

UMW Holdings (UMWH MK)

FY22 results in line; higher DPS a positive

TP raised to MYR5.30. BUY.

Whilst FY22 core net profit was within our expectation, final DPS of 11.2 sen was a positive surprise, at 2x of our estimate. We raise FY23-24: (i) earnings estimates by 14% to reflect higher earnings from all divisions (autos, M&E & equipment) and (ii) DPR to 40% (+15-ppts), on improved financials. Accordingly, our TP is now higher, at MYR5.30 (+30sen), pegged to an unchanged FY23 PER of 15x (-0.5 SD valuation).

4Q22: Higher final DPS a positive

A higher core net profit of MYR105m (+4% QoQ) in 4Q22 took FY22 core net profit to MYR421m (+170% YoY). The QoQ strength was driven mainly by higher profits at: (i) M&E (2.2x) and (ii) UMW (Toyota) ops (which registered a 8% QoQ increase in vehicle sales in 4Q22). This was offset by weaker profits at Perodua [P2; 38%-owned], for margins contracted due to the increase in material costs. It declared a final DPS of 11.2 sen in 4Q22 (2x of our estimate), which took its FY22 DPS/ DPR/ yield to 14.2 sen/ 40%/ 3.6% respectively.

Still going strong in FY23

Our higher earnings estimates for FY23-24 reflect improved earnings at all its divisions. It P2 ops is targeting record vehicle sales of 314k units (+11% YoY), backed by ~220k units backlog. Demand remains strong post the discontinuation of the SST holidays from Jul 2022, underpinned by new model launches. The waiting periods for its Alza/ Bezza models are at 8M/6M respectively. Meanwhile, while Toyota is conservatively aiming for a lower target (90k units; -11% YoY) in FY23, we do not rule out it matching its FY22 sales (101k units). Its order backlog (50k units) covers 56% of its estimate. Concurrently, its M&E and equipment ops will continue to show growth post pandemic, driven by higher orders (fan cases) for its aerospace ops and equipment.

Higher DPS outlook

UMW has alluded to a minimum 40% DPR (which we have matched in our estimates; +15%), offering a yield of 3.6%. This is a positive, considering its stable financials. That said, we see ample room for a higher dividend payout, for the divestment of its non-core assets (Serendah land) is underway, with shareholders' likely to be rewarded.

FYE Dec (MYR m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	11,061	15,814	15,569	15,979	16,137
EBITDA	506	952	852	932	997
Core net profit	156	421	424	439	456
Core EPS (sen)	13.4	36.0	36.3	37.5	39.0
Core EPS growth (%)	(45.2)	169.5	0.7	3.5	3.9
Net DPS (sen)	5.8	14.2	14.5	15.0	15.6
Core P/E (x)	22.2	9.6	10.9	10.5	10.1
P/BV (x)	0.9	0.9	1.0	0.9	0.9
Net dividend yield (%)	2.0	4.1	3.7	3.8	3.9
ROAE (%)	6.8	9.9	9.4	9.1	8.8
ROAA (%)	1.3	3.4	3.4	3.5	3.5
EV/EBITDA (x)	9.7	4.7	6.5	6.3	6.1
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	397	411	na
MIBG vs. Consensus (%)	-	-	6.7	6.9	na

Liaw Thong Jung
tjliaw@maybank-ib.com
(603) 2297 8688

BUY

Share Price	MYR 3.95
12m Price Target	MYR 5.30 (+34%)
Previous Price Target	MYR 5.00

Company Description

UMW Holdings operates 3 core division: Auto (Toyota franchise in Msia), Industrial & Heavy Equipment and Manufacturing & Engineering.

