14 February 2022

ESG Diamonds In The Rough

Our Best Investment Ideas

"Rough diamonds may sometimes be mistaken for worthless pebbles"

Thomas Browne

In this challenging environment – one characterised by continuous unpredictability over the COVID-19 pandemic – persistent pressures on tourism-exposed economies and being in an environment of high inflation, volatility and complexity, we have mined for and unearthed more diamonds in the rough. The investment ideas we provide are a selection of stocks chosen by our analysts while following this criteria:

i. **ROE of 15% or above;**
ii. **2022 net debt/shareholder funds of <0.7x;**
iii. **Increasing margins in 2022 vs 2019 (pre-pandemic level);**
iv. **Trading below their respective industry average multiples;**
v. **ESG score being above their country medians.**

The table is an overview of our 14 "diamonds".

Our methodology uses a fundamental bottom-up analysis, coupled with RHB's on-the-ground insights. Our sector analysts provided their assessments of the average market multiples for the respective sectors that the companies operate in. As one of the criteria is "trading below the average market multiples", it means these stocks are out of favour currently. In parallel, the list was further refined based on our assessments of each company's potential to grow margins without compromising on ROE, while having a low gearing level. In an environment of higher interest rates, companies with a high debt/equity ratio would be penalised more. We also took high inflation into account, as we considered only companies that have grown their margins.

Environmental, Social and Governance (ESG) score as a major criteria. Since mid-2021, we have assigned ESG scores to all companies under coverage, monitored these scores, and also integrated them into our valuations. We believe sustainable investment strategies will continue to deliver above-market returns. Overall, we estimate that a strong ESG score (we considered only companies with scores that are higher than or equal to their country medians), high ROEs, and superior earnings result in investments with robust long-term returns.

Our findings this time have resulted in a list of 14 stocks shown below. This list represents companies that our analysts believe can chart robust earnings growth, due to sector- or company-specific reasons. We have BUY recommendations on all these counters, and our conviction is evidenced by their potentially strong upside returns.

This is a long-term strategy. As it takes a while for coal to turn into diamonds, we consider that – given time – all the companies in the list below should show healthy absolute returns. The pages that follow describe why we consider these picks in our coverage universe to have such sterling characteristics, as classified by country.

Company Name	Rating	Target	% Upside (Downside)	P/E (x) Dec-22F	P/B (x) Dec-22F	ROAE (%) Dec-22F	Yield (%) Dec-22F
Arwana Citramulia	Buy	IDR1,350	62.7	10.3	3.5	36.2	-
Carlsberg Brewery	Buy	MYR24.60	22.3	22.6	35.5	158.2	4.4
Central Pattana	Buy	THB65.50	18.0	27.1	3.1	11.9	1.2
Frencken Group	Buy	SGD2.64	50.0	10.7	1.7	17.4	2.8
Guan Chong	Buy	MYR4.00	50.9	10.7	1.8	17.6	2.1
Heineken Malaysia	Buy	MYR25.80	28.7	19.6	17.1	87.4	5.0
Home Product Center	Buy	THB18.70	31.7	29.9	7.4	25.5	2.7
HRnetgroup	Buy	SGD0.93	20.8	11.7	2.0	18.4	5.1
Mayora Indah	Buy	IDR3,000	61.3	15.5	2.8	21.2	1.8
Press Metal	Buy	MYR8.50	34.9	21.0	8.4	45.3	2.0
Puradelta Lestari	Buy	IDR290	51.8	8.7	1.6	20.3	11.0
SKP Resources	Buy	MYR2.40	52.9	12.5	2.9	24.6	4.8
ST Engineering	Buy	SGD4.85	27.6	19.2	4.7	25.2	3.9
Sunway Construction	Buy	MYR1.81	20.6	13.8	2.6	19.8	3.6

Source: Company data, RHB (Data as of 9 Feb 2022)

Some See Coal, We See Diamonds

Source: RHB
(Drawing by an 11 years old kid of one of our employees)

Our five criteria used to unearth the diamonds:

1. ROEs of 15% or above;
2. 2022 Net debt*/Shareholders' funds <0.7x
   **Net Debt = ST debt + LT debt – Cash & equivalents*
3. Increasing margins in 2022 vs 2019;
4. Trading below sector valuations;
5. ESG score above the country median

Table of Contents

Analysts:

Alexander Chia
+603 9280 8889
alexander.chia@rhbgroup.com

Thailand Research
+66 2088 9999
research.th.equity@rhbgroup.com

Shekhar Jaiswal
+65 6232 3894
shekhar.jaiswal@rhbgroup.com

Indonesia Research Team
+6221 5093 9888
rhb.id.research@rhbgroup.com

Our Findings

Excellent performance of our previous diamonds

In our previous report on a similar theme, Finding Diamonds In The Rough from Jul 2020, based on four criteria, our findings resulted in the list of 13 companies shown in Figure 1. To reiterate, the criteria we used last time:

i. ROEs of 15% or above;
ii. Net debt/Shareholders' funds < 0.7x;
iii. Increasing margins;
iv. Trading below their respective industry average multiples;

Based on the highest price reached by a particular stock since we issued our last "Diamonds" report, we calculated the return without including any dividends. The results are shown in the table below with healthy absolute returns for all stocks, none of them being negative, although a volatile environment due to the COVID-19 pandemic. From our previous report, two stocks made the list again this time: Mayora Indah and ST Engineering. All the other rough diamonds we picked last time, became polished in the meantime.

Figure 1: Diamonds we picked in mid-2020 and their performance

Company	Ticker	Share price on 27 July 2020	Highest price reached	Date of highest price reached	Return
JHM Consolidation	JHMC MK	1.50	2.59	Feb 2021	73%
Kumpulan Powernet	KPB MK	0.73	2.80	Jan 2021	284%
Padini	PAD MK	2.15	3.30	Apr 2021	53%
Power Root	PWRT MK	2.07	2.24	Jan 2021	8%
Bangkok Chain Hospital	BCH TB	14.80	26.25	Jul 2021	77%
Land and Houses	LH TB	7.80	9.90	Jan 2022	27%
Osotspa	OSP TB	41.75	44.00	Jul 2020	5%
Gudang Garam	GGRM IJ	47,700	54,525	Aug 2020	14%
Indofood Sukses Makmur	INDF IJ	6,475	7,900	Sep 2020	22%
Kalbe Farma	KLBF IJ	1,570	1,760	Jan 2021	12%
Mayora	MYOR IJ	2,270	2,910	Dec 2020	28%
Surya Citra Media	SCMA IJ	250	500	Jan 2020	100%
ST Engineering	STE SP	3.28	4.04	Nov 2020	23%

Source: RHB, Bloomberg

This year's criteria

The criteria we used this time were similar to the previous ones with one addition. This year we included the ESG score since we believe sustainable investment strategies will continue to deliver above-market returns. Overall, we estimate that a strong ESG score (we considered only companies with scores that are higher than or equal to their country medians), corroborated with high ROEs, and superior earnings result in investments with robust long-term returns.

i. ROE of 15% or above;
ii. 2022 net debt/shareholder funds of <0.7x;
iii. Increasing margins in 2022 vs 2019 (pre-pandemic level);
iv. Trading below their respective industry average multiples;
v. ESG score equal to or above their country medians.

The pages that follow show a brief description of why we consider these companies have "diamond"-type characteristics, presented per each country in our coverage.

Malaysia

Figure 2: Diamonds from Kuala Lumpur

Company	Ticker	ESG score	Target price	Share price	Mkt cap (USDm)	P/E (x)		P/BV (x)		EV/EBITDA (x)		ROAE (%)		Net margin (%)	
						FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Carlsberg Brewery	CAB MK	3.3	24.60	20.00	1,470	22.4	18.3	35.1	34.5	15.6	13.6	158.2	190.2	12.9	14.7
Guan Chong	GUAN MK	3.0	4.00	2.64	676	10.7	9.8	1.8	1.6	8.6	7.5	17.6	17.0	5.3	5.6
Heineken Malaysia	HEIM MK	3.3	25.80	20.12	1,448	19.5	17.7	17.0	16.8	14.4	13.1	87.0	95.0	14.1	14.7
Press Metal	PMAH MK	3.3	8.50	6.29	12,524	21.0	19.6	8.4	6.7	12.5	11.5	45.3	38.1	16.5	17.5
SKP Resources	SKP MK	3.0	2.40	1.53	597	11.4	10.7	2.7	2.5	6.9	6.2	25.3	24.5	6.6	6.8
Sunway Construction	SCGB MK	3.0	1.81	1.50	459	13.8	12.7	2.6	2.4	7.2	6.3	19.8	19.4	6.3	6.5
***ESG country median**		**3.0**													

Note: Data as at 28 Jan 2022;
**The ESG country median score of 3.0 is based on ESG scores of all stocks under our coverage in Malaysia.*
Source: RHB, Bloomberg

Carlsberg Brewery (CAB MK, BUY, TP: MYR24.60)

♦ Soong Wei Siang
+603 9280 8865
soong.wei.siang@rhbgroup.com

Company description and ESG analysis. Carlsberg Brewery (Carlsberg) is an established brewery that manufactures and distributes beers, stout and other malt-based beverages.

The company has an ESG score of 3.3:

i. **E**: Carlsberg continues to contribute to environmental sustainability by implementing a few initiatives such as zero carbon footprint and zero water waste, whilst also shifting its reliance to renewable energy. It has a reduce, reuse, recycle & rethink programme to minimise waste;

ii. **S**: Promotes zero irresponsible drinking in its efforts to curb drink-driving and advocate responsible drinking. Carlsberg has put in place policies and frameworks to provide a conducive and safe working environment;

iii. **G**: Carlsberg has applied and adopted the majority of the best practices of the Malaysian Code on Corporate Governance. However, independent directors comprise less than half of the board, while women comprise 30% of members.

ROE: We forecast commendable ROEs of 129.3% and 158.2% for FY21-22 vs 102.5% in FY20. We believe earnings growth will be driven by consumption recovery and ASP increase.

Indebtedness: FY22F net debt/equity at <0.1x. The company's balance sheet is sturdy, thanks to healthy cash flow generation and a moderate capex requirement.

Margins: We expect margins to improve moving forward, driven by volume recovery and price increases that have been implemented.

