

Mapletree Logistics Trust (MLT SP)

Recycling Gains

HOLD

Share Price SGD 1.35
 12m Price Target SGD 1.25 (-7%)
 Previous Price Target SGD 1.25

Slight miss; we adjust for various deals

DPU grew 2.0% from its Tsing-Yi acquisition completed in Oct 2017, which offset divestments in Japan and Singapore, where the latter still faces challenging oversupply headwinds. We adjust DPUs by -1% to +1% for the completion of its 38% Shatin No. 3 deal and Senai-UPS divestment as well as lower NPI margins. While there could be more asset-recycling initiatives in the near term, gearing at about 38% suggests potential acquisitions could be less debt-biased. Maintain HOLD to our DDM-based TP (WACC: 7.6%, LTG: 1.5%), which stays at SGD1.25. AREIT (SGD2.79, BUY, TP SGD3.00) remains our top industrial S-REIT pick.

Revenue & NPI up on Tsing-Yi acquisition

3Q18's growth was spearheaded by its Tsing-Yi acquisition, with Hong Kong revenue and NPI up 39-44% YoY and QoQ. This offset three divestments - two in Japan and one in Singapore - completed in 2Q, and redevelopment downtime at 76 Pioneer Road and Ouluo Logistics Centre. Portfolio occupancy rose QoQ from 95.8% to 96.2%, with all countries reporting stability or improvements except for Singapore. This was due to the redevelopment work that was only completed in Nov 2017. Occupancy at 76 Pioneer Road is expected to rise from 55% to 70% in the coming quarters. Portfolio rental reversion was +2%, mainly on its Hong Kong and Vietnam properties, at +3% and +5% respectively.

Some divestments, then more deals

Aggregate leverage rose QoQ from 33.7% to 37.8%, after it earlier raised SGD640m to finance its Tsing-Yi deal which was completed in Oct 2017. MLT has completed all its re-financing needs for FY19. Its divestment of 7 Tai Seng Drive is pending regulatory approval, likely in 1Q19, while Senai-UPS was completed on 11 Jan 2018. They should help raise SGD68.0m/SGD9.2m. However, the divestment proceeds could likely fund potential deals in the next 3-6 months, as management sees an active acquisition pipeline from its sponsor and third parties. MLT's HKD610m (SGD103.7m) acquisition of the remaining 38% of Shatin No.3 would result in a repositioning of the asset, which management estimates could take 9-12 months at HKD30m, to eventually yield 5%.

FYE Mar (SGD m)	FY16A	FY17A	FY18E	FY19E	FY20E
Revenue	350	373	404	449	460
Net property income	291	312	340	385	394
Core net profit	202	171	232	266	273
Core EPU (cts)	8.5	8.5	8.9	7.9	8.0
Core EPU growth (%)	(19.8)	0.8	4.5	(11.8)	1.5
DPU (cts)	7.4	7.4	7.7	8.0	8.2
DPU growth (%)	(1.6)	0.8	3.6	4.4	1.6
P/NTA (x)	1.3	1.2	1.3	1.3	1.2
DPU yield (%)	5.5	5.5	5.7	6.0	6.1
ROAE (%)	7.3	7.0	7.5	6.8	6.7
ROAA (%)	4.0	3.1	3.9	4.2	4.2
Debt/Assets (x)	0.40	0.38	0.39	0.38	0.37
Consensus DPU	-	-	7.7	7.9	8.0
MKE vs. Consensus (%)	-	-	0.4	1.9	2.0

Chua Su Tye
 chuasutye@maybank-ke.com.sg
 (65) 6231 5842

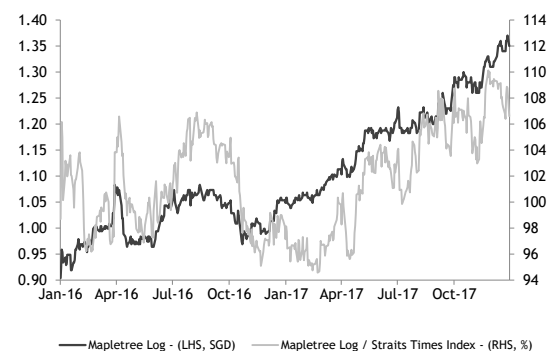
Statistics

52w high/low (SGD) 1.37/1.04
 3m avg turnover (USDm) 6.2
 Free float (%) 60.4
 Issued shares (m) 3,057
 Market capitalisation SGD4.1B
 USD3.1B

Major shareholders:

Temasek Holdings Pte Ltd. (Investment Co) 39.4%
 The Vanguard Group, Inc. 1.4%
 Norges Bank Investment Management 0.9%

