

Sunway (SWB MK)

Earnings on track

Profit and sales in line

Sunway's 1Q22 net profit of MYR140m (+1.4x YoY, -11.5% QoQ) was in line. 1QFY22 property sales of MYR447m were also on track to achieve its FY22 sales target of MYR2.2b (-15% YoY). We maintain our FY22-24 earnings forecasts. Our TP is unchanged at MYR1.79 (on 0.8x FY22 PBV). Reiterate HOLD.

Results in line

Sunway's 1Q22 net profit of MYR140.1m (+1.4x YoY, -11.5% QoQ) accounted for 26%/29% of MIBG/consensus full-year estimates. The YoY improvement in 1Q22 earnings was due to stronger operating performance from all businesses (except for trading division) thanks to the easing of Covid 19 containment measures and strong pent-up demand. Net gearing inched up to 0.46x as at Mar 22 (from 0.45x as at Dec 21).

On track to meet FY22 sales target

Sunway has locked-in MYR447m in property sales in 1Q22 or 20% of its FY22 sales target of MYR2.2b (-15% YoY). Of the MYR447m sales, 34% are derived from its JV projects in Singapore (90-100% sold) and 50% from Klang Valley. Effective unbilled sales were MYR3.7b as at Mar 22 (3.1x FY22F property revenue). Elsewhere, 55%-owned Sunway Construction Group (SCGB MK; HOLD; MYR1.58 TP) has secured MYR266m worth of jobs in 1Q22, increasing its outstanding orderbook to MYR4.4b as at Mar 22.

Maintain earnings forecasts

We maintain our earnings forecasts. The easing of Covid-19 containment measures and reopening of borders will benefit most of Sunway's portfolio of businesses, especially its property investment, leisure and healthcare divisions. Sunway currently trades at 0.8x/0.7x PBV/PRNAV.

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	3,209	3,714	5,946	6,600	7,096
EBITDA	233	327	652	748	826
Core net profit	421	369	540	612	635
Core FDEPS (sen)	8.5	6.2	9.1	10.3	10.7
Core FDEPS growth(%)	(34.9)	(26.6)	46.2	13.3	3.8
Net DPS (sen)	1.5	2.5	2.8	3.1	3.2
Core FD P/E (x)	19.0	27.6	19.1	16.9	16.3
P/BV (x)	0.8	0.8	0.8	0.8	0.8
Net dividend yield (%)	0.9	1.5	1.6	1.8	1.9
ROAE (%)	4.0	24.7	4.4	4.9	4.9
ROAA (%)	2.0	1.6	2.1	2.2	2.2
EV/EBITDA (x)	60.4	52.2	25.7	24.6	23.2
Net gearing (%) (incl perps)	51.1	45.0	40.6	51.5	55.3
Consensus net profit	-	-	475	612	646
MKE vs. Consensus (%)	-	-	13.7	(0.0)	(1.6)

Wong Wei Sum, CFA
 weisum@maybank-ib.com
 (603) 2297 8679

HOLD

Share Price	MYR 1.74
12m Price Target	MYR 1.79 (+3%)
Previous Price Target	MYR 1.79

Company Description

Sunway Bhd is involved in property development, investment properties and construction businesses

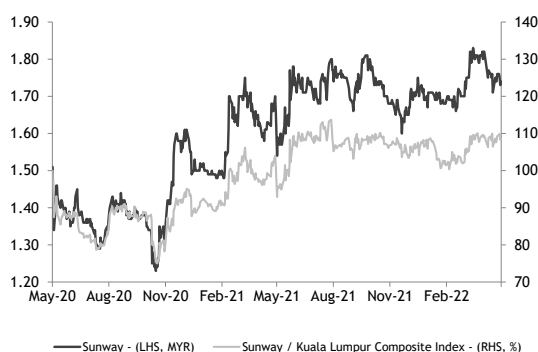
Statistics

52w high/low (MYR)	1.83/1.54
3m avg turnover (USDm)	0.7
Free float (%)	26.6
Issued shares (m)	4,934
Market capitalisation	MYR8.6B
	USD2.0B

Major shareholders:

