

ST Engineering (STE SP)

A Big LEAP

Making the biggest acquisition in its history

STE's proposed acquisition of 100% of MRAS from General Electric (GE US; USD12.68; NR) for USD630m on a cash-free, debt-free basis holds multiple positives in our view. The purchase will be earnings accretive immediately when closed in 1Q FQ2019. We raise FY19E/FY20E PATMI by 10%/9% to factor in the event and our DCF-based TP by 5% to SGD4.35 from SGD4.15 (WACC 8.1%; TGR 2% unchanged).

Key positives: strategic fit, growth, synergy

From roots in airframe, components and engine MRO, STE's aerospace business has been moving up the value chain with subsequent expansion to aircraft conversion and floor panel manufacturing (JV with Airbus [AIR FP; EUR106.20 NR]). This acquisition will enable STE to become more firmly embedded in the aircraft manufacturing chain with OEM capability and IP in nacelles and complex composites design (see p. 2 for MRAS description, products and growth outlook). MRAS should be a meaningful growth contributor from the onset as its balanced portfolio of next-gen and mature nacelle programmes includes the LEAP-1A engine that powers the new A320neo and is Airbus' new engine option for its A320 aircraft family. MRAS is the single-source contractor for these programmes. We also expect medium-term synergies with STE's existing global MRO business as MRAS could open doors for the LEAP family and other MRAS-nacelle-related engine aftermarket work with airlines currently not STE MRO customers.

Valuation moderate; funding not an issue

The USD630m debt-free, cash-free purchase price translates to a trailing 10x EBITDA and 1.2x revenue for the 12 months ending June-2018, and on a pro-forma basis MRAS would have contributed to an 11% profit uplift for 1H18 for STE (ignoring any funding costs). In comparison, pre-MRAS announcement, STE traded at a trailing 12.7x EBITDA and 1.5x revenue for the same period. Despite the size of the acquisition, STE should be able to comfortably fund the net consideration of cUSD440m (difference from USD630m base price due to under-funded pension liabilities and debt, etc.) through internally generated cashflow and borrowings. We forecast FY19E net gearing to increase from our earlier 15% estimate to a revised very manageable 38% level post this acquisition.

FYE Dec (SGD m)	FY16A	FY17A	FY18E	FY19E	FY20E
Revenue	6,684	6,619	7,030	8,783	9,504
EBITDA	718	770	903	1,150	1,271
Core net profit	550	528	565	719	789
Core EPS (cts)	17.6	16.9	18.1	23.0	25.3
Core EPS growth (%)	0.9	(4.0)	7.0	27.2	9.8
Net DPS (cts)	15.0	15.0	16.3	19.6	21.5
Core P/E (x)	18.3	19.3	19.5	15.3	14.0
P/BV (x)	4.1	4.0	4.3	4.1	3.9
Net dividend yield (%)	4.6	4.6	4.6	5.5	6.1
ROAE (%)	22.5	23.2	24.9	30.6	32.0
ROAA (%)	6.7	6.3	6.5	7.4	7.2
EV/EBITDA (x)	14.4	13.8	12.9	10.7	9.7
Net gearing (%) (incl perps)	0.2	5.2	14.0	38.0	34.3
Consensus net profit	-	-	546	596	633
MKE vs. Consensus (%)	-	-	3.5	20.6	24.7

Neel Sinha

neelsinha@maybank-ke.com.sg

(65) 6231 5838

BUY

Share Price	SGD 3.53
12m Price Target	SGD 4.35 (+23%)
Previous Price Target	SGD 4.15

Company Description

STE is an engineering conglomerate with business segments of Aerospace, Electronics, Land Systems, and Marine. It is also a major defence contractor.

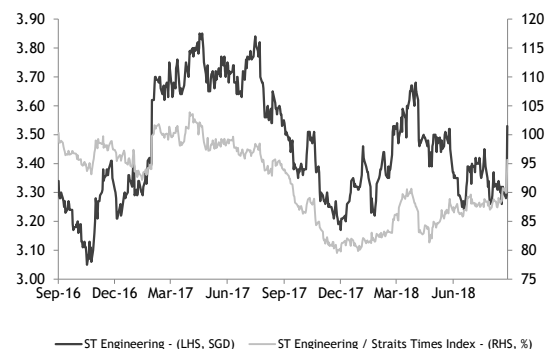
Statistics

52w high/low (SGD)	3.68/3.17
3m avg turnover (USDm)	9.2
Free float (%)	48.8
Issued shares (m)	3,109
Market capitalisation	SGD11.0B
	USD8.0B

Major shareholders:

Temasek Holdings Pte Ltd. (Investment Co)	49.8%
Aberdeen Asset Management (Asia) Ltd.	4.5%
Capital Research & Management Co. (Globa)	2.8%

Price Performance



	-1M	-3M	-12M
Absolute (%)	6	2	(1)
Relative to index (%)	9	9	1

Source: FactSet

About Middle River Aircraft Systems (MRAS)

Profile: Long history in the aviation industry

MRAS is an established Baltimore, US-based OEM of engine nacelle systems (i.e. housing/cowlings/jackets typically for engines or even SatCom equipment and weaponry, etc. that is separate from the aircraft fuselage) with a c90 year history in the aviation industry.

