

Thailand Company Guide

Taokaenoi Food & Marketing

Version 17 | Bloomberg: TKN TB | Reuters: TKN.BK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

18 Apr 2018

BUY

Last Traded Price (17 Apr 2018): Bt16.60 (SET : 1,755.53)

Price Target 12-mth: Bt23.00 (39% upside) (Prev Bt26.00)

Analyst

Nantika WIANGPHOEM +66 2857 7836 nantikaw@th.dbs.com
Thailand Research Team +662 858 1222 research@th.dbs.com

What's New

- 1Q18E core profit is expected to come in at Bt167m (-2% y-o-y, +10% q-o-q)
- Postpone the impact of tax savings due to machine installation delay for Phase 2
- Cut our FY18/FY19 earnings forecast by 9%/6% after fine-tuning our revenue and cost assumptions
- Maintain BUY with lower TP of Bt 23, pegged to 34x FY18F PE

Price Relative



Forecasts and Valuation

FY Dec (Btm)	2016A	2017A	2018F	2019F
Revenue	4,705	5,264	6,131	7,069
EBITDA	1,134	1,031	1,250	1,510
Pre-tax Profit	972	792	1,068	1,334
Net Profit	775	609	922	1,199
Net Pft (Pre Ex.)	782	652	922	1,199
Net Pft Gth (Pre-ex) (%)	100.1	(16.6)	41.5	30.0
EPS (Bt)	0.56	0.44	0.67	0.87
EPS Pre Ex. (Bt)	0.57	0.47	0.67	0.87
EPS Gth Pre Ex (%)	52	(17)	41	30
Diluted EPS (Bt)	0.56	0.44	0.67	0.87
Net DPS (Bt)	0.49	0.34	0.47	0.61
BV Per Share (Bt)	1.61	1.58	1.78	2.04
PE (X)	29.6	37.6	24.8	19.1
PE Pre Ex. (X)	29.3	35.1	24.8	19.1
P/Cash Flow (X)	41.2	50.2	18.7	18.1
EV/EBITDA (X)	19.4	22.1	17.7	14.5
Net Div Yield (%)	3.0	2.0	2.8	3.7
P/Book Value (X)	10.3	10.5	9.3	8.1
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	38.1	27.7	39.8	45.5
Earnings Rev (%):			(9)	(6)
Consensus EPS (Bt):			0.66	0.79
Other Broker Recs:		B: 8	S: 0	H: 1

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

Taking longer than expected

Maintain BUY with lower TP of Bt23. Taokaenoi (TKN) is well recognised among local and foreign customers, with 72% market share for Thailand's seaweed snacks (as at Dec 2017). Its products are available in >40 overseas markets. Exports sales account for 61% of total sales. To support the strong demand (mainly from China), TKN is now operating a new plant (+100% capacity) with BOI tax privileges, whose output is ramping up from Mar 2017. The new capacity will boost its earnings growth significantly for this year and beyond. Given the expected delay in the machine installation for Phase 2 of the new plant and agreements with new local distributors in China, we cut our FY18/FY19 earnings forecast by 9%/6% after fine-tuning our assumptions related to revenue and taxes. Hence, our TP (pegged to 34x FY18F PE) falls from Bt26 to Bt23. Given the potential upside and its strong growth prospects, we maintain our BUY call.

Where we differ. We have imputed a lower effective tax rate, based on the company's latest guidance that the tax benefit will not be utilised this year. Since the market might not have taken this into account, our profit forecasts are now above consensus.

Potential catalysts. TKN's share price is mainly driven by its strong earnings growth, which can be attributed to i) a sharp rise in sales, supported by high demand and new capacity coming online, and ii) higher operational efficiency, which will act as a key re-rating catalyst. We believe TKN will deliver impressive earnings growth of 41% in FY18.

Valuation:

Our TP of Bt23 is pegged to 34x FY18F PE, at a premium to the peer average of 19.8x, which we believe is justified given its high 3-year CAGR (FY17F-FY20F) of 34%, high ROE and net cash position.

Key Risks to Our View:

Raw material shortages, volatility of raw material prices, customer concentration risk and more intense competition.