Trading on par with sector valuation at 22x FY22F P/E vs 22x P/E for the Bursa Malaysia Consumer Product Index. We believe Carlsberg deserves to trade at a premium to the sector – given the inelastic demand for beer, generous dividend payout levels, and its established brands in key operating markets.

Downside risks to our recommendation include a resurgence of COVID-19 infections, and unfavourable regulatory/policy changes.

Figure 3: Carlsberg's sustainability journey via the Together Towards ZERO agenda

Source: Company

Figure 4: Brand campaigns carried out during 2021

Source: Company

Guan Chong (GUAN MK, BUY, TP: MYR4.00)

◆ Lee Meng Horng
+603 9280 8866
lee.meng.horng@rhbgroup.com

Company description and ESG analysis. Guan Chong is engaged in: i) The production of cocoa-derived food ingredients; ii) manufacturing, marketing, and promoting cocoa-related products; iii) marketing and promotion activities of chocolate-related products and confectionery; and iv) purchasing and distributing cocoa-derived food ingredients.

The company has an ESG score of 3.0:

i. **E:** GCB undertakes continuous efforts to conserve the environment and has adopted green practices across its operations. The company is an active member of a few key associations that promote cocoa sustainability;

ii. **S:** Child labour and poverty among cocoa farmers are the key social issues in the chocolate industry and poses a significant risk on the sustainability of cocoa production. However, this is not within GCB's control and it has been supporting various sustainability programmes in its bean procurement processes;

iii. **G:** Management is forthcoming with regards to the sharing of information with the market and is reachable by shareholders through its investor relations unit. Shareholders often have access to timely disclosures of material information and can exercise their voting rights during EGMs and AGMs.

ROE: We forecast commendable ROEs of 17.6% and 17.0% in FY22 and FY23, up from the estimated 13.1% in FY21. This is supported by GCB's organic earnings growth and capacity expansion in both the Ivory Coast and Europe. Note: The dip in ROE from FY18 onwards has everything to do with expanding the equity base from fund-raising and various ongoing expansions.

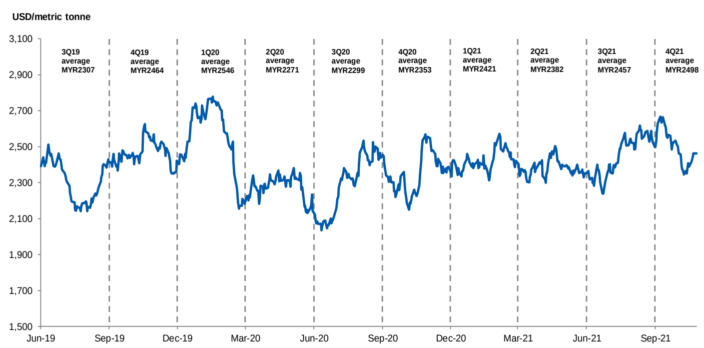
Current net debt/equity is above 0.9x, as the company was stockpiling some of the physical cocoa beans by taking advantages of favourable input prices, as well as to avoid any potential logistics disruptions. Excluding the working capital, GCB's net gearing would have been at below 0.4 despite the various ongoing expansion plans.

Margins are expected to trend upwards with higher selling prices – driven by stronger demand amid the global economic recovery and resumption in tourism activities. Additionally, expansions into the Ivory Coast and Europe will enable GCB to upsell its products and further improve the operating efficiency of its business, in our view, which is likely to drive growth.

GCB is trading at an undemanding valuation of 12x FY22F P/E vs 18x for the Bursa Malaysia Consumer Product Index and is at a discount to its international peers – this is despite being the fourth-largest cocoa grinder in the world and also a global supplier to major multinational corporation chocolate-making brands. We believe the growing chocolate consumption in Asia and de-commoditisation of cocoa powder products will continue to be a boon to the company. We also believe a P/E re-rating will ensue on the back of its consistent earnings base and potential margins expansion after spreading its wings into Europe.

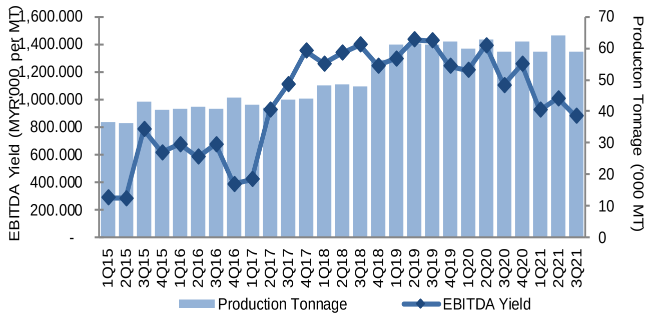
Risks to our recommendation include lower-than-expected sales, higher-than-expected input costs, and sharp fluctuations in raw material prices and FX.

Figure 5: Cocoa bean price trends



Source: Company data, RHB

Figure 6: EBITDA yields (based on production tonnage)



Source: Company data, RHB
**excludes SCHOKINAG*

Heineken Malaysia (HEIM MK, BUY, TP: MYR25.80)

♦ Soong Wei Siang
+603 9280 8865
soong.wei.siang@rhbgroup.com

Company description and ESG analysis. Heineken Malaysia (Heineken) produces, packages, markets and distributes beer under the Guinness Stout, Anchor Special Beer, Anchor Pilsner Beer, Lion Stout, Anchor Beer, Anchor Ice Beer, Tiger Beer, Heineken Beer, Anglia Shandy, and Malta brands.

The company has an ESG score of 3.3:

i. **E**: Heineken continues to contribute to environmental sustainability by implementing a few initiatives to reduce its greenhouse gas emissions and reliance on natural resources. It continues to manage waste responsibly, by investing in recycling and upcycling initiatives through licensed waste management vendors;

ii. **S**: It has a good policy to enhance the awareness of health and safety among stakeholders, and has put in place a framework that ensures a safe and conducive working environment for its staff. In addition, Heineken is committed to advocating responsible consumption amongst Malaysians;

iii. **G**: It has applied and adopted the majority of the best practices of the Malaysian Code on Corporate Governance. However, independent directors comprise less than half of the board. It has a 57:43 male:female ratio at this level.

ROE: We forecast commendable ROEs of 65.4% and 87.4% for FY21-22 vs 41.5% in FY20. We believe earnings growth will be driven by the recovery in consumption and ASP increases.

Indebtedness: FY22F net debt/equity at <0.3x. Heineken's balance sheet is sturdy, thanks to its healthy cash flow generation and moderate capex requirement.

Margins: We expect margins to improve moving forward, driven by volume recovery and price increases that have been implemented.

Trading below sector valuation at 19x FY22F P/E vs 22x P/E for the Bursa Malaysia Consumer Product Index. We believe its current valuation is undemanding and has not taken into account the recovery prospects.

Downside risks to our recommendation include a resurgence of COVID-19 infections, and unfavourable regulatory/policy changes.

Figure 7: Heineken's performance in protecting the environment

Source: Company

Figure 8: Key focus areas of Heineken Global's sustainability strategy

Source: Company

Press Metal (PMAH MK, BUY, TP: MYR8.50)

♦ Sean Chew
+603-9280 8801
sean.chew@rhbgroup.com

Press Metal is ASEAN's largest aluminium producer, with smelting plants in Mukah and Samalaju in Sarawak, which have an annual combined capacity of 1.08mMT. The group's aluminium ingots are approved by the London Metal Exchange as a high-grade primary aluminium product. PMAH belongs to the first quartile of the aluminium cost curve, given its access to affordable and stable hydro-based power generation. PMAH is also an integrated producer, with its downstream extrusion operations in Malaysia and China.

The company has an ESG score of 3.3.

i. **E:** PMAH's carbon footprint ranks amongst the best in the global aluminium industry, thanks to its access to hydropower – possibly boosting its long-term upside, on the burgeoning market potential for low-carbon aluminium. The group has also committed itself to carbon neutrality targets by 2050.

ii. **S:** Continuous efforts are made to improve its employees' safety and welfare, alongside consistent engagement programmes with the local community. The group is also committed to ensure strict compliance with relevant local labour laws and ordinances.

iii. **G:** Comprised of nine board members – four are independent non-executive directors and one-third are female, embodying the recommendation by the Malaysia Code of Corporate Governance. Additionally, there are good levels of transparency afforded by the group's reporting framework, and management's regular dialogue with the market.

We forecast commendable ROEs of 45% in FY22F vs 12% in FY20. We believe earnings growth will be driven by the full contribution from its Phase 3 Samalaju plant, which effectively adds 42% in production capacity to capture the decade-high aluminium prices. Prices are expected to remain elevated, given the favourable supply-demand dynamics arising from China's twin policy mandate (energy intensity and decarbonisation), which would lead to slower plant restarts and capacity growth.

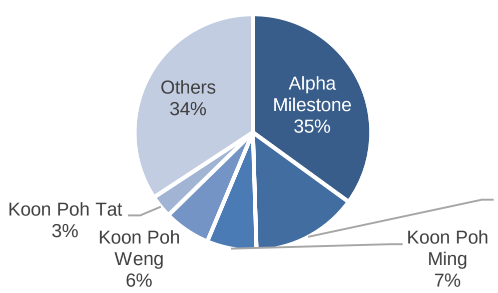
Over the longer term, we believe global demand for aluminium has experienced a structural shift, given the rising demand for its lightweight benefits to reduce fuel consumption in traditional ICE vehicles, and usage in EV. Separately, aluminium is required for the construction of solar plants, the frontrunner in the movement of renewable energy adoption.

FY22F net debt/equity <0.4x vs 0.9x in FY20**.** After the completion of its Phase 3 Samalaju plant, we do not foresee any major capex requirements in the next few years. With strong cash flow expected in FY22F, we believe this frees up options for management to undertake further debt deleveraging, or to pursue future inorganic growth.

Trading below historical average. PMAH is currently trading at 20x FY22F P/E, below its 5-year historical average of 24x. We believe current levels have yet to fully account for the earnings expansion arising from the latest capacity addition and strong aluminium price environment.

