

# Malaysia Company Guide

# Gamuda

Version 14 | Bloomberg: GAM MK | Reuters: GAMU.KL

Refer to important disclosures at the end of this report

DBS Group Research . Equity

6 Aug 2018

## BUY

Last Traded Price ( 2 Aug 2018): RM3.88 (KLCI : 1,780.09)

Price Target 12-mth: RM5.03 (30% upside) (Prev RM4.73)

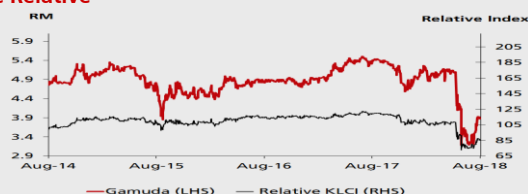
### Analyst

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

### What's New

- Gamuda likely to accept offer for Splash at 0.77x BV
- Special dividends possible but PTMP's capex needs to be balanced
- Raising TP to RM5.03 for Splash's offer price, and some modest new wins
- Maintain BUY rating

### Price Relative



### Forecasts and Valuation

FY Jul (RMm)	2017A	2018F	2019F	2020F
Revenue	3,211	5,787	6,263	6,518
EBITDA	613	827	863	875
Pre-tax Profit	826	1,026	1,067	1,083
Net Profit	602	767	799	812
Net Pft (Pre Ex.)	701	767	799	812
Net Pft Gth (Pre-ex) (%)	11.9	9.4	4.3	1.6
EPS (sen)	21.5	27.3	28.5	28.9
EPS Pre Ex. (sen)	25.0	27.3	28.5	28.9
EPS Gth Pre Ex (%)	12	9	4	2
Diluted EPS (sen)	21.5	27.3	28.5	28.9
Net DPS (sen)	8.88	8.88	8.88	8.88
BV Per Share (sen)	266	283	301	320
PE (X)	18.1	14.2	13.6	13.4
PE Pre Ex. (X)	15.5	14.2	13.6	13.4
P/Cash Flow (X)	nm	43.8	46.4	55.4
EV/EBITDA (X)	25.2	18.9	18.3	18.2
Net Div Yield (%)	2.3	2.3	2.3	2.3
P/Book Value (X)	1.5	1.4	1.3	1.2
Net Debt/Equity (X)	0.5	0.5	0.5	0.5
ROAE (%)	8.4	9.9	9.7	9.3
Earnings Rev (%)		0	0	0
Consensus EPS (sen):		30.6	33.1	36.0
Other Broker Recs:		B: 10	S: 4	H: 10

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

## Closure for Splash debacle

**Upside from less foreign competition.** Gamuda's stock has bounced back from the recent lows but is still trading at just 13.6x FY19F EPS and 1.3x BV which is 2SD below mean. As the dust settles, we expect larger contractors with reputable track records and strong balance sheets (like Gamuda) to emerge as winners, especially if some of the cancelled projects are eventually revived. Greater transparency, less bureaucracy and potentially less foreign competition due to changes in government policies will be the long-term trend in the sector.

**Where we differ.** Our earnings are below consensus as we factor in minimal wins of RM3bn for FY19F and are also fully diluted for its warrant issue. We have yet to take into account the sale of Splash.

**Potential catalyst:** The most important catalyst for Gamuda and the sector as a whole is the revival of key infrastructure projects. Gamuda's strong reputation based on work for MRT Line 1 and 2, as well as its appointment as Project Delivery Partner (PDP) for the Penang Transport Master Plan (PTMP) will put it in the driver's seat when there is more certainty on government-related projects. In our view, MRT 3 will eventually be revived and Gamuda will be a key beneficiary. The revised offer for Splash at RM2.72bn nominal value also removes a key overhang for the stock.

### Valuation:

Our new SOP-derived TP of RM5.03 assumes RM3bn construction new wins and discounts for its highway tolls but water concessionaire Syarikat Pengeluar Air Selangor Sdn Bhd (Splash) at the offer price. At the current price, we think the market is ignoring the factor of potentially less foreign participation in the sector. Gamuda could be a key beneficiary of this, as well as the potential revival of PTMP.

### Key Risks to Our View:

**Faster implementation of projects.** In our view, the new government's expedition of projects, revival of the PTMP and limitation on foreign participation will be positives for Gamuda.

### At A Glance

Issued Capital (m shrs)	2,468
Mkt. Cap (RMm/US\$m)	9,576 / 2,346
Major Shareholders (%)	
EPF	9.8
KWAP	6.8
Free Float (%)	78.8
3m Avg. Daily Val (US\$m)	9.9

ICB Industry : Industrials / Construction & Materials

## WHAT'S NEW

## A splashing offer

**Decent offer for Splash:** Gamuda likely to accept offer of RM2.55bn (RM2.72bn nominal value or RM1.09bn for its 40% stake). Special dividends are possible but these are dependent on the degree of capital commitments for PTMP.

