Invest Malaysia KL 2016, Day 2

The Corporates Present

A total of 56 corporates

Invest Malaysia KL 2016, which saw a turnout of more than 2,000 people on Tuesday 12 Apr, continued into its second day yesterday, with the participation of 56 listed corporates across various sectors of the economy. Of this total, 18 of the corporates were featured in group presentations, while the others participated in 1x1/small group meetings with investors. All in, these 56 companies have a total market capitalization of MYR905.5b.

18 group corporate presentations

Companies involved in the group presentations were Axiata, Cahya Mata Sarawak, Ecoworld, Hartalega, IHH Healthcare, IOI Corp, Karex, KLCCP, KPJ Healthcare, Mah Sing, Malaysia Airports, Maybank, QL Resources, SapuraKencana, Sime Darby, Supermax, TopGlove and UEM Sunrise. The key takeaways from each corporate presentation are laid out in the following pages of this report.

Stock recommendations

Of the 18 companies showcased in the group presentations, three are Not Rated – Karex, Maybank and Supermax. Meanwhile, we have a BUY call on four companies – Ecoworld, KLCCP, SapuraKencana and Top Glove.

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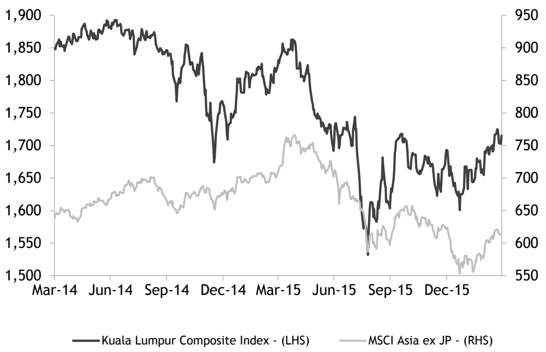
Country Index vs MSCI



Featured companies in IMKL group presentations under Maybank IB's coverage

	Price	TP	Rec.	EPS (sen)		PE (x)		EPS Growth (%)		Net yld (%)	ROE (%)	P/B (x)	Px chg (%)
	13 Apr	MYR		CY16E	CY17E	CY16E	CY17E	CY16E	CY17E	CY16E	CY16E	CY15A	YTD
Axiata	5.89	6.10	Hold	23.9	27.8	32.1	24.6	21.2	18.3	16.3	15.5	4.0	10.2
CMS	4.50	4.60	Hold	22.5	25.8	27.6	20.0	17.4	16.3	14.7	7.0	2.3	12.7
Ecoworld	1.43	1.67	Buy	2.9	5.0	9.0	49.9	28.8	15.9	73.3	80.9	0.3	3.8
Hartalega	4.72	4.60	Hold	15.8	18.9	21.7	29.9	24.9	21.8	19.8	14.4	2.0	19.7
IHH	6.66	6.13	Hold	10.9	12.2	14.6	61.1	54.6	45.6	11.9	19.7	0.5	4.4
IOI Corp	4.53	4.97	Hold	13.8	15.5	17.1	32.8	29.3	26.4	11.8	10.8	1.7	17.2
KLCC Prop	7.25	7.90	Buy	40.1	40.6	41.2	18.1	17.9	17.6	1.2	1.5	5.2	5.5
KPJ	4.28	4.60	Hold	13.9	14.4	16.1	30.8	29.7	26.6	3.6	11.8	1.7	9.8
Mah Sing	1.46	1.36	Hold	14.1	13.2	14.5	10.4	11.1	10.1	(6.4)	9.8	3.6	9.5
QL Resources	4.23	4.20	Hold	16.0	17.7	19.5	26.5	23.9	21.7	10.6	10.5	1.4	13.0
MAHB	6.40	5.10	Sell	(9.2)	3.2	8.2	n.a.	200.0	78.0	(134.8)	156.3	0.1	0.6
SAKP	1.87	2.00	Buy	17.2	14.3	15.7	10.9	13.0	11.9	(16.6)	9.2	0.1	6.6
Sime Darby	7.90	7.98	Hold	34.2	37.8	47.5	23.1	20.9	16.6	10.3	25.7	3.1	7.4
Top Glove	5.10	6.50	Buy	25.8	32.6	33.3	19.8	15.7	15.3	26.2	2.2	3.2	21.5
UEM Sunrise	1.09	1.08	Hold	5.2	6.2	5.4	21.0	17.6	20.2	19.2	(12.9)	1.7	4.4