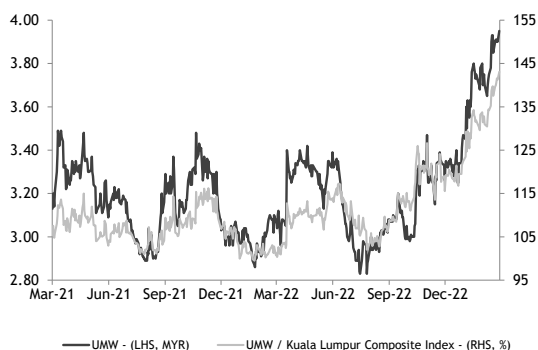
Statistics

52w high/low (MYR)	3.95/2.83
3m avg turnover (USDm)	0.7
Free float (%)	24.0
Issued shares (m)	1,168
Market capitalisation	MYR4.6B
	USD1.0B

Major shareholders:

Permodalan Nasional Bhd.	42.5%
Employees Provident Fund	10.2%
Kumpulan Wang Persaraan	9.1%

Price Performance



	-1M	-3M	-12M
Absolute (%)	4	18	27
Relative to index (%)	7	21	39

Source: FactSet

UMWH's quarterly results summary

FY Dec (MYR m)	Quarterly results					Cumulative		
	4Q22	3Q22	%QoQ	4Q21	%YoY	FY22	FY21	% YoY
Turnover	4,375.4	4,057.5	7.8	3,645.1	20.0	15,814.4	11,060.8	43.0
EBIT	155.4	163.5	(4.9)	125.5	23.9	605.5	274.2	>100
Interest expense	(28.3)	(21.4)	32.7	(29.7)	(4.6)	(114.1)	(108.2)	5.5
Associates	67.8	72.8	(6.9)	160.9	(57.9)	334.9	268.0	25.0
Investment Income	23.8	16.6	43.8	14.3	66.3	70.2	48.7	44.1
Pre-tax profit	218.6	231.5	(5.6)	271.0	(19.3)	896.5	482.8	85.7
Taxation	(46.5)	(72.1)	(35.6)	109.3	NM	(218.6)	32.9	NM
Minority interest	(48.6)	(41.2)	17.8	(122.8)	(60.4)	(193.0)	(177.6)	8.7
Sukuk	(17.6)	(17.4)	1.1	(17.6)	0.0	(69.9)	(69.9)	0.0
Net profit / (loss)	106.0	100.7	5.2	240.0	(55.8)	415.0	268.2	54.7
Exceptional item	1.0	0.0	NM	109.4	(99.1)	(6.0)	112.1	NM
Recurring net profit / (loss)	105.0	100.7	4.2	130.5	(19.6)	421.0	156.1	>100
	4Q22	3Q22	%QoQ	4Q21	%YoY	FY22	FY21	% YoY
EBIT margin (%)	3.6	4.0	(0.5)	3.4	0.1	3.8	2.5	1.3
Tax rate (%)	21.3	31.2	(9.9)	(40.3)	61.6	24.4	(6.8)	31.2
	4Q22	3Q22	%QoQ	4Q21	%YoY	FY22	FY21	% YoY
Revenue	4,375.4	4,057.5	7.8	3,645.1	20.0	15,814.4	11,060.8	43.0
Automotive	3,694.9	3,427.6	7.8	3,061.6	20.7	13,310.0	9,030.3	47.4
Equipment	395.3	394.4	0.2	365.1	8.3	1,528.0	1,313.4	16.3
M&E	278.5	252.2	10.4	225.9	23.3	984.2	726.3	35.5
Others	6.7	(16.6)	NM	(7.5)	NM	(7.7)	(9.3)	(16.8)
Pre-tax profit	218.6	231.5	(5.6)	271.0	(19.3)	896.5	482.8	85.7
Automotive	182.6	183.6	(0.5)	269.2	(32.1)	774.9	476.7	62.5
Equipment	35.7	50.0	(28.7)	28.9	23.2	152.8	107.0	42.8
M&E	29.2	13.4	>100	11.7	>100	66.3	22.2	>100
Others	(28.9)	(15.5)	86.7	(38.8)	(25.5)	(97.6)	(123.2)	(20.8)
	4Q22	3Q22	+/- ppt	4Q21	%YoY	12M22	12M21	+/- ppt
Pre-tax margins (%)	5.0	5.7	(0.7)	7.4	(2.4)	5.7	4.4	1.3
Automotive	4.9	5.4	(0.4)	8.8	(3.8)	5.8	5.3	0.5
Equipment	9.0	12.7	(3.7)	7.9	1.1	10.0	8.1	1.9
M&E	10.5	5.3	5.2	5.2	5.3	6.7	3.1	3.7
Vehicle Unit Sales	4Q22	3Q22	%QoQ	4Q21	%YoY	12M22	12M21	%YoY
Toyota	28,641	26,478	8.2	26,276	9.0	101,035	72,394	39.6
Perodua	91,728	62,948	45.7	71,198	28.8	282,019	190,291	48.2

