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NAVIGATING MALAYSIA

December 20, 2017

Malaysia Strategy

Navigator 2018: Challenges and Opportunities

- We expect 2018 to be a more volatile and challenging year for the Malaysian market compared to 2017.
- The key challenges include slower GDP growth in 2018, potential cost pressures for businesses, impact from disruptive technologies, and potential earnings risks.
- We expect these concerns to be priced-in in 1H18, and the market should improve in 2H18 due to stronger fund flows, better corporate earnings, and IPO activities.
- We have identified five themes for 2018: 1) beneficiaries of ringgit strength; (2) GE14 plays; (3) BRI and rail theme; (4) PNB transformation; and (5) small-mid cap sectors.
- We lower our KLCI index target for end-2018 to 1,880 from 1,920, based on 15.9x forward P/E (in line with its 3-year mean) after adjusting for the new KLCI constituents.
- We prefer construction, utilities, oil and gas, gloves and small-mid cap sectors for

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Strategy Note

Malaysia

Malaysia Strategy

2018: Challenges and Opportunities

- We expect 2018 to be a more volatile and challenging year compared to 2017.
- Potential challenges include slower GDP growth, cost pressures, competition from disruptive technologies, election cycle and earnings risks from banks and utilities.
- We expect these concerns to be priced-in in 1H18, and the market should improve in 2H18 due to stronger foreign fund flows, better corporate earnings, and IPO activities.
- Our preferred big cap picks for 2018 are Axiata, Dialog and Tenaga.
- We lower our end-2018 KLCI target to 1,880 pts, based on 15.9x forward P/E.

More challenging and volatile 2018?

We expect 2018 to be a more volatile and challenging year for the Malaysian market compared to 2017. We expect the market to be choppy in 1H18, before rising in 2H18. The key challenges include slower GDP growth in 2018, potential cost pressures for Malaysian businesses, impact from disruptive technologies and potential earnings risks for banks and utilities due to changes in accounting standards (MFRS9 for banks) and regulations (utilities).

Opportunities beckon in 2H18

We expect the market to price in most of the above concerns in 1H18, and local and foreign direct investments should improve in 2H18, post-GE14. Factors that could boost market prospects in 2H18 are: (1) potential relief rally and increased foreign funds inflow into Malaysia post GE14; (2) better corporate earnings; (3) slew of construction job awards and potential Chinese investments; and (4) IPO activities picking up pace post GE14 in 2018.

Five key themes for 2018

We have identified five themes for 2018: 1) beneficiaries of ringgit strength – auto, airlines and consumer sectors; (2) GE14 plays – government-linked companies; (3) China's Belt Road Initiative (BRI) and rail theme – construction; (4) PNB transformation – plantation and property; (5) small-mid cap sectors – small-mid cap stocks.

Our top sector picks

Our top sector picks are construction, utilities, rubber gloves, oil and gas, and small caps. We like utilities for their defensive earnings, construction for potential job rollouts and award of projects, rubber gloves for strong demand growth, oil and gas for the earnings recovery story, and small caps for Bursa's on-going research scheme to discover undervalued gems.

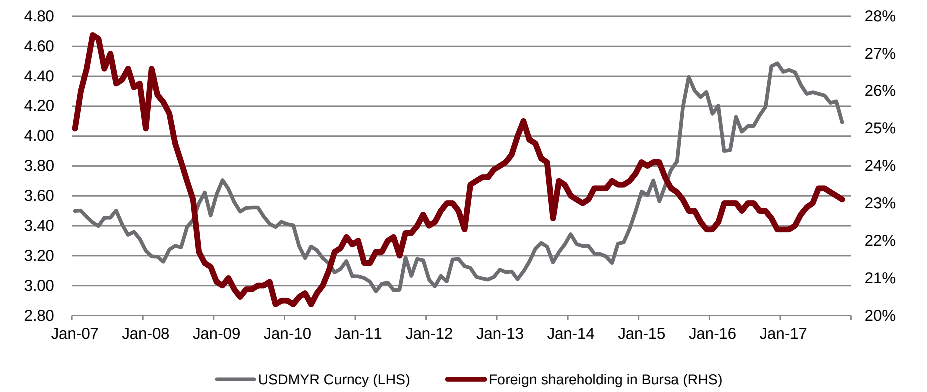
Preferred stocks

Our top big cap picks are Tenaga Nasional for utilities exposure, Dialog for its robust earnings growth, and Axiata on our expectation of an earnings rebound in 2018 and 2019. Our top 3 smaller caps are CCK on its plan to improve its margin by moving into a more profitable product mix as well as a beneficiary of the stronger ringgit, Berjaya Food on its plans to dispose its loss-making overseas entities as well as benefitting from a stronger ringgit, and Bonia on earnings recovery from closure of loss-making boutiques.

Maintain 2017 KLCI target but lower 2018 target to 1,880 points

We reiterate our end-2017 KLCI target of 1,790 pts based on 16x P/E, which is in line with its three-year moving average. However, we lower our 2018 target from 1,920 to 1,880 to reflect recent changes in KLCI constituents. We project that market earnings will rebound by 6% in 2017 and 2018 before accelerating to 9% in 2019.

Figure 1: RM/US$1 against foreign shareholding in Malaysian equity market



SOURCES: CIMB, BURSA, BLOOMBERG

Highlighted companies

Axiata Group
ADD, TP RM6.00, RM5.35 close

We expect Axiata's core EPS to rebound a strong 29%/50% in FY18F/19F due to 1) much higher contributions from XL, 2) net profit breakeven for Airtel by end-2018F, and 3) cessation in equity accounting for Idea's losses post-merger with Vodafone.

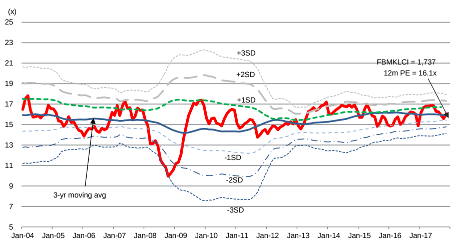
Dialog Group Bhd
ADD, TP RM3.13, RM2.44 close

Dialog is expected to grow its earnings by 58% cumulatively over the next three years, as several of its major projects come on-stream. In addition, it still has a significant amount of land at Pengerang for Phase 3 expansion, which we believe will be triggered soon. Dialog has an attractive low-risk business model, is well managed, but yet is expected to deliver robust earnings growth.

Tenaga Nasional
ADD, TP RM15.70, RM14.90 close

Tenaga offers resilient organic earnings growth potential. In Malaysia, it is building four new power plants, which should raise its generation earnings in 2017-2020F, in our view. In addition, stronger earnings driven by the new assets it acquired in the past year are another potential re-rating catalyst.

P/E chart of KLCI



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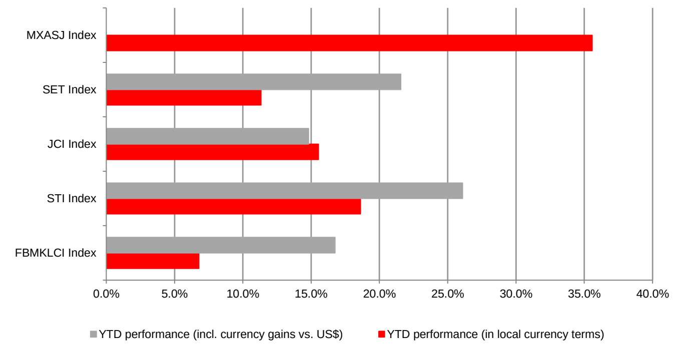
KEY CHARTS

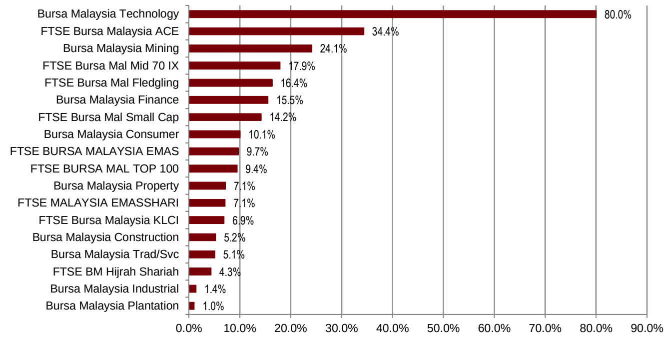
How the KLCI fared in 2017

The KLCI recorded its best 1H performance since 2009, gaining 122 points (or 7.4%) to close at 1,764 points. It was range-bound for the most of 3Q17. However, the market slipped 71 points or 4% from its peak of 1,792 on 14 Jun to close at 1,721 points on 8 Dec 2017. YTD, the KLCI has gained 7% in local currency terms. It posted a stronger 17% gain in US$ term thanks to the strong performance of the ringgit (+10% YTD). However, Malaysia was the worst performing market among the MIST countries in local currency terms. It also significantly underperformed the MSCI All Countries (AC) Asia ex-Japan index, which gained 36% in the same period.



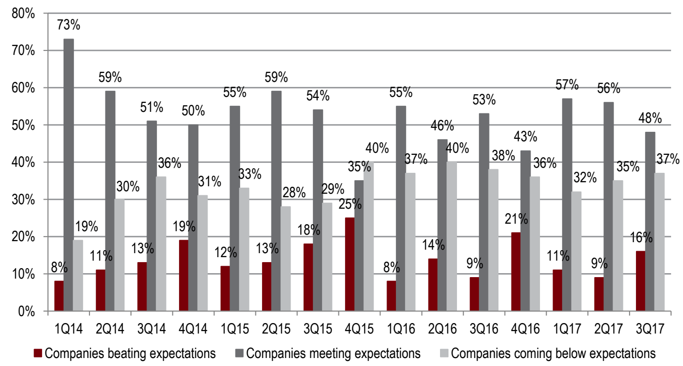
Best and worst performing sectors

The KLCI (FBM KLCI: +6.9%) has underperformed the broader market (FBM EMAS:+9.7%) and small cap index (FBM SmallCap :+14.2%) so far in 2017. YTD, the technology, consumer, finance and small cap indices have outperformed the KLCI. In contrast, the plantation, construction and trading and services were laggards. The top three best FBM KLCI performers in 2017 as at 15 Dec 2017 were CIMB, Genting Malaysia and Hong Leong Bank, while the key laggards were YTL Corp, IJM Corp and Petronas Gas.



Key surprises in 2017

The key positive surprise for us in the Malaysian market was the country's stronger-than-expected GDP growth in 2017. However, we were disappointed by the high ratio of companies whose results came in below expectations despite the strong GDP growth. We believe this was because corporates were impacted by lower profit margins due to the inability to pass on all of their higher operating costs.



Key challenges and opportunities in 2018

Our end-2017 KLCI target remains 1,790 pts but we have lowered our end-2018 KLCI target to 1,880 pts from 1,920 pts, based on 15.9x forward P/E (three-year moving average P/E) to reflect the new KLCI constituents. We expect market EPS to improve by 6% in 2017 and 2018, respectively driven by the banking and chemical sectors.

We see the potential key challenges for businesses in 2018 to be higher operating and finance costs. However, there are opportunities to capture higher spending from consumers (following the cuts in income tax in Budget 2018), improve productivity by reducing reliance on foreign workers, and restructure to improve corporate earnings in 2019. Our top five themes for 2018 are: (1) strong ringgit beneficiaries; (2) GE14; (3) China's Belt Road Initiative (BRI) and rail theme; (4) PNB transformation; and (5) Small -Mid cap sectors.

OVERWEIGHT	NEUTRAL	UNDERWEIGHT
Construction	Agribusiness	Automotive
Gloves	Banks	Tobacco
Insurance	Brewers	
Oil & Gas	Building Materials	
Petrochemicals	Consumer	
Small caps	Food & Beverages	
Utilities	Gaming	
	Healthcare	
	Media	
	Packaging	
	Property Development	
	REIT	
	Semiconductor	
	Telecommunication	
	Transport	

SOURCES: CIMB RESEARCH, BLOOMBERG

Challenges and Opportunities

2017 review

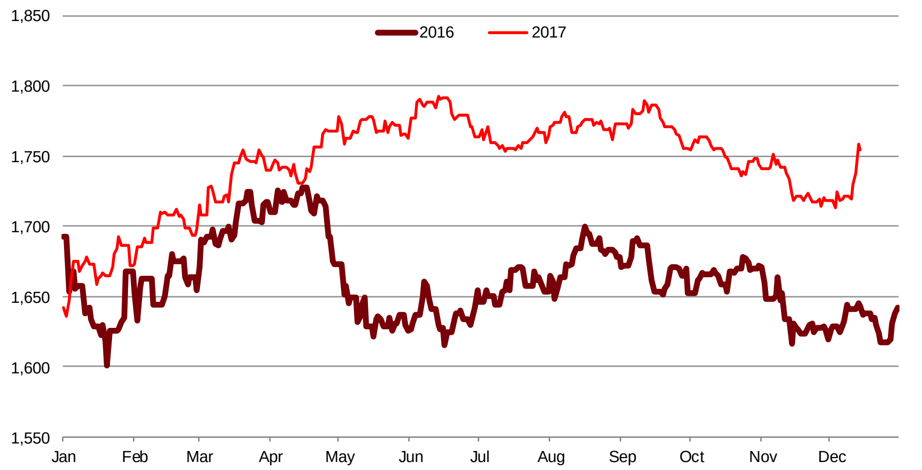
Recap of our market predictions for 2017

In our 2017 Navigator report which was published on 21 Dec 2016, we predicted a challenging 1H17 as we expected consumer spending growth to remain weak ahead of the general elections (GE14). We were concerned that these factors, coupled with a weaker ringgit and uncertainty in global geopolitics and economic growth, could negatively affect sentiment and foreign investment.

We expected some of the uncertainties hanging over the market to clear up and the market to do well in 2H17. Our predictions were premised on M&A activities picking up, higher commodity prices flowing through to the economy, a potential post-GE14 relief rally, and the ringgit rising towards its fair value of RM4.10/US$1.

We then predicted an end-2017 KLCI target of 1,820 pts based on 16x P/E, which is in line with its three-year moving average, and which represented a potential 16.5% upside from our report date. We expected the market to improve on the back of better corporate earnings and foreign funds flows. On 1 March 2017, we lowered our end-KLCI target for 2017 to 1,790 points, due to weaker-than-expected corporate earnings during the 4Q16 results season.

Figure 2: FBMKLCI performance in 2016 and 2017



*data as at 15th Dec 2017
SOURCES: CIMB, BLOOMBERG

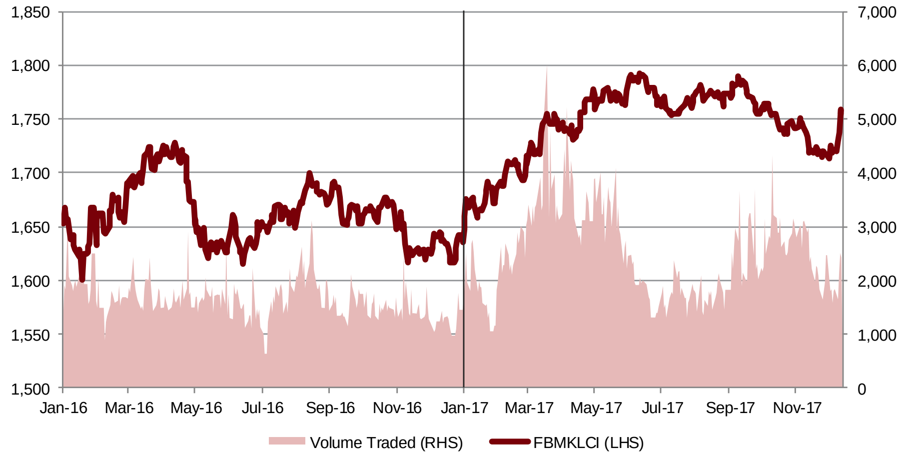
Foreign buying and strong GDP drove 1H17's gains but …

The KLCI rose steadily from 1,642 pts on 30 Dec 2016 to peak at 1,792 points on 14 June 2017 (+9%) before retreating to close the 1H17 at 1,764 pts.

In 1H17, the Malaysian market rose 7.4% and traded in a wider range of 157 points compared to a narrower trading range of 127 points in 1H16.

The improved global market sentiment and higher foreign buying boosted the market's average daily trading value in 1H17 by 32% yoy to RM2.67bn.

Figure 3: Higher domestic participation boosted trading volumes in 2017



*data as at 15th Dec 2017
SOURCE: CIMB, BLOOMBERG

The pace of the increase in KLCI for 1H17 was better than our expectations due to the stronger GDP growth, improving corporate earnings prospects, positive sentiment in the global market, and improved foreign funds inflows.

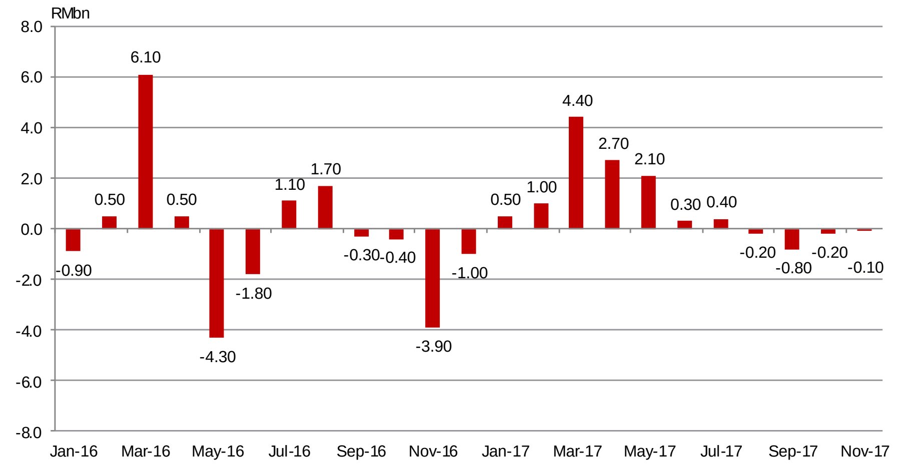
These more than offset our concerns over the uncertain global developments. External headwinds in the form of two US rate hikes in 1H17, fears of a Brexit fallout from the UK economy, and geopolitical risks (the Qatar crisis and North Korean missile launch) were more than offset by projections of stronger global growth prospects. The IMF raised its global economy growth projections to 3.5% for 2017 (previous forecast was 3.4%) and 3.6% for 2018. These represent faster growth rates in global GDP compared to 2016's 3.1%.

… uninspiring corporate earnings led to profit-taking in 2H17

The market started on a positive note in 2H17, climbing to as high as 1,789 points on 12 Sep 2017, before succumbing to profit-taking which led the market to decline by 4% to 1,713 points on 4 Dec 2017.

The profit-taking was due partly to foreign selling, as well as disappointing corporate earnings. Investors were generally disappointed that the stronger-than-expected 3Q17 GDP growth was not translated into better-than-expected corporate earnings. We are of the view that this was due to the fact that some corporates were not able to pass on the higher costs to their customers, leading to a profit margin squeeze.

Figure 4: Foreign net buying/selling of equities since 2016



SOURCE: CIMB, BURSA MALAYSIA

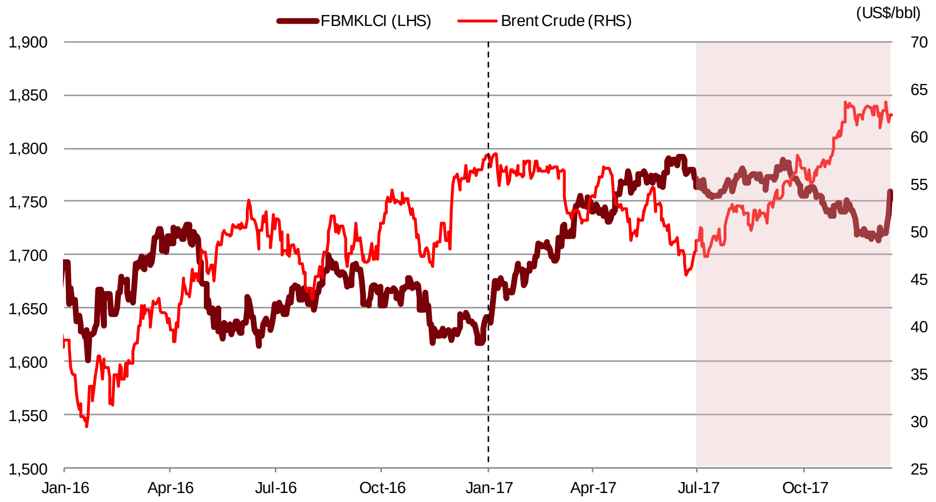
The 2018 Budget which was announced on 27 Oct 2017 was mildly positive for the market. However, this was partially offset by Bank Negara's indication in early-Nov that the benchmark overnight policy rate may be raised, given the strength of the global and domestic macroeconomic conditions.

On top of this, the highly-anticipated snap GE14 in 2017 did not materialise and is now widely expected to be held in March/April 2018. The GE14 must be held on or before 24 Aug 2018.

The market's average daily trading value in 2H17 (up till 8 Dec) was RM2.36bn, which was 12% lower compared to 1H17's RM2.67bn. KLCI also traded in a narrower range of 77 points so far in 2H17, compared to 157 points in 1H17.

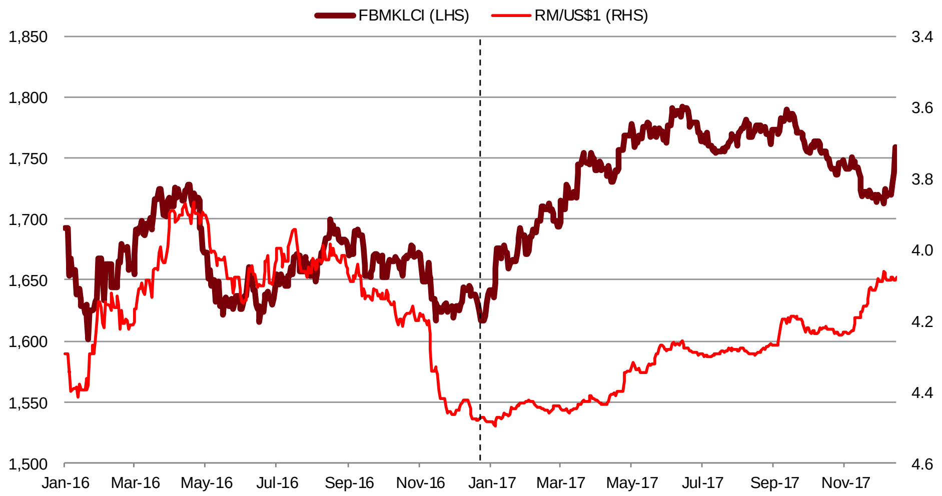
We said in our strategy report of 10 July 2017 that we were turning more cautious on 2H's prospects given concerns over valuations. However, we did not expect the potential corrections to be significant. As such, the 2H17 performance was broadly in line with our expectations, though the pace of the decline was slightly steeper than we anticipated.

Figure 5: Rise in Brent Crude Oil in 2H17 failed to lift KLCI



*data as at 15th Dec 2017
SOURCES: CIMB, BLOOMBERG

Figure 6: The stronger ringgit in Dec 2017 did not help to lift KLCI's performance



*data as at 15th Dec 2017

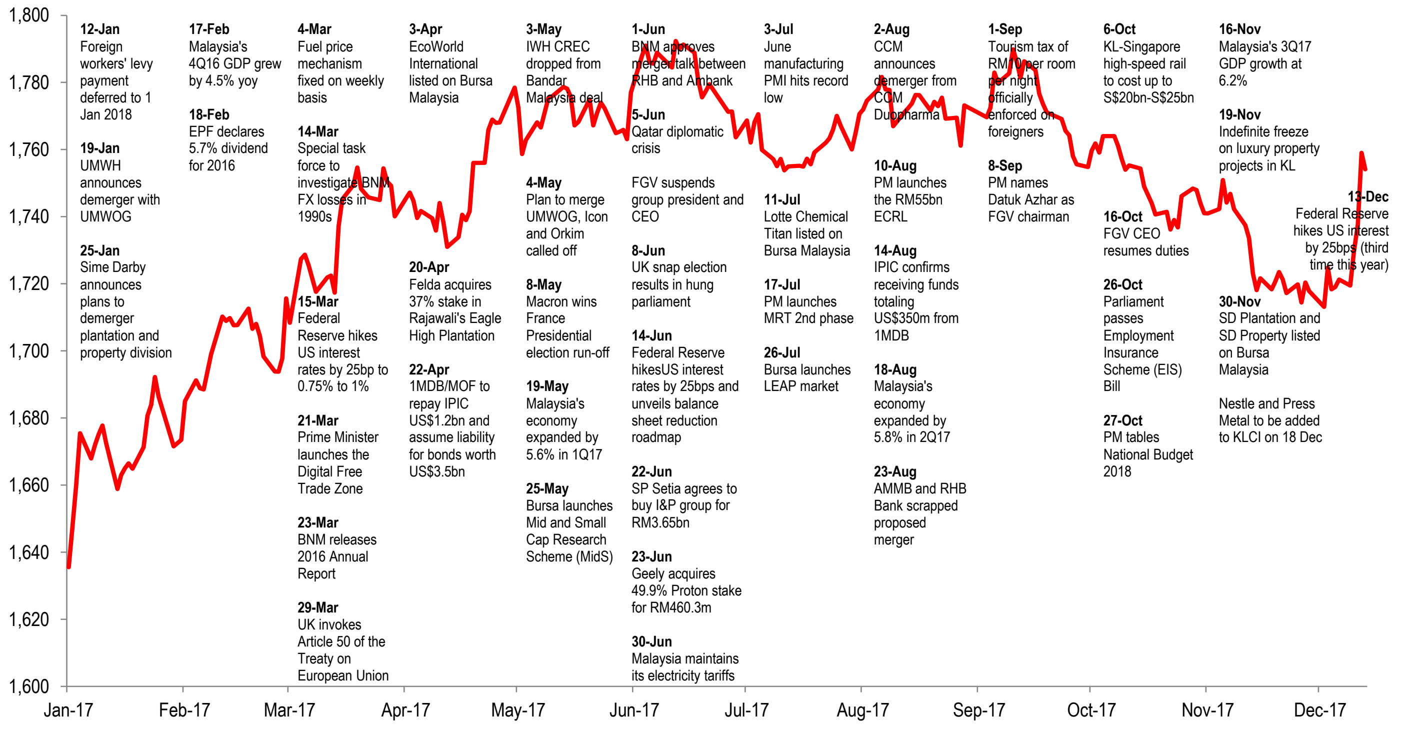
SOURCES: CIMB, BLOOMBERG

Key events for 2017

Below, we highlight some of the key domestic and external events in 2017

- Malaysia revealed on 12 Jan 2017 that the mandatory imposition of **foreign workers' levy** payment on employers has been postponed to 2018.
- On 19 Jan, **UMW Holdings** announced that it was exiting the oil and gas sector by distributing all its shares in **UMW Oil and Gas** to its shareholders. On the same date, UMW Oil and Gas announced plans to acquire **Icon Offshore** and **Orkim Sdn Bhd** from Ekuinas.
- On 18 Feb 2017, Barisan Nasional (BN) won the Tanjong Dato **by-election** via Jamilah Anu (widow of former Sarawak chief minister Adenan Satem) with a higher majority compared with state polls last year.
- **Sime Darby** announced a restructuring plan on 28 Feb that would result in the creation of three independent pure-play companies to be listed on Bursa Malaysia. The plan is expected to involve an internal restructuring and share distribution exercise prior to the proposed listing of its plantation and property businesses.
- The U.S. **Federal Reserve raised interest rates** on 15 Mar for the second time in three months by a quarter-point - from 0.5-0.75% to 0.75-1%. This represents the third increase since the global financial crisis. This also represents the first of three rate rises that Federal Open Markets Committee (FOMC) predicted in Sep 2016
- Malaysia launched the **Digital Free Trade Zone (DFTZ)** on 22 Mar. The DFTZ is an initiative to capitalise on the internet economy and cross-border e-commerce activities.
- On 8 Apr, the Malaysian parliament passed a **tourism tax bill**, which will allow the government to collect a levy on local and international tourists through the operators of accommodation premises on a per-room, per-night basis.
- TRX City, which is under the MOF, announced on 3 May that the sale of a 60% stake in **Bandar Malaysia** to IWH CREC Sdn Bhd had lapsed. This is because IWH CREC failed to meet the payment obligations outlined in the conditions precedent under the share sale agreement.
- On 4 May, **UMW Oil and Gas** called off plans to acquire oil and gas assets from Ekuinas, citing capital constraints and uncertainties in the industry. However, it will proceed with the planned RM1.8bn new rights issuance with its main shareholder, PNB.

Figure 7: KLCI market events in 2017



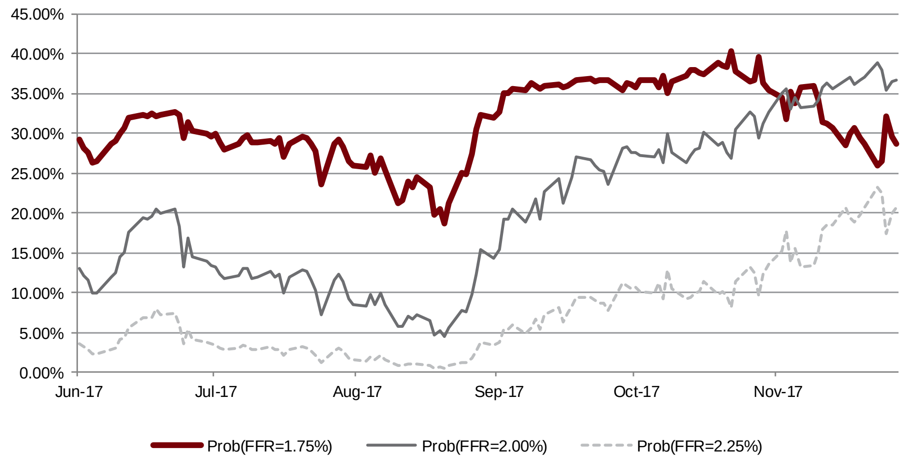
SOURCES: CIMB, BLOOMBERG

- Emmanuel Macron was elected **French president** on 7 May with a business-friendly vision of European integration, defeating Marine Le Pen, a far-right nationalist who threatened to take France out of the European Union.
- On 15 May, the government of Malaysia announced that it would abolish its **cabotage restrictions** on routes between East Malaysia and Peninsular Malaysia effective 1 Jun 2017.
- On 20 May, Malaysia announced that it recorded a **GDP growth of 5.6% yoy in 1Q17**. This represents the highest growth since 1Q15. The 1Q17 GDP growth beat both our and the market's expectations by a wide margin. We revised our 2017 GDP growth forecasts from 4.2% to 4.9%.
- Bursa Malaysia launched the **Mid and Small Cap Research Scheme (MidS**) on 25 May. The aim of the scheme is to help in the discovery of investible quality listed small and mid-cap companies.
- **North Korea** fired a short-range ballistic missile into Japanese waters on 28 May 2017. North Korea is thought to still be several years away from being able to target US mainland cities, but each test brings this goal closer.
- **AMMB and RHB** announced on 1 Jun 2017 that they have obtained the approval from Bank Negara Malaysia to start talks of a proposed merger. The transaction will effectively be an all-shares merger and the exclusivity agreement will expire on 30 Aug 2017.
- **World Bank** revised up Malaysia's economic growth rate to 4.9% for 2017F on 5 June 2017, from 4.4% forecast in April 2017.
- **Saudi Arabia, Bahrain and Egypt** announced that they were suspending diplomatic ties with **Qatar** on 5 Jun**.**
- On 6 Jun, **FGV** suspended its group President and CEO, as well as CFO, pending a probe on certain deals under Delima Oil Products.
- The ruling **UK Conservatives** unexpectedly lost their overall majority in a snap election that took place on 8 Jun 2017. This resulted in a **hung Parliament** with no party having the requisite 326 seats for an overall majority in the House of Commons.

- The **U.S. Federal Reserve raised benchmark interest rates** on 14 Jun by a quarter-point from 1 to 1.25%. This represents the third consecutive quarterly increase as the Fed continues to retreat from its economic stimulus campaign. This represents the second of three rate rises that Federal Open Markets Committee (FOMC) predicted for 2017.
- On 20 Jun 2017, **MSCI** said it would add Chinese A shares to its benchmark emerging markets beginning next year. The decision to add 5% of the floating market cap of 222 China A shares will eventually give mainland China a weight of 0.73% in the emerging market index. This is expected to add an inflow of around US$17bn to US$18bn into mainland China's stock market.
- **SP Setia** agreed to buy **Island and Peninsular** from its major shareholder for RM3.65bn cash on 22 Jun 2017. To raise funds to part-finance the acquisition, SP Setia is proposing to raise up to RM2.4bn from a rights issue and share placement exercise.
- **DRB-Hicom** and Zhejiang Geely Holdings inked a definitive agreement on 24 Jun, under which the latter will buy a 49.9% stake in Proton for RM460.3m.
- On 30 June, Malaysia announced that there will be no increase in **electricity tariffs from 1 Jul to 31 Dec 2017.**
- Prime Minister Datuk Seri Najib Razak launched the second phase of the **Mass Rapid Transit (MRT) Sungai Buloh-Kajang Line,** on 17 July and said it would be the beginning of many more 'infra-rakyat' projects in the country.
- To reinvigorate the IPO market, Bursa Malaysia launched the Leading Entrepreneur Accelerator Platform, or **LEAP Market** on 25 July 2017.
- PM Datuk Seri Najib Razak, launched the RM55bn East Coast Rail Link (ECRL), on 9 Aug 2017. The 688km ECRL would be operational in 2024.
- On 22 Aug, **AMMB Holdings** and **RHB Bank** announced that they have scrapped their proposed merger as they were not able to agree on mutually acceptable terms and conditions for the corporate exercise.
- Dr Li Chunrong will assume the role of **Proton CEO** starting 1 Oct 2017. He will be the first non-Malaysian to lead Proton's manufacturing arm since the national car maker was set up in 1983.
- On 4 Oct, The **World Bank** revealed that it has revised Malaysia's GDP growth forecast upwards for 2017, to 5.2% from 4.9% in Jun, on the back of a much stronger-than-expected actual growth of 5.7% in 1H17.
- **Felda Global Ventures** suspended Group President/CEO Datuk Zakaria Arshad to resume his duties beginning 16 Oct.
- The land acquisition process for the construction of **KL-Singapore High Speed Rail** (HSR) project would commence on 1 Nov 2017, said PM Datuk Seri Najib Tun Razak.
- **Malaysia Airlines' (MAS)** CEO, Peter Bellew, resigned on 17 Oct, midway through a three-year contract that was supposed to end in June 2019.
- On 3 Nov, **Maxis Bhd** CEO Morten Lundal said he will be leaving the company upon the expiry of his contract on 31 March 2018.
- **Felda Global Ventures** revealed on 3 Nov that it has introduced a voluntary separation scheme (VSS) for all its general managers and above as part of its manpower optimisation exercise.
- Deputy Prime Minister Datuk Seri Dr Ahmad Zahid Hamidi indicated on 12 Nov, that the **14th general election (GE14)** will be held next year, thus ending speculation that it would be called this year.
- The government announced an indefinite freeze on the development of **luxury properties** worth more than RM1m per unit. The freeze had come into effect since 1 Nov 2017.
- The Minister of Finance (MOF) approved the appointment of Jessica Chew Cheng Lian as **BNM Deputy Governor** on 27 Nov, for a three-year term effective Jan 1, 2018 following the retirement of deputy governor, Dr Sukudhew Singh on 31 Dec.

- **Supermax Corp**'s group MD Datuk Seri Stanley Thai was sentenced to a five-year jail term and fined RM5m for insider trading on 24 Nov.
- **Gas Malaysia** said gas prices supplied to the non-power sector in Peninsular Malaysia would rise by up to 18% from 1 Jan to 30 June 2018.
- **Malaysian Aviation Commission** announced on 30 Nov that **passenger service charge** (PSC) for international travellers flying from the klia2 airport terminal will be raised to RM73 from RM50, beginning 1 Jan 2018.
- **MyHSR Corp** will submit the final rail alignment proposal for the Kuala Lumpur-Singapore High Speed Rail to the Land Public Transport Commission (SPAD) by 1Q18.
- **Nestle (M)** and **Press Metal**, will be added to the FBM KLCI list of 30 component stocks, following a semi-annual review. Meanwhile, **BAT** and **IJM Corp** will be dropped from the benchmark index effective 18 Dec.
- On 30 Nov, the Royal Commission of Inquiry (RCI) said it found that **Bank Negara Malaysia (BNM)** incurred losses amounting to RM31.5bn, in a foreign exchange (forex) scandal in the 1990s.
- The U.S. **Federal Reserve raised interest rates** on 13 Dec for the third time this year by a quarter-point - from 0.75-1% to 1.25-1.5%.

Figure 8: Probability of Fed fund rate rising to 1.75%, 2% and 2.25% by Dec 2018



*data as at 15th Dec 2017
SOURCE: BLOOMBERG

Best and worst performers for 2017

The best performing indices so far in 2017 are the technology, smallcap as well as banking and finance indices. The technology sector benefitted from a weaker ringgit, inventory replenishment and higher content application on the back of global economic growth. The small cap sector's gain was largely driven by the discovery of undervalued small cap plays, while the banking and finance sector rose on the back of improving earnings prospects of the sector and foreign funds inflows.

The worst performing indices are those in the industrial, plantation as well as trading and services sectors. The industrial sector was hit by weak performances from big caps like Petronas Gas, Lotte Chemical Titan and Lafarge Malaysia, while the plantation sector was impacted by weaker CPO prices in 4Q17. The trading and services sector was adversely impacted by weaker performances from some of the oil and gas players, healthcare players as well as the media industry.

Figure 9: Malaysia indices performances in 2017

Index	30-Dec-16	15-Dec-17	YTD
KLTEC	22.07	40.18	82.1%
FBMMES	4,780.71	6,428.42	34.5%
KLTIN	470.13	591.72	25.9%
FBM70	13,035.11	15,460.71	18.6%
FBMFL	15,827.00	18,404.50	16.3%
KLFIN	14,383.05	16,586.51	15.3%
FBMSC	14,715.51	16,802.68	14.2%
KLCSU	576.75	634.66	10.0%
FBMEMAS	11,466.54	12,588.84	9.8%
FBM100	11,189.09	12,256.85	9.5%
KLPRP	1,127.71	1,217.16	7.9%
FBMS	12,014.42	12,890.73	7.3%
FBMKLCI	1,641.73	1,753.07	6.8%
KLSER	219.40	230.76	5.2%
KLCON	284.52	298.68	5.0%
FBMHS	13,427.77	14,025.33	4.5%
KLIND	3,122.49	3,180.16	1.8%
KLPLN	7,748.71	7,810.11	0.8%

SOURCE: BLOOMBERG

The best performing stocks in the FBM KLCI index YTD (up till 15 Dec) are CIMB, Genting Malaysia and Hong Leong Bank.

The worst performing stocks in the index YTD (up till 15 Dec) are Petronas Gas, YTL Corp and IJM Corp.

Figure 10: YTD changes of FBMKLCI constituents

Gainers	Chg	Losers	Chg
CIMB GROUP	45.9%	KLCCP STAPLED GROUP	-1.4%
GENTING MALAYSIA	27.3%	IHH HEALTHCARE	-8.0%
HONG LEONG BANK	27.1%	KLCCP STAPLED GROUP	-9.7%
SIME DARBY *	24.4%	YTL CORP	-9.9%
MAYBANK	23.3%	IJM CORP	-12.6%
HONG LEONG FINANCIAL GROUP	22.2%	PETRONAS GAS	-21.0%
GENTING BHD	14.8%		
AXIATA	14.5%		
TENAGA NASIONAL	12.5%		
HAP SENG CONSOLIDATED	12.0%		
RHB BANK	11.2%		
PETRONAS CHEMICALS	10.3%		
PUBLIC BANK	8.4%		
PPB GROUP	8.1%		
AMBANK HOLDINGS	7.4%		
TELEKOM MALAYSIA	6.1%		
PETRONAS DAGANGAN	5.4%		
SIME DARBY PLANTATION **	4.8%		
MISC BHD	4.0%		
KUALA LUMPUR KEPONG	4.0%		
ASTRO	3.2%		
DIGI.COM	2.6%		
MAXIS	2.5%		
IOI CORP	2.3%		

* demerged on 30th Nov 2017
** from 30th Nov 2017 onwards

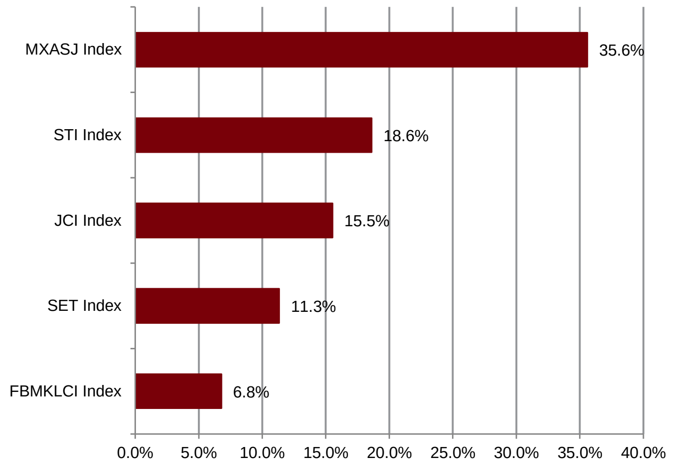
*data as at 15th Dec 2017
SOURCE: CIMB, BLOOMBERG

Comparisons against regional and global peers

Singapore was the best-performing market among the MIST (Malaysia, Indonesia, Singapore and Thailand) markets, followed by the Indonesia, Thailand and Malaysia. The 7% gain chalked up by Malaysia YTD, was significantly weaker compared to the performance of MSCI AC Asia ex-Japan which rose 35.6% for the same period.

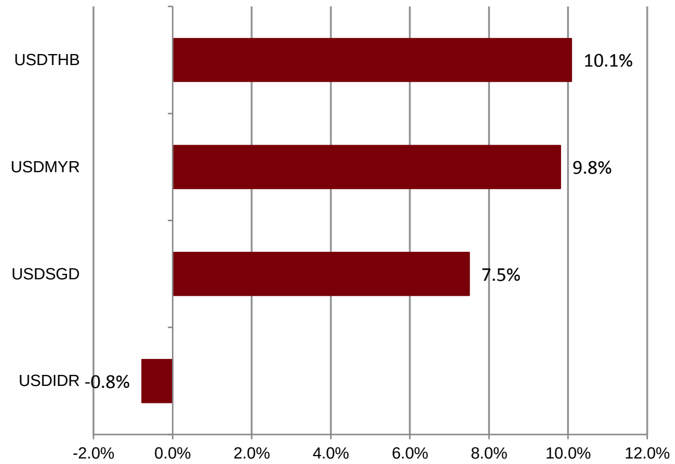
Currency wise, the Thai baht was the best-performing currency against its regional peers, followed by the ringgit. The ringgit has gained 9.8% against the US$ YTD at the point of writing.

Figure 11: Performance of KLCI against MIST and MXASJ



*data as at 15th Dec 2017
SOURCE: CIMB, BLOOMBERG

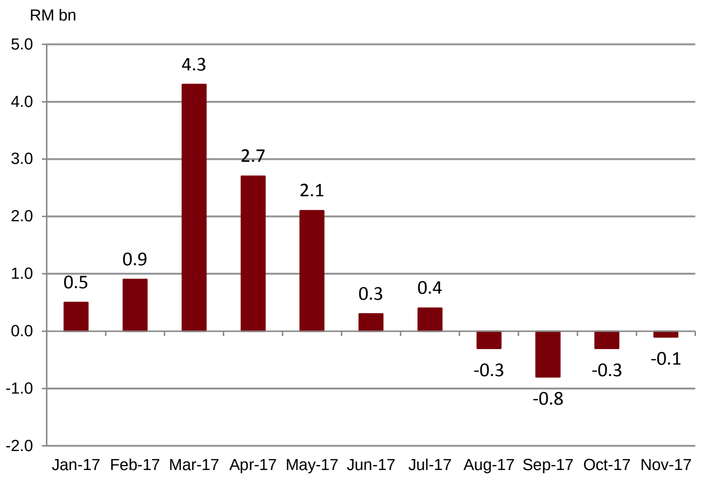
Figure 12: Performance of regional currencies against US$



*data as at 15th Dec 2017
SOURCE: CIMB, BLOOMBERG

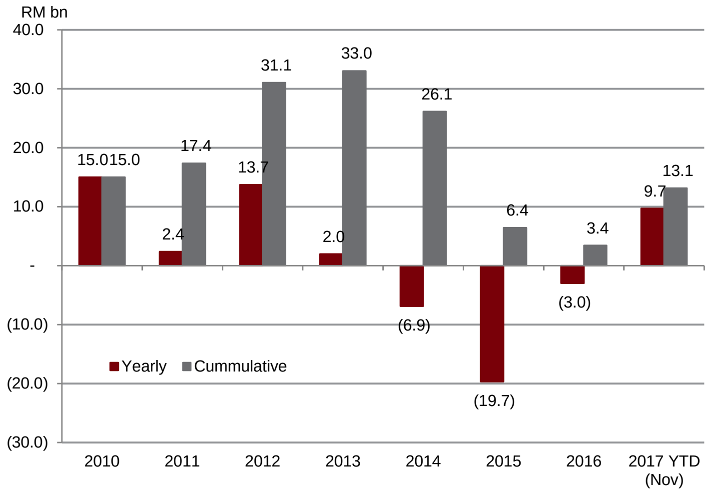
Foreign investors were net buyers of Malaysian equities for seven consecutive months or since Jan 2017, bringing total net buys for 7M17 to RM11.2bn. However, foreign investors were net sellers in Aug to Nov 2017. The good news is that foreign investors were still cumulative net buyers of the Malaysian market for 11M17 at RM9.7bn, which compares favourably to a cumulative net sell of RM3bn for 2016 by foreign investors. The market share of foreign participation in the Malaysian equities fell to 21.4% in 11M17 vs. 26% in 2016.

Figure 13: Foreign net buys/net sells



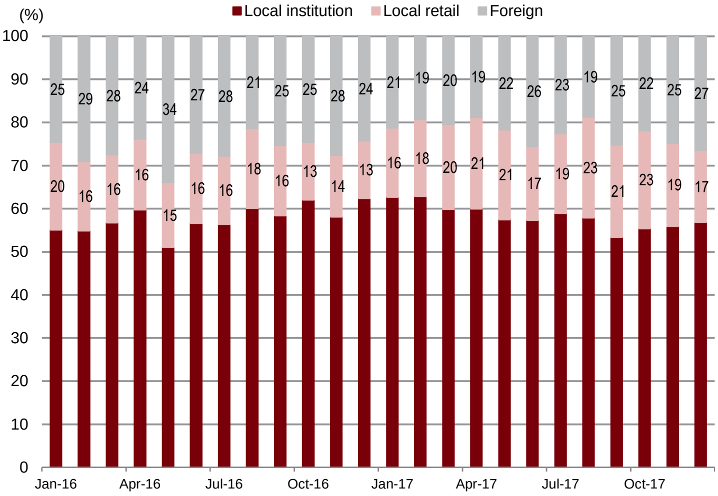
SOURCE: CIMB, BURSA MALAYSIA

Figure 14: Yearly/Cumulative foreign net buys since early-2010



SOURCE: CIMB, BURSA MALAYSIA

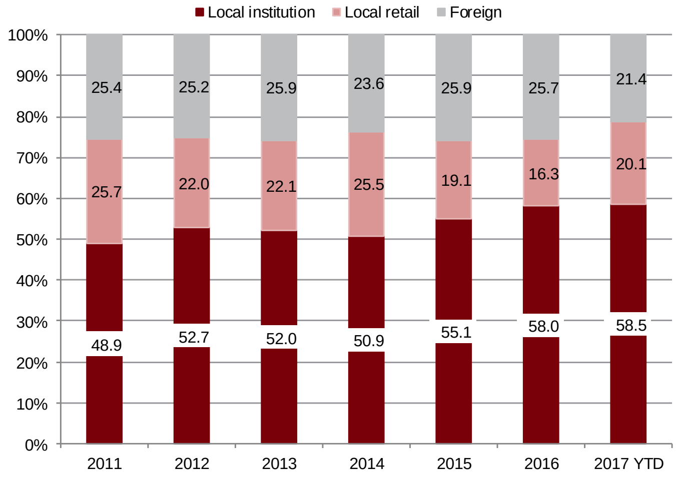
Figure 15: Monthly breakdown of local institutional, retail and foreign participations since 2016



*month-to-date data

SOURCES: CIMB, BURSA MALAYSIA

Figure 16: Average daily trading participation of investor categories since 2011



*data as at 15th Dec 2017

SOURCES: CIMB, BURSA MALAYSIA

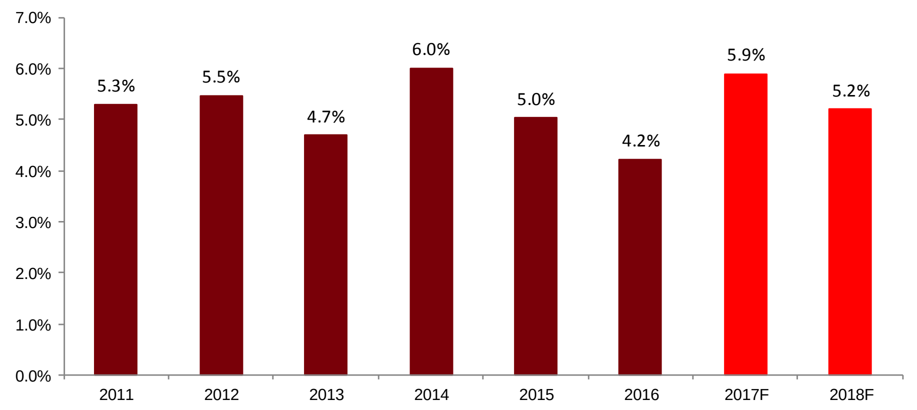
2018 outlook

We expect 2018 to be a more volatile and challenging year for the Malaysian market compared to 2017. We expect the market to be choppy in 1H18, before rising in 2H18. Our views are premised on the following:

Firstly, the growth of Malaysian GDP is likely to slow in 2018. Malaysia's economy rebounded strongly in 2017 after a dip in 2016, driven by brighter prospects in commodities, external demand for manufactured goods, and a reversal in domestic consumption and investment.

With the low-hanging fruits already harvested this year, the economy many need to apply the elbow grease in 2018, with a renewed focus on improving domestic growth engines and external macro buffers. We project GDP growth of 5.2% for Malaysia in 2018F from 5.9% in 2017F.

Figure 17: Real GDP growth of Malaysia



SOURCE: DOSM, CIMB RESEARCH

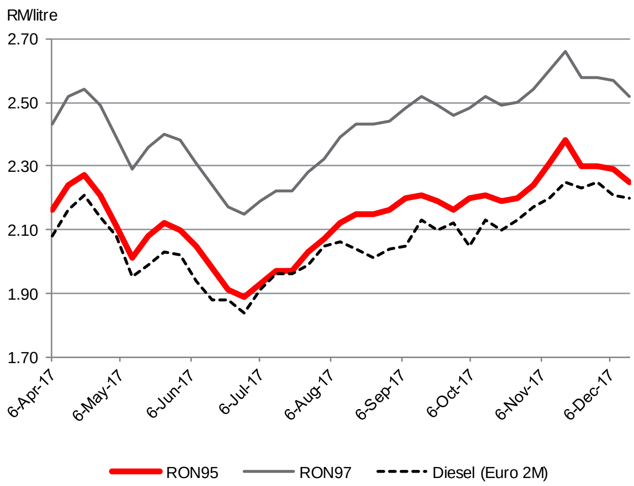
Secondly, there are likely to be cost pressures for Malaysian businesses in 1H18 through higher operating costs (higher gas prices, fuel prices and potential upward adjustments to power tariffs), higher labour costs (Employment Insurance Scheme or EIS kicks in, shortage of foreign workers and potential hike in minimum wage) and higher interest expenses as global and Malaysian interest rates will likely rise due to monetary tightening. We project one rate hike of 25bp for Malaysia in 2018.

Figure 18: Increase in Gas Tariff for non-power sectors

Tariff Category	Annual Gas Consumption (MMBtu)	Current Base Tariff (RM/MMBtu)	Base Tariff for 1 Jan - 30 Jun 2018 (RM/MMBtu)	Effective Tariff (after Gas Cost Past Through mechanism) for 1 Jan - 30 Jun 2018
A	Residential	20.23	22.3	23.92
B	0-600	26.11	28.78	30.4
C	601-5000	26.25	28.93	30.55
D	5001 - 50000	26.51	29.22	30.84
E	50001 - 200000	27.66	30.48	32.1
F	200001 - 750000	27.66	30.48	32.1
L	Above 750000	28.58	31.5	33.12
Average		**28.05**	**30.9**	**32.52**

SOURCE: CIMB RESEARCH, COMPANY

Figure 19: Petrol price changes since introduction of weekly price mechanism

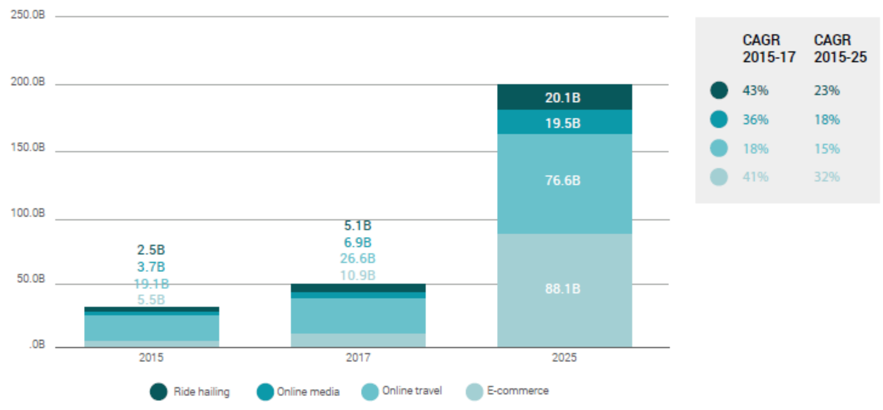


SOURCE: WWW.IMONEY.MY, CIMB RESEARCH

Disruptive technologies, which are already having a significant impact on some traditional sectors, in particular the media, hotel, gaming and retail sectors, and have eroded their profitability, will prevail and impact 2018's earnings. Some companies are better prepared to face the new challenges than others.

The launch of Digital Free Trade Zone (DFTZ) in 2017, an initiative under the National eCommerce Roadmap, is expected to boost eCommerce growth in Malaysia from 10.8% to 20.8% and increase its contribution to GDP by RM211bn by 2020. We expect Malaysian businesses to invest in automation, new business opportunities and embrace new technologies to cope with the change in the industry trends. However, it will take time for profitability to improve.

Figure 20: Southeast Asia internet e-Conomy market size (US$bn)



SOURCE: Google-Temasek e-Conomy SEA

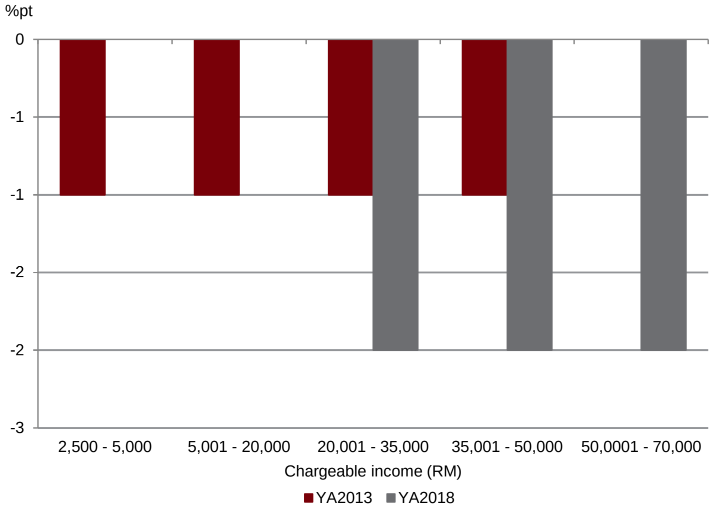
Most market observers predict that GE14 will be held in 1H18 and we found that over the past 8 general elections, the market has corrected by 1.1% on average, one month ahead of the polling date, as investors may have decided to stay on the sideline prior to the election cycle.

There are also potential earnings risks for banks due to the adoption of MFRS 9 as well as slower loan growth and some of the utilities plays like Tenaga and Petronas Gas in 2018, due to an upcoming review of the regulated rate of returns and implementation of third party access (TPA) for the gas pipelines in Malaysia. CPO prices are also likely to be weaker in 1H18 compared to 1H17, in view of recovering palm oil supplies. Given that the bank, plantation and utilities counters account for around 60% of the KLCI weightage, any surprises to these sectors' earnings could move the index.

On the bright side, we expect consumer spending to improve in 1H18, as the government cuts individual income tax by 2% pts for three chargeable income bands between RM20k to RM70k effective 1 Jan 2018. The reduction in the individual income tax is expected to amount to RM300-1,000 or tax savings ranging from 0.42% to 60% across the chargeable income bands, which the government estimates will put RM1.5bn more into the pockets of taxpayers. This new tax cut would benefit 2.3m taxpayers.

On top of this, a special payment of RM1,500 will be given to the 1.6m-strong civil service, disbursed in two tranches; RM1,000 in Jan 2018 and RM500 during Hari Raya Aidilfitri, which falls in mid-Jun 2018. Lastly, the government has allocated RM6.8bn under Budget 2018.

Figure 21: Reduction in individual income tax comparison for Year of Assessment (YA) 2013 and YA 2018



SOURCE: BUDGET SPEECH, CIMB RESEARCH

Figure 22: Individual income tax savings

Chargeable income	Current tax rates	Tax payable	Proposed tax rates	Tax payable	Tax savings	Tax savings
RM	*%*	*RM*	*%*	*RM*	*RM*	*%*
0 - 5,000	0.0	0	0.0	0	-	-
5,001 - 20,000	1.0	0*	1.0	0*	-	-
20,001 - 35,000	5.0	500*	3.0	200*	300	60.00
35,001 - 50,000	10.0	2,400	8.0	1,800	600	25.00
50,0001 - 70,000	16.0	5,600	14.0	4,600	1,000	17.86
70,001 - 100,000	21.0	11,900	21.0	10,900	1,000	8.40
100,001 - 250,000	24.0	47,900	24.0	46,900	1,000	2.09
250,001 - 400,000	24.5	84,650	24.5	83,650	1,000	1.18
400,001 - 600,000	25.0	134,650	25.0	133,650	1,000	0.74
600,001 - 1,000,000	26.0	238,650	26.0	237,650	1,000	0.42
>1,000,000	28.0		28.0			

*After tax rebate of RM 400 for chargeable income up to RM 35,000

SOURCE: BUDGET 2018, CIMB RESEARCH

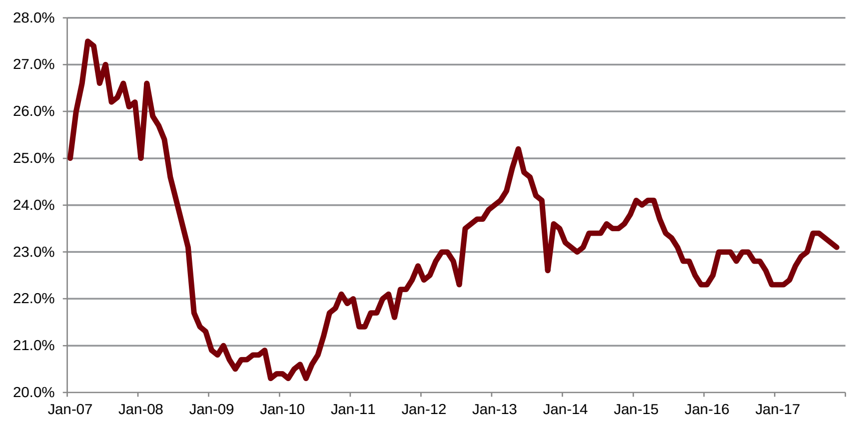
We expect the market to price in most of the above concerns in 1H18 and local and foreign direct investments to improve in 2H18 or post GE14.

In our view, other factors that could boost market prospects in 2H18 are (1) potential relief rally and increased foreign funds inflow into Malaysia post GE14; (2) better corporate earnings following the restructuring of several GLC entities into more focused or larger groups; (3) higher loan growth prospects and net interest margin for banks in 2019; (4) improved tourism activities due to the opening of several large attractions in 2018; (5) slew of tender awards for High Speed Rail, East Coast Rail Link, Pan Borneo Highway (Sabah) and MRT 3 (Circle Line) as well as potential Chinese investment in Malaysia under the Belt and Road Initiatives; and (6) IPO activities picking up pace post GE14 in 2018.

It was reported in Nikkei News that several companies of different sizes have expressed interest in raising cash on Bursa Malaysia in 2018. Among those seeking a listing next year include a semiconductor engineering firm, MI Equipment, that aims to raise about RM200m (US$46.92m) in the second quarter. Foreign insurers in Malaysia are also exploring IPOs to comply with shareholding limit rules.

We are also of the view that although foreign funds have returned in 2017, the foreign shareholdings as at 30 Nov 2017 of 23.1% was only 0.8%-points higher compared to that of 31 Dec 2016. Should foreign shareholdings return to the post-GFC high of 25.2%, we estimate that would be equivalent to stock market purchases worth c.RM38.8bn.

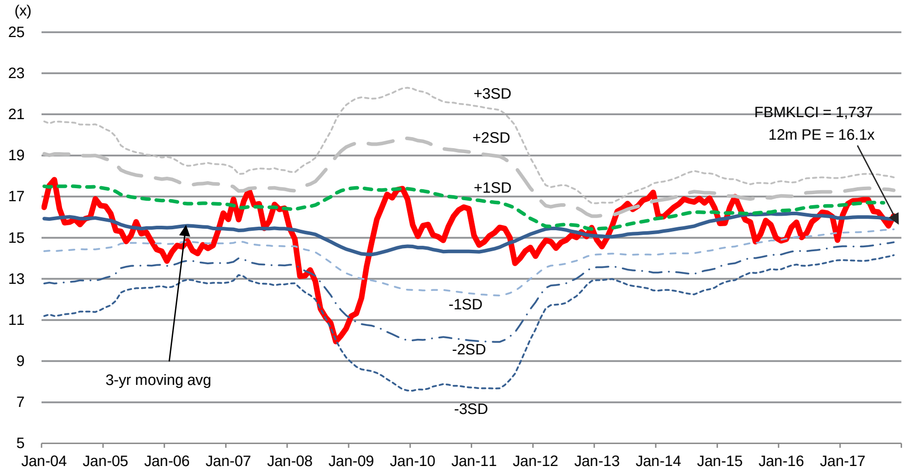
Figure 23: Foreign shareholdings in Bursa Malaysia



SOURCES: CIMB, BURSA MALAYSIA

The KLCI is currently trading at a one-year forward P/E of 16x, which is in line with its 3-year moving average P/E of 15.9x. The key risks to our KLCI target are earnings disappointments in the big cap stocks and external headwinds.

Figure 24: FBMKLCI's 12M forward core P/E and standard deviation



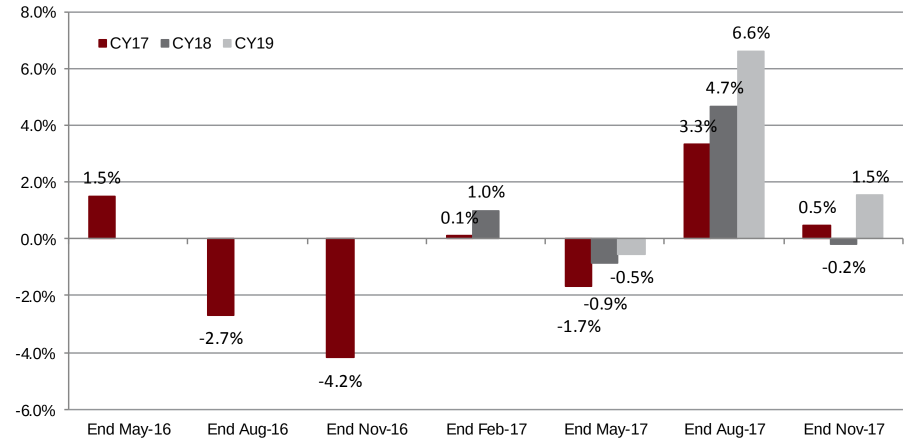
*data as at 15th Dec 2017

SOURCES: CIMB, COMPANY REPORTS, BLOOMBERG

The potential external risks in 2018 include 1) tightening global financial conditions, 2) fading impetus from the restocking cycle, 3) trade protectionism, and 4) tempering policy stimulus in China. Political risk may also return as a wildcard for the financial markets, with an eye on the progress of the Brexit negotiations, US investigations into Russian election interference, the resurgent anti-establishment sentiment, and potential instability in the Middle East and North Korea.

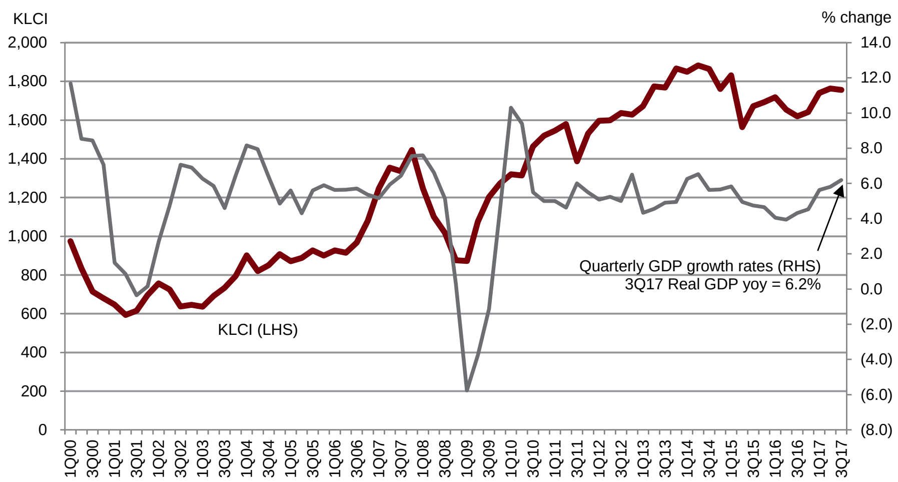
Please refer to Fig 27 on key events in 2018 that could affect the market's performance.

Figure 25: Quarterly earnings revisions



SOURCE: CIMB RESEARCH, COMPANY

Figure 26: Quarterly real GDP growth vs. FBMKLCI



SOURCES: CIMB ESTIMATES, BNM

Figure 27: List of key events in 2018

Date	Events
1Q2018	
1-Jan-18	Power tariff review and gas tariff hike
1-Jan-18	Employment Insurance Scheme to takes effect
1-Jan-18	New penalty rate for tax evasion of 100% kicks in
1-Jan-18	Abolishment of tolls in Fed Highway (BT, SR), Bukit Kayu Hitam and EDL
25-Jan-18	BNM Monetary Policy Statement
30-31 Jan 18	FOMC meeting
3-Feb-18	Federal Reserve Chairwoman Janet Yellen's term ends, replaced by Jerome Powell
15-Feb-18	Release of 4Q17 GDP
16-17 Feb 2018	Chinese New Year
7-Mar-18	BNM Monetary Policy Statement
Mar-April 2018	GE14 in Malaysia?
20-21 March 2018	FOMC meeting
2Q2018	
4 - 15 April 2018	Gold Coast 2018 Commonwealth Games
1-2 May 2018	FOMC meeting
10-May-18	BNM Monetary Policy Statement
17-May-18	Release of 1Q18 GDP
before 20 May 2018	Italian general elections
12-13 Jun 2018	FOMC meeting
15-16 Jun 2018	Hari Raya Aidilfitri
14 Jun - 15 Jul 2018	2018 FIFA World Cup in Russia
30-Jun-18	Deadline to comply with 30% minimum local ownership in insurance cos
3Q2018	
1-Jul-18	50sen fee waiver for instant transfer for a single transaction of up to RM5k
11-Jul-18	BNM Monetary Policy Statement
31 Jul - 1 Aug 2018	FOMC meeting
16-Aug-18	Release of 2Q18 GDP
18 Aug - 2 Sep 2018	18th Asian Games in Jakarta and Palembang
5-Sep-18	BNM Monetary Policy Statement
23-26 Sep 2018	FOMC meeting
4Q2018	
6-Nov-18	US mid-term Senate and House elections
7- 9 Nov 2018	FOMC meeting
8-Nov-18	BNM Monetary Policy Statement
16-Nov-18	Release of 3Q18 GDP
18-19 Dec 2018	FOMC meeting
2H 2018	Opening of 20th Century Fox World Theme Park Genting Highlands

SOURCES: CIMB, COMPANY REPORTS, MEDIA REPORTS, BANK NEGARA AND OTHERS

Five themes for investors to trade on in 2018

1. Strong ringgit beneficiaries

The ringgit has gained 10% against the greenback YTD, thanks to higher economic growth, improved macroeconomic fundamentals, an expansion in the current account surplus, higher crude oil prices and stabilisation in portfolio inflows. The stock market has gained partially from the strengthening of the RM against US$ as the FBMKLCI has improved 6.8% in local terms.

A stronger ringgit is typically positive for the market. Share prices of companies with high foreign shareholdings (see Figure 32) could benefit from inflows of foreign funds. If the ringgit continues to improve, investors will record equities as well as currency gains from their equity investments in Malaysia. Companies for which we have Add calls as well as high non-strategic foreign shareholdings of above 30% are Sapura Energy, Inari, Unisem, Malaysia Airports, Gamuda, AirAsia and Kawan Food.

Figure 28: Performance of equity indices and currencies

Equity indices (local currency)	FBMKLCI	FSSTI	JCI	SET
YTD Performance	6.8%	18.6%	15.5%	11.3%
Currencies	**RM/US$**	**S$/US$**	**Rp/US$**	**THB/US$**
YTD Performance	10.0%	7.3%	-0.7%	10.2%

*data as at 15th Dec 2017

SOURCES: CIMB, BLOOMBERG

Auto, airlines and F&B players will be the biggest winners should the ringgit continue to strengthen, as they will benefit from lower operating costs arising from the stronger ringgit. The contractors and utilities players will also benefit from a stronger ringgit, as some of their consumables are imported. However, we expect their earnings impact to be minimal.

Figure 29: Top 10 companies under our coverage that are potential winners of a stronger ringgit (operating performance)

Company	Call	Every 1% appreciation in ringgit against all other currencies: Potential impact on CY18F core net profit	Every 1% appreciation in ringgit against all other currencies: Potential impact on CY19F core net profit	Reason
AirAsia X Berhad	REDUCE	+30.0%	+30.0%	About 70% of operating costs are denominated in US$
Tan Chong Motor Holdings	REDUCE	+15.0%	+10.0%	Imported cars and components
UMW Holdings	HOLD	+5.0%	+3.5%	Imported cars and components
Berjaya Food Berhad	ADD	+4.0%	+4.5%	35-40% of COGS in USD
Fraser & Neave Holdings	HOLD	+3.5%	+3.6%	30-35% of COGS in USD; 20% revenue in USD
AirAsia Berhad	ADD	+3.0%	+3.0%	About 50% of operating costs are denominated in US$
MSM Malaysia Holdings	REDUCE	+2.8%	+2.5%	Imported raw sugar make up 80% of costs
DRB-Hicom	ADD	+2.7%	+2.3%	Imported cars and components
Bermaz Auto Berhad	HOLD	+2.5%	+2.5%	Imported cars and components
Nestle (Malaysia)	HOLD	+2.1%	+2.0%	Raw material makes up 65% of COGS; 10% revenue in USD

SOURCES: CIMB, COMPANY REPORTS

Malaysian companies that will be worse off due to the stronger ringgit are exporters of commodities and manufactured products as they will become less competitive, while many companies that have successfully ventured overseas will record lower earnings in local currency terms from currency effects.

Exporters that will be negatively impacted by the stronger ringgit include the glove makers, condom manufacturers, plantation firms, semiconductor manufacturers and timber companies. Some of these companies will record lower earnings as they will no longer benefit from margin expansion enjoyed due to currency gains from the previous year as they did not pass on all the gains to the buyers.

Figure 30: Top 10 companies under our coverage that are potential losers of a stronger ringgit (operating performance)

Company	Call	Every 1% appreciation in ringgit against all other currencies: Potential impact on CY18F core net profit	Every 1% appreciation in ringgit against all other currencies: Potential impact on CY19F core net profit	Reason
Jaya Tiasa Holdings	HOLD	-6.0%	-6.0%	Timber and CPO price linked to US$
Ta Ann	HOLD	-5.0%	-6.0%	Timber and CPO price linked to US$
Top Glove Corporation	ADD	-4.9%	-4.9%	Revenue in US$
Thong Guan Industries	ADD	-3.6%	-3.6%	More than 90% revenue in US$
Kuala Lumpur Kepong	HOLD	-3.5%	-3.2%	Revenue in US$
YTL Power International	ADD	-3.0%	-3.0%	UK and Singapore assets
Genting Plantations	HOLD	-3.0%	-3.0%	Revenue in US$
Karex Berhad	HOLD	-2.9%	-2.9%	Revenue in US$
Supermax Corp	HOLD	-2.9%	-2.9%	Revenue in US$
Kawan Food	ADD	-2.8%	-2.8%	70% revenue in US$

SOURCES: CIMB, COMPANY REPORTS

In addition, Malaysian companies that have in the past 10-15 years aggressively ventured overseas and companies with large overseas footprints will be worse off if the ringgit strengthens as the profit contribution from overseas businesses when translated into ringgit will be lower.

Among the stocks under our coverage, AirAsia X, IOI Corp and Air Asia could report the biggest forex translation gains related to non-ringgit borrowings as a percentage of their CY17 net profits. These gains, however, are non-recurring in nature. (see Figure 31 for details)

Our top picks for this theme are AirAsia, Berjaya Food and DRB Hicom.

Figure 31: List of winners of a stronger ringgit (based forex translation gain)

Company	Call	Impact of forex translation gains arising from every 1 % appreciation in ringgit against all other currencies on CY17 core net profit	Reason
AirAsia X Berhad	REDUCE	+9.0%	All debt denominated in USD; no forex hedges
IOI Corporation	HOLD	+4.5%	US$1,458m or 79% of total debt in US$
AirAsia Berhad	ADD	+3.0%	Most of debt is denominated in US$, but half have been hedged
Genting Plantations	HOLD	+2.0%	US$225m or46% of total debt in US$
Felda Global Ventures	HOLD	+2.0%	US$242m or 16% of total debt in US$
Sapura Energy	ADD	+2.0%	The translation of SAPE's US$-denominated debt will more than offset US$ fixed assets
Telekom Malaysia	HOLD	+1.4%	20% of foreign debt unhedged
Supermax Corp	HOLD	+1.2%	Mainly in US$ for working capital
YSP Holdings	ADD	+1.0%	US$ loans provided to associate companies
IJM Corp Bhd	ADD	+0.9%	30% of borrowings in foreign currency

SOURCES: CIMB, COMPANY REPORTS

CIMB

Figure 32: Latest foreign shareholdings under CIMB's coverage (include strategic holdings)

	As at Dec-16	As at Jun-17
Agribusiness		
Felda Global Ventures	10.6%	11.3%
Genting Plantations	7.9%	8.4%
Hap Seng Plantations	1.5%	1.4%
IOI Corporation	14.3%	13.9%
Jaya Tiasa Holdings	22.3%	19.7%
Kuala Lumpur Kepong	13.5%	15.0%
Ta Ann	8.6%	7.3%
Automotive		
Bermaz Auto	21.0%	19.7%
Tan Chong Motor Holdings	12.5%	12.0%
UMW Holdings	10.9%	11.1%
Aviation		
AirAsia	53.5%	43.9%
AirAsia X	15.5%	15.7%
Banking & Finance		
Affin Holdings	26.5%	26.9%
Alliance Financial Group	29.4%	30.1%
AMMB Holdings	49.0%	50.9%
BIMB Holdings	2.2%	2.0%
Bursa Malaysia	23.3%	26.9%
Hong Leong Bank	9.1%	11.2%
Maybank	15.7%	20.8%
Public Bank	35.9%	37.2%
RHB Bank	27.6%	27.7%
Chemicals		
Petronas Chemicals Group	8.2%	9.5%
Conglomerates		
DRB-Hicom	8.6%	9.0%
Sime Darby	12.6%	15.3%
Consumer		
7-Eleven Malaysia	32.9%	29.7%
Berjaya Food	25.1%	22.4%
Bioalpha Holdings	5.7%	5.0%
Bison Consolidated	6.4%	7.5%
Bonia Corporation	24.5%	24.9%
BAT	86.3%	86.4%
Carlsberg Brewery	67.2%	68.1%
CCK Consolidated Holdings	5.3%	1.4%
Fraser & Neave Holdings	57.7%	58.2%
Heineken Malaysia Bhd	73.5%	74.5%
Kawan Food	32.9%	30.7%
MSM Malaysia	1.2%	0.1%
Nestle (M)	73.9%	73.9%
Only World Group Holdings	4.0%	2.0%
Panasonic Malaysia	61.1%	60.9%
QL Resources	6.6%	6.8%
Healthcare		
Hovid Bhd	3.2%	2.3%
IHH Healthcare Bhd	38.8%	38.8%
KPJ Healthcare	8.8%	8.4%
Pharmaniaga Bhd	3.2%	2.5%
YSP Southeast Asia Holdin	53.9%	54.2%

	As at Dec-16	As at Jun-17
Construction and Materials		
EITA Resources	2.3%	3.4%
Gamuda	23.9%	31.5%
IJM Corporation	28.3%	28.6%
Lafarge Malaysia	62.6%	60.6%
MRCB	9.4%	9.3%
Muhibbah Engineering	13.1%	14.4%
Protasco	6.4%	6.6%
Salcon	11.2%	6.1%
Signature International	3.8%	5.9%
Sunway Bhd	7.8%	8.3%
WCT Holdings	12.4%	10.2%
YTL Corporation	28.0%	26.5%
Industrial Goods and Services		
AWC Berhad	10.6%	13.2%
Daibochi Plastic & Packagi	26.7%	26.0%
Hartalega Holdings	12.6%	14.2%
Karex Berhad	60.8%	56.2%
Kossan Rubber Industries	7.4%	7.3%
Oceancash Pacific Bhd	0.5%	5.4%
Supermax Corp	18.7%	17.9%
Thong Guan	4.6%	4.0%
Tomypak	20.9%	23.4%
Top Glove	29.8%	31.6%
Wellcall Holdings	40.7%	39.4%
Insurance		
Syarikat Takaful Malaysia	10.3%	9.6%
Tune Protect Group	25.2%	21.6%
Media		
Astro Malaysia	48.9%	48.7%
Media Chinese Int'l	18.0%	17.9%
Media Prima	27.1%	28.2%
Star Media Group	3.7%	3.6%
Property & REITs		
Axis REIT	14.8%	11.9%
CMMT	44.1%	45.0%
Eastern & Oriental	23.0%	21.0%
Eco World Development	3.2%	4.1%
Eco World International	0.0%	27.9%
IGB REIT	6.8%	7.7%
KLCCP Stapled Group	3.0%	2.5%
LBS Bina Group	3.3%	5.5%
Mah Sing Group	23.7%	24.6%
MRCB-Quill REIT	11.7%	11.8%
Pavilion REIT	40.7%	41.8%
Selangor Properties	9.4%	9.0%
SP Setia	12.3%	14.3%
Sunway REIT	13.3%	22.7%
UEM Sunrise	8.4%	9.0%
UOA Development	12.6%	12.1%

	As at Dec-16	As at Jun-17
Services		
Prestariang	6.1%	5.5%
Sasbadi Holdings	4.8%	5.2%
Shipping		
MISC	8.1%	8.6%
Oil and Gas		
Bumi Armada	10.8%	10.9%
Dialog Group	20.4%	22.3%
Perisai Petroleum	31.2%	30.3%
Petronas Dagangan	6.6%	7.5%
Sapura Energy	31.6%	32.3%
UMW Oil & Gas	2.9%	3.2%
Yinson Holdings	9.9%	10.7%
Technology		
Aemulus Holdings Bhd	0.5%	0.5%
Dagang NeXchange	3.8%	6.2%
GHL Systems Bhd	53.4%	54.5%
IFCA MSC	8.1%	3.0%
Inari-Amertron Bhd	24.5%	30.4%
KESM Industries	56.8%	56.2%
Malaysian Pacific Industries	11.0%	17.6%
MY E.G. Services	27.2%	27.6%
Uchi Technologies	37.0%	38.1%
Unisem	29.1%	34.8%
Telecommunications		
Axiata Group	10.3%	10.4%
DiGi.com	58.9%	58.6%
Maxis	5.7%	7.6%
Telekom Malaysia	12.8%	12.2%
Transport Infrastructure		
Malaysia Airports Holdings	19.3%	33.0%
Westports Holdings	36.4%	34.0%
Travel & Leisure		
Berjaya Sports Toto	19.3%	16.2%
Genting Bhd	43.6%	45.1%
Genting Malaysia	39.9%	40.1%
Magnum	26.6%	26.5%
Utilities		
Cypark Resources	5.5%	5.9%
Gas Malaysia	19.8%	20.2%
Malakoff	3.8%	3.7%
Petronas Gas	8.8%	8.4%
Taliworks Corporation	16.7%	12.8%
Tenaga	27.2%	24.8%
YTL Power	11.7%	11.4%

SOURCES: CIMB RESEARCH, BURSA MALAYSIA

CIMB

2. 14th General Elections

The next big event to watch out for in Malaysia is the country's 14th general elections (GE14), which must take place on or before 24 Aug 2018. The constitution of Malaysia requires that a general election be held at least once every five years. However, the Prime Minister (PM) can ask for a dissolution of Parliament at any time before the five-year period expires and call for a snap election. Once Parliament is dissolved, a general election must be called within 60 days to elect representatives.

During the 71st UMNO General Assembly in early-Dec 17, its president and Malaysia's PM Datuk Seri Najib Tun Razak revealed that GE14 would be held any time before June. On 25 Nov 2017, Deputy Prime Minister Ahmad Zahid Hamidi hinted that the 14th General Election would likely be held within days after the Chinese New Year, which falls on 16 and 17 Feb 2018. The current parliamentary term expires on 26 Jun 2018. We found that four out of the last six past elections were held in 1H of the year. Based on the above, the odds currently favour the election to be held in Mar-Apr 2018.

Figure 33: Historical election dates and results

General Election	Year	Dissolution date	Nomination date	Polling date	Seats won by BN
GE1	1959	27-Jun	15-Jul	19-Aug	71.2%
GE2	1964	4-Mar	21-Mar	25-Apr	85.6%
GE3	1969	20-Mar	5-Apr	10-May	51.4%
GE4	1974	31-Jul	8-Aug	24-Aug	87.7%
GE5	1978	12-Jun	21-Jun	8-Jul	84.4%
GE6	1982	29-Mar	7-Apr	22-Apr	85.7%
GE7	1986	19-Jul	24-Jul	3-Aug	83.6%
GE8	1990	5-Oct	11-Oct	20-Oct	70.6%
GE8	1995	6-Apr	15-Apr	25-Apr	84.4%
GE10	1999	11-Nov	20-Nov	29-Nov	76.7%
GE11	2004	4-Mar	13-Mar	21-Mar	90.9%
GE12	2008	13-Feb	24-Feb	8-Mar	63.1%
GE13	2013	3-Apr	20-Apr	5-May	59.9%

SOURCE: CIMB RESEARCH, COMPANY

Figure 34: General election results (parliamentary seats)

Year	1959	1964	1969	1974	1978	1982	1986	1990	1995	1999	2004	2008	2013
PAS	13	9	12	-	5	5	1	7	7	27	6	23	21
PAS	13	9	12	-	5	5	1	7	7	27	6	23	21
Keadilan	-	-	-	-	-	-	-	-	-	5	1	31	30
DAP	-	-	13	9	16	9	24	20	9	10	12	28	38
Others	14	6	44	10	1	-	-	22	14	3	-	-	-
Independent	3	-	1	-	2	8	4	4	-	-	1	-	-
Total	**104**	**104**	**144**	**154**	**154**	**154**	**177**	**180**	**192**	**193**	**219**	**222**	**222**
BN	71.2%	85.6%	51.4%	87.7%	84.4%	85.7%	83.6%	70.6%	84.4%	76.7%	90.9%	63.1%	59.9%
PAS	12.5%	8.7%	8.3%	0.0%	3.2%	3.2%	0.6%	3.9%	3.6%	14.0%	2.7%	10.4%	9.5%
Keadilan	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.6%	0.5%	14.0%	13.5%
DAP	0.0%	0.0%	9.0%	5.8%	10.4%	5.8%	13.6%	11.1%	4.7%	5.2%	5.5%	12.6%	17.1%
Others	13.5%	5.8%	30.6%	6.5%	0.6%	0.0%	0.0%	12.2%	7.3%	1.6%	0.0%	0.0%	0.0%
Independent	2.9%	0.0%	0.7%	0.0%	1.3%	5.2%	2.3%	2.2%	0.0%	0.0%	0.5%	0.0%	0.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

SOURCES: CIMB, ELECTION COMMISSION, PRESS REPORTS

What is likely to be different in the GE14 vs. GE13 is that the opposition PAS party is expected to create three-cornered fights for some seats, to the detriment of opposition parties generally.

It is also unclear how successful the two new Malay-based parties will be in attracting rural Malay voters who are the backbone of UMNO. The two parties are Parti Pribumi Bersatu Malaysia (which is led by former premier Tun Dr. Mahathir), and Parti Amanah Negara (which is led by the former leaders of PAS).

According to media report, PAS left Pakatan Rakyat (the opposition coalition), after falling out with Democratic Action Party (another opposition party) over the RUU355 bill, which seeks to enhance punishments in the Shariah Court. The new opposition coalition, Pakatan Harapan, now consist of PKR, DAP, Parti Pribumi Bersatu and Amanah.

We expect heightened stock market volatility in the period after Parliament is dissolved or expires, particularly during the campaigning period. We believe the stock market performance immediately after elections will be largely determined by 1) the degree of selling pressure during the campaigning period, and 2) the actual polling results.

If selling pressure is intense in the 2-3 weeks before the polls, it would mean that most of the potential bad news would already be in the share prices. Also, the market is likely to stage a relief rally if the incumbent wins, leading to continuity of existing policies.

Figure 35: KLCI performance during election campaign period and 1 week after elections

Election Date	Election Year	During Campaign period	1 Week After election
24-Apr-95	1995	0.9%	-2.4%
29-Nov-99	1999	1.7%	-2.6%
21-Mar-04	2004	2.2%	-1.0%
8-Mar-08	2008	-5.3%	-7.8%
5-May-13	2013	-0.7%	4.6%

SOURCES: CIMB, BLOOMBERG

Based on the past 8 election results, our analysis found that market tends to perform better, on average, post general elections than pre general elections. The exception was in 2008 when the market fell post GE due partly to the global financial crisis and in 2004 when the market succumbed to profit-taking following its strong performance pre-GE.

Our top picks for this theme are Tenaga, RHB Bank, Sime Darby Property and Gamuda.

Figure 36: KLCI performances before and after general elections

Date	Election	12 months before	9 months before	6 months before	3 months before	1 month before	1 month after	3 months after	6 months after	9 months after	12 months after
22-Apr-82	1982	-35.1%	-25.2%	3.4%	-11.7%	2.7%	1.0%	-16.0%	-11.6%	-5.3%	16.2%
2-Aug-86	1986	-25.9%	-26.8%	0.4%	23.4%	-2.9%	11.8%	28.6%	32.8%	72.5%	114.1%
20-Oct-90	1990	-2.2%	-15.9%	-12.0%	-23.8%	-8.1%	0.0%	2.2%	24.9%	23.0%	8.3%
24-Apr-95	1995	-6.1%	-5.0%	-12.1%	14.7%	1.8%	5.3%	7.2%	-1.6%	8.4%	20.4%
29-Nov-99	1999	49.8%	44.4%	0.4%	-2.8%	0.4%	7.9%	31.9%	21.6%	7.2%	-1.0%
21-Mar-04	2004	43.1%	32.6%	21.5%	17.5%	5.0%	-4.8%	-9.1%	-5.0%	0.0%	-2.1%
8-Mar-08	2008	9.0%	-4.7%	-0.7%	-9.6%	-8.4%	-5.8%	-3.7%	-17.4%	-34.6%	-33.8%
5-May-13	2013	6.5%	3.6%	2.3%	4.1%	0.4%	4.8%	5.2%	6.8%	6.4%	9.8%
	Average	**4.9%**	**0.4%**	**0.4%**	**1.5%**	**-1.1%**	**2.5%**	**5.8%**	**6.3%**	**9.7%**	**16.5%**
	Median	**2.2%**	**-4.9%**	**0.4%**	**0.7%**	**0.4%**	**2.9%**	**3.7%**	**2.6%**	**6.8%**	**9.1%**

SOURCES: CIMB, BLOOMBERG

3. BRI and the Rail theme

We expect the Belt and Road Initiative (BRI) to continue to play a big role in catalysing mega projects in 2018 for Malaysia. The BRI was first unveiled by China in 2013.

According to the Ministry of Finance (MOF)'s Economic Report 2017/18, the BRI covers the land-based "Silk Road Economic Belt" and the sea-based "21st Century Maritime Silk Road". According to the report, this comprises six economic corridors covering 65 countries, connecting Asia, Africa, the Middle East and Europe.

Furthermore, it represents more than 60% of the world's population, about 35% of global merchandise trade, and around 30% of global GDP. In achieving the overall objective of the BRI, it will focus on improving connectivity for economic integration and shared development. BRI's emphasis on promoting connectivity in land, maritime, air and cyberspace.

Figure 37: Mapping of the Belt and Road Initiative (BRI)

SOURCES: CIMB RESEARCH, WWW.MCKINSEY.COM

Essentially, BRI involves a massive infrastructure network that opens up new cross border transportation routes and transportation modes for both passenger and freight. How this is relevant to Malaysia is via its strategic location along/within the Maritime Silk Road. Four years on (since 2013), and as of June 2017, the BRI initiative has culminated in Malaysia and China's signing of Memorandum of Understanding (MOUs) in selected strategic projects that total up to RM170bn. More importantly, China plans to finance the BRI projects through Asian Infrastructure Development Bank (AIIB), including development financial institutions (DFIs) such as New Development Bank, EXIM Bank of China, and the Silk Road Fund.

With the funding support of the BRI as an enabler, Malaysia, for the first time, has targeted to implement/roll-out four major rail projects simultaneously in 2018. Those projects are: 1) the RM50bn-60bn KL-Singapore High Speed Rail (HSR), 2) the RM55bn East Coast Rail Line (ECRL), 3) the RM40bn MRT 3 (Circle Line), and 4) the RM8.9bn Gemas-JB electrified rail double tracking. All four rail projects are estimated to cost a combined RM164bn with a total new rail build-up of 1,209km (at grade and underground).

As at end-2017, these jobs have made significant progress in terms of government approvals, launch of the railway schemes, earlier stages of land acquisition, project design and tender process, which requires at least six months for evaluation and award.

The contract awards for these projects are likely to flow through in 2018 as project structures and funding methods for major rail projects are largely in place. The rough indications based on our industry checks are that between 30-50% of total project values of each contract are likely to be tendered out either as turnkey contracts under a project delivery partner (PDP) model or subcontract scopes under an EPCC model, of which are both positive for local contractors. We also expect potential order book replenishment to be sizeable for all contractors, across the board.

Figure 38: Major rail projects under the BRI and other outstanding rail contracts

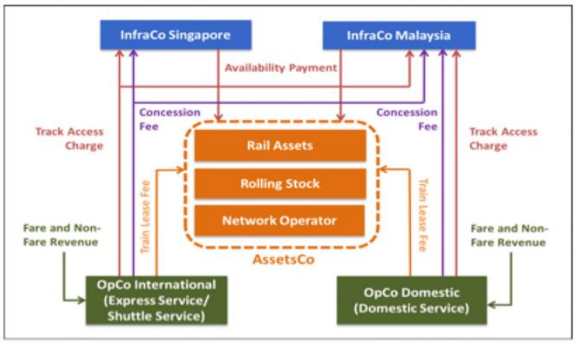
Projects	Cost (RM m)	Length (km)	Funding	Project structure	Mode	% of local content	Project completion
KL-Singapore High Speed Rail (HSR)	60,000	350	Govt bonds & concession	AssetsCo & PDP	Passenger	30-40%	2026
*East Coast Rail Line (ECRL)	55,000	628	Exim Bank & Govt bonds	EPCC & subcontractors	Passenger & Freight	30-40%	2024
**MRT 3 (Circle Line)	40,000	40	Foreign EPCC company	EPCC & subcontractors	Passenger	40-50%	2025
Gemas-JB rail double tracking	8,900	191	CRCC-CREC-CCCC JV	EPCC & subcontractors	Passenger & freight	30-40%	2022
Total	**163,900**	**1,209**					

EPCC: Engineering, Procurement, Construction & Commissioning
PDP: Project Delivery Partner
**Distance excluding spur lines*
***CIMB estimates based on RM1bn cost/km*

SOURCES: CIMB RESEARCH, COMPANY

The RM50-60bn KL-Singapore HSR project has launched both its AssetsCo (rolling stock and HSR assets) and Project Delivery Partner (PDP; infrastructure company) tenders in Dec 17. We estimate about 30-40% of total project value will benefit local contractors as a major part of the civil works on the Malaysian side will likely be undertaken by local players. Both the AssetsCo and PDP award process should commence from mid-2018. Once the AssetsCo and PDP scopes are awarded, we expect the project to go full-swing. Under the PDP model, it is likely that the Malaysian government will finance the construction. The HSR project is targeted to be completed in 2026. Based on the new time line for awards, we expect physical works to begin in 2019, provided that the overall design is finalised.

Figure 39: HSR's detailed operating structure



SOURCES: RAILWAY GAZZETTE

The RM55bn East Coast Rail Line (ECRL) is by far the longest by distance (628km) and the largest by value for rail construction in Malaysia. It is the largest project to adopt the Engineering, Procurement, Construction and Commissioning (EPCC) model and the biggest to be awarded to a Chinese contractor (China Communications Construction Company, CCCC). 85% of project value of RM55bn will be funded via Exim Bank's soft loan, repayable (interest and principle) only from the 7th year of operations. The balance 15% will be through government-guaranteed bonds. Several advance packages have been awarded to CCCC's related/partner companies, while one major package (worth between RM2bn-8bn) under CCCC's portion has yet to be awarded. About 30-40% of total project value is targeted to be awarded to local contractors. ECRL's contract awards should commence in 1H18, with project completion by 2024.

Figure 40: Breakdown of phases 1 and 2 of the ECRL

ECRL scopes	Phase 1 (km)	Phase 2 (km)	*Total (km)
Elevated	128.2	29.3	157.5
At grade	356.9	58.7	415.6
Tunnel	39.3	15.1	54.4
Total	**524.4**	**103.1**	**627.5**
**Excluding 79.4km of spur line*			
	% of total	**% of total**	**% of total**
Elevated	24%	28%	25%
At grade	68%	57%	66%
Tunnel	7%	15%	9%
Total	**100%**	**100%**	**100%**
No. of stations	22.0	4.0	26.0

SOURCES: MALAYSIA RAIL LINK

The RM40bn MRT 3 (Circle Line) is the final urban rail network in Klang Valley that would complete and integrate the MRT 1 (SBK Line, RM21bn) and MRT 2 (SSP Line, RM32bn) lines. 80% of the alignment will be constructed underground. We estimate the RM40bn total construction cost using an assumed 40km distance and RM1bn cost/km, benchmarked on MRT 2. MRT 3 will adopt a financing model similar to ECRL, i.e. an EPCC structure with a chunk of the subcontract works to be undertaken by local contractors. MRT 3 will include the longest underground network that could be worth RM37bn by our estimates. This project is targeted for Malaysian cabinet approval in 2Q18 and to be funded likely by a foreign EPCC company (Chinese or Japanese).

Figure 41: Specifications and scope for MRT 3 Circle Line vs. MRT 1 and 2, as per tender notice

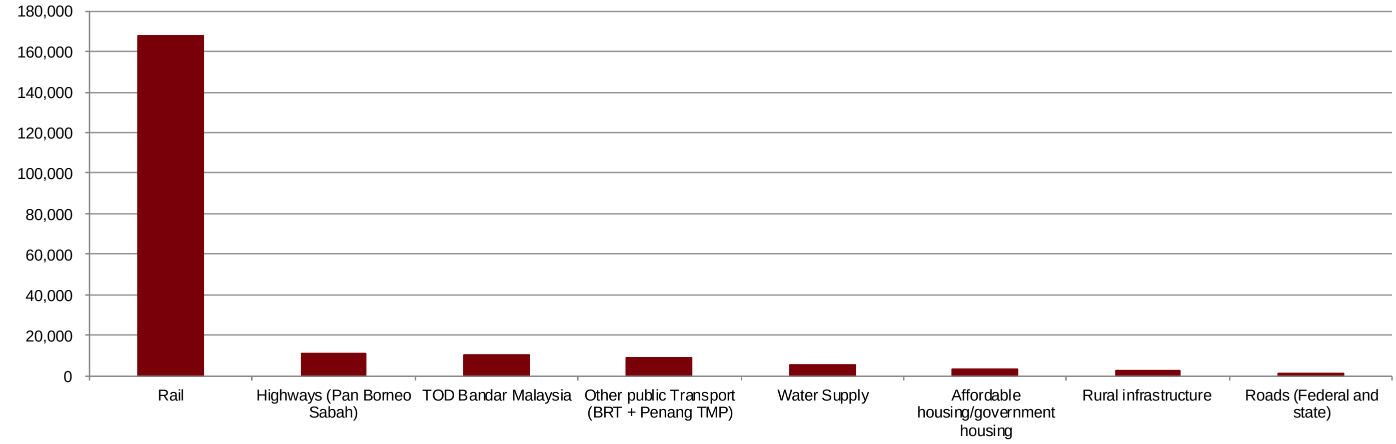
	MRT SBK Line (MRT 1)	MRT SSP Line (MRT 2)	MRT Circle Line (MRT 3)
Above ground (km)	41.5	38.7	8.0
Underground (km)	9.5	13.5	32.0
Total length (km)	**51.0**	**52.2**	**40.0**
Above ground cost (RM m)	12,700.0	16,521.0	3,415.2
Underground cost (RM m)	8,300.0	15,479.0	36,691.0
Total cost (RM m)	**21,000.0**	**32,000.0**	**40,106.2**
Above ground cost/km (RM m)	306.0	426.9	426.9
Underground cost/km (RM m)	873.7	1,146.6	1,146.6
Total cost/km (RM m)	**411.8**	**613.0**	**1,002.7**
No. of above ground stations	24.0	26.0	7.0
No. of underground stations	7.0	11.0	19.0
Total no. of stations	**31.0**	**37.0**	**26.0**
No. of tunnel boring machines (TBM)	10.0	12.0	NA
**Estimated MRT 3 cost is based on the cost/km of MRT 2*			

SOURCE: CIMB RESEARCH, COMPANY

The RM8.9bn Gemas-Johor Bahru rail double-tracking measures 191km in length and covers the southern region from the state of Negeri Sembilan to the state of Johor. This rail double-tracking is an extension of the RM12.5bn, 329km Ipoh-Padang Besar northern double-tracking project that was completed in 2012. This project also adopts the EPCC model, undertaken by China Railway Construction Co.-China Railway Engineering Co.-China Communications Construction Co (CRCC-CREC-CCCC) Consortium. We expect between 3-4 subcontract packages to be awarded to local players over the next 3-6 months (1H18). Construction could commence in 2H18.

Overall, the sector's macro outlook continues to be positive for next year, supported also by the "election factor", given that the GE14 is likely to be held by Aug 2018 at the latest. Our job compilation for 2018 shows RM210bn worth of total outstanding jobs in the pipeline. The rail segment constitutes 80% of the total value, the bulk of which is due for contract awards from 1H18.

Figure 42: Segmental breakdown of jobs in the pipeline for 2018 (RM m)



SOURCES: CIMB RESEARCH, BUDGET 2018

Other contracts included in our list apart from the four major rail contracts as per above are:

1) RM11bn Pan Borneo Highway (Sabah) that should dish out 10 more packages;
2) RM2bn Johor-Singapore rail transit system (RTS) that is expected to begin tenders next year;
3) RM10bn (estimated) Bandar Malaysia transport-oriented development (TOD) that was initially planned to be the HSR terminus located in Bandar Malaysia;
4) RM4bn worth of Bus Rapid Transit (BRT) project planned for Kuching (Sarawak) and Kota Kinabalu (Sabah) – no approvals at this juncture; and
5) Over RM6bn worth of rural, water supply, road and affordable/ government housing contracts as outlined in Budget 2018.

Figure 43: Large-scale projects in the pipeline for 2018

Projects	Value RM m	Category	Next milestone	Time line for milestone	Funding
East Coast Rail Line (ECRL) - phases 1 & 2	55,000	Rail (non-urban)	Awards	1H18	Exim Bank of China
KL-Singapore high speed rail (HSR)	60,000	Rail (urban)	AssetsCo & PDP awards	Mid-2018	Unknown
Klang Valley MRT 3 (KVMRT 3) - CIMB estimate	40,000	Rail (urban)	Cabinet approval	2H18	Foreign EPCC
Gemas-JB double tracking	8,900	Rail (non-urban)	Awards	1H18	CRCC-CREC-CCCC JV
JB-Singapore RTS Link (4km)	2,000	Rail (cross border)	Tenders	2H18	Unknown
Sabah rail upgrade for all ports	2,000	Rail (non-urban)	Cabinet approval	2018	Govt
Bandar Malaysia phase 1 (TOD)	10,000	Rail/commercial	Tenders	2018	Private sector
Penang Transport Master Plan (phase 1) - LRT	5,000	Rail (urban)	Approvals & EIA	2H18	Private sector
Bus Rapid Transit (BRT): Kota Kinabalu	2,000	Bus	Approval	2H18	PPP/PFI/Concession
Bus Rapid Transit (BRT): Kuching, Sarawak	2,000	Bus	Approval	2H18	PPP/PFI/Concession
Pan-Borneo Highway (Sabah)	11,000	Highway (non-tolled)	Awards	1H18	Govt/Bonds
Kota Kinabalu Water Supply Scheme	4,000	Water	Approval/awards	2H18	PPP
Affordable housing/Government housing	2,984	Housing	Tenders	1H18	Govt
Rural infrastructure - Peninsular & East Malaysia	2,420	Roads, bridges etc	Tenders	1H18	Govt
Non-revenue water (NRW) - water supply and distribution	1,400	Water	Tenders	1H18	Govt
Roads (non-tolled)	1,274	Non-tolled	Tenders	1H18	Govt
Total	**209,978**				

SOURCE: CIMB RESEARCH, BUDGET 2018

4. PNB transformation theme

The PNB (Permodalan Nasional Bhd) transformation theme is premised on the plan by the new leadership in PNB to work closely with the companies in which it has strategic stakes to create value for these companies. PNB is the country's largest fund management company.

To recap, Tan Sri Abdul Wahid Omar was appointed as chairman of PNB effective 1 Aug 2016. Prior to this, he had been a minister in the Prime Minister's Department in charge of economic affairs until his tenure as senator expired in Jun 2016. He had also been chief executive of Malayan Banking prior to his appointment to the Cabinet in 2013. Datuk Abdul Rahman Ahmad was appointed as the new president and CEO of PNB on 1 Oct 2016. Prior to this, he was the CEO of Ekuiti Nasional Bhd as well as group managing director and CEO of Media Prima.

The key strategic holdings of PNB are in Malayan Banking, Sime Darby, UMW Holdings, SP Setia, Chemical Company of Malaysia and MNRB Holdings.

In 2017, four (UMW Holdings, SP Setia, CCM and Sime Darby) of the seven key holdings companies under PNB announced demerger or merger exercises.

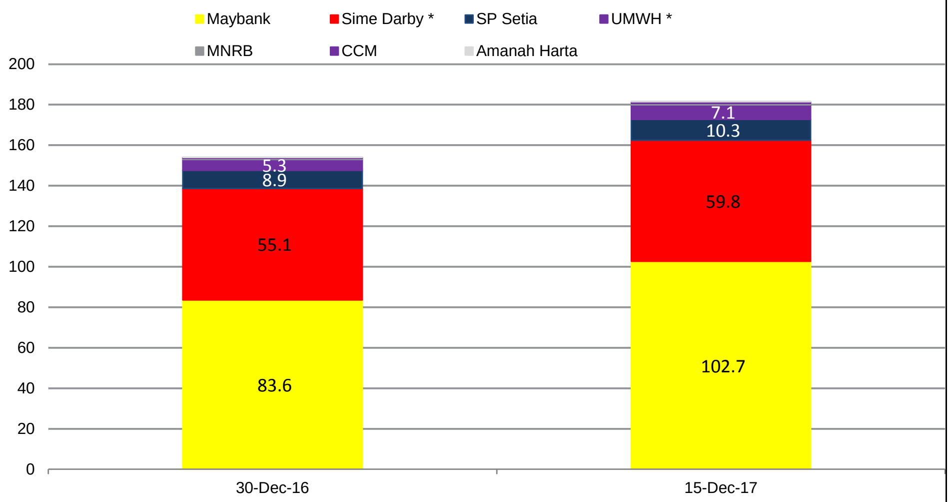
The market has generally reacted positively to the corporate action plans as market valuations of the companies under its holdings have improved 20.5% YTD, outperforming the KLCI's return of 7% for the same period.

In 2018, the companies that have demerged from their holding companies (mainly Sime Darby, Sime Darby Plantations, Sime Darby Property, CCM, CCM Duopharma, UMW Holdings and UMW Oil and Gas) will need to deliver stronger earnings to generate better returns for their shareholders. Following the acquisition of Island and Peninsular from PNB, SP Setia will need to generate higher profit and sales to create value for shareholders.

We like Sime Darby Property for exposure to the PNB transformation plan in 2018 as we believe the stock has the potential to outperform due to under appreciation of the company's valuable land.

The two strategic companies under PNB that have not announced any corporate exercises in 2017 are Maybank and MNRB.

Figure 44: Market cap of PNB's strategic companies (RM bn)



*Note that for comparison purposes:
i)Sime Darby Market Cap shown for 15th Dec 2017 includes Sime Darby Plantation and Sime Darby Property
ii) UMW Holdings Market Cap shown for 15th Dec 2017 includes the stake that UMW Holdings owned (55.73%) of UMW Oil & Gas, prior to the demerger

SOURCES: CIMB, BLOOMBERG

Figure 45: List and date of sizeable corporate exercises announced by PNB-owned companies

Announced date	Corporate exercise
19-Jan-17	UMW Holdings proposes demerger of UMW Oil & Gas
26-Jan-17	Sime Darby announces its plans to spin-off its plantation and property businesses in separate listings
22-Jun-17	SP Setia's acquisition of I&P Group
02-Aug-17	CCM proposes to demerge from CCM Duopharma

SOURCE: CIMB RESEARCH, BURSA MALAYSIA

5. Small-mid cap theme

We expect interest in the small-mid cap companies in Malaysia to remain strong in 2018. This will be partly driven by expanded coverage of small- to mid-cap companies under the on-going small and mid-cap stock research scheme, which was rolled out by Bursa Malaysia on 25 May 2017.

The scheme, which will be in operation for three years, began with 100 stocks, which have been picked based on several financial criterion. We expect more stocks to be covered in 2018 as the target is to cover up to 300 stocks. The definition of mid-cap companies under the scheme are those with a market capitalisation of between RM500m and RM2bn, while small cap companies are those with a market capitalisation of between RM200m and RM500m.

On top of this, we expect the RM3bn fund to be invested in this segment of the market, to help spur interest in small-mid cap companies. To recap, the government had proposed in its Budget 2017 the setting-up of a special fund of up to RM3bn to focus on investing in small and medium-cap stocks in 2017. The fund will be backed by government-linked investment companies and is expected to boost the trading activities in small and mid-cap companies and the stock market. Each stock under the scheme will be covered by two research houses.

The small cap index in Bursa Malaysia has outperformed the broader market in YTD17 (as at 15 Dec 2017) due to improved global and domestic growth prospects. The FBM Bursa Malaysia Small Cap Index has risen by 14% while the FBM KLCI Index rose by only 7%.

We continue to favour small to mid-cap companies in Bursa Malaysia in 2018, as investors continue to scout for exposure to high growth and undiscovered gems. We advise investors to be selective in their stock picking given that the share prices of small-cap companies have done well in 2017.

There are currently 903 companies listed on Bursa Malaysia. Of this, 788 are listed on the main boards, while the remaining 115 on MESDAQ. Around 39% of the stocks listed in the market are in the small or mid cap space, which we defined to be in the market cap range of between RM200m and RM2bn.

Our top three small-cap picks are CCK, Berjaya Food and Bonia.

Figure 46: Number of new listings

Year	Main market	ACE market	Total
2013	16	1	17
2014	12	3	15
2015	9	4	13
2016	7	5	12
2017	8	6	14

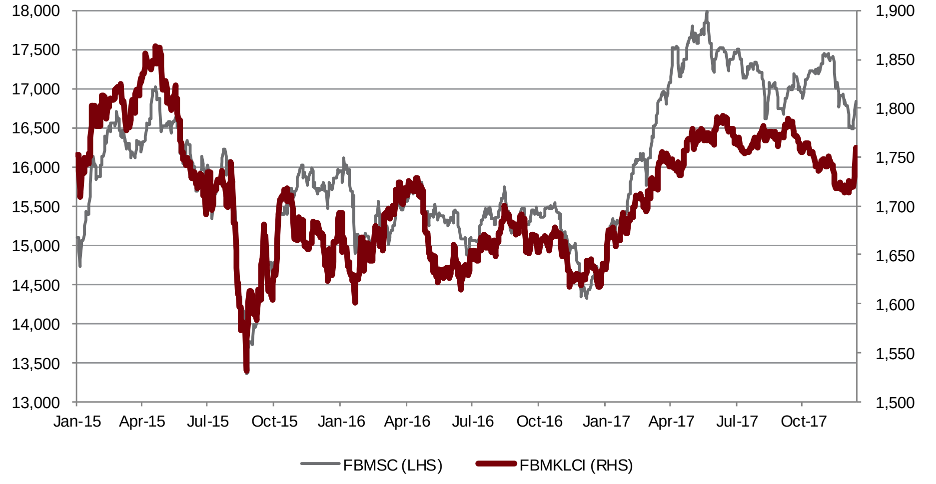
SOURCE: BURSA

Figure 47: Total number of listed companies

Year	Main market	ACE market	Total
2013	802	109	911
2014	799	107	906
2015	794	109	903
2016	791	113	904
2017	788	115	903

SOURCE: BURSA

Figure 48: FBM KLCI and FBM Small Cap Index



*data as at 15th Dec 2017
SOURCES: CIMB, BLOOMBERG

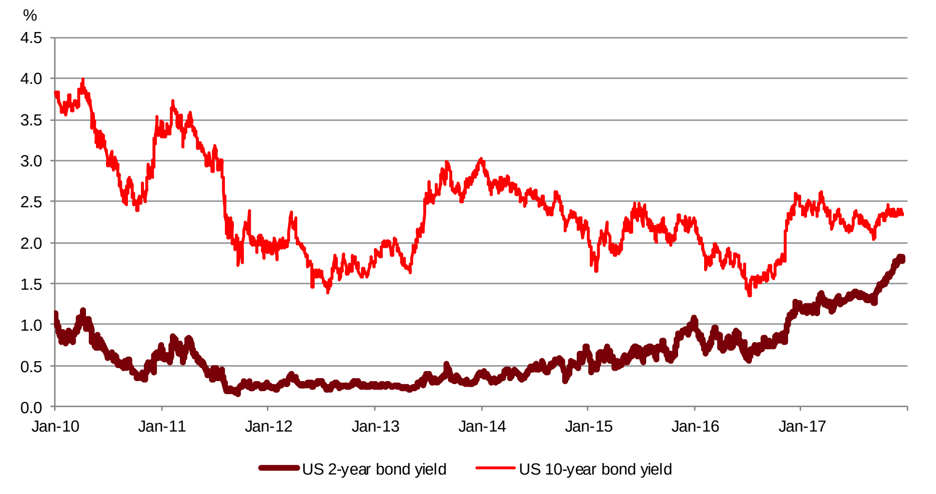
Risks

Global volatility ›

Global equities posted solid gains in 2017. The global stock market was driven by positive economic data and gains in the technology sector. This was a turnaround from 2016, when the global stock markets were dragged down by a sharp fall in oil prices, plunge in China's stock market, the economic slowdown in Europe and China, Brexit, and the surprise Trump win in the US presidential election which led to a sharp rise in US bond yields.

Although Malaysia is traditionally regarded as a low-beta defensive market, it too has not been immune to the broad trends. The three potential Federal Reserve funds rate hikes in 2018 could have repercussions on global and emerging markets.

Figure 49: Narrowing spread between the 2-year and 10-year US treasury bond yields



*data as at 15th Dec 2017
SOURCES: CIMB, BLOOMBERG

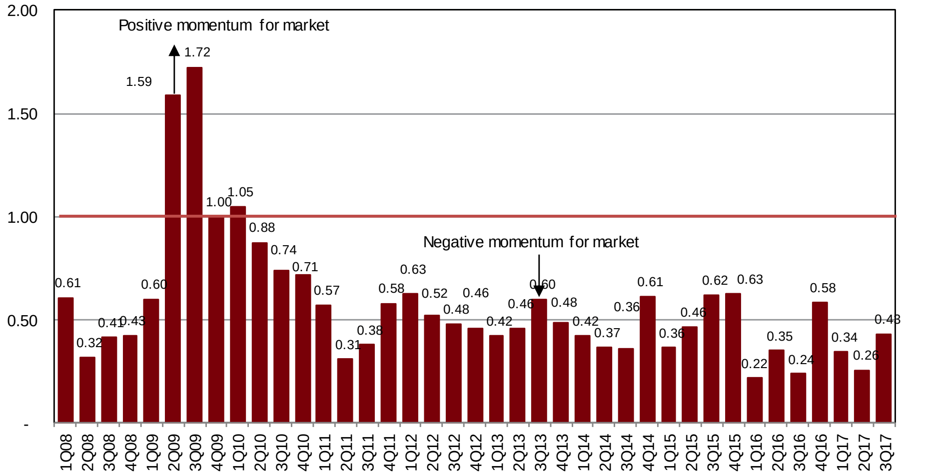
Corporate earnings ›

Malaysia has suffered several years of earnings disappointments. Market earnings fell in 2015 and 2016 before recovering in 2017 on the back of improved bank earnings and commodity prices.

However, corporates may face challenges in delivering stronger earnings in 2018 due to higher operating costs (gas prices hike, adoption of EIS, foreign workers levy), lower commodity prices, adoption of MFRS9 for banks, loss in businesses to disruptive technologies and illicit trades, potential downward revision to the regulated rate of return for utilities companies, and higher finance costs. We are expecting one interest rate hike for Malaysia in 2018.

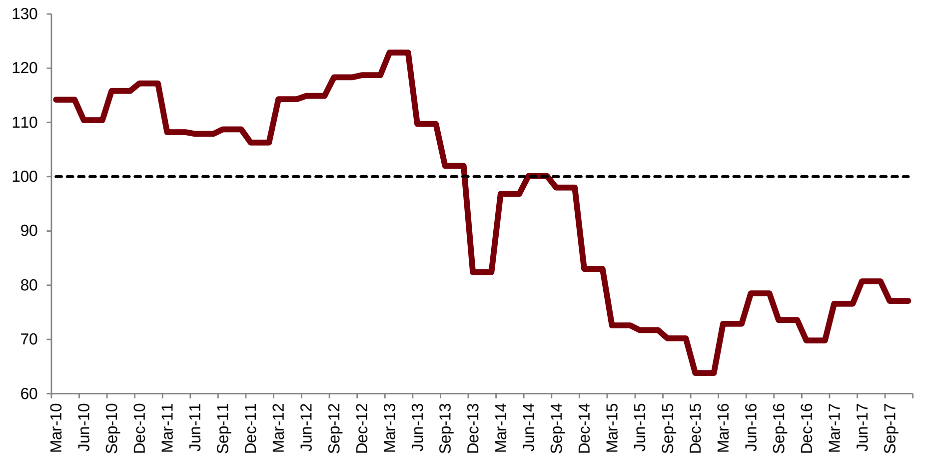
It is interesting to note that corporate earnings results have also lagged behind Malaysia's GDP growth. There appears to be a divergence in the performance of the domestic economy and corporate earnings, which we attributed to weak consumer sentiment as well as impact of disruptive technologies on traditional business.

Figure 50: Revisions up/revisions down (x)



SOURCES: CIMB, COMPANY REPORTS

Figure 51: Malaysia's consumer sentiment index has been hovering below the 100-pt threshold since end-2014



SOURCE: BLOOMBERG, MIER, CIMB RESEARCH

Other domestic issues

Political uncertainty has subsided in 2016 against 2015 following BN's landslide victory in the Sarawak elections. The next big event to watch out for is the 14th general elections or GE14, which will need to be held by Aug 2018. Shortly after that will be the UMNO party elections. The waning of political noise should be a positive for equities. On the macro front, slowing GDP growth, and weaker commodity prices could have negative repercussions on corporate earnings and investor sentiment.

10-year cycle

We have noticed that Malaysia appears to be plagued by a series of 10-year cycles that end with a major stock market crash. This happened in 1987 after the Black Monday crash on Wall Street, in 1997-98 during the Asian financial crisis, and again in 2008-09 during the GFC.

Should this 10-year cycle hold true, the next big crash could take place in 2017 or 2018. However, it is interesting that before every one of the big crashes, the KLCI has rallied strongly in the two-year period prior to the market peaking and the crash starting. The performance of the KLCI over the past 24 months does not reflect remotely the bullish period that precede a big crash.

Figure 52: 10-year cycles

FBM KLCI	24 months	18 months	12 months	6 months	Peak
1987	302.12	188.85	230.55	327.88	470.16
1997	953.79	1028.76	1090.06	1116.37	1271.57
2008	989.34	1342.79	1409.16	1271.48	1516.22
% changes					
1987	56%	149%	104%	43%	
1997	33%	24%	17%	14%	
2008	53%	13%	8%	19%	

SOURCES: CIMB, BLOOMBERG

Valuation and recommendations

Our end-2017 KLCI target of 1,790 points, which is based on 15.9x forward P/E (three-year moving average P/E) remains intact. However, we have revised down our end-2018 KLCI target to 1,880 points (based on 15.9x forward P/E), from 1,920 points, to reflect the changes in the KLCI constituents in Dec.

To recap, it was revealed that Nestle (Malaysia) (NESZ, Hold) and Press Metal Aluminium Holdings (PMAH MK) will replace British American Tobacco (ROTH MK, Hold) and IJM (IJM MK, Add) in the KLCI, following a semi-annual review of KLCI. All constituent changes will take effect on 18 Dec 2017.

It was also recently announced that following the listing of Sime Darby Plantation and Sime Darby Property on 30 Nov 2017 and in conjunction with the FTSE ground rules, Westports Holdings (WPRTS MK, Add) and Sime Darby Property (SDPR MK) will be deleted from KLCI, effective 6 Dec 2017. Sime Darby (existing constituent member) and Sime Darby Plantations (added to KLCI constituents on 30 Nov) will be retained in KLCI index.

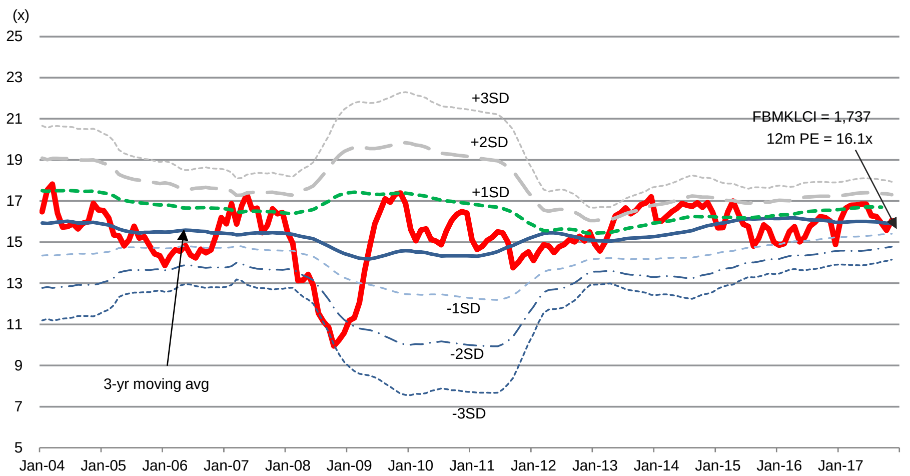
Figure 53: FBMKLCI Statistics

FBMKLCI Statistics	2015	2016	2017F	2018F	2019F
Core P/E (x)	18.8x	18.2x	17.0x	16.0x	14.7x
Core Net Profit Growth (%)	2.5%	3.3%	6.2%	6.3%	8.6%
P/BV (x)	1.8x	1.7x	1.6x	1.7x	1.6x
Dividend yield (%)	3.2%	3.3%	3.7%	3.6%	3.9%
Recurring ROE	9.6%	9.3%	9.4%	10.5%	10.6%

*2015-2017F are based on previous constituents; 2018-2019F are based on new constituents eff. 18th Dec 2017

SOURCES: CIMB, BLOOMBERG

Figure 54: FBMKLCI's 12m forward core P/E and standard deviation



SOURCES: CIMB, COMPANY REPORTS, BLOOMBERG

We prefer stocks that fit our five themes for 2018 as we expect news flows to boost interest in these stocks. On top of this, we also like stocks that offer defensive earnings quality and strong potential news flows to catalyse the stocks.

Taking the above into consideration, our preferred sectors are utilities, oil and gas, construction, rubber gloves and small caps. We like utilities for their defensive earnings quality and expect Tenaga to outperform once there is more clarity on the regulated rate of return by the regulator in 2018.

We like the construction sector as we expect news flows on job awards to pick up in 2018 as well as small- and mid-cap stocks as we project investors will continue to look for undervalued stocks that offer strong earnings growth propositions.

We also like the gloves sector which is expected to benefit from their expansion plans and improved demand for gloves, and the oil and gas sector which offers good upside potential, either because they have been sold down to an attractive valuation level or see earnings growth from expansion.

In terms of stock picks, we have added Sime Darby Property to our top big-cap pick list. Our top-three big cap picks continue to be Axiata, Dialog and Tenaga

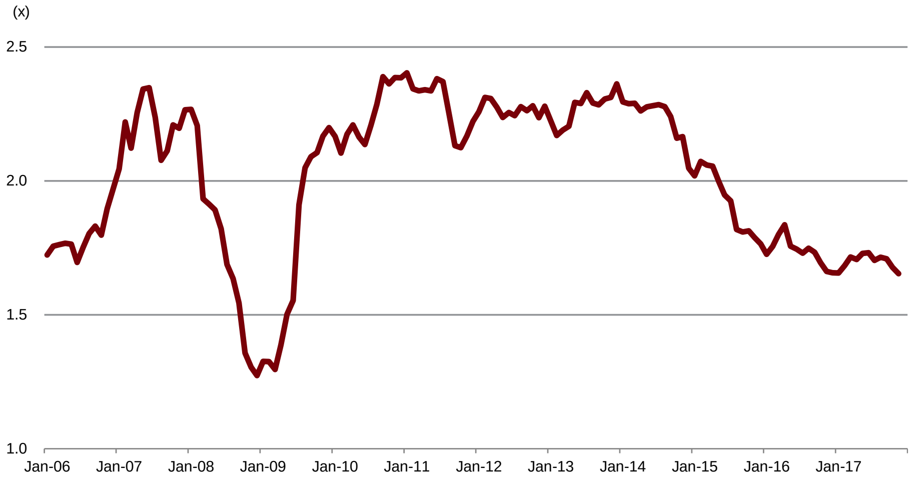
As for market earnings, we expect the 2017, 2018 and 2019 KLCI EPS to grow by 6.2%, 6.3%, and 8.6%, respectively, driven by the banking and petrochemical sectors. Compared to its regional peers, the Malaysian market offers slower earnings growth but trades at higher P/E valuations against most of its peers.

Figure 55: Regional valuations

	---------- Core P/E ----------				----- Core EPS growth ----			
	2016	**2017F**	**2018F**	**2019F**	**2016**	**2017F**	**2018F**	**2019F**
FBMKLCI	18.2x	17.0x	16.0x	14.7x	3.3%	6.2%	6.3%	8.6%
FSSTI	14.0x	15.8x	14.7x	13.5x	-8.0%	6.7%	7.7%	8.4%
SET	18.4x	16.6x	14.8x	13.7x	13.5%	10.8%	11.9%	8.4%
JCI	19.8x	19.8x	17.4x	15.7x	5.2%	13.4%	14.2%	11.0%
Simple Region x KL avg	*17.4x*	*17.4x*	*15.6x*	*14.3x*	*3.6%*	*10.3%*	*11.3%*	*9.3%*
KLCI PER premium vs region	*4.4%*	*-2.1%*	*2.2%*	*2.9%*				

SOURCES: CIMB, BLOOMBERG

Figure 56: FBMKLCI's P/BV



*data as at 15th Dec 2017

SOURCES: CIMB, BLOOMBERG, COMPANY REPORTS

CIMB

Figure 57: Sectoral reported core net profit and related valuations

	-----Earnings growth-----		-----------Core PE----------		-----------P/BV-----------		-----Recurring ROE-----		-----Div yield-----	
	CY2017	CY2018	CY2017	CY2018	CY2017	CY2018	CY2017	CY2018	CY2017	CY2018
Agribusiness	17.5%	8.9%	24.9	22.9	2.1	2.1	8.5%	9.1%	2.1%	2.3%
Automobiles and Parts	nm	nm	nm	nm	1.6	1.6	2.4%	6.4%	2.7%	4.3%
Aviation	-14.9%	-16.9%	8.6	10.3	1.2	1.0	16.0%	10.8%	5.3%	1.9%
Banks & Finance	7.1%	8.1%	13.5	12.5	1.4	1.3	10.8%	10.7%	3.8%	4.1%
Chemicals	19.5%	9.1%	13.7	12.5	1.6	1.4	12.8%	12.0%	2.4%	2.5%
Conglomerates	92.7%	50.7%	15.2	10.1	0.5	0.5	3.6%	5.4%	7.3%	8.3%
Construction and Materials	-10.0%	20.7%	19.5	16.1	1.3	1.3	6.8%	8.0%	2.6%	2.8%
Consumer	0.6%	14.0%	27.2	23.8	6.5	6.2	24.9%	26.7%	3.1%	3.4%
Healthcare	-16.9%	37.8%	59.1	42.9	2.0	1.9	3.7%	4.9%	0.6%	0.7%
Industrial Goods and Services	12.1%	22.1%	28.5	23.3	4.6	4.1	16.7%	18.6%	1.7%	2.0%
Insurance	-3.4%	10.1%	15.6	14.1	0.1	0.1	19.1%	19.1%	3.1%	3.5%
Media	-19.8%	13.2%	21.9	19.4	4.2	4.1	18.4%	21.2%	5.9%	4.5%
Oil Equipment and Services	19.5%	29.9%	32.1	25.4	1.7	1.6	5.2%	6.6%	2.9%	2.0%
Property & REITs	19.3%	-7.7%	15.9	18.3	1.0	1.2	7.5%	6.5%	4.0%	3.7%
Services	56.9%	242.6%	28.5	8.3	3.1	2.4	11.2%	32.7%	3.0%	4.3%
Shipping	8.7%	-6.0%	62.4	66.4	3.7	3.6	6.0%	5.5%	0.9%	0.9%
Technology	28.8%	19.7%	21.8	18.2	4.2	3.7	20.2%	21.4%	2.3%	2.4%
Telecommunications	-2.1%	4.6%	26.6	25.5	3.9	3.8	15.2%	15.1%	3.0%	3.5%
Transport Infrastructure	17.0%	25.4%	25.8	20.8	2.4	2.3	9.4%	11.3%	3.0%	3.7%
Travel & Leisure	10.0%	16.6%	19.4	16.6	1.2	1.1	6.3%	7.0%	1.9%	2.1%
Utilities	-6.0%	3.5%	13.8	13.4	1.5	1.5	11.4%	11.2%	3.5%	4.4%

SOURCES: CIMB ESTIMATES

Figure 58: FBM KLCI levels at 1 s.d./2 s.d. above/below current level

	FBMKLCI	12M Forward P/E (x)
	1,737	**16.1**
Mean	**1,736**	**16.0**
+1SD	1,807	16.7
+2SD	1,879	17.4
+3SD	1,951	18.0
-1SD	1,664	15.4
-2SD	1,592	14.7

SOURCES: CIMB

Figure 59: Sector weighting for 2018

OVERWEIGHT	NEUTRAL	UNDERWEIGHT
Construction	Agribusiness	Automotive
Gloves	Banks	Tobacco
Insurance	Brewers	
Oil & Gas	Building Materials	
Petrochemicals	Consumer	
Small caps	Food & Beverages	
Utilities	Gaming	
	Healthcare	
	Media	
	Packaging	
	Property Development	
	REIT	
	Semiconductor	
	Telecommunication	
	Transport	

SOURCE: CIMB

CIMB's top sector picks for 2018

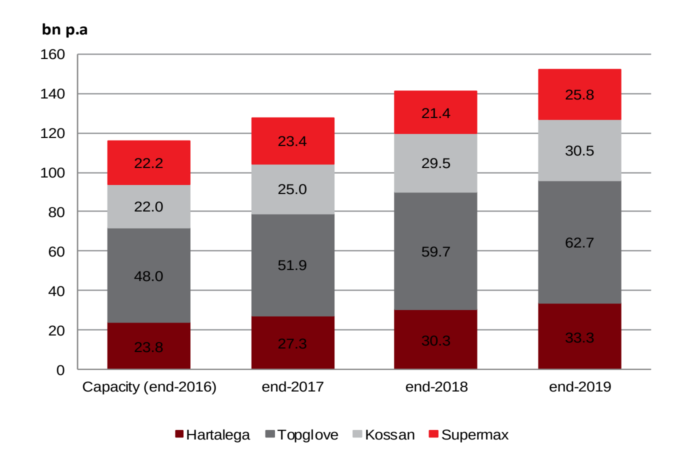
Construction (Overweight)

- Our job compilation for 2018 shows RM210bn worth of total outstanding jobs in the pipeline. The rail segment constitutes 80% of the total value, the bulk of which are due for contract awards from 1H18.
- The sector's macro outlook continues to be positive for next year, supported also by the "election factor", given that the 14th General Election (GE14) is likely to be held by Aug 2018 at the latest.
- Top big cap pick – Gamuda (rail theme).
- Top small/mid cap pick – Muhibbah Engineering (cheap valuations, potential M&As).

Breakdown of RM210bn outstanding jobs	RM m
Rail	167,900
Highways (Pan Borneo Sabah)	11,000
TOD Bandar Malaysia	10,000
Other public Transport (BRT + Penang TMP)	9,000
Water Supply	5,400
Affordable housing/government housing	2,984
Rural infrastructure	2,420
Roads (Federal and state)	1,274
Total	**209,978**

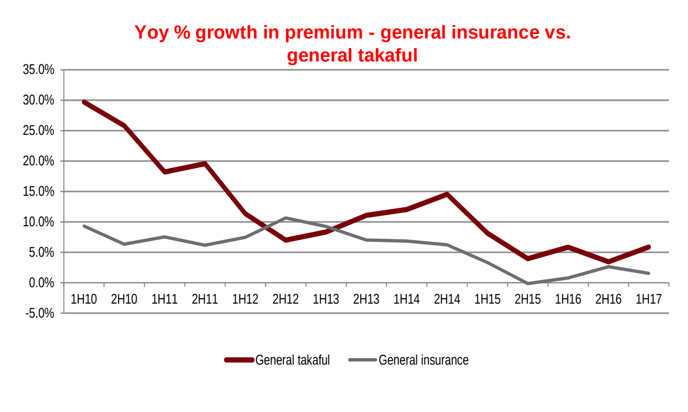
Gloves (Overweight)

- We remain bullish on the glove sector given the strong global demand for rubber gloves. This is on the back of the lower supply of vinyl gloves from China from pollution issues. We expect this situation to persist in 2018.
- Expect sequentially-stronger earnings growth, mainly driven by capacity expansion in the sector. Margins should also expand from cost savings owing to higher automation.
- We do not see much difficulty for glove makers to increase selling prices to pass on the impact of the stronger ringgit and higher inflationary costs, including spike in gas prices.
- Top Picks: Kossan and Top Glove



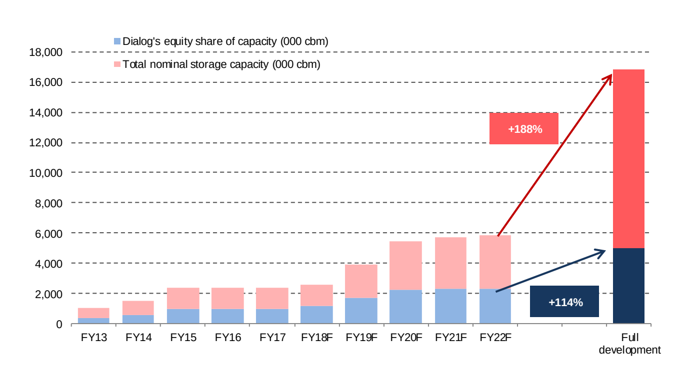
Insurance (Overweight)

- Despite the slow premium growth for conventional insurance, we Overweight the insurance sector for the growth prospects in Takaful and overseas markets.
- For conventional insurance, we project a growth of 2% for general insurance and 5-6% for life insurance in 2018. The Takaful segment is expected to expand at faster pace at 7-8% for family takaful and 4-5% for general takaful in 2018.
- Tune Protect is our top pick for the sector as we are positive on the prospects for its travel insurance business in the region. In Malaysia, its premium growth would also outpace the industry's rate.



Oil & Gas (Overweight)

- Jack-up rig owner, UMW-OG, has seen a dramatic recovery in utilisation, although rates remain poor.
- The fabrication, drilling and engineering services businesses of SAPE continue to see tough times, and orderbook accumulation has been very slow.
- We like FPSO players like BAB and Yinson, as their businesses provide steady cashflows.
- We maintain Overweight, with Dialog as our top pick, as it has a low-risk, but highly profitable, tank terminals business.

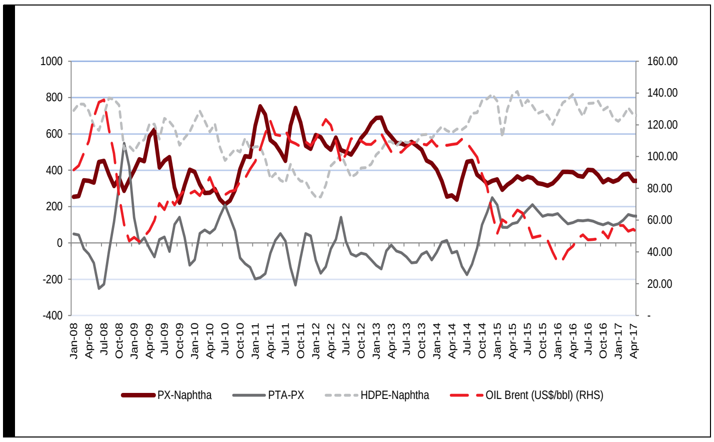


SOURCE: CIMB, COMPANY REPORTS, industry publications, press reports, Bloomberg

CIMB's top sector picks for 2018

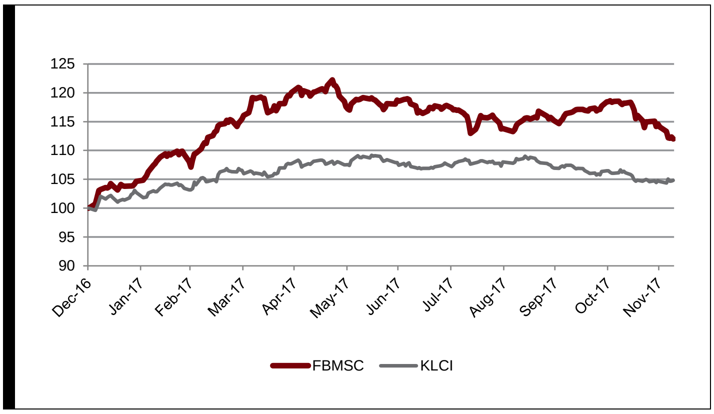
Petrochemicals (Overweight)

- We project that both PChem and LCT will see earnings growth in FY18F, driven mainly by higher utilisation rates and capacity expansion.
- As a gas-based olefin producer, PChem will benefit from wide industry margins and rising oil price, thanks to its consistently high utilisation rates across the board.
- LCT's earnings are expected to recover in FY18F, driven by higher utilisation rates and the start-up of its downstream capacity expansion projects.
- Maintain Overweight on the sector given the strong earnings growth outlook, with PChem as our top pick.



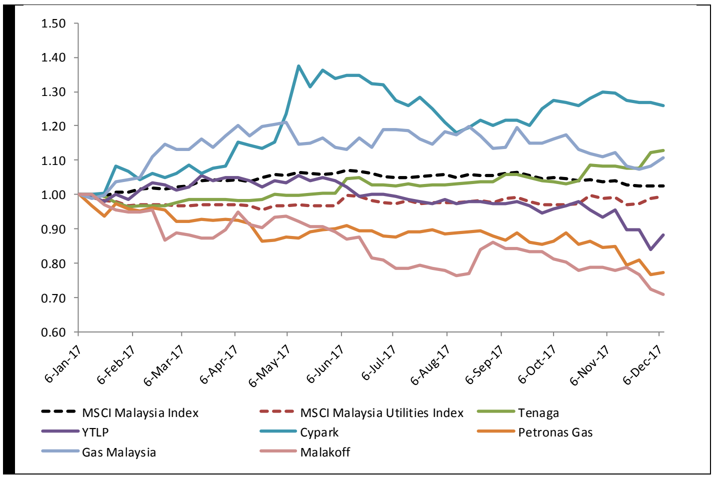
Small-cap (Overweight)

- Small-cap companies' earnings growth are generally superior to big caps.
- Small-cap stocks received a boost from the 2017 launch of Bursa's small and mid-cap research scheme. In addition, government-linked investment funds are looking to invest more funds in more small and mid-cap companies for their outperformance.
- Our top three smallcap picks are CCK, Bonia and Berjaya Food.



Utilities (Overweight)

- Potential interest rate hikes and industry regulation revision (IBR and TPA) are the potential utilities sector disruptors in 2018.
- The utilities sector remains Overweight as we believe the negatives are largely reflected in the valuations. The MSCI Malaysia Utilities Index has underperformed the KLCI index by 6.23% YTD, signaling that the market has factored in the downsides despite its defensive nature and decent dividend yield of c.4%.
- Our preferred picks for the sector are Tenaga due to its undemanding valuation, and YTL Power for the appealing dividend yield of c.6%.

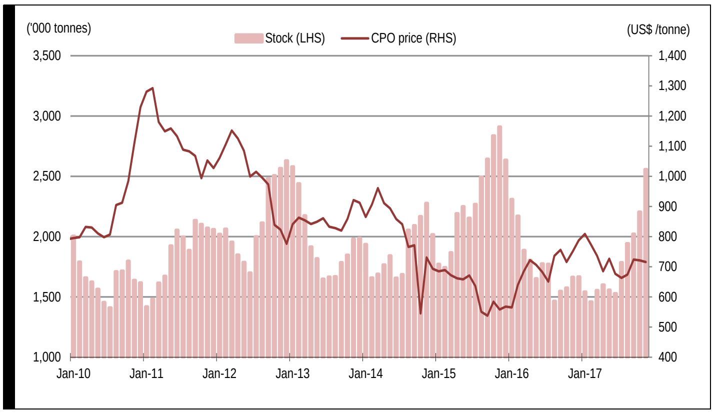


SOURCE: CIMB, COMPANY REPORTS, industry publications, press reports, Bloomberg

Sectors (Neutral)

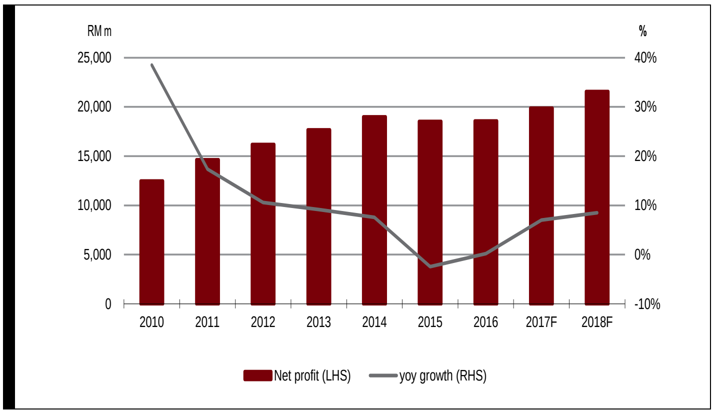
Agribusiness (Neutral)

- We expect planters to report higher earnings in 2018, driven by higher FFB output and stronger downstream contributions.
- We expect CPO prices to average RM2,700 per tonne in 2018F, which is lower compared to 2017F's average of RM2,800 per tonne. FFB yields are projected to grow by c.5% driven by recovery from El Nino impact.
- Key bearish factors are higher inventory and import duties by India. We maintain our neutral stance on the sector as we feel that valuations of planters have priced in the prospects of weaker CPO price.



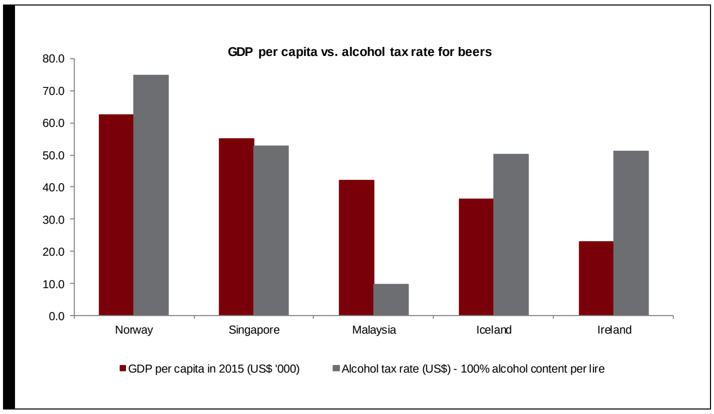
Banks (Neutral)

- Banks remain a Neutral given the concerns over weak loan growth and potential negative impact from the adoption of MFRS 9.
- We do not see any catalysts for loan growth in 2018 and expect the growth to remain weak at 4-5%, on par with the level estimated for 2017.
- We estimate that the adoption of MFRS 9 would increase banks' loan loss provisioning by about 10% in FY18-19F. This would lead to a 1-2% reduction for our projected FY18-19F net profit.



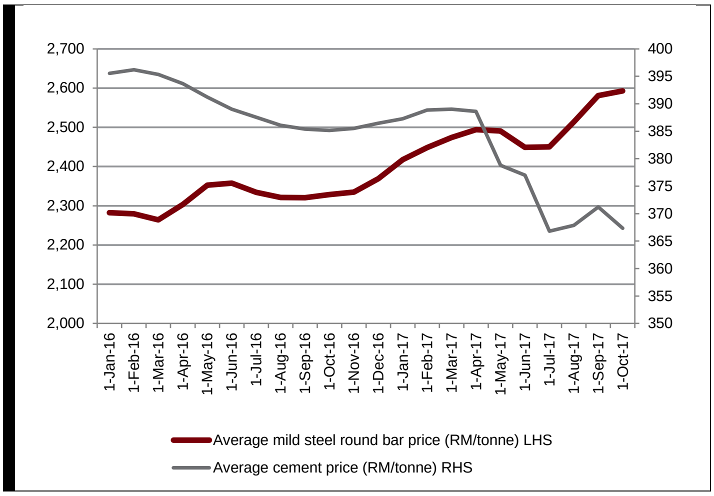
Brewers (Neutral)

- The sector now appears to be fairly valued and we see no major rerating catalysts in sight.
- FY17-19F dividend yields continue to be attractive at 5-5.5%.
- We advise investors to accumulate brewery stocks on weakness as a defensive yield play.
- Heineken remains as our top sector pick for its diversified portfolio and market leadership position in Malaysia.



Building Materials (Neutral)

- The cement capex cycle has ended, but we believe volume and price recovery will not happen so soon.
- Although the domestic cement sector has come off its peak capex cycle for capacity expansion, we do not think that the oversupply situation will reverse so soon due to the timing of cement demand for new contracts.
- For the domestic steel sector, the buoyant steel prices YTD should continue to be supported by China's clampdown on excess capacity and the decline in cheap imports into Malaysia. Steel players should benefit once the steel-intensive stage of the major projects kick in.
- Maintain Reduce on Lafarge.

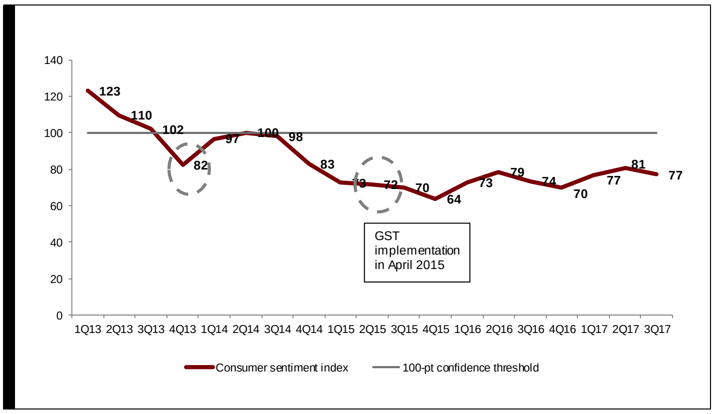


SOURCE: CIMB, COMPANY REPORTS, industry publications, press reports, Bloomberg

Sectors (Neutral)

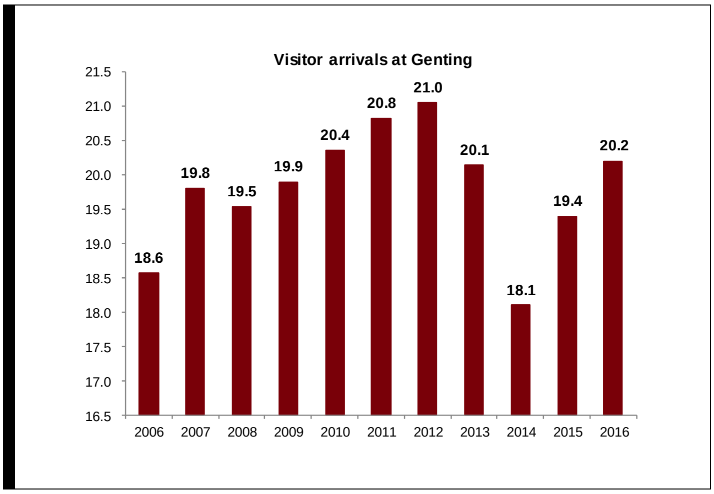
Consumer (Neutral)

- In view of the continued softer consumer spending environment and elevated cost of living, we remain Neutral on the consumer sector.
- In the consumer staples space, we have a preference for brands with defensive brand names and majority market share which would allow them to have pricing power to pass along any cost inflation.
- As for the consumer discretionary sub-sector, we think that the convenience store formats such as Mynews and FamilyMart are well-positioned to capture the evolving fast-paced consumer lifestyle in Malaysia.



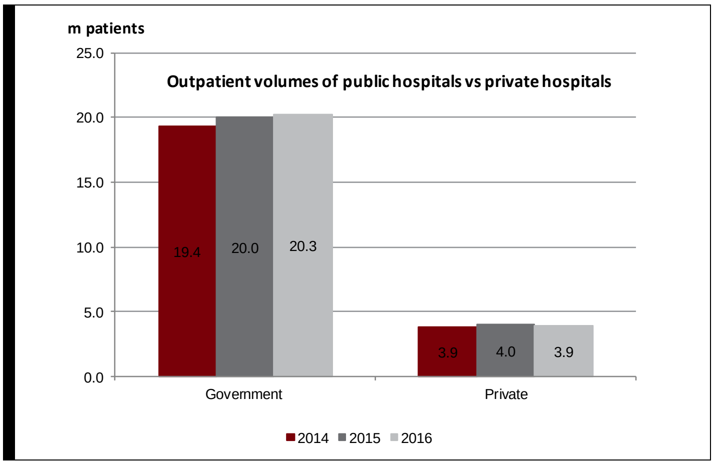
Gaming (Neutral)

- While the NFO industry continues to be plagued by the proliferation of illegal operators, we think that both BST and Magnum will continue to attract investors given their appealing FY17-19F dividend yields of 6.2-6.7%.
- We remain cautious on the earnings outlook for GENM as we think that cost pressures may outweigh revenue growth from its new GITP properties in the near-term. We think that its current share price fairly reflects its current growth prospects.
- Our top pick is Genting Berhad as it is a cheap proxy to ride on the upside for its listed subsidiaries, GENM (rerating catalysts from GITP properties) and GENS (higher market share gains and better cost control).



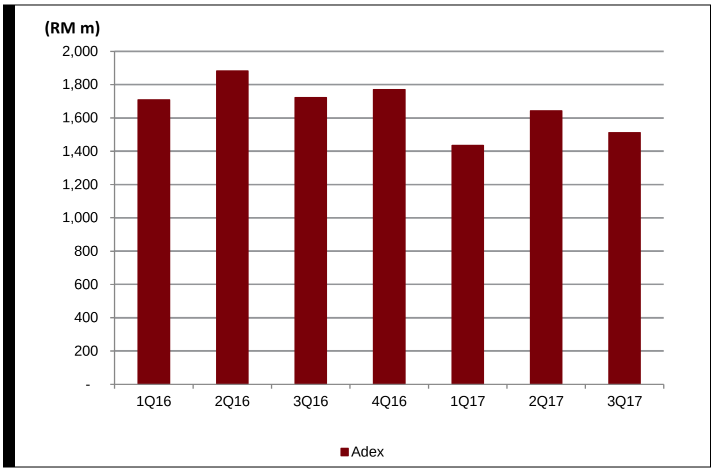
Healthcare (Neutral)

- Valuations for hospital stocks are expensive, but will be supported by scarcity premium from the lack of healthcare-related stocks. Pharmaceutical stocks should continue to be trading at a discount to hospital stocks due to the more competitive generic drug market.
- Earnings of pharmaceutical stocks are expected to improve in 2018 from higher sales volume. Private hospital operators such as KPJ and IHH should benefit from higher contribution of new and existing hospitals.
- Key rerating catalyst for the sector is improved consumer sentiment, resulting in higher demand for private healthcare and pharmaceutical goods.



Media (Neutral)

- We expect weak adex to continue in 2018F due to sluggish consumer sentiment on the back of higher cost of living. We project a 5% drop in adex in 2018.
- The sector is also facing structural shift in adex from traditional platforms towards digital and social media. We expect the shift to continue in 2018F.
- Although media companies within the sector are addressing the decline in adex by growing the non-adex revenue, we think these new initiatives will require a longer gestation period.
- Maintain Neutral rating due to its decent CY18F yield support of 4.4%. We expect the sector to record a weaker 3-year EPS CAGR of -0.4%.

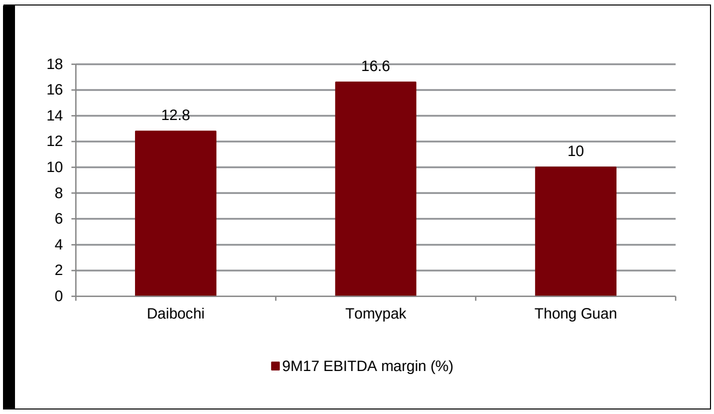


SOURCE: CIMB, COMPANY REPORTS, industry publications, press reports, Bloomberg

Sectors (Neutral)

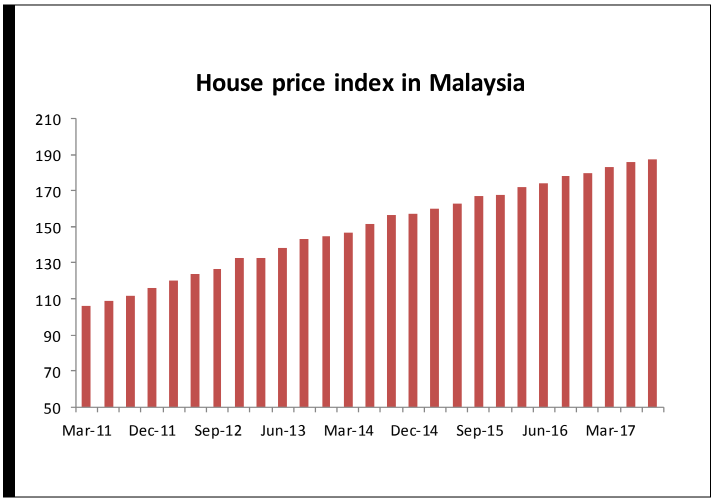
Packaging (Neutral)

- Sector earnings growth in the packaging sector would be driven by exports. Most of the exports come from the ASEAN region.
- Domestic revenue remains weak as domestic consumer demand is lacklustre.
- Rise in the minimum wage could eat into the profit margins of the packaging companies.
- Our top pick in the sector remains Thong Guan.



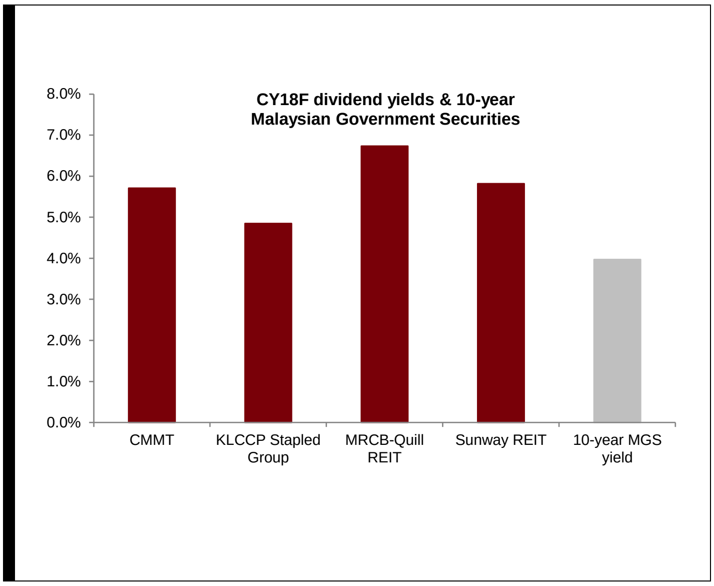
Property Development (Neutral)

- We believe the overall property outlook is still bleak in 2018, despite property prices being on an upward trend.
- We expect overall property sales to remain subdued next year compared to this year due to the unexciting macroeconomic outlook (interest rate hike risk and approval freeze for luxury projects) and sector fundamentals (oversupply).
- Developers that have lined up major launches of mass-market housing projects for next year offer the highest chance of exceeding their 2017F sales in 2018, in our view.
- Our preferred picks for the sector are LBS and Sime Darby Property.



REIT (Neutral)

- We retain our Neutral stance on the REIT sector. Our call is supported by average CY18F dividend yields of 5.8%, a discount to 3-year historical average dividend yields of c.6.5%.
- We think the risk of higher interest rates in 2018, which will lead to narrowing yield spreads is likely to put pressure on REITs' share prices. This will however, provide the chance for investors to buy M-REITs with stronger growth profiles on weakness.
- We advocate investors to pick M-REITs with: i) stable leases, i.e. prime retail assets and/or office assets on long-term tenancies which are still able to uphold positive rental reversions (albeit at a moderate pace) as well as sustain occupancy rates; ii) proven track record of asset enhancement initiatives; and iii) strong sponsor backing which should lead to a more visible acquisition pipeline.



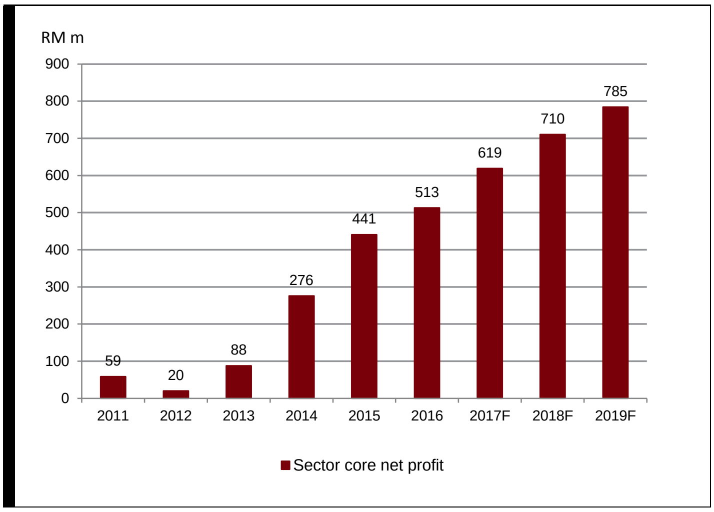
SOURCE: CIMB, COMPANY REPORTS, industry publications, press reports, Bloomberg

CIMB

Sectors (Neutral)

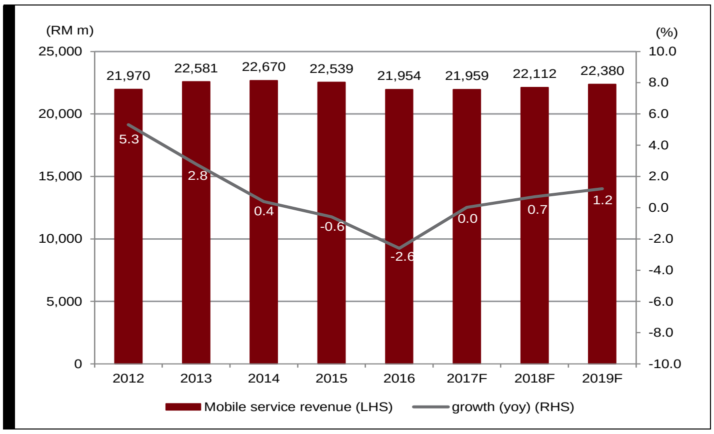
Semiconductor (Neutral)

- We are cautiously optimistic for stronger industry sales growth in 2018F (vs. 2017F) driven by volume growth from on-going capacity expansion and healthy supply-demand balance. WSTS projects a 7% global semiconductor demand growth in 2018F.
- Global sales of smartphones are projected to grow 6% in 2018F driven by the iPhone replacement cycle and component shortages which led to the inability to meet smartphone demand at end-2017F.
- We project a 15% net profit growth for the sector in 2018F (vs. 21% in 2017F), driven by stronger contributions from Inari and Unisem.
- Nevertheless, we see downside risk to earnings for the sector from forex volatility if RM continues to strengthen against the US$.



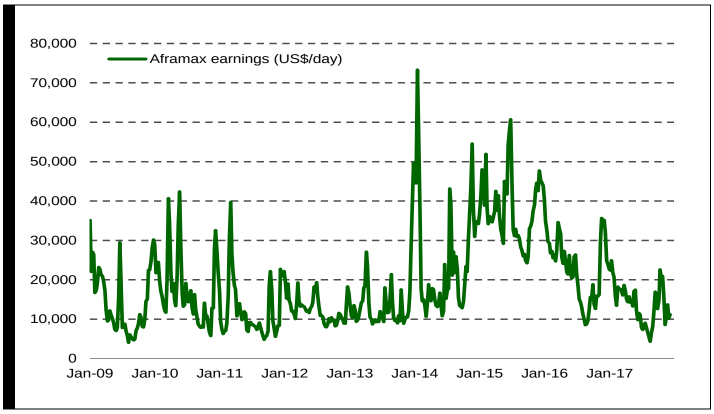
Telecommunication (Neutral)

- The industry could post flat to low single-digit mobile revenue growth in 2018F on more stable market competition, after 3 consecutive years of decline.
- MCMC will announce the winners of the 700MHz beauty contest likely by 1Q18. If it decides to allocate the spectrum to new/smaller players, it could create more competition for the big 3 in the medium-term.
- Malaysian telcos trade at an average FY18 EV/OpFCF of 16.9x, in line with ASEAN telcos. This is fair as its average 3-year EBITDA CAGR of 3.5% and FY17-19F dividend yield of 3.2-4.1% is decent but slightly below par vs. ASEAN peers.



Transport (Neutral)

- We maintain our Neutral call on the transport sector, with AirAsia as our key pick for its special dividends and rising domestic market share.
- MAHB's continued traffic growth, higher tariffs, potential part-sale of ISG, and renegotiation of its concession terms can be powerful catalysts.
- Tanker freight rates are expected to bottom sometime during CY18F, then recover, benefitting MISC.
- Westports will likely see marginal volume growth in FY18F due to container shipping M&As.



Water treatment and services (Neutral)

- Splash's takeover talks have been extended to Jul 2018 after the Oct 17 deadline was missed.
- Splash (40%-owned by Gamuda) remains the last targeted water asset to be acquired. Salcon remains a play on water infra but we maintain our Reduce call due to losses.
- If the water deals are resolved, Gamuda and Taliworks (Maintain Hold) would be the main beneficiaries.

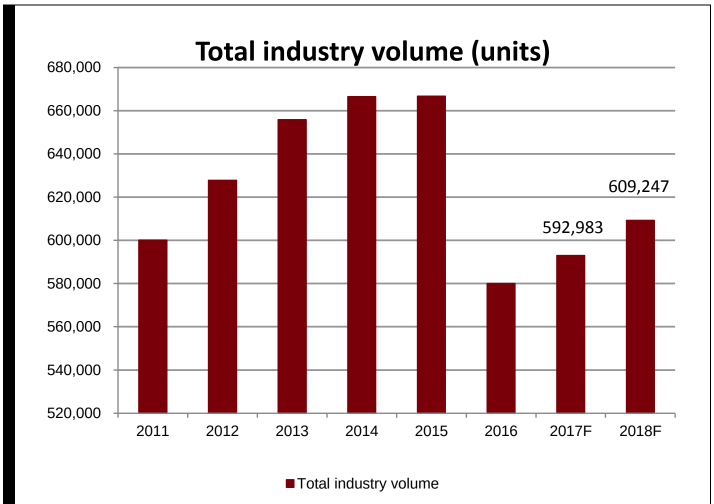
Companies	Exposure
Gamuda	Potential divestment value of RM2-8bn to RM3bn
Taliworks	Post consolidation play in Selangor
Salcon	RM1.4bn allocated for NRW under Budget 2018
Engtex (NR)	Larger diameter pipes for Langat 2 WTP phase 1
Hiap Teck Venture (NR)	Nationwide NRW pipe replacement works
YLI Holdings (NR)	Nationwide NRW pipe replacement works
Jaks Resources (NR)	Nationwide NRW pipe replacement works
Kump. Perangsang S'ngor (KUPS NR)	Potential pipe contracts in Selangor

SOURCE: CIMB, COMPANY REPORTS, industry publications, press reports, Bloomberg

Sectors (Underweight)

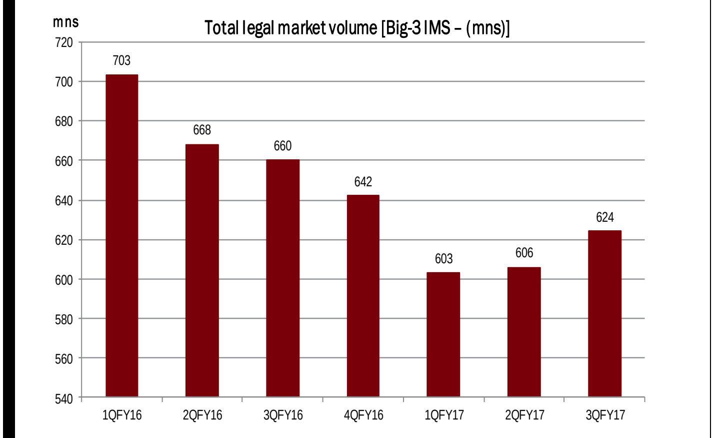
Automotive (Underweight)

- We project a tepid 2.7% total industry volume (TIV) growth in 2018F driven by multiple new model launches in the growing passenger car segment, amid demand weakness in the commercial segment.
- The industry will continue to be hit by weak consumer sentiment, stringent loan approvals and subdued loan applications, especially if there is a hike in OPR, which could trigger a corresponding increase in HP rates.
- We expect the sector to benefit from the appreciation of the ringgit against the US$, given it will help the manufacturers to alleviate high cost for their complete knocked down kits and complete built up models.
- Maintain Underweight, with DRB-Hicom as our top pick, premised on Proton's potential turnaround pending the entry of a foreign strategic partner.



Tobacco (Underweight)

- We have a Hold call on BAT, the sole stock in the tobacco sector.
- Volumes continue to be under pressure, due to high illicit volumes and legal competition from new product launches by competitors in the value-for-money segment.
- BAT recently launched a new value-for-money product (Rothmans) priced at RM12 to capture customers with lower affordability, narrowing the pricing differential with illicit cigarette packs.
- While we expect a recovery in sales volume in tandem with the introduction of its VFM products, this will be mitigated by a decline in margins. This is due to cannibalisation of premium segment volumes.



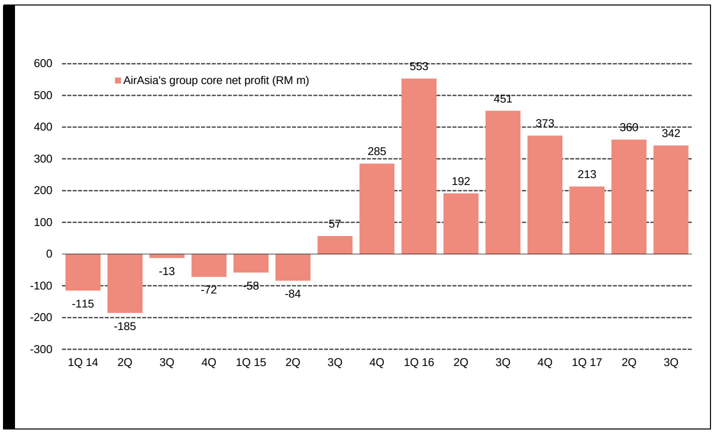
SOURCE: CIMB, COMPANY REPORTS, industry publications, press reports, Bloomberg

CIMB

CIMB's top picks for 2018 (Large Cap)

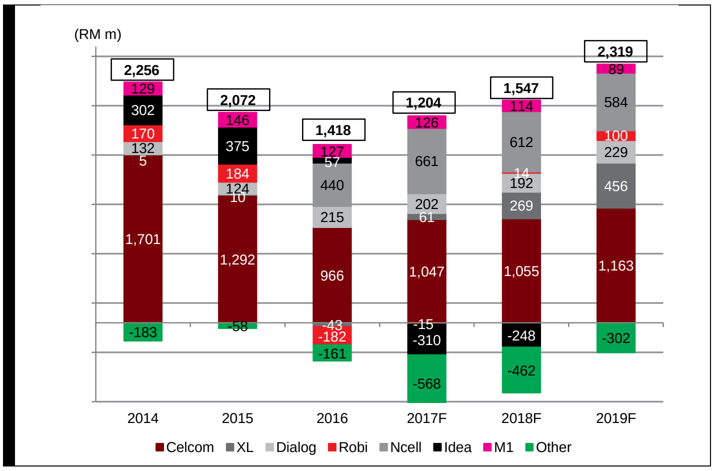
AirAsia (TP RM4.04)

- We are valuing AirAsia at a core CY19 P/E of 9x (RM2.90) and adding in RM1.14/share in special dividends, to get our target price of RM4.04.
- AirAsia's domestic market share is growing, due to its competitors' selective frequency reductions. AirAsia is planning to inject a lot of capacity in 4QFY17F and in FY18F to capture opportunities arising from this. The short-term cost is the potential for lower yields, but the long-term benefit is market dominance.
- The main source of the special dividends will come from the sale of AAC, which AirAsia targets to complete by end-CY17F.



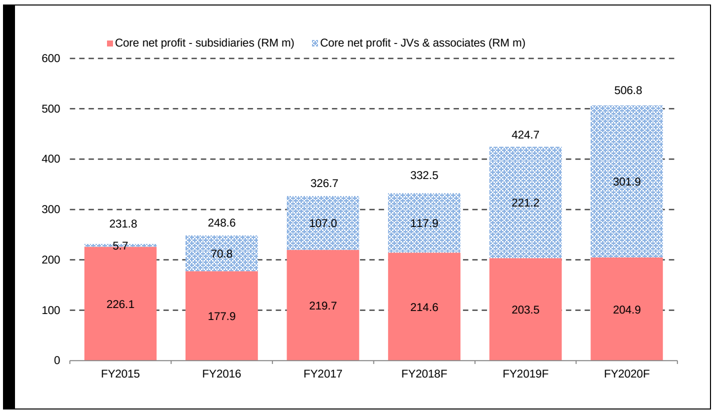
Axiata Group (TP RM6.00)

- We expect core EPS to rise by 29%/50% in FY18/19F due to: a) higher contributions from XL, b) net profit breakeven at Airtel Bangladesh and c) cessation of equity accounting for Idea's losses.
- Net debt/EBITDA to ease from 1.8x at end-FY17F to 1.5x at end-FY18F. Dividend payout to revert to 85% from FY18F (FY17F: 50%), translating into decent yields of 1.3-4.1% in FY17-19F.
- Trades at FY18F EV/OpFCF of 16.0x, or 6% discount to the ASEAN telco average. This drops sharply to 10.8x in FY19F on strong earnings growth.



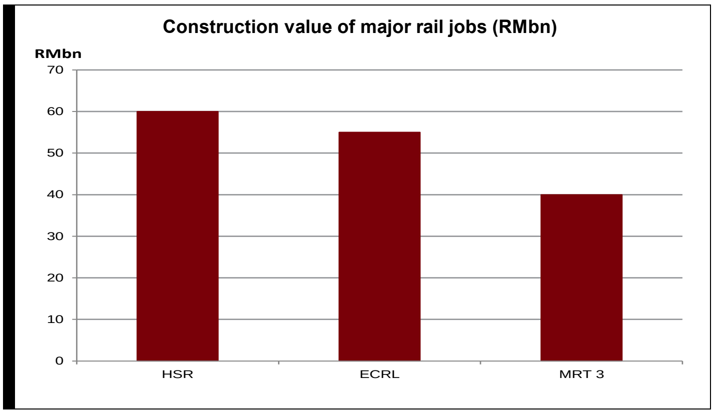
Dialog Group (TP RM3.13)

- Dialog's tank terminal business will drive its earnings growth in the years to come, particularly at its key asset located in Pengerang.
- Currently, only Pengerang Phase 1 is operational, with Phase 2 to be operational progressively from CY19F onwards. We expect Phase 3 to be developed within the next five years.
- Meanwhile, Dialog is also expanding its existing Langsat tank terminals, as well as expanding Pengerang Phase 1. These expansion plans also benefit Dialog's EPCC arm.



Gamuda (TP RM6.00)

- The stock trades at a steep discount to RNAV following the 12% decline in share price due to concerns over MRT 3's project structure.
- Gamuda remains our top big cap sector pick and the biggest proxy to the rail theme. ECRL, HSR and MRT 3 are new tender opportunities.
- Revival on rail newsflow in 1H18 could catalyse the stock. Buying ahead of potential contract flows.

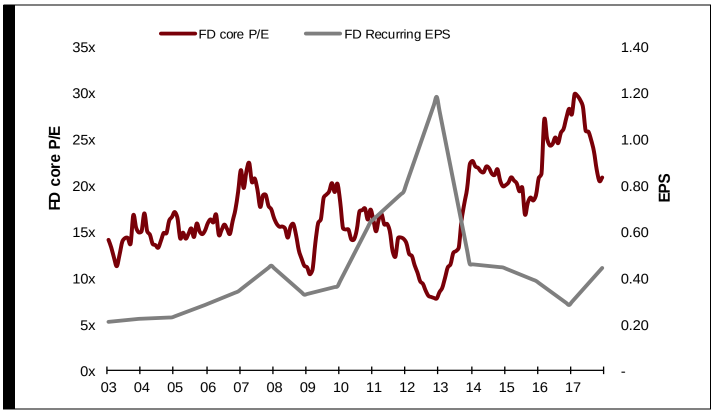


SOURCE: CIMB, COMPANY REPORTS

CIMB's top picks for 2018 (Large Cap)

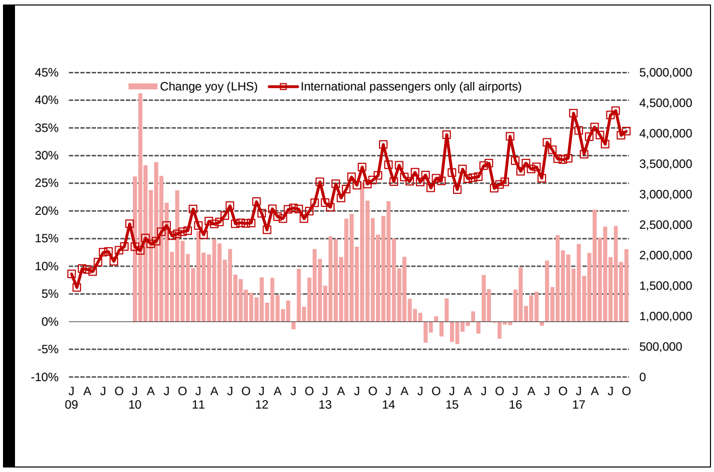
Genting Berhad (TP RM10.70)

- We value Genting Berhad (GENT) based on a 30% holding discount to our RNAV estimate of RM15.28.
- GENT is an Add as we think that it is a cheaper proxy to ride on the positive upside of its listed subsidiaries, GENM and GENS.
- Rerating catalysts include higher market share gains at GENS, increased visitors arrivals at Resorts World Genting due to its GITP properties, and the development of its first owned gaming asset in the form of Resorts World Las Vegas which is expected to be completed by 2020F.



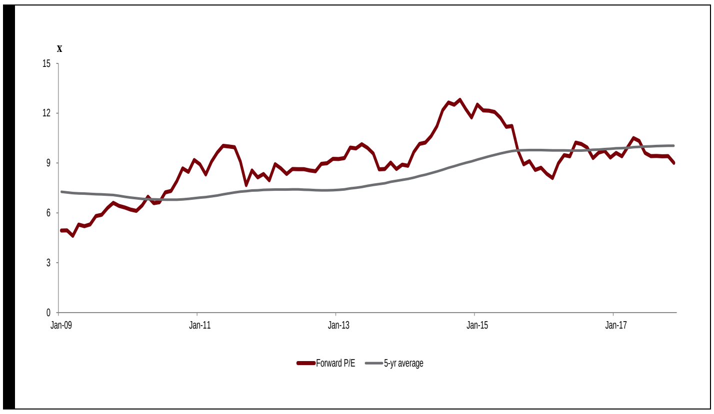
Malaysia Airports (TP RM10.56)

- Organically, MAHB's traffic growth in FY18F is expected to remain good, albeit not as high as in FY17F, with AirAsia and AAX driving the capacity expansion.
- MAHB will benefit from the increase in the klia2 international, beyond-ASEAN, PSC from RM50/pax to RM73/pax from 1 Jan 2018.
- Plans to sell a 30-40% stake in ISG may help re-rate MAHB's stock, as conditions are ripe for ISG to fetch a good price.
- MAHB hopes to conclude negotiations with the government on the terms of its concession by 2H18F, which may be a positive catalyst for MAHB.



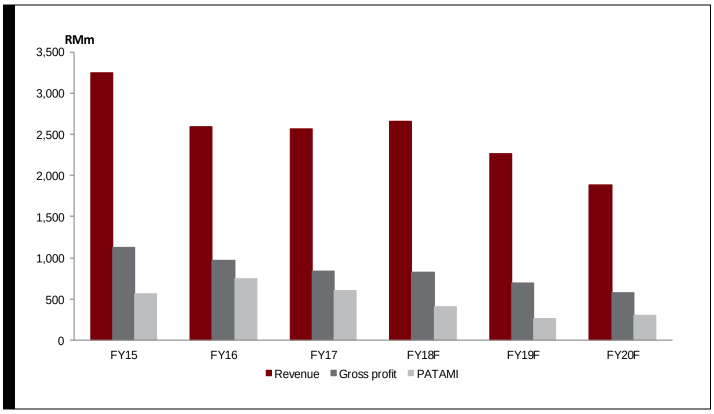
RHB Bank (TP RM6.30)

- RHB Bank is our top pick for the banking sector due to its attractive valuations and the benefits from its IGNITE 17 transformation programme.
- Its current CY19 P/E of 9x is below the five-year average of 10x, and sector average of 11.8x.
- IGNITE 17 has helped the bank to reduce its cost-to-income ratio from 59.7% in 2015 to 50% in 2016 and 49.6% in 9M17. In the longer term, this would enable RHB Bank to revive the growth in fee income and expand its market share for SME banking.



Sime Darby Property (TP: RM1.85)

- We expect the group to benefit from the upcoming high-speed rail (HSR) project and development of Malaysia Vision Valley (MVV) given its strategically-located landbank.
- While we believe its near-term earnings growth outlook may be volatile, we see potential value enhancement from the ongoing monetisation of its assets.
- We believe the recent share price retracement to 0.8x FY18F P/BV, which is below peers', represents a good opportunity to accumulate the stock.

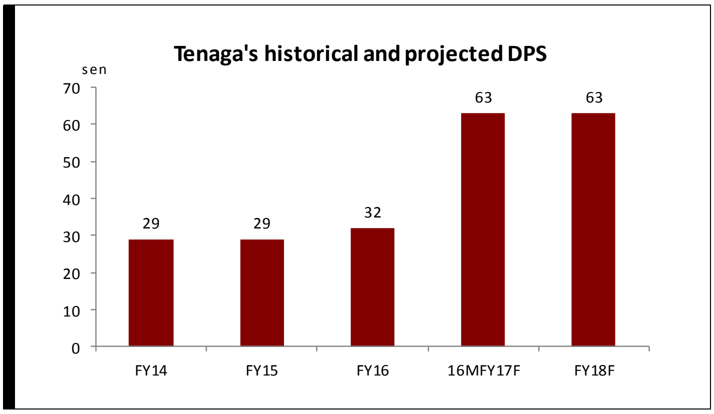


SOURCE: CIMB, COMPANY REPORTS

CIMB's top picks for 2018 (Large Cap)

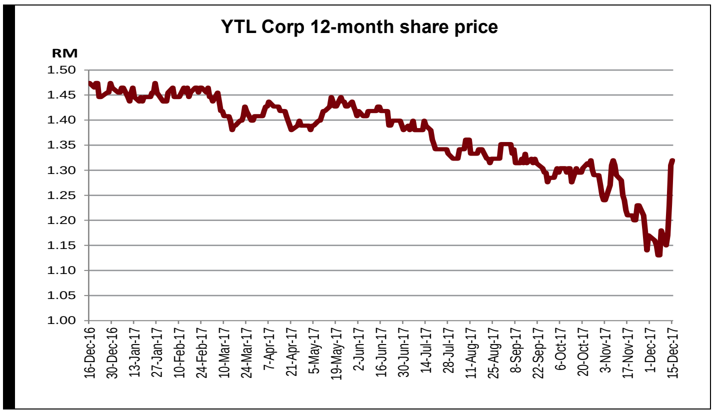
Tenaga Nasional (TP RM15.70)

- Trading at just 12.3x FY18 P/E, Tenaga is the cheapest big-cap utilities stock in our coverage.
- Its potential dividend yield of 4% is also comparable with the other big-cap utilities stocks that we cover.
- Sustainable earnings growth, driven by ongoing development of new power plants and the expansion of generation capacity outside of Malaysia, is the key rerating catalyst for Tenaga.



YTL Corp (TP: RM1.48)

- We maintain our Add rating due to improved visibility for infrastructure opportunities, including the KL-Singapore HSR and the Gemas-JB rail projects. We believe the worst is over for its share price.
- Assuming that YTL secures 40-70% of the Gemas-JB rail job, its order book will be boosted significantly by 7x-12x to between RM4.1bn and RM6.7bn.
- The target price of RM1.48 remains pegged to a 20% RNAV discount, and supported by its sustainable dividend yields of 6-8%. Potential catalysts are major contract wins.

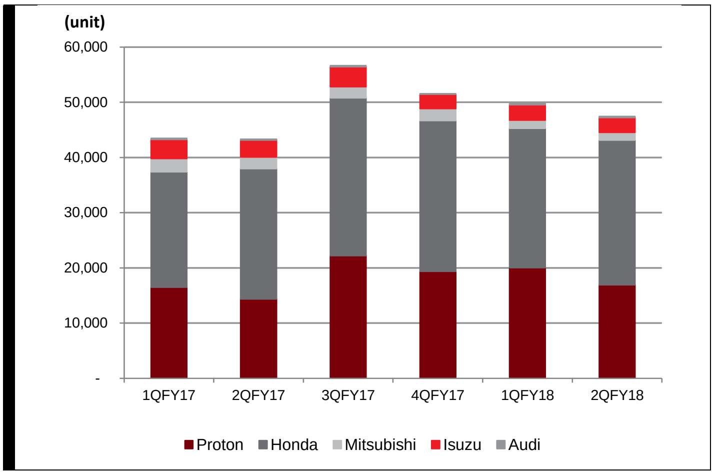


SOURCE: CIMB, COMPANY REPORTS

CIMB's top picks for 2018 (Mid Caps)

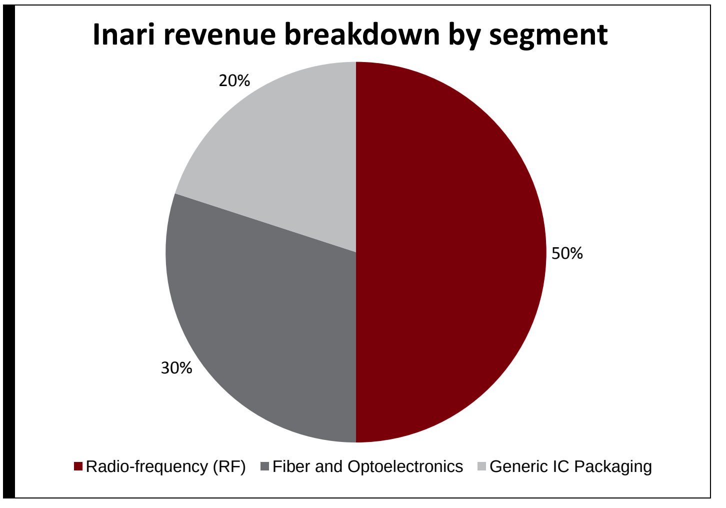
DRB-Hicom (TP RM2.35)

- We expect Geely to drive Proton's turnaround strategy following the appointment of a new management team at Proton. The group is also looking to launch the first Proton SUV in 4QCY18.
- We expect lower losses for the group in 2HFY18 driven by lower losses from Proton. Following Geely's entry as Proton's foreign strategic partner, DRB will record a lower loss recognition from Proton starting in 3QFY18.
- We also see the logistics division as the key growth driver for the group, riding on expansion of regional logistics hub in DFTZ and key collaborations with major e-commerce players.



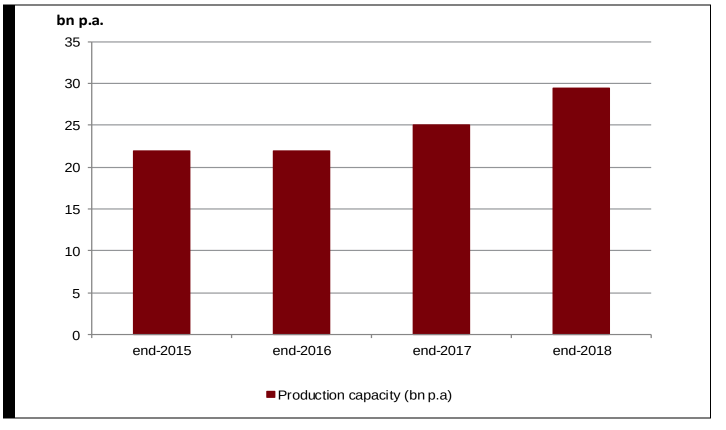
Inari-Amertron (TP RM3.10)

- We expect Inari to continue to ride on growing demand for RF content in smartphones, driven by increasing connectivity requirements. Inari raised the number of RF testers from 850 units in Aug 17 to 960 units in Nov 17. The group is allocating another RM50m capex for the RF division in 2018F.
- Moreover, we see stronger earnings contribution from new ventures such as iris scanner and mixed signal testing in 2018F.
- The group is planning to build a new 600k sq ft facility in Batu Kawan, Penang in 2QCY18F to diversify its earnings growth beyond RF.
- However, Inari could see negative earnings impact from the appreciation of the ringgit against the US$.



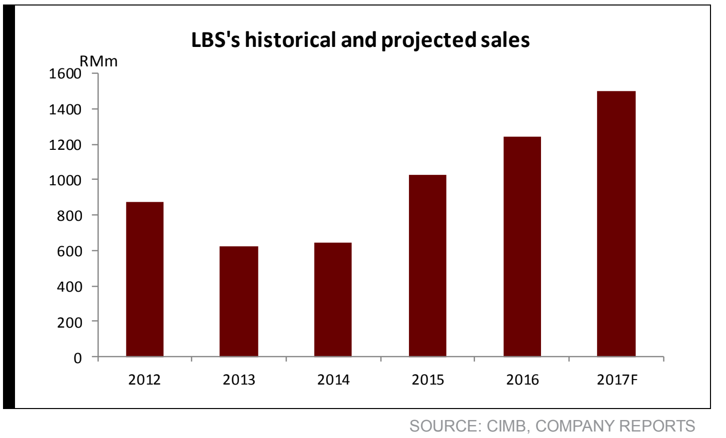
Kossan Rubber Industries (TP RM9.80)

- A laggard play compared to its peers such as Top Glove (18.1x CY18 P/E) and Hartalega (27.4x CY18P/E)
- The group will begin to see maiden contributions from its new 3bn unit capacity plant from 4Q17, which will increase its capacity by 13.6%. This is the first significant capacity that the group has added since end-2015.
- Given that the current robust global glove demand, we are confident that the group will be able to raise its selling prices to pass on higher gas costs and the impact of the weaker US$/RM.



LBS Bina Group (TP RM2.55)

- We believe LBS Bina's earnings in the coming quarters will be underpinned by stronger new property sales, higher unbilled sales and aggressive launches.
- While LBS is not spared from the property downturn, we believe it could weather the slowdown better than its peers as its projects focus mainly on the mass-market segment, where demand remains healthy.
- We see potential upside from its Zhuhai International Circuit's (ZIC) land as well, which could trigger another round of special dividends and provide buffer for future landbanking activities.

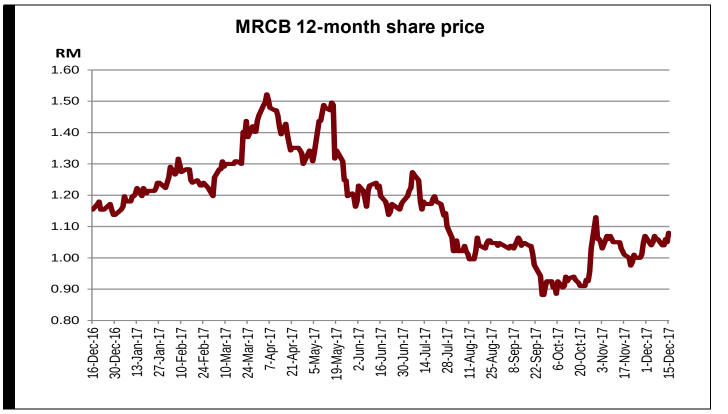


SOURCE: CIMB, COMPANY REPORTS

CIMB's top picks for 2018 (Mid Caps)

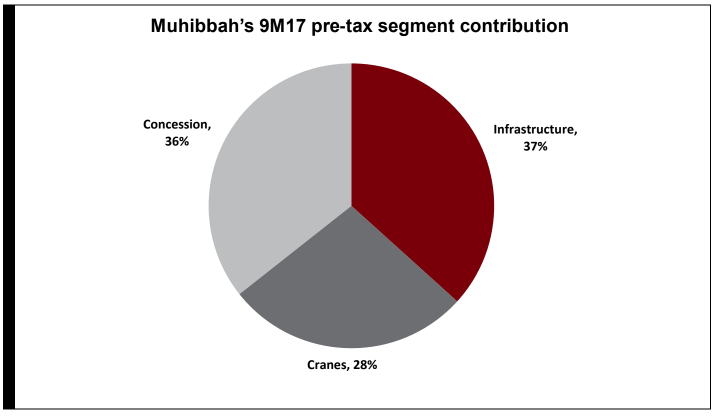
MRCB (TP RM1.19)

- If the Gamuda-MRCB JV succeeds in securing the PDP portion of the HSR contract, we estimate that the potential earnings contribution p.a. will be substantial.
- We have an Add call in view of the likely positive construction newsflow in the months ahead. The target price remains based on a 10% RNAV discount.
- We expect more details on the HSR PDP tenders in the next 2-3 months. The potential PDP award is likely by mid-2018F. Downside risk to our call is weak job wins.



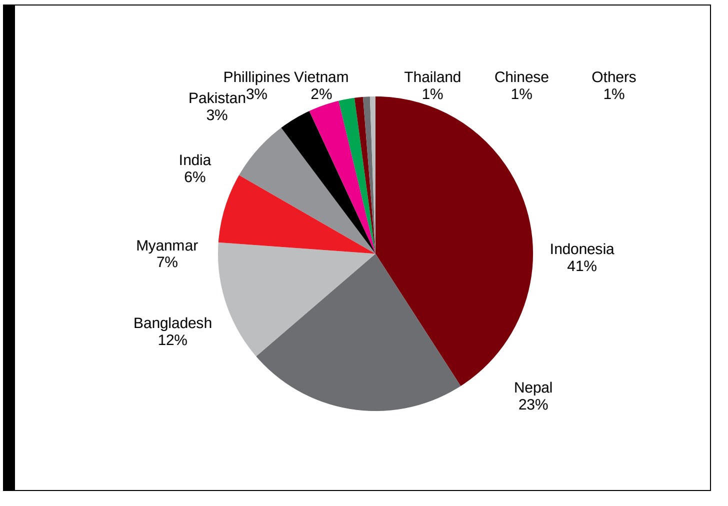
Muhibbah Engineering (TP RM3.49)

- 2018F could spell more upside to Muhibbah's overseas tenders in Qatar. Potential domestic contract wins include MRT 2 and LRT 3 noise barrier packages.
- Order book replenishment strategy will also leverage its track record in Qatar, where the embargo by neighbouring states has opened up larger opportunities for foreign contractors.
- Muhibbah trades at an undemanding 9-10x CY17-18F P/E vs. the construction sector's average of 14-15x. It remains our preferred small/mid-cap pick.



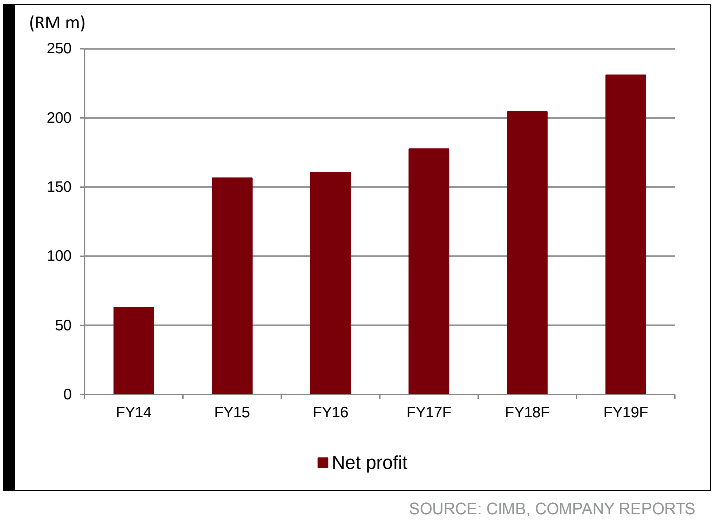
My E.G. Services (TP RM3.04)

- Our end-2018 target price is based on 2019 25.2x P/E which is at a 20% premium to the technology sector's 2019 21x target P/E.
- Earnings growth in 2018 is expected to come from new foreign worker matching services, which matches an employer with a registered illegal foreign worker, and a higher number of foreign worker working permit renewals.
- In addition, MyEG's GST Monitoring Phase 2 project, for which is the retail sector is targeted, should start full commercial operations in 2HCY18. The company plans to install 500,000 dongles in retail outlets nationwide. (chart–2014 foreign workers market share)



Unisem (TP RM5.00)

- Unisem is investing in a 12-inch 10k wafer bumping line in Ipoh. We think this could provide opportunities for Unisem to move up the value chain, as the line will be producing high-end microphones for smart devices.
- Unisem is also planning to add a Chinese wafer foundry customer following its capacity expansion in Chengdu in 2018; this could help boost the earnings growth of its China operations.
- We expect narrowing losses from its Batam operations in FY17F vs. the RM27m net loss in FY16 following a restructuring exercise earlier this year.
- The stock trades at 11.4x FY18 P/E, a 30% discount from the sector mean of 16x.

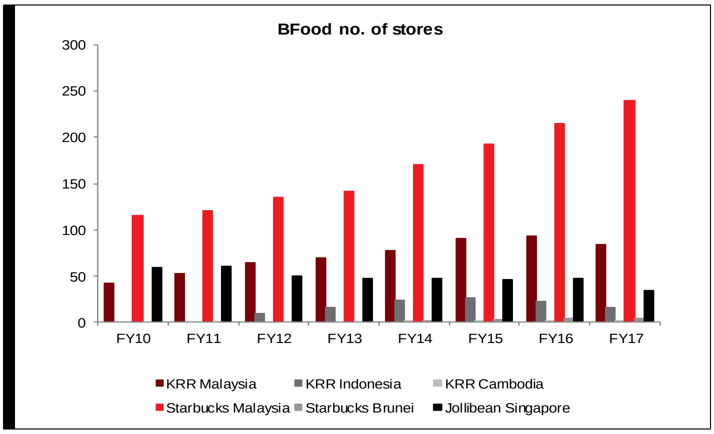


SOURCE: CIMB, COMPANY REPORTS

CIMB's top picks for 2018 (Small Caps)

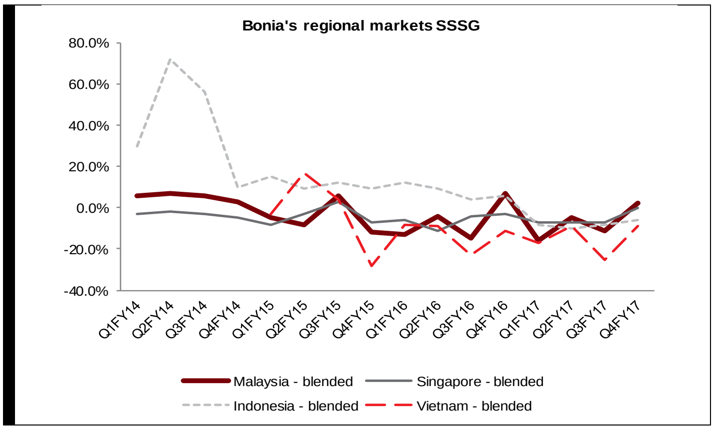
Berjaya Food (TP RM1.96)

- The recent disposal of its loss-making overseas entity, KRR Indonesia should catalyse its share price, in our view, as it removes the major strain on the group's earnings over the last few years.
- Our end-2019F target price is based on a target multiple CY19F P/E (in line with 3-year historical mean).
- Further rerating catalysts include the disposal of loss-making Jollibean franchise and faster turnaround for KRR Malaysia. We also expect the group to post stronger results as it pares down debt and enjoys a lower effective tax rate.



Bonia Corporation (TP RM0.78)

- Our end-2018 target price of RM0.78 is based on a 16.8x target multiple (~10% discount to CY19F average peers' P/E).
- The group will continue shutting down loss-making boutiques and concentrate on elevating brand perception as its key focus going forward.
- Our Add call is premised on the group paring down more of its non-profitable licensed and own-brand boutiques. Additionally, the group will realise a full year's contribution from its Braun Buffel Indonesia in FY18F.



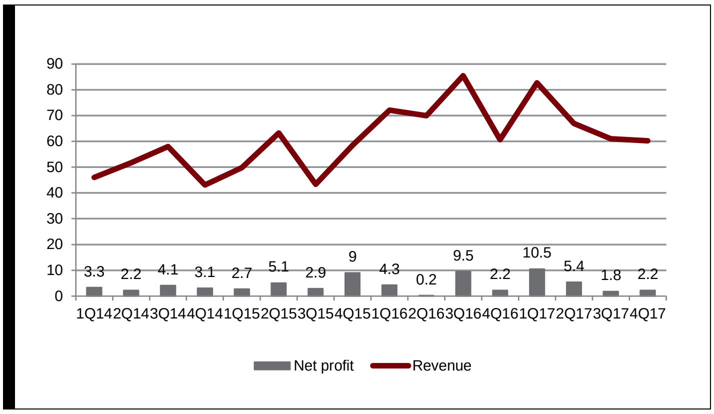
CCK Consolidated (TP RM1.65)

- Besides providing poultry products, the group has a large network of 57 retail outlets around East Malaysia, which is the group's captive market.
- Besides adding another 3-4 new retail outlets, the group is also expanding across its integrated supply chain to increase production volume and increase economies of scale.
- The stronger ringgit vs. US$ also bodes well for CCK given that 70% of its costs are US$-based (feedcosts). Hence, we expect the group to record stronger margins ahead, also boosted by moving to a more profitable product mix through higher margin products (chicken parts, marination and etc.)

Year	No. of outlets opened	No. of outlets closed	Total outlets
2012	7	-	43
2013	11	-	54
2014	2	-	56
2015	1	-	57
2016	0	-	57
2017	1	2 (West Malaysia	56
end-2018F	-	-	59-60

EITA Resources (TP RM2.52)

- Our end-2017 target price of RM2.52 is based on 2019 12x P/E, a 20% discount to the construction sector's target 2019 15x P/E.
- We expect the company to secure more lift and elevator jobs from MRT2 and LRT3 projects in 2018. EITA is the domestic market leader, in a market led mainly by foreign brands.
- We have an Add call on the expectations of: i) the company securing more lift and elevator infrastructure related jobs in 2018, and ii) higher revenue from its lift maintenance division.

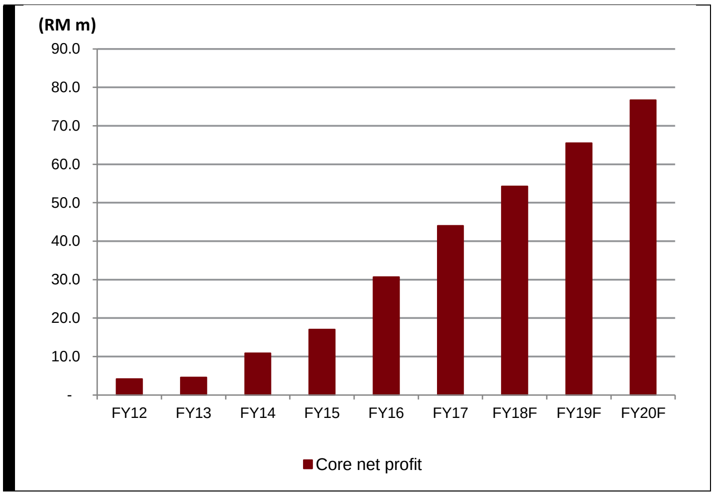


SOURCE: CIMB, COMPANY REPORTS

CIMB's top picks for 2018 (Small Caps)

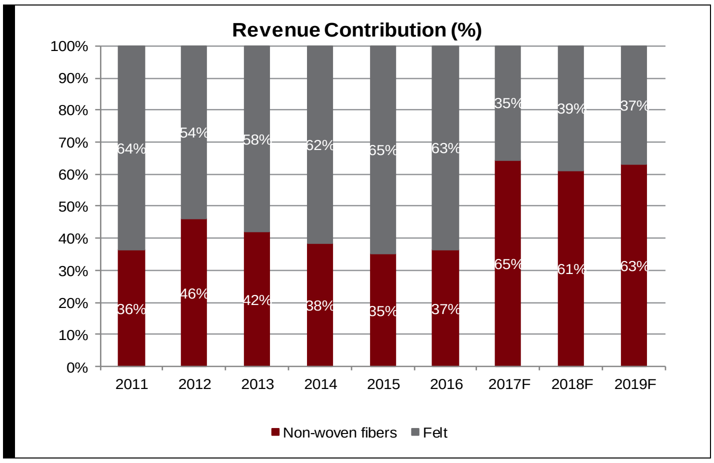
KESM Industries (TP RM22.00)

- KESM is an exciting proxy for automotive semiconductor demand growth, driven by rising global vehicle sales and higher electronics content in the automotive industry.
- We project KESM to record a strong FY7/17-20F EPS CAGR of 20%, driven by robust demand for KESM's burn-in and testing services, supported by its capacity expansion.
- The group had a healthy net cash position of RM64m or RM1.49/share as of FY17. KESM has a 5-year historical payout ratio of 17%. We see room for potential higher dividend payouts in line with its stronger projected earnings growth in FY18-20F.



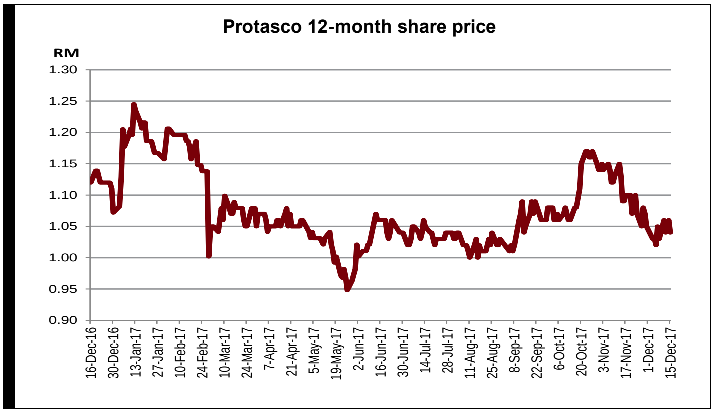
Oceancash Pacific (TP RM0.93)

- Its FY17-19F earnings are expected to be driven by higher orders in the felt and hygiene segments as well as better economies of scale.
- The group is close to securing a major customer in the hygiene segment which should result in a significant increase in orders
- Oceancash is in the midst of transferring to the Main Market from the Ace Market. We view this positively as this could improve liquidity and allow more institutional investors to buy the stock.



Protasco (TP RM1.43)

- Trades at a 14-18% discount to the P/E valuations of select small/mid-cap contractors. FY18 is likely a turnaround year for earnings in job flows.
- Protasco's current share price implies that investors would essentially be paying for only its road maintenance division (which accounts for 44% of our end-FY18F RNAV/share of RM2.39) and getting other assets for "free".
- We believe Protasco offers an attractive risk-reward profile in FY18F. It stands to benefit from election-drive contract awards.



SOURCE: CIMB, COMPANY REPORTS, BLOOMBERG

CIMB

Figure 60: Sector Comparisons - Big cap picks

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)	
						CY2017	CY2018		CY2017	CY2018	CY2017	CY2018	CY2019	CY2017	CY2018	CY2017	CY2018
AirAsia Berhad	AIRA MK	Add	3.30	4.04	2,702	9.8	8.2	-8.9%	1.03	0.92	17.0%	11.2%	11.8%	8.1	6.8	6.1%	2.1%
Axiata Group	AXIATA MK	Add	5.35	6.00	11,861	31.0	20.7	16.9%	1.93	1.86	4.9%	6.3%	9.2%	6.0	5.4	1.3%	2.7%
Dialog Group Bhd	DLG MK	Add	2.44	3.13	3,371	36.3	29.6	14.0%	3.98	3.65	11.0%	11.4%	12.9%	30.5	28.7	1.0%	1.1%
Gamuda	GAM MK	Add	4.85	6.00	2,918	14.7	12.7	14.1%	1.43	1.41	8.9%	10.0%	11.2%	16.0	14.1	2.4%	2.4%
Genting Bhd	GENT MK	Add	8.83	10.70	8,277	14.4	11.9	30.8%	0.86	0.81	5.3%	6.1%	7.0%	5.7	5.0	1.4%	1.4%
Malaysia Airports Holdings	MAHB MK	Add	8.47	10.56	3,444	22.6	18.8	42.4%	1.56	1.52	4.3%	7.0%	8.3%	8.3	7.7	2.2%	3.4%
RHB Bank Bhd	RHBBANK MK	Add	4.99	6.30	4,903	9.1	8.1	9.1%	0.79	0.73	8.4%	9.0%	9.4%	na	na	2.8%	3.2%
Sime Darby Property Berhad	SDPR MK	Add	1.43	1.85	2,383	29.2	34.1	-51.2%	1.01	0.98	15.0%	3.8%	2.9%	26.4	29.4	2.1%	0.7%
Tenaga Nasional	TNB MK	Add	14.90	15.70	20,687	11.7	12.1	-3.8%	1.39	1.31	13.4%	12.2%	11.1%	7.2	6.9	3.2%	4.3%
YTL Corporation	YTL MK	Add	1.28	1.48	3,370	15.9	13.9	na	0.99	0.99	2.3%	6.2%	7.1%	10.7	10.4	5.0%	6.3%
Average						**19.5**	**17.0**	**7.0%**	**1.50**	**1.42**	**9.1%**	**8.3%**	**9.1%**	**13.2**	**12.7**	**2.8%**	**2.8%**

SOURCES: CIMB, COMPANY REPORTS

Figure 61: Sector Comparisons - Mid cap picks

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)	
						CY2017	CY2018		CY2017	CY2018	CY2017	CY2018	CY2019	CY2017	CY2018	CY2017	CY2018
DRB-Hicom	DRB MK	Add	1.73	2.35	820	na	21.9	na	0.59	0.57	-7.3%	-1.2%	2.6%	8.6	6.8	0.0%	0.0%
Inari-Amertron Bhd	INRI MK	Add	3.43	3.10	1,721	22.4	20.2	23.7%	6.60	5.80	29.2%	30.9%	30.6%	16.9	15.1	2.8%	2.7%
Kossan Rubber Industries	KRI MK	Add	8.30	9.80	1,301	21.9	18.9	18.3%	4.19	3.77	16.7%	20.1%	20.9%	13.6	11.9	1.6%	2.3%
LBS Bina Group	LBS MK	Add	2.29	2.55	384	10.6	9.0	12.8%	1.21	1.10	9.2%	11.2%	12.3%	7.9	5.2	4.9%	2.8%
Malaysian Resources Corp	MRC MK	Add	1.08	1.19	1,161	35.7	33.0	-18.7%	1.10	1.09	2.6%	3.0%	3.3%	16.5	15.4	1.4%	1.4%
Muhibbah Engineering	MUHI MK	Add	2.74	3.49	322	9.5	8.5	12.7%	1.18	1.12	12.7%	12.8%	13.5%	3.6	3.1	2.2%	2.2%
MY E.G. Services	MYEG MK	Add	2.13	3.04	1,882	23.5	17.7	37.3%	8.81	6.54	43.6%	42.8%	42.4%	19.5	14.0	1.2%	1.6%
Unisem	UNI MK	Add	3.53	5.00	635	12.6	11.2	12.1%	1.60	1.48	11.8%	13.1%	13.8%	5.6	4.4	3.4%	3.7%
Average						**19.4**	**17.5**	**14.0%**	**3.16**	**2.68**	**14.8%**	**16.6%**	**17.4%**	**11.5**	**9.5**	**2.2%**	**2.1%**

SOURCES: CIMB, COMPANY REPORTS

Figure 62: Sector Comparisons - Small cap picks

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)	
						CY2017	CY2018		CY2017	CY2018	CY2017	CY2018	CY2019	CY2017	CY2018	CY2017	CY2018
Berjaya Food Berhad	BFD MK	Add	1.74	1.96	160	26.5	22.9	15.2%	1.63	1.58	6.1%	6.9%	7.9%	12.8	10.5	2.0%	2.2%
Bonia Corporation	BON MK	Add	0.52	0.78	103	12.4	11.9	6.0%	0.94	0.89	7.8%	7.6%	7.8%	4.9	4.2	2.4%	2.4%
CCK Consolidated Holdings Bhd	CCK MK	Add	1.11	1.65	85	13.5	11.4	22.9%	1.38	1.27	10.2%	11.6%	12.1%	7.1	5.9	2.6%	3.2%
EITA Resources Bhd	EITA MK	Add	1.61	2.52	51	9.9	8.2	5.5%	1.30	1.17	13.5%	14.9%	14.5%	5.7	4.6	3.3%	3.8%
KESM Industries	KESM MK	Add	19.28	22.00	203	17.4	14.3	24.8%	2.42	2.12	14.6%	15.7%	16.4%	6.6	5.4	0.8%	1.1%
Oceancash Pacific Bhd	OCP MK	Add	0.72	0.93	39	14.7	12.6	14.4%	1.90	1.69	13.1%	14.3%	14.9%	10.0	8.1	1.1%	1.3%
Protasco	PRTA MK	Add	1.04	1.43	108	16.5	10.4	10.2%	1.24	1.27	7.1%	12.1%	16.4%	17.5	13.3	3.6%	5.8%
Average						**15.8**	**13.1**	**14.1%**	**1.55**	**1.43**	**10.3%**	**11.9%**	**12.9%**	**9.2**	**7.4**	**2.3%**	**2.8%**

SOURCES: CIMB, COMPANY REPORTS

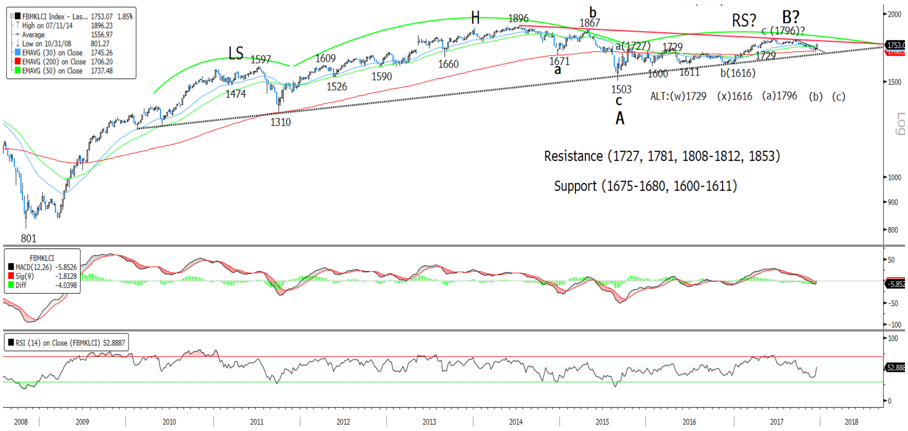
Technical Analysis

Technical chart view

KLCI: Head & Shoulders

The multi-year Head & Shoulders (H&S) pattern for KLCI is still taking place at the moment. The rebound we saw in 2017 was likely the final part of its right shoulder, which peaked at 1,796. In the weeks ahead, a break below the H&S neckline at 1,675-1,680 would confirm that a major reversal is in place and we could potentially see a consolidation that could last months. The support levels are 1,600-1,611 and 1,503. However, until the said breakdown of the neckline, we cannot fully discount that the KLCI could still rally beyond 1,796 to test 1,850, and eventually 1,896-1,900. At the moment, the short-term outlook for the index is neutral, with a slight bearish bias.

Figure 63: KLCI weekly chart (1,753)



SOURCE: CIMB RESEARCH, BLOOMBERG

More downside for CPO

Our LT triangle view for Crude Palm Oil (CPO) is still intact. The rebound from 2,390 to 2,876 in mid-2017 is likely the wave-b of its longer term wave-E. For 2018, we expect CPO to weaken further into the 1H2018, targeting the rising triangle support at 2,050-2,090. We would not be surprised if it fell below the psychological 2,000 levels and head towards the next Fibonacci target of 1,925. A break below the 2017 low of 2,390 would likely signal that more selling pressure could set in next.

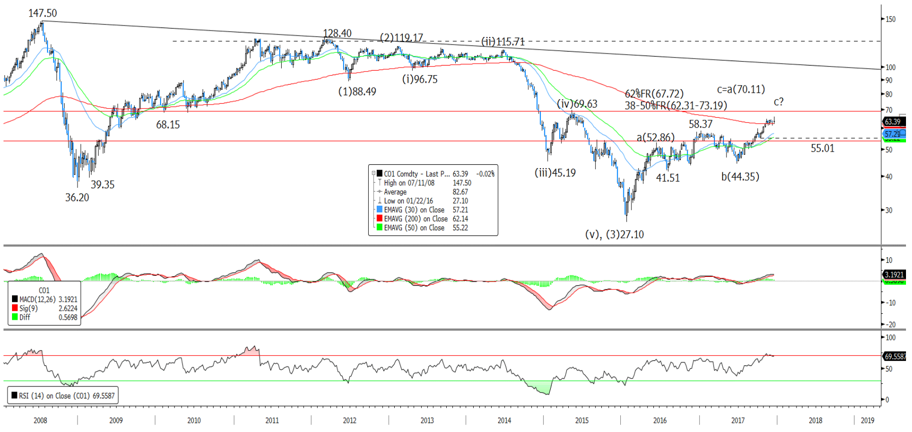
Figure 64: Crude Palm Oil chart (2,547)

SOURCE: CIMB RESEARCH, BLOOMBERG

Brent Crude: Testing the 200-week EMA but…

The rebound for Brent Crude Oil (Brent) since mid-2017 is likely the final leg up in wave-c if our wave count is right. We believe that the upside is likely capped, as the current rebound has reached the 38-50% Fibonacci levels (62.31-73.19) of the 2013-2015 fall. There are also other Fibonacci targets closer to the top end of the said range. Hence, we believe that the current rally is likely to find a top within the said range before making an about-turn. Falling below 55.01 would likely indicate that the next wave of selling is underway. Anything below 44.35 would indicate that Brent is heading down to retest the 2016 low of 27.10. Our assessment would be incorrect if prices can rally above $89/barrel.

