

Malaysia Company Guide

Gamuda

Version 11 | Bloomberg: GAM MK | Reuters: GAMU.KL

Refer to important disclosures at the end of this report

DBS Group Research . Equity

6 Mar 2018

BUY

Last Traded Price (5 Mar 2018): RM5.10 (KLCI : 1,842.62)

Price Target 12-mth: RM6.70 (31% upside) (Prev RM6.70)

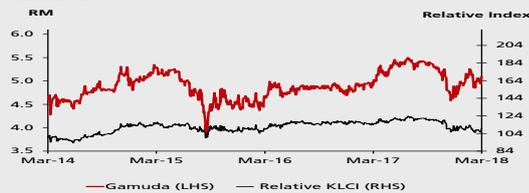
Analyst

Tjen San CHONG, CFA +60 3 26043972 tjensan@alliancedbs.com

What's New

- MRT 3 win more valuable than ECRL with higher margins and value
- Gamuda will beat the upper-end of its combined two-year new order win forecast with MRT 3 win
- Introducing best case, base case and worst case scenarios
- BUY, SOP-derived TP of RM6.70

Price Relative



Forecasts and Valuation

FY Jul (RM m)	2016A	2017A	2018F	2019F
Revenue	2,122	3,211	6,447	8,585
EBITDA	470	613	844	995
Pre-tax Profit	781	826	1,043	1,198
Net Profit	626	602	780	904
Net Pft (Pre Ex.)	626	701	780	904
Net Pft Gth (Pre-ex) (%)	(8.2)	11.9	11.4	15.9
EPS (sen)	22.3	21.5	27.8	32.2
EPS Pre Ex. (sen)	22.3	25.0	27.8	32.2
EPS Gth Pre Ex (%)	(21)	12	11	16
Diluted EPS (sen)	22.3	21.5	27.8	32.2
Net DPS (sen)	8.88	8.88	8.88	8.88
BV Per Share (sen)	245	266	284	306
PE (X)	22.9	23.8	18.3	15.8
PE Pre Ex. (X)	22.9	20.4	18.3	15.8
P/Cash Flow (X)	136.2	nm	54.6	42.1
EV/EBITDA (X)	38.3	30.8	22.5	19.2
Net Div Yield (%)	1.7	1.7	1.7	1.7
P/Book Value (X)	2.1	1.9	1.8	1.7
Net Debt/Equity (X)	0.5	0.5	0.5	0.5
ROAE (%)	9.5	8.4	10.1	10.9
Earnings Rev (%):		0	0	0
Consensus EPS (sen):		N/A	31.1	36.4
Other Broker Recs:		B: 20	S: 1	H: 3

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

MRT 3 contract will beat order guidance

Best proxy to transportation infrastructure. Gamuda remains our top large-cap pick in the sector, as it is the best proxy to a slew of upcoming transportation-related projects. Its strong reputation for the MRT Line 1 and 2 and appointment as Project Delivery Partner (PDP) for the Penang Transport Master Plan (PTMP) has given it leverage for other large-multiplier projects.

Where we differ: There has been a series of cuts in TP following the news of the MRT 3 being awarded on a turnkey basis. Our TP is at the higher end of the consensus range, reflecting our view that Gamuda remains the go-to rail transportation proxy in Malaysia with its track record and experience. We have factored in an incremental RM8bn worth of new wins in our SOP valuation, at the top end of its guidance of RM6-8bn p.a. for the next two years. Our EPS is on a fully diluted basis, assuming the full conversion of its warrants.

Potential catalyst: Key contract wins and earnings delivery are the most important critical factors for Gamuda. In our view, a MRT 3 win will see it exceed the upper end of its combined new wins forecast for two years. This would provide upside to our 3-year earnings CAGR of 13% for FY16-FY19F. Gamuda's property presales guidance for FY18F is RM3.5bn (RM1.86bn local and RM1.64bn overseas) which is 50% higher than its last guidance.

Valuation:

We maintain our BUY rating with a new SOP-derived TP of RM6.70. We have accounted for the dilution of warrants and corresponding increase in cash raised from full conversion while also assuming some new wins outside of MRT 2.

Key Risks to Our View:

Higher foreign participation. The award of larger scale projects to foreign contractors may impact the margins of even large scale contractors like Gamuda. We believe Gamuda's untarnished experience and project management expertise together with its depreciated tunnel boring machines will still enable it to participate in all large-scale rail-based projects.

At A Glance

Issued Capital (m shrs)	2,457
Mkt. Cap (RMm/US\$m)	12,531 / 3,208
Major Shareholders (%)	
EPF	9.8
KWAP	6.8
Free Float (%)	78.8
3m Avg. Daily Val (US\$m)	5.0

ICB Industry : Industrials / Construction & Materials

WHAT'S NEW

Banking on MRT 3 win

MRT 3 more valuable than ECRL. A win will ensure that Gamuda will exceed the upper end of its combined new order guidance for two years.