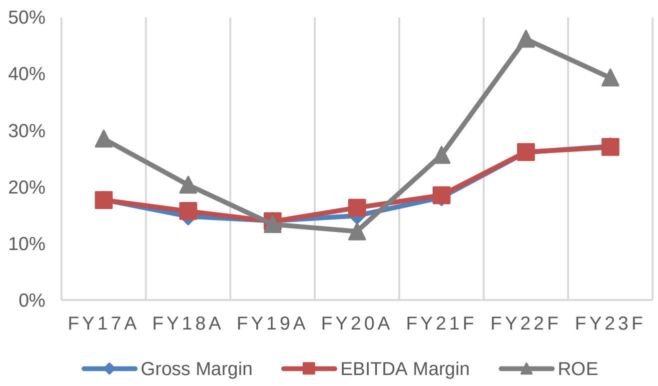
Risks to our recommendation include lower-than-expected aluminium prices and a spike in alumina/carbon anode costs.

Figure 9: Shareholding structure



Source: Bloomberg, RHB

Figure 10: Profitability margins and ROE profiles



Source: RHB

SKP Resources (SKP MK, BUY, TP: MYR2.40)

♦ Soong Wei Siang
+603 9280 8865
soong.wei.siang@rhbgroup.com

Company description and ESG analysis. SKP Resources manufactures plastic parts and components, as well as precision and engineering plastic parts. It also has operations in precision mold-making, on top of the design and modification of molds.

The company has an ESG score of 3.0:

i. **E**: SKP Resources is exploring ways to reduce greenhouse gas emissions, and venturing into technology that could help reduce the consumption of natural energy. The group has policies in place to manage waste as well as increasing production efficiency;

ii. **S**: Good policy to enhance the awareness of health and safety amongst its stakeholders. It is also putting in place a framework that ensures a safe and conducive working environment for its staff;

iii. **G**: SKP Resources has applied and adopted the majority of the best practices of the Malaysian Code on Corporate Governance, with independent directors making up 60% of the board. However, we note the lack of diversity at the director level, as female representative is less than 30% of the total.

ROE: We forecast commendable ROEs of 22.3% and 25.3% for FY22-23 vs 19.5% in FY21. We believe earnings growth will be driven by robust order flows and sustainable margin expansion.

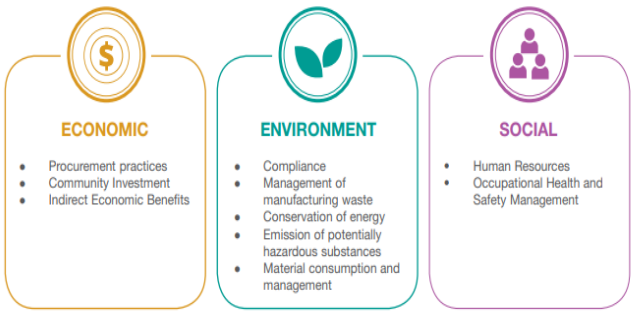
Indebtedness: FY22F net cash. The sturdy balance sheet will allow SKP Resources the room to expand its capacity to meet rising demand.

Margins: We expect margins to improve moving forward, driven by higher economies of scale and internalisation whereby more components will be manufactured in-house

Trading below sector average at 11x FY22F P/E vs 14x P/E for the Bursa Malaysia Industrial Production Index, while its close peer VS Industry (VSI MK, BUY, TP: MYR1.85) is trading at 13x P/E FY23F. We believe SKP Resources' valuation is attractive – in view of its exciting earnings growth, as well as its potential of securing new customers to bolster its orderbook and diversify the revenue streams.

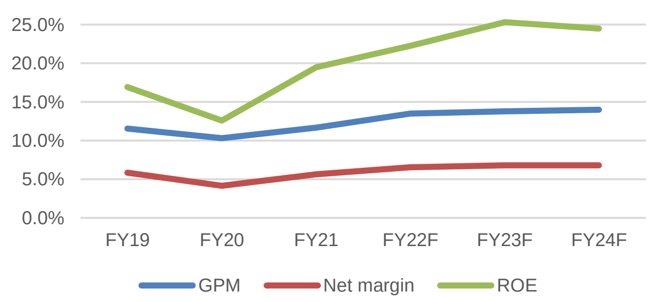
Downside risks to our recommendation include major supply chain/labour supply disruptions and delays in construction progress of the new plant.

Figure 11: SKP Resources' sustainability focus



Source: Company

Figure 12: Margins and ROE trends



Source: RHB

Sunway Construction Group (SCGB MK, BUY, TP: MYR1.81)

♦ Adam bin Mohamed Rahim
+603 9280 8682
adam.mohamed.rahim@rhbgroup.com

Company description and ESG analysis. Sunway Construction Group is one of Malaysia's largest construction companies. Apart from civil & infrastructure construction services, the company also provides the more specialised: i) Foundation & geotechnical engineering and ii) mechanical, electrical & plumbing or MEP services. Additionally, it runs highly profitable precast concrete product manufacturing operations here and in Singapore. Aside from fulfilling local requirements, SCGB also largely supplies hose concrete products for Housing & Development Board or HDB projects in the island republic.

The company has an ESG score of 3.0:

i. **E:** Implemented rooftop solar panels at its Sunway Precast Industries plant at Senai, Johor, to reduce the carbon emissions of site operations. With this, 98.6MWh of energy can be consumed via solar generation at this Senai plant, avoiding 57.7 tonnes of carbon emissions;

ii. **S:** The group ensures the safety and health of all its employees, and public areas surrounding the construction sites, via various training and safety programmes. For instance, the number of employees participating in trainings reached 1,781 in FY20 – this is a substantial increase vis-à-vis 728 employees in FY19;

iii. **G:** 57.1% of its board members are independent with full disclosures on director remunerations – including salaries and bonuses. SCGB has an in-house investor relations team. Accessibility to this team is excellent and it mostly helps deal with investor queries.

We forecast a commendable ROE of 19.8% in FY22 vs 14.6% in FY20. We believe earnings growth in FY22 will be mainly driven by higher progress billings from projects, namely the Tenaga Nasional headquarters campus, Light Rail Transit Line 3, and the Petronas Leadership Centre. Aside from that, its precast segment has a sizeable outstanding orderbook of MYR504m as at 3Q21, which should translate into better utilisation of SCGB's precast plants in FY22.

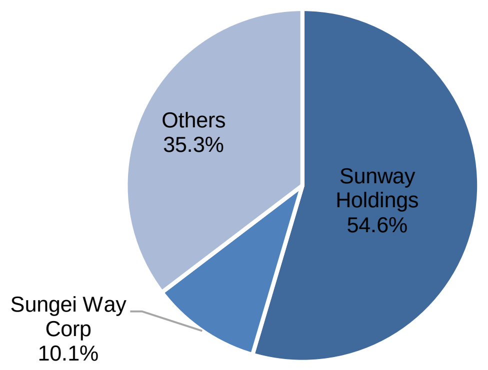
FY22F net debt/equity unchanged at 0.2x vs FY19. Following the expected completion of its Integrated Construction Precast Hub or ICPH in Pulau Punggol in 3Q22, we do not expect any major capex requirements over the next few years. The group's minimal debt position could give ample room to gear up for more jobs in future.

We expect net profit margins to improve moving forward to reach 6.3% in FY22 vs 5.6% in FY20. This is attributable to the visible pipeline of projects from SCGB's parent company and India, which should further help in orderbook replenishment and earnings visibility. Overall, the group has demonstrated its ability to win big contracts by securing c.MYR1.5bn in new jobs over the past year, bringing its total outstanding orderbook to c.MYR5.4bn – this represents an orderbook/revenue cover of c.3x.

Trading below its historical average. SCGB is currently trading at 13x FY22F P/E, ie below its 5-year historical average of 22x, which is rather undemanding.

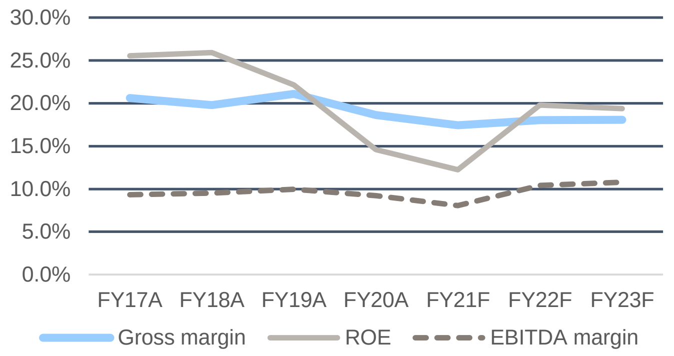
Risks to our recommendation include a failure to secure new contracts, prolonged downturns in the retail and property markets, higher-than-expected operating costs, and longer-than-expected delays in the rollout of mega infrastructure projects.

Figure 13: Shareholding structure



Source: Company data, RHB

Figure 14: Profitability margins and ROE profiles



Source: Company data, RHB

Thailand

Figure 15: Diamonds from Bangkok

Company	Ticker	ESG score	Target	Share price	Market cap (USDm)	P/E (x)		P/BV (x)		EV/EBITDA (x)		ROAE (%)		Net margin (%)	
						FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Central Pattana	CPN TB	3.4	65.50	53.50	7,158.0	26.2	21.1	3.0	2.7	13.0	11.0	11.9	13.6	27.3	28.7
Home Product Center	HMPRO TB	3.7	18.70	14.00	5,510.0	29.5	26.6	7.3	6.8	16.1	14.8	25.5	26.4	10.0	10.5
***ESG country median**		**3.2**													

*Note: Data as at 28 Jan 2022; *The ESG country median score of 3.2 is based on ESG scores of all stocks under our coverage in Thailand.*
Source: RHB, Bloomberg

Central Pattana (CPN TB, BUY, TP: THB65.50)

Thailand Research
+66 2088 9999
research.th.equity@rhbgroup.com

Company description and ESG analysis. Central Pattana is Thailand's biggest retail property developer. Its portfolio consists of 53 retail malls, 10 office buildings, two hotels, and 19 residential projects. Its key operations are in Thailand, but it has a regional expansion in Malaysia. CPN also invests in retail and office REITs, as well as property funds – it acts as a property manager for such funds.