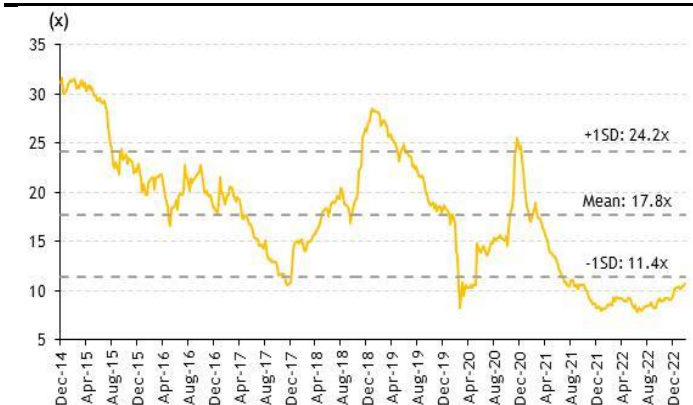
Source: Company

UMW: Vehicles sales

	2021	2022	2023F	2024F	2025F
Toyota	72,394	101,035	90,000	91,500	92,000
Perodua	190,291	282,019	314,000	316,500	317,000

Source: Company, Maybank IBG Research

1-year forward PER



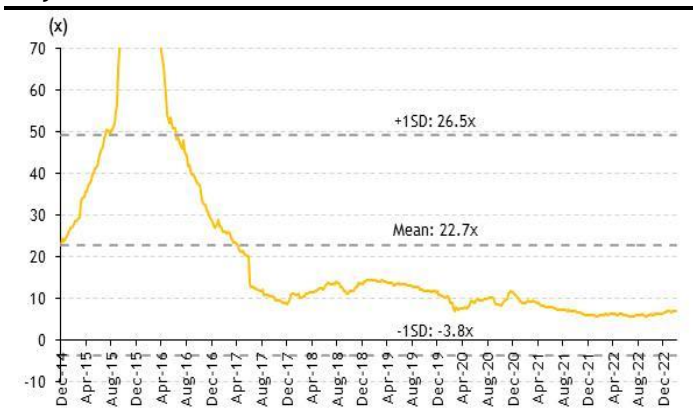
Source: Company, Maybank IBG Research

1-year forward PBV



Source: Company, Maybank IBG Research

1-year forward EV/ EBITDA



Source: Company, Maybank IBG Research

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
P/E (reported) (x)	13.7	8.9	10.9	10.5	10.1
Core P/E (x)	22.2	9.6	10.9	10.5	10.1
P/BV (x)	0.9	0.9	1.0	0.9	0.9
P/NTA (x)	0.9	0.9	1.0	0.9	0.9
Net dividend yield (%)	2.0	4.1	3.7	3.8	3.9
FCF yield (%)	nm	20.1	nm	nm	nm
EV/EBITDA (x)	9.7	4.7	6.5	6.3	6.1
EV/EBIT (x)	30.4	7.3	11.1	11.2	11.3
INCOME STATEMENT (MYR m)					
Revenue	11,060.8	15,814.4	15,569.1	15,979.2	16,137.4
EBITDA	505.6	952.1	851.5	931.9	997.4
Depreciation	(343.5)	(340.6)	(351.8)	(410.1)	(460.8)
EBIT	162.1	611.5	499.7	521.8	536.6
Net interest income / (exp)	(59.5)	(44.0)	(83.5)	(92.1)	(96.7)
Associates & JV	268.0	334.9	361.7	372.6	383.7
Exceptionals	112.1	(6.0)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	482.8	896.5	777.9	802.3	823.7
Income tax	32.9	(218.6)	(220.3)	(229.3)	(235.7)
Minorities	(177.6)	(193.0)	(63.8)	(64.2)	(62.2)
Perpetual securities	(69.9)	(69.9)	(69.9)	(69.9)	(69.9)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	268.2	415.0	423.9	438.9	455.9
Core net profit	156.1	421.0	423.9	438.9	455.9
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	2,941.4	2,808.1	2,379.9	2,151.6	1,971.7
Accounts receivable	1,051.7	1,231.5	1,214.1	1,243.3	1,254.5
Inventory	1,752.2	2,045.7	1,772.8	1,811.3	1,821.5
