

18 January 2018

Construction & Engineering | Construction

## WCT

**BUY** (from Neutral)

### Paradigm Shift Unnecessary, Better Execution Will Do

We upgrade WCT to BUY (from Neutral), as we raise our SOP-based TP by 35% to MYR2.18 (from MYR1.62, 31% upside). Our upgrade is premised on its outstanding construction orderbook of MYR6bn – a record for the company – which would keep it busy for the next three years. We believe WCT stands a good chance of securing a further MYR2bn worth of jobs in FY18, with the commencement of works for major projects such as the ECRL and Pan Borneo Highway. In our opinion, there also could be further upside to WCT's property division, as the new management team applies their expertise.

**Record construction orderbook to sustain earnings.** WCT's outstanding construction orderbook stood at MYR6bn as at 30 Sep 2017, a record for the company. In FY17, it secured new contracts that amounted to MYR2.1bn, consisting primarily of infrastructure projects – Mass Rapid Transit Line 2 (MRT2), Light Rail Transit Line 3 (LRT3) and elevated highway works. This is positive, in our view, as infrastructure projects carry higher EBIT margins of 8%, compared to 5-6% for non-infrastructure works, and is indicative of WCT's ability to secure contracts under the open tender system.

**Opportunities in large-scale infrastructure projects.** Looking ahead, we are imputing an orderbook replenishment assumption of MYR2bn for FY18F and FY19F, in line with management's targets. We gather that WCT is interested in bidding for infrastructure projects such as the East Coast Rail Line (ECRL), West Coast Expressway (WCE), Pan Borneo Highway, and building/property projects such as Tun Razak Exchange (TRX) and Kwasa Damansara.

**Property division could improve under new management.** With the backing of major shareholder, Tan Sri Desmond Lim and his team, who are well versed in property development, we understand that product enhancements are being made to WCT's future property projects. In the meantime, WCT has been taking proactive measures to tweak its existing property development portfolio, including reducing the size of its residential units, in order to increase its appeal to price-conscious homebuyers.

**Upgrade to BUY.** We raise our FY18 and FY19 earnings forecasts by 20.0% and 23.5% respectively, as we impute higher billings for its construction segment, backed by its MYR6bn orderbook.

Meanwhile, we lift our TP by 35% to MYR2.18, based on our SOP valuation. Our BUY recommendation is supported by WCT's robust earnings growth potential, with a 3-year earnings CAGR of 27%, according to our estimates. In addition, we believe that WCT could unlock the value of its property and investment assets through disposals or a spin-off into a REIT, which would allow it to monetise its investments at market value.

**Risks.** The key downside risk to our BUY call lies in the company's actual contract wins, which may fall short of our orderbook assumptions.

Target Price:	MYR2.18
Price:	MYR1.66
Market Cap:	USD597m
Bloomberg Ticker:	WCTHG MK

#### Share Data

Avg Daily Turnover (MYR/USD)	5.01m/1.22m
52-wk Price low/high (MYR)	1.48 - 2.32
Free Float (%)	60
Shares outstanding (m)	1,407
Estimated Return	31%

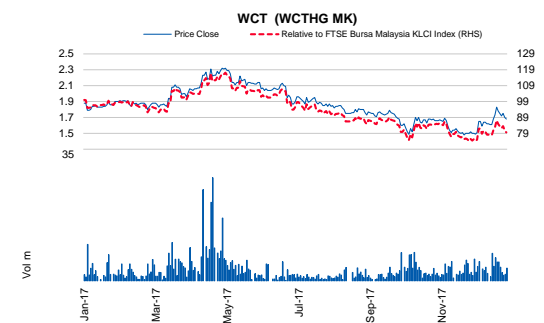
#### Shareholders (%)

Dominion Nexus SB	17.6
Employees Provident Fund	8.8
Lembaga Tabung Haji	8.1

#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	3.7	10.5	0.0	(10.2)	(10.6)
Relative	2.1	6.3	(4.1)	(14.2)	(20.7)

Source: Bloomberg



Source: Bloomberg

Forecasts and Valuations	Dec-15	Dec-16	Dec-17F	Dec-18F	Dec-19F
Total turnover (MYRm)	1,668	1,934	2,208	2,514	2,802
Reported net profit (MYRm)	209	68	129	176	204
Recurring net profit (MYRm)	81	100	129	176	204
Recurring net profit growth (%)	(28.7)	24.2	29.3	36.0	15.7
Recurring EPS (MYR)	0.07	0.08	0.10	0.14	0.16
DPS (MYR)	0.03	na	0.05	0.07	0.08
Recurring P/E (x)	23.9	20.7	16.4	12.1	10.4
P/B (x)	0.77	0.77	0.75	0.73	0.70
P/CF (x)	na	na	6.0	18.2	12.7
Dividend Yield (%)	1.8	na	3.1	4.1	4.8
EV/EBITDA (x)	22.2	12.4	13.1	10.4	9.5
Return on average equity (%)	8.6	2.5	4.6	6.1	6.9
Net debt to equity (%)	78.2	90.3	82.2	82.6	81.3
Our vs consensus EPS (adjusted) (%)			13.9	16.2	24.1

Source: Company data, RHB

#### Analyst

Tay Yow Ken, CFA  
+603 9280 8682  
[tay.yow.ken@rhbgroup.com](mailto:tay.yow.ken@rhbgroup.com)



## Financial Exhibits

Financial model updated on : 2018-01-17.

