17 August 2011

AFFIN INVESTMENT BANK
KDN:PQ/PP1505(10251)

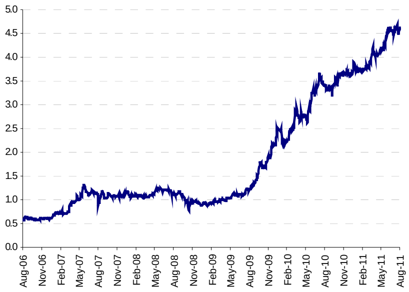
Company Update

KPJ Healthcare

KPJ MK
RM4.61

BUY (maintain)

Target Price: RM5.40 (↑)



Price Performance

	1M	3M	12M
Absolute	+2.9%	+10.6%	+29.9%
Rel to KLCI	+8.3%	+13.4%	+19.5%

Stock Data

Issued shares (m)	570.6
Mkt cap (RMm)	2,630.6
Avg daily vol - 6mth (m)	0.9
52-wk range (RM)	4.72 – 3.18
Est free float	23.6%
NTA per share (RM)	1.5
P/NTA (x)	3.1
Net cash/(debt) (RMm)(1Q11)	(223.5)
ROE (2011E)(%)	13.5
Derivatives	Yes
WARR 2015 (WP: RM2.66, SP: RM1.70)	

Key Shareholders

Johor Corp	41.7%
EPF	11.8%
Nomura Asset	8.9%
ASB	8.9%

Earnings & Valuation Revisions

	11E	12E	13E
Prev EPS (sen)	24.7	28.1	31.7
Curr EPS (sen)	24.8	30.0	33.0
Chg (%)	+0.4	+6.8	+4.1
Prev target price (RM)			5.07
Curr target price (RM)			5.40

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KPJIUC stepping in

Hospital plans

Management has guided that their target is: 1) to be present in every state. After KPJ's recent announcement to build a new hospital in Perlis, they are only absent in Melaka and Terengganu; and 2) to keep to their annual strategy of increasing their hospital network by at least 2 hospitals per annum. For 2H11, they expect to open the Pasir Gudang Specialist Hospital and Bandar Baru Klang Specialist Hospital. Going forward, the company is looking into expansion of their existing hospitals especially those which are already operating at full capacity (e.g. Puteri Specialist, Seremban Specialist, Ampang Puteri Specialist and Tawakal Specialist).

KPJ International University College (KPJIUC)

Recently, KPJ was awarded a University College (UC) status by the Ministry of Higher Education (MoHE) which allows KPJ to award its own in-house tailor made degrees. We have adjusted our FY11-FY13 earnings forecast to take into account of: 1) the UC status, which will allow KPJIUC to award its own higher value in-house degrees; 2) an increase in the number of programmes offered by the university college in the areas of health sciences, including the set up of its own medical school; and 3) an expansion of its campus capacity to accommodate 10,000 students by 2015.

Looking forward to the next quarter

Recap that the company's 1Q11 net profit performance were relatively flat qoq at RM27.5m. However, we believe net profit will pick up in the next quarter and meet our revised full year net profit forecast of RM133.7m (+12.4% yoy) underpinned by: 1) steady increase in KPJ's hospital network by at least 2 hospitals per annum, 2) increasing dependency in private health insurance; and 3) growing number of patients in tandem with a general increase in healthcare awareness and life expectancy. In addition, the company is venturing into new areas of growth such as 1) aged care facilities (Jeta Gardens Waterford); and 2) healthcare education (KPJ International University College), which should provide an additional kick to earnings particularly from FY12, after the college expansion.

Valuation still undemanding, maintain BUY

We have also adjusted our FY11-FY13 forecasts after tweaking our assumptions on inpatient and outpatient volume. Today, KPJ is trading at 15.4x CY12 PE, a 16.3% discount to peers. We maintain our BUY rating and lift our target price to RM5.40 (from RM5.07) based on an unchanged PE target of 18x pegged to CY12 EPS. Apart from its attractive valuations, we like KPJ for its growth potential. This is premised on: 1) a general increase in health awareness, 2) an increase in demand for medical services as life expectancy increases; and 3) an increase in demand for private health insurance.