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	2,545.0	2,706.2	3,154.4	3,544.3	3,883.5
Intangible assets	0.0	0.8	0.8	0.8	0.8
Investment in Associates & JVs	2,248.5	2,441.0	2,660.1	2,890.1	3,131.3
Other assets	1,634.0	1,183.8	1,183.8	1,183.8	1,183.8
Total assets	12,172.7	12,417.1	12,365.8	12,825.1	13,247.2
ST interest bearing debt	638.1	212.3	212.3	212.3	212.3
Accounts payable	2,248.8	3,292.8	2,853.5	2,915.5	2,931.9
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	2,095.0	1,339.9	1,339.9	1,339.9	1,339.9
Other liabilities	428.0	432.0	432.0	432.0	432.0
Total Liabilities	5,410.1	5,277.1	4,837.9	4,899.8	4,916.3
Shareholders Equity	4,004.7	4,350.0	4,674.2	5,007.4	5,350.7
Minority Interest	1,660.0	1,692.1	1,755.9	1,820.1	1,882.3
Total shareholder equity	5,664.7	6,042.1	6,430.1	6,827.5	7,233.0
Perpetual securities	1,097.9	1,097.9	1,097.9	1,097.9	1,097.9
Total liabilities and equity	12,172.7	12,417.1	12,365.8	12,825.1	13,247.2
CASH FLOW (MYR m)					
Pretax profit	482.8	896.5	777.9	802.3	823.7
Depreciation & amortisation	343.5	340.6	351.8	410.1	460.8
Adj net interest (income)/exp	(133.5)	(133.5)	(139.7)	(139.7)	(139.7)
Change in working capital	(232.4)	524.8	(148.9)	(5.7)	(5.0)
Cash taxes paid	(74.0)	(139.1)	(220.3)	(229.3)	(235.7)
Other operating cash flow	(150.3)	(305.3)	(278.2)	(280.5)	(287.1)
Cash flow from operations	236.1	1,183.9	342.6	557.2	616.9
Capex	(301.8)	(367.4)	(800.0)	(800.0)	(800.0)
Free cash flow	(65.7)	816.6	(457.4)	(242.8)	(183.1)
Dividends paid	(123.1)	(256.8)	(169.6)	(175.6)	(182.4)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	267.0	(1,180.8)	0.0	0.0	0.0
Other invest/financing cash flow	705.9	489.5	198.7	190.2	186.6
Effect of exch rate changes	8.2	11.7	0.0	0.0	0.0
Net cash flow	792.3	(119.8)	(428.3)	(228.3)	(178.9)

