

# Company Guide

# Sasbadi Holdings Berhad

Version 5 | Bloomberg: SASB MK | Reuters: SAHO.KL

Refer to important disclosures at the end of this report

Malaysia Equity Research

25 Jan 2017

## BUY

Last Traded Price ( 24 Jan 2017): RM1.56 (KLCI : 1,680.69)

Price Target 12-mth: RM1.75 (12% upside)

Shariah Compliant: Yes

**Potential Catalyst:** Earnings-accretive M&A, strong contributions from its network marketing business

**Where we differ:** FY18 earnings below consensus due to lower assumption of network marketing contributions.

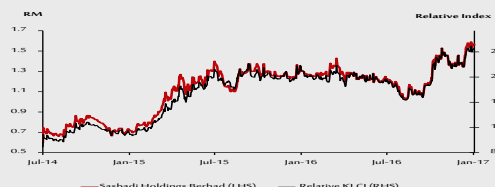
**Analyst**

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

### What's New

- **Reported strong 1QFY17 earnings of RM4.3m versus RM2m in 1QFY16**
- **Results came within expectations. Remain positive on earnings prospects**
- **Maintain BUY with a higher TP of RM1.75**

### Price Relative



### Forecasts and Valuation

FY Aug (RM m)	2015A	2016A	2017F	2018F
Revenue	88.0	92.7	115	136
EBITDA	24.4	26.9	36.2	43.5
Pre-tax Profit	21.4	17.4	31.5	38.9
Net Profit	15.3	11.9	22.7	28.4
Net Pft (Pre Ex.)	15.3	16.7	22.7	28.4
Net Pft Gth (Pre-ex) (%)	(1.0)	9.1	35.8	25.0
EPS (sen)	5.48	4.24	8.11	10.1
EPS Pre Ex. (sen)	5.48	5.97	8.11	10.1
EPS Gth Pre Ex (%)	(1)	9	36	25
Diluted EPS (sen)	5.48	5.46	8.11	10.1
Net DPS (sen)	2.28	2.25	4.06	5.07
BV Per Share (sen)	37.7	52.8	58.5	65.4
PE (X)	28.5	36.8	19.2	15.4
PE Pre Ex. (X)	28.5	26.1	19.2	15.4
P/Cash Flow (X)	95.2	260.4	49.0	27.8
EV/EBITDA (X)	18.1	16.2	12.4	10.4
Net Div Yield (%)	1.5	1.4	2.6	3.3
P/Book Value (X)	4.1	3.0	2.7	2.4
Net Debt/Equity (X)	0.0	CASH	0.0	0.1
ROAE (%)	14.5	8.0	14.6	16.4
Earnings Rev (%):		0	0	5
Consensus EPS (sen):		N/A	8.40	14.2
Other Broker Recs:		B: 3	S: 0	H: 0

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

## A good book to keep

**Dominant player in the publishing industry.** Sasbadi Holdings (Sasbadi) serves as one of the best proxies to the Malaysian education sector, as it is a dominant player in the domestic educational publishing industry with c.10% market share. The group is well managed and enjoys high ROE and superior profitability, supported by a lean operating structure and complementary business models.

**Booking decent earnings in 1QFY17.** Although 1Q ending November is traditionally a weak quarter for Sasbadi's educational publishing business, the group has registered strong earnings of RM4.3m during the quarter, a substantial improvement compared with core earnings of RM2m recorded in 1QFY16. Its 1QFY17 earnings were within our expectations.

**Network marketing – key growth driver.** Since obtaining the network marketing licence in April 2016, management has been actively engaged in recruiting members for the business. We gather that the group has so far signed on >3,000 members and significant contributions will start to kick in from FY17 onwards. We are positive of the group engaging in such marketing strategies since we believe that the general market remains unfamiliar with its digital products and a more personalised marketing strategy could lead to better recognition and appreciation of such products by consumers.

