

22 November 2019

Construction & Engineering | Construction

## MRCB (MRC MK)

**Buy** (Maintained)

### A Better Year Ahead; Reiterate BUY

Target Price (Return)	MYR0.87 (+15%)
Price:	MYR0.755
Market Cap:	USD777m
Avg Daily Turnover (MYR/USD)	5.6m/1.3m

- Reiterate BUY with a new SOP-based MYR0.87 TP from MYR0.97, 15% upside.** 9M19 results missed our estimates. Looking ahead, we expect stronger flow of property sales billings and the resumption of the Light Rail Transit Line 3 (LRT3) project. Our call is premised on MRCB's sizable outstanding orderbook of >MYR20bn and significant value accretion from the monetisation or development of its transit-oriented developments in Petaling Jaya, Penang, Cyberjaya, and Kwasa Damansara
- Earnings disappointed.** The company posted a 3Q19 core net profit of MYR2.5m (-77.2% QoQ, -88.1% YoY), bringing 9M19 earnings to MYR17.9m (-76% YoY), or 17% and 30% of our and Street's estimates. 9M19 construction PBT continues to be weak, only recording MYR3.3m (-92.7% YoY). This was impacted by minimal billings for several property projects in their early stages, as well as prudent expensing of certain costs related to certain projects. The property division booked PBT of MYR69.8m – this includes the sale of the remaining 30% stake in St Regis sold in 2Q19 – down 21.4% YoY in the absence of one-off land sales in FY18 with a PBT gain of MYR66.8m.
- Meaningful contributions from the property segment in FY20** were anchored by higher recognition of unbilled property sales of MYR1.7bn. While YTD new property sales stands at MYR398m, we understand the actual numbers were higher – closer to MYR600m – before compensating for drop-outs from property units sold previously in FY17-18. Despite that, MRCB still anticipates meaningful contributions from its property development projects, particularly Sentral Suites, Tria Residences @ 9 Seputeh (Kuala Lumpur), and 1060 Carnegie (Melbourne). We note that the company only guided for one project launch for FY20, which is related to developments in Kwasa Damansara (GDV: MYR500m) – a revision from three projects previously.
- Earnings revised downwards.** We cut our FY19F-21F earnings by 81%, 26%, and 16% after re-timing our construction project billings and lowering margins. We also adjust our RNAV surplus to reflect the latest GDV while maintaining an unchanged 12x FY20F construction earnings and 35% discount on RNAV. With that, our SOP-derived TP is lowered to MYR0.87. We expect FY20F to be a better year, anchored on higher recognition of unbilled property sales and resumption of billings for the LRT3 project from 2Q20 onwards.
- Key downside risks** include a prolonged slowdown in the property market, longer-than-expected delays in the commencement of public sector infrastructure projects, and inability to secure new orders.

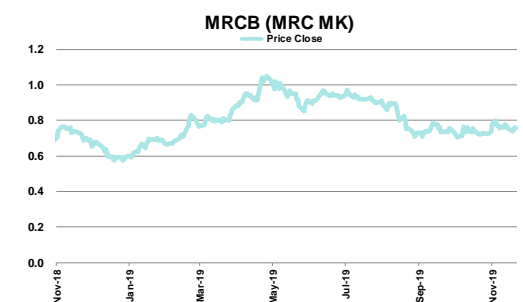
#### Analyst

Alexander Chia  
 +603 9280 8889  
[alexander.chia@rhbgroup.com](mailto:alexander.chia@rhbgroup.com)



#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	22.8	4.9	0.7	(19.3)	2.7
Relative	28.6	3.5	0.8	(18.5)	8.8
52-wk Price low/high (MYR)	0.57-1.15				