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	15.8	43.0	(1.6)	2.6	1.0
EBITDA growth	(29.0)	88.3	(10.6)	9.4	7.0
EBIT growth	(52.0)	277.2	(18.3)	4.4	2.8
Pretax growth	20.5	85.7	(13.2)	3.1	2.7
Reported net profit growth	31.1	54.7	2.1	3.5	3.9
Core net profit growth	(45.2)	169.8	0.7	3.5	3.9
Profitability ratios (%)					
EBITDA margin	4.6	6.0	5.5	5.8	6.2
EBIT margin	1.5	3.9	3.2	3.3	3.3
Pretax profit margin	4.4	5.7	5.0	5.0	5.1
Payout ratio	25.3	40.0	40.0	40.0	40.0
DuPont analysis					
Net profit margin (%)	2.4	2.6	2.7	2.7	2.8
Revenue/Assets (x)	0.9	1.3	1.3	1.2	1.2
Assets/Equity (x)	3.0	2.9	2.6	2.6	2.5
ROAE (%)	6.8	9.9	9.4	9.1	8.8
ROAA (%)	1.3	3.4	3.4	3.5	3.5
Liquidity & Efficiency					
Cash conversion cycle	16.6	5.5	(3.2)	(1.2)	(1.3)
Days receivable outstanding	36.7	26.0	28.3	27.7	27.9
Days inventory outstanding	52.7	44.5	51.7	47.5	47.8
Days payables outstanding	72.7	65.0	83.2	76.4	77.0
Dividend cover (x)	4.0	2.5	2.5	2.5	2.5
Current ratio (x)	2.1	1.8	1.8	1.7	1.6
Leverage & Expense Analysis					
Asset/Liability (x)	2.2	2.4	2.6	2.6	2.7
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	2.7	13.9	6.0	5.7	5.6
Debt/EBITDA (x)	5.4	1.6	1.8	1.7	1.6
Capex/revenue (%)	2.7	2.3	5.1	5.0	5.0
Net debt/ (net cash)	(208.3)	(1,255.9)	(827.6)	(599.3)	(419.5)

Source: Company; Maybank IBG Research

Research Offices

ECONOMICS

Suhaimi ILIAS
Chief Economist
Malaysia | Philippines | Global
(603) 2297 8682
suhaimi_ilias@maybank-ib.com

CHUA Hak Bin
Regional Thematic Macroeconomist
(65) 6231 5830
chuahb@maybank.com

LEE Ju Ye
Singapore | Thailand | Indonesia
(65) 6231 5844
leejuy@maybank.com

Dr Zamros DZULKAFI
(603) 2082 6818
zamros.d@maybank-ib.com

Fatin Nabila MOHD ZAINI
(603) 2297 8685
fatinnabila.mohdzaini@maybank-ib.com

Brian LEE Shun Rong
(65) 6231 5846
brian.lee1@maybank.com

Luong Thu Huong
(65) 6231 8467
hana.thuluong@maybank.com

FX

Saktiandi SUPAAT
Head of FX Research
(65) 6320 1379
saktiandi@maybank.com

Fiona LIM
(65) 6320 1374
fionalim@maybank.com

Alan Lau
(65) 6320 1378
alantau@maybank.com

Shaun Lim
(65) 6320 1371
shaunlim@maybank.com

STRATEGY

Anand PATHMAKANTHAN
ASEAN
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

FIXED INCOME

Winson PHOON, FCA
Head of Fixed Income
(65) 6340 1079
winsonphoon@maybank.com

SE THO Mun Yi, CFA
(603) 2074 7606
munyi.st@maybank-ib.com

PORTFOLIO STRATEGY

CHAN Han Chin
(603) 2297 8888
hanchin.chan@maybank-ib.com

ONG Seng Yeow
(65) 6231 5839
ongsengyeow@maybank.com

MIBG SUSTAINABILITY RESEARCH

Jigar SHAH
Head of Sustainability Research
(91) 22 4223 2632
jigars@maybank.com

Neerav DALAL
(91) 22 4223 2606
neerav@maybank.com

REGIONAL EQUITIES

Anand PATHMAKANTHAN
Head of Regional Equity Research
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

WONG Chew Hann, CA
Head of ASEAN Equity Research
(603) 2297 8686
wchewh@maybank-ib.com