The company has an ESG score of 3.4:

i. **E:** It designs project landscapes to best harmonise with a city and original ecosystem, and applies Green Building guidelines to retail mall development. It is also increasing the consumption of alternative resources – eg solar energy and reused water – and focuses on the reduction of landfills and greenhouse gas emissions;
ii. **S:** CPN applies the Center of Life strategy to develop retail malls into various lifestyle destinations for socialising, finding inspiration, and relaxing with families;
iii. **G:** It is the only property development company from Thailand part of the Dow Jones Sustainability World Index from 2018 to 2021. It has also been part of the Dow Jones Sustainability Emerging Markets Index for eight consecutive years (2014-2021).

ROE: We forecast an upturn in ROEs of at least 11.9% and 13.6% in FY22 and FY23 vs 10.2% in FY21. We expect a strong core earnings growth of c.91% this year and 24% next year, to be driven by rental income revival, stronger residential sales, and improving operating leverage that may boost profit margins. Although our criteria were for an ROE of at least 15%, we allowed CPN in as the company is evolving into a developer of integrated mixed-use precincts that may sustain growth over the next five years. This includes more than 10 unannounced new mall projects to be launched. The company will also resume international expansion with 3-6 new provincial hotels (focusing on local tourists) and 5-8 residential projects annually in major cities.

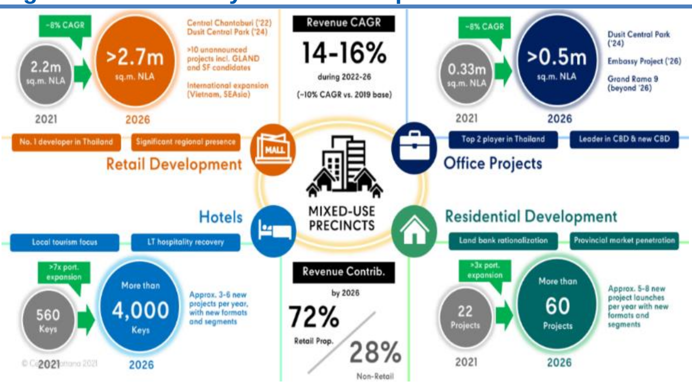
Indebtedness: 2022 Net Debt/Equity of 0.5x. Total 5-year capex is THB118bn with room for debt financing based on a 1.7x net D/E covenant threshold and our expected 0.6x as at end 2021. Earnings which are expected to turn to 91% growth in 2022 vs a low base the previous year may support the equity base and lower interest-bearing debts.

Margins: We expect margins to improve moving forward, driven by a possible recovery of average occupancy rates and tenant mix at its malls – this may support same-store rental rate growth and lead to higher economies of scale in terms of operations.

Undemanding valuation. CPN is trading at 26x FY22F P/E or -0.5SD to its 5-year historical mean. We believe a revival in out-of-home activities among Thai locals after the pandemic alleviates may act as a stock catalyst.

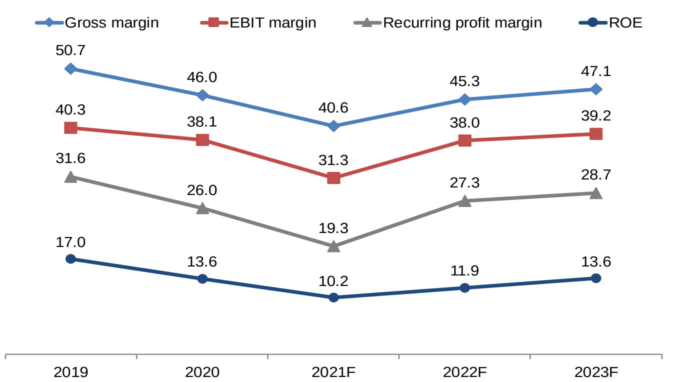
Risk to our recommendation include delays in the opening of new projects.

Figure 16: CPN's 5-year business plan



Source: Company data, RHB

Figure 17: Profit margins and ROE profiles (%)



Source: Company data, RHB

Home Product Center (HMPRO TB, BUY, TP: THB18.70)

♦ Thailand Research
+66 2088 9999
research.th.equity@rhbgroup.com

Company description and ESG analysis. Home Product Center is Thailand's biggest home improvement retailer, providing a complete range of services related to construction, refurbishment, renovation, and improvement of buildings. This is through a 1-stop shopping store format under the HomePro and Mega Home trade names. As of 2021, it has 108 stores in Thailand and seven in Malaysia.

The company has an ESG score of 3.7:

i. **E:** HMPRO has set an operating framework to tackle environmental issues throughout the supply chain. Renewable energy usage and zero waste progress are at 25% and 94% of its 2030 goals. The company offers Eco Choice products to customers, which currently contribute c.40% of its sales mix;
ii. **S:** The company prioritises the development of employees to gain knowledge and improve, and ensures the welfare of its associates and their families' living wages. It strengthens business growth through partnership with suppliers and promotes sustainability management. HMPRO also offers customers health and safety products, and services, eg elderly care;
iii. **G:** It firmly upholds and complies with the principles of good corporate governance. It ensures shareholders' rights and constantly holds meetings with investors. HMPRO has been a member of the Dow Jones Sustainability Emerging Markets Index for five consecutive years (2017-2021).

ROE: We forecast commendable ROEs of 25.5% and 26.4% in FY22 and FY23 vs 23.2% in FY21. We expect the key supports for HMPRO's resilient core profit growth (19% in 2022 and 11% in 2023) to include; i) Strong performance rebounds for stores in tourism-led cities on improved demand (in preparation for the return of foreign visitors), ii) the new housing market that is set to grow 5% countrywide in value terms in 2022 (2021: -10%), iii) recurring income recovery in terms of mall occupancy rates and smaller rental rate discounts given to tenants, and iv) potential ramping up launches of new stores to five pa over 2022-2023 from two in 2021.

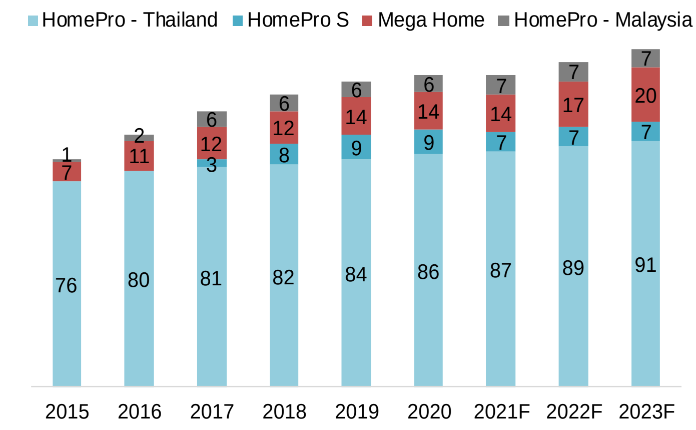
Indebtedness: 2022 net debt/equity of less than 0.2x. We think HMPRO's strong net profit growth over the next two years may support debt repayments and shareholders' equity hikes. With the projected capex of c.THB5bn pa, its net D/E ratio may still be far below the covenant threshold of 2.5x, implying enormous room for further business expansion in the long term.

Margins: We expect margins to improve moving forward, driven by higher contributions from high-GPM private label products and physical store sales – the latter offers stronger profit margins vs online platforms. Meanwhile, improving recurring income may enhance EBIT margins and NPMs. With possible inflation, we still expect HMPRO – as a discretionary retailer – to pass through costs and maintain its margins.

Trading below sector valuation at 30x FY22F P/E vs 32x for the SET Commerce Sector Index. The stock is also trading at -0.5SD to its 5-year historical mean P/E.

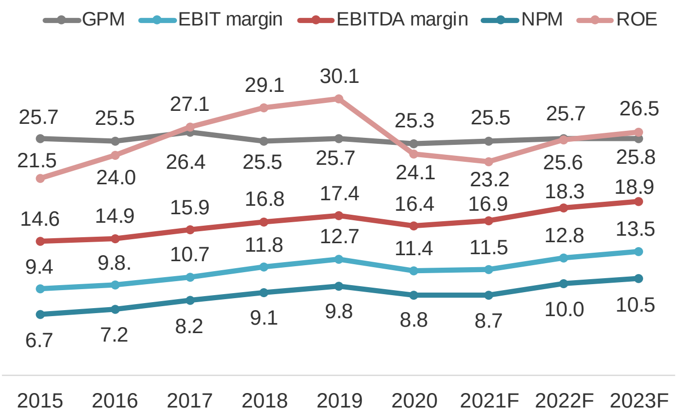
Risks to our recommendation include a delay in new stores, inflation, and oil price hikes that may affect purchasing power and logistics costs. Other risks: Slower-than-expected physical store sales and recurring income recovery.

Figure 18: HMPRO's store breakdown by formats



Source: Company data, RHB

Figure 19: Profit margins and ROE profiles (%)



Source: Company data, RHB

Singapore

Figure 20: Diamonds from Singapore

Company	Ticker	ESG score	Target price	Share price	Market cap (USDm)	P/E (x)		P/BV (x)		EV/EBITDA (x)		ROAE (%)		Net margin (%)	
						FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23
Frencken Group	FRKN SP	3.0	2.64	1.79	568	9.7	9.2	1.6	1.4	5.0	4.4	17.4	16.2	8.2	8.3
HRnet Group	HRNET SP	3.0	0.93	0.78	582	11.5	11.0	2.0	1.8	4.3	3.7	18.4	17.6	11.0	11.0
ST Engineering	STE SP	3.4	4.85	3.73	8,628	18.5	17.3	4.6	4.3	11.4	10.6	25.2	25.5	7.7	7.7
***ESG country median**		**3.0**													

*Note: Data as at 28 Jan 2022; *The ESG country median score of 3.0 is based on ESG scores of all stocks under our coverage in Singapore.*
Source: RHB, Bloomberg

Frencken Group (FRKM SP, BUY, TP: SGD2.64)

♦ Jarick Seet
+65 6320 0810
jarick.seet@rhbgroup.com

Frencken is a global integrated technology solutions group, which serves world-class multinational corporations in the automotive, healthcare, industrial, life sciences, and semiconductor industries.

