

# Malaysia Aviation

# NEUTRAL

 (Unchanged)

## It gets serious

- MAS' second capacity cuts will create a new equilibrium to the market supply-demand.
- Expect industry load factor and yields to rise significantly from Aug 2015 onwards.
- Maintain BUY on AirAsia; sector recovery is well underway.

### Analyst

Mohshin Aziz  
 (603) 2297 8692  
 mohshin.aziz@maybank-ib.com

## What's New

Malaysia Airlines (MAS) is believed to have launched the second wave of route and capacity cuts, based on our channel checks. These changes are expected to take effect from Aug 2015.

## What's Our View

The first wave of route cuts (Kuala Lumpur to Frankfurt, Krabi, Kochi and Kunming) was immaterial and has no noticeable impact on AirAsia and Malindo Air.

However, the impact of the upcoming second wave should be more pronounced with frequency reductions on several regional routes and termination of two routes (Kuala Lumpur to Brisbane and Male). As this will take place in Aug, we believe that yields will quickly move up from thereon.

We believe MAS will have to announce even more route cuts and capacity reduction due to its extensive headcount reduction which involves 6,000 employees by end-Aug 2015. This will benefit the industry to weed out excess capacity, cut wastages, boost load factor and reverse the declining yield trend.

The biggest beneficiary is AirAsia (AIRA MK, BUY) as it has the most route overlap with MAS, followed by Malindo Air (Not Rated), AirAsia X (AAX MK, HOLD) and to a lesser extend Cebu Pacific (CEB PM, BUY). For Malaysia Airports (MAHB MK, HOLD) however, this development is not positive as it will reduce its traffic volume.

### Media sector - Peer valuation summary

Stock	Rec	Shr px MYR	Mkt cap MYR m	TP MYR	PER (x)			P/BV (x)		ROE (%)		Net yield (%) CY15F
					CY14A	CY15F	CY16F	CY14A	CY15F	CY14A	CY15F	
AirAsia	Buy	1.60	4,452.8	2.45	11.0	5.9	6.3	1.0	0.8	8.9	13.5	0.0
AirAsia X	Hold	0.23	933.3	0.30	n.a.	6.1	3.9	0.8	0.6	(58.3)	9.9	0.0
MAHB	Hold	6.20	10,287.0	6.75	55.9	64.6	32.6	1.1	1.0	2.0	1.5	0.6

Source: Maybank KE

## MAS' capacity cuts will shift the equilibrium

The airline industry is a very competitive industry. Any changes in the number of flights will quickly shift the supply-demand dynamics and greatly impact on overall load factor and yields. There is a fine equilibrium and it will quickly shift whenever any of the variables have been altered.

### First wave of route cuts was immaterial

MAS has already cancelled four flights in 2Q15 as shown in the table below. The overall impact wasn't meaningful as these are thin routes with only a handful of players. Nonetheless, AirAsia and Malindo Air did benefit slightly from this first wave.

#### MAS first wave capacity cuts

Routes	Effective date	Frequency	Impact
Kuala Lumpur to Frankfurt	29-May-2015	7x week	Positive for Lufthansa
Kuala Lumpur to Kunming	30-Apr-2015	4x week	No impact, exclusive to MAS
Kuala Lumpur to Krabi	6-May-2015	14x week	Positive for AirAsia
Kuala Lumpur to Kochi	1-Jun-2015	7x week	Positive for AirAsia and Malindo Air

Sources: MAS, Maybank KE

### Second wave of route cuts gets more serious

The second wave of route cuts is more directed towards the regional and Australian routes. This intersects with AirAsia, AirAsia X and Malindo Air's portfolios directly. Thus, we believe there will be a shift in market equilibrium and load factor and yields are likely to rise for the three carriers. The quantum of impact will vary according to how big and how well served the route is.

#### MAS second wave capacity cuts

Routes	Effective date	Action	Impact
Kuala Lumpur to Brisbane	9-Aug-2015	Terminate	Positive for AirAsia X's Gold Coast flight
Kuala Lumpur to Guangzhou	15-Aug-2015	Reduce frequency (2x to 1x daily)	Positive for AirAsia and China Southern
Kuala Lumpur to Ho Chi Minh	15-Aug-2015	Reduce frequency (4x to 3x daily)	Slight positive for AirAsia and Vietnam Air, very dense market
Kuala Lumpur to Hong Kong	15-Aug-2015	Reduce frequency (4x to 3x daily)	Slight positive for AirAsia and Cathay Pacific, very dense market
Kuala Lumpur to Male	23-Aug-2015	Terminate	Nobody flies direct to Male after this
Kuala Lumpur to Manila	15-Aug-2015	Reduce frequency (5x to 4x daily)	Slight positive to AirAsia and Cebu Pacific, very dense market
Kuala Lumpur to Perth	15-Aug-2015	Reduce frequency (12x to 7x weekly)	Neutral, Malindo Air will launch new daily services to Perth and therefore negating any positive impact from MAS's cut.
Kuala Lumpur to Siem Reap	17-Aug-2015	Reduce frequency (7x to 5x weekly)	Very positive for AirAsia, only two airlines serving this route.
Kuala Lumpur to Taipei	15-Aug-2015	Reduce frequency (2x to 1x daily)	Slight positive for AirAsia X and EVA Air
Kuala Lumpur to Yangon	18-Aug-2015	Reduce frequency (14x to 11x weekly)	Positive for AirAsia and Myanmar Airways