Source: Maybank KE

Corporate Presentations

Name	Market cap (MYR m)	Key points
Axiata Group (AXIATA MK; HOLD; TP: MYR6.10)	51,964.7	***Speaker: Ms Clare Chin (Head of Investor Relations)*** ▪ Axiata completed the acquisition of Ncell on 12th April. Based on 2015 pro forma figures, Ncell could account for c.20% of Axiata's net profit. ▪ Management is still working on a potential listing of edotco, Axiata's tower company. Management aims for edotco to be among the top five tower companies globally by 2020. ▪ More clarity on Celcom's spectrum fees could emerge in mid-2016. Celcom's near term capex plans remain unchanged. ▪ The review of its dividend policy is underway, and a decision will be made by end-2016.
Cahya Mata Sarawak (CMS MK; HOLD; TP: MYR4.60)	4,834.7	***Speaker: Tuan Syed Hizam Alsagoff (Group Chief Financial Officer), Sahil Singh Dev (Investor Relations)*** ▪ CMS' new cement plant has started operations since early 2016 and is more efficient, with lower maintenance cost. However, this could be offset by higher imported clinker cost that is purchased in USD currency. Total cement manufacturing capacity utilization is expected to be at 65% in 2016. ▪ The strong 2015 earnings from the construction material supply and construction & road maintenance divisions were driven by robust construction activities before the Sarawak election. However, it would not be sustainable in 2016 as a significant portion of demand from the Pan Borneo Sarawak Highway (PBSH) construction would only arise in 2017. ▪ CMS has sufficient cement manufacturing capacity to cater for the PBSH, but there could be a shortage in other building materials which would require expanding its quarries capacity. CMS is bidding for the main construction works. ▪ Its ferrosilicon smelter under its 25% owned OMS is expected to be loss making in 2016 due to poor commodity prices and potential foreign currency translation losses from its currency hedge position. OMS is now in the midst of restructuring and refinancing the syndicated loan in order to delay principal payments. ▪ As for Sacofa, CMS expects to benefit from more telco tower construction works and leverage on Sacofa's assets to develop data centers in Sarawak.
Ecoworld (ECW MK; BUY; TP: MYR1.67)	3,380.9	***Speaker: Datuk Chang Khim Wah (Chief Executive Officer)*** ▪ While sustaining sales momentum is important (+33% YoY including overseas sales via its associate company), management is also very much focused on project execution and delivery. As at Feb 2016, ECW's unbilled sales stood at MYR4.4b (1.2x our FY16F revenue). ▪ 4MFY10/16 sales were MYR608m or 21% of its domestic sales target of MYR3b. We expect sales to pick up in 2Q-3Q16 with the official launch of its 40%-owned of Bukit Bintang City Centre (BBCC) project and enbloc sale of half of BBCC's retail space to its Japanese partner. ▪ The key project for FY10/16 will be the BBCC project (ex-Pudu jail), which is a tourism-centered iconic project which includes a retail mall and a live concert hall to be operated by the prominent Mitsui Fudosan (Asia) and Zepp Hall Network respectively. ▪ As at Jan 2016, ECW has 4,077 acres of landbank worth MYR59b GDV (excluding Mukim Ijok land), which is sufficient to anchor its future earnings growth over the next 8-10 years.