Source: Bloomberg

Forecasts and Valuation	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
Total turnover (MYRm)	2,641	1,871	1,221	1,761	1,877
Net profit (MYRm)	186	75	20	93	104
Net profit growth (%)	(39.4)	(37.5)	(79.8)	353.2	12.4
Recurring EPS (MYR)	0.06	0.02	0.00	0.02	0.02
Recurring P/E (x)	11.9	32.9	163.1	36.0	32.0
P/B (x)	0.4	0.7	0.7	0.7	0.7
P/CF (x)	(3.0)	3.4	11.2	13.6	11.7
Dividend Yield (%)	2.3	2.3	2.3	2.9	3.3
EV/EBITDA (x)	21.0	25.8	32.4	24.2	22.1
ROAE (%)	4.2	2.1	0.4	1.9	2.2
Interest cover (x)	8.8	2.9	1.8	4.7	5.0

Source: Company data, RHB

22 November 2019

Construction &amp; Engineering | Construction

## Financial Exhibits

Asia	Financial summary	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
Malaysia	Recurring EPS (MYR)	0.06	0.02	0.00	0.02	0.02
Construction	DPS (MYR)	0.02	0.02	0.02	0.02	0.03
<b>MRCB</b>	BVPS (MYR)	1.88	1.10	1.08	1.08	1.08
MRC MK	ROE (%)	4.18	2.10	0.43	1.94	2.18

Valuation basis	Valuation metrics	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
We use SOP:	Recurring P/E (x)	11.9	32.9	163.1	36.0	32.0
i. 12x FY20F construction earnings;	P/B (x)	0.40	0.69	0.70	0.70	0.70
ii. 35% discount to RNAV.	FCF Yield (%)	(64.93)	17.89	0.90	1.21	3.25
	Dividend yield (%)	2.3	2.3	2.3	2.9	3.3
	EV/EBITDA (x)	21.0	25.8	32.4	24.2	22.1
	EV/EBIT (x)	24.0	33.4	46.7	32.3	29.2

Key drivers	Income statement (MYRm)	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
Our FY19 forecasts are most sensitive to changes in:	Total turnover	2641	1871	1221	1761	1877
i. Recovery in the property market;	Gross profit	444	373	222	305	333
ii. Better-than-expected construction margins.	EBITDA (adj.)	285	165	136	185	206
	Depreciation & amortisation	(35)	(37)	(42)	(46)	(50)
	Operating profit	250	128	94	139	156
	Net interest	(6)	(23)	(40)	(14)	(15)
	Pre-tax profit	269	123	54	125	141
	Taxation	(69)	(46)	(33)	(31)	(35)
	Net profit	162	101	20	93	104
	Recurring net profit	186	75	20	93	104

Key risks	Cash flow (MYRm)	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
i. A prolonged slowdown in the property market;	Change in working capital	(1,138)	1,143	194	91	113
ii. Longer delays in the commencement of public sector infrastructure projects;	Cash flow from operations	(1,123)	988	297	245	284
iii. Inability to secure new orders.	Capex	(199)	(438)	(300)	(236)	(211)
	Cash flow from investing activities	(1,042)	1,012	(300)	(236)	(211)
	Dividends paid	(60)	(77)	(77)	(97)	(110)
	Cash flow from financing activities	2,036	(1,994)	(17)	(11)	(25)
	Cash at beginning of period	593	464	470	449	448
	Net change in cash	(129)	6	(20)	(2)	48
	Ending balance cash	464	470	449	448	495

Company Profile	Balance sheet (MYRm)	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
MRCB mainly operates in the property and infrastructure development industries in Malaysia.	Total cash and equivalents	724	552	531	529	577
	Tangible fixed assets	1,826	1,979	2,238	2,427	2,588
	Total investments	34	34	34	34	34
	Total assets	10,325	8,342	8,066	8,079	8,229
	Short-term debt	2,491	726	726	726	726
	Total long-term debt	891	766	866	966	1,066
	Total liabilities	5,403	3,442	3,221	3,238	3,392
	Total equity	4,817	4,832	4,776	4,771	4,765
	Total liabilities & equity	10,325	8,342	8,066	8,079	8,229