The group has an ESG score of 3.0:

i. **E:** Frencken is working on expanding the market share of its proprietary and niche eco-physical vapour deposition or PVD technology, which is an environmentally friendly surface coating process vis-à-vis conventional methods;
ii. **S:** The group has also taken steps to support local communities and help keep frontliners safe. Although there was a severe shortage of masks in the early days of the pandemic, its people worked tirelessly to secure more than 30,000 masks – these were then donated to frontliners and hospitals in Malaysia, Europe, and the US;
iii. **G:** In addition to a robust corporate governance structure, an internal control system is in place to ensure proper and ethical conduct. These include policies in areas such as personal data protection, anti-corruption, anti-money laundering and counter terrorism financing, conflict of interest, business continuity, insider dealing, enterprise risk management, and outsourcing.

ROE: We forecast commendable ROEs of 17.4% and 16.2% in FY22 and FY23 vs 17% in FY21 estimates. We believe earnings growth will be driven by robust demand, as both Frencken's semiconductor and medical divisions should continue to see strong growth in the next two years. We believe the acquisition of Avimac will open a pathway for the group to access new technologies and potentially build a nascent business pillar in the aerospace industry. In addition, the acquisition of Avimac could be a springboard to penetrate the commercial aerospace engineering industry, given the latter's established customer base, certified manufacturing facilities, and forthcoming programmes.

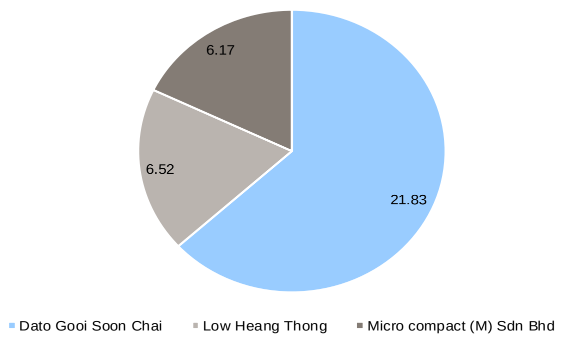
Indebtedness: 2022 net cash. Frencken has maintained a sound financial position with net cash of SGD66.8m as at 30 Sep 2021. Management has always operated prudently.

Margins: To continue holding steady around 16-17% and margins will be dependent on its product mix during the year, but we expect gross margins to hold steadily close to 17% for the next two years. This is due to higher sales, which improve operating leverage, as well as steadier margins from its robust semi-conductor segment.

The stock is trading below sector valuation at 12.5x FY21F P/E vs 15x against its peers in Singapore. The sizeable discount can be attributed to the group's relatively smaller market cap and profit base – but we do believe this gap has been slowly closing YoY.

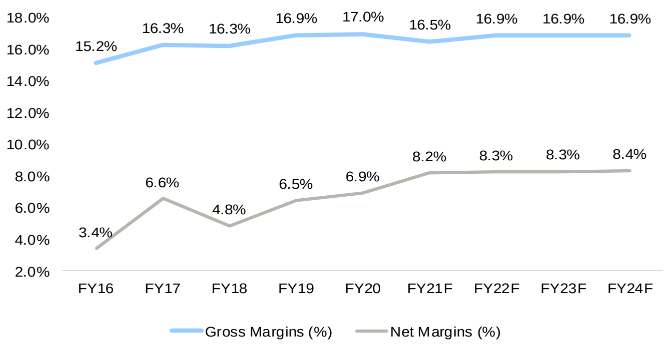
Risks include lower-than-expected sales and higher-than-expected input costs.

Figure 21: Shareholder Statistics (%)



Source: Company data, RHB

Figure 22: Gross and Net Margins (%)



Source: Company data, RHB

HRnetGroup (HRNET SP, BUY, TP: SGD0.93)

Jarick Seet
+65 6320 0810
jarick.seet@rhbgroup.com

Group description and ESG analysis. HRnetGroup is the largest Asia-based recruitment agency in Asia Pacific ex-Japan when compared to other key players with presences in this region. The group operates 11 brands in 10 Asian growth cities, namely Singapore (its headquarters), Kuala Lumpur, Bangkok, Hong Kong, Taipei, Guangzhou, Shanghai, Beijing, Tokyo, and Seoul. HRNET provides professional recruitment, flexible staffing, and other human resources or HR services (eg payroll, training, etc) to over 2,000 clients from 30 diversified sectors, such as financial institutions, retail & consumer, IT, and telecommunications, among others.

The group has an ESG score of 3.0:

i. **E:** HRNET is engaged as an external consultant to assist in conducting a materiality assessment of the E factor (as well as S and G factors), which is relevant to its operations;

ii. **S:** The group embraces gender diversity with key positions in management filled with a good mix of both genders. HRNET is committed towards promoting diversity and equal opportunity, both within its own workplace and amongst the group's clients;

iii. **G:** HRNET has not had any material data security or privacy issues over the past few years. Its board comprises six independent and three non-executive directors while Group CEO Sim Joo Siang is an executive director.

ROE: We forecast commendable ROEs of 18.4% in FY21 and FY22 vs 14.2% in FY20. We believe earnings growth will be driven by a robust recovery in the recruitment sector, as well as higher wages and increased operating leverage. HRnetGroup's flexible staffing business received a major boost from multiple governments, as there was increased demand for manpower needed to work at vaccination and swab-testing centres. The group's professional recruitment business rebounded on higher salaries paid, as companies now required more niche workers to fit the roles or profiles they are looking for. Such firms were now willing to pay more to secure such talent.

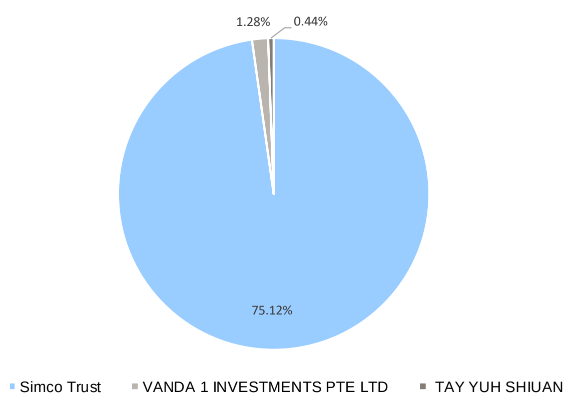
Indebtedness: Net cash balance sheet. HRnetGroup has always advocated prudent cash management and maintained a net cash balance sheet since listing despite making several acquisitions. The group has also generated positive cash flows since listing.

Margins: We expect margins to improve moving forward, as we expect both professional and flexible staffing to rebound to levels stronger than what we initially anticipated for FY21. Margins will also improve due to higher value per placement, as well as an increased revenue base with operating leverage. We believe HRnetGroup is a decent proxy to the global economic recovery, and will enjoy a great FY21-22.

The stock is trading below sector valuations at 13.3x FY21F P/E vs 25x against global peers. We believe the sizeable discount can be attributed to the group's relatively smaller market cap and profit base.

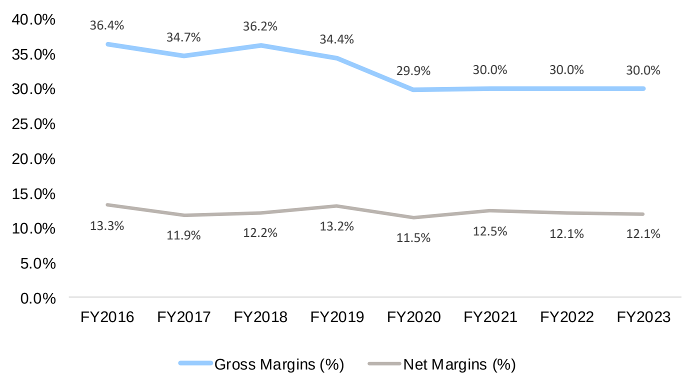
Risks to our recommendation include an economic downturn or worsening of the COVID-19 pandemic.

Figure 23: Shareholding structure (%)



Source: RHB, Bloomberg

Figure 24: Gross and net margins (%)



Source: Company data, RHB

ST Engineering (STE SP, BUY, TP: SGD4.85)

Shekhar Jaiswal
+65 6232 3894
shekhar.jaiswal@rhbgroup.com

A diversified and defensive business group. ST Engineering is an integrated engineering group in the Aerospace, Electronics, Land Systems, and Marine. In Jan 2021, STE reorganised its business into Commercial and Defence & Public Security clusters, replacing the sector-structure of Aerospace, Electronics, Land Systems and Marine. STE is a component stock of the FTSE Straits Times Index, MSCI Singapore and SGX Sustainability Leaders Index.

STE's ESG score is above the country median. The company has an ESG score of 3.40, which is higher than the country median score of 3.00.

i. **E:** In 2020, it reported a 44% reduction in GHG emissions vs 2010, and recycled 54% of 11,700 tonnes of material and waste generated.
ii. **S:** In 2020, it delivered SGD6.7bn in economic contributions, despite challenging business conditions. STE continued operations as an essential service provider across its global geographies, providing work for local companies in its supply chain, and delivering to its customers.
iii. **G:** Despite having exposure to the defence business, STE does not design, produce or sell anti-personnel mines, cluster munitions, white phosphorus munitions, and their related key components. STE's board comprises of 11 directors, of which seven are independent (63%) and two are female (20%).

ROE: We forecast commendable ROEs of 25.2% and 25.5% in FY22F and FY23F vs 23.6% in FY21F and 23.1% in FY20. We expect STE to deliver 8% net profit CAGR during FY20-FY23F. This profit growth will be partially supported by a gradual expansion in its net profit margin. In addition to the boost to its margins, STE's ROE improvement will also be driven by enhancements in its asset turnover. STE's asset turnover should improve to 0.82x in FY23F from 0.75x in FY20.

Indebtedness: STE's net debt/equity to remain below 0.7x. STE has seen a sharp rise in debt levels in last few years, as it has undertaken multiple debt-funded acquisitions. However, given its ability to generate strong positive free cash flow, we remain fairly confident of its ability to report elevated levels of cash balance and/or gradually pare down its debt levels. We expect STE's net debt to equity to gradually decline to 0.23x by FY23F from 0.76x in FY19. Our estimates do not incorporate the TransCore acquisition, which will be debt-funded and is expected to be completed by end 1Q22.

