

Maybank Investment Bank Lists 5 New Call Warrants

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Today marks Maybank Investment Bank Berhad's (Maybank IB) first tranche of structured warrants for 2012, after successfully launching 3 tranches in the third and fourth quarter of 2011. Maybank IB is issuing five new European style cash-settled structured warrants over ordinary shares of Alliance Financial Group Bhd (AFG), Bumi Armada Bhd (ARMADA), DRB-HICOM- Bhd (DRBHCOM), Malaysian Airline System Bhd (MAS) and Top Glove Corporation Bhd (TOPGLOV). This will be Maybank IB's first of many planned alternative investment products designed for the investing public for this year.

Global stock markets were very volatile in 2011, and 2012 is expected to follow that trend. While the US is staging a slow recovery after the global financial crises in 2008 and Europe is still facing a sovereign debt crisis, emerging markets such as Malaysia are likely to benefit, with liquidity being the key factor. Deleveraging of financial institutions from the US to Europe will benefit emerging markets with the advantage of having easier access to funds. With the easing of the monetary policy and fiscal spending through the various government projects under the Economic Transformation Programme (ETP), the Malaysian stock market should remain resilient. The burden of growth now falls upon domestic demand, and investors should look into companies with possible Mmerger and acquisition activities, as well as strong domestic demand.

Maybank IB is keen to offer alternative trading opportunities in times of high volatility with leveraged trading instruments such as structured warrants. According to Tengku Dato' Zafrul Aziz of Maybank IB, "Such volatility hasd enticed the market to trade leveraged instruments, and this can be seen in the sudden surge in volume of structured warrants traded in the previous 3 months ending December 2011".

Maybank IB plans to offer mostly at-the-money structured warrants which are relatively cheap and provide higher leverage. Additionally, Maybank IB also intends to provide structured warrants that have reasonable implied volatility and greater gearing, they are an affordable investment for investors who want to participate in blue-chip stock movement.

In wave of consolidation in the financial industry in recent years, AFG was rumoured to be considering a deal with Hwang-DBS (Malaysia) Bhd, a full-fledged investment bank. AFG and Hwang-DBS are indirectly owned by Temasek Holdings Pte. Ltd. (Temasek) and as AFG's investment banking operations are relatively small, Temasek is likely to consolidate their operations. This is also in line with AFG's strategy to diversify its business and boost its non-interest income. Maybank-IB's call warrant on AFG is priced with an exercise ratio of 4 and a gearing of 6.43 times.

Bumi Armada is an international offshore service provider to the oil and gas (O&G) industry Asia, Africa and Latin America. The company, recently secured a 4 year charter and operations contract from Petrobras SA for its Anchor Handling Towing Support (AHTS) vessel at a premium charter rate of US\$2.82 per bhp per day. This contract award will raise the group's vessel utilisation rate from 93% in the third quarter of 2011 to approximately 95%.

Apart from that, ARMADA'S order book, which stands at RM10.4 bil inclusive of RM 3.1 bil in renewable options, represents 4.5x of its FY12x revenue. This could rise higher as the company is bidding for more Floating Production Storage Offloading (FPSO) contracts in countries such as Malaysia, India, Vietnam and Brazil.

Maybank- IB's call warrant on ARMADA is priced with an exercise ratio of 5 and gearing of 5.48 times.

DRBHCOM, is an investment holding company, where its main profit contributor is from the manufacturing, assembly and distribution of motor vehicles for brands such as Proton, Honda, Hyundai, Mitsubishi, Isuzu and Citroen. Recently, a deal was reached between DRBHCOM and Khazanah Nasional for the former to buy a 43% stake in national carmaker, Proton, for RM 5.50 per share. This deal is

advantageous for DRBHCOR, in the longterm, as the entity would control 54% of the domestic vehicle sales, as well as and 2 two car plants, capable of producing 350,000 vehicles annually. DRBHCOR, through its strategic partnership with key foreign players, would also be able to utilise Proton's existing facilities as a manufacturing hub. Maybank- IB's DRBHCOR call warrant is priced with an exercise ratio of 3 and gearing of 64 times.

MAS recently announced a turnaround strategy which includes reducing their capacity and withdrawing from unprofitable routes. This is seen as a positive move in helping the entity return to profitability. The national carrier intends to reduce capacity on its longer-haul and, less-profitable routes such as Rome, Buenos Aires, and Johannesburg, and will re-deploy some aircrafts to short- haul and, protected routes (i.e. Beijing, Shanghai & Taipei), which have less competition. This would enhance overall yields as these routes have higher load factors. With key hires on its management team as well as Datuk Kamaruddin Meranun and Tan Sri Tony Fernandes on its board of directors, MAS is on a path to financial recovery with its stronger footing. Maybank -IB's MAS call warrant is priced with an exercise ratio of 3 and gearing of 43.60 times.

TOPGLOV is the world's largest rubber glove manufacturer. TOPGLOV produces latex examination, nitrile, vinyl, surgical, household and industrial gloves, and exports to more than 180 countries worldwide. The management is looking at a 30% growth in its FY12 net profit. Currently, TOPGLOV's utilisation rate stands at 70% and if full utilisation is achieved, TOPGLOV would have a 30% market share in the global rubber glove manufacturing industry. Maybank- IB's TOPGLOV call warrant is priced with an exercise ratio of 6 and gearing of 5.77 times.

About Maybank Investment Bank Berhad

Maybank Investment Bank Berhad (“Maybank IB”), incorporated under the name of Asian & Euro-American Merchant Bankers Malaysia in 1973, was formed to undertake the full range of investment banking services. Maybank IB has one of the most extensive dealing networks in the country, supported by one of the best research houses. It has vast experience in undertaking large Initial Public Offerings of both domestic and international firms, and executing primary/ private placements, share buybacks, and mergers & acquisitions. In addition, Maybank IB has a history of successfully arranging and advising on both conventional and Islamic bond issues. Maybank IB also provides equity and commodity solutions, which serve as a catalyst for product innovation and provide a platform to customise products and solutions for retail, corporate and institutional clients.