Key metrics	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
Revenue growth (%)	9.7	(29.2)	(34.7)	44.2	6.6
Recurrent EPS growth (%)	(40.4)	(63.8)	(79.8)	353.2	12.4
Gross margin (%)	16.8	19.9	18.0	17.0	17.0
Operating EBITDA margin (%)	9.5	6.8	7.7	7.9	8.3
Net profit margin (%)	6.1	5.4	1.7	5.3	5.5
Capex/sales (%)	7.5	23.4	24.6	13.4	11.2
Interest cover (x)	8.8	2.9	1.8	4.7	5.0

Source: Company data, RHB

22 November 2019

Construction &amp; Engineering | Construction

## Results At A Glance

Figure 1: MRCB's results review

FYE Dec (MYRm)	3QFY18	2QFY19	3QFY19	QoQ (%)	YoY (%)	9MFY18	9MFY19	YoY (%)	Comments
<b>Revenue</b>	<b>663.8</b>	<b>241.0</b>	<b>372.7</b>	<b>54.7</b>	<b>(43.8)</b>	<b>1,496.6</b>	<b>847.8</b>	<b>(43.4)</b>	No revenue and profit recognised from several construction projects.
<b>EBIT</b>	<b>42.3</b>	<b>21.1</b>	<b>25.2</b>	<b>19.6</b>	<b>(40.4)</b>	<b>120.5</b>	<b>65.2</b>	<b>(45.9)</b>	
<i>EBIT margin (%)</i>	6.4	8.8	6.8			8.1	7.7		
Interest expense	(15.1)	(12.6)	<b>(13.7)</b>	8.7	(9.4)	(36.1)	<b>(38.6)</b>	7.0	
Associates	(0.2)	0.0	<b>2.7</b>	nm	nm	29.7	<b>5.9</b>	n.m.	
<b>Pre-tax profit</b>	<b>40.5</b>	<b>9.8</b>	<b>14.3</b>	<b>45.4</b>	nm	<b>114.1</b>	<b>32.5</b>	<b>(71.5)</b>	
<i>Pre-tax margin (%)</i>	6.1	4.1	3.8			7.6	3.8		
Tax	(22.0)	(2.2)	<b>(12.1)</b>	457.9	(45.0)	(37.7)	<b>(21.0)</b>	(44.4)	
<i>Effective tax rate (%)</i>	54.4	22.1	84.8			33.1	64.5		
<b>Net profit</b>	<b>18.4</b>	<b>11.1</b>	<b>2.5</b>	<b>(77.2)</b>	<b>(86.3)</b>	<b>73.4</b>	<b>17.9</b>	<b>(75.6)</b>	
<b>Core profit</b>	<b>21.2</b>	<b>11.1</b>	<b>2.5</b>	<b>(77.2)</b>	<b>(88.1)</b>	<b>76.2</b>	<b>17.9</b>	<b>(76.5)</b>	Missed expectations.
<i>Net margin (%)</i>	3.2	4.6	0.7			5.1	2.1		