MRAS has a balanced nacelle portfolio of customers using mature/legacy engines as well as next-gen engines, all of which are single-source contracts.

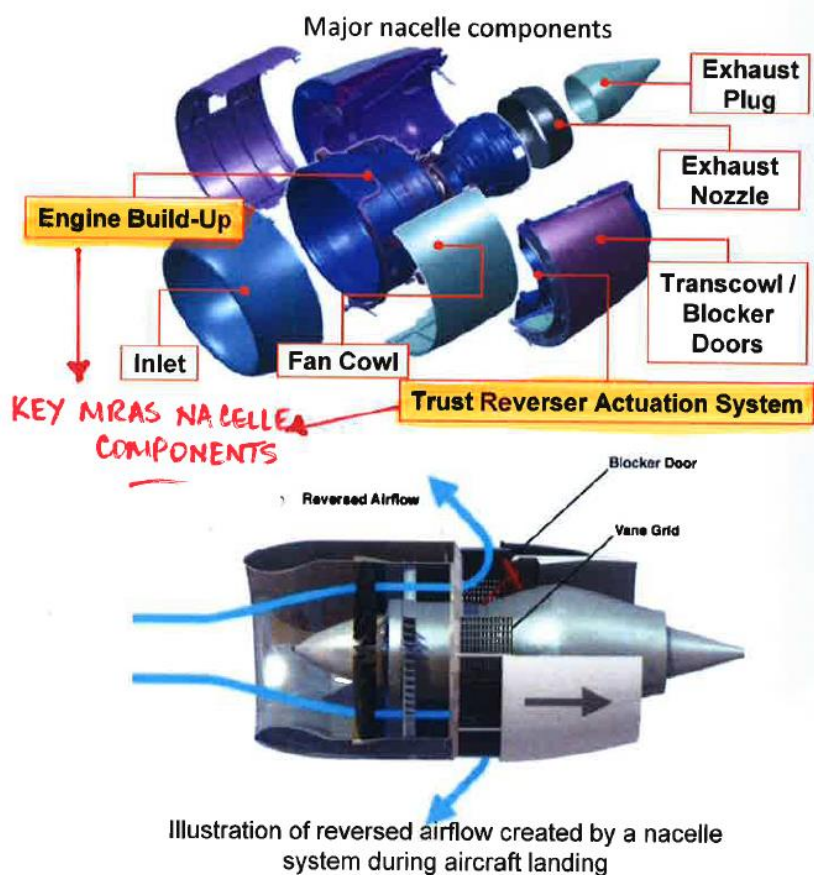
Current portfolio: Balanced next-gen and mature programmes

In our view MRAS' key next-gen nacelle programme with growth potential for the next 3-5 years is for the CFM's LEAP-1A engine that powers the A320neo and is Airbus' new engine option for its A320 aircraft family. CFM is a JV between GE and French aerospace company Safran (SAF FP; EUR118.05; NR).

MRAS' nacelle programmes for other engines that power commercial jets are:

- LEAP-1C (powers the COMAC C919 jetliner)
- CF34 (powers regional aircraft build by Embraer (ERJ US; USD18.41; NR) and COMAC).
- Passport (powers Bombardier's 7500 business aircraft),
- GEnx (used in Boeing 747-8) and,
- CF6 (broad-based used in many wide-body aircraft).

Fig 1: An aircraft engine nacelle system



MRAS nacelle components have higher wear-and-tear than external casing - potential for spares and aftermarket services for STE

Source: ST Eng

Growth: LEAP-1A programme has best growth outlook for 3-5 years

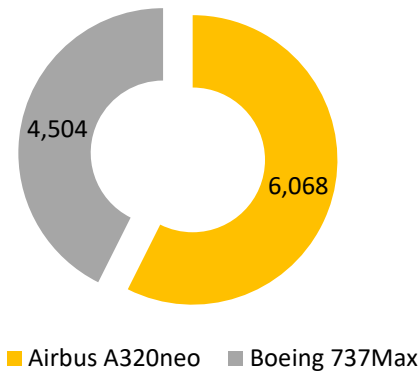
From MRAS’ current portfolio, we believe the LEAP-1A nacelle for the Airbus A320neo has the highest growth potential over the coming 3-5 years.

According to industry data as of June-2018, the total orders for A320neo stand at slightly over 6,000 aircraft, of which c2,300 have chosen the LEAP-1A engine and 2,150 are still unannounced (the rest have chosen a competitor’s engine, i.e. Pratt & Whitney GTF).

MRAS has delivered over 500 LEAP-1A engines so far.

