

Malaysia Company Guide

Cahaya Mata Sarawak

Version 9 | Bloomberg: CMS MK | Reuters: CMSM.KL

Refer to important disclosures at the end of this report

DBS Group Research . Equity

26 Feb 2018

BUY

Last Traded Price (23 Feb 2018): RM4.37 (KLCI : 1,861.50)

Price Target 12-mth: RM5.00 (14% upside) (Prev RM4.40)

Analyst

Abdul Azim Muhthar +60 32604 3967 azimm@alliancedbs.com
TOH Woo Kim +60 32604 3917 wookim@alliancedbs.com

What's New

- FY17 met our expectations
- Pan Borneo project and OM Sarawak to lead earnings growth in FY18
- Raised FY18-19F earnings by 8-9%
- Maintain BUY with higher TP of RM5.00

Price Relative



Forecasts and Valuation

FY Dec (RM m)	2016A	2017A	2018F	2019F
Revenue	1,552	1,607	1,700	1,813
EBITDA	373	414	491	524
Pre-tax Profit	302	333	383	412
Net Profit	169	215	264	283
Net Pft (Pre Ex.)	169	215	264	283
Net Pft Gth (Pre-ex) (%)	(31.8)	27.2	22.9	6.8
EPS (sen)	15.7	20.0	24.6	26.3
EPS Pre Ex. (sen)	15.7	20.0	24.6	26.3
EPS Gth Pre Ex (%)	(32)	27	23	7
Diluted EPS (sen)	15.7	20.0	24.6	26.3
Net DPS (sen)	6.30	8.00	9.85	10.5
BV Per Share (sen)	204	219	234	249
PE (X)	27.8	21.8	17.8	16.6
PE Pre Ex. (X)	27.8	21.8	17.8	16.6
P/Cash Flow (X)	20.8	16.6	13.9	14.6
EV/EBITDA (X)	12.8	11.0	9.1	8.5
Net Div Yield (%)	1.4	1.8	2.3	2.4
P/Book Value (X)	2.1	2.0	1.9	1.8
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	8.0	9.5	10.9	10.9
Earnings Rev (%):		1	8	9
Consensus EPS (sen):		21.5	24.5	26.2
Other Broker Recs:		B: 5	S: 0	H: 1

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P

Looking at a better 2018

Maintain BUY. Cahya Mata Sarawak's (CMS) earnings recovery will continue in FY18 and could surpass FY15's RM248m mark. We expect the core divisions - cement, construction materials and road maintenance - to remain resilient underpinned by 1) building materials demand from Pan Borneo project, 2) contribution from Pan Borneo construction packages, and 3) additional ad-hoc infrastructure projects from the government ahead of general election (GE14). Furthermore, we also expect contribution from JVs and Associates to the group's bottomline to increase further, led by OM Sarawak, which has turned profitable since 3QFY17.

Where we differ. Our topline assumption is lower than consensus as we assume flat contribution from cement and road maintenance divisions.

Potential catalyst. Renewal of road maintenance concessions. Given that the state government has extended the state road concession contract for another six months, we expect CMS to secure a long term renewal for the concession.

Valuation:

After adjusting our earnings and rolling over our SOP-based target price to end-FY18, we raised our TP to RM5.00. Our TP implies 20x FY18F PE and 2.0x P/B.

Key Risks to Our View:

Raw material costs. Fluctuations in raw material costs (i.e. coal, steel) will impact margins for the cement and building material divisions. Forex will also play a role as some of the raw material purchases are transacted in USD (such as coal and imported clinker).

At A Glance

Issued Capital (m shrs)	1,074
Mkt. Cap (RMm/US\$m)	4,695 / 1,198
Major Shareholders (%)	
Majaharta S/B	12.5
Employees Provident Fund	11.1
Lejla Taib	10.3
Free Float (%)	33.0
3m Avg. Daily Val (US\$m)	1.4

ICB Industry : Basic Materials / Industrial Metals

WHAT'S NEW

FY17 results met expectation

Within our estimate. CMS booked net profit of RM66m in 4QFY17 (-35% y-o-y; +6% q-o-q) taking FY17 earnings to RM215m which met our expectations but missed consensus by 6%. Overall, FY17 revenue was flattish (+4% y-o-y) but profit before tax (PBT) and profit after tax and non-controlling interest (PATNCI) grew by 10% and 27% respectively - mainly attributable to the increase in the share of profits in associates & joint ventures. It also declared DPS of 8.0 sen, in line with its dividend policy of 40% payout.