Active Equity Sdn. Bhd.	60.1%
Employees Provident Fund	8.5%
AIA Bhd.	2.7%

Price Performance



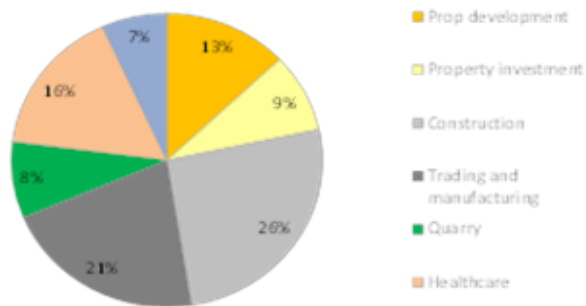
	-1M	-3M	-12M
Absolute (%)	(4)	4	5
Relative to index (%)	(1)	7	8

Source: FactSet

Value Proposition

- A conglomerate with core business in property development and businesses in other sectors comprising property investment, construction, building materials, leisure and healthcare.
- Property development landbank is located throughout Malaysia. Sunway also has property projects in Singapore (in partnership with Hoi Hup), India and China.
- Sunway also owns a 41% stake in SunREIT (SREIT MK, HOLD, TP: MYR1.46) and 55% in SCG (SCGB MK, HOLD, TP: MYR1.58).

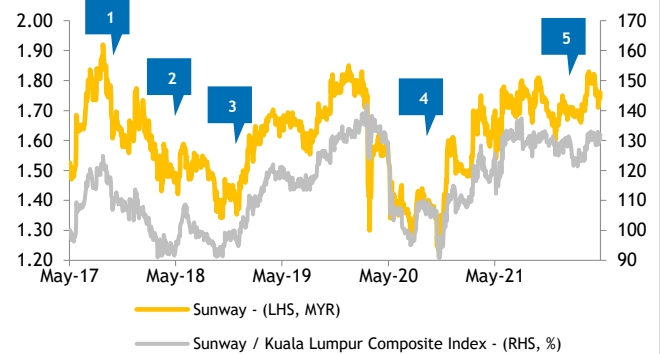
PBT breakdown by businesses



Source: Company

Price Drivers

Historical share price trend



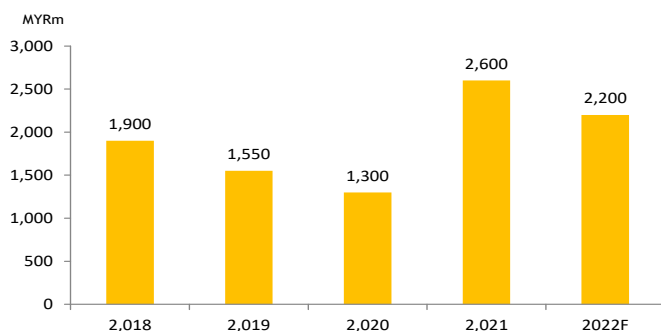
Source: Company, Maybank IBG Research

1. June 2017: Proposed bonus issue of new shares and free warrants. Also announced plans to list healthcare business by 2022.
2. 1H18: Weak sentiment on property stocks pre-GE14.
3. 2H18: Weak sentiment on property stocks pre Budget 2019.
4. 2020: Proposed fund raising via the issuance of ICPS
5. 2021: Stake sale in healthcare business to GIC (source: Bursa Malaysia).

Financial Metrics

- Effective unbilled sales (property) stood at MYR3.7b (or 3.1x our FY22F property revenue) as at Mar 2022.
- Sunway targets to achieve MYR2.2b in property sales in 2022

Sunway's effective sales trend (actual and target) (MYRm)



Source: Company

Swing Factors

Upside

- RNAV-accretive land acquisitions.
- Higher-than-expected job wins at its construction business under SCG.

