Asian Equity Research — MALAYSIA

NOMURA

# Yu Neh Huat [YNHB MK]

## Plenty to build on

**As to be expected, growth at property developer Yu Neh Huat (YNH) is based on solid foundations. As the group increases its exposure to potentially lucrative plots in Klang Valley, existing projects in its home state of Perak will provide a stable earnings base — we estimate net profits of RM15-20m pa. This sets the stage for YNH to get the most from the impending launch of its two residential projects in Klang Valley and a commercial development in Ipoh. The competitive prices the company paid for these plots, and stringent cost controls, will help margins down the line. We forecast an FY03-06 EPS CAGR of 33%, against which PERs of 12x for FY04F and 9x for FY05F look compelling. We forecast dividend yields of 4% in FY04 and 5% in FY05, assuming a 50% payout. Pegging a 10% discount to our FD RNAV estimate of RM2.03/share gives fair value of RM1.83 per share. We initiate coverage with a BUY rating.**

**Landbanking skills.** The group has a landbank of 1,127 acres, which should underpin development efforts over the next 10 years. Most of this is in Perak, though the exposure to Klang Valley is growing fast. Through several savvy purchases in recent years, from Danaharta and other parties, the group looks well-placed to tap robust demand for housing/commercial properties in Klang Valley and Perak. Of particular interest are two projects in prime sites in Klang Valley, where property prices are on the rise.

**Share price catalysts?** As we see it, the share price should benefit from: 1) the forecast EPS CAGR of 33% over FY03-06; 2) further expansion in Klang Valley; 3) decent dividend yields; and 4) upside potential from our conservative margin assumptions. We also note that YNH is an under-researched stock, one that may progressively garner interest as its high-profile projects in Klang Valley are launched.

# BUY

Previous **Not Rated**

Price (11 March 2004)

**RM1.26**

Published date

**12 March 2004**

**Initiating Coverage**

Sector

**Property**

Key data

| | |
|---|---|
| Shares in issue (m) | **232.8** |
| Market capitalisation (US$m) | **77.2** |
| 12-month high/low (RM) | **1.33/1.08** |
| 1-month avg daily T/O (US$m) | **0.4** |
| FY04F BV/share (RM) | **1.27** |
| FY04F P/BV (x) | **1.0** |
| RNAV (RM/share) | **2.03** |
| Discount to RNAV (%) | **37.9** |
| Major shareholder (%) | |
| Yu family | **55.0** |
| Estimated free float (%) | **40.0** |


Analyst

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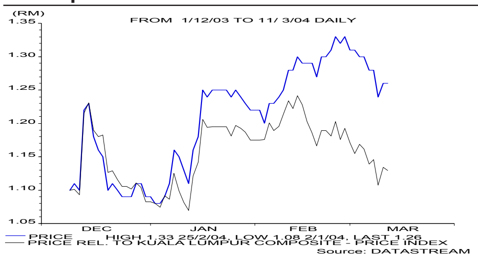
**Price performance chart**




| Price performance data | 1m | 3m | 1yr |
|---|---|---|---|
| Absolute (RM) | (1.6) | 14.5 | N/A |
| Absolute (US$) | (1.6) | 14.5 | N/A |
| Relative to KLCI | (9.1) | 3.7 | N/A |

| Net profit (RMm) | FY04F | FY05F | FY06F |
|---|---|---|---|
| Prev Nomura forecast | N/A | N/A | N/A |
| Change (%) | N/A | N/A | N/A |
| Consensus forecast | N/A | N/A | N/A |
| Variance (%) | N/A | N/A | N/A |

| Year-end 31 Dec | FY02 | FY03 | FY04F | FY05F | FY06F |
|---|---|---|---|---|---|
| Net profit (RMm) — ex exceptionals | 23.5 | 22.8 | 34.8 | 45.1 | 52.8 |
| EPS (sen) | 11.0 | 9.8 | 15.0 | 19.4 | 22.7 |
| FD EPS (sen) — ex exceptionals | 9.0 | 6.6 | 10.7 | 13.5 | 15.6 |
| FD EPS change (%) | 52.7 | (27.0) | 62.9 | 26.0 | 15.5 |
| FD PER (x) | 14.0 | 19.1 | 11.7 | 9.3 | 8.1 |
| Price/book (x) | N/A | 1.1 | 1.0 | 0.9 | 0.8 |
| EV/EBITDA (x) | N/A | 8.4 | 6.7 | 5.2 | 4.3 |
| Gross DPS (sen) | N/A | 5.0 | 5.4 | 6.8 | 7.8 |
| Yield (%) | N/A | 4.0 | 4.3 | 5.4 | 6.2 |