Earnings and valuation summary

FYE Dec	2009	2010	2011F	2012F	2013F
Revenue (RMm)	1,456.4	1,654.6	1,836.1	2,071.5	2,252.1
EBITDA (RMm)	182.4	203.8	235.7	282.1	310.9
Pretax profit (RMm)	145.3	168.0	181.6	219.6	241.4
Net profit (RMm)	110.9	118.9	131.0	158.4	174.1
EPS (sen)	21.7	22.6	24.8	30.0	33.0
EPS growth (%)	30.7	4.3	10.0	20.9	9.9
PER (x)	21.3	20.4	18.6	15.4	14.0
Core net profit (RMm)	106.4	112.6	131.0	158.4	174.1
Core EPS (sen)	20.8	21.4	24.8	30.0	33.0
Core PER (x)	22.2	21.6	18.6	15.4	14.0
Net DPS (sen)	7.0	11.3	12.4	15.0	16.5
Net Dividend Yield (%)	1.5	2.4	2.7	3.3	3.6
EV/EBITDA (x)	14.2	12.9	11.5	9.7	8.9
Consensus profit (RMm)			135.6	163.8	179.7
Affin/Consensus (x)			1.0	1.0	1.0

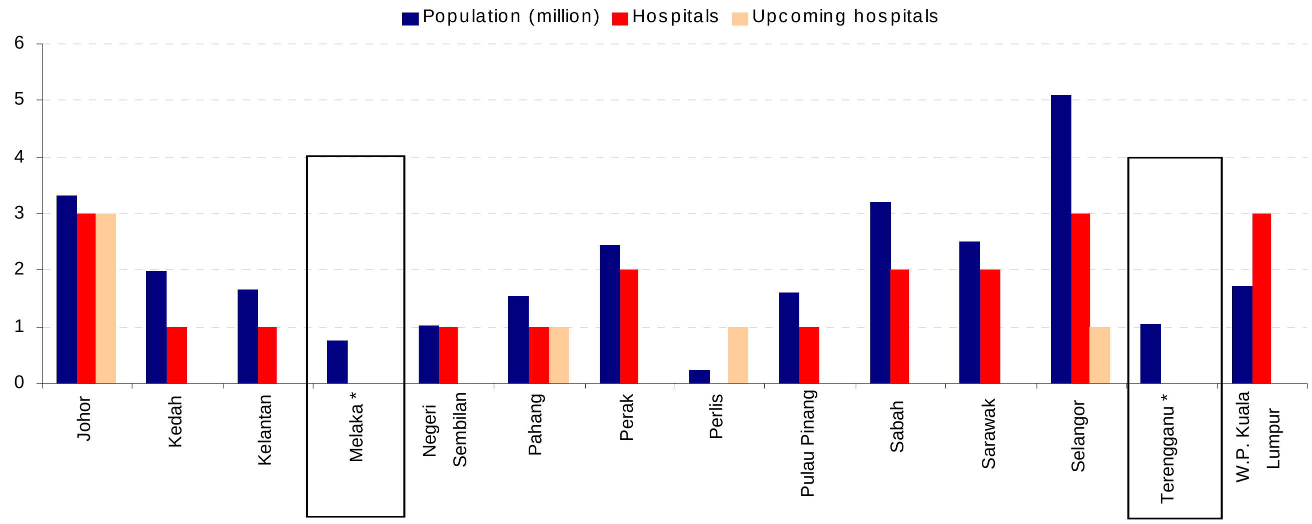
A new CFO, but a familiar face within KPJ

Recently, we met up with management and discussed KPJ's current operations as well as their outlook for 2H11. We met up with Puan Norhaizam (Group IR) and the new CFO, Mr Sahir Rahmat, who replaced Mr. Alvin Lee on July 1st, 2011. Mr. Sahir Rahmat has been attached with various KPJ hospitals since 1992.