Downside

- Slow-than-expected property sales and longer-than-expected downturn in the property sector.
- Country/currency risks as Sunway has property projects in Singapore and China.

weisum@maybank-ib.com

Fig. 1: Results summary table - Sunway

FY Dec					
(MYRm)	1Q22	1Q21	%YoY	4Q21	%QoQ
Revenue	1,112.5	846.1	31.5	1,247.0	-10.8
- Property dev	158.2	97.2	62.8	184.1	-14.1
- Property inv	121.1	58.7	>+100	133.4	-9.2
- Construction	368.6	321.4	14.7	379.6	-2.9
- Trading	205.0	224.5	-8.7	230.7	-11.1
- Quarry	76.2	77.2	-1.4	105.7	-28.0
- Healthcare	0.0	0.0	n.a.	0.0	n.a.
- Others	183.4	67.1	>+100	213.4	-14.1
PBIT	74.3	32.8	>+100	247.6	-70.0
Finance costs	15.8	17.6	-10.3	2.8	>+100
Other income	99.2	23.6	>+100	14.2	>+100
Pretax profit	187.1	73.2	>+100	254.8	-26.6
- Property dev	23.4	20.7	13.2	65.9	-64.5
- Property inv	45.0	-16.9	>+100	35.1	28.2
- Construction	47.8	27.7	72.8	91.1	-47.5
- Trading	10.3	12.2	-15.8	9.2	12.4
- Quarry	4.9	3.1	58.7	4.4	10.4
- Healthcare	28.2	0.0	n.a.	0.0	n.a.
- Others	27.4	26.4	3.9	49.2	-44.2
Taxation	-27.9	-16.8	-66.4	-73.1	61.8
Minority interest	-19.1	-11.9	-60.0	-47.1	59.5
Net profit	140.1	58.5	>+100	2,454.4	-94.3
Core net profit	140.1	58.5	>+100	158.3	-11.5
			+/- ppt		+/- ppt
Pretax margin (%)	16.8	8.6	8.2	20.4	-3.6
- Property dev	14.8	21.3	-6.5	35.8	-21.0
- Property inv	37.2	-28.7	65.9	26.3	10.8
- Construction	13.0	8.6	4.4	24.0	-11.0
- Trading	5.0	5.4	-0.4	4.0	1.1
- Quarry	6.4	4.0	2.4	4.2	2.2
- Others	15.0	39.3	-24.4	23.0	-8.1
Tax rate (%)	-14.9	-22.9	8.0	-30.9	16.0

Source: Maybank KE

Our RNAV estimate

	Stake	Acres	MV (MYR m)	BV (MYR m)	Surplus (MYR m)
1. Landbank - MARKET VALUE					
Sunway Semenyih	70%	526.1	572.9	128.0	311.5
Suncity Ipoh	96%	336.4	58.6	58.7	(0.1)
Sunway Integrated Resort	100%	7.7	4.8	8.3	(3.5)
Sunway Tower KL 1	100%	1.9	122.8	28.3	94.5
Sunway JB, Bukit Lenang	80%	49.9	54.3	134.5	(64.1)
Sg Long Balakong	80%	111	140.2	21.8	94.8
Mont Putra Rawang	100%	163	49.7	35.1	14.6
Sunway Iskandar - Pendas, freehold	60%	1079	1175.1	596.6	347.1
Sub-total (1)					794.8
2. Active developments - WACC (10.5-13.1%)					
	Stake				(MYR m)
South Quay	100%				303.5
Sunway Cheras	100%				1.4
Bangi	100%				2.2
Casa Kiara III	80%				15.4
Sunway Velocity	85%				123.7
Penang projects	100%				20.0
Wonderland Business Park, Australia	31%				0.5
Mount Sophia	30%				5.4
Sunway Iskandar -leasehold (Medini)	51%				299.2
Kelana Jaya	100%				95.1
Industrial projects at Kelana Jaya and Subang	100%				10.0
Sunway Velocity extension	50%				82.8
Belfield	100%				106.4
Kajang	100%				36.4
Subang	100%				68.9
Wangsamaju	55%				15.8
PKNS Kota Damansara	60%				31.0
Pasir Panjang	30%				35.4
Tanjong Katong	30%				93.7
Sub-total (2):					1,346.8
3. Investment properties - MARKET VALUE					
	Stake		MV (MYR m)	BV (MYR m)	Surplus (MYR m)
Sunway Velocity Mall	59%		1,600	1,172	252.3
Sub-total (3)					252.3

