

# Tiger Airways (TGR SP)

Transport - Aviation

Market Cap: USD547m

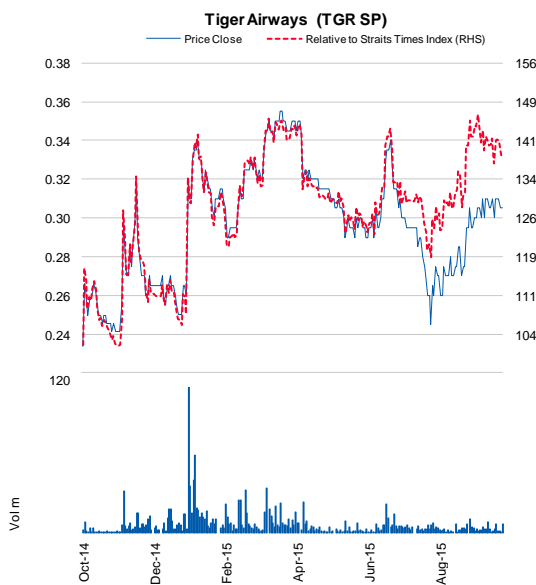
**Neutral** (from Buy)

 Target Price: **SGD0.30**

 Price: **SGD0.31**

## Continues On The Recovery Path

Macro	◆◆◆
Risks	◆◆◆
Growth	◆
Value	◆◆◆



Source: Bloomberg

Avg Turnover (SGD/USD)	1.05m/0.75m
Cons. Upside (%)	-3.2
Upside (%)	-3.2
52-wk Price low/high (SGD)	0.23 - 0.36
Free float (%)	44
Share outstanding (m)	2,499
<b>Shareholders (%)</b>	
Singapore Airlines	55.8
Vanguard Group	0.5
Check Kian Low	0.3

### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	15.1	3.4	(3.2)	(11.6)	37.9
Relative	23.9	(4.4)	5.4	0.8	43.1

**1HFY16's SGD14m net loss was higher than our estimate on higher-than-expected maintenance costs and fuel hedging losses yet, Tigerair posted a fourth consecutive quarter of YoY yield improvement in 2QFY16 and is on track to report maiden profit in FY16 with strong growth in FY17. Downgrade to NEUTRAL post a recent rise in share price as we lower FY16F-18F earnings by 7-63% and revise our TP to SGD0.30 (from SGD0.32, 3% downside).**

- ◆ **A disappointing 1HFY16 (Mar).** Tiger Airways Singapore (Tigerair) has had a disappointing 1HFY16, with reported losses exceeding our estimates. The airline witnessed a sharp increase in maintenance costs, compounded by: i) increased provisions resulting from accounting changes, ii) one-off costs related to the sub-leasing of aircraft to Indigo Airlines, and iii) sharp appreciation in the USD against the SGD. Tigerair also reported a higher-than-estimated jet fuel hedging loss.
- ◆ **But recovery remains on track.** Ridding off loss-making overseas operations, a rationalised fleet size and the removal of non profitable routes has enabled Tigerair to report its fourth consecutive quarter of YoY yield improvement. The magnitude of losses has also reduced, as it posted a SGD12m loss in 2QFY16 (2QFY15: SGD182m loss). As 3Q of its financial year is a seasonally peak quarter, Tigerair could report continuing yield improvements amidst the addition of a new destination in India and the return of services to an old destination in China.
- ◆ **Earnings recovery on track.** We maintain our view that Tigerair is on track for earnings recovery after four years of losses. We expect the airline to deliver strong growth in FY17, aided by low fuel prices and yield improvements. Its average hedge fuel price has dropped to USD76/barrel (bbl) from USD119/bbl in the last four quarters. With no expansion planned for its rationalised fleet of 23-24 aircraft, and benefits from its close tie-up with Singapore Airlines (SIA SP, NR) and its affiliates, should support elevated load factor and yield improvements.
- ◆ **Downgrade to NEUTRAL.** Amidst reduced earnings estimates, we lower TP to SGD0.30, which continues to be based on 6x 2016F EV/EBITDA. We downgrade to NEUTRAL as Tigerair's share price has moved up 11% since mid-September.

