

## Malaysia

**ADD** (previously HOLD)

Consensus ratings\*: Buy 4 Hold 3 Sell 2

|                       |          |
|-----------------------|----------|
| Current price:        | RM2.85   |
| Target price:         | RM3.47 ▲ |
| Previous target:      | RM2.35   |
| Up/downside:          | 21.6%    |
| CGS-CIMB / Consensus: | 32.6%    |

|                         |            |
|-------------------------|------------|
| Reuters:                | SUPM.KL    |
| Bloomberg:              | SUCB MK    |
| Market cap:             | US\$478.5m |
|                         | RM1,869m   |
| Average daily turnover: | US\$2.91m  |
|                         | RM11.30m   |
| Current shares o/s:     | 680.2m     |
| Free float:             | 62.5%      |

\*Source: Bloomberg

**Key changes in this note**

➤ FY18-20F EPS raised by 12.2-17.1%



Source: Bloomberg

| Price performance | 1M   | 3M   | 12M  |
|-------------------|------|------|------|
| Absolute (%)      | 11.8 | 19.7 | 47.7 |
| Relative (%)      | 12.5 | 19.4 | 42.8 |

**Major shareholders**

|                                  | % held |
|----------------------------------|--------|
| Dato' Seri Thai Kim Sim, Stanley | 20.7   |
| Datin Seri Tan Bee Geok, Cheryl  | 15.3   |
| Amanah Saham Nasional            | 1.5    |

**Analyst(s)**

**Walter AW**

T (60) 3 2261 9093

E walter.aw@cimb.com

# Supermax Corp

## Powering up

- We turn more positive on Supermax's (SUCB) current operations and future capacity expansion plans following a meeting with the company.
- SUCB's glove production capacity will grow by 16.1% to 27.2bn by end-2019. This is thanks to ongoing rebuilding works on older plants and the addition of two new plants.
- We raise our FY18-20F EPS by 12.2-17.1% to account for higher glove sales and improved efficiencies.
- Moving forward, the valuation gap should narrow vs. the sector given better earnings visibility and more compelling risk-reward profile.
- Upgrade to Add, with TP raised to RM3.47 (15.2x CY19 P/E).

### Came away positive from meeting with Supermax

We came away positive from an analyst briefing with Supermax's management at its headquarters in Sungai Buloh, Selangor. Approximately 11 sell-side analysts attended the briefing. Key discussions mainly relate to: i) its 1HFY18 financial performance, ii) expansion plans for its glove division, and iii) updates on its contact lens segment.

### 1HFY18 net profit rose by 51.5% yoy

1HFY6/18 revenue rose by 28.1% yoy, driven by higher sales volume. We understand that the higher sales volume was owing to increased contributions from Plants 10 and 11 as all water issues has been fully-resolved. Note that all 12 lines in Plant 10 and 11 have been fully operational since 2QFY18. 1HFY18 EBIT margins improved 5.5% pts yoy to 15.8% which we attribute to higher economies of scale. Accordingly, 1HFY18 net profit rose to RM63.8m (+51.5% yoy) despite a higher tax rate (11.9% pts yoy).

### Capacity delivery to drive earnings growth

SUCB expects its glove production capacity to grow by 16.1% to 27.2bn p.a. by end-2019. The new capacity is mainly from plans to build two new plants (total capacity of 4.2bn pieces p.a.) and its ongoing rebuilding and replacement programme in which SUCB plans to undertake a complete revamp of the two existing plants (+1.5bn pieces p.a.). Note that the first plant undergoing revamp (Block G, Kamunting) is scheduled to begin gradual contribution beg-3QCY18 (1QFY19). Total capex allocated for the 4 projects is RM333m.

### Contact lens segment: pain before gain

For its contact lens segment, SUCB has expanded its annual production to 70m in 2017 (75%). This is due to strong demand from original equipment manufacturers (OEM) in Europe. Also, SUCB plans to promote its own brand products (Aveo) globally, especially in key markets such as China and Japan. Currently, it is exporting to more than 10 countries. Nevertheless, SUCB expects this segment to turn profitable in 2-3 years' time as all current gains at the GP level will be allocated for A&P spending to grow its brand.

