midf RESEARCH

01 November 2016 | Corporate Update

Bermaz Auto Berhad
The next leg up

***Maintain* BUY**
***Revised* Target Price (TP):RM2.70**
(previously RM2.50)

INVESTMENT THESIS

- **Imminent listing of Philippines subsidiary will crystallise values and more importantly unlock dividend potential at BAuto**
- **At 10x ex-cash PE, BAuto is a cheap entry relative to BAP's IPO valuation of 16x, while current market cap implies practically no value for BAuto's stake in BAP**
- **Associate contribution to bottomline is set to more than double as export market expansion gives a new dimension to growth and provides near-term earnings uplift**
- **Reaffirm BUY at a higher TP of RM2.70/share as we switch to an SOP valuation to better reflect BAP's value; FY17F/18F dividend yield is attractive at 7%/8%.**

RETURN STATS	
Price (31 Oct 2016)	RM2.28
Target Price	RM2.70
Expected Share Price Return	+18.4%
Expected Dividend Yield	+6.4%
Expected Total Return	**+24.8%**

STOCK INFO	
KLCI	1672.46
Bursa / Bloomberg	5248 / BAUTO MK
Board / Sector	Main/Automotive
Syariah Compliant	Yes
Issued shares (mil)	1,145.49
Par Value (RM)	1.00
Market cap. (RM'm)	2,611.73
Price over NA	5.71
52-wk price Range	RM1.78 - RM2.44
Beta (against KLCI)	0.97
3-mth Avg Daily Vol	1.91m
3-mth Avg Daily Value	RM4.37m
Major Shareholders (%)	
BERJAYA CORP	15.6%
DYNAMIC MILESTONE	15.2%
EPF	10.7%

A. VALUE UNLOCKING

Slated for a listing. BAuto's 60%-owned BAuto Philippines (BAP) is targeted for a listing by 1HCY17. The group intends to seek a listing on the main board of the Philippines Stock Exchange and we gather that BAP has already appointed its banker for the exercise.

A recap. BAP is Mazda's distributor in the Philippines and contributes 22% to BAuto's operating profit and an estimated 10% to bottomline. BAP imports CBUs from Japan and Thailand (and soon from Malaysia) and sells these units to 3rd party dealers that do the actual retailing. BAP also accounts for almost half of BAuto's net cash of RM300m (FY17F).

Arbitrage play? Indications are for a 15.8x PE valuation for BAP's IPO. BAuto itself trades at a lower CY17F PE of 12x (10x ex-cash) giving rise to an arbitrage play. More importantly, at current market cap, the market is effectively giving no value to BAuto's stake in BAP (See Exhibit 1). In the meantime, interest in BAuto is likely to rise ahead of BAP's IPO to maximise exposure to the listing.

Is a premium valuation realistic? For a start, the Philippines market trades at a premium valuation to the KLCI, i.e. 21x vs. 17x FY16F PE. Secondly, there should be scarcity premium for BAP's IPO as there are limited auto companies listed on the Philippines Stock Exchange despite the auto market there growing by 20%-30% per annum.

BAP is targeting to raise RM100m-105m from the IPO comprising 55% new shares with the remaining 45% via offer for sale by existing shareholders. Other than BAuto, Berjaya Philippines owns ~40% stake in BAP currently. BAuto targets to maintain at least a 51% stake in BAP post-IPO (slight dilution from the current 60%).

INVESTMENT STATISTICS

FYE Apr	FY14	FY15	FY16	FY17F	FY18F
Revenue (RM'm)	1,450.8	1,829.9	2,112.2	2,430.4	2,578.1
EBIT (RM'm)	166.6	285.6	262.1	263.1	304.5
Pre-tax Profit (RM'm)	179.8	300.9	278.7	278.2	337.0
Core net profit (RM'm)	130.6	215.4	202.1	200.0	243.7
FD EPS (sen)	11.3	18.6	17.5	17.3	21.1
EPS growth (%)	84.2	64.9	(10.9)	(1.0)	21.8
PER (x)	20.2	12.2	13.0	13.2	10.8
Net Dividend (sen)	2.8	14.6	16.9	14.7	17.9
Net Dividend Yield (%)	1.2	6.4	7.4	6.4	7.9

Source: Company, MIDFR

UNLOCKING BAUTO'S DIVIDEND POTENTIAL

Repatriating cash efficiently. BAuto is estimated to get at least RM27m cash proceed from the offer for sale of RM45m, which is likely to be returned to BAuto's shareholders as dividends. The rest of the RM100m-120m net cash currently sitting at BAP (which accounts for almost half of BAuto's net cash currently) will be repatriated back to BAuto shareholders by way of a share buyback exercise by BAP, i.e. BAP will initiate a share buyback exercise post-IPO and all shareholders will have the right to sell in their respective proportionate stakes in BAP in return for cash from BAP. BAP will use up its existing net cash of RM100m-120m for this buyback. Assuming RM100m total proceeds to shareholders from BAP's share buyback exercise, we estimate circa RM51m cash proceeds will accrue to BAuto (based on its 51% stake post-IPO) (See Exhibit 2).

EXHIBIT 1: MARKET GIVING NO VALUE TO BAUTO'S STAKE IN BAP CURRENTLY

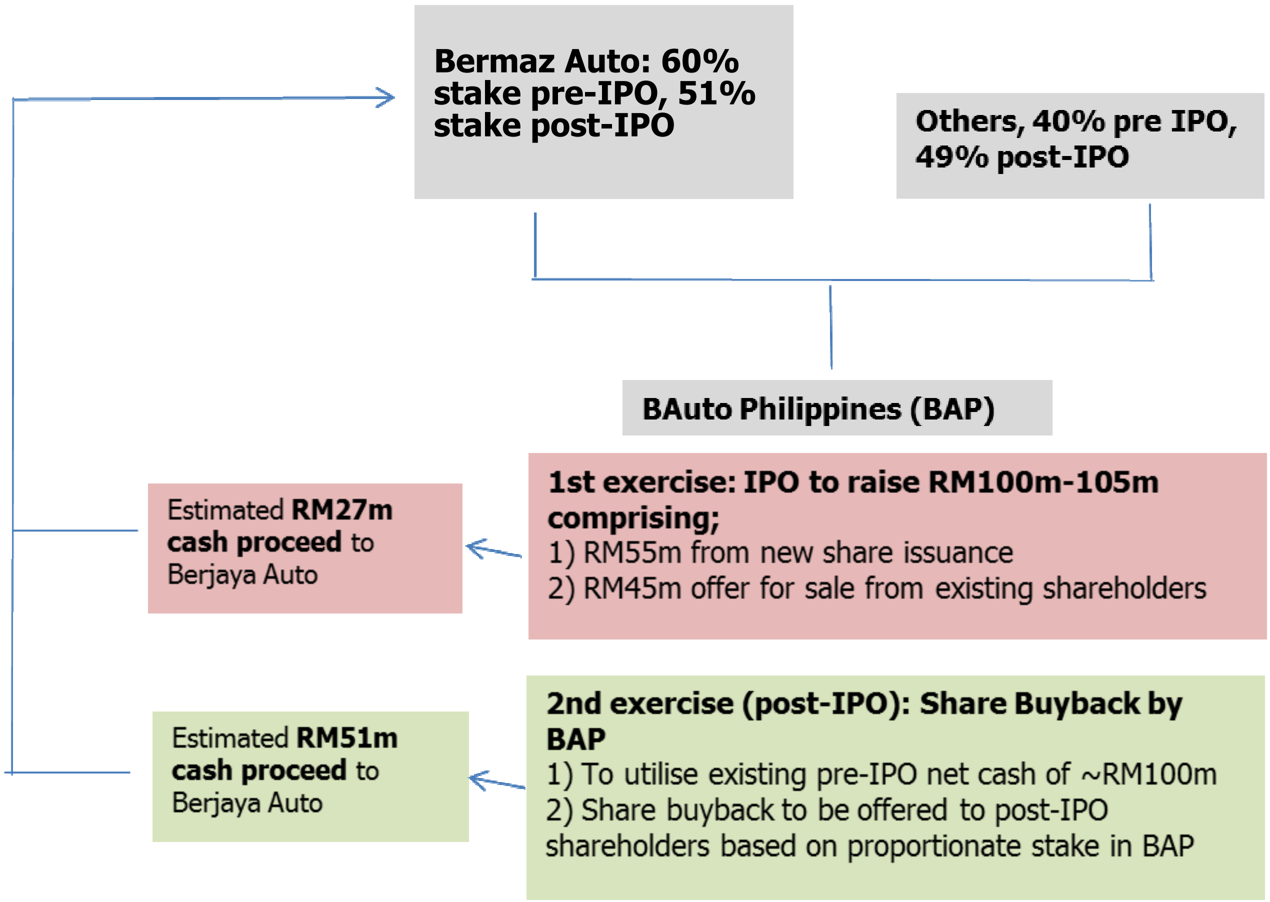
BAuto current market cap (RMm)	2,612
Value of domestic operations @ 13x CY17F PE (RMm)	2,675
Implied value of BAP (RMm)	(63.6)
BAP contribution to BAuto net profit (CY17F) (RMm)	23.4
Implied PE valuation of BAP at current market cap (x)	(2.7)
BAP IPO valuation (PER) (x)	16