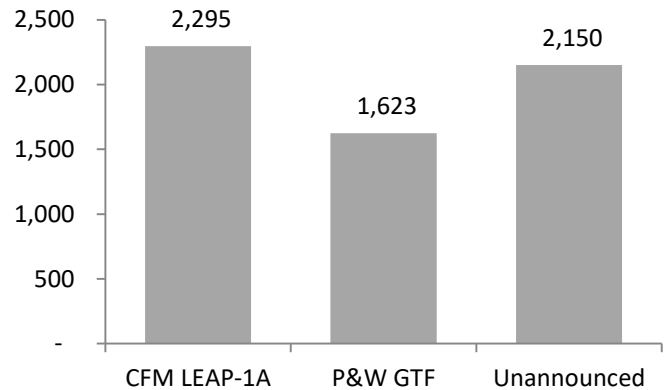
38% of A320neo backlog customers have chosen the LEAP-1A while c35% have yet to announce their engine choice

Fig 2: Next-gen narrowbody aircraft orders June 2018



Source: Flight Global’s Flight Fleet Analyser June 2018, ST Eng

Fig 3: Choice of engine for A320neo as of June 2018



Source: Flight Global’s Flight Fleet Analyser June 2018, ST Eng

Separately, Airbus is reportedly ramping up production given its record order backlog. According to STE, Airbus plans to scale up A320neo production from 55 to 63 units a month by mid-2019.

Meanwhile, for MRAS’ other new nacelle programs for LEAP-1C and CF34 engines, smaller commercial jets by Embraer and COMAC that use these engines have around a 1,200 aircraft backlog, according to industry reports cited by STE.

Forecast and valuation changes

Forecasts changes and key assumptions

Based on MRAS' past 12-month performance to June-2018, and the potential market size for A320neo nacelles, we raise our FY19E/FY20E PATMI by 10%/9% to factor in contributions from the MRAS acquisition (no change to FY18E).

Our PATMI revisions are on the back of 16.3%/17.5% revenue growth assumptions for the respective years (43.2%/46.8% for the aerospace division) and on the assumption MRAS' EBITDA margins will increase from c8.3% for the 12 months to June-2018 to 8.5%/9% for 2019F/2020F, respectively as the manufacturing operation benefits from economies of scale as production is ramped up. Beyond this period, we assume MRAS' manufacturing margins will peak at c12% by 2023 (unless another nacelle programme enters into a production ramp-up phase by then).

We have also assumed the LEAP-1A engine garners roughly half the market share of the 2,150 unannounced engine type of the A320neo order backlog as of June-2018.

We note that STE's aerospace division's EBITDA margins should decline with the absorption of the MRAS business given the difference in margin profile between service and manufacturing activity. We expect EBITDA aerospace margins to drop c150bps from the 15.3% level forecast for FY18E to around 13.7% in FY20E

Fig 4: Summary of P&L forecast changes

FYE Dec SGDm	NEW			OLD			% CHANGE		
	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F
- Aerospace	2,673	4,058	4,415	2,673	2,834	3,007	0.0	43.2	46.8
- Electronics	2,330	2,588	2,811	2,330	2,588	2,811	0.0	0.0	0.0
- Land Systems	1,304	1,386	1,494	1,304	1,386	1,494	0.0	0.0	0.0
- Marine	637	656	683	637	656	683	0.0	0.0	0.0
- Others	86	95	101	86	91	96	0.0	4.6	5.0
Revenue	7,030	8,783	9,504	7,030	7,555	8,091	0.0	16.3	17.5
COGS	(5,352)	(6,837)	(7,400)	(5,352)	(5,717)	(6,117)	0.0	19.6	21.0
Gross profit	1,678	1,946	2,105	1,678	1,838	1,975	0.0	5.9	6.6
SGA & others	(775)	(796)	(834)	(775)	(796)	(834)	0.0	0.0	0.0
EBITDA	903	1,150	1,271	903	1,042	1,141	0.0	10.4	11.4
Depr. & Amort.	(252)	(275)	(291)	(252)	(270)	(286)	0.0	1.9	1.8
EBIT	651	874	980	651	772	855	0.0	13.3	14.6
Interest income	34	38	44	34	35	38	0.0	8.4	16.9
Interest expense	(64)	(94)	(120)	(64)	(74)	(78)	0.0	28.3	54.9
Other items	40	41	42	40	41	42	0.0	0.0	0.0
Associate / JV profit	55	59	62	55	59	62	0.0	0.0	0.0
Pretax profit	717	917	1,007	717	832	918	0.0	10.2	9.6
Tax	(124)	(161)	(177)	(124)	(145)	(160)	0.0	11.1	10.4
Net profit	593	757	830	593	688	758	0.0	10.0	9.5
Minority interests	(24)	(28)	(38)	(24)	(28)	(32)	0.0	0.0	19.4
PATMI	565	719	789	565	656	724	0.0	9.6	8.9
Diluted EPS, cts	18.1	23.0	25.3	18.1	21.0	23.2	0.0	9.6	8.9
Price target		4.35			4.15			5	

Source: Maybank Kim Eng

We believe our MRAS contribution assumptions are conservative as:

- We have not assumed any major ramp-up of other programmes apart from the LEAP-1A nacelle.