Key businesses remain resilient in FY18

Cement division. Despite benefiting from lower handling costs and cheaper imported clinker, PBT for this division in FY17 was slightly lower at RM101m due lower sales volume of cement and concrete products. We do not expect much improvement in FY18, mainly because increase in cement demand will be offset by higher production costs (i.e. clinker).

Construction materials and trading division. Slower implementation of JKR 2017 Malaysian Road Records Information System (MARRIS) program in 1HFY17 had affected the division's sales volume. It also had to temporarily close a quarry plant due to soil erosion and relocate its pre-mix plant. These had resulted in a significant drop in contribution of this division to the group's earnings as revenue and PBT fell by 15% and 44% respectively compared to FY16 - including provision for soil erosion remedial works amounting to RM20m.

Looking ahead, its existing contracts with JKR will expire in June and August this year. CMS is quite optimistic that these contracts will be extended. Assuming these are not extended, we believe on-going demand from Pan Borneo projects as well as ad-hoc infrastructure projects from the government (fuelled by GE14) would be enough to sustain its earnings.

New extension for state road concession would be major catalyst for road maintenance division. FY17 earnings were mainly attributed to additional road maintenance works and minimal contribution from Pan Borneo Highway construction contracts. As we had highlighted in our previous reports, we expect contribution from Pan Borneo Highway project to gradually increase starting FY18. We understand the project is now one-third into the construction period.

Most importantly, we are confident that CMS is able to secure long-term renewal for the state road maintenance concession. To recap, after its original contract expired in Dec last year, the state government granted a 6-month extension to CMS.

Expect higher contribution from JV & Associates with OM Sarawak in the driving seat

Share of results from associates continued to improve to RM37m in 4QFY17 (+78% y-o-y; 44% q-o-q). We believe this is largely due to the improved performance by OM Sarawak given its higher sales and production compared to last year.

Strong volume productions at OM Sarawak. For the December quarter, a total of 15 lines were in operation - 9 furnaces for ferrosilicon (FeSi) while remaining 6 furnaces for manganese alloy (SiMn). Production of FeSi increased 56% y-o-y (+16% q-o-q) as the company successfully fired-up the 9th FeSi furnace and achieved full commercial operations in the quarter. As such, all the furnaces achieved 100% utilisation rate and the company is planning to fire the last furnace and commence production in the middle of 2018.

EXHIBIT 1: OM Sarawak's commercial operation

	Dec 2017 Quarter	Sept 2017 Quarter	YTD 2017
Tonnes			
Production			
Ferrosilicon	50,441	43,535	174,540
Manganese Alloy	63,497	61,517	173,911
Sales			
Ferrosilicon	52,419	45,889	182,316
Manganese Alloy	59,314	60,299	159,533

Source: OM Holdings Ltd

OM contribution could be higher due to increase in price. OM Sarawak recorded highest volume FeSi sold in December quarter. OM Holdings stated that this is mainly because of growing demand from recovery in global steel production as well as the tight market, which the company believes was due to China's enforcement of environmental policy resulting in FeSi plant closures.

Given that CMS started to register a net profit in 3QFY17, in tandem with FeSi price increase from c.US\$1,120 /tonne in June to c.US\$1,800 in Dec (according to *MetalBulletin*) - we believe OM Sarawak is now in a sweet spot to ride on both growing demand and price rally. Our sensitivity analysis shows that every US\$100 increase in price would contribute c.8% (low base effect) to CMS' bottomline. Our price assumption is currently at US\$1,250/tonne (previously US\$1,150/tonne).

Adjust FY18-19F earnings up by 8-9%; maintain BUY with higher TP of RM5.00. Given its strong 2HFY17 performance, we raised our FY18-19F earnings by 8-9% as we expect higher contribution from OM Sarawak. As such, our SOP-based TP increased to RM5.00.