Source: Company, MIDFR

Special dividends in the offing? Combined with the initial proceed from the offer for sale**,** total cash proceeds to BAuto is estimated at RM78m, or an estimated 3% yield at current share price if paid out as dividends – and this is very likely as management (which is also BAuto's major shareholder now) needs to pare down their remaining debt of RM60m used to fund the buyout of Berjaya's stake in BAuto earlier in the year. The 3% incremental dividend yield from BAP's IPO is on top of underlying dividend yields assumed in our model of 6.5% (FY17F), which is backed by BAuto's domestic operations – BAP does not currently pay out much dividends to shareholders as this is not tax efficient for their Malaysian shareholders. Cash repatriation in the form of capital gains, i.e. the IPO and share buyback exercise on the other hand is more tax efficient.

IPO proceeds to improve operations and after sales. Estimated IPO proceeds from BAP's IPO (coming from the new share issuance portion) of ~RM55m will go towards building warehouses, logistics and PDI centres. The land of 5-6 acres involved in this exercise will cost RM14m-15m and the complex buildings another RM18-20m. BAP also plans to build body repair shops to enhance its after sales service in the Philippines.

EXHIBIT 2: BAP LISTING AND POST-LISTING CORPORATE EXERCISES TO UNLOCK CASH

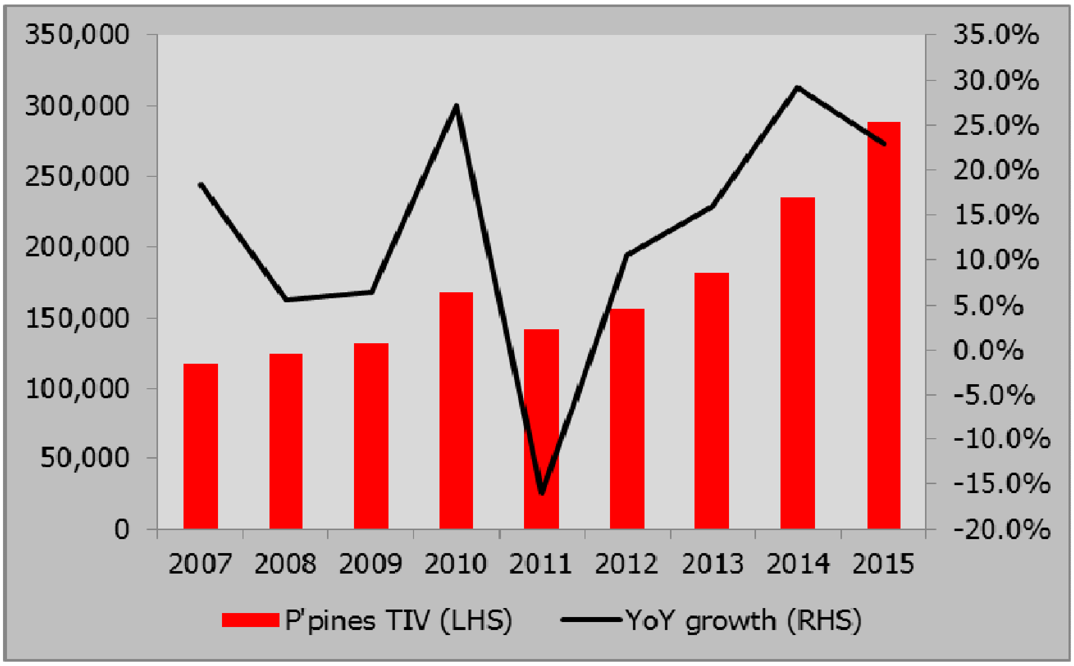


Source: Company, MIDFR

MARGIN EXPANSION TO BE FOLLOWED BY VOLUME EXPANSION

After having grown its sales volumes by 32% in FY16, BAP is targeting a flattish growth in FY17F at around 5k (despite the industry still growing at an expected 20%-30%) due to supply constraints from Japan. However, margins are guided to improve as the group will also tone down spending on A&P, in-line with slower supply of CBUs. Nonetheless, FY18F target is set at 6,000 units, which represents a 20% jump driven by new launches. New model introductions for BAP include the new CX5, a new Mazda 2 (B-segment hatchback and sedan model) and a Mazda 3 facelift (C-segment hatchback and sedan) – the bulk of this towards the later part of CY17.

