

Hoa Phat Group (HPG VN)

Worst is over; BUY

Safeguard tariffs on long steel increase ASP outlook

Following [Decision 2968](#), which triples taxation on Chinese imported billets and doubles taxation on rebar via a four-year-long safeguard duty, we raise our FY16-20E ASP by about 10% a year. This alone causes our estimate of HPG's fair value to increase by 40% (see our [sensitivity analysis in the previous report](#)). We raise our above-consensus FY16E EPS and street-high TP by 42% and 51%, respectively, and believe the street will likely follow suit. The key drivers are higher ASP's, stable margins, and higher capacity, with rising cash flows resulting in a net cash position in FY17E if capex does not exceed our expectations. Accordingly, we raise our 12M multiples- and DCF-based TP by 51%, which equates to 10x FY16E EPS, in line with peers. We believe the worst is over, both in terms of Chinese competition and selling of shares by long-standing investors.

2Q16 gross margin at record high

In April, HPG reported it would import 1.6m tonnes of iron ore in FY16. This would meet >50% of its need for the 2m-tonne long steel capacity, with most of the remainder sourced domestically. What we did not anticipate was HPG's iron ore procurement was apparently very effective, resulting in about half of its inventory locked-in at low prices. This, coupled with a firm domestic ASP following safeguard measures, resulted in a 32% record-high gross margin in 2Q16. Margin outlook has improved, with increased protectionism and ample iron ore supply.

Agriculture not materially featured in our valuation

HPG explains that its foray into agriculture, starting with a 300,000-tpa animal feed facility, is to ensure sustainable earnings growth, and is in line with its historical ventures into steel and other legacy businesses. Despite the long-term ambition (1m tonnes of feed sales and 1m pigs by 2020), we do not forecast high levels of capex and sales for this business yet, given uncertain ASP and management's conservative approach. HPG noted this business saw sales surpassing expectations, but is yet to be profitable.

Selling pressure less of an issue than in the past

Following our Sep'14 report, we did not anticipate strong selling pressure from HPG's long-standing shareholders, most of whom had a low cost basis. The stock underperformed in FY15, despite solid fundamentals. Our review of Bloomberg data on holdings suggested selling pressure from low cost-basis shareholders has significantly subsided.

FYE Dec (VND b)	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue	25,525	27,453	30,244	35,849	39,917
EBITDA	5,568	5,982	7,561	8,961	8,818
Core net profit	2,540	3,146	4,883	5,848	5,534
Core EPS (VND)	3,514	4,292	6,662	7,980	7,551
Core EPS growth (%)	54.3	22.1	55.2	19.8	(5.4)
Net DPS (VND)	1,304	1,500	2,000	2,500	2,500
Core P/E (x)	12.7	10.4	6.7	5.6	5.9
P/BV (x)	2.7	2.3	1.8	1.4	1.2
Net dividend yield (%)	2.9	3.4	4.5	5.6	5.6
ROAE (%)	23.9	24.0	29.8	28.5	22.4
ROAA (%)	11.2	13.2	18.0	18.4	14.7
EV/EBITDA (x)	5.4	4.2	4.6	3.5	3.3
Net debt/equity (%)	35.7	25.8	10.8	net cash	net cash
Consensus net profit	-	-	3,786	4,434	4,322
MKE vs. Consensus (%)	-	-	37.5	39.4	41.4

THAI Quang Trung, CFA
 trung.thai@maybank-kimeng.com.vn
 (84) 844 55 58 88 x 8180

BUY

Share Price	VND 44,600
12m Price Target	VND 65,000 (+46%)
Previous Price Target	VND 43,100

Company Description

Hoa Phat is Vietnam's largest and most profitable steelmaker, using integrated blast furnaces. Also runs other legacy businesses (20-25% revenue).

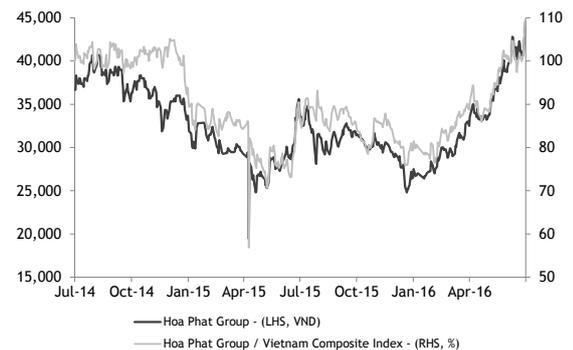
Statistics

52w high/low (VND)	44,600/24,800
3m avg turnover (USDm)	7.2
Free float (%)	57.2
Issued shares (m)	733
Market capitalisation	VND32.7T USD1.5B

Major shareholders:

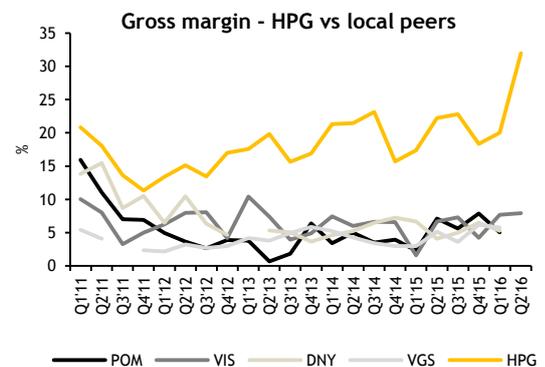
Chairman & family	32.4%
Other insiders	10.3%
Dragon Capital	5.9%

Price Performance



	-1M	-3M	-12M
Absolute (%)	15	37	30
Relative to index (%)	9	24	25

Source: FactSet



Source: Bloomberg, company data

1. 2Q16 results: decent top-line, strong margins

As can be seen from Fig 1, 2Q16 saw decent top-line growth. Still, revenue growth in the steel business slowed to 14.1% YoY, from 22.7% in 1Q16.