**Please read the important disclosures and analyst certifications on page 8.**

## Investment summary

*YNH is an established developer in Perak, with near-monopoly status in the district of Manjung*

**The base.** The growth trajectory at Yu Neh Huat (YNH) starts off with its established base in Perak, where the group has a near-monopoly status in terms of land ownership in key areas of the Manjung district, Perak. YNH has built a strong local reputation, completing more than 7,500 residential and commercial property units in Perak, with an estimated gross development value (GDV) of RM580m. We estimate its stock of undeveloped land in Manjung at 1,092 acres, with eight projects on the go (total gross development value of more than RM60m). We expect development profits from Perak will be stable (net profits of RM15-20m pa), a function of steady population growth in Perak and strong demand from the nearby naval base.

*Growth should be driven by new projects in Klang Valley and a commercial development in Perak*

**Growth opportunities.** But the real kicker comes from the new projects in the pipeline — two new residential projects in Klang Valley and a commercial development in Perak. The two parcels of land in Klang Valley were bought in 2002 and are in prime areas (plans are for a 238-unit condo at the site at Mont Kiara, and high-rise serviced apartments for the plot at Jalan Perak). While the area for these two parcels is less than five acres, the combined gross development value is seen exceeding RM300m, which should drive earnings for the coming five years. Management is securing all major approvals and plans to launch these two projects in the coming 12 months. On the 30.8 acres of prime commercial land in Ipoh, the group plans to launch 367 two- and three-storey shop / office units over FY04-05. The estimated gross development value for this project is RM200m, with EBITDA margins of 30-35%.

*Recent purchase of more land in Klang Valley offers more upside to forecasts*

On 5 March, 2004, the group said it had bought another parcel of land (1.5 acres) in Subang Jaya, Klang Valley, for RM5.5m. We have not built this project into our forecasts, given the limited details available. Nevertheless, there is possible upside to our FY05-06F numbers should YNH secure all necessary approvals and launch this project over the next 12 months.

*Operations in Perak and three new development projects seen driving FY03-06 EPS CAGR of 33%*

**Earnings.** We expect the three new projects to be launched in the next 12 months will drive a three-year EPS CAGR of 33%. YNH has managed to post EBITDA margins of about 30%, with stringent cost controls a factor here. We conservatively assume margins will be flat, but we note there is upside potential, with property prices in the Klang Valley and Perak on the rise.

*FY04F net gearing looks comfortable, at 34%*

**Financials.** Net gearing was 31% at end-FY03. We expect this will rise to 34% by end-FY04, reflecting the start of the new projects in the Klang Valley and the commercial project in Perak. We consider this gearing manageable, since forecast end-FY04 interest cover is a comfortable 25x. The financial position may strengthen further, on the possible issue of 85m *Bumiputera* shares, which we estimate would raise about RM104m. Should this issue be completed by end-FY04F, we estimate YNH would turn net cash.

*FY04F and FY05F PERs of 12x and 9x, respectively, versus forecast EPS growth of 63% y-y and 26% y-y*

**Valuation.** YNH looks attractively valued. FY04F and FY05F PERs of 12x and 9x, respectively, look compelling against forecast EPS growth of 63% y-y and 26% y-y. Moreover, based on our assumption of a dividend payout of 50%, we forecast yields of 4% in FY04 and 5% in FY05. The shares are trading at a 38% discount to our FD RNAV estimate of RM2.03/share. Assuming fair value at a 10% discount to this (a fairly narrow discount to account for the strong sector outlook and expectations for appreciating landbanks) gives our fair value estimate of RM1.83/share. This implies 45% upside, normally a Strong Buy under our rating system. However, some concerns (including rising building costs, possible delays in approvals and the issue of *Bumiputera* shares) have us initiating coverage with a BUY rating.

*Fair value — RM1.83/share*

## Operational overview

### Background

*Group listed in late 2003*

YNH was incorporated on 18 October, 2001, and was used as a special-purpose vehicle to assume the listing status of Techno Asia Holdings ahead of a debt restructuring exercise. Through this, YNH was listed on 9 December, 2003. The group's core activity is property development and construction. The group also manages a hotel, but this is non-core.