Quarterly / Interim Income Statement (RMm)

FY Dec	4Q2016	3Q2017	4Q2017	% chg yoy	% chg qoq
Revenue	450	348	588	30.6	69.0
Cost of Goods Sold	(327)	(257)	(474)	44.8	84.8
Gross Profit	123	91.3	114	(7.2)	24.7
Other Oper. (Exp)/Inc	1.57	(13.2)	(40.8)	nm	209.4
Operating Profit	124	78.1	73.2	(41.2)	(6.4)
Other Non Opg (Exp)/Inc	(3.7)	(7.4)	12.3	nm	nm
Associates & JV Inc	20.6	25.4	36.6	78.3	44.2
Net Interest (Exp)/Inc	0.51	(0.6)	(0.3)	nm	52.2
Exceptional Gain/(Loss)	0.0	0.0	(20.0)	nm	nm
Pre-tax Profit	142	95.6	102	(28.2)	6.5
Tax	(26.3)	(25.9)	(24.5)	(6.8)	(5.4)
Minority Interest	(13.9)	(7.6)	(11.4)	17.7	50.0
Net Profit	102	62.0	65.8	(35.2)	6.1
Net profit bef Except.	102	62.0	85.8	(15.5)	38.3
EBITDA	157	111	138	(12.1)	24.1
Margins (%)					
Gross Margins	27.3	26.2	19.4		
Opg Profit Margins	27.6	22.5	12.4		
Net Profit Margins	22.5	17.8	11.2		

Source of all data: Company, AllianceDBS

SOP-based valuation for CMS

Business division	Valuation Method	Effective stake	Multiple (x)	Valuation (RM m)	Per CMS share	Description
Cement	P/E	100%	21.0	1,751	1.63	21x FY18 P/E
Construction materials	P/E	51%	15.0	506	0.47	15x FY18 P/E
Road maintenance	P/E	100%	15.0	839	0.78	15x FY18 P/E
Property	RNAV			345	0.32	30% discount to estimated market value, less MI
OM Sarawak	P/E	25%	13.0	726	0.68	13x FY18P/E
Sacofa	P/E	50%	15.0	562	0.52	15x FY18P/E
Total value				4,167.2	4.40	
25% stake in K&N Kenanga				110.3	0.10	
20% stake in KKB Engineering				50.0	0.05	
Net cash / (net debt)				341.5	0.32	
Investment securities				131.9	0.12	End-FY18 forecast
SOP-based TP					5.00	Implied 20x FY18 PE and 2.0x P/B

CRITICAL DATA POINTS TO WATCH

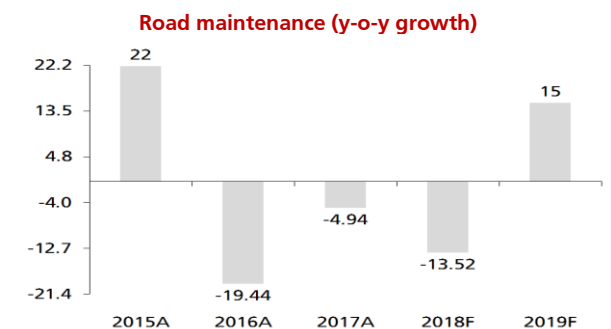
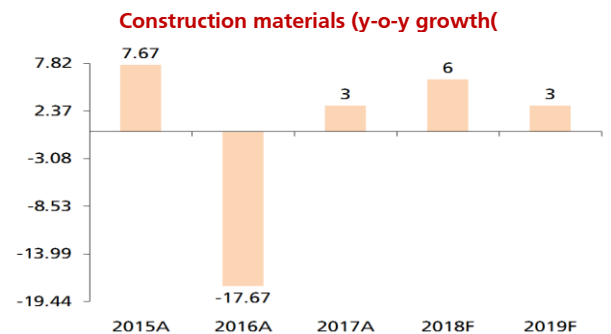
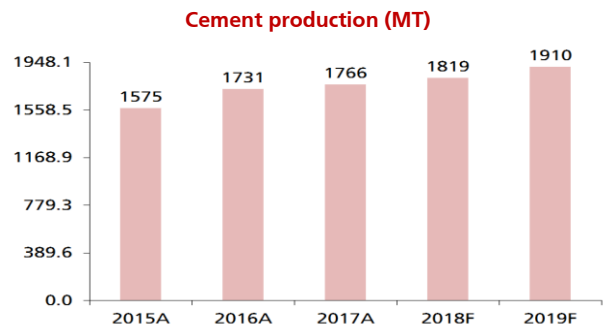
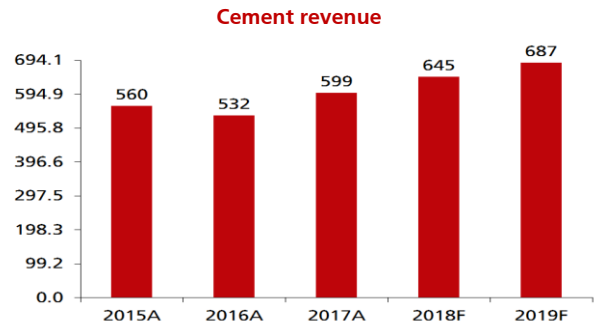
Critical Factors

Natural monopoly in Sarawak’s cement market. CMS owns the only three cement manufacturing plants in Sarawak with a combined annual capacity of 2.75m MT. Capacity utilisation is now at c.60% after completion of 1.0m MT cement plant in early 2016. CMS is now well positioned to leverage on the increased construction activities in the state.

