

# Malaysia Company Guide

# Magnum

Version 13 | Bloomberg: MAG MK | Reuters: MAGM.KL

Refer to important disclosures at the end of this report

DBS Group Research . Equity

12 Sep 2019

## BUY

Last Traded Price ( 11 Sep 2019): RM2.83 (KLCI : 1,602.30)

Price Target 12-mth: RM3.35 (18% upside) (Prev RM3.15)

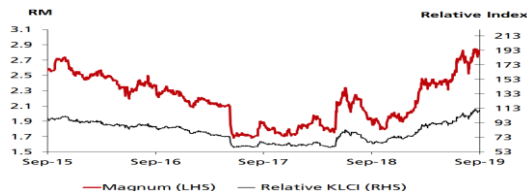
**Analyst**

King Yoong CHEAH +60 32604 3908 cheahky@alliancedbs.com

### What's New

- **Positives:** Ongoing clampdown on illegal NFOs, potential new game variants and sustainable high dividend payout
- Potential monetisation of its ~6% stake in U Mobile could give rise to special DPS of 10.5 sen
- Raise dividend payout ratio from 90% to 95%
- Maintain BUY with a higher TP of RM3.35

### Price Relative



### Forecasts and Valuation

| FY Dec (RMm)             | 2018A | 2019F | 2020F | 2021F |
|--------------------------|-------|-------|-------|-------|
| Revenue                  | 2,704 | 2,669 | 2,779 | 2,890 |
| EBITDA                   | 417   | 432   | 449   | 467   |
| Pre-tax Profit           | 214   | 377   | 402   | 427   |
| Net Profit               | 105   | 254   | 271   | 288   |
| Net Pft (Pre Ex.)        | 249   | 254   | 271   | 288   |
| Net Pft Gth (Pre-ex) (%) | 20.5  | 2.0   | 6.8   | 6.3   |
| EPS (sen)                | 7.30  | 17.7  | 18.9  | 20.1  |
| EPS Pre Ex. (sen)        | 17.3  | 17.7  | 18.9  | 20.1  |
| EPS Gth Pre Ex (%)       | 21    | 2     | 7     | 6     |
| Diluted EPS (sen)        | 17.3  | 17.7  | 18.9  | 20.1  |
| Net DPS (sen)            | 15.0  | 16.8  | 17.9  | 19.1  |
| BV Per Share (sen)       | 165   | 167   | 168   | 169   |
| PE (X)                   | 38.8  | 16.0  | 15.0  | 14.1  |
| PE Pre Ex. (X)           | 16.3  | 16.0  | 15.0  | 14.1  |
| P/Cash Flow (X)          | 13.3  | 36.1  | 21.8  | 21.5  |
| EV/EBITDA (X)            | 10.9  | 10.4  | 10.0  | 9.5   |
| Net Div Yield (%)        | 5.3   | 5.9   | 6.3   | 6.7   |
| P/Book Value (X)         | 1.7   | 1.7   | 1.7   | 1.7   |
| Net Debt/Equity (X)      | 0.2   | 0.2   | 0.1   | 0.1   |
| ROAE (%)                 | 4.3   | 10.6  | 11.2  | 11.9  |
| Earnings Rev (%):        |       | 0     | 0     | 0     |
| Consensus EPS (sen):     |       | 17.0  | 17.8  | 18.8  |
| Other Broker Recs:       |       | B: 2  | S: 0  | H: 4  |

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

## Hidden gem in the game

**Still offers game excitement.** We maintain our BUY recommendation on Magnum (MAG) with a higher target price (TP) of RM3.35. We remain positive that: (1) the group will continue to benefit from the clampdown of illegal number forecast operators (NFOs) and, (2) the company's dividend payout is expected to trend upwards with the full settlement of its tax liabilities by June 2019. Besides that, the potential monetisation of its 6% stake in U Mobile in the near future could pose upside potential to its dividend payout.

**Where we differ.** Our TP is higher than consensus as we have higher earnings estimates and dividend payout assumptions for FY19-21. We expect MAG's sustained attractive dividend yield of 6% or more to be supportive of its share price. Potential/ongoing monetary easing policies by major global central banks and Bank Negara Malaysia (BNM) could also promote a yield-seeking investing strategy, which favours companies like MAG.

**Potential catalysts.** Higher-than-expected ticket sales due to a rebound in consumer sentiment would be a positive for the company. Intensified efforts by the regulators to curb illegal NFO activities could also boost MAG's ticket sales.

### Valuation:

We maintain our BUY call on MAG with a higher DDM-based TP of RM3.35. With improved prospects, a sustained dividend yield of ~6% and the issue of the company's tax liability overhang addressed, we continue to see value in the stock.

### Key Risks to Our View:

Key risks include lower-than-expected ticket sales due to intensified competition from illegal NFOs and an increase in gaming tax.