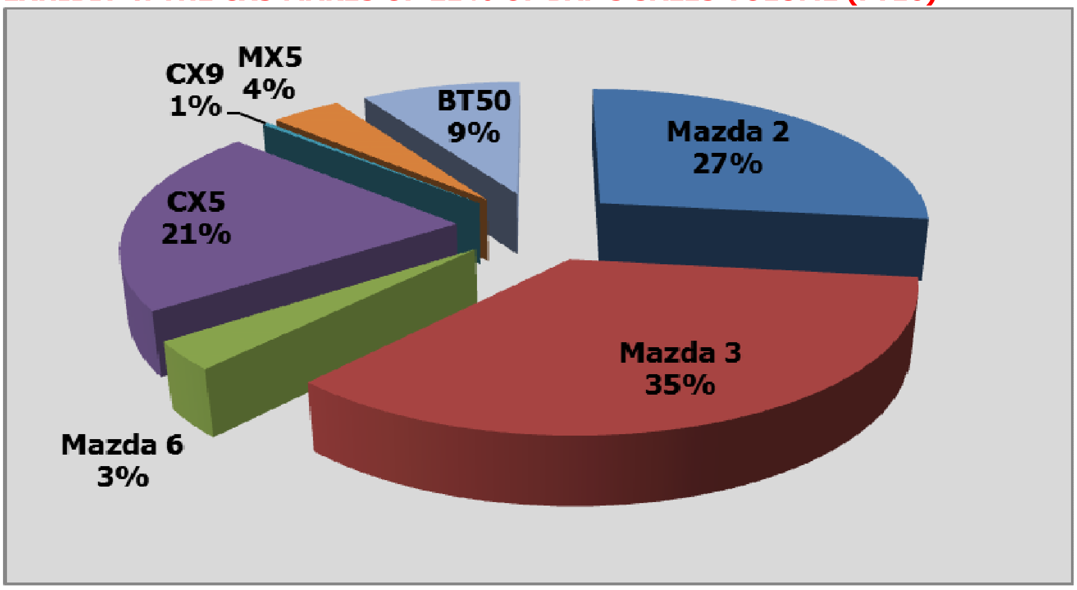
EXHIBIT 3: PHILIPPINES AUTO MARKET IS GROWING EXPONENTIALLY



Source: AAF, MIDFR

Another margin driver will kick in soon once the sourcing of the CX5 from Malaysia commences in 2HFY17. Currently, BAP imports the CX5 from Japan and incurs a 10% import duty. This will reduce to zero once BAP imports from Malaysia given preferential tax and exemptions under AFTA. The CX5 currently accounts for ~20% of BAP's volume and we estimate duty savings to enhance BAP's earnings by 12% in FY18F (i.e. full year impact, as FY17F is likely to capture just a half year impact of the import duty saving).

EXHIBIT 4: THE CX5 MAKES UP 21% OF BAP'S SALES VOLUME (FY16)



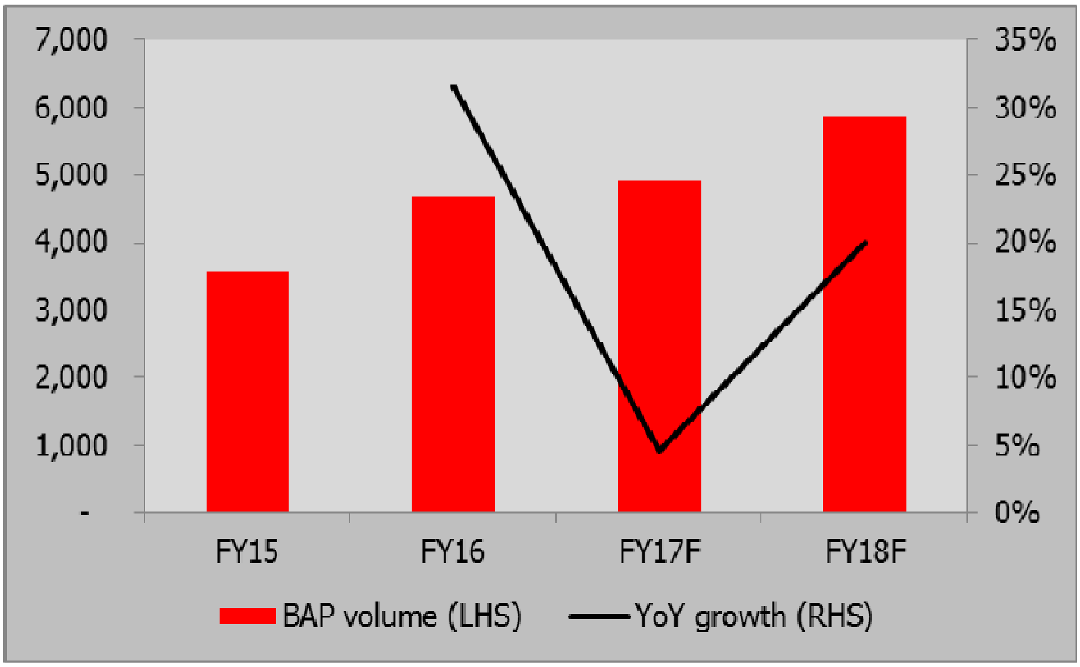
Source: Company, MIDFR

EXHIBIT 5: BAP FY16 SALES MIX

Models	Sales Volume (units)
Mazda 2	1,259
Mazda 3	1,641
Mazda 6	152
CX5	997
CX9	17
MX5	189
BT50	429
Total	**4,684**

Source: Company, MIDFR

EXHIBIT 6: BAP SALES VOLUME GROWTH TO RESUME IN FY18F DUE TO SUPPLY CONSTRAINT IN FY17F



Source: Company, MIDFR

B. EXPORT MARKET EXPANSION

Growing beyond Thailand. 30%-owned associate company Mazda Malaysia Sdn Bhd (MMSB) has secured the rights from Mazda Japan to expand the export market for the CX5 model towards end CY16 (Mazda Motor owns the remaining stake in MMSB). MMSB is currently only exporting (the CX5) to Thailand and this is to expand to all of South East Asia ex-Vietnam, as well as Iran for the Middle East market.

Massive export market prospects. MMSB's existing export market, i.e. Thailand, is the 2nd largest auto market in South East Asia entailing ~800K/annum TIV. The inclusion of Indonesia alone is a big uplift to MMSB's export prospects as Indonesia's TIV is 30% larger than Thailand (at around 1m/annum) and it is also now the largest auto market in the region. The Philippines market meanwhile, which although is slightly less than half of the Malaysian auto market size (i.e. around 300K/annum), is growing at 20%-30% per annum. The Iranian auto market on the other hand entails a market size of some 1.2m/annum, potentially giving a big boost to MMSB's earnings in the next few years. In short, TIV of the markets that MMSB is exporting to/producing for will almost triple from 1.5m currently (comprising just Malaysia and Thailand) to 4.1m post-expansion.

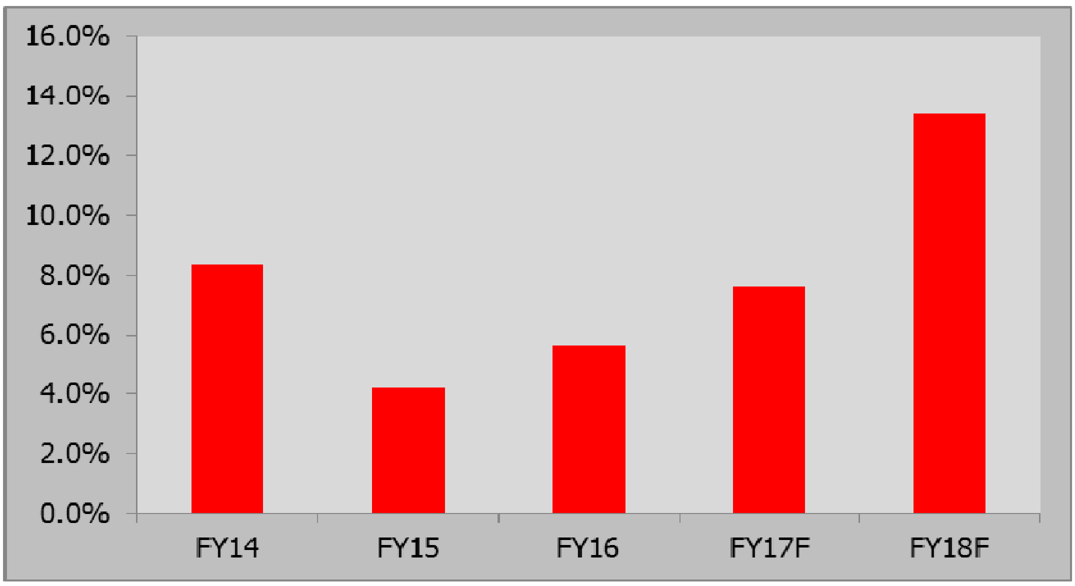
EXHIBIT 7: PROSPECTIVE MARKET TO ALMOST TRIPLE WITH EXPORT EXPANSION

	Population (m)	No. of vehicles (m)	Vehicle Penetration	Annual TIV (m)	Income/capita (USD)
Iran	78.0	7.0	9.0%	1.222	17,300
Indonesia	261.4	20.9	8.0%	1.013	11,035
Thailand	67.0	15.6	23.3%	0.800	16,305
Cambodia	15.1	0.4	2.8%	0.006	3,483
Laos	6.8	0.4	5.8%	0.015	5,675
Myanmar	53.3	0.4	0.7%	0.002	1,244
Malaysia	28.0	14.4	51.3%	0.667	26,891
Singapore	5.4	0.8	15.3%	0.079	85,208
Philippines	98.4	3.5	3.6%	0.289	7,359
Prospective Market (Post-Expansion)				**4.1**	
Prospective Market (Pre-Expansion)				**1.5**	