Margins: Gradual improvement in margins as businesses return to some sort of normalcy. We remain confident of STE's earnings recovery over the next 12 months, as rising immunisation across the world will allow countries to gradually bring more businesses back to normal. STE's earnings recovery would come from continuing improvements in its commercial aerospace business – supported by higher airframe maintenance, repair, and operations or MRO work, and a ramp up in passenger-to-freighter or P2F conversions. We also expect STE's past acquisitions to contribute positively towards the profit recovery.

Trading below historical valuation. STE is currently trading at 18.5x FY22F P/E amidst expectation of strong profit growth in FY22F. This compares with its historical 5-year average P/E of 19.9x.

Risks to our recommendation include slower-than-expected recovery in the commercial aerospace business, lower-than-expected contribution from its already completed acquisitions, and a significant rise in operating and debt costs.

Figure 25: Orderbook is at an all-time high of SGD18.2bn

Source: Company data, RHB

Figure 26: STE's 12-month forward P/E

Source: Bloomberg, RHB

Indonesia

Figure 27: Diamonds from Jakarta

Company	Ticker	ESG score	Target	Share price	Market cap (USDm)	P/E (x)		P/BV (x)		EV/EBITDA (x)		ROAE (%)		Net margin (%)	
						FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Arwana Citramulia	ARNA IJ	3.3	1,350.00	860.00	439	10.7	10.0	3.6	3.2	6.4	5.8	36.2	34.2	22.1	22.5
Mayora Indah	MYOR IJ	3.1	3,000.00	1,890.00	2,937	15.7	13.9	2.9	2.5	9.3	8.2	21.2	19.3	9.2	8.9
Puradelta Lestari	DMAS IJ	3.2	290.00	188.00	630	8.5	7.9	1.6	1.5	7.3	6.9	20.3	21.6	50.0	53.1
***ESG country median**		3.0													

Note: Data as at 28 Jan 2022
**The ESG country median score of 3.0 is based on ESG scores of all stocks under our coverage in Indonesia.*
Source: RHB, Bloomberg

Arwana Citramulia (ARNA, BUY, TP: IDR1,350)

♦ Indonesia Research Team
+6221 5093 9888
rhb.id.research@rhbgroup.com

Company description and ESG analysis. Arwana Citramulia is a ceramic tiles producer targeting the low- to middle-income segment, with an annual capacity of 64m sqm. ARNA operates two plants in Western Java, two in Eastern Java, and one in South Sumatra. The diversified locations of its plants enable ARNA to have lower transportation and logistic costs than its peers.

The company has an ESG score of 3.30 (out of 4).

i. **E**: ARNA has been awarded for its green industry over the last eight years. Its manufacturing facilities are certified for ISO 14001:2015 (environmental management systems). The company's production processes mainly use gas-fired kilns, which emit lower levels of greenhouse gases. It has consistently lowered gas consumption to improve operating efficiency, as well as cut down its carbon emissions.

ii. **S**: Corporate social responsibility activities include renovations of schools and homes, blood donations, and free medical treatments. ARNA also prioritises locals when hiring workers. There have been no media reports on any conflicts between the company and the local communities.

iii. **G**: Its good corporate governance is supported by audit and remuneration committees. It has good transparency, business ethics, and discloses information about its business activities.

ROE: Equity-returns significantly improved in the last five years (FY21F: 33% vs FY16: 10%). This was mainly driven by wider EBIT margins, thanks to improved production and operational efficiencies, as well as a better sales mix. Despite slower economic growth in 2021, ARNA indicated strong FY21F sales volumes, which is estimated to increase 11.4% YoY to 67.7m sqm, breaking its previous record. In 2022, the company aims for sales to grow 6% YoY to 71.8m sqm, driven by strong demand for its top ceramic tile products, which have a higher sales price and better GPM.

Figure 28: Improved efficiency, which boosted EBIT margins, is the key to ARNA's robust equity returns

Dupont analysis	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21F	FY22F	FY23F
ROE (%)	**21%**	**29%**	**35%**	**31%**	**8%**	**10%**	**12%**	**15%**	**19%**	**26%**	**33%**	**36%**	**34%**
Tax burden (x)	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8
Interest burden (x)	0.9	0.9	0.9	1.0	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.0
EBIT margin (%)	**16.1%**	**20.6%**	**24.3%**	**21.6%**	**8.5%**	**8.9%**	**10.6%**	**11.1%**	**13.1%**	**18.8%**	**24.1%**	**27.7%**	**27.9%**
Asset turnover (x)	1.1	1.2	1.2	1.3	0.9	1.0	1.1	1.2	1.2	1.1	1.3	1.2	1.2
Leverage (x)	1.9	1.7	1.7	1.5	1.6	1.7	1.6	1.6	1.6	1.6	1.4	1.4	1.3

Source: Company data, RHB

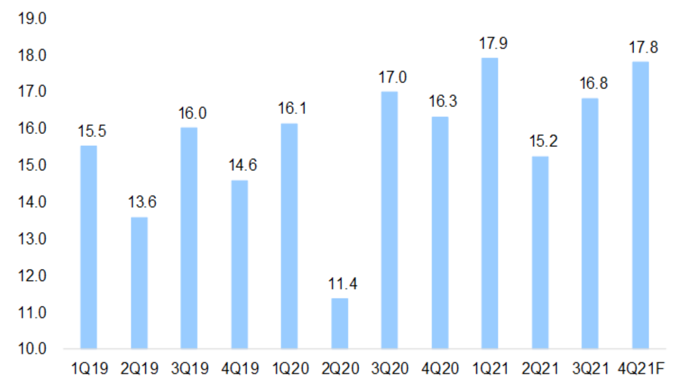
Indebtedness: ARNA is in a net cash position. Given its strong cashflow, ARNA finances its plant expansions via internal cash flow. The company has almost zero debt – current debts are merely short-term loans to finance short-term working capital. Cash flow from its efficient operations is much higher than its required capital expenditure, and hence, the company is able to disburse large amounts of dividend payout.

Margins: Widened EBIT margin was driven by improved operational efficiencies. ARNA's continuously lower gas consumption per unit production is the key to its improved efficiency. Gas consumption per sqm declined by 9% in 2021. In 2022, ARNA targets to lower its production cost per sqm by 4%, driven by 6% lower gas consumption per sqm YoY. In addition, higher utilised production capacity – which may reach 100% utilisation this year – should lower manufacturing cost per unit.

Trading below sector valuation at 10.9-10.1x FY22-23F P/Es, much lower than the average of its Indonesia building materials peers, which are trading at 17.6x-14.8x FY22-23F P/Es.

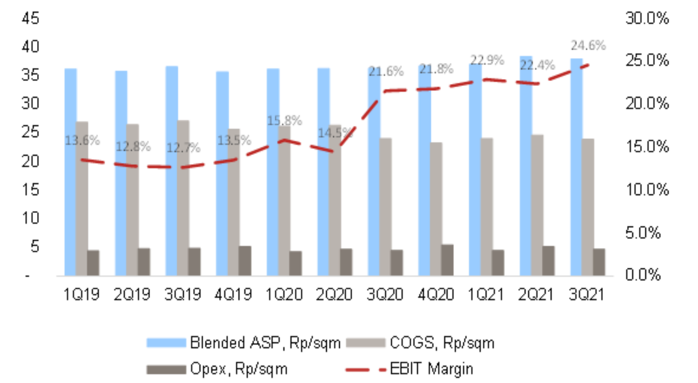
Risks to our recommendation include a weakening IDR and rising competition.

Figure 29: Despite slower economic growth during the pandemic, ARNA's quarterly sales have consistently increased (m sqm)



Source: Company data, RHB

Figure 30: Widened EBIT margin was driven by lower COGS/sqm and Opex/sqm



Source: Company data, RHB

Mayora Indah (MYOR IJ, BUY, TP: IDR3,000)

Company description and ESG analysis. Mayora Indah (MYOR) mainly manufactures biscuits, candies, wafers, chocolates, coffee and health food. The company was established in 1977, and was listed on the Indonesia Stock Exchange in 1990. Since then, it has grown its market and reach to span across five continents.

The company has an ESG score of 3.1:

i. **E**: MYOR complies with regulations by implementing UKL-UPL or Environmental Management and Monitoring Programmes. It also has a letter of consent for its environmental management plan, and liquid waste disposal permits from the Ministry of Industry;

ii. **S**: Community empowerment within the vicinity of MYOR's business operations is conducted by providing locals with opportunities to join the company as employees. MYOR also provides education about hygiene and healthy living to the surrounding communities;

iii. **G**: MYOR's governance system features the separation of duties and authority for decision-makers, to ensure that business decisions are efficient, free from conflict of interest, and are productive and equitable to all stakeholders. The relationship between the shareholders, Board of Directors, and Board of Commissioners is one based on trust – since shareholders believe that the latter two perform their functions, duties, and undertake authority in the best way possible.

♦ Indonesia Research Team
+6221 5093 9888
rhb.id.research@rhbgroup.com

ROE: We forecast commendable ROEs of 21.2% and 19.3% for FY22 and FY23 vs 19% in FY21E. Earnings growth should be driven by recovering margins, as well as robust demand for confectionery products, amidst the reopening of both domestic and export markets.

MYOR's large capex cycle ended in 2021, and its current utilisation rate is able support volume growth for the next two years. We should be able to see further upside to our ROE forecast and operational efficiencies, supporting long-term earnings growth.

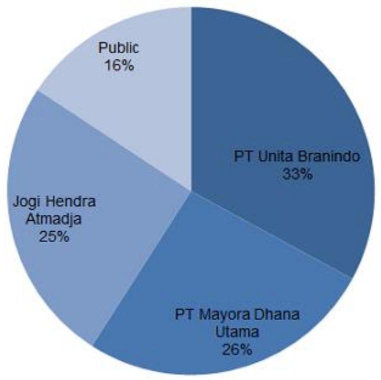
Indebtedness: Net cash position in 2022F. Limited capex forecasts should enable the company to achieve a net cash position, as it generates IDR2trn in 2022F FCF.

Margins: We expect margins to improve moving forward, driven by a 4-5% ASP hike implemented in Nov 2021 to start passing on higher raw material prices to consumers. The pick-up in sales volume should deleverage fixed operational costs, especially on its new factory in the Philippines and new facilities in its factories in Indonesia. We are still conservatively forecasting GPM to be below 2019-2020 levels, with 2022F EPS growth still at 27% YoY.