- We have not assumed additional orders for the A320neo fleet beyond the backlog as at June-2018.
- We have not assumed any inflationary effect on MRAS pricing to customers.

Raise TP 5% to SGD4.35

The net impact of our forecast changes is a 5% increase in our DCF-based target price to SGD4.35 from SGD4.15. Our 8.1% WACC, 2% terminal growth rate for cashflows and long-term target net gearing of 20% are unchanged.

Specific risks of the MRAS acquisition

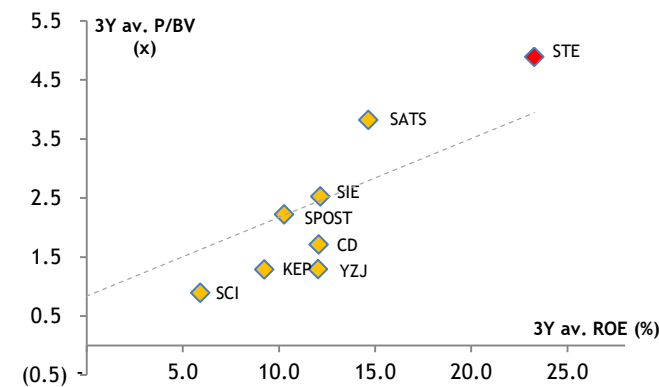
Apart from execution risk, which we think is limited given STE's long operating history, we believe the key market risks for STE are if MRAS were to lose its single-supplier status.

For example, in the event Safran, which is also involved with other nacelle components development and manufactures the LEAP-1A engine through its JV CFM, starts competing with MRAS.

Value Proposition

- STE has a c50 year history as Singapore’s primary defence contractor. In the past couple of decades it has successfully evolved its operations to tap the commercial marketplace and presently the split between commercial and defence derived revenues stands at roughly 65:35.
- The company’s operating divisions are aligned by aerospace, electronics, land systems and marine sectors.
- The value proposition it offers customers is the ability to leverage on a deep pool of engineering expertise across multiple sectors to deliver tailored solutions.
- STE is also one of the largest aerospace maintenance, repair and overhaul (MRO) providers in the world and the largest independent one with a network of 18 centres.

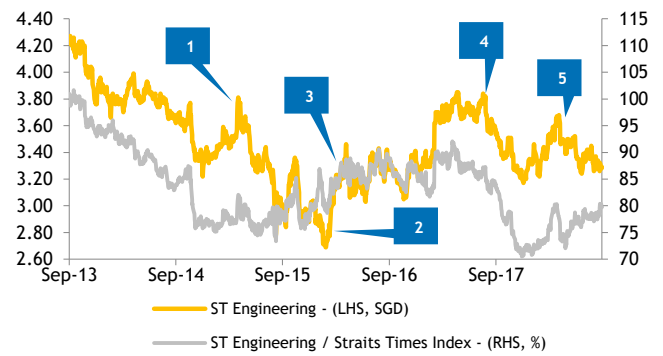
SG large-cap industrials historical P/BV vs. ROE



Source: FactSet

Price Drivers

Historical share price trend



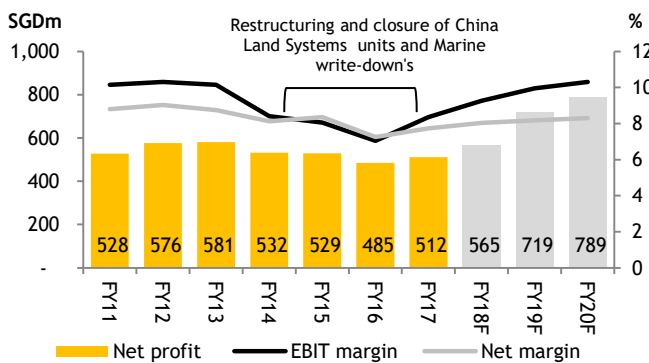
Source: Company, FactSet, Maybank Kim Eng

1. Guidance and growth outlook downgraded from demand slowdown and higher competition.
2. Multiple stock rating upgrades from the street.
3. Contract for refurbishment of five aircraft gets market excited about a turnaround in the Aerospace MRO sector - it hindsight this turns out to be a ‘false dawn’.
4. Earnings miss by c18% versus consensus with write-downs and restructuring costs. Management guidance muted.
5. US China trade war rhetoric gathers momentum.

Financial Metrics

- Two key factors drive our expectation of a blended margin recovery in FY18-FY20: growing higher-margin aerospace PTF contribution and a normalisation of margins in land systems and marine post one-off charges in FY16/FY17.
- Aside from improving margins, the key factors underpinning our 11% FY17-FY20F core PATMI CAGR forecast are aerospace and electronics orders and revenue growth, with marine relatively stable.
- We expect ROE to rebound from 23% in FY17A to c32% by FY20E, which should support a stock re-rating.