Corporate Presentations (continued)

Name	Market cap (MYR m)	Key points
Hartalega Holdings (HART MK; HOLD; TP: MYR4.60)	7,745.7	***Speaker: Mr Kuan Mun Leong (Managing Director)*** ▪ Management believes that the nitrile glove oversupply concern is unwarranted as the industry players are cognizant of the market situation and will review their respective expansion plans accordingly. ▪ Nevertheless, there will still be keen ASP competition in 2016, as capacities from a few key players come on stream concurrently. ▪ That said, the group's margins will likely expand moving forward, as the high upfront cost for NGC has been incurred. Based on NGC's latest 3 months profitability, management estimates that NGC's EBITDA margin could be 7-ppt higher than its old plants in FY3/17. ▪ Additionally, there is room for further productivity gains/margin expansion, in view of its most recent two inventive automation technologies, which will lead to a 20% reduction in headcount and better quality of gloves. ▪ Hartalega is also looking to widen its product offerings, in a bid to differentiate its products and reduce its susceptibility to price competition. We reckon these new products may include cleanroom and surgical gloves.
IHH Healthcare (IHH MK; HOLD; TP: MYR6.13)	54,773.1	***Speaker: Low Soon Teck (Chief Financial Officer)*** ▪ Malaysia demand (Pantai Hospital Manjung, Gleneagles Kota Kinabalu and Gleneagles Medini) has been strong, with IHH having to constantly add new capacity to cope. ▪ Gleneagles Hong Kong is expected to open in Jan 2017. IHH expects to benefit from Hong Kong's scarcity of hospitals. ▪ IHH has planned capex of MYR5.4b for its expansion plans over the next 3 years consisting of both greenfield and brownfield expansion strategies. This would be funded by a combination of internal funds and external borrowings. ▪ IHH intends to ride on Chengdu's aspiration to be China's one-stop medical hub with its JV to build a 350-bed hospital. IHH believes the greenfield approach would allow it to avoid legacy problems associated with brownfield hospitals in China. ▪ IHH views the aged-care segment as a mere complement to its core business of providing acute healthcare services.

Corporate Presentations (continued)

Name	Market cap (MYR m)	Key points
IOI Corporation (IOI MK; HOLD; TP: 4.97)	28,534.4	***Speaker: Dato' Lee Yeow Chor (Chief Executive Officer)*** ▪ IOI Corp is taking the necessary steps and actions to address the RSPO suspension. The group wide suspension had not been anticipated by IOI Corp. IOI Corp hopes to get the suspension lifted soon, i.e. in two months at the earliest. But we believe it is realistic to assume that it would take 6-12 months for IOI Corp's suspension to be lifted. IOI Corp has 1-1.5 months of CSPO inventory to weather the temporary RSPO suspension. ▪ Besides losing the Certified Sustainable Palm Oil (CSPO) premium, IOI Corp risks losing some of its European and North American sales under its downstream specialty oils & fats division as some MNCs (such as Unilever, Kelloggs, and Mars) require RSPO certification and have thus suspended (or are in the midst of suspending) purchase from IOI Corp. ▪ Financial impact on RSPO suspension: IOI Corp guides that its CSPO premium accounts for less than 0.5% of revenue or approximately 3% of EBIT. Meanwhile its downstream specialty oils & fats earnings were 11% of group EBIT in FY61/15 of which ~35% from EU, ~35% from North America and ~30% from Asian buyers. Combined, IOI Corp believes that approximately ~7.5% of its EBIT is at risk (on an annualized basis) due to this suspension. But this will be partly offset by the recent spike in CPO and palm kernel prices to ~MYR2,700/t, and ~MYR2,500/t respectively. ▪ As for the El Nino impact on production, IOI Corp believes its FY16 FFB production could be lower by 1-2% YoY. ▪ IOI Corp believes the TPPA will open up new markets such Canada, Mexico and Peru for palm oil and palm kernel oil. The removal of import duties on downstream products such as oleochemicals and packed specialty fats will increase IOI Corp's exports to countries such as USA, Canada, Mexico and Peru. IOI Corp will also have competitive advantage over non-TPPA countries such as Indonesia and Thailand.
KLCC Property (KLCCSS MK; BUY; TP: 7.90)	13,088.7	***Speaker: Datuk Hashim bin Wahir (Chief Executive Officer)*** ▪ Phase 2 of the redevelopment of Kompleks Dayabumi is expected to be completed in 1H2016 whereby the atrium space will be converted into 45k sq. ft. GFA of office space. ▪ The retail segment (Suria KLCC) has remained solid as current occupancy rate is at 98% and footfall has remained stable at about 45m people p.a. ▪ Renovation works for Mandarin Oriental Hotel's guest rooms are expected to commence in phases from 2Q16 onward and would require two years for completion. ▪ The development of Lot 185 (JV with Qatari Diar) and Lot 91 (JV with Sapura Resources) by KLCC Holdings is currently ongoing and on track to be completed by 2019. ▪ KLCCP would still invest primarily on domestic assets, i.e. within Kuala Lumpur City Centre, as there is a total of about 6m sq. ft. GFA reserve within the KLCC area.