Price Performance



	-1M	-3M	-12M
Absolute (%)	3	9	28
Relative to index (%)	(2)	2	9

Source: FactSet

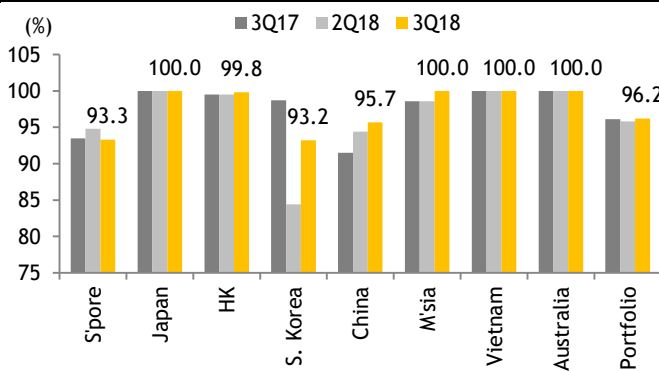
Fig 1: Results summary

FYE 31 Mar	3Q17 (SGD m)	2Q18 (SGD m)	3Q18 (SGD m)	Change (% YoY)	Change (% QoQ)	YTD18 (SGD m)	% of FYE	FY18E (SGD m)
Gross revenue	95.5	93.7	98.2	2.8	4.8	287.7	66.9	429.8
Property expenses	(15.6)	(15.0)	(15.2)	(2.8)	1.5	(45.1)	75.6	(59.7)
Net property income	79.9	78.7	83.0	3.9	5.5	242.6	65.5	370.1
Borrowing costs	(12.5)	(12.5)	(13.9)	11.2	10.7	(39.3)	74.8	(52.5)
Distributable income to unitholders	46.8	55.0	58.3	24.5	5.9	160.5	73.9	217.3
Distribution per unit (SGD cts)	1.87	1.89	1.91	2.0	1.1	5.68	72.7	7.82
NAV per unit (SGD)	1.03	1.03	1.05					
Aggregate leverage (%)^	38.7	33.7	37.8	(90)	410			
All-in financing cost (%)^	2.3	2.3	2.3	0	0			
Occupancy (%)^	96.1	95.8	96.2	10	40			
Rental reversion (%)^	2.0	1.4	2.0					
NPI margin (%)^	83.6	84.0	84.5	90	51			

^Change in basis points

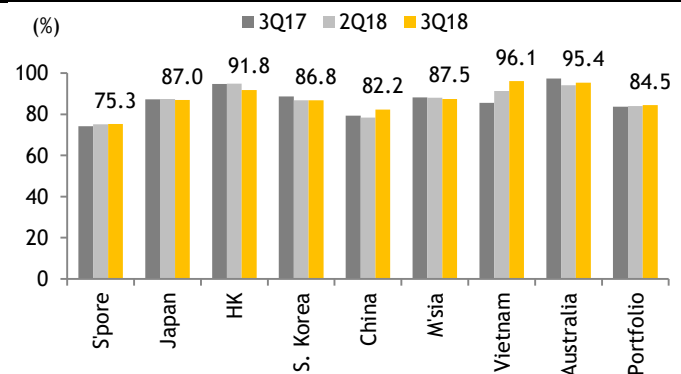
Source: Company data, Maybank Kim Eng

Fig 2: Occupancy was stable or improved except in Singapore, due to the redevelopment of 76 Pioneer Road