This is attributable to the fact that the core rebars/rods business has been running at full capacity since 2Q15, hence a mere 2.9% YoY growth in the sales volume of rebars/rods in 2Q16. HPG's market share in rebars/rods has slightly edged down for the same reason.

Phase three of the new steel complex in Hai Duong (0.8m tpa) will only operate in full force during 2H16. Since its inauguration in April'16, we have seen increased sales of billets (140,000 tons sold domestically in 1H16 in total), but have not seen the contribution of phase three in terms of rebars/rods. This is expected to contribute more fully during 2H16.

1H16 ASP was down about 10% YoY, per management guidance, with part of the downtrend in 2Q16. This also contributed to the slowdown in revenue growth in 2Q16.

What is also noticeable in 2Q16 is the record high gross margin (32%), which ultimately led to record high PATMI and PATMI margin. We address how the company's procurement of iron ore (>30% of COGS) might have led to the jump in gross margin later in this report, and whether it is sustainable.

Fig 1. Quarterly results

Item	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
Revenue (VNDb)	6,515	6,681	5,747	6,582	5,838	7,648	6,845	7,122	7,142	8,048
<i>Breakdown (% of total revenue)</i>										
Steel production & trading	67%	79%	80%	85%	84%	81%	78%	77%	84%	88%
Others	33%	21%	20%	15%	16%	19%	22%	23%	16%	12%
<i>Revenue growth (YoY)</i>										
Overall	65.6%	53.8%	37.0%	1.9%	(10.4%)	14.5%	19.1%	8.2%	22.3%	5.2%
Steel production & trading	31.3%	47.9%	31.6%	30.5%	12.3%	16.8%	16.1%	(1.2%)	22.7%	14.1%
Sales volume - rebars/rods ('000 MT)	199	246	242	315	296	379	340	363	395	391
YoY growth	26.3%	48.6%	43.1%	52.0%	49.2%	54.3%	40.5%	15.3%	33.1%	2.9%
Market share	17.0%	18.0%	18.1%	19.1%	22.9%	22.1%	21.7%	21.0%	21.0%	20.5%
Gross margin	21%	21%	23%	16%	17%	22%	23%	18%	20%	32%
EBITDA margin	22%	22%	24%	15%	19%	24%	24%	16%	22%	35%
EBIT margin	18%	18%	19%	11%	14%	20%	19%	11%	17%	30%
Net interest coverage (x)	13.5	22.4	20.6	15.6	23.9	57.8	42.6	19.0	28.4	97.2
PATMI (VNDb)	870	943	857	474	649	1,239	1,032	565	1,022	2,026
PATMI margin	13%	14%	15%	7%	11%	16%	15%	8%	14%	25%
PATMI growth (YoY)	90.5%	84.4%	72.7%	(3.3%)	(25.4%)	31.3%	20.5%	19.3%	57.5%	63.5%
Operating cash flow (VNDb)	794	1,262	(252)	1,098	547	2,929	285	1,140	1,860	964
CAPEX (VNDb)	(238)	(186)	(187)	(483)	(435)	(1,574)	(139)	(1,307)	(671)	(590)
Free cash flow (VNDb)	437	998	(506)	554	65	1,255	503	(660)	1,177	235
Days receivable outstanding	23.0	22.0	16.4	16.4	19.8	14.9	16.3	16.1	15.8	12.3
Days inventory outstanding	173.1	180.4	151.2	116.9	137.6	106.6	115.2	111.0	103.9	120.2
Days payable outstanding	77.4	46.7	38.6	28.4	36.2	33.3	38.3	40.9	36.9	39.2
Debt/equity ratio (x)	0.7	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.4	0.3
Net debt/equity ratio (x)	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.1
Debt/annualised EBITDA (x)	1.3	1.9	1.2	1.7	1.5	0.9	1.0	1.5	1.0	0.5
Current liabilities to inventory (x)	1.4	1.2	1.1	1.2	1.2	1.4	1.4	1.4	1.5	1.1

Source: Company, Vietnam Steel Association, MKE

All in all, 1H16 PATMI reached 83% and 81% of our previous and consensus FY16E PATMI, respectively. We raise our above-consensus FY16E EPS and street-high TP by 42% and 51%, respectively, and believe the street will likely follow suit.

Beyond FY16E, we expect FY17E and FY18E sales growth to reach 19% and 11%, respectively. These would be driven by capacity expansion in long steel (i.e. phase 3 of the steel complex) and flat steel (pipes and coated steel), respectively.

2. New safeguard duty a game changer

On Jul 18, the Ministry of Trade and Industry issued [Decision 2968/QĐ-BCT](#) imposing a four-year-long safeguard duty on long steel, including rebars and billets. The safeguard duty, defined as “an additional import duty” on top of existing taxation under the [Law on Export/Import Taxation](#) (passed on April 2016), will be applied from March 2016 (when a temporary short-term safeguard duty was already applied) until March 2020.

In compliance with WTO commitments, the safeguard duty will be applied on a regressive basis for four years, but may be extended for up to six years, should damage to domestic manufacturing be deemed serious.

This is a game changer to Vietnam’s steel industry, especially long steel. The market was uncertain as to the extent to which the government was willing to safeguard its industries against Chinese competition, even after the temporary safeguard measures introduced in March 2016.