Figure 65: Brent Crude Oil (63.39)



SOURCE: CIMB RESEARCH, BLOOMBERG

Expect a stronger dollar still

We believe that the Dollar Index (DXY) could be at a major turning point. The index is currently sitting just above the 200-week EMA, which has provided strong support since 2012. A strong push beyond the recent swing high of 95.150 would likely put the index on firm footing to retest the 100.39 or even the 103.82 high in 2018. The DXY should have no purpose lingering below the 92.496 low if our bullish dollar view is to come to fruition. Anything below 91.011 may see the DXY test the critical support at 88.50-90.00 next.

Figure 66: Dollar Index chart (93.477)

SOURCE: CIMB RESEARCH, BLOOMBERG

US Treasuries: Getting ready to break out?

A bullish flag pattern can be seen on the US 10-year yields' weekly chart. A breakout above 2.48% would put yields in the resistance zone of 2.5-3.0%. It could potentially be clear skies ahead if yields can push above the 3.05% levels, indicating that the long term trend has changed from bearish (down) to bullish (up). The support is at 2.01%.

Figure 67: US 10-year yields (2.3583)

SOURCE: CIMB RESEARCH, BLOOMBERG

MGS: Still sideways for now

The Malaysian 10-year yields continue to look flat at the moment as the yields have traded within a tight converging band of 3.47-4.46% for the past 4 years. We expect the yields to continue to trade within the said band in the 1H2018 with a small chance of a possible breakout above 4.46% in the second half of the year. As long as 3.47% holds, we expect the breakout to happen to the upside given the higher highs and higher lows formation since the 2013 low.

Figure 68: Malaysia 10-year yields (3.974)

SOURCE: CIMB RESEARCH, BLOOMBERG

Sector views

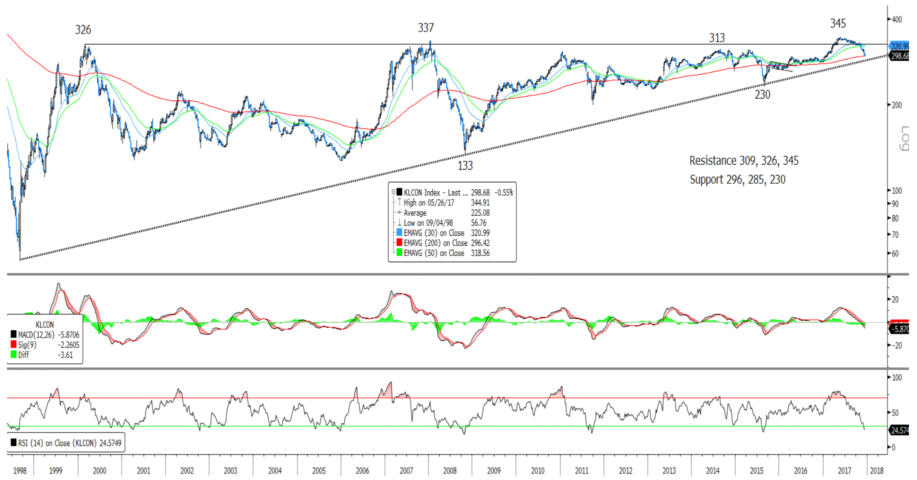
The uptrend for the MSCI Malaysia Utilities Index (MMUI) is still holding but since the high of 2014, the index has been trading sideways. Near term, the index may have built a base just above 315, preparing for a move higher in the coming weeks. Taking out the 345 resistance and also the 347 high is very positive for utilities in 2018. The rising 200-day EMA is another strong support for the index. Falling below the said moving average would indicate that more selling could take place next and a possible change in the medium term trend.

Figure 69: MSCI Malaysia Utility Index (328.34)

SOURCE: CIMB RESEARCH, BLOOMBERG

The FBM Construction Index (KLCON) appears to be finding it difficult to breach the 326 resistance level. However, with each pullback from the said resistance levels, the lows are getting higher, forming a firm support trend line. The current pullback from the brief breach above the 326 resistance earlier this year may find some support near the said rising trend line, currently at 285. The 200-day EMA may also act as support in the near term. As long as 285 holds, we expect KLCON to be stronger in 2018.

Figure 70: FBM Construction Index (298.68)



SOURCE: CIMB RESEARCH, BLOOMBERG

Like the KLCI, the FBM Small Cap Index (FBMSC) peaked in the middle of the year before trending marginally lower towards year-end. For 2018, we expect the FBMSC to trade within 15,450 and 17,506. A breakout either way would likely indicate the next MT trend for FBMSC. Key support is at the recent low at 14,281.

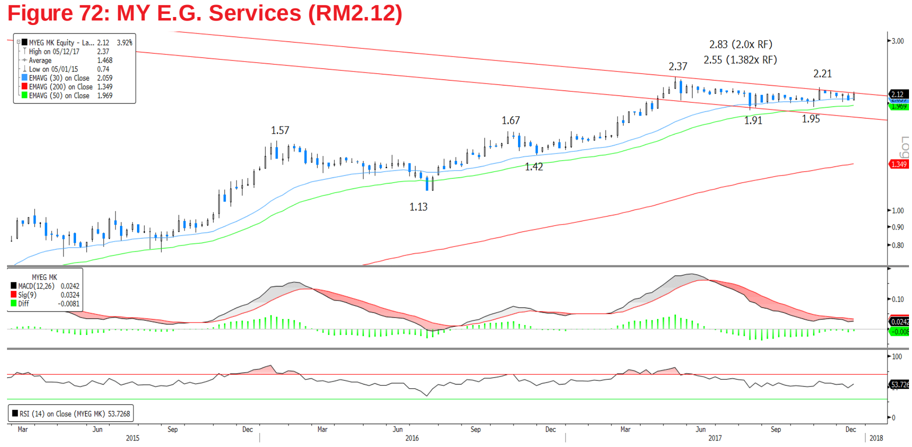
Figure 71: FBM Small Cap Index (16,802)

SOURCE: CIMB RESEARCH, BLOOMBERG

Technical picks from CIMB's top picks

MY E.G. Services (MYEG) has been consolidating sideways to marginally lower since hitting its 2017 peak in May. Prices have been steady and continue to sit above the 50-week EMA. The said EMA has been a good support for the stock and we expect it to be the same in 2018. The current consolidation could turn out to be a flag or a triangle pattern, both of which are continuation patterns. As long as prices stay above RM1.91, then there is likely a breakout to the upside in 1H2018. MYEG may even push above the RM2.37 high and test RM2.55 next on the breakout move.

Figure 72: MY E.G. Services (RM2.12)



SOURCE: CIMB RESEARCH, BLOOMBERG

The LT uptrend for Malaysia Airports Holdings (MAHB) is still intact. The recent sideway movements may take the form of a triangle. Once this consolidation ends, we expect MAHB to kick on higher, likely pushing above the 2017 high of RM9.33 towards the next Fibonacci target of RM9.92. The near term support is at RM7.81 while the critical support is its rising trend line (currently at RM7.60).

Figure 73: Malaysia Airports Holdings (RM8.50)

SOURCE: CIMB RESEARCH, BLOOMBERG

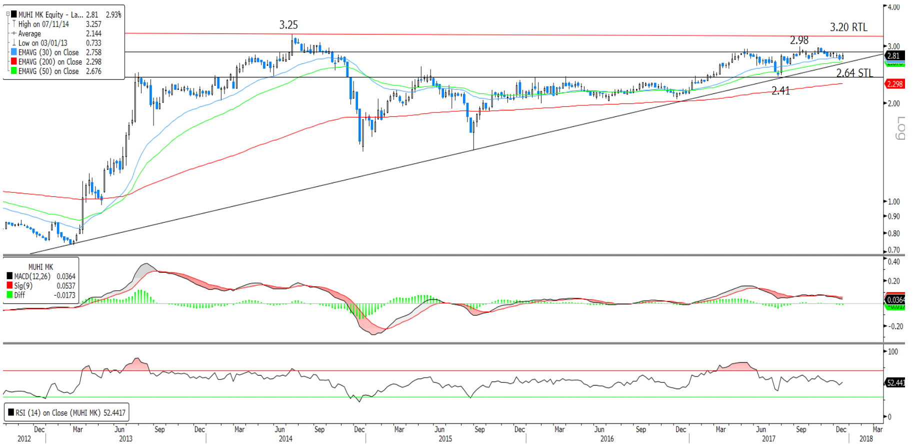
Malaysian Resources Corp (MRCB) is stuck within a multi-year triangle pattern. A breakout either way would likely determine the next major move for the stock. The triangle resistance is currently at RM1.30 while the triangle support is at RM0.75. The stock also appears to have support near the RM0.94 levels. As long as RM0.75 stands, MRCB has got a good chance to breaking out to the upside.

Figure 74: Malaysian Resources Corp (RM1.08)

SOURCE: CIMB RESEARCH, BLOOMBERG

Muhibbah Engineering (M) (Muhibbah) has been sporting higher highs and higher lows since consolidating sideways since September 2016. The rising support trend line currently lies at RM2.64 and we expect strong support near or at the said levels. The stock could soon test the multi-year resistance trend line at RM3.20 next.

Figure 75: Muhibbah Engineering (M) (RM2.81)



SOURCE: CIMB RESEARCH, BLOOMBERG

A 'small' triangle pattern may be taking form here for Oceancash Pacific (OCP). With the triangle pattern sitting just above the 50-week EMA, the odds would favour an upside breakout sometime in the future. Key support at RM0.65 must not be breached if the upside potential is to be fulfilled. The next wave up is likely to take out the 'old' high at RM0.85 and test RM1.00-1.05 next.

Figure 76: Oceancash Pacific (RM0.72)

SOURCE: CIMB RESEARCH, BLOOMBERG

The LT uptrend for Protasco is still intact despite the stock falling below its 200 week EMA recently. We believe that the stock is still challenging this moving average and as long as prices remain above the recent swing low of RM0.925, the uptrend may still continue in 2018. A triangle pattern potentially be completed sometime in the 1H2018 and the breakout may take place in the 2H2018. Look for a retest of the 2015 high of RM1.47 next. If the momentum is strong, the stock may even test RM1.60-1.67 thereafter.

Figure 77: Protasco (RM1.04)

SOURCE: CIMB RESEARCH, BLOOMBERG

2018 Economic Outlook

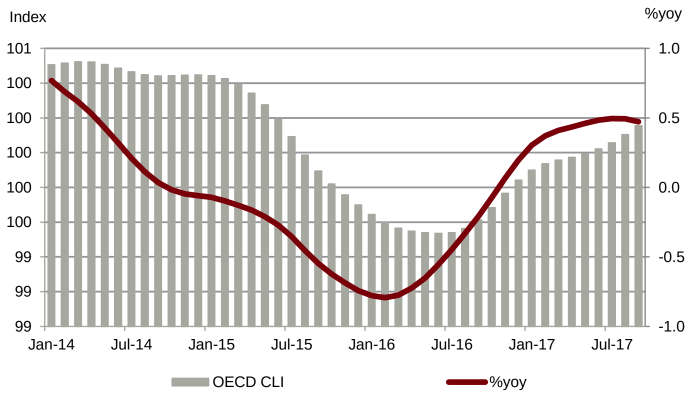
Global outlook in 2018

Healthy expansion even as recovery gets long in the tooth

Base case: Cyclical pick-up in the global economy to sustain into 2018 as recovery extends into the late stages of the economic cycle. This may be as good as it gets though, as the scope for upside surprises has reduced. Global trade growth is expected to moderate from a cyclical peak in 2017 but remain supportive of export-driven economies. Prospects in advanced economies are still positive next year, especially in the US and Eurozone, while developing economies pass the baton from export-led expansion to domestic sources of growth.

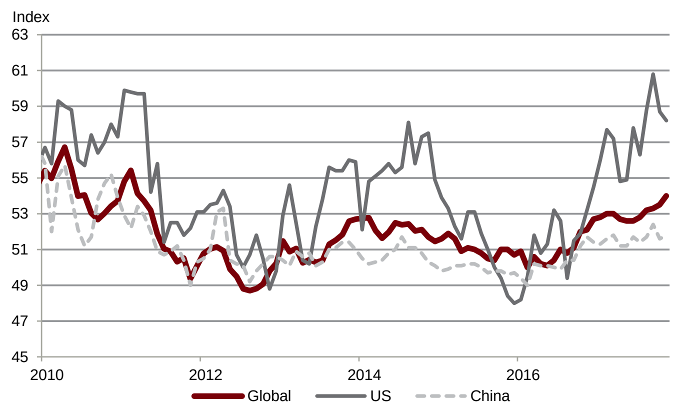
The global recovery this year has been noticeable in its breadth and synchronisation, with both advanced and developing economies gaining momentum. Forward-looking data like the OECD composite leading indicators and global purchasing managers' indices suggest that the near-term outlook for the global economy remains positive. Heeding the recent data outturn, we think the global recovery has further to run as the calendar flips over to 2018, driven by continued growth in investments, trade and industrial activity. The IMF is projecting global GDP growth to inch higher from 3.6% in 2017 to 3.7% in 2018 as consumer and business confidence turns more upbeat, generating greater capacity to consume and invest after years of pent-up demand during the recovery from the global financial crisis and the Eurozone sovereign debt crisis.

Figure 78: OECD composite leading indicator and…



SOURCES: BLOOMBERG, CIMB RESEARCH

Figure 79: …global PMIs point to continued growth momentum



SOURCES: BLOOMBERG, CIMB RESEARCH

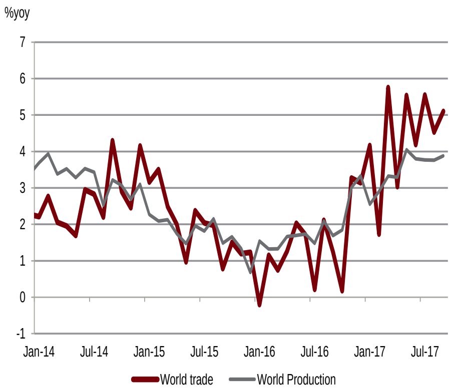
Fears that the global economy was on a slippery slope towards trade protectionism following the election of US President Donald Trump proved unfounded as global trade volumes flourished in 9M17 (+4.4% vs. +1.4% in 2016) on the back of recovering 'animal spirits' and still-accommodative global financial conditions. A year that began with legitimate concerns of escalating trade tensions could end with global trade growth outpacing global real GDP growth (3.6%) for the first time since 2011. Industrial activity has been a beneficiary of the global reflation as global industrial output rose to 3.0% yoy in 9M17 (+1.9% in 2016), driven by strong demand for electronics, especially from the US, where demand surged 32% in 2017. The World Semiconductor Trade Statistics estimates that global semiconductor sales increased 20.6% to US$409bn in 2017 but that growth is expected to moderate to 7% in 2018 as inventory shortages for memory components ease and the smartphone product launch cycle tapers off after several blockbuster releases this year, including the iPhone X. The swell in manufacturing extended to autos, machinery and equipment and industrial capital goods.

The recovery in commodity prices also bolstered trade and the economies of resource-based producers. Overall commodity prices are expected to stabilise in 2018, with the World Bank projecting price increases of 4.1% for energy (+23.6% in 2017) and 1.2% for agriculture (-0.6% in 2017) but reductions for metals (-0.7% vs. +22.4% in 2017).

The oil and gas (O&G) sector, which was a key source of capital-intensive investments when oil prices were high, is estimated to have boosted capex for exploration and production by 8% in 2017, after sharp declines of almost 40% in 2015-16. With oil prices stabilising amid an extension of production cuts by Opec and non-Opec producers until Dec 2018, O&G capital commitments are forecast to rise 4% in 2018. The International Energy Agency projects production to result in a narrow excess supply of 200k bpd in 1H18, before reverting to a deficit of 200k bpd in 2H18, driven by rising US crude production. Oil prices are likely to remain range-bound between US$50/bbl and US$60/bbl as the cost of production for US shale producers, which increasingly influence global marginal supply, continues to fall.

While the trade environment has turned more constructive, trade protectionism remains a credible threat. Conditions or election promises that underpin US President Donald Trump's rhetorically aggressive stance on trade remain unaddressed: 1) the stark gap between the US's trade position, which recorded a wider deficit of US$463bn in 10M17 (vs. a deficit of US$414bn in 10M16) and its trade partners, 2) renegotiating terms in existing trade agreements (like NAFTA and South-Korea-US Free Trade Agreement), and 3) tariff and anti-dumping disputes.

Figure 80: Recovery in global trade and industrial production

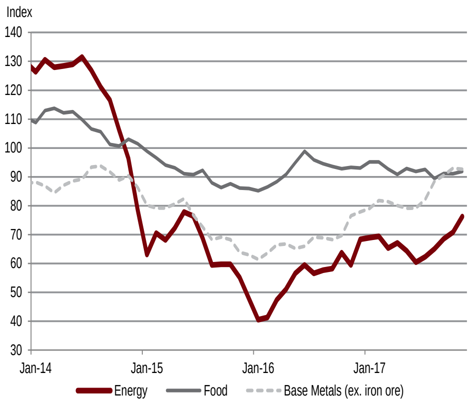


SOURCE: CPB, CIMB RESEARCH

Figure 81: Global trade to exceed global GDP growth for first time since 2011

SOURCE: CPB, IMF, CIMB RESEARCH

Figure 82: Commodity prices recover



SOURCE: WORLD BANK, CIMB RESEARCH

Figure 83: Cost of US shale oil producers

SOURCE: RYSTAD ENERGY, WORLD BANK

The recovery from the global financial crisis is starting to get long in the tooth. As of Dec 2017, the current expansion in the **US** economy is the third-longest on record at 102 months, with only the cycles that peaked in Mar 2001 (120 months) and Dec 1969 (106 months) faring better. The US economy is on track to expand 2.2% in 2017 and 2.3% in 2018, according to IMF estimates. The growth outlook for 2018 is bolstered by the stimulus that comes with the potential passage of the tax reform legislation, and quickens the passing of the torch from monetary policy to fiscal policy. Slack in the US economy has dissipated, with the unemployment rate dipping to 4.1% in Nov, below the 2007 trough of 4.4%. Meanwhile, capacity utilisation climbed to 77.1% in Nov, supported by increased demand in the manufacturing and O&G sectors. As the economy reaches full employment, wage and inflation pressures – still nascent as of now – may re-surface.

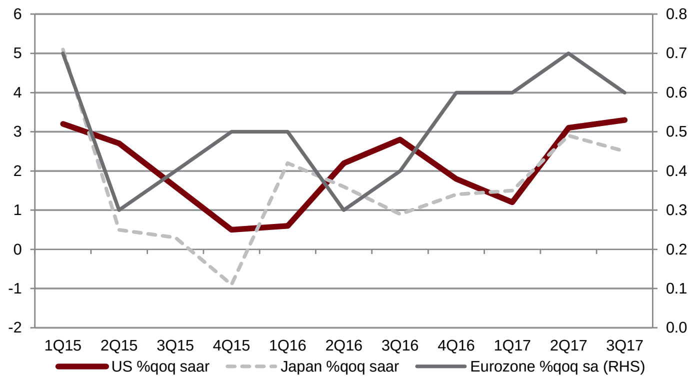
Among the advanced economies, the **Eurozone** has emerged as the dark horse as the IMF envisages the 19-country bloc to expand at the quickest pace since 2007 at 2.1% in 2017, before moderating to 1.9% in 2018. Updated forecasts by the European Central Bank (ECB) in Dec are even more optimistic, indicating that the collective members of the euro currency union experienced a late spurt that is set to spread into next year. The ECB projects GDP growth of 2.4% in 2017 (revised from 2.2%) and 2.3% (revised from 1.8%). A potent combination of healthier household consumption driven by stabilising labour markets, a boost in export demand and the materialisation of pent-up investments by the private sector have steered the Eurozone on a more robust growth trajectory.

The global trade recovery and a dose of fiscal stimulus are expected to lift **Japan**'s GDP growth from 1.0% in 2016 to 1.5% in 2017, the fastest pace in four years, and ahead of its potential growth of around 1%. Japan will continue to reap gains from supportive external conditions in 2018. Moreover, growth in capital investments points to greater business confidence that the external recovery is trickling down to domestic sectors. The step-up in activities leading up to the 2020 Tokyo Olympics is expected to catalyse construction and tourism growth.

China has been an anchor of stability in the region, with annual GDP growth tracking 6.8% in 2017, ahead of the official target of 6.5%. High-level policy directives from the 19th National Congress suggest a balance of policy priorities between pursuing growth and arresting risks from rising debt levels. An emphasis on sustaining growth at about 6.5% p.a. and the rebalancing of the economy towards consumption from investment bode well for Asian exporters. The deleveraging process is expected to remain gradual, with a focus on untangling and mitigating systemic risks in the formal financial sector and the shadow banking system.

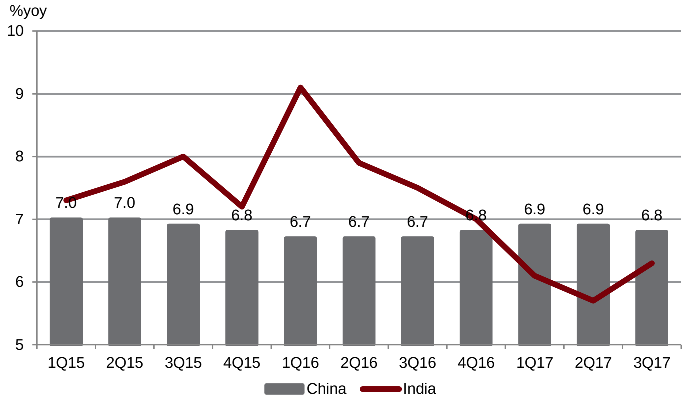
Growth in **India** wobbled in 2017 in the aftermath of the demonetisation exercise in late-2016 and the introduction of the Goods and Services Tax (GST) in Jul 2017 but the country is expected to recover in 2018 on the back of robust domestic demand.

Figure 84: Advanced economies gather strength



SOURCES: BLOOMBERG, CIMB RESEARCH

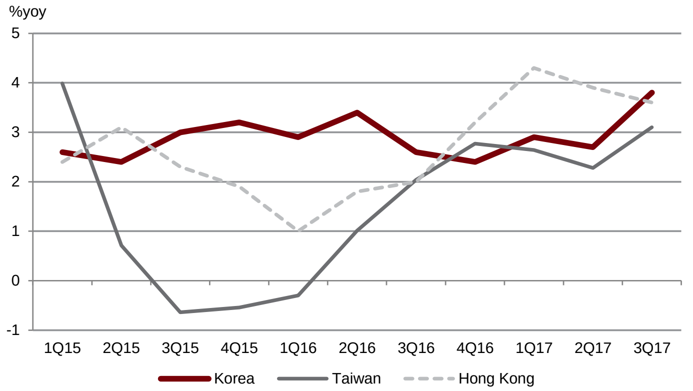
Figure 85: Stability remained the priority for China while India poised to rebound in 2018



SOURCES: BLOOMBERG, CIMB RESEARCH

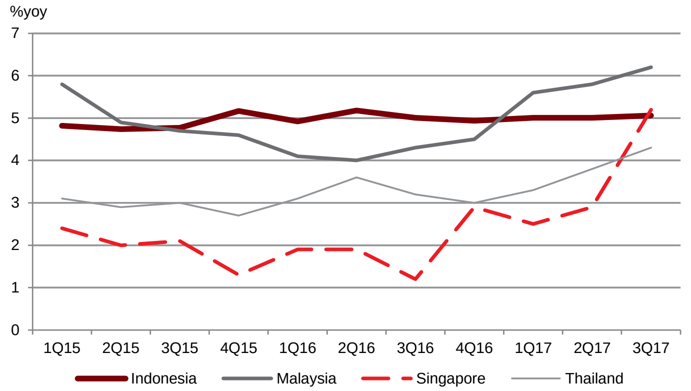
Growth in export-oriented economies in Asia generally fared better than their domestically-driven counterparts. The North Asian economies of Hong Kong and South Korea have ridden a strong wave of demand, especially for electronics-related exports. Likewise, in ASEAN, economies, like Singapore and Malaysia, that were more plugged into global commerce as well as the electronics and machinery equipment supply chain saw stronger boosts to GDP growth.

Figure 86: Export-oriented economies in North Asia have rebounded on the surge in global trade



SOURCES: BLOOMBERG, CIMB RESEARCH

Figure 87: ASEAN economies that were more plugged into global commerce and supply chains saw stronger GDP boost



SOURCES: BLOOMBERG, CIMB RESEARCH

Geopolitical and event risks abated in 2017 following a spate of surprises in 2016, including Brexit, the unanticipated election of Donald Trump to the US presidency and populist anti-globalisation threats. The relatively benign outcomes to these events have encouraged markets to adopt a more even-handed reaction to event risks this year, including concerns of a Eurosceptic outcome in the French elections, the independence movement in Spain's Catalan region, the weakened political position of Merkel's coalition government, escalation of the nuclear threat in the Korean Peninsula and conflicts in the Middle East. Nonetheless, we believe investors should not ignore the possibility that these risks could rear their heads again in 2018.

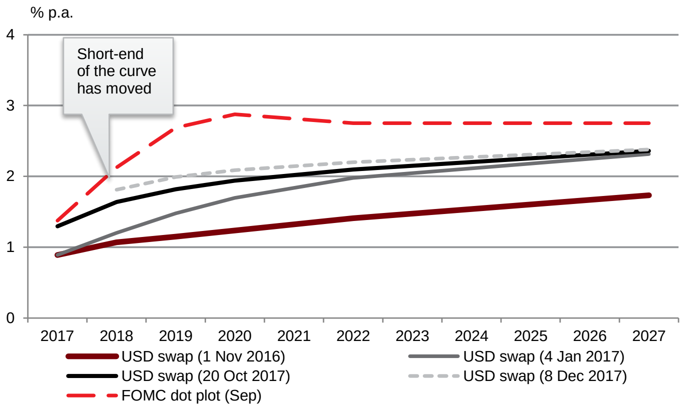
Dialing back the monetary medicine

Base case: Goldilocks conditions of improving growth and muted inflation have allowed policymakers to engineer an orderly exit from unconventional monetary policy. As central banks close in on inflation targets and interest rates rise, global financial conditions are set to tighten but remain supportive of global growth in 2018. Of the G3 economies, the US appears the most assured that the economic recovery is strong enough to withstand the removal of monetary policy accommodation.

The **Federal Reserve** (Fed) delivered the last of its three guided policy rate hikes on 13 Dec, which lifted the upper end of the Fed Funds rate (FFR) target range to 1.50%. Forward guidance was unchanged, implying that the Fed expects to deliver a hat-trick of rate hikes next year, with the FFR ending 2018 at 2.25% and subsequently at 2.7% by end-2019 and 3.1% by end-2020. The passage of US tax reforms has only reinforced expectations of further US monetary policy tightening next year. The Fed has factored in the impact of the fiscal stimulus, estimated at 0.8% of GDP, revising its GDP growth forecasts for the US economy to 2.5% in 2018 from a Sep estimate of 2.1% and tweaked the outlook higher to 2.1% in 2019 (from 2.0%) and to 2.0% in 2020 (from 1.8%).

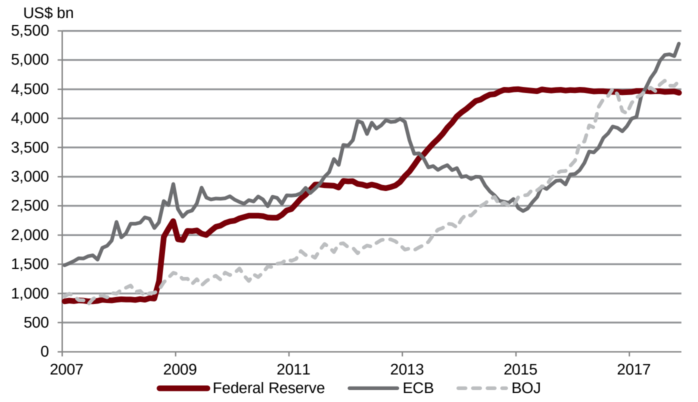
Janet Yellen presided over her last press conference in Dec and will chair one last FOMC meeting on 30-31 Jan before handing over the reins to incoming Fed chairman Jerome Powell. We expect policy continuity despite the leadership change, which will bolster confidence that the tightening cycle will progress in an orderly manner.

Figure 88: US yield curve



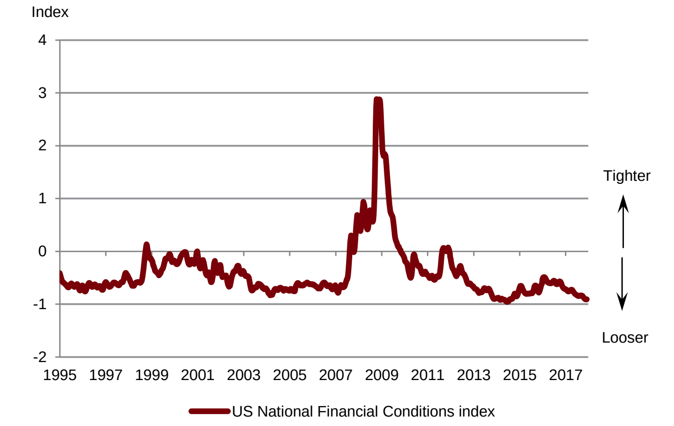
SOURCES: BLOOMBERG, CIMB RESEARCH

Figure 89: G3 balance sheet



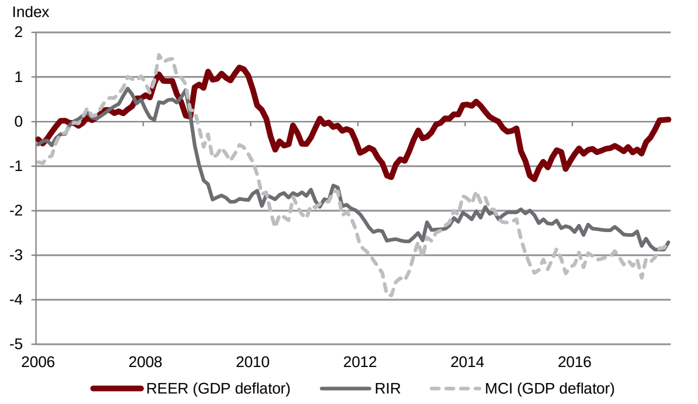
SOURCES: BLOOMBERG, CIMB RESEARCH

Figure 90: US financial conditions index



SOURCES: FEDERAL RESERVE BANK OF CHICAGO, CIMB RESEARCH

Figure 91: ECB monetary condition index

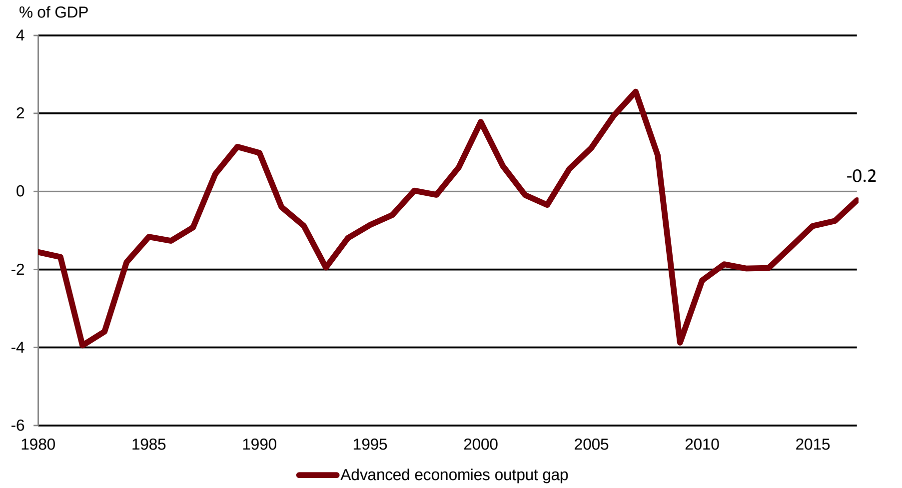


SOURCES: ECB, CIMB RESEARCH

A re-energised Eurozone economy has compelled the **European Central Bank** (ECB) to initiate a slow and gradual reversal from its bond purchase programme by halving its monthly purchases from €60bn to €30bn between Jan and Sep 2018. It has kept the asset purchases open-ended as inflation has persistently undershot the policy target of 2% (ECB forecast: 1.4% in 2018 and 1.5% in 2019). This means its balance sheet will continue to grow through 2018 and put the ECB several paces behind the Fed in the monetary policy normalisation process. Likewise, the ECB is unlikely to increase interest rates in 2018 and until more progress is made on lifting inflation.

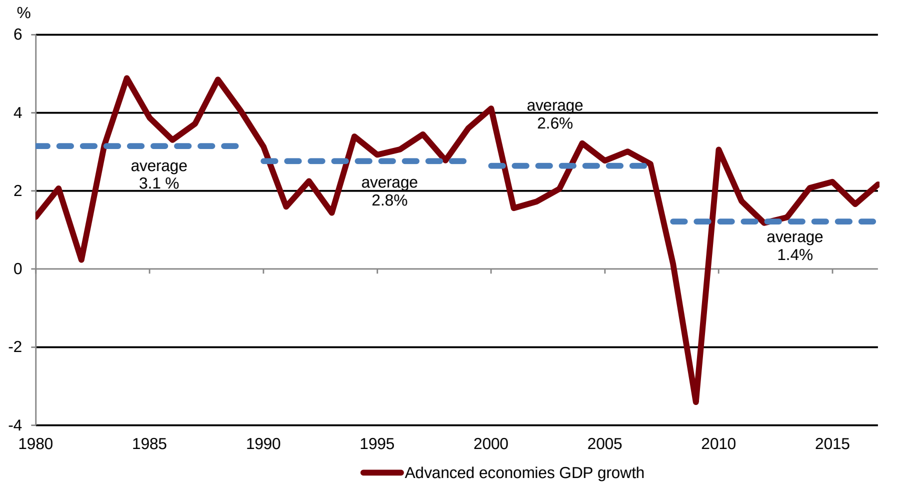
As growth gains traction and inflation picks up as the output gap narrows, the **Bank of Japan** (BOJ) may begin to communicate the process of stepping away from its current monetary policy stance of 1) keeping the key policy rate at -0.1%, 2) yield curve control with a cap on the 10-year bond yield at "around 0%", and 3) asset purchases of ¥80tr a year. BOJ Governor Haruhiko Kuroda's term ends in Apr but he is expected to be re-appointed, which provides some visibility in policy continuity.

Figure 92: Slack in advanced economies has diminished



SOURCE: IMF, CIMB RESEARCH

Figure 93: Growth rates in advanced economies have lagged behind past expansion cycles



SOURCE: IMF, CIMB RESEARCH

As monetary policy reverts to more normalised settings in the advanced economies, several central banks in the emerging markets may follow suit to counter inflation and financial stability risks. The recovery in global commodity prices has raised producer prices, which, combined with robust demand and a narrowing output gap, could translate into higher consumer price inflation.

The **Bank of Korea** was one of the first movers, raising its benchmark 7-day repurchase rate by 25bp to 1.5% in Nov. On 14 Dec, the **People's Bank of China** raised money market rates by 5bp, including for the seven-day reverse repo rate to 2.5% and for the 28-day reverse repo rate to 2.8%. At the same time, it raised rates for one-year medium-term lending facilities by 5bp to 3.25% but benchmark policy rates were left unchanged. Further hikes could come in 2018 to counter rising inflation and in line with the policy focus on domestic financial deleveraging.

While the rise in global interest rates could result in a tightening of financial conditions from very accommodative levels, we expect the current monetary tightening cycle to be more gradual than in the past as growth rates and inflation have lagged behind past expansion cycles. The key risk here is if monetary policymakers misjudge the strength of the economy and over-tighten as a result or inflationary pressures and financial imbalances emerge more intensely than expected. An unexpected tightening of financial conditions in Asia, through higher bond yields, wider credit spreads, a correction in asset prices and currency weakness, could dampen growth and undermine business and consumer sentiment. Disorderly dislocation of capital as a result of risk aversion or portfolio re-balancing in the financial markets could create negative spillovers to the real economy. Since the global financial crisis, about US$2.2tr has flowed into emerging market (EM) debt and equity, including US$1.0tr into EM Asia. The good news is that Asian economies have improved buffers against sharp capital reversals through the accumulation of foreign exchange reserves, well-capitalised banking systems, macro prudential curbs to contain the build-up of financial imbalances as well as fiscal and structural reforms.

ASEAN: Interest rate and currency forecasts

In ASEAN, we expect Bank Negara Malaysia (BNM) and the Monetary Authority of Singapore (MAS) to be the first movers in a tightening monetary policy. We have pencilled in a 25bp hike in the Overnight Policy Rate (OPR) in 1Q18 and expect MAS to allow appreciation of the S$NEER at the Apr 2018 review. The cyclical upturn has been more muted in Indonesia and Thailand. Therefore, we project the interest rate normalisation cycles by Bank Indonesia and the Bank of Thailand to only commence after 2018. Against this backdrop, *CIMB Treasury FX Research* is expecting the ASEAN currencies to appreciate against the US$ in 2018, with the Malaysian ringgit forecast to see the largest gains, having been the biggest laggard this year.

Figure 94: Government yield and policy rate forecasts

	4Q17	1Q18	2Q18	3Q18	4Q18
US					
FFTR	1.50	1.50	1.75	2.00	2.25
2y Treasury	1.65	1.75	1.85	1.95	2.05
10y Treasury	2.25	2.35	2.45	2.55	2.65
Malaysia					
BNM OPR	3.00	3.25	3.25	3.25	3.25
3y MGS	3.50	3.45	3.40	3.45	3.50
10y MGS	4.10	4.10	4.05	4.10	4.15
Thailand					
BOT RMR	1.50	1.50	1.50	1.50	1.50
3y Thai Gov	1.60	1.6	1.70	1.65	1.80
10y Thai Gov	2.45	2.45	2.55	2.60	2.75
Indonesia					
BI 7DRRR	4.25	4.25	4.25	4.25	4.25
3y IndoGB	6.10	6.00	6.05	6.00	5.95
10y IndoGB	6.70	6.60	6.55	6.50	6.55
Singapore					
2y SGS	1.70	1.55	1.65	1.75	1.85
10y SGS	2.40	2.25	2.35	2.40	2.50

SOURCE: CIMB TREASURY FIXED INCOME AND FX RESEARCH

Figure 95: FX forecasts

	4Q17	1Q18	2Q18	3Q18	4Q18
EURUSD	1.17	1.15	1.14	1.16	1.18
USDJPY	114	117	115	111	109
GBPUSD	1.31	1.31	1.30	1.32	1.34
AUDUSD	0.78	0.75	0.74	0.77	0.80
USDCNY	6.65	6.70	6.65	6.60	6.55
USDSGD	1.36	1.37	1.36	1.35	1.33
USDMYR	4.20	4.10	4.10	4.05	3.95
USDIDR	13,500	13,500	13,400	13,300	13,200
USDTHB	33.10	33.00	33.15	33.10	33.15

SOURCE: CIMB TREASURY FIXED INCOME AND FX RESEARCH

MALAYSIA: Shifting gears in 2018

After a dip in form in 2016, Malaysia's economy rebounded strongly in 2017, driven by stabilisation in the commodities sector, a strong turnaround in external demand for manufactured goods, a rebound in spending by consumers and tourists, and brighter prospects in the services sector. With the low-hanging fruits harvested this year, 2018 will be time to apply the elbow grease, with renewed focus on improving domestic growth drivers and external macro buffers. Nonetheless, we would not fret about the moderation as it takes Malaysia's GDP growth back to trend, to 5.2% in 2018 from 5.9% in 2017. Against this backdrop, we expect the Overnight Policy Rate (OPR) to rise by 25bp in 1Q18.

Riding a crest of domestic and external tailwinds

A number of complementary tailwinds have propelled the economy to 5.9% yoy expansion in 9M17, on track to meet our forecast of 5.9% for 2017 (+4.2% in 2016). The transitory drag from El-Nino-impacted agriculture output in 2016, especially that of palm oil and rubber, was supplanted by normalising production this year. Following a 5.1% contraction in 2016, output in the agriculture sector is poised to grow 5.4% in 2017, accounting for 0.8% pt or half the increase in headline GDP growth in 2017, before moderating to 2.2% in 2018, as the one-off rebound from adverse weather fades.

As a relatively open economy with total trade accounting for 138.6% of GDP, Malaysia has participated in the stronger-than-expected global trade recovery this year, with exports expanding 10.4% yoy and imports rising 12.3% yoy in 9M17. Producers of export-oriented goods, such as electrical and electronics (E&E), processed vegetable oil, rubber products, and machinery and equipment, were beneficiaries of increased external demand, lifting the manufacturing sector by 6.2% yoy in 9M17 (+4.4% in 2016). The broad trade upturn is likely to moderate in 2018 due to a more demanding base in 2017, and we forecast export growth to slow to 4.2% (+9.9% in 2017); likewise for imports (+4.9% vs. +11.5% in 2017).

While the strong rebound this year sets a tall order to beat, we expect domestic demand to sustain a healthy pace in 2018, underpinned by private consumption (+6.3% in 2018 vs. +7.0% in 2017) and private investments (+8.4% in 2018 vs. +9.1% in 2017). We expect private consumption to remain supported by quickening wage growth, stable labour market conditions, easing inflationary pressure, a personal income tax cut for the middle class, maintenance of the 1Malaysia People's Aid (BR1M) handout and higher current transfers to civil servants, pensioners and other social groups. However, household incomes will face some downward pressure when they lose access to the temporary voluntary reduction in employee contribution to the Employee Provident Fund (EPF) from 11% of gross salary to 8%, as it expires on 31 Dec 2017.

A consumption conundrum

While headline GDP and private consumption growth rates have recovered to pre- goods and services tax (GST) levels, consumer sentiment has been distinctly more muted. Data on retail sales from the industry such as the Malaysia Retail Association (+2.2% yoy in 9M17) and Retail Group Malaysia (+1.9% yoy in 9M17) appear to contradict much stronger takeaways from the official GDP numbers for retail trade (+9.8% yoy in real terms and +13.1% yoy in nominal terms in 9M17). The dissonance between survey-based data and industry estimates relative to the official national accounts may be due to to several factors: 1) a tougher competitive environment due to changing consumer preferences and disruptions to traditional retail channels by new technology like e-commerce and the sharing economy, 2) thin buffers as household savings have fallen to 1.5% of disposable income, 3) the rise in property prices, which has a redistributive effect between homeowners and potential homebuyers, 4) redistribution of incomes as a result of reforms such as the introduction of GST, subsidy rationalisation, current transfers to lower income groups, 5) other factors apart from actual consumer purchasing power and spending patterns that may affect consumer sentiment such as politics or policy changes.

Housing burdens may have induced belt-tightening

The consumer price index (CPI) reflects housing inflation through rentals rather than residential property prices. Housing rental, according to the CPI, has grown 2.4% p.a. since 2009, trailing the 8.8% p.a. increase national house prices. However, rentals account for just a fifth (19.6%) of occupied dwellings in Malaysia while the homeownership rate stood at 76.3% as at end-2016. Real GDP per capita recorded a growth rate of 3.5% p.a. in 2001 to 2017 but would fall to 2.6% p.a. if housing rental were to be replaced by house prices in the CPI. While we recognise that this representation likely overstates the erosion in household incomes, since it includes the capitalised value of future housing consumption, and not all consumers were homebuyers during a housing upcycle, it offers a possible explanation as to why 'house-poor' consumers are feeling sidelined from the stronger headline GDP growth 4.9% over the corresponding period in 2001 to 2007.

Pent-up demand and infrastructure to spur investments

Robust external demand in 2017, we think, will create positive spillovers to domestic investments next year. We expect the rebound in business climate and sentiment, especially in the manufacturing and services sectors, to buoy increased capital expenditure in 2018 as capacity utilisation rates climb. Renewed momentum in infrastructure investments has camouflaged the slower growth in other areas of construction, namely residential and non-residential properties. A steady pipeline of infrastructure projects tallied at RM210bn, including the MRT2, LRT3, East Coast Rail Link (ECRL), the Gemas-Johor Bahru rail line, will reinforce investment growth in 2018.

Building buffers against external risks

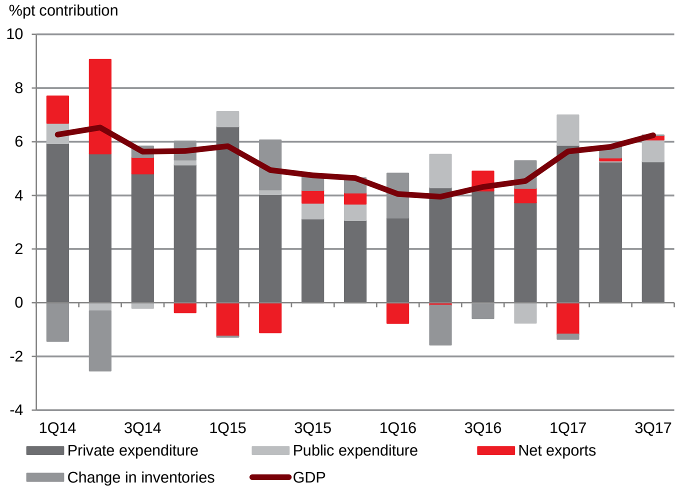
While we remain clear-eyed about the potential external risks posed by the monetary policy normalisation process in advanced economies, Malaysia has taken steps to reinforce its position against external risks. Despite the impending general elections in 2018, the government stayed on course for fiscal consolidation, with Budget 2018 targeting a budget deficit of 2.8% of GDP, narrowing from 3.0% of GDP in 2017. Robust trade led to an expansion in the goods surplus, which we expect to lift the current account surplus from 2.4% of GDP in 2016 to 2.9% of GDP in 2017 and 2.8% of GDP in 2018. On the back of the expansion in the current account surplus and recovery in portfolio flows, international reserves have recovered to US$101.9bn in Nov from the trough of US$94.5bn during the Trump tantrum in Dec 2016, equivalent to 7.5 months of retained imports and 1.1 times short-term external debt. In addition, the exposure to foreign holders of government bonds receded to RM180.7bn or 28.8% from a peak of RM214.8bn or 36.0% in Oct 2016.

Prepped for interest rate hike

The rise in fuel prices from a low base in 2016 were a prime contributor to the elevated average inflation rate of 3.8% in 2017. As the base effects ease, we expect headline inflation to moderate next year but we raise our headline inflation forecast for 2018 to 2.9% from 2.5% to factor in higher food prices, the impact of recent gas tariff hikes and uptick in demand-driven core inflation. Potential risks to our forecast include electricity tariff hikes, a review of the minimum wage, additional foreign worker levies and higher oil prices.

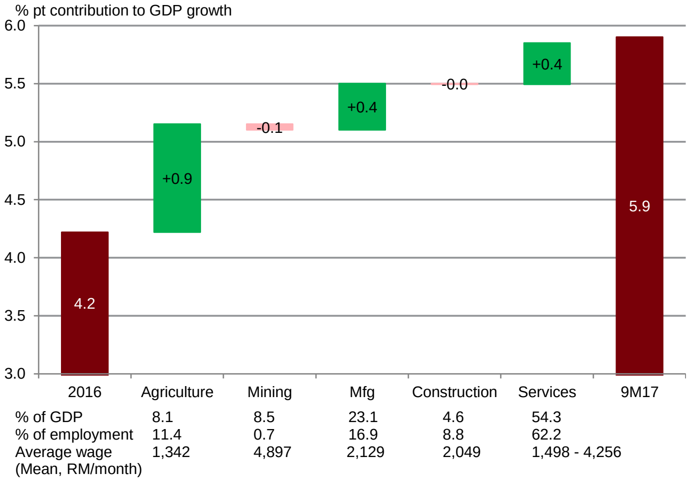
The Nov Monetary Policy Committee (MPC) statement hinted strongly that Bank Negara Malaysia (BNM) is close to increasing its Overnight Policy Rate (OPR) from 3.00% currently for the first time since Jul 2014 as stellar economic growth this year pushes back the need for the pre-emptive cut made in Jul 2016. Our base case assumes BNM will raise the OPR in 1Q18, followed by an extended pause before hiking it again in 2019F. BNM may consider a second OPR hike in 2H18 if upside inflation risks surface meaningfully beyond our forecast.

Figure 96: GDP growth by expenditure



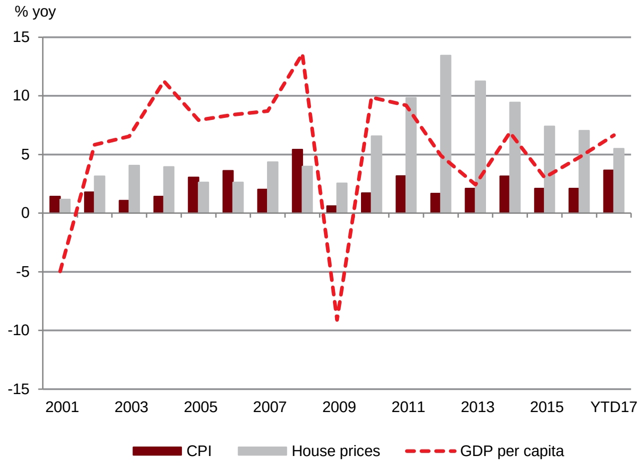
SOURCES: CEIC, CIMB RESEARCH

Figure 97: Contribution to GDP growth by economic activity



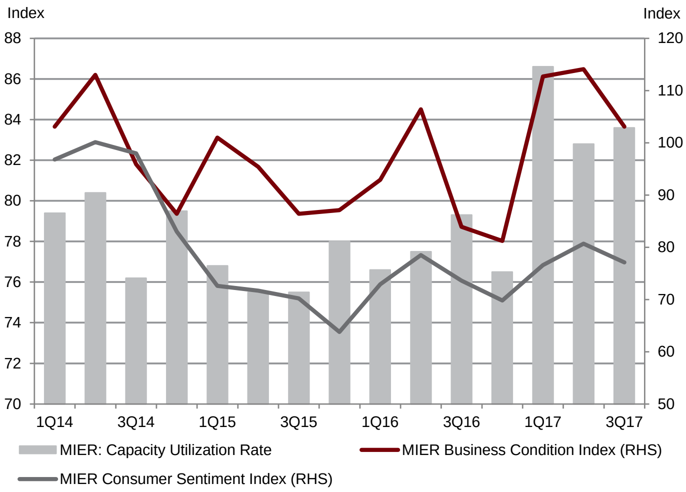
SOURCES: CEIC, CIMB RESEARCH

Figure 98: While GDP per capita has risen 6.0% p.a. since 2010, it has been outpaced by house price increases in recent years



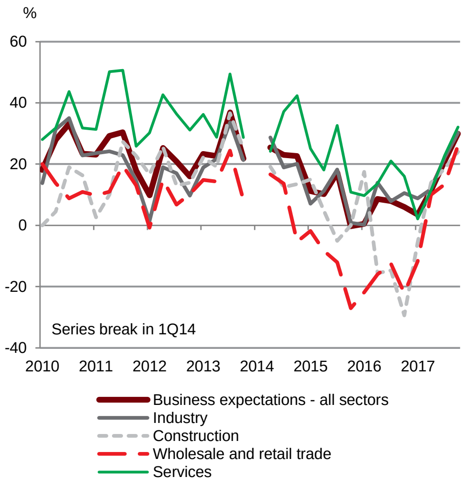
SOURCES: CEIC, CIMB RESEARCH

Figure 99: Consumer sentiment has not recovered despite the improved economic performance



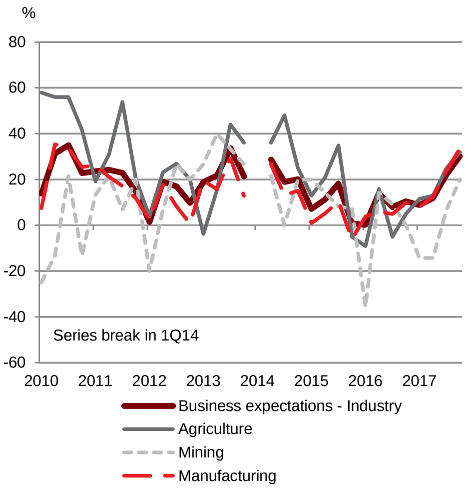
SOURCES: CEIC, CIMB RESEARCH

Figure 100: Recovery in business sentiment in construction and wholesale/retail trade



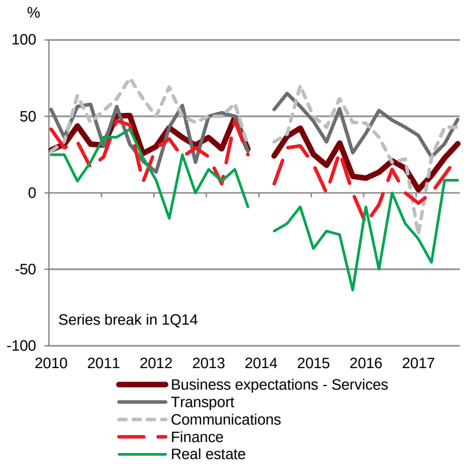
SOURCE: CEIC, CIMB RESEARCH

Figure 101: Within industrials, mining was hard-hit in 2016 due to low oil prices



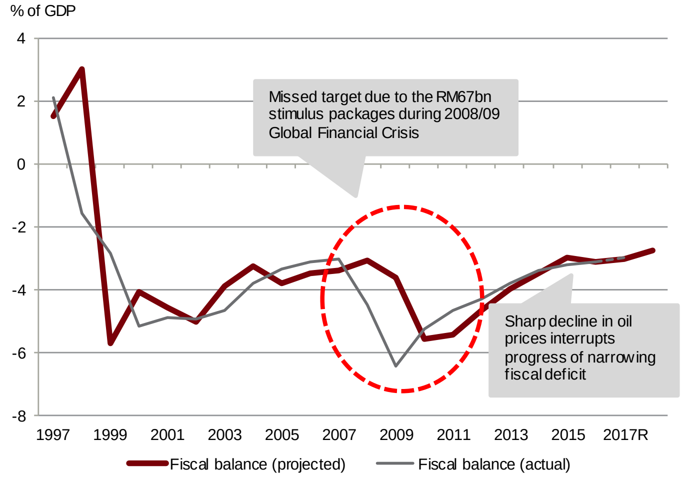
SOURCE: CEIC, CIMB RESEARCH

Figure 102: Steady rebound in business expectations in services sector



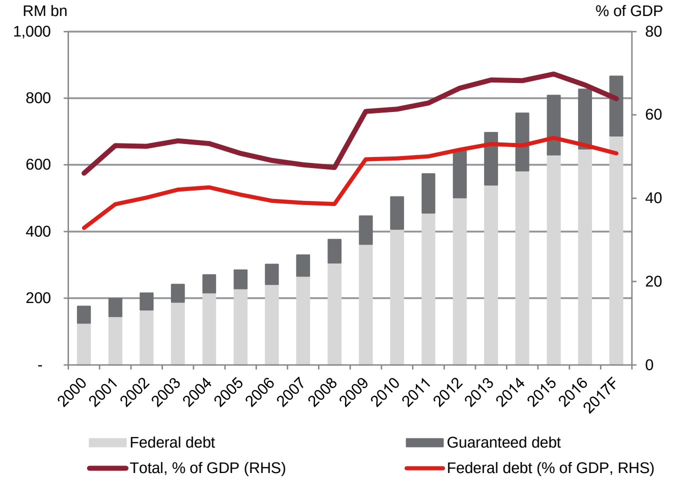
SOURCE: CEIC, CIMB RESEARCH

Figure 103: Fiscal discipline…



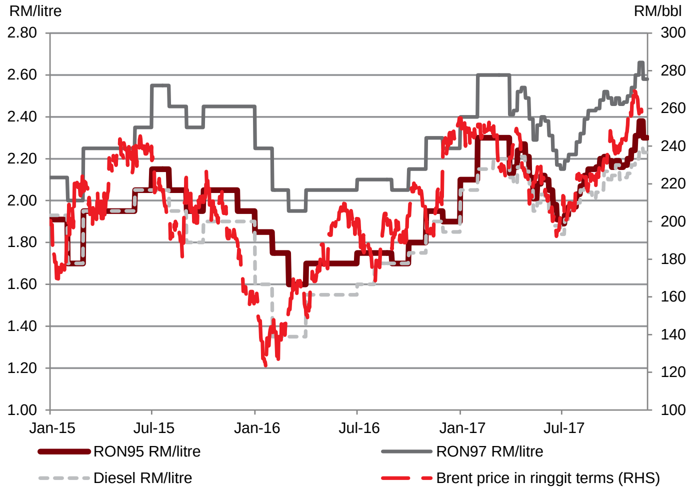
SOURCES: MOF, CEIC, CIMB RESEARCH

Figure 104: … to keep government debt in check



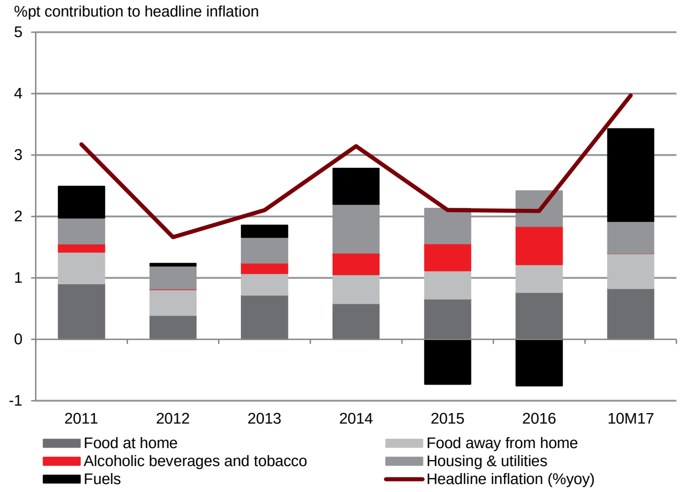
SOURCES: BLOOMBERG, CIMB RESEARCH

Figure 105: Retail fuel prices and Brent price



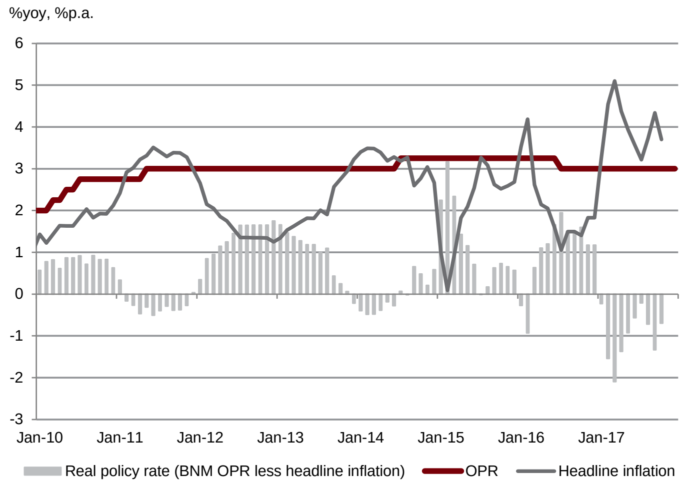
SOURCES: NEWSFLOWS, BLOOMBERG, CIMB RESEARCH

Figure 106: Contribution to headline inflation



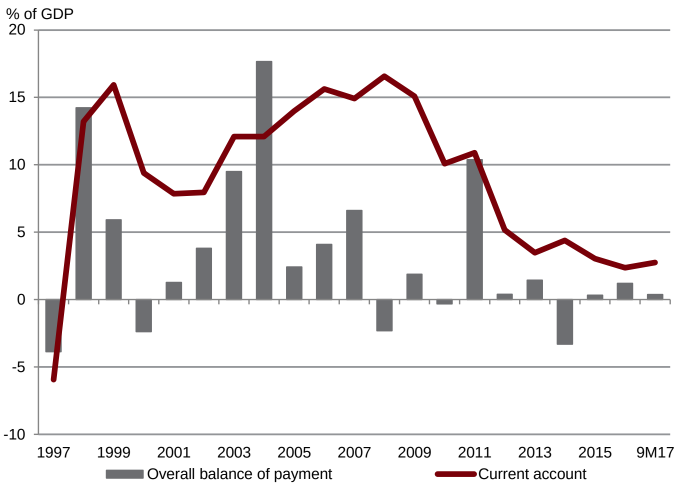
SOURCES: CEIC, CIMB RESEARCH

Figure 107: BNM poised to increase the OPR by 25bp in 1Q18



SOURCES: CEIC, CIMB RESEARCH

Figure 108: Current account and overall balance of payments



SOURCES: BLOOMBERG, CEIC, CIMB RESEARCH

Appendix: Malaysia

Figure 109: Malaysia's real GDP, forecasts

	2015	2016	2017F	2018F	2015	2016	2017F	2018F
		%yoy				*% of GDP*		
Real GDP	**5.0**	**4.2**	**5.9**	**5.2**	**100.0**	**100.0**	**100.0**	**100.0**
By expenditure								
Private consumption	6.0	6.0	7.0	6.3	52.3	53.2	53.8	54.4
Public consumption	4.4	0.9	5.1	4.2	13.5	13.1	13.0	12.8
Gross fixed capital formation	3.6	2.7	6.5	6.3	25.7	25.4	25.5	25.8
Net exports	-	-	-	-	8.6	8.4	7.7	7.2
Exports	0.3	1.1	9.9	4.2	72.6	70.4	73.1	72.4
Imports	0.8	1.1	11.5	4.9	64.0	62.1	65.4	65.2
By sector								
Agriculture	1.3	-5.1	5.4	2.2	8.9	8.1	8.0	7.8
Mining	5.3	2.2	1.3	1.8	9.0	8.8	8.4	8.2
Manufacturing	4.9	4.4	5.8	5.3	22.9	23.0	23.0	23.0
Construction	8.2	7.4	7.1	7.3	4.4	4.5	4.6	4.7
Services	5.1	5.6	6.4	5.9	53.5	54.3	54.5	54.9

SOURCE: CEIC, CIMB RESEARCH

Figure 110: Key statistics

	Unit	2012	2013	2014	2015	2016	2017F	2018F
Real GDP	%yoy	5.5	4.7	6.0	5.0	4.2	5.9	5.2
Industrial production	%yoy	4.2	3.4	5.2	4.7	3.8	4.2	3.5
Gross exports	%yoy	0.7	2.5	6.3	1.6	1.2	18.9	9.8
Gross imports	%yoy	5.8	6.9	5.3	0.4	1.9	20.1	11
Trade balance	RM bn	96.0	71.3	82.5	91.6	88.1	95.6	94.7
Current account	% of GDP	5.2	3.5	4.4	3.0	2.4	2.9	2.8
International reserves	US$ bn	139.7	134.9	115.9	95.3	94.5	102.2	105.7
Headline inflation, average	%yoy	1.7	2.1	3.2	2.1	2.1	3.8	2.9
Overnight policy rate	%p.a.	3.00	3.00	3.25	3.25	3.00	3.00	3.25
Ringgit per US dollar, average	RM/US$	3.09	3.15	3.27	3.91	4.14	4.30	4.05

SOURCE: CEIC, CIMB RESEARCH, CIMB TREASURY FIXED INCOME AND FX RESEARCH

Sector, Company Briefs or Appendices…

Sector Note

Malaysia

Neutral *(no change)*

Highlighted companies

Genting Plantations
HOLD, TP RM11.50, RM10.42 close

We like Genting Plantations' young estates, which should help boost its future FFB output growth. But this may be offset by the unexciting CPO price prospects in the near term.

IOI Corporation
HOLD, TP RM4.74, RM4.34 close

IOI Corp's rich assets and potential special dividend of 13sen/share from the sale of its 70% stake in Loders should support its share price.

Kuala Lumpur Kepong
HOLD, TP RM27.15, RM24.56 close

We expect the share price to be supported by the group's strategic estate land bank in Malaysia.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
Genting Plantations	26.80	22.93	23.59
IOI Corporation	29.21	24.23	24.10
Kuala Lumpur Kepong	25.07	22.13	21.11
P/BV (x)	**Dec-17F**	**Dec-18F**	**Dec-19F**
Genting Plantations	1.68	1.60	1.53
IOI Corporation	3.53	3.30	3.11
Kuala Lumpur Kepong	2.33	2.52	2.37
Dividend Yield	**Dec-17F**	**Dec-18F**	**Dec-19F**
Genting Plantations	1.42%	1.42%	1.42%
IOI Corporation	2.12%	2.06%	2.07%
Kuala Lumpur Kepong	2.18%	2.64%	2.64%

Agribusiness

Bears to trump over bulls in 2018?

- We expect planters to report higher earnings in 2018, driven by higher FFB output and stronger downstream contributions.
- FFB yields are projected to grow by c.5% driven by recovery from El Nino impact.
- We expect CPO prices to average RM2,700 per tonne in 2018F, which is lower compared to 2017F's average of RM2,800 per tonne.
- Key bearish factors are higher inventory and import duties by India.
- Maintain Neutral rating as valuations have priced in prospects of weaker prices.

Stronger FFB output and downstream earnings in 2018

We expect palm oil players to report higher earnings in 2018, fuelled mainly by higher FFB output and stronger downstream earnings. The key driver for 2018's earnings will be higher FFB yields as the El Nino effect fades and new mature areas come on stream. The higher yields are expected to drive down costs of production of CPO on a per tonne basis. We expect CPO prices to average RM2,700 per tonne in 2018, which is lower than the 11M17 average price of RM2,817 per tonne in Malaysia.

FFB yields to continue its recovery from El Nino effect

In 11M17, Malaysia's CPO output rose 14% to 18.1m tonnes, forming 83% of our 2017 forecast of 19.4m tonnes. This strong FFB output growth was driven by a recovery in FFB yields from the El Nino effect. Our checks with the planters revealed that weather conditions in most palm oil regions normalised in 2016 and 2017. In view of this, we project estates in Malaysia to post stronger output growth in 2018, though this will be partly offset by replanting efforts and shortage of foreign workers in parts of the country.

Bearish factors for CPO price in 2018

(1) Projections that global palm oil supply will rise by 4m tonnes in 2018 driven by new mature areas and higher yields. (2) Weaker palm oil demand from India due to the recent hikes in import duties. (3) High global soybean stocks and supplies. (4) Weaker than expected biodiesel demand from Indonesia due to lack of enforcement or inability of the CPO fund in Indonesia to support the biodiesel mandate if the gap between CPO price and crude oil price widens, which will lead to weaker biodiesel usage in Indonesia.

India hikes import duties on palm oil in Nov 17

India raised its import duties for CPO and refined oils by 15% pts to 30% and 40%, respectively on 17 Nov 2017. This is negative for CPO prices as the higher import duties make palm oil costlier in India and crude palm oil pricier compared to other imported crude edible oils by 2.5% due to the widening import duty differential between palm oil and other edible oils under the new import duties structure. This could lead to weaker demand for palm oil in India.

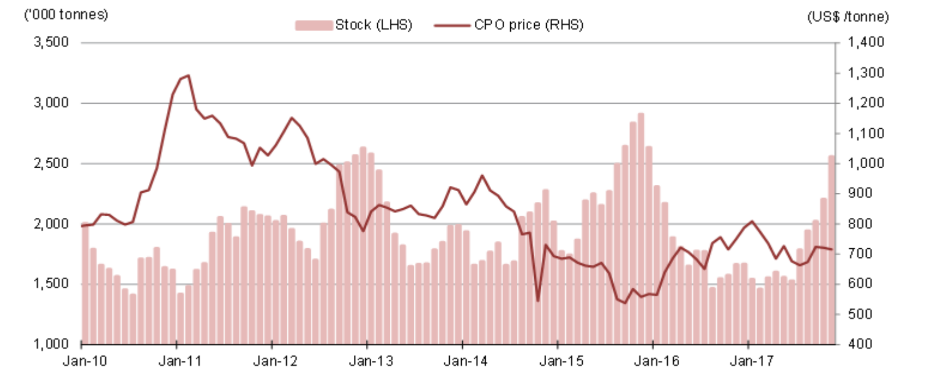
Bullish factors for CPO prices in 2018

(1) Adverse weather impact on key palm oil or soybean regions leading to weaker than expected palm oil and/or soybean supply. (2) Higher biodiesel demand from US, South America, Indonesia and Malaysia could boost demand for palm and soybean oil. (3) A stronger than expected La Nina event, which could lead to weaker soybean supplies and indirectly benefit CPO prices. (4) Higher crude oil prices.

Maintain Neutral rating

We maintain our Neutral stance on the sector as we feel that the valuations of planters have priced in the prospects of weaker CPO price. We have Hold ratings on all the Malaysian plantation companies under coverage.

Figure 1: Historical relationship between CPO prices and stocks



SOURCES: CIMB RESEARCH, COMPANY

Analyst(s)

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Figure 2: Sector Comparison

Company	BB Ticker	Recom.	Price (local curr)	Target (local curr)	Market Cap (US$ m)	Core P/E (x) CY2017	Core P/E (x) CY2018	3-year EPS CAGR (%)	P/BV (x) CY2017	P/BV (x) CY2018	Recur. ROE (%) CY2017	Recur. ROE (%) CY2018	EV/EBITDA (x) CY2017	EV/EBITDA (x) CY2018	Dividend Yield (%) CY2017	Dividend Yield (%) CY2018
Sime Darby Bhd	SIME MK	Add	RM2.05	RM10.22	3,416	21.4	21.5	4.4%	0.36	0.36	5.9%	6.0%	7.2	4.6	11.5%	12.6%
IOI Corporation	IOI MK	Hold	RM4.34	RM4.74	6,683	25.3	24.2	8.1%	3.53	3.30	14.3%	14.0%	17.0	16.1	1.5%	2.1%
Kuala Lumpur Kepong	KLK MK	Hold	RM24.56	RM27.15	6,409	24.4	22.1	6.2%	2.33	2.52	9.5%	10.8%	14.9	14.1	2.1%	2.6%
Felda Global Ventures	FGV MK	Hold	RM1.71	RM1.93	1,529	49.3	38.6	na	1.07	1.07	2.1%	2.8%	16.3	12.2	2.2%	2.9%
Genting Plantations	GENP MK	Hold	RM10.42	RM11.50	2,051	26.8	22.9	18.1%	1.68	1.60	6.2%	7.2%	16.2	13.9	1.4%	1.4%
Hap Seng Plantations	HAPL MK	Hold	RM2.51	RM2.57	492	16.6	16.4	6.1%	0.96	0.94	5.6%	5.8%	9.6	9.1	3.8%	4.8%
Jaya Tiasa Holdings	JT MK	Hold	RM1.07	RM1.15	254	11.6	10.4	13.6%	0.55	0.51	4.9%	5.1%	8.2	6.4	1.1%	0.9%
Ta Ann	TAH MK	Hold	RM3.58	RM3.85	390	11.8	11.6	-10.3%	1.22	1.14	10.2%	10.1%	5.7	5.0	2.7%	2.8%
Malaysia Average						**23.4**	**21.0**	**6.6%**	**1.5**	**1.4**	**7.3%**	**7.7%**	**11.9**	**10.2**	**3.3%**	**3.8%**

SOURCE: CIMB RESEARCH, COMPANY

Sector Note

Malaysia

Underweight *(no change)*

Highlighted companies

DRB-Hicom
ADD, TP RM2.35, RM1.73 close

We expect narrowing losses in 2HFY18 due to lower loss recognition at Proton following the completion of a 49.9% share subscription by Geely in Sep 17. We see the logistics division as the key growth driver, riding on the expansion of the regional logistics hub in DFTZ and key collaborations with major e-commerce players.

Tan Chong Motor Holdings
REDUCE, TP RM1.49, RM1.38 close

Tan Chong is focusing on growing its presence in Cambodia, Laos, Myanmar and Vietnam, but we do not expect meaningful contributions in the next 1-2 years; it currently makes up just 11% of sales. We expect management to focus on reducing the group's inventory levels; however, it may need to sacrifice profit margins in order to accelerate the process.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
DRB-Hicom	NA	NA	21.85
Tan Chong Motor Holdings	NA	428.80	15.51
P/BV (x)	**Dec-17F**	**Dec-18F**	**Dec-19F**
DRB-Hicom	0.58	0.59	0.57
Tan Chong Motor Holdings	0.33	0.33	0.32
Dividend Yield	**Dec-17F**	**Dec-18F**	**Dec-19F**
DRB-Hicom	0.00%	0.00%	0.00%
Tan Chong Motor Holdings	0.72%	1.45%	2.17%

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Autos

Revving up in 2018

- We project 2.7% TIV growth in 2018F driven by stronger passenger car and SUV sales from national and foreign brands, amid weaker commercial vehicle demand.
- The sector is expected to benefit from the appreciation of ringgit against US$ & JPY.
- However, a potential interest rate hike in 2018F would be negative for the sector.
- We maintain Underweight on the sector due to the sluggish sales outlook and margin erosion from rising competition.
- DRB-Hicom is our top pick, premised on the narrowing losses at Proton with Geely's entry as a foreign strategic partner and earnings diversification in e-commerce.

Tepid sales growth in 10M17 TIV but total production fell

11M17's TIV grew 1.3% yoy to reach 521,940 units, driven by higher passenger vehicles (PV) sales for national and foreign brands, which rose 1.4% and 3.0% yoy, respectively. Meanwhile, total commercial vehicle sales fell 5.1% yoy in 11M17. Despite the improving TIV sales, the Malaysian Automotive Association (MAA) said total vehicle production volume fell 6.7% yoy in 11M17. MAA attributed the lower production to the cautious stance taken by automakers and inventory adjustments amid soft market environment.

Projecting 2.7% TIV growth in 2018F driven by passenger car & SUV

We forecast a 2.7% TIV growth in 2018F driven by stronger sales in the PC segment from both domestic (3%) and foreign (2.5%) brands. Nevertheless, we project commercial vehicle sales to continue to slide in 2018F due to weak demand for pick-up trucks. We expect Perodua to maintain its dominant market position in 2018 riding on strong demand for the new Myvi, which already reached 15.5k bookings within two weeks of its launch.

Riding on growing SUV and MPV popularity

In addition, we see stronger growth in the SUV segment driven by the new Mazda CX-5, Honda CR-V and upcoming Toyota C-HR. Moreover, we see the pending launch of Proton's first SUV model in 4Q18 as further driving SUV demand in 2018. To recap, total SUV and MPV sales contributed 26% of the total PC in 10M17 (vs 24% in 10M16).

Downside risk to TIV from potential interest rate hike in 2018

The stronger passenger vehicle sales in 11M17 were in line with the higher passenger car loan approvals, which increased 1.9% YTD. The percentage of passenger car loan approvals increased by 0.8% pts to 53.6% YTD partly due to the 25bps reduction in overnight policy rate (OPR) by Bank Negara in Jul 16. Hence, we see downside risk to TIV if the central bank decides to raise the OPR in 2018.

Beneficiary of a stronger ringgit

We see the strengthening of the ringgit vs. US$ and JPY as positive for the automotive sector as it will help automakers reduce the cost of imported complete-knocked down kits and complete built units. For companies under our coverage Tan Chong and UMW Holdings are winners from the appreciation of the ringgit against US$ given that 50% of their total manufacturing costs are denominated in US$. Bermaz will also benefit from the appreciation of the ringgit given that 30% of its total cost of sales is denominated in JPY.

Maintain sector Underweight

We maintain our Underweight call on the sector due to persistent weakness in consumer sentiment and potential margin erosion from higher opex and intense competition. The sector trades at 1.1x CY18F P/BV, in line with its 3-year mean. However, disappointing earnings over the next year could present downside risks. Key upside risks are the strengthening of the RM vs. US$ and JPY, and better-than-expected TIV growth.

Figure 1: Historical annual TIV and projected TIV for 2017-18F (unit)

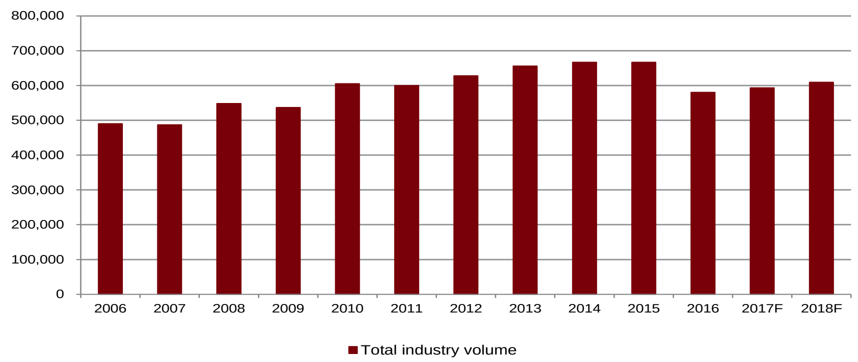

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Figure 2: Sector comparison

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x) CY2017	Core P/E (x) CY2018	3-year EPS CAGR (%)	P/BV (x) CY2017	P/BV (x) CY2018	Recurring ROE (%) CY2017	Recurring ROE (%) CY2018	EV/EBITDA (x) CY2017	EV/EBITDA (x) CY2018	Dividend Yield (%) CY2017	Dividend Yield (%) CY2018
Bermaz Auto Berhad	BAUTO MK	Hold	2.17	2.06	614	20.3	16.7	7.4%	5.79	5.80	26.9%	34.4%	12.3	9.9	5.0%	6.1%
Tan Chong Motor Holdings	TCM MK	Reduce	1.38	1.49	221	na	428.8	na	0.33	0.33	-3.2%	0.1%	25.5	12.4	0.7%	1.4%
DRB-Hicom	DRB MK	Add	1.73	2.35	820	na	na	na	0.58	0.59	-7.3%	-1.2%	13.7	8.6	0.0%	0.0%
UMW Holdings	UMWH MK	Hold	5.15	5.50	1,474	na	26.9	na	2.27	2.28	3.6%	8.5%	21.7	20.9	1.9%	3.9%
Sector average						**na**	**41.3**	**na**	**1.10**	**1.11**	**-2.1%**	**2.7%**	**16.6**	**12.0**	**1.9%**	**3.1%**

SOURCE: CIMB RESEARCH, COMPANY

CIMB

Sector Note

Malaysia

Neutral *(no change)*

Highlighted companies

Affin Holdings
ADD, TP RM2.81, RM2.29 close

We rate Affin as an Add because of its attractive valuations (CY18F P/E of 8.1x and P/BV of 0.5x) as well as the expected benefits from its Affinity transformation programme.

Hong Leong Bank
REDUCE, TP RM14.30, RM16.86 close

Our Reduce call on Hong Leong Bank is premised on its rich valuation. Its current valuation of 14.2x CY18F P/E is the highest in the sector and way above the sector's 12.3x.

RHB Bank Bhd
ADD, TP RM6.30, RM4.99 close

RHB Bank is our top pick for the sector given its attractive valuations – CY18F P/E of 9.1x and P/BV of 0.8x – as well as the expected benefits from its IGNITE 17 transformation programme.

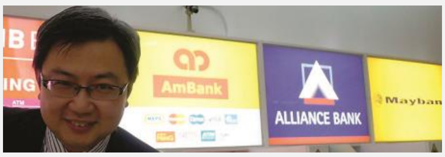
Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
Affin Holdings	9.30	8.14	7.40
Hong Leong Bank	15.77	14.20	13.37
RHB Bank Bhd	10.11	9.09	8.07

P/BV (x)	Dec-17F	Dec-18F	Dec-19F
Affin Holdings	0.50	0.48	0.46
Hong Leong Bank	1.55	1.43	1.33
RHB Bank Bhd	0.85	0.79	0.73

Dividend Yield	Dec-17F	Dec-18F	Dec-19F
Affin Holdings	4.26%	4.87%	5.36%
Hong Leong Bank	2.70%	2.82%	2.99%
RHB Bank Bhd	2.85%	3.17%	3.57%

Analyst(s)



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Banks

Facing the risks of weak loan growth and MFRS 9 adoption

- Banks are still rated as a Neutral due to the weak loan growth and the expected negative impact from the adoption of MFRS 9 in 2018.
- We project net profit growth of 8.5% for the listed banks under our coverage in 2018 vs. 7% in 2017.
- Loan growth is expected to remain weak at a projected 4-5% in 2018F, close to the 4-5% estimated for 2017.
- Malaysian banks have strong buffers against the negative impact of MFRS 9 on their capital in the forms of high CET1 capital ratios and regulatory reserves.
- We estimate that MFRS 9 adoption will increase banks' loan loss provisioning by about 10%, leading to a 1-2% drop in our projected FY18-19F net profit for banks.

Maintain Neutral

Going into 2018, we remain cautious on the earnings outlook for banks given the weak loan growth and the potential increase in credit costs following the adoption of MFRS 9. For this reason, we retain our Neutral call on the sector, although banks will benefit from the expected rate hike in 2018. The upside/downside risks to our call are a recovery/slowdown in loan growth and expansion/contraction in margins. RHB Bank is our top pick for the sector.

Projecting net profit growth of 8.5% in 2018

We project net profit growth of 8.5% for the listed Malaysian banks under our coverage in 2018, up from 7% in 2017. This is underpinned by a forecast expansion of 5.4% (+4.8% in 2017) for net interest income and 8.4% (+3.3% in 2017) for non-interest income. After a normalisation in 2017, we expect banks' loan loss provisioning (LLP) to drop by 1.6% in 2018 as the pressure on banks' asset quality eases. However, we have yet to factor in the addition LLP arising from MFRS 9 adoption.

Not expecting a strong recovery in loan growth

The industry's loan growth has softened in the past 3-4 years, down from 10.6% in 2013 to 5.3% in 2016 and an estimated 4-5% in 2017. We do not see any catalysts for loan growth in the near term and, hence, we expect loan growth to remain weak at 4-5% in 2018.

MFRS 9 adoption to have impact on banks' capital and earnings

The key event for Malaysian banks in 2018 is the adoption of the MFRS 9 accounting standard. This could impact banks in two ways: (1) it could lower banks' capital ratios due to the first-day upward adjustment of total provisions, and (2) it could increase banks' normalised credit costs due to the higher provisions needed for new loans.

Malaysian banks have strong buffers against the impact on capital

From our channel checks, the total existing provisions for Malaysian banks could increase by 30-70% with MFRS 9 adoption. As part of this could be transferred from retained earnings, it will lower banks' common equity Tier-1 (CET 1) capital ratios. However, we are not overly concerned about this as banks have strong buffers in the form of high CET1 ratios and strong regulatory reserves. We do not think any bank will need to raise capital just for MFRS 9 adoption.

MFRS 9 to lower banks' FY18-19F net profit by 1-2%

We estimate that the adoption of MFRS 9 will increase banks' loan loss provisioning by about 10% from FY18F onwards. This will lower our projected net profit for banks by 1.7% for FY18F and 1.4% for FY19F.

Figure 1: Banks' net profit and yoy % growth

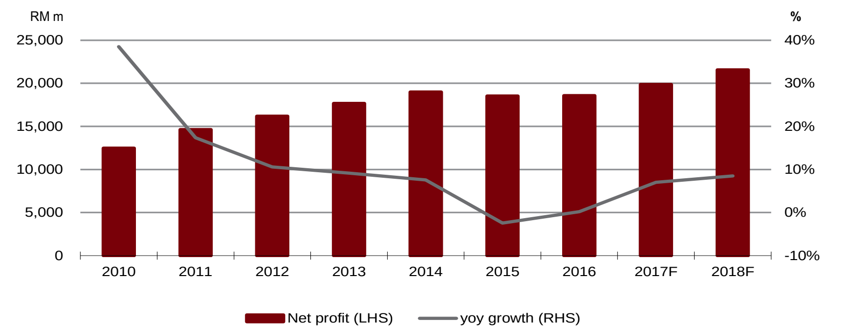

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Figure 2: Sector Comparison

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x)		3-year EPS	P/BV (x)		Recurring ROE (%)			P/PPOPS (x)		Dividend Yield (%)	
						CY2017	CY2018	CAGR (%)	CY2017	CY2018	CY2017	CY2018	CY2019	CY2017	CY2018	CY2017	CY2018
DBS Group	DBS SP	Add	24.71	25.00	46,936	14.1	11.3	13.2%	1.39	1.29	9.7%	11.6%	11.9%	8.9	8.4	2.7%	3.1%
OCBC	OCBC SP	Add	12.25	12.60	38,094	12.8	11.7	12.1%	1.34	1.25	10.5%	11.0%	11.4%	9.8	9.2	2.9%	3.1%
United Overseas Bank	UOB SP	Hold	26.02	25.40	32,137	12.9	11.9	7.6%	1.21	1.14	9.4%	9.9%	9.9%	9.0	8.4	2.7%	2.9%
Singapore average						**13.3**	**11.6**	**11.5%**	**1.32**	**1.23**	**9.9%**	**10.9%**	**11.2%**	**9.2**	**8.7**	**2.8%**	**3.0%**
Agricultural Bank of China	1288 HK	Add	3.63	5.40	179,405	5.3	4.8	7.3%	0.73	0.66	14.4%	14.2%	14.3%	2.8	2.5	5.8%	6.3%
Bank of China	3988 HK	Add	3.80	5.20	164,741	5.7	5.3	7.1%	0.66	0.61	12.0%	12.0%	12.4%	3.0	2.6	5.7%	6.2%
Bank of Communications	3328 HK	Add	5.73	7.20	62,730	5.1	4.7	7.2%	0.58	0.53	11.8%	11.9%	12.0%	2.8	2.6	6.0%	6.5%
China CITIC Bank	998 HK	Hold	4.85	5.40	41,137	4.6	4.1	9.4%	0.53	0.48	12.1%	12.3%	13.0%	1.6	1.4	5.5%	6.2%
China Construction Bank	939 HK	Add	7.01	8.80	226,054	6.3	5.8	5.5%	0.86	0.78	14.3%	14.0%	14.0%	3.5	3.1	4.8%	5.2%
China Merchants Bank	3968 HK	Hold	30.75	32.50	109,733	9.3	7.8	17.1%	1.44	1.27	16.3%	17.2%	18.6%	4.0	3.4	3.2%	3.8%
China Minsheng Bank	1988 HK	Add	7.72	9.40	45,181	4.8	4.1	10.4%	0.64	0.57	14.1%	14.6%	14.9%	2.3	2.0	4.5%	5.2%
ICBC	1398 HK	Add	6.28	7.40	313,755	6.7	6.2	5.5%	0.91	0.82	14.2%	13.8%	13.8%	3.8	3.5	4.6%	4.9%
Hong Kong average						**6.1**	**5.6**	**7.3%**	**0.80**	**0.73**	**13.7%**	**13.6%**	**13.8%**	**3.2**	**2.9**	**4.9%**	**5.4%**
Bank Central Asia	BBCA IJ	Hold	21,100	22,500	38,319	22.5	20.1	12.2%	3.98	3.45	19.0%	18.3%	17.5%	16.0	14.7	0.9%	1.1%
Bank Danamon	BDMN IJ	Reduce	5,750	3,675	4,059	13.2	NA	NA	1.36	NA	10.7%	NA	NA	5.1	NA	2.1%	NA
Bank Mandiri	BMRI IJ	Add	7,475	7,800	25,695	18.1	14.3	26.2%	2.10	1.88	12.1%	13.8%	14.0%	8.0	7.3	1.0%	1.4%
Bank Negara Indonesia	BBNI IJ	Add	9,525	9,000	13,084	13.6	11.6	16.0%	1.82	1.62	14.1%	14.8%	14.8%	7.3	6.6	1.6%	1.8%
Bank Panin	PNBN IJ	Hold	1,185	1,300	2,103	8.6	NA	NA	0.96	NA	11.9%	NA	NA	5.8	NA	0.0%	NA
Bank Rakyat Indonesia	BBRI IJ	Add	3,440	3,520	31,254	15.5	12.6	14.0%	2.60	2.26	17.6%	19.2%	19.4%	8.2	7.5	2.5%	2.3%
Bank Tabungan Negara	BBTN IJ	Hold	3,480	3,350	2,715	12.8	11.0	14.2%	1.70	1.52	14.0%	14.6%	15.0%	8.1	6.6	1.8%	2.0%
Bank Tabungan Pensiunan	BTPN IJ	Hold	2,510	3,950	1,080	5.5	NA	NA	0.77	NA	15.2%	NA	NA	2.9	NA	0.0%	NA
Indonesia average						**16.7**	**NA**	**NA**	**2.40**	**NA**	**15.1%**	**NA**	**NA**	**9.0**	**NA**	**1.5%**	**NA**
Affin Holdings	AHB MK	Add	2.29	2.81	1,090	8.6	8.1	2.6%	0.50	0.48	5.6%	6.0%	6.4%	6.1	5.4	4.3%	4.9%
Alliance Bank Malaysia Berhad	ABMB MK	Hold	4.05	3.80	1,536	12.0	11.3	5.2%	1.17	1.10	9.9%	10.0%	10.1%	7.5	7.0	3.6%	3.8%
Hong Leong Bank	HLBK MK	Reduce	16.86	14.30	8,451	15.5	14.2	8.7%	1.55	1.43	10.3%	10.4%	10.3%	13.4	12.3	2.7%	2.8%
Malayan Banking Bhd	MAY MK	Hold	9.49	9.05	25,035	13.5	13.0	5.2%	1.34	1.23	9.7%	9.9%	9.7%	8.1	7.9	5.1%	5.4%
Public Bank Bhd	PBK MK	Hold	20.50	20.40	19,397	14.8	13.4	6.4%	2.07	1.88	14.4%	14.7%	14.4%	10.9	9.9	3.0%	3.4%
RHB Bank Bhd	RHBBANK MK	Add	4.99	6.30	4,903	10.1	9.1	9.1%	0.85	0.79	8.4%	9.0%	9.4%	6.5	5.8	2.8%	3.2%
Malaysia average						**13.2**	**12.3**	**7.5%**	**1.37**	**1.26**	**10.4%**	**10.6%**	**10.6%**	**8.8**	**8.3**	**3.9%**	**4.1%**
Bangkok Bank	BBL TB	Add	206.0	258.0	12,023	12.2	9.5	15.3%	0.97	0.91	7.8%	9.9%	10.1%	6.2	5.8	3.2%	3.2%
Bank of Ayudhya	BAY TB	Hold	40.3	41.0	9,053	12.6	11.4	11.3%	1.33	1.24	10.4%	11.3%	11.1%	5.8	5.5	2.4%	2.6%
Kasikornbank	KBANK TB	Hold	231.0	228.0	16,904	15.1	13.6	4.7%	1.58	1.45	10.4%	11.2%	10.8%	5.9	6.0	1.7%	1.7%
Krung Thai Bank	KTB TB	Add	19.3	23.0	8,248	9.9	8.0	7.3%	0.93	0.87	9.2%	11.2%	11.4%	3.8	3.7	4.1%	5.0%
Tisco Financial Group	TISCO TB	Add	88.0	92.0	2,154	10.0	9.0	15.1%	1.85	1.67	18.6%	19.6%	17.6%	6.0	5.7	3.0%	3.6%
Thailand average						**12.5**	**10.6**	**9.6%**	**1.21**	**1.13**	**9.5%**	**11.0%**	**10.9%**	**5.4**	**5.3**	**2.7%**	**2.9%**

SOURCES: CIMB, COMPANY REPORTS

CIMB

Sector Note

Malaysia

Neutral *(no change)*

Highlighted companies

Carlsberg Brewery (M)
HOLD, TP RM14.80, RM15.30 close

CAB currently holds an estimated 40% of Malaysia's malt liquor market, with its range of beers that includes its key brand, Carlsberg, and other brands, such as Asahi.

Heineken Malaysia Bhd
HOLD, TP RM17.50, RM18.58 close

HEIM remains the market leader in Malaysia and holds 60% of the domestic market share. Its brands include Heineken and Guinness.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
Carlsberg Brewery (M)	20.27	18.63	17.74
Heineken Malaysia Bhd	19.78	18.80	17.66
P/BV (x)	**Dec-17F**	**Dec-18F**	**Dec-19F**
Carlsberg Brewery (M)	14.54	14.54	14.50
Heineken Malaysia Bhd	12.16	12.00	11.84
Dividend Yield	**Dec-17F**	**Dec-18F**	**Dec-19F**
Carlsberg Brewery (M)	4.93%	5.37%	5.64%
Heineken Malaysia Bhd	4.95%	5.21%	5.55%

Brewers

Dividend yields remain supportive

- Illegal beer continues to hassle legal brewers. We do not foresee consumers migrating over to the brewers given the wide price differential.
- MLM volume is expected to be at low single-digits going forward,
- Valuations for the brewery sector are fairly reflected and we think that it is not likely to trade beyond these levels given the persistent regulatory risks.
- Estimated FY17-19F dividend yields of 4.9-5.6% should support share prices at current levels.
- We maintain our Neutral stance on the sector given the lack of re-rating catalysts.

Illicit beers remain a thorn in the side of brewers

Even though authorities have recently increased efforts to minimise the availability of illegal liquor in Malaysia, we do not believe that this will boost legal market volumes significantly in the foreseeable future. Given the persistently weaker consumer spending environment in Malaysia, the price difference between legal and illicit beer is too wide and consumers will most likely turn to bootleg beer. Presently, the illegal beer market is estimated to make up 20-30% of the total malt liquor market (MLM).

MLM growth expected at low single-digits

Looking ahead, we think that Malaysia's MLM will grow at low single-digits. With industry volumes likely to be lukewarm in 2018 due to the higher costs of living, the key factor that will drive the brewers' earnings performance will be cost efficiency and rationalisation as well as improving product mix via sales of premium products. Carlsberg has been focusing on premiumising its portfolio and its premium beer segment has shown promising and strong double-digit growth over the past few years.

Valuations are fairly reflected for now

The brewery sector is currently trading at 19x 1-year forward P/E, which is slightly lower than its historical 5-year mean of 19.4x. We think that the sector's current valuation is fair and is not likely to surpass these levels given the persistent cloud of uncertain regulatory risk, proliferation of illegal beers, particularly in East Malaysia, and softer consumer spending, which will cap volume growth. Nonetheless, the sector's FY17-19F yields of 4.9-5.6% should provide share price support.

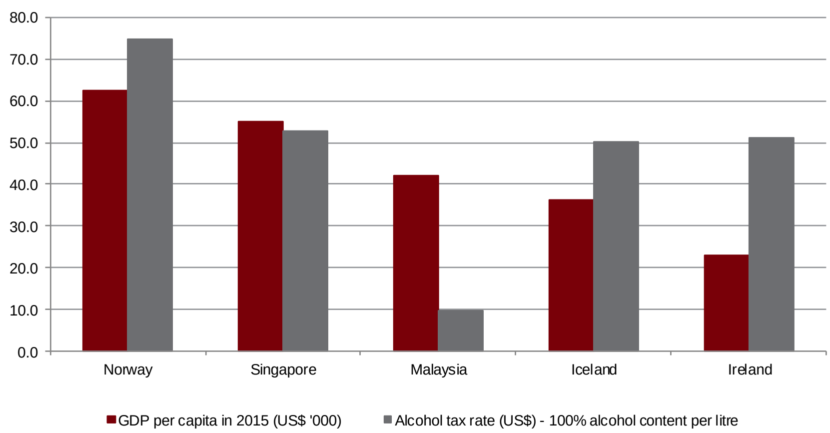
Still Neutral on the sector; prefer Heineken

We maintain our Neutral stance on the brewery sector. The sector now seems to be fairly valued, in our view, as we see a dearth of re-rating catalysts. Nonetheless, we think that investors will continue to seek the brewers for their attractive yields and we advocate investors to also accumulate in the event of any share price pullbacks. Heineken remains our top pick for its diversified portfolio and market leadership position in Malaysia.

Key upside/downside risks

Key upside risks include stronger-than-expected sales volume and potential special dividend pay-outs, which could result in a share price rally, while downside risks include unexpected adverse changes in regulatory requirements (i.e. abrupt increase in excise duties for beer).

Figure 1: GDP per capita vs. alcohol tax rates for beers



SOURCES: CIMB RESEARCH, COMPANY

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Figure 2: Sector Comparisons

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x)		P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY2017	CY2018	CY2017	CY2018	CY2017	CY2018	CY2017	CY2018	CY2017	CY2018
Heineken Malaysia Bhd	HEIM MK	Hold	18.58	17.50	1,375	19.8	18.8	12.16	2.58	68.3%	14.5%	14.2	10.0	4.8%	0.7%
Carlsberg Brewery (M)	CAB MK	Hold	15.30	14.80	1,153	20.3	18.6	14.54	14.54	71.5%	78.1%	15.0	14.0	4.9%	5.4%
Sector average						**20.0**	**18.7**	**13.35**	**8.56**	**69.9%**	**46.3%**	**14.6**	**12.0**	**4.8%**	**3.0%**

SOURCE: CIMB RESEARCH, COMPANY

Sector Note

Malaysia

Neutral *(no change)*

Building Materials

Demand recovery on the mend but only in 2H18?

- Cement capex cycle has ended, but we believe volume and price recovery will not be so soon.
- Expect 5-6% cement volume decline in 2017; 2% growth in 2018 from a low base.
- Lafarge continues to dominate market share but reported losses in 9M17.
- Limited pricing power for cement players but steel prices could be well supported by decreasing cheap imports.
- Maintain Neutral on the sector; Lafarge remains a Reduce.

Highlighted companies

Lafarge Malaysia Bhd
REDUCE, TP RM6.26, RM6.16 close

A meaningful recovery in cement volume and pricing could only occur in 2H18, in our view, given the timing of major contract awards. We therefore believe that Lafarge's share price has moved ahead of its fundamentals. We maintain Reduce on Lafarge.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
Lafarge Malaysia Bhd	NA	44.73	38.08
P/BV (x)	**Dec-17F**	**Dec-18F**	**Dec-19F**
Lafarge Malaysia Bhd	1.76	1.79	1.78
Dividend Yield	**Dec-17F**	**Dec-18F**	**Dec-19F**
Lafarge Malaysia Bhd	0.81%	1.62%	2.44%

Cement players still not out of the woods

Although the domestic cement sector has come off its peak capex cycle for capacity expansion, we do not think that the oversupply situation will reverse so soon. In the recent round of results by various cement players, the general indication was that although price rebates have stabilised, net selling prices remain low, on average 25-30% lower than official list prices, based on our estimates. In 3Q17, all cement players saw a gradual volume improvement qoq; however, pricing remained weak.

Expect 5-6% cement volume decline in 2017; 2% growth in 2018

We still expect 5-6% decline in cement volumes for 2017 and 2% growth (from a low base) for 2018. We forecast the decline in total domestic cement consumption to bottom-out in 2017, from an estimated 19.5m MT in 2016. For 2018, we expect total cement volume to improve to 19m-20m MT.

Lafarge dominates market share but reported losses in 9M17

Lafarge's enlarged total capacity stood at about 11m MT. Against the industry total capacity of about 34m MT, its market share works out to 33%, still making it the largest player by market share. However, in 9M17, the group reported RM135m in net losses, which was attributed to the sustained price competition (oversupply) though there was some improvement in cement sales volume qoq in 3Q17. The group's cement division chalked up RM172m in pretax losses in 9M17.

Limited pricing power

Given the still-sluggish demand recovery for cement going into 2018, we believe pricing power will remain limited. We expect the major infrastructure projects, such as the RM55bn East Coast Rail Line (ECRL), est. RM40bn MRT 3 (Circle Line), and RM50bn-60bn KL-Singapore High Speed Rail (HSR), to be awarded from mid-2018 onwards; as such, a meaningful recovery in infra-led cement demand is only likely in 2H18, in our view. Therefore, it would be tough for cement players to raise prices in the medium term.

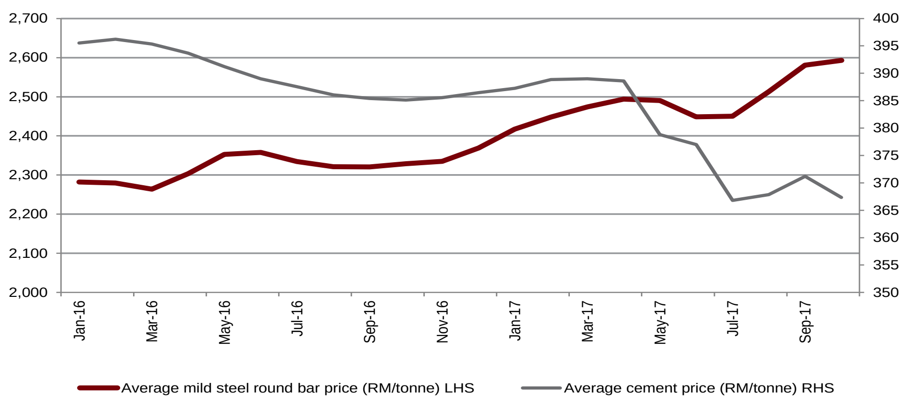
More upside to steel prices?

For the domestic steel sector, the buoyant steel prices YTD should continue to be supported by China's clampdown on excess capacity and the decline in cheap imports into Malaysia. Steel players should benefit once the steel-intensive stage of the major projects kicks in.

Neutral; maintain Reduce on Lafarge

Though it appears that things may have bottomed out, we maintain Neutral on the building materials sector given the earnings risks and the lack of pricing power. We retain Reduce on Lafarge. For exposure to the mega projects, we continue to prefer contractors as they will be the earlier beneficiaries of contract awards.

Figure 1: YTD cement and steel prices



SOURCES: CIMB RESEARCH, COMPANY

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Figure 2: Sector comparison

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)	
						CY2017	CY2018		CY2017	CY2018	CY2017	CY2018	CY2019	CY2017	CY2018	CY2017	CY2018
Gamuda	GAM MK	Add	RM4.85	RM6.00	2,918	11.9	9.8	14.1%	1.51	1.43	8.9%	10.0%	11.2%	19.5	16.0	2.5%	2.5%
IJM Corp Bhd	IJM MK	Add	RM2.89	RM3.73	2,569	15.3	14.7	6.1%	1.40	1.37	8.9%	9.3%	10.5%	17.2	14.6	1.9%	2.0%
Malaysian Resources Corp	MRC MK	Add	RM1.08	RM1.19	1,161	46.9	35.7	-18.7%	1.03	1.10	2.6%	3.0%	3.3%	20.3	16.5	0.4%	0.5%
Muhibbah Engineering	MUHI MK	Add	RM2.74	RM3.49	322	10.0	9.5	12.7%	1.24	1.18	12.7%	12.8%	13.5%	4.2	3.6	1.6%	1.6%
Protasco	PRTA MK	Add	RM1.04	RM1.43	108	16.5	10.4	10.2%	1.24	1.27	7.1%	12.1%	16.4%	17.5	13.3	3.6%	5.8%
Salcon	SALC MK	Reduce	RM0.46	RM0.43	76	na	21.4	15.8%	0.70	0.69	-0.4%	3.2%	3.8%	27.0	2.4	0.0%	2.1%
Sunway Bhd	SWB MK	Add	RM1.67	RM1.92	2,004	13.7	13.4	4.3%	1.36	1.29	8.4%	9.9%	10.2%	18.1	15.7	1.5%	1.6%
WCT Holdings	WCTHG MK	Hold	RM1.50	RM1.77	517	13.8	13.3	31.3%	0.63	0.62	4.5%	4.7%	5.0%	34.7	32.0	1.6%	1.6%
YTL Corporation	YTL MK	Add	RM1.28	RM1.48	3,370	42.7	15.9	na	0.99	0.99	2.3%	6.2%	8.9%	12.8	10.7	5.3%	6.3%
Lafarge Malaysia Bhd	LMC MK	Reduce	RM6.16	RM6.26	1,283	na	44.7	22.3%	1.76	1.79	-2.9%	4.0%	108.9%	67.5	14.1	0.8%	1.6%
Average						**14.8**	**13.0**	**7.7%**	**1.37**	**1.34**	**8.0%**	**8.7%**	**9.7%**	**16.8**	**14.1**	**2.0%**	**2.0%**

SOURCE: CIMB RESEARCH, COMPANY

Sector Note

Malaysia

Overweight *(no change)*

Highlighted companies

Gamuda
ADD, TP RM6.00, RM4.85 close

Gamuda targets to secure RM6bn-8bn worth of new rail contracts p.a. This is supported by its tenders for the ECRL, MRT 3 and KL-Singapore HSR.

Protasco
ADD, TP RM1.43, RM1.04 close

Though not a rail favourite, Protasco offers a turnaround story in 2018F with undemanding valuations and appealing 6-8% dividends yields to boost. The group stands to benefit from election-driven road jobs, in our view.

YTL Corporation
ADD, TP RM1.48, RM1.28 close

YTL's rail outlook could be revived as it is potentially one of the frontrunners of the Gemas-JB rail contract. We believe the group could secure 40-70% of the total contract value. YTL will also tender for the KL-Singapore HSR contract.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
Gamuda	17.68	14.71	12.75
Protasco	16.49	10.36	7.77
YTL Corporation	16.59	15.89	13.92
P/BV (x)	**Dec-17F**	**Dec-18F**	**Dec-19F**
Gamuda	1.51	1.43	1.41
Protasco	1.24	1.27	1.28
YTL Corporation	0.99	0.99	0.99
Dividend Yield	**Dec-17F**	**Dec-18F**	**Dec-19F**
Gamuda	2.39%	2.39%	2.38%
Protasco	3.64%	5.79%	7.72%
YTL Corporation	5.02%	6.30%	7.18%

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Construction

Bumper year for rail jobs

- For the first time, four major rail contracts will be implemented simultaneously.
- Rail contracts have entered tenders phases; expect strong sector newsflow in 1H18.
- Local contractors to benefit from 30-50% of the value of new rail contracts.
- Overall RM210bn total value of outstanding jobs; rail makes up 80%.
- Overweight; Gamuda, MRCB, YTL Corp and IJM Corp as preferred rail plays.

Four big rail projects for 2018

With the funding support of China's Belt and Road Initiative (BRI) as an enabler, Malaysia, for the first time, has targeted to implement/roll-out four major rail projects simultaneously in 2018. Those projects are: 1) RM50bn-60bn KL-Singapore High Speed Rail (HSR), 2) RM55bn East Coast Rail Line (ECRL), 3) RM40bn MRT 3 (Circle Line), and 4) RM8.9bn Gemas-JB electrified rail double tracking. The four rail projects are estimated to cost a combined RM164bn, with total new rail build-up of 1,209km.

Expect renewed sector positive newsflow in 1H18

As at end-2017, new rail jobs have made significant progress in terms of government approvals, railway schemes, earlier stages of land acquisition, project design and tender process, which requires at least six months for evaluation and award. For the HSR, both the AssetsCo and project delivery partner (PDP) award process should commence from mid-2018. The award of ECRL and Gemas-JB rail jobs should commence in 1H18; MRT 3 is slated to receive Cabinet approval in 2Q18. We see strong sector newsflow in 1H18.

30-50% for local players

Project structures and funding methods for major rail projects are largely in place. That 30-50% of the total project value of each project will likely be tendered out either as main contracts under a PDP model or subcontract scopes under an engineering, procurement, construction and commission (EPCC) model is positive for local contractors. We also expect potential order book replenishment to be sizeable for all contractors across the board, mitigating the likely lower subcontracting margins.

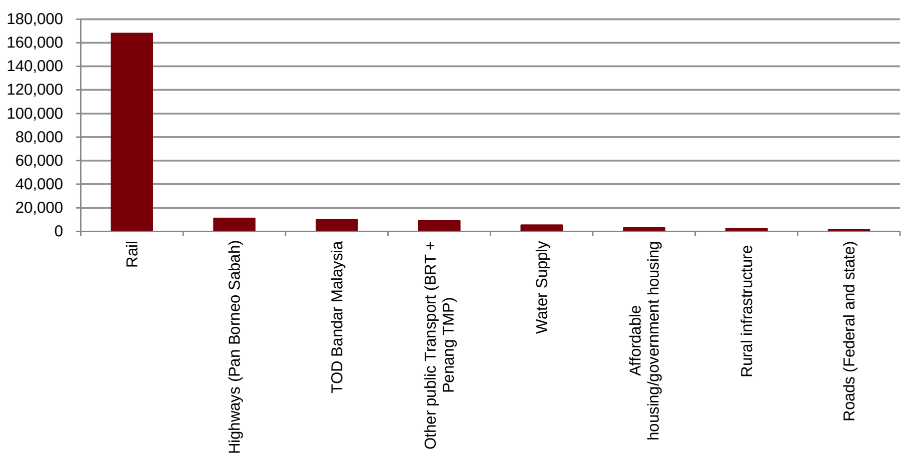
Overall RM210bn total jobs outstanding; 80% rail

Overall, the sector's macro outlook continues to be positive for next year, supported also by the "election factor", given that the 14th General Election (GE) is likely to be held the latest by Aug 2018. Our job compilation for 2018 shows RM210bn worth of total outstanding jobs in the pipeline. The rail segment constitutes 80% of the total value, the bulk of which are due for contract awards from 1H18.

Overweight; Rail plays in 2018

We consider MRCB as the dark horse for rail plays as it is joining forces with Gamuda to bid for HSR's PDP scope. We also like YTL Corp's renewed rail angle via the Gemas-JB rail contract. Other big rail beneficiaries under our coverage include Gamuda, our top pick (for its strong PDP/underground rail credentials), and IJM Corp for its track record in MRT and cost competitiveness in viaduct and station works. Maintain sector Overweight, with job delays and lower-than-target success rates as downside risks.

Figure 1: Rail contracts make up 80% of RM210bn outstanding jobs for 2018 (RM m)



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						CY2017	CY2018		CY2017	CY2018	CY2017	CY2018	CY2019	CY2017	CY2018	CY2017	CY2018
Gamuda	GAM MK	Add	RM4.85	RM6.00	2,918	11.9	9.8	14.1%	1.51	1.43	8.9%	10.0%	11.2%	19.5	16.0	2.5%	2.5%
IJM Corp Bhd	IJM MK	Add	RM2.89	RM3.73	2,569	15.3	14.7	6.1%	1.40	1.37	8.9%	9.3%	10.5%	17.2	14.6	1.9%	2.0%
Malaysian Resources Corp	MRC MK	Add	RM1.08	RM1.19	1,161	46.9	35.7	-18.7%	1.03	1.10	2.6%	3.0%	3.3%	20.3	16.5	0.4%	0.5%
Muhibbah Engineering	MUHI MK	Add	RM2.74	RM3.49	322	10.0	9.5	12.7%	1.24	1.18	12.7%	12.8%	13.5%	4.2	3.6	1.6%	1.6%
Protasco	PRTA MK	Add	RM1.04	RM1.43	108	16.5	10.4	10.2%	1.24	1.27	7.1%	12.1%	16.4%	17.5	13.3	3.6%	5.8%
Salcon	SALC MK	Reduce	RM0.46	RM0.43	76	na	21.4	15.8%	0.70	0.69	-0.4%	3.2%	3.8%	27.0	2.4	0.0%	2.1%
Sunway Bhd	SWB MK	Add	RM1.67	RM1.92	2,004	13.7	13.4	4.3%	1.36	1.29	8.4%	9.9%	10.2%	18.1	15.7	1.5%	1.6%
WCT Holdings	WCTHG MK	Hold	RM1.50	RM1.77	517	13.8	13.3	31.3%	0.63	0.62	4.5%	4.7%	5.0%	34.7	32.0	1.6%	1.6%
YTL Corporation	YTL MK	Add	RM1.28	RM1.48	3,370	42.7	15.9	na	0.99	0.99	2.3%	6.2%	8.9%	12.8	10.7	5.3%	6.3%
Average						**14.8**	**13.0**	**7.7%**	**1.37**	**1.34**	**8.0%**	**8.7%**	**9.7%**	**16.8**	**14.1**	**2.0%**	**2.0%**

SOURCE: CIMB RESEARCH, COMPANY

CIMB

Sector Note

Malaysia

Neutral *(no change)*

Highlighted companies

Berjaya Food Berhad
ADD, TP RM1.96, RM1.74 close

The disposal of KRR Indonesia should lift the overhang on BFood's share price as it removes a significant strain that has been a drag on its earnings over the last few years. Earnings growth will continue to be propelled by its crown jewel, Starbucks, via an increase in the number of stores.

Bonia Corporation
ADD, TP RM0.78, RM0.52 close

Our Add call is premised on the expectations of: i) earnings recovery from the continued closure of its loss-making stores, ii) higher contribution from its BB Indonesia segment and; iii) persistent focus on lifting brand recognition on the domestic and regional fronts.

Mynews Holdings Berhad
HOLD, TP RM1.50, RM1.42 close

Mynews' earnings will continue to be upheld by its healthy store expansion and plans to lift profitability through higher sales of fresh food products.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
Berjaya Food Berhad	54.22	27.04	19.54
Bonia Corporation	12.77	11.92	11.15
Mynews Holdings Berhad	37.47	30.69	24.30
P/BV (x)	**Dec-17F**	**Dec-18F**	**Dec-19F**
Berjaya Food Berhad	1.63	1.58	1.51
Bonia Corporation	0.94	0.89	0.84
Mynews Holdings Berhad	3.94	3.58	3.20
Dividend Yield	**Dec-17F**	**Dec-18F**	**Dec-19F**
Berjaya Food Berhad	1.98%	2.18%	2.56%
Bonia Corporation	2.40%	2.40%	2.40%
Mynews Holdings Berhad	1.29%	0.70%	0.82%

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Consumer Staples - Overall

Consumer sentiment revival not on the cards yet

- While we do not expect a significant uptick in consumer spending, the possibility of the distribution of pre-election goodies could rekindle upbeat vibes in 1H18.
- Goodies from Budget 2018 should also help prop up spending for 1H18.
- We maintain our Neutral stance on the sector given the lack of re-rating catalysts and the risks of costs pressures and softer consumer sentiment.
- Our top pick for the sector is Berjaya Food as the recent disposal of its KRR Indonesia business could lift its share price overhang and boost sentiment.

Consumer sentiment recovery remains patchy…

Based on the latest survey by the Malaysian Institute of Economic Research (MIER), the 3Q17 reading for consumer sentiment revealed that it had dropped to 77.1 points (from 80.7 points in 2Q17). Even though this may still be sitting well below the 100-pts confidence threshold, we are not disregarding the fact that sentiment has improved from 4Q16.

…but could potentially experience slight recovery in 1H18

While we do not expect a strong uptick in consumer sentiment and spending in 1H18, we do not rule out the possibility of the distribution of pre-election freebies to rekindle upbeat and feel-good vibes for Malaysian consumers. As such, we think this could potentially translate to a gradual and measured improvement in 1H18 domestic consumption trends. Other than that, the country's healthy private consumption growth and robust exports could also have positive spillover effects on overall sentiment.

Goodies from Budget 2018 to help prop up spending as well

The recently-announced goodies in Budget 2018 will also help prop up 1H18 consumer spending. The 2% pts cut in individual incomes tax rates at the lower chargeable income brackets should lift disposable incomes, as will the special allowance to civil servants and pensioners and continuation of the BR1M payments. We think these measures will help alleviate households' cost pressures and lend support to consumer demand in 2018.

Fairly valued for consumer staples

Looking ahead, we continue to see healthy topline growth for the F&B players given the inelastic demand for their products. Nonetheless, we note that P/E valuations for the F&B companies under our coverage are fairly valued at this juncture. We continue to favour stocks that have strong pricing and equity power that would allow brand owners to pass on the higher costs, in view of their leadership market position.

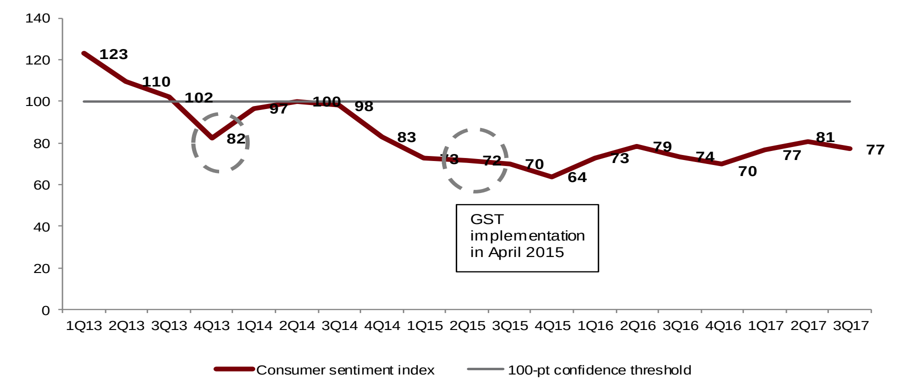
Still Neutral

Our Neutral stance on the consumer sector is maintained given the lack of re-rating catalysts. Our top pick for the sector is Berjaya Food as the recent disposal of its Kenny Roger Roasters Indonesia (KRR) eliminated a key drag on its earnings and should catalyse share price moving forward. Its crown jewel, Starbucks, will continue to support and propel earnings through its continuous store expansion plan, while the turnaround of KRR Malaysia should also help valuations.

Key risks

Key downside risks to our view include: i) drastic slowdown in domestic consumption; ii) higher-than-expected operating expenses (i.e. significant upturn in raw material prices and/or RM vs. US$) and; iii) intensified regional and domestic competition.

Figure 1: Consumer sentiment index (CSI)



SOURCES: MIER

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Figure 2: Sector Comparison

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x)		P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY2017	CY2018	CY2017	CY2018	CY2017	CY2018	CY2017	CY2018	CY2017	CY2018
Fraser & Neave Holdings	FNH MK	Hold	26.16	25.35	2,350	24.8	22.1	4.3	4.1	17.7%	18.9%	19.0	15.5	2.4%	3.2%
Nestle (Malaysia)	NESZ MK	Hold	99.42	84.20	5,713	36.3	34.0	31.8	31.2	85.6%	92.6%	26.3	23.6	2.7%	2.9%
MSM Malaysia Holdings	MSM MK	Reduce	3.78	2.89	651	167.5	22.9	1.3	1.3	0.8%	5.7%	58.7	17.2	0.5%	2.2%
QL Resources	QLG MK	Hold	4.33	4.00	1,721	33.7	29.0	3.9	3.5	11.8%	12.6%	19.6	16.6	0.8%	1.0%
7-Eleven Malaysia Holdings Berhad	SEM MK	Reduce	1.53	1.14	416	41.3	36.7	25.5	21.1	79.9%	63.0%	16.6	14.0	1.7%	1.9%
Mynews Holdings Berhad	BISON MK	Hold	1.42	1.50	237	37.5	30.7	3.9	3.6	12.2%	12.0%	29.5	21.0	1.3%	0.7%
Bonia Corporation	BON MK	Add	0.52	0.78	103	12.4	11.9	0.9	0.9	7.8%	7.6%	4.9	4.2	2.4%	2.4%
Berjaya Food Berhad	BFD MK	Add	1.74	1.96	160	26.5	22.9	1.6	1.6	6.1%	6.9%	12.8	10.5	2.0%	2.2%
Carlsberg Brewery (M)	CAB MK	Hold	15.30	14.80	1,153	20.3	18.6	14.5	14.5	71.5%	78.1%	15.0	14.0	4.9%	5.4%
Heineken Malaysia Bhd	HEIM MK	Hold	18.58	17.50	1,375	19.8	18.8	12.2	12.0	68.3%	64.2%	14.2	13.0	5.0%	5.2%
British American Tobacco	ROTH MK	Hold	36.10	40.90	2,526	19.0	17.6	16.4	16.1	84.7%	92.4%	15.0	13.6	5.8%	5.6%
Country/subsector average						**39.9**	**24.1**	**10.6**	**10.0**	**40.6%**	**41.3%**	**21.1**	**14.9**	**2.7%**	**3.0%**

SOURCE: CIMB RESEARCH, COMPANY

Sector Note

Malaysia

Neutral *(no change)*

Gaming

Betting on the winner

- We retain our Neutral stance on the overall gaming sector given the lack of re-rating catalysts going forward.
- Our top pick is Genting Berhad (GENT) as we think that it a cheaper proxy for the upside potential of its listed subsidiaries, GENM and GENS.
- The NFO sector continues to be plagued by illegal operators but could see a potential re-rating if the gaming laws are changed in the near term.
- We prefer BST over Magnum as the latter's dividend faces downside risk should the outcome of its appeal on the additional tax liability of RM476.4m be negative.

Highlighted companies

Berjaya Sports Toto
ADD, TP RM2.85, RM2.25 close

BST's valuations have turned attractive following a share price retracement. While the outlook for the NFO sector remains murky, we think that yield-seeking investors will continue to seek shelter in BST. Estimated FY18-20F dividend yields are attractive at 6.6-7.1%.

Genting Bhd
ADD, TP RM10.70, RM8.83 close

Our top pick for the sector as we think that it is a cheaper proxy for the potential upside of its listed subsidiaries. The development and take-off of its first owned gaming asset should also close the valuation gap between GENT and its gaming subsidiaries.

Genting Malaysia
HOLD, TP RM5.45, RM5.39 close

While we think that the progressive openings of its GITP properties could catapult visitor arrivals, the higher operating costs could overshadow revenue growth from its new assets in the near term.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
Berjaya Sports Toto	11.99	11.52	11.26
Genting Bhd	16.49	14.40	11.90
Genting Malaysia	24.64	19.86	14.52

P/BV (x)	Dec-17F	Dec-18F	Dec-19F
Berjaya Sports Toto	2.77	2.35	2.25
Genting Bhd	0.90	0.86	0.81
Genting Malaysia	1.54	1.47	1.37

Dividend Yield	Dec-17F	Dec-18F	Dec-19F
Berjaya Sports Toto	6.63%	6.94%	7.10%
Genting Bhd	1.36%	1.36%	1.36%
Genting Malaysia	1.86%	2.23%	2.60%

Neutral on the gaming sector; place your bets on GENT

We maintain our Neutral rating on the gaming sector. Our top pick is Genting Berhad (GENT) for its cheap valuations as compared to its listed subsidiaries (Genting Malaysia (GENM) and Genting Singapore (GENS)) and strong re-rating catalysts from higher market share gains from GENS, increased visitor arrivals at Resorts World Genting (RWG) and the development of its own gaming asset, Resorts World Las Vegas (RWLV), by end-2020F.

High operating costs weigh on GENM

GENM's operating metrics remain healthy, with 3Q17 visitor arrivals increasing 25% yoy and with its VIP volumes growing by double-digits. Going forward, even though the opening of the group's indoor (1H18F) and outdoor (2H18F) theme park may boost visitor arrivals significantly, we remain wary that this may not translate into significant earnings accretion as the higher depreciation and operating costs from its new Genting Integrated Plan (GITP) properties may outweigh the positives in the near term.

Updates on GENT's first owned gaming asset

We understand that construction works for GENT's proposed US$4bn RWLV are underway and it is in the middle of giving out construction packages, which will most likely be finalised by the beginning of 2018. Thus, we think that RWLV is on track for completion at end-2020F. Our current earnings forecasts have yet to take into account the potential earnings accretion from RWLC. Hence, we think that the valuation gap between GENT and its gaming subsidiaries will narrow once its gaming asset takes off.

Illegal NFO syndicates munching on pieces of the legal pie

We expect the illegal market to dampen the growth prospects of the legal number forecast operators (NFO) in view of the weak enforcement efforts. We think that punters will continue to be enticed by the higher prize payouts, betting discounts and provision of credit facilities offered by the illegal syndicates. Anecdotal evidence has revealed that illegal operators, which do not have to pay taxes and have minimal overhead expenses, are able to pay out 25-30% pts more than legal NFOs' prize money for first prize.

Valuations too cheap to ignore

We prefer Berjaya Sports Toto (BST) over Magnum as we think that the latter may face dividend downside risk should its appeal on its additional tax liability of RM476.4m be unsuccessful. We think there is minimal downside risk for BST given the group's healthy balance sheet and strong underlying core business, which generates sturdy average operating cash flows of more than RM400m per annum.

Figure 1: GENT's RNAV breakdown, Top Pick

Listed assets	Interest (%)	Shares (m)	Target Price (RM)	Value (M$m)
Genting Malaysia	49.3%	5,915.3	5.45	15,893.5
Genting Plantation	52.6%	758.8	11.50	4,590.3
Genting Singapore	52.9%	12,012.4	1.45	28,563.7
Landmarks	30.3%	480.8	0.96	139.1
Total				49,186.6
NPV of other assets				
NPV of GENM management fee				5,675.7
Power assets (NTA)				3,382.6
Oil and gas (NTA)				4,182.7
				13,241.0
Net cash assuming full conversion of warrants				6,083.0
Revalued net asset valuation (RNAV)				68,510.7
Fully diluted no. of shares issued (m)				4,483.8
RNAV per share (RM)				15.28
Holding company discount				30%
Target price				**10.70**

SOURCES: CIMB RESEARCH, COMPANY

Analyst(s)

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Figure 2: Sector Comparisons

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x)		3-year EPS	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield	
						CY17	CY18	CAGR (%)	CY17	CY18	CY17	CY18	CY17	CY18	CY17	CY18
Galaxy Entertainment	27 HK	Add	62.10	64.93	34,206	12.1	14.4	17.2%	6.6	5.5	19.9%	22.7%	21.4	19.4	0.7%	0.9%
MGM China Holdings	2282 HK	Hold	23.55	18.34	11,451	40.4	19.5	-10.9%	10.4	2.6	28.1%	14.5%	25.9	20.8	2.0%	0.7%
Sands China	1928 HK	Hold	40.05	39.43	41,351	27.2	23.6	9.8%	7.0	7.4	27.8%	30.5%	18.2	16.4	5.0%	5.0%
SJM Holdings	880 HK	Reduce	6.89	6.54	4,985	23.1	26.6	-17.5%	1.7	1.6	7.0%	6.2%	13.5	13.9	2.2%	1.9%
Wynn Macau	1128 HK	Add	24.60	24.97	16,346	34.7	24.7	6.8%	50.2	47.4	147.8%	197.0%	20.7	17.3	2.9%	4.0%
Macau/HK average						**27.5**	**21.8**	**1.1%**	**15.2**	**12.9**	**46.1%**	**54.2%**	**20.0**	**17.6**	**2.6%**	**2.5%**
Genting Malaysia	GENM MK	Hold	5.39	5.45	7486.6	19.1	14.7	9.2%	1.5	1.5	6.1%	7.6%	15.5	12.0	1.3%	1.7%
Genting Bhd	GENT MK	Add	8.83	10.70	8277.1	16.5	14.4	30.8%	0.9	0.9	5.3%	6.1%	6.9	5.7	1.3%	1.4%
Berjaya Sports Toto	BST MK	Add	2.25	2.85	742.6	12.0	11.5	-9.8%	2.8	2.3	27.1%	21.9%	8.4	7.7	6.6%	6.9%
Magnum Bhd	MAG MK	Hold	1.73	1.77	603.2	12.5	12.0	4.5%	1.0	1.0	7.8%	8.3%	10.1	9.2	6.1%	6.6%
Malaysia average						**15.0**	**13.2**	**8.7%**	**1.6**	**1.4**	**11.6%**	**11.0%**	**10.2**	**8.6**	**3.8%**	**4.1%**
Paradise	034230 KS	Reduce	22200	20000	1861.11	na	21.2	4.0%	2.0	1.9	-0.4%	4.7%	76.3	19.6	0.6%	1.9%
Grand Korea Leisure	114090 KS	Add	29300	38500	1670.70	19.5	16.2	11.3%	3.3	3.0	17.4%	19.4%	12.3	9.9	3.1%	3.4%
Kangwon Land	035250 KS	Hold	35050	40000	6912.44	17.3	16.3	7.5%	2.2	2.0	12.5%	12.7%	8.9	7.4	2.6%	2.7%
Korea average						**18.4**	**17.9**	**7.6%**	**2.5**	**2.3**	**9.8%**	**12.3%**	**32.5**	**12.3**	**2.1%**	**2.7%**
Sector average						**20.3**	**17.6**	**5.8%**	**6.4**	**5.5**	**22.5%**	**25.8%**	**20.9**	**12.8**	**2.8%**	**3.1%**

SOURCE: CIMB RESEARCH, COMPANY

Sector Note

Malaysia

Neutral *(no change)*

Highlighted companies

KPJ Healthcare
HOLD, TP RM1.09, RM0.95 close

KPJ is the largest private healthcare provider in Malaysia with 25 hospitals. Patient volumes and margins have been under pressure due to weak economic outlook. However, Malaysian and Australian operations are improving.

Pharmaniaga Bhd
ADD, TP RM4.55, RM3.85 close

Pharmaniaga is Malaysia's largest listed pharmaceutical company by market cap. We expect the group to benefit from the higher allocation of RM4.1bn for the supply of drugs and consumables in Budget 2018.

YSP Southeast Asia Holdings Bhd
ADD, TP RM3.87, RM2.61 close

YSP is Malaysia's fourth-largest listed drug producer by market cap. YSP expects higher export sales to be its key earnings growth driver, especially in emerging countries in Asia, Middle East and Africa.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
KPJ Healthcare	27.31	24.27	22.11
Pharmaniaga Bhd	20.03	16.25	13.49
YSP Southeast Asia Holdings Bhd	14.20	12.28	10.72
P/BV (x)	**Dec-17F**	**Dec-18F**	**Dec-19F**
KPJ Healthcare	2.75	2.59	2.42
Pharmaniaga Bhd	1.87	1.87	1.87
YSP Southeast Asia Holdings Bhd	1.22	1.16	1.10
Dividend Yield	**Dec-17F**	**Dec-18F**	**Dec-19F**
KPJ Healthcare	1.86%	1.86%	1.86%
Pharmaniaga Bhd	4.42%	5.45%	6.75%
YSP Southeast Asia Holdings Bhd	3.91%	4.48%	5.13%

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Healthcare - Overall

Better year ahead

- Mixed bag of results for healthcare stocks in 9M17. Pharmaniaga and KPJ reported weaker-than-expected results, while YSP's 9M17 core net profit was in line.
- We expect stronger earnings for all three companies in FY18F.
- KPJ's earnings to improve from its hospital expansion; Pharmaniaga will benefit from higher allocation in Budget 2018, while YSP to see higher sales in overseas markets.
- Maintain Neutral on the sector, with premium valuations set to be sustained from its defensive nature and long-term earnings growth potential.

Weak 9M17 for healthcare stocks under our coverage

Healthcare stocks reported a mixed set of results for 9M17. KPJ's 9M17 net profit of RM101m (4.1% yoy) was below expectations, due to weaker-than-expected growth in 3Q17's patient volumes and increasing cost pressures. Pharmaniaga's net profit fell 31% yoy to RM32m, on the back of lower contribution from manufacturing segment and higher overall operating costs. On the other hand, YSP's results were in line, as core net profit grew 20.3% yoy from higher sales volume and more profitable product mix.

A higher allocation in Budget 2018

In Budget 2018, the Malaysian government raised the allocation for the supply of drugs and consumables to RM4.1bn (+2.5% yoy). Although the increase is not substantial, we believe that this is mildly positive for pharmaceutical players as the higher budget allocation would allow public healthcare facilities to purchase more items and medicines. The key beneficiary is likely to be Pharmaniaga, in our view, given that it has the largest exposure to government orders among all pharmaceutical companies.

A better year in 2018

Looking forward to 2018, we expect the three companies under our coverage to record stronger earnings. Despite persistently weak economic outlook, KPJ's earnings will improve upon the disposal of its loss-making Australia aged-care division and better growth from its new and existing hospitals. In Pharmaniaga's case, it should benefit from higher government allocation for the purchase of drugs for public healthcare facilities. On the other hand, YSP should drive earnings through higher sales in overseas markets.

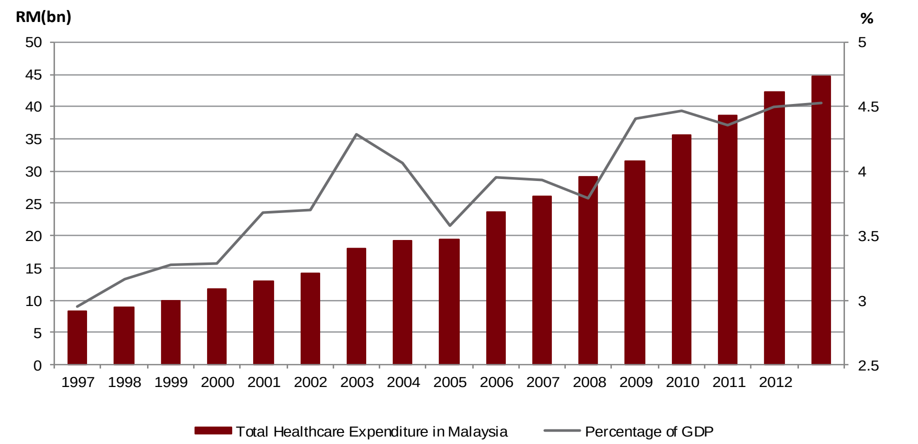
Premium valuations to be sustained

The healthcare sector, especially hospital stocks, trade at premium valuations given its defensive nature and strong earnings growth potential. We believe its rich valuations will be supported by its long-term earnings prospects due to an ageing Malaysian population. However, pharmaceutical stocks trade at a discount vs. hospital stocks, at a lower average P/E of 17.7x (in line with 5-year mean). This is likely due to: i) high dependency on Ministry of Health (MOH) orders, and ii) competitive nature of the generics market.

Maintain Neutral on the sector

We maintain our Neutral view on the sector. Although earnings growth is expected to be unexciting, current valuations will be sustained by earnings resiliency as well as scarcity premium for healthcare stocks in Malaysia. At this juncture, we prefer pharmaceutical stocks given the higher government budget for drugs and growing sales to overseas markets. Our top pick for hospitals is IHH. For pharmaceutical players, we prefer YSP given its cheaper valuations and stronger balance sheet.

Figure 1: Malaysia 's Total Healthcare Expenditure in value and % GDP



SOURCES:CIMB RESEARCH, MINISTRY OF HEALTH MALAYSIA

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Figure 2: Sector Comparisons

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x)		3-year EPS	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)	
						CY2017	CY2018	CAGR (%)	CY2017	CY2018	CY2017	CY2018	CY2019	CY2017	CY2018	CY2017	CY2018
Pharmaniaga Bhd	PHRM MK	Add	3.85	4.55	245	33.4	20.9	17.0%	1.87	1.87	9.0%	11.5%	13.9%	11.8	10.3	4.3%	5.4%
KPJ Healthcare	KPJ MK	Hold	0.95	1.09	982	27.3	24.3	7.4%	2.75	2.59	9.9%	11.0%	11.3%	12.5	10.8	1.8%	1.9%
YSP Southeast Asia Holdings Bh	YSP MK	Add	2.61	3.87	87	14.2	12.3	16.6%	1.22	1.16	8.5%	9.7%	10.5%	7.5	6.4	3.7%	4.5%
IHH Healthcare Bhd	IHH MK	Add	5.91	6.36	11,932	72.1	50.1	14.1%	1.97	1.91	2.9%	4.2%	5.3%	25.5	20.4	0.3%	0.4%
Average						**67.7**	**47.4**	**13.7%**	**2.03**	**1.95**	**3.6%**	**4.9%**	**6.0%**	**24.2**	**19.4**	**0.5%**	**0.7%**

SOURCES: CIMB, COMPANY REPORTS

CIMB

Sector Note

Malaysia

Overweight *(no change)*

Highlighted companies

Tune Protect Group Bhd
ADD, TP RM1.40, RM1.06 close

We retain our Add call on Tune Protect as we project a recovery in its net profit growth in FY18F following the implementation of various initiatives in the past 2-3 quarters. We also see positive growth prospects for its overseas businesses, especially those in the Middle East and Thailand.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
Tune Protect Group Bhd	14.61	13.69	12.19
P/BV (x)	**Dec-17F**	**Dec-18F**	**Dec-19F**
Tune Protect Group Bhd	1.51	1.43	1.34
Dividend Yield	**Dec-17F**	**Dec-18F**	**Dec-19F**
Tune Protect Group Bhd	3.08%	3.29%	3.69%

Insurance - Overall

Awaiting more M&A activities in 2018

- Foreign insurers are required to comply with BNM's requirement for 30% local shareholding, which we believe will lead to increased M&A activities in 2018.
- For 2018F, we expect the growth in life insurance premiums (for new business) to remain weak at 5-6%.
- We also project slow growth of circa 2% for general insurance premiums in 2018F.
- However, we believe takaful contribution growth will be relatively stronger in 2018F at 7-8% for family takaful and 4-5% for general takaful.
- Our Overweight call is retained given the positive growth prospects for the takaful segment and Tune's overseas business.

Foreign insurers need to meet the 30% local shareholding by Jun 18

Bank Negara has reinforced the requirement that foreign insurers must have local shareholdings of at least 30%, adding that the ruling needs to be met by Jun 18. This could lead to a spate of M&A activities in the insurance sector, with the possibility of certain foreign insurers taking the route of listing on the Malaysian equity market. If this happens, it will be positive for investors and the market, especially if the big foreign life insurers are listed.

Uninspiring growth for life insurance premium

The life insurance industry's total new business premium only rose by 7% in 2016 and 5.2% yoy in 1H17. Going forward, we do not see any growth catalysts for life insurance premium and, hence, expect the pace to remain weak at 5-6% in 2018F.

Projecting 7-8% growth for family takaful contributions in 2018F

The 7.5% yoy growth in family takaful new business contributions (akin to premiums for conventional insurance) for 2H17 was better than the rate of expansion for life insurance premium. Nevertheless, this was below our high expectation of mid- to low-teen growth rates given the segment's significant under-penetration. For 2018F, we project growth of 7-8% for family takaful contributions.

Dismal growth for general insurance premium…

The gross premium for Malaysia's general insurance (GI) segment only expanded by a dismal 1.5% yoy in 1H17. In light of weak car and property sales, we expect the growth in GI gross premium to remain lacklustre at around 2% in 2018F.

… trailing behind the expansion for general takaful contributions

Comparatively, contributions for the general takaful segment grew at a faster pace of 5.9% yoy in 1H17, mainly driven by expansion in the fire and medical subsegments. We expect general takaful contributions to increase at a more sustainable pace of 4-5% in 2018F, partly by cannabilising general insurance premiums.

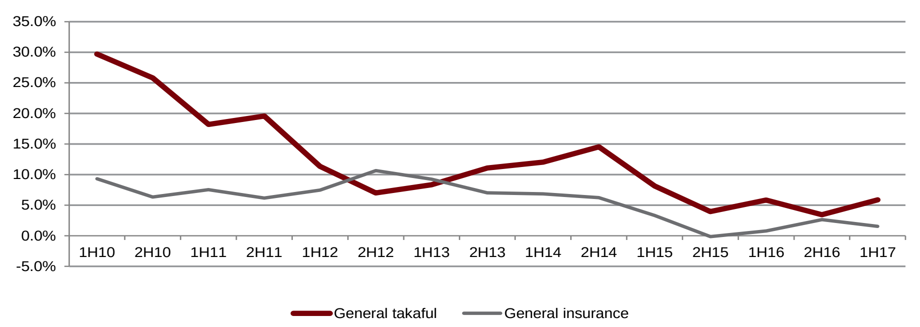
Greater clarity on the impact of detariffication in 2018

The detariffication of the motor insurance (for both conventional insurance and takaful) business took effect in Jul 17. Our expectation was that the motor insurance premium rate (MIPR) will increase post detariffication. However, from our channel checks, we gathered that the MIPR fell instead. There would be more clarity on this in 2018.

Maintain Overweight

We retain our Overweight call on the Malaysian insurance sector premised on the positive growth prospects for the takaful segment and for Tune Protect's overseas business. The key downside risks to our call are a slowdown in premium growth and a spike in claims ratio. Tune Protect is our top pick for the sector.

Figure 1: Yoy % growth in premium - general insurance vs. general takaful



SOURCES: BANK NEGARA MALAYSIA

Analyst(s)

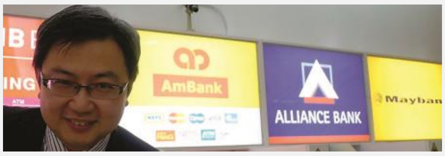


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Figure 2: Sector Comparison

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x) CY2017F	Core P/E (x) CY2018F	3-year EPS CAGR (%)	P/BV (x) CY2017F	P/BV (x) CY2018F	Recurring ROE (%) CY2017F	Recurring ROE (%) CY2018F	Recurring ROE (%) CY2019F	Dividend Yield (%) CY2017F	Dividend Yield (%) CY2018F
Tune Protect Group Bhd	TIH MK	Add	1.06	1.40	195	14.6	13.7	-6.6%	1.51	1.43	10.2%	10.7%	11.3%	3.1%	3.3%
Malaysia average						**15.5**	**14.1**	**4.5%**	**2.81**	**2.55**	**18.5%**	**19.0%**	**19.0%**	**3.1%**	**3.5%**
Insurance Australia Group	IAG AU	Hold	7.28	6.51	13,220	17.7	17.8	7.1%	2.56	2.44	14.6%	14.1%	13.8%	4.4%	4.3%
QBE Insurance Group	QBE AU	Add	10.66	11.63	11,128	91.7	12.7	6.5%	1.09	1.07	1.2%	8.5%	9.4%	3.3%	5.1%
Australia average						**28.2**	**15.0**	**6.0%**	**1.58**	**1.53**	**5.6%**	**10.4%**	**10.9%**	**3.9%**	**4.7%**
AIA Group	1299 HK	Add	63	72	97,512	17.8	17.6	NA	2.47	2.25	14.7%	13.4%	na	1.6%	2.0%

SOURCES: CIMB, COMPANY REPORTS

Sector Note

Malaysia

Neutral *(no change)*

Highlighted companies

Astro Malaysia
HOLD, TP RM3.00, RM2.54 close

Management expects the group's content cost to increase in FY19F mainly due to the high number of sporting events, which include major events like the FIFA World Cup 2018, the 2018 Commonwealth Games and the 2018 Asian Games. The group expects total content cost to come in at 35-36% of TV revenue in FY19F.

Media Prima Bhd
REDUCE, TP RM0.62, RM0.60 close

Media Prima has introduced its Odyssey strategy, the masterplan to diversify its earnings base from traditional adex. However, we believe these exercises may take time to bear fruit. Meanwhile, its traditional adex businesses continue to decline.

Star Media Group Bhd
HOLD, TP RM1.33, RM1.41 close

The group expects its adex outlook going into 2018 to stay soft due to the structural shift in adex from traditional print towards digital and social media platforms. The group is looking to cut its workforce by 10-15% by end-2017 in a bid to improve its operating efficiency and stay profitable.

Summary valuation metrics

P/E (x)	Dec-18F	Dec-19F	Dec-20F
Astro Malaysia	18.40	17.07	
Media Prima Bhd	53.79	52.27	
Star Media Group Bhd	29.43	27.19	
P/BV (x)	**Dec-18F**	**Dec-19F**	**Dec-20F**
Astro Malaysia	17.39	15.78	
Media Prima Bhd	0.53	0.53	
Star Media Group Bhd	1.06	1.06	
Dividend Yield	**Dec-18F**	**Dec-19F**	**Dec-20F**
Astro Malaysia	4.89%	5.27%	
Media Prima Bhd	1.54%	1.59%	
Star Media Group Bhd	3.54%	3.90%	

Analyst(s)

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Media - Overall

Growing pains

- Media companies in 2017 introduced new businesses to stem adex declines.
- However, we are concerned by the impact of these ventures on the companies as they go through gestation periods.
- Astro and Media Prima have guided for CY18 to be the year their home-shopping businesses could draw some positive numbers.
- Aside from the general election, the World Cup and the Thomas and Uber Cup, we project adex to fall by 5% in CY18 owing to the structural shift in media consumption.
- Maintain Neutral. The sector as it still offers a decent CY18F yield of 4.6%.

Another disappointing earnings performance in 9M17

The primary reason for the media sector's 17% yoy drop in 9M17 core net profit was the continued pivot of advertising dollars towards digital media. Excluding pay TV, the sector's earnings plunged from RM174.1m core net profit in 9M16 to RM18.5m core net loss in 9M17. All the media companies under our coverage – Astro, Media Prima, Star Media Group and MCIL - posted results that were below our expectations.

Finally conceptualising strategies to counter the digital onslaught

While the digital threat towards the traditional media landscape has been hypothesised since the Internet first entered the home, it seems that Malaysia's media incumbents only began to make earnest attempts to arrest their deteriorating earnings in 2017 as traditional adex has been falling at double-digit rates annually.

No longer bringing a knife to the gunfight…

Media Prima introduced the Odyssey Strategy, a 3-to-5-year blueprint to increase the share of non-adex and digital adex in its earnings base. Star diversified its advertising strategies to include event management and launched the online-only StarBiz Premium subscription service while continuing to introduce new content in its dimsum video streaming service. MCIL's Hong Kong publication is seeing its digital publication subscribers outpacing print's.

New initiatives require longer gestation period

We are concerned about the time needed to grow these businesses. Even the profitable ones, like Media Prima's Rev Asia, have revenues that are a fraction of their respective groups'. Meanwhile, cost cuts over the years failed to stem their traditional businesses' precipitous declines. We also see the risks of higher opex incurred to fund the new businesses or the potential of more M&As, effectively emaciating their cash piles further.

All eyes on home-shopping businesses

2018 could be a milestone year for the broadcasting incumbents' home-shopping businesses. Astro aims to turn Go Shop's Malaysian operations EBITDA-positive by end-FY3/18 while Media Prima has set an end-FY18 breakeven target for CJ Wow Shop.

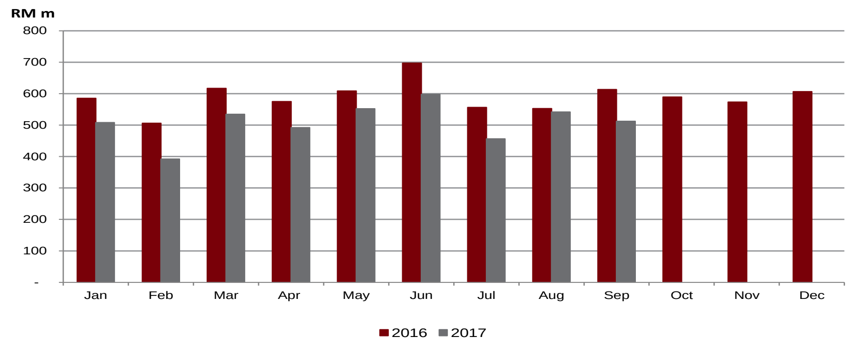
CY18F adex to drop by 5% despite three major events

We are projecting CY18F's traditional adex to continue to fall by 5% yoy, in line with the average since CY14. This is despite the rare constellation of events that usually triggers spending among advertisers and consumers – the 14th General Election, the 2018 FIFA World Cup and the Thomas and Uber Cup. Media management is seeing the possibility that election-related ad spend will now be heavily channelled towards the Internet.

Traditional adex recovery is key; maintain Neutral

We remain Neutral on the media sector. Astro is our top pick due to its attractive dividend yield. An upside risk is a recovery in the traditional adex market while an accelerated transferal of adex to digital media is a downside risk.

Figure 1: Historical monthly adex in 2016 – Sep 2017



SOURCES: CIMB RESEARCH, COMPANY

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Astro Malaysia	ASTRO MK	Hold	2.54	3.00	3,245	19.0	18.4	6.9%	19.20	17.39	102.8%	98.8%	96.9%	9.1	8.7	4.8%	4.9%
Media Prima Bhd	MPR MK	Reduce	0.60	0.62	162	na	53.8	-40.0%	0.53	0.53	-4.8%	1.0%	1.0%	30.7	6.0	0.0%	1.5%
Media Chinese Int'l	MCIL MK	Reduce	0.39	0.36	159	10.8	12.7	-16.3%	0.74	0.72	6.8%	5.7%	5.7%	4.1	4.2	5.0%	3.9%
Star Media Group Bhd	STAR MK	Hold	1.41	1.33	255	30.4	29.4	-28.7%	1.05	1.06	3.1%	3.6%	3.9%	11.7	9.0	25.5%	3.5%
Malaysia average						**21.5**	**19.1**	**-0.4%**	**4.10**	**4.00**	**17.8%**	**21.2%**	**22.3%**	**9.1**	**8.3**	**6.0%**	**4.6%**

SOURCE: CIMB RESEARCH, COMPANY

Sector Note

Malaysia

Overweight *(no change)*

Highlighted companies

Dialog Group Bhd
ADD, TP RM3.13, RM2.44 close

Dialog's tank terminal business will drive its earnings growth, particularly at its key asset located in Pengerang, and also at Tanjung Langsat. Its EPCC arm will also benefit from the construction of the tank terminals.

Sapura Energy Bhd
ADD, TP RM1.42, RM0.74 close

Sapura Energy's share price has been badly battered due to its poorer-than-expected 3QFY18 results. While there are few near-term catalysts, our Add call is premised on its longer-term potential.

Yinson Holdings Bhd
ADD, TP RM4.81, RM3.85 close

Yinson's outlook is bright as its past project execution has been excellent and it has a pipeline of at least two new projects that will contribute to future earnings growth.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
Dialog Group Bhd	37.69	35.39	28.96
Sapura Energy Bhd	NA	NA	NA
Yinson Holdings Bhd	NA	12.52	36.43
P/BV (x)	**Dec-17F**	**Dec-18F**	**Dec-19F**
Dialog Group Bhd	4.29	3.98	3.65
Sapura Energy Bhd	0.47	0.49	0.50
Yinson Holdings Bhd	1.49	1.09	1.09
Dividend Yield	**Dec-17F**	**Dec-18F**	**Dec-19F**
Dialog Group Bhd	1.04%	1.13%	1.38%
Sapura Energy Bhd	1.36%	1.36%	1.36%
Yinson Holdings Bhd	4.17%	1.78%	1.56%

Oil & Gas - Overall

Outlook for Malaysian oil and gas names improves

- Petronas recently released its activity outlook report, and the guidance for the volume of work in 2018-19F appears to have increased from its previous guidance in March.
- This will be positive for Malaysian O&G companies, which have likely passed the nadir of their earnings in either 2016 or 2017F.
- We recently added Dialog and Yinson to our coverage, our two top sector picks, both with Add calls, and also recently upgraded UMW-OG to a Hold, and SAPE to an Add.
- Hence, we maintain our sector rating as an Overweight.

Petronas now more willing to spend on capex

Petronas recently issued its "Petronas Activity Outlook 2018-2020" report in December 2017 that was a follow-up from the March 2017 release of the "Petronas Activity Outlook 2017-19" report. Both reports reiterated Petronas's view that oil prices are expected to hover around US$50-60/bbl. However, Petronas appears to have turned more positive on its projected capex for 2018F and beyond, suggesting that it is beginning to open up the spigot of spending after two very lean capex years.

Outlook for jack-up (JU) drilling rigs has improved…

Between March and December 2017, Petronas raised its expected demand for JU rigs. This is positive for UMW-OG and Perisai, as we expect domestic demand to cover most, if not all, of their available JU rigs. However, we expect Petronas to continue to demand attractive rates, and perhaps pressure these local players to reduce their price offers.

…but does not translate into demand for tender drilling rigs (TDR)

In contrast, demand for TDRs has not moved much, and Petronas is forecasting that it will only need 2-3 TDRs for 2018-19F. SAPE has 15 TDRs in total. Petronas's modest demand for TDRs means that SAPE will need to focus on securing foreign jobs to achieve our forward utilisation assumption of 50%. We expect the SAPE group to register core net losses for the next three forecast years, as drilling losses more than offset expected profits from the engineering and construction (E&C) and energy arms.

Outlook for E&C work has improved

The prospects for local fabricators appear to have improved, with Petronas now guiding for more wellhead platform fabrication jobs, even though central processing platform fabrication volumes are likely to remain low. More heavylift installation and offshore pipelay installation work is also expected. The outlook for hookup and commissioning and maintenance work has also improved, with more man-hours expected. The better prospects in E&C should benefit SAPE and other Malaysian players.

Number of Offshore Support Vessels (OSV) required has increased

In December, Petronas indicated that it will require more AHTS and fast crew boats in 2018-19F than previously guided in March. This is positive for local OSV players like Bumi Armada and ICON Offshore.

Top sector picks: Dialog (TP: RM3.13) and Yinson (TP: RM4.81)

Our top sector picks are Dialog and Yinson, as they both have a good track record in execution and their business models have relatively low risk profiles. We also have an Add on SAPE as the sharp sell-off has exposed longer-term value, and an Add on BAB as its Kraken and Olombendo FPSOs are heading towards final acceptance.

UMW-OG remains a Hold

In mid-November, we upgraded PetDag to an Add as]share price had collapsed, but the subsequent share price recovery has left only minimal upside. UMW-OG remains a Hold. While UMW-OG's financial position has stabilised and it is now no longer in danger of collapse, low JU drilling rates mean that it will deliver breakeven-like results for several years.

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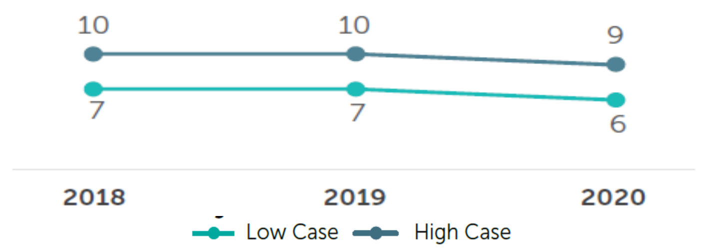
Figure 3: Petronas has increased its projected demand for jack-up drilling rigs to up to 10 units for 2018F, from a previous guidance of up to nine units



SOURCES: PETRONAS

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Bumi Armada	BAB MK	Add	RM0.73	RM0.88	1,049	14.0	7.2	na	0.7	0.6	5.2%	9.4%	9.6%	11.9	9.3	0.0%	0.0%
Dialog Group Bhd	DLG MK	Add	RM2.44	RM3.13	3,371	40.8	36.3	14.0%	4.3	4.0	11.0%	11.4%	12.9%	31.2	30.5	1.0%	1.1%
Petronas Dagangan Bhd	PETD MK	Add	RM24.38	RM24.41	5,935	21.5	23.6	3.0%	4.0	4.1	19.8%	17.0%	17.3%	15.1	16.9	4.8%	3.2%
Sapura Energy Bhd	SAPE MK	Add	RM0.74	RM1.42	1,079	na	na	-164.3%	0.5	0.5	-2.8%	-2.6%	-1.3%	13.3	13.1	1.4%	1.4%
UMW Oil & Gas	UMWOG MK	Hold	RM0.29	RM0.35	584	na	134.7	na	0.5	0.5	-4.6%	0.4%	0.1%	15.3	9.6	0.0%	0.0%
Yinson Holdings Bhd	YNS MK	Add	RM3.85	RM4.81	1,027	13.6	12.9	21.5%	1.5	1.1	11.9%	9.7%	8.2%	11.1	6.9	4.2%	1.8%
Average						**31.7**	**25.4**	**20.2%**	**1.7**	**1.6**	**5.2%**	**6.5%**	**7.2%**	**14.6**	**13.2**	**2.9%**	**2.0%**

SOURCE: CIMB RESEARCH, COMPANY

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Sector Note

Malaysia

Neutral *(no change)*

Highlighted companies

Daibochi Plastic & Packaging
REDUCE, TP RM2.02, RM2.20 close

Earnings growth over the next few years is expected to come from the Myanmar JV, setup in Jul-17. Daibochi has the first-mover advantage in Myanmar as the country does not have many MNCs currently.

Thong Guan Industries
ADD, TP RM5.90, RM4.32 close

The demand for nano-layer stretch film is strong, with most of its customers in Europe. Nano-layer stretch films are used for machine wrapping while traditional stretch films are used by hand wrapping processes. Thong Guan will add a third nano-layer film line by end-2018. .

Tomypak Holdings
REDUCE, TP RM0.74, RM0.99 close

The company needs to fill-up capacity for its new factor this year. We are concerned the company might find it challenging to fill up its new capacity as domestic demand is likely to remain weak in 2018.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
Daibochi Plastic & Packaging	27.18	20.62	18.82
Thong Guan Industries	7.96	6.26	5.86
Tomypak Holdings	23.12	14.81	13.82
P/BV (x)	**Dec-17F**	**Dec-18F**	**Dec-19F**
Daibochi Plastic & Packaging	3.75	3.36	3.05
Thong Guan Industries	1.13	1.00	0.89
Tomypak Holdings	3.17	2.82	2.52
Dividend Yield	**Dec-17F**	**Dec-18F**	**Dec-19F**
Daibochi Plastic & Packaging	2.09%	2.09%	2.09%
Thong Guan Industries	2.66%	2.66%	3.01%
Tomypak Holdings	3.25%	3.25%	3.25%

Packaging

Exports to provide growth

- Exports, particularly to the ASEAN region, are expected to provide topline growth in 2018F as domestic consumer demand remains weak.
- The packaging sector generally benefits from a stronger US$ as most exports are priced in US$.
- Packaging companies are moving up the value chain to boost their profit margins.
- Through a JV, Daibochi has expanded its operations to Myanmar. Myanmar's low-cost base and Daibochi's first-mover advantage in Myanmar are long-term positives.
- Sector remains a Neutral as stock valuations are still expensive.

Continued focus on exports

In view of the current weak domestic consumer demand, we expect the packaging companies under our coverage to look at the export markets to boost topline growth in 2018F. Growth is expected to come mainly from the ASEAN region. For Daibochi, topline and bottomline growth is expected to come from Myanmar, after it signed a JV in Jul 17.

Beneficiary of the strong US$

The sector generally benefits from a strong US$ as most of the companies' exports are priced in US$. While the raw materials are also priced in US$, other operating costs like labour and electricity are priced in ringgit. Among the three packaging companies, Thong Guan benefits the most from a stronger US$.

Moving up the value chain

To boost profit margins, the packaging companies need to move up the value chain. Thong Guan is leading the way, as it launched the first nano-layer stretch film line in the country two years ago and set up the second nano-layer stretch film last Sep. Due to continued strong demand from Europe, the company is adding a third line, scheduled to be ready by end-2018. Nao-layer stretch films generate 12-15% PBT margins compared to 5-6% PBT margins from traditional stretch films.

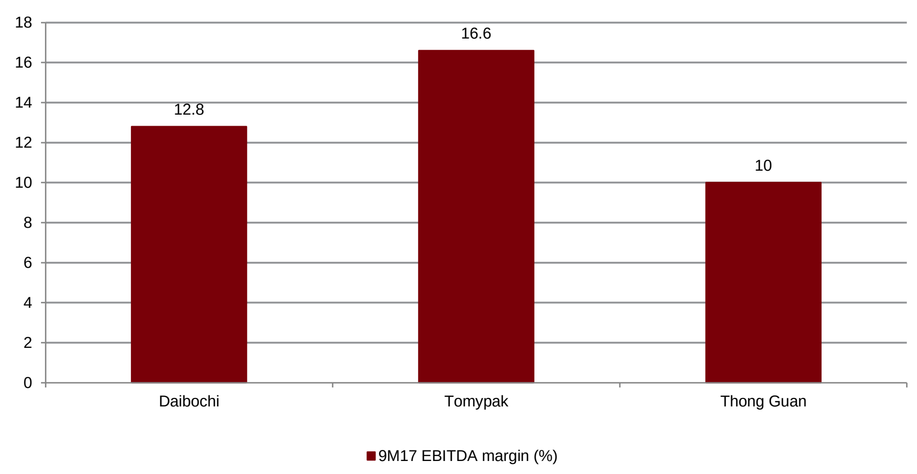
Expanding to Myanmar

Another way to add value is to expand operations to outside Malaysia. Daibochi is leading the way, after it acquired a JV stake in Myanmar in Jul 2017. Myanmar JV's operating cost is low, with a PBT margin of c.28% compared to only 9% for Daibochi's Malaysia operations. This allows Daibochi to do its lower-profit-margin business in Malaysia, which Daibochi did not want to do in the past. In addition, Daibochi has the first-mover advantage in Myanmar as the country does not have many MNCs currently.

Sector is still a Neutral

The F&B flexible packaging companies, Daibochi and Tomypak's stock valuations are not cheap and these two companies could struggle with higher labour costs with a minimum wage hike expected in 2018. Wages form 7-9% of production costs. We maintain Reduce on both the stocks. Thong Guan's PBT margin should improve as the company expands its higher profit margin nano-layer stretch films' annual capacity. Thong Guan is an Add and our top pick in the packaging sector.

Figure 1: Packaging companies' 9M17 EBITDA margin (%)



SOURCES: CIMB RESEARCH, COMPANY

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						CY2017	CY2018		CY2017	CY2017	CY2018	CY2017	CY2017	CY2018
Daibochi Plastic	DPP MK	Reduce	RM2.20	RM2.02	176	15.9	13.5	20.5%	3.4	17.2%	17.0%	8.9	2.9%	3.2%
Thong Guan Industries	TGI MK	Add	RM4.32	RM5.90	143	6.3	5.9	9.0%	1.0	16.9%	16.1%	5.0	4.8%	5.1%
Tomypak Holdings	TOMY MK	Reduce	RM0.99	RM0.74	101	14.8	13.8	21.5%	2.8	20.1%	19.2%	7.3	1.8%	1.8%
Sector average						**12.3**	**11.1**	**17.0%**	**2.4**	**18.1%**	**17.5%**	**7.1**	**3.2%**	**3.4%**

SOURCE: CIMB RESEARCH, COMPANY

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Sector Note

Malaysia

Overweight *(no change)*

Highlighted companies

Lotte Chemical Titan
ADD, TP RM8.50, RM4.75 close

LCT is expected to see strong earnings growth recovery in FY18F, driven by higher utilisation rates after multiple planned and unplanned shutdowns in FY17F. Its downstream capacity expansion should improve its margin and earnings sustainability.

Petronas Chemicals Group
ADD, TP RM8.50, RM7.49 close

We believe PChem's FY18F earnings growth outlook is strong due to its higher utilisation rate. Its competitive gas feedstock should ensure its superior earnings sustainability amid the high oil price environment.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
Lotte Chemical Titan	8.22	6.72	5.31
Petronas Chemicals Group	15.56	14.88	14.26

P/BV (x)	Dec-17F	Dec-18F	Dec-19F
Lotte Chemical Titan	0.73	0.67	0.61
Petronas Chemicals Group	1.98	1.82	1.68

Dividend Yield	Dec-17F	Dec-18F	Dec-19F
Lotte Chemical Titan	2.55%	3.40%	4.26%
Petronas Chemicals Group	2.32%	2.32%	2.32%

Analyst(s)

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Petrochemical

Higher utilisation rate is key growth driver

- We project both PChem and LCT to see earnings growth in FY18F, driven mainly by higher utilisation rates and capacity expansion.
- As a gas-based olefin producer, PChem will benefit from wide industry margins and the rising oil price, thanks to its consistently high utilisation rates across the board.
- LCT's earnings are expected to recover in FY18F, driven by higher utilisation rates and the start-up of its downstream capacity expansion projects.
- Maintain Overweight on the sector given the strong earnings growth outlook.

Promising upside on higher utilisation rates

We expect both PChem and LCT to see strong earnings growth in FY18F, driven mainly by their higher utilisation rates. For PChem, we project its earnings to remain solid in FY18F, fuelled by rising oil prices pushing up and sustaining olefins margins and its elevated utilisation rates. LCT is projected to see earnings recover in FY18F after it suffered an earnings decline in FY17F due to the two major planned shutdowns of its two naphtha crackers and the unplanned shutdown due to water shortage in 2Q17.

Propylene, benzene and polyester industry upcycles are key

We believe the outlook for the petrochemical industry is likely to improve in FY18. While the ethylene margin decline is projected to persist into FY18F, we anticipate margin recoveries for propylene, benzene and polyester but a continued downcycle for paraxylene due to oversupply.

Mixed bag for aromatics

After four years in a downcycle, we think paraxylene (PX) chain margins will remain weak in FY18F given that supply growth will exceed demand growth and the excess supply carried over since 2014 is projected to pressure the industry margin. The PX-naphtha margin is expected to stay close to the breakeven level of US$250/t. However, we expect the benzene-naphtha margin to stay high above US$250/t given the lower supply and demand recovery in styrene downstream chain products.

Olefins margin are diverging

We see margins for products in the olefins chain diverging in FY18F. In olefins, while we project the margins for the ethylene chain, including downstream polyethylene products, to remain weak in FY18F due to the upcoming new supply from US shale gas-based ethane crackers in 4Q17F to FY19F, we think the propylene chain margin will gradually rise towards US$750/t by FY19F, thanks to the jump in demand and lower new supply.

More earnings upside

Given the expected higher oil price outlook and rising margins for propylene and benzene, we think the risk-reward ratio for PChem and LCT is attractive. We like PChem as a key beneficiary of rising oil prices and LCT for its earnings recovery on improving operations and capacity expansion. LCT is now trading at a much lower valuation than PChem, providing more upside on its earnings growth recovery in FY18F. Risks are lower-than-expected utilisation rates for PChem and LCT and lower oil prices for PChem.

Figure 1: Margins of key petrochemical products (US$/t) vs Brent oil price (US$/bbl)

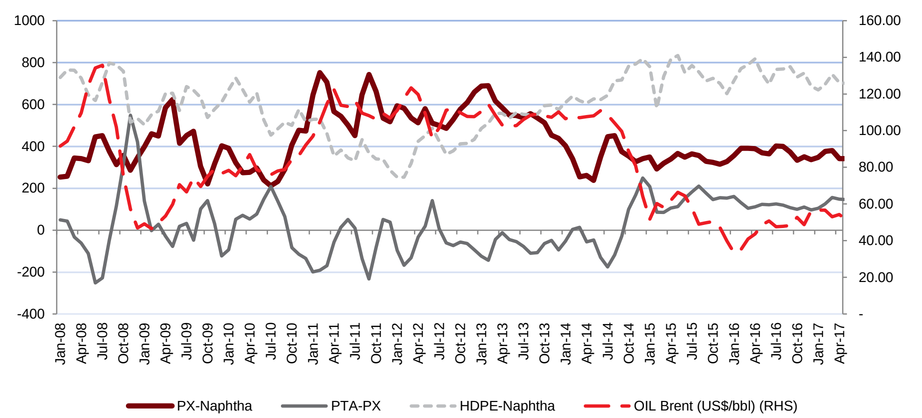

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Figure 2: Sector Comparisons

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x) CY17	Core P/E (x) CY18	Core P/E (x) CY19	3-year EPS CAGR (%)	P/BV (x) CY17	P/BV (x) CY18	P/BV (x) CY19	Recurring ROE (%) CY17	Recurring ROE (%) CY18	Recurring ROE (%) CY19	EV/EBITDA (x) CY17	EV/EBITDA (x) CY18	Dividend Yield (%) CY17	Dividend Yield (%) CY18
Malaysia																			
Petronas Chemicals Group	PCHEM MK	Add	7.49	8.50	14,683	15.6	14.9	14.3	12.2%	2.0	1.8	1.7	12.8%	12.8%	12.2%	8.3	7.0	2.3%	2.3%
Lotte Chemical Titan	TTNP MK	Add	4.75	8.50	2,618	8.3	6.8	5.4	12.6%	0.7	0.7	0.6	11.1%	10.4%	12.0%	1.6	1.7	2.5%	3.4%
Malaysia average					17,300	13.7	12.6	11.4	12.3%	1.5	1.4	1.3	12.4%	12.0%	12.2%	6.4	5.4	2.4%	2.5%

SOURCE: CIMB RESEARCH, COMPANY

Sector Note

Malaysia

Neutral *(no change)*

Highlighted companies

LBS Bina Group
ADD, TP RM2.55, RM2.29 close

LBS has lined up RM2.3bn worth of new launches in 2017, out of which more than RM1.5bn are slated to be launched in 2H17. As these projects target the mass market segment, we believe they will achieve decent take-up rates.

Sime Darby Property Berhad
ADD, TP RM1.85, RM1.43 close

We see potential value enhancement from the ongoing monetisation of its assets. The recent share price retracement represents a good opportunity to accumulate the stock, in our view.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
LBS Bina Group	13.21	10.56	9.00
Sime Darby Property Berhad	4.32	29.22	34.10
P/BV (x)	**Dec-17F**	**Dec-18F**	**Dec-19F**
LBS Bina Group	1.28	1.21	1.10
Sime Darby Property Berhad	0.37	1.01	0.98
Dividend Yield	**Dec-17F**	**Dec-18F**	**Dec-19F**
LBS Bina Group	4.89%	2.84%	3.33%
Sime Darby Property Berhad	2.15%	0.68%	0.59%

Property Development

Still not out of the woods

- We believe the overall property outlook is still bleak in 2018, despite property prices being on an upward trend.
- We see two wildcards impacting the sector in 2018, namely the potential interest rate hike and approval freeze for luxury projects above RM1m.
- Maintain Neutral on the property sector. LBS Bina and Sime Darby Property are our sector top picks.

Macroeconomic view

Our economist thinks that Malaysia's GDP will likely grow by 5.2% in 2018F, lower compared to the projected growth rate of 5.9% for 2017F. We believe wage growth could be slower next year, due mainly to weaker business and consumer sentiment which could cause employers to be more cautious in their capital and wage spending. Thus, we expect homebuyers will be more cautious and prudent in purchasing properties.

Sector fundamentals

We believe that the sector's fundamentals neither improved nor deteriorated much in 2018. Property prices are still rising in 1H2017 despite the oversupply of high-end properties and developers with mass-market products are still able to achieve their sales targets. However, we view issues such as low affordability, mismatch of supply and demand, high incoming supply of completed properties and rising competition from public housing projects, as continued risk factors for private developers' sales.

Interest rate hike risk on the cards

The Overnight Policy Rate (OPR) is unchanged at 3% since July 2016, but our economist thinks that a rate hike could be on the cards and pencil in a 25bp hike in 1Q18, potentially in Jan 2018. We believe this will be negative for the property developers as a rate hike could translate into higher borrowing costs, impacting housing affordability and property sales. We believe there will be a 'knee-jerk' reaction from buyers as they will need to fork out extra money in order to own property.

Approval freeze for luxury projects

The media reported that the Cabinet has decided to freeze approvals for shopping malls, offices and luxury condominiums priced above RM1m effective 1 Nov 2017. The freeze followed Bank Negara Malaysia's report that suggests the oversupply in Malaysia's property market is worsening. We are positive as it will help address the oversupply situation in the property market. However, there is no clear timeline on the freeze period and a longer-than-expected approval freeze will pose risk to launches beyond 2018.

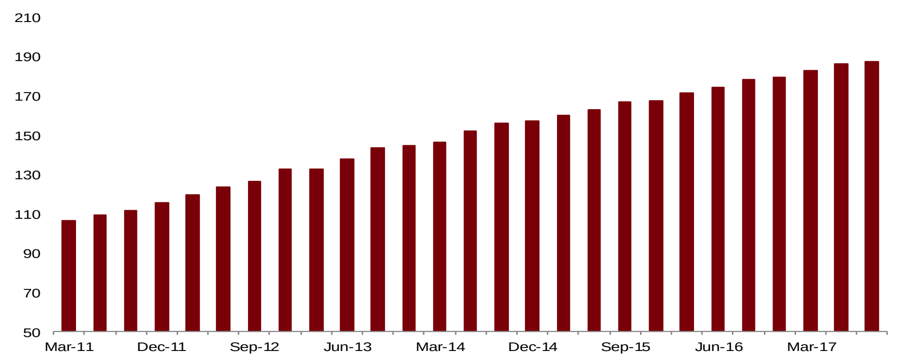
Maintain Neutral

We believe 2018 will likely be another unexciting year for the property sector, similar to 2017. Among the developers that we cover, LBS Bina (Add, TP RM2.55) remains as our top pick, as its launch line-ups consist of many mass-market housing projects which we believe will still enjoy strong demand next year. We also like Sime Darby Property (Add, TP RM1.85) given its undemanding valuation.

Key risks to our call

Our rating for the property sector assumes that the economy will continue to grow at a decent rate (i.e. GDP growth of around 5.2%) in 2018F. A sharp deterioration in economic conditions and rise in unemployment rate are the key downside risks to our call. Stronger-than-expected economic performance and potential relaxation measures by the government are the key upside risks.

Figure 1: House price index in Malaysia



SOURCES: CIMB RESEARCH, COMPANY

Analyst(s)

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Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		Dividend Yield (%)	
						CY17F	CY18F		CY17F	CY18F	CY17F	CY18F	CY17F	CY18F
Eastern & Oriental	EAST MK	Hold	1.42	1.59	454	22.5	14.1	25.9%	1.07	1.03	4.8%	7.5%	2.1%	2.1%
Eco World Development Group	ECW MK	Hold	1.43	1.63	1,032	32.8	19.9	10.6%	0.98	0.93	3.2%	4.8%	0.0%	0.0%
Eco World International	ECWI MK	Add	1.01	1.21	594	na	15.0	na	0.94	0.86	-5.6%	6.0%	0.0%	0.0%
LBS Bina Group	LBS MK	Add	2.29	2.55	384	13.2	10.6	7.0%	1.28	1.21	9.2%	11.2%	4.9%	2.8%
Mah Sing Group	MSGB MK	Add	1.52	1.85	904	11.5	15.5	-13.0%	1.06	1.04	9.2%	6.8%	4.3%	3.3%
SP Setia	SPSB MK	Hold	3.32	3.40	2,461	13.8	18.6	-14.1%	1.02	1.01	7.3%	5.5%	5.1%	3.8%
UOA Development	UOAD MK	Add	2.38	2.85	1,011	10.7	13.2	-10.2%	0.96	0.96	9.2%	7.5%	6.3%	6.3%
UEM Sunrise Bhd	UEMS MK	Hold	1.05	1.15	1,167	31.2	16.8	30.6%	0.68	0.66	2.2%	4.0%	0.0%	0.0%
Selangor Properties	SPR MK	Hold	5.08	5.12	428	33.2	20.5	na	0.70	0.70	2.1%	3.4%	3.0%	4.9%
Sime Darby Property Berhad	SDPR MK	Add	1.43	1.85	2,383	5.4	29.2	-51.2%	0.71	1.01	15.0%	3.8%	2.1%	0.7%
Average						**15.5**	**19.5**	**-11.5%**	**0.90**	**0.95**	**7.4%**	**5.4%**	**3.0%**	**2.3%**

SOURCE: CIMB RESEARCH, COMPANY

Sector Note

Malaysia

Neutral *(no change)*

Highlighted companies

MRCB-Quill REIT
HOLD, TP RM1.35, RM1.25 close

MRCB-Quill REIT's KL assets are exposed to the office oversupply issue but we think the group's built-to-suit Cyberjaya assets should still be able to support earnings. We think estimated dividend yields of 6.8% (highest in our REIT universe) should compensate for its exposure to the office oversupply issue.

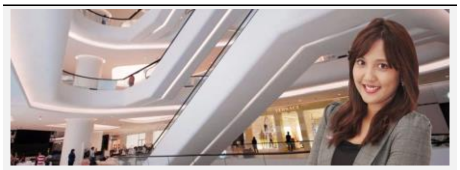
Sunway REIT
HOLD, TP RM1.79, RM1.72 close

Although Sunway REIT's segmental portfolio is diversified, its earnings remain anchored by its retail assets, especially the reputable and successful Sunway Pyramid Mall. The newly-refurbished Sunway Putra Mall and fully-operational Sunway Pyramid Hotel could boost earnings and more yield-accretive acquisitions could catalyse the stock.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
MRCB-Quill REIT	12.39	15.03	14.78
Sunway REIT	17.97	17.06	16.32
P/BV (x)	**Dec-17F**	**Dec-18F**	**Dec-19F**
MRCB-Quill REIT	0.98	0.98	0.97
Sunway REIT	1.20	1.20	1.20
Dividend Yield	**Dec-17F**	**Dec-18F**	**Dec-19F**
MRCB-Quill REIT	6.71%	6.74%	6.85%
Sunway REIT	5.53%	5.82%	6.08%

Analyst(s)



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REIT

Outlook remains dim

- The looming oversupply of office and retail space has placed pressure on REIT managers' bargaining power.
- However, we think high-quality retail assets (niche position with diversified offerings) and office assets with long-term tenancies will be able to weather the threat.
- Maintain our Neutral stance on the sector and advocate M-REITs with high quality assets and strong execution capabilities.

Retail segment: Think high-quality and good location

With c.45m sq ft of retail space expected to enter the Klang Valley market by 2019 (currently 72m sq ft), rental growth and tenant renewals should remain muted given the intensified competition, in our view. However, we find that retail assets for REITs under our coverage have generally managed to sustain occupancy rates but at the expense of rental reversions. That said, we think high-quality shopping malls in prime locations or with niche positioning should still do well and register positive rental reversions for now.

Office segment: Still a tenant's market

We observe that, for REITs under our coverage, only buildings with long-term tenants and built-to-suit facilities have managed to keep rental reversions positive and sustain occupancy rates. We think the office segment will remain a tenant's market, where building owners will have to be more competitive in negotiating tenancy terms, i.e. offer rent-free periods, discounted rents or more asset enhancements initiatives (AEIs), to safely retain and secure quality tenants and attract new tenants.

Acquisition pipeline remains rather dry for now

2017 only saw a few completed acquisitions, which include the injection of: i) an industrial facility in Shah Alam by Sunway REIT, and ii) Wasco Industrial Facility by Axis REIT. Some notable pending acquisitions slated for 2018 completion include: i) Pavilion REIT's injection of Pavilion Elite, ii) Axis PDI Centre redevelopment by Axis REIT, and iii) Sunway REIT's injection of Sunway Clio Property. We believe Axis REIT will continue to actively seek yield-accretive assets, especially industrial, to ride the e-commerce boom.

Focus on prime M-REITs with strong sponsor backing

While oversupply of office and retail space are still concerns, we advocate investors to consider REITs with: i) stable leases, i.e. prime retail assets and/or office assets on long-term tenancies, which are still able to uphold positive rental reversions (albeit at a moderate pace) as well as sustain occupancy rates, ii) proven track records for AEIs, and iii) strong sponsor backing, which should lead to a more visible acquisition pipeline.

Higher interest rates curtail acquisitions and AEIs

Taking a cue from BNM's hawkish tone, our economics team projects a 25bp OPR hike in 2018. Rising interest rates could ultimately weigh down REITs' share prices as the yield spread (premium of REITs' dividend yield over Malaysian Government Securities) narrows further. Moreover, higher OPR could lead to higher borrowing costs, which will dampen acquisition and asset enhancement activities, but the impact on existing borrowings of REITs under our coverage is cushioned as most are on fixed rates.

M-REITs: Still a Neutral

We think that the risk of higher interest rates in 2018, which will lead to narrowing yield spreads, is likely to put pressure on REITs' share prices. This will, however, provide the chance for investors to buy M-REITs with stronger growth profiles. Our call is supported by average CY18F dividend yields of 5.8%, a discount to the 3-year historical average dividend yields of c.6.5%. We like Sunway REIT for its diversified segmental asset portfolio and visible acquisition pipeline from its sponsor.

Figure 1: CY18F dividend yields of REITs under coverage and 10-year MGS yield

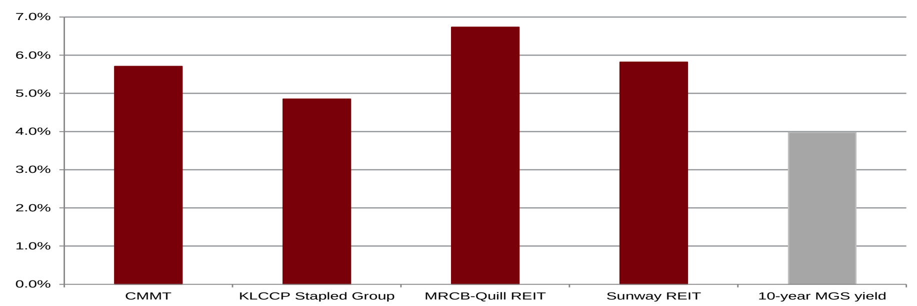

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Figure 2: Sector Comparison

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x) CY17F	Core P/E (x) CY18F	3-year EPS CAGR (%)	P/BV (x) CY17F	P/BV (x) CY18F	Recurring ROE (%) CY17F	Recurring ROE (%) CY18F	Dividend Yield (%) CY17F	Dividend Yield (%) CY18F
CMMT	CMMT MK	Hold	1.44	1.51	719	18.3	18.1	-1.2%	1.36	1.37	5.8%	6.1%	5.7%	5.7%
KLCCP Stapled Grp	KLCCSS MK	Hold	7.80	7.83	3,451	19.4	18.8	1.1%	2.86	2.84	14.3%	15.2%	4.7%	4.9%
MRCB-Quill REIT	MQREIT MK	Hold	1.25	1.35	327	12.4	15.0	-2.0%	0.98	0.98	6.2%	6.5%	6.7%	6.7%
Sunway REIT	SREIT MK	Hold	1.72	1.79	1,241	18.0	17.1	3.3%	1.20	1.20	6.7%	7.0%	5.5%	5.8%
Average						**18.8**	**18.2**	**1.4%**	**1.96**	**1.95**	**9.9%**	**10.5%**	**5.6%**	**5.8%**

SOURCE: CIMB RESEARCH, COMPANY

Sector Note

Malaysia

Overweight *(no change)*

Highlighted companies

Hartalega Holdings
ADD, TP RM9.00, RM10.72 close

Hartalega is the world's largest nitrile glove producer. It currently has a production capacity of 24.9bn gloves p.a., with nitrile gloves accounting for 90% of its product mix.

Kossan Rubber Industries
ADD, TP RM9.80, RM8.30 close

Kossan plans to increase its production capacity from 22bn gloves p.a. now to 44bn by 2021. We expect higher margins due to improving operating efficiency via increased automation and better product mix.

Top Glove Corporation
ADD, TP RM7.92, RM7.48 close

Top Glove is the world's largest rubber glove producer in terms of volume, with a capacity of 51.9bn pieces p.a. It aims to also be the world's largest surgical glove maker post its proposed acquisition of Aspion.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
Hartalega Holdings	43.56	35.47	32.23
Kossan Rubber Industries	27.84	21.86	18.95
Top Glove Corporation	26.21	22.12	19.84
P/BV (x)	**Dec-17F**	**Dec-18F**	**Dec-19F**
Hartalega Holdings	9.75	8.68	7.74
Kossan Rubber Industries	4.63	4.19	3.77
Top Glove Corporation	4.56	4.13	3.74
Dividend Yield	**Dec-17F**	**Dec-18F**	**Dec-19F**
Hartalega Holdings	1.23%	1.55%	1.71%
Kossan Rubber Industries	1.62%	2.29%	2.64%
Top Glove Corporation	1.91%	2.26%	2.52%

Analyst(s)

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Rubber Gloves

Smoother sailing ahead

- We remain bullish on the glove sector with robust demand for rubber gloves (lower supply of vinyl gloves from China), leading to easing pricing competition.
- All glove makers reported higher utilisation rates of over 85% currently, despite sector capacity rising 13.1% in FY17 and expected to grow another 14.2% in FY18.
- Despite concerns of a stronger RM/US$ and rising costs, we believe that current conducive environment will allow glove makers to raise ASPs to pass on the costs.
- Maintain Overweight on better supply-demand dynamics and favourable US$.

Robust global demand for gloves

In 2017, Malaysia glove exports were robust due to strong demand from Europe and the US. Also, the demand was boosted by customers switching to rubber gloves from vinyl gloves. This was due to lower supply of vinyl gloves from China as various factories were forced to shut down due to pollution issues. We expect the shortage of vinyl gloves to continue into 1H18 given that most of these factories are still unable to run fully until all ongoing upgrades to switch from coal to natural gas are completed.

Higher ASPs to pass on cost increases

Given the upcoming hike in gas prices and stronger RM/US$, glove makers are likely to increase their average selling prices (ASPs) to pass on additional costs. This is unlikely to be an issue given the cost pass-through mechanisms in place. Also, the current supply-demand dynamics of strong glove demand favour manufacturers which give them greater bargaining power. Hence, we are confident that this will not dampen orders as glove producers reported that they are still in an oversold position for the next 2 months.

Increase in capacity to drive earnings growth

Moving into 2018, earnings should also be driven by 14.2% sector capacity growth in FY18. The new capacity will cater for the production of nitrile gloves, which formed 64% of the production in 9M17 (52% in 2015). While there are concerns over the aggressive capacity ramp-up, we believe that current supply-demand dynamic is capable of absorbing the incoming supply. Also, the new capacity will offset some capacity loss as glove makers have plans to revamp and/or decommission some of their older lines.

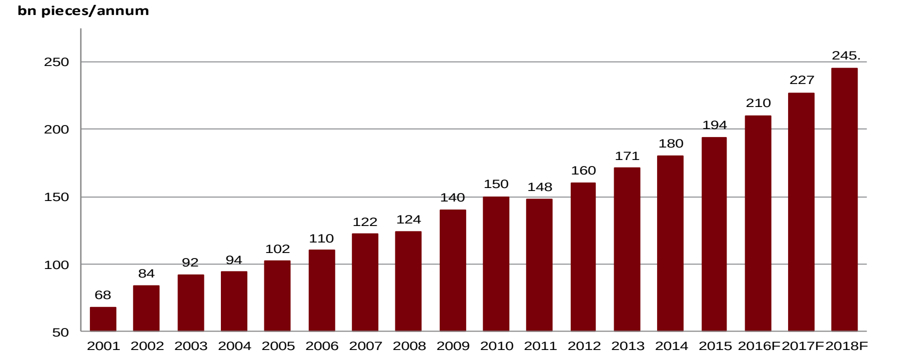
Emphasis on increasing usage of automation

To mitigate swelling cost pressures, glove makers have taken counterintuitive measures by upgrading their manufacturing processes. There have been efforts to utilise more automation and Internet of Things (IOT) initiatives under Industry 4.0 to maximise cost efficiencies through lower labour costs, reduced wastage and increased cost savings. We believe these measures will increase the competitiveness of the Malaysian glove sector as a whole while reinforcing the country's dominance in the global glove industry.

Maintain Overweight; Top Glove is our preferred pick

Maintain Overweight on the sector. In 2018, we expect glove makers to record stronger earnings boosted by: i) robust global demand for gloves, ii) sector capacity growing by 14.2% in FY18 and iii) growing usage of automation resulting in higher operating efficiencies. We currently have three Add calls in the sector: Top Glove, Hartalega and Kossan; with Kossan as our top pick in the sector. Downside risks: strengthening of the ringgit and stronger-than-expected pricing competition.

Figure 1: Global Examination Glove Demand



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						CY2017	CY2018		CY2017	CY2018	CY2017	CY2018	CY2019	CY2017	CY2018	CY2017	CY2018
Hartalega Holdings	HART MK	Add	10.72	9.00	4,340	24.0	15.2	23.3%	9.75	8.68	23.7%	25.7%	25.4%	32.2	25.9	1.2%	1.5%
Kossan Rubber Industries	KRI MK	Add	8.30	9.80	1,301	27.8	21.9	18.3%	4.63	4.19	16.7%	20.1%	20.9%	17.1	13.6	1.5%	2.3%
Supermax Corp	SUCB MK	Hold	1.93	2.03	310	15.8	12.5	10.4%	1.16	1.09	7.5%	8.9%	9.3%	10.3	9.0	1.9%	2.4%
Top Glove Corporation	TOPG MK	Add	7.48	7.92	2,300	26.2	22.1	11.4%	4.56	4.13	17.9%	19.3%	19.8%	19.1	15.6	1.9%	2.2%
Average						**24.9**	**18.1**	**18.7%**	**7.17**	**6.42**	**20.3%**	**22.4%**	**22.5%**	**25.4**	**20.5**	**1.5%**	**1.9%**

SOURCES: CIMB, COMPANY REPORTS

CIMB

Sector Note

Malaysia

Neutral *(no change)*

Semiconductor

Strengthening ringgit the sector's bane

- We expect the sector to record 15% net profit growth in 2018F, driven by higher RF components shipment volume at Inari and higher sensor volume growth at Unisem.
- While most research groups forecast lower global semiconductor demand, we think the automotive industry will be the next growth engine.
- Nevertheless, sector earnings will be impacted by the appreciation of ringgit vs. US$.
- Maintain Neutral rating. We believe the stronger earnings outlook is priced in as the sector currently trades at 17x CY18F P/E, 1 s.d. above its historical mean.
- Inari is our sector top pick for its robust earnings and strong key client backing.

Slower industry growth projections in 2018F

Most independent industry research groups see lower global semiconductor demand growth of 6% in 2018F (vs. 18% in 2017F), partly due to a higher base in 2017F and higher average selling prices for memory components due to supply constraints. Market research group WSTS expects North America demand to grow the fastest at 10.3%, followed by Asia Pacific at 6.6%. Gartner, meanwhile, projects a 0.5% yoy decline in capital spending in 2018 following a 10.2% surge in industry capex in 2017.

Riding on resilient demand for RF components

We expect radio-frequency (RF) component demand to outgrow that for smartphones due to greater requirements for more frequency bands, especially with ongoing network modernisation. Technavio projects RF filter demand sales CAGR of 16% in 2017-2021F, driven by rising demand for mobile connectivity and the introduction of next-generation wireless standards such as 4G and 5G. This bodes well for Inari, MPI and Unisem as contract manufacturers for direct IP owners like Broadcom, Qorvo and Skyworks.

Automotive poised to be the next sales growth driver

McKinsey & Co projects automotive semiconductor demand to post 2015-20F CAGR of 6%, higher than the overall industry CAGR of 3-4%. It expects the growth to be driven by higher vehicle sales and rising electronics content in vehicles. IHS Markit forecasts electronics content value to rise from US$312 per car in 2013 to US$460 in 2022F due to increasing safety, comfort and connectivity requirements. We see KESM and MPI as exciting proxies for automotive semiconductors given their experience in the segment.

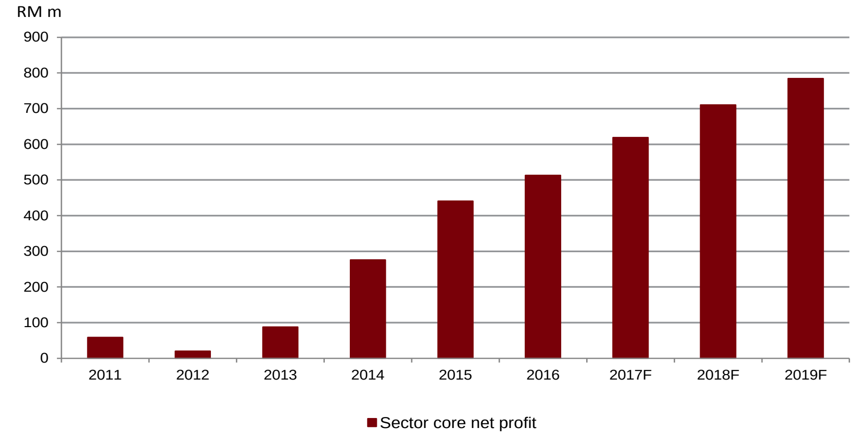
Negative earnings impact from the appreciation of ringgit

We see the strengthening of the ringgit vs. US$ as negative for the domestic semiconductor sector as it will reduce the sector's profitability. For companies under our coverage, Unisem will be the most affected by forex volatility as it does not have a hedging policy and it has one of the highest proportions of localised content of its peers. We estimate for every 1% strengthening of the ringgit vs. US$, Unisem's FY18 EPS could fall by 2.5%. Aemulus, Inari and MPI will also be negatively affected by ringgit strength.

Project sector net profit growth of 15% in 2018F

We maintain our Neutral rating on the sector as we think the sector's strong earnings growth outlook is fairly valued given that it now trades at 17x CY17F P/E, 1 s.d. above its historical mean of 15x. Key upside risks are better-than-expected sector earnings delivery and depreciation of ringgit/US$ while key downside risks are the strengthening of the ringgit and excess industry capacity. Inari remains our top pick due to its robust EPS CAGR of 23% in CY16-19F and strong relationship with its key customer, Broadcom.

Figure 1: Historical annual sector core net profit and projected FY17-19F net profit



SOURCES: CIMB RESEARCH, COMPANY

Highlighted companies

Inari-Amertron Bhd
ADD, TP RM3.10, RM3.43 close

We expect Inari to continue to ride the growing demand for RF content in smartphones, driven by increasing connectivity requirements. We see stronger earnings contribution from new ventures, such as iris scanners and mixed signal testing, coming in in 2018F.

Unisem
ADD, TP RM5.00, RM3.53 close

Unisem is investing in a 12-inch 10k wafer bumping line in Ipoh. We think this could provide opportunities for Unisem to move up the value chain as the line will be producing high-end microphones for smart devices. Unisem is also planning to add a Chinese wafer foundry customer following its capacity expansion in Chengdu in 2018F.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
Inari-Amertron Bhd	27.49	22.43	20.17
Unisem	14.52	12.62	11.17
P/BV (x)	**Dec-17F**	**Dec-18F**	**Dec-19F**
Inari-Amertron Bhd	7.45	6.60	5.80
Unisem	1.72	1.60	1.48
Dividend Yield	**Dec-17F**	**Dec-18F**	**Dec-19F**
Inari-Amertron Bhd	2.75%	2.73%	2.88%
Unisem	3.42%	3.70%	3.98%

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Figure 2: Sector comparison

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY2017	CY2018		CY2017	CY2018	CY2017	CY2018	CY2017	CY2018	CY2017	CY2018
Aemulus Holdings Bhd	AMLS MK	Hold	0.61	0.69	65	32.0	24.2	na	3.51	3.07	11.3%	13.5%	29.4	21.6	0.0%	0.0%
Inari-Amertron Bhd	INRI MK	Add	3.43	3.10	1,721	27.5	22.4	23.7%	7.45	6.60	29.2%	30.9%	20.5	16.9	2.8%	2.7%
Malaysian Pacific Industries	MPI MK	Hold	12.02	15.00	586	13.3	12.8	7.1%	2.13	1.92	16.9%	15.7%	5.0	4.4	2.4%	2.6%
Unisem	UNI MK	Add	3.53	5.00	635	14.5	12.6	12.1%	1.72	1.60	11.8%	13.1%	6.7	5.6	3.4%	3.7%
Sector average						**19.6**	**17.1**	**15.7%**	**3.34**	**3.04**	**17.7%**	**18.6%**	**10.2**	**8.8**	**2.8%**	**2.8%**
Advanced Semiconductor	2311 TT	Hold	37.85	42.00	11,009	13.7	16.6	0.4%	1.67	1.61	12.7%	9.6%	5.7	5.7	3.9%	3.3%
Chipbond Technology	6147 TT	Not Rated	57.80	Not Rated	1,251	17.1	12.8	NA	1.53	1.45	8.8%	11.3%	7.0	6.0	3.8%	4.8%
Powetech Technology Inc	6239 TT	Not Rated	87.30	Not Rated	2,268	11.5	10.0	NA	1.77	1.69	15.2%	16.7%	5.0	4.5	5.3%	6.2%
Siliconware Precision	2325 TT	Not Rated	49.80	Not Rated	5,174	17.9	15.8	NA	2.13	2.05	13.6%	14.2%	6.8	6.2	4.5%	4.2%
Taiwan OSAT average						**15.0**	**13.8**	**NA**	**1.8**	**1.7**	**12.6%**	**13.0%**	**6.1**	**5.6**	**4.4%**	**4.6%**
Murata	6981 JT	Not Rated	15,040	Not Rated	30,090	20.9	20.3	NA	2.25	2.09	11.3%	11.9%	13.1	8.2	1.7%	1.8%
Broadcom	AVGO US	Not Rated	264.4	Not Rated	107,866	15.7	13.6	NA	5.21	4.84	12.0%	26.2%	9.5	8.9	2.0%	2.5%
Qorvo	QRVO US	Not Rated	67.05	Not Rated	8,525	13.9	12.3	NA	1.74	1.67	10.8%	15.4%	9.3	7.5	0.0%	0.0%
Skyworks	SWKS US	Not Rated	95.84	Not Rated	17,557	14.2	13.2	NA	4.14	3.48	27.4%	29.0%	9.6	8.6	1.3%	1.4%
Global RF average						**16.1**	**14.9**	**NA**	**3.3**	**3.0**	**15.4%**	**20.6%**	**10.4**	**8.3**	**1.2%**	**1.4%**

SOURCE: CIMB RESEARCH, COMPANY

Sector Note

Malaysia

Neutral *(no change)*

Highlighted companies

Axiata Group
ADD, TP RM6.00, RM5.35 close

We expect Axiata's core EPS to rise by a strong 29%/50% in FY18F/19F due to: 1) much higher contributions from XL, 2) net profit breakeven for Airtel by end-2018F, and 3) cessation in equity accounting for Idea's losses post its merger with Vodafone.

DiGi.com
HOLD, TP RM5.00, RM4.82 close

We believe that Digi is a beneficiary of the spectrum re-allocation exercise, which should result in postpaid RMS gains over time. However, in the short term, earnings could see some pressure due to its bigger exposure to the highly competitive prepaid market.

Maxis Berhad
HOLD, TP RM5.80, RM5.93 close

We believe Maxis will continue to face challenges defending its lucrative postpaid business over the long run as the market moves closer towards network parity. The non-renewal of the U Mobile 3G RAN sharing contract is also a blow to earnings. However, we believe that Maxis could deliver relatively better earnings in the short term due to its lower exposure to prepaid.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
Axiata Group	39.88	31.03	20.70
DiGi.com	24.96	25.42	23.75
Maxis Berhad	21.18	22.21	23.82
P/BV (x)	**Dec-17F**	**Dec-18F**	**Dec-19F**
Axiata Group	1.98	1.93	1.86
DiGi.com	72.17	72.17	72.17
Maxis Berhad	6.78	6.50	6.44
Dividend Yield	**Dec-17F**	**Dec-18F**	**Dec-19F**
Axiata Group	1.25%	2.74%	4.11%
DiGi.com	4.01%	3.93%	4.21%
Maxis Berhad	3.71%	3.88%	4.05%

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Telco - Overall

Smoother sailing with a few potential bumps

- Flat to low single-digit industry mobile revenue growth in FY18 on stable competition.
- We see EBITDA margin improvement at Celcom and sustained margins for the other players. Capex/sales should ease for both mobile and fixed.
- MCMC will likely announce 700MHz spectrum auction winners by 1Q18.
- Fixed broadband may see higher levels of market activities. Resolution to MCMC's proposal to set HSBB wholesale prices on cost-plus basis will be keenly watched.
- We stay sector Neutral. Axiata is our top Malaysian telco pick.

Flat to low single-digit mobile revenue growth on stable competition

Mobile market competition started to stabilise since mid-2017 and could stay so into 2018. With prices lowered in the past three years, we think the major players are not looking to further undercut each other and we see some recent evidence of market repair. U Mobile turned EBITDA positive in Mar 2017 and will also want to preserve its profits ahead of a planned IPO in 2H18, in our view. We see the mobile industry posting flat to low single-digit service revenue growth in 2018, after recording declines in 2015-17F.

EBITDA margin to be sustained, while capex intensity to ease

We see EBITDA margin for Digi, Maxis and TM largely sustained in FY18, while Celcom's margin should improve 1-2% pts yoy as its revenue improves and network cost eases. Industry mobile capex/sales should ease from 15.0% in FY17F to 14.5% in FY18F, as 4G coverage has already hit c.85-90% at end-2017F. We also expect TM's capex/sales to ease from 27.3% in FY17F to 21.9% in FY18F, post-completion of the HSBB2 project.

700MHz spectrum auction winners likely known by 1Q18

Telcos will submit their business plans to the Malaysian Communications and Multimedia Commission (MCMC) by 2 Jan 2018 to vie for the 700MHz in a beauty contest, with the winners likely to be known by 1Q18. Prices have been set at RM215.5m per 2x5MHz, which is cheap by regional standards. There could be four winners, each getting 2x10MHz. If TM and/or Yes win, it may enhance their abilities to roll out good 4G network coverage, leading to more intense competition in the medium-term, in our view.

Fixed Broadband – a space to watch in 2018

We believe TM's recent Fixed Broadband campaigns are aimed at managing the churn of Streamyx subs to other providers, to better compete for high-rise subs and improve Broadband affordability. If sustained and offered to existing subs in 2018, it could see some ARPU erosion. While it is early days yet, a) MCMC's plan to set HSBB wholesale prices on a cost-plus basis in its "Review of Access Pricing" and b) Celcom's plans to rollout 4.5G Fixed Wireless Broadband, are developments to watch out for in 2018.

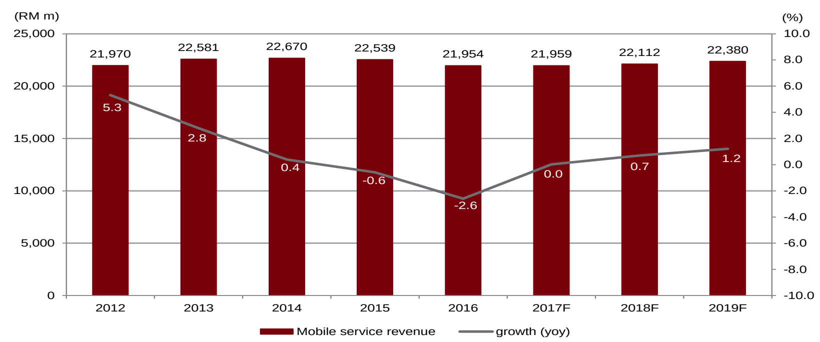
Other events to look out for in 2018

Current Maxis CEO, Morten Lundal, will be leaving the company upon the expiry of his contract on 31 Mar 2018. The market will keep a close watch on the appointment of his successor to steer Maxis through structural headwinds as the market inches closer to network parity. U Mobile's 3G RAN sharing agreement with Maxis will be progressively dismantled through 2018, with possibly some negative impact to its network quality.

Maintain Neutral on the Malaysian telco sector; top pick is Axiata

We keep our Neutral rating for the Malaysian telco sector, which is trading in line with the ASEAN average FY18F EV/OpFCF of 17.1x. Mobile competition is stabilising with some telcos trying to better monetise, which could see the industry returning to low-single-digit revenue growth next year. FY17-18F yields are decent at 3.2-3.6%. Our top pick and only Add is Axiata. We have Hold ratings on Maxis, TM and Digi. Key upside/downside risks: competition eases/intensifies significantly.

Figure 1: Mobile industry service revenue growth



SOURCES: CIMB RESEARCH, COMPANY

CIMB

Figure 2: ASEAN telco sector comparison

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Mkt Cap (US$ m)	Core P/E (x) 2017F	Core P/E (x) 2018F	EV/EBITDA (x) 2017F	EV/EBITDA (x) 2018F	EV/OpFCF (x) 2017F	EV/OpFCF (x) 2018F	3-year CAGR (%) EPS	3-year CAGR (%) EBITDA	Dvd Yield (%) 2017F	Dvd Yield (%) 2018F
Axiata	AXIATA MK	ADD	5.35	6.00	11,860	39.9	31.0	6.7	5.9	28.8	16.0	17.5	12.4	1.3	2.7
Maxis	MAXIS MK	HOLD	5.93	5.80	11,348	21.2	22.2	11.4	11.5	14.9	14.8	(1.8)	(0.2)	3.7	3.9
DiGi	DIGI MK	HOLD	4.82	5.00	9,182	25.0	25.4	13.9	13.8	19.3	19.2	(1.5)	0.5	4.0	3.9
TM	T MK	HOLD	6.04	6.40	5,561	24.7	24.5	7.7	7.5	23.4	17.8	6.0	1.2	3.6	3.7
MY telcos avg (ex-outliers)						**27.7**	**25.8**	**9.9**	**9.7**	**21.6**	**16.9**	**5.0**	**3.5**	**3.2**	**3.6**
SingTel	ST SP	ADD	3.61	4.10	43,720	15.4	14.8	8.7	8.4	17.4	17.0	1.4	(1.1)	4.9	5.1
Starhub	STH SP	HOLD	2.88	2.50	3,693	16.9	17.1	9.2	9.3	14.8	14.5	(9.9)	(3.9)	5.6	5.6
M1	M1 SP	HOLD	1.79	1.80	1,228	11.8	13.1	6.8	7.6	12.0	12.9	(11.9)	(3.5)	6.8	6.1
SG telcos avg (ex-outliers)						**14.7**	**15.0**	**8.2**	**8.4**	**14.7**	**14.8**	**(6.8)**	**(2.8)**	**5.7**	**5.6**
TLKM	TLKM IJ	ADD	4,190	4,700	31,099	18.9	17.8	9.4	8.7	21.4	17.0	11.1	8.6	3.8	3.9
XL	EXCL IJ	ADD	2,950	4,000	2,322	50.9	28.5	5.4	5.0	56.5	35.1	nm	7.3	0.0	1.1
Indosat	ISAT IJ	ADD	4,920	7,300	1,969	19.3	19.3	3.4	3.4	9.0	10.6	20.8	2.4	2.6	2.6
Link Net	LINK IJ	ADD	5,625	6,000	1,260	17.9	15.1	8.2	7.1	16.1	12.4	16.6	12.2	2.8	3.3
Indo telcos avg (ex-outliers)						**18.7**	**17.4**	**6.6**	**6.1**	**15.5**	**18.8**	**13.9**	**7.6**	**2.3**	**2.7**
AIS	ADVANC TB	ADD	183.50	218.31	16,714	19.9	17.2	9.6	8.9	20.5	14.6	7.7	10.1	3.7	4.3
DTAC	DTAC TB	ADD	42.75	53.63	3,101	57.2	105.5	4.5	5.8	19.4	27.1	17.4	3.2	0.8	0.7
True	TRUE TB	ADD	6.00	7.49	6,133	nm	nm	9.3	7.9	(43.2)	41.2	nm	28.7	0.0	0.0
Jasmine	JAS TB	ADD	7.00	7.45	1,430	17.9	20.7	8.7	8.1	68.6	40.8	4.8	11.5	9.0	7.6
JASIF	JASIF TB	ADD	11.80	13.40	1,988	11.9	11.8	11.4	11.3	11.6	11.4	3.0	2.9	8.0	8.0
Thaicom	THCOM TB	REDUCE	12.30	11.90	413	29.6	25.0	2.7	1.6	3.0	1.8	(23.8)	(6.9)	2.5	6.5
Intouch	INTUCH TB	ADD	55.25	64.00	5,427	15.0	13.3	13.6	11.7	13.6	11.7	(2.1)	(2.1)	4.7	5.1
Thai telcos avg (ex-outliers)						**18.9**	**17.6**	**8.5**	**7.9**	**13.6**	**17.9**	**1.2**	**6.8**	**4.1**	**4.6**
Globe	GLO PM	HOLD	1,810	2,060	4,768	15.0	14.7	7.0	6.8	38.2	27.9	2.6	7.4	5.0	5.5
PLDT	TEL PM	HOLD	1,450	1,732	6,209	15.1	15.3	5.2	5.0	12.3	11.1	2.9	5.7	5.1	3.9
Philippines telcos avg (ex-outliers)						**15.1**	**15.0**	**6.1**	**5.9**	**12.3**	**19.5**	**2.8**	**6.6**	**5.1**	**4.7**
Asean Telcos avg (ex-outliers)						**18.5**	**19.3**	**8.1**	**7.8**	**17.0**	**17.1**	**3.4**	**4.8**	**3.9**	**4.2**

Note: Share prices as of 19 Dec 2017; Operating FCF is calculated as EBITDA minus average 3-year forward capex
SOURCES: CIMB, BLOOMBERG

Sector Note

Malaysia

Neutral *(no change)*

Highlighted companies

AirAsia Berhad
ADD, TP RM4.04, RM3.30 close

We expect AirAsia to pay a special dividend of RM1.14/share from the selective disposal of its leasing arm and other assets. Meanwhile, it is planning aggressive capacity growth in FY18F to solidify its market share.

Malaysia Airports Holdings
ADD, TP RM10.56, RM8.47 close

MAHB's healthy passenger traffic growth should underpin its organic earnings growth. It is also planning to sell part of its stake in Sabiha Gokcen International Airport (ISG), and negotiations with the government on its concession terms may be done in 2H18F.

Westports Holdings
ADD, TP RM4.11, RM3.56 close

The worst is behind Westports, as CMA CGM and United Arab Shipping Company (UASC) have already transferred their transhipment cargoes to Singapore by 3Q17. Going forward, strong underlying gateway traffic should help restore earnings growth.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
AirAsia Berhad	4.56	7.12	7.34
Malaysia Airports Holdings	57.18	28.48	22.95
Westports Holdings	18.91	18.90	19.40
P/BV (x)	**Dec-17F**	**Dec-18F**	**Dec-19F**
AirAsia Berhad	1.17	1.03	0.92
Malaysia Airports Holdings	1.60	1.56	1.52
Westports Holdings	5.45	5.08	4.95
Dividend Yield	**Dec-17F**	**Dec-18F**	**Dec-19F**
AirAsia Berhad	6.06%	2.12%	2.42%
Malaysia Airports Holdings	2.22%	3.43%	4.00%
Westports Holdings	3.97%	3.97%	4.64%

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Transport

Aviation still the best bet

- Our top picks for the Transport sector in 2017F were AirAsia and MAHB, and we maintain both stocks as top picks in 2018F, given the near-term catalysts.
- AirAsia's special dividend story is still intact, with the selective disposals of its assets, while MAHB is looking to sell part of its stake in ISG.
- With a wafer-thin core net profit margin, AAX is too risky for investors, in our view.
- But MISC and Westports have probably seen the worst behind them, and their earnings should stabilise first, then grow again in the years to come.

Airlines earnings to come under some pressure

We are forecasting AirAsia and AAX's FY18F core net profit to fall yoy, due to a potential increase in jet fuel price to an average price of US$70/bbl FY18F, vs. US$65/bbl in FY17F, and a much lighter hedging position next year compared to this year. Furthermore, both airlines plan to grow their fleet more aggressively next year, which may lead to some negative yield impact as the new capacity needs to be marketed.

AirAsia is making strategic, long-term investments…

Despite expecting lower FY18F earnings, we are not worried about AirAsia, as we still expect Malaysia AirAsia (MAA) to earn a healthy core airline net profit margin of 11% in FY18F, which is sufficient to absorb unforeseen external shocks. Furthermore, AirAsia's expansion is strategic in nature, as it is striving to respond to strong demand and load factors, and also working to take over some domestic frequencies that were abandoned by its competitors. By FY19F, AirAsia should benefit handsomely.

...but AAX's operating leverage is too high for comfort

On the other hand, we expect AAX's Malaysia operations to deliver only 1% core airline net profit margin in FY18F, leaving very little room for error. We believe the investment risks are too great for AAX, hence we maintain our Reduce rating. AirAsia stays an Add because we expect RM1.14/share in special dividends in the next 12 months to maintain investor interest in the stock despite the potential for softer earnings.

Malaysia Airports may see multiple catalysts in 2H18F

Malaysian pax traffic growth at 9.2% in FY17F, and a further 4.9% in FY18F, should drive organic earnings growth for MAHB. In addition, international pax flying out of KLIA2 beyond ASEAN will be subjected to airport tax of RM73, from RM50, effective 1 Jan 2018. Other catalysts include a potential sale of 30-40% stake in ISG, and a potential improvement to the terms of its concession (user fee rate, right to tax passengers to fund airport capex etc.) when it wraps up its negotiations with the government by 2H18F.

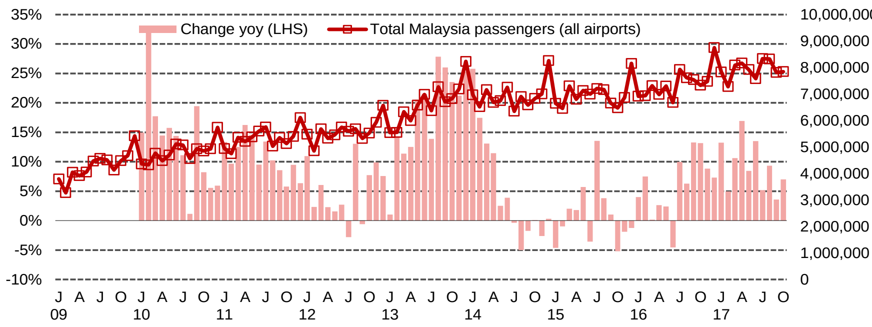
Westports can now refocus on strategic expansion

The full impact of the container shipping alliance restructuring should have already been seen during 3Q17. Overall, we forecast a volume decline of 9.5% yoy in FY17F and marginal growth of 0.2% in FY18F. Westports's future is secure, as it recently secured government approval to expand its port capacity to a maximum of 30m teus p.a. which can sustain it for more than 20 years. We deduce that the government will most likely defer the competing Pulau Carey development.

Worst is (almost) behind MISC

We believe MISC's earnings will decline yoy in FY18F due to lower forecast offshore and LNG contributions but a tanker cycle recovery will mitigate the impact. We expect the tanker operations under AET to report a full-year loss in FY17F, but recover to profitability in FY18F. We believe MISC is looking to reduce or eliminate its chemical tanker losses, by way of potentially disposing of some of its chemical tanker vessels. With the balance of risks and rewards, we have a Hold call on MISC.