Two PDPs for High Speed Rail (HSR)? If this model materialises, Gamuda-MRCB's main competitor would be IJM-Suncon-Jalanan-Maltimur.

BUY, SOP-derived TP of RM6.70: Still our large cap pick. Our TP factors in RM8bn worth of new wins.

We had a company visit to Gamuda recently to get an update on the status of some of the potential contract awards.

Banking on MRT 3. Gamuda together with its JV partners MMC and George Kent are bidding for the main contractor role for MRT 3. This is in spite of its earlier stance of wanting only a subcontracting role given the turnkey structure of the contract. Gamuda's change in strategy for this contract is also on the back of lukewarm interest from foreigners where the Chinese put in one bid. The other three bidders are Sapura-TIEC Consortium, Pacific-Mudajaya-JEC Consortium, and China Communications Construction Company Ltd-China Communications Construction Company (M) Sdn Bhd JV (CCCC).

MRT Corp had initially expected an award to take place by end-March 2018 but given that the tender closed two weeks later than originally planned in mid-January 2018, an award could happen as early as mid-April 2018. We reiterate that Gamuda and its partners have financing in place of up to RM50bn from local and foreign financial institutions, and would not take any balance sheet risk.

We understand the partners of the JV would have met the stringer technical requirements of the project but not at the JV level. Some of the stringent technical requirements include during the past 10 years, the bidder must have completed civil works of either two urban metro projects of at least RM5bn or one project of at least RM10bn on a turnkey or design-and-build basis, two urban tunnelling projects, system works, and also operate driverless metro systems.

MRT 3 – A win will trump Gamuda's forecast of new orders.

The indicative contract value of MRT 3 is RM45bn which is not far from our earlier assumption of RM42bn (RM1.15bn per km for underground works similar to MRT Line 2). Assuming 25% of the RM45bn is for systems work which is George Kent's forte, the balance 75% or RM33.8bn will be shared equally between MMC and Gamuda. This works out to be RM16.9bn of mostly high margin works for Gamuda and would beat the higher end of its RM6-8bn per annum

order guidance for the next two years or RM12-16bn in total. Recall, the contract values for MRT Line 1 and Line 2 tunnelling works were RM8.2bn and RM15.47bn respectively or RM4.1bn and RM7.8bn for Gamuda's portion.

We think the MMC Gamuda-George Kent JV stands a good chance given MMC-Gamuda won the MRT line 1 and 2 tunnelling works without having to exercise the Swiss Challenge or pricing advantage for local contractors.

Pricing is main issue for ECRL. We understand the costing for the East Coast Rail Link (ECRL) subcontracting packages have been very challenging. All other milestones have been met and pricing appears to be the only key determining factor for a contract award. Gamuda is unlikely to compromise on margins and risk potential losses just to win this contract. We think this is a prudent move provided it wins MRT 3.

Two PDPs for HSR? Three parties are in the running for the PDP role for HSR – Gamuda-MRCB, YTL-SIPP and IJM-Sunway Construction-Jalanan Rejang, Maltimur Resources. The tender closed on 14 February 2018 and an award should happen by mid-2018.

We understand the government is mulling splitting the PDP role into two portions – Johor and non-Johor. The obvious winner for the Johor portion would be YTL-SIPP leaving the two other parties to contend for the non-Johor portion.

We think Gamuda is a strong contender for this, given its prior experience for the MRT 1 and 2 but do not discount the contract going the other way should it win MRT 3. The PDP will also be required to assist with interface management, land acquisition processes, and stakeholder engagement activities.

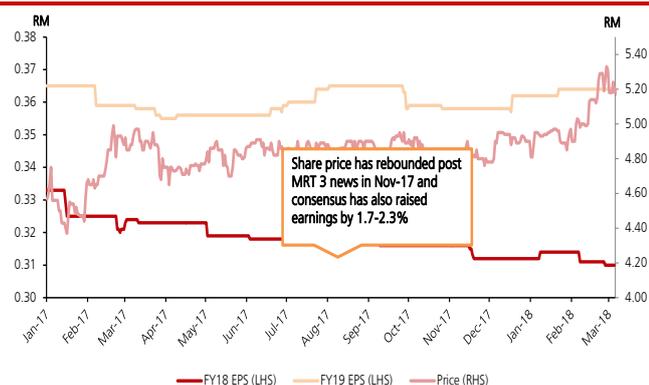
Assuming a total contract value of RM35bn and dual PDP roles (Johor and Non-Johor) shared equally, this would translate into RM17.5bn for Gamuda-MRCB (RM8.8bn per contractor). In the event that Gamuda does not win the PDP role, it can and will likely participate for the civil engineering portions with tunnelling elements.