Fig 2 summarises current taxation and additional taxation imposed by the safeguard duty on key rebar and billet products.

Fig 2. Import duties for long steel, before and after safeguard duty

Product	HS Code	Current taxation	Safeguard duty (additional taxation imposed)						
		Prior to 22/03/16 (ASEAN - China)	22/03/16 -01/08/16	02/8/16 -21/03/17	22/03/16 -21/03/17	22/03/17 -21/03/18	22/03/18 -21/03/19	22/03/19 -21/03/20	From 22/03/20
Billets	7207								
	7207.11.00	10.0%			23.3%	21.3%	19.3%	17.3%	0.0%
	7207.19.00	5.0%			23.3%	21.3%	19.3%	17.3%	0.0%
	7207.20								
	7207.20.29	10.0%			23.3%	21.3%	19.3%	17.3%	0.0%
	7224				23.3%	21.3%	19.3%	17.3%	0.0%
	7224.90.00	0.0%			23.3%	21.3%	19.3%	17.3%	0.0%
Rebars	7213								
	7213.10.00	15.0%			23.3%	21.3%	19.3%	17.3%	0.0%
	7213.91.20	20.0%			23.3%	21.3%	19.3%	17.3%	0.0%
	7214.20.31	15.0%	14.2%	15.4%		13.9%	12.4%	10.9%	0.0%
	7214.20.41	15.0%	14.2%	15.4%		13.9%	12.4%	10.9%	0.0%
	7227								
	7227.90.00	0.0%	14.2%	15.4%		13.9%	12.4%	10.9%	0.0%
	7228.30								
	7228.30.10	0.0%	14.2%	15.4%		13.9%	12.4%	10.9%	0.0%
	9811								
	9811.00.00	10.0%	14.2%	15.4%		13.9%	12.4%	10.9%	0.0%

Source: Vietnam Customs, Ministry of Trade and Industry

Overall, China exported some 5.6m tonnes of all types of steel to Vietnam during 1H16 (+45% YoY), per Vietnam customs. There are no official statistics on the total domestic consumption of all types of steel in Vietnam, but members of the Vietnam Steel Association reportedly sold only 6.9m tons of key final products (e.g. rebars, pipes, coated steel, HRC, etc.) domestically during the same period.

Data on long steel (HPG’s key product) imported from China, in particular, are sketchy, and we estimate this to be in the range of 10-20% of total long steel domestic consumption, based on our discussion with management.

In our previous report dated May 9, our sensitivity analysis showed that every 1% increase/decrease in ASP throughout the forecast horizon, the TP increases/decreases by approximately 4% ceteris paribus.

We raise our ASP forecast by about 10% a year during FY16-20E, following the new safeguard duty. This alone causes our TP to increase by about 40%, in line with our previous sensitivity analysis.

3. How sustainable is a 32% gross margin

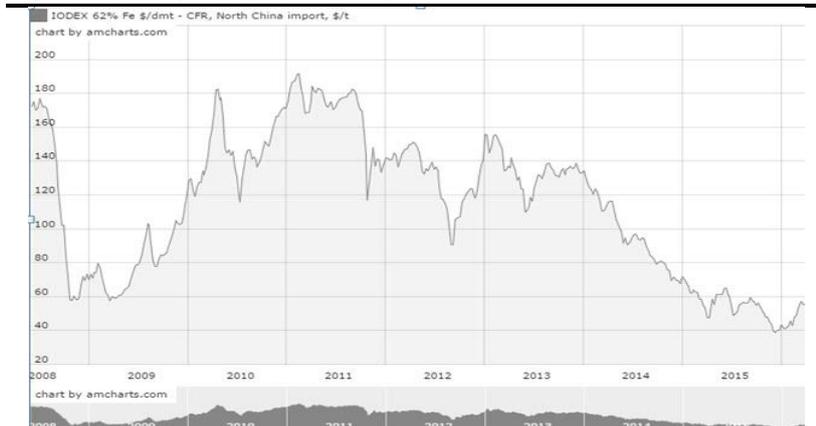
Per management guidance, HPG hedges about 50% of its raw material needs, and has secured enough raw material inventory for the entire FY16. As metal commodities trend down, global suppliers have apparently had less bargaining power, which might have given HPG an edge in terms of procurement.

We believe the hedging and procurement for iron ores (>30% of COGS, the largest component of raw material input) played a vital role in the record-high 2Q16 gross margin.

Back in April’16, HPG reported it would import 1.6m tonnes of iron ores in FY16. This would meet >50% of its need for the 2m-tonne long steel capacity, with the remainder sourced domestically and taken from existing inventory. What we did not anticipate was that HPG’s iron ore procurement (from South Africa, Australia, Brazil, etc.) was apparently very effective, resulting in about half of its iron ore inventory locked-in at low prices.

As seen on Fig 3, HPG’s current prevailing iron ore costs probably had been locked during late-FY15/early FY16 at about USD40-45/ton. It is, unfortunately, difficult to visualise HPG’s iron ore procurement mechanism purely from inventory days (stable at 100-120 days in the past 1-2 years; see Fig 1 above), due to the company’s diverse commodity exposure. Regular updates from management are necessary for investors to anticipate gross margin trends.

Fig 3. Iron ore price (USD/t, 62% grade, CIF China)



Source: Company, amcharts.com.

Fig 4 below shows that sustainable gross margins in the 25-35% range are not uncommon amongst steelmakers using either type of furnace.