Sources: MAS, Maybank KE

## There will be more

We think there will be more route cuts to be announced in the coming months because the vast headcount cut at MAS will necessitate further capacity cuts. As a rule of thumb, MAS needs roughly 45-55 employees per flight. We estimate that the second wave of capacity cuts will only involve 800-1,000 employees. Given that roughly 6,000 employees have been / will be terminated, MAS will inevitably announce more route cuts.

We list down in the table below for routes that we deem have the potential to be terminated or cut in capacity. Note that this is based on our forecast only, and the Company has not given any indication.

### MAS potential capacity cuts

Routes	Action	Note
Kuala Lumpur to Amsterdam	Terminate	Demand dried up after MH17, MAS can transfer passengers to AirFrance-KLM via its code share
Kuala Lumpur to Paris	Terminate or downsize aircraft	MAS is unable to fill its Airbus A380 aircraft
Kuala Lumpur to Istanbul	Terminate	No chance to compete with Turkish Air
Kuala Lumpur to Dubai	Terminate	No business case to fly this route
Kuala Lumpur to Darwin	Terminate	No business case to fly this route
Kuala Lumpur to Osaka	Terminate or reduce frequency	Seasonal route
Kuala Lumpur to Adelaide	Terminate or reduce frequency	Seasonal route
Kuala Lumpur to Sydney	Reduce frequency	Currently 3x day, should be only 2x day
Kuala Lumpur to Melbourne	Reduce frequency	Currently 3x day, should be only 2x day
Kuala Lumpur to Singapore	Reduce frequency	Too much capacity, no differentiation factor
Kuala Lumpur to Bangkok	Reduce frequency	Too much capacity, more leisure centric
Kuala Lumpur to Jakarta	Reduce frequency	Over-served market
Kuala Lumpur to Bali	Reduce frequency	Leisure centric market
Kuala Lumpur to Kota Kinabalu	Reduce frequency	Over-served market, too much competition
Kuala Lumpur to Kuching	Reduce frequency	Over-served market, too much competition
Kuala Lumpur to Penang	Reduce frequency	New train service will shift market share
Kuala Lumpur to Langkawi	Reduce frequency	Over-served market
Kuala Lumpur to Kuantan	Terminate	Traffic is spotty, sometimes full but empty on most accounts

Sources: MAS, Maybank KE

## The next two months will be packed with announcements

We think the next two months (Jul-Aug) will be packed with announcements by MAS. MAS has to provide 2-3 months forward notice before it can terminate routes in order to manage its customers' booking schedule and therefore this is the applicable window time. This material newsflow could potentially provide a rerating to the sector, in our view.

## Recommendation

### **AirAsia: BUY MYR2.45 TP**

AirAsia is clearly the biggest beneficiary of MAS' route restructuring because it has the highest route overlap with MAS. This should enable AirAsia to enjoy better load factors with higher yields as the reduced supply from the market will not fester the market demand. We have mentioned in our earlier reports that AirAsia will likely see a year of two halves in 2015, and we think the 2H15 will be one with very convincing performance. **BUY**; the stock is trading superbly cheap at only 5.9x FY15 PER.

### **AirAsia X: HOLD MYR0.30 TP**

On face cover, MAS' capacity cuts to Brisbane, Perth and Taipei will benefit AirAsia X in terms of better load factors and higher yields. However, Malindo Air is adding new services to these routes and it will nullify any benefits of MAS' capacity cuts. Furthermore, we think Malindo could potentially steal market share away from AirAsia X given its superior cabin products and services. We maintain our HOLD call and TP for AirAsia X for now pending a management visit as we seek greater clarity on their growth plans.

### **Malaysia Airports Holdings: HOLD MYR6.75 TP**

These developments by MAS are not positive for MAHB, but nonetheless it is expected. Our base forecast for MAHB has largely prized in the risk of capacity cuts by MAS and therefore we retain our earnings forecasts and HOLD recommendation.

