

09 November 2018 | Corporate Update

## Ranhill Holdings

*Water-sewerage integration underway?*

### INVESTMENT HIGHLIGHTS

- **Seals joint-billing deal with Indah Water**
- **Paves the way for full water-sewerage integration in Johor**
- **Joint-billing enhances earnings by just 1% but eventual operational integration could drive 30%-40% gap-up**
- **Re-affirm BUY at higher TP of RM1.30, 6% yields attractive**

**Seals deal with Indah Water.** Ranhill, via 80%-owned SAJ Ranhill has finalised the joint-billing deal with Indah Water Konsortium (IWK) to implement a single bill system for water and sewerage services in Johor (excluding Pasir Gudang and Johor Bahru, managed by the city council). We expect the joint-billing to commence early FY19F as we understand the Minister of Water, Land and Natural Resources intends to implement joint-billing in Johor together with Melaka and Negeri Sembilan. The move should improve IWK's collection given the possibility of imposing action against defaulting consumers and on the back of SAJ's sterling 99.4% collection rate.

**Earnings accretive deal.** We estimate the joint-billing program to enhance Ranhill's revenue by around RM1.8m/annum and net earnings by around RM1m/annum, or 1.3% against our previous forecast, on conservative estimates. SAJ is understood to have spent around RM1.2m in capex to improve backroom operations for the joint-billing to proceed.

**Kick starts water-sewerage integration.** Most importantly, the joint billing paves the way towards a complete integration of water supply and sewerage operations, which has been the aspiration of the Water Services Industry Act (WSIA) 2006. A switch to volumetric tariff could bring in incremental RM300m-RM400m revenue and boost Ranhill's earnings by 30%-40%.

**Phased integration?** Integration is likely to involve a switch to a volumetric tariff (as current tariffs are too low and have not been revised for over 2 decades); there could be contemplation on whether to integrate sewerage operations with state operators first or to switch to a volumetric prior to that. We think the water-sewerage integration could be done in phases based on readiness of state operators, of which SAJ Ranhill is one of the most profitable in the country. We think this could be part of the upcoming National Sewerage Plan announced in the 11<sup>th</sup> Malaysia Plan Mid-Term Review recently.

**Deeply undervalued.** We raise our TP to RM1.30 (from RM1.15) as we factor in incremental earnings from the joint-billing program and we reduce the discount to SOP to 10% from 20% previously. At just 10.5x FY19F PE, Ranhill is deeply undervalued. At current market cap, implied valuation for its water business is a mere 9x, below Penang-based peer, PBA Holdings' 10x PE and the broader utilities sector's average PE of 11x. Balance sheet has been successfully de-gearred since its 2016 IPO, while attractive dividend yields cushions downside. Key catalysts: (1) Schedule rate hike for Johor water (2) TGE progress into production well drilling (3) Johor water-sewerage integration

**Maintain BUY**

**Revised Target Price TP: RM1.30**  
*(from RM1.15)*

#### RETURN STATS

|                              |               |
|------------------------------|---------------|
| Price (8 Nov 2018)           | RM1.05        |
| Target Price                 | RM1.30        |
| Expected Share Price Return  | +23.8%        |
| Expected Dividend Yield      | +5.7%         |
| <b>Expected Total Return</b> | <b>+29.5%</b> |

#### STOCK INFO

|                         |                 |
|-------------------------|-----------------|
| KLCI                    | 1721.42         |
| Bursa / Bloomberg       | 5272/RAHH MK    |
| Board / Sector          | Main / Power    |
| Syariah Compliant       | Yes             |
| Issued shares (mil)     | 888.3           |
| Market cap. (RM'm)      | 932.73          |
| Price over NA           | 1.61            |
| 52-wk price Range       | RM0.65 – RM1.09 |
| Beta (against KLCI)     | 0.86            |
| 3-mth Avg Daily Vol     | 3.60m           |
| 3-mth Avg Daily Value   | RM3.32m         |
| Major Shareholders (%)  |                 |
| Tan Sri Hamdan          | 35.5%           |
| Cheval Infrastructure   | 20.4%           |
| Permodalan Darul Takzim | 10.6%           |