We believe HPG’s margin outlook has improved, with increased domestic protectionism and ample FY17E global iron ore supply. Nevertheless, we conservatively expect HPG’s gross margin to revert to the historical mean of ~ 20% during FY17-20E, as global raw materials gradually recover.

Fig 4. Gross margin comparison

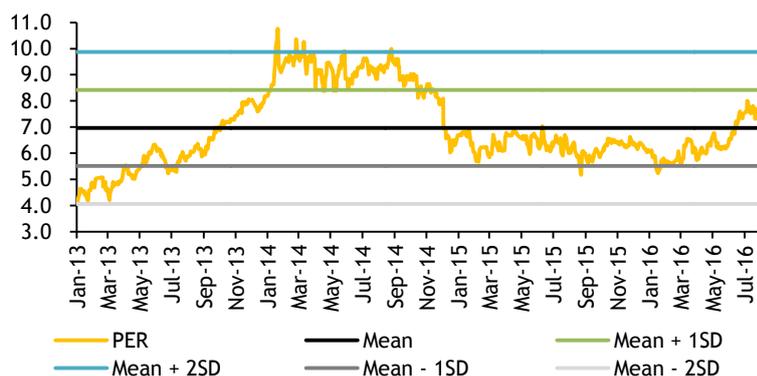
Company name	Country	Main furnace type	Main products	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16
Hoa Phat	Vietnam	Blast	Rebars, wire rods, pipes	21.3	21.4	23.1	15.7	17.4	22.2	22.8	18.3	20.0
POSCO	Korea	Blast	Steel sheet	10.5	10.4	11.1	11.1	11.3	11.0	10.9	9.9	11.9
Nippon Steel & Sumi.	Japan	Blast	Steel plates, steel sheets, bars, rods	13.2	12.8	13.8	16.8	14.2	13.1	13.2	13.4	10.7
China Steel Corp	Taiwan	Blast	Steel bars, wire rods, HRC, CRC, coated steel	8.4	10.9	12.6	14.4	11.7	9.3	5.6	-0.5	5.8
Baoshan Iron & Steel	China	Blast	Cold/hot rolled coils tubes, rods, billets	9.5	9.4	10.4	9.6	10.9	10.6	6.5	5.1	12.1
Hyundai Steel	Korea	Blast	Steel plates	10.7	13.2	14.5	16.6	14.8	16.3	14.3	14.4	13.7
Tata Steel	India	Blast	Various steel products	34.4	35.4	36.8	36.0	34.6	37.3	34.5	33.8	34.5
Hitachi Metals	Japan	Electric	Specialty steel	20.8	22.3	20.9	20.5	20.0	19.3	18.3	19.6	20.8
Kobe Steel	Japan	Blast	Wire rods, steel bars, steel sheets	15.1	16.4	16.4	16.7	15.4	15.6	15.9	14.8	13.9
Yamato Kogyo	Japan	Electric	H-steel, I-steel, steel sheet	10.1	12.3	12.0	10.5	8.3	11.4	14.9	18.8	18.8
Daido Steel	Japan	Electric	Specialty steel	13.8	13.8	14.0	14.7	15.5	14.3	16.5	17.1	16.8
Maanshan Iron & Steel	HK	Blast	Steel plates, steel sections	3.2	3.3	8.6	9.5	2.0	3.8	-4.2	-8.3	8.2
Tokyo Steel	Japan	Electric	HRC, steel sheet, steel plates	11.6	17.9	14.3	17.5	19.6	21.5	19.5	31.6	26.7
Tung Ho Steel	Taiwan	Electric	Rebar steel, H-beam steel	8.4	7.7	6.6	8.3	8.5	9.7	7.6	12.0	9.9
Feng Hsin Iron & Steel	Taiwan	Electric	Deformed bars, round bars	7.9	8.2	7.8	9.7	10.4	13.6	10.3	17.3	16.0
Kyoei Steel	Japan	Electric	Deformed bars, structural, flat, angle bars	9.5	11.7	10.7	12.5	13.3	14.7	14.3	16.8	13.6
Osaka Steel	Japan	Electric	I-beams, deformed bars, round bars, flat bars	17.8	18.6	15.7	22.6	22.7	18.1	23.7	27.4	25.3
Dongkuk Steel Mill	Korea	Blast	Steel plates, rebars	5.3	5.4	4.6	6.3	2.2	9.4	11.2	15.0	11.9
Godo Steel	Japan	Electric	Rods, shapes, sections, deformed, billets	4.2	10.6	9.2	10.9	12.5	12.1	12.0	16.9	16.0
Lion Industries Corp	Malaysia	Electric	Bars, wire rods	0.4	0.3	-2.8	-1.4	-4.8	-12.9	-6.8	-5.3	-15.1
Malaysia Steel Works KL	Malaysia	Electric	Steel bars, steel billets	3.0	3.8	2.6	5.1	-0.2	-2.7	0.2	4.9	5.8

Source: Factset

4. Valuation

Our multiples and DCF-based TP (13.3% WACC, 2% terminal growth) implies a fair FY16E PER of 10x, in line with the regional peers listed above and HPG’s historical high in FY14 (also historical mean + 2SD). The new regulatory environment provides us with confidence in our valuation.