MALAYSIA

Anand PATHMAKANTHAN *Head of Research*
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com
• Strategy

WONG Chew Hann, CA
(603) 2297 8686
wchewh@maybank-ib.com
• Non-Bank Financials (stock exchange)
• Construction & Infrastructure

Desmond CH'NG, BFP, FCA
(603) 2297 8680
desmond.chng@maybank-ib.com
• Banking & Finance

LIAW Thong Jung
(603) 2297 8688 tjliaw@maybank-ib.com
• Oil & Gas Services- Regional
• Automotive

ONG Chee Ting, CA
(603) 2297 8678 ct.ong@maybank-ib.com
• Plantations - Regional

YIN Shao Yang, CPA
(603) 2297 8916 samuel.y@maybank-ib.com
• Gaming - Regional
• Media • Aviation • Non-Bank Financials

TAN Chi Wei, CFA
(603) 2297 8690 chiwei.t@maybank-ib.com
• Power • Telcos

WONG Wei Sum, CFA
(603) 2297 8679 weisum@maybank-ib.com
• Property • Glove

Jade TAM
(603) 2297 8687 jade.tam@maybank-ib.com
• Consumer Staples & Discretionary

Nur Farah SYIFAA
(603) 2297 8675
nurfarahsyifaa.mohamadfuad@maybank-ib.com
• Renewable Energy • REITs

Arvind JAYARATNAM
(603) 2297 8692
arvind.jayaratnam@maybank.com
• Petrochemicals • Technology

Shafiq KADIR, CFA
(603) 2297 8691
msshafiqk.abkadir@maybank-ib.com
• Healthcare • Software

LOH Yan Jin
(603) 2297 8687
lohyanjin.loh@maybank-ib.com
• Ports • Shipping

Eugene HOO Yee Hui
(603) 2082 6819
eugene.hoo@maybank.com
• Media

TEE Sze Chiah *Head of Retail Research*
(603) 2082 6858 szechiah.t@maybank-ib.com
• Retail Research

Nik Ihsan RAJA ABDULLAH, MSTA, CFTe
(603) 2297 8694
nikmohdihsan.ra@maybank-ib.com
• Chartist

Amirah AZMI
(603) 2082 8769 amirah.azmi@maybank-ib.com
• Retail Research

SINGAPORE

Thilan WICKRAMASINGHE *Head of Research*
(65) 6231 5840 thilanw@maybank.com
• Banking & Finance - Regional
• Consumer

Eric ONG
(65) 6231 5849 ericong@maybank.com
• Healthcare • Transport • SMIDs

Kelvin TAN
(65) 6231 5837 kelvin.tan1@maybank.com
• Telcos • Industrials

LI Jialin
(65) 6231 5845 jialin.li@maybank.com
• REITs

Jarick SEET
(65) 6231 5848 jarick.seet@maybank.com
• Technology

Krishna GÜHA
(65) 6231 5842 krishna.guha@maybank.com
• REITs

PHILIPPINES

Jacqui de JESUS *Head of Research*
(63) 2 8849 8840
jacqui.dejesus@maybank.com
• Strategy • Conglomerates

Rachelleen RODRIGUEZ, CFA
(63) 2 8849 8843
rachelleen.rodriguez@maybank.com
• Banking & Finance • Transport • Telcos

Daphne SZE
(63) 2 8849 8847
daphne.sze@maybank.com
• Consumer

Miguel SEVIDAL
(63) 2 8849 8844
miguel.sevidal@maybank.com
• REITs • Property • Gaming

Fiorenzo de JESUS
(63) 2 8849 8846
fiorenzo.dejesus@maybank.com
• Utilities

Alexa Mae CARVAJAL
(63) 2 8849 8838
alexamae.carvaja@maybank.com
• Consumer

THAILAND

Jesada TECHAHUSDIN, CFA
(66) 2658 6300 ext 1395
jesada.t@maybank.com
• Banking & Finance

Yuwanee PROMMAPORN
(66) 2658 6300 ext 1393
Yuwanee.P@maybank.com
• Services • Healthcare