Construction materials business supported by Pan Borneo Highway project. CMS is also involved in the manufacturing and trading of other building materials in Sarawak, including concrete products, quarries, premix, and wire mesh (which complements its other divisions). After an exceptionally strong FY14-15, sales normalised in 2016-2017 but we expect the performance of this division to pick up again in FY18-19 supported by: 1) an increase in infrastructure spending by the government ahead of the next general election - due to be called in 2018; and 2) on-going demand from the massive RM27bn Pan Borneo Highway project.

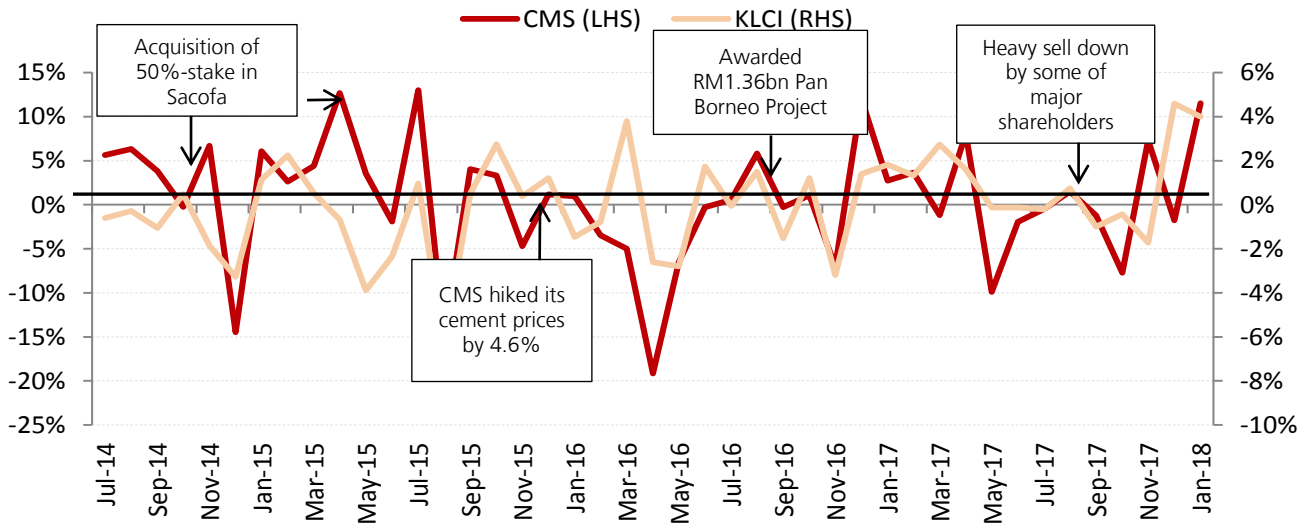
Awaiting renewal of road maintenance concessions. For the last 15 years, this division was involved in road maintenance works across Sarawak, principally through CMS Roads Sdn Bhd and 51%-owned PPES Works (Sarawak) Sdn Bhd. The former maintains approximately 5,500 km of state roads, and the latter about 200km of federal roads. However, these concessions will expire in 2017-2018. Last December, the state government has granted 6-month extension to CMS to maintain a state road in Sarawak. Given its proven track record and investments made over the years in plants and machinery, there is a strong chance that these concessions will be renewed.

25%-associate OM Sarawak owns a greenfield ferrosilicon (FeSi) and manganese alloy (SiMn) smelter in Samalaju, Sarawak. The remaining 75% stake is held by OM Holdings Ltd, an Australian-listed vertically-integrated miner, smelter and trader of manganese and other ores/alloys. Phase 1 has a total of 16 units of furnaces, of which 10 units are allocated for the production of FeSi while remaining 6 units allocated for the production of manganese alloy. Due to weak ferrosilicon prices previously, the company has converted six of its furnaces to produce manganese alloy, which is seeing better demand and it is planning to convert one more in 2018. To strengthen its financial position, CMS has also subscribed to RM110m convertible preference shares (CPS) issued by OM Sarawak in 2016.