### At A Glance

|  |             |
|--|-------------|
| Issued Capital (m shrs)                      | 1,423       |
| Mkt. Cap (RMm/US\$m)                         | 4,027 / 965 |
| Major Shareholders (%)                       |             |
| Casi Management Sdn Bhd                      | 28.4        |
| Asia 4D Holdings Ltd                         | 11.2        |
| Free Float (%)                               | 60          |
| 3m Avg. Daily Val (US\$m)                    | 0.63        |
| ICB Industry : Financial / General Financial |             |



Live more, Bank less

## WHAT'S NEW

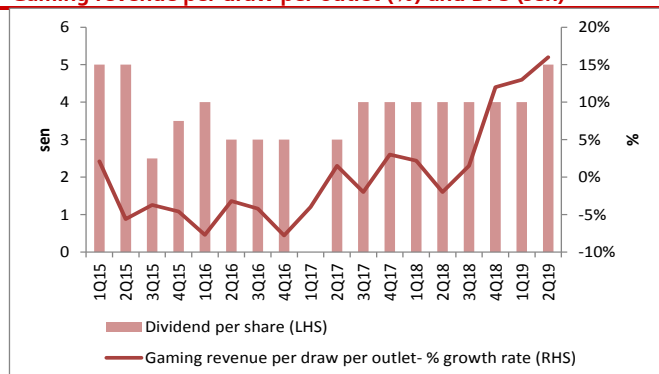
## Additional game bonus available

**Still bullish.** We maintain our positive stance on MAG post meeting with the management. The group's strong 2QFY19 results have reaffirmed our investment thesis that the group continues to benefit from the government crackdown on illegal NFOs.

To recap, the group reported a core net profit of RM74.4m (+54.7% y-o-y, +24% q-o-q) in 2QFY19. The stronger y-o-y figures were mainly due to (1) higher gaming revenue, and (2) lower prize payout ratio, estimated to be 62% in 2QFY19 vs 65.8% in 2QFY18. Despite having two fewer draws, gaming revenue for 2Q increased by 11% y-o-y. This translates into commendable gaming revenue per draw per outlet growth of 16% y-o-y for 2QFY19.

**Positive surprise from dividend payout.** Besides that, the group has declared a second interim dividend per share (DPS) of 5 sen, bringing its 1HFY19 DPS to 9 sen. This implies a payout ratio of 95% for 1HFY19 that beat our forecast of 90%.

## Gaming revenue per draw per outlet (%) and DPS (sen)



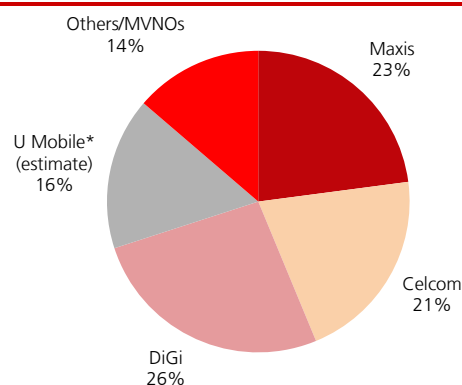
Source: Company data, AllianceDBS Research

**Expect to sustain 95% dividend payout.** Given that the group has engaged in 95% dividend payout for 1HFY19 prior to the full settlement of its outstanding tax liabilities with the Inland Revenue in June 2019, we expect the 95% payout to be sustainable going forward post full tax settlement. As such, we raise our estimates for the group's FY9-21 dividend payout ratio from 90% to 95%.

**Authorities continue to clamp down on illegal NFOs.** We understand that the ongoing clampdown by authorities on illegal NFOs since 2H18 has been ongoing and intense. As a dominant player in the NFO sector, MAG has been a beneficiary of the authorities' more stringent enforcement to curb illegal NFO activities. This has resulted in punters shifting from illegal NFOs to legal operators. Given that the illegal NFOs' market size is about 2x the legalised NFO market, we believe that the authorities' ongoing efforts to reduce illegal NFOs provides plenty of room for MAG to grow its earnings.

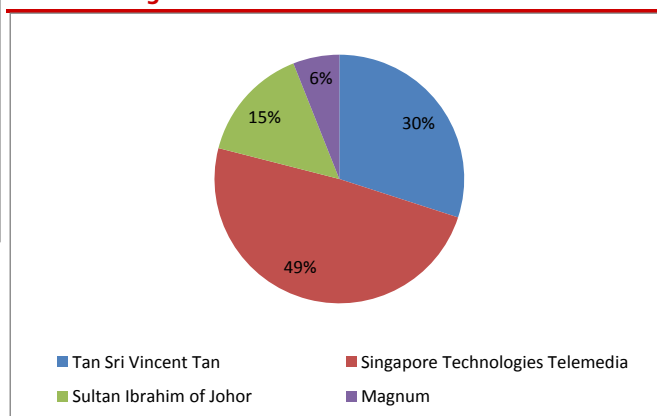
**U Mobile- a hidden gem awaiting to be unveiled.** One hidden gem in MAG that is overlooked by the market is its ~6% stake in U Mobile (Malaysia's fourth largest mobile cellular service provider), whose hidden value we believe could be crystallised in the near future. This investment currently sits on MAG's balance sheet with a book value of about RM310m as at 30 June 2019. The other substantial shareholders of U Mobile are Tan Sri Vincent Tan, Singapore Technologies Telemedia, and Sultan Ibrahim of Johor.