**PTMP the next catalyst:** Expect Federal Government approval by 4Q18. LRT and PIL 1 could run simultaneously should there be a government soft loan.

**BUY, higher TP of RM5.03/share.** This factors in i) the offer for Splash at RM2.72bn nominal value (vs RM2.3bn previously); ii) higher new order wins of RM3bn (vs zero previously).

**Turning the corner with positive catalysts.** Gamuda's share price has staged a decent rebound from the recent lows in June/July 2018 and is up by 13% since we raised our recommendation to BUY. We believe the concerns for the stock are abating, as evidenced by the announcement of the decent takeover price for Splash.

**Raising TP.** We raise our SOP-derived TP to RM5.03/share by i) Assuming new contract wins of RM3bn for FY19F. We think this figure will be conservative should the major components of PTMP kick off soon; and ii) Valuing Splash at the offer price of RM2.72bn nominal value (RM2.55bn NPV amount).

**Decent offer for Splash.** Pengurusan Air Selangor Sdn Bhd is offering RM2.55bn cash (RM2.72bn nominal value) to take over Splash. This represents a 23% discount to Splash's book value of RM3.54bn as at 30 June 2018 based on the nominal value. The sale and purchase agreement shall be entered into no later than 14 September 2018.

The payment is structured as follows:

- i) RM1.9bn upfront payment from Pengurusan Air Selangor upon signing the definite share sale and purchase agreement which shall be no later than 14 days from the fulfilment of certain condition precedents;
- ii) balance of RM650m to be settled in 9 annual instalments, of which the first annual instalment shall commence on the first anniversary of the completion date and on each anniversary thereafter; and
- iii) interest shall accrue on the outstanding amounts of the remaining payment of RM650m at the rate of 5.25% per annum from the date falling immediately after the completion date until the date the remaining payment has been paid in full.

**Will Gamuda accept the offer?** We expect Gamuda which owns a 40% stake in Splash and the other two shareholders, Kumpulan Perangsang Selangor and Tan Sri Wan Azmi to accept this offer. Although this is 23% lower than its book value of RM3.54bn, we think the offer is fair enough and will provide closure for this exercise which has dragged on for years. Recall the last offer to buy Splash in 2013 was a measly RM250m, or 10% of its then book value.

**Impact on earnings.** Gamuda's 40% stake works out to be RM1.09bn or RM0.44/share. It is likely that Gamuda will have to make a one-off impairment for this given the sale price is below its book value. However, this is non-cash in nature.

As Splash contributes some RM150m in pretax profit for Gamuda, we estimate that this may shave off 13% of FY19F and 17% FY20F net profit. This assumes completion of the sale in end-September 2018 and nine months' impact for FY19F. We leave our earnings forecast unchanged for now.

**Special dividends?** In our view, there will likely be special dividends but the quantum may not be as high as expected given possible commitments for the PTMP. This is especially if there is no soft loan offered from the Federal Government which will make it difficult for both the Pan Island Link 1 and LRT works to start simultaneously.

The table below shows a sensitivity analysis of the potential special dividends that Gamuda may declare. The first scenario is based on the full offer price of RM2.72bn nominal value while the second is based on the upfront payment of RM1.9bn.

## Potential Special Dividends Sensitivity

Dividend payout ratio	20%	30%	40%	50%	60%	70%	80%
Gamuda's 40% stake based on RM2.72bn (RMm)	1088	1088	1088	1088	1088	1088	1088
Potential Dividends (RMm)	217.6	326.4	435.2	544	652.8	761.6	870.4
Potential DPS (RM/share)	0.09	0.13	0.18	0.22	0.26	0.31	0.35
Potential Dividend Yield (%)	2.2	3.3	4.5	5.6	6.7	7.8	8.9
Gamuda's 40% stake based on RM1.9bn (RMm)	760	760	760	760	760	760	760
Potential Dividends (RMm)	152	228	304	380	456	532	608
Potential DPS (RM/share)	0.06	0.09	0.12	0.15	0.18	0.22	0.25
Potential Dividend Yield (%)	1.6	2.3	3.1	3.9	4.7	5.4	6.2

Source: AllianceDBS, DBS Vickers

**Penang Transport Master Plan.** In our view, there is a higher probability than this project may see some positive developments soon. The tentative timeline is for the Federal Government to provide approvals by 4QCY18. The latest proposal is for a RM1bn soft loan from the Federal Government which will enable two components of the project – George Town to Bayan Lepas LRT and the Pan Island

Link Phase 1 project to run simultaneously. Both components are estimated to cost c.RM16bn. Gamuda's 60% stake in SRS Consortium, the PDP for the project would imply a value of RM9.6bn. However, it remains to be seen which components Gamuda is allowed to bid for given it is PDP for the SRS Consortium.