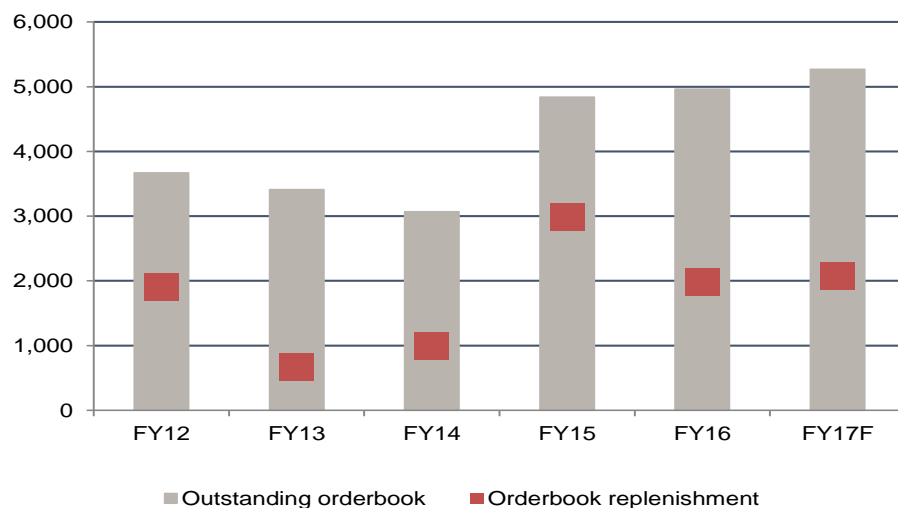
Asia		<b>Financial summary</b>					
Malaysia		<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	
Construction & Engineering		Recurring EPS (MYR)	0.07	0.08	0.10	0.14	0.16
<b>WCT</b>		EPS (MYR)	0.18	0.06	0.10	0.14	0.16
Bloomberg	WCTHG MK	DPS (MYR)	0.03	0.00	0.05	0.07	0.08
<b>Neutral</b>		BVPS (MYR)	2.17	2.19	2.24	2.31	2.39
		Weighted avg adjusted shares (m)	1,147	1,231	1,262	1,262	1,262
<b>Valuation basis</b>		<b>Valuation metrics</b>					
We value WCT based on SOP		<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	
<b>Key drivers</b>		Recurring P/E (x)	23.9	20.7	16.4	12.1	10.4
i. WCT may garner a larger slice of the action in the booming local construction sector;		P/E (x)	9.2	30.3	16.4	12.1	10.4
ii. The group may proceed with its asset monetisation exercise that would help to reduce its overall gearing and realised gain from the investment.		P/B (x)	0.77	0.77	0.75	0.73	0.70
<b>Key risks</b>		FCF Yield (%)	(32.9)	(10.6)	14.7	3.6	6.0
Key downside risks to our BUY recommendation lie in the company's actual contract wins, which may fall short of our orderbook replenishment assumptions. This is considering the fact that a slew of infrastructure-related projects are set to be awarded in the next few months. Separately, its profitability is also dependent on its ability to launch projects, as well as the take-up rate of such projects.		Dividend Yield (%)	1.8	0.0	3.1	4.1	4.8
<b>Company Profile</b>		EV/EBITDA (x)	22.2	12.4	13.1	10.4	9.5
WCT is a construction company with its niche strengths in large-scale earthworks and the construction of roads and retail mall-anchored integrated property projects. It is also a seasoned contractor in the Middle East. It is engaged in property development in the Klang Valley and Iskandar. It owns and operates four shopping malls comprising Paradigm Mall in Petaling Jaya (680,000 sqf), the Gateway Mall at KLIA2 (360,000 sqf), Paradigm Mall in JB (1.3m sqf) and the BBT Shopping Mall in Klang (1m sqf).		EV/EBIT (x)	24.0	13.2	14.1	11.1	10.0
		<b>Income statement (MYRm)</b>					
		<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	
		Total turnover	1,668	1,934	2,208	2,514	2,802
		Gross profit	64	271	273	345	386
		EBITDA	111	229	208	270	302
		Depreciation and amortisation	(8)	(15)	(15)	(16)	(17)
		Operating profit	103	214	193	255	285
		Net interest	(58)	(62)	(73)	(72)	(71)
		Income from associates & JVs	88	1	38	37	41
		Exceptional income - net	129	(32)	0	0	0
		Pre-tax profit	262	122	158	220	255
		Taxation	(55)	(57)	(29)	(44)	(51)
		Minority interests	2	3	0	0	0
		Recurring net profit	81	100	129	176	204
		<b>Cash flow (MYRm)</b>					
		<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	
		Change in working capital	(531)	146	221	(62)	(40)
		Cash flow from operations	(486)	(164)	352	117	167
		Capex	(148)	(55)	(40)	(40)	(40)
		Cash flow from investing activities	(195)	(239)	(40)	(40)	(40)
		Proceeds from issue of shares	108	93	0	0	0
		Dividends paid	(23)	(25)	(65)	(88)	(102)
		Cash flow from financing activities	97	321	(188)	(210)	(222)
		Cash at beginning of period	951	524	455	580	446
		Net change in cash	(584)	(81)	125	(133)	(95)
		Ending balance cash	524	455	580	446	351
		<b>Balance sheet (MYRm)</b>					
		<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	
		Total cash and equivalents	524	455	580	446	351
		Tangible fixed assets	288	328	339	348	355
		Total investments	1,547	1,776	1,776	1,776	1,776
		Total other assets	2,213	2,604	2,654	2,704	2,754
		Total assets	6,752	7,348	7,823	8,034	8,270
		Short-term debt	520	823	773	723	673
		Total long-term debt	2,073	2,159	2,159	2,159	2,159
		Other liabilities	521	538	538	538	538
		Total liabilities	4,105	4,551	4,961	5,085	5,219
		Shareholders' equity	2,610	2,763	2,828	2,916	3,018
		Minority interests	37	34	34	34	34
		Total equity	2,647	2,797	2,862	2,950	3,052
		Net debt	2,069	2,527	2,353	2,436	2,481
		Total liabilities & equity	6,752	7,348	7,823	8,034	8,270
		<b>Key metrics</b>					
		<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	
		Revenue growth (%)	0.3	15.9	14.2	13.8	11.4
		Recurrent EPS growth (%)	(32.1)	15.7	26.1	36.0	15.7
		Gross margin (%)	3.8	14.0	12.4	13.7	13.8
		Operating EBITDA margin (%)	6.6	11.9	9.4	10.7	10.8
		Net profit margin (%)	12.6	3.5	5.9	7.0	7.3
		Dividend payout ratio (%)	17.2	0.0	50.0	50.0	50.0
		Capex/sales (%)	8.9	2.8	1.8	1.6	1.4
		Interest cover (x)	1.78	3.48	2.65	3.55	4.04