Further recovery ahead for profits and margins



Source: Company

Swing Factors

Upside

- Higher-than-expected PTF work from airlines upgrading their passenger fleets with cargo growth supportive.
- Better-than-expected margins if aircraft OEMs slow down their aftermarket expansion (as order books are full).
- A meaningful recovery in the marine business from a demand rebound for oilfield services vessels and specialised ship repair.
- Order book growth from US defence and infrastructure project wins, an area that STE has been pursuing but where large contracts have been elusive, thus far.

Downside

- Intensifying price competition in aerospace driven by smaller players struggling with excess capacity.
- Structural threat from aircraft OEMs like Boeing and Airbus becoming more aggressive in expanding in the aftermarket-MRO space.
- Above-norm adverse currency moves and currency volatility against STE’s SGD reporting currency as a large segment of revenue is denominated in foreign currencies.

FYE 31 Dec	FY16A	FY17A	FY18E	FY19E	FY20E
Key Metrics					
P/E (reported) (x)	20.4	21.7	19.5	15.3	14.0
Core P/E (x)	18.3	19.3	19.5	15.3	14.0
P/BV (x)	4.1	4.0	4.3	4.1	3.9
P/NTA (x)	7.1	7.1	6.8	8.7	7.8
Net dividend yield (%)	4.6	4.6	4.6	5.5	6.1
FCF yield (%)	nm	nm	nm	nm	nm
EV/EBITDA (x)	14.4	13.8	12.9	10.7	9.7
EV/EBIT (x)	22.0	19.1	17.9	14.1	12.6
INCOME STATEMENT (SGD m)					
Revenue	6,683.7	6,619.5	7,029.7	8,782.7	9,504.4
EBITDA	718.4	770.4	903.0	1,149.8	1,270.7
Depreciation	(195.7)	(183.6)	(218.4)	(242.1)	(257.8)
Amortisation	(51.6)	(33.3)	(33.3)	(33.3)	(33.3)
EBIT	471.1	553.4	651.3	874.4	979.5
Net interest income / (exp)	(12.0)	(18.0)	(29.3)	(56.5)	(76.4)
Associates & JV	63.8	49.3	55.3	58.6	62.1
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	67.8	38.7	39.7	40.7	41.8
Pretax profit	590.6	623.4	716.9	917.2	1,006.9
Income tax	(97.8)	(87.9)	(123.7)	(160.6)	(176.7)
Minorities	(8.3)	(23.5)	(28.3)	(37.8)	(41.2)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	484.5	511.9	564.9	718.7	789.0
Core net profit	550.0	528.2	564.9	718.7	789.0
BALANCE SHEET (SGD m)					
Cash & Short Term Investments	1,093.8	999.4	963.0	1,203.1	1,302.0
Accounts receivable	1,820.8	1,960.5	2,214.8	2,767.2	2,994.5
Inventory	1,898.3	1,764.3	1,829.6	2,285.9	2,473.7
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	1,670.1	1,719.4	1,851.9	2,061.1	2,104.1
Intangible assets	1,019.6	1,087.4	954.1	1,436.7	1,403.4
Investment in Associates & JVs	405.5	448.4	470.5	493.9	518.7
Other assets	456.9	494.0	494.0	494.0	494.0
Total assets	8,365.1	8,473.4	8,777.9	10,741.9	11,290.4
ST interest bearing debt	87.4	221.6	264.9	445.7	454.4
Accounts payable	1,750.9	1,716.6	1,846.4	2,300.3	2,481.4
LT interest bearing debt	1,012.3	910.0	1,059.6	1,782.6	1,817.6
Other liabilities	3,070.0	3,104.0	3,024.0	3,514.0	3,712.0
Total Liabilities	5,920.9	5,952.0	6,194.4	8,043.0	8,464.9
Shareholders Equity	2,182.3	2,240.0	2,296.5	2,404.3	2,522.6
Minority Interest	261.9	281.4	287.1	294.6	302.9
Total shareholder equity	2,444.2	2,521.4	2,583.5	2,698.9	2,825.5
Total liabilities and equity	8,365.1	8,473.4	8,777.9	10,741.9	11,290.4
CASH FLOW (SGD m)					
Pretax profit	590.6	623.4	716.9	917.2	1,006.9
Depreciation & amortisation	247.3	217.0	251.7	275.4	291.2
Adj net interest (income)/exp	12.0	18.0	29.3	56.5	76.4
Change in working capital	104.0	(38.3)	(305.9)	(100.7)	(53.1)
Cash taxes paid	(179.5)	(76.5)	(87.9)	(123.7)	(160.6)
Other operating cash flow	(29.7)	15.7	(44.7)	(53.7)	(57.8)
Cash flow from operations	742.8	758.7	558.5	969.7	1,102.2
Capex	(248.6)	(272.6)	(350.0)	(450.0)	(300.0)
Free cash flow	401.1	324.6	308.5	3.7	802.2
Dividends paid	(468.4)	(468.4)	(508.4)	(610.9)	(670.6)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(105.1)	31.9	192.9	903.8	43.7
Other invest/financing cash flow	38.6	(144.0)	70.7	(572.5)	(76.4)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(40.7)	(94.4)	(36.4)	240.1	98.9