Forecasts and Valuations	Mar-14	Mar-15	Mar-16F	Mar-17F	Mar-18F
Total turnover (SGDm)	746	677	716	751	809
Reported net profit (SGDm)	(223)	(264)	8	50	61
Recurring net profit (SGDm)	(223)	(264)	8	50	61
Recurring net profit growth (%)	391.2	18.5	na	529.8	20.0
Recurring EPS (SGD)	(0.25)	(0.15)	0.00	0.02	0.02
Recurring P/E (x)	na	na	95.1	15.1	12.6
P/B (x)	1.08	3.54	3.29	2.70	2.22
P/CF (x)	na	18.5	12.6	7.0	6.0
EV/EBITDA (x)	na	na	10.9	5.5	4.1
Return on average equity (%)	(93.4)	(107.0)	3.6	19.6	19.4
Net debt to equity (%)	67.6	net cash	net cash	net cash	net cash
Our vs consensus EPS (adjusted) (%)			(70.8)	(12.2)	(10.3)

Source: Company data, RHB

Shekhar Jaiswal +65 6232 3894

[shekhar.jaiswal@rhbgroup.com](mailto:shekhar.jaiswal@rhbgroup.com)

## A Quick Glance

### Key financials

FYE (Mar)		FY15	FY16F	FY17F	FY18F
Revenue	SGDm	677	716	751	809
Revenue growth	%	-9%	6%	5%	8%
EBITDAR	SGDm	66	148	200	219
EBITDAR margin	%	10%	21%	27%	27%
Net profit	SGDm	(264)	8	50	61
Net profit margin	%	-39%	1%	7%	7%
EPS	SGD	(0.15)	0.00	0.02	0.02
EPS growth	%	nm	nm	530%	20%
BVPS	SGD	0.09	0.09	0.11	0.14
Operating cash flow	SGDm	28	60	107	127
Free cash flow	SGDm	(13)	45	87	107

### Key assumptions

		FY15	FY16F	FY17F	FY18F
No. of passengers	000	5,140	5,064	5,177	5,442
Load factor	%	82%	83%	85%	85%
Fare per pax	SGD	102	108	111	114
ASK	m km	11,834	11,532	11,812	12,525
RPK	SGD cents	6.8	7.1	7.1	7.2
CASK	SGD cents	6.0	5.9	5.8	5.8
Jet fuel price	SGD/bbl	127.6	88.9	89.0	99.2
USDSGD	x	1.29	1.40	1.43	1.39

### Company description

Tigerair is a low cost carrier (LCC) based in Singapore, which was originally founded in Dec 2003. The company formerly held stakes in a number of *Tigerair* branded joint-ventures (JVs) in the Philippines, Indonesia and Australia. Today, Tigerair is majority owned by the Singapore Airlines (56%) and the LCC only holds a minority (10%) stake in its Tigerair Taiwan JV with China Airlines (2610 TT, NR).

### Upside risks

These are: i) better-than-estimated yields, ii) a decline in jet fuel prices, iii) more-than-estimated declines in operational and asset costs, iv) a rapid appreciation of the SGD vs the USD, and iv) consolidation of LCCs around the region, leading to a less competitive environment.

### Downside risks

These are: i) a downturn in regional air travel demand from macroeconomic or geopolitical events, ii) a slowdown in Singapore's economic growth, iii) a rise in jet fuel prices, iv) continuing weakness in the SGD, and v) capital raising in case of continued losses from operations.

### Sensitivity analysis

FYE (Mar)	FY16F EBITDA	FY16 profit	FY17 EBITDA	FY17 profit
1% increase in passengers booked	6%	41%	6%	13%
1% increase in load factor	7%	49%	8%	15%
1% increase in fare per pax	5%	33%	5%	10%
1% increase in jet fuel price	-1%	-6%	-1%	-2%

### Relative comps

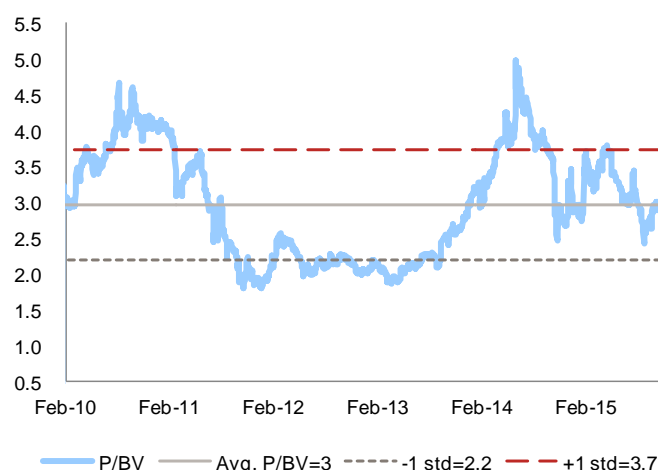
	P/E		P/BV		EV/EBITDA		Net debt/equity	
	FY01	FY02	FY01	FY02	FY01	FY02	FY01	FY02
AirAsia	6.6	5.0	0.77	0.69	6.5	6.6	199%	203%
Asia Aviation	12.7	16.0	1.09	1.04	6.9	8.8	14%	25%
Nok Air	11.0	5.7	1.18	1.01	na	0.7	-80%	-84%
Tigerair**	-	15.1	3.29	2.70	10.9	5.5	-50%	-68%