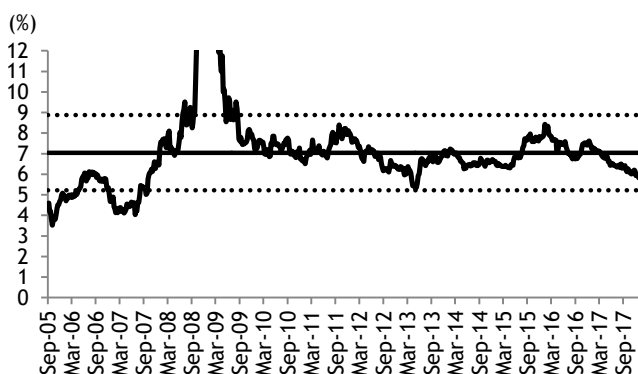
Source: Company data

Fig 3: NPI margins improved, except in Japan, Hong Kong and South Korea



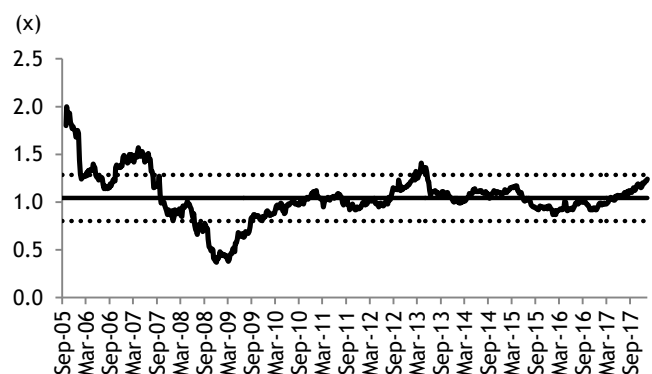
Source: Company data

Fig 4: Dividend yields



Source: Bloomberg, Maybank Kim Eng

Fig 5: P/BV



Source: Bloomberg, Maybank Kim Eng

Fig 6: Forecast changes

	FY18E (old)	FY19E (old)	FY18E (new)	FY19E (new)	FY18E (% change)	FY19E (% change)
Revenue (SGDm)	429.8	466.1	404.0	448.7	-6.0	-3.7
NPI (SGDm)	370.1	406.0	340.4	384.6	-8.0	-5.3
DPU (SGD)	7.8	7.9	7.7	8.0	-1.4	1.3