### Improving outlook; raising FY18-20F EPS by 12.2-17.1%

Given the improved outlook, mainly for its glove division, we are turning more optimistic on the stock. As a result, we lift our FY18-20F EPS by 12.2-17.1% to account for: i) higher glove sales, ii) improved cost efficiencies, and iii) lower tax rates. In our view, the worst is over for SUCB, as it has finally resolved its utilities issues that had previously hindered the full commencement of operations at Plants 10 and 11.

### Upgrade to Add with higher TP of RM3.47

We upgrade Supermax to an Add from Hold, with a higher TP of RM3.47. Our TP is based on 15.2x CY19 P/E, in-line with its 5-year historical average P/E. This is also a 47.2% discount to the glove sector's CY19 P/E of 24.7x. Note that the discount is mainly to reflect any potential regulatory risks and weaker earnings delivery track record in the past. Downside risks: delays to expansion plans and/or loss of key management.

**Financial Summary**

|                                | Jun-16A | Jun-17A | Jun-18F | Jun-19F | Jun-20F |
|--------------------------------|---------|---------|---------|---------|---------|
| Revenue (RMm)                  | 1,029   | 1,127   | 1,494   | 1,774   | 2,051   |
| Operating EBITDA (RMm)         | 188.5   | 148.5   | 236.6   | 278.6   | 304.6   |
| Net Profit (RMm)               | 105.2   | 70.2    | 123.9   | 148.5   | 162.0   |
| Core EPS (RM)                  | 0.15    | 0.10    | 0.18    | 0.22    | 0.24    |
| Core EPS Growth                | 7.4%    | (33.2%) | 76.5%   | 19.8%   | 9.1%    |
| FD Core P/E (x)                | 18.43   | 27.61   | 15.64   | 13.05   | 11.97   |
| DPS (RM)                       | 0.060   | 0.025   | 0.055   | 0.065   | 0.071   |
| Dividend Yield                 | 2.11%   | 0.88%   | 1.92%   | 2.30%   | 2.51%   |
| EV/EBITDA (x)                  | 11.24   | 15.23   | 10.30   | 9.01    | 8.55    |
| P/FCFE (x)                     | NA      | 27.67   | NA      | 20.95   | 24.71   |
| Net Gearing                    | 37.7%   | 49.5%   | 60.7%   | 61.5%   | 63.2%   |
| P/BV (x)                       | 1.84    | 1.77    | 1.64    | 1.51    | 1.39    |
| ROE                            | 10.3%   | 6.5%    | 10.9%   | 12.0%   | 12.1%   |
| % Change In Core EPS Estimates |         |         | 12.2%   | 15.5%   | 17.1%   |
| CIMB/consensus EPS (x)         |         |         | 1.05    | 1.14    | 1.12    |

SOURCES: CIMB RESEARCH, COMPANY REPORTS

# Powering up

## Gloves division – the key driver moving forward

### Plants 10 and 11 are now fully operational >

As at end-2QFY18, we gathered that Plants 10 and 11 (5.6bn pieces per annum) have started full commercial production. This was post securing sufficient water to run all production lines as upgrading works to increase water supply and electricity supply by the authorities have fully been completed. Previously, full commencement of both plants was delayed for more than 2 years due to these issues. This dragged down the group's profits as both plants were incurring expenses while producing minimal output. With a full contribution from both plants, the group's capacity has been increased to 23.4bn p.a (31.7%). This has resulted in improved results in 1HFY18 as revenue and net profit increased substantially yoy by 15% and 86.1% respectively.

### Revamp works on existing plants ongoing >

Currently, SUCB is undertaking a rebuilding and replacement programme in which the group plans to decommission two existing plants (Block G in Kamunting, Perak and Lot 38, Sungai Buloh). The group plans to install newer production lines with more automation, resulting in a net increase in capacity of 1.5bn pieces annually. As both plants have been operational for more than 15 years, we expect the newer plants to also increase its operating margins on the back of higher cost efficiencies. Currently, revamp works for Block G is ongoing and is expected to be completed gradually beg-3QCY18 (1QFY19). For Lot 38, revamp works will only begin upon securing enough capacity to offset the potential production loss. We estimate that works for Lot 38 will only begin by 1HCY19.