Figure 1: Malaysia's airport passenger traffic



SOURCES: CIMB RESEARCH, MALAYSIA AIRPORTS

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Figure 2: Sector Comparisons

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x) CY17F	Core P/E (x) CY18F	3-year EPS CAGR (%)	P/BV (x) CY17F	P/BV (x) CY18F	Recurring ROE (%) CY17F	Recurring ROE (%) CY18F	Recurring ROE (%) CY19F	EV/EBITDA (x) CY17F	EV/EBITDA (x) CY18F	Dividend Yield (%) CY17F	Dividend Yield (%) CY18F
AirAsia Berhad	AIRA MK	Add	RM3.30	RM4.04	2,702	8.1	9.8	-8.9%	1.17	1.03	17.0%	11.2%	11.8%	7.0	8.1	6.1%	2.1%
AirAsia X Berhad	AAX MK	Reduce	RM0.33	RM0.28	335	13.0	14.7	-19.4%	1.14	1.06	9.2%	7.5%	7.4%	4.9	5.7	0.0%	0.0%
Malaysia Airports Holdings	MAHB MK	Add	RM8.47	RM10.56	3,444	37.2	22.6	42.4%	1.60	1.56	4.3%	7.0%	8.3%	10.2	8.3	2.2%	3.4%
Westports Holdings	WPRTS MK	Add	RM3.56	RM4.11	2,975	18.9	18.9	0.5%	5.45	5.08	29.9%	27.8%	25.8%	11.8	11.2	4.0%	4.0%
MISC Bhd	MISC MK	Hold	RM7.12	RM7.41	7,788	15.0	16.0	2.0%	0.89	0.87	6.0%	5.5%	5.6%	8.9	8.8	3.7%	3.7%
Average						**15.5**	**15.9**	**3.3%**	**1.27**	**1.21**	**8.5%**	**7.8%**	**8.2%**	**8.8**	**8.7**	**3.7%**	**3.4%**

SOURCE: CIMB RESEARCH, COMPANY

Sector Note

Malaysia

Overweight *(no change)*

Highlighted companies

Tenaga Nasional
ADD, TP RM15.70, RM14.90 close

Tenaga offers strong organic earnings growth potential. In Malaysia, it is building four new power plants, which should raise its generation earnings in 2018-2020.

YTL Power International
ADD, TP RM1.50, RM1.26 close

Although its earnings may be negatively affected by intense competition in the Singapore power industry and weaker pound sterling, its FY18F dividend yield is still one of the highest among the utilities counters under our coverage.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
Tenaga Nasional	11.80	11.74	12.15
YTL Power International	14.44	13.33	12.87
P/BV (x)	**Dec-17F**	**Dec-18F**	**Dec-19F**
Tenaga Nasional	1.47	1.39	1.31
YTL Power International	0.77	0.77	0.77
Dividend Yield	**Dec-17F**	**Dec-18F**	**Dec-19F**
Tenaga Nasional	3.17%	4.26%	4.12%
YTL Power International	5.57%	7.54%	7.93%

Utilities - Overall

Negatives largely priced in

- Possible interest rate hike and industry regulation revision could be utilities sector disruptors in 2018F.
- Our rating on the utilities sector remains Overweight as we believe the negatives are largely reflected in current valuations.
- We think the earnings of the affected companies would normalise after the revision of regulatory period 2 (RP2) and implementation of Third-Party Access (TPA).
- We prefer Tenaga due to its suppressed valuation arising from the uncertainties related to the upcoming RP2.

Interest rate hike could be on the cards

Bank Negara Malaysia's Overnight Policy Rate (OPR) has been unchanged at 3% since Jul 2016, but our economist thinks that a rate hike could be on the cards and pencils in a 25bp hike in 1Q18F (possibly in Jan 2018F). We think this could be negative for the utilities sector as investors may avoid defensive sectors in a rising rate environment. However, utilities stocks typically have resilient earnings compared to other sectors and come with decent FY18F average dividend yields of c.4%, based on our estimates.

Electricity tariff revision in 2018F

Under the incentive-based regulation (IBR) framework regulatory period 1 (RP1, 2014-17F), Tenaga's allowed return on its transmission and distribution (T&D) assets is 7.5%. However, its actual average tariff is about 2% higher than the base tariff set by IBR due to higher electricity consumption by the commercial sector. As such, when the regulator revises the IBR parameters for RP2 (starting in 2018F), the allowable return may be lowered and we see earnings risk from possible removal of the additional 2% tariff.

Third-Party Access to have negative impact on gas players

Beyond 2017F, we think the gas industry would be adversely affected by the implementation of TPA. The TPA system allows any party to access and utilise the gas facilities available in Malaysia. Once TPA is implemented, IBR will regulate the assets' earnings to curb monopolistic pricing. These assets would be allowed to earn a percentage of return on their value. The return percentage and asset values will be reviewed periodically to reflect market conditions.

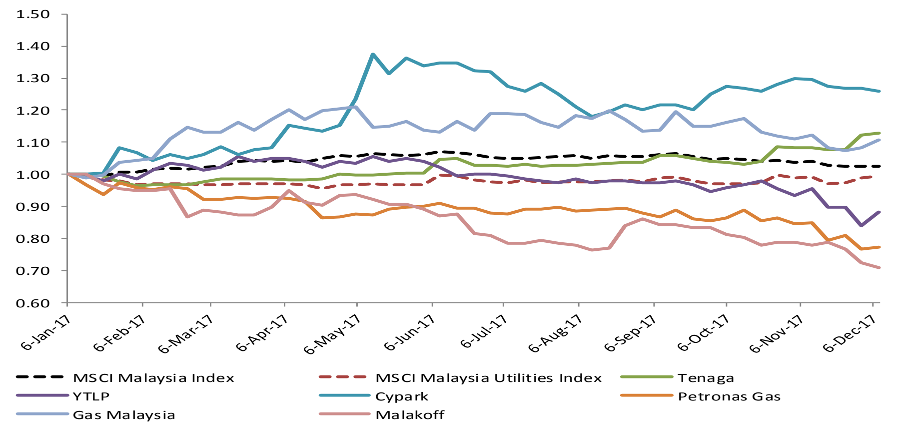
Downside risks largely reflected in current valuations

While there are earnings risks to the utilities sector from the upcoming IBR revision and TPA implementation, we think the downside risks are largely reflected in current sector valuations. The MSCI Malaysia Utilities Index has underperformed the KLCI Index by 7% YTD, indicating that the market has factored in possible downside (despite the sector's defensive nature and decent FY18F dividend yield of c.4%.) We think the upcoming IBR and TPA will affect Tenaga, Petronas Gas and Gas Malaysia.

Tenaga is our top pick

Among the utilities stocks that we cover, we consider the P/E valuations of Tenaga, YTLP and Cypark the cheapest, as they trade at only 8-13x CY18F P/E, compared to Petronas Gas, Gas Malaysia and Malakoff that trade at 16-29x CY18F P/E. We recommend that investors accumulate Tenaga, YTLP and Cypark because: 1) their valuations are likely to be less affected by rising interest rates; 2) they have stronger FY18F earnings growth prospects, which could moderate the impact of a higher discount rate to their valuations.

Figure 1: Utilities share price performance vs. indices



SOURCES: CIMB RESEARCH, BLOOMBERG

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Figure 2: Sector Comparison

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)	Recurring ROE (%)		Dividend Yield (%)
						CY17F	CY18F		CY17F	CY17F	CY18F	CY17F
Tenaga Nasional	TNB MK	Add	14.90	15.70	20,687	11.8	11.7	-3.8%	1.47	13.4%	12.2%	3.2%
Petronas Gas	PTG MK	Hold	16.40	19.40	7,952	18.1	15.8	2.5%	2.60	14.3%	16.0%	3.9%
YTL Power International	YTLP MK	Add	1.26	1.50	2,447	14.7	13.3	-13.2%	0.77	5.3%	5.8%	5.6%
Malakoff Corporation	MLK MK	Hold	0.90	1.05	1,096	19.9	28.5	-30.8%	0.76	3.7%	2.6%	4.5%
Gas Malaysia Berhad	GMB MK	Hold	2.75	2.99	865	22.5	20.2	14.5%	3.46	15.0%	17.1%	4.4%
Cypark Resources Bhd	CYP MK	Add	2.54	2.87	163	11.7	7.9	9.4%	1.32	11.9%	15.5%	2.0%
Average						**14.1**	**13.6**	**-3.3%**	**1.72**	**12.7%**	**12.5%**	**3.6%**

NOTE: AS OF 19 DEC 2017

SOURCE: CIMB RESEARCH, BLOOMBERG

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Sector Note

Water Treatment & Services

The never-ending story

Malaysia

Neutral *(no change)*

Highlighted companies

Gamuda
ADD, TP RM6.00, RM4.85 close

Gamuda is the 40% owner of Splash. Once the takeover of Splash is completed, Gamuda stands to reap RM1.1bn-RM1.2bn in cash proceeds. We do not discount a special dividend on the cards paid from the proceeds.

Salcon
REDUCE, TP RM0.43, RM0.46 close

Salcon is likely to miss its FY17 order book replenishment target of RM500m due to the lack of new water-related infra job awards. The visibility of tenders over the next six months, too, is poor in our view.

Taliworks Corporation
HOLD, TP RM1.10, RM1.12 close

Taliworks has accumulated receivables worth RM587m from the Sungai Selangor Phase 1 Water Treatment Plant (SSP1) it operates. Recovering the owed amount hinges on Splash's takeover.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
Gamuda	17.68	14.71	12.75
Salcon	NA	21.41	17.90
Taliworks Corporation	19.96	17.63	17.28

P/BV (x)	Dec-17F	Dec-18F	Dec-19F
Gamuda	1.51	1.43	1.41
Salcon	0.70	0.69	0.67
Taliworks Corporation	1.19	1.18	1.17

Dividend Yield	Dec-17F	Dec-18F	Dec-19F
Gamuda	2.39%	2.39%	2.38%
Salcon	0.00%	2.17%	4.35%
Taliworks Corporation	7.14%	7.14%	7.14%

- Splash's takeover talks have been extended to Jul 2018; Oct 17 deadline missed.
- At RM2.8bn-RM3bn valuation, Gamuda could take home RM1.1bn-RM1.2bn cash.
- Taliworks' SSP1 receivables owed by Splash have accumulated to RM587m as at end-3Q17.
- Salcon remains a beneficiary of water infra but contract flows could be delayed. We are less bullish on Salcon's outlook in 2018.
- Maintain Neutral, pending better visibility on Splash's takeover conclusion.

Selangor's takeover of Splash now extended to Jul 2018

Selangor's water industry's consolidation saga continues to the tenth year, as Syarikat Pengeluar Air Selangor Holdings (Splash) remains the last concessionaire to be taken over by the state government. The latest developments point to Jul 2018 as the new deadline for the negotiations between the Selangor government and Splash's shareholders, which include Gamuda (GAM MK, ADD).

No deal by the earlier Oct deadline

According to The Edge Markets, the Selangor government rejected the Federal government's proposed 40:60 split of Splash's acquisition cost in Oct (est. book value of RM2.8bn-3bn). Now that independent valuers have conducted their valuation exercises, we believe that valuation is no longer the stumbling block to the negotiations. The outcome of the 14th General Election (GE), which must take place by Aug 2018, should give more visibility on whether the talks could come through this time around.

Potential impact on Taliworks

If the water deals go through, Taliworks' Sungai Selangor Phase 1 (SSP1) Water Treatment Plant (SSP1) could recover its accumulated receivables of RM587m (as at end-3Q17) from Splash. In terms of impact on P&L, net profit would also be substantially boosted by a potential write-back of the provisions related to the receivables (RM157m at end-3Q17).

Salcon's Langat 2 WTP phase could be delayed

The ongoing Langat 2 WTP phase 1 job (RM994m, 36% stake) is on track for completion by 2019F. However, we are concerned about the possibility of further delays in phase 2 of the WTP contract, which we previously expected to be awarded by end-2017F. Our industry checks indicate that there is no urgency for the government to award phase 2 this year, given the ample capacity available in the medium term. This could also hinge on the resolution of the Splash deal.

Gamuda to gain from Splash sale

Based on the reported RM2.8bn-RM3bn valuation, Splash's 40% equity stake held by Gamuda would yield disposal proceeds of RM1.1bn-RM1.2bn in cash. On a per share basis, this would work out to 46 sen-49 sen. The Sweet Water Alliance and Kumpulan Perangsang Selangor (KUPS MK, NR) would each receive RM840m-RM900m, proportionate to the 30% equity stake in Splash that each holds.

Maintain Neutral

We maintain our Neutral stance on the water sector given the persistent delays relating to water restructuring in Selangor. If the water deals are resolved, Gamuda (Maintain Add) and Taliworks (Maintain Hold) would be the main beneficiaries. A recovery in large-scale water tenders in 2018 could benefit Salcon (Maintain Reduce) but tender visibility remains weak at this juncture. Upside risks to both water deals and water infra outlook in Selangor rest on the conclusion of the long-awaited sale of Splash.

Figure 1: Water exposures of selected companies

Companies	Exposure
Gamuda	Potential divestment value of RM2-8bn to RM3bn
Taliworks	Post consolidation play in Selangor
Salcon	RM1.4bn allocated for NRW under Budget 2018
Engtex (NR)	Larger diameter pipes for Langat 2 WTP phase 1
Hiap Teck Venture (NR)	Nationwide NRW pipe replacement works
YLI Holdings (NR)	Nationwide NRW pipe replacement works
Jaks Resources (NR)	Nationwide NRW pipe replacement works
Kumpulan Perangsang Selangor (NR)	Potential pipe contracts in Selangor

SOURCES: CIMB RESEARCH, COMPANY

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Figure 2: Sector Comparisons

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)	
						CY2017	CY2018		CY2017	CY2018	CY2017	CY2018	CY2019	CY2017	CY2018	CY2017	CY2018
Gamuda	GAM MK	Add	RM4.85	RM6.00	2,918	11.9	9.8	14.1%	1.51	1.43	8.9%	10.0%	11.2%	19.5	16.0	2.5%	2.5%
Taliworks Corporation	TWK MK	Hold	RM1.12	RM1.10	332	28.0	23.8	-1.8%	1.19	1.18	4.3%	5.0%	5.1%	22.6	21.4	7.1%	7.1%
Salcon	SALC MK	Reduce	RM0.46	RM0.43	76	na	21.4	15.8%	0.70	0.69	-0.4%	3.2%	3.8%	27.0	2.4	0.0%	2.1%
Average						**13.1**	**10.6**	**13.2%**	**1.45**	**1.38**	**8.0%**	**9.3%**	**10.3%**	**19.8**	**16.1**	**2.8%**	**2.8%**

SOURCE: CIMB RESEARCH, COMPANY

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Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 0	Hold 1	Sell 0

Current price:	RM0.61
Target price:	RM0.69
Previous target:	RM0.69
Up/downside:	14.0%
CIMB / Consensus:	0.0%
Reuters:	AEML.KL
Bloomberg:	AMLS MK
Market cap:	US$65.06m
	RM265.5m
Average daily turnover:	US$0.58m
	RM2.43m
Current shares o/s	438.9m
Free float:	51.4%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-6.2	-1.6	227
Relative (%)	-7.1	0.6	220.7

Major shareholders	% held
Ng Sang Beng	21.9
Bombalai Hill Ventures	15.0
Yeoh Chee Keong	11.7

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Aemulus Holdings Bhd

Getting back on track

- Following a reversal in fortunes, Aemulus turned profitable in FY9/17, driven by higher tester shipment volume growth on the back of stronger demand recovery.
- We expect Aemulus to record higher volume growth in FY18, driven by the newly-launched AE7600-S RF tester and new customer and design wins in North Asia.
- Maintain Hold with an unchanged RM0.69 TP, based on 22x CY19F P/E.

Back in the black in FY9/17

- Aemulus posted RM40m revenue in FY9/17, up 82% yoy, the highest revenue in the history of the company, driven by higher radio-frequency (RF) and enterprise tester shipment volumes on the back of new customer wins and demand recovery across the enterprise storage and S&T segments. Aemulus shipped 10 units of AE4600 testers in FY9/17 (vs. two units in FY16). Overall, Aemulus recorded RM7.6m core net profit in FY9/17 against a core net loss of RM0.9m in FY9/16.

New initiatives in North Asia beginning to gain traction

- Aemulus set up a new regional office for China and Taiwan last year as part of management's efforts to be closer to its key clients. We are encouraged to see good traction from the venture given that it recorded 20% yoy revenue growth in FY9/17, driven by a new customer win. We expect China to be a key growth driver in FY18F, driven by successful product penetration of local Chinese semiconductor contract manufacturers. We expect double-digit revenue growth in the China market in FY18.

Mixed industry demand outlook for 2018

- Independent market research group, Gartner, projected worldwide semiconductor equipment sales to grow by 10.2% in 2017 (vs. 9.1% in 2016), primarily due to strong demand for wafer processing equipment. However, Gartner expects the market to contract by 0.5% in 2018 due to the cyclical nature of the industry.
- However, another market research group, Semiconductor Intelligence, is projecting 10% growth in equipment demand in 2018, driven by sustained end market demand on the back of an improving global economy.

Staying focused on the communications segment

- Aemulus remains committed to expanding its RF testing solutions given that it is in the midst of developing a new tester for wireless communications in the higher frequency band. This will position Aemulus for market opportunities that demand high frequency, such as automotive, radar and 5G wireless.

New products portfolio to drive earnings growth

- Aemulus launched its third-generation RF tester, the AE7600-S, in Sep 17. We understand that the new RF tester is embedded with smart manufacturing software to support the industry 4.0 framework, which is expected to drive cost savings for semiconductor contract manufacturers. We expect the new AE7600-S and existing AE4600 testers to drive volume growth for Aemulus in FY18. Overall, we project 20% volume growth in FY18.

Maintain Hold and target price

- We maintain a Hold rating on the stock with an unchanged RM0.69 TP, still based on 22x CY19 P/E, in line with the peer average. New design and customer wins are potential upside risks, while the strengthening of the ringgit vs. US$ and weaker demand for testers are downside risks. Switch to Inari for better growth exposure to the Malaysian semiconductor sector.

Financial Summary	Sep-16A	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Revenue (RMm)	21.98	40.07	46.80	54.52	59.78
Net Profit (RMm)	(2.74)	7.64	10.22	13.23	15.02
Core EPS (RM)	(0.006)	0.017	0.023	0.030	0.034
Core EPS Growth	(134%)		34%	29%	14%
FD Core P/E (x)	NA	34.74	25.97	20.06	17.68
Price To Sales (x)	12.08	6.63	5.67	4.87	4.44
DPS (RM)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	NA	30.28	22.23	17.99	14.45
P/FCFE (x)	NA	NA	16.70	NA	11.65
Net Gearing	(6.0%)	(4.8%)	(23.6%)	(12.5%)	(31.4%)
P/BV (x)	4.06	3.64	3.19	2.75	2.38
ROE	(4.1%)	11.0%	13.1%	14.7%	14.4%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.01	1.01	1.01

SOURCE: COMPANY DATA, CIMB FORECASTS

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BY THE NUMBERS

Profit & Loss

(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Total Net Revenues	**40.07**	**46.80**	**54.52**	**59.78**
Gross Profit	**25.12**	**28.08**	**32.71**	**35.87**
Operating EBITDA	**8.65**	**11.06**	**14.08**	**15.94**
Depreciation And Amortisation	(0.97)	(1.03)	(0.98)	(1.02)
Operating EBIT	**7.68**	**10.03**	**13.10**	**14.93**
Financial Income/(Expense)	(0.04)	0.40	0.40	0.40
Pretax Income/(Loss) from Assoc.	0.00	0.00	0.00	0.00
Non-Operating Income/(Expense)	0.00	0.00	0.00	0.00
Profit Before Tax (pre-EI)	**7.64**	**10.43**	**13.50**	**15.33**
Exceptional Items				
Pre-tax Profit	**7.64**	**10.43**	**13.50**	**15.33**
Taxation	(0.00)	(0.21)	(0.27)	(0.31)
Exceptional Income - post-tax				
Profit After Tax	**7.64**	**10.22**	**13.23**	**15.02**
Minority Interests	0.00	0.00	0.00	0.00
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**7.64**	**10.22**	**13.23**	**15.02**
Recurring Net Profit	7.64	10.22	13.23	15.02
Fully Diluted Recurring Net Profit	**7.64**	**10.22**	**13.23**	**15.02**

Balance Sheet

(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Total Cash And Equivalents	6.41	22.51	14.96	37.95
Total Debtors	20.50	19.14	25.06	22.25
Inventories	17.60	16.74	21.99	19.92
Total Other Current Assets	17.98	17.98	17.98	17.98
Total Current Assets	**62.50**	**76.38**	**80.00**	**98.10**
Fixed Assets	6.37	10.34	14.36	18.34
Total Investments	0.00	0.00	0.00	0.00
Intangible Assets	13.69	13.69	13.69	13.69
Total Other Non-Current Assets	0.42	0.42	0.42	0.42
Total Non-current Assets	**20.47**	**24.44**	**28.46**	**32.44**
Short-term Debt	0.41	0.41	0.41	0.41
Current Portion of Long-Term Debt				
Total Creditors	6.77	14.40	8.80	15.87
Other Current Liabilities	0.31	0.31	0.31	0.31
Total Current Liabilities	**7.49**	**15.12**	**9.52**	**16.59**
Total Long-term Debt	2.48	2.48	2.48	2.48
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0.00	0.00	0.00	0.00
Total Non-current Liabilities	**2.48**	**2.48**	**2.48**	**2.48**
Total Provisions	0.00	0.00	0.00	0.00
Total Liabilities	**9.97**	**17.60**	**12.00**	**19.07**
Shareholders' Equity	73.01	83.23	96.46	111.49
Minority Interests				
Total Equity	**73.01**	**83.23**	**96.46**	**111.49**

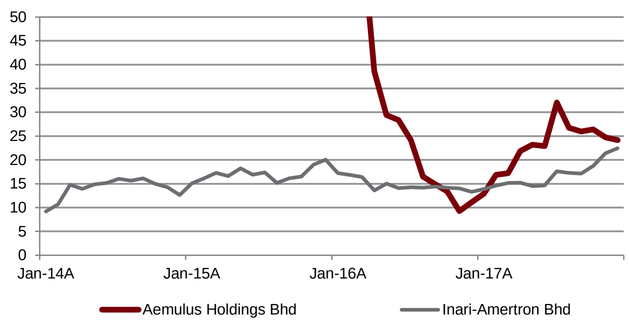
Cash Flow

(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
EBITDA	8.65	11.06	14.08	15.94
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(11.71)	9.84	(16.76)	11.95
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(0.03)	(0.20)	(0.20)	(0.20)
Net Interest (Paid)/Received	(0.07)	(0.10)	(0.10)	(0.10)
Tax Paid	(0.15)	(0.21)	(0.27)	(0.31)
Cashflow From Operations	**(3.31)**	**20.40**	**(3.25)**	**27.29**
Capex	(2.30)	(5.00)	(5.00)	(5.00)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	1.51	0.50	0.50	0.50
Cash Flow From Investing	**(0.79)**	**(4.50)**	**(4.50)**	**(4.50)**
Debt Raised/(repaid)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased				
Dividends Paid				
Preferred Dividends				
Other Financing Cashflow	0.04	0.00	0.00	0.00
Cash Flow From Financing	**0.04**	**0.00**	**0.00**	**0.00**
Total Cash Generated	(4.06)	15.90	(7.75)	22.79
Free Cashflow To Equity	**(4.10)**	**15.90**	**(7.75)**	**22.79**
Free Cashflow To Firm	**(4.03)**	**16.00**	**(7.65)**	**22.89**

Key Ratios

	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Revenue Growth	82.3%	16.8%	16.5%	9.6%
Operating EBITDA Growth	N/A	28%	27%	13%
Operating EBITDA Margin	21.6%	23.6%	25.8%	26.7%
Net Cash Per Share (RM)	0.008	0.045	0.028	0.080
BVPS (RM)	0.17	0.19	0.22	0.25
Gross Interest Cover	106.7	100.3	131.0	149.3
Effective Tax Rate	0.01%	2.00%	2.00%	2.00%
Net Dividend Payout Ratio	NA	NA	NA	NA
Accounts Receivables Days	115.8	107.7	107.7	108.0
Inventory Days	348.7	334.8	324.1	320.7
Accounts Payables Days	70.4	155.0	150.1	148.5
ROIC (%)	12.5%	14.4%	20.6%	17.7%
ROCE (%)	10.9%	13.0%	14.7%	14.4%
Return On Average Assets	10.1%	10.7%	12.3%	12.2%

12-mth Fwd FD P/E (x)



Key Drivers

	Sep-17A	Sep-18F	Sep-19F	Sep-20F
ASP Change (%, Main Product)	N/A	N/A	N/A	N/A
Unit sales growth (%, main prod)	50.0%	20.0%	20.0%	20.0%
No. Of Lines (main Product)	4	4	4	4
Rev per line (US$, main prod)	N/A	N/A	N/A	N/A
ASP chg (%, 2ndary prod)	N/A	N/A	N/A	N/A
Unit sales grth (%, 2ndary prod)	N/A	N/A	N/A	N/A
No. Of Lines (secondary Product)	N/A	N/A	N/A	N/A
Rev per line (US$, 2ndary prod)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

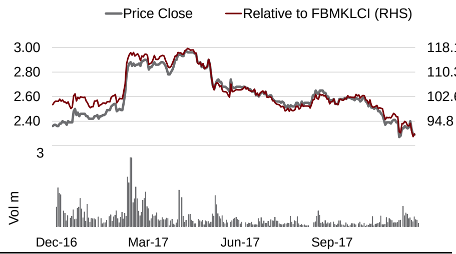
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 3	Hold 5	Sell 0

Current price:	RM2.29
Target price:	RM2.81
Previous target:	RM2.81
Up/downside:	22.7%
CIMB / Consensus:	7.8%
Reuters:	AFIN.KL
Bloomberg:	AHB MK
Market cap:	US$1,090m
	RM4,449m
Average daily turnover:	US$0.11m
	RM0.45m
Current shares o/s	1,943m
Free float:	19.9%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5	-12.9	-2.6
Relative (%)	-5.9	-10.7	-8.9

Major shareholders	% held
LTAT	35.4
Bank of East Asia	23.5
Boustead	20.7

Affin Holdings

Projecting earnings recovery in FY18F

- We maintain our Add call on Affin given its attractive valuations and benefits from the Affinity programme.
- Our FY17-19F EPS forecasts and DDM-based target price of RM2.81 are intact.
- We project a recovery in Affin's core EPS from a decline of 8.7% in FY17F to expansion of 6.2% in FY18F.

Maintain Add

- We retain our Add recommendation on Affin given (1) its attractive valuations with CY19F P/E of only 8.1x and P/BV of 0.5x, and (2) the positive changes expected for the group from the implementation of its Affinity transformation programme. The downside risks to our call are (1) a spike in the gross impaired loan ratio, and (2) margin compression.

Retain EPS forecasts and target price

- Our FY17-19F EPS forecasts and DDM-based target price of RM2.81 are intact. The key parameters of our DDM model are (1) cost of equity of 11.7%, derived from a risk-free rate of 4% and market risk premium of 5.5%, and (3) terminal growth rate of 3%.

Projecting EPS recovery in FY18F

- We expect Affin's core EPS to decline by 8.7% in FY17, dragged down by the projected 20.5% surge in overheads due to the hiring of more than 200 new staff to strengthen some of its businesses as well as additional costs for the implementation of the Affinity transformation programme.
- We expect Affin's core EPS growth to resume in FY18F with an expansion of 6.2%. This can mainly be attributed to the anticipated normalisation of the growth in overheads to 6% in FY18F.
- For the topline, we are projecting expansion of 9.4% for net interest income and 6.2% for non-interest income in FY18F.

Continuous push for Affinity

- In 2018, Affin will continue with its Affinity transformation programme, which covers the operations of Affin Bank and Affin Islamic Bank. The programme's objectives are to (1) improve the bank's operating efficiency, (2) streamline its distribution channels to be more cost effective, (3) increase its market share in the targeted market segments, like SME and mass affluent, and (4) enhance fee income generation.
- In 2018, it also plans to expand the scope of Affinity to cover its other entities, such as its investment bank and asset management unit.

Preparing for aggressive long-term targets

- The Affinity transformation programme will prepare Affin Bank to achieve its longer-term targets, which we deem to be aggressive. Its 2020 KPIs are (1) ROE of 14-15%, (2) operating revenue of RM1.12bn, (3) cost-to-income ratio of 40%+, and (4) fee income ratio of 25-30%.

Aiming to maintain a coverage ratio of at least 100%

- One of the key market concerns for Affin is its weak loan loss coverage of 35.4% (excluding regulatory reserve or RR) at end-Sep 17, the lowest among the local banks. To address this, the bank has been actively building up its RR to RM632.3m at end-Sep 17. Inclusive of RR, its loan loss coverage touched 100% at end-Sep 17.
- We expect Affin to keep its coverage at (or above) 100% in 2018 upon the adoption of MFRS 9. This should assuage market concerns over its inadequate coverage.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Net Interest Income (RMm)	948	971	951	1,040	1,103
Total Non-Interest Income (RMm)	855	965	1,161	1,237	1,319
Operating Revenue (RMm)	1,802	1,936	2,111	2,278	2,422
Total Provision Charges (RMm)	(188.4)	(18.4)	(113.1)	(112.4)	(103.8)
Net Profit (RMm)	369.3	564.0	478.3	546.5	601.2
Core EPS (RM)	0.19	0.29	0.26	0.28	0.31
Core EPS Growth	(44.9%)	52.7%	(8.7%)	6.2%	10.0%
FD Core P/E (x)	12.05	7.89	8.64	8.14	7.40
DPS (RM)	0.08	0.12	0.10	0.11	0.12
Dividend Yield	3.49%	5.03%	4.26%	4.87%	5.36%
BVPS (RM)	4.26	4.47	4.59	4.77	4.97
P/BV (x)	0.54	0.51	0.50	0.48	0.46
ROE	4.56%	6.65%	5.85%	6.01%	6.35%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.94	1.01	1.07

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Net Interest Income	971	951	1,040	1,103
Total Non-Interest Income	965	1,161	1,237	1,319
Operating Revenue	**1,936**	**2,111**	**2,278**	**2,422**
Total Non-Interest Expenses	(1,143)	(1,377)	(1,458)	(1,545)
Pre-provision Operating Profit	**793**	**735**	**820**	**877**
Total Provision Charges	(18)	(113)	(112)	(104)
Operating Profit After Provisions	**775**	**622**	**707**	**773**
Pretax Income/(Loss) from Assoc.	49	55	61	69
Operating EBIT (incl Associates)	**823**	**676**	**769**	**841**
Non-Operating Income/(Expense)	(82)	(30)	(30)	(29)
Profit Before Tax (pre-EI)	**742**	**646**	**739**	**812**
Exceptional Items	0	0	0	0
Pre-tax Profit	**742**	**646**	**739**	**812**
Taxation	(162)	(155)	(177)	(195)
Consolidation Adjustments & Others				
Exceptional Income - post-tax				
Profit After Tax	**580**	**491**	**561**	**617**
Minority Interests	(16)	(13)	(15)	(16)
Pref. & Special Div	0	0	0	0
FX And Other Adj.	0	0	0	0
Net Profit	**564**	**478**	**547**	**601**
Recurring Net Profit	564	515	547	601

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Gross Loans	44,326	46,034	48,719	51,711
Liquid Assets & Invst. (Current)	14,786	17,833	18,750	19,336
Other Int. Earning Assets				
Total Gross Int. Earning Assets	**59,112**	**63,867**	**67,468**	**71,047**
Total Provisions/Loan Loss Reserve	(406)	(482)	(541)	(590)
Total Net Interest Earning Assets	**58,706**	**63,385**	**66,928**	**70,457**
Intangible Assets	1,607	1,607	1,607	1,607
Other Non-Interest Earning Assets	3,737	3,942	4,117	4,288
Total Non-Interest Earning Assets	**5,344**	**5,548**	**5,724**	**5,894**
Cash And Marketable Securities	**4,836**	**6,958**	**7,165**	**7,651**
Long-term Investments	0	0	0	0
Total Assets	**68,886**	**75,891**	**79,817**	**84,002**
Customer Interest-Bearing Liabilities	51,506	57,448	60,912	64,574
Bank Deposits	5,040	5,567	5,623	5,697
Interest Bearing Liabilities: Others	1,644	1,649	1,651	1,654
Total Interest-Bearing Liabilities	**58,190**	**64,663**	**68,186**	**71,925**
Bank's Liabilities Under Acceptances	0	268	264	273
Total Non-Interest Bearing Liabilities	1,966	1,987	2,046	2,103
Total Liabilities	**60,155**	**66,918**	**70,496**	**74,301**
Shareholders' Equity	**8,683**	**8,925**	**9,272**	**9,653**
Minority Interests	49	49	49	49
Total Equity	**8,731**	**8,973**	**9,320**	**9,701**

Balance Sheet Employment

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Gross Loans/Cust Deposits	85.7%	79.2%	79.0%	79.1%
Avg Loans/Avg Deposits	86.3%	82.3%	79.1%	79.1%
Avg Liquid Assets/Avg Assets	28.2%	31.2%	33.3%	33.0%
Avg Liquid Assets/Avg IEAs	30.6%	33.7%	35.9%	35.5%
Net Cust Loans/Assets	63.5%	59.3%	59.6%	60.1%
Net Cust Loans/Broad Deposits	77.4%	71.4%	71.5%	71.9%
Equity & Provns/Gross Cust Loans	20.6%	20.7%	20.4%	20.0%
Asset Risk Weighting	53.9%	53.6%	53.7%	53.8%
Provision Charge/Avg Cust Loans	0.05%	0.35%	0.23%	0.18%
Provision Charge/Avg Assets	0.033%	0.218%	0.141%	0.107%
Total Write Offs/Average Assets	0.098%	0.279%	0.254%	0.227%

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Income Growth	7.40%	9.07%	7.89%	6.32%
Operating Profit Growth	10.6%	(7.3%)	11.6%	6.9%
Pretax Profit Growth	42.8%	(12.9%)	14.3%	10.0%
Net Interest To Total Income	50.1%	45.0%	45.7%	45.5%
Cost Of Funds	2.35%	2.50%	2.43%	2.40%
Return On Interest Earning Assets	4.07%	4.04%	3.98%	3.94%
Net Interest Spread	1.72%	1.53%	1.55%	1.55%
Net Interest Margin (Avg Deposits)	1.90%	1.75%	1.76%	1.76%
Net Interest Margin (Avg RWA)	2.66%	2.45%	2.49%	2.50%
Provisions to Pre Prov. Operating Profit	2.3%	15.4%	13.7%	11.8%
Interest Return On Average Assets	1.42%	1.31%	1.34%	1.35%
Effective Tax Rate	21.8%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	39.7%	39.7%	39.7%	39.7%
Return On Average Assets	0.83%	0.66%	0.70%	0.73%

12-mth Fwd FD P/E (x) - Affin Holdings

Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Loan Growth (%)	0.6%	3.0%	5.9%	6.1%
Net Interest Margin (%)	1.5%	1.4%	1.4%	1.4%
Non Interest Income Growth (%)	13.0%	20.2%	6.6%	6.6%
Cost-income Ratio (%)	59.0%	65.2%	64.0%	63.8%
Net NPL Ratio (%)	1.7%	2.0%	2.0%	2.0%
Loan Loss Reserve (%)	55.0%	54.2%	57.0%	58.9%
GP Ratio (%)	0.5%	0.5%	0.6%	0.6%
Tier 1 Ratio (%)	12.4%	11.7%	11.6%	11.5%
Total CAR (%)	16.8%	15.7%	15.3%	15.0%
Deposit Growth (%)	1.9%	11.5%	6.0%	6.0%
Loan-deposit Ratio (%)	84.9%	78.3%	78.1%	78.2%
Gross NPL Ratio (%)	1.7%	2.0%	2.0%	2.0%
Fee Income Growth (%)	7.8%	35.4%	7.6%	6.7%

SOURCE: CIMB RESEARCH, COMPANY DATA

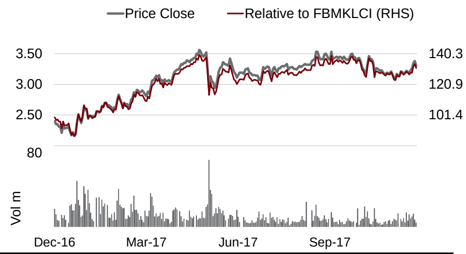
Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 18 Hold 4 Sell 2
Current price:	RM3.30
Target price:	RM4.04
Previous target:	RM4.04
Up/downside:	22.4%
CIMB / Consensus:	7.0%
Reuters:	AIRA.KL
Bloomberg:	AIRA MK
Market cap:	US$2,702m
	RM11,028m
Average daily turnover:	US$5.53m
	RM23.10m
Current shares o/s	3,342m
Free float:	62.7%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.4	-5.7	34.1
Relative (%)	3.5	-3.5	27.8

Major shareholders	% held
Tune Air & Tune Live	32.2
EPF	5.1

AirAsia Berhad

On course to Malaysian market dominance

- AirAsia will continue to deliver robust profitability even though our forecast is for lower yoy earnings in 2018F as it absorbs the negative yield impact of its expansion plans.
- Investors can look forward to upcoming special dividends from its disposal of selective assets, as well as the strong core business of the group.
- We maintain Add with a target price of RM4.04, based on 9x P/E, after incorporating the expected special dividend of RM1.14/share.

Strong earnings in 2017F

- AirAsia's 9M17 core net profit of RM916m was stronger-than-expected on the back of better-than-expected yields over the past nine months. We believe that 4Q17F profits will be robust due to strong demand. While fuel prices have risen, AirAsia has hedged 79% of its 4Q requirements; the stronger ringgit will also help. Hence, full-year FY17F's core net profit will likely exceed the RM1bn mark for the second year running.

We expect AirAsia to deliver weaker 2018F earnings…

- We are forecasting FY18F core net profit to fall 17% yoy, due to a potential increase in jet fuel price to an average price of US$70/bbl FY18F, vs. US$65/bbl in FY17F. AirAsia hedged less than 8% of its jet fuel needs in FY18F, vs. 77% hedged this year.
- Furthermore, the AirAsia group plans to grow its fleet by 12 in 4Q17F and another 36 planes in 2018F, its most rapid growth in many years. Any negative yield impact from the rapid expansion during 4Q17F should spill over to FY18F, and we forecast base yields to decline by approximately 7% yoy next year.

… partly due to the cost of strategic expansion

- AirAsia's move to expand its capacity at this time is very strategic, given strong demand and load factors. The partial withdrawal of Malindo and MAS from the Malaysian domestic market in 2017F, has handed AirAsia an opportunity to solidify its dominance in the domestic market. We expect AirAsia's share in the domestic market to increase from approximately 45% at end-2016 to about 51% at end-2017F.
- Demand conditions are also good in Indonesia and the Philippines. With strong demand and loads at IAA and AAP, as well as rising average fares, AirAsia is making a strategic move to expand in those countries when times are good.
- Meanwhile, Chinese inbound tourism growth recovered strongly in 2H17F, from a slowdown seen during 1H17, which will benefit MAA, TAA and AAP. AirAsia will be able to capture the opportunities from these developments from its expansion.

Strategic growth will yield rewards from 2019F onwards

- As such, we believe investors should look past an expected decline in FY18F profits, and over to FY19F, when AirAsia is expected to reap the fruits of its capacity investments in FY18F. The group will then be able to improve its market dominance, especially in Malaysia, and cater to the strong demand conditions in various countries.

Expected special dividend over the next 12 months

- Over the next 12 months, an expected special dividend of up to RM1.14/share will keep investors interested in AirAsia. We are expecting a special dividend of up to RM1.14/share following the sale/disposal of some of its assets, which includes an expected 70% sale of AAC worth 90 sen/share, 50% sale of GTR worth 11 sen, and the 25% sale of AAE Travel worth 13 sen.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	5,873	6,946	7,593	8,278	9,112
Operating EBITDA (RMm)	1,861	2,658	2,543	2,499	2,924
Net Profit (RMm)	541	2,039	2,416	1,550	1,503
Core EPS (RM)	0.07	0.56	0.41	0.34	0.40
Core EPS Growth		676%	(27%)	(17%)	19%
FD Core P/E (x)	46.04	5.94	7.42	9.79	8.22
DPS (RM)	0.04	0.12	0.20	0.07	0.08
Dividend Yield	1.21%	3.64%	6.06%	2.12%	2.42%
EV/EBITDA (x)	10.41	6.78	7.18	8.22	6.98
P/FCFE (x)	3.58	NA	3.84	9.67	7.29
Net Gearing	229%	134%	77%	89%	79%
P/BV (x)	2.07	1.39	1.17	1.03	0.92
ROE	4.4%	28.0%	17.0%	11.2%	11.8%
CIMB/consensus EPS (x)			1.66	1.17	1.09

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**6,946**	**7,593**	**8,278**	**9,112**
Gross Profit	**2,658**	**2,543**	**2,499**	**2,924**
Operating EBITDA	**2,658**	**2,543**	**2,499**	**2,924**
Depreciation And Amortisation	(745)	(797)	(957)	(1,110)
Operating EBIT	**1,913**	**1,745**	**1,542**	**1,814**
Financial Income/(Expense)	(487)	(465)	(501)	(567)
Pretax Income/(Loss) from Assoc.	181	157	176	175
Non-Operating Income/(Expense)	84	80	80	80
Profit Before Tax (pre-EI)	**1,691**	**1,517**	**1,297**	**1,502**
Exceptional Items	479	938	132	132
Pre-tax Profit	**2,170**	**2,455**	**1,429**	**1,635**
Taxation	(134)	(39)	121	(132)
Exceptional Income - post-tax				
Profit After Tax	**2,036**	**2,416**	**1,550**	**1,503**
Minority Interests	3	0	0	0
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**2,039**	**2,416**	**1,550**	**1,503**
Recurring Net Profit	1,547	1,361	1,126	1,341
Fully Diluted Recurring Net Profit	**1,547**	**1,361**	**1,126**	**1,341**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	1,742	4,349	4,834	5,593
Total Debtors	2,643	2,721	2,804	2,904
Inventories	44	44	44	44
Total Other Current Assets	0	0	0	0
Total Current Assets	**4,429**	**7,114**	**7,682**	**8,541**
Fixed Assets	10,793	11,988	15,368	16,339
Total Investments	0	0	0	0
Intangible Assets	823	814	970	875
Total Other Non-Current Assets	5,858	6,150	6,497	6,836
Total Non-current Assets	**17,474**	**18,952**	**22,835**	**24,050**
Short-term Debt	1,945	1,945	1,945	1,945
Current Portion of Long-Term Debt				
Total Creditors	1,965	2,315	2,648	2,836
Other Current Liabilities	1,091	1,121	1,151	1,181
Total Current Liabilities	**5,001**	**5,380**	**5,744**	**5,962**
Total Long-term Debt	8,634	9,642	12,413	13,035
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	1,653	1,653	1,653	1,653
Total Non-current Liabilities	**10,287**	**11,295**	**14,066**	**14,688**
Total Provisions	0	0	0	0
Total Liabilities	**15,288**	**16,676**	**19,810**	**20,650**
Shareholders' Equity	6,619	9,395	10,711	11,947
Minority Interests	0	0	0	0
Total Equity	**6,619**	**9,395**	**10,711**	**11,947**

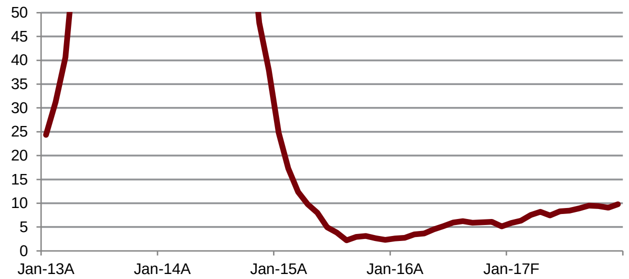
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	2,658	2,543	2,499	2,924
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(1,401)	166	110	(47)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	581	(0)	(0)	(0)
Net Interest (Paid)/Received	0	0	0	0
Tax Paid	(18)	(30)	(35)	(37)
Cashflow From Operations	**1,820**	**2,679**	**2,575**	**2,840**
Capex	(620)	(3,002)	(5,369)	(3,112)
Disposals Of FAs/subsidiaries	839	1,771	1,164	1,164
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	(69)	0	0	0
Cash Flow From Investing	**150**	**(1,231)**	**(4,205)**	**(1,948)**
Debt Raised/(repaid)	(2,207)	1,184	2,771	622
Proceeds From Issue Of Shares	(0)	1,029	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(111)	(668)	(234)	(267)
Preferred Dividends				
Other Financing Cashflow	(466)	(385)	(421)	(487)
Cash Flow From Financing	**(2,785)**	**1,159**	**2,116**	**(133)**
Total Cash Generated	(814)	2,607	485	759
Free Cashflow To Equity	**(236)**	**2,632**	**1,140**	**1,514**
Free Cashflow To Firm	**1,970**	**1,448**	**(1,631)**	**892**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	18.3%	9.3%	9.0%	10.1%
Operating EBITDA Growth	42.8%	(4.4%)	(1.7%)	17.0%
Operating EBITDA Margin	38.3%	33.5%	30.2%	32.1%
Net Cash Per Share (RM)	(3.18)	(2.17)	(2.85)	(2.81)
BVPS (RM)	2.38	2.81	3.21	3.57
Gross Interest Cover	3.52	3.48	2.77	2.88
Effective Tax Rate	6.18%	1.60%	0.00%	8.07%
Net Dividend Payout Ratio	19.8%	45.0%	18.5%	18.2%
Accounts Receivables Days	35.91	42.14	42.20	42.00
Inventory Days	3.38	3.17	2.77	2.59
Accounts Payables Days	153.2	154.6	156.7	161.7
ROIC (%)	8.91%	7.65%	6.33%	6.22%
ROCE (%)	11.5%	9.3%	6.9%	7.2%
Return On Average Assets	9.49%	7.65%	5.79%	5.99%

12-mth Fwd FD P/E (x) - AirAsia Berhad



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Av. Seat Km (ASK, Yoy Chg %)	7.2%	10.0%	12.7%	7.8%
Rev. Psg Km (RPK, Yoy Chg %)	15.6%	11.3%	12.7%	7.8%
Passenger Load Factor (%)	86.5%	87.5%	87.5%	87.5%
Pax yld per RPK (RM)	0.2	0.2	0.2	0.2
Pax rev. per ASK (RM)	0.1	0.1	0.1	0.1
Total Cost Per ATK (RM)	-	-	-	-
Fuel Cost Per ATK (RM)	-	-	-	-
Non-fuel Cost Per ATK (RM)	3,972.7	4,368.7	4,923.1	5,307.7
Jet Fuel Price (US$/barrel)	59.0	66.3	75.0	75.0
Fleet Size (no. Of Planes)	174	203	237	260

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

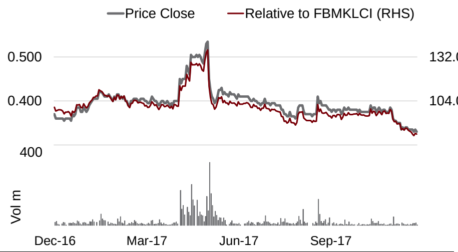
Malaysia

REDUCE *(no change)*

Consensus ratings*:	Buy 2	Hold 5	Sell 2

Current price:	RM0.33
Target price:	RM0.28
Previous target:	RM0.28
Up/downside:	-15.2%
CIMB / Consensus:	-22.8%
Reuters:	AAX.KL
Bloomberg:	AAX MK
Market cap:	US$335.4m
	RM1,369m
Average daily turnover:	US$0.81m
	RM3.39m
Current shares o/s	4,148m
Free float:	34.1%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-12	-15.4	-13.2
Relative (%)	-12.9	-13.2	-19.5

Major shareholders	% held
Aero Ventures Sdn Bhd	34.5
AirAsia Bhd	13.8

AirAsia X Berhad

Margins remain too thin for comfort

- We expect AAX to deliver a group core net profit of RM105m in FY17F, down 40% yoy on higher costs and weaker yields.
- FY18F net profit is expected to be 11% weaker yoy due to higher oil prices.
- We maintain Reduce with a target price of RM0.28, based on 1x P/BV, as earnings and profit margins remain very low and operating leverage is high.

Modest performance in 2017F

- 9M17 core net loss stood at RM2.9m, against RM80m of core net profit in 9M16. It was better than forecasted due to stronger-than-expected yields. Following this, we are expecting FY17F core net profit to be RM105m as 4Q17F could deliver more than RM100m in core earnings because it will be a seasonally strong quarter. We expect AAX to deliver somewhat weaker core earnings in FY18F on higher oil prices.

Fleet expansion to spur capacity and passenger growth in 2018F

- AAX is planning to take delivery of up to nine A330ceos on operating leases in 2018F to drive its capacity growth. It comprises three deliveries for MAAX, four for TAAX and two for IAAX, increasing the fleet to 25, 10 and four respectively. For the following year, AAX may take at least seven A330neo from Airbus. The fleet growth is expected to be deployed on frequency increases, and also for new route launches.
- MAAX is planning to fly to Jeju 4x weekly from Dec 2017, and to Jaipur and Zhengzhou 4x weekly each from Feb 2018. One or two more new routes may be introduced, and MAAX is launching flights to Male alongside AirAsia's existing flights. MAAX's forward bookings and yields in 1Q18F look stronger yoy.
- Meanwhile, TAAX is planning capacity expansion to Japan, South Korea and China, to take advantage of the lifting of Thailand's safety ratings. TAAX was profitable in 9M17, supported by traffic and yield growth. Meanwhile, IAAX was profitable in 3Q17 (despite losses in 1H17) after introducing the Bali-Narita and Bali-KL-Mumbai flights in May, and after cancelling previous loss-making flights from Bali-Australia.

Yields may be negatively impacted by the fleet expansion

- AAX's ambition to grow its capacity to capture a bigger market share may negatively impact its yields in the next 12 months, in addition to contributing to higher operating lease expense. We have not forecast yield to decline in FY18F, but if it does, our forecasts may be at risk.

Higher international PSC from Jan 2018F

- MAVCOM has announced that the long-haul international airport tax at klia2 will be raised to RM73 from RM50, effective 1 Jan 2018F. This will equalise the treatment of AAX's flights from klia2 against flights from KLIA Main Terminal by MAS and Malindo, which have been subject to an international, beyond-ASEAN Passenger Service Charge of RM73 since 1 Jan 2017. This diminishes AAX's price advantage as a result.

Risk of higher jet fuel price

- We are assuming higher fuel costs with an average jet fuel price of US$70/bbl in FY18F, vs. US$63.60/bbl in FY17F. For FY17F, AAX hedged almost 80% of its jet fuel to mitigate price volatility, but only hedged less than 10% of its jet fuel in FY18F, leaving AAX exposed to the risk of higher jet fuel prices.

Core net profit margins very low

- AAX enjoyed its best-ever year in FY16 due to low oil prices, when it delivered a group core net profit of RM176m, of which RM184m was contributed by Malaysia AAX (MAAX). The latter represented a core net profit margin of only 5%. In FY17F, we forecast MAAX's core net profit margin to decline to only 2%, and decline further to just 1% in FY18F. This is too thin for comfort, with operating leverage very high.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	3,061	4,007	4,749	5,318	6,431
Operating EBITDA (RMm)	(162.0)	398.0	293.6	256.9	237.3
Net Profit (RMm)	(360.2)	230.5	128.0	84.5	95.7
Core EPS (RM)	(0.16)	0.05	0.03	0.02	0.02
Core EPS Growth	(34.7%)		(44.2%)	(11.3%)	5.9%
FD Core P/E (x)	NA	7.27	13.03	14.69	13.87
DPS (RM)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	NA	5.07	5.86	6.79	5.11
P/FCFE (x)	NA	11.75	3.34	97.74	2.86
Net Gearing	180%	69%	29%	29%	(11%)
P/BV (x)	1.92	1.27	1.14	1.06	0.99
ROE	(77.3%)	20.7%	9.2%	7.5%	7.4%
CIMB/consensus EPS (x)			1.19	0.52	0.48

SOURCE: COMPANY DATA, CIMB FORECASTS

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**4,007**	**4,749**	**5,318**	**6,431**
Gross Profit	**398**	**294**	**257**	**237**
Operating EBITDA	**398**	**294**	**257**	**237**
Depreciation And Amortisation	(114)	(108)	(118)	(127)
Operating EBIT	**284**	**185**	**139**	**111**
Financial Income/(Expense)	(35)	(27)	(23)	(18)
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**249**	**159**	**117**	**92**
Exceptional Items	2	11	0	30
Pre-tax Profit	**251**	**170**	**117**	**123**
Taxation	(21)	(42)	(32)	(27)
Exceptional Income - post-tax				
Profit After Tax	**231**	**128**	**84**	**96**
Minority Interests	0	0	0	0
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax	0	0	0	0
Other Adjustments - post-tax	0	0	0	0
Net Profit	**231**	**128**	**84**	**96**
Recurring Net Profit	176	105	93	99
Fully Diluted Recurring Net Profit	**176**	**105**	**93**	**99**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	422	796	776	1,221
Total Debtors	273	324	362	438
Inventories	14	17	19	23
Total Other Current Assets	463	396	396	396
Total Current Assets	**1,172**	**1,532**	**1,553**	**2,078**
Fixed Assets	1,705	1,657	1,979	1,912
Total Investments	0	0	0	0
Intangible Assets	522	482	453	430
Total Other Non-Current Assets	1,108	1,108	1,108	1,108
Total Non-current Assets	**3,335**	**3,247**	**3,540**	**3,450**
Short-term Debt	208	319	319	319
Current Portion of Long-Term Debt	0	0	0	0
Total Creditors	900	925	1,048	1,276
Other Current Liabilities	715	848	949	1,148
Total Current Liabilities	**1,824**	**2,092**	**2,316**	**2,744**
Total Long-term Debt	952	828	832	745
Hybrid Debt - Debt Component	0	0	0	0
Total Other Non-Current Liabilities	654	654	654	654
Total Non-current Liabilities	**1,606**	**1,482**	**1,487**	**1,399**
Total Provisions	0	0	0	0
Total Liabilities	**3,430**	**3,575**	**3,803**	**4,143**
Shareholders' Equity	1,077	1,205	1,290	1,385
Minority Interests	0	0	0	0
Total Equity	**1,077**	**1,205**	**1,290**	**1,385**

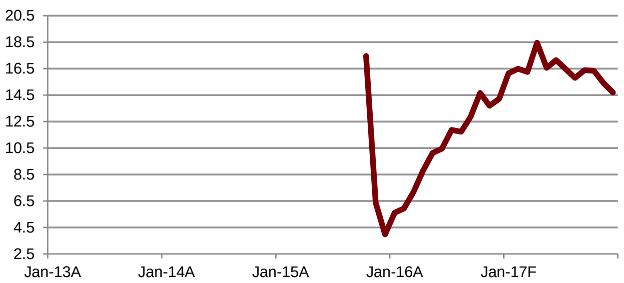
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	398	294	257	237
Cash Flow from Invt. & Assoc.	0	0	0	0
Change In Working Capital	(26)	104	183	348
(Incr)/Decr in Total Provisions	0	0	0	0
Other Non-Cash (Income)/Expense	0	0	0	0
Other Operating Cashflow	4	36	34	33
Net Interest (Paid)/Received	(35)	(27)	(23)	(18)
Tax Paid	(1)	(2)	(3)	(4)
Cashflow From Operations	**341**	**405**	**449**	**596**
Capex	(1,372)	(60)	(439)	(3,221)
Disposals Of FAs/subsidiaries	1,507	0	0	3,191
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	(155)	67	0	0
Cash Flow From Investing	**(19)**	**7**	**(439)**	**(30)**
Debt Raised/(repaid)	(213)	(2)	4	(88)
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	0	0	0	0
Preferred Dividends	0	0	0	0
Other Financing Cashflow	1	(36)	(34)	(33)
Cash Flow From Financing	**(211)**	**(38)**	**(30)**	**(121)**
Total Cash Generated	110	374	(20)	445
Free Cashflow To Equity	**109**	**410**	**14**	**479**
Free Cashflow To Firm	**362**	**448**	**44**	**600**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	30.9%	18.5%	12.0%	20.9%
Operating EBITDA Growth	N/A	(26.2%)	(12.5%)	(7.6%)
Operating EBITDA Margin	9.93%	6.18%	4.83%	3.69%
Net Cash Per Share (RM)	(0.18)	(0.08)	(0.09)	0.04
BVPS (RM)	0.26	0.29	0.31	0.33
Gross Interest Cover	7.07	5.15	4.04	3.33
Effective Tax Rate	8.2%	24.7%	27.5%	21.9%
Net Dividend Payout Ratio	NA	NA	NA	NA
Accounts Receivables Days	22.42	22.93	23.55	22.72
Inventory Days	0.92	1.27	1.28	1.22
Accounts Payables Days	78.06	72.71	69.32	66.99
ROIC (%)	10.3%	5.6%	4.7%	3.6%
ROCE (%)	13.5%	8.5%	6.3%	5.1%
Return On Average Assets	6.49%	3.80%	2.65%	1.93%

12-mth Fwd FD P/E (x) - AirAsia X Berhad



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Av. Seat Km (ASK, Yoy Chg %)	25.5%	25.0%	15.0%	20.0%
Rev. Psg Km (RPK, Yoy Chg %)	32.1%	29.7%	13.6%	20.0%
Passenger Load Factor (%)	79.0%	82.0%	81.0%	81.0%
Pax yld per RPK (RM)	13.7	13.3	13.3	13.6
Pax rev. per ASK (RM)	10.8	10.9	10.8	11.0
Total Cost Per ATK (RM)	131.3	126.8	124.9	126.9
Fuel Cost Per ATK (RM)	38.5	41.3	46.7	47.1
Non-fuel Cost Per ATK (RM)	92.9	85.4	78.2	79.8
Jet Fuel Price (US$/barrel)	60.5	65.8	74.4	75.0
Fleet Size (no. Of Planes)	22	22	25	30

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 7	Hold 6	Sell 2

Current price:	RM4.05
Target price:	RM3.80
Previous target:	RM3.80
Up/downside:	-6.2%
CIMB / Consensus:	-7.7%
Reuters:	ALFG.KL
Bloomberg:	ABMB MK
Market cap:	US$1,536m
	RM6,270m
Average daily turnover:	US$0.81m
	RM3.35m
Current shares o/s	1,548m
Free float:	71.0%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	9.5	4.7	9.5
Relative (%)	8.6	6.9	3.2

Major shareholders	% held
Duxton Investment (controlled by Temasek)	14.5
Langkah Bahagia	14.5
EPF	12.3

Alliance Bank Malaysia Berhad

Transformation takes time

- Despite an upturn in credit costs, Alliance remains a Hold as we deem the bank as the biggest beneficiary of the expected rate hike next year.
- We retain our FY3/18-20F EPS forecasts and DDM-based target price of RM3.80.
- We are projecting weak net profit growth of 2.7% for Alliance in FY3/18F but we forecast a recovery to 7.8% growth in FY19F.

Maintain Hold

- Despite an upturn in credit costs, we retain our Hold recommendation on Alliance as we deem the bank as the biggest beneficiary of the expected rate hike next year. Upside risks to our call are a stronger-than-expected recovery in loan and fee income growth while the downside risk is a spike in credit costs.

Retain EPS forecasts and target price

- We maintain our FY3/18-20F EPS forecasts and DDM-based target price of RM3.80. The key parameters for our DDM model are (1) cost of equity of 10.1%, derived from risk-free rate of 4% and market risk premium of 5.5%, and (2) terminal growth rate of 3%.

Projecting weak FY18F net profit growth but a recovery in FY19F

- We are projecting weak 2.7% net profit growth for Alliance in FY3/18F. This is mainly due to an upturn in loan loss provisioning (LLP), which is forecast to surge by 48.5% in FY18F.
- The growth in LLP is expected to normalise to 8.8% in FY19F, enabling the bank to register stronger net profit growth of 7.8% in FY19F.

No systemic risks on asset quality

- In line with the trend for the industry, we do not foresee any significant increase in Alliance's gross impaired loan (GIL) ratio. We are forecasting a small hike in the GIL ratio for Alliance from 1% at end-Mar 17 to 1.1% at end-Mar 18 and 1.1% at end-Mar 19.

Continuous transformation in 2018

- 2018 will still be a year of transformation for Alliance. The key focus is to build up traction for business growth of its two flagship products – Alliance One Account (AOA) (for retail customers) and Alliance@Work (for business customers). For instance, it aims to ramp up the monthly disbursement for AOA to RM500m by end-FY19.
- Its other key initiatives are transforming its branch network and strengthening its digital banking offerings.

The bank's guidance for FY18F financial performance

- The bank's guidance for FY18F are (1) gross loan growth of 4%, (2) revenue growth of 8%, (3) a 2% drop in pre-provisioning profit, (4) a 6% decline in net profit, (5) cost-to-income ratio of less than 52%, and (5) ROE of circa 9.5%.

Projecting net positive impact from transformation starting FY20F

- The bank expects the transformation programme to only start yielding a net positive impact on its earnings growth from FY20 onwards as any benefits (additional revenue and cost savings) from the programme will be offset by transformation-related expenses during the period from now to FY20F.
- With the transformation programme, Alliance forecasts stronger growth in FY20F of more than 10% for gross loans (vs. 4% in FY18F), 7-10% for revenue (8% in FY18F), 9-13% for pre-provisioning profit (-2% in FY18F) and 8-14% for net profit (-6% in FY18F).

Financial Summary	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Net Interest Income (RMm)	847.8	847.5	851.7	865.9	908.3
Total Non-Interest Income (RMm)	576.4	621.9	730.0	811.4	872.4
Operating Revenue (RMm)	1,424	1,469	1,582	1,677	1,781
Total Provision Charges (RMm)	(48.3)	(95.0)	(141.1)	(153.5)	(160.7)
Net Profit (RMm)	522.1	512.1	525.7	567.0	597.4
Core EPS (RM)	0.34	0.33	0.34	0.37	0.39
Core EPS Growth	(1.64%)	(1.92%)	2.65%	7.85%	5.36%
FD Core P/E (x)	12.01	12.24	11.93	11.06	10.50
DPS (RM)	0.14	0.15	0.15	0.16	0.17
Dividend Yield	3.50%	3.70%	3.61%	3.89%	4.10%
BVPS (RM)	3.13	3.30	3.51	3.72	3.95
P/BV (x)	1.29	1.23	1.15	1.09	1.03
ROE	11.2%	10.3%	10.0%	10.1%	10.1%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)					

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Net Interest Income	848	852	866	908
Total Non-Interest Income	622	730	811	872
Operating Revenue	**1,469**	**1,582**	**1,677**	**1,781**
Total Non-Interest Expenses	(692)	(731)	(772)	(816)
Pre-provision Operating Profit	**778**	**851**	**905**	**965**
Total Provision Charges	(95)	(141)	(153)	(161)
Operating Profit After Provisions	**683**	**710**	**752**	**804**
Pretax Income/(Loss) from Assoc.	0	0	0	0
Operating EBIT (incl Associates)	**683**	**710**	**752**	**804**
Non-Operating Income/(Expense)	(1)	(9)	4	(8)
Profit Before Tax (pre-EI)	**681**	**701**	**756**	**796**
Exceptional Items	0	0	0	0
Pre-tax Profit	**681**	**701**	**756**	**796**
Taxation	(169)	(175)	(189)	(199)
Consolidation Adjustments & Others				
Exceptional Income - post-tax				
Profit After Tax	**512**	**526**	**567**	**597**
Minority Interests	0	0	0	0
Pref. & Special Div	0	0	0	0
FX And Other Adj.	0	0	0	0
Net Profit	**512**	**526**	**567**	**597**
Recurring Net Profit	512	526	567	597

Balance Sheet

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Gross Loans	39,372	41,694	44,233	47,357
Liquid Assets & Invst. (Current)	11,492	8,830	8,936	8,535
Other Int. Earning Assets				
Total Gross Int. Earning Assets	**50,864**	**50,524**	**53,169**	**55,891**
Total Provisions/Loan Loss Reserve	(380)	(448)	(521)	(601)
Total Net Interest Earning Assets	**50,484**	**50,076**	**52,649**	**55,290**
Intangible Assets	377	370	371	372
Other Non-Interest Earning Assets	1,846	1,865	1,942	2,014
Total Non-Interest Earning Assets	**2,224**	**2,234**	**2,313**	**2,386**
Cash And Marketable Securities	**1,382**	**4,546**	**4,865**	**5,035**
Long-term Investments	0	0	0	0
Total Assets	**54,089**	**56,856**	**59,826**	**62,711**
Customer Interest-Bearing Liabilities	45,228	47,332	49,853	52,270
Bank Deposits	863	932	1,006	1,087
Interest Bearing Liabilities: Others	1,226	1,500	1,500	1,500
Total Interest-Bearing Liabilities	**47,317**	**49,764**	**52,359**	**54,857**
Bank's Liabilities Under Acceptances	0	0	0	0
Total Non-Interest Bearing Liabilities	1,658	1,662	1,705	1,744
Total Liabilities	**48,975**	**51,426**	**54,064**	**56,601**
Shareholders' Equity	**5,114**	**5,430**	**5,762**	**6,110**
Minority Interests	0	0	0	0
Total Equity	**5,114**	**5,430**	**5,762**	**6,110**

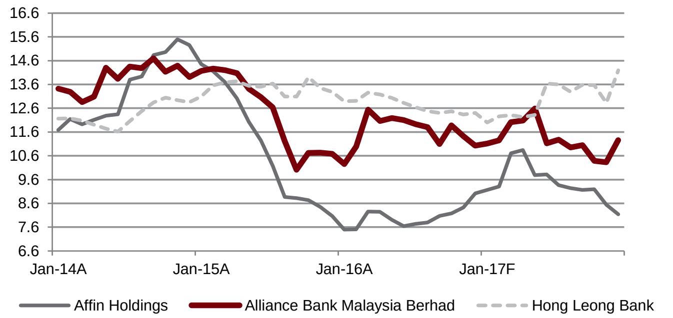
Balance Sheet Employment

	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Gross Loans/Cust Deposits	87.1%	87.6%	88.3%	90.2%
Avg Loans/Avg Deposits	86.3%	89.6%	90.6%	92.4%
Avg Liquid Assets/Avg Assets	23.5%	24.5%	24.0%	22.5%
Avg Liquid Assets/Avg IEAs	24.8%	24.9%	24.4%	22.8%
Net Cust Loans/Assets	72.1%	72.1%	72.7%	74.2%
Net Cust Loans/Broad Deposits	84.6%	85.0%	85.5%	87.3%
Equity & Provns/Gross Cust Loans	14.0%	14.2%	14.3%	14.2%
Asset Risk Weighting	62.9%	62.5%	62.8%	62.7%
Provision Charge/Avg Cust Loans	0.060%	0.180%	0.180%	0.170%
Provision Charge/Avg Assets	0.043%	0.134%	0.136%	0.131%
Total Write Offs/Average Assets	0.181%	0.164%	0.166%	0.157%

Key Ratios

	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Income Growth	3.17%	7.64%	6.04%	6.17%
Operating Profit Growth	5.75%	9.45%	6.37%	6.58%
Pretax Profit Growth	(1.93%)	2.87%	7.85%	5.36%
Net Interest To Total Income	57.7%	53.8%	51.6%	51.0%
Cost Of Funds	1.86%	1.93%	1.93%	1.93%
Return On Interest Earning Assets	3.63%	3.48%	3.42%	3.42%
Net Interest Spread	1.77%	1.55%	1.49%	1.49%
Net Interest Margin (Avg Deposits)	1.86%	1.84%	1.78%	1.78%
Net Interest Margin (Avg RWA)	2.48%	2.45%	2.37%	2.36%
Provisions to Pre Prov. Operating Profit	12.2%	16.6%	17.0%	16.7%
Interest Return On Average Assets	1.54%	1.54%	1.48%	1.48%
Effective Tax Rate	24.8%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	44.7%	42.4%	42.4%	42.4%
Return On Average Assets	0.93%	0.95%	0.97%	0.97%

12-mth Fwd FD P/E (x)



Key Drivers

	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Loan Growth (%)	1.5%	5.3%	6.1%	7.2%
Net Interest Margin (%)	1.6%	1.6%	1.5%	1.5%
Non Interest Income Growth (%)	7.9%	17.4%	11.1%	7.5%
Cost-income Ratio (%)	47.1%	46.2%	46.0%	45.8%
Net NPL Ratio (%)	1.0%	1.1%	1.1%	1.0%
Loan Loss Reserve (%)	96.6%	101.2%	107.9%	121.5%
GP Ratio (%)	0.8%	0.8%	0.8%	0.8%
Tier 1 Ratio (%)	12.9%	13.3%	13.5%	13.9%
Total CAR (%)	16.5%	17.5%	17.5%	17.7%
Deposit Growth (%)	-1.7%	4.7%	5.3%	4.8%
Loan-deposit Ratio (%)	86.2%	86.7%	87.2%	89.1%
Gross NPL Ratio (%)	1.0%	1.1%	1.1%	1.0%
Fee Income Growth (%)	4.2%	4.5%	6.1%	5.6%

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

Astro Malaysia

Tough times ahead

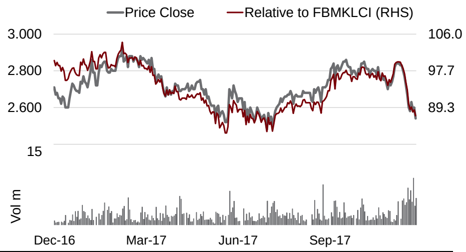
- Astro expects its EBITDA margin to ease in FY19F on rising content cost due to the high number of sporting events in 2018.
- The subdued consumer sentiment poses a risk to adex and Go Shop's growth.
- We maintain our Hold rating with an unchanged DCF-based TP of RM3.00.

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 6 Hold 14 Sell 1
Current price:	RM2.54
Target price:	RM3.00
Previous target:	RM3.00
Up/downside:	18.3%
CIMB / Consensus:	2.2%
Reuters:	ASTR.KL
Bloomberg:	ASTRO MK
Market cap:	US$3,245m
	RM13,243m
Average daily turnover:	US$1.71m
	RM7.10m
Current shares o/s	5,202m
Free float:	31.9%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-8	-6.3	-7
Relative (%)	-8.9	-4.1	-13.3

Major shareholders	% held
T.Ananda Krishnan	41.0
Khazanah Nasional	20.7
EPF	6.5

9MFY1/18 results review

- Astro's 9MFY1/18 revenue fell 2% yoy mainly due to lower TV subs (-2.7% yoy). We estimate that this was due to lower package take-up from pay-TV subs. In spite of the weaker revenue, EBITDA margin rose 1.9% pts from 32.6% to 34.5% on the back of lower content cost, interest and depreciation expenses. As a result of higher operating leverage, its core net profit grew by 17.4% yoy from RM482m to RM566m.

Diversifying revenue streams

- With Astro no longer disclosing the breakdown of pay-TV and NJOI subscribers, we suspect that its subscription revenue's decline in 9MFY18 stemmed from mid-to-low tier pay-TV subscribers downsizing or ceasing their subscriptions. However, the group anticipates a "mid-single-digit" FY19 revenue growth from higher advertising expenditure (adex), licensing income, and more customers signing up for NJOI – fuelled by interest in the 2018 FIFA World Cup.

Investing RM100m to develop Karangkraf's IPs

- Astro has formed a 51:49 joint venture called Karangkraf Digital 360 (KK360) with Grup Majalah Karangkraf Sdn Bhd for the creation and monetisation of content verticals in Malaysia and Nusantara region. Astro would spin-off Karangkraf's Malay-language and Islamic-themed intellectual properties (IP) into content through multiple platforms of TV, over-the-top, and digital.

Subdued consumer sentiment to weigh on adex and Go Shop

- Astro had communicated its growth strategy of targeting individuals' wallets. However, the prolonged subdued consumer sentiment can be a downside risk to its Go Shop and NJOI prepaid initiatives. Moreover, we expect a tepid adex outlook due to sluggish consumer sentiment on the back of the higher cost of living.

Bracing for higher content cost in FY19F…

- Management expects the group's content cost to increase in FY19F mainly due to the high number of sporting events, which include major events like the FIFA World Cup 2018, 2018 Commonwealth Games and 2018 Asian Games. The group expects total content cost to come in at 35-36% of TV revenue in FY19F.
- Although we expect Astro to benefit from the stronger ringgit (vs US$), management does not expect to see meaningful content cost savings given the group's practice of a progressive 12-month forward hedging policy. Any content cost savings could materialise in 2HFY19F, and only if RM strengthens further or stays at current levels.

… leading to pressure on EBITDA margin

- EBITDA margin in 9MFY18 rose 1.9% pts to 34.5% driven by lower content, interest and depreciation expenses. However, management expects its EBITDA margin to decline to the 30-31% range in FY19F due to a combination of higher content cost and the faster growth of lower-margin initiatives such as Go Shop. Overall, we project Astro's EBITDA margin declining from 33% in FY18F to 31% in FY19F.

Maintain Hold and target price

- Maintain Hold with a RM3.00 DCF-based target price. Key upside risks are a recovery in the adex market, upward revision in ARPU and strengthening of the ringgit against US$. Key downside risks are rise in content cost and decline in premium pay-TV subs.

Financial Summary	Jan-16A	Jan-17A	Jan-18F	Jan-19F	Jan-20F
Revenue (RMm)	5,475	5,613	5,573	5,727	5,957
Operating EBITDA (RMm)	1,941	1,817	1,821	1,797	1,878
Net Profit (RMm)	615.3	628.7	700.3	719.2	778.3
Core EPS (RM)	0.13	0.12	0.13	0.14	0.15
Core EPS Growth	27.5%	(3.2%)	9.2%	2.7%	8.2%
FD Core P/E (x)	19.93	20.59	18.85	18.36	16.96
DPS (RM)	0.12	0.12	0.12	0.12	0.13
Dividend Yield	4.66%	4.72%	4.77%	4.90%	5.31%
EV/EBITDA (x)	8.44	8.94	8.73	8.69	8.12
P/FCFE (x)	11.58	15.61	13.84	14.18	12.63
Net Gearing	516%	481%	391%	321%	252%
P/BV (x)	21.98	21.18	19.04	17.25	15.66
ROE	102%	105%	106%	99%	97%
CIMB/consensus EPS (x)			0.95	0.93	0.92

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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CIMB

BY THE NUMBERS

Profit & Loss

(RMm)	Jan-17A	Jan-18F	Jan-19F	Jan-20F
Total Net Revenues	**5,613**	**5,573**	**5,727**	**5,957**
Gross Profit	**3,335**	**3,322**	**3,369**	**3,510**
Operating EBITDA	**1,817**	**1,821**	**1,797**	**1,878**
Depreciation And Amortisation	(705)	(694)	(648)	(638)
Operating EBIT	**1,111**	**1,127**	**1,149**	**1,240**
Financial Income/(Expense)	(239)	(161)	(166)	(169)
Pretax Income/(Loss) from Assoc.	2	2	2	2
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**875**	**969**	**985**	**1,074**
Exceptional Items	(24)	0	0	0
Pre-tax Profit	**851**	**969**	**985**	**1,074**
Taxation	(229)	(276)	(276)	(306)
Exceptional Income - post-tax	0	0	0	0
Profit After Tax	**622**	**693**	**709**	**768**
Minority Interests	7	8	10	11
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax	0	0	0	0
Net Profit	**629**	**700**	**719**	**778**
Recurring Net Profit	641	700	719	778
Fully Diluted Recurring Net Profit	**641**	**700**	**719**	**778**

Balance Sheet

(RMm)	Jan-17A	Jan-18F	Jan-19F	Jan-20F
Total Cash And Equivalents	376	702	988	1,335
Total Debtors	859	852	876	911
Inventories	20	20	20	21
Total Other Current Assets	452	452	452	452
Total Current Assets	**1,707**	**2,026**	**2,336**	**2,719**
Fixed Assets	1,818	1,524	1,376	1,224
Total Investments	0	0	0	0
Intangible Assets	2,045	2,045	2,045	2,045
Total Other Non-Current Assets	696	698	700	702
Total Non-current Assets	**4,559**	**4,267**	**4,121**	**3,971**
Short-term Debt	629	629	629	629
Current Portion of Long-Term Debt				
Total Creditors	1,627	1,603	1,680	1,743
Other Current Liabilities	24	24	24	24
Total Current Liabilities	**2,280**	**2,257**	**2,334**	**2,397**
Total Long-term Debt	2,776	2,776	2,776	2,776
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	580	567	593	695
Total Non-current Liabilities	**3,356**	**3,343**	**3,369**	**3,471**
Total Provisions	0	0	0	0
Total Liabilities	**5,636**	**5,600**	**5,703**	**5,868**
Shareholders' Equity	623	693	765	843
Minority Interests	6	(1)	(11)	(22)
Total Equity	**630**	**692**	**754**	**821**

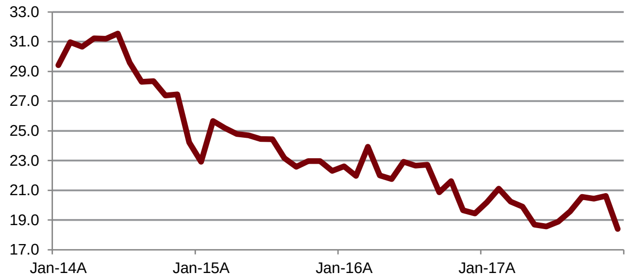
Cash Flow

(RMm)	Jan-17A	Jan-18F	Jan-19F	Jan-20F
EBITDA	1,817	1,821	1,797	1,878
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(143)	(17)	52	27
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	546	(2)	(2)	(2)
Net Interest (Paid)/Received	(239)	(161)	(166)	(169)
Tax Paid	(229)	(276)	(276)	(306)
Cashflow From Operations	**1,753**	**1,366**	**1,406**	**1,429**
Capex	(656)	(279)	(344)	(328)
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	124	0	0	0
Cash Flow From Investing	**(533)**	**(279)**	**(344)**	**(328)**
Debt Raised/(repaid)	(375)	(134)	(131)	(56)
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(624)	(630)	(647)	(700)
Preferred Dividends				
Other Financing Cashflow	0	0	0	0
Cash Flow From Financing	**(998)**	**(764)**	**(778)**	**(757)**
Total Cash Generated	222	323	284	345
Free Cashflow To Equity	**846**	**954**	**931**	**1,045**
Free Cashflow To Firm	**1,494**	**1,316**	**1,297**	**1,340**

Key Ratios

	Jan-17A	Jan-18F	Jan-19F	Jan-20F
Revenue Growth	2.51%	(0.71%)	2.78%	4.00%
Operating EBITDA Growth	(6.39%)	0.27%	(1.36%)	4.55%
Operating EBITDA Margin	32.4%	32.7%	31.4%	31.5%
Net Cash Per Share (RM)	(0.58)	(0.52)	(0.47)	(0.40)
BVPS (RM)	0.12	0.13	0.15	0.16
Gross Interest Cover	4.06	4.92	4.90	5.20
Effective Tax Rate	26.9%	28.5%	28.0%	28.5%
Net Dividend Payout Ratio	70.8%	64.6%	65.0%	64.6%
Accounts Receivables Days	59.14	56.03	55.08	54.76
Inventory Days	3.29	3.26	3.11	3.10
Accounts Payables Days	263.9	261.9	254.1	255.3
ROIC (%)	18.0%	19.0%	20.9%	23.6%
ROCE (%)	27.1%	29.4%	29.5%	31.2%
Return On Average Assets	15.9%	17.3%	17.3%	18.2%

12-mth Fwd FD P/E (x) - Astro Malaysia



Key Drivers

	Jan-17A	Jan-18F	Jan-19F	Jan-20F
Adex Revenue Growth (%)	7.5%	5.4%	5.4%	5.4%
ARPU (% Change)	0.4%	1.6%	0.7%	1.7%
No. Of Subscribers (% Change)	-1.7%	0.0%	1.1%	1.1%
Adex/total Revenue (%)	N/A	N/A	N/A	N/A
Programming Costs Change (%)	14.2%	-4.4%	6.5%	-1.1%

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

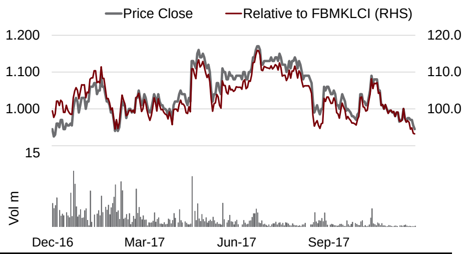
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 2	Hold 0	Sell 0

Current price:	RM0.95
Target price:	RM1.28
Previous target:	RM1.28
Up/downside:	35.2%
CIMB / Consensus:	0.6%
Reuters:	AWCF.KL
Bloomberg:	AWCF MK
Market cap:	US$61.89m
	RM252.6m
Average daily turnover:	US$0.11m
	RM0.45m
Current shares o/s	256.0m
Free float:	62.1%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5.5	-10.9	0.5
Relative (%)	-6.4	-8.7	-5.8

Major shareholders	% held
K-Capital Sdn Bhd	30.7
Ignatius Luke Jr Tan Keng Hee	4.2
Ahmad Kabeer bin Mohamed Nagoor	3.0

AWC Berhad

Gunning ahead

- AWC mainly provides facilities management services. It is also involved in environmental and engineering projects.
- The group currently has a healthy orderbook of RM1.2bn, with ~RM512m up to end-2019.
- Maintain Add, with an unchanged TP of RM1.28.

An integrated facilities management company

- AWC is an integrated facilities management company that provides all types of maintenance works for a wide-range of buildings including government offices, healthcare facilities and private-owned towers.
- The group is also involved in engineering works, mainly providing two key services: i) mechanical and electrical (M&E)/ heating, ventilation & air-conditioning systems (HVAC)/ building management systems (BMS), and ii) plumbing/rainwater harvesting.
- Besides that, the group also has an environmental division which mainly undertakes projects involving STREAM. STREAM is the group's proprietary automated waste collection system brand that is 25-years old.

1QFY18 core net profit grew 11.7% yoy

- 1QFY18 revenue was lower by 1.8% yoy to RM66.2m due to lower contributions from the environment and engineering divisions (environment: -7.8% yoy; engineering: -8.6% yoy). This was mainly due to project delays in both divisions. As a result, 1QFY18 EBITDA margin declined to 13.3% (-1.0% pt yoy) given the lower contributions from higher-margin segments (environment and engineering).
- However, 1QFY18 core net profit came in higher at RM4.1m (+11.7% yoy) after accounting for one-off write-backs of trade receivables of RM1m. This was mainly due to higher contributions from the facilities division (wholly-owned subsidiary).

Facilities management division remains key revenue contributor

- Among its key segments, the facilities management division contributes the bulk of its revenue at 47.2% (1QFY18). This is mainly owing to the large sized recurring contracts that have been awarded to the group in the past few years.
- While the environment division was the group's largest profit contributor previously, currently the facilities management division also contributes the highest pretax profit at RM6.8m (>100% yoy). We gather that this is mainly due to: i) more profitable contracts kicking in, and ii) higher economies of scale.

Stronger quarters ahead

- We expect AWC to record stronger quarters ahead on the back of expectations of faster progress billings of its healthy orderbook. We gather that its overall outstanding orderbook as at 1 Oct-17 stands at RM1.2bn.
- Up to end-FY19F, its outstanding orderbook stands at an estimated RM512m. This mainly consists of contracts in: i) facilities division (RM278.6m), ii) engineering division (RM127.1m), and iii) environment division (RM106.6m).

Maintain Add

- No changes to our Add call and our SOP-based TP of RM1.28. Moving forward, potential catalysts for the stock are large-sized contract wins, especially for the environment and engineering divisions which have better margins.
- Downside risks are contract execution delays and weaker-than-expected orderbook replenishment.

Financial Summary	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	249.3	296.1	313.9	331.0	355.5
Operating EBITDA (RMm)	31.90	45.94	42.29	44.78	47.67
Net Profit (RMm)	17.30	21.59	21.15	22.74	24.22
Core EPS (RM)	0.068	0.069	0.083	0.089	0.095
Core EPS Growth	89.8%	2.3%	19.6%	7.5%	6.5%
FD Core P/E (x)	13.98	13.68	11.44	10.64	9.99
DPS (RM)	0.025	0.020	0.025	0.030	0.035
Dividend Yield	2.65%	2.12%	2.65%	3.17%	3.70%
EV/EBITDA (x)	7.01	4.79	5.29	4.93	4.60
P/FCFE (x)	35.03	7.62	27.47	14.72	14.58
Net Gearing	(32.0%)	(34.6%)	(32.2%)	(33.7%)	(34.3%)
P/BV (x)	2.03	1.85	1.66	1.50	1.37
ROE	16.4%	14.1%	15.3%	14.8%	14.4%
CIMB/consensus EPS (x)			0.95	0.96	1.00

SOURCE: COMPANY DATA, CIMB FORECASTS

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Profit & Loss

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	**296.1**	**313.9**	**331.0**	**355.5**
Gross Profit	**85.8**	**94.5**	**102.8**	**112.2**
Operating EBITDA	**45.9**	**42.3**	**44.8**	**47.7**
Depreciation And Amortisation	(6.5)	(6.5)	(6.6)	(6.7)
Operating EBIT	**39.5**	**35.8**	**38.2**	**41.0**
Financial Income/(Expense)	(0.4)	0.3	0.3	0.3
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**39.1**	**36.1**	**38.5**	**41.3**
Exceptional Items				
Pre-tax Profit	**39.1**	**36.1**	**38.5**	**41.3**
Taxation	(8.7)	(8.3)	(8.5)	(9.1)
Exceptional Income - post-tax				
Profit After Tax	**30.4**	**27.8**	**30.0**	**32.3**
Minority Interests	(8.8)	(6.6)	(7.3)	(8.0)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**21.6**	**21.2**	**22.7**	**24.2**
Recurring Net Profit	17.7	21.2	22.7	24.2
Fully Diluted Recurring Net Profit	**17.7**	**21.2**	**22.7**	**24.2**

Balance Sheet

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	58.6	61.5	71.8	81.0
Total Debtors	91.5	103.2	108.8	116.9
Inventories	38.1	43.0	45.3	48.7
Total Other Current Assets	2.1	2.1	2.1	2.1
Total Current Assets	**190.3**	**209.8**	**228.1**	**248.6**
Fixed Assets	38.7	47.4	54.7	61.8
Total Investments	2.8	2.8	2.8	2.8
Intangible Assets	28.1	28.1	28.1	28.1
Total Other Non-Current Assets	1.6	1.6	1.6	1.6
Total Non-current Assets	**71.2**	**79.9**	**87.2**	**94.3**
Short-term Debt	0.2	0.2	0.2	0.2
Current Portion of Long-Term Debt				
Total Creditors	89.7	96.2	99.3	103.7
Other Current Liabilities	1.8	1.8	1.8	1.8
Total Current Liabilities	**91.7**	**98.2**	**101.3**	**105.7**
Total Long-term Debt	0.7	0.7	0.7	0.7
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	2.7	2.7	2.7	2.7
Total Non-current Liabilities	**3.4**	**3.4**	**3.4**	**3.4**
Total Provisions	0.2	0.2	0.2	0.2
Total Liabilities	**95.3**	**101.8**	**104.9**	**109.3**
Shareholders' Equity	131.0	145.7	160.8	176.0
Minority Interests	35.6	42.3	49.6	57.6
Total Equity	**166.6**	**188.0**	**210.4**	**233.7**

Cash Flow

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	45.94	42.29	44.78	47.67
Cash Flow from Invt. & Assoc.				
Change In Working Capital	20.53	(10.18)	(4.87)	(6.98)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	0.00	0.00	0.00	0.00
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00
Tax Paid	(8.23)	(8.30)	(8.47)	(9.10)
Cashflow From Operations	**58.24**	**23.81**	**31.44**	**31.59**
Capex	(26.50)	(15.00)	(15.00)	(15.00)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Investing	**(26.50)**	**(15.00)**	**(15.00)**	**(15.00)**
Debt Raised/(repaid)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(8.96)	(6.40)	(7.68)	(8.96)
Preferred Dividends				
Other Financing Cashflow	0.45	0.60	0.60	0.60
Cash Flow From Financing	**(8.51)**	**(5.80)**	**(7.08)**	**(8.36)**
Total Cash Generated	23.23	3.01	9.36	8.23
Free Cashflow To Equity	**31.74**	**8.81**	**16.44**	**16.59**
Free Cashflow To Firm	**31.74**	**8.81**	**16.44**	**16.59**

Key Ratios

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	18.8%	6.0%	5.4%	7.4%
Operating EBITDA Growth	44%	(8%)	6%	6%
Operating EBITDA Margin	15.5%	13.5%	13.5%	13.4%
Net Cash Per Share (RM)	0.23	0.24	0.28	0.31
BVPS (RM)	0.51	0.57	0.63	0.69
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	22.3%	23.0%	22.0%	22.0%
Net Dividend Payout Ratio	16.9%	21.7%	24.6%	26.9%
Accounts Receivables Days	130.7	113.2	116.9	116.2
Inventory Days	48.77	67.46	70.67	70.73
Accounts Payables Days	77.40	89.05	93.28	93.37
ROIC (%)	39.2%	32.9%	30.0%	29.4%
ROCE (%)	24.7%	20.2%	19.2%	18.5%
Return On Average Assets	16.0%	13.0%	12.6%	12.5%

12-mth Fwd FD P/E (x) - AWC Berhad

Key Drivers

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
ASP (% chg, main prod./serv.)	13.0%	0.0%	0.0%	0.0%
Unit sales grth (%, main prod./serv.)	19.1%	7.0%	7.0%	7.0%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

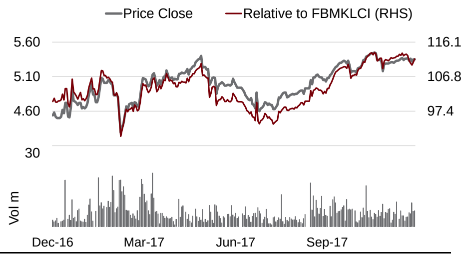
Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 9 Hold 17 Sell 2
Current price:	RM5.35
Target price:	RM6.00
Previous target:	RM6.00
Up/downside:	12.1%
CIMB / Consensus:	12.7%
Reuters:	AXIA.KL
Bloomberg:	AXIATA MK
Market cap:	US$11,861m
	RM48,406m
Average daily turnover:	US$7.25m
	RM30.29m
Current shares o/s	8,971m
Free float:	43.5%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.3	5.7	17.8
Relative (%)	0.4	7.9	11.5

Major shareholders	% held
Khazanah	38.1
Employees Provident Fund	11.8
Amanah Saham Bumi	6.6

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Axiata Group

On the road to recovery

- We see core EPS falling 15.1% in FY17F, then rebounding 28.5%/49.9% in FY18/19F. Dividend payout ratio should also revert to 85% in FY18F (FY17F: 50%).
- Key possible FY18-19F earnings drivers are strong earnings recovery at XL and Robi, and no share of Idea's losses from 4Q18F onwards.
- Maintain Add with an unchanged target price of RM6.00. Axiata is one of our top 3 ASEAN telco picks.

Overall earnings outlook in FY18-19F

- We forecast Axiata's core EPS to rebound by 28.5%/49.9% in FY18F/19F, after declining 15.1% in FY17F. This should be driven by strong earnings recovery at XL and Robi, as well as no share of Idea's losses from 4Q18F onwards.
- With FY18F group capex at about the same yoy, we expect net debt/EBITDA to ease from 1.8x at end-FY17F to 1.5x at end-FY18F. In line with its guidance in Feb 2017, we see Axiata's dividend payout ratio reverting to 85% in FY18F (FY17F: 50%).

Celcom: Flat earnings in FY18F; stronger growth in FY19F

- We are encouraged by management's progress in fixing network and sales and distribution issues, which we expect to be resolved by end-2017 and mid-2018, respectively. Its service revenue grew qoq in 2Q-3Q17, both times beating its peers.
- Nevertheless, we conservatively project Celcom's net profit to stay flat in FY18F (FY17F: +8.4%), as higher EBITDA margin may be offset by higher depreciation and interest cost. Earnings should also be supported by more stable market competition. For FY19F, we expect earnings to grow 10.3% on the back of better revenue traction and cost efficiencies.

XL: Better topline growth and EBITDA margin in FY18F-19F

- We see XL registering a profit of Rp620bn in FY17F, before earnings jump 79%/23% in FY18F/19F, forming 15.7%/13.5% of Axiata's group net profit (FY17F: 10.4%). We expect XL's EBITDA to grow a healthy 5.2%/10.2%/6.5% in FY17/18/19F, driven by higher mobile service revenue and progressive margin expansion.

Robi: Profits to improve as Airtel losses narrow

- We expect Robi to contribute negatively in FY17F (-RM15m) due to the consolidation of Airtel Bangladesh's losses, which it acquired in Nov 2016. Nevertheless, Airtel turned EBITDA positive in 3Q17, ahead of Axiata's initial guidance for 4Q17, and we expect Airtel to hit net profit breakeven by 4Q18F. Hence, we expect Robi's contributions to turn positive to c.RM14m in FY18F and jump to RM100m in FY19F.

No more equity accounting for Idea's losses from FY19F

- We estimate the share of Idea's losses to be RM310m in FY17F. This should widen to RM330m loss in FY18F, and then nil in FY19F as we expect Axiata to cease equity accounting for Idea once the Vodafone-Idea merger is completed in 4Q18F. The merger was announced in Mar 2017 and is expected to take 12-18 months to complete. Axiata's 19.8% associate stake in Idea will fall to 9.9% post-merger.
- However, our core net profit forecast does not take into account a potential write-down on Axiata's investment in Idea, given that it is an exceptional item and a paper loss.

Maintain Add and SOP-based target price of RM6.00

- We keep our Add call and SOP-based target price of RM6.00 on Axiata. We see strong earnings recovery in FY18F-19F as a re-rating catalyst. FY18F EV/OpFCF of 16.0x is at a 6% discount to the ASEAN telco average and may drop sharply to 10.8x in FY19F. Downside risk: keener competition and negative regulatory developments across its operating markets. Axiata is one of our top 3 ASEAN telco picks.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	19,883	21,565	24,213	25,763	27,178
Operating EBITDA (RMm)	7,284	8,013	9,267	10,383	11,392
Operating EBITDA Margin	36.6%	37.2%	38.3%	40.3%	41.9%
Net Profit (RMm)	2,554	504	1,204	1,547	2,319
Core EPS (RM)	0.24	0.16	0.13	0.17	0.26
Core EPS Growth	(9.6%)	(33.1%)	(15.8%)	28.5%	49.9%
FD Core P/E (x)	22.46	33.56	39.88	31.03	20.70
DPS (RM)	0.20	0.08	0.07	0.15	0.22
Dividend Yield	3.74%	1.50%	1.25%	2.74%	4.11%
EV/EBITDA (x)	7.06	7.63	6.70	5.90	5.27
P/FCFE (x)	294.7	379.3	28.3	85.1	19.3
Net Gearing	42.3%	59.1%	57.6%	51.8%	44.7%
ROE	9.36%	6.02%	5.04%	6.31%	9.16%
CIMB/consensus EPS (x)			0.91	1.00	1.26

SOURCE: COMPANY DATA, CIMB FORECASTS

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CIMB

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**21,565**	**24,213**	**25,763**	**27,178**
Gross Profit	**8,013**	**9,267**	**10,383**	**11,392**
Operating EBITDA	**8,013**	**9,267**	**10,383**	**11,392**
Depreciation And Amortisation	(5,667)	(5,985)	(6,373)	(6,575)
Operating EBIT	**2,346**	**3,282**	**4,010**	**4,817**
Financial Income/(Expense)	(1,018)	(1,072)	(1,066)	(1,019)
Pretax Income/(Loss) from Assoc.	30	(335)	(209)	89
Non-Operating Income/(Expense)	(685)	0	0	0
Profit Before Tax (pre-EI)	**673**	**1,875**	**2,734**	**3,887**
Exceptional Items	466	0	0	0
Pre-tax Profit	**1,140**	**1,875**	**2,734**	**3,887**
Taxation	(482)	(512)	(920)	(1,168)
Exceptional Income - post-tax				
Profit After Tax	**657**	**1,364**	**1,814**	**2,719**
Minority Interests	(153)	(160)	(267)	(400)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**504**	**1,204**	**1,547**	**2,319**
Recurring Net Profit	1,418	1,204	1,547	2,319
Fully Diluted Recurring Net Profit	**1,418**	**1,204**	**1,547**	**2,319**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	5,332	5,343	5,305	6,474
Total Debtors	4,780	5,027	5,407	5,600
Inventories	175	182	185	192
Total Other Current Assets	202	202	202	202
Total Current Assets	**10,489**	**10,754**	**11,100**	**12,468**
Fixed Assets	27,466	28,589	28,763	28,523
Total Investments	8,400	8,066	7,857	7,945
Intangible Assets	23,153	23,153	23,153	23,153
Total Other Non-Current Assets	981	981	981	981
Total Non-current Assets	**60,000**	**60,788**	**60,754**	**60,602**
Short-term Debt	7,124	7,124	7,124	7,124
Current Portion of Long-Term Debt				
Total Creditors	12,168	11,437	12,840	12,065
Other Current Liabilities	653	682	1,097	1,348
Total Current Liabilities	**19,945**	**19,244**	**21,062**	**20,537**
Total Long-term Debt	15,135	15,153	13,869	13,483
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	6,788	7,764	6,630	7,404
Total Non-current Liabilities	**21,924**	**22,917**	**20,499**	**20,887**
Total Provisions	0	0	0	0
Total Liabilities	**41,869**	**42,160**	**41,561**	**41,424**
Shareholders' Equity	23,581	24,182	24,826	25,779
Minority Interests	5,040	5,200	5,467	5,867
Total Equity	**28,620**	**29,382**	**30,292**	**31,646**

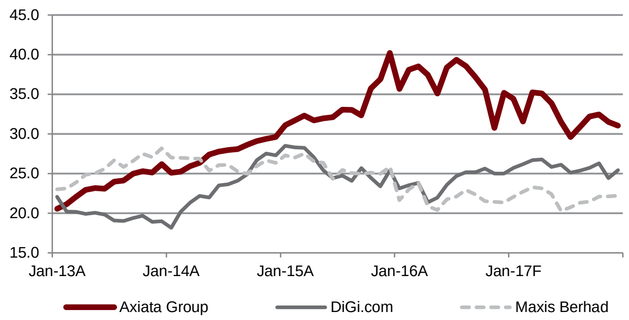
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	8,013	9,267	10,383	11,392
Cash Flow from Invt. & Assoc.				
Change In Working Capital	1,681	817	0	0
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(1,017)	0	0	0
Net Interest (Paid)/Received	(1,154)	(1,256)	(1,215)	(1,155)
Tax Paid	(747)	(512)	(920)	(1,168)
Cashflow From Operations	**6,775**	**8,316**	**8,247**	**9,069**
Capex	(5,564)	(7,108)	(6,548)	(6,334)
Disposals Of FAs/subsidiaries	81	0	0	0
Acq. Of Subsidiaries/investments	(5,641)	285	0	0
Other Investing Cashflow	289	184	149	136
Cash Flow From Investing	**(10,835)**	**(6,639)**	**(6,399)**	**(6,199)**
Debt Raised/(repaid)	4,186	18	(1,284)	(387)
Proceeds From Issue Of Shares	10	0	0	0
Shares Repurchased				
Dividends Paid	(790)	(718)	(602)	(1,315)
Preferred Dividends				
Other Financing Cashflow	886	0	0	0
Cash Flow From Financing	**4,291**	**(700)**	**(1,886)**	**(1,702)**
Total Cash Generated	231	977	(38)	1,169
Free Cashflow To Equity	**125**	**1,695**	**564**	**2,483**
Free Cashflow To Firm	**(2,906)**	**2,933**	**3,063**	**4,025**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	8.5%	12.3%	6.4%	5.5%
Operating EBITDA Growth	10.0%	15.7%	12.0%	9.7%
Operating EBITDA Margin	37.2%	38.3%	40.3%	41.9%
Net Cash Per Share (RM)	(1.89)	(1.89)	(1.75)	(1.58)
BVPS (RM)	2.63	2.70	2.77	2.87
Gross Interest Cover	1.95	2.61	3.30	4.17
Effective Tax Rate	42.3%	27.3%	33.7%	30.0%
Net Dividend Payout Ratio	1876%	50%	85%	85%
Accounts Receivables Days	74.12	73.92	73.92	73.92
Inventory Days	4.45	4.36	4.36	4.35
Accounts Payables Days	294.5	288.2	288.1	287.9
ROIC (%)	4.63%	5.74%	5.99%	7.45%
ROCE (%)	5.44%	6.76%	8.08%	9.57%
Return On Average Assets	1.33%	3.08%	3.55%	4.73%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Group Mobile Subscribers (m)	10.56	9.85	10.18	10.53
Group Fixed Voice Subscribers (m)	N/A	N/A	N/A	N/A
Grp fixed brdband subscribers (m)	N/A	N/A	N/A	N/A
Group Pay TV Subs (m)	N/A	N/A	N/A	N/A
Group Mobile ARPU (US$/mth)	41.0	44.2	46.1	45.9
Grp fixed voice ARPU (US$/mth)	N/A	N/A	N/A	N/A
Grp fixed brdband ARPU (US$/mth)	N/A	N/A	N/A	N/A
Group Pay TV ARPU (US$/mth)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 6	Hold 1	Sell 0

Current price:	RM1.74
Target price:	RM1.96
Previous target:	RM1.96
Up/downside:	12.7%
CIMB / Consensus:	2.1%
Reuters:	BJFO.KL
Bloomberg:	BFD MK
Market cap:	US$160.3m
	RM654.1m
Average daily turnover:	US$0.10m
	RM0.44m
Current shares o/s	375.9m
Free float:	48.0%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.8	14.5	10.1
Relative (%)	3.9	16.7	3.8

Major shareholders	% held
Berjaya Corp	52.0
PNB	5.6

Berjaya Food Berhad

A purer Starbucks brew

- Berjaya Food's earnings growth will continue to be buoyed by its continuous store expansion for Starbucks and the turnaround in KRR Malaysia.
- The disposal of KRR Indonesia should lift the sentiment and overhang on its share price and remove the group's key earnings drag over the last few years.
- Maintain Add with an unchanged end-2018 target price of RM1.96.

Goodbye KRR Indonesia

- To recap, BFood announced in Nov 2017 that it had disposed its entire 99.9% stake in PT Boga to Mr. Rudy Wiguna and Ms. Komelia Ersan and also paid off part of an inter-company debt totalling c.RM3.1m. The total cash consideration of the disposal came up to a nominal sum of c.RM0.32 after accounting for PT Boga's past yearly losses and shareholders' deficit of RM37m as at Aug 2017.
- This was not a surprise as management had earlier indicated that it is in discussions with multiple parties to dispose its loss-making entity, KRR Indonesia. The group will report a one-off loss of RM13.3m in FY18F from this disposal. While the cash consideration from the disposal was trifle, we are long-term positive on this divestment as it eradicates the drag on the group's earnings over the last 5 years. This should lift sentiment on the stock and spell a re-rating as it turns into a purer Starbucks player.

Starbucks still the growth driver

- Moving forward, BFood's earnings will continue to propped up by its crown jewel, Starbucks. We expect Starbucks to maintain its positive earnings momentum from continuous store additions, adding 25-30 new stores p.a. Out of the 25-30 stores, around 10 will be drive-throughs. Note that drive-throughs typically fetch higher margins as rental rates are only 8-9% of total sales vs. 14-15% for typical outlets.
- We are forecasting SSSG of 3-5% for Starbucks Malaysia for FY18-20F, in line with management's guidance.

KRR Malaysia

- As for KRR Malaysia, management has put in place several initiatives to lift brand perception as well as introduce new initiatives and promotional campaigns to attract customers. The group is more selective on its new store openings for KRR Malaysia and will open at places with higher footfall as it attempts to arrest profit declines for its franchise. Management expects KRR Malaysia to return back to profits by end-FY18F following the implementation of its new initiatives as well as cost cutting measures.

Maintain Add

- We retain Add and our EPS estimates. Our end-2018 target price of RM1.96 is based on 22x CY19F EPS, in line with its 3-year historical mean. We think the disposal of KRR Indonesia could catalyse the share price. Further re-rating catalysts include the disposal of its loss-making Jollibean franchise as well as a turnaround in KRR Malaysia operations. The group should also post stronger results moving forward as it pares down debt (leading to lower interest payments) and lower effective tax rates.

Key risks to our call

- Downside risks include a significant slowdown in consumer spending and lower margins from Starbucks as a result of higher operating costs.

Financial Summary	Apr-16A	Apr-17A	Apr-18F	Apr-19F	Apr-20F
Revenue (RMm)	554.4	597.5	658.5	729.4	807.3
Operating EBITDA (RMm)	78.73	78.91	64.65	90.97	98.23
Net Profit (RMm)	21.29	11.44	12.35	29.95	35.24
Core EPS (RM)	0.057	0.061	0.068	0.080	0.094
Core EPS Growth	(87.6%)	6.8%	12.7%	16.9%	17.7%
FD Core P/E (x)	30.69	28.73	25.50	21.82	18.54
DPS (RM)	0.053	0.035	0.034	0.040	0.047
Dividend Yield	3.02%	2.01%	1.96%	2.29%	2.70%
EV/EBITDA (x)	10.58	10.96	13.34	9.30	8.39
P/FCFE (x)	23.32	29.71	87.44	31.70	22.99
Net Gearing	49.2%	61.2%	60.8%	56.6%	51.0%
P/BV (x)	1.64	1.67	1.61	1.56	1.49
ROE	5.32%	5.75%	6.43%	7.26%	8.22%
CIMB/consensus EPS (x)			0.50	0.97	0.97

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Apr-17A	Apr-18F	Apr-19F	Apr-20F
Total Net Revenues	**597.5**	**658.5**	**729.4**	**807.3**
Gross Profit	**275.9**	**287.2**	**331.5**	**363.0**
Operating EBITDA	**78.9**	**64.7**	**91.0**	**98.2**
Depreciation And Amortisation	(34.5)	(39.7)	(39.7)	(39.5)
Operating EBIT	**44.4**	**24.9**	**51.3**	**58.7**
Financial Income/(Expense)	(14.5)	(14.2)	(13.9)	(13.6)
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**30.0**	**10.8**	**37.4**	**45.1**
Exceptional Items				
Pre-tax Profit	**30.0**	**10.8**	**37.4**	**45.1**
Taxation	(18.0)	(3.8)	(13.1)	(15.8)
Exceptional Income - post-tax	(5.7)			
Profit After Tax	**6.3**	**7.0**	**24.3**	**29.3**
Minority Interests	5.1	5.4	5.6	5.9
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**11.4**	**12.4**	**29.9**	**35.2**
Recurring Net Profit	22.7	25.6	29.9	35.2
Fully Diluted Recurring Net Profit	**22.7**	**25.6**	**29.9**	**35.2**

Balance Sheet

(RMm)	Apr-17A	Apr-18F	Apr-19F	Apr-20F
Total Cash And Equivalents	26.3	18.3	24.0	34.7
Total Debtors	22.4	24.7	27.3	30.2
Inventories	37.8	43.6	46.7	52.2
Total Other Current Assets	4.4	4.4	4.4	4.4
Total Current Assets	**90.8**	**91.0**	**102.4**	**121.5**
Fixed Assets	217.0	233.1	233.5	234.0
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	454.7	454.7	454.7	454.7
Total Other Non-Current Assets	26.6	26.6	26.6	26.6
Total Non-current Assets	**698.2**	**714.4**	**714.8**	**715.3**
Short-term Debt	130.6	125.6	120.6	115.6
Current Portion of Long-Term Debt				
Total Creditors	89.7	103.6	111.0	124.0
Other Current Liabilities	57.6	57.6	57.6	57.6
Total Current Liabilities	**278.0**	**286.9**	**289.3**	**297.2**
Total Long-term Debt	124.6	124.6	124.6	124.6
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	10.2	10.2	10.2	10.2
Total Non-current Liabilities	**134.8**	**134.8**	**134.8**	**134.8**
Total Provisions	1.9	1.9	1.9	1.9
Total Liabilities	**414.7**	**423.6**	**426.0**	**434.0**
Shareholders' Equity	391.9	404.7	419.7	437.3
Minority Interests	(17.6)	(22.9)	(28.6)	(34.5)
Total Equity	**374.3**	**381.8**	**391.1**	**402.8**

Cash Flow

(RMm)	Apr-17A	Apr-18F	Apr-19F	Apr-20F
EBITDA	78.91	64.65	90.97	98.23
Cash Flow from Invt. & Assoc.				
Change In Working Capital	46.02	5.76	1.63	4.58
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	34.47	39.71	39.66	39.50
Other Operating Cashflow	(51.62)	(39.71)	(39.66)	(39.50)
Net Interest (Paid)/Received	(14.70)	(14.41)	(14.12)	(13.83)
Tax Paid	(17.99)	(3.77)	(13.10)	(15.79)
Cashflow From Operations	**75.09**	**52.25**	**65.38**	**73.19**
Capex	(74.97)	(40.00)	(40.00)	(40.00)
Disposals Of FAs/subsidiaries	1.06	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	(4.90)	0.00	0.00	0.00
Other Investing Cashflow	0.19	0.23	0.23	0.23
Cash Flow From Investing	**(78.62)**	**(39.77)**	**(39.77)**	**(39.77)**
Debt Raised/(repaid)	25.52	(5.00)	(5.00)	(5.00)
Proceeds From Issue Of Shares	1.56	0.00	0.00	0.00
Shares Repurchased				
Dividends Paid	(13.13)	(12.81)	(14.97)	(17.62)
Preferred Dividends				
Other Financing Cashflow	(22.14)	0.00	0.00	0.00
Cash Flow From Financing	**(8.18)**	**(17.81)**	**(19.97)**	**(22.62)**
Total Cash Generated	(11.71)	(5.34)	5.64	10.79
Free Cashflow To Equity	**21.99**	**7.47**	**20.61**	**28.41**
Free Cashflow To Firm	**11.17**	**26.88**	**39.73**	**47.24**

Key Ratios

	Apr-17A	Apr-18F	Apr-19F	Apr-20F
Revenue Growth	7.8%	10.2%	10.8%	10.7%
Operating EBITDA Growth	0.2%	(18.1%)	40.7%	8.0%
Operating EBITDA Margin	13.2%	9.8%	12.5%	12.2%
Net Cash Per Share (RM)	(0.61)	(0.62)	(0.59)	(0.55)
BVPS (RM)	1.04	1.08	1.12	1.16
Gross Interest Cover	3.02	1.73	3.63	4.25
Effective Tax Rate	60.0%	35.0%	35.0%	35.0%
Net Dividend Payout Ratio	77%	104%	50%	50%
Accounts Receivables Days	19.50	13.04	13.01	13.05
Inventory Days	41.39	39.98	41.43	40.73
Accounts Payables Days	91.20	95.01	98.45	96.79
ROIC (%)	7.54%	4.05%	8.20%	9.40%
ROCE (%)	7.14%	3.98%	8.10%	9.19%
Return On Average Assets	3.45%	2.66%	4.71%	5.19%

12-mth Fwd FD P/E (x) - Berjaya Food Berhad

Key Drivers

	Apr-17A	Apr-18F	Apr-19F	Apr-20F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	2.3%	3.7%	3.6%	3.5%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	11.0%	11.4%	13.0%	12.7%
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod/serv)	N/A	N/A	N/A	N/A
Unit sales grth (%,tertiary prod/serv)	-12.7%	1.5%	1.5%	1.4%
Util. rate (%, tertiary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

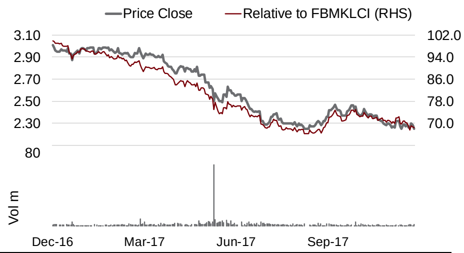
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 7	Hold 6	Sell 0

Current price:	RM2.25
Target price:	RM2.85
Previous target:	RM2.85
Up/downside:	26.8%
CIMB / Consensus:	2.6%
Reuters:	BSTB.KL
Bloomberg:	BST MK
Market cap:	US$742.6m
	RM3,031m
Average daily turnover:	US$0.43m
	RM1.80m
Current shares o/s	1,351m
Free float:	63.3%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2.2	-3	-26.5
Relative (%)	-3.1	-0.8	-32.8

Major shareholders	% held
Gateway Benefit SB	23.2
Berjaya Land	13.5

Berjaya Sports Toto

Finding shelter in high yields

- BST is the biggest NFO with regards to revenue, number of outlets and market share in Malaysia.
- Despite the uninspiring earnings outlook for NFOs in the near term, we think that BST's share price will continue to be supported by its attractive dividend yields.
- Maintain Add with an unchanged DDM-based target price of RM2.85.

A number of factors plague the NFO industry

- Berjaya Sports Toto (BST) is the largest number forecast operator (NFO) in terms of revenue, number of outlets and market share in Malaysia. Nonetheless, over the past three years, a plethora of factors have led to a decline in revenue for BST, particularly: i) weakened consumer sentiment due to the implementation of the GST in April 2015 as well as the removal of subsidies, which raised living costs, and ii) the propagation of illegal syndicates, which are currently eating away at legal operators' market share.

Illegal syndicates munching on slices of the legal pie

- Revenue for the legal market has been stagnating over the past few years as illegitimate operators are munching on slices of the legal pie. We understand that the size of the illegitimate market is now estimated to be 1.5-2x larger than that of the legal market, which is currently valued at an estimated RM9bn.
- Anecdotal evidence reveals that illegal operators, which do not pay taxes and operate at very minimal overheads, are able to pay out as much as 25-30% pts more than authorised players' 4D prize money for first prize. Additionally, legal operators are constrained by the limited ability to open new sales outlets as this is tightly controlled by the government, thereby restricting the distribution channels of legal operators.

Could this be addressed by a change in gaming laws?

- Based on our understanding, the presently outdated Common Gaming House Act 1953 (CGHA) has not taken into account the evolution of gaming, which has shifted to more advanced and unconventional channels, making it challenging for law enforcers to clamp down on online casino/gambling operators. Thus, we think any alterations to the CGHA will require tackling online and offline gambling-related criminal activities and dishing up more severe sentences for illegal syndicates.
- Should explicit bans on illegal online gaming materialise in the amended gaming bill, this could serve as a re-rating catalyst for the overall industry and potentially eliminate unregulated online syndicates, thus bringing back market share for the legal betting operators, such as BST, and leveling the operating environment.

Juicy dividend appeal

- BST's main appeal is its healthy and consistent dividend track record and higher-than-average market yields. Over the past 10 years, the group has consistently paid out dividends well in excess of its 75% minimum policy. Going forward, we think there will be minimal downside dividend risk given the group's sturdy balance sheet and strong underlying core business, which generates strong average operating cash flow of more than RM400m/year.

Maintain Add; dividend yields are attractive at 6.2-6.9%

- We maintain our earnings estimates, DDM-based target price of RM2.85 and Add call. Despite the fairly uncertain outlook for the overall NFO sector on the back of an intensively competitive environment, we think that investors who are looking for a defensive yield play will still find BST attractive given its estimated FY18-20F dividend yields of 6.2-6.9%.

Financial Summary	Apr-16A	Apr-17A	Apr-18F	Apr-19F	Apr-20F
Revenue (RMm)	5,563	5,735	5,905	6,042	6,186
Operating EBITDA (RMm)	522.0	419.3	468.6	479.1	487.8
Net Profit (RMm)	306.2	241.3	259.5	265.9	272.6
Core EPS (RM)	0.23	0.18	0.19	0.20	0.20
Core EPS Growth	(19.4%)	(21.2%)	7.5%	2.5%	2.5%
FD Core P/E (x)	9.93	12.60	11.71	11.43	11.15
DPS (RM)	0.19	0.14	0.15	0.16	0.16
Dividend Yield	8.44%	6.22%	6.83%	7.00%	7.17%
EV/EBITDA (x)	7.07	9.11	7.64	7.36	7.11
P/FCFE (x)	4.17	14.97	7.91	13.44	12.91
Net Gearing	73.5%	90.8%	41.0%	35.3%	30.0%
P/BV (x)	3.96	3.96	2.42	2.32	2.23
ROE	42.2%	31.4%	25.6%	20.7%	20.4%
CIMB/consensus EPS (x)			0.94	0.93	0.95

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Apr-17A	Apr-18F	Apr-19F	Apr-20F
Total Net Revenues	**5,735**	**5,905**	**6,042**	**6,186**
Gross Profit	**5,735**	**5,905**	**6,042**	**6,186**
Operating EBITDA	**419**	**469**	**479**	**488**
Depreciation And Amortisation	(32)	(33)	(35)	(37)
Operating EBIT	**388**	**435**	**444**	**450**
Financial Income/(Expense)	(29)	(45)	(34)	(31)
Pretax Income/(Loss) from Assoc.	6	6	6	6
Non-Operating Income/(Expense)	15	(23)	(34)	(35)
Profit Before Tax (pre-EI)	**380**	**374**	**383**	**392**
Exceptional Items	0	0	0	0
Pre-tax Profit	**380**	**374**	**383**	**392**
Taxation	(129)	(105)	(107)	(110)
Exceptional Income - post-tax				
Profit After Tax	**251**	**269**	**275**	**282**
Minority Interests	(9)	(9)	(9)	(9)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**241**	**259**	**266**	**273**
Recurring Net Profit	241	259	266	273
Fully Diluted Recurring Net Profit	**241**	**259**	**266**	**273**

Balance Sheet

(RMm)	Apr-17A	Apr-18F	Apr-19F	Apr-20F
Total Cash And Equivalents	387	557	563	573
Total Debtors	497	511	523	536
Inventories	383	394	403	413
Total Other Current Assets	22	22	22	22
Total Current Assets	**1,289**	**1,485**	**1,512**	**1,543**
Fixed Assets	215	180	177	172
Total Investments	345	344	317	318
Intangible Assets	788	788	788	788
Total Other Non-Current Assets	0	265	293	288
Total Non-current Assets	**1,348**	**1,577**	**1,575**	**1,566**
Short-term Debt	591	561	533	507
Current Portion of Long-Term Debt				
Total Creditors	619	638	652	668
Other Current Liabilities	9	9	9	9
Total Current Liabilities	**1,220**	**1,209**	**1,195**	**1,184**
Total Long-term Debt	552	530	509	488
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	5	4	4	4
Total Non-current Liabilities	**557**	**534**	**513**	**493**
Total Provisions	27	16	16	16
Total Liabilities	**1,804**	**1,759**	**1,724**	**1,693**
Shareholders' Equity	768	1,258	1,312	1,366
Minority Interests	64	44	44	44
Total Equity	**832**	**1,303**	**1,356**	**1,410**

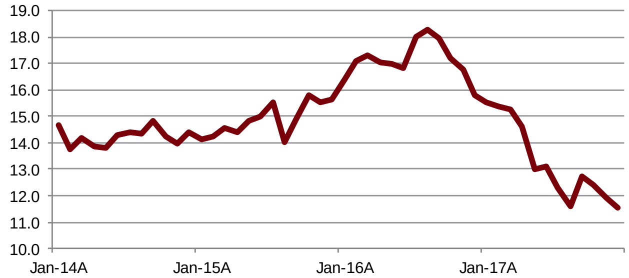
Cash Flow

(RMm)	Apr-17A	Apr-18F	Apr-19F	Apr-20F
EBITDA	419.3	468.6	479.1	487.8
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(60.7)	192.3	(6.2)	(6.6)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	42.5	0.0	0.0	0.0
Net Interest (Paid)/Received	(51.0)	(63.0)	(60.1)	(57.4)
Tax Paid	(132.7)	(129.4)	(104.6)	(107.1)
Cashflow From Operations	**217.4**	**468.5**	**308.1**	**316.8**
Capex	(31.1)	(32.6)	(32.6)	(34.3)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Investing	**(31.1)**	**(32.6)**	**(32.6)**	**(34.3)**
Debt Raised/(repaid)	16.7	(51.6)	(49.3)	(47.0)
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(215.9)	(207.6)	(212.7)	(218.1)
Preferred Dividends				
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	**(199.2)**	**(259.2)**	**(262.0)**	**(265.1)**
Total Cash Generated	(12.8)	176.6	13.5	17.5
Free Cashflow To Equity	**203.0**	**384.2**	**226.2**	**235.5**
Free Cashflow To Firm	**237.3**	**498.8**	**335.6**	**339.9**

Key Ratios

	Apr-17A	Apr-18F	Apr-19F	Apr-20F
Revenue Growth	3.08%	2.97%	2.31%	2.40%
Operating EBITDA Growth	(19.7%)	11.8%	2.2%	1.8%
Operating EBITDA Margin	7.31%	7.94%	7.93%	7.89%
Net Cash Per Share (RM)	(0.56)	(0.40)	(0.35)	(0.31)
BVPS (RM)	0.57	0.93	0.97	1.01
Gross Interest Cover	7.61	6.91	7.38	7.85
Effective Tax Rate	34.0%	28.0%	28.0%	28.0%
Net Dividend Payout Ratio	78.4%	80.0%	80.0%	80.0%
Accounts Receivables Days	27.60	31.16	31.25	31.33
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	24.1%	25.6%	22.0%	21.9%
ROCE (%)	20.5%	20.6%	19.5%	19.7%
Return On Average Assets	10.3%	10.6%	9.8%	9.8%

12-mth Fwd FD P/E (x) - Berjaya Sports Toto



Key Drivers

	Apr-17A	Apr-18F	Apr-19F	Apr-20F
No. Of Outlets	676	676	676	676
No. Of Games	N/A	N/A	N/A	N/A
No. Of Draw Days	176	176	176	176
Rev. per draw day (% chg)	0.0%	0.1%	0.1%	0.2%
Prize Payout Ratio (%)	65.6%	65.0%	64.8%	64.5%
Gaming Tax (%)	8.0%	8.0%	8.0%	8.0%
Pool Betting Duties (%)	8.0%	8.0%	8.0%	8.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

Bermaz Auto Berhad

Earnings recovery prospect reflected in share price

- We expect the new CX-5 model to drive Bermaz's earnings growth in FY18F onwards.
- Bermaz will also benefit from higher CX-5 export volume through MMSB, which is expecting to ship 15k units across ASEAN in FY4/18 (vs. 11k in FY4/17).
- Maintain Hold and RM2.06 TP. The stock offers an attractive CY18F yield of 6.1%.

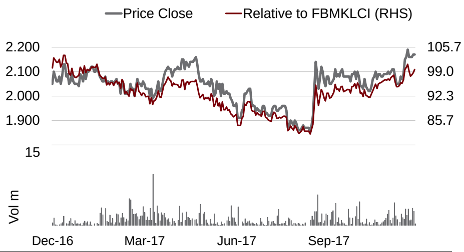
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 9	Hold 3	Sell 0

Current price:	RM2.17
Target price:	RM2.06
Previous target:	RM2.06
Up/downside:	-5.1%
CIMB / Consensus:	-11.1%
Reuters:	BERA.KL
Bloomberg:	BAUTO MK
Market cap:	US$613.9m
	RM2,505m
Average daily turnover:	US$0.69m
	RM2.89m
Current shares o/s	1,139m
Free float:	38.6%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.8	5.3	5.9
Relative (%)	2.9	7.5	-0.4

Major shareholders	% held
Dynamic Milestone	34.2
Berjaya Group	17.1
Employees Provident Fund	10.1

Review of 1HFY18 results

- For 1HFY18, Bermaz's revenue fell 10.7% yoy due to lower sales volumes, particularly for the CX-5 run-out model and the ageing Mazda2 model. However, this was offset by stronger sales volumes in the Philippines, which grew 16% yoy in 1HFY18. Overall, Bermaz posted 41% yoy drop in 1HFY18 net profit on the back of lower revenue, margin contraction from more sales incentives provided for the CX-5 run-out model to clear the stock, and weaker contribution from associates.

New CX-5 model to drive earnings growth in FY18F onwards

- The group aims to sell 600-700 units of CX-5 model per month starting Oct 17. We think the target is achievable given the positive response from the market following its soft launch in Sep 17. Bermaz also delivered about 1k units in Oct-Nov period. Moreover, we understand that its Kulim plant is in the midst of ramping up production to reach 1.5k units per month from 600 units in Sep 17.

Riding on Mazda (Japan)'s bullish expansion in Asean

- We expect stronger contribution from Inokom and Mazda Malaysia (MMSB) in 2HFY18F, riding on the new CX-5 model and Mazda (Japan)'s expansion strategy to grow its annual sales in Asean from 100k in Mar 2017 to 150k in 2019.
- MMSB also plans to double its production capacity from 18k to 35k units per year following the completion of its new paint shop this year. This is in line with the group's plan to raise its export volumes in Asean.

Delays Bermaz Auto Philippines IPO

- We understand the group has decided to put off the plan to list Bermaz Auto Philippines (BAP) in the near-term due to unfavourable market conditions from the expected hike in vehicle sales tax in the Philippines. To recap, the Philippines Senate approved a tax reform package in end-Nov 17, whereby the government plans to reduce the individual income tax, while raising taxes on fuel, vehicles, etc.
- Under the tax reform bill, vehicles with a net manufacturing price of Php1m and below will be taxed 10%, while those costing more than Php1m (RM81k) will see 20% tax. Essentially, we estimate this could increase BAP's average selling price by 5%.

Competition heating up in the SUV-segment

- We expect rising competition in the crowded SUV segment, with the pending entry of new Toyota C-HR in 1QCY18 and the ongoing competition from Honda CR-V. Based on our channel checks, Honda has received more than 5k unit bookings since the launch in Jul 17 and has delivered over 4k units in the past four months.

Maintain Hold and target price

- We maintain our Hold call on the stock with an unchanged RM2.06 TP, still based on 13x CY19F P/E, in line with sector mean. The stock offers an attractive CY18F yield of 6.0%. Successful new model launches and higher dividend payout are key upside risks, while weaker earnings delivery and lower dividend are key downside risks.

Financial Summary	Apr-16A	Apr-17A	Apr-18F	Apr-19F	Apr-20F
Revenue (RMm)	2,095	1,660	1,995	2,241	2,354
Operating EBITDA (RMm)	267.0	171.3	195.1	243.1	268.2
Net Profit (RMm)	197.6	122.5	123.8	162.9	186.1
Normalised EPS (RM)	0.17	0.11	0.11	0.14	0.16
Normalised EPS Growth	(8.1%)	(38.0%)	0.5%	31.6%	14.3%
FD Normalised P/E (x)	12.67	20.45	20.36	15.47	13.54
DPS (RM)	0.17	0.12	0.11	0.15	0.16
Dividend Yield	7.79%	5.37%	4.84%	6.68%	7.37%
EV/EBITDA (x)	7.70	13.09	11.59	9.32	8.50
P/FCFE (x)	11.58	32.65	19.63	15.57	14.17
Net Gearing	(65.1%)	(37.6%)	(39.7%)	(38.8%)	(36.0%)
P/BV (x)	4.69	5.60	5.88	5.76	5.71
ROE	39.3%	25.1%	28.4%	37.9%	42.6%
% Change In Normalised EPS Estimates			0%	0%	0%
Normalised EPS/consensus EPS (x)			0.81	0.79	0.83

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Apr-17A	Apr-18F	Apr-19F	Apr-20F
Total Net Revenues	**1,660**	**1,995**	**2,241**	**2,354**
Gross Profit	**171**	**309**	**379**	**409**
Operating EBITDA	**171**	**195**	**243**	**268**
Depreciation And Amortisation	(6)	(6)	(7)	(7)
Operating EBIT	**165**	**189**	**236**	**261**
Financial Income/(Expense)	1	(5)	(5)	(5)
Pretax Income/(Loss) from Assoc.	14	6	15	25
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**180**	**190**	**246**	**281**
Exceptional Items				
Pre-tax Profit	**180**	**190**	**246**	**281**
Taxation	(43)	(47)	(62)	(70)
Exceptional Income - post-tax				
Profit After Tax	**137**	**142**	**185**	**211**
Minority Interests	(14)	(19)	(22)	(25)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Preference Dividends (Australia)				
Net Profit	**122**	**124**	**163**	**186**
Normalised Net Profit	137	142	185	211
Fully Diluted Normalised Profit	**122**	**124**	**163**	**186**

Balance Sheet

(RMm)	Apr-17A	Apr-18F	Apr-19F	Apr-20F
Total Cash And Equivalents	244.8	254.9	262.8	258.2
Total Debtors	84.5	101.6	114.1	119.9
Inventories	432.2	519.5	583.7	613.0
Total Other Current Assets	11.7	17.9	8.6	33.7
Total Current Assets	**773.1**	**893.8**	**969.2**	**1,024.8**
Fixed Assets	23.2	27.9	29.2	30.2
Total Investments	113.0	116.6	125.6	140.6
Intangible Assets	0.5	0.5	0.5	0.5
Total Other Non-Current Assets	44.3	44.3	44.3	44.3
Total Non-current Assets	**181.0**	**189.4**	**199.6**	**215.6**
Short-term Debt	58.9	58.9	58.9	58.9
Current Portion of Long-Term Debt				
Total Creditors	265.5	319.1	358.5	376.6
Other Current Liabilities	68.4	74.3	89.3	114.3
Total Current Liabilities	**392.7**	**452.3**	**506.7**	**549.8**
Total Long-term Debt	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	67.1	137.1	137.1	137.1
Total Non-current Liabilities	**67.1**	**137.1**	**137.1**	**137.1**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**459.8**	**589.4**	**643.8**	**686.8**
Shareholders' Equity	444.8	425.7	435.0	438.8
Minority Interests	49.6	68.1	90.0	114.8
Total Equity	**494.4**	**493.8**	**525.0**	**553.6**

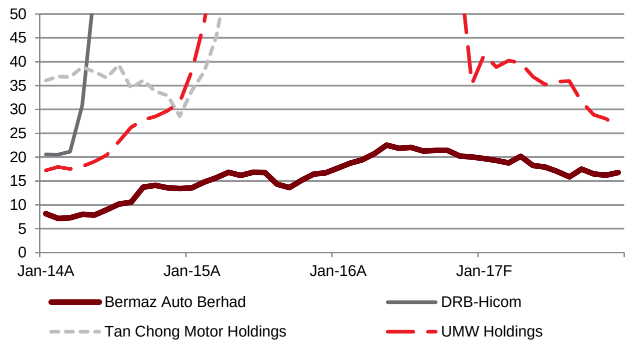
Cash Flow

(RMm)	Apr-17A	Apr-18F	Apr-19F	Apr-20F
EBITDA	171.3	195.1	243.1	268.2
Cash Flow from Invt. & Assoc.				
Change In Working Capital				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(79.9)	(6.3)	(6.7)	(7.0)
Net Interest (Paid)/Received	(3.0)	(5.0)	(5.0)	(5.0)
Tax Paid	(64.3)	(47.4)	(61.6)	(70.3)
Cashflow From Operations	**24.1**	**136.3**	**169.8**	**185.9**
Capex	(6.3)	(8.0)	(8.0)	(8.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Investing	**(6.3)**	**(8.0)**	**(8.0)**	**(8.0)**
Debt Raised/(repaid)	58.9	0.0	0.0	0.0
Proceeds From Issue Of Shares	3.7	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(212.2)	(118.2)	(153.9)	(182.4)
Preferred Dividends				
Other Financing Cashflow	0.0	(5.0)	(5.0)	(5.0)
Cash Flow From Financing	**(149.6)**	**(123.2)**	**(158.9)**	**(187.4)**
Total Cash Generated	(131.8)	5.1	2.9	(9.6)
Free Cashflow To Equity	**76.7**	**128.3**	**161.8**	**177.9**
Free Cashflow To Firm	**20.8**	**133.3**	**166.8**	**182.9**

Key Ratios

	Apr-17A	Apr-18F	Apr-19F	Apr-20F
Revenue Growth	(20.8%)	20.2%	12.4%	5.0%
Operating EBITDA Growth	(35.9%)	13.9%	24.6%	10.3%
Operating EBITDA Margin	10.3%	9.8%	10.8%	11.4%
Net Cash Per Share (RM)	0.16	0.17	0.18	0.17
BVPS (RM)	0.39	0.37	0.38	0.38
Gross Interest Cover	56	38	47	52
Effective Tax Rate	24.0%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	116%	96%	94%	98%
Accounts Receivables Days	19.85	17.02	17.56	18.19
Inventory Days	91.3	103.0	108.1	112.6
Accounts Payables Days	60.86	63.28	66.40	69.18
ROIC (%)	68%	54%	56%	59%
ROCE (%)	30.3%	34.1%	41.6%	43.7%
Return On Average Assets	14.3%	14.3%	16.7%	17.8%

12-mth Fwd FD P/E (x)



Key Drivers

	Apr-17A	Apr-18F	Apr-19F	Apr-20F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	-17.8%	-4.4%	10.0%	9.9%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	-11.8%	19.8%	13.9%	12.7%
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod/serv)	N/A	N/A	N/A	N/A
Unit sales grth (%,tertiary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, tertiary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

Bioalpha Holdings

Strong and healthy

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 1	Hold 0	Sell 0

Current price:	RM0.25
Target price:	RM0.44
Previous target:	RM0.44
Up/downside:	77.6%
CIMB / Consensus:	-1.1%
Reuters:	BIOA.KL
Bloomberg:	BIOA MK
Market cap:	US$48.58m
	RM198.3m
Average daily turnover:	US$0.13m
	RM0.55m
Current shares o/s	800.0m
Free float:	56.6%

*Source: Bloomberg

Source: Bloomberg

Price performance	*1M*	*3M*	*12M*
Absolute (%)	-3.9	-7.6	16.7
Relative (%)	-4.8	-5.4	10.4

Major shareholders	% held
William Hon	16.5
MTDC	16.1
Perbadanan Nastional (PNS)	10.8

- Indonesia is its largest export market; it is receiving approvals faster for new products.
- Domestic sales are picking up and selling house brands through its own pharmacies are showing results.
- Remains an Add; a potential catalyst is stronger-than-expected export revenue.

Integrated herbal supplement producer

- Bioalpha Holdings (BioA) is an integrated herbal supplement producer, selling to own design manufacturers (ODM) and manufacturing its own house brands. 60% group revenue currently comes from ODM but house brands should play a more important role over the next few years. The company also owns the "Constant" chain of pharmacies, located in Klang Valley, Kelantan and Johor. The company has three major markets: domestic, Indonesia and China.

Indonesia its largest export market

- Indonesia is BioA's largest export market. In end-2016, the company set up a new factory in Riau, Sumatra, which opened up new opportunities for the company. New customers have signed up with BioA to distribute or manufacture their supplement products. The company has also been able to obtain quick product approvals from local municipal councils (vs. the slower process of having to obtain federal approvals previously).
- YTD, it has launched three new products in Indonesia and aims to launch another three in 2018F.

China market targeting Muslims

- China is the company's second-largest export market. The company only started to export to China in 2Q15. In 2H16, management marketed its "halal" products in west China, where most of China's Muslims reside. These marketing efforts should lead to higher sales from 2018F onwards, in our view. We believe Muslims in China respect Malaysia's halal certification, which makes it easier for the company to distribute its products. BioA has launched five new products in China YTD.

Domestic demand is strong

- Domestic demand so far this year has been strong, with 9M17 domestic revenue up around 19% yoy. We believe this is because some ODM products have gained strong market share in the domestic market. This is a positive sign for the company; it looks like its strategy to sell house products through its own pharmacies is showing results. BioA has launched seven new products in the domestic market YTD.

Flat pharmacy revenue growth

- Domestic pharmacy revenue growth so far this year has been flat. This was not a surprise in view of tight domestic consumer spending in the past few quarters. BioA currently has 20 Constant pharmacies and plans to open new outlets in Kelantan and Johor. It is looking to grow its pharmacy network organically and through M&As, and to distribute its house products through its own pharmacy outlets.

Remains an Add

- We maintain our EPS forecasts and target price, based on an unchanged 20x FY19F P/E, a 20% discount to our 2019F consumer sector target P/E of 25x. The discount reflects BioA's small market cap. The stock remains an Add and potential catalysts include stronger-than-expected sales from China and Indonesia, its two main export markets. Downside risks include weak domestic sales.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	29.7	47.7	65.3	88.6	102.5
Operating EBITDA (RMm)	10.30	13.80	17.20	23.40	27.50
Net Profit (RMm)	6.80	8.30	11.58	17.50	21.60
Core EPS (RM)	0.007	0.009	0.012	0.019	0.023
Core EPS Growth	7.9%	22.1%	39.5%	51.1%	23.4%
FD Core P/E (x)	33.64	27.56	19.76	13.07	10.59
DPS (RM)	0.003	-	-	-	-
Dividend Yield	1.22%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	20.60	15.50	12.63	9.47	7.91
P/FCFE (x)	NA	NA	93.14	59.87	17.81
Net Gearing	(20.9%)	(15.2%)	(10.7%)	(5.8%)	(8.3%)
P/BV (x)	2.92	2.47	2.27	2.02	1.78
ROE	10.3%	9.7%	12.0%	16.4%	17.9%
CIMB/consensus EPS (x)			1.03	0.99	1.01

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**47.70**	**65.31**	**88.59**	**102.50**
Gross Profit	**27.67**	**39.18**	**54.93**	**63.55**
Operating EBITDA	**13.80**	**17.20**	**23.40**	**27.50**
Depreciation And Amortisation	(6.20)	(4.80)	(5.00)	(5.00)
Operating EBIT	**7.60**	**12.40**	**18.40**	**22.50**
Financial Income/(Expense)	0.50	0.50	0.50	0.50
Pretax Income/(Loss) from Assoc.	0.00	0.00	0.00	0.00
Non-Operating Income/(Expense)	0.00	0.00	0.00	0.00
Profit Before Tax (pre-EI)	**8.10**	**12.90**	**18.90**	**23.00**
Exceptional Items				
Pre-tax Profit	**8.10**	**12.90**	**18.90**	**23.00**
Taxation	0.20	(1.32)	(1.40)	(1.40)
Exceptional Income - post-tax	0.00	0.00	0.00	0.00
Profit After Tax	**8.30**	**11.58**	**17.50**	**21.60**
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**8.30**	**11.58**	**17.50**	**21.60**
Recurring Net Profit	8.30	11.58	17.50	21.60
Fully Diluted Recurring Net Profit	**8.30**	**11.58**	**17.50**	**21.60**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	18.90	20.50	13.40	18.20
Total Debtors	23.85	32.65	44.30	51.25
Inventories	4.80	3.30	4.00	4.00
Total Other Current Assets	7.40	7.40	7.40	11.50
Total Current Assets	**54.95**	**63.85**	**69.10**	**84.95**
Fixed Assets	28.80	29.00	29.00	29.00
Total Investments	0.00	0.00	0.00	0.00
Intangible Assets	0.00	0.00	0.00	0.00
Total Other Non-Current Assets	20.10	24.50	28.70	28.70
Total Non-current Assets	**48.90**	**53.50**	**57.70**	**57.70**
Short-term Debt	1.00	4.90	1.00	1.00
Current Portion of Long-Term Debt	2.39	3.27	4.43	5.13
Total Creditors	0.00	0.00	0.00	0.00
Other Current Liabilities	6.10	6.10	6.10	6.10
Total Current Liabilities	**9.49**	**14.27**	**11.53**	**12.23**
Total Long-term Debt	1.50	1.60	1.50	1.50
Hybrid Debt - Debt Component	0.00	0.00	0.00	0.00
Total Other Non-Current Liabilities	1.00	1.40	1.50	1.50
Total Non-current Liabilities	**2.50**	**3.00**	**3.00**	**3.00**
Total Provisions	0.00	0.00	0.00	0.00
Total Liabilities	**11.99**	**17.27**	**14.53**	**15.23**
Shareholders' Equity	92.80	100.91	113.16	128.28
Minority Interests	(0.80)	(0.80)	(0.80)	(0.80)
Total Equity	**92.00**	**100.11**	**112.36**	**127.48**

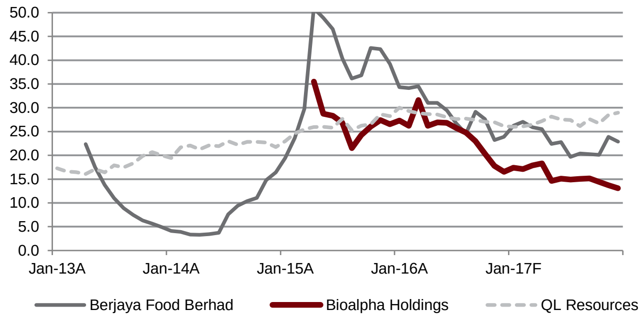
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	13.80	17.20	23.40	27.50
Cash Flow from Invt. & Assoc.	0.00	0.00	0.00	0.00
Change In Working Capital	(9.30)	(6.42)	(11.18)	(6.26)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00
Other Operating Cashflow	(1.00)	(1.00)	(1.00)	(1.00)
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00
Tax Paid	0.20	(1.32)	(1.40)	(1.40)
Cashflow From Operations	**3.70**	**8.46**	**9.82**	**18.84**
Capex	(5.00)	(5.00)	(5.00)	(5.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	(1.00)	(1.00)	(1.00)	(1.00)
Other Investing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Investing	**(6.00)**	**(6.00)**	**(6.00)**	**(6.00)**
Debt Raised/(repaid)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	5.80	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	0.00	0.00	0.00	0.00
Preferred Dividends	0.00	0.00	0.00	0.00
Other Financing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Financing	**5.80**	**0.00**	**0.00**	**0.00**
Total Cash Generated	3.50	2.46	3.82	12.84
Free Cashflow To Equity	**(2.30)**	**2.46**	**3.82**	**12.84**
Free Cashflow To Firm	**(2.30)**	**2.46**	**3.82**	**12.84**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	60.6%	36.9%	35.7%	15.7%
Operating EBITDA Growth	34.0%	24.6%	36.0%	17.5%
Operating EBITDA Margin	28.9%	26.3%	26.4%	26.8%
Net Cash Per Share (RM)	0.015	0.011	0.007	0.011
BVPS (RM)	0.10	0.11	0.12	0.14
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	0.0%	10.2%	7.4%	6.1%
Net Dividend Payout Ratio	NA	NA	NA	NA
Accounts Receivables Days	148.5	157.9	158.5	170.1
Inventory Days	76.7	56.6	39.6	37.5
Accounts Payables Days	-	-	-	-
ROIC (%)	11.7%	15.7%	20.3%	21.0%
ROCE (%)	9.0%	12.5%	16.5%	18.1%
Return On Average Assets	8.0%	10.0%	13.9%	15.7%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	40.0%	23.0%	18.0%	18.0%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	875.0%	54.0%	25.0%	25.0%
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
Outlets #/POS (main prod./serv.)	N/A	N/A	N/A	N/A
Outlets #/POS (2ndary prod./serv.)	N/A	N/A	N/A	N/A
A&P As % Of Sales	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 2	Hold 1	Sell 0

Current price:	RM0.52
Target price:	RM0.78
Previous target:	RM0.78
Up/downside:	50.9%
CIMB / Consensus:	17.7%
Reuters:	BONI.KL
Bloomberg:	BON MK
Market cap:	US$102.7m
	RM418.9m
Average daily turnover:	US$0.15m
	RM0.62m
Current shares o/s	806.3m
Free float:	50.2%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-15.5	-18.1	-10.4
Relative (%)	-16.4	-15.9	-16.7

Major shareholders	% held
Bonia Holdings Sdn Bhd	24.9
Freeway Team Sdn Bhd	13.8
Milingtonia Limited	11.2

Bonia Corporation

Having a clearer foresight

- Moving into 2018, the continued closure of its loss-making boutiques and increased focus on lifting brand perception bode well for the group.
- It also plans to further narrow losses from its licensed brands and hopefully break even by FY19F.
- Maintain Add with end-2018 target price of RM0.78.

1QFY18 saw double-digit yoy topline decline

- Bonia's double-digit topline decline was not a total surprise due to softer contributions from its mainstay markets, Malaysia and Singapore which saw 1QFY18 sales fall 16.2% and 7.8% yoy, respectively. While we note this was due to the lack of festivities in 1QFY6/18, we think the revenue decline was further worsened by the continuous closure of its non-profitable boutiques and consignment counters across the region. We gather that this is a thought-out measure to consolidate its loss-making stores.

Operating profit impacted by higher A&P costs

- Compared to 1QFY17, the group's 1QFY18 operating profit took a nose dive, dropping 75.6% yoy owing to the absence of Hari Raya during the quarter as compared to 1QFY17 as well as the different timing of marketing expenses. We take note that there was a large one-off expense during the quarter with regards to the group's co-owned brand, Braun Buffel's (BB) 130th Year Anniversary. If not for this exceptional expense, core earnings would have ticked up yoy.

Steering in the right direction

- Bonia is also committed to ensuring the long-term sustainability of its earnings by further boosting public perception of its existing in-house brands. The group is incorporating strategies that are adopted by its co-owned brand, Braun Buffel (BB) which entail substantially reducing discounts on its products and removing consignment counters in departmental stores to enhance brand image.
- Efforts to reduce promotions are, in our view, favourable in the long term. Bonia will also have better influence over the pricing of its products, in turn boosting margins.

Discarding non-profitable licensed brand boutiques

- The group also holds a handful of distribution licences for other international brands and has been slowly paring down its exposure. It has been shutting down its loss-making licensed brand boutiques over the past few years and managed to narrow its pre-tax losses to RM6m in FY17 (vs. RM8.5m loss in FY16) through the closure of 6 boutiques and more than 100 consignment counters.
- It plans to close down a further 6 boutiques and at least another 100 counters (across the whole group) in FY18F and hopes to break even by FY19F.

Maintain Add; end-2018F target price unchanged at RM0.78

- We maintain our Add call with an unchanged end-2018F target price of RM0.78, based on an unchanged target multiple P/E of 16.8x (c.10% discounts to CY19F peers' average P/E). Going forward, the paring down of its non-profitable licensed brands and loss-making boutiques along with the strategy realignment for its in-house brands are potential re-rating catalysts. Bonia will also realise a full-year contribution from its BB Indonesia unit in FY18F.

Key risks to our call

- Key downside risks to our call include: i) tougher-than-expected retail competition in the region, ii) substantial spike in raw material costs and; iii) overall slowdown in regional consumer spending.

Financial Summary	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	665.4	613.2	592.5	607.0	622.1
Operating EBITDA (RMm)	80.90	90.09	93.59	97.83	98.48
Net Profit (RMm)	24.37	31.73	33.89	36.42	38.90
Normalised EPS (RM)	0.030	0.039	0.042	0.045	0.048
Normalised EPS Growth	(46.2%)	30.2%	6.8%	7.4%	6.8%
FD Normalised P/E (x)	17.21	13.21	12.37	11.51	10.78
DPS (RM)	0.013	0.013	0.013	0.013	0.013
Dividend Yield	2.40%	2.40%	2.40%	2.40%	2.40%
EV/EBITDA (x)	6.07	5.15	4.39	3.86	3.47
P/FCFE (x)	12.16	7.22	5.65	8.13	8.11
Net Gearing	12.1%	5.1%	(7.5%)	(15.0%)	(21.5%)
P/BV (x)	1.03	0.97	0.92	0.87	0.82
ROE	6.14%	7.57%	7.62%	7.75%	7.82%
Normalised EPS/consensus EPS (x)			1.00	0.94	0.95

SOURCE: COMPANY DATA, CIMB FORECASTS

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Profit & Loss

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	**613.2**	**592.5**	**607.0**	**622.1**
Gross Profit	**359.0**	**348.4**	**358.1**	**368.3**
Operating EBITDA	**90.1**	**93.6**	**97.8**	**98.5**
Depreciation And Amortisation	(23.0)	(26.2)	(25.7)	(24.6)
Operating EBIT	**67.1**	**67.3**	**72.1**	**73.9**
Financial Income/(Expense)	(11.2)	(11.0)	(10.7)	(10.5)
Pretax Income/(Loss) from Assoc.	0.3	0.3	0.3	0.3
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**56.2**	**56.7**	**61.6**	**63.7**
Exceptional Items				
Pre-tax Profit	**56.2**	**56.7**	**61.6**	**63.7**
Taxation	(16.8)	(16.4)	(17.6)	(18.2)
Exceptional Income - post-tax				
Profit After Tax	**39.4**	**40.2**	**44.1**	**45.5**
Minority Interests	(7.7)	(6.3)	(7.7)	(6.6)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Preference Dividends (Australia)				
Net Profit	**31.7**	**33.9**	**36.4**	**38.9**
Normalised Net Profit	39.4	40.2	44.1	45.5
Fully Diluted Normalised Profit	**31.7**	**33.9**	**36.4**	**38.9**

Balance Sheet

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	119.6	176.1	214.6	253.2
Total Debtors	122.4	99.5	101.9	104.4
Inventories	133.0	121.9	124.3	126.7
Total Other Current Assets	13.2	13.2	13.2	13.2
Total Current Assets	**388.2**	**410.6**	**453.9**	**497.5**
Fixed Assets	180.9	178.9	171.5	165.1
Total Investments	48.8	48.8	48.8	48.8
Intangible Assets	90.1	85.5	82.1	79.0
Total Other Non-Current Assets	2.5	2.5	2.5	2.5
Total Non-current Assets	**322.3**	**315.7**	**305.0**	**295.4**
Short-term Debt	44.6	41.6	38.6	35.6
Current Portion of Long-Term Debt				
Total Creditors	90.5	79.2	80.8	82.4
Other Current Liabilities	4.9	4.9	4.9	4.9
Total Current Liabilities	**140.1**	**125.8**	**124.3**	**122.9**
Total Long-term Debt	98.2	98.2	98.2	98.2
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	16.9	16.9	16.9	16.9
Total Non-current Liabilities	**115.2**	**115.2**	**115.2**	**115.2**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**255.2**	**240.9**	**239.5**	**238.1**
Shareholders' Equity	432.9	456.8	483.1	511.9
Minority Interests	22.3	28.7	36.3	43.0
Total Equity	**455.3**	**485.4**	**519.4**	**554.9**

Cash Flow

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	90.09	93.59	97.83	98.48
Cash Flow from Invt. & Assoc.	0.29	0.29	0.29	0.29
Change In Working Capital	0.00	22.70	(3.26)	(3.39)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	(0.42)	0.00	0.00	0.00
Other Operating Cashflow				
Net Interest (Paid)/Received	(11.21)	(10.97)	(10.74)	(10.50)
Tax Paid	(16.17)	(16.43)	(17.57)	(18.15)
Cashflow From Operations	**62.57**	**89.18**	**66.55**	**66.72**
Capex	(11.10)	(15.00)	(15.00)	(15.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	6.60	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Investing	**(4.50)**	**(15.00)**	**(15.00)**	**(15.00)**
Debt Raised/(repaid)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased				
Dividends Paid	(16.50)	(10.08)	(10.08)	(10.08)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	**(16.50)**	**(10.08)**	**(10.08)**	**(10.08)**
Total Cash Generated	41.57	64.10	41.47	41.64
Free Cashflow To Equity	**58.07**	**74.18**	**51.55**	**51.72**
Free Cashflow To Firm	**69.28**	**85.15**	**62.29**	**62.22**

Key Ratios

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	(7.86%)	(3.36%)	2.44%	2.48%
Operating EBITDA Growth	11.4%	3.9%	4.5%	0.7%
Operating EBITDA Margin	14.7%	15.8%	16.1%	15.8%
Net Cash Per Share (RM)	(0.03)	0.04	0.10	0.15
BVPS (RM)	0.54	0.57	0.60	0.63
Gross Interest Cover	5.99	6.14	6.71	7.04
Effective Tax Rate	29.9%	29.0%	28.5%	28.5%
Net Dividend Payout Ratio	31.8%	29.7%	27.7%	25.9%
Accounts Receivables Days	69.69	68.35	60.55	60.70
Inventory Days	202.8	190.5	180.5	181.0
Accounts Payables Days	134.6	126.8	117.2	117.5
ROIC (%)	11.0%	11.3%	13.0%	13.5%
ROCE (%)	11.4%	11.0%	11.3%	11.0%
Return On Average Assets	6.75%	6.74%	7.02%	6.88%

12-mth Fwd FD P/E (x) - Bonia Corporation

Key Drivers

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
No. of POS (main prod/serv)	N/A	N/A	N/A	N/A
SSS grth (%, main prod/serv)	8.0%	8.0%	8.0%	8.0%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
No. of POS (2ndary prod/serv)	N/A	N/A	N/A	N/A
SSS grth (%, 2ndary prrod/serv)	2.0%	2.0%	2.0%	2.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

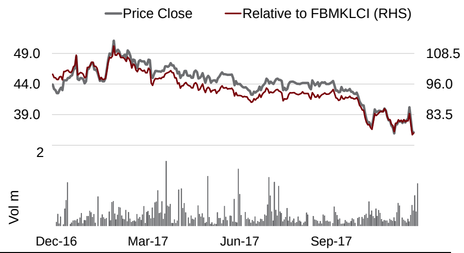
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 5	Hold 8	Sell 6

Current price:	RM36.10
Target price:	RM40.90
Previous target:	RM40.90
Up/downside:	13.3%
CIMB / Consensus:	-3.3%
Reuters:	BATO.KL
Bloomberg:	ROTH MK
Market cap:	US$2,526m
	RM10,308m
Average daily turnover:	US$2.29m
	RM9.55m
Current shares o/s	285.5m
Free float:	44.1%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-8.7	-18.3	-17.2
Relative (%)	-9.6	-16.1	-23.5

Major shareholders	% held
British American Tobacco Holdings (Malaysia) B.V.	50.0
Employees Provident Fund	5.9

British American Tobacco

Entry into value-for-money segment

- The group is the market leader in the Malaysian cigarette industry, with approximately 53.9% market share as of 3Q17.
- BAT recently made its entry into the value-for-money segment, by launching Rothmans, which we view positively in the long term.
- Maintain HOLD with an unchanged DDM-based TP of RM40.90.

Market leader in Malaysia's cigarette industry

- British American Tobacco (Malaysia) (BAT) is the market leader in the Malaysian cigarette industry, with approximately 53.9% corporate market share as of 3Q17. Its product portfolio includes Dunhill, Kent, Pall Mall and Peter Stuyvesant.
- As of 3Q17, Dunhill maintained its market leadership as a Premium brand with a market share of 38.4%, while Peter Stuyvesant and Pall Mall recorded a total market share of 11.7%, maintaining their leadership in the Aspiration Premium brands.

Weak 9M17 performance

- 9M17 revenue declined 21% yoy to RM2.3bn due to: i) lower sales volume (-15.3% yoy) especially in the premium segment, ii) higher illicit sales, and iii) a drop in legal market share. As a result, 9M17 core net profit waned to RM419.5m (-19% yoy) after accounting for one-off expenses of RM7.9m from restructuring activities.
- However, 9M17 EBIT margins rose to 24% (0.5% pts yoy) due to improved cost efficiencies from its restructuring efforts and lower contribution from the contract manufacturing segment (which has lower margins).

Lower sales volume due to illicit market and competition

- Overall, BAT's 9M17 legal market share declined 4.2% pts yoy to 53.9%. On a quarterly basis, 3Q17 sales volume declined 1.7% qoq.
- We attribute the lower market share and decline in sales volume to: i) higher illicit trade volumes, ii) weak consumer spending leading to lower affordability, and iii) new product launches by its legal competitors in the value-for-money (VFM) segment, such as L&D by JTI in 3Q17.
- We note that BAT has lost more market share vs. its peers given its premium portfolio. On the bright side, BAT made its entry into the VFM segment by launching its product range, Rothmans, with a retail price of RM12 for a pack of 20 sticks, on 9 Oct 2017.

New product in the VFM segment to increase volumes

- We believe that the launch of a product in the VFM segment is positive in the long term given that it is the fastest growing product segment. This allows BAT to increase its sales volume by capturing more price sensitive customers by narrowing the pricing difference between its products and illicit market cigarettes.
- However, we expect this to negatively impact earnings in the near term due to: i) higher advertisement and promotional (A&P) spending, and ii) cannibalisation of premium segment volumes resulting in lower margins.

Maintain HOLD

- Maintain HOLD with an unchanged DDM-based TP of RM40.90. Although we are positive on the recovery in sales volume through the introduction of its Rothmans product range, we believe that any positive earnings impact will be mitigated by lower overall margins from lower sales volume of its premium segment.
- Downside risks: weaker-than-expected sales volume and higher illicit sales from easy availability. Upside risk: stronger-than-expected sales volume.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	4,582	3,756	2,980	3,288	3,638
Operating EBITDA (RMm)	1,279	883	733	782	863
Net Profit (RMm)	912.6	675.1	541.7	587.3	649.8
Core EPS (RM)	3.20	2.20	1.90	2.06	2.28
Core EPS Growth	1.2%	(31.1%)	(13.9%)	8.4%	10.6%
FD Core P/E (x)	11.29	16.39	19.03	17.55	15.86
DPS (RM)	3.12	2.78	2.10	2.02	2.23
Dividend Yield	8.64%	7.70%	5.82%	5.58%	6.18%
EV/EBITDA (x)	8.27	11.78	14.05	13.12	11.82
P/FCFE (x)	12.18	15.22	23.90	18.55	16.07
Net Gearing	50.5%	15.8%	(1.6%)	(6.9%)	(15.2%)
P/BV (x)	18.86	16.80	16.38	16.08	15.76
ROE	170%	108%	87%	92%	100%
CIMB/consensus EPS (x)			0.93	0.93	1.00

SOURCE: COMPANY DATA, CIMB FORECASTS

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CIMB

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**3,756**	**2,980**	**3,288**	**3,638**
Gross Profit	**1,282**	**1,043**	**1,118**	**1,228**
Operating EBITDA	**883**	**733**	**782**	**863**
Depreciation And Amortisation	(13)	(4)	(3)	(3)
Operating EBIT	**871**	**729**	**780**	**860**
Financial Income/(Expense)	(8)	(12)	(7)	(5)
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**862**	**718**	**773**	**855**
Exceptional Items				
Pre-tax Profit	**862**	**718**	**773**	**855**
Taxation	(187)	(176)	(185)	(205)
Exceptional Income - post-tax				
Profit After Tax	**675**	**542**	**587**	**650**
Minority Interests	0	0	0	0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**675**	**542**	**587**	**650**
Recurring Net Profit	629	542	587	650
Fully Diluted Recurring Net Profit	**629**	**542**	**587**	**650**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	33.1	240.4	244.4	269.5
Total Debtors	342.2	134.1	148.0	163.7
Inventories	214.9	257.9	222.7	174.3
Total Other Current Assets	137.3	0.0	0.0	0.0
Total Current Assets	**727.6**	**632.4**	**615.0**	**607.5**
Fixed Assets	27.6	29.4	31.6	33.7
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	411.6	411.6	411.6	411.6
Total Other Non-Current Assets	28.9	28.9	28.9	28.9
Total Non-current Assets	**468.1**	**469.9**	**472.1**	**474.2**
Short-term Debt	130.0	230.0	200.0	170.0
Current Portion of Long-Term Debt				
Total Creditors	404.7	195.3	198.4	210.0
Other Current Liabilities	45.0	45.0	45.0	45.0
Total Current Liabilities	**579.7**	**470.3**	**443.4**	**425.0**
Total Long-term Debt	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	2.6	2.6	2.6	2.6
Total Non-current Liabilities	**2.6**	**2.6**	**2.6**	**2.6**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**582.3**	**472.9**	**446.0**	**427.6**
Shareholders' Equity	613.4	629.4	641.1	654.1
Minority Interests				
Total Equity	**613.4**	**629.4**	**641.1**	**654.1**

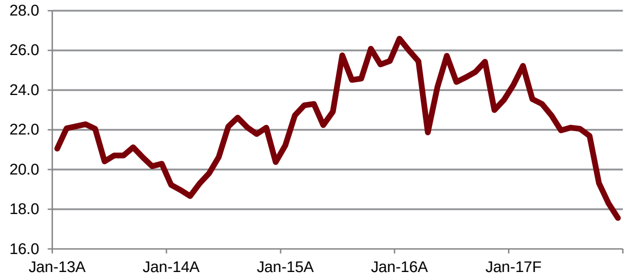
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	883	733	782	863
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(19)	(44)	25	44
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(71)	(156)	(15)	(13)
Net Interest (Paid)/Received	(10)	(14)	(9)	(8)
Tax Paid	(187)	(176)	(185)	(205)
Cashflow From Operations	**596**	**343**	**597**	**682**
Capex	(14)	(14)	(14)	(13)
Disposals Of FAs/subsidiaries	269	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	2	2	2	2
Cash Flow From Investing	**256**	**(12)**	**(12)**	**(11)**
Debt Raised/(repaid)	(175)	100	(30)	(30)
Proceeds From Issue Of Shares	0	0	0	
Shares Repurchased				
Dividends Paid	(665)	(515)	(576)	(637)
Preferred Dividends				
Other Financing Cashflow	(10)	(14)	(9)	(8)
Cash Flow From Financing	**(851)**	**(428)**	**(615)**	**(674)**
Total Cash Generated	2	(97)	(29)	(3)
Free Cashflow To Equity	**677**	**431**	**556**	**641**
Free Cashflow To Firm	**863**	**345**	**595**	**679**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(18.0%)	(20.7%)	10.3%	10.6%
Operating EBITDA Growth	(30.9%)	(17.0%)	6.7%	10.4%
Operating EBITDA Margin	23.5%	24.6%	23.8%	23.7%
Net Cash Per Share (RM)	(0.34)	0.04	0.16	0.35
BVPS (RM)	2.15	2.20	2.25	2.29
Gross Interest Cover	82.9	52.8	86.6	112.5
Effective Tax Rate	21.7%	24.5%	24.0%	24.0%
Net Dividend Payout Ratio	92.1%	71.7%	74.5%	74.5%
Accounts Receivables Days	26.60	29.17	15.66	15.64
Inventory Days	33.24	44.55	40.41	30.06
Accounts Payables Days	52.48	56.53	33.11	30.92
ROIC (%)	76%	77%	94%	108%
ROCE (%)	109%	91%	91%	103%
Return On Average Assets	72.3%	63.2%	71.1%	79.2%

12-mth Fwd FD P/E (x) - British American Tobacco



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% Change)	N/A	N/A	N/A	N/A
Unit Sales Growth (%)	272.6%	-83.4%	6.9%	11.4%
Utilisation Rate (%)	N/A	N/A	N/A	N/A
Sales Tax (%)	5.0%	5.0%	5.0%	5.0%
Excise Duty Growth (%)	0.0%	0.0%	0.0%	100.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

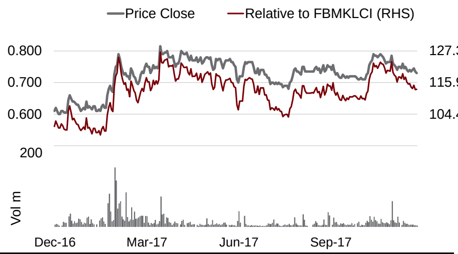
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 11	Hold 6	Sell 1

Current price:	RM0.73
Target price:	RM0.88
Previous target:	RM0.88
Up/downside:	20.5%
CIMB / Consensus:	-2.7%
Reuters:	BUAB.KL
Bloomberg:	BAB MK
Market cap:	US$1,049m
	RM4,282m
Average daily turnover:	US$1.96m
	RM8.17m
Current shares o/s	5,866m
Free float:	65.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4	-1.4	17.7
Relative (%)	-4.9	0.8	11.4

Major shareholders	% held
Objektif Bersatu Sdn Bhd	34.9
Permodalan Nasional Bhd	12.4
Employees Provident Fund	5.1

Bumi Armada

Good things come to those who wait

- BAB is set to deliver core profits in FY17F, reversing the previous year's losses, as most of its newest assets began contributing during the year.
- Upon the final acceptance of Olombendo and Kraken, BAB is set to see even stronger earnings in FY18; we expect this to be a positive share price catalyst.
- We maintain Add with an SOP-based target price of RM0.88.

9M17 far better yoy despite underperforming expectation

- BAB delivered a 9M17 core net profit that was much better than the previous year's. This was because the LNG Mediterrana began contributing in full from Jan 2017, the FPSO Olombendo began contributing at 80% of its bareboat charter (BBC) rate from Feb 2017, the FPSO Kraken began contributing at 30-60% of its BBC rate from Jun 2017, and the FPSO Sterling 3 contributed in full from Jul 2017.
- The 9M17 core net profit was weighed down by depreciation expense on the FPSO Kraken. This charter contract is currently accounted for as an operating lease prior to its final acceptance, hence full depreciation expense is being charged to the P&L even though it has yet to earn a full BBC rate.

4Q17F core earnings may be weaker than for 3Q17

- We expect 4Q17F earnings to be weaker compared to the preceding quarter as there will be fewer activities in the OSV segment due to the monsoon season and the completion of the Lukoil contract for the year. This may be offset by a full-quarter contribution from Sterling 3 and as the Olombendo could possibly achieve final acceptance in 4Q17F (hence, achieve 100% of its BBC rate, from 90% currently).

Kraken may only contribute in full from 1 Jul 2018F

- The FPSO Kraken achieved first oil on 23 Jun and we originally expected it to achieve final acceptance on 1 Jan 2018F. However, due to various technical issues, we now think that this is only possible during 1HFY18F; we have pencilled in 1 Jul 2018F as the new date of final acceptance, upon which the Kraken will earn 100% of its BBC.
- In late-Aug 2017, the Kraken was probably earning 60% of its BBC rate, rising to 77% in early-Nov, and then to 93% by late-Nov, in our estimate. By 1H18F, EnQuest expects the Kraken to achieve 50,000 barrels of oil per day (bopd) in production once all nine wells are producing, with the final two wells "nearing completion".
- Currently, the FPSO trips up occasionally due to certain technical issues, though less frequently as before. Theoretically, the FPSO has to be able to produce for three continuous days without any disruption before it will be accepted by EnQuest. Upon final acceptance, the Kraken will be accounted for as a finance lease, upon which depreciation expensing will stop.

Earnings forecast to increase significantly in FY18F

- We remain positive on BAB's earnings trajectory during FY18F. BAB should be able to benefit from a full-year, and full-rate, contribution from the FPSO Olombendo, and the full-year contribution from the FPSO Sterling 3. Meanwhile, the FPSO Kraken should be earning a large part of its BBC hire in 1H18F, before its final acceptance by mid-FY18F, in our estimate.
- In our view, once BAB achieves final acceptance of the Olombendo and the Kraken, its share price should finally rerate more convincingly. Other potential catalysts include the potential for BAB to find alternative deployment for the FPSO Claire. The main downside risk to our call is the potential for further delays in the final acceptance of Kraken due to technical issues.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	2,180	1,417	2,012	2,243	2,051
Operating EBITDA (RMm)	1,010	310	1,253	1,458	1,266
Net Profit (RMm)	(235)	(1,887)	384	593	669
Normalised EPS (RM)	0.06	(0.02)	0.05	0.10	0.11
Normalised EPS Growth	24%	(128%)		95%	13%
FD Normalised P/E (x)	12.53	NA	14.05	7.22	6.41
DPS (RM)	0.008	-	-	-	-
Dividend Yield	1.12%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	10.72	46.27	11.68	9.15	9.41
P/FCFE (x)	NA	3.23	NA	6.74	5.13
Net Gearing	89%	176%	170%	134%	102%
P/BV (x)	0.59	0.76	0.71	0.65	0.59
ROE	4.90%	(1.47%)	5.21%	9.37%	9.60%
Normalised EPS/consensus EPS (x)			1.00	1.26	1.36

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**1,417**	**2,012**	**2,243**	**2,051**
Gross Profit	**310**	**1,253**	**1,458**	**1,266**
Operating EBITDA	**310**	**1,253**	**1,458**	**1,266**
Depreciation And Amortisation	(571)	(594)	(584)	(348)
Operating EBIT	**(261)**	**659**	**874**	**917**
Financial Income/(Expense)	131	(358)	(367)	(329)
Pretax Income/(Loss) from Assoc.	78	161	227	221
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**(53)**	**461**	**734**	**809**
Exceptional Items	(1,792)	79	0	0
Pre-tax Profit	**(1,845)**	**540**	**734**	**809**
Taxation	(61)	(137)	(121)	(121)
Exceptional Income - post-tax				
Profit After Tax	**(1,906)**	**404**	**613**	**689**
Minority Interests	19	(20)	(20)	(20)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Preference Dividends (Australia)				
Net Profit	**(1,887)**	**384**	**593**	**669**
Normalised Net Profit	(114)	325	613	689
Fully Diluted Normalised Profit	**(95)**	**305**	**593**	**669**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	3,016	1,128	1,763	2,597
Total Debtors	968	1,234	1,337	1,251
Inventories	6	6	6	6
Total Other Current Assets	632	632	632	632
Total Current Assets	**4,622**	**3,000**	**3,738**	**4,487**
Fixed Assets	16,603	16,465	15,448	14,564
Total Investments	671	832	1,059	1,280
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	195	195	195	195
Total Non-current Assets	**17,468**	**17,491**	**16,701**	**16,038**
Short-term Debt	2,517	1,130	1,330	1,430
Current Portion of Long-Term Debt				
Total Creditors	1,227	841	870	870
Other Current Liabilities	1,225	1,225	1,225	1,225
Total Current Liabilities	**4,969**	**3,197**	**3,426**	**3,526**
Total Long-term Debt	10,529	10,315	9,421	8,718
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	902	902	902	902
Total Non-current Liabilities	**11,431**	**11,217**	**10,323**	**9,620**
Total Provisions	0	0	0	0
Total Liabilities	**16,400**	**14,414**	**13,749**	**13,146**
Shareholders' Equity	5,668	6,035	6,629	7,297
Minority Interests	22	42	62	82
Total Equity	**5,690**	**6,077**	**6,690**	**7,379**

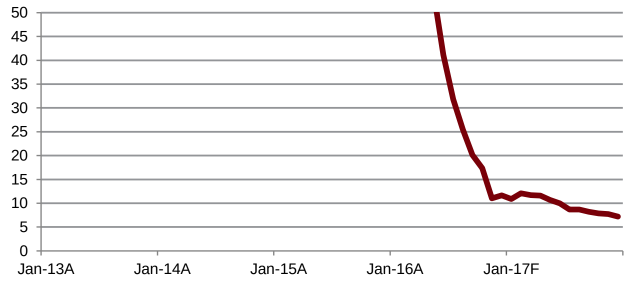
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	310	1,253	1,458	1,266
Cash Flow from Invt. & Assoc.				
Change In Working Capital	980	(446)	359	622
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	42	66	57	68
Net Interest (Paid)/Received	(379)	(441)	(424)	(397)
Tax Paid	(39)	(137)	(121)	(121)
Cashflow From Operations	**914**	**296**	**1,329**	**1,438**
Capex	(4,419)	(757)	0	0
Disposals Of FAs/subsidiaries	8	174	0	0
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	39	0	0	0
Cash Flow From Investing	**(4,372)**	**(583)**	**0**	**0**
Debt Raised/(repaid)	4,786	(1,600)	(694)	(603)
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased				
Dividends Paid	(48)	0	0	0
Preferred Dividends				
Other Financing Cashflow	0	0	0	0
Cash Flow From Financing	**4,738**	**(1,600)**	**(694)**	**(603)**
Total Cash Generated	1,280	(1,888)	635	834
Free Cashflow To Equity	**1,328**	**(1,888)**	**635**	**834**
Free Cashflow To Firm	**(3,079)**	**153**	**1,753**	**1,835**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(35.0%)	42.0%	11.5%	(8.6%)
Operating EBITDA Growth	(69%)	305%	16%	(13%)
Operating EBITDA Margin	21.9%	62.3%	65.0%	61.7%
Net Cash Per Share (RM)	(1.71)	(1.76)	(1.53)	(1.29)
BVPS (RM)	0.97	1.03	1.13	1.24
Gross Interest Cover	(2.63)	1.49	2.06	2.31
Effective Tax Rate	0.0%	25.3%	16.5%	14.9%
Net Dividend Payout Ratio	NA	NA	NA	NA
Accounts Receivables Days	148.1	139.0	154.7	170.7
Inventory Days	2.05	3.06	2.96	2.96
Accounts Payables Days	417.6	497.4	398.0	404.7
ROIC (%)	(1.82%)	4.13%	5.31%	5.91%
ROCE (%)	(1.43%)	3.80%	5.12%	5.43%
Return On Average Assets	(1.22%)	3.21%	4.79%	4.97%

12-mth Fwd FD P/E (x) - Bumi Armada



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Outstanding Orderbook (RMm)	N/A	N/A	N/A	N/A
Order Book Wins (RMm)	N/A	N/A	N/A	N/A
Order Book Depletion (RMm)	N/A	N/A	N/A	N/A
Average Day Rate Per Ship (US$)	N/A	N/A	N/A	N/A
No. Of Ships (unit)	53	52	52	52
Average Utilisation Rate (%)	50.7%	51.0%	51.0%	51.0%
Oil Price (US$/bbl)	N/A	N/A	N/A	N/A
Energy Production Volume (mmboe)	N/A	N/A	N/A	N/A
Average Day Rate - Drilling Rigs (US$)	N/A	N/A	N/A	N/A
Average Util. Rate - Drilling Rigs (%)	N/A	N/A	N/A	N/A
Average Day Rate - FPUs (US$)	#######	#######	#######	#######
Average Util. Rate - FPUs (%)	86.1%	85.2%	88.9%	88.9%
Total Oil Storage Capacity (000 cbm)	N/A	N/A	N/A	N/A
Equity Share Of Oil Storage Capacity (000 cbm)	N/A	N/A	N/A	N/A
Assumed Util. Rate Of Oil Storage Capacity (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

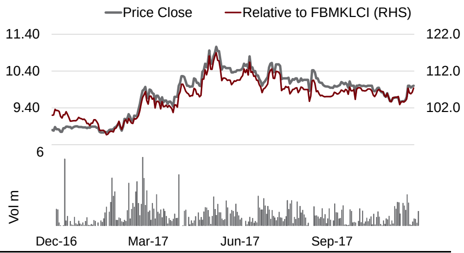
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 5	Hold 8	Sell 1

Current price:	RM10.00
Target price:	RM10.00
Previous target:	RM10.00
Up/downside:	0.0%
CIMB / Consensus:	-4.3%
Reuters:	BMYS.KL
Bloomberg:	BURSA MK
Market cap:	US$1,317m
	RM5,375m
Average daily turnover:	US$1.68m
	RM6.98m
Current shares o/s	536.2m
Free float:	61.6%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.7	-0.2	13.6
Relative (%)	0.8	2	7.3

Major shareholders	% held
Kumpulan Wang Persaraan	19.7
Capital Market Development Fund	18.7
EPF	6.3

Bursa Malaysia

Projecting slower equity income growth in FY18F

- We forecast slower net profit growth of 7.4% for FY18F (vs. 11.8% in FY17F), in line with weaker projected revenue growth.
- Equity income growth will ease from 11.6% in FY17F to 8% in FY18F, in our view.
- Despite the anticipated recovery in derivative income in 2018, we retain our Hold call on Bursa for the expected slowdown in equity income growth.

Project slower net profit growth in FY18F…

- We forecast slower net profit growth of 7.4% in FY18F, down from our 11.8% projection in FY17F. This is in line with our projection of a smaller 7% increase in FY18F revenue vs. a 13.2% rise in FY17F, based on our estimates. At the topline, we expect the slowdown to come mainly from weaker equity income growth.

… due to weaker equity income growth

- For equity income, we project an 8% rise in FY18F compared to our forecast of an 11.6% increase in FY17F. Our equity income projection for FY18F is premised on market velocity of 28% (vs. 28% in FY17F) and an 8% increase in equity market capitalisation.
- Our CY18F market capitalisation forecast is in line with our expectation for a higher KLCI index in 2018 (vs. the level at end-Dec 17).

Projecting recovery in derivative income in FY18F

- We expect Bursa's derivative income to be lower in FY17F (vs. FY16) in view of the 9.5% yoy drop in derivative income in 9M17. 9M17 derivative income was mainly dragged down by lower trading volume of KLCI Futures contracts and guarantee fees earned. We expect derivative income growth to recover to 12.4% in FY18F as we expect the trading volume for KLCI Futures contracts to stabilise and that for CPO Futures contracts to continue to expand.

A new direct competitor to emerge in 2018F?

- The government's 2018 Budget stated that the Alternative Trading System will be introduced in the coming year subject to compliance with all requirements and regulatory standards. If this happens, it could put competitive pressure on Bursa's equity trading business.

Likely increase in FY18F operating expenses

- Bursa is likely to maintain its tight control on its operating expenses in FY18F. We do not expect Bursa to incur any significant costs for expansion in FY18F. We believe its total operating expenses will rise by 6.3% in FY18F, at par with the pace in FY17F.

Expected focus of key initiatives in 2018F

- We believe Bursa will continue to focus on the following key initiatives in 2018F to improve the vibrancy of the equity and derivatives market as well as attract foreign investors to the Malaysian capital markets: (1) creating a more facilitative trading environment, (2) offering more tradable alternatives, (3) reshaping the market structure and framework, and (4) creating a regional marketplace with ASEAN links.

Retain Hold for expected slowdown in equity income growth

- We maintain our Hold call on Bursa as we expect the positive impact from the expected recovery in derivative income in 2018F to be partly diluted by the weaker equity income growth (vs. 2017F). The upside/downside risks are stronger/weaker equity and derivative income.
- Our FY17-19F EPS forecasts and target price of RM10.00 are also unchanged. Our target price is pegged to FY19F P/E of 21.5x (1 s.d. above its historical 5-year average of 19.5x).

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	487.7	472.7	537.3	574.7	615.3
Operating EBITDA (RMm)	302.5	294.8	326.2	350.4	377.1
Net Profit (RMm)	198.6	193.6	216.4	232.4	249.9
Core EPS (RM)	0.37	0.36	0.40	0.43	0.47
Core EPS Growth	0.2%	(2.9%)	11.3%	7.4%	7.6%
FD Core P/E (x)	26.78	27.59	24.77	23.08	21.45
DPS (RM)	0.35	0.34	0.53	0.41	0.44
Dividend Yield	3.45%	3.40%	5.33%	4.12%	4.43%
EV/EBITDA (x)	12.73	12.03	11.38	10.77	10.16
P/FCFE (x)	22.23	36.39	25.37	15.67	20.86
Net Gearing	(181%)	(204%)	(202%)	(190%)	(179%)
P/BV (x)	6.62	6.17	6.64	6.48	6.32
ROE	25.6%	23.2%	25.8%	28.4%	29.8%
CIMB/consensus EPS (x)			0.98	1.03	1.07

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**506.8**	**573.7**	**613.7**	**657.1**
Gross Profit	**506.8**	**573.7**	**613.7**	**657.1**
Operating EBITDA	**294.8**	**326.2**	**350.4**	**377.1**
Depreciation And Amortisation	(24.2)	(25.9)	(27.7)	(29.6)
Operating EBIT	**270.6**	**300.3**	**322.7**	**347.5**
Financial Income/(Expense)	0.0	0.0	0.0	0.0
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**270.6**	**300.3**	**322.7**	**347.5**
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	**270.6**	**300.3**	**322.7**	**347.5**
Taxation	(67.9)	(75.1)	(80.7)	(86.9)
Exceptional Income - post-tax				
Profit After Tax	**202.7**	**225.2**	**242.1**	**260.6**
Minority Interests	(9.1)	(8.8)	(9.7)	(10.7)
Preferred Dividends	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**193.6**	**216.4**	**232.4**	**249.9**
Recurring Net Profit	193.6	216.4	232.4	249.9
Fully Diluted Recurring Net Profit	**193.6**	**216.4**	**232.4**	**249.9**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	1,813	1,667	1,606	1,548
Total Debtors	70	77	85	94
Inventories	0	0	0	0
Total Other Current Assets	35	38	42	46
Total Current Assets	**1,918**	**1,783**	**1,733**	**1,688**
Fixed Assets	183	187	191	194
Total Investments	237	242	247	252
Intangible Assets	43	43	43	43
Total Other Non-Current Assets	55	57	60	63
Total Non-current Assets	**518**	**529**	**541**	**552**
Short-term Debt	0	0	0	0
Current Portion of Long-Term Debt				
Total Creditors	1,379	1,310	1,244	1,182
Other Current Liabilities	140	147	155	162
Total Current Liabilities	**1,519**	**1,457**	**1,399**	**1,344**
Total Long-term Debt	0	0	0	0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	30	30	30	30
Total Non-current Liabilities	**30**	**30**	**30**	**30**
Total Provisions	0	0	0	0
Total Liabilities	**1,549**	**1,487**	**1,429**	**1,374**
Shareholders' Equity	869	807	827	848
Minority Interests	18	18	18	18
Total Equity	**887**	**825**	**845**	**867**

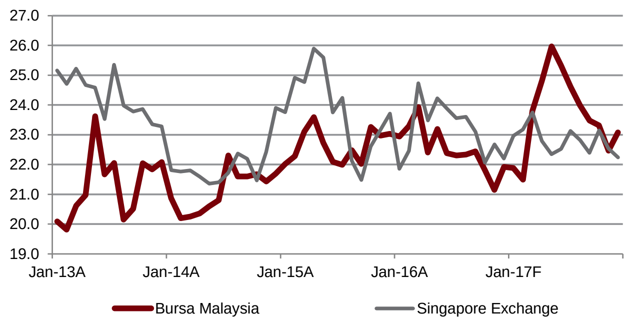
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	294.8	326.2	350.4	377.1
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(2.3)	(8.2)	127.2	12.8
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	(24.2)	(25.9)	(27.7)	(29.6)
Other Operating Cashflow	(63.7)	(65.8)	(71.2)	(77.5)
Net Interest (Paid)/Received	0.0	0.0	0.0	0.0
Tax Paid				
Cashflow From Operations	**204.7**	**226.3**	**378.7**	**282.8**
Capex	(10.9)	(10.9)	(10.9)	(10.9)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	10.4	18.9	14.7	16.8
Other Investing Cashflow	(57.4)	(23.0)	(40.2)	(31.6)
Cash Flow From Investing	**(57.9)**	**(15.0)**	**(36.5)**	**(25.7)**
Debt Raised/(repaid)	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(187.4)	(286.0)	(220.7)	(237.4)
Preferred Dividends				
Other Financing Cashflow	(6.8)	293.7	(256.4)	(41.0)
Cash Flow From Financing	**(194.2)**	**7.7**	**(477.2)**	**(278.4)**
Total Cash Generated	(47.5)	219.0	(134.9)	(21.3)
Free Cashflow To Equity	**146.8**	**211.3**	**342.3**	**257.1**
Free Cashflow To Firm	**146.8**	**211.3**	**342.3**	**257.1**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(3.1%)	13.7%	7.0%	7.1%
Operating EBITDA Growth	(2.5%)	10.7%	7.4%	7.6%
Operating EBITDA Margin	62.4%	60.7%	61.0%	61.3%
Net Cash Per Share (RM)	3.38	3.11	2.99	2.89
BVPS (RM)	1.62	1.51	1.54	1.58
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	25.1%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	94%	132%	95%	95%
Accounts Receivables Days	56.29	50.22	51.65	53.05
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	(32.4%)	(26.5%)	(30.6%)	(35.5%)
ROCE (%)	31.7%	35.1%	38.6%	40.6%
Return On Average Assets	9.0%	9.5%	10.6%	11.5%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Traded Value (RMm)	481,171	538,911	582,024	628,586
Trading Days In The Period	249	249	249	249
Avg Daily Traded Value (RMm)	1,932	2,164	2,337	2,524
Securities Clearing Fees (RMm)	187.6	210.1	227.0	245.1
Effective Clearing Rate (%)	0.04%	0.04%	0.04%	0.04%
Derivatives Contracts Traded (RMm)	16	18	20	23
Derivatives Clearing Revenue (RMm)	22	25	28	31
Avg Fees Per Contract (RM)	1.36	1.37	1.36	1.37
Other Revenue (RMm)	263	302	320	339

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 2	Hold 8	Sell 1

Current price:	RM1.44
Target price:	RM1.51
Previous target:	RM1.51
Up/downside:	5.0%
CIMB / Consensus:	-4.6%
Reuters:	CAMA.KL
Bloomberg:	CMMT MK
Market cap:	US$719.0m
	RM2,934m
Average daily turnover:	US$0.12m
	RM0.48m
Current shares o/s	2,163m
Free float:	42.7%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.4	-2.1	-7.1
Relative (%)	-2.3	0.1	-13.4

Major shareholders	% held
CMMT Investment Limited	35.5
Employee Provident Fund Board	9.5
Amanah Saham Bumiputra	12.3

CapitaLand Malaysia Mall Trust

Focus on asset enhancements

- CMMT's Sg Wang Plaza and The Mines continue to face headwinds amidst a challenging retail environment.
- On a brighter note, Tropicana City Mall is starting to show improvement following the group's efforts to arrest the occupancy rate decline.
- We maintain our Hold call given the lack of near-term catalysts.

Challenging times for The Mines and Sg. Wang Plaza

- CapitaLand Malaysia Mall Trust's (CMMT) Sg. Wang Plaza (SWP) posted a 16th consecutive revenue decline in 3QFY17, attributable to lower footfall and negative rental reversions no thanks to the MRT1 works and BB Plaza closure. While the completion of MRT1 should improve footfall into SWP, we do not think the impact will immediately translate to a recovery for SWP, given the abundance of retail supply around the area.
- Meanwhile, The Mines, which is undergoing a reconfiguration exercise on DigitaMart in Level 4 (slated for completion in end-4QFY17), continues to be marred by lower rental reversions and occupancy rates. While part of this is due to the reconfiguration exercise and non-renewal of an anchor tenant previously (which the group has mostly replaced), we reckon that it will be tough for CMMT to negotiate for higher rental rates for new tenants, given the challenging retain environment.

Tropicana City Mall shows improvement

- Tropicana City Mall's occupancy rate rose to 93.7% as at end-3Q17 (+1.2% pts yoy, 0.1% pt qoq), the highest level since its acquisition on 10 Jul 2015. We understand that the food & beverage (F&B) cluster adjacent to Tropicana Office Tower, with c.6k sq ft of NLA, is now fully occupied by 4 eateries. Moreover, the F&B section on Level 1 has shown gradual improvement. We think Tropicana City Mall should show slight occupancy improvement in FY18F following CMMT's tenant remixing exercise.

Identified opportunities for Asset Enhancement Initiatives (AEIs)

- FY18 will see 34% of its leases expire, with the bulk coming from The Mines and Gurney Plaza. We expect Gurney Plaza to continue to record positive rental reversions, and The Mines to turn around to flattish rental reversion following the completion of the DigitaMart reconfiguration exercise. However, we reckon SWP's rental reversions, albeit improving, to remain in the red.
- In FY18, CMMT plans to spend RM66m in total on asset enhancement initiatives (AEI) in East Coast Mall (RM11m) and Sg Wang Plaza (RM55m). While management has not guided for its intended capex in FY18, we understand that the group has also identified opportunities for AEI in its other malls.

Acquisition pipeline remains dry

- As it stands, while a yield-accretive acquisition could positively impact the group's DPU, we think CMMT is in no rush to aggressively add to its portfolio and will focus on AEIs for its current assets. Additionally, quality retail assets with high occupancy rates remain scarce in the current property market. Thus, we believe that CMMT's acquisition pipeline will remain dry in the near to medium term.

Hold call retained; unchanged DDM-based target price of RM1.51

- We maintain Hold given the lack of near-term catalysts. We gather that the group is currently focusing its efforts on arresting the rental reversion decline for Sg Wang Plaza and will continuously identify AEIs to improve its malls. We remain cautious on the outlook for The Mines; any further deterioration in its earnings will be a downside risk to our forecasts while upside risk is better-than-expected rental reversions in its properties.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Gross Property Revenue (RMm)	344.8	372.6	370.9	375.7	381.5
Net Property Income (RMm)	226.4	242.5	239.6	240.6	241.6
Net Profit (RMm)	226.0	167.8	160.2	162.5	164.9
Distributable Profit (RMm)	162.8	171.1	166.1	167.8	169.3
Core EPS (RM)	0.082	0.081	0.079	0.080	0.081
Core EPS Growth	(2.94%)	(1.35%)	(2.45%)	1.15%	1.15%
FD Core P/E (x)	22.37	22.25	22.77	22.50	22.23
DPS (RM)	0.086	0.084	0.082	0.082	0.083
Dividend Yield	5.97%	5.85%	5.67%	5.71%	5.75%
Asset Leverage	30.8%	31.6%	31.3%	30.9%	30.6%
BVPS (RM)	1.06	1.06	1.06	1.05	1.05
P/BV (x)	1.36	1.36	1.36	1.37	1.37
Recurring ROE	6.25%	6.11%	5.97%	6.07%	6.17%
CIMB/consensus DPS (x)			0.98	0.96	0.94

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Rental Revenues	292.9	291.5	295.3	300.1
Other Revenues	79.7	79.4	80.4	81.5
Gross Property Revenue	**372.6**	**370.9**	**375.7**	**381.5**
Total Property Expenses	(130.1)	(131.3)	(135.1)	(140.0)
Net Property Income	**242.5**	**239.6**	**240.6**	**241.6**
General And Admin. Expenses				
Management Fees	(23.4)	(23.3)	(23.3)	(23.4)
Trustee's Fees	(0.4)	(0.4)	(0.4)	(0.4)
Other Operating Expenses	(1.1)	(1.1)	(1.1)	(1.1)
EBITDA	**217.5**	**214.9**	**215.8**	**216.7**
Depreciation And Amortisation				
EBIT	**217.5**	**214.9**	**215.8**	**216.7**
Net Interest Income	(53.8)	(54.7)	(53.3)	(51.8)
Associates' Profit				
Other Income/(Expenses)				
Exceptional Items	4.0	0.0	0.0	0.0
Pre-tax Profit	**167.8**	**160.2**	**162.5**	**164.9**
Taxation	0.0	0.0	0.0	0.0
Minority Interests				
Preferred Dividends				
Net Profit	**167.8**	**160.2**	**162.5**	**164.9**
Distributable Profit	**171.1**	**166.1**	**167.8**	**169.3**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Investments	3,938	3,940	3,941	3,943
Intangible Assets	0	0	0	0
Other Long-term Assets	3	3	3	2
Total Non-current Assets	3,941	3,942	3,944	3,945
Total Cash And Equivalents	192	232	279	327
Inventories				
Trade Debtors	16	16	16	16
Other Current Assets				
Total Current Assets	**208**	**248**	**295**	**343**
Trade Creditors	57	58	59	61
Short-term Debt	44	44	44	44
Other Current Liabilities	53	93	140	187
Total Current Liabilities	**154**	**195**	**243**	**293**
Long-term Borrowings	1,268	1,268	1,268	1,268
Other Long-term Liabilities	41	46	51	56
Total Non-current Liabilities	1,309	1,314	1,319	1,324
Shareholders' Equity	2,686	2,680	2,674	2,670
Minority Interests				
Preferred Shareholders Funds				
Total Equity	**2,686**	**2,680**	**2,674**	**2,670**

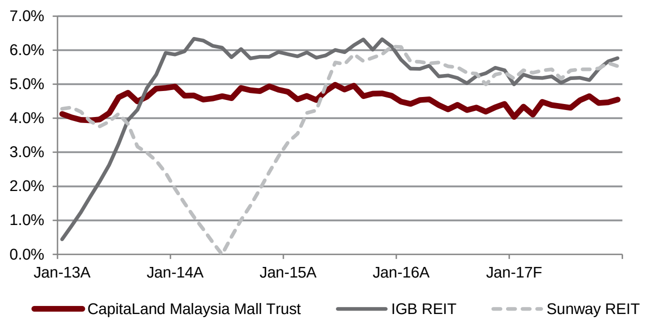
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Pre-tax Profit	**167.8**	**160.2**	**162.5**	**164.9**
Depreciation And Non-cash Adj.	53.8	54.7	53.3	51.8
Change In Working Capital	(1.5)	(0.4)	1.5	1.9
Tax Paid				
Others	7.1	11.3	11.6	11.8
Cashflow From Operations	**227.2**	**225.7**	**228.8**	**230.4**
Capex	(54.9)	(31.6)	(31.6)	(31.6)
Net Investments And Sale Of FA	0.0	0.0	0.0	0.0
Other Investing Cashflow	5.7	7.0	8.4	9.8
Cash Flow From Investing	**(49.1)**	**(24.7)**	**(23.3)**	**(21.8)**
Debt Raised/(repaid)	(322.9)	0.0	0.0	0.0
Equity Raised/(Repaid)				
Dividends Paid	(166.0)	(166.1)	(167.8)	(169.3)
Cash Interest And Others	319.5	8.7	8.7	8.7
Cash Flow From Financing	**(169.4)**	**(157.5)**	**(159.1)**	**(160.7)**
Total Cash Generated	8.6	43.6	46.5	48.0
Free Cashflow To Firm	183.7	208.0	213.9	218.4
Free Cashflow To Equity	(198.7)	146.3	152.3	156.8

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Gross Property Revenue Growth	8.06%	(0.46%)	1.30%	1.55%
NPI Growth	7.11%	(1.19%)	0.41%	0.41%
Net Property Income Margin	65.1%	64.6%	64.0%	63.3%
DPS Growth	(1.98%)	(3.09%)	0.67%	0.63%
Gross Interest Cover	3.65	3.49	3.50	3.52
Effective Tax Rate	0%	0%	0%	0%
Net Dividend Payout Ratio	102%	104%	103%	103%
Current Ratio	1.35	1.28	1.21	1.17
Quick Ratio	1.35	1.28	1.21	1.17
Cash Ratio	1.25	1.19	1.15	1.12
Return On Average Assets	4.07%	3.84%	3.86%	3.87%

Rolling Dividend Yield



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Rental Rate Psf Pm (RM)	N/A	N/A	N/A	N/A
Acq. (less development) (US$m)	N/A	N/A	N/A	N/A
RevPAR (RM)	N/A	N/A	N/A	N/A
Net Lettable Area (NLA) ('000 Sf)	3,132,957	3,148,857	3,148,857	3,148,857
Occupancy (%)	96.5%	96.3%	97.3%	97.4%
Assets Under Management (m) (RM)	N/A	N/A	N/A	N/A
Funds Under Management (m) (RM)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

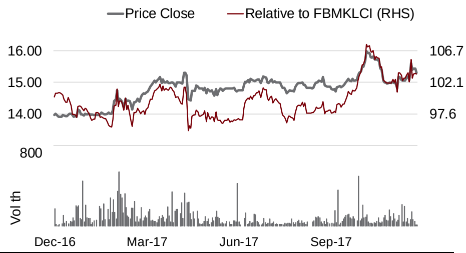
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 3	Hold 7	Sell 0

Current price:	RM15.30
Target price:	RM14.80
Previous target:	RM14.80
Up/downside:	-3.3%
CIMB / Consensus:	-7.7%
Reuters:	CBMS.KL
Bloomberg:	CAB MK
Market cap:	US$1,153m
	RM4,707m
Average daily turnover:	US$0.30m
	RM1.27m
Current shares o/s	308.1m
Free float:	49.3%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2	2.8	9.3
Relative (%)	1.1	5	3

Major shareholders	% held
Carlsberg Breweries A/S	50.7

Analyst(s)

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Carlsberg Brewery (M)

More fizz for premium beers

- Carlsberg is one of the two brewers in the country, commanding an estimated 40% of the country's malt liquor market (MLM) volumes.
- Going forward, the group will continue to actively promote its premium beer brand products as part of the premiumisation efforts for its portfolio.
- Dividend yields remain attractive at 5-5.7% for FY17-19F. Maintain Hold.

Two key markets for Carlsberg

- Carlsberg Malaysia is one of the two brewers in Malaysia that make up the duopolistic industry. The group currently offers its products in two mainstay markets – Malaysia and Singapore, which contributed 66% and 34% of Carlsberg's 9M17 turnover, respectively. The flagship brand for the group is Carlsberg, flanked by other premium brands such as Somersby Ciders, Asahi, and Kronenbourg as well as power brands such as SKOL, Jolly Shandy, Nutrimalt and Royal Stout.

A more diversified market base

- As opposed to Heineken, Carlsberg has a more diversified market portfolio whereby it also exports its products to the Singapore market. For 9M17, even though Singapore's revenue increased 8% yoy, operating profit fell 5% yoy due to one-off trade offer adjustments. The adjustments relate to provisions for trade offers amounting to RM18.2m, of which RM14.2m relates to prior years. We understand that if not for this trade adjustment, operating profit would have ticked up yoy.

Malaysia continues to do well with premiumisation portfolio

- As a testament to the successful implementation of its on-going efforts for premiumisation, sales for the group's domestic market grew 7.3% yoy driven by higher pricing and improved product mix, particularly for its flagship brands Carlsberg Green Label and Carlsberg Smooth Draught, as well as its premium brands, Kronenbourg 1664 Blanc, Somersby Cider and Connor's Stout Porter. Alongside higher sales, operating profit also grew 21% yoy on the back of effective cost management and better operating efficiencies.

LBCP still in the red for 9M17

- Carlsberg also owns a 25%-stake in associate, Lion Brewery (Ceylon) Ltd (LBCP), in Sri Lanka. LBCP posted a net profit of RM0.6m in 3Q17, but 9M17 was still showing a net loss to the tune of RM2.9m (vs. 9M16's net loss: RM1.9m). Going forward, we understand that management anticipates LBCP to break-even in the mid-term but also warned that the beer industry in Sri Lanka has shrunk 40% vs. two years ago as a result of the structural excise duty change in the country. Nevertheless, we note that LBCP remains the market leader, controlling an 85% market share in the country.

Maintain Hold; keep for the yields

- We keep our FY17-19F EPS estimates and maintain our Hold call with an unchanged DDM-based target price of RM14.80. While we believe that the group's growth prospects are priced in for now, the stock remains attractive from a yield standpoint. Estimated FY17-19F dividend yields stand at 5-5.7%.
- Looking ahead, we continue to expect the group's sales volume growth to be buoyed by the inelastic demand for beers as well as the continuous efforts of expanding its product portfolio and emphasising the expansion of its premium beer brand segment.

Key risks to our call

- Key upside risks include strong-than-expected sales volume and potential special dividend pay-out, which could result in a share price rally, while downside risks include unexpected changes in regulatory requirements (i.e. abrupt increase in excise duties for beers).

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	1,696	1,679	1,837	1,889	1,948
Operating EBITDA (RMm)	315.0	327.8	339.0	361.7	375.1
Net Profit (RMm)	228.5	205.0	230.8	251.1	263.7
Core EPS (RM)	0.75	0.67	0.75	0.82	0.86
Core EPS Growth	8.0%	(10.3%)	12.6%	8.8%	5.0%
FD Core P/E (x)	20.47	22.82	20.27	18.63	17.74
DPS (RM)	0.73	0.67	0.75	0.82	0.86
Dividend Yield	4.74%	4.38%	4.93%	5.37%	5.64%
EV/EBITDA (x)	14.59	14.07	13.58	12.69	12.20
P/FCFE (x)	21.94	20.96	19.67	18.11	17.42
Net Gearing	(2.8%)	(0.9%)	(0.2%)	(6.6%)	(12.2%)
P/BV (x)	13.94	14.54	14.54	14.54	14.50
ROE	70.6%	62.4%	71.7%	78.1%	81.9%
CIMB/consensus EPS (x)			0.99	0.98	0.97

SOURCE: COMPANY DATA, CIMB FORECASTS

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**1,679**	**1,837**	**1,889**	**1,948**
Gross Profit	**319**	**685**	**712**	**734**
Operating EBITDA	**328**	**339**	**362**	**375**
Depreciation And Amortisation	(34)	(36)	(37)	(38)
Operating EBIT	**294**	**303**	**325**	**337**
Financial Income/(Expense)	(5)	(3)	(3)	(3)
Pretax Income/(Loss) from Assoc.	(5)	11	16	20
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**284**	**310**	**337**	**354**
Exceptional Items	0	0	0	0
Pre-tax Profit	**284**	**310**	**337**	**354**
Taxation	(73)	(73)	(79)	(83)
Exceptional Income - post-tax				
Profit After Tax	**211**	**237**	**258**	**271**
Minority Interests	(6)	(7)	(7)	(7)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**205**	**231**	**251**	**264**
Recurring Net Profit	205	231	251	264
Fully Diluted Recurring Net Profit	**205**	**231**	**251**	**264**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	36.3	34.3	56.0	76.3
Total Debtors	283.2	308.8	317.5	327.4
Inventories	96.3	83.7	85.5	88.1
Total Other Current Assets	6.1	6.1	6.1	6.1
Total Current Assets	**421.9**	**432.9**	**465.1**	**498.0**
Fixed Assets	172.5	149.7	127.7	105.7
Total Investments	73.1	88.8	88.8	88.8
Intangible Assets	4.2	4.2	4.2	4.2
Total Other Non-Current Assets	3.1	7.4	10.8	18.1
Total Non-current Assets	**252.8**	**250.1**	**231.5**	**216.8**
Short-term Debt	33.4	33.4	33.4	33.4
Current Portion of Long-Term Debt				
Total Creditors	265.3	268.4	274.2	283.7
Other Current Liabilities	29.0	29.0	29.0	29.0
Total Current Liabilities	**327.7**	**330.9**	**336.7**	**346.1**
Total Long-term Debt	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0
Total Non-current Liabilities	**0.0**	**0.0**	**0.0**	**0.0**
Total Provisions	15.2	15.2	15.2	15.2
Total Liabilities	**342.9**	**346.1**	**351.9**	**361.3**
Shareholders' Equity	321.7	321.7	321.7	322.7
Minority Interests	8.4	14.9	21.8	28.6
Total Equity	**330.0**	**336.6**	**343.5**	**351.3**

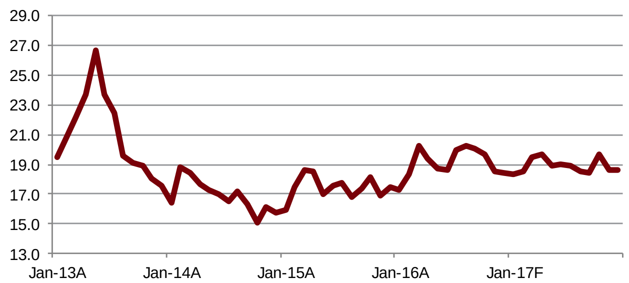
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	327.8	339.0	361.7	375.1
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(1.9)	(9.8)	(4.7)	(4.1)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(2.3)	(3.1)	(3.1)	(3.1)
Net Interest (Paid)/Received	5.2	3.1	3.1	3.1
Tax Paid	(65.5)	(72.9)	(79.3)	(83.1)
Cashflow From Operations	**263.2**	**256.3**	**277.7**	**287.9**
Capex	(42.8)	(15.0)	(15.0)	(16.0)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	3.6	(3.5)	(4.4)	(3.4)
Cash Flow From Investing	**(39.2)**	**(18.5)**	**(19.4)**	**(19.4)**
Debt Raised/(repaid)	(0.9)	0.0	0.0	0.0
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(220.1)	(230.8)	(251.1)	(263.7)
Preferred Dividends				
Other Financing Cashflow	(7.1)	(5.0)	(5.0)	(5.0)
Cash Flow From Financing	**(228.1)**	**(235.8)**	**(256.1)**	**(268.7)**
Total Cash Generated	(4.0)	1.9	2.1	(0.3)
Free Cashflow To Equity	**223.2**	**237.8**	**258.3**	**268.5**
Free Cashflow To Firm	**217.0**	**232.7**	**253.2**	**263.5**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(0.97%)	9.36%	2.84%	3.12%
Operating EBITDA Growth	4.05%	3.43%	6.68%	3.72%
Operating EBITDA Margin	19.5%	18.5%	19.1%	19.3%
Net Cash Per Share (RM)	0.01	0.00	0.07	0.14
BVPS (RM)	1.05	1.05	1.05	1.06
Gross Interest Cover	41.61	60.38	64.71	67.21
Effective Tax Rate	25.8%	23.5%	23.5%	23.5%
Net Dividend Payout Ratio	73.7%	76.0%	76.0%	76.0%
Accounts Receivables Days	61.93	58.82	60.52	60.44
Inventory Days	23.46	28.51	26.23	26.12
Accounts Payables Days	69.40	84.54	84.13	83.77
ROIC (%)	83%	84%	93%	102%
ROCE (%)	77.2%	79.8%	84.0%	85.6%
Return On Average Assets	43.1%	46.0%	49.2%	50.5%

12-mth Fwd FD P/E (x) - Carlsberg Brewery (M)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% Change)	N/A	N/A	N/A	N/A
Unit Sales Growth (%)	N/A	N/A	N/A	N/A
Utilisation Rate (%)	N/A	N/A	N/A	N/A
A&P Expenses (as % Of Revenue)	N/A	N/A	N/A	N/A
Excise Duties (litre)	7.4	7.4	7.4	7.4
Sales Tax (%)	5.0%	5.0%	5.0%	5.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

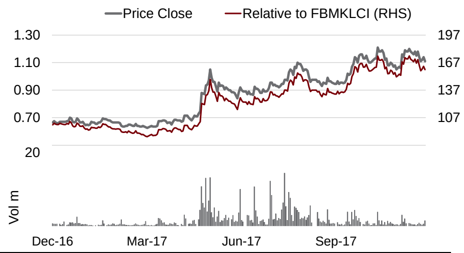
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 1	Hold 0	Sell 0

Current price:	RM1.11
Target price:	RM1.65
Previous target:	RM1.65
Up/downside:	48.5%
CIMB / Consensus:	-0.1%
Reuters:	CCKH.KL
Bloomberg:	CCK MK
Market cap:	US$85.10m
	RM347.3m
Average daily turnover:	US$0.24m
	RM1.02m
Current shares o/s	315.4m
Free float:	54.2%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.7	16.2	64.4
Relative (%)	2.8	18.4	58.1

Major shareholders	% held
Central Coldstorage Sarawak Sdn. Bhd.	22.1
S.K. Tiong Enterprise Sdn. Bhd.	16.5
Chong Nyuk Kiong Enterprise Sdn. Bhd.	7.2

CCK Consolidated Holdings Bhd

Chicken on the run

- Sarawak's largest poultry player in terms of volume, with a wide retail network of 57 self-owned outlets which are located across its captive market, East Malaysia.
- Besides adding another 3-4 outlets in East Malaysia by end-2018, CCK is expanding its production capacity across all segments of its integrated supply chain.
- Maintain Add, with TP unchanged at RM1.65 (15x CY19 P/E).

Sarawak's largest poultry player with a wide retail network

- CCK Consolidated Berhad (CCK) is mainly involved in poultry, seafood and retail services. Currently, CCK is the largest producer of poultry products in the Malaysian state of Sarawak, with exposure to Sabah and Indonesia (Jakarta and Pontianak).
- Although the group mainly breeds, rears and produces a full range of poultry products (eggs, whole chickens and various chicken cuts), it also operates 57 retail outlets. These outlets, located in East Malaysia, retail all types of household food products including its own products.

9M17 core net profit beat pre-3Q17 expectations, growing 54% yoy

- 9M17 revenue increased 11.1% yoy, thanks to higher sales especially from the poultry and retail segments. Also, 9M17 EBITDA margins improved to 8.6% (0.5% pts yoy) which we attribute to better cost efficiencies and higher economies of scale.
- Accordingly, 9M17 core net profit grew to RM20.5m (54% yoy) which was also aided by lower tax rates of 24.4% (-4.2% pts yoy) and stronger associate profit (27.2%-owned Gold Coin Sarawak) of RM3.1m (91.9%). Overall, 9M17 core net profit surpassed our pre-3Q17 expectations at 91% of our FY17 estimates.

Growing retail network further in its captive market, East Malaysia

- In the retail segment, CCK plans to add another 3-4 outlets in East Malaysia by end-2018. On the other hand, it will also move ahead with the planned closure of 2 loss-making outlets in West Malaysia by end-2017.
- Overall, this will bring the total no. of outlets to 59-60, which all strategically cover the key areas in Sarawak and Sabah which are its captive markets. We believe that a larger retail network will enable the group to secure demand for its poultry products as more capacity from the expansion of its production supply chain kicks in.

Expansion across its integrated supply chain

- As highlighted above, CCK is also increasing capacity across its integrated supply chain. Currently, the group is in the midst of expanding its Kuching abattoir which will gradually increase its production output by 33.3% to 38k-40k birds/daily.
- Furthermore, the group is also upgrading its older poultry farms. Existing poultry watering systems are being improved, while a new hatchery egg grading machine is likely to be added in the near term. CCK highlighted that it is also progressively adding more broiler farms, especially in the Lundu, Kuching area.

Maintain Add, TP unchanged at RM1.65

- We continue to like CCK, given that we expect its share price to move higher in tandem with: i) the captive market in East Malaysia with its wide retail network of 57 outlets, ii) position as the largest poultry player in Sarawak, and iii) urbanisation of East Malaysia leading to higher demand for poultry products.
- Maintain Add, with a TP of RM1.65, based on 15x CY19 P/E (30% discount to CIMB Malaysia's consumer sector CY18 target P/E).
- Downside risks: spike in feedstock prices and/or sharp decline in chicken and table egg prices.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	494.1	559.0	639.0	699.1	755.9
Operating EBITDA (RMm)	34.15	43.08	52.50	58.27	63.44
Net Profit (RMm)	13.51	18.85	26.00	30.66	34.64
Core EPS (RM)	0.04	0.06	0.08	0.10	0.11
Core EPS Growth	63.2%	39.6%	37.9%	17.9%	13.0%
FD Core P/E (x)	25.91	18.57	13.46	11.42	10.10
DPS (RM)	0.030	0.020	0.029	0.035	0.038
Dividend Yield	2.70%	1.80%	2.61%	3.15%	3.42%
EV/EBITDA (x)	11.25	8.46	6.76	5.86	5.12
P/FCFE (x)	29.78	NA	23.82	17.82	14.62
Net Gearing	15.6%	14.9%	10.0%	4.3%	(1.5%)
P/BV (x)	1.62	1.50	1.38	1.27	1.17
ROE	7.3%	8.4%	10.7%	11.6%	12.1%
CIMB/consensus EPS (x)			1.03	0.97	1.00

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**559.0**	**639.0**	**699.1**	**755.9**
Gross Profit	**89.4**	**106.1**	**116.6**	**126.8**
Operating EBITDA	**43.1**	**52.5**	**58.3**	**63.4**
Depreciation And Amortisation	(19.7)	(19.6)	(19.7)	(19.7)
Operating EBIT	**23.4**	**32.9**	**38.6**	**43.7**
Financial Income/(Expense)	(2.4)	(2.4)	(2.4)	(2.4)
Pretax Income/(Loss) from Assoc.	4.4	4.2	4.5	4.6
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**25.4**	**34.7**	**40.6**	**45.9**
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	**25.4**	**34.7**	**40.6**	**45.9**
Taxation	(6.5)	(8.7)	(10.0)	(11.2)
Exceptional Income - post-tax				
Profit After Tax	**18.9**	**26.0**	**30.7**	**34.7**
Minority Interests	(0.0)	(0.0)	(0.0)	(0.0)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**18.9**	**26.0**	**30.7**	**34.6**
Recurring Net Profit	18.9	26.0	30.7	34.6
Fully Diluted Recurring Net Profit	**18.9**	**26.0**	**30.7**	**34.6**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	23.8	33.3	46.9	63.2
Total Debtors	46.3	53.0	58.0	62.7
Inventories	67.8	76.9	84.0	90.8
Total Other Current Assets	3.6	3.6	3.6	3.6
Total Current Assets	**141.5**	**166.7**	**192.5**	**220.1**
Fixed Assets	198.7	199.0	199.3	199.6
Total Investments	21.1	21.1	21.1	21.1
Intangible Assets	0.4	0.4	0.4	0.4
Total Other Non-Current Assets	2.6	2.6	2.6	2.6
Total Non-current Assets	**222.7**	**223.1**	**223.4**	**223.7**
Short-term Debt	56.1	56.1	56.1	56.1
Current Portion of Long-Term Debt				
Total Creditors	43.6	49.4	54.0	58.3
Other Current Liabilities	1.9	1.9	1.9	1.9
Total Current Liabilities	**101.6**	**107.5**	**112.1**	**116.4**
Total Long-term Debt	2.6	2.6	2.6	2.6
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	25.8	25.8	25.8	25.8
Total Non-current Liabilities	**28.4**	**28.4**	**28.4**	**28.4**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**130.0**	**135.8**	**140.4**	**144.8**
Shareholders' Equity	233.7	253.4	275.0	298.6
Minority Interests	0.5	0.5	0.5	0.5
Total Equity	**234.2**	**253.9**	**275.4**	**299.1**

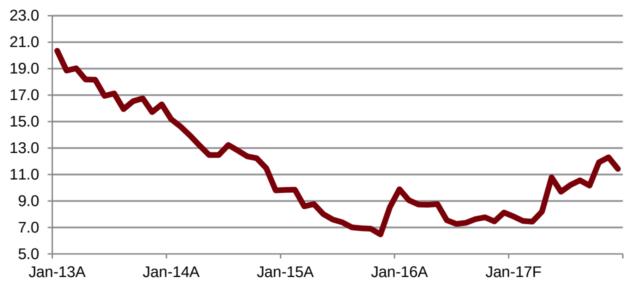
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	43.08	52.50	58.27	63.44
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(0.76)	(9.89)	(7.54)	(7.12)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	1.11	0.00	0.00	0.00
Other Operating Cashflow	(4.43)	0.00	0.00	0.00
Net Interest (Paid)/Received	(2.42)	(2.42)	(2.42)	(2.42)
Tax Paid	(10.08)	(5.50)	(8.67)	(9.96)
Cashflow From Operations	**26.49**	**34.69**	**39.64**	**43.95**
Capex	(16.96)	(20.00)	(20.00)	(20.00)
Disposals Of FAs/subsidiaries	0.06	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	(19.93)	0.00	0.00	0.00
Other Investing Cashflow	3.26	0.00	0.00	0.00
Cash Flow From Investing	**(33.57)**	**(20.00)**	**(20.00)**	**(20.00)**
Debt Raised/(repaid)	(3.12)	0.00	0.00	0.00
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(4.73)	(6.31)	(9.15)	(11.04)
Preferred Dividends				
Other Financing Cashflow	2.83	0.00	0.00	0.00
Cash Flow From Financing	**(5.02)**	**(6.31)**	**(9.15)**	**(11.04)**
Total Cash Generated	(12.10)	8.39	10.50	12.91
Free Cashflow To Equity	**(10.20)**	**14.69**	**19.64**	**23.95**
Free Cashflow To Firm	**(4.26)**	**17.51**	**22.46**	**26.77**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	13.1%	14.3%	9.4%	8.1%
Operating EBITDA Growth	26.1%	21.9%	11.0%	8.9%
Operating EBITDA Margin	7.71%	8.22%	8.34%	8.39%
Net Cash Per Share (RM)	(0.11)	(0.08)	(0.04)	0.01
BVPS (RM)	0.74	0.80	0.87	0.95
Gross Interest Cover	8.30	11.66	13.69	15.52
Effective Tax Rate	25.6%	25.0%	24.5%	24.5%
Net Dividend Payout Ratio	24.9%	26.4%	27.2%	26.1%
Accounts Receivables Days	22.92	25.48	28.96	29.12
Inventory Days	48.73	49.54	50.42	50.71
Accounts Payables Days	22.33	26.87	32.41	32.60
ROIC (%)	8.8%	12.0%	13.6%	15.0%
ROCE (%)	8.3%	11.0%	12.1%	12.8%
Return On Average Assets	8.0%	9.8%	10.7%	11.2%

12-mth Fwd FD P/E (x) - CCK Consolidated Holdings Bhd



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	20.3%	14.1%	10.3%	10.4%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	10.0%	10.0%	9.1%	10.0%
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod/serv)	N/A	N/A	N/A	N/A
Unit sales grth (%,tertiary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, tertiary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 1	Hold 1	Sell 0

Current price:	RM2.54
Target price:	RM2.87
Previous target:	RM2.87
Up/downside:	12.8%
CIMB / Consensus:	4.4%
Reuters:	CYPR.KL
Bloomberg:	CYP MK
Market cap:	US$162.6m
	RM663.5m
Average daily turnover:	US$0.17m
	RM0.70m
Current shares o/s	260.6m
Free float:	66.2%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2.3	5.8	18.1
Relative (%)	-3.2	8	11.8

Major shareholders	% held
Tan Sri Razali Bin Ismail	17.8
Dato' Daud bin Ahmad	15.9

Cypark Resources Bhd

Expect stronger FY18F earnings

- Cypark's earnings outlook appears positive to us, given the earnings potential of its existing waste-to-energy (WTE) project, as well as potential future contract wins.
- Maintain Add, EPS forecasts and SOP-based target price. Positive earnings surprise is a potential re-rating catalyst.
- Key downside risk to our target price is a delay in completion of the WTE project.