Note: For Tigerair, FY01 refers to the year ended in Mar 2016, while for other airlines, it refers to the year ended in Dec 2015. Prices are as at 23 Sep 2015.  
Source: Bloomberg, RHB

### Valuation and TP basis

Our SGD0.30 TP for Tigerair is based on 6x 2016F EV/EBITDA and implies 2.8x 2016F P/BV, which is just below its historical mean since listing. Our TP implies a target 2016F EV/EBITDAR multiple of 6.9x, which, although at a slight premium to peers, is supported by the recovery in Tigerair's earnings and expansion in its EBITDAR margins to 21% in FY16F (Mar) and 27% in FY17F from 10% in FY15.

### P/BV chart



## 2QFY16 Results Review

Figure 1: Tigerair's 2QFY16 results review

	unit	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	QoQ %	YoY %
<b>Income statement</b>										
Passenger seat revenue	SGD m	122	132	114	148	131	129	127	-1%	11%
Ancillary and other revenue	SGD m	51	39	35	34	40	36	36	1%	4%
Lease rental income	SGD m	1	1	0	-	4	4	5	33%	2068%
<b>Total revenue</b>	<b>SGD m</b>	<b>174</b>	<b>172</b>	<b>149</b>	<b>182</b>	<b>175</b>	<b>168</b>	<b>168</b>	<b>0%</b>	<b>13%</b>
Actual fuel costs	SGD m	(84)	(79)	(72)	(65)	(49)	(51)	(45)	-10%	-37%
Fuel hedging (loss)/ gain	SGD m	2	0	(1)	(10)	(17)	(11)	(13)	18%	868%
<b>Total fuel costs</b>	<b>SGD m</b>	<b>(81)</b>	<b>(79)</b>	<b>(73)</b>	<b>(75)</b>	<b>(65)</b>	<b>(62)</b>	<b>(58)</b>	<b>-5%</b>	<b>-20%</b>
Staff costs	SGD m	(19)	(23)	(21)	(21)	(20)	(20)	(20)	4%	-4%
Aircraft rental	SGD m	(16)	(18)	(15)	(16)	(19)	(19)	(24)	26%	55%
Airport and handling	SGD m	(26)	(24)	(21)	(22)	(20)	(21)	(22)	4%	1%
Maintenance, material and repair	SGD m	(18)	(18)	(18)	(18)	(22)	(21)	(27)	31%	50%
Route charges	SGD m	(6)	(5)	(5)	(5)	(5)	(5)	(3)	-40%	-43%
Marketing and distribution costs	SGD m	(16)	(6)	(6)	(4)	(9)	(6)	(7)	17%	23%
Depreciation and amortisation	SGD m	(8)	(8)	(8)	(8)	(12)	(10)	(10)	-1%	30%
General and administrative costs	SGD m	-	(2)	(1)	-	4	(2)	(2)	2%	117%
Exchange (gain)/loss	SGD m	(4)	(3)	(3)	(4)	1	0	(2)	-838%	-33%
Other operating expenses	SGD m	(4)	(2)	(2)	(5)	(9)	(2)	(2)	-18%	-16%
<b>Total operating costs</b>	<b>SGD m</b>	<b>(199)</b>	<b>(188)</b>	<b>(174)</b>	<b>(178)</b>	<b>(177)</b>	<b>(168)</b>	<b>(178)</b>	<b>6%</b>	<b>2%</b>
<b>Operating income</b>	<b>SGD m</b>	<b>(24)</b>	<b>(16)</b>	<b>(25)</b>	<b>4</b>	<b>(2)</b>	<b>1</b>	<b>(10)</b>	<b>-1992%</b>	<b>-59%</b>
Finance income	SGD m	1	1	1	0	0	0	0	18%	-30%
Finance expense	SGD m	(4)	(2)	(2)	(2)	(2)	(3)	(3)	5%	41%
Share of associates	SGD m	(21)	(35)	-	-	-	-	-	0%	0%
Other income/(expense)	SGD m	(51)	(15)	(160)	0	(17)	-	-	0%	-100%