Fig 5. Historical 12-month forward PER for HPG

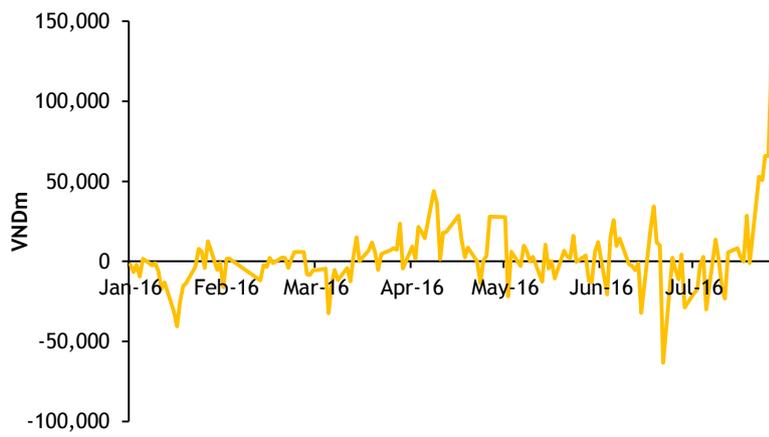


Source: Bloomberg Estimates

5. Selling pressure probably subsided

Following our report in Sep’14, we were caught off-guard by strong selling pressure from long-standing shareholders, most of whom had a low cost basis. The stock underperformed throughout FY15 even though fundamentals were solid. We reviewed Bloomberg data on holdings and flows, and found that institutional holdings with a low cost basis have dropped, suggesting selling pressure has probably subsided. With the attractive valuation and subdued selling pressure of long standing shareholders, we reiterate BUY.

Fig 6. Foreign net purchases in HPG via order matching



Source: HSX

FYE 31 Dec	FY14A	FY15A	FY16E	FY17E	FY18E
Key Metrics					
P/E (reported) (x)	10.3	9.4	6.3	5.3	5.3
Core P/E (x)	12.7	10.4	6.7	5.6	5.9
P/BV (x)	2.7	2.3	1.8	1.4	1.2
P/NTA (x)	2.9	2.3	1.8	1.4	1.2
Net dividend yield (%)	2.9	3.4	4.5	5.6	5.6
FCF yield (%)	6.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	5.4	4.2	4.6	3.5	3.3
EV/EBIT (x)	7.1	5.7	5.5	4.3	4.1
INCOME STATEMENT (VND b)					
Revenue	25,525.3	27,452.9	30,243.9	35,849.4	39,916.5
Gross profit	5,187.0	5,594.0	7,007.2	8,102.7	7,840.8
EBITDA	5,568.1	5,981.6	7,561.4	8,961.1	8,818.1
Depreciation	(1,109.5)	(1,281.6)	(1,490.1)	(1,841.5)	(2,009.6)
Amortisation	(244.9)	(291.0)	286.4	286.4	286.4
EBIT	4,213.7	4,409.0	6,357.7	7,406.1	7,094.8
Net interest income / (exp)	(240.7)	(130.1)	(190.8)	(89.0)	147.0
Associates & JV	(0.2)	(0.2)	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	(203.3)	(288.9)	(19.6)	(20.4)	(23.8)
Pretax profit	3,769.5	3,989.8	6,147.3	7,296.7	7,218.0
Income tax	(519.3)	(485.4)	(922.1)	(1,094.5)	(1,082.7)
Minorities	(106.0)	(18.9)	(18.4)	(21.9)	(21.7)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	3,144.3	3,485.5	5,206.8	6,180.3	6,113.7
Core net profit	2,540.1	3,146.1	4,883.0	5,847.8	5,534.4
BALANCE SHEET (VND b)					
Cash & Short Term Investments	2,532.9	3,130.9	4,232.3	8,669.1	12,670.7
Accounts receivable	1,247.3	1,211.0	1,365.0	1,630.9	1,830.4
Inventory	7,386.4	6,937.4	7,618.6	9,103.5	10,531.0
Property, Plant & Equip (net)	8,548.5	8,047.5	11,393.6	11,873.5	10,856.4
Intangible assets	562.2	255.1	215.9	155.1	150.5
Investment in Associates & JVs	4.0	3.8	3.8	3.8	3.8
Other assets	1,807.7	5,921.2	3,791.9	3,450.4	4,548.2
Total assets	22,089.1	25,506.8	28,621.1	34,886.3	40,591.0
ST interest bearing debt	5,737.0	6,116.8	5,514.9	6,672.1	7,786.2
Accounts payable	1,927.8	2,638.7	2,425.6	2,894.4	3,343.8
LT interest bearing debt	1,010.9	739.0	700.0	700.0	700.0
Other liabilities	1,448.0	1,546.0	1,426.0	1,597.0	1,705.0
Total Liabilities	10,123.8	11,040.1	10,066.9	11,863.4	13,535.4
Shareholders Equity	11,796.0	14,443.8	18,291.5	22,697.1	26,672.6
Minority Interest	169.4	22.9	262.6	325.9	382.9
Total shareholder equity	11,965.3	14,466.7	18,554.1	23,022.9	27,055.6
Total liabilities and equity	22,089.1	25,506.8	28,621.1	34,886.3	40,591.0
CASH FLOW (VND b)					
Pretax profit	3,769.5	3,989.8	6,147.3	7,296.7	7,218.0
Depreciation & amortisation	1,354.4	1,572.6	1,203.7	1,555.1	1,723.2
Adj net interest (income)/exp	350.6	251.3	190.8	89.0	(147.0)
Change in working capital	(2,032.0)	(410.4)	(1,048.3)	(1,282.0)	(1,177.6)
Cash taxes paid	(575.2)	(447.8)	(922.1)	(1,094.5)	(1,082.7)
Other operating cash flow	268.6	(2.7)	0.0	0.0	0.0
Cash flow from operations	3,088.0	4,827.3	5,571.4	6,564.2	6,534.0
Capex	(1,165.0)	(3,386.6)	(2,538.9)	(1,730.0)	(1,961.0)
Free cash flow	1,922.9	1,440.7	3,032.6	4,834.3	4,573.0
Dividends paid	(681.5)	(540.7)	(1,099.4)	(1,465.7)	(1,832.4)
Equity raised / (purchased)	0.5	0.1	0.0	0.0	0.0
Change in Debt	(930.4)	107.9	(640.9)	1,157.2	1,114.1
Other invest/financing cash flow	(410.7)	(661.5)	(190.8)	(89.0)	147.0
Effect of exch rate changes	0.1	0.1	0.0	0.0	0.0
Net cash flow	(99.0)	346.5	1,101.5	4,436.8	4,001.6