What is in the price and what is not? For the month of November 2017 which is the time news of MRT 3 being awarded via turnkey broke out, Gamuda's share price corrected by c.14% to a low of RM4.60. Since then its share price has gained some ground while consensus has even raised FY18F and FY19F earnings by 2.3% and 1.7% respectively.

In December 2017, Gamuda officially toned down its new order wins assumptions for the next two calendar years to RM6-8bn per annum from RM10bn per annum post the news of MRT 3 being awarded via turnkey. But we think it is unlikely that consensus would have factored in the full RM10bn amount in early 2017.

In our view, expectations are now stronger that Gamuda will win the MRT 3 contract. We think this will far outweigh potential non-participation for ECRL and even the PDP role for HSR. At current price, we think the market has not yet factored in a MRT 3 or a HSR win but there are some expectations of Gamuda still winning ECRL.

Gamuda's consensus EPS trend vs. share price



Source: Bloomberg Finance L.P. AllianceDBS, DBS Vickers

Our SOP-derived TP is RM6.70 and assumes RM8bn worth of new wins apart from MRT 2. Stripping this out, our TP falls to RM5.33/share.

If we assume Gamuda participates in all three contracts (ECRL, HSR and MRT 3), our best case or blue skies TP could rise to RM9.08/share. This assumes its share of JV in the contracts on the back of more conservative margins of 5-8%. To recap, for MRT 3 and HSR, we have assumed a contract value of RM16.9bn and RM8.8bn respectively while for ECRL we factored in RM7bn. We think this blue skies scenario is unlikely to pan out.

A more likely scenario with a MRT 3 win would see our TP rise further to RM7.90.

Gamuda's SOP Sensitivity

	Add/Less (RM/share)	SOP-derived TP (RM/share)
Base case - assuming RM8bn new wins		6.70
Worst case - assuming no new wins	1.37	5.33
Best case		
i) RM7bn ECRL contract	0.81	
ii) PDP for HSR contract	0.37	
iii) Main contractor for MRT 3 contract	2.57	
Subtotal	3.75	
Best case - assuming three wins		9.08
Likely case - assuming MRT 3 win		7.90

Source: AllianceDBS, DBS Vickers

CRITICAL DATA POINTS TO WATCH

Key critical factors. Our findings reveal that significant contract wins coupled with earnings growth are the main key share price drivers. The stock also tends to outperform during the general election period. There is a partial negative correlation between its share price and steel prices as it bears the risks of fluctuations in raw material prices for MRT tunneling works. We understand Gamuda sources almost all of its steel requirements locally for the MRT project and hence it is not impacted by the recent changes in regulations for imported steel. It only imports steel where it is not available locally such as steel used in railway tracks.

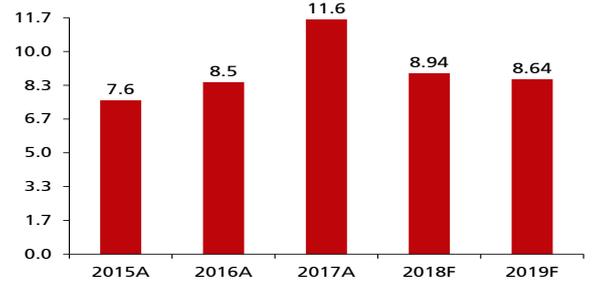
Expectation of large-scale wins. Gamuda has an orderbook of RM7.3bn now excluding the PDP portion for the MRT Line 2 where it derives a project management fee of 6%. This comprises two projects – MRT Line 2 tunneling and the Pan Borneo Highway Sarawak. While its orderbook is at its peak now, it is guiding for RM6-8bn new orders for the next two years. It is in the running for MRT 3 and also the PDP portion for HSR together with its JV partners. This together with expectations of the start of the next earnings upcycle from FY17F (Y/E July) onwards driven by the MRT Line 2 and potentially MRT Line 3 could be the much needed catalyst for the next leg of share price performance.

Banking on MRT 3 win. Gamuda together with MMC and George Kent have put in a bid for MRT 3. The indicative contract value of MRT 3 is RM45bn which is not far from our earlier assumption of RM42bn (RM1.15bn for underground works similar to MRT Line 2). Assuming 25% of the RM45bn is for systems work which is George Kent’s forte, the balance 75% or RM33.8bn will be shared equally between MMC and Gamuda. This works out to be RM16.9bn of high margin works for Gamuda and would beat the higher end of its RM6-8bn per annum guidance for the next two years. Recall, the contract values for MRT Line 1 and Line 2 tunnelling works were RM8.2bn and RM15.47bn respectively or RM4.1bn and RM7.8bn for Gamuda’s portion.