We understand if Federal Government funding for the project is not provided, the Penang State Government would reinstate the previous financing structure of reclaiming three islands off Bayan Lepas.

**CRITICAL DATA POINTS TO WATCH**

**Key critical factors.** The most critical factor for Gamuda is the revival of contracts by the new government. On a more micro level, our findings reveal that significant contract wins coupled with earnings growth are the main key share price drivers. There is a partial negative correlation between its share price and steel prices.

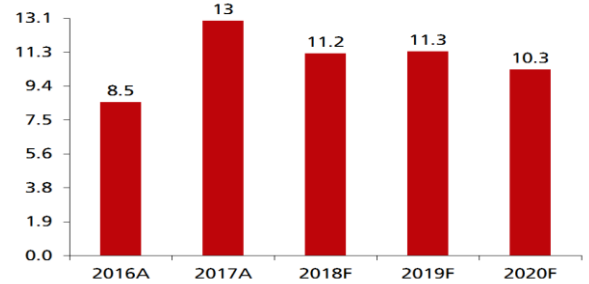
Gamuda bears the risk of fluctuations in raw material prices related to MRT tunnelling works. We understand that it sources almost all of its steel requirements locally for the MRT project, so it is not impacted by the recent changes in regulations for imported steel. It only imports steel not available locally, such as steel used in railway tracks.

**Clarity on government projects.** Gamuda has a current orderbook of RM6.4bn, 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 tunnelling and the Pan Borneo Highway Sarawak. The new government has cancelled two projects (HSR and MRT 3) so far. The latter was crucial for visibility of Gamuda’s new wins. The potential cancellation of ECRL has no impact on Gamuda because it had already indicated that it was willing to forego this contract.

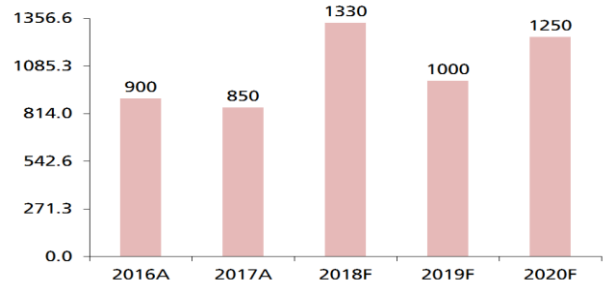
**MRT 3 to be revived.** In our view, MRT 3 has to be revived eventually. It is crucial to ensure connectivity to the other two lines and will drive ridership into the city. The project may be re-tendered at a later stage, with possible changes in alignment or a higher proportion of above ground works. The last indicative value for MRT 3 was RM40-45bn. 32km out of the 40km stretch would have been underground. At the onset of the entire MRT project’s conceptualisation, Gamuda had an earlier proposal for MRT 3 which included 35% underground works. This proposal could potentially lower the cost of MRT 3 to RM20-25bn. Assuming a 35% underground portion, this would work out to RM7-8.75bn tunnelling portion. Gamuda with its tunnel boring machines and experience with MRT Line 1 and 2 will be a key beneficiary. It won MRT Line 1 and 2 tunnelling works without having to exercise the “Swiss Challenge”.

**Penang Transport Master Plan (PTMP) project to kick off.** One of the key hurdles was obtaining federal government approval for the LRT portion. Gamuda has a 60% stake in SRS Consortium, the PDP for this RM32bn project. RM16bn is allocated for the public transportation system and the balance RM16bn for land reclamation works. The contract value for the LRT portion is RM8bn. The tentative timeline is for the Federal Government to provide approval by 4QCY18. The latest proposal is for a RM1bn soft loan from the Federal Government which will enable two components of the project – George Town to Bayan Lepas LRT and the Pan Island Link Phase 1 project to run simultaneously. Both components are estimated to cost c.RM16bn.