Source: Maybank Kim Eng

Fig 7: Valuation comparison

Company	Rating	Price (SGD)	TP (SGD)	Upside (%)	Yield (%)	Total return (%)	MC (SGD b)	ADTV (SGD m)	Free Float (%)	BVPS (SGD)	P/BV (x)	Dividend yield (%)				Gearing (D/A) (%)
												16	17E	18E	19E	
Retail							13.9	29.2			1.04	5.6	5.5	5.6	5.7	31
CapitaLand Mall (CMT)	Hold	2.07	2.15	3.9	5.4	9.2	7.3	22.5	63	1.95	1.06	5.4	5.4	5.4	5.4	35
Frasers Ctr Trust (FCT)	Buy	2.30	2.45	6.5	5.4	11.9	2.1	2.2	58	2.03	1.13	5.1	5.2	5.4	5.6	30
Starhill Global REIT	Sell	0.78	0.70	(10.3)	6.4	(3.9)	1.7	2.4	63	0.92	0.85	6.7	6.3	6.4	6.5	35
SPH REIT	Hold	1.05	1.00	(4.8)	5.4	0.6	2.7	2.0	25	0.94	1.11	5.2	5.3	5.4	5.4	26
Retail & Office							10.6	19.3			1.12	4.9	5.0	4.9	5.0	36
Suntec REIT	Hold	2.19	1.89	(13.7)	4.4	(9.3)	5.8	12.2	79	2.12	1.03	4.6	4.6	4.4	4.4	36
Mapletree Comm. (MCT)	Sell	1.66	1.45	(12.7)	5.4	(7.2)	4.8	7.1	66	1.37	1.21	5.2	5.4	5.4	5.6	36
Office							13.9	29.4			0.96	5.7	5.5	5.4	5.3	37
CapitaLand Comm. (CCT)	Hold	1.94	1.80	(7.2)	4.5	(2.7)	7.0	21.4	73	1.84	1.05	4.5	4.7	4.5	4.6	36
Keppel REIT	Hold	1.32	1.19	(9.8)	4.6	(5.2)	4.4	5.8	56	1.42	0.93	4.8	4.5	4.6	4.6	39
Frasers Comm. (FCOT)	NR	1.55					1.3	2.0	73	1.60	0.97	6.3	6.3	6.1	6.2	36
OUE Comm. (OUECT)	NR	0.75					1.2	0.2	17	0.85	0.87	7.0	6.2	6.2	5.9	36
Industrial							22.6	45.5			1.17	7.1	6.6	6.7	6.8	36
Ascendas REIT	Buy	2.79	3.00	7.5	6.1	13.7	8.1	21.8	80	2.12	1.31	5.7	5.9	6.1	6.3	34
Mapletree Ind. (MIT)	Buy	2.12	2.10	(0.9)	6.0	5.1	4.0	6.8	68	1.41	1.51	5.4	5.4	6.0	6.1	30
Mapletree Log. (MLT)	Hold	1.35	1.25	(7.4)	6.0	(1.4)	4.1	8.3	64	1.05	1.29	5.4	5.7	6.0	6.1	39
Cache Logistics Trust	Hold	0.88	0.90	2.3	7.0	9.3	0.9	1.5	100	0.72	1.23	8.4	7.5	7.0	7.2	36
Viva Industrial Trust	Buy	0.94	1.00	7.0	7.3	14.2	0.9	1.1	43	0.79	1.19	7.5	7.3	7.3	7.5	39
AIMS AMP	Buy	1.36	1.60	17.6	8.3	26.0	0.9	1.0	81	1.37	1.00	8.2	8.3	8.3	8.3	36
Keppel DC REIT	NR	1.47					1.7	2.6	65	0.96	1.53	4.2	5.0	5.2	5.4	28
ESR REIT	NR	0.58					0.8	0.7	69	0.71	0.82	7.2	6.7	7.1	7.2	38
Soilbuild BS REIT	NR	0.71					0.7	1.4	65	0.64	1.11	8.6	7.9	6.8	6.6	38
Sabana SC Ind. REIT	NR	0.42					0.4	0.5	78	0.57	0.73	10.0	n.a.	n.a.	n.a.	37
Hospitality & Residential							10.4	9.7			1.04	5.9	5.5	5.7	5.8	35
Ascott Residence Trust	NR	1.26					2.7	2.7	59	1.24	1.02	6.3	5.5	5.8	5.8	32
CDL HT (CDLHT)	NR	1.83					2.2	2.7	63	1.47	1.24	5.3	5.0	5.5	5.6	39
OUE HT (OUEHT)	NR	0.90					1.6	1.6	52	0.76	1.18	5.2	5.6	5.6	5.8	38
Far East HT (FEHT)	NR	0.75					1.4	1.1	41	0.89	0.83	5.8	5.3	5.5	5.8	33
Frasers HT	NR	0.82					1.5	0.8	39	0.82	1.00	6.9	6.1	6.1	6.1	34
Ascendas HT	NR	0.89					1.0	0.7	65	0.89	0.99	6.2	n.a.	n.a.	n.a.	33
Offshore REITs							14.8	17.8			1.03	7.0	6.8	6.7	6.9	33
Mapletree Greater China	NR	1.27					3.6	4.5	66	1.25	1.02	5.8	5.8	5.9	6.0	39
CapitaLand Retail China	NR	1.64					1.6	2.1	63	1.63	1.01	6.1	6.2	6.5	7.0	35
Fortune REIT (HKD)	NR	9.75					3.1	0.5	72	13.39	0.73	5.0	n.a.	n.a.	n.a.	28
Lippo Malls Ind. RT	NR	0.41					1.2	2.0	64	0.35	1.16	8.3	8.7	8.4	8.5	31
Manulife REIT (USD)	NR	0.96					1.3	2.8	95	0.84	1.14	6.0	5.9	6.4	6.6	30
Keppel_KBS US REIT	NR	0.92					0.8	n.a.	47	0.84	1.09	n.a.	n.a.	6.5	6.9	36
IREIT Global	NR	0.79					0.5	0.4	33	0.67	1.18	12.1	n.a.	n.a.	n.a.	41
BHG Retail REIT	NR	0.77					0.4	0.0	34	0.83	0.93	7.1	n.a.	n.a.	n.a.	32
Frasers Log. & Ind. (FLT)	NR	1.16					1.8	5.3	74	0.94	1.24	5.3	6.7	6.1	6.2	29
EC World REIT	NR	0.78					0.6	0.2	51	0.93	0.83	n.a.	7.7	n.a.	n.a.	29
Healthcare							2.9	3.1			1.57	5.0	5.3	5.2	5.3	34
Parkway Life REIT	NR	2.99					1.8	1.7	54	1.72	1.74	4.0	4.5	4.2	4.3	37
First REIT	NR	1.42					1.1	1.4	67	1.01	1.40	6.0	6.0	6.1	6.2	31
Total REITs							89	154			1.10	6.3	6.0	6.0	6.1	34
S-REIT yield spread																3.0
FSTREI Index																5.1
SGS 10Y bond yield																2.1

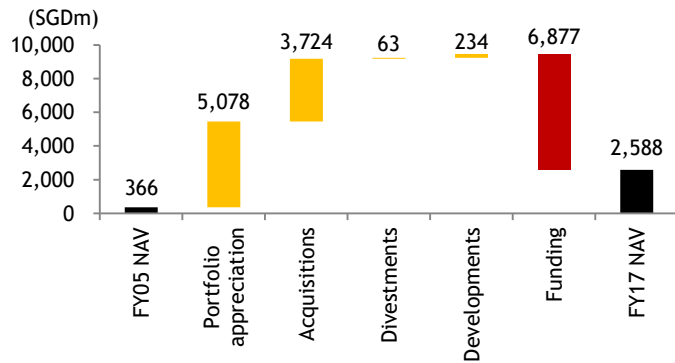
Prices as of 22 Jan 2018. NR = Not Rated.