Corporate Presentations (continued)

Name	Market cap (MYR m)	Key points
KPJ Healthcare (KPJ MK; HOLD; TP: MYR4.60)	4,454.4	***Speaker: Dato' Amiruddin Bin Abdul Satar (President and Managing Director)*** ▪ KPJ Pahang and KPJ Perlis are expected to open in 2017. KPJ expects to spend MYR1.2b of capex over the next 3-4 years on eight greenfield hospitals and other brownfield expansion. ▪ Management sees two challenges in the aged-care business: i) negative perception associated with leaving parents at an old folks centre, and ii) the affordability of KPJ's services to retirees. ▪ KPJ aims to focus more on the high-margin tourism business, which presently makes up only <5% of revenue. It plans to target medical tourists from Middle East, Kazakhstan and Uzbekistan, among others. ▪ The Asean Economic Community (AEC) could possibly increase mobility of professionals within member countries. This could benefit KPJ by allowing specialists from Malaysia to practice in KPJ's Indonesian hospitals (currently not allowed), thus addressing the lack of reputable specialists there. ▪ The KPJ Clinical Information System (KCIS), implemented since 2006, has improved efficiency and reduced clinical errors at KPJ hospitals. KPJ is progressing to cloud services in the area of daily tasks and clinical solutions.
Mah Sing (MSGB MK; HOLD; TP: MYR1.36)	3,517.7	***Speaker: Dato' Steven Ng (Executive Director, Corporate & Investment)*** ▪ Mah Sing has MYR2b worth of planned launches in 2016 vs MYR1.4b in 2015, with targeted sales of MYR2.3b. It currently has unbilled sales of MYR4.75b. ▪ Its remaining GDV of MYR28.1b will last the group another 8-9 years – 63% in the Klang Valley, 23% in Johor, 9% in Penang and 5% in Sabah. ▪ Balance sheet remains strong with net gearing of just 0.04x, which paves the way for future landbanking activity. The internal target is to cap net gearing at 0.5x. ▪ Its current property development mix comprises 63% residential, 33% commercial, 4% industrial. ▪ 89% of its properties are priced below MYR1m – 50% below MYR500k, 18% between MYR500k and MYR700k and the balance MYR700k-MYR1m. 70% of purchasers are below the age of 40.
Malaysia Airports (MAHB MK; SELL; TP: MYR5.10)	10,618.8	***Speaker: Raja Azmi bin Raja Nazuddin (Chief Financial Officer)*** ▪ Traffic guidance of 2.5% for Malaysian operations is deemed too modest as it does not incorporate the implementation of E-visa and China free visa in mid-2016. ▪ Malindo Air's move from klia2 to MTB was purely the airline's initiative and MAHB is not providing any incentives. Management forecasts this will add an additional MYR15m p.a. to revenues on higher passenger services charges. ▪ Management shared its five-year business plan that focuses on four pillars of growth; 1) development of the Kuala Lumpur hub, 2) boosting its total airport experience, 3) development and expansion of the Aeropolis; and 4) opportunistic development of international businesses.

Corporate Presentations (continued)