### **Malindo Air: Not Listed**

Malindo Air is very lucky as its new route launches to Taipei and Australia coincide with MAS cutting capacity on these destinations. This will help it to spool up demand and reduce the need to provide deeply cheap promotional tickets in the start-up stage. We are impressed with Malindo Air's growth strategy thus far and we believe it could add another layer of competition to the Malaysian aviation industry in the next one to two years.

## Research Offices

### REGIONAL

**Sadiq CURRIMBHOY**  
Regional Head, Research & Economics  
(65) 6231 5836 [sadiq@maybank-ke.com.sg](mailto:sadiq@maybank-ke.com.sg)

**WONG Chew Hann, CA**  
Regional Head of Institutional Research  
(603) 2297 8686 [wchewh@maybank-ib.com](mailto:wchewh@maybank-ib.com)

**ONG Seng Yeow**  
Regional Head of Retail Research  
(65) 6432 1453  
[ongsengyeow@maybank-ke.com.sg](mailto:ongsengyeow@maybank-ke.com.sg)

### ECONOMICS

**Suhaimi ILIAS**  
Chief Economist  
Singapore | Malaysia  
(603) 2297 8682 [suhaimi\\_ilias@maybank-ib.com](mailto:suhaimi_ilias@maybank-ib.com)

**Luz LORENZO**  
Philippines  
(63) 2 849 8836  
[luz\\_lorenzo@maybank-atrke.com](mailto:luz_lorenzo@maybank-atrke.com)

**Tim LEELAHAPHAN**  
Thailand  
(66) 2658 6300 ext 1420  
[tim.l@maybank-ke.co.th](mailto:tim.l@maybank-ke.co.th)

**JUNIMAN**  
Chief Economist, BI  
Indonesia  
(62) 21 29228888 ext 29682  
[Juniman@bankbii.com](mailto:Juniman@bankbii.com)

### STRATEGY

**Sadiq CURRIMBHOY**  
Global Strategist  
(65) 6231 5836 [sadiq@maybank-ke.com.sg](mailto:sadiq@maybank-ke.com.sg)

**Willie CHAN**  
Hong Kong / Regional  
(852) 2268 0631 [williechan@kimeng.com.hk](mailto:williechan@kimeng.com.hk)

### MALAYSIA

**WONG Chew Hann, CA** *Head of Research*  
(603) 2297 8686 [wchewh@maybank-ib.com](mailto:wchewh@maybank-ib.com)  
• Strategy

**Desmond CH'NG, ACA**  
(603) 2297 8680  
[desmond.chng@maybank-ib.com](mailto:desmond.chng@maybank-ib.com)  
• Banking & Finance

**LIAW Thong Jung**  
(603) 2297 8688 [tjliaw@maybank-ib.com](mailto:tjliaw@maybank-ib.com)  
• Oil & Gas Services - Regional

**ONG Chee Ting, CA**  
(603) 2297 8678 [ct.ong@maybank-ib.com](mailto:ct.ong@maybank-ib.com)  
• Plantations - Regional

**Mohshin AZIZ**  
(603) 2297 8692 [mohshin.aziz@maybank-ib.com](mailto:mohshin.aziz@maybank-ib.com)  
• Aviation - Regional • Petrochem

**YIN Shao Yang, CPA**  
(603) 2297 8916 [samuel.y@maybank-ib.com](mailto:samuel.y@maybank-ib.com)  
• Gaming - Regional • Media

**TAN Chi Wei, CFA**  
(603) 2297 8690 [chiwei.t@maybank-ib.com](mailto:chiwei.t@maybank-ib.com)  
• Power • Telcos

**WONG Wei Sum, CFA**  
(603) 2297 8679 [weisum@maybank-ib.com](mailto:weisum@maybank-ib.com)  
• Property

**LEE Yen Ling**  
(603) 2297 8691 [lee.yl@maybank-ib.com](mailto:lee.yl@maybank-ib.com)  
• Building Materials • Glove • Ports • Shipping

**CHAI Li Shin, CFA**  
(603) 2297 8684 [lshin.c@maybank-ib.com](mailto:lshin.c@maybank-ib.com)  
• Plantation • Construction & Infrastructure

**Ivan YAP**  
(603) 2297 8612 [ivan.yap@maybank-ib.com](mailto:ivan.yap@maybank-ib.com)  
• Automotive • Semiconductor • Technology

**Kevin WONG**  
(603) 2082 6824 [kevin.wong@maybank-ib.com](mailto:kevin.wong@maybank-ib.com)  
• REITs • Consumer Discretionary