Source: Company data, RHB

### Outstanding construction orderbook at record levels

WCT's outstanding construction orderbook stood at MYR6bn as at 30 Sep 2017, a record for the company. In FY17, WCT secured new contracts, which amounted to MYR2.1bn, consisting primarily of infrastructure projects – MRT2, LRT3 and elevated highway works for Sprint Highway. This is positive, in our view, as we believe infrastructure projects carry higher EBIT margins of 8%, compared to 5-6% for non-infrastructure related works.

**Figure 1: Outstanding orderbook and annual replenishment (MYRm)**



Source: RHB, Company data

**Figure 2: WCT's current outstanding orderbook (MYRm)**

Contract details	Date secured	Value (MYRm)	Outstanding (MYRm)
<b>Local Civil &amp; Infrastructure</b>			
Road, civil & infra works - RAPID Pengerang, Johor	12/11/2015	608.9	492.0
Infra & roadway works - TRX, KL	19/10/2015	754.8	618.0
Pan Borneo Highway	26/7/2016	1,289.1	885.0
MRT2 V204 - Bandar Malaysia South Portal to Kampung Muhibbah	14/11/2016	896.4	751.5
MRT2 S204 - Bandar Malaysia South Portal to Kampung Muhibbah	19/9/2017	199.5	199.5
West Coast Expressway - Shah Alam Expressway interchange to NKVE/FHRZ Interchange	16/11/2015	282.6	227.0
LRT3 TD1 - Johan Setia depot associated works	5/4/2017	185.9	179.0
LRT3 GS03	29/8/2017	840.0	840.0
LRT3 GS02	8/12/2017	640.0	640.0
Sprint Highway elevated works (Maarof interchange to Semantan)	8/12/2017	211.5	211.5
Others	1/1/2017	105.0	105.0
<b>Local Building</b>			
Police Quarters, Taman Keramat	31/3/2016	133.4	107.0
RAPID - utilities, interconnecting and off site (U10), facilities, local control building	9/11/2015	316.0	230.0
Others	1/1/2017	31.0	31.0
<b>Overseas</b>			
Lusail project, Qatar	9/3/2015	1,210.0	503.0
Internal Projects	1/1/2017	126.0	126.0
<b>Total</b>		<b>7,830.1</b>	<b>6,145.5</b>

Source: RHB, Company data

### WCT secured work packages for both MRT2 and LRT3

WCT was one of only a handful of contractors that secured work packages for both the MRT2 and LRT3 projects. On top of that, it was the only company to secure three LRT3 packages totalling MYR1.7bn. In securing these packages, WCT managed to edge out a competitive field of contractors in the open tender system, which points to its cost advantages in submitting tenders.

**Figure 3: Contracts secured in FY17 (MYRm)**

Contract details	Date secured	Value (MYRm)	Outstanding (MYRm)
LRT3 TD1	5/4/2017	185.9	179.0
LRT3 GS03	29/8/2017	840.0	840.0
MRT2 S204	19/9/2017	199.5	199.5
LRT3 GS02	5/10/2017	640.0	640.0
Sprint Highway	8/12/2017	211.5	211.5
<b>Total</b>		<b>2,076.9</b>	<b>2,070.0</b>

Source: RHB, Company data

### Orderbook provides earnings visibility for the next three years

WCT's MYR6bn outstanding orderbook would underpin its earnings for the next three years. We note that WCT's orderbook/revenue ratio had remained consistently above 3x in FY15-FY17F. This is largely due to its ability to replenish orders at a faster pace compared to construction billings, having registered a book-to-bill ratio of above 1x in FY15-FY17F.

Looking ahead, we are factoring in orderbook replenishment assumptions of MYR2bn for FY18F and FY19F, in line with management's targets. We believe that WCT stands a good chance of securing contracts, premised on its cost competitiveness and project delivery track record. We gather that WCT is interested in bidding for infrastructure projects such as the ECRL (MYR16.5bn packages available for local contractors), WCE (MYR5bn), Pan Borneo (MYR29bn) and building/property development projects such as the TRX and Kwasa Damansara.