MIDF RESEARCH is a unit of MIDF AMANAH INVESTMENT BANK

Kindly refer to the last page of this publication for important disclosures

## INVESTMENT STATISTICS

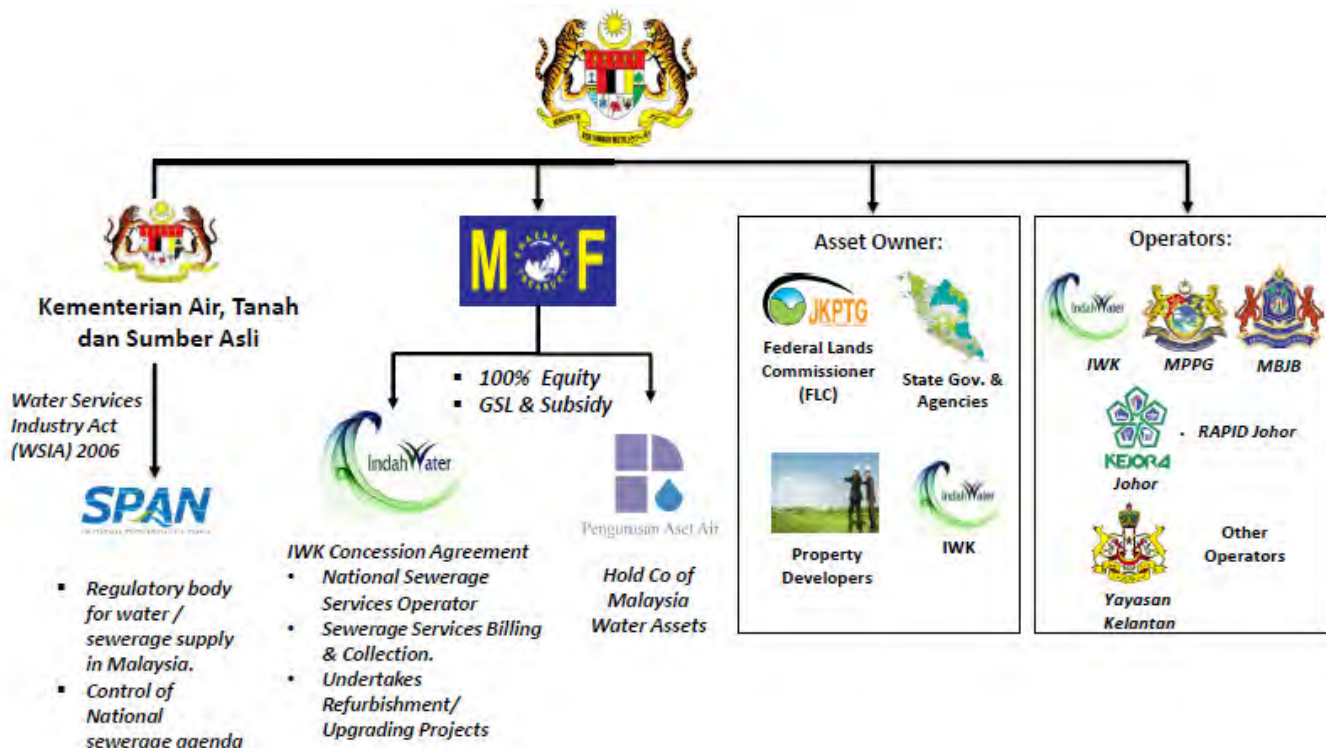
| FYE Dec                | FY16    | FY17    | FY18F   | FY19F   | FY20F   |
|------------------------|---------|---------|---------|---------|---------|
| Revenue (RM'm)         | 1,455.1 | 1,478.7 | 1,515.1 | 1,712.6 | 1,728.3 |
| EBITDA (RM'm)          | 418.6   | 463.9   | 489.4   | 536.2   | 540.8   |
| Pre-tax Profit (RM'm)  | 168.5   | 198.1   | 203.9   | 242.7   | 237.3   |
| Net profit (RM'm)      | 55.3    | 72.4    | 74.5    | 89.1    | 87.2    |
| FD EPS (sen)           | 6.2     | 8.1     | 8.4     | 10.0    | 9.8     |
| EPS growth (%)         | 133%    | 31%     | 3%      | 20%     | -2%     |
| PER (x)                | 16.9    | 12.9    | 12.5    | 10.5    | 10.7    |
| Net Dividend (sen)     | 7.8     | 5.0     | 5.0     | 6.0     | 5.9     |
| Net Dividend Yield (%) | 7.4%    | 4.8%    | 4.8%    | 5.7%    | 5.6%    |

