

Singapore Company Focus

SMRT

Bloomberg: MRT SP | Reuters: SMRT.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

29 Oct 2015

FULLY VALUED (Downgrade from HOLD)

Last Traded Price: S\$1.485 (STI : 3,040.51)

Price Target : S\$1.24 (16% downside) (Prev S\$1.22)

Reason for Report : Downgrade recommendation; results review

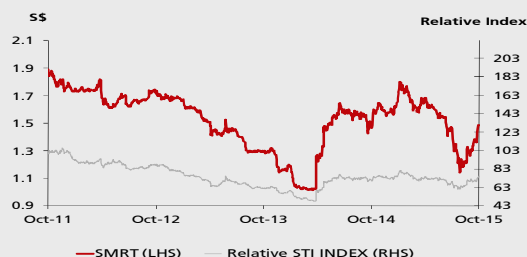
Potential Catalyst: Rail reforms

Where we differ: Below consensus on higher costs assumptions

Analyst

Andy Sim +65 6682 3718 andysim@dbs.com

Price Relative



Forecasts and Valuation

FY Mar (\$m)	2014A	2015A	2016F	2017F
Revenue	1,164	1,236	1,312	1,297
EBITDA	255	315	326	326
Pre-tax Profit	74.7	111	106	107
Net Profit	61.9	91.0	85.7	86.5
Net Pft (Pre Ex.)	61.9	91.0	85.7	86.5
EPS (S cts)	4.07	5.98	5.63	5.69
EPS Pre Ex. (S cts)	4.07	5.98	5.63	5.69
EPS Gth (%)	(26)	47	(6)	1
EPS Gth Pre Ex (%)	(26)	47	(6)	1
Diluted EPS (S cts)	4.06	5.98	5.62	5.68
Net DPS (S cts)	2.20	3.25	3.25	3.25
BV Per Share (S cts)	52.7	56.5	58.9	61.3
PE (X)	36.5	24.8	26.4	26.1
PE Pre Ex. (X)	36.5	24.8	26.4	26.1
P/Cash Flow (X)	9.6	8.1	9.4	8.2
EV/EBITDA (X)	10.7	9.3	9.8	9.9
Net Div Yield (%)	1.5	2.2	2.2	2.2
P/Book Value (X)	2.8	2.6	2.5	2.4
Net Debt/Equity (X)	0.6	0.8	1.0	1.0
ROAE (%)	7.9	11.0	9.8	9.5

Earnings Rev (%): -

Consensus EPS (S cts): 5.9

Other Broker Recs: B: 2 S: 6 H: 4

ICB Industry : Consumer Services

ICB Sector: Travel & Leisure

Principal Business: Primarily involved in operating the main MRT line in Singapore.

Source of all data: Company, DBS Bank, Bloomberg Finance L.P

Take a further step back

- **Cut recommendation to FULLY VALUED as market has prematurely priced in rail reforms, in our view**
- **Limited upside from current level in the event of the fruition of the NFF on our assumed terms (S\$1.55)**
- **2Q16 results in line; operating loss of \$4m from rail ops, while buses turned profitable on lower diesel costs, higher ridership**
- **R&M related expenses for rail expected to increase over the next few quarters**

Cut to Fully Valued, TP: S\$1.24. With the recent surge in share price, we believe the market may have been overly optimistic on the possible impact of the New Rail Financing Framework (NFF) for SMRT. While this should relieve SMRT of its future capex burden, the details and timing are not known. At 26.4x / 26.1x PE, valuations look too stretched to take a "blind-faith" bet. As such, we downgrade to Fully Valued (from HOLD) with a TP of S\$1.24 based on PE/DCF valuation methodology. This represents c.22x FY16F/17F PE, slightly above its historical 10-year average PE of 20x.

Limited upside from current price based on our estimates.

We took a stab at estimating the potential upside based on our view of the NFF. Assuming the NFF comes into effect at the start of SMRT's next financial year (FYMar17), we project that it can lift our FY17F/18F earnings by c.8%-15%. We estimate that our PE/DCF based TP would be around S\$1.55 in the event of the fruition of the NFF. While the event should be a positive catalyst for SMRT (when it happens), we believe there is limited upside at current share price.

2Q16 earnings within expectations; R&M-related expenses to increase.