A hospital in every state…..

During the meeting, management has guided that they would like: 1) to be present in every state, hence the new venture into Perlis; and 2) to continue with their strategy to increase their hospital base by at least 2 hospitals per annum. To date, there are 22 hospitals under the group, with a total bed facility of approximately 2,966 (grown by +3.1% YTD). In FY11, KPJ acquired Sibu Medical Centre and Sibu Geriatric and Health Nursing Centre for RM28.1m cash. The deal was completed on 6th of April 2011, and would contribute to KPJ's bottomline in 2QFY11 though impact is unlikely to be meaningful. Management also guided that the acquisition of the Pasir Gudang Specialist Hospital and Bandar Baru Klang Specialist Hospital will be completed in July 2011 and October 2011 respectively. Again, this will have a positive impact on KPJ's 2H11 earnings. Going forward, we expect new KPJ's hospitals in Johor (Muar and Bandar Dato' Onn), Pahang (Kuantan) and Perlis (Kangar) to open between 2012 to 2014. With the latter, the company is encroaching into a new geographical market. The increasing presence up north will allow KPJ to increase its share of foreign patience flow (currently at 8%) from Southern Thailand and Northern Sumatera.

Fig 1: Population and KPJ hospitals by state

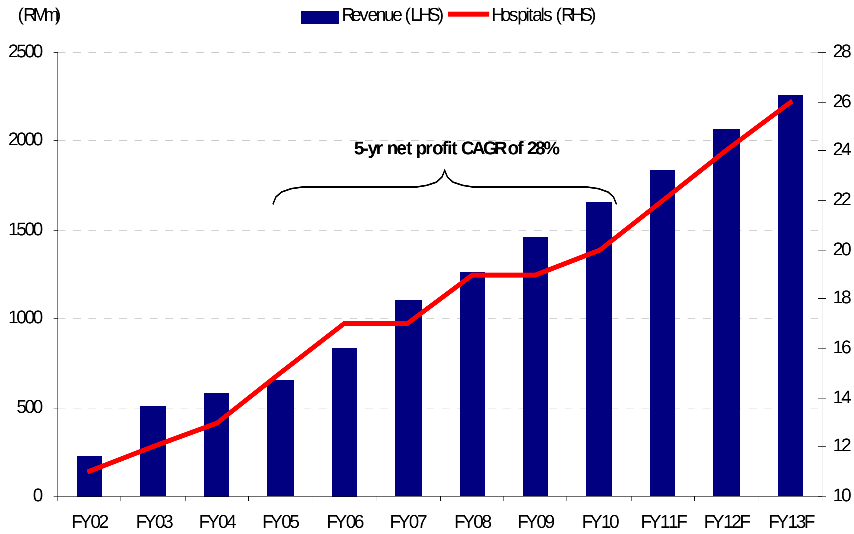


** States without a KPJ hospital*
Source: Company data, Department of Statistics

… but higher for more populated states

Although there are 3 existing KPJ hospitals in Selangor alone – i) KPJ Damansara Specialist Hospital (Petaling Jaya), ii) KPJ Selangor Specialist Hospital (Shah Alam), and iii) KPJ Kajang Specialist Hospital (Kajang), we believe KPJ's focus on this state is critical since Selangor has the highest population in Malaysia at 5.1m as well as the increase in residential neighbourhoods which ties up with KPJ's strategy of being a community based hospital. Similarly, the company continues to increase its presence in Johor (c. 440 beds), given the state is the second most populous in Malaysia at 3.3m.