Source: Company, MIDF

## Water-Sewerage Integration Underway

**Joint-billing kickstarts soon.** The new Federal Government is aligned with WSIA 2006 goals for a green bill and potentially, an eventual integration of water and sewerage operations. SAJ's proposal for joint-billing (water plus sewerage) has been finalised with Federal Government backing, we understand. For the initial joint-billing phase, SAJ is expected to generate incremental revenue of ~RM1.8m/annum; SAJ basically charges IWK circa 50sen/bill (for domestic) and RM1.40-1.50/bill for non-domestic bills, which will be issued together with the regular water bills. SAJ's own water bills entail an excellent collection rate of 99.4%. Earnings is expected to improve by RM1m/annum on conservative estimates, or 1.3% higher against our previous forecast. We expect the joint-billing to be rolled out early FY19F as the Minister of Water, Land and Natural Resources intends to implement joint-billing in Johor together with Melaka and Negeri Sembilan. A key advantage derived from joint billing is the ability to penalise defaulting customers as sewerage operator on a standalone basis is not allowed to disconnect services (due to public health concerns) unlike the typical water supply services.

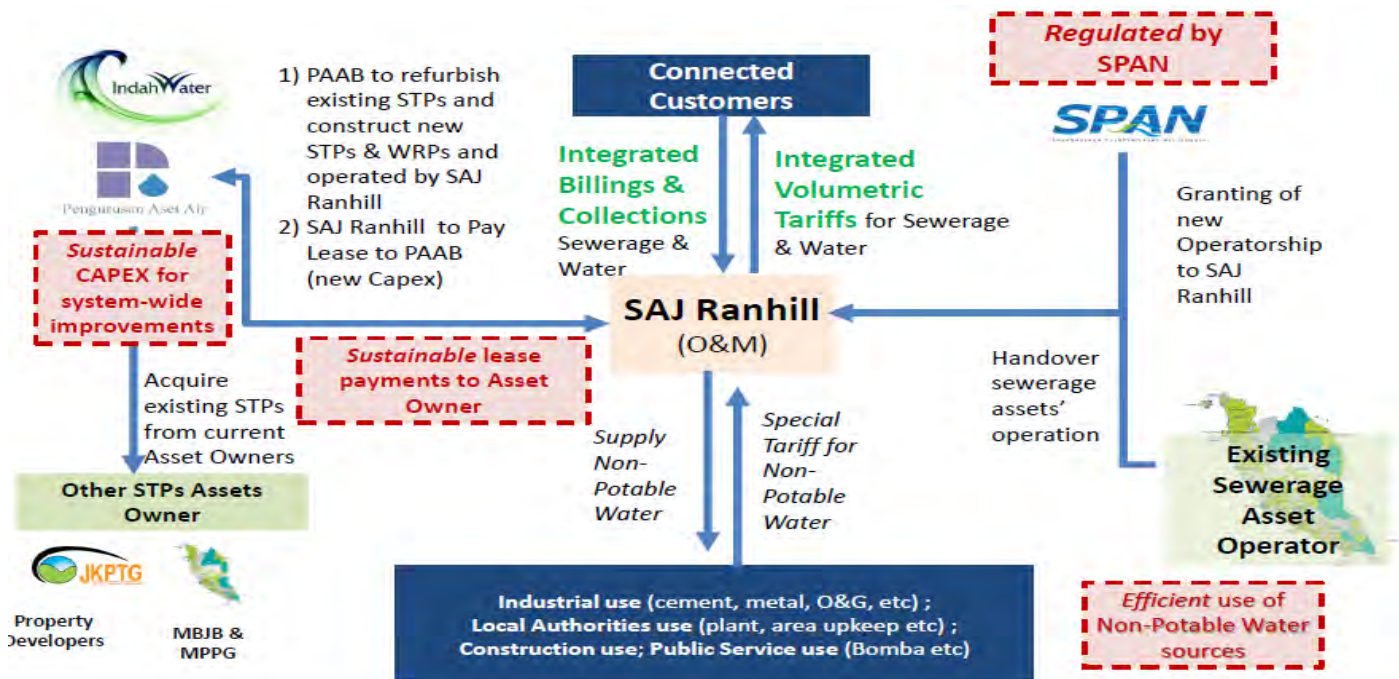
## EXHIBIT 4: CURRENT SEWERAGE REGULATORY FRAMEWORK