SMRT's 2Q16 results are within expectations, with net profit up by 2% y-o-y to S\$25.7m. Revenue grew by 4.7% to S\$328.8m driven by higher fares and non-fare revenue contribution, namely rental, advertising and taxis. Management indicated that rail-related maintenance expense as a percentage of rail revenue is projected to rise to 50% by end-FY16F, up from 41% in 2Q16, on the back of its aging fleet and expanded network.

Key risk lies in the fruition of the rail reform and terms which may be significantly better than our expectations and/or assumptions.

At A Glance

Issued Capital (m shrs)	1,524
Mkt. Cap (S\$m/US\$m)	2,263 / 1,620
Major Shareholders	
Temasek Holdings Private Ltd (%)	54.6
Free Float (%)	45.4
3m Avg. Daily Val (US\$m)	2.6

INVESTMENT THESIS

Profile	Rationale
<p>SMRT Corporation Limited is the market leader in rail in Singapore as it operates the Mass Rapid Transit (MRT) and LRT (Light Rail Transit) systems. It also provides bus, taxi, charter hire services, and consultancy and project management services.</p>	<p>Take profit from recent surge, downgrade to Fully Valued. SMRT's share price had surged by c.25% since our upgrade (to HOLD) on 4 Sep 2015. We believe this is largely on speculation of a speedy outcome of the widely expected rail reforms. We believe the market is getting ahead of itself at this juncture. Fundamentally, valuation looks stretched at 26.4x/ 26.1x FY16F/17F PE on the back of a challenging operating environment. We downgrade to Fully Valued (from HOLD) with a TP of S\$1.24. This implies c.22x FY16F/17F PE, slightly above its historical 10-year average PE of 20x.</p> <p>Limited upside from current price with NFF, based on our assumptions. Based on our assumptions, we estimate that our PE/DCF based TP would be c.S\$1.55 in the event of the fruition of the New Rail Financing Framework (NFF). Assuming the NFF comes into effect at the start of SMRT's next financial year (FYMar17F), we project that it will lift our FY17F/18F forecasts by c.8% - 15%. While the event should be a positive catalyst for SMRT when it happens, we believe there is limited upside at current share price.</p> <p>Prefer a margin of safety. We believe the devil is in the details with respect to the NFF and the impact on SMRT. Our take is that it is pre-mature to be positive, particularly with current valuations and that the share price has surged by c.25% since Sep. Even so, based on our estimates and assumptions, there seems to be limited upside from current share price.</p>
Valuation	Risks
<p>Our target price is adjusted to S\$1.24, based on the average of our discounted cash flow (DCF) and price-earnings (PE) ratio valuation methodology. We peg our PE valuation at 15x FY16F/17F. Our DCF methodology is based on a weighted cost of capital of 5.8% and a terminal growth assumption of 1%.</p>	<p>Regulatory changes. Significant changes in the regulatory framework that could benefit or pose a risk to the group's financials.</p> <p>Service disruptions. Further train service disruptions leading to higher repair/maintenance costs, operating expenses and regulatory fines.</p> <p>Oil price spike. Energy and fuel costs account for about 12% of SMRT's costs (FY15F) and a surge in oil price may impact margins and vice versa. The surge in oil price may have a greater impact on SMRT compared to CD (at this juncture), given the latter's proactive stance in hedging.</p> <p>Rail financing reforms. Upside risk to our recommendation could arise from fruition of the rail reform framework. This could alleviate the capex burden and potentially aid in turning around the profitability of the MRT.</p>

Source: DBS Bank

Too hyped up; take a step back

Market getting ahead of reality; take profit from recent surge, downgrade to Fully Valued. SMRT's share price had surged by c.25% since our upgrade (to HOLD) on 4 Sep 2015. We believe this is largely on speculation of a speedy outcome of the widely expected rail reforms. We believe the market is getting ahead of itself at this juncture. Fundamentally, valuation looks stretched at 26.4x/ 26.1x FY16F/17F PE on the back of a challenging operating environment. We downgrade to Fully Valued (from HOLD) with a TP of S\$1.24. This implies c.22x FY16F/17F PE, slightly above its historical 10-year average PE of 20x.