**Figure 4: Orderbook/revenue and book-to-bill (MYRm)**

As of Sep 17	FY12	FY13	FY14	FY15	FY16	FY17F	FY18F	FY19F
Orderbook replenishment	1,900.0	670.0	994.0	2,984.0	1,977.0	2,076.9	2,000.0	2,000.0
Outstanding orderbook	3,669.0	3,409.0	3,069.0	4,838.0	4,963.0	5,270.1	5,259.7	5,222.2
Construction revenue (MYRm)	1,012.4	1,168.4	1,210.6	1,278.3	1,568.7	1,769.8	2,010.4	2,037.5
Orderbook/revenue (x)	3.6	2.9	2.5	3.8	3.2	3.0	2.6	2.6
Book-to-bill ratio (x)	1.9	0.6	0.8	2.3	1.3	1.2	1.0	1.0

Source: RHB, Company data

### Property take-up rates could improve with better execution

Against the backdrop of a soft property market, WCT has been taking proactive measures in tweaking its property development portfolio. This includes paring down the size of its residential development units, which reduces the pricing of units in absolute terms. Meanwhile, efforts are being made to position its projects towards the mid-range segment, as opposed to the high-end segment. This addresses concerns on the affordability of its projects under the current soft property climate.

With the backing of major shareholder, Tan Sri Desmond Lim and his team, who are well versed in property development, we gather that enhancements are being made in terms of branding, product offering, and the timeline of launches for WCT's future property projects. For example, WCT could replicate the success of Malton's (MALT MK, NR) Bukit Jalil City Centre (BJCC) project – which is close to being sold out – for its Paradigm Garden City project located just a stone's throw away at Overseas Union Garden (OUG).

We believe that there is potential upside for WCT's property development segment, especially in future launches, which would be embedded with Tan Sri Desmond's finishing touches. For the immediate term, however, we expect earnings for the segment to be unexciting, weighed down by the large number of unsold units.

Figure 5: WCT's property development projects (MYRm)

Development name	Location	Development type	Net GDV (MYRm)
<b>Completed projects</b>			
d'Laman Greenville	Klang	Semi-D & bungalow	122.0
Renai Jelutong	Shah Alam	Service Apartment	106.0
Medini Signature	Medini	Condominium	245.0
Others			109.0
<b>On-going projects</b>			
Waltz Residences	OUG, KL	Condominium	401.0
The Lead Residences	Bukit Tinggi 2, Klang	Service Apartment	267.0
The Azure Residences	Kelana Jaya, PJ	Service Apartment	201.0
Trifolis Apartments	Bukit Tinggi 2, Klang	Rumah Selangorku	93.0
Azaria Apartments (Phase A7)	Bukit Tinggi 3, Klang	Rumah Selangorku	45.0
Asteria Apartments (Phase A6)	Bukit Tinggi 3, Klang	Rumah Selangorku	60.0
<b>Upcoming projects (FY18)</b>			
Phase 2 @ Paradigm Garden City (3Q18)	OUG, KL	Condominium	1,045.0
Paradigm Johor Bahru (4Q18)	Skudai, JB	Service Apartment	165.0
Sapphire @ Paradigm PJ (3Q18)	Kelana Jaya, PJ	Service Apartment	229.0

Source: RHB, Company data

### Allaying investor concerns should reduce share price overhang

There were several causes of concern for WCT shareholders in FY17. These include the postponement of a listing of its retail and hotel assets under a REIT structure, high net gearing position, the possibility of a ratings downgrade of WCT's corporate bonds, arbitration claims for one of its Qatari projects and a Middle-East blockade on Qatar (where WCT has a sizable on-going construction project).

We believe most of these concerns have been addressed – the REIT would likely be postponed to FY19 as WCT settles a dispute with Aeon (AEON MK, NEUTRAL, TP: MYR2.09), while it focuses on improving the occupancy and rental rates for its retail malls; reducing net gearing with a private placement exercise, and the potential sale of idle landbank. Additionally, WCT would allocate its resources for domestic infrastructure-related jobs and reduce its exposure to the Middle East.

In our opinion, as these concerns subside, WCT's share price would gradually improve as the overhang is removed.

### Raising our FY18 and FY19 earnings forecasts

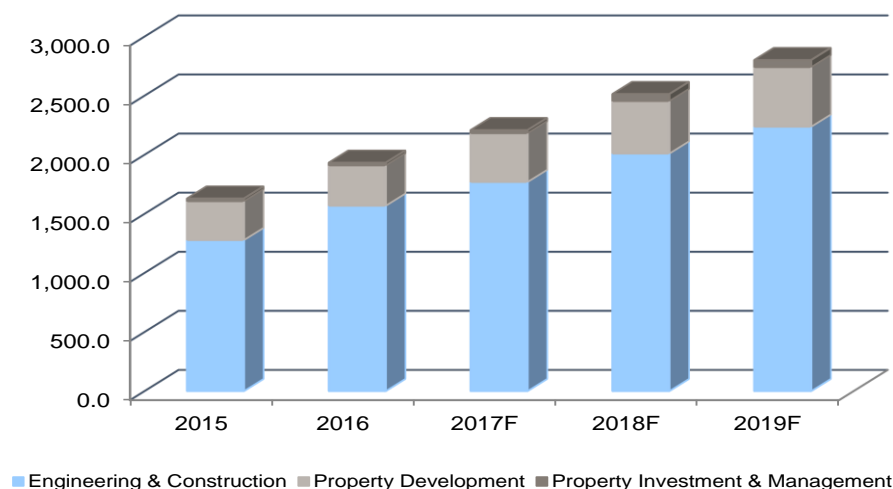
We raise our FY18 and FY19 earnings forecasts by 20.0% and 23.5% respectively, as we impute higher billings for its construction segment, backed by its MYR6bn orderbook. This has more than offset our lowered earnings forecasts for WCT's property arm.