## U Mobile's estimated market share in 1Q19



Source: MCMC, AllianceDBS

## Shareholding structure of U Mobile



Source: Company data, AllianceDBS Research

## Financial highlights of U Mobile (RM'm)

|                        | 2014  | 2015  | 2016  | 2017  | 2018  |
|------------------------|-------|-------|-------|-------|-------|
| Mobile service revenue | 1,253 | 1,351 | 1,753 | 2,355 | 2,690 |
| EBITDA                 | (86)  | (193) | (193) | 12    | 159   |
| Net losses             | (188) | (348) | (431) | (412) | (439) |

Source: Company data, AllianceDBS Research

In a media interview in December 2018, Tan Sri Vincent Tan had proposed to list U Mobile latest by 2020. A recent media interview by Datuk Seri Robin Tan, the son of Tan Sri Vincent Tan, has also indicated that the initial public offering (IPO) of U Mobile remains on track for listing latest by 2020.

**Magnum**

**Monetisation of U Mobile could provide additional one-off yield of >3%.** A potential IPO trade sale by Magnum of its stake in U Mobile by 2020 could unlock the value of this investment and enhance its capital management exercise. This is because we expect substantial cash proceeds arising from this disposal to be used to reward shareholders through special dividend.

Assuming that Magnum disposes its stake in U Mobile close to its book value at about RM310m through IPO trade sale, and management pays out 50% of the cash proceeds as a special dividend (RM155m), this could translate into a special DPS of 10.5 sen, providing an additional one-off yield of >3%.

As such, we believe that the potential monetisation of U Mobile's stake could serve as another re-rating catalyst for the stock.

**Maintain BUY with higher TP of RM3.35.** We maintain our BUY recommendation on the group and raise our TP to RM3.35 (previously RM3.15), upon raising our dividend

payout ratio from 90% to 95%. Our TP is based on the dividend discount model (DDM), assuming (i) 95% dividend payout ratio, (ii) 7.4% cost of equity, and (iii) 1.5% terminal growth rate.

Potential/ongoing monetary easing moves by major global central banks and BNM could also promote a yield-seeking investment strategy, which favours companies like MAG.

## Magnum

### CRITICAL DATA POINTS TO WATCH

#### Critical Factors

**Ticket sales and prize payout ratio.** As one of the only three legalised NFOs (the other two are Berjaya Sports Toto and Da Ma Cai) in Malaysia, MAG's earnings are largely determined by its ticket sales and prize payout ratio.

**Ticket sales expected to trend upwards.** The group's gaming revenue has been on a declining trend from 2011 to 2017, dragged by intense competition from illegal operators and weak consumer spending. Nonetheless, we are positive that the industry's prospects will improve with more stringent enforcement by the authorities to curb illegal NFOs.

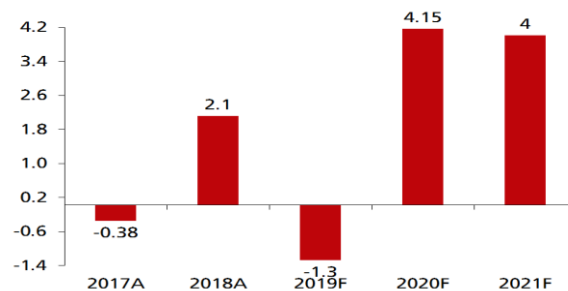
**Introduction of successful new game variants – potential earnings kicker.** The group's ability to introduce successful new game variants (such as the 4D Jackpot game in 2009) will be its key earnings booster, although this is subject to: (1) regulatory approvals and, (2) popularity of the new game variants. These game variants will help the group expand its market share in the legitimate market and induce punters to shift from illegal NFOs to legalised NFOs.

Although there are no official estimates of the illegal NFOs' market size, we gather that it could be around 2x the legalised NFO market. Nevertheless, we believe that the high fragmentation of illegal players is a barrier for illegal NFOs to introduce similar jackpot games, which come with low betting fees but high prize payouts. Although MAG has introduced other game variants, they have not been as well received as the popular 4D Jackpot.

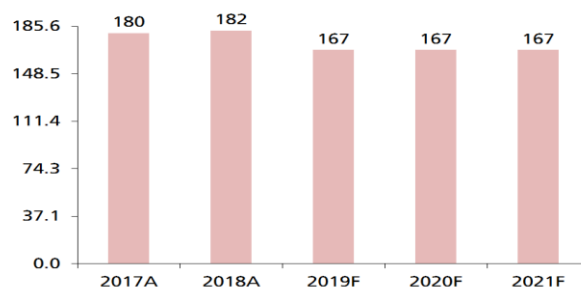
**Luck factor – prize payout ratio.** On the other hand, the group's earnings prospects are highly dependent on the volatility of its prize payout ratio. Any substantial deviation from its theoretical prize payout ratio of 63.5% will have a significant impact on its reported earnings and our earnings forecasts.