Fig 2: KPJ revenue and hospital base



Source: Company data, Affin estimates

Expansion of exisiting hospital capacity as well…

In addition to new hospitals, KPJ has made plans to expand the current capacity of their existing hospitals. As part of their expansion strategy, KPJ will study each plot of land as well as the surrounding area before it decides whether to build or acquire a new hospital. That said, the Sabah Medical Centre will be completed by end-2012 and KPJ will shift to the new 250-bed hospital located adjacent to its previous building, which was sold to the state government and renamed Queen Elizabeth Hospital 2. Other hospitals such as Puteri Specialist, Seremban Specialist, Tawakal Specialist and Ampang Puteri Specialist are operating at full capacity, and they are at the final stages of obtaining regulatory approval prior to their expansion programme. In most cases, expansions are considered a cheaper option for a hospital to increase their total bedding capacity since it largely consists of fitting up costs (i.e. equipping new wings and new levels) as oppose to higher expenditure incurred when building a new hospital (i.e. piling costs, etc.). We like KPJ's plans to increase its exposure in every state and to have a wide network of hospitals across the country.

Fig 3: Upcoming KPJ hospitals

Hospitals	Estimated completion	Capacity (beds)
Pasir Gudang, **Johor**	Jul 2011	90
Bandar Baru Klang, **Selangor**	Oct 2011	200
Muar, **Johor**	End 2012	90
Kuantan (Tanjung Lumpur), **Pahang**	End 2013	120
Kangar, **Perlis**	End 2013	60
Bandar Dato' Onn, **Johor**	2014	400

Source: Company data

Fig 4: KPJ expansions

Hospitals
Sabah Medical Centre, **Sabah**
KPJ Tawakal Hospital, **KL**
KPJ Selangor Specialist Hospital, **Selangor**
KPJ Ampang Puteri Specialist Hospital, **KL**
KPJ Seremban Specialist Hospital, **Negeri Sembilan**
Puteri Specialist Hospital, **Johor**

Source: Company data

One of the largest hospital chain operators

There are a number of private healthcare providers in the market, such as Pantai Holdings (11 hospitals), Columbia Asia (8 hospitals) and Sime Darby Healthcare (5 hospitals). However KPJ remains one of the more dominant hospital operators with 20 hospitals across Malaysia and 2 in Jakarta, Indonesia. With regards to the anticipated listing of Pantai and Parkway under Integrated Healthcare Holdings (IHH), we estimate an EV/EBITDA of 26x for IHH (based on Parkway's FY10 reported EBITDA of S$222m and IHH's reported EV of RM14.6bn) - a 95% premium to KPJ's EV/EBITDA of 12.5x in FY10. The plan to list within the next 2 years as well as the high premium on the implied EV/EBITDA should sustain positive investor sentiment on the healthcare industry.

Indonesian hospitals

KPJ's two hospitals in Indonesia are centrally located in Jakarta. KPJ's strategy is to locate its hospitals within a residential area. Unfortunately, competition is tense in Indonesia and affordability for healthcare services is an issue as well. Eventhough the population of Jakarta is 9.6m (2010 Indonesian census), which is one-third of Malaysia's population of 28.3m, only 10-20% of the Jakarta population are able to afford these hospital services. Nevertheless, exposure to Jakarta is small. Although RS Bumi Serpong Damai is currently loss making, the RS Medika Permata Hijau has achieved a profit of approximately RM3.5m in FY10. KPJ expects the former to turn around within 3-4 years. For FY11, we continue to expect earnings contribution from Indonesia to remain insignificant.

And the last award goes to….

On July 25th 2011, KPJ was awarded the University College (UC) status by the Ministry of Higher Education (MoHE) which allows KPJ to award its own inhouse tailor made degrees in the healthcare field. This makes KPJ the 22nd private institution being awarded the University College status by Ministry of Higher Education. In addition, KPJ has received the approval from MoHE to set up its own medical school offering a Bachelor of Medicine and Bachelor of Surgery (MBBS) before the 5-year moratorium on new medical courses, which took effect in May 2011. Now, including KPJ, there are approximatley 33 institutions offering medical courses in Malaysia. Overall, we are positive on KPJ's expansion into the fairly lucrative education business.