Figure 6: Revenue and EBIT earnings revision (MYRm)

	Old 2018F	New 2018F	Changes	Old 2019F	New 2019F	Changes
Revenue	2,295.2	2,513.8	9.5%	2,375.7	2,801.5	17.9%
Engineering & Construction	1,714.2	2,010.4	17.3%	1,734.5	2,237.5	29.0%
Property Development	554.4	444.4	-19.8%	614.1	504.2	-17.9%
Property Investment & Management	26.6	58.9	121.8%	27.1	59.9	120.9%
EBIT	205.3	254.6	24.0%	223.4	285.1	27.6%
Engineering & Construction	112.1	175.9	56.8%	120.8	197.0	63.1%
Property Development	66.6	52.1	-21.8%	75.6	61.1	-19.2%
Property Investment & Management	26.6	26.6	0.0%	27.1	27.1	0.0%

Source: RHB, Company data

Figure 7: RHB's revenue forecasts for WCT (MYRm)



Source: RHB, Company data

### Upgrade to BUY from Neutral

We believe the current strong momentum of activities in the local construction sector would be sustained, backed by the rollout of mega public infrastructure/property projects. WCT is poised to garner a slice of the action – given its strength in rail projects, large-scale earthworks and the construction of roads and retail mall-anchored integrated property projects.

We raise our TP by 35% to MYR2.18, based on SOP valuation. Our BUY recommendation for WCT is supported by WCT's robust earnings growth potential, with a 3-year earnings CAGR of 27%, according to our estimates. In addition, we believe that WCT could unlock the value of its property and investments assets through disposals or a spin-off into a REIT – which would allow it to monetise its investments at market value.

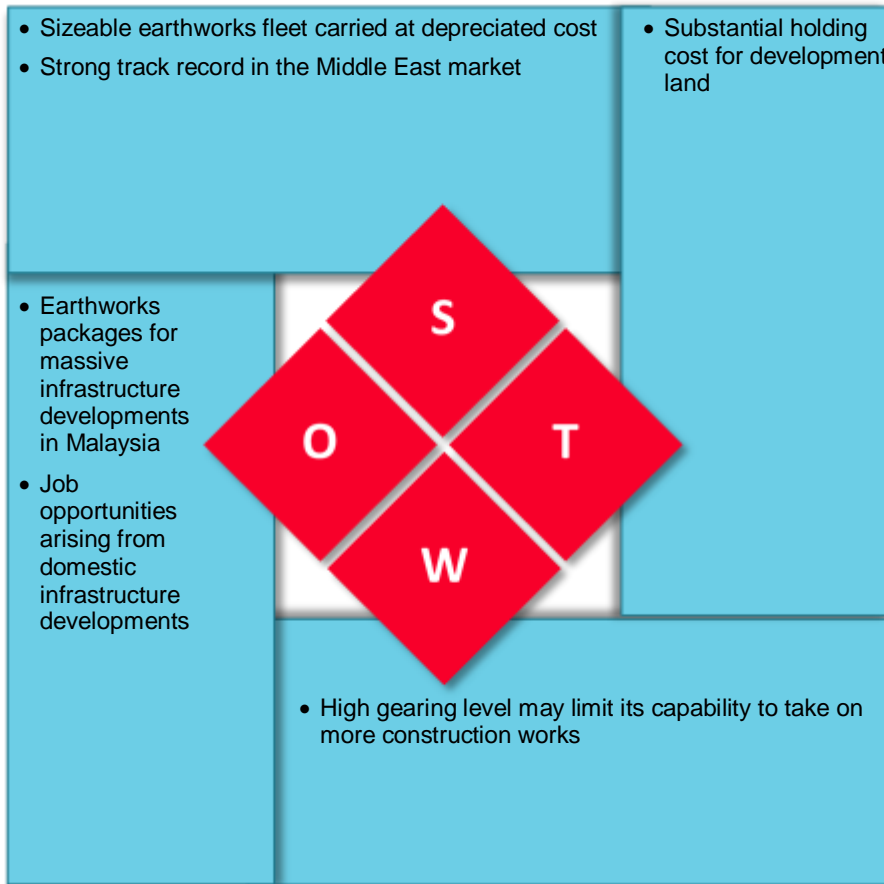
In our SOP valuation, we roll over WCT's construction business to FY18F (from FY17F) earnings, based on an unchanged 14x P/E. Meanwhile, we update our RNAV for its property development business, reflecting the company's updated estimates of GDV for its future property launches.

Figure 8: RHB's SOP valuation for WCT

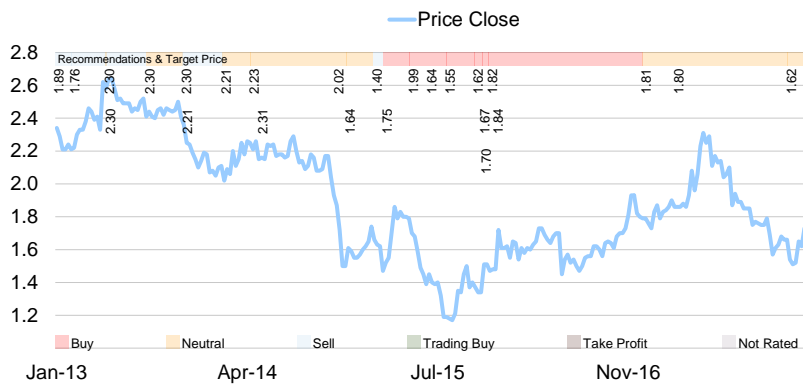
Business segment	Method	Multiple (x) / Discount	Total value (MYRm)	Description
Engineering & Construction	P/E	14	1,723.7	14x FY18F net profit (median of sector P/E 12x to 16x)
Property Development	RNAV	-30%	1,400.4	30% discount to RNAV
Concession:				
a) Indian Expressway	NPV		18.4	NPV of future dividend / 30% stake (WACC: 9%)
b) Gateway @ KLIA2	DCF		414.0	DCF of the concession / 70% stake (WACC: 9%)
Property Investment:				
a) AEON Bukit Tinggi, Klang	NBV		441.9	NBV of the asset
b) Paradigm Mall, PJ	NBV		412.9	NBV of the asset / 70% stake in JV co. Jelas Puri
c) Premier Hotel, Klang	NBV		77.0	NBV of the asset
c) Other investment assets	NBV		339.4	NBV of the asset
- Net debt (Holding company)			-1,657.3	Net debt as at 31 Dec 2016
<b>Total sum of parts (SOP)</b>			<b>3,170.4</b>	
Cash proceeds from private placement			208.8	Assuming issuance at a 10% discount to 1-month VWAP
<b>Fully Diluted (FD) SOP</b>			<b>3,379.2</b>	
SOP/share			2.25	
<b>FD SOP/share</b>			<b>2.18</b>	