Source: AAF, World Bank, IMF, MIDFR

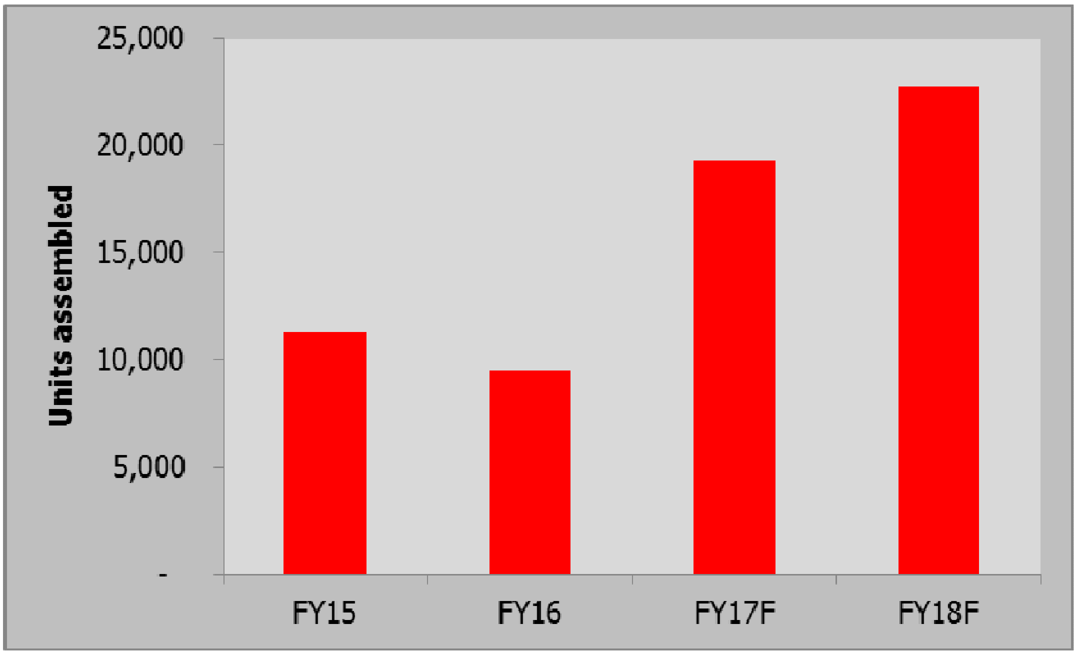
Which units benefit? 30%-owned MMSB is the main beneficiary from higher export volumes being the CKD kit importer and assembler of Mazda models in Malaysia while 29%-owned Inokom is an indirect beneficiary as some of the assembly processes are outsourced to Inokom by MMSB, i.e. trim & final and final inspection and testing. Combined, MMSB and Inokom currently account for 6% of group earnings in FY16. To accommodate the export market expansion, MMSB's capacity will expand to around 30K-35K/annum in Nov 2016 from the current 25K/annum (on 2-shifts) upon completion of its paintshop upgrade. Paintshops are usually the bottlenecks in auto manufacturing plants given the time taken to dry off the paint before a car goes into the trim & final shop. On conservative estimates, we expect MMSB's assembly volumes to grow by some 140% to around 22,800 units/annum by FY18F and 19,000 units in FY17F, from 9,519 units in FY16. Ultimately, associate earnings contribution is forecasted to double to account for 13% of earnings by FY18F from ~6% in FY16. MMSB volumes in FY16 were hit by temporary absence of CX5 sales (ahead of the facelift model launch in Feb-Mar 2016) and painthsop upgrading works at the Inokom plant. It is notable that considering an almost tripling in MMSB's prospective market, the doubling in volume over the next 2 years leans more towards the conservative end of expectations.

EXHIBIT 8: ASSOCIATE CONTRIBUTION TO GROUP EARNINGS TO MORE THAN DOUBLE



Source: Company, MIDFR

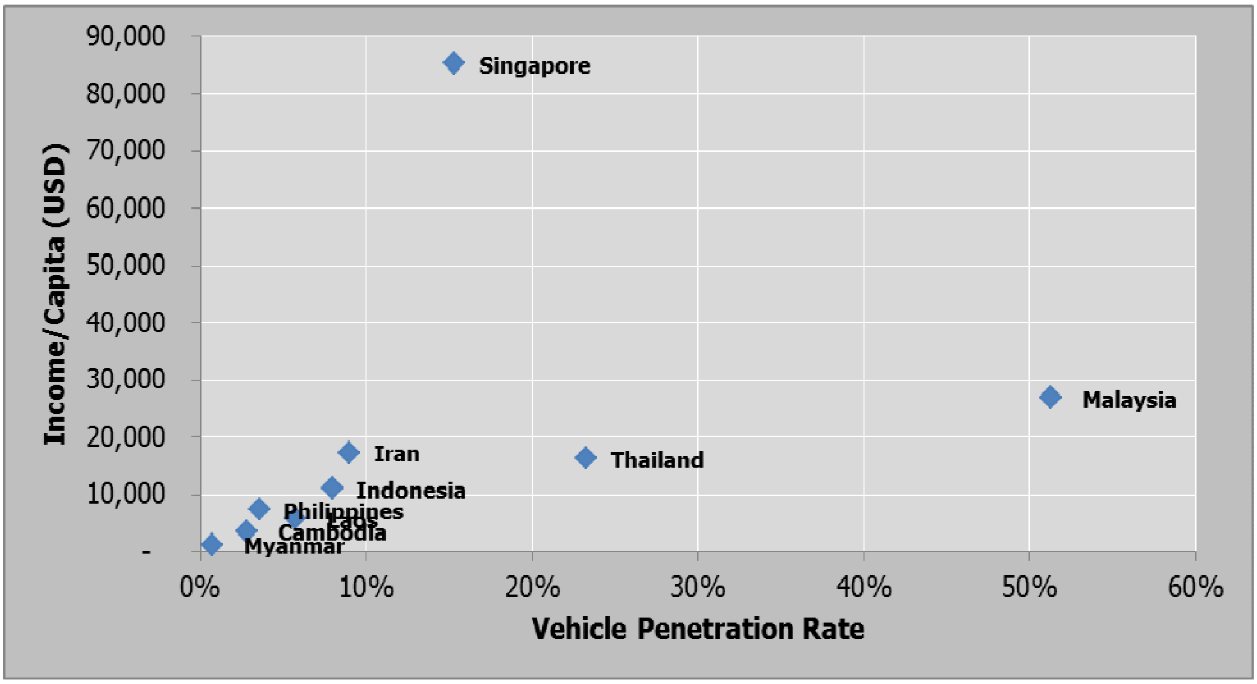
EXHIBIT 9: MMSB ASSEMBLY VOLUME SET TO DOUBLE BY FY18F