**Figure 1: Expansion plans for glove division**

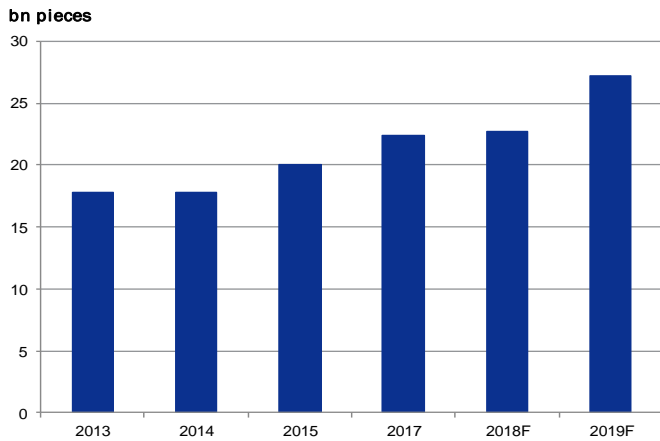
| Date       | Expansion plan strategy                  | Capacity p.a. (bn) |
|------------|--|--------------------|
| 12/31/2014 | Existing production (Supermax & Maxwell) | 17.8               |
|            | Plant 10 &11                             | 5.6                |
| 12/31/2017 | Total                                    | 23.4               |
|            | Capacity loss from revamp works          | (4.2)              |
|            | New capacity from revamp works           | 8.0                |
| 12/31/2019 | Total                                    | 27.2               |

SOURCES: CIMB RESEARCH, COMPANY REPORTS

### Building two new plants in areas with existing factories >

In addition, SUCB plans to build two new plants with a total capacity of 4.2bn pieces p.a. We gathered that both plants will be built in areas where SUCB has existing manufacturing presence and has sufficient water and electricity to support operations of the new plants. One of the new factories (Block F, 2bn capacity) will be located in Kamunting, Perak where an old unused warehouse currently sits. Note that this warehouse will be renovated and converted into the new plant. The other new factory (Lot 6061, 2.2bn capacity) will be located in Sungai Buloh. We understand that this new plant will be built on SUCB's recently-acquired land which is in close proximity to its existing plants in Sungai Buloh.

**Figure 2: Glove production capacity growth (2013-2019F)**



SOURCES: CIMB RESEARCH, COMPANY REPORTS

**Figure 3: Capex allocated for expansion plans (RMm)**

|  | Capacity    | Capex (RMm)  | Target completion date |
|--|-------------|--------------|------------------------|
| <b>Existing Capacity before revamp works</b> | <b>21.4</b> |              |                        |
| <b>Revamp works</b>                          |             |              |                        |
| Block G(Kamunting Raya, Perak)               | 0.3         | 58.0         | 3QCY18                 |
| Lot 38 (Sungai Buloh, Selangor)              | 1.2         | 70.0         | 4QCY19                 |
| <b>New plants</b>                            |             |              |                        |
| Block F (Kamunting Raya, Perak)              | 2.0         | 75.0         | 1HCY19                 |
| Lot 6061 (Sungai Buloh Selangor)             | 2.2         | 130.0        | 2HCY19                 |
| <b>Total</b>                                 | <b>27.2</b> | <b>333.0</b> |                        |