### Valuation:

We are maintaining our BUY recommendation with a TP of RM1.75, pegged to a higher PE of 19x (previously 17x) as we narrow our valuation discount from 25% to 10%, compared to the sector PE of 21x. We believe that the smaller discount attached to Sasbadi's valuation is justifiable in view of its larger market capitalisation, improved liquidity and superior ROE relative to its peers.

### Key Risks to Our View:

Failure to respond timely to changes in education policies could hurt sales and earnings.

### At A Glance

Issued Capital (m shrs)	279
Mkt. Cap (RMm/US\$m)	436 / 98.4
Major Shareholders (%)	
Law King Hui	18.3
Lee Swee Hang	8.5
Employees Provident Fund	5.8
Free Float (%)	62.8
3m Avg. Daily Val (US\$m)	0.46
ICB Industry : Consumer Services / Media	

## WHAT'S NEW

## Booking a strong set of results

**Booking decent 1QFY17 earnings:** Sasbadi registered core earnings of RM4.3m during the quarter, a substantial improvement compared with core earnings of RM2m recorded in 1QFY16. The stronger 1Q results were supported by a 48% increase in its topline growth, compared with the corresponding period last year. This meets about 18% of our and consensus full-year earnings forecasts, which we deem to be within expectations given that 1Q is a seasonally weak quarter for the group.

**Boosted by government contracts and network marketing:**

Although 1Q ending November is traditionally a weak quarter for the group's educational publishing business due to school holidays and completion of exam period, the group's 1QFY17 core earnings were boosted by (1) revenue recognition from RM9.4m textbook publishing contract secured, (2) textbook reprinting contract, (3) provisions of Lego Education robotics sets to primary and secondary schools amounting to RM3.6m, and (4) increased contributions from network marketing.

**Expecting stronger contributions from its network marketing business.**

Since obtaining the network marketing licence in mid-2016, management has been actively expanding the business to further monetise its digital products.

We understand that the group has so far recruited > 3,000 members. We are positive that contributions from its network

marketing business has improved to RM1.2m in 1QFY17 from RM700,000 recorded in 4QFY16. In our earnings model, we have only assumed RM5m contributions from its network marketing business for FY17, leaving room for further earnings upgrade.

**BUY with a higher TP of RM1.75:** We are maintaining our BUY recommendation with a TP of RM1.75, pegged to a higher PE of 19x (previously 17x) as we narrow our valuation discount from 25% to 10%, compared to the sector PE of 21x. We believe that the smaller discount attached to Sasbadi's valuation is justifiable in view of its larger market capitalisation, improved liquidity and superior ROE relative to its peers.

## Quarterly / Interim Income Statement (RMm)

FY Aug	1Q2016	4Q2016	1Q2017	% chg yoy	% chg qoq
Revenue	21.0	15.9	31.2	48.4	96.3
Cost of Goods Sold	(11.7)	(9.6)	(16.3)	38.8	69.1
<b>Gross Profit</b>	<b>9.29</b>	<b>6.26</b>	<b>14.9</b>	<b>60.5</b>	<b>138.1</b>
Other Oper. (Exp)/Inc	(5.8)	(1.9)	(8.2)	41.3	329.1
<b>Operating Profit</b>	<b>3.52</b>	<b>4.36</b>	<b>6.76</b>	<b>92.2</b>	<b>55.0</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	nm	nm
Associates & JV Inc	0.0	0.0	0.0	nm	nm
Net Interest (Exp)/Inc	(0.3)	(0.2)	(0.4)	(37.4)	(161.6)
Exceptional Gain/(Loss)	0.0	(4.3)	0.0	nm	nm
<b>Pre-tax Profit</b>	<b>3.24</b>	<b>(0.1)</b>	<b>6.38</b>	<b>96.9</b>	<b>nm</b>
Tax	(0.9)	0.02	(1.6)	77.0	(8,668.4)
Minority Interest	(0.3)	(0.1)	(0.4)	(38.9)	292.2
<b>Net Profit</b>	<b>2.03</b>	<b>(0.2)</b>	<b>4.35</b>	<b>114.1</b>	<b>nm</b>
Net profit bef Except.	2.03	4.13	4.35	114.1	5.2
EBITDA	4.46	5.34	7.94	77.8	48.5
<b>Margins (%)</b>					
Gross Margins	44.2	39.4	47.8		
Opg Profit Margins	16.7	27.4	21.7		
Net Profit Margins	9.7	(1.1)	13.9		