**Gaming tax hike remains an earnings risk.** NFOs remain vulnerable to potentially higher gaming tax. The pool betting tax was last raised in 2010, and the gaming tax in 1998.

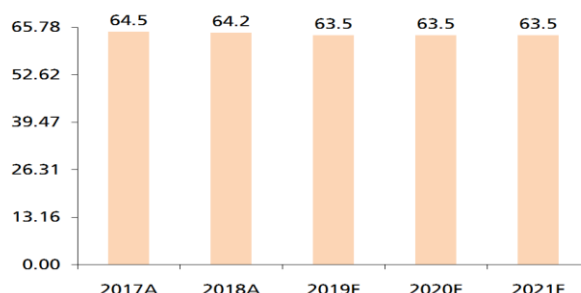
Gaming revenue growth (%)



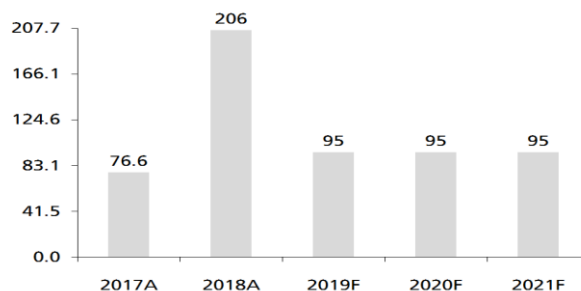
Number of draws



Estimated prize payout ratio (%)



Dividend payout ratio (%)

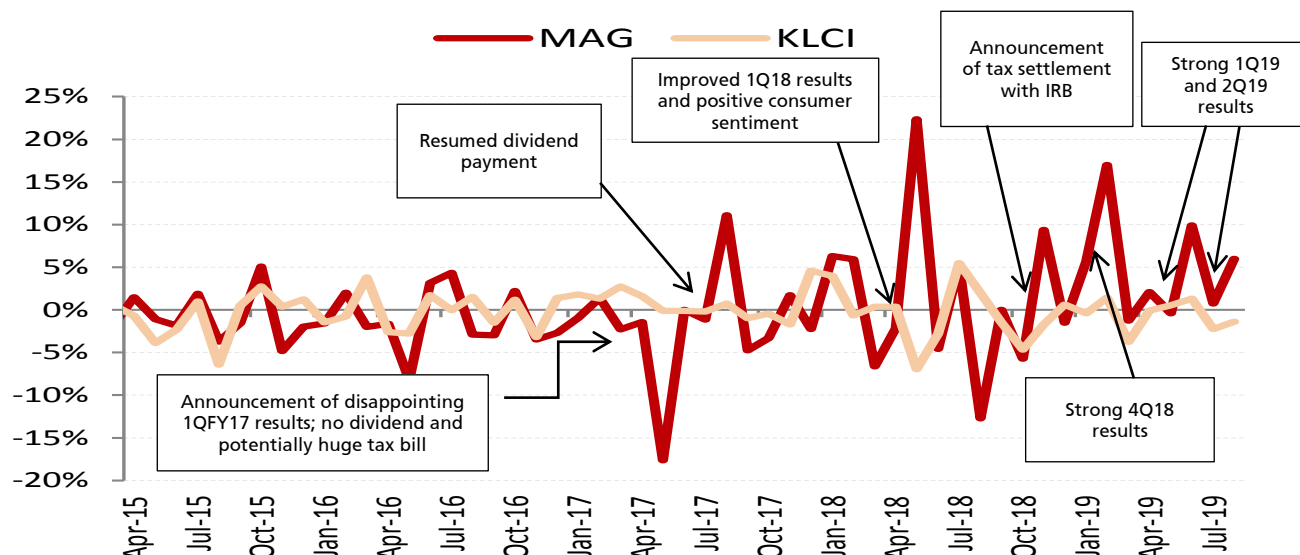


Source: Company, AllianceDBS

## Magnum

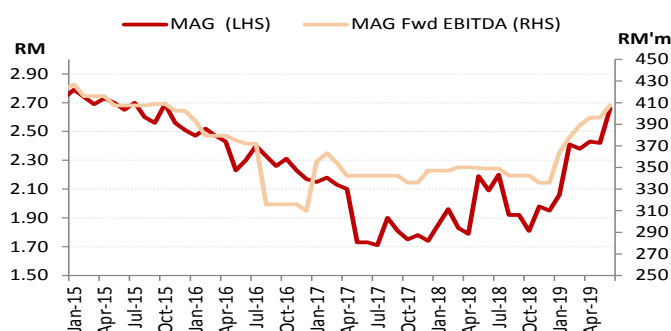
### Appendix 1: Magnum's share price correlation with critical factors