Source: Bloomberg, FactSet, Companies, Maybank Kim Eng

Value Proposition

- Third largest industrial sector S-REIT, backed by sponsor Mapletree Investments, wholly-owned by Temasek Holdings.
- Portfolio has grown from 15 Singapore properties valued at SGD422m at IPO in 2005 to 124 logistics assets at end-Sep 2017 valued at SGD6.2b diversified across eight Asian geographies: Singapore, Hong Kong, China, Australia, Malaysia, South Korea, Japan and Vietnam.
- Has right-of-first refusal (ROFR) to 4.6m sqm development pipeline (about 1.3x current portfolio) from sponsor.

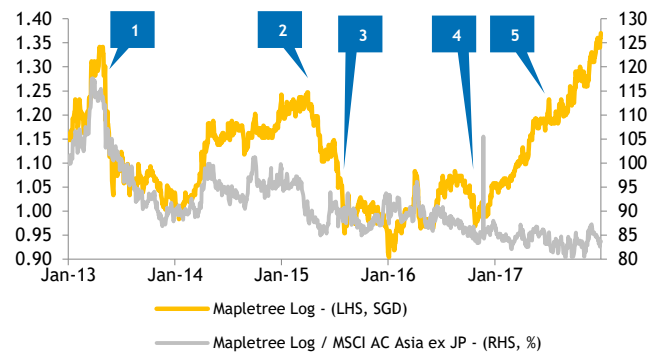
NAV growth (FY05-17)



Source: Company

Price Drivers

Historical share price trend



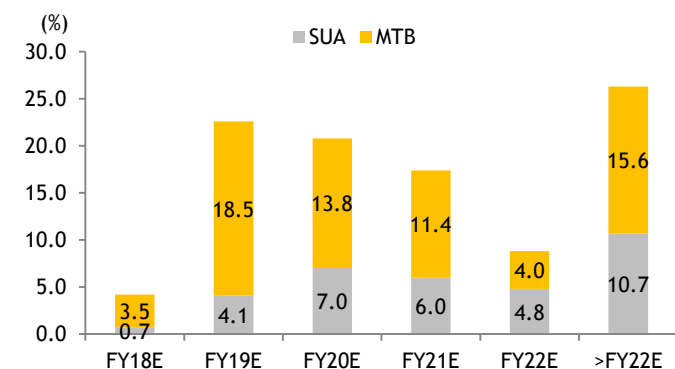
Source: Company, Maybank Kim Eng, Factset

- May-13: Market anticipates occupancy declines due to single-to-multi tenant conversions. 2Q13 also sees the start of a strong supply cycle that is set to end in 2016.
- Apr-15: Weak 4Q15 results with low occupancy reported at several newly converted Singapore MTBs, weaker JPY, and higher funding costs weighing on DPUs.
- Jun-15: Expanded into Australia with AUD253m acquisition of Coles Chilled Distribution Centre at 5.6% NPI yield.
- Jan-17: 3Q17 results highlighted improving Singapore occupancies with strong backfilling at 5B Toh Guan Road East (100% pre-committed).
- Aug-17: Announced its largest acquisition to-date - Mapletree Logistics Hub Tsing-Yi in HK for HKD4.8b (SGD832m) from its sponsor at 5.7% NPI yield.

Financial Metrics

- Recent acquisitions completed in Australia, Malaysia and Vietnam, and HK (Tsing-Yi Logistics Hub was completed on 12 Oct 2017) to boost DPUs.
- NPI margins to stabilise over FY18-19, with further easing of SUA conversion pressures.
- Well-staggered lease expiry profile with WALE (by NLA) at 3.6 years.

Lease expiry profile (as of end-Dec 2017)



Source: Company, MKE

Swing Factors

Upside

- Earlier-than-expected pick-up in leasing demand for logistics space driving improvement in occupancy.
- Better-than-anticipated rental reversion trend.
- Accretive acquisitions.

Downside

- Prolonged slowdown in economic activity could reduce demand for logistics space, resulting in lower occupancy and rental rates.
- Termination of long-term leases contributing to weaker portfolio tenant retention rate.
- Significant volatility in AUD, JPY, MYR, and KRW could impede hedging efforts and impact DPU estimates.
- Sharper-than-expected rise in interest rates could increase cost of debt and negatively impact earnings, with higher cost of capital lowering valuations.

chuasutye@maybank-ke.com.sg

FYE 31 Mar	FY16A	FY17A	FY18E	FY19E	FY20E
Key Metrics					
Price/DPU(x)	18.3	18.1	17.5	16.8	16.5
P/BV (x)	1.2	1.1	1.2	1.1	1.1
P/NTA (x)	1.3	1.2	1.3	1.3	1.2
DPU yield (%)	5.5	5.5	5.7	6.0	6.1
FCF yield (%)	6.9	7.6	7.5	7.7	7.9