Source: IWK, MIDF

**Integration could follow soon after.** SAJ expects that after the positive decision on joint billing, the process of integrating water and sewerage operations could follow suit within 12 months. The integration and simultaneous conversion to a volumetric tariff regime for sewerage services will provide strong earnings catalyst for SAJ with estimated RM300m-RM400m incremental annual revenue. The idea is to replicate the water services industry whereby PAAB takes over all assets while the operator in return will lease these assets and takes a 9% PAT margin from revenues collected (basically a cost-plus model for the operator). As it is, both Indah Water (owner/operator of national sewerage asset) and PAAB (owner of national water asset) are 100%-owned by the Ministry of Finance.

## EXHIBIT 5: PROPOSED SEWERAGE INDUSTRY FRAMEWORK – REPLICATES WATER MODEL



Source: Company, MIDF

**Sewerage treatment logically is more expensive.** The typical water that goes into the sewerage and into sewerage treatment plants entail much higher turbidity levels than raw water. As such, the former would logically require more cost. However, current charges are quite the opposite with sewage tariffs being very low and is a fixed amount compared to water tariffs. The former, does not even cover operating cost and has in the past 18 years, been subsidised by the Government. Malaysian are paying among the lowest domestic sewerage charges in the world at between RM24-RM96 a year with approximately 27% of domestic customers paying only RM24/year (See Exhibit 6).

## EXHIBIT 6: MALAYSIANS PAY AMONG THE LOWEST SEWERAGE CHARGES IN THE WORLD

| Country     | Basis                                    | Annual Average | Annual Average (RM) |
|-------------|--|----------------|---------------------|
| Japan       | Water Usage                              | Yen 30,774     | 1,107               |
| South Korea | Water Usage                              | USD 50         | 152                 |
| Hong Kong   | Water Usage                              | HK 260         | 101                 |
| Netherlands | Water Usage                              | USD 297        | 900                 |
| Singapore   | Sanitary Appliances Fee + Water Born Fee | SD144          | 346                 |
| Malaysia    | Flat Rate                                | RM96           | 96                  |

Source: IWK, MIDF

**Sewerage is part of the water value chain.** Additionally, sewerage is ultimately, an extension of the whole water value chain and should not be separated. Water output from households that go into the sewerage lines are treated to ensure it is safe to be released back into the rivers. Water from the rivers in turn, is one of the main source of raw water that are further treated to be distributed for consumption. Some 80% of Malaysia's raw water sources come from rivers with the rest from dams and ground sources.

**Volumetric tariff not new.** Volumetric tariffs for sewerage services is not new and is practised in developed economies such as Singapore, Hong Kong, Japan, Korea and the Netherlands. Even relatively less advanced economies in the region such as Indonesia and Philippines entail an element of volumetric tariff for sewerage charges. Additionally, in most countries, sewerage is integrated with water services given that it is part of the same value chain. For Malaysia, the direction to integrate water and sewerage has been set by WSIA 2006, and has been kickstarted with the water industry restructuring. A phased integration on water-sewerage operations is likely to be executed in accordance to the readiness of State water operators, of which SAJ is currently one of the most profitable and well managed.