Name	Market cap (MYR m)	Key points
Maybank (MAY MK; Not Rated; TP: NA)	89,355.4	***Speaker: Dato' Mohamed Rafique Merican (Group Chief Financial Officer)*** ▪ Asset quality stable but remains under close scrutiny. Energy exposure is 2.76% of group loans – 2.11% in Malaysia, 0.27% in Singapore and 0.38% in Indonesia. ▪ Capital structure strong, with CET1 ratio of 12.5% end-Dec 2015. Group RWA growth was a slower 5.8% versus 12% loan growth in 2015, aided in part by the sale of MYR5b worth of assets. ▪ Maybank's targets for 2016 remain. These include an ROE target of 11-12%, group loans growth of 8-9% (6-7% for Malaysia, 3-4% for Singapore and 11-13% for Indonesia) and group deposits growth of 10-11%. ▪ Strategic priorities for 2016 include (i) focusing on selective asset growth that is in line with its capital position, (ii) managing liquidity effectively through high-quality liquid assets, and (iii) improving productivity and managing discretionary spending.
QL Resources (QLG MK; HOLD; TP: MYR4.20)	5,279.2	***Speaker: Mr Chia Lik Khai (Group Corporate Development Director), Mr Freddie Yap (Group Accountant, Group Investor Relation),*** ▪ QL continues to focus on lengthening the value chain in all three core agro-food activities which include marine product manufacturing (MPM), integrated livestock farming (ILF) and palm oil activities (POA). ▪ MPM growth will be driven by (i) new capacity expansion, (ii) new product range and (iii) a slight benefit from the weaker MYR on its export sales (50% of MPM sales). We understand that its Indonesia unit is currently exploring surimi based products manufacturing. This will be done either through expansion on its own (organic extension to its Surabaya operations) or M&A. ▪ As for ILF, FY3/17 could see YoY improvement in revenue and margins on the gradual recovery of egg prices domestically. Although egg farming feed costs are partly affected by a stronger USD, we understand that it will be eventually passed on to consumers (full pass through typically takes about 3-6 months). ▪ For the Palm Oil division, gradual palm maturity (4 to 7 years old) should help support growth in the medium to long term. ▪ QL is making a foray into the convenience store segment and plans to open 300 FamilyMart stores in 5 years. QL believes that this provides a strategic fit to its existing food manufacturing business. QL estimates a capex of MYR15m-20m p.a. over the next 5-6 years. It will be a food centric chain and QL is targeting >50% contribution from Food and Beverage in the longer term.

Corporate Presentations (continued)

<table>
<tr><th>Name</th><th>Market cap (MYR m)</th><th>Key points</th></tr>
<tr><td>SapuraKencana
(SAKP MK;
BUY;
TP: MYR2.00)</td><td>11,205.3</td><td>Speaker: Tan Sri Dato Seri Shahril Shamsuddin (President and Group CEO)
▪ SAKP is on a cost re-basement drive as it expects a prolonged low oil price environment. It now operates based on a USD50-60/bbl oil price projection. Optimization of procurement spending, operational efficiencies, overheads and capex are part of its ongoing lean capital and cash management drives.
▪ Nevertheless, SAKP continues to pursue opportunities in key hotspot markets. 49%/ 22%/ 17%/ 12% of its tender bids size (USD7b) is spread across the Asia Pacific/ India/ Americas and Middle East-Africa regions. Its MYR21b order backlog will be 31%/18% realized in FY17/18.
▪ Contrary to perception, its Brazil PLSV operations (JV with Seadrill) remain steady. Its five vessels are operating at a high 98-100% utilization level and Petrobras has been a good paymaster (payment within 30 days). SAKP has agreed to a 3% discount on three PLSVs (Onyx, Jade & Ruby) for 1.5 years in view of the cost cutting measures imposed by the client but the revenue loss will be compensated by cost cuts.
▪ SAKP's energy division sees potential in prospecting higher gas reserves and monetizing it. SAKP has secured a Field Development Plan (FDP) approval from PETRONAS for its SK10 B15 gas field. Signing of the Gas Sale Agreement (GSA) will enable SAKP to monetize its SK10 B15 field as its gas reserves turn from 2C to 2P. SAKP is confident of securing higher gas reserves from its SK408 gas field.
▪ Its drilling segment will be challenging in FY17. DCRs for the tender and semi-tender rigs in the market have fallen by 40-55%, from a year ago. Five rigs are currently off-hire (worst case scenario: 8 by end FY17). Optimising rigs utilization is key over the next 2 years. SAKP targets to achieve a 70% utilization level.</td></tr>
<tr><td>Sime Darby
(SIME MK;
HOLD;
TP: MYR7.98)</td><td>49,983.9</td><td>Speakers: Mr Hari Nair (Group Chief Strategy & Innovation Officer), Mr Benjamin Poh (Head of Investor Relations)
▪ Innovation will be key driver for Sime Darby's organic growth plans moving forward. Technology will play a big role as an enabler of its innovation projects (eg. precision agriculture, process automation, big data predictive analytics).
▪ However, innovation at Sime Darby will not be limited to technology-based projects, but will span business models, operating processes and customer delivery models. Sime is looking for companies and investors to partner with them as they strive to achieve innovations which will create new profit pools and bring sustainable growth in earnings over the long term.
▪ On the TPPA, Sime Darby believes the following divisions are potential beneficiaries:-
a) Plantations, as it opens up new markets such as Canada, Mexico and Peru.
b) Industrial, by allowing cheaper capital imports from TPP countries (namely USA where Caterpillar is based) due to the removal of tariffs.
c) Property, as the TPPA reduces trade barriers which should increase foreign direct investments, benefiting from higher property sales.
d) Motor, due to (i) lower tariffs to import completely built up (CBU) vehicles from TPP countries, (ii) higher investments by foreign principals in Malaysia, (iii) local motor vehicle assembly plants becoming more attractive to original equipment manufacturers (OEMs).
▪ In terms of financials, Sime is maintaining its MYR2b net profit target for FY6/16 while remaining cognizant of the present challenging business environment.</td></tr>
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Corporate Presentations (continued)