Limited upside from current price with NFF, based on our assumptions. Based on our assumptions, we estimate that our PE/DCF-based TP would be c.S\$1.55 in the event of the fruition of the New Rail Financing Framework (NFF). Assuming the NFF comes into effect at the start of SMRT's next financial year (FYMar17F), we project that it will lift our FY17F/18F earnings by c.8% - 15%. While the event should be a positive catalyst for SMRT when it happens, we believe it leaves limited upside at current share price.

DBS: NFF to improve SMRT's net profit by 8-15%

	Current		NFF-scenario		% chg		Comments
	FY17F	FY18F	FY17F	FY18F	FY17F	FY18F	
Revenue	1,297	1,350	1,297	1,350	0%	0%	Assume no changes to fare structure
Depr & amortisation	(206)	(204)	(106)	(101)	-48%	-51%	Change due to transfer of rail assets
New NFF licence charge			(99)	(105)	na	na	Payment of licence charge for use of assets, assume at 14% of rail fare revenue
Total operating expenses	(1,216)	(1,256)	(1,215)	(1,258)	0%	0%	
EBIT	121	119	122	118	1%	-1%	Marginal change
Interest	(19)	(19)	(11)	(3)	-41%	-82%	Lower interest costs from assumption that debt repaid
PBT	107	106	116	121	8%	15%	
PAT	87	85	94	98	8%	15%	

Source: DBS Bank estimates

What are our assumptions for NFF? We attempted to pre-empt the details and structure of the NFF, and made the following list of assumptions. We acknowledged that the actual structure will be much more complicated, but this is the best we are able to achieve at this stage:

1. Assume NFF will be implemented at the start of FY Mar17.
2. LTA to acquire the infrastructure and operating assets from SMRT at **net book value**, which we estimate to be **S\$980m** (excluding \$200m assumed for bus assets). These include rolling stocks, power supply equipment, signal communication systems and assets under construction.
3. **Paring down its S\$800m debt**, and offset of S\$250m in accounts payable from proceeds from rail and bus assets. This results in lower interest expense.
4. **Depreciation per year to halve to c.S\$100m/year**, from c.S\$200m arising from divestment of rail-related operating assets. In its place, we believe that LTA will impose a licence charge for the use of the rail operating assets, which we assume at 14% of fare revenue. We estimate that current depreciation of rail-related assets equates to about 16% of rail revenue.
5. **SMRT's capex post NFF to dwindle to just S\$80m/ year**, from S\$250m to S\$450m on our original forecasts, due to the omission of investment in rail assets post-NFF.
6. **Dividend payout raised to c.85%**, equating to DPS of 5.25 Scts to 5.55 Scts for FY17F/18F. This implies a yield of 3.4% - 3.6% based on current share price.
7. PE/DCF backed TP based on a more optimistic 26x PE, which is equivalent to 5-year historical average.

SMRT

Results summary

2Q16 results within expectations, helped by non-fare revenue. SMRT's 2Q16 results are within expectations, with net profit up by 1.9% y-o-y to S\$25.7m. Revenue grew by 4.7% y-o-y to S\$328.8m driven by higher fares and non-fare revenue contribution, namely rental, advertising and taxis. In addition, contribution from associate Shenzhen Zona surged, attributed to turnaround in operations and lower interest expenses.

Higher costs but mitigated by other operating income, and partially by lower energy costs. Operating costs increased across the board, save for electricity and diesel costs which decreased by 9.8% y-o-y to S\$36m due to lower energy prices. In addition, the higher operating costs were offset by an increase of S\$5.2m (42.3%) in other operation income, arising largely from Bus Service Enhancement Programme (BSEP) grants.

MRT and LRT incurred losses of S\$4m. In 2Q16, MRT and LRT recorded operating losses of S\$2.8m and S\$1.2m, respectively, continuing the trend from 1Q16. This is not surprising. Bus operations, on the other hand, recorded an improved operating profit of S\$2.6m, a reversal of S\$1.4m losses in 2Q15 arising from higher ridership and lower diesel costs.

Rental and non-fare segments continue to be the savior. Non-fare business segments achieved an operating profit of S\$35m,

with rental being the main contributor (S\$20.5m or 59%). Advertising and Taxi segments also saw improved operating profits.

Interim dividend of 1.5Scts, similar to 1H16. An interim dividend of 1.5 Scts was declared.