<b>Profit before tax</b>	<b>SGD m</b>	<b>(100)</b>	<b>(68)</b>	<b>(187)</b>	<b>3</b>	<b>(21)</b>	<b>(2)</b>	<b>(13)</b>	<b>677%</b>	<b>-93%</b>
Tax	SGD m	5	2	4	(0)	2	(0)	(0)	54%	-102%
<b>Profit after tax</b>	<b>SGD m</b>	<b>(96)</b>	<b>(65)</b>	<b>(182)</b>	<b>2</b>	<b>(19)</b>	<b>(2)</b>	<b>(13)</b>	<b>660%</b>	<b>-93%</b>
Minority Interest	SGD m	-	-	-	-	-	-	-	0%	0%
<b>Profit for equity holders</b>	<b>SGD m</b>	<b>(96)</b>	<b>(65)</b>	<b>(182)</b>	<b>2</b>	<b>(19)</b>	<b>(2)</b>	<b>(13)</b>	<b>660%</b>	<b>-93%</b>
Post tax significant income/expense	SGD m	-	-	-	-	-	-	-	0%	0%
<b>Profit for equity holders (clean)</b>	<b>SGD m</b>	<b>(96)</b>	<b>(65)</b>	<b>(182)</b>	<b>2</b>	<b>(19)</b>	<b>(2)</b>	<b>(13)</b>	<b>660%</b>	<b>-93%</b>
Depreciation & amortisation	SGD m	8	8	8	8	12	10	10	0%	31%
<b>EBITDA</b>	<b>SGD m</b>	<b>(16)</b>	<b>(8)</b>	<b>(17)</b>	<b>12</b>	<b>10</b>	<b>11</b>	<b>(0)</b>	<b>-101%</b>	<b>-99%</b>
<b>EBITDAR</b>	<b>SGD m</b>	<b>0</b>	<b>10</b>	<b>(2)</b>	<b>28</b>	<b>29</b>	<b>30</b>	<b>24</b>	<b>-20%</b>	<b>-1322%</b>
Avg basic shares o/s (basic)	m	986	986	987	1,169	1,923	2,497	2,498	0%	153%
Core EPS (basic)	SGD	(0.10)	(0.07)	(0.18)	0.00	(0.01)	(0.00)	(0.01)	659%	-97%
<b>Margins</b>										
Operating margin	%	-19.9%	-12.4%	-22.2%	2.8%	-1.7%	0.4%	-8.2%		
EBITDAR	%	0.0%	7.6%	-1.7%	18.9%	22.4%	23.3%	18.9%		
Net margin	%	-78.2%	-49.3%	-160.1%	1.5%	-14.4%	-1.3%	-10.1%		
<b>Operations</b>										
Passengers booked	000	1,389	1,411	1,242	1,291	1,196	1,284	1,284	0%	3%
Revenue passenger kilometres	m passenger	2,511	2,609	2,361	2,447	2,279	2,388	2,390	0%	1%
Available seat capacity	m km	3,320	3,081	2,865	2,984	2,882	2,859	2,841	-1%	-1%
Passenger load factor	%	76.0%	85.0%	82.0%	82.0%	79.0%	84.0%	84.0%	0%	2%
Fare per pax	SGD	92.7	93.8	91.7	114.9	109.5	100.1	98.7	-1%	8%
Revenue per RPK	SGD cents	6.38	6.24	5.95	7.22	7.32	6.70	6.60	-1%	11%
Cost per ASK, cost ex forex	SGD cents	5.83	6.03	6.12	6.06	5.95	5.70	6.00	5%	-2%
Breakeven load factor	%	91.4%	96.6%	102.9%	83.9%	81.3%	85.1%	90.9%		
Oil price paid (net)	USD/barrel	118.4	120.4	118.4	105.4	91.1	90.9	79.1	-13%	-33%

Source: RHB

### Valuation and TP

Our SGD0.30 TP for Tigerair is based 6x 2016F EV/EBITDA multiple, which is slightly below the average multiple for its peers. Our TP implies 2.8x 2016F P/BV, which is just below the stock's historical mean since listing. The TP implies a target 2016F EV/EBITDAR multiple of 6.9x. Although this is at a slight premium to its peers, we believe it is supported by a recovery in Tigerair's earnings and expansion in its EBITDAR margins to 21% in FY16 and 27% in FY17 from 10% in FY15.