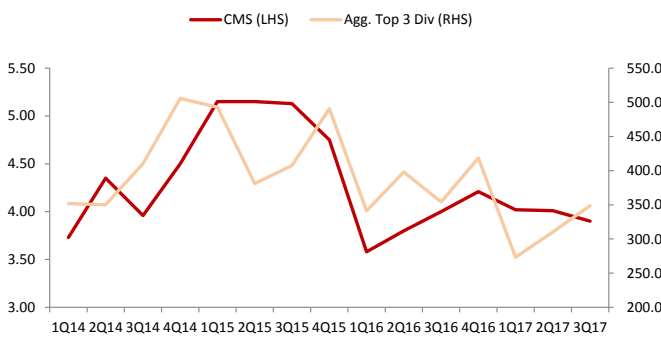
Source: Company, AllianceDBS

Graph 1: LMC's share price movement relative to FBM KLCI index movement (m-o-m)



Source: Company, Bloomberg L.P., AllianceDBS

CMS' share price vs sales of top 3 divisions

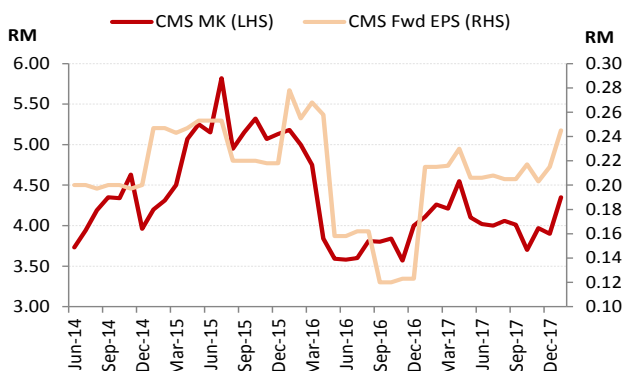


Source: Bloomberg L.P., AllianceDBS

Remarks

Cement, construction materials and road maintenance are main contributors to the group's earnings (c.80-90%) with correlation of 0.6. We expect these segments to reap benefits from the Pan Borneo project as well as other infrastructure spending from state and federal governments.

CMS' share price vs consensus' EPS forecasts



Source: Bloomberg L.P., AllianceDBS

Remarks

CMS' share price performance has strong correlation to market expectations for its forward earnings (correlation of 0.7). Apart from performance of core divisions, its associates such as Sacofa and OM Sarawak play an important role to drive its earnings.

Cahaya Mata Sarawak

Balance Sheet:

Remains in net cash position. As at end-Dec 2017, CMS' balance sheet remains strong with a healthy net cash position of RM342m. In May 2017, it issued a RM500m sukuk which pushed its gross gearing to 0.2. Gross gearing level should hover around this level in near terms as we think the group should have enough cash at its disposal and we also do not see CMS venturing into new businesses after the acquisition of 50%-stake in Sacofa.

Stable capex in FY18-19. Normal annual capex for CMS is roughly around RM80m. However, RM150m was spent equally over two years in FY14-15 for the construction of CMS's new cement grinding plant. As CMS is looking to expand its capacity for the construction materials and trading division, we assume capex for FY18 and FY19 would be higher at RM120m p.a.

Share Price Drivers:

Further development activities in Sarawak. CMS' three core divisions are largely tied to infrastructure development activities in Sarawak. Among others, the Samalaju Industrial Park for energy-intensive industries and the construction of hydropower electric dams have been the focus for the state government under the SCORE (Sarawak Corridor of Renewable Energy) initiatives.

Demand from Pan Borneo Highway project. All 11 works packages under Phase 1 have been launched and actual construction works have started in 2017. The project is now on track and CMS is expected to benefit from its status as one of the major suppliers of building materials in Sarawak.