Fig 5: Education sector margins comparison

	Share Price	Market Cap	Student	Revenue			PBT			PBT margin (%)		
	(RM)	(RMm)	Base	FY10	FY11E	FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
HELP	2.22	315	11,597	115.0	120.0	136.0	26.8	27.6	31.3	23.3	23.0	23.0
MASTERSKILL	1.71	701	18,399	316.3	358.6	400.6	125.3	138.2	152.0	39.6	38.5	37.9
SEGI	1.83	1,001	18,500	230.3	288.3	361.8	55.1	88.5	115.4	23.9	30.7	31.9
KPJIUC			2,500	30.0	30.0	100.0	5.1	5.1	15.0	17.0	17.0	15.0
Simple average			**12,749**	**172.9**	**199.2**	**249.6**	**53.1**	**64.9**	**78.4**	**26.0**	**27.3**	**27.0**

Source: Bloomberg, Company data, Affin estimates

Education margins are higher than healthcare

An appropriate comparison for KPJIUC would be Masterskill University College which largely concentrates on programmes within health sciences. As illustrated above, Masterskill is able to reap PBT margin of between 38-40% with a student base close to 19,000. Based on a student base of 5,000 by FY12, we expect KPJIUC to more than triple its current revenue but a lower PBT margins of 15-17%. This is a result of its lower student base (c. 5,000 students by FY12) compared to that of Masterskill. However, KPJ does have a fair advantage to Masterskill. Apart from branding, it has a string of hospitals to provide practical training along with potential job opportunities for its students.

A key growth driver in the years ahead

Currently, college contribution is minimal (c. 2% of group revenue). Going forward, we expect revenue from education to reach RM200m with a student base of 10,000 by FY15 once the Nilai campus is fully opened. We have adjusted our FY11-FY13 EPS forecast after modelling in higher contribution from the education segment due to: 1) the UC status, allowing KPJIUC to award its own in-house degrees (i.e. Bachelor's, Master's and PhD degrees). A KPJIUC-awarded degree will reep a higher profit margin compared to a degree that involves a partnership with a foreign university largely due to the royalty fee paid to the foreign partner, 2) an increasing number of programmes to be offered by the university college in the area of health sciences including the set up of its own medical school where revenue per student will likely exceed RM20,000 per annum; and 3) an expansion of its campus capacity to accommodate 10,000 students by 2015. By the end of its second phase (end-2012), the college will be be able to increase its capacity to 5,000 students, double its current capacity.

2QFY11 earnings preview

KPJ will release its 2QFY11 results by month end. We expect positive sequential earnings momentum in 2QFY11 as the first quarter has historically been the weakest quarter due to the festive season. We maintain our view that stronger earnings will materialize in the upcoming quarter driven by: 1) increase in the number of patients in tandem with the general increase in healthcare awareness and life expectancy; and 2) increase in new hospitals as well as expansion of existing hospital capacity.

Valuation still undemanding, maintain BUY

YTD, KPJ's share price has outperformed the market by 28%. The re-rating, in our view, is driven by the price discovery triggered by IHH's market newsflow and impending listing. Despite the strong share price performance, valuations are still undemanding, and trading at a 16.3% discount compared to its regional peers. We have adjusted our FY11-FY13 earnings forecasts to take into account: 1) higher than expected inpatient and outpatient volume in 2010, 2) increase in earnings from its education segment, 3) revised dividend payout assumption for FY11-13E; and 4) increase in associates contribution. We maintain our BUY rating with a higher target price of RM5.40 (from RM5.07) based on an unchanged PE target of 18x pegged to CY12 EPS. We like KPJ: 1) for their steady growth strategy of increasing its hospital base by 2 hospitals per annum, 2) for being the only locally listed hospital service provider; and 3) for expanding its education business.