Source of all data: Company, AllianceDBS

## Peers comparison table

					EPS (FD) Growth (YoY)		P/E (FD)		Price/ BVPS		Dividend Yield		ROE	
	Call	Target Price (LC)	Current Price (LC)	Mkt Cap (MYR m)	CY2016	CY2017	CY2016	CY2017	CY2016	CY2017	CY2016	CY2017	CY2016	CY2017
Prestariang	NR	NR	2.11	1,023.3	(11%)	252%	68.1x	19.4x	5.8x	5.4x	1.8%	3.4%	8.3%	8.3%
SEG	NR	NR	1.12	801.1	15%	10%	28.7x	26.0x	2.8x	2.8x	N/A	N/A	9.8%	10.8%
Sasbadi	BUY	1.58	1.53	427.5	10%	52%	27.0x	17.7x	2.9x	2.6x	1.2%	2.8%	10.5%	14.4%
Total / weighted avg				2,251.9	2%	125%	45.3x	21.0x	4.1x	3.9x	1.0%	2.0%	9.0%	10.1%

Source: Bloomberg, AllianceDBS

## CRITICAL DATA POINTS TO WATCH

**Earnings Drivers:**

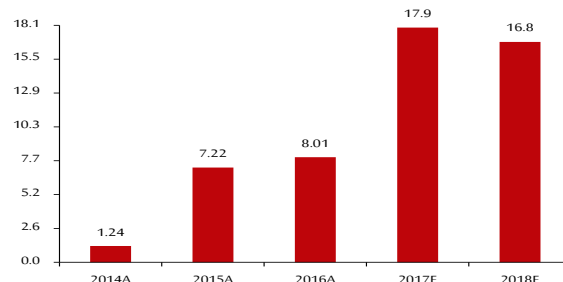
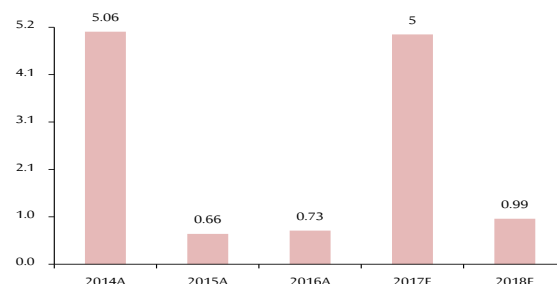
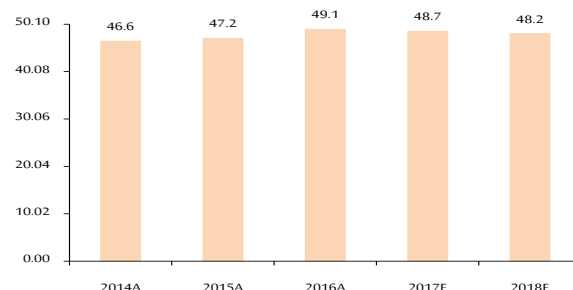
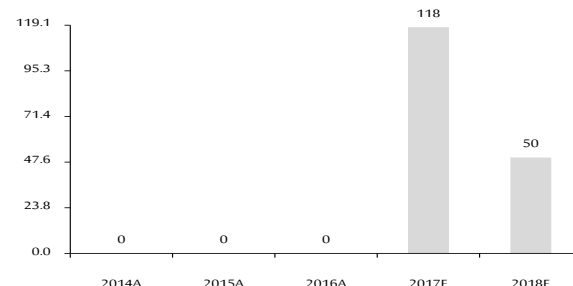
**Publishing business – bread and butter.** As a dominant player in Malaysia's publishing industry, Sasbadi derives its income mainly from the publication of educational materials. The group focuses on National School Curriculum-based (NSC-based) educational materials for primary and secondary education. Over the past 30 years, the group has published millions of books (>11,000 titles) and has >1,300 distribution points in Malaysia.