Source: Company, MIDFR

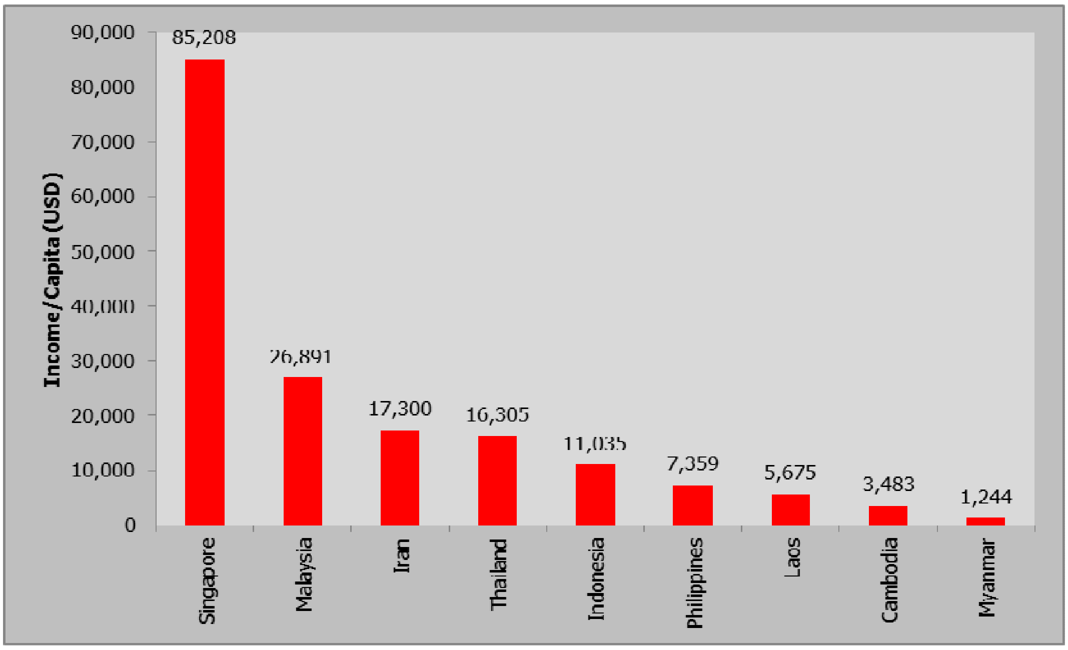
Capitalising on under-penetrated markets. While Thailand is already a considerably large market in the region, the new markets MMSB will be exporting to entails massive potential (given huge populations) and well under-penetrated auto markets. Among the key new markets are Iran and Indonesia which entail annual TIV of 1m-1.2m per annum. More importantly, vehicle penetration rate of 8%-9% in these markets are still very low relative to Malaysia's 51% and Thailand's 23% while income per capita is relatively competitive vs. existing markets served by BAuto or MMSB (See Exhibit 10).

EXHIBIT 10: INDONESIA & IRAN ARE UNDERPENETRATED WITH DECENT INCOME PER CAPITA



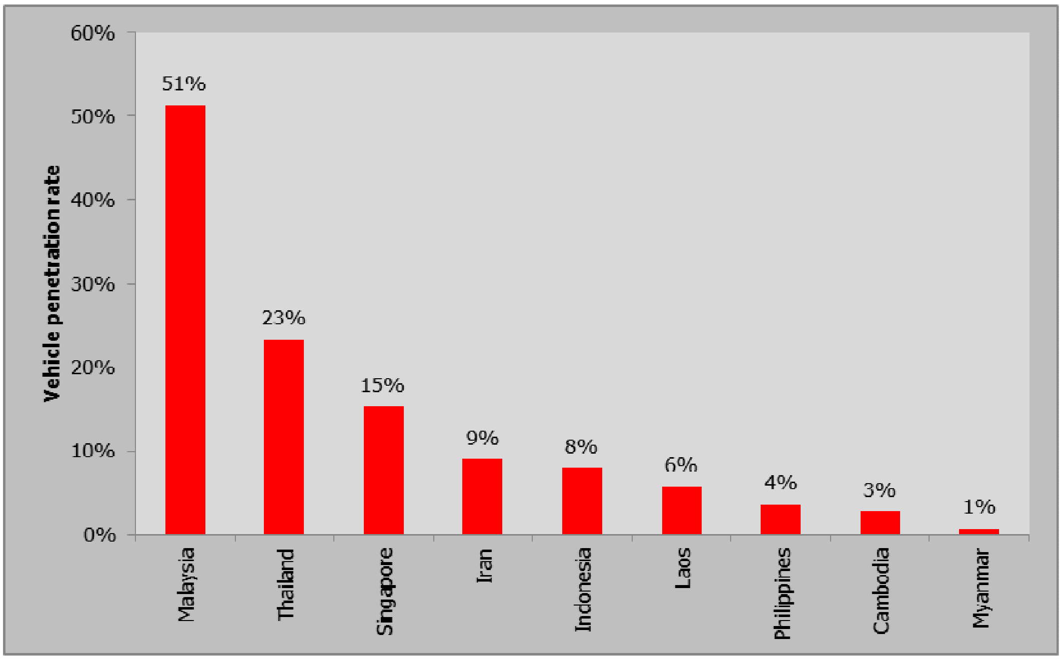
Source: AAF, UN, World Bank, MIDFR

EXHIBIT 11: INCOME/CAPITA COMPARISON OF MMSB'S EXPORT MARKETS



Source: AAF, UN, World Bank, MIDFR

EXHIBIT 12: LOW VEHICLE PENETRATION IN EXPORT MARKETS SUGGESTS HUGE GROWTH POTENTIAL

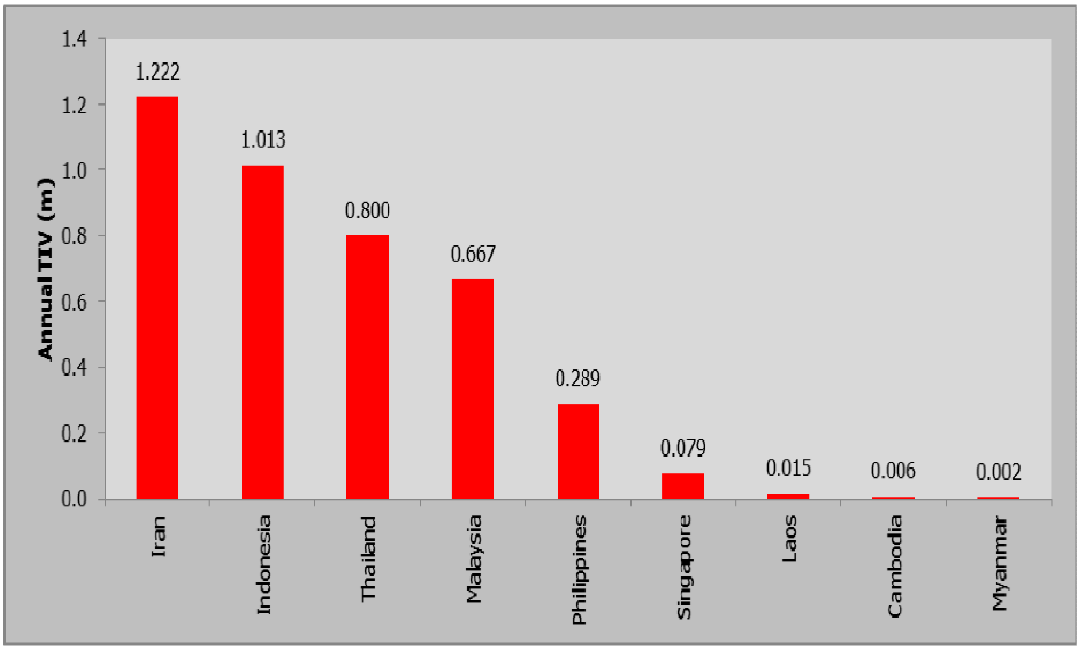


Source: AAF, UN, World Bank, MIDFR

INDONESIAN AUTO MARKET

Largest in South East Asia. Indonesia entails the largest auto market in South East Asia, generating annual sales volume of around 1m per annum. The Japanese makes account for >90% of the market led by Toyota, Honda, Daihatsu, Mitsubishi and Suzuki, while Mazda has a 0.6% market share (See Exhibit 14). Demand still leans towards MPVs (circa 26% of the market, followed by pick-ups and "low cost green cars"), but the popularity of crossovers and SUVs have been rising, particularly in 2016. SUVs are estimated to account for ~10% of the market based on historical statistics.