WTE to boost FY18F earnings

- Cypark expects its WTE project in Tanah Merah to be completed by end-2017F. Management estimates the plant will contribute c.RM80m in revenue per annum over the 25-year concession period after it commences full operations in early 2018F. The completion of the WTE plant would be a key milestone for the company as the plant is the single-largest investment that it has ever undertaken.
- Our main concern with Cypark is the lack of clarity on the earnings potential of its WTE plant. Management has shared scant details about the WTE project to safeguard its competitive edge in the tender exercises for future WTE projects. Management guided that the WTE project could generate around RM80m revenue per annum but has remained tight-lipped about the project's total cost, operating and maintenance (O&M) expenses
- Apart from the WTE project in Negeri Sembilan, Cypark is also keen to win the bids for more WTE projects in the future. We believe that as the only WTE concession owner in Malaysia, Cypark has an advantage over its competitors, thanks to its familiarity with the WTE project concession process. Cypark may have a cost advantage over its competitors in building WTE plants too, as it is a specialist in landfill restoration and building landfill infrastructure.

Future earnings outlook appears positive

- Cypark intends to win more external contracts to increase its construction earnings. It is confident of securing more government contracts for landfill closures and new sanitary landfill projects. Cypark has submitted several tenders and proposals worth more than RM2bn. The group is optimistic that some of the tenders that are in advanced stages of negotiations could be secured by end 2017F. Cypark also aims to raise renewable energy revenue to RM300m by FY20F, from RM50m in FY16.
- On 28 Nov 2017, Cypark received a Letter of Acceptance of Offer from the Energy Commission (EC) for the development of a large-Scale solar photovoltaic (PV) plant of 30MW at Empangan Terip, Negeri Sembilan, subsequent to a competitive bidding process conducted by the EC. The group's is participating in the project via a consortium, in which it partners Revenue Vantage Sdn. Bhd.
- This project is not expected to have any material impact on Cypark's FY18F earnings but we expect it to contribute positively to the future earnings. According to our estimates, the 30MW solar plant will generate annual revenue of RM20m and EBITDA of RM15m. Given the limited disclosures at the moment, we are keeping our earnings forecasts unchanged.

Maintain Add

- We continue to like Cypark for its cheap valuation. At only 8.2x FY18F P/E currently, the stock is the cheapest utilities stock under our coverage. It is also a good proxy for investors seeking exposure to the Malaysian renewable energy sector, in our view. Key downside risks to our Add call are weaker-than-expected earnings from its environmental engineering division and WTE plant in FY18F.

Financial Summary	Oct-15A	Oct-16A	Oct-17F	Oct-18F	Oct-19F
Revenue (RMm)	251.9	282.9	325.1	466.8	491.6
Operating EBITDA (RMm)	75.7	82.6	77.3	118.3	115.9
Net Profit (RMm)	43.49	50.68	49.94	80.98	80.59
Core EPS (RM)	0.22	0.19	0.20	0.32	0.32
Core EPS Growth	6.8%	(13.4%)	2.4%	62.2%	(0.5%)
FD Core P/E (x)	11.81	13.57	13.24	8.17	8.21
DPS (RM)	0.050	0.050	0.050	0.050	0.050
Dividend Yield	1.97%	1.97%	1.97%	1.97%	1.97%
EV/EBITDA (x)	9.91	11.68	13.39	7.56	6.75
P/FCFE (x)	NA	28.94	NA	10.14	26.97
Net Gearing	55.1%	75.1%	82.4%	46.1%	22.8%
P/BV (x)	1.35	1.45	1.35	1.18	1.05
ROE	13.8%	11.6%	10.9%	15.9%	13.9%
CIMB/consensus EPS (x)			0.96	1.02	0.98

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Oct-16A	Oct-17F	Oct-18F	Oct-19F
Total Net Revenues	**282.9**	**325.1**	**466.8**	**491.6**
Gross Profit	**89.2**	**83.9**	**124.9**	**122.5**
Operating EBITDA	**82.6**	**77.3**	**118.3**	**115.9**
Depreciation And Amortisation	(16.7)	(13.5)	(13.6)	(13.6)
Operating EBIT	**66.0**	**63.8**	**104.7**	**102.3**
Financial Income/(Expense)	(9.7)	(11.2)	(17.4)	(14.8)
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	2.5	1.2	1.2	1.2
Profit Before Tax (pre-EI)	**58.7**	**53.8**	**88.6**	**88.7**
Exceptional Items				
Pre-tax Profit	**58.7**	**53.8**	**88.6**	**88.7**
Taxation	(8.0)	(3.8)	(7.6)	(8.1)
Exceptional Income - post-tax				
Profit After Tax	**50.7**	**49.9**	**81.0**	**80.6**
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**50.7**	**49.9**	**81.0**	**80.6**
Recurring Net Profit	48.3	49.9	81.0	80.6
Fully Diluted Recurring Net Profit	**48.3**	**49.9**	**81.0**	**80.6**

Balance Sheet

(RMm)	Oct-16A	Oct-17F	Oct-18F	Oct-19F
Total Cash And Equivalents	113.4	70.2	122.8	134.7
Total Debtors	191.2	191.2	210.3	220.8
Inventories				
Total Other Current Assets	2.3	2.3	2.3	2.3
Total Current Assets	**306.9**	**263.7**	**335.4**	**357.8**
Fixed Assets	240.6	237.1	228.5	219.9
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	539.7	674.7	661.3	634.5
Total Other Non-Current Assets	6.0	6.0	6.0	6.0
Total Non-current Assets	**786.3**	**917.7**	**895.8**	**860.4**
Short-term Debt	119.0	89.0	0.0	0.0
Current Portion of Long-Term Debt				
Total Creditors	146.9	178.0	248.3	267.3
Other Current Liabilities	3.4	3.4	3.4	3.4
Total Current Liabilities	**269.3**	**270.3**	**251.7**	**270.7**
Total Long-term Debt	324.1	374.1	374.1	274.1
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	60.5	60.5	60.5	60.5
Total Non-current Liabilities	**384.6**	**434.6**	**434.6**	**334.6**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**653.9**	**704.9**	**686.3**	**605.3**
Shareholders' Equity	439.3	476.6	544.9	612.9
Minority Interests				
Total Equity	**439.3**	**476.6**	**544.9**	**612.9**

Cash Flow

(RMm)	Oct-16A	Oct-17F	Oct-18F	Oct-19F
EBITDA	82.6	77.3	118.3	115.9
Cash Flow from Invt. & Assoc.				
Change In Working Capital	1.6	31.0	51.2	8.5
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(36.3)	1.2	14.6	28.0
Net Interest (Paid)/Received	(8.7)	(11.2)	(17.4)	(14.8)
Tax Paid	(7.0)	(3.8)	(7.6)	(8.1)
Cashflow From Operations	**32.2**	**94.5**	**159.2**	**129.5**
Capex	(139.4)	(145.0)	(5.0)	(5.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments				
Other Investing Cashflow				
Cash Flow From Investing	**(139.4)**	**(145.0)**	**(5.0)**	**(5.0)**
Debt Raised/(repaid)	129.9	20.0	(89.0)	(100.0)
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(4.9)	(12.6)	(12.6)	(12.6)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	**125.0**	**7.4**	**(101.6)**	**(112.6)**
Total Cash Generated	17.7	(43.1)	52.6	11.9
Free Cashflow To Equity	**22.6**	**(30.5)**	**65.2**	**24.5**
Free Cashflow To Firm	**(95.5)**	**(36.3)**	**174.5**	**142.4**

Key Ratios

	Oct-16A	Oct-17F	Oct-18F	Oct-19F
Revenue Growth	12.3%	14.9%	43.6%	5.3%
Operating EBITDA Growth	9.2%	(6.5%)	53.0%	(2.0%)
Operating EBITDA Margin	29.2%	23.8%	25.3%	23.6%
Net Cash Per Share (RM)	(1.32)	(1.55)	(0.99)	(0.55)
BVPS (RM)	1.76	1.88	2.15	2.42
Gross Interest Cover	5.18	4.48	5.14	5.74
Effective Tax Rate	13.7%	7.1%	8.6%	9.1%
Net Dividend Payout Ratio	9.7%	25.3%	15.6%	15.7%
Accounts Receivables Days	228.7	214.6	157.0	160.0
Inventory Days	-	-	-	-
Accounts Payables Days	291.4	245.8	227.5	254.9
ROIC (%)	10.5%	7.7%	11.3%	11.9%
ROCE (%)	8.7%	7.3%	11.6%	11.7%
Return On Average Assets	6.09%	5.38%	8.15%	7.79%

12-mth Fwd FD P/E (x) - Cypark Resources Bhd

Key Drivers

	Oct-16A	Oct-17F	Oct-18F	Oct-19F
Power Despatched (GWh)	40.7	40.7	172.1	215.9
Capacity (MW)	31.3	31.3	46.3	51.3
Average Capacity Utilisation (%)	N/A	N/A	N/A	N/A
Avg tariff/ASP per kwh (% chg)	N/A	N/A	N/A	N/A
Fuel Cost Per Kwh (% Change)	N/A	N/A	N/A	N/A
Industry Reserve Margin (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 3	Hold 0	Sell 0

Current price:	RM0.44
Target price:	RM0.74
Previous target:	RM0.74
Up/downside:	70.8%
CIMB / Consensus:	10.9%
Reuters:	DNEX.KL
Bloomberg:	DNEX MK
Market cap:	US$187.1m
	RM763.6m
Average daily turnover:	US$1.68m
	RM7.01m
Current shares o/s	1,733m
Free float:	58.6%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.1	-8.4	70.6
Relative (%)	-2	-6.2	64.3

Major shareholders	% held
Arcadia Acres	20.7
Censof	17.1
Azman Karim	3.6

Dagang NeXchange

Better times ahead

- Potential NSW concession contract extension in 2018 could help to alleviate investors' concerns on potential drag in DNeX's earnings following contract expiry in Sep 18.
- We see stronger earnings delivery from the energy division in FY18F, driven by higher job completions by OGPC and improving crude oil price outlook for Ping.
- Maintain Add with an unchanged SOP-based TP of RM0.74.

Review of 9M17 results

- Revenue in 9M17 grew by 28% yoy to RM142.4m due to the consolidation of OGPC's results, progressive billings of oilfield drilling services under the Umbrella contract for Petronas and recurring income from operating and managing the vehicle entry permit (VEP) & road-charges (RC) system. Its associates' contribution meanwhile more than doubled to RM13m. Overall, 9M17 core net profit surged 105% yoy to RM42.3m.

Potential extension of NSW concession in 2018

- Based on our channel checks, the alternative system which is supposed to replace DNeX's National Single Window (NSW) platform in Sep 18 could be delayed due to integration issues. Hence, we see potential for the NSW platform exclusivity contract to be renewed or extended. DNeX could receive indication for potential extension between 3 and 6 months ahead of the current NSW concession expiry in Sep 18.

Leveraging its position as VEP & RC system provider

- DNeX was recently awarded a sub-contract to supply radio frequency identification (RFID) tag for foreign-registered vehicles. Under the contract, DNeX will charge RM15 for each RFID tag issued. Although we expect the new contract to have minimal earnings impact (less than 5% to FY18F EPS), we see potential for DNeX to replicate the RFID tag for other applications in domestic transport and logistics areas, such as multi-flow lanes.

Stronger outlook for energy division in 2018

- In addition, we expect stronger contributions from DNeX's 30% associate, Ping Petroleum (Ping) in FY18F driven by improving crude oil price outlook and lower downtime for its Anasuria field. Moreover, we understand Ping is also exploring potential asset acquisition to drive growth. Apart from that, we also expect OGPC to record stronger earnings in FY18 driven by full-year contribution from the portable container system contract which only started in 4Q17.

Project strong FY16-19F net profit CAGR of 16%

- We expect DNeX to record a robust FY16-19F net profit CAGR of 16%, driven by resilient earnings growth in both its IT services and energy segments. However, we expect the energy division to record faster growth of about 22% p.a. (vs. 13% growth for the IT division), driven by new contracts from OGPC and higher crude oil volume production from Ping Petroleum.

Maintain Add and target price

- We maintain Add rating on the stock with an unchanged SOP-based TP of RM0.74. The extension of the NSW trade facilitation concession and higher crude oil prices are potential rerating catalysts for the stock. Key downside risks to our Add call are lower crude oil prices, decline in NSW's transaction volume post-expiry of its concession in Sep 2018, and delays in new VEP & RC contract awards.

Pullback in share price offers good buying opportunity

- The stock has fallen by almost 30% from its YTD high in early-May 17. We see the pullback in share price as offering an attractive buying opportunity given that the stock currently trades at 12x CY18 fully diluted P/E, below its 5-year mean P/E of 15x.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	98.4	181.5	233.0	276.2	290.3
Operating EBITDA (RMm)	33.08	28.91	60.19	71.47	77.66
Net Profit (RMm)	11.23	48.39	60.39	72.23	79.29
Core EPS (RM)	0.021	0.029	0.035	0.041	0.045
Core EPS Growth	24.2%	33.2%	21.1%	19.6%	9.8%
FD Core P/E (x)	20.31	11.00	14.34	12.32	11.34
DPS (RM)	0.001	0.005	0.005	0.010	0.015
Dividend Yield	0.21%	1.06%	1.15%	2.30%	3.45%
EV/EBITDA (x)	9.38	17.62	7.70	5.78	4.63
P/FCFE (x)	NA	NA	29.53	22.54	18.54
Net Gearing	(26.0%)	(18.0%)	(26.7%)	(34.4%)	(41.1%)
P/BV (x)	3.34	1.88	1.67	1.49	1.35
ROE	17.7%	19.8%	14.1%	15.0%	14.8%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.02	1.01	0.99

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**181.53**	**233.03**	**276.20**	**290.30**
Gross Profit	**28.91**	**60.19**	**71.47**	**77.66**
Operating EBITDA	**28.91**	**60.19**	**71.47**	**77.66**
Depreciation And Amortisation	(9.75)	(11.80)	(11.98)	(12.52)
Operating EBIT	**19.16**	**48.39**	**59.50**	**65.13**
Financial Income/(Expense)	(0.66)	2.92	3.75	4.14
Pretax Income/(Loss) from Assoc.	38.20	19.65	21.61	23.38
Non-Operating Income/(Expense)	0.00	0.00	0.00	0.00
Profit Before Tax (pre-EI)	**56.70**	**70.96**	**84.86**	**92.66**
Exceptional Items	0.00	0.00	0.00	0.00
Pre-tax Profit	**56.70**	**70.96**	**84.86**	**92.66**
Taxation	(9.83)	(6.39)	(7.64)	(7.88)
Exceptional Income - post-tax				
Profit After Tax	**46.87**	**64.57**	**77.22**	**84.78**
Minority Interests	1.52	(4.18)	(5.00)	(5.49)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**48.39**	**60.39**	**72.23**	**79.29**
Recurring Net Profit	49.89	60.39	72.23	79.29
Fully Diluted Recurring Net Profit	**49.89**	**74.62**	**86.88**	**94.39**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	72.3	122.3	177.7	236.7
Total Debtors	68.6	88.2	104.6	110.0
Inventories	0.6	0.6	0.6	0.6
Total Other Current Assets	3.2	3.2	3.2	3.2
Total Current Assets	**144.8**	**214.4**	**286.2**	**350.5**
Fixed Assets	32.3	30.5	28.5	26.0
Total Investments	177.0	177.0	177.0	177.0
Intangible Assets	98.8	98.8	98.8	98.8
Total Other Non-Current Assets	4.7	4.7	4.7	4.7
Total Non-current Assets	**312.7**	**310.9**	**308.9**	**306.4**
Short-term Debt	0.0	0.0	0.0	0.0
Current Portion of Long-Term Debt				
Total Creditors	42.1	54.1	64.1	67.4
Other Current Liabilities	1.7	1.7	1.7	1.7
Total Current Liabilities	**43.8**	**55.8**	**65.8**	**69.1**
Total Long-term Debt	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0
Total Non-current Liabilities	**0.0**	**0.0**	**0.0**	**0.0**
Total Provisions	12.1	12.1	12.1	12.1
Total Liabilities	**55.8**	**67.8**	**77.9**	**81.2**
Shareholders' Equity	403.5	455.2	509.9	563.0
Minority Interests	(1.9)	2.3	7.3	12.8
Total Equity	**401.7**	**457.5**	**517.2**	**575.8**

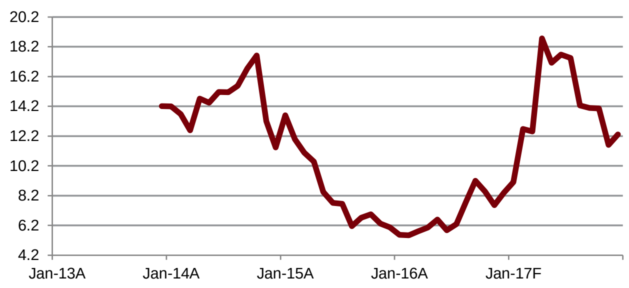
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	28.91	60.19	71.47	77.66
Cash Flow from Invt. & Assoc.				
Change In Working Capital	15.72	(7.57)	(6.36)	(2.07)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	109.10	0.00	0.00	0.00
Net Interest (Paid)/Received	(0.89)	0.00	0.00	0.00
Tax Paid	(13.07)	(6.39)	(7.64)	(7.88)
Cashflow From Operations	**139.77**	**46.23**	**57.47**	**67.71**
Capex	(5.93)	(10.00)	(10.00)	(10.00)
Disposals Of FAs/subsidiaries	0.01	0.00	0.00	0.00
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(119.68)	0.00	0.00	0.00
Cash Flow From Investing	**(125.60)**	**(10.00)**	**(10.00)**	**(10.00)**
Debt Raised/(repaid)	(20.04)	0.00	0.00	0.00
Proceeds From Issue Of Shares	126.28	0.00	0.00	0.00
Shares Repurchased				
Dividends Paid	(8.05)	(8.74)	(17.49)	(26.23)
Preferred Dividends				
Other Financing Cashflow	2.73	0.00	0.00	0.00
Cash Flow From Financing	**100.92**	**(8.74)**	**(17.49)**	**(26.23)**
Total Cash Generated	115.10	27.49	29.99	31.49
Free Cashflow To Equity	**(5.86)**	**36.23**	**47.47**	**57.71**
Free Cashflow To Firm	**15.06**	**36.23**	**47.47**	**57.71**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	84.4%	28.4%	18.5%	5.1%
Operating EBITDA Growth	(13%)	108%	19%	9%
Operating EBITDA Margin	15.9%	25.8%	25.9%	26.7%
Net Cash Per Share (RM)	0.04	0.07	0.10	0.14
BVPS (RM)	0.23	0.26	0.29	0.32
Gross Interest Cover	21.52	N/A	N/A	N/A
Effective Tax Rate	17.3%	9.0%	9.0%	8.5%
Net Dividend Payout Ratio	16.6%	14.5%	24.2%	33.1%
Accounts Receivables Days	163.6	122.8	127.4	134.9
Inventory Days	0.78	1.37	1.16	1.11
Accounts Payables Days	111.3	101.5	105.4	112.9
ROIC (%)	19.2%	22.1%	26.2%	28.0%
ROCE (%)	7.3%	11.6%	12.7%	12.4%
Return On Average Assets	15.0%	12.7%	13.3%	13.0%

12-mth Fwd FD P/E (x) - Dagang NeXchange



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	5.0%	-3.0%	-7.0%	-10.0%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	0.0%	0.0%	0.0%	0.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

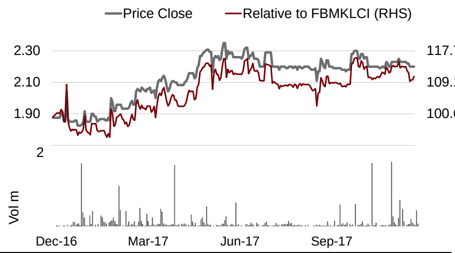
Malaysia

REDUCE *(no change)*

Consensus ratings*:	Buy 1	Hold 0	Sell 1

Current price:	RM2.20
Target price:	RM2.02
Previous target:	RM2.02
Up/downside:	-8.2%
CIMB / Consensus:	-10.8%
Reuters:	DPPM.KL
Bloomberg:	DPP MK
Market cap:	US$176.4m
	RM720.0m
Average daily turnover:	US$0.05m
	RM0.22m
Current shares o/s	273.1m
Free float:	72.6%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0	0	17.3
Relative (%)	-0.9	2.2	11

Major shareholders	% held
Low Chan Tian	10.4
Apollo Asia Fund Ltd	9.4
Lim Koy Peng	7.6

Daibochi Plastic & Packaging

Myanmar JV to boost earnings

- The Myanmar JV started operations in Jul and contributed maiden profit in 3Q17.
- Daibochi has a first-mover advantage in Myanmar.
- Still a Reduce as the stock's valuation is not cheap at 2018F 20.6x P/E.

Country's largest PFP producer

- Daibochi is the country's largest plastic flexible packaging (PFP) producer. It caters mainly to the F&B sector, where 90% of its customers currently operate in. Its factory is based in Melaka and, in Jul 17, the company invested US$6.8m for a 60% equity stake in a Myanmar JV. Daibochi's major domestic F&B customers include Nestle and Mamee.

Myanmar JV started in early-Jul 17

- The Myanmar JV started operations in early-Jul 17. The operating costs in Myanmar are much lower than in Malaysia. The PBT margin is above 25% in Myanmar vs. only 8-9% in Malaysia. As such, the Myanmar JV can handle manufacturing of lower-value added products for some of the Malaysia customers. This allows the domestic operation to focus on R&D and higher-value added products. We also expect the JV to get a 5-year tax exemption from the Myanmar government by end-2017.

0.35x net gearing after Myanmar JV acquisition completed

- Daibochi's net gearing rose from 0.2x at end-June to 0.35x at end-Sep. Net debt as at end-Sep was RM74.5m and the increase in debt was mainly to finance the Myanmar JV investment of US$6.8m (RM29m) in early-Jul. This should not be a concern as the expected strong operational cashflow from the Myanmar JV should help Daibochi reduce its net gearing in the next 1-2 years.

Maiden Myanmar earnings in 3Q17

- The Myanmar JV contributed maiden profit in 3Q17 to Daibochi, recording RM6.5m revenue and RM1.95m PBT in 3Q with a PBT margin of 29% compared to only 9% for Daibochi's Malaysia operations.

First-mover advantage

- We remain long-term positive on Daibochi's move to Myanmar, where it has a first-mover advantage. Not many MNCs have entered Myanmar but we believe it is only a matter of time before more set up operations there. Daibochi has been working with major MNCs in the region and, as such, we believe the JV has a strong chance of getting the MNC business in Myanmar.

Revised dividend policy

- In Nov, Daibochi revised its dividend policy to exclude the earnings from its Myanmar JV from distributable income; it will now pay at least 60% of net profit excluding Myanmar operations. Our FY17-19F DPS forecasts already assume a 60% net dividend payout ratio excluding Myanmar JV earnings. However, we understand the company is looking to pay dividends from the Myanmar JV over the next two years.

Remains a Reduce

- We maintain our EPS forecasts and target price, based on an unchanged fully-diluted 15.6x 2019F P/E, which is a 20% premium over the 13x P/E sector average in view of its Myanmar JV's attractive long-term growth prospects The stock remains a Reduce as the stock's valuation is still expensive at 20.6x 2018F P/E. Possible de-rating catalysts are rising raw material costs and weak domestic revenue.

Analyst(s)

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Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	345.0	371.1	401.0	510.0	570.0
Operating EBITDA (RMm)	46.20	45.20	55.70	69.60	77.20
Net Profit (RMm)	26.64	24.50	28.73	37.88	41.50
Core EPS (RM)	0.08	0.07	0.08	0.11	0.12
Core EPS Growth	11.9%	(8.0%)	17.3%	31.8%	9.6%
FD Core P/E (x)	29.32	31.88	27.18	20.62	18.82
DPS (RM)	0.042	0.040	0.046	0.046	0.046
Dividend Yield	1.91%	1.82%	2.09%	2.09%	2.09%
EV/EBITDA (x)	17.57	17.76	14.59	11.36	9.75
P/FCFE (x)	24.08	47.69	NA	17.66	13.17
Net Gearing	16.8%	11.2%	15.2%	4.2%	(10.9%)
P/BV (x)	4.29	4.01	3.75	3.36	3.05
ROE	15.2%	13.0%	14.2%	17.2%	17.0%
CIMB/consensus EPS (x)			0.98	1.02	0.97

SOURCE: COMPANY DATA, CIMB FORECASTS

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CIMB

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**371.1**	**401.0**	**510.0**	**570.0**
Gross Profit	**45.2**	**55.7**	**69.6**	**77.2**
Operating EBITDA	**45.2**	**55.7**	**69.6**	**77.2**
Depreciation And Amortisation	(12.6)	(15.1)	(15.4)	(15.7)
Operating EBIT	**32.6**	**40.6**	**54.2**	**61.5**
Financial Income/(Expense)	(2.6)	(3.3)	(3.0)	(2.5)
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**30.0**	**37.3**	**51.2**	**59.0**
Exceptional Items	0.0			
Pre-tax Profit	**30.0**	**37.3**	**51.2**	**59.0**
Taxation	(5.5)	(6.4)	(7.6)	(7.9)
Exceptional Income - post-tax				
Profit After Tax	**24.5**	**30.9**	**43.6**	**51.1**
Minority Interests	0.0	(2.2)	(5.8)	(9.6)
Preferred Dividends	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**24.5**	**28.7**	**37.9**	**41.5**
Recurring Net Profit	24.5	28.7	37.9	41.5
Fully Diluted Recurring Net Profit	**24.5**	**28.7**	**37.9**	**41.5**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	31.7	42.4	40.0	71.0
Total Debtors	73.4	80.7	87.0	90.0
Inventories	84.0	92.4	99.0	107.0
Total Other Current Assets	0.1	1.0	1.0	1.0
Total Current Assets	**189.2**	**216.5**	**227.0**	**269.0**
Fixed Assets	120.6	138.5	126.2	113.6
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	22.6	22.6	22.6	22.6
Total Non-current Assets	**143.2**	**161.1**	**148.8**	**136.2**
Short-term Debt	42.0	42.0	27.0	27.0
Current Portion of Long-Term Debt				
Total Creditors	73.4	80.7	86.0	97.0
Other Current Liabilities	0.7	0.7	0.7	0.7
Total Current Liabilities	**116.1**	**123.4**	**113.7**	**124.7**
Total Long-term Debt	11.5	32.0	22.7	16.0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	10.0	14.0	7.0	7.0
Total Non-current Liabilities	**21.5**	**46.0**	**29.7**	**23.0**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**137.6**	**169.4**	**143.4**	**147.7**
Shareholders' Equity	194.9	208.4	232.6	256.3
Minority Interests				
Total Equity	**194.9**	**208.4**	**232.6**	**256.3**

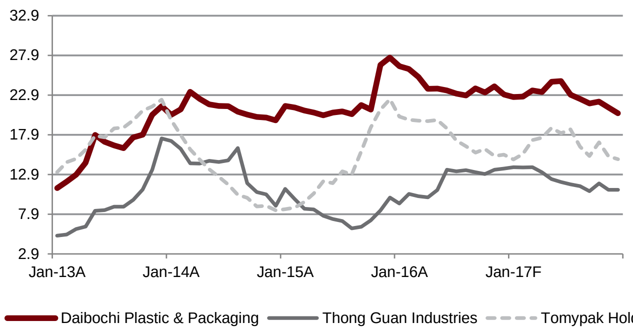
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	45.20	55.70	69.60	77.20
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(8.61)	(8.40)	(7.60)	0.00
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	0.79	0.79	0.79	1.00
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00
Tax Paid	(10.00)	(6.38)	(7.56)	(7.90)
Cashflow From Operations	**27.38**	**41.71**	**55.23**	**70.30**
Capex	(10.00)	(33.00)	(10.00)	(10.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00
Other Investing Cashflow	(1.00)	(1.00)	(1.00)	(1.00)
Cash Flow From Investing	**(11.00)**	**(34.00)**	**(11.00)**	**(11.00)**
Debt Raised/(repaid)		(25.00)	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	(14.70)	(14.41)	(17.06)	(17.82)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	**(14.70)**	**(39.41)**	**(17.06)**	**(17.82)**
Total Cash Generated	1.68	(31.70)	27.17	41.48
Free Cashflow To Equity	**16.38**	**(17.29)**	**44.23**	**59.30**
Free Cashflow To Firm	**16.38**	**7.71**	**44.23**	**59.30**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	7.6%	8.1%	27.2%	11.8%
Operating EBITDA Growth	(2.2%)	23.2%	25.0%	10.9%
Operating EBITDA Margin	12.2%	13.9%	13.6%	13.5%
Net Cash Per Share (RM)	(0.061)	(0.089)	(0.027)	0.079
BVPS (RM)	0.55	0.59	0.66	0.72
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	18.3%	17.1%	14.8%	13.4%
Net Dividend Payout Ratio	49.0%	49.1%	50.0%	50.4%
Accounts Receivables Days	69.09	70.13	60.01	56.67
Inventory Days	90.07	93.23	79.32	76.29
Accounts Payables Days	78.67	81.45	69.08	67.77
ROIC (%)	10.6%	12.9%	15.4%	17.8%
ROCE (%)	13.6%	15.3%	19.2%	21.1%
Return On Average Assets	10.0%	11.2%	14.2%	15.6%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	5.0%	5.0%	5.0%	5.0%
Unit sales grth (%, main prod./serv.)	7.0%	7.0%	7.0%	7.0%
Util. rate (%, main prod./serv.)	70.0%	70.0%	70.0%	70.0%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
Unit Raw Material ASP (% Change)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

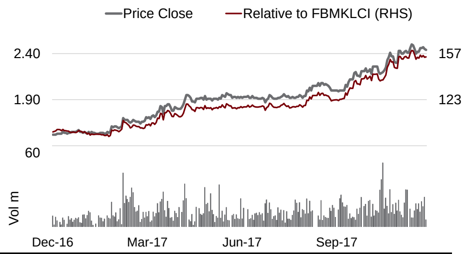
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 11	Hold 5	Sell 0

Current price:	RM2.44
Target price:	RM3.13
Previous target:	RM3.13
Up/downside:	28.3%
CIMB / Consensus:	20.8%
Reuters:	DIAL.KL
Bloomberg:	DLG MK
Market cap:	US$3,371m
	RM13,757m
Average daily turnover:	US$8.45m
	RM35.29m
Current shares o/s	5,266m
Free float:	60.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.6	22	60.5
Relative (%)	4.7	24.2	54.2

Major shareholders	% held
Tan Sri Dr Ngau Boon Keat	21.3
EPF	12.7

Dialog Group Bhd

Unlocking more value from its tank terminals

- Dialog kick-started FY18F with strong core earnings growth from its plant maintenance arm; we believe prospects can only get better, driven by tank terminals.
- Pengerang SPV3 was recently commissioned, while SPV2 and the expansion of SPV1 will also contribute from CY19F onwards.
- We maintain Add with a SOP-based target price of RM3.13.

Off to a good start

- Dialog recently delivered a 1QFY18 core net profit of RM88.5m, up 42% yoy, on the back of higher contributions from the engineering, procurement, construction and commissioning (EPCC) segment, which we attribute to the ongoing Pengerang SPV2 and SPV3 projects. Better plant maintenance activities also contributed to the higher earnings, offset by weaker upstream activities and lower sales of specialist products.

Tank terminals business at Pengerang has great potential…

- We are expecting stronger earnings growth from CY18F onwards, as more projects reach their commissioning stage. In Nov this year, the LNG regasification plant at Pengerang SPV3 officially began commercial operations and took delivery of its first commercial cargo on 18 Nov, which will contribute positively to earnings from this financial year onwards.
- Construction progress on Pengerang SPV2 is slightly ahead of schedule and is expected to begin contributing from mid-CY18F, prior to its commissioning date in early-CY19F. The current operations of Pengerang SPV1's 1.3m cbm will be expanded by an additional 0.43m cbm, to be commissioned from 1QCY19F, and another 0.57m cbm is expected to be added by FY20F.

… with more developments ahead

- Dialog has indicated that it is securing new potential partners for Phase 3 of Pengerang Deepwater Terminal, encompassing the development of industrial land and more storage tanks. It is set to be developed on a total of approximately 800 acres including reclaimable land and the buffer zone. The development of Phase 3 will also provide work opportunities for Dialog's in-house EPCC segment.

Growth opportunity from Langsat 3

- Dialog recently signed a 30-year land lease agreement with Johor Corp to lease two parcels of land at the Tanjung Langsat port to develop the new Langsat 3 tank terminal, on top of the existing Langsat 1 and 2 terminals. We expect Langsat 3 to be ready by FY20F. Dialog is confident it can take business from Singapore to fill up the new capacity, although an off-taker has not yet been identified.
- In late-Sep 17, Dialog purchased MISC's 36% effective stake in the Langsat terminals, for RM137m, and also took over MISC's shareholder loans of RM56m. This raised Dialog's stake in the Langsat terminals from 44% to 80%. In our view, this deal was priced at a 64% discount to its underlying DCF value, hence the deal is value-enhancing to Dialog.

Other businesses also looking up

- The prospects for Dialog's upstream business will improve in line with the higher price of crude oil. Meanwhile, the sales volume of specialist products will likely improve as Petronas has increased its production and development drilling activities in Malaysia during 2017, as compared to the very weak drilling spending during 2015-16.
- We are confident of Dialog's business growth opportunities, supported by its low-risk business philosophy, experience and execution capabilities. Downside risks include delays in upcoming developments.

Financial Summary	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	2,534	3,393	3,402	3,460	3,486
Operating EBITDA (RMm)	323.8	374.4	422.0	465.9	482.2
Net Profit (RMm)	294.9	370.6	342.5	434.7	516.8
Core EPS (RM)	0.048	0.061	0.059	0.075	0.090
Core EPS Growth	3.1%	26.2%	(2.9%)	27.7%	19.3%
FD Core P/E (x)	50.76	40.73	41.40	32.41	27.16
DPS (RM)	0.022	0.027	0.024	0.031	0.037
Dividend Yield	0.90%	1.09%	1.00%	1.26%	1.50%
EV/EBITDA (x)	34.97	30.06	31.87	30.19	28.21
P/FCFE (x)	NA	65.13	NA	37.26	33.96
Net Gearing	(2.8%)	(0.1%)	71.5%	70.9%	57.2%
P/BV (x)	5.32	4.42	4.17	3.82	3.49
ROE	11.3%	11.8%	10.4%	12.3%	13.4%
CIMB/consensus EPS (x)			0.83	0.92	0.94

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	**3,393**	**3,402**	**3,460**	**3,486**
Gross Profit	**374**	**422**	**466**	**482**
Operating EBITDA	**374**	**422**	**466**	**482**
Depreciation And Amortisation	(98)	(95)	(118)	(125)
Operating EBIT	**276**	**327**	**348**	**357**
Financial Income/(Expense)	23	(31)	(72)	(81)
Pretax Income/(Loss) from Assoc.	107	118	221	302
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**406**	**414**	**497**	**578**
Exceptional Items	43	0	0	0
Pre-tax Profit	**449**	**414**	**497**	**578**
Taxation	(76)	(66)	(57)	(57)
Exceptional Income - post-tax				
Profit After Tax	**373**	**348**	**440**	**522**
Minority Interests	(2)	(5)	(5)	(5)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**371**	**343**	**435**	**517**
Recurring Net Profit	327	333	425	507
Fully Diluted Recurring Net Profit	**327**	**333**	**425**	**507**

Balance Sheet

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	1,425	354	586	818
Total Debtors	1,250	826	836	840
Inventories	84	83	83	83
Total Other Current Assets	0	0	0	0
Total Current Assets	**2,759**	**1,262**	**1,505**	**1,742**
Fixed Assets	853	2,975	3,858	3,718
Total Investments	1,966	2,906	2,487	2,639
Intangible Assets	174	266	293	313
Total Other Non-Current Assets	65	65	65	65
Total Non-current Assets	**3,058**	**6,211**	**6,702**	**6,735**
Short-term Debt	415	829	997	1,004
Current Portion of Long-Term Debt				
Total Creditors	1,149	1,148	1,153	1,157
Other Current Liabilities	45	77	77	77
Total Current Liabilities	**1,610**	**2,054**	**2,227**	**2,238**
Total Long-term Debt	1,009	1,980	2,238	2,148
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	6	6	6	6
Total Non-current Liabilities	**1,015**	**1,986**	**2,244**	**2,155**
Total Provisions	0	0	0	0
Total Liabilities	**2,624**	**4,040**	**4,471**	**4,393**
Shareholders' Equity	3,111	3,305	3,602	3,945
Minority Interests	81	129	134	139
Total Equity	**3,192**	**3,433**	**3,736**	**4,084**

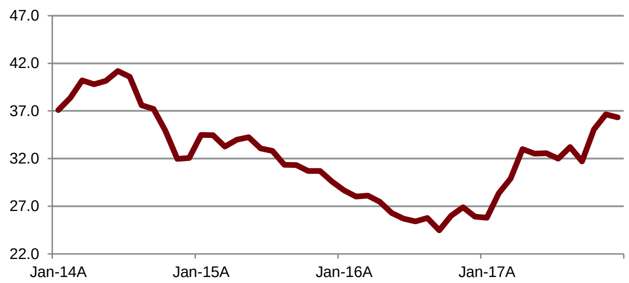
Cash Flow

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	374.4	422.0	465.9	482.2
Cash Flow from Invt. & Assoc.				
Change In Working Capital	211.2	428.5	(5.2)	(1.1)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	(34.5)	2.8	(39.9)	(105.1)
Other Operating Cashflow	124.4	32.6	71.8	212.4
Net Interest (Paid)/Received	9.2	(26.0)	(63.2)	(71.9)
Tax Paid	(65.7)	(66.5)	(57.2)	(56.5)
Cashflow From Operations	**619.0**	**793.5**	**372.2**	**460.0**
Capex	(84.6)	(247.0)	(195.0)	(195.0)
Disposals Of FAs/subsidiaries	28.9	0.0	500.0	25.0
Acq. Of Subsidiaries/investments	(865.0)	(1,221.3)	99.4	8.5
Other Investing Cashflow	(28.4)	(1,500.0)	(832.6)	189.0
Cash Flow From Investing	**(949.2)**	**(2,968.3)**	**(428.2)**	**27.5**
Debt Raised/(repaid)	534.5	1,163.3	425.5	(82.0)
Proceeds From Issue Of Shares	398.7	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(133.6)	(149.5)	(137.0)	(173.9)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	**799.6**	**1,013.8**	**288.5**	**(255.9)**
Total Cash Generated	469.4	(1,161.0)	232.5	231.5
Free Cashflow To Equity	**204.3**	**(1,011.5)**	**369.5**	**405.4**
Free Cashflow To Firm	**(297.9)**	**(2,101.8)**	**52.7**	**605.3**

Key Ratios

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	33.9%	0.3%	1.7%	0.7%
Operating EBITDA Growth	15.6%	12.7%	10.4%	3.5%
Operating EBITDA Margin	11.0%	12.4%	13.5%	13.8%
Net Cash Per Share (RM)	0.00	(0.44)	(0.47)	(0.41)
BVPS (RM)	0.55	0.59	0.64	0.70
Gross Interest Cover	8.57	4.48	3.20	3.03
Effective Tax Rate	16.9%	16.1%	11.5%	9.8%
Net Dividend Payout Ratio	44.9%	40.0%	40.0%	40.0%
Accounts Receivables Days	104.3	109.6	85.9	86.3
Inventory Days	10.28	10.20	10.12	10.15
Accounts Payables Days	114.2	140.6	140.3	140.7
ROIC (%)	18.7%	20.2%	8.8%	7.0%
ROCE (%)	7.97%	6.89%	5.95%	5.68%
Return On Average Assets	6.29%	5.59%	6.31%	6.99%

12-mth Fwd FD P/E (x) - Dialog Group Bhd



Key Drivers

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Outstanding Orderbook (RMm)	-	-	-	-
Order Book Wins (RMm)	-	-	-	-
Order Book Depletion (RMm)	-	-	-	-
Average Day Rate Per Ship (US$)	-	-	-	-
No. Of Ships (unit)	-	-	-	-
Average Utilisation Rate (%)	0.0%	0.0%	0.0%	0.0%
Oil Price (US$/bbl)	-	-	-	-
Energy Production Volume (mmboe)	-	-	-	-
Average Day Rate - Drilling Rigs (US$)	-	-	-	-
Average Util. Rate - Drilling Rigs (%)	0.0%	0.0%	0.0%	0.0%
Average Day Rate - FPUs (US$)	-	-	-	-
Average Util. Rate - FPUs (%)	0.0%	0.0%	0.0%	0.0%
Total Oil Storage Capacity (000 cbm)	2,347	2,547	3,912	5,427
Equity Share Of Oil Storage Capacity (000 cbm)	1,003	1,208	1,717	2,216
Assumed Util. Rate Of Oil Storage Capacity (%)	96%	96%	96%	96%

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

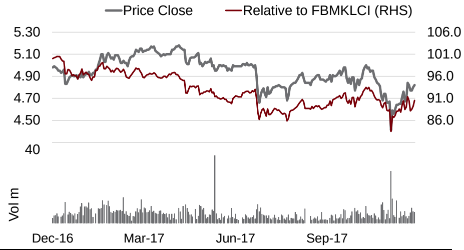
Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 1 Hold 17 Sell 11
Current price:	RM4.82
Target price:	RM5.00
Previous target:	RM5.00
Up/downside:	%
CIMB / Consensus:	
Reuters:	DSOM.KL
Bloomberg:	DIGI MK
Market cap:	US$9,183m
	RM37,476m
Average daily turnover:	US$5.56m
	RM23.15m
Current shares o/s	7,775m
Free float:	47.5%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.7	-0.8	-3.2
Relative (%)	0.8	1.4	-9.5

Major shareholders	% held
Telenor	49.0
EPF	14.1
Skim Amanah Saham Bumi	5.7

DiGi.com

Short-term challenges, long-term opportunities

- Service revenue to stabilise in FY18F as postpaid growth offsets prepaid weakness.
- Digi targets to cut opex by 1-3% p.a. in FY18-20F to keep EBITDA margin in mid-40s.
- Maintain Hold, with a DCF-based target price of RM5.00.

Service revenue to stabilise in FY18F

- We expect Digi's service revenue to largely stabilise yoy in FY18F, after falling by 5.8% in FY17F on intense prepaid competition and rationalisation of legacy services. We forecast continued growth in postpaid revenue, driven by subs growth and higher data usage, to offset any weakness in prepaid revenue.
- In the longer term, Digi sees good opportunities in the enterprise business by leveraging on its improved mobile network, given the 4G-900MHz rollout and bundling of other relevant solutions. However, gaining traction will take time due to binding contracts, in our view.

Opex agenda of equal importance as revenue agenda

- For FY18-20F, Digi targets opex cuts of 1-3% p.a. via: a) careful staff hiring, b) renegotiating vendor contracts, c) transforming work processes, d) digitising to gradually reduce cost of serving customers, and e) transforming network/IT systems to be more software-based (SDN), open-sourced and cloud-based. Hence, we forecast Digi will sustain mid-40s EBITDA margin in FY18F.

Capex under control

- Despite rapidly increasing data traffic, Digi stated that its network has ample capacity due to its accelerated 4G network rollout and fairly high 4G device penetration (69%). Future 2G/3G spectrum re-farming to 4G could also help.
- We expect capex to stay at RM800m in FY18F, similar to FY17F, and to remain lower than the RM1.1bn-1.2bn capex of its local peers. Digi believes it has a competitive network and is realising greater capex efficiency as part of the Telenor Group. FY18F capex is intended for LTE/LTE-A, fibre rollout and IT transformation.

M&A prospects?

- Despite intense market competition, Digi said mobile market consolidation in Malaysia has not occurred because the Big 3 telcos continue to enjoy high EBITDA margins. Digi also said it may be difficult to find M&A targets at attractive valuations. Nevertheless, it projects future increases in infrastructure sharing, especially when 5G arrives in 2020F (due to higher cell densification requirements).

Core EPS to fall in FY17F/18F before improving in FY19F

- We forecast core EPS to decline 9.1% in FY17F and a further 1.8% in FY18F due to rising depreciation and a full-year's impact of the 900/1800MHz spectrum amortisation. Thereafter, we expect FY19F core EPS to rise 7.0% on low single-digit revenue growth and stable opex. Based on a 100% payout ratio, our FY17-19F DPS is at 19-20 sen p.a.

Maintain Hold with an unchanged target price of RM5.00

- We maintain our Hold call and DCF-based target price of RM5.00 (WACC: 7.0%). Structurally, we see Digi as a beneficiary of the market moving closer to network parity post-900MHz spectrum reallocation. However, we see subdued earnings in the near term given the tight prepaid competition.
- Its FY18F EV/OpFCF of 19.2x is pricey (ASEAN average: c.17.1x) but FY18-19F yields are decent at 3.9-4.2% p.a., in our view. Key upside/downside risks are better-than-expected postpaid traction/keener competition.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	6,914	6,597	6,268	6,283	6,443
Operating EBITDA (RMm)	2,982	2,955	2,847	2,857	3,003
Operating EBITDA Margin	43.1%	44.8%	45.4%	45.5%	46.6%
Net Profit (RMm)	1,723	1,633	1,502	1,474	1,578
Core EPS (RM)	0.23	0.21	0.19	0.19	0.20
Core EPS Growth	(13.5%)	(6.0%)	(9.1%)	(1.8%)	7.0%
FD Core P/E (x)	21.33	22.68	24.96	25.42	23.75
DPS (RM)	0.22	0.21	0.19	0.19	0.20
Dividend Yield	4.56%	4.34%	4.01%	3.93%	4.21%
EV/EBITDA (x)	12.92	13.33	13.91	13.83	13.08
P/FCFE (x)	22.45	21.09	16.24	22.20	24.85
Net Gearing	204%	367%	409%	392%	347%
ROE	292%	318%	289%	284%	304%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.99	0.98	1.03

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**6,616**	**6,287**	**6,301**	**6,461**
Gross Profit	**6,616**	**6,287**	**6,301**	**6,461**
Operating EBITDA	**2,955**	**2,847**	**2,857**	**3,003**
Depreciation And Amortisation	(671)	(757)	(814)	(830)
Operating EBIT	**2,284**	**2,090**	**2,043**	**2,173**
Financial Income/(Expense)	(66)	(114)	(103)	(96)
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**2,218**	**1,976**	**1,940**	**2,076**
Exceptional Items	20	0	0	0
Pre-tax Profit	**2,238**	**1,976**	**1,940**	**2,076**
Taxation	(606)	(474)	(466)	(498)
Exceptional Income - post-tax				
Profit After Tax	**1,633**	**1,502**	**1,474**	**1,578**
Minority Interests	0	0	0	0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**1,633**	**1,502**	**1,474**	**1,578**
Recurring Net Profit	1,652	1,502	1,474	1,578
Fully Diluted Recurring Net Profit	**1,652**	**1,502**	**1,474**	**1,578**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	377	310	496	530
Total Debtors	1,725	662	943	702
Inventories	48	107	48	107
Total Other Current Assets	0	0	0	0
Total Current Assets	**2,149**	**1,079**	**1,487**	**1,339**
Fixed Assets	2,832	3,025	3,154	3,228
Total Investments	0	0	0	0
Intangible Assets	454	1,103	1,011	956
Total Other Non-Current Assets	63	0	0	0
Total Non-current Assets	**3,349**	**4,128**	**4,165**	**4,184**
Short-term Debt	483	483	483	483
Current Portion of Long-Term Debt				
Total Creditors	1,948	1,814	1,953	1,830
Other Current Liabilities	398	397	397	397
Total Current Liabilities	**2,829**	**2,695**	**2,833**	**2,710**
Total Long-term Debt	1,799	1,949	2,049	1,849
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	351	44	250	446
Total Non-current Liabilities	**2,150**	**1,993**	**2,299**	**2,295**
Total Provisions	0	0	0	0
Total Liabilities	**4,979**	**4,688**	**5,132**	**5,004**
Shareholders' Equity	519	519	519	519
Minority Interests	0	0	0	0
Total Equity	**519**	**519**	**519**	**519**

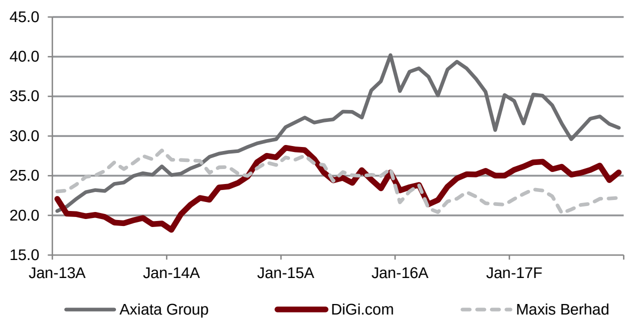
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	2,955	2,847	2,857	3,003
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(692)	599	0	0
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(161)	100	100	100
Net Interest (Paid)/Received	(86)	(128)	(119)	(117)
Tax Paid	(484)	(474)	(466)	(498)
Cashflow From Operations	**1,532**	**2,943**	**2,372**	**2,488**
Capex	(776)	(800)	(800)	(800)
Disposals Of FAs/subsidiaries	2	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	12	14	16	21
Cash Flow From Investing	**(761)**	**(786)**	**(784)**	**(779)**
Debt Raised/(repaid)	1,006	150	100	(200)
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(1,633)	(1,625)	(1,502)	(1,474)
Preferred Dividends				
Other Financing Cashflow	0	0	0	0
Cash Flow From Financing	**(627)**	**(1,475)**	**(1,402)**	**(1,674)**
Total Cash Generated	144	682	186	34
Free Cashflow To Equity	**1,777**	**2,307**	**1,688**	**1,508**
Free Cashflow To Firm	**856**	**2,285**	**1,707**	**1,825**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(4.58%)	(4.99%)	0.24%	2.54%
Operating EBITDA Growth	(0.92%)	(3.66%)	0.35%	5.11%
Operating EBITDA Margin	44.8%	45.4%	45.5%	46.6%
Net Cash Per Share (RM)	(0.25)	(0.27)	(0.26)	(0.23)
BVPS (RM)	0.067	0.067	0.067	0.067
Gross Interest Cover	29.25	16.31	17.15	18.61
Effective Tax Rate	27.1%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	101%	100%	100%	100%
Accounts Receivables Days	72.94	68.50	45.63	45.63
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	88%	56%	57%	58%
ROCE (%)	100%	73%	69%	74%
Return On Average Assets	32.7%	29.7%	28.6%	29.5%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Group Mobile Subscribers (m)	12,299.00	12,449.00	12,999.00	13,549.00
Group Fixed Voice Subscribers (m)	N/A	N/A	N/A	N/A
Grp fixed brdband subscribers (m)	N/A	N/A	N/A	N/A
Group Pay TV Subs (m)	N/A	N/A	N/A	N/A
Group Mobile ARPU (US$/mth)	42.5	39.5	38.5	37.9
Grp fixed voice ARPU (US$/mth)	N/A	N/A	N/A	N/A
Grp fixed brdband ARPU (US$/mth)	N/A	N/A	N/A	N/A
Group Pay TV ARPU (US$/mth)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 5	Hold 2	Sell 0

Current price:	RM1.73
Target price:	RM2.35
Previous target:	RM2.35
Up/downside:	35.9%
CIMB / Consensus:	8.4%
Reuters:	DRBH.KL
Bloomberg:	DRB MK
Market cap:	US$819.5m
	RM3,345m
Average daily turnover:	US$1.06m
	RM4.43m
Current shares o/s	1,933m
Free float:	28.9%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0	3.6	41.8
Relative (%)	-0.9	5.8	35.5

Major shareholders	% held
Etika Strategi	55.9
EPF	6.0
LTH	5.8

Analyst(s)

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DRB-Hicom

Top pick for Malaysian Auto sector

- We expect narrowing losses in 2HFY18 due to lower loss recognition at Proton following the completion of a 49.9% share subscription by Geely in Sep 17.
- We see the logistics division as the key growth driver, riding on the expansion of the regional logistics hub in DFTZ and key collaborations with major e-commerce players.
- Maintain Add and SOP-based RM2.35 TP. DRB is our top pick in the auto sector.

Review of 1HFY18 earnings performance

- Revenue in 1HFY3/18 rose 29.8% yoy due to higher contributions from all three divisions – automotive, services and property. Despite the higher revenue, the group posted a wider core net loss of RM363m vs. RM244m in 1HFY17 due to ongoing losses at Proton, higher depreciation and tax expense. However, we are encouraged to see DRB's EBITDA improving from RM227m in 1HFY17 to RM349m in 1HFY18.

Geely set to drive Proton's turnaround

- DRB-Hicom completed the entry of Zhejiang Geely Holdings (Geely) as Proton's foreign strategic partner (FSP) in Sep 17. We expect Geely to help drive Proton's turnaround following the appointment of a new management team at Proton's production, operation, manufacturing and marketing divisions. We understand the new management is focusing on cost optimisation to improve immediate operating efficiency and financial performance.

Proton on the right track for recovery

- The group is targeting a gradual reduction in Proton's losses and a breakeven in 3-4 years. We think the target is achievable given that we expect more cross-platform models between Proton and Geely in the future. This will expedite new model introduction and help Proton lower its product development costs.
- In addition, Proton is expected to benefit from Geely's latest technology as the latter intends to supply the latest engine and energy solutions to Proton. For example, Geely is planning to supply Proton with an engine that will meet the Euro 6 emission standard, hybrid engines and pure electric engines. These new engines will allow Proton to penetrate other markets in Asean. Proton is also on track to launch its first mid-sized SUV based Geely's Boyue by the end of 2018.

Banking on e-commerce

- Following the consolidation of the logistics assets under Pos Malaysia (POSM MK, not rated) in 3QCY16, service revenue contribution to the group rose from 25% in 1HFY17 to 33% in 1HFY18. We see the rollout of the regional logistics hub in the Digital Free Trade Zone and key collaborations between Pos Malaysia and major e-commerce players such as Lazada Malaysia as helping to drive logistics earnings growth.

Narrowing losses in FY18F before swinging into the black in FY19F

- We expect lower losses for the group in 2HFY18 driven by lower losses at Proton. Following Geely's entry as Proton's FSP, DRB should see lower loss recognition from the automaker starting 3QFY18. Apart from that, we expect the appreciation of the ringgit against US$ to bode well for domestic automotive players, like DRB-Hicom, given it will help to alleviate the cost of its complete knocked-down kit.

Maintain Add and target price

- We maintain our Add call on the stock with an unchanged SOP-based target price of RM2.35. Narrowing losses by Proton, strengthening of the ringgit against US$ and higher-than-expected profit contributions from the services division are potential re-rating catalysts. Meanwhile, key downside risks to our call are widening losses at Proton and weaker contribution from the services division.

Financial Summary	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Revenue (RMm)	12,173	12,058	12,666	13,649	14,991
Operating EBITDA (RMm)	395	651	930	1,372	1,713
Net Profit (RMm)	(992.8)	(454.4)	(408.3)	44.5	189.1
Core EPS (RM)	(0.32)	(0.29)	(0.21)	0.02	0.10
Core EPS Growth	(373%)	(9%)	(27%)		325%
FD Core P/E (x)	NA	NA	NA	75.24	17.69
DPS (RM)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	22.40	15.50	12.91	7.54	6.61
P/FCFE (x)	NA	NA	NA	2.10	NA
Net Gearing	57.6%	33.9%	50.1%	30.6%	35.5%
P/BV (x)	0.51	0.55	0.59	0.59	0.57
ROE	(8.23%)	(8.84%)	(6.96%)	0.78%	3.26%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.31	2.09	2.33

SOURCE: COMPANY DATA, CIMB FORECASTS

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BY THE NUMBERS

Profit & Loss

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Net Revenues	**12,058**	**12,666**	**13,649**	**14,991**
Gross Profit	**2,721**	**3,040**	**3,412**	**3,748**
Operating EBITDA	**651**	**930**	**1,372**	**1,713**
Depreciation And Amortisation	(912)	(887)	(955)	(1,049)
Operating EBIT	**(261)**	**43**	**416**	**663**
Financial Income/(Expense)	(314)	(320)	(308)	(297)
Pretax Income/(Loss) from Assoc.	249	201	228	261
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**(325)**	**(76)**	**337**	**627**
Exceptional Items	103	0	0	0
Pre-tax Profit	**(222)**	**(76)**	**337**	**627**
Taxation	(38)	(15)	(74)	(138)
Exceptional Income - post-tax				
Profit After Tax	**(260)**	**(92)**	**263**	**489**
Minority Interests	(194)	(317)	(218)	(300)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**(454)**	**(408)**	**44**	**189**
Recurring Net Profit	(557)	(408)	44	189
Fully Diluted Recurring Net Profit	**(557)**	**(408)**	**44**	**189**

Balance Sheet

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Cash And Equivalents	2,861	1,268	3,146	2,463
Total Debtors	4,058	4,248	4,702	5,128
Inventories	2,285	1,684	2,537	2,099
Total Other Current Assets	6,286	6,286	6,286	6,286
Total Current Assets	**15,490**	**13,487**	**16,671**	**15,977**
Fixed Assets	6,352	6,519	6,587	6,537
Total Investments	1,417	1,417	1,417	1,417
Intangible Assets	1,813	1,559	1,286	986
Total Other Non-Current Assets	18,759	18,759	18,759	18,759
Total Non-current Assets	**28,341**	**28,255**	**28,049**	**27,700**
Short-term Debt	2,193	2,193	2,193	2,193
Current Portion of Long-Term Debt				
Total Creditors	6,662	4,663	7,380	5,847
Other Current Liabilities	19,839	19,839	19,839	19,839
Total Current Liabilities	**28,693**	**26,695**	**29,411**	**27,879**
Total Long-term Debt	4,105	4,105	4,105	4,105
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	765	765	765	765
Total Non-current Liabilities	**4,870**	**4,870**	**4,870**	**4,870**
Total Provisions	129	129	129	129
Total Liabilities	**33,693**	**31,695**	**34,411**	**32,878**
Shareholders' Equity	6,074	5,666	5,710	5,899
Minority Interests	4,064	4,381	4,600	4,899
Total Equity	**10,139**	**10,047**	**10,310**	**10,799**

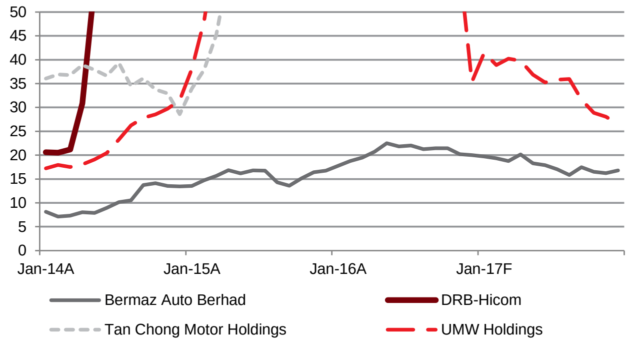
Cash Flow

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
EBITDA	651	930	1,372	1,713
Cash Flow from Invt. & Assoc.				
Change In Working Capital	174	(1,588)	1,410	(1,521)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(321)	0	0	0
Net Interest (Paid)/Received	(371)	(378)	(365)	(359)
Tax Paid	49	(15)	(74)	(138)
Cashflow From Operations	**182**	**(1,051)**	**2,342**	**(305)**
Capex	(819)	(800)	(750)	(700)
Disposals Of FAs/subsidiaries	497	0	0	0
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	379	0	0	0
Cash Flow From Investing	**57**	**(800)**	**(750)**	**(700)**
Debt Raised/(repaid)	(504)	0	0	0
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid		0	0	0
Preferred Dividends				
Other Financing Cashflow	1,293	0	0	0
Cash Flow From Financing	**789**	**0**	**0**	**0**
Total Cash Generated	1,028	(1,851)	1,592	(1,005)
Free Cashflow To Equity	**(264)**	**(1,851)**	**1,592**	**(1,005)**
Free Cashflow To Firm	**610**	**(1,473)**	**1,958**	**(646)**

Key Ratios

	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Revenue Growth	(0.9%)	5.0%	7.8%	9.8%
Operating EBITDA Growth	65.0%	42.8%	47.5%	24.8%
Operating EBITDA Margin	5.4%	7.3%	10.1%	11.4%
Net Cash Per Share (RM)	(1.78)	(2.60)	(1.63)	(1.98)
BVPS (RM)	3.14	2.93	2.95	3.05
Gross Interest Cover	(0.70)	0.11	1.14	1.85
Effective Tax Rate	0.0%	0.0%	22.0%	22.0%
Net Dividend Payout Ratio	NA	NA	NA	NA
Accounts Receivables Days	129.8	119.7	119.7	120.0
Inventory Days	79.08	75.26	75.26	75.46
Accounts Payables Days	255.7	214.7	214.7	215.3
ROIC (%)	(1.72%)	0.25%	2.15%	3.84%
ROCE (%)	(1.98%)	0.78%	3.44%	5.32%
Return On Average Assets	(1.3%)	2.5%	8.6%	12.9%

12-mth Fwd FD P/E (x)



Key Drivers

	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Rev. growth (%, main biz.)	-25.7%	1.2%	1.5%	-100.0%
EBITDA mgns (%, main biz.)	0.0%	0.0%	0.0%	0.0%
Rev. as % of total (main biz.)	69.2%	68.3%	67.1%	N/A
EBITDA as % of total (main biz.)	0.0%	0.0%	0.0%	0.0%
Rev. growth (%, 2ndary biz.)	-69.8%	9.9%	15.9%	-100.0%
EBITDA mgns (%, 2ndary biz.)	6.7%	-232.8%	46.4%	0.0%
Rev. as % of total (2ndary biz.)	7.7%	8.3%	9.3%	N/A
EBITDA as % of total (2ndary biz.)	6.7%	-232.8%	46.4%	0.0%
Rev. growth (%, tertiary biz.)	N/A	N/A	N/A	N/A
EBITDA mgns (%, tertiary biz.)	N/A	N/A	N/A	N/A
Rev.as % of total (tertiary biz.)	N/A	N/A	N/A	N/A
EBITDA as % of total (tertiary biz.)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 5	Hold 3	Sell 0

Current price:	RM1.42
Target price:	RM1.59
Previous target:	RM1.59
Up/downside:	11.9%
CIMB / Consensus:	-25.3%
Reuters:	ENOB.KL
Bloomberg:	EAST MK
Market cap:	US$453.9m
	RM1,853m
Average daily turnover:	US$0.22m
	RM0.93m
Current shares o/s	1,325m
Free float:	79.0%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-3.4	-10.7	1.4
Relative (%)	-4.3	-8.5	-4.9

Major shareholders	% held
Dato' Terry Tham	21.0
Sime Darby	12.2
GK Goh	6.9

Eastern & Oriental

Seri Tanjung Pinang 2A to boost earnings

- E&O targets FY3/18F new property sales of RM350m-380m, similar to FY17.
- We expect the profit from the STP2A land sale to the Pensions Trust Fund (KWAP) to be recognised progressively in FY18-19F.
- Maintain EPS, Hold call and target price, still based on 75% discount to RNAV.

2017 in review

- Eastern & Oriental (E&O) recorded new sales of RM150m in 1HFY18, of which 62% came from projects in Penang, 23% in the UK, 12% in the Klang Valley and 3% in Johor. Around 50% of the new sales in 1HFY18 came from the sale of inventory, namely from the Andaman project. E&O's unsold inventory declined to RM430m at end-Sep 2017 vs. RM460m at end-Mar 2017. The group plans to continue focusing on clearing unsold inventory before launching other new projects.

Property sector outlook for 2018F still muted

- We believe the overall property outlook for 2018F is still bleak, although property prices are on an uptrend and property transactions were still active in 1H17. We see two wildcards that could have impact on the sector in 2018F – possible interest rate hike and approval freeze on luxury projects priced above RM1m/unit. In addition, low affordability, mismatch between supply and demand, high incoming supply of completed properties and rising competition from public housing are continued risks to private developers' sales.
- However, in Dec 2017, Finance Minister II Datuk Seri Johari said property developers would be allowed (on a case-by-case basis) to go ahead with their plans to build offices and malls, provided that they have good justification. We believe this would have negligible impact on E&O in the near term, but may pose a threat if the approval freeze extends beyond 2018F as the majority of the group's projects are high-end developments and located in prime locations.

Earnings outlook

- E&O targets flattish property sales of RM350m-380m for FY18F, similar to the FY17 level of RM381m. We believe this is an achievable target as it has RM144m new sales in the pipeline (signed sales & purchase agreement, waiting for vacant possession), which we estimate would raise FY18F new sales to c.RM300m.
- Seri Tanjung Pinang 2A (STP2A) was about 91% completed as of Oct 2017. E&O aims to complete the land reclamation works by mid-2018F. E&O expects the first batch of land titles (plots 2, 11, 13 and 14) to be issued by end-2017F and the remaining titles for Plot 17 to be issued by mid-2018F. Hence, we expect profit from the STP2A land sale to the Pensions Trust Fund (KWAP) to be recognised progressively in FY18-19F

Maintain Hold

- We maintain our Hold recommendation on E&O with an unchanged target price of RM1.59 based on a 75% discount to RNAV. Our steep discount to RNAV is justified by the still-challenging domestic property market conditions and our view that it will take a long time for E&O to unlock the value of STP2. E&O said the development period for STP2A would be 15 years. We think the entire STP2 could take 30-45 years to complete as STP2B and STP2C are nearly twice as large as STP2A.
- The key downside risk to our Hold call is a sudden deterioration in investor sentiment on the property market, while the key upside risk is a significant improvement in FY18F sales performance.

Financial Summary	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Net Revenues (RMm)	422	705	775	1,012	694
Operating EBITDA (RMm)	23.7	91.4	153.9	263.5	144.5
Net Profit (RMm)	37.2	87.6	83.3	150.1	34.0
Core EPS (RM)	0.01	0.06	0.06	0.11	0.03
Core EPS Growth	(91%)	479%	3%	78%	(77%)
FD Core P/E (x)	133.3	23.1	21.9	12.5	55.4
DPS (RM)	0.020	0.030	0.030	0.030	0.030
Dividend Yield	1.41%	2.11%	2.11%	2.11%	2.11%
EV/EBITDA (x)	130.8	33.9	24.5	17.7	33.7
P/FCFE (x)	35.6	22.8	12.7	430.8	NA
Net Gearing	75%	72%	103%	138%	147%
P/BV (x)	1.09	1.05	1.07	1.02	1.02
ROE	0.83%	4.65%	4.84%	8.34%	1.83%
CIMB/consensus EPS (x)			0.93	1.43	0.40

SOURCE: COMPANY DATA, CIMB FORECASTS

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Profit & Loss

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Net Revenues	**704.8**	**775.5**	**1,012.1**	**693.6**
Gross Profit	**253.2**	**311.3**	**426.4**	**298.9**
Operating EBITDA	**91.4**	**153.9**	**263.5**	**144.5**
Depreciation And Amortisation	(18.5)	(25.0)	(25.0)	(25.0)
Operating EBIT	**72.9**	**128.9**	**238.5**	**119.5**
Financial Income/(Expense)	(39.7)	(44.0)	(30.5)	(97.3)
Pretax Income/(Loss) from Assoc.	21.4	16.0	15.3	20.8
Non-Operating Income/(Expense)	71.7	15.0	15.0	15.0
Profit Before Tax (pre-EI)	**126.3**	**115.9**	**238.4**	**58.0**
Exceptional Items				
Pre-tax Profit	**126.3**	**115.9**	**238.4**	**58.0**
Taxation	**(34.4)**	**(24.0)**	**(53.5)**	**(8.9)**
Exceptional Income - post-tax				
Profit After Tax	**91.9**	**91.9**	**184.8**	**49.1**
Minority Interests	(4.3)	(8.5)	(34.7)	(15.1)
Pref. & Special Div	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**87.6**	**83.3**	**150.1**	**34.0**
Recurring Net Profit	77.7	83.3	150.1	34.0
Fully Diluted Recurring Net Profit	**77.7**	**83.3**	**150.1**	**34.0**

Balance Sheet

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Cash And Equivalents	299	404	368	170
Properties Under Development	635	666	841	567
Total Debtors	155	163	205	138
Inventories	457	480	605	408
Total Other Current Assets	124	124	124	124
Total Current Assets	**1,670**	**1,836**	**2,144**	**1,407**
Fixed Assets	316	291	266	241
Total Investments	**672**	**648**	**624**	**605**
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	1,240	1,940	2,540	3,140
Total Non-current Assets	**2,230**	**2,881**	**3,431**	**3,987**
Short-term Debt	286	286	286	286
Current Portion of Long-Term Debt				
Total Creditors	213	278	190	0
Other Current Liabilities	10	10	10	10
Total Current Liabilities	**508**	**573**	**486**	**296**
Total Long-term Debt	1,268	1,968	2,768	2,768
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	**1,268**	**1,968**	**2,768**	**2,768**
Total Provisions	370	370	370	370
Total Liabilities	**2,147**	**2,912**	**3,624**	**3,434**
Shareholders' Equity	**1,700**	**1,744**	**1,854**	**1,848**
Minority Interests	53	62	96	111
Total Equity	**1,753**	**1,805**	**1,950**	**1,960**

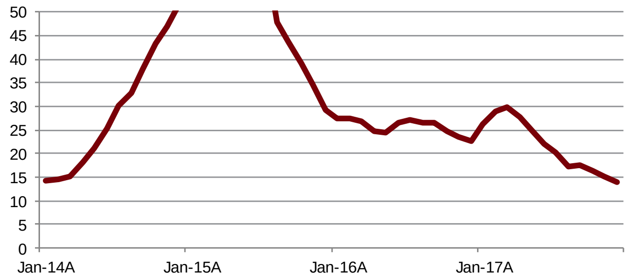
Cash Flow

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
EBITDA	91.4	153.9	263.5	144.5
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(18.2)	(697.4)	(1,030.2)	(251.9)
Straight Line Adjustment				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	70.1	15.0	15.0	15.0
Net Interest (Paid)/Received	(58.0)	(44.0)	(30.5)	(97.3)
Tax Paid	(19.4)	(24.0)	(53.5)	(8.9)
Cashflow From Operations	**65.9**	**(596.5)**	**(835.7)**	**(198.6)**
Capex	(31.3)	0.0	0.0	0.0
Disposals Of FAs/subsidiaries	17.5	0.0	0.0	0.0
Disposals of Investment Properties				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(7.6)	40.0	40.0	40.0
Cash Flow From Investing	**(21.4)**	**40.0**	**40.0**	**40.0**
Debt Raised/(repaid)	34.0	700.0	800.0	0.0
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(25.1)	(39.4)	(39.8)	(39.8)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	**8.9**	**660.6**	**760.2**	**(39.8)**

Key Ratios

	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Revenue Growth	66.9%	10.0%	30.5%	(31.5%)
Operating EBITDA Growth	285%	68%	71%	(45%)
Operating EBITDA Margin	13.0%	19.8%	26.0%	20.8%
Net Cash Per Share (RM)	(0.99)	(1.41)	(2.03)	(2.18)
BVPS (RM)	1.35	1.33	1.40	1.39
Gross Interest Cover	1.44	2.34	5.75	1.10
Effective Tax Rate	0%	0%	0%	0%
Net Dividend Payout Ratio	31.0%	36.7%	19.5%	92.7%
Accounts Receivables Days	59.9	74.8	66.4	90.7
Inventory Days	270.6	368.4	338.2	469.9
Accounts Payables Days	140.9	192.8	145.8	88.2
ROIC (%)	2.65%	4.76%	7.06%	2.73%
ROCE (%)	2.54%	3.75%	5.46%	2.58%
Return On Average Assets	4.34%	3.71%	5.22%	2.83%

12-mth Fwd FD P/E (x) - Eastern & Oriental



Key Drivers

	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Unbooked Presales (m) (RM)	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A
Gross Margins (%)	35.9%	40.2%	42.1%	43.1%
Contracted Sales ASP (per Sm) (RM)	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	2.6%	2.0%	1.6%	2.5%
Residential rev / total rev (%)	N/A	N/A	N/A	N/A
Invt. properties rental margin (%)	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

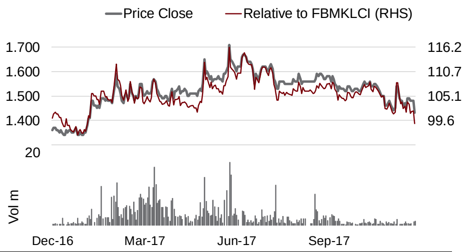
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 7	Hold 5	Sell 0

Current price:	RM1.43
Target price:	RM1.63
Previous target:	RM1.63
Up/downside:	13.7%
CIMB / Consensus:	-6.9%
Reuters:	ECOW.KL
Bloomberg:	ECW MK
Market cap:	US$1,032m
	RM4,210m
Average daily turnover:	US$0.27m
	RM1.15m
Current shares o/s	2,944m
Free float:	33.4%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.7	-8.9	3.6
Relative (%)	-5.6	-6.7	-2.7

Major shareholders	% held
Sinarmas Harta	32.0
Eco World Development Holdings Sdn Bhd	23.3
Liew Tian Xiong	11.3

Analyst(s)

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Eco World Development Group Bhd

Valuation not appealing at the moment

- We expect Eco World to deliver solid earnings growth in FY18F, driven by strong new property sales, higher unbilled sales and contributions from JV projects.
- Given the stretched balance sheet, we forecast fewer major landbanking activities from Eco World in the near term.
- Maintain Hold and target price of RM1.63, still based on a 20% discount to RNAV.

FY17 sales target met

- Eco World Development Group (EWDG) achieved its RM4bn sales target for FY17 as 4QFY17 new property sales came in strong at RM1.8bn. The good sales numbers in 4Q were largely supported by the success of the EcoWorld DNA campaign (contributed c.RM1bn sales).
- EWDG has set a sales target of RM3.5bn in FY18, which is lower than the RM4bn in FY17. We believe the lower sales target might be due to the lack of sizeable new projects (no new landbank acquisition in FY17) and a weaker property outlook.

Property sector outlook still muted

- We believe the overall property outlook for 2018 is still bleak despite rising property prices and the still-active property transaction market. We see two wildcards impacting the sector in 2018, namely the potential interest rate hike and approval freeze for luxury projects above RM1m. That aside, low affordability, mismatch between supply and demand, high incoming supply of completed properties and rising competition from public housing remain risks to private developers' sales.
- While EWDG is not spared by the property slowdown, we believe it could weather the downturn better than its peers as it has a strong brand name as well as excellent marketing prowess. On top of that, it has a good spread of projects across different segments, ranging from luxury serviced residences to mass market landed projects. This gives the group the flexibility to alter its product mix in response to different market conditions.

Earnings outlook

- The achievement of its FY17 sales target added to the group's unbilled sales, which stood at RM6.4bn as of end-Oct 2017, translating into 2.2x FY17 revenue. This will enhance the group's growth prospects going into FY18 when projects undertaken by EWDG's joint-ventures are expected to begin contributing to earnings. Based on our forecasts, Eco World International (EWI) should turn profitable in FY18F, which will also boost EWDG's FY18-19F EPS. EWDG owns a 27% stake in EWI.

Balance sheet

- EWDG's net gearing rose from 0.55x at end-1Q17 to 0.7x at end-4Q17 after the group drew down borrowings to subscribe for a 27% stake in EWI during the latter's IPO. The group does not plan on major landbanking exercises in the near term and aims to continue to manage its balance sheet carefully. It also expects its net gearing to hover around 0.6x to 0.8x in the medium term.

Maintain Hold

- We retain our Hold call on EWDG as we deem its current valuation as fair. In our view, its stronger earnings outlook in FY18-19F is adequately reflected by its year-to-date share price appreciation of 11%. On top of that, concerns over its weak gross profit margin could cap its share price upside in the near term, in our view. Our target price remains pegged to a 20% discount to RNAV.
- Key upside risks to our Hold call include better-than-expected sales while the key downside risk is a deterioration in local property market sentiment.

Financial Summary	Oct-16A	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Total Net Revenues (RMm)	2,546	2,925	3,095	2,709	2,036
Operating EBITDA (RMm)	259.8	408.0	317.3	215.6	108.7
Net Profit (RMm)	129.3	209.7	204.0	248.3	301.2
Core EPS (RM)	0.05	0.04	0.07	0.08	0.10
Core EPS Growth	84.4%	(29.4%)	80.5%	21.7%	21.3%
FD Core P/E (x)	22.03	27.41	19.60	16.68	14.16
DPS (RM)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	21.90	17.75	22.64	32.79	65.33
P/FCFE (x)	NA	NA	34.0	318.6	NA
Net Gearing	60.4%	71.4%	76.3%	72.5%	73.3%
P/BV (x)	1.04	0.99	0.94	0.89	0.84
ROE	3.72%	2.81%	4.67%	5.41%	6.20%
CIMB/consensus EPS (x)			0.94	0.88	0.83

SOURCE: COMPANY DATA, CIMB FORECASTS

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BY THE NUMBERS

Profit & Loss

(RMm)	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Total Net Revenues	**2,925**	**3,095**	**2,709**	**2,036**
Gross Profit	**606**	**677**	**577**	**477**
Operating EBITDA	**408**	**317**	**216**	**109**
Depreciation And Amortisation	(24)	(25)	(27)	(28)
Operating EBIT	**384**	**292**	**189**	**81**
Financial Income/(Expense)	(70)	(79)	(79)	(79)
Pretax Income/(Loss) from Assoc.	(32)	77	211	355
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**283**	**290**	**321**	**357**
Exceptional Items				
Pre-tax Profit	**283**	**290**	**321**	**357**
Taxation	**(73)**	**(86)**	**(73)**	**(56)**
Exceptional Income - post-tax				
Profit After Tax	**210**	**204**	**248**	**301**
Minority Interests				
Pref. & Special Div	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**210**	**204**	**248**	**301**
Recurring Net Profit	113	204	248	301
Fully Diluted Recurring Net Profit	**162**	**253**	**297**	**350**

Balance Sheet

(RMm)	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Total Cash And Equivalents	434	519	508	267
Properties Under Development	2,432	2,436	2,240	2,026
Total Debtors	0	0	0	0
Inventories				
Total Other Current Assets	1,100	1,161	1,022	779
Total Current Assets	**3,965**	**4,116**	**3,770**	**3,072**
Fixed Assets	0	0	0	0
Total Investments	**1,170**	**1,639**	**1,875**	**2,251**
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	4,714	4,834	4,954	5,074
Total Non-current Assets	**5,885**	**6,474**	**6,829**	**7,326**
Short-term Debt	1,277	1,442	1,442	1,442
Current Portion of Long-Term Debt				
Total Creditors	1,946	2,030	1,790	1,308
Other Current Liabilities	19	19	19	19
Total Current Liabilities	**3,243**	**3,491**	**3,251**	**2,769**
Total Long-term Debt	2,203	2,487	2,487	2,487
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	**2,203**	**2,487**	**2,487**	**2,487**
Total Provisions	141	144	145	148
Total Liabilities	**5,587**	**6,121**	**5,882**	**5,404**
Shareholders' Equity	**4,264**	**4,468**	**4,716**	**4,994**
Minority Interests				
Total Equity	**4,264**	**4,468**	**4,716**	**4,994**

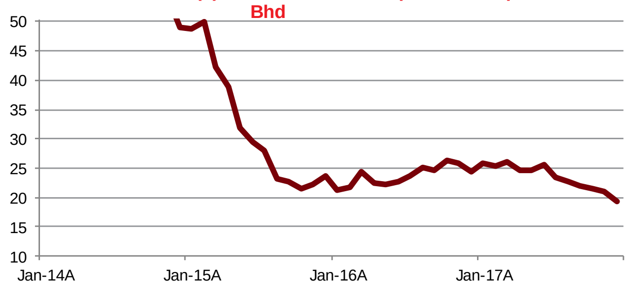
Cash Flow

(RMm)	Oct-17A	Oct-18F	Oct-19F	Oct-20F
EBITDA	408	317	216	109
Cash Flow from Invt. & Assoc.				
Change In Working Capital	247	18	95	(24)
Straight Line Adjustment				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(123)	(101)	(104)	(128)
Net Interest (Paid)/Received	(127)	(165)	0	0
Tax Paid	(95)	(86)	(73)	(56)
Cashflow From Operations	**310**	**(17)**	**133**	**(99)**
Capex	(1,585)	(121)	(117)	(116)
Disposals Of FAs/subsidiaries				
Disposals of Investment Properties				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow				
Cash Flow From Investing	**(1,585)**	**(121)**	**(117)**	**(116)**
Debt Raised/(repaid)	860	284	0	0
Proceeds From Issue Of Shares	269	0	0	0
Shares Repurchased				
Dividends Paid				
Preferred Dividends				
Other Financing Cashflow	8	(61)	(27)	(27)
Cash Flow From Financing	**1,136**	**223**	**(27)**	**(27)**

Key Ratios

	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Revenue Growth	14.9%	5.8%	(12.5%)	(24.9%)
Operating EBITDA Growth	57%	(22%)	(32%)	(50%)
Operating EBITDA Margin	13.9%	10.2%	8.0%	5.3%
Net Cash Per Share (RM)	(1.03)	(1.16)	(1.16)	(1.24)
BVPS (RM)	1.45	1.52	1.60	1.70
Gross Interest Cover	5.50	3.71	2.40	1.03
Effective Tax Rate	25.8%	29.7%	22.7%	15.7%
Net Dividend Payout Ratio	NA	NA	NA	NA
Accounts Receivables Days	-	-	-	-
Inventory Days	-	-	-	-
Accounts Payables Days	306.9	300.1	326.9	363.7
ROIC (%)	6.42%	4.65%	2.96%	1.26%
ROCE (%)	5.30%	3.60%	2.21%	0.92%
Return On Average Assets	2.99%	2.77%	3.09%	3.62%

12-mth Fwd FD P/E (x) - Eco World Development Group Bhd



Key Drivers

	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Unbooked Presales (m) (RM)	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A
Gross Margins (%)	20.7%	21.9%	21.3%	23.4%
Contracted Sales ASP (per Sm) (RM)	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	20.7%	21.9%	21.3%	23.4%
Investment rev / total rev (%)	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A
Invt. properties rental margin (%)	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

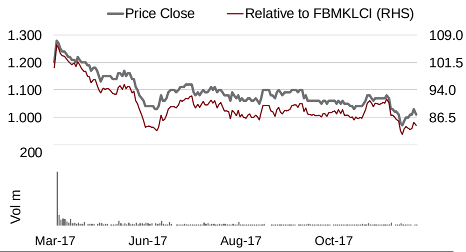
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 2	Hold 1	Sell 0

Current price:	RM1.01
Target price:	RM1.21
Previous target:	RM1.21
Up/downside:	19.6%
CIMB / Consensus:	1.8%
Reuters:	ECOD.KL
Bloomberg:	ECWI MK
Market cap:	US$594.0m
	RM2,424m
Average daily turnover:	US$0.19m
	RM0.79m
Current shares o/s	2,400m
Free float:	35.7%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.7	-7.3	
Relative (%)	-5.6	-5.1	

Major shareholders	% held
Eco World Development Group Bhd	27.0
Guocoland Ltd	27.0
Tan Sri Liew Kee Sin	10.3

Eco World International

On expansion spree

- We expect EWI to turn profitable in FY18F upon the handover of its projects' units, swinging from a net loss in FY17.
- We view the expansion in the UK and Australia as positive on a future earnings growth perspective.
- Maintain Add with a TP at RM1.21, based on parity to its RNAV.

Missed FY17 sales target

- Eco World International (EWI) recorded RM2bn worth of new property sales in FY17, at only 80% of its RM2.5bn full-year sales target. Projects in London contributed RM1.69bn, while those in Australia generated RM315m. The lower-than-expected sales were due to slower demand in Australia as home buyers tend to buy closer to project completion. For FY18, EWI targets to achieve RM2bn in sales.

Strengthening foothold in the UK

- EWI entered into a Heads of Agreement (HoA) in Nov 2017 to partner with Willmott Dixon to jointly develop 12 sites in Greater London and Southeast England. The group will acquire a 70% stake in the project sites as well as a 70% stake in development management entity from Be Living Holdings (Willmott Dixon's development management arm).
- Through the acquisition, EWI will have access to a sizeable landbank of approximately 8,200 residential units with a total gross development value (GDV) of at least GBP2.6bn. The development management arm with highly experienced personnel (a staff of 110) will provide EWI with a strong pool of talent and manpower resources to grow its UK business.
- We are positive on the deal as the 12 sites will boost EWI's development pipeline significantly. Currently, EWI has three joint venture projects with Ballymore in the UK – London City Island, Embassy Gardens and Wardian London, with a combined GDV of GBP2.2bn and a total of 2,500 residential units.

Expanding in Australia

- EWI has secured access to a prime development land in Sydney with plans to develop an A$139m (RM435.4m) GDV project there. The project site is situated at 1-3 Lachlan Avenue, Macquarie Park, Sydney.
- We are positive on the deal as this will boost EWI's GDV in Australia by 25% to A$697m. EWI has two projects in Australia - West Village in West Sydney, and Yarra One in Melbourne, with a combined GDV of A$558m. EWI is currently in the initial stages of development planning and is unable to ascertain the expected development cost required for the proposed development at this juncture. As such, we are keeping our forecasts unchanged for the moment.

Earnings outlook

- We expect EWI's projects to be completed in 2018-2021F. As it will only recognise the revenue upon handover of its units, we expect EWI's 75%-owned JV in the UK to be its sole earnings contributor in FY18-19F.

Maintain Add

- We retain our positive view on EWI as we expect it to turn profitable in FY18F on the back of the handover of units. The sharp decline in its share price since IPO remains unjustified, in our view. We maintain our target price at RM1.21 and continue to value EWI on par with its RNAV. Improving sales performance is the key potential re-rating catalyst. Key risks to our Add call are a weaker pound, disappointing sales and execution risk.

Financial Summary	Oct-16A	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Total Net Revenues (RMm)	1	0	1	1	1,705
Operating EBITDA (RMm)	(43.2)	(80.9)	(55.3)	(57.8)	561.4
Net Profit (RMm)	(220.1)	(87.6)	120.9	364.2	672.0
Core EPS (RM)	(0.06)	(0.05)	0.05	0.15	0.28
Core EPS Growth	5779%	(12%)		201%	84%
FD Core P/E (x)	NA	NA	19.22	8.08	4.66
DPS (RM)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	NA	NA	NA	NA	0.63
P/FCFE (x)	NA	NA	NA	15.45	2.44
Net Gearing	803%	(34%)	(12%)	(9%)	(55%)
P/BV (x)	22.47	0.95	0.87	0.77	0.64
ROE	(273%)	(10%)	5%	12%	19%
CIMB/consensus EPS (x)			0.66	0.97	1.22

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Total Net Revenues	**0.5**	**0.9**	**1.0**	**1,705.2**
Gross Profit	**(5.3)**	**(0.1)**	**(0.1)**	**609.6**
Operating EBITDA	**(80.9)**	**(55.3)**	**(57.8)**	**561.4**
Depreciation And Amortisation	0.0	0.0	0.0	0.0
Operating EBIT	**(80.9)**	**(55.3)**	**(57.8)**	**561.4**
Financial Income/(Expense)	(4.4)	22.8	12.5	54.1
Pretax Income/(Loss) from Assoc.	(36.5)	159.0	411.9	306.4
Non-Operating Income/(Expense)	34.5	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**(87.3)**	**126.6**	**366.6**	**921.9**
Exceptional Items				
Pre-tax Profit	**(87.3)**	**126.6**	**366.6**	**921.9**
Taxation	**(0.2)**	**(4.9)**	**(1.6)**	**(217.5)**
Exceptional Income - post-tax				
Profit After Tax	**(87.5)**	**121.7**	**365.0**	**704.5**
Minority Interests	(0.2)	(0.8)	(0.8)	(32.5)
Pref. & Special Div	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**(87.6)**	**120.9**	**364.2**	**672.0**
Recurring Net Profit	(127.3)	120.9	364.2	672.0
Fully Diluted Recurring Net Profit	**(71.7)**	**176.6**	**419.9**	**727.6**

Balance Sheet

(RMm)	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Total Cash And Equivalents	992	532	736	2,109
Properties Under Development	367	1,030	1,335	305
Total Debtors	6	6	6	6
Inventories				
Total Other Current Assets	0	0	0	0
Total Current Assets	**1,365**	**1,568**	**2,077**	**2,421**
Fixed Assets	7	6	6	6
Total Investments	**1,194**	**1,293**	**1,399**	**1,310**
Intangible Assets	126	126	126	126
Total Other Non-Current Assets	19	19	19	19
Total Non-current Assets	**1,347**	**1,445**	**1,551**	**1,462**
Short-term Debt	80	0	0	0
Current Portion of Long-Term Debt				
Total Creditors	16	16	16	16
Other Current Liabilities	18	18	18	18
Total Current Liabilities	**114**	**34**	**34**	**34**
Total Long-term Debt	49	200	450	0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	**49**	**200**	**450**	**0**
Total Provisions	2	2	2	2
Total Liabilities	**165**	**236**	**486**	**36**
Shareholders' Equity	**2,545**	**2,773**	**3,138**	**3,810**
Minority Interests	3	4	4	37
Total Equity	**2,548**	**2,777**	**3,142**	**3,846**

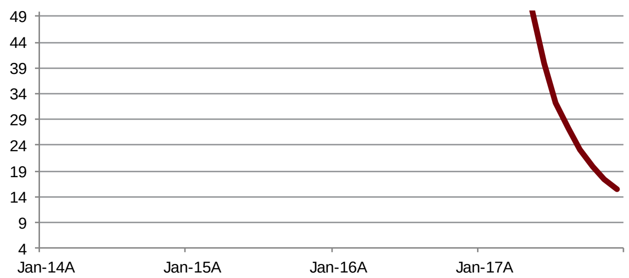
Cash Flow

(RMm)	Oct-17A	Oct-18F	Oct-19F	Oct-20F
EBITDA	(80.9)	(55.3)	(57.8)	561.4
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(23.2)	(331.1)	(288.8)	1,047.6
Straight Line Adjustment				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	18.0	1.0	0.0	0.0
Net Interest (Paid)/Received	(30.9)	22.8	12.5	54.1
Tax Paid	(5.3)	(4.9)	(1.6)	(217.5)
Cashflow From Operations	**(122.3)**	**(367.4)**	**(335.8)**	**1,445.6**
Capex	0.0	0.0	0.0	0.0
Disposals Of FAs/subsidiaries				
Disposals of Investment Properties				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(265.4)	(269.8)	305.5	395.7
Cash Flow From Investing	**(265.4)**	**(269.8)**	**305.5**	**395.7**
Debt Raised/(repaid)	(931.3)	71.4	250.0	(450.0)
Proceeds From Issue Of Shares	2,584.2	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid				
Preferred Dividends				
Other Financing Cashflow	(319.2)	57.9	(29.3)	(29.3)
Cash Flow From Financing	**1,333.7**	**129.3**	**220.8**	**(479.3)**

Key Ratios

	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Revenue Growth	(29%)	77%	13%	174612%
Operating EBITDA Growth	87%	(32%)	5%	N/A
Operating EBITDA Margin	(16582%)	(6405%)	(5922%)	33%
Net Cash Per Share (RM)	0.36	0.14	0.12	0.88
BVPS (RM)	1.06	1.16	1.31	1.59
Gross Interest Cover	(2.5)	(7.2)	(4.5)	200.5
Effective Tax Rate	0%	0%	0%	0%
Net Dividend Payout Ratio	NA	NA	NA	NA
Accounts Receivables Days	4,957	2,572	2,275	1
Inventory Days	-	-	-	-
Accounts Payables Days	1,017	6,263	5,535	5
ROIC (%)	(39%)	(8%)	(4%)	27%
ROCE (%)	(2.9%)	(0.9%)	(1.0%)	16.6%
Return On Average Assets	(4.3%)	3.9%	10.8%	23.5%

12-mth Fwd FD P/E (x) - Eco World International



Key Drivers

	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Unbooked Presales (m) (RM)	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A
Gross Margins (%)	0.0%	20.6%	22.0%	19.3%
Contracted Sales ASP (per Sm) (RM)	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A
Invt. properties rental margin (%)	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	1.3%	5.0%	2.8%	0.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

EITA Resources Bhd

Ready for lift off

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 1	Hold 0	Sell 0

Current price:	RM1.61
Target price:	RM2.52
Previous target:	RM2.52
Up/downside:	56.5%
CIMB / Consensus:	0.0%
Reuters:	EITA.KL
Bloomberg:	EITA MK
Market cap:	US$51.28m
	RM209.3m
Average daily turnover:	US$0.03m
	RM0.11m
Current shares o/s	130.0m
Free float:	40.4%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-6.9	-10.6	37.6
Relative (%)	-7.8	-8.4	31.3

Major shareholders	% held
CBG Holdings	23.8
Fu Wing Hoong	20.2
Lin Joo Swee	15.6

- EITA is one of the few major domestic elevator players in Malaysia, a market currently dominated by foreign brands.
- As it recently won some MRT2 jobs, we believe the company stands a good chance of clinching the underground MRT2 job, which will be awarded over the next few months.
- Remains an Add; a potential catalyst is winning more MRT2 and LRT3 jobs.

Major lift and escalator producer

- EITA's core business is the manufacturing and installation of elevators, escalators and busduct systems. Manufacturing contributes more than 50% of group revenue. Other businesses include the distribution of electrical and electronics (E&E) components and service maintenance of elevators. EITA is one of the few major domestic elevator players in Malaysia, a market dominated by foreign brands.

Won MRT2 job in Oct

- In Oct 2017, EITA won a RM69.8m MRT2 lift and escalator manufacturing and installation job from Mass Rapid Transit Corporation S/B (MRT) for package completion of viaduct guideways at four different locations. The job consists of installing 30 lifts and 77 units of escalators.

More MRT2 jobs to come?

- So far, only two of the four MRT2 lift packages have been awarded. As such, we believe EITA stands a good chance of winning package 3, which encompasses the underground lift jobs. We like the company's chances as we understand EITA performed a satisfactory job for the MRT1 underground tunnel project, which was completed in mid-2017.

Don't forget about LRT3

- Prasarana Malaysia has targeted to complete LRT3 in 2020, earlier that the 2022 target for MRT2. EITA has also bid for LRT3 lift and escalator jobs and, if the company is successful, we may see LRT3 construction revenue flow in before that of MRT2. LRT3 will have 26 stations while MRT2 will have 37 (26 elevated and 11 underground).

Recurring income from maintenance revenue

- We also like EITA's lift maintenance business as this provides long-term recurring income for the company. We estimate that, in 2017, the company has around 3,000 elevators for which it provides maintenance services. On average, EITA produces around 250 lifts annually and its gross profit margin from maintenance services is above 50%.

Net cash balance sheet

- As at end-Sep 17, EITA's balance sheet was RM27.8m net cash or 21.4 sen net cash per share. The net cash is useful as working capital for major projects like the MRT2 and potential LRT3 projects.

Remains an Add

- Our EPS forecasts are unchanged. Our target price is unchanged at 2019 12x P/E (20% discount to our target 15x P/E for the construction sector to reflect its small market cap and indirect exposure to the sector). The stock remains an Add. Potential re-rating catalysts are securing more MRT2 or LRT3 jobs. Downside risks include the failure to win these jobs.

Financial Summary	Sep-16A	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Revenue (RMm)	288.0	270.7	312.2	340.6	357.6
Operating EBITDA (RMm)	37.89	30.40	36.20	39.00	41.20
Net Profit (RMm)	15.64	19.90	25.15	26.78	28.65
Core EPS (RM)	0.19	0.15	0.19	0.21	0.22
Core EPS Growth	114%	(20%)	26%	6%	7%
FD Core P/E (x)	8.42	10.52	8.32	7.82	7.31
DPS (RM)	0.040	0.050	0.060	0.065	0.065
Dividend Yield	2.48%	3.11%	3.73%	4.04%	4.04%
EV/EBITDA (x)	5.73	5.63	4.62	4.07	3.47
P/FCFE (x)	10.21	4.41	21.51	12.74	9.57
Net Gearing	4.4%	(25.1%)	(25.0%)	(27.2%)	(32.2%)
P/BV (x)	1.47	1.34	1.21	1.09	0.99
ROE	18.1%	13.4%	15.3%	14.6%	14.2%
CIMB/consensus EPS (x)			1.02	0.98	1.00

SOURCE: COMPANY DATA, CIMB FORECASTS

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BY THE NUMBERS

Profit & Loss

(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Total Net Revenues	**270.7**	**312.2**	**340.6**	**357.6**
Gross Profit	**270.7**	**312.2**	**340.6**	**357.6**
Operating EBITDA	**30.4**	**36.2**	**39.0**	**41.2**
Depreciation And Amortisation	(2.2)	(2.9)	(3.0)	(3.2)
Operating EBIT	**28.2**	**33.3**	**36.0**	**38.0**
Financial Income/(Expense)	(1.5)	0.9	0.5	1.0
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**26.7**	**34.2**	**36.5**	**39.0**
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	**26.7**	**34.2**	**36.5**	**39.0**
Taxation	(6.9)	(8.6)	(9.1)	(9.8)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0
Profit After Tax	**19.8**	**25.7**	**27.4**	**29.3**
Minority Interests	0.1	(0.5)	(0.6)	(0.6)
Preferred Dividends	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax	0.0	0.0	0.0	0.0
Other Adjustments - post-tax	0.0	0.0	0.0	0.0
Net Profit	**19.9**	**25.2**	**26.8**	**28.7**
Recurring Net Profit	19.9	25.2	26.8	28.7
Fully Diluted Recurring Net Profit	**19.9**	**25.2**	**26.8**	**28.7**

Balance Sheet

(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Total Cash And Equivalents	82.2	86.6	95.8	112.0
Total Debtors	97.5	112.4	122.6	128.7
Inventories	48.7	56.2	61.3	64.4
Total Other Current Assets	5.1	5.1	6.9	3.8
Total Current Assets	**233.5**	**260.3**	**286.6**	**308.9**
Fixed Assets	34.6	36.7	38.7	40.5
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	2.3	2.3	2.3	2.3
Total Other Non-Current Assets	5.8	5.8	5.8	5.8
Total Non-current Assets	**42.7**	**44.8**	**46.8**	**48.6**
Short-term Debt	34.1	34.1	34.1	34.1
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0
Total Creditors	54.1	62.4	68.1	71.5
Other Current Liabilities	22.0	24.3	27.8	27.8
Total Current Liabilities	**110.2**	**120.8**	**130.0**	**133.4**
Total Long-term Debt	8.6	8.6	8.6	8.6
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	0.1	0.1	0.1	0.1
Total Non-current Liabilities	**8.7**	**8.7**	**8.7**	**8.7**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**118.9**	**129.6**	**138.7**	**142.1**
Shareholders' Equity	156.0	173.6	192.4	212.2
Minority Interests	1.4	1.9	2.5	3.1
Total Equity	**157.4**	**175.5**	**194.9**	**215.3**

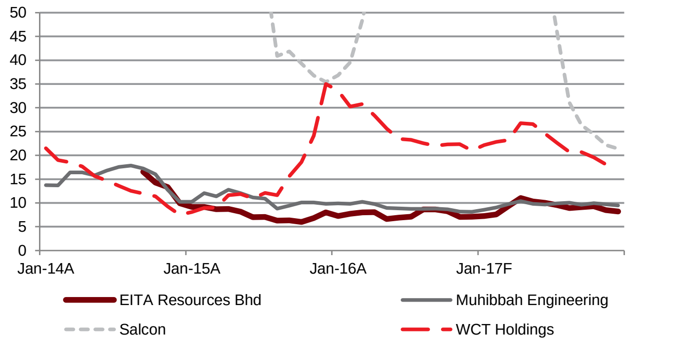
Cash Flow

(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
EBITDA	30.40	36.20	39.00	41.20
Cash Flow from Invt. & Assoc.	0.00	0.00	0.00	0.00
Change In Working Capital	26.56	(14.12)	(9.65)	(5.79)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00
Other Operating Cashflow	10.50	2.10	2.10	2.10
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00
Tax Paid	(6.90)	(8.55)	(9.13)	(9.75)
Cashflow From Operations	**60.56**	**15.63**	**22.33**	**27.76**
Capex	(12.20)	(5.00)	(5.00)	(5.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00
Other Investing Cashflow	(0.90)	(0.90)	(0.90)	(0.90)
Cash Flow From Investing	**(13.10)**	**(5.90)**	**(5.90)**	**(5.90)**
Debt Raised/(repaid)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	(5.97)	(7.55)	(8.03)	(8.60)
Preferred Dividends	0.00	0.00	0.00	0.00
Other Financing Cashflow	2.00	3.20	2.10	2.10
Cash Flow From Financing	**(3.97)**	**(4.35)**	**(5.93)**	**(6.50)**
Total Cash Generated	43.49	5.39	10.50	15.36
Free Cashflow To Equity	**47.46**	**9.73**	**16.43**	**21.86**
Free Cashflow To Firm	**47.46**	**9.73**	**16.43**	**21.86**

Key Ratios

	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Revenue Growth	(6.0%)	15.3%	9.1%	5.0%
Operating EBITDA Growth	(20%)	19%	8%	6%
Operating EBITDA Margin	11.2%	11.6%	11.5%	11.5%
Net Cash Per Share (RM)	0.30	0.34	0.41	0.53
BVPS (RM)	1.20	1.34	1.48	1.63
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	25.8%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	26.1%	20.7%	19.4%	18.2%
Accounts Receivables Days	151.0	122.7	125.9	128.6
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	14.1%	21.2%	20.5%	20.1%
ROCE (%)	13.8%	16.4%	16.0%	15.7%
Return On Average Assets	7.9%	8.6%	8.5%	8.2%

12-mth Fwd FD P/E (x)



Key Drivers

(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Outstanding Orderbook	170	190	210	210
Order Book Depletion	200	200	200	200
Orderbook Replenishment	270	300	330	330
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 3	Hold 8	Sell 1

Current price:	RM1.71
Target price:	RM1.93
Previous target:	RM1.93
Up/downside:	12.8%
CIMB / Consensus:	1.0%
Reuters:	FGVH.KL
Bloomberg:	FGV MK
Market cap:	US$1,529m
	RM6,238m
Average daily turnover:	US$2.15m
	RM8.99m
Current shares o/s	3,648m
Free float:	58.6%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-3.9	1.2	5.6
Relative (%)	-4.8	3.4	-0.7

Major shareholders	% held
Federal Land Development Authority	20.0
Felda Asset Holdings	13.7
Lembaga Tabung Haji	7.8

Felda Global Ventures

Projecting better earnings in 2018

- We project FGV to deliver stronger plantation and sugar contributions in 2018.
- These factors, coupled with plans to cut administrative costs, are key drivers for 2018.
- We retain our Hold rating as its share price is supported by its transformation plans.

Project 4Q17 earnings to be weaker than 3Q's strong results

- FGV's latest 3Q results were above expectations. 9M17's core net profit of RM75m was 84% of our full-year forecast of RM89m and 100% of Bloomberg consensus's (RM74m). This was due mainly to higher-than-expected logistics contribution and lower-than-expected minority interest. We project the group's 4Q earnings to be lower than in 3Q17 due to VSS expenses and reduced CPO prices.

2017 earnings impacted by impairments and litigation loss

- FGV's 9MFY17 earnings were impacted by several non-recurring items: (1) net impairment of receivables of RM61m in 9M17, (2) provision for litigation loss of RM32.8m in 9M17, and (3) gain from a reversal of provisions for bonuses of RM36.5m in 9M17. The group also revealed that the impairment of receivables of RM82m came from its plantation, biodiesel and IT divisions.

Key earnings drivers for 2018

- We project FGV to record a 28% jump in its FY18 net profit. This will be driven by higher FFB output as well as stronger sugar contributions. We expect FGV to record higher FFB output growth in 2018 as yields recover from the El Nino effect. There is potential upside to our plantation earnings estimate if the group achieves its target of 13% output growth.
- We also expect its sugar contribution to recover as the group is expected to fully use up the raw sugar that was purchased earlier at high locked-in prices by 2017.

Plans to sell non-core assets and recover losses from Gida

- FGV plans to complete the sale of its 16% stake in AXA Affin General Insurance by the year-end. It plans to finalise the claims on Felda Iffco Gida Senayi by 1Q18. We gather that it could claim up to 75% of the US$18m-19m of stock losses it suffered.

VSS offers will reduce administrative costs

- In early-Nov 2017, FGV announced it was conducting a voluntary separation scheme (VSS), which was extended to 236 senior managers, and a 15% cut in allowances for those who stayed as part of its manpower optimisation and frugal cost management exercise. We are positive on this initiative, which will help lower future administrative costs of the group. The VSS will lead to estimated one-off costs of around RM12m.

New chairman to help boost confidence in FGV

- Datuk Wira Azhar Abdul Hamid was appointed as the new chairman of FGV on 8 Sep 2017. He took over from Tan Sri Sulaiman Mahbob, who has served as FGV's acting chairman since 19 Jun following the resignation of its former chairman Tan Sri Isa Samad. We are positive on this development as we expect Datuk Azhar to work with the management team to rejuvenate the performance of FGV.

Maintain Hold rating

- We maintain our earnings forecasts and SOP-based target price. Also intact is our Hold rating as we see its share price supported by plans to improve its performance via its transformation programme. Key upside and downside risks are higher- and lower-than-expected CPO prices, respectively.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	15,700	17,283	19,850	21,075	22,221
Operating EBITDA (RMm)	973	1,073	882	1,064	1,184
Net Profit (RMm)	192.5	29.6	130.4	165.8	200.5
Core EPS (RM)	(0.018)	(0.043)	0.035	0.044	0.054
Core EPS Growth	(157%)	138%		28%	21%
FD Core P/E (x)	NA	NA	49.25	38.55	31.79
DPS (RM)	0.040	0.020	0.040	0.050	0.060
Dividend Yield	2.34%	1.17%	2.34%	2.92%	3.51%
EV/EBITDA (x)	11.87	11.30	15.54	12.21	11.20
P/FCFE (x)	23.91	8.75	8.62	5.30	3.62
Net Gearing	33.4%	45.3%	62.5%	50.5%	49.9%
P/BV (x)	0.97	1.07	1.07	1.07	1.08
ROE	(1.03%)	(2.55%)	2.17%	2.78%	3.38%
CIMB/consensus EPS (x)			0.94	0.99	0.92

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**17,283**	**19,850**	**21,075**	**22,221**
Gross Profit	**1,665**	**1,912**	**2,030**	**2,141**
Operating EBITDA	**1,073**	**882**	**1,064**	**1,184**
Depreciation And Amortisation	(679)	(486)	(510)	(536)
Operating EBIT	**394**	**396**	**554**	**649**
Financial Income/(Expense)	(139)	(155)	(152)	(150)
Pretax Income/(Loss) from Assoc.	10	60	61	62
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**266**	**302**	**462**	**561**
Exceptional Items		4	4	4
Pre-tax Profit	**266**	**305**	**466**	**565**
Taxation	(200)	(90)	(139)	(168)
Exceptional Income - post-tax	0	0	0	0
Profit After Tax	**66**	**215**	**328**	**397**
Minority Interests	(33)	(84)	(162)	(196)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax	(3)	0	0	0
Net Profit	**30**	**130**	**166**	**200**
Recurring Net Profit	(157)	127	162	196
Fully Diluted Recurring Net Profit	**(157)**	**127**	**162**	**196**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	2,178	840	1,888	1,967
Total Debtors	1,824	2,095	2,224	2,345
Inventories	2,189	2,515	2,670	2,815
Total Other Current Assets	1,017	1,179	1,179	1,179
Total Current Assets	**7,209**	**6,628**	**7,960**	**8,306**
Fixed Assets	10,107	11,048	10,538	10,538
Total Investments	1,300	1,284	1,268	1,254
Intangible Assets	1,588	1,588	1,588	1,588
Total Other Non-Current Assets	881	949	949	1,016
Total Non-current Assets	**13,877**	**14,868**	**14,343**	**14,395**
Short-term Debt	3,621	3,971	4,321	4,671
Current Portion of Long-Term Debt	619	619	619	619
Total Creditors	1,575	1,810	1,920	2,022
Other Current Liabilities	283	278	711	705
Total Current Liabilities	**6,098**	**6,678**	**7,571**	**8,018**
Total Long-term Debt	1,679	1,450	1,221	992
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	4,235	4,229	4,229	4,229
Total Non-current Liabilities	**5,914**	**5,679**	**5,450**	**5,221**
Total Provisions	820	820	820	820
Total Liabilities	**12,833**	**13,178**	**13,842**	**14,060**
Shareholders' Equity	5,846	5,826	5,808	5,792
Minority Interests	2,407	2,491	2,653	2,850
Total Equity	**8,253**	**8,318**	**8,461**	**8,642**

Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	1,073	882	1,064	1,184
Cash Flow from Invt. & Assoc.	(10)	(60)	(61)	(62)
Change In Working Capital	(60)	(367)	(167)	(164)
(Incr)/Decr in Total Provisions	0	0	0	0
Other Non-Cash (Income)/Expense	0	0	0	0
Other Operating Cashflow	472	654	693	724
Net Interest (Paid)/Received	(139)	(155)	(152)	(150)
Tax Paid	(200)	(90)	(139)	(168)
Cashflow From Operations	**1,135**	**864**	**1,238**	**1,364**
Capex	(907)	(567)	(367)	(67)
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	214	77	77	77
Cash Flow From Investing	**(692)**	**(490)**	**(290)**	**10**
Debt Raised/(repaid)	270	350	229	350
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(188)	(146)	(182)	(219)
Preferred Dividends				
Other Financing Cashflow	(525)	(678)	(614)	(1,115)
Cash Flow From Financing	**(443)**	**(474)**	**(567)**	**(984)**
Total Cash Generated	0	(100)	380	390
Free Cashflow To Equity	**713**	**724**	**1,176**	**1,724**
Free Cashflow To Firm	**625**	**572**	**1,146**	**1,572**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	10.1%	14.9%	6.2%	5.4%
Operating EBITDA Growth	10.3%	(17.8%)	20.6%	11.3%
Operating EBITDA Margin	6.21%	4.44%	5.05%	5.33%
Net Cash Per Share (RM)	(1.03)	(1.43)	(1.17)	(1.18)
BVPS (RM)	1.60	1.60	1.59	1.59
Gross Interest Cover	2.17	2.00	2.79	3.27
Effective Tax Rate	75.3%	29.6%	29.7%	29.8%
Net Dividend Payout Ratio	246%	115%	113%	112%
Accounts Receivables Days	39.62	36.03	37.40	37.52
Inventory Days	50.05	47.86	49.68	49.84
Accounts Payables Days	33.73	33.74	35.03	35.15
ROIC (%)	2.59%	2.52%	3.20%	3.93%
ROCE (%)	2.88%	2.92%	3.92%	4.47%
Return On Average Assets	0.95%	1.72%	2.17%	2.41%

12-mth Fwd FD P/E (x) - Felda Global Ventures

Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Planted Estates (ha)	351,529	353,529	355,529	357,529
Mature Estates (ha)	284,869	286,524	286,524	286,524
FFB Yield (tonnes/ha)	16.0	16.8	17.0	19.0
FFB Output Growth (%)	-15.5%	10.2%	5.0%	3.1%
CPO Price (US$/tonne)	750	800	800	800

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

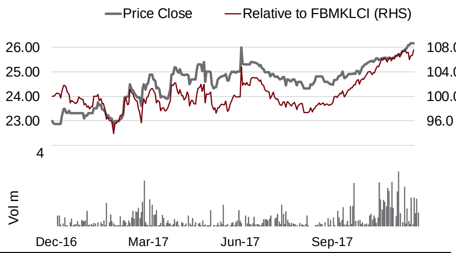
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 1	Hold 5	Sell 0

Current price:	RM26.16
Target price:	RM25.35
Previous target:	RM25.35
Up/downside:	-3.1%
CIMB / Consensus:	-3.7%
Reuters:	FRAS.KL
Bloomberg:	FNH MK
Market cap:	US$2,350m
	RM9,589m
Average daily turnover:	US$4.21m
	RM17.49m
Current shares o/s	356.5m
Free float:	44.4%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.3	5.8	13.8
Relative (%)	1.4	8	7.5

Major shareholders	% held
F&N Ltd	55.6
Skim Amanah Saham	18.3
EPF	7.8

Fraser & Neave Holdings

Fundamentals remain solid

- For FY9/17, F&N closed its books with a core net profit of RM386.5m, down 1.6% yoy, as earnings were clipped by higher raw material costs and intense competition.
- The group also recently completed a restructuring exercise in FY17 from which it anticipates total sustainable cost savings of c.RM40m per year.
- Moving forward, the group intends to continue to reinvest in its key brands to widen market share and maintain its leadership position in certain product categories.

F&B Malaysia plagued by intense competition and sugar costs

- For FY17, F&N's F&B Malaysia division's sales was hit by intensified pricing competition, particularly in the soft drinks segment, while operating profit was also negatively impacted by higher raw material costs.
- As for its F&B Thailand unit, FY17 turnover increased slightly in THB terms and the results were satisfactory given that the operating environment in the country was challenging due to the one-year bereavement period. Operating profit for Thailand, however outstripped FY17 sales on the back of favourable input and packaging costs.

Ploughing back cost savings into its brand

- During the year, the group shared that the majority of its restructuring costs in Malaysia, which amounted to RM48.4m in FY17, were mostly directed to its one-off separation schemes for c.200 employees.
- Post the completion of this exercise, we understand that F&N is able to see sustainable cost savings of some RM40m in operating costs a year. Nevertheless, management has shared that the bulk of it would be reinvested into its operations and business to grow its market share, as well as to fund new production launches and innovations.

Exports growth on track for FY20 target of RM800m

- For FY17, the group experienced positive export sales growth of 26% yoy, taking in total turnover of more than RM400m, or more than 10% of the total group sales. F&N hopes to lift its export sales to RM800m by FY20F and we think that it is largely on track to achieve its objective.
- To further expand its market presence globally, the group hopes to continue leveraging on its halal status to fully capitalise on the demand from Muslim markets. Note that both Africa and the Middle East saw export volume growth of more than 30% in FY17, albeit from a small base.

Raw material price outlook

- Based on our understanding, the group has hedged the bulk of its raw materials requirements, especially for milk powder and forex, until Sept 2018F. The group hedges a substantial amount of its US$ on pledged raw material purchases and only allows for a small amount unhedged.
- Despite the recent drop in international sugar prices, management shared that the group is still buying sugar at higher prices as the local sugar players have not lowered their pricing for now. Nonetheless, we understand that the group would be able to benefit slightly from the lower sugar prices from 2QFY18F onwards.

Maintain Hold

- Our Hold call is retained as we see no near-term re-rating catalysts. Our end-2018F target price is unchanged at RM25.35. F&N is currently trading at 22x FY18F P/E (in line with its 5-year historical mean P/E) and we think this is fair given its leadership position in the ready-to-drink market and sturdy product mix. Estimated FY18-20F dividend yields of 3.2-3.5% should provide support for its share price.

Financial Summary	Sep-16A	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Revenue (RMm)	4,168	4,101	4,271	4,471	4,647
Operating EBITDA (RMm)	498.6	476.4	583.4	611.1	637.5
Net Profit (RMm)	331.9	363.0	415.8	438.9	461.5
Core EPS (RM)	0.97	1.02	1.17	1.23	1.29
Core EPS Growth	47.6%	5.0%	14.6%	5.5%	5.2%
FD Core P/E (x)	26.96	25.69	22.43	21.25	20.21
DPS (RM)	0.58	0.58	0.82	0.86	0.91
Dividend Yield	2.20%	2.20%	3.12%	3.29%	3.46%
EV/EBITDA (x)	18.07	19.12	15.20	14.30	13.48
P/FCFE (x)	26.26	72.91	23.72	21.40	20.04
Net Gearing	(7.9%)	(2.1%)	(12.2%)	(16.6%)	(21.1%)
P/BV (x)	4.74	4.37	4.13	3.90	3.69
ROE	18.0%	17.7%	18.9%	18.9%	18.8%
CIMB/consensus EPS (x)			0.95	0.90	0.86

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)
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BY THE NUMBERS

Profit & Loss

(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Total Net Revenues	**4,101**	**4,271**	**4,471**	**4,647**
Gross Profit	**1,368**	**1,426**	**1,511**	**1,575**
Operating EBITDA	**476**	**583**	**611**	**638**
Depreciation And Amortisation	(92)	(103)	(107)	(111)
Operating EBIT	**385**	**481**	**504**	**527**
Financial Income/(Expense)	(1)	6	10	14
Pretax Income/(Loss) from Assoc.	9	8	8	9
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**393**	**495**	**522**	**549**
Exceptional Items				
Pre-tax Profit	**393**	**495**	**522**	**549**
Taxation	(30)	(79)	(84)	(88)
Exceptional Income - post-tax	0	0	0	0
Profit After Tax	**363**	**416**	**439**	**462**
Minority Interests	0	0	0	0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**363**	**416**	**439**	**462**
Recurring Net Profit	363	416	439	462
Fully Diluted Recurring Net Profit	**363**	**416**	**439**	**462**

Balance Sheet

(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Total Cash And Equivalents	424	458	579	714
Total Debtors	620	646	676	703
Inventories	541	563	586	608
Total Other Current Assets	25	25	25	25
Total Current Assets	**1,611**	**1,692**	**1,866**	**2,049**
Fixed Assets	1,194	1,061	1,041	1,018
Total Investments	223	231	239	248
Intangible Assets	122	120	115	111
Total Other Non-Current Assets	82	82	82	82
Total Non-current Assets	**1,621**	**1,493**	**1,477**	**1,458**
Short-term Debt	197	0	0	0
Current Portion of Long-Term Debt				
Total Creditors	636	662	689	715
Other Current Liabilities	16	16	16	16
Total Current Liabilities	**849**	**678**	**704**	**730**
Total Long-term Debt	182	182	182	182
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	38	38	38	38
Total Non-current Liabilities	**220**	**220**	**220**	**220**
Total Provisions	30	30	30	30
Total Liabilities	**1,099**	**927**	**954**	**980**
Shareholders' Equity	2,133	2,257	2,389	2,527
Minority Interests	0	0	0	0
Total Equity	**2,133**	**2,257**	**2,389**	**2,527**

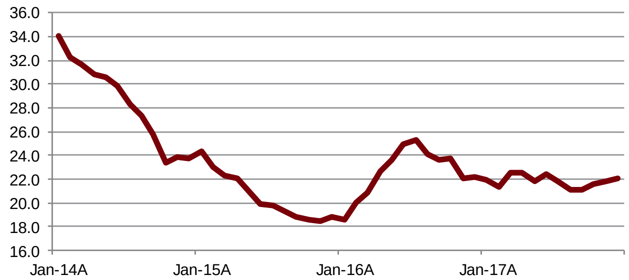
Cash Flow

(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
EBITDA	476.4	583.4	611.1	637.5
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(156.1)	(21.7)	(26.2)	(22.7)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(26.4)	0.0	(0.0)	0.0
Net Interest (Paid)/Received	8.0	0.0	0.0	0.0
Tax Paid	(30.4)	(79.2)	(83.6)	(87.9)
Cashflow From Operations	**271.5**	**482.5**	**501.3**	**526.9**
Capex	(155.4)	(100.0)	(80.0)	(80.0)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	11.8	10.7	14.4	18.4
Cash Flow From Investing	**(143.6)**	**(89.3)**	**(65.6)**	**(61.6)**
Debt Raised/(repaid)	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(205.0)	(291.1)	(307.2)	(323.1)
Preferred Dividends				
Other Financing Cashflow	(15.3)	(7.3)	(7.3)	(7.3)
Cash Flow From Financing	**(220.3)**	**(298.4)**	**(314.5)**	**(330.4)**
Total Cash Generated	(92.4)	94.8	121.2	134.9
Free Cashflow To Equity	**127.9**	**393.2**	**435.7**	**465.3**
Free Cashflow To Firm	**135.2**	**400.5**	**443.0**	**472.6**

Key Ratios

	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Revenue Growth	(1.59%)	4.13%	4.68%	3.94%
Operating EBITDA Growth	(4.4%)	22.5%	4.8%	4.3%
Operating EBITDA Margin	11.6%	13.7%	13.7%	13.7%
Net Cash Per Share (RM)	0.13	0.77	1.11	1.49
BVPS (RM)	5.98	6.33	6.70	7.09
Gross Interest Cover	25.14	65.56	68.75	71.83
Effective Tax Rate	7.7%	16.0%	16.0%	16.0%
Net Dividend Payout Ratio	56.5%	70.0%	70.0%	70.0%
Accounts Receivables Days	52.97	54.10	53.96	54.30
Inventory Days	70.82	70.80	70.81	71.10
Accounts Payables Days	90.6	83.3	83.3	83.6
ROIC (%)	17.2%	18.7%	20.8%	21.7%
ROCE (%)	16.5%	19.7%	20.6%	20.5%
Return On Average Assets	11.5%	12.8%	13.2%	13.2%

12-mth Fwd FD P/E (x) - Fraser & Neave Holdings



Key Drivers

	Sep-17A	Sep-18F	Sep-19F	Sep-20F
ASP (% chg, main prod./serv.)	2.0%	-3.5%	0.5%	0.5%
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	60.0%	58.0%	60.0%	62.0%
ASP (% chg, 2ndary prod./serv.)	2.0%	1.0%	1.0%	1.0%
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	75.0%	70.0%	71.5%	73.0%
ASP (% chg, tertiary prod/serv)	N/A	N/A	N/A	N/A
Unit sales grth (%,tertiary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, tertiary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

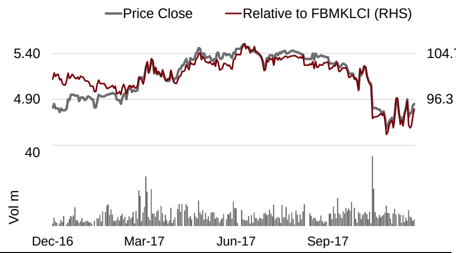
Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 19 Hold 3 Sell 2
Current price:	RM4.85
Target price:	RM6.00
Previous target:	RM6.00
Up/downside:	23.7%
CIMB / Consensus:	3.2%
Reuters:	GAMU.KL
Bloomberg:	GAM MK
Market cap:	US$2,918m
	RM11,908m
Average daily turnover:	US$7.52m
	RM31.50m
Current shares o/s	2,442m
Free float:	75.7%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.7	-9.7	0.6
Relative (%)	0.8	-7.5	-5.7

Major shareholders	% held
EPF	10.6
Amanah Raya Trustees	8.2
Generasi Setia	5.5

Gamuda

Still the king of rail jobs in 2018F

- Gamuda is forging ahead with its large-scale rail tenders for the KL-Singapore high-speed rail (HSR), East Coast Rail Line (ECRL) and MRT 3 projects.
- We expect Gamuda to secure sizeable contracts given its strong underground and project delivery partner (PDP) credentials.
- Stock ripe for re-rating following recent weakness. Gamuda is our top big cap rail pick.

Forging ahead with rail tenders

- It appears Gamuda is forging ahead to revive its civil engineering and PDP prospects for all major outstanding rail contracts in Malaysia that are yet to be awarded. The group's unchanged RM10bn total order win target p.a. is backed by the RM50bn-60bn Kuala Lumpur-Singapore HSR, RM55bn ECRL, and estimated RM40bn MRT 3 (Circle Line) projects. The award of major packages for all three projects should commence in 2018F.

Gamuda-MRCB JV (50:50) to bid for KL-Singapore HSR PDP portion

- In a new development, Gamuda (GAM MK, ADD) and Malaysian Resources Corp (MRC MK, ADD) have announced that they are collectively bidding for the project delivery partner (PDP) role of the Kuala Lumpur-Singapore HSR's infrastructure construction on the Malaysian side.
- The two groups will jointly bid under an unincorporated joint venture (JV), in which each has a 50% stake. If the JV wins the PDP tender award, they will iron out a definitive agreement to set out the rights and obligations of each company under a formal JV.

Reviving its PDP tenders in 2018F

- It appears the group is forging ahead to revive its PDP prospects. This comes after the change in the estimated RM40bn MRT 3 (Circle Line) project from a PDP-based to an engineering, procurement, construction and commissioning (EPCC) model that is more suited to foreign players. For MRT 3, even under an EPCC model, Gamuda could still land a sizeable underground contract given its track record in MRT 1 (SBK line) and MRT (SSP line), in our view.

RM1.5bn to RM2.4bn of PDP profit over seven years

- As widely reported in the press, the total estimated value of the KL-Singapore HSR ranges from RM50bn to RM60bn. Based on our back-of-the-envelope calculation and going by the 50-60% PDP portion for MRT 1 and 2, the PDP scope for HSR could be worth RM25bn-40bn.
- Assuming a seven-year construction period for the HSR project and a benchmarked 6% PDP fee for HSR (similar to MRT and LRT), we roughly work out RM1.5bn to RM2.4bn of potential PDP profits over the construction period.
- Therefore, the estimated PDP profit p.a. for the Gamuda (at 50% stake), should it secure the contract, would be between RM107m and RM171m, representing 16-21% of our FY19-20 net profit forecasts.

Ripe for a re-rating; maintain Add

- We retain our FY18-20 EPS forecasts. Our target price remains pegged to a 10% RNAV discount. Gamuda remains our top big-cap rail play for both government-driven urban rail jobs and China-led rail contracts. Retain Add. Strong rail job wins are a potential re-rating catalysts; with potential upside to its 30% foreign shareholding as a bonus. Key downside risks to our call are job delays and a lower contract win success rate.

Financial Summary	Jul-16A	Jul-17A	Jul-18F	Jul-19F	Jul-20F
Revenue (RMm)	2,122	3,211	2,553	2,753	2,954
Operating EBITDA (RMm)	385.2	530.1	638.6	734.2	814.8
Net Profit (RMm)	626.1	602.1	740.6	866.0	986.5
Core EPS (RM)	0.26	0.25	0.31	0.36	0.41
Core EPS Growth	(8.2%)	(3.8%)	23.0%	16.9%	13.9%
FD Core P/E (x)	18.64	20.99	18.37	15.71	13.79
DPS (RM)	0.12	0.12	0.12	0.12	0.12
Dividend Yield	2.39%	2.39%	2.39%	2.39%	2.39%
EV/EBITDA (x)	35.58	27.19	21.74	18.76	16.85
P/FCFE (x)	211.6	32.3	126.2	85.3	58.7
Net Gearing	49.4%	56.0%	46.8%	44.5%	43.4%
P/BV (x)	1.69	1.56	1.45	1.42	1.40
ROE	9.5%	8.4%	9.5%	10.6%	11.9%
CIMB/consensus EPS (x)			0.99	0.99	1.02

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Jul-17A	Jul-18F	Jul-19F	Jul-20F
Total Net Revenues	**3,211**	**2,553**	**2,753**	**2,954**
Gross Profit	**3,211**	**2,553**	**2,753**	**2,954**
Operating EBITDA	**530**	**639**	**734**	**815**
Depreciation And Amortisation	(149)	(122)	(120)	(119)
Operating EBIT	**381**	**517**	**614**	**696**
Financial Income/(Expense)	(6)	(54)	(45)	(45)
Pretax Income/(Loss) from Assoc.	248	437	508	547
Non-Operating Income/(Expense)	203	0	0	0
Profit Before Tax (pre-EI)	**826**	**900**	**1,077**	**1,198**
Exceptional Items	0	0	0	0
Pre-tax Profit	**826**	**900**	**1,077**	**1,198**
Taxation	(170)	(115)	(165)	(165)
Exceptional Income - post-tax				
Profit After Tax	**656**	**785**	**913**	**1,033**
Minority Interests	(54)	(45)	(47)	(47)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**602**	**741**	**866**	**987**
Recurring Net Profit	602	741	866	987
Fully Diluted Recurring Net Profit	**602**	**741**	**866**	**987**

Balance Sheet

(RMm)	Jul-17A	Jul-18F	Jul-19F	Jul-20F
Total Cash And Equivalents	1,042	1,466	1,525	1,525
Total Debtors	2,848	2,873	2,898	2,923
Inventories	228	217	206	196
Total Other Current Assets	2,317	2,317	2,317	2,317
Total Current Assets	**6,436**	**6,874**	**6,946**	**6,961**
Fixed Assets	619	649	679	709
Total Investments	2,915	2,935	2,956	2,976
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	5,803	5,832	5,860	5,889
Total Non-current Assets	**9,336**	**9,415**	**9,494**	**9,574**
Short-term Debt	629	629	629	629
Current Portion of Long-Term Debt				
Total Creditors	1,814	1,828	1,842	1,857
Other Current Liabilities	124	124	124	124
Total Current Liabilities	**2,567**	**2,581**	**2,595**	**2,609**
Total Long-term Debt	4,615	4,568	4,523	4,478
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	746	746	746	746
Total Non-current Liabilities	**5,361**	**5,315**	**5,269**	**5,224**
Total Provisions	0	0	0	0
Total Liabilities	**7,927**	**7,895**	**7,864**	**7,833**
Shareholders' Equity	7,476	8,070	8,234	8,340
Minority Interests	369	324	344	363
Total Equity	**7,845**	**8,394**	**8,577**	**8,703**

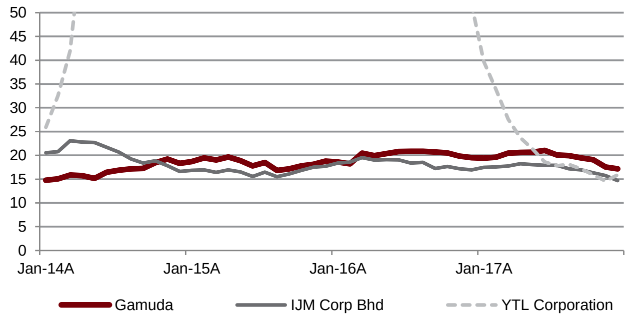
Cash Flow

(RMm)	Jul-17A	Jul-18F	Jul-19F	Jul-20F
EBITDA	530.1	638.6	734.2	814.8
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(204.2)	(214.4)	(225.1)	(236.4)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	52.0	52.0	52.0	52.0
Net Interest (Paid)/Received	(5.8)	(54.2)	(44.5)	(45.0)
Tax Paid	(169.8)	(114.8)	(164.6)	(164.6)
Cashflow From Operations	**202.4**	**307.2**	**352.0**	**420.9**
Capex	(300.0)	(205.0)	(205.0)	(205.0)
Disposals Of FAs/subsidiaries	4.5	4.7	5.9	5.9
Acq. Of Subsidiaries/investments	(39.0)	(27.3)	(19.1)	(13.4)
Other Investing Cashflow	77.5	74.4	71.4	68.6
Cash Flow From Investing	**(257.1)**	**(153.2)**	**(146.8)**	**(143.9)**
Debt Raised/(repaid)	446.0	(46.1)	(45.7)	(45.2)
Proceeds From Issue Of Shares	144.7	137.4	130.5	124.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(288.7)	(288.7)	(288.7)	(288.7)
Preferred Dividends				
Other Financing Cashflow	(678.1)	467.8	57.3	(67.0)
Cash Flow From Financing	**(376.1)**	**270.3**	**(146.5)**	**(277.0)**
Total Cash Generated	(430.8)	424.3	58.7	(0.0)
Free Cashflow To Equity	**391.3**	**107.8**	**159.5**	**231.7**
Free Cashflow To Firm	**49.7**	**280.4**	**330.4**	**401.1**

Key Ratios

	Jul-17A	Jul-18F	Jul-19F	Jul-20F
Revenue Growth	51.3%	(20.5%)	7.9%	7.3%
Operating EBITDA Growth	37.6%	20.5%	15.0%	11.0%
Operating EBITDA Margin	16.5%	25.0%	26.7%	27.6%
Net Cash Per Share (RM)	(1.83)	(1.63)	(1.59)	(1.57)
BVPS (RM)	3.11	3.35	3.42	3.47
Gross Interest Cover	3.65	4.09	4.90	5.60
Effective Tax Rate	20.6%	12.8%	15.3%	13.7%
Net Dividend Payout Ratio	48.0%	39.0%	33.3%	29.3%
Accounts Receivables Days	222.6	355.9	333.3	314.6
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	4.56%	5.23%	6.18%	6.96%
ROCE (%)	3.75%	4.35%	5.01%	5.55%
Return On Average Assets	4.42%	5.24%	5.85%	6.54%

12-mth Fwd FD P/E (x)



Key Drivers

(RMm)	Jul-17A	Jul-18F	Jul-19F	Jul-20F
Outstanding Orderbook	9,035	7,634	9,134	10,634
Order Book Depletion	2,500	2,500	2,500	2,500
Orderbook Replenishment	1,099	4,000	4,000	2,000
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

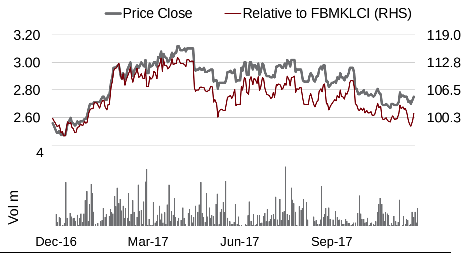
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 4	Hold 6	Sell 0

Current price:	RM2.75
Target price:	RM2.99
Previous target:	RM2.99
Up/downside:	8.9%
CIMB / Consensus:	-3.4%
Reuters:	GAS.KL
Bloomberg:	GMB MK
Market cap:	US$865.2m
	RM3,531m
Average daily turnover:	US$0.25m
	RM1.04m
Current shares o/s	1,284m
Free float:	35.8%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.2	-7.7	6.6
Relative (%)	1.3	-5.5	0.3

Major shareholders	% held
MMC Corporation Bhd	30.9
Tokyo Gas	18.5
Petronas Gas	14.8

Analyst(s)

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Gas Malaysia Berhad

Expect negligible impact from TPA

- The introduction of incentive-based regulation (IBR) for the gas sector shields Gas Malaysia's earnings from fluctuations in international gas prices, in our view.
- Third-party access (TPA) implementation in 2018F poses risks to Gas Malaysia's earnings, but we think the unregulated side could offset decline in regulated earnings.
- Maintain Hold and our target price of RM2.99 based on 21.2x FY19 P/E.

Pipeline and distribution businesses currently regulated by IBR

- Incentive-based regulation (IBR) for the gas sector was introduced on 1 Jan 2016. Under this regulatory framework, Gas Malaysia is allowed to earn a fixed rate of return on its pipeline assets and the fluctuations in gas cost are passed through to the consumers via semi-annual gas tariff adjustments. To recap, Gas Malaysia previously revealed that the allowable return for its pipeline assets was set at 8% by the IBR.
- The IBR stipulates that the tariff Gas Malaysia charges its customers is determined based mainly on the projected gas purchase cost in different periods. Instead of recognising its gas purchase cost based on the actual cost incurred (which can be volatile as this is determined by market forces), Gas Malaysia now recognises purchase cost based on projected cost. The difference between the purchase cost and actual cost will be passed through to its customers every six months.

TPA to have negligible impact

- We expect Gas Malaysia's earnings to remain stable in 2017F as the IBR shields its earnings from gas cost fluctuation. However, we think its earnings profile may change in 2018F once third-party access (TPA) is implemented. Currently, Gas Malaysia is the owner of its pipeline assets and the sole gas distributor to users that consume less than 5mmscfd of gas. Its regulatory capital includes both the book value of its pipeline assets and assumption of working capital required for its distribution business.
- After the TPA kicks in, other parties will be allowed to access Gas Malaysia's pipelines to distribute gas. The group will split its distribution division into distribution (pipeline) and shipping (selling to retailers) segments. Its shipping business could cease to be regulated by the IBR, in our view. As such, its regulatory capital would decline as the working capital that belongs to the shipping business would be separated from the pipeline assets, which should lower its regulatory earnings.
- However, we think the unregulated shipping business will be a new source of earnings for the company with potentially higher margins. We think this could offset the decline in regulatory earnings in 2018F.

Maintain Hold

- The prospect of new entrants into the gas-supplying business raises concerns about negative impact on Gas Malaysia's earnings from possible loss of market share. However, we believe Gas Malaysia will retain its dominant position in the gas-supplying business in the near future as its existing clientele and economies of scale would help it to fend off any serious competition.
- In the long term, we think the stock's P/E could de-rate as Gas Malaysia currently has a monopoly on the gas-supplying business. In the short term, however, we think the risk of P/E de-rating is low because the company would still be the sole gas distributor to its existing customers in the near future. We maintain our Hold rating with an unchanged target price of RM2.99, still based on FY19F P/E of 21.2x (historical 1-year mean).
- The key upside/downside risks to our Hold call are higher-/lower-than-expected earnings after TPA implementation.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	3,620	4,053	4,732	5,390	5,582
Operating EBITDA (RMm)	191.0	258.7	251.9	272.5	278.0
Net Profit (RMm)	106.2	165.1	157.1	174.7	181.0
Core EPS (RM)	0.08	0.13	0.12	0.14	0.14
Core EPS Growth	(36.7%)	55.6%	(4.9%)	11.3%	3.6%
FD Core P/E (x)	33.26	21.38	22.48	20.21	19.50
DPS (RM)	0.08	0.13	0.12	0.14	0.14
Dividend Yield	3.01%	4.66%	4.44%	4.94%	5.12%
EV/EBITDA (x)	17.28	11.82	12.17	11.11	10.95
P/FCFE (x)	55.69	10.63	40.94	11.48	13.60
Net Gearing	(23.9%)	(46.4%)	(45.7%)	(49.3%)	(47.8%)
P/BV (x)	3.64	3.46	3.46	3.46	3.46
ROE	10.7%	16.6%	15.4%	17.1%	17.7%
CIMB/consensus EPS (x)			0.95	1.01	1.03

SOURCE: COMPANY DATA, CIMB FORECASTS

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CIMB

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**4,053**	**4,732**	**5,390**	**5,582**
Gross Profit	**309**	**320**	**341**	**349**
Operating EBITDA	**259**	**252**	**272**	**278**
Depreciation And Amortisation	(54)	(54)	(54)	(54)
Operating EBIT	**205**	**198**	**218**	**224**
Financial Income/(Expense)	10	15	14	15
Pretax Income/(Loss) from Assoc.	(2)	3	6	7
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**213**	**215**	**238**	**246**
Exceptional Items				
Pre-tax Profit	**213**	**215**	**238**	**246**
Taxation	(48)	(59)	(64)	(66)
Exceptional Income - post-tax				
Profit After Tax	**164**	**157**	**174**	**181**
Minority Interests	1	0	0	0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**165**	**157**	**175**	**181**
Recurring Net Profit	165	157	175	181
Fully Diluted Recurring Net Profit	**165**	**157**	**175**	**181**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	585	516	653	738
Total Debtors	471	550	627	649
Inventories				
Total Other Current Assets	0	0	0	0
Total Current Assets	**1,056**	**1,066**	**1,280**	**1,387**
Fixed Assets	1,121	1,208	1,242	1,273
Total Investments	27	30	36	43
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	18	17	17	16
Total Non-current Assets	**1,166**	**1,255**	**1,294**	**1,332**
Short-term Debt	3	0	100	200
Current Portion of Long-Term Debt				
Total Creditors	912	1,073	1,225	1,270
Other Current Liabilities	45	45	45	45
Total Current Liabilities	**960**	**1,118**	**1,370**	**1,514**
Total Long-term Debt	108	50	50	50
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	**108**	**50**	**50**	**50**
Total Provisions	133	133	133	133
Total Liabilities	**1,201**	**1,301**	**1,554**	**1,698**
Shareholders' Equity	1,020	1,020	1,020	1,020
Minority Interests	0	0	0	0
Total Equity	**1,021**	**1,021**	**1,021**	**1,021**

Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	258.7	251.9	272.5	278.0
Cash Flow from Invt. & Assoc.				
Change In Working Capital	252.4	81.7	76.3	21.9
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	2.7	7.6	8.9	10.2
Net Interest (Paid)/Received	9.6	14.9	13.9	15.2
Tax Paid	(33.5)	(58.8)	(63.9)	(65.7)
Cashflow From Operations	**489.9**	**297.3**	**307.7**	**259.6**
Capex	(133.5)	(150.0)	(100.0)	(100.0)
Disposals Of FAs/subsidiaries	0.8	0.0	0.0	0.0
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(6.2)	0.0	0.0	0.0
Cash Flow From Investing	**(138.9)**	**(150.0)**	**(100.0)**	**(100.0)**
Debt Raised/(repaid)	(19.0)	(61.0)	100.0	100.0
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(112.6)	(156.7)	(174.3)	(180.6)
Preferred Dividends				
Other Financing Cashflow	83.4	0.6	0.6	0.6
Cash Flow From Financing	**(48.2)**	**(217.1)**	**(73.7)**	**(80.0)**
Total Cash Generated	302.8	(69.8)	133.9	79.6
Free Cashflow To Equity	**332.1**	**86.2**	**307.7**	**259.6**
Free Cashflow To Firm	**354.7**	**148.9**	**211.3**	**165.3**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	12.0%	16.8%	13.9%	3.6%
Operating EBITDA Growth	35.5%	(2.6%)	8.2%	2.0%
Operating EBITDA Margin	6.38%	5.32%	5.06%	4.98%
Net Cash Per Share (RM)	0.37	0.36	0.39	0.38
BVPS (RM)	0.79	0.79	0.79	0.79
Gross Interest Cover	55.4	122.9	59.6	39.5
Effective Tax Rate	22.8%	27.3%	26.8%	26.7%
Net Dividend Payout Ratio	68%	100%	100%	100%
Accounts Receivables Days	50.22	39.39	39.85	41.70
Inventory Days	-	-	-	-
Accounts Payables Days	84.97	82.09	83.08	87.03
ROIC (%)	23.5%	30.3%	33.2%	36.4%
ROCE (%)	17.3%	17.4%	18.8%	18.1%
Return On Average Assets	7.18%	6.24%	6.56%	6.25%

12-mth Fwd FD P/E (x) - Gas Malaysia Berhad

Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Gas dist. price (US$/mmbtu)	5.7	6.0	6.6	6.4
Gas dist. volume (mmscfd)	168.0	178.1	188.8	200.1
Transmission Tariff (US$/mmbtu)	N/A	N/A	N/A	N/A
Transmission Volume (mmscfd)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

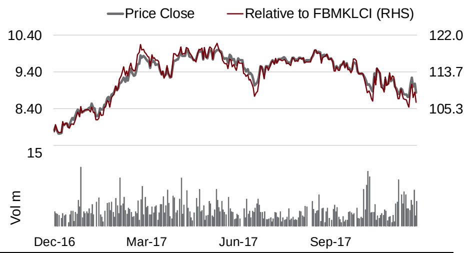
Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 16 Hold 2 Sell 0
Current price:	RM8.83
Target price:	RM10.70
Previous target:	RM10.70
Up/downside:	21.2%
CIMB / Consensus:	-6.1%
Reuters:	GENT.KL
Bloomberg:	GENT MK
Market cap:	US$8,277m
	RM33,779m
Average daily turnover:	US$7.03m
	RM29.28m
Current shares o/s	3,743m
Free float:	60.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4	-10.3	10.8
Relative (%)	-4.9	-8.1	4.5

Major shareholders	% held
Kien Huat Realty	40.0

Genting Bhd

Bet on the winner

- Genting Bhd is the holding company of the Genting Group's listed Genting Malaysia, Genting Plantations and Genting Singapore.
- We think that GENT is a cheaper proxy to ride the upside potential of GENM and GENS while the successful launch of its own gaming asset should unlock value.
- Maintain Add with an unchanged RNAV-based target price of RM10.70.

GENS is still the major pillar of the group

- For 9M17, 55% of Genting Bhd's (GENT) overall EBITDA came from Genting Singapore (GENS), 38% from Genting Malaysia (GENM) and 8% from Genting Plantations (GENP). In terms of gaming contribution, we continue to expect GENS's EBITDA contribution to exceed GENM's for FY18F.

GENT's 3Q17 EBITDA hampered by poorer luck and higher costs

- All in, GENT's 3Q17 EBITDA decreased 3.5% yoy as the improved performance from GENS (+42.3% yoy) as a result of better VIP gaming profitability and tighter cost controls was not enough to offset the weaker EBITDA stemming from GENM (-29.2% yoy) and GENP (-5% yoy). The former's reduced EBITDA was on the back of a lower hold percentage and higher operating costs while the latter's was due to lower FFB production as well as lower recognition from progress billings.

Updates on RWLV

- We understand that the construction works for its proposed US$4bn Resorts World Las Vegas (RWLV) is underway and GENT is still in the midst of granting out the construction packages, which will likely be finalised by the beginning of 2018. Thus, we think that RWLV is on track for an official launch by end-2020F, in line with our expectations.
- In terms of financing for its project, GENT recently issued another US$500m (c.RM2.1bn) worth of 'guaranteed notes' to refinance the casino and the hotel operator's existing debt and to fund the group's capital requirements. This is on top of its existing US$1bn of notes issued in Jan 2017. We think that this, together with its licensing and management fees of c.RM600m-650m per year it collects from its subsidiaries, should be sufficient to support its financing needs at this juncture.

Maintain Add; cheaper proxy than GENM and GENS

- We make no changes to our earnings forecasts and keep to our Add call. Our 12-month RNAV-based target price of RM10.70 is pegged to an unchanged 30% holding discount to our RNAV estimate of RM15.28. We think that GENT is a cheaper proxy to ride the upside potential of its listed subsidiaries, GENM and GENS.
- Note that our RNAV valuation has yet to factor in the potential earnings accretion from its first directly-owned gaming asset, RWLV. Thus, we think that the valuation gap between GENT and its gaming subsidiaries will close once RWLV takes off.

Key risks to our target price and rating

- Re-rating catalysts to our call include higher market share gains for Resorts World Sentosa (RWS), increased visitor arrivals at Resorts World Genting (RWG) as a result of its newly-opened Genting Integrated Tourism Plan (GITP) properties, development and expansion of Resorts World New York (RWNY) and the development of its own gaming asset, Resorts World Las Vegas (RWLV), by 2020F.
- Downside risks include lower gaming revenues due to a poorer-than-expected win rate at RWG and RWS, further delays in the opening of GENM's 20th Century Fox theme park and any postponement in the development of RWLS.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	18,101	18,366	20,310	21,482	22,844
Operating EBITDA (RMm)	5,707	6,126	7,317	8,139	8,900
Net Profit (RMm)	1,388	2,147	2,004	2,295	2,777
Core EPS (RM)	0.47	0.33	0.54	0.61	0.74
Core EPS Growth	(13.6%)	(28.3%)	60.1%	14.5%	21.0%
FD Core P/E (x)	22.82	31.26	19.93	17.47	14.51
DPS (RM)	0.04	0.04	0.12	0.12	0.12
Dividend Yield	0.45%	0.45%	1.36%	1.36%	1.36%
EV/EBITDA (x)	9.86	8.01	6.53	5.67	4.94
P/FCFE (x)	4.88	13.47	14.93	11.50	9.60
Net Gearing	(9.1%)	(23.6%)	(26.9%)	(30.6%)	(34.5%)
P/BV (x)	1.01	0.94	0.90	0.86	0.81
ROE	5.87%	3.70%	5.59%	6.11%	7.01%
CIMB/consensus EPS (x)			0.98	0.93	1.07

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**18,366**	**20,310**	**21,482**	**22,844**
Gross Profit	**18,366**	**20,310**	**21,482**	**22,844**
Operating EBITDA	**6,126**	**7,317**	**8,139**	**8,900**
Depreciation And Amortisation	(1,923)	(2,042)	(2,162)	(2,282)
Operating EBIT	**4,202**	**5,275**	**5,977**	**6,618**
Financial Income/(Expense)	346	(193)	(133)	(65)
Pretax Income/(Loss) from Assoc.	(116)	(116)	(116)	(116)
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**4,432**	**4,965**	**5,728**	**6,437**
Exceptional Items	1,092	0	0	0
Pre-tax Profit	**5,524**	**4,965**	**5,728**	**6,437**
Taxation	(991)	(1,028)	(1,205)	(1,284)
Exceptional Income - post-tax				
Profit After Tax	**4,532**	**3,937**	**4,523**	**5,153**
Minority Interests	(2,385)	(1,933)	(2,227)	(2,376)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**2,147**	**2,004**	**2,295**	**2,777**
Recurring Net Profit	1,251	2,004	2,295	2,777
Fully Diluted Recurring Net Profit	**1,320**	**2,070**	**2,361**	**2,844**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	33,442	35,689	38,666	42,382
Total Debtors	2,641	2,920	3,089	3,285
Inventories	629	696	736	783
Total Other Current Assets	4,985	5,212	2,845	3,026
Total Current Assets	**41,697**	**44,517**	**45,336**	**49,474**
Fixed Assets	27,174	27,801	28,309	28,698
Total Investments	13,809	13,809	13,809	13,809
Intangible Assets	6,667	6,667	6,667	6,667
Total Other Non-Current Assets	3,000	2,850	5,280	5,331
Total Non-current Assets	**50,650**	**51,128**	**54,066**	**54,504**
Short-term Debt	1,339	1,205	1,084	976
Current Portion of Long-Term Debt				
Total Creditors	4,954	5,479	5,795	6,162
Other Current Liabilities	734	122	324	593
Total Current Liabilities	**7,026**	**6,805**	**7,203**	**7,731**
Total Long-term Debt	16,167	15,358	14,590	13,861
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	265	765	765	765
Total Non-current Liabilities	**16,432**	**16,123**	**15,355**	**14,626**
Total Provisions	1,267	1,370	1,505	1,671
Total Liabilities	**24,725**	**24,299**	**24,063**	**24,027**
Shareholders' Equity	35,066	36,621	38,467	40,795
Minority Interests	32,558	34,491	36,719	39,095
Total Equity	**67,624**	**71,112**	**75,186**	**79,890**

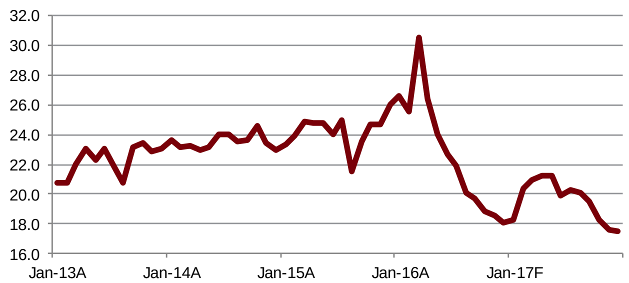
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	6,126	7,317	8,139	8,900
Cash Flow from Invt. & Assoc.				
Change In Working Capital	1,004	178	108	125
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	170	164	162	151
Net Interest (Paid)/Received	381	(193)	(133)	(65)
Tax Paid	(848)	(991)	(1,028)	(1,205)
Cashflow From Operations	**6,833**	**6,475**	**7,248**	**7,907**
Capex	(2,670)	(2,670)	(2,670)	(2,670)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments	(100)	(100)	(100)	(100)
Other Investing Cashflow	0	0	0	0
Cash Flow From Investing	**(2,770)**	**(2,770)**	**(2,770)**	**(2,770)**
Debt Raised/(repaid)	(1,000)	(942)	(888)	(838)
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(473)	(492)	(649)	(649)
Preferred Dividends				
Other Financing Cashflow	33	33	33	33
Cash Flow From Financing	**(1,440)**	**(1,401)**	**(1,505)**	**(1,454)**
Total Cash Generated	2,623	2,304	2,973	3,683
Free Cashflow To Equity	**3,063**	**2,763**	**3,589**	**4,299**
Free Cashflow To Firm	**4,706**	**4,314**	**5,054**	**5,682**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	1.5%	10.6%	5.8%	6.3%
Operating EBITDA Growth	7.3%	19.5%	11.2%	9.4%
Operating EBITDA Margin	33.4%	36.0%	37.9%	39.0%
Net Cash Per Share (RM)	4.26	5.11	6.14	7.36
BVPS (RM)	9.37	9.78	10.28	10.90
Gross Interest Cover	6.19	8.67	10.38	12.14
Effective Tax Rate	17.9%	20.7%	21.0%	19.9%
Net Dividend Payout Ratio	12.8%	14.8%	12.8%	11.1%
Accounts Receivables Days	64.66	49.97	51.05	50.92
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	9.3%	13.4%	14.7%	16.2%
ROCE (%)	6.16%	6.49%	7.08%	7.52%
Return On Average Assets	4.50%	5.49%	6.01%	6.39%

12-mth Fwd FD P/E (x) - Genting Bhd



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
VIP Chip Volume (% Change)	N/A	N/A	N/A	N/A
VIP Chip Win Percentage (%)	N/A	N/A	N/A	N/A
Mass mkt chip drop (% chg.)	N/A	N/A	N/A	N/A
Mass mkt chip win (%-tage)	N/A	N/A	N/A	N/A
Slot Handle (% Change)	N/A	N/A	N/A	N/A
Slot Hold Percentage (%)	N/A	N/A	N/A	N/A
Net Win Per Slot (% Change)	N/A	N/A	N/A	N/A
Net Win Per Table (% Change)	N/A	N/A	N/A	N/A
No. Of Slots	5,500	5,500	5,500	5,500
No. Of Tables	1,130	1,130	1,130	1,130

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

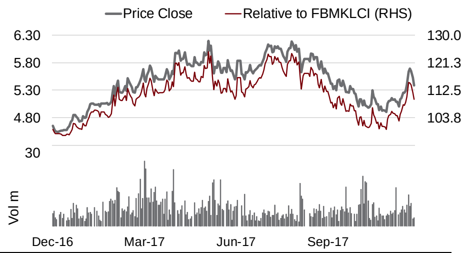
Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 11 Hold 7 Sell 3
Current price:	RM5.39
Target price:	RM5.45
Previous target:	RM5.45
Up/downside:	1.1%
CIMB / Consensus:	-6.3%
Reuters:	GENM.KL
Bloomberg:	GENM MK
Market cap:	US$7,487m
	RM30,553m
Average daily turnover:	US$8.17m
	RM34.17m
Current shares o/s	5,938m
Free float:	50.7%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	9.1	-3.9	14.7
Relative (%)	8.2	-1.7	8.4

Major shareholders	% held
Genting Berhad	49.3

Genting Malaysia

Long-term earnings growth intact

- The opening of the group's outdoor and indoor theme parks could drive visitation arrival growth and, by extension, casino visitation and revenues.
- Nonetheless, we think that this could be offset by the higher operating costs, which could weigh on margins in the near term.
- Maintain Hold with an unchanged RNAV-based target price of RM5.45. The current share price fairly reflects its earnings outlook in the near term.

Odds are not in GENM's favour

- GENM's Malaysia operations saw 3Q17 revenue and adjusted EBITDA decline by 7% and 32% yoy, respectively, as higher operating costs (i.e. increased staff, utility and depreciation expenses) from the opening of its new Genting Integrated Tourism Plan (GITP) properties and a weaker VIP hold rate clipped margins. On a normalised hold adjusted basis, 3Q revenue and EBITDA both went up by 17% yoy.

Operating metrics, however, remained healthy

- 3Q17 visitor arrival saw a healthy uptick of 25% yoy to 6.4m visitors, bringing cumulative visitor arrivals to 16.9m (+11.2% yoy), which underscores the vigor of the group's operating metrics. For 3Q17, gaming volumes for the mass markets increased by "mid-single digits" while VIP business volumes grew by "double-digits" in Malaysia.
- Overall, 9M17 average room rates were down 3% yoy to RM90, with Resorts World Genting (RWG) loyalty card members occupying the majority 77% of the rooms.

Timeline for outdoor theme park unchanged

- We understand that the timeline for the opening of the group's 20th Century Fox World theme park is unchanged for now and is still slated for completion by end-2H18F. Meanwhile, management has also shared that it still hopes to open its indoor theme park (closed since April 2017) before the start of Chinese New Year 2018. We think that the theme parks should drive strong visitation arrivals and, by extension, casino visitation and revenues.

Unsettled legal woes for FRLC

- We understand that the US Department of the Interior (DOI) has not reached a final decision regarding the Mashpee Wampanoag (MW) tribe's rights to the land in Taunton, Massachusetts. The construction for the First Light Resort & Casino (FRLC) has been held up for over a year and will remain so until the DOI reaches a verdict.
- GENM had earlier invested US$347.4m (including accrued interest) in interest-bearing promissory notes issued by MW Tribal Gaming Authority for the initial development phase of the 900-room FRLC.

Maintain Hold call

- We keep our earnings forecasts and our RNAV-based target price of RM5.45. Our Hold call is retained as we think that its current share price has priced in its earnings outlook in the near term. While we believe that the group's new GITP properties (i.e. Sky Avenue, Sky Casino and Genting Premium Outlet) will drive visitation arrivals and boost revenue growth, we think that the higher operating costs (i.e. increased staff and depreciation expenses) could weigh on the group's earnings in the near term.

Key risks to our call

- Key upside risks to our call include higher-than-expected visitor arrivals for both its domestic and regional operations and a better luck factor while downside risks include greater-than-expected start-up operating costs and further delays in the construction of its outdoor theme park.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	8,396	8,932	9,449	10,118	11,134
Operating EBITDA (RMm)	2,310	2,433	2,049	2,522	3,237
Net Profit (RMm)	1,258	1,587	1,299	1,612	2,204
Core EPS (RM)	0.23	0.29	0.22	0.27	0.37
Core EPS Growth	0.2%	23.4%	(24.0%)	24.1%	36.7%
FD Core P/E (x)	23.13	18.74	24.64	19.86	14.52
DPS (RM)	0.07	0.17	0.10	0.12	0.14
Dividend Yield	1.32%	3.06%	1.86%	2.23%	2.60%
EV/EBITDA (x)	13.63	12.06	14.70	11.91	9.05
P/FCFE (x)	11	21	7,591	42	21
Net Gearing	0.13%	(2.68%)	0.95%	0.56%	(2.65%)
P/BV (x)	1.68	1.61	1.54	1.47	1.37
ROE	7.84%	8.76%	6.39%	7.57%	9.74%
CIMB/consensus EPS (x)			1.02	0.93	1.04

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**8,932**	**9,449**	**10,118**	**11,134**
Gross Profit	**8,932**	**9,449**	**10,118**	**11,134**
Operating EBITDA	**2,433**	**2,049**	**2,522**	**3,237**
Depreciation And Amortisation	(801)	(755)	(843)	(921)
Operating EBIT	**1,632**	**1,294**	**1,679**	**2,316**
Financial Income/(Expense)	165	158	124	126
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**1,797**	**1,452**	**1,803**	**2,442**
Exceptional Items	1,293	0	0	0
Pre-tax Profit	**3,091**	**1,452**	**1,803**	**2,442**
Taxation	(290)	(232)	(270)	(318)
Exceptional Income - post-tax	(1,293)			
Profit After Tax	**1,508**	**1,219**	**1,533**	**2,125**
Minority Interests	79	79	79	79
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**1,587**	**1,299**	**1,612**	**2,204**
Recurring Net Profit	1,708	1,299	1,612	2,204
Fully Diluted Recurring Net Profit	**1,708**	**1,299**	**1,612**	**2,204**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	4,856	4,075	4,098	4,786
Total Debtors	567	600	642	707
Inventories	98	104	111	122
Total Other Current Assets	608	608	608	608
Total Current Assets	**6,129**	**5,387**	**5,460**	**6,223**
Fixed Assets	12,159	13,903	15,060	16,140
Total Investments	4,386	4,386	4,386	4,386
Intangible Assets	5,036	5,036	5,036	5,036
Total Other Non-Current Assets	185	185	185	185
Total Non-current Assets	**21,765**	**23,510**	**24,667**	**25,746**
Short-term Debt	1,103	1,048	996	946
Current Portion of Long-Term Debt				
Total Creditors	2,739	2,897	3,102	3,414
Other Current Liabilities	190	190	190	190
Total Current Liabilities	**4,032**	**4,135**	**4,288**	**4,550**
Total Long-term Debt	3,223	3,223	3,223	3,223
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	220	220	220	220
Total Non-current Liabilities	**3,444**	**3,444**	**3,444**	**3,444**
Total Provisions	674	674	674	674
Total Liabilities	**8,149**	**8,252**	**8,405**	**8,667**
Shareholders' Equity	19,911	20,764	21,842	23,422
Minority Interests	(165)	(120)	(120)	(120)
Total Equity	**19,745**	**20,645**	**21,722**	**23,303**

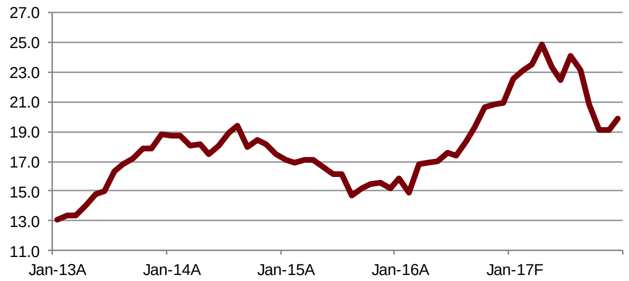
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	2,433	2,049	2,522	3,237
Cash Flow from Invt. & Assoc.				
Change In Working Capital	788	340	235	315
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	63	0	0	0
Net Interest (Paid)/Received	165	158	124	126
Tax Paid	(290)	(232)	(270)	(318)
Cashflow From Operations	**3,159**	**2,315**	**2,610**	**3,361**
Capex	(3,117)	(2,500)	(2,000)	(2,000)
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	1,811	244	209	210
Cash Flow From Investing	**(1,307)**	**(2,256)**	**(1,791)**	**(1,790)**
Debt Raised/(repaid)	(298)	(55)	(52)	(50)
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(325)	(445)	(534)	(623)
Preferred Dividends				
Other Financing Cashflow	(901)	(427)	(320)	(400)
Cash Flow From Financing	**(1,525)**	**(927)**	**(907)**	**(1,073)**
Total Cash Generated	328	(868)	(88)	498
Free Cashflow To Equity	**1,554**	**4**	**767**	**1,521**
Free Cashflow To Firm	**1,923**	**146**	**905**	**1,655**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	6.4%	5.8%	7.1%	10.0%
Operating EBITDA Growth	5.3%	(15.8%)	23.1%	28.3%
Operating EBITDA Margin	27.2%	21.7%	24.9%	29.1%
Net Cash Per Share (RM)	0.09	(0.03)	(0.02)	0.10
BVPS (RM)	3.35	3.50	3.68	3.94
Gross Interest Cover	23.18	14.95	19.66	27.45
Effective Tax Rate	9.4%	16.0%	15.0%	13.0%
Net Dividend Payout Ratio	39.2%	29.1%	28.4%	24.7%
Accounts Receivables Days	37.08	22.53	22.40	22.11
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	8.11%	6.17%	7.26%	9.47%
ROCE (%)	7.60%	6.11%	7.23%	9.23%
Return On Average Assets	6.04%	4.70%	5.79%	7.56%

12-mth Fwd FD P/E (x) - Genting Malaysia



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
VIP Chip Volume (% Change)	N/A	N/A	N/A	N/A
VIP Chip Win Percentage (%)	N/A	N/A	N/A	N/A
Mass mkt chip drop (% chg.)	N/A	N/A	N/A	N/A
Mass mkt chip win (%-tage)	N/A	N/A	N/A	N/A
Slot Handle (% Change)	N/A	N/A	N/A	N/A
Slot Hold Percentage (%)	N/A	N/A	N/A	N/A
Net Win Per Slot (% Change)	N/A	N/A	N/A	N/A
Net Win Per Table (% Change)	N/A	N/A	N/A	N/A
No. Of Slots	3,000	4,000	4,000	4,000
No. Of Tables	550	700	700	700

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

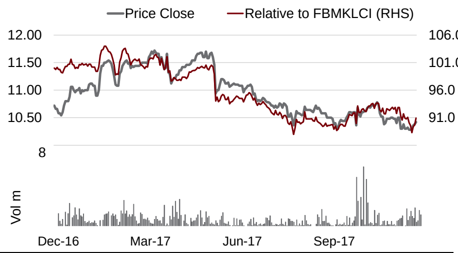
Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 8 Hold 12 Sell 1
Current price:	RM10.42
Target price:	RM11.50
Previous target:	RM11.50
Up/downside:	10.4%
CIMB / Consensus:	-0.3%
Reuters:	GENP.KL
Bloomberg:	GENP MK
Market cap:	US$2,051m
	RM8,370m
Average daily turnover:	US$2.17m
	RM9.08m
Current shares o/s	783.8m
Free float:	32.3%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.2	-1.5	-2.6
Relative (%)	-0.7	0.7	-8.9

Major shareholders	% held
Genting	50.8
Employees Provident Fund	12.3
Kumpulan Wang Persaraan	4.6

Genting Plantations

Young estates to drive output growth in 2018

- 2018's earnings are projected to be driven by higher output and lower inventory.
- Potential beneficiary of the KL-Singapore High-Speed Rail (HSR) project.
- Maintain Hold as strong output growth prospects are offset by unexciting near-term CPO price.

New acquisitions and improved yields to drive output growth

- Genting Plantations (GENP) is expected to deliver strong FFB output growth in 2017 and 2018 driven by its young estates in Indonesia and recent acquisition of Indonesia estates from Lee Rubbers for US$94.9m (RM408m) cash. The acquisition will raise GENP's combined plantation land bank in Malaysia and Indonesia by 14,661ha or 6.4% to 242,597ha and boost its future FFB output growth.

Maintain 15% FFB output growth guidance for 2017

- The group maintained its guidance for a 15% improvement in output for FY17. The group expects production to pick up in 4Q. It is currently targeting a 15% output growth for FY18 as well, which is higher than our projected 11% output growth.

Normalisation of inventory to boost 4Q17 earnings

- GENP's 9M17 earnings were impacted by higher unsold palm oil inventory of 25k tonnes worth RM32m as at end-Sep 2017. This is due to a delay in its palm oil shipments. We expect the group to report higher sales volumes for CPO in 4Q but this will be partially offset by weaker CPO price.

Impact of change in depreciation policy on 2017's earnings

- GENP's FY17 earnings were negatively impacted by the change in depreciation policy in 2Q17, which we estimated to have raised the group's depreciation charges by RM80m. To recap, prior to FY17, the group capitalised and did not depreciate its new planting expenditure, while replanting expenditures were charged to P&L as and when they were incurred. With the revision, the group now capitalises its plantation development and replanting expenditures at cost and depreciates them on a straight-line basis over the useful life of the estates.

Second premium outlet to boost JV contribution

- The group opened its second premium outlet. Genting Highlands Premium Outlet (GPO), in June 2017. We are positive on this development as we expect the second outlet to contribute positively to the group's future earnings in view of its strategic locations and our expectations for visitor arrivals to pick up when the 20th Century Fox outdoor theme park opens in 2018. The premium outlet JV accounted for 4% of the group's FY16 pretax profit.

Potential beneficiary of HSR

- GENP confirmed that one of the KL-Singapore High-Speed Rail (HSR) stations is located on its estates in Batu Pahat. Our estimates show that for every RM5 psf increase in the value of the land bank where the proposed station will be located, RNAV will rise by RM2.45 per share for the group.

Maintain Hold with SOP-based target price of RM11.50

- We maintain our Hold call on the stock and SOP-based target price of RM11.50. We like the group for its young and immature estates, which will boost the group's future output growth. However, this is offset by the unexciting near-term CPO prices. Key upside/downside risks are higher-/lower-than expected FFB output and selling prices of palm products.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	1,375	1,480	1,861	2,083	2,241
Operating EBITDA (RMm)	337.2	598.3	593.6	651.0	655.8
Net Profit (RMm)	189.8	367.5	307.0	358.9	348.8
Core EPS (RM)	0.27	0.39	0.39	0.45	0.44
Core EPS Growth	(45.5%)	42.4%	0.5%	16.9%	(2.8%)
FD Core P/E (x)	39.21	26.74	26.60	22.76	23.41
DPS (RM)	0.06	0.21	0.15	0.15	0.15
Dividend Yield	0.53%	2.04%	1.42%	1.42%	1.42%
EV/EBITDA (x)	26.61	15.82	15.42	13.84	13.55
P/FCFE (x)	9.39	NA	24.03	46.04	50.42
Net Gearing	19.2%	20.9%	14.1%	10.7%	8.0%
P/BV (x)	1.91	1.75	1.68	1.60	1.53
ROE	5.07%	6.87%	6.44%	7.20%	6.68%
CIMB/consensus EPS (x)			0.92	0.98	0.86

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**1,480**	**1,861**	**2,083**	**2,241**
Gross Profit	**631**	**793**	**888**	**956**
Operating EBITDA	**598**	**594**	**651**	**656**
Depreciation And Amortisation	(102)	(188)	(197)	(206)
Operating EBIT	**496**	**405**	**454**	**450**
Financial Income/(Expense)	(20)	(25)	(18)	(17)
Pretax Income/(Loss) from Assoc.	25	26	27	29
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**501**	**407**	**463**	**462**
Exceptional Items	0	0	0	0
Pre-tax Profit	**501**	**407**	**463**	**462**
Taxation	(131)	(98)	(102)	(111)
Exceptional Income - post-tax				
Profit After Tax	**370**	**309**	**361**	**351**
Minority Interests	(2)	(2)	(2)	(2)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**367**	**307**	**359**	**349**
Recurring Net Profit	305	307	359	349
Fully Diluted Recurring Net Profit	**305**	**307**	**359**	**349**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	1,278	1,592	1,737	1,865
Total Debtors	505	292	324	350
Inventories	174	153	162	181
Total Other Current Assets	550	555	561	567
Total Current Assets	**2,507**	**2,592**	**2,784**	**2,963**
Fixed Assets	1,728	1,840	1,943	2,036
Total Investments	371	356	356	356
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	3,252	3,252	3,252	3,252
Total Non-current Assets	**5,351**	**5,448**	**5,551**	**5,645**
Short-term Debt	0	0	0	0
Current Portion of Long-Term Debt				
Total Creditors	412	409	457	492
Other Current Liabilities	45	45	45	45
Total Current Liabilities	**457**	**454**	**502**	**537**
Total Long-term Debt	2,316	2,316	2,316	2,316
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	23	23	23	23
Total Non-current Liabilities	**2,339**	**2,339**	**2,339**	**2,339**
Total Provisions	97	97	97	97
Total Liabilities	**2,893**	**2,890**	**2,938**	**2,973**
Shareholders' Equity	4,676	4,858	5,103	5,338
Minority Interests	290	292	294	297
Total Equity	**4,965**	**5,150**	**5,397**	**5,634**

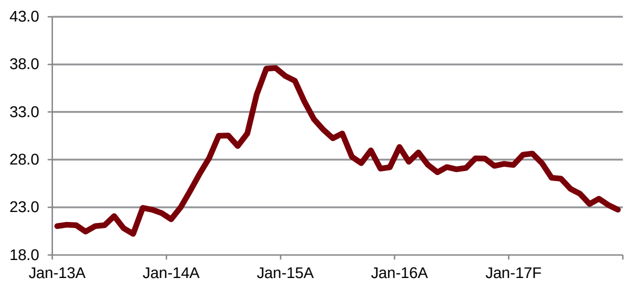
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	598	594	651	656
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(139)	226	1	(15)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	0	0	0	0
Net Interest (Paid)/Received	39	38	48	52
Tax Paid	(131)	(98)	(102)	(111)
Cashflow From Operations	**368**	**760**	**597**	**582**
Capex	(420)	(420)	(420)	(420)
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	0	0	0	0
Cash Flow From Investing	**(420)**	**(420)**	**(420)**	**(420)**
Debt Raised/(repaid)	31	0	0	0
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(43)	(167)	(116)	(116)
Preferred Dividends				
Other Financing Cashflow	153	82	67	67
Cash Flow From Financing	**141**	**(84)**	**(49)**	**(49)**
Total Cash Generated	88	256	129	113
Free Cashflow To Equity	**(22)**	**340**	**177**	**162**
Free Cashflow To Firm	**(52)**	**340**	**177**	**162**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	7.6%	25.7%	12.0%	7.6%
Operating EBITDA Growth	77.4%	(0.8%)	9.7%	0.7%
Operating EBITDA Margin	40.4%	31.9%	31.2%	29.3%
Net Cash Per Share (RM)	(1.32)	(0.92)	(0.74)	(0.57)
BVPS (RM)	5.96	6.20	6.51	6.81
Gross Interest Cover	8.33	6.48	6.91	6.52
Effective Tax Rate	26.2%	24.0%	22.0%	24.0%
Net Dividend Payout Ratio	45.4%	37.8%	32.3%	33.3%
Accounts Receivables Days	75.00	51.69	26.00	26.47
Inventory Days	58.71	55.93	48.11	48.66
Accounts Payables Days	73.10	53.78	40.76	41.55
ROIC (%)	9.62%	7.05%	8.05%	7.83%
ROCE (%)	7.52%	5.93%	6.52%	6.33%
Return On Average Assets	5.18%	4.20%	4.63%	4.34%

12-mth Fwd FD P/E (x) - Genting Plantations



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Planted Estates (ha)	130,700	140,700	150,700	160,700
Mature Estates (ha)	92,700	102,700	112,700	122,700
FFB Yield (tonnes/ha)	17.4	18.4	18.5	18.0
FFB Output Growth (%)	-6.5%	17.0%	10.6%	5.6%
CPO Price (US$/tonne)	750	800	800	800

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 0	Hold 2	Sell 1

Current price:	RM1.45
Target price:	RM1.54
Previous target:	RM1.54
Up/downside:	6.5%
CIMB / Consensus:	9.3%
Reuters:	GHLS.KL
Bloomberg:	GHLS MK
Market cap:	US$233.5m
	RM953.1m
Average daily turnover:	US$0.33m
	RM1.39m
Current shares o/s	639.5m
Free float:	35.6%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.6	-15.2	73.7
Relative (%)	-5.5	-13	67.4

Major shareholders	% held
Actis Stark	44.4
Simon Loh Wee Hian	20.1

GHL Systems Bhd

Watch this space

- We expect stronger earnings in FY18 driven by higher transaction value for electronics payment from its growing merchants base in Malaysia and the Philippines.
- However, we are concerned about margin pressure due on-going competition for merchants from competing banks.
- Maintain Hold and target price. We still project a strong 3-year EPS CAGR of 35%.

Review of 9M17 earnings performance

- Revenue in 9M17 rose 7.5% yoy to RM192.1m (from RM178.8m in 9M16) due to higher transaction payment acquisition (TPA) sales recognition (+7% yoy) mainly from higher electronics payment contributions, which rose 38.9% yoy on the back of higher merchant acceptance point from 24k in 9M16 to 33.3k in 9M17. Overall, core net profit rose 32.6% yoy to RM17.4m in 9M17.

Riding on robust growth in transaction value

- GHL's electronic payments total transaction value surge 50.7% yoy to reach RM2.9bn in 9M17 driven by higher mean throughput value and a bigger merchant base of 33.3k in 9M17 (vs 24k in 9M16). GHL expects the transaction value to grow by about 50% yoy to RM4bn in FY17F and at least 20% in FY18F, driven by growing merchant base.

Margin compression remains a concern

- Nevertheless, we are concerned about margin compression from lower merchant discount rate (MDR) due to on-going competition for merchants by the banks, especially in Malaysia. For example, GHL's share of electronic payment MDR fell from 79 bps in 9M16 to 60 bps in 9M17. We still expect margin pressure to continue given the intense competition for merchants from competing banks.

Potential beneficiary of Touch 'n Go –Alipay JV

- GHL could benefit from the tie-up between Touch'n Go, a monopoly in domestic transit payments (tolls, parking and public transport), and Alipay. GHL had earlier formed a strategic partnership with Alipay in Apr 17 to help the latter roll out payment acceptance services for physical stores and online merchants in Malaysia, due to GHL's extensive channels distribution with over 30k point of payments nationwide.
- We understand the Touch 'n Go-Alipay JV is looking to launch a digital wallet to capture retail payments in Malaysia. GHL could benefit from the initiative by leveraging its huge merchant base to accept the digital wallet, in our view.

Expect higher earnings contributions from the Philippines in FY18

- GHL is gaining good traction in the Philippines as it has successfully penetrated into the bigger tier 2 and 3 merchants. Although these merchants offer lower MDR compared to the tier 4 merchants, they offer significantly higher transaction volume. Overall, we still project GHL to record a robust FY16-19F EPS CAGR of 35%.

New major shareholder could drive GHL's earnings to a higher level

- In Mar 2017, Actis Stark (Actis) emerged as the new major shareholder in GHL, after acquiring a 44.4% stake from the previous substantial shareholders – Simon Loh and Creador (private equity firm based in Malaysia) at RM1 per share. We are positive on the new shareholder's entry as we believe Actis could drive GHL's expansion due to its extensive experience in the payments industry in emerging markets.

Maintain Hold and target price

- Maintain Hold and RM1.54 target price, still based on 22x CY19 P/E (10% premium to the sector mean of 20x). Key upside risks are stronger TPA earnings and M&As in new markets, while key downside risk is margin compression due to competition.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	211.4	245.9	260.0	284.8	309.5
Net Profit (RMm)	10.34	18.12	22.98	33.83	44.43
Core EPS (RM)	0.020	0.028	0.034	0.050	0.065
Core EPS Growth	38.9%	38.9%	20.9%	47.2%	31.3%
FD Core P/E (x)	71.87	51.73	42.80	29.08	22.14
Price To Sales (x)	4.59	3.99	3.78	3.45	3.18
DPS (RM)	-	0.005	0.005	0.005	0.005
Dividend Yield	0.000%	0.345%	0.345%	0.345%	0.345%
EV/EBITDA (x)	25.19	20.43	18.63	14.36	11.20
P/FCFE (x)	64.86	47.38	54.13	32.77	23.20
Net Gearing	(4.7%)	(14.4%)	(18.4%)	(25.0%)	(33.1%)
P/BV (x)	4.12	3.80	3.54	3.20	2.83
ROE	5.9%	7.6%	8.6%	11.6%	13.6%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.92	0.98	1.09

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**252.3**	**267.7**	**294.0**	**320.5**
Gross Profit	**101.7**	**111.0**	**124.1**	**134.8**
Operating EBITDA	**46.2**	**50.1**	**63.1**	**77.5**
Depreciation And Amortisation	(19.2)	(20.8)	(21.1)	(22.9)
Operating EBIT	**26.9**	**29.2**	**42.0**	**54.7**
Financial Income/(Expense)	(1.3)	(0.5)	(0.2)	0.2
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**25.6**	**28.7**	**41.8**	**54.9**
Exceptional Items	(0.8)	0.0	0.0	0.0
Pre-tax Profit	**24.8**	**28.7**	**41.8**	**54.9**
Taxation	(6.6)	(5.7)	(7.9)	(10.4)
Exceptional Income - post-tax				
Profit After Tax	**18.2**	**23.0**	**33.8**	**44.4**
Minority Interests	(0.0)	0.0	0.0	0.0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**18.1**	**23.0**	**33.8**	**44.4**
Recurring Net Profit	18.9	23.0	33.8	44.4
Fully Diluted Recurring Net Profit	**18.9**	**23.0**	**33.8**	**44.4**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	71.0	84.9	110.7	148.9
Total Debtors	51.2	53.0	56.2	59.4
Inventories	83.5	88.3	96.7	105.1
Total Other Current Assets	14.6	14.6	14.6	14.6
Total Current Assets	**220.3**	**240.8**	**278.3**	**328.0**
Fixed Assets	59.6	58.7	52.6	44.7
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	108.0	108.0	108.0	108.0
Total Other Non-Current Assets	9.3	9.3	9.3	9.3
Total Non-current Assets	**176.9**	**176.1**	**170.0**	**162.1**
Short-term Debt	17.0	17.0	17.0	17.0
Current Portion of Long-Term Debt				
Total Creditors	95.6	96.6	98.2	99.9
Other Current Liabilities	5.5	5.5	5.5	5.5
Total Current Liabilities	**118.2**	**119.1**	**120.8**	**122.4**
Total Long-term Debt	16.7	16.7	16.7	16.7
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	3.1	3.1	3.1	3.1
Total Non-current Liabilities	**19.9**	**19.9**	**19.9**	**19.9**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**138.0**	**139.0**	**140.6**	**142.3**
Shareholders' Equity	259.1	277.9	307.5	347.7
Minority Interests	0.1	0.1	0.1	0.1
Total Equity	**259.2**	**278.0**	**307.6**	**347.8**

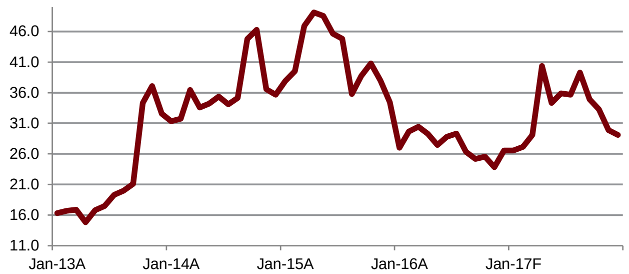
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	46.15	50.06	63.14	77.53
Cash Flow from Invt. & Assoc.				
Change In Working Capital	5.96	(5.66)	(9.95)	(9.90)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	1.33	0.00	0.00	0.00
Net Interest (Paid)/Received	(1.33)	(0.49)	(0.23)	0.20
Tax Paid	(7.87)	(5.75)	(7.94)	(10.42)
Cashflow From Operations	**44.24**	**38.17**	**45.02**	**57.41**
Capex	(17.05)	(20.00)	(15.00)	(15.00)
Disposals Of FAs/subsidiaries	0.86	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	(0.07)	0.00	0.00	0.00
Other Investing Cashflow	(0.15)	0.00	0.00	0.00
Cash Flow From Investing	**(16.41)**	**(20.00)**	**(15.00)**	**(15.00)**
Debt Raised/(repaid)	(7.15)	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased				
Dividends Paid	0.00	(4.23)	(4.23)	(4.23)
Preferred Dividends				
Other Financing Cashflow	1.07	0.00	0.00	0.00
Cash Flow From Financing	**(6.08)**	**(4.23)**	**(4.23)**	**(4.23)**
Total Cash Generated	21.76	13.95	25.80	38.18
Free Cashflow To Equity	**20.69**	**18.17**	**30.02**	**42.41**
Free Cashflow To Firm	**29.90**	**19.91**	**31.82**	**44.29**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	16.3%	5.7%	9.5%	8.7%
Operating EBITDA Growth	21.2%	8.5%	26.1%	22.8%
Operating EBITDA Margin	18.8%	19.3%	22.2%	25.1%
Net Cash Per Share (RM)	0.05	0.08	0.11	0.17
BVPS (RM)	0.38	0.41	0.45	0.51
Gross Interest Cover	13.01	16.85	23.35	29.05
Effective Tax Rate	26.7%	20.0%	19.0%	19.0%
Net Dividend Payout Ratio	11.2%	18.4%	12.5%	9.5%
Accounts Receivables Days	48.92	45.72	44.95	45.12
Inventory Days	177.7	200.1	198.7	198.3
Accounts Payables Days	34.40	39.54	39.26	39.18
ROIC (%)	8.8%	9.7%	13.7%	17.5%
ROCE (%)	9.7%	10.1%	13.3%	15.7%
Return On Average Assets	5.23%	5.74%	7.86%	9.44%

12-mth Fwd FD P/E (x) - GHL Systems Bhd



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP Change (%, Main Product)	N/A	N/A	N/A	N/A
Unit sales growth (%, main prod)	N/A	N/A	N/A	N/A
No. Of Lines (main Product)	3	3	3	3
Rev per line (US$, main prod)	N/A	N/A	N/A	N/A
ASP chg (%, 2ndary prod)	N/A	N/A	N/A	N/A
Unit sales grth (%, 2ndary prod)	N/A	N/A	N/A	N/A
No. Of Lines (secondary Product)	5	5	5	5
Rev per line (US$, 2ndary prod)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

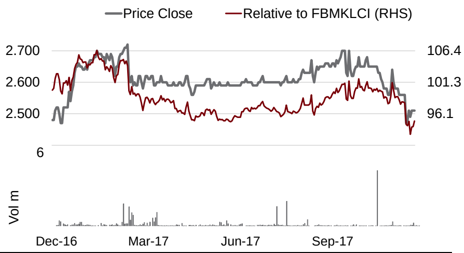
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 2	Hold 5	Sell 0

Current price:	RM2.51
Target price:	RM2.57
Previous target:	RM2.57
Up/downside:	2.3%
CIMB / Consensus:	-4.7%
Reuters:	HAPP.KL
Bloomberg:	HAPL MK
Market cap:	US$491.8m
	RM2,007m
Average daily turnover:	US$0.06m
	RM0.25m
Current shares o/s	800.0m
Free float:	23.8%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2.7	-5.3	1.2
Relative (%)	-3.6	-3.1	-5.1

Major shareholders	% held
Hap Seng Consolidated Berhad	53.0
Innoprise Corporation	15.0
Employees Provident Fund	8.2

Hap Seng Plantations

Supported by decent dividend yields

- We project stronger 4Q17 earnings due to seasonal improvement in FFB output.
- For 2018, we expect marginal earnings growth as higher output is offset by lower selling prices of palm products.
- Maintain Hold due to limited upside to TP and unexciting CPO price prospects.

Expect stronger 4Q17F earnings

- We expect Hap Seng Plantations (HSP) to deliver stronger earnings in 4Q17F due to higher CPO sales and FFB production. CPO sales volumes could pick up in 4Q due to unsold CPO inventory as at end-Sep. On top of this, the group could potentially benefit from lower tax as it utilises the tax benefit from its investment in biogas plant.

9M17 earnings impacted by higher inventory and lower output

- HSP's 9M17 earnings fell 10% due to lower-than-expected FFB output as well as CPO sales volumes. HSP's CPO sales volume of 33,376 tonnes in 3Q17 was 5k tonnes lower compared to its CPO production of 38,355 tonnes due to the timing of delivery of its production to the refiners, which led to higher inventory of 17k tonnes as at end-Sep.

FFB impacted by El Nino and replanting in 2017

- FFB output declined 15%/4% yoy in 3Q17/9M17 on the back of lower-than-expected rainfall at its estates in 2015 due to El Nino. This weaker performance could also be partly due to replanting efforts by the group. The group replanted 1,400 ha of estates in 9M17 and is targeting FFB output of 661k tonnes in 2017 and 667k tonnes for 2018, vs. 663k tonnes in 2016. Output growth is the key earnings driver for 2018.

CPO selling prices achieved ahead of Sabah's average

- HSP achieved average CPO selling price of RM2,765 per tonne (+4.5% yoy) in 3Q17, which was ahead of Sabah's average CPO price of RM2,673 per tonne. This was because the group had sold forward some of its products and achieved RSPO and ISPO certifications for its palm products.

Cost of production impacted by higher minimum wage

- HSP's 9M17 cost of production rose 9% to RM1,370 per tonne. We gathered that the higher production costs were due to lower FFB yields and OER rate as well as higher labour costs due to higher minimum wage. To recap, on 1 Jul 2016, Malaysia raised the minimum wage from RM800 in East Malaysia and RM900 in Peninsular Malaysia to RM920 and RM1,000, respectively.

Maintain Hold on lack of catalysts

- We maintain our Hold call, our earnings forecasts and target price at RM2.57, still based on 16x P/E (historical average). HSP's share price is supported by the low implied EV/ha for its estates of only RM54k, below the market price of RM70k-80k for Sabah estates, as well as dividend yield of 4-5%. Key upside/downside risks are higher- /lower-than-expected FFB output and CPO price.

Analyst(s)

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Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	434.9	503.4	520.0	533.4	552.7
Operating EBITDA (RMm)	148.0	195.9	197.4	200.8	209.9
Net Profit (RMm)	96.4	124.1	120.6	122.3	128.3
Core EPS (RM)	0.12	0.16	0.15	0.15	0.16
Core EPS Growth	(28.5%)	28.7%	(2.8%)	1.4%	4.9%
FD Core P/E (x)	20.82	16.18	16.65	16.41	15.65
DPS (RM)	0.08	0.08	0.10	0.12	0.13
Dividend Yield	3.19%	2.99%	3.98%	4.78%	5.18%
EV/EBITDA (x)	12.37	9.43	9.04	8.90	8.54
P/FCFE (x)	42.00	91.59	19.04	18.15	17.39
Net Gearing	(9.0%)	(7.9%)	(10.6%)	(10.4%)	(10.0%)
P/BV (x)	1.01	0.98	0.96	0.94	0.93
ROE	4.91%	6.17%	5.82%	5.78%	5.99%
CIMB/consensus EPS (x)			0.95	0.92	0.93

SOURCE: COMPANY DATA, CIMB FORECASTS

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**503.4**	**520.0**	**533.4**	**552.7**
Gross Profit	**215.2**	**223.2**	**228.7**	**239.7**
Operating EBITDA	**195.9**	**197.4**	**200.8**	**209.9**
Depreciation And Amortisation	(33.2)	(36.6)	(37.7)	(38.7)
Operating EBIT	**162.7**	**160.8**	**163.1**	**171.2**
Financial Income/(Expense)	4.4	2.2	2.2	2.2
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**167.1**	**163.0**	**165.3**	**173.4**
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	**167.1**	**163.0**	**165.3**	**173.4**
Taxation	(43.0)	(42.4)	(43.0)	(45.1)
Exceptional Income - post-tax				
Profit After Tax	**124.1**	**120.6**	**122.3**	**128.3**
Minority Interests	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**124.1**	**120.6**	**122.3**	**128.3**
Recurring Net Profit	124.1	120.6	122.3	128.3
Fully Diluted Recurring Net Profit	**124.1**	**120.6**	**122.3**	**128.3**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	162	223	221	215
Total Debtors	6	17	17	18
Inventories	72	70	68	72
Total Other Current Assets	1	1	1	1
Total Current Assets	**241**	**310**	**307**	**306**
Fixed Assets	674	689	720	751
Total Investments	0	0	0	0
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	1,377	1,361	1,361	1,361
Total Non-current Assets	**2,051**	**2,050**	**2,081**	**2,112**
Short-term Debt	0	0	0	0
Current Portion of Long-Term Debt				
Total Creditors	50	62	61	64
Other Current Liabilities	10	8	8	8
Total Current Liabilities	**60**	**70**	**69**	**73**
Total Long-term Debt	0	0	0	0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	**0**	**0**	**0**	**0**
Total Provisions	192	188	188	188
Total Liabilities	**252**	**258**	**257**	**261**
Shareholders' Equity	2,040	2,102	2,130	2,158
Minority Interests	0	0	0	0
Total Equity	**2,040**	**2,102**	**2,130**	**2,158**

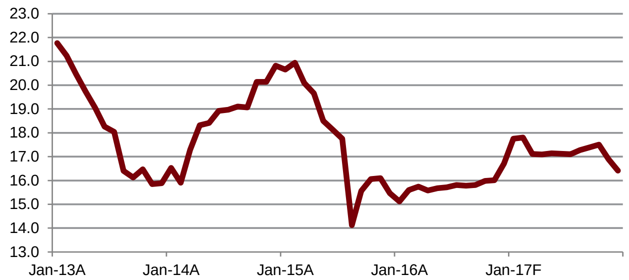
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	195.9	197.4	200.8	209.9
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(5.9)	(1.8)	0.6	(1.6)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(0.1)	0.0	0.0	0.0
Net Interest (Paid)/Received	4.4	2.2	2.2	2.2
Tax Paid	(43.0)	(42.4)	(43.0)	(45.1)
Cashflow From Operations	**151.4**	**155.5**	**160.6**	**165.5**
Capex	(111.9)	(50.0)	(50.0)	(50.0)
Disposals Of FAs/subsidiaries	2.8	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	(20.3)	0.0	0.0	0.0
Cash Flow From Investing	**(129.4)**	**(50.0)**	**(50.0)**	**(50.0)**
Debt Raised/(repaid)	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(64.0)	(80.0)	(96.0)	(104.0)
Preferred Dividends				
Other Financing Cashflow	(0.0)	7.0	7.0	7.0
Cash Flow From Financing	**(64.0)**	**(73.0)**	**(89.0)**	**(97.0)**
Total Cash Generated	(42.1)	32.5	21.6	18.4
Free Cashflow To Equity	**21.9**	**105.5**	**110.6**	**115.5**
Free Cashflow To Firm	**21.9**	**105.5**	**110.6**	**115.5**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	15.8%	3.3%	2.6%	3.6%
Operating EBITDA Growth	32.4%	0.8%	1.7%	4.6%
Operating EBITDA Margin	38.9%	38.0%	37.6%	38.0%
Net Cash Per Share (RM)	0.20	0.28	0.28	0.27
BVPS (RM)	2.55	2.63	2.66	2.70
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	25.7%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio	48.3%	66.3%	78.5%	81.0%
Accounts Receivables Days	7.35	8.05	11.50	11.44
Inventory Days	86.57	87.22	82.45	81.73
Accounts Payables Days	66.79	68.55	73.38	72.99
ROIC (%)	8.18%	7.77%	7.89%	8.16%
ROCE (%)	7.60%	7.21%	7.18%	7.44%
Return On Average Assets	5.29%	5.09%	5.06%	5.25%

12-mth Fwd FD P/E (x) - Hap Seng Plantations



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Planted Estates (ha)	37,433	36,957	36,957	36,957
Mature Estates (ha)	32,649	32,481	32,674	32,794
FFB Yield (tonnes/ha)	20.0	19.5	20.5	21.0
FFB Output Growth (%)	-2.2%	-3.0%	5.8%	2.8%
CPO Price (US$/tonne)	750	800	800	800

SOURCE: CIMB RESEARCH, COMPANY DATA

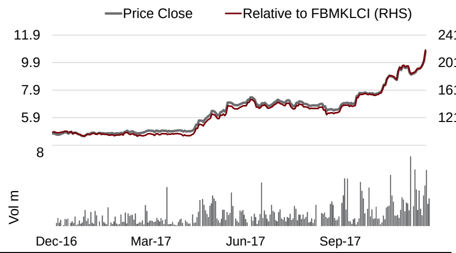
Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 5 Hold 11 Sell 3
Current price:	RM10.72
Target price:	RM9.00
Previous target:	RM9.00
Up/downside:	-16.1%
CIMB / Consensus:	10.1%
Reuters:	HTHB.KL
Bloomberg:	HART MK
Market cap:	US$4,340m RM17,711m
Average daily turnover:	US$4.28m RM17.74m
Current shares o/s	1,641m
Free float:	41.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	21.4	64.9	125.7
Relative (%)	20.5	67.1	119.4

Major shareholders	% held
Hartalega Industries Sdn Bhd	49.3
Kuan family	2.4
Employees Provident Fund	7.4

Analyst(s)

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Hartalega Holdings

Launching non-leaching antimicrobial gloves

- The world's largest nitrile glove producer, with annual capacity of 27bn pieces and product mix of 93% nitrile butadiene (NBR): 7% natural rubber (NR).
- Hartalega is launching its patented anti-leaching microbial gloves, the first in the market to provide active protection for users in terms of killing germs – by 1HCY18.
- Maintain Add and RM9.00 target price (27x CY19F P/E).

The world's largest nitrile glove manufacturer in terms of capacity

- Hartalega is the world's largest nitrile glove manufacturer, with an annual production capacity of 27bn gloves. It currently has a product mix of 93% NBR: 7% NR.
- The bulk of its revenue comes from its North American sales. Hartalega's geographical revenue breakdown as at 2Q18: i) North America – 51.9%, ii) Europe – 24.1%, iii) Asia – 13.9%, iv) Latin America – 6.9%, Oceania – 2.6%, and v) others – 0.6%.

1HFY18 results robust

- Overall, Hartalega reported a robust set of 1HFY18 results, with net profit above expectations at 52.3% of our and 50.9% of Bloomberg consensus FY18F estimates. While 1HFY18 revenue rose 41.4% yoy, core net profit rose 59.4% yoy to RM203.1m after accounting for one-off gains of ~RM6.6m (revaluation of US$ loans).
- The strong 1HFY18 performance was mainly due to: i) higher production output from Plants 3 and 4 of its Next Generation Glove Complex (NGC), ii) higher ASPs (5.5% yoy), and iii) robust demand for gloves leading to higher sales volume (33.8% yoy).

Stronger earnings ahead with more capacity coming onboard

- Moving into 2HFY18, Hartalega should record sequentially stronger earnings with more output being ramped up at Plant 4. Currently, six lines out of 12 have started commercial production. All in, Plant 4 should increase its total production capacity by 17.4% to 31.7bn pieces p.a.
- The remaining six lines are slated to be ready by end-4QCY17F, ahead of our earlier estimates by six months. Upon completion of Plant 4, we estimate that the group aims to begin installing Plant 5's production lines by early-2QCY18F.

Launching non-leaching antimicrobial nitrile gloves by 1HCY18F

- Hartalega aims to launch the world's first non-leaching antimicrobial nitrile examination glove by 1HCY18. This glove is able to provide an active protective layer inside the glove to prevent cross contamination as it will eliminate 99.9% of germs and bacteria on a user's hands within 5 minutes of contact.
- We gather that this glove will be priced at a slight premium to its existing products. Still, this is unlikely to expand margins significantly as Hartalega is pricing the product at an ASP just enough to cover the additional cost for its manufacture. The competitive pricing is to ensure better absorption of this new glove variant in the market, according to the company.

Maintain Add

- We make no changes to our earnings estimates, Add call and TP of RM9.00. Our TP is still based on 27x CY19F P/E (+1 s.d. of its 5-year historical mean).
- Although valuations are at an 18% premium to the weighted sector average CY18F P/E of 22.4x, we believe this is justified given its: i) net profit CAGR of 23.3% over CY17-20F, the highest in the sector, ii) superior margins vs. peers, and iii) leadership in the nitrile glove space.
- Downside risks to our view: stiffer-than-expected pricing competition and sharp weakening of US$/RM.

Financial Summary	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Revenue (RMm)	1,498	1,822	2,429	2,921	3,220
Operating EBITDA (RMm)	387.1	434.4	637.1	752.9	808.1
Net Profit (RMm)	257.6	283.0	443.4	513.2	557.9
Core EPS (RM)	0.16	0.18	0.27	0.31	0.34
Core EPS Growth	22.8%	14.6%	50.2%	15.8%	8.7%
FD Core P/E (x)	68.29	59.59	39.68	34.28	31.53
DPS (RM)	0.08	0.08	0.15	0.17	0.19
Dividend Yield	0.75%	0.75%	1.39%	1.60%	1.74%
EV/EBITDA (x)	45.87	41.16	28.25	23.93	22.09
P/FCFE (x)	808.1	104.4	64.6	42.3	28.2
Net Gearing	10.9%	17.0%	21.7%	20.1%	10.8%
P/BV (x)	11.71	10.64	9.49	8.44	7.53
ROE	18.6%	18.7%	25.3%	26.1%	25.2%
CIMB/consensus EPS (x)			1.06	1.07	1.05

SOURCE: COMPANY DATA, CIMB FORECASTS

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BY THE NUMBERS

Profit & Loss

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Net Revenues	**1,822**	**2,429**	**2,921**	**3,220**
Gross Profit	**387**	**814**	**962**	**1,037**
Operating EBITDA	**434**	**637**	**753**	**808**
Depreciation And Amortisation	(71)	(99)	(129)	(130)
Operating EBIT	**364**	**538**	**624**	**678**
Financial Income/(Expense)	(0)	(1)	(1)	(2)
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**364**	**538**	**622**	**677**
Exceptional Items	(15)	0	0	0
Pre-tax Profit	**349**	**538**	**622**	**677**
Taxation	(65)	(94)	(109)	(118)
Exceptional Income - post-tax	0	0	0	0
Profit After Tax	**283**	**444**	**514**	**558**
Minority Interests	(0)	(0)	(0)	(0)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax	0	0	0	0
Net Profit	**283**	**443**	**513**	**558**
Recurring Net Profit	295	443	513	558
Fully Diluted Recurring Net Profit	**295**	**443**	**513**	**558**

Balance Sheet

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Cash And Equivalents	116	144	278	595
Total Debtors	290	387	465	513
Inventories	202	202	202	202
Total Other Current Assets	14	14	14	14
Total Current Assets	**622**	**747**	**959**	**1,324**
Fixed Assets	1,418	1,670	1,890	1,960
Total Investments	0	0	0	0
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	288	288	288	288
Total Non-current Assets	**1,706**	**1,958**	**2,178**	**2,249**
Short-term Debt	41	41	41	41
Current Portion of Long-Term Debt				
Total Creditors	213	240	291	324
Other Current Liabilities	1	1	1	1
Total Current Liabilities	**255**	**281**	**332**	**366**
Total Long-term Debt	357	507	657	807
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	**357**	**507**	**657**	**807**
Total Provisions	61	61	61	61
Total Liabilities	**673**	**849**	**1,050**	**1,234**
Shareholders' Equity	1,654	1,853	2,084	2,335
Minority Interests	3	3	3	3
Total Equity	**1,656**	**1,856**	**2,087**	**2,339**

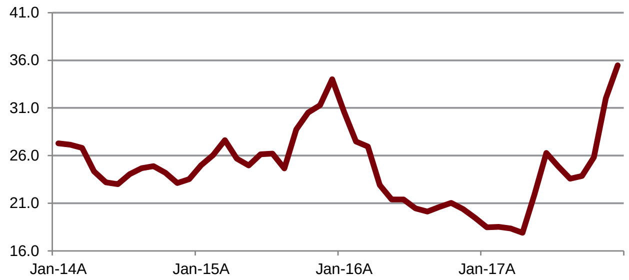
Cash Flow

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
EBITDA	434.4	637.1	752.9	808.1
Cash Flow from Invt. & Assoc.				
Change In Working Capital	14.4	(70.1)	(27.2)	(14.4)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(15.0)	0.0	(0.0)	0.0
Net Interest (Paid)/Received	(0.0)	(0.6)	(1.1)	(1.5)
Tax Paid	(65.3)	(94.1)	(108.9)	(118.4)
Cashflow From Operations	**368.5**	**472.3**	**615.6**	**673.7**
Capex	(350.0)	(350.0)	(350.0)	(200.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Investing	**(350.0)**	**(350.0)**	**(350.0)**	**(200.0)**
Debt Raised/(repaid)	150.0	150.0	150.0	150.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(131.3)	(243.8)	(282.3)	(306.8)
Preferred Dividends				
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	**18.7**	**(93.8)**	**(132.3)**	**(156.8)**
Total Cash Generated	37.1	28.4	133.4	316.9
Free Cashflow To Equity	**168.5**	**272.3**	**415.6**	**623.7**
Free Cashflow To Firm	**19.5**	**123.9**	**267.7**	**476.3**

Key Ratios

	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Revenue Growth	21.6%	33.3%	20.3%	10.2%
Operating EBITDA Growth	12.2%	46.7%	18.2%	7.3%
Operating EBITDA Margin	23.8%	26.2%	25.8%	25.1%
Net Cash Per Share (RM)	(0.17)	(0.25)	(0.26)	(0.15)
BVPS (RM)	1.01	1.13	1.27	1.42
Gross Interest Cover	357.3	327.5	297.8	266.6
Effective Tax Rate	18.7%	17.5%	17.5%	17.5%
Net Dividend Payout Ratio	44.1%	55.0%	55.0%	55.0%
Accounts Receivables Days	52.99	50.89	53.26	55.60
Inventory Days	51.40	45.69	37.65	33.88
Accounts Payables Days	45.79	51.18	49.42	51.54
ROIC (%)	15.8%	20.2%	20.2%	19.8%
ROCE (%)	18.6%	23.6%	23.5%	22.3%
Return On Average Assets	13.9%	17.6%	17.6%	16.7%

12-mth Fwd FD P/E (x) - Hartalega Holdings



Key Drivers

	Mar-17A	Mar-18F	Mar-19F	Mar-20F
ASP (% chg, main prod./serv.)	0.5%	3.5%	0.5%	2.1%
Unit sales grth (%, main prod./serv.)	24.3%	21.5%	19.7%	9.1%
Util. rate (%, main prod./serv.)	80.5%	86.0%	87.0%	87.5%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

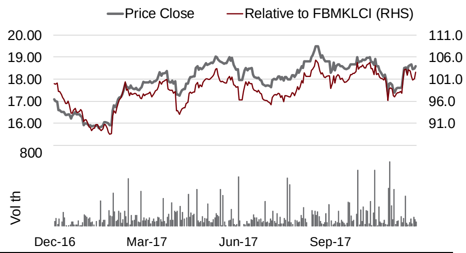
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 3	Hold 7	Sell 0	

Current price:	RM18.58
Target price:	RM17.50
Previous target:	RM17.50
Up/downside:	-5.8%
CIMB / Consensus:	-6.1%
Reuters:	HEIN.KL
Bloomberg:	HEIM MK
Market cap:	US$1,375m
	RM5,613m
Average daily turnover:	US$0.50m
	RM2.09m
Current shares o/s	302.1m
Free float:	49.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2	-1.2	9.6
Relative (%)	1.1	1	3.3

Major shareholders	% held
GAPL Pte Ltd	51.0
Aberdeen Asset Mgmt PLC	5.5

Heineken Malaysia Bhd

The unwavering top dog

- Heineken (HEIM) has successfully defended its position as Malaysia's strongest brewer, commanding c.60% of the domestic legal market share.
- We think that the group's sales growth will continue to be supported by inelastic beer consumption and continued improvement of its portfolio via product innovations.
- Retain Hold and DDM-based TP of RM17.50, with FY17-19F dividend yields of 5-6%.

Malaysia's beer market leader

- HEIM is the largest brewer in Malaysia's duopolistic market, and we estimate it commands 60% market share of the country's legal malt liquor market (MLM) volumes. The group's portfolio comprises a wide range of premium and mainstream brands, including well-known ones like Tiger, Heineken and Guinness. Historically, around 95% of the group's revenue came from the domestic market, while the remaining 5% came from export sales (limited range of products) to neighbouring countries.

9M17 earnings improved thanks to better cost controls

- HEIM's 9M17 sales were marginally higher (up 1.1% yoy) as sales growth was negatively affected by the softer sales in 1H17. Note that 1H17 sales were softer yoy due to the earlier timing of the Chinese New Year in 2017 compared to 2016 and the high base in 1H16 from expectations of a price hike on 1 Jul 2016. Nonetheless, the company registered a 6.8% yoy uptick in pretax profit on the back of effective cost control and higher productivity across its value and supply chain.

Key strategy: launch new products to stimulate sales growth

- Moving forward, the group plans to continue to innovate and expand its product portfolio by launching new variants of existing products and introducing entirely new products to the domestic market to attract a bigger customer base. Additionally, HEIM thinks there is ample headroom for growth and rising traction in the cider category, in view of the drink's popularity among the younger generation. Management shared that its cider brand, *Strongbow*, delivered admirable sales growth yoy in 9M17.
- The group plans to stay focused on expanding the cider segment and intends to launch more cider products in Malaysia. Notably, HEIM debuted a new locally-produced *Apple Fox cider* in 3Q17, which is available in 320ml cans and 325ml bottles in most hypermarkets, supermarkets and convenience stores in the country. This is in line with the group' strategy of rolling out beverages with lower alcohol content (lower excise duties) and prices to gain traction with the younger crowd and savvier drinkers.

Retain Hold call

- We maintain our Hold call on HEIM, with an unchanged DDM-based target price of RM17.50. While HEIM's share price appreciation appears capped for now, we think the group's FY17-19F dividend yields of 5.1-5.7% (based on our estimates) are still appealing (higher than the consumer sector's average dividend yields of c.3%).
- Key upside risks are stronger-than-expected sales volume growth and potential special dividend payout, which could result in a share price rally. Downside risks are higher-than-expected opex and an unexpected increase in excise duties.

Analyst(s)

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Financial Summary	Jun-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	1,749	1,848	2,183	2,283	2,398
Operating EBITDA (RMm)	337.1	399.2	415.7	437.1	464.2
Net Profit (RMm)	214.2	265.7	283.7	298.5	317.9
Core EPS (RM)	0.71	0.88	0.94	0.99	1.05
Core EPS Growth	8.1%	24.0%	6.8%	5.2%	6.5%
FD Core P/E (x)	26.21	21.13	19.78	18.80	17.66
DPS (RM)	0.71	0.00	0.92	0.97	1.03
Dividend Yield	3.82%	0.00%	4.95%	5.21%	5.55%
EV/EBITDA (x)	16.72	14.19	13.44	12.78	12.04
P/FCFE (x)	30.28	21.81	20.12	19.17	18.04
Net Gearing	6.0%	15.0%	(5.3%)	(5.3%)	(5.2%)
P/BV (x)	14.92	16.67	12.16	12.00	11.84
ROE	58.4%	74.5%	71.1%	64.2%	67.5%
CIMB/consensus EPS (x)			1.02	1.01	1.02

SOURCE: COMPANY DATA, CIMB FORECASTS

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**1,848**	**2,183**	**2,283**	**2,398**
Gross Profit	**748**	**811**	**850**	**903**
Operating EBITDA	**399**	**416**	**437**	**464**
Depreciation And Amortisation	(46)	(32)	(33)	(35)
Operating EBIT	**353**	**384**	**404**	**429**
Financial Income/(Expense)	(1)	(5)	(6)	(6)
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**352**	**378**	**398**	**424**
Exceptional Items				
Pre-tax Profit	**352**	**378**	**398**	**424**
Taxation	(86)	(95)	(100)	(106)
Exceptional Income - post-tax				
Profit After Tax	**266**	**284**	**299**	**318**
Minority Interests	0	0	0	0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**266**	**284**	**299**	**318**
Recurring Net Profit	266	284	299	318
Fully Diluted Recurring Net Profit	**266**	**284**	**299**	**318**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	4.5	149.6	149.9	149.4
Total Debtors	359.4	369.9	386.7	406.3
Inventories	38.4	59.7	62.3	65.0
Total Other Current Assets	0.7	15.1	15.1	15.1
Total Current Assets	**403.0**	**594.3**	**614.0**	**635.9**
Fixed Assets	219.5	215.3	211.9	207.1
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	33.6	33.3	33.3	33.3
Total Other Non-Current Assets	17.0	27.0	27.0	27.0
Total Non-current Assets	**270.2**	**275.6**	**272.2**	**267.5**
Short-term Debt	55.0	75.0	75.0	75.0
Current Portion of Long-Term Debt				
Total Creditors	246.7	234.8	245.0	255.8
Other Current Liabilities	0.0	0.0	0.0	0.0
Total Current Liabilities	**301.7**	**309.8**	**320.0**	**330.8**
Total Long-term Debt	0.0	50.0	50.0	50.0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0
Total Non-current Liabilities	**0.0**	**50.0**	**50.0**	**50.0**
Total Provisions	34.8	48.5	48.5	48.5
Total Liabilities	**336.5**	**408.3**	**418.5**	**429.3**
Shareholders' Equity	336.7	461.7	467.6	474.0
Minority Interests	0.0	0.0	0.0	0.0
Total Equity	**336.7**	**461.7**	**467.6**	**474.0**

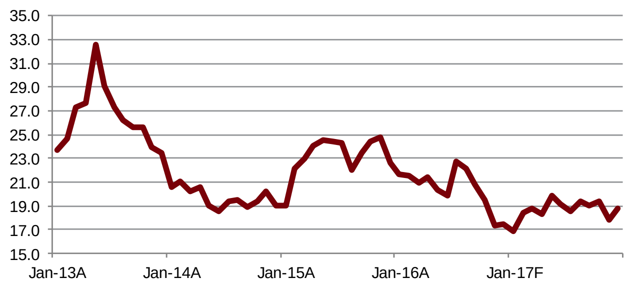
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	399.2	415.7	437.1	464.2
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(45.4)	(6.9)	(9.2)	(11.5)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	61.3	(3.4)	(0.4)	0.0
Net Interest (Paid)/Received	(1.0)	(1.8)	(5.2)	(5.6)
Tax Paid	(86.3)	(94.6)	(99.5)	(106.0)
Cashflow From Operations	**327.9**	**308.9**	**322.8**	**341.1**
Capex	(54.5)	(30.0)	(30.0)	(30.0)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	3.9	0.0	0.0	0.0
Cash Flow From Investing	**(50.5)**	**(30.0)**	**(30.0)**	**(30.0)**
Debt Raised/(repaid)	(20.0)	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(305.1)	(278.0)	(292.5)	(311.5)
Preferred Dividends				
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	**(325.1)**	**(278.0)**	**(292.5)**	**(311.5)**
Total Cash Generated	(47.8)	0.9	0.2	(0.4)
Free Cashflow To Equity	**257.4**	**278.9**	**292.8**	**311.1**
Free Cashflow To Firm	**278.3**	**280.8**	**298.0**	**316.7**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	5.7%	18.2%	4.6%	5.1%
Operating EBITDA Growth	18.4%	4.1%	5.2%	6.2%
Operating EBITDA Margin	21.6%	19.0%	19.1%	19.4%
Net Cash Per Share (RM)	(0.17)	0.08	0.08	0.08
BVPS (RM)	1.11	1.53	1.55	1.57
Gross Interest Cover	370.3	73.4	71.8	76.4
Effective Tax Rate	24.5%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	NA	73.5%	73.5%	73.5%
Accounts Receivables Days	97.57	60.95	60.49	60.34
Inventory Days	21.87	13.04	15.53	15.53
Accounts Payables Days	109.9	64.0	61.1	61.1
ROIC (%)	59.2%	68.2%	62.4%	(21.9%)
ROCE (%)	76.2%	72.2%	63.3%	66.7%
Return On Average Assets	51.6%	49.5%	45.8%	47.2%

12-mth Fwd FD P/E (x) - Heineken Malaysia Bhd



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% Change)	N/A	N/A	N/A	N/A
Unit Sales Growth (%)	N/A	N/A	N/A	N/A
Utilisation Rate (%)	N/A	N/A	N/A	N/A
A&P Expenses (as % Of Revenue)	N/A	N/A	N/A	N/A
Excise Duties (litre)	7.7	8.8	8.8	8.8
Sales Tax (%)	0.0%	0.0%	0.0%	0.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

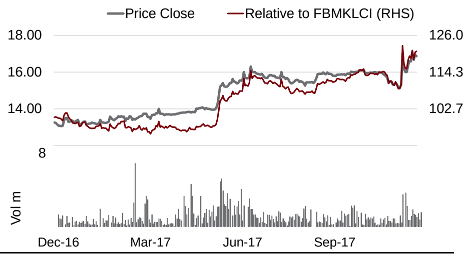
Company Brief

Malaysia

REDUCE *(no change)*

Consensus ratings*:	Buy 5 Hold 11 Sell 2
Current price:	RM16.86
Target price:	RM14.30
Previous target:	RM14.30
Up/downside:	-15.2%
CIMB / Consensus:	-12.2%
Reuters:	HLBB.KL
Bloomberg:	HLBK MK
Market cap:	US$8,451m
	RM34,489m
Average daily turnover:	US$3.62m
	RM15.05m
Current shares o/s	2,168m
Free float:	23.5%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.8	6.2	27
Relative (%)	5.9	8.4	20.7

Major shareholders	% held
Hong Leong Financial Group	63.6
EPF	12.9
State Street Bank & Trust Company	1.6

Hong Leong Bank

Driven by a recovery in BOC's contributions

- We maintain our Reduce call on HLB given its rich valuation of 12.7x CY18F P/E vs. the sector's average of 11.8x.
- We retain our FY18-20F EPS forecasts and DDM-based target price of RM14.30.
- We project core EPS growth to be strong at 11.7% in FY6/18F, before slowing down to 6.8% in FY6/19F.