**LIEW Wei Han**  
(603) 2297 8676 [weihan.l@maybank-ib.com](mailto:weihan.l@maybank-ib.com)  
• Consumer Staples

**LEE Cheng Hooi** *Regional Chartist*  
(603) 2297 8694  
[chenghooi.lee@maybank-ib.com](mailto:chenghooi.lee@maybank-ib.com)

**Tee Sze Chiah** *Head of Retail Research*  
(603) 2297 6858 [szechiah.t@maybank-ib.com](mailto:szechiah.t@maybank-ib.com)

### HONG KONG / CHINA

**Howard WONG** *Head of Research*  
(852) 2268 0648  
[howardwong@kimeng.com.hk](mailto:howardwong@kimeng.com.hk)  
• Oil & Gas - Regional

**Alexander LATZER**  
(852) 2268 0647  
[alexanderlatzer@kimeng.com.hk](mailto:alexanderlatzer@kimeng.com.hk)  
• Metals & Mining - Regional

**Benjamin HO**  
(852) 2268 0632 [benjaminho@kimeng.com.hk](mailto:benjaminho@kimeng.com.hk)  
• Consumer & Auto

**Jacqueline KO, CFA**  
(852) 2268 0633 [jacquelineko@kimeng.com.hk](mailto:jacquelineko@kimeng.com.hk)  
• Consumer Staples & Durables

**Ka Leong LO, CFA**  
(852) 2268 0630 [klo@kimeng.com.hk](mailto:klo@kimeng.com.hk)  
• Consumer Discretionary & Auto

**Mitchell KIM**  
(852) 2268 0634 [mitchellkim@kimeng.com.hk](mailto:mitchellkim@kimeng.com.hk)  
• Internet & Telcos

**Osbert TANG, CFA**  
(86) 21 5096 8370  
[osberttang@kimeng.com.hk](mailto:osberttang@kimeng.com.hk)  
• Transport & Industrials

**Ricky WK NG, CFA**  
(852) 2268 0689 [rickyng@kimeng.com.hk](mailto:rickyng@kimeng.com.hk)  
• Utilities & Renewable Energy

**Steven ST CHAN**  
(852) 2268 0645 [stevanchan@kimeng.com.hk](mailto:stevanchan@kimeng.com.hk)  
• Banking & Financials - Regional

**Warren LAU**  
(852) 2268 0644  
[warrentlau@kimeng.com.hk](mailto:warrentlau@kimeng.com.hk)  
• Technology - Regional

### INDIA

**Jigar SHAH** *Head of Research*  
(91) 22 6623 2632 [jigar@maybank-ke.co.in](mailto:jigar@maybank-ke.co.in)  
• Oil & Gas • Automobile • Cement

**Anubhav GUPTA**  
(91) 22 6623 2605 [anubhav@maybank-ke.co.in](mailto:anubhav@maybank-ke.co.in)  
• Metal & Mining • Capital Goods • Property

**Vishal MODI**  
(91) 22 6623 2607 [vishal@maybank-ke.co.in](mailto:vishal@maybank-ke.co.in)  
• Banking & Financials

**Abhijeet KUNDU**  
(91) 22 6623 2628 [abhijeet@maybank-ke.co.in](mailto:abhijeet@maybank-ke.co.in)  
• Consumer

**Neerav DALAL**  
(91) 22 6623 2606 [neerav@maybank-ke.co.in](mailto:neerav@maybank-ke.co.in)  
• Software Technology • Telcos

### SINGAPORE

**NG Wee Siang** *Head of Research*  
(65) 6231 5838 [ngweesiang@maybank-ke.com.sg](mailto:ngweesiang@maybank-ke.com.sg)  
• Banking & Finance

**Gregory YAP**  
(65) 6231 5848 [gyap@maybank-ke.com.sg](mailto:gyap@maybank-ke.com.sg)  
• SMD Caps  
• Technology & Manufacturing • Telcos

**YEAK Chee Keong, CFA**  
(65) 6231 5842  
[yeakcheekeong@maybank-ke.com.sg](mailto:yeakcheekeong@maybank-ke.com.sg)  
• Offshore & Marine

**Derrick HENG, CFA**  
(65) 6231 5843 [derrickheng@maybank-ke.com.sg](mailto:derrickheng@maybank-ke.com.sg)  
• Transport • Property • REITs (Office)

**Joshua TAN**  
(65) 6231 5850 [joshuatn@maybank-ke.com.sg](mailto:joshuatn@maybank-ke.com.sg)  
• REITs (Retail, Industrial)

**WEI Bin**  
(65) 6231 5844 [weibin@maybank-ke.com.sg](mailto:weibin@maybank-ke.com.sg)  
• Commodity • Logistics • S-chips