Fig 6: Peers valuation table

Stock	Rating	Sh Pr	TP	Mkt Cap	Year	Core PE (x)		EPS growth (%)		EV/EBITDA	P/B	ROE (%)		Net Div. Yield (%)	
		(LC)	(LC)	(LC)	end	CY12	CY13	CY12	CY13	(x)	(x)	CY12	CY13	CY11	CY12
Bangkok Dusit *	NR	64.75	na	100,068	Dec	22.1	19.0	23.1	15.6	11.2	3.5	15.5	16.2	1.8	2.1
Bumrungrad Hospital *	NR	37.50	na	27,314	Dec	18.0	16.3	11.2	12.2	10.9	4.4	23.4	22.8	2.7	2.9
Bangkok Chain Hospital	NR	6.40	na	12,768	Dec	16.1	13.9	13.0	16.6	8.0	-	20.0	20.7	3.4	3.9
Raffles Medical Group *	NR	2.22	na	1,185	Dec	20.4	17.1	14.6	18.9	14.4	3.8	17.0	18.0	1.6	1.7
KPJ Healthcare	BUY	4.61	5.40	2,631	Dec	15.4	14.0	20.9	9.9	10.4	3.0	13.3	13.3	2.7	3.3
Simple average						**18.4**	**16.1**	**16.6**	**14.7**	**11.0**	**3.7**	**17.8**	**18.2**	**2.4**	**2.8**
Excluding KPJ						**19.1**	**16.6**	**15.5**	**15.8**	**11.1**	**3.9**	**19.0**	**19.4**	**2.3**	**2.6**

Source: Bloomberg, Affin estimates

Appendix A

Fig 7: Portfolio of hospitals

Hospitals

Peninsular Malaysia
KPJ Johor Specialist Hospital, **Johor**
Puteri Specialist Hospital, **Johor**
KPJ Kluang Specialist Hospital, **Johor**
Kedah Medical Centre, **Kedah**
Perdana Specialist Hospital, **Kelantan**
KPJ Ampang Puteri Specialist Hospital, **KL**
KPJ Tawakal Hospital, **KL**
Sentosa Medical Centre, **KL**
KPJ Damansara Specialist Hospital, **Selangor**
KPJ Selangor Specialist Hospital, **Selangor**
KPJ Kajang Specialist Hospital, **Selangor**
KPJ Seremban Specialist Hospital, **Negeri Sembilan**
Kuantan Specialist Hospital, **Pahang**
KPJ Penang Specialist Hospital, **Penang**
KPJ Ipoh Specialist Hospital, **Perak**
Taiping Medical Centre, **Perak**

East Malaysia
Kuching Specialist Hospital, **Sarawak**
Sibu Medical Centre, **Sarawak**
Kota Kinabalu Specialist Hospital, **Sabah**
Sabah Medical Centre, **Sabah**

Indonesia
RS Medika Permata Hijau, **Jakarta**
RS Bumi Serpong Damai, **Jakarta**

Source: Company data

Fig 8: YTD ETP progress update within healthcare

Date Announced	Projects	Description	NKEA	Potential Investment(RMbn)	GNI(RMbn)
11-Jan-10	Universiti Malaya Health Metropolis	Develop and position the Health Metropolis as Malaysia's premier medical hub	Healthcare	1.25	0.99
11-Jan-10	Hovid	Developing generic drugs	Healthcare		0.05
8-Mar-11	Diagnostic Services Nexus	Development of the Diagnostic Services Nexus (DSN), a teleradiology hub.	Healthcare	0.03	0.54
13-Jun-11	UCSI Group	To develop a 160-acre integrated premium health education cluster in Bandar Springhill, Port Dickson to promote the growth of the nation in education, health and research.	Healthcare	0.85	1.30
13-Jun-11	Sime Darby Medical Centre Ara Damansara	A 220-bed specialist hospital dedicated to the management and treatment of heart, brain, spine and joint diseases.	Healthcare	0.24	
13-Jun-11	Sime Darby Medical Centre ParkCity	A 330-bed hospital dedicated to comprehensive women's and children's healthcare.	Healthcare	0.04	
13-Jun-11	Biocon	An investment in the establishment of a state-of-the-art facility at BioXcell, a custom-built biotechnology park and ecosystem in Iskandar Malaysia, Johor.	Healthcare	0.50	1.97
	Total			**2.91**	**4.85**