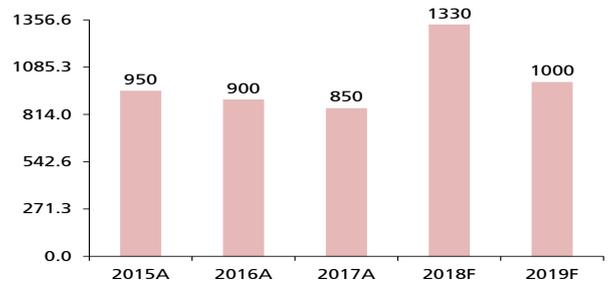
Property sales buoyed by overseas contracts. FY17 property presales came in at RM2.4bn (RM1.03bn local and RM1.35bn overseas). This was driven by maiden sales for Gamuda Gardens as well as better Vietnam and Horizon Hills sales. Gamuda’s property presales guidance for FY18F is RM3.5bn (RM1.86bn local and RM1.64bn overseas). It is particularly optimistic about its new project Gamuda Gardens where the maiden launch was fully sold. It is projecting RM480m new sales from this project in FY18F vs RM100m achieved in FY17. For its overseas projects, it also expects the sales momentum for its Vietnam and Singapore project to be strong.

Sale of Splash. The sale of water concessionaire Splash remains the biggest overhang for Gamuda. In our view, this will only be resolved post the upcoming general elections.