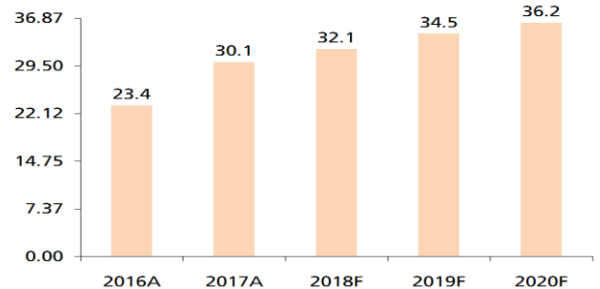
**Construction margins**



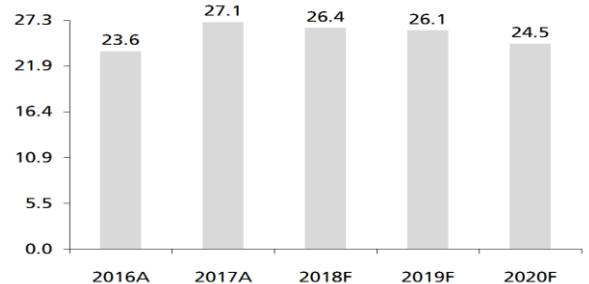
**Property launches Malaysia**



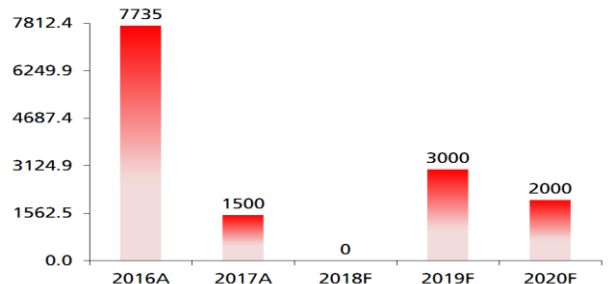
**Construction profit contribution**



**Property profit contribution**



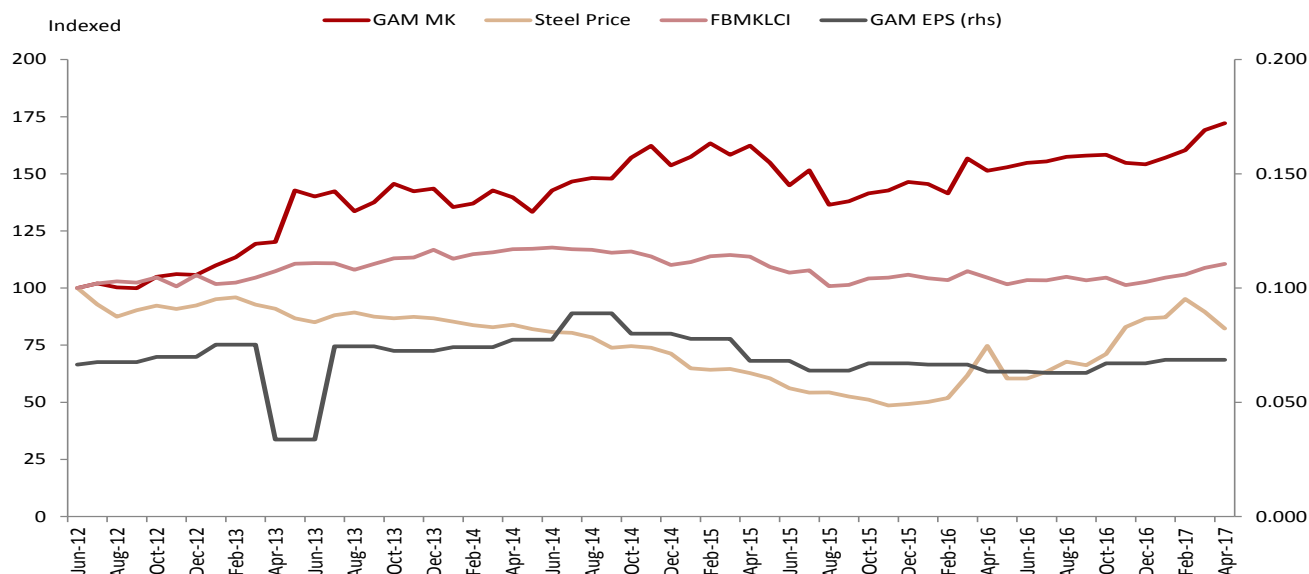
**New order wins**



Source: Company, AllianceDBS

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

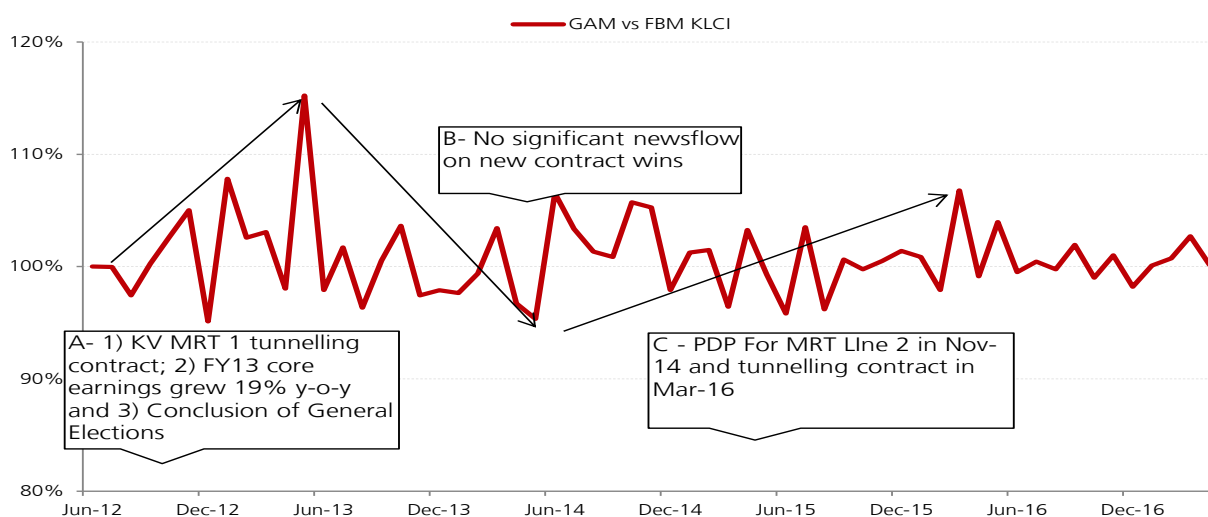
**Gamuda's share price performance vs KLCI, Steel price and EPS**



Source: Company, AllianceDBS

The key share price driver for Gamuda appears to be new contract wins and to some extent earnings growth. For the period until June 2016, there was some negative correlation with steel price, 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

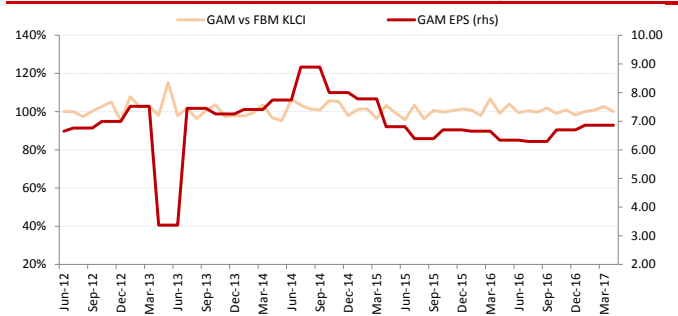
Gamuda’s share price showed the most significant outperformance during the period between June 2012 and July 2013 (Period A). This was due to a combination of positive newsflow from the announcement of the MRT Line 1 tunnelling contract worth RM8.28bn in April 2012 and expectations of strong earnings 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 13<sup>th</sup> General Election.

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 tunnelling package for MRT Line 2 worth RM15.47bn in March 2016.

Major contract wins for Gamuda since 2012:

- April 2012 – Announcement on KV MRT Line 1 tunnelling 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 tunnelling contract for KV MRT Line 2 worth RM15.47bn.

**Gamuda’s share price performance vs Quarterly EPS**



Source: Company, AllianceDBS

Gamuda’s share price performance does not have 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 0.54x as at 30 April 2018. 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 possible.** Gamuda is still seeking to land bank further in choice locations despite the softening property market. However, it will be more selective given its aggressive land banking over the past year or so. The sale of Splash will help reduce gearing levels and fund the PTMP.

**Share Price Drivers:**

**Revival of large scale government projects.** The most important catalyst for Gamuda is the revival of some of the more crucial government infrastructure projects such as MRT 3. In the longer term and taking into account the changing landscape of the sector, Gamuda, with a reputable execution track record and strong balance sheets, will emerge as a winner. This is because there will be greater transparency, less bureaucracy and potentially less foreign competition. When these projects are eventual revived by the new government, we expect the stock to still be the best proxy in the construction space.

**Resolution for Splash.** A successful resolution of the deadlock between Splash and the Selangor State Government would remove the overhang on the stock. Investors could potentially look forward to special dividends to compensate for the earnings void but this needs to be balanced by the capital commitments for the PTMP.