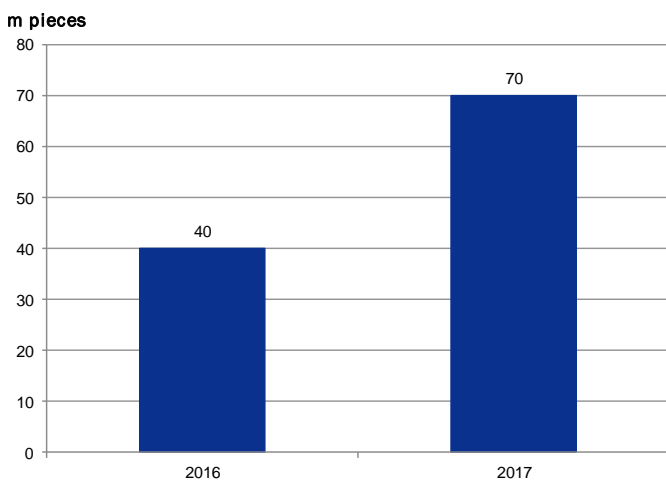
SOURCES: CIMB RESEARCH, COMPANY REPORTS

## Contact lens division – to bear fruit in the long term

### Current contact lens capacity stands at 70m annually ➤

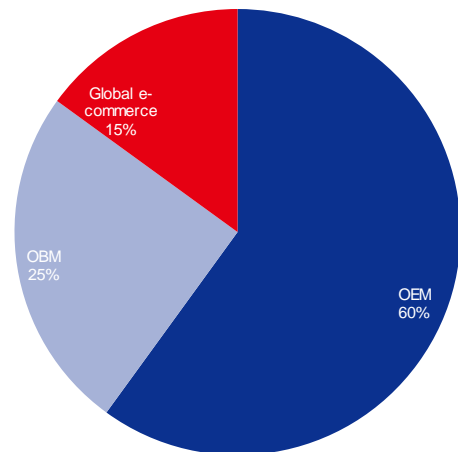
Currently, SUCB can produce up to 70m contact lenses annually after expanding its capacity by 75% at end-2017. We understand that the current utilisation rate for all 4 production lines is 80%, with most orders from the OEM segment. Moving forward, the group plans to allocate its capacity to various business segments (60% OEM, 25% own brand manufacturing or OBM, and 15% global e-commerce).

**Figure 4: Total production capacity for contact lens segment**



SOURCES: CIMB RESEARCH, COMPANY REPORTS

**Figure 5: Target product mix (%) for contact lens segment**



SOURCES: CIMB RESEARCH, COMPANY REPORTS

### Growing OBM segment is key to success ➤

Nevertheless, SUCB plans to aggressively grow its OBM segment given better margins in this segment. Besides increasing its advertisement and promotional (A&P) efforts, we understand that the group plans to obtain licenses in more countries. As contact lenses are classified as controlled medical products, SUCB would require licenses before it is able to sell to a specific country. While SUCB will continue to apply for licenses in various countries, it does not discount plans to acquire existing contact lens distributors which have already secured licenses in markets that SUCB currently does not have a presence in.

### Positive contribution to bottomline only in 2-3 years' time ➤

Overall, we expect SUCB's contact lens segment to remain loss-making. Although we gathered that it is already profitable at a GP level, any gains are likely to be channeled for A&P spending. Hence, we expect that this segment should remain loss-making in the near term. In our view, any positive contributions are only likely to be possible in 2-3 years' time as the group will continue to focus on building its own brand at this juncture. Note that we have yet to assume any earnings contributions from this segment in our estimates.

Figure 6: SUCB's 5-year historical P/E chart



Figure 7: Earnings revision

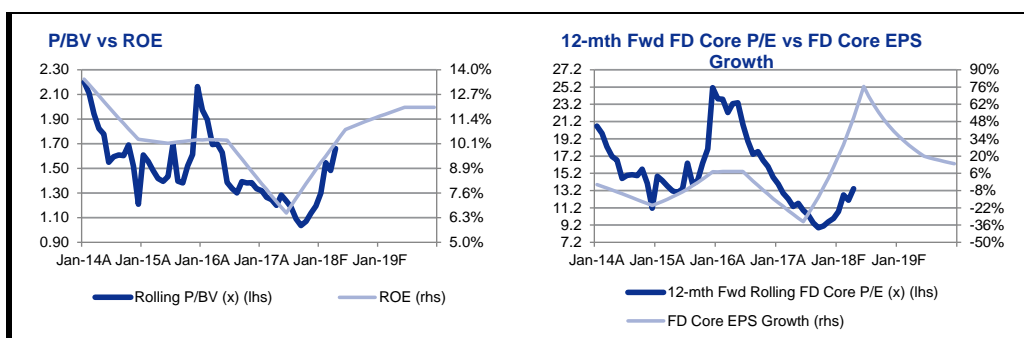
| RM m               | 2017A | 2018F |       |     | 2019F |       |     | 2020F |       |     |
|--------------------|-------|-------|-------|-----|-------|-------|-----|-------|-------|-----|
|                    |       | Old   | New   | chg | Old   | New   | chg | Old   | New   | chg |
| Revenue            | 1,127 | 1,380 | 1,494 | 8%  | 1,712 | 1,774 | 4%  | 1,881 | 2,051 | 9%  |
| EBITDA             | 149   | 218   | 237   | 9%  | 245   | 279   | 13% | 258   | 305   | 18% |
| Core pretax profit | 110   | 162   | 181   | 12% | 183   | 217   | 18% | 188   | 236   | 25% |
| Core net profit    | 70    | 110   | 124   | 12% | 129   | 148   | 15% | 138   | 162   | 17% |