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	Surplus (MYR m)
4. Other businesses or assets	
Valuation for SunREIT on Maybank IB's MYR1.45 TP	131.8
Valuation for SCG based on Maybank IB's MYR1.58 TP	961.4
Healthcare (30x 2022 PER)	2,390.2
Building material (10x 2022 PER)	154.1
Trading (10x 2022 PER)	308.2
Sub-total (4)	3,945.7
Grand total = (1) + (2) + (3) + (4)	6,339.6
Shareholders' funds (MYR m) - Dec 2021	12,034.8
Proceeds from warrants (MYR1.56 exercise price; expiring in Oct 2024)	1,044.4
RNAV (MYR m)	19,418.8
Number of shares (m)	4,934.0
Number of warrants (m)	669.5
ICPS	977.8
FD RNAV/share (MYR)	2.95

Source: Maybank KE

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	20.8	3.7	18.9	16.7	16.1
Core P/E (x)	19.0	27.3	18.9	16.7	16.1
Core FD P/E (x)	19.0	27.6	19.1	16.9	16.3
P/BV (x)	0.8	0.8	0.8	0.8	0.8
P/NTA (x)	0.8	0.8	0.8	0.8	0.7
Net dividend yield (%)	0.9	1.5	1.6	1.8	1.9
FCF yield (%)	nm	0.9	6.2	nm	nm
EV/EBITDA (x)	60.4	52.2	25.7	24.6	23.2
EV/EBIT (x)	60.4	52.2	27.3	26.1	24.6

INCOME STATEMENT (MYR m)

Revenue	3,208.8	3,714.2	5,945.5	6,600.4	7,095.8
EBITDA	232.7	327.1	652.1	748.3	826.1
Depreciation	0.0	0.0	(37.9)	(42.0)	(46.3)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	232.7	327.1	614.2	706.3	779.8
Net interest income / (exp)	26.6	54.9	(152.8)	(185.9)	(205.9)
Associates & JV	230.8	83.7	254.4	274.9	236.8
Exceptionals	64.4	(18.4)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	490.1	465.7	715.8	795.3	810.7
Income tax	(102.6)	(116.2)	(100.2)	(111.3)	(113.5)
Minorities	(47.6)	(74.6)	(75.5)	(71.8)	(62.0)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	357.3	2,665.4	540.1	612.1	635.2
Core net profit	421.0	369.3	540.1	612.1	635.2

BALANCE SHEET (MYR m)

Cash & Short Term Investments	2,238.4	2,814.0	3,252.4	1,598.5	1,850.0
Accounts receivable	2,433.2	2,483.8	3,976.0	4,414.0	4,745.3
Inventory	2,074.7	2,423.0	3,878.7	4,305.9	4,629.1
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	2,620.7	1,262.8	1,400.6	1,542.7	1,688.9
Intangible assets	350.7	432.8	432.8	432.8	432.8
Investment in Associates & JVs	4,350.0	8,897.1	7,270.2	8,729.6	9,400.2
Other assets	7,025.4	6,773.4	6,674.6	6,674.6	6,674.6
Total assets	21,093.1	25,086.9	26,885.3	27,698.1	29,420.9
ST interest bearing debt	5,261.1	4,093.8	4,093.8	4,093.8	5,093.8
Accounts payable	2,453.1	2,470.6	3,954.9	4,390.6	4,720.1
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	2,250.7	4,621.7	4,621.7	4,621.7	4,621.7
Other liabilities	818.0	777.0	765.0	765.0	765.0
Total Liabilities	10,782.6	11,963.4	13,435.1	13,870.8	15,200.3
Shareholders Equity	9,513.2	12,034.8	12,361.5	12,738.6	13,132.0
Minority Interest	797.4	1,088.7	1,088.7	1,088.7	1,088.7
Total shareholder equity	10,310.6	13,123.5	13,450.2	13,827.3	14,220.6
Total liabilities and equity	21,093.1	25,086.9	26,885.3	27,698.1	29,420.9

CASH FLOW (MYR m)