At A Glance

Issued Capital (m shrs)	1,380
Mkt. Cap (Btm/US\$m)	22,908 / 734
Major Shareholders (%)	
Peeradechapan's Family (%)	47.82
Peeradechapan Holding Co., Ltd (%)	26.09
Pracha Damrongsothipong (%)	6.63
Free Float (%)	19.45
3m Avg. Daily Val (US\$m)	3.5

ICB Industry : Consumer Goods / Food Producers

WHAT'S NEW

Softer 1Q18E performance on the cards

Weaker 1Q18E results on y-o-y basis. We expect TKN to deliver a 1Q18E core profit of Bt167m (-2% y-o-y, +10% q-o-q). The slightly weaker y-o-y performance is mainly due to:

- i) A moderate sales growth of 11% that was driven by the China market. According to management, TKN has not finalised any agreements with its new local distributors in China. This might also impact the company's ability to meet our full-year FY18 revenue target.
- ii) A lower gross profit margin of 31.5% vs 34.5% in 1Q17, which can be explained by higher seaweed costs and efficiency loss from the ramp-up of the new plant's operations.

Delay in tax benefit utilisation. We now expect the positive impact of BOI tax benefits to be further delayed, as we understand that the machine installation for Phase 2 production of the new plant has not been completed. Therefore, we have now imputed more conservative effective tax rate assumptions for FY18 and FY19.

Contribution from US business. TKN ultimately plans to launch its products in the mainstream market in the US. However, in the initial phases, TKN had channelled its products through Asian grocery markets. According to management, TKN expects to roll out more concrete activities to boost sales in some pilot cities in late 2Q18. As a result, we expect the US revenue contribution from the new initiatives to filter through in 3Q18. Coupled with the full benefits of lower seaweed prices (in line with the contract entered into in FY18), we hope to see a more prominent recovery in earnings in 2H18E. Nevertheless, we have not baked in US earnings contribution from the new initiatives in our TP.

Reiterate BUY call with lower TP of Bt23, pegged to 33x FY18F PE. In line with what we have discussed earlier, we have reduced our FY18 revenue growth from China from 30% to 25%. As a result, our FY18/FY19 revenue growth rate drops from 18.5%/15.5% to 16.5%/15.3%. We have also increased our FY18/FY19 effective tax rate from 7%/7% to 14%/10% after fine-tuning our tax saving assumptions to reflect our expectations for TKN's 1Q18E performance. As a result, our FY18/FY19 earnings forecast decreases by 9%/6%. At the end of the day, our TP, pegged to 34x FY18F PE, slides from Bt26 to Bt23. Given the potential upside and its strong growth prospects, we maintain our BUY call on TKN.

1Q18E Result Preview

FY Dec (Btm)	1Q17	4Q17	1Q18E	Chg y-o-y	Chg q-o-q
P&L Items					
Sales	1,121	1,526	1,244	11%	-18%
Cost of Goods Sold	(735)	(1,043)	(852)	16%	-18%
Gross Profit	386	483	392	1%	-19%
SGA Expenses	(178)	(261)	(193)	8%	-26%
Operating profit	208	222	199	-4%	-10%
Other					
Income/expense	7	1	5	-32%	248%
EBIT	215	223	204	-5%	-9%
Interest expense	(2)	(5)	(5)	169%	0%
Pretax profit	214	218	199	-7%	-9%
Income Tax	(43)	(67)	(32)	-24%	-52%
Norm. Profit	171	152	167	-2%	10%
Extra items	0	(9)	0	n.m.	-100%
Net Profit	171	142	167	-2%	17%
EPS (Bt)	0.12	0.10	0.00	-100%	-100%
Normalised EPS (Bt)	0.12	0.11	0.00	-100%	-100%
Gross Margin	34.5%	32.2%	31.5%		
SGA/ Sales	15.9%	15.5%	15.5%		
Effective tax rate	19.9%	30.6%	16.2%		