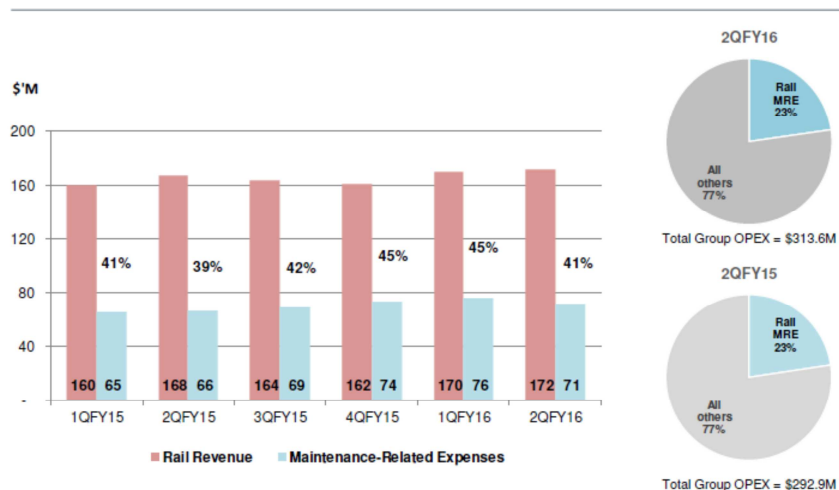
Outlook

Rail-related maintenance to increase. SMRT indicated that rail-related maintenance expenses accounted for 41% of rail revenue in 2Q16. While this was down from 45% registered in 1Q16, it is up from 2Q15's 39%. Management further elaborated that rail-related maintenance expense as a percentage of rail revenue is projected to pick up to 50% by end- FY16F. We have already factored a higher R&M into our forecasts.

Forecasts largely intact. 1H16 accounted for 53% of our forecasts, relatively similar to 1H15's 52% on FY15 profits. Going forward, we expect operating performance to remain at roughly similar levels in 3Q16, but with a dip in 4Q16 with the fare cuts recently announced, coupled with the projected pick up in repair and maintenance, and staff costs as hiring picks up. The Public Transport Council has announced fare cuts of 1.9% with effect from 27 Dec 2015, as part of the 2015 Fare Review Exercise.

Rail-related maintenance projected to increase to 50% of rail revenue by end FY16

Rail Maintenance-Related Expenses



Source: Company, DBS Bank

Valuation & Recommendation

Share price already factors in potential catalyst from NFF.

SMRT's share price has surged by 24% since early Sep, after our upgrade. We believe the market is looking at the potential positive catalyst arising from the widely expected rail reforms. Valuations looks stretched at 26.4x/ 26.1x FY16F/17F PE. While the conclusion of the NFF will be positive for SMRT in that it would be relieved of the heavy strain of future capex for rail operating assets, we believe this could be compensated in other areas, such as the introduction of a licence charge for the use of the assets.

Fully Valued, TP: S\$1.24. In our view, the devil is in the details with respect to the NFF and the impact on SMRT. Our take is

that it is too pre-mature to be positive, particularly with current valuations and that the share price has surged by c.25% since Sep. Even so, based on our estimates and assumptions, there seems to be limited upside from current share price. Hence, from a fundamental perspective, we cut our recommendation to Fully Valued, with a TP of S\$1.24.

Key risk to our recommendation lies in the fruition of the rail reform and terms which may be significantly better than our expectations and/or assumptions.

DBS valuation methodology

Methodology	Market Cap (\$m)	S\$/share	Remarks
PE	1,291	0.85	15x on 16F/17F earnings, -0.5 std dev on 10-year historical average
DCF	2,480	1.63	WACC 5.8%, terminal growth 1%
Average	1,885	1.24	Average of PE and DCF
Implied PER - FY16F	22.0		
Implied PER - FY17F	21.8		

Source: DBS Bank estimates

SMRT

Key Assumptions

FY Mar	2013A	2014A	2015A	2016F	2017F
MRT ridership growth (%)	5.58	2.89	2.00	3.00	3.00
Bus ridership growth (%)	3.24	4.59	3.00	3.00	3.00
Fare chg (avg) (%)	1.00	(0.3)	3.00	2.00	(2.0)
Oil price (US\$/bbl)	99.0	100	90.0	80.0	70.0
Chg in staff (%)	8.32	6.01	1.49	6.00	(6.0)

Had previously factored in fare cuts from the 2015 Fare Review exercise

Drop in staff strength from lower number of bus drivers, with contracts won by new operators.