Pretax profit	490.1	465.7	715.8	795.3	810.7
Depreciation & amortisation	0.0	0.0	37.9	42.0	46.3
Adj net interest (income)/exp	167.6	124.8	(152.8)	(185.9)	(205.9)
Change in working capital	117.3	178.5	1,082.2	(1,034.0)	(104.7)
Cash taxes paid	(61.3)	(104.1)	(100.2)	(111.3)	(113.5)
Other operating cash flow	155.3	(2,015.0)	0.0	0.0	0.0
Cash flow from operations	886.5	1,038.4	1,582.8	(494.0)	432.9
Capex	(957.0)	(946.5)	(946.5)	(946.5)	(946.5)
Free cash flow	(70.5)	91.9	636.3	(1,440.5)	(513.6)
Dividends paid	(253.6)	(179.8)	(198.0)	(213.4)	(235.0)
Equity raised / (purchased)	179.0	0.2	0.0	0.0	0.0
Change in Debt	(786.8)	1,203.7	0.0	0.0	1,000.0
Other invest/financing cash flow	(183.7)	(656.4)	0.0	0.0	0.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(1,115.6)	459.7	438.3	(1,653.8)	251.5

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	(32.9)	15.8	60.1	11.0	7.5
EBITDA growth	(59.2)	40.6	99.4	14.8	10.4
EBIT growth	(59.2)	40.6	87.8	15.0	10.4
Pretax growth	(43.4)	(5.0)	53.7	11.1	1.9
Reported net profit growth	(49.6)	646.1	(79.7)	13.3	3.8
Core net profit growth	(33.7)	(12.3)	46.2	13.3	3.8
Profitability ratios (%)					
EBITDA margin	7.3	8.8	11.0	11.3	11.6
EBIT margin	7.3	8.8	10.3	10.7	11.0
Pretax profit margin	15.3	12.5	12.0	12.0	11.4
Payout ratio	20.8	5.5	30.0	30.0	30.0
DuPont analysis					
Net profit margin (%)	11.1	71.8	9.1	9.3	9.0
Revenue/Assets (x)	0.2	0.1	0.2	0.2	0.2
Assets/Equity (x)	2.2	2.1	2.2	2.2	2.2
ROAE (%)	4.0	24.7	4.4	4.9	4.9
ROAA (%)	2.0	1.6	2.1	2.2	2.2
Leverage & Expense Analysis					
Asset/Liability (x)	2.0	2.1	2.0	2.0	1.9
Net gearing (%) (incl perps)	51.1	45.0	40.6	51.5	55.3
Net gearing (%) (excl. perps)	51.1	45.0	40.6	51.5	55.3
Net interest cover (x)	na	na	4.0	3.8	3.8
Debt/EBITDA (x)	nm	nm	13.4	11.6	11.8
Capex/revenue (%)	29.8	25.5	15.9	14.3	13.3
Net debt/ (net cash)	5,273.4	5,901.5	5,463.1	7,117.0	7,865.5

Source: Company; Maybank IBG Research

Research Offices

ECONOMICS

Suhaimi ILIAS
Chief Economist
Malaysia | Philippines | Global
(603) 2297 8682
suhaimi_ili@maybank-ib.com

CHUA Hak Bin
Regional Thematic Macroeconomist
(65) 6231 5830
chuahb@maybank.com

LEE Ju Ye
Singapore | Thailand | Indonesia
(65) 6231 5844
leejuye@maybank.com

Dr Zamros DZULKAFLI
(603) 2082 6818
zamros.d@maybank-ib.com

Fatin Nabila MOHD ZAINI
(603) 2297 8685
fatinnabila.mohdzaini@maybank-ib.com

Brian LEE Shun Rong
(65) 6231 5846
brian.lee1@maybank.com

Luong Thu Huong
(65) 62315 8467
hana.thu@maybank.com

FX

Saktiandi SUPAAT
Head of FX Research
(65) 6320 1379
saktiandi@maybank.com.sg

Christopher WONG
(65) 6320 1347
wongkl@maybank.com.sg

TAN Yanxi
(65) 6320 1378
tanyx@maybank.com.sg

Fiona LIM
(65) 6320 1374
fionalim@maybank.com.sg

STRATEGY

Anand PATHMAKANTHAN
ASEAN
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

FIXED INCOME

Winson PHOON, FCA
(65) 6340 1079
winsonphoon@maybank.com

SE THO Mun Yi, CFA
(603) 2074 7606
munyi.st@maybank-ib.com

REGIONAL EQUITIES

Anand PATHMAKANTHAN
Head of Regional Equity Research
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