Source: RHB

Figure 2: MRCB's segmental breakdown

FYE Dec (MYRm)	3QFY18	2QFY19	3QFY19	QoQ (%)	YoY (%)	9MFY18	9MFY19	YoY (%)	Comments
<b>Revenue</b>	<b>663.8</b>	<b>241.0</b>	<b>372.6</b>	<b>54.6</b>	<b>(43.9)</b>	<b>1,496.6</b>	<b>847.7</b>	<b>(43.4)</b>	No revenue and profit recognised from several construction projects.
Construction	177.3	150.8	137.4	(8.9)	(22.5)	561.2	420.9	(25.0)	
Property Others	469.1 17.3	71.2 19.0	215.0 20.3	201.8 6.9	(54.2) 16.8	882.9 52.4	371.4 55.4	(57.9) 5.7	
<b>PBT</b>	<b>40.4</b>	<b>26.9</b>	<b>28.0</b>	<b>4.3</b>	<b>(30.5)</b>	<b>125.5</b>	<b>75.6</b>	<b>(39.7)</b>	Lower profit due to prudent expensing of certain costs while awaiting for the completion of the final accounts of completed projects and the results of legal proceedings relating to certain projects.
Construction	(4.3)	(15.2)	1.8	(111.6)	(141.0)	44.8	3.3	(92.7)	
Property Others	41.9 2.7	44.0 (1.9)	22.8 3.4	(48.1) (281.9)	(45.5) 25.1	88.9 (8.2)	69.8 2.5	(21.4) (131.1)	

Source: RHB

Figure 3: MRCB's SOP valuation

Items	FV based on RHB's TP (MYRm)	BV (MYRm)	Equity value/surplus (MYRm)
Construction (12x 1-year forward earnings)			287.4
Surplus RNAV for property and investments			714.1
31% MQ REIT	289.0	264.0	25.0
Kwasa Damansara PDP for infrastructure works (DCF)			77.4
Shareholders' funds (ex-construction)			4,762.09
Proceeds from Warrants B @ MYR1.25			548.15
Total RNAV			6,414.1
Share base			4,803.97
<b>RNAV per share</b>			<b>1.34</b>
Discount			35%
<b>Target Price (MYR)</b>			<b>0.87</b>

Source: RHB

## RHB Guide to Investment Ratings

<b>Buy:</b>	Share price may exceed 10% over the next 12 months
<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
<b>Neutral:</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>Take Profit:</b>	Target price has been attained. Look to accumulate at lower levels
<b>Sell:</b>	Share price may fall by more than 10% over the next 12 months
<b>Not Rated:</b>	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 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 Securities Singapore Pte Ltd which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. RHB Securities Singapore Pte Ltd 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 Securities Singapore Pte Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact RHB Securities Singapore Pte Ltd in respect of any matter arising from or in connection with the report.

## Hong Kong

This report is issued and distributed in Hong Kong by RHB Securities Hong Kong Limited (興業僑豐證券有限公司) (CE No.: ADU220) ("RHBSHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact RHBSHK. RHBSHK is a wholly owned subsidiary of RHB Hong Kong Limited; for the purposes of disclosure under the Hong Kong jurisdiction herein, please note that RHB Hong Kong Limited with its affiliates (including but not limited to RHBSHK) will collectively be referred to as "RHBHK." RHBHK conducts a full-service, integrated investment banking, asset management, and brokerage business. RHBHK does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this research report. Investors should consider this report as only a single factor in making their investment decision. Importantly, please see the company-specific regulatory disclosures below for compliance with specific rules and regulations under the Hong Kong jurisdiction. Other than company-specific disclosures relating to RHBHK, this research report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such.

## United States

This report was prepared by RHB and is being distributed 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"). Accordingly, 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, nor shall be deemed as solicitation by RHB in any manner. RHB is not registered as a broker-dealer in the United States and does not offer brokerage services to U.S. persons. Any order for the purchase or sale of the securities discussed herein that are listed on Bursa Malaysia Securities Berhad must be placed with and through Auerbach Grayson ("AG"). Any order for the purchase or sale of all other securities discussed herein must be placed with and through such other registered U.S. broker-dealer as appointed by RHB from time to time as required by the Exchange Act Rule 15a-6. 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 Auerbach Grayson AG or such other 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 or hold positions in the securities (including capital market products) 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.

## Malaysia

Save as disclosed in the following link ([RHB Research conflict disclosures – Nov 2019](#)) 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. Save as disclosed below, 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

RHB Securities (Thailand) PCL and/or its directors, officers, associates, connected parties and/or employees, may have, or have had, interests and/or commitments in the securities in subject company(ies) mentioned in this report or any securities related thereto. Further, RHB Securities (Thailand) PCL may have, or have had, business relationships with the subject company(ies) mentioned in this report. As a result, investors should exercise their own judgment carefully before making any investment decisions.