**John CHEONG**  
(65) 6231 5845 [johncheong@maybank-ke.com.sg](mailto:johncheong@maybank-ke.com.sg)  
• Small & Mid Caps • Healthcare

**TRUONG Thanh Hang**  
(65) 6231 5847 [hang.truong@maybank-ke.com.sg](mailto:hang.truong@maybank-ke.com.sg)  
• Small & Mid Caps

### INDONESIA

**Isnaputra ISKANDAR** *Head of Research*  
(62) 21 2557 1129  
[isnaputra.iskandar@maybank-ke.co.id](mailto:isnaputra.iskandar@maybank-ke.co.id)  
• Strategy • Metals & Mining • Cement

**Rahmi MARINA**  
(62) 21 2557 1128  
[rahmi.marina@maybank-ke.co.id](mailto:rahmi.marina@maybank-ke.co.id)  
• Banking & Finance

**Aurellia SETIABUDI**  
(62) 21 2953 0785  
[aurellia.setiabudi@maybank-ke.co.id](mailto:aurellia.setiabudi@maybank-ke.co.id)  
• Property

**Pandu ANUGRAH**  
(62) 21 2557 1137  
[pandu.anugrah@maybank-ke.co.id](mailto:pandu.anugrah@maybank-ke.co.id)  
• Infra • Construction • Transport • Telcos

**Janni ASMAN**  
(62) 21 2953 0784  
[janni.asman@maybank-ke.co.id](mailto:janni.asman@maybank-ke.co.id)  
• Cigarette • Healthcare • Retail

**Adhi TASMIN**  
(62) 21 2557 1209  
[adhi.tasmin@maybank-ke.co.id](mailto:adhi.tasmin@maybank-ke.co.id)  
• Plantations

### PHILIPPINES

**Luz LORENZO** *Head of Research*  
(63) 2 849 8836  
[luz\\_lorenzo@maybank-atrke.com](mailto:luz_lorenzo@maybank-atrke.com)  
• Strategy  
• Utilities • Conglomerates • Telcos

**Lovell SARREAL**  
(63) 2 849 8841  
[lovell\\_sarreal@maybank-atrke.com](mailto:lovell_sarreal@maybank-atrke.com)  
• Consumer • Media • Cement

**Rommel RODRIGO**  
(63) 2 849 8839  
[rommel\\_rodrigo@maybank-atrke.com](mailto:rommel_rodrigo@maybank-atrke.com)  
• Conglomerates • Property • Gaming  
• Ports/ Logistics

**Katherine TAN**  
(63) 2 849 8843  
[kate\\_tan@maybank-atrke.com](mailto:kate_tan@maybank-atrke.com)  
• Banks • Construction

**Ramon ADVIENTO**  
(63) 2 849 8845  
[ramon\\_adviento@maybank-atrke.com](mailto:ramon_adviento@maybank-atrke.com)  
• Mining

**Michael BENGSON**  
(63) 2 849 8840  
[michael\\_bengson@maybank-atrke.com](mailto:michael_bengson@maybank-atrke.com)  
• Conglomerates

**Jaclyn JIMENEZ**  
(63) 2 849 8842  
[jaclyn\\_jimenez@maybank-atrke.com](mailto:jaclyn_jimenez@maybank-atrke.com)  
• Consumer

**Arabelle MAGHIRANG**  
(63) 2 849 8838  
[arabelle\\_maghirang@maybank-atrke.com](mailto:arabelle_maghirang@maybank-atrke.com)  
• Banks

### THAILAND

**Maria LAPIZ** *Head of Institutional Research*  
Dir (66) 2257 0250 | (66) 2658 6300 ext 1399  
[Maria.L@maybank-ke.co.th](mailto:Maria.L@maybank-ke.co.th)  
• Consumer • Materials • Ind. Estates

**Sittichai DUANGRATTANACHAYA**  
(66) 2658 6300 ext 1393  
[Sittichai.D@maybank-ke.co.th](mailto:Sittichai.D@maybank-ke.co.th)  
• Services Sector • Transport

**Sukit UDOMSIRIKUL** *Head of Retail Research*  
(66) 2658 6300 ext 5090  
[Sukit.u@maybank-ke.co.th](mailto:Sukit.u@maybank-ke.co.th)

**Mayuree CHOWVIKARAN**  
(66) 2658 6300 ext 1440  
[mayuree.c@maybank-ke.co.th](mailto:mayuree.c@maybank-ke.co.th)  
• Strategy

**Padon VANNARAT**  
(66) 2658 6300 ext 1450  
[Padon.v@maybank-ke.co.th](mailto:Padon.v@maybank-ke.co.th)  
• Strategy

**Surachai PRAMUALCHAROENKIT**  
(66) 2658 6300 ext 1470  
[Surachai.p@maybank-ke.co.th](mailto:Surachai.p@maybank-ke.co.th)  
• Auto • Conmat • Contractor • Steel

