

Daily Focus

Malaysia Equity Research

12 Mar 2014

Comment

MKH Berhad; Buy; RM4.10
Price Target: RM5.40; MKH MK
Proposed bonus issue

MKH has proposed to undertake a 1-for-5 bonus issue scheduled for completion by 2QCY14. The proposed bonus issue is likely to enhance MKH shares' marketability and trading liquidity which have been very encouraging since we initiated on 2 Jan 14. We believe the proposed exercise will help further improve investors' confidence on the company as it has been consistently rewarding its shareholders (via bonus issues and dividends etc), in tandem with its stellar financial performance. To recap, MKH has been rewarding its shareholders over the past few years with 1-for-10 bonus issues.

We reiterate our high conviction pick on MKH with RM5.40 SOP-derived TP. We firmly believe that MKH is a rare gem that offers both deep value and explosive earnings growth trajectory. Current valuation at 7.5x FY15F EPS remains attractive given the highly visible and strong growth potential.

Highlight

Wing Tai Malaysia; Hold; RM2.09
Price target: RM2.25 (Prev RM2.65); WING MK
Headwinds ahead

Sluggish KL sales, Le Nouvel launch delayed again. Weaker consumer sentiment to affect retail sales; margins dragged by start-up costs. Downgrade to HOLD from BUY, cut TP to RM2.25.

Wired Daily

Today's Market Preview: The benchmark FBM KLCI could pull back slightly today, probably dropping below the intermediate support level of 1,825. This comes after: (a) an abrupt rise towards the last few minutes of trading yesterday; (b) the Mar futures month contract settled at 1,822.5 or a 6.0-point discount to the spot rate yesterday; and (c) the key US equity indices on Wall Street ended between 0.4% and 0.6% weaker overnight.

Against the shaky market backdrop, stocks that may face selling pressures today include Puncak Niaga, Kumpulan Perangsang Selangor and Gamuda, following the latest move by the federal government to exercise its power to compulsorily take over the water concessionaires' assets in Selangor (that are owned by these listed companies). Hoping to buck the negative sentiment are stocks like: (a) Deleum, which has proposed a 1-for-3 bonus issue and 1-into-2 stock split to be implemented simultaneously; (b) MKH, in response to its 1-for-5 bonus issue plan; and (c) Merge Energy, after clinching a water infrastructure contract worth RM158m in Pahang.

Malaysia

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Market Data

	Current	% Chng
FBMKLCI	1,829	0.36
FBMEmas	12,679	0.34
FBM100	12,349	0.35
Daily Volume (m shrs)	1,689	
Daily Turnover (RMm)	2,050	
Daily Turnover (US\$m)	625	

Stock Picks – Big Caps

Company	Price (RM) 11-Mar	Target Price (RM)
Public Bank	19.02	23.00
HLFG	15.52	18.80
IJM Corp	5.86	7.20
MMC	2.80	4.95

Key Indices

(%)	EPS Gth	Div Yield
2012A	3.6	3.2
2013A	4.2	3.0
2014F	9.4	3.0

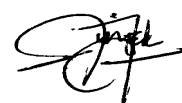
(x)	PER	EV/EBITDA
2012A	18.3	10.9
2013A	17.6	11.2
2014F	16.1	9.9

Stock Picks – Small and Mid Caps

Company	Price (RM) 11-Mar	Target Price (RM)
MKH	4.11	5.40
Bursa Malaysia	7.58	10.10
Muhibbah Engineering	2.84	3.10
TA Enterprise	0.77	1.00

Source: HwangDBS Vickers Research

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