Segmental Breakdown

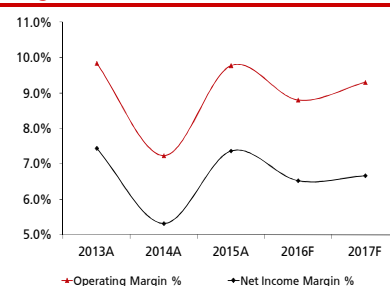
FY Mar	2013A	2014A	2015A	2016F	2017F
Revenues (\$\$m)					
MRT Operations	608	624	644	689	695
LRT Operations	10.7	10.3	9.76	11.3	11.2
Bus Operations	211	218	238	243	210
Taxi Operations	132	133	143	145	149
Others	88.4	97.6	120	108	112
Total	1,119	1,164	1,236	1,312	1,297

Income Statement (\$\$m)

FY Mar	2013A	2014A	2015A	2016F	2017F
Revenue	1,119	1,164	1,236	1,312	1,297
Cost of Goods Sold	0.0	0.0	0.0	0.0	0.0
Gross Profit	1,119	1,164	1,236	1,312	1,297
Other Opng (Exp)/Inc	(1,009)	(1,080)	(1,115)	(1,196)	(1,176)
Operating Profit	110	84.2	121	116	121
Other Non Opng (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	(0.4)	(0.4)	0.99	4.00	4.80
Net Interest (Exp)/Inc	(4.8)	(9.2)	(10.9)	(13.7)	(18.4)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	105	74.7	111	106	107
Tax	(21.9)	(13.2)	(20.4)	(19.1)	(19.3)
Minority Interest	0.14	0.40	0.58	(1.2)	(1.3)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	83.3	61.9	91.0	85.7	86.5
Net Profit before Except.	83.3	61.9	91.0	85.7	86.5
EBITDA	260	255	315	326	326
Growth					
Revenue Gth (%)	5.9	4.0	6.2	6.2	(1.1)
EBITDA Gth (%)	(7.3)	(2.0)	23.4	3.6	(0.1)
Opg Profit Gth (%)	(25.9)	(23.6)	43.4	(4.3)	4.4
Net Profit Gth (Pre-ex) (%)	(30.5)	(25.7)	47.1	(5.9)	1.0
Margins & Ratio					
Gross Margins (%)	100.0	100.0	100.0	100.0	100.0
Opg Profit Margin (%)	9.8	7.2	9.8	8.8	9.3
Net Profit Margin (%)	7.4	5.3	7.4	6.5	6.7
ROAE (%)	10.7	7.9	11.0	9.8	9.5
ROA (%)	4.2	2.9	3.9	3.3	3.3
ROCE (%)	6.4	4.3	5.5	4.7	4.7
Div Payout Ratio (%)	45.6	54.1	54.3	57.7	57.2
Net Interest Cover (x)	23.2	9.2	11.0	8.4	6.6

Source: Company, DBS Bank

Margins Trend



Quarterly / Interim Income Statement (\$m)

FY Mar	2Q2015	3Q2015	4Q2015	1Q2016	2Q2016
Revenue	314	313	311	320	329
Cost of Goods Sold	0.0	0.0	0.0	0.0	0.0
Gross Profit	314	313	311	320	329
Other Oper. (Exp)/Inc	(281)	(282)	(284)	(293)	(296)
Operating Profit	33.3	31.0	27.2	27.6	32.5
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.02	(0.2)	1.03	0.73	1.37
Net Interest (Exp)/Inc	(3.1)	(2.7)	(2.8)	(2.7)	(2.9)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	30.2	28.1	25.4	25.6	31.0
Tax	(5.4)	(5.6)	(4.6)	(5.5)	(5.2)
Minority Interest	0.43	0.02	0.04	0.04	0.0
Net Profit	25.3	22.6	20.8	20.1	25.7
Net profit bef Except.	25.3	22.6	20.8	20.1	25.7
EBITDA	80.2	80.8	79.6	79.4	85.0

Growth

Revenue Gth (%)	5.7	(0.3)	(0.6)	2.9	2.7
EBITDA Gth (%)	7.9	0.7	(1.5)	(0.2)	7.1
Opg Profit Gth (%)	13.7	(6.8)	(12.5)	1.6	17.9
Net Profit Gth (Pre-ex) (%)	13.0	(10.6)	(7.8)	(3.4)	28.0