Source: Pemandu

Fig 9: 1-yr forward rolling PE

Source: Company data, Affin estimates

FINANCIAL SUMMARY

Profit & Loss Statement

FYE 31 Dec (RMm)	2009	2010	2011E	2012E	2013E
Revenue	1456.4	1654.6	1836.1	2071.5	2252.1
Operating expenses	-1274.0	-1450.8	-1600.4	-1789.4	-1941.2
EBITDA	182.4	203.8	235.7	282.1	310.9
Depreciation	-46.4	-59.8	-65.3	-77.3	-88.1
EBIT	135.9	144.0	170.4	204.9	222.7
Net int income/(expense)	-14.1	-6.4	-14.1	-14.1	-14.1
Associates' contribution	18.9	30.4	25.3	28.8	32.8
Pretax profit	145.3	168.0	181.6	219.6	241.4
Tax	-30.5	-41.7	-45.1	-54.6	-60.0
Minority interest	-3.9	-7.3	-5.5	-6.6	-7.3
Net profit	110.9	118.9	131.0	158.4	174.1

Balance Sheet Statement

FYE 31 Dec (RMm)	2009	2010	2011E	2012E	2013E
Fixed assets	446.8	536.8	671.5	794.2	906.1
Other long term assets	395.5	487.8	487.8	487.8	487.8
Total non-current assets	**842.2**	**1,024.6**	**1,159.2**	**1,282.0**	**1,393.8**
Cash and equivalents	143.9	197.1	129.9	88.3	67.3
Stocks	29.7	41.6	46.2	52.1	56.6
Debtors	243.4	298.4	331.2	373.6	406.2
Other current assets	112.9	118.3	118.3	118.3	118.3
Total current assets	**529.9**	**655.5**	**625.5**	**632.4**	**648.4**
Creditors	260.7	308.1	341.9	385.7	419.4
Short term borrowings	66.0	362.7	362.7	362.7	362.7
Other current liabilities	29.7	54.1	54.1	54.1	54.1
Total current liabilities	**356.3**	**724.9**	**758.7**	**802.6**	**836.2**
Long term borrowings	302.8	36.7	36.7	36.7	36.7
Other long term liabilities	35.6	55.0	55.0	55.0	55.0
Total long term liabilities	**338.4**	**91.7**	**91.7**	**91.7**	**91.7**
Shareholders' Funds	**677.4**	**863.4**	**934.3**	**1,020.1**	**1,114.4**
Minority interest	**45.4**	**94.7**	**100.2**	**106.8**	**114.1**

Cash Flow Statement

FYE 31 Dec (RMm)	2009	2010	2011E	2012E	2013E
PBT	145.3	168.0	181.6	219.6	241.4
Depreciation & amortisation	46.4	59.8	65.3	77.3	88.1
Working capital changes	-23.3	-19.5	-3.5	-4.5	-3.5
Cash tax paid	-30.5	-41.7	-45.1	-54.6	-60.0
Others	-5.0	21.8	0.0	0.0	0.0
Cashflow from operation	132.8	188.3	198.3	237.7	266.0
Capex	-221.8	-227.5	-200.0	-200.0	-200.0
Others	158.4	28.1	0.0	0.0	0.0
Cash flow from investing	-63.3	-199.5	-200.0	-200.0	-200.0
Debt raised/(repaid)	2.0	31.4	0.0	0.0	0.0
Dividends paid	-31.6	-26.5	-65.5	-79.2	-87.1
Others	6.3	54.1	0.0	0.0	0.0
Cash flow from financing	-23.2	59.0	-65.5	-79.2	-87.1
Free Cash Flow	**-88.9**	**-39.3**	**-1.7**	**37.7**	**66.0**