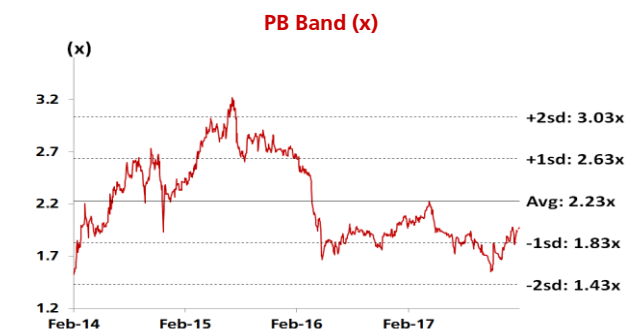
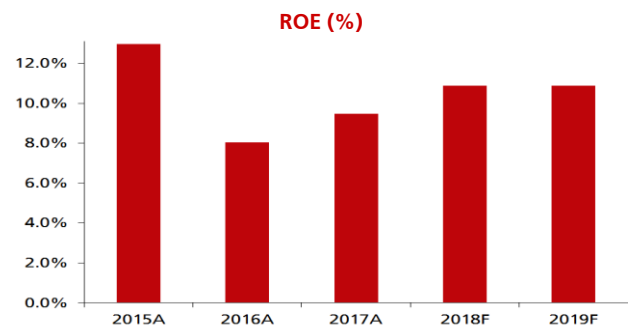
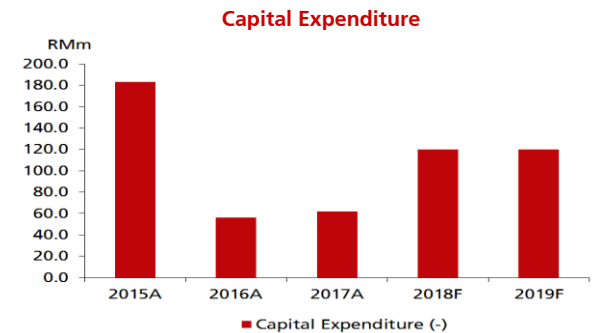
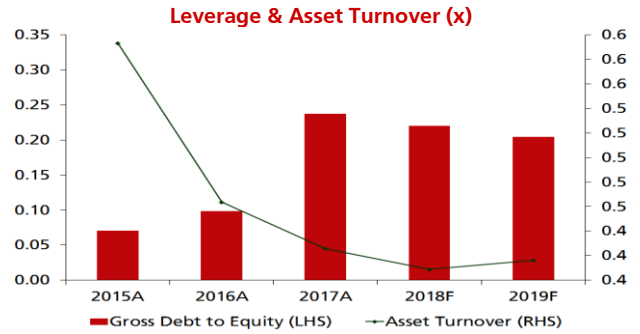
Key Risks:

Raw material costs. Fluctuations in raw material costs (i.e. coal, steel) will impact margins at the cement and building material division. Forex will also play a role as some raw materials are transacted in USD (such as coal and imported clinker).

Fluctuations in ferroalloy prices. A decline in ferroalloy prices would reduce profit contribution from OM Sarawak and affect the production volume.

Company Background

CMS is the monopoly producer of cement in the state of Sarawak. It is also involved in the manufacturing of building materials, road maintenance, property, etc.



Source: Company, AllianceDBS

Key Assumptions

FY Dec	2015A	2016A	2017A	2018F	2019F
Cement revenue	560	532	599	645	687
Cement production (MT)	1,575	1,731	1,766	1,819	1,910
Construction materials (y-o-y)	7.67	(17.7)	3.00	6.00	3.00
Road maintenance (y-o-y)	22.0	(19.4)	(4.9)	(13.5)	15.0

Income Statement (RMm)

FY Dec	2015A	2016A	2017A	2018F	2019F
Revenue	1,788	1,552	1,607	1,700	1,813
Cost of Goods Sold	(1,374)	(1,193)	(1,247)	(1,308)	(1,390)
Gross Profit	414	359	360	392	423
Other Opg (Exp)/Inc	(72.0)	(33.9)	(78.8)	(74.2)	(80.2)
Operating Profit	342	325	281	318	343
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	45.9	(11.9)	75.1	93.4	97.2
Net Interest (Exp)/Inc	0.94	(10.6)	(23.7)	(28.6)	(28.6)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	389	302	333	383	412
Tax	(84.0)	(84.8)	(83.8)	(69.5)	(75.5)
Minority Interest	(56.5)	(48.1)	(33.8)	(48.9)	(53.8)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	248	169	215	264	283
Net Profit before Except.	248	169	215	264	283
EBITDA	442	373	414	491	524
Growth					
Revenue Gth (%)	6.8	(13.2)	3.5	5.8	6.6
EBITDA Gth (%)	18.7	(15.6)	11.1	18.6	6.7
Opg Profit Gth (%)	9.6	(5.0)	(13.3)	13.1	7.9
Net Profit Gth (Pre-ex) (%)	20.5	(31.8)	27.2	22.9	6.8
Margins & Ratio					
Gross Margins (%)	23.1	23.1	22.4	23.1	23.4
Opg Profit Margin (%)	19.1	20.9	17.5	18.7	18.9
Net Profit Margin (%)	13.9	10.9	13.4	15.6	15.6
ROAE (%)	13.0	8.0	9.5	10.9	10.9
ROA (%)	8.2	5.1	5.7	6.4	6.5
ROCE (%)	10.9	8.3	6.6	7.4	7.5
Div Payout Ratio (%)	19.5	40.0	39.9	40.0	40.0
Net Interest Cover (x)	NM	30.6	11.9	11.1	12.0