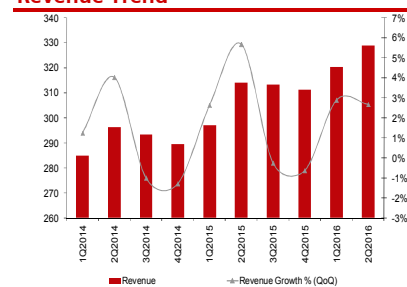
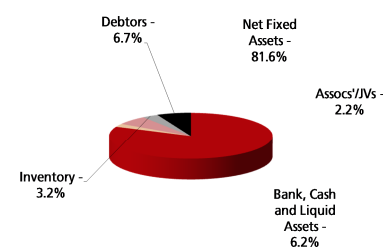
Margins

Gross Margins (%)	100.0	100.0	100.0	100.0	100.0
Opg Profit Margins (%)	10.6	9.9	8.7	8.6	9.9
Net Profit Margins (%)	8.0	7.2	6.7	6.3	7.8

Balance Sheet (\$m)

FY Mar	2013A	2014A	2015A	2016F	2017F
Net Fixed Assets	1,436	1,642	2,042	2,286	2,336
Invt in Associates & JVs	50.6	52.6	55.8	59.8	64.6
Other LT Assets	45.8	34.3	34.2	34.2	34.2
Cash & ST Invt	546	161	156	46.4	22.3
Inventory	59.9	84.3	80.9	87.5	86.5
Debtors	86.1	98.9	168	87.5	86.5
Other Current Assets	0.0	0.0	0.0	0.0	0.0
Total Assets	2,224	2,073	2,537	2,601	2,630
ST Debt	2.35	156	8.93	8.93	8.93
Creditor	577	355	568	437	432
Other Current Liab	53.5	54.2	62.8	77.0	77.2
LT Debt	607	480	813	963	963
Other LT Liabilities	216	225	226	219	214
Shareholder's Equity	768	802	860	896	933
Minority Interests	0.31	(0.1)	(0.6)	0.52	1.82
Total Cap. & Liab.	2,224	2,073	2,537	2,601	2,630
Non-Cash Wkg. Capital	(485)	(226)	(382)	(339)	(337)
Net Cash/(Debt)	(63.2)	(476)	(665)	(925)	(949)
Debtors Turn (avg days)	24.5	29.0	39.4	35.5	24.5
Creditors Turn (avg days)	238.7	187.3	182.9	185.4	162.6
Inventory Turn (avg days)	24.1	29.0	32.7	31.0	32.5
Asset Turnover (x)	0.6	0.5	0.5	0.5	0.5
Current Ratio (x)	1.1	0.6	0.6	0.4	0.4
Quick Ratio (x)	1.0	0.5	0.5	0.3	0.2
Net Debt/Equity (X)	0.1	0.6	0.8	1.0	1.0
Net Debt/Equity ex MI (X)	0.1	0.6	0.8	1.0	1.0
Capex to Debt (%)	40.7	102.0	56.1	46.3	25.7
Z-Score (X)	2.0	2.0	1.7	1.7	1.7

Source: Company, DBS Bank

Revenue Trend**Asset Breakdown (2015)**

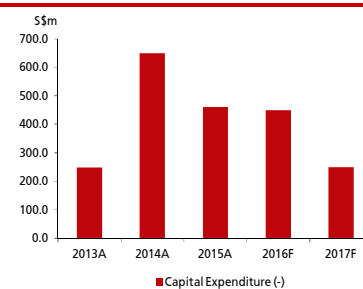
SMRT

Cash Flow Statement (\$m)