SOURCES: CIMB, COMPANY REPORTS

Figure 8: Sector Comparisons

| Company                  | Bloomberg Ticker | Recom. | Share price (local curr) | Target Price (local curr) | Market Cap (US\$ m) | Core P/E (x) |             | 3-year EPS CAGR (%) | P/BV (x)   |            | Recurring ROE (%) |              | EV/EBITDA (x) |             | Dividend Yield (%) |             |
|--------------------------|------------------|--------|--------------------------|---------------------------|---------------------|--------------|-------------|---------------------|------------|------------|-------------------|--------------|---------------|-------------|--------------------|-------------|
|                          |                  |        |                          |                           |                     | CY18F        | CY19F       |                     | CY18F      | CY19F      | CY18F             | CY19F        | CY18F         | CY19F       | CY18F              | CY19F       |
| Hartalega Holdings       | HART MK          | Hold   | 5.69                     | 5.68                      | 4,826               | 35.1         | 29.4        | 32.3%               | 9.2        | 8.1        | 26.9%             | 28.7%        | 25.8          | 21.6        | 1.5%               | 1.8%        |
| Kossan Rubber Industries | KRI MK           | Hold   | 6.55                     | 8.10                      | 1,073               | 18.8         | 15.9        | 18.3%               | 3.3        | 3.0        | 20.7%             | 21.1%        | 11.3          | 9.5         | 2.6%               | 3.2%        |
| Supermax Corp            | SUCB MK          | Add    | 2.85                     | 3.47                      | 479                 | 14.2         | 12.5        | 32.1%               | 1.6        | 1.4        | 11.2%             | 12.0%        | 9.8           | 8.8         | 2.1%               | 2.4%        |
| <b>Weighted Average</b>  |                  |        |                          |                           |                     | <b>28.4</b>  | <b>23.7</b> | <b>25.4%</b>        | <b>6.8</b> | <b>6.0</b> | <b>23.7%</b>      | <b>25.7%</b> | <b>20.6</b>   | <b>16.9</b> | <b>1.9%</b>        | <b>2.4%</b> |

SOURCES: CIMB, COMPANY REPORTS

**BY THE NUMBERS**

**Profit & Loss**

| (RMm)                                     | Jun-16A      | Jun-17A      | Jun-18F      | Jun-19F      | Jun-20F      |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Total Net Revenues</b>                 | <b>1,029</b> | <b>1,127</b> | <b>1,494</b> | <b>1,774</b> | <b>2,051</b> |
| <b>Gross Profit</b>                       | <b>343</b>   | <b>326</b>   | <b>466</b>   | <b>534</b>   | <b>597</b>   |
| <b>Operating EBITDA</b>                   | <b>188</b>   | <b>149</b>   | <b>237</b>   | <b>279</b>   | <b>305</b>   |
| Depreciation And Amortisation             | (34)         | (39)         | (50)         | (55)         | (59)         |
| <b>Operating EBIT</b>                     | <b>154</b>   | <b>110</b>   | <b>187</b>   | <b>224</b>   | <b>245</b>   |
| Financial Income/(Expense)                | (11)         | (11)         | (18)         | (21)         | (24)         |
| Pretax Income/(Loss) from Assoc.          | 19           | 12           | 13           | 13           | 14           |
| Non-Operating Income/(Expense)            | 0            | 0            | 0            | 0            | 0            |
| <b>Profit Before Tax (pre-EI)</b>         | <b>163</b>   | <b>110</b>   | <b>181</b>   | <b>217</b>   | <b>236</b>   |
| Exceptional Items                         | 0            | 0            | 0            | 0            | 0            |
| <b>Pre-tax Profit</b>                     | <b>163</b>   | <b>110</b>   | <b>181</b>   | <b>217</b>   | <b>236</b>   |
| Taxation                                  | (59)         | (37)         | (54)         | (65)         | (71)         |
| Exceptional Income - post-tax             |              |              |              |              |              |
| <b>Profit After Tax</b>                   | <b>104</b>   | <b>73</b>    | <b>127</b>   | <b>152</b>   | <b>165</b>   |
| Minority Interests                        | 1            | (3)          | (3)          | (3)          | (3)          |
| Preferred Dividends                       |              |              |              |              |              |
| FX Gain/(Loss) - post tax                 |              |              |              |              |              |
| Other Adjustments - post-tax              |              |              |              |              |              |
| <b>Net Profit</b>                         | <b>105</b>   | <b>70</b>    | <b>124</b>   | <b>148</b>   | <b>162</b>   |
| Recurring Net Profit                      | 105          | 70           | 124          | 148          | 162          |
| <b>Fully Diluted Recurring Net Profit</b> | <b>105</b>   | <b>70</b>    | <b>124</b>   | <b>148</b>   | <b>162</b>   |