WONG Chew Hann, CA
Head of ASEAN Equity Research
(603) 2297 8686
wchewh@maybank-ib.com

ONG Seng Yeow
Research, Technology & Innovation
(65) 6231 5839
ongsengyeow@maybank.com

MALAYSIA

Anand PATHMAKANTHAN *Head of Research*
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com
• Strategy

WONG Chew Hann, CA
(603) 2297 8686
wchewh@maybank-ib.com
• Non-Bank Financials (stock exchange)
• Construction & Infrastructure

Desmond CH'NG, BFP, FCA
(603) 2297 8680
desmond.chng@maybank-ib.com
• Banking & Finance

LIAW Thong Jung
(603) 2297 8688 tjliaw@maybank-ib.com
• Oil & Gas Services - Regional
• Automotive

ONG Chee Ting, CA
(603) 2297 8678 ct.ong@maybank-ib.com
• Plantations - Regional

YIN Shao Yang, CPA
(603) 2297 8916 samuel.y@maybank-ib.com
• Gaming - Regional
• Media • Aviation • Non-Bank Financials

TAN Chi Wei, CFA
(603) 2297 8690 chiwei.t@maybank-ib.com
• Power • Telcos

WONG Wei Sum, CFA
(603) 2297 8679 weisum@maybank-ib.com
• Property • Glove

Jade TAM
(603) 2297 8687 jade.tam@maybank-ib.com
• Consumer Staples & Discretionary

Nur Farah SYIFAA
(603) 2297 8675
nurfarahsyifaa.mohamadfuad@maybank-ib.com
• Construction • Renewable Energy • REITs

Arvind JAYARATNAM
(603) 2297 8692
arvind.jayaratnam@maybank.com
• Petrochemicals • Technology

Shafiq KADIR
(603) 2297 8691
msshafiqk.abkadir@maybank-ib.com
• Healthcare • Software

LOH Yan Jin
(603) 2297 8687
lohyanjin.loh@maybank-ib.com
• Ports • Shipping

TEE Sze Chiah *Head of Retail Research*
(603) 2082 6858 szechiah.t@maybank-ib.com
• Retail Research

Nik Ihsan RAJA ABDULLAH, MSTA, CFTe
(603) 2297 8694
nikmohdihsan.ra@maybank-ib.com
• Chartist

Amirah AZMI
(603) 2082 8769 amirah.azmi@maybank-ib.com
• Retail Research

SINGAPORE

Thilan WICKRAMASINGHE *Head of Research*
(65) 6231 5840 thilanw@maybank.com
• Banking & Finance - Regional
• Consumer

CHUA Su Tye
(65) 6231 5842 chuasutye@maybank.com
• REITs - Regional

LAI Gene Lih, CFA
(65) 6231 5832 laigenelih@maybank.com
• Technology

Eric ONG
(65) 6231 5924 ericong@maybank.com
• Healthcare • Transport • SMIDs

Kelvin TAN
(65) 6231 5837 kelvintan1@maybank.com
• Telcos

Samuel TAN
(65) 6231 5843 samuel.tan@maybank.com
• Technology

LI Jialin
(65) 6231 5845 jialin.li@maybank.com
• REITs

PHILIPPINES

Jacqui de JESUS *Head of Research*
(63) 2 8849 8840
jacqui.dejesus@maybank.com
• Strategy • Conglomerates

Rachelleen RODRIGUEZ, CFA
(63) 2 8849 8843
rachelleen.rodriguez@maybank.com
• Banking & Finance • Transport • Telcos

Daphne SZE
(63) 2 8849 8847
daphne.sze@maybank.com
• Consumer

Miguel SEVIDAL
(63) 2 8849 8844
miguel.sevidal@maybank.com
• REITs • Property

Fiorenzo de JESUS
(63) 2 8849 8846
fiorenzo.dejesus@maybank.com
• Utilities

VIETNAM

Quan Trong Thanh *Head of Research*
(84 28) 44 555 888 ext 8184
thanh.quan@maybank.com
• Banks