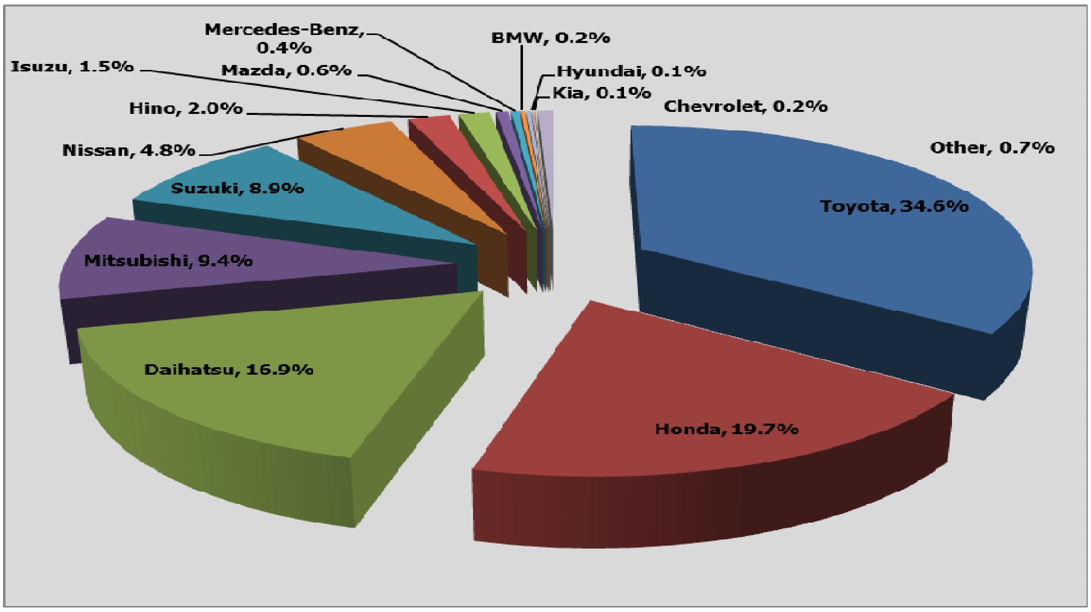
EXHIBIT 13: ANNUAL TIV OF MMSB'S EXPORT MARKETS



Source: AAF, UN, World Bank, MIDFR

SUVs to gain traction. Honda introduced the BRV model earlier this year with around 3,500 unit bookings prior to the launch. More importantly, industry association GAIKINDO (Gabungan Industri Kendaraan Bermotor Indonesia *or Indonesian Motor Vehicle Industry Association in English*) is negotiating with the Government to reduce the luxury tax for SUVs/crossovers from the current 30% to 10%, (in line with the luxury tax for MPVs) to create a more competitive pricing environment for these models. Indonesia's luxury tax (of 10%-75%) is the highest form of taxation for vehicle import akin to Malaysia's excise duty. Other than possibly lower luxury tax as a catalyst, the minimum down payment requirement for vehicle purchases had since mid-2015 been reduced to 25% from 30% originally, giving more access to financing for potential buyers. Around 65% of Indonesia's vehicle purchases are currently made with bank loans.

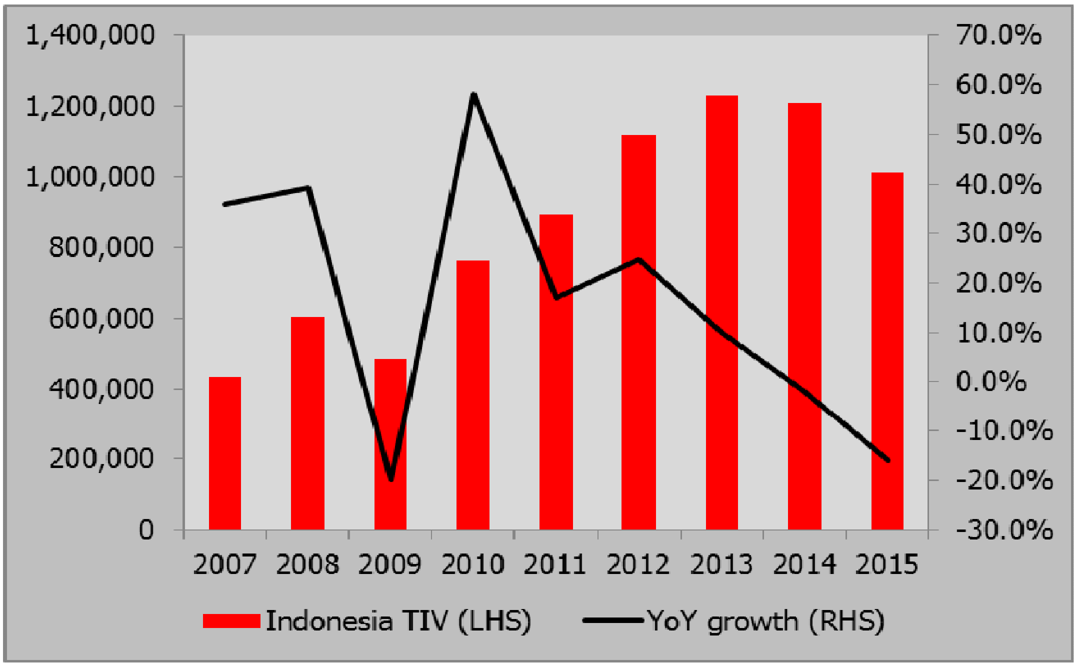
EXHIBIT 14: INDONESIA AUTOMOTIVE MARKET SHARE



Source: AAF, UN, World Bank, MIDFR

Handing over the reins in Indonesia. Mazda has been slow in expanding its presence in Indonesia (with a 0.6% market share) but with the latest change in distributor, it hopes to turn a lot more aggressive. As a recap, Mazda Motor Corporation announced a change in distributorship where it is pulling out and handing over the distributorship of the Mazda marque in Indonesia to Eurokars Group. Eurokars Group is a privately-owned regionally-focused auto distributor focusing primarily on luxury marques. In Indonesia, it represents Porsche, Rolls Royce, Maserati, BMW and Mazda. The group is headquartered in Singapore and has operations in Indonesia, China and Australia where it also distributes Mazda models (except for China).