Source: RHB

## SWOT Analysis



## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2017-11-23	Neutral	1.62	1.69
2017-02-24	Neutral	1.80	1.86
2016-12-07	Neutral	1.81	1.77
2015-12-15	Buy	1.84	1.49
2015-12-02	Buy	1.82	1.50
2015-11-25	Buy	1.70	1.53
2015-11-16	Buy	1.70	1.38
2015-11-13	Buy	1.67	1.34
2015-10-28	Buy	1.62	1.38
2015-08-23	Buy	1.55	1.19

Source: RHB, Bloomberg

## RHB Guide to Investment Ratings

**Buy:** Share price may exceed 10% over the next 12 months

**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months

**Take Profit:** Target price has been attained. Look to accumulate at lower levels

**Sell:** Share price may fall by more than 10% over the next 12 months

**Not Rated:** Stock is not within regular research coverage

## Investment Research Disclaimers

RHB has issued this report for information purposes only. This report is intended for circulation amongst RHB and its affiliates' clients generally or such persons as may be deemed eligible by RHB to receive this report and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. This report is not intended, and should not under any circumstances be construed as, an offer or a solicitation of an offer to buy or sell the securities referred to herein or any related financial instruments.

This report may further consist of, whether in whole or in part, summaries, research, compilations, extracts or analysis that has been prepared by RHB's strategic, joint venture and/or business partners. No representation or warranty (express or implied) is given as to the accuracy or completeness of such information and accordingly investors should make their own informed decisions before relying on the same.

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 the applicable laws or regulations. By accepting this report, the recipient hereof (i) represents and warrants that it is lawfully able to receive this document under the laws and regulations of the jurisdiction in which it is located or other applicable laws and (ii) acknowledges and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of applicable laws.

All the information contained herein is based upon publicly available information and has been obtained from sources that RHB believes to be reliable and correct at the time of issue of this report. However, such sources have not been independently verified by RHB and/or its affiliates and this report does not purport to contain all information that a prospective investor may require. The opinions expressed herein are RHB's present opinions only and are subject to change without prior notice. RHB is not under any obligation to update or keep current the information and opinions expressed herein or to provide the recipient with access to any additional information. Consequently, RHB does not guarantee, represent or warrant, expressly or impliedly, as to the adequacy, accuracy, reliability, fairness or completeness of the information and opinion contained in this report. Neither RHB (including its officers, directors, associates, connected parties, and/or employees) nor does any of its agents accept any liability for any direct, indirect or consequential losses, loss of profits and/or damages that may arise from the use or reliance of this research report and/or further communications given in relation to this report. Any such responsibility or liability is hereby expressly disclaimed.

Whilst every effort is made to ensure that statement of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable and must not be construed as a representation that the matters referred to therein will occur. Different assumptions by RHB or any other source may yield substantially different results and recommendations contained on one type of research product may differ from recommendations contained in other types of research. The performance of currencies may affect the value of, or income from, the securities or any other financial instruments referenced in this report. Holders of depositary receipts backed by the securities discussed in this report assume currency risk. Past performance is not a guide to future performance. Income from investments may fluctuate. The price or value of the investments to which this report relates, either directly or indirectly, may fall or rise against the interest of investors.

This report does not purport to be comprehensive or to contain all the information that a prospective investor may need in order to make an investment decision. The recipient of this report is making its own independent assessment and decisions regarding any securities or financial instruments referenced herein. Any investment discussed or recommended in this report may be unsuitable for an investor depending on the investor's specific investment objectives and financial position. The material in this report is general information intended for recipients who understand the risks of investing in financial instruments. This report does not take into account whether an investment or course of action and any associated risks are suitable for the recipient. Any recommendations contained in this report must therefore not be relied upon as investment advice based on the recipient's personal circumstances. Investors should make their own independent evaluation of the information contained herein, consider their own investment objective, financial situation and particular needs and seek their own financial, business, legal, tax and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

This report may contain forward-looking statements which are often but not always identified by the use of words such as "believe", "estimate", "intend" and "expect" and statements that an event or result "may", "will" or "might" occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to RHB and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievement, expressed or implied by such forward-looking statements. Caution should be taken with respect to such statements and recipients of this report should not place undue reliance on any such forward-looking statements. RHB expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

The use of any website to access this report electronically is done at the recipient's own risk, and it is the recipient's sole responsibility to take precautions to ensure that it is free from viruses or other items of a destructive nature. This report may also provide the addresses of, or contain hyperlinks to, websites. RHB takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to RHB own website material) are provided solely for the recipient's convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or RHB website shall be at the recipient's own risk.

This report may contain information obtained from third parties. Third party content providers do not guarantee the accuracy, completeness, timeliness or



availability of any information and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content.