**M&A to strengthen its position.** In the domestic educational publishing industry, the top three players have less than 25% market share. To further strengthen its dominant position in the publishing industry and drive income growth, management aims to embark on at least one earnings-accretive acquisition annually. We are optimistic that the acquisition of a 70% stake in Sanjung Unggul Sdn Bhd (SUSB), which is a major publishing player in the national Chinese schools arena (Sekolah Jenis Kebangsaan Cina) with c.1,300 book titles, will drive FY17 revenue growth by c.11%. We are also optimistic that the successful acquisition of United Publishing could add about RM1m-2m per annum to Sasbadi's earnings.

**Applied and online learning products.** Sasbadi is also involved in the distribution of applied learning products (since 2005) and online publishing (since 2011), which contributed <15% of FY16 revenue. We expect the contributions from online products to improve going forward with: (1) the launch of the i-LEARN offline platform at end-CY15; and (2) the licence and services agreement (LSA) with one of Indonesia's largest book publishers, PT Penerbit Erlangga. This would grant the publisher an exclusive and non-transferable licence to use its interactive online learning system i-LEARN, and sell the latter's online learning materials under its platform in Indonesia. In return, Sasbadi would receive semi-annual royalty fees based on net sales generated through the online platform in Indonesia.

**Network marketing business could be another growth driver.**

We understand that since obtaining the network marketing licence, management has been actively engaged in building up membership for the business in May and June. We gather that the group has so far recruited >3,000 members and significant contributions will start to kick in from FY17 onwards. We are positive of the group engaging in such marketing strategies since we believe that the general market remains unfamiliar with its digital products and a more personalised marketing strategy could achieve better recognition and appreciation of such products by consumers.

**Incremental print publishing revenue (RM m)****Organic growth (excl. past year exam) (RM m)****GP margin (%)****Dividend payout ratio (%)**

Source: Company, AllianceDBS

### Balance Sheet:

**Healthy balance sheet.** Sasbadi was in a net cash position as at end-November 2016. Nonetheless, we do not discount the possibility that the group may engage in capital-raising exercises should it undertake a sizeable acquisition in the future.

### Share Price Drivers:

**Proxy to defensive education industry.** Sasbadi is a good proxy to Malaysia's education industry, given that it is principally involved in the provision of educational materials for primary and secondary education. As such, any government policy change to the educational sector may influence its share price.

**Earnings delivery and earnings-accretive acquisitions.** Sasbadi's share price will also be largely dependent on its earnings delivery and the group's ability to engage in earnings-accretive acquisitions.