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



Source: Company, Bloomberg L.P., AllianceDBS

### MAG's share price vs expected forward EBITDA

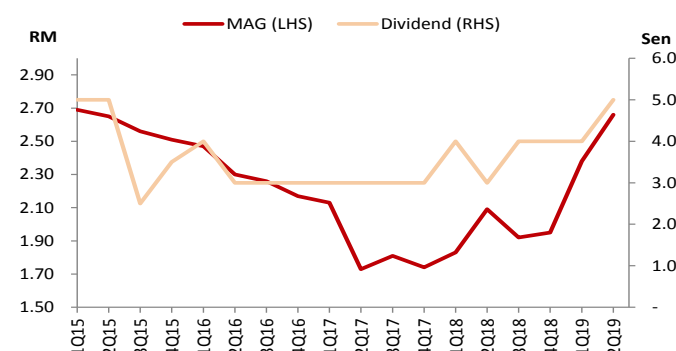


Source: Company, Bloomberg L.P., AllianceDBS

### Remarks

MAG's share price performance is highly correlated with market expectations of its forward EBITDA (correlation coefficient of ~0.9). As such, the introduction of successful new game variants could be a key re-rating catalyst for the group as it would improve the group's earnings prospects.

### MAG's share price vs dividend per share



Source: Company, Bloomberg L.P., AllianceDBS

### Remarks

Given its strong cash flow generating operations and consistently high dividend payouts, Magnum is viewed as a dividend yield stock by the investment community. As such, the group's share price performance is closely correlated with its ability to pay out high dividends (correlation coefficient of ~0.5). Although the correlation has diverged somewhat since May 2017 due to issues related to its RM148m tax liabilities with the IRB, we expect the correlation to converge going forward with the full settlement of the tax liabilities by June 2019.

## Magnum

### Balance Sheet:

**Healthy balance sheet.** MAG has a healthy balance sheet position with a net gearing ratio of about 0.2x (as at June 2019). Coupled with its strong cash-generating capacity, we believe that this could help the group maintain high dividend payouts.

### Share Price Drivers:

**Dividend yields and share buyback scheme.** MAG is viewed by investors as a dividend yielding stock. Therefore, an attractive dividend yield of ~6% or more and share buyback scheme should continue to support MAG's share price.

**Regulatory changes could impact share price.** The NFO sector is highly regulated. The imposition of more restrictive regulatory changes such as a gaming tax hike could adversely impact MAG's share price. Conversely, the possible liberalisation of the NFO sector, allowing the introduction of new games or game variants, could serve as a re-rating catalyst for the sector.

### Key Risks:

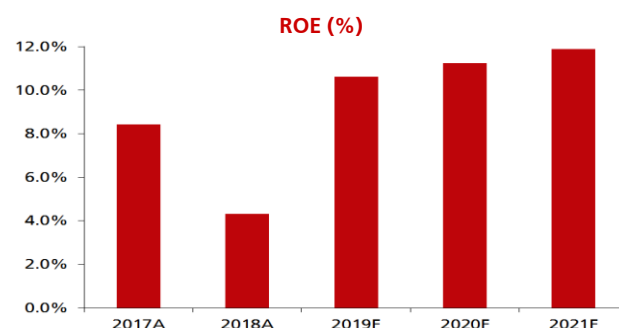
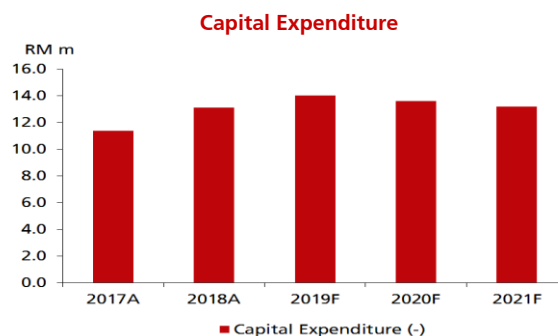
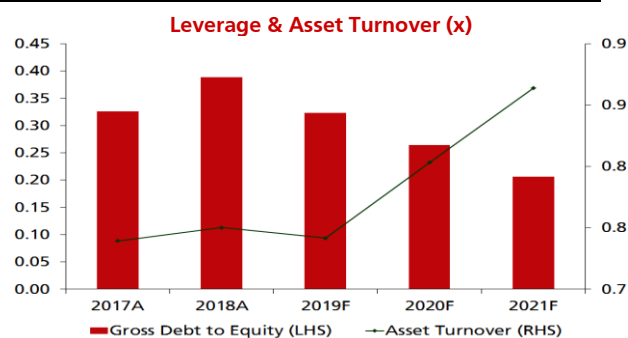
**Declining revenue, with rising competition and weaker consumer sentiment.** Increased industry competition and weaker consumer sentiment could significantly impact ticket sales.

**Malaysian gaming tax hike.** The gaming sector was spared from a tax hike in the last budget announcement, but NFOs remain vulnerable to potentially higher gaming tax going forward. The pool betting tax was last raised in 2010, and the gaming tax in 1998.

**Illegal NFOs remain a threat.** The existence of illegal NFOs, with an estimated total market size of around 2x the legalised NFO market, will continue to weigh on legal NFOs' earnings.

### Company Background

Magnum is the second largest NFO by market share among the three legalised NFOs in Malaysia, behind Berjaya Sports Toto but ahead of Da Ma Cai. The group operates through 485 outlets in Malaysia. Magnum's earnings are largely determined by its ticket sales and prize payout ratio.