## EXHIBIT 7: COMPARISON OF SEWERAGE PRACTICES IN DIFFERENT COUNTRIES

| Country                | Volumetric | Basic/Min Charge | Property Based | Fixed Rate | Environmental Tax | Billing            | Integration with Water Management | Average Water and Wastewater Bill (\$/m <sup>3</sup> ) |
|------------------------|------------|------------------|----------------|------------|-------------------|--------------------|-----------------------------------|--|
| U.S. (Nashville)       | ✓          | ✓                |                |            |                   | Integrate          | Integrate                         | \$2.71   |
| Canada                 |            |                  | ✓              |            |                   | N/A                | Integrate                         | \$2.75   |
| Belgium                | ✓          |                  |                |            |                   | Separate           | Separate                          | \$3.27*  |
| Japan                  | ✓          | ✓                |                | ✓          | ✓                 | Integrate          | Integrate                         | \$2.19   |
| Australia              | ✓          |                  | ✓(64%)         | ✓          |                   | Integrate          | Integrate                         | \$4.18   |
| Singapore              | ✓          |                  |                |            |                   | Integrate          | Integrate                         | \$3.40   |
| Germany                | ✓          |                  |                |            |                   | Integrate/Separate | Integrate/Separate                | \$4.26   |
| France                 | ✓          |                  |                |            |                   | Separate           | Separate                          | \$3.92   |
| U.K.                   | ✓          | ✓                | ✓              | ✓          |                   | Integrate/Separate | Integrate/Separate                | \$3.76   |
| New Zealand (Auckland) | ✓          |                  | ✓              |            |                   | Integrate          | Integrate                         | \$1.69*  |
| South Korea            | ✓          |                  |                |            |                   | Integrate          | Separate                          | \$0.69   |
| Czech Republic         | ✓          |                  |                |            |                   | Integrate          | Integrate                         | \$2.75   |
| Hungary                | ✓          |                  |                |            |                   | Integrate          | Integrate                         | \$2.93*  |
| Chile                  | ✓          | ✓                |                |            |                   | Integrate          | Integrate                         | \$1.20   |
| Poland                 | ✓          |                  |                | ✓          |                   | Integrate          | Integrate                         | \$2.21   |
| Brazil                 | ✓          |                  |                |            |                   | N/A                | Integrate                         | \$1.90   |
| Malaysia               |            |                  |                | ✓          |                   | Separate           | Separate                          | \$0.20   |
| South Africa           |            |                  |                | ✓          |                   | N/A                | Integrate                         | \$1.00   |
| Indonesia              | ✓          |                  | ✓              | ✓          | ✓                 | N/A                | Separate                          | \$0.80   |
| Philippines (Manila)   | ✓          |                  |                |            |                   | Integrate/Separate | Integrate/Separate                | \$0.70   |

Source: Company, MIDF

**Reaffirm BUY on Ranhill.** We raise our TP to RM1.30 (from RM1.15) as we factor in incremental earnings from the joint-billing program and we reduce the discount to SOP to 10% from 20% previously. Our revised TP still conservatively excludes potential earnings contribution from: (1) Water-sewerage operation integration (2) The RM500m national NRW program (3) Tawau Geothermal energy project, which could drive our valuations higher to RM1.60/share (blue-sky scenario). Key catalysts: (1) Schedule rate hike for Johor water (2) Johor water-sewerage integration (3) RM500m NRW reduction contract wins (4) TGE progress into production well drilling

