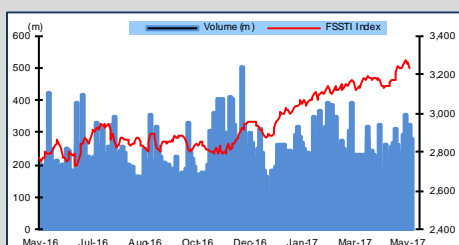
Serba Dinamik's share price performance has exceeded our expectations since its IPO listing on 8 February 2017, meeting our initial fair value of RM2.05. With positive recent developments still reinforcing our view that medium to longer term prospects remain bright, we are formalizing our coverage on the Group with an **Outperform** call, supported by our TP of RM2.85 pegged to a 12x PE multiple, based on our FY18F EPS of 23.8 sen. We like Serba Dinamik for its engineering solutions to the oil and gas (O&G) and power generation industries supported by its core operations and maintenance (O&M) services and engineering, procurement, construction and commissioning (EPCC) works. Growth prospects are from international markets such as the Middle East regions while leveraging on its expertise to expand into the power generation sector as an asset owner, contractor and operator. Please refer to the earlier report dated 18 January 2017 for detailed discussions on the company background and business overview. This current report addresses its growth drivers and financials.

Dialog: Exceeding Expectations (DLG MK, Outperform, TP: RM2.15)

Dialog's 9MFY17 performance is commendable with revenue recording RM2.4bn (+33.4% YoY), exceeding ours and consensus' estimates, meeting 94.9% and 86.5% respectively. Earnings, in tandem with the higher revenue rose to RM267.1m (+32.7% YoY), meeting 69.6% and 84.3% of ours and consensus' respectively. The strong results are mainly attributed to higher JV contributions from the Pengerang Independent Terminal projects. Going forward, Dialog's involvement and hence prospects in the Pengerang area would continue to ensure the delivery of even better results. Dialog's **Outperform** recommendation is reaffirmed, supported by our higher sum-of-parts-derived TP of RM2.15 (previously RM2.05). Since our initiation on 27 March 2017, the share price has risen 12.4% this reaffirming our view that the Group is poised for a re-rating in valuation. We have adjusted our FY17F-FY19F revenue and earnings between 15%-18% and 12%-21% respectively to account for stronger contribution from its traditional businesses. An interim cash dividend of 1.2sen was also declared in line with the higher profit achieved, also higher than the historical interim of 1.0sen.

IOI Corp: Earnings On Track (IOI MK, Neutral, TP: RM4.60)

IOI Corp would have posted a core net profit of RM852.7m for 9MFY17, making up about 76.8% and 71.4% of our and consensus full-year earnings forecasts after stripping out i) net FX translation loss on FX-denominated borrowings (RM410.8m), ii) FX gain (RM25.9m), iii) net loss on derivatives (RM25.4m) and iv) net loss on biological assets (RM6.9m). No dividend was declared for the quarter. Plantation segment delivered encouraging results for the quarter, led by an increase in both CPO prices and FFB production. We believe earnings should be on track in 4Q given that FFB production is on course to recover further following the waning effect of dry weather pattern. Following the recent downward revision in our CPO price forecast, our TP for IOI Corp has reduced from RM4.78 to RM4.60 with an unchanged **Neutral** call.