FY Mar	2013A	2014A	2015A	2016F	2017F
Pre-Tax Profit	105	74.7	111	106	107
Dep. & Amort.	151	171	193	207	200
Tax Paid	(15.2)	(4.5)	(9.0)	(4.9)	(19.1)
Assoc. & JV Inc/(loss)	0.38	0.42	(1.0)	(4.0)	(4.8)
Chg in Wkg.Cap.	(18.9)	(12.8)	(10.0)	(57.3)	(3.0)
Other Operating CF	38.3	5.36	(6.6)	(6.6)	(5.3)
Net Operating CF	260	234	277	240	275
Capital Exp.(net)	(248)	(649)	(461)	(450)	(250)
Other Invts.(net)	(16.5)	5.00	5.00	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	(1.5)	0.0	0.0
Div from Assoc & JV	0.18	0.21	0.21	0.0	0.0
Other Investing CF	2.17	1.55	1.38	0.0	0.0
Net Investing CF	(262)	(643)	(456)	(450)	(250)
Div Paid	(109)	(30.4)	(41.1)	(49.5)	(49.5)
Chg in Gross Debt	460	28.7	189	150	0.0
Capital Issues	0.12	0.05	0.0	0.0	0.0
Other Financing CF	2.91	18.9	30.5	0.0	0.0
Net Financing CF	353	17.2	178	101	(49.5)
Currency Adjustments	(0.1)	0.21	0.81	0.0	0.0
Chg in Cash	351	(391)	0.59	(110)	(24.2)
Opg CFPS (\$ cts)	18.4	16.2	18.9	19.5	18.3
Free CFPS (\$ cts)	0.78	(27.3)	(12.1)	(13.8)	1.66

Source: Company, DBS Bank

Capital Expenditure



Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1:	03 Nov 14	1.58	1.86	BUY
2:	14 Jan 15	1.60	1.90	BUY
3:	30 Jan 15	1.75	1.90	BUY
4:	04 May 15	1.65	1.88	BUY
5:	09 Jul 15	1.49	1.59	HOLD
6:	10 Aug 15	1.35	1.27	FULLY VALUED
7:	04 Sep 15	1.18	1.22	HOLD

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

Source: DBS Bank

DBS Bank recommendations are based on Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

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

Share price appreciation + dividends

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank Ltd. This report is solely intended for the clients of DBS Bank Ltd and DBS Vickers Securities (Singapore) Pte Ltd, its respective connected and associated corporations and affiliates (collectively, the "DBS Vickers Group") only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

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")) do not make any representation or warranty as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document 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 and it may not contain all material information concerning the company (or companies) referred to in this report.

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.

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.

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a U.S.-registered broker-dealer, 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.

ANALYST CERTIFICATION


The research analyst 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 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 this report. As of the date of the report is published, the analyst and his/her spouse and/or relatives who are financially dependent on the analyst, do not hold interests in the securities recommended in this report ("interest" includes direct or indirect ownership of securities).

COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd., DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates have a proprietary position in SMRT recommended in this report as of 30 Sep 2015.
2. DBS Bank Ltd., DBSVS, DBSVUSA, their subsidiaries and/or other affiliates do not beneficially own a total of 1% of any class of common equity securities of the company mentioned as of 30 Sep 2015.
3. **Compensation for investment banking services:**
DBS Bank Ltd., DBSVS, DBSVUSA, their subsidiaries and/or other affiliates did not receive compensation, within the past 12 months, and within the next 3 months may receive or intends to seek compensation for investment banking services from the company mentioned.

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 document should contact DBSVUSA exclusively.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is being distributed in Australia by DBS Bank Ltd. ("DBS") or DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), both of which 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 and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws. Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.
Hong Kong	This report is being distributed in Hong Kong by DBS Vickers (Hong Kong) Limited which is licensed and regulated by the Hong Kong Securities and Futures Commission.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Securities Indonesia.
Malaysia	This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBRS"). Recipients of this report, received from ADBRS 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 ADBRS (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.  Wong Ming Tek, Executive Director, ADBRS
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd. Research reports distributed are only intended for institutional clients only and no other person may act upon it.
United Kingdom	This report is being distributed in the UK by DBS Vickers Securities (UK) Ltd, who is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
Dubai	This research report is being distributed in The Dubai International Financial Centre ("DIFC") by DBS Bank Ltd., (DIFC Branch) having its office at PO Box 506538, 3 rd Floor, Building 3, East Wing, Gate Precinct, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United States	Neither this report nor any copy hereof may be taken or distributed into the United States or to any U.S. person except in compliance with any applicable U.S. laws and regulations. It is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. 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.
Other jurisdictions	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.

DBS Bank Ltd.

12 Marina Boulevard, Marina Bay Financial Centre Tower 3
Singapore 018982
Tel. 65-6878 8888
Company Regn. No. 196800306E