FYE 31 Dec	FY14A	FY15A	FY16E	FY17E	FY18E
Key Ratios					
Growth ratios (%)					
Revenue growth	34.8	7.6	10.2	18.5	11.3
EBITDA growth	54.3	7.4	26.4	18.5	(1.6)
EBIT growth	61.2	4.6	44.2	16.5	(4.2)
Pretax growth	57.4	5.8	54.1	18.7	(1.1)
Reported net profit growth	60.9	10.9	49.4	18.7	(1.1)
Core net profit growth	54.3	23.9	55.2	19.8	(5.4)
Profitability ratios (%)					
EBITDA margin	21.8	21.8	25.0	25.0	22.1
EBIT margin	16.5	16.1	21.0	20.7	17.8
Pretax profit margin	14.8	14.5	20.3	20.4	18.1
Payout ratio	30.0	31.5	28.2	29.6	30.0
DuPont analysis					
Net profit margin (%)	12.3	12.7	17.2	17.2	15.3
Revenue/Assets (x)	1.2	1.1	1.1	1.0	1.0
Assets/Equity (x)	1.9	1.8	1.6	1.5	1.5
ROAE (%)	23.9	24.0	29.8	28.5	22.4
ROAA (%)	11.2	13.2	18.0	18.4	14.7
Liquidity & Efficiency					
Cash conversion cycle	116.6	96.5	88.9	89.0	90.8
Days receivable outstanding	17.7	16.1	15.3	15.0	15.6
Days inventory outstanding	136.4	118.0	112.8	108.5	110.2
Days payables outstanding	37.5	37.6	39.2	34.5	35.0
Dividend cover (x)	3.3	3.2	3.6	3.4	3.3
Current ratio (x)	1.3	1.2	1.5	1.8	2.0
Leverage & Expense Analysis					
Asset/Liability (x)	2.2	2.3	2.8	2.9	3.0
Net debt/equity (%)	35.7	25.8	10.8	net cash	net cash
Net interest cover (x)	17.5	33.9	33.3	83.2	na
Debt/EBITDA (x)	1.2	1.1	0.8	0.8	1.0
Capex/revenue (%)	4.6	12.3	8.4	4.8	4.9
Net debt/ (net cash)	4,214.9	3,725.0	1,982.6	(1,297.0)	(4,184.5)

Source: Company; Maybank

Research Offices

REGIONAL

Sadiq CURRIMBHOY
Regional Head, Research & Economics
(65) 6231 5836 sadiq@maybank-ke.com.sg

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

ONG Seng Yeow
Regional Head of Retail Research
(65) 6231 5839 ongsengyeow@maybank-ke.com.sg

TAN Sin Mui
Director of Research
(65) 6231 5849 sinmui@kimeng.com.hk

ECONOMICS

Suhaimi ILIAS
Chief Economist
Singapore | Malaysia
(603) 2297 8682 suhaimi_ilias@maybank-ib.com

Luz LORENZO
Philippines
(63) 2 849 8836 luz_lorenzo@maybank-atrke.com

Tim LEELAHAPHAN
Thailand
(66) 2658 6300 ext 1420 tim.l@maybank-ke.co.th

JUNIMAN
Chief Economist, BII
Indonesia
(62) 21 29228888 ext 29682 juniman@bankbii.com

STRATEGY

Sadiq CURRIMBHOY
Global Strategist
(65) 6231 5836 sadiq@maybank-ke.com.sg

Willie CHAN
Hong Kong / Regional
(852) 2268 0631 williechan@kimeng.com.hk

MALAYSIA

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

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

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

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

Mohshin AZIZ
(603) 2297 8692 mohshin.aziz@maybank-ib.com
• Aviation - Regional • Petrochem

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

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

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

LEE Yen Ling
(603) 2297 8691 lee.yl@maybank-ib.com
• Building Materials • Glove • Ports • Shipping

CHAI Li Shin, CFA
(603) 2297 8684 lishin.c@maybank-ib.com
• Plantation • Construction & Infrastructure

Ivan YAP
(603) 2297 8612 ivan.yap@maybank-ib.com
• Automotive • Semiconductor • Technology

Kevin WONG
(603) 2082 6824 kevin.wong@maybank-ib.com
• REITs • Consumer Discretionary

LIEW Wei Han
(603) 2297 8676 weihan.l@maybank-ib.com
• Consumer Staples

LEE Cheng Hooi *Regional Chartist*
(603) 2297 8694 chenghooi.lee@maybank-ib.com

Tee Sze Chiah *Head of Retail Research*
(603) 2297 6858 szechiah.t@maybank-ib.com

Cheah Chong Ling
(603) 2297 8767 chongling.c@maybank-ib.com

HONG KONG / CHINA

Howard WONG *Head of Research*
(852) 2268 0648 howardwong@kimeng.com.hk
• Oil & Gas - Regional