Environment, Social, Governance

## Magnum

## Key Assumptions

| FY Dec                       | 2017A | 2018A | 2019F | 2020F | 2021F |
|------------------------------|-------|-------|-------|-------|-------|
| Gaming revenue growth (%)    | (0.4) | 2.10  | (1.3) | 4.15  | 4.00  |
| Number of draws              | 180   | 182   | 167   | 167   | 167   |
| Estimated prize payout ratio | 64.5  | 64.2  | 63.5  | 63.5  | 63.5  |
| Dividend payout ratio (%)    | 76.6  | 206   | 95.0  | 95.0  | 95.0  |

## Income Statement (RMm)

| FY Dec                      | 2017A      | 2018A      | 2019F      | 2020F      | 2021F      |
|-----------------------------|------------|------------|------------|------------|------------|
| Revenue                     | 2,649      | 2,704      | 2,669      | 2,779      | 2,890      |
| Cost of Goods Sold          | (2,199)    | (2,201)    | (2,150)    | (2,243)    | (2,336)    |
| <b>Gross Profit</b>         | <b>450</b> | <b>503</b> | <b>519</b> | <b>537</b> | <b>554</b> |
| Other Opng (Exp)/Inc        | (93.9)     | (95.2)     | (95.4)     | (95.7)     | (96.0)     |
| <b>Operating Profit</b>     | <b>356</b> | <b>408</b> | <b>424</b> | <b>441</b> | <b>458</b> |
| Other Non Op (Exp)/Inc      | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| Associates & JV Inc         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| Net Interest (Exp)/Inc      | (49.4)     | (50.3)     | (47.1)     | (39.3)     | (31.7)     |
| Exceptional Gain/(Loss)     | 0.0        | (144)      | 0.0        | 0.0        | 0.0        |
| <b>Pre-tax Profit</b>       | <b>307</b> | <b>214</b> | <b>377</b> | <b>402</b> | <b>427</b> |
| Tax                         | (97.3)     | (106)      | (117)      | (125)      | (132)      |
| Minority Interest           | (2.8)      | (2.6)      | (6.0)      | (6.0)      | (6.0)      |
| Preference Dividend         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| <b>Net Profit</b>           | <b>206</b> | <b>105</b> | <b>254</b> | <b>271</b> | <b>288</b> |
| Net Profit before Except.   | 206        | 249        | 254        | 271        | 288        |
| EBITDA                      | 363        | 417        | 432        | 449        | 467        |
| <b>Growth</b>               |            |            |            |            |            |
| Revenue Gth (%)             | (0.4)      | 2.1        | (1.3)      | 4.1        | 4.0        |
| EBITDA Gth (%)              | 6.0        | 14.7       | 3.6        | 4.1        | 3.9        |
| Opg Profit Gth (%)          | 5.9        | 14.6       | 3.9        | 4.1        | 3.9        |
| Net Profit Gth (Pre-ex) (%) | 8.9        | 20.5       | 2.0        | 6.8        | 6.3        |
| <b>Margins &amp; Ratio</b>  |            |            |            |            |            |
| Gross Margins (%)           | 17.0       | 18.6       | 19.5       | 19.3       | 19.2       |
| Opg Profit Margin (%)       | 13.4       | 15.1       | 15.9       | 15.9       | 15.9       |
| Net Profit Margin (%)       | 7.8        | 3.9        | 9.5        | 9.8        | 10.0       |
| ROAE (%)                    | 8.4        | 4.3        | 10.6       | 11.2       | 11.9       |
| ROA (%)                     | 5.8        | 2.9        | 7.1        | 7.8        | 8.6        |
| ROCE (%)                    | 7.1        | 6.1        | 8.9        | 9.5        | 10.3       |
| Div Payout Ratio (%)        | 76.6       | 205.6      | 95.0       | 95.0       | 95.0       |
| Net Interest Cover (x)      | 7.2        | 8.1        | 9.0        | 11.2       | 14.4       |