EXHIBIT 15: INDONESIA HISTORICAL TIV TRENDS



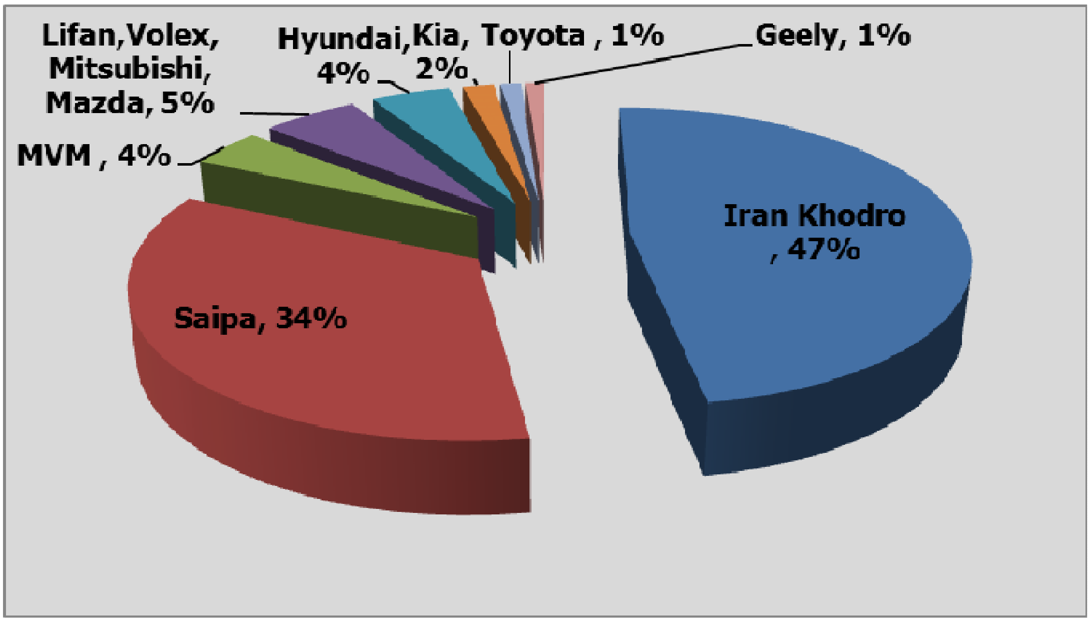
Source: AAF, MIDFR

IRAN IS A MASSIVE POTENTIAL!

The right ingredients for explosive auto demand. While its population is about a third that of Indonesia, Iran is perhaps the largest new export market MMSB will be adding to its portfolio, generating 1.2m in annual TIV and entailing only 9% vehicle penetration. Income per capita is slightly larger than Thailand (See Exhibit 11) and circa 40% of its population are aged 24 years and younger meaning huge potential to tap on for future growth and a possible acceleration in vehicle penetration in the mid-term.

Key players in Iran. The Iranian auto market is dominated by Iran Khodro (other than its own brand, Iran Khodro carries mainly the Peugeot brand via a JV which has a 36% share, besides Mercedes, Renault and Suzuki) and SAIPA (carries among others, Kia, Changan-Citroen and commercial vehicles from Volvo, Dong Feng, Foton and Renault). Hyundai is a big independent foreign player with a 4% share, while Toyota is probably the largest independent Japanese make with a 1.2% share. Mazda is currently a small player in Iran with around 1% market share but Mazda also only had <1% market share in Malaysia when BAuto was listed 2 years ago but this has now grown to 3%. Passenger cars (mainly comprising compact sedans and hatchbacks) account for the bulk of sales (i.e. around 75%) while pick-ups are the next largest at around 15% of market volume. However, SUVs have only started to make inroads into the Iranian auto market, (as evidenced by the introduction of numerous SUV models, especially by the cheaper Chinese brands in the latest auto show) thus the entry of Mazda CX5 into the market looks timely.

EXHIBIT 16: IRAN AUTOMOTIVE MARKET SHARE



Source: ITA, MIDFR

Middle Eastern hub. Iran is a vehicle hub for the Middle Eastern market, exporting cars to neighbouring countries such as Iraq, Egypt and Afghanistan. The auto sector is important to Iran being its second largest sector after oil & gas. The bulk of the increase in Iran's existing vehicle pool only started to come in recent years – back in 2009, total vehicles registered in Iran only numbered 3m. Within a span of 6 years the number has more than doubled to an estimated 7m in 2015 with the lifting of sanctions being a big catalyst. Most of the European car makers are now returning to the market after having pulled out during the sanctions on Iran while Japanese car makers are now following suit

Vehicle scrapping ensures sustained demand. Iran introduced the vehicle scrappage scheme in 2005 with the aim of taking old and inefficient cars off the road. In 2015, over 320,000 vehicles were scrapped (which is about a quarter of Iran's annual TIV) as part of the scheme. The Government expects 200,000 vehicles to be traded in every year for the next 10-15 years. Other than the scrapping scheme, the Government had also introduced new emission systems to modernise the country's fleet, which on average is about 11 years old.

Import tariffs being reduced gradually. Foreign brands continue to enjoy a positive reputation in Iran, despite raising the ire of Iranian officials for their retreat during the sanctions. According to an August 2015 study by Roland Berger, Iranians perceive imported goods as being of superior quality with 49% of those interviewed saying they would be interested in buying an imported car. While importing cars into Iran has been dragged by high import tariffs; CBU imports dropped 35,000-40,000 units during the sanction, but this recovered rapidly in 2014 to 106,000 units and this upward trend is expected to continue. The historically high tariffs are slowly being reduced from as high as 100% to 90% in 2006 and this was lowered again to 70% in 2010 and just 40% in 2013. A gradual lowering of import tariff is in-line with Iran's goal of joining the WTO, among whose members' car import tariffs are 3.5% on average. This bodes well for MMSB's CBU exports into Iran.

Earnings tweaked up. We tweak up our earnings to reflect: (1) The uplift from an expansion in MMSB's export volumes, (2) Higher JPY assumption of 3.9 for both FY17F and FY18F from 3.7 previously, and (3) Higher margins for BAP from commencement of CX5 imports from Malaysia given import duty savings. On net basis, our FY17F earnings remain largely unchanged but FY18F is tweaked upwards by 5%. Our revised forecasts are still conservative as we are 8% below consensus for FY17F and just 1% higher than consensus for FY18F.

C. RECOGNISING BAP'S VALUE

We re-affirm our BUY call on BAuto at a higher TP of RM2.70/share (from RM2.50/share previously) as we switch to an SOP based valuation to better reflect the value of BAuto's stake in BAP. We still value BAuto's domestic operations at 13x CY17F earnings but now peg BAP at 18x CY17F earnings, at a slight premium to its prospective IPO valuation (See Exhibit 17) given the scarcity of auto stocks to gain exposure to the fast growing Philippines auto market and the limited free float for BAP post-IPO.

Key share price catalysts over the next 12 months:

(1) Attractive dividend yield of 7% underpinned by solid net cash which accounts for 14% of market cap and strong FCFE yield of 10% (FY17F). Listing of Philippines unit will bump yields up further given potential one-off special dividends;

(2) Value unlocking from the listing of BAuto Philippines. Current market cap attributes practically no value to BAuto's stake in BAP relative to the 16x indicative IPO valuation and historical sector valuation of 12x (for Malaysian autos). Ex-cash, BAuto trades at just 11x CY17F earnings;

(3) A more than doubling in associate earnings contribution to group (via 30%-owned Mazda Malaysia SB and 29%-owned Inokom) given launch of the facelift CX5 in Mar16 and more importantly, massive export market expansion which will triple MMSB's prospective market.

