Maybank IB Research

PP16832/01/2012 (029059)

VIEWS & NEWS 30 November 2011

Key Indices	Value	YTD (%)	Daily (%)
KLCI	1,444.7	(4.9)	0.9
JCI	3,687.8	(0.4)	1.4
STI	2,688.1	(15.7)	1.7
SET	988.1	(4.3)	2.2
HSI	18,256.2	(20.7)	3.2
KOSPI	1,856.5	(9.5)	4.5
TWSE	6,988.7	(22.1)	3.0
DJIA	11,555.6	(0.2)	2.9
S&P	1,195.2	(5.0)	3.2
FTSE	5,337.0	(9.5)	3.3
RM/USD	3.169	3.4	(1.0)
CPO (1mth)	3,058.0	(19.8)	(0.4)
Crude Oil (1mth)	99.8	9.2	3.1
Gold	1,715.4	21.4	2.4

TOP STOCK PICKS

Buy rated large caps	Price	Target
Petronas Chemicals	5.90	8.15
Telekom	4.25	4.60
Gamuda	2.99	4.10
Sports Toto	4.15	4.85

Buy rated mid-caps	Price	Target
MPHB	2.57	3.64
Hartalega	5.64	6.80
Axis REIT	2.59	2.75

COMPANY UPDATE

Malaysia Airports Holdings RM6.09: Buy

KLIA2 no longer a low cost terminal *Shariah-compliant*

Management comes clean. MAHB, at an analyst briefing yesterday, revealed the latest development of KLIA2. In a nutshell, the project size is much bigger than originally planned with a capacity of 45m (versus 30m, +50% increase), completion date has been pushed to Apr 2013 (previous Oct 2012) and the project cost has soared to RM3.6-3.9b (versus RM2.0-2.5b, +56%-80% increase). Management asserts new IRR of >10% (our original estimate 13.2%). We are assessing the impact to our earnings model and place MAHB under review.

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INITIATING COVERAGE

KPJ Healthcare Berhad RM4.18: Buy

Niche specialist with regional dreams *Shariah-compliant*

Initiate coverage with BUY and target price of RM5.10. KPJ is well-positioned to benefit from the fast-growing healthcare sector in Malaysia. This sector has been identified as one of the 12 key pillars in the country's Economic Transformation Programme and is expected to contribute US$10.4b to the Gross National Income by 2020. As a defensive play, KPJ also offers limited revenue downside given its domestic dominance and a wide array of positive demand factors.

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RESULTS REVIEW

RHB Capital RM7.38: Sell

Costs still an issue

Lacklustre. RHB Cap's 3Q11 results were below expectations, with net profit of RM376m down 5% QoQ. Cost pressures remain and are likely to extend into 2012, in our view. Our 2011 and 2012 earnings forecasts are trimmed by 3-5% and our Sell call remains. Our TP is correspondingly lowered to RM6.80 (-3%) on an unchanged 2012 P/BV target of 1.2x (ROAE: 12.7%).

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Hong Leong Bank RM10.40: Hold

No major surprises

Results within. HL Bank's 1QFY12 net profit of RM407m (+40% QoQ, +58% YoY) was within expectations, coming in at 26% of our full-year forecasts and consensus. While fundamentals of the group remain solid post-merger, much of the positives are reflected in its current share price, in our view. Merger benefits are unlikely to flow through just yet, but integration costs will continue to feature. Our Hold call is maintained with an unchanged TP of RM10.60 (1.6x 2012 P/BV, ROE: 14.4%).

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BIMB Holdings RM1.80: Buy

A 50% payout ratio introduced

Results below. BIMB's 3Q11 net profit of RM16.3m (-53% YoY, -74% QoQ) was below expectations due mainly to lower investment income and a higher tax rate. Correspondingly, our 2011 and 2012 earnings are cut by 8% and 6% respectively, while our TP is lowered to RM2.05 from RM2.40 on the earnings revision and a lower 2012 P/BV target of 1.1x (1.2x previously), in line with lower peer valuations. Positively though, the group has introduced a 50% dividend payout ratio, which translates to a decent net yield of 4.8-5.2%. Buy maintained.

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Proton Holdings RM3.09: Sell

Medium-term outlook remains cloudy *Shariah-compliant*

Catalysts lacking; maintain Sell. While results improved QoQ and its share price has appreciated 15% MoM on a rumoured management buy-out, Proton's 'big picture' remains cloudy. Lotus' turnaround will take until 2014 to realize, during which time, its losses will offset positive contributions from Proton's domestic operations and drain cashflow. For this, we see better values from its peers in the short-to mid-term. Our RM2.64 target price is based on 0.3x FY12 P/B.

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Padini Holdings Berhad RM1.05: Buy

Strong earnings momentum *Shariah-compliant*

Excellent growth. Padini's 1QFY12 earnings were strong, with net profit of RM27m up 47% YoY (+49% QoQ). Although above our expectations (1Q is typically a strong quarter), we maintain our forecasts on anticipation that sales could moderate into 2HFY12 on the back of slower domestic consumption. For its strong retail presence and increasingly resilient earnings model through its Brands Outlets, Padini remains a Buy with an unchanged TP of RM1.16 (CY12 PER of 9.2x).