**Cash Flow**

| (RMm)                            | Jun-16A        | Jun-17A        | Jun-18F        | Jun-19F        | Jun-20F        |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>EBITDA</b>                    | <b>188.5</b>   | <b>148.5</b>   | <b>236.6</b>   | <b>278.6</b>   | <b>304.6</b>   |
| Cash Flow from Inv. & Assoc.     |                |                |                |                |                |
| Change In Working Capital        | (70.1)         | 26.6           | (118.0)        | (37.2)         | (72.4)         |
| (Incr)/Decr in Total Provisions  |                |                |                |                |                |
| Other Non-Cash (Income)/Expense  | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            |
| Other Operating Cashflow         | 30.1           | 30.8           | 33.3           | 36.8           | 40.4           |
| Net Interest (Paid)/Received     | (10.6)         | (11.0)         | (17.9)         | (20.7)         | (23.5)         |
| Tax Paid                         | (59.1)         | (25.0)         | (54.4)         | (65.0)         | (70.7)         |
| <b>Cashflow From Operations</b>  | <b>78.6</b>    | <b>170.0</b>   | <b>79.5</b>    | <b>192.5</b>   | <b>178.4</b>   |
| Capex                            | (110.0)        | (150.0)        | (150.0)        | (150.0)        | (150.0)        |
| Disposals Of FAs/subsidiaries    |                |                |                |                |                |
| Acq. Of Subsidiaries/investments |                |                |                |                |                |
| Other Investing Cashflow         |                |                |                |                |                |
| <b>Cash Flow From Investing</b>  | <b>(110.0)</b> | <b>(150.0)</b> | <b>(150.0)</b> | <b>(150.0)</b> | <b>(150.0)</b> |
| Debt Raised/(repaid)             | 0.0            | 50.0           | 50.0           | 50.0           | 50.0           |
| Proceeds From Issue Of Shares    |                |                |                |                |                |
| Shares Repurchased               | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            |
| Dividends Paid                   | (31.5)         | (24.8)         | (37.2)         | (44.5)         | (48.6)         |
| Preferred Dividends              |                |                |                |                |                |
| Other Financing Cashflow         | (12.9)         | (15.1)         | (17.9)         | (20.7)         | (23.5)         |
| <b>Cash Flow From Financing</b>  | <b>(44.5)</b>  | <b>10.1</b>    | <b>(5.1)</b>   | <b>(15.3)</b>  | <b>(22.1)</b>  |
| Total Cash Generated             | (75.9)         | 30.1           | (75.5)         | 27.3           | 6.3            |
| <b>Free Cashflow To Equity</b>   | <b>(31.4)</b>  | <b>70.0</b>    | <b>(20.5)</b>  | <b>92.5</b>    | <b>78.4</b>    |
| <b>Free Cashflow To Firm</b>     | <b>(20.7)</b>  | <b>31.0</b>    | <b>(52.6)</b>  | <b>63.2</b>    | <b>52.0</b>    |