**Suttatip PEERASUB**  
(66) 2658 6300 ext 1430  
[suttatip.p@maybank-ke.co.th](mailto:suttatip.p@maybank-ke.co.th)  
• Media • Commerce

**Sutthichai KUMWORACHAI**  
(66) 2658 6300 ext 1400  
[sutthichai.k@maybank-ke.co.th](mailto:sutthichai.k@maybank-ke.co.th)  
• Energy • Petrochem

**Termporn TANTIVIVAT**  
(66) 2658 6300 ext 1520  
[termporn.t@maybank-ke.co.th](mailto:termporn.t@maybank-ke.co.th)  
• Property

**Jaroonpan WATTANAWONG**  
(66) 2658 6300 ext 1404  
[jaroonpan.w@maybank-ke.co.th](mailto:jaroonpan.w@maybank-ke.co.th)  
• Transportation • Small cap

**Chatchai JINDARAT**  
(66) 2658 6300 ext 1401  
[chatchai.j@maybank-ke.co.th](mailto:chatchai.j@maybank-ke.co.th)  
• Electronics

### VIETNAM

**THAI Quang Trung, CFA**, *Deputy Manager*,  
Institutional Research  
(84) 8 44 555 888 x 8180  
[thung.thai@maybank-kimeng.com.vn](mailto:thung.thai@maybank-kimeng.com.vn)  
• Real Estate • Construction • Materials

**Le Nguyen Nhat Chuyen**  
(84) 8 44 555 888 x 8082  
[chuyen.le@maybank-kimeng.com.vn](mailto:chuyen.le@maybank-kimeng.com.vn)  
• Oil & Gas

**NGUYEN Thi Ngan Tuyen**, *Head of Retail Research*  
(84) 8 44 555 888 x 8081  
[tuyen.nguyen@maybank-kimeng.com.vn](mailto:tuyen.nguyen@maybank-kimeng.com.vn)  
• Food & Beverage • Oil&Gas • Banking

**TRINH Thi Ngoc Diep**  
(84) 4 44 555 888 x 8208  
[diep.trinh@maybank-kimeng.com.vn](mailto:diep.trinh@maybank-kimeng.com.vn)  
• Technology • Utilities • Construction

**PHAM Nhat Bich**  
(84) 8 44 555 888 x 8083  
[bich.pham@maybank-kimeng.com.vn](mailto:bich.pham@maybank-kimeng.com.vn)  
• Consumer • Manufacturing • Fishery

**NGUYEN Thi Sony Tra Mi**  
(84) 8 44 555 888 x 8084  
[mi.nguyen@maybank-kimeng.com.vn](mailto:mi.nguyen@maybank-kimeng.com.vn)  
• Port operation • Pharmaceutical  
• Food & Beverage

## APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

### DISCLAIMERS

This research report is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. Investors should note that values of such securities, if any, may fluctuate and that each security's price or value may rise or fall. Opinions or recommendations contained herein are in form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from the relevant jurisdiction's stock exchange in the equity analysis. Accordingly, investors' returns may be less than the original sum invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Maybank Investment Bank Berhad, its subsidiary and affiliates (collectively, "MKE") and consequently no representation is made as to the accuracy or completeness of this report by MKE and it should not be relied upon as such. Accordingly, MKE and its officers, directors, associates, connected parties and/or employees (collectively, "Representatives") shall not be liable for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Any information, opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. MKE expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

MKE and its officers, directors and employees, including persons involved in the preparation or issuance of this report, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. MKE may, to the extent permitted by law, act upon or use the information presented herein, or the research or analysis on which they are based, before the material is published. One or more directors, officers and/or employees of MKE may be a director of the issuers of the securities mentioned in this report.

This report is prepared for the use of MKE's clients and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of MKE and MKE and its Representatives accepts no liability whatsoever for the actions of third parties in this respect.

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. This report is for distribution only under such circumstances as may be permitted by applicable law. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

### Malaysia

Opinions or recommendations contained herein are in the form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from Bursa Malaysia Securities Berhad in the equity analysis.

### Singapore

This report has been produced as of the date hereof and the information herein may be subject to change. Maybank Kim Eng Research Pte. Ltd. ("Maybank KERPL") in Singapore has no obligation to update such information for any recipient. For distribution in Singapore, recipients of this report are to contact Maybank KERPL in Singapore in respect of any matters arising from, or in connection with, this report. If the recipient of this report is not an accredited investor, expert investor or institutional investor (as defined under Section 4A of the Singapore Securities and Futures Act), Maybank KERPL shall be legally liable for the contents of this report, with such liability being limited to the extent (if any) as permitted by law.