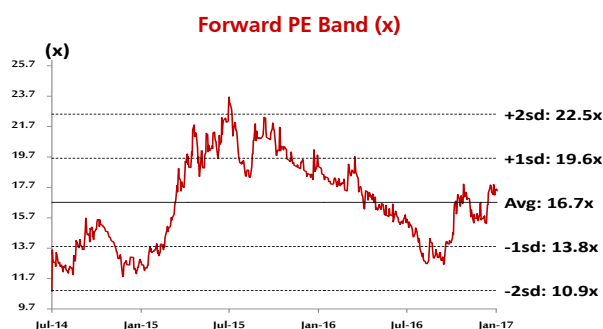
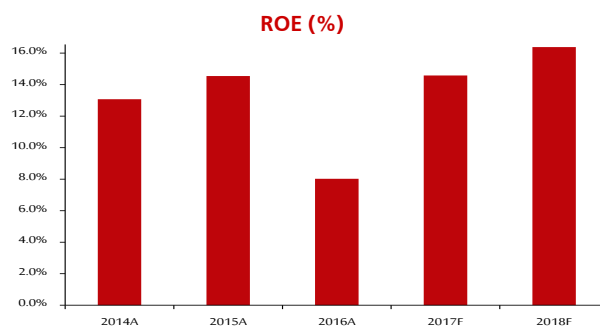
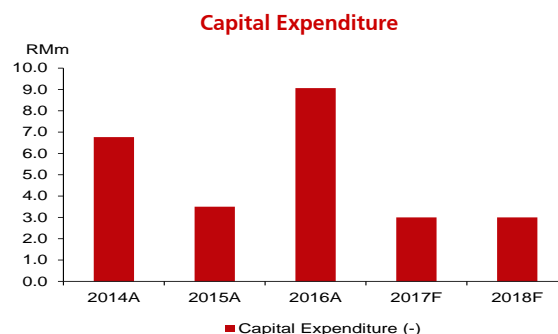
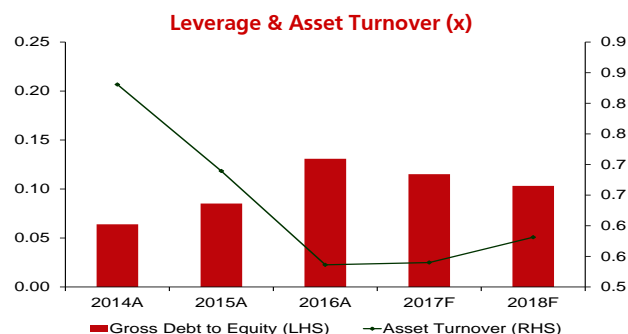
### Key Risks:

**Paper cost fluctuation.** A sudden surge in paper cost, which represents about 40% of Sasbadi's cost of goods sold, would hurt earnings.

**Change in education policies.** Failure to respond to changes in education policies in a timely manner would hurt sales and earnings.

### Company Background

Sasbadi is a market leader in the local educational publishing industry with c.12% market share. The group is well managed and enjoys high ROE and superior profitability, thanks to its lean operating structure and complementary business models.



Source: Company, AllianceDBS

## Key Assumptions

FY Aug	2014A	2015A	2016A	2017F	2018F
Incremental print publishing revenue (RM m)	1.24	7.22	8.01	17.9	16.8
Organic growth (excl. past year exam) (RM m)	5.06	0.66	0.73	5.00	0.99
GP margin (%)	46.6	47.2	49.1	48.7	48.2
Dividend payout ratio (%)	0.0	0.0	0.0	118	50.0

## Income Statement (RMm)

FY Aug	2014A	2015A	2016A	2017F	2018F
Revenue	79.5	88.0	92.7	115	136
Cost of Goods Sold	(42.4)	(46.5)	(47.2)	(59.0)	(70.3)
<b>Gross Profit</b>	<b>37.0</b>	<b>41.5</b>	<b>45.5</b>	<b>56.0</b>	<b>65.5</b>
Other Opng (Exp)/Inc	(16.6)	(20.0)	(22.7)	(23.9)	(26.0)
<b>Operating Profit</b>	<b>20.4</b>	<b>21.5</b>	<b>22.9</b>	<b>32.1</b>	<b>39.5</b>
Other Non Opng (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	(0.3)	(0.1)	(0.6)	(0.6)	(0.6)
Exceptional Gain/(Loss)	(3.2)	0.0	(4.9)	0.0	0.0
<b>Pre-tax Profit</b>	<b>16.9</b>	<b>21.4</b>	<b>17.4</b>	<b>31.5</b>	<b>38.9</b>
Tax	(4.6)	(5.6)	(5.1)	(7.8)	(9.5)
Minority Interest	0.0	(0.5)	(0.4)	(1.0)	(1.0)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>12.3</b>	<b>15.3</b>	<b>11.9</b>	<b>22.7</b>	<b>28.4</b>
Net Profit before Except.	15.5	15.3	16.7	22.7	28.4
EBITDA	23.0	24.4	26.9	36.2	43.5
<b>Growth</b>					
Revenue Gth (%)	1.9	10.7	5.3	24.1	18.0
EBITDA Gth (%)	18.0	6.2	10.4	34.3	20.2
Opg Profit Gth (%)	16.1	5.4	6.3	40.5	22.9
Net Profit Gth (Pre-ex) (%)	21.2	(1.0)	9.1	35.8	25.0
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	46.6	47.2	49.1	48.7	48.2
Opg Profit Margin (%)	25.7	24.4	24.7	27.9	29.1
Net Profit Margin (%)	15.4	17.4	12.8	19.7	20.9
ROAE (%)	13.1	14.5	8.0	14.6	16.4
ROA (%)	10.7	10.9	5.8	10.6	12.1
ROCE (%)	14.2	12.6	8.9	13.0	14.8
Div Payout Ratio (%)	69.4	41.5	53.0	50.0	50.0
Net Interest Cover (x)	62.9	215.0	36.8	52.9	66.5