SOURCES: CIMB RESEARCH, COMPANY REPORTS

**BY THE NUMBERS... cont'd**
**Balance Sheet**

| (RMm)                                | Jun-16A      | Jun-17A      | Jun-18F      | Jun-19F      | Jun-20F      |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total Cash And Equivalents           | 140          | 96           | 21           | 48           | 54           |
| Total Debtors                        | 290          | 269          | 382          | 411          | 476          |
| Inventories                          | 181          | 154          | 228          | 275          | 322          |
| Total Other Current Assets           | 27           | 79           | 127          | 174          | 175          |
| <b>Total Current Assets</b>          | <b>638</b>   | <b>599</b>   | <b>757</b>   | <b>909</b>   | <b>1,028</b> |
| Fixed Assets                         | 903          | 1,062        | 1,159        | 1,250        | 1,384        |
| Total Investments                    | 217          | 217          | 217          | 217          | 217          |
| Intangible Assets                    | 29           | 29           | 29           | 29           | 29           |
| Total Other Non-Current Assets       | 2            | 2            | 2            | 2            | 2            |
| <b>Total Non-current Assets</b>      | <b>1,150</b> | <b>1,309</b> | <b>1,406</b> | <b>1,498</b> | <b>1,631</b> |
| Short-term Debt                      | 215          | 215          | 215          | 215          | 215          |
| Current Portion of Long-Term Debt    |              |              |              |              |              |
| Total Creditors                      | 164          | 143          | 212          | 251          | 290          |
| Other Current Liabilities            |              |              |              |              |              |
| <b>Total Current Liabilities</b>     | <b>379</b>   | <b>358</b>   | <b>427</b>   | <b>466</b>   | <b>505</b>   |
| Total Long-term Debt                 | 323          | 423          | 523          | 623          | 723          |
| Hybrid Debt - Debt Component         |              |              |              |              |              |
| Total Other Non-Current Liabilities  | 0            | 0            | 0            | 0            | 0            |
| <b>Total Non-current Liabilities</b> | <b>323</b>   | <b>423</b>   | <b>523</b>   | <b>623</b>   | <b>723</b>   |
| Total Provisions                     | 33           | 33           | 33           | 33           | 33           |
| <b>Total Liabilities</b>             | <b>735</b>   | <b>814</b>   | <b>983</b>   | <b>1,122</b> | <b>1,261</b> |
| Shareholders' Equity                 | 1,055        | 1,095        | 1,182        | 1,286        | 1,399        |
| Minority Interests                   | (1)          | (1)          | (1)          | (1)          | (1)          |
| <b>Total Equity</b>                  | <b>1,054</b> | <b>1,094</b> | <b>1,181</b> | <b>1,285</b> | <b>1,398</b> |

**Key Ratios**

|                           | Jun-16A | Jun-17A | Jun-18F | Jun-19F | Jun-20F |
|---------------------------|---------|---------|---------|---------|---------|
| Revenue Growth            | 7.3%    | 9.5%    | 32.6%   | 18.7%   | 15.6%   |
| Operating EBITDA Growth   | 26.2%   | (21.2%) | 59.3%   | 17.7%   | 9.4%    |
| Operating EBITDA Margin   | 18.3%   | 13.2%   | 15.8%   | 15.7%   | 14.9%   |
| Net Cash Per Share (RM)   | (0.58)  | (0.80)  | (1.05)  | (1.16)  | (1.30)  |
| BVPS (RM)                 | 1.55    | 1.61    | 1.74    | 1.89    | 2.06    |
| Gross Interest Cover      | 14.48   | 10.01   | 10.44   | 10.82   | 10.43   |
| Effective Tax Rate        | 36.3%   | 33.6%   | 30.0%   | 30.0%   | 30.0%   |
| Net Dividend Payout Ratio | 19.2%   | 19.6%   | 20.8%   | 20.9%   | 20.9%   |
| Accounts Receivables Days | 83.75   | 78.42   | 68.62   | 73.97   | 75.07   |
| Inventory Days            | 99.07   | 76.40   | 67.80   | 73.97   | 75.12   |
| Accounts Payables Days    | 43.75   | 37.77   | 35.43   | 40.06   | 40.69   |
| ROIC (%)                  | 15.2%   | 8.7%    | 12.9%   | 13.1%   | 13.0%   |
| ROCE (%)                  | 10.1%   | 6.5%    | 10.1%   | 10.9%   | 10.8%   |
| Return On Average Assets  | 10.3%   | 6.6%    | 9.8%    | 10.4%   | 10.2%   |