INCOME STATEMENT (SGD m)

Revenue	349.9	373.1	404.0	448.7	459.6
Net property income	290.9	312.2	340.4	384.6	394.1
Management and trustee fees	(36.1)	(39.2)	(43.5)	(46.2)	(47.3)
Net financing costs	(44.0)	(48.7)	(53.1)	(57.1)	(59.4)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	44.8	41.9	38.1	0.0	0.0
Other pretax income/expenses	0.6	0.6	0.6	0.6	0.6
Pretax profit	235.4	252.8	282.5	282.0	287.9
Income tax	(25.8)	(40.2)	(34.2)	(39.5)	(40.3)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	1.0	2.0
Total return avail to unitholders	209.6	212.7	248.2	242.5	247.6
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
Distributable inc to unitholders	183.3	186.1	215.0	248.6	254.3

BALANCE SHEET (SGD m)

Cash & Short Term Investments	93.3	92.6	53.5	53.5	53.5
Accounts receivable	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	0.0	0.0	0.0	0.0	0.0
Investment properties	5,069.5	5,540.1	6,085.3	6,293.1	6,447.9
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	44.5	54.1	54.1	54.1	54.1
Total assets	5,207.4	5,686.7	6,192.9	6,400.7	6,555.5
ST interest bearing debt	0.0	0.0	0.0	0.0	0.0
Accounts payable	153.6	170.2	170.2	170.2	170.2
LT interest bearing debt	2,058.3	2,184.1	2,436.9	2,436.9	2,436.9
Other liabilities	116.9	142.8	142.8	142.8	142.8
Total Liabilities	2,328.9	2,497.0	2,749.8	2,749.8	2,749.8
Shareholders Equity	2,872.4	3,183.8	3,437.2	3,645.0	3,799.9
Minority Interest	6.0	5.8	5.8	5.8	5.8
Total shareholder equity	2,878.5	3,189.7	3,443.1	3,650.8	3,805.7
Total liabilities and equity	5,207.4	5,686.7	6,192.9	6,400.7	6,555.5

CASH FLOW (SGD m)

Cash flow from operations	231.0	255.4	284.0	321.6	329.6
Capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Acquisitions & investments	(389.4)	(359.9)	(932.1)	0.0	0.0
Disposal of FA & investments	0.0	0.0	0.0	0.0	0.0
Dividend income from associates	0.0	0.0	0.0	0.0	0.0
Other investing cash flow	0.6	0.6	0.6	0.6	0.6
CF from investing activities	(388.7)	(359.3)	(931.5)	0.6	0.6
Dividends paid	(168.4)	(175.0)	(215.0)	(248.6)	(254.3)
Interest expense	(42.1)	(46.0)	(53.1)	(57.1)	(59.4)
Change in debt	375.6	89.3	252.8	0.0	0.0
Equity raised / (purchased)	0.0	247.1	640.3	0.0	0.0
Other financial activities	(19.4)	(25.0)	(16.6)	(16.6)	(16.6)
CF from financing activities	145.8	90.4	608.4	(322.2)	(330.2)
Effect of exchange rate changes	(1.6)	0.0	0.0	0.0	0.0
Net cash flow	(13.5)	(13.5)	(39.0)	0.0	0.0

FYE 31 Mar	FY16A	FY17A	FY18E	FY19E	FY20E
Key Ratios					
Growth ratios (%)					
Revenue growth	6.0	6.6	8.3	11.1	2.4
Net property income growth	4.8	7.3	9.1	13.0	2.5
Core net profit growth	(0.8)	(15.5)	35.5	14.9	2.5
Distributable income growth	(0.9)	1.5	15.5	15.6	2.3
Profitability ratios (%)					
Net property income margin	83.1	83.7	84.3	85.7	85.7
Core net profit margin	57.8	45.8	57.3	59.3	59.4
Payout ratio	87.3	87.3	86.6	102.5	102.7
DuPont analysis					
Total return margin (%)	59.9	57.0	61.5	54.0	53.9
Gross revenue/Assets (x)	0.1	0.1	0.1	0.1	0.1
Assets/Equity (x)	1.8	1.8	1.8	1.8	1.7
ROAE (%)	7.3	7.0	7.5	6.8	6.7
ROAA (%)	4.0	3.1	3.9	4.2	4.2
Leverage & Expense Analysis					
Asset/Liability (x)	2.2	2.3	2.3	2.3	2.4
Net gearing (%) (excl. perps)	68.3	65.6	69.2	65.3	62.6
Net interest cover (x)	5.3	5.3	5.6	5.9	5.8
Debt/EBITDA (x)	8.8	8.4	8.2	7.2	7.0
Capex/revenue (%)	0.0	0.0	0.0	0.0	0.0
Net debt/ (net cash)	1,965.0	2,091.5	2,383.4	2,383.4	2,383.4
Debt/Assets (x)	0.40	0.38	0.39	0.38	0.37