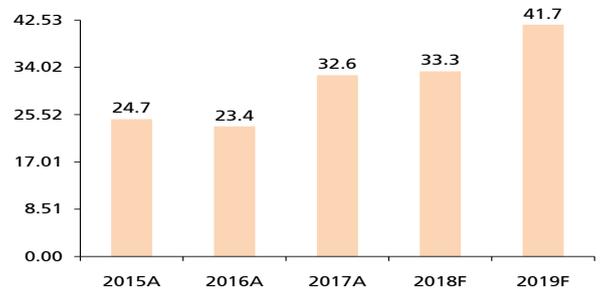
Construction margins



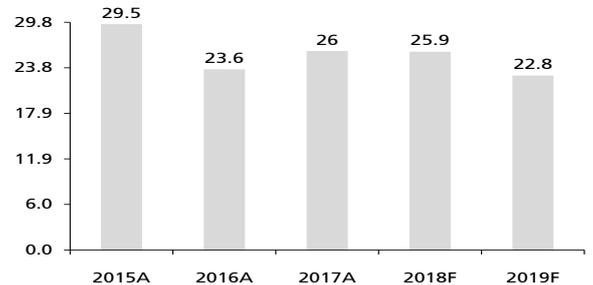
Property launches Malaysia



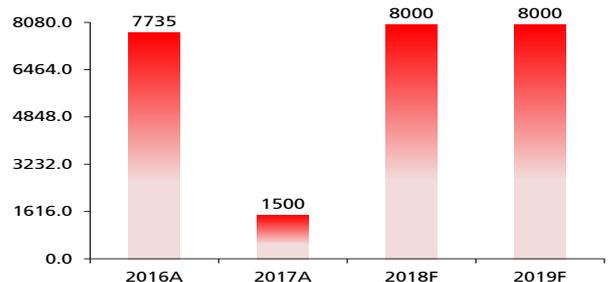
Construction profit contribution



Property profit contribution



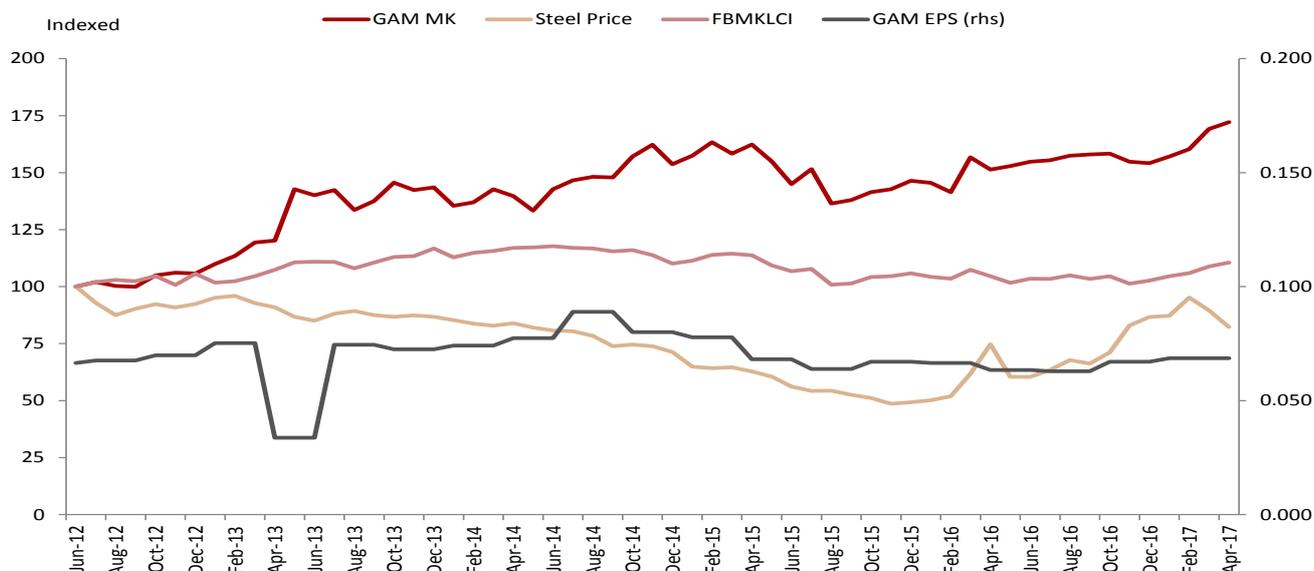
New order wins



Source: Company, AllianceDBS

Appendix 1: A look at Company's listed history – what drives its share price?

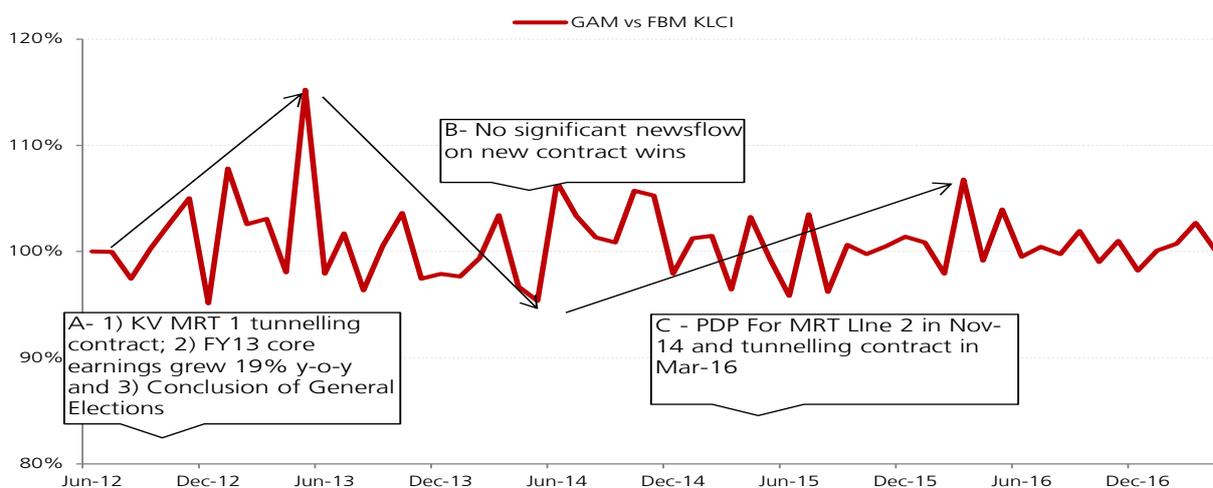
Gamuda's share price performance vs KLCI, Steel price and EPS



Source: Company, AllianceDBS, DBSVI

The key share price driver for Gamuda appears to be new contract wins and to some extent earnings growth. For the period until June-16, there was some negative correlation with steel prices, likely because raw material requirements for the KV MRT Line tunnelling contract was borne by the contractor.

Gamuda's share price performance vs contract wins



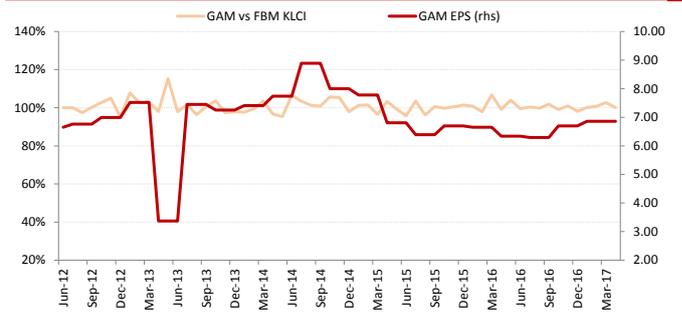
Source: Company, AllianceDBS, DBSVI

Gamuda’s share price showed the most significant outperformance during the period June 2012 to July 2013 (Period A). This was due to a combination of positive newsflow from the announcement of the MRT Line 1 tunneling contract worth RM8.28bn in April 2012 coupled with the expectations of strong earnings growth in FY13. FY13 core net earnings grew by c.19% y-o-y stripping out the one-off arbitration charge. This also coincided with the conclusion of the 13th General Elections.