## EXHIBIT 12: RANHILL SUM-OF-PARTS VALUATION

| Concessions                  | Valuation method    | Value (RMm)    | Stake        | Shares out   | RM/share    |
|------------------------------|---------------------|----------------|--------------|--------------|-------------|
| RP 1                         | DCF                 | 152.6          | 60.0%        | 888.3        | 0.10        |
| RP 2                         | DCF                 | 318.5          | 80.0%        | 888.3        | 0.29        |
| Water                        | DCF                 | 2,093.0        | 80.0%        | 888.3        | 1.88        |
| - Indah Water joint-billing  | PE of 10x           | 11.3           | 80.0%        | 888.3        | 0.01        |
| Other associates             | PE of 10x           | 31.8           |              | 888.3        | 0.04        |
| <b>Gross value</b>           |                     | <b>2,607.1</b> |              |              | <b>2.32</b> |
|                              | Net cash/(debt)     | (775.8)        |              | 888.3        | (0.87)      |
| Net value                    |                     | 1,831.4        |              | 888.3        | 1.45        |
| <b>Target Price</b>          | 10% discount to SOP |                |              |              | <b>1.30</b> |
| <i>add Tawau Geothermal</i>  | <i>Equity NPV</i>   | <i>165.1</i>   | <i>26.7%</i> | <i>888.3</i> | <i>0.05</i> |
| <i>add Johor Sewerage</i>    | <i>PE of 10x</i>    | <i>270.0</i>   | <i>80.0%</i> | <i>888.3</i> | <i>0.24</i> |
| <b>Blue-sky Target Price</b> |                     |                |              |              | <b>1.60</b> |

Source: Company, MIDF

## EXHIBIT 13: MARKET VALUING SAJ AT JUST 7.2X P/E

|   |                |
|---|----------------|
| Current market cap (RMm)                            | 932.7          |
| Value of Power Business & Associates (RMm)          | 502.9          |
| Remaining value attributable (RMm)                  | <b>429.8</b>   |
| (add back) Net Debt (RMm)                           | 775.8          |
| <b>Value attributed to SAJ (RMm)</b>                | <b>1,205.6</b> |
| SAJ net profit (FY17A) (Pre-rate hike) (RMm)        | 134.3          |
| <b>Implied PE for SAJ at current market cap (x)</b> | <b>9.0</b>     |

Source: Company, Bloomberg, MIDF

## SECTOR VALUATION SUMMARY

| Companies | Rating | Shr Price (RM) | PE (x) |       | P/BV (x) | ROE (%) | Div Yield (%) | Target Price (RM) | Total Upside (%) |
|-----------|--------|----------------|--------|-------|----------|---------|---------------|-------------------|------------------|
|           |        |                | FY18   | FY19  |          |         |               |                   |                  |
| Tenaga    | Buy    | 14.60          | 130.7  | 116.0 | 11.2     | 12.6    | 1.5           | 10.6              | 4.4              |
| YTL Power | Buy    | 1.01           | 9.0    | 9.1   | 11.2     | 11.1    | 0.6           | 5.0               | 4.5              |
| Ranhill   | Buy    | 1.05           | 8.4    | 9.9   | 10.4     | 8.8     | 0.7           | 13.6              | 6.8              |
|           |        |                |        |       | 10.9     | 10.8    | 1.0           | 9.7               | 5.2              |

| <b>Income Statement</b>        | <b>FY16</b>    | <b>FY17</b>    | <b>FY18F</b>   | <b>FY19F</b>   | <b>FY20F</b>   |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Revenue</b>                 | <b>1,455.1</b> | <b>1,478.7</b> | <b>1,515.1</b> | <b>1,712.6</b> | <b>1,728.3</b> |
| Operating expenses             | (1,147.1)      | (1,185.0)      | (1,216.9)      | (1,385.2)      | (1,410.5)      |
| <b>EBIT</b>                    | <b>307.9</b>   | <b>293.8</b>   | <b>298.2</b>   | <b>327.4</b>   | <b>317.9</b>   |
| Net interest expense           | (147.4)        | (98.8)         | (97.5)         | (87.9)         | (83.7)         |
| Associates                     | 8.0            | 3.2            | 3.2            | 3.2            | 3.2            |
| <b>PBT</b>                     | <b>168.5</b>   | <b>198.1</b>   | <b>203.9</b>   | <b>242.7</b>   | <b>237.3</b>   |
| Taxation                       | (71.3)         | (77.5)         | (79.8)         | (94.7)         | (92.6)         |
| Minority Interest              | 41.8           | 48.2           | 49.6           | 58.9           | 57.6           |
| Net profit                     | 55.3           | 72.4           | 74.5           | 89.1           | 87.2           |
| <b>Core net profit</b>         | <b>55.3</b>    | <b>72.4</b>    | <b>74.5</b>    | <b>89.1</b>    | <b>87.2</b>    |
| Consensus net profit           | N/A            | N/A            | N/A            | N/A            | N/A            |
|                                |                |                |                |                |                |
| <b>Balance Sheet</b>           | <b>FY16</b>    | <b>FY17</b>    | <b>FY18F</b>   | <b>FY19F</b>   | <b>FY20F</b>   |
| <b>Non-current assets</b>      | <b>2,227.4</b> | <b>1,866.7</b> | <b>1,900.4</b> | <b>1,931.6</b> | <b>1,960.4</b> |
| PPE                            | 575.3          | 589.5          | 620.0          | 648.0          | 673.7          |
| Investments                    | 152.1          | 172.2          | 175.4          | 178.5          | 181.7          |
| Others                         | 1,500.1        | 1,105.0        | 1,105.0        | 1,105.0        | 1,105.0        |
|                                |                |                |                |                |                |
| <b>Current assets</b>          | <b>961.5</b>   | <b>866.0</b>   | <b>836.3</b>   | <b>825.9</b>   | <b>842.7</b>   |
| Inventories                    | 75.6           | 81.5           | 102.6          | 117.6          | 118.8          |
| Receivables                    | 331.5          | 276.9          | 318.2          | 359.7          | 362.9          |
| Others                         | 94.2           | 96.4           | 96.4           | 96.4           | 96.4           |
| Cash & equivalent              | 460.3          | 411.2          | 319.1          | 252.2          | 264.6          |
| <b>TOTAL ASSETS</b>            | <b>3,188.9</b> | <b>2,732.7</b> | <b>2,736.7</b> | <b>2,757.5</b> | <b>2,803.1</b> |
|                                |                |                |                |                |                |
| Share capital                  | 888.3          | 1,275.3        | 1,275.3        | 1,275.3        | 1,275.3        |
| Minority Interest              | 183.2          | 196.0          | 245.6          | 304.5          | 362.2          |
| Reserves                       | (327.2)        | (693.2)        | (663.4)        | (627.7)        | (592.9)        |
| <b>TOTAL EQUITY</b>            | <b>744.3</b>   | <b>778.1</b>   | <b>857.6</b>   | <b>952.1</b>   | <b>1,044.6</b> |
|                                |                |                |                |                |                |
| <b>Non-current liabilities</b> | <b>1,576.1</b> | <b>1,451.1</b> | <b>1,493.5</b> | <b>1,380.3</b> | <b>1,330.3</b> |
| Long-term borrowings           | 1,155.9        | 1,040.2        | 1,082.6        | 969.3          | 919.3          |
| Others                         | 420.2          | 410.9          | 410.9          | 410.9          | 410.9          |
|                                |                |                |                |                |                |
| <b>Current liabilities</b>     | <b>868.4</b>   | <b>503.4</b>   | <b>385.6</b>   | <b>425.1</b>   | <b>428.2</b>   |
| Short-term borrowings          | 94.5           | 117.3          | 58.7           | 58.7           | 58.7           |
| Payables                       | 417.0          | 362.1          | 303.0          | 342.5          | 345.7          |
| Others                         | 357.0          | 23.9           | 23.9           | 23.9           | 23.9           |
|                                |                |                |                |                |                |
| <b>TOTAL LIABILITIES</b>       | <b>2,444.5</b> | <b>1,954.5</b> | <b>1,879.1</b> | <b>1,805.3</b> | <b>1,758.5</b> |

| <b>Cash Flow Statement</b>   | <b>FY16</b>    | <b>FY17</b>    | <b>FY18F</b>  | <b>FY19F</b>   | <b>FY20F</b>   |
|------------------------------|----------------|----------------|---------------|----------------|----------------|
| <b>Operating activities</b>  |                |                |               |                |                |
| PBT                          | 168.5          | 198.1          | 203.9         | 242.7          | 237.3          |
| Depreciation & Amortization  | 47.9           | 48.2           | 49.4          | 52.0           | 54.4           |
| Changes in working capital   | (166.9)        | 57.5           | (121.4)       | (17.0)         | (1.3)          |
| Others                       | 100.7          | (9.2)          | (83.0)        | (97.8)         | (95.7)         |
| <b>CF from Operations</b>    | <b>150.2</b>   | <b>294.7</b>   | <b>48.9</b>   | <b>179.8</b>   | <b>194.7</b>   |
| <b>Investing activities</b>  |                |                |               |                |                |
| Capex                        | (44.5)         | (61.7)         | (80.0)        | (80.0)         | (80.0)         |
| Others                       | 67.2           | (8.0)          | -             | -              | -              |
| <b>CF from Investments</b>   | <b>22.7</b>    | <b>(69.7)</b>  | <b>(80.0)</b> | <b>(80.0)</b>  | <b>(80.0)</b>  |
| <b>Financing activities</b>  |                |                |               |                |                |
| Dividends paid               | (84.2)         | (96.0)         | (44.7)        | (53.5)         | (52.3)         |
| Net proceeds in borrowings   | (417.4)        | (95.9)         | (16.3)        | (113.3)        | (50.0)         |
| Others                       | 309.5          | (176.3)        | -             | -              | -              |
| <b>CF from Financing</b>     | <b>(192.2)</b> | <b>(368.2)</b> | <b>(61.0)</b> | <b>(166.7)</b> | <b>(102.3)</b> |
| Net changes in cash          | (19.2)         | (143.3)        | (92.0)        | (66.9)         | 12.4           |
| <b>Beginning cash</b>        | <b>305.5</b>   | <b>285.1</b>   | <b>141.3</b>  | <b>49.3</b>    | <b>(17.6)</b>  |
| Overdrafts, Deposits & Forex | 174.0          | 269.4          | 269.8         | 269.8          | 269.8          |
| <b>Ending cash</b>           | <b>460.3</b>   | <b>411.2</b>   | <b>319.1</b>  | <b>252.2</b>   | <b>264.6</b>   |
|                              |                |                |               |                |                |
|                              |                |                |               |                |                |
| <b>Ratios</b>                | <b>FY16</b>    | <b>FY17</b>    | <b>FY18F</b>  | <b>FY19F</b>   | <b>FY20F</b>   |
| Revenue growth               | 10.6%          | 1.6%           | 2.5%          | 13.0%          | 0.9%           |
| EBITDA growth                | 20.3%          | -3.9%          | 1.6%          | 9.2%           | -1.9%          |
| Net profit growth            | 133.4%         | 30.7%          | 2.9%          | 19.7%          | -2.2%          |
| EBITDA margin                | 24.5%          | 30.7%          | 2.9%          | 19.7%          | -2.2%          |
| PATAMI margin                | 3.8%           | 4.9%           | 4.9%          | 5.2%           | 5.0%           |
| ROE                          | 9.9%           | 12.4%          | 12.2%         | 13.8%          | 12.8%          |
| ROA                          | 1.7%           | 2.6%           | 2.7%          | 3.2%           | 3.1%           |
| Net gearing                  | 141%           | 128%           | 134%          | 120%           | 105%           |
| Book value/share (RM)        | 0.84           | 0.88           | 0.97          | 1.07           | 1.18           |
| PBV (x)                      | 0.9            | 0.9            | 0.8           | 0.7            | 0.6            |
| FCF yield (%)                | 15.8           | 24.2           | -3.2          | 10.4           | 11.9           |

## DAILY PRICE CHART



Source: Bloomberg, MIDFR

**Hafriz Hezry**  
hafriz.hezry@midf.com.my  
03-2173 8392



MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).  
 (Bank Pelaburan)  
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

|              |  |
|--------------|--|
| BUY          | Total return is expected to be >10% over the next 12 months.   |
| TRADING BUY  | Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.  |
| NEUTRAL      | Total return is expected to be between -10% and +10% over the next 12 months.  |
| SELL         | Total return is expected to be <-10% over the next 12 months.  |
| TRADING SELL | Stock price is expected to <i>fall</i> by >10% 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. |