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
Malaysia | Philippines | China
(603) 2297 8682
suhaimi_ilias@maybank-ib.com

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

LEE Ju Ye
Singapore
(65) 6231 5844
leejuye@maybank-ke.com.sg

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

Ramesh LANKANATHAN
(603) 2297 8685
ramesh.l@maybank-ib.com

FX

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

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

Leslie TANG
(65) 6320 1378
leslietang@maybank.com.sg

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

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

FIXED INCOME

Winson Phoon, ACA
(603) 2074 7176
winsonphoon@maybank-ib.com

Se Tho Mun Yi
(603) 2074 7606
munyi.st@maybank-ib.com

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

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

Adrian WONG
(603) 2297 8675 adrian.wkj@maybank-ib.com
• Constructions • Healthcare

Jade TAM
(603) 2297 8687 jade.tam@maybank-ib.com
• Media • Building Materials

Mohd Hafiz Hassan
(603) 2082 6819 mohdhafiz.ha@maybank-ib.com
• Small & Mid Caps

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

Nik Ihsan Raja Abdullah, MSTA, Cfte
(603) 2297 8694
nikmohdihsan.ra@maybank-ib.com

SINGAPORE

Neel SINHA *Head of Research*
(65) 6231 5838 neelsinha@maybank-ke.com.sg
• Strategy
• SMID Caps - Regional

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

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

Luis HILADO
(65) 6231 5848 luishilado@maybank-ke.com.sg
• Telcos

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

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

LAI Gene Lih
(65) 6231 5832 laigenetih@maybank-ke.com.sg
• Technology

HONG KONG / CHINA

Christopher WONG
(852) 2268 0652
christopherwong@kimeng.com.hk
• HK & China Properties

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

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

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

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

Ricky NG, CFA
(852) 2268 0689 rickyng@kimeng.com.hk
• Regional Renewables
• HK & China Properties

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

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

Bonny WENG
(852) 2268 0644 bonnyweng@kimeng.com.hk
• Technology - Regional

Tony REN, CFA
(852) 2268 0640 tonnyren@kimeng.com.hk
• Healthcare & Pharmaceutical

INDIA

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

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

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

Vishal PERIWAL
(91) 22 6623 2605 vishalperiwa@maybank-ke.co.in
• Infrastructure

INDONESIA

Isnaputra ISKANDAR *Head of Research*
(62) 21 8066 8680
isnaputra.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

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

PHILIPPINES

Minda OLONAN *Head of Research*
(63) 2 849 8840
minda_olonan@maybank-atrke.com
• Strategy

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

Luis HILADO
(65) 6231 5848 luishilado@maybank-ke.com.sg
• Telcos

THAILAND

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

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

Tanawat RUENBANTERNG
(66) 2658 6300 ext 1394
Tanawat.R@maybank-ke.co.th
• Banks & Diversified Financials

Ornmongkol TANTITANATORN
(66) 2658 6300 ext 1395
ormmongkol.t@maybank-ke.co.th
• Oil & Gas

Sukit UDOMSIRIKUL *Head of Retail Research*
(66) 2658 5000 ext 5090
Sukit.u@maybank-ke.co.th

Ekachai TARAPORN TIP *Deputy Head*
(66) 2658 5000 ext 1530
Ekachai.t@maybank-ke.co.th

Surachai PRAMUALCHAROENKIT
(66) 2658 5000 ext 1470
Surachai.p@maybank-ke.co.th
• Auto • Conmat • Contractor • Steel

Suttatip PEERASUB
(66) 2658 5000 ext 1430
suttatip.p@maybank-ke.co.th
• Media • Commerce

Sutthichai KUMWORACHAI
(66) 2658 5000 ext 1400
sutthichai.k@maybank-ke.co.th
• Energy • Petrochem

Termporn TANTIVIVAT
(66) 2658 5000 ext 1520
termporn.t@maybank-ke.co.th
• Property

Jaroanpan WATTANAWONG
(66) 2658 5000 ext 1404
jaroanpan.w@maybank-ke.co.th
• Transportation • Small cap

Sorabhol VIRAMETEEKUL *Head of Digital Research*
(66) 2658 5000 ext 1550
sorabhol.v@maybank-ke.co.th
• Food, Transportation