### Thailand

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey may be changed after that date. Maybank Kim Eng Securities (Thailand) Public Company Limited ("MBKET") does not confirm nor certify the accuracy of such survey result.

Except as specifically permitted, no part of this presentation may be reproduced or distributed in any manner without the prior written permission of MBKET. MBKET accepts no liability whatsoever for the actions of third parties in this respect.

### US

This research report prepared by MKE is distributed in the United States ("US") to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Maybank Kim Eng Securities USA Inc ("Maybank KESUSA"), a broker-dealer registered in the US (registered under Section 15 of the Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Maybank KESUSA in the US shall be borne by Maybank KESUSA. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if MKE is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Maybank KESUSA is permitted to provide research material concerning investments to you under relevant legislation and regulations.

### UK

This document is being distributed by Maybank Kim Eng Securities (London) Ltd ("Maybank KESL") which is authorized and regulated, by the Financial Services Authority and is for Informational Purposes only. This document is not intended for distribution to anyone defined as a Retail Client under the Financial Services and Markets Act 2000 within the UK. Any inclusion of a third party link is for the recipients convenience only, and that the firm does not take any responsibility for its comments or accuracy, and that access to such links is at the individuals own risk. Nothing in this report should be considered as constituting legal, accounting or tax advice, and that for accurate guidance recipients should consult with their own independent tax advisers.



## DISCLOSURES

### Legal Entities Disclosures

**Malaysia:** This report is issued and distributed in Malaysia by Maybank Investment Bank Berhad (15938-H) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets and Services License issued by the Securities Commission in Malaysia. **Singapore:** This material is issued and distributed in Singapore by Maybank KERPL (Co. Reg No 197201256N) which is regulated by the Monetary Authority of Singapore. **Indonesia:** PT Kim Eng Securities (“PTKES”) (Reg. No. KEP-251/PM/1992) is a member of the Indonesia Stock Exchange and is regulated by the BAPEPAM LK. **Thailand:** MBKET (Reg. No.0107545000314) is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Philippines:** Maybank ATRKES (Reg. No.01-2004-00019) is a member of the Philippines Stock Exchange and is regulated by the Securities and Exchange Commission. **Vietnam:** Maybank Kim Eng Securities JSC (License Number: 71/UBCK-GP) is licensed under the State Securities Commission of Vietnam. **Hong Kong:** KESHK (Central Entity No AAD284) is regulated by the Securities and Futures Commission. **India:** Kim Eng Securities India Private Limited (“KESI”) is a participant of the National Stock Exchange of India Limited (Reg No: INF/INB 231452435) and the Bombay Stock Exchange (Reg. No. INF/INB 011452431) and is regulated by Securities and Exchange Board of India. KESI is also registered with SEBI as Category 1 Merchant Banker (Reg. No. INM 000011708) **US:** Maybank KESUSA is a member of/ and is authorized and regulated by the FINRA - Broker ID 27861. **UK:** Maybank KESL (Reg No 2377538) is authorized and regulated by the Financial Services Authority.

### Disclosure of Interest

**Malaysia:** MKE and its Representatives may from time to time have positions or be materially interested in the securities referred to herein and may further act as market maker or may have assumed an underwriting commitment or deal with such securities and may also perform or seek to perform investment banking services, advisory and other services for or relating to those companies.

**Singapore:** As of 26 June 2015, Maybank KERPL and the covering analyst do not have any interest in any companies recommended in this research report.

**Thailand:** MBKET may have a business relationship with or may possibly be an issuer of derivative warrants on the securities /companies mentioned in the research report. Therefore, Investors should exercise their own judgment before making any investment decisions. MBKET, its associates, directors, connected parties and/or employees may from time to time have interests and/or underwriting commitments in the securities mentioned in this report.

**Hong Kong:** KESHK may have financial interests in relation to an issuer or a new listing applicant referred to as defined by the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

As of 26 June 2015, KESHK and the authoring analyst do not have any interest in any companies recommended in this research report.

MKE may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment and may receive compensation for the services provided from the companies covered in this report.

## OTHERS

### Analyst Certification of Independence

The views expressed in this research report accurately reflect the analyst’s personal views about any and all of the subject securities or issuers; and no part of the research analyst’s compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

### Reminder

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct its own analysis of the product and consult with its own professional advisers as to the risks involved in making such a purchase.

No part of this material may be copied, photocopied or duplicated in any form by any means or redistributed without the prior consent of MKE.