*YNH has completed more than 7,500 residential and commercial property units*

The group is 55%-owned and managed by the Yu family. The family has done business in Perak since 1987, having been involved in the construction industry before venturing into property development in 1989. Over the years, YNH has built up a strong local reputation, completing more than 7,500 residential and commercial property units, with an estimated gross development value (GDV) of RM580m. Priced below RM150,000/unit, its residential units have sold well, with a historical take-up rate of 99%.

### Perak base

*Steady earnings from Manjung district in Perak...*

YNH has near-monopoly status in the district of Manjung, Perak (a state in northern Malaysia). Its landbank is concentrated in and around three major towns: Sitiawan, Sri Manjung and Lumut. We estimate its stock of undeveloped land in Manjung at 1,092 acres. YNH has eight on-going projects in the district, with a total gross development value of more than RM60m. Of the 1,092 acres, 782 acres (72%) is at Manjung Point, which is poised to be its flagship development — a RM1.5bn township beside the Ipoh-Lumut highway. When completed, this self-contained township will have 10,000 residential, commercial and industrial units.

*...where YNH has 60-70% of the housing market and lots of landbank built up*

YNH's historical market share of the housing market in Manjung is 60-70%, and we believe its plan to launch 500 residential units and 100 shop / office units pa will be well received. Take-up for its projects in Perak has averaged 99%. Demand has been steady on several factors, chief of which is population growth. From 200,000 now, the population is expected to reach 250,000 in 2010, feeding through to housing demand of 1,800 units pa until 2010.

*Steady housing demand growth in Perak, on key infrastructure spending and the large naval base*

This population growth is driven by decent employment opportunities in Perak. First off are several key infrastructure projects such as the Janamanjung coal-fired power plant, the Naval Dockyards, Lumut Port, Lumut Industrial Estate and the Segari independent power plant (total estimated cost of more than RM20bn). Housing demand should also be underpinned by the Lumut Naval Base, which has a population of 30,000. Every year, the base recruits 500-1,000 new personnel, which require housing.

### New projects in Klang Valley / Perak

*New projects in Klang Valley to drive growth over the coming five years*

EPS growth should be underpinned by two new residential projects in Klang Valley and a commercial development in Perak. The two parcels of land in Klang Valley were bought in 2002 and are in prime areas. While the total area for the two parcels of land is less than five acres, the combined gross development value is seen exceeding RM300m, which should drive earnings for the coming five years. Management is securing all major approvals and plans to launch these two projects in the coming 12 months.

*First new project to be launched is serviced apartments near KLCC*

**Jalan Perak, Kuala Lumpur.** This 1.4-acre plot of development land is in the central business district (CBD) of Kuala Lumpur, within walking distance of the Kuala Lumpur City Centre (KLCC). The development will consist of high-rise serviced apartments and is expected to generate a gross development value of RM180m. The targeted launch for the project is 2Q04 or 3Q04, with substantial contributions from FY05. With a land cost of only RM443.7psf, we estimate this project should see EBITDA margins of at least 30%. This parcel was acquired in May 2002 from Danaharta (the national asset management company). We consider the price attractive, with development land in the vicinity of KLCC normally going for RM600-700psf.

*Condo at Mont Kiara should be launched in early 2005*

**Mont Kiara, Kuala Lumpur.** Another project is a condominium development in Mont Kiara, Kuala Lumpur. The plot of land is close to established areas (such as Bangsar and Damansara Heights), has good road links and comprehensive amenities. The site totals three acres and plans are to develop a 238-unit condominium. Gross development value is estimated at RM130m and we believe the launch will be in early 2005. YNH paid RM66psf for the land, which we consider reasonable: several plots in the vicinity have gone for RM80-140psf.

*More land in Klang Valley may boost our forecasts*

On 5 March, 2004, the group announced it had bought another parcel of land (1.5 acres) in Subang Jaya, Klang Valley, for RM5.5m. We have not built this project into our forecasts, given the limited details available. Nevertheless, there is possible upside to our FY05-06 numbers should YNH secure all necessary approvals and launch this project over the next 12 months.