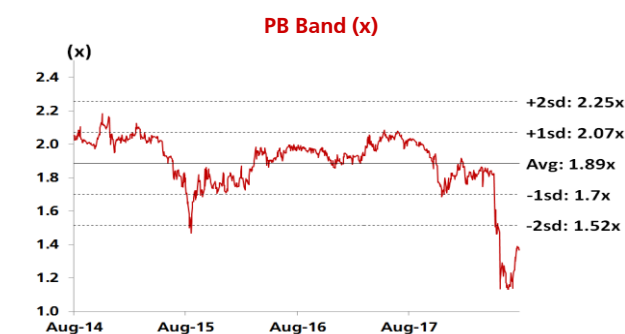
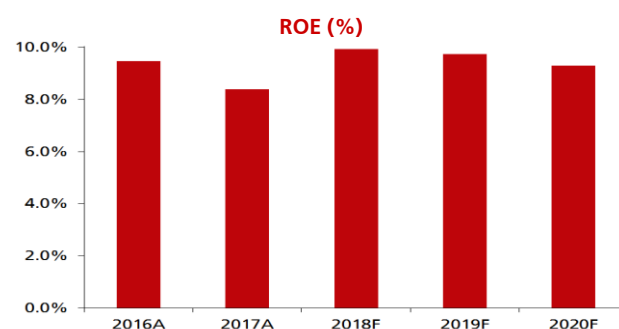
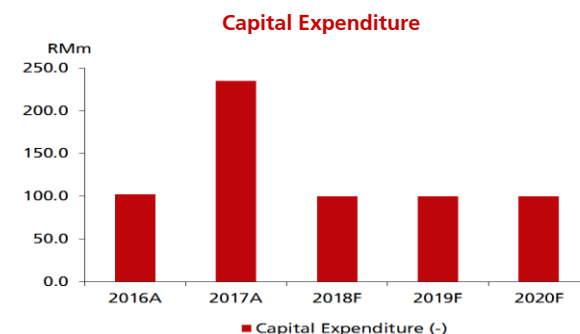
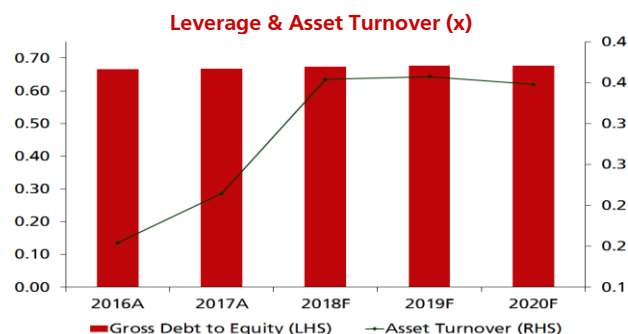
**Key Risks:**

**Macroeconomic factors and project uncertainties.** An economic slowdown and lack of clarity on projects by the new government could adversely affect the group. Some infrastructure projects could be deferred or halted. This may result in slower order book replenishment.

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

**Company Background**

Gamuda's core business segments are engineering & construction, infrastructure concessions, and property development.



Source: Company, AllianceDBS

## Gamuda

## Key Assumptions

FY Jul	2016A	2017A	2018F	2019F	2020F
Construction margins	8.50	13.0	11.2	11.3	10.3
Property launches	900	850	1,330	1,000	1,250
Construction profit	23.4	30.2	32.1	34.5	36.2
Property profit*	23.6	27.1	26.4	26.1	24.5
New order wins (RMm)	7,735	1,500	0.0	3,000	2,000

\*As % of total profit

## Segmental Breakdown

FY Jul	2016A	2017A	2018F	2019F	2020F
<b>Revenues (RMm)</b>					
Construction	905	1,234	3,320	3,672	4,247
Property development	758	1,486	790	815	750
Infrastructure	459	491	501	511	521
Others	0.0	0.0	1,175	1,265	1,000
<b>Total</b>	<b>2,122</b>	<b>3,211</b>	<b>5,787</b>	<b>6,263</b>	<b>6,518</b>

## Pretax profit (RMm)

Construction	212	280	373	413	437
Property development	214	252	204	193	181
Infrastructure	481	398	481	471	476
Others	0.0	0.0	103	119	115
Net interest expense	(126)	(104)	(135)	(131)	(127)
<b>Total</b>	<b>781</b>	<b>826</b>	<b>1,026</b>	<b>1,067</b>	<b>1,083</b>

## Pretax Margins (%)

Construction	23.4	22.7	11.2	11.3	10.3
Property development	28.2	16.9	25.8	23.7	24.1
<b>Total</b>	<b>36.8</b>	<b>25.7</b>	<b>17.7</b>	<b>17.0</b>	<b>16.6</b>

## Income Statement (RMm)

FY Jul	2016A	2017A	2018F	2019F	2020F
Revenue	2,122	3,211	5,787	6,263	6,518
Cost of Goods Sold	(1,685)	(2,629)	(4,886)	(5,312)	(5,553)
<b>Gross Profit</b>	<b>437</b>	<b>582</b>	<b>900</b>	<b>950</b>	<b>966</b>
Other Opg (Exp)/Inc	10.9	3.72	(111)	(128)	(135)
<b>Operating Profit</b>	<b>448</b>	<b>586</b>	<b>790</b>	<b>822</b>	<b>831</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	413	248	371	375	379
Net Interest (Exp)/Inc	(79.7)	(7.8)	(135)	(131)	(127)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>781</b>	<b>826</b>	<b>1,026</b>	<b>1,067</b>	<b>1,083</b>
Tax	(112)	(170)	(205)	(213)	(217)
Minority Interest	(42.6)	(54.1)	(54.1)	(54.1)	(54.1)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>626</b>	<b>602</b>	<b>767</b>	<b>799</b>	<b>812</b>
Net Profit before Except.	626	701	767	799	812
EBITDA	470	613	827	863	875