Source of all data: Company, DBSVTH

CRITICAL DATA POINTS TO WATCH

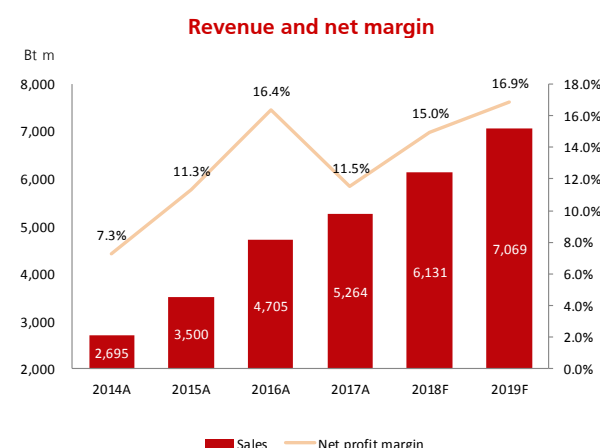
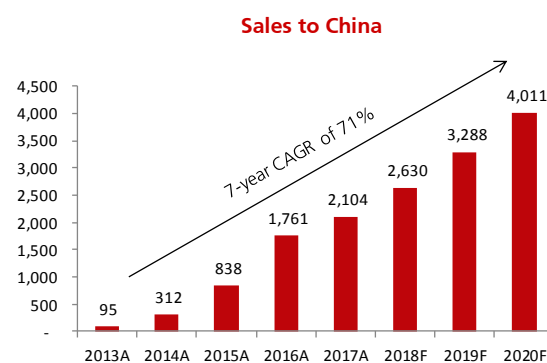
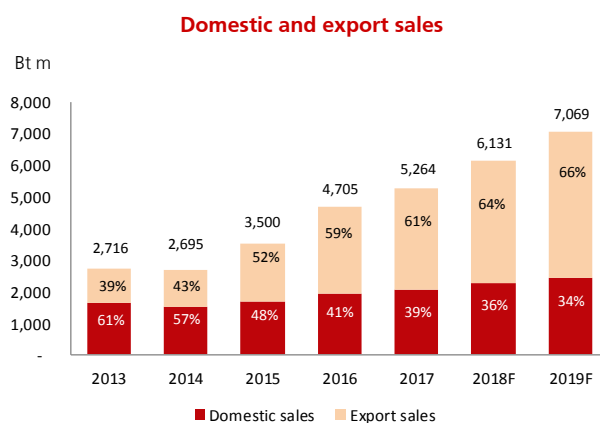
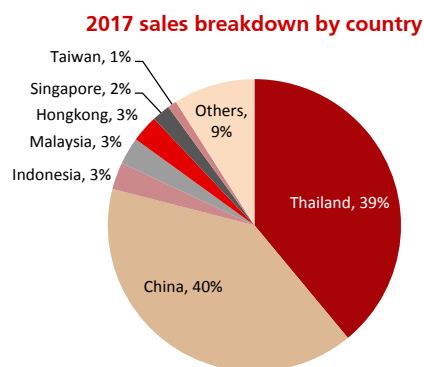
Critical Factors

Domestic sales continue to grow strongly. TKN plans to implement different strategies to increase domestic sales. First, TKN will increase the variety of products to expand the customer base and will more focus on shops that have a lot of tourist visits by offering products to cater to tourists' needs. Second, TKN will expand its traditional trade into more provincial areas where it will offer low- priced products and promote its brand by sponsoring events, including concerts. Third, TKN plans to roll out more own shops (Taokaenoi LAND) in 2018, on top of the current 11 outlets. With these plans, we expect TKN to continue achieving domestic revenue growth.

Strong growth in overseas markets, driven by China. Currently, most of the export sales are made through mainland importers. However, TKN believes that sales through distributors will be better due to the stronger collaboration and visibility, as TKN has to enter into a yearly contract with a distributor. Hence, the company is in the process of appointing qualified distributors to help boost overseas sales. China (accounting for 40% of total sales in 2017) is a key market for TKN, with sales increasing by 107% in 2016 and 20% in 2017. TKN's products are mainly available in China in modern trade channels such as Watson, Lawson, 7-Eleven, Wal-Mart, etc. in Shanghai and Guangzhou. Thus, there is strong potential to expand the footprint of its products to other cities in China. We expect China sales to grow strongly by 25% in 2018 and 25% in 2019 and 22% in 2020

From 'sea to farm' theme. TKN targets to be a global brand by 2024. To achieve its goal, TKN is aiming to increase the variety of products by continuously adding new product lines, including agricultural sources such as corn, potato, etc. It has already launched numbers of such products (popcorn, potato sticks and corn snacks), which accounted for less than 5% of total sales in 2017. It expects to increase the product range under this theme to account for 10-15% of total sales by 2024.