*YNH also has strategic commercial land in Perak*

**Medan Ipoh, Perak.** YNH has 30.8 acres of prime commercial land in Ipoh, bought from Danaharta for RM19psf. The parcel is well located, close to a retail mall and hypermarkets such as Tesco and Makro. The group plans to launch 367 two- and three-storey shop / office units over FY04-05. The estimated gross development value for this project is RM200m and EBITDA margins are estimated at about 30-35%.

## Concerns

*Materials costs on the rise*

**Higher materials costs.** The rise in building costs is a concern, particularly for products made from steel. Management concedes this will take its toll, particularly in its new residential properties in Klang Valley, where high-rise construction requires a heavier steel content. That noted, steel comprises less than 10% of building costs and YNH is confident it can pass increases here along, given the strong demand for properties in Klang Valley.

*First move into new areas*

**First foray into new markets.** YNH is venturing into the Klang Valley market for the first time. Given the very “local” nature of property, some investors may be concerned about YNH’s grasp of this market. We note here that the group plans to set up a new marketing department in Klang Valley to improve visibility and sales. Moreover, given the the location of the two projects (in prime areas), we believe the developments will be well bid, both by local and foreign buyers (mainly from Singapore, but also Malaysians living abroad).

*Possible approval delays*

**Approval delays.** Another concern is possible delays in getting the necessary approvals may push back the launch of the new projects. We understand most of the approvals are in place, including the development orders. But to reflect this concern, we have conservatively factored in minimal earnings recognition from the Jalan Perak development in FY05.

*New shares to be issued*

**Overhang from *Bumiputera* issue?** Pursuant to its listing on the KLSE, the Foreign Investment Committee (FIC) has requested that YNH meet the minimum 30% *Bumiputera* equity interest. To comply, the group must issue 85.0m new *Bumiputera* shares by end-FY04. While this may result in a near-term share overhang, we believe the shares will be well taken up, reflecting the company’s solid fundamentals and the dividend yields on offer. Furthermore, these shares are unlikely to be issued at a steep discount to market, suggesting there will not be a snap round of profit-taking. A related example is LBS Bina, which saw its *Bumiputera* shares well absorbed. Assuming the shares are placed at a 5% discount to market would give a cash inflow of RM104m. The proceeds would likely go toward working capital requirements for the expected launches over the coming 12 months.

## Earnings outlook

*Historical EBITDA margins of 30%, with stringent cost controls a key factor*

While YNH's residential projects in Perak have usually been priced below RM150,000/unit, the group has posted EBITDA margins of about 30%, with stringent cost controls a key factor. The in-house building materials division sources materials for sub-contractors, while prompt cash payment terms to secure discounts also help keep the cost base low.

*Operations in Perak and three new development projects to drive FY03-06 EPS CAGR of 33%*

We forecast an FY03-06 EPS CAGR of 33%, backed by operations in Perak and the three new development projects. Development profits from its projects in Perak are expected to be stable (net profits of RM15-20m pa over our forecast horizon), a function of steady population growth in Perak and fairly predictable demand from the nearby naval base. While YNH's landbank in the Klang Valley is less than six acres, we expect gross development value will top RM300m, which should easily drive earnings over the next five years.

**Income statement**

| Year-end 31 Dec (RMm) | FY03 | FY04F | FY05F | FY06F |
|---|---|---|---|---|
| **Turnover** | **91.1** | **120.1** | **175.0** | **208.7** |
| Operating profit | 38.6 | 51.1 | 64.9 | 74.6 |
| Depreciation | (0.6) | (0.7) | (0.7) | (0.8) |
| Interest expense | (4.6) | (2.0) | (1.6) | (0.5) |
| Exceptional items | (22.7) | 0.0 | 0.0 | 0.0 |
| **Pre-tax profit** | **10.7** | **48.3** | **62.6** | **73.3** |
| Taxation | (10.7) | (13.5) | (17.5) | (20.5) |
| **Net profit** | **0.1** | **34.8** | **45.1** | **52.8** |
| Normalised net profit | 22.8 | 34.8 | 45.1 | 52.8 |
| | | | | |
| **Growth (%)** | | | | |
| Turnover | (12.1) | 31.7 | 45.8 | 19.3 |
| Pre-tax profits | 2.4 | 44.6 | 29.4 | 17.1 |
| Normalised net profits | (3.0) | 52.9 | 29.4 | 17.1 |
| | | | | |
| **Margins** | | | | |
| Pre-tax profits | 36.7 | 40.3 | 35.8 | 35.1 |