## Growth

Revenue Gth (%)	(11.6)	51.3	80.2	8.2	4.1
EBITDA Gth (%)	(20.4)	30.5	35.0	4.4	1.3
Opg Profit Gth (%)	(21.4)	30.7	34.8	4.2	1.0
Net Profit Gth (Pre-ex) (%)	(8.2)	11.9	9.4	4.3	1.6

## Margins &amp; Ratio

Gross Margins (%)	20.6	18.1	15.6	15.2	14.8
Opg Profit Margin (%)	21.1	18.2	13.6	13.1	12.7
Net Profit Margin (%)	29.5	18.7	13.2	12.8	12.5
ROAE (%)	9.5	8.4	9.9	9.7	9.3
ROA (%)	4.6	4.0	4.7	4.6	4.3
ROCE (%)	3.2	3.5	4.4	4.3	4.1
Div Payout Ratio (%)	39.8	41.4	32.5	31.2	30.7
Net Interest Cover (x)	5.6	75.5	5.9	6.3	6.5

Source: Company, AllianceDBS



**Quarterly / Interim Income Statement (RMm)**

FY Jul	3Q2017	4Q2017	1Q2018	2Q2018	3Q2018
Revenue	839	1,013	772	1,003	1,238
Cost of Goods Sold	(691)	(846)	(619)	(867)	(1,085)
<b>Gross Profit</b>	<b>149</b>	<b>167</b>	<b>153</b>	<b>136</b>	<b>153</b>
Other Oper. (Exp)/Inc	21.8	42.7	30.5	35.3	31.7
<b>Operating Profit</b>	<b>170</b>	<b>210</b>	<b>183</b>	<b>171</b>	<b>184</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	82.2	(12.1)	102	121	96.5
Net Interest (Exp)/Inc	(31.3)	(17.5)	(25.9)	(23.7)	(27.1)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>221</b>	<b>180</b>	<b>259</b>	<b>268</b>	<b>254</b>
Tax	(42.8)	(56.9)	(41.6)	(44.3)	(41.2)
Minority Interest	(7.5)	(20.8)	(14.8)	(12.8)	(12.0)
<b>Net Profit</b>	<b>171</b>	<b>103</b>	<b>203</b>	<b>211</b>	<b>201</b>
Net profit bef Except.	171	103	203	211	201
EBITDA	253	198	285	292	281

**Growth**

Revenue Gth (%)	(1.7)	20.7	(23.8)	29.9	23.4
EBITDA Gth (%)	2.0	(21.6)	44.1	2.4	(3.8)
Opg Profit Gth (%)	1.3	23.3	(12.8)	(6.6)	7.8
Net Profit Gth (Pre-ex) (%)	2.8	(39.9)	97.6	4.1	(5.0)

**Margins**

Gross Margins (%)	17.7	16.5	19.8	13.5	12.3
Opg Profit Margins (%)	20.3	20.7	23.7	17.1	14.9
Net Profit Margins (%)	20.4	10.1	26.3	21.1	16.2

**Balance Sheet (RMm)**

FY Jul	2016A	2017A	2018F	2019F	2020F
Net Fixed Assets	420	619	681	740	796
Invt in Associates & JVs	2,881	2,914	3,286	3,661	4,039
Other LT Assets	5,529	5,804	5,804	5,804	5,804
Cash & ST Invt	1,473	1,042	1,342	1,646	1,927
Inventory	117	228	262	302	347
Debtors	1,441	2,476	2,848	3,275	3,766
Other Current Assets	2,297	2,689	2,689	2,689	2,689
<b>Total Assets</b>	<b>14,158</b>	<b>15,772</b>	<b>16,912</b>	<b>18,116</b>	<b>19,369</b>
ST Debt	640	629	1,029	1,429	1,829
Creditor	1,046	1,402	1,612	1,854	2,132
Other Current Liab	413	536	536	536	536
LT Debt	4,169	4,615	4,615	4,615	4,615
Other LT Liabilities	676	746	746	746	746
Shareholder's Equity	6,878	7,476	7,951	8,459	8,980
Minority Interests	336	369	423	477	532
<b>Total Cap. &amp; Liab.</b>	<b>14,158</b>	<b>15,772</b>	<b>16,912</b>	<b>18,116</b>	<b>19,369</b>
Non-Cash Wkg. Capital	2,395	3,456	3,651	3,876	4,135
Net Cash/(Debt)	(3,335)	(4,201)	(4,301)	(4,398)	(4,516)
Debtors Turn (avg days)	242.3	222.6	167.9	178.4	197.1
Creditors Turn (avg days)	263.5	171.7	113.4	120.0	132.0
Inventory Turn (avg days)	33.2	24.2	18.5	19.5	21.5
Asset Turnover (x)	0.2	0.2	0.4	0.4	0.3
Current Ratio (x)	2.5	2.5	2.2	2.1	1.9
Quick Ratio (x)	1.4	1.4	1.3	1.3	1.3
Net Debt/Equity (X)	0.5	0.5	0.5	0.5	0.5
Net Debt/Equity ex MI (X)	0.5	0.6	0.5	0.5	0.5
Capex to Debt (%)	2.1	4.5	1.8	1.7	1.6
Z-Score (X)	1.7	1.7	1.7	1.7	1.6