Source: Company, AllianceDBS

## Magnum

## Quarterly / Interim Income Statement (RMm)

| FY Dec                  | 2Q2018      | 3Q2018        | 4Q2018      | 1Q2019      | 2Q2019      |
|-------------------------|-------------|---------------|-------------|-------------|-------------|
| Revenue                 | 600         | 667           | 724         | 756         | 666         |
| Cost of Goods Sold      | (498)       | (531)         | (578)       | (628)       | (526)       |
| <b>Gross Profit</b>     | <b>102</b>  | <b>136</b>    | <b>146</b>  | <b>128</b>  | <b>141</b>  |
| Other Oper. (Exp)/Inc   | (18.3)      | (21.6)        | (28.3)      | (27.5)      | (23.5)      |
| <b>Operating Profit</b> | <b>83.8</b> | <b>114</b>    | <b>118</b>  | <b>100</b>  | <b>117</b>  |
| Other Non Opg (Exp)/Inc | 0.0         | 0.0           | 0.0         | 0.0         | 0.0         |
| Associates & JV Inc     | 0.0         | 0.0           | 0.0         | 0.0         | 0.0         |
| Net Interest (Exp)/Inc  | (13.3)      | (12.4)        | (13.1)      | (12.6)      | (12.7)      |
| Exceptional Gain/(Loss) | 0.0         | (144)         | 0.0         | 0.0         | 0.0         |
| <b>Pre-tax Profit</b>   | <b>70.5</b> | <b>(41.9)</b> | <b>105</b>  | <b>87.7</b> | <b>105</b>  |
| Tax                     | (21.8)      | (27.9)        | (32.1)      | (26.8)      | (29.4)      |
| Minority Interest       | (0.6)       | (0.7)         | (0.6)       | (0.9)       | (0.8)       |
| <b>Net Profit</b>       | <b>48.1</b> | <b>(70.5)</b> | <b>72.3</b> | <b>60.0</b> | <b>74.4</b> |
| Net profit bef Except.  | 48.1        | 73.5          | 72.3        | 60.0        | 74.4        |
| EBITDA                  | 85.6        | 116           | 122         | 103         | 120         |

## Growth

|                             |        |      |       |        |        |
|-----------------------------|--------|------|-------|--------|--------|
| Revenue Gth (%)             | (15.7) | 11.1 | 8.6   | 4.4    | (11.9) |
| EBITDA Gth (%)              | (8.2)  | 35.8 | 4.5   | (15.6) | 16.6   |
| Opg Profit Gth (%)          | (8.4)  | 36.6 | 3.2   | (15.1) | 16.9   |
| Net Profit Gth (Pre-ex) (%) | (12.5) | 52.7 | (1.6) | (17.0) | 24.0   |

## Margins

|                        |      |        |      |      |      |
|------------------------|------|--------|------|------|------|
| Gross Margins (%)      | 17.0 | 20.4   | 20.2 | 16.9 | 21.1 |
| Opg Profit Margins (%) | 14.0 | 17.2   | 16.3 | 13.3 | 17.6 |
| Net Profit Margins (%) | 8.0  | (10.6) | 10.0 | 7.9  | 11.2 |

## Balance Sheet (RMm)

| FY Dec                        | 2017A        | 2018A        | 2019F        | 2020F        | 2021F        |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Net Fixed Assets              | 64.0         | 65.1         | 67.1         | 68.7         | 69.9         |
| Invt in Associates & JVs      | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Other LT Assets               | 3,003        | 3,041        | 2,983        | 2,983        | 2,983        |
| Cash & ST Invt                | 380          | 507          | 408          | 303          | 194          |
| Inventory                     | 1.10         | 1.13         | 1.11         | 1.16         | 1.20         |
| Debtors                       | 32.0         | 34.2         | 32.2         | 33.6         | 34.9         |
| Other Current Assets          | 52.2         | 29.5         | 29.3         | 9.71         | 10.1         |
| <b>Total Assets</b>           | <b>3,532</b> | <b>3,677</b> | <b>3,520</b> | <b>3,399</b> | <b>3,293</b> |
| ST Debt                       | 225          | 224          | 220          | 220          | 220          |
| Creditor                      | 183          | 266          | 266          | 266          | 280          |
| Other Current Liab            | 5.69         | 59.7         | 6.83         | 7.28         | 7.74         |
| LT Debt                       | 597          | 714          | 574          | 434          | 294          |
| Other LT Liabilities          | 1.51         | 1.30         | 1.30         | 1.30         | 1.30         |
| Shareholder's Equity          | 2,480        | 2,371        | 2,405        | 2,418        | 2,432        |
| Minority Interests            | 40.4         | 40.7         | 46.7         | 52.7         | 58.7         |
| <b>Total Cap. &amp; Liab.</b> | <b>3,532</b> | <b>3,677</b> | <b>3,520</b> | <b>3,399</b> | <b>3,293</b> |
| Non-Cash Wkg. Capital         | (103)        | (261)        | (211)        | (229)        | (241)        |
| Net Cash/(Debt)               | (442)        | (431)        | (386)        | (350)        | (320)        |
| Debtors Turn (avg days)       | 4.2          | 4.5          | 4.5          | 4.3          | 4.3          |
| Creditors Turn (avg days)     | 30.0         | 37.4         | 45.4         | 43.5         | 42.8         |
| Inventory Turn (avg days)     | 0.2          | 0.2          | 0.2          | 0.2          | 0.2          |
| Asset Turnover (x)            | 0.7          | 0.8          | 0.7          | 0.8          | 0.9          |
| Current Ratio (x)             | 1.1          | 1.0          | 1.0          | 0.7          | 0.5          |
| Quick Ratio (x)               | 1.0          | 1.0          | 0.9          | 0.7          | 0.5          |
| Net Debt/Equity (X)           | 0.2          | 0.2          | 0.2          | 0.1          | 0.1          |
| Net Debt/Equity ex MI (X)     | 0.2          | 0.2          | 0.2          | 0.1          | 0.1          |
| Capex to Debt (%)             | 1.4          | 1.4          | 1.8          | 2.1          | 2.6          |
| Z-Score (X)                   | 3.9          | 3.1          | 3.5          | 3.9          | 4.4          |