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SECTOR UPDATE

Property: Neutral

Current property demand trends

Demand appears resilient for now. We attended Star Property Fair 2011 over the weekend and were pleasantly surprised by the crowd. On a broader perspective, we reiterate our Neutral stance on the sector in anticipation of slower property sales going forward as we believe that the property cycle is peaking. We, however, expect the pricing/demand for prime-located or LRT/MRT-themed property projects to stay strong.

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Technicals

The FBM KLCI climbed 13.17-points to close at 1,444.72 yesterday. Its resistance areas of 1,448 and 1,462 will cap market gains, whilst the obvious support areas may be located at 1,425 and 1,444. Due to the US markets' quiet tone last night; we may see another benign day for the local index.

Trading Idea is a Short-Term Buy call on TSH.

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Other Local News

YTL Power: Expects YTL Comms to turn around. YTL Power International expects its subsidiary, YTL Communications, to turn around within 2 years. YTL Comms will launch an Android smartphone together with an "easy to understand" price plan in January next year. (Source: The Edge Financial Daily)

Sumatec Resources: PSC could turn Sumatec around. Sumatec Resources has entered into a framework agreement with Markmore Energy (Labuan) Ltd (MELL) and CaspiOilGas LLP (COG) for the award of a PSC for the Shelly oil field in Kazakhstan. The proposed PSC is a 50:50 profit-sharing venture between Sumatec and COG for the 354.5-sq km Shelly oil field, in which COG has the concession until Aug 25, 2025 to explore oil. (Source: The Edge Financial Daily)

AWC: Set to build solar power farm. AWC Bhd is in the running to be the first in Malaysia to put up a solar farm. The solar farm will be capable of generating one-megawatt. It will be fed into the national grid and we'll be able to sell power according to the feed-in tariff according to group CEO cum MD Azmir Merican. (Source: Business Times)

Asia Media: Doing 'live' test broadcasts on buses. Asia Media Group Bhd, the country's largest transit-television network operator, has started testing live television broadcast on 30 buses that ply the Shah Alam and Kelana Jaya route. Asia Media intends to use the technology on all the 1,000-odd Rapid KL buses that service the city once the testing has been completed, banking on the "out-of-home service" to help sustain its earnings momentum. (Source: Business Times)

Outside Malaysia

U.S: Jump in consumer confidence in November as Americans turned less pessimistic on the outlook for jobs and wages, one reason why spending has jumped at the start of the holiday season. The Conference Board's index increased to 56 from a revised 40.9 reading in October, the biggest monthly gain since April 2003, figures from the New York-based private research group showed. (Source: Bloomberg)

U.S: Home prices in 20 cities decrease in September, showing the industry at the center of the 2008 financial crisis continues to struggle. The S&P/Case-Shiller index of property values in 20 cities dropped 3.6% YoY in September from the same month in 2010 after decreasing 3.8% YoY in the year ended August. (Source: Bloomberg)

U.S: Outlook cut to negative by Fitch after the congressional committee's failure to agree on deficit cuts. Fitch's outlook on the U.S., which it still assigns its top AAA grade, reflects "declining confidence that timely fiscal measures necessary to place U.S. public finances on a sustainable path will be forthcoming," making the probability of a downgrade greater than 50% over two years, the company said. (Source: Bloomberg)

U.K: House prices rose for a third month in November, according to Nationwide Building Society, which said growth in property values will "remain soft" and may slip again over the coming year. The average cost of a home rose 0.4% MoM from October to GBP165,798 (USD257,500), the Swindon, England-based customer-owned lender said. From a year earlier, values were up 1.6% YoY.(Source: Bloomberg)

Japan: Jobless rate surged by more than the predictions of 29 economists, adding pressure on the central bank to expand stimulus as Europe's debt crisis deepens and gains by the yen impede the nation's recovery. The unemployment rate increased to 4.5% in October from 4.1% in September, the statistics bureau said. (Source: Bloomberg)

Japan: Factory output rises a more-than-expected in October, as manufacturers boosted output of cars. Factory output increased 2.4% MoM from September, rebounding from a 3.3% MoM drop. (Source: Bloomberg)

S. Korea: Output growth slows in October as Europe woes damp demand. Output rose 6.2% YoY after gaining a revised 6.9% YoY in September, Statistics Korea said. Production fell 0.7% MoM last month from September, when it expanded by revised 1.2% MoM. (Source: Bloomberg)

Australia: The government will cut AUD 6.8b (USD6.7b) in spending to meet Prime Minister Julia Gillard's pledge to deliver a budget surplus as Europe's debt crisis crimps revenue by slowing global growth. The surplus forecast for the fiscal year starting July 1, 2012, was cut to AUD 1.5b from a target of AUD 3.5b in the May budget, the Treasury's midyear review released in Canberra showed. Even as the deficit this year swells to AUD 37.1b from a prior AUD 22.6b estimate, Australia for the first time holds the top grade at all three main credit assessors after Fitch Ratings earlier boosted the nation to AAA. (Source: Bloomberg)

Definition of Ratings
Maybank Investment Bank Research uses the following rating system:
BUY Total return is expected to be above 10% in the next 12 months,
HOLD Total return is expected to be between -5% to 10% in the next 12 months,
SELL Total return is expected to be below -5% in the next 12 months.

Applicability of Ratings
The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs.
Investment ratings are only applicable to the stocks which form part of the coverage universe.
Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.