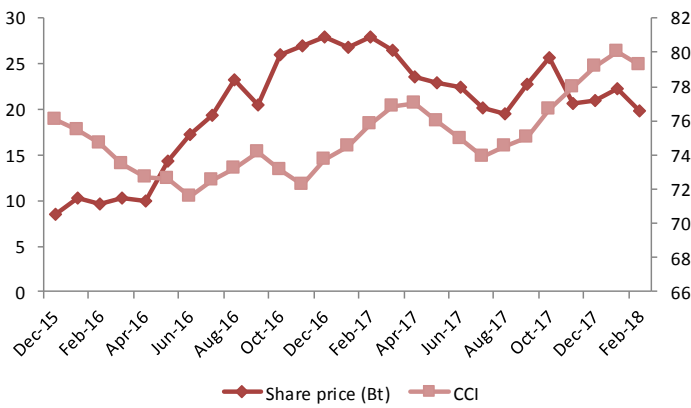
Widen gross margins to 40% in the long term. TKN is reviewing its production processes as well as back-office operations to improve efficiency. TKN's gross margin normally hovers above 30% and is improving, thanks to cost-reduction initiatives and more process automation. The company is planning to implement more automated machines and improve the efficiency of its existing machines. We expect its margin to stay high at 33.6% in 2018 and 34.5% in 2019.



Source: Company, DBSVTH

Appendix 1: TKN's price correlation with critical factors

TKN's share price vs Consumer Confidence Index

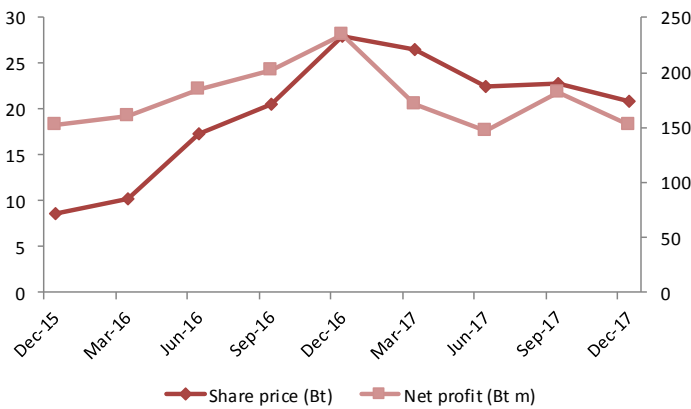


Source: Company, Bloomberg Finance L.P., DBSVTH

Remarks

As TKN's IPO took place in late-2015, its stock price history is quite limited. However, TKN's share price tends to have some correlation with Thailand's CCI as its TKN's domestic sales performance is closely tied to the strength of overall domestic consumption in Thailand.

TKN's share price vs net profit



Source: Company, Bloomberg Finance L.P., DBSVTH

Remarks

TKN's share price tends to move in tandem with its net profit. A sustained rise in net profit going forward should serve as a positive catalyst for the share price.

Balance Sheet:

TKN has a strong balance sheet with a net gearing of 0.2x. The healthy balance sheet is due to cash flow from operations and cash received from IPO in 2015. TKN expects to maintain its current level of financial leverage, as its internal cash flow is sufficient for meeting capex requirements of new machinery and new store openings in 2017 and beyond. TKN paid a DPS of Bt0.34 in 2017 (or 77% dividend payout ratio).

Share Price Drivers:

Surge in demand from China. The high demand from China will be a key driver to boost TKN's sales this year and beyond. Appointing new distributors in China to expand its distribution channel to other cities in China is considered a catalyst.

New plant opening from Mar 2017. After the new plant (+100% capacity) at Ayutthaya starts operation in 1Q17, we believe its sales will rise in view of the currently unmet demand. This will be a medium-term catalyst to bolster TKN's share price.

Rising margins. TKN's margins will continue improving, thanks to i) higher efficiency of production and back-office operations, and ii) better SGA expense control. As a result, TKN's earnings will improve and hence, the profit uptrend will contribute to the potential re-rating of the share price.

Key Risks:

Seaweed supplies. There is heavy reliance (68%) on one major supplier. Hence, there is the risk of potential business disruption if the supplier fails to deliver orders. TKN is attempting to reduce the risk by diversifying its suppliers.