Retain Reduce

- Notwithstanding the strong recovery in earnings contributions from its 20%-owned associate company, Bank of Chengdu (BOC) in China, we retain our Reduce call on Hong Leong Bank (HLB) given its rich valuation – CY18F P/E of 12.7x vs. the sector's average of 11.8x. The potential upside risks to our call are further improvements in its loan growth and expansion in its net interest margins.

Retain EPS forecasts and target price

- We retain our FY18-20F EPS forecasts and DDM-based target price of RM14.30. The key parameters for our target price are cost of equity of 9.5%, derived from a risk-free rate of 4%, market risk premium of 5.5% and terminal growth rate of 3%.

Projecting strong earnings growth in FY18F…

- Given the spike in BOC's contributions, we project HLB to deliver strong core EPS growth of 11.7% in FY6/18F. At the topline, we forecast a strong 12% rise in FY18F net interest income but expect a small 0.4% decline in FY18F non-interest income.

… before a slowdown in FY19F

- We project slower core EPS growth of 6.8% for HLB in FY6/19F as we expect the growth in BOC's contribution to normalise to single-digit rates. At the topline, we forecast net and non-interest income expansion of 5.4% and 4.3%, respectively, in FY19F.

No systemic risk to asset quality

- The bank's gross impaired loan (GIL) ratio rose from 0.86% at end-Dec 2016 to 0.98% at end-Sep 2017, similar to the trend observed for most of the other banks. HLB's GIL ratio was the second-lowest in the industry as at end-Sep 2017. We project a lower GIL ratio of 0.8% for both end-Jun 2018 and end-Jun 2019 for HLB amid easing pressure on the banks' asset quality.

Key initiatives in 2018

- We believe that in 2018, HLB will continue to focus on (1) selectively growing its loans in certain preferred segments, (2) managing its asset quality, under the more stringent provisioning policies of MFRS 9, (3) increasing the fee-income flow, and (4) enhancing its digital banking businesses through various investments and tie-ups.

The bank's targets for FY18F

- HLB is aiming to achieve the following targets for FY6/18F – (1) gross loan growth of 5-6%, (2) loan-to-deposit ratio of c.82%, (3) net interest margin of more than 2.1%, (4) non-interest income ratio of c.26%, (5) cost-to-income ratio of less than 44%, (6) gross impaired loan ratio of less than 1%, and (7) return on equity of 10-11%.

Analyst(s)

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Financial Summary	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Net Interest Income (RMm)	2,655	2,854	3,196	3,370	3,610
Total Non-Interest Income (RMm)	1,523	1,696	1,735	1,832	1,941
Operating Revenue (RMm)	4,178	4,551	4,931	5,202	5,551
Total Provision Charges (RMm)	(52.6)	(161.2)	(115.6)	(133.6)	(152.6)
Net Profit (RMm)	1,903	2,145	2,489	2,658	2,816
Core EPS (RM)	0.99	1.03	1.15	1.23	1.30
Core EPS Growth	(16.5%)	3.6%	11.7%	6.8%	5.9%
FD Core P/E (x)	16.99	16.41	14.69	13.75	12.98
DPS (RM)	0.41	0.45	0.46	0.49	0.52
Dividend Yield	2.43%	2.67%	2.72%	2.91%	3.08%
BVPS (RM)	9.74	10.47	11.29	12.21	13.18
P/BV (x)	1.73	1.61	1.49	1.38	1.28
ROE	10.6%	10.2%	10.6%	10.4%	10.2%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.99	1.00	0.99

SOURCE: COMPANY DATA, CIMB FORECASTS

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Profit & Loss

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Net Interest Income	2,854	3,196	3,370	3,610
Total Non-Interest Income	1,696	1,735	1,832	1,941
Operating Revenue	**4,551**	**4,931**	**5,202**	**5,551**
Total Non-Interest Expenses	(2,008)	(2,043)	(2,168)	(2,303)
Pre-provision Operating Profit	**2,543**	**2,889**	**3,033**	**3,248**
Total Provision Charges	(161)	(116)	(134)	(153)
Operating Profit After Provisions	**2,382**	**2,773**	**2,900**	**3,095**
Pretax Income/(Loss) from Assoc.	364	401	441	485
Operating EBIT (incl Associates)	**2,746**	**3,174**	**3,340**	**3,580**
Non-Operating Income/(Expense)	2	17	68	30
Profit Before Tax (pre-EI)	**2,748**	**3,191**	**3,408**	**3,610**
Exceptional Items	(102)	0	0	0
Pre-tax Profit	**2,646**	**3,191**	**3,408**	**3,610**
Taxation	(501)	(702)	(750)	(794)
Consolidation Adjustments & Others	0	0	0	0
Exceptional Income - post-tax	0	0	0	0
Profit After Tax	**2,145**	**2,489**	**2,658**	**2,816**
Minority Interests	0	0	0	0
Pref. & Special Div	0	0	0	0
FX And Other Adj.	0	0	0	0
Net Profit	**2,145**	**2,489**	**2,658**	**2,816**
Recurring Net Profit	2,228	2,489	2,658	2,816

Balance Sheet

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Gross Loans	126,274	135,557	143,914	152,856
Liquid Assets & Invst. (Current)	46,403	41,042	38,498	35,319
Other Int. Earning Assets	0	0	0	0
Total Gross Int. Earning Assets	**172,677**	**176,599**	**182,412**	**188,174**
Total Provisions/Loan Loss Reserve	(1,156)	(1,142)	(1,154)	(1,187)
Total Net Interest Earning Assets	**171,522**	**175,457**	**181,258**	**186,988**
Intangible Assets	2,045	2,045	2,045	2,045
Other Non-Interest Earning Assets	11,163	12,250	12,379	12,643
Total Non-Interest Earning Assets	**13,208**	**14,294**	**14,424**	**14,687**
Cash And Marketable Securities	**10,823**	**14,455**	**15,055**	**15,877**
Long-term Investments	0	0	0	0
Total Assets	**195,553**	**204,206**	**210,736**	**217,552**
Customer Interest-Bearing Liabilities	155,233	160,833	164,975	169,227
Bank Deposits	8,316	9,739	10,156	10,591
Interest Bearing Liabilities: Others	2,918	2,918	2,918	2,918
Total Interest-Bearing Liabilities	**166,467**	**173,490**	**178,048**	**182,737**
Bank's Liabilities Under Acceptances	568	581	590	600
Total Non-Interest Bearing Liabilities	5,832	5,654	5,621	5,645
Total Liabilities	**172,867**	**179,725**	**184,260**	**188,982**
Shareholders' Equity	**22,685**	**24,481**	**26,476**	**28,570**
Minority Interests	0	0	0	0
Total Equity	**22,685**	**24,481**	**26,476**	**28,570**

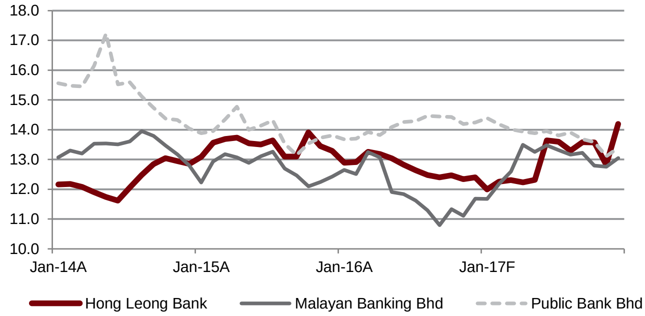
Balance Sheet Employment

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Gross Loans/Cust Deposits	80.6%	81.7%	84.8%	87.9%
Avg Loans/Avg Deposits	80.9%	81.2%	83.3%	86.3%
Avg Liquid Assets/Avg Assets	29.8%	29.5%	28.3%	26.4%
Avg Liquid Assets/Avg IEAs	32.1%	31.7%	30.4%	28.3%
Net Cust Loans/Assets	63.4%	63.8%	65.8%	67.8%
Net Cust Loans/Broad Deposits	75.8%	76.4%	79.2%	82.0%
Equity & Provns/Gross Cust Loans	19.1%	19.5%	19.8%	20.0%
Asset Risk Weighting	64.1%	64.4%	64.2%	64.3%
Provision Charge/Avg Cust Loans	0.095%	0.034%	0.046%	0.037%
Provision Charge/Avg Assets	0.060%	0.022%	0.030%	0.025%
Total Write Offs/Average Assets	0.202%	0.170%	0.169%	0.159%

Key Ratios

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Income Growth	8.92%	8.37%	5.48%	6.72%
Operating Profit Growth	14.5%	13.6%	5.0%	7.1%
Pretax Profit Growth	11.1%	20.6%	6.8%	5.9%
Net Interest To Total Income	62.7%	64.8%	64.8%	65.0%
Cost Of Funds	2.00%	1.92%	1.91%	1.90%
Return On Interest Earning Assets	3.44%	3.48%	3.49%	3.54%
Net Interest Spread	1.44%	1.56%	1.58%	1.63%
Net Interest Margin (Avg Deposits)	1.88%	2.02%	2.07%	2.16%
Net Interest Margin (Avg RWA)	2.29%	2.49%	2.53%	2.63%
Provisions to Pre Prov. Operating Profit	6.34%	4.00%	4.40%	4.70%
Interest Return On Average Assets	1.48%	1.60%	1.62%	1.69%
Effective Tax Rate	18.9%	22.0%	22.0%	22.0%
Net Dividend Payout Ratio	44.0%	40.5%	40.5%	40.5%
Return On Average Assets	1.17%	1.25%	1.28%	1.32%

12-mth Fwd FD P/E (x)



Key Drivers

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Loan Growth (%)	3.8%	5.0%	6.4%	6.3%
Net Interest Margin (%)	1.6%	1.7%	1.7%	1.8%
Non Interest Income Growth (%)	11.4%	2.3%	5.6%	6.0%
Cost-income Ratio (%)	44.1%	41.4%	41.7%	41.5%
Net NPL Ratio (%)	1.0%	0.8%	0.8%	0.7%
Loan Loss Reserve (%)	96.0%	106.0%	109.2%	108.0%
GP Ratio (%)	0.7%	0.6%	0.6%	0.6%
Tier 1 Ratio (%)	17.8%	14.7%	15.5%	16.2%
Total CAR (%)	20.2%	16.9%	17.7%	18.3%
Deposit Growth (%)	4.5%	3.6%	2.6%	2.6%
Loan-deposit Ratio (%)	79.9%	81.0%	84.1%	87.2%
Gross NPL Ratio (%)	1.0%	0.8%	0.8%	0.7%
Fee Income Growth (%)	-1.2%	12.9%	6.0%	5.4%

SOURCE: CIMB RESEARCH, COMPANY DATA

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 0	Hold 1	Sell 0

Current price:	RM0.39
Target price:	RM0.42
Previous target:	RM0.42
Up/downside:	7.8%
CIMB / Consensus:	0.0%
Reuters:	IFCA.KL
Bloomberg:	IFCA MK
Market cap:	US$54.40m
	RM222.0m
Average daily turnover:	US$0.65m
	RM2.70m
Current shares o/s	608.2m
Free float:	64.7%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-11	-4	35.2
Relative (%)	-11.9	-1.8	28.9

Major shareholders	% held
IFCA Software (Asia) S/B	34.3
Chung Keen Mean	1.0

IFCA MSC

Launches IFCA 2.0

- IFCA 2.0 was launched in Oct 2017 but we are not sure how long it would take for the company to transform its existing business under the programme.
- The company had RM64.6m net cash or 10.6 sen net cash per share, as at end–Sep. Around 28% of its share price is supported by cash.
- Still a Hold due to a slow earnings growth outlook, we prefer MyEG for exposure to the technology sector.

Solutions provided for the property sector

- IFCA MSC (IFCA) is an enterprise software solutions provider that focuses on property development, golf clubs, hotels and the construction sector. The company dominates in the domestic property sector, with around 70% market share. Major export markets are China and Indonesia.

IFCA 2.0 launched in Oct

- At end-Oct 17, the company announced that it was embarking on a transformational programme, IFCA 2.0. IFCA is expected to focus on areas such as: community engagement, digital transformation, mobility, e-commerce, artificial intelligence and business intelligence. We are positive on IFCA's strategy to transform the existing business but we are not sure how long it would take before the company sees positive results from IFCA 2.0.

P365 cloud infrastructure to be launched early next year

- IFCA's new upcoming initiatives also includes an accelerator programme for the domestic property market, targeting developers and its customers. We are hopeful that over the next few quarters, IFCA 2.0 could help to boost the company's topline growth. Meanwhile, IFCA has established a new cloud network infrastructure for P365 and this new cloud service should be offered to customers (which it plans to launch) early next year.

Revenue growth from export markets

- IFCA's 9M17 export revenue rose by 21.9% yoy to RM30.6m while 9M17 domestic revenue increased by a slower 12.5% to RM32.3m, an indication of further recovery in the domestic market and continued strong sales in China. 3Q17 export revenue was up 11.7% qoq, mainly due to higher hardware sales during the quarter, but 3Q17 pretax profit was down 15.6% qoq due to lower profit margin from hardware sales.

Secured a major job from China

- As at end-Oct 17, IFCA secured a RM6.3m contract from China Overseas Property Group Co., China's sixth largest property developer, for the supply and installation of a project costing, cost planning and procurement system. The job is expected to be completed in 12 months.

Net cash position

- IFCA's balance sheet remains strong, with RM64.6m net cash or 10.6 sen net cash per share as at end-Sep 17. With IFCA 2.0 in place, we expect the company to use its cash pile to invest or undertake M&As to further transform its operations.

Remains a Hold, we prefer MyEG

- We maintain our EPS forecasts and target price, based on an unchanged 30% discount to SOP to reflect its small market cap. IFCA remains a Hold as we do not see any immediate catalysts for the stock. An upside risk is if its China business takes off in a big way over the next few quarters. Downside risk is weakness in the domestic market. 27% of its share price is currently backed by net cash.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	101.6	75.2	85.6	91.2	94.6
Net Profit (RMm)	21.80	0.60	12.92	14.15	15.05
Core EPS (RM)	0.039	(0.000)	0.029	0.031	0.033
Core EPS Growth	7%	(101%)		8%	5%
FD Core P/E (x)	9.1	631.6	12.4	11.5	11.0
Price To Sales (x)	2.14	2.89	2.54	2.39	2.30
DPS (RM)	0.010	0.005	0.005	0.005	0.005
Dividend Yield	2.74%	1.37%	1.37%	1.37%	1.37%
EV/EBITDA (x)	5.91	16.34	6.19	5.11	3.67
P/FCFE (x)	10.09	27.30	15.30	13.20	6.83
Net Gearing	(75%)	(83%)	(86%)	(90%)	(105%)
P/BV (x)	2.45	2.44	2.20	1.97	1.78
ROE	29.3%	(0.2%)	18.4%	17.9%	16.9%
CIMB/consensus EPS (x)			0.75	0.77	0.76

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**75.2**	**85.6**	**91.2**	**94.6**
Gross Profit	**63.9**	**72.8**	**77.5**	**80.4**
Operating EBITDA	**8.8**	**21.4**	**23.1**	**24.2**
Depreciation And Amortisation	(7.9)	(6.4)	(6.6)	(6.6)
Operating EBIT	**0.9**	**15.0**	**16.5**	**17.6**
Financial Income/(Expense)	0.0	1.0	1.0	1.0
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**7.8**	**21.4**	**23.1**	**24.2**
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	**0.9**	**16.0**	**17.5**	**18.6**
Taxation	(1.0)	(2.9)	(3.2)	(3.3)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0
Profit After Tax	**(0.1)**	**13.1**	**14.4**	**15.3**
Minority Interests	0.7	(0.2)	(0.2)	(0.2)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**0.6**	**12.9**	**14.2**	**15.1**
Recurring Net Profit	(0.2)	17.3	18.7	19.6
Fully Diluted Recurring Net Profit	**0.3**	**17.8**	**19.2**	**20.1**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	74.90	86.40	100.10	129.40
Total Debtors	11.28	12.84	13.68	0.00
Inventories	0.00	0.00	0.00	0.00
Total Other Current Assets	4.50	4.00	6.80	6.80
Total Current Assets	**90.68**	**103.24**	**120.58**	**136.20**
Fixed Assets	10.40	9.00	7.40	5.80
Total Investments	0.00	0.00	0.00	0.00
Intangible Assets	0.00	0.00	0.00	0.00
Total Other Non-Current Assets	11.00	11.30	7.60	7.50
Total Non-current Assets	**21.40**	**20.30**	**15.00**	**13.30**
Short-term Debt	0.30	0.30	0.30	0.30
Current Portion of Long-Term Debt	0.00	0.00	0.00	0.00
Total Creditors	14.53	15.98	17.58	19.34
Other Current Liabilities	7.30	7.30	7.30	7.30
Total Current Liabilities	**22.13**	**23.58**	**25.18**	**26.94**
Total Long-term Debt	0.20	0.20	0.20	0.20
Hybrid Debt - Debt Component	0.00	0.00	0.00	0.00
Total Other Non-Current Liabilities	0.00	0.00	0.00	0.00
Total Non-current Liabilities	**0.20**	**0.20**	**0.20**	**0.20**
Total Provisions	0.00	0.00	0.00	0.00
Total Liabilities	**22.33**	**23.78**	**25.38**	**27.14**
Shareholders' Equity	89.22	99.14	110.29	122.34
Minority Interests	0.50	0.70	0.00	0.00
Total Equity	**89.72**	**99.84**	**110.29**	**122.34**

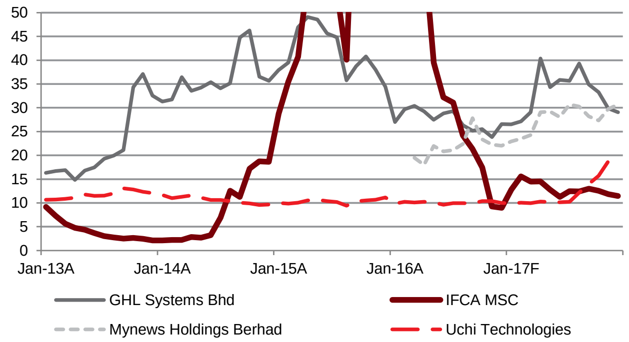
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	8.80	21.40	23.10	24.20
Cash Flow from Invt. & Assoc.	0.00	0.00	0.00	0.00
Change In Working Capital	5.28	(0.11)	0.76	15.44
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00
Other Operating Cashflow	0.00	0.00	0.00	0.00
Net Interest (Paid)/Received	0.00	1.00	1.00	1.00
Tax Paid	(1.00)	(2.88)	(3.15)	(3.35)
Cashflow From Operations	**13.08**	**19.41**	**21.71**	**37.29**
Capex	(5.00)	(5.00)	(5.00)	(5.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Investing	**(5.00)**	**(5.00)**	**(5.00)**	**(5.00)**
Debt Raised/(repaid)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	(3.00)	(3.00)	(3.00)	(3.00)
Preferred Dividends	0.00	0.00	0.00	0.00
Other Financing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Financing	**(3.00)**	**(3.00)**	**(3.00)**	**(3.00)**
Total Cash Generated	5.08	11.41	13.71	29.29
Free Cashflow To Equity	**8.08**	**14.41**	**16.71**	**32.29**
Free Cashflow To Firm	**8.08**	**14.41**	**16.71**	**32.29**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(26.0%)	13.8%	6.5%	3.7%
Operating EBITDA Growth	(66%)	143%	8%	5%
Operating EBITDA Margin	11.7%	25.0%	25.3%	25.6%
Net Cash Per Share (RM)	0.12	0.14	0.17	0.22
BVPS (RM)	0.15	0.17	0.18	0.21
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	111%	18%	18%	18%
Net Dividend Payout Ratio	35.3%	14.2%	13.1%	12.5%
Accounts Receivables Days	64.54	51.42	53.07	26.39
Inventory Days	-	-	-	-
Accounts Payables Days	450.0	433.7	447.7	474.8
ROIC (%)	34%	133%	159%	219%
ROCE (%)	8.7%	22.5%	21.9%	20.7%
Return On Average Assets	7.0%	17.3%	17.1%	16.3%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP Change (%, Main Product)	3.0%	3.0%	3.0%	3.0%
Unit sales growth (%, main prod)	15.0%	15.0%	15.0%	15.0%
No. Of Lines (main Product)	N/A	N/A	N/A	N/A
Rev per line (US$, main prod)	300,000.0	300,000.0	300,000.0	300,000.0
ASP chg (%, 2ndary prod)	N/A	N/A	N/A	N/A
Unit sales grth (%, 2ndary prod)	60.0%	50.0%	50.0%	50.0%
No. Of Lines (secondary Product)	N/A	N/A	N/A	N/A
Rev per line (US$, 2ndary prod)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

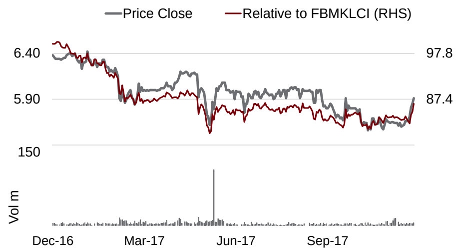
Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 13 Hold 11 Sell 2
Current price:	RM5.91
Target price:	RM6.36
Previous target:	RM6.36
Up/downside:	7.6%
CIMB / Consensus:	1.1%
Reuters:	IHHH.KL
Bloomberg:	IHH MK
Market cap:	US$11,932m
	RM48,693m
Average daily turnover:	US$4.77m
	RM19.82m
Current shares o/s	8,239m
Free float:	21.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.1	1.5	-7.4
Relative (%)	5.2	3.7	-13.7

Major shareholders	% held
Khazanah Nasional Bhd	41.1
Mitsui & Co Ltd	18.0
Employees Provident Fund	9.6

IHH Healthcare Bhd

Premium healthcare play

- We think the worst could be over for the newly-opened Gleneagles HK, given improving ramp-up and narrowing start-up losses.
- Strong Singapore and Malaysia hospital operations provide a sustainable earnings base for the group, underpinned by favourable macro trends.
- Expansion in China and India could be IHH's next growth phase. Maintain Add.

Look beyond FY18F for positive HK contribution

- 2017 has largely been a disappointing year for IHH, in terms of both share price and bottom line, as the opening of two large flagship hospitals in Mar 2017 – Gleneagles HK (GHK) and Acibadem Altunizade, weighed on overall profitability. A weaker Turkish Lira against Malaysian ringgit did not help either.
- The bright spot for this 500-bed hospital operator lies in its narrowing quarterly EBITDA losses, helped by i) a gradual shift from 'bread and butter' services to higher intensity specifications, ii) increasing line-up of insurance providers, and iii) greater awareness in the domestic market. We expect EBITDA breakeven in FY19F.
- The strong ramp-up in the new Acibadem Taksim and Altunizade, coupled with recently-acquired Tokuda and City Clinic Group in Bulgaria, also led to 29% and 18% yoy growth in 9M17 revenue and EBITDA respectively, in constant currency terms.

Macro drivers still intact

- We continue to see IHH as a beneficiary of positive underlying trends, such as rising affluence and ageing population, in its core markets of Malaysia and Singapore. The RM30m allocation in Malaysia's 2018 Budget and additional initiatives to promote medical tourism by the Malaysia Healthcare Travel Council (MHTC) could bode well for the group as well, in our view.
- As of 9M17, Singapore hospitals saw an overall 2.1% increase in inpatient admissions and 7.9% increase in revenue per inpatient admission. Malaysia hospitals recorded 2.2% higher inpatient admissions, and 11.1% yoy growth in revenue per inpatient admission.

Growth opportunities aplenty in China and India

- IHH remains on track to penetrate into China, starting with Chengdu (350-bed), Nanjing (70-bed) and Shanghai (450-bed) from late-2018 to 2020. We believe these are long-term growth potentials for the group, as it taps on the private healthcare demand of China's large population.
- Pre-opening and start-up costs for these new hospitals are unlikely to be as extensive as those of GHK, due to the phased opening of hospital beds, smaller ownership stakes and more asset-light approach (for Chengdu).
- Meanwhile, India is still a small contributor of IHH's overall earnings (9M17: RM4m). But the recent issuance of US$500m senior perps (4.25%) could be a war chest to pursue more aggressive inorganic growth in India, especially with more attractive valuations of potential targets, in our view.

Maintain Add with SOP-based TP of RM6.36

- We believe the worst could be over for GHK, and expect sequential earnings improvement post 3Q17. Any share price weakness would be an attractive entry point to accumulate the stock; maintain Add on IHH with SOP-based target price of RM6.36.
- Better-than-expected earnings delivery of GHK and synergistic M&As are potential stock catalysts. Downside risks to our Add call include unfavourable currency movements against the Malaysian ringgit and poor overseas execution

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	8,455	10,022	11,244	13,030	14,925
Operating EBITDA (RMm)	2,219	2,189	2,260	2,699	3,286
Net Profit (RMm)	934	612	675	973	1,279
Core EPS (RM)	0.11	0.11	0.08	0.12	0.16
Core EPS Growth	27.0%	(3.9%)	(22.2%)	44.1%	31.5%
FD Core P/E (x)	53.90	56.15	72.11	50.06	38.08
DPS (RM)	0.030	0.030	0.021	0.026	0.033
Dividend Yield	0.51%	0.51%	0.35%	0.44%	0.56%
EV/EBITDA (x)	24.93	25.39	24.23	20.28	16.55
P/FCFE (x)	NA	1,846	51	171	66
Net Gearing	19.3%	21.1%	8.0%	7.5%	5.5%
P/BV (x)	2.18	2.21	1.97	1.91	1.83
ROE	4.30%	3.91%	3.03%	4.24%	5.35%
CIMB/consensus EPS (x)			0.98	0.96	1.01

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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CIMB

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**10,022**	**11,244**	**13,030**	**14,925**
Gross Profit	**4,336**	**4,655**	**5,342**	**5,970**
Operating EBITDA	**2,189**	**2,260**	**2,699**	**3,286**
Depreciation And Amortisation	(800)	(985)	(1,095)	(1,184)
Operating EBIT	**1,389**	**1,275**	**1,605**	**2,103**
Financial Income/(Expense)	(528)	(456)	(164)	(162)
Pretax Income/(Loss) from Assoc.	17	1	(10)	(50)
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**878**	**820**	**1,431**	**1,890**
Exceptional Items				
Pre-tax Profit	**878**	**820**	**1,431**	**1,890**
Taxation	(270)	(197)	(321)	(405)
Exceptional Income - post-tax				
Profit After Tax	**608**	**623**	**1,110**	**1,486**
Minority Interests	4	90	(48)	(118)
Preferred Dividends	0	(38)	(89)	(89)
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**612**	**675**	**973**	**1,279**
Recurring Net Profit	866	675	973	1,279
Fully Diluted Recurring Net Profit	**866**	**675**	**973**	**1,279**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	2,443	5,369	5,441	5,911
Total Debtors	1,442	1,540	1,785	2,044
Inventories	253	258	305	350
Total Other Current Assets	461	461	461	461
Total Current Assets	**4,599**	**7,628**	**7,993**	**8,766**
Fixed Assets	13,141	14,408	15,563	16,628
Total Investments	3,194	3,195	3,185	3,135
Intangible Assets	13,566	13,502	13,441	13,381
Total Other Non-Current Assets	2,689	1,429	1,429	1,429
Total Non-current Assets	**32,589**	**32,534**	**33,618**	**34,573**
Short-term Debt	634	634	634	634
Current Portion of Long-Term Debt				
Total Creditors	2,612	2,998	3,549	4,065
Other Current Liabilities	395	395	395	395
Total Current Liabilities	**3,642**	**4,028**	**4,579**	**5,095**
Total Long-term Debt	6,853	6,853	6,853	6,853
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	1,733	1,733	1,733	1,733
Total Non-current Liabilities	**8,586**	**8,586**	**8,586**	**8,586**
Total Provisions	1,067	1,067	1,067	1,067
Total Liabilities	**13,295**	**13,680**	**14,231**	**14,748**
Shareholders' Equity	21,986	24,664	25,514	26,608
Minority Interests	1,907	1,817	1,865	1,983
Total Equity	**23,893**	**26,481**	**27,379**	**28,591**

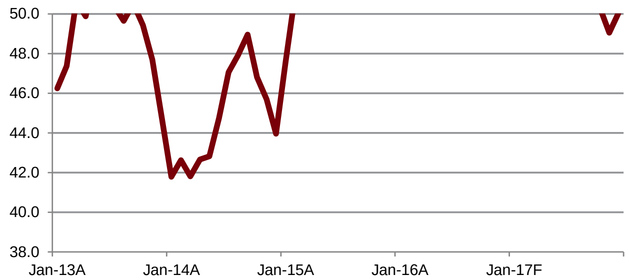
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	2,189	2,260	2,699	3,286
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(147)	282	259	212
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	95	0	0	0
Net Interest (Paid)/Received	(657)	(524)	(314)	(314)
Tax Paid	(204)	(197)	(321)	(405)
Cashflow From Operations	**1,276**	**1,821**	**2,323**	**2,779**
Capex	(2,084)	(2,189)	(2,189)	(2,189)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments	(51)	0	0	0
Other Investing Cashflow	464	1,328	150	152
Cash Flow From Investing	**(1,671)**	**(860)**	**(2,038)**	**(2,036)**
Debt Raised/(repaid)	421	0	0	0
Proceeds From Issue Of Shares	2	0	0	0
Shares Repurchased				
Dividends Paid	(247)	(171)	(212)	(274)
Preferred Dividends				
Other Financing Cashflow	(22)	1,612	(314)	(314)
Cash Flow From Financing	**154**	**1,441**	**(527)**	**(588)**
Total Cash Generated	(241)	2,401	(242)	155
Free Cashflow To Equity	**26**	**961**	**285**	**743**
Free Cashflow To Firm	**262**	**1,485**	**599**	**1,058**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	18.5%	12.2%	15.9%	14.5%
Operating EBITDA Growth	(1.3%)	3.2%	19.5%	21.7%
Operating EBITDA Margin	21.8%	20.1%	20.7%	22.0%
Net Cash Per Share (RM)	(0.61)	(0.26)	(0.25)	(0.19)
BVPS (RM)	2.67	2.99	3.10	3.23
Gross Interest Cover	2.11	2.43	5.10	6.69
Effective Tax Rate	30.7%	24.0%	22.4%	21.4%
Net Dividend Payout Ratio	40.3%	25.4%	21.8%	21.4%
Accounts Receivables Days	48.86	48.40	46.57	46.83
Inventory Days	15.17	14.14	13.37	13.35
Accounts Payables Days	166.3	155.4	155.4	155.2
ROIC (%)	5.04%	4.47%	5.69%	7.24%
ROCE (%)	4.70%	3.98%	4.95%	6.17%
Return On Average Assets	3.13%	2.79%	3.12%	3.88%

12-mth Fwd FD P/E (x) - IHH Healthcare Bhd



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
No. Of Patient Admissions (m P.a.)	N/A	N/A	N/A	N/A
Revenue Per Patient Bed (RM)	N/A	N/A	N/A	N/A
Occupancy Rate Of Beds (%)	68.0%	68.3%	68.3%	68.3%
Average Length Of Stay (days)	N/A	N/A	N/A	N/A
Beds Opened (units)	5,591.0	5,337.6	5,483.9	5,636.0
Bed Turnover A Year (x)	N/A	N/A	N/A	N/A
% of fgn patients to patient load	N/A	N/A	N/A	N/A

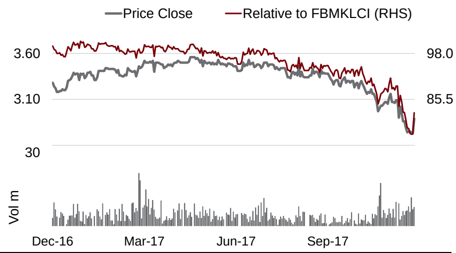
SOURCE: CIMB RESEARCH, COMPANY DATA

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 20 Hold 3 Sell 1
Current price:	RM2.89
Target price:	RM3.73
Previous target:	RM3.73
Up/downside:	29.1%
CIMB / Consensus:	1.1%
Reuters:	IJMS.KL
Bloomberg:	IJM MK
Market cap:	US$2,569m
	RM10,486m
Average daily turnover:	US$2.85m
	RM11.85m
Current shares o/s	3,618m
Free float:	79.4%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5.3	-14.8	-11.9
Relative (%)	-6.2	-12.6	-18.2

Major shareholders	% held
EPF	14.5
Amanahraya Trustees	6.1

IJM Corp Bhd

Positioning for rail tenders in 2018F

- We expect IJM Corp to benefit from the sector's rail theme in 2018F.
- Formed a consortium to bid for the project delivery partner (PDP) scope of the KL-Singapore high-speed rail (HSR).
- Stock oversold following its exclusion from the FBM KLCI Index; Add retained.

Bidding for HSR PDP with SunCon as a consortium partner

- We expect IJM to benefit from the sector's rail theme in 2018F. In a new development, IJM has formed a consortium with Sunway Construction Group (SCGB MK, NR), Jalinan Rejang Sdn Bhd, and Maltimur Resources Sdn Bhd to bid for the Kuala Lumpur-Singapore HSR's PDP scope. Each party holds a 25% stake. Other potential new contracts include a package of the RM55bn East Coast Rail Link (ECRL).
- Based on StarBiz's 2015 news report, Maltimur Resources is 30%-owned by former Sarawak politician Tan Sri Ahmad Urai Abang Muhideen. Other shareholders, namely Mohd Zaidee Abang Hipni (40%) and Safuani Andul Hamid (30%), also sit on the board of Lebuhraya Borneo Utara Sdn Bhd (LBU), the PDP for Sarawak's Pan Borneo Highway.

Forecasting RM1.5bn total new wins p.a. from FY3/18F.

- IJM's current outstanding order book stands at RM9.4bn. Infrastructure-based works, which command the highest-end of IJM's segmental profit margin range, comprise 41% of its order book. YTD, it has won RM2.8bn worth of contracts, one of the sector's highest, but the group is looking to end CY17 with at least one more job win. We expect 1.5bn total new wins p.a. from FY3/18F onwards.

New details on IJM's latest India highway concession win

- The securing of a highway concession under India's National Highways Development Project Phase-III last week added RM1.3bn to IJM's construction order book. The group is forecasting a "mid-teen" internal rate of return (IRR) over the 20-year concession of the Solapur-Bijapur highway. It plans to sell its 29% stake in the Swarna highway in India to fund the working capital of the new highway.

Property sales and outlook for 2018F

- IJM's 1HFY3/18 new property sales were RM770m, slightly more than half of FY3/17's RM1.4bn. Property development revenue crept up 2.1% yoy to RM574.5m. Property pretax profit rose 12.3% yoy due to a RM4.1m unrealised forex gain. Management guided that it expects the property market recovery to be slow, although buying interest has seen some improvement. To boost sales, IJM is offering discounts to clear its property inventory.

Port operations to deliver strong numbers in 4QFY18F

- IJM's Kuantan Port saw its pre-tax profit jump to RM54m in 1HFY3/18, from RM21.6m yoy. The throughput rise of 15% yoy in 2QFY3/18 was slower than the preceding quarter's 73%, as the authorities have been clamping down on illegal bauxite mining in Pahang. Nonetheless, the group expects throughput volume to get a boost from the commencement of Alliance Steel's operations in 1Q18; the steel mill is expected to generate 7m MT of throughput, vs. Kuantan Port's overall 15m MT in FY3/17.

Maintain Add; share price oversold

- The stock saw a knee-jerk reaction following its exclusion from the Index; down 5.4% since end-Nov. We believe it is oversold and investor may view this as a good buying opportunity, ahead of contract flows next year. We keep out FY18-20F EPS and target price, pegged to an unchanged 10% discount to RNAV. Maintain Add, with contract wins as potential re-rating catalysts. Downside risks to our call are job delays.

Financial Summary	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Revenue (RMm)	5,128	6,065	6,369	6,751	7,223
Operating EBITDA (RMm)	1,055	822	908	1,053	1,247
Net Profit (RMm)	793.6	653.8	692.6	717.8	845.4
Core EPS (RM)	0.22	0.18	0.19	0.20	0.23
Core EPS Growth	65.0%	(17.6%)	5.9%	3.6%	17.8%
FD Core P/E (x)	13.18	15.99	15.10	14.57	12.37
DPS (RM)	0.10	0.08	0.11	0.12	0.12
Dividend Yield	3.46%	2.60%	3.81%	3.98%	3.98%
EV/EBITDA (x)	14.15	18.05	16.24	13.90	11.66
P/FCFE (x)	23.24	NA	NA	NA	59.95
Net Gearing	40.3%	47.9%	46.3%	44.7%	43.3%
P/BV (x)	1.16	1.43	1.39	1.36	1.33
ROE	9.0%	8.0%	9.4%	9.4%	10.9%
CIMB/consensus EPS (x)			1.12	0.98	1.04

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Net Revenues	**6,065**	**6,369**	**6,751**	**7,223**
Gross Profit	**1,427**	**1,531**	**1,695**	**1,915**
Operating EBITDA	**822**	**908**	**1,053**	**1,247**
Depreciation And Amortisation	(300)	(303)	(307)	(310)
Operating EBIT	**521**	**604**	**747**	**938**
Financial Income/(Expense)	85	90	96	102
Pretax Income/(Loss) from Assoc.	73	75	77	79
Non-Operating Income/(Expense)	331	271	156	93
Profit Before Tax (pre-EI)	**1,010**	**1,040**	**1,075**	**1,211**
Exceptional Items	0	0	0	0
Pre-tax Profit	**1,010**	**1,040**	**1,075**	**1,211**
Taxation	(243)	(233)	(242)	(249)
Exceptional Income - post-tax				
Profit After Tax	**767**	**807**	**833**	**962**
Minority Interests	(113)	(114)	(115)	(116)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**654**	**693**	**718**	**845**
Recurring Net Profit	654	693	718	845
Fully Diluted Recurring Net Profit	**654**	**693**	**718**	**845**

Balance Sheet

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Cash And Equivalents	1,595	1,516	1,440	1,368
Total Debtors	2,211	2,167	2,124	2,081
Inventories	1,004	1,007	1,009	1,026
Total Other Current Assets	6,254	6,317	6,380	6,444
Total Current Assets	**11,064**	**11,007**	**10,952**	**10,919**
Fixed Assets	1,778	1,804	1,831	1,857
Total Investments	1,619	1,628	1,637	1,646
Intangible Assets	61	61	61	61
Total Other Non-Current Assets	5,149	5,199	5,248	5,298
Total Non-current Assets	**8,608**	**8,692**	**8,777**	**8,862**
Short-term Debt	1,418	1,362	1,307	1,255
Current Portion of Long-Term Debt				
Total Creditors	4,024	4,039	4,045	4,113
Other Current Liabilities	23	23	23	23
Total Current Liabilities	**5,465**	**5,423**	**5,374**	**5,391**
Total Long-term Debt	4,247	4,162	4,079	3,997
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	1,472	1,457	1,442	1,428
Total Non-current Liabilities	**5,719**	**5,619**	**5,521**	**5,425**
Total Provisions	0	0	0	0
Total Liabilities	**11,184**	**11,042**	**10,896**	**10,816**
Shareholders' Equity	7,305	7,496	7,696	7,851
Minority Interests	1,184	1,160	1,137	1,114
Total Equity	**8,488**	**8,656**	**8,833**	**8,965**

Cash Flow

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
EBITDA	822	908	1,053	1,247
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(634)	(692)	(823)	(1,029)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	41	41	41	41
Net Interest (Paid)/Received	(255)	(261)	(269)	(287)
Tax Paid	(235)	(228)	(236)	(244)
Cashflow From Operations	**(262)**	**(233)**	**(234)**	**(272)**
Capex	(56)	(56)	(56)	(56)
Disposals Of FAs/subsidiaries	105	83	87	116
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	0	0	0	0
Cash Flow From Investing	**49**	**26**	**30**	**60**
Debt Raised/(repaid)	66	61	171	386
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(52)	(52)	(52)	(52)
Preferred Dividends				
Other Financing Cashflow	(41)	(25)	(14)	(14)
Cash Flow From Financing	**(27)**	**(15)**	**105**	**321**
Total Cash Generated	(239)	(222)	(99)	109
Free Cashflow To Equity	**(146)**	**(145)**	**(33)**	**174**
Free Cashflow To Firm	**57**	**67**	**77**	**86**

Key Ratios

	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Revenue Growth	18.3%	5.0%	6.0%	7.0%
Operating EBITDA Growth	(22.1%)	10.4%	16.1%	18.4%
Operating EBITDA Margin	13.5%	14.2%	15.6%	17.3%
Net Cash Per Share (RM)	(1.12)	(1.11)	(1.09)	(1.07)
BVPS (RM)	2.02	2.07	2.13	2.17
Gross Interest Cover	3.60	4.13	5.06	6.29
Effective Tax Rate	24.1%	22.4%	22.5%	20.6%
Net Dividend Payout Ratio	31.6%	29.8%	28.8%	24.5%
Accounts Receivables Days	134.4	125.5	116.0	106.5
Inventory Days	82.47	75.86	72.79	70.16
Accounts Payables Days	246.7	303.2	290.9	280.4
ROIC (%)	3.66%	4.87%	5.98%	7.45%
ROCE (%)	5.74%	6.80%	7.88%	8.82%
Return On Average Assets	3.45%	3.64%	3.74%	4.35%

12-mth Fwd FD P/E (x) - IJM Corp Bhd

Key Drivers

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Outstanding Orderbook	6,000	6,000	6,000	6,000
Order Book Depletion	N/A	N/A	N/A	N/A
Orderbook Replenishment	2,000	2,000	1,500	1,500
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

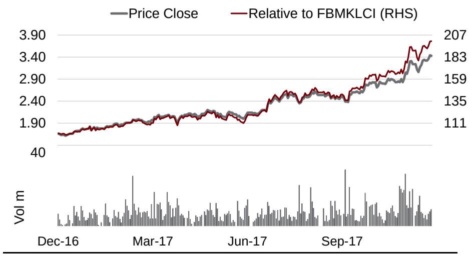
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 6	Hold 6	Sell 1

Current price:	RM3.43
Target price:	RM3.10
Previous target:	RM3.10
Up/downside:	-9.6%
CIMB / Consensus:	0.2%
Reuters:	INAR.KL
Bloomberg:	INRI MK
Market cap:	US$1,721m
	RM7,024m
Average daily turnover:	US$6.23m
	RM25.93m
Current shares o/s	2,018m
Free float:	67.3%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	21.2	39.4	107.9
Relative (%)	20.3	41.6	101.6

Major shareholders	% held
Insas Bhd	20.4
KWAP	6.9
EPF	5.4

Inari-Amertron Bhd

Going from strength to strength

- Inari is on a multi-year expansion driven by strong RF components demand on the back of rising 4G network adoption and exponential mobile data growth.
- Moreover, the group is planning to build a new 600k sq ft facility in Batu Kawan, Penang in 4QFY6/18F to diversify its earnings growth beyond RF.
- Maintain Add. Inari is our sector top pick due to its CY16-19F EPS CAGR of 23%.

An impressive start to FY6/18

- Revenue grew 32.5% yoy to reach RM373m in 1QFY6/18 due to higher shipment volume from its radio frequency (RF) segment and new contribution from the iris scanner production at Inari Optical Technology (IOT) and mixed signal testing at Inari Integrated System (IIS). EBITDA margin expanded by 4.5% pts yoy to 26.1% in 1QFY18. Overall, core EPS increased by 51% yoy in spite of higher depreciation expenses in the quarter.

Still riding on content growth in smartphone demand

- We expect Inari to continue to ride on growing demand for RF content in smartphones, driven by increasing connectivity requirements. Independent market research group Counterpoint said global smartphone sales grew by 8.3% to reach 1.14bn in 9M17. It projects the growth momentum to continue in 4Q17 driven by the new iPhone and new products launches from other OEMs. Overall, Counterpoint is projecting smartphone volume to grow by 6-8% in 2017.
- Inari raised the number of RF testers from 850 units in Aug 17 to 960 units in Nov 17. We understand the group is allocating RM50m capex for potential expansion in RF tester capacity in phase 2 of the expansion at P13B, which is expected to be completed in May 18

IIS is on track to be profitable in FY18

- We understand that IIS broke even at the pretax level in Aug 17 given that it had completed the second phase of expansion with a 30-unit mixed signal tester in June 17. The group plans to complete the third phase by adding 15 new testers in Dec 17. Overall, we expect IIS to contribute about 10% of the group's pretax profit in FY6/18F.

New growth driver from expansion in Batu Kawan plant

- We were excited to learn that the group is planning to utilise its land in Batu Kawan, Penang for potential expansion into new product segments beyond RF. The group is targeting to build three new plants servicing different product portfolios. The group is allocating RM60m capex for building a new 600k sq ft production facility in Batu Kawan and expects the first plant to be ready in 1QFY6/19F. Following completion, Inari will increase the total production floor area from 1m to 1.6m sq ft.
- Although management has not disclosed details on the product portfolio for the Batu Kawan plant, we understand the group is looking to expand its mixed signal testing division following the successful launched at IIS. In addition, we think it is looking to venture into LED chip downstream packaging and testing following the commissioning of a new wafer fab from one of its customers in Kulim.

Still our top pick for Malaysian semiconductor

- We maintain our Add rating, with an unchanged RM3.10 TP, based on 18x CY19F P/E (20% premium to the sector P/E). Inari remains our sector top pick as it has the strongest CY16-19F earnings growth projections among domestic outsource semiconductor assembly and test providers. We expect Inari to record a strong CY16-19F net profit CAGR of 23%. Key downside risks are a slowdown in RF demand and lower contribution from IIS and Inari Optical Technology (IOT).

Financial Summary	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	1,043	1,176	1,350	1,542	1,715
Net Profit (RMm)	148.3	212.7	290.4	326.6	360.5
Core EPS (RM)	0.08	0.11	0.14	0.16	0.18
Core EPS Growth	1.7%	37.1%	36.5%	12.5%	10.4%
FD Core P/E (x)	44.65	32.56	23.84	21.20	19.20
Price To Sales (x)	6.64	5.89	5.13	4.49	4.04
DPS (RM)	0.04	0.10	0.09	0.10	0.10
Dividend Yield	1.22%	2.86%	2.65%	2.80%	2.97%
EV/EBITDA (x)	32.00	22.55	17.45	15.61	14.06
P/FCFE (x)	NA	27.53	29.31	25.39	22.12
Net Gearing	(25.9%)	(47.4%)	(47.6%)	(48.9%)	(51.4%)
P/BV (x)	10.12	7.91	7.05	6.21	5.45
ROE	25.4%	27.3%	31.3%	31.1%	30.2%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.05	1.03	1.02

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)
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BY THE NUMBERS

Profit & Loss

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	**1,176**	**1,350**	**1,542**	**1,715**
Gross Profit	**289**	**370**	**409**	**446**
Operating EBITDA	**289**	**370**	**409**	**446**
Depreciation And Amortisation	(67)	(70)	(72)	(76)
Operating EBIT	**222**	**300**	**336**	**370**
Financial Income/(Expense)	4	5	6	7
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**226**	**305**	**342**	**377**
Exceptional Items				
Pre-tax Profit	**226**	**305**	**342**	**377**
Taxation	(12)	(14)	(15)	(15)
Exceptional Income - post-tax				
Profit After Tax	**214**	**291**	**328**	**362**
Minority Interests	(1)	(1)	(1)	(1)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**213**	**290**	**327**	**361**
Recurring Net Profit	213	290	327	361
Fully Diluted Recurring Net Profit	**213**	**290**	**327**	**361**

Balance Sheet

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	455.3	507.9	586.7	693.9
Total Debtors	230.6	264.6	302.3	336.3
Inventories	169.0	194.0	221.6	246.5
Total Other Current Assets	0.9	0.9	0.9	0.9
Total Current Assets	**855.8**	**967.4**	**1,111.6**	**1,277.6**
Fixed Assets	332.0	362.2	389.8	413.8
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	5.6	5.6	5.6	5.6
Total Other Non-Current Assets	8.8	8.8	8.8	8.8
Total Non-current Assets	**346.4**	**376.7**	**404.3**	**428.3**
Short-term Debt	16.1	16.1	16.1	16.1
Current Portion of Long-Term Debt				
Total Creditors	230.5	264.6	302.2	336.2
Other Current Liabilities	50.5	50.5	50.5	50.5
Total Current Liabilities	**297.2**	**331.2**	**368.9**	**402.8**
Total Long-term Debt	24.8	24.8	24.8	24.8
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	3.4	3.4	3.4	3.4
Total Non-current Liabilities	**28.3**	**28.3**	**28.3**	**28.3**
Total Provisions	3.4	3.4	3.4	3.4
Total Liabilities	**328.8**	**362.8**	**400.5**	**434.5**
Shareholders' Equity	875.6	982.3	1,115.1	1,269.8
Minority Interests	(2.2)	(1.1)	0.2	1.5
Total Equity	**873.4**	**981.2**	**1,115.3**	**1,271.3**

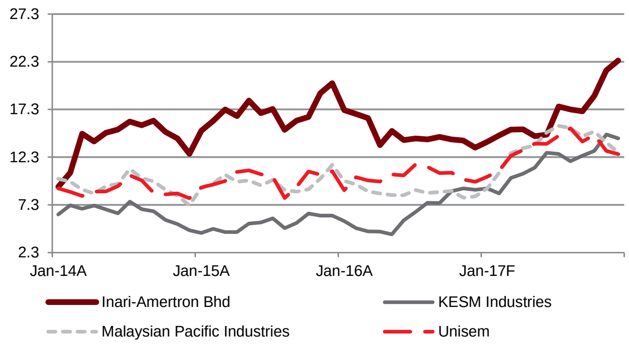
Cash Flow

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	288.6	369.9	408.7	446.0
Cash Flow from Invt. & Assoc.				
Change In Working Capital	37.8	(25.0)	(27.6)	(24.9)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(24.9)	0.0	0.0	0.0
Net Interest (Paid)/Received	3.6	5.1	6.2	7.0
Tax Paid	(8.1)	(13.7)	(14.6)	(15.1)
Cashflow From Operations	**297.0**	**336.3**	**372.7**	**413.0**
Capex	(120.5)	(100.0)	(100.0)	(100.0)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	67.9	0.0	0.0	0.0
Cash Flow From Investing	**(52.6)**	**(100.0)**	**(100.0)**	**(100.0)**
Debt Raised/(repaid)	7.2	0.0	0.0	0.0
Proceeds From Issue Of Shares	73.2	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(95.3)	(183.7)	(193.8)	(205.9)
Preferred Dividends				
Other Financing Cashflow	(0.1)	5.1	6.2	7.0
Cash Flow From Financing	**(15.0)**	**(178.6)**	**(187.6)**	**(198.9)**
Total Cash Generated	229.3	57.6	85.1	114.1
Free Cashflow To Equity	**251.5**	**236.3**	**272.7**	**313.0**
Free Cashflow To Firm	**246.5**	**238.3**	**274.7**	**315.1**

Key Ratios

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	12.8%	14.8%	14.2%	11.2%
Operating EBITDA Growth	36.9%	28.2%	10.5%	9.1%
Operating EBITDA Margin	24.5%	27.4%	26.5%	26.0%
Net Cash Per Share (RM)	0.21	0.23	0.27	0.32
BVPS (RM)	0.43	0.49	0.55	0.63
Gross Interest Cover	102.2	146.6	164.2	180.7
Effective Tax Rate	5.36%	4.50%	4.25%	4.00%
Net Dividend Payout Ratio	93.0%	63.3%	59.3%	57.1%
Accounts Receivables Days	62.43	66.94	67.09	68.12
Inventory Days	68.62	67.60	66.91	67.48
Accounts Payables Days	75.29	92.19	91.26	92.03
ROIC (%)	34.8%	48.3%	48.4%	48.2%
ROCE (%)	27.9%	31.6%	31.5%	30.6%
Return On Average Assets	20.3%	22.6%	22.6%	22.1%

12-mth Fwd FD P/E (x)



Key Drivers

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
ASP Change (%, Main Product)	N/A	N/A	N/A	N/A
Unit sales growth (%, main prod)	12.8%	14.8%	14.2%	11.2%
No. Of Lines (main Product)	5	5	5	5
Rev per line (US$, main prod)	N/A	N/A	N/A	N/A
ASP chg (%, 2ndary prod)	N/A	N/A	N/A	N/A
Unit sales grth (%, 2ndary prod)	N/A	N/A	N/A	N/A
No. Of Lines (secondary Product)	N/A	N/A	N/A	N/A
Rev per line (US$, 2ndary prod)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

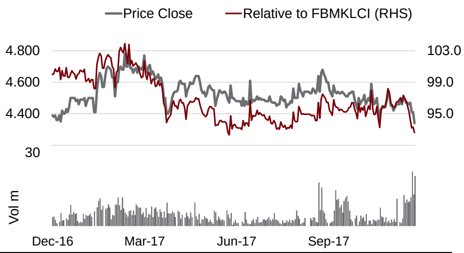
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 4	Hold 9	Sell 10

Current price:	RM4.34
Target price:	RM4.74
Previous target:	RM4.74
Up/downside:	9.2%
CIMB / Consensus:	5.3%
Reuters:	IOIB.KL
Bloomberg:	IOI MK
Market cap:	US$6,683m
	RM27,272m
Average daily turnover:	US$5.57m
	RM23.18m
Current shares o/s	6,288m
Free float:	43.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2.3	-6.7	-0.9
Relative (%)	-3.2	-4.5	-7.2

Major shareholders	% held
Vertical Capacity Sdn Bhd	46.1
Employees Provident Fund	5.8
Amanah Saham Bumiputera	5.1

IOI Corporation

Positive on plan to sell 70% stake in Loders

- We expect downstream and associates' earnings to lift its FY6/18 earnings.
- We are also positive on its proposed disposal of Loders which could lead to a special dividend payout.
- We maintain our earnings forecasts, Hold rating and TP of RM4.74.

Expect stronger FY18 earnings

- We expect IOI Corp to post a stronger core net profit in FY6/18, driven by higher manufacturing earnings and FFB output. We project the manufacturing division to benefit from lower and more stable raw material costs. Plantation earnings should be driven by higher FFB yields and new mature areas coming on stream in Indonesia. Its reported earnings could also benefit from forex translation gains due to its RM5.5bn (or US$1.3bn) US$- denominated debt.

Stronger manufacturing and associates' contributions lift 1QFY18

- 1QFY6/18 core net profit grew 9% yoy as stronger resource-based manufacturing and associates' earnings more than offset weaker plantation EBIT. Manufacturing EBIT (ex-FV derivatives gain/loss) grew 232% due to higher profit margins from the oleochemical and refining segments. Plantation EBIT fell 7% due to lower FFB output (-0.4% yoy), ASP for palm kernel (-12.3% yoy) and higher operating costs.

All key segments reported better qoq performances

- IOI Corp posted a 42% qoq rise in its core net profit for 1QFY18 due to better performances from all its key divisions. Plantation EBIT grew 19% qoq to RM278m in 1Q18 as higher FFB output and PK prices trumped weaker CPO prices. Manufacturing EBIT (ex-FV derivatives gain/loss) grew 62% qoq in 1QFY18 due to higher contributions from oleo, thanks to higher sales volumes and margins.

IOI Corp to sell a 70% stake in Loders to Bunge for RM3.94bn

- IOI Corp entered into a definitive agreement in Sep 2017 to sell a 70% interest in IOI Loders Croklaan BV (post internal restructuring) to Bunge for US$595m plus €297m cash (subject to adjustments according to the agreement). The indicative price after imputing the indicative adjustment of €22.5m is RM3.94bn (€773m). IOI plans to retain a 30% stake in IOI Loders Croklaan (Loders) following the divestment.

Positive on Loders stake sale

- We are positive on the proposed disposal of a 70% stake in Loders as we think the selling price is attractive. Furthermore, IOI plans to distribute 20% of the proceeds to shareholders as dividends (13sen/share) and could book a one-off gain of RM2.5bn (or 40sen/share) from the disposal, which is expected to be completed in the next 12 months.

Maintain Hold and SOP-based target price of RM4.74

- We maintain our EPS estimates, SOP-based TP of RM4.74 and Hold rating. We expect IOI Corp's share price to be supported by its rich assets and potential special dividend of 13sen/share from the sale of a 70% stake in Loders. Key upside/downside risks are higher/lower CPO prices and FFB output.

Financial Summary	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	11,739	14,127	16,580	17,378	18,172
Operating EBITDA (RMm)	1,813	1,902	2,038	2,073	2,107
Net Profit (RMm)	630	743	1,122	1,130	1,138
Core EPS (RM)	0.15	0.16	0.18	0.18	0.18
Core EPS Growth	51.5%	9.7%	8.8%	0.7%	0.6%
FD Core P/E (x)	28.94	26.45	24.31	24.14	23.99
DPS (RM)	0.080	0.095	0.089	0.090	0.090
Dividend Yield	1.84%	2.19%	2.06%	2.07%	2.08%
EV/EBITDA (x)	18.08	16.95	15.76	15.54	15.13
P/FCFE (x)	6.02	NA	28.17	31.73	18.70
Net Gearing	73.4%	75.4%	70.6%	68.8%	63.5%
P/BV (x)	3.92	3.66	3.42	3.19	3.04
ROE	13.6%	14.1%	14.5%	13.7%	13.0%
CIMB/consensus EPS (x)			0.97	0.85	0.88

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	**14,127**	**16,580**	**17,378**	**18,172**
Gross Profit	**4,402**	**6,368**	**6,656**	**6,914**
Operating EBITDA	**1,902**	**2,038**	**2,073**	**2,107**
Depreciation And Amortisation	(480)	(504)	(529)	(555)
Operating EBIT	**1,423**	**1,534**	**1,544**	**1,552**
Financial Income/(Expense)	(174)	(181)	(188)	(195)
Pretax Income/(Loss) from Assoc.	137	143	150	158
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**1,386**	**1,496**	**1,507**	**1,515**
Exceptional Items	(288)	0	0	0
Pre-tax Profit	**1,098**	**1,496**	**1,507**	**1,515**
Taxation	(332)	(360)	(363)	(364)
Exceptional Income - post-tax				
Profit After Tax	**766**	**1,136**	**1,144**	**1,151**
Minority Interests	(23)	(14)	(14)	(14)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**743**	**1,122**	**1,130**	**1,138**
Recurring Net Profit	1,032	1,122	1,130	1,138
Fully Diluted Recurring Net Profit	**1,032**	**1,122**	**1,130**	**1,138**

Balance Sheet

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	1,522	1,540	1,295	1,484
Total Debtors	1,561	1,832	1,920	1,726
Inventories	2,708	3,178	3,331	2,995
Total Other Current Assets	245	245	245	245
Total Current Assets	**6,035**	**6,794**	**6,790**	**6,450**
Fixed Assets	10,087	10,083	10,583	11,083
Total Investments	1,188	1,331	1,481	1,639
Intangible Assets	522	522	522	522
Total Other Non-Current Assets	193	98	98	98
Total Non-current Assets	**11,990**	**12,035**	**12,685**	**13,343**
Short-term Debt	2,076	2,300	2,300	2,300
Current Portion of Long-Term Debt				
Total Creditors	1,389	1,630	1,708	1,536
Other Current Liabilities	175	175	175	229
Total Current Liabilities	**3,640**	**4,105**	**4,183**	**4,066**
Total Long-term Debt	5,268	5,068	5,068	5,067
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	66	66	66	66
Total Non-current Liabilities	**5,333**	**5,133**	**5,133**	**5,133**
Total Provisions	1,333	1,333	1,333	1,333
Total Liabilities	**10,306**	**10,571**	**10,649**	**10,531**
Shareholders' Equity	7,457	7,983	8,550	8,986
Minority Interests	261	275	275	275
Total Equity	**7,719**	**8,257**	**8,825**	**9,261**

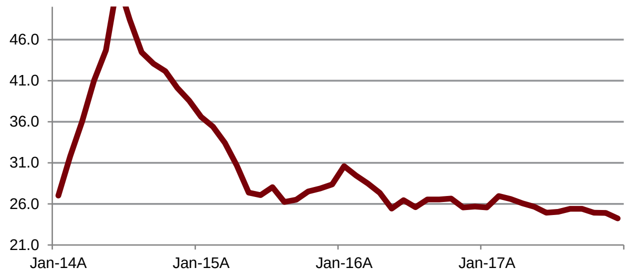
Cash Flow

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	1,902	2,038	2,073	2,107
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(1,172)	(52)	(163)	411
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	0	0	0	0
Net Interest (Paid)/Received	(174)	(181)	(188)	(195)
Tax Paid	(332)	(360)	(363)	(364)
Cashflow From Operations	**224**	**1,445**	**1,360**	**1,960**
Capex	(500)	(500)	(500)	(500)
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	0	0	0	0
Cash Flow From Investing	**(500)**	**(500)**	**(500)**	**(500)**
Debt Raised/(repaid)	(37)	24	0	(1)
Proceeds From Issue Of Shares	138	0	0	(135)
Shares Repurchased	0	0	0	0
Dividends Paid	(283)	(561)	(565)	(569)
Preferred Dividends				
Other Financing Cashflow	472	58	(540)	(566)
Cash Flow From Financing	**289**	**(479)**	**(1,105)**	**(1,271)**
Total Cash Generated	14	466	(245)	189
Free Cashflow To Equity	**(313)**	**969**	**860**	**1,459**
Free Cashflow To Firm	**(62)**	**1,169**	**1,095**	**1,707**

Key Ratios

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	20.3%	17.4%	4.8%	4.6%
Operating EBITDA Growth	4.9%	7.1%	1.7%	1.6%
Operating EBITDA Margin	13.5%	12.3%	11.9%	11.6%
Net Cash Per Share (RM)	(0.93)	(0.93)	(0.97)	(0.94)
BVPS (RM)	1.19	1.27	1.36	1.43
Gross Interest Cover	6.67	6.85	6.57	6.29
Effective Tax Rate	30.2%	24.1%	24.1%	24.0%
Net Dividend Payout Ratio	27.4%	50.0%	50.0%	50.0%
Accounts Receivables Days	35.55	37.34	39.39	36.72
Inventory Days	93.7	105.2	110.8	102.8
Accounts Payables Days	47.26	53.95	56.82	52.74
ROIC (%)	10.7%	11.2%	10.9%	10.5%
ROCE (%)	9.01%	9.49%	9.26%	9.07%
Return On Average Assets	6.90%	7.15%	6.95%	6.86%

12-mth Fwd FD P/E (x) - IOI Corporation



Key Drivers

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Planted Estates (ha)	174,866	177,866	180,866	183,866
Mature Estates (ha)	149,714	150,000	155,000	155,000
FFB Yield (tonnes/ha)	21.7	22.5	23.0	23.5
FFB Output Growth (%)	0.3%	6.8%	4.0%	2.2%
CPO Price (US$/tonne)	775	800	800	800

SOURCE: CIMB RESEARCH, COMPANY DATA

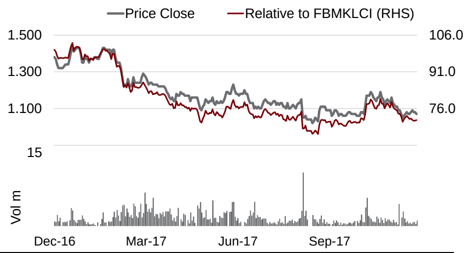
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 2	Hold 1	Sell 0

Current price:	RM1.07
Target price:	RM1.15
Previous target:	RM1.15
Up/downside:	7.5%
CIMB / Consensus:	-16.3%
Reuters:	JTIA.KL
Bloomberg:	JT MK
Market cap:	US$253.8m
	RM1,036m
Average daily turnover:	US$0.27m
	RM1.12m
Current shares o/s	973.7m
Free float:	64.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-6.2	-1.8	-22.5
Relative (%)	-7.1	0.4	-28.8

Major shareholders	% held
Tiong Toh Siong Holdings Sdn Bhd	21.4
Genine Chain Limited	9.4
Amanas Sdn Bhd	5.2

Jaya Tiasa Holdings

Reclassified as a plantation company

- Jaya Tiasa, which has now been reclassified as a plantation company on Bursa Malaysia, should see its plantation segment drive the group's future earnings.
- We are still concerned about the prospects for JT's timber division, given the operational headwinds it faces.
- Maintain Hold, with an unchanged SOP-based target price of RM1.15.

Now classified as a Plantation company on Bursa Malaysia

- Jaya Tiasa (JT) recently reclassified its sector in Bursa Malaysia to Plantations from Industrial Products. This is not a surprise given the bigger contribution of the plantation division to group earnings. We believe that this will give investors a better perception of the stock given the challenging operating environment in the timber sector.
- We gather that JT expects FFB yields to improve as more estates are coming into maturity and its mills see better operational efficiency. Moving forward, we think the plantation segment should be able to partly cushion the softer timber contribution.

Outlook remains bleak for its timber division

- We are still concerned about the prospects for JT's timber division, given the headwinds it faces. Production has been adversely impacted by the transitional period of certification audit while the reduction in export quota has lowered its log export volumes. Higher cess payments have also contributed to a higher cost of production. The recent strengthening of the ringgit against the US dollar will also reduce its income from exports.
- JT's timber division posted a pretax profit of RM1.6m in 1QFY6/18, a reversal from a pretax loss of RM7.8m in 1QFY6/17. However, we note that this has been the weakest quarter for the timber division since it managed to return to the black in 2QFY6/17. Sequentially, the timber division's pretax profit plunged 83% qoq in 1QFY6/18; we suspect this was due to a combination of weaker sales volume and lower log production (-8% qoq).

JT's earnings now driven by the plantation segment

- JT's plantation division continued to be its biggest earnings contributor in 1QFY6/18, posting a pretax profit of RM45m (+4.8% yoy). The better performance was due to a combination of a 7% yoy increase in CPO average selling prices and stronger FFB output. FFB production grew 3.4% yoy in 1QFY6/18, thanks to new mature areas and higher FFB yields. The group also saw a better utilisation rate in 1QFY6/18 for its mills which led to lower cost of production.

Maintain Hold; share price supported by low P/BV

- All in, we see a dim outlook for its timber division and do not discount further impairments from the division moving forward. Recall that it recognised an impairment totaling RM66m in FY6/17. We maintain our SOP-based target price and Hold call as its share price is supported by its low P/BV of 0.52x. Higher-than-expected improvement in yields is a key upside risk while lower timber sales are a key downside risk.

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Financial Summary	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	1,023	977	1,199	1,310	1,357
Operating EBITDA (RMm)	217.8	199.1	303.9	336.8	349.1
Net Profit (RMm)	59.1	11.5	93.3	107.3	108.1
Core EPS (RM)	0.08	0.09	0.10	0.11	0.11
Core EPS Growth	107%	6%	7%	15%	1%
FD Core P/E (x)	12.74	11.97	11.19	9.71	9.64
DPS (RM)	0.013	0.013	0.010	0.010	0.010
Dividend Yield	1.19%	1.20%	0.93%	0.93%	0.93%
EV/EBITDA (x)	9.13	10.04	6.61	5.91	5.62
P/FCFE (x)	14.7	61.4	176.7	35.7	24.2
Net Gearing	55.6%	55.7%	51.5%	48.1%	44.4%
P/BV (x)	0.57	0.58	0.52	0.50	0.48
ROE	4.56%	4.82%	4.92%	5.27%	5.07%
CIMB/consensus EPS (x)			1.02	1.02	0.98

SOURCE: COMPANY DATA, CIMB FORECASTS

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CIMB

BY THE NUMBERS

Profit & Loss

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	**977**	**1,199**	**1,310**	**1,357**
Gross Profit	**370**	**309**	**341**	**345**
Operating EBITDA	**199**	**304**	**337**	**349**
Depreciation And Amortisation	(108)	(133)	(143)	(154)
Operating EBIT	**91**	**171**	**193**	**195**
Financial Income/(Expense)	(55)	(54)	(57)	(59)
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	12	15	16	16
Profit Before Tax (pre-EI)	**48**	**132**	**152**	**153**
Exceptional Items	0	0	0	0
Pre-tax Profit	**48**	**132**	**152**	**153**
Taxation	(34)	(37)	(43)	(43)
Exceptional Income - post-tax	0	0	0	0
Profit After Tax	**14**	**95**	**110**	**110**
Minority Interests	(2)	(2)	(2)	(2)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax	0	0	0	0
Net Profit	**12**	**93**	**107**	**108**
Recurring Net Profit	87	93	107	108
Fully Diluted Recurring Net Profit	**87**	**93**	**107**	**108**

Balance Sheet

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	63	43	63	96
Total Debtors	60	78	86	89
Inventories	139	158	172	180
Total Other Current Assets	38	17	19	19
Total Current Assets	**300**	**297**	**339**	**384**
Fixed Assets	2,814	2,961	3,038	3,104
Total Investments	69	76	76	76
Intangible Assets	1	63	63	63
Total Other Non-Current Assets	30	21	21	21
Total Non-current Assets	**2,913**	**3,121**	**3,198**	**3,264**
Short-term Debt	484	508	508	508
Current Portion of Long-Term Debt				
Total Creditors	144	212	231	241
Other Current Liabilities	23	14	14	14
Total Current Liabilities	**651**	**734**	**753**	**763**
Total Long-term Debt	591	565	565	565
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	**591**	**565**	**565**	**565**
Total Provisions	153	121	121	121
Total Liabilities	**1,395**	**1,420**	**1,439**	**1,449**
Shareholders' Equity	1,806	1,986	2,083	2,182
Minority Interests	11	13	15	18
Total Equity	**1,818**	**1,999**	**2,099**	**2,199**

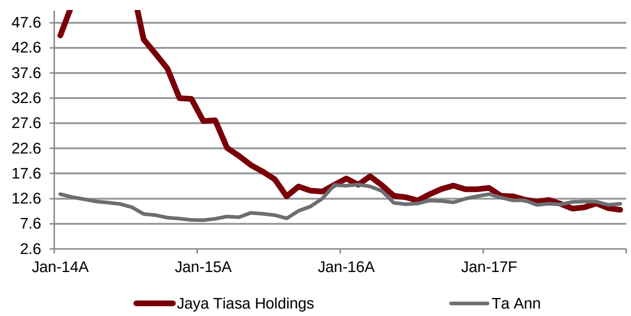
Cash Flow

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	199.1	303.9	336.8	349.1
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(37.3)	(2.0)	(3.7)	(1.1)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	12.5	12.6	13.4	13.7
Other Operating Cashflow	69.5	2.6	2.7	2.8
Net Interest (Paid)/Received	(56.5)	(53.9)	(57.4)	(58.5)
Tax Paid	(23.0)	(37.3)	(42.6)	(42.9)
Cashflow From Operations	**164.3**	**225.9**	**249.2**	**263.1**
Capex	(129.4)	(220.0)	(220.0)	(220.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Investing	**(129.4)**	**(220.0)**	**(220.0)**	**(220.0)**
Debt Raised/(repaid)	(17.9)	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	(0.0)	0.0	0.0	0.0
Dividends Paid	(12.6)	(9.7)	(9.7)	(9.7)
Preferred Dividends				
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	**(30.5)**	**(9.7)**	**(9.7)**	**(9.7)**
Total Cash Generated	4.4	(3.8)	19.5	33.4
Free Cashflow To Equity	**17.0**	**5.9**	**29.2**	**43.1**
Free Cashflow To Firm	**91.6**	**59.9**	**86.7**	**101.7**

Key Ratios

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	(4.5%)	22.7%	9.2%	3.6%
Operating EBITDA Growth	(8.6%)	52.6%	10.8%	3.6%
Operating EBITDA Margin	20.4%	25.3%	25.7%	25.7%
Net Cash Per Share (RM)	(1.03)	(1.06)	(1.04)	(1.00)
BVPS (RM)	1.85	2.04	2.14	2.24
Gross Interest Cover	1.65	3.17	3.36	3.33
Effective Tax Rate	71.1%	28.2%	28.0%	28.0%
Net Dividend Payout Ratio	109%	10%	9%	9%
Accounts Receivables Days	23.70	21.06	22.86	23.52
Inventory Days	83.04	60.89	62.12	63.58
Accounts Payables Days	98.8	73.1	83.5	85.5
ROIC (%)	3.17%	5.87%	6.30%	6.19%
ROCE (%)	3.01%	5.48%	5.97%	5.85%
Return On Average Assets	2.16%	4.49%	4.80%	4.70%

12-mth Fwd FD P/E (x)



Key Drivers

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Planted Estates (ha)	69,587	69,587	69,587	69,587
Mature Estates (ha)	65,681	68,446	69,587	69,587
FFB Yield (tonnes/ha)	16.5	16.8	17.0	17.0
FFB Output Growth (%)	12.0%	8.0%	4.1%	0.8%
CPO Price (US$/tonne)	775	775	775	775

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

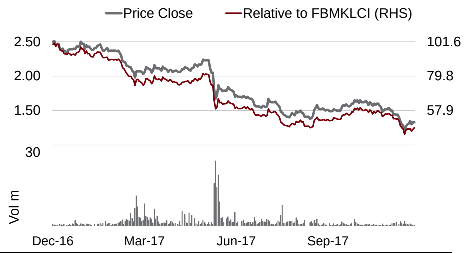
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 0	Hold 3	Sell 6

Current price:	RM1.33
Target price:	RM1.44
Previous target:	RM1.44
Up/downside:	8.4%
CIMB / Consensus:	17.5%
Reuters:	KARE.KL
Bloomberg:	KAREX MK
Market cap:	US$326.7m
	RM1,333m
Average daily turnover:	US$0.20m
	RM0.84m
Current shares o/s	1,002m
Free float:	61.8%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-11.3	-12.5	-46.4
Relative (%)	-12.2	-10.3	-52.7

Major shareholders	% held
Karex One Limited	31.8
Lam Yiu Pang Albert	6.4

Karex Berhad

Look forward to 2HFY18

- Karex is the world's largest condom manufacturer, with an annual production capacity of 5bn pieces.
- The group is focused on building its own brand segment (OBM).
- Maintain Hold, with an unchanged TP of RM1.44 (28x CY19 P/E, -1 s.d. of its 5-year historical mean).

World's largest condom manufacturer

- Karex is the world's largest condom manufacturer in terms of production capacity, which stands at 5bn pieces of condoms per annum. It currently has four major production facilities: 2 factories in Johor, Malaysia, one in Selangor, Malaysia and one in Hatyai, Thailand.
- As at 1QFY18, revenue contribution of Karex's three main market divisions stands at: commercial segment – 50%, tender segment – 36% and own brand segment –14%.

1QFY18 net profit below expectations

- Despite 1QFY18 revenue rising 34.4% yoy, mainly due to higher sales volume, especially in the tender segment, net profit declined to RM4.2m (-49% yoy) while EBITDA margins fell 7.1% pts yoy to 7.9%.
- The weak performance was mainly due to: i) stiff pricing competition leading to weak average selling prices (ASPs), ii) higher overall operating costs, especially distribution charges, and iii) rising production costs.

Stronger quarters ahead, especially in 3QFY18

- We expect Karex to record stronger quarters ahead, especially in 2HFY18. The group said it raised prices in 1QFY18 to account for the higher production costs as the competitive environment has eased slightly. We expect this to be reflected in better 3QFY18 numbers as Karex begins delivery of the orders with higher ASPs.
- At the same time, the group aims to better manage its distribution and administrative (D&A) costs. D&A expenses were 21.5% of its 1QFY18 revenue and Karex is aiming to lower this to 20-20.5% in the upcoming quarters.

Annual capex of RM30m to increase automation

- Karex has highlighted that it will raise its annual capex spending to RM30m for the next 3 years, from an average of RM25m for the past 2 years. This is within our expectations.
- The bulk of this capex will be mainly utilised to automate its manufacturing process in a bid to reduce labour costs (~20% of its total costs). We gather that Karex is aiming to reduce its labour costs by 50% over a period of 5 years.
- Some of this capex (estimated at 10-15% of total capex) will also be allocated for research and development (R&D) purposes. We gather that the group aims to develop more products as well as improvement to the material products used in its products.

Maintain Hold; weak near term but long-term potential remains

- Maintain Hold, with an unchanged TP of RM1.44. This is still based on an unchanged 28x CY19 P/E (-1 s.d. of its 3-year mean).
- Although the near-term earnings outlook remains weak, Karex is still attractive in the long-term given its position as the world's largest condom manufacturer and budding potential as an original brand manufacturer. We view any potential sell-down of the stock as a buying opportunity.
- Downside risk: sharp decline in condom ASPs; upside risks: sharp increase in condom ASPs and higher-than-expected advertisement and promotional expenses.

Financial Summary	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	343.2	361.5	402.3	459.4	530.0
Operating EBITDA (RMm)	84.59	47.04	45.85	65.44	87.20
Net Profit (RMm)	66.88	27.95	28.45	43.45	59.79
Core EPS (RM)	0.062	0.033	0.028	0.043	0.060
Core EPS Growth	1.9%	(47.3%)	(13.1%)	52.7%	37.6%
FD Core P/E (x)	21.44	40.71	46.85	30.68	22.30
DPS (RM)	0.016	0.008	0.007	0.011	0.015
Dividend Yield	1.19%	0.61%	0.53%	0.81%	1.12%
EV/EBITDA (x)	14.37	25.91	26.86	18.93	14.20
P/FCFE (x)	NA	194.7	NA	254.6	80.0
Net Gearing	(24.7%)	(22.9%)	(19.6%)	(17.3%)	(16.1%)
P/BV (x)	2.78	2.64	2.54	2.39	2.21
ROE	13.6%	6.7%	5.5%	8.0%	10.3%
CIMB/consensus EPS (x)			0.89	1.03	1.03

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	**361.5**	**402.3**	**459.4**	**530.0**
Gross Profit	**117.9**	**124.7**	**148.1**	**177.8**
Operating EBITDA	**47.0**	**45.9**	**65.4**	**87.2**
Depreciation And Amortisation	(11.5)	(10.0)	(11.0)	(12.1)
Operating EBIT	**35.5**	**35.9**	**54.4**	**75.1**
Financial Income/(Expense)	1.5	1.1	1.1	1.1
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**37.0**	**37.0**	**55.5**	**76.2**
Exceptional Items				
Pre-tax Profit	**37.0**	**37.0**	**55.5**	**76.2**
Taxation	(8.2)	(8.1)	(11.7)	(16.0)
Exceptional Income - post-tax				
Profit After Tax	**28.8**	**28.9**	**43.9**	**60.2**
Minority Interests	(0.9)	(0.4)	(0.4)	(0.4)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**27.9**	**28.5**	**43.5**	**59.8**
Recurring Net Profit	32.7	28.5	43.5	59.8
Fully Diluted Recurring Net Profit	**32.7**	**28.5**	**43.5**	**59.8**

Balance Sheet

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	141.9	129.3	122.8	123.6
Total Debtors	140.5	156.4	178.6	206.1
Inventories	72.2	82.3	92.2	104.4
Total Other Current Assets	2.9	2.9	2.9	2.9
Total Current Assets	**357.5**	**370.9**	**396.5**	**436.9**
Fixed Assets	196.9	212.0	225.9	238.8
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	32.6	32.6	32.6	32.6
Total Other Non-Current Assets	0.2	0.2	0.2	0.2
Total Non-current Assets	**229.7**	**244.7**	**258.7**	**271.6**
Short-term Debt	9.2	9.2	9.2	9.2
Current Portion of Long-Term Debt				
Total Creditors	48.0	54.7	61.3	69.4
Other Current Liabilities	1.9	1.9	1.9	1.9
Total Current Liabilities	**59.0**	**65.7**	**72.4**	**80.4**
Total Long-term Debt	16.7	16.7	16.7	16.7
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	7.8	7.8	7.8	7.8
Total Non-current Liabilities	**24.5**	**24.5**	**24.5**	**24.5**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**83.6**	**90.3**	**96.9**	**105.0**
Shareholders' Equity	504.5	525.8	558.4	603.3
Minority Interests	1.6	2.0	2.4	2.8
Total Equity	**506.1**	**527.8**	**560.8**	**606.1**

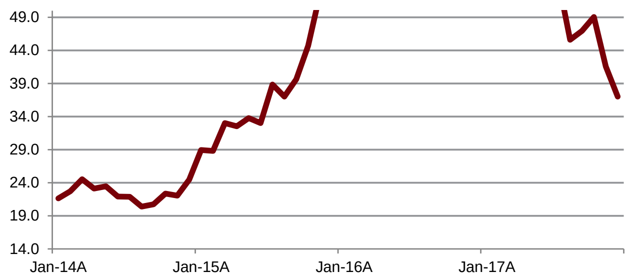
Cash Flow

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	47.04	45.85	65.44	87.20
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(9.69)	(19.26)	(25.55)	(31.52)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	1.19	0.91	0.91	0.91
Net Interest (Paid)/Received	(1.19)	(0.91)	(0.91)	(0.91)
Tax Paid	(8.24)	(8.14)	(11.66)	(16.00)
Cashflow From Operations	**29.11**	**18.45**	**28.24**	**39.67**
Capex	(25.00)	(25.00)	(25.00)	(25.00)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	2.74	2.00	2.00	2.00
Cash Flow From Investing	**(22.26)**	**(23.00)**	**(23.00)**	**(23.00)**
Debt Raised/(repaid)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(8.19)	(7.11)	(10.86)	(14.95)
Preferred Dividends				
Other Financing Cashflow	(1.19)	(0.91)	(0.91)	(0.91)
Cash Flow From Financing	**(9.38)**	**(8.02)**	**(11.77)**	**(15.85)**
Total Cash Generated	(2.53)	(12.57)	(6.53)	0.82
Free Cashflow To Equity	**6.85**	**(4.55)**	**5.24**	**16.67**
Free Cashflow To Firm	**8.04**	**(3.64)**	**6.14**	**17.58**

Key Ratios

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	5.3%	11.3%	14.2%	15.4%
Operating EBITDA Growth	(44.4%)	(2.5%)	42.7%	33.2%
Operating EBITDA Margin	13.0%	11.4%	14.2%	16.5%
Net Cash Per Share (RM)	0.12	0.10	0.10	0.10
BVPS (RM)	0.50	0.52	0.56	0.60
Gross Interest Cover	29.83	39.61	60.04	82.86
Effective Tax Rate	22.2%	22.0%	21.0%	21.0%
Net Dividend Payout Ratio	29.3%	25.0%	25.0%	25.0%
Accounts Receivables Days	138.3	134.7	133.1	132.8
Inventory Days	102.4	101.5	102.3	102.2
Accounts Payables Days	68.06	67.51	68.03	67.93
ROIC (%)	9.6%	9.1%	12.7%	16.0%
ROCE (%)	7.4%	7.0%	9.9%	12.7%
Return On Average Assets	4.8%	4.6%	6.7%	8.7%

12-mth Fwd FD P/E (x) - Karex Berhad



Key Drivers

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
ASP (% chg, main prod./serv.)	0.0%	0.0%	0.0%	0.0%
Unit sales grth (%, main prod./serv.)	15.0%	20.0%	0.0%	0.0%
Util. rate (%, main prod./serv.)	90.0%	80.0%	0.0%	0.0%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

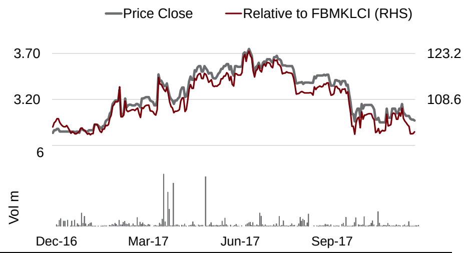
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 2	Hold 1	Sell 0

Current price:	RM2.97
Target price:	RM3.88
Previous target:	RM3.88
Up/downside:	30.6%
CIMB / Consensus:	10.8%
Reuters:	KWNF.KL
Bloomberg:	KFB MK
Market cap:	US$348.9m
	RM1,424m
Average daily turnover:	US$0.09m
	RM0.36m
Current shares o/s	359.5m
Free float:	43.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.7	-14.4	4.8
Relative (%)	-0.2	-12.2	-1.5

Major shareholders	% held
Gan Thiam Chai	30.8
NareshChandra	19.7
Gan Thiam Hock	6.5

Analyst(s)

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Kawan Food

Fast and frozen

- Kawan Food is Malaysia's largest frozen roti paratha and chapatti manufacturer. Other products include frozen naan, vegetables and spring rolls.
- After some delays, the new factory is targeted to start commercial production from early-2018.
- Remains an Add; a potential re-rating catalyst is stronger-than-expected revenue from the new factory.

Country's largest frozen roti paratha and chapatti manufacturer

- Kawan Food (Kawan) is the country's largest manufacturer of frozen roti paratha and chapatti. Other frozen products include naans, frozen vegetables and spring rolls. The largest market is the domestic market while main export markets are the US and Europe.

Growing domestic market

- Domestic revenue was the outperformer in 9M17, growing 11.2% yoy to RM58.6m. 9M17 domestic revenue formed 40% of the overall 9M17 group revenue. Due to the sluggish consumer incomes this year, more families are eating at home instead of going out to save money. This has benefited Kawan's domestic sales.

New factory to start commercial operations in early-2018

- Kawan's new factory in Pulau Indah, Selangor should start commercial operations from early-1Q18 onwards. The new factory can produce 3x-4x more roti parathas and chapattis compared to its existing factory. In addition, the new factory would also have a cooking line for products like roti paratha and nasi lemak, targeting the ready-to-eat (RTE) market.

RTE market potentially a huge market

- The RTE market is growing globally as consumers favour convenience. The markets Kawan is looking to target include convenience stores, the airline industry and cafes. We understand Kawan is already negotiating with a few major cafes and airline caterers to sell its food products once the new factory starts commercial operations.

Net cash balance sheet

- Kawan's net cash balance was RM50m or 14sen net cash per share as at end-Sep 2017. With the capex for the new factory already completed, we forecast no major capex over the next few years. As such, the company could start to implement a higher dividend payout ratio from FY17F onwards. In FY16, the dividend payout ratio was at 46%. Kawan could start to payout at least 50% of its net profit from FY17F onwards, in our view.

1:3 bonus issue completed in Sep

- Kawan completed its proposed 1:3 bonus issue in early Sep, raising its issued share base from 269.6m shares to 359.5m. Although the company's fundamentals remain unchanged, the bonus issue should help to improve its trading liquidity and make the stock more affordable to retail investors

Remains an Add

- We maintain our EPS forecasts and target price of RM3.88, which is based on an unchanged 2019F 20x P/E, a 20% discount to our 25x P/E target for the F&B sector. The stock remains an Add and a key potential re-rating catalyst is stronger-than-expected revenue from the new factory. Weaker-than-expected revenue growth is a potential de-rating catalyst.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	165.8	186.9	200.0	281.0	370.0
Operating EBITDA (RMm)	40.80	47.40	44.60	70.00	91.00
Net Profit (RMm)	32.00	33.00	31.10	50.40	69.90
Core EPS (RM)	0.09	0.09	0.09	0.14	0.19
Core EPS Growth	53.1%	3.1%	(5.8%)	62.1%	38.7%
FD Core P/E (x)	17.12	24.26	34.33	21.18	15.27
DPS (RM)	0.020	0.060	0.060	0.060	0.060
Dividend Yield	0.67%	2.02%	2.02%	2.02%	2.02%
EV/EBITDA (x)	25.10	21.33	22.69	14.16	10.61
P/FCFE (x)	NA	117.8	128.6	28.4	20.0
Net Gearing	(22.2%)	(19.4%)	(17.8%)	(21.9%)	(26.1%)
P/BV (x)	5.43	3.66	3.41	3.06	2.72
ROE	18.2%	13.5%	10.3%	15.2%	18.9%
CIMB/consensus EPS (x)			0.46	0.84	1.08

SOURCE: COMPANY DATA, CIMB FORECASTS

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CIMB

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**186.9**	**200.0**	**281.0**	**370.0**
Gross Profit	**80.4**	**86.0**	**120.8**	**159.1**
Operating EBITDA	**47.4**	**44.6**	**70.0**	**91.0**
Depreciation And Amortisation	(6.5)	(6.6)	(15.0)	(15.2)
Operating EBIT	**40.9**	**38.0**	**55.0**	**75.8**
Financial Income/(Expense)	0.6	1.0	1.0	1.0
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**41.5**	**39.0**	**56.0**	**76.8**
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	**41.5**	**39.0**	**56.0**	**76.8**
Taxation	(8.5)	(7.9)	(5.6)	(6.9)
Exceptional Income - post-tax				
Profit After Tax	**33.0**	**31.1**	**50.4**	**69.9**
Minority Interests	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax	0.0	0.0	0.0	0.0
Other Adjustments - post-tax	0.0	0.0	0.0	0.0
Net Profit	**33.0**	**31.1**	**50.4**	**69.9**
Recurring Net Profit	33.0	31.1	50.4	69.9
Fully Diluted Recurring Net Profit	**33.0**	**31.1**	**50.4**	**69.9**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	80.4	62.4	83.1	109.0
Total Debtors	45.5	42.0	59.0	77.7
Inventories	12.9	37.9	52.6	72.0
Total Other Current Assets	1.4	1.8	8.1	13.3
Total Current Assets	**140.2**	**144.1**	**202.8**	**272.0**
Fixed Assets	201.6	205.0	200.0	194.8
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	6.4	5.7	5.7	5.7
Total Non-current Assets	**208.0**	**210.7**	**205.7**	**200.5**
Short-term Debt	3.6	1.0	1.0	1.0
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0
Total Creditors	32.0	30.0	42.2	55.5
Other Current Liabilities	0.5	1.5	1.5	1.5
Total Current Liabilities	**36.1**	**32.5**	**44.7**	**58.0**
Total Long-term Debt	20.2	5.8	5.8	5.8
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	0.5	3.3	9.6	16.8
Total Non-current Liabilities	**20.7**	**9.1**	**15.4**	**22.6**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**56.8**	**41.6**	**60.1**	**80.6**
Shareholders' Equity	291.4	313.2	348.5	391.9
Minority Interests	0.0	0.0	0.0	0.0
Total Equity	**291.4**	**313.2**	**348.5**	**391.9**

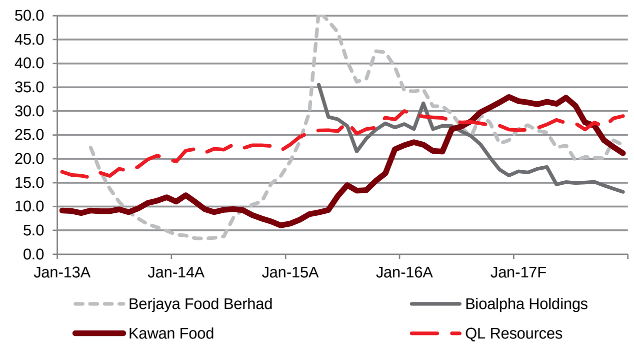
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	47.40	44.60	70.00	91.00
Cash Flow from Invt. & Assoc.	0.00	0.00	0.00	0.00
Change In Working Capital	(6.20)	(23.50)	(19.56)	(24.74)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00
Other Operating Cashflow	(1.00)	(1.00)	(1.00)	(1.00)
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00
Tax Paid	(8.70)	(2.00)	(2.00)	(2.00)
Cashflow From Operations	**31.50**	**18.10**	**47.44**	**63.26**
Capex	(25.00)	(10.00)	(10.00)	(10.00)
Disposals Of FAs/subsidiaries	0.30	0.20	0.20	0.20
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Investing	**(24.70)**	**(9.80)**	**(9.80)**	**(9.80)**
Debt Raised/(repaid)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	55.80	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	(22.90)	(24.30)	(24.30)	(24.30)
Preferred Dividends	0.00	0.00	0.00	0.00
Other Financing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Financing	**32.90**	**(24.30)**	**(24.30)**	**(24.30)**
Total Cash Generated	39.70	(16.00)	13.34	29.16
Free Cashflow To Equity	**6.80**	**8.30**	**37.64**	**53.46**
Free Cashflow To Firm	**6.80**	**8.30**	**37.64**	**53.46**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	12.7%	7.0%	40.5%	31.7%
Operating EBITDA Growth	16.2%	(5.9%)	57.0%	30.0%
Operating EBITDA Margin	25.4%	22.3%	24.9%	24.6%
Net Cash Per Share (RM)	0.16	0.15	0.21	0.28
BVPS (RM)	0.81	0.87	0.97	1.09
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	20.5%	20.3%	10.0%	9.0%
Net Dividend Payout Ratio	69.4%	78.1%	48.2%	34.8%
Accounts Receivables Days	78.64	79.84	65.60	67.43
Inventory Days	47.8	81.3	103.1	107.8
Accounts Payables Days	135.7	99.3	82.2	84.5
ROIC (%)	20.2%	12.3%	16.0%	20.4%
ROCE (%)	16.0%	12.3%	16.6%	20.4%
Return On Average Assets	10.8%	8.6%	13.0%	15.7%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	3.0%	3.0%	3.0%	3.0%
Unit sales grth (%, main prod./serv.)	40.0%	30.0%	30.0%	30.0%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod/serv)	N/A	N/A	N/A	N/A
Unit sales grth (%,tertiary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, tertiary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	50.0%	55.0%	55.0%	55.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 2	Hold 0	Sell 1

Current price:	RM19.28
Target price:	RM22.00
Previous target:	RM22.00
Up/downside:	14.1%
CIMB / Consensus:	6.1%
Reuters:	KESM.KL
Bloomberg:	KESM MK
Market cap:	US$203.2m
	RM829.3m
Average daily turnover:	US$0.25m
	RM1.03m
Current shares o/s	43.68m
Free float:	51.6%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.5	28	95.1
Relative (%)	-0.4	30.2	88.8

Major shareholders	% held
Sunright Limited	48.4

KESM Industries

The next EV-olution

- KESM is an exciting proxy for automotive semiconductor demand growth, driven by rising global vehicle sales and higher electronics content in the automotive industry.
- We project KESM to record a strong FY7/17-20F EPS CAGR of 20%, driven by robust demand for KESM's burn-in and testing services, supported by its capacity expansion.
- Maintain Add and target price of RM22.00, still based on 13.5x CY19F P/E.

Review of 1QFY7/18 results

- Revenue grew 13.2% yoy to RM90.7m in 1QFY7/18 from RM80.1m in the year-ago quarter due to higher demand for burn-in and testing services. As a result of higher operating leverage, EBITDA margin expanded by 3.5% pts yoy to 34.8 in 1QFY18. Overall, core EPS increased by 13.6% yoy in spite of higher depreciation expenses in the quarter. Depreciation expenses rose 32% yoy following additional machinery and test equipment additions to support the group's capacity expansion.

Expecting stronger growth in 2HFY7/18

- Management expects the group's capex in FY18 to normalise to RM70m-80m compared to RM140m incurred in FY17. KESM incurred RM14m capex in 1QFY18. We project higher capex in 2HFY18 due to potential demand pick-up from existing and new automotive projects. Moreover, the group is also expecting higher volume growth from smaller automotive semiconductor manufacturers following the new design win.

Riding the structural growth in automotive semiconductor demand

- McKinsey & Co projects automotive semiconductor demand to grow at a 2015-20F CAGR of 6%, higher than the overall industry CAGR of 3-4%. It expects the growth to be driven by higher vehicle sales and rising electronics content in vehicles. IHS Markit forecasts the electronics content value to rise from US$312 per car in 2013 to US$460 in 2022F due to increasing safety, comfort and connectivity requirements. We expect KESM to benefit from the growing demand for integrated circuit (IC) testing to support these new features.

Prelude to an EV-olution

- We see KESM as a beneficiary of the automotive industry's shift from internal combustion engines (ICE) to electric vehicles (EV). Member countries of the Electric Vehicle Initiative (EVI) target a 30% market share for EVs in their respective markets by 2030F from less than 1% currently. McKinsey & Co estimates that a hybrid EV (HEV) contains about US$900 worth of semiconductors, while a standard EV has more than US$1,000 worth.

Projecting a strong FY17-20F EPS CAGR of 20%

- We expect KESM to record a robust FY17-20F net profit CAGR of 20%, driven by strong automotive semiconductor IC testing demand. Moreover, its capacity expansion will support earnings growth, in our view. KESM raised its capex from RM42m in FY16 to RM140m in FY17 to add new testing capacity. We estimate the new capacity expansion raised KESM's testing capacity by 20% in FY7/17.

Maintain Add and TP of RM22.00

- Maintain Add rating with an unchanged RM22.00 TP, based on 13.5x CY19F P/E, at a 10% discount to the Malaysian outsourcing semiconductor assembly and test (OSAT) providers' average of 15x. We think the discount is justified as KESM is a smaller test service provider by market cap compared to Inari, MPI and Unisem. We see stronger earnings delivery and higher dividend payout as potential rerating catalysts.

Financial Summary	Jul-16A	Jul-17A	Jul-18F	Jul-19F	Jul-20F
Revenue (RMm)	285.7	338.0	379.8	417.2	449.5
Net Profit (RMm)	30.68	43.99	54.27	65.49	76.71
Core EPS (RM)	0.71	1.01	1.24	1.50	1.76
Core EPS Growth	80.2%	42.3%	22.4%	20.7%	17.1%
FD Core P/E (x)	27.03	19.00	15.52	12.86	10.98
Price To Sales (x)	2.90	2.47	2.22	2.02	1.87
DPS (RM)	0.08	0.13	0.20	0.25	0.30
Dividend Yield	0.39%	0.65%	1.04%	1.30%	1.56%
EV/EBITDA (x)	8.18	6.74	5.68	4.80	3.99
P/FCFE (x)	43.67	NA	21.13	15.81	12.53
Net Gearing	(26.8%)	(19.5%)	(26.3%)	(33.6%)	(40.9%)
P/BV (x)	2.89	2.56	2.25	1.96	1.71
ROE	11.2%	14.3%	15.4%	16.3%	16.6%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.05	1.06	0.99

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Jul-17A	Jul-18F	Jul-19F	Jul-20F
Total Net Revenues	**339.6**	**381.4**	**418.8**	**451.1**
Gross Profit	**114.5**	**130.9**	**145.4**	**160.4**
Operating EBITDA	**114.5**	**130.9**	**145.4**	**160.4**
Depreciation And Amortisation	(66.7)	(70.7)	(72.6)	(75.3)
Operating EBIT	**47.8**	**60.2**	**72.8**	**85.1**
Financial Income/(Expense)	0.1	0.1	(0.1)	0.1
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**47.8**	**60.3**	**72.8**	**85.2**
Exceptional Items				
Pre-tax Profit	**47.8**	**60.3**	**72.8**	**85.2**
Taxation	(3.8)	(6.0)	(7.3)	(8.5)
Exceptional Income - post-tax				
Profit After Tax	**44.0**	**54.3**	**65.5**	**76.7**
Minority Interests	0.0	0.0	0.0	0.0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**44.0**	**54.3**	**65.5**	**76.7**
Recurring Net Profit	44.0	54.3	65.5	76.7
Fully Diluted Recurring Net Profit	**44.0**	**54.3**	**65.5**	**76.7**

Balance Sheet

(RMm)	Jul-17A	Jul-18F	Jul-19F	Jul-20F
Total Cash And Equivalents	127.6	162.1	207.7	265.3
Total Debtors	82.7	92.9	102.1	110.0
Inventories	7.2	8.0	8.8	9.5
Total Other Current Assets	15.2	15.2	15.2	15.2
Total Current Assets	**232.6**	**278.2**	**333.8**	**400.0**
Fixed Assets	242.9	252.2	259.6	264.3
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	0.8	0.8	0.8	0.8
Total Non-current Assets	**243.7**	**252.9**	**260.4**	**265.1**
Short-term Debt	27.9	27.9	27.9	27.9
Current Portion of Long-Term Debt				
Total Creditors	74.6	83.8	92.1	99.2
Other Current Liabilities	4.0	4.0	4.0	4.0
Total Current Liabilities	**106.5**	**115.7**	**124.0**	**131.1**
Total Long-term Debt	35.5	35.5	35.5	35.5
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	5.1	5.1	5.1	5.1
Total Non-current Liabilities	**40.6**	**40.6**	**40.6**	**40.6**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**147.1**	**156.4**	**164.6**	**171.7**
Shareholders' Equity	329.1	374.8	429.5	493.3
Minority Interests	0.0	0.0	0.0	0.0
Total Equity	**329.1**	**374.8**	**429.5**	**493.3**

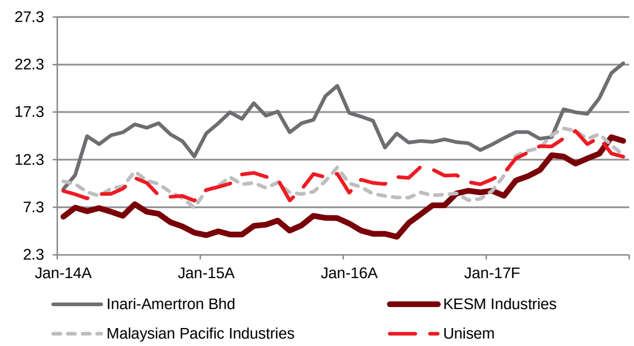
Cash Flow

(RMm)	Jul-17A	Jul-18F	Jul-19F	Jul-20F
EBITDA	114.48	130.94	145.39	160.38
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(7.28)	(1.89)	(1.69)	(1.46)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(1.27)	0.00	0.00	0.00
Net Interest (Paid)/Received	(2.44)	(3.17)	(3.17)	(3.17)
Tax Paid	(4.83)	(6.03)	(7.28)	(8.52)
Cashflow From Operations	**98.67**	**119.86**	**133.26**	**147.23**
Capex	(107.14)	(80.00)	(80.00)	(80.00)
Disposals Of FAs/subsidiaries	1.92	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	(45.14)	0.00	0.00	0.00
Other Investing Cashflow	(2.76)	0.00	0.00	0.00
Cash Flow From Investing	**(153.11)**	**(80.00)**	**(80.00)**	**(80.00)**
Debt Raised/(repaid)	27.38	0.00	0.00	0.00
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(5.38)	(8.60)	(10.75)	(12.90)
Preferred Dividends				
Other Financing Cashflow	(0.32)	0.00	0.00	0.00
Cash Flow From Financing	**21.68**	**(8.60)**	**(10.75)**	**(12.90)**
Total Cash Generated	(32.76)	31.26	42.50	54.32
Free Cashflow To Equity	**(27.06)**	**39.86**	**53.26**	**67.23**
Free Cashflow To Firm	**(52.00)**	**43.03**	**56.43**	**70.40**

Key Ratios

	Jul-17A	Jul-18F	Jul-19F	Jul-20F
Revenue Growth	18.3%	12.4%	9.9%	7.7%
Operating EBITDA Growth	24.5%	14.4%	11.0%	10.3%
Operating EBITDA Margin	33.9%	34.5%	34.8%	35.7%
Net Cash Per Share (RM)	1.47	2.26	3.30	4.62
BVPS (RM)	7.54	8.58	9.83	11.30
Gross Interest Cover	19.58	19.00	22.97	26.84
Effective Tax Rate	8.0%	10.0%	10.0%	10.0%
Net Dividend Payout Ratio	12.2%	15.9%	16.4%	16.8%
Accounts Receivables Days	82.67	84.37	85.28	86.32
Inventory Days	12.71	11.07	11.26	11.54
Accounts Payables Days	95.0	115.4	117.4	120.4
ROIC (%)	20.5%	20.1%	23.3%	26.4%
ROCE (%)	14.1%	15.3%	16.3%	16.8%
Return On Average Assets	10.4%	10.8%	11.6%	12.2%

12-mth Fwd FD P/E (x)



Key Drivers

	Jul-17A	Jul-18F	Jul-19F	Jul-20F
ASP Change (%, Main Product)	N/A	N/A	N/A	N/A
Unit sales growth (%, main prod)	30.0%	20.0%	14.0%	10.0%
No. Of Lines (main Product)	N/A	N/A	N/A	N/A
Rev per line (US$, main prod)	N/A	N/A	N/A	N/A
ASP chg (%, 2ndary prod)	N/A	N/A	N/A	N/A
Unit sales grth (%, 2ndary prod)	20.0%	10.0%	9.0%	7.0%
No. Of Lines (secondary Product)	N/A	N/A	N/A	N/A
Rev per line (US$, 2ndary prod)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

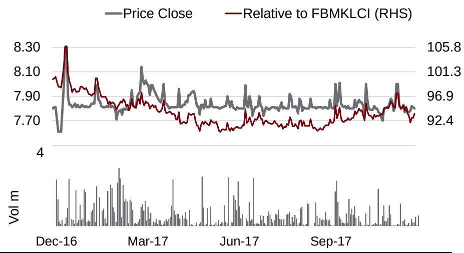
Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 0 Hold 10 Sell 2
Current price:	RM7.80
Target price:	RM7.83
Previous target:	RM7.83
Up/downside:	0.4%
CIMB / Consensus:	1.2%
Reuters:	KLCC.KL
Bloomberg:	KLCCSS MK
Market cap:	US$3,451m
	RM14,082m
Average daily turnover:	US$0.76m
	RM3.19m
Current shares o/s	1,805m
Free float:	89.2%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0	-0.1	0
Relative (%)	-0.9	2.1	-6.3

Major shareholders	% held
Petroliam Nasional Berhad	10.8
Skim Amanah Saham Bumiputera	5.7
0.65	89.2

KLCCP Stapled Group

Prime location assets to sustain earnings

- We think that KLCCP's earnings will continue to be supported by long-term & triple-net-lease office assets and its prime retail assets.
- In the longer term, we are excited about the potential injection of high-quality assets, for which the group has rights of first refusal (ROFR), which could boost earnings.
- Maintain Hold given the lack of catalysts in the near term.

Earnings to remain resilient, supported by quality assets

- The earnings of KLCCP Stapled Group (KLCCP) should continue to be sustained by stable income from office assets, which are on long-term leases and locked in a triple-net-lease structure, with strong tenants such as Petronas and Exxon-Mobil as well as the strong brand name of Suria KLCC which has continuously garnered positive rental reversions (to date, about half of its leases expiring in 2017 have been renewed at 7% rental reversions) and strong tenant sales (vs. its peers in the premium mall segment).
- The gradual completion of Suria KLCC's tenant remixing exercise (expected to complete in FY18) should bring back occupancy rates for the mall to the historical 98% (3Q17: 97%) thus improving the retail segment's earnings further.
- Despite the still-ongoing final phase of refurbishments currently comprising the hotel rooms (slated for 1HFY18 completion), we expect earnings to improve on the back of the newly-renovated rooms coming back into its inventory. Furthermore, the segment has been seeing better contributions from F&B.

Near-term inorganic growth limited – but look beyond 2020

- The group's medium-to-long-term asset injection pipeline is intact. The group has Rights of First Refusal (ROFR) to: i) Lots 185, 176 and 167 (K) which comprise 5-star hotel, office tower and retail podium to be integrated with Suria KLCC (targeted completion in 2020), and ii) Lot 91, a premier office tower, retail podium and exhibition hall to be integrated with KL Convention Centre (targeted completion in 2019).
- KLCCP will only inject them into its portfolio once stable and healthy occupancy rates are achieved. Nevertheless, despite the looming oversupply of office space coming into the market in the next few years, we are less concerned as we understand that the bulk of the office floor space has pre-committed tenants in the form of JV partners for the respective developments.

Asset enhancements updates – ongoing and potential

- Menara Dayabumi's Phase 3 of redevelopment, which will add about 1m sq ft of NLA – comprising c.600k of office space, 200k sq ft for retail and a 500-room hotel - is on track. We gather that the earliest completion for the redevelopment will be end-FY19F and as such, we expect contributions from the redevelopment to come in FY20F.
- Suria KLCC will be connected to the developments for which KLCCP has ROFR, hence the mall will be undergoing major enhancement works in order to provide seamless integrations. The mall will also be connected to the MRT 2's KLCC East Station upon completion, est. in 2022. The new entry points into the mall will help it cater to even more than the current office crowd (of c. 25k people) that surrounds it.

Maintain Hold and DDM-based target price of RM7.83

- Maintain Hold given the lack of catalysts in the near term. We believe KLCCP deserves to trade at a premium over its peers due to its size, prime location and secured office assets (long-term & triple net leases), as well as strong brand name of its retail assets. Its dividend yield backed by stable earnings should attract investor interest, although we note that at current valuations, its FY17-18F yields of 4.7-4.9% are slightly unattractive vs. sector average of 5.6-5.8%]

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues (RMm)	1,340	1,344	1,367	1,415	1,477
Operating EBITDA (RMm)	1,035	1,032	1,035	1,063	1,105
Net Profit (RMm)	1,132	886	724	751	793
Core EPS (RM)	0.40	0.40	0.40	0.42	0.44
Core EPS Growth	33.8%	(0.8%)	0.7%	3.7%	5.7%
FD Core P/E (x)	19.44	19.58	19.45	18.76	17.75
DPS (RM)	0.35	0.36	0.36	0.38	0.40
Dividend Yield	4.44%	4.57%	4.66%	4.85%	5.14%
EV/EBITDA (x)	24.16	24.46	24.40	23.78	22.89
P/FCFE (x)	17.95	20.24	20.34	18.15	17.18
Net Gearing	10.0%	10.4%	9.5%	8.8%	8.0%
P/BV (x)	2.95	2.88	2.86	2.84	2.82
ROE	12.0%	14.9%	14.8%	15.2%	16.0%
CIMB/consensus EPS (x)			0.99	0.99	1.00

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**1,344**	**1,367**	**1,415**	**1,477**
Gross Profit	**1,136**	**1,158**	**1,204**	**1,263**
Operating EBITDA	**1,032**	**1,035**	**1,063**	**1,105**
Depreciation And Amortisation	(33)	(34)	(35)	(37)
Operating EBIT	**999**	**1,001**	**1,027**	**1,068**
Financial Income/(Expense)	(79)	(75)	(70)	(66)
Pretax Income/(Loss) from Assoc.	11	14	14	14
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**932**	**940**	**971**	**1,015**
Exceptional Items	171	0	0	0
Pre-tax Profit	**1,103**	**940**	**971**	**1,015**
Taxation	**(92)**	**(92)**	**(94)**	**(96)**
Exceptional Income - post-tax				
Profit After Tax	**1,011**	**848**	**876**	**920**
Minority Interests	(125)	(124)	(126)	(127)
Pref. & Special Div	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**886**	**724**	**751**	**793**
Recurring Net Profit	719	724	751	793
Fully Diluted Recurring Net Profit	**719**	**724**	**751**	**793**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	1,015	1,135	1,228	1,324
Properties Under Development				
Total Debtors	80	81	84	88
Inventories	2	2	2	2
Total Other Current Assets	0	0	0	0
Total Current Assets	**1,097**	**1,219**	**1,314**	**1,414**
Fixed Assets	637	638	638	637
Total Investments	**15,709**	**15,837**	**15,965**	**16,094**
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	339	339	339	339
Total Non-current Assets	**16,685**	**16,815**	**16,943**	**17,070**
Short-term Debt	319	319	319	319
Current Portion of Long-Term Debt				
Total Creditors	281	257	287	318
Other Current Liabilities	21	21	21	21
Total Current Liabilities	**621**	**597**	**627**	**659**
Total Long-term Debt	2,233	2,233	2,233	2,233
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	150	267	300	334
Total Non-current Liabilities	**2,383**	**2,500**	**2,533**	**2,567**
Total Provisions	0	0	0	0
Total Liabilities	**3,004**	**3,097**	**3,160**	**3,225**
Shareholders' Equity	**4,882**	**4,917**	**4,951**	**4,987**
Minority Interests	9,896	10,020	10,146	10,272
Total Equity	**14,778**	**14,936**	**15,097**	**15,259**

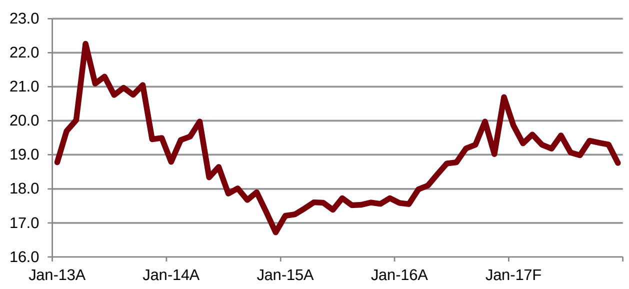
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	1,032	1,035	1,063	1,105
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(15)	(26)	28	27
Straight Line Adjustment				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow				
Net Interest (Paid)/Received	(79)	(75)	(70)	(66)
Tax Paid	(92)	(92)	(94)	(96)
Cashflow From Operations	**848**	**842**	**926**	**970**
Capex	(142)	(150)	(150)	(150)
Disposals Of FAs/subsidiaries	0	0	0	0
Disposals of Investment Properties				
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	0	0	0	0
Cash Flow From Investing	**(141)**	**(150)**	**(150)**	**(150)**
Debt Raised/(repaid)	(10)	0	0	0
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased				
Dividends Paid	(645)	(656)	(683)	(723)
Preferred Dividends				
Other Financing Cashflow	(212)	(121)	(121)	(121)
Cash Flow From Financing	**(867)**	**(777)**	**(804)**	**(844)**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	0.25%	1.77%	3.48%	4.37%
Operating EBITDA Growth	(0.2%)	0.2%	2.7%	3.9%
Operating EBITDA Margin	76.8%	75.7%	75.1%	74.8%
Net Cash Per Share (RM)	(0.85)	(0.78)	(0.73)	(0.68)
BVPS (RM)	2.70	2.72	2.74	2.76
Gross Interest Cover	8.24	8.27	8.49	8.83
Effective Tax Rate	0%	0%	0%	0%
Net Dividend Payout Ratio	79.8%	80.4%	80.8%	81.4%
Accounts Receivables Days	19.45	21.52	21.35	21.26
Inventory Days	3.33	3.47	3.65	3.81
Accounts Payables Days	493.9	468.9	469.7	517.7
ROIC (%)	108%	99%	98%	106%
ROCE (%)	6.06%	6.01%	6.14%	6.33%
Return On Average Assets	5.61%	5.56%	5.64%	5.80%

12-mth Fwd FD P/E (x) - KLCCP Stapled Group



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Unbooked Presales (m) (RM)	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A
Gross Margins (%)	82.1%	68.7%	68.6%	68.8%
Contracted Sales ASP (per Sm) (RM)	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A
Invt. properties rental margin (%)	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 6	Hold 9	Sell 2

Current price:	RM8.30
Target price:	RM9.80
Previous target:	RM9.80
Up/downside:	18.1%
CIMB / Consensus:	19.1%
Reuters:	KRIB.KL
Bloomberg:	KRI MK
Market cap:	US$1,301m
	RM5,308m
Average daily turnover:	US$1.61m
	RM6.71m
Current shares o/s	639.5m
Free float:	36.2%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.3	24.8	29.7
Relative (%)	0.4	27	23.4

Major shareholders	% held
Kossan Holdings Sdn Bhd	51.1
Employees Provident Fund	11.1
Kumpulan Wang Persaraan	1.6

Kossan Rubber Industries

New capacity fits like a glove

- We expect Kossan to record stronger quarters ahead as its new 3bn p.a. plant kicks in at the beginning of 4Q17.
- The group is also in the midst of constructing two new plants, with a new 1.5bn p.a. plant to be ready at end-2Q18 and a 3bn p.a. plant to be completed by 4Q18.
- Maintain Add with a higher TP of RM9.80.

A glove manufacturer with exposure to the TRP segment

- Kossan is ranked as the third-largest listed rubber glove manufacturer in Malaysia in terms of production capacity. With an existing capacity of 25bn pieces per annum, the group's product mix is 75% nitrile butadine (NBR) and 25% natural rubber (NR).
- Besides manufacturing rubber gloves, the group is also involved in the production of clean room gloves as well as technical rubber products (TRP).

9M17 net profit rose by 9% yoy

- 9M17 revenue grew 20.3% yoy, thanks to a 7% growth in glove sales and 9% increase in average selling prices (ASP) to pass on higher raw material costs. However, 9M17 EBITDA margins waned to 15.7% (-1.8% pts yoy), due to: i) lower contribution from the TRP segment, and ii) start-up costs from Plant 16.
- Still, 9M17 net profit rose to RM137.7m (+9% yoy) aided by lower tax rates of 18.5% (-0.5% pts yoy). Overall, 9M17 net profit was in-line, at 69% of our FY17F estimate.

3bn plant to be fully ready for commercial production by 1Q18

- The group is currently in the midst of ramping up capacity from its new 3bn plant (Plant 16), with full commercial production expected by 1Q18. In total, this will raise the group's capacity by 13.6% to 25bn per annum.
- Originally, this new plant was expected to be fully operational by end-3Q17 but has been delayed by three months due to water supply issues and delays in machine installations. This marks the first substantial capacity that the group has added since end-2015.

Another 4.5bn capacity to be ready in 2018

- Also, construction of 2 new plants has begun, with a new 1.5bn p.a. plant to be ready at end-2Q18 and a 3bn p.a. plant to be completed by 4Q18. However, we have built in 3-month delays into our forecasts as buffer in the event of any unforeseen problems.
- Both plants will add another 4.5bn pieces per annum, growing capacity by 18% post increase in capacity from Plant 16. We gather that all this new capacity will be used for the manufacturing of nitrile gloves, especially its patented low dermatitis nitrile gloves. This will bring its estimated product mix to 83% NBR and 27% NR.

Maintain Add

- No changes to our earnings and Add call. Our TP of RM9.80 is also kept unchanged, which is based on 22.4x CY19 P/E (20% discount to our target P/E for Hartalega).
- Looking ahead, the stock should re-rate given: i) stronger earnings driven by significant capacity growth, ii) it is a laggard stock vs. its peers, and iii) robust demand for gloves. Downside risks: lower ASPs from stiff pricing competition and further delays in expansion plans.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	1,640	1,668	2,018	2,332	2,639
Operating EBITDA (RMm)	343.5	291.8	337.5	408.1	464.7
Net Profit (RMm)	202.5	170.9	190.6	242.9	280.1
Core EPS (RM)	0.32	0.27	0.30	0.38	0.44
Core EPS Growth	39.1%	(15.6%)	11.5%	27.4%	15.4%
FD Core P/E (x)	26.21	31.05	27.84	21.86	18.95
DPS (RM)	0.12	0.11	0.13	0.19	0.22
Dividend Yield	1.45%	1.29%	1.62%	2.29%	2.64%
EV/EBITDA (x)	15.69	18.71	16.27	13.48	11.80
P/FCFE (x)	30	2,303	91	47	33
Net Gearing	5.6%	11.6%	12.8%	12.2%	9.5%
P/BV (x)	5.58	5.09	4.63	4.19	3.77
ROE	23.0%	17.2%	17.4%	20.1%	20.9%
CIMB/consensus EPS (x)			0.97	1.01	1.01

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**1,668**	**2,018**	**2,332**	**2,639**
Gross Profit	**289**	**769**	**908**	**1,030**
Operating EBITDA	**292**	**338**	**408**	**465**
Depreciation And Amortisation	(69)	(86)	(94)	(103)
Operating EBIT	**222**	**251**	**314**	**362**
Financial Income/(Expense)	(9)	(9)	(7)	(7)
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**213**	**242**	**308**	**355**
Exceptional Items	0	0	0	0
Pre-tax Profit	**213**	**242**	**308**	**355**
Taxation	(39)	(48)	(62)	(71)
Exceptional Income - post-tax	0	0	0	0
Profit After Tax	**174**	**194**	**246**	**284**
Minority Interests	(3)	(3)	(3)	(4)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax	0	0	0	0
Net Profit	**171**	**191**	**243**	**280**
Recurring Net Profit	171	191	243	280
Fully Diluted Recurring Net Profit	**171**	**191**	**243**	**280**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	99.5	72.0	64.3	85.7
Total Debtors	367.0	444.0	513.0	580.5
Inventories	262.0	237.3	270.6	305.6
Total Other Current Assets	9.4	9.4	9.4	9.4
Total Current Assets	**737.9**	**762.7**	**857.4**	**981.3**
Fixed Assets	843.2	907.1	963.4	1,010.8
Total Investments	5.3	5.3	5.3	5.3
Intangible Assets	4.9	4.9	4.9	4.9
Total Other Non-Current Assets	0.0	0.0	0.0	0.0
Total Non-current Assets	**853.5**	**917.4**	**973.7**	**1,021.0**
Short-term Debt	119.8	119.8	119.8	119.8
Current Portion of Long-Term Debt				
Total Creditors	206.8	187.3	213.6	241.3
Other Current Liabilities	18.2	18.2	18.2	18.2
Total Current Liabilities	**344.8**	**325.3**	**351.6**	**379.3**
Total Long-term Debt	103.5	103.5	103.5	103.5
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0
Total Non-current Liabilities	**103.5**	**103.5**	**103.5**	**103.5**
Total Provisions	72.4	72.4	72.4	72.4
Total Liabilities	**520.7**	**501.2**	**527.5**	**555.1**
Shareholders' Equity	1,041.9	1,146.8	1,268.2	1,408.3
Minority Interests	28.8	32.1	35.4	38.9
Total Equity	**1,070.7**	**1,178.9**	**1,303.6**	**1,447.2**

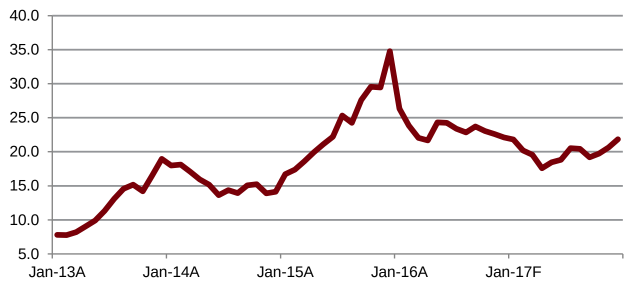
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	291.8	337.5	408.1	464.7
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(91.4)	(71.8)	(76.1)	(74.9)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	0.0	(0.0)	0.0	(0.0)
Net Interest (Paid)/Received	(8.9)	(9.0)	(6.8)	(7.4)
Tax Paid	(39.2)	(48.5)	(61.5)	(70.9)
Cashflow From Operations	**152.3**	**208.3**	**263.8**	**311.5**
Capex	(150.0)	(150.0)	(150.0)	(150.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Investing	**(150.0)**	**(150.0)**	**(150.0)**	**(150.0)**
Debt Raised/(repaid)	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(68.4)	(85.8)	(121.4)	(140.1)
Preferred Dividends				
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	**(68.4)**	**(85.8)**	**(121.4)**	**(140.1)**
Total Cash Generated	(66.1)	(27.5)	(7.6)	21.4
Free Cashflow To Equity	**2.3**	**58.3**	**113.8**	**161.5**
Free Cashflow To Firm	**12.3**	**69.4**	**122.7**	**170.4**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	1.8%	21.0%	15.5%	13.2%
Operating EBITDA Growth	(15.0%)	15.7%	20.9%	13.8%
Operating EBITDA Margin	17.5%	16.7%	17.5%	17.6%
Net Cash Per Share (RM)	(0.19)	(0.24)	(0.25)	(0.22)
BVPS (RM)	1.63	1.79	1.98	2.20
Gross Interest Cover	22.18	22.52	35.21	40.53
Effective Tax Rate	18.4%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	40.0%	45.0%	50.0%	50.0%
Accounts Receivables Days	74.39	73.34	74.90	75.63
Inventory Days	62.06	72.96	65.08	65.38
Accounts Payables Days	52.14	57.60	51.38	51.61
ROIC (%)	15.2%	14.9%	16.9%	17.7%
ROCE (%)	16.9%	17.9%	20.6%	21.8%
Return On Average Assets	11.8%	12.3%	14.3%	15.1%

12-mth Fwd FD P/E (x) - Kossan Rubber Industries



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	-5.3%	3.2%	-0.1%	1.9%
Unit sales grth (%, main prod./serv.)	4.1%	10.3%	17.4%	0.0%
Util. rate (%, main prod./serv.)	84.0%	82.5%	82.0%	0.0%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

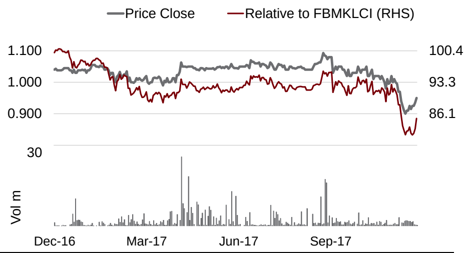
Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 5 Hold 11 Sell 1
Current price:	RM0.95
Target price:	RM1.09
Previous target:	RM1.09
Up/downside:	15.1%
CIMB / Consensus:	0.7%
Reuters:	KPJH.KL
Bloomberg:	KPJ MK
Market cap:	US$982.0m
	RM4,007m
Average daily turnover:	US$0.38m
	RM1.57m
Current shares o/s	4,265m
Free float:	50.5%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-3.1	-12.3	-8.5
Relative (%)	-4	-10.1	-14.8

Major shareholders	% held
Johor Corporation	29.2
EPF	13.1
Waqaf An-Nur Corporation	7.3

KPJ Healthcare

New hospitals to drive earnings growth

- Malaysia's largest provider of private healthcare, with 25 hospitals nationwide. The group also has overseas presence in Indonesia, Bangladesh, Australia and Thailand.
- We expect the group to record stronger earnings in FY18F as new hospitals complete their gestation periods and expansion plans continue over the next 4 years.
- Maintain HOLD, with an unchanged SOP-based TP of RM1.09.

One of the largest private hospital providers in Malaysia

- KPJ Healthcare Berhad (KPJ) has the largest network of private hospitals in Malaysia with 25 hospitals nationwide. The group also has presence overseas, with two hospitals in Indonesia, a hospital in Bangladesh, a retirement and aged-care resort in Australia and a sizable share in a hospital in Bangkok.
- The bulk of KPJ's revenue contribution comes from its Malaysian operations. As at 9M17, revenue contribution of KPJ's four divisions was: i) Malaysia – 94.8%, ii) Australia – 1.8% iii) Others – 1.8%, and iv) Indonesia – 1.6%,

9M17 net profit was below expectations

- 9M17 revenue rose by 5% yoy, thanks to higher inpatient volumes as well as an increase in average revenue per patient (inpatient: +4.9% yoy, outpatient: +4.3% yoy). 9M17 EBITDA margin rose 0.2% pt yoy to 11.6%, thanks to cost optimisation efforts. Accordingly, 9M17 net profit grew 4.1% yoy to RM101m despite a marginally higher tax rate of 30.5% (+0.3% pt yoy).
- Weaker-than-expected 3Q17 results led to 9M17 net profit coming in below expectations, at 65% of our FY17F estimates.

Expansion plans in Malaysia to continue over the next 4 years

- Segmentally, the Malaysian operations continued to contribute the bulk of KPJ's profits, accounting for 106% of total 9M17 pretax profit (PBT). We believe the contribution from KPJ's Malaysia segment will continue to improve, especially from the new hospitals that have completed their gestation periods.
- Moving forward, KPJ plans to add 7 new hospitals and complete expansion works at 6 of its existing hospitals over the next 4 years. With 3 new hospitals scheduled to open in 2Q-4QFY18 (1 in Johor and 2 in Sarawak), we expect stronger contribution from the Malaysia segment in FY18F.

Potential disposal of Jeta Gardens is positive

- KPJ has highlighted the possibility of exiting its Australian aged-care operations (Jeta Gardens). Since the 51% stake acquisition by KPJ in 2010, Jeta Gardens' operations have been loss-making, with a pretax loss of RM5.7m in 9M17 (vs. RM8.1m in 9M16). Though loss-making, Jeta Gardens' operations are improving due to better economies of scale and higher capacity of the retirement village.
- We gather that KPJ is in discussions with interested parties, which could potentially be concluded by end-FY17. We view the potential exit positively as it would stop weighing down KPJ's bottomline.

Maintain HOLD

- Maintain Hold with an unchanged SOP-based target price of RM1.09. We believe that KPJ's earnings outlook remains unexciting as the weak economic outlook affects patient volumes.
- A potential re-rating catalyst is the disposal of its loss-making Australian aged-care division, which we have yet to reflect in our valuations. Downside/upside risks: sharp decline/increase in patient volumes.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	2,818	3,021	3,601	3,789	3,995
Operating EBITDA (RMm)	337.7	377.7	404.1	445.8	483.0
Net Profit (RMm)	132.6	149.2	148.3	167.0	183.2
Core EPS (RM)	0.13	0.03	0.03	0.04	0.04
Core EPS Growth	3.3%	(72.6%)	(0.6%)	12.5%	9.7%
FD Core P/E (x)	31.17	27.71	27.87	24.76	22.56
DPS (RM)	0.019	0.019	0.018	0.018	0.018
Dividend Yield	1.97%	1.96%	1.86%	1.86%	1.86%
EV/EBITDA (x)	5.11	12.74	11.85	10.76	9.87
P/FCFE (x)	28.4	NA	65.5	120.3	59.5
Net Gearing	72.5%	80.0%	76.7%	74.6%	70.2%
P/BV (x)	2.80	2.90	2.75	2.59	2.42
ROE	9.8%	10.5%	10.3%	11.0%	11.3%
CIMB/consensus EPS (x)			0.99	0.98	0.98

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**3,021**	**3,601**	**3,789**	**3,995**
Gross Profit	**898**	**949**	**1,057**	**1,148**
Operating EBITDA	**378**	**404**	**446**	**483**
Depreciation And Amortisation	(134)	(147)	(159)	(172)
Operating EBIT	**243**	**257**	**286**	**311**
Financial Income/(Expense)	(67)	(70)	(71)	(72)
Pretax Income/(Loss) from Assoc.	34	40	41	41
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**210**	**228**	**256**	**280**
Exceptional Items	0	0	0	0
Pre-tax Profit	**210**	**228**	**256**	**280**
Taxation	(54)	(72)	(81)	(89)
Exceptional Income - post-tax				
Profit After Tax	**156**	**155**	**174**	**191**
Minority Interests	(7)	(7)	(7)	(8)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**149**	**148**	**167**	**183**
Recurring Net Profit	149	148	167	183
Fully Diluted Recurring Net Profit	**149**	**148**	**167**	**183**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	61	49	9	3
Total Debtors	501	598	629	663
Inventories	51	63	65	68
Total Other Current Assets	15	15	15	15
Total Current Assets	**628**	**725**	**717**	**749**
Fixed Assets	1,807	1,911	2,001	2,079
Total Investments	819	860	901	942
Intangible Assets	244	244	244	244
Total Other Non-Current Assets	86	86	86	86
Total Non-current Assets	**2,957**	**3,100**	**3,231**	**3,351**
Short-term Debt	916	916	916	916
Current Portion of Long-Term Debt				
Total Creditors	643	803	828	863
Other Current Liabilities	52	52	52	52
Total Current Liabilities	**1,611**	**1,771**	**1,795**	**1,830**
Total Long-term Debt	350	350	350	350
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	18	18	18	18
Total Non-current Liabilities	**368**	**368**	**368**	**368**
Total Provisions	101	101	101	101
Total Liabilities	**2,079**	**2,240**	**2,264**	**2,299**
Shareholders' Equity	1,399	1,472	1,564	1,672
Minority Interests	106	113	121	129
Total Equity	**1,505**	**1,585**	**1,685**	**1,800**

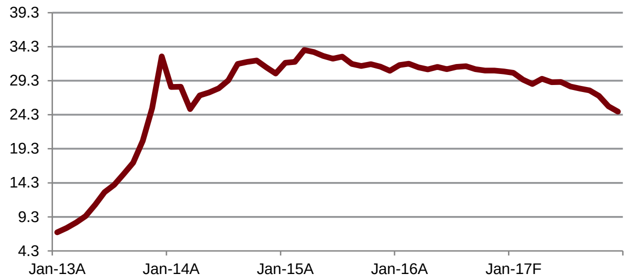
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	377.7	404.1	445.8	483.0
Cash Flow from Invt. & Assoc.				
Change In Working Capital	0.4	51.3	(8.7)	(2.2)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	0.0	0.0	(0.0)	(0.0)
Net Interest (Paid)/Received	(66.8)	(69.9)	(71.3)	(72.3)
Tax Paid	(54.3)	(72.5)	(81.3)	(89.1)
Cashflow From Operations	**257.0**	**313.1**	**284.4**	**319.5**
Capex	(300.0)	(250.0)	(250.0)	(250.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Investing	**(300.0)**	**(250.0)**	**(250.0)**	**(250.0)**
Debt Raised/(repaid)	14.5	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(79.6)	(75.2)	(75.2)	(75.2)
Preferred Dividends				
Other Financing Cashflow	(266.4)			
Cash Flow From Financing	**(331.4)**	**(75.2)**	**(75.2)**	**(75.2)**
Total Cash Generated	(374.4)	(12.1)	(40.8)	(5.7)
Free Cashflow To Equity	**(28.5)**	**63.1**	**34.4**	**69.5**
Free Cashflow To Firm	**40.1**	**135.5**	**107.2**	**142.3**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	7.2%	19.2%	5.2%	5.4%
Operating EBITDA Growth	11.9%	7.0%	10.3%	8.4%
Operating EBITDA Margin	12.5%	11.2%	11.8%	12.1%
Net Cash Per Share (RM)	(0.28)	(0.29)	(0.29)	(0.30)
BVPS (RM)	0.33	0.35	0.37	0.39
Gross Interest Cover	2.93	3.55	3.93	4.27
Effective Tax Rate	25.8%	31.8%	31.8%	31.8%
Net Dividend Payout Ratio	53.3%	50.7%	45.0%	41.0%
Accounts Receivables Days	64.62	55.68	59.06	58.99
Inventory Days	8.51	7.85	8.59	8.54
Accounts Payables Days	109.4	99.6	109.0	108.3
ROIC (%)	9.1%	9.6%	10.4%	10.8%
ROCE (%)	8.7%	9.1%	9.8%	10.2%
Return On Average Assets	5.48%	5.61%	5.86%	6.09%

12-mth Fwd FD P/E (x) - KPJ Healthcare



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
No. Of Patient Admissions (m P.a.)	-	-	-	-
Revenue Per Patient Bed (RM)	N/A	N/A	N/A	N/A
Occupancy Rate Of Beds (%)	70.0%	70.0%	70.0%	70.0%
Average Length Of Stay (days)	N/A	N/A	N/A	N/A
Beds Opened (units)	3,690.0	3,880.0	3,980.0	4,180.0
Bed Turnover A Year (x)	N/A	N/A	N/A	N/A
% of fgn patients to patient load	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

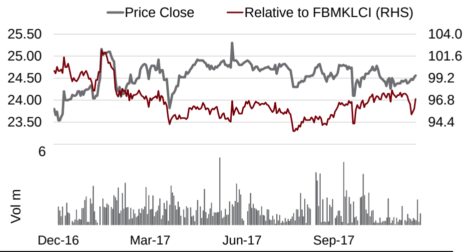
Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 3 Hold 17 Sell 3
Current price:	RM24.56
Target price:	RM27.15
Previous target:	RM27.15
Up/downside:	10.5%
CIMB / Consensus:	5.3%
Reuters:	KLKK.KL
Bloomberg:	KLK MK
Market cap:	US$6,409m
	RM26,156m
Average daily turnover:	US$5.67m
	RM23.79m
Current shares o/s	1,068m
Free float:	34.5%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.6	0.2	3.5
Relative (%)	-0.3	2.4	-2.8

Major shareholders	% held
Batu Kawan	46.6
Employees Provident Fund	15.3
Lembaga Kemajuan Tanah Persekutuan (FELDA)	3.6

Kuala Lumpur Kepong

Better earnings prospects in 2018

- We project that KLK will record a 12% improvement in earnings in FY18F driven mainly by higher production and manufacturing contributions.
- We are neutral on its proposal to acquire Elementis' surfactant business to grow its products range and market reach in specialty chemicals.
- Maintain earnings, SOP-based target price of RM27.15 and Hold call.

Better prospects in 2018

- We project stronger plantation earnings in FY18F driven by higher FFB output and CPO prices. FFB output will be driven by the recovery in FFB yields and new mature areas coming on stream. The oleochemical division will be driven by efforts put in place to turn its underperforming assets around. Overall, we project KLK's net profit to grow 12% in FY18F.

Higher taxes offset stronger plantation earnings in FY17

- KLK's FY9/17 final core net profit fell 0.5% yoy as weaker manufacturing contribution and higher tax expenses (in the absence of RM268m deferred tax assets recognised in 4QFY16) more than offset higher plantation contribution. Plantation EBIT grew 58% yoy in FY17 to RM1,308m due mainly to higher ASPs for palm products and production and an 11% improvement in FFB output.

Manufacturing segment posted weaker earnings in FY17

- Manufacturing EBIT fell 48% in FY17 due mainly to the high cost of raw materials, stock write-downs in 3Q, and impairment charges. The group recognised an impairment of RM30.9m in 4QFY17 due to an underperforming oleochemical plant.

Acquiring Dutch surfactant business for RM187m

- KLK has proposed to acquire Elementis BV's surfactant chemicals business and its 16.2ha Delden manufacturing plant in the Netherlands for a total enterprise value of €39m (or RM187m) on a cash-free debt-free basis and with a normal level of working capital. ESN is wholly-owned by Elementis, which is part of Elementis plc, a global specialty chemicals company listed on the London Stock Exchange.
- The proposed acquisition is expected to be completed in 1H18 and will be funded by a combination of KLK's existing cash and bank borrowings. We are neutral on the proposed acquisition as it will expand KLK's specialty chemicals product range and market coverage. The acquisition will allow KLK to use the facility's site as another hub for KLK group's market penetration strategy and will help accelerate growth in its downstream chemical specialties business in Europe.

Maintain Hold and SOP-based target price

- We maintain our earnings forecasts, SOP target price and Hold call. The implied FY18F P/E for KLK at our SOP valuation is 22.4x, which is in line with the group's historical 5-year average forward P/E. We expect the share price to be supported by the group's strategic estate land bank in Malaysia. Key upside and downside risks for KLK are higher and lower CPO prices, as well as FFB yields.

Financial Summary	Sep-16A	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Revenue (RMm)	16,506	21,004	18,830	19,745	20,812
Operating EBITDA (RMm)	1,749	2,061	2,069	2,168	2,201
Net Profit (RMm)	1,592	1,005	1,167	1,238	1,259
Core EPS (RM)	0.94	0.98	1.09	1.16	1.18
Core EPS Growth	15.4%	3.9%	11.9%	6.1%	1.7%
FD Core P/E (x)	26.12	25.14	22.47	21.18	20.82
DPS (RM)	0.50	0.50	0.65	0.65	0.65
Dividend Yield	2.04%	2.03%	2.64%	2.64%	2.64%
EV/EBITDA (x)	16.75	14.16	14.14	13.29	12.88
P/FCFE (x)	38.79	31.17	23.54	23.12	22.49
Net Gearing	22.6%	19.4%	26.3%	20.9%	15.9%
P/BV (x)	2.51	2.26	2.56	2.41	2.27
ROE	10.0%	9.5%	10.7%	11.7%	11.2%
CIMB/consensus EPS (x)			0.96	0.98	0.94

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Total Net Revenues	**21,004**	**18,830**	**19,745**	**20,812**
Gross Profit	**5,962**	**2,861**	**2,984**	**3,041**
Operating EBITDA	**2,061**	**2,069**	**2,168**	**2,201**
Depreciation And Amortisation	(474)	(474)	(481)	(487)
Operating EBIT	**1,587**	**1,595**	**1,687**	**1,713**
Financial Income/(Expense)	(95)	(50)	(47)	(45)
Pretax Income/(Loss) from Assoc.	(4)	15	15	15
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**1,488**	**1,560**	**1,655**	**1,684**
Exceptional Items	(37)	0	0	0
Pre-tax Profit	**1,450**	**1,560**	**1,655**	**1,684**
Taxation	(383)	(374)	(397)	(404)
Exceptional Income - post-tax				
Profit After Tax	**1,067**	**1,186**	**1,258**	**1,280**
Minority Interests	(62)	(19)	(20)	(20)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**1,005**	**1,167**	**1,238**	**1,259**
Recurring Net Profit	1,043	1,167	1,238	1,259
Fully Diluted Recurring Net Profit	**1,043**	**1,167**	**1,238**	**1,259**

Balance Sheet

(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Total Cash And Equivalents	2,041	2,903	3,345	3,819
Total Debtors	2,514	2,720	2,888	3,026
Inventories	1,797	2,111	2,213	2,333
Total Other Current Assets	342	444	444	444
Total Current Assets	**6,694**	**8,179**	**8,891**	**9,621**
Fixed Assets	5,221	5,104	5,185	5,260
Total Investments	6,875	4,774	4,728	4,681
Intangible Assets	340	345	345	345
Total Other Non-Current Assets	374	374	374	374
Total Non-current Assets	**12,810**	**10,598**	**10,632**	**10,660**
Short-term Debt	1,376	1,500	1,500	1,500
Current Portion of Long-Term Debt	7	7	7	7
Total Creditors	1,563	1,620	1,707	1,795
Other Current Liabilities	196	29	29	29
Total Current Liabilities	**3,141**	**3,155**	**3,242**	**3,330**
Total Long-term Debt	3,067	4,233	4,233	4,233
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	596	357	357	357
Total Non-current Liabilities	**3,664**	**4,589**	**4,589**	**4,589**
Total Provisions	259	258	258	258
Total Liabilities	**7,064**	**8,003**	**8,090**	**8,178**
Shareholders' Equity	11,576	10,251	10,891	11,542
Minority Interests	864	524	544	565
Total Equity	**12,440**	**10,775**	**11,435**	**12,106**

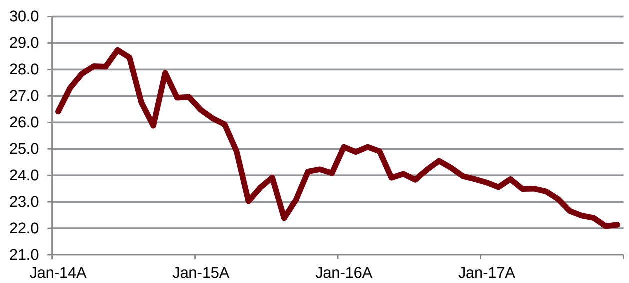
Cash Flow

(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
EBITDA	2,061	2,069	2,168	2,201
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(288)	(116)	(183)	(169)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(10)	0	0	0
Net Interest (Paid)/Received	(52)	35	46	38
Tax Paid	(370)	(374)	(397)	(404)
Cashflow From Operations	**1,341**	**1,614**	**1,634**	**1,666**
Capex	(500)	(500)	(500)	(500)
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	0	0	0	0
Cash Flow From Investing	**(500)**	**(500)**	**(500)**	**(500)**
Debt Raised/(repaid)	0	0	0	0
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(639)	(692)	(692)	(692)
Preferred Dividends				
Other Financing Cashflow	0	0	0	0
Cash Flow From Financing	**(639)**	**(692)**	**(692)**	**(692)**
Total Cash Generated	202	421	442	473
Free Cashflow To Equity	**841**	**1,114**	**1,134**	**1,166**
Free Cashflow To Firm	**941**	**1,128**	**1,141**	**1,183**

Key Ratios

	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Revenue Growth	27.3%	(10.3%)	4.9%	5.4%
Operating EBITDA Growth	17.8%	0.4%	4.8%	1.5%
Operating EBITDA Margin	9.8%	11.0%	11.0%	10.6%
Net Cash Per Share (RM)	(2.26)	(2.66)	(2.24)	(1.80)
BVPS (RM)	10.84	9.60	10.20	10.81
Gross Interest Cover	9.35	15.95	16.87	17.13
Effective Tax Rate	26.4%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	51.1%	59.3%	55.9%	55.0%
Accounts Receivables Days	33.48	42.33	43.37	43.55
Inventory Days	44.83	44.66	47.09	46.82
Accounts Payables Days	25.51	26.76	26.53	26.45
ROIC (%)	18.6%	18.1%	17.9%	17.6%
ROCE (%)	10.0%	9.7%	10.2%	10.0%
Return On Average Assets	6.34%	6.45%	6.82%	6.65%

12-mth Fwd FD P/E (x) - Kuala Lumpur Kepong



Key Drivers

	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Planted Estates (ha)	215,602	223,602	231,602	239,602
Mature Estates (ha)	190,823	198,823	207,083	215,256
FFB Yield (tonnes/ha)	22.0	22.5	22.5	22.5
FFB Output Growth (%)	5.3%	6.6%	4.2%	3.9%
CPO Price (US$/tonne)	571	604	612	612

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

Malaysia

REDUCE *(no change)*

Consensus ratings*:	Buy 1	Hold 3	Sell 6

Current price:	RM6.16
Target price:	RM6.26
Previous target:	RM6.26
Up/downside:	1.6%
CIMB / Consensus:	15.9%
Reuters:	LMCE.KL
Bloomberg:	LMC MK
Market cap:	US$1,283m
	RM5,234m
Average daily turnover:	US$0.81m
	RM3.40m
Current shares o/s	849.7m
Free float:	31.6%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-10.6	-8.8	-13.2
Relative (%)	-11.5	-6.6	-19.5

Major shareholders	% held
LafargeHolcim Ltd	51.0
Employees Provident Fund	9.1
Amanah Raya Trustees	8.2

Analyst(s)

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Lafarge Malaysia Bhd

Price war looks far from over

- We expect the cement price war to spill over into 2018. We think this would be negative for Lafarge.
- The timing of the new large-scale contracts means that cement demand will only regain strength in 2H18F.
- Upside risk to our Reduce call is a potential price hike and stronger demand recovery.

Still sluggish cement demand in 3Q17

- We understand that major infra projects (mainly MRT 2) have begun ordering cement in 3Q17. Recent guidance from management that the overall domestic cement volume contraction in 2017 is likely to be steeper than the 6% in 2016, may signal a more muted 1H18 demand outlook. Previously, guidance was for a robust demand recovery from new infra contracts, mainly rail. At this juncture, only two major rail contracts would support cement demand; the RM32bn MRT 2 and RM9bn LRT 3.

Price war still not over

- Looking back to the 8.9% qoq revenue growth in 3Q17, the uptrend was the result of improved net selling prices (we suspect due to the stabilisation of price rebates) and a slight rise in cement sales volume due to the ramp-up in progress works for the overall sector. However, industry players are still engaged in a price war that could continue, at the expense of margins. Also, the oversupply landscape still does not justify a much needed cement price hike to pass on the higher costs (particularly energy costs).

2018F property and residential demand for cement still looks weak

- While 2018F could still be a recovery year for cement demand from a low base, the recent freeze on approvals for high-end properties priced at above RM1m each could negate the anticipated turnaround in residential/non-residential cement demand. This leaves larger-scale infrastructure, civil works and iconic high-rise projects as the key drivers for a more robust recovery in cement volumes next year.

Timing of new large-scale projects

- Major new contracts, such as the RM55bn East Coast Rail Link (ECRL), est. RM40bn MRT 3 (circle line), and RM50bn-60bn KL-Singapore high-speed rail (HSR), would only begin awarding civil works packages from 2H18F. The RM8bn-9bn Gemas-JB rail double-tracking project would be the only rail job, apart from MRT 2 and LRT3 that could start physical works in 2018F. For Lafarge, a new stream of cement-intensive orders for major new projects would only emerge in 2H18F, in our view.

More aggressive cost control the only defence

- We expect in the short term, Lafarge will continue to emphasise on cost control. It has reduced its workforce to reflect lower utilisation rates, and will optimise its fuel mix as a buffer against rising coal, diesel, and petroleum coke prices. We believe the strengthening ringgit would have a bigger fuel savings impact in FY18F

Maintain Reduce

- We retain our FY17-19F EPS. From a net loss forecast in FY17F, our net profit forecasts in FY18F could face downside risks if cement volume remains weak in 1H18 and losses continue in the next two quarters. We maintain our Reduce rating and target price, still pegged to 1.8x P/BV (10% discount to Lafarge's 5-year average P/BV). Potential de-rating catalysts include a prolonged price war, and quarterly losses. Key upside risk is a price hike.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	2,751	2,552	2,487	2,760	2,900
Operating EBITDA (RMm)	500.9	285.6	83.6	379.8	405.3
Net Profit (RMm)	251.0	76.7	(93.0)	117.0	137.5
Core EPS (RM)	0.30	0.09	(0.11)	0.14	0.16
Core EPS Growth	(2%)	(69%)	(221%)		17%
FD Core P/E (x)	20.85	68.27	NA	44.78	38.12
DPS (RM)	0.34	0.05	0.05	0.10	0.15
Dividend Yield	5.52%	0.81%	0.81%	1.62%	2.44%
EV/EBITDA (x)	10.45	18.75	64.37	14.15	13.25
P/FCFE (x)	43.21	66.45	NA	20.85	20.48
Net Gearing	0.96%	4.60%	4.29%	4.15%	3.95%
P/BV (x)	1.69	1.71	1.76	1.79	1.78
ROE	7.81%	2.49%	(3.08%)	3.96%	4.68%
CIMB/consensus EPS (x)			0.72	1.64	1.08

SOURCE: COMPANY DATA, CIMB FORECASTS

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**2,552**	**2,487**	**2,760**	**2,900**
Gross Profit	**311**	**167**	**464**	**489**
Operating EBITDA	**286**	**84**	**380**	**405**
Depreciation And Amortisation	(196)	(225)	(223)	(221)
Operating EBIT	**90**	**(142)**	**157**	**185**
Financial Income/(Expense)	(6)	(3)	(5)	(7)
Pretax Income/(Loss) from Assoc.	(6)	(6)	(6)	(6)
Non-Operating Income/(Expense)	(3)	0	0	0
Profit Before Tax (pre-EI)	**74**	**(151)**	**146**	**172**
Exceptional Items	0	0	0	0
Pre-tax Profit	**74**	**(151)**	**146**	**172**
Taxation	3	59	(27)	(33)
Exceptional Income - post-tax	0	0	0	0
Profit After Tax	**78**	**(92)**	**118**	**139**
Minority Interests	(1)	(1)	(1)	(1)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax	0	0	0	0
Net Profit	**77**	**(93)**	**117**	**137**
Recurring Net Profit	77	(93)	117	137
Fully Diluted Recurring Net Profit	**77**	**(93)**	**117**	**137**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	207	215	217	219
Total Debtors	406	358	361	378
Inventories	280	266	279	293
Total Other Current Assets	76	69	72	77
Total Current Assets	**969**	**908**	**930**	**967**
Fixed Assets	1,741	1,793	1,740	1,732
Total Investments	29	29	29	29
Intangible Assets	1,396	1,209	1,209	1,209
Total Other Non-Current Assets	121	104	101	98
Total Non-current Assets	**3,287**	**3,135**	**3,078**	**3,068**
Short-term Debt	347	344	341	337
Current Portion of Long-Term Debt				
Total Creditors	500	321	324	339
Other Current Liabilities	112	130	133	141
Total Current Liabilities	**959**	**795**	**797**	**817**
Total Long-term Debt	0	0	0	0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	**0**	**0**	**0**	**0**
Total Provisions	233	233	233	233
Total Liabilities	**1,192**	**1,028**	**1,030**	**1,050**
Shareholders' Equity	3,059	2,974	2,934	2,939
Minority Interests	5	41	43	46
Total Equity	**3,064**	**3,015**	**2,978**	**2,985**

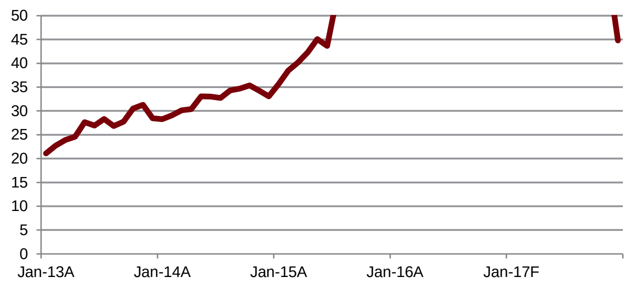
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	285.6	83.6	379.8	405.3
Cash Flow from Invt. & Assoc.				
Change In Working Capital	62.7	(16.6)	(4.8)	(18.7)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	44.9	0.0	0.0	0.0
Net Interest (Paid)/Received	(14.8)	(19.4)	(19.2)	(19.0)
Tax Paid	(86.1)	(11.7)	(30.7)	(36.0)
Cashflow From Operations	**292.3**	**35.9**	**325.1**	**331.6**
Capex	(247.7)	(80.0)	(80.0)	(80.0)
Disposals Of FAs/subsidiaries	30.9	5.5	4.1	3.8
Acq. Of Subsidiaries/investments	(0.8)	0.0	0.0	0.0
Other Investing Cashflow	4.2	0.0	0.0	0.0
Cash Flow From Investing	**(213.4)**	**(74.5)**	**(75.9)**	**(76.2)**
Debt Raised/(repaid)	(0.1)	(1.2)	2.1	0.5
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(169.9)	(42.5)	(85.2)	(127.9)
Preferred Dividends				
Other Financing Cashflow	(38.0)	(182.6)	(187.2)	(148.9)
Cash Flow From Financing	**(208.1)**	**(226.4)**	**(270.3)**	**(276.3)**
Total Cash Generated	(129.2)	(265.0)	(21.0)	(20.9)
Free Cashflow To Equity	**78.8**	**(39.9)**	**251.4**	**255.9**
Free Cashflow To Firm	**98.5**	**(19.3)**	**268.5**	**274.4**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(7.2%)	(2.6%)	11.0%	5.1%
Operating EBITDA Growth	(43%)	(71%)	355%	7%
Operating EBITDA Margin	11.2%	3.4%	13.8%	14.0%
Net Cash Per Share (RM)	(0.17)	(0.15)	(0.15)	(0.14)
BVPS (RM)	3.60	3.50	3.45	3.45
Gross Interest Cover	4.6	(7.3)	8.2	9.7
Effective Tax Rate	0.0%	0.0%	18.9%	19.3%
Net Dividend Payout Ratio	55%	NA	73%	93%
Accounts Receivables Days	57.85	51.39	43.32	42.46
Inventory Days	46.58	42.97	43.34	43.34
Accounts Payables Days	75.14	60.91	47.54	46.63
ROIC (%)	2.7%	(4.2%)	4.7%	5.6%
ROCE (%)	2.80%	(3.45%)	4.79%	5.55%
Return On Average Assets	1.95%	(2.15%)	3.06%	3.61%

12-mth Fwd FD P/E (x) - Lafarge Malaysia Bhd



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Domestic ASP (% Change)	0.0%	-10.0%	5.0%	5.0%
Domestic Vol. Sales Growth (%)	0.0%	0.0%	0.0%	0.0%
Export ASP (% Change)	0.0%	0.0%	0.0%	0.0%
Export Vol. Sales Growth (%)	0.0%	0.0%	0.0%	0.0%
Utilisation Rate (%)	85.3%	85.3%	85.3%	85.3%
Unit Raw Material ASP (% Change)	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

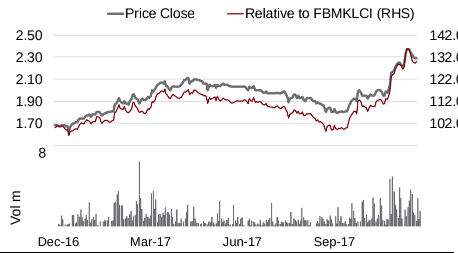
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 5	Hold 0	Sell 0

Current price:	RM2.29
Target price:	RM2.55
Previous target:	RM2.55
Up/downside:	11.4%
CIMB / Consensus:	3.9%
Reuters:	LBSB.KL
Bloomberg:	LBS MK
Market cap:	US$383.6m
	RM1,566m
Average daily turnover:	US$0.70m
	RM2.89m
Current shares o/s	666.6m
Free float:	49.3%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	15.1	27.2	36.3
Relative (%)	14.2	29.4	30

Major shareholders	% held
Tan Sri Lim Hock San	50.7
KWAP	9.0

Analyst(s)

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LBS Bina Group

2018 will be a busy year

- We expect LBS Bina's earnings in the coming quarters to be underpinned by stronger new property sales, higher unbilled sales and aggressive launches.
- We see potential upside from its ZIC's land as well, which could trigger another round of special dividends and provide buffer for future landbanking activities.
- We maintain Add and target price of RM2.55, based on a 30% discount to RNAV.

Chalking good numbers in 2017

- LBS's new property sales were RM1.3bn as of 25 Nov 2017, at 87% of its 2017 sales target of RM1.5bn. The new sales were 15.8% higher yoy compared to the RM1.1bn in the same period last year. We believe it is on track to achieve its 2017 sales target, thanks to strong interest for its projects that target the mass-market homebuyer segment and aggressive launches worth up to RM2.3bn in 2017 (2016: RM1.26bn). This will likely underpin LBS's higher earnings in the coming quarters, in our view.

ZIC's land value to be unlocked

- LBS Bina announced that its proposed Zhuhai International Circuit (ZIC) upgrading and transformation plan was approved by the Development and Reform Bureau of Gaoxin District on 16 Nov 2017. We were pleasantly surprised by the earlier-than-expected approval granted by the China authorities. Previously, management was expecting the approval to be granted in 1Q18.
- We believe LBS may monetise the land through sale or partnership with a China-based developer to develop the site. If this materialises, it could trigger another round of special dividends and provide ammunition to LBS for further landbanking activities in Malaysia. A special dividend was introduced in 2013 upon completion of the disposal of the two land plots in Zhuhai, with an estimated profit of RM240m.

Property sector outlook still muted

- We believe the overall property outlook is still bleak in 2018, despite rising property prices and still active property transactions. We see two wildcards impacting the sector in 2018, namely the potential interest rate hike and approval freeze for luxury projects above RM1m. Besides, low affordability, mismatch between supply and demand, high incoming supply of completed properties and rising competition from public housings are continued risks for private developers' sales.
- While LBS is not spared from the property downturn, we believe it could weather the slowdown better than its peers as its projects focus mainly on the mass-market segment, where demand remains healthy. We believe there is strong pent-up demand for these types of properties as there has been an undersupply relative to demand in the past few years.

Maintain Add

- LBS remains one of our top picks among the Malaysian developers given its strong sales momentum and aggressive project launches. Fundamentals are intact and the approval for the China Zhuhai International Circuit (ZIC) upgrade will provide a shot in the arm to its share price, in our view. We believe the share price will also be supported by the feel-good factor from the recently-proposed share split and bonus issue. We retain our target price of RM2.55, based on a 30% discount to RNAV
- Rising earnings and strong sales are the key potential re-rating catalysts for the stock. A key risk to our call is a further deterioration in sentiment in the property market.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues (RMm)	680	994	1,164	1,481	1,658
Operating EBITDA (RMm)	115.4	132.9	205.0	266.5	333.8
Net Profit (RMm)	76.0	85.6	106.2	132.9	156.1
Core EPS (RM)	0.14	0.17	0.17	0.22	0.25
Core EPS Growth	0.2%	22.0%	0.8%	25.1%	17.4%
FD Core P/E (x)	16.94	15.73	15.04	12.11	10.35
DPS (RM)	0.09	0.10	0.11	0.07	0.08
Dividend Yield	4.13%	4.62%	5.00%	2.90%	3.41%
EV/EBITDA (x)	12.97	13.73	9.52	7.03	4.56
P/FCFE (x)	NA	NA	204.4	9.3	3.7
Net Gearing	30.2%	32.1%	34.9%	24.7%	(4.6%)
P/BV (x)	1.20	1.30	1.25	1.18	1.08
ROE	7.6%	9.5%	9.4%	11.2%	12.3%
CIMB/consensus EPS (x)			1.10	1.08	1.13

SOURCE: COMPANY DATA, CIMB FORECASTS

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**993.6**	**1,163.8**	**1,481.1**	**1,658.5**
Gross Profit	**321.3**	**348.6**	**410.2**	**452.8**
Operating EBITDA	**132.9**	**205.0**	**266.5**	**333.8**
Depreciation And Amortisation	(17.0)	(20.0)	(20.0)	(20.0)
Operating EBIT	**115.9**	**185.0**	**246.5**	**313.8**
Financial Income/(Expense)	(12.1)	(41.9)	(40.7)	(28.4)
Pretax Income/(Loss) from Assoc.	(1.2)	(1.3)	(1.3)	(1.4)
Non-Operating Income/(Expense)	42.0	44.1	46.4	48.7
Profit Before Tax (pre-EI)	**144.6**	**185.9**	**250.8**	**332.7**
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	**144.6**	**185.9**	**250.8**	**332.7**
Taxation	**(59.4)**	**(61.3)**	**(87.8)**	**(116.4)**
Exceptional Income - post-tax				
Profit After Tax	**85.2**	**124.6**	**163.0**	**216.3**
Minority Interests	0.5	(18.3)	(30.1)	(60.2)
Pref. & Special Div	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**85.6**	**106.2**	**132.9**	**156.1**
Recurring Net Profit	101.3	106.2	132.9	156.1
Fully Diluted Recurring Net Profit	**104.7**	**109.5**	**136.1**	**159.2**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	231	175	283	693
Properties Under Development	363	453	453	308
Total Debtors	423	423	423	423
Inventories	188	234	234	159
Total Other Current Assets	339	396	502	562
Total Current Assets	**1,544**	**1,681**	**1,895**	**2,145**
Fixed Assets	991	971	951	931
Total Investments	**0**	**0**	**0**	**0**
Intangible Assets	128	128	128	128
Total Other Non-Current Assets	194	194	194	194
Total Non-current Assets	**1,313**	**1,293**	**1,273**	**1,253**
Short-term Debt	306	306	306	306
Current Portion of Long-Term Debt				
Total Creditors	665	665	665	665
Other Current Liabilities	38	38	38	38
Total Current Liabilities	**1,009**	**1,009**	**1,009**	**1,009**
Total Long-term Debt	317	317	317	317
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	267	323	423	476
Total Non-current Liabilities	**584**	**640**	**740**	**793**
Total Provisions	44	44	44	44
Total Liabilities	**1,636**	**1,692**	**1,792**	**1,845**
Shareholders' Equity	**1,108**	**1,151**	**1,215**	**1,331**
Minority Interests	113	131	161	222
Total Equity	**1,221**	**1,282**	**1,376**	**1,552**

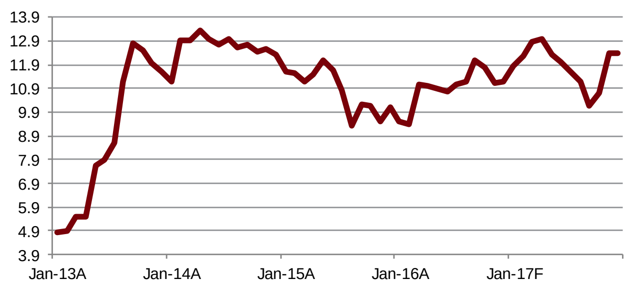
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	132.9	205.0	266.5	333.8
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(207.9)	(136.5)	(6.5)	213.6
Straight Line Adjustment				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	62.4	0.9	4.3	18.9
Net Interest (Paid)/Received	(33.7)	0.0	0.0	0.0
Tax Paid	(58.9)	(61.3)	(87.8)	(116.4)
Cashflow From Operations	**(105.2)**	**8.1**	**176.5**	**449.8**
Capex	0.0	0.0	0.0	0.0
Disposals Of FAs/subsidiaries				
Disposals of Investment Properties				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	27.1	0.0	0.0	0.0
Cash Flow From Investing	**27.1**	**0.0**	**0.0**	**0.0**
Debt Raised/(repaid)	(26.5)	0.0	0.0	0.0
Proceeds From Issue Of Shares				
Shares Repurchased	(0.0)	0.0	0.0	0.0
Dividends Paid	(68.9)	(63.5)	(68.7)	(39.9)
Preferred Dividends				
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	**(95.4)**	**(63.5)**	**(68.7)**	**(39.9)**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	46.0%	17.1%	27.3%	12.0%
Operating EBITDA Growth	15.2%	54.2%	30.0%	25.3%
Operating EBITDA Margin	13.4%	17.6%	18.0%	20.1%
Net Cash Per Share (RM)	(0.61)	(0.70)	(0.53)	0.11
BVPS (RM)	1.73	1.79	1.89	2.07
Gross Interest Cover	4.90	3.59	4.78	6.08
Effective Tax Rate	41.1%	33.0%	35.0%	35.0%
Net Dividend Payout Ratio	46.1%	37.9%	31.1%	14.6%
Accounts Receivables Days	77.9	132.6	104.2	93.1
Inventory Days	71.97	94.45	79.79	59.53
Accounts Payables Days	344.3	297.9	226.8	201.4
ROIC (%)	7.6%	9.6%	11.8%	14.4%
ROCE (%)	7.3%	10.1%	12.9%	15.8%
Return On Average Assets	5.9%	7.8%	9.5%	11.0%

12-mth Fwd FD P/E (x) - LBS Bina Group



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Unbooked Presales (m) (RM)	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A
Gross Margins (%)	32.3%	30.0%	27.7%	27.3%
Contracted Sales ASP (per Sm) (RM)	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A
Invt. properties rental margin (%)	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	14.8%	10.3%	10.3%	10.3%

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

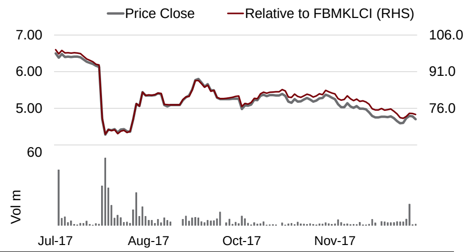
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 8	Hold 0	Sell 0

Current price:	RM4.70
Target price:	RM8.50
Previous target:	RM8.50
Up/downside:	80.9%
CIMB / Consensus:	18.0%
Reuters:	LOTT.KL
Bloomberg:	TTNP MK
Market cap:	US$2,618m
	RM10,683m
Average daily turnover:	US$2.82m
	RM11.73m
Current shares o/s	1,728m
Free float:	26.4%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-8.6	-14.4	
Relative (%)	-9.5	-12.2	

Major shareholders	% held
Lotte Chemical Corporation	73.6
Dong Woo Lee	0.0
Kwan Ho Lee	0.0

Lotte Chemical Titan

Recovery on the horizon

- Its three-pronged strategy – capacity expansion, backward integration and feedstock diversification – will underpin its earnings growth and sustainability, in our view.
- A potential key earnings growth driver is capacity expansion; we project a capacity CAGR of 11.6% in FY17-22F.
- TE3 is on track to start up in Dec 17F and PP3 in 2H18F.
- Maintain Add and TP of RM8.50, based on 5.5x FY19F EV/EBITDA (28% discount to our target for PChem of 7.6x given PChem's gas feedstock advantage).

4Q17F to be first normalised quarter after 2Q17 hiccup

- After a disappointing 2Q17 performance due to water shortage problems and multiple non-recurring items, LCT successfully delivered a meaningful qoq earnings recovery in 3Q17, booking a 77% utilisation rate due to the planned shutdown. We believe LCT is now on track to record strong earnings growth from 4Q17F onwards, fuelled by 1) a higher utilisation rate of 90% and above, LCT's historical average, and 2) the start-ups of two key projects in Malaysia - TE3 in Dec 17F and PP3 in 2H18F.

Value-added capacity expansion

- We project a 5-year production capacity CAGR of 11.6% from FY17F to 5.2mtpa in FY22F in three phases. In the first phase (FY17-18F), LCT plans to expand capacity of existing products via low-cost debottlenecking. In the second phase (FY19F), LCT plans for LC USA (40% JV) to set up a US shale gas ethane cracker, with commercial operating date scheduled for FY19F. In the third phase, (FY20-22F) LCT plans to build a greenfield 1mtpa naphtha-based olefins integrated complex in Indonesia.

Backward integration and diversification underscore value creation

- LCT's growth strategy focuses not only on capacity but also on backward integration and diversification. Given the mismatch between its upstream and downstream capacities (current feedstock self-sufficiency of 81%), LCT plans to increase upstream capacity for olefins and aromatics. In addition, its plans for a 1mtpa naphtha-based plant in Indonesia and an ethane cracker and a monoethylene glycol (MEG) plant in the US diversify LCT's feedstock to include US shale gas.

Three growth projects remain on track

- We believe LCT's three growth projects (TE3, PP3 and the integrated petrochemical facility in Indonesia) are progressing nicely. TE3, a debottleneck project to increase the capacity of ethylene by 93kt, propylene by 170ktpa and benzene toluene and xylene (BTX) by 134ktpa, is projected to start up in Dec 17. The PP3 project to expand polypropylene (PP) capacity by 200ktpa will start up in 2H18F. The 1mtpa Indonesian naphtha-based ethylene project is currently undergoing a FEED study.

Still a highly attractive investment play; maintain Add

- Trading at just 2.8x FY18F EV/EBITDA, well below its regional peer average of 8.2x, LCT remains attractive given its strong earnings recovery driven by utilisation rate improvements in FY18-19F. Our target price is based on 5.5x FY19F EV/EBITDA (a 28% discount to PChem's 7.6x to reflect LCT's higher operating risk and lower EBITDA margin). Risks are lower HDPE-naphtha margins and unplanned shutdowns. Re-rating catalysts are higher utilisation rates and start-ups of TE3 and PP3.

-

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	8,148	8,137	7,283	8,737	8,643
Operating EBITDA (RMm)	1,546	2,190	2,166	2,578	2,627
Net Profit (RMm)	613	1,315	1,299	1,590	2,013
Core EPS (RM)	0.38	0.80	0.57	0.70	0.89
Core EPS Growth		109%	(28%)	22%	27%
FD Core P/E (x)	12.32	5.89	7.24	6.72	5.31
DPS (RM)	0.05	0.00	0.12	0.16	0.20
Dividend Yield	1.00%	0.00%	2.55%	3.40%	4.26%
EV/EBITDA (x)	4.38	3.28	2.56	2.57	2.60
P/FCFE (x)	20.20	NA	NA	NA	43.01
Net Gearing	(21.9%)	(12.1%)	(35.0%)	(25.6%)	(22.1%)
P/BV (x)	1.31	1.02	0.73	0.67	0.61
ROE	12.2%	19.5%	11.5%	10.4%	12.0%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.19	1.22	1.39

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)
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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**8,137**	**7,283**	**8,737**	**8,643**
Gross Profit	**2,380**	**2,336**	**2,782**	**2,828**
Operating EBITDA	**2,190**	**2,166**	**2,578**	**2,627**
Depreciation And Amortisation	(398)	(408)	(447)	(447)
Operating EBIT	**1,792**	**1,758**	**2,131**	**2,180**
Financial Income/(Expense)	(7)	(10)	0	42
Pretax Income/(Loss) from Assoc.	(5)	(5)	(5)	353
Non-Operating Income/(Expense)	(69)	(53)	(58)	(64)
Profit Before Tax (pre-EI)	**1,710**	**1,690**	**2,068**	**2,511**
Exceptional Items	0	0	0	0
Pre-tax Profit	**1,710**	**1,690**	**2,068**	**2,511**
Taxation	(394)	(391)	(478)	(497)
Exceptional Income - post-tax				
Profit After Tax	**1,316**	**1,299**	**1,590**	**2,013**
Minority Interests	(1)	0	0	0
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**1,315**	**1,299**	**1,590**	**2,013**
Recurring Net Profit	1,379	1,299	1,590	2,013
Fully Diluted Recurring Net Profit	**1,379**	**1,299**	**1,590**	**2,013**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	1,040	5,227	4,168	3,954
Total Debtors	1,143	1,402	1,402	1,316
Inventories	1,147	986	1,187	1,159
Total Other Current Assets	31	28	33	33
Total Current Assets	**3,362**	**7,643**	**6,791**	**6,462**
Fixed Assets	4,379	6,764	8,968	10,842
Total Investments	1,552	1,552	1,552	1,552
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	48	48	48	48
Total Non-current Assets	**5,979**	**8,364**	**10,568**	**12,442**
Short-term Debt	75	75	75	75
Current Portion of Long-Term Debt				
Total Creditors	590	507	611	596
Other Current Liabilities	0	0	0	0
Total Current Liabilities	**666**	**583**	**686**	**672**
Total Long-term Debt	0	0	0	0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	705	705	705	705
Total Non-current Liabilities	**705**	**705**	**705**	**705**
Total Provisions	0	0	0	0
Total Liabilities	**1,371**	**1,288**	**1,391**	**1,377**
Shareholders' Equity	7,947	14,697	15,946	17,504
Minority Interests	22	22	22	22
Total Equity	**7,969**	**14,719**	**15,968**	**17,526**

Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	2,190	2,166	2,578	2,627
Cash Flow from Invt. & Assoc.	(5)	(5)	(5)	353
Change In Working Capital	(279)	(178)	(103)	100
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	(43)	(48)	(53)	(417)
Other Operating Cashflow	0	0	0	0
Net Interest (Paid)/Received	(7)	(10)	0	42
Tax Paid	(396)	(393)	(478)	(489)
Cashflow From Operations	**1,460**	**1,533**	**1,939**	**2,215**
Capex	(2,390)	(2,793)	(2,651)	(2,320)
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/investments	(330)	0	0	0
Other Investing Cashflow	462	(5)	(5)	353
Cash Flow From Investing	**(2,258)**	**(2,798)**	**(2,656)**	**(1,967)**
Debt Raised/(repaid)	(68)	0	0	0
Proceeds From Issue Of Shares	0	5,450	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	0	0	(341)	(455)
Preferred Dividends				
Other Financing Cashflow	395	2	0	(8)
Cash Flow From Financing	**327**	**5,452**	**(341)**	**(463)**
Total Cash Generated	(471)	4,186	(1,058)	(214)
Free Cashflow To Equity	**(866)**	**(1,266)**	**(717)**	**248**
Free Cashflow To Firm	**(783)**	**(1,256)**	**(717)**	**248**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(0.1%)	(10.5%)	20.0%	(1.1%)
Operating EBITDA Growth	42%	(1%)	19%	2%
Operating EBITDA Margin	26.9%	29.7%	29.5%	30.4%
Net Cash Per Share (RM)	0.56	2.27	1.80	1.71
BVPS (RM)	4.60	6.47	7.02	7.70
Gross Interest Cover	118.9	175.8	N/A	N/A
Effective Tax Rate	23.0%	23.1%	23.1%	19.8%
Net Dividend Payout Ratio	NA	21.0%	22.9%	22.6%
Accounts Receivables Days	44.92	63.79	58.59	57.40
Inventory Days	74.21	78.68	66.58	73.61
Accounts Payables Days	38.01	40.48	34.26	37.88
ROIC (%)	27.5%	22.8%	19.6%	15.8%
ROCE (%)	25.0%	15.4%	13.8%	13.2%
Return On Average Assets	15.9%	10.3%	9.5%	10.9%

12-mth Fwd FD P/E (x) - Lotte Chemical Titan

Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Oil Price (US$/bbl)	44.0	60.0	60.0	60.0
Volume Growth (%)	0.2%	-7.5%	20.3%	5.6%
Ratio Of Up To Downstream (x)	N/A	N/A	N/A	N/A
Operating Cash Cost (US$/bbl)	4.0	4.0	4.0	4.0
Ratio Of High To Low Margin (x)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

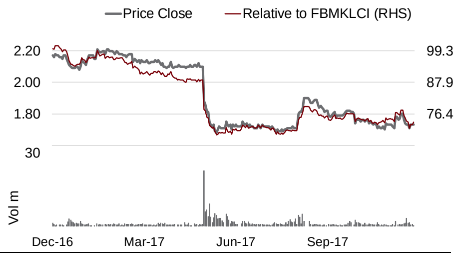
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 3	Hold 5	Sell 0

Current price:	RM1.73
Target price:	RM1.77
Previous target:	RM1.77
Up/downside:	2.5%
CIMB / Consensus:	-7.4%
Reuters:	MAGM.KL
Bloomberg:	MAG MK
Market cap:	US$603.2m
	RM2,462m
Average daily turnover:	US$0.26m
	RM1.07m
Current shares o/s	1,438m
Free float:	54.7%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.6	-5.5	-21
Relative (%)	-0.3	-3.3	-27.3

Major shareholders	% held
Tan Sri Dato' Surin Upatkoon	33.0
Asia 4D Holdings	11.2
Management	1.1

Magnum Bhd

Share price to be propped up by yields

- Magnum is the second-largest NFO player in Malaysia.
- Estimated FY17-19F dividend yields of 6.4-6.9% remain appealing to investors who are looking to seek shelter in high-yielding stocks.
- We maintain our Hold call with an unchanged DDM-based target price of RM1.77.

Second-biggest player in Malaysia

- Magnum Berhad is the second-largest numbers forecast operator (NFO) in Malaysia. Over the past few years, the NFO industry has been hit by a multitude of factors, particularly the implementation of GST in April 2015 and the softer consumer spending environment, which drove most punters to seek illegal alternatives for higher pay-outs. In turn, this caused the proliferation of illegal syndicates, which are currently weighing on the sales growth of the legal NFOs.

3Q17 took the market by surprise, thanks to better luck

- After a weak 1H17, Magnum's 3Q17 surprised the market on the upside as a result of a lower estimated prize pay-out ratio of 68.5%. Note that 9M17 revenue was still lower by 2.5% yoy due to softer consumer spending and intensified competition from the illegal market. The group also declared 3Q interim DPS of 4 sen, bringing 9M17 DPS to 7 sen. We believe that Magnum should be able to maintain its dividend payments moving forward when its pay-out normalises.

Slapped with weighty bill by the taxman

- In May 2017, the group announced that Magnum and its wholly-owned subsidiary Magnum Holdings Sdn Bhd (MHSB) received respective notices of assessment from the Inland Revenue Board of Malaysia (IRB) for the years 2008, 2011-2015 (Magnum) and 2008-2013 (MHSB), totalling RM476.4m. These assessments followed the disallowance of deduction for interest expenses on certain investments.
- Management has shared that it is looking to contest the validity and legality of the notices. We think that the group will discuss with the IRB the payment terms and duration in view of the significant amount involved. We believe that this will take a few years to resolve, judging from the tax disputes of other Malaysian listed companies, and we think that the penalty amount that the company has to incur might be lower than expected.

NFO outlook still remains dim

- Going forward, we expect the illegal market to continue to dampen the growth prospects of the legal NFOs in view of the weak enforcement efforts. We think that punters will continue to be enticed by the higher prize payouts, betting discounts and provision of credit facilities offered by illegal syndicates.

Maintain Hold; go for the yields

- We make no changes to our EPS and DPS forecasts. Our Hold call and DDM-based target price of RM1.77 are retained. In spite of the lukewarm growth outlook for the overall NGO sector, which could cap share price appreciation, we acknowledge that yield-seeking investors may continue to look to Magnum for its attractive yields. Estimated FY17-19F dividend yields of 6.4-6.9% remain appealing.

Key upside/downside risks to our call

- Upside risks to our call include a more effective clampdown on illegal betting, which could boost revenue growth, while downside risks are poorer-than-expected consumer sentiment and a further increase in GST rates, which will drive punters to the illegal market.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	2,767	2,660	2,547	2,495	2,496
Operating EBITDA (RMm)	391.6	344.8	318.5	330.0	323.6
Net Profit (RMm)	226.9	190.6	198.5	207.3	215.5
Core EPS (RM)	0.16	0.13	0.14	0.14	0.15
Core EPS Growth	(11.8%)	(16.0%)	4.2%	4.4%	4.0%
FD Core P/E (x)	10.96	13.05	12.53	12.00	11.54
DPS (RM)	0.16	0.13	0.11	0.12	0.12
Dividend Yield	9.25%	7.51%	6.36%	6.65%	6.94%
EV/EBITDA (x)	7.84	8.93	9.58	9.15	9.20
P/FCFE (x)	16.04	19.17	17.66	16.16	15.17
Net Gearing	22.0%	22.4%	20.9%	19.3%	17.3%
P/BV (x)	1.03	1.03	1.01	0.99	0.98
ROE	9.33%	7.88%	8.13%	8.35%	8.53%
CIMB/consensus EPS (x)			1.02	0.99	0.98

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**2,680**	**2,567**	**2,516**	**2,515**
Gross Profit	**443**	**430**	**437**	**434**
Operating EBITDA	**345**	**319**	**330**	**324**
Depreciation And Amortisation	(6)	(10)	(10)	(9)
Operating EBIT	**338**	**309**	**320**	**315**
Financial Income/(Expense)	(52)	(43)	(43)	(26)
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**287**	**266**	**277**	**288**
Exceptional Items				
Pre-tax Profit	**287**	**266**	**277**	**288**
Taxation	(93)	(64)	(67)	(69)
Exceptional Income - post-tax				
Profit After Tax	**194**	**202**	**211**	**219**
Minority Interests	(3)	(3)	(3)	(3)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**191**	**199**	**207**	**216**
Recurring Net Profit	191	199	207	216
Fully Diluted Recurring Net Profit	**191**	**199**	**207**	**216**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	392	369	353	345
Total Debtors	33	32	31	31
Inventories	1	1	1	1
Total Other Current Assets	73	73	73	73
Total Current Assets	**500**	**476**	**459**	**451**
Fixed Assets	62	65	68	72
Total Investments	261	261	261	261
Intangible Assets	2,738	2,738	2,738	2,739
Total Other Non-Current Assets	5	5	5	7
Total Non-current Assets	**3,067**	**3,070**	**3,073**	**3,080**
Short-term Debt	50	50	51	52
Current Portion of Long-Term Debt				
Total Creditors	159	153	150	150
Other Current Liabilities	1	1	1	1
Total Current Liabilities	**210**	**204**	**202**	**203**
Total Long-term Debt	893	843	792	740
Hybrid Debt - Debt Component	0	0	0	1
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	**893**	**843**	**792**	**741**
Total Provisions	3	3	3	3
Total Liabilities	**1,106**	**1,050**	**996**	**946**
Shareholders' Equity	2,422	2,462	2,505	2,549
Minority Interests	40	40	40	40
Total Equity	**2,462**	**2,503**	**2,545**	**2,589**

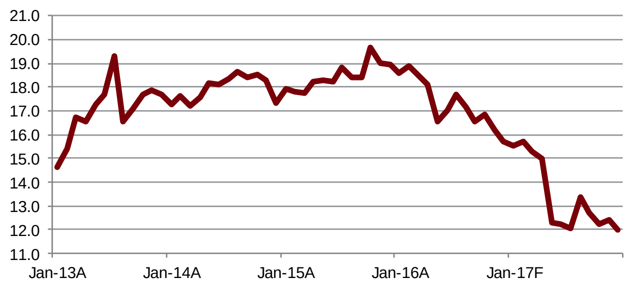
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	344.8	318.5	330.0	323.6
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(7.8)	(8.1)	(3.7)	0.0
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	0.0	0.0	0.0	0.0
Net Interest (Paid)/Received	(51.8)	(42.8)	(42.8)	(26.4)
Tax Paid	(92.6)	(63.8)	(66.5)	(69.2)
Cashflow From Operations	**192.7**	**203.9**	**217.0**	**228.0**
Capex	(13.0)	(13.0)	(13.0)	(13.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Investing	**(13.0)**	**(13.0)**	**(13.0)**	**(13.0)**
Debt Raised/(repaid)	(49.9)	(50.0)	(50.0)	(51.0)
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(186.9)	(158.2)	(165.4)	(172.6)
Preferred Dividends				
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	**(236.8)**	**(208.2)**	**(215.4)**	**(223.6)**
Total Cash Generated	(57.1)	(17.3)	(11.4)	(8.5)
Free Cashflow To Equity	**129.8**	**140.9**	**154.0**	**164.0**
Free Cashflow To Firm	**231.5**	**233.6**	**246.7**	**241.4**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(3.87%)	(4.23%)	(2.04%)	0.01%
Operating EBITDA Growth	(11.9%)	(7.6%)	3.6%	(1.9%)
Operating EBITDA Margin	13.0%	12.5%	13.2%	13.0%
Net Cash Per Share (RM)	(0.38)	(0.36)	(0.34)	(0.31)
BVPS (RM)	1.68	1.71	1.74	1.77
Gross Interest Cover	6.53	7.21	7.48	11.91
Effective Tax Rate	32.3%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	66.0%	60.3%	60.4%	60.6%
Accounts Receivables Days	4.64	4.64	4.58	4.54
Inventory Days	0.21	0.22	0.22	0.21
Accounts Payables Days	26.62	26.65	26.55	26.25
ROIC (%)	12.3%	11.2%	11.6%	11.4%
ROCE (%)	9.9%	9.1%	9.4%	9.3%
Return On Average Assets	9.4%	8.7%	9.0%	8.9%

12-mth Fwd FD P/E (x) - Magnum Bhd



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
No. Of Outlets	485	485	485	485
No. Of Games	2	2	2	2
No. Of Draw Days	177	177	177	177
Rev. per draw day (% chg)	-3.9%	-2.5%	-2.0%	0.0%
Prize Payout Ratio (%)	63.0%	63.0%	63.0%	63.0%
Gaming Tax (%)	8.0%	8.0%	8.0%	8.0%
Pool Betting Duties (%)	8.0%	8.0%	8.0%	8.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

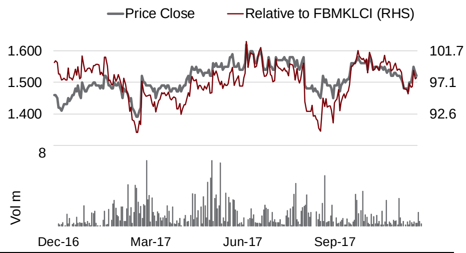
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 10	Hold 7	Sell 0

Current price:	RM1.52
Target price:	RM1.85
Previous target:	RM1.85
Up/downside:	21.7%
CIMB / Consensus:	8.8%
Reuters:	MAHS.KL
Bloomberg:	MSGB MK
Market cap:	US$903.6m
	RM3,687m
Average daily turnover:	US$0.26m
	RM1.11m
Current shares o/s	2,409m
Free float:	65.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.3	0.7	3.4
Relative (%)	-2.2	2.9	-2.9

Major shareholders	% held
Tan Sri Leong Hoy Kum	35.0
EPF	9.9
Lembaga Tabung Haji	5.8

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Mah Sing Group

More launches with more land acquisitions

- Mah Sing has regained its appetite for landbanking in 2017, acquiring three pieces of land till date.
- Future land acquisitions could potentially re-rate its share price as new landbank typically raises a property developer's RNAV.
- Maintain Add and target price of RM1.85, still based on 20% discount to RNAV.

Ramping up launches in 2017

- Mah Sing achieved RM1.25bn in new property sales in 9M17. This represents 69% of its unchanged full-year target of RM1.8bn. As of Sep 2017, the group had launched RM1.4bn gross development value (GDV) worth of new projects. We believe Mah Sing is on track to achieve its 2017 sales target of RM1.8bn as the group plans to ramp up launches in 4Q17.
- There will be three launches with a combined GDV of RM500m-600m in 4Q17, namely M Centura in Sentul, M Vista in Penang, and Phase 2 of Fern in Meridin East, Johor. We expect 2017's launches to be worth c.RM2bn vs. RM1.1bn in 2016. With the recent positive response from project previews, we believe majority these bookings are likely to translate into sales in the next few months.

In the mood for more land

- Over the past few years, Mah Sing has been bolstering its balance sheet for future major land acquisitions. As at Sep 2017, the group was in a net cash position vs. a net gearing of 0.02x in 2016. As most developers are comfortable with a net gearing of up to 0.5x, Mah Sing has plenty of room to borrow for more aggressive landbanking. In our view, Mah Sing could comfortably finance the acquisition and the development of the land parcels with its cash balance and internal cash flows.
- To recap, Mah Sing acquired three pieces of land in 2017 for a total consideration of RM436.4m, namely in Sentul, KL (9 acres, GDV RM1.3bn), Cheras, KL (11.2 acres, GDV, RM2.2bn) and Permatang, Penang (17.3 acres, GDV RM150m). These acquisitions reaffirm our belief that Mah Sing has regained its appetite for landbanking. Future land acquisitions could potentially re-rate its share price as new landbank typically raises a property developer's RNAV.

Property sector outlook still muted

- We believe the overall property outlook is still bleak in 2018, despite rising property prices and still active property transactions. We see two wildcards impacting the sector in 2018, namely the potential interest rate hike and approval freeze for luxury projects above RM1m. Besides, low affordability, mismatch between supply and demand, high incoming supply of completed properties and rising competition from public housing are continued risks for private developers' sales.
- While Mah Sing is not spared from the property downturn, we believe it could weather the slowdown better than its peers as its projects focus mainly on the mass-market segment, where demand remains healthy. We believe there is strong pent-up demand for these types of properties as there has been an undersupply relative to demand in the past few years.

Maintain Add

- We retain our Add call on Mah Sing. More land acquisitions would enhance its sales outlook and potentially improve investor sentiment about the stock, in our view. We maintain our FY17-19F EPS forecasts and target price, which is pegged to a 20% discount to RNAV. The key risks to our Add call are a sudden deterioration in property market sentiment and weaker-than-expected property sales

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues (RMm)	3,109	2,958	2,998	2,396	2,804
Operating EBITDA (RMm)	518.0	495.5	472.6	357.8	425.4
Net Profit (RMm)	359.1	324.6	317.7	236.7	268.2
Core EPS (RM)	0.14	0.14	0.13	0.10	0.11
Core EPS Growth	(41.9%)	(0.0%)	(8.4%)	(25.5%)	13.3%
FD Core P/E (x)	10.56	10.56	11.53	15.47	13.65
DPS (RM)	0.065	0.065	0.065	0.050	0.060
Dividend Yield	4.28%	4.28%	4.28%	3.29%	3.95%
EV/EBITDA (x)	8.19	8.65	8.92	12.17	10.39
P/FCFE (x)	NA	NA	13.75	69.30	40.27
Net Gearing	3.68%	2.02%	0.12%	3.56%	5.01%
P/BV (x)	1.17	1.11	1.06	1.04	1.00
ROE	12.5%	10.8%	9.4%	6.8%	7.4%
CIMB/consensus EPS (x)			0.96	0.71	0.80

SOURCE: COMPANY DATA, CIMB FORECASTS

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**2,958**	**2,998**	**2,396**	**2,804**
Gross Profit	**745**	**759**	**590**	**692**
Operating EBITDA	**496**	**473**	**358**	**425**
Depreciation And Amortisation	(18)	(18)	(18)	(18)
Operating EBIT	**478**	**455**	**340**	**407**
Financial Income/(Expense)	5	10	19	(8)
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**483**	**465**	**358**	**400**
Exceptional Items				
Pre-tax Profit	**483**	**465**	**358**	**400**
Taxation	**(123)**	**(112)**	**(86)**	**(96)**
Exceptional Income - post-tax				
Profit After Tax	**360**	**353**	**272**	**304**
Minority Interests	(36)	(36)	(36)	(36)
Pref. & Special Div	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**325**	**318**	**237**	**268**
Recurring Net Profit	347	318	237	268
Fully Diluted Recurring Net Profit	**347**	**318**	**237**	**268**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	924	997	856	790
Properties Under Development	2,295	2,229	2,380	2,546
Total Debtors	1,040	1,054	842	986
Inventories	360	473	514	617
Total Other Current Assets	22	22	22	22
Total Current Assets	**4,640**	**4,774**	**4,615**	**4,961**
Fixed Assets	1,249	1,291	1,273	1,255
Total Investments	**200**	**200**	**200**	**200**
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	131	131	131	131
Total Non-current Assets	**1,580**	**1,622**	**1,604**	**1,586**
Short-term Debt	142	142	142	142
Current Portion of Long-Term Debt				
Total Creditors	1,312	1,327	1,071	1,252
Other Current Liabilities	42	42	42	42
Total Current Liabilities	**1,496**	**1,512**	**1,256**	**1,437**
Total Long-term Debt	859	859	859	859
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	12	12	12	12
Total Non-current Liabilities	**871**	**871**	**871**	**871**
Total Provisions	16	16	16	16
Total Liabilities	**2,384**	**2,400**	**2,144**	**2,325**
Shareholders' Equity	**3,288**	**3,448**	**3,527**	**3,674**
Minority Interests	548	548	548	548
Total Equity	**3,836**	**3,996**	**4,075**	**4,222**

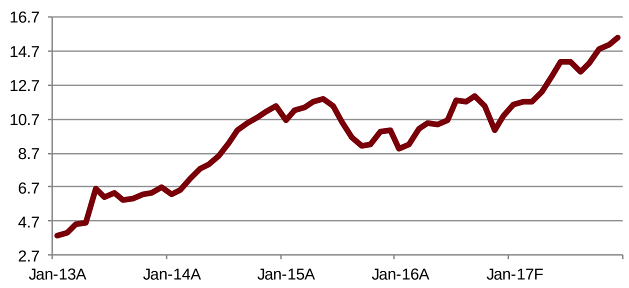
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	496	473	358	425
Cash Flow from Invt. & Assoc.				
Change In Working Capital	61	(45)	(238)	(231)
Straight Line Adjustment				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	66	0	0	0
Net Interest (Paid)/Received	(30)	10	19	(8)
Tax Paid	(139)	(112)	(86)	(96)
Cashflow From Operations	**453**	**326**	**53**	**91**
Capex	0	0	0	0
Disposals Of FAs/subsidiaries				
Disposals of Investment Properties				
Acq. Of Subsidiaries/investments	(120)	(60)	0	0
Other Investing Cashflow	(34)	0	0	0
Cash Flow From Investing	**(154)**	**(60)**	**0**	**0**
Debt Raised/(repaid)	(540)	0	0	0
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(157)	(157)	(157)	(120)
Preferred Dividends				
Other Financing Cashflow	(1)	(37)	(37)	(37)
Cash Flow From Financing	**(698)**	**(193)**	**(193)**	**(157)**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(4.9%)	1.4%	(20.1%)	17.0%
Operating EBITDA Growth	(4.3%)	(4.6%)	(24.3%)	18.9%
Operating EBITDA Margin	16.8%	15.8%	14.9%	15.2%
Net Cash Per Share (RM)	(0.032)	(0.002)	(0.060)	(0.088)
BVPS (RM)	1.36	1.43	1.46	1.52
Gross Interest Cover	110.2	56.3	42.1	13.5
Effective Tax Rate	25.4%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	48.2%	49.3%	66.2%	44.9%
Accounts Receivables Days	130.1	127.5	144.4	119.0
Inventory Days	45.53	67.89	99.67	97.73
Accounts Payables Days	221.4	215.2	242.3	200.8
ROIC (%)	13.1%	12.1%	8.9%	10.1%
ROCE (%)	9.7%	9.6%	7.3%	8.3%
Return On Average Assets	5.53%	5.44%	4.02%	4.88%

12-mth Fwd FD P/E (x) - Mah Sing Group



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Unbooked Presales (m) (RM)	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A
Gross Margins (%)	25.2%	25.3%	24.6%	24.7%
Contracted Sales ASP (per Sm) (RM)	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A
Invt. properties rental margin (%)	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	10.9%	11.0%	8.0%	8.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

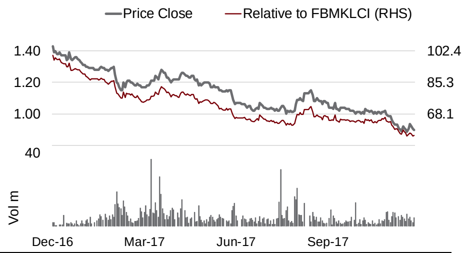
Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 11 Hold 5 Sell 3
Current price:	RM0.90
Target price:	RM1.05
Previous target:	RM1.05
Up/downside:	16.8%
CIMB / Consensus:	-10.1%
Reuters:	MALA.KL
Bloomberg:	MLK MK
Market cap:	US$1,096m
	RM4,474m
Average daily turnover:	US$0.72m
	RM2.99m
Current shares o/s	5,000m
Free float:	39.1%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-11.4	-17.1	-36.1
Relative (%)	-12.3	-14.9	-42.4

Major shareholders	% held
MMC	36.5
EPF	14.3
LTH	10.1

Malakoff Corporation

Earnings to decline further in FY18

- Malakoff's FY18F earnings could decline further due to the full-year impact from the expiry of the PPA of its SEV power plant.
- Malakoff indicated that dividend payout could be lower in FY18F as the group may need to conserve cash for new projects to boost earnings.
- Maintain Hold, EPS forecasts and SOP-based target price of RM1.05.

Predictable earnings

- Compared with Tenaga and YTL Power, Malakoff's earnings are much more predictable due to the good disclosure on its power plants' power purchase agreements (PPA). The only major uncertainty is the performance of its associates and joint ventures, Kapar Energy Ventures (KEV) and Almiyah desalination plant, which have delivered inconsistent results in the past two years. However, these assets form only 2% of Malakoff's total assets.

Weaker earnings outlook for FY18F

- We expect weaker earnings from Segari Energy Ventures (SEV) power plant following the expiry of the first-term power purchase agreement (PPA) in Jun 2017. While SEV's PPA has been extended, our projections suggest that SEV's capacity payment revenue could drop by c.RM570m p.a. under the extended PPA, while the related savings would only be c.RM200m p.a. We expect Malakoff's earnings to fall further in FY18F as a result of the full-year impact of SEV's lower capacity revenue.
- The negative impact from SEV was reflected in Malakoff's latest results, where 3Q17 core net profit declined by around 80% yoy due to lower capacity payment recorded by SEV following the new revised power purchase agreement (PPA) that commenced on 1 Jul 2017.
- We gather that Malakoff is exploring the possibility of re-powering its existing facilities in order to raise its generation capacity; however, management indicated that the plan is still in the preliminary stages. In addition, the group still remains interested in potential M&A opportunities to grow its asset base.

Dividend might be lower going forward

- Malakoff is often seen as a dividend stock, as it is committed to paying not less than 70% of its net profit as dividend. However, there is a risk that its dividend payment may have peaked in FY16 as its earnings may decline in FY17-18F. Our FY17-18F net profit forecasts are significantly lower than the market's forecasts. There is a risk that consensus may have underestimated the earnings impact from SEV's PPA expiry, which took place in Jun 2017.
- Malakoff has been paying out a DPS of 7 sen consistently since FY15, and we expect it to dish out 7 sen DPS in FY17F as well. However, given the softer earnings outlook in FY18F, we believe the DPS of 7 sen is not sustainable as it represents more than 100% payout of earnings. Management also hinted that future dividend payout might be lower as the group may need to conserve cash for future developments. FY18F dividend yield might fall to below 4% vs. more than 7% in FY15-16.

Maintain Hold

- Despite the weak earnings outlook, we maintain Hold with an unchanged SOP-based target price of RM1.05. Its P/BV of 1x (based on FY16 and FY17F net book value) should lend support to its share price, in our view. Key upside risk to our Hold call is lower-than-expected operating expenses, while key downside risk is weaker-than-expected earnings from associates and JVs.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	5,302	6,098	5,814	5,583	5,596
Operating EBITDA (RMm)	2,419	2,809	2,533	2,212	2,182
Net Profit (RMm)	453.2	355.5	224.6	157.2	264.1
Core EPS (RM)	0.086	0.063	0.045	0.031	0.053
Core EPS Growth	26.5%	(27.2%)	(28.6%)	(30.0%)	68.0%
FD Core P/E (x)	10.36	14.23	19.92	28.46	16.94
DPS (RM)	0.070	0.070	0.040	0.020	0.040
Dividend Yield	7.82%	7.82%	4.47%	2.23%	4.47%
EV/EBITDA (x)	7.44	6.32	6.52	6.34	5.72
P/FCFE (x)	NA	9.75	5.86	5.02	19.05
Net Gearing	241%	237%	217%	176%	149%
P/BV (x)	0.77	0.76	0.76	0.75	0.74
ROE	8.85%	5.37%	3.80%	2.65%	4.40%
CIMB/consensus EPS (x)			0.70	0.53	0.80

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**6,224**	**5,864**	**5,631**	**5,644**
Gross Profit	**3,208**	**2,953**	**2,635**	**2,617**
Operating EBITDA	**2,809**	**2,533**	**2,212**	**2,182**
Depreciation And Amortisation	(1,370)	(1,299)	(1,199)	(1,125)
Operating EBIT	**1,439**	**1,234**	**1,013**	**1,057**
Financial Income/(Expense)	(821)	(862)	(792)	(708)
Pretax Income/(Loss) from Assoc.	19	90	92	94
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**638**	**462**	**313**	**443**
Exceptional Items				
Pre-tax Profit	**638**	**462**	**313**	**443**
Taxation	(231)	(188)	(108)	(132)
Exceptional Income - post-tax				
Profit After Tax	**406**	**273**	**204**	**311**
Minority Interests	(51)	(49)	(47)	(47)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**355**	**225**	**157**	**264**
Recurring Net Profit	314	225	157	264
Fully Diluted Recurring Net Profit	**314**	**225**	**157**	**264**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	3,007	3,504	4,246	4,257
Total Debtors	2,047	1,965	1,958	1,938
Inventories	662	636	634	627
Total Other Current Assets	1,580	1,580	177	177
Total Current Assets	**7,296**	**7,685**	**7,014**	**6,998**
Fixed Assets	14,604	13,891	13,262	12,513
Total Investments	1,476	1,522	1,570	1,619
Intangible Assets	3,721	3,329	3,039	2,758
Total Other Non-Current Assets	3,166	3,162	4,023	3,693
Total Non-current Assets	**22,968**	**21,904**	**21,894**	**20,584**
Short-term Debt	1,910	1,910	1,910	1,910
Current Portion of Long-Term Debt				
Total Creditors	1,002	962	959	949
Other Current Liabilities	252	252	252	252
Total Current Liabilities	**3,165**	**3,125**	**3,121**	**3,111**
Total Long-term Debt	15,626	14,926	13,226	11,726
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	3,565	3,763	4,013	4,251
Total Non-current Liabilities	**19,191**	**18,689**	**17,240**	**15,977**
Total Provisions	1,777	1,637	2,354	2,214
Total Liabilities	**24,132**	**23,450**	**22,715**	**21,302**
Shareholders' Equity	5,916	5,916	5,963	6,042
Minority Interests	216	223	231	239
Total Equity	**6,131**	**6,139**	**6,194**	**6,281**

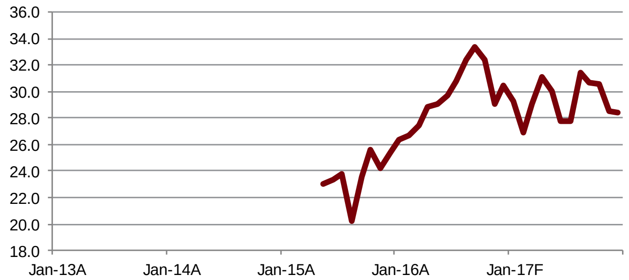
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	2,809	2,533	2,212	2,182
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(254)	266	256	254
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	61	65	65	65
Net Interest (Paid)/Received	(590)	(862)	(792)	(708)
Tax Paid	(252)	(335)	(271)	29
Cashflow From Operations	**1,774**	**1,667**	**1,470**	**1,823**
Capex	(469)	(209)	(297)	(112)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	(754)	5	1,418	24
Cash Flow From Investing	**(1,223)**	**(204)**	**1,121**	**(88)**
Debt Raised/(repaid)	(92)	(700)	(1,700)	(1,500)
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased				
Dividends Paid	(325)	(266)	(149)	(224)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	**(417)**	**(966)**	**(1,849)**	**(1,724)**
Total Cash Generated	134	497	742	11
Free Cashflow To Equity	**459**	**763**	**891**	**235**
Free Cashflow To Firm	**1,286**	**2,512**	**3,567**	**2,613**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	15.0%	(4.7%)	(4.0%)	0.2%
Operating EBITDA Growth	16.1%	(9.8%)	(12.7%)	(1.4%)
Operating EBITDA Margin	46.1%	43.6%	39.6%	39.0%
Net Cash Per Share (RM)	(2.91)	(2.67)	(2.18)	(1.88)
BVPS (RM)	1.18	1.18	1.19	1.21
Gross Interest Cover	1.42	1.18	1.04	1.20
Effective Tax Rate	36.3%	40.8%	34.7%	29.8%
Net Dividend Payout Ratio	77.4%	100.0%	70.0%	70.0%
Accounts Receivables Days	117.9	125.9	128.2	127.0
Inventory Days	75.08	81.37	77.31	76.00
Accounts Payables Days	110.8	123.1	117.0	115.0
ROIC (%)	5.69%	5.03%	4.34%	4.83%
ROCE (%)	6.33%	5.67%	4.95%	5.36%
Return On Average Assets	4.05%	3.79%	3.41%	3.61%

12-mth Fwd FD P/E (x) - Malakoff Corporation



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Power Despatched (GWh)	26,203.4	28,043.3	28,293.3	28,293.3
Capacity (MW)	5,226.3	5,393.0	5,393.0	5,393.0
Average Capacity Utilisation (%)	N/A	N/A	N/A	N/A
Avg tariff/ASP per kwh (% chg)	10.0%	-5.2%	-3.9%	-0.1%
Fuel Cost Per Kwh (% Change)	8.6%	1.3%	0.6%	1.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

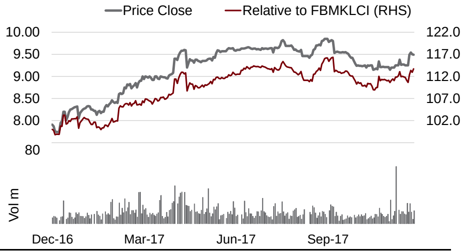
Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 8 Hold 13 Sell 1	
Current price:		RM9.49
Target price:		RM9.05
Previous target:		RM9.05
Up/downside:		-4.6%
CIMB / Consensus:		-8.6%
Reuters:		MBBM.KL
Bloomberg:		MAY MK
Market cap:		US$25,035m
		RM102,167m
Average daily turnover:		US$23.53m
		RM97.89m
Current shares o/s		10,193m
Free float:		48.6%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.9	-3.3	19.8
Relative (%)	2	-1.1	13.5

Major shareholders	% held
Skim Amanah Saham Bumiputera	35.9
Employees Provident Fund	15.1
Permodalan Nasional Berhad	6.5

Malayan Banking Bhd

Projecting single-digit EPS growth in FY18F

- We retain Hold on Maybank given its unattractive valuations; its FY19F P/E of 11.9x is above the 5-year average of 11.2x.
- We maintain our FY17-19F EPS forecasts and DDM-based target price of RM9.05.
- We are projecting single-digit EPS growth of 3.7% in FY18F, close to the rate in FY17F.

Maintain Hold

- We retain our Hold recommendation on Maybank as we think that the positive impact from Permodalan Nasional Berhad's (PNB) plan to introduce Islamic shares for Maybank will have been priced in given its lofty valuation. Its FY19F P/E of 11.9x is above the five-year average of 11.2x.
- The potential upside risks to our call are an improvement in loan growth and an expansion in net interest margin while the downside risks are spikes in gross impaired loans and credit costs.

Retain EPS forecasts and target price

- We retain our FY17-19F EPS forecasts and DDM-based target price of RM9.05. The key parameters for our DDM model are (1) cost of equity of 9.9%, and (2) terminal growth rate of 3%.

Projecting 3.7% EPS growth in FY18F

- We expect FY17 to be a year of recovery from the exceptionally high loan loss provisioning in FY16. We are projecting a reversal of its EPS growth from a decline of 5.7% in FY16 to growth of 3.8% in FY17F.
- For FY18F, we are forecasting EPS growth of 3.7%, close to the rate in FY17F. This will be supported by our projections of growth of 2.4% in net interest income (vs. +6.1% in FY17F) and 7.4% for non-interest income (-4.3% in FY17F).

Easing pressure on asset quality

- Maybank's gross impaired loan (GIL) ratio has risen in the past two years, from 1.86% at end-Dec 15 to 2.28% at end-Dec 16 and 2.5% at end-Sep 17. With the rise in oil prices and various initiatives implemented by Maybank to curb the deterioration in asset quality, we see less pressure on Maybank's asset quality in 2018 (vs. 2016-17).
- We are projecting a small increase in the bank's GIL ratio from 2.47% at end-2017 to 2.58% at end-2018. The soft spot for its asset quality is its loan exposure to the oil and gas segment in Singapore and developers, in our view.