### Figure 2: Tigerair's TP derivation

#### EV/EBITDA based valuation

Quarter ended		Mar-16	Jun-16	Sep-16	Dec-16	Rolling quarters
EBITDA	SGDm	23.6	18.8	17.1	37.7	97.2
Target EV/EBITDA multiple	x					6.0
Target EV	SGDm					583.1
Estimated net debt	SGDm					(172.8)
Equity value	SGDm					755.8
Year-end (basic) shares o/s	m					2,498.6
<b>Year-end price target</b>	<b>SGD</b>					<b>0.30</b>

Source: RHB

## Financial Exhibits

<b>Profit &amp; Loss (SGDm)</b>	<b>Mar-14</b>	<b>Mar-15</b>	<b>Mar-16F</b>	<b>Mar-17F</b>	<b>Mar-18F</b>
Total turnover	746	677	716	751	809
<b>Gross profit</b>	<b>746</b>	<b>677</b>	<b>716</b>	<b>751</b>	<b>809</b>
Gen & admin expenses	-	-	(9)	(8)	(8)
Selling expenses	(31)	(24)	(25)	(23)	(28)
Other operating costs	(768)	(693)	(665)	(661)	(702)
<b>Operating profit</b>	<b>(52)</b>	<b>(40)</b>	<b>18</b>	<b>60</b>	<b>70</b>
Operating EBITDA	(18)	(3)	59	103	114
Depreciation of fixed assets	(33)	(37)	(42)	(43)	(44)
Amortisation of intangible assets	(1)	(0)	(0)	-	-
<b>Operating EBIT</b>	<b>(52)</b>	<b>(40)</b>	<b>18</b>	<b>60</b>	<b>70</b>
Net income from investments	(95)	(35)	-	-	-
Other recurring income	(80)	(192)	-	-	-
Interest income	6	2	2	2	3
Interest expense	(11)	(8)	(10)	(10)	(10)
<b>Pre-tax profit</b>	<b>(232)</b>	<b>(273)</b>	<b>9</b>	<b>52</b>	<b>62</b>
Taxation	9	8	(1)	(2)	(2)
<b>Profit after tax &amp; minorities</b>	<b>(223)</b>	<b>(264)</b>	<b>8</b>	<b>50</b>	<b>61</b>
<b>Reported net profit</b>	<b>(223)</b>	<b>(264)</b>	<b>8</b>	<b>50</b>	<b>61</b>
<b>Recurring net profit</b>	<b>(223)</b>	<b>(264)</b>	<b>8</b>	<b>50</b>	<b>61</b>

Source: Company data, RHB

<b>Cash flow (SGDm)</b>	<b>Mar-14</b>	<b>Mar-15</b>	<b>Mar-16F</b>	<b>Mar-17F</b>	<b>Mar-18F</b>
<b>Operating profit</b>	<b>(52)</b>	<b>(40)</b>	<b>18</b>	<b>60</b>	<b>70</b>
<b>Depreciation &amp; amortisation</b>	<b>34</b>	<b>37</b>	<b>42</b>	<b>43</b>	<b>44</b>
<b>Change in working capital</b>	<b>(100)</b>	<b>14</b>	<b>(7)</b>	<b>4</b>	<b>13</b>
Other operating cash flow	27	16	8	0	0
<b>Operating cash flow</b>	<b>(91)</b>	<b>28</b>	<b>60</b>	<b>107</b>	<b>127</b>
Interest received	6	2	2	2	3
Tax paid	(0)	(1)	(1)	(2)	(2)
<b>Cash flow from operations</b>	<b>(86)</b>	<b>29</b>	<b>60</b>	<b>108</b>	<b>128</b>
Capex	(365)	(41)	(14)	(20)	(20)
Other investing cash flow	378	(12)	75	-	-
<b>Cash flow from investing activities</b>	<b>13</b>	<b>(53)</b>	<b>61</b>	<b>(20)</b>	<b>(20)</b>
Proceeds from issue of shares	292	223	(0)	-	-
Increase in debt	(154)	(53)	(18)	-	-
Other financing cash flow	(10)	(7)	(9)	(10)	(10)
<b>Cash flow from financing activities</b>	<b>127</b>	<b>163</b>	<b>(27)</b>	<b>(10)</b>	<b>(10)</b>
Cash at beginning of period	117	172	310	404	481
<b>Total cash generated</b>	<b>54</b>	<b>139</b>	<b>93</b>	<b>78</b>	<b>97</b>
Forex effects	(0)	0	-	-	(0)
<b>Implied cash at end of period</b>	<b>172</b>	<b>310</b>	<b>404</b>	<b>481</b>	<b>579</b>