Trading at a premium to the sector valuation at 17x FY22F P/E vs 12x for the IDX consumer non-cyclical index. We believe the sizeable premium is justified, with the company's superior growth potential (27% YoY in 22F vs the index's 5.9% YoY).

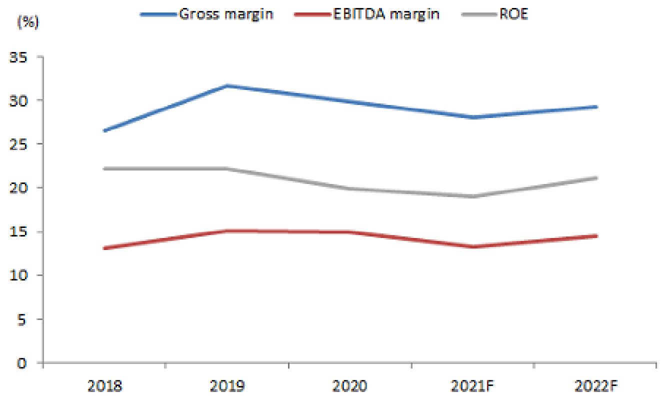
Risks to our recommendation include higher-than-expected raw materials and containership costs, worse-than-expected economic implications of a zero-COVID-19 policy and the Evergrande crisis on China's economy (MYOR's largest export market – c.30% of revenue).

Figure 31: Shareholding structure



Source: Company data, RHB

Figure 32: Chart margins and ROE profiles



Source: Company data, RHB

Puradelta Lestari (DMAS IJ, BUY, TP: IDR290)

♦ Indonesia Research Team
+6221 5093 9888
rhb.id.research@rhbgroup.com

Company description and ESG analysis. Puradelta Lestari is an industrial estate developer. The company sells industrial estates, residential properties, and commercial land, mostly in the Bekasi area. DMAS' total available landbank as of Sep 2021 stood at 1,186ha from about 3,185ha previously.

The company has an ESG score of 3.2:

i. **E:** It continues to maintain environmental quality and minimises the impact to the environment from its business activities. DMAS has established a nursery to ensure area reforestation. Additionally, the company operates clean water treatment facilities to ensure water supply quality for customers and waste water treatment facilities;

ii. **S:** DMAS operates a team that contributes to the development of communities near its area of operations and makes various efforts to improve the health and welfare of the surrounding community, as well as help building social infrastructure such as schools, places of worship, and transportation network;

iii. **G:** DMAS's boards of commissioners and directors are guided by the principles of transparency, accountability, responsibility, independency, and fairness – this is to ensure the sustainability of the company's business and taking thorough consideration of the interests of all its stakeholders.

ROE: We forecast ROEs of above 20%, with 20.4% and 21.6% in FY22 and FY23. We believe earnings growth will be driven by better operational margins through operational efficiency. DMAS is also consistent in terms of dividend distribution. We expect future yields to hover between 9% and 10%. With a healthy cash balance and zero debts, we expect the company to continue paying high dividends to its shareholders.

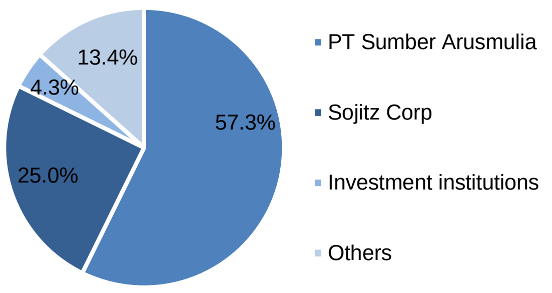
Strong cash generation. DMAS' cash flow remains strong – it is in a net cash of IDR1.25trn as of 9M21. Capex is also relatively manageable. The company has an opportunity to expand southwards of its current area – this area is still available – with an approximate capex of IDR100-150bn pa.

Possible data centres to follow as potential tenants. There were 70ha of land inquiries in 2021. The breakup: i) Data centres (40ha), ii) auto sector (20ha), and other industries (10ha). Data centre inquiries have increased because the technology sector is developing quite rapidly. Additionally, government regulations require data centres to establish presences in Indonesia. DMAS is well prepared to meet the data centre demand for 2022, with state electric company Perusahaan Listrik Negara's premium services and ready-in-place fibre-optic connections. Data centres also provide higher ASPs at IDR3m per sq m. By comparison, the industrial segment's ASPs is about IDR2.2m per sq m.

Trading at a 71% discount to NAV. DMAS is currently heavily discounted towards its NAV, while we assign a discount 58% and apply a 4% ESG premium to our RNAV to arrive at our TP of IDR290. We believe the heavy discount is attributed to the company's uncertainty with regards to industrial sales, as well as its relatively small market cap and profit base.

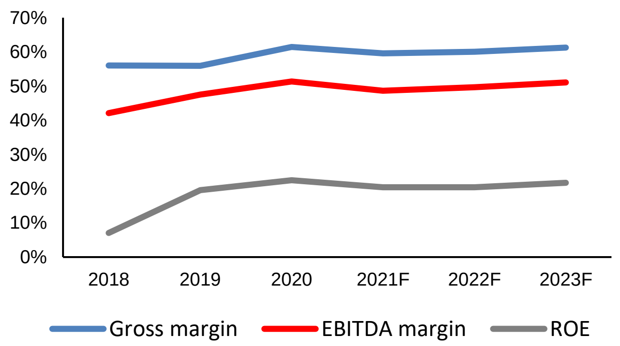
Risks to our recommendation include lower-than-expected industrial take up rate, low foreign direct investments into Indonesia, and unfavourable government regulations.

Figure 33: Shareholding structure



Source: Company data, RHB

Figure 34: Chart margins and ROE profiles



Source: RHB

RHB Guide to Investment Ratings

Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

Investment Research Disclaimers

RHB has issued this report for information purposes only. This report is intended for circulation amongst RHB and its affiliates' clients generally or such persons as may be deemed eligible by RHB to receive this report and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. This report is not intended, and should not under any circumstances be construed as, an offer or a solicitation of an offer to buy or sell the securities referred to herein or any related financial instruments.

This report may further consist of, whether in whole or in part, summaries, research, compilations, extracts or analysis that has been prepared by RHB's strategic, joint venture and/or business partners. No representation or warranty (express or implied) is given as to the accuracy or completeness of such information and accordingly investors should make their own informed decisions before relying on the same.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to the applicable laws or regulations. By accepting this report, the recipient hereof (i) represents and warrants that it is lawfully able to receive this document under the laws and regulations of the jurisdiction in which it is located or other applicable laws and (ii) acknowledges and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of applicable laws.

All the information contained herein is based upon publicly available information and has been obtained from sources that RHB believes to be reliable and correct at the time of issue of this report. However, such sources have not been independently verified by RHB and/or its affiliates and this report does not purport to contain all information that a prospective investor may require. The opinions expressed herein are RHB's present opinions only and are subject to change without prior notice. RHB is not under any obligation to update or keep current the information and opinions expressed herein or to provide the recipient with access to any additional information. Consequently, RHB does not guarantee, represent or warrant, expressly or impliedly, as to the adequacy, accuracy, reliability, fairness or completeness of the information and opinion contained in this report. Neither RHB (including its officers, directors, associates, connected parties, and/or employees) nor does any of its agents accept any liability for any direct, indirect or consequential losses, loss of profits and/or damages that may arise from the use or reliance of this research report and/or further communications given in relation to this report. Any such responsibility or liability is hereby expressly disclaimed.

Whilst every effort is made to ensure that statement of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable and must not be construed as a representation that the matters referred to therein will occur. Different assumptions by RHB or any other source may yield substantially different results and recommendations contained on one type of research product may differ from recommendations contained in other types of research. The performance of currencies may affect the value of, or income from, the securities or any other financial instruments referenced in this report. Holders of depositary receipts backed by the securities discussed in this report assume currency risk. Past performance is not a guide to future performance. Income from investments may fluctuate. The price or value of the investments to which this report relates, either directly or indirectly, may fall or rise against the interest of investors.

This report may contain comments, estimates, projections, forecasts and expressions of opinion relating to macroeconomic research published by RHB economists of which should not be considered as investment ratings/advice and/or a recommendation by such economists on any securities discussed in this report.

This report does not purport to be comprehensive or to contain all the information that a prospective investor may need in order to make an investment decision. The recipient of this report is making its own independent assessment and decisions regarding any securities or financial instruments referenced herein. Any investment discussed or recommended in this report may be unsuitable for an investor depending on the investor's specific investment objectives and financial position. The material in this report is general information intended for recipients who understand the risks of investing in financial instruments. This report does not take into account whether an investment or course of action and any associated risks are suitable for the recipient. Any recommendations contained in this report must therefore not be relied upon as investment advice based on the recipient's personal circumstances. Investors should make their own independent evaluation of the information contained herein, consider their own investment objective, financial situation and particular needs and seek their own financial, business, legal, tax and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

This report may contain forward-looking statements which are often but not always identified by the use of words such as "believe", "estimate", "intend" and "expect" and statements that an event or result "may", "will" or "might" occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to RHB and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievement, expressed or implied by such forward-looking statements. Caution should be taken with respect to such statements and recipients of this report should not place undue reliance on any such forward-looking statements. RHB expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

The use of any website to access this report electronically is done at the recipient's own risk, and it is the recipient's sole responsibility to take precautions to ensure that it is free from viruses or other items of a destructive nature. This report may also provide the addresses of, or contain hyperlinks to, websites. RHB takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to RHB own website material) are provided solely for the recipient's convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or RHB website shall be at the recipient's own risk.

This report may contain information obtained from third parties. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content.

The research analysts responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. The research analysts that authored this report are precluded by RHB in all circumstances from trading in the securities or other financial instruments referenced in the report, or from having an interest in the company(ies) that they cover.

The contents of this report is strictly confidential and may not be copied, reproduced, published, distributed, transmitted or passed, in whole or in part, to any other person without the prior express written consent of RHB and/or its affiliates. This report has been delivered to RHB and its affiliates' clients for information purposes only and upon the express understanding that such parties will use it only for the purposes set forth above. By electing to view or accepting a copy of this report, the recipients have agreed that they will not print, copy, videotape, record, hyperlink, download, or otherwise attempt to reproduce or re-transmit (in any form including hard copy or electronic distribution format) the contents of this report. RHB and/or its affiliates accepts no liability whatsoever for the actions of third parties in this respect.