The research analysts responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. The research analysts that authored this report are precluded by RHB in all circumstances from trading in the securities or other financial instruments referenced in the report, or from having an interest in the company(ies) that they cover.

RHB and/or its affiliates and/or their directors, officers, associates, connected parties and/or employees, may have, or have had, interests in the securities or qualified holdings, in subject company(ies) mentioned in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, RHB and/or its affiliates may have, or have had, business relationships with the subject company(ies) mentioned in this report and may from time to time seek to provide investment banking or other services to the subject company(ies) referred to in this research report. As a result, investors should be aware that a conflict of interest may exist.

The contents of this report is strictly confidential and may not be copied, reproduced, published, distributed, transmitted or passed, in whole or in part, to any other person without the prior express written consent of RHB and/or its affiliates. This report has been delivered to RHB and its affiliates' clients for information purposes only and upon the express understanding that such parties will use it only for the purposes set forth above. By electing to view or accepting a copy of this report, the recipients have agreed that they will not print, copy, videotape, record, hyperlink, download, or otherwise attempt to reproduce or re-transmit (in any form including hard copy or electronic distribution format) the contents of this report. RHB and/or its affiliates accepts no liability whatsoever for the actions of third parties in this respect.

The contents of this report are subject to copyright. Please refer to Restrictions on Distribution below for information regarding the distributors of this report. Recipients must not reproduce or disseminate any content or findings of this report without the express permission of RHB and the distributors.

The securities mentioned in this publication may not be eligible for sale in some states or countries or certain categories of investors. The recipient of this report should have regard to the laws of the recipient's place of domicile when contemplating transactions in the securities or other financial instruments referred to herein. The securities discussed in this report may not have been registered in such jurisdiction. Without prejudice to the foregoing, the recipient is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

The term "RHB" shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case, RHB Investment Bank Berhad and its affiliates, subsidiaries and related companies.

## RESTRICTIONS ON DISTRIBUTION

### Malaysia

This report is issued and distributed in Malaysia by RHB Research Institute Sdn Bhd. The views and opinions in this report are our own as of the date hereof and is subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. RHB Research Institute Sdn Bhd has no obligation to update its opinion or the information in this report.

### Thailand

This report is issued and distributed in the Kingdom of Thailand by RHB Securities (Thailand) PCL, a licensed securities company that is authorised by the Ministry of Finance, regulated by the Securities and Exchange Commission of Thailand and is a member of the Stock Exchange of Thailand. The Thai Institute of Directors Association has disclosed the Corporate Governance Report of Thai Listed Companies made pursuant to the policy of the Securities and Exchange Commission of Thailand. RHB Securities (Thailand) PCL does not endorse, confirm nor certify the result of the Corporate Governance Report of Thai Listed Companies.

### Indonesia

This report is issued and distributed in Indonesia by PT RHB Sekuritas Indonesia. This research does not constitute an offering document and it should not be construed as an offer of securities in Indonesia. Any securities offered or sold, directly or indirectly, in Indonesia or to any Indonesian citizen or corporation (wherever located) or to any Indonesian resident in a manner which constitutes a public offering under Indonesian laws and regulations must comply with the prevailing Indonesian laws and regulations.

### Singapore

This report is issued and distributed in Singapore by RHB Research Institute Singapore Pte Ltd and it may only be distributed in Singapore to accredited investors, expert investors and institutional investors as defined in the Financial Advisers Regulations and the Securities and Futures Act (Chapter 289), as amended from time to time. By virtue of distribution to these categories of investors, RHB Research Institute Singapore Pte Ltd and its representatives are not required to comply with Section 36 of the Financial Advisers Act (Chapter 110) (Section 36 relates to disclosure of RHB Research Institute Singapore Pte Ltd 's interest and/or its representative's interest in securities). Recipients of this report in Singapore may contact RHB Research Institute Singapore Pte Ltd in respect of any matter arising from or in connection with the report.

**Hong Kong**

This report is issued and distributed in Hong Kong by RHB Securities Hong Kong Limited (興業橋豐證券有限公司) (CE No.: ADU220) (“RHBSHK”) which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact RHBSHK. RHBSHK is a wholly owned subsidiary of RHB Hong Kong Limited; for the purposes of disclosure under the Hong Kong jurisdiction herein, please note that RHB Hong Kong Limited with its affiliates (including but not limited to RHBSHK) will collectively be referred to as “RHBHK.” RHBHK conducts a full-service, integrated investment banking, asset management, and brokerage business. RHBHK does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this research report. Investors should consider this report as only a single factor in making their investment decision. Importantly, please see the company-specific regulatory disclosures below for compliance with specific rules and regulations under the Hong Kong jurisdiction. Other than company-specific disclosures relating to RHBHK, this research report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such.

**United States**

This report was prepared by RHB and is being distributed solely and directly to “major” U.S. institutional investors as defined under, and pursuant to, the requirements of Rule 15a-6 under the U.S. Securities and Exchange Act of 1934, as amended (the “Exchange Act”). Accordingly, access to this report via Bursa Marketplace or any other Electronic Services Provider is not intended for any party other than “major” US institutional investors, nor shall be deemed as solicitation by RHB in any manner. RHB is not registered as a broker-dealer in the United States and does not offer brokerage services to U.S. persons. Any order for the purchase or sale of the securities discussed herein that are listed on Bursa Malaysia Securities Berhad must be placed with and through Auerbach Grayson (“AG”). Any order for the purchase or sale of all other securities discussed herein must be placed with and through such other registered U.S. broker-dealer as appointed by RHB from time to time as required by the Exchange Act Rule 15a-6. This report is confidential and not intended for distribution to, or use by, persons other than the recipient and its employees, agents and advisors, as applicable. Additionally, where research is distributed via Electronic Service Provider, the analysts whose names appear in this report are not registered or qualified as research analysts in the United States and are not associated persons of Auerbach Grayson AG or such other registered U.S. broker-dealer as appointed by RHB from time to time and therefore may not be subject to any applicable restrictions under Financial Industry Regulatory Authority (“FINRA”) rules on communications with a subject company, public appearances and personal trading. Investing in any non-U.S. securities or related financial instruments discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in the United States. The financial instruments discussed in this report may not be suitable for all investors. Transactions in foreign markets may be subject to regulations that differ from or offer less protection than those in the United States.