Source: Company data, RHB

## Financial Exhibits

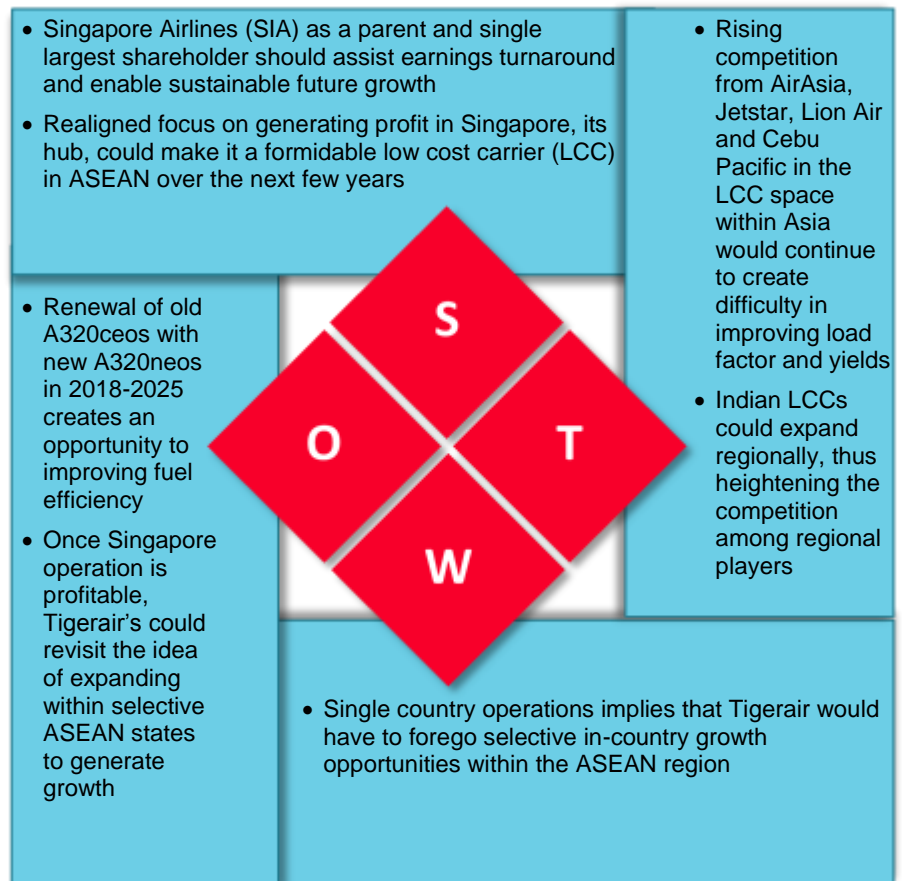
<b>Balance Sheet (SGDm)</b>	<b>Mar-14</b>	<b>Mar-15</b>	<b>Mar-16F</b>	<b>Mar-17F</b>	<b>Mar-18F</b>
Total cash and equivalents	172	310	404	481	579
Accounts receivable	115	30	27	27	28
Other current assets	22	103	28	28	28
<b>Total current assets</b>	<b>309</b>	<b>443</b>	<b>458</b>	<b>537</b>	<b>635</b>
Tangible fixed assets	570	454	424	401	377
Intangible assets	0	0	0	0	0
Total other assets	107	125	129	129	129
Total non-current assets	676	579	553	530	506
<b>Total assets</b>	<b>986</b>	<b>1,022</b>	<b>1,011</b>	<b>1,067</b>	<b>1,141</b>
Short-term debt	53	84	-	-	-
Accounts payable	158	116	111	116	130
Other current liabilities	112	141	131	131	131
<b>Total current liabilities</b>	<b>324</b>	<b>340</b>	<b>242</b>	<b>247</b>	<b>261</b>
Total long-term debt	307	223	288	288	288
Other liabilities	76	244	249	249	249
<b>Total non-current liabilities</b>	<b>383</b>	<b>467</b>	<b>537</b>	<b>537</b>	<b>537</b>
<b>Total liabilities</b>	<b>707</b>	<b>807</b>	<b>780</b>	<b>785</b>	<b>798</b>
Share capital	703	931	931	931	931
Retained earnings reserve	(424)	(715)	(700)	(649)	(589)
<b>Shareholders' equity</b>	<b>279</b>	<b>215</b>	<b>232</b>	<b>282</b>	<b>343</b>
<b>Total equity</b>	<b>279</b>	<b>215</b>	<b>232</b>	<b>282</b>	<b>343</b>
<b>Total liabilities &amp; equity</b>	<b>986</b>	<b>1,022</b>	<b>1,011</b>	<b>1,067</b>	<b>1,141</b>