Source: Company, AllianceDBS

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

<b>FY Aug</b>	<b>1Q2016</b>	<b>2Q2016</b>	<b>3Q2016</b>	<b>4Q2016</b>	<b>1Q2017</b>
Revenue	21.0	33.9	22.4	15.9	31.2
Cost of Goods Sold	(11.7)	(16.5)	(11.0)	(9.6)	(16.3)
<b>Gross Profit</b>	<b>9.29</b>	<b>17.4</b>	<b>11.4</b>	<b>6.26</b>	<b>14.9</b>
Other Oper. (Exp)/Inc	(5.8)	(8.1)	(5.7)	(1.9)	(8.2)
<b>Operating Profit</b>	<b>3.52</b>	<b>9.30</b>	<b>5.70</b>	<b>4.36</b>	<b>6.76</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	(0.3)	(0.3)	0.0	(0.2)	(0.4)
Exceptional Gain/(Loss)	0.0	0.0	0.0	(4.3)	0.0
<b>Pre-tax Profit</b>	<b>3.24</b>	<b>9.00</b>	<b>5.70</b>	<b>(0.1)</b>	<b>6.38</b>
Tax	(0.9)	(2.3)	(1.6)	0.02	(1.6)
Minority Interest	(0.3)	0.0	(0.2)	(0.1)	(0.4)
<b>Net Profit</b>	<b>2.03</b>	<b>6.70</b>	<b>3.90</b>	<b>(0.2)</b>	<b>4.35</b>
Net profit bef Except.	2.03	6.70	3.90	4.13	4.35
EBITDA	4.46	11.2	8.50	5.34	7.94

**Growth**

Revenue Gth (%)	4.6	61.2	(33.9)	(29.0)	96.3
EBITDA Gth (%)	3.9	151.0	(24.1)	(37.1)	48.5
Opg Profit Gth (%)	5.6	164.4	(38.7)	(23.5)	55.0
Net Profit Gth (Pre-ex) (%)	(9.0)	229.7	(41.8)	6.0	5.2

**Margins**

Gross Margins (%)	44.2	51.3	50.9	39.4	47.8
Opg Profit Margins (%)	16.7	27.4	25.4	27.4	21.7
Net Profit Margins (%)	9.7	19.8	17.4	(1.1)	13.9