Source: Company data for historical numbers; Nomura Malaysia for estimates/forecasts

**Cashflow statement**

| Year-end 31 Dec (RMm) | FY03 | FY04F | FY05F | FY06F |
|---|---|---|---|---|
| Profit before tax | 33.4 | 48.3 | 62.6 | 73.3 |
| Depreciation & amortisation | 0.6 | 0.7 | 0.7 | 0.8 |
| Working capital changes | 0.0 | (33.5) | (16.7) | (12.7) |
| Taxes paid | (10.7) | (13.5) | (17.5) | (20.5) |
| Others | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total CFO** | **23.4** | **2.0** | **29.2** | **40.9** |
| | | | | |
| Capex | (4.0) | (5.0) | (5.0) | (5.0) |
| Others | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total CFI** | **(4.0)** | **(5.0)** | **(5.0)** | **(5.0)** |
| | | | | |
| Drawdown of bank loans | 0.0 | 0.0 | 0.0 | 0.0 |
| Repayment of bank loans | 0.0 | (10.0) | (10.0) | (10.0) |
| Share issue | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividends | (8.4) | (9.0) | (11.3) | (13.1) |
| Others | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total CFF** | **(8.4)** | **(19.0)** | **(21.3)** | **(23.1)** |
| | | | | |
| **Total cashflow** | **11.0** | **(22.0)** | **2.8** | **12.8** |

Source: Company data for historical numbers; Nomura Malaysia for estimates/forecasts

## Financial position

*FY04F net gearing looks comfortable, at 34%*

Net gearing was 31% at end-FY03. We expect this will rise to 34% by end-FY04, reflecting the start of the new projects in Klang Valley and the commercial project in Perak. We consider this gearing manageable, since forecast end-FY04 interest cover is a comfortable 25x. The financial position may strengthen further, on the possible issue of 85m *Bumiputera* shares, which we estimate would raise about RM104m. Should this issue be completed by end-FY04, we estimate YNH would turn net cash.

**Balance sheet**

| As at 31 Dec (RMm) | FY03 | FY04F | FY05F | FY06F |
|---|---|---|---|---|
| Fixed assets | 117.9 | 122.3 | 126.5 | 130.7 |
| Land & development expenditure | 161.1 | 169.2 | 177.7 | 186.5 |
| | | | | |
| Inventory | 4.0 | 5.3 | 7.7 | 9.2 |
| Land & development expenditure | 31.4 | 41.3 | 60.2 | 71.8 |
| Receivables | 87.4 | 115.1 | 120.8 | 126.9 |
| Cash & bank | 29.4 | 7.1 | 7.9 | 8.6 |
| Total current assets | 152.2 | 168.8 | 196.6 | 216.5 |
| Payables | 17.3 | 22.7 | 33.1 | 39.5 |
| Bank borrowings | 36.8 | 26.8 | 16.8 | 6.8 |
| Provision for tax | 2.6 | 3.5 | 5.1 | 6.1 |
| Others | 51.2 | 51.2 | 51.2 | 51.2 |
| Total current liabilities | 107.9 | 104.2 | 106.2 | 103.6 |
| Net current assets/(liabilities) | 44.3 | 64.6 | 90.5 | 112.9 |
| **Total assets** | **323.4** | **356.1** | **394.7** | **430.2** |
| | | | | |
| Share capital | 232.8 | 232.8 | 232.8 | 232.8 |
| Reserves | 37.1 | 62.9 | 96.7 | 136.4 |
| Shareholders' funds | 269.9 | 295.7 | 329.4 | 369.2 |
| Borrowings | 23.9 | 30.0 | 33.9 | 28.8 |
| Deferred tax | 29.6 | 30.5 | 31.4 | 32.3 |
| **Total liabilities** | **323.4** | **356.1** | **394.7** | **430.2** |

Source: Company data for historical numbers; Nomura Malaysia for estimates/forecasts