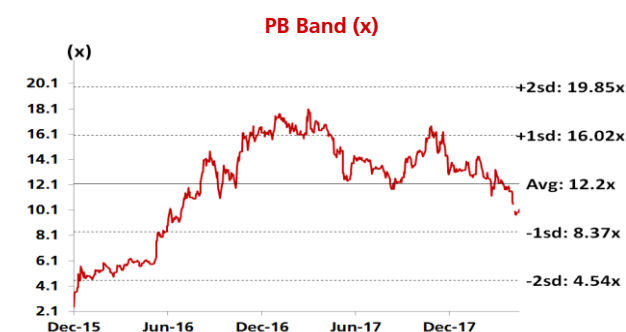
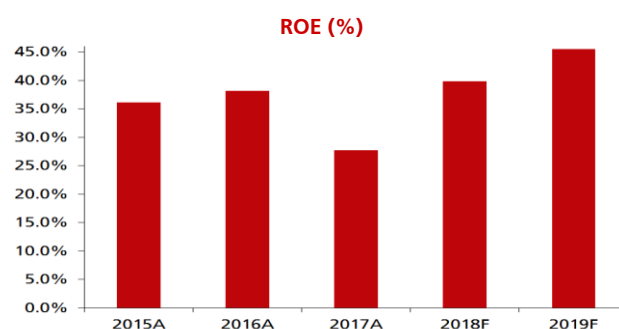
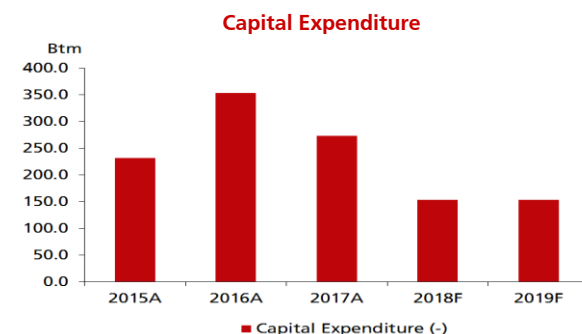
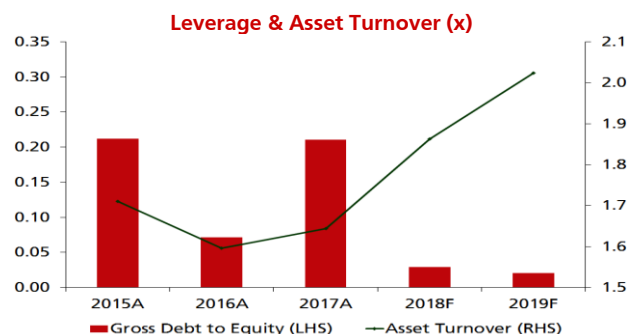
Customer concentration. Its largest distributor accounts for c.34% of domestic sales. Hence, TKN's sales could plunge if it loses this customer. However, this is unlikely to happen as the customer has been TKN's trading partner since its inception.

Low barriers to entry. As this business is not capital intensive, the entry of new players could erode TKN's market share.

Exchange rates. Despite its high portion of export sales, only c.25% of its sales are transacted in USD as export sales to China are in Thai baht. Also, as TKN imports some of its raw materials in USD (c.23% of total sales), there is a natural hedge.

Company Background

TKN is engaged in the manufacturing of seaweed snacks in Thailand. The company also offers popcorn, potato sticks, corn chips, dried fruits, etc. TKN's products are available through various distribution channels, including modern trade, traditional trade and its own stores.



Source: Company, DBSVTH

Key Assumptions

FY Dec	2015A	2016A	2017A	2018F	2019F
Sales (Bt m)	3,500	4,705	5,264	6,131	7,069
Sales growth (%)	29.9	34.4	11.9	16.5	15.3
Gross margin (%)	35.4	35.8	32.2	33.6	34.5
SGA/Sales (%)	21.3	15.4	16.4	16.5	16.2
Effective tax rate	20%	20%	23%	14%	10%

Income Statement (Btm)