Wasu MATTANAPOTCHANART
(66) 2658 6300 ext 1392
wasu.m@maybank.com
• Telcos

Surachai PRAMUALCHAROENKIT
(66) 2658 5000 ext 1470
Surachai.p@maybank.com
• Auto • Conmat • Contractor • Steel

Suttatip PEERASUB
(66) 2658 5000 ext 1430
suttatip.p@maybank.com
• Food & Beverage • Commerce

Jaroonpan WATTANAWONG
(66) 2658 5000 ext 1404
jaroonpan.w@maybank.com
• Transportation • Small cap

INDONESIA

Jeffrosenberg CHENLIM *Head of Research*
(62) 21 8066 8680
Jeffrosenberg.lim@maybank.com
• Strategy • Banking & Finance • Property

Willy GOUTAMA
(62) 21 8066 8500
willy.goutama@maybank.com
• Consumer

Richard SUHERMAN
(62) 21 8066 8683
richard.suherman@maybank.com
• Metals & Mining

Etta Rusdiana PUTRA
(62) 21 8066 8683
etta.putra@maybank.com
• Telcos

William Jefferson W
(62) 21 8066 8563
william.jefferson@maybank.com
• Property

Satriawan Haryono, CEWA, CTA
(62) 21 8066 8682
satriawan@maybank.com
• Chartist

VIETNAM

Quan Trong Thanh *Head of Research*
(84 28) 44 555 888 ext 8184
thanh.quan@maybank.com
• Strategy • Banks

Hoang Huy, CFA
(84 28) 44 555 888 ext 8181
hoanghuy@maybank.com
• Strategy • Technology

Le Nguyen Nhat Chuyen
(84 28) 44 555 888 ext 8082
chuyen.le@maybank.com
• Oil & Gas • Logistics

Nguyen Thi Sony Tra Mi
(84 28) 44 555 888 ext 8084
trami.nguyen@maybank.com
• Consumer Discretionary

Tran Thi Thanh Nhan
(84 28) 44 555 888 ext 8088
nhan.tran@maybank.com
• Consumer Staples

Nguyen Le Tuan Loi
(84 28) 44 555 888 ext 8088
loi.nguyen@maybank.com
• Industrials

Nguyen Thi Ngan Tuyen
Head of Retail Research
(84 28) 44 555 888 ext 8081
tuyen.nguyen@maybank.com
• Retail Research

Nguyen Thanh Lam
(84 28) 44 555 888 ext 8086
thanhlam.nguyen@maybank.com
• Chartist

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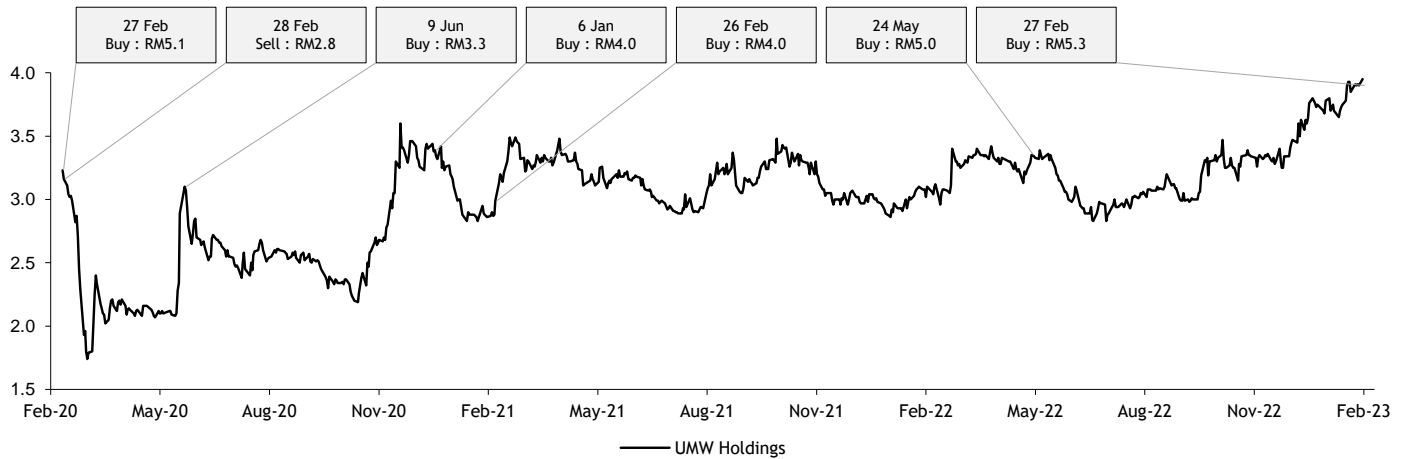
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Malaysia