Benjamin HO
(852) 2268 0632 benjaminho@kimeng.com.hk
• Consumer & Auto

Jacqueline KO, CFA
(852) 2268 0633 jacquelineko@kimeng.com.hk
• Consumer Staples & Durables

Ka Leong LO, CFA
(852) 2268 0630 klllo@kimeng.com.hk
• Consumer Discretionary & Auto

Mitchell KIM
(852) 2268 0634 mitchellkim@kimeng.com.hk
• Internet & Telcos

Ning MA
(852) 2268 0672 ningma@kimeng.com.hk
• Insurance

Sonija LI, CFA
(852) 2268 0641 sonijali@kimeng.com.hk
• Gaming

Stefan CHANG, CFA
(852) 2268 0675 stefanchang@kimeng.com.hk
• Technology - Regional

INDIA

Jigar SHAH *Head of Research*
(91) 22 6623 2632 jigar@maybank-ke.co.in
• Oil & Gas • Automobile • Cement

Anubhav GUPTA
(91) 22 6623 2605 anubhav@maybank-ke.co.in
• Metal & Mining • Capital Goods • Property

Vishal MODI
(91) 22 6623 2607 vishal@maybank-ke.co.in
• Banking & Financials

Abhijeet KUNDU
(91) 22 6623 2628 abhijeet@maybank-ke.co.in
• Consumer

Neerav DALAL
(91) 22 6623 2606 neerav@maybank-ke.co.in
• Software Technology • Telcos

SINGAPORE

Gregory YAP
(65) 6231 5848 gyap@maybank-ke.com.sg
• SMID Caps
• Technology & Manufacturing • Telcos

YEAK Chee Keong, CFA
(65) 6231 5842 yeakcheekeong@maybank-ke.com.sg
• Offshore & Marine

Derrick HENG, CFA
(65) 6231 5843 derrickheng@maybank-ke.com.sg
• Transport • Property • REITs (Office)

Joshua TAN
(65) 6231 5850 joshuatan@maybank-ke.com.sg
• REITs (Retail, Industrial)

John CHEONG, CFA
(65) 6231 5845 johncheong@maybank-ke.com.sg
• Small & Mid Caps • Healthcare

Ng Li Hiang
(65) 6231 5840 nglhiang@maybank-ke.com.sg
• Banks

INDONESIA

Inaputra ISKANDAR *Head of Research*
(62) 21 8066 8680 inaputra.iskandar@maybank-ke.co.id
• Strategy • Metals & Mining • Cement

Rahmi MARINA
(62) 21 8066 8689 rahmi.marina@maybank-ke.co.id
• Banking & Finance

Aurellia SETIABUDI
(62) 21 8066 8691 aurellia.setiabudi@maybank-ke.co.id
• Property

Pandu ANUGRAH
(62) 21 8066 8688 pandu.anugrah@maybank-ke.co.id
• Infra • Construction • Transport • Telcos

Janni ASMAN
(62) 21 8066 8687 janni.asman@maybank-ke.co.id
• Cigarette • Healthcare • Retail

Adhi TASMIN
(62) 21 8066 8694 adhi.tasmin@maybank-ke.co.id
• Plantations

Anthony LUKMAWIJAYA
(62) 21 8066 8690 anthony.lukmawijaya@maybank-ke.co.id
• Aviation

PHILIPPINES

Luz LORENZO *Head of Research*
(63) 2 849 8836 luz_lorenzo@maybank-atrke.com
• Strategy
• Utilities • Conglomerates • Telcos

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

Rommel RODRIGO
(63) 2 849 8839 rommel_rodrido@maybank-atrke.com
• Conglomerates • Property • Gaming
• Ports/ Logistics

Katherine TAN
(63) 2 849 8843 kat_tan@maybank-atrke.com
• Banks • Construction

Michael BENGSON
(63) 2 849 8840 michael_bengson@maybank-atrke.com
• Conglomerates

Jaclyn JIMENEZ
(63) 2 849 8842 jaclyn_jimenez@maybank-atrke.com
• Consumer

THAILAND

Maria LAPIZ *Head of Institutional Research*
Dir (66) 2257 0250 | (66) 2658 6300 ext 1399
Maria.L@maybank-ke.co.th
• Consumer • Materials • Ind. Estates

Sittichai DUANGRATTANACHAYA
(66) 2658 6300 ext 1393
Sittichai.D@maybank-ke.co.th
• Services Sector • Transport

Yupapan POLPORNPRASERT
(66) 2658 6300 ext 1394
yupapan.p@maybank-ke.co.th
• Oil & Gas

Tanawat RUENBANTERNG
(66) 2658 6300 ext 1395
Tanawat.R@maybank-ke.co.th
• Banks & Diversified Financials

Sukit UDOMSIRIKUL *Head of Retail Research*
(66) 2658 6300 ext 5090
Sukit.u@maybank-ke.co.th

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

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

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

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

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

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

Jaroopnan WATTANAWONG
(66) 2658 6300 ext 1404
jaroopnan.w@maybank-ke.co.th
• Transportation • Small cap

VIETNAM

LE Hong Lien, ACCA
Head of Institutional Research
(84) 8 44 555 888 x 8181
lien.le@maybank-kimeng.com.vn
• Strategy • Consumer • Diversified • Utilities

THAI Quang Trung, CFA, Deputy Manager,
Institutional Research
(84) 8 44 555 888 x 8180
trung.thai@maybank-kimeng.com.vn
• Real Estate • Construction • Materials