FY Dec	2015A	2016A	2017A	2018F	2019F
Revenue	3,500	4,705	5,264	6,131	7,069
Cost of Goods Sold	(2,260)	(3,019)	(3,571)	(4,073)	(4,627)
Gross Profit	1,240	1,687	1,693	2,058	2,441
Other Opng (Exp)/Inc	(744)	(725)	(862)	(1,012)	(1,145)
Operating Profit	496	962	832	1,046	1,296
Other Non Opg (Exp)/Inc	9.25	24.1	19.5	24.3	39.3
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(16.7)	(6.5)	(15.9)	(2.3)	(1.9)
Exceptional Gain/(Loss)	6.27	(6.8)	(43.0)	0.0	0.0
Pre-tax Profit	495	972	792	1,068	1,334
Tax	(98.3)	(197)	(183)	(146)	(135)
Minority Interest	0.0	0.0	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	397	775	609	922	1,199
Net Profit before Except.	391	782	652	922	1,199
EBITDA	636	1,134	1,031	1,250	1,510
Growth					
Revenue Gth (%)	29.9	34.4	11.9	16.5	15.3
EBITDA Gth (%)	66.8	78.4	(9.1)	21.3	20.7
Opg Profit Gth (%)	104.3	93.7	(13.5)	25.8	23.9
Net Profit Gth (Pre-ex) (%)	106.1	100.1	(16.6)	41.5	30.0
Margins & Ratio					
Gross Margins (%)	35.4	35.8	32.2	33.6	34.5
Opg Profit Margin (%)	14.2	20.4	15.8	17.1	18.3
Net Profit Margin (%)	11.3	16.5	11.6	15.0	17.0
ROAE (%)	36.1	38.1	27.7	39.8	45.5
ROA (%)	19.4	26.3	19.0	28.0	34.3
ROCE (%)	26.9	33.1	25.4	34.8	43.0
Div Payout Ratio (%)	78.4	87.3	77.1	70.0	70.0
Net Interest Cover (x)	29.7	147.0	52.2	457.2	694.5

Source: Company, DBSVTH

Quarterly / Interim Income Statement (Btm)

FY Dec	4Q2016	1Q2017	2Q2017	3Q2017	4Q2017
Revenue	1,307	1,121	1,212	1,405	1,526
Cost of Goods Sold	(836)	(735)	(827)	(966)	(1,043)
Gross Profit	471	386	385	439	483
Other Oper. (Exp)/Inc	(184)	(178)	(207)	(216)	(261)
Operating Profit	287	208	178	224	222
Other Non Opg (Exp)/Inc	6.20	7.34	7.33	3.42	1.43
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(1.1)	(1.9)	(4.3)	(4.7)	(5.0)
Exceptional Gain/(Loss)	0.0	0.0	(11.3)	(22.3)	(9.4)
Pre-tax Profit	292	214	169	200	209
Tax	(57.5)	(42.6)	(34.1)	(40.1)	(66.7)
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	234	171	135	160	143
Net profit bef Except.	234	171	147	182	152
EBITDA	311	234	207	252	251

Growth

Revenue Gth (%)	3.6	(14.2)	8.1	16.0	8.6
EBITDA Gth (%)	12.7	(24.9)	(11.5)	21.9	(0.5)
Opg Profit Gth (%)	11.9	(27.5)	(14.6)	25.9	(0.7)
Net Profit Gth (Pre-ex) (%)	16.0	(27.1)	(14.2)	24.4	(16.6)

Margins

Gross Margins (%)	36.1	34.5	31.7	31.3	31.6
Opg Profit Margins (%)	21.9	18.6	14.7	15.9	14.6
Net Profit Margins (%)	17.9	15.2	11.2	11.4	9.3

Balance Sheet (Btm)

FY Dec	2015A	2016A	2017A	2018F	2019F
Net Fixed Assets	550	882	1,094	818	796
Invts in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other LT Assets	103	55.3	117	112	126
Cash & ST Invts	1,476	1,063	563	796	1,054
Inventory	197	445	730	670	761
Debtors	418	491	634	655	755
Other Current Assets	71.2	147	185	209	235
Total Assets	2,815	3,084	3,322	3,260	3,728
ST Debt	279	158	440	14.1	14.1
Creditor	476	559	562	584	686
Other Current Liab	97.3	137	115	138	157
LT Debt	112	0.0	17.3	57.2	43.2
Other LT Liabilities	7.29	8.68	11.2	11.8	12.4
Shareholder's Equity	1,844	2,222	2,176	2,455	2,815
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Cap. & Liab.	2,815	3,084	3,322	3,260	3,728
Non-Cash Wkg. Capital	113	387	871	812	908
Net Cash/(Debt)	1,085	906	105	725	997
Debtors Turn (avg days)	46.2	35.2	39.0	38.4	36.4
Creditors Turn (avg days)	79.4	65.8	60.3	53.7	52.0
Inventory Turn (avg days)	36.5	40.9	63.2	65.6	58.7
Asset Turnover (x)	1.7	1.6	1.6	1.9	2.0
Current Ratio (x)	2.5	2.5	1.9	3.2	3.3
Quick Ratio (x)	2.2	1.8	1.1	2.0	2.1
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	59.4	223.9	59.7	214.6	267.3
Z-Score (X)	15.6	22.6	17.6	17.6	24.3