## Indonesia

PT RHB Sekuritas Indonesia is not affiliated with the subject company(ies) covered in this report both directly or indirectly as per the definitions of affiliation above. Pursuant to the Capital Market Law (Law Number 8 Year 1995) and the supporting regulations thereof, what constitutes as affiliated parties are as follows:

1. Familial relationship due to marriage or blood up to the second degree, both horizontally or vertically;
2. Affiliation between parties to the employees, Directors or Commissioners of the parties concerned;
3. Affiliation between 2 companies whereby one or more member of the Board of Directors or the Commissioners are the same;
4. Affiliation between the Company and the parties, both directly or indirectly, controlling or being controlled by the Company;
5. Affiliation between 2 companies which are controlled, directly or indirectly, by the same party; or
6. Affiliation between the Company and the main Shareholders.

PT RHB Sekuritas Indonesia is not an insider as defined in the Capital Market Law and the information contained in this report is not considered as insider information prohibited by law. Insider means:

- a. a commissioner, director or employee of an Issuer or Public Company;
- b. a substantial shareholder of an Issuer or Public Company;
- c. an individual, who because of his position or profession, or because of a business relationship with an Issuer or Public Company, has access to inside information; and
- d. an individual who within the last six months was a Person defined in letters a, b or c, above.

## Singapore

Save as disclosed in the following link ([RHB Research conflict disclosures – Nov 2019](#)) and to the best of our knowledge, RHB Securities Singapore Pte Ltd hereby declares that:

1. RHB Securities Singapore Pte Ltd, its subsidiaries and/or associated companies do not make a market in any issuer covered in this report.
2. RHB Securities Singapore Pte Ltd, 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 in this report.
3. RHB Securities, its staff or connected persons do not serve on the board or trustee positions of the issuer covered in this report.
4. RHB Securities Singapore Pte Ltd, 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 in this report or any other relationship that may create a potential conflict of interest.
5. RHB Securities Singapore Pte Ltd, 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 in this report.
6. RHB Securities Singapore Pte Ltd and its analysts do not receive any compensation or benefit in connection with the production of this research report or recommendation.

---

## Hong Kong

The following disclosures relate to relationships between RHBHK and companies covered by Research Department of RHBSHK and referred to in this research report:

RHBSHK hereby certifies that no part of RHBSHK analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

RHBHK had an investment banking services client relationships during the past 12 months with: -.

RHBHK has received compensation for investment banking services, during the past 12 months from: -.

RHBHK managed/co-managed public offerings, in the past 12 months for: -.

On a principal basis. RHBHK has a position of over 1% market capitalization of: -.

### Additionally, please note the following:

**Ownership and material conflicts of interest:** RHBSHK policy prohibits its analysts and associates reporting to analysts from owning securities of any company covered by the analyst.

**Analyst as officer or director:** RHBSHK policy prohibits its analysts, and associates reporting to analysts from serving as an officer, director, advisory board member or employee of any company covered by the analyst.

RHBHK salespeople, traders, and other non-research professionals may provide oral or written market commentary or trading strategies to RHB clients that reflect opinions that are contrary to the opinions expressed in this research 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 5093 9888  
Fax : +6221 5093 9777

## HONG KONG

### RHB Securities Hong Kong Ltd.

12<sup>th</sup> Floor, World-Wide House  
19 Des Voeux Road  
Central  
Hong Kong  
Tel : +852 2525 1118  
Fax : +852 2810 0908

## 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 Securities Singapore Pte Ltd.

10 Collyer Quay  
#09-08 Ocean Financial Centre  
Singapore 049315  
Tel : +65 6533 1818  
Fax : +65 6532 6211