Healthy balance sheet  
with net gearing of  
0.2x

Source: Company, AllianceDBS



## Magnum

## Cash Flow Statement (RMm)

| FY Dec                  | 2017A        | 2018A         | 2019F         | 2020F        | 2021F        |
|-------------------------|--------------|---------------|---------------|--------------|--------------|
| Pre-Tax Profit          | 307          | 338           | 377           | 402          | 427          |
| Dep. & Amort.           | 7.24         | 7.60          | 7.98          | 8.38         | 8.80         |
| Tax Paid                | (63.5)       | (109)         | (117)         | (125)        | (132)        |
| Assoc. & JV Inc/(loss)  | 0.0          | 0.0           | 0.0           | 0.0          | 0.0          |
| Chg in Wkg.Cap.         | 6.14         | 81.3          | 1.99          | (1.4)        | 0.0          |
| Other Operating CF      | 40.4         | (12.7)        | (157)         | (97.9)       | (114)        |
| <b>Net Operating CF</b> | <b>297</b>   | <b>306</b>    | <b>113</b>    | <b>186</b>   | <b>189</b>   |
| Capital Exp.(net)       | (11.4)       | (13.1)        | (14.0)        | (13.6)       | (13.2)       |
| Other Invt.(net)        | 0.0          | 0.0           | 0.0           | 0.0          | 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      | 14.4         | (42.8)        | (49.0)        | (99.3)       | (91.7)       |
| <b>Net Investing CF</b> | <b>3.07</b>  | <b>(55.9)</b> | <b>(63.0)</b> | <b>(113)</b> | <b>(105)</b> |
| Div Paid                | (145)        | (193)         | (241)         | (258)        | (274)        |
| Chg in Gross Debt       | (175)        | 140           | 80.0          | 80.0         | 80.0         |
| Capital Issues          | 0.0          | 0.0           | 0.0           | 0.0          | 0.0          |
| Other Financing CF      | (49.9)       | 0.0           | 0.0           | 0.0          | 0.0          |
| <b>Net Financing CF</b> | <b>(370)</b> | <b>(53.3)</b> | <b>(161)</b>  | <b>(178)</b> | <b>(194)</b> |
| Currency Adjustments    | 0.0          | 0.0           | 0.0           | 0.0          | 0.0          |
| Chg in Cash             | (69.5)       | 196           | (112)         | (104)        | (110)        |
| Opg CFPS (sen)          | 20.2         | 15.6          | 7.69          | 13.1         | 13.2         |
| Free CFPS (sen)         | 19.9         | 20.3          | 6.86          | 12.0         | 12.2         |

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:    | 21 Sep 18      | 1.93          | 2.05                | BUY    |
| 2:    | 27 Sep 18      | 1.94          | 2.05                | BUY    |
| 3:    | 23 Nov 18      | 1.97          | 2.25                | BUY    |
| 4:    | 28 Nov 18      | 1.96          | 2.25                | BUY    |
| 5:    | 07 Dec 18      | 1.98          | 2.25                | BUY    |
| 6:    | 22 Feb 19      | 2.33          | 2.25                | BUY    |
| 7:    | 11 Mar 19      | 2.37          | 2.65                | BUY    |
| 8:    | 03 Apr 19      | 2.44          | 2.65                | BUY    |
| 9:    | 29 May 19      | 2.40          | 2.65                | BUY    |
| 10:   | 04 Jul 19      | 2.72          | 3.15                | BUY    |
| 11:   | 23 Aug 19      | 2.84          | 3.15                | BUY    |

Source: AllianceDBS

Analyst: King Yoong CHEAH

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 share price catalysts within this time frame)

*\*Share price appreciation + dividends*

Completed Date: 12 Sep 2019 08:10:01 (MYT)

Dissemination Date: 12 Sep 2019 08:13:47 (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 31 Aug 2019
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, DBSVS or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946.</p> <p>DBSVS and DBSV HK are 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. Both DBS Bank Ltd and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, and DBSV HK is regulated by the Hong Kong Securities and Futures Commission under the laws of Hong Kong, 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 dbsvhk@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 ("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;"> <br/> Wong Ming Tek, Executive Director, ADBSR </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> | This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608 - 610, 6 <sup>th</sup> Floor, Gate Precinct Building 5, PO Box 506538, 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.   |
| <b>United Arab Emirates</b>                 | 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.                                |
| <b>United States</b>                        | 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.  |
| <b>Other jurisdictions</b>                  | 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.   |

## Magnum

### DBS Regional Research Offices

---

#### HONG KONG

##### DBS (Hong Kong) Ltd

Contact: Carol Wu  
13th Floor One Island East,  
18 Westlands Road,  
Quarry Bay, Hong Kong  
Tel: 852 3668 4181  
Fax: 852 2521 1812  
e-mail: dbsvhk@dbs.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

#### 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

#### 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: indonesia@research@dbs.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