Source: Company data, RHB

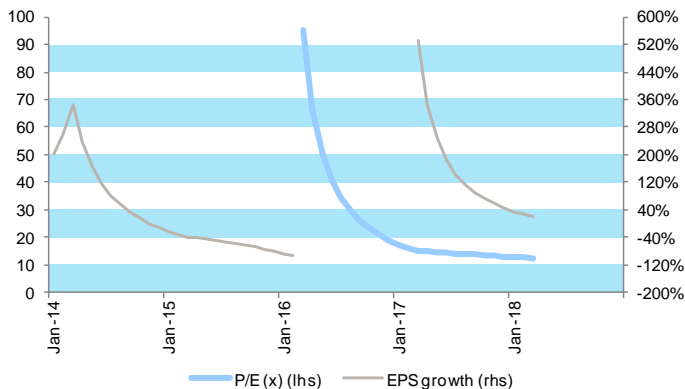
<b>Key Ratios (SGD)</b>	<b>Mar-14</b>	<b>Mar-15</b>	<b>Mar-16F</b>	<b>Mar-17F</b>	<b>Mar-18F</b>
Revenue growth (%)	(13.8)	(9.2)	5.7	4.9	7.7
Operating profit growth (%)	(813.5)	(23.4)	0.0	242.8	16.5
Net profit growth (%)	391.2	18.5	0.0	529.8	20.0
EPS growth (%)	346.1	(38.5)	0.0	529.6	20.0
BVPS growth (%)	16.8	(69.5)	7.5	21.8	21.5
Operating margin (%)	(7.0)	(5.9)	2.4	8.0	8.7
Net profit margin (%)	(29.9)	(39.0)	1.1	6.7	7.5
Return on average assets (%)	(21.9)	(26.3)	0.8	4.9	5.5
Return on average equity (%)	(93.4)	(107.0)	3.6	19.6	19.4
Net debt to equity (%)	67.6	(1.5)	(49.7)	(68.3)	(84.7)
Recurrent cash flow per share	(0.09)	0.02	0.02	0.04	0.05

Source: Company data, RHB

## SWOT Analysis

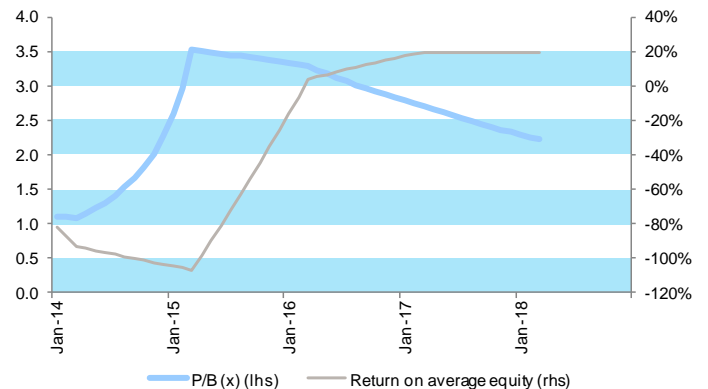


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE

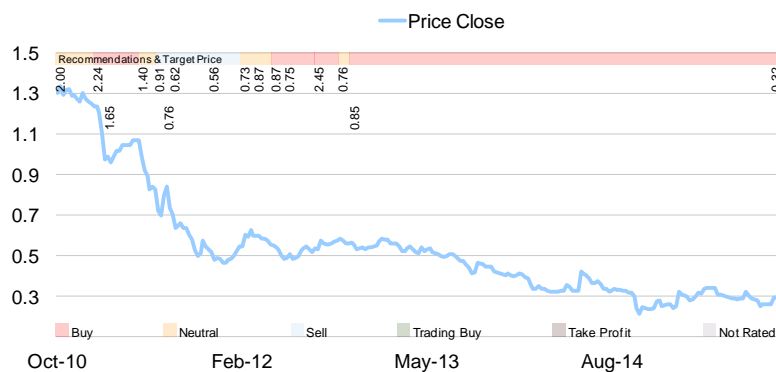


Source: Company data, RHB

## Company Profile

Tiger Airways (Tigerair) is a low cost carrier (LCC) based in Singapore, which was originally founded on 12 Dec 2003. The company formerly held sizeable majority and minority stakes in a number of Tigerair branded joint-ventures (JV) in the Philippines, Indonesia and Australia. As the overseas JVs had been pulling down the group's performance for several years, it has withdrawn from overseas ventures, consolidated its airline operations in Singapore and has dropped the regional expansion strategy. Today, Tigerair is majority owned by the Singapore Airlines (56%) and the LCC only holds a minority (10%) stake in its Tigerair Taiwan, with China Airlines as the JV partner.