**Key Drivers**

|  | Jun-16A | Jun-17A | Jun-18F | Jun-19F | Jun-20F |
|--|---------|---------|---------|---------|---------|
| ASP (% chg, main prod./serv.)          | 7.6%    | 5.6%    | 2.1%    | 16.1%   | 20.1%   |
| Unit sales grth (% , main prod./serv.) | -18.5%  | 39.5%   | 16.3%   | -2.6%   | 89.6%   |
| Util. rate (% , main prod./serv.)      | 60.0%   | 75.0%   | 80.0%   | 80.0%   | 83.0%   |
| ASP (% chg, 2ndary prod./serv.)        | N/A     | N/A     | N/A     | N/A     | N/A     |
| Unit sales grth (% ,2ndary prod/serv)  | N/A     | N/A     | N/A     | N/A     | N/A     |
| Util. rate (% , 2ndary prod/serv)      | N/A     | N/A     | N/A     | N/A     | N/A     |
| Unit raw mat ASP (%chg,main)           | N/A     | N/A     | N/A     | N/A     | N/A     |
| Unit raw mat ASP (%chg,2ndary)         | N/A     | N/A     | N/A     | N/A     | N/A     |

SOURCES: CIMB RESEARCH, COMPANY REPORTS

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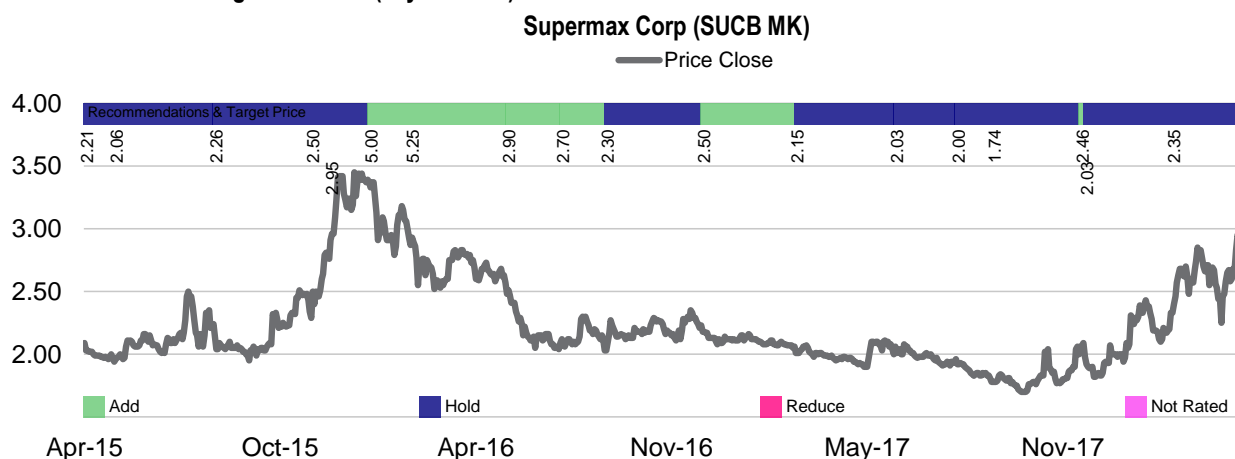
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| Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2018 |                         |                                |
|---|-------------------------|--------------------------------|
| 1275 companies under coverage for quarter ended on 31 March 2018                                |                         |                                |
|   | Rating Distribution (%) | Investment Banking clients (%) |
| Add   | 61.1%                   | 5.5%                           |
| Hold  | 29.7%                   | 2.0%                           |
| Reduce  | 8.9%                    | 0.4%                           |

**Spitzer Chart for stock being researched ( 2 year data )**



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017**

**AAV** – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** - Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – not available, n/a, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

**Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:**

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

**Recommendation Framework**

**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.