### Definition of Ratings

Maybank Kim Eng Research uses the following rating system

<b>BUY</b>	Return is expected to be above 10% in the next 12 months (excluding dividends)
<b>HOLD</b>	Return is expected to be between - 10% to +10% in the next 12 months (excluding dividends)
<b>SELL</b>	Return is expected to be below -10% in the next 12 months (excluding dividends)

### Applicability of Ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

 **Malaysia**

Maybank Investment Bank Berhad  
(A Participating Organisation of  
Bursa Malaysia Securities Berhad)  
33rd Floor, Menara Maybank,  
100 Jalan Tun Perak,  
50050 Kuala Lumpur  
Tel: (603) 2059 1888;  
Fax: (603) 2078 4194

Stockbroking Business:  
Level 8, Tower C, Dataran Maybank,  
No.1, Jalan Maarof  
59000 Kuala Lumpur  
Tel: (603) 2297 8888  
Fax: (603) 2282 5136

 **Philippines**

Maybank ATR Kim Eng Securities Inc.  
17/F, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines 1200

Tel: (63) 2 849 8888  
Fax: (63) 2 848 5738

 **South Asia Sales Trading**

Kevin Foy  
Regional Head Sales Trading  
kevinfoy@maybank-ke.com.sg  
Tel: (65) 6336-5157  
US Toll Free: 1-866-406-7447

**Malaysia**

Rommel Jacob  
rommeljacob@maybank-ib.com  
Tel: (603) 2717 5152

**Indonesia**

Harianto Liong  
harianto.liong@maybank-ke.co.id  
Tel: (62) 21 2557 1177

**New York**

Andrew Dacey  
adacey@maybank-keusa.com  
Tel: (212) 688 2956

**Vietnam**

Tien Nguyen  
thuytien.nguyen@maybank-kimeng.com.vn  
Tel: (84) 44 555 888 x8079

 **Singapore**

Maybank Kim Eng Securities Pte Ltd  
Maybank Kim Eng Research Pte Ltd  
50 North Canal Road  
Singapore 059304

Tel: (65) 6336 9090

 **Hong Kong**

Kim Eng Securities (HK) Ltd  
Level 30,  
Three Pacific Place,  
1 Queen's Road East,  
Hong Kong

Tel: (852) 2268 0800  
Fax: (852) 2877 0104

 **Thailand**

Maybank Kim Eng Securities  
(Thailand) Public Company Limited  
999/9 The Offices at Central World,  
20<sup>th</sup> - 21<sup>st</sup> Floor,  
Rama 1 Road Pathumwan,  
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)  
Tel: (66) 2 658 6801 (research)

 **North Asia Sales Trading**

Andrew Lee  
andrewlee@kimeng.com.hk  
Tel: (852) 2268 0283  
US Toll Free: 1 877 837 7635

**Thailand**

Tanasak Krishnasreni  
Tanasak.K@maybank-ke.co.th  
Tel: (66)2 658 6820

**India**

Manish Modi  
manish@maybank-ke.co.in  
Tel: (91)-22-6623-2601

**Philippines**

Keith Roy  
keith\_roy@maybank-atrke.com  
Tel: (63) 2 848-5288

 **London**

Maybank Kim Eng Securities  
(London) Ltd  
5<sup>th</sup> Floor, Aldermay House  
10-15 Queen Street  
London EC4N 1TX, UK

Tel: (44) 20 7332 0221  
Fax: (44) 20 7332 0302

 **Indonesia**

PT Maybank Kim Eng Securities  
Plaza Bapindo  
Citibank Tower 17<sup>th</sup> Floor  
Jl Jend. Sudirman Kav. 54-55  
Jakarta 12190, Indonesia

Tel: (62) 21 2557 1188  
Fax: (62) 21 2557 1189

 **Vietnam**

Maybank Kim Eng Securities Limited  
4A-15+16 Floor Vincom Center Dong  
Khoi, 72 Le Thanh Ton St. District 1  
Ho Chi Minh City, Vietnam

Tel : (84) 844 555 888  
Fax : (84) 8 38 271 030

 **New York**

Maybank Kim Eng Securities USA  
Inc  
777 Third Avenue, 21st Floor  
New York, NY 10017, U.S.A.

Tel: (212) 688 8886  
Fax: (212) 688 3500

 **India**

Kim Eng Securities India Pvt Ltd  
2nd Floor, The International 16,  
Maharishi Karve Road,  
Churchgate Station,  
Mumbai City - 400 020, India

Tel: (91) 22 6623 2600  
Fax: (91) 22 6623 2604

 **Saudi Arabia**

*In association with*  
**Anfaal Capital**  
Villa 47, Tujjar Jeddah  
Prince Mohammed bin Abdulaziz  
Street P.O. Box 126575  
Jeddah 21352

Tel: (966) 2 6068686  
Fax: (966) 26068787