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-09-15	Buy	0.32	0.28
2013-05-20	Buy	0.85	0.54
2012-11-02	Buy	0.85	0.58
2012-10-31	Buy	0.85	0.58
2012-10-02	Neutral	0.76	0.59
2012-08-03	Buy	2.45	0.55
2012-07-31	Buy	0.75	0.54
2012-05-22	Buy	0.75	0.50
2012-04-18	Buy	0.87	0.57
2012-03-07	Neutral	0.87	0.61

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.

## **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 OSK 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 OSK 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 OSK Securities 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 OSK Securities Hong Kong Limited (興業僑豐證券有限公司) (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 RHB OSK Securities Hong Kong Limited.

## 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"). 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 OSK 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 OSK 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 OSK Securities 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 OSK Securities 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

RHBSHK or any of its group companies may have financial interests in in relation to an issuer or a new listing applicant (as the case may be) the securities in respect of which are reviewed in the report, and such interests aggregate to an amount equal to or more than (a) 1% of the subject company's market capitalization (in the case of an issuer as defined under paragraph 16 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "Code of Conduct"); and/or (b) an amount equal to or more than 1% of the subject company's issued share capital, or issued units, as applicable (in the case of a new listing applicant as defined in the Code of Conduct). Further, the analysts named in this report or their associates may have financial interests in relation to an issuer or a new listing applicant (as the case may be) in the securities which are reviewed in the report.

RHBSHK or any of its group companies may make a market in the securities covered by this report.

RHBSHK or any of its group companies may have analysts or their associates, individual(s) employed by or associated with RHBSHK or any of its group companies serving as an officer of the company or any of the companies covered by this report.

RHBSHK or any of its group companies may have received compensation or a mandate for investment banking services to the company or any of the companies covered by this report within the past 12 months.

Note: The reference to "group companies" above refers to a group company of RHBSHK that carries on a business in Hong Kong in (a) investment banking; (b) proprietary trading or market making; or (c) agency broking, in relation to securities listed or traded on The Stock Exchange of Hong Kong Limited.

**Kuala Lumpur**

**RHB Research Institute Sdn Bhd**  
Level 11, Tower One, RHB Centre  
Jalan Tun Razak  
Kuala Lumpur  
Malaysia  
Tel : +(60) 3 9280 2185  
Fax : +(60) 3 9284 8693

**Hong Kong**

**RHB OSK Securities Hong Kong Ltd.**  
12<sup>th</sup> Floor  
World-Wide House  
19 Des Voeux Road  
Central, Hong Kong  
Tel : +(852) 2525 1118  
Fax : +(852) 2810 0908

**Singapore**

**RHB Research Institute Singapore  
Pte Ltd (formerly known as DMG & Partners Research  
Pte Ltd)**  
10 Collyer Quay  
#09-08 Ocean Financial Centre  
Singapore 049315  
Tel : +(65) 6533 1818  
Fax : +(65) 6532 6211

**Jakarta**

**PT RHB OSK Securities Indonesia**  
Wisma Mulia, 20th Floor  
Jl. Jend. Gatot Subroto No. 42  
Jakarta 12710, Indonesia  
Tel : +(6221) 2783 0888  
Fax : +(6221) 2783 0777

**Shanghai**

**RHB OSK (China) Investment Advisory Co. Ltd.**  
Suite 4005, CITIC Square  
1168 Nanjing West Road  
Shanghai 20041  
China  
Tel : +(8621) 6288 9611  
Fax : +(8621) 6288 9633

**Phnom Penh**

**RHB OSK Indochina Securities Limited**  
No. 1-3, Street 271  
Sangkat Toeuk Thla, Khan Sen Sok  
Phnom Penh  
Cambodia  
Tel: +(855) 23 969 161  
Fax: +(855) 23 969 171

**Bangkok**

**RHB OSK Securities (Thailand) PCL**  
10th Floor, Sathorn Square Office Tower  
98, North Sathorn Road, Silom  
Bangrak, Bangkok 10500  
Thailand  
Tel: +(66) 2 862 9999  
Fax : +(66) 2 862 9799