Impact of MFRS 9 adoption on capital not significant

- Maybank has guided that upon the adoption of MFRS 9 in 2018, its capital ratios will be reduced by 60-90bp for the day 1 adjustment to retained earnings on 1 Jan 18. If the bank is allowed to utilise its regulatory reserves to offset this, the net impact on the group's capital ratios will be mitigated.
- Maybank reported a common equity Tier 1 (CET1) capital of 13.4% at end-Sep 17. Assuming a 60-90bp drop following the adoption of MFRS 9, Maybank's CET1 capital ratio will be lowered to between 12.5% and 12.8%. We see this as a comfortable level as it will still be significantly higher than the minimum regulatory requirement of 7% set for 2019.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Net Interest Income (RMm)	11,114	11,568	12,269	12,567	12,816
Total Non-Interest Income (RMm)	10,124	10,695	10,793	11,667	12,689
Operating Revenue (RMm)	21,238	22,263	23,063	24,234	25,505
Total Provision Charges (RMm)	(1,684)	(2,833)	(2,802)	(2,618)	(2,496)
Net Profit (RMm)	6,836	6,743	7,280	7,677	8,225
Core EPS (RM)	0.72	0.68	0.70	0.73	0.78
Core EPS Growth	(3.01%)	(5.68%)	3.82%	3.65%	7.13%
FD Core P/E (x)	13.24	14.04	13.53	13.05	12.18
DPS (RM)	0.54	0.52	0.48	0.51	0.55
Dividend Yield	5.69%	5.43%	5.09%	5.36%	5.75%
BVPS (RM)	6.32	6.72	7.06	7.69	8.32
P/BV (x)	1.50	1.41	1.34	1.23	1.14
ROE	11.9%	10.4%	10.2%	9.9%	9.7%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.02	1.01	1.01

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Net Interest Income	11,568	12,269	12,567	12,816
Total Non-Interest Income	10,695	10,793	11,667	12,689
Operating Revenue	**22,263**	**23,063**	**24,234**	**25,505**
Total Non-Interest Expenses	(10,577)	(10,885)	(11,529)	(12,231)
Pre-provision Operating Profit	**11,686**	**12,178**	**12,705**	**13,275**
Total Provision Charges	(2,833)	(2,802)	(2,618)	(2,496)
Operating Profit After Provisions	**8,853**	**9,375**	**10,087**	**10,779**
Pretax Income/(Loss) from Assoc.	173	191	206	222
Operating EBIT (incl Associates)	**9,027**	**9,566**	**10,293**	**11,002**
Non-Operating Income/(Expense)	(182)	32	(171)	(157)
Profit Before Tax (pre-EI)	**8,844**	**9,598**	**10,122**	**10,844**
Exceptional Items	0	0	0	0
Pre-tax Profit	**8,844**	**9,598**	**10,122**	**10,844**
Taxation	(1,881)	(2,208)	(2,328)	(2,494)
Consolidation Adjustments & Others				
Exceptional Income - post-tax	0	0	0	0
Profit After Tax	**6,964**	**7,391**	**7,794**	**8,350**
Minority Interests	(221)	(111)	(117)	(125)
Pref. & Special Div	0	0	0	0
FX And Other Adj.	0	0	0	0
Net Profit	**6,743**	**7,280**	**7,677**	**8,225**
Recurring Net Profit	6,743	7,280	7,677	8,225

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Gross Loans	501,673	518,729	535,934	582,151
Liquid Assets & Invst. (Current)	139,214	134,338	152,791	138,834
Other Int. Earning Assets	0	0	0	0
Total Gross Int. Earning Assets	**640,887**	**653,067**	**688,725**	**720,985**
Total Provisions/Loan Loss Reserve	(7,961)	(9,147)	(10,172)	(11,679)
Total Net Interest Earning Assets	**632,926**	**643,920**	**678,553**	**709,305**
Intangible Assets	7,346	7,346	7,346	7,346
Other Non-Interest Earning Assets	37,544	39,076	40,383	41,909
Total Non-Interest Earning Assets	**44,890**	**46,422**	**47,728**	**49,255**
Cash And Marketable Securities	**58,141**	**80,233**	**79,865**	**91,843**
Long-term Investments	0	0	0	0
Total Assets	**735,956**	**770,575**	**806,146**	**850,403**
Customer Interest-Bearing Liabilities	521,378	543,780	569,817	600,975
Bank Deposits	39,683	42,117	45,547	48,930
Interest Bearing Liabilities: Others	59,926	61,878	60,124	62,481
Total Interest-Bearing Liabilities	**620,986**	**647,775**	**675,487**	**712,386**
Bank's Liabilities Under Acceptances	2,783	3,222	3,272	3,461
Total Non-Interest Bearing Liabilities	41,712	42,957	44,020	44,438
Total Liabilities	**665,481**	**693,954**	**722,779**	**760,285**
Shareholders' Equity	**68,516**	**74,564**	**81,208**	**87,850**
Minority Interests	1,959	2,057	2,160	2,268
Total Equity	**70,475**	**76,621**	**83,367**	**90,117**

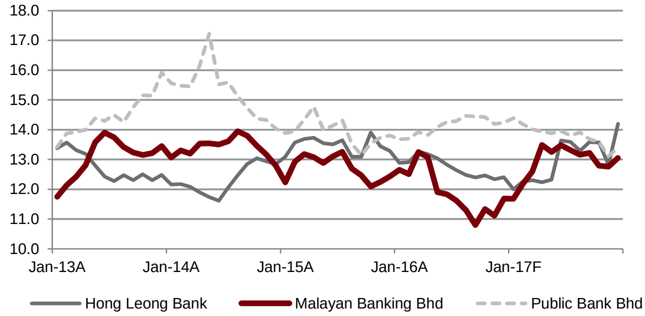
Balance Sheet Employment

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Gross Loans/Cust Deposits	93.2%	92.3%	90.9%	93.7%
Avg Loans/Avg Deposits	92.9%	92.7%	91.6%	92.4%
Avg Liquid Assets/Avg Assets	29.1%	29.5%	30.6%	30.2%
Avg Liquid Assets/Avg IEAs	31.1%	31.4%	32.5%	32.1%
Net Cust Loans/Assets	64.9%	63.9%	63.0%	64.9%
Net Cust Loans/Broad Deposits	85.2%	84.1%	82.6%	84.9%
Equity & Provns/Gross Cust Loans	15.7%	16.7%	17.6%	17.7%
Asset Risk Weighting	51.6%	52.2%	52.0%	51.9%
Provision Charge/Avg Cust Loans	0.48%	0.54%	0.48%	0.39%
Provision Charge/Avg Assets	0.315%	0.352%	0.313%	0.254%
Total Write Offs/Average Assets	0.214%	0.275%	0.262%	0.176%

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Income Growth	4.8%	3.6%	5.1%	5.2%
Operating Profit Growth	6.7%	4.2%	4.3%	4.5%
Pretax Profit Growth	(3.35%)	8.52%	5.46%	7.13%
Net Interest To Total Income	52.0%	53.2%	51.9%	50.2%
Cost Of Funds	1.13%	1.05%	1.06%	1.06%
Return On Interest Earning Assets	3.10%	3.03%	2.98%	2.92%
Net Interest Spread	1.97%	1.98%	1.93%	1.86%
Net Interest Margin (Avg Deposits)	2.27%	2.30%	2.26%	2.19%
Net Interest Margin (Avg RWA)	3.07%	3.14%	3.06%	2.98%
Provisions to Pre Prov. Operating Profit	24.2%	23.0%	20.6%	18.8%
Interest Return On Average Assets	1.60%	1.63%	1.59%	1.55%
Effective Tax Rate	21.3%	23.0%	23.0%	23.0%
Net Dividend Payout Ratio	73.1%	70.0%	70.0%	70.0%
Return On Average Assets	0.93%	0.97%	0.97%	0.99%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Loan Growth (%)	5.7%	3.3%	3.3%	8.7%
Net Interest Margin (%)	1.7%	1.7%	1.7%	1.6%
Non Interest Income Growth (%)	5.6%	0.9%	8.1%	8.8%
Cost-income Ratio (%)	47.5%	47.2%	47.6%	48.0%
Net NPL Ratio (%)	2.3%	2.5%	2.6%	2.6%
Loan Loss Reserve (%)	72.0%	74.0%	76.1%	80.7%
GP Ratio (%)	0.9%	0.8%	0.7%	0.7%
Tier 1 Ratio (%)	15.7%	15.8%	16.3%	16.5%
Total CAR (%)	30.7%	30.0%	29.8%	29.4%
Deposit Growth (%)	5.2%	4.3%	4.8%	5.5%
Loan-deposit Ratio (%)	91.6%	90.6%	89.2%	91.8%
Gross NPL Ratio (%)	2.3%	2.5%	2.6%	2.6%
Fee Income Growth (%)	-4.5%	10.3%	6.9%	8.2%

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

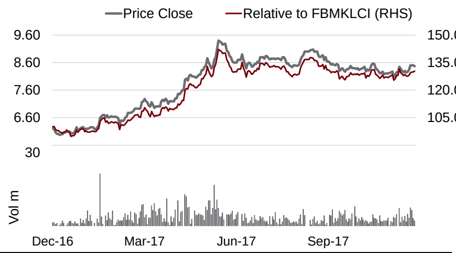
Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 11 Hold 8 Sell 2
Current price:	RM8.47
Target price:	RM10.56
Previous target:	RM10.56
Up/downside:	24.7%
CIMB / Consensus:	13.7%
Reuters:	MAHB.KL
Bloomberg:	MAHB MK
Market cap:	US$3,444m
	RM14,053m
Average daily turnover:	US$6.07m
	RM25.32m
Current shares o/s	1,659m
Free float:	39.5%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.5	-2.5	36
Relative (%)	2.6	-0.3	29.7

Major shareholders	% held
Khazanah Nasional	36.7
Employees Provident Fund	12.0
Permodalan Nasional Berhad	11.8

Malaysia Airports Holdings

More upside ahead

- MAHB has performed well this year on the back of stronger passenger traffic in Malaysia, and a recovery of traffic growth in Istanbul Sabiha Gokcen (ISG), Turkey.
- In FY18F, we expect traffic growth to continue, for MAHB to complete the negotiations on the terms of its concession in Malaysia, and potentially find a buyer for ISG.
- We maintain Add with a DCF-based target price of RM10.56 as we anticipate multiple catalysts over the next 12 months.

Strong core earnings

- MAHB consistently delivered a stronger yoy performance during the first three quarters of 2017F, with 9M17 core net profit growing 59% yoy. The rise in pax traffic, especially international passengers, was the main reason for the better earnings, which more than offset cost increases. In Malaysia, international pax rose 14% yoy during 9M17, while domestic traffic rose 5%; total pax traffic rose an overall 9.4% yoy.

Passenger traffic growth to remain good in FY18F

- Traffic growth has been strong so far this year, partly due to the lower base effect as Malaysia Airlines has embarked on capacity cuts since Aug 2015, but also because of the rise in Chinese tourist arrivals into Malaysia as a result of the weak ringgit, and robust Malaysian demand for overseas travel.
- We are expecting Malaysian pax traffic growth at 9.2% in FY17F, and grow by a further 4.9% in FY18F. We expect a slower pace of growth in FY18F due to the absence of the low base effect, because MAS is decommissioning its six A380s in 1H18F (replacing them with smaller A350s), and as Malindo is slowing down the pace of its expansion. Nevertheless, growth is still decent, since it will most likely be focused on higher-value international traffic.
- AirAsia is planning to add some 7-8 aircraft in 2H17F, which will spill over into FY18F, and a further 4-5 planes in 2018F to take advantage of competitors' capacity withdrawals. Meanwhile, AAX will take delivery of three A330 leases in 2H18F while MAS will receive six A330 leases over Feb-Sep 2018F.
- Meanwhile, taking into account ISG's 9M17 performance, we recently revised up ISG's FY17F domestic and international traffic growth to 4% and 8% yoy, respectively, or 5.3% yoy growth in total. For FY18F, we have forecast overall traffic growth of 4%.

Equalisation of PSC charges from Jan 2018F

- The Malaysian Aviation Commission has announced the equalisation of passenger service charge across all airports in Malaysia. Hence, international passengers flying out of klia2 beyond ASEAN will be subjected to airport tax of RM73, from RM50, effective 1 Jan 2018F. Passengers in this category make up about 30% of total traffic in klia2, or 9% of total MAHB traffic in Malaysia, which is not immaterial.

Potential ISG stake sale is an upside

- MAHB is reported to have already been in informal talks for a potential sale of 30-40% stake in ISG. It is looking for a strategic shareholder. The recent recovery in ISG traffic growth and the opening of its second runway in 2018F (with dual runway operations by 2019F), means that ISG's partial disposal may fetch a good price.

Positive outcome from the negotiation of the terms of concession

- MAHB hopes to improve the terms surrounding the User Fee rate and to secure the right to tax passengers to fund the capex for future airport development. Negotiations with the government are expected to be concluded by 2H18F. If MAHB secures even part of what it is asking for, it will be positive for our valuation of the company.
- The main risk arises from the lack of clarity on whether landing charges will be increased; we have pencilled in a 30% hike in landing charges from 1 Jan 2018F.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	3,871	4,173	4,508	4,942	5,288
Operating EBITDA (RMm)	1,317	1,453	1,585	1,923	2,119
Net Profit (RMm)	37.7	70.4	248.4	509.0	651.2
Core EPS (RM)	0.01	0.16	0.23	0.37	0.45
Core EPS Growth	(91%)	1309%	46%	65%	20%
FD Core P/E (x)	716.5	54.2	37.0	22.4	18.5
DPS (RM)	0.09	0.10	0.19	0.29	0.34
Dividend Yield	1.00%	1.18%	2.22%	3.43%	4.00%
EV/EBITDA (x)	14.17	12.43	11.16	9.24	8.76
P/FCFE (x)	NA	34.90	36.92	27.77	25.87
Net Gearing	52.2%	46.1%	39.1%	35.2%	36.8%
P/BV (x)	1.59	1.62	1.60	1.56	1.52
ROE	0.23%	2.96%	4.34%	7.05%	8.32%
CIMB/consensus EPS (x)			0.98	1.32	1.18

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**4,173**	**4,508**	**4,942**	**5,288**
Gross Profit	**1,453**	**1,585**	**1,923**	**2,119**
Operating EBITDA	**1,453**	**1,585**	**1,923**	**2,119**
Depreciation And Amortisation	(649)	(662)	(667)	(702)
Operating EBIT	**805**	**924**	**1,256**	**1,416**
Financial Income/(Expense)	(622)	(590)	(598)	(597)
Pretax Income/(Loss) from Assoc.	16	15	15	15
Non-Operating Income/(Expense)	212	214	216	218
Profit Before Tax (pre-EI)	**410**	**563**	**889**	**1,053**
Exceptional Items	(226)	(202)	(202)	(202)
Pre-tax Profit	**184**	**361**	**687**	**851**
Taxation	(110)	(113)	(178)	(200)
Exceptional Income - post-tax				
Profit After Tax	**74**	**248**	**509**	**651**
Minority Interests	(4)	0	0	0
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**70**	**248**	**509**	**651**
Recurring Net Profit	259	382	642	796
Fully Diluted Recurring Net Profit	**259**	**382**	**642**	**796**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	1,572	1,905	2,327	2,747
Total Debtors	739	799	876	937
Inventories	135	135	135	135
Total Other Current Assets	143	143	143	143
Total Current Assets	**2,590**	**2,982**	**3,481**	**3,962**
Fixed Assets	382	382	382	382
Total Investments	0	0	0	0
Intangible Assets	17,231	16,883	17,029	17,831
Total Other Non-Current Assets	1,086	1,101	1,116	1,131
Total Non-current Assets	**18,699**	**18,366**	**18,527**	**19,344**
Short-term Debt	194	194	194	194
Current Portion of Long-Term Debt				
Total Creditors	782	840	868	911
Other Current Liabilities	790	790	790	790
Total Current Liabilities	**1,766**	**1,824**	**1,852**	**1,895**
Total Long-term Debt	5,386	5,188	5,407	6,159
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	5,440	5,440	5,440	5,440
Total Non-current Liabilities	**10,826**	**10,628**	**10,847**	**11,599**
Total Provisions	0	0	0	0
Total Liabilities	**12,592**	**12,452**	**12,699**	**13,494**
Shareholders' Equity	8,695	8,894	9,308	9,810
Minority Interests	2	2	2	2
Total Equity	**8,697**	**8,896**	**9,310**	**9,812**

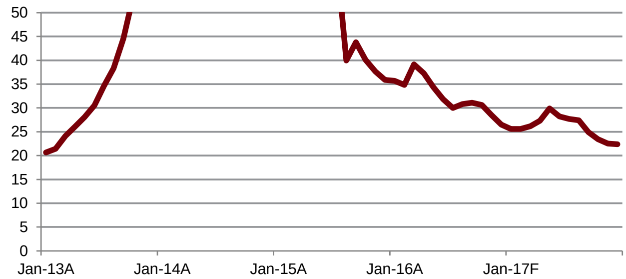
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	1,453	1,585	1,923	2,119
Cash Flow from Invt. & Assoc.				
Change In Working Capital	192	(1)	(49)	(18)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	415	70	72	74
Net Interest (Paid)/Received	(944)	(647)	(656)	(654)
Tax Paid	(77)	(113)	(178)	(200)
Cashflow From Operations	**1,039**	**894**	**1,112**	**1,320**
Capex	(431)	(314)	(814)	(1,504)
Disposals Of FAs/subsidiaries	137	0	0	0
Acq. Of Subsidiaries/investments		0	0	0
Other Investing Cashflow	0	0	0	0
Cash Flow From Investing	**(294)**	**(314)**	**(814)**	**(1,504)**
Debt Raised/(repaid)	(342)	(198)	219	752
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(141)	(50)	(95)	(149)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	**(483)**	**(248)**	**124**	**603**
Total Cash Generated	262	333	422	420
Free Cashflow To Equity	**403**	**383**	**517**	**569**
Free Cashflow To Firm	**1,689**	**1,228**	**954**	**471**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	7.8%	8.0%	9.6%	7.0%
Operating EBITDA Growth	10.4%	9.1%	21.3%	10.2%
Operating EBITDA Margin	34.8%	35.2%	38.9%	40.1%
Net Cash Per Share (RM)	(2.42)	(2.07)	(1.91)	(2.04)
BVPS (RM)	5.24	5.30	5.44	5.56
Gross Interest Cover	1.22	1.46	1.95	2.20
Effective Tax Rate	59.8%	31.2%	25.9%	23.5%
Net Dividend Payout Ratio	40.8%	56.0%	56.0%	56.7%
Accounts Receivables Days	77.45	62.27	61.83	62.56
Inventory Days	17.02	16.89	16.35	15.57
Accounts Payables Days	106.7	101.3	103.3	102.4
ROIC (%)	3.20%	3.82%	5.29%	5.89%
ROCE (%)	5.80%	6.78%	8.91%	9.41%
Return On Average Assets	4.05%	4.72%	6.17%	6.62%

12-mth Fwd FD P/E (x) - Malaysia Airports Holdings



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Int'l Passenger Traffic Growth (%)	7.9%	12.8%	7.0%	5.6%
Domestic Pax Traffic Growth (%)	4.1%	5.8%	2.7%	2.3%
International Flight Traffic Growth (%)	-0.9%	9.2%	4.9%	4.0%
Domestic Flight Traffic Growth (%)	-0.9%	9.2%	4.9%	4.0%
Int'l Pax Service Charge	65.0	73.0	73.0	73.0
Dom Pax Serv Charge	9.0	9.0	11.0	11.0
Unit Meals Produced (% Change)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

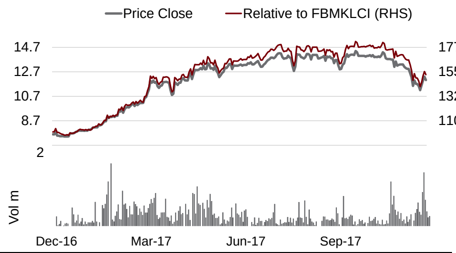
Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 0 Hold 7 Sell 1
Current price:	RM12.02
Target price:	RM15.00
Previous target:	RM15.00
Up/downside:	24.8%
CIMB / Consensus:	8.7%
Reuters:	MPIM.KL
Bloomberg:	MPI MK
Market cap:	US$585.8m
	RM2,391m
Average daily turnover:	US$0.84m
	RM3.49m
Current shares o/s	209.9m
Free float:	45.8%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-8.3	-12.9	60.3
Relative (%)	-9.2	-10.7	54

Major shareholders	% held
Hong Leong Manufacturing	50.3
ASB	4.0

Malaysian Pacific Industries

Building capabilities to be leading automotive OSAT

- MPI is targeting to outgrow the global semiconductor industry, with a 6-8% sales guidance in FY18 driven by stronger sales from automotive and industrial segments.
- The group is also exploring M&A opportunities to expand its portfolio, especially in the automotive segment, as it plans to be the preferred global OSAT in automotive.
- Maintain Hold with an unchanged RM15.00 TP, still based on 15x CY19F P/E.

Healthy industry demand outlook in CY18

- Semiconductor market research group WSTS projects an impressive 21% sales growth in 2017 for the sector driven by strong demand across all regions, led by the North America region. For 2018, WSTS forecasts a 7% growth driven by resilient demand from the memory, optoelectronics and sensors segments.
- In spite of this, we are wary on the negative impact from the strengthening of the ringgit against US$. Based on our estimate, MPI's FY18-20F could fall by 1.8-2.0% for every 1% strengthening of the RM against US$.

De-emphasising the communications segment

- MPI expects to reduce its sales exposure to the communications segment given market volatility and sluggish smartphones demand outlook. This is highlighted by its moderate sales in the smartphones, tablets and feature phones segments, which accounted for 40% of the group's sales in FY17 (vs. 39% in FY16). However, it will stay invested in the segment as it offers higher volume loadings, driving up its utilisation.

Automotive remains a long-term driver

- The group expects the automotive revenue contribution to grow from 25% in FY17 to 50% in FY19-20 driven by growing electronics content adoption in vehicles and new design wins. We like the group's strategy given that McKinsey & Co projects automotive semiconductor demand growing at a 2015-2020F CAGR of 6%, higher than overall semiconductor market forecast of 3-4%.
- However, we understand the actual ramp-up in automotive has been relatively slow given the longer product qualification period compared to communications packaging solutions. Meanwhile, MPI is still affected by wafer constraint issues faced by one of its automotive customers since 3QFY6/17.

Raising production efficiency with fully automated line

- In spite of the setback, MPI is on track to create a fully-automated production line for automotive and consumer sensor applications in 2018. We understand that the line reached 70-75% automation level as at end-FY6/17. The new initiative will help to improve production quality and allow MPI to redeploy resources to different projects.

Exploring potential M&A activities

- We learnt that the group is also moving closer to potential M&As as it has finalised two potential targets. The group is looking to acquire targets with capabilities in manufacturing fan-out wafer level packaging, cavity packages, module level assembly, 3D printing and flexible board, to complement its packaging portfolio.

Maintain Hold

- We maintain our Hold rating with an unchanged RM15.00 TP, still based on 15x CY19F P/E, in line with the sector mean. We see recovery in smartphones demand, sustainable margin expansion and higher dividend payouts as key upside risks to our call. Meanwhile, weaker smartphones demand, strengthening of RInggit and lower dividend payout are key downside risks.

Financial Summary	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	1,463	1,545	1,633	1,725	1,832
Net Profit (RMm)	149.7	189.4	190.1	204.6	215.6
Core EPS (RM)	0.71	0.90	0.91	0.97	1.03
Core EPS Growth	33.4%	26.5%	0.4%	7.6%	5.4%
FD Core P/E (x)	16.85	13.32	13.27	12.33	11.70
Price To Sales (x)	1.72	1.63	1.54	1.46	1.38
DPS (RM)	0.23	0.27	0.30	0.33	0.33
Dividend Yield	1.91%	2.25%	2.50%	2.75%	2.75%
EV/EBITDA (x)	6.09	5.02	4.57	3.86	3.19
P/FCFE (x)	12.37	8.28	9.46	7.07	6.70
Net Gearing	(24.3%)	(33.4%)	(45.2%)	(58.5%)	(69.3%)
P/BV (x)	2.58	2.25	2.02	1.82	1.65
ROE	16.3%	18.0%	16.1%	15.6%	14.8%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.98	0.98	0.95

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	**1,545**	**1,633**	**1,725**	**1,832**
Gross Profit	**1,545**	**1,633**	**1,725**	**1,832**
Operating EBITDA	**456**	**466**	**488**	**509**
Depreciation And Amortisation	(193)	(195)	(200)	(208)
Operating EBIT	**263**	**271**	**288**	**302**
Financial Income/(Expense)	(1)	0	2	4
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**262**	**271**	**290**	**306**
Exceptional Items				
Pre-tax Profit	**262**	**271**	**290**	**306**
Taxation	(32)	(37)	(41)	(43)
Exceptional Income - post-tax				
Profit After Tax	**230**	**235**	**250**	**263**
Minority Interests	(41)	(45)	(45)	(47)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**189**	**190**	**205**	**216**
Recurring Net Profit	189	190	205	216
Fully Diluted Recurring Net Profit	**189**	**190**	**205**	**216**

Balance Sheet

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	536	796	1,145	1,518
Total Debtors	276	293	309	328
Inventories	111	157	165	176
Total Other Current Assets	5	5	0	0
Total Current Assets	**927**	**1,250**	**1,620**	**2,022**
Fixed Assets	671	607	506	399
Total Investments	0	0	0	0
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	33	33	33	33
Total Non-current Assets	**704**	**639**	**539**	**431**
Short-term Debt	63	63	63	63
Current Portion of Long-Term Debt				
Total Creditors	205	217	230	244
Other Current Liabilities	2	2	2	2
Total Current Liabilities	**271**	**283**	**295**	**309**
Total Long-term Debt	29	29	29	29
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	2	21	41	62
Total Non-current Liabilities	**31**	**49**	**69**	**91**
Total Provisions	0	0	0	0
Total Liabilities	**302**	**332**	**364**	**400**
Shareholders' Equity	1,120	1,247	1,382	1,529
Minority Interests	209	311	417	529
Total Equity	**1,329**	**1,558**	**1,799**	**2,058**

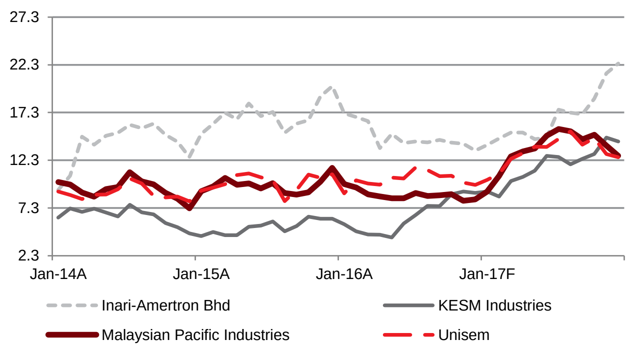
Cash Flow

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	456.1	465.5	488.3	509.2
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(41.7)	(51.1)	(13.1)	(15.1)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow				
Net Interest (Paid)/Received	(0.6)	0.5	2.0	4.1
Tax Paid	(39.0)	(18.3)	(20.3)	(21.4)
Cashflow From Operations	**374.8**	**396.6**	**456.9**	**476.8**
Capex	(129.0)	(130.0)	(100.0)	(100.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	2.2	0.0	0.0	0.0
Cash Flow From Investing	**(126.8)**	**(130.0)**	**(100.0)**	**(100.0)**
Debt Raised/(repaid)	56.7	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(72.1)	(5.9)	(7.9)	(4.6)
Preferred Dividends	0.0	0.0	0.0	0.0
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	**(15.5)**	**(5.9)**	**(7.9)**	**(4.6)**
Total Cash Generated	232.5	260.6	349.0	372.2
Free Cashflow To Equity	**304.7**	**266.6**	**356.9**	**376.8**
Free Cashflow To Firm	**250.4**	**269.3**	**359.7**	**379.6**

Key Ratios

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	5.55%	5.76%	5.63%	6.16%
Operating EBITDA Growth	14.3%	2.1%	4.9%	4.3%
Operating EBITDA Margin	29.5%	28.5%	28.3%	27.8%
Net Cash Per Share (RM)	2.11	3.36	5.02	6.79
BVPS (RM)	5.34	5.94	6.59	7.28
Gross Interest Cover	108.6	98.1	104.4	109.3
Effective Tax Rate	12.3%	13.5%	14.0%	14.0%
Net Dividend Payout Ratio	27.1%	33.1%	33.9%	32.1%
Accounts Receivables Days	57.68	63.54	63.70	63.72
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	29.6%	30.5%	33.0%	38.6%
ROCE (%)	20.2%	17.9%	16.5%	15.3%
Return On Average Assets	15.4%	13.3%	12.2%	11.2%

12-mth Fwd FD P/E (x)



Key Drivers

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
ASP Change (%, Main Product)	11.6%	-99.9%	N/A	N/A
Unit sales growth (%, main prod)	N/A	N/A	N/A	N/A
No. Of Lines (main Product)	5	5	5	5
Rev per line (US$, main prod)	N/A	N/A	N/A	N/A
ASP chg (%, 2ndary prod)	N/A	N/A	N/A	N/A
Unit sales grth (%, 2ndary prod)	N/A	N/A	N/A	N/A
No. Of Lines (secondary Product)	N/A	N/A	N/A	N/A
Rev per line (US$, 2ndary prod)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 7	Hold 3	Sell 0

Current price:	RM1.08
Target price:	RM1.19
Previous target:	RM1.19
Up/downside:	10.2%
CIMB / Consensus:	2.5%
Reuters:	MYRS.KL
Bloomberg:	MRC MK
Market cap:	US$1,161m
	RM4,738m
Average daily turnover:	US$2.98m
	RM12.50m
Current shares o/s	4,346m
Free float:	42.1%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.9	4	-9.7
Relative (%)	6	6.2	-16

Major shareholders	% held
EPF	33.5
Gapurna Sdn Bhd	16.7
Lembaga Tabung Haji	7.8

Malaysian Resources Corp

Becoming the dark horse of the HSR project?

- We expect improved construction outlook for MRCB in 2018.
- The group is forming a JV with Gamuda to bid for the Kuala Lumpur-Singapore HSR project's PDP scope.
- Potential earnings impact from securing HSR's PDP scope could be substantial.

Gamuda-MRCB JV to bid for the HSR's PDP scope

We believe MRCB's construction prospects would be enhanced by potential rail tenders. MRCB and Gamuda (GAM MK, ADD) will be collectively bidding for the Project Delivery Partner (PDP) role of the Kuala Lumpur-Singapore High-Speed Rail's (HSR) infrastructure construction on the Malaysian side. The two groups would jointly bid under a 50:50 joint venture (JV).

MRCB rides on its PDP track record for LRT 3

We think that in terms of technical qualification and PDP track record, MRCB qualifies as a PDP contender given that the group is currently the PDP for the RM9bn LRT 3 (Bandar Utama-Klang) which has largely completed its civil works awards. Moreover, partnering with Gamuda for the HSR PDP is an added advantage given Gamuda's PDP credentials for MRT 1 and 2.

What is the potential value of the PDP portion?

The winning PDP will be responsible for developing the detailed designs for HSR's infrastructure works, which include the station and the alignment structures (i.e. bridges, tunnels and embankments). As widely reported in the press, the total estimated value of the KL-Singapore HSR ranges from RM50bn to RM60bn. Based on our back-of-the-envelope calculation, and going by the 50-60% PDP portion for MRT 1 and 2, the PDP scope for HSR could be worth a minimum of RM25bn-40bn.

Potential impact to earnings based on 6% PDP fee

If the Gamuda-MRCB JV succeeds in securing the PDP portion of the HSR contract, we roughly calculate that the potential earnings contribution p.a. based on RM25bn-40bn PDP scope (benchmarked to MRT's PDP proportion) and a 6% PDP fee (seven-year construction period) would be RM107m-171m (based on MRCB's 50% JV share). This is 1.6x more than MRCB's existing RM68m p.a. PDP earnings share for the RM9bn LRT 3 contract undertaken by the MRCB-George Kent JV (50:50).

RM2.9bn total tender jobs could be understated

YTD, MRCB has secured RM498m worth of new contracts, including a RM369m package from Dash highway. This raises the group's external outstanding order book to RM5.3bn. We understand that MRCB's current value of jobs in tender is RM2.9bn. The group will focus on securing more civil engineering and long-term fee-based contracts.

More rail newsflow could lift sentiment on the stock

We believe rail contract newsflow could lift sentiment on the stock (down 10% YTD). Retain Add, in view of the likely positive construction newsflow in the months ahead. Target price remains based on a 10% RNAV discount. We expect more details on the HSR PDP tenders in the next 2-3 months. Potential PDP award is likely by mid-2018F. Downside risks include weak job wins.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	1,697	2,408	2,432	2,554	2,681
Operating EBITDA (RMm)	159.9	313.3	259.8	316.2	333.6
Net Profit (RMm)	330.4	267.4	100.1	131.3	142.1
Core EPS (RM)	0.033	0.062	0.023	0.030	0.033
Core EPS Growth	73.7%	84.1%	(62.6%)	31.2%	8.2%
FD Core P/E (x)	32.33	17.55	49.26	39.35	36.36
DPS (RM)	0.013	0.015	0.015	0.015	0.015
Dividend Yield	1.16%	1.39%	1.39%	1.39%	1.39%
EV/EBITDA (x)	46.07	21.44	19.27	16.46	15.29
P/FCFE (x)	5.35	NA	NA	9.19	17.86
Net Gearing	155%	73%	11%	16%	13%
P/BV (x)	2.62	1.60	1.03	1.10	1.09
ROE	8.6%	11.3%	2.7%	3.0%	3.3%
CIMB/consensus EPS (x)			0.89	0.92	0.65

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**2,408**	**2,432**	**2,554**	**2,681**
Gross Profit	**2,408**	**2,432**	**2,554**	**2,681**
Operating EBITDA	**313**	**260**	**316**	**334**
Depreciation And Amortisation	(64)	(69)	(74)	(80)
Operating EBIT	**250**	**191**	**242**	**254**
Financial Income/(Expense)	(115)	(103)	(93)	(83)
Pretax Income/(Loss) from Assoc.	32	33	34	36
Non-Operating Income/(Expense)	227	70	5	0
Profit Before Tax (pre-EI)	**393**	**191**	**188**	**206**
Exceptional Items	0	0	0	0
Pre-tax Profit	**393**	**191**	**188**	**206**
Taxation	(74)	(40)	(32)	(35)
Exceptional Income - post-tax				
Profit After Tax	**319**	**151**	**156**	**171**
Minority Interests	(52)	(51)	(25)	(29)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**267**	**100**	**131**	**142**
Recurring Net Profit	267	100	131	142
Fully Diluted Recurring Net Profit	**267**	**100**	**131**	**142**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	724	1,719	2,019	2,319
Total Debtors	1,603	1,524	1,449	1,377
Inventories	58	58	58	58
Total Other Current Assets	781	797	812	829
Total Current Assets	**3,166**	**4,097**	**4,337**	**4,582**
Fixed Assets	438	447	456	465
Total Investments	822	796	771	747
Intangible Assets	253	253	253	253
Total Other Non-Current Assets	3,074	3,044	3,015	2,986
Total Non-current Assets	**4,587**	**4,539**	**4,494**	**4,450**
Short-term Debt	806	726	718	711
Current Portion of Long-Term Debt	0	0	0	0
Total Creditors	1,586	1,555	1,524	1,493
Other Current Liabilities	43	43	43	43
Total Current Liabilities	**2,435**	**2,323**	**2,285**	**2,247**
Total Long-term Debt	2,131	1,492	1,992	2,191
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	161	161	161	161
Total Non-current Liabilities	**2,292**	**1,653**	**2,153**	**2,352**
Total Provisions	0	0	0	0
Total Liabilities	**4,727**	**3,976**	**4,437**	**4,599**
Shareholders' Equity	2,926	4,556	4,285	4,319
Minority Interests	99	104	109	115
Total Equity	**3,025**	**4,660**	**4,394**	**4,434**

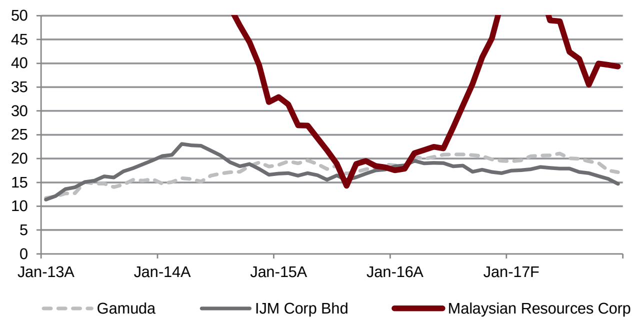
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	313.3	259.8	316.2	333.6
Cash Flow from Invt. & Assoc.				
Change In Working Capital	9.3	41.8	45.3	49.0
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	0.0	0.0	0.0	0.0
Net Interest (Paid)/Received	(115.1)	(102.8)	(93.4)	(83.4)
Tax Paid	(73.5)	(40.3)	(32.0)	(35.3)
Cashflow From Operations	**133.9**	**158.5**	**236.0**	**263.8**
Capex	(10.0)	(10.0)	(10.0)	(10.0)
Disposals Of FAs/subsidiaries	10.7	14.9	15.0	15.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	(171.4)	(171.4)	(171.4)	(171.4)
Cash Flow From Investing	**(170.7)**	**(166.5)**	**(166.4)**	**(166.4)**
Debt Raised/(repaid)	(450.3)	(719.9)	492.7	192.0
Proceeds From Issue Of Shares	0.0	1,716.6	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(21.1)	(21.1)	(21.1)	(21.1)
Preferred Dividends				
Other Financing Cashflow	708.9	26.8	(241.2)	31.8
Cash Flow From Financing	**237.5**	**1,002.4**	**230.4**	**202.6**
Total Cash Generated	200.6	994.4	300.0	300.0
Free Cashflow To Equity	**(487.1)**	**(727.8)**	**562.3**	**289.3**
Free Cashflow To Firm	**139.1**	**159.1**	**231.7**	**254.6**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	41.9%	1.0%	5.0%	5.0%
Operating EBITDA Growth	95.9%	(17.1%)	21.7%	5.5%
Operating EBITDA Margin	13.0%	10.7%	12.4%	12.4%
Net Cash Per Share (RM)	(0.51)	(0.11)	(0.16)	(0.13)
BVPS (RM)	0.67	1.05	0.99	0.99
Gross Interest Cover	1.42	1.14	1.49	1.61
Effective Tax Rate	18.7%	21.1%	17.0%	17.2%
Net Dividend Payout Ratio	7.9%	21.1%	16.1%	14.9%
Accounts Receivables Days	203.3	231.3	209.2	189.3
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	5.97%	4.17%	5.35%	5.67%
ROCE (%)	5.54%	3.97%	4.44%	4.54%
Return On Average Assets	6.05%	3.10%	2.85%	2.84%

12-mth Fwd FD P/E (x)



Key Drivers

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Outstanding Orderbook	3,705	3,995	4,285	4,575
Order Book Depletion	510	510	510	510
Orderbook Replenishment	800	800	800	800
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

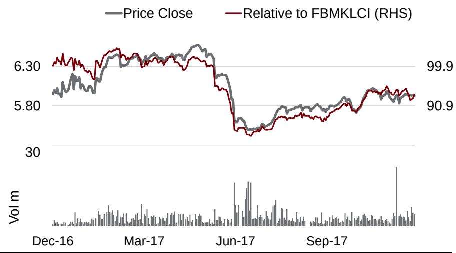
Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 0 Hold 19 Sell 10
Current price:	RM5.93
Target price:	RM5.80
Previous target:	RM5.80
Up/downside:	-2.2%
CIMB / Consensus:	5.8%
Reuters:	MXCS.KL
Bloomberg:	MAXIS MK
Market cap:	US$11,349m
	RM46,317m
Average daily turnover:	US$4.61m
	RM19.20m
Current shares o/s	7,810m
Free float:	35.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0	3	-0.3
Relative (%)	-0.9	5.2	-6.6

Major shareholders	% held
Maxis Communications	65.0
Employees Provident Fund	7.0

Maxis Berhad

Paddling upstream

- We expect FY18-19F core EPS to fall 5-7% yoy, mainly due to the impact from the termination of the U Mobile 3G RAN sharing contract.
- If Maxis wins 700MHz spectrum, its FY19F core EPS may be impacted by 3.4%; further equity fund raising is unlikely.
- We maintain our Hold call, with an unchanged DCF-based target price of RM5.80.

Lower service revenue in FY18-19F

- We forecast Maxis's service revenue to ease 0.7%/2.3% yoy in FY18/19F, mainly due to lower/nil 3G RAN sharing revenue from U Mobile. We see only a mild 0.7% growth in postpaid service revenue in FY18, as smaller peers gain better traction in the medium to higher-ARPU customer segments on improved network quality/coverage. Meanwhile, prepaid revenue may ease 0.5% yoy on continued sim card consolidation.

EBITDA margin to ease

- EBITDA margin (on service revenue) should ease 0.2%/1.1% pts yoy to 52.7%/51.6% in FY18/19F. While we expect Maxis to keep absolute cost at about the same level, via its cost optimisation initiatives, the negative revenue impact from the termination of the U Mobile 3G RAN sharing contract may flow through to the bottomline. Consequently, we forecast EBITDA to fall 1.0%/4.2% yoy in FY18/19F.

Core EPS to fall 5-7% yoy in FY18-19F

- Core EPS should fall by a greater 4.6%/6.7% yoy in FY18/19F due to: a) 2% higher weighted average number of shares after its placement exercise in mid-2017 and b) full-year impact from the 900MHz and 1800MHz spectrum amortisation.

700MHz unlikely to require additional equity fund raising

- In mid-Oct, the Malaysian Communications and Multimedia Commission (MCMC) announced that it will tender out 2x40MHz of the 700MHz spectrum via a beauty contest, with the maximum spectrum limit set at 2x20MHz per applicant.
- If Maxis is allocated 2x10MHz, the upfront and annual fee would be RM431m and RM37m p.a., respectively. If we further assume that the upfront fee is debt-funded at 5% interest cost, we estimate the impact to its FY19F net profit would be 3.4%.
- If we factor in the upfront payment, we project net debt/EBITDA to rise marginally to 1.64x at end-FY18F (vs. 1.55x, excluding 700MHz). Even if we assume that Maxis is allocated the maximum 2x20MHz, its end-FY18F net debt/EBITDA would not breach 2x (i.e. 1.72x), which implies that further equity funding raising is unlikely.

Morten Lundal to leave Maxis by end-Mar 2018

- Maxis announced on 3 Nov that its CEO, Morten Lundal, will be leaving the company upon the expiry of his contract on 31 Mar 2018. We view Morten's departure as negative for Maxis as we believe he has been instrumental in the company's turnaround and successfully navigating it through intense competition. To date, Maxis has yet to announce his successor.

Maintain Hold with unchanged target price of RM5.80

- We maintain our Hold call on Maxis, with an unchanged DCF-based target price of RM5.80 (WACC: 7.0%). We believe Morten's departure is unlikely to negatively impact Maxis's financial and operational results in the short-term. However, in the long-run, we see potential downside risk in navigating through structural headwinds as the market approaches network parity.
- Its FY18F EV/OpFCF of 14.8x is trading at a 13% discount to the ASEAN average, with decent FY17F-19F dividend yields of 3.7-4.0%. Downside risk: Bigger-than-expected postpaid revenue market share loss. Upside risk: better sales growth.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	8,601	8,612	8,900	8,838	8,643
Operating EBITDA (RMm)	4,425	4,484	4,704	4,655	4,461
Operating EBITDA Margin	51.4%	52.1%	52.9%	52.7%	51.6%
Net Profit (RMm)	1,739	2,013	2,144	2,085	1,944
Core EPS (RM)	0.26	0.26	0.28	0.27	0.25
Core EPS Growth	0.77%	1.10%	6.49%	(4.64%)	(6.75%)
FD Core P/E (x)	22.80	22.56	21.18	22.21	23.82
DPS (RM)	0.20	0.20	0.22	0.23	0.24
Dividend Yield	3.37%	3.37%	3.71%	3.88%	4.05%
EV/EBITDA (x)	12.01	11.98	11.20	11.50	11.95
P/FCFE (x)	21.54	47.77	36.03	21.14	21.54
Net Gearing	203%	194%	106%	101%	97%
ROE	43.8%	44.3%	37.1%	29.9%	27.2%
CIMB/consensus EPS (x)			1.07	1.06	1.01

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**8,814**	**9,102**	**9,040**	**8,845**
Gross Profit	**8,814**	**9,102**	**9,040**	**8,845**
Operating EBITDA	**4,484**	**4,704**	**4,655**	**4,461**
Depreciation And Amortisation	(1,410)	(1,436)	(1,503)	(1,502)
Operating EBIT	**3,074**	**3,268**	**3,152**	**2,959**
Financial Income/(Expense)	(415)	(409)	(372)	(366)
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**2,659**	**2,859**	**2,780**	**2,593**
Exceptional Items	78	0	0	0
Pre-tax Profit	**2,737**	**2,859**	**2,780**	**2,593**
Taxation	(724)	(715)	(695)	(648)
Exceptional Income - post-tax				
Profit After Tax	**2,013**	**2,144**	**2,085**	**1,944**
Minority Interests	0	0	0	0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**2,013**	**2,144**	**2,085**	**1,944**
Recurring Net Profit	1,974	2,144	2,085	1,944
Fully Diluted Recurring Net Profit	**1,974**	**2,144**	**2,085**	**1,944**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	682	955	1,014	1,239
Total Debtors	1,582	1,312	1,562	1,248
Inventories	6	13	6	13
Total Other Current Assets	188	207	227	250
Total Current Assets	**2,458**	**2,487**	**2,809**	**2,751**
Fixed Assets	4,502	4,634	4,650	4,572
Total Investments	0	0	0	0
Intangible Assets	11,297	11,229	11,111	10,986
Total Other Non-Current Assets	1,386	1,525	1,677	1,845
Total Non-current Assets	**17,185**	**17,388**	**17,437**	**17,403**
Short-term Debt	1,101	1,101	1,101	1,101
Current Portion of Long-Term Debt				
Total Creditors	3,633	3,579	3,611	3,577
Other Current Liabilities	263	263	263	263
Total Current Liabilities	**4,997**	**4,943**	**4,975**	**4,941**
Total Long-term Debt	8,763	7,124	7,124	7,124
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	1,162	973	1,023	894
Total Non-current Liabilities	**9,925**	**8,096**	**8,146**	**8,018**
Total Provisions	0	0	0	0
Total Liabilities	**14,922**	**13,039**	**13,122**	**12,959**
Shareholders' Equity	4,721	6,836	7,125	7,195
Minority Interests	0	0	0	0
Total Equity	**4,721**	**6,836**	**7,125**	**7,195**

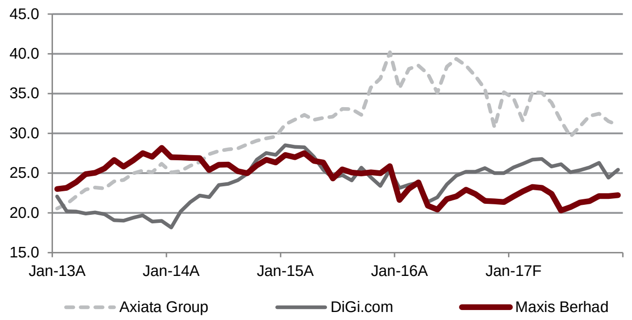
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	4,484	4,704	4,655	4,461
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(941)	817	0	0
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	95	94	94	95
Net Interest (Paid)/Received	(415)	(409)	(372)	(366)
Tax Paid	(593)	(715)	(695)	(648)
Cashflow From Operations	**2,630**	**4,491**	**3,682**	**3,541**
Capex	(1,487)	(1,200)	(1,100)	(1,000)
Disposals Of FAs/subsidiaries	28	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	(391)	(391)	(391)	(391)
Cash Flow From Investing	**(1,850)**	**(1,591)**	**(1,491)**	**(1,391)**
Debt Raised/(repaid)	152	(1,639)	0	0
Proceeds From Issue Of Shares	2	1,639	0	0
Shares Repurchased				
Dividends Paid	(1,502)	(1,609)	(1,796)	(1,874)
Preferred Dividends				
Other Financing Cashflow	(536)	(505)	(462)	(462)
Cash Flow From Financing	**(1,884)**	**(2,113)**	**(2,259)**	**(2,337)**
Total Cash Generated	(1,104)	786	(67)	(186)
Free Cashflow To Equity	**932**	**1,260**	**2,191**	**2,150**
Free Cashflow To Firm	**1,250**	**3,354**	**2,602**	**2,562**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	0.13%	3.34%	(0.70%)	(2.21%)
Operating EBITDA Growth	1.33%	4.90%	(1.04%)	(4.17%)
Operating EBITDA Margin	52.1%	52.9%	52.7%	51.6%
Net Cash Per Share (RM)	(1.22)	(0.93)	(0.92)	(0.89)
BVPS (RM)	0.63	0.88	0.91	0.92
Gross Interest Cover	6.54	7.20	7.66	7.19
Effective Tax Rate	26.5%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	77.6%	78.6%	86.2%	96.4%
Accounts Receivables Days	59.50	59.34	59.34	59.34
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	16.6%	16.3%	15.7%	14.4%
ROCE (%)	21.8%	22.4%	21.0%	19.5%
Return On Average Assets	11.6%	12.4%	11.8%	11.0%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Group Mobile Subscribers (m)	11.72	11.67	11.77	11.87
Group Fixed Voice Subscribers (m)	N/A	N/A	N/A	N/A
Grp fixed brdband subscribers (m)	N/A	N/A	N/A	N/A
Group Pay TV Subs (m)	N/A	N/A	N/A	N/A
Group Mobile ARPU (US$/mth)	56.0	58.0	56.9	54.6
Grp fixed voice ARPU (US$/mth)	N/A	N/A	N/A	N/A
Grp fixed brdband ARPU (US$/mth)	N/A	N/A	N/A	N/A
Group Pay TV ARPU (US$/mth)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

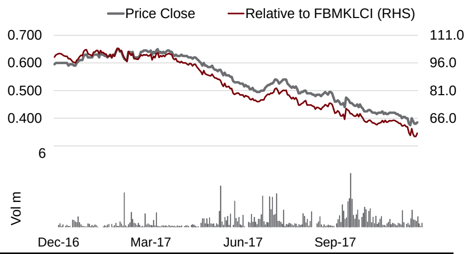
Malaysia

REDUCE *(no change)*

Consensus ratings*:	Buy 0	Hold 4	Sell 3

Current price:	RM0.39
Target price:	RM0.36
Previous target:	RM0.36
Up/downside:	-7.6%
CIMB / Consensus:	-4.6%
Reuters:	MDCH.KL
Bloomberg:	MCIL MK
Market cap:	US$159.2m
	RM649.6m
Average daily turnover:	US$0.07m
	RM0.31m
Current shares o/s	1,687m
Free float:	45.1%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-7.2	-21.4	-35.3
Relative (%)	-8.1	-19.2	-41.6

Major shareholders	% held
Tan Sri Datuk Tiong Hiew King	50.0
EPF	4.9

Media Chinese Int'l

The good and bad news heading into 2018

- MCIL is positive on adex's prospects in HK due to the improving consumer sentiment.
- Nonetheless, the biggest component of its revenue is the Malaysian and Southeast Asia print adex business – which it expects to decline by 20% in FY3/18.
- Maintain Reduce and RM0.36 TP, based on 11.2x CY19F P/E..

Recap of 1HFY3/18 performance

- Revenue fell 6.8% yoy in 1HFY18 to RM649m from RM696m due to lower contribution from print and publishing (P&P) operations across all geographical segments. For example, P&P sales in Malaysia and Southeast Asia, which accounted for 67% of the group's revenue, declined 18% yoy due to lower advertising spending on the back of softening domestic consumer sentiment. Overall, 1HFY18 core EPS dropped 42% yoy, partly driven by higher-than-expected effective tax rate of 42.8% vs. 32% yoy.

Improving sentiment in Hong Kong casts glimmer of hope

- While Hong Kong's P&P segment slipped into a pre-tax loss of US$1.6m in 1HFY18, management is becoming optimistic with Hong Kong's (HK) advertising expenditure (adex) market. This hope is underpinned by the steady uptrend in Hong Kong's Index of Consumer Sentiment, from 2Q16's 78.5 points to 91.2 points in 3Q17.

Travel segment susceptible to digital disruption, too

- That said, the proliferation of travel and booking apps may put a cap to the growth of MCIL's travel services segment. Airlines' strategy of cutting prices in the crowded market also consequently squeezes the travel segment's margin. In 1HFY18, the travel segment posted 6.5% yoy growth in pre-tax profit – smaller than the revenue growth rate of 11.4%.

Potentiality of subsidiaries and associates' IPOs

- The group plans to float the shares of its travel services business. Additionally, MCIL has a 10% stake in Blackpaper Ltd, the publisher of a socially influential namesake magazine in Hong Kong, with its cultural influence spawning a merchandising business. The company is also involved with creative multimedia services and advertising campaigns. MCIL said Blackpaper is aiming for a 2018 IPO.

Tapping the SME and startup culture for recurring income

- MCIL recently co-founded a social co-working and office space, under the CO3 brand, with the first flagship in Puchong. CO3 currently has over 300 tenants. We understand the group is looking to expand the co-working space and potentially replicate this in other neighborhood cities within Malaysia.

But will the initiatives be enough to offset print adex's decline?

- While we like MCIL's various efforts to build new income streams, and are comforted by the improving sentiment in Hong Kong, we are still concerned about the sharp declines in Malaysia's print adex market. Overall, MCIL still expects adex to decline 20% yoy in FY18 due to weak advertisement in key verticals such as automotive, property and hypermarkets.

Maintain Reduce

- We keep our Reduce rating and RM0.36 TP, still based on 11.2x CY19F P/E, 30% discount to our target market P/E of 16x. Potential de-rating catalysts are longer-than-expected gestation period for its digital assets and lower dividend payouts. Key upside risks to our call are stronger adex recovery and pick-up in travel sales.

Financial Summary	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Revenue (RMm)	1,362	1,338	1,245	1,207	1,171
Operating EBITDA (RMm)	205.4	156.1	115.6	112.1	114.2
Net Profit (RMm)	104.0	67.0	52.3	50.8	52.8
Core EPS (RM)	0.066	0.049	0.031	0.030	0.031
Core EPS Growth	(26.6%)	(25.6%)	(36.9%)	(3.0%)	4.0%
FD Core P/E (x)	5.82	7.83	12.41	12.79	12.30
DPS (RM)	0.044	0.031	0.016	0.015	0.016
Dividend Yield	11.3%	7.9%	4.0%	3.9%	4.1%
EV/EBITDA (x)	2.80	3.23	4.23	4.11	3.84
P/FCFE (x)	3.81	NA	NA	NA	26.05
Net Gearing	(11.4%)	(18.6%)	(18.9%)	(20.7%)	(21.7%)
P/BV (x)	0.78	0.76	0.74	0.72	0.69
ROE	13.5%	9.8%	6.0%	5.7%	5.7%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			3.88	3.76	3.91

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Net Revenues	**1,338**	**1,245**	**1,207**	**1,171**
Gross Profit	**1,338**	**1,245**	**1,207**	**1,171**
Operating EBITDA	**156**	**116**	**112**	**114**
Depreciation And Amortisation	(43)	(44)	(45)	(46)
Operating EBIT	**113**	**71**	**67**	**68**
Financial Income/(Expense)	(7)	(6)	(4)	(2)
Pretax Income/(Loss) from Assoc.	2	2	2	2
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**108**	**67**	**65**	**68**
Exceptional Items	(16)	0	0	0
Pre-tax Profit	**92**	**67**	**65**	**68**
Taxation	(34)	(24)	(23)	(24)
Exceptional Income - post-tax				
Profit After Tax	**58**	**44**	**42**	**44**
Minority Interests	9	9	9	9
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**67**	**52**	**51**	**53**
Recurring Net Profit	83	52	51	53
Fully Diluted Recurring Net Profit	**83**	**52**	**51**	**53**

Balance Sheet

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Cash And Equivalents	398.2	359.3	318.5	271.6
Total Debtors	182.4	169.6	164.5	159.6
Inventories	88.1	81.9	79.5	77.1
Total Other Current Assets	11.4	11.4	11.4	11.4
Total Current Assets	**680.1**	**622.3**	**573.9**	**519.6**
Fixed Assets	425.8	425.8	425.8	425.8
Total Investments	64.5	64.5	64.5	64.5
Intangible Assets	191.2	191.2	191.2	191.2
Total Other Non-Current Assets	4.2	4.2	4.2	4.2
Total Non-current Assets	**685.7**	**685.7**	**685.7**	**685.7**
Short-term Debt	11.1	11.1	11.1	11.1
Current Portion of Long-Term Debt				
Total Creditors	206.3	191.8	186.1	180.5
Other Current Liabilities	7.4	7.4	7.4	7.4
Total Current Liabilities	**224.7**	**210.3**	**204.5**	**199.0**
Total Long-term Debt	225.0	180.0	120.0	60.0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	43.4	27.5	28.2	21.8
Total Non-current Liabilities	**268.4**	**207.5**	**148.2**	**81.8**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**493.1**	**417.8**	**352.7**	**280.8**
Shareholders' Equity	856.7	882.9	908.3	934.7
Minority Interests	16.0	7.3	(1.4)	(10.1)
Total Equity	**872.7**	**890.2**	**906.9**	**924.6**

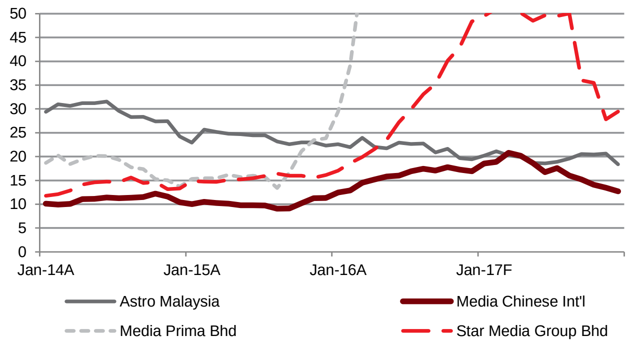
Cash Flow

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
EBITDA	156.1	115.6	112.1	114.2
Cash Flow from Invt. & Assoc.				
Change In Working Capital	23.2	4.5	1.8	1.7
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(1.6)	5.5	8.0	0.0
Net Interest (Paid)/Received	(22.3)	(19.2)	(18.2)	(17.3)
Tax Paid	(47.6)	(23.5)	(22.7)	(23.8)
Cashflow From Operations	**107.7**	**82.9**	**81.0**	**74.9**
Capex	(5.9)	(50.0)	(50.0)	(50.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	(30.7)	0.0	0.0	0.0
Cash Flow From Investing	**(36.6)**	**(50.0)**	**(50.0)**	**(50.0)**
Debt Raised/(repaid)	(216.2)	(85.0)	(40.0)	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(71.8)	(71.8)	(71.8)	(71.8)
Preferred Dividends				
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	**(288.1)**	**(156.8)**	**(111.8)**	**(71.8)**
Total Cash Generated	(216.9)	(123.9)	(80.8)	(46.9)
Free Cashflow To Equity	**(145.0)**	**(52.1)**	**(9.0)**	**24.9**
Free Cashflow To Firm	**93.5**	**52.1**	**49.2**	**42.2**

Key Ratios

	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Revenue Growth	(1.8%)	(7.0%)	(3.0%)	(3.0%)
Operating EBITDA Growth	(24.0%)	(25.9%)	(3.0%)	1.9%
Operating EBITDA Margin	11.7%	9.3%	9.3%	9.8%
Net Cash Per Share (RM)	0.10	0.10	0.11	0.12
BVPS (RM)	0.51	0.52	0.54	0.55
Gross Interest Cover	5.31	3.72	3.68	3.94
Effective Tax Rate	36.5%	35.0%	35.0%	35.0%
Net Dividend Payout Ratio	62.1%	50.0%	50.0%	50.0%
Accounts Receivables Days	52.37	51.62	50.51	50.65
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	15.3%	10.3%	9.8%	10.0%
ROCE (%)	10.5%	7.7%	7.6%	8.2%
Return On Average Assets	5.54%	3.73%	3.61%	3.77%

12-mth Fwd FD P/E (x)



Key Drivers

	Mar-17A	Mar-18F	Mar-19F	Mar-20F
TV Adex Rate (% Change)	N/A	N/A	N/A	N/A
Average Utilisation Rate (%)	N/A	N/A	N/A	N/A
Prime Time Utilisation Rate (%)	N/A	N/A	N/A	N/A
Non Prime Time Utilisation Rate (%)	N/A	N/A	N/A	N/A
Programming Costs (% Change)	N/A	N/A	N/A	N/A
Newsppr adex rev. grth (%)	1.0%	1.0%	1.0%	1.0%
Newspaper ASP (% Change)	N/A	N/A	N/A	N/A
Newsppr circulation grth (%)	3.0%	3.0%	3.0%	3.0%
Newsprint Cost (% Change)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

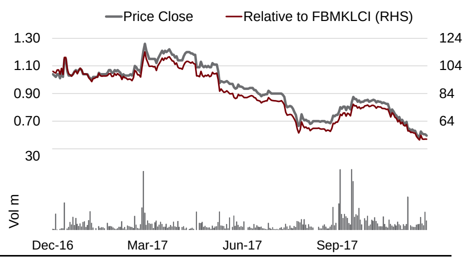
Company Brief

Malaysia

REDUCE *(no change)*

Consensus ratings*:	Buy 2 Hold 1 Sell 13
Current price:	RM0.60
Target price:	RM0.62
Previous target:	RM0.62
Up/downside:	4.7%
CIMB / Consensus:	0.5%
Reuters:	MPRM.KL
Bloomberg:	MPR MK
Market cap:	US$161.7m
	RM660.0m
Average daily turnover:	US$0.79m
	RM3.32m
Current shares o/s	1,105m
Free float:	67.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-20.7	-19.6	-43.3
Relative (%)	-21.6	-17.4	-49.6

Major shareholders	% held
EPF	18.4
Gabungan Kesturi	14.4

Media Prima Bhd

Turning inside out

- 2017 is a watershed year for Media Prima, as it conducted more asset impairments and retrenchments to trim its opex while adex continued to fall by double-digits yoy.
- The group also introduced its Odyssey strategy, the master-plan to diversify its earnings base from traditional adex .
- However, we believe these exercises may take time to bear fruit. Meanwhile, its traditional adex businesses continue to decline. Maintain Reduce and target price.

An Odyssey into a new world

- Media Prima is embarking on a revenue-expansion drive, called the Odyssey strategy. Odyssey lays out four specific targets for Media Prima over the next 3-5 years.
- 1) Double the contribution of non-adex revenue from 20% to 40%. 2) Expand the revenue contribution from the non-TV and print segment from 20% to 40%. 3) Raise the digital revenue contribution from 5% to 20%. 4) Enlarge the slice of revenue from outside Malaysia from 2% to 10%.

The six pillars guiding the Odyssey

- In order to realise the above targets, the group has identified six pillars.
- 1) Maintain its market-leading position in the country's traditional and over-the-top broadcasting. 2) Become the market leader in digital publishing. 3) Grow its business-to-consumer (B2C) segment by tapping its position as an integrated media group. 4) Expand beyond Malaysia by way of co-producing content. 5) Maximise the value of its intellectual properties. 6) Increase staff productivity and efficiency.

Dinghy in a perfect storm

- In 2Q-3Q17, the group recognised a total of RM194.7m in impairment and termination costs. Stripping out the one-off expenses, Media Prima recorded a core net loss of RM81.9m in 9M17. 9M17 revenue fell 8.3% yoy due to lower circulation (-24%) and adex (-14%) on the back of a structural shift in consumer preference towards digital platforms. The TV network segment swung into a net loss of RM47.7m in 9M17 while print circulation revenue plummeted 23% yoy, negating the 13% decline in overheads.

Growing non-adex businesses serve as consolation

- On the bright side, Media Prima's Odyssey strategy seem to be on track. As at 9M17, non-advertising revenue stood at 22% of group revenue, 1% pt above its year-end target. It aims to raise the non-adex portion to 40% by FY20. Apart from home shopping, non-adex revenue would come from content production for both local and international media groups, according to the company.

Missing the dividend appeal

- We expect Media Prima to slip into losses in FY17F. Hence, we do not foresee any dividend for FY17F. However, we project it to resume to paying dividend in FY18F as the group gradually returns to profitable following multiple cost-savings initiatives. We expect the stock to offer a minimal FY18-19F yield of 1.5%.

Maintain Reduce in these challenging times

- We maintain our Reduce rating with a lower RM0.62 TP, based on 0.6x CY19F P/BV, 2 s.d. below its historical mean of 0.9x in view of its challenging operating outlook. Potential de-rating catalysts are longer-than-expected gestation period for its digital assets, rising newsprint prices and lower dividend payouts. Key upside risks to our call are stronger adex recovery and stronger earnings from digital adex.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	1,428	1,289	1,184	1,216	1,231
Operating EBITDA (RMm)	317.4	170.7	25.1	123.2	128.6
Net Profit (RMm)	138.7	59.1	(67.9)	12.3	12.6
Core EPS (RM)	0.13	0.05	(0.06)	0.01	0.01
Core EPS Growth	0%	(59%)	(215%)		3%
FD Core P/E (x)	4.63	11.18	NA	53.79	52.27
DPS (RM)	0.10	0.06	0.00	0.01	0.01
Dividend Yield	16.8%	10.0%	0.0%	1.5%	1.6%
EV/EBITDA (x)	1.25	2.72	29.27	5.99	5.75
P/FCFE (x)	NA	7.18	NA	64.41	39.51
Net Gearing	(7.37%)	(5.03%)	4.86%	4.98%	4.94%
P/BV (x)	0.41	0.45	0.53	0.53	0.53
ROE	8.87%	3.83%	(5.01%)	0.98%	1.01%
% Change In Core EPS Estimates			(0%)	(0%)	(0%)
CIMB/consensus EPS (x)			1.00	(3.69)	0.63

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**1,289**	**1,184**	**1,216**	**1,231**
Gross Profit	**1,289**	**1,184**	**1,216**	**1,231**
Operating EBITDA	**171**	**25**	**123**	**129**
Depreciation And Amortisation	(119)	(105)	(102)	(107)
Operating EBIT	**51**	**(80)**	**21**	**21**
Financial Income/(Expense)	1	(3)	(5)	(5)
Pretax Income/(Loss) from Assoc.	0	(6)	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**52**	**(89)**	**16**	**17**
Exceptional Items				
Pre-tax Profit	**52**	**(89)**	**16**	**17**
Taxation	(4)	9	(2)	(2)
Exceptional Income - post-tax				
Profit After Tax	**48**	**(80)**	**14**	**15**
Minority Interests	11	12	(2)	(2)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**59**	**(68)**	**12**	**13**
Recurring Net Profit	59	(68)	12	13
Fully Diluted Recurring Net Profit	**59**	**(68)**	**12**	**13**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	375	239	237	237
Total Debtors	319	293	301	304
Inventories	55	51	52	53
Total Other Current Assets	50	50	50	50
Total Current Assets	**799**	**633**	**640**	**645**
Fixed Assets	623	683	688	691
Total Investments	179	33	33	33
Intangible Assets	437	437	437	437
Total Other Non-Current Assets	113	113	113	113
Total Non-current Assets	**1,353**	**1,267**	**1,271**	**1,275**
Short-term Debt	300	300	300	300
Current Portion of Long-Term Debt				
Total Creditors	295	271	278	281
Other Current Liabilities	1	1	1	1
Total Current Liabilities	**596**	**572**	**579**	**583**
Total Long-term Debt	0	0	0	0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	**0**	**0**	**0**	**0**
Total Provisions	70	67	68	68
Total Liabilities	**666**	**639**	**647**	**651**
Shareholders' Equity	1,462	1,247	1,249	1,252
Minority Interests	25	12	15	17
Total Equity	**1,486**	**1,260**	**1,264**	**1,269**

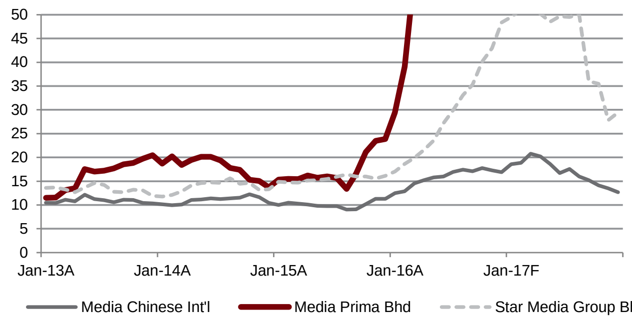
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	170.7	25.1	123.2	128.6
Cash Flow from Invt. & Assoc.				
Change In Working Capital	23.3	6.5	(2.0)	(0.9)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow				
Net Interest (Paid)/Received	1.1	(2.8)	(4.9)	(4.9)
Tax Paid	(18.3)	6.7	(1.2)	(1.2)
Cashflow From Operations	**176.7**	**35.4**	**115.1**	**121.6**
Capex	(77.8)	(160.0)	(100.0)	(100.0)
Disposals Of FAs/subsidiaries	2.1	0.0	0.0	0.0
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	4.3	9.2	7.1	7.1
Cash Flow From Investing	**(71.4)**	**(150.8)**	**(92.9)**	**(92.9)**
Debt Raised/(repaid)	(13.3)	(12.0)	(12.0)	(12.0)
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(66.3)	0.0	(10.2)	(10.5)
Preferred Dividends				
Other Financing Cashflow	(12.0)	0.0	0.0	0.0
Cash Flow From Financing	**(91.6)**	**(12.0)**	**(22.2)**	**(22.5)**
Total Cash Generated	13.7	(127.4)	0.1	6.2
Free Cashflow To Equity	**91.9**	**(127.4)**	**10.2**	**16.7**
Free Cashflow To Firm	**118.6**	**(103.4)**	**34.3**	**40.7**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(9.71%)	(8.15%)	2.71%	1.21%
Operating EBITDA Growth	(46%)	(85%)	391%	4%
Operating EBITDA Margin	13.2%	2.1%	10.1%	10.5%
Net Cash Per Share (RM)	0.07	(0.06)	(0.06)	(0.06)
BVPS (RM)	1.32	1.12	1.13	1.13
Gross Interest Cover	3.85	(6.67)	1.74	1.78
Effective Tax Rate	7.4%	0.0%	10.0%	10.0%
Net Dividend Payout Ratio	112%	NA	83%	83%
Accounts Receivables Days	97.62	94.30	89.10	89.75
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	2.7%	(4.4%)	1.1%	1.1%
ROCE (%)	3.4%	(4.1%)	1.7%	1.7%
Return On Average Assets	2.13%	(3.85%)	0.94%	0.96%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
TV Adex Rate (% Change)	5.5%	5.5%	5.5%	5.5%
Average Utilisation Rate (%)	N/A	N/A	N/A	N/A
Prime Time Utilisation Rate (%)	N/A	N/A	N/A	N/A
Non Prime Time Utilisation Rate (%)	N/A	N/A	N/A	N/A
Programming Costs (% Change)	N/A	N/A	N/A	N/A
Newsppr adex rev. grth (%)	4.5%	4.5%	4.5%	4.5%
Newspaper ASP (% Change)	N/A	N/A	N/A	N/A
Newsppr circulation grth (%)	N/A	N/A	N/A	N/A
Newsprint Cost (% Change)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

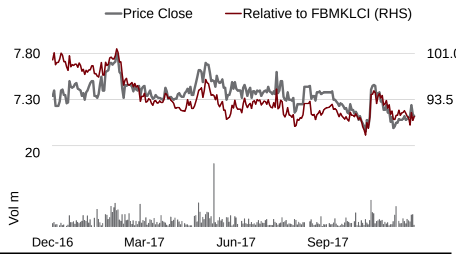
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 3	Hold 7	Sell 3

Current price:	RM7.12
Target price:	RM7.41
Previous target:	RM7.41
Up/downside:	4.1%
CIMB / Consensus:	-0.1%
Reuters:	MISC.KL
Bloomberg:	MISC MK
Market cap:	US$7,788m
	RM31,782m
Average daily turnover:	US$2.42m
	RM10.11m
Current shares o/s	4,464m
Free float:	23.4%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1	-3.5	-2.7
Relative (%)	-1.9	-1.3	-9

Major shareholders	% held
Petronas	62.7
EPF	7.9
Skim Amanah Saham	6.0

MISC Bhd

Better outlook for tanker rates

- The LNG and offshore segments are driving growth in FY17F core earnings, more than offsetting lower petroleum tanker (AET) earnings.
- We believe MISC's earnings will decline yoy in FY18F due to lower forecast offshore and LNG contributions but a tanker cycle recovery will mitigate the impact.
- We maintain Hold with an SOP-based target price of RM7.41 (10% discount to SOP) as the tanker cycle has bottomed, helping provide support to MISC's share price.

FY17F earnings driven by the LNG and offshore segments…

- MISC's 9M17 core net profit was 13.9% higher yoy, driven by the higher contribution from the LNG and offshore segments. The LNG segment benefited from the commencement of three new charter contracts for the Seri C vessels and the recommencement of accrual of charter hire on the two Yemen LNG charters from the start of 2017 (after suspending accruals since 1Q16).
- Meanwhile, the offshore segment benefited from the construction revenue booked on the FSO Benchamas 2 since Jan 2017 while the asset was under construction. Hence, we are expecting FY17F core net profit to be 8.7% higher yoy.

… but to taper off in FY18F

- Despite the commencement of the new Seri C class vessels, along with the upcoming contribution from the two Seri C newbuilding vessels that will be delivered in 1H18, we are expecting LNG earnings to be lower in FY18F. This is due to the cessation of the charter for the Puteri Intan Satu LNG vessel in Sep 2017, which will be swapped into another contract originally meant for Puteri Firus. Puteri Firus will then cease employment with Petronas and be sent for refurbishment.
- At the same time, offshore earnings are expected to be lower due to the cessation of contribution of construction gains from the FSO Benchamas 2 project. All these combined will lead to lower projected earnings next year.

Petroleum segment on the road to recovery

- The AET segment, which is expected to report a full-year loss after staying profitable for only two years since 2015, is expected to recover to profitability in FY18F. We believe MISC is looking to reduce or eliminate its chemical tanker losses, by way of potentially disposing of some of its chemical tanker vessels.
- The average aframax time charter equivalent (TCE) rates have recovered from the lows seen in 3Q17, which averaged only US$9,238/day, down 31% qoq and 33% yoy. According to Clarksons, the rates from Oct to early-Dec averaged US$15,212/day, improving more than 50% qoq. While still not at levels seen during 2016, this positive momentum is very helpful as MISC enters FY18F.
- Tanker broker Poten & Partners is expecting spot rates to recover convincingly sometime next year following the decline in outstanding tanker orderbook, assuming the demand for oil remains strong. OPEC recently announced its decision to maintain their oil production cuts until the end of 2018F.
- This is not expected to impact tanker rates negatively because global inventories have already declined, which means that more tanker shipping will be needed to fulfill demand. Furthermore, the number of VLCCs used as floating storage has already declined substantially during 2017F and there are few floating storage VLCCs left that have the potential to be released and added into the available supply of tankers.

Upside and downside risks

- Upside risks are a better-than-expected tanker market cycle and the ability to secure more long-term contracts. Downside risks include potential delays in the recovery of tanker rates.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (US$m)	2,794	2,295	2,536	2,501	2,599
Operating EBITDA (US$m)	1,056	945	1,000	978	987
Net Profit (US$m)	633.3	627.6	572.1	486.5	505.5
Core EPS (US$)	0.17	0.11	0.12	0.11	0.11
Core EPS Growth	31.5%	(38.2%)	8.7%	(6.0%)	3.9%
FD Core P/E (x)	10.11	16.35	15.04	16.01	15.41
DPS (US$)	0.077	0.072	0.065	0.065	0.065
Dividend Yield	4.41%	4.15%	3.73%	3.73%	3.73%
EV/EBITDA (x)	6.77	9.58	8.93	8.76	8.12
P/FCFE (x)	38.34	NA	16.02	11.42	8.93
Net Gearing	2.3%	15.4%	13.5%	9.7%	4.0%
P/BV (x)	0.95	0.92	0.89	0.87	0.85
ROE	9.52%	5.70%	6.00%	5.49%	5.57%
CIMB/consensus EPS (x)			1.04	0.88	0.88

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(US$m)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**2,295**	**2,536**	**2,501**	**2,599**
Gross Profit	**945**	**1,000**	**978**	**987**
Operating EBITDA	**945**	**1,000**	**978**	**987**
Depreciation And Amortisation	(484)	(447)	(459)	(454)
Operating EBIT	**461**	**552**	**518**	**533**
Financial Income/(Expense)	(48)	(69)	(67)	(63)
Pretax Income/(Loss) from Assoc.	70	50	50	50
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**483**	**533**	**501**	**520**
Exceptional Items	200	54	0	0
Pre-tax Profit	**684**	**588**	**501**	**520**
Taxation	(5)	(4)	(4)	(4)
Exceptional Income - post-tax				
Profit After Tax	**679**	**583**	**498**	**516**
Minority Interests	(51)	(11)	(11)	(11)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**628**	**572**	**486**	**506**
Recurring Net Profit	476	518	486	506
Fully Diluted Recurring Net Profit	**476**	**518**	**486**	**506**

Balance Sheet

(US$m)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	1,462	1,589	1,913	2,431
Total Debtors	866	958	944	981
Inventories	48	54	54	57
Total Other Current Assets	68	68	68	68
Total Current Assets	**2,444**	**2,669**	**2,979**	**3,538**
Fixed Assets	5,824	6,119	6,127	5,973
Total Investments	500	514	564	614
Intangible Assets	209	209	209	209
Total Other Non-Current Assets	3,540	3,404	3,235	3,055
Total Non-current Assets	**10,073**	**10,246**	**10,135**	**9,852**
Short-term Debt	1,643	1,643	1,643	1,643
Current Portion of Long-Term Debt				
Total Creditors	754	859	851	901
Other Current Liabilities	26	26	26	26
Total Current Liabilities	**2,423**	**2,528**	**2,521**	**2,570**
Total Long-term Debt	1,165	1,165	1,165	1,165
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	162	162	162	162
Total Non-current Liabilities	**1,327**	**1,327**	**1,327**	**1,327**
Total Provisions	0	0	0	0
Total Liabilities	**3,750**	**3,855**	**3,848**	**3,897**
Shareholders' Equity	8,485	8,767	8,962	9,177
Minority Interests	282	293	304	315
Total Equity	**8,767**	**9,060**	**9,267**	**9,492**

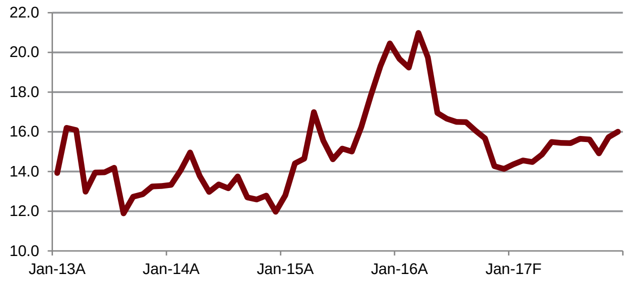
Cash Flow

(US$m)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	945	1,000	978	987
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(123)	7	6	9
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	251	280	236	242
Net Interest (Paid)/Received	(48)	(69)	(67)	(63)
Tax Paid	(5)	(4)	(4)	(4)
Cashflow From Operations	**1,020**	**1,213**	**1,149**	**1,172**
Capex	(889)	(773)	(467)	(300)
Disposals Of FAs/subsidiaries	0	46	0	0
Acq. Of Subsidiaries/investments	(415)	0	0	0
Other Investing Cashflow	0	0	0	0
Cash Flow From Investing	**(1,304)**	**(727)**	**(467)**	**(300)**
Debt Raised/(repaid)	234	0	0	0
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(323)	(291)	(291)	(291)
Preferred Dividends				
Other Financing Cashflow	(48)	(69)	(67)	(63)
Cash Flow From Financing	**(138)**	**(360)**	**(357)**	**(353)**
Total Cash Generated	(421)	127	324	518
Free Cashflow To Equity	**(49)**	**486**	**682**	**872**
Free Cashflow To Firm	**(235)**	**555**	**748**	**934**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(17.9%)	10.5%	(1.4%)	3.9%
Operating EBITDA Growth	(10.5%)	5.7%	(2.2%)	0.9%
Operating EBITDA Margin	41.2%	39.4%	39.1%	38.0%
Net Cash Per Share (US$)	(0.30)	(0.27)	(0.20)	(0.08)
BVPS (US$)	1.90	1.96	2.01	2.06
Gross Interest Cover	7.64	6.55	6.15	6.32
Effective Tax Rate	0.76%	0.76%	0.76%	0.76%
Net Dividend Payout Ratio	74.8%	55.7%	59.3%	57.1%
Accounts Receivables Days	132.2	131.2	138.8	135.2
Inventory Days	15.95	12.09	12.93	12.52
Accounts Payables Days	225.1	191.5	204.8	198.3
ROIC (%)	4.55%	4.24%	3.91%	4.10%
ROCE (%)	4.39%	4.84%	4.47%	4.55%
Return On Average Assets	4.40%	4.60%	4.24%	4.28%

12-mth Fwd FD P/E (x) - MISC Bhd



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Petroleum TCE rate (yoy chg %)	-8.0%	0.0%	0.0%	5.0%
Chemical TCE rate (yoy chg %)	0.0%	0.0%	0.0%	0.0%
Fleet Size (no. Of Vessels)	118.0	121.0	131.0	132.0
No. Of LNG Tankers	28	29	32	32
No. Of Petroleum Tankers	77	79	86	87
No. Of Chemical Tankers	13	13	13	13

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

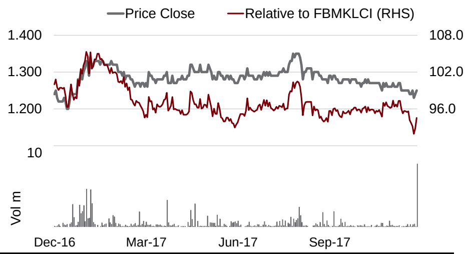
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 4	Hold 4	Sell 0

Current price:	RM1.25
Target price:	RM1.35
Previous target:	RM1.35
Up/downside:	8.4%
CIMB / Consensus:	-2.6%
Reuters:	MQRE.KL
Bloomberg:	MQREIT MK
Market cap:	US$327.1m
	RM1,335m
Average daily turnover:	US$0.09m
	RM0.39m
Current shares o/s	683.6m
Free float:	27.7%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.6	-2.4	0.8
Relative (%)	-2.5	-0.2	-5.5

Major shareholders	% held
MRCB	27.8
Capitaland Limited	11.0
Quill Land	11.0

MRCB-Quill REIT

Compensated by appealing dividend yields

- MQREIT will focus on retaining its current tenants by offering extra incentives to either maintain or achieve slight upward adjustments to its rental rates.
- Its built-to-suit assets, however, should still be able fetch positive rental reversions and sustain occupancy rates.
- Maintain Hold rating as concern over its exposure to office supply glut is offset by its high est. dividend yields of 6.6-6.7%.

Focusing on tenant retention, especially for its KL assets

- MRCB-Quill REIT's (MQREIT) portfolio of assets comprises nine office-centric assets across Kuala Lumpur (KL) and Cyberjaya as well as two retail assets in Mont Kiara and Penang. Its current overall portfolio occupancy is c.97%.
- Although MQREIT is somewhat exposed to the impact of oversupply of office properties, we think the impact will be less apparent for the group given that its Cyberjaya assets are mostly built-to-suit and have longer term tenancy periods; these reduce the risk of tenant attrition.
- The group continues to focus on retaining the current tenants of its assets in KL but we think this could be at the expense of reversionary rates. MQREIT's strategy for tenant retention is to offer incentives, i.e. asset enhancement initiatives (AEIs) and rent-free periods, to retain tenants while maintaining or slightly growing rental rates. The group will also focus on locking in longer tenancy periods, whenever possible

Expiring leases to peak in 2018F, albeit at minimal 26% of total NLA

- However, MQREIT's lease profile is well spread, with only 26%, 13% and 9% of its net lettable area (NLA) due for renewal in 2018F, 2019F and 2020F, respectively. The bulk of leases expiring in 2018F will come from tenancies in Platinum Sentral.
- Active negotiations for renewal of certain leases due in 1Q18 have commenced. While we understand that some tenants have indicated interest in renewing their leases, a tenant in Platinum Sentral has indicated the possibility of downsizing. We gather that negotiations for renewals have been tough, especially for its KL offices.
- While we expect flat to low single-digit rental reversions for its KL assets, we believe its Cyberjaya assets should still be able to fetch positive reversions, given their built-to-suit nature.

Inorganic growth could be a re-rating catalyst

- Yield-accretive asset acquisitions are currently the only potential catalysts for the stock, in our view. However, the only potential asset in the pipeline at the moment is Menara Celcom, Petaling Jaya (from its sponsor Malaysian Resources Corp Bhd, MRCB). We gather from media reports that construction of the building is slated for completion by end-2017 or early-2018.
- Based on our understanding, MRCB has already inked a build-to-lease agreement of 15 years with Celcom for the property upon completion. Typically, due diligence and feasibility studies prior to an acquisition proposal will take c.9 months; hence, we do not expect it to happen any time before FY19F.

Retain Hold; target price unchanged

- MQREIT is exposed to the office oversupply issue, especially for its KL assets but we think the group's built-to-suit Cyberjaya assets should still be able to support earnings. Our Hold call is maintained and we think its estimated dividend yields of 6.6-6.7% (highest in CIMB's Malaysian REIT universe) should compensate the stock's exposure to the office oversupply issue.
- Key upside risk is better rental reversion rates, especially for its KL offices. Non-renewal of its expiring leases is a key downside risk.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Gross Property Revenue (RMm)	115.2	131.8	180.1	181.5	184.3
Net Property Income (RMm)	90.3	102.3	141.1	141.7	143.4
Net Profit (RMm)	60.68	62.71	88.39	88.82	90.34
Distributable Profit (RMm)	50.92	55.42	93.75	94.16	95.70
DPS (RM)	0.085	0.084	0.084	0.084	0.086
Dividend Yield	6.78%	6.70%	6.71%	6.74%	6.85%
Asset Leverage	42.4%	37.1%	39.8%	39.6%	39.5%
BVPS (RM)	1.37	1.99	1.28	1.28	1.29
P/BV (x)	0.91	0.63	0.98	0.98	0.97
Recurring ROE	7.39%	5.23%	6.49%	6.50%	6.59%
CIMB/consensus DPS (x)			1.02	1.00	1.01

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Rental Revenues	115.9	163.5	164.2	166.2
Other Revenues	15.9	16.6	17.3	18.1
Gross Property Revenue	**131.8**	**180.1**	**181.5**	**184.3**
Total Property Expenses	(29.5)	(39.0)	(39.7)	(40.9)
Net Property Income	**102.3**	**141.1**	**141.7**	**143.4**
General And Admin. Expenses	(1.7)	(1.9)	(2.0)	(2.2)
Management Fees	(9.7)	(13.1)	(13.2)	(13.3)
Trustee's Fees	(0.5)	(0.7)	(0.7)	(0.7)
Other Operating Expenses	(0.6)	(0.6)	(0.6)	(0.6)
EBITDA	**89.9**	**124.9**	**125.3**	**126.6**
Depreciation And Amortisation	(0.1)	(0.1)	(0.1)	(0.1)
EBIT	**89.8**	**124.8**	**125.2**	**126.6**
Net Interest Income	(30.7)	(36.4)	(36.4)	(36.2)
Associates' Profit	0.0	0.0	0.0	0.0
Other Income/(Expenses)	0.0	0.0	0.0	0.0
Exceptional Items	3.5	0.0	0.0	0.0
Pre-tax Profit	**62.7**	**88.4**	**88.8**	**90.3**
Taxation	0.0	0.0	0.0	0.0
Minority Interests	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0
Net Profit	**62.7**	**88.4**	**88.8**	**90.3**
Distributable Profit	**55.4**	**93.8**	**94.2**	**95.7**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Investments	2,222	2,229	2,234	2,239
Intangible Assets	0	0	0	0
Other Long-term Assets	0	0	0	0
Total Non-current Assets	2,222	2,229	2,234	2,239
Total Cash And Equivalents	54	112	118	122
Inventories	0	0	0	0
Trade Debtors	18	24	24	25
Other Current Assets	0	0	0	0
Total Current Assets	**72**	**136**	**143**	**146**
Trade Creditors	28	16	24	28
Short-term Debt	189	189	189	189
Other Current Liabilities	35	24	24	24
Total Current Liabilities	**252**	**229**	**237**	**241**
Long-term Borrowings	662	752	752	752
Other Long-term Liabilities	20	20	20	20
Total Non-current Liabilities	682	772	772	772
Shareholders' Equity	1,360	1,364	1,368	1,372
Minority Interests	0	0	0	0
Preferred Shareholders Funds	0	0	0	0
Total Equity	**1,360**	**1,364**	**1,368**	**1,372**

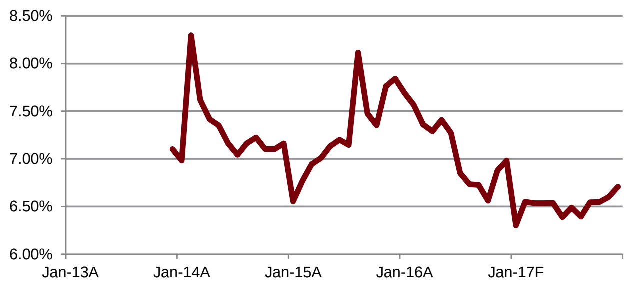
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Pre-tax Profit	**62.7**	**88.4**	**88.8**	**90.3**
Depreciation And Non-cash Adj.	30.7	36.5	36.4	36.3
Change In Working Capital	15.1	(18.5)	7.5	4.0
Tax Paid	0.0	0.0	0.0	0.0
Others	(3.5)	0.0	0.0	0.0
Cashflow From Operations	**105.0**	**106.3**	**132.7**	**130.7**
Capex	(647.4)	(5.0)	(5.0)	(5.0)
Net Investments And Sale Of FA	1.5	4.0	5.0	5.0
Other Investing Cashflow	1.6	5.0	5.3	5.5
Cash Flow From Investing	**(644.2)**	**4.0**	**5.3**	**5.5**
Debt Raised/(repaid)	164.0	90.0	0.0	0.0
Equity Raised/(Repaid)	487.9	0.0	0.0	0.0
Dividends Paid	(56.9)	(89.5)	(89.9)	(91.4)
Cash Interest And Others	(30.7)	(36.4)	(36.4)	(36.2)
Cash Flow From Financing	**564.4**	**(35.9)**	**(126.3)**	**(127.6)**
Total Cash Generated	25.1	74.4	11.8	8.5
Free Cashflow To Firm	(536.9)	115.4	143.4	141.6
Free Cashflow To Equity	(405.9)	163.9	101.7	99.9

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Gross Property Revenue Growth	14.4%	36.6%	0.8%	1.6%
NPI Growth	13.3%	37.9%	0.5%	1.2%
Net Property Income Margin	77.6%	78.4%	78.1%	77.8%
DPS Growth	(1.06%)	0.04%	0.43%	1.64%
Gross Interest Cover	2.72	3.01	3.00	3.03
Effective Tax Rate	0%	0%	0%	0%
Net Dividend Payout Ratio	88%	106%	106%	106%
Current Ratio	0.28	0.59	0.60	0.61
Quick Ratio	0.28	0.59	0.60	0.61
Cash Ratio	0.21	0.49	0.50	0.50
Return On Average Assets	3.20%	3.79%	3.75%	3.79%

Rolling Dividend Yield - MRCB-Quill REIT



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Rental Rate Psf Pm (RM)	N/A	N/A	N/A	N/A
Acq. (less development) (US$m)	N/A	N/A	N/A	N/A
RevPAR (RM)	N/A	N/A	N/A	N/A
Net Lettable Area (NLA) ('000 Sf)	1,699	2,255	2,255	2,255
Occupancy (%)	97.7%	97.9%	97.8%	97.6%
Assets Under Management (m) (RM)	2,222.0	2,228.9	2,233.9	2,238.9
Funds Under Management (m) (RM)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

Malaysia

REDUCE *(no change)*

Consensus ratings*:	Buy 0	Hold 4	Sell 3

Current price:	RM3.78
Target price:	RM2.89
Previous target:	RM2.89
Up/downside:	-23.5%
CIMB / Consensus:	-20.2%
Reuters:	MSMH.KL
Bloomberg:	MSM MK
Market cap:	US$651.1m
	RM2,657m
Average daily turnover:	US$0.00m
	RM0.02m
Current shares o/s	703.0m
Free float:	29.0%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.6	-5.5	-22.7
Relative (%)	-5.5	-3.3	-29

Major shareholders	% held
Felda Global Ventures	51.0
Koperasi Permodalan Felda	20.0

Analyst(s)

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MSM Malaysia Holdings

Additional demand crucial for new refinery

- MSM is set to deliver its lowest earnings since its IPO in 2017, due to the untimely purchase of raw materials.
- Nevertheless, we expect earnings to improve in 2018 as the group would have used up most its high-cost raw materials by then.
- We believe it is crucial for the group to lock in demand for its new refinery to defray higher depreciation and interest expenses. Maintain Reduce due to rich valuations.

Project MSM to deliver weakest earnings since IPO in 2017

- MSM returned to the black in 3Q17 with a core net profit of RM10m, following two quarters of losses (1Q17 and 2Q17). However, 9M17 results were below expectations due to higher-than-expected prices of raw sugar that MSM had locked-in for the year. Also, the effective tax rate was higher in 9M17 as it under-provided for taxes in 2016. Overall, we project MSM to deliver its weakest earnings since IPO in 2017.

Competition led to softer demand for domestic sugar

- 3QFY17/9MFY17 sugar sales volumes fell by 3%/1% yoy in the domestic market. This could be partly due to the issuance of around 50,000 tonnes of approved permits (APs) to three companies for the import of refined sugar. However, overall sugar ASP grew by 16% in 9M17 as the group raised industrial sugar ASP in 2H16 and domestic sugar prices in Mar 2017.

9M17 losses of RM46m due to high raw sugar costs

- MSM posted a net loss of RM46m for 9M17 against a net profit of RM106m for 9M16. This was mainly due to higher raw sugar costs. We gathered that raw sugar costs increased by 47% in 1H17 and 11% yoy in 3Q17 to around RM2,350 per tonne and RM1,700 per tonne, respectively. We estimate that the raw sugar price achieved in 9M17 was higher than the average market price for raw sugar during the period as MSM had locked-in its raw sugar costs earlier.

Project better 4Q performance due to lower raw material costs

- We expect a better qoq performance in 4Q due to lower raw material costs and tax rate. We estimate the group's raw sugar costs to fall by around US$0.01/lbs qoq in 4Q, which will help drive down costs. On top of this, we expect the higher effective tax rate of 59% in 3Q to be a one-off event.

New sugar refinery in Johor on track to start operations in Jun 2018

- The group revealed that it spent RM600m of the total capex of RM1.1bn (US$259m) on the new sugar refinery in Johor as at end-Sep, and the plant is around 71% completed. It is on track to complete the refinery in 1Q18 and commission the plant in Jun 2018. The new refinery will raise the group's total refining capacity from 1.25m tonnes to 2.25m tonnes p.a. However, we estimate it will also increase the group's depreciation charges and interest expenses in FY18.

Crucial to find demand for new capacity in 2018

- We believe it will be crucial for the group to source new demand for refined sugar via local and export markets for its new refinery when it comes on stream. If it fails to do so, the new capacity could be a drain on its future earnings. We maintain our TP of RM2.89 (based on an unchanged 5-year historical average P/E of 15.5x). We continue to rate MSM a Reduce due to poor earnings and potential losses from its new sugar refinery due to weak domestic demand for sugar. Key upside risks include lower raw sugar costs or higher ceiling prices for domestic sugar.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	2,307	2,658	2,767	2,708	3,002
Operating EBITDA (RMm)	415.3	193.2	71.8	246.3	334.9
Net Profit (RMm)	280.8	120.7	15.9	115.9	131.1
Core EPS (RM)	0.40	0.17	0.02	0.16	0.19
Core EPS Growth	9%	(57%)	(87%)	631%	13%
FD Core P/E (x)	9.5	22.0	167.5	22.9	20.3
DPS (RM)	0.26	0.14	0.02	0.08	0.09
Dividend Yield	6.88%	3.70%	0.54%	2.18%	2.47%
EV/EBITDA (x)	7.14	15.39	55.80	17.08	12.69
P/FCFE (x)	NA	4.80	NA	12.56	23.95
Net Gearing	15.1%	15.9%	67.7%	75.6%	75.2%
P/BV (x)	1.30	1.34	1.34	1.30	1.25
ROE	14.1%	6.0%	0.8%	5.7%	6.3%
CIMB/consensus EPS (x)			(1.74)	0.86	0.84

SOURCE: COMPANY DATA, CIMB FORECASTS

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**2,658**	**2,767**	**2,708**	**3,002**
Gross Profit	**331**	**214**	**(60)**	**(286)**
Operating EBITDA	**193**	**72**	**246**	**335**
Depreciation And Amortisation	(40)	(42)	(64)	(107)
Operating EBIT	**153**	**30**	**182**	**227**
Financial Income/(Expense)	(5)	(5)	(37)	(63)
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**149**	**24**	**145**	**164**
Exceptional Items	0	0	0	0
Pre-tax Profit	**149**	**24**	**145**	**164**
Taxation	(28)	(9)	(29)	(33)
Exceptional Income - post-tax				
Profit After Tax	**121**	**16**	**116**	**131**
Minority Interests	0	0	0	0
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**121**	**16**	**116**	**131**
Recurring Net Profit	121	16	116	131
Fully Diluted Recurring Net Profit	**121**	**16**	**116**	**131**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	376	298	455	512
Total Debtors	325	430	421	465
Inventories	885	861	836	930
Total Other Current Assets	30	30	30	30
Total Current Assets	**1,615**	**1,619**	**1,741**	**1,937**
Fixed Assets	950	1,663	1,958	1,950
Total Investments	5	5	5	5
Intangible Assets	576	576	576	576
Total Other Non-Current Assets	71	71	71	71
Total Non-current Assets	**1,602**	**2,314**	**2,610**	**2,602**
Short-term Debt	513	1,267	1,626	1,726
Current Portion of Long-Term Debt				
Total Creditors	458	224	229	248
Other Current Liabilities	7	7	7	7
Total Current Liabilities	**978**	**1,498**	**1,862**	**1,982**
Total Long-term Debt	179	379	379	379
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	**179**	**379**	**379**	**379**
Total Provisions	74	74	74	74
Total Liabilities	**1,230**	**1,951**	**2,315**	**2,435**
Shareholders' Equity	1,987	1,990	2,050	2,118
Minority Interests	0	0	0	0
Total Equity	**1,987**	**1,990**	**2,050**	**2,118**

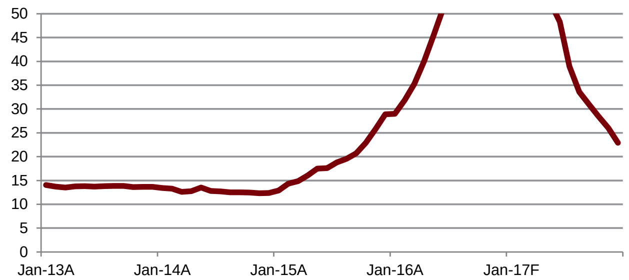
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	193.2	71.8	246.3	334.9
Cash Flow from Invt. & Assoc.				
Change In Working Capital	288.3	(315.4)	38.7	(119.1)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	0.0	0.0	0.0	0.0
Net Interest (Paid)/Received	(13.4)	(15.0)	(47.5)	(75.0)
Tax Paid	(27.8)	(8.5)	(29.0)	(32.8)
Cashflow From Operations	**440.2**	**(267.2)**	**208.5**	**107.9**
Capex	(150.0)	(754.0)	(359.7)	(100.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	3.0	3.0	3.0	3.0
Cash Flow From Investing	**(147.0)**	**(751.0)**	**(356.7)**	**(97.0)**
Debt Raised/(repaid)	260.3	954.0	359.7	100.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(105.0)	(14.3)	(58.0)	(65.5)
Preferred Dividends				
Other Financing Cashflow	(196.4)	8.5	9.5	10.5
Cash Flow From Financing	**(41.1)**	**948.2**	**311.2**	**45.0**
Total Cash Generated	252.1	(70.0)	163.1	55.9
Free Cashflow To Equity	**553.6**	**(64.2)**	**211.5**	**110.9**
Free Cashflow To Firm	**306.7**	**(1,003.2)**	**(100.7)**	**85.9**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	15.2%	4.1%	(2.1%)	10.9%
Operating EBITDA Growth	(53%)	(63%)	243%	36%
Operating EBITDA Margin	7.3%	2.6%	9.1%	11.2%
Net Cash Per Share (RM)	(0.45)	(1.92)	(2.21)	(2.27)
BVPS (RM)	2.83	2.83	2.92	3.01
Gross Interest Cover	11.43	1.99	3.83	3.03
Effective Tax Rate	18.7%	35.0%	20.0%	20.0%
Net Dividend Payout Ratio	87.0%	90.0%	50.0%	50.0%
Accounts Receivables Days	45.21	47.87	55.42	52.14
Inventory Days	126.9	124.8	111.9	98.0
Accounts Payables Days	49.42	48.72	29.82	26.44
ROIC (%)	6.5%	1.3%	5.4%	6.2%
ROCE (%)	6.1%	1.2%	4.9%	5.7%
Return On Average Assets	4.2%	0.6%	3.7%	4.4%

12-mth Fwd FD P/E (x) - MSM Malaysia Holdings



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	16.1%	5.9%	-10.4%	-0.7%
Unit sales grth (%, main prod./serv.)	-0.8%	-1.7%	9.2%	11.6%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod/serv)	N/A	N/A	N/A	N/A
Unit sales grth (%,tertiary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, tertiary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

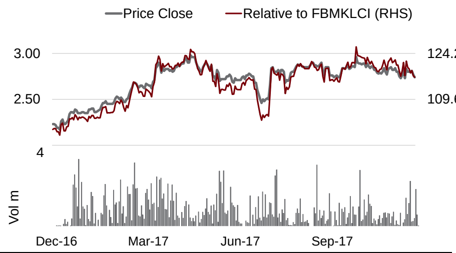
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 7	Hold 0	Sell 0

Current price:	RM2.74
Target price:	RM3.49
Previous target:	RM3.49
Up/downside:	27.4%
CIMB / Consensus:	-4.4%
Reuters:	MUHI.KL
Bloomberg:	MUHI MK
Market cap:	US$322.5m
	RM1,316m
Average daily turnover:	US$0.44m
	RM1.83m
Current shares o/s	469.2m
Free float:	72.5%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-3.5	-0.7	25.7
Relative (%)	-4.4	1.5	19.4

Major shareholders	% held
Mac Ngan Boon	17.0
Lembaga Tabung Haji	10.6

Muhibbah Engineering

Still the cheapest in our construction universe

- 2018F could spell more upside to Muhibbah's overseas tenders in Qatar.
- Potential domestic contract wins include MRT 2 and LRT 3 noise barrier packages.
- Cheapest stock in our construction space; Add retained. Job wins a key potential re-rating catalysts.

RM1.9bn outstanding order book; upside from overseas jobs

- As at end-3Q17, Muhibbah's total outstanding order book (including cranes) stood at RM1.9bn, bumped up by two major wins YTD, namely Phase 2.1 of the infra job at the Um Alhoul Economic Zone (QEZ-3) in Qatar and a contract for the development of a supply base wharf at Bintulu Port, Sarawak.
- The group's order book replenishment strategy will leverage its track record in Qatar, where the embargo by neighbouring states has opened up larger opportunities for foreign contractors.

Domestic contract wins focused on MRT and LRT noise barriers

- On the domestic side, although the group is not positioning for large civil work rail tenders, it is targeting the higher-margin noise barrier scopes of MRT 2 and LRT 3. Overall tender book including overseas contracts stands at RM5bn-6bn. We retain our RM800m assumed contract wins for FY18-19F.
- Upside risks to new wins could come from a revival in marine and port infra tenders which continue to be the group's niche area.

Concession segment's robust 95% growth in 9M17

- The concessions segment, which comprises three Cambodian airports and a smaller contribution from its road care arm (road maintenance), grew a robust 95% yoy in 9M17. This was due to the airports' strong combined passenger growth of 26% yoy in 9M17 to 6.3m (all-time high), which surpassed the 9% yoy growth in 2016. We expect the group's concessions earnings to remain robust in FY18F.

Earnings diversification potential from Favelle Favco's M&A

- On 5 Oct, Muhibbah's cash-rich global cranes manufacturing subsidiary Favelle Favco (FFB MK, NR) proposed to acquire controlling stakes in four engineering firms with businesses in the oil & gas sector for an indicative price of RM87.4m. This move diversifies Favelle Favco's earnings base from purely cranes to the industrial automation and specialised oil & gas equipment segment that is not limited to the oil & gas sector. We continue to view this as longer-tem positive.

Longer-term beneficiary of OBOR in Pahang?

- Muhibbah's still-undeveloped 500-acre land in Gebeng, Pahang could benefit from the growth catalysts brought about by the RM55bn East Coast Rail Line (ECRL) which is a major component of China's One Belt, One Road (OBOR) initiative.
- The land is a greenfield waterfront land located south of Kuantan Port and the Malaysia-China Kuantan Industrial Park (MCKIP) on the east coast of Peninsula Malaysia. This should enable Muhibbah to expand its ship building, repairs and major fabrication works similar to its c.80-acre site in Teluk Gong, Klang, in our view.

Domestic and overseas contract flows as catalysts; Add retain

- Our FY17-19 EPS forecasts are unchanged as is our target price of RM3.49, pegged to an unchanged 30% RNAV discount. Muhibbah trades at an undemanding 9-10x CY17-18F P/E vs. the construction sector's average of 14-15x. It remains our preferred small/mid-cap pick.
- Potential re-rating catalysts are job wins and new order book enhancing regional ventures. Key downside risks are delays in job awards.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	1,599	1,919	1,889	2,040	2,203
Operating EBITDA (RMm)	185.8	105.9	211.4	245.1	282.7
Net Profit (RMm)	85.6	105.5	128.3	135.7	151.0
Core EPS (RM)	0.18	0.22	0.27	0.29	0.32
Core EPS Growth	4.9%	23.3%	21.6%	5.8%	11.3%
FD Core P/E (x)	15.02	12.19	10.02	9.47	8.51
DPS (RM)	0.050	0.055	0.060	0.060	0.060
Dividend Yield	1.82%	2.01%	2.19%	2.19%	2.19%
EV/EBITDA (x)	6.17	10.72	5.31	4.53	3.89
P/FCFE (x)	4.35	7.16	3.20	2.72	2.63
Net Gearing	(13.4%)	(8.5%)	(9.0%)	(9.4%)	(9.8%)
P/BV (x)	1.56	1.32	1.24	1.18	1.12
ROE	11.6%	11.7%	12.7%	12.8%	13.5%
CIMB/consensus EPS (x)			1.05	1.00	1.05

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**1,919**	**1,889**	**2,040**	**2,203**
Gross Profit	**1,919**	**1,889**	**2,040**	**2,203**
Operating EBITDA	**106**	**211**	**245**	**283**
Depreciation And Amortisation	(57)	(57)	(59)	(61)
Operating EBIT	**49**	**154**	**186**	**222**
Financial Income/(Expense)	(18)	(15)	(17)	(14)
Pretax Income/(Loss) from Assoc.	84	67	67	67
Non-Operating Income/(Expense)	57	20	8	0
Profit Before Tax (pre-EI)	**171**	**226**	**244**	**275**
Exceptional Items	0	0	0	0
Pre-tax Profit	**171**	**226**	**244**	**275**
Taxation	(11)	(42)	(51)	(66)
Exceptional Income - post-tax				
Profit After Tax	**161**	**185**	**193**	**209**
Minority Interests	(55)	(56)	(57)	(58)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**106**	**128**	**136**	**151**
Recurring Net Profit	106	128	136	151
Fully Diluted Recurring Net Profit	**106**	**128**	**136**	**151**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	736	743	750	758
Total Debtors	1,544	1,559	1,575	1,591
Inventories	268	276	284	293
Total Other Current Assets	22	22	22	22
Total Current Assets	**2,570**	**2,600**	**2,632**	**2,664**
Fixed Assets	804	812	821	829
Total Investments	437	441	446	450
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	48	48	48	48
Total Non-current Assets	**1,289**	**1,302**	**1,314**	**1,327**
Short-term Debt	545	539	534	529
Current Portion of Long-Term Debt				
Total Creditors	985	975	966	956
Other Current Liabilities	807	803	802	801
Total Current Liabilities	**2,337**	**2,318**	**2,302**	**2,286**
Total Long-term Debt	73	74	75	75
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	14	14	14	14
Total Non-current Liabilities	**87**	**87**	**88**	**89**
Total Provisions	53	53	53	53
Total Liabilities	**2,477**	**2,458**	**2,443**	**2,428**
Shareholders' Equity	978	1,035	1,090	1,146
Minority Interests	405	409	413	417
Total Equity	**1,382**	**1,444**	**1,503**	**1,563**

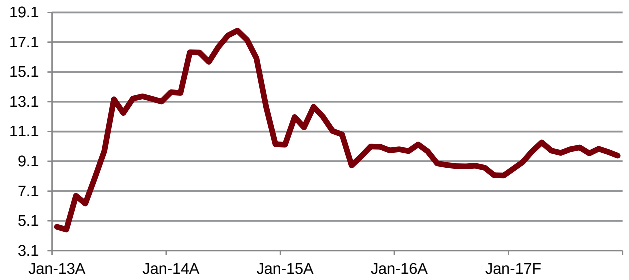
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	105.9	211.4	245.1	282.7
Cash Flow from Invt. & Assoc.	51.6	57.9	65.1	73.2
Change In Working Capital	15.1	15.0	14.8	14.7
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	1.0	1.0	1.0	1.0
Net Interest (Paid)/Received	(57.7)	(14.8)	16.2	(13.7)
Tax Paid	(8.6)	0.0	0.0	0.0
Cashflow From Operations	**107.4**	**270.5**	**342.2**	**357.8**
Capex	(67.0)	(67.0)	(67.0)	(67.0)
Disposals Of FAs/subsidiaries	19.3	80.0	80.0	80.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	107.5	107.5	107.5	107.5
Cash Flow From Investing	**59.8**	**120.5**	**120.5**	**120.5**
Debt Raised/(repaid)	12.4	10.5	10.5	10.5
Proceeds From Issue Of Shares	4.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(38.2)	(38.2)	(38.2)	(38.2)
Preferred Dividends				
Other Financing Cashflow	12.2	(356.0)	(427.6)	(443.1)
Cash Flow From Financing	**(9.6)**	**(383.7)**	**(455.3)**	**(470.8)**
Total Cash Generated	157.5	7.4	7.4	7.5
Free Cashflow To Equity	**179.6**	**401.6**	**473.3**	**488.8**
Free Cashflow To Firm	**236.1**	**419.4**	**493.4**	**506.0**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	20.0%	(1.6%)	8.0%	8.0%
Operating EBITDA Growth	(43.0%)	99.6%	15.9%	15.3%
Operating EBITDA Margin	5.5%	11.2%	12.0%	12.8%
Net Cash Per Share (RM)	0.25	0.28	0.30	0.33
BVPS (RM)	2.08	2.21	2.32	2.44
Gross Interest Cover	1.43	5.44	6.21	8.03
Effective Tax Rate	6.3%	18.5%	20.9%	23.9%
Net Dividend Payout Ratio	30.4%	16.2%	15.4%	13.8%
Accounts Receivables Days	149.6	137.1	128.2	119.9
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	6.5%	17.2%	19.8%	22.6%
ROCE (%)	3.6%	8.0%	9.3%	10.8%
Return On Average Assets	4.80%	5.14%	5.34%	5.62%

12-mth Fwd FD P/E (x) - Muhibbah Engineering



Key Drivers

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Outstanding Orderbook	2,300	2,300	2,300	2,300
Order Book Depletion	N/A	N/A	N/A	N/A
Orderbook Replenishment	800	800	800	800
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

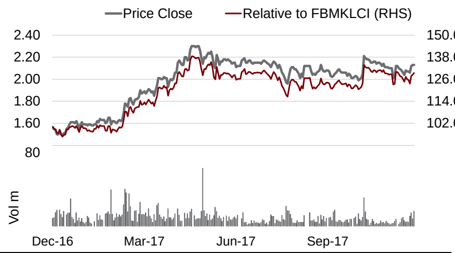
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 3	Hold 4	Sell 0

Current price:	RM2.13
Target price:	RM3.04
Previous target:	RM3.04
Up/downside:	42.7%
CIMB / Consensus:	24.8%
Reuters:	MYEG.KL
Bloomberg:	MYEG MK
Market cap:	US$1,882m
	RM7,681m
Average daily turnover:	US$3.32m
	RM13.89m
Current shares o/s	3,600m
Free float:	54.9%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-0.5	2.9	34.8
Relative (%)	-1.4	5.1	28.5

Major shareholders	% held
Wong Thean Soon	39.1
KWAP	6.0

MY E.G. Services

Launch of GST Monitoring Phase 2 a major catalyst

- MyEG is the country's main government-service provider.
- The GST Monitoring Phase 2 retail project is expected to start in mid-2018F.
- Remains an Add; a catalyst is the successful launch of GST Monitoring Phase 2.

Country's main e-service provider

- MyEG is the country's main e-government service player, providing citizens with electronic delivery of annual renewals for road tax, annual renewals for foreign workers and registration of illegal foreign workers (IFWs). What is interesting is MyEG also adds a commercial element to these services, such as offering renewals for car insurance and the purchase of compulsory foreign workers insurance.

Registration of IFW to be completed by end-17

- The registration of IFW is slated for completion by end-2017. We estimate that at end-Jun, MyEG had registered around 0.5m IFWs and should reach the 1m mark by year-end. MyEG gets RM100 for every IFW registered. In addition, it gets commissions from insurance companies selling the compulsory foreign workers insurance (FWI). MyEG gets around RM60-70 in commission from each compulsory FWI policy it sells.

New service started in Sep

- In Sep 17, MyEG started a new service matching employers with IFWs. This service allows employers to source for new foreign workers and MyEG gets RM1,000 for each IFW it matches with an employer. We also expect MyEG to benefit from selling compulsory FWI to the employers. We estimate the company places out 5,000 foreign workers monthly or 60,000 foreign workers annually, generating an average of RM60m revenue and RM30m PBT annually.

GST Monitoring Phase 1 nationwide installation completed

- In Nov, MyEG completed phase 1 of its GST Monitoring project (GSTM), i.e. the installation of its monitoring system in all major F&B outlets nationwide. Most of the teething problems have been resolved and if there are no more problems in GSTM Phase 1, the company is scheduled to start GSTM Phase 2 in mid-2018F. Phase 2 involves the monitoring of sales in retail stores nationwide. The company estimates that it will install around 500,000 retail outlets nationwide.

GST Monitoring Phase 2 capex to be funded internally

- MyEG is looking to fund the GSTM Phase 2 capex of RM400m-500m through internal funds. This should not be a problem given its FY18F net operational cashflow of around RM339m, based on our estimates. As at end-Sep, MyEG had RM47.6m net cash. MyEG gets RM1,000 per retail outlet annually, assuming the GSTM boosts its retail sales by more than 10% in the next one year. The company could collect RM400m-500m annually when GSTM Phase 2 starts, in our view.

Foreign worker accommodation services

- In 2016, MyEG started providing central foreign worker accommodation services (FWAS). It currently operates three hostels in Melaka, providing accommodation for 6,000 foreign workers. MyEG is currently in negotiations with the government to lease 50 land sites to build hostels. It might take 3-4 years for MyEG to grow this business.

Remains an Add

- We maintain our EPS forecasts and target price, based on an unchanged 25.2x 2019F P/E, a 20% premium over the technology sector. The premium is to reflect its large market capitalisation and 36% FY18-20F EPS CAGR. The successful nationwide launch of GSTM Phase 2 is a potential re-rating catalyst. Risks are further delays in the GSTM Phase 2 project.

Financial Summary	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	282	372	593	859	1,115
Operating EBITDA (RMm)	162.7	233.8	342.2	445.1	609.2
Net Profit (RMm)	142.4	200.1	288.7	364.6	501.7
Core EPS (RM)	0.04	0.06	0.08	0.10	0.14
Core EPS Growth	109%	41%	44%	26%	38%
FD Core P/E (x)	53.85	38.32	26.56	21.03	15.28
DPS (RM)	0.013	0.020	0.030	0.040	0.040
Dividend Yield	0.61%	0.94%	1.41%	1.88%	1.88%
EV/EBITDA (x)	46.50	32.40	22.23	16.81	11.73
P/FCFE (x)	97.3	60.4	194.2	31.6	15.1
Net Gearing	(25.6%)	(17.3%)	(8.3%)	(18.5%)	(38.6%)
P/BV (x)	19.16	14.22	10.34	7.69	5.69
ROE	45.6%	42.6%	45.1%	42.0%	42.8%
CIMB/consensus EPS (x)			1.13	1.14	1.26

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)
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BY THE NUMBERS

Profit & Loss

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	**371.6**	**592.8**	**858.7**	**1,114.6**
Gross Profit	**233.8**	**342.2**	**445.1**	**609.2**
Operating EBITDA	**233.8**	**342.2**	**445.1**	**609.2**
Depreciation And Amortisation	(27.7)	(52.7)	(79.7)	(106.7)
Operating EBIT	**206.1**	**289.5**	**365.4**	**502.5**
Financial Income/(Expense)	(4.6)	(0.5)	(0.5)	(0.5)
Pretax Income/(Loss) from Assoc.	0.0	0.1	0.1	0.1
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**201.5**	**289.1**	**365.0**	**502.1**
Exceptional Items				
Pre-tax Profit	**201.5**	**289.1**	**365.0**	**502.1**
Taxation	(1.4)	(0.4)	(0.4)	(0.4)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0
Profit After Tax	**200.1**	**288.7**	**364.6**	**501.7**
Minority Interests	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax	0.0	0.0	0.0	0.0
Net Profit	**200.1**	**288.7**	**364.6**	**501.7**
Recurring Net Profit	200.1	288.7	364.6	501.7
Fully Diluted Recurring Net Profit	**200.1**	**288.7**	**364.6**	**501.7**

Balance Sheet

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	247.9	346.2	430.3	674.5
Total Debtors	48.3	77.1	111.6	144.9
Inventories	0.0	0.0	0.0	0.0
Total Other Current Assets	93.6	69.6	69.6	69.6
Total Current Assets	**389.8**	**492.9**	**611.5**	**889.0**
Fixed Assets	331.3	570.4	682.6	675.9
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	17.8	17.8	17.8	17.8
Total Other Non-Current Assets	17.9	17.9	17.9	17.9
Total Non-current Assets	**367.0**	**606.1**	**718.3**	**711.6**
Short-term Debt	4.4	4.4	4.4	4.4
Current Portion of Long-Term Debt				
Total Creditors	18.6	29.6	42.9	55.7
Other Current Liabilities	42.7	41.7	41.7	41.7
Total Current Liabilities	**65.7**	**75.7**	**89.0**	**101.8**
Total Long-term Debt	150.0	280.0	241.8	150.0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0.8	0.8	0.8	0.8
Total Non-current Liabilities	**150.8**	**280.8**	**242.6**	**150.8**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**216.5**	**356.5**	**331.6**	**252.6**
Shareholders' Equity	539.3	741.4	996.6	1,347.8
Minority Interests	1.0			
Total Equity	**540.3**	**741.4**	**996.6**	**1,347.8**

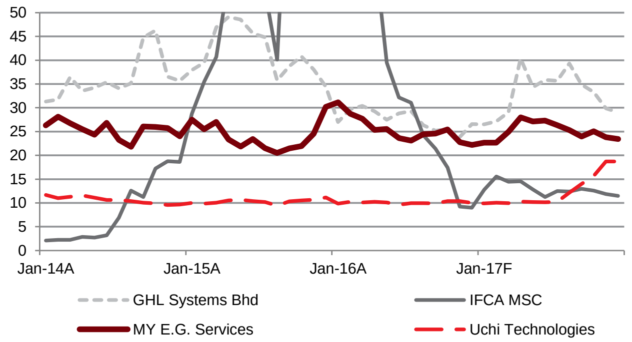
Cash Flow

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	233.8	342.2	445.1	609.2
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(2.3)	(2.3)	(2.3)	(2.3)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	0.0	0.0	0.0	0.0
Net Interest (Paid)/Received	(4.6)	(0.5)	(0.5)	(0.5)
Tax Paid	0.0	0.0	0.0	0.0
Cashflow From Operations	**226.9**	**339.4**	**442.3**	**606.4**
Capex	(100.0)	(300.0)	(200.0)	(100.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.1	0.1	0.1	0.1
Cash Flow From Investing	**(99.9)**	**(299.9)**	**(199.9)**	**(99.9)**
Debt Raised/(repaid)	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(59.6)	(86.6)	(109.4)	(150.5)
Preferred Dividends				
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	**(59.6)**	**(86.6)**	**(109.4)**	**(150.5)**
Total Cash Generated	67.4	(47.1)	133.0	356.0
Free Cashflow To Equity	**127.0**	**39.5**	**242.4**	**506.5**
Free Cashflow To Firm	**131.6**	**40.0**	**242.9**	**507.0**

Key Ratios

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	32.0%	59.5%	44.9%	29.8%
Operating EBITDA Growth	43.7%	46.4%	30.1%	36.9%
Operating EBITDA Margin	62.9%	57.7%	51.8%	54.7%
Net Cash Per Share (RM)	0.03	0.02	0.05	0.14
BVPS (RM)	0.15	0.21	0.28	0.37
Gross Interest Cover	45	579	731	1,005
Effective Tax Rate	0.69%	0.14%	0.11%	0.08%
Net Dividend Payout Ratio	29.6%	30.0%	30.0%	30.0%
Accounts Receivables Days	73.52	38.60	40.10	42.12
Inventory Days	-	-	-	-
Accounts Payables Days	254.9	35.1	32.0	35.7
ROIC (%)	69.7%	64.7%	53.6%	61.7%
ROCE (%)	34.3%	33.7%	32.2%	36.6%
Return On Average Assets	27.9%	31.2%	30.1%	34.3%

12-mth Fwd FD P/E (x)



Key Drivers

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
ASP (% chg, main prod./serv.)	0.0%	0.0%	0.0%	0.0%
Unit sales grth (%, main prod./serv.)	25.0%	25.0%	25.0%	25.0%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

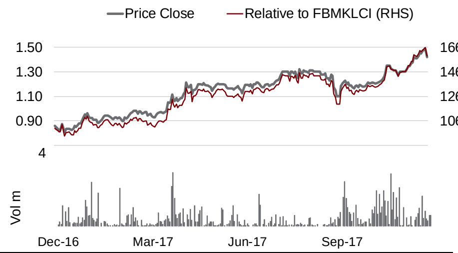
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 3	Hold 4	Sell 0

Current price:	RM1.42
Target price:	RM1.50
Previous target:	RM1.50
Up/downside:	5.6%
CIMB / Consensus:	-33.3%
Reuters:	BISON.KL
Bloomberg:	BISON MK
Market cap:	US$237.4m
	RM968.7m
Average daily turnover:	US$0.21m
	RM0.89m
Current shares o/s	682.2m
Free float:	26.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	8.4	20.9	66.1
Relative (%)	7.5	23.1	59.8

Major shareholders	% held
D&D Consolidated	68.8
Dang Tai Kien	3.7
Dang Tai Gean	1.5

Mynews Holdings Berhad

Convenience at a fair price

- Mynews's continued store expansion and focus on raising fresh food contribution will sustain the group's earnings and margins moving forward, in our view.
- While we are positive on the long-term earnings accretion from the group's recent expansion plans, we think its share price fairly reflects its earnings growth prospects.
- Maintain Hold with an unchanged end-2018 target price of RM1.50.

Expansion target of 90 new stores in FY18F

- The company aims to increase its store count by 90 stores in FY18F (vs. 70 stores in FY17F), which would buoy earnings growth over the coming years and solidify Bison's presence in Malaysia, in our view.
- Mynews will also continue to focus on boosting profitability via the expansion of its fresh food product segment. It targets to raise F&B revenue to about 15% of total revenue (from c.10% in 9M17) and to manufacture at least 60% of its fresh food products. Given its emphasis on the fresh food segment, we expect the group's profit margins to rise progressively in the medium-to-long term.

Raised gross proceeds of c.RM72.4m from private placement

- Mynews completed a share placement exercise on 25 Oct 2017. To recap, the company undertook a private placement of up to 10% of its paid-up share capital, or 31m shares. The issue price was fixed at RM2.33 per placement share, which translated into a discount of 0.4% to the 5-day VWAP of Mynews shares. The full subscription of placement shares raised total gross proceeds of c.RM72.4m.

Proceeds to be channelled into group expansion plans

- The majority of the placement proceeds (RM50m) have been allocated for the acquisition of a 4.4-acre piece of industrial land in Selangor (with a single-storey warehouse and annexed 3-storey office block) and another RM4m is earmarked for the improvement of the above-mentioned property's infrastructure. The remainder will be utilised for the construction of a proposed in-house food preparation and processing facility, which the company expects to be fully operational by end-2018F.

Sub-distribution centre ready for operations

- We also understand that the group's sub-distribution centre (DC) in Johor Bahru has completed its extension works and is ready for operations pending the final approval by relevant authorities. To recap, the group's new sub-DC was mainly acquired to supply SKUs to its network of stores in the states of Johor and Melaka. It has the capacity to cater to an estimated 80 convenience stores. We understand that c.8-10% of the total store network are located in those states.

Maintain Hold; fairly valued for now

- We make no changes to our earnings estimates and keep our Hold call. Our end-2018 target price of RM1.50 is based on a weighted average (50% each) of P/E (24x CY19F P/E) and PEG valuations (1.0x).
- Even though we are positive on the group's long-term earnings accretion from its expansion plans, we believe that its current share price has priced in its fundamentals and fairly reflects its earnings growth prospects.

Key upside/downside risks to our call

- Key upside risks to our call are stronger-than-expected sales of higher-margin products, including ready-to-eat (RTE) food and bakery products, and faster store expansion. A key downside risk is intensified competition in the convenience store space.

Financial Summary	Oct-16A	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Revenue (RMm)	264.0	326.5	425.8	547.2	663.5
Operating EBITDA (RMm)	26.34	32.06	44.77	58.05	71.31
Net Profit (RMm)	18.60	24.98	30.20	38.38	47.41
Core EPS (RM)	0.029	0.037	0.044	0.056	0.069
Core EPS Growth	44.1%	28.2%	20.9%	27.1%	23.5%
FD Core P/E (x)	49.72	38.77	32.08	25.24	20.43
DPS (RM)	0.013	0.020	0.010	0.010	0.020
Dividend Yield	0.88%	1.41%	0.70%	0.70%	1.41%
EV/EBITDA (x)	36.36	29.67	21.74	16.58	13.30
P/FCFE (x)	NA	NA	NA	38.70	26.21
Net Gearing	(5.55%)	(5.42%)	3.45%	(0.49%)	(4.77%)
P/BV (x)	6.36	4.01	3.65	3.26	2.93
ROE	18.7%	12.7%	11.9%	13.7%	15.1%
CIMB/consensus EPS (x)			0.61	0.68	0.60

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Total Net Revenues	**326.5**	**425.8**	**547.2**	**663.5**
Gross Profit	**119.8**	**159.4**	**201.2**	**244.8**
Operating EBITDA	**32.1**	**44.8**	**58.1**	**71.3**
Depreciation And Amortisation	(6.0)	(8.7)	(11.5)	(13.2)
Operating EBIT	**26.1**	**36.0**	**46.5**	**58.1**
Financial Income/(Expense)	(0.2)	(0.4)	(0.4)	(0.4)
Pretax Income/(Loss) from Assoc.	2.7	2.7	2.7	2.7
Non-Operating Income/(Expense)	3.0	0.9	1.1	1.3
Profit Before Tax (pre-EI)	**31.5**	**39.2**	**49.9**	**61.6**
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	**31.5**	**39.2**	**49.9**	**61.6**
Taxation	(6.5)	(9.0)	(11.5)	(14.2)
Exceptional Income - post-tax				
Profit After Tax	**25.0**	**30.2**	**38.4**	**47.4**
Minority Interests	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax	0.0	0.0	0.0	0.0
Other Adjustments - post-tax	0.0	0.0	0.0	0.0
Net Profit	**25.0**	**30.2**	**38.4**	**47.4**
Recurring Net Profit	25.0	30.2	38.4	47.4
Fully Diluted Recurring Net Profit	**25.0**	**30.2**	**38.4**	**47.4**

Balance Sheet

(RMm)	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Total Cash And Equivalents	20.0	0.4	11.0	25.3
Total Debtors	36.8	46.9	60.2	73.0
Inventories	31.6	34.3	44.6	53.9
Total Other Current Assets	110.8	110.8	110.8	110.8
Total Current Assets	**199.3**	**192.4**	**226.6**	**263.1**
Fixed Assets	81.0	150.2	168.0	184.0
Total Investments	4.4	4.4	4.4	4.4
Intangible Assets	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	0.0	0.0	0.0	0.0
Total Non-current Assets	**85.4**	**154.7**	**172.4**	**188.5**
Short-term Debt	1.3	1.3	1.3	1.3
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0
Total Creditors	31.2	67.9	88.2	106.7
Other Current Liabilities	0.8	0.8	0.8	0.8
Total Current Liabilities	**33.3**	**69.9**	**90.2**	**108.7**
Total Long-term Debt	5.6	8.3	8.3	8.3
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	0.7	0.7	0.7	0.7
Total Non-current Liabilities	**6.3**	**9.0**	**9.0**	**9.0**
Total Provisions	3.1	3.1	3.1	3.1
Total Liabilities	**42.7**	**82.1**	**102.3**	**120.9**
Shareholders' Equity	241.6	265.0	296.7	330.7
Minority Interests	0.0	0.0	0.0	0.0
Total Equity	**241.6**	**265.0**	**296.7**	**330.7**

Cash Flow

(RMm)	Oct-17A	Oct-18F	Oct-19F	Oct-20F
EBITDA	32.06	44.77	58.05	71.31
Cash Flow from Invt. & Assoc.	0.00	0.00	0.00	0.00
Change In Working Capital	(18.32)	24.01	(3.32)	(3.63)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00
Other Operating Cashflow	6.00	8.73	11.55	13.25
Net Interest (Paid)/Received	(0.42)	(0.51)	(0.51)	(0.51)
Tax Paid	(5.59)	(9.03)	(11.50)	(14.23)
Cashflow From Operations	**13.73**	**67.98**	**54.27**	**66.19**
Capex	(21.75)	(79.03)	(29.30)	(29.30)
Disposals Of FAs/subsidiaries	0.16	0.00	0.00	0.00
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(47.58)	0.06	0.06	0.06
Cash Flow From Investing	**(69.16)**	**(78.97)**	**(29.24)**	**(29.24)**
Debt Raised/(repaid)	(0.85)	2.63	0.00	0.00
Proceeds From Issue Of Shares	(0.86)	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	(6.20)	(6.82)	(6.82)	(13.64)
Preferred Dividends	0.00	0.00	0.00	0.00
Other Financing Cashflow	0.00	(0.51)	(0.51)	(0.51)
Cash Flow From Financing	**(7.91)**	**(4.70)**	**(7.33)**	**(14.15)**
Total Cash Generated	(63.34)	(15.69)	17.70	22.80
Free Cashflow To Equity	**(56.28)**	**(8.36)**	**25.03**	**36.95**
Free Cashflow To Firm	**(55.02)**	**(10.48)**	**25.53**	**37.46**

Key Ratios

	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Revenue Growth	23.6%	30.4%	28.5%	21.3%
Operating EBITDA Growth	21.7%	39.7%	29.7%	22.8%
Operating EBITDA Margin	9.8%	10.5%	10.6%	10.7%
Net Cash Per Share (RM)	0.019	(0.013)	0.002	0.023
BVPS (RM)	0.35	0.39	0.43	0.48
Gross Interest Cover	61.9	71.3	92.0	114.8
Effective Tax Rate	20.6%	23.0%	23.1%	23.1%
Net Dividend Payout Ratio	54.6%	22.6%	17.8%	28.8%
Accounts Receivables Days	8.40	7.46	7.11	7.32
Inventory Days	54.24	45.18	41.59	43.03
Accounts Payables Days	41.66	43.45	51.33	53.11
ROIC (%)	19.2%	15.8%	17.0%	19.7%
ROCE (%)	12.7%	13.6%	15.9%	17.8%
Return On Average Assets	10.3%	9.7%	10.4%	11.3%

12-mth Fwd FD P/E (x) - Mynews Holdings Berhad

Key Drivers

	Oct-17A	Oct-18F	Oct-19F	Oct-20F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	0.3%	0.3%	1.5%	1.5%
No. of POS (main prod/serv)	365	455	545	635
SSS grth (%, main prod/serv)	1.4%	1.4%	1.4%	1.4%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
No. of POS (2ndary prod/serv)	N/A	N/A	N/A	N/A
SSS grth (%, 2ndary prrod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

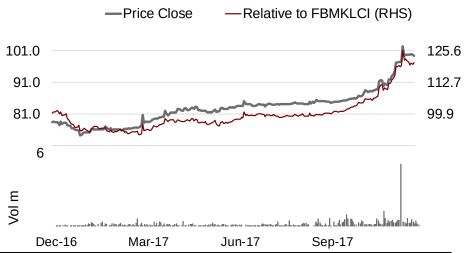
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 1	Hold 9	Sell 1

Current price:	RM99.42
Target price:	RM84.20
Previous target:	RM84.20
Up/downside:	-15.3%
CIMB / Consensus:	-5.9%
Reuters:	NESM.KL
Bloomberg:	NESZ MK
Market cap:	US$5,713m
	RM23,314m
Average daily turnover:	US$7.78m
	RM32.31m
Current shares o/s	234.5m
Free float:	27.5%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	10.6	17	26.8
Relative (%)	9.7	19.2	20.5

Major shareholders	% held
Nestle S.A.	72.5
EPF	7.7

Nestle (Malaysia)

Growing steadily

- Moving forward, we think that Nestle will continue to grow organically through healthy demand for its products and continuous improvement in its operating efficiencies.
- We continue to like Nestle for its defensive business model which consists of consumer staple products, good corporate governance and high ROEs.
- Our Hold call is retained as we think that it is fairly valued for now.

Domestic and export revenue growth remains healthy

- Nestle's 9M17 revenue grew 4.3% yoy to RM3.9bn but core net profit declined 8.3% yoy. Revenue growth was mainly due to the healthy growth in domestic demand (+4% yoy) and increased exports (+5.5% yoy) on the back of new product launches and effective marketing and promotions.
- We understand that 9M17 sales were mostly propelled by volume growth coupled with a slight upward revision in prices (1-4%) for a few of its products such as coffee, noodles and ice-cream back in July 2017. Nestle's market share also gradually rose to about 16% in 9M17 (from FY16: 15.2%).

Downtrend in raw material prices should reduce margin pressure

- 9M17 earnings, however, shrunk yoy due to higher raw material costs and the different timing of marketing expenses. Going forward, the easing of key commodity prices such as sugar, milk powder and coffee beans as well as the strengthening of the RM vs. US$ should help alleviate the cost pressures for the group. Note that approximately 50% of the group's raw materials are imported.
- Additionally, Nestle SA recently launched its global procurement hub in Malaysia and it is one of its three procurement centres in the world, including in Switzerland and Panama. We are positive on this development as Nestle Malaysia would be able to leverage on the hub for more strategic and cost-efficient procurement of raw materials for the group, which would in turn potentially translate to lower production and operating costs moving forward.

Next growth engine

- Given the rising need for convenience due to the ever-changing consumer landscape, Nestle has already recognised the ready-to-eat (RTE) product segment as its next growth engine.
- The group's RTE segment is currently the fastest developing product category for the group and has been growing at a double-digit pace yoy. Although operating costs currently outweigh profitability, management believes that participating and investing in this category would turn out to be constructive and beneficial in the long-term.

Keeping to our Hold call

- Even though we continue to like the group's strong brand name, prudent management team and robust product mix, we think that it is fairly valued for now. The stock is currently trading at 31x CY18F P/E (in line with its 3-year mean). Estimated FY17-19F dividend yields of 2.9-3.3% should provide support to its share price. We maintain Hold with our unchanged DCF-based target price of RM84.20.
- The recent surge in share price can be mainly attributed to the inclusion of Nestle into the MSCI Malaysia Index.

Key risks to our call

- Upside risks to our call include better-than-expected export demand and a substantial recovery in domestic spending, while downside risks include any significant fluctuations in raw material prices.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	4,838	5,064	5,315	5,550	5,799
Operating EBITDA (RMm)	886	932	955	1,031	1,112
Net Profit (RMm)	596.2	605.6	641.4	685.5	737.6
Core EPS (RM)	2.52	2.69	2.74	2.92	3.15
Core EPS Growth	7.52%	6.73%	1.56%	6.88%	7.59%
FD Core P/E (x)	39.40	36.91	36.35	34.01	31.61
DPS (RM)	2.49	2.53	2.68	2.86	3.08
Dividend Yield	2.51%	2.55%	2.70%	2.88%	3.10%
EV/EBITDA (x)	26.69	25.27	24.63	22.81	21.10
P/FCFE (x)	32.06	31.12	34.12	32.54	28.89
Net Gearing	47.4%	32.3%	27.7%	26.9%	21.0%
P/BV (x)	32.90	32.35	31.78	31.20	30.60
ROE	79.7%	88.4%	88.2%	92.6%	97.7%
CIMB/consensus EPS (x)			0.97	0.96	0.96

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**5,064**	**5,315**	**5,550**	**5,799**
Gross Profit	**1,997**	**2,012**	**2,118**	**2,243**
Operating EBITDA	**932**	**955**	**1,031**	**1,112**
Depreciation And Amortisation	(133)	(139)	(145)	(151)
Operating EBIT	**799**	**816**	**886**	**961**
Financial Income/(Expense)	(33)	(24)	(40)	(40)
Pretax Income/(Loss) from Assoc.	0	1	1	1
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**766**	**792**	**846**	**922**
Exceptional Items	(32)			
Pre-tax Profit	**735**	**792**	**846**	**922**
Taxation	(129)	(150)	(161)	(184)
Exceptional Income - post-tax				
Profit After Tax	**606**	**641**	**686**	**738**
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**606**	**641**	**686**	**738**
Recurring Net Profit	632	641	686	738
Fully Diluted Recurring Net Profit	**632**	**641**	**686**	**738**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	110	140	142	183
Total Debtors	506	532	555	580
Inventories	353	380	412	409
Total Other Current Assets	0	0	0	0
Total Current Assets	**969**	**1,051**	**1,109**	**1,172**
Fixed Assets	1,386	1,376	1,381	1,380
Total Investments	4	4	4	4
Intangible Assets	63	63	63	63
Total Other Non-Current Assets	36	36	36	36
Total Non-current Assets	**1,489**	**1,479**	**1,484**	**1,483**
Short-term Debt	253	253	253	253
Current Portion of Long-Term Debt				
Total Creditors	1,196	1,255	1,304	1,351
Other Current Liabilities	40	40	40	40
Total Current Liabilities	**1,489**	**1,548**	**1,597**	**1,644**
Total Long-term Debt	90	90	90	90
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	81	81	81	81
Total Non-current Liabilities	**171**	**171**	**171**	**171**
Total Provisions	78	78	78	78
Total Liabilities	**1,737**	**1,797**	**1,846**	**1,893**
Shareholders' Equity	721	734	747	762
Minority Interests	0	0	0	0
Total Equity	**721**	**734**	**747**	**762**

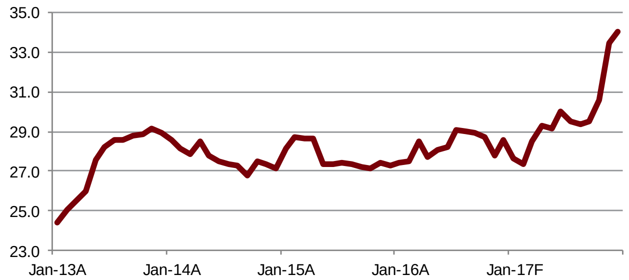
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	931.6	954.7	1,030.5	1,112.1
Cash Flow from Invt. & Assoc.				
Change In Working Capital	101.4	6.9	(6.5)	25.1
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	33.6	25.4	42.0	43.0
Net Interest (Paid)/Received	(32.7)	(24.4)	(40.0)	(40.0)
Tax Paid	(129.4)	(150.5)	(160.8)	(184.4)
Cashflow From Operations	**904.5**	**812.1**	**865.3**	**955.9**
Capex	(150.0)	(130.0)	(150.0)	(150.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	1.1	1.1	1.1	1.1
Cash Flow From Investing	**(148.9)**	**(128.9)**	**(148.9)**	**(148.9)**
Debt Raised/(repaid)	(6.5)	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(593.5)	(628.6)	(671.8)	(722.8)
Preferred Dividends				
Other Financing Cashflow	(33.8)	(25.5)	(41.2)	(41.2)
Cash Flow From Financing	**(633.8)**	**(654.1)**	**(713.0)**	**(764.0)**
Total Cash Generated	121.8	29.2	3.4	43.0
Free Cashflow To Equity	**749.2**	**683.3**	**716.4**	**807.0**
Free Cashflow To Firm	**789.5**	**708.8**	**757.6**	**848.2**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	4.66%	4.97%	4.42%	4.47%
Operating EBITDA Growth	5.14%	2.48%	7.95%	7.92%
Operating EBITDA Margin	18.4%	18.0%	18.6%	19.2%
Net Cash Per Share (RM)	(0.99)	(0.87)	(0.86)	(0.68)
BVPS (RM)	3.07	3.13	3.19	3.25
Gross Interest Cover	23.61	31.99	21.52	23.36
Effective Tax Rate	17.6%	19.0%	19.0%	20.0%
Net Dividend Payout Ratio	77.4%	79.4%	79.4%	78.4%
Accounts Receivables Days	39.33	35.64	35.73	35.72
Inventory Days	45.77	40.47	42.10	42.13
Accounts Payables Days	144.9	135.4	136.1	136.3
ROIC (%)	50.2%	55.2%	60.9%	65.4%
ROCE (%)	70.3%	71.2%	76.4%	81.9%
Return On Average Assets	32.0%	32.5%	34.2%	36.3%

12-mth Fwd FD P/E (x) - Nestle (Malaysia)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	3.0%	3.0%	3.0%	3.0%
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod/serv)	N/A	N/A	N/A	N/A
Unit sales grth (%,tertiary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, tertiary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	4.0%	4.0%	4.0%	4.0%
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

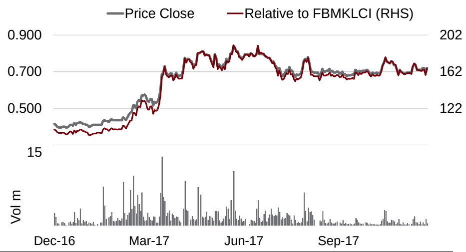
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 2	Hold 0	Sell 0

Current price:	RM0.72
Target price:	RM0.93
Previous target:	RM0.93
Up/downside:	29.7%
CIMB / Consensus:	3.2%
Reuters:	OCEA.KL
Bloomberg:	OCP MK
Market cap:	US$39.34m
	RM160.6m
Average daily turnover:	US$0.10m
	RM0.41m
Current shares o/s	223.0m
Free float:	39.7%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2.1	3.6	84.6
Relative (%)	-3	5.8	78.3

Major shareholders	% held
Tan Siew Chin	43.9
Chen Lee Chew	15.3
Tan Chin Ming	1.0

Oceancash Pacific Bhd

Making its presence felt

- Malaysia's largest felt manufacturer, commanding ~60% of the local market share. The group also produces nonwoven fabrics used in disposable hygiene goods.
- We expect stronger orders for both the felt and hygiene segments ahead, driving earnings from an increase in volumes and better cost efficiencies.
- Maintain Add, with an unchanged SOP-based TP of RM0.93.

Malaysia's largest felt producer

- Oceancash Pacific Berhad (OPB) is primarily involved in the manufacturing of felts and hygiene fabrics (non-woven). The company, which commands about 60% of the Malaysian felt market, mainly produces thermoplastic and resinated felts that are used in the automotive and air-conditioning industries.
- In the nonwoven segment, OPB's fabrics are supplied to disposable hygiene product manufacturers which are mainly MNCs. An estimated 80% of its nonwoven fabrics are exported to more than 10 countries, especially Japan and China.

Robust 9M17

- On a cumulative basis, 9M17 revenue rose 11.8% yoy to RM67.3m. This was on the back of higher sales volume from both the felt and hygiene segments. In particular, OPB recorded a strong growth in hygiene orders especially from its Japan customers.
- 9M17 EBITDA margin improved 0.6% pts yoy to 17.5% which we attribute to higher economies of scale from increased utilisation rates, especially in the hygiene segment. Accordingly, 9M17 net profit rose to RM7.5m (8.4% yoy) despite higher tax rates of 9.9% vs. positive tax allowance of RM34k in 9M16.

Stronger orders ahead from the hygiene segment

- We expect stronger performance in sequential quarters beginning 4Q17, mainly driven by growing orders from the hygiene segment. We gather that the group is close to securing a major customer which would result in a significant increase in orders.
- Furthermore, the acquisition of a spooling machine that rolls longer lengths of non-woven also allows OPB to cater to larger-scale manufacturers while increasing cost efficiency.

Waiting for higher felt orders in Indonesia to materialise

- In the felt segment, we expect higher orders from Indonesia to drive earnings ahead. We gather that felt orders were ramping up slower-than-expected due to delays in product trials. We expect these issues to be resolved in the next 2 quarters.
- Also, growing demand for felts from the air conditioning industry is positive. Although felt sales to the air-conditioning industry only made up 15% of its FY16 revenue, demand for air conditioning felts should continue to rise in tandem with higher air conditioning sales in Malaysia and Indonesia.

Maintain Add

- We maintain our Add call, with an unchanged SOP-based TP of RM0.93 (12.9x CY19 P/E for felt segment & 14.8x CY19 P/E for hygiene segment).
- We expect OPB to record a stronger FY18F from: i) growing demand for felts in Malaysia and Indonesia, ii) higher economies of scale, and iii) higher global demand for non-woven products, especially from China and Southeast Asia.
- Downside risks to our view: i) decline in Indonesia and Malaysia TIV numbers; and ii) emergence of new products to replace felts and non-woven fabrics.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	79.4	83.7	93.7	102.3	117.9
Operating EBITDA (RMm)	13.71	15.01	17.03	19.34	22.02
Net Profit (RMm)	8.72	10.15	10.90	12.79	15.09
Core EPS (RM)	0.039	0.046	0.049	0.057	0.068
Core EPS Growth	32.1%	16.3%	7.4%	17.4%	18.0%
FD Core P/E (x)	18.41	15.82	14.73	12.55	10.64
DPS (RM)	0.007	0.007	0.008	0.009	0.010
Dividend Yield	0.97%	0.97%	1.11%	1.25%	1.39%
EV/EBITDA (x)	12.20	11.16	9.53	8.01	6.69
P/FCFE (x)	98.65	27.66	22.84	17.02	16.30
Net Gearing	10.2%	9.2%	2.0%	(6.0%)	(12.3%)
P/BV (x)	2.43	2.13	1.90	1.69	1.49
ROE	14.1%	14.4%	13.7%	14.3%	14.9%
CIMB/consensus EPS (x)			0.96	1.01	1.07

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**83.69**	**93.71**	**102.27**	**117.90**
Gross Profit	**20.59**	**22.88**	**25.82**	**29.62**
Operating EBITDA	**15.01**	**17.03**	**19.34**	**22.02**
Depreciation And Amortisation	(3.63)	(3.87)	(3.90)	(4.02)
Operating EBIT	**11.38**	**13.17**	**15.43**	**18.00**
Financial Income/(Expense)	(0.98)	(0.78)	(0.78)	(0.78)
Pretax Income/(Loss) from Assoc.	0.00	0.00	0.00	0.00
Non-Operating Income/(Expense)	0.00	0.00	0.00	0.00
Profit Before Tax (pre-EI)	**10.39**	**12.39**	**14.65**	**17.22**
Exceptional Items	0.00	0.00	0.00	0.00
Pre-tax Profit	**10.39**	**12.39**	**14.65**	**17.22**
Taxation	(0.24)	(1.49)	(1.86)	(2.13)
Exceptional Income - post-tax				
Profit After Tax	**10.15**	**10.90**	**12.79**	**15.09**
Minority Interests	0.00	0.00	0.00	0.00
Preferred Dividends	0.00	0.00	0.00	0.00
FX Gain/(Loss) - post tax	0.00	0.00	0.00	0.00
Other Adjustments - post-tax	0.00	0.00	0.00	0.00
Net Profit	**10.15**	**10.90**	**12.79**	**15.09**
Recurring Net Profit	10.15	10.90	12.79	15.09
Fully Diluted Recurring Net Profit	**10.15**	**10.90**	**12.79**	**15.09**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	10.45	15.68	23.09	30.69
Total Debtors	17.56	19.66	21.46	24.74
Inventories	9.43	10.58	11.42	13.19
Total Other Current Assets	2.42	2.42	2.42	2.42
Total Current Assets	**39.87**	**48.35**	**58.39**	**71.04**
Fixed Assets	53.43	54.16	55.26	56.24
Total Investments	0.00	0.00	0.00	0.00
Intangible Assets	0.00	0.00	0.00	0.00
Total Other Non-Current Assets	9.38	9.38	9.38	9.38
Total Non-current Assets	**62.81**	**63.54**	**64.64**	**65.62**
Short-term Debt	13.06	13.06	13.06	13.06
Current Portion of Long-Term Debt	0.00	0.00	0.00	0.00
Total Creditors	4.26	4.78	5.16	5.96
Other Current Liabilities	2.77	2.77	2.77	2.77
Total Current Liabilities	**20.08**	**20.61**	**20.98**	**21.78**
Total Long-term Debt	4.34	4.34	4.34	4.34
Hybrid Debt - Debt Component	0.00	0.00	0.00	0.00
Total Other Non-Current Liabilities	0.00	0.00	0.00	0.00
Total Non-current Liabilities	**4.34**	**4.34**	**4.34**	**4.34**
Total Provisions	3.01	3.01	3.01	3.01
Total Liabilities	**27.43**	**27.95**	**28.33**	**29.13**
Shareholders' Equity	75.24	84.34	95.10	107.93
Minority Interests	0.00	0.00	0.00	0.00
Total Equity	**75.24**	**84.34**	**95.10**	**107.93**

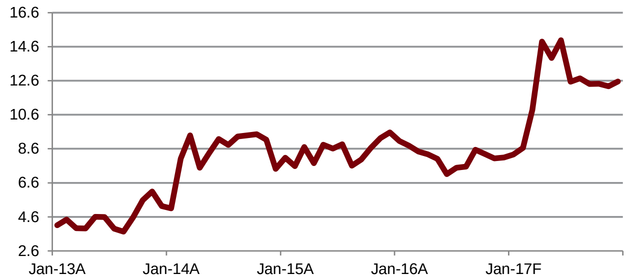
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	15.01	17.03	19.34	22.02
Cash Flow from Invt. & Assoc.	0.00	0.00	0.00	0.00
Change In Working Capital	(4.43)	(2.74)	(2.26)	(4.25)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	1.09	0.00	0.00	0.00
Other Operating Cashflow	0.00	0.00	0.00	0.00
Net Interest (Paid)/Received	(0.25)	(0.78)	(0.78)	(0.78)
Tax Paid	(1.42)	(1.49)	(1.86)	(2.13)
Cashflow From Operations	**10.01**	**12.03**	**14.44**	**14.85**
Capex	(4.58)	(5.00)	(5.00)	(5.00)
Disposals Of FAs/subsidiaries	0.04	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.34	0.00	0.00	0.00
Cash Flow From Investing	**(4.20)**	**(5.00)**	**(5.00)**	**(5.00)**
Debt Raised/(repaid)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	(1.56)	(1.78)	(2.01)	(2.23)
Preferred Dividends	0.00	0.00	0.00	0.00
Other Financing Cashflow	(0.28)	0.00	0.00	0.00
Cash Flow From Financing	**(1.84)**	**(1.78)**	**(2.01)**	**(2.23)**
Total Cash Generated	3.97	5.25	7.43	7.62
Free Cashflow To Equity	**5.80**	**7.03**	**9.44**	**9.85**
Free Cashflow To Firm	**6.07**	**7.83**	**10.24**	**10.65**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	5.4%	12.0%	9.1%	15.3%
Operating EBITDA Growth	9.5%	13.5%	13.5%	13.9%
Operating EBITDA Margin	17.9%	18.2%	18.9%	18.7%
Net Cash Per Share (RM)	(0.031)	(0.008)	0.026	0.060
BVPS (RM)	0.34	0.38	0.43	0.48
Gross Interest Cover	11.33	16.46	19.29	22.50
Effective Tax Rate	2.3%	12.0%	12.7%	12.4%
Net Dividend Payout Ratio	15.4%	16.4%	15.7%	14.8%
Accounts Receivables Days	62.83	71.70	73.38	71.51
Inventory Days	52.34	51.56	52.54	50.88
Accounts Payables Days	12.48	12.65	12.89	12.49
ROIC (%)	11.2%	11.6%	13.1%	14.7%
ROCE (%)	12.7%	13.2%	14.0%	14.8%
Return On Average Assets	11.2%	10.7%	11.4%	12.1%

12-mth Fwd FD P/E (x) - Oceancash Pacific Bhd



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	9.2%	8.7%	19.4%	9.4%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	5.7%	4.1%	16.7%	-100.0%
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 2	Hold 1	Sell 0

Current price:	RM39.10
Target price:	RM45.20
Previous target:	RM45.20
Up/downside:	15.6%
CIMB / Consensus:	10.6%
Reuters:	PMMY.KL
Bloomberg:	PMM MK
Market cap:	US$582.0m
	RM2,375m
Average daily turnover:	US$0.36m
	RM1.51m
Current shares o/s	60.75m
Free float:	52.5%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2.1	1.6	22.2
Relative (%)	-3	3.8	15.9

Major shareholders	% held
Panasonic Management Malaysia SB	47.5
EPF	7.2
KWAP	3.6

Panasonic Manufacturing Malaysia Berhad

Strong underlying "fan"-damentals

- Given its market share of 15-20%, PANAMY is one of Malaysia's biggest consumer electronics manufacturers.
- We project healthy FY3/18-20F EPS CAGR of 7.6%, buoyed by the recovery in rice cooker production, revival of sales from Middle East and better economies of scale.
- Maintain Add and end-2018F TP of RM45.20, with FY18-20F dividend yields of 3-4%.

One of Malaysia's largest consumer electronics manufacturers

- Matsushita Electric Company (Malaysia) Berhad, which was listed on Bursa Malaysia in Dec 1966, underwent a name change to Panasonic Manufacturing Malaysia Berhad (PANAMY) in 2005. The company is primarily engaged in the production and distribution of electrical home appliances and related components sold under own brand *Panasonic*. PANAMY has developed into one of the biggest consumer electronics manufacturers in Malaysia, with 15-20% local market share.

1HFY18 earnings negatively affected by higher operating costs

- The group's 1HFY18 topline rose 2.6% yoy on the back of improved sales momentum in Vietnam due to various seasonal marketing campaigns and increased demand for home shower products from the protracted rainy season. In spite of this, 1HFY18 pretax profit declined 11.1% yoy due to higher operating costs and decrease in share of profits from its associate company, which suffered derivative losses in 2QFY18 as a result of volatile exchange rates.

Expanding production capacity to cater to increasing demand

- The group plans to boost manufacturing capacity of home appliances and fan products by 25% (in two phases) over 2018-2019F. We understand that PANAMY has completed demolition works on one of the older buildings and piling has begun. It has earmarked total capex of RM100m for FY18-20F for the construction of two new factories, one at the site of its main plant (targeted completion by end-1H18F) and the other at the site of its Shah Alam II plant (targeted completion by 2019F).

Strong balance sheet and dividend allure

- In view of its strong balance sheet, with net cash of RM602.5m at end-FY17, the company has committed to pay out at least 60% of its distributable income to shareholders. Moving forward, we assume dividend payout ratio of 65%, which translates into FY18-20F dividend yields of 3.5-4.1%. We expect the company to maintain its robust balance sheet moving forward, given its solid earnings track record, healthy operating cash flows and prudent management.

Maintain Add with end-2018F target price of RM45.20

- We keep our earnings forecasts and end-2018F target price of RM45.20, still based on 17x CY19F P/E (in line with global peer average). Our healthy 3-year EPS CAGR forecast of 7.6% (FY18-20F) is underpinned by our expectations of: i) improved profitability for rice cookers, ii) better economies of scale from expansion of installed production capacity, and ii) higher export sales from recovery in home appliance sales, particularly to the Middle East.

Key risks to our call

- Downside risks to our call are substantial slowdown in domestic and regional consumption for electrical products and a significant upturn in raw material prices.

Financial Summary	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Revenue (RMm)	1,087	1,123	1,179	1,257	1,341
Operating EBITDA (RMm)	167.9	156.7	143.4	152.2	165.7
Net Profit (RMm)	128.6	131.9	141.8	152.9	164.4
Normalised EPS (RM)	2.27	2.17	2.33	2.52	2.71
Normalised EPS Growth	32.6%	(4.2%)	7.5%	7.9%	7.5%
FD Normalised P/E (x)	17.24	18.00	16.75	15.53	14.45
DPS (RM)	1.39	1.39	1.50	1.60	1.68
Dividend Yield	3.55%	3.55%	3.84%	4.09%	4.30%
EV/EBITDA (x)	9.66	10.35	11.11	10.26	9.04
P/FCFE (x)	24.47	26.79	27.98	26.57	18.69
Net Gearing	(77.2%)	(73.3%)	(72.2%)	(71.2%)	(73.3%)
P/BV (x)	3.05	2.89	2.72	2.56	2.40
ROE		16.5%	16.7%	17.0%	17.1%
Normalised EPS/consensus EPS (x)			1.03	1.00	1.01

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)
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BY THE NUMBERS

Profit & Loss

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Net Revenues	**1,123**	**1,179**	**1,257**	**1,341**
Gross Profit	**265**	**274**	**289**	**308**
Operating EBITDA	**157**	**143**	**152**	**166**
Depreciation And Amortisation	(31)	(29)	(30)	(32)
Operating EBIT	**126**	**114**	**122**	**133**
Financial Income/(Expense)	24	25	27	30
Pretax Income/(Loss) from Assoc.	13	14	15	16
Non-Operating Income/(Expense)	0	24	26	27
Profit Before Tax (pre-EI)	**163**	**177**	**191**	**206**
Exceptional Items				
Pre-tax Profit	**163**	**177**	**191**	**206**
Taxation	(31)	(35)	(38)	(41)
Exceptional Income - post-tax				
Profit After Tax	**132**	**142**	**153**	**164**
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Preference Dividends (Australia)				
Net Profit	**132**	**142**	**153**	**164**
Normalised Net Profit	132	142	153	164
Fully Diluted Normalised Profit	**132**	**142**	**153**	**164**

Balance Sheet

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Cash And Equivalents	602.4	629.9	661.0	725.9
Total Debtors	116.9	122.7	130.8	139.5
Inventories	50.3	52.8	56.3	60.0
Total Other Current Assets	0.3	0.3	0.3	0.3
Total Current Assets	**769.8**	**805.7**	**848.4**	**925.7**
Fixed Assets	75.0	90.9	116.1	113.8
Total Investments	151.6	151.6	151.6	151.6
Intangible Assets	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	9.1	9.1	9.1	9.1
Total Non-current Assets	**235.6**	**251.6**	**276.8**	**274.4**
Short-term Debt	0.0	0.0	0.0	0.0
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0
Total Creditors	175.5	176.8	189.0	201.6
Other Current Liabilities	7.9	7.9	7.9	7.9
Total Current Liabilities	**183.4**	**184.7**	**196.8**	**209.4**
Total Long-term Debt	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0
Total Non-current Liabilities	**0.0**	**0.0**	**0.0**	**0.0**
Total Provisions	0.2	0.2	0.2	0.2
Total Liabilities	**183.7**	**184.9**	**197.1**	**209.7**
Shareholders' Equity	821.8	872.4	928.2	990.5
Minority Interests				
Total Equity	**821.8**	**872.4**	**928.2**	**990.5**

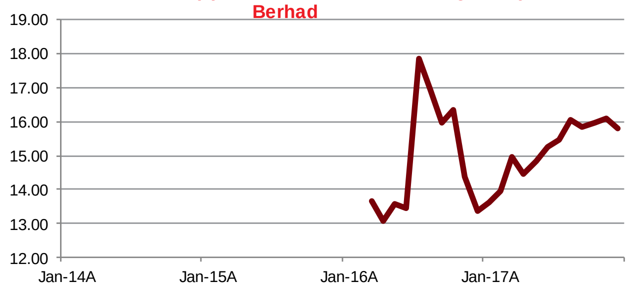
Cash Flow

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
EBITDA	156.7	143.4	152.2	165.7
Cash Flow from Invt. & Assoc.	0.0	0.0	0.0	0.0
Change In Working Capital	(25.3)	(7.1)	0.6	0.1
(Incr)/Decr in Total Provisions	0.0	0.0	0.0	0.0
Other Non-Cash (Income)/Expense	0.0	0.0	0.0	0.0
Other Operating Cashflow	0.7	3.8	2.3	2.8
Net Interest (Paid)/Received	0.0	0.0	0.0	0.0
Tax Paid	(36.5)	(35.4)	(38.2)	(41.1)
Cashflow From Operations	**95.6**	**104.6**	**116.9**	**127.6**
Capex	(43.6)	(45.0)	(55.0)	(30.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	36.7	25.3	27.5	29.5
Cash Flow From Investing	**(6.9)**	**(19.7)**	**(27.5)**	**(0.5)**
Debt Raised/(repaid)	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(84.4)	(91.1)	(97.2)	(102.1)
Preferred Dividends	0.0	0.0	0.0	0.0
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	**(84.4)**	**(91.1)**	**(97.2)**	**(102.1)**
Total Cash Generated	4.2	(6.2)	(7.8)	25.1
Free Cashflow To Equity	**88.7**	**84.9**	**89.4**	**127.1**
Free Cashflow To Firm	**88.7**	**84.9**	**89.4**	**127.1**

Key Ratios

	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Revenue Growth	3.3%	5.0%	6.6%	6.7%
Operating EBITDA Growth	(6.7%)	(8.5%)	6.2%	8.9%
Operating EBITDA Margin	14.0%	12.2%	12.1%	12.4%
Net Cash Per Share (RM)	9.92	10.37	10.88	11.95
BVPS (RM)	13.53	14.36	15.28	16.31
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	19.0%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	64.0%	64.3%	63.5%	62.1%
Accounts Receivables Days	37.02	37.08	36.81	36.90
Inventory Days	20.02	20.78	20.57	20.62
Accounts Payables Days	77.39	71.02	68.97	69.23
ROIC (%)	383%	134%	108%	92%
ROCE (%)	18.7%	16.5%	16.7%	17.0%
Return On Average Assets	11.3%	11.8%	12.0%	12.1%

12-mth Fwd FD P/E (x) - Panasonic Manufacturing Malaysia Berhad



Key Drivers

	Mar-17A	Mar-18F	Mar-19F	Mar-20F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	3.3%	5.0%	6.6%	6.7%
Util. rate (%, main prod./serv.)	90.0%	90.0%	90.0%	90.0%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

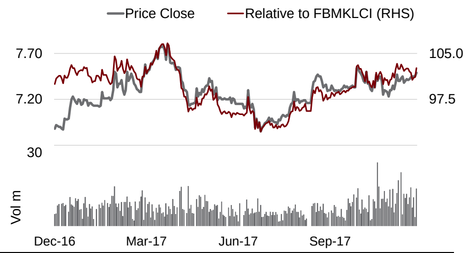
SOURCE: CIMB RESEARCH, COMPANY DATA

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 10 Hold 8 Sell 4
Current price:	RM7.49
Target price:	RM8.50
Previous target:	RM8.50
Up/downside:	13.5%
CIMB / Consensus:	8.4%
Reuters:	PCGB.KL
Bloomberg:	PCHEM MK
Market cap:	US$14,683m
	RM59,920m
Average daily turnover:	US$15.61m
	RM64.98m
Current shares o/s	8,000m
Free float:	31.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.7	1.8	8.9
Relative (%)	1.8	4	2.6

Major shareholders	% held
Petronas	69.0
Employees Provident Fund	7.5

Petronas Chemicals Group

Strong earnings growth ahead

- We turn more positive on PChem's earnings outlook on the back of projected higher olefin margins, driven by increased oil prices and greater utilisation rates.
- PChem's gas-based olefins earnings will be driven by the higher oil price, which will more than offset the weaker HDPE-naphtha margin.
- Maintain Add and our target price of RM8.50, based on 7.5x CY19F EV/EBITDA (on par with the industry average).

Higher oil price will drive olefins earnings

- We believe PChem's consistently higher operational utilisation rates in both the olefins and derivatives (O&D) and fertiliser and methanol (F&M) segments will continue to drive its gas-based olefins and fertiliser earnings in FY18-19F, riding on the higher oil price environment. PChem had successfully maintained its utilisation rate at a high level of 86% for olefins products and at 90% for its F&M in 3Q17 despite a major planned shutdown of the ammonia plant in Kerteh.

More consistent feedstock supply

- The operations of both the O&D and F&M groups have continued to improve in 9M17 with better yoy utilisation rates due to higher and more consistent feedstock supply despite the impact of multiple planned shutdowns. As a result, both O&D and F&M saw yoy jumps in net profit.

Superior planning and execution

- We believe both the O&D and F&M segments saw higher-than-expected net profit in 9M17 despite the shutdowns due to better planning and execution, which minimised the impact of the shutdown-caused outages, and the stable feedstock supply for methanol and ethylene production.

One of the key beneficiaries of rising oil prices

- We believe PChem now stands to benefit the most compared to its peers from rising oil prices that will result in better margins for its ethylene products, which are produced using the more competitive ethane gas.

A proven operator to ride the rise in oil prices

- Given our projected higher utilisation rates for PChem's plants and wider margins for its gas-based petrochemical products, we see promising earnings growth in FY18-19F. We think potential downside for ethylene prices and margins is now limited as HDPE-naphtha margins have already fallen to US$610/t from the average US$750/t in FY15-16. Downside risks are lower-than-expected oil prices and lower-than-expected utilisation rates for the O&D and F&M plants. A re-rating catalyst is higher oil prices.
-

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	13,536	13,860	17,807	18,491	19,195
Operating EBITDA (RMm)	3,607	4,900	5,388	5,713	5,964
Net Profit (RMm)	2,782	2,932	3,852	4,027	4,201
Core EPS (RM)	0.35	0.37	0.48	0.50	0.53
Core EPS Growth	12.9%	5.4%	31.4%	4.6%	4.3%
FD Core P/E (x)	21.54	20.44	15.56	14.88	14.26
DPS (RM)	0.17	0.17	0.17	0.17	0.17
Dividend Yield	2.32%	2.32%	2.32%	2.32%	2.32%
EV/EBITDA (x)	13.08	9.15	7.71	6.67	5.79
P/FCFE (x)	35.55	39.37	24.55	22.78	21.28
Net Gearing	(38.6%)	(42.5%)	(47.4%)	(51.8%)	(55.7%)
P/BV (x)	2.28	2.16	1.98	1.82	1.68
ROE	10.9%	10.8%	13.3%	12.8%	12.2%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.98	1.03	1.04

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**13,860**	**17,807**	**18,491**	**19,195**
Gross Profit	**6,467**	**6,669**	**6,995**	**7,246**
Operating EBITDA	**4,900**	**5,388**	**5,713**	**5,964**
Depreciation And Amortisation	(1,339)	(1,191)	(1,289)	(1,389)
Operating EBIT	**3,561**	**4,197**	**4,424**	**4,575**
Financial Income/(Expense)	336	242	242	242
Pretax Income/(Loss) from Assoc.	17	754	754	754
Non-Operating Income/(Expense)	196	0	0	0
Profit Before Tax (pre-EI)	**4,110**	**5,193**	**5,420**	**5,571**
Exceptional Items	0	0	0	0
Pre-tax Profit	**4,110**	**5,193**	**5,420**	**5,571**
Taxation	(888)	(984)	(1,035)	(1,012)
Exceptional Income - post-tax				
Profit After Tax	**3,222**	**4,209**	**4,385**	**4,560**
Minority Interests	(290)	(357)	(358)	(359)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**2,932**	**3,852**	**4,027**	**4,201**
Recurring Net Profit	2,932	3,852	4,027	4,201
Fully Diluted Recurring Net Profit	**2,932**	**3,852**	**4,027**	**4,201**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	15,226	18,027	21,018	24,195
Total Debtors	2,675	2,675	2,675	2,675
Inventories	791	791	791	791
Total Other Current Assets	212	212	212	212
Total Current Assets	**18,904**	**21,705**	**24,696**	**27,873**
Fixed Assets	9,255	8,455	7,655	6,855
Total Investments	5,565	6,319	7,073	7,827
Intangible Assets	1,533	1,533	1,533	1,533
Total Other Non-Current Assets	35	35	35	35
Total Non-current Assets	**16,388**	**16,342**	**16,296**	**16,249**
Short-term Debt	0	0	0	1
Current Portion of Long-Term Debt				
Total Creditors	1,664	1,664	1,664	1,664
Other Current Liabilities	55	55	55	55
Total Current Liabilities	**1,719**	**1,719**	**1,719**	**1,720**
Total Long-term Debt	2,179	2,179	2,179	2,179
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	28	28	28	28
Total Non-current Liabilities	**2,207**	**2,207**	**2,207**	**2,207**
Total Provisions	669	669	669	669
Total Liabilities	**4,595**	**4,595**	**4,595**	**4,596**
Shareholders' Equity	27,800	30,261	32,897	35,707
Minority Interests	2,897	3,192	3,500	3,821
Total Equity	**30,697**	**33,453**	**36,397**	**39,528**

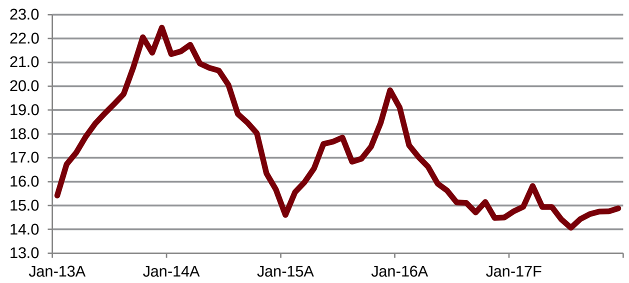
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	4,900	5,388	5,713	5,964
Cash Flow from Invt. & Assoc.	(17)	(754)	(754)	(754)
Change In Working Capital	0	0	0	0
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	3,134	1,949	1,863	1,832
Other Operating Cashflow	(684)	(754)	(754)	(754)
Net Interest (Paid)/Received	242	242	242	242
Tax Paid	(908)	(984)	(1,035)	(1,068)
Cashflow From Operations	**6,668**	**5,086**	**5,276**	**5,462**
Capex	(239)	(239)	(239)	(239)
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/investments	(5,000)	(2,500)	(2,500)	(2,500)
Other Investing Cashflow	93	93	93	93
Cash Flow From Investing	**(5,146)**	**(2,646)**	**(2,646)**	**(2,646)**
Debt Raised/(repaid)	0	0	0	0
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(1,391)	(1,391)	(1,391)	(1,391)
Preferred Dividends				
Other Financing Cashflow	1,752	1,752	1,752	1,752
Cash Flow From Financing	**361**	**361**	**361**	**361**
Total Cash Generated	1,883	2,801	2,991	3,177
Free Cashflow To Equity	**1,522**	**2,441**	**2,630**	**2,816**
Free Cashflow To Firm	**1,569**	**2,488**	**2,677**	**2,863**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	2.4%	28.5%	3.8%	3.8%
Operating EBITDA Growth	35.8%	10.0%	6.0%	4.4%
Operating EBITDA Margin	35.4%	30.3%	30.9%	31.1%
Net Cash Per Share (RM)	1.63	1.98	2.35	2.75
BVPS (RM)	3.48	3.78	4.11	4.46
Gross Interest Cover	75.8	89.3	94.1	97.3
Effective Tax Rate	21.6%	19.0%	19.1%	18.2%
Net Dividend Payout Ratio	47.4%	36.1%	34.5%	33.1%
Accounts Receivables Days	70.64	54.83	52.80	50.87
Inventory Days	39.16	25.92	25.11	24.16
Accounts Payables Days	82.40	54.55	52.85	50.84
ROIC (%)	19.7%	24.6%	27.7%	30.7%
ROCE (%)	12.1%	12.8%	12.5%	11.9%
Return On Average Assets	8.6%	11.0%	10.6%	10.3%

12-mth Fwd FD P/E (x) - Petronas Chemicals Group



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Oil Price (US$/bbl)	40.0	60.0	60.0	60.0
Volume Growth (%)	-0.1%	-0.1%	-0.1%	-0.1%
Ratio Of Up To Downstream (x)	N/A	N/A	N/A	N/A
Operating Cash Cost (US$/bbl)	N/A	N/A	N/A	N/A
Ratio Of High To Low Margin (x)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

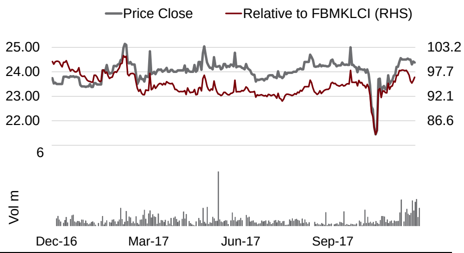
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 5	Hold 2	Sell 2

Current price:	RM24.38
Target price:	RM24.41
Previous target:	RM24.41
Up/downside:	0.1%
CIMB / Consensus:	-0.1%
Reuters:	PETR.KL
Bloomberg:	PETD MK
Market cap:	US$5,935m
	RM24,220m
Average daily turnover:	US$3.00m
	RM12.38m
Current shares o/s	993.5m
Free float:	30.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.1	0.6	3.7
Relative (%)	3.2	2.8	-2.6

Major shareholders	% held
Petroliam Nasional Bhd	69.9
Permodalan Nasional Bhd	10.7
EPF	3.8

Analyst(s)

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Petronas Dagangan Bhd

Plenty of dividend potential

- PDB may be facing longer-term headwinds from future demand growth for fuel products but the company is working hard to stem the tide.
- By pushing up its commercial market share as well as driving up sales of non-fuel, convenience store products, it hopes to sustain its revenue and earnings.
- We maintain Add with a DDM-based target price of RM24.41; we are projecting a DPS of RM1.18 for FY17F, of which only 48 sen has been paid to-date.

Benefiting from higher pump price

- PDB's 9M17 core net profit of RM819m was 15% above expectations as a result of rising oil prices, allowing PDB to benefit from selling cheaper inventories at a higher pump price. Both the retail and commercial arms reported increases in operating profits by 13.7% yoy and 8.5% yoy, respectively, which were partially offset by the lower sales volume of 2%.

Retail segment still impacted by weak sales volume

- The retail sales volume declined yoy all through 9M17 due to improvements in the public transportation network in Klang Valley and may decline further when the second MRT line linking Sungai Buloh, Serdang and Putrajaya is fully launched in 2020F, its target completion date. The cautious consumer sentiment and the slow growth of new car sales may also have had a negative impact on retail fuel sales.

Commercial segment in the driver's seat

- The outlook for commercial sales is more positive. AirAsia and AAX are major jet fuel customers of PDB and PDB has been riding on their aggressive capacity growth, which is expected to continue into the foreseeable future.
- Meanwhile, Petronas's early-2019F commissioning of its 300,000bpd Pengerang refinery is positive for PDB, in our view. The new refinery may result in a domestic surplus of refined products. As PDB is a subsidiary of Petronas, we think that it has a slight edge over its retail competitors in securing this additional output, which may help PDB push up its 60% commercial market share, in particular for jet fuel.

Increasing emphasis on non-fuel sales

- In view of the ever-changing nature of the industry, PBD has also paid more attention to the non-fuel segment. Some initiatives are introducing more variety to its RM5 breakfast-to-go menu, sales of discounted gift cards through Lazada and, potentially, door-to-door fuel deliveries via mobile apps. On top of this, PDB will spend RM300m-RM400m p.a. in capex on efforts to improve its Kedai Mesra stores.
- As for its efforts to embrace the penetration of energy efficient vehicles (EEV), PDB will finish installing charging stations at 66 petrol stations by end-2017F and for up to 100 stations by end-2018F. PDB hopes that this could also improve its convenience store sales as customers wait for their vehicles to be fully charged.
- The capex and opex for these charging stations will be borne by GreenTech, which is under the purview of the Ministry of Energy, Green Technology and Water.

Expected DPS of RM1.18 in FY17F

- During FY17F, PDB disposed of its Philippine and Vietnamese businesses and booked in RM434m in exceptional gains. PDB's official dividend payout policy is 50% of net profit, although in 2015-16, PDB paid out c.75% of its net profit as dividends. Assuming 75% payout on its record FY17F net profit, we are projecting RM1.18 in DPS for FY17F, of which only 48 sen has been paid to-date.
- PDB is forecast to have a net cash position of RM3.44/share and we believe there is the possibility of a special dividend payment in the future.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	25,060	21,787	27,370	27,881	28,402
Operating EBITDA (RMm)	1,132	1,316	1,459	1,304	1,327
Net Profit (RMm)	790	945	1,559	1,025	1,051
Normalised EPS (RM)	0.80	0.99	1.14	1.03	1.06
Normalised EPS Growth	54.2%	24.0%	15.0%	(9.2%)	2.5%
FD Normalised P/E (x)	30.61	24.69	21.47	23.64	23.05
DPS (RM)	0.60	0.70	1.18	0.77	0.79
Dividend Yield	2.46%	2.87%	4.83%	3.17%	3.25%
EV/EBITDA (x)	20.50	16.67	14.22	15.91	15.32
P/FCFE (x)	411.3	13.7	12.3	20.9	20.7
Net Gearing	(21.0%)	(43.3%)	(57.2%)	(58.4%)	(62.2%)
P/BV (x)	4.89	4.57	3.98	4.08	3.89
ROE	16.3%	19.1%	19.8%	17.0%	17.3%
Normalised EPS/consensus EPS (x)			1.11	1.03	1.05

SOURCE: COMPANY DATA, CIMB FORECASTS

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**21,787**	**27,370**	**27,881**	**28,402**
Gross Profit	**1,316**	**1,459**	**1,304**	**1,327**
Operating EBITDA	**1,316**	**1,459**	**1,304**	**1,327**
Depreciation And Amortisation	(390)	(391)	(407)	(417)
Operating EBIT	**926**	**1,068**	**897**	**911**
Financial Income/(Expense)	348	412	449	469
Pretax Income/(Loss) from Assoc.	6	5	5	5
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**1,280**	**1,485**	**1,351**	**1,385**
Exceptional Items	(36)	431	0	0
Pre-tax Profit	**1,244**	**1,916**	**1,351**	**1,385**
Taxation	(297)	(355)	(324)	(332)
Exceptional Income - post-tax				
Profit After Tax	**946**	**1,561**	**1,027**	**1,053**
Minority Interests	(2)	(2)	(2)	(2)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Preference Dividends (Australia)				
Net Profit	**945**	**1,559**	**1,025**	**1,051**
Normalised Net Profit	983	1,130	1,027	1,053
Fully Diluted Normalised Profit	**981**	**1,128**	**1,025**	**1,051**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	2,432	3,621	3,613	4,018
Total Debtors	1,832	2,154	2,194	2,235
Inventories	803	1,017	1,043	1,063
Total Other Current Assets	0	0	0	0
Total Current Assets	**5,067**	**6,792**	**6,850**	**7,315**
Fixed Assets	3,794	3,832	3,753	3,663
Total Investments	3	8	13	18
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	500	492	484	476
Total Non-current Assets	**4,298**	**4,332**	**4,250**	**4,158**
Short-term Debt	34	34	34	34
Current Portion of Long-Term Debt				
Total Creditors	3,660	4,632	4,751	4,840
Other Current Liabilities	78	78	78	78
Total Current Liabilities	**3,772**	**4,744**	**4,863**	**4,952**
Total Long-term Debt	84	84	84	84
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	172	172	172	172
Total Non-current Liabilities	**257**	**257**	**257**	**257**
Total Provisions	0	0	0	0
Total Liabilities	**4,028**	**5,001**	**5,120**	**5,209**
Shareholders' Equity	5,303	6,087	5,942	6,225
Minority Interests	34	36	38	40
Total Equity	**5,337**	**6,123**	**5,980**	**6,264**

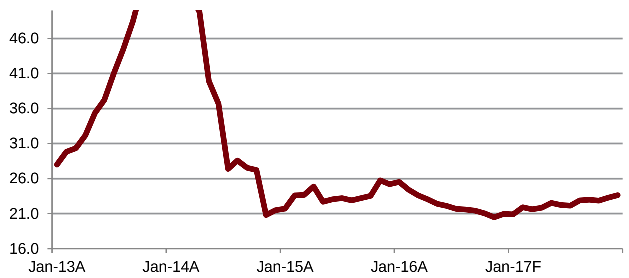
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	1,316	1,459	1,304	1,327
Cash Flow from Invt. & Assoc.				
Change In Working Capital	651	290	53	28
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	313	(170)	252	253
Other Operating Cashflow	2	457	47	58
Net Interest (Paid)/Received	83	125	150	159
Tax Paid	(296)	(355)	(324)	(332)
Cashflow From Operations	**2,069**	**1,805**	**1,481**	**1,493**
Capex	(228)	(400)	(300)	(300)
Disposals Of FAs/subsidiaries	37	0	0	0
Acq. Of Subsidiaries/investments	(4)	579	0	0
Other Investing Cashflow	(19)	(20)	(20)	(20)
Cash Flow From Investing	**(213)**	**159**	**(320)**	**(320)**
Debt Raised/(repaid)	(92)	0	0	0
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased				
Dividends Paid	(596)	(775)	(1,169)	(768)
Preferred Dividends				
Other Financing Cashflow	(4)	0	0	0
Cash Flow From Financing	**(692)**	**(775)**	**(1,169)**	**(768)**
Total Cash Generated	1,164	1,189	(8)	404
Free Cashflow To Equity	**1,764**	**1,964**	**1,161**	**1,173**
Free Cashflow To Firm	**1,858**	**1,970**	**1,167**	**1,178**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(13.1%)	25.6%	1.9%	1.9%
Operating EBITDA Growth	16.3%	10.8%	(10.6%)	1.8%
Operating EBITDA Margin	6.04%	5.33%	4.68%	4.67%
Net Cash Per Share (RM)	2.33	3.53	3.52	3.92
BVPS (RM)	5.34	6.13	5.98	6.27
Gross Interest Cover	120.9	194.1	162.9	165.5
Effective Tax Rate	23.9%	18.5%	24.0%	24.0%
Net Dividend Payout Ratio	71%	104%	75%	75%
Accounts Receivables Days	29.24	26.58	28.46	28.46
Inventory Days	12.77	12.82	14.15	14.19
Accounts Payables Days	55.98	58.40	64.44	64.65
ROIC (%)	17.1%	25.4%	24.5%	26.2%
ROCE (%)	18.9%	20.5%	17.1%	17.2%
Return On Average Assets	8.24%	7.97%	6.17%	6.17%

12-mth Fwd FD P/E (x) - Petronas Dagangan Bhd



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	-14.4%	30.0%	0.0%	0.0%
Vol. sales grth (%,main prod/serv)	1.6%	-3.4%	1.9%	1.9%
No. Of Petrol Stations	1,065	1,068	1,071	1,074

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

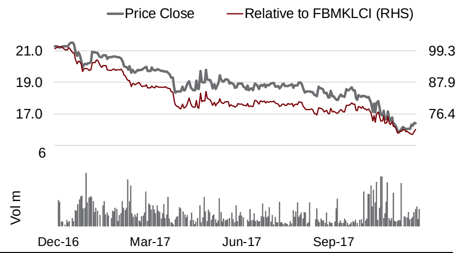
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 4	Hold 9	Sell 1

Current price:	RM16.40
Target price:	RM19.40
Previous target:	RM19.40
Up/downside:	18.3%
CIMB / Consensus:	1.1%
Reuters:	PGAS.KL
Bloomberg:	PTG MK
Market cap:	US$7,952m
	RM32,451m
Average daily turnover:	US$4.36m
	RM18.22m
Current shares o/s	1,979m
Free float:	22.3%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.5	-10.4	-22.5
Relative (%)	-2.4	-8.2	-28.8

Major shareholders	% held
Petronas	60.6
Employee Provident Fund	12.0
KWAP	5.6

Petronas Gas

All eyes on Third-Party Access

- The possible interest rate hike and third-party access (TPA) implementation could be disruptors for Petronas Gas in 2018F.
- Petronas Gas is still in discussions with the Energy Commission on tariffs to be imposed upon implementation of TPA in 2018F.
- Maintain Hold and TP based on 17.8x CY19F P/E (20% discount to 5-year mean).

Third-Party Access (TPA) to swing 2018F earnings

- Petronas Gas's parent company, Petroliam Nasional (Petronas, Unlisted), is currently the sole user of Petronas Gas's gas transmission and regasification assets in Peninsular Malaysia. The TPA system, which would allow other industry players to utilise Petronas Gas's gas infrastructure, is scheduled to be implemented in Jan 2018F. Once TPA is implemented, incentive-based regulation (IBR) will regulate the assets' earnings to curb monopolistic pricing.
- In order to comply with TPA, management submitted applications for three licences – Peninsular Gas Utilisation (PGU), Regasification Terminal Sungai Udang (RGTSU) and Regasification Terminal Pengerang (RGTP) – on 24 Oct 2017. The commercial documentation for RGTP was submitted in Oct 2017 and the group has handed in the documentation for RGTSU and PGU by the end of Nov 2017.
- The group is still in discussions with the Energy Commission on the tariffs to be imposed on its gas transmission and regasification assets. Currently, depreciated replacement cost (DRC) is used as the asset value in Petronas Gas's existing contracts with Petronas (not book value), while the rate of return allowed is c.9%.
- We gather that the management intends to preserve the current tariffs, which are based on c.9% allowable return on capital and DRC for its assets. As the other companies that are subject to IBR are only allowed to earn return on capital of 7.5-8.0%, we think Petronas Gas's gas transmission tariffs and regasification charges may be lowered from current levels. Gas transmission and regasification contributed 61% of Petronas Gas's gross profit in FY16.
- Based on our analysis, we estimate there could be up to 40% downside to our FY18F EPS, which currently assumes status quo on return on capital and DRC.

Interest rate hike could be on the cards

- Bank Negara Malaysia's Overnight Policy Rate (OPR) has been unchanged at 3% since Jul 2016, but our economist thinks a rate hike could be on the cards and pencils in a 25bp hike in 1Q18F (possibly Jan 2018F). We think this could be negative for the utilities sector as investors avoid defensive sectors in a rising rate environment. While Petronas Gas may not be spared from the change in investors' sentiment, its dividend yield of c.4% in FY17F would provide some buffer to the downside risk, in our view.

Maintain Hold

- We retain our Hold call on the stock, with an unchanged TP of RM19.40, based on 17.8x CY19F P/E (20% discount to historical 5-year mean P/E). The 20% discount is the mid-point of estimated earnings downside in our best- and worst-case scenarios). The stock now trades at 15.4x FY18F P/E, at a 31% discount to its historical 5-year average P/E.
- Key downside risk to our Hold call is worse-than-expected earnings in FY18F, while key upside risks are better-than-expected regulatory earnings allowed under TPA and potential flight to safety by investors due to rising market volatility from increasing economic uncertainty.

Analyst(s)

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Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	4,456	4,561	4,640	4,915	5,201
Operating EBITDA (RMm)	2,844	3,004	3,190	3,567	3,752
Net Profit (RMm)	1,987	1,739	1,790	2,052	2,165
Core EPS (RM)	0.88	0.88	0.90	1.04	1.09
Core EPS Growth	(0.3%)	0.1%	2.9%	14.6%	5.5%
FD Core P/E (x)	18.69	18.66	18.13	15.81	14.99
DPS (RM)	0.60	0.62	0.63	0.73	0.77
Dividend Yield	3.66%	3.78%	3.86%	4.43%	4.67%
EV/EBITDA (x)	10.99	10.24	9.60	8.53	8.03
P/FCFE (x)	19.46	47.93	23.01	19.33	17.74
Net Gearing	(10.6%)	(14.5%)	(14.9%)	(15.8%)	(17.1%)
P/BV (x)	2.84	2.71	2.60	2.47	2.36
ROE	15.8%	14.9%	14.6%	16.0%	16.1%
CIMB/consensus EPS (x)			1.01	1.08	1.11

SOURCE: COMPANY DATA, CIMB FORECASTS

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**4,741**	**4,806**	**5,093**	**5,395**
Gross Profit	**3,112**	**3,299**	**3,675**	**3,861**
Operating EBITDA	**3,004**	**3,190**	**3,567**	**3,752**
Depreciation And Amortisation	(867)	(907)	(947)	(987)
Operating EBIT	**2,137**	**2,283**	**2,620**	**2,765**
Financial Income/(Expense)	(94)	(94)	(94)	(94)
Pretax Income/(Loss) from Assoc.	64	105	108	109
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**2,107**	**2,295**	**2,634**	**2,780**
Exceptional Items				
Pre-tax Profit	**2,107**	**2,295**	**2,634**	**2,780**
Taxation	(370)	(504)	(581)	(614)
Exceptional Income - post-tax				
Profit After Tax	**1,736**	**1,791**	**2,053**	**2,166**
Minority Interests	3	(1)	(1)	(1)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**1,739**	**1,790**	**2,052**	**2,165**
Recurring Net Profit	1,739	1,790	2,052	2,165
Fully Diluted Recurring Net Profit	**1,739**	**1,790**	**2,052**	**2,165**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	1,769	1,895	2,107	2,389
Total Debtors	712	724	767	812
Inventories	68	68	68	68
Total Other Current Assets	0	0	0	0
Total Current Assets	**2,549**	**2,688**	**2,942**	**3,270**
Fixed Assets	12,812	13,105	13,358	13,571
Total Investments	736	811	889	968
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	456	456	456	456
Total Non-current Assets	**14,004**	**14,372**	**14,703**	**14,995**
Short-term Debt				
Current Portion of Long-Term Debt				
Total Creditors	1,006	1,006	1,006	1,006
Other Current Liabilities	33	33	33	33
Total Current Liabilities	**1,039**	**1,039**	**1,039**	**1,039**
Total Long-term Debt				
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	2,223	2,192	2,160	2,129
Total Non-current Liabilities	**2,223**	**2,192**	**2,160**	**2,129**
Total Provisions	1,131	1,131	1,131	1,131
Total Liabilities	**4,392**	**4,361**	**4,330**	**4,299**
Shareholders' Equity	11,967	12,504	13,119	13,769
Minority Interests	194	195	196	197
Total Equity	**12,161**	**12,699**	**13,316**	**13,966**

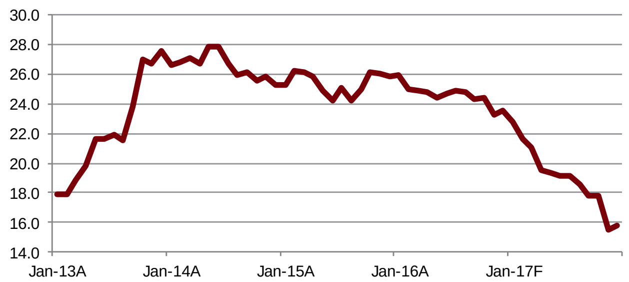
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	3,004	3,190	3,567	3,752
Cash Flow from Invt. & Assoc.	32	30	30	30
Change In Working Capital				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(175)	(66)	(97)	(99)
Net Interest (Paid)/Received	(40)	(40)	(40)	(40)
Tax Paid	(122)	(504)	(581)	(614)
Cashflow From Operations	**2,699**	**2,611**	**2,879**	**3,029**
Capex	(1,955)	(1,200)	(1,200)	(1,200)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(67)	0	0	0
Cash Flow From Investing	**(2,022)**	**(1,200)**	**(1,200)**	**(1,200)**
Debt Raised/(repaid)				
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(1,187)	(1,253)	(1,436)	(1,516)
Preferred Dividends				
Other Financing Cashflow	948	(125)	(125)	(125)
Cash Flow From Financing	**(239)**	**(1,378)**	**(1,562)**	**(1,641)**
Total Cash Generated	438	32	117	189
Free Cashflow To Equity	**677**	**1,411**	**1,679**	**1,829**
Free Cashflow To Firm	**771**	**1,505**	**1,773**	**1,923**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	2.36%	1.72%	5.93%	5.82%
Operating EBITDA Growth	5.6%	6.2%	11.8%	5.2%
Operating EBITDA Margin	65.9%	68.8%	72.6%	72.1%
Net Cash Per Share (RM)	0.89	0.96	1.06	1.21
BVPS (RM)	6.05	6.32	6.63	6.96
Gross Interest Cover	22.75	24.31	27.89	29.44
Effective Tax Rate	17.6%	21.9%	22.1%	22.1%
Net Dividend Payout Ratio	68.3%	70.0%	70.0%	70.0%
Accounts Receivables Days	-	-	-	-
Inventory Days	12.90	16.58	17.62	16.29
Accounts Payables Days	202.6	243.6	259.0	239.3
ROIC (%)	18.3%	17.6%	19.7%	20.3%
ROCE (%)	16.6%	16.8%	18.5%	18.7%
Return On Average Assets	11.8%	11.2%	12.4%	12.6%

12-mth Fwd FD P/E (x) - Petronas Gas



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Gas dist. price (US$/mmbtu)	N/A	N/A	N/A	N/A
Gas dist. volume (mmscfd)	N/A	N/A	N/A	N/A
Transmission Tariff (US$/mmbtu)	N/A	N/A	N/A	N/A
Transmission Volume (mmscfd)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 1	Hold 2	Sell 1

Current price:	RM3.85
Target price:	RM4.55
Previous target:	RM4.55
Up/downside:	18.2%
CIMB / Consensus:	11.8%
Reuters:	PHMA.KL
Bloomberg:	PHRM MK
Market cap:	US$245.1m
	RM1,000m
Average daily turnover:	US$0.03m
	RM0.12m
Current shares o/s	258.9m
Free float:	33.6%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.3	-7.7	-26.3
Relative (%)	0.4	-5.5	-32.6

Major shareholders	% held
Boustead Holdings Berhad	56.3
Lembaga Tabung Angkatan Tentera	10.1

Pharmaniaga Bhd

Better outlook for FY18

- Pharmaniaga is Malaysia's largest listed pharmaceutical company by market cap, mainly involved in the manufacturing of generic pharmaceuticals.
- Looking ahead, the group should benefit from the higher allocation of RM4.1bn (+2.5% yoy) for the supply of drugs and consumables in Budget 2018.
- Maintain ADD with a TP of RM4.55, based on 15.9x CY19F P/E (10% discount to CIMB's pharmaceutical sector 5-year mean of 17.7x).

Largest listed pharmaceutical company in Malaysia

- Pharmaniaga (PHARMA) is the largest distributor of medical products to Malaysia's Ministry of Health (MOH), supplying up to ~50% of MOH's needs. Its major core businesses are: i) manufacturing of generic pharmaceutical products and, ii) logistics and distribution of medical drugs and consumables.
- As at 9M17, revenue contribution of Pharmaniaga's three divisions was: i) Logistics and Distribution – 68%, ii) Manufacturing – 10.2% and iii) Indonesia – 31.9% (manufacturing as well as logistics and distribution).

9M17 net profit came in below expectations

- 9M17 revenue rose to RM1.7bn (+6.5% yoy) due to higher sales in Indonesia as well as higher contribution from the logistics and distribution (L&D) division in Malaysia. This offset a decline in revenue contribution of 34.3% yoy from the manufacturing segment.
- However, 9M17 net profit declined 31% yoy to RM32m due to: i) a higher tax rate (+7% pts yoy), ii) lower contribution from manufacturing segment due to lower production in 2Q17 from revamp of various production lines, and iii) higher overall operating costs.

To benefit from higher allocation in Budget 2018

- Moving forward, the group should benefit from the higher allocation of RM4.1bn (+2.5% yoy) for the supply of drugs and consumables in Budget 2018. Furthermore, we expect Pharmaniaga to supply more drugs to the MOH starting from 2018 under the new Approved Product Purchase List (APPL).
- The group is also confident of securing a 10-year extension to its concession agreement (CA) with MOH that expires in 2019. An outcome is likely to be announced by 1Q18, as talks are currently ongoing.

Expect stronger results in the upcoming quarters

- Pharmaniaga upgraded various production lines during 2Q17 in preparation for the commercialisation of new products. We suspect these products are likely to be the new tender drugs that the group will supply under the APPL. Hence, Pharmaniaga is well-positioned to cater for the demand of drugs from MOH, which are likely to be rolled-out beginning 2018 through to end-2019.
- Therefore, we expect Pharmaniaga to post 23.3% earnings growth in FY18F, contributed by higher supply of drugs under APPL, renewal of CA and stronger sales from Indonesia division, which started to turn around in 9M17.

Maintain ADD

- Moving forward, we expect the share price to trend higher, in line with: i) sequentially stronger earnings from increased supply of drugs, and ii) newsflow on the renewal of CA.
- Maintain Add with an unchanged target price of RM4.55, based on 15.9x CY19F P/E (10% discount to CIMB's pharmaceutical sector 5-year mean of 17.7x).
- Downside risk: lower-than-expected demand for drugs from the MOH.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	2,189	2,189	2,216	2,419	2,650
Operating EBITDA (RMm)	180.2	145.5	146.0	168.6	191.5
Net Profit (RMm)	84.04	45.60	49.86	61.45	74.02
Core EPS (RM)	0.32	0.18	0.19	0.24	0.29
Core EPS Growth	(10.4%)	(45.8%)	9.2%	23.3%	20.5%
FD Core P/E (x)	11.86	21.88	20.03	16.25	13.49
DPS (RM)	0.30	0.16	0.17	0.21	0.26
Dividend Yield	7.79%	4.16%	4.42%	5.45%	6.75%
EV/EBITDA (x)	7.80	10.82	11.20	10.16	9.36
P/FCFE (x)	12.43	8.60	15.65	18.30	15.01
Net Gearing	67%	97%	108%	122%	136%
P/BV (x)	1.88	1.86	1.87	1.87	1.87
ROE	15.9%	8.6%	9.3%	11.5%	13.9%
CIMB/consensus EPS (x)			0.90	0.97	1.02

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)
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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**2,189**	**2,216**	**2,419**	**2,650**
Gross Profit	**343**	**342**	**382**	**426**
Operating EBITDA	**146**	**146**	**169**	**191**
Depreciation And Amortisation	(42)	(48)	(51)	(55)
Operating EBIT	**103**	**98**	**117**	**136**
Financial Income/(Expense)	(33)	(25)	(26)	(27)
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	1	1	1	2
Profit Before Tax (pre-EI)	**72**	**74**	**93**	**111**
Exceptional Items				
Pre-tax Profit	**72**	**74**	**93**	**111**
Taxation	(26)	(24)	(31)	(37)
Exceptional Income - post-tax				
Profit After Tax	**46**	**50**	**62**	**74**
Minority Interests	(0)	(0)	(0)	(0)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**46**	**50**	**61**	**74**
Recurring Net Profit	46	50	61	74
Fully Diluted Recurring Net Profit	**46**	**50**	**61**	**74**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	70.5	91.5	93.0	93.5
Total Debtors	256.3	258.2	273.3	290.5
Inventories	532.2	540.5	587.4	641.4
Total Other Current Assets	17.7	17.7	17.7	17.7
Total Current Assets	**876.7**	**908.0**	**971.4**	**1,043.1**
Fixed Assets	420.5	449.3	476.5	501.9
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	342.8	365.9	389.2	411.8
Total Other Non-Current Assets	43.2	43.1	43.2	43.1
Total Non-current Assets	**806.4**	**858.4**	**908.9**	**956.8**
Short-term Debt	618.0	668.0	718.0	768.0
Current Portion of Long-Term Debt				
Total Creditors	441.9	447.8	481.1	519.5
Other Current Liabilities	1.7	1.7	1.7	1.7
Total Current Liabilities	**1,061.6**	**1,117.5**	**1,200.8**	**1,289.2**
Total Long-term Debt	0.2	30.2	60.2	90.2
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0
Total Non-current Liabilities	**0.2**	**30.2**	**60.2**	**90.2**
Total Provisions	56.7	56.7	56.7	56.7
Total Liabilities	**1,118.5**	**1,204.5**	**1,317.7**	**1,436.1**
Shareholders' Equity	535.8	532.9	533.3	534.3
Minority Interests	28.8	29.0	29.3	29.6
Total Equity	**564.6**	**562.0**	**562.6**	**563.8**

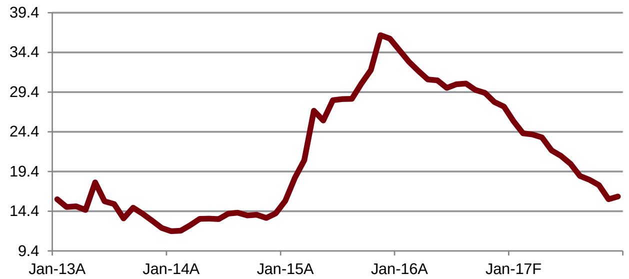
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	145.5	146.0	168.6	191.5
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(63.7)	(4.4)	(28.6)	(32.8)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	10.7	1.3	1.4	1.6
Net Interest (Paid)/Received	(30.9)	(25.0)	(25.8)	(26.6)
Tax Paid	(26.0)	(24.1)	(31.1)	(37.2)
Cashflow From Operations	**35.7**	**93.8**	**84.6**	**96.5**
Capex	(113.5)	(80.0)	(80.0)	(80.0)
Disposals Of FAs/subsidiaries	0.2	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(14.9)	0.0	0.0	0.0
Other Investing Cashflow				
Cash Flow From Investing	**(128.2)**	**(80.0)**	**(80.0)**	**(80.0)**
Debt Raised/(repaid)	208.6	50.0	50.0	50.0
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(52.2)	(44.0)	(54.4)	(67.3)
Preferred Dividends				
Other Financing Cashflow	31.5			
Cash Flow From Financing	**187.9**	**6.0**	**(4.4)**	**(17.3)**
Total Cash Generated	95.3	19.8	0.2	(0.8)
Free Cashflow To Equity	**116.0**	**63.8**	**54.6**	**66.5**
Free Cashflow To Firm	**(60.7)**	**39.2**	**30.7**	**43.4**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(0.01%)	1.24%	9.14%	9.56%
Operating EBITDA Growth	(19.2%)	0.3%	15.5%	13.6%
Operating EBITDA Margin	6.65%	6.59%	6.97%	7.23%
Net Cash Per Share (RM)	(2.11)	(2.34)	(2.64)	(2.95)
BVPS (RM)	2.07	2.05	2.06	2.06
Gross Interest Cover	3.07	3.86	4.48	5.07
Effective Tax Rate	36.3%	32.5%	33.5%	33.3%
Net Dividend Payout Ratio	90.8%	88.3%	88.5%	90.9%
Accounts Receivables Days	29.81	26.72	25.77	25.74
Inventory Days	106.3	104.4	101.0	100.8
Accounts Payables Days	85.92	74.20	71.79	71.62
ROIC (%)	10.6%	8.4%	9.6%	10.5%
ROCE (%)	9.3%	7.7%	8.7%	9.5%
Return On Average Assets	4.94%	4.36%	4.80%	5.20%

12-mth Fwd FD P/E (x) - Pharmaniaga Bhd



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	3.0%	3.0%	3.0%	3.0%
Unit sales grth (%, main prod./serv.)	4.0%	0.0%	2.0%	2.0%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
R&D Cost/sales (%)	0.0%	0.0%	0.0%	0.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

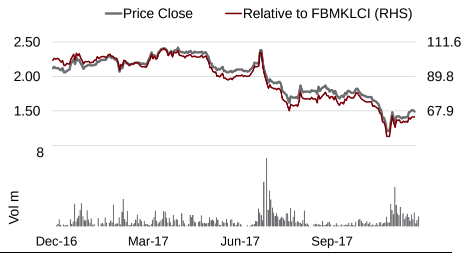
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 5	Hold 0	Sell 0

Current price:	RM1.49
Target price:	RM2.69
Previous target:	RM2.69
Up/downside:	80.5%
CIMB / Consensus:	19.3%
Reuters:	PSTG.KL
Bloomberg:	PRES MK
Market cap:	US$176.1m
	RM718.6m
Average daily turnover:	US$0.21m
	RM0.87m
Current shares o/s	484.0m
Free float:	51.3%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.4	-19.5	-29.4
Relative (%)	5.5	-17.3	-35.7

Major shareholders	% held
Dr.Abu Hasan	27.4
KWAP	12.5
AIA	9.4

Analyst(s)

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Prestariang

SKIN to fully contribute to bottomline in FY18F

- SKIN debt financing exercise should be completed soon.
- The company started to recognise SKIN construction earnings from 3Q17 onwards.
- Still an Add; stock valuation is cheap at FY18F 7.9x P/E.

Country's largest ICT training and software distributor

- Prestariang is the country's largest provider of information communications technology (ICT) training, certification and software licence management and distribution. The biggest software distribution project is MLA2.0, which is the distribution of Microsoft software to all the government agencies in the country.

SKIN concession project

- In 2017, the company secured the Sistem Kawalan Imigresen Nasional (SKIN) concession project, which is the revamp of the country's Immigration IT system. Construction work on the 15-year concession SKIN project has recently started and is targeted to be ready for full commercial use in end-2020. Prestariang would get paid by the government over 12 years, starting from 2021 onwards. We expect SKIN to generate RM3.5bn revenue for Prestariang.

Finalising debt funding exercise for SKIN

- SKIN's capex is estimated at around RM800m and we expect Prestariang to finalise its debt funding exercise for SKIN soon. We are looking at a 20%:80% equity debt ratio funding for SLIN, which means the company might need to raise around RM160m equity funding for SKIN.

RM68m net cash or 14sen net cash per share

- As at end-Sep, Prestariang's net cash in its balance sheet was RM68m or 14sen net cash per share. Given its current weak share price, we believe Prestariang would not be pursuing a private placement exercise to raise new money to fund its equity portion of SKIN. Instead, Prestariang could get investors to subscribe for SKIN's equity funding directly, in our view.

Started to recognise SKIN construction profit from 3Q17 onwards

- Accounting standard FRS IC12 allows Prestariang to recognise the construction profits of SKIN when the asset's infrastructure is under construction. In 3QFY17, Prestariang recognised maiden RM30m revenue and RM8.3m EBIT for SKIN construction works. We estimate Prestariang could recognise a total of RM200m PBT from SKIN over the next three years and construction profit should peak in FY19F as most of the installation works for SKIN's infrastructure should already be completed.

UniMY to break even from 4QFY17 onwards

- University Malaysia of Computer Science and Engineering (UniMY) recorded a RM1.8m loss in 3Q17, mainly due to higher staff costs to cater to the additional 200 new students from its Aug intake. UniMY should break even in 4Q17F as it receives the full three months of fees from these students instead of only one month in 3Q17. At end-Sep, UniMY's student base was 700, including the 200 students from the Aug intake. We estimate that UniMY's operations should breakeven with 500 students.

Remains an Add

- We maintain our EPS forecasts and target price at RM2.69 based on unchanged SOP valuation. Prestariang remains an Add. After the stock's sharp share price correction over the past two months, it looks attractive at FY18F P/E of 7.9x, and we believe this is a good opportunity for investors to accumulate the stock. Potential re-rating catalysts are finalisation of SKIN's debt financing exercise. Risks are further delays in finalising SKIN's debt financing.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	115.5	132.1	205.0	513.0	619.0
Operating EBITDA (RMm)	18.6	10.7	29.0	107.0	130.1
Net Profit (RMm)	17.0	9.0	19.2	85.7	100.8
Core EPS (RM)	0.04	0.02	0.04	0.18	0.21
Core EPS Growth	(20%)	(47%)	113%	346%	18%
FD Core P/E (x)	42.42	80.13	37.56	8.41	7.16
DPS (RM)	0.040	0.030	0.040	0.060	0.070
Dividend Yield	2.68%	2.01%	2.68%	4.03%	4.70%
EV/EBITDA (x)	30.36	61.63	30.11	10.37	10.67
P/FCFE (x)	22.97	NA	NA	6.68	7.47
Net Gearing	(89%)	(38%)	90%	161%	243%
P/BV (x)	4.10	4.47	4.26	2.99	2.62
ROE	9.9%	5.3%	11.6%	41.8%	39.1%
CIMB/consensus EPS (x)			0.90	1.36	1.29

SOURCE: COMPANY DATA, CIMB FORECASTS

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CIMB

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**132.1**	**205.0**	**513.0**	**619.0**
Gross Profit	**35.0**	**64.2**	**188.2**	**230.3**
Operating EBITDA	**10.7**	**29.0**	**107.0**	**130.1**
Depreciation And Amortisation	(1.7)	(2.0)	(2.4)	(2.9)
Operating EBIT	**9.0**	**27.0**	**104.6**	**127.2**
Financial Income/(Expense)	2.5	2.0	4.5	4.5
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**11.5**	**29.0**	**109.1**	**131.7**
Exceptional Items				
Pre-tax Profit	**11.5**	**29.0**	**109.1**	**131.7**
Taxation	(2.5)	(4.7)	(0.9)	(0.9)
Exceptional Income - post-tax				
Profit After Tax	**9.0**	**24.3**	**108.2**	**130.8**
Minority Interests		(5.1)	(22.5)	(30.0)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**9.0**	**19.2**	**85.7**	**100.8**
Recurring Net Profit	9.0	19.2	85.7	100.8
Fully Diluted Recurring Net Profit	**9.0**	**19.2**	**85.7**	**100.8**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	61.7	89.2	162.0	162.0
Total Debtors	31.7	20.5	51.3	61.9
Inventories	2.5	3.0	3.0	3.0
Total Other Current Assets	80.2	0.4	0.4	0.4
Total Current Assets	**176.1**	**113.1**	**216.7**	**227.3**
Fixed Assets	20.2	323.2	630.7	942.8
Total Investments	1.2	0.0	0.0	0.0
Intangible Assets	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	0.0	0.0	0.0	0.0
Total Non-current Assets	**21.4**	**323.2**	**630.7**	**942.8**
Short-term Debt	0.0	0.3	0.3	0.3
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0
Total Creditors	15.4	20.5	51.3	61.9
Other Current Liabilities	19.0	4.3	4.3	4.3
Total Current Liabilities	**34.4**	**25.1**	**55.9**	**66.5**
Total Long-term Debt	0.0	242.0	550.9	828.7
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	1.5	0.0	0.0	0.0
Total Non-current Liabilities	**1.5**	**242.0**	**550.9**	**828.7**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**35.9**	**267.1**	**606.8**	**895.2**
Shareholders' Equity	161.5	169.2	241.1	275.0
Minority Interests	0.0	0.0	0.0	0.0
Total Equity	**161.5**	**169.2**	**241.1**	**275.0**

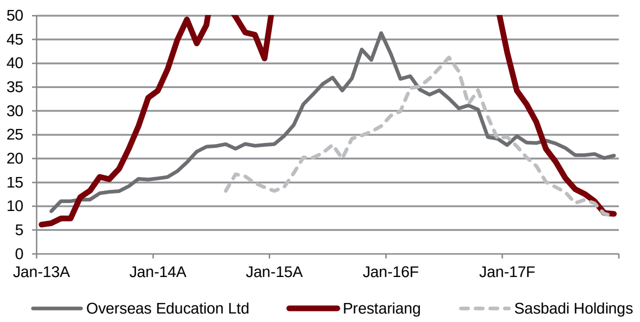
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	10.70	29.04	107.05	130.11
Cash Flow from Invt. & Assoc.	0.00	0.00	0.00	0.00
Change In Working Capital	(7.00)	15.80	0.00	0.00
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00
Other Operating Cashflow	(1.20)	0.00	(1.60)	0.00
Net Interest (Paid)/Received	2.50	2.00	4.50	4.50
Tax Paid	(2.50)	(4.70)	(0.90)	(0.90)
Cashflow From Operations	**2.50**	**42.14**	**109.05**	**133.71**
Capex	(2.90)	(305.00)	(310.00)	(315.00)
Disposals Of FAs/subsidiaries	0.30	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	(4.00)	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Investing	**(6.60)**	**(305.00)**	**(310.00)**	**(315.00)**
Debt Raised/(repaid)	0.00	242.30	308.90	277.80
Proceeds From Issue Of Shares	(1.40)	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	(15.70)	(11.52)	(51.42)	(62.28)
Preferred Dividends	0.00	0.00	0.00	0.00
Other Financing Cashflow				
Cash Flow From Financing	**(17.10)**	**230.78**	**257.48**	**215.52**
Total Cash Generated	(21.20)	(32.08)	56.53	34.23
Free Cashflow To Equity	**(4.10)**	**(20.56)**	**107.95**	**96.51**
Free Cashflow To Firm	**(4.10)**	**(262.86)**	**(200.95)**	**(181.29)**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	14%	55%	150%	21%
Operating EBITDA Growth	(42%)	171%	269%	22%
Operating EBITDA Margin	8.1%	14.2%	20.9%	21.0%
Net Cash Per Share (RM)	0.13	(0.32)	(0.80)	(1.38)
BVPS (RM)	0.33	0.35	0.50	0.57
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	21.7%	16.2%	0.8%	0.7%
Net Dividend Payout Ratio	137%	48%	59%	61%
Accounts Receivables Days	59.91	46.47	25.54	33.37
Inventory Days	10.36	7.13	3.37	2.82
Accounts Payables Days	50.78	46.54	40.35	53.15
ROIC (%)	35.9%	20.2%	24.3%	15.1%
ROCE (%)	6.8%	10.1%	18.1%	13.9%
Return On Average Assets	4.9%	8.7%	16.5%	12.7%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Growth In Number Of Students (%)	2.0%	2.0%	2.0%	2.0%
Average Student Fee Change (%)	3.0%	3.0%	3.0%	3.0%
Campus Utilisation Rates (%)	100.0%	100.0%	100.0%	100.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

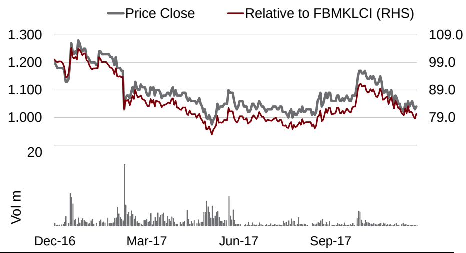
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 2	Hold 1	Sell 0

Current price:	RM1.04
Target price:	RM1.43
Previous target:	RM1.43
Up/downside:	37.5%
CIMB / Consensus:	10.0%
Reuters:	PRTO.KL
Bloomberg:	PRTA MK
Market cap:	US$108.1m
	RM441.2m
Average daily turnover:	US$0.15m
	RM0.62m
Current shares o/s	424.2m
Free float:	65.6%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5.5	-4.6	-13.3
Relative (%)	-6.4	-2.4	-19.6

Major shareholders	% held
Dato' Sri Chong Ket Pen	15.4
Penmacorp Sdn Bhd	10.3
Employees Provident Fund (EPF)	8.7

Protasco

Take the road less travelled for growth and dividends

- Protasco is an underappreciated player in the domestic road maintenance space, in our view, with a dominant 43% market share in 2016.
- Depressed share price could be catalysed by a revival in job flows and election plays.
- Appealing FY18-19F dividend yields (6-8%); attractive 8-10x CY18-19F P/E, with 3-year EPS CAGR of 10%. The stock offers 38% potential upside at our target price.

Biggest proxy for government road maintenance contracts

Protasco is the biggest play on government road maintenance contracts, with a dominant 43% market share in the road maintenance space in 2016 (our estimates). It is the only listed company with direct exposure to this segment and stands to benefit from the uptrend in government expenditure on road construction and maintenance (up >200% in 2017F to RM5.9bn). Its construction division is vying for RM4.6bn in new contracts.

Diminishing earnings risks

We consider FY16 and FY17F as transition years for Protasco's earnings prior to contribution from road maintenance and construction stepping up to reflect higher-margin recurring earnings from road maintenance (RM4.2bn outstanding order book) and billings from its high RM718m construction order book. We forecast earnings recovery in FY18-19F, with a 3-year EPS CAGR of 10% (FY16-19F).

Share price at depressed levels; potential catalysts in 2018F

The stock is down 13% YTD and trades at a massive 40% discount to end-FY18F RNAV. We believe most of the negatives (disappointing FY16 results, likely sustained weak earnings in FY17F and legacy issues) are reflected in the current share price. Potential re-rating catalysts include: 1) a revival in contract flows, 2) election plays, and 3) a revival in affordable housing contracts (Protasco's niche area).