FBM KLCI

DOW JONES

S&P 500

HANG SENG

STRAITS TIMES


Source: Bloomberg, PublicInvest Research

HEADLINES

Economy

- § **US: Drops in housing starts, permits show sector weakness.** Unexpected declines in US new-home construction and building permits in April indicate the market is off to a weak start this quarter, government data showed. Residential starts fell 2.6% to 1.17m annualized rate, lowest since Nov, following revised 1.2m pace in the prior month. Permits decreased 2.5% to 1.23m annualized pace from 1.26m. The decline in starts was driven by a 9.2% drop in multifamily construction. (Bloomberg)
- § **US: Industrial production rises most in more than three years.** American factories flexed some muscle in April, boosting output by the most since Feb 2014 in broad fashion. Along with gains at mines and utilities, total industrial output was also the strongest in more than three years, Federal Reserve data showed. Factory production rose 1% after a 0.4% drop in March. Total industrial production, which also includes mines and utilities, also increased 1% after a revised 0.4% gain. (Bloomberg)
- § **EU: Coeure says ECB unfazed by rise in long-term yields in Euro area.** An increase in long-term bond yields hasn't affected the European Central Bank's policy stance and euro-area financial conditions remain "highly supportive" for the economic recovery, Executive Board member Benoît Coeuré said. The rise in yields appears to reflect market participants pricing out the risk of deflation, which was "certainly good news," he said, citing an ECB analysis of inflation-linked swap rates. (Bloomberg)
- § **UK: Hopes of speedy trade deal dented not derailed by EU.** UK Prime Minister Theresa May's ambitions for a sweeping and speedy post-Brexit trade deal with the European Union were dented yet not derailed as the bloc's top court resisted handing full veto powers over such accords to national assemblies. The European Court of Justice said that Singapore's free-trade pact with the EU must be voted on by all 28-member parliaments before it can become legal, erecting a potential obstacle to any future agreement between the UK and the EU. (Bloomberg)
- § **China: Gives markets a break as deleverage fever begins to ease.** China's embattled investors may be finally catching a break. After spearheading a deleveraging campaign that wiped some USD500bn from local stocks and debt, the central bank boosted cash injections this week and provided more seven-day funds, the cheapest form of financing it offers. A quarterly report from the People's Bank of China late Friday signaled that officials see little need to drive interbank rates any higher, and they've refrained from increasing borrowing costs since mid-March. (Bloomberg)
- § **India: RBI targets Rupee forwards as cash flood curbs spot intervention.** India's central bank is increasingly turning to the forwards market for currency intervention, as a banking system already flooded with cash limits its ability to act in the spot market. The Reserve Bank of India bought USD8bn of foreign currency in the forwards market in March, latest official data released this month showed, as the rupee capped its best 1Q performance in four decades. The purchase was the highest in almost three years, according to calculations by Bloomberg News. (Bloomberg)

Markets

- § **CAB Cakaran: To buy factory in Singapore for processing meat products.** CAB Cakaran Corp's 51%-owned subsidiary Tong Huat Poultry Processing Factory Pte Ltd (THPPF) has accepted the option to purchase a factory in Singapore for SGD6.05m (RM18.67m). CAB Cakaran said the property, which is now vacant, was previously used for the manufacturing of bread, cakes and confectionery. THPPF would use it to process and package meat products in view of the increase of its production capacity. Singapore-based THPPF was granted the option by Swee Heng Bakery Pte Ltd to purchase the factory at Senoko Crescent in the island republic. (The Edge)

- § **Oriental Food: Buys back 10% share in property arm to settle winding-up claim.** Snacks and confectionery maker Oriental Food Industries Holdings announced that it has acquired an additional 100,000 shares, equivalent to 10% of the issued and paid-up capital, in its property development subsidiary OFI Properties SB, for RM500,000. Upon completion, Oriental Food will tighten its grip in OFI Properties, with a 99.99% stakes, while the balance one share will be owned by Chen Chuan. (The Edge)

- § **Eversendai: Secures contracts worth RM1.3bn in 2017.** Eversendai Corp said it has secured projects worth RM557.6m to-date, bringing a total of RM1.3bn projects secured for the year 2017. Eversendai said one of the prominent projects secured in India for the year 2017 was a project with Piramal Realty, a real estate development arm of one of India's leading business conglomerate, the Piramal Group. Eversendai was awarded the ultra-modern Piramal Revanta project, projected to be the next referral icon in the Mumbai Skyline. This was part of 5 other projects the group secured in India which brings the accumulative total of RM356.9m. (StarBiz)

- § **Kenanga: To take full control of futures broking subsidiary.** Kenanga Investment Bank (KIBB) is acquiring the remaining 27% stake in Kenanga Deutsche Futures SB (KDF) that it does not own. The independent investment bank said it was buying the 1.35m shares in the futures broker from its substantial shareholder Deutsche Asia Pacific Holdings Pte Ltd for RM10m, based on KDF's net tangible assets (NTA) per share as at Dec 31, 2016. KIBB said the proposed purchase would allow it to have full control over KDF, enabling efficient decision making process and allowing KIBB to take a long-term strategy. (StarBiz)

- § **Grand-Flo: Trims stake in Thai broadband firm for RM13.35m.** Grand-Flo is trimming its stake in an associate, Thai-based IT services and broadband firm Simat Technologies Public Co Ltd, by 8.086% for THB106.56m or RM13.35m, as part of its move to gradually dispose of its investment in Simat. Grand-Flo said the proposed disposal, from which it expects to record a disposal gain of some RM8.17m for FY17, was due to the declining level of synergy between the group and Simat in recent years. (The Edge)