Wijit ARAYAPISIT
(66) 2658 5000 ext 1450
wijit.a@maybank-ke.co.th
• Strategist

VIETNAM

LE Hong Lien, ACCA
Head of Institutional Research
(84 28) 44 555 888 x 8181
lien.le@maybank-kimeng.com.vn
• Strategy • Consumer • Diversified

THAI Quang Trung, CFA,
Deputy Head, Institutional Research
(84 28) 44 555 888 x 8180
trung.thai@maybank-kimeng.com.vn
• Real Estate • Construction • Materials

LE Nguyen Nhat Chuyen
(84 28) 44 555 888 x 8082
chuyen.le@maybank-kimeng.com.vn
• Oil & Gas

NGUYEN Thi Ngan Tuyen,
Head of Retail Research
(84 28) 44 555 888 x 8081
tuyen.nguyen@maybank-kimeng.com.vn
• Food & Beverage • Oil & Gas • Banking

TRUONG Quang Binh,
Deputy Head, Retail Research
(84 28) 44 555 888 x 8087
binh.truong@maybank-kimeng.com.vn
• Rubber Plantation • Tyres & Tubes • Oil & Gas

TRINH Thi Ngoc Diep
(84 28) 44 555 888 x 8208
diep.trinh@maybank-kimeng.com.vn
• Technology • Utilities • Construction

NGUYEN Thi Sony Tra Mi
(84 28) 44 555 888 x 8084
mi.nguyen@maybank-kimeng.com.vn
• Port Operation • Pharmaceutical
• Food & Beverage

NGUYEN Thanh Lam
(84 28) 44 555 888 x 8086
thanhlam.nguyen@maybank-kimeng.com.vn
• Technical Analysis

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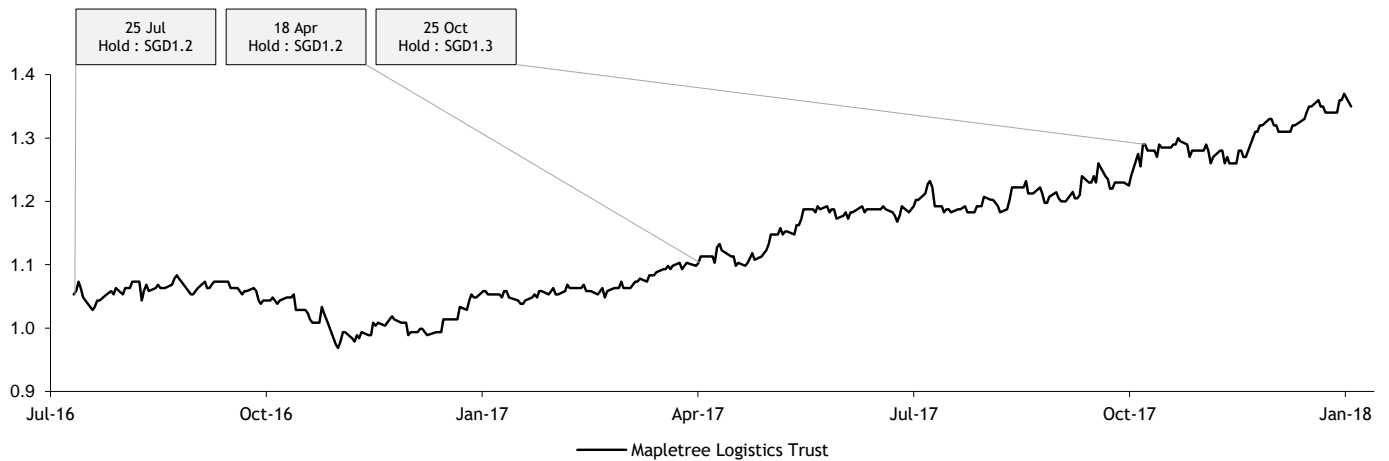
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Malaysia

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) 6636-3620
US Toll Free: 1-866-406-7447

Malaysia

Joann Lim
joann.lim@maybank-ib.com
Tel: (603) 2717 5166

Indonesia

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

New York

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

Vietnam

Patrick Mitchell
patrick.mitchell@maybank-kimeng.com.vn
Tel: (84)-8-44-555-888 x8080


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
28/F, Lee Garden Three,
1 Sunning Road, Causeway Bay,
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

London

Mark Howe
mhowe@maybank-ke.co.uk
Tel: (44) 207-332-0221

India

Sanjay Makhija
sanjaymakhija@maybank-ke.co.in
Tel: (91)-22-6623-2629

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