FY18-19F dividend yields of 6-7%, the highest in the sector

Protasco's dividend appeal is supported by stable earnings from its road maintenance concessions. We forecast a dividend payout ratio of 60% in FY17-19F (consistent with historical ratios), excluding potential special dividends. Its FY18-19F dividend yields of 6-7% (our estimates) are the highest in the sector and among the small-cap contractors.

A big laggard – get other operating assets for "free"

Protasco's current share price implies that investors would essentially be paying for only its road maintenance division (which accounts for 44% of our end-FY18F RNAV/share of RM2.39) and getting other assets for "free". Construction, property development, trading/manufacturing and education make up the balance 54% of RNAV.

TP of RM1.43 offers 38% upside

We believe Protasco offers an attractive risk-reward profile in FY17-18F. Our RM1.43 target price is based on a 40% discount to end-FY18F RNAV (implied end-CY18F target P/E of 14.3x). At 8-11x CY18-19F P/E, Protasco trades at a 14-18% discount to the P/E valuations of select small/mid-cap contractors. Key downside risks to our call are weak earnings delivery, poor execution and job delays.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	1,305	1,110	844	975	1,121
Operating EBITDA (RMm)	121.5	74.6	50.6	68.2	89.7
Net Profit (RMm)	66.76	42.40	26.75	42.59	56.74
Core EPS (RM)	0.16	0.10	0.06	0.10	0.13
Core EPS Growth		(36.5%)	(36.9%)	59.2%	33.2%
FD Core P/E (x)	6.61	10.41	16.49	10.36	7.77
DPS (RM)	0.13	0.08	0.04	0.06	0.08
Dividend Yield	12.5%	7.7%	3.6%	5.8%	7.7%
EV/EBITDA (x)	4.57	10.77	16.67	12.68	9.79
P/FCFE (x)	4.36	12.90	NA	5.23	4.66
Net Gearing	20%	85%	95%	104%	107%
P/BV (x)	1.17	1.11	1.24	1.27	1.28
ROE	18.8%	11.0%	7.1%	12.1%	16.4%
CIMB/consensus EPS (x)			0.89	1.02	1.11

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**1,110**	**844**	**975**	**1,121**
Gross Profit	**217**	**160**	**185**	**224**
Operating EBITDA	**75**	**51**	**68**	**90**
Depreciation And Amortisation	(17)	(17)	(15)	(17)
Operating EBIT	**58**	**34**	**54**	**73**
Financial Income/(Expense)	(5)	(8)	(7)	(4)
Pretax Income/(Loss) from Assoc.	(0)	3	3	3
Non-Operating Income/(Expense)	25	19	22	26
Profit Before Tax (pre-EI)	**78**	**48**	**71**	**97**
Exceptional Items				
Pre-tax Profit	**78**	**48**	**71**	**97**
Taxation	(25)	(13)	(20)	(27)
Exceptional Income - post-tax				
Profit After Tax	**52**	**34**	**51**	**70**
Minority Interests	(10)	(8)	(9)	(13)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**42**	**27**	**43**	**57**
Recurring Net Profit	42	27	43	57
Fully Diluted Recurring Net Profit	**42**	**27**	**43**	**57**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	208.8	111.2	121.0	131.7
Total Debtors	305.9	302.8	299.8	296.8
Inventories	28.5	28.5	28.5	28.5
Total Other Current Assets	561.6	567.1	572.5	578.1
Total Current Assets	**1,104.8**	**1,009.6**	**1,021.8**	**1,035.1**
Fixed Assets	203.8	207.0	210.1	212.9
Total Investments	96.9	97.9	98.8	99.8
Intangible Assets	0.4	0.4	0.4	0.4
Total Other Non-Current Assets	0.4	0.4	0.4	0.4
Total Non-current Assets	**301.5**	**305.7**	**309.7**	**313.5**
Short-term Debt	89.8	88.9	84.5	80.3
Current Portion of Long-Term Debt	39.7	39.3	38.9	38.5
Total Creditors	410.4	414.5	410.3	406.2
Other Current Liabilities	20.2	20.2	20.2	20.2
Total Current Liabilities	**560.1**	**562.9**	**554.0**	**545.2**
Total Long-term Debt	427.2	354.4	389.9	417.2
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0
Total Non-current Liabilities	**427.2**	**354.4**	**389.9**	**417.2**
Total Provisions	8.9	8.9	8.9	8.9
Total Liabilities	**996.2**	**926.2**	**952.7**	**971.3**
Shareholders' Equity	395.7	357.1	346.5	344.7
Minority Interests	14.3	32.0	32.3	32.6
Total Equity	**410.0**	**389.0**	**378.8**	**377.3**

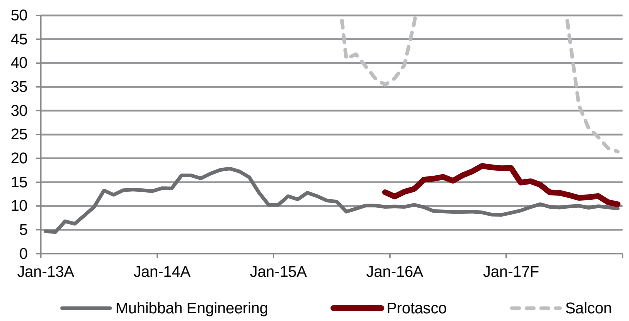
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	74.6	50.6	68.2	89.7
Cash Flow from Invt. & Assoc.	0.0			
Change In Working Capital	(238.5)	(98.0)	21.2	22.0
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	11.1	11.1	11.1	11.1
Net Interest (Paid)/Received	(5.5)	(7.9)	(7.3)	(3.9)
Tax Paid	(25.1)	(13.4)	(20.0)	(27.3)
Cashflow From Operations	**(183.5)**	**(57.6)**	**73.2**	**91.5**
Capex	(35.7)	(19.9)	(19.9)	(19.9)
Disposals Of FAs/subsidiaries	7.1	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0			
Other Investing Cashflow	61.4			
Cash Flow From Investing	**32.9**	**(19.9)**	**(19.9)**	**(19.9)**
Debt Raised/(repaid)	184.8	(73.7)	31.0	23.1
Proceeds From Issue Of Shares	3.9	0.0	0.0	0.0
Shares Repurchased	0.0			
Dividends Paid	(30.3)	(16.1)	(25.6)	(34.0)
Preferred Dividends	(23.6)	(23.6)	(23.6)	(23.6)
Other Financing Cashflow	53.3	97.1	(21.5)	(22.2)
Cash Flow From Financing	**188.1**	**(16.3)**	**(39.6)**	**(56.7)**
Total Cash Generated	37.5	(93.8)	13.7	14.9
Free Cashflow To Equity	**34.2**	**(151.2)**	**84.3**	**94.7**
Free Cashflow To Firm	**(143.4)**	**(68.3)**	**62.1**	**77.2**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(14.9%)	(24.0%)	15.5%	15.0%
Operating EBITDA Growth	(39%)	(32%)	35%	31%
Operating EBITDA Margin	6.72%	6.00%	7.00%	8.00%
Net Cash Per Share (RM)	(0.82)	(0.88)	(0.92)	(0.95)
BVPS (RM)	0.93	0.84	0.82	0.81
Gross Interest Cover	8.08	3.66	6.11	13.00
Effective Tax Rate	32.4%	28.0%	28.0%	28.0%
Net Dividend Payout Ratio	71.5%	60.0%	60.0%	60.0%
Accounts Receivables Days	98.1	131.6	112.8	97.1
Inventory Days	6.78	15.24	13.19	11.61
Accounts Payables Days	163.4	220.3	190.7	166.2
ROIC (%)	11.1%	3.8%	6.1%	8.1%
ROCE (%)	8.6%	5.0%	7.7%	9.9%
Return On Average Assets	4.30%	2.97%	4.30%	5.46%

12-mth Fwd FD P/E (x)



Key Drivers

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Outstanding Orderbook	800	1,000	1,500	2,000
Order Book Depletion	248	300	300	300
Orderbook Replenishment	300	500	800	800
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

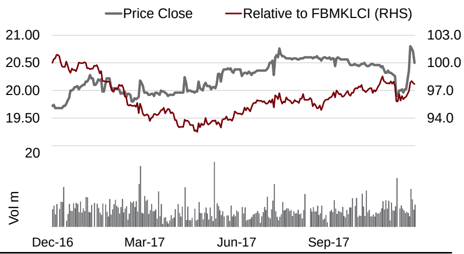
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 11	Hold 9	Sell 3

Current price:	RM20.50
Target price:	RM20.40
Previous target:	RM20.40
Up/downside:	-0.5%
CIMB / Consensus:	-5.8%
Reuters:	PUBM.KL
Bloomberg:	PBK MK
Market cap:	US$19,397m
	RM79,161m
Average daily turnover:	US$22.15m
	RM92.35m
Current shares o/s	3,882m
Free float:	76.5%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.6	-0.5	3.9
Relative (%)	-0.3	1.7	-2.4

Major shareholders	% held
Tan Sri Dr. Teh Hong Piow	23.5
EPF	12.8
JPMorgan Chase Bank	2.4

Public Bank Bhd

Strong buffer against the negative impact of MFRS 9

- We are forecasting stronger net profit growth of 10.6% for Public Bank (PBB) in FY18F vs. 3.2% in FY17 on the back of wider topline expansion.
- Based on our assumption that loan loss provisioning rises by about 10% upon adoption of MFRS 9, PBB's FY18 net profit will be trimmed by only 0.6%.
- Retain Hold due to rich valuations (for both P/E and P/BV).

Projecting stronger net profit growth in FY18F

- We are projecting stronger net profit growth of 10.6% for Public Bank in FY18F vs. 3.2% in FY17. Our FY18F net profit forecast is based on the assumptions of (1) a 9% rise in net interest income (vs. +5.3% in FY17), (2) a 9.5% increase in non-interest income (+9.2%), and (3) a 6.2% hike in loan loss provisioning (+113.2%).

Projecting a small improvement in loan growth

- We expect Public Bank's loan growth to accelerate from 6.5% in FY17 to 7.3% in FY18. The key support for the group's loan growth is property loans, with projected growth of circa 11% for both residential and non-residential mortgages.

Holding onto its solid asset quality

- In view of its tradition of strong credit control, we do not foresee any significant risk of a material deterioration in Public Bank's asset quality in FY18F. We project only a small increase in its gross impaired loan ratio from an estimated 0.59% at end-Dec 17 to a projected 0.62% at end-Dec 18, which will still be the lowest among the local banks.

Strong buffer to mitigate the impact of MFRS 9 adoption on capital

- Upon the adoption of MFRS 9 in 2018, total provision for all banks will increase, mainly from the transfer from either regulatory reserves (if allowed by Bank Negara) and/or shareholders' funds. Any transfer from shareholders' funds will lower the banks' common equity Tier-1 (CET1) capital ratios.
- Public Bank had a high regulatory reserve of an estimated RM2.25bn at end-Jun 17, which was 154.2% of its total provision. This represents a strong buffer against the negative impact of MFRS 9 adoption on its CET1 capital ratio.

Small impact on earnings from MFRS 9 adoption

- Our base case assumption is that MFRS 9 adoption will increase the loan loss provisioning by about 10% for Malaysian banks. Based on our estimates, a 10% increase in Public Bank's loan loss provisioning will trim its net profit by a marginal 0.6%, the second-lowest among the Malaysian banks.

Maintain Hold

- We maintain our Hold call on Public Bank as we believe that its strong fundamentals are largely priced in given its rich valuations. Its CY18 P/E of 13.3x is the second-highest in the sector while its CY18 P/BV of 1.9x tops those of all other Malaysian banks.
- Upside/downside risks are an improvement/deterioration in loan and fee income growth.
- Also unchanged are our FY17-19F EPS forecasts and DDM-based target price of RM20.40.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Net Interest Income (RMm)	6,377	6,920	7,284	7,942	8,572
Total Non-Interest Income (RMm)	3,169	3,036	3,303	3,603	3,817
Operating Revenue (RMm)	9,546	9,956	10,587	11,545	12,389
Total Provision Charges (RMm)	(146.2)	(192.7)	(410.9)	(436.5)	(493.5)
Net Profit (RMm)	5,062	5,207	5,373	5,940	6,405
Core EPS (RM)	1.30	1.34	1.38	1.53	1.65
Core EPS Growth	7.0%	2.9%	3.2%	10.6%	7.8%
FD Core P/E (x)	15.72	15.28	14.81	13.40	12.42
DPS (RM)	0.56	0.58	0.62	0.69	0.74
Dividend Yield	2.73%	2.83%	3.04%	3.36%	3.62%
BVPS (RM)	8.04	8.81	9.90	10.92	11.98
P/BV (x)	2.55	2.33	2.07	1.88	1.71
ROE	17.1%	15.9%	14.8%	14.7%	14.4%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.01	1.06	1.07

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Net Interest Income	6,920	7,284	7,942	8,572
Total Non-Interest Income	3,036	3,303	3,603	3,817
Operating Revenue	**9,956**	**10,587**	**11,545**	**12,389**
Total Non-Interest Expenses	(3,212)	(3,284)	(3,481)	(3,699)
Pre-provision Operating Profit	**6,745**	**7,303**	**8,064**	**8,690**
Total Provision Charges	(193)	(411)	(437)	(493)
Operating Profit After Provisions	**6,552**	**6,892**	**7,627**	**8,196**
Pretax Income/(Loss) from Assoc.	1	4	4	4
Operating EBIT (incl Associates)	**6,554**	**6,897**	**7,632**	**8,200**
Non-Operating Income/(Expense)	0	5	(3)	25
Profit Before Tax (pre-EI)	**6,554**	**6,902**	**7,629**	**8,225**
Exceptional Items	0	0	0	0
Pre-tax Profit	**6,554**	**6,902**	**7,629**	**8,225**
Taxation	(1,287)	(1,461)	(1,613)	(1,739)
Consolidation Adjustments & Others				
Exceptional Income - post-tax				
Profit After Tax	**5,267**	**5,441**	**6,016**	**6,487**
Minority Interests	(61)	(68)	(75)	(81)
Pref. & Special Div	0	0	0	0
FX And Other Adj.	0	0	0	0
Net Profit	**5,207**	**5,373**	**5,940**	**6,405**
Recurring Net Profit	5,207	5,373	5,940	6,405

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Gross Loans	293,959	313,067	335,920	363,802
Liquid Assets & Invst. (Current)	57,316	80,410	92,285	103,541
Other Int. Earning Assets				
Total Gross Int. Earning Assets	**351,275**	**393,477**	**428,205**	**467,342**
Total Provisions/Loan Loss Reserve	(1,530)	(1,720)	(1,888)	(2,110)
Total Net Interest Earning Assets	**349,745**	**391,757**	**426,317**	**465,233**
Intangible Assets	2,604	2,604	2,604	2,604
Other Non-Interest Earning Assets	14,226	15,442	16,579	17,785
Total Non-Interest Earning Assets	**16,830**	**18,046**	**19,182**	**20,389**
Cash And Marketable Securities	**13,478**	**29,219**	**33,968**	**37,416**
Long-term Investments	0	0	0	0
Total Assets	**380,053**	**439,021**	**479,467**	**523,037**
Customer Interest-Bearing Liabilities	309,974	363,322	397,964	435,508
Bank Deposits	13,733	13,705	14,812	16,037
Interest Bearing Liabilities: Others	11,514	11,514	11,514	11,514
Total Interest-Bearing Liabilities	**335,221**	**388,541**	**424,291**	**463,060**
Bank's Liabilities Under Acceptances	2,797	3,278	3,591	3,930
Total Non-Interest Bearing Liabilities	6,671	7,612	8,044	8,392
Total Liabilities	**344,689**	**399,431**	**435,926**	**475,382**
Shareholders' Equity	**34,213**	**38,440**	**42,391**	**46,505**
Minority Interests	1,151	1,151	1,151	1,151
Total Equity	**35,364**	**39,590**	**43,541**	**47,655**

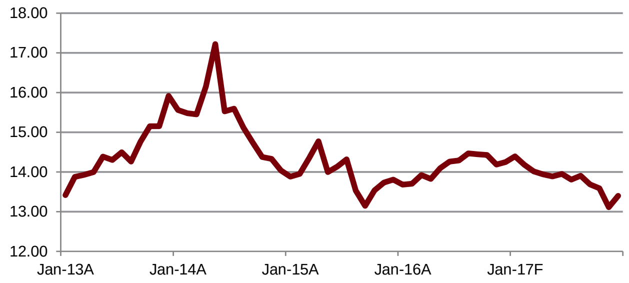
Balance Sheet Employment

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Gross Loans/Cust Deposits	94.8%	86.2%	84.4%	83.5%
Avg Loans/Avg Deposits	92.8%	90.2%	85.2%	84.0%
Avg Liquid Assets/Avg Assets	19.6%	22.0%	25.7%	26.7%
Avg Liquid Assets/Avg IEAs	20.5%	23.0%	26.8%	27.7%
Net Cust Loans/Assets	76.9%	70.9%	69.7%	69.2%
Net Cust Loans/Broad Deposits	90.3%	82.6%	80.9%	80.1%
Equity & Provns/Gross Cust Loans	12.2%	12.8%	13.2%	13.4%
Asset Risk Weighting	64.7%	65.4%	65.0%	65.3%
Provision Charge/Avg Cust Loans	0.073%	0.077%	0.071%	0.071%
Provision Charge/Avg Assets	0.056%	0.057%	0.050%	0.049%
Total Write Offs/Average Assets	0.138%	0.110%	0.108%	0.100%

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Income Growth	4.3%	6.3%	9.0%	7.3%
Operating Profit Growth	1.7%	8.3%	10.4%	7.8%
Pretax Profit Growth	1.0%	5.3%	10.5%	7.8%
Net Interest To Total Income	69.5%	68.8%	68.8%	69.2%
Cost Of Funds	2.46%	2.33%	2.26%	2.25%
Return On Interest Earning Assets	4.25%	4.03%	3.90%	3.87%
Net Interest Spread	1.79%	1.70%	1.64%	1.62%
Net Interest Margin (Avg Deposits)	2.26%	2.16%	2.09%	2.06%
Net Interest Margin (Avg RWA)	2.85%	2.73%	2.65%	2.62%
Provisions to Pre Prov. Operating Profit	2.86%	5.63%	5.41%	5.68%
Interest Return On Average Assets	1.86%	1.78%	1.73%	1.71%
Effective Tax Rate	19.6%	21.2%	21.1%	21.1%
Net Dividend Payout Ratio	45.0%	45.0%	45.0%	45.0%
Return On Average Assets	1.40%	1.31%	1.29%	1.28%

12-mth Fwd FD P/E (x) - Public Bank Bhd



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Loan Growth (%)	7.5%	6.5%	7.3%	8.3%
Net Interest Margin (%)	1.9%	1.9%	1.8%	1.8%
Non Interest Income Growth (%)	-4.2%	8.8%	9.1%	5.9%
Cost-income Ratio (%)	32.3%	31.0%	30.2%	29.9%
Net NPL Ratio (%)	0.5%	0.6%	0.6%	0.6%
Loan Loss Reserve (%)	102.7%	92.7%	90.8%	92.8%
GP Ratio (%)	0.5%	0.5%	0.5%	0.5%
Tier 1 Ratio (%)	14.6%	13.8%	13.9%	13.9%
Total CAR (%)	19.3%	17.8%	17.6%	17.3%
Deposit Growth (%)	2.9%	17.2%	9.5%	9.4%
Loan-deposit Ratio (%)	94.3%	85.7%	83.9%	83.1%
Gross NPL Ratio (%)	0.5%	0.6%	0.6%	0.6%
Fee Income Growth (%)	0.8%	6.2%	7.7%	6.8%

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

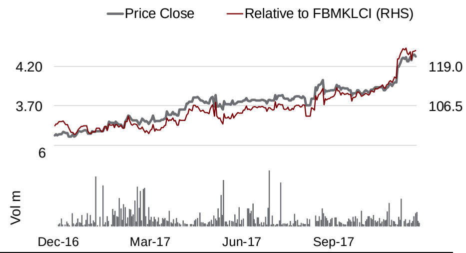
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 1	Hold 8	Sell 3

Current price:	RM4.33
Target price:	RM4.00
Previous target:	RM4.00
Up/downside:	-7.6%
CIMB / Consensus:	5.1%
Reuters:	QRES.KL
Bloomberg:	QLG MK
Market cap:	US$1,721m
	RM7,025m
Average daily turnover:	US$0.45m
	RM1.87m
Current shares o/s	1,622m
Free float:	39.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	11	11	30.3
Relative (%)	10.1	13.2	24

Major shareholders	% held
CBG Holdings	38.7
Farsathy Holdings	11.2
Juw Teck Cheah	0.8

QL Resources

Malaysia's leading agro-food player

- ILF and POA's positive growth trajectory should continue and support the group's earnings moving forward.
- MPM, however, continues to be affected by the lower fish landing cycle which has crimped margins.
- Maintain Hold as we believe growth prospects have been priced in at this juncture.

A well-diversified agro-food player

- QL Resources is a diversified resource and agricultural-based group with three core businesses: i) marine-product manufacturing (MPM), ii) integrated-livestock farming (ILF), ii) palm oil activities (POA).
- For MPM, the group is one of Southeast Asia's leading marine products companies with 3 major MPM sites in Malaysia and one in Indonesia. For ILF, it is one of the biggest egg producers and animal feed raw material distributors in Malaysia and operates 8 commercial farms in the country as well as Indonesia and Vietnam. Its POA division consists of two palm plantations and three independent palm oil mills in both Malaysia and Indonesia.

Expanding production capacities for MPM

- Moving forward, QL hopes to increase the production capacities for its surimi-based food manufacturing and targets to improve operating efficiencies for its MPM division. The group is currently constructing a new chilled surimi-based product plant with 25k/mt capacity as well as a frozen surimi-based products factory; both facilities are targeted to be completed by 4QFY18.
- Aside from these expansion plans, the group is also looking to increase its: i) deep sea fishing fleet to 38 vessels (from 25 vessels), ii) aquaculture production capacity to 5k/mt p.a. (from 1.5k/mt p.a.) and iii) invest more in frozen seafood processing and distribution activities over the next 5 years.

ILF segment to continue positive trajectory on stable prices

- The group's ILD segment saw 2QFY3/18 sales growth of 16% yoy, supported by higher sales volume of the feed raw material distribution division and stronger farm-produced prices from its Indonesia and East Malaysia units. Consequently, pretax profit rose 26% yoy due to lower raw material feed costs and stronger egg prices.
- QL also plans to ramp up the production of its commercial feed mill in Bekasi, Indonesia to 15k/mt (from 20k/mt per month) and plans to build a second mill in East Java with the same production capacity. It also targets to build new feed mills in Kuching and KK to produce better quality broiled pellet feed and to raise broiler production in East Malaysia to 18m broilers/year (from 12m) by 2022. We think ILF should continue to its positive earnings momentum due to stable farm produce prices.

Retain Hold

- We keep our EPS forecasts and Hold call. Our end-2018 target price of RM4.00 is based on an unchanged 23x CY19F P/E, in line with the sector average. While we like the group's diversified stable food business which we think will remain resilient, we believe that the near-term earnings growth outlook for the group is fairly priced in at current share price levels.
- Key upside risks include stronger-than-expected earnings growth from new ventures and capacity expansion for its main businesses, while downside risks include volatile commodity prices.

Financial Summary	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Revenue (RMm)	2,853	3,012	3,256	3,526	3,781
Operating EBITDA (RMm)	372.8	376.4	412.6	467.5	526.3
Net Profit (RMm)	192.0	195.9	214.9	251.5	293.2
Core EPS (RM)	0.12	0.12	0.13	0.16	0.18
Core EPS Growth	4.9%	(2.1%)	14.3%	17.0%	16.6%
FD Core P/E (x)	36.59	37.37	32.69	27.93	23.96
DPS (RM)	0.033	0.032	0.037	0.043	0.051
Dividend Yield	0.77%	0.74%	0.86%	1.00%	1.17%
EV/EBITDA (x)	20.50	20.28	18.40	15.76	13.67
P/FCFE (x)	46.54	44.79	48.36	15.53	18.80
Net Gearing	32.4%	28.8%	23.8%	10.7%	1.9%
P/BV (x)	4.49	4.14	3.79	3.45	3.13
ROE	12.8%	11.5%	12.1%	12.9%	13.7%
CIMB/consensus EPS (x)			0.98	1.03	1.10

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Net Revenues	**3,012**	**3,256**	**3,526**	**3,781**
Gross Profit	**590**	**624**	**697**	**772**
Operating EBITDA	**376**	**413**	**468**	**526**
Depreciation And Amortisation	(113)	(127)	(135)	(143)
Operating EBIT	**264**	**286**	**333**	**383**
Financial Income/(Expense)	(33)	(26)	(29)	(29)
Pretax Income/(Loss) from Assoc.	20	23	25	27
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**251**	**282**	**329**	**381**
Exceptional Items	10	0	0	0
Pre-tax Profit	**261**	**282**	**329**	**381**
Taxation	(54)	(58)	(68)	(79)
Exceptional Income - post-tax				
Profit After Tax	**207**	**224**	**261**	**303**
Minority Interests	(11)	(9)	(9)	(10)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax	0	0	0	0
Other Adjustments - post-tax	0	0	0	0
Net Profit	**196**	**215**	**251**	**293**
Recurring Net Profit	188	215	251	293
Fully Diluted Recurring Net Profit	**188**	**215**	**251**	**293**

Balance Sheet

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Cash And Equivalents	210	211	496	680
Total Debtors	361	423	388	416
Inventories	291	316	340	361
Total Other Current Assets	131	131	131	131
Total Current Assets	**994**	**1,081**	**1,355**	**1,589**
Fixed Assets	1,514	1,538	1,553	1,559
Total Investments	29	29	29	29
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	343	343	343	343
Total Non-current Assets	**1,887**	**1,910**	**1,925**	**1,932**
Short-term Debt	400	350	400	400
Current Portion of Long-Term Debt	0	0	0	0
Total Creditors	266	263	311	331
Other Current Liabilities	14	14	14	14
Total Current Liabilities	**680**	**627**	**725**	**745**
Total Long-term Debt	326	326	326	326
Hybrid Debt - Debt Component	0	0	0	0
Total Other Non-Current Liabilities	2	2	2	2
Total Non-current Liabilities	**328**	**328**	**328**	**328**
Total Provisions	72	72	72	72
Total Liabilities	**1,080**	**1,027**	**1,125**	**1,144**
Shareholders' Equity	1,699	1,853	2,035	2,246
Minority Interests	93	103	112	122
Total Equity	**1,792**	**1,956**	**2,147**	**2,367**

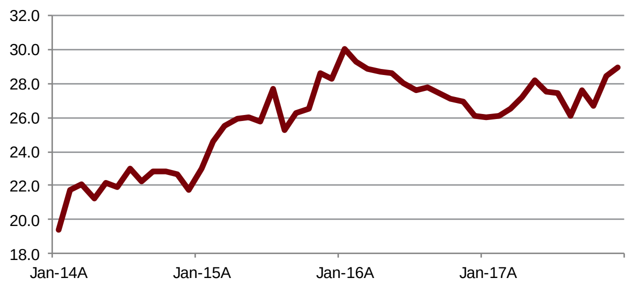
Cash Flow

(RMm)	Mar-17A	Mar-18F	Mar-19F	Mar-20F
EBITDA	376.4	412.6	467.5	526.3
Cash Flow from Invt. & Assoc.	0.0	0.0	0.0	0.0
Change In Working Capital	(29.6)	(67.3)	84.9	(2.6)
(Incr)/Decr in Total Provisions	0.0	0.0	0.0	0.0
Other Non-Cash (Income)/Expense	0.0	0.0	0.0	0.0
Other Operating Cashflow	96.6	84.6	96.7	107.5
Net Interest (Paid)/Received	(32.9)	(26.4)	(28.9)	(28.9)
Tax Paid	(53.7)	(58.2)	(67.7)	(78.6)
Cashflow From Operations	**356.8**	**345.3**	**552.4**	**523.7**
Capex	(200.0)	(150.0)	(150.0)	(150.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Investing	**(200.0)**	**(150.0)**	**(150.0)**	**(150.0)**
Debt Raised/(repaid)	0.0	(50.0)	50.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(52.1)	(60.2)	(70.4)	(82.1)
Preferred Dividends	0.0	0.0	0.0	0.0
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	**(52.1)**	**(110.2)**	**(20.4)**	**(82.1)**
Total Cash Generated	104.8	85.1	382.0	291.6
Free Cashflow To Equity	**156.8**	**145.3**	**452.4**	**373.7**
Free Cashflow To Firm	**197.1**	**229.1**	**438.7**	**410.0**

Key Ratios

	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Revenue Growth	5.59%	8.11%	8.28%	7.23%
Operating EBITDA Growth	1.0%	9.6%	13.3%	12.6%
Operating EBITDA Margin	12.5%	12.7%	13.3%	13.9%
Net Cash Per Share (RM)	(0.32)	(0.29)	(0.14)	(0.03)
BVPS (RM)	1.05	1.14	1.25	1.38
Gross Interest Cover	6.55	8.45	9.16	10.55
Effective Tax Rate	20.6%	20.6%	20.6%	20.6%
Net Dividend Payout Ratio	21.5%	28.0%	28.0%	28.0%
Accounts Receivables Days	40.91	43.98	41.98	38.90
Inventory Days	42.34	42.05	42.27	42.61
Accounts Payables Days	38.82	36.72	37.05	39.06
ROIC (%)	9.5%	9.7%	N/A	N/A
ROCE (%)	10.8%	11.1%	12.0%	12.8%
Return On Average Assets	7.98%	8.36%	N/A	N/A

12-mth Fwd FD P/E (x) - QL Resources



Key Drivers

	Mar-17A	Mar-18F	Mar-19F	Mar-20F
ASP (% chg, main prod./serv.)	8.0%	0.0%	3.0%	3.0%
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	8.0%	3.0%	4.0%	4.0%
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod/serv)	2.4%	2.3%	-0.5%	-0.3%
Unit sales grth (%,tertiary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, tertiary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

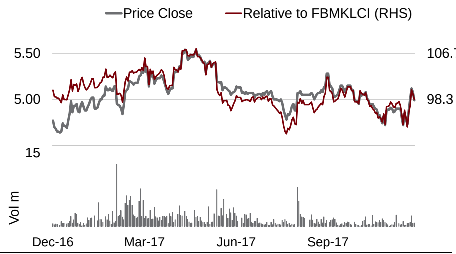
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 8	Hold 9	Sell 1

Current price:	RM4.99
Target price:	RM6.30
Previous target:	RM6.30
Up/downside:	26.3%
CIMB / Consensus:	15.6%
Reuters:	RHBC.KL
Bloomberg:	RHBBANK MK
Market cap:	US$4,903m
	RM20,010m
Average daily turnover:	US$0.90m
	RM3.75m
Current shares o/s	4,010m
Free float:	41.6%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.5	-2.7	3.5
Relative (%)	2.6	-0.5	-2.8

Major shareholders	% held
EPF	40.7
Aabar Investments	17.8
OSK Holdings	10.1

RHB Bank Bhd

Targeting loan loss coverage of at least 100% in 2018

- We expect net profit growth to soften from 17.7% for FY17F but to remain healthy at a projected 11.1% in FY18F.
- RHB Bank plans to bring up its loan loss coverage (inclusive of regulatory reserve) to at least 100% in FY18F.
- Maintain Add given its attractive valuations and transformation programme.

Slower but still healthy net profit growth for FY18F

- We project net profit growth of 17.7% for FY17F, mainly catalysed by the absence of the chunky impairment loss of RM252m for its exposure to Swiber bonds, which was booked in FY16. Without the lever of lower impairment loss, we believe FY18F net profit growth will be slower.
- Nevertheless, we project FY18F net profit growth to remain healthy at 11.1%. This will likely be underpinned by a projected 9% rise in total operating revenue, arising from growth of 5.1% for net interest income and 15.5% for non-interest income. Cost-wise, overheads and loan loss provisioning are forecast to increase by 6.1% and 10.5%, respectively, in FY18F.

Projecting stronger loan growth for FY18F

- We forecast stronger loan growth of 6.8% for RHB Bank in FY18F, up from the projected 2.3% in FY17F, which was partly dragged down by some repayments. The key drivers are property loans, with projected expansion of 8% for residential mortgages and 10.9% for non-residential mortgages in FY18F vs. only 3% each in FY17F.

Planning to bring its coverage up to at least 100% in 2018F

- One of the major investor concerns for RHB Bank is its low loan loss coverage of around 60%. In the past three quarters, the bank has been aggressively building up its regulatory reserve (RR), pushing up its coverage (including RR) from 74.7% at end-Dec 16 to 93.6% at end-Sep 17.
- It plans to further increase its coverage to at least 100% upon the adoption of MFRS 9 in 2018. When this happens, market concerns about RHB's inadequate coverage will be alleviated, which will be positive for its share price, in our view.

New transformation programme to be introduced in 2018F

- The group's IGNITE 17 transformation programme will end in 2017 and it will introduce a new plan (for the next 4-5 years) early next year. At this juncture, we do not have any details on this but we think that it will continue to focus on (1) enhancing operating efficiencies, (2) finetuning its Islamic banking model, and (3) spurring growth in the desired segments, such as SME and transactional banking.

Retain Add

- RHB Bank remains an Add and our top pick for the sector given (1) the potential benefits from the IGNITE 17 transformation programme, and (2) its current attractive valuations. Its FY18F P/E of 9.1x is below its historical average of 10.4x and the sector's CY18F average of 12.3x.
- The potential downside risks to our call are (1) deceleration in loan growth, and (2) deterioration in asset quality.
- We maintain our FY17-19F EPS forecasts and DDM-based target price of RM6.30.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Net Interest Income (RMm)	3,408	3,454	3,453	3,630	3,872
Total Non-Interest Income (RMm)	2,767	2,740	2,954	3,352	3,603
Operating Revenue (RMm)	6,175	6,193	6,407	6,982	7,476
Total Provision Charges (RMm)	(343.5)	(595.2)	(437.9)	(483.9)	(477.3)
Net Profit (RMm)	1,665	1,682	1,980	2,200	2,479
Core EPS (RM)	0.59	0.47	0.49	0.55	0.62
Core EPS Growth	(25.9%)	(19.5%)	4.0%	11.1%	12.7%
FD Core P/E (x)	8.46	10.51	10.11	9.09	8.07
DPS (RM)	0.12	0.12	0.14	0.16	0.18
Dividend Yield	2.31%	2.31%	2.85%	3.17%	3.57%
BVPS (RM)	5.75	5.42	5.86	6.32	6.82
P/BV (x)	0.87	0.92	0.85	0.79	0.73
ROE	9.13%	8.53%	8.75%	9.01%	9.41%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.99	1.02	1.05

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Net Interest Income	3,454	3,453	3,630	3,872
Total Non-Interest Income	2,740	2,954	3,352	3,603
Operating Revenue	**6,193**	**6,407**	**6,982**	**7,476**
Total Non-Interest Expenses	(3,099)	(3,306)	(3,506)	(3,722)
Pre-provision Operating Profit	**3,095**	**3,101**	**3,475**	**3,754**
Total Provision Charges	(595)	(438)	(484)	(477)
Operating Profit After Provisions	**2,499**	**2,664**	**2,992**	**3,276**
Pretax Income/(Loss) from Assoc.	1	1	1	1
Operating EBIT (incl Associates)	**2,500**	**2,664**	**2,992**	**3,277**
Non-Operating Income/(Expense)	(268)	(45)	(84)	(2)
Profit Before Tax (pre-EI)	**2,232**	**2,619**	**2,908**	**3,275**
Exceptional Items	0	0	0	0
Pre-tax Profit	**2,232**	**2,619**	**2,908**	**3,275**
Taxation	(544)	(629)	(698)	(786)
Consolidation Adjustments & Others				
Exceptional Income - post-tax	0	0	0	0
Profit After Tax	**1,688**	**1,991**	**2,210**	**2,489**
Minority Interests	(6)	(11)	(10)	(10)
Pref. & Special Div	0	0	0	0
FX And Other Adj.	0	0	0	0
Net Profit	**1,682**	**1,980**	**2,200**	**2,479**
Recurring Net Profit	1,682	1,980	2,200	2,479

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Gross Loans	157,135	160,932	171,907	182,314
Liquid Assets & Invst. (Current)	48,800	63,576	69,967	78,369
Other Int. Earning Assets	0	0	0	0
Total Gross Int. Earning Assets	**205,935**	**224,508**	**241,874**	**260,683**
Total Provisions/Loan Loss Reserve	(2,132)	(2,529)	(2,958)	(3,367)
Total Net Interest Earning Assets	**203,803**	**221,979**	**238,916**	**257,316**
Intangible Assets	3,048	3,048	3,048	3,048
Other Non-Interest Earning Assets	15,132	14,045	14,813	15,215
Total Non-Interest Earning Assets	**18,180**	**17,093**	**17,862**	**18,263**
Cash And Marketable Securities	**14,683**	**18,079**	**21,276**	**23,434**
Long-term Investments	0	0	0	0
Total Assets	**236,666**	**257,152**	**278,054**	**299,013**
Customer Interest-Bearing Liabilities	165,809	182,831	200,129	217,378
Bank Deposits	23,063	24,236	25,465	26,754
Interest Bearing Liabilities: Others	17,129	16,884	17,081	17,056
Total Interest-Bearing Liabilities	**206,002**	**223,950**	**242,675**	**261,188**
Bank's Liabilities Under Acceptances	3,554	3,636	3,883	4,116
Total Non-Interest Bearing Liabilities	5,349	6,029	6,125	6,318
Total Liabilities	**214,905**	**233,615**	**252,683**	**271,623**
Shareholders' Equity	**21,745**	**23,506**	**25,339**	**27,357**
Minority Interests	29	31	32	34
Total Equity	**21,774**	**23,536**	**25,371**	**27,390**

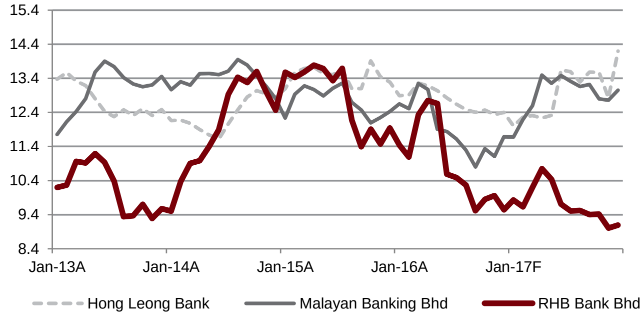
Balance Sheet Employment

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Gross Loans/Cust Deposits	93.2%	86.4%	84.3%	82.3%
Avg Loans/Avg Deposits	94.4%	89.6%	85.3%	83.3%
Avg Liquid Assets/Avg Assets	27.4%	30.5%	33.4%	34.6%
Avg Liquid Assets/Avg IEAs	29.7%	32.9%	35.8%	36.9%
Net Cust Loans/Assets	64.4%	60.5%	59.6%	58.7%
Net Cust Loans/Broad Deposits	80.7%	75.1%	73.5%	71.9%
Equity & Provns/Gross Cust Loans	15.5%	16.5%	16.8%	17.2%
Asset Risk Weighting	54.8%	55.3%	55.0%	55.2%
Provision Charge/Avg Cust Loans	0.311%	0.308%	0.231%	0.221%
Provision Charge/Avg Assets	0.205%	0.195%	0.141%	0.133%
Total Write Offs/Average Assets	0.155%	0.063%	0.061%	0.062%

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Income Growth	0.30%	3.45%	8.97%	7.08%
Operating Profit Growth	21.6%	0.2%	12.1%	8.0%
Pretax Profit Growth	(0.8%)	17.4%	11.0%	12.6%
Net Interest To Total Income	55.8%	53.9%	52.0%	51.8%
Cost Of Funds	2.13%	2.21%	2.18%	2.18%
Return On Interest Earning Assets	3.65%	3.61%	3.52%	3.50%
Net Interest Spread	1.52%	1.40%	1.34%	1.31%
Net Interest Margin (Avg Deposits)	2.13%	1.98%	1.90%	1.86%
Net Interest Margin (Avg RWA)	2.69%	2.54%	2.46%	2.44%
Provisions to Pre Prov. Operating Profit	19.2%	14.1%	13.9%	12.7%
Interest Return On Average Assets	1.49%	1.40%	1.36%	1.34%
Effective Tax Rate	24.4%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	19.1%	22.8%	22.8%	22.8%
Return On Average Assets	0.96%	1.06%	1.08%	1.13%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Loan Growth (%)	2.0%	2.3%	6.8%	6.0%
Net Interest Margin (%)	1.6%	1.5%	1.5%	1.4%
Non Interest Income Growth (%)	-1.0%	7.8%	13.5%	7.5%
Cost-income Ratio (%)	50.0%	51.6%	50.2%	49.8%
Net NPL Ratio (%)	2.4%	2.7%	2.7%	2.7%
Loan Loss Reserve (%)	56.9%	60.3%	64.9%	69.4%
GP Ratio (%)	0.7%	0.7%	0.8%	0.8%
Tier 1 Ratio (%)	13.6%	13.2%	13.3%	13.3%
Total CAR (%)	23.6%	22.3%	21.8%	21.2%
Deposit Growth (%)	4.8%	10.3%	9.5%	8.6%
Loan-deposit Ratio (%)	91.9%	85.0%	82.8%	80.8%
Gross NPL Ratio (%)	2.4%	2.7%	2.7%	2.7%
Fee Income Growth (%)	-10.6%	7.1%	7.9%	8.6%

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

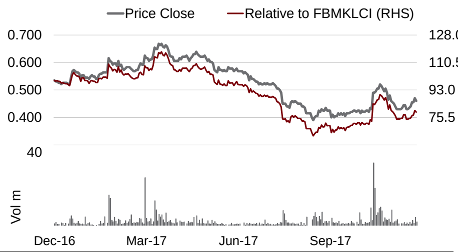
Malaysia

REDUCE *(no change)*

Consensus ratings*:	Buy 0	Hold 0	Sell 1

Current price:	RM0.46
Target price:	RM0.43
Previous target:	RM0.43
Up/downside:	-6.5%
CIMB / Consensus:	0.0%
Reuters:	SLCN.KL
Bloomberg:	SALC MK
Market cap:	US$75.93m
	RM309.9m
Average daily turnover:	US$0.36m
	RM1.50m
Current shares o/s	665.4m
Free float:	89.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-8.9	5.7	-14.8
Relative (%)	-9.8	7.9	-21.1

Major shareholders	% held
Naga Muhibbah Sdn Bhd	11.0

Salcon

Downside to job wins and forecasts in FY18F

- Despite a larger water budget allocation next year, Salcon's 2018F outlook remains unexciting.
- We foresee earnings risks in FY18F due to the lack of big contract wins and weak construction earnings.
- Maintain Reduce. A resurgence in water contract flows is an upside risk to our call is.

2018F outlook unexciting, for now

- In view of the persistent disappointments in Salcon's reported quarterly earnings and the possibility of it missing our RM500m total win forecast for 2018F, we feel that the group's prospects for 2018F remains unexciting. Despite its healthy net cash position as at end-3Q17, we see downside risks to earnings going by the weaker-than-expected 9M17 results.

Nearly all divisions reported losses in 9M17

- In 9M17, all divisions reported operating losses except the 110MLD water concession in Vietnam. The RM3.6m operating loss of its property development division was due mainly to delayed profit recognition for its Res 280 Selayang project. We estimate RM5m-6m net profit from this venture (Salcon's share) in 4Q17F.
- The RM185k operating loss from the construction segment was due to timing of new contracts, mitigated by the RM8.4m share of JV profit from its ongoing Langat water treatment plant (WTP) and sewage treatment plant (STP) contracts.

Bite-sized contract wins YTD positive, but below our FY17 forecast

- YTD, Salcon has secured RM44m worth of water contracts related to the state of Selangor's pipe replacement programme – package 8 (RM17.2m), package 6 (RM13.2m) and package 11A (RM13.3m). This is positive but given the absence of other sizeable water contract tenders, we think the group is unlikely to meet our job win forecast for FY18F. Its pipe replacement tenders are likely to be supported by the government's RM1.4bn allocation for non-revenue water (NRW) contracts in 2018F.

No leads on the timing for Langat 2 WTP phase 2 tenders

- The ongoing Langat 2 WTP phase 1 job (RM994m, 36% stake) is on track for completion by 2019F. However, we are concerned about the possibility of further delays in phase 2 of the contract, which we previously expected would be awarded by end-2017F. Findings from our industry checks indicate no urgency for the government to award phase 2 this year, given the ample capacity available in the medium term.

Downside risks to forecasts

- We maintain our FY17-19F EPS, backed by an outstanding order book of RM597m at end-Sep 2017. Construction remains the sole key earnings driver before earnings from property and its subsidiary VBT (new concessions) kick in FY18F. We forecast a slight net loss of RM2m for FY17F. We note potential downside to FY18-19F EPS if billings for construction are slower than expected, coupled with potential delays in contact wins. We retain our new contract win forecast of RM500m p.a. for FY18F.

Maintain Reduce given weak visibility for larger contracts

- We maintain our Reduce call given the earnings and contract risks in FY18F. Although we remain hopeful on the recovery of big water contract flows next year, backed by Budget 2018, the visibility of tenders over the next six months remains poor, in our view. Our target price is unchanged, based on 60% discount to RNAV. Upside risks to our call are a resurgence in water contract flows and stronger-than-expected quarterly earnings.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	125.4	101.2	147.8	154.8	168.4
Operating EBITDA (RMm)	4.56	(32.52)	1.96	23.37	28.79
Net Profit (RMm)	5.56	11.17	(1.96)	14.50	17.34
Core EPS (RM)	0.008	0.017	(0.003)	0.021	0.026
Core EPS Growth		101%	(118%)		20%
FD Core P/E (x)	55.79	27.78	NA	21.41	17.90
DPS (RM)	0.020	-	-	0.010	0.020
Dividend Yield	4.35%	0.00%	0.00%	2.17%	4.35%
EV/EBITDA (x)	19.15	NA	43.77	3.80	3.23
P/FCFE (x)	NA	NA	NA	NA	NA
Net Gearing	(33.1%)	(27.3%)	(41.3%)	(40.1%)	(38.4%)
P/BV (x)	0.54	0.64	0.70	0.69	0.67
ROE	0.98%	2.10%	(0.42%)	3.24%	3.80%
CIMB/consensus EPS (x)			0.97	1.02	0.99

SOURCE: COMPANY DATA, CIMB FORECASTS

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**101.2**	**153.7**	**161.0**	**175.1**
Gross Profit	**25.4**	**8.9**	**29.4**	**35.4**
Operating EBITDA	**(32.5)**	**2.0**	**23.4**	**28.8**
Depreciation And Amortisation	(5.8)	(5.5)	(5.9)	(6.3)
Operating EBIT	**(38.4)**	**(3.6)**	**17.5**	**22.5**
Financial Income/(Expense)	8.8	4.6	4.5	4.5
Pretax Income/(Loss) from Assoc.	11.3	11.6	11.6	11.6
Non-Operating Income/(Expense)	43.9	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**25.6**	**12.6**	**33.6**	**38.5**
Exceptional Items				
Pre-tax Profit	**25.6**	**12.6**	**33.6**	**38.5**
Taxation	(5.5)	(3.4)	(8.4)	(9.3)
Exceptional Income - post-tax				
Profit After Tax	**20.1**	**9.2**	**25.2**	**29.2**
Minority Interests	(8.9)	(11.2)	(10.7)	(11.9)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**11.2**	**(2.0)**	**14.5**	**17.3**
Recurring Net Profit	11.2	(2.0)	14.5	17.3
Fully Diluted Recurring Net Profit	**11.2**	**(2.0)**	**14.5**	**17.3**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	215.9	268.4	261.9	254.7
Total Debtors	129.3	88.7	92.9	101.0
Inventories	219.3	118.2	123.8	134.7
Total Other Current Assets	1.5	1.5	1.5	1.5
Total Current Assets	**566.0**	**476.8**	**480.1**	**491.9**
Fixed Assets	62.5	63.8	66.3	69.0
Total Investments	70.7	70.7	70.7	70.7
Intangible Assets	21.9	21.9	21.9	21.9
Total Other Non-Current Assets	3.7	3.7	3.7	3.7
Total Non-current Assets	**158.8**	**160.1**	**162.6**	**165.3**
Short-term Debt	6.1	6.1	6.0	6.0
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0
Total Creditors	117.3	73.9	77.4	84.2
Other Current Liabilities	1.3	1.3	1.3	1.3
Total Current Liabilities	**124.7**	**81.2**	**84.7**	**91.4**
Total Long-term Debt	66.9	63.6	60.4	57.4
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0
Total Non-current Liabilities	**66.9**	**63.6**	**60.4**	**57.4**
Total Provisions	10.6	10.6	10.6	10.6
Total Liabilities	**202.2**	**155.4**	**155.7**	**159.4**
Shareholders' Equity	486.4	445.2	450.8	461.6
Minority Interests	36.2	36.2	36.2	36.2
Total Equity	**522.6**	**481.5**	**487.0**	**497.8**

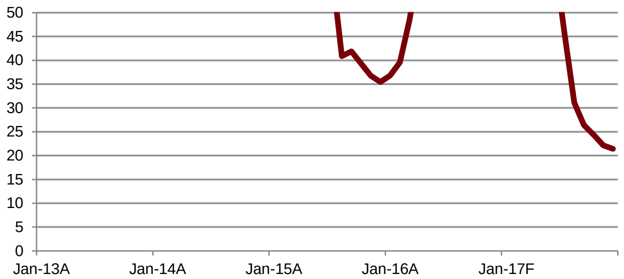
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	(32.52)	1.96	23.37	28.79
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(21.11)	(45.71)	(0.16)	5.06
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	(47.04)	(34.77)	(38.24)	(42.07)
Other Operating Cashflow	49.75	12.44	14.93	17.91
Net Interest (Paid)/Received	8.75	4.57	4.54	4.47
Tax Paid	(5.54)	(3.40)	(8.40)	(9.32)
Cashflow From Operations	**(47.71)**	**(64.91)**	**(3.96)**	**4.84**
Capex	(1.98)	(1.50)	(2.80)	(2.90)
Disposals Of FAs/subsidiaries	29.56	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	(4.67)	(1.25)	(2.55)	(2.65)
Other Investing Cashflow	6.02	3.54	3.54	3.54
Cash Flow From Investing	**28.93**	**0.80**	**(1.80)**	**(2.01)**
Debt Raised/(repaid)	(5.89)	(8.88)	(8.93)	(7.97)
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased	(17.84)	0.00	0.00	0.00
Dividends Paid	0.00	0.00	(6.65)	(12.30)
Preferred Dividends	(15.34)	0.00	0.00	0.00
Other Financing Cashflow	(22.25)	17.83	(16.07)	7.00
Cash Flow From Financing	**(61.31)**	**8.95**	**(31.65)**	**(13.27)**
Total Cash Generated	(80.09)	(55.17)	(37.42)	(10.44)
Free Cashflow To Equity	**(24.66)**	**(73.00)**	**(14.70)**	**(5.13)**
Free Cashflow To Firm	**(13.96)**	**(60.63)**	**(2.44)**	**6.00**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(19.3%)	46.0%	4.7%	8.8%
Operating EBITDA Growth	(813%)	N/A	1095%	23%
Operating EBITDA Margin	(32.1%)	1.3%	15.1%	17.1%
Net Cash Per Share (RM)	0.21	0.29	0.29	0.28
BVPS (RM)	0.72	0.66	0.67	0.68
Gross Interest Cover	(7.96)	(1.03)	5.26	7.09
Effective Tax Rate	22%	27%	25%	24%
Net Dividend Payout Ratio	NA	NA	46%	77%
Accounts Receivables Days	520.9	269.2	214.0	210.2
Inventory Days	922.9	425.3	335.8	337.6
Accounts Payables Days	568.1	240.9	209.9	211.0
ROIC (%)	(8.10%)	(0.84%)	5.88%	7.28%
ROCE (%)	(3.82%)	0.77%	4.50%	5.30%
Return On Average Assets	1.61%	0.85%	3.41%	3.98%

12-mth Fwd FD P/E (x) - Salcon



Key Drivers

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Outstanding Orderbook	645	843	1,196	1,541
Order Book Depletion	101	148	155	168
Orderbook Replenishment	300	500	500	500
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

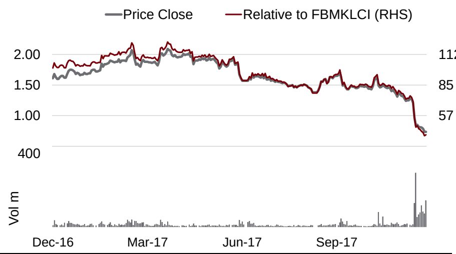
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 8	Hold 8	Sell 5

Current price:	RM0.74
Target price:	RM1.42
Previous target:	RM1.42
Up/downside:	93.0%
CIMB / Consensus:	10.5%
Reuters:	SAEN.KL
Bloomberg:	SAPE MK
Market cap:	US$1,079m
	RM4,404m
Average daily turnover:	US$6.94m
	RM28.76m
Current shares o/s	5,992m
Free float:	70.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-47.1	-54.4	-53.8
Relative (%)	-48	-52.2	-60.1

Major shareholders	% held
Tan Sri Dato' Seri Shahril Shamsuddin	17.1
EPF	15.1
Dato' Mokhzani Mahathir	10.3

Sapura Energy Bhd

Opportunity to bottom-fish the plunge in share price

- SAPE is set to incur a net loss in FY18F, given lower contributions from its engineering and construction (E&C) segment, as well as from its drilling segment.
- We expect the losses to continue into FY19-20F with the slow pace of utilisation and rate recovery for oil services, but losses are set to progressively narrow over time.
- We maintain Add with an SOP-based target price of RM1.42, as long-term value has now emerged after a sharp sell-off post the disclosure of large 3QFY18 losses.

Facing losses for the first time since the merger

- FY18F has been a challenging year so far, and SAPE is set to report its first-ever core net loss since the merger of SapuraCrest and Kencana Petroleum. This is mainly the result of significantly poorer performances from the E&C and the drilling segments. In its recent 3QFY18F results, E&C earnings plummeted on weaker revenue.
- Meanwhile, the drilling segment only had five working rigs during the quarter, from 10 the year before, due to the failure to secure more work to replenish expired contracts. As a result, average utilisation rate fell to a low of 37% in 9M17 vs. 60% in 9M16, and the drilling segment reported its second consecutive quarterly loss, which more than offset the small profits from the E&C and energy segments.

E&C outlook may improve from 2HFY19F

- SAPE only has E&C contracts worth RM1.5bn in revenue for FY19F. We have forecast E&C revenue of RM4bn for FY19F, despite the likelihood of a weak 1HFY19F, as we believe that SAPE may secure new offshore vessel and fabrication contracts for execution during 2HFY19F. In other words, the next 6-9 months may be challenging for the E&C division, but SAPE is more optimistic for 2HFY19F.

Drilling utilisation rates may improve in 2HFY19F

- We are forecasting SAPE's drilling utilisation rate in FY18F to average 36%, down 20% pts yoy. We estimate that charter rates will also be lower by 14% yoy, further contributing to the weak performance.
- Utilisation rate is expected to remain on an average of 35% in FY19F (firm period: 29%, option period: 6%), but we have assumed a full-year utilisation rate of 40% on the expectation that SAPE will be able to secure new contract wins. SAPE indicated that more rigs may be employed from 3QFY19F onwards, based on indicative client interest.

Energy segment to see higher earnings in FY19F

- SAPE completed the field development of the B15 gas field in Oct 2017, and will begin producing gas from 4QFY18F. Production from the PM323 oil field may also improve now that the infill drilling at the East Belumut and West Belumut fields was completed in the last quarter. Furthermore, oil prices have increased to US$62/bbl, from an average of only US$51/bbl in 1HFY18 and US$58/bbl in 3QFY18.

Near-term cashflows sufficient for its liquidity needs

- Despite forecasting net losses, we think SAPE's EBITDA is likely enough to service interest expense and pay taxes. Capex is expected to be limited to the development of the Gorek and Larak gas fields at SK408, mostly funded by debt, and its borrowings have been restructured so that there are limited principal repayments over the next 18 months. Downside risks include longer recovery period for both the E&C and drilling segments, or SAPE's inability to secure contracts that it is bidding for.

Depreciation expense no longer expected to increase

- We have assumed that SAPE will impair its E&C and rig assets by 30% at its 4QFY18F results, or RM4bn. This will help restrain group depreciation, and assist SAPE in delivering better reported earnings in the forecast years.

Financial Summary	Jan-16A	Jan-17A	Jan-18F	Jan-19F	Jan-20F
Revenue (RMm)	10,184	7,651	6,176	6,106	6,413
Operating EBITDA (RMm)	3,052	2,149	1,223	1,296	1,665
Net Profit (RMm)	(792)	208	(4,140)	47	(117)
Core EPS (RM)	0.15	0.07	(0.06)	(0.04)	(0.02)
Core EPS Growth	(21%)	(54%)	(195%)	(41%)	(52%)
FD Core P/E (x)	5.01	10.99	NA	NA	NA
DPS (RM)	0.014	0.010	0.010	0.010	0.010
Dividend Yield	1.84%	1.36%	1.36%	1.36%	1.36%
EV/EBITDA (x)	6.30	8.23	14.01	12.97	9.81
P/FCFE (x)	5.61	2.82	NA	24.57	NA
Net Gearing	134%	116%	167%	167%	167%
P/BV (x)	0.36	0.34	0.49	0.49	0.50
ROE	7.26%	3.17%	(3.44%)	(2.48%)	(1.20%)
CIMB/consensus EPS (x)			26.57	2.60	(0.56)

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Jan-17A	Jan-18F	Jan-19F	Jan-20F
Total Net Revenues	**7,651**	**6,176**	**6,106**	**6,413**
Gross Profit	**2,149**	**1,223**	**1,296**	**1,665**
Operating EBITDA	**2,149**	**1,223**	**1,296**	**1,665**
Depreciation And Amortisation	(1,185)	(1,104)	(1,011)	(1,084)
Operating EBIT	**964**	**119**	**284**	**581**
Financial Income/(Expense)	(776)	(818)	(813)	(822)
Pretax Income/(Loss) from Assoc.	375	368	379	324
Non-Operating Income/(Expense)	24	50	50	50
Profit Before Tax (pre-EI)	**587**	**(280)**	**(99)**	**133**
Exceptional Items	(202)	(3,751)	279	0
Pre-tax Profit	**385**	**(4,031)**	**180**	**133**
Taxation	(179)	(109)	(133)	(250)
Exceptional Income - post-tax				
Profit After Tax	**206**	**(4,140)**	**47**	**(117)**
Minority Interests	2	0	0	0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**208**	**(4,140)**	**47**	**(117)**
Recurring Net Profit	401	(379)	(223)	(107)
Fully Diluted Recurring Net Profit	**401**	**(379)**	**(223)**	**(107)**

Balance Sheet

(RMm)	Jan-17A	Jan-18F	Jan-19F	Jan-20F
Total Cash And Equivalents	3,520	2,400	2,579	1,651
Total Debtors	3,269	2,639	2,609	2,740
Inventories	458	413	401	396
Total Other Current Assets	95	95	95	95
Total Current Assets	**7,342**	**5,546**	**5,684**	**4,882**
Fixed Assets	15,140	10,346	9,912	9,570
Total Investments	1,859	2,227	2,606	2,930
Intangible Assets	8,484	8,451	8,451	8,451
Total Other Non-Current Assets	4,660	5,100	5,196	4,778
Total Non-current Assets	**30,142**	**26,124**	**26,165**	**25,729**
Short-term Debt	3,511	4,543	5,302	6,050
Current Portion of Long-Term Debt				
Total Creditors	3,800	3,421	3,322	3,280
Other Current Liabilities	62	62	62	62
Total Current Liabilities	**7,373**	**8,025**	**8,686**	**9,391**
Total Long-term Debt	15,136	12,810	12,281	10,455
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	1,895	1,895	1,895	1,895
Total Non-current Liabilities	**17,031**	**14,704**	**14,175**	**12,350**
Total Provisions	0	0	0	0
Total Liabilities	**24,404**	**22,730**	**22,862**	**21,741**
Shareholders' Equity	13,076	8,937	8,983	8,866
Minority Interests	4	4	4	4
Total Equity	**13,080**	**8,941**	**8,988**	**8,870**

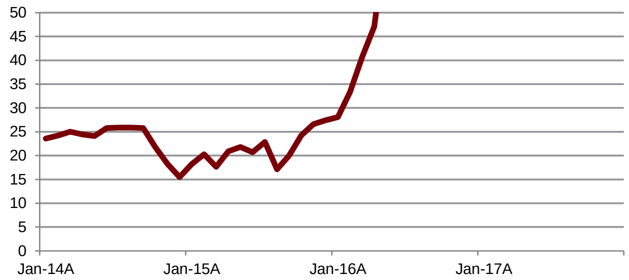
Cash Flow

(RMm)	Jan-17A	Jan-18F	Jan-19F	Jan-20F
EBITDA	2,149	1,223	1,296	1,665
Cash Flow from Invt. & Assoc.				
Change In Working Capital	440	297	(57)	(169)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	2,326	4,724	588	1,531
Other Operating Cashflow	(1,720)	(5,254)	(1,115)	(1,531)
Net Interest (Paid)/Received	(808)	(768)	(763)	(772)
Tax Paid	(146)	(109)	(133)	(250)
Cashflow From Operations	**2,241**	**113**	**(185)**	**474**
Capex	(390)	(705)	(673)	(324)
Disposals Of FAs/subsidiaries	6	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	390	0	0	0
Cash Flow From Investing	**7**	**(705)**	**(673)**	**(324)**
Debt Raised/(repaid)	(685)	(528)	1,037	(1,078)
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased				
Dividends Paid	0	0	0	0
Preferred Dividends				
Other Financing Cashflow	(80)	0	0	0
Cash Flow From Financing	**(765)**	**(528)**	**1,037**	**(1,078)**
Total Cash Generated	1,483	(1,120)	179	(928)
Free Cashflow To Equity	**1,563**	**(1,120)**	**179**	**(928)**
Free Cashflow To Firm	**3,072**	**259**	**(18)**	**995**

Key Ratios

	Jan-17A	Jan-18F	Jan-19F	Jan-20F
Revenue Growth	(24.9%)	(19.3%)	(1.1%)	5.0%
Operating EBITDA Growth	(29.6%)	(43.1%)	5.9%	28.5%
Operating EBITDA Margin	28.1%	19.8%	21.2%	26.0%
Net Cash Per Share (RM)	(2.52)	(2.50)	(2.50)	(2.48)
BVPS (RM)	2.18	1.49	1.50	1.48
Gross Interest Cover	1.21	0.14	0.34	0.69
Effective Tax Rate	46%	0%	74%	188%
Net Dividend Payout Ratio	14.6%	NA	NA	NA
Accounts Receivables Days	176.6	174.6	156.8	152.2
Inventory Days	34.28	32.10	30.86	30.61
Accounts Payables Days	270.7	266.1	255.8	253.7
ROIC (%)	3.38%	0.42%	1.21%	2.50%
ROCE (%)	3.17%	0.52%	1.18%	2.33%
Return On Average Assets	3.20%	1.24%	1.83%	2.26%

12-mth Fwd FD P/E (x) - Sapura Energy Bhd



Key Drivers

	Jan-17A	Jan-18F	Jan-19F	Jan-20F
Outstanding Orderbook (RMm)	N/A	N/A	N/A	N/A
Order Book Wins (RMm)	N/A	N/A	N/A	N/A
Order Book Depletion (RMm)	N/A	N/A	N/A	N/A
Average Day Rate Per Ship (US$)	N/A	N/A	N/A	N/A
No. Of Ships (unit)	N/A	N/A	N/A	N/A
Average Utilisation Rate (%)	N/A	N/A	N/A	N/A
Oil Price (US$/bbl)	45.5	57.0	65.7	71.3
Energy Production Volume (mmboe)	4.2	4.0	6.5	10.3
Average Day Rate - Drilling Rigs (US$)	#######	#######	#######	######
Average Util. Rate - Drilling Rigs (%)	56.7%	36.3%	40.0%	50.0%
Average Day Rate - FPUs (US$)	N/A	N/A	N/A	N/A
Average Util. Rate - FPUs (%)	N/A	N/A	N/A	N/A
Total Oil Storage Capacity (000 cbm)	N/A	N/A	N/A	N/A
Equity Share Of Oil Storage Capacity (000 cbm)	N/A	N/A	N/A	N/A
Assumed Util. Rate Of Oil Storage Capacity (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

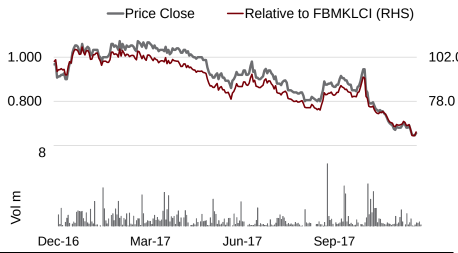
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 2	Hold 2	Sell 0

Current price:	RM0.66
Target price:	RM1.32
Previous target:	RM1.32
Up/downside:	101.5%
CIMB / Consensus:	25.1%
Reuters:	SAHO.KL
Bloomberg:	SASB MK
Market cap:	US$67.27m
	RM274.5m
Average daily turnover:	US$0.15m
	RM0.61m
Current shares o/s	446.1m
Free float:	55.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-11.5	-25.2	-29.4
Relative (%)	-12.4	-23	-35.7

Major shareholders	% held
Law King Hui	18.3
Karya Kencana S/B	18.2
Lee Swee Hang	8.5

Sasbadi Holdings

MLM should lead the way in FY18

- We expect Sasbadi's retail book sales to get a boost from the RM300m book vouchers given by the government to school students in FY8/18F.
- iL-Ace MLM sales should see a major boost in FY18F with distributor numbers expected to surpass 10,000.
- Maintain Add with a target price of RM1.32.

Core business is publishing of education books

- Sasbadi's core business is the publishing of education materials, mainly for primary and secondary schools. In the past five years, the company has been producing more educational products that merge technology and content. In this regard, we believe the game changer for the company should be i-Learn Ace (iL-Ace), an interactive mobile learning platform based on the national school curriculum. The potential market is the 3.5m primary and secondary students nationwide (Standard Four to Form Five).

Weak retail sales in FY17

- FY17 retail book sales declined 5% yoy mainly due to weak domestic consumer demand. In addition, the book vouchers given by the government to the students in FY17 did not translate into book sales as we believe the funds were used for other purposes. However, in FY18F, the RM300m book vouchers given by the government should be fully used to purchase school books at only selected book shops. This should help boost Sasbadi's book sales in FY18F.

Rising MLM sales

- iL-Ace's multilevel marketing (MLM) monthly sales were stable at around RM0.5m in FY17. However, we believe that MLM sales have picked up over the past 3-4 months, to around RM1m per month on average, a significant increase compared to FY17 monthly sales. Its MLM distributor force is already close to 10,000. We are targeting MLM sales to rise to around RM40m in FY18F and a higher RM70m in FY19F.

Chuck Chicken books to be launched by early-2018?

- In Oct 17, the company entered into a licensing agreement with Animasia Studio S/B to produce, publish and sell comic and colouring books based on the studio's animated television series "Chuck Chicken". The "Chuck Chicken" books are expected to be launched by early-2018. In addition, Sasbadi recently launched its "augmented reality" books for preschoolers.

STEM the next growth area

- With the government's focus on science, technology, engineering and maths (STEM), the company's plan to franchise its robotics technology education division has great potential, in our view. Sasbadi already has a tie-up with University Malaya to certify its robotics education classes. We have not factored in any profits from this division.

0.17x net gearing as at end-Aug

- As at end-Aug 17, Sasbadi's balance sheet had RM26.5m of net debt compared to RM6m net cash as at end-Aug 2016. The higher net debt was mainly due to the acquisition of a 30% stake in Sanjung Unggul S/B for RM9.4m in Jul 2017 and higher working capital needs. Net gearing was at 0.17x as at end-Aug 17, which is still undemanding, in our view. This should allow the company to gear up, if needed.

Remains an Add

- We maintain our EPS forecasts and target price based on an unchanged 20% discount to 2019F 16x P/E (our target P/E for the domestic education sector) to reflect its small market cap. Catalysts are stronger-than-expected iL-Ace sales, "Chuck Chicken" and preschool books sales. Risks are weak MLM sales.

Financial Summary	Aug-16A	Aug-17A	Aug-18F	Aug-19F	Aug-20F
Revenue (RMm)	92.7	93.0	143.0	188.0	208.0
Operating EBITDA (RMm)	26.80	15.90	50.80	63.90	73.50
Net Profit (RMm)	16.70	8.00	33.65	43.25	50.45
Core EPS (RM)	0.04	0.02	0.08	0.10	0.11
Core EPS Growth	9%	(52%)	321%	29%	17%
FD Core P/E (x)	17.50	36.52	8.68	6.76	5.79
DPS (RM)	0.015	0.020	0.033	0.035	0.040
Dividend Yield	2.29%	3.05%	5.04%	5.34%	6.11%
EV/EBITDA (x)	10.89	18.95	5.82	4.38	3.48
P/FCFE (x)	22.31	33.98	5.76	3.51	2.90
Net Gearing	(3.9%)	1.8%	(2.0%)	(9.9%)	(18.8%)
P/BV (x)	1.98	1.92	1.69	1.47	1.28
ROE	13.2%	5.3%	20.7%	23.3%	23.6%
CIMB/consensus EPS (x)			1.40	1.49	1.66

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Aug-17A	Aug-18F	Aug-19F	Aug-20F
Total Net Revenues	**93.00**	**143.00**	**188.00**	**208.00**
Gross Profit	**39.00**	**23.00**	**68.00**	**88.00**
Operating EBITDA	**15.90**	**50.80**	**63.90**	**73.50**
Depreciation And Amortisation	(4.50)	(4.60)	(4.90)	(4.90)
Operating EBIT	**11.40**	**46.20**	**59.00**	**68.60**
Financial Income/(Expense)	0.10	0.00	0.00	0.00
Pretax Income/(Loss) from Assoc.	0.00	0.00	0.00	0.00
Non-Operating Income/(Expense)	0.00	0.00	0.00	0.00
Profit Before Tax (pre-EI)	**11.50**	**46.20**	**59.00**	**68.60**
Exceptional Items				
Pre-tax Profit	**11.50**	**46.20**	**59.00**	**68.60**
Taxation	(3.40)	(11.55)	(14.75)	(17.15)
Exceptional Income - post-tax				
Profit After Tax	**8.10**	**34.65**	**44.25**	**51.45**
Minority Interests	(0.10)	(1.00)	(1.00)	(1.00)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**8.00**	**33.65**	**43.25**	**50.45**
Recurring Net Profit	8.00	33.65	43.25	50.45
Fully Diluted Recurring Net Profit	**8.00**	**33.65**	**43.25**	**50.45**

Balance Sheet

(RMm)	Aug-17A	Aug-18F	Aug-19F	Aug-20F
Total Cash And Equivalents	12.4	17.4	29.3	53.5
Total Debtors	46.5	63.0	65.0	67.0
Inventories	53.2	55.0	57.0	57.0
Total Other Current Assets	4.3	4.3	4.3	4.3
Total Current Assets	**116.4**	**139.7**	**155.6**	**181.8**
Fixed Assets	48.1	53.8	58.9	64.0
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	26.3	26.3	26.3	26.3
Total Other Non-Current Assets	3.1	3.1	3.0	2.0
Total Non-current Assets	**77.5**	**83.2**	**88.2**	**92.3**
Short-term Debt	9.4	7.9	3.0	3.0
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0
Total Creditors	16.0	16.5	15.5	15.5
Other Current Liabilities	3.0	6.7	6.6	6.6
Total Current Liabilities	**28.4**	**31.1**	**25.1**	**25.1**
Total Long-term Debt	5.9	5.9	5.9	5.9
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	1.0	5.8	5.8	5.8
Total Non-current Liabilities	**6.9**	**11.7**	**11.7**	**11.7**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**35.3**	**42.8**	**36.8**	**36.8**
Shareholders' Equity	152.4	172.6	198.5	228.8
Minority Interests	6.2	7.2	8.2	8.2
Total Equity	**158.6**	**179.8**	**206.7**	**237.0**

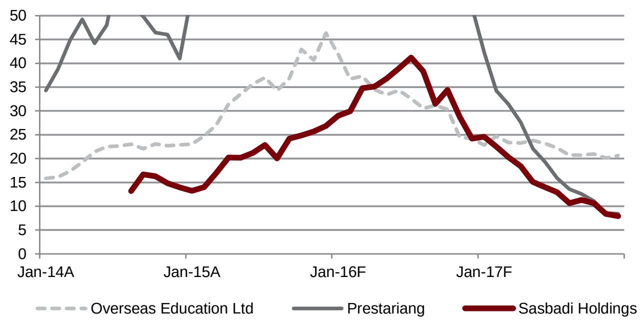
Cash Flow

(RMm)	Aug-17A	Aug-18F	Aug-19F	Aug-20F
EBITDA	15.90	50.80	63.90	73.50
Cash Flow from Invt. & Assoc.	15.90	50.80	63.90	73.50
Change In Working Capital	(6.40)	(17.80)	(5.00)	(2.00)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00
Other Operating Cashflow	(3.40)	(11.55)	(14.75)	(17.15)
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00
Tax Paid	(3.40)	(11.55)	(14.75)	(17.15)
Cashflow From Operations	**18.60**	**60.70**	**93.30**	**110.70**
Capex	(10.00)	(10.00)	(10.00)	(10.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Investing	**(10.00)**	**(10.00)**	**(10.00)**	**(10.00)**
Debt Raised/(repaid)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	(3.20)	(13.46)	(17.30)	(20.18)
Preferred Dividends	0.00	0.00	0.00	0.00
Other Financing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Financing	**(3.20)**	**(13.46)**	**(17.30)**	**(20.18)**
Total Cash Generated	5.40	37.24	66.00	80.52
Free Cashflow To Equity	**8.60**	**50.70**	**83.30**	**100.70**
Free Cashflow To Firm	**8.60**	**50.70**	**83.30**	**100.70**

Key Ratios

	Aug-17A	Aug-18F	Aug-19F	Aug-20F
Revenue Growth	0.3%	53.8%	31.5%	10.6%
Operating EBITDA Growth	(41%)	219%	26%	15%
Operating EBITDA Margin	17.1%	35.5%	34.0%	35.3%
Net Cash Per Share (RM)	(0.007)	0.008	0.046	0.100
BVPS (RM)	0.34	0.39	0.45	0.51
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	29.6%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	50.0%	50.0%	50.0%	50.0%
Accounts Receivables Days	192.7	139.7	124.3	116.1
Inventory Days	341.7	164.6	170.3	173.9
Accounts Payables Days	129.4	49.4	48.7	47.3
ROIC (%)	7.4%	28.4%	32.4%	35.7%
ROCE (%)	6.6%	25.1%	28.8%	29.7%
Return On Average Assets	4.0%	16.6%	19.0%	19.9%

12-mth Fwd FD P/E (x)



Key Drivers

	Aug-17A	Aug-18F	Aug-19F	Aug-20F
Growth In Number Of Students (%)	1.0%	1.0%	1.0%	1.0%
Average Student Fee Change (%)	3.0%	2.0%	2.0%	2.0%
Campus Utilisation Rates (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

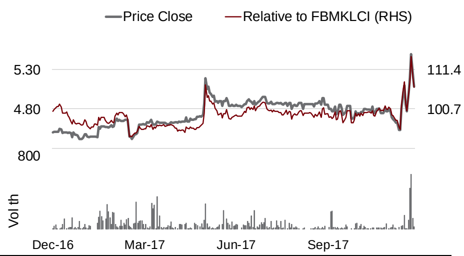
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 1	Hold 1	Sell 0

Current price:	RM5.08
Target price:	RM5.12
Previous target:	RM5.12
Up/downside:	0.7%
CIMB / Consensus:	-7.7%
Reuters:	SELS.KL
Bloomberg:	SPR MK
Market cap:	US$427.7m
	RM1,746m
Average daily turnover:	US$0.05m
	RM0.20m
Current shares o/s	343.6m
Free float:	31.8%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.9	2.8	11.9
Relative (%)	6	5	5.6

Major shareholders	% held
Kayin Holdings Sdn Bhd	68.2
Valuecap	2.1
Pangolin Asia	0.9

Selangor Properties

Waiting to unlock value

- Despite its strategic landbank, we think the Selangor Property will only pick up the pace of land development in 2019F.
- Maintain Hold and TP of RM5.12, based on 50% discount to RNAV.

Company background

- Incorporated in 1963, Selangor Properties is one of the largest private landowners in Damansara Heights and it owns several plots of land in Bukit Tunku. It owns 42 acres of prime land in Damansara Heights and Bukit Tunku, two of the high sought-after locations in Kuala Lumpur.

2017 in review

- Excluding forex gains (RM30.1m), gains from asset disposals (RM5.7m) and mark-to-market losses (-RM1.4m) on financial assets, 9MFY17 core net profit beat our expectations, comprising 82% of our FY17F forecast, due to a lower-than-expected tax rate (we had expected more non-tax-deductible expenses). 9MFY17 core net profit fell 11% yoy even as revenue rose 10%, mainly due to wider losses (+41% yoy) incurred by its property development division from marketing costs for AIRA Residence, its only ongoing property development project.

Property sector outlook for 2018F still muted

- We believe the overall property outlook for 2018F is still bleak, although property prices are on an uptrend and property transactions were still active in 1H17. We see two wildcards that could have impact on the sector in 2018F – possible interest rate hike and approval freeze on luxury projects priced above RM1m/unit. In addition, low affordability, mismatch between supply and demand, high incoming supply of completed properties and rising competition from public housing are continued risks to private developers' sales.
- However, in Dec 2017, Finance Minister II Datuk Seri Johari said property developers would be allowed (on a case-by-case basis) to go ahead with their plans to build offices and malls, provided that they have good justification. We believe this would have negligible impact on Selangor Properties in the near term, but may pose a threat if the approval freeze extends beyond 2018F as the majority of the group's projects are high-end developments and located in prime locations.

Earnings outlook

- We expect its main revenue generator – property investment – to remain stable and continue to contribute positively in 2018F. We also project the property development division's earnings to pick up in the future due to unit sales of AIRA Residence and its ongoing construction progress. In the pipeline, there is a mixed development project on an 8-acre site (Wisma Damansara), potentially to be launched in 2018F or 2019F.
- The potential launch could jumpstart the monetisation of Selangor Properties' valuable landbank in Damansara Heights. Until that happens, however, we think the group is likely to remain undervalued due to its low core ROE of 1-5% in FY17F-19F, based on our estimates. One-third of its assets are cash or cash equivalents that generate low returns.

Maintain Hold

- We continue to value the stock based on a 50% discount to its RNAV; the large discount reflects the uncertainty about its landbank development timeframe and low trading liquidity. Our target price of RM5.12 is unchanged. The key upside risk to our Hold call is faster-than-expected development of its landbank, while the key downside risk is deterioration in property market sentiment.

Financial Summary	Oct-15A	Oct-16A	Oct-17F	Oct-18F	Oct-19F
Total Net Revenues (RMm)	99.5	120.9	161.0	265.9	389.9
Operating EBITDA (RMm)	4.1	30.7	52.9	88.7	132.3
Net Profit (RMm)	593.7	67.4	47.1	79.8	112.9
Core EPS (RM)	0.01	0.09	0.14	0.23	0.33
Core EPS Growth	(85%)	953%	57%	69%	41%
FD Core P/E (x)	611.0	58.0	37.0	21.9	15.5
DPS (RM)	0.50	0.20	0.14	0.23	0.33
Dividend Yield	9.84%	3.94%	2.70%	4.57%	6.47%
EV/EBITDA (x)	173.8	31.6	19.3	11.9	7.9
P/FCFE (x)	NA	25.43	NA	42.02	13.91
Net Gearing	(39.5%)	(30.9%)	(28.9%)	(27.4%)	(27.9%)
P/BV (x)	0.67	0.70	0.70	0.70	0.70
ROE	0.12%	1.18%	1.88%	3.18%	4.50%
CIMB/consensus EPS (x)			0.86	1.06	1.04

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Oct-16A	Oct-17F	Oct-18F	Oct-19F
Total Net Revenues	**120.9**	**161.0**	**265.9**	**389.9**
Gross Profit	**120.4**	**127.1**	**164.1**	**208.9**
Operating EBITDA	**30.7**	**52.9**	**88.7**	**132.3**
Depreciation And Amortisation	(1.3)	(1.3)	(1.3)	(1.3)
Operating EBIT	**29.5**	**51.6**	**87.4**	**131.0**
Financial Income/(Expense)	(13.5)	(13.4)	(13.5)	(13.4)
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	82.8	20.0	20.0	20.0
Profit Before Tax (pre-EI)	**98.8**	**58.2**	**94.0**	**137.5**
Exceptional Items				
Pre-tax Profit	**98.8**	**58.2**	**94.0**	**137.5**
Taxation	**(31.4)**	**(11.1)**	**(14.1)**	**(24.7)**
Exceptional Income - post-tax				
Profit After Tax	**67.4**	**47.1**	**79.8**	**112.9**
Minority Interests				
Pref. & Special Div	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**67.4**	**47.1**	**79.8**	**112.9**
Recurring Net Profit	30.1	47.1	79.8	112.9
Fully Diluted Recurring Net Profit	**30.1**	**47.1**	**79.8**	**112.9**

Balance Sheet

(RMm)	Oct-16A	Oct-17F	Oct-18F	Oct-19F
Total Cash And Equivalents	1,018	969	930	943
Properties Under Development	115	166	206	194
Total Debtors	0	0	0	0
Inventories	1	1	1	1
Total Other Current Assets	12	12	12	12
Total Current Assets	**1,147**	**1,148**	**1,149**	**1,150**
Fixed Assets	56	54	53	52
Total Investments	**1,667**	**1,667**	**1,667**	**1,667**
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	48	48	48	48
Total Non-current Assets	**1,771**	**1,770**	**1,768**	**1,767**
Short-term Debt	4	4	4	4
Current Portion of Long-Term Debt				
Total Creditors	29	29	29	29
Other Current Liabilities	9	9	9	9
Total Current Liabilities	**42**	**42**	**42**	**42**
Total Long-term Debt	239	239	239	239
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	**240**	**240**	**240**	**240**
Total Provisions	125	125	125	125
Total Liabilities	**407**	**407**	**407**	**407**
Shareholders' Equity	**2,510**	**2,510**	**2,510**	**2,510**
Minority Interests				
Total Equity	**2,510**	**2,510**	**2,510**	**2,510**

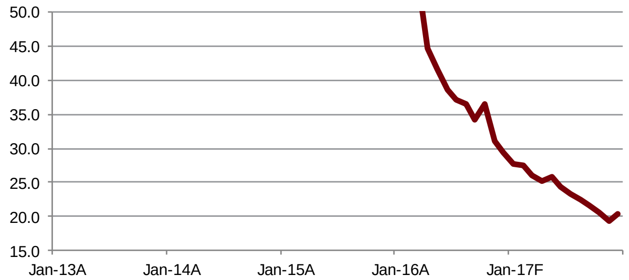
Cash Flow

(RMm)	Oct-16A	Oct-17F	Oct-18F	Oct-19F
EBITDA	30.7	52.9	88.7	132.3
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(65.1)	(50.9)	(39.6)	11.3
Straight Line Adjustment				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	4.8	9.6	11.8	12.4
Net Interest (Paid)/Received	0.7	(3.0)	(5.3)	(5.9)
Tax Paid	(16.1)	(11.1)	(14.1)	(24.7)
Cashflow From Operations	**(44.9)**	**(2.5)**	**41.5**	**125.5**
Capex	0.0	0.0	0.0	0.0
Disposals Of FAs/subsidiaries	482.3	0.0	0.0	0.0
Disposals of Investment Properties				
Acq. Of Subsidiaries/investments	(374.5)	0.0	0.0	0.0
Other Investing Cashflow	13.8	0.0	0.0	0.0
Cash Flow From Investing	**121.6**	**0.0**	**0.0**	**0.0**
Debt Raised/(repaid)	(8.0)	0.0	0.0	0.0
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(171.8)	(47.1)	(79.8)	(112.9)
Preferred Dividends				
Other Financing Cashflow	(0.6)			
Cash Flow From Financing	**(180.4)**	**(47.1)**	**(79.8)**	**(112.9)**

Key Ratios

	Oct-16A	Oct-17F	Oct-18F	Oct-19F
Revenue Growth	21.5%	33.1%	65.2%	46.6%
Operating EBITDA Growth	644%	72%	68%	49%
Operating EBITDA Margin	25.4%	32.8%	33.4%	33.9%
Net Cash Per Share (RM)	2.25	2.11	2.00	2.04
BVPS (RM)	7.31	7.31	7.31	7.31
Gross Interest Cover	2.18	3.86	6.49	9.75
Effective Tax Rate	31.8%	19.0%	15.0%	17.9%
Net Dividend Payout Ratio	174%	81%	85%	82%
Accounts Receivables Days	-	-	-	-
Inventory Days	786.1	9.0	3.0	1.7
Accounts Payables Days	1,889	51	17	10
ROIC (%)	29.2%	26.6%	35.9%	46.5%
ROCE (%)	1.01%	1.79%	3.04%	4.55%
Return On Average Assets	3.8%	2.5%	3.7%	5.2%

12-mth Fwd FD P/E (x) - Selangor Properties



Key Drivers

	Oct-16A	Oct-17F	Oct-18F	Oct-19F
Unbooked Presales (m) (RM)	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A
Gross Margins (%)	99.6%	78.9%	61.7%	53.6%
Contracted Sales ASP (per Sm) (RM)	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	72.5%	56.1%	35.0%	24.6%
Residential rev / total rev (%)	0.4%	32.4%	58.9%	71.4%
Invt. properties rental margin (%)	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

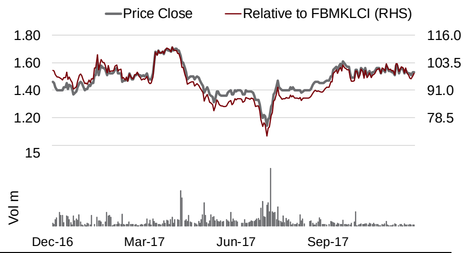
Malaysia

REDUCE *(no change)*

Consensus ratings*:	Buy 1	Hold 2	Sell 4

Current price:	RM1.53
Target price:	RM1.14
Previous target:	RM1.14
Up/downside:	-25.6%
CIMB / Consensus:	-16.5%
Reuters:	SEM.KL
Bloomberg:	SEM MK
Market cap:	US$416.3m
	RM1,699m
Average daily turnover:	US$0.13m
	RM0.56m
Current shares o/s	1,233m
Free float:	49.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.3	5.5	3.4
Relative (%)	-2.2	7.7	-2.9

Major shareholders	% held
Berjaya Retail	51.0
Genesis Investment	6.8
Smallcap world fund	6.2

7-Eleven Malaysia Holdings Berhad

Overblown valuations

- We remain unenthusiastic about the group's earnings growth over the mid-term in view of the continually soft consumer spending and difficult operating environment.
- SSSG could remain in the red as the group grapples with the inability to adjust selling prices given the intensified competition and tougher domestic market environment.
- We maintain our Reduce call and target price of RM1.14. Valuations of 42x/37x FY17/18F P/Es remain unjustifiable.

9M17 impacted by higher operating costs

- All in, 7-Eleven's 9M17 sales increased 3.9% yoy while core net profit fell 19.7% yoy. The former was mostly driven by new store openings, better merchandise mix and increased consumer promotional activities while the latter was attributable to higher operating costs, especially rental, depreciation and staff expenses, due to its store expansion plans. Overall, 9M17 EBITDA margin narrowed by 0.6% pts yoy to 5.6%.

SSSG still in the red

- 7-Eleven's same-store-sales growth (SSSG) remained in the red, reporting SSSG of -4.7% yoy in 3Q which brought cumulative SSSG to -1.7% yoy following positive growth in 2Q. This was mostly attributed to a high base effect from the earlier Hari Raya this year which fell in 2Q17 as compared to 3Q16 last year. As for 9M17, SSSG continued to be affected by the weaker sales and consumer spending in 1H17. Average spend per customer remained healthy in 9M17, notching up 1.1% yoy.

Store openings could potentially fall short in 2017

- In 9M17, the group opened a total of 85 net new stores (106 new; 21 closed), bringing total store count to 2,207 stores. Going forward, we believe that the group could potentially fall short of its targeted 150 new stores in 2017. Meanwhile, store refurbishments seem to be on track to meet its 130-refurbished store target, with 85 stores completed as of 9M17.
- We think the group could turn more selective on new store openings but believe that it will be able to maintain its store growth momentum in the near to mid-term.

Other operating income growth due to claims from suppliers

- The group's 26% yoy growth in other operating income in 3Q17 was mostly attributed to the group tackling the minimum fulfillment service level agreements with its suppliers. Management has cracked down on those suppliers which dropped below their fulfillment service levels and claimed compensation from the said suppliers. 7-Eleven is now focusing its attention on its supplier fulfillment which in turn would eventually improve and satisfy its overall store and warehouse fulfillment levels.

Maintain Reduce; unjustifiable valuations

- We maintain our earnings estimates and retain our Reduce call. Our target price of RM1.14 is based on an unchanged CY19F target P/E multiple of 24x, which is in line with the regional peer average. The stock's valuations remain steep at 42x FY17F and 37x FY18F P/Es. While we are optimistic on management initiatives to drive down operational costs and improve efficiencies, we advise investors to remain on the sidelines for now as we await the successful execution of its cost savings programme.

Key risks to our call

- Upside risks include faster-than-expected recovery in domestic consumer spending and quicker-than-expected execution of its cost savings programme.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	2,006	2,103	2,286	2,512	2,752
Operating EBITDA (RMm)	122.9	124.2	121.2	135.1	150.8
Net Profit (RMm)	55.80	52.17	45.68	51.45	58.48
Core EPS (RM)	0.045	0.042	0.037	0.042	0.047
Core EPS Growth	(2.1%)	(6.5%)	(12.4%)	12.6%	13.7%
FD Core P/E (x)	33.82	36.17	41.31	36.68	32.27
DPS (RM)	0.051	0.047	0.026	0.029	0.033
Dividend Yield	3.33%	3.07%	1.69%	1.91%	2.17%
EV/EBITDA (x)	14.34	15.73	15.76	13.97	12.27
P/FCFE (x)	390.1	14.0	37.7	31.7	24.3
Net Gearing	(73%)	188%	31%	(0%)	(35%)
P/BV (x)	11.09	53.63	25.50	21.10	17.64
ROE	27.5%	50.8%	83.7%	63.0%	59.6%
CIMB/consensus EPS (x)			0.95	0.89	0.89

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**2,103**	**2,286**	**2,512**	**2,752**
Gross Profit	**647**	**729**	**817**	**895**
Operating EBITDA	**124**	**121**	**135**	**151**
Depreciation And Amortisation	(51)	(54)	(60)	(66)
Operating EBIT	**73**	**67**	**75**	**84**
Financial Income/(Expense)	(3)	(3)	(2)	(2)
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**71**	**64**	**72**	**82**
Exceptional Items				
Pre-tax Profit	**71**	**64**	**72**	**82**
Taxation	(19)	(19)	(21)	(24)
Exceptional Income - post-tax				
Profit After Tax	**52**	**46**	**51**	**58**
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**52**	**46**	**51**	**58**
Recurring Net Profit	52	46	51	58
Fully Diluted Recurring Net Profit	**52**	**46**	**51**	**58**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	49.5	92.6	116.0	152.8
Total Debtors	92.0	107.5	118.1	129.4
Inventories	263.9	237.6	258.7	283.4
Total Other Current Assets	13.3	13.3	13.3	13.3
Total Current Assets	**418.7**	**450.9**	**506.1**	**578.9**
Fixed Assets	318.8	339.5	354.2	362.9
Total Investments	0.2	0.2	0.2	0.2
Intangible Assets	35.8	35.8	35.8	35.8
Total Other Non-Current Assets	0.0	0.0	0.0	0.0
Total Non-current Assets	**354.8**	**375.6**	**390.3**	**399.0**
Short-term Debt	90.5	90.5	90.5	90.5
Current Portion of Long-Term Debt				
Total Creditors	599.7	613.8	668.3	732.3
Other Current Liabilities	0.2	0.2	0.2	0.2
Total Current Liabilities	**690.3**	**704.5**	**759.0**	**822.9**
Total Long-term Debt	25.2	25.2	25.2	25.2
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0
Total Non-current Liabilities	**25.2**	**25.2**	**25.2**	**25.2**
Total Provisions	22.8	22.8	22.8	22.8
Total Liabilities	**738.3**	**752.4**	**807.0**	**870.9**
Shareholders' Equity	35.2	74.0	89.4	107.0
Minority Interests				
Total Equity	**35.2**	**74.0**	**89.4**	**107.0**

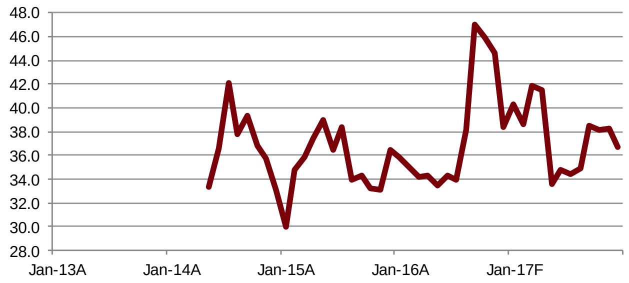
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	124.2	121.2	135.1	150.8
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(25.9)	25.0	22.8	27.9
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(3.3)	0.0	0.0	0.0
Net Interest (Paid)/Received	(2.6)	(2.6)	(2.3)	(2.1)
Tax Paid	(19.3)	(18.7)	(21.0)	(23.9)
Cashflow From Operations	**73.1**	**125.0**	**134.5**	**152.7**
Capex	(65.7)	(75.0)	(75.0)	(75.0)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(10.9)	0.0	0.0	0.0
Cash Flow From Investing	**(76.6)**	**(75.0)**	**(75.0)**	**(75.0)**
Debt Raised/(repaid)	138.7	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(55.5)	(32.0)	(36.0)	(40.9)
Preferred Dividends				
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	**83.2**	**(32.0)**	**(36.0)**	**(40.9)**
Total Cash Generated	79.8	18.0	23.5	36.8
Free Cashflow To Equity	**135.2**	**50.0**	**59.5**	**77.7**
Free Cashflow To Firm	**(0.9)**	**52.6**	**61.8**	**79.8**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	4.84%	8.66%	9.91%	9.54%
Operating EBITDA Growth	1.1%	(2.4%)	11.5%	11.6%
Operating EBITDA Margin	5.90%	5.30%	5.38%	5.48%
Net Cash Per Share (RM)	(0.05)	(0.02)	0.00	0.03
BVPS (RM)	0.03	0.06	0.07	0.09
Gross Interest Cover	28.3	25.8	32.1	40.3
Effective Tax Rate	26.3%	29.0%	29.0%	29.0%
Net Dividend Payout Ratio	111%	70%	70%	70%
Accounts Receivables Days	17.21	15.93	16.39	16.42
Inventory Days	55.86	58.79	53.43	53.27
Accounts Payables Days	109.6	108.8	104.8	104.5
ROIC (%)	91%	40%	47%	57%
ROCE (%)	42.2%	36.0%	35.1%	36.8%
Return On Average Assets	7.13%	5.95%	6.18%	6.41%

12-mth Fwd FD P/E (x) - 7-Eleven Malaysia Holdings Berhad



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	0.5%	-0.3%	1.2%	1.6%
No. of POS (main prod/serv)	2,122	2,321	2,520	2,720
SSS grth (%, main prod/serv)	-1.0%	0.0%	0.5%	1.0%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
No. of POS (2ndary prod/serv)	N/A	N/A	N/A	N/A
SSS grth (%, 2ndary prrod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 1	Hold 1	Sell 0

Current price:	RM0.75
Target price:	RM0.94
Previous target:	RM0.94
Up/downside:	26.2%
CIMB / Consensus:	1.1%
Reuters:	SGNA.KL
Bloomberg:	SIGN MK
Market cap:	US$41.82m
	RM170.7m
Average daily turnover:	US$0.17m
	RM0.72m
Current shares o/s	240.0m
Free float:	50.3%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-16.8	-15.4	-6.9
Relative (%)	-17.7	-13.2	-13.2

Major shareholders	% held
Tan KC	24.9
Chooi Yoey Sun	24.8
EPF	5.1

Signature International

Looking for a sign

- Orderbook remains strong as projects that were earlier delayed have recently started work.
- However, the company faces a profit margin squeeze due to high costs for rubberwood, its main raw material.
- Remains a Hold. We prefer Muhibbah Engineering for exposure to the small mid-cap construction sector.

Country's largest manufacturer of kitchen systems

- Signature is the country's largest designer, manufacturer and retailer of modular kitchen systems, with more than 50% of the industry's market share. The company's customers are mainly from the domestic market, coming from both retail and projects.

Strong orderbook

- Signature's outstanding order book remains strong at RM181m. Projects that were delayed earlier are only now being completed and, as such, its orderbook is growing. In addition, as sales of affordable condominiums are still healthy, Signature's project and retail orders should see a positive impact.

Wants to grow its export market

- Over the next few years, the company is targeting exports to grow the topline. The countries management is focusing on are Thailand, Cambodia, Vietnam and Indonesia. We currently estimate export sales account for around 10% of the company's revenue. It will only export the raw materials overseas and installation will be taken care of by the overseas partner. This reduces the risks inherent in overseas projects, particularly when it comes to installation.

Kubiq brand to get a boost

- Its no-frills 'Kubiq' brand was recently awarded the contract by Perbadanan PR1MA Malaysia to offer kitchen packages to new homeowners under the 1Malaysia People's Housing (PR1MA) programme. This should be a major boost to Kubiq's revenue over the next few years. The packages will be available to all eligible PR1MA homeowners.
- Also, in FY17, Signature signed a joint initiative with Bank Rakyat, where the bank will offer personal financing of up to RM200k to upgrade kitchens to a Signature kitchen. This should help boost retail sales.

However, profit margins squeezed

- However, Signature's profit margin is being squeezed by higher raw material rubberwood prices due to a spike in rubber prices. Rubber and rubber wood prices have remained high over the past few months and this is eating into Signature's profit margins as most of its orderbook jobs were finalised before the spike in rubber wood prices at the end of 2016.

EPF now a major shareholder

- In Oct, Employees Provident Fund (EPF) emerged as a major shareholder in the company with a 5.1% equity stake. We believe EPF's stake in Signature was acquired on its own and not via external fund managers. We see this as a long-term positive as we believe EPF's interest in Signature is driven by the former's development of the major 2,330-acre Kwasa Damansara (KD) project.

Remains a Hold

- We maintain our EPS forecasts and target price, still based on an unchanged 40% discount to SOP. The stock remains a Hold as profit margins are being squeezed by high raw material prices. Upside risks are strong export sales. Downside risks are weak sustained domestic sales. We prefer Muhibbah Engineering for sector exposure.

Financial Summary	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	198.1	181.0	186.4	190.2	201.0
Operating EBITDA (RMm)	62.30	19.90	21.20	23.20	25.30
Net Profit (RMm)	47.80	14.68	15.23	16.30	17.28
Core EPS (RM)	0.16	0.05	0.05	0.05	0.06
Core EPS Growth	32.4%	(69.3%)	3.7%	7.1%	6.0%
FD Core P/E (x)	4.68	15.23	14.68	13.71	12.94
DPS (RM)	0.12	0.03	0.03	0.03	0.03
Dividend Yield	16.1%	3.4%	3.4%	3.4%	4.0%
EV/EBITDA (x)	2.61	12.95	10.67	10.07	9.19
P/FCFE (x)	6.06	NA	NA	11.94	28.18
Net Gearing	(41.5%)	16.3%	(2.0%)	1.1%	(0.2%)
P/BV (x)	1.42	1.30	1.20	1.14	1.14
ROE	50.3%	8.9%	8.5%	8.5%	8.8%
CIMB/consensus EPS (x)			0.85	0.79	0.75

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	**181.0**	**186.4**	**190.2**	**201.0**
Gross Profit	**76.3**	**79.0**	**81.6**	**86.8**
Operating EBITDA	**19.9**	**21.2**	**23.2**	**25.3**
Depreciation And Amortisation	(1.5)	(1.8)	(2.1)	(2.4)
Operating EBIT	**18.4**	**19.4**	**21.1**	**22.9**
Financial Income/(Expense)	2.5	2.5	2.5	2.0
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**20.9**	**21.9**	**23.6**	**24.9**
Exceptional Items				
Pre-tax Profit	**20.9**	**21.9**	**23.6**	**24.9**
Taxation	(5.2)	(5.5)	(5.9)	(6.2)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0
Profit After Tax	**15.7**	**16.4**	**17.7**	**18.7**
Minority Interests	(1.0)	(1.2)	(1.4)	(1.4)
Preferred Dividends	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax	0.0	0.0	0.0	0.0
Other Adjustments - post-tax	0.0	0.0	0.0	0.0
Net Profit	**14.7**	**15.2**	**16.3**	**17.3**
Recurring Net Profit	14.7	15.2	16.3	17.3
Fully Diluted Recurring Net Profit	**14.7**	**15.2**	**16.3**	**17.3**

Balance Sheet

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	30.3	53.9	57.8	60.5
Total Debtors	73.4	74.6	76.1	80.4
Inventories	10.0	22.4	22.8	24.1
Total Other Current Assets	47.5	34.0	41.0	37.8
Total Current Assets	**161.2**	**184.8**	**197.7**	**202.8**
Fixed Assets	86.6	94.8	102.7	110.3
Total Investments	57.3	31.0	31.0	29.9
Intangible Assets	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	0.2	0.0	0.0	0.0
Total Non-current Assets	**144.1**	**125.8**	**133.7**	**140.2**
Short-term Debt	4.9	10.0	10.0	10.0
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0
Total Creditors	52.5	42.9	43.7	46.2
Other Current Liabilities	15.8	23.5	22.5	30.5
Total Current Liabilities	**73.2**	**76.4**	**76.2**	**86.7**
Total Long-term Debt	54.2	40.0	50.0	50.0
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	1.0	1.0	1.0	1.0
Total Non-current Liabilities	**55.2**	**41.0**	**51.0**	**51.0**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**128.4**	**117.4**	**127.2**	**137.7**
Shareholders' Equity	171.4	186.3	196.1	195.9
Minority Interests	5.4	6.6	8.0	9.4
Total Equity	**176.8**	**192.9**	**204.1**	**205.3**

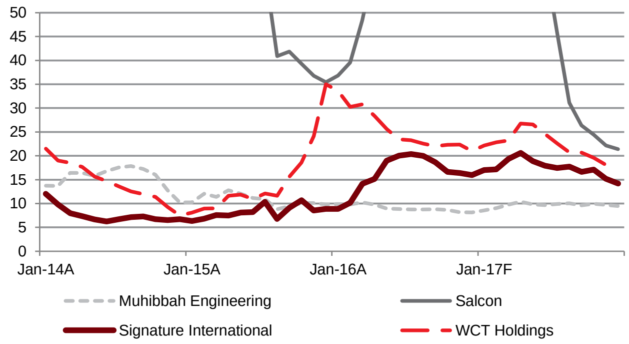
Cash Flow

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	19.90	21.20	23.20	25.30
Cash Flow from Invt. & Assoc.	0.00	0.00	0.00	0.00
Change In Working Capital	16.60	(23.16)	(1.08)	(3.14)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00
Other Operating Cashflow	0.00	0.00	0.00	0.00
Net Interest (Paid)/Received	2.50	2.50	2.50	2.00
Tax Paid	(5.23)	(5.48)	(5.90)	(6.23)
Cashflow From Operations	**33.78**	**(4.94)**	**18.72**	**17.93**
Capex	(60.00)	(10.00)	(10.00)	(10.00)
Disposals Of FAs/subsidiaries	1.00	1.00	1.00	1.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00
Other Investing Cashflow	(1.00)	(1.00)	(1.00)	(1.00)
Cash Flow From Investing	**(60.00)**	**(10.00)**	**(10.00)**	**(10.00)**
Debt Raised/(repaid)	0.00	(9.60)	10.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	(5.87)	(6.09)	(6.52)	(6.91)
Preferred Dividends	0.00	0.00	0.00	0.00
Other Financing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Financing	**(5.87)**	**(15.69)**	**3.48**	**(6.91)**
Total Cash Generated	(32.10)	(30.63)	12.20	1.02
Free Cashflow To Equity	**(26.23)**	**(24.54)**	**18.72**	**7.93**
Free Cashflow To Firm	**(26.23)**	**(14.94)**	**8.72**	**7.93**

Key Ratios

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	(8.6%)	3.0%	2.0%	5.7%
Operating EBITDA Growth	(68.1%)	6.5%	9.4%	9.1%
Operating EBITDA Margin	11.0%	11.4%	12.2%	12.6%
Net Cash Per Share (RM)	(0.10)	0.01	(0.01)	0.00
BVPS (RM)	0.57	0.62	0.65	0.65
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	25.0%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	40.9%	41.4%	36.8%	34.7%
Accounts Receivables Days	160.4	144.9	144.6	142.5
Inventory Days	45.8	55.0	76.0	75.2
Accounts Payables Days	186.5	162.1	145.7	144.2
ROIC (%)	30%	13%	13%	13%
ROCE (%)	9.8%	9.1%	9.3%	9.4%
Return On Average Assets	4.6%	4.5%	4.7%	4.9%

12-mth Fwd FD P/E (x)



Key Drivers

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Outstanding Orderbook	N/A	N/A	N/A	N/A
Order Book Depletion	N/A	N/A	N/A	N/A
Orderbook Replenishment	250	225	225	225
ASP (% chg, main prod./serv.)	2.0%	2.0%	2.0%	2.0%
Unit sales grth (%, main prod./serv.)	20.0%	20.0%	20.0%	20.0%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	3.0%	3.0%	3.0%	3.0%
Unit sales grth (%,2ndary prod/serv)	10.0%	10.0%	10.0%	10.0%
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

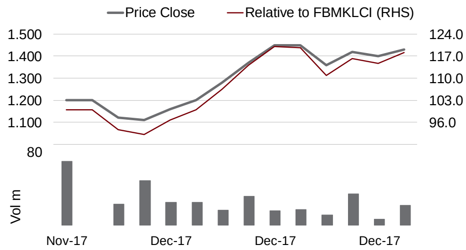
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 3	Hold 2	Sell 0

Current price:	RM1.43
Target price:	RM1.85
Previous target:	RM1.85
Up/downside:	29.2%
CIMB / Consensus:	8.6%
Reuters:	SDPR.KL
Bloomberg:	SDPR MK
Market cap:	US$2,383m
	RM9,725m
Average daily turnover:	US$7.53m
	RM30.72m
Current shares o/s	6,801m
Free float:	36.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)			
Relative (%)			

Major shareholders	% held
Permodalan Nasional Berhad	53.2
Employees Provident Fund	10.8

Sime Darby Property Berhad

Undervalued at the moment

- We expect the group to benefit from the upcoming KL-Singapore HSR project and development of Malaysia Vision Valley (MVV) given its strategically-located land bank.
- While we believe its near-term earnings growth outlook might be volatile, we see potential value enhancement from the ongoing monetisation of its assets.
- Maintain Add rating and target price of RM1.85, based on 50% discount to its RNAV.

Property developer with massive land bank

- Sime Darby Property Berhad (SD Property) is a prominent property developer with the largest land bank in Malaysia as at Sep 2017. Currently, it owns about 20,763 acres of land bank which we estimate has a remaining gross development value (GDV) of RM100.4bn. The land bank is strategically connected to major highways and located mainly within key growth areas and economic corridors.

Poised to benefit from HSR

- SD Property's land bank within Negeri Sembilan and Johor is strategically located in close proximity to the Kuala Lumpur-Singapore high-speed rail project (HSR). As Seremban and Muar have been identified as transit stops along the rail line, we believe its property projects in the surrounding areas, like Bandar Ainsdale, Seremban, Nilai Impian 1 and Nilai Impian 2 in Negeri Sembilan as well as Bandar Universiti Pagoh in Muar, will benefit from the development.

Property sector outlook still muted

- We believe Malaysia's overall property outlook for 2018F is still bleak, despite property prices still on an uptrend in 1H2017 and property transactions still active. We see two wildcards impacting the sector in 2018F, namely the potential interest rate hike and approval freeze for luxury projects above RM1m per unit. Besides, low affordability, mismatch between supply and demand, high incoming supply of completed properties, and rising competition from public housings remain risks for private developers' sales.
- However, in Dec 2017, Finance Minister II Datuk Seri Johari Abdul Ghani said property developers can now go ahead with their plans to build offices and malls provided they have good justification and on a case-by-case basis. We believe this will have a negligible impact on SD Property as relevant approvals for most of its 2018F project launches have been obtained.

Earnings outlook

- We project SD Property's core net profit yoy in FY18F to be lower yoy as the stronger yoy property development numbers from its City of Elmina project will likely be mitigated by lower yoy contribution from joint ventures given that Battersea phase 1 was completed in Oct 2017. We expect FY19F core net profit to come in lower yoy vs. FY18F due to the absence of share of profits from the Battersea project, before rising again on the back of significant contribution from the project's phase 2 in FY20F.

Maintain Add

- We value the stock based on a 50% discount to our estimate of its RNAV, translating to a target price of RM1.85. The large discount vs. an average of 35% for the other property stocks under our coverage reflects the slower monetisation and longer gestation period of its considerable land bank. We believe its recent share price retracement, represents a good opportunity to accumulate the stock.
- As our valuation does not include the potential value enhancement from the additional land bank of 20,602 acres under MVV option agreements and land option agreements, we see further upside to our RNAV and target price if SD Property manages to monetise or develop these sites in the future.

Financial Summary	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues (RMm)	2,591	2,564	2,658	2,268	1,882
Operating EBITDA (RMm)	1,033	556	415	366	328
Net Profit (RMm)	749.1	607.9	400.9	266.0	305.0
Core EPS (RM)	0.25	0.47	0.06	0.04	0.04
Core EPS Growth	(21.3%)	87.4%	(87.6%)	(33.6%)	14.6%
FD Core P/E (x)	5.65	3.02	24.26	36.56	31.89
DPS (RM)	0.25	0.05	0.01	0.01	0.01
Dividend Yield	17.5%	3.5%	0.8%	0.5%	0.6%
EV/EBITDA (x)	5.01	7.22	24.33	27.26	30.46
P/FCFE (x)	NA	NA	109.8	44.2	133.5
Net Gearing	64.8%	35.3%	0.9%	(0.8%)	(0.9%)
P/BV (x)	0.27	0.23	1.02	1.00	0.97
ROE	5.27%	8.13%	5.05%	2.76%	3.09%
CIMB/consensus EPS (x)					

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	**2,564**	**2,658**	**2,268**	**1,882**
Gross Profit	**836**	**823**	**691**	**572**
Operating EBITDA	**556**	**415**	**366**	**328**
Depreciation And Amortisation	(57)	(50)	(50)	(50)
Operating EBIT	**499**	**365**	**316**	**278**
Financial Income/(Expense)	19	34	58	76
Pretax Income/(Loss) from Assoc.	319	137	3	56
Non-Operating Income/(Expense)	11	0	0	0
Profit Before Tax (pre-EI)	**848**	**536**	**377**	**410**
Exceptional Items				
Pre-tax Profit	**848**	**536**	**377**	**410**
Taxation	**(155)**	**(107)**	**(75)**	**(82)**
Exceptional Income - post-tax		0	0	0
Profit After Tax	**693**	**429**	**301**	**328**
Minority Interests	(85)	(28)	(35)	(23)
Pref. & Special Div	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**608**	**401**	**266**	**305**
Recurring Net Profit	474	401	266	305
Fully Diluted Recurring Net Profit	**474**	**401**	**266**	**305**

Balance Sheet

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	1,075	1,084	1,251	1,263
Properties Under Development	3,778	3,823	3,891	3,941
Total Debtors	850	911	833	748
Inventories	802	810	818	826
Total Other Current Assets	2,251	28	28	28
Total Current Assets	**8,756**	**6,655**	**6,821**	**6,805**
Fixed Assets	2,052	2,792	2,822	2,855
Total Investments	**0**	**0**	**0**	**0**
Intangible Assets	5	5	5	5
Total Other Non-Current Assets	3,141	3,958	3,971	4,181
Total Non-current Assets	**5,198**	**6,755**	**6,798**	**7,042**
Short-term Debt	230	230	230	230
Current Portion of Long-Term Debt				
Total Creditors	11	11	11	11
Other Current Liabilities	3,500	2,087	2,087	2,087
Total Current Liabilities	**3,742**	**2,328**	**2,328**	**2,328**
Total Long-term Debt	3,168	939	939	939
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	422	277	238	198
Total Non-current Liabilities	**3,590**	**1,216**	**1,177**	**1,136**
Total Provisions	34	34	34	34
Total Liabilities	**7,366**	**3,578**	**3,539**	**3,499**
Shareholders' Equity	**6,323**	**9,539**	**9,752**	**9,996**
Minority Interests	265	293	328	352
Total Equity	**6,588**	**9,832**	**10,080**	**10,348**

Cash Flow

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	556	415	366	328
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(21)	(97)	(38)	(12)
Straight Line Adjustment				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	114	(22)	68	(61)
Net Interest (Paid)/Received	(19)	0	0	0
Tax Paid	(136)	(107)	(75)	(82)
Cashflow From Operations	**494**	**189**	**320**	**173**
Capex	(73)	(100)	(100)	(100)
Disposals Of FAs/subsidiaries				
Disposals of Investment Properties				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(167)	0	0	0
Cash Flow From Investing	**(240)**	**(100)**	**(100)**	**(100)**
Debt Raised/(repaid)	(271)	0	0	0
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(50)	(80)	(53)	(61)
Preferred Dividends				
Other Financing Cashflow	204	0	0	0
Cash Flow From Financing	**(117)**	**(80)**	**(53)**	**(61)**

Key Ratios

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	(1.0%)	3.7%	(14.7%)	(17.0%)
Operating EBITDA Growth	(46.2%)	(25.3%)	(11.9%)	(10.4%)
Operating EBITDA Margin	21.7%	15.6%	16.1%	17.4%
Net Cash Per Share (RM)	(2.32)	(0.01)	0.01	0.01
BVPS (RM)	6.32	1.40	1.43	1.47
Gross Interest Cover	138.5	140.7	218.7	32.9
Effective Tax Rate	18.5%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	6.6%	15.8%	15.6%	15.8%
Accounts Receivables Days	107.3	97.9	113.3	121.1
Inventory Days	177.4	160.3	188.3	229.5
Accounts Payables Days	1.58	2.29	2.66	3.21
ROIC (%)	5.1%	3.9%	3.1%	2.7%
ROCE (%)	5.2%	3.8%	3.4%	3.2%
Return On Average Assets	6.16%	3.67%	2.36%	2.43%

12-mth Fwd FD P/E (x) - Sime Darby Property Berhad

Key Drivers

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Unbooked Presales (m) (RM)	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A
Gross Margins (%)	32.6%	31.0%	30.5%	30.4%
Contracted Sales ASP (per Sm) (RM)	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A
Invt. properties rental margin (%)	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	21.0%	21.0%	21.0%	21.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 12 Hold 5 Sell 1
Current price:	RM3.32
Target price:	RM3.40
Previous target:	RM3.40
Up/downside:	2.4%
CIMB / Consensus:	-11.7%
Reuters:	SETI.KL
Bloomberg:	SPSB MK
Market cap:	US$2,461m
	RM10,041m
Average daily turnover:	US$4.05m
	RM16.75m
Current shares o/s	2,854m
Free float:	72.0%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.9	-4.1	1.5
Relative (%)	-5.8	-1.9	-4.8

Major shareholders	% held
PNB	55.4
KWAP	10.4
EPF	6.2

SP Setia

A year of consolidation

- SP Setia is on track to achieve its 2017 sales target of RM4bn, as it will roll out RM2bn worth of launches in 4Q17.
- The acquisition of I&P is positive in the long run; however, we do not see meaningful contribution from the deal in 2018 due to integration and consolidation.
- Maintain EPS, Hold recommendation and TP, still based on 30% discount to RNAV.

On track to achieve 2017 sales target

- SP Setia achieved RM2.8bn sales in 9M17, which accounted for 70% of its total full-year target sales of RM4bn. Its overseas projects were the star performers, accounting for over 41% of 9M17 sales. We believe SP Setia will be able to achieve its FY17 sales target of RM4bn as the group plans to launch projects with a combined gross development value (GDV) of RM2bn in 4Q17. Notable launches are in Setia Alam, Setia Ecohill, Setia Eco Templer and KL Eco City.

Property sector outlook still muted

- We believe the overall property outlook is still bleak in 2018, despite rising property prices and still active property transactions. We see two wildcards impacting the sector in 2018, namely the potential interest rate hike and approval freeze for luxury projects above RM1m. Besides, low affordability, mismatch between supply and demand, high incoming supply of completed properties and rising competition from public housing are continued risks for private developers' sales.
- Given the prevailing market sentiment, SP Setia is strategically repositioning the launch of its condominium projects and bringing forward the launches of more mid-priced landed properties. This is a good move, in our opinion, given the current oversupply situation in the overall property market, especially for high-rise projects.

Acquisition of I&P completed in Dec 2017

- SP Setia agreed to buy I&P for RM3.65bn in cash in Jun 2017. Based on independent property valuers' reports, the market value of I&P's properties is RM7.4bn while its fair value is RM6bn, after adjusting for the deferred tax liabilities arising from land revaluation. We believe the acquisition price, at 39% discount to I&P's RNAV, is fair as most developers under our coverage trade at c.30-50% discount to their RNAVs.
- Assuming that I&P's core net profit in FY18F is the same as our estimate of a core net profit of just RM69m in FY16, we believe the additional earnings contribution from I&P will not fully offset the interest cost and dividend for preference shares related to the financing of its acquisition, let alone the dilutive impact on EPS due to the enlarged share base. If I&P delivers only RM69m of core net profit in FY18F, there is 33% downside to our FY18F EPS forecast for SP Setia.
- Nonetheless, the acquisition holds great promise if SP Setia manages to replicate its track record on I&P's landbank. Compared to I&P, SP Setia has a much stronger brand name and better track record in developing property projects. We expect Setia to take up to one year to integrate the two companies and draw up new plans for I&P's land bank. Setia is confident that I&P's assets will boost its sales in FY18. However, we think the sales will only translate into meaningful earnings starting from FY19F.

Maintain Hold

- While we like the long-term prospects of the I&P acquisition, this is offset by the downside risk to FY18F EPS due mainly to the massive cash calls. SP Setia remains a Hold with stronger-than-expected sales as the key upside risk; key downside risk is high integration costs. We retain our target price of RM3.40, based on a 30% discount to RNAV.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues (RMm)	6,746	4,957	4,191	4,034	4,073
Operating EBITDA (RMm)	1,447	1,002	700	686	821
Net Profit (RMm)	917.7	808.0	684.2	509.8	941.8
Core EPS (RM)	0.36	0.27	0.24	0.18	0.33
Core EPS Growth	121%	(25%)	(11%)	(25%)	85%
FD Core P/E (x)	9.29	12.41	13.91	18.67	10.11
DPS (RM)	0.23	0.20	0.17	0.13	0.23
Dividend Yield	6.93%	6.01%	5.06%	3.77%	6.96%
EV/EBITDA (x)	7.42	11.95	17.23	17.45	14.26
P/FCFE (x)	6.80	NA	14.01	13.22	12.60
Net Gearing	17.1%	16.2%	15.9%	14.6%	11.2%
P/BV (x)	1.18	1.03	1.02	1.01	0.95
ROE	13.8%	9.2%	7.4%	5.5%	9.8%
CIMB/consensus EPS (x)			0.98	0.82	1.34

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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CIMB

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**4,957**	**4,191**	**4,034**	**4,073**
Gross Profit	**1,441**	**1,163**	**1,148**	**1,308**
Operating EBITDA	**1,002**	**700**	**686**	**821**
Depreciation And Amortisation	(28)	(28)	(28)	(28)
Operating EBIT	**974**	**672**	**658**	**793**
Financial Income/(Expense)	(120)	(90)	(69)	(69)
Pretax Income/(Loss) from Assoc.	74	190	(22)	306
Non-Operating Income/(Expense)	257	245	290	300
Profit Before Tax (pre-EI)	**1,185**	**1,017**	**857**	**1,330**
Exceptional Items				
Pre-tax Profit	**1,185**	**1,017**	**857**	**1,330**
Taxation	**(285)**	**(199)**	**(211)**	**(246)**
Exceptional Income - post-tax				
Profit After Tax	**899**	**818**	**646**	**1,084**
Minority Interests	(91)	(134)	(136)	(143)
Pref. & Special Div	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**808**	**684**	**510**	**942**
Recurring Net Profit	761	684	510	942
Fully Diluted Recurring Net Profit	**761**	**684**	**510**	**942**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	4,170	4,173	4,303	4,590
Properties Under Development	2,106	2,111	2,069	2,038
Total Debtors	1,925	1,628	1,567	1,582
Inventories	878	878	878	878
Total Other Current Assets	767	767	767	767
Total Current Assets	**9,846**	**9,556**	**9,583**	**9,855**
Fixed Assets	272	243	215	187
Total Investments	**8,407**	**8,596**	**8,574**	**8,881**
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	165	165	165	165
Total Non-current Assets	**8,844**	**9,005**	**8,955**	**9,233**
Short-term Debt	1,974	1,974	1,974	1,974
Current Portion of Long-Term Debt				
Total Creditors	2,450	2,180	2,101	2,035
Other Current Liabilities	118	118	118	118
Total Current Liabilities	**4,542**	**4,272**	**4,193**	**4,126**
Total Long-term Debt	3,799	3,799	3,799	3,799
Hybrid Debt - Debt Component	54	54	54	54
Total Other Non-Current Liabilities	40	40	40	40
Total Non-current Liabilities	**3,892**	**3,892**	**3,892**	**3,892**
Total Provisions	13	13	13	13
Total Liabilities	**8,447**	**8,177**	**8,098**	**8,032**
Shareholders' Equity	**9,201**	**9,319**	**9,350**	**9,935**
Minority Interests	1,043	1,065	1,090	1,122
Total Equity	**10,243**	**10,385**	**10,440**	**11,056**

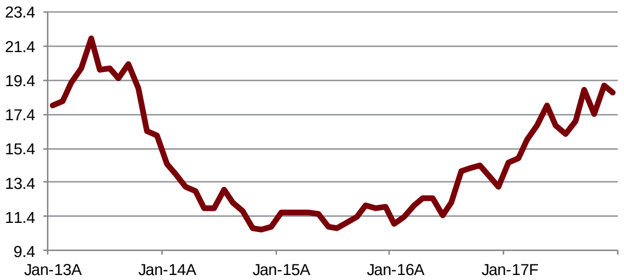
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	1,002	700	686	821
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(21)	22	24	(51)
Straight Line Adjustment				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	85	169	214	224
Net Interest (Paid)/Received	(201)	(14)	7	7
Tax Paid	(443)	(199)	(211)	(246)
Cashflow From Operations	**422**	**679**	**720**	**755**
Capex	0	0	0	0
Disposals Of FAs/subsidiaries				
Disposals of Investment Properties				
Acq. Of Subsidiaries/investments	(701)	0	0	0
Other Investing Cashflow	(987)	0	0	0
Cash Flow From Investing	**(1,689)**	**0**	**0**	**0**
Debt Raised/(repaid)	628	0	0	0
Proceeds From Issue Of Shares	1,128	0	0	0
Shares Repurchased				
Dividends Paid	(28)	(566)	(479)	(357)
Preferred Dividends	0	(75)	(75)	(75)
Other Financing Cashflow	(36)	(36)	(36)	(36)
Cash Flow From Financing	**1,691**	**(677)**	**(590)**	**(468)**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(26.5%)	(15.5%)	(3.8%)	1.0%
Operating EBITDA Growth	(31%)	(30%)	(2%)	20%
Operating EBITDA Margin	20.2%	16.7%	17.0%	20.2%
Net Cash Per Share (RM)	(0.58)	(0.58)	(0.53)	(0.43)
BVPS (RM)	3.22	3.27	3.28	3.48
Gross Interest Cover	8.10	7.47	9.53	11.48
Effective Tax Rate	24.1%	19.5%	24.6%	18.5%
Net Dividend Payout Ratio	3.5%	82.7%	94.0%	37.9%
Accounts Receivables Days	124.6	154.7	144.5	141.1
Inventory Days	91.4	105.8	111.1	115.9
Accounts Payables Days	212.4	218.3	207.0	206.4
ROIC (%)	28.2%	14.4%	14.3%	17.5%
ROCE (%)	6.6%	4.2%	4.0%	4.8%
Return On Average Assets	5.64%	4.76%	3.76%	6.04%

12-mth Fwd FD P/E (x) - SP Setia



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Unbooked Presales (m) (RM)	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A
Gross Margins (%)	29.1%	27.8%	28.5%	32.1%
Contracted Sales ASP (per Sm) (RM)	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A
Invt. properties rental margin (%)	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	5.0%	4.4%	4.0%	5.6%

SOURCE: CIMB RESEARCH, COMPANY DATA

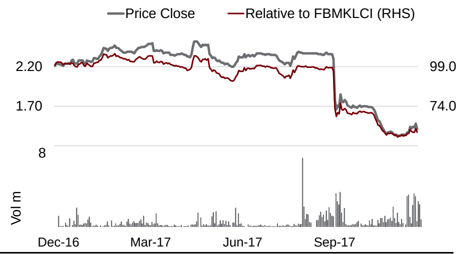
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 3	Hold 6	Sell 2

Current price:	RM1.41
Target price:	RM1.33
Previous target:	RM1.33
Up/downside:	-5.4%
CIMB / Consensus:	-11.1%
Reuters:	STAR.KL
Bloomberg:	STAR MK
Market cap:	US$254.9m
	RM1,040m
Average daily turnover:	US$0.39m
	RM1.61m
Current shares o/s	740.5m
Free float:	42.7%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.4	-40.8	-36.5
Relative (%)	3.5	-38.6	-42.8

Major shareholders	% held
MCA	42.5
PNB	9.9
EPF	5.0

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Star Media Group Bhd

Working towards regaining its shine

- The group expects adex outlook going into 2018 to stay soft due to the structural shift in adex from traditional print towards digital and social media platforms.
- The group is looking to cut its workforce by 10-15% by end-2017 in a bid to improve its operating efficiency and stay profitable.
- Maintain Hold and RM1.33 target price, still based on 1x CY19F P/BV.

Hard landing in 9M17

- 9M17 core net profit revenue fell 18% yoy to RM391.4m due to persistent weakness in advertising expenditure (adex) across its newsprint, TV and radio segments. Newsprint adex during the period fell 21.7% yoy, in line with the broader print adex market decline of 22% in 9M17. Overall, Star's core net profit plunged 72.6% yoy in 9M17, after excluding the RM207m gain from the disposal of Cityneon Holdings, RM11.2m reversal in Cityneon's profit post-disposal, and RM7.3m forex gain.

A muted CY18F traditional adex market, even with GE looming

- We expect digital media will continue to chip away print media's adex share, in line with the growing popularity of online platforms. We project Malaysia's print adex market to decline 15% in CY18F, despite the 14th General Elections (GE) falling in the year. The run-up to this upcoming election may mark the first time the print segment sees negligible GE-related ad-spend boost, as more money shifts to the digital media.

Newsprint price hike runs risks of further margin erosion

- We are also wary of rising newsprint prices. The average newsprint price rose 4% from the previous low of US$540/tonne in Jul 2017 to US$570/tonne at end-Nov. Star expects newsprint prices to continue rising in the near term, mainly due to limited supply following the Chinese government's decision to close smaller mill operators on environmental concerns. We understand Star has about 4-6 months of inventory, purchased at an average cost of below US$540/tonne

Aiming for a leaner workforce going forward

- Star is attempting to rationalise its operating expenditure. For example, it aims to reduce its workforce by about 200-250 under a Mutual Separation Scheme (MSS) exercise by end-2017. To recap, Star saved RM5.5m p.a. by releasing 60 employees through a voluntary separation scheme in 2014. It incurred a one-off cost of RM11.5m for the exercise.

Looking to fill the hole left by its star performer

- Apart from cost-savings initiatives, Star is still deliberating on a potential acquisition to fill the earnings vacuum following the disposal of Cityneon. Management has set the priority of acquiring an earnings-accretive business. As for the target's line of activity, the group prefers the acquisition to run parallel with its digital-driven strategy.

Encouraged by dimsum's progress

- Star remains optimistic on its video-on-demand service dimsum. We understand the service has reached over 200k app downloads since its launch a year ago. The group also has added new regional content partners that will expand dimsum's library. While we like Star's digital initiatives, we do not think they will be enough to offset the decline in its traditional print adex, since digital adex only accounted for about 6% of its print and digital revenue in 9M17.

Maintain Hold and target price

- We keep our Hold call and RM1.33 target price, still based on 1x CY19F P/BV, in line with its historical mean. Key upside risks include better-than-expected adex growth while deteriorating adex in the print segment is a key downside risk.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	1,019	932	746	571	582
Operating EBITDA (RMm)	209.4	189.3	66.0	80.6	83.4
Net Profit (RMm)	132.9	109.9	34.3	35.5	38.4
Core EPS (RM)	0.17	0.15	0.05	0.05	0.05
Core EPS Growth	(7.4%)	(16.4%)	(68.1%)	3.4%	8.2%
FD Core P/E (x)	8.12	9.71	30.44	29.43	27.19
DPS (RM)	0.18	0.18	0.36	0.05	0.05
Dividend Yield	12.7%	12.7%	25.5%	3.5%	3.9%
EV/EBITDA (x)	3.57	4.52	11.08	9.00	8.60
P/FCFE (x)	6.52	35.36	12.04	64.53	50.47
Net Gearing	(29.7%)	(24.1%)	(37.7%)	(38.4%)	(39.1%)
P/BV (x)	0.91	0.93	1.05	1.06	1.06
ROE	11.2%	9.5%	3.2%	3.6%	3.9%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.99	0.76	0.75

SOURCE: COMPANY DATA, CIMB FORECASTS

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**932**	**746**	**571**	**582**
Gross Profit	**932**	**746**	**571**	**582**
Operating EBITDA	**189**	**66**	**81**	**83**
Depreciation And Amortisation	(54)	(47)	(46)	(45)
Operating EBIT	**135**	**19**	**34**	**38**
Financial Income/(Expense)	9	14	14	14
Pretax Income/(Loss) from Assoc.	(0)	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**144**	**33**	**48**	**52**
Exceptional Items	2			
Pre-tax Profit	**146**	**33**	**48**	**52**
Taxation	(29)	(10)	(12)	(13)
Exceptional Income - post-tax				
Profit After Tax	**117**	**23**	**35**	**38**
Minority Interests	(7)	11	0	0
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**110**	**34**	**35**	**38**
Recurring Net Profit	108	34	35	38
Fully Diluted Recurring Net Profit	**108**	**34**	**35**	**38**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	500	538	544	552
Total Debtors	235	63	49	50
Inventories	41	36	26	27
Total Other Current Assets	0	0	0	0
Total Current Assets	**776**	**636**	**619**	**628**
Fixed Assets	571	424	422	412
Total Investments	176	174	174	174
Intangible Assets	126	99	99	99
Total Other Non-Current Assets	0	0	0	0
Total Non-current Assets	**873**	**696**	**695**	**685**
Short-term Debt	101	27	27	27
Current Portion of Long-Term Debt				
Total Creditors	151	61	44	45
Other Current Liabilities	3	2	2	2
Total Current Liabilities	**255**	**90**	**73**	**73**
Total Long-term Debt	101	101	101	101
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	55	55	55	55
Total Non-current Liabilities	**156**	**156**	**156**	**156**
Total Provisions	0	0	0	0
Total Liabilities	**411**	**245**	**228**	**229**
Shareholders' Equity	1,128	990	988	986
Minority Interests	110	98	98	98
Total Equity	**1,238**	**1,088**	**1,086**	**1,084**

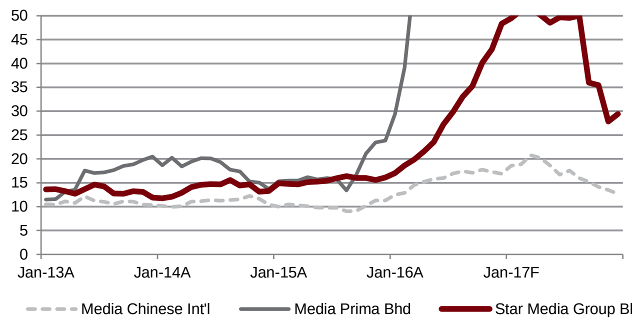
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	189.3	66.0	80.6	83.4
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(7.4)	87.3	6.6	(0.5)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	7.0	(13.8)	(13.8)	(13.8)
Net Interest (Paid)/Received	5.9	2.2	0.2	0.1
Tax Paid	(29.3)	(10.0)	(12.5)	(13.5)
Cashflow From Operations	**165.5**	**131.8**	**61.2**	**55.7**
Capex	(136.0)	(45.0)	(45.0)	(35.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Investing	**(136.0)**	**(45.0)**	**(45.0)**	**(35.0)**
Debt Raised/(repaid)	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(132.8)	(266.2)	(37.0)	(40.7)
Preferred Dividends				
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	**(132.8)**	**(266.2)**	**(37.0)**	**(40.7)**
Total Cash Generated	(103.3)	(179.5)	(20.8)	(20.0)
Free Cashflow To Equity	**29.5**	**86.8**	**16.2**	**20.7**
Free Cashflow To Firm	**39.6**	**90.1**	**20.9**	**25.9**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(8.5%)	(19.9%)	(23.4%)	1.8%
Operating EBITDA Growth	(9.6%)	(65.1%)	22.0%	3.5%
Operating EBITDA Margin	20.3%	8.8%	14.1%	14.3%
Net Cash Per Share (RM)	0.40	0.55	0.56	0.57
BVPS (RM)	1.52	1.34	1.33	1.33
Gross Interest Cover	14.78	3.82	6.70	7.47
Effective Tax Rate	20.0%	30.0%	26.0%	26.0%
Net Dividend Payout Ratio	124%	776%	104%	106%
Accounts Receivables Days	92.98	70.45	32.51	27.94
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	18.1%	2.4%	6.1%	6.9%
ROCE (%)	10.5%	2.9%	4.4%	4.7%
Return On Average Assets	6.27%	0.64%	1.64%	1.87%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Adex rev. grth (%, main newsppr)	4.0%	4.0%	4.0%	4.0%
ASP (% chg, main newsppr)	N/A	N/A	N/A	N/A
Circulation grth (%, main newsppr)	3.0%	3.0%	3.0%	3.0%
Adex rev. grth (%, 2ndary newsppr)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary newsppr)	N/A	N/A	N/A	N/A
Circulation grth (%, 2ndary newsppr)	N/A	N/A	N/A	N/A
Adex rev. grth (%, tertiary newsppr)	N/A	N/A	N/A	N/A
ASP (% chg, tertiary ppr)	N/A	N/A	N/A	N/A
Circulation grth (%, tertiary newsppr)	N/A	N/A	N/A	N/A
Newsprint Cost (% Change)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

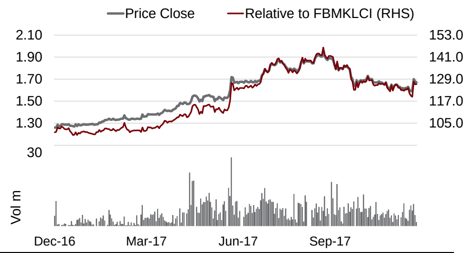
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 5	Hold 8	Sell 0

Current price:	RM1.67
Target price:	RM1.92
Previous target:	RM1.92
Up/downside:	15.0%
CIMB / Consensus:	2.0%
Reuters:	SWAY.KL
Bloomberg:	SWB MK
Market cap:	US$2,004m
	RM8,177m
Average daily turnover:	US$2.34m
	RM9.79m
Current shares o/s	4,852m
Free float:	36.5%

*Source: Bloomberg



Source: Bloomberg

Price performance	*1M*	*3M*	*12M*
Absolute (%)	0	-11.5	29.5
Relative (%)	-0.9	-9.3	23.2

Major shareholders	% held
Tan Sri Dato' Seri Dr. Jeffrey Cheah & family	58.3
EPF	5.2

Sunway Bhd

Construction-driven outlook in 2018

- Sunway's overall outlook in 2018 remains driven by construction, via SunCon.
- The group is on a firmer earnings base on the back of its RM6.8bn order book. Property earnings are underpinned by RM766m effective unbilled sales at end-3Q17.
- Key catalysts are contract wins and strong property sales. Add maintained.

Robust construction outlook for SunCon

- Sunway's listed construction arm, Sunway Construction Group or SunCon (SCGB MK, NR), has YTD achieved strong order wins of RM3.9bn. This brings its outstanding order book to RM6.8bn. The award for an LRT 3 package worth RM2.3bn was its largest win secured YTD, and the largest package awarded for the project's civil works portion. We expect the group's construction outlook in 2018 to be robust and backed by new rail contracts (potentially ECRL, MRT3 and HSR).

Forming a JV with several players to bid for HSR PDP

- In a new development, SunCon has formed a consortium with IJM Corp, Jalinan Rejang Sdn Bhd, and Maltimur Resources Sdn Bhd to collectively bid for the KL-Singapore High-Speed Rail's (HSR) project delivery partner (PDP) scope. Each of the four parties holds a 25% equity stake in the consortium. Maltimur Resources is 30%-owned by former Sarawak politician Tan Sri Ahmad Urai Abang Muhideen. The HSR's PDP portion could be worth RM25bn-40bn, by our rough estimates.

Earnings on a stronger base in 9M17

- Sunway is on a firmer earnings base going by its 9M17 overall results. All divisions recorded growth in 9M17 pretax profit, except for property development and quarry. Property development recorded a pretax margin of 24%, flat yoy despite a revenue decline, likely supported by lower average land cost for selected projects. Property development earnings in FY18 are supported by effective unbilled sales which stood at RM766m as at end-9M17. We expect the group to ramp up launches in 1H18.

Taking full ownership of strategic Sunway South Quay

- In Oct, Sunway signed two share sale agreements (SSA) with the Employees Provident Fund (EPF) and Kuwait Finance House (Malaysia) Bhd (KFH) for their 20% stakes each in Sunway South Quay (SSQ). Sunway is forking out a total of RM273.3m cash for the 40% stake and repay the Musyarakah Capital invested by the two vendors, to become the full owner of the lakeside luxury development within Sunway City.

Minimal impact from luxury property development freeze

- We do not expect the government's decision to halt the development orders (DO) of residential properties valued at RM1m or above per unit, to cap property oversupply in the country, to have a material impact on Sunway's property sales outlook in 2018F. We understand that most of Sunway's planned launches next year are below the RM1m threshold and have obtained the necessary approvals.

More catalysts ahead for construction; Add retained

- We maintain FY17-19F EPS and RM1.92 target price, still pegged to a 10% RNAV discount. Maintain Add call as we continue to be upbeat about the group's construction prospects driven by major rail and transport upgrade projects in 2018F. Downside risks are weaker earnings and slower order book wins.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	4,451	4,726	5,103	5,299	5,508
Operating EBITDA (RMm)	541.5	531.1	567.2	613.7	683.7
Net Profit (RMm)	732.4	586.0	590.1	605.5	659.8
Core EPS (RM)	0.18	0.12	0.12	0.12	0.14
Core EPS Growth	45.6%	(32.0%)	0.7%	2.6%	9.0%
FD Core P/E (x)	9.40	13.83	14.62	15.12	13.88
DPS (RM)	0.21	0.05	0.05	0.05	0.05
Dividend Yield	12.3%	3.1%	3.3%	3.3%	3.3%
EV/EBITDA (x)	19.09	19.78	17.24	15.54	13.60
P/FCFE (x)	46.38	52.98	31.34	28.59	22.57
Net Gearing	48.9%	40.9%	48.1%	43.9%	40.1%
P/BV (x)	1.24	1.09	1.36	1.29	1.22
ROE	10.4%	8.4%	8.8%	9.9%	10.2%
CIMB/consensus EPS (x)			1.05	0.98	0.98

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**4,726**	**5,103**	**5,299**	**5,508**
Gross Profit	**4,726**	**5,103**	**5,299**	**5,508**
Operating EBITDA	**531**	**567**	**614**	**684**
Depreciation And Amortisation	(114)	(118)	(123)	(130)
Operating EBIT	**417**	**450**	**490**	**554**
Financial Income/(Expense)	(60)	(59)	(42)	(31)
Pretax Income/(Loss) from Assoc.	192	284	290	296
Non-Operating Income/(Expense)	310	193	174	156
Profit Before Tax (pre-EI)	**859**	**868**	**911**	**975**
Exceptional Items	0	0	0	0
Pre-tax Profit	**859**	**868**	**911**	**975**
Taxation	(140)	(144)	(166)	(168)
Exceptional Income - post-tax				
Profit After Tax	**719**	**723**	**746**	**807**
Minority Interests	(133)	(133)	(140)	(147)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**586**	**590**	**606**	**660**
Recurring Net Profit	586	590	606	660
Fully Diluted Recurring Net Profit	**586**	**590**	**606**	**660**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	4,402	4,361	4,321	4,281
Total Debtors	2,879	2,822	2,767	2,713
Inventories	662	736	765	795
Total Other Current Assets	1,209	1,221	1,234	1,246
Total Current Assets	**9,152**	**9,141**	**9,086**	**9,034**
Fixed Assets	1,876	1,036	1,060	1,083
Total Investments	5,976	5,116	5,333	5,555
Intangible Assets	312	312	312	312
Total Other Non-Current Assets	1,516	1,546	1,577	1,609
Total Non-current Assets	**9,680**	**8,011**	**8,283**	**8,559**
Short-term Debt	4,831	4,734	4,639	4,547
Current Portion of Long-Term Debt				
Total Creditors	2,708	2,654	2,601	2,549
Other Current Liabilities	44	44	44	44
Total Current Liabilities	**7,583**	**7,432**	**7,285**	**7,140**
Total Long-term Debt	2,591	2,539	2,488	2,438
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	344	344	344	344
Total Non-current Liabilities	**2,934**	**2,883**	**2,832**	**2,782**
Total Provisions	95	81	81	81
Total Liabilities	**10,612**	**10,396**	**10,198**	**10,003**
Shareholders' Equity	7,456	5,969	6,302	6,635
Minority Interests	764	786	869	955
Total Equity	**8,219**	**6,756**	**7,171**	**7,590**

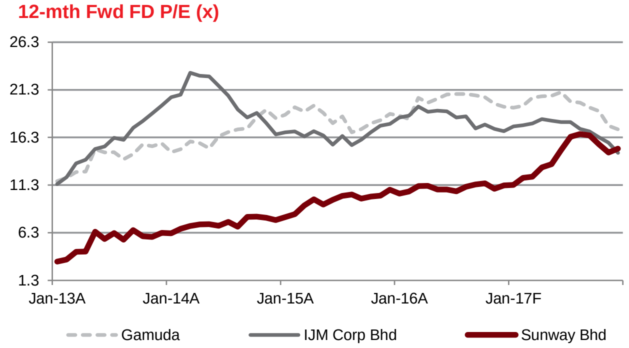
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	531.1	567.2	613.7	683.7
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(49.4)	(66.4)	(75.5)	(79.6)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	0.0	0.0	0.0	0.0
Net Interest (Paid)/Received	(167.7)	(121.7)	(118.5)	(121.2)
Tax Paid	(174.8)	(144.4)	(165.9)	(167.8)
Cashflow From Operations	**139.1**	**234.7**	**253.8**	**315.1**
Capex	(20.0)	(20.0)	(20.0)	(20.0)
Disposals Of FAs/subsidiaries	243.0	248.9	255.0	261.2
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	1.0
Cash Flow From Investing	**223.0**	**228.9**	**235.0**	**242.2**
Debt Raised/(repaid)	(209.2)	(188.3)	(168.5)	(151.5)
Proceeds From Issue Of Shares	0.0	0.0	0.0	1.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(125.6)	(125.6)	(126.6)	(126.6)
Preferred Dividends				
Other Financing Cashflow	1,405.2	(190.6)	(233.8)	(319.9)
Cash Flow From Financing	**1,070.4**	**(504.5)**	**(528.9)**	**(597.1)**
Total Cash Generated	1,432.5	(40.9)	(40.2)	(39.8)
Free Cashflow To Equity	**152.9**	**275.3**	**320.3**	**405.8**
Free Cashflow To Firm	**529.9**	**585.3**	**607.3**	**678.5**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	6.17%	7.97%	3.85%	3.94%
Operating EBITDA Growth	(1.9%)	6.8%	8.2%	11.4%
Operating EBITDA Margin	11.2%	11.1%	11.6%	12.4%
Net Cash Per Share (RM)	(0.69)	(0.67)	(0.65)	(0.63)
BVPS (RM)	1.54	1.23	1.30	1.37
Gross Interest Cover	2.49	3.70	4.14	4.57
Effective Tax Rate	16.3%	16.6%	18.2%	17.2%
Net Dividend Payout Ratio	21.4%	21.3%	20.7%	19.0%
Accounts Receivables Days	211.7	200.3	189.0	178.2
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	6.8%	7.9%	9.9%	10.9%
ROCE (%)	3.55%	3.36%	3.88%	4.33%
Return On Average Assets	4.47%	4.35%	4.56%	4.79%

12-mth Fwd FD P/E (x)



Key Drivers

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Outstanding Orderbook	2,900	3,100	3,100	3,100
Order Book Depletion	1,800	1,800	1,800	1,800
Orderbook Replenishment	2,000	1,800	1,800	1,800
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

Sunway REIT

Retail segment is still the shining star

- Retail will remain Sunway REIT's main earnings driver, underpinned by the strong performance of Sunway Pyramid Shopping Mall.
- Meanwhile, the hotel segment's growth in FY6/18F will be bolstered by the resumption of operations at Sunway Pyramid Hotel and a pick-up in F&B revenue.
- While the office segment remains tough, with two of its assets still with occupancies below 50%, we see minimal downside risk stemming from the segment.
- We maintain our Hold rating as we think the stock is fairly-valued at current levels.

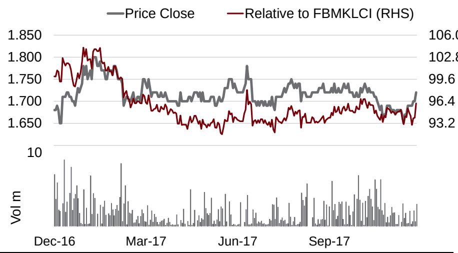
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 6	Hold 8	Sell 0

Current price:	RM1.72
Target price:	RM1.79
Previous target:	RM1.79
Up/downside:	4.1%
CIMB / Consensus:	-3.1%
Reuters:	SUNW.KL
Bloomberg:	SREIT MK
Market cap:	US$1,241m
	RM5,066m
Average daily turnover:	US$0.86m
	RM3.62m
Current shares o/s	2,728m
Free float:	63.1%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3	0	2.4
Relative (%)	2.1	2.2	-3.9

Major shareholders	% held
Sunway Bhd	36.9
EPF	9.7
Capital Income Builder	6.5

Minimal downside earnings risk from the office segment

- Although some of Sunway REIT's assets (mainly in the office segment) are still facing headwinds, we expect the REIT's earnings to remain driven by positive rental reversions from its retail assets as well as improving occupancy rates from its hotel segment. Looking ahead, we see minimal downside earnings risk from the office segment given the low net property income (NPI) contribution of c.4% in FY6/17.

Hotel earnings to be driven by resumption of operations in SPH

- Following a challenging year for Sunway REIT's (SREIT) hotel segment, the segment's growth should come from the resumption of operations (post major refurbishment works) of the now 564-room Sunway Pyramid Hotel (SPH) since end-2017 as well as slight improvement in F&B revenue. The REIT could also see further earnings upside once the acquisition of Sunway Clio Property concludes, expected to be in 3QFY18F.

Sunway Pyramid Shopping Mall remains the shining star

- Going forward, Sunway REIT's retail assets will remain the group's earnings driver. We expect this segment to register decent revenue growth in FY6/18F, mainly fuelled by its strategically located malls, such as Sunway Pyramid Shopping Mall (SPSM) and Sunway Carnival Shopping Mall.
- SPSM is the biggest revenue and net property income contributor for the group, having contributed 58% and 59%, respectively in FY6/17. That being said, the mall will only see minimal leases expiring in FY6/18F. We think that rental reversion rates should remain decent in the mid-single-digit range for SPSM while occupancy rates should most likely remain high at 98-99%.

Major asset enhancement initiatives (AEIs) to commence in SCSM

- Sunway Carnival Shopping Mall (SCSM) in Seberang Perai, Penang, will undergo an expansion, with Phase 1 of the new wing likely to begin development in 3QFY18F. Note that this will be the REIT's first greenfield development of the c.3.3 acres of land adjacent to SCSM. It has plans to spend c.RM300m for the expansion.
- Following the expansion, SCSM should see an additional c.340,000 sq ft of net lettable area. The new wing will comprise of a 9-storey shopping mall that also includes a 6-storey parking bay above the retail space, with one floor of basement parking. The development will take three years, at best, to complete. Hence, we have yet to factor this into our forecast.

Hold call maintained

- We think that the group's earnings growth will be supported by expectations of positive rental reversions from its retail assets, albeit at a slower rate of mid-single digits as well as additional contribution from the fully-operational Sunway Pyramid Hotel. We maintain our Hold call with an unchanged DDM-based target price of RM1.79. Upside risks include higher-than-expected rental reversion while downside risks include lower-than-expected tenant renewals.

Financial Summary	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Gross Property Revenue (RMm)	507.0	522.9	563.6	580.8	604.8
Net Property Income (RMm)	373.9	388.8	411.5	422.9	439.2
Net Profit (RMm)	260.2	272.4	291.1	302.2	318.9
Distributable Profit (RMm)	270.6	272.4	291.1	302.2	318.9
Core EPS (RM)	0.09	0.09	0.10	0.10	0.11
Core EPS Growth	8.03%	4.58%	6.87%	3.80%	5.52%
FD Core P/E (x)	19.44	18.59	17.39	16.75	15.88
DPS (RM)	0.09	0.09	0.10	0.10	0.11
Dividend Yield	5.33%	5.34%	5.71%	5.93%	6.25%
Asset Leverage	33.3%	34.3%	35.0%	34.9%	34.8%
BVPS (RM)	1.38	1.43	1.43	1.43	1.43
P/BV (x)	1.25	1.20	1.20	1.20	1.20
Recurring ROE	6.48%	6.59%	6.91%	7.16%	7.55%
CIMB/consensus DPS (x)			1.02	1.03	1.04

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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CIMB

BY THE NUMBERS

Profit & Loss

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Rental Revenues	522.9	563.6	580.8	604.8
Other Revenues				
Gross Property Revenue	**522.9**	**563.6**	**580.8**	**604.8**
Total Property Expenses	(134.0)	(152.1)	(157.9)	(165.7)
Net Property Income	**388.8**	**411.5**	**422.9**	**439.2**
General And Admin. Expenses				
Management Fees	(31.7)	(33.2)	(33.6)	(34.1)
Trustee's Fees	(1.3)	(1.3)	(1.3)	(1.3)
Other Operating Expenses	(2.5)	(2.6)	(2.7)	(2.8)
EBITDA	**353.4**	**374.3**	**385.3**	**401.0**
Depreciation And Amortisation				
EBIT	**353.4**	**374.3**	**385.3**	**401.0**
Net Interest Income	(81.0)	(83.2)	(83.1)	(82.1)
Associates' Profit				
Other Income/(Expenses)				
Exceptional Items				
Pre-tax Profit	**272.4**	**291.1**	**302.2**	**318.9**
Taxation				
Minority Interests				
Preferred Dividends				
Net Profit	**272.4**	**291.1**	**302.2**	**318.9**
Distributable Profit	**272.4**	**291.1**	**302.2**	**318.9**

Balance Sheet

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Investments	6,689	6,783	6,785	6,787
Intangible Assets	0	0	0	0
Other Long-term Assets	9	9	9	9
Total Non-current Assets	6,698	6,792	6,794	6,796
Total Cash And Equivalents	101	130	139	151
Inventories				
Trade Debtors	33	36	36	36
Other Current Assets	8	8	8	8
Total Current Assets	**142**	**174**	**183**	**195**
Trade Creditors	211	239	248	261
Short-term Debt	2,344	2,344	2,344	2,344
Other Current Liabilities	1	1	1	1
Total Current Liabilities	**2,556**	**2,584**	**2,594**	**2,606**
Long-term Borrowings	0	92	92	92
Other Long-term Liabilities	72	72	72	72
Total Non-current Liabilities	72	164	164	164
Shareholders' Equity	4,212	4,218	4,220	4,222
Minority Interests	0	0	0	0
Preferred Shareholders Funds				
Total Equity	**4,212**	**4,218**	**4,220**	**4,222**

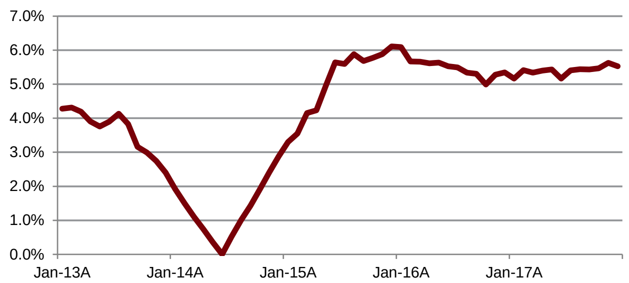
Cash Flow

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Pre-tax Profit	**272**	**291**	**302**	**319**
Depreciation And Non-cash Adj.	81	83	83	82
Change In Working Capital				
Tax Paid				
Others	6	(374)	(385)	(401)
Cashflow From Operations	**359**	**0**	**0**	**0**
Capex	(29)	(2)	(2)	(2)
Net Investments And Sale Of FA				
Other Investing Cashflow	(94)	0	0	0
Cash Flow From Investing	**(123)**	**(2)**	**(2)**	**(2)**
Debt Raised/(repaid)	(9,217)	0	0	0
Equity Raised/(Repaid)	0	0	0	0
Dividends Paid	(266)	(289)	(300)	(317)
Cash Interest And Others	9,278	(83)	(83)	(82)
Cash Flow From Financing	**(205)**	**(372)**	**(383)**	**(399)**
Total Cash Generated	31	(374)	(385)	(401)
Free Cashflow To Firm	245	9	11	12
Free Cashflow To Equity	(9,062)	(85)	(85)	(84)

Key Ratios

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Gross Property Revenue Growth	3.1%	7.8%	3.1%	4.1%
NPI Growth	4.00%	5.82%	2.78%	3.85%
Net Property Income Margin	74.4%	73.0%	72.8%	72.6%
DPS Growth	0.20%	6.87%	3.80%	5.52%
Gross Interest Cover	3.96	3.96	4.00	4.17
Effective Tax Rate	0%	0%	0%	0%
Net Dividend Payout Ratio	99%	99%	99%	99%
Current Ratio	0.055	0.067	0.071	0.075
Quick Ratio	0.055	0.067	0.071	0.075
Cash Ratio	0.039	0.050	0.054	0.058
Return On Average Assets	4.07%	4.22%	4.33%	4.57%

Rolling Dividend Yield - Sunway REIT



Key Drivers

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Rental Rate Psf Pm (RM)	N/A	N/A	N/A	N/A
Acq. (less development) (US$m)	N/A	N/A	N/A	N/A
RevPAR (RM)	N/A	N/A	N/A	N/A
Net Lettable Area (NLA) ('000 Sf)	6,839	6,916	6,916	6,916
Occupancy (%)	74.7%	76.2%	76.2%	76.2%
Assets Under Management (m) (RM)	N/A	N/A	N/A	N/A
Funds Under Management (m) (RM)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

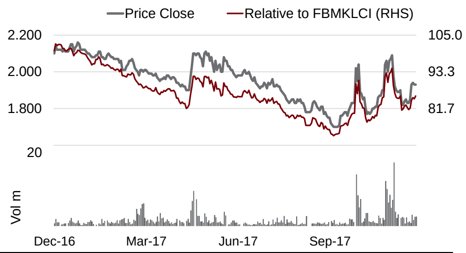
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 2	Hold 4	Sell 3

Current price:	RM1.93
Target price:	RM2.03
Previous target:	RM2.03
Up/downside:	5.3%
CIMB / Consensus:	-0.5%
Reuters:	SUPM.KL
Bloomberg:	SUCB MK
Market cap:	US$310.1m
	RM1,265m
Average daily turnover:	US$1.23m
	RM5.14m
Current shares o/s	680.2m
Free float:	62.5%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5.4	8.4	-7.7
Relative (%)	-6.3	10.6	-14

Major shareholders	% held
Dato' Seri Thai Kim Sim, Stanley	20.7
Datin Seri Tan Bee Geok, Cheryl	15.3
Amanah Saham Nasional	1.5

Supermax Corp

Better prospects but affected by reputational risks

- Supermax (SUCB) is the fourth-largest listed glove manufacturer in Malaysia by production capacity. It is also involved in the manufacturing of contact lenses.
- We expect SUCB to record qoq net profit growth in 2Q-4QFY18, in tandem with the gradual increase in production volumes of Plants 10 and 11.
- Maintain Hold, with a TP of RM2.03 (12x CY19 P/E, 50% discount to the Malaysia glove sector's average).

Manufactures both rubber gloves and contact lens

- Supermax (SUCB) is the fourth-largest listed glove producer in Malaysia, with a capacity of 21.8bn pieces per annum currently. The group's current product mix stands at 41% natural rubber and 59% nitrile.
- Besides rubber gloves, the group is also involved in the manufacturing of contact lenses. Currently, the group can produce up to 50m contact lenses yearly, and is running at healthy average utilisation rates of 80-85%.

1QFY18 net profit grew 42.8% yoy

- 1QFY18 revenue rose 16% yoy, which we attribute to an increase in sales volume as production from Plants 10 and 11 rose. Also, SUCB hiked its average selling prices (ASPs) to reflect the increase in raw material prices.
- 1QFY18 EBIT margins also grew (+3.9% pts yoy to 13.5%), mainly due to improved economies of scale. Accordingly, 1QFY18 net profit grew 42.8% yoy to RM27.9m, despite a higher tax rate (+5.7% yoy) and interest costs (39.5% yoy).

More capacity from Plants 10 and 11 to drive earnings growth

- Since end-Jun 17, we gather that SUCB has obtained approvals for the installation of water meters for Plants 10 and 11. Hence, SUCB aims to commence operations of the remaining 6 lines by 2QFY18F as water meters are in the midst of being installed.
- Overall, we expect total capacity to rise by 7.4% (additional 1.6bn pieces p.a.) to 23.2bn p.a.. We view this positively, as Plants 10 and 11 have not been fully operational due to insufficient water supply for the last three years. We expect gross margin improvements as the contributions from Plants 10 and 11 increase.

SUCB's Managing Director found guilty of insider trading

- On 24 Jun 2017, SUCB's managing director (MD), Dato' Seri Stanley Thai was found guilty for the offence of insider trading. This is in regard to communication of non-public information between 25 Oct and 29 Oct 2007 about APL Industries Bhd (APLI). Last month, he was sentenced to a 5-year jail term and fined RM5m. Dato' Seri Thai is appealing the conviction.
- Although the offence is not directly related to Supermax, we believe that it will weigh on the group's share price due to reputational risks. Hence, we have widened the stock's discount to 50% (from 40%) to the Malaysia glove sector's average to reflect these risks.

Maintain Hold

- Maintain our Hold call on the stock with unchanged TP of RM2.03 (12x CY19 P/E).
- Although we are of the view that the company's prospects are improving and believe it should deliver strong earnings ahead, the negative surprise involving its MD will weigh on SUCB's share price and create a share price overhang in the medium term.
- Downside risk: significant loss of orders due to reputational impact; upside risk: successful appeal of the conviction.

Financial Summary	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	1,029	1,127	1,369	1,589	1,753
Operating EBITDA (RMm)	188.5	148.5	198.2	221.8	228.3
Net Profit (RMm)	105.2	70.2	96.2	114.4	116.2
Core EPS (RM)	0.15	0.10	0.14	0.17	0.17
Core EPS Growth	7.4%	(33.2%)	37.0%	19.0%	1.5%
FD Core P/E (x)	12.48	18.70	13.65	11.47	11.30
DPS (RM)	0.060	0.025	0.042	0.050	0.051
Dividend Yield	3.11%	1.30%	2.20%	2.62%	2.65%
EV/EBITDA (x)	7.92	11.02	9.18	8.59	8.77
P/FCFE (x)	NA	18.74	NA	18.99	21.23
Net Gearing	37.7%	49.5%	62.4%	65.3%	68.6%
P/BV (x)	1.24	1.20	1.13	1.06	0.99
ROE	10.3%	6.5%	8.5%	9.5%	9.1%
CIMB/consensus EPS (x)			0.95	1.01	0.93

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	**1,127**	**1,369**	**1,589**	**1,753**
Gross Profit	**326**	**406**	**452**	**476**
Operating EBITDA	**149**	**198**	**222**	**228**
Depreciation And Amortisation	(39)	(51)	(51)	(57)
Operating EBIT	**110**	**148**	**171**	**171**
Financial Income/(Expense)	(11)	(18)	(21)	(24)
Pretax Income/(Loss) from Assoc.	12	12	13	13
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**110**	**142**	**163**	**161**
Exceptional Items	0	0	0	0
Pre-tax Profit	**110**	**142**	**163**	**161**
Taxation	(37)	(43)	(46)	(42)
Exceptional Income - post-tax				
Profit After Tax	**73**	**99**	**118**	**119**
Minority Interests	(3)	(3)	(3)	(3)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**70**	**96**	**114**	**116**
Recurring Net Profit	70	96	114	116
Fully Diluted Recurring Net Profit	**70**	**96**	**114**	**116**

Balance Sheet

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	96	13	27	30
Total Debtors	269	364	384	424
Inventories	154	213	252	283
Total Other Current Assets	79	127	174	175
Total Current Assets	**599**	**717**	**838**	**913**
Fixed Assets	1,062	1,158	1,247	1,378
Total Investments	217	217	217	217
Intangible Assets	29	29	29	29
Total Other Non-Current Assets	2	2	2	2
Total Non-current Assets	**1,309**	**1,405**	**1,494**	**1,625**
Short-term Debt	215	215	215	215
Current Portion of Long-Term Debt				
Total Creditors	143	190	220	244
Other Current Liabilities				
Total Current Liabilities	**358**	**405**	**435**	**459**
Total Long-term Debt	423	523	623	723
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	**423**	**523**	**623**	**723**
Total Provisions	33	33	33	33
Total Liabilities	**814**	**961**	**1,091**	**1,215**
Shareholders' Equity	1,095	1,162	1,242	1,324
Minority Interests	(1)	(1)	(1)	(1)
Total Equity	**1,094**	**1,161**	**1,241**	**1,323**

Cash Flow

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	148.5	198.2	221.8	228.3
Cash Flow from Invt. & Assoc.				
Change In Working Capital	26.6	(107.2)	(28.9)	(46.4)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	0.0	0.0	0.0	0.0
Other Operating Cashflow	30.8	32.8	42.6	45.3
Net Interest (Paid)/Received	(11.0)	(17.9)	(20.7)	(23.5)
Tax Paid	(25.0)	(42.6)	(45.7)	(41.9)
Cashflow From Operations	**170.0**	**63.4**	**169.1**	**161.8**
Capex	(150.0)	(150.0)	(150.0)	(150.0)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow				
Cash Flow From Investing	**(150.0)**	**(150.0)**	**(150.0)**	**(150.0)**
Debt Raised/(repaid)	50.0	50.0	50.0	50.0
Proceeds From Issue Of Shares				
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(24.8)	(28.9)	(34.3)	(34.9)
Preferred Dividends				
Other Financing Cashflow	(15.1)	(17.9)	(20.7)	(23.5)
Cash Flow From Financing	**10.1**	**3.2**	**(5.0)**	**(8.4)**
Total Cash Generated	30.1	(83.4)	14.1	3.5
Free Cashflow To Equity	**70.0**	**(36.6)**	**69.1**	**61.8**
Free Cashflow To Firm	**31.0**	**(68.7)**	**39.8**	**35.3**

Key Ratios

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	9.5%	21.5%	16.1%	10.3%
Operating EBITDA Growth	(21.2%)	33.5%	11.9%	2.9%
Operating EBITDA Margin	13.2%	14.5%	14.0%	13.0%
Net Cash Per Share (RM)	(0.80)	(1.07)	(1.19)	(1.33)
BVPS (RM)	1.61	1.71	1.83	1.95
Gross Interest Cover	10.01	8.24	8.27	7.28
Effective Tax Rate	33.6%	30.0%	28.0%	26.0%
Net Dividend Payout Ratio	19.6%	20.8%	21.4%	22.0%
Accounts Receivables Days	78.42	73.02	78.10	80.20
Inventory Days	76.40	69.66	74.67	76.65
Accounts Payables Days	37.77	34.44	36.92	37.90
ROIC (%)	8.7%	10.2%	10.1%	9.2%
ROCE (%)	6.5%	8.0%	8.5%	7.8%
Return On Average Assets	6.6%	7.9%	8.3%	7.6%

12-mth Fwd FD P/E (x) - Supermax Corp

Key Drivers

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
ASP (% chg, main prod./serv.)	6.0%	4.6%	19.4%	24.2%
Unit sales grth (%, main prod./serv.)	27.4%	10.9%	-15.1%	63.9%
Util. rate (%, main prod./serv.)	68.5%	73.0%	73.0%	75.0%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

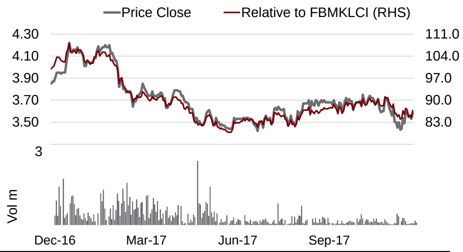
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 3	Hold 6	Sell 0

Current price:	RM3.58
Target price:	RM3.85
Previous target:	RM3.85
Up/downside:	7.5%
CIMB / Consensus:	-1.4%
Reuters:	TAAN.KL
Bloomberg:	TAH MK
Market cap:	US$390.1m
	RM1,592m
Average daily turnover:	US$0.10m
	RM0.44m
Current shares o/s	444.8m
Free float:	43.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-0.6	-2.7	-7
Relative (%)	-1.5	-0.5	-13.3

Major shareholders	% held
Mountex Sdn Bhd	20.8
Employees Provident Fund Board	10.0

Ta Ann

Plantation continues to be key earnings driver

- Plantation segment, which has been the group's biggest earnings contributor from 3Q16 continued to drive earnings for Ta Ann.
- The group revealed that it will employ higher plantation and certified wood components in its production to cushion the downsides from the timber sector.
- Maintain Hold and SOP-based target price of RM3.85.

Plantation segment alleviates the group's timber woes

- The plantation segment has been Ta Ann's biggest earnings contributor since 3Q16 and we expect the segment to continue to provide a steady income stream to offset the ongoing timber woes that Ta Ann is facing. We expect stronger earnings from the plantation segment, at least in the next several quarters partly due to stronger FFB production

Timber to remain a drag on group earnings in near-to-medium term

- The timber division continues to suffer from: (1) lower log export volume (due to cut in export quota); (2) increase in cess payments for hill timber from 80 sen to RM50 per cubic metre; (3) sharply-lower log output during the transitional period of certification audit; and (4) slowing demand for timber in India as the implementation of 18% GST dampens buyers' sentiment.
- The group revealed it plans to employ higher plantation and certified wood components in production to cushion the above downside risks.

Plantation division continues to be the key earnings driver

- The plantation division has become Ta Ann's largest earnings contributor, accounting for 93% of total pretax profit in 9MFY17. Its plantation division posted a 7%/100% yoy jump in pretax profit in 3Q/9MFY17 due to the combination of higher selling prices and stronger FFB output from stronger FFB yields.

Timber segment recorded a pretax loss in 3Q17

- 9M17 timber pretax profit saw an 81% yoy decline to RM11.2m as lower plywood and log export sales volumes offset higher average selling prices (ASP). In 3Q17, ASP for exported logs rose 16% to US$297/$m^3$ but this was insufficient to offset the 55% yoy decline in sales volume. Similarly, the higher ASP for plywood (+4% yoy) in 3Q17 could not offset lower plywood sales volume (-37% yoy). Hence, the timber segment posted pretax loss of RM5.3m in 3Q17 vs. pretax profit of RM3m in 2Q17.

Maintain Hold with SOP-based target price of RM3.85

- We maintain our Hold rating on Ta Ann and SOP-based target price of RM3.85 as we expect its improving FFB output to offset the weaker earnings prospects for its timber division in FY18F. We still like the group's young oil palm estates (c.40% of its estates are less than six years old), which could provide share price support at the current level. An upside risk to our call are better timber earnings contribution, while downside risks are lower CPO prices and production.

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Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	1,047	1,147	1,175	1,179	1,230
Operating EBITDA (RMm)	330.5	277.6	291.8	302.2	307.6
Net Profit (RMm)	185.9	121.6	134.4	137.4	141.3
Core EPS (RM)	0.39	0.27	0.30	0.31	0.32
Core EPS Growth	59.5%	(29.4%)	10.5%	2.2%	2.8%
FD Core P/E (x)	9.24	13.09	11.84	11.58	11.27
DPS (RM)	0.20	0.10	0.10	0.10	0.10
Dividend Yield	5.59%	2.79%	2.79%	2.79%	2.79%
EV/EBITDA (x)	5.36	6.15	5.25	4.70	4.25
P/FCFE (x)	8.70	10.52	9.65	8.97	8.82
Net Gearing	11.8%	5.5%	(9.3%)	(17.5%)	(24.7%)
P/BV (x)	1.12	1.25	1.22	1.14	1.06
ROE	15.4%	9.9%	10.4%	10.1%	9.7%
CIMB/consensus EPS (x)			1.04	1.05	1.00

SOURCE: COMPANY DATA, CIMB FORECASTS

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**1,147**	**1,175**	**1,179**	**1,230**
Gross Profit	**302**	**321**	**324**	**344**
Operating EBITDA	**278**	**292**	**302**	**308**
Depreciation And Amortisation	(92)	(89)	(91)	(92)
Operating EBIT	**186**	**203**	**211**	**215**
Financial Income/(Expense)	(9)	(1)	(2)	(3)
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**176**	**202**	**209**	**213**
Exceptional Items	0	0	0	0
Pre-tax Profit	**176**	**202**	**209**	**213**
Taxation	(45)	(49)	(51)	(51)
Exceptional Income - post-tax				
Profit After Tax	**131**	**152**	**158**	**162**
Minority Interests	(9)	(18)	(21)	(21)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**122**	**134**	**137**	**141**
Recurring Net Profit	122	134	137	141
Fully Diluted Recurring Net Profit	**122**	**134**	**137**	**141**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	346	645	778	914
Total Debtors	117	46	46	48
Inventories	171	154	156	162
Total Other Current Assets	20	25	25	25
Total Current Assets	**653**	**870**	**1,005**	**1,149**
Fixed Assets	918	775	734	694
Total Investments	0	0	0	0
Intangible Assets	16	57	57	57
Total Other Non-Current Assets	473	495	516	536
Total Non-current Assets	**1,406**	**1,327**	**1,307**	**1,287**
Short-term Debt	140	139	139	139
Current Portion of Long-Term Debt				
Total Creditors	152	141	143	148
Other Current Liabilities	18	16	16	16
Total Current Liabilities	**310**	**296**	**298**	**303**
Total Long-term Debt	278	378	378	378
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	64	51	51	51
Total Non-current Liabilities	**342**	**429**	**429**	**429**
Total Provisions	94	94	94	94
Total Liabilities	**746**	**819**	**821**	**826**
Shareholders' Equity	1,271	1,308	1,401	1,498
Minority Interests	43	70	91	111
Total Equity	**1,313**	**1,378**	**1,492**	**1,610**

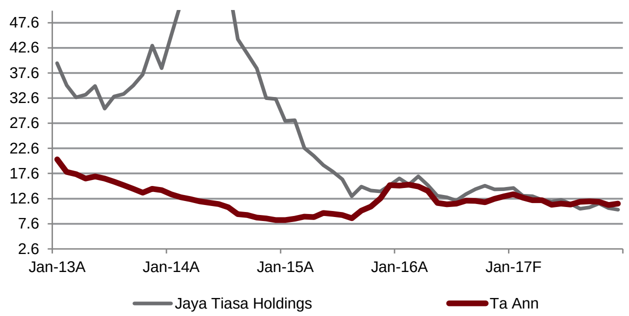
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	277.6	291.8	302.2	307.6
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(32.2)	(4.8)	(0.3)	(2.5)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(0.1)	(0.0)	0.0	0.0
Net Interest (Paid)/Received	7.9	(1.3)	(2.1)	(2.6)
Tax Paid	(44.6)	(49.3)	(50.8)	(50.6)
Cashflow From Operations	**208.6**	**236.4**	**249.0**	**251.9**
Capex	(56.9)	(71.5)	(71.5)	(71.5)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	(0.3)	0.0	0.0	0.0
Cash Flow From Investing	**(57.3)**	**(71.5)**	**(71.5)**	**(71.5)**
Debt Raised/(repaid)	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(41.5)	(44.5)	(44.5)	(44.5)
Preferred Dividends				
Other Financing Cashflow	(72.9)	0.0	0.0	0.0
Cash Flow From Financing	**(114.3)**	**(44.5)**	**(44.5)**	**(44.5)**
Total Cash Generated	37.0	120.4	133.1	136.0
Free Cashflow To Equity	**151.3**	**164.9**	**177.5**	**180.4**
Free Cashflow To Firm	**153.9**	**177.7**	**190.7**	**193.9**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	9.58%	2.44%	0.30%	4.37%
Operating EBITDA Growth	(16.0%)	5.1%	3.6%	1.8%
Operating EBITDA Margin	24.2%	24.8%	25.6%	25.0%
Net Cash Per Share (RM)	(0.16)	0.29	0.59	0.89
BVPS (RM)	2.86	2.94	3.15	3.37
Gross Interest Cover	9.42	15.88	16.09	15.96
Effective Tax Rate	25.7%	24.5%	24.3%	23.8%
Net Dividend Payout Ratio	33.5%	33.1%	32.4%	31.5%
Accounts Receivables Days	30.70	25.36	14.35	14.07
Inventory Days	71.88	69.42	66.27	65.40
Accounts Payables Days	60.78	62.63	60.76	59.97
ROIC (%)	12.3%	13.1%	15.1%	15.7%
ROCE (%)	10.9%	11.2%	10.9%	10.5%
Return On Average Assets	7.0%	7.2%	7.1%	6.9%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Planted Estates (ha)	41,141	41,141	41,141	41,141
Mature Estates (ha)	37,267	39,527	41,141	41,141
FFB Yield (tonnes/ha)	18.6	19.3	20.2	20.8
FFB Output Growth (%)	4.8%	11.6%	8.9%	3.4%
CPO Price (US$/tonne)	750	800	800	800

SOURCE: CIMB RESEARCH, COMPANY DATA

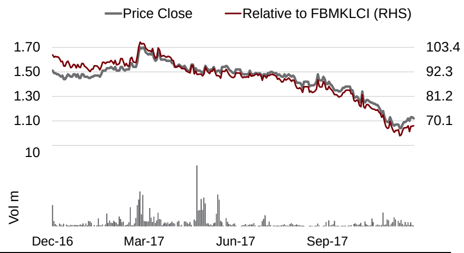
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 1	Hold 1	Sell 0	

Current price:	RM1.12
Target price:	RM1.10
Previous target:	RM1.10
Up/downside:	-1.8%
CIMB / Consensus:	-9.5%
Reuters:	TWRK.KL
Bloomberg:	TWK MK
Market cap:	US$331.9m
	RM1,355m
Average daily turnover:	US$0.08m
	RM0.33m
Current shares o/s	1,209m
Free float:	41.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5.1	-23.3	-25.3
Relative (%)	-6	-21.1	-31.6

Major shareholders	% held
L.G.B. Holding Sdn Bhd	50.0
Vijay Vijendra Sethu	9.0

Taliworks Corporation

Delayed water catalyst offset by 7.5% dividend yield

- Delayed recovery of RM587m of receivables from Splash could weigh on share price.
- No signs of potential M&As given the absence of any cash-enhancing deals.
- 7.5% dividend yield should support share price. Maintain Hold.

Prolonged deadline for water assets in Selangor

- The sale of Splash (water concession in Selangor) to Air Selangor remains unresolved with little clarity on the next course of action. Also, according to Edge Markets, the Selangor government had in Oct rejected the Federal government's proposed 40:60 split of Splash's acquisition cost (est. book value of RM2.8bn-3bn). Latest developments pointed to Jul 2018 as the new deadline.

Why Taliworks' outlook hinges on the water deals

- Firstly, Taliworks' Sungai Selangor Phase 1 Water Treatment Plant (SSP1) can recover its accumulated receivables of RM587m (as at end-3Q17) from Splash only when the water deal is concluded. Secondly, in terms of P&L impact, net profit would also be substantially boosted by a potential write-back of the provisions related to the receivables (RM157m at end-3Q17).
- The quantum of the potential write-back can only be assessed depending on how the RM587m receivables will be repaid – lump sum or staggered.
- Also, if the water deals are concluded, its O&M contract for Sungai Harmoni (SSP1) is likely to be retained post restructuring – this is underpinned by the tripartite agreement between Taliworks, the Selangor state government and the federal government .

Weaker 9M17 results dragged by higher cost and amortisation

- Taliworks' 9M17 overall results were weak. Water operations EBIT contracted 21% yoy in 9M17 on account of higher rehabilitation, maintenance and electricity costs, with EBIT margin slipping from 24% in 9M16 to 19% in 9M17. Construction slipped into operating losses, mainly due to margin mark-down amid higher steel prices. For its highway assets, the absence of toll compensation for Cheras-Kajang Highway and higher amortisation led to the 34% yoy drop in EBIT.

No signs of potential M&A in the works

- With the absence of any cash-enhancing moves in the medium term, particularly from the recovery of receivables from Splash, we do not expect any new M&As (domestic or overseas) to emerge. For FY18F, we expect Taliworks to focus on its existing operations, driven by water treatment and distribution, tolled highways, waste and wastewater, and construction and engineering. As at end-3Q17, the group's cash stood at RM110m while total debt was RM417m.

Dividend policy intact

- We continue to view Taliworks' dividend outlook as the main attraction. Its dividend payout policy of not less than 75% of its consolidated profit after tax remains unchanged and could offer upside if the water deals are resolved. Our forecast of 8 sen DPS for FY17-19F continues to be supported by the group's existing and mature infrastructure assets that require minimal capex.

7.5% dividends yield the main appeal; Hold retained

- Although the stock has declined 18% YTD, we foresee limited re-rating catalysts pending the conclusion of the water deals. We maintain Hold call and target price, as we apply a 30% discount to RNAV. This is to reflect the protracted negotiations of the water deals in Selangor. Upside risk is an earlier conclusion to the water deals; downside risks are further delays in the water deals and lower-than-expected dividends.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	292.0	304.9	333.0	344.3	361.5
Operating EBITDA (RMm)	42.37	53.19	74.19	78.19	87.89
Net Profit (RMm)	86.5	127.5	67.8	76.8	78.4
Core EPS (RM)	0.022	0.051	0.040	0.047	0.048
Core EPS Growth	(91%)	136%	(22%)	17%	3%
FD Core P/E (x)	51.89	21.95	30.79	28.62	25.46
DPS (RM)	0.080	0.080	0.080	0.080	0.080
Dividend Yield	7.14%	7.14%	7.14%	7.14%	7.14%
EV/EBITDA (x)	48.47	31.76	22.57	21.32	18.93
P/FCFE (x)	NA	15.35	12.61	12.96	11.23
Net Gearing	29.3%	22.2%	23.3%	24.8%	26.4%
P/BV (x)	1.18	1.21	1.19	1.18	1.17
ROE	2.61%	5.44%	4.29%	4.97%	5.08%
CIMB/consensus EPS (x)			0.89	0.95	0.84

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**304.9**	**333.0**	**344.3**	**361.5**
Gross Profit	**97.1**	**121.0**	**125.9**	**136.6**
Operating EBITDA	**53.2**	**74.2**	**78.2**	**87.9**
Depreciation And Amortisation	(35.4)	(36.6)	(34.4)	(36.1)
Operating EBIT	**17.8**	**37.6**	**43.8**	**51.7**
Financial Income/(Expense)	(19.3)	(17.1)	(17.6)	(18.8)
Pretax Income/(Loss) from Assoc.	12.6	10.2	13.3	15.2
Non-Operating Income/(Expense)	73.6	38.4	39.1	33.4
Profit Before Tax (pre-EI)	**84.7**	**69.0**	**78.6**	**81.6**
Exceptional Items	0.0	21.9	22.5	22.5
Pre-tax Profit	**84.7**	**90.9**	**101.0**	**104.1**
Taxation	8.4	(10.3)	(11.0)	(12.1)
Exceptional Income - post-tax	55.1			
Profit After Tax	**148.2**	**80.7**	**90.1**	**92.0**
Minority Interests	(20.7)	(12.8)	(13.2)	(13.6)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**127.5**	**67.8**	**76.8**	**78.4**
Recurring Net Profit	61.7	48.4	56.8	58.5
Fully Diluted Recurring Net Profit	**61.7**	**48.4**	**56.8**	**58.5**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	177	187	194	201
Total Debtors	158	111	115	121
Inventories	1	1	1	1
Total Other Current Assets	31	31	31	31
Total Current Assets	**367**	**331**	**342**	**354**
Fixed Assets	21	24	21	20
Total Investments	320	320	321	322
Intangible Assets	1,285	1,286	1,285	1,283
Total Other Non-Current Assets	464	468	473	478
Total Non-current Assets	**2,089**	**2,099**	**2,100**	**2,103**
Short-term Debt	70	73	76	79
Current Portion of Long-Term Debt				
Total Creditors	133	102	104	107
Other Current Liabilities	19	15	16	17
Total Current Liabilities	**223**	**190**	**196**	**202**
Total Long-term Debt	416	437	459	482
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	180	178	177	175
Total Non-current Liabilities	**596**	**615**	**636**	**657**
Total Provisions	239	239	239	239
Total Liabilities	**1,058**	**1,044**	**1,070**	**1,098**
Shareholders' Equity	1,121	1,137	1,147	1,157
Minority Interests	277	250	225	202
Total Equity	**1,398**	**1,386**	**1,372**	**1,359**

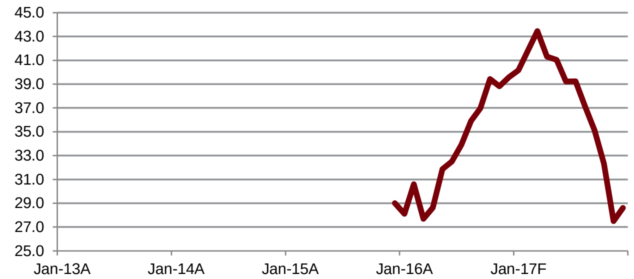
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	53.2	74.2	78.2	87.9
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(107.2)	(3.2)	4.9	5.9
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	98.0	78.2	75.7	75.7
Net Interest (Paid)/Received	(19.3)	(17.1)	(17.6)	(18.8)
Tax Paid	8.4	(10.3)	(11.0)	(12.1)
Cashflow From Operations	**33.0**	**121.8**	**130.2**	**138.6**
Capex	(2.6)	(5.0)	(5.0)	(5.0)
Disposals Of FAs/subsidiaries	152.2	25.0	25.0	25.0
Acq. Of Subsidiaries/investments	(246.4)	0.0	0.0	0.0
Other Investing Cashflow	76.6			
Cash Flow From Investing	**(20.2)**	**20.0**	**20.0**	**20.0**
Debt Raised/(repaid)	75.3	(23.6)	(24.8)	(26.0)
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(96.7)	(96.7)	(96.7)	(96.7)
Preferred Dividends	(19.4)	0.0	0.0	0.0
Other Financing Cashflow	(39.6)	(23.0)	(35.4)	(42.3)
Cash Flow From Financing	**(80.4)**	**(143.4)**	**(156.9)**	**(165.0)**
Total Cash Generated	(67.5)	(1.6)	(6.7)	(6.4)
Free Cashflow To Equity	**88.2**	**118.1**	**125.4**	**132.6**
Free Cashflow To Firm	**36.0**	**165.1**	**174.3**	**183.9**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	4.4%	9.2%	3.4%	5.0%
Operating EBITDA Growth	25.5%	39.5%	5.4%	12.4%
Operating EBITDA Margin	17.4%	22.3%	22.7%	24.3%
Net Cash Per Share (RM)	(0.26)	(0.27)	(0.28)	(0.30)
BVPS (RM)	0.93	0.94	0.95	0.96
Gross Interest Cover	0.77	1.61	1.82	2.05
Effective Tax Rate	0.0%	11.3%	10.9%	11.6%
Net Dividend Payout Ratio	134%	211%	178%	173%
Accounts Receivables Days	194.7	142.2	114.9	114.0
Inventory Days	2.87	2.56	2.49	2.42
Accounts Payables Days	153.8	124.5	96.2	97.4
ROIC (%)	0.58%	1.52%	1.77%	2.09%
ROCE (%)	0.93%	2.05%	2.35%	2.71%
Return On Average Assets	3.99%	2.92%	3.30%	3.40%

12-mth Fwd FD P/E (x) - Taliworks Corporation



Key Drivers

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Outstanding Orderbook	140	110	80	50
Order Book Depletion	80	80	80	80
Orderbook Replenishment	50	50	50	50
ASP/tariff (% chg, main prod/serv)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP/tariff (%chg, 2ndary prod/serv)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
Non Revenue Water (NRW, %)	30.0%	28.0%	28.0%	28.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

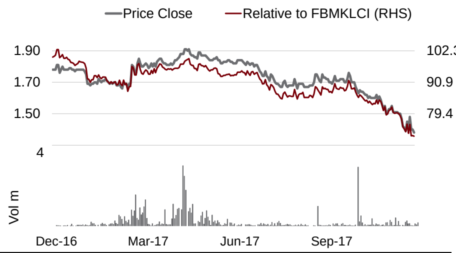
Malaysia

REDUCE *(no change)*

Consensus ratings*:	Buy 1	Hold 6	Sell 2

Current price:	RM1.38
Target price:	RM1.49
Previous target:	RM1.49
Up/downside:	8.0%
CIMB / Consensus:	-10.4%
Reuters:	TNCS.KL
Bloomberg:	TCM MK
Market cap:	US$220.7m
	RM900.7m
Average daily turnover:	US$0.05m
	RM0.23m
Current shares o/s	672.0m
Free float:	49.6%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-9.8	-20.2	-22.9
Relative (%)	-10.7	-18	-29.2

Major shareholders	% held
Tan Chong Consolidated	44.8
Nissan Motor Corp	5.6

Analyst(s)

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Tan Chong Motor Holdings

Cautiously optimistic

- Tan Chong is focusing on growing in the CLMV countries, but we do not expect meaningful contributions in the next 1-2 years; it currently makes up just 11% of sales.
- We expect management to focus on reducing the group's inventory levels; however, it may need to sacrifice profit margins in order to accelerate the process.
- Maintain Reduce and target price. Switch to DRB-Hicom for exposure in auto sector.

Review of 9M17 results

- The group posted a wider core net loss of RM81m in 9M17 against RM92m in 9M16. Management attributed the bigger losses to lower sales volume on the back of intense competition from other brands. Meanwhile, the depreciation of RM vs. US$ resulted in higher costs for completely knocked down (CKD) kits. The RM81m core net loss in 9M17 already exceeds the RM51m core net loss recorded for the full year FY16.

Nissan's 9M17 sales volume fell 32% yoy

- Nissan's sales volume in Malaysia fell by 31.7% yoy from 30,398 units in 9M16 to 20,759 units in 9M17, in contrast to total industry volume (TIV) growth of 1.8% yoy in 9M17. Nissan's market share fell by 2.3% pts from 7.1% in 9M16 to 4.8% in 9M17. We believe Nissan's disappointing performance was due to intense competition from its Japanese peers in the Malaysian market and the lack of new model launches during the year.

Staying focused on bringing inventory down

- TCM's inventory levels improved slightly from RM1.75bn in Dec 16 to RM1.33bn in Sep 17. This is reflected in lower production volume for Nissan, which fell 53% yoy from 34,856 units in 10M16 to 22,764 units in 10M17. We expect management to focus on reducing the group's inventory levels; however, it may need to sacrifice profit margins in order to accelerate the process. Overall, the group projects a challenging outlook for the domestic auto sector due to weak consumer sentiment and tighter financing approvals.

Cautiously optimistic for a better 2018

- Following the absence of new model launches in 2017, we understand the group is looking to launch a few new models in 2018 to regain market share. For example, we learnt the group plans to launch the new Nissan Leaf electric vehicle in 2018. However, we are concerned about Tan Chong's ability to offer competitive pricing given the absence of duty exemption for fully-imported models.
- Nevertheless, the recent appreciation of the ringgit against US$ bodes well for domestic automotive manufacturers, like Tan Chong, as it will lower imported complete knocked down (CKD) kit and complete build up (CBU) model costs.

Focusing on expansion in CLMV countries

- Tan Chong is focusing on its regional expansion plans as it continues to strengthen its presence in Cambodia, Laos, Myanmar and Vietnam (CLMV) by expanding its sales network and increasing plant utilisation. For example, its CLMV sales volume recorded a strong 2014-16 CAGR of 52%. Nevertheless, the volume contributions from CLMV countries are still much smaller than that from Malaysia. Total sales volume in CLMV was just 11% of group sales in FY16.

Maintain Reduce

- Maintain Reduce with a RM1.49 TP, still based on 0.4x CY18F P/BV, 1 s.d. below mean of 0.8x. Stronger-than-expected earnings contribution from CLMV and accelerated reduction in inventory levels are potential upside risks. We prefer DRB-Hicom for exposure to the Malaysia auto sector, riding on Proton's turnaround plan.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	5,717	5,511	4,109	4,286	4,473
Operating EBITDA (RMm)	169.0	148.5	86.3	175.3	253.7
Net Profit (RMm)	74.86	(54.94)	(94.02)	2.10	58.09
Core EPS (RM)	0.11	(0.08)	(0.14)	0.00	0.09
Core EPS Growth	(29%)	(168%)	84%		2665%
FD Core P/E (x)	12.0	NA	NA	428.8	15.5
DPS (RM)	0.050	0.010	0.010	0.020	0.030
Dividend Yield	3.62%	0.72%	0.72%	1.45%	2.17%
EV/EBITDA (x)	12.93	16.39	23.98	12.23	8.53
P/FCFE (x)	NA	9.8	2.4	NA	107.9
Net Gearing	47.4%	55.3%	44.5%	47.6%	47.6%
P/BV (x)	0.32	0.31	0.33	0.33	0.32
ROE	2.70%	(1.80%)	(3.33%)	0.08%	2.10%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.03	(0.08)	1.44

SOURCE: COMPANY DATA, CIMB FORECASTS

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**5,511**	**4,109**	**4,286**	**4,473**
Gross Profit	**953**	**690**	**792**	**887**
Operating EBITDA	**149**	**86**	**175**	**254**
Depreciation And Amortisation	(126)	(112)	(122)	(131)
Operating EBIT	**23**	**(25)**	**54**	**123**
Financial Income/(Expense)	(65)	(64)	(55)	(45)
Pretax Income/(Loss) from Assoc.	3	3	4	4
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**(39)**	**(86)**	**3**	**82**
Exceptional Items	(4)			
Pre-tax Profit	**(43)**	**(86)**	**3**	**82**
Taxation	(16)	(13)	(1)	(20)
Exceptional Income - post-tax				
Profit After Tax	**(59)**	**(99)**	**2**	**61**
Minority Interests	4	5	(0)	(3)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**(55)**	**(94)**	**2**	**58**
Recurring Net Profit	(51)	(94)	2	58
Fully Diluted Recurring Net Profit	**(51)**	**(94)**	**2**	**58**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	223	582	507	490
Total Debtors	857	660	685	711
Inventories	1,763	1,314	1,371	1,431
Total Other Current Assets	39	39	39	39
Total Current Assets	**2,882**	**2,596**	**2,602**	**2,671**
Fixed Assets	1,863	1,871	1,870	1,859
Total Investments	242	242	242	242
Intangible Assets	15	15	15	15
Total Other Non-Current Assets	565	566	566	566
Total Non-current Assets	**2,685**	**2,693**	**2,691**	**2,680**
Short-term Debt	1,060	1,060	1,060	1,060
Current Portion of Long-Term Debt				
Total Creditors	652	486	507	530
Other Current Liabilities	16	16	17	18
Total Current Liabilities	**1,728**	**1,562**	**1,584**	**1,608**
Total Long-term Debt	748	748	748	748
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	58	58	58	58
Total Non-current Liabilities	**806**	**806**	**806**	**806**
Total Provisions	168	168	168	168
Total Liabilities	**2,702**	**2,536**	**2,558**	**2,582**
Shareholders' Equity	2,873	2,766	2,749	2,781
Minority Interests	(9)	(14)	(14)	(11)
Total Equity	**2,864**	**2,752**	**2,735**	**2,770**

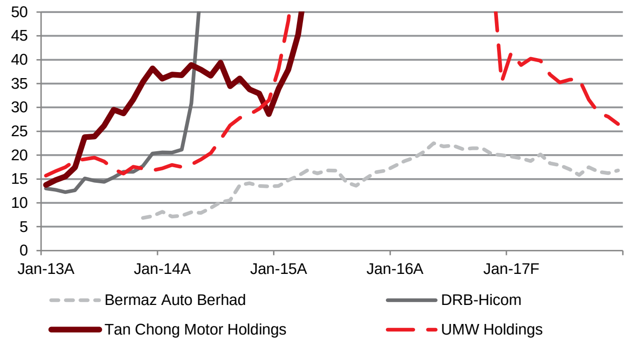
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	148.5	86.3	175.3	253.7
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(178.1)	479.6	(60.6)	(63.9)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	3.8	3.9	3.9	3.9
Other Operating Cashflow				
Net Interest (Paid)/Received	(53.5)	(64.0)	(54.5)	(45.0)
Tax Paid	(52.2)	(12.9)	(0.6)	(20.4)
Cashflow From Operations	**(131.5)**	**492.9**	**63.6**	**128.4**
Capex	(115.6)	(120.0)	(120.0)	(120.0)
Disposals Of FAs/subsidiaries	38.1	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow				
Cash Flow From Investing	**(77.4)**	**(120.0)**	**(120.0)**	**(120.0)**
Debt Raised/(repaid)	301.2	0.0	0.0	0.0
Proceeds From Issue Of Shares				
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(26.1)	(13.1)	(19.6)	(26.1)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	**275.1**	**(13.1)**	**(19.6)**	**(26.1)**
Total Cash Generated	66.1	359.9	(76.0)	(17.8)
Free Cashflow To Equity	**92.2**	**372.9**	**(56.4)**	**8.4**
Free Cashflow To Firm	**(147.6)**	**445.2**	**6.8**	**62.6**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(3.6%)	(25.4%)	4.3%	4.4%
Operating EBITDA Growth	(12%)	(42%)	103%	45%
Operating EBITDA Margin	2.70%	2.10%	4.09%	5.67%
Net Cash Per Share (RM)	(2.43)	(1.88)	(1.99)	(2.02)
BVPS (RM)	4.40	4.24	4.21	4.26
Gross Interest Cover	0.31	(0.35)	0.85	2.27
Effective Tax Rate	0.0%	0.0%	20.0%	25.0%
Net Dividend Payout Ratio	NA	NA	932%	45%
Accounts Receivables Days	52.92	60.08	50.26	50.25
Inventory Days	136.8	164.2	140.3	142.6
Accounts Payables Days	53.40	60.78	51.91	52.77
ROIC (%)	0.41%	(0.43%)	1.02%	2.29%
ROCE (%)	0.66%	(0.36%)	1.32%	2.79%
Return On Average Assets	(0.12%)	(0.94%)	0.81%	1.78%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	-20.0%	-14.9%	-2.4%	3.9%
Util. rate (%, main prod./serv.)	80.0%	80.0%	80.0%	80.0%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod/serv)	N/A	N/A	N/A	N/A
Unit sales grth (%,tertiary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, tertiary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

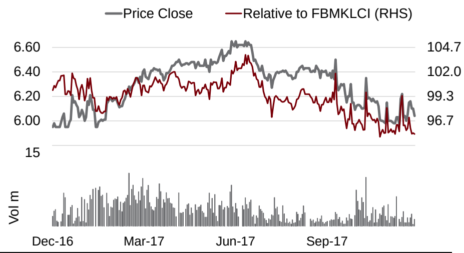
Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 16 Hold 11 Sell 2
Current price:	RM6.04
Target price:	RM6.40
Previous target:	RM6.40
Up/downside:	6.0%
CIMB / Consensus:	-5.7%
Reuters:	TLMM.KL
Bloomberg:	T MK
Market cap:	US$5,562m
	RM22,698m
Average daily turnover:	US$3.07m
	RM12.83m
Current shares o/s	3,758m
Free float:	47.7%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.8	-5.6	1.5
Relative (%)	-0.1	-3.4	-4.8

Major shareholders	% held
Khazanah Nasional	28.8
Employees Provident Fund	15.1
Amanah Saham Bumi	11.9

Telekom Malaysia

Muted FY18F earnings before stronger FY19F

- We expect core EPS to rise a mild 1.1% in FY18F with EBITDA growth partly offset by higher depreciation and net interest cost.
- Key risks are more intense broadband competition and MCMC's proposal to set HSBB wholesale prices on a cost-plus basis.
- We maintain our Hold call with an unchanged DCF-based target price of RM6.40.

Internet revenue growth to more than offset weakness elsewhere

- We see TM's revenue growing 2.0% in FY18F (FY17F: +0.8%) driven by an 8.6% rise in internet revenue. The latter should form 35% of its FY18F total revenue, with growth led by: 1) upgrades from existing Streamyx subs to unifi plans with higher ARPU, and 2) unifi mobile (formerly known as webe)'s revenue growth.
- This should cover the 4.1% p.a. drop in fixed voice and flat growth in data and other revenues. We see still lacklustre government and enterprise ICT spending in 2018.

Earnings outlook for FY18-19F

- We forecast EBITDA margin to rise slightly by 0.3% pt yoy to 31.0% in FY18F but still softer vs. 2014-16 (31.4%-33.2%). Other operating cost should ease after incurring some submarine maintenance cost in FY17F, while staff cost may grow at a slower pace on higher rate of natural retirement. We expect margins to rise further by 0.4% pt yoy to 31.4% in FY19F on flat staff and lower marketing costs.
- FY18F-19F EBITDA should grow 2.8-3.0% yoy (FY17F: -2.1% yoy), given the slight pick-up in revenue growth and EBITDA margin.
- We expect core EPS to rise a mild 1.1% in FY18F, with EBITDA growth partly offset by higher depreciation and net interest cost after FY17's high capex spend. Core EPS should then grow a stronger 9.2% yoy in FY19F as depreciation flattens out.

Capex to ease from FY18F as HSBB2 rollout is completed

- From its peak of RM3.3bn/3.0bn in FY16/17F, we expect TM's net capex (after government grant) to decline 20% yoy to RM2.4bn in FY18F and stabilise in FY19F, as its HSBB2 network rollout is completed by end-FY17F. Our capex projections include RM350m for the Suburban Broadband project and RM400m for unifi mobile p.a., and translates into a capex/sales of 19-20% in FY18F/19F (FY17F: 25%).
- On the balance sheet, we estimate that net debt/EBITDA would ease gradually from 1.63x at end-FY17F to 1.58x/1.51x by end-FY18/19F. Based on a 90% payout ratio, we forecast DPS of 22.0/22.2/24.3 sen in FY17F/18F/19F (yield: 3.6-4.0%).

Risk factors

- We believe TM's recent year-end Fixed Broadband campaigns are aimed at managing the churn of Streamyx subs to other providers, to better compete for high-rise subs and improve Broadband affordability. However, if it is sustained and made available to existing subs in 2018, it could see some ARPU erosion.
- While it is still early days yet, a) MCMC's proposal to set HSBB wholesale prices on a cost-plus basis in its "Review of Access Pricing" and b) Celcom's plans to rollout 4.5G Fixed Wireless Broadband, are also developments to watch out for in 2018.

Maintain Hold with an unchanged target price of RM6.40

- We keep our Hold call, with a DCF-based target price of RM6.40 (WACC: 7.2%). We assume no unifi price cuts in 2018 in our valuation, as we believe TM can comply with Budget 2017's mandate via offering more affordable plans for specific segments. Our valuation is supported by decent 3.6-4.0% yields in FY17-19F. Upside risk: unifi mobile turns profitable earlier. Downside risk: more intense broadband competition.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	11,722	12,061	12,155	12,393	12,621
Operating EBITDA (RMm)	3,677	3,820	3,738	3,843	3,959
Operating EBITDA Margin	31.4%	31.7%	30.8%	31.0%	31.4%
Net Profit (RMm)	700	776	918	928	1,014
Core EPS (RM)	0.25	0.23	0.24	0.25	0.27
Core EPS Growth	(5.50%)	(7.82%)	8.04%	1.07%	9.21%
FD Core P/E (x)	24.62	26.71	24.72	24.46	22.39
DPS (RM)	0.21	0.22	0.22	0.22	0.24
Dividend Yield	3.54%	3.56%	3.64%	3.68%	4.02%
EV/EBITDA (x)	7.23	7.38	7.67	7.40	7.10
P/FCFE (x)	19.6	99.7	149.6	27.0	23.1
Net Gearing	50.7%	69.4%	78.8%	79.6%	78.7%
ROE	11.8%	11.0%	11.9%	11.9%	12.8%
CIMB/consensus EPS (x)			1.08	1.05	1.07

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**12,191**	**12,335**	**12,543**	**12,771**
Gross Profit	**12,191**	**12,335**	**12,543**	**12,771**
Operating EBITDA	**3,820**	**3,738**	**3,843**	**3,959**
Depreciation And Amortisation	(2,635)	(2,481)	(2,556)	(2,564)
Operating EBIT	**1,185**	**1,258**	**1,287**	**1,395**
Financial Income/(Expense)	(225)	(266)	(282)	(278)
Pretax Income/(Loss) from Assoc.	29	29	29	29
Non-Operating Income/(Expense)	(41)	0	0	0
Profit Before Tax (pre-EI)	**948**	**1,021**	**1,035**	**1,146**
Exceptional Items	(30)	0	0	0
Pre-tax Profit	**919**	**1,021**	**1,035**	**1,146**
Taxation	(305)	(292)	(293)	(305)
Exceptional Income - post-tax				
Profit After Tax	**613**	**729**	**742**	**841**
Minority Interests	163	189	186	173
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**776**	**918**	**928**	**1,014**
Recurring Net Profit	848	918	928	1,014
Fully Diluted Recurring Net Profit	**848**	**918**	**928**	**1,014**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	2,926	2,265	2,279	2,405
Total Debtors	3,158	2,995	3,278	3,110
Inventories	207	249	213	255
Total Other Current Assets	596	596	596	596
Total Current Assets	**6,888**	**6,105**	**6,366**	**6,366**
Fixed Assets	16,011	16,845	17,004	16,955
Total Investments	242	272	301	331
Intangible Assets	564	564	564	564
Total Other Non-Current Assets	1,298	1,298	1,298	1,298
Total Non-current Assets	**18,114**	**18,978**	**19,167**	**19,147**
Short-term Debt	701	701	701	701
Current Portion of Long-Term Debt				
Total Creditors	4,103	4,595	4,207	4,708
Other Current Liabilities	1,171	1,171	1,171	1,171
Total Current Liabilities	**5,975**	**6,467**	**6,079**	**6,580**
Total Long-term Debt	7,663	7,663	7,663	7,663
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	3,532	3,218	4,149	3,700
Total Non-current Liabilities	**11,194**	**10,881**	**11,812**	**11,363**
Total Provisions	0	0	0	0
Total Liabilities	**17,169**	**17,348**	**17,891**	**17,943**
Shareholders' Equity	7,692	7,784	7,877	7,978
Minority Interests	140	(49)	(235)	(408)
Total Equity	**7,833**	**7,735**	**7,642**	**7,570**

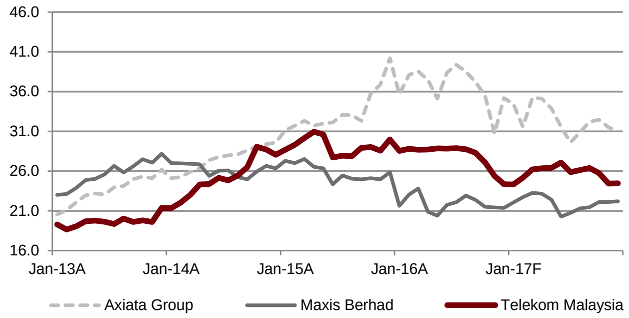
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	3,820	3,738	3,843	3,959
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(314)	0	0	0
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(168)	0	0	0
Net Interest (Paid)/Received	(342)	(393)	(393)	(393)
Tax Paid	(147)	(292)	(293)	(305)
Cashflow From Operations	**2,849**	**3,053**	**3,157**	**3,261**
Capex	(3,291)	(3,028)	(2,428)	(2,395)
Disposals Of FAs/subsidiaries	9	0	0	0
Acq. Of Subsidiaries/investments	(29)	0	0	0
Other Investing Cashflow	52	127	111	115
Cash Flow From Investing	**(3,260)**	**(2,901)**	**(2,317)**	**(2,280)**
Debt Raised/(repaid)	638	0	0	0
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased				
Dividends Paid	(804)	(812)	(826)	(854)
Preferred Dividends				
Other Financing Cashflow	(41)	0	0	0
Cash Flow From Financing	**(207)**	**(812)**	**(826)**	**(854)**
Total Cash Generated	(618)	(660)	13	126
Free Cashflow To Equity	**227**	**152**	**840**	**980**
Free Cashflow To Firm	**(69)**	**545**	**1,233**	**1,374**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	2.89%	0.78%	1.95%	1.84%
Operating EBITDA Growth	3.89%	(2.14%)	2.79%	3.02%
Operating EBITDA Margin	31.7%	30.8%	31.0%	31.4%
Net Cash Per Share (RM)	(1.45)	(1.62)	(1.62)	(1.59)
BVPS (RM)	2.05	2.07	2.10	2.12
Gross Interest Cover	3.11	3.20	3.27	3.55
Effective Tax Rate	33.2%	28.6%	28.3%	26.6%
Net Dividend Payout Ratio	100%	90%	90%	90%
Accounts Receivables Days	92.64	92.38	92.38	92.38
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	5.28%	6.08%	6.14%	6.35%
ROCE (%)	8.43%	8.58%	8.71%	9.45%
Return On Average Assets	3.23%	3.76%	3.82%	4.17%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Group Mobile Subscribers (m)	N/A	N/A	N/A	N/A
Group Fixed Voice Subscribers (m)	3.23	3.01	2.81	2.63
Grp fixed brdband subscribers (m)	0.95	1.11	1.26	1.38
Group Pay TV Subs (m)	N/A	N/A	N/A	N/A
Group Mobile ARPU (US$/mth)	N/A	N/A	N/A	N/A
Grp fixed voice ARPU (US$/mth)	28.3	25.4	24.2	22.9
Grp fixed brdband ARPU (US$/mth)	196	200	200	198
Group Pay TV ARPU (US$/mth)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

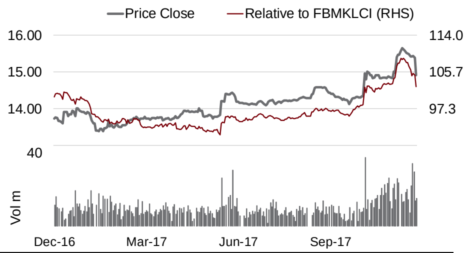
Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 20 Hold 4 Sell 1
Current price:	RM14.90
Target price:	RM15.70
Previous target:	RM15.70
Up/downside:	5.4%
CIMB / Consensus:	-4.5%
Reuters:	TENA.KL
Bloomberg:	TNB MK
Market cap:	US$20,687m
	RM84,423m
Average daily turnover:	US$45.28m
	RM188.2m
Current shares o/s	5,644m
Free float:	49.4%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.4	2.3	8.8
Relative (%)	-0.5	4.5	2.5

Major shareholders	% held
Khazanah Nasional Berhad	28.3
EPF	15.5
Skim Amanah Saham Bumiputera	6.8

Tenaga Nasional

Undemanding valuation

- Potential interest rate hike and upcoming IBR revision are potential disruptors, but we believe Tenaga's undemanding valuation has largely factored in the negatives.
- Recently, Tenaga revised up its dividend policy from 30-50% payout to 30-60% payout, which was a positive surprise for the market.
- Key risks to our call are revision in IBR parameters by 2018, and possible general election in 1H18.

Suppressed valuation

- Trading at an FY18F P/E of only 11.7x, Tenaga seems to be the miserable cousin of its utilities peers, such as Petronas Gas which trades at 16x. We believe that Tenaga's low valuations reflect its less-certain earnings, as it is in a dispute with the Inland Revenue Board (IRB) on a reinvestment allowance. On top of that, the revision of IBR parameters poses downside risk to its earnings in FY18-20F.
- Over the past three years, Tenaga's effective tax rate was only c.10% due to the recognition of reinvestment allowances arising from the modernisation of its plants and equipment. This tax incentive, however, is disputed by the IRB. Tenaga is taking IRB to court, as it believes that it is entitled to claim the incentives. If Tenaga loses the suit, we estimate that its effective tax rate will normalise to the corporate tax rate, resulting in about RM1bn lower net profit p.a. going forward.

Electricity tariff revision in 2018

- Under the Incentive Based Regulation (IBR) framework regulatory period 1 (RP1, 2014-17), Tenaga earns a 7.5% return on its transmission and distribution (T&D) assets. However, its actual average tariff is about 2% higher than the base tariff set by the IBR due to higher electricity consumption by the commercial sector. However, when the regulator revises the IBR parameters for RP2 starting in 2018, the allowable return may be lowered and we see potential earnings risk for Tenaga.
- Nevertheless, assuming Tenaga is only allowed to earn a 6.5% return (its WACC, based on our estimates) on its T&D assets and the 2% mark-up in tariff is entirely removed, we estimate that Tenaga's net profit could be lowered by as much as RM1bn p.a. This, plus the risk of a higher effective tax rate, may lead to a RM2bn reduction in Tenaga's annual net profit. However, even if all these risks materialise, Tenaga would trade at 17x FY18F P/E, below Malakoff's 29x and Gas Malaysia's 20x.

Revised up dividend payout

- Tenaga recently revised its dividend policy, from a dividend payout ratio of 30-50% to 30-60%. A final DPS of RM0.44 was proposed in Oct 17, bringing its 12MFY17 DPS to RM0.61. This translates into a decent dividend yield of 4% and dividend payout of 50%. The group believes that this payout range is sustainable while maintaining an efficient capital structure to sufficiently cater to business prospects. We think the higher-than-expected dividend policy was a positive surprise for the market.

Maintain Add

- Maintain Add on Tenaga as we believe the current undemanding valuation has largely priced in the negatives. It trades at 11.7x FY18F P/E due to uncertainty from upcoming tariff review (RP2), making it the cheapest big-cap utilities stock in our coverage. The sector average FY18F P/E is around 14x. Our target price is based on 12.8x FY19F P/E, its 2-year mean.
- Key downside risk to our call is a sell-down of Malaysian equities as Tenaga is often seen as a proxy for the Malaysian stock market.