- § **Inari Amertron: Sees big rise of nearly 140% in 3Q net profit.** Inari Amertron posted a 139.13% increase in net profit to RM51.18m for 3QFY17 from RM21.4m a year earlier. The group attributed the rise in profit to higher demand for its products and changes in product mix. For 9MFY17, the group's net profit rose 49.75% to RM162.23m, from RM108.34m a year earlier. Going forward, Inari Amertron said the group remains cautiously optimistic in delivering positive performance in FY17 from its continuing manufacturing activities in the Wireless RF and Optoelectronics operations. (The Edge)

MARKET UPDATE

§ The FBM KLCI could trade within a tight range today after a mixed performance of the global equity markets overnight. On Wall Street, the Nasdaq closed at a record for a second session in a row Tuesday as the Dow industrials and S&P 500 finished fractionally lower amid political uncertainty in the US. At the closing bell, the S&P 500 index declined 1.65 points, or less than 0.1%, to finish at 2,400.67, for its 15th straight session with a daily change of 0.5% or less. Meanwhile, the Nasdaq Composite Index rose 20.20 points, or 0.3%, to end at a record 6,169.87, after touching an intraday record of 6,170.16 and the Dow Jones Industrial Average slipped 2.19 points, or less than 0.1%, to close at 20,979.75. As for economic news, US housing starts fell 2.6% in April, coming in below expectations. Separately, industrial production grew at the fastest monthly rate in more than three years, topping analysts' forecasts. Across the Atlantic, European stocks finished slightly lower, with declines in automobile shares and a rise in the euro drawing Germany's benchmark down from its previous record. Performance-wise, Germany's DAX 30 ended flat at 12,804.53, the UK's FTSE 100 rose 0.9% to end at 7,522.03 and France's CAC fell 0.2% to finish at 5,406.10.

Back home, the FBM KLCI index lost 0.50 of a point or 0.03% to 1,778.15 points. Trading volume decreased to 3.51bn worth RM3.84bn. Market breadth was negative with 412 gainers as compared to 497 losers. In the region, stock markets across Asia-Pacific lacked direction, with gains for regional energy and mining firms thanks to a jump in commodity prices. After two sessions in the red, Japan's headline stock index rose and closed in on the key 20,000-point level, helped by gains in energy stocks. If the index breaks through this level it would be the first time it has done so since the end of 2015. The Nikkei Stock Average added 0.3% at 19,919.82. Elsewhere, a boost from commodity-exposed stocks lifted Australia's S&P/ASX 200 by 0.2% while Shanghai Composite Index added 0.7%, Hong Kong's Hang Seng Index eased 0.1% and South Korea's Kospi Index rose 0.2%.

ECONOMIC MONITOR (Announcements over next 7 days)

<u>Date</u>	<u>Economic Release</u>	<u>Period</u>	<u>Consensus</u>	<u>Previous</u>
12-18 May	China FDI YoY	Apr	--	6.7%
17-May-17	Eurozone CPI YoY	Apr	1.9%	1.5%
17-May-17	Malaysia CPI YoY	Apr	4.5%	5.1%
18-May-17	US Initial Jobless Claims	13-May	240K	236K
19-May-17	Eurozone Consumer Confidence	May	-3.0	-3.6
19-May-17	Malaysia GDP YoY	1Q	4.7%	4.5%
19-May-17	Malaysia BoP Current Account Balance	1Q	RM5.3bn	RM12.2bn
22-May-17	Malaysia Foreign Reserves	15-May	--	USD96.1bn
23-May-17	US New Home Sales	Apr	625K	621K
24-May-17	Euro-Zone Markit PMI Manufacturing	May	--	56.7
24-May-17	Euro-Zone PMI Services	May	--	56.4
24-May-17	US Markit PMI Manufacturing	May	--	52.8
24-May-17	US Existing Home Sales	Apr	5.67M	5.71M

CORPORATE MONITOR

COMPANY VISITS / BRIEFING

<u>Company</u>	<u>Date</u>	<u>Time</u>
Hua Yang	18-May-17	10.00am
Taliworks	22-May-17	5.00pm
Kerjaya Prospects	25-May-17	12.30pm
Sime Darby	31-May-17	4.00pm
Icon Offshore	1-Jun-17	10.00am