From July 2013 onwards (Period B), Gamuda’s share price was on a general downtrend until June 2014 given the lack of significant newsflow post the award of MRT Line 1. From June 2014 to March 2016 (Period C), we think the outperformance was led by a combination of the award of the PDP role for MRT Line 1 in November 2014, PDP for the Penang Transport Master Plan (PTMP) as well as the tunneling package for MRT Line 2 worth RM15.47bn in March 2016.

Major contract wins for Gamuda since 2012 were as follows :-
 April 2012 – Announcement on KV MRT Line 1 tunneling contract worth RM8.28bn.
 Nov 2014- Appointment as PDP for MRT Line 2.
 August 2015 – Appointment as PDP for Penang Transport Master Plan.
 March 2016 – Awarded tunneling contract for KV MRT Line 2 worth RM15.47bn.

Gamuda’s share price performance vs Quarterly EPS



Source: Company, AllianceDBS, DBSVI

Gamuda’s share price performance does not share any meaningful correlation with quarterly EPS delivery. We think this is because it manages investors’ expectations fairly well. Even in 3Q13 when it reported a one-off provision for tribunal awards of RM113m, the share price did not de-rate significantly. Stripping this out, 9M13 net profit would have increased 14%.

Balance Sheet:

Manageable net gearing. Net gearing remained manageable at 0.5x as at 31 October 2017. Land bank purchases over the past few years include its maiden project in Toa Payoh, Singapore for S\$345.9m (Gamuda has a 50% share), a small parcel of freehold land in Melbourne for AUD40m, an 18-acre land in Kota Kinabalu for RM100m, and a 257-acre parcel located just 2km from Kota Kemuning for RM392m.

Further land banking still possible. Gamuda is still seeking to land bank further in choice locations despite the softening property market. But it will be more selective now given its aggressive land banking over the past year or so. Also, the sale of Splash will help bring down gearing levels.

Share Price Drivers:

Proxy to transportation-related projects. Besides having a strong reputation, it also has ample capacity and the technical know-how to bid for large upcoming transport-related projects. Thus far, MRT Line 1 was a success while MRT Line 2 is progressing well. Gamuda has also expressed interest in bidding for the ECRL, MRT Line 3, MRT projects in Singapore and Pan Borneo Highway Sabah. It is making a concerted effort to beef up its orderbook and to diversify its project risk.

Resolution for Splash. A successful resolution for Splash would remove the overhang on the stock. Investors could now potentially look forward to special dividends to compensate for the earnings void.

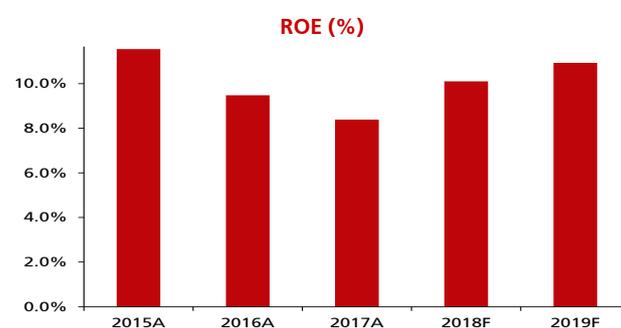
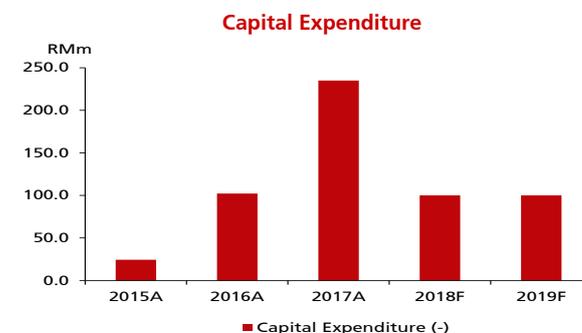
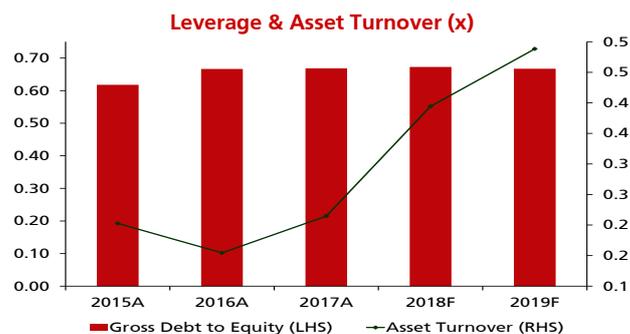
Key Risks:

Macroeconomic factors. Generally, an economic slowdown could adversely affect the group because this could defer or halt some projects, especially infrastructure projects. This could result in slower order book replenishment.

Slowdown in property market. The various tightening policies for the Malaysian property sector could reduce the demand for property (i.e. residential and commercial) in the near future.

Company Background

Gamuda's core businesses focus on three segments which are engineering & construction, infrastructure concessions, and property development.