FYE 31 Dec	FY16A	FY17A	FY18E	FY19E	FY20E
Key Ratios					
Growth ratios (%)					
Revenue growth	5.5	(1.0)	6.2	24.9	8.2
EBITDA growth	3.0	7.2	17.2	27.3	10.5
EBIT growth	(7.7)	17.5	17.7	34.3	12.0
Pretax growth	(6.3)	5.5	15.0	27.9	9.8
Reported net profit growth	(8.4)	5.7	10.3	27.2	9.8
Core net profit growth	0.9	(4.0)	7.0	27.2	9.8
Profitability ratios (%)					
EBITDA margin	10.7	11.6	12.8	13.1	13.4
EBIT margin	7.0	8.4	9.3	10.0	10.3
Pretax profit margin	8.8	9.4	10.2	10.4	10.6
Payout ratio	96.7	91.5	90.0	85.0	85.0
DuPont analysis					
Net profit margin (%)	7.2	7.7	8.0	8.2	8.3
Revenue/Assets (x)	0.8	0.8	0.8	0.8	0.8
Assets/Equity (x)	3.8	3.8	3.8	4.5	4.5
ROAE (%)	22.5	23.2	24.9	30.6	32.0
ROAA (%)	6.7	6.3	6.5	7.4	7.2
Liquidity & Efficiency					
Cash conversion cycle	107.7	109.5	107.9	101.3	108.6
Days receivable outstanding	95.2	102.8	106.9	102.1	109.1
Days inventory outstanding	130.5	124.5	115.4	104.2	111.4
Days payables outstanding	118.1	117.8	114.4	104.9	111.9
Dividend cover (x)	1.0	1.1	1.1	1.2	1.2
Current ratio (x)	1.3	1.2	1.3	1.2	1.2
Leverage & Expense Analysis					
Asset/Liability (x)	1.4	1.4	1.4	1.3	1.3
Net gearing (%) (incl perps)	0.2	5.2	14.0	38.0	34.3
Net gearing (%) (excl. perps)	0.2	5.2	14.0	38.0	34.3
Net interest cover (x)	39.2	30.7	22.2	15.5	12.8
Debt/EBITDA (x)	1.5	1.5	1.5	1.9	1.8
Capex/revenue (%)	3.7	4.1	5.0	5.1	3.2
Net debt/ (net cash)	5.9	132.2	361.5	1,025.2	970.0

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

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@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

(65) 6231 5831
winsonphoon@maybank-ke.com.sg

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

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, CFE

(603) 2297 8694
nikmohdihsan.ra@maybank-ib.com

SINGAPORE

Neel SINHA

Head of Research

(65) 6231 5838 neelsinha@maybank-ke.com.sg
• Strategy • Industrials
• 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

LAI Gene Lih

(65) 6231 5832 laigenelih@maybank-ke.com.sg
• Technology

HONG KONG / CHINA

Mitchell KIM

Head of Research

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

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

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

Tony REN, CFA

(852) 2268 0640 tonyren@kimeng.com.hk
• Healthcare & Pharmaceutical

Wendy LI

(852) 2268 0647 wendyli@kimeng.com.hk
• Consumer & Auto

INDIA

Jigar SHAH

Head of Research

(91) 22 6623 2632 jigar@maybank-ke.co.in
• Strategy • Oil & Gas • Automobile • Cement

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

Isnapura ISKANDAR

Head of Research

(62) 21 8066 8680
isnapura.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

Romel LIBO-ON

(63) 2 849 8844
romel_libo-on@maybank-atrke.com
• Property

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 • Services

Ornmongkol TANTITANATORN

(66) 2658 6300 ext 1395
ormmongkol.t@maybank-ke.co.th
• Power & Utilities • Infrastructure

Surachai PRAMUALCHAROENKIT

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

Ekachai TARAPORNITIP

Deputy Head

(66) 2658 5000 ext 1530
Ekachai.t@maybank-ke.co.th

Sutthichai KUMWORACHAI

Deputy Head

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

Suttatip PEERASUB

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

Temporn TANTIVIVAT

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

Jaroopan WATTANAWONG

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

Sorrbhol VIRAMETEEKUL

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

Wijit ARAYAPISIT

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

Kritsapong PATAN

(66) 2658 5000 ext 1310
kritisapong.p@maybank-ke.co.th
• Chartist

Apisit PATTARASAKOLKIAT

(66) 2658 5000 ext 1405
apisit.p@maybank-ke.co.th
• Chartist

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

APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

DISCLAIMERS

This research report is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. Investors should note that values of such securities, if any, may fluctuate and that each security's price or value may rise or fall. Opinions or recommendations contained herein are in form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from the relevant jurisdiction's stock exchange in the equity analysis. Accordingly, investors' returns may be less than the original sum invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Maybank Investment Bank Berhad, its subsidiary and affiliates (collectively, "MKE") and consequently no representation is made as to the accuracy or completeness of this report by MKE and it should not be relied upon as such. Accordingly, MKE and its officers, directors, associates, connected parties and/or employees (collectively, "Representatives") shall not be liable for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Any information, opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. MKE expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

MKE and its officers, directors and employees, including persons involved in the preparation or issuance of this report, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. One or more directors, officers and/or employees of MKE may be a director of the issuers of the securities mentioned in this report to the extent permitted by law.