The contents of this report are subject to copyright. Please refer to Restrictions on Distribution below for information regarding the distributors of this report. Recipients must not reproduce or disseminate any content or findings of this report without the express permission of RHB and the distributors.

The securities mentioned in this publication may not be eligible for sale in some states or countries or certain categories of investors. The recipient of this report should have regard to the laws of the recipient's place of domicile when contemplating transactions in the securities or other financial instruments referred to herein. The securities discussed in this report may not have been registered in such jurisdiction. Without prejudice to the foregoing, the recipient is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

The term "RHB" shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case, RHB Investment Bank Berhad and its affiliates, subsidiaries and related companies.

RESTRICTIONS ON DISTRIBUTION

Malaysia
This report is issued and distributed in Malaysia by RHB Investment Bank Berhad ("RHBIB"). The views and opinions in this report are our own as of the date hereof and is subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. RHBIB has no obligation to update its opinion or the information in this report.

Thailand
This report is issued and distributed in the Kingdom of Thailand by RHB Securities (Thailand) PCL, a licensed securities company that is authorised by the Ministry of Finance, regulated by the Securities and Exchange Commission of Thailand and is a member of the

Stock Exchange of Thailand. The Thai Institute of Directors Association has disclosed the Corporate Governance Report of Thai Listed Companies made pursuant to the policy of the Securities and Exchange Commission of Thailand. RHB Securities (Thailand) PCL does not endorse, confirm nor certify the result of the Corporate Governance Report of Thai Listed Companies.

Indonesia
This report is issued and distributed in Indonesia by PT RHB Sekuritas Indonesia. This research does not constitute an offering document and it should not be construed as an offer of securities in Indonesia. Any securities offered or sold, directly or indirectly, in Indonesia or to any Indonesian citizen or corporation (wherever located) or to any Indonesian resident in a manner which constitutes a public offering under Indonesian laws and regulations must comply with the prevailing Indonesian laws and regulations.

Singapore
This report is issued and distributed in Singapore by RHB Bank Berhad (through its Singapore branch) which is an exempt capital markets services entity and an exempt financial adviser regulated by the Monetary Authority of Singapore. RHB Bank Berhad (through its Singapore branch) may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, RHB Bank Berhad (through its Singapore branch) accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact RHB Bank Berhad (through its Singapore branch) in respect of any matter arising from or in connection with the report.

United States
This report was prepared by RHB is meant for distribution solely and directly to "major" U.S. institutional investors as defined under, and pursuant to, the requirements of Rule 15a-6 under the U.S. Securities and Exchange Act of 1934, as amended (the "Exchange Act") via a registered U.S. broker-dealer as appointed by RHB from time to time. Accordingly, any access to this report via Bursa Marketplace or any other Electronic Services Provider is not intended for any party other than "major" US institutional investors (via a registered U.S broker-dealer), nor shall be deemed as solicitation by RHB in any manner. RHB is not registered as a broker-dealer in the United States and currently has not appointed a U.S. broker-dealer. Additionally, RHB does not offer brokerage services to U.S. persons. Any order for the purchase or sale of all securities discussed herein must be placed with and through a registered U.S. broker-dealer as appointed by RHB from time to time as required by the Exchange Act Rule 15a-6. For avoidance of doubt, RHB reiterates that it has not appointed any U.S. broker-dealer during the issuance of this report. This report is confidential and not intended for distribution to, or use by, persons other than the recipient and its employees, agents and advisors, as applicable. Additionally, where research is distributed via Electronic Service Provider, the analysts whose names appear in this report are not registered or qualified as research analysts in the United States and are not associated persons of any registered U.S. broker-dealer as appointed by RHB from time to time and therefore may not be subject to any applicable restrictions under Financial Industry Regulatory Authority ("FINRA") rules on communications with a subject company, public appearances and personal trading. Investing in any non-U.S. securities or related financial instruments discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in the United States. The financial instruments discussed in this report may not be suitable for all investors. Transactions in foreign markets may be subject to regulations that differ from or offer less protection than those in the United States.

DISCLOSURE OF CONFLICTS OF INTEREST

RHB Investment Bank Berhad, its subsidiaries (including its regional offices) and associated companies, ("RHBIB Group") form a diversified financial group, undertaking various investment banking activities which include, amongst others, underwriting, securities trading, market making and corporate finance advisory.

As a result of the same, in the ordinary course of its business, any member of the RHBIB Group, may, from time to time, have business relationships with, hold any positions in the securities and/or capital market products (including but not limited to shares, warrants, and/or derivatives), trade or otherwise effect transactions for its own account or the account of its customers or perform and/or solicit investment, advisory or other services from any of the subject company(ies) covered in this research report.

While the RHBIB Group will ensure that there are sufficient information barriers and internal controls in place where necessary, to prevent/manage any conflicts of interest to ensure the independence of this report, investors should also be aware that such conflict of interest may exist in view of the investment banking activities undertaken by the RHBIB Group as mentioned above and should exercise their own judgement before making any investment decisions.

In Singapore, investment research activities are conducted under RHB Bank Berhad (through its Singapore branch), and the disclaimers above similarly apply.

Malaysia
Save as disclosed in the following link RHB Research conflict disclosures – Feb 2022 and to the best of our knowledge, RHBIB hereby declares that:
1. RHBIB does not have a financial interest in the securities or other capital market products of the subject company(ies) covered in this report.
2. RHBIB is not a market maker in the securities or capital market products of the subject company(ies) covered in this report.
3. None of RHBIB's staff or associated person serve as a director or board member* of the subject company(ies) covered in this report
For the avoidance of doubt, the confirmation is only limited to the staff of research department
4. RHBIB did not receive compensation for investment banking or corporate finance services from the subject company in the past 12 months.
5. RHBIB did not receive compensation or benefit (including gift and special cost arrangement e.g. company/issuer-sponsored and paid trip) in relation to the production of this report.

Thailand
Save as disclosed in the following link RHB Research conflict disclosures – Feb 2022 and to the best of our knowledge, RHB Securities (Thailand) PCL hereby declares that:
1. RHB Securities (Thailand) PCL does not have a financial interest in the securities or other capital market products of the subject company(ies) covered in this report.
2. RHB Securities (Thailand) PCL is not a market maker in the securities or capital market products of the subject company(ies) covered in this report.
3. None of RHB Securities (Thailand) PCL's staff or associated person serve as a director or board member* of the subject company(ies) covered in this report
1. *For the avoidance of doubt, the confirmation is only limited to the staff of research department
4. RHB Securities (Thailand) PCL did not receive compensation for investment banking or corporate finance services from the subject company in the past 12 months.
5. RHB Securities (Thailand) PCL did not receive compensation or benefit (including gift and special cost arrangement e.g. company/issuer-sponsored and paid trip) in relation to the production of this report.

Indonesia
Save as disclosed in the following link RHB Research conflict disclosures – Feb 2022 and to the best of our knowledge, PT RHB Sekuritas Indonesia hereby declares that:
1. PT RHB Sekuritas Indonesia and its investment analysts, does not have any interest in the securities of the subject company(ies) covered in this report.
For the avoidance of doubt, interest in securities include the following:
   a) Holding directly or indirectly, individually or jointly own/hold securities or entitled for dividends, interest or proceeds from the sale or exercise of the subject company's securities covered in this report*;
   b) Being bound by an agreement to purchase securities or has the right to transfer the securities or has the right to pre subscribe the securities*.
   c) Being bound or required to buy the remaining securities that are not subscribed/placed out pursuant to an Initial Public Offering*.
   d) Managing or jointly with other parties managing such parties as referred to in (a), (b) or (c) above.
2. PT RHB Sekuritas Indonesia is not a market maker in the securities or capital market products of the subject company(ies) covered in this report.
3. None of PT RHB Sekuritas Indonesia's staff** or associated person serve as a director or board member* of the subject company(ies) covered in this report.
4. PT RHB Sekuritas Indonesia did not receive compensation for investment banking or corporate finance services from the subject company in the past 12 months.
5. PT RHB Sekuritas Indonesia** did not receive compensation or benefit (including gift and special cost arrangement e.g. company/issuer-sponsored and paid trip) in relation to the production of this report:

Notes:
**The overall disclosure is limited to information pertaining to PT RHB Sekuritas Indonesia only.*
***The disclosure is limited to Research staff of PT RHB Sekuritas Indonesia only.*

Singapore
Save as disclosed in the following link RHB Research conflict disclosures – Feb 2022 and to the best of our knowledge, the Singapore Research department of RHB Bank Berhad (through its Singapore branch) hereby declares that:
1. RHB Bank Berhad, its subsidiaries and/or associated companies do not make a market in any issuer covered by the Singapore research analysts in this report.
2. RHB Bank Berhad, its subsidiaries and/or its associated companies and its analysts do not have a financial interest (including a shareholding of 1% or more) in the issuer covered by the Singapore research analysts in this report.
3. RHB Bank Berhad's Singapore research staff or connected persons do not serve on the board or trustee positions of the issuer covered by the Singapore research analysts in this report.
4. RHB Bank Berhad, its subsidiaries and/or its associated companies do not have and have not within the last 12 months had any corporate finance advisory relationship with the issuer covered by the Singapore research analysts in this report or any other relationship that may create a potential conflict of interest.
5. RHB Bank Berhad's Singapore research analysts, or person associated or connected to it do not have any interest in the acquisition or disposal of, the securities, specified securities based derivatives contracts or units in a collective investment scheme covered by the Singapore research analysts in this report.
6. RHB Bank Berhad's Singapore research analysts do not receive any compensation or benefit in connection with the production of this research report or recommendation on the issuer covered by the Singapore research analysts.

Analyst Certification
The analyst(s) who prepared this report, and their associates hereby, certify that:
(1) they do not have any financial interest in the securities or other capital market products of the subject companies mentioned in this report, except for:

Analyst	Company
-	-

(2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 9280 8888
Fax : +603 9200 2216

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470