Higher contribution
from OM Sarawak

Source: Company, AllianceDBS

Quarterly / Interim Income Statement (RMm)

FY Dec	4Q2016	1Q2017	2Q2017	3Q2017	4Q2017
Revenue	450	282	388	348	588
Cost of Goods Sold	(327)	(232)	(284)	(257)	(474)
Gross Profit	123	50.2	105	91.3	114
Other Oper. (Exp)/Inc	1.57	(16.7)	(8.1)	(13.2)	(40.8)
Operating Profit	124	33.5	96.6	78.1	73.2
Other Non Opg (Exp)/Inc	(3.7)	(4.5)	(4.8)	(7.4)	12.3
Associates & JV Inc	20.6	7.30	5.76	25.4	36.6
Net Interest (Exp)/Inc	0.51	2.22	(0.6)	(0.6)	(0.3)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	(20.0)
Pre-tax Profit	142	38.5	96.9	95.6	102
Tax	(26.3)	(11.3)	(22.0)	(25.9)	(24.5)
Minority Interest	(13.9)	(4.6)	(10.1)	(7.6)	(11.4)
Net Profit	102	22.7	64.7	62.0	65.8
Net profit bef Except.	102	22.7	64.7	62.0	85.8
EBITDA	157	50.2	111	111	138

Growth

Revenue Gth (%)	26.5	(37.3)	37.5	(10.4)	69.0
EBITDA Gth (%)	41.6	(68.1)	122.0	0.1	24.1
Opg Profit Gth (%)	48.8	(73.1)	188.5	(19.1)	(6.4)
Net Profit Gth (Pre-ex) (%)	72.9	(77.7)	185.7	(4.2)	38.3

Margins

Gross Margins (%)	27.3	17.8	27.0	26.2	19.4
Opg Profit Margins (%)	27.6	11.9	24.9	22.5	12.4
Net Profit Margins (%)	22.5	8.0	16.7	17.8	11.2

Balance Sheet (RMm)

FY Dec	2015A	2016A	2017A	2018F	2019F
Net Fixed Assets	1,049	977	989	1,030	1,066
Invt in Associates & JVs	695	904	927	1,021	1,118
Other LT Assets	177	185	140	140	140
Cash & ST Invt	459	502	1,110	1,221	1,309
Inventory	144	185	290	131	139
Debtors	407	317	280	340	363
Other Current Assets	301	395	348	348	348
Total Assets	3,231	3,465	4,085	4,231	4,484
ST Debt	68.4	143	51.7	51.7	51.7
Creditor	477	407	534	472	502
Other Current Liab	68.0	150	112	112	112
LT Debt	95.3	105	585	585	585
Other LT Liabilities	212	143	118	118	118
Shareholder's Equity	2,015	2,195	2,352	2,511	2,680
Minority Interests	295	322	333	381	435
Total Cap. & Liab.	3,231	3,465	4,085	4,231	4,484
Non-Cash Wkg. Capital	306	341	272	235	236
Net Cash/(Debt)	295	254	473	585	673
Debtors Turn (avg days)	70.1	85.1	67.8	66.6	70.7
Creditors Turn (avg days)	137.9	142.4	144.3	149.4	136.1
Inventory Turn (avg days)	36.7	53.0	73.0	62.5	37.8
Asset Turnover (x)	0.6	0.5	0.4	0.4	0.4
Current Ratio (x)	2.1	2.0	2.9	3.2	3.2
Quick Ratio (x)	1.4	1.2	2.0	2.5	2.5
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	111.9	22.7	(9.7)	18.9	18.9
Z-Score (X)	4.5	4.3	3.2	3.2	3.2

Source: Company, AllianceDBS

Mainly driven by better performance from OM Sarawak

Cash Flow Statement (RMm)