**Balance Sheet (RMm)**

<b>FY Aug</b>	<b>2014A</b>	<b>2015A</b>	<b>2016A</b>	<b>2017F</b>	<b>2018F</b>
Net Fixed Assets	30.3	30.9	45.2	45.7	46.1
Invt in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other LT Assets	4.95	22.7	29.1	29.2	27.8
Cash & ST Invt	26.3	8.34	25.9	11.3	9.82
Inventory	20.2	37.1	47.9	59.9	71.3
Debtors	31.1	40.4	51.7	64.1	75.7
Other Current Assets	1.67	1.36	5.14	10.8	15.3
<b>Total Assets</b>	<b>114</b>	<b>141</b>	<b>205</b>	<b>221</b>	<b>246</b>
ST Debt	5.80	9.30	10.5	10.0	10.0
Creditor	8.00	13.4	22.4	28.0	33.3
Other Current Liab	2.48	1.60	2.00	2.11	2.11
LT Debt	0.20	0.10	9.52	9.52	9.52
Other LT Liabilities	4.30	6.10	7.43	2.00	2.00
Shareholder's Equity	93.7	105	148	163	183
Minority Interests	0.0	5.10	5.47	6.10	6.47
<b>Total Cap. &amp; Liab.</b>	<b>114</b>	<b>141</b>	<b>205</b>	<b>221</b>	<b>246</b>
Non-Cash Wkg. Capital	42.5	63.9	80.4	105	127
Net Cash/(Debt)	20.3	(1.1)	5.85	(8.2)	(9.7)
Debtors Turn (avg days)	115.4	148.3	181.3	183.8	188.0
Creditors Turn (avg days)	45.8	89.6	151.5	167.1	168.7
Inventory Turn (avg days)	161.3	239.8	360.0	358.0	361.3
Asset Turnover (x)	0.8	0.7	0.5	0.5	0.6
Current Ratio (x)	4.9	3.6	3.7	3.6	3.8
Quick Ratio (x)	3.5	2.0	2.2	1.9	1.9
Net Debt/Equity (X)	CASH	0.0	CASH	0.0	0.1
Net Debt/Equity ex MI (X)	CASH	0.0	CASH	0.1	0.1
Capex to Debt (%)	112.8	37.2	45.2	15.4	15.4
Z-Score (X)	14.2	10.1	14.7	18.1	17.1

Source: Company, AllianceDBS

## Cash Flow Statement (RMm)

FY Aug	2014A	2015A	2016A	2017F	2018F
Pre-Tax Profit	16.9	21.4	17.4	31.5	38.9
Dep. & Amort.	2.58	2.90	4.09	4.06	4.00
Tax Paid	(5.2)	(5.9)	(6.7)	(7.8)	(9.5)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(15.0)	(15.4)	(12.0)	(18.8)	(17.7)
Other Operating CF	1.88	1.60	(1.0)	0.0	0.0
<b>Net Operating CF</b>	<b>1.12</b>	<b>4.58</b>	<b>1.67</b>	<b>8.90</b>	<b>15.7</b>
Capital Exp.(net)	(6.8)	(3.5)	(9.1)	(3.0)	(3.0)
Other Invt.(net)	0.0	0.0	0.0	0.0	0.0
Invt in Assoc. & JV	0.0	(18.6)	(6.2)	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.04	0.10	0.31	0.0	0.0
<b>Net Investing CF</b>	<b>(6.7)</b>	<b>(22.0)</b>	<b>(14.9)</b>	<b>(3.0)</b>	<b>(3.0)</b>
Div Paid	(8.5)	(3.8)	(5.6)	(11.3)	(14.2)
Chg in Gross Debt	(0.3)	0.90	5.13	(0.5)	0.0
Capital Issues	25.2	0.0	31.6	0.0	0.0
Other Financing CF	(2.3)	(0.2)	(0.7)	0.0	0.0
<b>Net Financing CF</b>	<b>14.1</b>	<b>(3.1)</b>	<b>30.5</b>	<b>(11.9)</b>	<b>(14.2)</b>
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	8.52	(20.5)	17.3	(6.0)	(1.5)
Opg CFPS (sen)	5.78	7.16	4.91	9.92	11.9
Free CFPS (sen)	(2.0)	0.39	(2.6)	2.11	4.54

Source: Company, AllianceDBS

## Target Price &amp; Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	18 Jul 16	1.24	1.40	BUY
2:	27 Jul 16	1.22	1.40	BUY
3:	09 Aug 16	1.20	1.40	BUY
4:	01 Nov 16	1.35	1.58	BUY
5:	13 Dec 16	1.36	1.58	BUY