Key Financial Ratios and Margins

FYE 31 Dec (RMm)	2009	2010	2011E	2012E	2013E
Growth					
Revenue (%)	14.9	13.6	11.0	12.8	8.7
EBITDA (%)	20.4	11.8	15.7	19.7	10.2
Core net profit (%)	30.2	5.9	16.4	20.9	9.9
Profitability					
EBITDA margin (%)	12.5	12.3	12.8	13.6	13.8
PBT margin (%)	10.0	10.2	9.9	10.6	10.7
Net profit margin (%)	7.6	7.2	7.1	7.6	7.7
Effective tax rate (%)	21.0	24.8	24.8	24.8	24.8
ROA (%)	8.1	7.1	7.3	8.3	8.5
Core ROE (%)	16.4	13.8	14.0	15.5	15.6
ROCE (%)	11.8	11.1	12.4	14.0	14.7
Dividend payout ratio (%)	33.6	52.7	50.0	50.0	50.0
Liquidity					
Current ratio (x)	1.5	0.9	0.8	0.8	0.8
Op. cash flow (RMm)	132.8	188.3	198.3	237.7	266.0
Free cashflow (RMm)	-88.9	-39.3	-1.7	37.7	66.0
FCF/share (sen)	-17.4	-7.5	-0.3	7.1	12.5
Asset management					
Debtors turnover (days)	61.0	65.8	65.8	65.8	65.8
Stock turnover (days)	10.4	13.2	13.2	13.2	13.2
Creditors turnover (days)	65.3	68.0	68.0	68.0	68.0
Capital structure					
Net gearing (%)	33.2	23.4	28.9	30.5	29.8
Interest cover (x)	8.1	10.6	12.0	14.5	15.7

Quarterly Profit & Loss

FYE 31 Dec (RMm)	1Q10	2Q10	3Q10	4Q10	1Q11
Revenue	376.0	410.2	436.5	433.4	437.7
Operating expenses	-324.3	-356.3	-379.2	-381.6	-381.0
EBITDA	51.8	53.9	57.2	51.8	56.7
Dep & Amort	-14.0	-13.5	-15.5	-16.4	-16.9
Exceptional Items	-0.1	0.0	0.0	6.5	1.1
EBIT	37.6	40.4	41.7	41.8	40.9
Net int income/(expense)	-4.2	-4.4	-4.7	-4.4	-5.3
Associates' contribution	4.7	5.3	6.1	6.9	6.0
Pretax profit	38.0	41.3	43.1	44.3	41.6
Tax	-9.3	-10.2	-9.9	-9.9	-10.2
Minority interest	-1.5	-1.9	-3.0	-3.6	-3.8
Net profit	27.2	29.2	30.2	30.8	27.5
Core net profit	27.4	29.2	30.2	24.4	26.4
Margins (%)					
EBITDA	13.8	13.1	13.1	12.0	13.0
PBT	10.1	10.1	9.9	10.2	9.5
Net profit	7.2	7.1	6.9	7.1	6.3

Source: Company data, Affin estimates

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +15% over a 12-month period
TRADING BUY (TR BUY)	Total return is expected to exceed +15% over a 3-month period due to short-term positive development, but fundamentals are not strong enough to warrant a Buy call. This is to cater to investors who are willing to take on higher risks
ADD	Total return is expected to be between 0% to +15% over a 12-month period
REDUCE	Total return is expected to be between 0% to -15% over a 12-month period
TRADING SELL (TR SELL)	Total return is expected to exceed -15% over a 3-month period due to short-term negative development, but fundamentals are strong enough to avoid a Sell call. This is to cater to investors who are willing to take on higher risks
SELL	Total return is expected to be below -15% over a 12-month period
NOT RATED	Affin Investment Bank does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation
OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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