Maybank Investment Bank Berhad
 (A Participating Organisation of
 Bursa Malaysia Securities Berhad)
 33rd Floor, Menara Maybank,
 100 Jalan Tun Perak,
 50050 Kuala Lumpur
 Tel: (603) 2059 1888;
 Fax: (603) 2078 4194

Stockbroking Business:
 Level 8, Tower C, Dataran Maybank,
 No.1, Jalan Maarof
 59000 Kuala Lumpur
 Tel: (603) 2297 8888
 Fax: (603) 2282 5136

Singapore

Maybank Securities Pte Ltd
 Maybank Research Pte Ltd
 50 North Canal Road
 Singapore 059304

Tel: (65) 6336 9090

Indonesia

PT Maybank Sekuritas Indonesia
 Sentral Senayan III, 22nd Floor
 Jl. Asia Afrika No. 8
 Gelora Bung Karno, Senayan
 Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188
 Fax: (62) 21 2557 1189

Thailand

Maybank Securities (Thailand) PCL
 999/9 The Offices at Central World,
 20th - 21st Floor,
 Rama 1 Road Pathumwan,
 Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)
 Tel: (66) 2 658 6801 (research)

London

Maybank Securities (London) Ltd
 PNB House
 77 Queen Victoria Street
 London EC4V 4AY, UK

Tel: (44) 20 7332 0221
 Fax: (44) 20 7332 0302

India

MIB Securities India Pte Ltd
 1101, 11th floor, A Wing, Kanakia
 Wall Street, Chakala, Andheri -
 Kurla Road, Andheri East,
 Mumbai City - 400 093, India

Tel: (91) 22 6623 2600
 Fax: (91) 22 6623 2604

Vietnam

Maybank Securities Limited
 Floor 10, Pearl 5 Tower,
 5 Le Quy Don Street,
 Vo Thi Sau Ward, District 3
 Ho Chi Minh City, Vietnam

Tel : (84) 28 44 555 888
 Fax : (84) 28 38 271 030

Hong Kong

MIB Securities (Hong Kong)
 Limited
 28/F, Lee Garden Three,
 1 Sunning Road, Causeway Bay,
 Hong Kong

Tel: (852) 2268 0800
 Fax: (852) 2877 0104

Philippines

Maybank Securities Inc
 17/F, Tower One & Exchange
 Plaza
 Ayala Triangle, Ayala Avenue
 Makati City, Philippines 1200

Tel: (63) 2 8849 8888
 Fax: (63) 2 8848 5738

Sales Trading

Kevin Foy
 Regional Head Sales Trading
 kevinfoy@maybank.com
 Tel: (65) 6636-3620
 US Toll Free: 1-866-406-7447

Indonesia

Helen Widjaja
 helen.widjaja@maybank.com
 (62) 21 2557 1188

Philippines

Keith Roy
 keith_roy@maybank.com
 Tel: (63) 2 848-5288

London

Greg Smith
 gsmith@maybank.co.uk
 Tel: (44) 207-332-0221

India

Sanjay Makhija
 sanjaymakhija@maybank.com
 Tel: (91)-22-6623-2629

www.maybank.com/investment-banking
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