**Key financial ratios**

| Year-end 31 Dec | FY03 | FY04F | FY05F | FY06F |
|---|---|---|---|---|
| Current ratio (x) | 1.4 | 1.6 | 1.9 | 2.1 |
| Quick ratio (x) | 1.1 | 1.2 | 1.2 | 1.3 |
| Net debt to equity (x) | 30.5 | 34.0 | 28.5 | 21.1 |
| ROE (%) | 8.4 | 12.3 | 14.4 | 15.1 |
| Interest cover (x) | 3.3 | 24.7 | 39.8 | 131.9 |
| ROA (%) | 7.0 | 10.2 | 12.0 | 12.8 |
| ROCE (%) | 6.0 | 8.6 | 10.5 | 11.6 |

Source: Company data for historical numbers; Nomura Malaysia for estimates/forecasts

## Valuation

*FY04F and FY05F PERs of 12x and 9x, respectively, versus forecast EPS growth of 63% y-y and 26% y-y*

YNH looks attractively valued. FY04F and FY05F PERs of 12x and 9x, respectively, look compelling against forecast EPS growth of 63% y-y and 26% y-y. Based on our assumption of a dividend payout of 50%, we forecast yields of 4% in FY04 and 5% in FY05. Upside to our FY05-06 earnings forecasts should come from the develoment of the recently purchased parcel of land in Subang Jaya, Klang Valley, which we have not factored into our forecasts owing to a lack of details. Moreover, we note that our margin assumptions are conservative, since current strength in the property market in Klang Valley looks set to continue.

*Fair value — RM1.83/share*

The shares are trading at a 38% discount to our FD RNAV estimate of RM2.03/share. Assuming fair value at a 10% discount to this (a fairly narrow discount, to account for the strong sector outlook and expectations for appreciating landbanks) gives fair value of RM1.83/share.

**Revalued NAV**

| Landbank/existing projects | Land area (acres) | Mkt value (psf) | Mkt value (RMm) |
|---|---|---|---|
| Manjung Point, Perak | 703.5 | 10.00 | 306.4 |
| Manjung Point (industrial), Perak | 2.3 | 22.00 | 2.2 |
| Manjung Point (commercial), Perak | 2.3 | 88.00 | 9.0 |
| Taman Sejati, Sitiawan, Perak | 18.4 | 8.80 | 7.0 |
| Taman Sejati, Sitiawan, Perak | 1.8 | 55.00 | 4.4 |
| Taman Sejati, Sitiawan, Perak | 0.5 | 77.00 | 1.8 |
| Sitiawan | 3.0 | 55.00 | 7.2 |
| Kampong Lumut, Sitiawan, Perak | 26.5 | 8.80 | 10.2 |
| Sitiawan town | 1.0 | 55.00 | 2.4 |
| Commercial units in Sitiawan | | | 0.8 |
| Lumut Industrial Port | 5.9 | 16.50 | 4.3 |
| Lumut Industrial Port | 7.3 | 8.80 | 2.8 |
| Lumut Perak | 1.7 | 66.00 | 5.0 |
| Lumut, Perak | 2.4 | 22.00 | 2.3 |
| District Dinding, Manjung | 19.6 | 8.80 | 7.5 |
| Pengkalen Bharu, Perak | 16.2 | 8.80 | 6.2 |
| Completed residential in Ayer Tawar | | | 0.9 |
| Jalan Bercham Perak | 7.4 | 8.80 | 2.8 |
| Lumut town centre | 5.0 | 33.00 | 7.2 |
| Balance development land | | | 15.6 |
| Investment properties | | | 30.0 |
| | | | |
| **New projects** | | | |
| Mont Kiara, Kuala Lumpur | 3.1 | NPV | 34.9 |
| Jalan Perak, Kuala Lumpur | 1.0 | NPV | 74.6 |
| Medan Ipoh, Perak | 31.0 | NPV | 45.7 |
| | | | |
| **Total landbank value** | **860.1** | | **591.4** |
| | | | |
| Net current assets | | | 80.84 |
| Net debt | | | (85.6) |
| **Net asset value** | | | **586.6** |
| Share capital | | | 232.8 |
| | | | |
| Basic RNAV (RM) | | | 2.52 |
| **FD RNAV** (RM) | | | **2.03** |