Financial Summary	Aug-15A	Aug-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	43,287	42,645	62,609	47,685	48,912
Operating EBITDA (RMm)	13,922	14,743	19,074	16,586	17,373
Net Profit (RMm)	6,118	7,368	9,512	7,164	6,923
Core EPS (RM)	1.20	1.37	1.69	1.27	1.23
Core EPS Growth	12.3%	14.7%	22.6%	(24.7%)	(3.4%)
FD Core P/E (x)	12.43	10.84	8.84	11.74	12.15
DPS (RM)	0.29	0.32	0.63	0.63	0.61
Dividend Yield	1.95%	2.15%	4.24%	4.26%	4.12%
EV/EBITDA (x)	7.15	7.66	5.93	6.90	6.63
P/FCFE (x)	NA	33.38	18.57	38.26	26.20
Net Gearing	33.3%	57.7%	53.4%	52.5%	50.9%
P/BV (x)	1.78	1.61	1.47	1.39	1.31
ROE	15.0%	15.6%	17.4%	12.2%	11.1%
CIMB/consensus EPS (x)				0.97	0.94

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Aug-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**45,243**	**66,161**	**50,388**	**51,670**
Gross Profit	**14,743**	**19,074**	**16,586**	**17,373**
Operating EBITDA	**14,743**	**19,074**	**16,586**	**17,373**
Depreciation And Amortisation	(5,671)	(6,055)	(6,516)	(6,962)
Operating EBIT	**9,072**	**13,020**	**10,070**	**10,411**
Financial Income/(Expense)	(740)	(1,966)	(1,713)	(2,116)
Pretax Income/(Loss) from Assoc.	93	22	107	113
Non-Operating Income/(Expense)	(358)	0	0	0
Profit Before Tax (pre-EI)	**8,067**	**11,075**	**8,464**	**8,408**
Exceptional Items				
Pre-tax Profit	**8,067**	**11,075**	**8,464**	**8,408**
Taxation	(746)	(1,563)	(1,300)	(1,485)
Exceptional Income - post-tax				
Profit After Tax	**7,321**	**9,512**	**7,164**	**6,923**
Minority Interests	47	0	0	0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**7,368**	**9,512**	**7,164**	**6,923**
Recurring Net Profit	7,758	9,512	7,164	6,923
Fully Diluted Recurring Net Profit	**7,758**	**9,512**	**7,164**	**6,923**

Balance Sheet

(RMm)	Aug-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	3,971	3,742	2,358	2,106
Total Debtors	8,277	9,067	9,255	9,493
Inventories	792	792	792	792
Total Other Current Assets	13,715	13,715	13,715	13,715
Total Current Assets	**26,755**	**27,316**	**26,121**	**26,106**
Fixed Assets	96,513	100,073	104,226	107,584
Total Investments	1,838	1,824	1,932	2,044
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	7,796	7,796	7,796	7,796
Total Non-current Assets	**106,147**	**109,693**	**113,953**	**117,424**
Short-term Debt	1,489	989	489	489
Current Portion of Long-Term Debt				
Total Creditors	11,409	11,409	11,409	11,409
Other Current Liabilities	3,186	3,186	3,186	3,186
Total Current Liabilities	**16,084**	**15,584**	**15,084**	**15,084**
Total Long-term Debt	32,818	33,318	33,818	34,318
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	**32,818**	**33,318**	**33,818**	**34,318**
Total Provisions	31,401	30,872	30,355	29,849
Total Liabilities	**80,303**	**79,774**	**79,257**	**79,251**
Shareholders' Equity	52,389	57,025	60,606	64,068
Minority Interests	211	211	211	211
Total Equity	**52,600**	**57,236**	**60,818**	**64,279**

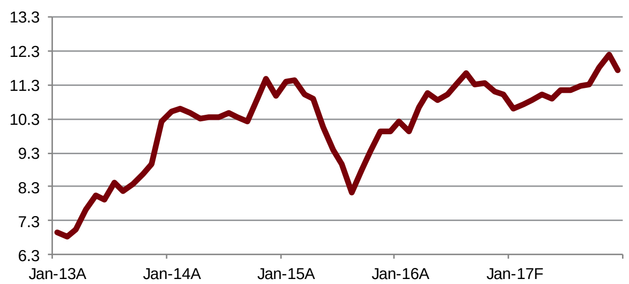
Cash Flow

(RMm)	Aug-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	14,743	19,074	16,586	17,373
Cash Flow from Invt. & Assoc.				
Change In Working Capital	1,412	(790)	(188)	(238)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(2,116)	(494)	(302)	(291)
Net Interest (Paid)/Received	(1,092)	(1,833)	(1,426)	(1,478)
Tax Paid	(746)	(1,563)	(1,300)	(1,485)
Cashflow From Operations	**12,201**	**14,394**	**13,370**	**13,881**
Capex	(11,401)	(9,111)	(10,416)	(10,416)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(7,129)	0	0	(0)
Cash Flow From Investing	**(18,531)**	**(9,111)**	**(10,416)**	**(10,416)**
Debt Raised/(repaid)	8,849	(756)	(756)	(256)
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased				
Dividends Paid	(1,806)	(4,756)	(3,582)	(3,461)
Preferred Dividends				
Other Financing Cashflow	(3,782)	0	0	0
Cash Flow From Financing	**3,261**	**(5,512)**	**(4,338)**	**(3,718)**
Total Cash Generated	(3,069)	(229)	(1,384)	(253)
Free Cashflow To Equity	**2,519**	**4,527**	**2,198**	**3,209**
Free Cashflow To Firm	**(4,843)**	**7,456**	**4,532**	**5,055**

Key Ratios

	Aug-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(1.5%)	46.8%	(23.8%)	2.6%
Operating EBITDA Growth	5.9%	29.4%	(13.0%)	4.7%
Operating EBITDA Margin	34.6%	30.5%	34.8%	35.5%
Net Cash Per Share (RM)	(5.38)	(5.42)	(5.66)	(5.79)
BVPS (RM)	9.28	10.10	10.74	11.35
Gross Interest Cover	8.73	5.98	5.69	4.89
Effective Tax Rate	9.2%	14.1%	15.4%	17.7%
Net Dividend Payout Ratio	24.5%	50.0%	50.0%	50.0%
Accounts Receivables Days	72.59	67.45	70.12	69.95
Inventory Days	9.82	8.19	8.56	8.43
Accounts Payables Days	130.9	118.0	123.2	121.4
ROIC (%)	9.7%	11.6%	8.6%	8.6%
ROCE (%)	9.6%	12.3%	9.1%	9.1%
Return On Average Assets	6.45%	8.51%	6.41%	6.37%

12-mth Fwd FD P/E (x) - Tenaga Nasional



Key Drivers

	Aug-16A	Dec-17F	Dec-18F	Dec-19F
Power Despatched (GWh)	108,861.8	112,127.7	114,930.8	117,804.1
Capacity (MW)	N/A	N/A	N/A	N/A
Average Capacity Utilisation (%)	N/A	N/A	N/A	N/A
Avg tariff/ASP per kwh (% chg)	N/A	N/A	N/A	N/A
Fuel Cost Per Kwh (% Change)	0.0%	0.0%	0.0%	0.0%
Industry Reserve Margin (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

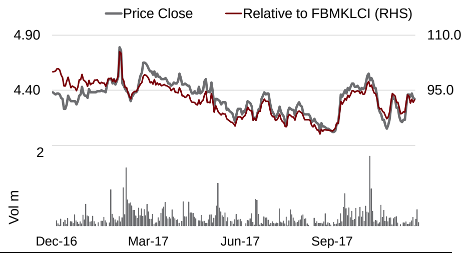
Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 2 Hold 0 Sell 0
Current price:	RM4.32
Target price:	RM5.90
Previous target:	RM5.90
Up/downside:	36.6%
CIMB / Consensus:	2.0%
Reuters:	TGIB.KL
Bloomberg:	TGI MK
Market cap:	US$143.1m
	RM584.1m
Average daily turnover:	US$0.26m
	RM1.08m
Current shares o/s	125.0m
Free float:	50.1%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.6	6.1	-1.4
Relative (%)	3.7	8.3	-7.7

Major shareholders	% held
Ang family	45.5
AmInvestment Bank	2.6
Prime Finc	1.8

Thong Guan Industries

Looking to stretch further

- Due to strong demand, the third nano-layer stretch film line is targeted to be ready by end-2018.
- The company is also planning to add another PVC food wrap line in 2018.
- Remains an Add, and our top pick in the packaging sector.

Major stretch film producer

- Thong Guan is a major stretch film producer in Malaysia. Other businesses include garbage bags (exported to Japan), PVC food wrap and trading and distribution of tea and coffee under the "888" brand. Over the past two years, the company started to produce higher-value nano-layer stretch films, which are sold at a premium compared to traditional stretch films. The company's latest product is organic noodles, targeting the China baby market.

Second nano-layer stretch film line in Sep

- Its first nano-layered stretch film line is operating at full capacity, with orders booked 2-3 months ahead. Due to strong demand, the company added another nano-layered stretch film line in Sep 2017. We understand most of the orders are still coming from Europe, where its major customers use machine wrap films for which nano-layered films are suitable. Most Asian customers are still using hand wrapped stretch film.

Third nano-layer film line by end-2018

- With strong demand for the second nano-layered stretch film line, the company plans to add a third line, to be installed by end-2018. One nano-layered stretch film line costs around RM20m. We would not be surprised if the company installs yet another nano-layered film line by end-2019. We estimate that the nano-layered stretch film line's average PBT margin is around 12-15% vs. 5-6% for traditional stretch film lines.

Adding new PVC food wrap line

- The company has 8 PVC food wrap lines, with 7,500 tonnes capacity annually. As they are already running at close to full capacity, we expect Thong Guan to add the ninth line in 2018. Thong Guan is one of the largest PVC food wrap producers in the region and product demand has been strong.

To start commercial production of organic noodles in 2018

- The company is in the process of getting all the necessary approvals to export its organic noodles worldwide, especially targeting the China baby market. Production should start to pick up momentum from early next year and this division has the potential to generate RM70m-80m in revenue annually, based on our estimates. At our estimated 15% PBT margin, this division could contribute RM10m-16m PBT annually to the group.

Net cash balance sheet

- As at end-Sep, the company's net cash was RM61m or 36 sen net cash per share. The company incurred around RM100m capex from 2014 to 2016 but is not resting on its laurels. Management is targeting RM650m capex over the next ten years to triple its production capacity.

Still an Add

- We maintain our EPS forecasts and target price, based on an unchanged FY19F 13x P/E, in line with that of the domestic packaging sector. We retain our Add call on the stock. A potential re-rating catalyst is strong export sales. A key risk is further appreciation of RM vs. US$.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	712.0	746.9	820.0	925.0	995.0
Operating EBITDA (RMm)	62.7	85.8	87.0	106.0	112.2
Net Profit (RMm)	38.40	58.10	57.10	72.55	77.59
Core EPS (RM)	0.37	0.55	0.54	0.69	0.74
Core EPS Growth	119%	51%	(2%)	27%	7%
FD Core P/E (x)	20.71	13.69	13.93	10.96	10.25
DPS (RM)	0.10	0.12	0.12	0.12	0.13
Dividend Yield	2.31%	2.66%	2.66%	2.66%	3.01%
EV/EBITDA (x)	8.13	5.20	5.56	4.17	3.50
P/FCFE (x)	NA	9.76	NA	12.34	10.99
Net Gearing	14.9%	(4.5%)	4.5%	(5.4%)	(14.4%)
P/BV (x)	1.41	1.25	1.13	1.00	0.89
ROE	11.6%	17.0%	14.9%	16.9%	16.1%
CIMB/consensus EPS (x)			1.09	1.30	1.00

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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CIMB

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**746.9**	**820.0**	**925.0**	**995.0**
Gross Profit	**218.0**	**233.6**	**269.8**	**288.8**
Operating EBITDA	**85.8**	**87.0**	**106.0**	**112.2**
Depreciation And Amortisation	(16.4)	(18.0)	(24.5)	(25.1)
Operating EBIT	**69.4**	**69.0**	**81.5**	**87.1**
Financial Income/(Expense)	0.3	1.0	1.0	1.0
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**69.7**	**70.0**	**82.5**	**88.1**
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	**69.7**	**70.0**	**82.5**	**88.1**
Taxation	(9.5)	(11.2)	(8.3)	(8.8)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0
Profit After Tax	**60.2**	**58.8**	**74.2**	**79.3**
Minority Interests	(2.1)	(1.7)	(1.7)	(1.7)
Preferred Dividends	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax	0.0	0.0	0.0	0.0
Other Adjustments - post-tax	0.0	0.0	0.0	0.0
Net Profit	**58.1**	**57.1**	**72.5**	**77.6**
Recurring Net Profit	58.1	57.1	72.5	77.6
Fully Diluted Recurring Net Profit	**58.1**	**57.1**	**72.5**	**77.6**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	119.0	83.5	127.2	177.3
Total Debtors	127.0	139.4	157.3	169.2
Inventories	159.0	221.4	240.5	258.7
Total Other Current Assets	6.4	6.4	6.4	6.4
Total Current Assets	**411.4**	**450.7**	**531.4**	**611.6**
Fixed Assets	156.8	163.9	149.4	134.3
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	12.4	12.4	12.4	12.4
Total Non-current Assets	**169.2**	**176.3**	**161.8**	**146.7**
Short-term Debt	42.2	42.2	42.2	42.2
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0
Total Creditors	101.8	106.6	120.3	129.4
Other Current Liabilities	0.5	0.5	0.5	0.5
Total Current Liabilities	**144.5**	**149.3**	**163.0**	**172.1**
Total Long-term Debt	7.4	7.4	7.4	7.4
Hybrid Debt - Debt Component	52.6	52.6	52.6	52.6
Total Other Non-Current Liabilities	4.2	4.2	4.2	4.2
Total Non-current Liabilities	**64.2**	**64.2**	**64.2**	**64.2**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**208.7**	**213.5**	**227.2**	**236.3**
Shareholders' Equity	363.0	403.0	453.8	508.1
Minority Interests	8.7	10.4	12.1	13.8
Total Equity	**371.7**	**413.4**	**465.9**	**521.9**

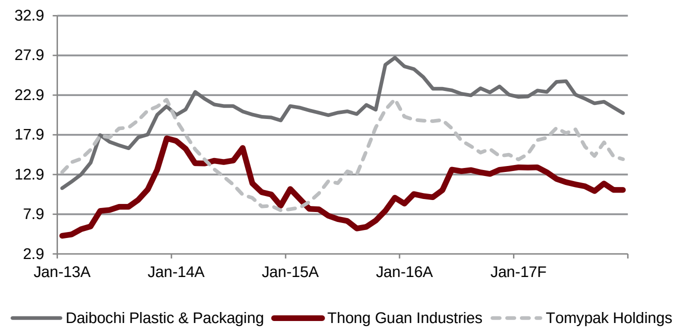
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	85.80	87.00	106.00	112.20
Cash Flow from Invt. & Assoc.	0.00	0.00	0.00	0.00
Change In Working Capital	36.56	(70.04)	(23.30)	(21.00)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00
Other Operating Cashflow	0.00	0.00	0.00	0.00
Net Interest (Paid)/Received	(1.40)	0.00	0.00	0.00
Tax Paid	(9.50)	(11.20)	(8.25)	(8.81)
Cashflow From Operations	**111.46**	**5.76**	**74.45**	**82.39**
Capex	(30.00)	(30.00)	(10.00)	(10.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Investing	**(30.00)**	**(30.00)**	**(10.00)**	**(10.00)**
Debt Raised/(repaid)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	(17.43)	(17.13)	(21.77)	(23.28)
Preferred Dividends	0.00	0.00	0.00	0.00
Other Financing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Financing	**(17.43)**	**(17.13)**	**(21.77)**	**(23.28)**
Total Cash Generated	64.03	(41.37)	42.68	49.11
Free Cashflow To Equity	**81.46**	**(24.24)**	**64.45**	**72.39**
Free Cashflow To Firm	**82.86**	**(24.24)**	**64.45**	**72.39**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	4.9%	9.8%	12.8%	7.6%
Operating EBITDA Growth	36.8%	1.4%	21.8%	5.8%
Operating EBITDA Margin	11.5%	10.6%	11.5%	11.3%
Net Cash Per Share (RM)	0.16	(0.18)	0.24	0.71
BVPS (RM)	3.45	3.83	4.31	4.83
Gross Interest Cover	49.57	N/A	N/A	N/A
Effective Tax Rate	13.6%	16.0%	10.0%	10.0%
Net Dividend Payout Ratio	25.8%	25.1%	26.9%	26.9%
Accounts Receivables Days	60.77	59.28	58.53	59.87
Inventory Days	121.5	118.4	128.7	129.0
Accounts Payables Days	67.26	64.86	63.19	64.50
ROIC (%)	18.2%	19.2%	18.7%	19.6%
ROCE (%)	15.7%	14.1%	15.2%	14.8%
Return On Average Assets	12.5%	11.4%	12.3%	12.0%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	3.0%	3.0%	3.0%	3.0%
Unit sales grth (%, main prod./serv.)	7.0%	7.0%	7.0%	7.0%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	4.0%	4.0%	4.0%	4.0%
Unit sales grth (%,2ndary prod/serv)	10.0%	10.0%	10.0%	10.0%
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
Unit Raw Material ASP (% Change)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

Malaysia

REDUCE *(no change)*

Consensus ratings*:	Buy 1	Hold 0	Sell 2

Current price:	RM0.99
Target price:	RM0.74
Previous target:	RM0.74
Up/downside:	-24.9%
CIMB / Consensus:	-14.8%
Reuters:	TOMY.KL
Bloomberg:	TOMY MK
Market cap:	US$101.2m
	RM413.1m
Average daily turnover:	US$0.07m
	RM0.28m
Current shares o/s	412.0m
Free float:	57.7%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-0.5	3.1	51.1
Relative (%)	-1.4	5.3	44.8

Major shareholders	% held
Yong Kwet On	26.3
Lim Hun Swee	16.0

Tomypak Holdings

Lots of new capacity to fill

- Tomypak's new factory started operations in Apr 17, adding ample capacity which the company may find challenging to fill, in our view.
- The company has been paying a quarterly interim 0.8 sen DPS since end-2015. This quarterly trend should continue over the next two years.
- The stock remains a Reduce; valuation is not cheap at a fully-diluted 2018 14.6x P/E.

One of the country's major plastic flexible packaging producers

- Tomypak is the country's second-largest plastic flexible packaging (PFP) producer by revenue (after Daibochi Plastic [DPP MK, Reduce]), with around 90% of its customers from the resilient F&B sector. Some 50% of its revenue is derived from the domestic market and the company shares most of the country's MNC business with Daibochi Plastic. Tomypak's factory is in Johor.

New factory started in Apr

- With the new factory coming onstream from Apr 2017 onwards, the group's annual production capacity for flexible plastic packaging products rose by 30% to 25,000 tonnes. A new printing and laminating line should also start by 1Q18. However, we feel that it could be challenging to fill up the new capacity without sacrificing profit margins. The company has said it will look outside the food & beverage (F&B) industry to grow its topline, but we do not think this will be an easy task in the short-term.

Higher depreciation charges with the new factory

- 3Q17 depreciation was at RM3.9m, up RM0.7m yoy with the start of operations at the new factory from Apr onwards. With the new laminating and printing lines expected to start by 1Q18, we see higher depreciation charges kicking in from 2Q18 onwards.

Share split and bonus issue completed in Jun

- In early-Jun, the company completed the 1:2 share split (1 share split into 2 shares) and 1:4 bonus issue. Issued shares rose from 164.8m to 412m shares after the completion of the share split and bonus issue. Although fundamentals have not changed, the bonus issue and share split should help to boost trading liquidity in the stock and make the stock more affordable for retail investors.

Net gearing at only 0.15x

- As at end-Sep, Tomypak's net debt was at an undemanding RM31m. Capex for the new factory was mainly funded by the rights issue completed in 2016 (which raised around RM54m). Even after the capacity expansion, Tomypak's net gearing has remained healthy at 0.15x as at end-Sep.

Pays dividends quarterly

- Tomypak pays dividends every quarter. In 3Q17, the company paid a third interim 0.8 sen DPS, which is a net 40% net dividend payout ratio. The company has been consistent in paying a quarterly interim 0.8 sen DPS since end-2015. At the current share price, dividend yields are at 3.3%. With the ongoing capex expansion for its business, we forecast a continued interim 0.8 sen DPS over the next two years.

Remains a Reduce

- We maintain our EPS forecasts and target price based on an unchanged 2019 10.4x P/E, a 20% discount to our sector target P/E; the discount reflects concerns over the company's ability to fill its additional new capacity. The stock remains a Reduce as valuations are not cheap at a fully-diluted 2018 14.6x P/E. De-rating catalysts are weak export demand and high raw material costs. An upside risk is strong recovery in export sales.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	214.0	210.9	213.0	286.2	310.0
Operating EBITDA (RMm)	42.60	37.20	38.60	51.52	54.25
Net Profit (RMm)	23.20	18.40	20.20	31.52	33.79
Core EPS (RM)	0.049	0.039	0.043	0.066	0.071
Core EPS Growth	142%	(21%)	10%	56%	7%
FD Core P/E (x)	20.13	25.38	23.12	14.81	13.82
DPS (RM)	0.024	0.032	0.032	0.032	0.032
Dividend Yield	2.44%	3.25%	3.25%	3.25%	3.25%
EV/EBITDA (x)	10.89	12.52	12.03	8.46	7.44
P/FCFE (x)	14.3	18.2	536.2	14.1	12.1
Net Gearing	(2.3%)	(0.9%)	(1.8%)	(18.8%)	(34.2%)
P/BV (x)	3.77	3.43	3.17	2.82	2.52
ROE	19.7%	14.2%	14.3%	20.1%	19.2%
CIMB/consensus EPS (x)			1.09	1.15	0.96

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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CIMB

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**210.9**	**213.0**	**286.2**	**310.0**
Gross Profit	**37.2**	**38.6**	**51.5**	**54.3**
Operating EBITDA	**37.2**	**38.6**	**51.5**	**54.3**
Depreciation And Amortisation	(13.5)	(17.0)	(17.3)	(17.5)
Operating EBIT	**23.7**	**21.6**	**34.2**	**36.8**
Financial Income/(Expense)	(0.5)	0.7	0.7	0.7
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**23.2**	**22.3**	**34.9**	**37.5**
Exceptional Items				
Pre-tax Profit	**23.2**	**22.3**	**34.9**	**37.5**
Taxation	(4.8)	(2.1)	(3.4)	(3.7)
Exceptional Income - post-tax				
Profit After Tax	**18.4**	**20.2**	**31.5**	**33.8**
Minority Interests	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax	0.0	0.0	0.0	0.0
Other Adjustments - post-tax	0.0	0.0	0.0	0.0
Net Profit	**18.4**	**20.2**	**31.5**	**33.8**
Recurring Net Profit	18.4	20.2	31.5	33.8
Fully Diluted Recurring Net Profit	**18.4**	**20.2**	**31.5**	**33.8**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	56.2	42.6	71.2	103.4
Total Debtors	44.0	44.0	44.0	44.0
Inventories	34.0	36.2	48.7	52.7
Total Other Current Assets	20.6	20.0	20.0	20.0
Total Current Assets	**154.8**	**142.8**	**183.9**	**220.1**
Fixed Assets	70.6	86.6	79.3	71.8
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	0.0	0.0	0.0	0.0
Total Non-current Assets	**70.6**	**86.6**	**79.3**	**71.8**
Short-term Debt	30.0	20.0	20.0	20.0
Current Portion of Long-Term Debt				
Total Creditors	23.2	23.4	31.5	34.1
Other Current Liabilities	2.0	2.0	2.0	2.0
Total Current Liabilities	**55.2**	**45.4**	**53.5**	**56.1**
Total Long-term Debt	25.0	20.0	20.0	20.0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	9.1	17.2	23.9	30.3
Total Non-current Liabilities	**34.1**	**37.2**	**43.9**	**50.3**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**89.3**	**82.6**	**97.4**	**106.4**
Shareholders' Equity	136.1	147.4	165.7	185.5
Minority Interests	0.0	0.0	0.0	0.0
Total Equity	**136.1**	**147.4**	**165.7**	**185.5**

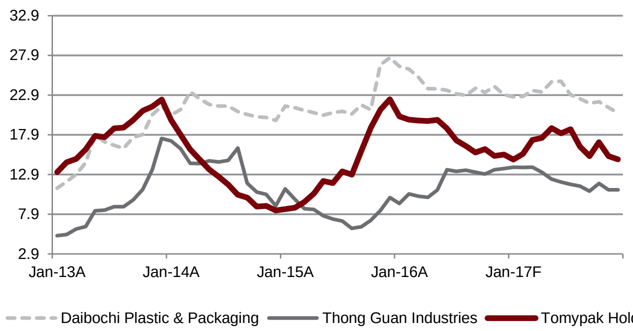
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	37.20	38.60	51.52	54.25
Cash Flow from Invt. & Assoc.	0.00	0.00	0.00	0.00
Change In Working Capital	9.36	(1.98)	(4.39)	(1.43)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00
Other Operating Cashflow	0.55	0.55	0.55	0.55
Net Interest (Paid)/Received	(0.70)	(1.20)	(1.20)	(1.20)
Tax Paid	(4.80)	(2.10)	(3.39)	(3.67)
Cashflow From Operations	**41.61**	**33.87**	**43.08**	**48.51**
Capex	(16.00)	(33.00)	(10.00)	(10.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Investing	**(16.00)**	**(33.00)**	**(10.00)**	**(10.00)**
Debt Raised/(repaid)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	54.70	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	(7.36)	(7.56)	(12.21)	(13.19)
Preferred Dividends				
Other Financing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Financing	**47.34**	**(7.56)**	**(12.21)**	**(13.19)**
Total Cash Generated	72.95	(6.69)	20.87	25.31
Free Cashflow To Equity	**25.61**	**0.87**	**33.08**	**38.51**
Free Cashflow To Firm	**26.31**	**2.07**	**34.28**	**39.71**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(1.4%)	1.0%	34.4%	8.3%
Operating EBITDA Growth	(12.7%)	3.8%	33.5%	5.3%
Operating EBITDA Margin	17.6%	18.1%	18.0%	17.5%
Net Cash Per Share (RM)	0.00	0.01	0.07	0.13
BVPS (RM)	0.29	0.31	0.35	0.39
Gross Interest Cover	33.86	18.00	28.51	30.63
Effective Tax Rate	20.7%	9.4%	9.7%	9.8%
Net Dividend Payout Ratio	37.1%	38.6%	24.6%	23.0%
Accounts Receivables Days	76.36	75.40	56.11	51.81
Inventory Days	81.86	73.47	65.99	72.32
Accounts Payables Days	49.24	48.79	42.70	46.80
ROIC (%)	18.1%	15.0%	21.2%	23.2%
ROCE (%)	14.8%	12.4%	18.4%	17.9%
Return On Average Assets	12.0%	9.5%	13.9%	13.2%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	5.0%	5.0%	5.0%	5.0%
Unit sales grth (%, main prod./serv.)	5.0%	5.0%	5.0%	5.0%
Util. rate (%, main prod./serv.)	85.0%	85.0%	85.0%	85.0%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
Unit Raw Material ASP (% Change)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

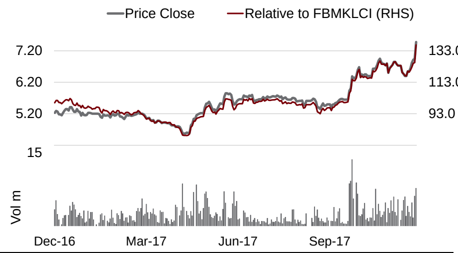
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 9	Hold 9	Sell 2

Current price:	RM7.48
Target price:	RM7.92
Previous target:	RM7.92
Up/downside:	5.9%
CIMB / Consensus:	15.2%
Reuters:	TPGC.KL
Bloomberg:	TOPG MK
Market cap:	US$2,300m
	RM9,386m
Average daily turnover:	US$4.86m
	RM20.26m
Current shares o/s	1,250m
Free float:	56.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	11	37	44.4
Relative (%)	10.1	39.2	38.1

Major shareholders	% held
Tan Sri Dato Sri Lim and family	29.4
EPF	9.5
Firstway United Corp.	5.1

Top Glove Corporation

The world's largest glove maker

- Top Glove (TOPG) is the largest glove maker in the world in terms of sales volume, with production capacity of 51.9bn gloves p.a.
- We view TOPG's proposed acquisition of Aspion positively, given that it is earnings accretive and should result in potential synergies for both.
- Maintain Add; the potential acquisition could add 13.0-13.8% to our existing TP of RM7.92 (21x CY19 P/E).

The largest glove producer becomes even larger

- Top Glove (TOPG) is the largest glove manufacturer in the world, with a production capacity of 51.9bn pieces per annum. Currently the group has a product mix of 67% natural latex (NR) and 33% nitrile butadiene (NBR).
- The group aims to expand its production capacity by 13.3% to 58.8bn pieces p.a. by May 2018, with the bulk of its expansion focused on NBR gloves. The group aims to reach a targeted product mix of 50% NBR and 50% NR in the long run.

A weaker yoy net profit in FY17, but was above expectations

- FY8/17 revenue rose 18% yoy to hit another record high of RM3.4bn, driven by higher sales volumes (FY17: +7%), increase in average selling prices (FY17: +6% yoy) and stronger US$/RM (FY17: +4%).
- However, FY17 net profit waned 8.2% yoy to RM332.6m due to higher latex prices (+46% yoy), natural gas prices (+10%) and labour costs (+8% owing to the increase in minimum wage from 1 July 2016). However, this was partially offset by lower effective tax rate of 13.2% (-4.9% pts yoy) from tax incentives and reinvestment allowances.

Strong global glove demand to drive earnings growth

- Since 1H17, we gathered that several vinyl glove plants in China have closed down due to stringent environmental regulations by the Chinese government. As a result, all glove makers including TOPG have benefitted from a shortage of vinyl gloves supply, as customers switched to rubber gloves as an alternative.
- This has helped spur the demand for rubber gloves. Moving into 2018, this situation should persist as most of these factories are still facing difficulties in ramping up production given the higher fuel costs and weather issues (winter).

Positive on potential acquisition of Aspion

- On 24 Nov 2017, TOPG entered into an agreement to acquire Aspion Sdn Bhd, a specialised surgical glove manufacturer, for an estimated RM1.3bn-1.4bn. TOPG aims to complete this acquisition by Feb 2018 and it will be funded through the issuance of new shares of not more than 10% of the purchase price and remainder by borrowings.
- We are positive on this acquisition given that it is earnings accretive. After accounting for higher interest costs and a larger share base (10% purchase price by issuance of new shares), our calculations indicate that TOPG'S FY18-20F EPS will grow by 3.7-13.3%. The acquisition will also help TOPG enhance its surgical glove manufacturing capabilities and tap into Aspion's key developed markets.

Maintain Add

- No changes to our Add call and TP of RM7.92, based on 21x CY19F P/E (+1 s.d. from 3-year historical mean). However, we have not incorporated the potential earnings accretion into our estimates pending the completion of this acquisition. If reflected, the potential upside to our TP is 11.2-12.2%, bringing our would-be TP to RM8.95-9.01.
- Downside risks to our view include a sharp weakening of US$/RM and termination of this proposed acquisition.

Financial Summary	Aug-16A	Aug-17A	Aug-18F	Aug-19F	Aug-20F
Revenue (RMm)	2,889	3,409	3,831	4,263	4,721
Operating EBITDA (RMm)	521.9	485.0	591.3	672.6	739.4
Net Profit (RMm)	360.7	332.4	405.2	457.5	499.9
Core EPS (RM)	0.29	0.27	0.32	0.37	0.40
Core EPS Growth	28.8%	(7.8%)	21.9%	12.9%	9.3%
FD Core P/E (x)	25.92	28.13	23.07	20.44	18.70
DPS (RM)	0.14	0.13	0.16	0.18	0.20
Dividend Yield	1.93%	1.78%	2.17%	2.45%	2.67%
EV/EBITDA (x)	18.26	19.57	16.09	14.08	12.73
P/FCFE (x)	36.10	45.64	52.48	34.61	30.45
Net Gearing	9.60%	6.87%	7.22%	4.71%	2.06%
P/BV (x)	5.14	4.71	4.28	3.87	3.51
ROE	21.1%	17.5%	19.4%	19.9%	19.7%
CIMB/consensus EPS (x)			1.03	1.06	1.10

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Aug-17A	Aug-18F	Aug-19F	Aug-20F
Total Net Revenues	**3,409**	**3,831**	**4,263**	**4,721**
Gross Profit	**738**	**928**	**1,044**	**1,150**
Operating EBITDA	**485**	**591**	**673**	**739**
Depreciation And Amortisation	(112)	(130)	(148)	(166)
Operating EBIT	**373**	**462**	**525**	**574**
Financial Income/(Expense)	11	12	13	14
Pretax Income/(Loss) from Assoc.	(1)	1	1	1
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**383**	**475**	**539**	**589**
Exceptional Items				
Pre-tax Profit	**383**	**475**	**539**	**589**
Taxation	(51)	(69)	(81)	(88)
Exceptional Income - post-tax				
Profit After Tax	**333**	**406**	**458**	**500**
Minority Interests	(0)	(1)	(1)	(1)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**332**	**405**	**458**	**500**
Recurring Net Profit	332	405	458	500
Fully Diluted Recurring Net Profit	**332**	**405**	**458**	**500**

Balance Sheet

(RMm)	Aug-17A	Aug-18F	Aug-19F	Aug-20F
Total Cash And Equivalents	263	241	285	344
Total Debtors	459	516	574	636
Inventories	327	364	389	440
Total Other Current Assets	503	503	503	503
Total Current Assets	**1,552**	**1,625**	**1,752**	**1,923**
Fixed Assets	1,272	1,443	1,595	1,729
Total Investments	4	4	4	4
Intangible Assets	23	23	23	23
Total Other Non-Current Assets	47	47	47	47
Total Non-current Assets	**1,346**	**1,516**	**1,668**	**1,803**
Short-term Debt	318	318	318	318
Current Portion of Long-Term Debt				
Total Creditors	421	460	510	566
Other Current Liabilities	41	41	41	41
Total Current Liabilities	**779**	**819**	**869**	**924**
Total Long-term Debt	82	82	82	82
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	51	51	51	51
Total Non-current Liabilities	**132**	**132**	**132**	**132**
Total Provisions	0	0	0	0
Total Liabilities	**912**	**951**	**1,002**	**1,057**
Shareholders' Equity	1,984	2,187	2,416	2,666
Minority Interests	8	8	9	9
Total Equity	**1,992**	**2,195**	**2,425**	**2,675**

Cash Flow

(RMm)	Aug-17A	Aug-18F	Aug-19F	Aug-20F
EBITDA	485.0	591.3	672.6	739.4
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(88.8)	(54.4)	(32.7)	(57.0)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(1.7)	(1.7)	(1.7)	(0.7)
Net Interest (Paid)/Received	10.9	11.8	12.7	13.6
Tax Paid	(50.5)	(68.8)	(80.8)	(88.3)
Cashflow From Operations	**354.8**	**478.2**	**570.1**	**607.0**
Capex	(150.0)	(300.0)	(300.0)	(300.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Investing	**(150.0)**	**(300.0)**	**(300.0)**	**(300.0)**
Debt Raised/(repaid)	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(166.2)	(202.6)	(228.8)	(249.9)
Preferred Dividends				
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	**(166.2)**	**(202.6)**	**(228.8)**	**(249.9)**
Total Cash Generated	38.6	(24.5)	41.4	57.1
Free Cashflow To Equity	**204.8**	**178.2**	**270.1**	**307.0**
Free Cashflow To Firm	**211.2**	**184.5**	**276.4**	**313.4**

Key Ratios

	Aug-17A	Aug-18F	Aug-19F	Aug-20F
Revenue Growth	18.0%	12.4%	11.3%	10.7%
Operating EBITDA Growth	(7.1%)	21.9%	13.7%	9.9%
Operating EBITDA Margin	14.2%	15.4%	15.8%	15.7%
Net Cash Per Share (RM)	(0.11)	(0.13)	(0.09)	(0.04)
BVPS (RM)	1.59	1.75	1.93	2.13
Gross Interest Cover	59.10	73.10	83.14	90.89
Effective Tax Rate	13.2%	14.5%	15.0%	15.0%
Net Dividend Payout Ratio	50.0%	50.0%	50.0%	50.0%
Accounts Receivables Days	43.09	46.47	46.68	46.92
Inventory Days	40.37	43.49	42.71	42.49
Accounts Payables Days	51.42	55.37	55.01	55.15
ROIC (%)	18.2%	21.3%	21.9%	22.2%
ROCE (%)	16.9%	19.2%	20.1%	20.1%
Return On Average Assets	11.6%	13.0%	13.6%	13.6%

12-mth Fwd FD P/E (x) - Top Glove Corporation

Key Drivers

	Aug-17A	Aug-18F	Aug-19F	Aug-20F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	10.2%	15.2%	7.8%	6.8%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	-10.6%	5.2%	2.0%	1.8%
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 5	Hold 3	Sell 0

Current price:	RM1.06
Target price:	RM1.40
Previous target:	RM1.40
Up/downside:	32.1%
CIMB / Consensus:	8.0%
Reuters:	TUNE.KL
Bloomberg:	TIH MK
Market cap:	US$195.3m
	RM796.9m
Average daily turnover:	US$0.27m
	RM1.14m
Current shares o/s	751.0m
Free float:	69.8%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-3.6	-9.4	-24.8
Relative (%)	-4.5	-7.2	-31.1

Major shareholders	% held
Tune Group	16.6
AirAsia	13.7
CIMB SI II Sdn Bhd	9.4

Tune Protect Group Bhd

Ready to take off on an earnings recovery in 2018F

- We envisage a recovery in Tune's net profit to 6.7% growth in FY18F, from a decline of 31.9% in FY17F.
- We believe Tune will be able to revive the growth in its travel insurance premium in FY18F, benefiting from the various initiatives it implemented.
- We retain our Add call on Tune in anticipation of an earnings recovery in FY18F.

Expecting an earnings recovery in FY18F

- We envisage a recovery in Tune's net profit to 6.7% growth in FY18F, from a 31.9% decline in FY17F, underpinned by (1) the lower base in FY17F (relative to FY16), (2) a resumption of growth in travel insurance premium vs. a decline in FY17F, and (3) a stabilising or even improving claims ratio.

Projecting 8% premium growth for FY18F

- We are forecasting 8% growth in Tune's overall gross premium in FY18F, with similar rates for both the travel and general insurance businesses. We believe this is achievable in view of the 7.2% yoy expansion recorded for its gross premium in 9MFY17 despite a decline in the travel insurance premium.

Working hard to rein in claims ratio

- The FY17F claims ratio spiked due to the higher repair charges (and hence higher amount claimed for motor insurance) at the panel workshops of the major car dealers under its franchise business. The various measures it has taken, such as encouraging its customers to send their cars to non-panel workshops in the event of accidents, will rein in further increases in its claims ratio in FY18F, in our view.

Expecting a rebound in travel insurance premium

- We expect its travel insurance gross premium to slide in FY17F due to the switch to an 'opt-in' function in Jul 2016 (customers now have to select the option for the purchase of insurance on AirAsia's website; previously, the option was pre-selected).
- We believe Tune will be able to revive the growth in its travel insurance gross premium in FY18F, benefiting from the various initiatives it has implemented, such as product bundling for certain AirAsia customers. Tune's new partnership with Cambodia Angkor Air should start to contribute to its top- and bottomline in FY18F.

Strategies for 2018

- For its travel insurance business, we believe Tune's key strategic focuses will be (1) growing through AirAsia in the region, (2) scouting for new airline partners, and (3) accelerating the growth in the Middle East of non-AirAsia businesses.
- Meanwhile, Tune's general insurance unit in Malaysia saw a change in strategic direction following the appointment of a new CEO on 2 Aug 17. Its focus in 2018 will be on forging tie-ups with partners, such as telco companies, retailers and even banks.

Maintain Add

- We retain our Add call in anticipation of an earnings recovery in FY18F as it reaps the benefits of the various initiatives it has implemented in the past few quarters. Its valuation is now more attractive at 12.2x FY19F P/E, below its 3-year average of 15.9x. Downside risks to our call are a prolonged decline in premiums and a spike in claims.
- Also unchanged are our FY17-19F EPS forecasts and DDM-based target price of RM1.40.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Gross Premium (RMm)	329.8	347.8	333.9	360.7	389.5
Investment And Other Income (RMm)	26.30	30.10	38.88	41.49	44.32
Net Premium (RMm)	453.4	486.3	476.6	514.7	555.9
Net Profit (RMm)	69.00	80.00	54.49	58.14	65.32
Core EPS (RM)	0.09	0.11	0.07	0.08	0.09
Core EPS Growth	(4.6%)	15.9%	(31.9%)	6.7%	12.4%
FD Core P/E (x)	11.54	9.95	14.61	13.69	12.19
P/NB (x)	NA	NA	NA	NA	NA
DPS (RM)	0.050	0.048	0.033	0.035	0.039
Dividend Yield	4.72%	4.52%	3.08%	3.29%	3.69%
P/EV (x)	NA	NA	NA	NA	NA
P/BV (x)	1.76	1.60	1.51	1.43	1.34
ROE	16.1%	16.9%	10.7%	10.7%	11.3%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.95	0.86	0.86

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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CIMB

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue	333.0	289.7	312.8	337.9
Total Claims and Changes in Reserves	(113.2)	(99.4)	(111.9)	(122.3)
Acq. Costs/Other Underwriting Exp.				
Total Underwriting Result	60.6	35.7	31.8	31.0
Investment Income on Tech Reserve	0.0	0.0	0.0	0.0
Insurance Profit / (Loss)	60.6	35.7	31.8	31.0
Total Other Technical Income	30.1	38.9	41.5	44.3
Total Other Revenues	**0.0**	**0.0**	**0.0**	**0.0**
Total Operating Costs	**0.0**	**0.0**	**0.0**	**0.0**
Other Technical Income / (Loss)	0.0	0.0	0.0	0.0
Depreciation And Amortisation	**0.0**	**0.0**	**0.0**	**0.0**
Operating Profit	**90.7**	**74.6**	**73.3**	**75.3**
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Post-Tax Oper. Earnings - Life/Other Biz	0.0	0.0	0.0	0.0
Head Office Costs	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	**0.0**	**0.0**	**0.0**	**0.0**
Net Interest Income	**0.0**	**(0.7)**	**(0.7)**	**(0.7)**
Investment Income on Shareholders Fund	0.0	0.0	0.0	0.0
Other Income	4.0	10.6	17.4	25.6
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	**94.7**	**84.5**	**89.9**	**100.2**
Taxation	(8.1)	(15.9)	(16.9)	(18.8)
Consolidation Adjustments & Others	0.0	0.0	0.0	0.0
Exceptional Income - post-tax	0.0	0.0	0.0	0.0
Profit After Tax	**86.6**	**68.6**	**73.0**	**81.3**
Minority Interests	(6.6)	(14.1)	(14.9)	(16.0)
Preferred Dividends	0.0	0.0	0.0	0.0
Special Dividends	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax	0.0	0.0	0.0	0.0
Other Adjustments - post-tax	0.0	0.0	0.0	0.0
Net Profit	**80.0**	**54.5**	**58.1**	**65.3**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Fixed Assets	12	12	12	13
Intangible Assets	28	28	28	28
Other Long Term Assets	0	(0)	(0)	0
Total Non-current Assets	**40**	**40**	**41**	**42**
Total Cash And Equivalents	758	802	871	949
Trade Debtors	0	0	0	0
Other Current Assets	466	447	466	487
Total Current Assets	**1,224**	**1,249**	**1,337**	**1,436**
Creditors - Direct & Reinsurance Business	0	0	0	0
Provision For Claims Outstanding	558	547	591	638
Other Current Liabilities	164	170	183	200
Total Current Liabilities	**722**	**717**	**774**	**837**
Total Long-term Debt	0	0	0	0
Hybrid Debt - Debt Component	0	0	0	0
Other Liabilities	1	1	1	1
Total Non-current Liabilities	**1**	**1**	**1**	**1**
Total Technical & Other Provisions	**0**	**0**	**0**	**0**
Total Liabilities	**722**	**718**	**775**	**838**
Shareholders' Equity	497	526	558	594
Minority Interests	45	45	45	45
Total Equity	**541**	**571**	**603**	**639**
Life Embedded Value				

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Net Premium Growth	7.26%	(2.00%)	8.00%	8.00%
Operating Profit Growth (Life & Health)	N/A	N/A	N/A	N/A
Value Of New Life Business Growth (after-tax)	N/A	N/A	N/A	N/A
Life Embedded Value Growth	N/A	N/A	N/A	N/A
Pre-tax Margin	28.4%	29.2%	28.8%	29.6%
Net Profit Margin	24.0%	18.8%	18.6%	19.3%
Effective Tax Rate	8.6%	18.8%	18.8%	18.8%
Net Dividend Payout Ratio	45.0%	45.0%	45.0%	45.0%
Return On Average Assets	7.00%	5.38%	5.48%	5.70%
Net Gearing	290%	291%	279%	268%
Financial Leverage	2.61	2.50	2.46	2.48
Equity / Assets	39.3%	40.9%	40.5%	40.2%

Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Industry gross premium grth (%)	N/A	N/A	N/A	N/A
Gross Premium Growth (%)	7.3	(2.0)	8.0	8.0
Gross Premium Mkt share (%)	N/A	N/A	N/A	N/A
Claims Ratio (%)	51.5	61.8	59.7	58.2
Net Commission Ratio (%)	17.6	20.7	20.7	20.7
Net Premium Market Share (%)	N/A	N/A	N/A	N/A
Management Expense Ratio (%)	22.0	14.4	14.5	14.6

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

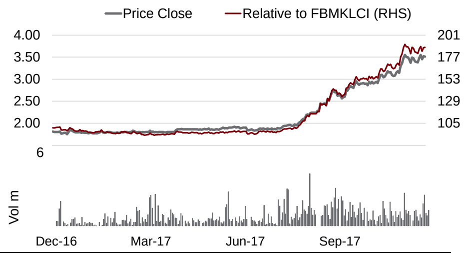
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 2	Hold 1	Sell 0

Current price:	RM3.51
Target price:	RM3.00
Previous target:	RM3.00
Up/downside:	-14.4%
CIMB / Consensus:	-10.9%
Reuters:	UCHI.KL
Bloomberg:	UCHI MK
Market cap:	US$381.5m
	RM1,557m
Average daily turnover:	US$0.77m
	RM3.19m
Current shares o/s	406.4m
Free float:	62.6%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	14.3	30	92.9
Relative (%)	13.4	32.2	86.6

Major shareholders	% held
Eastbow International Limited	23.5
Lembaga Tabung Haji	9.6
Ironbridge Worldwide Ltd	4.3

Uchi Technologies

A smooth brew

- The group expects to maintain its mid-to-high single digit revenue growth in FY17-18F driven by its key customer expansion in new regions such as North America.
- However, the stronger ringgit could be a negative for the group as we estimate its FY17-19F EPS falling by 14-15% for every 10% appreciation in RM vs. US$.
- Maintain Hold and RM3.00 TP. We prefer Inari for exposure to the tech sector.

Review of 9M17 results

- Revenue grew by 14.7% yoy from RM89.2m in 9M16 to RM101.9m in 9M17 due to stronger demand growth from Europe, which was up 15.5% yoy, and favourable forex movement as US$ revenue in 9M17 grew by 6.9% yoy. Management indicated that there were no major changes in the group's product mix as revenue contribution from the AL and biotech segments accounted for about 99.9% revenue in 9M17 (vs. 99% in 9M16). Overall, Uchi's 9M17 core net profit rose 25% yoy to reach RM53.7m.

Special dividend surprise in 3Q17

- Uchi declared a first interim dividend of 7 sen/share as well as a special interim dividend of 10 sen/share to reward its shareholders. Overall, the combined 17 sen dividend was higher than the total 13 sen it declared in FY16. The special dividend is a particularly nice surprise as the last time Uchi declared a special payout was almost 10 years ago in Apr 2008.

Still in the process of expanding its biotech portfolio

- Management is committed to expanding Uchi's biotech segment (comprising 21% of revenue in 9M17), the second-largest revenue driver after the AL segment. It intends to raise the biotech segment's contribution to 50% of group revenue within the next 3-5 years by focusing on designing and manufacturing biotech products. However, we expect a longer gestation period for biotech products given the higher regulatory approval requirements.

Healthy demand outlook going into 2018

- Management is projecting mid- to high-single digit US$ revenue growth in FY17 driven by stronger demand visibility from its key client in the AL segment. It expects to maintain the volume growth in FY18F driven by its key customer expansion in new regions such as North America. Nevertheless, the recent stronger ringgit could be a negative for the group given that we estimate that for every 10% decline in the ringgit against US$, Uchi's FY17-19F could fall by about 14-15%.

New tax pioneer status awarded by MIDA

- Uchi was recently awarded a new tax pioneer status by the Malaysian Investment Development Authority (MIDA) for the activities of design, development, manufacture of real-time centralised energy measurement and control system, high precision hot fluid temperature control system and mass-sensing control for bio-chem equipment for a period of 5 years from the production date. We project Uchi's effective tax rate to stay below the 5% level in FY17-19F.

Maintain Hold and target price

- We maintain our Hold call with an unchanged RM3.00 TP, based on 15x CY19 P/E, in line with the mean of the Malaysian outsourced semiconductor assembly and test provider companies. We prefer Inari for exposure to the tech sector. Uchi's share prices has done very well, having risen 91% YTD; we see the surge in share price as offering a good opportunity for investors to realise their gains.
- Key upside risk to our call is faster-than-expected growth in biotech product sales and downside risks are sluggish demand in AL products and a lower dividend payout.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	112.6	120.9	139.0	146.6	152.4
Net Profit (RMm)	51.08	56.07	72.18	76.28	79.05
Core EPS (RM)	0.13	0.14	0.18	0.19	0.19
Core EPS Growth	30.3%	5.3%	25.3%	5.7%	3.6%
FD Core P/E (x)	26.07	24.76	19.76	18.70	18.04
Price To Sales (x)	12.67	11.80	10.26	9.73	9.36
DPS (RM)	0.11	0.13	0.25	0.18	0.20
Dividend Yield	3.13%	3.70%	7.12%	5.13%	5.70%
EV/EBITDA (x)	21.66	21.13	17.20	16.23	15.60
P/FCFE (x)	24.97	24.34	21.13	19.71	18.97
Net Gearing	(75.6%)	(73.9%)	(71.2%)	(73.0%)	(74.3%)
P/BV (x)	6.18	5.67	6.42	6.33	6.39
ROE	25.8%	23.9%	30.5%	34.1%	35.2%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.09	1.09	1.06

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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CIMB

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**120.9**	**139.0**	**146.6**	**152.4**
Gross Profit	**83.6**	**99.8**	**105.3**	**109.5**
Operating EBITDA	**58.7**	**73.7**	**77.7**	**80.8**
Depreciation And Amortisation	(6.0)	(6.6)	(6.9)	(7.2)
Operating EBIT	**52.7**	**67.2**	**70.8**	**73.6**
Financial Income/(Expense)	6.5	6.5	7.0	7.5
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**59.2**	**73.7**	**77.8**	**81.1**
Exceptional Items	(1.6)	0.0	0.0	0.0
Pre-tax Profit	**57.6**	**73.7**	**77.8**	**81.1**
Taxation	(1.6)	(1.5)	(1.6)	(2.0)
Exceptional Income - post-tax				
Profit After Tax	**56.1**	**72.2**	**76.3**	**79.1**
Minority Interests	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**56.1**	**72.2**	**76.3**	**79.1**
Recurring Net Profit	57.6	72.2	76.3	79.1
Fully Diluted Recurring Net Profit	**57.6**	**72.2**	**76.3**	**79.1**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	185.9	158.3	164.5	165.9
Total Debtors	17.6	19.2	19.9	20.4
Inventories	23.7	24.9	26.3	27.3
Total Other Current Assets	0.0	0.0	0.0	0.0
Total Current Assets	**227.2**	**202.4**	**210.7**	**213.6**
Fixed Assets	61.1	57.5	53.6	49.4
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	0.2	0.2	0.2	0.2
Total Other Non-Current Assets	14.9	14.9	14.9	14.9
Total Non-current Assets	**76.2**	**72.6**	**68.7**	**64.5**
Short-term Debt	0.0	0.0	0.0	0.0
Current Portion of Long-Term Debt				
Total Creditors	21.6	22.7	23.9	24.9
Other Current Liabilities	28.8	28.8	28.8	28.8
Total Current Liabilities	**50.4**	**51.5**	**52.7**	**53.7**
Total Long-term Debt	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	1.3	1.3	1.3	1.3
Total Non-current Liabilities	**1.3**	**1.3**	**1.3**	**1.3**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**51.7**	**52.8**	**54.0**	**55.0**
Shareholders' Equity	251.7	222.2	225.4	223.2
Minority Interests	0.0	0.0	0.0	0.0
Total Equity	**251.7**	**222.2**	**225.4**	**223.2**

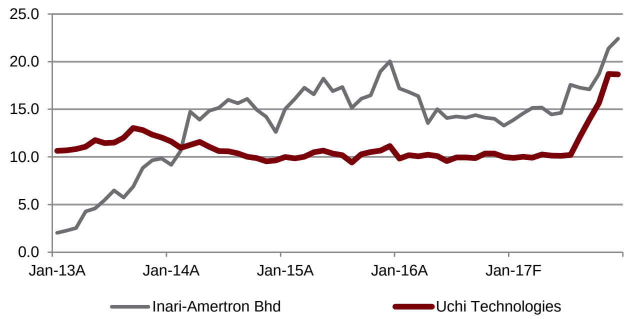
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	58.70	73.72	77.74	80.82
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(11.55)	(1.74)	(0.81)	(0.62)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	(1.58)	(0.00)	(0.00)	(0.00)
Other Operating Cashflow	5.31	(6.50)	(7.00)	(7.50)
Net Interest (Paid)/Received	6.50	6.50	7.00	7.50
Tax Paid	(1.54)	(1.47)	(1.56)	(2.03)
Cashflow From Operations	**55.84**	**70.52**	**75.37**	**78.18**
Capex	(2.92)	(3.00)	(3.00)	(3.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00
Other Investing Cashflow	5.68	0.00	0.00	0.00
Cash Flow From Investing	**2.75**	**(3.00)**	**(3.00)**	**(3.00)**
Debt Raised/(repaid)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	(45.49)	(101.60)	(73.15)	(81.28)
Preferred Dividends				
Other Financing Cashflow	6.50	6.50	7.00	7.50
Cash Flow From Financing	**(38.99)**	**(95.10)**	**(66.15)**	**(73.78)**
Total Cash Generated	19.60	(27.58)	6.22	1.40
Free Cashflow To Equity	**58.60**	**67.52**	**72.37**	**75.18**
Free Cashflow To Firm	**58.60**	**67.52**	**72.37**	**75.18**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	7.4%	14.9%	5.5%	4.0%
Operating EBITDA Growth	1.5%	25.6%	5.4%	4.0%
Operating EBITDA Margin	48.6%	53.1%	53.0%	53.0%
Net Cash Per Share (RM)	0.46	0.39	0.40	0.41
BVPS (RM)	0.62	0.55	0.55	0.55
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	2.74%	2.00%	2.00%	2.50%
Net Dividend Payout Ratio	92%	141%	96%	103%
Accounts Receivables Days	32.16	30.83	32.11	32.34
Inventory Days	184.3	226.7	226.0	227.7
Accounts Payables Days	217.4	206.6	206.0	207.5
ROIC (%)	92%	100%	109%	118%
ROCE (%)	24.6%	31.1%	34.8%	36.2%
Return On Average Assets	17.5%	22.7%	25.0%	25.7%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP Change (%, Main Product)	5.0%	5.0%	5.0%	5.0%
Unit sales growth (%, main prod)	3.0%	3.0%	3.0%	3.0%
No. Of Lines (main Product)	N/A	N/A	N/A	N/A
Rev per line (US$, main prod)	N/A	N/A	N/A	N/A
ASP chg (%, 2ndary prod)	N/A	N/A	N/A	N/A
Unit sales grth (%, 2ndary prod)	N/A	N/A	N/A	N/A
No. Of Lines (secondary Product)	N/A	N/A	N/A	N/A
Rev per line (US$, 2ndary prod)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

UEM Sunrise Bhd

Nothing exciting

- We expect UEMS's sales outlook in 2018 to remain cloudy due to the oversupply of properties, especially in Johor.
- The group's main focus will likely be to sell off its inventories and to continue to monetise its assets to improve its financial position.
- Maintain EPS, Hold call and target price, still based on a 65% discount to RNAV.

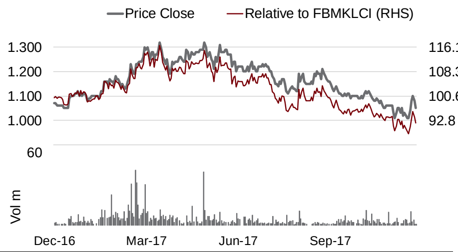
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 5	Hold 8	Sell 3

Current price:	RM1.05
Target price:	RM1.15
Previous target:	RM1.15
Up/downside:	9.6%
CIMB / Consensus:	-4.2%
Reuters:	UMSB.KL
Bloomberg:	UEMS MK
Market cap:	US$1,167m
	RM4,764m
Average daily turnover:	US$0.72m
	RM3.01m
Current shares o/s	4,537m
Free float:	33.9%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0	-11	-1
Relative (%)	-0.9	-8.8	-7.3

Major shareholders	% held
UEM Group Bhd	66.1
Lembaga Tabung Haji	7.0

2017 sales target of RM1.2bn intact

- In 9M17, UEMS achieved property sales of RM671.1m, which was 5% lower yoy vs. RM706.6m in 9M16. This is equivalent to only 56% of its unchanged full-year sales target of RM1.2bn. UEMS continued to express confidence it can achieve this target as it will ramp up the launch of Solaris Parq and Mayfair and continue its inventory monetisation initiatives. While these should boost property sales, we continue to anticipate higher marketing expenses in 4Q17F, which could dampen earnings.

Property sector outlook still muted

- We believe the overall property outlook is still bleak in 2018, although property prices are still on an uptrend and property transactions still active. We see two wildcards impacting the sector in 2018, namely the potential interest rate hike and approval freeze for luxury projects above RM1m. Besides, low affordability, a mismatch between supply and demand, high incoming supply of completed properties and rising competition from public housing are still risks for private developers' sales.
- UEMS is not likely to change its product mix following the approval freeze as it has been successful so far in selling mid-market products. Additionally, the group has already received development orders (DO) for its MK27 and MK31 projects. As such, despite the new ruling, UEMS guides that it should be able to sustain its sales momentum in FY18F.
- Bank Negara Malaysia (BNM) highlighted the decade-high level of unsold residential properties (130,690 unsold units in 1Q17 vs. 72,239 average unsold units in 2014-2016). Johor has the largest share of unsold residential units (27%), followed by Selangor (21%), Kuala Lumpur (14%) and Penang (8%).
- As at Sep 2017, UEMS's Johor landbank constituted c.77% of its total landbank of 13,203 acres and 85% of its outstanding gross development value (GDV) of RM110bn. In view of the market conditions in Johor, we expect UEMS to focus on clearing its inventory and launching more affordable housing projects rather than high-end and high-rise projects.

Earnings outlook

- Despite the weak sales outlook, we project UEMS's net profit to expand in 2018 as its earnings will continue to be supported by the high unbilled sales of RM4.5bn as at end-Sep 2017 that it accumulated over the past few years.

Maintain Hold

- Our Hold call on the stock is retained given the concerns of oversupply, especially in Johor. We peg our unchanged RM1.15 target price to a 65% discount to RNAV in view of the likely sustained overhang on the stock; we believe it will take UEMS several decades to fully develop its landbank of more than 10,000 acres in Johor.
- Stronger-than-expected sales performance in Johor and strong earnings performance in 2018F are the key upside risks to our Hold call. The key downside risk is further deterioration in Johor's property market.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues (RMm)	1,750	1,841	2,134	2,752	2,731
Operating EBITDA (RMm)	191.8	173.8	244.5	415.2	459.1
Net Profit (RMm)	257.2	134.6	152.7	284.1	313.0
Core EPS (RM)	0.057	0.030	0.034	0.063	0.069
Core EPS Growth	(46.4%)	(47.7%)	13.4%	86.1%	10.2%
FD Core P/E (x)	18.56	35.51	31.31	16.83	15.27
DPS (RM)	0.030	-	-	-	-
Dividend Yield	2.86%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	33.42	43.68	31.63	19.15	16.36
P/FCFE (x)	68.7	NA	107.3	NA	NA
Net Gearing	24.8%	41.1%	43.7%	46.5%	40.5%
P/BV (x)	0.70	0.70	0.68	0.66	0.63
ROE	3.91%	1.97%	2.21%	3.99%	4.22%
CIMB/consensus EPS (x)			0.66	1.14	1.09

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**1,841**	**2,134**	**2,752**	**2,731**
Gross Profit	**535**	**611**	**781**	**800**
Operating EBITDA	**174**	**245**	**415**	**459**
Depreciation And Amortisation	(24)	(24)	(24)	(24)
Operating EBIT	**150**	**221**	**391**	**435**
Financial Income/(Expense)	(46)	(60)	(60)	(60)
Pretax Income/(Loss) from Assoc.	76	45	60	55
Non-Operating Income/(Expense)	38	20	20	19
Profit Before Tax (pre-EI)	**218**	**225**	**411**	**449**
Exceptional Items				
Pre-tax Profit	**218**	**225**	**411**	**449**
Taxation	**(69)**	**(72)**	**(127)**	**(136)**
Exceptional Income - post-tax				
Profit After Tax	**148**	**153**	**284**	**313**
Minority Interests	(14)	0	0	0
Pref. & Special Div	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**135**	**153**	**284**	**313**
Recurring Net Profit	135	153	284	313
Fully Diluted Recurring Net Profit	**135**	**153**	**284**	**313**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	758	803	768	700
Properties Under Development	2,635	2,493	2,278	1,951
Total Debtors	0	0	0	0
Inventories	585	680	877	860
Total Other Current Assets	1,982	2,257	2,838	2,818
Total Current Assets	**5,960**	**6,233**	**6,761**	**6,329**
Fixed Assets	300	275	251	227
Total Investments	**1,614**	**1,949**	**2,299**	**2,644**
Intangible Assets	621	621	621	621
Total Other Non-Current Assets	5,055	5,055	5,055	5,055
Total Non-current Assets	**7,590**	**7,901**	**8,227**	**8,548**
Short-term Debt	1,310	1,310	1,310	1,310
Current Portion of Long-Term Debt				
Total Creditors	804	934	1,204	1,181
Other Current Liabilities	497	497	497	497
Total Current Liabilities	**2,611**	**2,742**	**3,012**	**2,988**
Total Long-term Debt	2,404	2,704	3,004	2,604
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	**2,404**	**2,704**	**3,004**	**2,604**
Total Provisions	1,342	1,342	1,342	1,342
Total Liabilities	**6,357**	**6,788**	**7,357**	**6,934**
Shareholders' Equity	**6,832**	**6,984**	**7,269**	**7,582**
Minority Interests	362	362	362	362
Total Equity	**7,193**	**7,346**	**7,630**	**7,943**

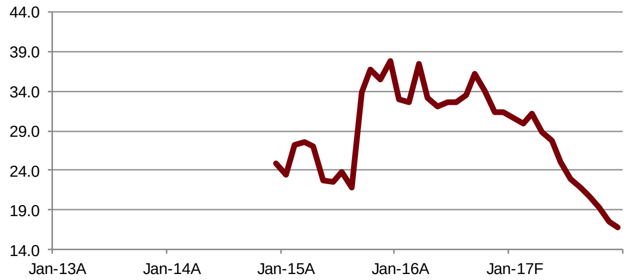
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	174	245	415	459
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(920)	(97)	(293)	340
Straight Line Adjustment				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	146	20	20	19
Net Interest (Paid)/Received	(130)	(60)	(60)	(60)
Tax Paid	(125)	(72)	(127)	(136)
Cashflow From Operations	**(854)**	**35**	**(44)**	**622**
Capex	0	0	0	0
Disposals Of FAs/subsidiaries				
Disposals of Investment Properties				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(211)	(290)	(290)	(290)
Cash Flow From Investing	**(211)**	**(290)**	**(290)**	**(290)**
Debt Raised/(repaid)	939	300	300	(400)
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(85)	0	0	0
Preferred Dividends	0	0	0	0
Other Financing Cashflow	0	0	0	0
Cash Flow From Financing	**854**	**300**	**300**	**(400)**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	5.2%	15.9%	29.0%	(0.7%)
Operating EBITDA Growth	(9.4%)	40.7%	69.8%	10.6%
Operating EBITDA Margin	9.4%	11.5%	15.1%	16.8%
Net Cash Per Share (RM)	(0.65)	(0.71)	(0.78)	(0.71)
BVPS (RM)	1.50	1.53	1.60	1.67
Gross Interest Cover	1.97	2.45	4.35	4.83
Effective Tax Rate	31.8%	32.1%	30.9%	30.2%
Net Dividend Payout Ratio	NA	NA	NA	NA
Accounts Receivables Days	-	-	-	-
Inventory Days	138.4	151.6	144.2	164.1
Accounts Payables Days	211.4	208.2	198.1	225.4
ROIC (%)	1.85%	2.23%	3.93%	4.26%
ROCE (%)	1.69%	2.21%	3.55%	3.84%
Return On Average Assets	1.53%	1.54%	2.36%	2.50%

12-mth Fwd FD P/E (x) - UEM Sunrise Bhd



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Unbooked Presales (m) (RM)	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A
Gross Margins (%)	27.7%	27.5%	27.5%	28.4%
Contracted Sales ASP (per Sm) (RM)	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A
Invt. properties rental margin (%)	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	8.0%	8.0%	8.0%	8.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

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Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 1	Hold 6	Sell 8

Current price:	RM5.15
Target price:	RM5.50
Previous target:	RM5.50
Up/downside:	6.7%
CIMB / Consensus:	16.1%
Reuters:	UMWS.KL
Bloomberg:	UMWH MK
Market cap:	US$1,474m
	RM6,017m
Average daily turnover:	US$0.34m
	RM1.42m
Current shares o/s	1,168m
Free float:	37.8%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.9	-5.3	15.4
Relative (%)	-2.8	-3.1	9.1

Major shareholders	% held
Permodalan Nasional Bhd	42.1
EPF	12.0
KWAP	8.0

UMW Holdings

Gearing for a stronger 2018

- We expect stronger earnings in FY18 driven by the disposal of the loss-making oil & gas division. UMW is on track to exit its other non-listed O&G businesses in 2018.
- New model launches from Toyota and Perodua will drive automotive volume growth in 2018. The group is also expected to benefit from the appreciation of ringgit vs. US$.
- Maintain Hold and RM5.50 TP, still based on 14x CY19 P/E. Switch to DRB-Hicom.

Review of 9M17 results

- Revenue in 9M17 grew by 7.2% yoy, driven by higher sales contributions from Automotive (9.5%), Equipment (1.1%) and M&E (6.4%). In spite of the higher sales, the group posted a lower pretax profit of RM128m in 9M17 vs. RM210m in 9M16, partly due to narrowing margins in the automotive division from forex volatility which resulted in higher costs for completely knocked down (CKD) kits. Overall, 9M17 core net profit fell 18.7% yoy

New models to drive automotive growth in 2018F

- We see new model launches as helping to drive the automotive division's volume growth in 2018. We learnt that UMW Toyota had recently launched the new Harrier model and it also plans to launch a compact SUV model, C-HR, in 1Q18. These new models will allow UMW to compete in the compact and mid-size SUV segment.
- In addition, we expect to see stronger associate contributions, mainly driven by Perodua following the successful launch of the third-generation Perodua Myvi. We understand the new Myvi model had received 20k bookings just one month after its launch.

Additional production capacity to come on stream in 2019F

- UMWH is constructing a new RM1.8bn automotive plant in Bukit Raja, Selangor with a production capacity of 50k units/year. This will raise its production capacity by 75%. The group expects the plant to be completed by end-2018 and production to begin in 2019. We do not expect significant earnings contributions for the next 24 months.

Meaningful aerospace earnings will potentially materialise in 2019F

- UMWH is moving into the high-value manufacturing business with its engine fan case project. To recap, it was awarded a 25-year contract from Rolls-Royce to manufacture fan cases for Trent 1000 and 7000 engines, which are used in Boeing 787 and Airbus A330neo. We understand it shipped its first fan case at end-Nov 17; the group expects to ship about six fan cases by the end of 2017, before increasing to 80 in 2018 and 160 in 2019. The facility has a total capacity of 250 units/year.
- Although we are excited about the new venture, we do not expect significant earnings contributions from the new division until 2019F when it starts to ramp up production.

Losses from unlisted oil & gas assets remain a drag

- The unlisted O&G division posted a wider pretax loss of RM121m in 9M17 vs. RM117m in 9M16 due to lower demand for drilling activities. To recap, UMWH had announced on Jan 17 that the group was exiting the oil and gas sector. The group had completed the distribution of its entire stake in UMW-OG in Jul 17. Meanwhile, it is on track to exit its remaining non-listed O&G businesses in 2018.

Maintain Hold and target price

- Maintain Hold and RM5.50 TP, still based on 14x CY19F P/E, a 10% premium to its FY09-14 historical mean of 13x. Key upside risks are accelerated disposal of unlisted O&G assets and strengthening of the Ringgt vs. US$, while key downside risks are delayed disposal of unlisted O&G assets and depreciation of Ringgit against US$.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	14,442	10,965	10,366	11,129	12,007
Operating EBITDA (RMm)	1,054	(359)	512	516	800
Net Profit (RMm)	370.5	(401.8)	137.9	223.7	456.5
Core EPS (RM)	0.32	(0.34)	0.12	0.19	0.39
Core EPS Growth	(52%)	(208%)		62%	104%
FD Core P/E (x)	16.03	NA	43.08	26.55	13.01
DPS (RM)	0.20	0.00	0.10	0.20	0.20
Dividend Yield	3.88%	0.00%	1.94%	3.88%	3.88%
EV/EBITDA (x)	11.47	NA	20.71	20.86	13.92
P/FCFE (x)	6.32	NA	29.71	NA	NA
Net Gearing	35.0%	61.5%	47.9%	49.7%	52.7%
P/BV (x)	0.91	1.27	2.27	2.28	2.10
ROE	5.6%	(7.1%)	3.7%	8.5%	16.6%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.82	0.73	1.17

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**10,965**	**10,366**	**11,129**	**12,007**
Gross Profit	**1,645**	**1,503**	**1,948**	**1,801**
Operating EBITDA	**(359)**	**512**	**516**	**800**
Depreciation And Amortisation	(555)	(333)	(212)	(217)
Operating EBIT	**(914)**	**179**	**304**	**583**
Financial Income/(Expense)	(106)	(15)	(98)	(100)
Pretax Income/(Loss) from Assoc.	155	159	183	222
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**(865)**	**323**	**388**	**705**
Exceptional Items				
Pre-tax Profit	**(865)**	**323**	**388**	**705**
Taxation	(141)	(129)	(97)	(176)
Exceptional Income - post-tax				
Profit After Tax	**(1,006)**	**194**	**291**	**528**
Minority Interests	604	(56)	(67)	(72)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**(402)**	**138**	**224**	**456**
Recurring Net Profit	(402)	138	224	456
Fully Diluted Recurring Net Profit	**(402)**	**138**	**224**	**456**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	2,179	221	246	259
Total Debtors	1,022	1,113	1,205	1,513
Inventories	1,922	1,397	1,644	1,974
Total Other Current Assets	1,012	962	962	962
Total Current Assets	**6,136**	**3,692**	**4,056**	**4,707**
Fixed Assets	7,639	3,920	4,163	4,547
Total Investments	2	0	0	0
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	2,429	2,426	2,083	1,833
Total Non-current Assets	**10,070**	**6,346**	**6,246**	**6,380**
Short-term Debt	2,641	1,558	909	709
Current Portion of Long-Term Debt				
Total Creditors	1,781	1,509	1,596	1,770
Other Current Liabilities	197	192	192	192
Total Current Liabilities	**4,619**	**3,259**	**2,697**	**2,671**
Total Long-term Debt	3,789	1,005	1,787	2,303
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	889	888	888	888
Total Non-current Liabilities	**4,678**	**1,893**	**2,675**	**3,191**
Total Provisions	0	0	0	0
Total Liabilities	**9,297**	**5,152**	**5,372**	**5,862**
Shareholders' Equity	4,722	2,650	2,640	2,863
Minority Interests	2,187	2,236	2,290	2,362
Total Equity	**6,909**	**4,886**	**4,931**	**5,225**

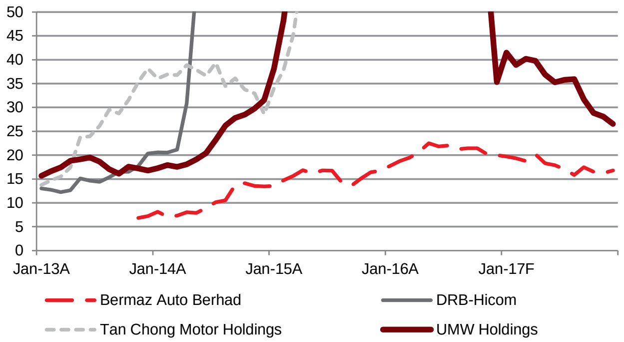
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	(359)	512	516	800
Cash Flow from Invt. & Assoc.				
Change In Working Capital	775	163	(252)	(464)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	528	333	212	217
Net Interest (Paid)/Received	(106)	(15)	(98)	(100)
Tax Paid	(207)	(129)	(97)	(176)
Cashflow From Operations	**630**	**863**	**280**	**276**
Capex	(966)	(750)	(750)	(600)
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/investments		0	0	
Other Investing Cashflow	81	87	9	10
Cash Flow From Investing	**(886)**	**(663)**	**(741)**	**(590)**
Debt Raised/(repaid)	0	0	0	0
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	0	(117)	(234)	(234)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	**0**	**(117)**	**(234)**	**(234)**
Total Cash Generated	(256)	83	(695)	(548)
Free Cashflow To Equity	**(256)**	**200**	**(461)**	**(315)**
Free Cashflow To Firm	**(69)**	**302**	**(354)**	**(205)**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(24.1%)	(5.5%)	7.4%	7.9%
Operating EBITDA Growth	(134%)	N/A	1%	55%
Operating EBITDA Margin	(3.28%)	4.94%	4.63%	6.66%
Net Cash Per Share (RM)	(3.64)	(2.00)	(2.10)	(2.36)
BVPS (RM)	4.04	2.27	2.26	2.45
Gross Interest Cover	(4.91)	1.74	2.83	5.31
Effective Tax Rate	0.0%	40.0%	25.0%	25.0%
Net Dividend Payout Ratio	NA	43.8%	72.8%	36.9%
Accounts Receivables Days	47.66	37.59	38.00	41.31
Inventory Days	74.85	68.35	60.45	64.70
Accounts Payables Days	78.98	67.75	61.72	60.19
ROIC (%)	(5.32%)	1.11%	2.81%	5.29%
ROCE (%)	(5.80%)	2.56%	4.14%	7.47%
Return On Average Assets	(4.56%)	2.55%	4.54%	7.29%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	2.0%	0.0%	1.5%	1.5%
Unit sales grth (%, main prod./serv.)	-9.1%	6.4%	6.2%	4.0%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod/serv)	N/A	N/A	N/A	N/A
Unit sales grth (%,tertiary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, tertiary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

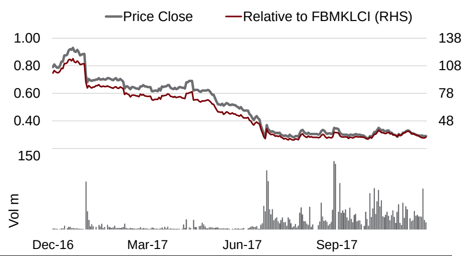
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 5	Hold 3	Sell 1

Current price:	RM0.29
Target price:	RM0.35
Previous target:	RM0.35
Up/downside:	20.7%
CIMB / Consensus:	-12.3%
Reuters:	UMOG.KL
Bloomberg:	UMWOG MK
Market cap:	US$583.8m
	RM2,383m
Average daily turnover:	US$2.59m
	RM10.82m
Current shares o/s	6,999m
Free float:	35.2%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-3.3	-6.5	-62.8
Relative (%)	-4.2	-4.3	-69.1

Major shareholders	% held
Permodalan Nasional Bhd	64.8
Lembaga Tabung Haji	5.4
EPF	3.8

UMW Oil & Gas

Small profits expected from FY18F onwards

- UMW-OG has experienced a strong recovery in utilisation rates following an sharp increase in development and exploration drilling activities in Malaysia this year.
- The company has also substantially cut its cash operating costs, resulting in a large reduction in net losses in FY17F, and a likely recovery to profits from FY18F onwards.
- We maintain our Hold call with a DCF-based target price of 35 sen (Ke: 12.62%).

Narrower losses expected for FY17F; return to profits from FY18F

- UMW-OG delivered its first quarterly profit in 3Q17 after eight consecutive quarters of deep losses. As a result, we forecast UMW-OG to narrow its core net losses from RM426m in FY16 to RM141m in FY17F, and to finally report a small profit of RM15m in FY18F and RM3m in FY19F, the first profits since FY14.
- The return to quarterly profit came on the back of improved rig utilisation rates to an average of 60% during 9M17 from 22% during 9M16, as Petronas resumed its drilling activity. During 3Q17, UMW-OG achieved 90% rig utilisation. As such, we are expecting UMW-OG's JU rig utilisation to reach 70% in FY17F from only 20% in FY16, and then rise to an assumed 80% level for FY18F onwards.

Demand to be sustained by Malaysian drilling requirements

- Petronas indicated in its 2018-20 Outlook report that its demand for JU rigs is expected to be sustained at about 9-10 rigs in the high case (and 6-7 rigs in the low case). Given that local Malaysian companies own only eight JU rigs, of which seven belong to UMW-OG, we believe that local requirements will be able to underwrite demand for most, if not all, of UMW-OG's rigs.
- This is so because Petronas and other Production Sharing Contractors (PSC) operating in Malaysian offshore fields have a clear policy of prioritising the utilisation of Malaysian-owned rigs. As such, we are confident that our utilisation assumption of 80% from FY18F onwards will be supported by Petronas and its PSC partners.

Adapting to the new low for daily charter rates

- This level of utilisation is not too far from the 90% level seen prior to the oil price downturn in mid-2014, but unfortunately, UMW-OG will likely struggle to return to the pre-downturn profit levels, as daily charter rates (DCR) have declined to around the US$65,000-75,000/day band, from a high of US$150,000-160,000/day in 2014.
- Our rate assumptions remain low, at just US$72,500/day for FY17-19F, rising slightly to US$80,000/day for FY20-22F, US$90,000/day for FY23-32F, and US$100,000/day for FY33-45F.
- Fortunately, UMW-OG has managed to lower its cash operating costs significantly, from US$60,000/day in FY16, down to just US$35,000/day in 3Q17, but taking advantage of the excess labour in the offshore drilling industry to reduce wages, and by benefitting from the excess supply of offshore support vessels.

Risks to UMW-OG have reduced significantly

- The successful effort to raise RM1.8bn in new equity (completed on 25 Oct 2017), the subsequent repayment of RM1.5bn of debt, and the rescheduling of debt repayment to two bullets – one in five years (US$145m) and another in 10 years (US$220m) – have ensured UMW-OG's survival. We expect UMW-OG to have enough cash resources to pay its debts as and when they fall due.

Upside and downside risks

- Upside risks include faster-than-expected increase in global offshore capex, leading to higher DCRs, while the main downside risk is the potential for a fall in rig utilisation rates.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	839.9	320.8	616.8	709.0	710.9
Operating EBITDA (RMm)	263.1	(40.5)	225.7	344.4	351.3
Net Profit (RMm)	(369)	(1,186)	(407)	15	3
Core EPS (RM)	(0.00)	(0.20)	(0.05)	0.00	0.00
Core EPS Growth	(103%)	5043%	(77%)		(83%)
FD Core P/E (x)	NA	NA	NA	134.7	770.3
DPS (RM)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	13.59	NA	9.36	9.05	8.51
P/FCFE (x)	NA	NA	NA	14.90	15.71
Net Gearing	88%	129%	32%	28%	25%
P/BV (x)	0.19	0.28	0.53	0.53	0.53
ROE	(0.3%)	(15.3%)	(4.7%)	0.4%	0.1%
CIMB/consensus EPS (x)			2.14	(0.07)	(0.02)

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**320.8**	**616.8**	**709.0**	**710.9**
Gross Profit	**(40.5)**	**225.7**	**344.4**	**351.3**
Operating EBITDA	**(40.5)**	**225.7**	**344.4**	**351.3**
Depreciation And Amortisation	(285.4)	(259.6)	(265.5)	(288.8)
Operating EBIT	**(325.9)**	**(33.9)**	**78.9**	**62.4**
Financial Income/(Expense)	(100.4)	(110.4)	(64.3)	(61.9)
Pretax Income/(Loss) from Assoc.	0.3	0.5	0.5	0.5
Non-Operating Income/(Expense)	2.9	5.0	5.0	5.0
Profit Before Tax (pre-EI)	**(423.1)**	**(138.8)**	**20.1**	**6.1**
Exceptional Items	(760.4)	(265.8)	0.0	0.0
Pre-tax Profit	**(1,183.5)**	**(404.5)**	**20.1**	**6.1**
Taxation	(5.5)	(1.6)	(4.1)	(2.4)
Exceptional Income - post-tax				
Profit After Tax	**(1,189.0)**	**(406.2)**	**16.1**	**3.6**
Minority Interests	2.8	(1.0)	(1.0)	(1.0)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**(1,186.2)**	**(407.2)**	**15.1**	**2.6**
Recurring Net Profit	(425.6)	(141.4)	15.1	2.6
Fully Diluted Recurring Net Profit	**(425.6)**	**(141.4)**	**15.1**	**2.6**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	890	934	1,070	1,199
Total Debtors	107	206	237	237
Inventories	211	228	213	210
Total Other Current Assets	51	51	51	51
Total Current Assets	**1,259**	**1,418**	**1,570**	**1,697**
Fixed Assets	5,293	4,781	4,631	4,504
Total Investments	2	3	3	4
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	3	3	3	3
Total Non-current Assets	**5,298**	**4,787**	**4,637**	**4,511**
Short-term Debt	1,500	583	583	583
Current Portion of Long-Term Debt				
Total Creditors	198	215	200	197
Other Current Liabilities	5	5	5	5
Total Current Liabilities	**1,703**	**803**	**788**	**786**
Total Long-term Debt	2,292	1,570	1,570	1,570
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	309	1	1	1
Total Non-current Liabilities	**2,601**	**1,571**	**1,571**	**1,571**
Total Provisions	0	0	0	0
Total Liabilities	**4,304**	**2,374**	**2,359**	**2,356**
Shareholders' Equity	2,247	3,825	3,840	3,843
Minority Interests	6	7	8	9
Total Equity	**2,253**	**3,832**	**3,848**	**3,852**

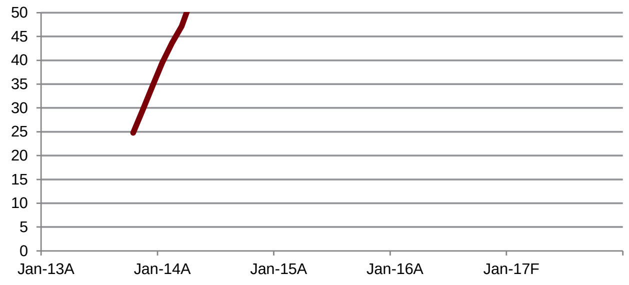
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	(40)	226	344	351
Cash Flow from Invt. & Assoc.				
Change In Working Capital	37	(100)	(30)	(0)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	1,046	525	265	288
Other Operating Cashflow	(1,043)	(520)	(260)	(283)
Net Interest (Paid)/Received	(99)	(110)	(64)	(62)
Tax Paid	(4)	(2)	(4)	(2)
Cashflow From Operations	**(103)**	**19**	**251**	**292**
Capex	(22)	(14)	(115)	(162)
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	90	0	0	0
Cash Flow From Investing	**68**	**(14)**	**(115)**	**(162)**
Debt Raised/(repaid)	(378)	(1,771)	0	0
Proceeds From Issue Of Shares	0	1,810	0	0
Shares Repurchased				
Dividends Paid	0	0	0	0
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	**(378)**	**39**	**0**	**0**
Total Cash Generated	(413)	44	136	129
Free Cashflow To Equity	**(413)**	**(1,767)**	**136**	**129**
Free Cashflow To Firm	**80**	**132**	**218**	**211**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(61.8%)	92.3%	14.9%	0.3%
Operating EBITDA Growth	(115%)	N/A	53%	2%
Operating EBITDA Margin	(12.6%)	36.6%	48.6%	49.4%
Net Cash Per Share (RM)	(1.34)	(0.17)	(0.15)	(0.14)
BVPS (RM)	1.04	0.55	0.55	0.55
Gross Interest Cover	(2.78)	(0.27)	0.96	0.76
Effective Tax Rate	0.0%	0.0%	20.3%	40.0%
Net Dividend Payout Ratio	NA	NA	NA	NA
Accounts Receivables Days	222.7	92.6	113.9	121.6
Inventory Days	210.4	205.0	220.9	214.6
Accounts Payables Days	249.5	192.7	207.6	201.7
ROIC (%)	(3.89%)	(0.47%)	1.17%	0.95%
ROCE (%)	(4.61%)	(0.29%)	1.62%	1.38%
Return On Average Assets	(4.97%)	(0.90%)	1.04%	0.81%

12-mth Fwd FD P/E (x) - UMW Oil & Gas



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Outstanding Orderbook (RMm)	N/A	N/A	N/A	N/A
Order Book Wins (RMm)	N/A	N/A	N/A	N/A
Order Book Depletion (RMm)	N/A	N/A	N/A	N/A
Average Day Rate Per Ship (US$)	#######	72,500.0	72,500.0	72,500.0
No. Of Ships (unit)	8	7	7	7
Average Utilisation Rate (%)	20.4%	68.6%	80.0%	80.0%
Oil Price (US$/bbl)	N/A	N/A	N/A	N/A
Energy Production Volume (mmboe)	N/A	N/A	N/A	N/A
Average Day Rate - Drilling Rigs (US$)	N/A	N/A	N/A	N/A
Average Util. Rate - Drilling Rigs (%)	N/A	N/A	N/A	N/A
Average Day Rate - FPUs (US$)	N/A	N/A	N/A	N/A
Average Util. Rate - FPUs (%)	N/A	N/A	N/A	N/A
Total Oil Storage Capacity (000 cbm)	N/A	N/A	N/A	N/A
Equity Share Of Oil Storage Capacity (000 cbm)	N/A	N/A	N/A	N/A
Assumed Util. Rate Of Oil Storage Capacity (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

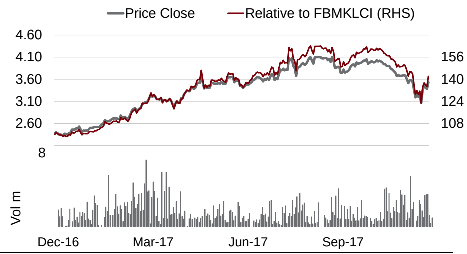
Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 4 Hold 4 Sell 2
Current price:	RM3.53
Target price:	RM5.00
Previous target:	RM5.00
Up/downside:	41.6%
CIMB / Consensus:	24.1%
Reuters:	UNSM.KL
Bloomberg:	UNI MK
Market cap:	US$634.8m
	RM2,590m
Average daily turnover:	US$1.51m
	RM6.29m
Current shares o/s	730.4m
Free float:	60.1%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-3.8	-8.3	48.9
Relative (%)	-4.7	-6.1	42.6

Major shareholders	% held
John Chia	26.6
Low Sau Chee	13.3

Unisem

Poised for a stronger FY18F

- We expect Unisem to record stronger earnings growth in FY18F, driven by its new 12-inch wafer bumping capacity expansion and turnaround of its Batam operation.
- However we are wary of the negative earnings impact from forex volatility.
- Maintain Add and RM5.00 TP, still based on 15x CY19F P/E, in line with sector mean.

Healthy industry demand outlook in FY18F

- Semiconductor market research group WSTS projects impressive 21% global semiconductor sales growth in 2017, driven by strong demand across all regions, led by North America. For 2018, WSTS forecasts 7% growth, driven by resilient demand from the memory, optoelectronics and sensors segments.
- Although management is guiding for flat revenue growth in 4Q17 in US$ terms, we are wary of the negative impact from the strengthening of the ringgit against the US$. Based on our estimate, Unisem's FY18-19F EPS could fall by 2.3-2.5% for every 1% strengthening of RM against US$.

Exploring revenue growth beyond smartphone

- Unisem is exploring new revenue drivers beyond smartphones. While the communication segment remains an important source of revenue for Unisem, its importance has gradually declined. Communication revenue contributed about 26% of Unisem's revenue in 9M17 vs. 30% in 9M16.
- It is targeting to grow sales from automotive and industrial segments in order to offset the volatility in the smartphone market. Both segments posted healthy 9M17 revenue growth, of 8% and 40%, respectively. Automotive and industrials segments together contributed c.32% to group revenue in 9M17 (vs. 30% in 9M16).

Investing for future growth with new 12 inch bumping capacity

- Unisem is investing in a 12-inch 10k wafer bumping line in Ipoh. The investment could cost RM105m-120m in FY18F, and could provide opportunities for Unisem to move up the value chain, in our view, as the line will be producing high-end microphones for smart devices. Unisem is also considering adding on a Chinese wafer foundry customer following its capacity expansion in Chengdu in 2018; this could help boost the earnings growth of its China operations.

Earnings recovery in Batam gaining traction

- We expect narrowing losses from its Batam operations in FY17F vs. the RM27m net loss in FY16 following a restructuring exercise earlier this year which included the appointment of a new management team at the unit and investment in equipment to increase automation. The group highlighted that the Batam operations turned EBITDA positive in Jul 17 and it expects the facility to break even at pretax profit level in FY18F, driven by higher utilisation and better operating efficiency.

Backed by strong financial position

- Unisem's financials remain strong, backed by healthy free cashflow generation and net cash of RM213.2m or RM0.29 per share as at end-Sep 2017. The healthy net cash position will help to fund the expansion of its new 12-inch wafer bumping line. We expect group capex to hover between RM150m and RM160m in FY18F.

Maintain Add and target price

- Maintain Add and RM5.00 target price, still based on 15x CY19F P/E, in line with sector mean. Stronger earnings delivery, depreciation of the RM vs. the US$, and higher dividends are potential re-rating catalysts. Key downside risks to our call are appreciation of the RM vs. the US$ and delay in its new capacity expansion.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	1,260	1,323	1,460	1,526	1,627
Net Profit (RMm)	156.4	160.5	177.5	204.3	230.9
Core EPS (RM)	0.22	0.22	0.24	0.28	0.32
Core EPS Growth	139%	(1%)	11%	15%	13%
FD Core P/E (x)	15.85	16.06	14.52	12.62	11.17
Price To Sales (x)	1.97	1.95	1.77	1.69	1.58
DPS (RM)	0.10	0.11	0.12	0.13	0.14
Dividend Yield	2.76%	3.13%	3.42%	3.70%	3.98%
EV/EBITDA (x)	6.92	6.67	6.24	5.32	4.16
P/FCFE (x)	16.17	9.68	15.49	11.60	8.19
Net Gearing	(1.7%)	(14.2%)	(18.9%)	(25.9%)	(36.6%)
P/BV (x)	1.91	1.82	1.72	1.60	1.48
ROE	13.2%	11.6%	12.2%	13.1%	13.8%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.00	1.04	1.15

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**1,323**	**1,460**	**1,526**	**1,627**
Gross Profit	**1,323**	**1,460**	**1,526**	**1,627**
Operating EBITDA	**357**	**369**	**407**	**469**
Depreciation And Amortisation	(170)	(172)	(178)	(199)
Operating EBIT	**187**	**196**	**229**	**270**
Financial Income/(Expense)	(2)	3	5	8
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**185**	**199**	**235**	**278**
Exceptional Items				
Pre-tax Profit	**185**	**199**	**235**	**278**
Taxation	(24)	(20)	(28)	(44)
Exceptional Income - post-tax				
Profit After Tax	**162**	**179**	**206**	**233**
Minority Interests	(1)	(2)	(2)	(2)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**160**	**178**	**204**	**231**
Recurring Net Profit	160	178	204	231
Fully Diluted Recurring Net Profit	**160**	**178**	**204**	**231**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	254	337	471	693
Total Debtors	219	242	253	270
Inventories	139	154	161	172
Total Other Current Assets	20	20	20	20
Total Current Assets	**633**	**753**	**905**	**1,154**
Fixed Assets	1,149	1,146	1,119	1,020
Total Investments	0	0	0	0
Intangible Assets	4	4	4	4
Total Other Non-Current Assets	1	1	1	1
Total Non-current Assets	**1,154**	**1,151**	**1,124**	**1,024**
Short-term Debt	36	36	36	36
Current Portion of Long-Term Debt				
Total Creditors	261	288	301	321
Other Current Liabilities	6	6	6	6
Total Current Liabilities	**303**	**330**	**343**	**363**
Total Long-term Debt	15	15	15	15
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	9	9	9	9
Total Non-current Liabilities	**24**	**24**	**24**	**24**
Total Provisions	40	40	40	40
Total Liabilities	**367**	**394**	**407**	**427**
Shareholders' Equity	1,414	1,503	1,612	1,740
Minority Interests	5	7	9	12
Total Equity	**1,419**	**1,510**	**1,621**	**1,752**

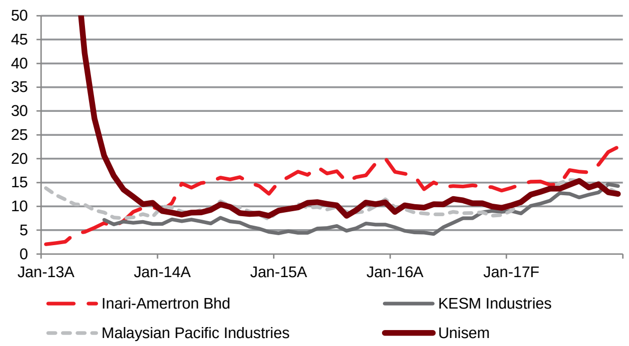
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	356.8	368.7	407.2	468.7
Cash Flow from Invt. & Assoc.				
Change In Working Capital	52.2	(10.1)	(4.9)	(7.5)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow				
Net Interest (Paid)/Received	(3.1)	(2.2)	(1.8)	(1.8)
Tax Paid	(17.5)	(19.9)	(28.1)	(44.4)
Cashflow From Operations	**388.4**	**336.5**	**372.3**	**415.0**
Capex	(122.1)	(170.0)	(150.0)	(100.0)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow				
Cash Flow From Investing	**(122.1)**	**(170.0)**	**(150.0)**	**(100.0)**
Debt Raised/(repaid)				
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(80.7)	(88.1)	(95.4)	(102.7)
Preferred Dividends				
Other Financing Cashflow	0.0	(2.2)	(1.8)	(1.8)
Cash Flow From Financing	**(80.7)**	**(90.2)**	**(97.2)**	**(104.5)**
Total Cash Generated	185.6	76.2	125.1	210.4
Free Cashflow To Equity	**266.3**	**166.5**	**222.3**	**315.0**
Free Cashflow To Firm	**269.4**	**168.6**	**224.1**	**316.8**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	4.9%	10.3%	4.6%	6.6%
Operating EBITDA Growth	0.4%	3.3%	10.4%	15.1%
Operating EBITDA Margin	27.0%	25.3%	26.7%	28.8%
Net Cash Per Share (RM)	0.28	0.39	0.57	0.88
BVPS (RM)	1.94	2.06	2.21	2.38
Gross Interest Cover	60.3	90.6	127.0	149.2
Effective Tax Rate	12.8%	10.0%	12.0%	16.0%
Net Dividend Payout Ratio	50.3%	49.6%	46.7%	44.5%
Accounts Receivables Days	58.44	57.63	59.14	58.58
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	13.6%	15.5%	18.0%	21.6%
ROCE (%)	12.5%	12.9%	14.3%	15.7%
Return On Average Assets	9.4%	9.6%	10.2%	10.7%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP Change (%, Main Product)	N/A	N/A	N/A	N/A
Unit sales growth (%, main prod)	10.0%	9.9%	4.5%	4.6%
No. Of Lines (main Product)	N/A	N/A	N/A	N/A
Rev per line (US$, main prod)	0.2	0.2	0.3	0.3
ASP chg (%, 2ndary prod)	N/A	N/A	N/A	N/A
Unit sales grth (%, 2ndary prod)	N/A	N/A	N/A	N/A
No. Of Lines (secondary Product)	N/A	N/A	N/A	N/A
Rev per line (US$, 2ndary prod)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

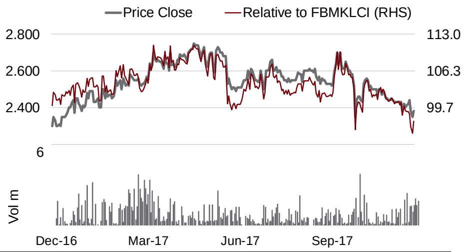
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 3	Hold 2	Sell 0

Current price:	RM2.38
Target price:	RM2.85
Previous target:	RM2.85
Up/downside:	19.7%
CIMB / Consensus:	3.9%
Reuters:	UOAD.KL
Bloomberg:	UOAD MK
Market cap:	US$1,011m
	RM4,125m
Average daily turnover:	US$0.48m
	RM1.99m
Current shares o/s	1,632m
Free float:	30.9%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.4	-6.7	3.5
Relative (%)	-5.3	-4.5	-2.8

Major shareholders	% held
UOA Holdings Ltd	69.1
EPF	4.9

UOA Development

Appealing dividend yield

- Besides its attractive dividend yield, UOAD's net cash position could also help the company to weather the property market downturn in 2018.
- Despite the weak sales outlook, we maintain our Add call on the stock for its high dividend yield of 6% in FY18F.
- Maintain our target price at RM2.85, based on a 20% discount to RNAV.

2017 in review

- UOA Development's (UOAD) new property sales came in at RM924.2m in 9M17, lower than the RM1.15bn in 9M16. The key contributors were Sentul Point Suite Apartments and United Point Residence, both launched in 2016 and priced around RM500 psf. In view of declining sales from the two projects, our projection of a c.15% fall in FY17F property sales to about RM1.2bn (vs. RM1.4bn in FY16) is intact. Total unbilled sales as at end-Sep 2017 was RM1.4bn vs. RM1.5bn as at end-Sep 2016.

Earnings outlook

- The preview of Southlink commenced in Oct 2017 and received a positive response from the market. Southlink is expected to be launched in 4Q17; located within Bangsar South, it has an estimated gross development value (GDV) of RM550m and comprises over 1,400 units of serviced apartments with a retail/commercial area.
- To recap, UOAD plans to launch projects with a total GDV of RM1.46bn in 2017 vs. RM3bn in 2016. With less aggressive launches and a weaker sales trend, we expect UOAD's FY18F earnings to be weaker.

Property sector outlook still muted

- We believe the overall property outlook is still bleak in 2018, although property prices are still on an uptrend and property transactions still active. We see two wildcards impacting the sector in 2018, namely the potential interest rate hike and approval freeze for luxury projects above RM1m. Besides, low affordability, a mismatch between supply and demand, high incoming supply of completed properties and rising competition from public housing are still risks for private developers' sales.
- Regarding the approval freeze on luxury property developments, UOAD has all the necessary approvals while a big bulk of its projects is skewed towards affordable housing in KL. We believe the freeze will have a negligible impact on the group as a whole.
- However, UOAD will not be spared from the property market slowdown. Nevertheless, we expect it to weather the downturn better than its peers as it has plenty of units priced in the affordable range (below RM700k per unit), where demand is stronger than for those priced above the affordable range. UOAD's net cash position also puts it in a stronger position than other developers to acquire landbank for future earnings growth when opportunities arise.

Maintain Add

- Despite the weak sales outlook, we maintain our Add call on the stock due to its attractive dividend yield of 6% in FY18F. Its dividend yield makes it a good proxy for the Malaysian property sector as the high yield reduces the opportunity cost of holding the stock while its strategic landbank allows the company to ride the next property upcycle, which could, in turn, drive its share price higher. UOAD's net cash position also allows it to defer the launch of its projects to maximise their value.
- Key risks to our call are a sudden deterioration of sentiment in the Klang Valley property market as UOAD's projects are concentrated in the capital and sudden changes in regulations.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues (RMm)	1,790	1,182	1,645	1,329	1,488
Operating EBITDA (RMm)	627.7	914.6	512.1	439.2	531.1
Net Profit (RMm)	417.0	676.7	371.1	319.8	389.6
Core EPS (RM)	0.27	0.24	0.22	0.18	0.21
Core EPS Growth	30.6%	(12.0%)	(6.7%)	(19.0%)	14.5%
FD Core P/E (x)	8.53	9.69	10.40	12.84	11.21
DPS (RM)	0.15	0.15	0.15	0.15	0.15
Dividend Yield	6.30%	6.30%	6.30%	6.30%	6.30%
EV/EBITDA (x)	4.72	6.26	5.68	6.51	5.32
P/FCFE (x)	16.90	NA	6.31	11.24	11.68
Net Gearing	(23.5%)	(16.4%)	(28.1%)	(33.1%)	(37.3%)
P/BV (x)	1.11	0.98	0.96	0.96	0.95
ROE	13.5%	10.7%	9.3%	7.5%	8.5%
CIMB/consensus EPS (x)			0.95	0.73	0.73

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**1,182**	**1,645**	**1,329**	**1,488**
Gross Profit	**728**	**746**	**619**	**711**
Operating EBITDA	**915**	**512**	**439**	**531**
Depreciation And Amortisation	0	0	0	0
Operating EBIT	**915**	**512**	**439**	**531**
Financial Income/(Expense)	(7)	(5)	(5)	(5)
Pretax Income/(Loss) from Assoc.	21	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**529**	**507**	**434**	**526**
Exceptional Items				
Pre-tax Profit	**929**	**507**	**434**	**526**
Taxation	**(219)**	**(122)**	**(104)**	**(126)**
Exceptional Income - post-tax				
Profit After Tax	**711**	**385**	**330**	**400**
Minority Interests	(34)	(14)	(10)	(10)
Pref. & Special Div	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**677**	**371**	**320**	**390**
Recurring Net Profit	374	371	320	390
Fully Diluted Recurring Net Profit	**374**	**371**	**320**	**390**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	783	1,335	1,636	1,953
Properties Under Development	989	1,137	1,061	1,085
Total Debtors	612	897	688	775
Inventories	217	318	244	275
Total Other Current Assets	27	27	27	27
Total Current Assets	**2,629**	**3,714**	**3,657**	**4,115**
Fixed Assets	748	748	748	748
Total Investments	**1,477**	**1,477**	**1,477**	**1,477**
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	131	131	131	131
Total Non-current Assets	**2,356**	**2,356**	**2,356**	**2,356**
Short-term Debt	93	93	93	93
Current Portion of Long-Term Debt				
Total Creditors	774	1,535	1,211	1,327
Other Current Liabilities	13	13	13	13
Total Current Liabilities	**881**	**1,642**	**1,318**	**1,433**
Total Long-term Debt	19	19	19	19
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	32	32	32	32
Total Non-current Liabilities	**51**	**51**	**51**	**51**
Total Provisions	116	116	116	116
Total Liabilities	**1,048**	**1,808**	**1,484**	**1,600**
Shareholders' Equity	**3,813**	**4,134**	**4,400**	**4,733**
Minority Interests	124	128	128	138
Total Equity	**3,937**	**4,262**	**4,529**	**4,872**

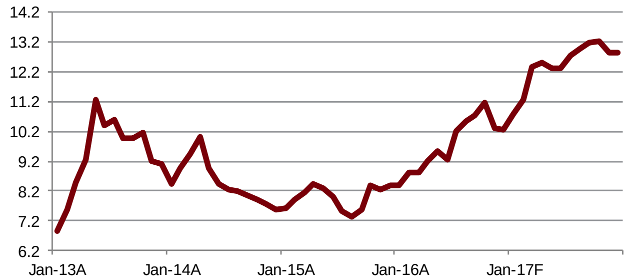
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	914.6	512.1	439.2	531.1
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(94.6)	226.7	35.4	(25.8)
Straight Line Adjustment				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(407.0)	(37.5)	(56.7)	(70.6)
Net Interest (Paid)/Received	2.5	32.2	51.4	65.3
Tax Paid	(127.1)	(121.6)	(104.2)	(126.2)
Cashflow From Operations	**288.4**	**611.9**	**365.2**	**373.8**
Capex	0.0	0.0	0.0	0.0
Disposals Of FAs/subsidiaries				
Disposals of Investment Properties				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(286.5)	0.0	0.0	0.0
Cash Flow From Investing	**(286.5)**	**0.0**	**0.0**	**0.0**
Debt Raised/(repaid)	(76.5)	0.0	0.0	0.0
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(14.6)	(50.1)	(53.3)	(56.8)
Preferred Dividends				
Other Financing Cashflow	(84.3)	(10.0)	(10.0)	0.0
Cash Flow From Financing	**(175.4)**	**(60.1)**	**(63.3)**	**(56.8)**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(39.4%)	46.5%	(23.3%)	12.6%
Operating EBITDA Growth	(15.5%)	(0.4%)	(14.2%)	20.9%
Operating EBITDA Margin	51.6%	35.1%	39.2%	42.1%
Net Cash Per Share (RM)	0.41	0.72	0.84	0.96
BVPS (RM)	2.43	2.47	2.47	2.50
Gross Interest Cover	76.7	97.3	83.4	100.9
Effective Tax Rate	23.5%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	5.3%	13.5%	16.7%	14.6%
Accounts Receivables Days	244.9	188.7	258.3	211.7
Inventory Days	141.9	108.7	144.7	121.9
Accounts Payables Days	624.1	468.6	706.3	595.8
ROIC (%)	31.5%	26.4%	25.7%	31.7%
ROCE (%)	13.3%	11.8%	9.4%	10.7%
Return On Average Assets	6.8%	7.1%	5.5%	6.5%

12-mth Fwd FD P/E (x) - UOA Development



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Unbooked Presales (m) (RM)	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A
Gross Margins (%)	54.5%	38.4%	36.6%	38.4%
Contracted Sales ASP (per Sm) (RM)	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	18.6%	12.7%	18.7%	18.0%
Residential rev / total rev (%)	N/A	N/A	N/A	N/A
Invt. properties rental margin (%)	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

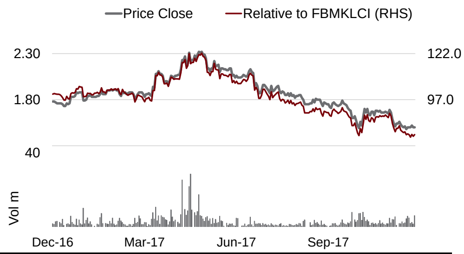
Company Brief

Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 5 Hold 11 Sell 2
Current price:	RM1.50
Target price:	RM1.77
Previous target:	RM1.77
Up/downside:	18.0%
CIMB / Consensus:	-6.3%
Reuters:	WCTE.KL
Bloomberg:	WCTHG MK
Market cap:	US$517.1m
	RM2,110m
Average daily turnover:	US$0.98m
	RM4.09m
Current shares o/s	1,258m
Free float:	62.3%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-9.6	-15.3	-15.3
Relative (%)	-10.5	-13.1	-21.6

Major shareholders	% held
Tan Sri Desmond Lim Siew Choon	19.7
Lembaga Tabung Haji	10.2
EPF	7.9

WCT Holdings

Still lacking catalysts

- Job flow outlook for 2018F remains positive but unexciting. RM2bn targeted wins for 2018 intact.
- As property outlook remains weak, WCT may have difficulties in achieving its sales targets for FY17-18F
- The stock still lacks major catalysts. Hold maintained.

Tender book of RM5bn supports construction outlook in 2018F

- WCT's current tender book value is RM5bn. This does not include the RM55bn East Coast Rail Line (ECRL). WCT will be positioning to tender for the ECRL contract. As at end-Sep, its total outstanding order book stood at RM5.8bn.
- Other targeted infra jobs include the remaining packages of the West Coast Expressway (WCE), Pan Borneo Highway Sabah, and potentially the Kaiduan dam in Sabah's west coast (RM2bn-3bn).

60-70% are domestic infra contracts

- WCT maintains its 2018 order book replenishment target of RM2bn (vs. RM1.9bn value of contracts secured YTD). It guided that 60-70% of the potential FY18 job wins are infrastructure-based, and the remainder are buildings jobs. WCT expect the building portion of potential FY18 job wins would come mostly from companies owned by WCT's major shareholder Tan Sri Desmond Lim Siew Choon, such as Malton Bhd (MALT MK, NR), and Pavilion Group.

Government has scrapped a potentially sizeable tender

- Recently, the Land Public Transport Commission (SPAD) has annulled the tender for a Bus Rapid Transit (BRT) project that WCT and a foreign consortium partner had submitted. We view this as an opportunity loss for WCT, as the contract was estimated to be worth RM2bn-3bn. To recap, WCT and its unnamed foreign partner was one of five consortiums that submitted bids for the project (est. RM2bn).

Missing property sales targets; downside to margins

- As WCT recent guided that it is likely to miss its RM500m property sales target for FY17, we believe its FY18F property sales should remain subdued. The gross development value (GDV) of its unsold property inventory stood at RM582m at end-3Q17.
- Notwithstanding WCT's plans to launch new properties in 2H18, we expect its property development margin to be impacted by rebates and discounts in order to clear its property inventory (9M17 EBIT margin: 13%, -13% pts yoy).

REIT deal delayed beyond 2Q18F

- On 10 Nov, AEON Co (M) Bhd (AEON MK, NR) served a legal suit against WCT to prevent the termination of its lease at AEON Bukit Tinggi mall. The outcome of the legal suit could impact the timing of the planned REIT exercise for the group's three shopping malls, which include AEON Bukit Tinggi. Therefore, the REIT exercise could be delayed beyond the 2Q18F timeline.

Hold retained; lacking catalysts in 2018F

- We maintain our FY17-19F EPS and target price, which remain pegged to a 30% discount to RNAV. Recent developments support our view that the stock lacks catalysts going into 2018F.
- Strong job wins are an upside risk to our Hold call. Weaker earnings are a key downside risk.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	1,668	1,934	2,138	2,143	2,148
Operating EBITDA (RMm)	88.7	120.6	122.8	126.4	132.1
Net Profit (RMm)	219.1	68.4	136.5	141.6	153.6
Core EPS (RM)	0.22	0.05	0.11	0.11	0.12
Core EPS Growth	146%	(75%)	100%	4%	8%
FD Core P/E (x)	7.08	32.61	18.22	17.57	16.20
DPS (RM)	0.042	-	0.043	0.045	0.049
Dividend Yield	2.79%	0.00%	2.89%	3.00%	3.26%
EV/EBITDA (x)	43.32	35.66	33.12	31.87	30.22
P/FCFE (x)	NA	NA	NA	NA	NA
Net Gearing	77.9%	90.3%	75.7%	72.9%	70.2%
P/BV (x)	0.72	0.68	0.63	0.62	0.60
ROE	11.4%	2.5%	4.7%	4.7%	5.0%
CIMB/consensus EPS (x)			1.05	1.00	0.98

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**1,934**	**2,138**	**2,143**	**2,148**
Gross Profit	**239**	**342**	**346**	**352**
Operating EBITDA	**121**	**123**	**126**	**132**
Depreciation And Amortisation	(15)	(26)	(28)	(31)
Operating EBIT	**106**	**97**	**98**	**101**
Financial Income/(Expense)	(31)	(47)	(48)	(49)
Pretax Income/(Loss) from Assoc.	1	11	12	12
Non-Operating Income/(Expense)	46	162	170	178
Profit Before Tax (pre-EI)	**122**	**222**	**232**	**243**
Exceptional Items	0	0	0	0
Pre-tax Profit	**122**	**222**	**232**	**243**
Taxation	(57)	(47)	(48)	(48)
Exceptional Income - post-tax				
Profit After Tax	**65**	**176**	**183**	**195**
Minority Interests	3	(39)	(42)	(42)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**68**	**137**	**142**	**154**
Recurring Net Profit	68	137	142	154
Fully Diluted Recurring Net Profit	**68**	**137**	**142**	**154**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	455	464	473	483
Total Debtors	1,082	1,071	1,061	1,050
Inventories	132	105	110	115
Total Other Current Assets	972	973	974	974
Total Current Assets	**2,641**	**2,613**	**2,618**	**2,623**
Fixed Assets	328	346	363	382
Total Investments	1,776	1,776	1,777	1,779
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	2,604	2,656	2,710	2,764
Total Non-current Assets	**4,708**	**4,778**	**4,850**	**4,924**
Short-term Debt	823	815	807	799
Current Portion of Long-Term Debt				
Total Creditors	977	1,009	1,042	1,076
Other Current Liabilities	13	13	13	13
Total Current Liabilities	**1,814**	**1,837**	**1,862**	**1,888**
Total Long-term Debt	2,159	1,943	1,923	1,904
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	538	538	544	549
Total Non-current Liabilities	**2,697**	**2,481**	**2,467**	**2,453**
Total Provisions	41	41	41	41
Total Liabilities	**4,551**	**4,359**	**4,370**	**4,382**
Shareholders' Equity	2,763	2,998	3,064	3,130
Minority Interests	34	34	35	35
Total Equity	**2,797**	**3,032**	**3,098**	**3,165**

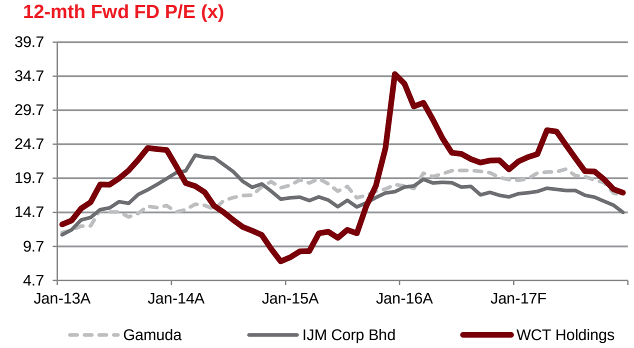
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	120.6	122.8	126.4	132.1
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(274.5)	(51.5)	(20.1)	(20.9)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	77.9	78.7	79.5	80.3
Net Interest (Paid)/Received	(31.2)	(47.2)	(47.9)	(48.6)
Tax Paid	(56.8)	(46.7)	(48.4)	(47.9)
Cashflow From Operations	**(163.9)**	**56.1**	**89.5**	**94.9**
Capex	(55.1)	(38.7)	(46.9)	(42.8)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(221.6)	(172.5)	(163.9)	(155.7)
Other Investing Cashflow	38.1	34.3	30.9	27.8
Cash Flow From Investing	**(238.5)**	**(176.9)**	**(179.9)**	**(170.7)**
Debt Raised/(repaid)	381.2	(224.1)	(27.6)	(27.3)
Proceeds From Issue Of Shares	92.6	221.0	0.0	0.0
Shares Repurchased	(1.4)	0.0	0.0	0.0
Dividends Paid	(25.0)	(42.5)	(42.5)	(42.5)
Preferred Dividends				
Other Financing Cashflow	(131.6)	175.6	169.7	155.1
Cash Flow From Financing	**315.8**	**130.0**	**99.6**	**85.3**
Total Cash Generated	(86.6)	9.1	9.3	9.5
Free Cashflow To Equity	**(21.2)**	**(345.0)**	**(117.9)**	**(103.1)**
Free Cashflow To Firm	**(356.1)**	**(56.3)**	**(24.3)**	**(8.1)**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	15.9%	10.6%	0.2%	0.3%
Operating EBITDA Growth	35.9%	1.8%	2.9%	4.5%
Operating EBITDA Margin	6.24%	5.74%	5.90%	6.15%
Net Cash Per Share (RM)	(2.01)	(1.82)	(1.79)	(1.76)
BVPS (RM)	2.20	2.38	2.44	2.49
Gross Interest Cover	2.28	1.50	1.48	1.49
Effective Tax Rate	46.6%	21.0%	20.9%	19.7%
Net Dividend Payout Ratio	NA	22.4%	21.6%	19.9%
Accounts Receivables Days	166.3	140.5	138.8	137.1
Inventory Days	30.86	24.04	21.80	22.89
Accounts Payables Days	167.8	164.5	171.1	177.9
ROIC (%)	2.03%	1.69%	1.71%	1.75%
ROCE (%)	3.01%	4.74%	4.89%	5.07%
Return On Average Assets	1.24%	2.84%	2.93%	3.07%

12-mth Fwd FD P/E (x)



Key Drivers

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Outstanding Orderbook	2,700	2,300	1,900	1,500
Order Book Depletion	1,900	1,900	1,900	1,900
Orderbook Replenishment	1,500	1,500	1,500	1,500
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

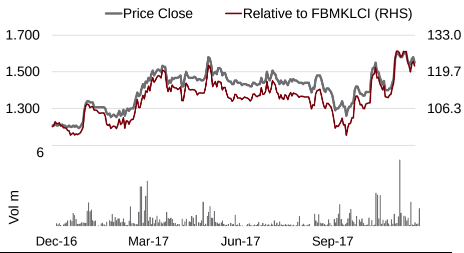
Malaysia

HOLD *(no change)*

Consensus ratings*:	Buy 1	Hold 1	Sell 0

Current price:	RM1.55
Target price:	RM1.55
Previous target:	RM1.55
Up/downside:	0.0%
CIMB / Consensus:	0.0%
Reuters:	WCAL.KL
Bloomberg:	WELL MK
Market cap:	US$189.0m
	RM771.1m
Average daily turnover:	US$0.21m
	RM0.89m
Current shares o/s	494.2m
Free float:	82.3%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.9	10.7	28.4
Relative (%)	6	12.9	22.1

Major shareholders	% held
Tan Kang Seng	11.4
Mondrian Investment	6.3

Wellcall Holdings

Growth from export markets

- Wellcall's new factory started operations in early-2016.
- Its largest export market is the US.
- We have a Hold rating on Wellcall but expect the share price to be supported by 3.9-4% dividend yields.

Country's largest industrial specialised hose producer

- Wellcall Holdings (Wellcall) is the country's largest producer of specialised industrial hoses, mainly for the export market. Its main product is the mandrel hose, which contributes more than 60% of the group's revenue. Main raw materials used are natural rubber and synthetic rubber.

New factory running since early 2016

- Wellcall's new factory started commercial production in early-2016, raising the company's mandrel hose production capacity by 50% to 3.3m metres annually. We believe mandrel hose accounted for more than 60% of the group's FY9/17 revenue. The company has been gradually raising the utilisation capacity of the new factory over the past few quarters. Its quarterly revenue has also risen over the past few quarters. 4QFY17 revenue was RM43.6m compared to RM32.3m in 4QFY16.

US is the largest export market so far

- In FY17, the US was the largest export market for Wellcall, contributing 20% of the group's revenue compared to only 15% in FY16. In FY17, US revenue surged 56% yoy. In FY18F, we expect the US to remain its largest export market; other export markets in FY18F include Europe and Australia/New Zealand markets. In FY17, the domestic market also had a good year where revenue grew 26.6% yoy but the domestic market only accounted for 10% of the group's revenue.

Volatile raw material prices

- Natural rubber prices have been volatile in 2017, almost doubling in the first two months of the year. Since then, the prices have consolidated. With the increase in crude oil prices, synthetic rubber prices could rise over the next few months. It takes the company 2-3 months to pass on the changes in raw material prices and most of its orders are delivered in 2-3 months.

3:2 share split completed; better stock liquidity

- In Sep, the company completed its proposed 2:3 share split -- two shares split into three shares. This raised its issued share base from 329.4m to 494.2m. Although Wellcall's fundamentals remain unchanged, the share split should help improve the stock's liquidity and make the share price more affordable for retail investors.

Net cash balance sheet

- Wellcall's balance sheet showed RM30.9m net cash or 6.3sen net cash per share as at end-Sep. We believe the strong balance sheet was one of the reasons for its net dividend payout ratio of 98% in FY17. We expect Wellcall to remain in a net cash position over the next few years as we do not expect any major capex, with the company having already spent c.RM30m on the new factory in 2015.

Remains a Hold

- We maintain our EPS forecasts and target price, based on unchanged 2019 15.2x P/E, a 20% discount to our target P/E of 19x for the rubber glove market leader Top Glove. We retain Hold; its current 4% dividend yield should provide buying support for the stock. Key upside/downside risks are lower/higher raw material prices. For exposure to the rubber sector, we prefer Kossan Rubber, our top pick in the rubber glove sector.

Financial Summary	Sep-16A	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Revenue (RMm)	134.5	159.1	190.9	210.0	226.8
Operating EBITDA (RMm)	46.30	53.50	68.60	72.60	76.10
Net Profit (RMm)	31.10	36.20	47.63	50.63	53.25
Core EPS (RM)	0.06	0.07	0.10	0.10	0.11
Core EPS Growth	(24.7%)	16.4%	31.6%	6.3%	5.2%
FD Core P/E (x)	24.63	21.16	16.08	15.13	14.39
DPS (RM)	0.061	0.061	0.061	0.061	0.061
Dividend Yield	3.94%	3.94%	3.94%	3.94%	3.94%
EV/EBITDA (x)	16.14	13.91	10.69	9.86	9.19
P/FCFE (x)	23.28	25.31	18.15	17.18	16.26
Net Gearing	(18.9%)	(20.8%)	(27.2%)	(35.7%)	(40.6%)
P/BV (x)	7.83	7.39	6.33	5.42	4.66
ROE	33.1%	35.9%	42.4%	38.6%	34.8%
CIMB/consensus EPS (x)			1.55	2.13	0.98

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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BY THE NUMBERS

Profit & Loss

(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Total Net Revenues	**159.1**	**190.9**	**210.0**	**226.8**
Gross Profit	**53.5**	**68.6**	**72.6**	**76.1**
Operating EBITDA	**53.5**	**68.6**	**72.6**	**76.1**
Depreciation And Amortisation	(5.7)	(6.3)	(6.3)	(6.3)
Operating EBIT	**47.8**	**62.3**	**66.3**	**69.8**
Financial Income/(Expense)	0.0	1.2	1.2	1.2
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**47.8**	**63.5**	**67.5**	**71.0**
Exceptional Items				
Pre-tax Profit	**47.8**	**63.5**	**67.5**	**71.0**
Taxation	(11.6)	(15.9)	(16.9)	(17.8)
Exceptional Income - post-tax				
Profit After Tax	**36.2**	**47.6**	**50.6**	**53.3**
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**36.2**	**47.6**	**50.6**	**53.3**
Recurring Net Profit	36.2	47.6	50.6	53.3
Fully Diluted Recurring Net Profit	**36.2**	**47.6**	**50.6**	**53.3**

Balance Sheet

(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Total Cash And Equivalents	31.60	42.90	60.50	76.70
Total Debtors	6.36	7.64	8.40	9.07
Inventories	20.68	24.82	27.30	29.49
Total Other Current Assets	10.00	10.10	10.00	10.00
Total Current Assets	**68.65**	**85.46**	**106.20**	**125.26**
Fixed Assets	68.20	72.50	76.20	79.90
Total Investments	0.00	0.00	0.00	0.00
Intangible Assets	0.00	0.00	0.00	0.00
Total Other Non-Current Assets	0.00	0.00	0.00	0.00
Total Non-current Assets	**68.20**	**72.50**	**76.20**	**79.90**
Short-term Debt	10.00	10.00	10.00	10.00
Current Portion of Long-Term Debt				
Total Creditors	7.16	8.59	9.45	10.21
Other Current Liabilities	12.00	13.70	15.60	15.60
Total Current Liabilities	**29.16**	**32.29**	**35.05**	**35.81**
Total Long-term Debt	0.00	0.00	0.00	0.00
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	4.00	4.60	6.00	5.00
Total Non-current Liabilities	**4.00**	**4.60**	**6.00**	**5.00**
Total Provisions	0.00	0.00	0.00	0.00
Total Liabilities	**33.16**	**36.89**	**41.05**	**40.81**
Shareholders' Equity	103.70	121.00	141.40	164.30
Minority Interests	0.00	0.00	0.00	0.00
Total Equity	**103.70**	**121.00**	**141.40**	**164.30**

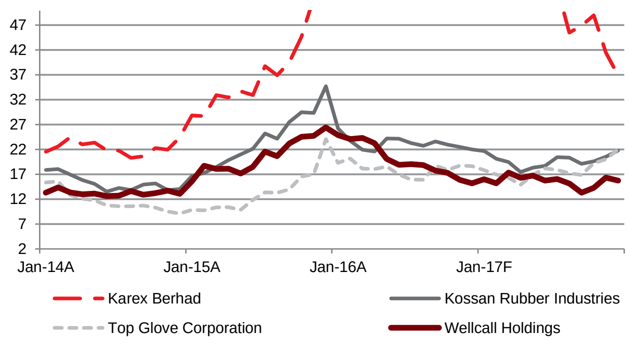
Cash Flow

(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
EBITDA	53.50	68.60	72.60	76.10
Cash Flow from Invt. & Assoc.				
Change In Working Capital	0.26	1.37	0.76	0.67
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(1.90)	(1.90)	(1.90)	(1.90)
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00
Tax Paid	(11.60)	(15.88)	(16.88)	(17.75)
Cashflow From Operations	**40.26**	**52.20**	**54.59**	**57.12**
Capex	(10.00)	(10.00)	(10.00)	(10.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Investing	**(10.00)**	**(10.00)**	**(10.00)**	**(10.00)**
Debt Raised/(repaid)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	(30.30)	(30.30)	(30.30)	(30.30)
Preferred Dividends				
Other Financing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Financing	**(30.30)**	**(30.30)**	**(30.30)**	**(30.30)**
Total Cash Generated	(0.04)	11.90	14.29	16.82
Free Cashflow To Equity	**30.26**	**42.20**	**44.59**	**47.12**
Free Cashflow To Firm	**30.26**	**42.20**	**44.59**	**47.12**

Key Ratios

	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Revenue Growth	18.3%	20.0%	10.0%	8.0%
Operating EBITDA Growth	15.6%	28.2%	5.8%	4.8%
Operating EBITDA Margin	33.6%	35.9%	34.6%	33.6%
Net Cash Per Share (RM)	0.04	0.07	0.10	0.13
BVPS (RM)	0.21	0.24	0.29	0.33
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	24.3%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	48.5%	36.5%	34.4%	32.7%
Accounts Receivables Days	16.02	13.38	13.94	14.10
Inventory Days	64.78	67.89	69.22	68.95
Accounts Payables Days	21.01	23.50	23.96	23.87
ROIC (%)	42.7%	54.3%	53.6%	54.1%
ROCE (%)	41.6%	51.9%	47.8%	43.6%
Return On Average Assets	35.3%	42.5%	39.1%	36.2%

12-mth Fwd FD P/E (x)



Key Drivers

	Sep-17A	Sep-18F	Sep-19F	Sep-20F
ASP (% chg, main prod./serv.)	2.0%	2.0%	2.0%	2.0%
Unit sales grth (%, main prod./serv.)	5.0%	5.0%	5.0%	5.0%
Util. rate (%, main prod./serv.)	5.0%	5.0%	5.0%	5.0%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	70.0%	70.0%	70.0%	70.0%
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

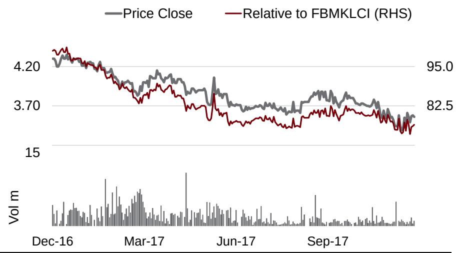
Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 3 Hold 13 Sell 2
Current price:	RM3.56
Target price:	RM4.11
Previous target:	RM4.11
Up/downside:	15.4%
CIMB / Consensus:	7.0%
Reuters:	WPHB.KL
Bloomberg:	WPRTS MK
Market cap:	US$2,975m
	RM12,140m
Average daily turnover:	US$0.77m
	RM3.21m
Current shares o/s	3,410m
Free float:	31.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2.2	-6.6	-17.2
Relative (%)	-3.1	-4.4	-23.5

Major shareholders	% held
Gnanalingam family	45.5
Hutchison Port Holdings	23.5

Westports Holdings

Sailing out of the storm

- The worst may be over for Westports as it should have already encountered the full negative impact from the restructuring of the global alliances in 3Q17.
- As such, total throughput should begin to stabilise from the newly-established base level and resume growth in FY19F.
- Maintain Add with a DCF-based target price of RM4.11 (Ke: 7.6%) as Westports has strong long-term growth potential and the share price weakness seems excessive.

Westports suffered from transhipment volume loss in 2017F…

- Westport's 9M17 core net profit of RM433m fell 7.5% yoy due to 8% lower throughput. The latter was impacted by a 13% fall in transhipment (t/s) volumes that was primarily the result of CMA CGM and UASC moving t/s volumes to Singapore. The negative earnings impact was partly offset by a 7% rise in gateway volumes and a 4% rise in average lifting rates due to the better mix of gateway cargoes.
- Despite the yoy decline in 9M17 core earnings, we are forecasting 4% growth in FY17F core net profit as Westports is expected to benefit from the tax credit in 4Q17F from the capitalisation of capex items that will result in deferred tax income from its investment tax allowances

… but should stabilise from here on

- The full impact of the container shipping alliance restructuring should have already been seen during 3Q17. The OCEAN alliance that took effect from 1 Apr, taking over from the Ocean 3 alliance, resulted in a huge drop in t/s volumes, when CMA CGM transferred its Asia-Europe port calls to Singapore. At the same time, UASC moved its cargoes to Singapore since Jul after being bought over by Hapag-Lloyd.
- We expect higher t/s volumes as 4Q17F is seasonally stronger, leading to a full-year t/s volume decline of 16% yoy. For FY18F, we expect t/s volumes to decline only 2% yoy, mainly because 1Q16 t/s volumes were still robust.
- Meanwhile, 9M17F gateway volumes rose yoy due to the strength in export volumes. FY17F gateway volumes are forecast to grow 9% yoy and by a further 5% yoy in FY18F. Overall, we forecast a volume decline of 9.5% yoy in FY17F and marginal growth of 0.2% in FY18F.

Banking on its capacity expansion

- Westports's capacity rose to 13m teus p.a. following the commencement of Container Terminal 8 (CT8) in Aug 2017, which partly contributed to the decline in utilisation of the overall container port from approximately 85% in FY16 to 66% in 3Q17.
- The capacity is expected to rise to 14m teus p.a. by Dec 2017 when Phase 1 of CT9 is completed. The resulting improvement in efficiency along with the additional capacity opens up the opportunity for Westports to attract more volumes and grow again.
- As for its future expansion, the government has given its in-principle approval for the expansion of the port's capacity to a maximum of 30m teus p.a. (growing its facilities from CT10 to CT19). We believe that this can sustain Westports for more than 20 years from today, assuming annual volume growth of 3-5% p.a.
- Following this, we deduce that the Pulau Carey development will likely be deferred given the large amount of expected capex required, reducing the long-term risks to Westports.

Upside and downside risks

- Key upside risks are if container shipping companies consider growing volumes faster at Westports given that it is now uncongested and has plenty of capacity left for growth. The key downside risk is if the Pulau Carey greenfield port comes up for development in the next decade.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	1,682	2,033	2,125	1,823	1,970
Operating EBITDA (RMm)	874	965	926	972	1,078
Net Profit (RMm)	504.8	620.3	642.0	642.5	625.7
Core EPS (RM)	0.15	0.18	0.19	0.19	0.18
Core EPS Growth	(2.7%)	21.1%	4.2%	0.1%	(2.6%)
FD Core P/E (x)	23.87	19.71	18.91	18.90	19.40
DPS (RM)	0.11	0.14	0.14	0.14	0.17
Dividend Yield	3.12%	3.93%	3.97%	3.97%	4.64%
EV/EBITDA (x)	14.75	13.33	14.15	13.37	12.02
P/FCFE (x)	33.26	25.44	23.27	21.02	22.33
Net Gearing	39.7%	35.3%	43.5%	35.8%	33.4%
P/BV (x)	6.40	5.87	5.45	5.08	4.95
ROE	27.8%	31.0%	29.9%	27.8%	25.8%
CIMB/consensus EPS (x)			1.07	1.08	1.01

SOURCE: COMPANY DATA, CIMB FORECASTS

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CIMB

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**2,033**	**2,125**	**1,823**	**1,970**
Gross Profit	**1,133**	**1,073**	**1,122**	**1,237**
Operating EBITDA	**965**	**926**	**972**	**1,078**
Depreciation And Amortisation	(168)	(189)	(202)	(209)
Operating EBIT	**797**	**737**	**769**	**869**
Financial Income/(Expense)	(64)	(69)	(71)	(67)
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**733**	**668**	**698**	**802**
Exceptional Items	5	0	0	0
Pre-tax Profit	**738**	**668**	**698**	**802**
Taxation	(118)	(26)	(56)	(176)
Exceptional Income - post-tax				
Profit After Tax	**620**	**642**	**642**	**626**
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**620**	**642**	**642**	**626**
Recurring Net Profit	616	642	642	626
Fully Diluted Recurring Net Profit	**616**	**642**	**642**	**626**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	421	430	494	431
Total Debtors	339	354	304	329
Inventories				
Total Other Current Assets	0	6	0	7
Total Current Assets	**760**	**791**	**798**	**766**
Fixed Assets	1,515	1,671	1,679	1,742
Total Investments	0	0	0	0
Intangible Assets	2,074	2,411	2,355	2,280
Total Other Non-Current Assets	0	0	0	0
Total Non-current Assets	**3,590**	**4,083**	**4,034**	**4,022**
Short-term Debt	0	50	0	0
Current Portion of Long-Term Debt				
Total Creditors	435	496	352	369
Other Current Liabilities	41	60	68	68
Total Current Liabilities	**476**	**606**	**420**	**437**
Total Long-term Debt	1,150	1,350	1,350	1,250
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	346	295	254	211
Total Non-current Liabilities	**1,496**	**1,645**	**1,604**	**1,461**
Total Provisions	308	415	439	459
Total Liabilities	**2,280**	**2,666**	**2,463**	**2,357**
Shareholders' Equity	2,069	2,229	2,390	2,453
Minority Interests				
Total Equity	**2,069**	**2,229**	**2,390**	**2,453**

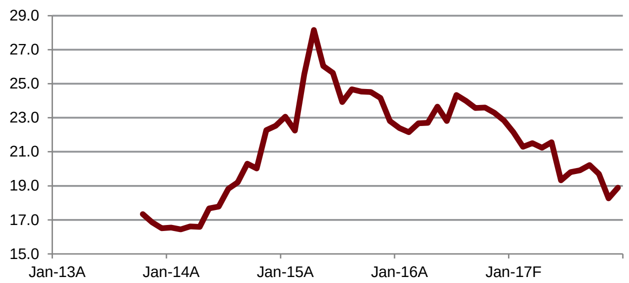
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	965.1	926.2	971.8	1,078.4
Cash Flow from Invt. & Assoc.				
Change In Working Capital	78.2	45.8	(93.5)	(7.8)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow				
Net Interest (Paid)/Received	(77.4)	(79.7)	(82.9)	(78.4)
Tax Paid	(127.5)	51.0	(31.5)	(156.0)
Cashflow From Operations	**838.4**	**943.4**	**763.9**	**836.2**
Capex	(478.4)	(682.3)	(148.0)	(204.2)
Disposals Of FAs/subsidiaries	104.1	0.0	0.0	0.0
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	13.2	10.6	11.5	11.6
Cash Flow From Investing	**(361.1)**	**(671.6)**	**(136.5)**	**(192.6)**
Debt Raised/(repaid)	0.0	250.0	(50.0)	(100.0)
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(446.0)	(481.5)	(481.9)	(563.1)
Preferred Dividends				
Other Financing Cashflow	(108.3)	(110.2)	(115.1)	(121.4)
Cash Flow From Financing	**(554.4)**	**(341.7)**	**(647.0)**	**(784.5)**
Total Cash Generated	(77.1)	(70.0)	(19.5)	(141.0)
Free Cashflow To Equity	**477.3**	**521.7**	**577.4**	**543.6**
Free Cashflow To Firm	**554.6**	**351.4**	**710.4**	**722.0**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	20.9%	4.5%	(14.2%)	8.0%
Operating EBITDA Growth	10.4%	(4.0%)	4.9%	11.0%
Operating EBITDA Margin	47.5%	43.6%	53.3%	54.7%
Net Cash Per Share (RM)	(0.21)	(0.28)	(0.25)	(0.24)
BVPS (RM)	0.61	0.65	0.70	0.72
Gross Interest Cover	10.30	9.25	9.28	11.08
Effective Tax Rate	16.0%	3.9%	8.0%	22.0%
Net Dividend Payout Ratio	77.6%	75.0%	75.0%	90.0%
Accounts Receivables Days	52.14	59.55	65.92	58.61
Inventory Days	-	-	-	-
Accounts Payables Days	138.4	161.4	220.8	179.7
ROIC (%)	24.0%	21.4%	19.8%	22.2%
ROCE (%)	23.6%	19.8%	19.0%	21.1%
Return On Average Assets	16.2%	15.4%	14.7%	14.4%

12-mth Fwd FD P/E (x) - Westports Holdings



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Avg tariff/LNG vessel call (% chg)	N/A	N/A	N/A	N/A
LNG Throughput (% Change)	N/A	N/A	N/A	N/A
No. of LNG vessel calls (% chg)	N/A	N/A	N/A	N/A
Avg Tariff/container (% Change)	N/A	N/A	N/A	N/A
Container throughput (% chg)	9.9%	-9.5%	0.2%	5.0%
Container handling util. rate (%)	85.0%	67.7%	63.5%	66.7%

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 8	Hold 0	Sell 0

Current price:	RM3.85
Target price:	RM4.81
Previous target:	RM4.81
Up/downside:	25.1%
CIMB / Consensus:	6.6%
Reuters:	YINS.KL
Bloomberg:	YNS MK
Market cap:	US$1,027m
	RM4,190m
Average daily turnover:	US$1.86m
	RM7.75m
Current shares o/s	1,093m
Free float:	40.0%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1	7.2	33.7
Relative (%)	-1.9	9.4	27.4

Major shareholders	% held
Lim Han Weng and family	31.2
EPF	11.3
KWAP	8.3

Analyst(s)

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Yinson Holdings Bhd

Strong execution, good project pipeline

- We maintain our Add call, with an unchanged SOP-based target price of RM4.81, as Yinson is a well-run company with a pipeline of projects ahead of it.
- Catalysts include the potential to secure the FPSO Layang contract, as well the soon-to-conclude purchase of the OSX-1 FPSO that will be earmarked for Ca Rong Do.
- Downside risks include project execution risks for its new FPSO contracts.

Yinson successfully reinvented itself as an FPSO player

- Originally a humble logistics player, Yinson has gradually reinvented itself as a credible global FPSO player. In 2011-12, Yinson ventured into the FSO/FPSO business in Vietnam, beating established European players. Then in 2013, Yinson bid for, and ultimately acquired, Fred Olsen Production of Norway, inheriting three FPSOs and one MOPU, and giving it an established set of skilled human resources.

Risk profile relatively low

- In our view, Yinson's risk profile is relatively low. It focuses on FPSOs in Southeast Asia and West Africa, where it as prior operating experience. Its counterparties are also of good quality. Three of its assets are chartered to the subsidiaries of national oil companies in Vietnam and China, one asset chartered to a global oil major, and two more assets to financially-healthy independent oil companies.

Yinson's current asset portfolio

- Yinson currently has a portfolio of six contracts, i.e. for the FPSO Adoon, FPSO Allan, FPSO JAK, FSO Bien Dong, FPSO Lam Son, and FPSO Ca Rong Do. The charter contract for the FPSO Adoon is currently in the option period and is expected to last until 16 Oct 2022F due to strong oilfield performance.
- The contract for FPSO Allan will end by 30 Apr 2019F, but its charterer is hoping to end the charter sooner, due to the poor performance of the oilfield. However, the charterer has promised full compensation.
- The FPSO JAK has only just started its firm charter period effective 4 Jun 2017, and the contract is expected to last until 3 Jun 2032F at the earliest, and has the potential to be extended until 3 Jun 2037F. The contribution from the FPSO JAK contract will be driving Yinson's earnings growth in FY18F and FY19F.
- The FSO Bien Dong contract has been ongoing since 2013, and is expected to be in force until 6 Aug 2023F (end of firm charter period), or up till Aug 2033F if all option periods are exercised. The gas and condensate production from the field is healthy, and hence, the charter contract has the potential to last until 2033F.
- FPSO Lam Son was prematurely terminated on 30 Jun 2017, after just three years of a 7+3 years contract, but it has continued to be on the field and producing. Compensation will be paid, and a new contract is being negotiated; we expect the new rates to be lower, and we have already factored in lower rates for the remaining 4+3 year expected contract duration.
- The contract for the FPSO Ca Rong Do was awarded on 26 Apr 2017, and is expected to commence from Sep 2019F for a period of 10 firm and five option years. Yinson is currently in the process of buying over an existing FPSO, the OSX-1, after which it will commence the conversion process.

Yinson likely to secure the FPSO contract for the Layang field

- On 29 Nov, Yinson announced that its 30%-owned Yinson Energy is working through the High Court of Malaya to secure a novation of TH Heavy Engineering Bhd's (THHE) contract with JX Nippon for the supply of an FPSO to the Layang field, offshore Sarawak. The value of the time charter contract is expected to exceed US$1bn for eight firm years and 10 annual options, to commence around 2019-20F.

Financial Summary	Jan-16A	Jan-17A	Jan-18F	Jan-19F	Jan-20F
Revenue (RMm)	424	543	946	1,191	1,017
Operating EBITDA (RMm)	218.6	285.8	643.6	846.6	740.7
Net Profit (RMm)	224.7	197.0	(63.5)	373.1	91.6
Core EPS (RM)	0.18	0.15	0.29	0.30	0.29
Core EPS Growth	9.0%	(13.5%)	92.3%	1.1%	(2.7%)
FD Core P/E (x)	21.65	25.20	13.08	12.93	13.30
DPS (RM)	0.02	0.17	0.16	0.06	0.06
Dividend Yield	0.52%	4.31%	4.16%	1.56%	1.56%
EV/EBITDA (x)	24.46	24.33	10.22	6.34	6.88
P/FCFE (x)	NA	14.29	4.96	21.13	32.67
Net Gearing	55%	115%	72%	22%	14%
P/BV (x)	1.87	1.75	1.47	1.07	1.09
ROE	10.2%	7.2%	12.2%	9.6%	8.1%
CIMB/consensus EPS (x)			(0.19)	1.14	0.28

SOURCE: COMPANY DATA, CIMB FORECASTS

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Profit & Loss

(RMm)	Jan-17A	Jan-18F	Jan-19F	Jan-20F
Total Net Revenues	**543.3**	**945.9**	**1,191.1**	**1,016.9**
Gross Profit	**285.8**	**643.6**	**846.6**	**740.7**
Operating EBITDA	**285.8**	**643.6**	**846.6**	**740.7**
Depreciation And Amortisation	(91.1)	(212.9)	(279.2)	(242.6)
Operating EBIT	**194.7**	**430.7**	**567.3**	**498.1**
Financial Income/(Expense)	(42.7)	(57.7)	(108.0)	(76.2)
Pretax Income/(Loss) from Assoc.	83.3	64.6	55.9	73.2
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**235.3**	**437.7**	**515.2**	**495.1**
Exceptional Items	(22.2)	(421.4)	0.0	(272.6)
Pre-tax Profit	**213.2**	**16.3**	**515.2**	**222.5**
Taxation	(18.7)	(75.3)	(87.9)	(71.4)
Exceptional Income - post-tax				
Profit After Tax	**194.5**	**(59.0)**	**427.3**	**151.2**
Minority Interests	0.3	(4.5)	(54.2)	(59.6)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax	2.3	0.0	0.0	0.0
Net Profit	**197.0**	**(63.5)**	**373.1**	**91.6**
Recurring Net Profit	166.9	321.8	325.3	316.4
Fully Diluted Recurring Net Profit	**166.9**	**321.8**	**325.3**	**316.4**

Balance Sheet

(RMm)	Jan-17A	Jan-18F	Jan-19F	Jan-20F
Total Cash And Equivalents	634	1,575	2,482	2,436
Total Debtors	167	217	263	174
Inventories	5	5	5	5
Total Other Current Assets	79	70	53	37
Total Current Assets	**885**	**1,868**	**2,804**	**2,653**
Fixed Assets	4,610	4,922	4,743	4,342
Total Investments	738	493	544	613
Intangible Assets	28	24	20	16
Total Other Non-Current Assets	30	30	30	30
Total Non-current Assets	**5,406**	**5,469**	**5,336**	**5,000**
Short-term Debt	222	413	432	268
Current Portion of Long-Term Debt				
Total Creditors	300	352	401	322
Other Current Liabilities	57	57	41	36
Total Current Liabilities	**579**	**822**	**874**	**626**
Total Long-term Debt	3,171	3,350	2,972	2,757
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	134	113	107	107
Total Non-current Liabilities	**3,305**	**3,463**	**3,079**	**2,864**
Total Provisions	0	0	0	0
Total Liabilities	**3,884**	**4,285**	**3,953**	**3,490**
Shareholders' Equity	2,406	2,863	3,944	3,860
Minority Interests	0	189	243	303
Total Equity	**2,406**	**3,052**	**4,187**	**4,163**

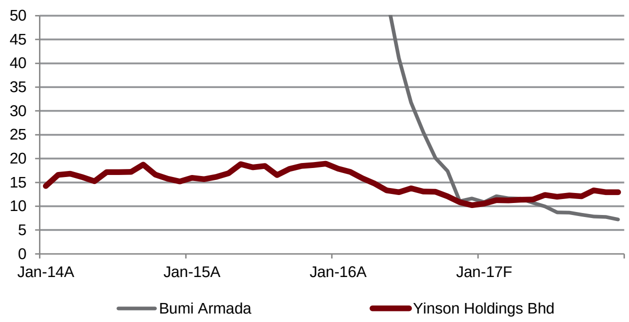
Cash Flow

(RMm)	Jan-17A	Jan-18F	Jan-19F	Jan-20F
EBITDA	286	644	847	741
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(255)	(2)	8	14
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(1)	35	35	35
Net Interest (Paid)/Received	(39)	(138)	(143)	(111)
Tax Paid	(45)	(75)	(88)	(71)
Cashflow From Operations	**(54)**	**464**	**659**	**607**
Capex	(1,349)	(489)	(100)	(100)
Disposals Of FAs/subsidiaries	139	503	0	0
Acq. Of Subsidiaries/investments	2	0	0	0
Other Investing Cashflow	14	0	0	0
Cash Flow From Investing	**(1,193)**	**14**	**(100)**	**(100)**
Debt Raised/(repaid)	1,542	370	(359)	(378)
Proceeds From Issue Of Shares	(13)	195	950	0
Shares Repurchased				
Dividends Paid	(209)	(101)	(243)	(175)
Preferred Dividends				
Other Financing Cashflow	(19)	0	0	0
Cash Flow From Financing	**1,301**	**463**	**348**	**(554)**
Total Cash Generated	53	941	907	(46)
Free Cashflow To Equity	**294**	**848**	**199**	**129**
Free Cashflow To Firm	**(1,202)**	**628**	**724**	**645**

Key Ratios

	Jan-17A	Jan-18F	Jan-19F	Jan-20F
Revenue Growth	28.0%	74.1%	25.9%	(14.6%)
Operating EBITDA Growth	31%	125%	32%	(13%)
Operating EBITDA Margin	52.6%	68.0%	71.1%	72.8%
Net Cash Per Share (RM)	(2.52)	(2.00)	(0.84)	(0.54)
BVPS (RM)	2.20	2.62	3.61	3.53
Gross Interest Cover	6.03	4.11	3.43	3.60
Effective Tax Rate	9%	463%	17%	32%
Net Dividend Payout Ratio	82.5%	48.9%	17.6%	18.0%
Accounts Receivables Days	131.3	74.1	73.7	78.5
Inventory Days	6.32	6.41	5.62	7.02
Accounts Payables Days	513.1	393.5	398.8	477.5
ROIC (%)	6.3%	9.4%	11.7%	10.7%
ROCE (%)	4.13%	7.02%	8.19%	7.11%
Return On Average Assets	4.70%	6.17%	6.92%	6.33%

12-mth Fwd FD P/E (x)



Key Drivers

	Jan-17A	Jan-18F	Jan-19F	Jan-20F
Outstanding Orderbook (RMm)	N/A	N/A	N/A	N/A
Order Book Wins (RMm)	N/A	N/A	N/A	N/A
Order Book Depletion (RMm)	N/A	N/A	N/A	N/A
Average Day Rate Per Ship (US$)	N/A	N/A	N/A	N/A
No. Of Ships (unit)	5	6	6	7
Average Utilisation Rate (%)	N/A	N/A	N/A	N/A
Oil Price (US$/bbl)	N/A	N/A	N/A	N/A
Energy Production Volume (mmboe)	N/A	N/A	N/A	N/A
Average Day Rate - Drilling Rigs (US$)	N/A	N/A	N/A	N/A
Average Util. Rate - Drilling Rigs (%)	N/A	N/A	N/A	N/A
Average Day Rate - FPUs (US$)	#######	#######	#######	#######
Average Util. Rate - FPUs (%)	80.0%	82.3%	83.3%	72.6%
Total Oil Storage Capacity (000 cbm)	N/A	N/A	N/A	N/A
Equity Share Of Oil Storage Capacity (000 cbm)	N/A	N/A	N/A	N/A
Assumed Util. Rate Of Oil Storage Capacity (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB BURSA MidS

Company Brief

Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 2 Hold 0 Sell 0	
Current price:		RM2.61
Target price:		RM3.87
Previous target:		RM3.87
Up/downside:		48.3%
CIMB / Consensus:		8.9%
Reuters:		YSPS.KL
Bloomberg:		YSP MK
Market cap:		US$87.46m
		RM356.9m
Average daily turnover:		US$0.06m
		RM0.27m
Current shares o/s		134.7m
Free float:		49.8%

*Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-6.5	-3.7	35.2
Relative (%)	-7.4	-1.5	28.9

Major shareholders	% held
YSP International Company Limited	38.9
Dato' Dr. Lee Fang Hsin	10.0
Dr. Lee Fang Chuan @ Lee Fang Chen	1.4

YSP Southeast Asia Holdings Bhd

Export sales as key earnings driver

- Malaysia's fourth-largest listed drug manufacturer by market cap, with an extensive range of largely own-brand products.
- The group expects higher export sales to be its key earnings driver given the bigger potential overseas, especially in emerging countries.
- Maintain ADD and TP of RM3.87, based on 15.9x CY19F P/E (10% discount to CIMB's pharmaceutical sector 5-year historical mean of 17.7x).

Among the top 5 drug manufacturers in Malaysia

- YSP Southeast Asia (YSPSAH) is Malaysia's fourth-largest listed drug manufacturer by market cap. The group has an extensive range of largely own-brand products, including generic medical drugs, over-the-counter (OTC) items, aquatic and veterinary drugs.
- It also has a trading arm that retails various low-volume products, such as traditional Chinese medicine. The group has three production facilities: one each in Malaysia, Indonesia and Vietnam. Currently, the group's key customer segments are mainly private hospitals and general practitioners (GPs) which contributed an estimated 50% of its FY16 revenue.

9M17 performance was in line with expectations

- 9M17 revenue rose 9.1% yoy to RM193.5m due to higher sales volume and a more profitable product mix. 9M17 EBITDA margin improved to 16.7% (0.2% pt yoy), thanks to better cost control and higher economies of scale.
- Accordingly, 9M17 core net profit grew to RM18.4m (20.3% yoy) after accounting for one-off losses (forex and product write-offs) of RM3.1m. 9M17 core net profit was in line with expectations, at 74% of our full-year forecast.

Export sales to drive earnings beg-2018

- Moving into 2018, YSP expects higher export sales to be its key earnings driver given the bigger potential overseas, especially in emerging countries in Asia, Middle East and Africa due to their bigger population size and lower generic drug penetration.
- The group aims to widen its product offering in the key markets identified through more product registrations. Apart from that, it will also grow its marketing team to increase its brand visibility. We expect overseas contribution to rise above 40% by FY19F, from 29.4% as of FY16.

Vietnam and Indonesia operations are showing positive signs

- YSP's Vietnam operations showed positive signs of a turnaround in 9M17, on the back of higher sales volume leading to better economies of scale. Its Vietnam operations have been recording losses since the completion of its factory in 2011.
- The group's Indonesian plant has started trial production runs and product registrations are ongoing. However, we do not expect any material earnings impact from Indonesia until 2H18 as the product registration process may take up to 1.5-2 years.

Maintain ADD

- We continue to like YSP for its undemanding valuations and strong earnings growth prospects (FY17-19F earnings CAGR of 16.9%).
- Maintain ADD with an unchanged TP of RM3.87, based on 15.9x CY19F P/E (10% discount to CIMB's pharmaceutical sector 5-year historical mean of 17.7x).
- Downside risks: a sharp decline in sales volume and unexpected delays in product registrations in export markets.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	222.9	237.1	259.5	289.4	325.1
Operating EBITDA (RMm)	48.95	46.14	42.63	47.77	53.40
Net Profit (RMm)	28.97	27.59	24.75	28.63	32.79
Core EPS (RM)	0.17	0.15	0.18	0.21	0.24
Core EPS Growth	54.9%	(8.3%)	20.5%	15.7%	14.5%
FD Core P/E (x)	15.70	17.11	14.20	12.28	10.72
DPS (RM)	0.10	0.10	0.10	0.12	0.13
Dividend Yield	3.64%	3.83%	3.91%	4.48%	5.13%
EV/EBITDA (x)	6.51	6.51	7.05	6.25	5.56
P/FCFE (x)	18.90	10.45	29.54	22.32	19.92
Net Gearing	(13.5%)	(18.6%)	(17.9%)	(17.7%)	(17.3%)
P/BV (x)	1.36	1.28	1.22	1.16	1.10
ROE	9.0%	7.7%	8.8%	9.7%	10.5%
CIMB/consensus EPS (x)			0.95	0.95	0.94

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)

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Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**237.1**	**259.5**	**289.4**	**325.1**
Gross Profit	**112.7**	**116.0**	**129.9**	**146.6**
Operating EBITDA	**46.1**	**42.6**	**47.8**	**53.4**
Depreciation And Amortisation	(9.3)	(9.7)	(10.1)	(10.5)
Operating EBIT	**36.8**	**33.0**	**37.7**	**42.9**
Financial Income/(Expense)	(0.1)	0.0	0.4	0.7
Pretax Income/(Loss) from Assoc.	(0.3)	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**36.3**	**33.0**	**38.1**	**43.6**
Exceptional Items		0.0	0.0	0.0
Pre-tax Profit	**36.3**	**33.0**	**38.1**	**43.6**
Taxation	(8.4)	(7.9)	(9.1)	(10.5)
Exceptional Income - post-tax				
Profit After Tax	**27.9**	**25.1**	**29.0**	**33.1**
Minority Interests	(0.3)	(0.3)	(0.3)	(0.3)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**27.6**	**24.8**	**28.6**	**32.8**
Recurring Net Profit	20.5	24.8	28.6	32.8
Fully Diluted Recurring Net Profit	**20.5**	**24.8**	**28.6**	**32.8**

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	67.3	67.8	69.9	71.8
Total Debtors	57.9	63.4	70.7	79.4
Inventories	76.9	88.7	98.6	110.4
Total Other Current Assets	9.4	9.4	9.4	9.4
Total Current Assets	**211.6**	**229.3**	**248.7**	**271.0**
Fixed Assets	117.3	116.7	115.5	114.0
Total Investments	4.3	4.3	4.3	4.3
Intangible Assets	7.3	7.3	7.3	7.3
Total Other Non-Current Assets	0.6	0.6	0.6	0.6
Total Non-current Assets	**129.5**	**128.8**	**127.7**	**126.2**
Short-term Debt	2.4	2.4	2.4	2.4
Current Portion of Long-Term Debt				
Total Creditors	22.4	25.9	28.8	32.2
Other Current Liabilities	11.1	11.1	11.1	11.1
Total Current Liabilities	**35.9**	**39.4**	**42.3**	**45.7**
Total Long-term Debt	12.8	12.8	12.8	12.8
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	12.4	12.4	12.4	12.4
Total Non-current Liabilities	**25.3**	**25.3**	**25.3**	**25.3**
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	**61.2**	**64.6**	**67.5**	**70.9**
Shareholders' Equity	274.4	287.7	302.7	319.8
Minority Interests	5.5	5.8	6.2	6.5
Total Equity	**279.9**	**293.6**	**308.9**	**326.3**

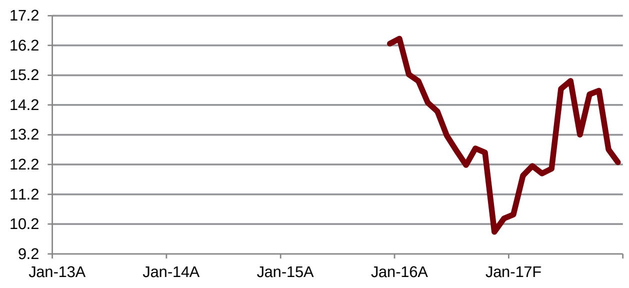
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	46.14	42.63	47.77	53.40
Cash Flow from Invt. & Assoc.				
Change In Working Capital	8.72	(13.86)	(14.32)	(17.01)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	(4.84)	0.00	0.00	0.00
Other Operating Cashflow	9.05	0.00	0.00	0.00
Net Interest (Paid)/Received	(0.15)	0.05	0.44	0.71
Tax Paid	(10.12)	(7.92)	(9.14)	(10.46)
Cashflow From Operations	**48.81**	**20.90**	**24.75**	**26.65**
Capex	(7.79)	(9.00)	(9.00)	(9.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(4.22)	0.00	0.00	0.00
Cash Flow From Investing	**(12.01)**	**(9.00)**	**(9.00)**	**(9.00)**
Debt Raised/(repaid)	(3.19)	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.11	0.00	0.00	0.00
Shares Repurchased				
Dividends Paid	(10.77)	(11.45)	(13.61)	(15.75)
Preferred Dividends				
Other Financing Cashflow	5.24	0.00	0.00	0.00
Cash Flow From Financing	**(8.62)**	**(11.45)**	**(13.61)**	**(15.75)**
Total Cash Generated	28.19	0.45	2.14	1.90
Free Cashflow To Equity	**33.62**	**11.90**	**15.75**	**17.65**
Free Cashflow To Firm	**38.00**	**12.85**	**16.51**	**18.37**

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	6.3%	9.5%	11.5%	12.3%
Operating EBITDA Growth	(5.7%)	(7.6%)	12.1%	11.8%
Operating EBITDA Margin	19.5%	16.4%	16.5%	16.4%
Net Cash Per Share (RM)	0.39	0.39	0.41	0.42
BVPS (RM)	2.04	2.14	2.25	2.37
Gross Interest Cover	30.84	34.52	49.33	59.09
Effective Tax Rate	23.1%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	31.8%	41.7%	41.7%	41.7%
Accounts Receivables Days	87.83	85.30	84.55	84.27
Inventory Days	234.7	210.7	214.5	213.8
Accounts Payables Days	62.59	61.48	62.56	62.37
ROIC (%)	15.4%	14.0%	15.1%	16.3%
ROCE (%)	13.2%	11.2%	12.3%	13.3%
Return On Average Assets	10.9%	9.4%	10.3%	11.1%

12-mth Fwd FD P/E (x) - YSP Southeast Asia Holdings Bhd



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	100.0%	100.0%	100.0%	100.0%
Unit sales grth (%, main prod./serv.)	6.3%	9.5%	11.5%	12.3%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
R&D Cost/sales (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

CIMB

Company Brief

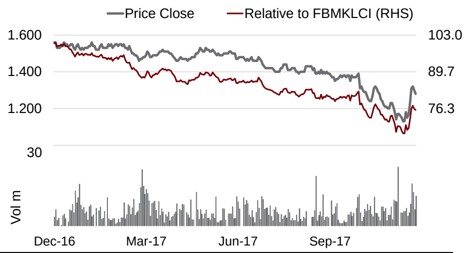
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 2	Hold 1	Sell 0

Current price:	RM1.28
Target price:	RM1.48
Previous target:	RM1.48
Up/downside:	15.3%
CIMB / Consensus:	6.0%
Reuters:	YTLS.KL
Bloomberg:	YTL MK
Market cap:	US$3,370m
	RM13,755m
Average daily turnover:	US$1.86m
	RM7.75m
Current shares o/s	10,739m
Free float:	42.8%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.8	-7.9	-17.4
Relative (%)	4.9	-5.7	-23.7

Major shareholders	% held
Yeoh Tiong Lay & Sons	49.9
EPF	7.3

YTL Corporation

Seeing a silver lining on the infra side

- YTL Corp revealed at its AGM that it has secured a contract for the RM8.9bn Gemas-JB rail project but did not disclose the job value; we believe it could be sizeable.
- Significant jump in order book if it secures 40-70% share of works, with 6-14% potential impact on EPS and 3-5% upside to target price.
- Worst is over for share price; Add call and target price (20% RNAV disc.) maintained.

Positive revelations at the group's AGM

- Nikkei Markets reported that YTL Corp Managing Director Yeoh Sock Ping said at the group's AGM in Dec-17 that the company had secured a package from the RM8.9bn Gemas-Johor Bahru electrified double-tracking railway project. No further details were disclosed. He also reiterated YTL's intention to participate in a tender for the KL-Singapore high-speed rail (HSR).

Significant jump in order book if 40-70% of job value

- We estimate YTL's construction order book was valued at RM500m at end-1QFY6/18, with most of the works in hand being in-house property development jobs. Assuming that YTL secures 40-70% of the Gemas-JB rail job, its order book will be boosted significantly by 7x-12x to between RM4.1bn and RM6.7bn, equivalent to 7.1x-11.8x of its FY6/17 construction revenue.

Potential earnings and RNAV impact

- Assuming that YTL secures 40-70% of the total RM8.9bn contract value, a 4-year construction period and 7-8% subcontracting net margins, we estimate that the Gemas-JB rail contract will enhance FY19F EPS by 6-14% and FY20F EPS by 5-12%. Factoring that into our RNAV will raise our target price by 3-5% to RM1.53-RM1.55/share (unchanged 20% RNAV discount).

Challenging cement outlook appears to have bottomed out

- We understand that for YTL Cement, pricing/rebates pressures arising from industry competition and oversupply has slowly subsided in 1QFY18. This could mean a gradual recovery phase for the cement division. Cement pretax margins have been under pressure over the last few quarters (7% as at 1Q18 vs. 13% in 1Q17) but could rise once net selling prices stabilise and infra-led cement demand kicks-in in 2HCY18.

Positive outlook for YTLP in FY18F

- With narrowing losses in YTLP's mobile broadband business, we expect this division to start contributing to the bottomline in FY18. This division will continue to launch more competitive products to increase the subscriber base to drive revenue. In addition, its power generation division commenced operations on 1 Sep 2017 for the supply of 585MW of capacity from the existing facility in Paka for a term of 3 years 10 months, expiring on 30 Jun 2021.

Maintain Add underpinned by potential contract catalysts

- We maintain our FY18-20F EPS forecasts. Maintain Add due to improved visibility for infrastructure opportunities, including the KL-Singapore HSR and the Gemas-JB rail projects. We believe the worst is over for the share price. The target price of RM1.48 remains pegged to a 20% RNAV discount, and supported by its sustainable dividend yields of 6-8%. New potential catalysts are major contract wins. Downside risk is job delays.

Analyst(s)

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Financial Summary	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	15,378	14,728	15,738	16,337	16,967
Operating EBITDA (RMm)	2,195	2,234	3,392	3,442	3,677
Net Profit (RMm)	916	796	825	872	1,066
Core EPS (RM)	(0.03)	(0.02)	0.08	0.08	0.10
Core EPS Growth	(3604%)	(39%)		6%	22%
FD Core P/E (x)	NA	NA	16.34	15.46	12.65
DPS (RM)	0.10	0.05	0.08	0.08	0.10
Dividend Yield	7.42%	3.91%	6.12%	6.47%	7.90%
EV/EBITDA (x)	19.17	17.17	11.46	11.45	10.89
P/FCFE (x)	47.93	NA	17.29	17.17	12.84
Net Gearing	107%	92%	88%	84%	81%
P/BV (x)	0.91	0.99	0.99	0.99	0.99
ROE	(2.23%)	(1.42%)	6.04%	6.39%	7.80%
CIMB/consensus EPS (x)			1.19	1.10	1.26

SOURCE: COMPANY DATA, CIMB FORECASTS

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CIMB

BY THE NUMBERS

Profit & Loss

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	**14,728**	**15,738**	**16,337**	**16,967**
Gross Profit	**4,118**	**5,343**	**5,411**	**5,666**
Operating EBITDA	**2,234**	**3,392**	**3,442**	**3,677**
Depreciation And Amortisation	(1,455)	(1,429)	(1,443)	(1,458)
Operating EBIT	**780**	**1,964**	**1,999**	**2,219**
Financial Income/(Expense)	(1,055)	(1,011)	(1,000)	(987)
Pretax Income/(Loss) from Assoc.	381	498	527	559
Non-Operating Income/(Expense)	380	709	702	700
Profit Before Tax (pre-EI)	**485**	**2,160**	**2,228**	**2,492**
Exceptional Items	1,192			
Pre-tax Profit	**1,677**	**2,160**	**2,228**	**2,492**
Taxation	(274)	(614)	(629)	(693)
Exceptional Income - post-tax				
Profit After Tax	**1,403**	**1,546**	**1,599**	**1,799**
Minority Interests	(606)	(721)	(727)	(733)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**796**	**825**	**872**	**1,066**
Recurring Net Profit	(201)	825	872	1,066
Fully Diluted Recurring Net Profit	**(201)**	**825**	**872**	**1,066**

Balance Sheet

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	15,403	15,638	15,808	15,869
Total Debtors	2,727	2,881	2,990	3,104
Inventories	912	912	924	967
Total Other Current Assets	2,082	2,084	2,086	2,088
Total Current Assets	**21,125**	**21,515**	**21,807**	**22,029**
Fixed Assets	27,016	27,478	27,959	28,458
Total Investments	8,994	8,995	8,996	8,997
Intangible Assets	6,065	6,065	6,065	6,065
Total Other Non-Current Assets	1,478	1,480	1,482	1,484
Total Non-current Assets	**43,553**	**44,018**	**44,502**	**45,004**
Short-term Debt	31	31	31	31
Current Portion of Long-Term Debt	3,060	3,060	3,060	3,060
Total Creditors	2,594	2,825	2,969	3,070
Other Current Liabilities	607	608	609	610
Total Current Liabilities	**6,291**	**6,523**	**6,668**	**6,771**
Total Long-term Debt	31,563	31,564	31,565	31,566
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	1,582	1,537	1,495	1,455
Total Non-current Liabilities	**33,144**	**33,101**	**33,060**	**33,020**
Total Provisions	3,387	3,388	3,389	3,390
Total Liabilities	**42,823**	**43,013**	**43,117**	**43,181**
Shareholders' Equity	13,660	13,661	13,662	13,663
Minority Interests	8,264	8,984	9,711	10,444
Total Equity	**21,924**	**22,646**	**23,373**	**24,107**

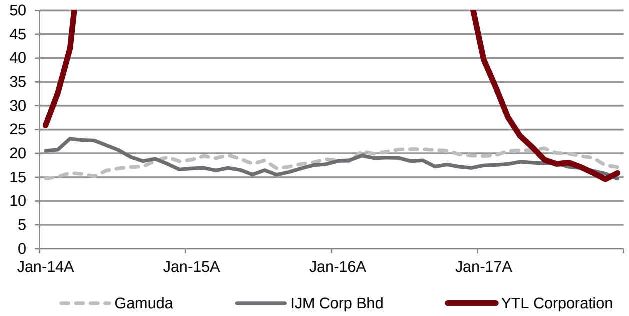
Cash Flow

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	2,234	3,392	3,442	3,677
Cash Flow from Invt. & Assoc.	610	825	872	1,066
Change In Working Capital	(439)	78	24	(55)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	0	0	0	0
Other Operating Cashflow	0	0	0	0
Net Interest (Paid)/Received	(979)	(1,011)	(1,000)	(987)
Tax Paid	(599)	(614)	(629)	(693)
Cashflow From Operations	**827**	**2,671**	**2,709**	**3,008**
Capex	(1,865)	(1,891)	(1,923)	(1,957)
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	0	0	0	0
Cash Flow From Investing	**(1,865)**	**(1,891)**	**(1,923)**	**(1,957)**
Debt Raised/(repaid)	0	0	0	0
Proceeds From Issue Of Shares				
Shares Repurchased	0	0	0	0
Dividends Paid	(610)	(825)	(872)	(1,066)
Preferred Dividends	(241)	(203)	(205)	(207)
Other Financing Cashflow	1,306	117	95	95
Cash Flow From Financing	**454**	**(912)**	**(982)**	**(1,178)**
Total Cash Generated	(583)	(132)	(197)	(127)
Free Cashflow To Equity	**(1,037)**	**780**	**785**	**1,050**
Free Cashflow To Firm	**281**	**1,791**	**1,785**	**2,037**

Key Ratios

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	(4.23%)	6.86%	3.81%	3.86%
Operating EBITDA Growth	1.8%	51.8%	1.5%	6.8%
Operating EBITDA Margin	15.2%	21.6%	21.1%	21.7%
Net Cash Per Share (RM)	(1.91)	(1.89)	(1.87)	(1.86)
BVPS (RM)	1.30	1.30	1.30	1.30
Gross Interest Cover	0.59	1.94	2.00	2.25
Effective Tax Rate	16.3%	28.4%	28.2%	27.8%
Net Dividend Payout Ratio	NA	100.0%	100.0%	100.0%
Accounts Receivables Days	67.67	64.08	64.65	64.81
Inventory Days	28.76	32.03	30.66	30.62
Accounts Payables Days	95.4	94.8	96.5	97.5
ROIC (%)	2.10%	5.30%	5.33%	5.85%
ROCE (%)	1.68%	3.21%	3.23%	3.55%
Return On Average Assets	1.92%	3.93%	3.94%	4.18%

12-mth Fwd FD P/E (x)



Key Drivers

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Rev. growth (%, main biz.)	-21.7%	-100.0%	N/A	N/A
EBITDA mgns (%, main biz.)	22.0%	22.0%	22.0%	22.0%
Rev. as % of total (main biz.)	68.7%	0.0%	0.0%	0.0%
EBITDA as % of total (main biz.)	66.1%	0.0%	10.2%	7.0%
Rev. growth (%, 2ndary biz.)	-17.0%	19.4%	2.7%	7.9%
EBITDA mgns (%, 2ndary biz.)	22.5%	20.7%	20.8%	18.5%
Rev. as % of total (2ndary biz.)	17.2%	19.4%	19.2%	19.9%
EBITDA as % of total (2ndary biz.)	N/A	N/A	N/A	N/A
Rev. growth (%, tertiary biz.)	N/A	N/A	N/A	N/A
EBITDA mgns (%, tertiary biz.)	N/A	N/A	N/A	N/A
Rev.as % of total (tertiary biz.)	N/A	N/A	N/A	N/A
EBITDA as % of total (tertiary biz.)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Company Brief

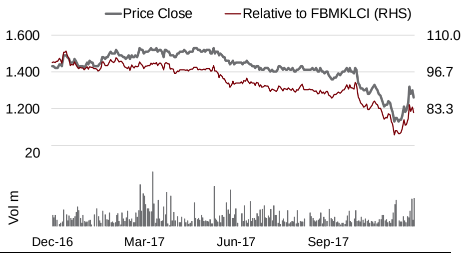
Malaysia

ADD *(no change)*

Consensus ratings*:	Buy 4	Hold 9	Sell 3

Current price:	RM1.26
Target price:	RM1.50
Previous target:	RM1.50
Up/downside:	19.0%
CIMB / Consensus:	9.4%
Reuters:	YTLP.KL
Bloomberg:	YTLP MK
Market cap:	US$2,447m
	RM9,988m
Average daily turnover:	US$0.58m
	RM2.42m
Current shares o/s	8,143m
Free float:	36.5%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.4	-10	-11.9
Relative (%)	1.5	-7.8	-18.2

Major shareholders	% held
YTL Corporation	47.2
Cornerstone Crest	6.2
Employee Provident Fund	5.0

YTL Power International

Powering up in 2018

- Potential turnaround of mobile broadband division and power generation unit are key re-rating catalysts, in our view.
- YTLP remains an Add with earnings growth in FY18F as a potential re-rating catalyst. Our TP remains at RM1.50 based on SOP valuation.
- Key downside risks to our call include GBP depreciation.

Earnings might have bottomed in FY17

- Excess power generation capacity in Singapore, expiry of power purchase agreements (PPA) and losses at its mobile broadband subsidiary in Malaysia caused YTL Power International's (YTLP) net profit to tumble from RM1.2bn in FY6/14 to only RM673m in FY17. However, we believe the earnings of key divisions could have bottomed in FY17 if the GBP stabilises at the current level.
- This was reflected in YTLP's 1QFY18 results where pretax profit rose 13% yoy to RM213m, mainly driven by the narrowing losses in power generation (-RM18m vs. -RM26m in 1QFY17) due to the commencement of Paka Power Plant, and mobile broadband (-RM18m vs. -RM65m in 1QFY17) on the back of higher sales and lower operating costs following the launch of nationwide 4G LTE services in the preceding year.
- Seraya's performance also recovered in 1QFY18, delivering 4% qoq growth in pretax profit. While investors may wait for a few more quarters of stable performance before calling the bottom of Seraya's earnings, we believe industry factors, such as a halt in generation capacity expansion and stable growth in electricity demand in Singapore, will result in gradual improvement in Seraya's earnings over time.
- Even if the performances of Seraya and the mobile broadband division remain subdued, YTL Power's value will be supported by Wessex Water, which we estimate will continue to make about RM690m net profit in FY18F, based on the current exchange rate of RM5.50/£1.

2018F earnings outlook

- YTLP's mobile broadband subsidiary has also shown signs of improvement. With losses in YTLP's mobile broadband business narrowing, we expect this division to start contributing to the bottomline in FY18F. This division will continue to launch more competitive products to increase its subscriber base to drive revenue.
- Meanwhile, its power generation division on 1 Sep 2017 commenced operations for the supply of 585MW capacity from the existing facility in Paka Power Plant for a term of three years 10 months, expiring on 30 Jun 2021. This should lead to a reduced pretax loss. To recap, the PPA expired in Sep 2015 previously.

Maintain Add

- We continue to like YTLP for its attractive valuation and attractive potential dividend yield of 7% in FY18F. The group is building a US$2.7bn power plant in Indonesia and has a 45% stake in a US$2.1bn oil shale-fired power generation project in Jordan. We believe these projects offer double-digit returns on investment and their values have yet to be reflected in YTLP's share price. Our SOP-based target price remains at RM1.50.
- Earnings recovery in FY18F, driven by better Seraya and mobile broadband performance, is the key potential re-rating catalyst for the stock. A downside risk to our call is a sudden depreciation of the GBP against RM.

Financial Summary	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	10,245	9,778	9,692	9,759	9,828
Operating EBITDA (RMm)	2,806	2,502	2,603	2,693	2,730
Net Profit (RMm)	1,062	673	740	791	798
Core EPS (RM)	0.13	0.08	0.09	0.10	0.10
Core EPS Growth	4.1%	(38.6%)	13.5%	6.9%	0.8%
FD Core P/E (x)	9.61	15.65	13.79	12.90	12.80
DPS (RM)	0.100	0.050	0.090	0.100	0.100
Dividend Yield	7.94%	3.97%	7.14%	7.94%	7.94%
EV/EBITDA (x)	8.11	11.11	11.97	12.83	13.89
P/FCFE (x)	8.97	NA	13.34	12.43	12.04
Net Gearing	113%	145%	175%	205%	236%
P/BV (x)	0.82	0.77	0.77	0.77	0.77
ROE	8.88%	5.07%	5.59%	5.98%	6.04%
CIMB/consensus EPS (x)			0.91	0.90	0.93

SOURCE: COMPANY DATA, CIMB FORECASTS

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BY THE NUMBERS

Profit & Loss

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	**9,839**	**9,709**	**9,776**	**9,844**
Gross Profit	**3,202**	**3,159**	**3,191**	**3,225**
Operating EBITDA	**2,502**	**2,603**	**2,693**	**2,730**
Depreciation And Amortisation	(1,168)	(1,186)	(1,205)	(1,225)
Operating EBIT	**1,334**	**1,417**	**1,488**	**1,505**
Financial Income/(Expense)	(835)	(839)	(847)	(855)
Pretax Income/(Loss) from Assoc.	369	274	274	275
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**868**	**852**	**915**	**925**
Exceptional Items				
Pre-tax Profit	**868**	**852**	**915**	**925**
Taxation	(113)	(138)	(148)	(150)
Exceptional Income - post-tax				
Profit After Tax	**755**	**714**	**767**	**775**
Minority Interests	(81)	26	24	22
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**673**	**740**	**791**	**798**
Recurring Net Profit	652	740	791	798
Fully Diluted Recurring Net Profit	**652**	**740**	**791**	**798**

Balance Sheet

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	8,946	8,826	8,680	8,561
Total Debtors	2,180	2,160	2,175	2,191
Inventories				
Total Other Current Assets	3,004	3,000	3,003	3,006
Total Current Assets	**14,130**	**13,986**	**13,858**	**13,757**
Fixed Assets	21,338	24,622	27,887	31,132
Total Investments	2,213	2,287	2,361	2,437
Intangible Assets	8,393	8,393	8,393	8,393
Total Other Non-Current Assets	2,449	2,439	2,447	2,455
Total Non-current Assets	**34,393**	**37,740**	**41,087**	**44,416**
Short-term Debt	4,902	4,902	4,902	4,902
Current Portion of Long-Term Debt				
Total Creditors	1,969	1,952	1,965	1,979
Other Current Liabilities	257	257	257	257
Total Current Liabilities	**7,128**	**7,111**	**7,124**	**7,138**
Total Long-term Debt	23,618	27,118	30,618	34,118
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	2,550	2,542	2,548	2,554
Total Non-current Liabilities	**26,168**	**29,661**	**33,167**	**36,673**
Total Provisions	1,770	1,670	1,570	1,470
Total Liabilities	**35,066**	**38,441**	**41,861**	**45,281**
Shareholders' Equity	13,238	13,246	13,223	13,206
Minority Interests	218	39	(138)	(313)
Total Equity	**13,456**	**13,285**	**13,085**	**12,893**

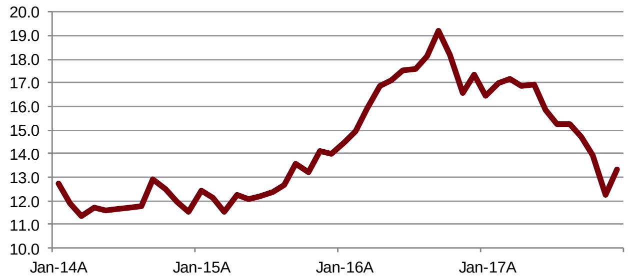
Cash Flow

(RMm)	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	2,502	2,603	2,693	2,730
Cash Flow from Invt. & Assoc.	398	200	200	200
Change In Working Capital	(1,064)	9	(7)	(7)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	118	0	0	0
Net Interest (Paid)/Received	(694)	(839)	(847)	(855)
Tax Paid	(203)	(238)	(248)	(250)
Cashflow From Operations	**1,058**	**1,735**	**1,791**	**1,818**
Capex	(1,740)	(4,470)	(4,470)	(4,470)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(3,074)	0	0	0
Cash Flow From Investing	**(4,814)**	**(4,470)**	**(4,470)**	**(4,470)**
Debt Raised/(repaid)	3,606	3,500	3,500	3,500
Proceeds From Issue Of Shares				
Shares Repurchased	(0)	0	0	0
Dividends Paid	(929)	(886)	(967)	(967)
Preferred Dividends				
Other Financing Cashflow	0	0	0	0
Cash Flow From Financing	**2,677**	**2,614**	**2,533**	**2,533**
Total Cash Generated	(1,079)	(121)	(146)	(119)
Free Cashflow To Equity	**(151)**	**765**	**821**	**848**
Free Cashflow To Firm	**(3,039)**	**(1,884)**	**(1,820)**	**(1,785)**

Key Ratios

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	(4.6%)	(0.9%)	0.7%	0.7%
Operating EBITDA Growth	(10.9%)	4.1%	3.5%	1.4%
Operating EBITDA Margin	25.6%	26.9%	27.6%	27.8%
Net Cash Per Share (RM)	(2.42)	(2.86)	(3.31)	(3.76)
BVPS (RM)	1.63	1.63	1.63	1.63
Gross Interest Cover	1.58	1.67	1.73	1.74
Effective Tax Rate	13.0%	16.2%	16.2%	16.2%
Net Dividend Payout Ratio	138%	120%	122%	121%
Accounts Receivables Days	72.85	81.72	81.08	81.30
Inventory Days	-	-	-	-
Accounts Payables Days	102.0	109.2	108.6	109.0
ROIC (%)	4.58%	4.03%	3.88%	3.61%
ROCE (%)	3.26%	3.15%	3.09%	2.93%
Return On Average Assets	3.46%	3.10%	3.03%	2.88%

12-mth Fwd FD P/E (x) - YTL Power International



Key Drivers

	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Power Despatched (GWh)	N/A	N/A	N/A	N/A
Capacity (MW)	4,312.0	4,312.0	4,312.0	4,312.0
Average Capacity Utilisation (%)	N/A	N/A	N/A	N/A
Avg tariff/ASP per kwh (% chg)	N/A	N/A	N/A	N/A
Fuel Cost Per Kwh (% Change)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

Figure 1: Malaysia Valuation

Prices as at BBG code	19/12/2017 Company name	Closing Price	Target Price	% up / (down)	Recom.	Free Float (%)	Market Cap (US$m)	Month end	Price/ BVPS (X) 2017	2018	2019	ROAE (recurring) % 2017	2018	2019	P/E (Recurrent FD) (X) 2017	2018	2019	2-Yr fwd EPS	Net Gearing 2017	2018	Net Div Yield 2017	2018
	Agribusiness																					
FGV MK	Felda Global Ventures	1.71	1.93	13%	Hold	59%	1,529	Dec	1.07x	1.07x	1.08x	2.2%	2.8%	3.4%	49.3x	38.6x	31.8x	24.5%	63%	51%	2.3%	2.9%
GENP MK	Genting Plantations	10.42	11.50	10%	Hold	32%	2,051	Dec	1.68x	1.60x	1.53x	6.4%	7.2%	6.6%	26.6x	22.8x	23.4x	6.6%	14%	11%	1.4%	1.4%
HAPL MK	Hap Seng Plantations	2.51	2.57	2%	Hold	24%	492	Dec	0.96x	0.94x	0.93x	5.8%	5.8%	6.0%	16.6x	16.4x	15.6x	3.1%	-11%	-10%	4.0%	4.8%
IOI MK	IOI Corporation	4.34	4.74	9%	Hold	43%	6,683	Jun	3.53x	3.30x	3.11x	14.4%	14.1%	13.3%	25.3x	24.2x	24.1x	2.5%	75%	71%	2.1%	2.1%
JT MK	Jaya Tiasa Holdings	1.07	1.15	7%	Hold	64%	254	Jun	0.55x	0.51x	0.49x	4.9%	5.1%	5.2%	11.6x	10.4x	9.7x	9.3%	56%	52%	1.1%	0.9%
KLK MK	Kuala Lumpur Kepong	24.56	27.15	11%	Hold	35%	6,409	Sep	2.33x	2.52x	2.37x	9.8%	10.9%	11.6%	24.4x	22.1x	21.1x	7.5%	19%	26%	2.2%	2.6%
TAH MK	Ta Ann	3.58	3.85	8%	Hold	43%	390	Dec	1.22x	1.14x	1.06x	10.4%	10.1%	9.7%	11.8x	11.6x	11.3x	2.5%	-9%	-18%	2.8%	2.8%
	Automobiles and Parts																					
BAUTO MK	Bermaz Auto Berhad	2.17	2.06	-5%	Hold	39%	614	Apr	5.79x	5.80x	5.72x	27.2%	34.7%	41.0%	20.4x	16.8x	14.1x	20.1%	-38%	-40%	5.0%	6.1%
TCM MK	Tan Chong Motor Holdings	1.38	1.49	8%	Reduce	50%	221	Dec	0.33x	0.33x	0.32x	-3.3%	0.1%	2.1%	-9.6x	428.8x	15.5x	N.A.	45%	48%	0.7%	1.4%
UMWH MK	UMW Holdings	5.15	5.50	7%	Hold	38%	1,474	Dec	2.27x	2.28x	2.10x	3.7%	8.5%	16.6%	43.1x	26.5x	13.0x	82.0%	48%	50%	1.9%	3.9%
	Aviation																					
AIRA MK	AirAsia Berhad	3.30	4.04	22%	Add	63%	2,702	Dec	1.17x	1.03x	0.92x	15.7%	11.2%	11.8%	7.4x	9.8x	8.2x	-5.0%	77%	89%	6.1%	2.1%
AAX MK	AirAsia X Berhad	0.33	0.28	-15%	Reduce	34%	335	Dec	1.14x	1.06x	0.99x	9.2%	7.5%	7.4%	13.0x	14.7x	13.9x	-3.1%	29%	29%	0.0%	0.0%
	Banks & Finance																					
AHB MK	Affin Holdings	2.29	2.81	23%	Add	20%	1,090	Dec	0.50x	0.48x	0.46x	5.8%	6.0%	6.4%	8.6x	8.1x	7.4x	8.1%	N.A>	N.A>	4.3%	4.9%
ABMB MK	Alliance Bank Malaysia Berhad	4.05	3.80	-6%	Hold	71%	1,536	Mar	1.17x	1.10x	1.04x	10.0%	10.1%	10.1%	12.0x	11.3x	10.7x	6.2%	N.A>	N.A>	3.6%	3.8%
BURSA MK	Bursa Malaysia	10.00	10.00	0%	Hold	62%	1,317	Dec	6.64x	6.48x	6.32x	25.8%	28.4%	29.8%	24.8x	23.1x	21.5x	7.5%	-202%	-190%	5.3%	4.1%
HLBK MK	Hong Leong Bank	16.86	14.30	-15%	Reduce	23%	8,451	Jun	1.55x	1.43x	1.33x	10.4%	10.5%	10.3%	15.5x	14.2x	13.4x	7.6%	N.A>	N.A>	2.7%	2.8%
MAY MK	Malayan Banking Bhd	9.49	9.05	-5%	Hold	49%	25,035	Dec	1.34x	1.23x	1.14x	10.2%	9.9%	9.7%	13.5x	13.0x	12.2x	5.4%	N.A>	N.A>	5.1%	5.4%
PBK MK	Public Bank Bhd	20.50	20.40	0%	Hold	76%	19,397	Dec	2.07x	1.88x	1.71x	14.8%	14.7%	14.4%	14.8x	13.4x	12.4x	9.2%	N.A>	N.A>	3.0%	3.4%
RHBBANK MK	RHB Bank Bhd	4.99	6.30	26%	Add	42%	4,903	Dec	0.85x	0.79x	0.73x	8.8%	9.0%	9.4%	10.1x	9.1x	8.1x	11.9%	N.A>	N.A>	2.8%	3.2%
	Chemicals																					
TTNP MK	Lotte Chemical Titan	4.70	8.50	81%	Add	26%	2,618	Dec	0.73x	0.67x	0.61x	10.3%	10.4%	12.0%	7.2x	6.7x	5.3x	16.8%	-35%	-26%	2.6%	3.4%
PCHEM MK	Petronas Chemicals Group	7.49	8.50	13%	Add	31%	14,683	Dec	1.98x	1.82x	1.68x	13.3%	12.8%	12.2%	15.6x	14.9x	14.3x	4.4%	-47%	-52%	2.3%	2.3%
	Conglomerates																					
DRB MK	DRB-Hicom	1.73	2.35	36%	Add	29%	820	Mar	0.58x	0.59x	0.57x	-7.4%	-1.2%	2.6%	-7.5x	-49.8x	21.9x	N.A.	34%	50%	0.0%	0.0%
YTL MK	YTL Corporation	1.28	1.48	15%	Add	43%	3,370	Jun	0.99x	0.99x	0.99x	2.3%	6.2%	7.1%	42.7x	15.9x	13.9x	75.1%	92%	88%	5.0%	6.3%
	Construction and Materials																					
EITA MK	EITA Resources Bhd	1.61	2.52	57%	Add	40%	51	Sep	1.30x	1.17x	1.06x	13.9%	15.1%	14.5%	9.9x	8.2x	7.7x	13.3%	-25%	-25%	3.3%	3.8%
GAM MK	Gamuda	4.85	6.00	24%	Add	76%	2,918	Jul	1.51x	1.43x	1.41x	8.9%	10.0%	11.2%	19.8x	17.2x	14.9x	15.4%	56%	47%	2.4%	2.4%
IJM MK	IJM Corp Bhd	2.89	3.73	29%	Add	79%	2,569	Mar	1.40x	1.37x	1.34x	9.0%	9.4%	10.5%	15.3x	14.7x	12.9x	9.0%	48%	46%	3.5%	3.9%
LMC MK	Lafarge Malaysia Bhd	6.16	6.26	2%	Reduce	32%	1,283	Dec	1.76x	1.79x	1.78x	-3.1%	4.0%	4.7%	-56.3x	44.8x	38.1x	N.A.	4%	4%	0.8%	1.6%
MRC MK	Malaysian Resources Corp	1.08	1.19	10%	Add	42%	1,161	Dec	1.03x	1.10x	1.09x	2.7%	3.0%	3.3%	49.3x	39.4x	36.4x	16.4%	11%	16%	1.4%	1.4%
MUHI MK	Muhibbah Engineering	2.74	3.49	27%	Add	72%	322	Dec	1.2x	1.18x	1.12x	0.1x	0.1x	13.5%	10.0x	9.5x	8.5x	8.5%	-9%	-9%	2.2%	2.2%
PRTA MK	Protasco	1.04	1.43	38%	Add	66%	108	Dec	1.24x	1.27x	1.28x	7.1%	12.1%	16.4%	16.5x	10.4x	7.8x	45.6%	95%	104%	3.6%	5.8%
SALC MK	Salcon	0.46	0.43	-7%	Reduce	89%	76	Dec	0.70x	0.69x	0.67x	-0.4%	3.2%	3.8%	-158.4x	21.4x	17.9x	N.A.	-41%	-40%	0.0%	2.2%
SIGN MK	Signature International	0.75	0.94	26%	Hold	50%	42	Jun	1.25x	1.17x	1.14x	8.7%	8.5%	8.7%	14.9x	14.2x	13.3x	5.9%	16%	-2%	3.4%	3.4%
SWB MK	Sunway Bhd	1.67	1.92	15%	Add	36%	2,004	Dec	1.36x	1.29x	1.22x	8.8%	9.9%	10.2%	14.6x	15.1x	13.9x	2.7%	48%	44%	3.3%	3.3%
WCTHG MK	WCT Holdings	1.50	1.77	18%	Hold	62%	517	Dec	0.63x	0.62x	0.60x	4.7%	4.7%	5.0%	18.2x	17.6x	16.2x	6.1%	76%	73%	2.9%	3.0%

SOURCES: CIMB, COMPANY REPORTS

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Figure 2: Malaysia Valuation – cont'd

Prices as at BBG code	19/12/2017 Company name	Closing Price	Target Price	% up / (down)	Recom.	Free Float (%)	Market Cap (US$m)	Month end	Price/ BVPS (X) 2017	2018	2019	ROAE (recurring) % 2017	2018	2019	P/E (Recurrent FD) (X) 2017	2018	2019	2-Yr fwd EPS	Net Gearing 2017	2018	Net Div Yield 2017	2018
	Consumer																					
BFD MK	Berjaya Food Berhad	1.74	1.96	13%	Add	48%	160	Apr	1.63x	1.58x	1.51x	6.2%	7.0%	7.9%	26.5x	22.9x	19.5x	16.4%	61%	61%	2.0%	2.2%
BIOA MK	Bioalpha Holdings	0.25	0.44	78%	Add	57%	49	Dec	2.27x	2.02x	1.78x	12.0%	16.4%	17.9%	19.8x	13.1x	10.6x	36.6%	-11%	-6%	0.0%	0.0%
ROTH MK	British American Tobacco	36.10	40.90	13%	Hold	44%	2,526	Dec	16.38x	16.08x	15.76x	87.2%	92.4%	100.3%	19.0x	17.6x	15.9x	9.5%	-2%	-7%	5.8%	5.6%
CAB MK	Carlsberg Brewery (M)	15.30	14.80	-3%	Hold	49%	1,153	Dec	14.54x	14.54x	14.50x	71.7%	78.1%	81.9%	20.3x	18.6x	17.7x	6.9%	0%	-7%	4.9%	5.4%
CCK MK	CCK Consolidated Holdings Bhd	1.11	1.65	48%	Add	54%	85	Dec	1.38x	1.27x	1.17x	10.7%	11.6%	12.1%	13.5x	11.4x	10.1x	15.4%	10%	4%	2.6%	3.2%
FNH MK	Fraser & Neave Holdings	26.16	25.35	-3%	Hold	44%	2,350	Sep	4.31x	4.07x	3.85x	18.0%	18.9%	18.8%	24.8x	22.1x	21.0x	8.7%	-2%	-12%	2.4%	3.2%
HEIM MK	Heineken Malaysia Bhd	18.58	17.50	-6%	Hold	49%	1,375	Jun	12.16x	12.00x	11.84x	71.1%	64.2%	67.5%	19.8x	18.8x	17.7x	5.9%	-5%	-5%	5.0%	5.2%
KFB MK	Kawan Food	2.97	3.88	31%	Add	43%	349	Dec	3.41x	3.06x	2.72x	10.3%	15.2%	18.9%	34.3x	21.2x	15.3x	49.9%	-18%	-22%	2.0%	2.0%
MSM MK	MSM Malaysia Holdings	3.78	2.89	-24%	Reduce	29%	651	Dec	1.34x	1.30x	1.25x	0.8%	5.7%	6.3%	167.5x	22.9x	20.3x	187.5%	68%	76%	0.5%	2.2%
NESZ MK	Nestle (Malaysia)	99.42	84.20	-15%	Hold	28%	5,713	Dec	31.78x	31.20x	30.60x	88.2%	92.6%	97.7%	36.3x	34.0x	31.6x	7.2%	28%	27%	2.7%	2.9%
PMM MK	Panasonic Manufacturing Malaysia	39.10	45.20	16%	Add	53%	582	Mar	2.76x	2.60x	2.44x	16.8%	16.9%	17.1%	16.9x	15.8x	14.7x	7.1%	-73%	-72%	3.8%	4.0%
QLG MK	QL Resources	4.33	4.00	-8%	Hold	39%	1,721	Mar	3.87x	3.53x	3.20x	12.0%	12.7%	13.5%	33.7x	29.0x	24.9x	16.4%	29%	24%	0.8%	1.0%
	Healthcare																					
IHH MK	IHH Healthcare Bhd	5.91	6.36	8%	Add	21%	11,932	Dec	1.97x	1.91x	1.83x	2.9%	3.9%	4.9%	72.1x	50.1x	38.1x	37.6%	8%	7%	0.4%	0.4%
KPJ MK	KPJ Healthcare	0.95	1.09	15%	Hold	51%	982	Dec	2.75x	2.59x	2.42x	10.3%	11.0%	11.3%	27.9x	24.8x	22.6x	11.1%	77%	75%	1.9%	1.9%
PHRM MK	Pharmaniaga Bhd	3.85	4.55	18%	Add	34%	245	Dec	1.87x	1.87x	1.87x	9.3%	11.5%	13.9%	20.0x	16.3x	13.5x	21.8%	108%	122%	4.4%	5.5%
YSP MK	YSP Southeast Asia Holdings Bhd	2.61	3.87	48%	Add	50%	87	Dec	1.22x	1.16x	1.10x	8.8%	9.7%	10.5%	14.2x	12.3x	10.7x	15.1%	-18%	-18%	3.9%	4.5%
	Industrial Goods and Services																					
AWCF MK	AWC Berhad	0.95	1.28	35%	Add	62%	62	Jun	1.75x	1.58x	1.44x	14.8%	15.1%	14.6%	12.4x	11.0x	10.3x	9.8%	-35%	-32%	2.4%	2.9%
DPP MK	Daibochi Plastic & Packaging	2.20	2.02	-8%	Reduce	73%	176	Dec	3.75x	3.36x	3.05x	14.2%	17.2%	17.0%	27.2x	20.6x	18.8x	20.2%	15%	4%	2.1%	2.1%
HART MK	Hartalega Holdings	10.72	9.00	-16%	Add	41%	4,340	Mar	9.75x	8.68x	7.74x	23.8%	25.9%	25.4%	43.2x	35.5x	32.2x	15.8%	17%	22%	1.2%	1.6%
KAREX MK	Karex Berhad	1.33	1.44	8%	Hold	62%	327	Jun	2.59x	2.46x	2.29x	6.1%	6.8%	9.2%	43.6x	37.0x	25.8x	29.9%	-23%	-20%	0.6%	0.7%
KRI MK	Kossan Rubber Industries	8.30	9.80	18%	Add	36%	1,301	Dec	4.63x	4.19x	3.77x	17.4%	20.1%	20.9%	27.8x	21.9x	18.9x	21.2%	13%	12%	1.6%	2.3%
OCP MK	Oceancash Pacific Bhd	0.72	0.93	30%	Add	40%	39	Dec	1.90x	1.69x	1.49x	13.7%	14.3%	14.9%	14.7x	12.6x	10.6x	17.7%	2%	-6%	1.1%	1.3%
SUCB MK	Supermax Corp	1.93	2.03	5%	Hold	62%	310	Jun	1.16x	1.09x	1.02x	7.6%	9.0%	9.3%	15.8x	12.5x	11.4x	17.6%	49%	62%	1.8%	2.4%
TGI MK	Thong Guan Industries	4.32	5.90	37%	Add	50%	143	Dec	1.13x	1.00x	0.89x	14.9%	16.9%	16.1%	13.9x	11.0x	10.3x	16.6%	5%	-5%	2.7%	2.7%
TOMY MK	Tomypak Holdings	0.99	0.74	-25%	Reduce	58%	101	Dec	3.17x	2.82x	2.52x	14.3%	20.1%	19.2%	23.1x	14.8x	13.8x	29.3%	-2%	-19%	3.2%	3.2%
TOPG MK	Top Glove Corporation	7.48	7.92	6%	Add	56%	2,300	Aug	4.56x	4.13x	3.74x	18.2%	19.6%	19.8%	26.2x	22.1x	19.8x	14.9%	7%	7%	1.9%	2.3%
WELL MK	Wellcall Holdings	1.55	1.55	0%	Hold	82%	189	Sep	7.09x	6.07x	5.21x	37.7%	41.3%	37.5%	19.6x	15.8x	14.9x	14.5%	-21%	-27%	3.9%	3.9%
	Insurance																					
TIH MK	Tune Protect Group Bhd	1.06	1.40	32%	Add	70%	195	Dec	1.51x	1.43x	1.34x	10.7%	10.7%	11.3%	14.6x	13.7x	12.2x	9.5%	-140%	-144%	3.1%	3.3%
	Media																					
ASTRO MK	Astro Malaysia	2.54	3.00	18%	Hold	32%	3,245	Jan	19.20x	17.39x	15.78x	106.2%	99.2%	96.9%	19.0x	18.4x	17.1x	5.5%	481%	391%	4.8%	4.9%
MCIL MK	Media Chinese Int'l	0.39	0.36	-8%	Reduce	45%	159	Mar	0.74x	0.72x	0.70x	6.9%	5.8%	5.7%	10.8x	12.7x	12.4x	-6.6%	-19%	-19%	5.0%	3.9%
MPR MK	Media Prima Bhd	0.60	0.62	5%	Reduce	67%	162	Dec	0.53x	0.53x	0.53x	-5.0%	1.0%	1.0%	-9.7x	53.8x	52.3x	N.A.	5%	5%	0.0%	1.5%
STAR MK	Star Media Group Bhd	1.41	1.33	-5%	Hold	43%	255	Dec	1.05x	1.06x	1.06x	3.2%	3.6%	3.9%	30.4x	29.4x	27.2x	5.8%	-38%	-38%	25.5%	3.5%

SOURCES: CIMB, COMPANY REPORTS

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Figure 3: Malaysia Valuation – cont'd

Prices as at BBG code	19/12/2017 Company name	Closing Price	Target Price	% up / (down)	Recom.	Free Float (%)	Market Cap (US$m)	Month end	Price/ BVPS (X) 2017	2018	2019	ROAE (recurring) % 2017	2018	2019	P/E (Recurrent FD) (X) 2017	2018	2019	2-Yr fwd EPS	Net Gearing 2017	2018	Net Div Yield 2017	2018
	Oil Equipment and Services																					
BAB MK	Bumi Armada	0.73	0.88	21%	Add	65%	1,049	Dec	0.71x	0.65x	0.59x	5.2%	9.4%	9.6%	14.0x	7.2x	6.4x	48.1%	170%	134%	0.0%	0.0%
DLG MK	Dialog Group Bhd	2.44	3.13	28%	Add	60%	3,371	Jun	4.29x	3.98x	3.65x	11.1%	11.4%	12.9%	41.1x	36.3x	29.6x	17.8%	0%	72%	1.0%	1.1%
PETD MK	Petronas Dagangan Bhd	24.38	24.41	0%	Add	30%	5,935	Dec	3.98x	4.08x	3.89x	19.8%	17.0%	17.3%	21.5x	23.6x	23.1x	-3.5%	-57%	-58%	4.8%	3.2%
SAPE MK	Sapura Energy Bhd	0.74	1.42	93%	Add	70%	1,079	Jan	0.47x	0.49x	0.50x	-2.8%	-2.6%	-1.3%	-14.1x	-18.7x	-37.7x	-38.9%	116%	167%	1.4%	1.4%
UMWOG MK	UMW Oil & Gas	0.29	0.35	21%	Hold	35%	584	Dec	0.53x	0.53x	0.53x	-5.8%	0.4%	0.1%	-9.4x	134.7x	770.3x	-	32%	28%	0.0%	0.0%
YNS MK	Yinson Holdings Bhd	3.85	4.81	25%	Add	40%	1,027	Jan	1.49x	1.09x	1.09x	11.8%	9.7%	8.2%	13.6x	12.9x	13.3x	1.4%	115%	72%	4.2%	1.8%
	Property & REITs																					
CMMT MK	CapitaLand Malaysia Mall Trust	1.44	1.51	5%	Hold	43%	719	Dec	1.36x	1.37x	1.37x	7.4%	7.6%	7.7%	22.8x	22.5x	22.2x	1.2%	40%	39%	5.7%	5.7%
EAST MK	Eastern & Oriental	1.42	1.59	12%	Hold	79%	454	Mar	1.07x	1.03x	1.02x	4.7%	7.4%	3.4%	22.2x	14.0x	30.0x	-14.0%	72%	103%	2.1%	2.1%
ECW MK	Eco World Development Group	1.43	1.63	14%	Hold	33%	1,032	Oct	0.98x	0.93x	0.88x	3.1%	4.8%	5.5%	25.7x	19.0x	16.2x	25.9%	71%	76%	0.0%	0.0%
ECWI MK	Eco World International	1.01	1.21	20%	Add	36%	594	Oct	0.94x	0.86x	0.75x	-5.5%	6.0%	13.7%	-112.5x	15.6x	7.2x	-	-34%	-12%	0.0%	0.0%
KLCCSS MK	KLCCP Stapled Group	7.80	7.83	0%	Hold	89%	3,451	Dec	2.86x	2.84x	2.82x	14.8%	15.2%	16.0%	19.4x	18.8x	17.8x	4.7%	9%	9%	4.7%	4.9%
LBS MK	LBS Bina Group	2.29	2.55	11%	Add	49%	384	Dec	1.28x	1.21x	1.10x	9.8%	11.8%	12.8%	15.4x	12.4x	10.6x	20.6%	35%	25%	4.9%	2.8%
MSGB MK	Mah Sing Group	1.52	1.85	22%	Add	65%	904	Dec	1.06x	1.04x	1.00x	9.4%	6.8%	7.4%	11.5x	15.5x	13.7x	-8.1%	0%	4%	4.3%	3.3%
MQREIT MK	MRCB-Quill REIT	1.25	1.35	8%	Hold	28%	327	Dec	0.98x	0.98x	0.97x	6.2%	6.5%	6.6%	12.4x	15.0x	14.8x	-8.5%	61%	60%	6.7%	6.7%
SPR MK	Selangor Properties	5.08	5.12	1%	Hold	32%	428	Oct	0.70x	0.70x	na	2.1%	3.4%	-	33.2x	20.5x	na	-	-29%	-27%	3.0%	4.9%
SDPR MK	Sime Darby Property Berhad	1.43	1.85	29%	Add	36%	2,383	Jun	0.37x	1.01x	0.98x	5.5%	1.9%	2.9%	5.4x	29.2x	34.1x	-60.2%	35%	1%	2.1%	0.7%
SPSB MK	SP Setia	3.32	3.40	2%	Hold	72%	2,461	Dec	1.02x	1.01x	0.95x	7.4%	5.5%	9.8%	13.9x	18.7x	10.1x	17.3%	16%	15%	5.1%	3.8%
SREIT MK	Sunway REIT	1.72	1.79	4%	Hold	63%	1,241	Jun	1.20x	1.20x	1.20x	6.8%	7.0%	7.4%	18.0x	17.1x	16.3x	4.9%	53%	55%	5.5%	5.8%
UEMS MK	UEM Sunrise Bhd	1.05	1.15	10%	Hold	34%	1,167	Dec	0.68x	0.66x	0.63x	2.2%	4.0%	4.2%	31.3x	16.8x	15.3x	43.2%	44%	46%	0.0%	0.0%
UOAD MK	UOA Development	2.38	2.85	20%	Add	31%	1,011	Dec	0.96x	0.96x	0.95x	9.1%	7.3%	8.3%	10.4x	12.8x	11.2x	-3.7%	-28%	-33%	6.3%	6.3%
	Retail																					
SEM MK	7-Eleven Malaysia Holdings	1.53	1.14	-26%	Reduce	49%	416	Dec	25.50x	21.10x	17.64x	83.7%	63.0%	59.6%	41.3x	36.7x	32.3x	13.1%	31%	0%	1.7%	1.9%
BON MK	Bonia Corporation	0.52	0.78	51%	Add	50%	103	Jun	0.94x	0.89x	0.84x	7.8%	7.7%	7.8%	12.4x	11.9x	11.1x	5.3%	5%	-7%	2.4%	2.4%
BISON MK	Mynews Holdings Berhad	1.42	1.50	6%	Hold	26%	237	Dec	3.94x	3.58x	3.20x	12.5%	12.2%	13.9%	37.5x	30.7x	24.3x	24.2%	-5%	3%	1.3%	0.7%
	Services																					
PRES MK	Prestariang	1.49	2.69	81%	Add	51%	176	Dec	4.26x	2.99x	2.62x	11.6%	41.8%	39.1%	37.6x	8.4x	7.2x	129.1%	90%	161%	2.7%	4.0%
SASB MK	Sasbadi Holdings	0.66	1.32	102%	Add	55%	67	Aug	1.84x	1.61x	1.40x	10.7%	21.7%	23.4%	17.6x	7.9x	6.4x	65.9%	2%	-2%	3.7%	5.1%
	Shipping																					
MISC MK	MISC Bhd	7.11	7.41	4%	Hold	23%	7,765	Dec	0.89x	0.87x	0.85x	6.0%	5.5%	5.6%	15.0x	16.0x	15.4x	-1.2%	13%	10%	3.7%	3.7%
	Technology																					
AMLS MK	Aemulus Holdings Bhd	0.61	0.69	14%	Hold	51%	65	Sep	3.51x	3.07x	2.65x	11.6%	13.5%	14.6%	32.0x	24.2x	19.4x	28.4%	-5%	-24%	0.0%	0.0%
DNEX MK	Dagang NeXchange	0.44	0.74	71%	Add	59%	187	Dec	1.67x	1.49x	1.35x	14.1%	15.0%	14.8%	14.3x	12.3x	11.3x	12.5%	-27%	-34%	1.1%	2.3%
GHLS MK	GHL Systems Bhd	1.45	1.54	7%	Hold	36%	234	Dec	3.54x	3.20x	2.83x	8.6%	11.6%	13.6%	42.8x	29.1x	22.1x	39.0%	-18%	-25%	0.3%	0.3%
IFCA MK	IFCA MSC	0.37	0.42	15%	Hold	65%	54	Dec	2.20x	1.97x	1.78x	18.4%	17.9%	16.9%	12.4x	11.5x	11.0x	6.2%	-86%	-90%	1.4%	1.4%
INRI MK	Inari-Amertron Bhd	3.43	3.10	-10%	Add	67%	1,721	Jun	7.45x	6.60x	5.80x	29.5%	31.2%	30.6%	27.5x	22.4x	20.2x	16.7%	-47%	-48%	2.8%	2.7%
KESM MK	KESM Industries	19.28	22.00	14%	Add	52%	203	Jul	2.42x	2.12x	1.85x	14.8%	15.8%	16.4%	17.4x	14.3x	12.0x	20.2%	-19%	-26%	0.8%	1.1%
MPI MK	Malaysian Pacific Industries	12.02	15.00	25%	Hold	46%	586	Jun	2.13x	1.92x	1.73x	17.0%	15.8%	15.1%	13.3x	12.8x	12.0x	5.2%	-33%	-45%	2.4%	2.6%
MYEG MK	MY E.G. Services	2.13	3.04	43%	Add	55%	1,882	Jun	11.96x	8.81x	6.54x	44.0%	43.3%	42.4%	31.3x	23.5x	17.7x	33.0%	-17%	-8%	1.2%	1.6%
UCHI MK	Uchi Technologies	3.51	3.00	-14%	Hold	63%	381	Dec	6.42x	6.33x	6.39x	30.5%	34.1%	35.2%	19.8x	18.7x	18.0x	4.7%	-71%	-73%	7.1%	5.1%
UNI MK	Unisem	3.53	5.00	42%	Add	60%	635	Dec	1.72x	1.60x	1.48x	12.2%	13.1%	13.8%	14.5x	12.6x	11.2x	14.0%	-19%	-26%	3.4%	3.7%

SOURCES: CIMB, COMPANY REPORTS

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Figure 4: Malaysia Valuation – cont'd

Prices as at BBG code	19/12/2017 Company name	Closing Price	Target Price	% up / (down)	Recom.	Free Float (%)	Market Cap (US$m)	Month end	Price/ BVPS (X) 2017	Price/ BVPS (X) 2018	Price/ BVPS (X) 2019	ROAE (recurring) % 2017	ROAE (recurring) % 2018	ROAE (recurring) % 2019	P/E (Recurrent FD) (X) 2017	P/E (Recurrent FD) (X) 2018	P/E (Recurrent FD) (X) 2019	2-Yr fwd EPS	Net Gearing 2017	Net Gearing 2018	Net Div Yield 2017	Net Div Yield 2018
	Telecommunications																					
AXIATA MK	Axiata Group	5.35	6.00	12%	Add	44%	11,861	Dec	1.98x	1.93x	1.86x	5.0%	6.3%	9.2%	39.9x	31.0x	20.7x	38.8%	58%	52%	1.3%	2.7%
DIGI MK	DiGi.com	4.82	5.00	4%	Hold	47%	9,183	Dec	72.17x	72.17x	72.17x	289.2%	283.9%	303.9%	25.0x	25.4x	23.7x	2.5%	409%	392%	4.0%	3.9%
MAXIS MK	Maxis Berhad	5.93	5.80	-2%	Hold	35%	11,349	Dec	6.78x	6.50x	6.44x	37.2%	29.9%	27.2%	21.2x	22.2x	23.8x	-5.7%	106%	101%	3.7%	3.9%
T MK	Telekom Malaysia	6.04	6.40	6%	Hold	48%	5,562	Dec	2.92x	2.88x	2.84x	11.9%	11.9%	12.8%	24.7x	24.5x	22.4x	5.1%	79%	80%	3.6%	3.7%
	Transport Infrastructure																					
MAHB MK	Malaysia Airports Holdings	8.47	10.56	25%	Add	40%	3,444	Dec	1.60x	1.56x	1.52x	4.3%	7.0%	8.2%	37.0x	22.4x	18.5x	41.5%	39%	35%	2.2%	3.4%
WPRTS MK	Westports Holdings	3.56	4.11	15%	Add	31%	2,975	Dec	5.45x	5.08x	4.95x	29.9%	27.8%	25.8%	18.9x	18.9x	19.4x	-1.3%	43%	36%	4.0%	4.0%
	Travel & Leisure																					
BST MK	Berjaya Sports Toto	2.25	2.85	27%	Add	63%	743	Apr	2.77x	2.35x	2.25x	27.2%	22.1%	20.4%	12.0x	11.5x	11.3x	3.2%	91%	41%	6.6%	6.9%
GENT MK	Genting Bhd	8.83	10.70	21%	Add	60%	8,277	Dec	0.90x	0.86x	0.81x	5.6%	6.1%	7.0%	19.9x	17.5x	14.5x	17.2%	-27%	-31%	1.4%	1.4%
GENM MK	Genting Malaysia	5.39	5.45	1%	Hold	51%	7,487	Dec	1.54x	1.47x	1.37x	6.4%	7.6%	9.7%	24.6x	19.9x	14.5x	30.3%	1%	1%	1.9%	2.2%
MAG MK	Magnum Bhd	1.73	1.77	3%	Hold	55%	603	Dec	1.01x	0.99x	0.98x	8.1%	8.3%	8.5%	12.5x	12.0x	11.5x	4.2%	21%	19%	6.4%	6.6%
	Utilities																					
CYP MK	Cypark Resources Bhd	2.54	2.87	13%	Add	66%	163	Oct	1.32x	1.15x	1.03x	11.8%	15.5%	13.8%	12.0x	8.2x	8.1x	21.6%	82%	46%	2.0%	2.0%
GMB MK	Gas Malaysia Berhad	2.75	2.99	9%	Hold	36%	865	Dec	3.46x	3.46x	3.46x	15.4%	17.1%	17.7%	22.5x	20.2x	19.5x	7.4%	-46%	-49%	4.4%	4.9%
MLK MK	Malakoff Corporation	0.90	1.05	17%	Hold	39%	1,096	Dec	0.76x	0.75x	0.74x	3.8%	2.6%	4.4%	19.9x	28.5x	16.9x	8.4%	217%	176%	4.5%	2.2%
PTG MK	Petronas Gas	16.40	19.40	18%	Hold	22%	7,952	Dec	2.60x	2.47x	2.36x	14.6%	16.0%	16.1%	18.1x	15.8x	15.0x	10.0%	-15%	-16%	3.9%	4.4%
TWK MK	Taliworks Corporation	1.12	1.10	-2%	Hold	41%	332	Dec	1.19x	1.18x	1.17x	4.3%	5.0%	5.1%	30.8x	28.6x	25.5x	10.0%	23%	25%	7.1%	7.1%
TNB MK	Tenaga Nasional	14.90	15.70	5%	Add	49%	20,687	Aug	1.47x	1.39x	1.31x	12.9%	12.2%	11.1%	11.8x	11.7x	12.1x	-1.5%	53%	53%	3.2%	4.3%
YTLP MK	YTL Power International	1.26	1.50	19%	Add	37%	2,447	Jun	0.77x	0.77x	0.77x	5.3%	5.8%	6.0%	14.7x	13.3x	12.9x	6.7%	145%	175%	5.6%	7.5%

SOURCES: CIMB, COMPANY REPORTS

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Add	53.5%	4.3%
Hold	35.9%	2.6%
Reduce	9.7%	0.2%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

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