Le Nguyen Nhat Chuyen
(84) 8 44 555 888 x 8082
chuyen.le@maybank-kimeng.com.vn
• Oil & Gas

NGUYEN Thi Ngan Tuyen, *Head of Retail Research*
(84) 4 44 555 888 x 8081
tuyen.nguyen@maybank-kimeng.com.vn
• Food & Beverage • Oil&Gas • Banking

TRINH Thi Ngoc Diep
(84) 4 44 555 888 x 8208
diep.trinh@maybank-kimeng.com.vn
• Technology • Utilities • Construction

PHAM Nhat Bich
(84) 8 44 555 888 x 8083
bich.pham@maybank-kimeng.com.vn
• Consumer • Manufacturing • Fishery

NGUYEN Thi Sony Tra Mi
(84) 8 44 555 888 x 8084
mi.nguyen@maybank-kimeng.com.vn
• Port operation • Pharmaceutical
• Food & Beverage

TRUONG Quang Binh
(84) 4 44 555 888 x 8087
binh.truong@maybank-kimeng.com.vn
• Rubber plantation • Tyres and Tubes • Oil&Gas

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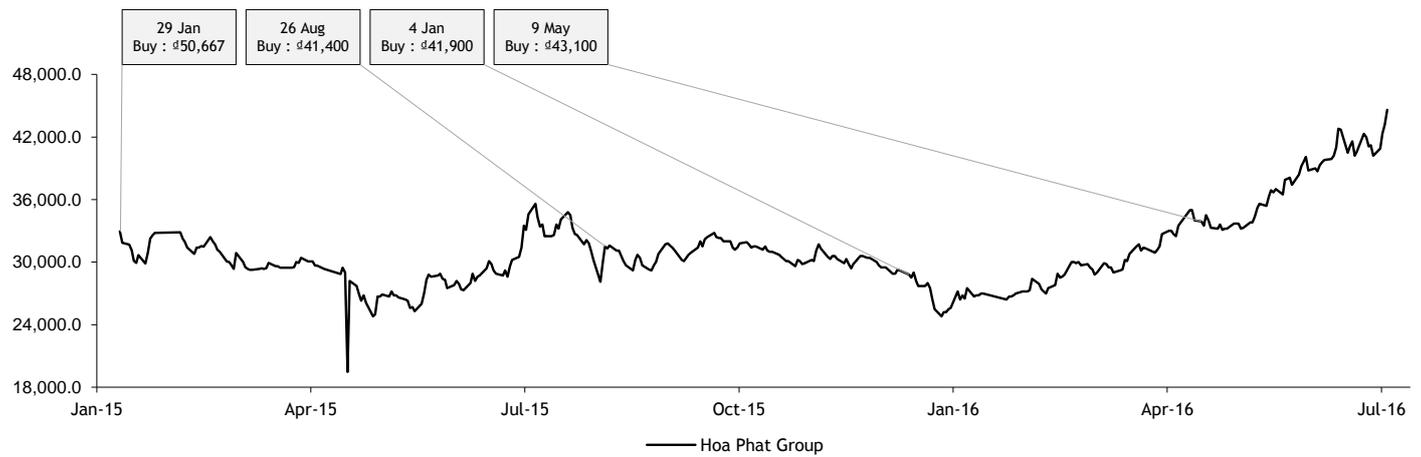
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 **Malaysia**

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

 **Philippines**

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

Tel: (63) 2 849 8888
Fax: (63) 2 848 5738

 **South Asia Sales Trading**

Kevin Foy
Regional Head Sales Trading
kevinfoy@maybank-ke.com.sg
Tel: (65) 6336-5157
US Toll Free: 1-866-406-7447

Malaysia

Rommel Jacob
rommeljacob@maybank-ib.com
Tel: (603) 2717 5152

Indonesia

Hariato Liong
harianto.liong@maybank-ke.co.id
Tel: (62) 21 2557 1177

New York

Andrew Dacey
adacey@maybank-keusa.com
Tel: (212) 688 2956

Vietnam

Tien Nguyen
thuytien.nguyen@maybank-kimeng.com.vn
Tel: (84) 44 555 888 x8079

 **Singapore**

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

Tel: (65) 6336 9090

 **Hong Kong**

Kim Eng Securities (HK) Ltd
Level 30,
Three Pacific Place,
1 Queen's Road East,
Hong Kong

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

 **Thailand**

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

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

 **North Asia Sales Trading**

Andrew Lee
andrewlee@kimeng.com.hk
Tel: (852) 2268 0283
US Toll Free: 1 877 837 7635

Thailand

Tanasak Krishnasreni
Tanasak.K@maybank-ke.co.th
Tel: (66)2 658 6820

India

Manish Modi
manish@maybank-ke.co.in
Tel: (91)-22-6623-2601

Philippines

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

 **London**

Maybank Kim Eng 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 Kim Eng Securities
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

 **Vietnam**

Maybank Kim Eng 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

 **New York**

Maybank Kim Eng Securities USA
Inc
777 Third Avenue, 21st Floor
New York, NY 10017, U.S.A.

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

 **India**

Kim Eng Securities India Pvt Ltd
2nd Floor, The International,
16, Maharishi Karve Road,
Churchgate Station,
Mumbai City - 400 020, India

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

 **Saudi Arabia**

In association with
Anfaal Capital
Villa 47, Tujjar Jeddah
Prince Mohammed bin Abdulaziz
Street P.O. Box 126575
Jeddah 21352

Tel: (966) 2 6068686
Fax: (966) 26068787