Source: Company, AllianceDBS

Gamuda

Key Assumptions

FY Jul	2015A	2016A	2017A	2018F	2019F
Construction margins	7.60	8.50	11.6	8.94	8.64
Property launches Malaysia	950	900	850	1,330	1,000
Construction profit	24.7	23.4	32.6	33.3	41.7
Property profit contribution	29.5	23.6	26.0	25.9	22.8
New order wins		7,735	1,500	8,000	8,000

Segmental Breakdown

FY Jul	2015A	2016A	2017A	2018F	2019F
Revenues (RMm)					
Construction	1,158	905	1,234	4,380	6,414
Property development	842	758	1,486	790	815
Infrastructure	401	459	491	501	511
Others	0.0	0.0	0.0	775	845
Total	2,400	2,122	3,211	6,447	8,585
Pretax profit (RMm)					
Construction	242	212	269	392	554
Property development	289	214	215	204	193
Infrastructure	450	481	342	481	471
Overseas property	0.0	0.0	0.0	101	110
Net interest income	(124)	(126)	(104)	(135)	(131)
Total	858	781	722	1,043	1,198
Pretax Margins (%)					
Construction	20.9	23.4	21.8	8.9	8.6
Property development	34.4	28.2	14.5	25.8	23.7
Total	35.7	36.8	22.5	16.2	14.0

Income Statement (RMm)

FY Jul	2015A	2016A	2017A	2018F	2019F
Revenue	2,400	2,122	3,211	6,447	8,585
Cost of Goods Sold	(1,820)	(1,685)	(2,629)	(5,499)	(7,396)
Gross Profit	580	437	582	948	1,189
Other Opng (Exp)/Inc	(10.4)	10.9	3.72	(141)	(235)
Operating Profit	570	448	586	806	954
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	375	413	248	371	375
Net Interest (Exp)/Inc	(86.6)	(79.7)	(7.8)	(135)	(131)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	858	781	826	1,043	1,198
Tax	(133)	(112)	(170)	(209)	(240)
Minority Interest	(43.3)	(42.6)	(54.1)	(54.1)	(54.1)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	682	626	602	780	904
Net Profit before Except.	682	626	701	780	904
EBITDA	590	470	613	844	995
Growth					
Revenue Gth (%)	7.6	(11.6)	51.3	100.7	33.2
EBITDA Gth (%)	22.7	(20.4)	30.5	37.7	17.9
Opg Profit Gth (%)	23.9	(21.4)	30.7	37.7	18.3
Net Profit Gth (Pre-ex) (%)	(5.2)	(8.2)	11.9	11.4	15.9
Margins & Ratio					
Gross Margins (%)	24.2	20.6	18.1	14.7	13.9
Opg Profit Margin (%)	23.7	21.1	18.2	12.5	11.1
Net Profit Margin (%)	28.4	29.5	18.7	12.1	10.5
ROAE (%)	11.6	9.5	8.4	10.1	10.9
ROA (%)	5.8	4.6	4.0	4.8	5.1
ROCE (%)	4.6	3.2	3.5	4.5	5.0
Div Payout Ratio (%)	31.3	39.8	41.4	31.9	27.6
Net Interest Cover (x)	6.6	5.6	75.5	6.0	7.3

Source: Company, AllianceDBS

Quarterly / Interim Income Statement (RMm)

FY Jul	1Q2017	2Q2017	3Q2017	4Q2017	1Q2018
Revenue	505	854	839	1,013	772
Cost of Goods Sold	(406)	(738)	(691)	(846)	(619)
Gross Profit	98.7	116	149	167	153
Other Oper. (Exp)/Inc	35.0	52.7	21.8	42.7	30.5
Operating Profit	134	168	170	210	183
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	98.5	79.5	82.2	(12.1)	102
Net Interest (Exp)/Inc	(26.5)	(29.1)	(31.3)	(17.5)	(25.9)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	206	219	221	180	259
Tax	(30.6)	(39.4)	(42.8)	(56.9)	(41.6)
Minority Interest	(12.9)	(12.9)	(7.5)	(20.8)	(14.8)
Net Profit	162	166	171	103	203
Net profit bef Except.	162	166	171	103	203
EBITDA	232	248	253	198	285

Growth

Revenue Gth (%)	(17.8)	69.1	(1.7)	20.7	(23.8)
EBITDA Gth (%)	(6.0)	6.7	2.0	(21.6)	44.1
Opg Profit Gth (%)	(20.8)	25.9	1.3	23.3	(12.8)
Net Profit Gth (Pre-ex) (%)	6.6	2.5	2.8	(39.9)	97.6

Margins

Gross Margins (%)	19.5	13.5	17.7	16.5	19.8
Opg Profit Margins (%)	26.5	19.7	20.3	20.7	23.7
Net Profit Margins (%)	32.1	19.5	20.4	10.1	26.3