This report is prepared for the use of MKE's clients and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of MKE and MKE and its Representatives accepts no liability whatsoever for the actions of third parties in this respect.

This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for distribution only under such circumstances as may be permitted by applicable law. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

Malaysia

Opinions or recommendations contained herein are in the form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from Bursa Malaysia Securities Berhad in the equity analysis.

Singapore

This report has been produced as of the date hereof and the information herein may be subject to change. Maybank Kim Eng Research Pte. Ltd. ("Maybank KERPL") in Singapore has no obligation to update such information for any recipient. For distribution in Singapore, recipients of this report are to contact Maybank KERPL in Singapore in respect of any matters arising from, or in connection with, this report. If the recipient of this report is not an accredited investor, expert investor or institutional investor (as defined under Section 4A of the Singapore Securities and Futures Act), Maybank KERPL shall be legally liable for the contents of this report, with such liability being limited to the extent (if any) as permitted by law.

Thailand

Except as specifically permitted, no part of this presentation may be reproduced or distributed in any manner without the prior written permission of Maybank Kim Eng Securities (Thailand) Public Company Limited. Maybank Kim Eng Securities (Thailand) Public Company Limited ("MBKET") accepts no liability whatsoever for the actions of third parties in this respect.

Due to different characteristics, objectives and strategies of institutional and retail investors, the research reports of MBKET Institutional and Retail Research Department may differ in either recommendation or target price, or both. MBKET Retail Research is intended for retail investors (<http://kelive.maybank-ke.co.th>) while Maybank Kim Eng Institutional Research is intended only for institutional investors based outside Thailand only.

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey may be changed after that date. MBKET does not confirm nor certify the accuracy of such survey result.

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, MBKET does not confirm, verify, or certify the accuracy and completeness of the assessment result.

US

This third-party research report is distributed in the United States ("US") to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Maybank Kim Eng Securities USA Inc ("Maybank KESUSA"), a broker-dealer registered in the US (registered under Section 15 of the Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Maybank KESUSA in the US shall be borne by Maybank KESUSA. This report is not directed at you if MKE is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Maybank KESUSA is permitted to provide research material concerning investments to you under relevant legislation and regulations. All U.S. persons receiving and/or accessing this report and wishing to effect transactions in any security mentioned within must do so with: Maybank Kim Eng Securities USA Inc. 400 Park Avenue, 11th Floor, New York, New York 10022, 1-(212) 688-8886 and not with, the issuer of this report.

UK

This document is being distributed by Maybank Kim Eng Securities (London) Ltd (“Maybank KESL”) which is authorized and regulated, by the Financial Conduct Authority and is for Informational Purposes only. This document is not intended for distribution to anyone defined as a Retail Client under the Financial Services and Markets Act 2000 within the UK. Any inclusion of a third party link is for the recipients convenience only, and that the firm does not take any responsibility for its comments or accuracy, and that access to such links is at the individuals own risk. Nothing in this report should be considered as constituting legal, accounting or tax advice, and that for accurate guidance recipients should consult with their own independent tax advisers.

DISCLOSURES

Legal Entities Disclosures

Malaysia: This report is issued and distributed in Malaysia by Maybank Investment Bank Berhad (15938- H) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets and Services License issued by the Securities Commission in Malaysia. **Singapore:** This report is distributed in Singapore by Maybank KERPL (Co. Reg No 198700034E) which is regulated by the Monetary Authority of Singapore. **Indonesia:** PT Maybank Kim Eng Securities (“PTMKES”) (Reg. No. KEP-251/PM/1992) is a member of the Indonesia Stock Exchange and is regulated by the Financial Services Authority (Indonesia). **Thailand:** MBKET (Reg. No.0107545000314) is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Philippines:** Maybank ATRKES (Reg. No.01-2004-00019) is a member of the Philippines Stock Exchange and is regulated by the Securities and Exchange Commission. **Vietnam:** Maybank Kim Eng Securities Limited (License Number: 117/GP-UBCK) is licensed under the State Securities Commission of Vietnam. **Hong Kong:** KESHK (Central Entity No AAD284) is regulated by the Securities and Futures Commission. **India:** Kim Eng Securities India Private Limited (“KESI”) is a participant of the National Stock Exchange of India Limited and the Bombay Stock Exchange and is regulated by Securities and Exchange Board of India (“SEBI”) (Reg. No. INZ000010538). KESI is also registered with SEBI as Category 1 Merchant Banker (Reg. No. INM 000011708) and as Research Analyst (Reg No: INH000000057) **US:** Maybank KESUSA is a member of/ and is authorized and regulated by the FINRA - Broker ID 27861. **UK:** Maybank KESL (Reg No 2377538) is authorized and regulated by the Financial Conduct Authority.