Source: Nomura Malaysia

**Property peer comparison**

| | Bloomberg code | Price (RM) | Rating | PER (x) FY04F | PER (x) FY05F | RNAV (RM/share) | Discount to RNAV (%) | Dividend yield (%) FY04F | Dividend yield (%) FY05F |
|---|---|---|---|---|---|---|---|---|---|
| Glomac | GLMC MK | 2.91 | BUY | 15.8 | 12.2 | 3.11 | 6.4 | 3.4 | 4.1 |
| LBS Bina | LBS MK | 1.83 | BUY | 14.8 | 11.9 | 2.51 | 27.1 | 4.1 | 5.0 |
| SP Setia | SPSB MK | 4.20 | BUY | 17.1 | 13.6 | 5.69 | 26.2 | 2.9 | 3.7 |
| YNH | YNHB MK | 1.26 | BUY | 11.7 | 9.3 | 2.03 | 37.9 | 4.3 | 5.4 |

Source: Bloomberg, Nomura Malaysia

## IMPORTANT DISCLOSURES AND DISCLAIMERS:

**Analyst certifications:**

I, Andrew Chow, a research analyst employed by Nomura Advisory Services (Malaysia) Sdn Bhd, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed herein.

In addition, I hereby certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views that I have expressed in this research report.

**Price targets:**

Price targets, if discussed in this report, reflect in part the analyst's estimates for the company's earnings. The achievement of any price target may be impeded by general market and macroeconomic trends, and by other risks, and may not occur if the company's earnings fall short of estimate.

**Three-year stock price and rating history chart:**

For three-year daily stock-price charts of NSI-rated US and European large-cap pharmaceutical stocks recommended in this report, current as of the last calendar quarter and showing a distribution of investment ratings on all such US and European large-cap pharmaceutical stocks by rating category and investment banking relationship, please request the latest issue of Nomura publication "Three-year stock price charts and rating distribution." To request this publication, please contact H. Omiya, US Equity Sales Desk, Nomura Securities International, Inc., 2 World Financial Center, Building B, New York, New York 10281, Telephone: 212-667-9210, E-mail: homiya@us.nomura.com.

**The Nomura rating system**

- A rating of "1", or "**Strong buy**," indicates that the analyst expects the stock to outperform the Benchmark by 15% or more over the next six months.
- A rating of "2", or "**Buy**," indicates that the analyst expects the stock to outperform the Benchmark by 5% or more but less than 15% over the next six months.
- A rating of "3", or "**Neutral**," indicates that the analyst expects the stock to either outperform or underperform the Benchmark by less than 5% over the next six months.
- A rating of "4", or "**Reduce**," indicates that the analyst expects the stock to underperform the Benchmark by 5% or more but less than 15% over the next six months.
- A rating of "5", or "**Sell**," indicates that the analyst expects the stock to underperform the Benchmark by 15% or more over the next six months.

**Nomura sector opinion**

A "**Bullish**" stance, indicates that the analyst expects the sector to outperform the Benchmark during the next six months.

A "**Neutral**" stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next six months.

A "**Bearish**" stance, indicates that the analyst expects the sector to underperform the Benchmark during the next six months.

Benchmarks are as follows: **Japan**: TOPIX; **United States**: S&P 500; **Asia**, by region and class of stock-*Australia*: ASX All Ordinaries Index; *China*: Hang Seng Index; *Hong Kong*: Hang Seng Index, Hang Seng China Affiliated Corp Index, Hang Seng China Enterprises Index, HK Growth Enterprises Index; *Indonesia*: Jakarta Composite Index; *Korea*: Korea Composite Index, Kosdaq Composite Index; *Malaysia*: Kuala Lumpur Comp Index, Kuala Lumpur 2nd Board; *Singapore*: STI Index; *Taiwan*: Weighted Index, Taiwan Gre Tai Securities Market Index; *Thailand*: Stock Exchange of Thailand; **Europe**, by sector - *Biotech*: FTSE Techmark Mediscience; *Pharma*: FTSE W Europe Pharm & Biotec; *Software*: FTSE W Europe Software & CPU Services; *Hardware/Semiconductors*: FTSE W Europe IT Hardware; *Telecoms*: FTSE W Europe Telecom Services; *Transport & Logistics*: FTSE W Europe Transport (FTSE W US Cyclical SVS for UPS & FedEx); *Auto & Components*: FTSE AW Europe Auto & Parts; *Communications equipment*: FTSE W Europe IT Hardware.

Stocks labelled "Not rated" or shown as "No rating" are not in Nomura's regular research coverage.

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**Other important disclaimers:** **Additional information available upon request**