FY Dec	2015A	2016A	2017A	2018F	2019F
Pre-Tax Profit	389	302	333	383	412
Dep. & Amort.	54.0	59.9	57.7	79.5	83.6
Tax Paid	(93.0)	(83.4)	(77.2)	(69.5)	(75.5)
Assoc. & JV Inc/(loss)	(45.9)	11.9	(75.1)	(93.4)	(97.2)
Chg in Wkg.Cap.	(299)	(37.7)	(12.5)	37.7	(1.6)
Other Operating CF	(42.9)	(27.8)	57.6	0.0	0.0
Net Operating CF	(37.7)	225	283	337	321
Capital Exp.(net)	(183)	(56.2)	61.7	(120)	(120)
Other Invt.(net)	31.0	89.5	97.8	0.0	0.0
Invt in Assoc. & JV	(223)	(177)	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	(81.0)	19.9	(216)	0.0	0.0
Net Investing CF	(456)	(124)	(56.6)	(120)	(120)
Div Paid	(91.0)	(32.2)	(67.7)	(106)	(113)
Chg in Gross Debt	58.9	84.3	(115)	0.0	0.0
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	46.2	(19.5)	479	2.05	2.05
Net Financing CF	14.1	32.5	296	(104)	(111)
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	(480)	134	523	114	90.2
Opg CFPS (sen)	24.3	24.5	27.5	27.9	30.0
Free CFPS (sen)	(20.6)	15.7	32.1	20.2	18.7

For additional plants

Source: Company, AllianceDBS

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	27 Feb 17	4.24	4.30	HOLD
2:	16 May 17	4.39	4.30	HOLD
3:	28 Aug 17	3.96	4.30	HOLD
4:	30 Nov 17	3.97	4.40	BUY
5:	06 Dec 17	3.78	4.40	BUY

Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: Abdul Azim Muhthar
 TOH Woo Kim

AllianceDBS recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

Completed Date: 26 Feb 2018 08:32:32 (MYT)

Dissemination Date: 26 Feb 2018 08:56:25 (MYT)

Sources for all charts and tables are AllianceDBS unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by AllianceDBS Research Sdn Bhd ("AllianceDBS"). This report is solely intended for the clients of DBS Bank Ltd, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of AllianceDBS Research Sdn Bhd ("AllianceDBS").

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets. Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBSVUSA, a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd, DBS HK, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), DBSV HK or their subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of 31 Jan 2018.
2. Neither DBS Bank Ltd, DBS HK nor DBSV HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.

Compensation for investment banking services:

3. DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.


Disclosure of previous investment recommendation produced:

4. DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates in the preceding 12 months.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	<p>This report is being distributed in Australia by DBS Bank Ltd. ("DBS") or DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"). DBS holds Australian Financial Services Licence no. 475946.</p> <p>DBSVS is exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. DBSVS is regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws.</p> <p>Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.</p>
Hong Kong	<p>This report has been prepared by an entity(ies) which is not licensed by the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). This report is being distributed in Hong Kong and is attributable to DBS Vickers Hong Kong Limited, a licensed corporation licensed by the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).</p> <p>For any query regarding the materials herein, please contact Paul Yong (CE. No. ASE988) at equityresearch@dbs.com.</p>
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBRS"). Recipients of this report, received from ADBRS are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBRS (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.</p> <p style="text-align: right;">  Wong Ming Tek, Executive Director, ADBRS </p>
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.

<p>United Kingdom</p>	<p>This report is produced by AllianceDBS Research Sdn Bhd which is regulated by the Securities Commission Malaysia.</p> <p>This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.</p>
<p>Dubai International Financial Centre</p>	<p>This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at PO Box 506538, 3rd Floor, Building 3, East Wing, Gate Precinct, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.</p>
<p>United Arab Emirates</p>	<p>This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.</p>
<p>United States</p>	<p>This report was prepared by AllianceDBS Research Sdn Bhd ("AllianceDBS"). DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.</p>
<p>Other jurisdictions</p>	<p>In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.</p>

DBS Regional Research Offices

HONG KONG

DBS Vickers (Hong Kong) Ltd

Contact: Paul Yong
18th Floor Man Yee Building
68 Des Voeux Road Central
Central, Hong Kong
Tel: 65 6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
Participant of the Stock Exchange of Hong Kong

MALAYSIA

AllianceDBS Research Sdn Bhd

Contact: Wong Ming Tek (128540 U)
19th Floor, Menara Multi-Purpose,
Capital Square,
8 Jalan Munshi Abdullah 50100
Kuala Lumpur, Malaysia.
Tel.: 603 2604 3333
Fax: 603 2604 3921
e-mail: general@alliancedbs.com

SINGAPORE

DBS Bank Ltd

Contact: Janice Chua
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: research@id.dbsvickers.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand