

Overweight (unchanged)

James KOH
 jameskoh@maybank-ke.com.sg
 (65) 6432 1431

KANG Chun Ee
 chunee@maybank-ib.com
 (603) 2297 8675

"The specific areas we are looking for is emerging markets. One important thing we have to look at is the capability of distribution or distribution platforms."

– **Suntory CEO Torii, Jul 2013**

"We aim to bring our sales in Southeast Asian nations to JPY100b (USD1b) in 2015. To achieve this, we will conduct M&As and other investments."

– **Asahi President Izumiya, Feb 2013**

"The company will consider corporate tie-ups and small-scale mergers and acquisitions in Southeast Asia."

– **Kirin CEO Miyake, Dec 2011**

ASEAN F&B

Make Hay While The Sun Shines

Suntory's opening salvo. Japan's Suntory Beverage & Food last week announced a deal to buy GlaxoSmithKline's Lucozade and Ribena brands in a USD2.1b deal. The transaction price translates to an estimated 30x PER. We anticipate more such deals with the next target likely an ASEAN-centric brand. To add spice to the competition, rival firms such as Asahi Group and Kirin Holdings may also be on the prowl, motivated by a shrinking market at home.

Next stop: ASEAN. Following its initial public offering earlier this year, Suntory, armed with a war chest of USD5b, explicitly stated its plan to make overseas F&B acquisitions. Lucozade and Ribena together have majority of sales from Europe, with Africa a small but growing market. We believe Suntory is still hungry for more deals and its next acquisition target would most likely be ASEAN-centric, considering its lack of presence in this region despite various forays over the years.

Thirst for soft drinks. Other than Lucozade and Ribena, notable deals by Suntory included the 2009 acquisitions of carbonated fruit beverage company Orangina Schweppes and carbonated energy drink-maker Frucor Group. Strategy-wise, we believe Suntory will be keen to bolster its traditional strength in ready-to-drink (RTD) teas with complementary soft drink varieties and brands. And ASEAN countries are expected to be among the fastest-growing markets over the next five years.

Coffee brewing fresh possibilities. Instant coffee currently is one of the fastest-growing F&B sub-segments in the Asia Pacific. It is expected to grow at 7.1% CAGR over the next five years, largely driven by ASEAN where the drink is widely accepted. Although Suntory is well-known at home for its "Boss" RTD coffee, it does not have a major presence in either the instant coffee or overseas markets.

Shopping list for Suntory. We believe heightened M&A activities in ASEAN's F&B space will drive overall sector valuations higher and examine some possible targets in this report. Del Monte Pacific is a dominant brand in the Philippines for healthy RTD fruit juices among other things, while the same preference for healthy choices may make Asian drinks leader Yeo Hiap Seng an attractive target. Their brand portfolios should greatly complement Suntory's. Super and Old Town are strong brands in instant coffee, with a growing presence in Asia.

Recommendation Summary

	BB Code	Rating	Share price (lcl curr)	Target Price (lcl curr)	Market cap (USD m)	FY13 (x)	PE FY14 (x)	FY15 (x)	3-yr EPS CAGR (%)	EV/ EBITDA FY13 (x)	PB (x) FY13 (x)	ROE FY13 (%)	FY14 (%)	Div Yield FY13 (%)
F&B														
SUPER GROUP	SUPER SP	Buy	4.48	6.00	1,982	24.1	21.1	18.7	20.0	17.4	5.4	21.0	21.0	2.4
YEO HIAP SENG	YHS SP	Hold	2.57	2.55	1,171	32.1	64.3	49.4	-22.0	21.6	NA	NA	NA	0.4
DEL MONTE PACIFIC	DELM SP	Buy	0.80	1.05	818	24.1	19.0	13.6	24.0	17.4	3.1	13.0	16.0	3.2
OLD TOWN	OTB MK	Buy	2.44	3.55	273	15.9	13.9	11.7	8.0	9.5	2.7	17.0	18.0	3.4

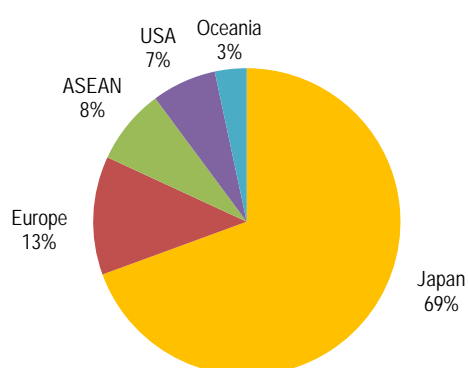
Source: Maybank KE, FactSet

M&A activities likely to remain buoyant

Bulk of revenue believed to come from UK

Lucozade/Ribena snapped up by Suntory. Japan's Suntory Beverage & Food conducted an initial public offering (IPO) earlier this year and last week announced its plan to buy UK-based GlaxoSmithKline's Lucozade and Ribena brands in a USD2.15b deal. We estimate the transaction price translates to FY12 30x PER and 18x EV/EBITDA. Given the lack of publicly available information on Lucozade and Ribena, our estimate is that the majority of their sales are derived from the UK itself, with Africa a relatively small but growing market.

Figure 1: Suntory Beverage and Food's geographical revenue split
Management explicitly targets to increase overseas contribution



Source: FactSet, Maybank KE

Figure 2: Lucozade/ Ribena Transaction parameters

We estimate 30x PER and 18x EV/EBITDA

		Remarks
Transaction Price	GBP1.35b (USD2.15b)	Based on company filings
Estimated Sales	GBP0.5b (USD0.8b)	Based on company filings
Estimated net margin	9%	Based on US/ Europe Peers average
Estimated EBITDA margin	15%	Based on US/ Europe Peers average
EBITDA	GBP75m(USD120m)	
EV/EBITDA	18x	
Net Profit	GBP45m (USD72m)	
PER	30X	

Source: FactSet, Maybank KE

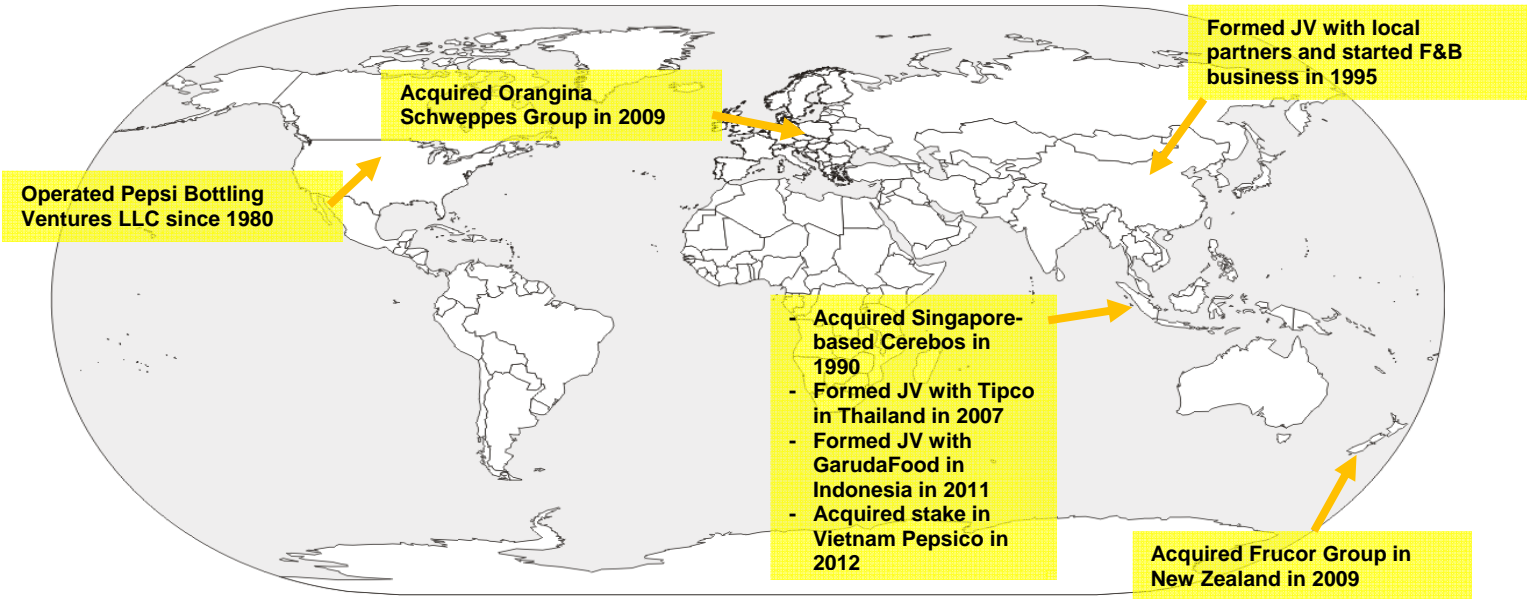
Premium to current sector valuations, especially considering price-to-growth

Transaction price supportive of higher sector valuations. The transaction price is a premium to the current valuations of most ASEAN-listed F&B companies, especially from a price-to-growth perspective. It should be noted that the bulk of Lucozade's/Ribena's revenue come from the UK, which is a mature market with limited growth prospects. In fact, we believe the duo may be experiencing earnings decline in the past 12 months like its peers in Europe and the US. In contrast, ASEAN F&B companies are expected to grow at an estimated 15% CAGR over the next three years.

Suntory likely has another USD3b for M&As

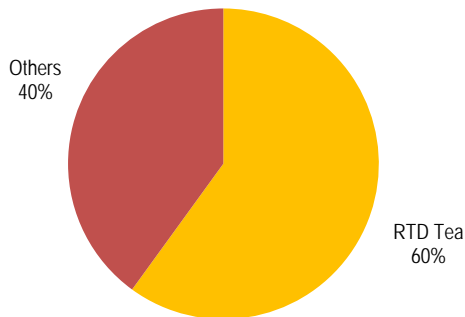
More money in the war chest. Following its IPO, Suntory, armed with a war chest of USD5b, explicitly stated its plan to make overseas F&B acquisitions. We think the company has appetite for more deals, even though there is no set timeline. With the majority of Lucozade's/Ribena's sales coming from Europe, the enlarged Suntory is likely to be underweight in terms of Asia ex-Japan revenue. In our view, its next acquisition target would most likely be ASEAN-centric, given its lack of presence in this region despite various forays over the years.

Figure 3: Suntory's overseas forays



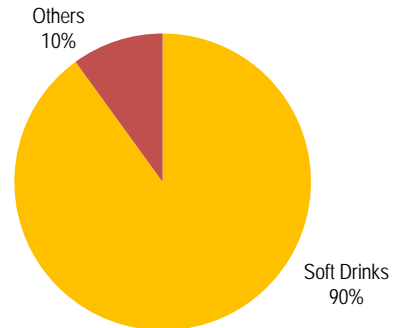
Source: Company sources, Maybank KE

Figure 4: Suntory Beverage & Food's estimated soft drinks business split within Asia-Pac
Management may want to diversify outside its RTD Tea business



Source: Euromonitor, Maybank KE

Figure 5: Suntory Beverage & Food's estimated group revenue split
Soft drinks will likely remain a major focus within the Group



Source: Euromonitor, Maybank KE

Japanese brewers may be on the prowl

Shrinking domestic markets pushing Japanese brewers to look overseas

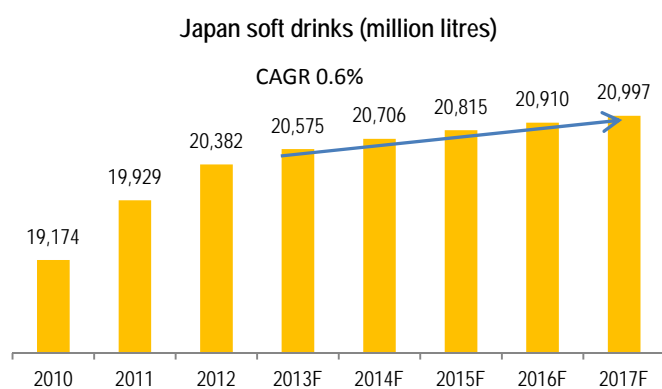
Looking overseas. In recent years, Japanese brewers such as Suntory, Asahi and Kirin have been actively making acquisitions overseas. This was driven by a potent mix of strengthening yen and shrinking domestic market, especially for beer. With F&B companies in ASEAN representing a good diversification from reliance on the beer business as well as domestic revenue, we expect this trend to persist. An acquisition may be the preferred option to jump-start local presence rather than through organic build-out which, admittedly, is much slower.

Figure 6: Japanese brewers' recent acquisitions

Suntory			
Ann Date	Deal	Product/ Market	Value (USD m)
24-May-12	Majority 51% stake in Narang Connect	Mumbai, India-based company that distributes and markets indulgence coffee brands	Undisclosed
01-Aug-12	Acquired remaining 16.6% of SGX-listed Cerebos which it did not own	Health supplements and food products in Southeast Asia	278.9
22-Oct-12	Majority 51% stake in PepsiCo Vietnam, forming a strategic alliance with PepsiCo	Vietnam operations of PepsiCo	Undisclosed
09-Sep-13	Lucozade/Ribena brands and operations from GlaxoSmithKline Plc	Juice/energy drinks with majority of sales from UK	2109.9
Asahi			
Ann Date	Deal	Product/ Market	Value (USD m)
08-May-12	Acquired Calpis Co from Ajinomoto Co Inc	Calpis is based in Tokyo, Japan, and produces lactic acid drinks and confectioneries	1500
27-Jun-13	Acquired PT Pepsi-Cola IndoBeverages in a strategic tie-up with Indofood	Indonesian operations of PepsiCo	30
Kirin			
Ann Date	Deal	Product/ Market	Value (USD m)
08-Jun-12	Acquired entire stake of IndoChina Beverage Holdings, which holds 23% interest in Interfood, giving Kirin an 80% stake	Beverage business in Vietnam	Undisclosed
18-Jun-12	Acquired remaining 63.8% stake it did not own in Little World Beverages	Western Australia-based manufacturer and distributor of alcoholic beverages	247.5
06-Nov-12	Acquired Emerson Brewing Co	New Zealand-based brewery	Undisclosed

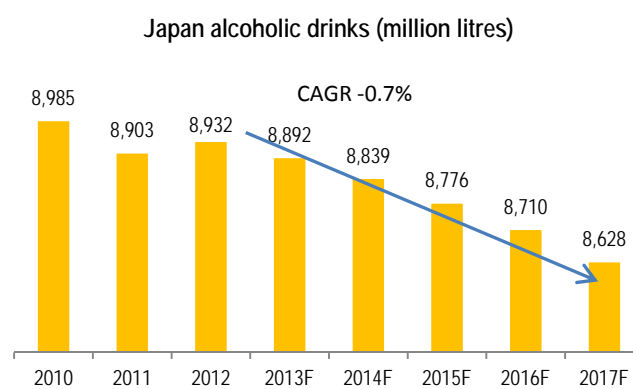
Source: Factset, Maybank KE

Figure 7: Japan soft drinks market
Expected to grow slowly at 0.6% CAGR over next 5 years



Source: Euromonitor, Maybank KE

Figure 8: Japan alcoholic drinks market
Expected to shrink 0.7% CAGR over next 5 years, presenting a challenge for Japanese brewers

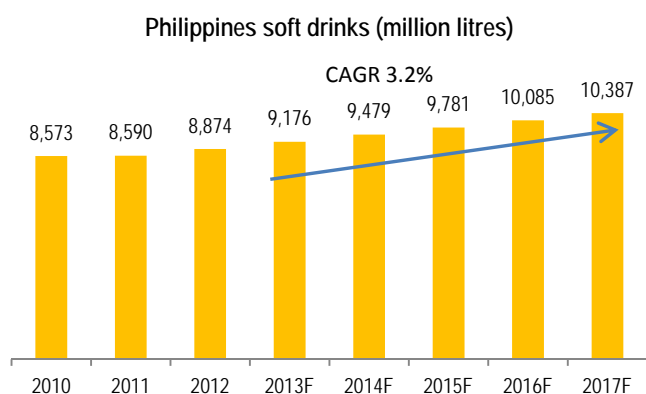


Source: Euromonitor, Maybank KE

ASEAN countries expected to be amongst the fastest growing for soft drinks

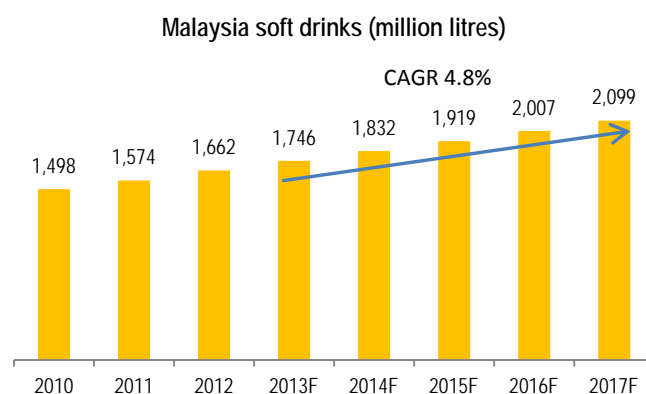
Thirst for soft drinks. Other than Lucozade and Ribena, notable deals by Suntory included the 2009 acquisitions of carbonated fruit beverage company Orangina Schweppes and carbonated energy drink-maker Frucor Group. Strategy-wise, we believe Suntory will be keen to bolster its traditional strength in RTD teas with complementary soft drink varieties and brands. Compared with the Japanese market's estimated growth at 0.6% CAGR over the next five years, ASEAN countries are expected to be among the fastest growing over the same period.

Figure 9: Philippine soft drinks market
Expected to show buoyant growth of 3.2% CAGR over next 5 years



Source: Euromonitor, Maybank KE

Figure 10: Malaysia soft drinks market
One of the smallest ASEAN markets on a per capita basis. Expected to show buoyant growth of 4.8% CAGR over next 5 years

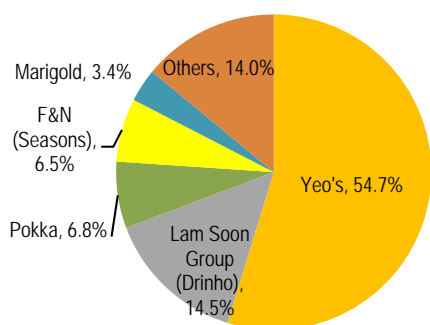


Source: Euromonitor, Maybank KE

Complimentary soft drink portfolios to Suntory in our view

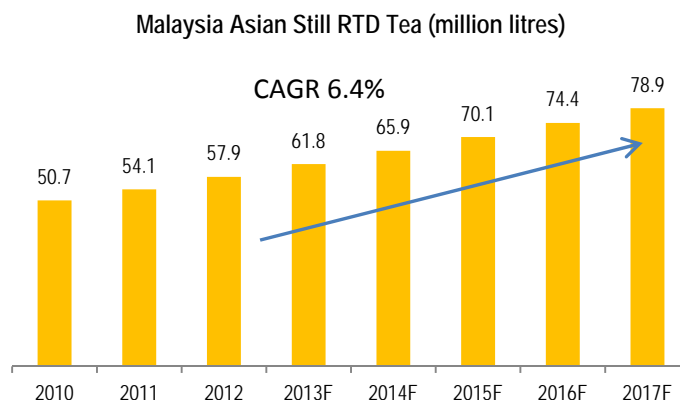
Del Monte Pacific, Yeo Hiap Seng offer healthy choices. Del Monte Pacific is a dominant brand in the Philippines, with a market share of 92% for healthy RTD fruit juices, among other things. We believe its dominant shelf-space in retail channels and a strong distribution network will be attractive for a company like Suntory. The same preference for healthy choices may also make Asian drinks leader Yeo Hiap Seng an attractive target. YHS is a pioneer in this sub-category. We believe these are attractive brand portfolio which are complementary to Suntory's, with no major overlaps. Suntory may even bring the brands into Japan, much like what it did with Orangina.

Figure 11: Asian RTD Tea market – Malaysia
Yeo Hiap Seng is a major player in this sub-segment



Source: Euromonitor, Maybank KE

Figure 12: Asian RTD Tea market - Malaysia
This sub-segment is expected to grow fast, at 6.4% CAGR over next five years, driven by healthier consumers



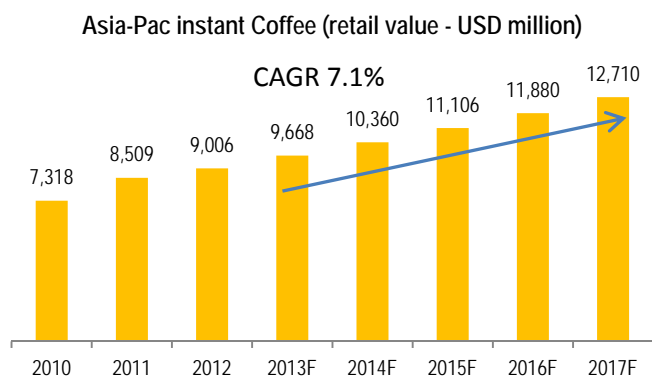
Source: Euromonitor, Maybank KE

3-in-1 coffee now widely accepted across ASEAN

Coffee brewing fresh possibilities. Instant coffee currently is one of the fastest-growing F&B sub-segments in the Asia Pacific. It is expected to grow at 7.1% CAGR over the next five years, largely driven by ASEAN where the drink is now widely accepted in every market except Vietnam. The 2-in-1/3-in-1 format in particular will grow faster due to the convenience factor. Although Suntory is well-known at home for its “Boss” RTD coffee, it does not have a major presence in either the instant coffee or overseas markets.

Figure 13: Asia-Pac Instant Coffee

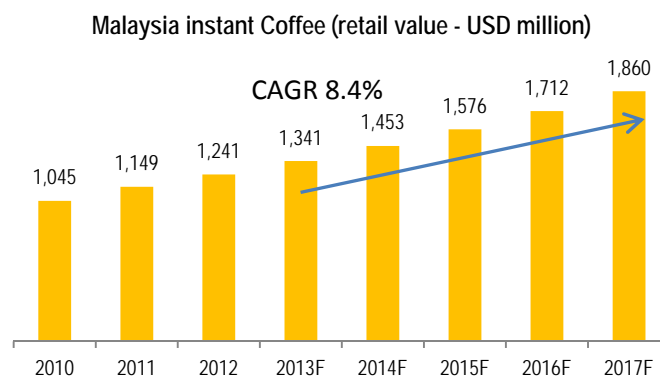
One of the fastest F&B sub-segment in Asia, expected to grow 7% CAGR over next five years despite slow growth in Japan



Source: Euromonitor, Maybank KE

Figure 14: Malaysia Instant Coffee

Expected to grow 8.4% CAGR over next five years, Old Town is amongst the top players



Source: Euromonitor, Maybank KE

May represent entry into a new F&B sub-segment

Super Group, Old Town may interest. Super is a pioneer of instant 3-in-1 coffee. Outside of Nestle, we believe no other company has a more significant presence across ASEAN than the group, given its leadership positions in Singapore, Malaysia, the Philippines, Thailand and Myanmar. Old Town is now synonymous with white coffee, an increasingly popular flavour. The company’s single brand café/consumer product strategy has quickly created brand awareness. Its ability to penetrate North Asian markets such as Taiwan, Hong Kong and China may also enhance its attractiveness to Suntory.

Figure 15: Peer valuation comparison

	BB Code	Rating	Share price (lcl curr)	Target Price (lcl curr)	Market cap (USD m)	PE FY13 (x)	PE FY14 (x)	PE FY15 (x)	3-yr EPS CAGR (%)	EV/EBITDA FY13 (x)	PB (x) FY13	ROE FY13 (%)	ROE FY14 (%)	Div Yield FY13 (%)
F&B														
SUPER GROUP	SUPER SP	Buy	4.48	6.00	1,982	24.1	21.1	18.7	20.0	17.4	5.4	21.0	21.0	2.4
YEO HIAP SENG	YHS SP	Hold	2.57	2.55	1,171	32.1	64.3	49.4	-22.0	21.6	NA	NA	NA	0.4
DEL MONTE PACIFIC	DELM SP	Buy	0.80	1.05	818	24.1	19.0	13.6	24.0	17.4	3.1	13.0	16.0	3.2
PETRA FOODS	PETRA SP	NR	3.16	NA	1,532	30.6	22.3	20.1	41.0	17.5	4.2	14.0	17.0	1.4
NESTLE (MYR)	NESZ MK	Hold	67.70	62.00	4,885	28.8	26.0	22.6	12.0	19.6	20.4	71.0	75.0	3.3
OLD TOWN	OTB MK	Buy	2.44	3.55	273	15.9	13.9	11.7	8.0	9.5	2.7	17.0	18.0	3.4
DUTCH LADY MILK	DLM MK	NR	46.60	NA	918	23.6	21.9	NA	NA	15.9	13.7	58.0	63.0	5.5
INDOFOOD CBP	ICBP IJ	Hold	11,400	8,900	5,808	27.6	23.4	21.3	13.0	16.9	5.2	19.0	19.0	1.3
NIPPON INDOSARI	ROTI IJ	NR	6,050	NA	535	32.8	25.8	19.6	28.0	20.3	6.1	19.0	18.0	0.6
ULTRAJAYA	ULTJ IJ	NR	4,075	NA	1,028	NA	NA	NA	NA	NA	NA	NA	NA	NA
MAYORA INDAH	MYOR IJ	NR	30,950	NA	2,073	27.1	22.8	18.9	20.0	15.1	6.4	24.0	23.0	0.7
CHAROEN POKPHAND	CPF TB	Buy	24.6	26.7	5,999	22.6	18.1	9.2	2.0	26.4	1.7	8.0	9.0	2.0
MALEE SAMPRAN	MALEE TB	Buy	37.75	44	166	12.1	9.2	7.2	-6.0	8.5	4.5	37.0	33.0	3.3
THAI UNION FROZEN	TUF TB	Buy	53.50	52.00	1,934	19.0	12.5	9.4	11.0	14.3	1.6	8.0	12.0	2.2
THAI PRESIDENT	TF TB	NR	170.00	NA	964	NA	NA	NA	NA	NA	NA	NA	NA	NA
SERMSUK	SSC TB	NR	106.50	NA	892	NA	NA	NA	NA	NA	NA	NA	NA	NA
PRESIDENT BAKERY	PB TB	NR	42.00	NA	595	NA	NA	NA	NA	NA	NA	NA	NA	NA
OISHI GROUP	OISHI TB	NR	95.25	NA	562	21.2	13.4	7.2	56.0	13.3	4.9	23.0	30.0	2.5
UNIVERSAL ROBINA	URC PM	Buy	126.9	154	6,342	32.0	27.4	23.9	14.0	20.0	5.6	19.0	20.0	1.8
SAN MIGUEL PF	PF PM	Buy	233	370	890	10.6	8.6	6.5	18.0	5.6	0.9	10.0	10.0	2.1
PEPSI-COLA (PHIL)	PIP PM	Buy	5.07	7.20	429	18.1	15.8	13.6	17.0	6.7	2.6	14.0	15.0	1.4
RFM CORP	RFM PM	Buy	4.71	6.05	341	17.4	13.5	NA	NA	NA	1.6	9.0	10.0	1.3
VIETNAM DAIRY	VNM VN	Buy	137,000	148,000	5,407	16.3	14.5	11.8	18.0	13.2	5.5	34.0	33.0	2.5
KINH DO CORP	KDC VN	Hold	48,900	50,000	382	15.5	15.4	12.7	13.0	10.4	1.8	12.0	11.0	4.9
Average						22.6	20.4	16.5	15.9	15.2	5.2	22.6	23.8	2.3

Non Rated numbers are based on consensus estimates. The rest are Maybank KE estimates

Source: Factset, Maybank KE

Buy (unchanged)

Share price: SGD0.825
PHP26.50

Target price: SGD1.05 (unchanged)
PHP36.50 (unchanged)

James KOH
jameskoh@maybank-ke.com.sg
(65) 6432 1431

Stock Information

Description: Del Monte operates as an investment holding company, which engages in growing, processing, and selling canned and fresh pineapples, pineapple concentrate, tropical mixed fruit and tomato-based products. These products are sold under the brand names of Del Monte and S&W.

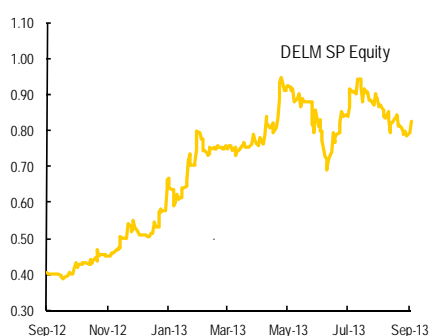
Ticker:	DELM SP
Shares Issued (m):	1,296.6
Market Cap (USD m):	849.6
3-mth Avg Daily Turnover (USD m):	0.3
ST Index:	3,193.85
Free float (%):	33

Major Shareholder:	%
Nutri-Asia	67

Key Indicators

ROE	12.9
Net gearing (%):	68
BVPS/shr (USD):	0.20
Interest cover (x):	7.7

Historical Chart



Performance:

52-week High/Low SGD0.955/SGD0.388

	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	-4.6	-0.6	10.0	106.3	61.0
Relative (%)	-4.5	0.5	12.2	98.1	59.6

Del Monte Pacific

A Healthier Choice

Great heritage, new ideas. The Del Monte brand has its origins in California, the United States, in 1892. The company was broken up over the years but Del Monte remained an iconic brand. This was especially so in the Philippines, where operations first started in 1926. Today, Del Monte Pacific (DMPL) owns the rights to the brand in the Philippines. In 2006, Nutri-Asia became a major shareholder and its efforts in reshaping the company should bear fruit in the next 3-5 years.

Dominant F&B player in Philippines. DMPL derives 60% of its revenue from its home market, the Philippines. The company's strong brand equity underpins its dominant market share (56-92%) in canned fruits, RTD juices, tomato sauces and spaghetti sauces. This is further supported by its own direct sales force for modern trade. As the second most populous nation in ASEAN, the Philippines is expected to record one of the fastest consumption growth in the region.

Vertically-integrated player. DMPL is vertically integrated for most of the products it deals in. The company owns and manages a 23,000ha pineapple plantation in the Philippines. It also has its own cannery and packing facilities, making it one of the largest integrated pineapple processors in the world. Other than its own-brand sales, DMPL is also an OEM supplier to other companies.

Budding brand presence in other markets. One of management's strategic thrust since taking over in 2006 was to expand DMPL's own-brand business outside the Philippines via the S&W brand. Though still relatively small, we see significant growth traction with S&W sales tripling over the past three years. DMPL also owns the Del Monte brand in India and Myanmar, which are interesting growth markets.

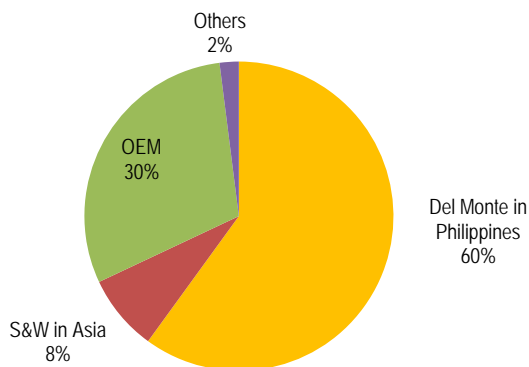
Maintain BUY. We remain positive on the company in anticipation of structural improvements to margins and ROE from 1) changes in legacy supply contracts in 2014-2015, and 2) greater contribution from own-brand sales outside the Philippines. Our TP of SGD1.05 (PHP36.50) is pegged at 25x FY14F PER, justified by a 22% net profit CAGR over the next three years.

Del Monte Pacific – Summary Earnings Table

FYE DEC (USD m)	2011	2012	2013F	2014F	2015F
Revenue	425.2	459.7	525.0	572.1	627.6
EBITDA	57.8	65.5	70.8	82.7	104.3
Recurring Net Profit	27.4	32.1	33.9	43.2	59.0
Recurring EPS (USD cents)	2.1	2.5	2.6	3.3	4.6
DPS (USD cents)	1.9	2.2	2.0	2.5	3.4
PER (x)	30.7	26.3	24.8	19.5	14.3
EV/EBITDA (x)	16.1	14.6	13.7	11.2	8.8
Div Yield (%)	2.9	3.4	3.0	3.8	5.3
P/BV (x)	3.0	2.7	3.2	3.1	2.9
ROE (%)	11.6	12.5	12.9	15.7	20.4
ROA (%)	6.5	6.5	6.5	7.8	10.1
Consensus Net Profit			34.5	43.6	59.3

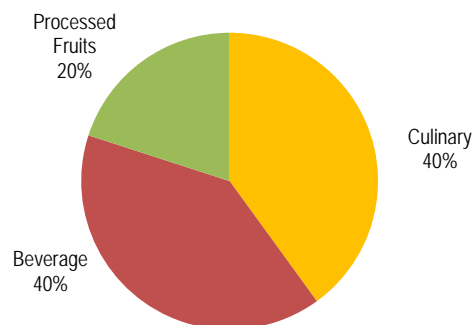
Source: Company, Maybank KE estimates

Figure 1: Del Monte Pacific – revenue breakdown by segment, FY12



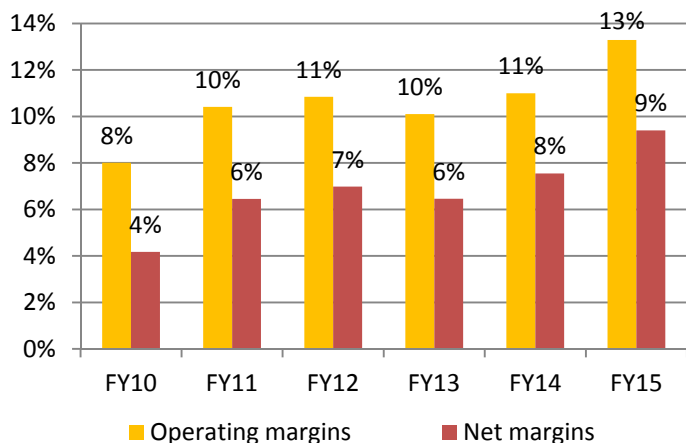
Source: Company, Maybank KE

Figure 2: Del Monte Philippines – revenue breakdown by segment, FY12



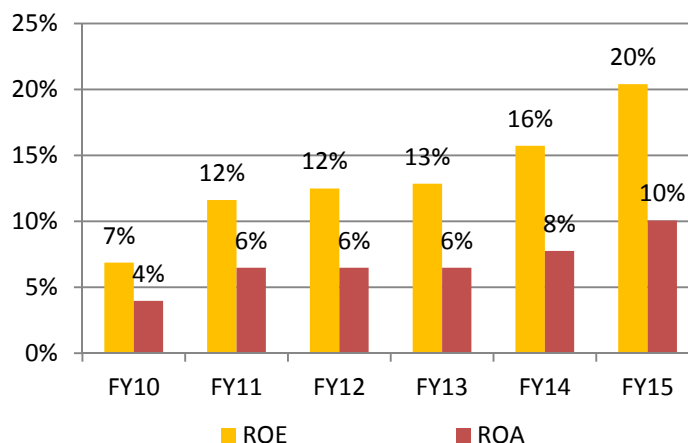
Source: Company, Maybank KE

Figure 3: Better margins expected



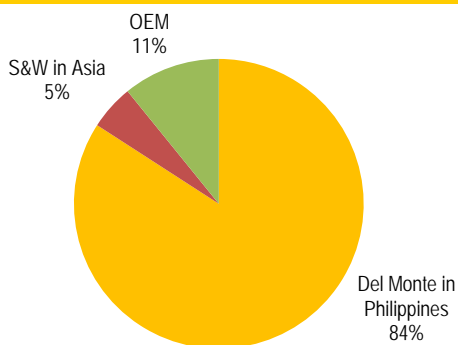
Source: Company, Maybank KE

Figure 4: Better ROE profile going forward



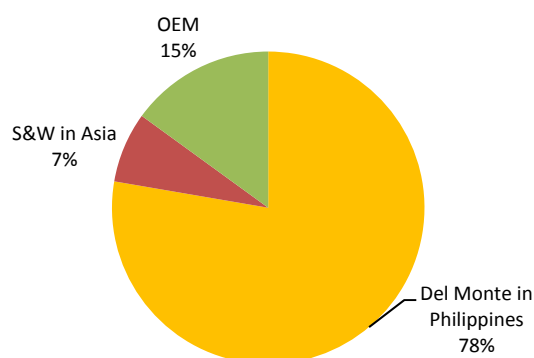
Source: Company, Maybank KE

Figure 5: Operating profit breakdown, FY12



Source: Company, Maybank KE

Figure 6: Operating profit breakdown, FY15F



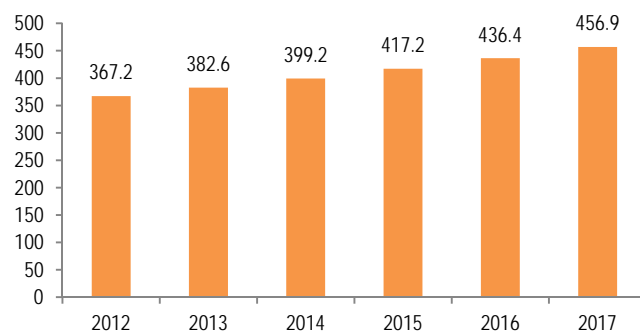
Source: Company, Maybank KE

Figure 7: Dominant market share in the Philippines

Product	Market Share
Canned pineapple	80%
Canned mixed fruit	74%
Canned RTD juices	92%
Tomato sauce	78%
Spaghetti Sauce	56%

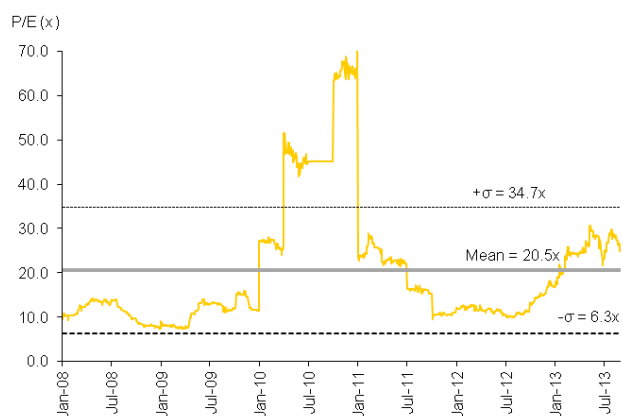
Source: AC Nielsen Retail Index 2013, Maybank KE

Figure 8: Philippines juice drink market – expected to grow at 4.5% CAGR over the next five years (USD m)



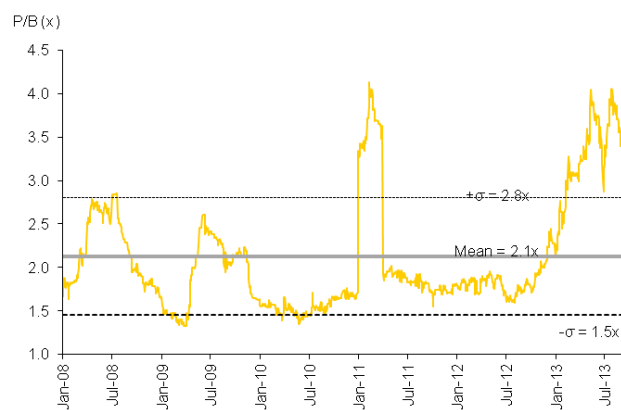
Source: Euromonitor, Maybank KE

Figure 9: PER band since 2008



Source: Bloomberg, Maybank KE

Figure 10: P/BV band since 2008



Source: Bloomberg, Maybank KE

PROFIT AND LOSS (SGD m)

FYE Dec	2011	2012	2013F	2014F	2015F
Sale	425.2	459.7	525.0	572.1	627.6
Cost of sales	(323.8)	(346.9)	(398.4)	(434.2)	(465.5)
Gross Profit	101.4	112.8	126.6	137.9	162.1
SG&A	(57.1)	(62.9)	(73.5)	(75.0)	(78.7)
Operating Profit	44.3	49.9	53.0	62.9	83.4
Net Finance cost	(1.6)	(3.1)	(6.8)	(5.0)	(5.3)
JV/ Associates	(10.6)	(6.1)	(4.0)	(2.0)	(1.0)
Pretax income	32.1	40.7	42.2	55.9	77.2
Income taxes	(5.5)	(9.1)	(8.8)	(13.2)	(18.7)
Minority	0.9	0.5	0.5	0.5	0.5
Reported Net profit	27.4	32.1	33.9	43.2	59.0
Net profit (recurring)	27.4	32.1	33.9	43.2	59.0
EPS (USD cent)	2.1	2.5	2.6	3.3	4.6
EBITDA	57.8	65.5	70.8	82.7	104.3

CASH FLOW (SGD m)

FYE Dec	2011	2012	2013F	2014F	2015F
Operating cash flow	38.1	19.5	39.6	43.2	57.3
Pretax profit	26.6	31.6	42.2	55.9	77.2
Depreciation & amortization	13.5	15.7	17.8	19.8	20.8
Share of JV/ assoc	10.6	6.1	4.0	2.0	1.0
Change in working capital	(18.6)	(46.2)	(15.6)	(21.3)	(23.0)
Others	6.0	12.4	(8.8)	(13.2)	(18.7)
Investment cash flow	(19.0)	(20.1)	(25.0)	(25.0)	(20.0)
Net capex	(18.4)	(17.1)	(25.0)	(25.0)	(20.0)
Other investments	(1.1)	(3.6)	0.0	0.0	0.0
Others	0.5	0.6	0.0	0.0	0.0
Financing cash flow	(15.7)	(5.0)	(14.1)	(18.2)	(37.3)
Dividends	(16.8)	(23.4)	(25.4)	(32.4)	(44.2)
Net change in debt	7.1	22.5	11.3	14.2	7.0
Issue of shares	(1.8)	0.0	0.0	0.0	0.0
Others	(4.1)	(4.1)	0.0	0.0	0.0
Net cash flow	3.4	(5.6)	0.4	0.0	0.0
<i>Free cash flow</i>	<i>19.1</i>	<i>(0.6)</i>	<i>14.6</i>	<i>18.2</i>	<i>37.3</i>

BALANCE SHEET (SGD m)

FYE Dec	2011	2012	2013F	2014F	2015F
Total assets	417.4	495.5	523.0	556.8	586.2
Current assets:	278.5	350.1	374.3	404.9	436.1
Cash	20.9	24.6	25.0	25.0	25.0
Inventories	82.9	113.5	114.6	124.9	133.9
Receivables	82.9	102.4	115.1	125.4	137.6
Bio assets	91.8	109.7	119.7	129.7	139.7
Long-term assets:	138.9	145.5	148.7	151.9	150.0
PPE	85.4	93.4	101.2	106.9	106.6
JV/ Associates	24.0	21.5	17.5	15.5	14.5
Intangibles	16.0	15.4	14.9	14.3	13.7
Others	13.5	15.2	15.2	15.2	15.2
Total liabilities	194.8	242.2	261.8	285.2	300.3
Current liabilities:	188.9	226.5	246.8	270.2	285.3
Payables	81.3	95.5	103.7	113.0	121.2
ST Borrowings	105.0	125.9	137.9	152.1	159.0
Others	2.6	5.2	5.2	5.2	5.2
Long-term liabilities	5.9	15.7	15.0	15.0	15.0
Long-term borrowings	5.9	15.7	15.0	15.0	15.0
Others	0.0	0.0	0.0	0.0	0.0
Shareholder's equity	230.5	255.2	263.7	274.5	289.3

KEY RATIOS

FYE Dec	2011	2012	2013F	2014F	2015F
Growth (% YoY)					
Sales	12.3	8.1	14.2%	9.0%	9.7%
Operating Profit	46.1	12.6	6.4%	18.6%	32.6%
EBITDA	37.8	13.3	8.1%	16.8%	26.0%
Net Profit (recurring)	73.6	16.9	5.7%	27.4%	36.6%
EPS	73.8	16.9	5.5%	27.4%	36.6%
Profitability (%)					
Operating margin	10.4	10.8	10.1%	11.0%	13.3%
EBITDA margin	13.6	14.3	13.5%	14.5%	16.6%
Net profit margin	6.5	7.0	6.5%	7.5%	9.4%
ROA	6.5	6.5	6.5%	7.8%	10.1%
ROE	11.6	12.5	12.9%	15.7%	20.4%
Stability					
Gross debt/equity (%)	48.1	55.5	58.0%	60.9%	60.2%
Net debt/equity (%)	39.1	45.9	48.5%	51.8%	51.5%
Int. coverage (X)	27.7	16.3	7.7	12.5	15.8
Int. & ST debt coverage (X)	0.4	0.4	0.4	0.4	0.5
Cash flow int. coverage (X)	2.1	-1.8	0.1	0.0	0.0
Cash flow int. & ST debt (X)	0.0	0.0	0.0	0.0	0.0
Current ratio (X)	1.5	1.5	1.5	1.5	1.5
Quick ratio (X)	1.0	1.0	1.1	1.0	1.1
Net debt/(cash) (USD m)	90.0	117.0	127.9	142.1	149.0
Per share data (USD cents)					
EPS	2.5	3.0	2.6	3.3	4.6
CFPS	1.8	(0.1)	1.1	1.4	2.9
BVPS	21.4	23.7	20.3	21.2	22.3
SPS	39.4	42.6	40.5	44.1	48.4
EBITDA/share	5.4	6.1	2.6	3.3	4.6
DPS	1.9	2.2	2.0	2.5	3.4

Source: Company, Maybank KE

Hold (unchanged)

Share price: SGD2.65
Target price: SGD2.55 (unchanged)

James KOH
jameskoh@maybank-ke.com.sg
(65) 6432 1431

Stock Information

Description: Yeo Hiap Seng Limited manufactures, distributes and exports canned food, sauces and non-alcoholic beverages. Through its subsidiaries, the company also rents beverage vending machines. Yeo Hiap Seng develops and invests in properties.

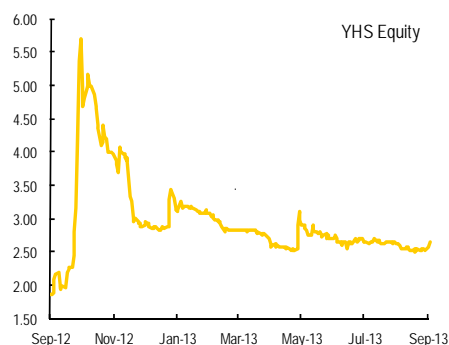
Ticker:	YHS SP
Shares Issued (m):	574.3
Market Cap (USD m):	1,208.9
3-mth Avg Daily Turnover (USD m):	0.03
ST Index:	3,193.85
Free float (%):	21

Major Shareholder:	%
Far East Organization	54.0
Far East Hospitality	11.1
Transurban Properties	9.8
Sino Land	4.3

Key Indicators

ROE	9.3
Net cash (SGD m):	147.5
BVPS/shr (SGD):	1.30
Interest cover (x):	Net cash

Historical Chart



Performance:

52-week High/Low SGD6.10/SGD1.87

	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	1.1	-2.9	-6.0	41.7	-6.7
Relative (%)	3.5	5.3	1.1	34.1	-9.8

Yeo Hiap Seng

Connecting With The Far East Markets

A giant awakes. Yeo Hiap Seng (YHS) is a household F&B brand in Singapore and Malaysia with a 112-year heritage. We believe the company has renewed its strategic focus to grow the F&B business following the restructuring of Far East Orchard in 2012. If it succeeds in harnessing its latent potential, it may well emerge as a major player in the Asia-Pacific soft drinks space.

Desirable brand portfolio. YHS is a pioneer in the Asian soft drinks category and owns several well-loved brands/drinks, such as Chrysanthemum Tea, Winter Melon Tea, Soybean Milk and top-selling sports drink H-TWO-O. It is also the bottler of PepsiCo in Singapore. We believe Asian drinks would make an interesting and complementary brand portfolio for a company like Suntory. Also worth noting is the fact that Suntory is a major partner of PepsiCo, the sole bottler in Japan since 1997, and may be keen to take that relationship further.

Entry into several key markets. For the Asian RTD Tea category, YHS is a major player with an estimated 55% share in its home market Malaysia and 16% in Singapore. It is also making headway in terms of product sales in Cambodia and Indonesia. Both have been identified as potential growth markets and the company plans to invest in manufacturing capabilities over the next 2-3 years.

Opportunities to add value. Given the obvious brand portfolio synergies, potential acquirers would be excited by the value-added possibilities, for example, bringing the brand into new markets, creating manufacturing economies of scale and/or introducing new techniques. YHS's distribution channels may also be desirable, especially in Malaysia, where its products are well sold through all channels from wholesalers to mom-and-pop shops.

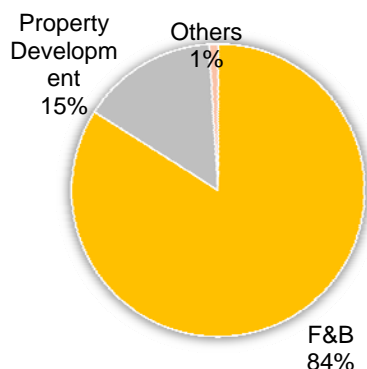
When money is enough. With the gradual unwinding of its property development business and visible margin improvements, we believe the value of YHS's F&B business will become clearer in the next 1-2 years. Our SOTP-based TP remains unchanged at SGD2.55. Clearly, there is no major impetus to sell for financial reasons, given the resources of the Far East group. But we think a strategic sale may not be out of the question if an acquirer is able to add great value to this heritage-rich company. For now, maintain HOLD.

Yeo Hiap Seng – Summary Earnings Table

FYE Dec (SGDm)	2011	2012	2013F	2014F	2015F
Revenue	443.0	566.4	523.9	489.8	546.3
EBITDA	49.6	90.7	72.4	43.1	53.3
Recurring Net Profit	31.2	63.0	57.3	32.0	40.3
Recurring EPS (SG cts)	5.4	11.0	10.0	5.6	7.0
DPS (SG cts)	1.0	1.0	1.5	1.7	1.8
PER (x)	48.7	24.2	26.5	47.6	37.8
EV/EBITDA (x)	29.8	15.5	17.8	30.0	24.4
Div Yield (%)	0.4	0.4	0.6	0.6	0.7
P/BV (x)	3.1	2.2	2.0	1.9	1.9
ROE (%)	8.7	12.0	9.3	4.1	5.0
ROA (%)	6.3	9.1	7.6	3.5	4.3
Consensus Net Profit			na	na	na

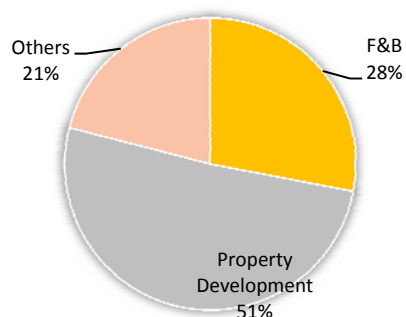
Source: Company, Maybank KE estimates

Figure 1: Revenue breakdown by business, FY13F
F&B is the major revenue contributor



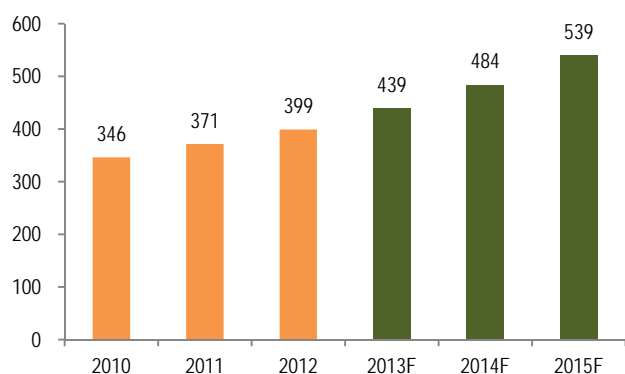
Source: Company, Maybank KE

Figure 2: Profit breakdown by business, FY13F
Property development business is set to wind down



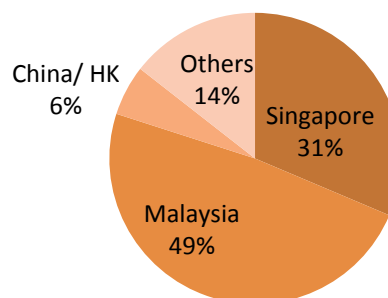
Source: Company, Maybank KE

Figure 3: F&B revenue - up 7% YoY in each of the past two years



Source: Company, Maybank KE

Figure 4: Breakdown of F&B business by geography, FY12
Malaysia and Singapore are the major contributors



Source: Company, Maybank KE

Figure 5: Sum-of-the-parts valuation

	Value (SGD m)	Per share (SGD)
Current net cash	147.0	0.26
Financial assets	315.0	0.55
Properties/ Landbank	256.5	0.45
F&B business at 40x FY14F	755.0	1.31
Total	1473.5	2.55

Source: Company, Maybank KE

PROFIT AND LOSS (SGD m)

FYE Dec	2011	2012	2013F	2014F	2015F
Sales	443.0	566.4	523.9	489.8	546.3
Cost of goods sold	(276.0)	(340.6)	(311.3)	(303.5)	(330.6)
Gross profit	167.0	225.8	212.6	186.3	215.7
Other income/ gains	14.3	8.4	16.5	7.0	8.0
Selling and dist exp	(101.1)	(111.0)	(117.6)	(118.1)	(137.0)
General and adm exp	(24.5)	(34.0)	(33.0)	(36.7)	(38.2)
Operating profit	55.7	89.3	78.4	38.4	48.4
Finance costs	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
JV/ Associates	0.9	0.5	1.0	1.3	1.5
Pretax income	56.4	89.6	79.2	39.5	49.7
Income taxes	(11.2)	(16.5)	(11.9)	(7.5)	(9.4)
Minority	(4.0)	(2.8)	0.0	0.0	0.0
Net profit attributable	41.2	70.4	67.3	32.0	40.3
Recurring net profit	31.2	63.0	57.3	32.0	40.3
EPS (SG cts)	5.4	11.0	10.0	5.6	7.0
EBITDA	49.6	90.7	72.4	43.1	53.3

CASH FLOW(SGD m)

FYE Dec	2011	2012	2013F	2014F	2015F
Operating cash flow	39.6	106.6	152.3	47.5	44.8
Profit before tax	45.2	73.2	67.3	32.0	40.3
Depreciation & amortisation	8.2	9.8	10.4	11.6	12.8
Non-cash gains	(10.0)	(7.4)	10.0	0.0	0.0
Change in working capital	(1.1)	25.4	75.4	5.0	(7.1)
Others	(13.9)	(10.9)	(22.7)	(8.5)	(10.7)
Investment cash flow	(14.6)	(32.6)	(20.0)	(40.0)	(40.0)
Net capex	(26.2)	(43.3)	(40.0)	(40.0)	(40.0)
Financial assets	11.5	9.5	20.0	0.0	0.0
Others	0.1	1.2	0.0	0.0	0.0
Financing cash flow	(11.6)	0.4	(72.0)	(9.8)	(10.3)
Net change in debt	(16.0)	8.0	(7.3)	0.0	0.0
Issue of shares	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	(5.7)	(8.8)	(9.6)	(10.1)
Others	4.4	(1.9)	(55.9)	(0.2)	(0.2)
Net cash flow	13.4	74.4	60.3	(2.3)	(5.5)
<i>Free cash flow</i>	<i>24.9</i>	<i>72.9</i>	<i>132.3</i>	<i>7.5</i>	<i>4.8</i>

BALANCE SHEET(SGD m)

FYE Dec	2011	2012	2013F	2014F	2015F
Total assets	671.7	883.8	892.0	912.3	949.6
<i>Current assets:</i>	373.2	418.8	396.4	387.1	395.7
Cash	107.1	181.5	241.8	239.5	234.0
Inventories	54.7	59.3	55.4	54.1	58.9
Receivable	73.8	116.3	86.1	80.5	89.8
Development Properties	118.6	48.7	0.0	0.0	0.0
Others	19.1	13.0	13.0	13.0	13.0
<i>Long-term assets:</i>	298.5	465.0	495.6	525.2	553.9
Plant and equipment	126.4	147.1	176.6	205.0	232.2
Financial assets	102.7	232.0	232.0	232.0	232.0
JV&assoc	4.2	5.4	6.4	7.6	9.1
Investment Properties	63.7	78.7	78.7	78.7	78.7
Others	1.4	1.9	1.9	1.9	1.9
Total liabilities	128.1	145.2	130.5	128.5	135.5
<i>Current liabilities:</i>	100.3	120.2	105.5	103.4	110.5
Payables	86.4	88.4	81.0	79.0	86.0
Short-term Debt	10.8	9.3	2.0	2.0	2.0
Others	3.1	22.4	22.4	22.4	22.4
<i>Long-term liabilities:</i>	27.9	25.0	25.0	25.0	25.0
LT debt	0.0	8.9	8.9	8.9	8.9
Others	27.9	16.1	16.1	16.1	16.1
Shareholder's equity	488.6	682.9	761.4	783.8	814.0
Minority interests	54.9	55.7	0.0	0.0	0.0

KEY RATIOS

FYE Dec	2011	2012	2013F	2014F	2015F
Growth (% YoY)					
Sales	10.8	27.9	-7.5	-6.5	11.5
Operating Profit	63.4	60.2	-12.1	-51.0	26.0
EBITDA	18.5	82.8	-20.2	-40.5	23.7
Recurring net profit	45.2	101.7	-9.0	-44.2	26.0
EPS (recurring)	45.2	101.7	-9.0	-44.2	26.0
Profitability (%)					
Gross margin	37.7	39.9	40.6	38.0	39.5
Operating margin	12.6	15.8	15.0	7.8	8.9
EBITDA margin	11.2	16.0	13.8	8.8	9.8
Recurring net profit margin	7.0	11.1	10.9	6.5	7.4
ROA	6.3	9.1	7.6	3.5	4.3
ROE	8.7	12.0	9.3	4.1	5.0
Stability					
Gross debt/equity (%)	2.2	1.4	1.4	1.4	1.3
Net debt/equity (%)	-19.7	-25.2	-30.3	-29.2	-27.4
Int. coverage (X)	282.9	504.4	359.5	176.2	222.0
Int. & ST debt coverage (X)	5.3	9.7	44.0	21.6	27.2
Cash flow int. coverage (X)	126.2	411.7	606.5	34.5	21.8
Cash flow int. & ST debt (X)	2.3	7.9	74.3	4.2	2.7
Current ratio (X)	3.7	3.5	3.8	3.7	3.6
Quick ratio (X)	3.2	3.0	3.2	3.2	3.0
Net debt/ (Cash) (SGDm)	96.3	172.1	230.9	228.6	223.1
Per share data (SG cts)					
Recurring EPS-diluted	5.4	11.0	10.0	5.6	7.0
CFPS	4.3	12.7	23.0	1.3	0.8
BVPS	85.1	118.9	132.6	136.5	141.7
SPS	77.2	98.7	91.2	85.3	95.1
EBITDA	9.5	16.1	15.5	8.7	10.7
DPS	1.0	1.0	1.5	1.7	1.8

Source: Company, Maybank KE

Buy (unchanged)

Share price: SGD4.51
Target price: SGD6.00 (from SGD6.10)

James KOH
jameskoh@maybank-ke.com.sg
(65) 6432 1431

Stock Information

Description: Manufactures, packages and distributes instant cereal flakes, instant beverages, instant coffee powder and other convenience food products. The company also provides vending machine services.

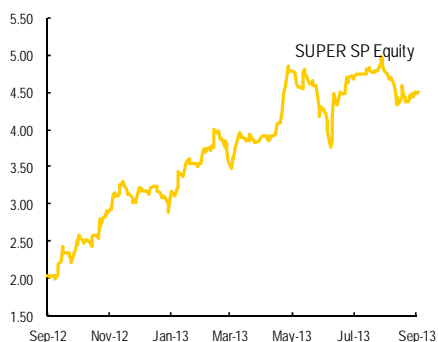
Ticker:	SUPER SP
Shares Issued (m):	557.6
Market Cap (USD m):	1,997.4
3-mth Avg Daily Turnover (USD m):	1.5
ST Index:	3,193.85
Free float (%):	24.0

Major Shareholders:	%
Teo & Te families	33
Yeo Hlap Seng	12
Sam Goi	16
Capital Group	9

Key Indicators

ROE	28.3
Net cash (SGD m):	94.9
NAV/share (SGD):	0.79
Interest cover (x):	Net cash

Historical Chart



Performance:

52-week High/Low SGD5.05/SGD1.985

	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	-5.6	6.4	29.6	121.1	39.2
Relative (%)	-5.5	7.6	32.1	112.4	38.0

Super Group

Instant Coffee Solution

A giant in the making. From humble beginnings in Singapore, Super pioneered the 3-in-1 instant coffee before Nestle even started selling in this format in the 1990s. The company has since grown by leaps and bounds, especially in the past five years, deepening its production capabilities and increasing focus on its core coffee business. A team of young, second-generation leaders is also in place to provide fresh impetus to its growth.

Market-leading brand in ASEAN. Today, Super is one of the top three players in many ASEAN countries, including Singapore, Malaysia, Thailand, Myanmar and the Philippines. We believe consumers typically think of it as a reliable and functional brand. The flagship brand aside, Super also adopts a multi-brand strategy to deflect price competition. Its rebranding exercise this year is aimed at connecting with the younger crowd without losing its appeal to older, loyal customers.

Supported by production expertise. From distribution to brand ownership, Super is a vertically integrated player with in-house manufacturing facilities for most of its ingredients. It is also a major supplier of non-dairy creamer and soluble coffee to other companies, with this business currently accounting for 35% of group revenue. Not resting on its laurels, Super recently invested in a new "freeze-dried coffee" and botanical herbal extract production lines, which will add variety to its product offerings.

Foothold in Myanmar. Super is the market leader in Myanmar, with an estimated share of 50%. Its success can be attributed to an early-mover advantage as well as the strength of its distribution network (through a sole distributor/partner) in a country which relies purely on traditional trade. In our view, Super can leverage on this attractive foothold to sell more than just instant coffee.

Maintain BUY. We trim our DCF-based TP to SGD6.00 (previously SGD6.10), though estimates remain mostly unchanged, implying 28.3x FY14F. Our TP implies 33% upside from current levels. Key catalysts include growth traction in new markets such as Indonesia, the Philippines and China. Maintain BUY.

Super Group – Summary Earnings Table

FYE Dec (SGD m)	2011	2012	2013F	2014F	2015F
Revenue	441.0	519.3	611.0	695.5	776.5
EBITDA	72.0	101.4	141.9	157.5	159.1
Recurring Net Profit	54.2	77.7	103.4	118.1	133.8
Recurring EPS (SGD cts)	9.7	13.9	18.6	21.2	24.0
DPS (SGD cts)	5.8	7.1	10.9	10.6	12.0
PER (x)	46.4	32.4	24.3	21.3	18.8
EV/EBITDA (x)	33.4	23.9	17.1	15.0	14.5
Div Yield (%)	1.3	1.6	2.4	2.3	2.7
P/BV (x)	6.9	6.3	5.5	4.8	4.3
ROE (%)	18.1	21.4	28.3	24.1	24.2
ROA (%)	13.2	15.7	21.0	18.1	18.2
Consensus Net Profit			105.6	115	134.4

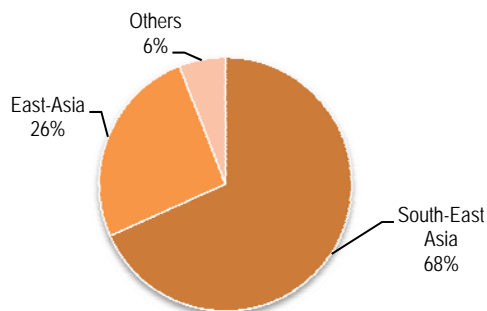
Source: Company, Maybank KE estimates

Figure 1: Three-stage Free Cash Flow Methodology assumptions (FY16-17 stage 2, terminal growth rate 3%)

(SGD m)	FY13	FY14	FY15	FY16	FY17
FCFE	44.9	94.4	110.5	118.8	127.7
Terminal Value					4079.2
PV	42.1	82.8	90.9	91.5	3036.2
Total discounted FCFE	3343.5				
Value/Share	6.00				
Cost of equity	6.7%				
Risk-free rate	3.0%				
Beta	0.68				
Market return	8.5%				
Terminal growth	3.5%				

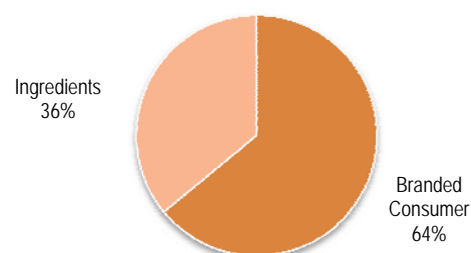
Source: Company, Maybank KE

Figure 2: Group revenue breakdown, FY12
Revenue from East Asia mainly from ingredients supply



Source: Company, Maybank KE

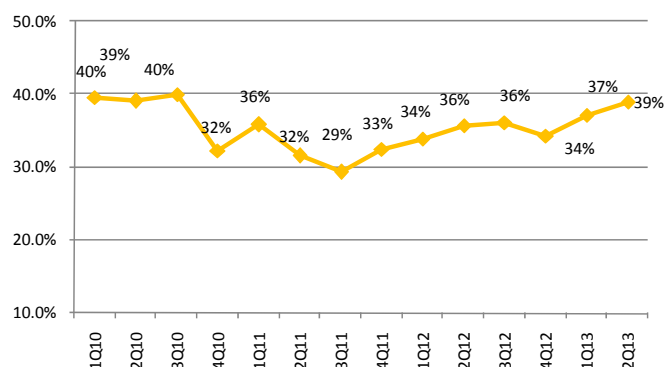
Figure 3: Group revenue breakdown, FY13F
Ingredients sales is a substantial contributor



Source: Company, Maybank KE

Figure 4: Gross margin trend

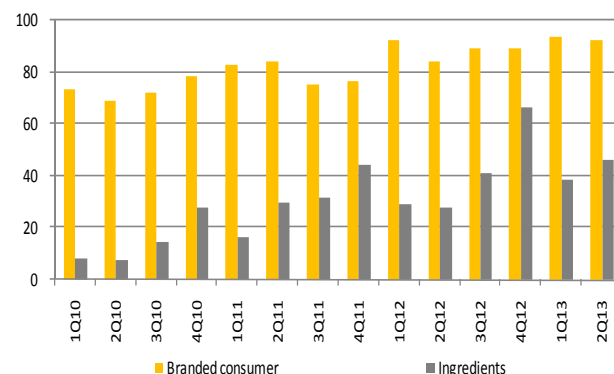
We believe the company can surpass its peak of 40% gross margin in FY10 in the current commodity price environment



Source: Company, Maybank KE

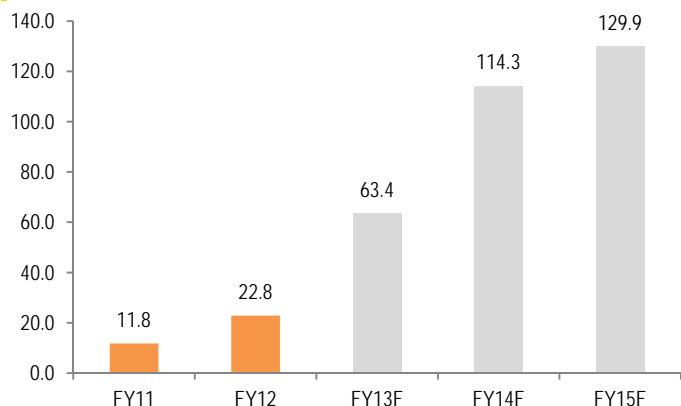
Figure 5: Twin engines of revenue growth (SGDm)

Revenues from both branded consumer and ingredients have grown strongly



Source: Company, Maybank KE

Figure 6: Free cash flow (SGDm) - set to improve dramatically from FY13F onwards as capex plans wind down



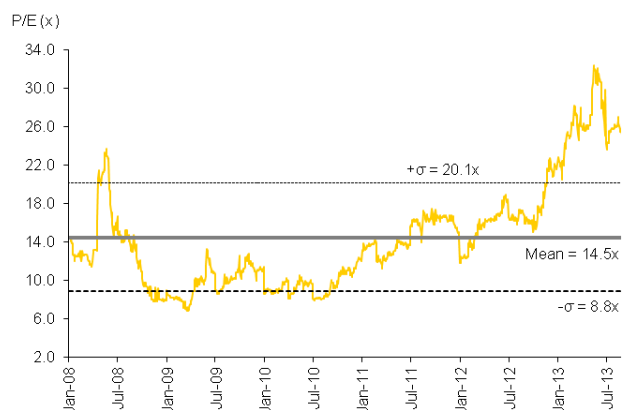
Source: Company, Maybank KE

Figure 7: Estimated market share for 3-in-1 instant coffee format in its key markets

Market	Estimated market share	Rank
Thailand	25-28%	2
Myanmar	50%	1
Malaysia	15%	3
Singapore	35-38%	2
Philippines	8%	4

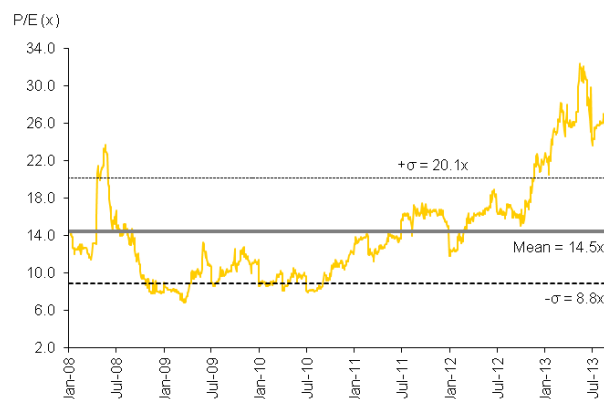
Source: Company, Maybank KE

Figure 8: PER band



Source: Company, Maybank KE

Figure 9: P/BV band



Source: Company, Maybank KE

PROFIT AND LOSS (SGD m)

FYE Dec	2011	2012	2013F	2014F	2015F
Revenue	441.0	519.3	611.0	695.5	776.5
Cost of goods sold	(298.9)	(337.8)	(375.8)	(433.0)	(485.3)
Gross Profit	142.1	181.4	235.3	262.6	291.2
Other income	3.3	2.9	4.3	3.5	3.5
Selling and dist exp	(44.1)	(50.8)	(62.3)	(68.9)	(74.5)
General and adm exp	(38.2)	(42.3)	(50.7)	(55.6)	(60.6)
Other expenses	(0.8)	(1.4)	(0.5)	(0.5)	(0.5)
Operating Profit	62.2	89.8	126.0	141.1	159.1
Finance costs	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)
Exp income/(loss)	8.7	4.1	18.0	0.0	0.0
JV & associates	0.5	0.2	(2.5)	(1.0)	0.0
Pretax Profit	71.2	94.1	141.4	140.0	159.0
Income taxes	(6.3)	(8.7)	(17.0)	(18.9)	(22.3)
Minority Interest	(2.0)	(3.5)	(3.0)	(3.0)	(3.0)
Profit attributable	62.9	81.8	121.4	118.1	133.8
Recurring Net Profit	54.2	77.7	103.4	118.1	133.8
Recurring EPS (SGD cts)	9.7	13.9	18.6	21.2	24.0
EBITDA	72.0	101.4	141.9	157.5	159.1

CASH FLOW (SGD m)

FYE Dec	2011	2012	2013F	2014F	2015F
Operating cash flow	58.9	85.7	113.4	124.3	139.9
Profit before tax	70.2	91.3	141.4	140.0	159.0
Depreciation & amortisation	9.8	11.6	16.0	16.4	16.9
JV and associates	(0.5)	(0.2)	2.5	1.0	0.0
Change in working capital	(6.7)	(3.8)	(26.3)	(14.2)	(13.8)
Others	(13.9)	(13.3)	(20.1)	(18.9)	(22.3)
Investment cash flow	(46.5)	(58.0)	(49.5)	(9.5)	(9.5)
Net capex	(69.5)	(59.7)	(50.0)	(10.0)	(10.0)
Investment in associates/ JVs	22.4	(3.2)	0.0	0.0	0.0
Others	0.6	4.8	0.5	0.5	0.5
Financing cash flow	(32.5)	(33.5)	(61.4)	(59.1)	(66.9)
Net change in debt	(1.3)	(1.1)	(0.7)	0.0	0.0
Issue of shares	0.0	0.0	0.0	0.0	0.0
Dividends	(31.2)	(32.3)	(60.7)	(59.1)	(66.9)
Others	0.0	0.0	0.0	0.0	0.0
Net cash flow	(20.1)	(5.8)	2.5	55.7	63.5
Free cash flow	11.8	22.8	63.4	114.3	129.9

BALANCE SHEET (SGD m)

FYE Dec	2011	2012	2013F	2014F	2015F
Total assets	502.4	542.9	612.6	692.7	779.1
Current assets	306.5	302.3	340.6	428.0	521.3
Cash	122.7	112.2	114.7	170.4	233.9
Inventories	93.0	82.7	97.8	112.7	126.3
Receivables	89.0	104.5	125.6	142.9	159.6
Others	195.9	240.5	272.1	264.7	257.8
Long-term assets	166.2	211.7	245.8	239.4	232.5
PPE	15.9	15.5	13.0	12.0	12.0
Intangibles	3.0	3.0	3.0	3.0	3.0
JV & associates	13.8	13.3	13.3	13.3	13.3
Others	120.3	126.2	132.2	150.3	166.8
Total liabilities	111.7	120.8	126.9	144.9	161.4
Current liabilities	99.7	108.5	118.4	136.4	152.9
Payable	1.9	0.9	0.2	0.2	0.2
ST borrowings	10.1	11.4	8.3	8.3	8.3
Other payables	8.6	5.4	5.4	5.4	5.4
Others	0.6	0.4	0.4	0.4	0.4
Long-term liabilities	8.0	5.0	5.0	5.0	5.0
Long-term debts	366.9	398.9	459.6	518.7	585.6
Others	15.3	17.8	20.8	23.8	26.8
Shareholder's equity	502.4	542.9	612.6	692.7	779.1
Minority interests	306.5	302.3	340.6	428.0	521.3

KEY RATIOS

FYE Dec	2011	2012	2013F	2014F	2015F
Growth (% YoY)					
Sales	25.3	17.8	17.7	13.8	11.6
Operating profit (EBIT)	10.6	44.4	40.3	12.0	12.8
EBITDA	8.9	40.8	39.9	11.0	1.0
Net Profit (recurring)	13.9	43.3	33.2	14.2	13.3
EPS (recurring)	13.9	43.3	33.2	14.2	13.3
Profitability (%)					
Gross margin	32.2	34.9	38.5	37.8	37.5
Operating margin	14.1	17.3	20.6	20.3	20.5
EBITDA margin	16.3	19.5	23.2	22.6	20.5
Net Profit margin (recurring)	12.3	15.0	16.9	17.0	17.2
ROA	13.2	15.7	21.0	18.1	18.2
ROE	18.1	21.4	28.3	24.1	24.2
Stability					
Gross debt/equity (%)	0.7	0.3	0.1	0.1	0.1
Net debt/equity (%)	(33)	(28)	(25)	(33)	(40)
Int. coverage (X)	260	1,996	2,827	3,166	3,571
Int. & ST debt coverage (X)	37	107	730	818	922
Cash flow int. coverage (X)	(49)	(507)	(1,424)	(2,566)	(2,915)
Cash flow int. & ST debt (X)	7	27	368	663	753
Current ratio (X)	2.7	2.5	2.7	3.0	3.2
Quick ratio (X)	1.9	1.8	1.9	2.2	2.4
Net cash (SGD m)	123	112	115	170	234
Per share data (SGD cts)					
EPS (recurring)	9.7	13.9	18.6	21.2	24.0
CFPS	0.0	0.0	0.1	0.2	0.0
NTA	66.4	71.6	81.9	92.5	104.5
SPS	0.8	0.9	1.1	1.2	0.0
EBITDA	12.9	18.2	25.5	28.2	31.6
DPS	5.8	7.1	10.9	10.6	12.0

Source: Company, Maybank KE

Buy (unchanged)

Share price: MYR2.54
Target price: MYR3.55 (unchanged)

Kang Chun Ee
chunee@maybank-ib.com
(603) 2297 8675

Stock Information

Description: The largest oriental style café operator and leading white coffee producer in Malaysia.

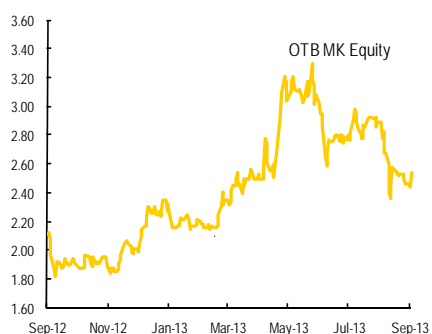
Ticker:	OTB MK
Shares Issued (m):	363.0
Market Cap (MYR m):	285.1
3-mth Avg Daily Turnover (US\$ m):	0.7
KLCI:	1,771.40
Free float (%):	47.3

Major Shareholders:	%
OLD TOWN INTERNATIONAL	45.1
MAWER INVESTMENT	6.6
NEOBALANO CARPUS LTD	5.7
MATTHEWS INTERNATIONAL	5.0

Key Indicators

Net cash / (debt) (MYR m):	38.3
NTA/shr (MYR):	0.84
Net Gearing (x):	Net Cash

Historical Chart



Performance:

52-week High/Low MYR3.32/MYR1.81

	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	-12.1	-13.9	8.1	19.8	12.4
Relative (%)	-11.3	-13.8	-1.1	10.9	7.2

Oldtown Berhad

The White Coffee King

A brand champion. Originating from Ipoh, Old Town Berhad (OTB) was one of the first to commercialise white coffee processing. Today, it is the leading white coffee producer and the largest oriental style café operator in its home market, Malaysia. The single brand strategy for both the FMCG and F&B divisions has created vast synergy in brand building and cross-selling. We believe there is potential to transpose this fast-growing brand's success outside of Malaysia.

Dominant in the fast-growing white coffee segment. With close to 40% market share for white coffee in Malaysia and Singapore, OTB is clearly the leader in this increasingly popular sub-segment. Within the total coffee mix market in Malaysia, the white coffee sub-segment has grown from 15% in 2008 to 31% in 2012. Hong Kong is another key market (around 16% market share) where OTB recently completed the acquisition of a 70% stake in its sole distributor.

OTWC café mushrooming in Malaysia. Started in 2006, OTB is the biggest café chain in Malaysia with 202 outlets (as at Jun 2013) compared with 140 for Starbucks and 65 for Papparich. Domestic operations remain the main growth driver for the F&B segment with at least 20 new outlets in FY3/14. The Halal campaign, launched in July this year, should improve diner traffic in the outlets in Malaysia progressively as Muslims make up about 67% of the country's population.

International expansion mode. For the FMCG division, OTB recently ventured into Thailand and Taiwan via DKSH. By end-2013, its products would be available in more than 400 retail outlets in Thailand and more than 700 outlets in Taiwan. In China, the pace of new café opening hinges on the completion of its central kitchen in Guangdong.

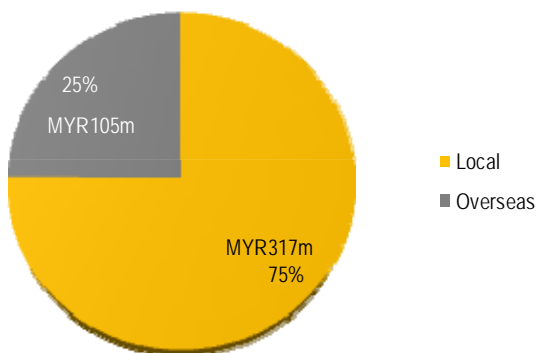
Reiterate BUY. The stock currently trades at 14.5x CY14 PER, which translates to a PEG of 0.8x with a net yield of 3.4-4.0% for FY3/14F-3/15F. We like its integrated model and long-term growth story and peg the stock at 21x CY14 PER.

Oldtown Berhad – Summary Earnings Table

FYE Mar (MYR m)	2011A*	2013A^	2014F	2015F	2016F
Revenue	285.4	422.1	436.7	491.3	557.4
EBITDA	67.2	94.1	88.7	100.3	115.3
Recurring Net Profit	31.8	57.5	55.4	63.9	75.5
Recurring Basic EPS (sen)	8.7	15.8	15.3	17.6	20.8
EPS growth (%)	0.2%	44.8%	20.5%	15.2%	18.1%
DPS (sen)	6.5	9.0	8.4	9.7	11.4
BVPS (MYR)	0.66	0.84	0.91	0.99	1.08
PER (x)	28.1	19.4	16.1	14.0	11.8
EV/EBITDA (x)	12.2	11.2	9.5	8.2	6.9
Div Yield (%)	2.6	2.9	3.4	3.9	4.6
P/BV (x)	3.7	2.9	2.7	2.5	2.3
Net Gearing (%)	NA	NA	NA	NA	NA
ROE (%)	28.1%	17.0%	17.5%	18.6%	20.1%
ROA (%)	19.3%	13.3%	13.7%	14.6%	15.8%
Consensus Net Profit (MYR m)	na	na	54.0	64.2	80.2

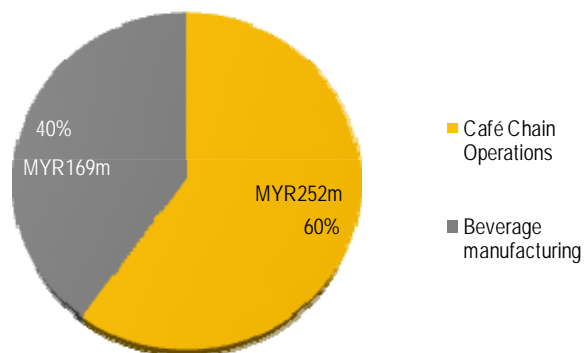
Source: Maybank KE *FYE Dec ^FYE Mar -15 months (growth, ratios are calendarised)

Figure 1: Revenue breakdown by geography, FY3/13



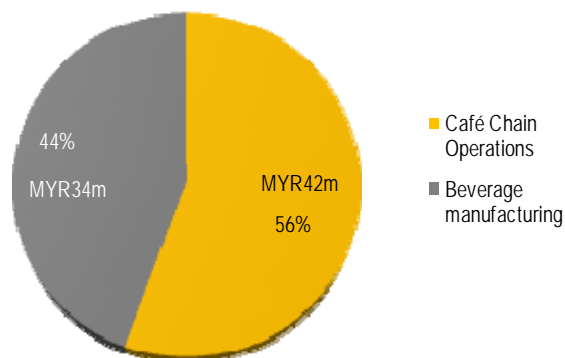
Source: Company

Figure 2: Revenue breakdown by operations, FY3/13



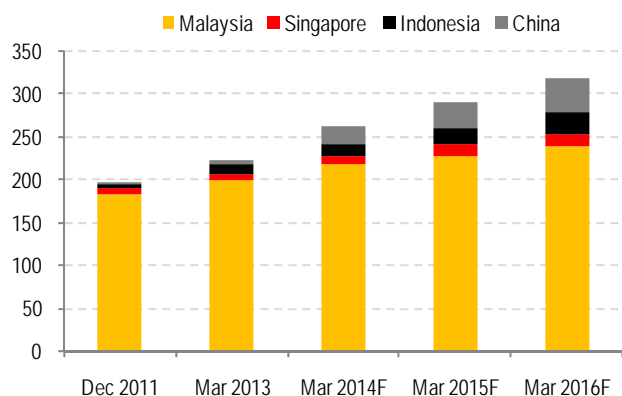
Source: Company

Figure 3: Pretax profit breakdown by operations, FY3/13



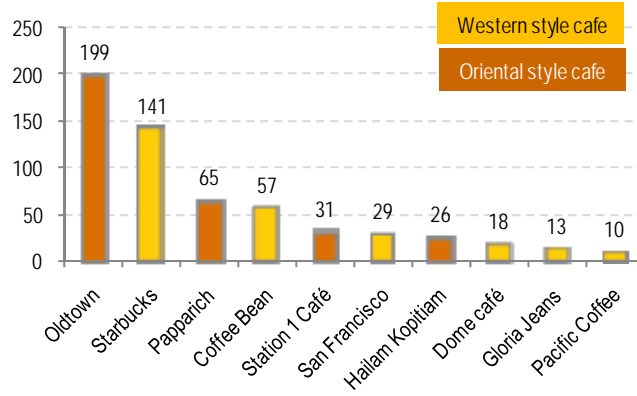
Source: Company

Figure 4: Number of Oldtown cafes by country



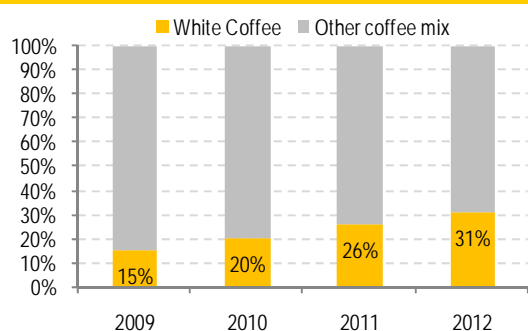
Source: Company, Maybank KE

Figure 5: Coffeehouses in Malaysia at a glance



Source: Various

Figure 6: The white coffee sub-segment has grown to 31% of total coffee mix in Malaysia



Source: Nielson, Maybank KE

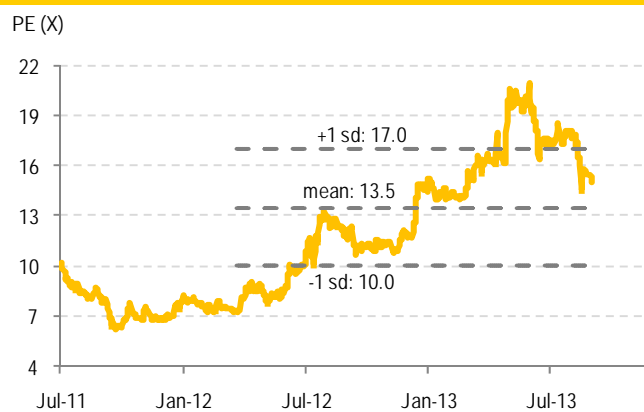
Figure 7: Oldtown's market share in coffee mix and white coffee sub-segment

Year	Malaysia		Hong Kong		Singapore					
	Coffee Mix	Rank	White Coffee	Rank	Coffee Mix	Rank	Coffee Mix	Rank	White Coffee	Rank
2009	5.7% (#)	4	38.0% (#)	1	10.8%	3	7.2%	4	n/a	n/a
2010	8.3% (#)	4	42.1% (#)	1	14.7%	2	8.8%	4	n/a	n/a
2011	10.2%	3	39.5%	1	15.8%	2	11.5%	3	n/a	n/a
2012	12.2%	3	39.6%	1	n/a	n/a	9.2%	3	39.1%	1

Source: Company, Nielson

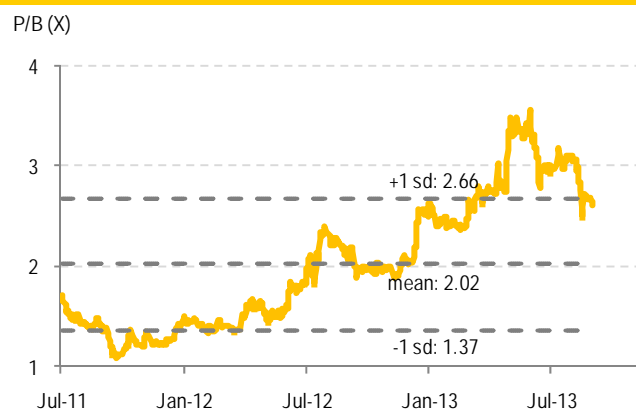
The survey covered the period from 1 Jul 2008 until 30 Jun 2009 on rolling 12-month basis for year 2009 and the same applied for year 2010

Figure 8: Oldtown – one-year forward PER



Source: Maybank KE

Figure 9: Oldtown – one-year forward P/BV



Source: Maybank KE

INCOME STATEMENT (MYR m)

FYE Mar	2013A^	2014F	2015F	2016F
Revenue	422.1	436.7	491.3	557.4
EBITDA	94.1	88.7	100.3	115.3
Depreciation & Amortisation	(20.7)	(14.3)	(14.4)	(14.5)
Operating Profit (EBIT)	73.4	74.3	85.9	100.8
Interest (Exp)/Inc	1.0	(0.1)	(0.2)	0.5
Associates	0.5	0.5	0.5	0.5
One-offs	(2.0)	0.0	0.0	0.0
Pre-Tax Profit	74.9	74.8	86.2	101.8
Tax	(19.4)	(19.3)	(22.3)	(26.3)
Minority Interest	(0.1)	(0.1)	(0.1)	(0.1)
Net Profit	55.5	55.4	63.9	75.5
Recurring Net Profit	57.5	55.4	63.9	75.5
Revenue Growth %	18.3%	29.3%	12.5%	13.4%
EBITDA Growth (%)	12.1%	17.8%	13.1%	14.9%
EBIT Growth (%)	9.9%	26.6%	15.6%	17.4%
Net Profit Growth (%)	10.6%	24.8%	15.2%	18.1%
Recurring Net Profit Growth (%)	44.8%	20.5%	15.2%	18.1%
Tax Rate %	25.8%	25.8%	25.8%	25.8%

BALANCE SHEET (MYR m)

FYE Mar	2013A^	2014F	2015F	2016F
Fixed Assets	102.4	103.1	103.6	104.1
Other LT Assets	108.3	125.1	125.7	126.2
Cash/ST Investments	86.2	80.8	104.0	131.6
Other Current Assets	91.2	111.9	122.4	135.0
Total Assets	388.0	420.9	455.7	496.9
ST Debt	7.8	7.8	7.8	7.8
Other Current Liabilities	43.0	50.8	56.8	64.0
LT Debt	25.3	25.3	25.3	25.3
Other LT Liabilities	5.0	5.0	5.0	5.0
Minority Interest	2.2	2.3	2.3	2.4
Shareholders' Equity	304.9	329.8	358.5	392.5
Total Liabilities-Capital	388.0	420.9	455.7	496.9
Share Capital (m)	363.0	363.0	363.0	363.0
Gross Debt/(Cash)	33.1	33.1	33.1	33.1
Net Debt/(Cash)	(53.2)	(47.7)	(70.9)	(98.5)
Working Capital	126.7	134.1	161.8	194.9

CASH FLOW (MYR m)

FYE Mar	2013A^	2014F	2015F	2016F
Profit before taxation	74.9	74.8	86.2	101.8
Depreciation	20.7	14.3	14.4	14.5
Net interest receipts/(payments)	(1.0)	0.1	0.2	(0.5)
Working capital change	(1.0)	(12.9)	(4.5)	(5.4)
Cash tax paid	(24.7)	(19.3)	(22.3)	(26.3)
Others (incl'd exceptional items)	(19.7)	(19.9)	(23.0)	(26.3)
Cash flow from operations	74.0	56.4	73.3	84.1
Capex	(62.0)	(15.0)	(15.0)	(15.0)
Disposal/(purchase)	(60.0)	0.0	0.0	0.0
Others	(0.3)	(16.3)	0.0	0.0
Cash flow from investing	(122.2)	(31.3)	(15.0)	(15.0)
Debt raised/(repaid)	15.6	0.0	0.0	0.0
Equity raised/(repaid)	64.4	0.0	0.0	0.0
Dividends (paid)	(33.0)	(30.5)	(35.1)	(41.5)
Interest payments	0.0	0.0	0.0	0.0
Others	1.7	0.0	0.0	0.0
Cash flow from financing	48.7	(30.5)	(35.1)	(41.5)
Change in cash	0.4	(5.5)	23.2	27.6

RATES & RATIOS

FYE Mar	2013A^	2014F	2015F	2016F
EBITDA Margin %	22.3%	20.3%	20.4%	20.7%
Op. Profit Margin %	17.4%	17.0%	17.5%	18.1%
Net Profit Margin %	13.2%	12.7%	13.0%	13.5%
ROE %	17.0%	17.5%	18.6%	20.1%
ROA %	13.3%	13.7%	14.6%	15.8%
Net Margin Ex. EI %	13.6%	12.7%	13.0%	13.5%
Dividend Cover (x)	1.8	1.8	1.8	1.8
Interest Cover (x)	NA	(1,289.4)	(387.8)	NA
Asset Turnover (x)	1.1	1.0	1.1	1.1
Asset/Debt (x)	11.7	12.7	13.8	15.0
Debtors Turn (days)	42.2	55.0	55.0	55.0
Creditors Turn (days)	34.6	40.0	40.0	40.0
Inventory Turn (days)	12.3	15.0	15.0	15.0
Net Gearing (%)	NA	NA	NA	NA
Debt/ EBITDA (x)	0.4	0.4	0.3	0.3
Debt/ Market Cap (x)	0.0	0.0	0.0	0.0

Source: Company, Maybank KE ^FYE Mar -15 months (growth, ratios are calendarised)

RESEARCH OFFICES

REGIONAL

Wong Chew Hann, CA

Regional Head, Institutional Research
(603) 2297 8686 wchewh@maybank-ib.com

Alexander GARTHOFF

Institutional Product Manager
(852) 2268 0638 agarthoff@maybank-ke.com.sg

ONG Seng Yeow

Regional Head, Retail Research
(65) 6432 1453 ongsengyeow@maybank-ke.com.sg

MALAYSIA

Wong Chew Hann, CA *Head of Research*

(603) 2297 8686 wchewh@maybank-ib.com
▪ Strategy
▪ Construction & Infrastructure

Desmond CH'NG, ACA

(603) 2297 8680 desmond.chng@maybank-ib.com
▪ Banking - *Regional*

LIAW Thong Jung

(603) 2297 8688 tjliaw@maybank-ib.com
▪ Oil & Gas
▪ Automotive
▪ Shipping

ONG Chee Ting, CA

(603) 2297 8678 ct.ong@maybank-ib.com
▪ Plantations- *Regional*

Mohshin Aziz

(603) 2297 8692 mohshin.aziz@maybank-ib.com
▪ Aviation - *Regional*
▪ Petrochem

Yin Shao Yang, CPA

(603) 2297 8916 samuel.y@maybank-ib.com
▪ Gaming - *Regional*
▪ Media

TAN CHI WEI, CFA

(603) 2297 8690 chiwei.t@maybank-ib.com
▪ Power
▪ Telcos

WONG Wei Sum, CFA

(603) 2297 8679 weisum@maybank-ib.com
▪ Property & REITs

LEE Yen Ling

(603) 2297 8691 lee.yl@maybank-ib.com
▪ Building Materials
▪ Manufacturing
▪ Technology

LEE Cheng Hooi *Head of Retail*

chenghooi.lee@maybank-ib.com
▪ Technicals

HONG KONG / CHINA

Howard Wong *Head of Research*

(852) 2268 0648 howardwong@kimeng.com.hk
▪ Oil & Gas - *Regional*

Alexander LATZER

(852) 2268 0647 alexanderlatzer@kimeng.com.hk
▪ Metals & Mining - *Regional*

Jacqueline Ko, CFA

(852) 2268 0633 jacquelineko@kimeng.com.hk
▪ Consumer

Terence LOK

(852) 2268 0630 terencelok@kimeng.com.hk
▪ Consumer

Jeremy TAN

(852) 2268 0635 jeremytan@kimeng.com.hk
▪ Gaming

Karen KWAN

(852) 2268 0640 karenkwan@kimeng.com.hk
▪ HK & China Property

Philip Tse

(852) 2268 0643 philiptse@kimeng.com.hk
▪ HK & China Property

Warren LAU

(852) 2268 0644 warrenlau@kimeng.com.hk
▪ Technology - *Regional*

INDIA

Jigar SHAH *Head of Research*

(91) 22 6623 2601 jigar@maybank-ke.co.in
▪ Oil & Gas
▪ Automobile
▪ Cement

Anubhav GUPTA

(91) 22 6623 2605 anubhav@maybank-ke.co.in
▪ Metal & Mining
▪ Capital goods
▪ Property

Urmil SHAH

(91) 22 6623 2606 urmil@maybank-ke.co.in
▪ Technology
▪ Media

ECONOMICS

JUNIMAN

Chief Economist, BI
▪ Indonesia
(62) 21 29228888 ext 29682 Juniman@bankbii.com

Josua PARDEDE

Economist / Industry Analyst, BI
▪ Indonesia
(62) 21 29228888 ext 29695 JPardede@bankbii.com

SINGAPORE

Gregory YAP *Head of Research*

(65) 6432 1450 gyap@maybank-ke.com.sg
▪ Technology & Manufacturing
▪ Telcos

Wilson LIEW

(65) 6432 1454 wilsonliew@maybank-ke.com.sg
▪ Property Developers

James KOH

(65) 6432 1431 jameskoh@maybank-ke.com.sg
▪ Consumer - *Regional*

YEAK Chee Keong, CFA

(65) 6432 1460 yeakcheekeong@maybank-ke.com.sg
▪ Offshore & Marine

Alison FOK

(65) 6432 1447 alisonfok@maybank-ke.com.sg
▪ Small & Mid Caps
▪ Construction

ONG Kian Lin

(65) 6432 1470 ongkianlin@maybank-ke.com.sg
▪ S-REITs

Wei Bin

(65) 6432 1455 weibin@maybank-ke.com.sg
▪ Commodity
▪ Logistics
▪ S-chips

Derrick HENG

(65) 6432 1446 derrickheng@maybank-ke.com.sg
▪ Transport (Land, Shipping & Aviation)

John CHEONG

(65) 6432 1461 johncheong@maybank-ke.com.sg
▪ Small & Mid Caps
▪ Healthcare

INDONESIA

Lucky ARIESANDI, CFA

(62) 21 2557 1127 lucky.ariesandi@maybank-ke.co.id
▪ Base metals
▪ Mining
▪ Oil & Gas
▪ Wholesale

Pandu ANUGRAH

(62) 21 2557 1137 pandu.anugrah@maybank-ke.co.id
▪ Automotive
▪ Heavy equipment
▪ Plantation
▪ Toll road

Rahmi MARINA

(62) 21 2557 1128 rahmi.marina@maybank-ke.co.id
▪ Banking
▪ Multifinance

Adi N. WICAKSONO

(62) 21 2557 1128 adi.wicaksono@maybank-ke.co.id
▪ Generalist

Anthony YUNUS

(62) 21 2557 1139 anthony.yunus@maybank-ke.co.id
▪ Cement
▪ Infrastructure
▪ Property

PHILIPPINES

Luz LORENZO *Head of Research*

(63) 2 849 8836 luz_lorenzo@maybank-atrke.com
▪ Strategy

Laura DY-LIACCO

(63) 2 849 8840 laura_dyliacco@maybank-atrke.com
▪ Utilities
▪ Conglomerates
▪ Telcos

Lovell SARREAL

(63) 2 849 8841 lovell_sarreal@maybank-atrke.com
▪ Consumer
▪ Media
▪ Cement

Luz LORENZO

(63) 2 849 8836 luz_lorenzo@maybank-atrke.com
▪ Conglomerates
▪ Property
▪ Ports/ Logistics
▪ Gaming

Katherine TAN

(63) 2 849 8843 kat_tan@maybank-atrke.com
▪ Banks
▪ Construction

Ramon ADVIENTO

(63) 2 849 8845 ramon_adviento@maybank-atrke.com
▪ Mining

THAILAND

Sukit UDOMSIRIKUL *Head of Research*

(66) 2658 6300 ext 5090
Sukit.u@maybank-ke.co.th

Maria LAPIZ *Head of Institutional Research*

Dir (66) 2257 0250 | (66) 2658 6300 ext 1399
Maria.L@maybank-ke.co.th
▪ Consumer/ Big Caps

Mayuree CHOWIKRAN

(66) 2658 6300 ext 1440 mayuree.c@maybank-ke.co.th
▪ Strategy

Padon Vannarat

(66) 2658 6300 ext 1450 Padon.v@maybank-ke.co.th
▪ Strategy

Surachai PRAMUALCHAROENKIT

(66) 2658 6300 ext 1470 Surachai.p@maybank-ke.co.th
▪ Auto
▪ Conmat
▪ Contractor
▪ Steel

Suttatip PEERASUB

(66) 2658 6300 ext 1430 suttatip.p@maybank-ke.co.th
▪ Media
▪ Commerce

Sutthichai KUMWORACHAI

(66) 2658 6300 ext 1400 sutthichai.k@maybank-ke.co.th
▪ Energy
▪ Petrochem

Termporn TANTIVIVAT

(66) 2658 6300 ext 1520 termporn.t@maybank-ke.co.th
▪ Property

Woraphon WIROONSRI

(66) 2658 6300 ext 1560 woraphon.w@maybank-ke.co.th
▪ Banking & Finance

Jaroonpan WATTANAWONG

(66) 2658 6300 ext 1404 jaroonpan.w@maybank-ke.co.th
▪ Transportation
▪ Small cap.

Chatchai JINDARAT

(66) 2658 6300 ext 1401 chatchai.j@maybank-ke.co.th
▪ Electronics

VIETNAM

Michael KOKALARI, CFA *Head of Research*

(84) 838 38 66 47 michael.kokalari@maybank-kimeng.com.vn
▪ Strategy

Nguyen Thi Ngan Tuyen

(84) 844 55 58 88 x 8081 tuyen.nguyen@maybank-kimeng.com.vn
▪ Food and Beverage
▪ Oil and Gas

Hang Vu

(84) 844 55 58 88 x 8087 hang.vu@maybank-kimeng.com.vn
▪ Banking

Trinh Thi Ngoc Diep

(84) 844 55 58 88 x 8242 diep.trinh@maybank-kimeng.com.vn
▪ Technology
▪ Utilities

Dang Thi Kim Thoa

(84) 844 55 58 88 x 8083 thoa.dang@maybank-kimeng.com.vn
▪ Consumer

Nguyen Trung Hoa

+84 844 55 58 88 x 8088 hoa.nguyen@maybank-kimeng.com.vn
▪ Steel
▪ Sugar
▪ Resources

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Ong Seng Yeow | Executive Director, Maybank Kim Eng Research

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-  **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
 kevinfoy@maybank-ke.com.sg
 Tel: (65) 6336-5157
 US Toll Free: 1-866-406-7447
-  **Singapore**
Maybank Kim Eng Securities Pte Ltd
Maybank Kim Eng Research Pte Ltd
 9 Temasek Boulevard
 #39-00 Suntec Tower 2
 Singapore 038989
- Tel: (65) 6336 9090
 Fax: (65) 6339 6003
-  **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,
 20th - 21st Floor,
 Rama 1 Road Pathumwan,
 Bangkok 10330, Thailand
- Tel: (66) 2 658 6817 (sales)
 Tel: (66) 2 658 6801 (research)
-  **North Asia Sales Trading**
 Eddie LAU
 eddielau@kimeng.com.hk
 Tel: (852) 2268 0800
 US Toll Free: 1 866 598 2267
-  **London**
**Maybank Kim Eng Securities
 (London) Ltd**
 6/F, 20 St. Dunstan's Hill
 London EC3R 8HY, UK
- Tel: (44) 20 7621 9298
 Dealers' Tel: (44) 20 7626 2828
 Fax: (44) 20 7283 6674
-  **Indonesia**
PT Kim Eng Securities
 Plaza Bapindo
 Citibank Tower 17th Floor
 Jl Jend. Sudirman Kav. 54-55
 Jakarta 12190, Indonesia
- Tel: (62) 21 2557 1188
 Fax: (62) 21 2557 1189
-  **Vietnam**
In association with
Maybank Kim Eng Securities JSC
 1st Floor, 255 Tran Hung Dao St.
 District 1
 Ho Chi Minh City, Vietnam
- Tel : (84) 844 555 888
 Fax : (84) 838 38 66 39
-  **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

www.maybank-ke.com | www.maybank-keresearch.com