Source: Company, AllianceDBS

## Cash Flow Statement (RMm)

FY Jul	2016A	2017A	2018F	2019F	2020F
Pre-Tax Profit	781	826	1,026	1,067	1,083
Dep. & Amort.	21.6	27.2	37.6	40.9	44.0
Tax Paid	(124)	(104)	(205)	(213)	(217)
Assoc. & JV Inc/(loss)	(413)	(248)	(371)	(375)	(379)
Chg in Wkg.Cap.	(228)	(1,128)	(195)	(225)	(258)
Other Operating CF	67.3	94.0	(43.0)	(59.8)	(76.1)
<b>Net Operating CF</b>	<b>105</b>	<b>(533)</b>	<b>249</b>	<b>235</b>	<b>197</b>
Capital Exp.(net)	(102)	(235)	(100.0)	(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	189	239	0.0	0.0	0.0
Other Investing CF	(743)	(24.2)	43.0	59.8	76.1
<b>Net Investing CF</b>	<b>(656)</b>	<b>(20.2)</b>	<b>(57.0)</b>	<b>(40.2)</b>	<b>(23.9)</b>
Div Paid	(289)	(292)	(291)	(291)	(291)
Chg in Gross Debt	650	480	400	400	400
Capital Issues	27.3	123	0.0	0.0	0.0
Other Financing CF	198	(188)	0.0	0.0	0.0
<b>Net Financing CF</b>	<b>586</b>	<b>122</b>	<b>109</b>	<b>109</b>	<b>109</b>
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	35.2	(431)	300	303	281
Opg CFPS (sen)	11.9	21.2	15.8	16.4	16.2
Free CFPS (sen)	0.10	(27.4)	5.30	4.80	3.44

Source: Company, AllianceDBS

## Target Price &amp; Ratings History



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

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	29 Sep 17	5.28	6.70	BUY
2:	29 Nov 17	4.74	6.70	BUY
3:	04 Dec 17	4.75	6.70	BUY
4:	06 Mar 18	5.08	6.70	BUY
5:	26 Mar 18	5.11	6.70	BUY
6:	06 Apr 18	5.09	6.70	BUY
7:	14 May 18	4.21	4.73	HOLD
8:	06 Jun 18	3.55	4.73	BUY
9:	28 Jun 18	3.23	4.73	BUY

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 Aug 2018 08:03:35 (MYT)

Dissemination Date: 6 Aug 2018 08:05:00 (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 associate<sup>1</sup> 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 interests<sup>2</sup> 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") or their subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of 29 Jun 2018.
2. Neither DBS Bank Ltd nor DBS 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.

---

<sup>1</sup> 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.

<sup>2</sup> 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

<b>General</b>	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.
<b>Australia</b>	<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>
<b>Hong Kong</b>	<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 Bank (Hong Kong) Limited, a registered institution registered with 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 Carol Wu (Reg No. AH8283) at equityresearch@dbs.com</p>
<b>Indonesia</b>	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
<b>Malaysia</b>	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBRSR"). Recipients of this report, received from ADBRSR 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 ADBRSR (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, ADBRSR </p>
<b>Singapore</b>	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.
<b>Thailand</b>	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.

<b>United Kingdom</b>	<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>
<b>Dubai International Financial Centre</b>	<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>
<b>United Arab Emirates</b>	<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>
<b>United States</b>	<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>
<b>Other jurisdictions</b>	<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 Bank (Hong Kong) Limited**

Contact: Carol Wu  
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](mailto: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](mailto: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](mailto: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](mailto: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](mailto:research@th.dbs.com)  
Company Regn. No 0105539127012  
Securities and Exchange Commission, Thailand