Balance Sheet (RMm)

FY Jul	2015A	2016A	2017A	2018F	2019F
Net Fixed Assets	312	420	619	681	740
Invt in Associates & JVs	2,621	2,881	2,914	3,286	3,661
Other LT Assets	5,163	5,529	5,804	5,804	5,804
Cash & ST Invt	1,438	1,473	1,042	1,356	1,764
Inventory	186	117	228	262	302
Debtors	1,377	1,441	2,476	2,848	3,275
Other Current Assets	2,230	2,297	2,689	2,689	2,689
Total Assets	13,326	14,158	15,772	16,926	18,235
ST Debt	777	640	629	1,029	1,429
Creditor	1,355	1,046	1,402	1,612	1,854
Other Current Liab	327	413	536	536	536
LT Debt	3,358	4,169	4,615	4,615	4,615
Other LT Liabilities	815	676	746	746	746
Shareholder's Equity	6,337	6,878	7,476	7,965	8,578
Minority Interests	356	336	369	423	477
Total Cap. & Liab.	13,326	14,158	15,772	16,926	18,235
Non-Cash Wkg. Capital	2,110	2,395	3,456	3,651	3,876
Net Cash/(Debt)	(2,698)	(3,335)	(4,201)	(4,287)	(4,279)
Debtors Turn (avg days)	235.2	242.3	222.6	150.7	130.2
Creditors Turn (avg days)	226.8	263.5	171.7	100.7	86.0
Inventory Turn (avg days)	48.7	33.2	24.2	16.4	14.0
Asset Turnover (x)	0.2	0.2	0.2	0.4	0.5
Current Ratio (x)	2.1	2.5	2.5	2.3	2.1
Quick Ratio (x)	1.1	1.4	1.4	1.3	1.3
Net Debt/Equity (X)	0.4	0.5	0.5	0.5	0.5
Net Debt/Equity ex MI (X)	0.4	0.5	0.6	0.5	0.5
Capex to Debt (%)	0.6	2.1	4.5	1.8	1.7
Z-Score (X)	2.0	2.1	2.0	2.1	2.2

Source: Company, AllianceDBS

Cash Flow Statement (RMm)

FY Jul	2015A	2016A	2017A	2018F	2019F
Pre-Tax Profit	858	781	826	1,043	1,198
Dep. & Amort.	20.2	21.6	27.2	37.6	40.9
Tax Paid	(882)	(124)	(104)	(209)	(240)
Assoc. & JV Inc/(loss)	(375)	(413)	(248)	(371)	(375)
Chg in Wkg.Cap.	164	(228)	(1,128)	(195)	(225)
Other Operating CF	818	67.3	94.0	(43.0)	(59.8)
Net Operating CF	604	105	(533)	262	340
Capital Exp.(net)	(24.3)	(102)	(235)	(100.0)	(100.0)
Other Invts.(net)	0.0	0.0	0.0	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	83.5	189	239	0.0	0.0
Other Investing CF	(1,473)	(743)	(24.2)	43.0	59.8
Net Investing CF	(1,413)	(656)	(20.2)	(57.0)	(40.2)
Div Paid	(285)	(289)	(292)	(291)	(291)
Chg in Gross Debt	1,561	650	480	400	400
Capital Issues	219	27.3	123	0.0	0.0
Other Financing CF	(167)	198	(188)	0.0	0.0
Net Financing CF	1,328	586	122	109	109
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	518	35.2	(431)	314	408
Opg CFPS (sen)	18.3	11.9	21.2	16.3	20.1
Free CFPS (sen)	24.1	0.10	(27.4)	5.78	8.55

Source: Company, AllianceDBS

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	24 Mar 17	5.29	6.30	BUY
2:	05 Apr 17	5.20	6.30	BUY
3:	27 Apr 17	5.23	6.30	BUY
4:	28 Apr 17	5.27	6.30	BUY
5:	05 May 17	5.27	6.30	BUY
6:	02 Jun 17	5.40	6.30	BUY
7:	28 Jun 17	5.48	6.70	BUY
8:	07 Jul 17	5.43	6.70	BUY
9:	02 Aug 17	5.40	6.70	BUY
10:	29 Sep 17	5.28	6.70	BUY
11:	29 Nov 17	4.74	6.70	BUY
12:	04 Dec 17	4.75	6.70	BUY
13:	01 Mar 18	4.95	6.70	BUY

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

Source: AllianceDBS

Analyst: Tjen San CHONG

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: 6 Mar 2018 15:11:26 (MYT)

Dissemination Date: 6 Mar 2018 15:14:17 (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.

United Kingdom	<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>
Dubai International Financial Centre	<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>
United Arab Emirates	<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>
United States	<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>
Other jurisdictions	<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