Disclosure of Interest

Malaysia: MKE and its Representatives may from time to time have positions or be materially interested in the securities referred to herein and may further act as market maker or may have assumed an underwriting commitment or deal with such securities and may also perform or seek to perform investment banking services, advisory and other services for or relating to those companies.

Singapore: As of 17 September 2018, Maybank KERPL and the covering analyst do not have any interest in any companies recommended in this research report.

Thailand: MBKET may have a business relationship with or may possibly be an issuer of derivative warrants on the securities /companies mentioned in the research report. Therefore, Investors should exercise their own judgment before making any investment decisions. MBKET, its associates, directors, connected parties and/or employees may from time to time have interests and/or underwriting commitments in the securities mentioned in this report.

Hong Kong: As of 17 September 2018, KESHK and the authoring analyst do not have any interest in any companies recommended in this research report.

India: As of 17 September 2018, and at the end of the month immediately preceding the date of publication of the research report, KESI, authoring analyst or their associate / relative does not hold any financial interest or any actual or beneficial ownership in any shares or having any conflict of interest in the subject companies except as otherwise disclosed in the research report.

In the past twelve months KESI and authoring analyst or their associate did not receive any compensation or other benefits from the subject companies or third party in connection with the research report on any account what so ever except as otherwise disclosed in the research report.

MKE may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment and may receive compensation for the services provided from the companies covered in this report.

OTHERS

Analyst Certification of Independence

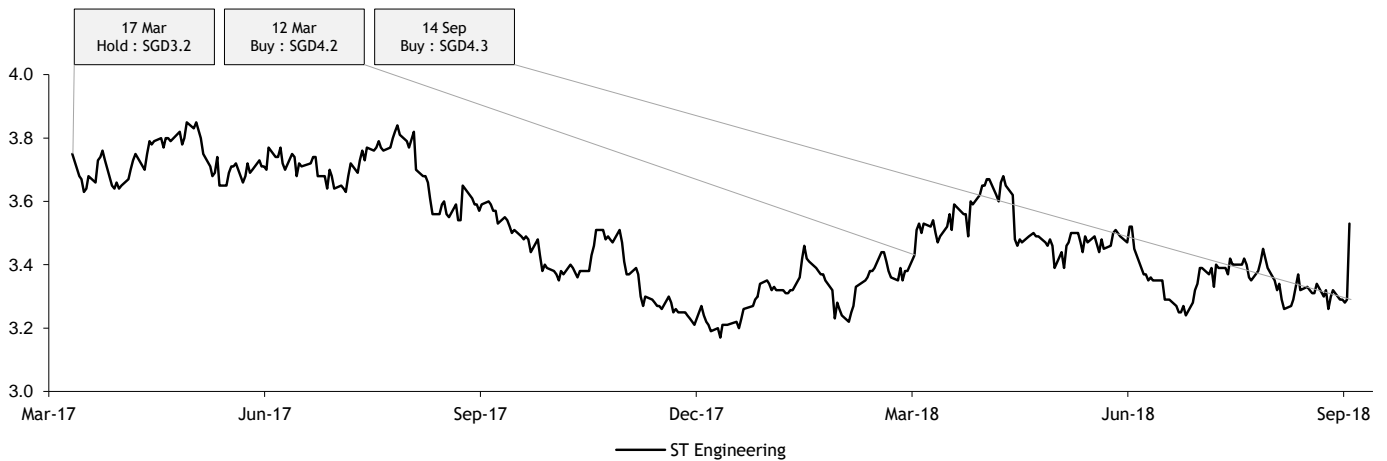
The views expressed in this research report accurately reflect the analyst’s personal views about any and all of the subject securities or issuers; and no part of the research analyst’s compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Reminder

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct its own analysis of the product and consult with its own professional advisers as to the risks involved in making such a purchase.

No part of this material may be copied, photocopied or duplicated in any form by any means or redistributed without the prior consent of MKE.

Historical recommendations and target price: ST Engineering (STE SP)



Definition of Ratings

Maybank Kim Eng Research uses the following rating system

BUY	Return is expected to be above 10% in the next 12 months (excluding dividends)
HOLD	Return is expected to be between - 10% to +10% in the next 12 months (excluding dividends)
SELL	Return is expected to be below -10% in the next 12 months (excluding dividends)

Applicability of Ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.


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

Indonesia

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

New York

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

Philippines

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


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

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


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
400 Park Avenue, 11th Floor
New York, New York 10022,
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