RESULTS

<u>Company</u>	<u>Financial Quarter</u>	<u>Date</u>
Century Logistics	1QFY17	18-May-17
KLK	2QFY17	22-May-17
Mega First Corporation	1QFY17	22-May-17
Prestariang	1QFY17	22-May-17
Malakoff	1QFY17	23-May-17
AAX	1QFY17	23-May-17
Ta Ann	1QFY17	23-May-17
Star Media Group	1QFY17	23-May-17
Felda Global Ventures	1QFY17	23-May-17
TSH Resources	1QFY17	24-May-17
Genting Plantations	1QFY17	24-May-17
Jaks Resources	1QFY17	24-May-17
Genting Malaysia	1QFY17	25-May-17
Genting	1QFY17	25-May-17
Axiata	1QFY17	25-May-17
Magnum	1QFY17	25-May-17
AirAsia	1QFY17	25-May-17
Media Prima	1QFY17	29-May-17
QL Resources	4QFY17	29-May-17
Bumi Armada	1QFY17	29-May-17
DRB-Hicom	4QFY17	31-May-17
Sime Darby	3QFY17	31-May-17
Bermaz Auto	4QFY17	15-Jun-17

CORPORATE MONITOR

IPO LISTING

<u>Company</u>	<u>Listing Sought</u>	<u>Issue Price (RM/Share)</u>	<u>No. Of Shares</u>		<u>Closing Application Date</u>		<u>Listing Date</u>
			<u>Public Issue</u>	<u>Offer For Sale</u>	<u>Retail</u>	<u>Institutional</u>	
Inta Bina Group	Ace	0.25	107,051,800	26,763,000	15-May-17		25-May-17
Cabnet Holdings	Ace	0.56	11,000,000	-	8-May-17		22-May-17

OFF-MARKET TRANSACTIONS (>1,000,000)

16-May-2017

<u>Company</u>	<u>Volume</u>	<u>Value (RM)</u>	<u>Average Price (RM)</u>
SP Setia Group	10,150,000	36,740,000	3.62
Berjaya Assets	1,170,000	1,400,000	1.20
UEM Sunrise	2,000,000	2,560,000	1.28
G3 Global	6,211,300	8,700,000	1.40

ENTITLEMENTS

<u>Company</u>	<u>Particulars</u>	<u>Gross DPS (RM)</u>	<u>Announcement Date</u>	<u>Ex-Date</u>	<u>Lodgement Date</u>	<u>Payment Date</u>
RHB Bank	Single-tier final dividend of 7 sen	0.070	2-May	15-May	17-May	29-May
Chemical Co of Malaysia	First Interim Dividend 2.50 Sen	0.025	28-Apr	15-May	17-May	1-Jun
Hume Industries	An interim single tier dividend of 2.0 sen	0.020	27-Apr	15-May	17-May	31-May
Paos Holdings	Second Interim Single Tier Dividend of 0.80 sen	0.008	27-Apr	15-May	17-May	31-May
Xidelang Holdings	Share Consolidation 4 : 1		31-Mar	15-May	17-May	
AFFIN Holdings	Single-tier dividend of 4.5 sen	0.045	30-Mar	15-May	17-May	31-May
Nestle Malaysia	Final Dividend Single tier T.E. RM1.30	1.300	28-Feb	16-May	18-May	8-Jun
Dancomech Holdings	Subdivision of every 1 ordinary share into 2 new ordinary shares		3-May	16-May	18-May	
Dancomech Holdings	Free Warrants Issue 1 Warrant for every 2 ordinary shares held after Share Split		3-May	16-May	18-May	
KIP REIT	Interim income distribution of 1.0 sen	0.010	27-Apr	16-May	18-May	30-May
Southern Steel	Interim single tier dividend of 3.0 sen	0.030	27-Apr	16-May	18-May	1-Jun
Ajiya	Final Single Tier Dividend 2 sen	0.020	29-Mar	17-May	19-May	6-Jun
Sunway Real Estate Investment Trust	Third Income Distribution 2.37 Sen per unit	0.0237	3-May	18-May	22-May	6-Jun
Tune Protect Group	Final Single Tier Dividend 5.2 Sen	0.052	29-Mar	18-May	22-May	15-Jun
	Single-tier T.E.					
Tenaga Nasional	Interim Single-Tier Dividend 17.0 Sen	0.170	3-May	18-May	22-May	31-May
Fraser & Neave Holdings	Interim Single tier Dividend 27 Sen	0.270	3-May	19-May	23-May	15-Jun
MISC	First Tax Exempt Dividend of 7 sen	0.070	4-May	19-May	23-May	31-May
Cypark Resources	Single tier final dividend (with Dividend Re-Investment Plan)	0.052	5-May	19-May	23-May	22-Jun

TE- Tax Exempt



RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

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

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PUBLIC INVESTMENT BANK BERHAD (20027-W)

9th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur
T 603 2268 3000
F 603 2268 3014
Dealing Line 603 2268 3129