Name	Market cap (MYR m)	Key points
Top Glove (TOPG MK; BUY; TP: MYR6.50)	6,398.5	***Speaker: Mr Lim Cheong Guan (Executive Director, Finance)*** ▪ To reduce the volatility impact of the USD/MYR to its earnings, Top Glove has increased the purchase of its latex cost in USD. We understand that approximately 25% of the Group's revenue is naturally hedged presently. Assuming no hedging on forex, management estimates that for every 1% depreciation in USD/MYR, its bottomline could be adversely affected by 0.75%. ▪ In terms of ASPs, Top Glove has managed to revise its latex glove ASP higher by 5% in Mar 2016, but it is still not enough to pass on the full cost inflation (i.e. latex cost, gas tariff hike, foreign worker levy) and weaker USD/MYR. As for nitrile gloves, ASP remains unchanged due to the keen competition. Hence, we expect margin deterioration in the upcoming quarter. ▪ The productivity of the Group's plants could be further improved with its latest automation technology process. The group is currently testing its auto-packing machines which will lead to a lower number of workers required at its factories. ▪ Management expects its nitrile sales volume to increase to 40% in end-FY8/17 (2QFY8/16: 32%), underpinned by its capacity expansion plans (+6.4b pcs p.a. nitrile capacity by Feb 2017). However, if the new demand is slower than expected, Top Glove will look to delay its capacity expansion. ▪ Top Glove is still on the lookout for M&A and the acquisition targets could be in segments which it lacks size or expertise. This may include non-listed glove players in nitrile medical, surgical, specialised industrial and cleanroom gloves.
UEM Sunrise (UEMS MK; HOLD; TP: MYR1.08)	4,945.8	***Speaker: Encik Anwar Syahrin Abdul Ajib (Managing Director/Chief Executive Officer)*** ▪ UEM Sunrise plans to launch properties worth MYR0.6bn/1.0bn/1.2bn for 2016/2017/2018 in Malaysia and these launches will primarily focus on properties in Johor and Klang Valley. ▪ 2016 strategy includes property development in Mont Kiara (MYR3bn GDV), Sg. Buaya (MYR3bn GDV), Lot 149 (Angkasa Raya) as well as looking to conclude several land deals. ▪ Among the upcoming property launches in 2016 are Melia Residence, Gerbang Nusajaya (MYR147m GDV, 206 units); Serene Heights – Camellia (MYR99m GDV, 162 units) and St. Kilda, Melbourne (MYR750m GDV, 182 units). ▪ Gerbang Nusajaya, which has an estimated GDV of MYR42bn, continues to be UEM Sunrise's key growth area. Construction of the Nusajaya Tech Park is ongoing. ▪ There is still room for more landbank acquisitions outside of Johor as UEM Sunrise is comfortable with its current gearing of 0.4x and would gear up to 0.5x given suitable opportunities.

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