Hoang Huy, CFA
(84 28) 44 555 888 ext 8181
hoanghuy@maybank.com
• Strategy • Technology • Industrials

Le Nguyen Nhat Chuyen
(84 28) 44 555 888 ext 8082
chuyen.le@maybank.com
• Oil & Gas • Logistics

Nguyen Thi Sony Tra Mi
(84 28) 44 555 888 ext 8084
trami.nguyen@maybank.com
• Consumer

Tyler Manh Dung Nguyen
(84 28) 44 555 888 ext 8085
manhdung.nguyen@maybank.com
• Utilities • Property

Tran Thi Thanh Nhan
(84 28) 44 555 888 ext 8088
nhan.tran@maybank.com
• Consumer

Nguyen Thi Ngan Tuyen
Head of Retail Research
(84 28) 44 555 888 ext 8081
tuyen.nguyen@maybank.com
• Retail Research

Nguyen Thanh Lam
(84 28) 44 555 888 ext 8086
thanhlam.nguyen@maybank.com
• Chartist

INDIA

Jigar SHAH *Head of Research*
(91) 22 4223 2632 jigars@maybank.com
• Strategy • Oil & Gas • Automobile • Cement

Neerav DALAL
(91) 22 4223 2606 neerav@maybank.com
• Software Technology • Telcos

Vikram RAMALINGAM
(91) 22 4223 2607
vikram@maybank.com
• Automobile • Media

INDONESIA

Rahmi MARINA
(62) 21 8066 8689
rahmi.marina@maybank.com
• Banking & Finance

Willy GOUTAMA
(62) 21 8066 8500
willy.goutama@maybank.com
• Consumer

Satriawan, CTA
(62) 21 8066 8682
satriawan@maybank.com
• Chartist

THAILAND

Maria LAPIZ *Head of Institutional Research*
Dir (66) 2257 0250 | (66) 2658 6300 ext 1399
Maria.L@maybank.com
• Strategy • Consumer • Materials • Services

Jesada TECHAHUSDIN, CFA
(66) 2658 6300 ext 1395
jesada.t@maybank.com
• Banking & Finance

Vanida GEISLER, CPA
(66) 2658 6300 ext 1394
Vanida.G@maybank.com
• Property • REITs

Yuwanee PROMMAPORN
(66) 2658 6300 ext 1393
Yuwanee.P@maybank.com
• Services • Healthcare

Surachai PRAMUALCHAROENKIT
(66) 2658 5000 ext 1470
Surachai.p@maybank.com
• Auto • Conmat • Contractor • Steel

Suttatip PEERASUB
(66) 2658 5000 ext 1430
suttatip.p@maybank.com
• Food & Beverage • Commerce

Jaroonpan WATTANAWONG
(66) 2658 5000 ext 1404
jaroonpan.w@maybank.com
• Transportation • Small cap

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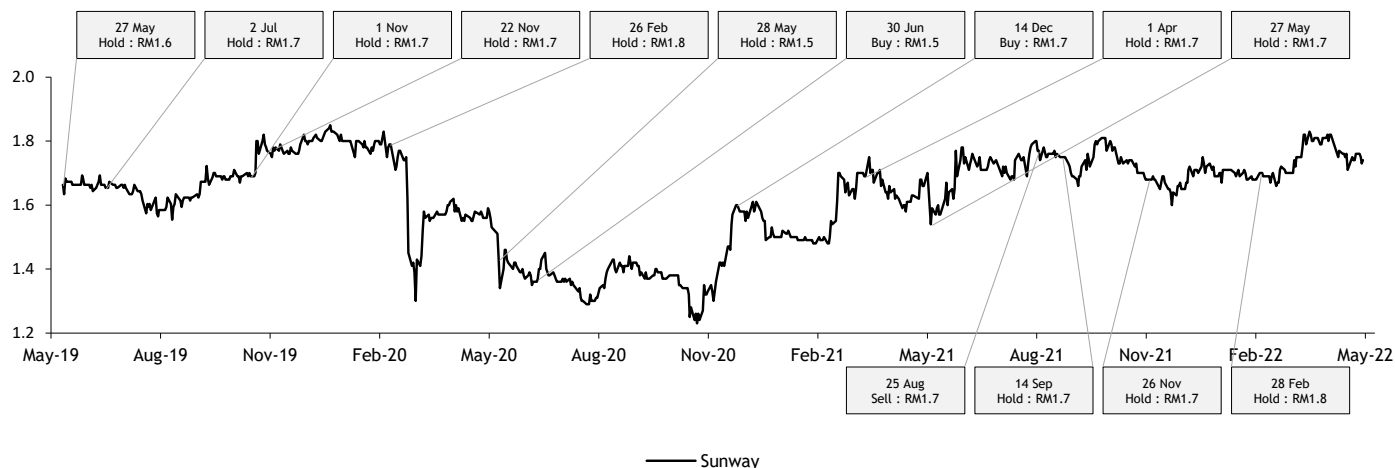
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Malaysia