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

Source: AllianceDBS

Analyst: King Yoong CHEAH



## DISCLOSURE

---

### Stock rating definitions

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 > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

### Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

**DISCLAIMER**

---

This report has been prepared for information purposes only by AllianceDBS Research Sdn Bhd ("ADBSR"), a subsidiary of Alliance Investment Bank Berhad ("AIBB") and an associate of DBS Vickers Securities Holdings Pte Ltd ("DBSVH"). DBSVH is a wholly-owned subsidiary of DBS Bank Ltd. This report is strictly confidential and is meant for circulation to clients of ADBSR, AIBB and DBSVH only or such persons as may be deemed eligible to receive such research report, information or opinion contained herein. Receipt and review of this report indicate your agreement not to distribute, reproduce or disclose in any other form or medium (whether electronic or otherwise) the contents, views, information or opinions contained herein without the prior written consent of ADBSR.

This report is based on data and information obtained from various sources believed to be reliable at the time of issuance of this report and any opinion expressed herein is subject to change without prior notice and may differ or be contrary to opinions expressed by ADBSR's affiliates and/or related parties. ADBSR does not make any guarantee, representation or warranty (whether express or implied) as to the accuracy, completeness, reliability or fairness of the data and information obtained from such sources as may be contained in this report. As such, neither ADBSR nor its affiliates and/or related parties shall be held liable or responsible in any manner whatsoever arising out of or in connection with the reliance and usage of such data and information or third party references as may be made in this report (including, but not limited to any direct, indirect or consequential losses, loss of profits and damages).

The views expressed in this report reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendation(s) or view(s) in this report. ADBSR prohibits the analyst(s) who prepared this report from receiving any compensation, incentive or bonus based on specific investment banking transactions or providing a specific recommendation for, or view of, a particular company.

This research report provides general information only and is not to be construed as an offer to sell or a solicitation to buy or sell any securities or other investments or any options, futures, derivatives or other instruments related to such securities or investments. In particular, it is highlighted that this report is not intended for nor does it have regard to the specific investment objectives, financial situation and particular needs of any specific person who may receive this report. Investors are therefore advised to make their own independent evaluation of the information contained in this report, consider their own individual investment objectives, financial situations and particular needs and consult their own professional advisers (including but not limited to financial, legal and tax advisers) regarding the appropriateness of investing in any securities or investments that may be featured in this report.

ADBSR, AIBB, DBSVH and DBS Bank Ltd, their directors, representatives and employees or any of their affiliates or their related parties may, from time to time, have an interest in the securities mentioned in this report. AIBB, DBSVH and DBS Bank Ltd, their affiliates and/or their related persons may do and/or seek to do business with the company(ies) covered in this report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell or buy such securities from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

AIBB, DBSVH, DBS Bank Ltd (which carries on, inter alia, corporate finance activities) and their activities are separate from ADBSR. AIBB, DBSVH and DBS Bank Ltd may have no input into company-specific coverage decisions (i.e. whether or not to initiate or terminate coverage of a particular company or securities in reports produced by ADBSR) and ADBSR does not take into account investment banking revenues or potential revenues when making company-specific coverage decisions.

ADBSR, AIBB, DBSVH, DBS Bank Ltd and/or other affiliates of DBS Vickers Securities (USA) Inc ("DBSVUSA"), a U.S.-registered broker-dealer, may beneficially own a total of 1% or more of any class of common equity securities of the subject company mentioned in this report. ADBSR, AIBB, DBSVH, DBS Bank Ltd and/or other affiliates of DBSVUSA may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company. DBSVUSA does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager 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 report should contact DBSVUSA exclusively. DBS Vickers Securities (UK) Ltd is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Services Authority. Research distributed in the UK is intended only for institutional clients.

In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the overriding issue of confidentiality, available upon request to enable an investor to make their own independent evaluation of the information contained herein.



Wong Ming Tek, Executive Director

Published by

**AllianceDBS Research Sdn Bhd (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 email : [general@alliancedbs.com](mailto:general@alliancedbs.com)