EXHIBIT 17: BAUTO SUM-OF-PARTS VALUATION

	CY17F net profit (RMm)	PE (x)	Value (RMm)
Malaysia	206	13	2,675
Philippines	23	18	421
Total value			**3,096**
Shares out (m) - fully diluted			1,157
Value/share (RM)			**2.70**

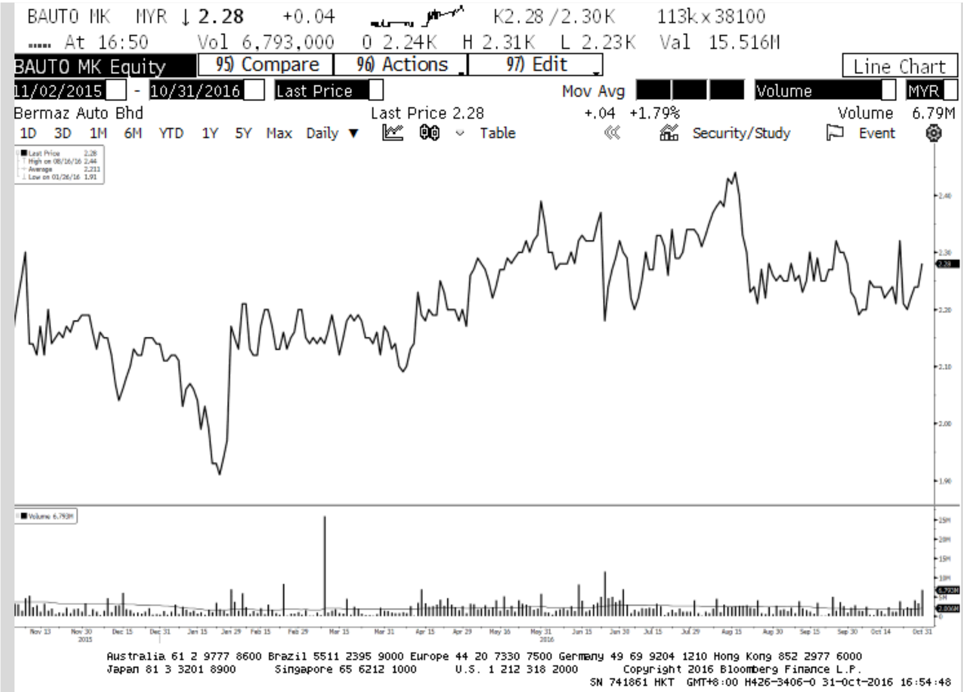
Source: Company, MIDFR

Income Statement	FY14	FY15	FY16	FY17F	FY18F
Revenue	**1,450.8**	**1,829.9**	**2,112.2**	**2,430.4**	**2,578.1**
Operating expenses	(1,284.2)	(1,544.3)	(1,850.2)	(2,167.3)	(2,273.6)
EBIT	**166.6**	**285.6**	**262.1**	**263.1**	**304.5**
Net interest expense	2.3	6.2	5.2	(0.2)	(0.2)
Associates	10.9	9.1	11.4	15.3	32.7
PBT	**179.8**	**300.9**	**278.7**	**278.2**	**337.0**
Taxation	(45.9)	(78.4)	(68.0)	(65.7)	(76.1)
Minority Interest	(3.2)	(7.1)	(12.7)	(12.4)	(17.2)
Net profit	130.6	215.4	198.0	200.0	243.7
Core net profit	**130.6**	**215.4**	**202.1**	**200.0**	**243.7**
Consensus net profit	130.6	215.4	198.1	217.0	241.8
Balance Sheet	**FY14**	**FY15**	**FY16**	**FY17F**	**FY18F**
Non-current assets	**86.1**	**130.8**	**163.5**	**156.0**	**191.7**
PPE	19.8	37.5	43.0	47.1	50.2
Investments in associate	39.8	61.4	74.5	89.8	122.5
Others	26.5	31.9	46.0	19.1	19.1
Current assets	**528.1**	**601.2**	**788.6**	**778.2**	**807.7**
Inventories	263.8	215.6	310.2	364.6	335.1
Receivables	42.8	59.3	64.6	71.7	76.1
Others	36.8	45.4	42.2	15.6	15.6
Cash & equivalent	184.7	280.8	371.6	326.3	380.8
TOTAL ASSETS	**614.2**	**732.0**	**952.1**	**934.2**	**999.4**
Share capital	403.6	406.8	403.6	403.6	403.6
Minority Interest	10.5	18.9	32.3	44.7	61.8
Reserves	(59.7)	69.9	127.5	175.6	212.2
TOTAL EQUITY	**354.4**	**495.6**	**563.4**	**623.9**	**677.6**
Non-current liabilities	**64.9**	**60.5**	**82.5**	**34.7**	**34.7**
Long-term borrowings	2.4	2.4	-	2.4	2.4
Deferred tax liabilities	-	-	-	-	-
Others	62.4	58.1	82.5	32.2	32.2
Current liabilities	**194.9**	**175.9**	**306.3**	**275.6**	**287.1**
Short-term borrowings	46.6	6.6	-	6.6	6.6
Payables	113.2	157.0	241.0	189.9	201.4
Others	35.2	12.3	65.3	79.2	79.2
TOTAL LIABILITIES	**259.8**	**236.4**	**388.8**	**310.3**	**321.8**

Cash Flow Statement	FY14	FY15	FY16	FY17F	FY18F
Operating activities					
PBT	179.8	300.9	267.5	278.2	337.0
Depreciation & Amortization	(5.5)	(6.4)	(10.7)	(10.7)	(10.4)
Chgs in working capital	(51.3)	(74.8)	(24.2)	45.9	36.6
Interest expense	(2.3)	(6.2)	0.2	0.2	0.2
Tax paid	-	-	-	-	-
Others	(35.6)	8.6	11.5	(54.6)	(81.6)
CF from Operations	**85.0**	**222.1**	**244.4**	**259.0**	**281.7**
Investing activities					
Capex	(5.5)	(44.7)	(13.9)	(20.0)	(20.0)
Others	11.3	6.5	5.3	-	-
CF from Investments	**5.7**	**(38.3)**	**(8.5)**	**(20.0)**	**(20.0)**
Financing activities					
Dividends paid	(32.1)	(98.1)	(147.2)	(170.0)	(207.2)
Net proceeds in borrowings	(80.0)	-	-	-	-
Others	25.6	4.5	2.2	-	-
CF from Financing	**(86.5)**	**(93.6)**	**(145.1)**	**(170.0)**	**(207.2)**
Net changes in cash	4.2	90.3	90.7	69.0	54.6
Beginning cash	**182.0**	**186.2**	**280.8**	**371.6**	**440.5**
Overdrafts & Deposits	(0.1)	4.4	-	-	-
Ending cash	**186.2**	**280.8**	**371.6**	**440.5**	**495.1**

Ratios	FY14	FY15	FY16F	FY17F	FY18F
Revenue growth	36.3%	26.1%	19.7%	10.9%	6.1%
EBITDA growth	110.6%	69.7%	-9.2%	3.2%	15.0%
Net profit growth	156.4%	64.9%	-10.9%	4.3%	21.8%
EBITDA margin	11.9%	16.0%	12.1%	11.3%	12.2%
PATAMI margin	9.0%	11.8%	8.8%	8.2%	9.5%
ROE	46.9%	52.5%	37.4%	35.5%	40.8%
Operating ROA	28.8%	42.4%	31.7%	29.1%	31.5%
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Book value/share (RM)	0.30	0.41	0.47	0.50	0.53
PBV (x)	7.7	5.5	4.8	4.6	4.3
EV/EBITDA (x)	10.2	5.6	6.2	5.8	4.8
FCF yield (%)	3.4	7.0	8.9	9.1	9.9

DAILY PRICE CHART



Source: Bloomberg, MIDFR

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DISCLOSURES AND DISCLAIMER

MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.