Maybank Investment Bank Berhad
(A Participating Organisation of
Bursa Malaysia Securities Berhad)
33rd Floor, Menara Maybank,
100 Jalan Tun Perak,
50050 Kuala Lumpur
Tel: (603) 2059 1888;
Fax: (603) 2078 4194
Stockbroking Business:
Level 8, Tower C, Dataran Maybank,
No.1, Jalan Maarof
59000 Kuala Lumpur
Tel: (603) 2297 8888
Fax: (603) 2282 5136

Singapore

Maybank Securities Pte Ltd
Maybank Research Pte Ltd
50 North Canal Road
Singapore 059304

Tel: (65) 6336 9090

Hong Kong

MIB Securities (Hong Kong) Limited
28/F, Lee Garden Three,
1 Sunning Road, Causeway Bay,
Hong Kong

Tel: (852) 2268 0800
Fax: (852) 2877 0104

London

Maybank Securities (London) Ltd
PNB House
77 Queen Victoria Street
London EC4V 4AY, UK

Tel: (44) 20 7332 0221
Fax: (44) 20 7332 0302

Indonesia

PT Maybank Sekuritas Indonesia
Sentral Senayan III, 22nd Floor
Jl. Asia Afrika No. 8
Gelora Bung Karno, Senayan
Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188
Fax: (62) 21 2557 1189

New York

Maybank Securities USA Inc
400 Park Avenue, 11th Floor
New York, New York 10022,
U.S.A.

Tel: (212) 688 8886
Fax: (212) 688 3500

India

MIB Securities India Pte Ltd
1101, 11th floor, A Wing, Kanakia
Wall Street, Chakala, Andheri -
Kurla Road, Andheri East,
Mumbai City - 400 093, India

Tel: (91) 22 6623 2600
Fax: (91) 22 6623 2604

Philippines

Maybank Securities Inc
17/F, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1200

Tel: (63) 2 8849 8888
Fax: (63) 2 8848 5738

Thailand

Maybank Securities (Thailand) PCL
999/9 The Offices at Central World,
20th - 21st Floor,
Rama 1 Road Pathumwan,
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)
Tel: (66) 2 658 6801 (research)

Vietnam

Maybank Securities Limited
4A-15+16 Floor Vincom Center Dong
Khoi, 72 Le Thanh Ton St. District 1
Ho Chi Minh City, Vietnam

Tel : (84) 844 555 888
Fax : (84) 8 38 271 030

Sales Trading

Kevin Foy
Regional Head Sales Trading
kevinfoy@maybank.com
Tel: (65) 6636-3620
US Toll Free: 1-866-406-7447

Indonesia

Helen Widjaja
helen.widjaja@maybank.com
(62) 21 2557 1188

New York

James Lynch
jlynch@maybank-keusa.com
Tel: (212) 688 8886

Philippines

Keith Roy
keith_roy@maybank.com
Tel: (63) 2 848-5288

London

Greg Smith
gsmith@maybank.co.uk
Tel: (44) 207-332-0221

India

Sanjay Makhija
sanjaymakhija@maybank.com
Tel: (91)-22-6623-2629