**OWNERSHIP AND MATERIAL CONFLICTS OF INTEREST****Malaysia**

RHB does not have qualified shareholding (1% or more) in the subject company (ies) covered in this report except for:

a) -

RHB and/or its subsidiaries are not liquidity providers or market makers for the subject company (ies) covered in this report except for:

a) -

RHB and/or its subsidiaries have not participated as a syndicate member in share offerings and/or bond issues in securities covered in this report in the last 12 months except for:

a) -

RHB has not provided investment banking services to the company/companies covered in this report in the last 12 months except for:

a) -

**Thailand**

RHB Securities (Thailand) PCL and/or its directors, officers, associates, connected parties and/or employees, may have, or have had, interests and/or commitments in the securities in subject company(ies) mentioned in this report or any securities related thereto. Further, RHB Securities (Thailand) PCL may have, or have had, business relationships with the subject company(ies) mentioned in this report. As a result, investors should exercise their own judgment carefully before making any investment decisions.

**Indonesia**

PT RHB Sekuritas Indonesia is not affiliated with the subject company(ies) covered in this report both directly or indirectly as per the definitions of affiliation above. Pursuant to the Capital Market Law (Law Number 8 Year 1995) and the supporting regulations thereof, what constitutes as affiliated parties are as follows:

1. Familial relationship due to marriage or blood up to the second degree, both horizontally or vertically;
2. Affiliation between parties to the employees, Directors or Commissioners of the parties concerned;
3. Affiliation between 2 companies whereby one or more member of the Board of Directors or the Commissioners are the same;
4. Affiliation between the Company and the parties, both directly or indirectly, controlling or being controlled by the Company;
5. Affiliation between 2 companies which are controlled, directly or indirectly, by the same party; or

6. Affiliation between the Company and the main Shareholders.

PT RHB Sekuritas Indonesia is not an insider as defined in the Capital Market Law and the information contained in this report is not considered as insider information prohibited by law. Insider means:

- a. a commissioner, director or employee of an Issuer or Public Company;
- b. a substantial shareholder of an Issuer or Public Company;
- c. an individual, who because of his position or profession, or because of a business relationship with an Issuer or Public Company, has access to inside information; and
- d. an individual who within the last six months was a Person defined in letters a, b or c, above.

#### Singapore

RHB Research Institute Singapore Pte Ltd and/or its subsidiaries and/or associated companies do not make a market in any securities covered in this report, except for:

- (a) -

The staff of RHB Research Institute Singapore Pte Ltd and its subsidiaries and/or its associated companies do not serve on any board or trustee positions of any issuer whose securities are covered in this report, except for:

- (a) -

RHB Research Institute Singapore Pte Ltd and/or its subsidiaries and/or its associated companies do not have and have not within the last 12 months had any corporate finance advisory relationship with the issuer of the securities covered in this report or any other relationship (including a shareholding of 1% or more in the securities covered in this report) that may create a potential conflict of interest, except for:

- (a) -

#### Hong Kong

The following disclosures relate to relationships between RHBHK and companies covered by Research Department of RHBSHK and referred to in this research report:

RHBSHK hereby certifies that no part of RHBSHK analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

RHBHK had an investment banking services client relationships during the past 12 months with: -.

RHBHK has received compensation for investment banking services, during the past 12 months from: -.

RHBHK managed/co-managed public offerings, in the past 12 months for: -.

On a principal basis. RHBHK has a position of over 1% market capitalization of: -.

#### Additionally, please note the following:

**Ownership and material conflicts of interest:** RHBSHK policy prohibits its analysts and associates reporting to analysts from owning securities of any company covered by the analyst.

**Analyst as officer or director:** RHBSHK policy prohibits its analysts, and associates reporting to analysts from serving as an officer, director, advisory board member or employee of any company covered by the analyst.

RHBHK salespeople, traders, and other non-research professionals may provide oral or written market commentary or trading strategies to RHB clients that reflect opinions that are contrary to the opinions expressed in this research report.

This research report is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice.

Kuala Lumpur	Hong Kong	Singapore
<b>RHB Research Institute Sdn Bhd</b> Level 3A, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur 50400 Malaysia Tel : +(60) 3 9280 8888 Fax : +(60) 3 9200 2216	<b>RHB Securities Hong Kong Ltd.</b> 12 <sup>th</sup> Floor World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908	<b>RHB Research Institute Singapore Pte Ltd.</b> 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211
Jakarta	Shanghai	Bangkok
<b>PT RHB Sekuritas Indonesia</b> Wisma Mulia, 20th Floor Jl. Jenderal Gatot Subroto No. 42 Jakarta 12710, Indonesia Tel : +(6221) 2783 0888 Fax : +(6221) 2783 0777	<b>RHB (China) Investment Advisory Co. Ltd.</b> Suite 4005, CITIC Square 1168 Nanjing West Road Shanghai 20041 China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633	<b>RHB Securities (Thailand) PCL</b> 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel : +(66) 2 088 9999 Fax : +(66) 2 088 9799