Source: Company, DBSVTH

Cash Flow Statement (Btm)

FY Dec	2015A	2016A	2017A	2018F	2019F
Pre-Tax Profit	495	972	792	1,068	1,334
Dep. & Amort.	72.2	70.3	93.1	180	174
Tax Paid	(98.3)	(197)	(183)	(146)	(135)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	63.2	(289)	(245)	124	(105)
Other Operating CF	42.5	0.0	0.0	0.0	0.0
Net Operating CF	575	556	456	1,226	1,268
Capital Exp.(net)	(232)	(353)	(273)	(153)	(153)
Other Invt.(net)	0.0	(756)	494	261	0.0
Invt. in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.99	(43.6)	(14.5)	16.8	(3.8)
Net Investing CF	(231)	(1,152)	207	125	(157)
Div Paid	(311)	(676)	(469)	(645)	(839)
Chg in Gross Debt	37.4	(254)	344	(396)	(14.1)
Capital Issues	1,397	0.0	0.0	0.0	0.0
Other Financing CF	(65.9)	31.3	(45.3)	14.1	0.0
Net Financing CF	1,057	(899)	(171)	(1,028)	(853)
Currency Adjustments	6.27	0.0	0.0	0.0	0.0
Chg in Cash	1,408	(1,496)	493	324	258
Opg CFPS (Bt)	0.49	0.61	0.51	0.80	0.99
Free CFPS (Bt)	0.33	0.15	0.13	0.78	0.81

Source: Company, DBSVTH

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	28 Apr 17	23.50	32.00	BUY
2:	09 May 17	20.80	32.00	BUY
3:	12 May 17	20.40	27.00	BUY
4:	19 May 17	19.90	27.00	BUY
5:	26 Jul 17	21.20	27.00	BUY
6:	16 Aug 17	18.70	27.00	BUY
7:	21 Aug 17	19.50	24.00	BUY
8:	02 Nov 17	25.25	28.00	BUY
9:	15 Nov 17	24.30	28.00	BUY
10:	12 Feb 18	20.10	28.00	BUY
11:	02 Mar 18	21.40	26.00	BUY

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

Source: DBSVTH

Analyst: Nantika WIANGPHOEM

Thailand Research Team

THAI-CAC

Corporate Governance CG Rating (as of Oct 2017)

Declared



THAI-CAC is Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of Feb 2018) are categorised into:

Score	Description
Declared	Companies that have declared their intention to join CAC
Certified	Companies certified by CAC.

Corporate Governance CG Rating is based on Thai Institute of Directors (IOD)'s annual assessment of corporate governance practices of listed companies. The assessment covers 235 criteria in five categories including board responsibilities (35% weighting), disclosure and transparency (20%), role of stakeholders (20%), equitable treatment of shareholders (10%) and rights of shareholders (15%). The IOD then assigns numbers of logos to each company based on their scoring as follows:

Score	Range Number of Logo	Description
90-100		Excellent
80-89		Very Good
70-79		Good
60-69		Satisfactory
50-59		Pass
<50	No logo given	N/A

DBSVTH recommendations are based on 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: 18 Apr 2018 08:56:18 (THA)

Dissemination Date: 18 Apr 2018 09:02:17 (THA)

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

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Vickers Securities (Thailand) Co Ltd ("DBSVTH"). 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 DBS Vickers Securities (Thailand) Co Ltd ("DBSVTH").

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 30 Mar 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 ("ADBSR"). Recipients of this report, received from ADBSR 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 ADBSR (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, ADBSR</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 DBS Vickers Securities (Thailand) Co Ltd which is regulated by the Securities and Exchange Commission, Thailand.</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 DBS Vickers Securities (Thailand) Co Ltd ("DBSVTH"). 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